



THE GLOBAL ECONOMIC OUTLOOK

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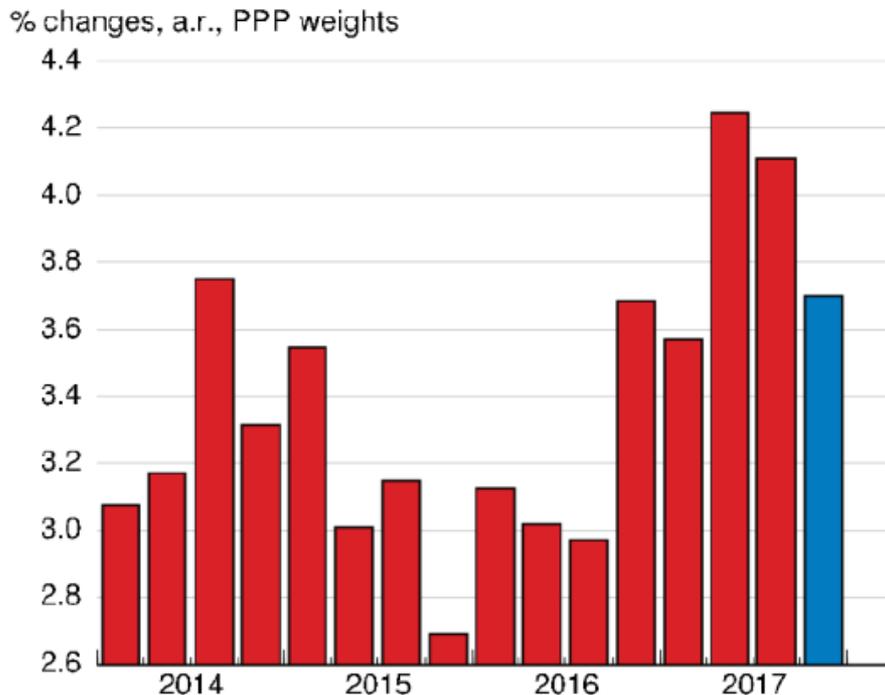
5 March 2018

