

Global Economic Outlook

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**2014 Outlook Conference
Ohio Wesleyan University**

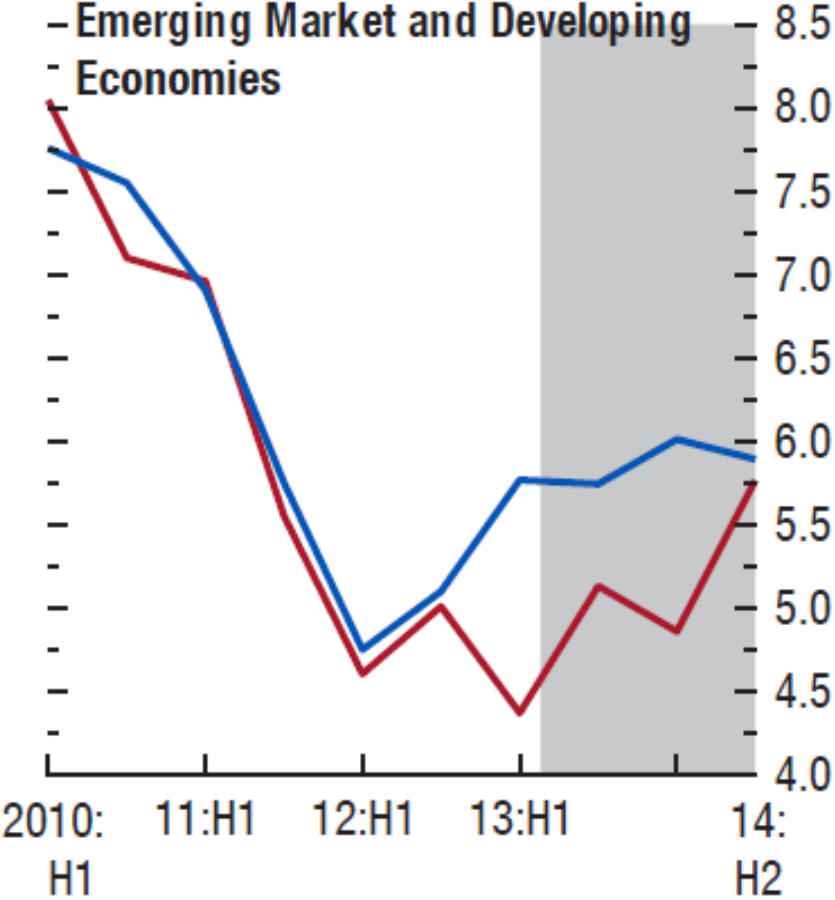
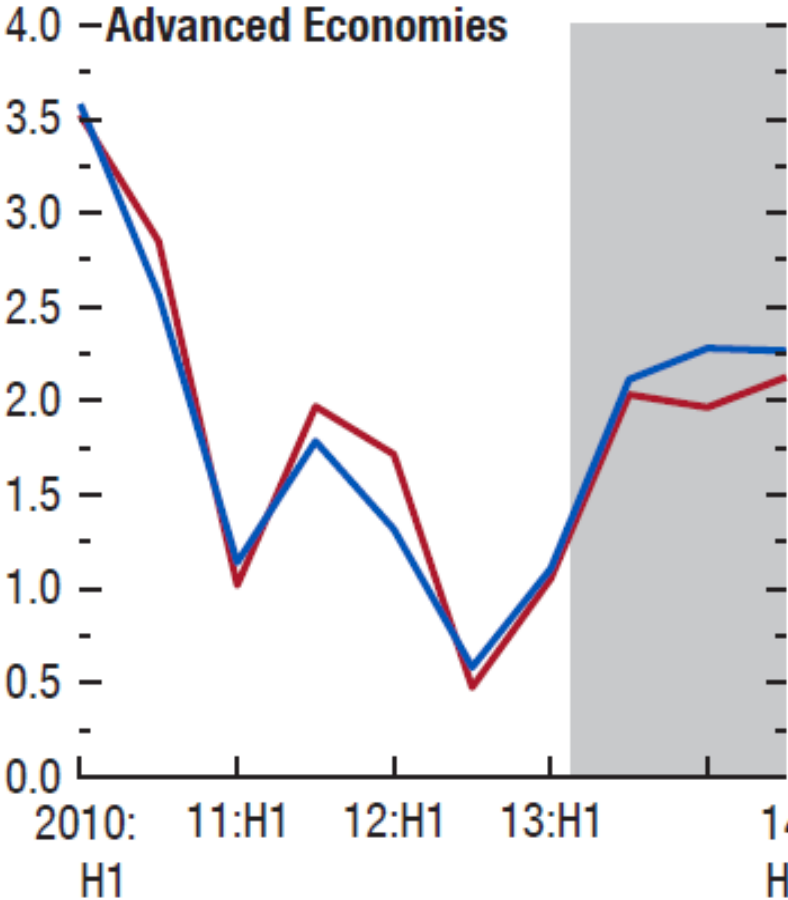
November 11, 2013

