

WORLD ECONOMIC GROWTH OUTLOOK FOR 2016 AND 2017

CHANG WOON NAM*

According to the IMF's latest World Economic Outlook published in April 2016,¹ the global recovery appears to be continuing, albeit rather slowly. The baseline projection for global growth in 2016 is a modest 3.2 percent, broadly in line with last year, and the recovery is expected to gather strength slightly in 2017 and in the future (see Table 1).

* Ifo Institute.

¹ IMF (2016), *World Economic Outlook*, April, Washington DC, available at: <http://www.imf.org/external/pubs/ft/weo/2016/01/pdf/text.pdf>.

Table 1

IMF's World Economic Growth Projections 2016–2017 (%)

	Projections		
	2015	2016	2017
World output	3.1	3.2	3.5
<i>Advanced economies</i>	1.9	1.9	2.0
United States	2.4	2.4	2.5
Euro area	1.6	1.5	1.6
Germany	1.5	1.5	1.6
France	1.1	1.1	1.3
Italy	0.8	1.0	1.1
Spain	3.2	2.6	2.3
Japan	0.5	0.5	-0.1
UK	2.2	1.9	2.2
Canada	1.2	1.5	1.9
Other advanced economies	2.0	2.1	2.4
<i>Emerging market and developing economies</i>	4.0	4.1	4.6
Commonwealth of Independent States	-2.8	-1.1	1.3
Russia	-3.7	-1.8	0.8
Excluding Russia	-0.6	0.9	2.3
Emerging and developing Asia	6.6	6.4	6.3
China	6.9	6.5	6.2
India	7.3	7.5	7.5
Asean5 (Indonesia, Malaysia, Philippines, Thailand, Vietnam)	4.7	4.8	5.1
Emerging and developing Europe	3.5	3.5	3.3
Latin America and the Caribbean	-0.1	-0.5	1.5
Brazil	-3.8	-3.8	0.0
Mexico	2.5	2.4	2.6
Middle East, North Africa, Afghanistan and Pakistan	2.5	3.1	3.5
Saudi Arabia	3.4	1.2	1.9
Sub-Saharan Africa	3.4	3.0	4.0
Nigeria	2.7	2.3	3.5
South Africa	1.3	0.6	1.2

Source: IMF (2016), *World Economic Outlook*, April.

While growth in emerging market and developing economies accounts for the major share of forecast world economic growth in 2016 (4.0 percent), prospects across the countries in this group remain heterogeneous, partly for the following reasons:

- Large emerging countries like Brazil and Russia are still suffering from deep recessions.
- Several oil-exporting countries face sharply weaker terms of trade and tighter external financial conditions.
- Trade growth in China and India has slowed down noticeably.²

Growth in advanced economies will remain modest and comparable to the rates seen in 2015. Unfavourable demographic trends, low productivity growth, and the

slow recovery of some EU nations from the global financial crisis (as well as their large debt overhang) seem to continuously curb economic activity in these countries. While expansive monetary policy and lower oil prices will generally stimulate domestic demand, persistent weak external demand and exchange rate revaluation (particularly in the United States) will negatively affect the recovery.

The slight increase in economic growth projected in 2017 (3.5 percent) can also mainly be attributed to the strong economic performance foreseen in emerging markets and developing economies. Yet one should bear in mind that this 2017 outlook is computed under the following assumptions:

² The slowdown of trade is related to the decline in investment growth across emerging market economies, which reflects rebalancing in China but also the sharp reduction of investment in commodity exporters, particularly those with difficult macroeconomic conditions.

- A gradual normalization of conditions in several economies currently under stress,
- A successful rebalancing of China's economy with trend growth rates which remain high,
- An improvement in economic activity in commodity exporters in general, and
- Resilient growth in other emerging market and developing economies.