www.oecd.org/economy/economicoutlook.htm
ECOSCOPE blog: oecdoscope.wordpress.com

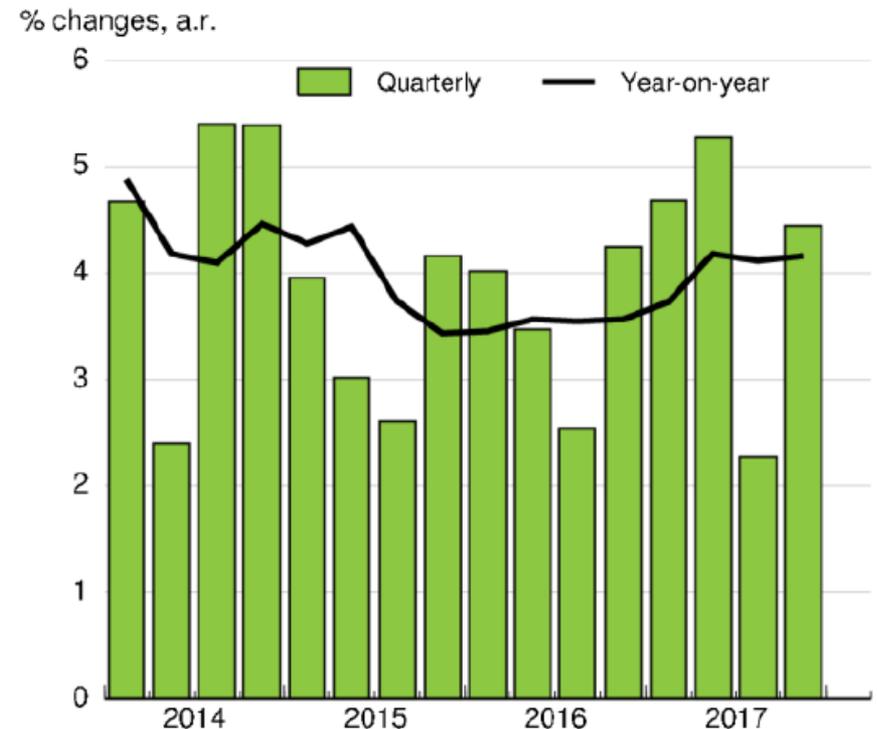


Global activity indicators have remained solid

Quarterly Global GDP



Global Retail Sales Volume



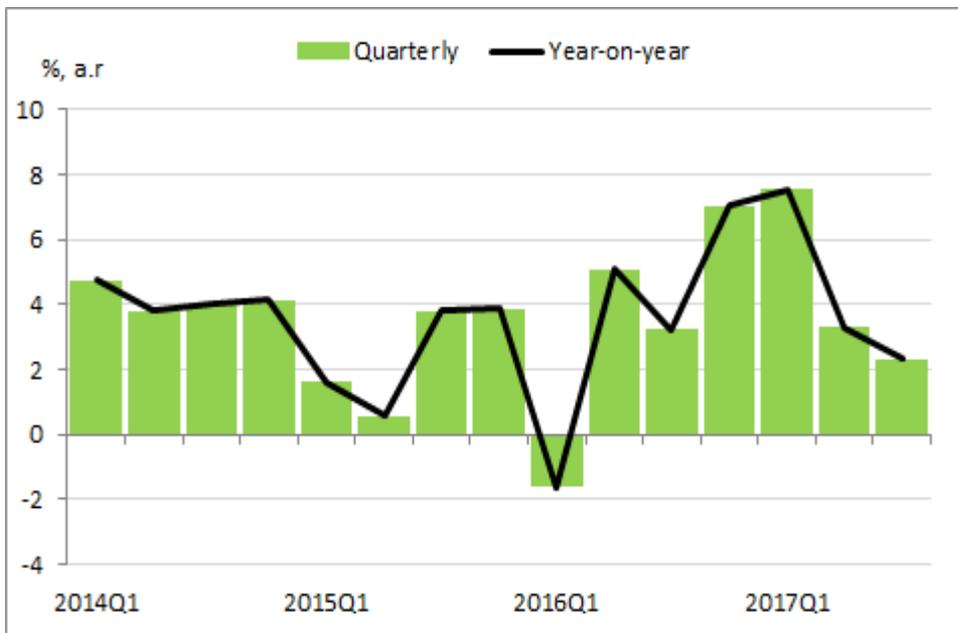
Note: Provisional estimates for 2017Q4 are based on a subset of countries with information available (around 60% of GDP in PPP terms). Data are for retail sales in the majority of countries. Monthly household consumption is used for the United States and the monthly synthetic consumption indicator is used for Japan.

Source: OECD Analytical database; OECD Main Indicators database; Thomson Reuters; Markit; and OECD calculations

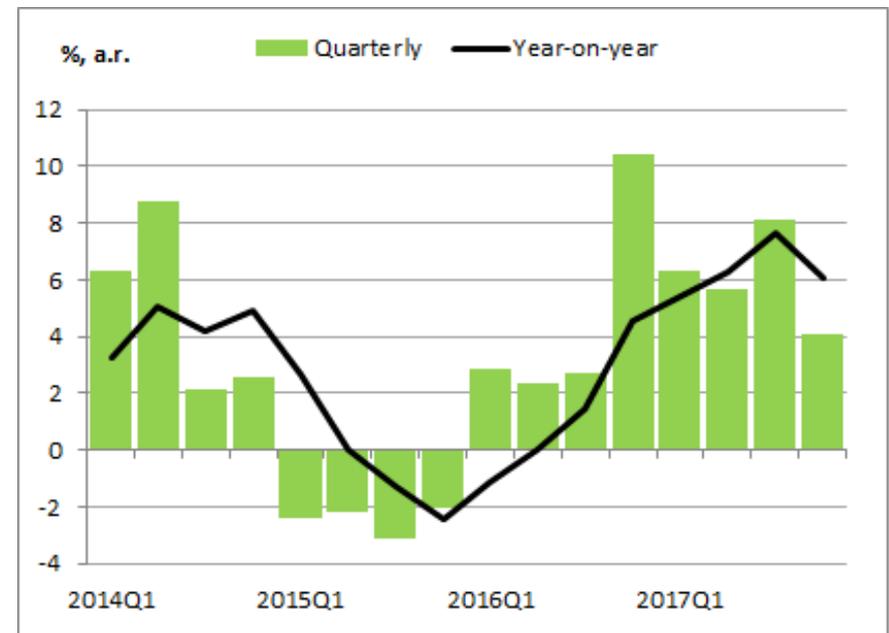


Trade growth has eased as expected...

Global trade (goods and services) volume



Growth of container port traffic

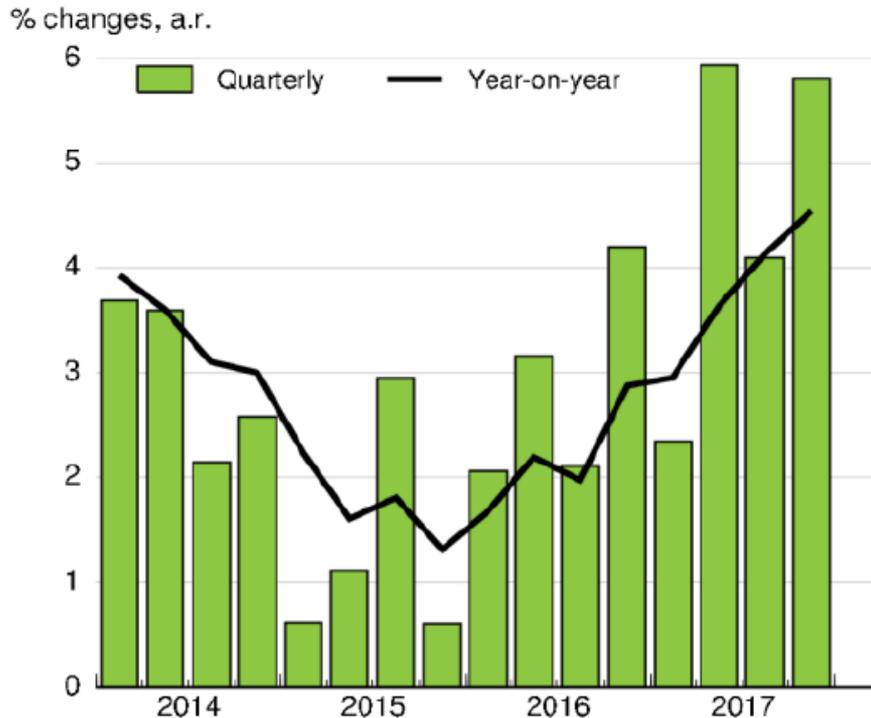


Source: OECD Analytical database; and Institute of Shipping and Logistics (ISL)