Global Economic Growth

- **World output forecast to grow by 3.6% in 2014**
- **Unlike developments post-financial crisis, advanced economies have gained some speed, and emerging and developing economies have slowed**
- **However, emerging and developing economies will still account for bulk of global growth in 2014 at 5.1% compared to advanced economies at 2.0%**
- **Within each group, differences in growth path and point in business cycle**

Economic Growth Breakdown

GDP Growth (Annualized quarterly % change)



Source: IMF WEO (October 2013)

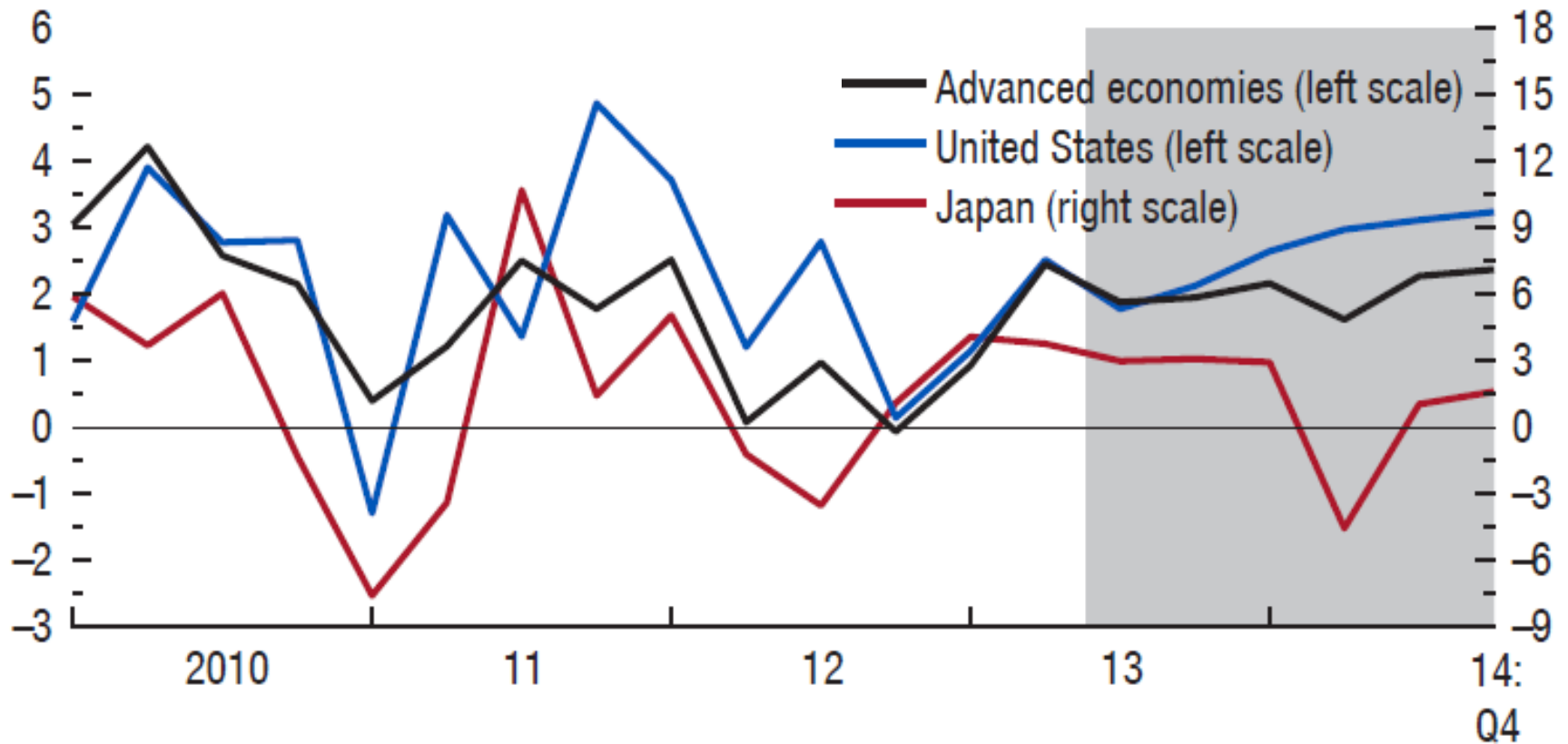
- April 2013
