



Global Economic Outlook: *Heightened Tensions, Subdued Investment*

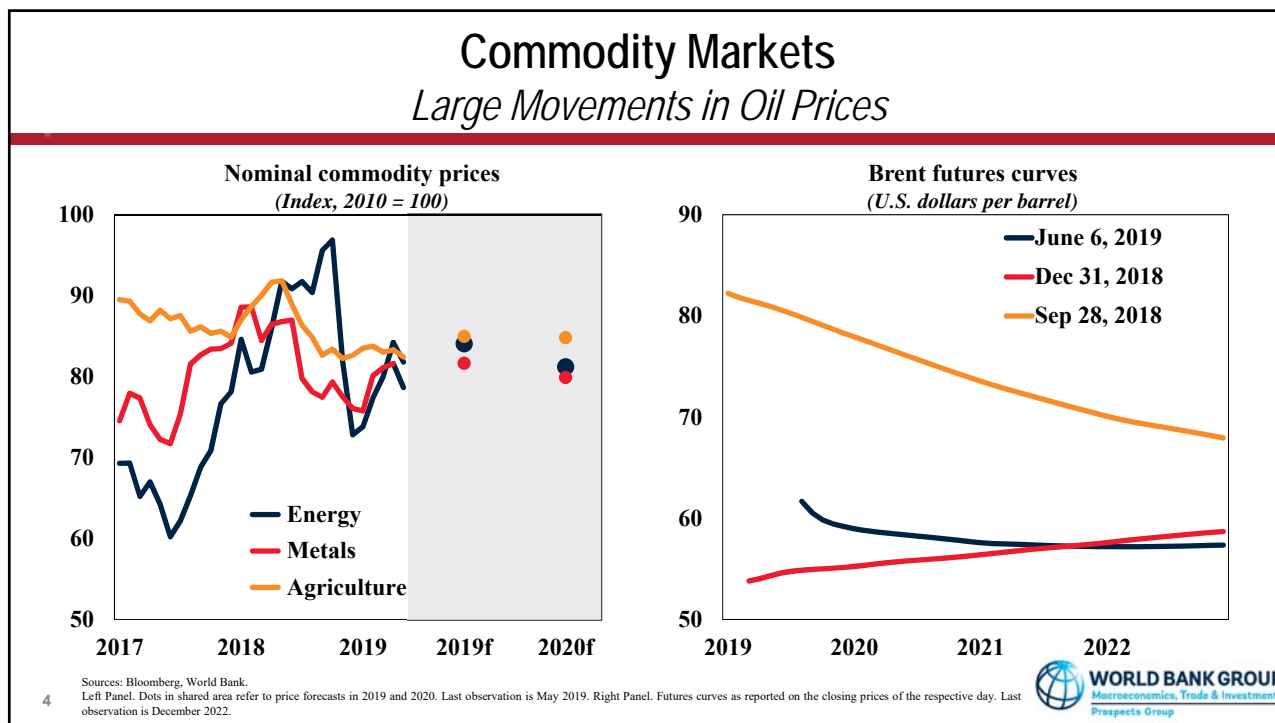
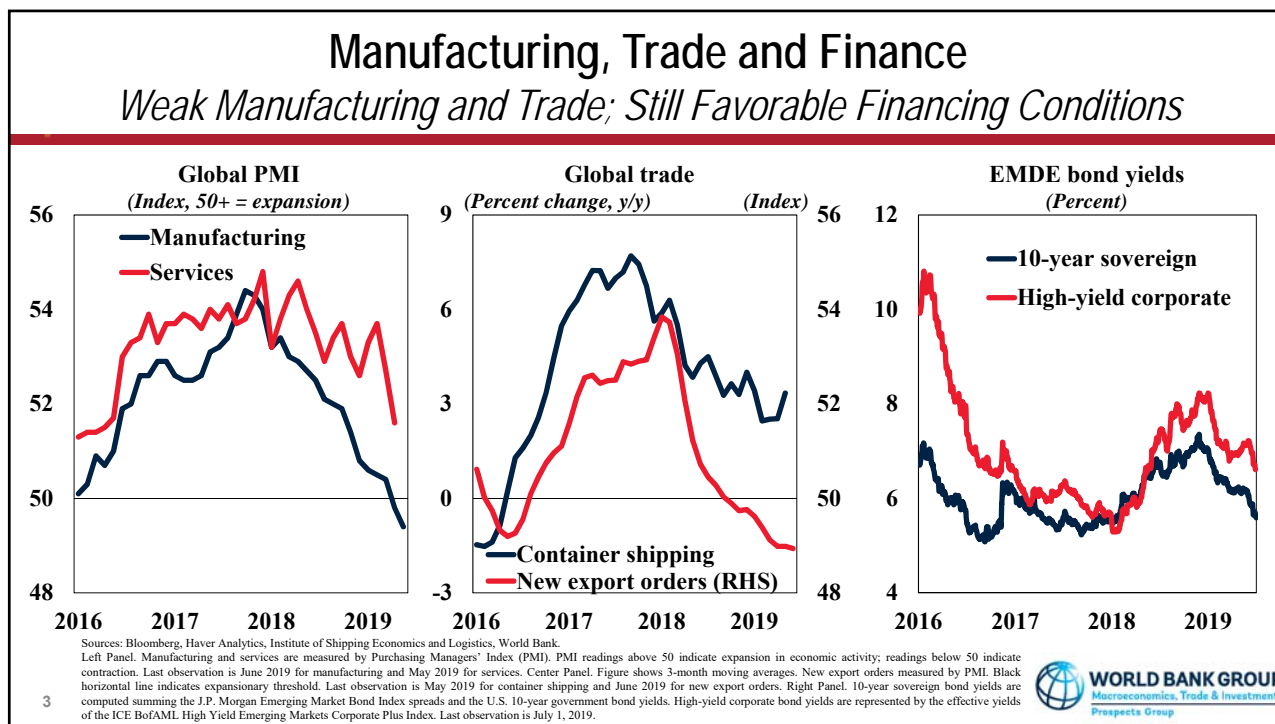
M. Ayhan Kose
EFI - Prospects Group

