



GLOBAL ECONOMIC OUTLOOK

Véronique SALINS, ECO/MPD
17 September 2018



Summary

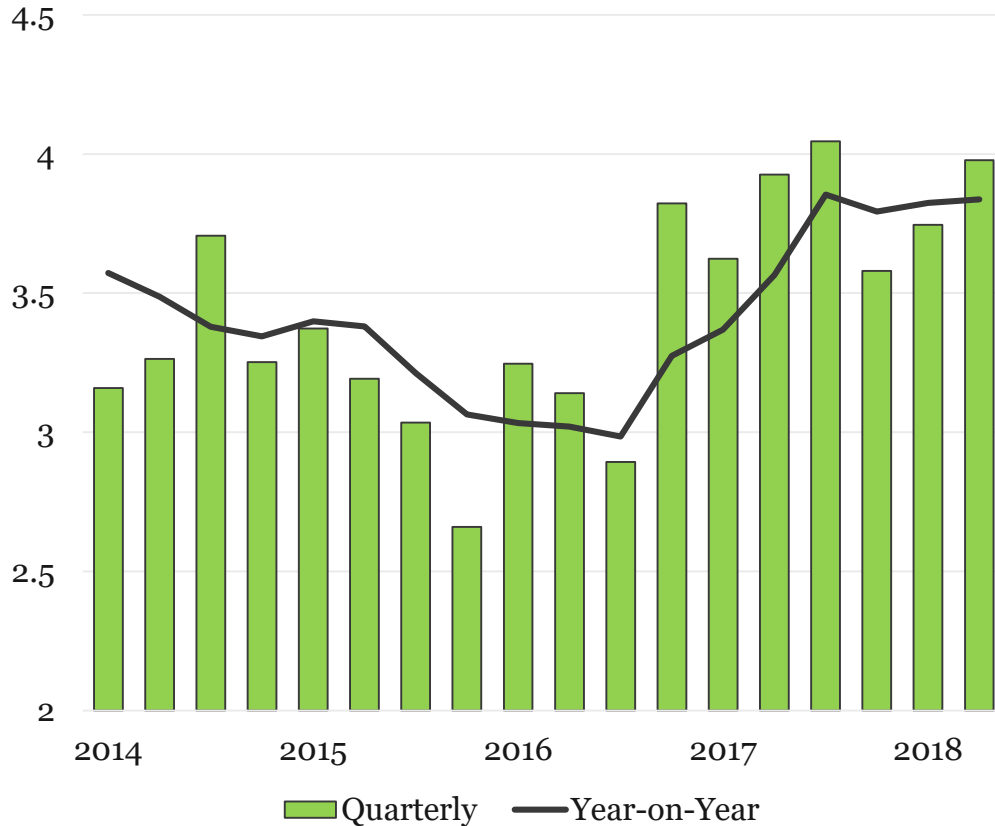
- Global growth is still robust, but is less broad-based
- Business sentiment is moderating.
- Downside risks are more prominent.
- Policy uncertainty weighs on confidence, trade and investment.
- Labour markets have improved but wages and inflation, remain surprisingly low.
- EMEs with external vulnerabilities face significant headwinds that could increase.
- With more limited space for macroeconomic stimulus there is a need to support inclusive growth through an acceleration of structural reforms



Global growth is still robust but is less synchronised

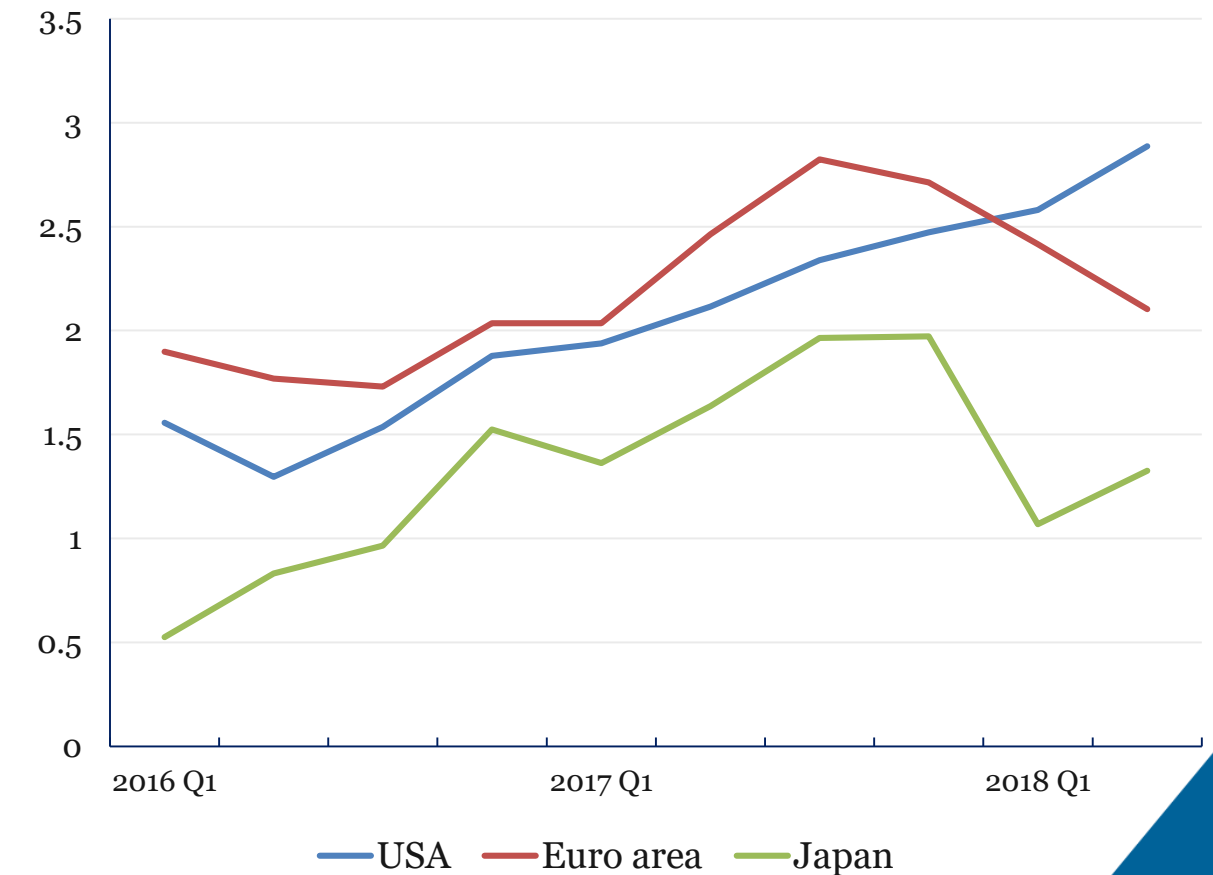
Global growth

% changes, a.r.
PPP weights



Annual GDP growth

Y-o-Y



Source: OECD Main indicators database, Thomson Reuters and OECD calculations.



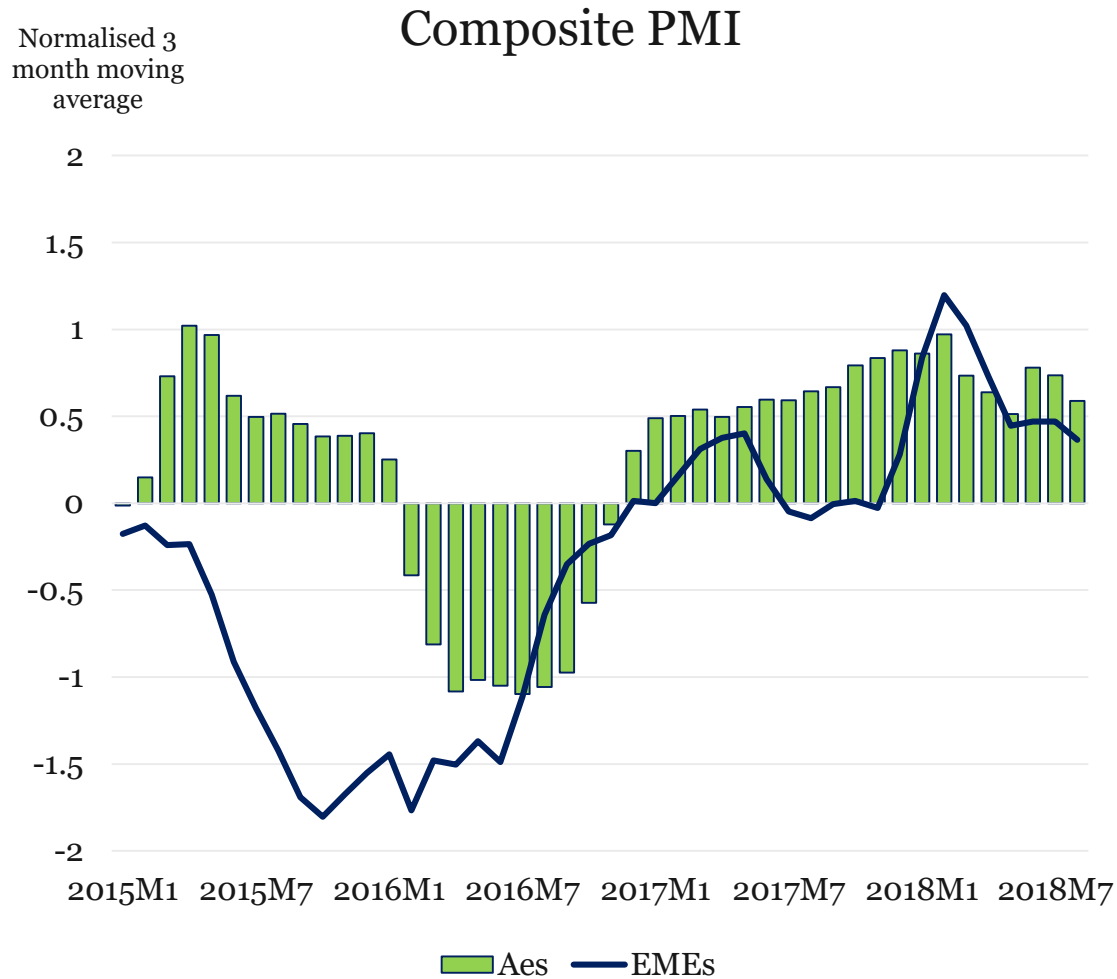
Industrial production has eased significantly but global retail sales remain strong



Source: OECD Main indicators database, Thomson Reuters and OECD calculations.