- October 2013

Growth Dynamics

- **Main boost to global growth from US (2.6%) – depends on fiscal resolution and debt ceiling**
- **Activity expected to slow in Japan (1.2%) as stimulus package winds down**
- **In euro area (1.0%), economic activity stabilizing in periphery and recovering in core economies**
- **Somewhat lower growth forecast in China (7.3%)**
- **In Latin America (3.1%), currency depreciations have partially offset tightening of financial conditions**

Economic Growth: US and Japan

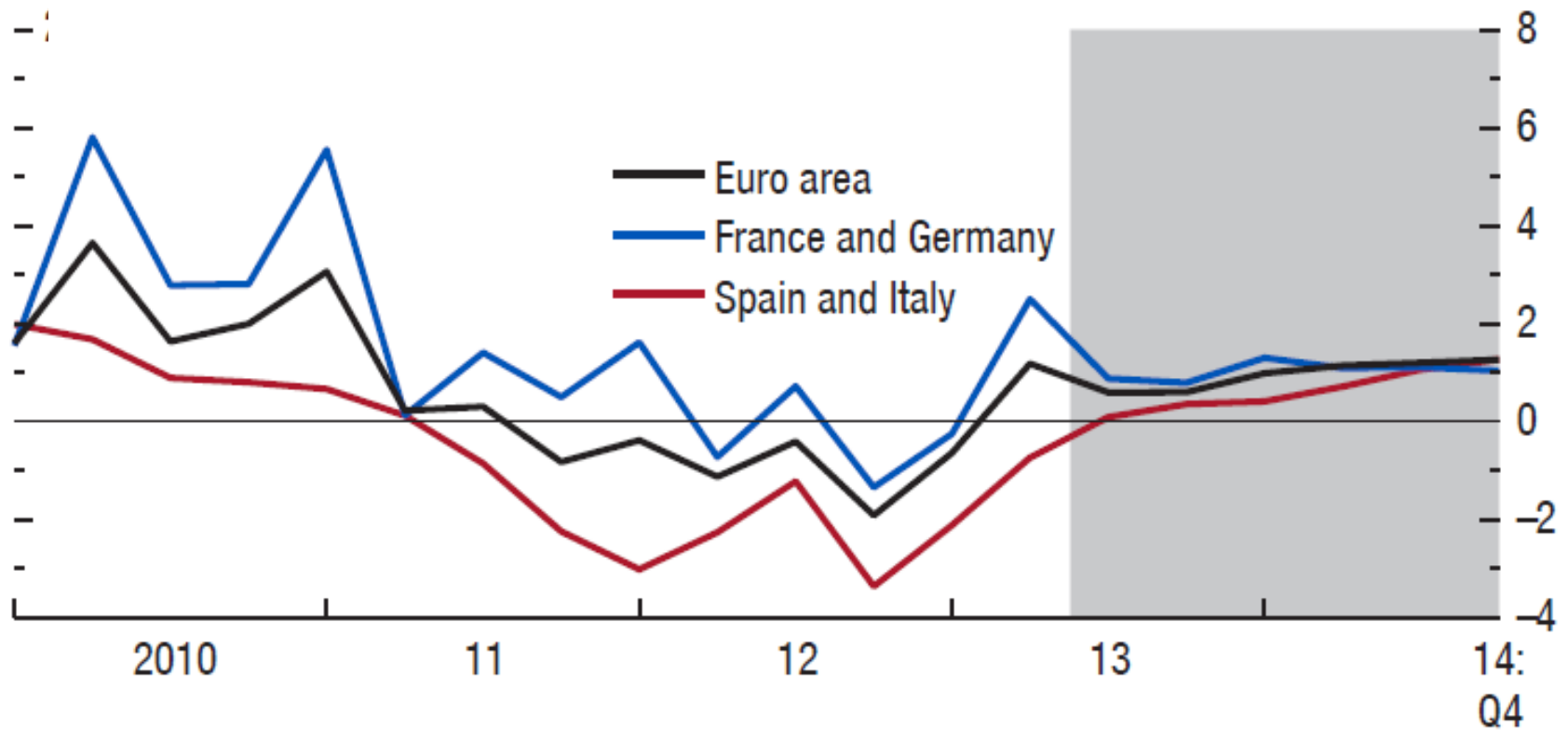
GDP Growth (Annualized quarterly % change)