July 2019



Three Questions

- 1** **How is the health of the global economy?** *Weakening. Significant downside risks clouding the outlook. Comprehensive policies needed to improve growth prospects.*
- 2** **Why is subdued EMDE investment a concern?** *Subdued investment growth lowers potential growth and puts at risk ability to meet development goals.*
- 3** **Is this a good time for EMDEs to accumulate debt?** *Depends... Important to strike a balance between taking advantage of low interest rates and avoiding excessive debt accumulation.*




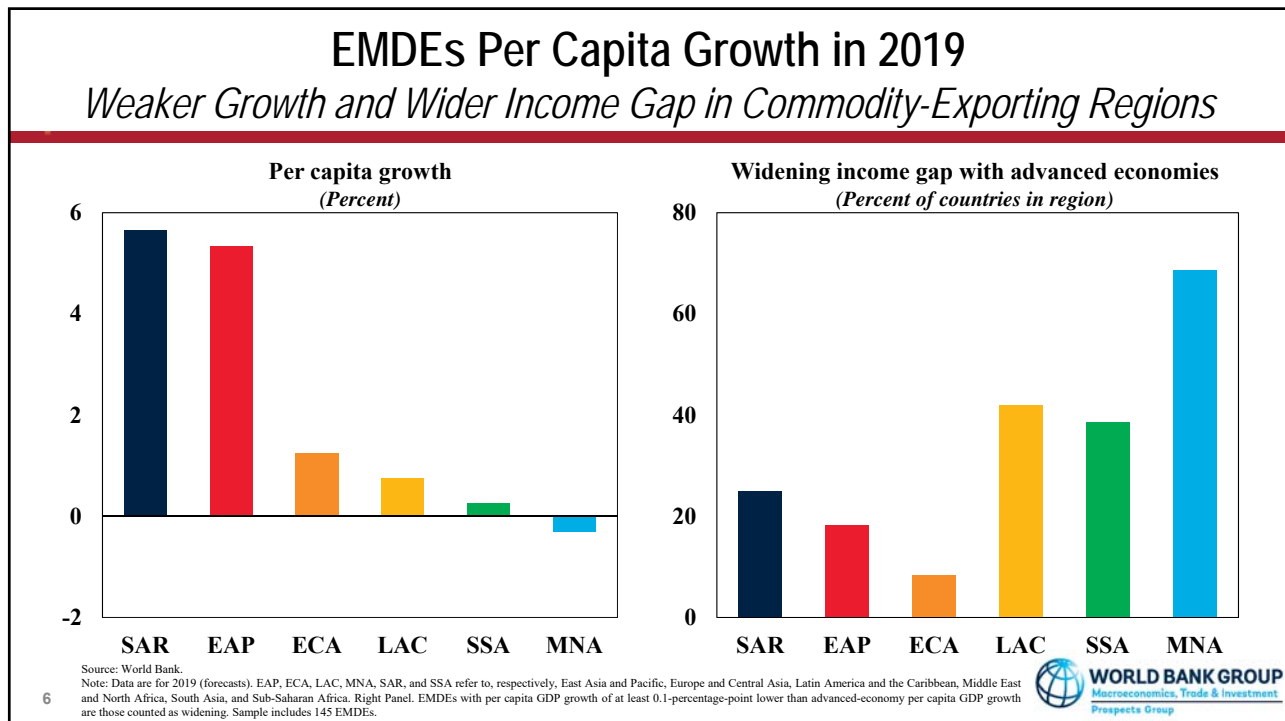
Growth Forecasts

Widespread Disappointments

	GDP growth (Percent)					Change from January 2019	
	2012-16	2017	2018e	2019f	2020f	2019	2020
World	2.7	3.1	3.0	2.6	2.7	-0.3	-0.1
Advanced economies	1.7	2.3	2.1	1.7	1.5	-0.3	-0.1
EMDEs	4.4	4.5	4.3	4.0	4.6	-0.3	0.0
East Asia and Pacific	6.9	6.5	6.3	5.9	5.9	-0.1	-0.1
Europe and Central Asia	2.4	4.1	3.1	1.6	2.7	-0.7	0.0
Latin America and the Caribbean	1.3	1.7	1.6	1.7	2.5	-0.4	-0.2
Middle East and North Africa	3.4	1.2	1.4	1.3	3.2	-0.6	0.5
South Asia	6.7	6.7	7.0	6.9	7.0	-0.2	-0.1
Sub-Saharan Africa	3.7	2.6	2.5	2.9	3.3	-0.5	-0.3

Source: World Bank.
Note: e and f refer to estimates and forecasts, respectively.