...but indicators are that GDP and trade growth may strengthen in the first half of 2018

Global Industrial Production Growth



New Orders

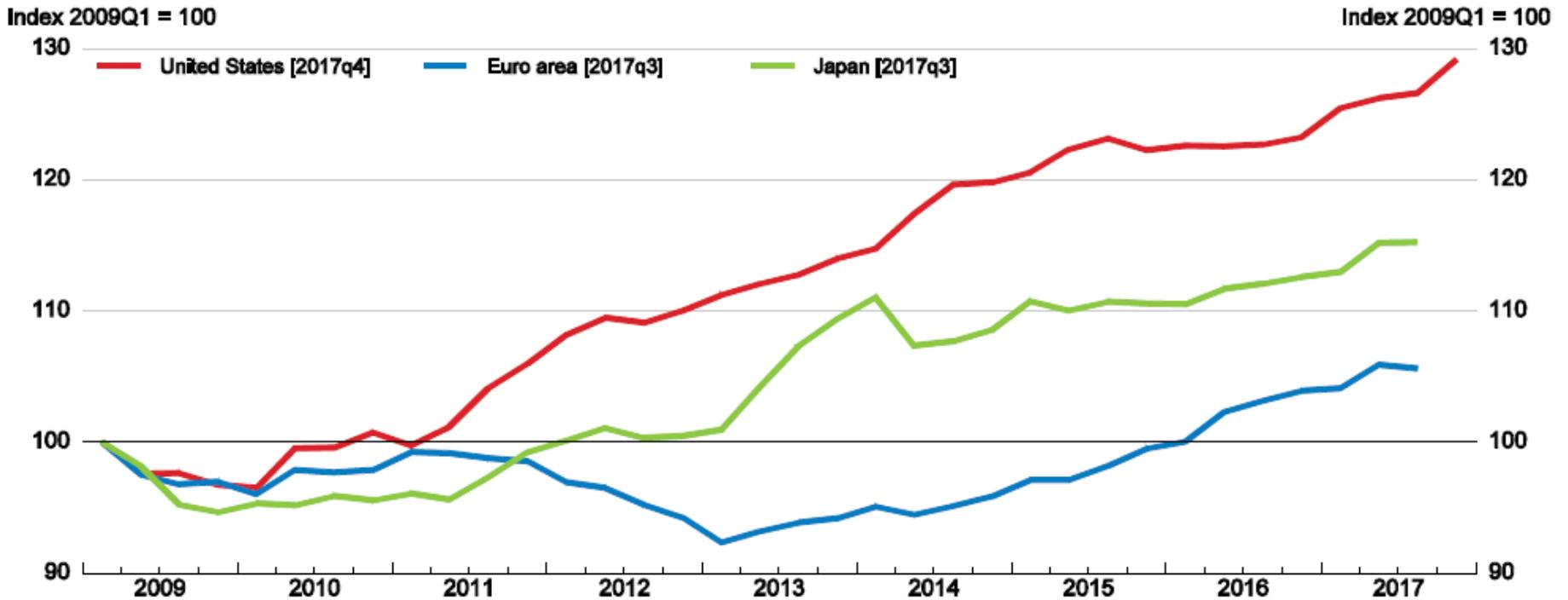


Source: OECD Analytical database; OECD Main Indicators database; Thomson Reuters; Markit; and OECD calculations



The synchronised pick up in investment will also help maintain trade momentum

Real Investment

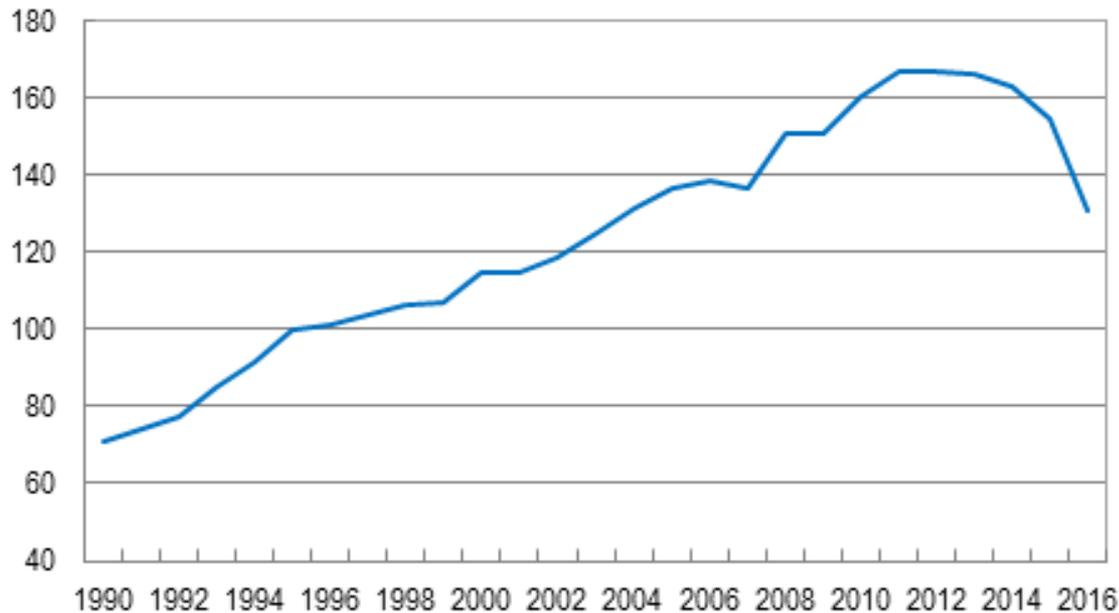


Source: OECD Economic Outlook database



But trade is unlikely to boom like it did pre-crisis

Structural GVC indicator (1995 = 100)