Source: IMF WEO (October 2013)

Economic Growth: Euro Area

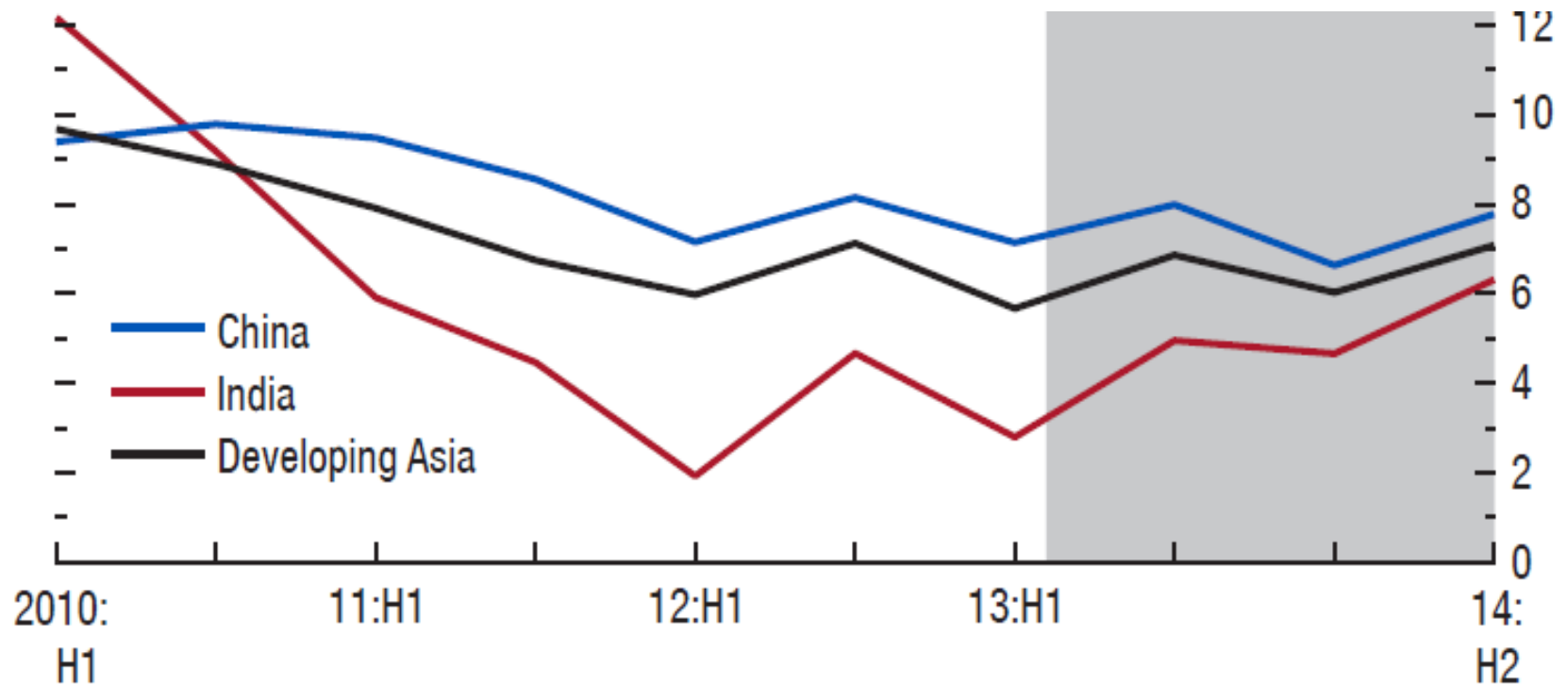
GDP Growth (Annualized quarterly % change)