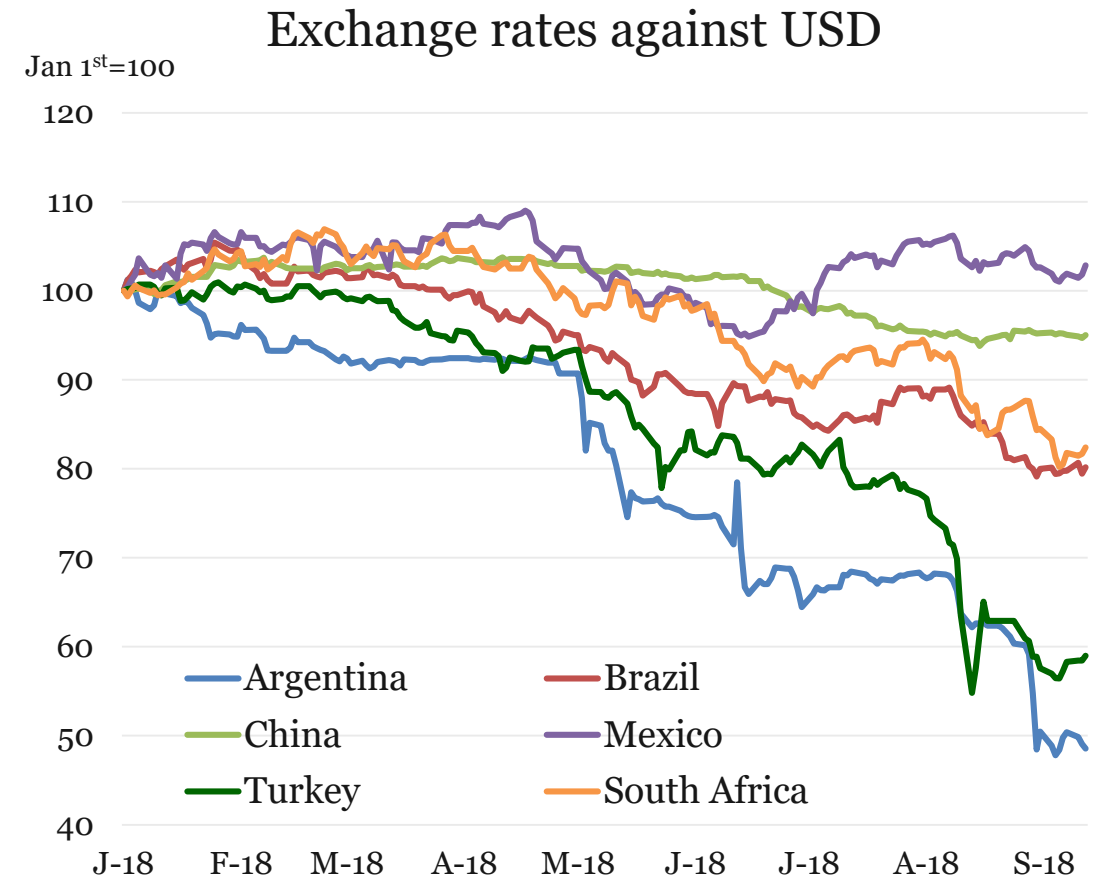
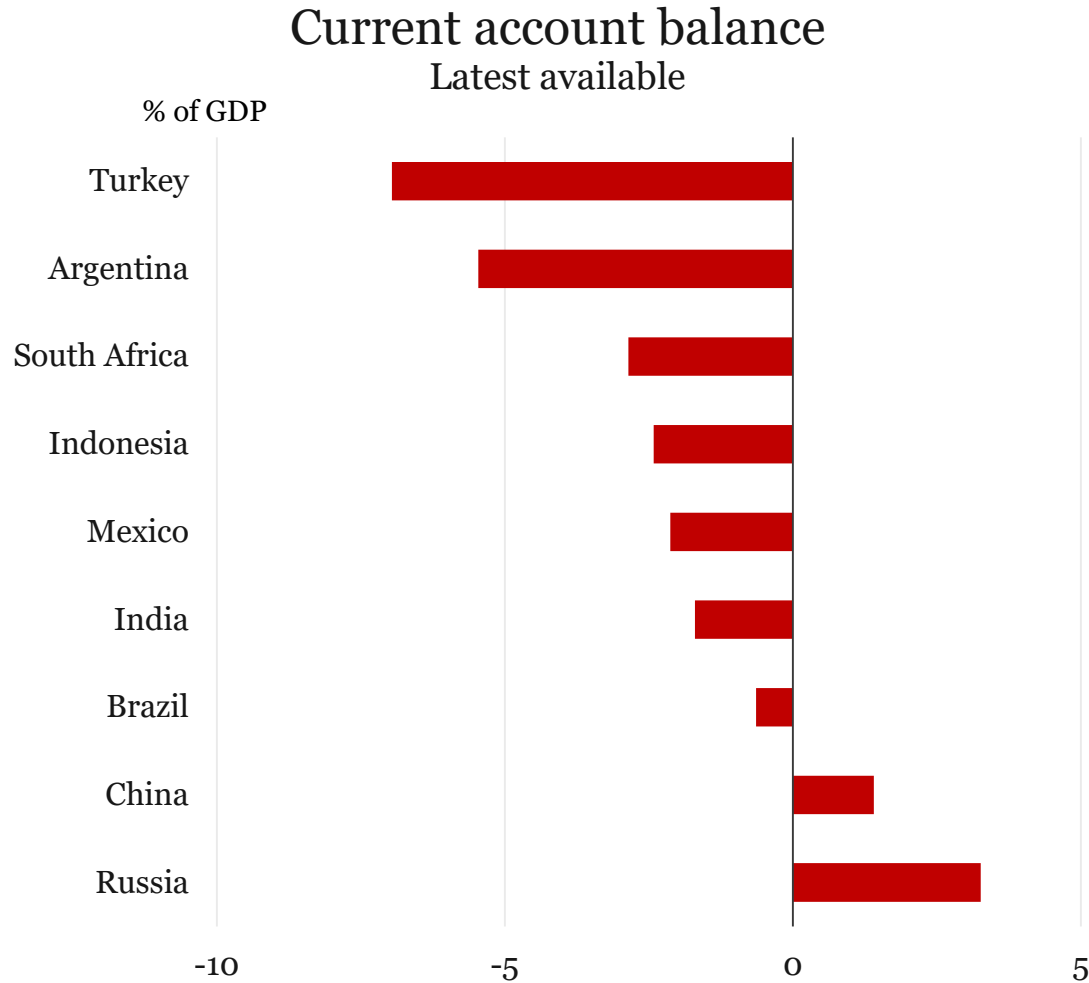
Survey indicators suggest growth is moderating



Source: OECD Main indicators database, Thomson Reuters, Markit and OECD calculations.



A number of EMEs with external vulnerabilities face significant financial market pressures



Source: OECD Economic Outlook database, Thomson Reuters, and OECD calculations.