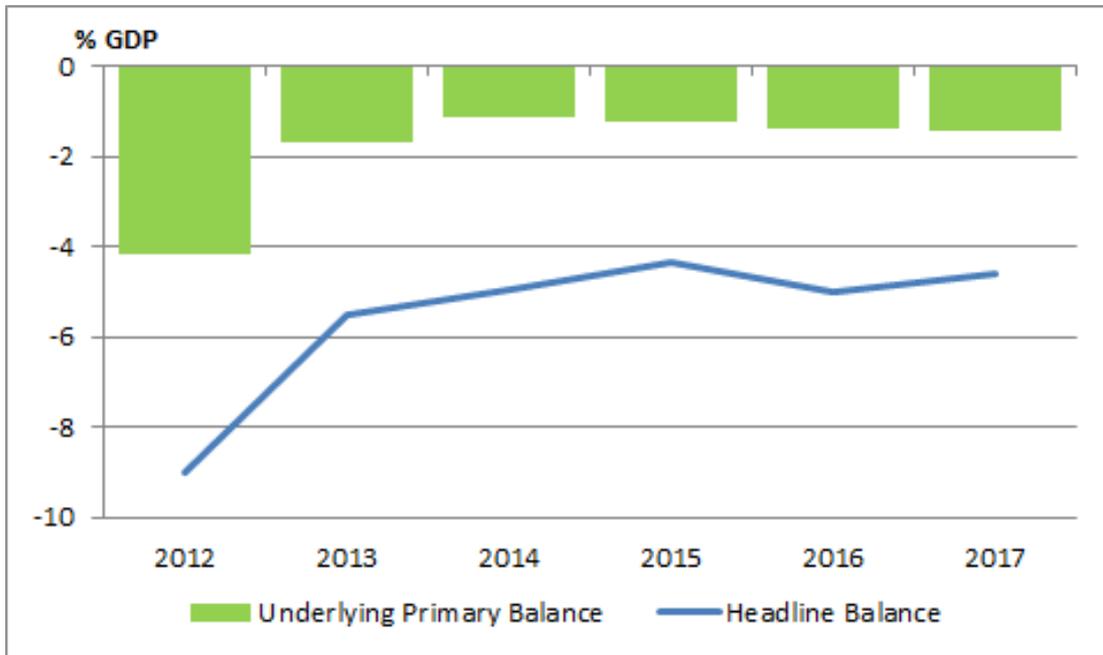


Note: Structural indicator of backward global value chain participation, adjusted for the economic cycle and changes in commodity prices. For further detail on the methodology see OECD 2016 Economic Policy Paper “Cardiac Arrest or Dizzy Spell: Why is World Trade So Weak and What Can Policy Do About It?”.
Source: OECD Economic Outlook database; OECD STAN Bilateral Trade database; and OECD calculations.



Easing US fiscal policy will also provide a boost

United States General Government Balance



Source: OECD Economic Outlook 102 Database November 2017

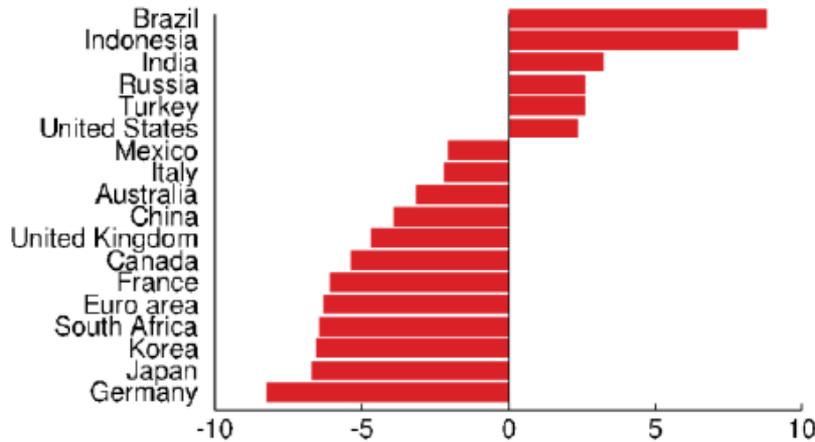
Recent fiscal policy changes voted by Congress (US Tax Cuts and Jobs Act and February 2018 Budget Bill) expected to ease fiscal policy by around 1 % of GDP in 2018 and a further 1 % in 2019.

NiGEM model simulations suggest this will add around 0.7% to GDP growth in both years

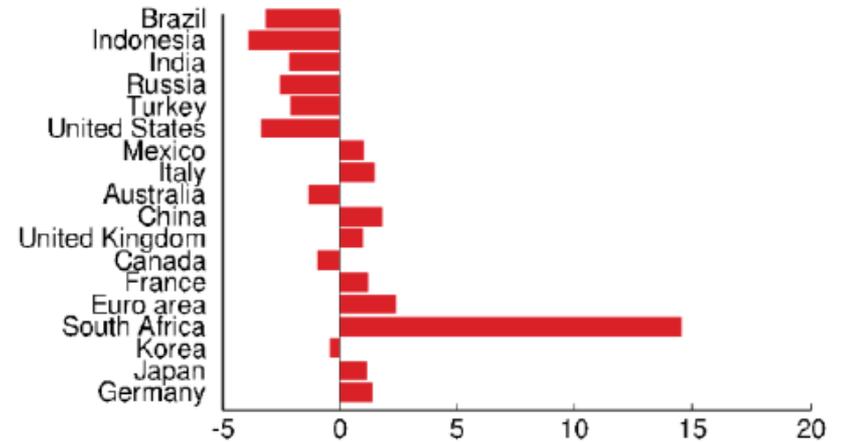
Financial conditions have tightened in some countries