Source: IMF WEO (October 2013)

Economic Growth: Developing Asia

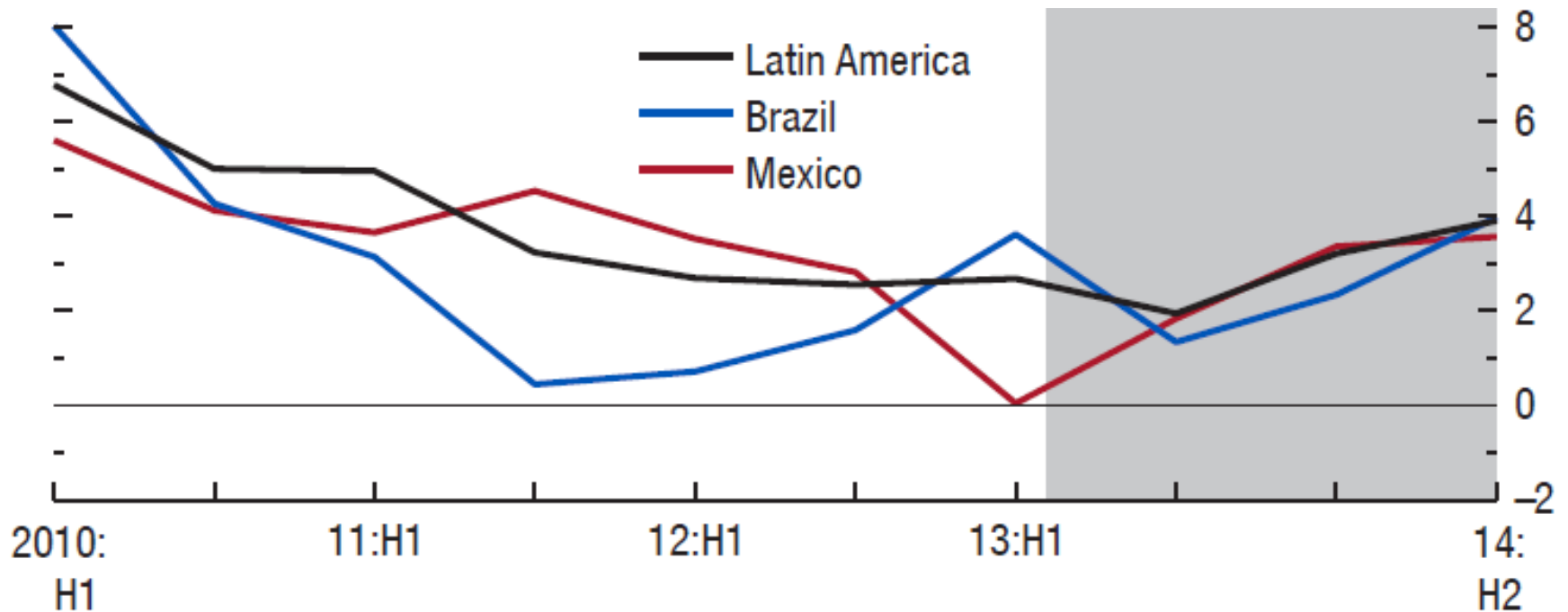
GDP Growth (Annualized half-over-half % change)



Source: IMF WEO (October 2013)

Economic Growth: Latin America

GDP Growth (Annualized half-over-half % change)