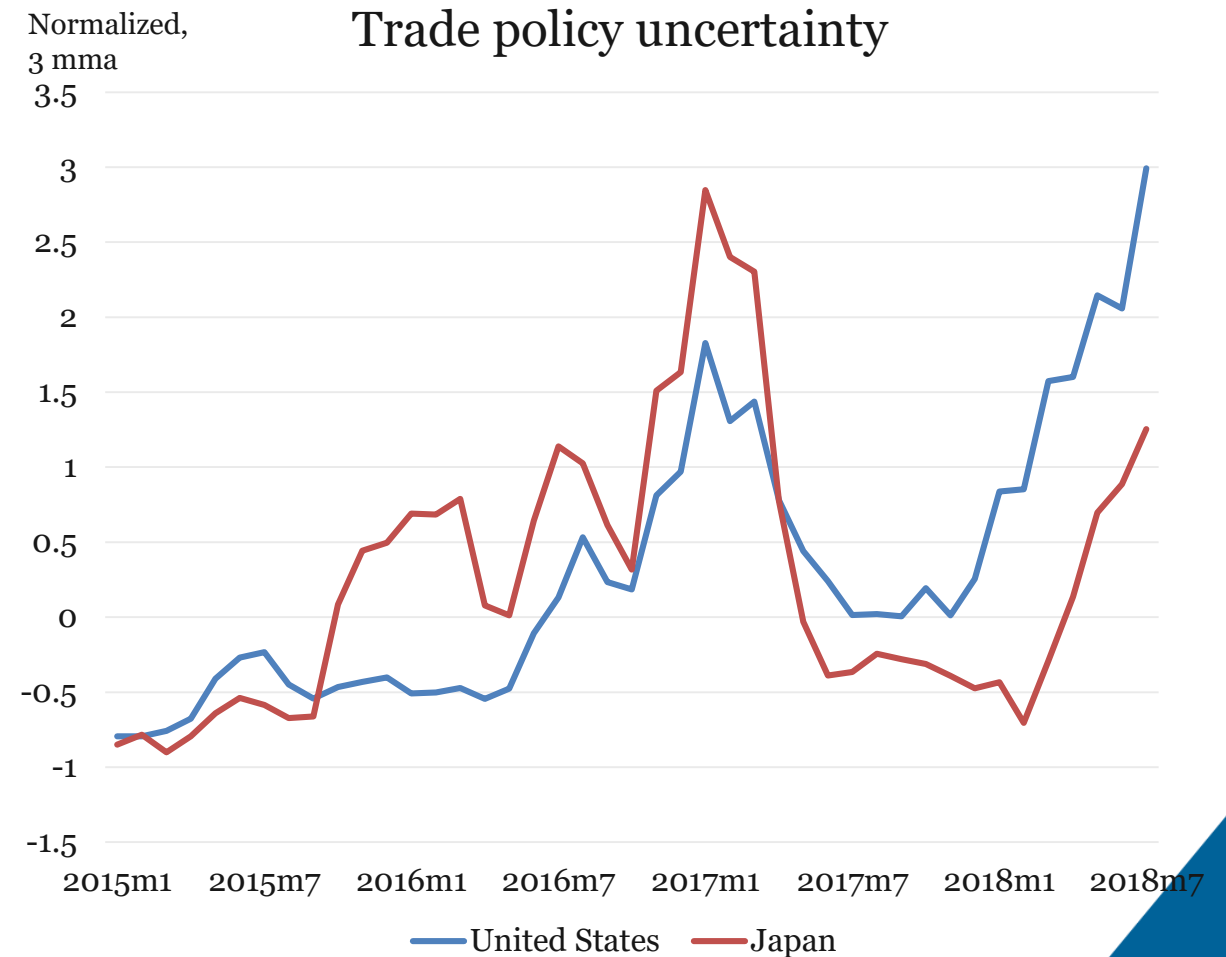


Consensus growth expectations have been revised down in 2019

	2018		2019	
	EO103	Consensus Forecasts (Last release)	EO103	Consensus Forecasts (Last release)
World	3.8	3.8	3.9	3.7
United States	2.9	2.9	2.8	2.6
Euro area	2.2	2.1	2.1	1.8
Japan	1.2	1.1	1.2	1.2
United Kingdom	1.4	1.3	1.3	1.5
China	6.7	6.6	6.4	6.3
India	7.2	7.3	7.5	7.5
Brazil	2.0	1.6	2.8	2.6
Turkey	5.1	3.8	5	2.4
Argentina	2	-0.5	2.6	1.4



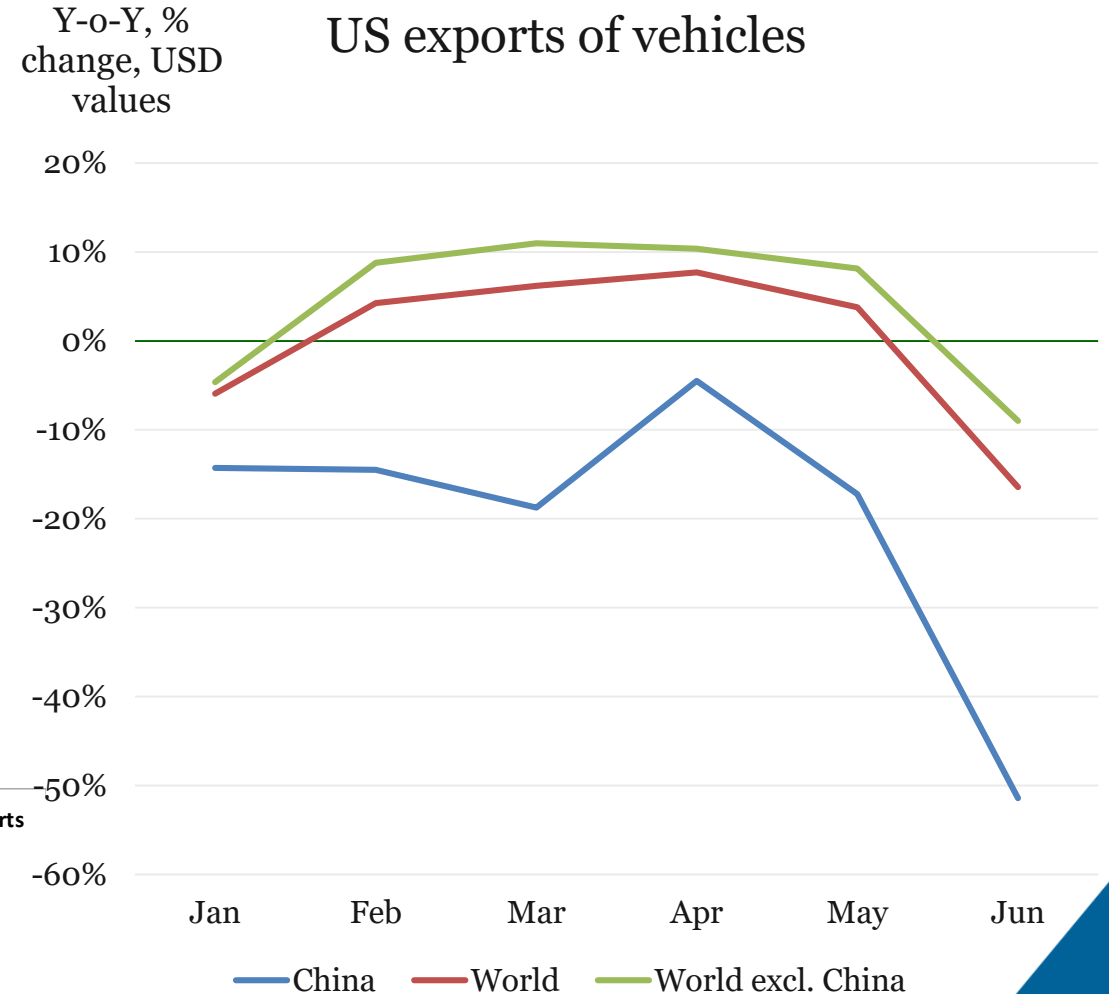
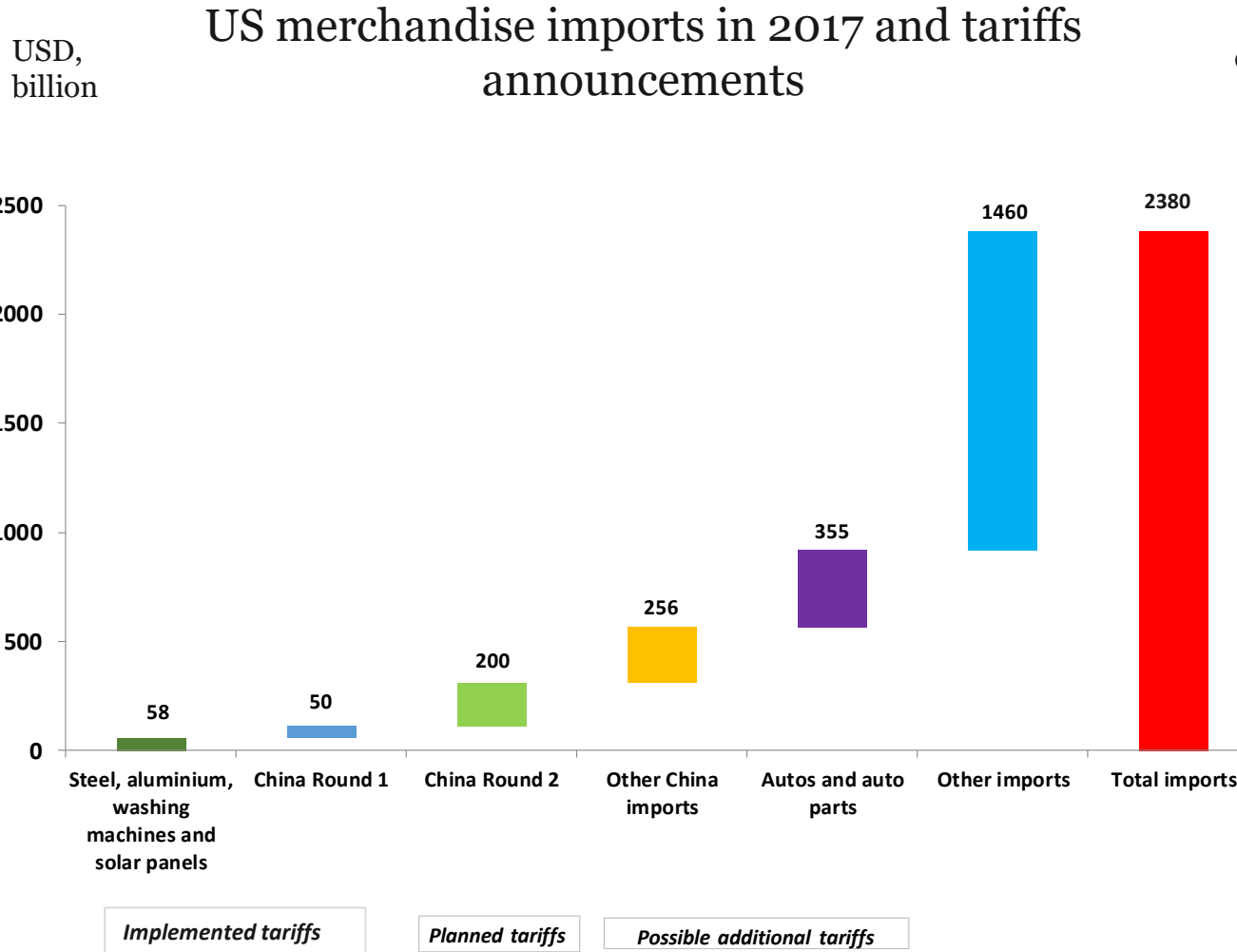
Global trade has slowed amid growing trade policy uncertainties



Note: The series in the RHS chart are derived from newspaper coverage of trade policy uncertainty in the countries shown.
Source: OECD Economic Outlook Database; policyuncertainty.com; and OECD calculations.