Per cent/percentage point change between 8 November 2017 and 13 February 2018

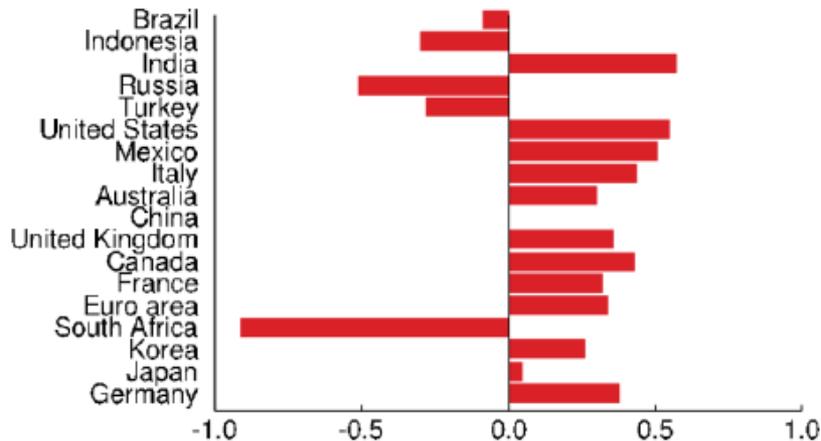
A. Equity prices



B. Nominal effective exchange rates



C. 10-year government bond yields

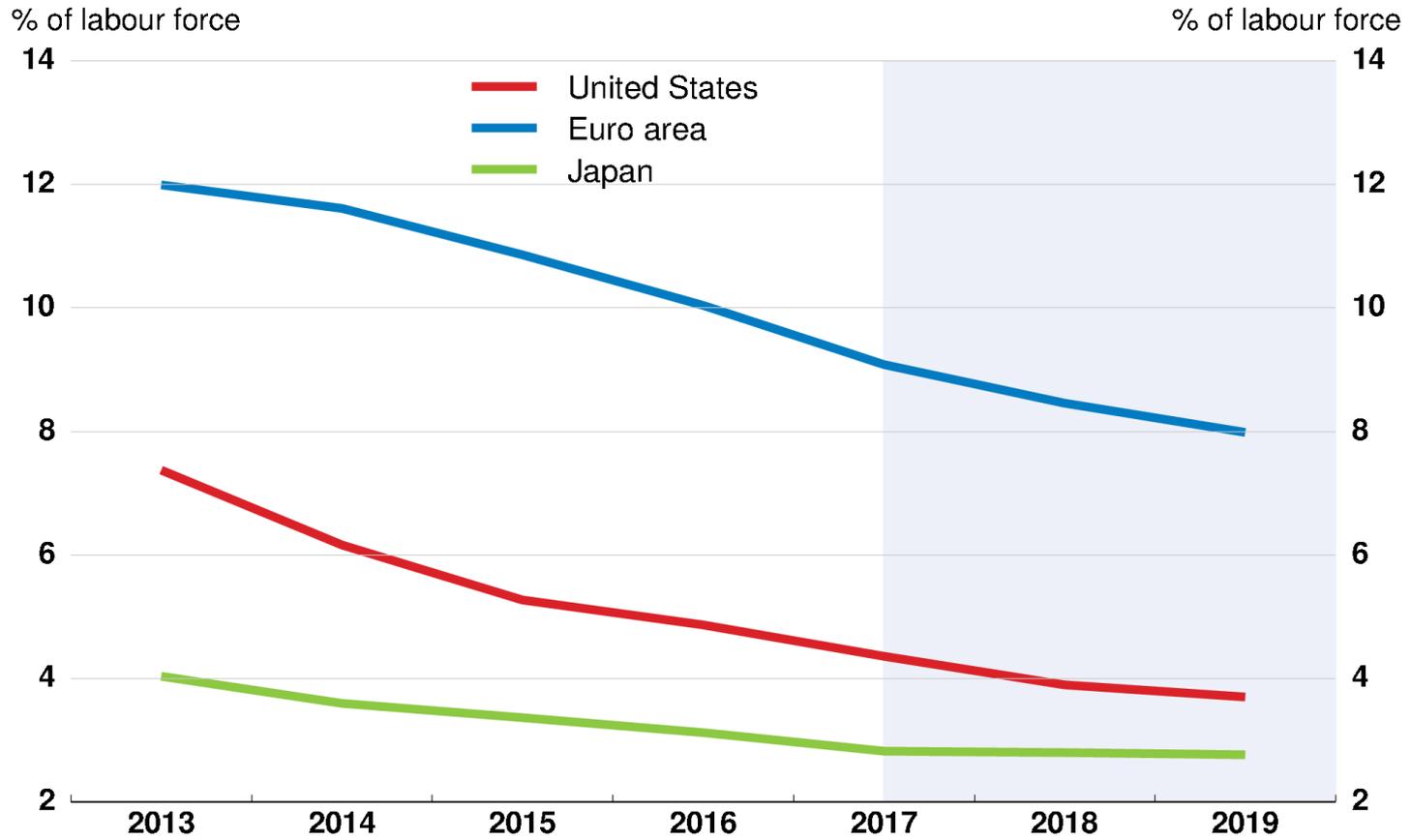


Source: Thomson Reuters



Labour markets are improving and some economies are close to or at full employment...