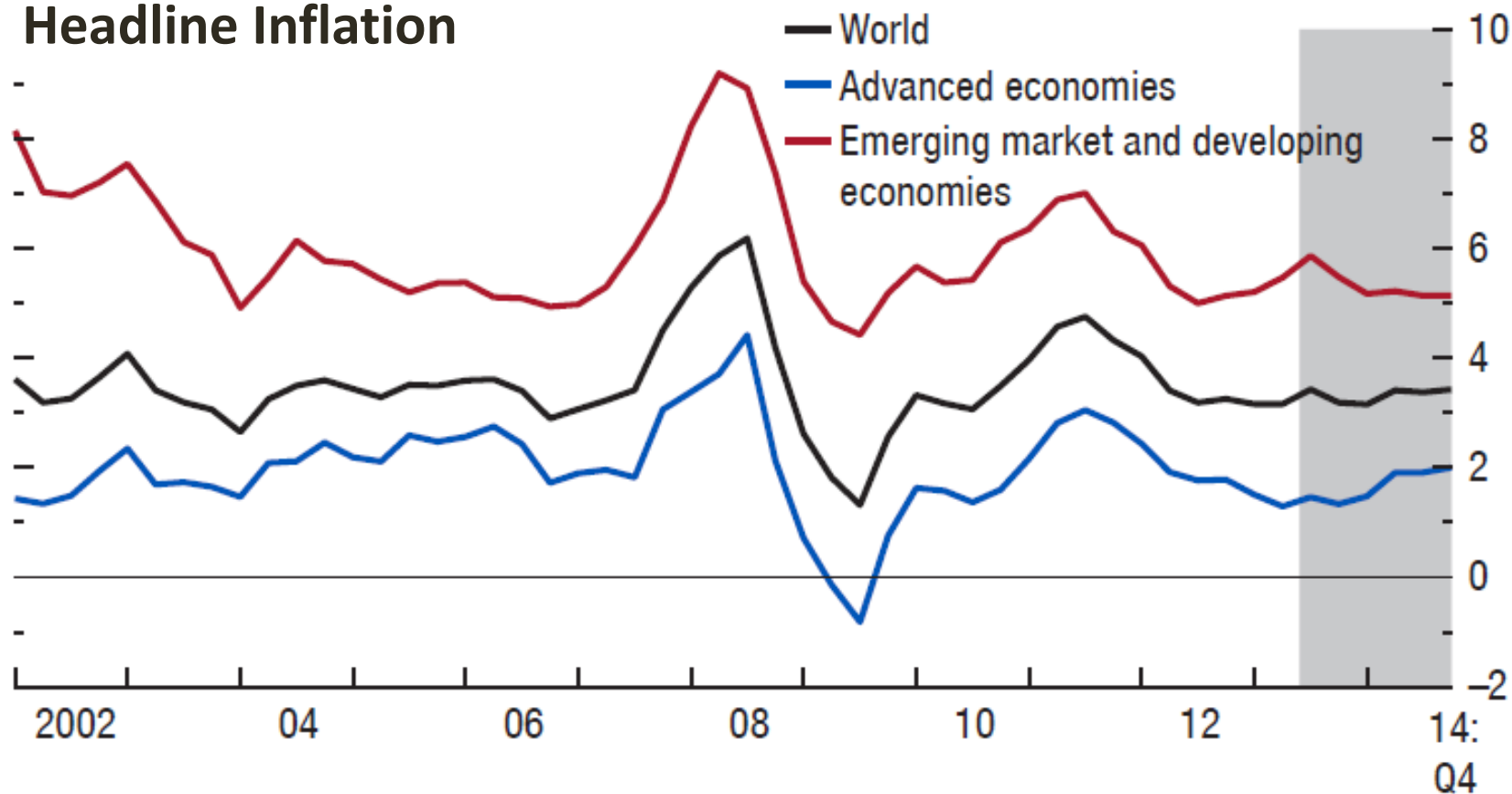
Source: IMF WEO (October 2013)

Inflation Forecasts

- **Inflation pressures subdued:**
 - **Large output-gaps remain in advanced economies**
 - **Commodity prices have fallen with improved supply, and lower demand growth in emerging economies**
- **Inflation rates in major economies:**
 - **US - 1.5%**
 - **Euro area - 1.5%**
 - **Japan - 2.0%**
 - **Emerging/developing economies - 5/6%**