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Risks

Tilted Downside, Making Growth Momentum Fragile

- Escalation of trade tensions
- Elevated policy uncertainty
- Financial market stress
- Lower-than-expected growth in major economies
- Geopolitical risks
- Extreme weather events
- Weaker-than-expected potential growth

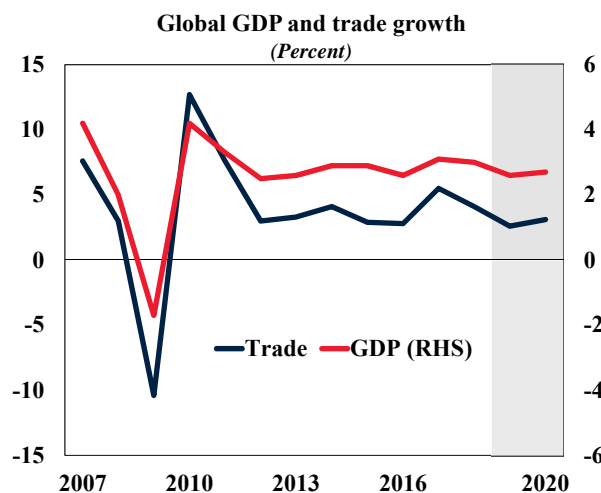
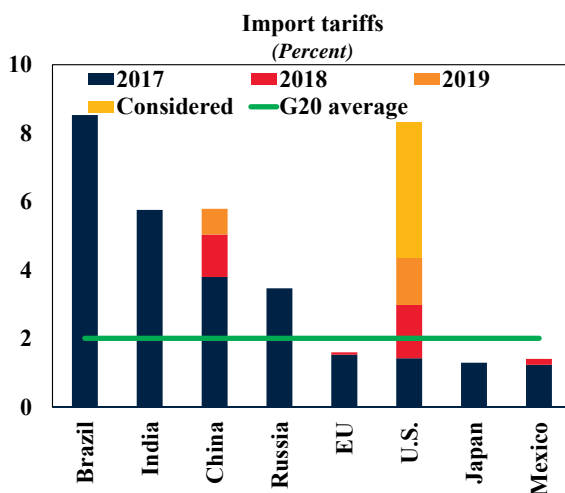
Source: World Bank.

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Global Trade

Higher Tariffs; Lowest Growth since 2009

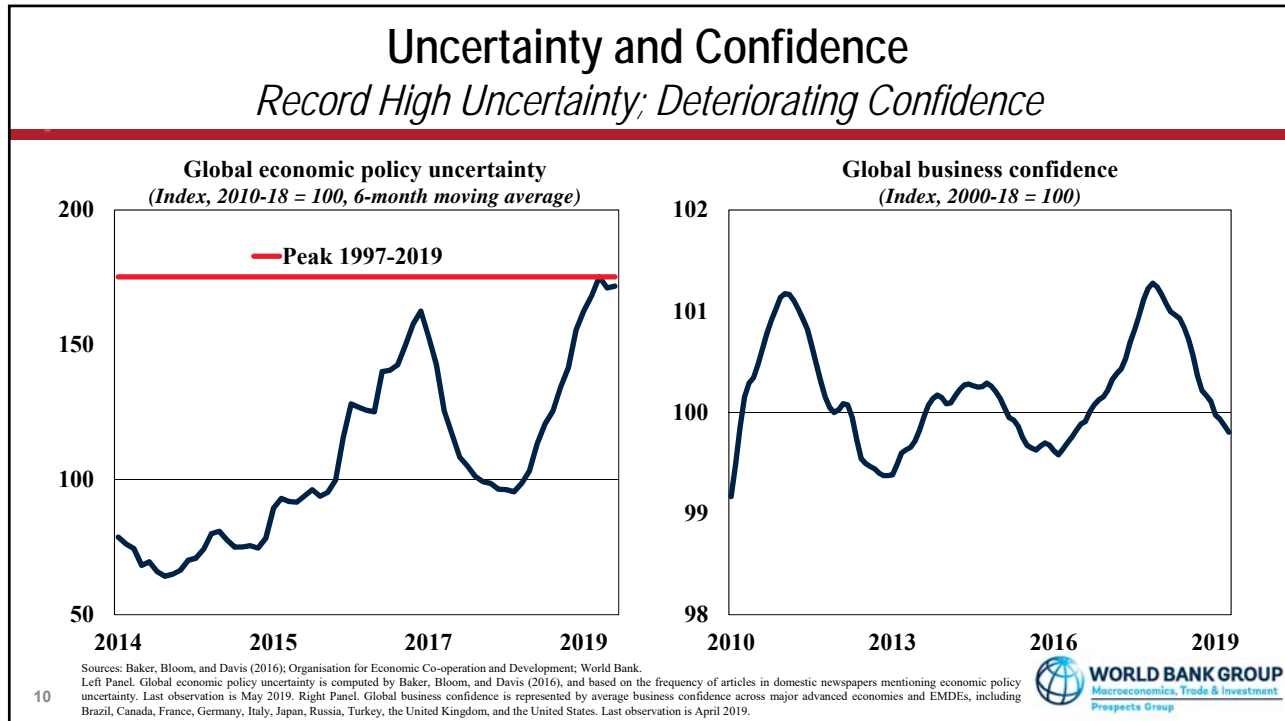


Sources: Haver Analytics; U.S. Census Bureau; World Bank.