While implemented tariff measures have already significantly impacted trade in specific sectors



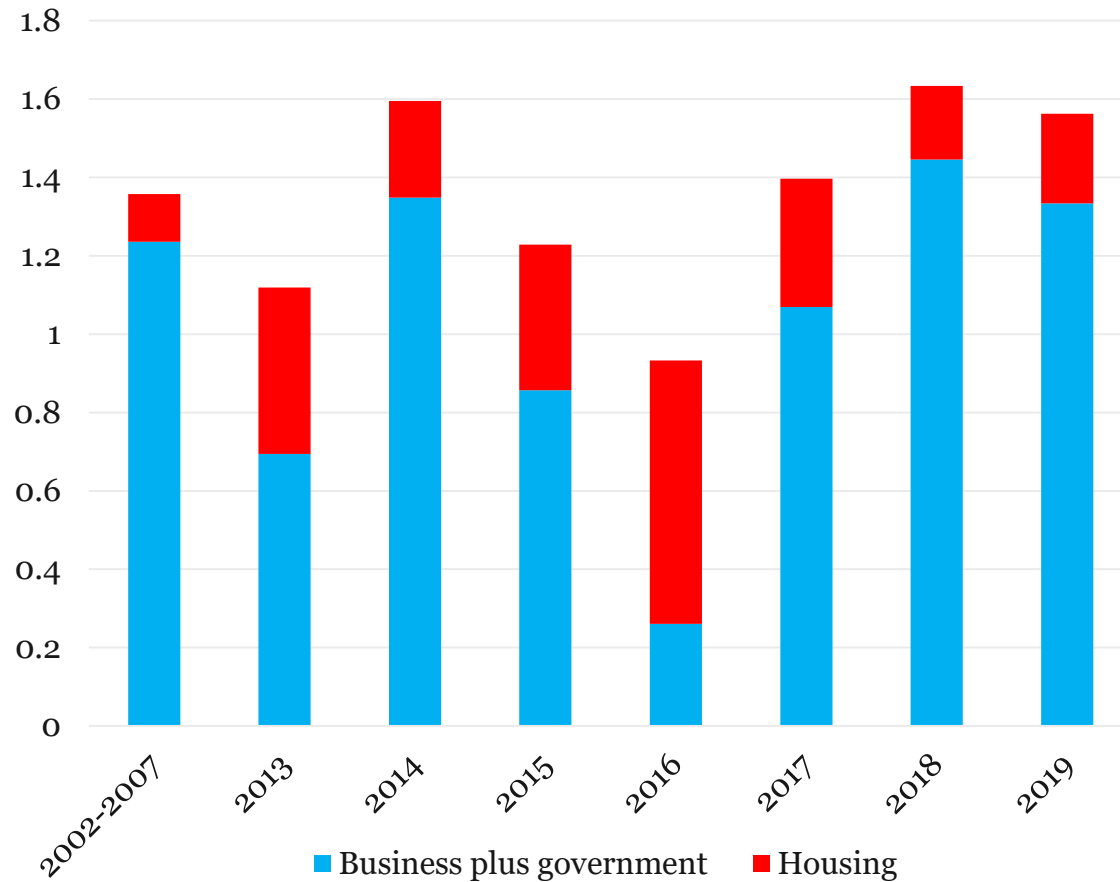
Note: Peterson Institute for International Economics; US International Trade Administration, and OECD calculations.

Source: United States International trade Commission, and OECD calculations.

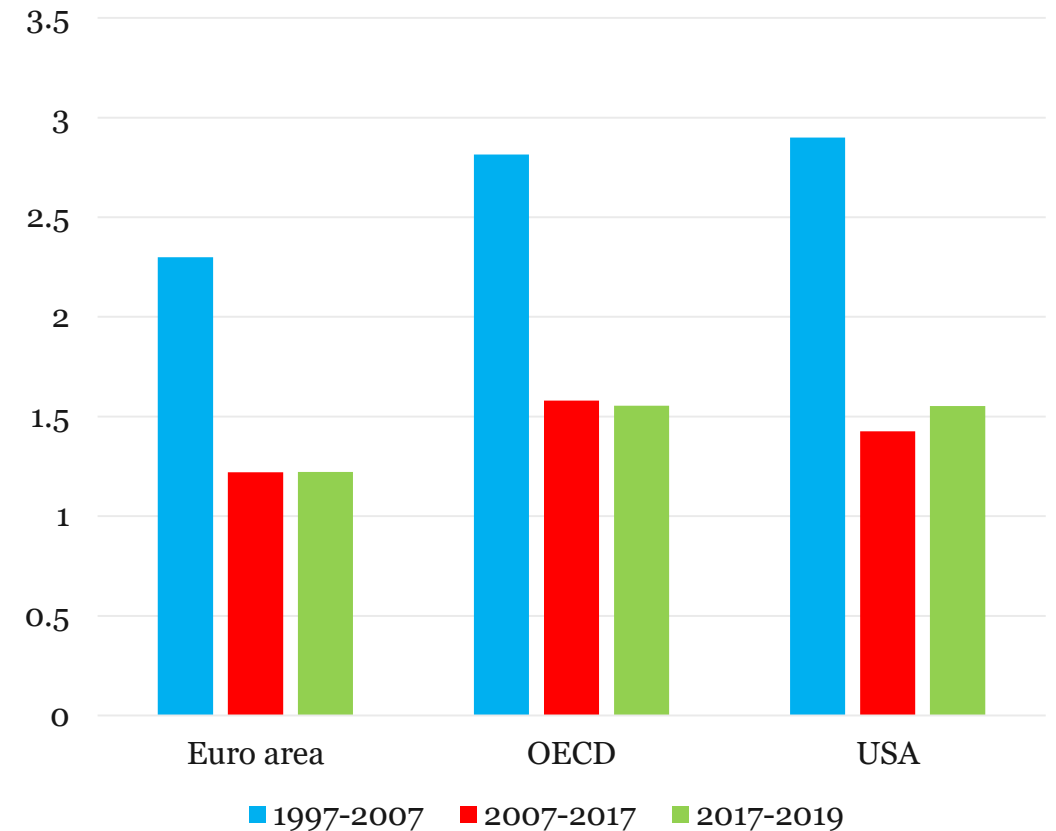


Investment has picked up in the OECD economies but productive capital growth remains low