Global inflation

Headline Inflation



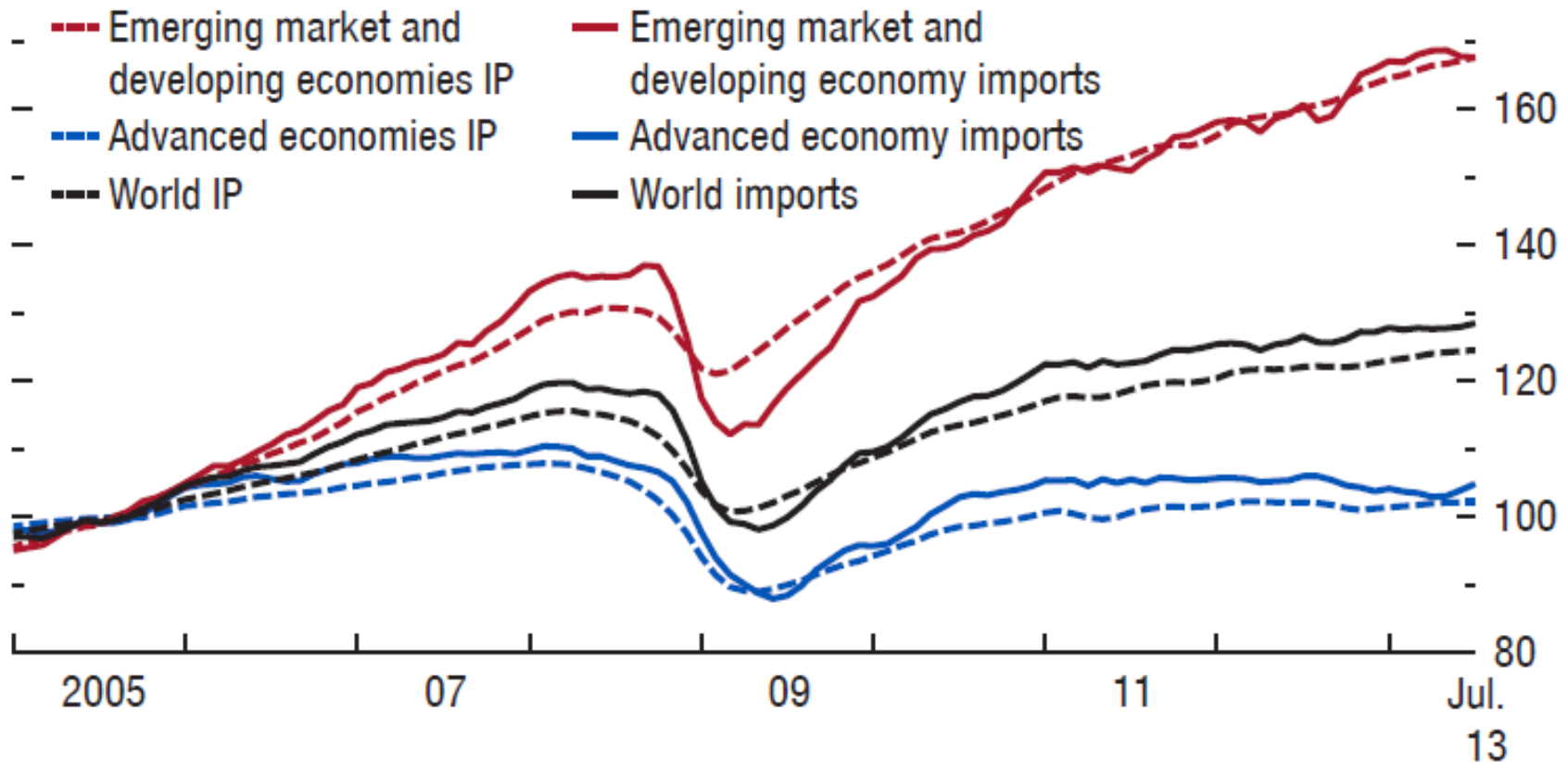
Source: IMF WEO (October 2013)

International Trade and Global Imbalances

- **World trade reflects weak global growth patterns**
- **Global current account imbalances projected to decrease**
 - **Lower surpluses in oil exporting countries**
 - **Need to have expansion of consumption in China and investment in Germany**
- **Exchange rate adjustments in surplus economies and deficit economies have supported rebalancing**