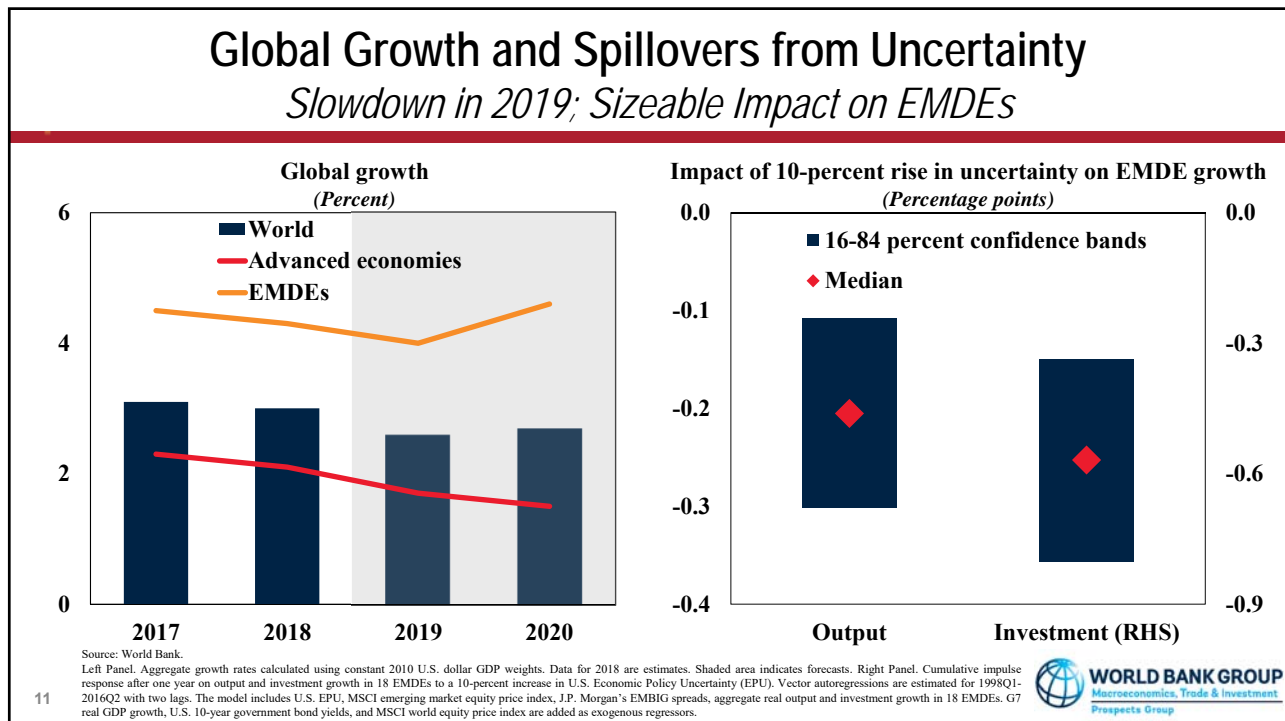
Left Panel. The information is as of May 23, 2019. Blue bars represent the trade-weighted averages for 2017 tariffs. Tariffs put in effect in 2018 and 2019 are shown in red and orange, respectively. "Considered" reflects additional tariffs on U.S. imports from China not subject to 2018-19 tariff hikes and tariffs on U.S. imports of motor vehicles and parts (imports from Canada and Mexico are assumed to be exempted). Right Panel. Trade is the average of export and import volumes. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP and trade weights. Shaded area indicates forecasts.

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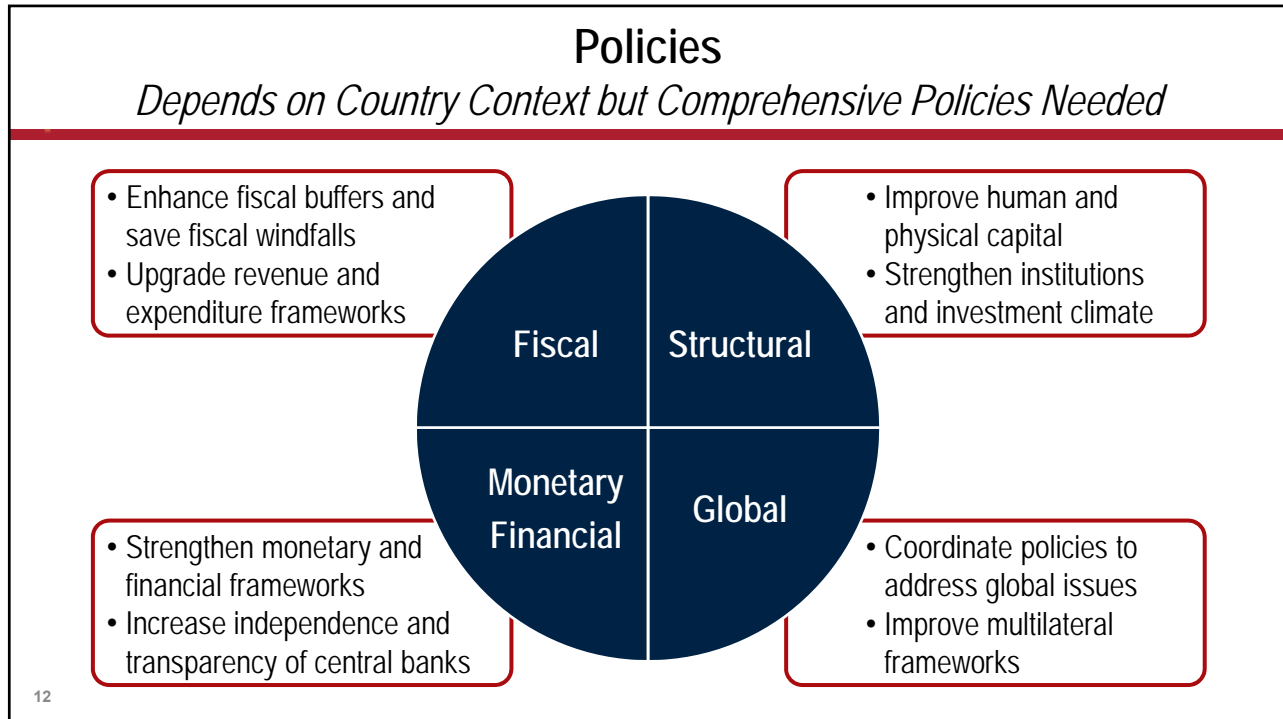