OECD Investment Intensity



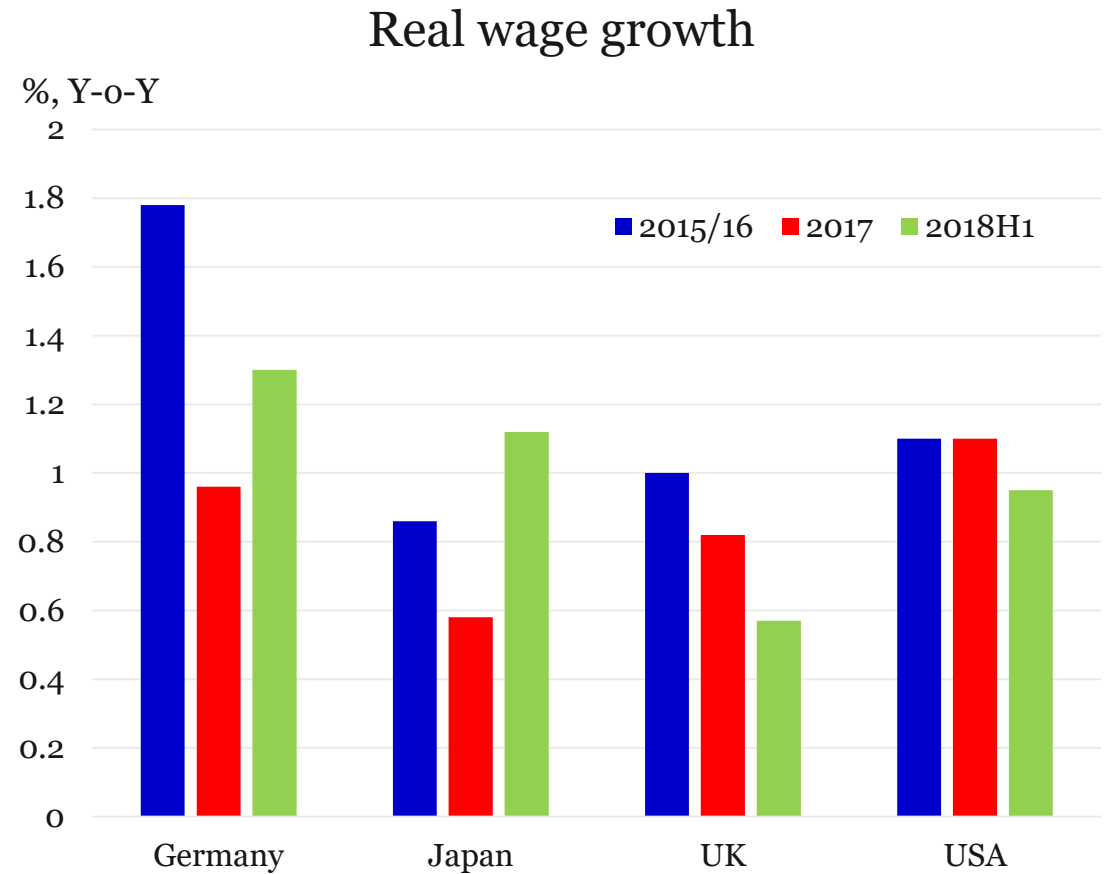
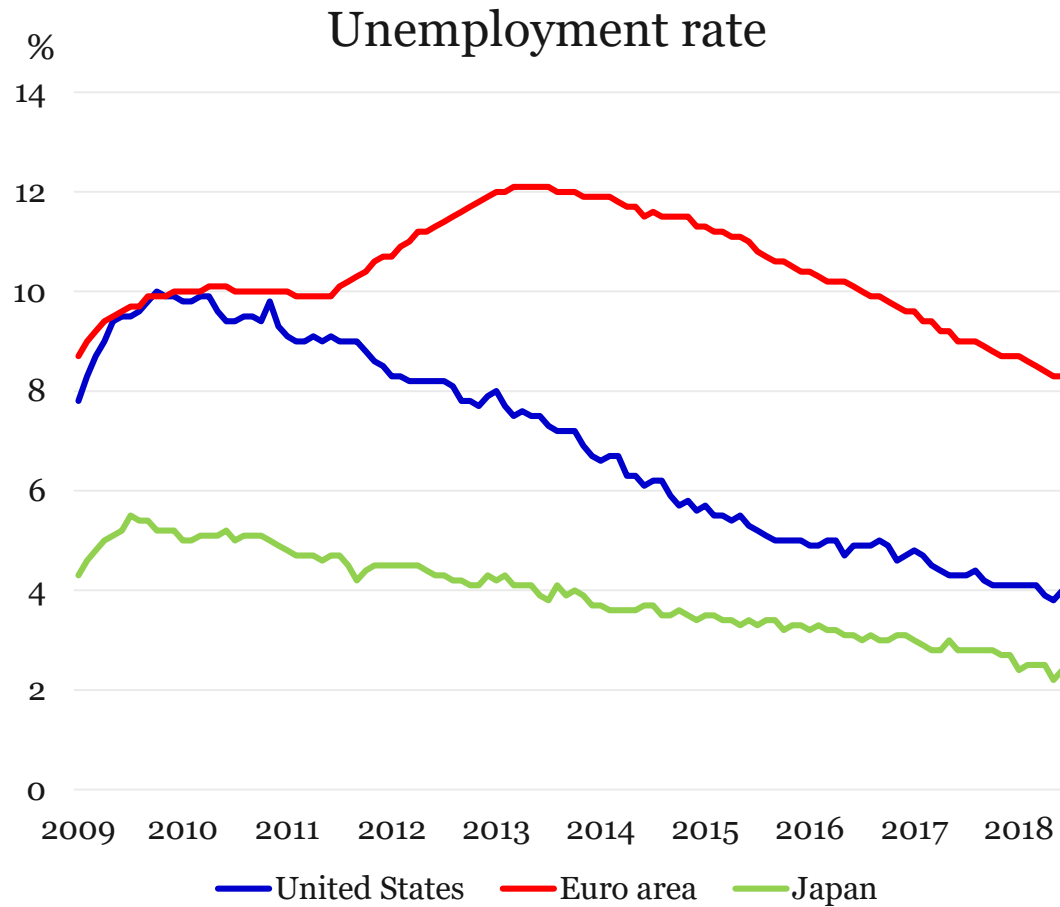
Growth of the productive capital stock (% per year between periods shown)



Note: Investment intensity is defined as the ratio of OECD investment growth to OECD GDP growth in the period shown.
Source: OECD Economic Outlook database; and OECD calculations.



The OECD-wide unemployment rate has fallen below its pre-crisis level but wage pressures remain low



Note: Real wage growth is calculated from nominal wage growth and the consumers' expenditure deflator. Data for 2015-16 in the RHS chart are average annual growth rates.

Source: OECD Short-term labor statistics; OECD Economic Outlook database; and OECD calculations.

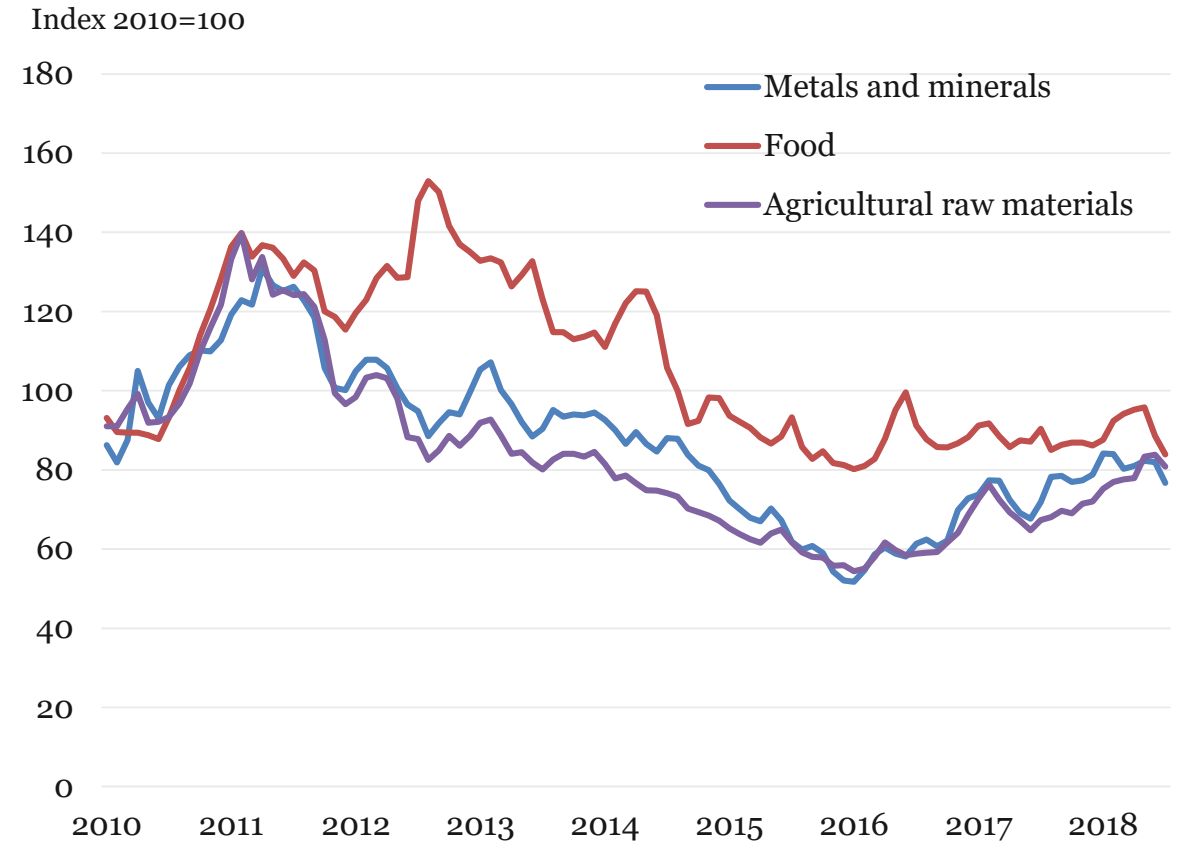


Commodity prices have been on an upward trend...

Brent oil prices



Non-oil commodity prices

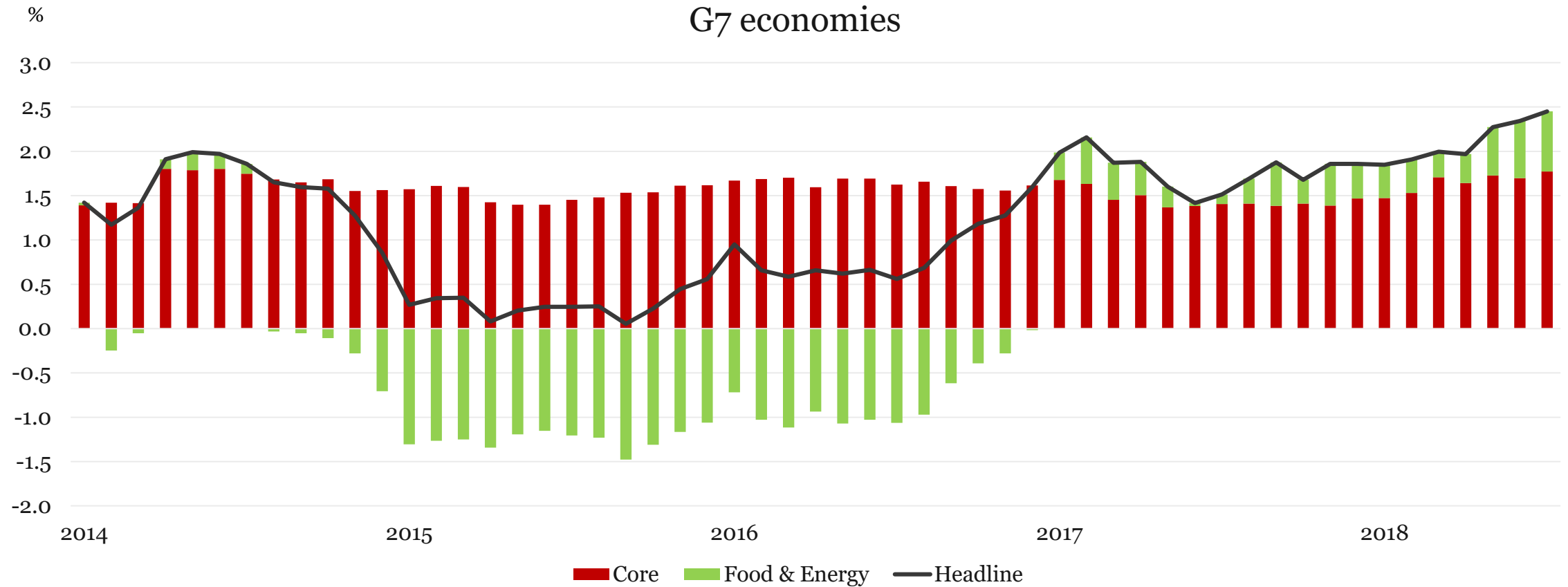


Source: OECD Main Indicators Database, Thomson Reuters and OECD calculations.



