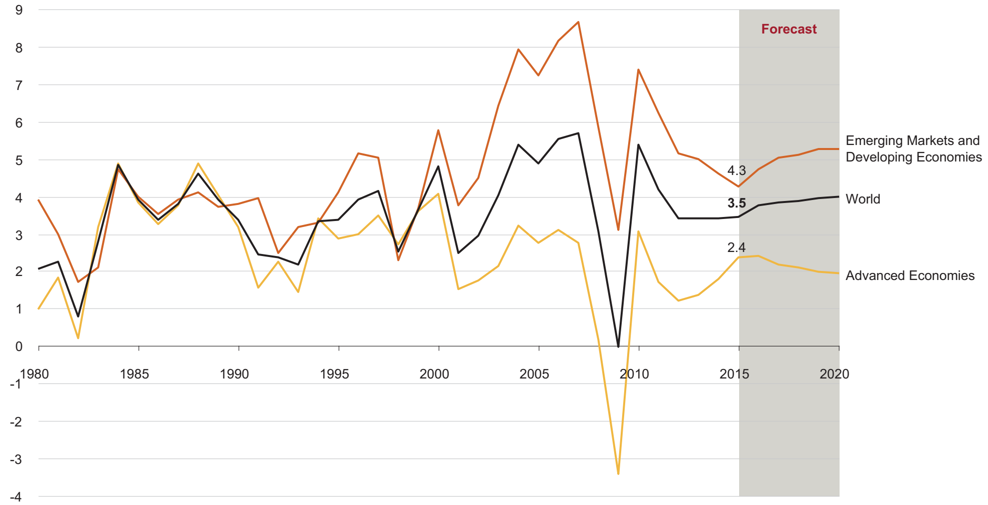
TIMID GLOBAL GROWTH: THE NEW NORMAL?

01

THE IMF FORECASTS GLOBAL GROWTH OF ~3.6% IN 2015/2016, with a pickup in advanced economies and stabilization in emerging markets

According to the IMF, global growth is projected to reach 3.5% in 2015. The overall growth of advanced economies masks differences between countries. While the US has rebounded and is now growing faster, economies like Japan and the EU will continue to struggle. On the emerging market side, growth is more subdued. China has slowed down, Russia's outlook has weakened, and most commodity exporters have been affected by declining prices

Global GDP Growth over Time
(In % of Y-o-Y Real GDP Growth, 1980-2020)



Source: "World Economic Outlook", IMF, Apr. 2015

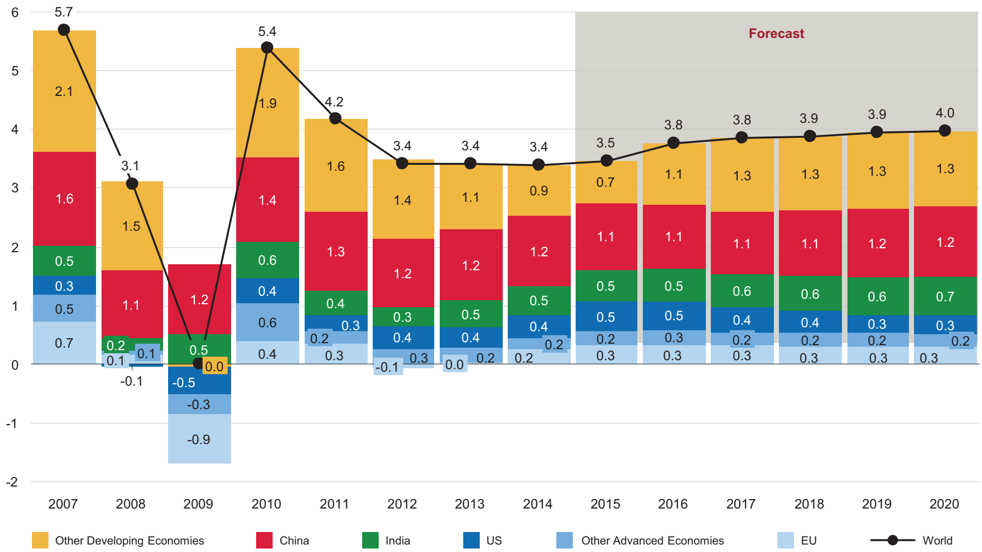
ADVANCED ECONOMIES' CONTRIBUTION TO GLOBAL GROWTH HAS REBOUNDED,

but despite their slowdown, emerging markets still drive global expansion with Asia and Africa leading the way