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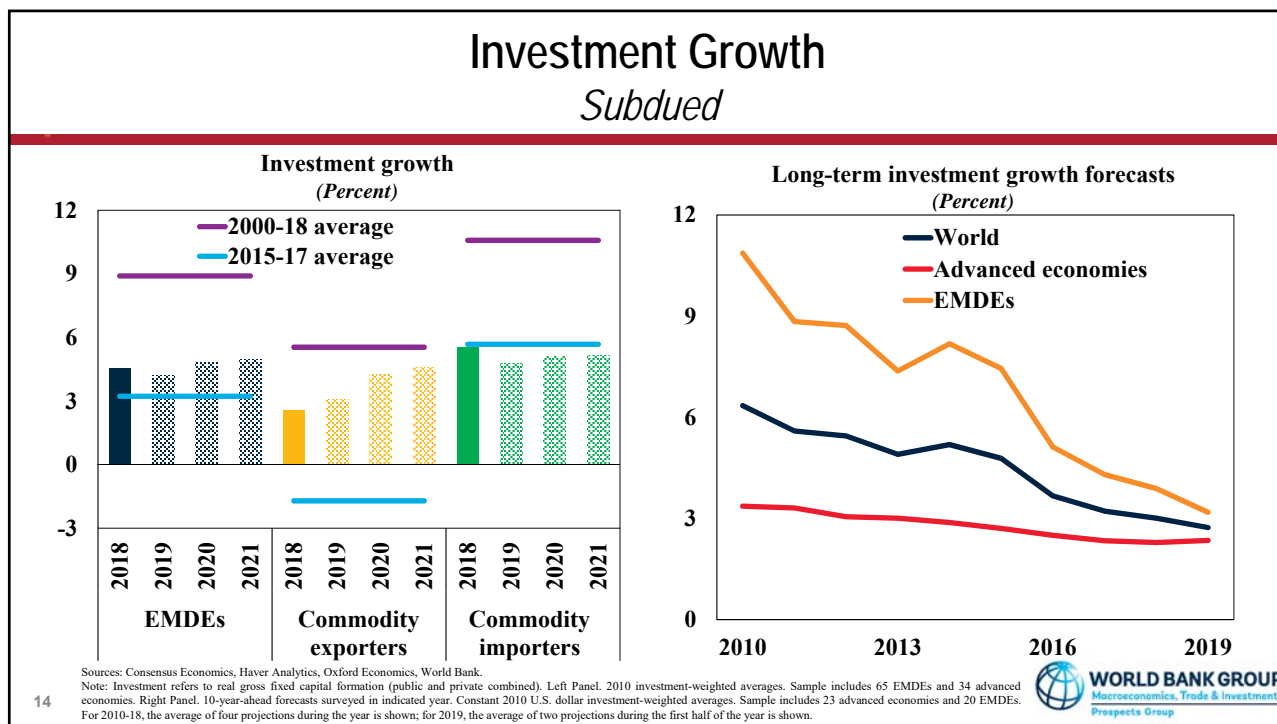