... pushing headline inflation up, although core inflation remains subdued

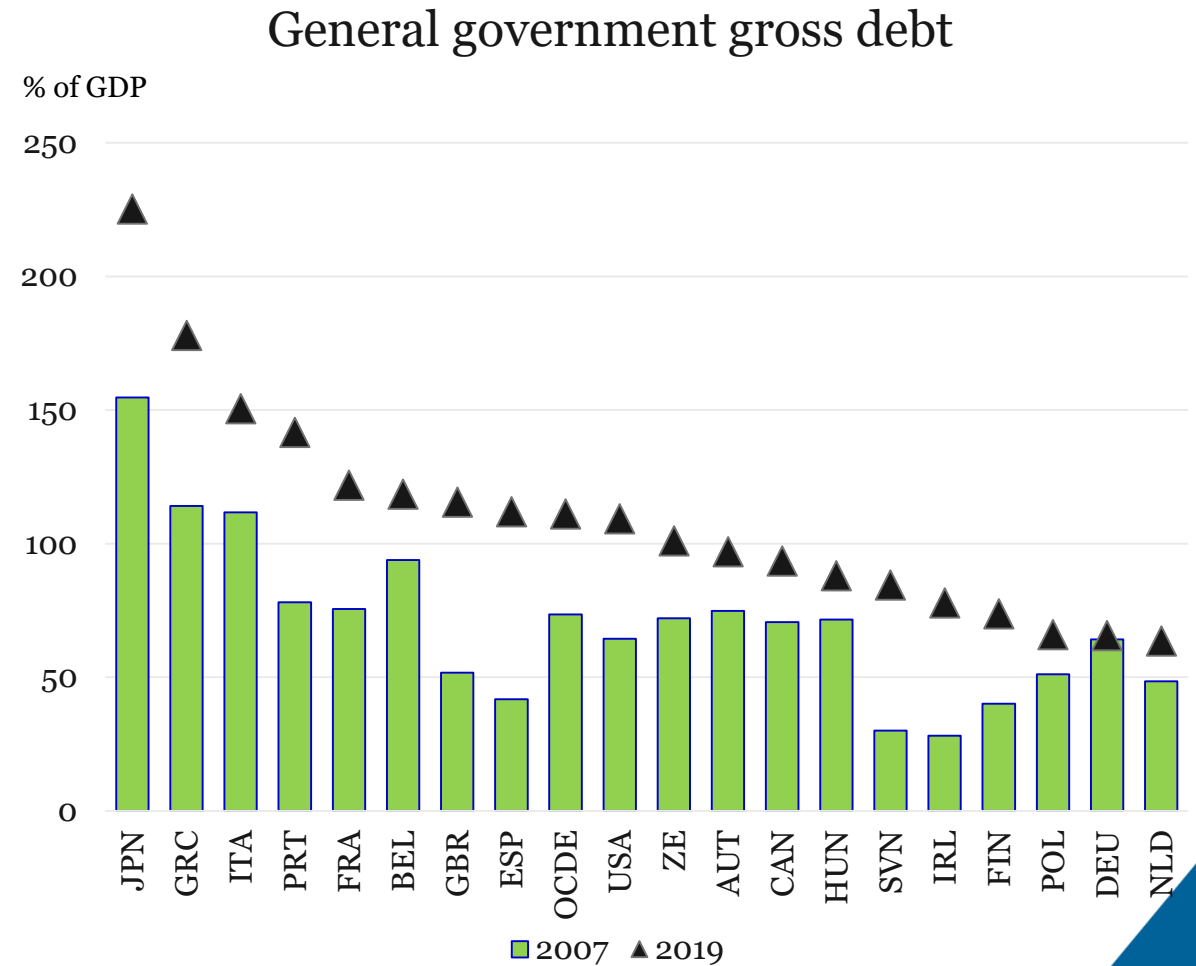
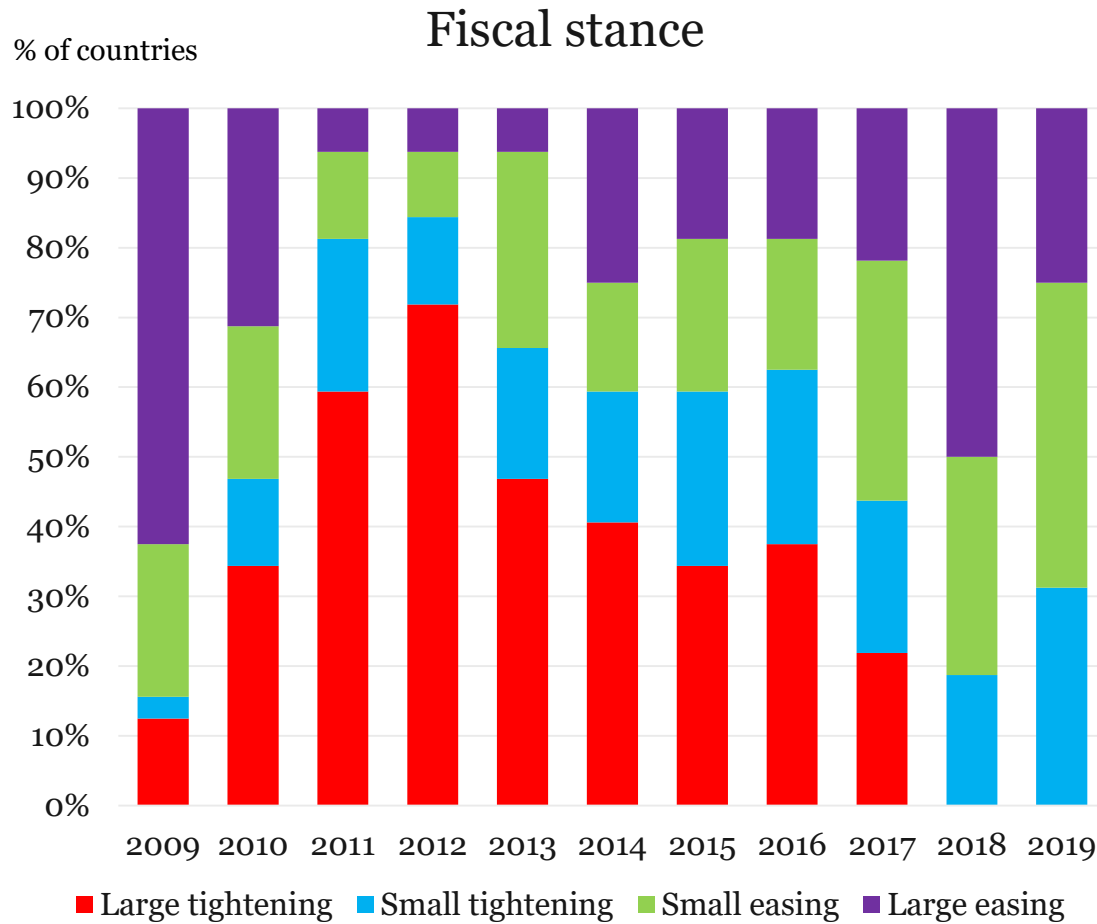
Annual headline and core consumer price inflation G7 economies



Source: OECD main Indicators database, and OECD calculations.



The fiscal stance is easing in many OECD countries but fiscal buffers are limited



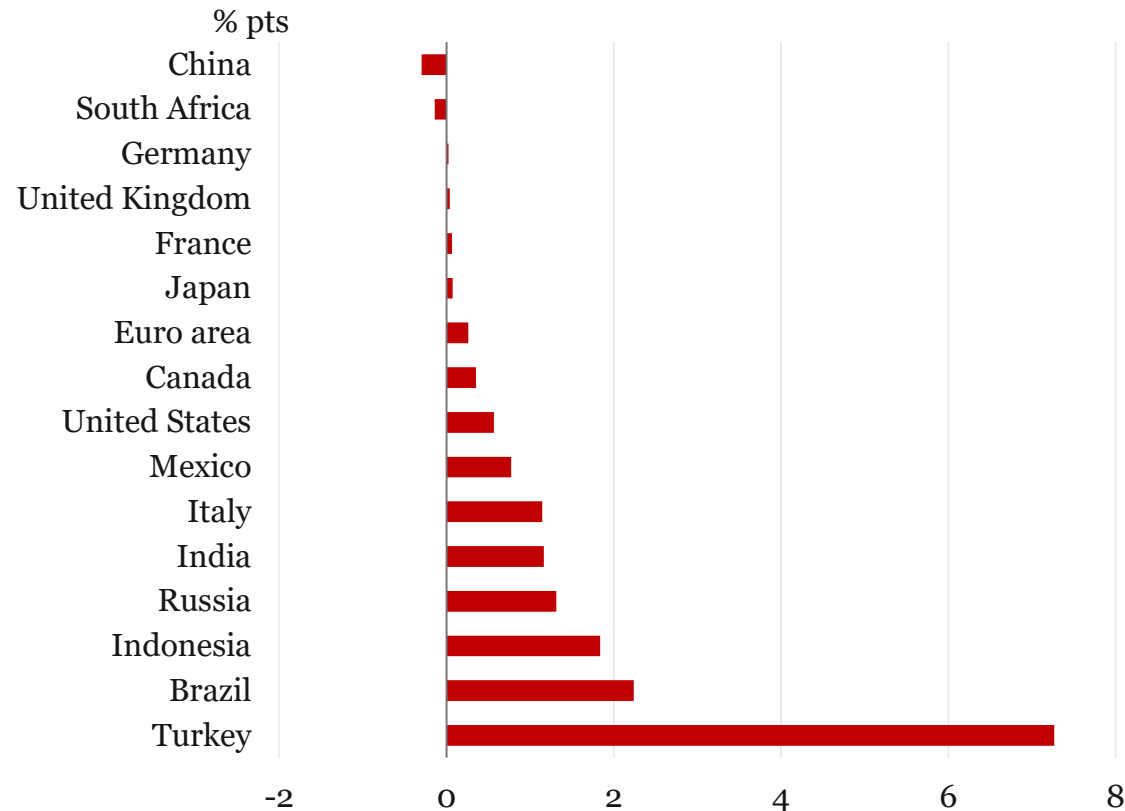
Note: The fiscal stance is calculated based on changes in the underlying primary balance as a percent of potential GDP. A large easing (tightening) is over 0.5% of GDP, a small easing (tightening) is between 0 and 0.5% of GDP.