Unemployment rate

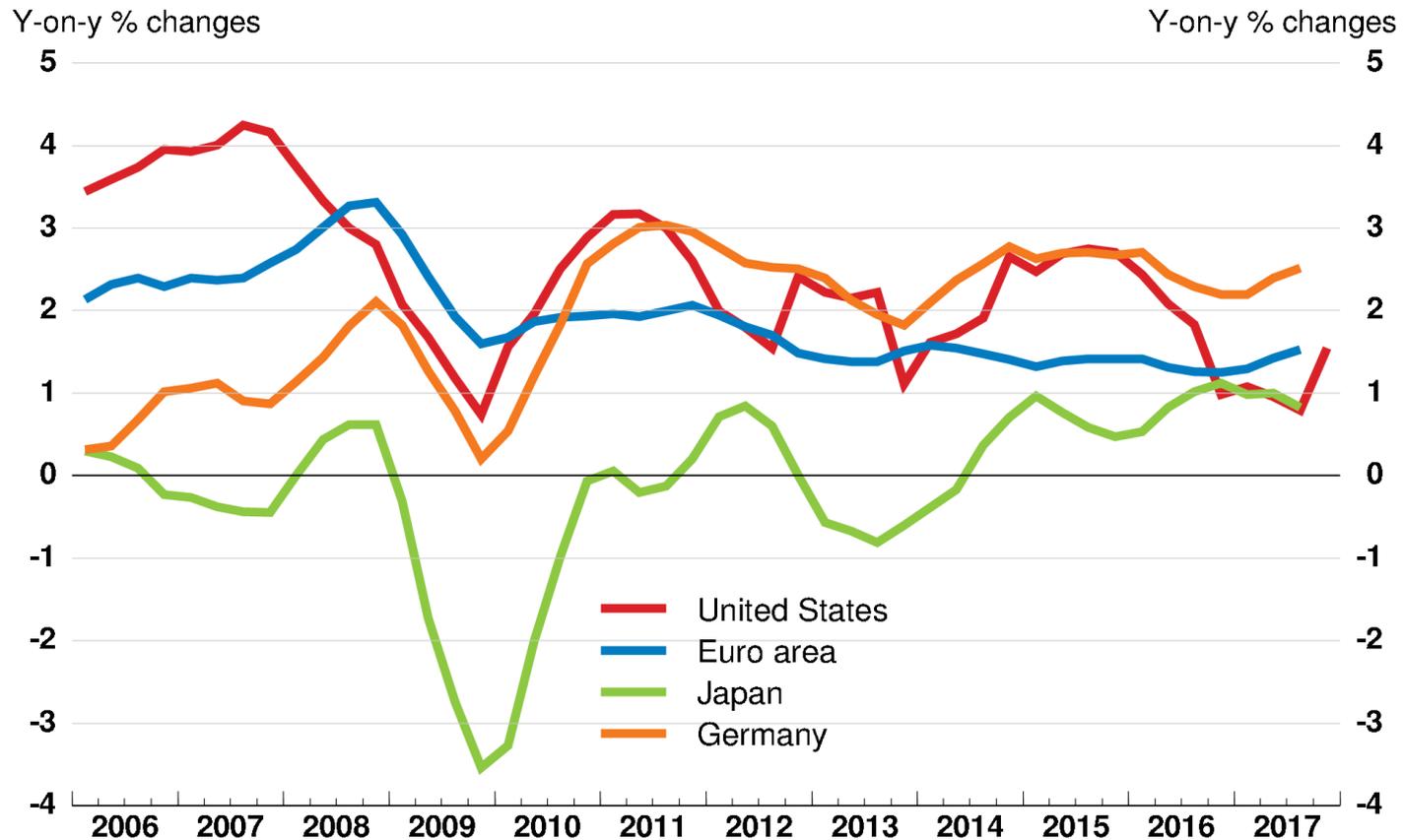


Source: OECD Economic Outlook 102 database.



... but wage growth so far remains modest

Compensation per employee



Note: 4-quarter moving sum of compensations divided by 4-quarter moving sum of employment.
Source: OECD.