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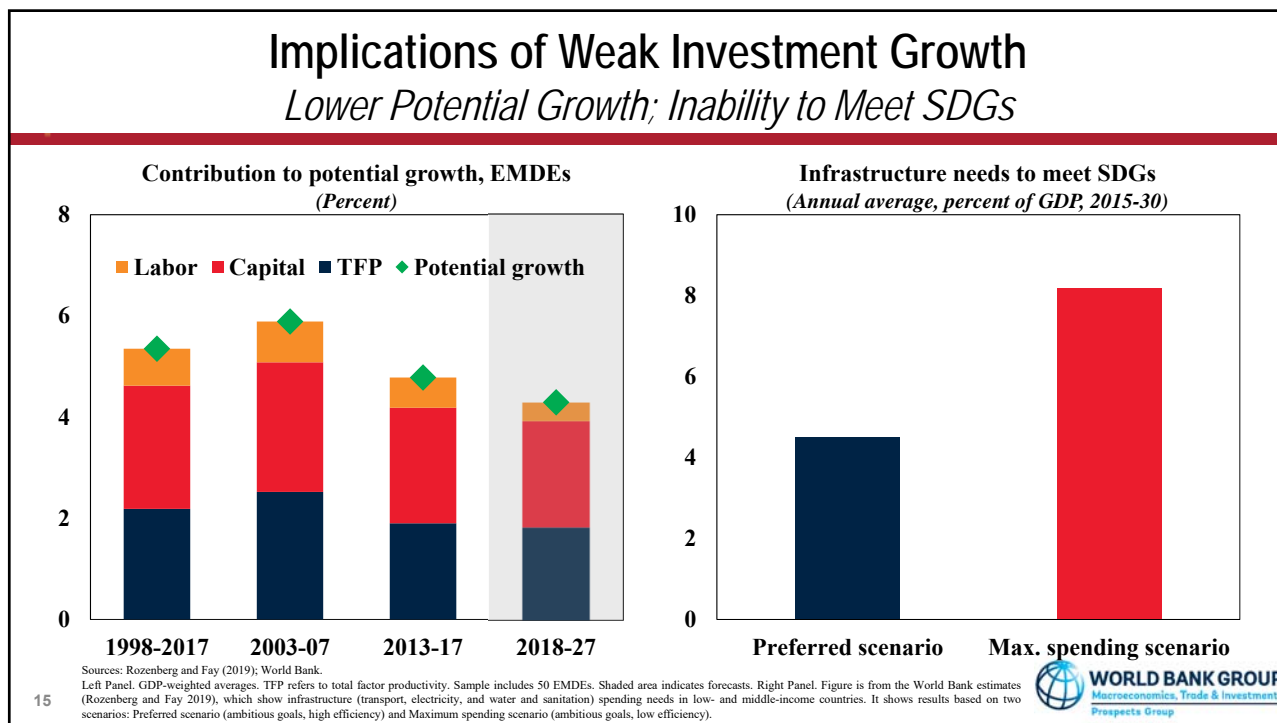
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