Source: OECD Economic Outlook 103 database; and OECD calculations.

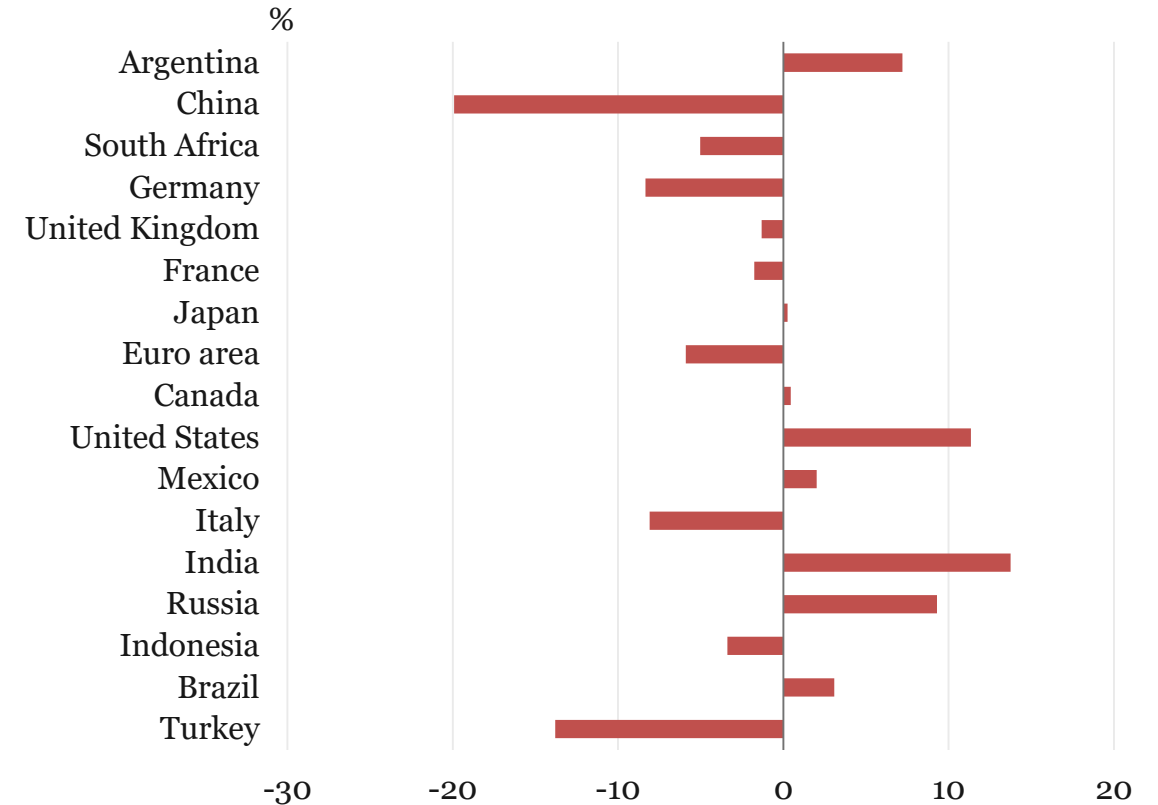


Financial conditions have tightened in many large economies this year

10-year government bond yields



Equity prices



Changes between the January 2018 average and the August 2018 average

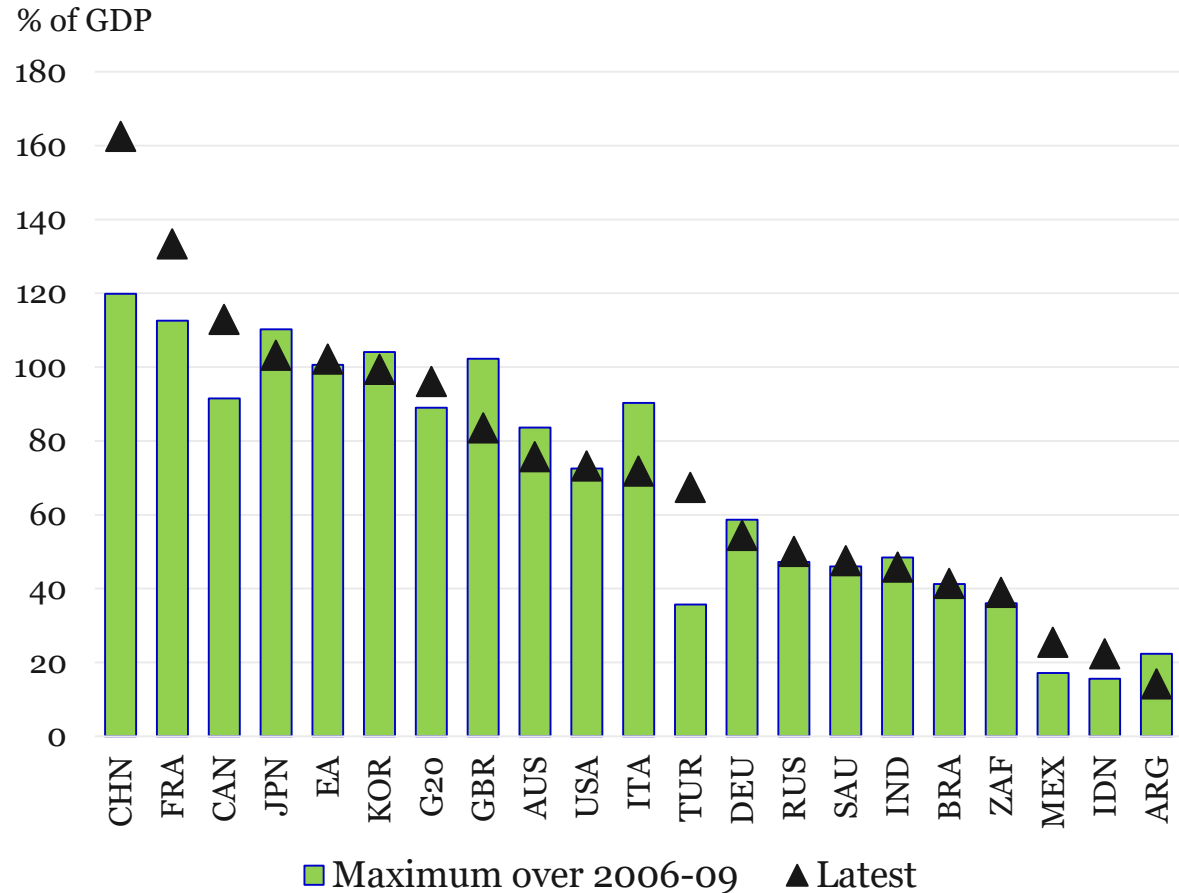
Note: a 10-year government bond yield is not available for Argentina.

Source: Thomson Reuters, and OECD calculations.

