Global GDP growth has picked up...

Quarterly global growth

Global GDP growth projections

Source: OECD September 2017 Interim Economic Outlook; OECD June 2017 Economic Outlook database; and OECD calculations.
... and has become more synchronous across countries

The recovery is broad-based

Real GDP growth

<table>
<thead>
<tr>
<th></th>
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1. Includes OECD countries, Argentina, Brazil, China, Colombia, Costa Rica, India, Indonesia, Lithuania, Russia and South Africa.
2. Moving nominal GDP weights using purchasing power parities.
3. Fiscal years starting in April for India.

Source: OECD September 2017 Interim Economic Outlook; OECD June 2017 Economic Outlook database; and OECD calculations.
Industrial production and trade picked up, the rebound in the tech cycle has accelerated.

Industrial production and trade growth

Quarterly growth %, volume

IT cycle

Year-over-year %, 3 month moving average

Notes: Trade growth comprises goods and services. The dotted line shows June 2017 forecasts. Semi-conductor billings in nominal USD.

Source: OECD Economic Outlook database; World Semi-Conductor Statistics; and OECD calculations.
Fiscal stance is easing and is supporting the global growth recovery

The fiscal stance is expected to ease in many OECD countries

Source: OECD June 2017 Economic Outlook database; and OECD calculations.
Consumption activity has remained robust, but has eased slightly

**Global consumption index**

*Year-over-year %, 3 month moving average*

**Global motor vehicle sales**

*Year-over-year %, 3 month moving average*

Source: Thomson Reuters; OECD, Main Economic Indicators; and OECD calculations.
GDP growth in steel intensive economies is expected to be faster but improve less

GDP growth based on steel-intensity

Investment recovery has been weak

Notes: LHS: GDP weights for green line constructed based on shares of true steel use (finished steel equivalent) from World Steel for 2014. Orange line based on moving nominal GDP weights using purchasing power parities. RHS: Current recovery since 2008Q1 including forecasts in the dotted line. Previous 3 recoveries pre-recession peak in 1973Q4, 1980Q1 and 1990Q3. Investment is real total gross fixed capital formation. Source: OECD September 2017 Interim Economic Outlook; OECD June 2017 Economic Outlook database; World Steel; and OECD calculations.
Policy support has boosted Chinese growth, while rebalancing expected to continue.

Source: CEIC; OECD September 2017 Interim Economic Outlook; and OECD calculations.
There is a need for faster trade growth to sustain momentum

Global trade intensity
Ratio of global trade growth to global GDP growth

Average 1986-2007 = 2.1
Average 1970-2015 = 1.7

Trade restrictions in G-20 countries
Number of new trade restrictive measures in force since the crisis

Notes: RHS: measures introduced since 2008 in G-20 countries and still in force.
Source: OECD Economic Outlook database; WTO-OECD-UNCTAD G-20 Trade Policy Monitoring Reports; and OECD calculations
Despite the pick up in global GDP growth, inflation remains subdued

**Commodity prices**
*Recent level relative to January 2017 (%)*

- Iron ore, scrap
- Food raw materials
- Crude oil
- Non-ferrous metals
- Coal

**Major advanced inflation**
*Year-over-year (%)*

- Range
- Core
- Headline

Note: LHS: Data cut off is end of August for all commodities, with the exception of crude oil prices, which is 26 September 2017. RHS: Averages based on PPP GDP weights. Includes Canada, Japan, Sweden, Switzerland, the United Kingdom, the United States and the aggregate euro area. Inflation is based on the harmonised index for most economies, with the exception of Canada, and Japan, which are for the national headline series, and the United States, where the personal consumption deflator is used. Core inflation for advanced economies excludes food and energy prices.

Source: OECD Economic Outlook database; Thomson Reuters; and OECD calculations.
Interest rates have remained very low increasing fiscal space in many countries.