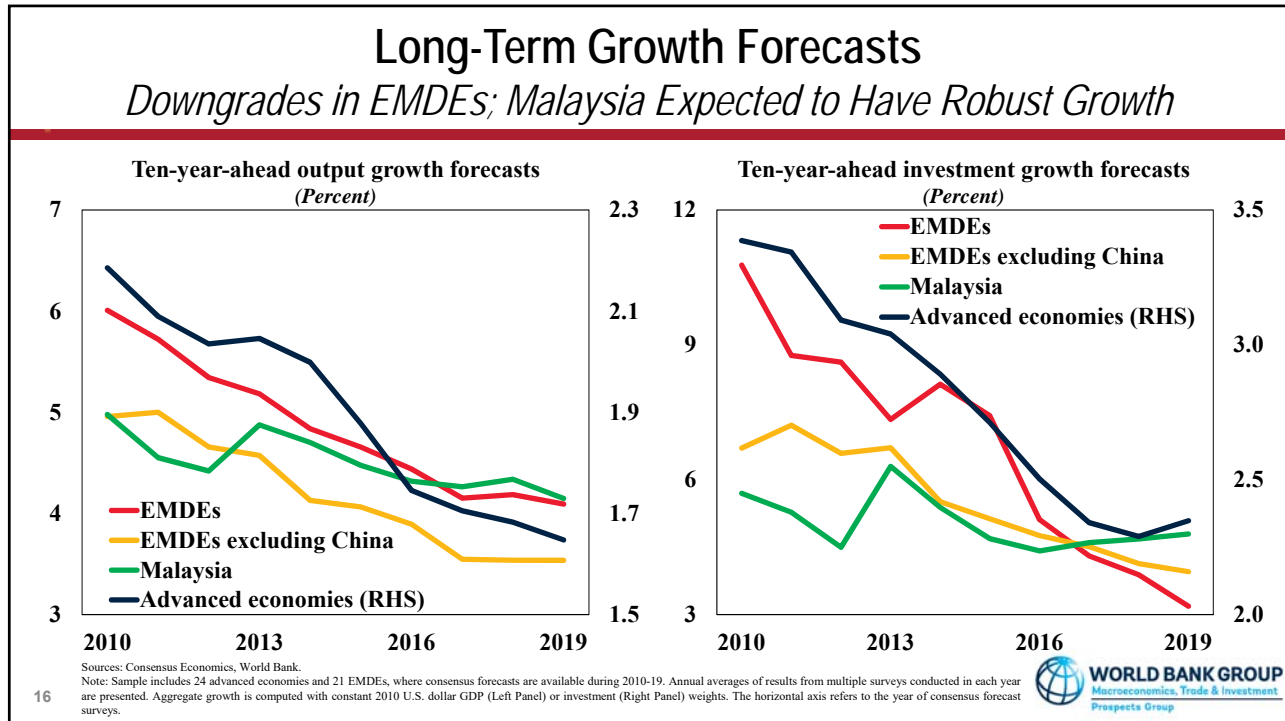
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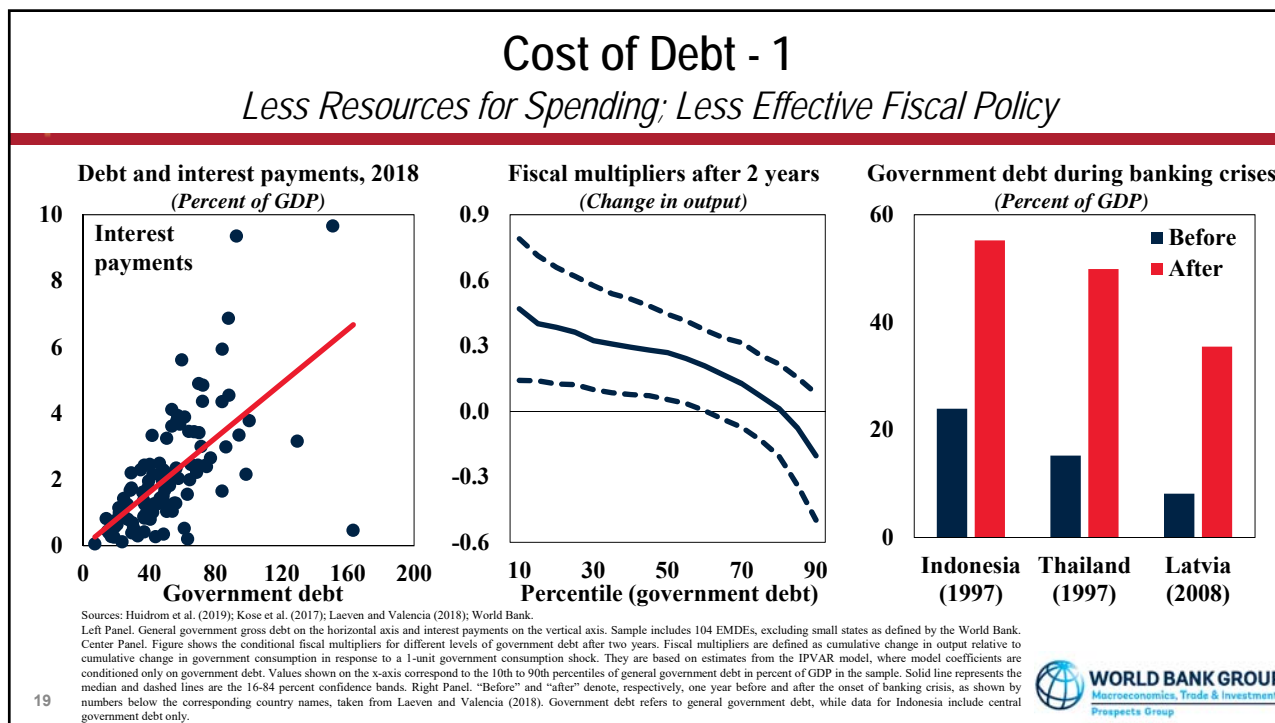
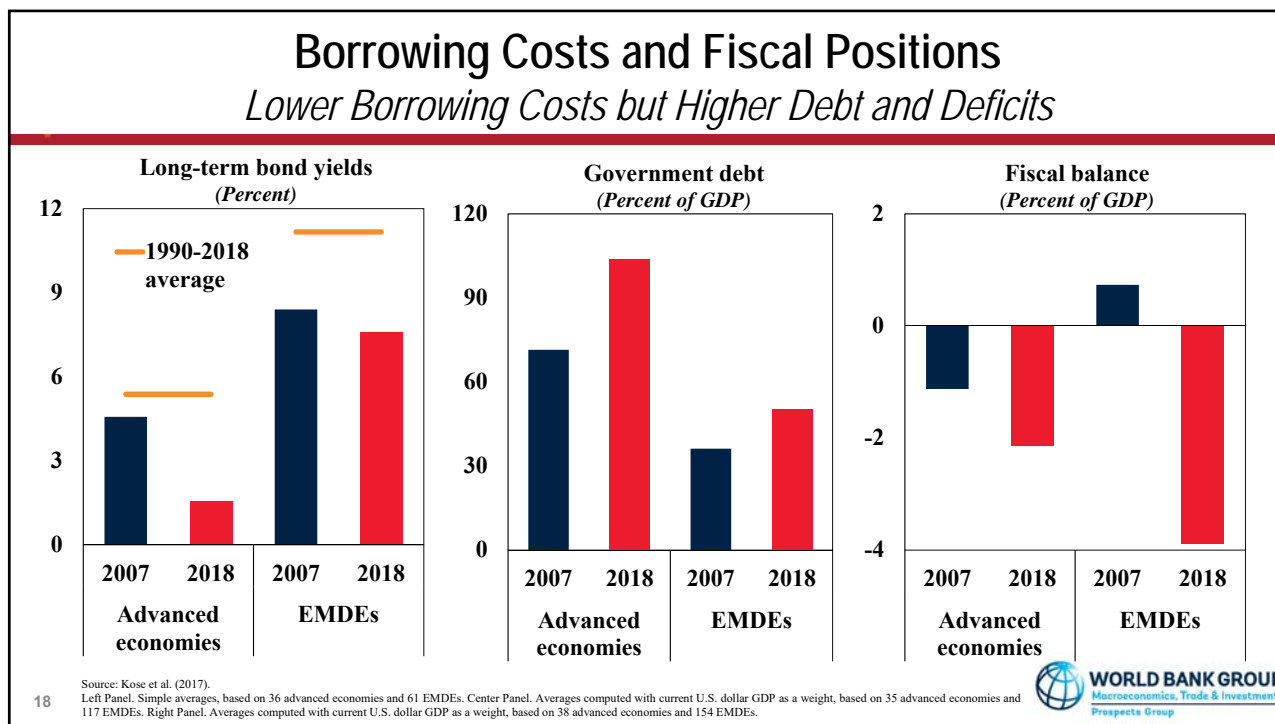