International Trade

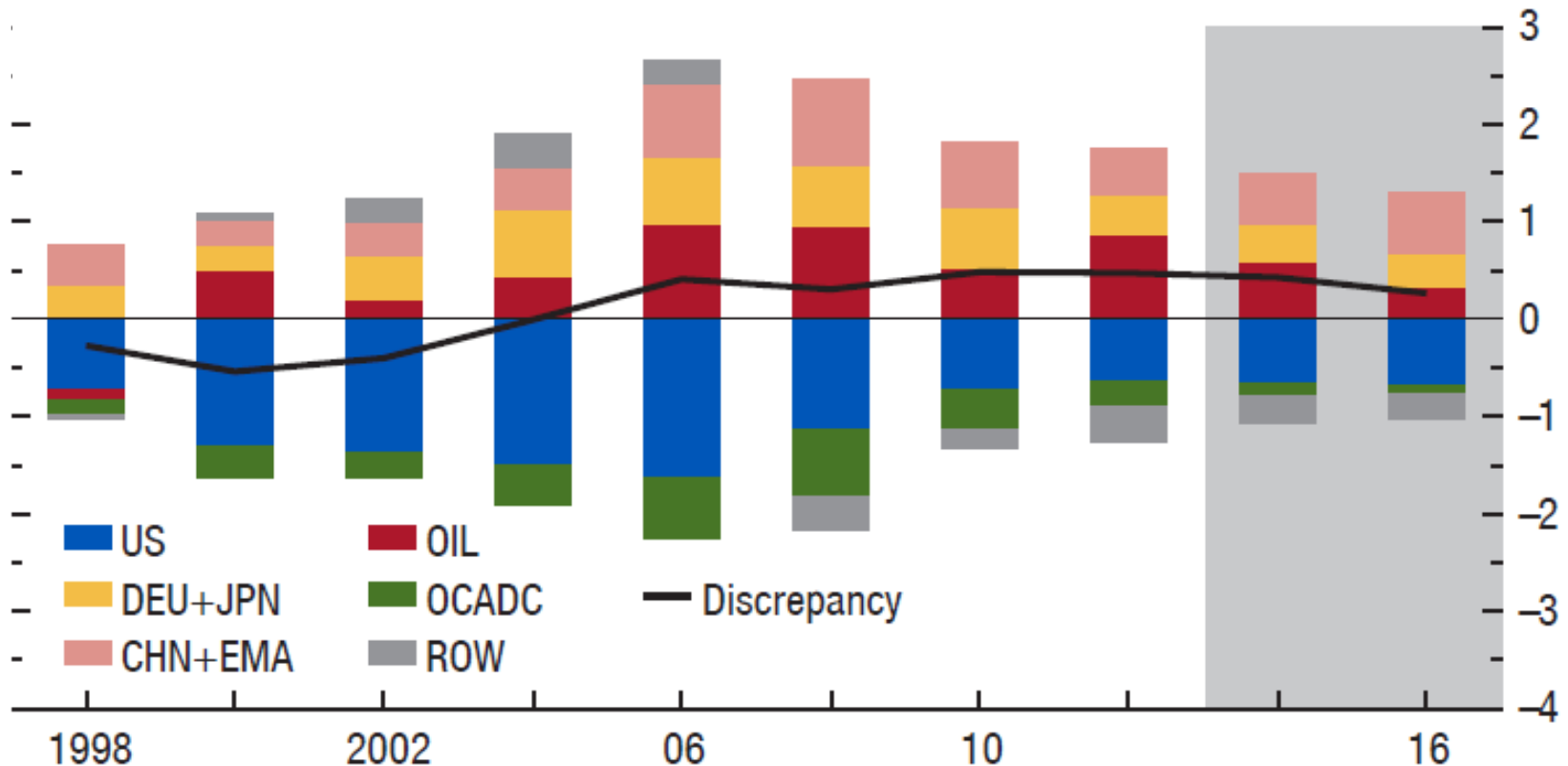
World Trade Volume and Industrial Production (2005=100)



Source: IMF WEO (October 2013)

Global Imbalances

Global Imbalances (% of world GDP)



Source: IMF WEO (October 2013)

Policy Challenges

- **US: unwinding of monetary easing; resolution of fiscal policy - potential for global spillovers**
- **Euro area: fiscal adjustment; weak banking system; monetary easing - ECB should commit to low rates**
- **Japan: QE; fiscal policy; and structural reforms - scale up QE if inflation expectations stay low**
- **China: investment at 50% of GDP - rebalance toward sustainable private-consumption based growth**
- **Emerging economies: tighter external financing; low negative output gaps – orderly exchange rate depreciation and appropriate fiscal/monetary policy**

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