Advanced economies' contribution to global growth remains subdued with the exception of the US. Emerging markets' growth rates are undergoing a shift with China and the greater Asia Pacific region continuing to slow down. India's share is projected to grow by nearly 2% between 2015 and 2019; rates in China will slow by the same amount. Africa will become an important focal point of growth as the percentage of middle class consumers expands, with the potential to nearly double GDP to more than US$ 3.7 Trillion by 2019

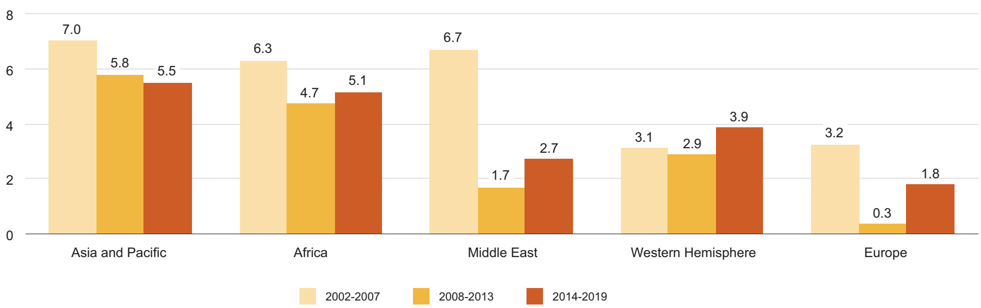
Country and Regional Contribution to Global Growth(1)

(In Percentage Points of Total GDP Growth, 2007-2020)



Regional Growth Across Time Periods

(In Average % Growth of GDP at PPP per Time Period, 2002-2007, 2008-2013 and 2014-2019)



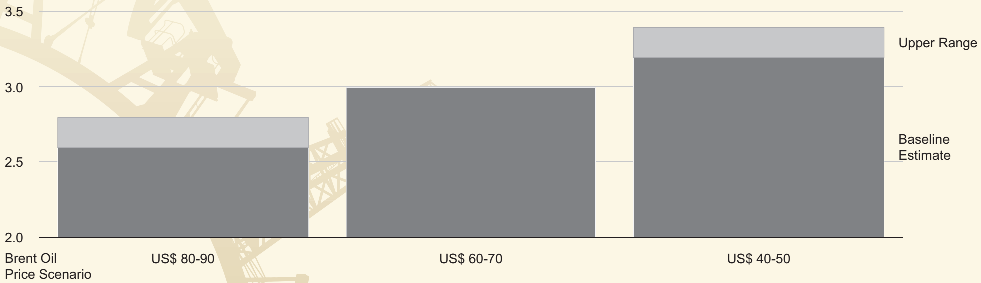
Note: (1) Estimates based on data from 190 countries, weighted by GDP at purchasing power parity
Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Lower Chart: "World Economic Outlook", IMF, Oct. 2014

LOW OIL PRICES WILL POTENTIALLY HAVE A POSITIVE IMPACT ON GLOBAL GROWTH, shifting gains from oil exporters to consumers in oil importing economies

Falling oil prices stand to have a major impact on the global economy, shifting resources away from major oil producers and boosting oil-importing economies with large consumer markets. Overall, lower oil prices will stimulate net global growth. While current projections have the price per barrel remaining at US$ 60-70 in 2015, a drop to US$ 40-50 would increase global growth by nearly half a percentage point. The impact will vary by country, ranging from an almost 4% slowdown in real GDP growth in Saudi Arabia to a 2% increase in GDP in the Philippines

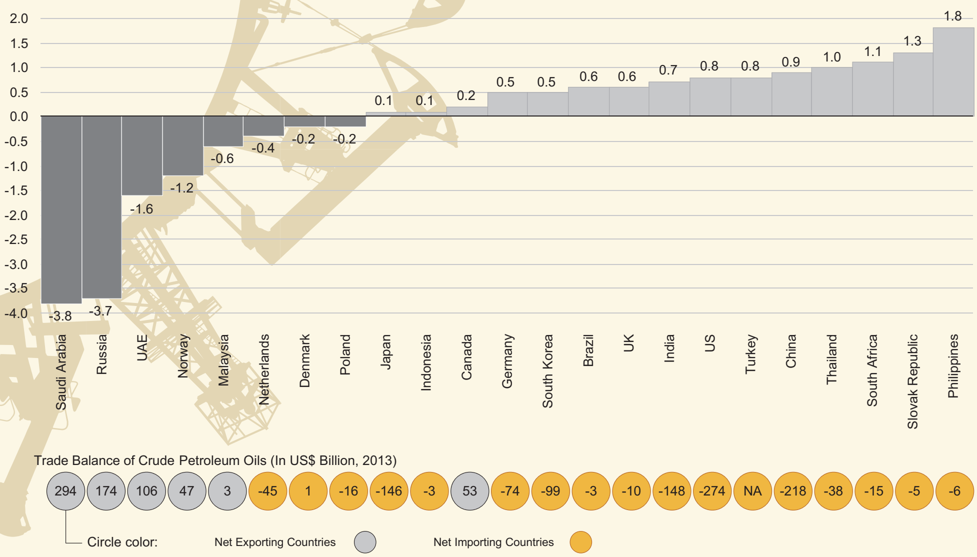
World Real GDP Growth Under Different Oil Price Scenarios as per IHS