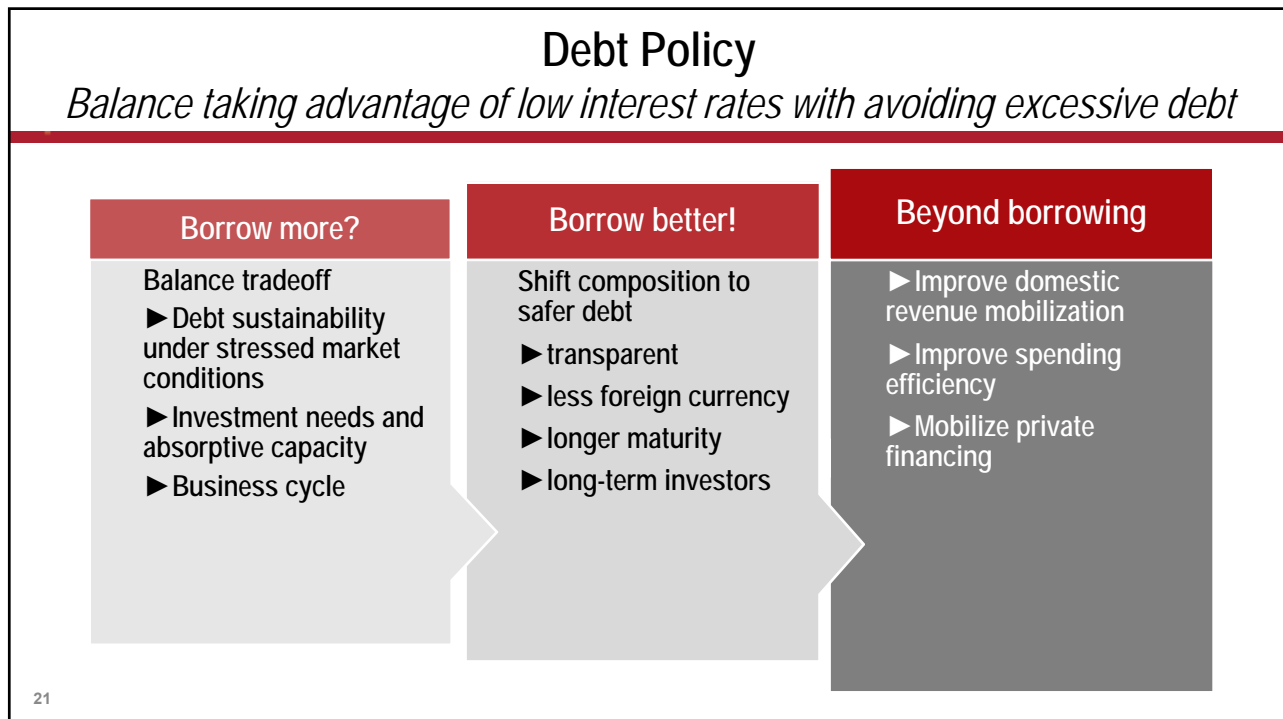
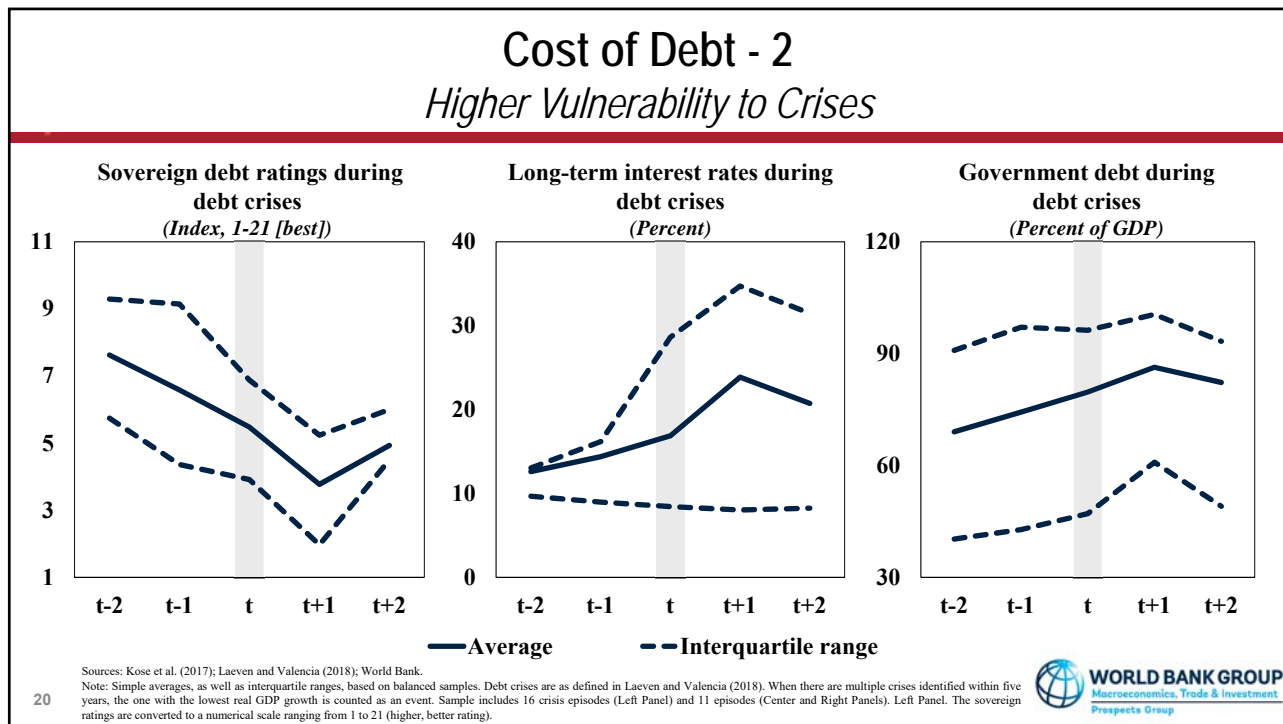
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Questions & Comments

Thanks!

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