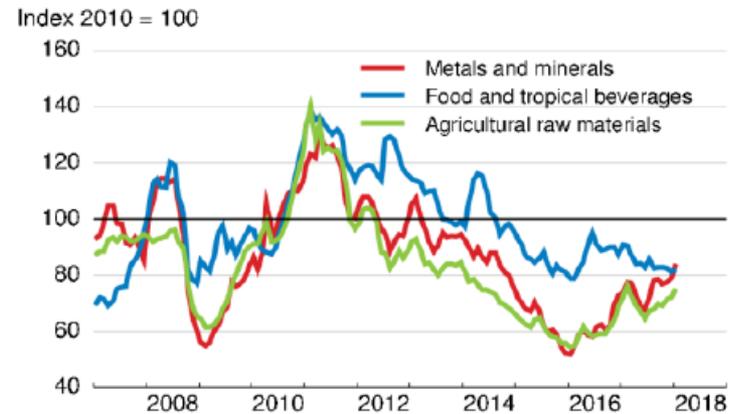


Commodity prices have been on an upward trend

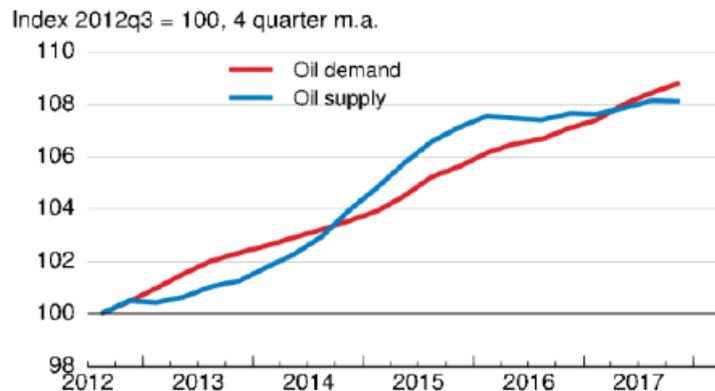
A. Brent oil prices



B. Non-oil commodity prices

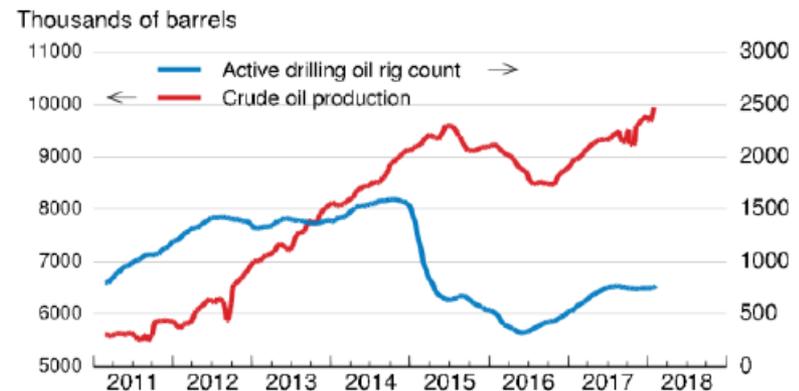


C. Global oil demand and supply



D. US crude oil output

4-week moving averages

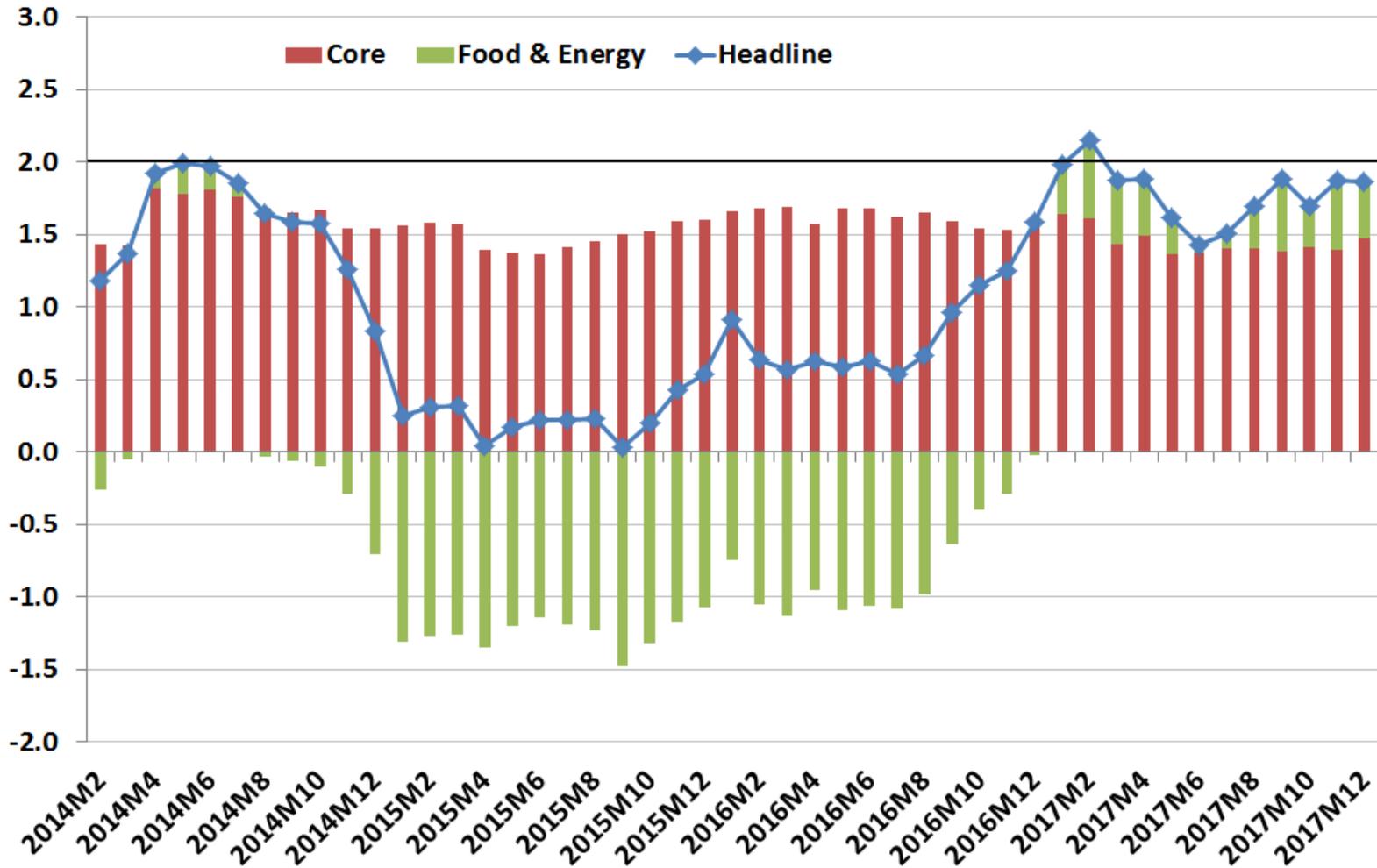


Source: OECD Main Economic Indicators database; Thomson Reuters; IEA, Monthly Oil Data service; US Energy Information Administration; Baker Huhges; and OECD Calculations