**Yield curves on government debt**
*September 2017*

- United States
- Euro area
- Japan

**Government gross interest payments have declined**
*Average annual difference between 2011-14 and 2017-18*

% of GDP

- United States
- Euro area
- Japan
- Italy (ITA)
- Germany (DEU)
- Spain (ESA)
- France (FRA)
- Korea (KOR)
- Japan (JPN)
- United Kingdom (GBR)
- United States (USA)

Note: LHS: Yield curves on benchmark government debt as of 12 September 2017. RHS based on general government gross interest payments. Data for 2017-2018 are OECD projections.

Source: OECD Economic Outlook database; Thomson Reuters; Bloomberg; ECB; and OECD calculations.
But further monetary ease could exacerbate financial-real disconnects and high debt

**Low stock market volatility**

*30-day moving average, normalised in standard deviations*

**High debt in emerging market economies**

*Credit to non-financial sector, in % of total EME GDP*

Note: Emerging market economies comprise Argentina; Brazil; Chile; China; Colombia; Hong Kong, China; India; Indonesia; Malaysia; Mexico; Russia; Saudi Arabia; Singapore; South Africa; Thailand; and Turkey.

Source: Thomson Reuters; and Bank for International Settlements.
Potential GDP growth and long-term growth expectations have declined in EMEs

1. Commodity exporters include Argentina, Brazil, Chile, Columbia, Indonesia, Russia, Saudi Arabia and South Africa. Commodity importers (ex. China) include India, Mexico, Turkey and the Dynamic Asian Economies (Chinese Taipei, Hong Kong – China, Malaysia, the Philippines, Singapore, Thailand, and Vietnam). Countries are aggregated based on PPP GDP weights.

2. Average annual GDP growth expected over the following ten years. Commodity exporters include Argentina, Brazil, Chile, Columbia, Indonesia, Peru, Russia, Ukraine, and Venezuela. Commodity importers (ex. China) include Bulgaria, Chinese Taipei, Hong Kong – China, India, Malaysia, Mexico, the Philippines, Romania, Singapore, Thailand, and Turkey. Countries are aggregated based on PPP GDP weights.

Source: OECD Economic Outlook 101 database; Consensus Economics; and OECD calculations.
Reform momentum has fallen in advanced and emerging market economies

The short-term momentum in global GDP growth more broad-based

- Growth performance has improved more than expected in the euro area
- The upturn is synchronised across major economies
- Policy support in a number of economies has boosted the first half of 2017

But strong and sustained medium-term growth is far from secured

- More robust private investment is needed for a self-sustained recovery
- Inflation remains subdued and wages have not picked up
- Long-term EME growth will require deeper structural reform
- Downside risks associated with elevated asset prices, high debt, financial mismatches and rising protectionism.

Fiscal and structural initiatives needed to make growth more sustainable

- Rebalance from monetary to fiscal and structural support for growth
- Use fiscal space, with better tax and spending policies to boost inclusive growth
- Step up structural reform effort to boost productivity, wages and skills
Additional Background
OECD Interim Economic Outlook projections

## Real GDP growth

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Note: Difference in percentage points based on rounded figures.
1. Fiscal years starting in April.

Source: OECD September 2017 Interim Economic Outlook; OECD June 2017 Economic Outlook database; and OECD calculations.
Growth in the United States continues to be led by consumption

Contributions to US GDP growth
Quarter-over-quarter, annualised %

Source: OECD, Main Economic Indicators database; and OECD calculations.
Global trade has improved but rising protectionism would hurt GDP

The effect of increased trade costs in the United States, China and Europe

Difference from baseline

United States | China | Europe | Rest of the world | World

Note: Effect of a rise in trade protection in the United States, China and European Union which raises trade costs by 10 percentage points for China, Europe and the United States against all trading partners, equivalent to an average increase in tariffs to 2001 levels, when trade negotiations under the Doha Development Round started.
Source: OECD METRO model; OECD TiVA database; and OECD calculations.