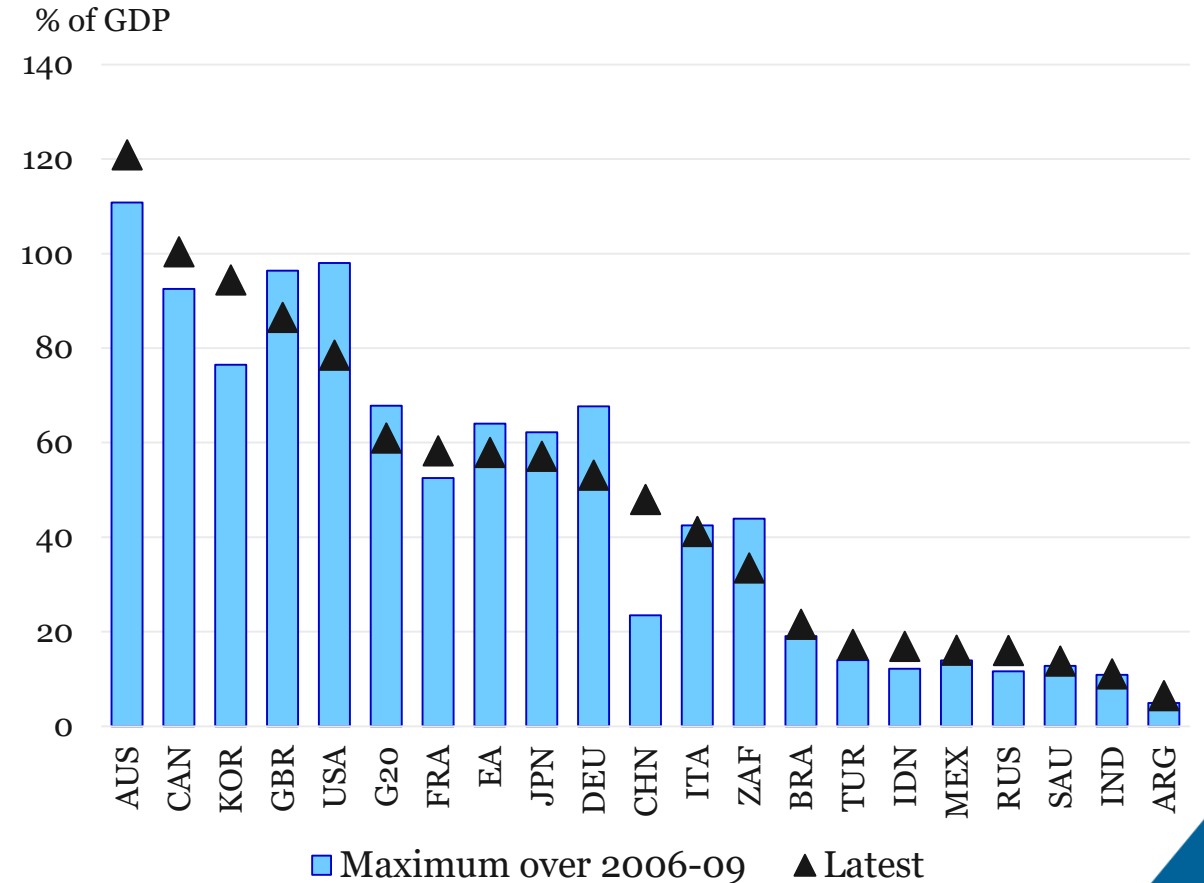


Ten years after the crisis some financial vulnerabilities persist

Non-financial corporations credit liabilities



Households credit liabilities

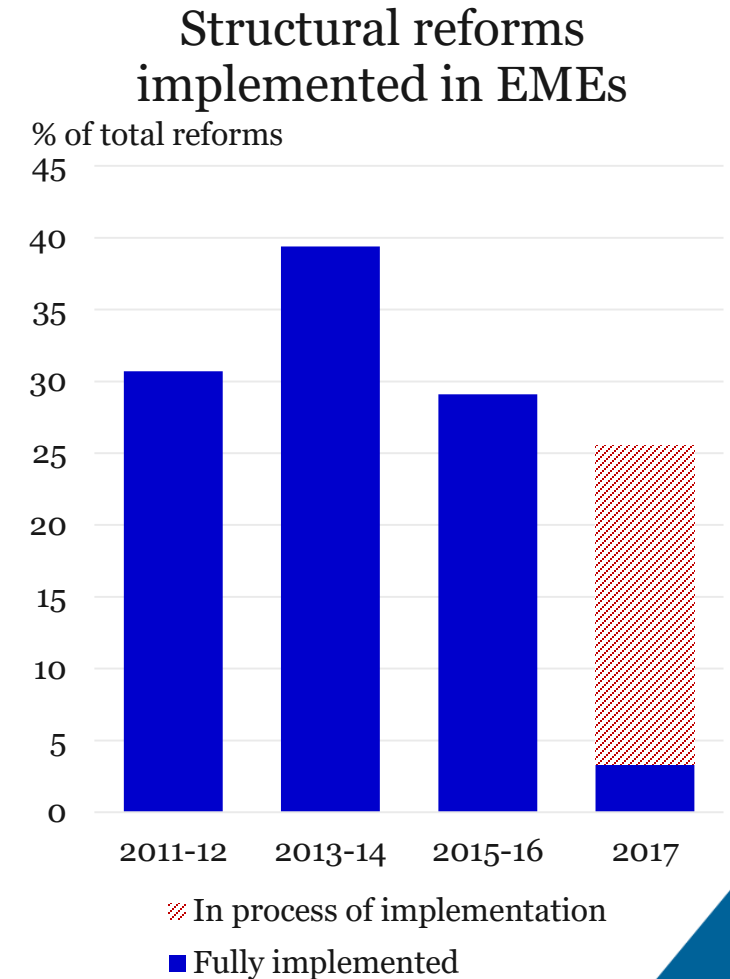
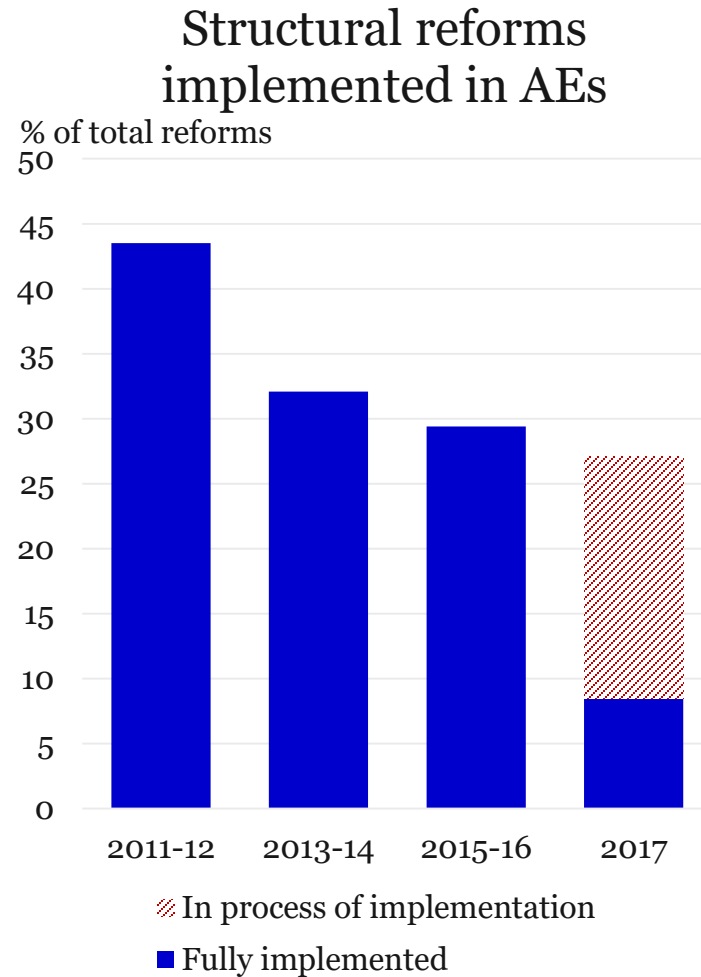
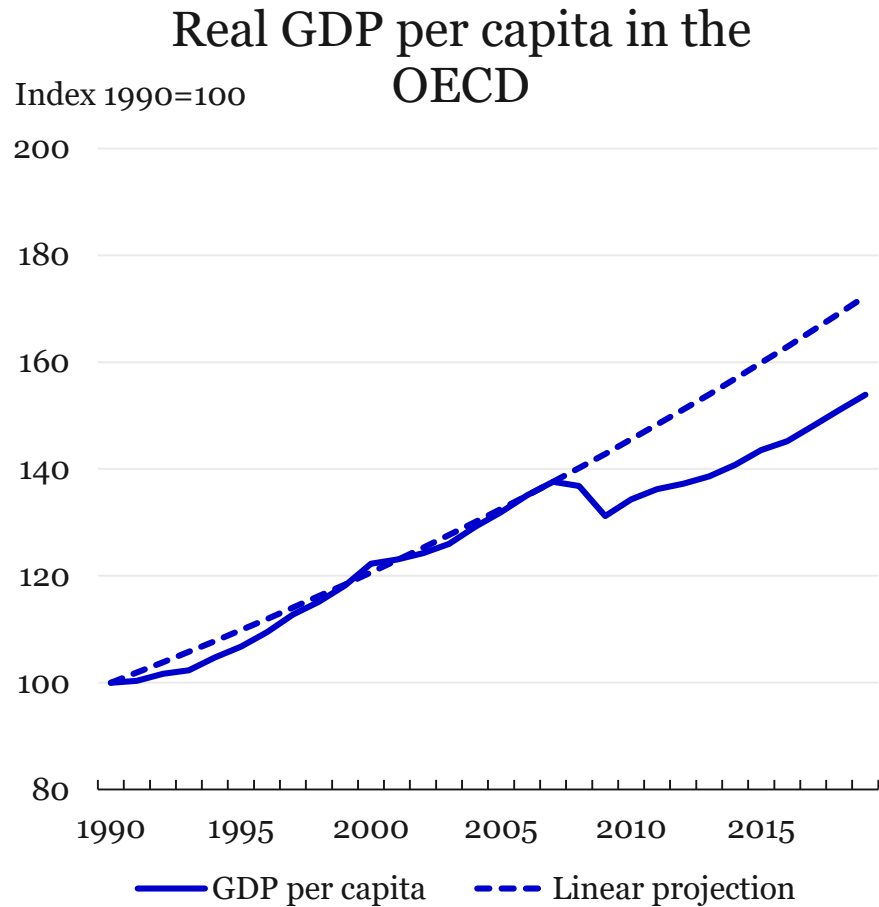


Note: Credit liabilities are on a non-consolidated basis.

Source: Bank for International Settlements



Structural reform ambition needs to be revived to improve medium term living standards



Note: The dotted line shows a linear projection from 1990 based on the average annual growth rate of OECD GDP per capita in the 1990-2007 period in the LHS chart. The estimated take-up of reforms in the RHS charts is captured by the Going for Growth indicator of reform responsiveness. For 2017, reforms in the process of implementation are shown to ensure comparability with the previous ten years period.

Source: OECD Economic Outlook 103 database; UN database; and OECD calculations (LHS chart). OECD, Going for Growth 2018 (RHS charts).