Stronger food and energy prices are now helping to push up headline inflation

Annual headline and core consumer price inflation, G7 economies (%)





Projections are being revised up

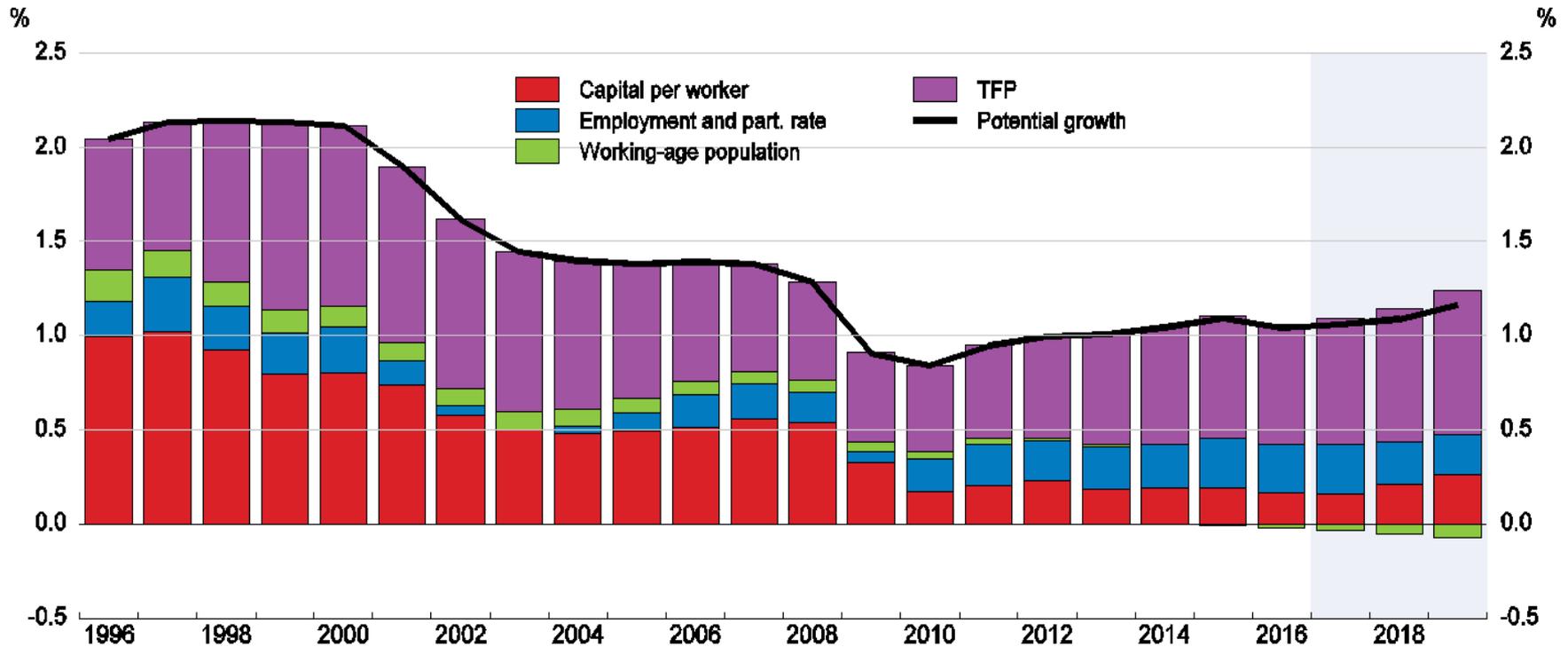
Global GDP growth projections and revisions Real GDP growth, (%)

		2017	2018	2019
EO102		3.6	3.7	3.6
IMF	Jan-18	3.7	3.9	3.9
	<i>revision</i>	0.1	0.2	0.2
Consensus forecasts	Nov-17	3.6	3.7	3.6
	Latest	3.7	3.8	3.8
	<i>revision</i>	0.1	0.1	0.2
<i>Memorandum: consensus forecast revisions</i>				
	OECD GDP growth	0.17	0.18	0.16
	Non-OECD GDP growth	0.03	0.02	0.15



Medium-term growth potential remains weak in OECD economies

Potential output growth per capita in the OECD economies



Note: Decomposition based on a Cobb-Douglas production function, using the population aged 15-74 years. The productive capital stock excludes housing investment.

Source: OECD Economic Outlook 102 database; and OECD calculations.



Summary

- The cyclical upturn is broad-based, helped by policy support and improved sentiment.
- Trade and investment growth have both strengthened.
- Economic slack is being eroded gradually, rising the chances of an upturn in inflation.
- Market interest rates have begun to rise. The growth effects are likely modest, unless risks of a deeper asset price correction materialise.
- Geopolitical risks remain (including trade policy).
- Substantial reform efforts are needed to bolster still-modest medium-term growth potential.