(In % Y-o-Y of Real GDP Growth, 2015)



Country Changes in GDP Growth in the Dramatic Scenario of a Drop of Oil Barrel Prices from US$84 to US$40

(In % Y-o-Y Real GDP Growth Relative to Real GDP Growth at US$ 84/Barrel Rates, 2015-2016)



Source- Upper Chart: Global View Insights, IHS, 2015

Sources- Lower Chart: Bloomberg (based on Oxford Economics); International Trade Centre Trademap Database, 2013

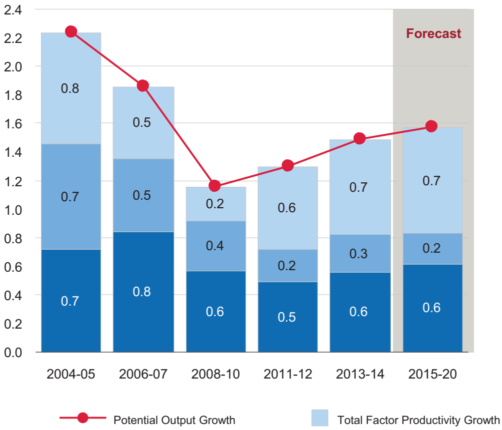
THE GLOBAL ECONOMY IS HEADING INTO A PERIOD OF LOW POTENTIAL GROWTH,

with the risk of secular stagnation – driven by ageing population and slowing innovation– affecting standards of living

Both developed and emerging markets face a decline in potential growth after the crisis. In developed economies, the slowdown stems largely from low capital growth and low potential employment as the population ages. As for emerging markets, low factor productivity is the major cause of low potential growth. The low growth has led many economists including those at the IMF to see a risk of "secular stagnation." With secular stagnation, economies would grow more slowly, making it hard to raise standards of living

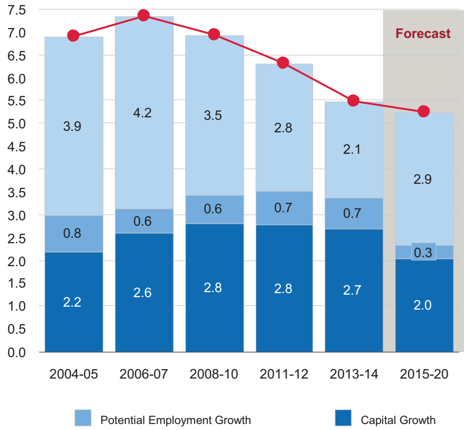
Potential Growth of Advanced Economies by Source of Growth

(In %, 2004-2020)



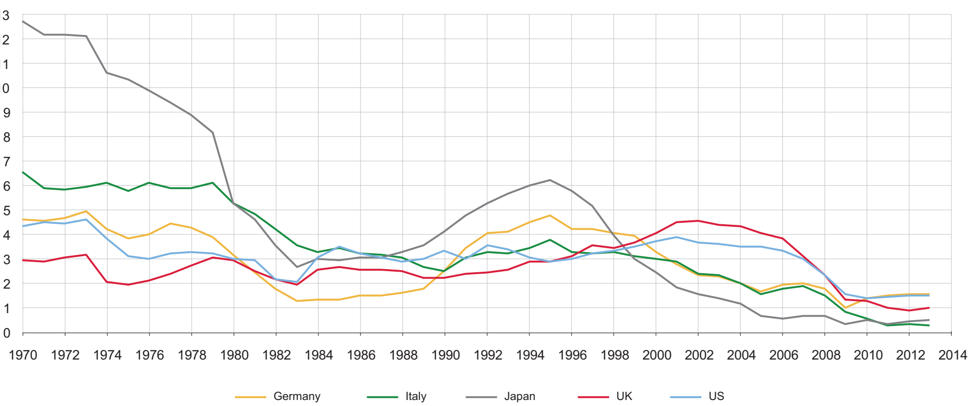
Potential Growth of Emerging Economies by Source of Growth

(In %, 2004-2020)



Real GDP Growth

(In % of 10-Year Moving Average Growth, 1970-2013)

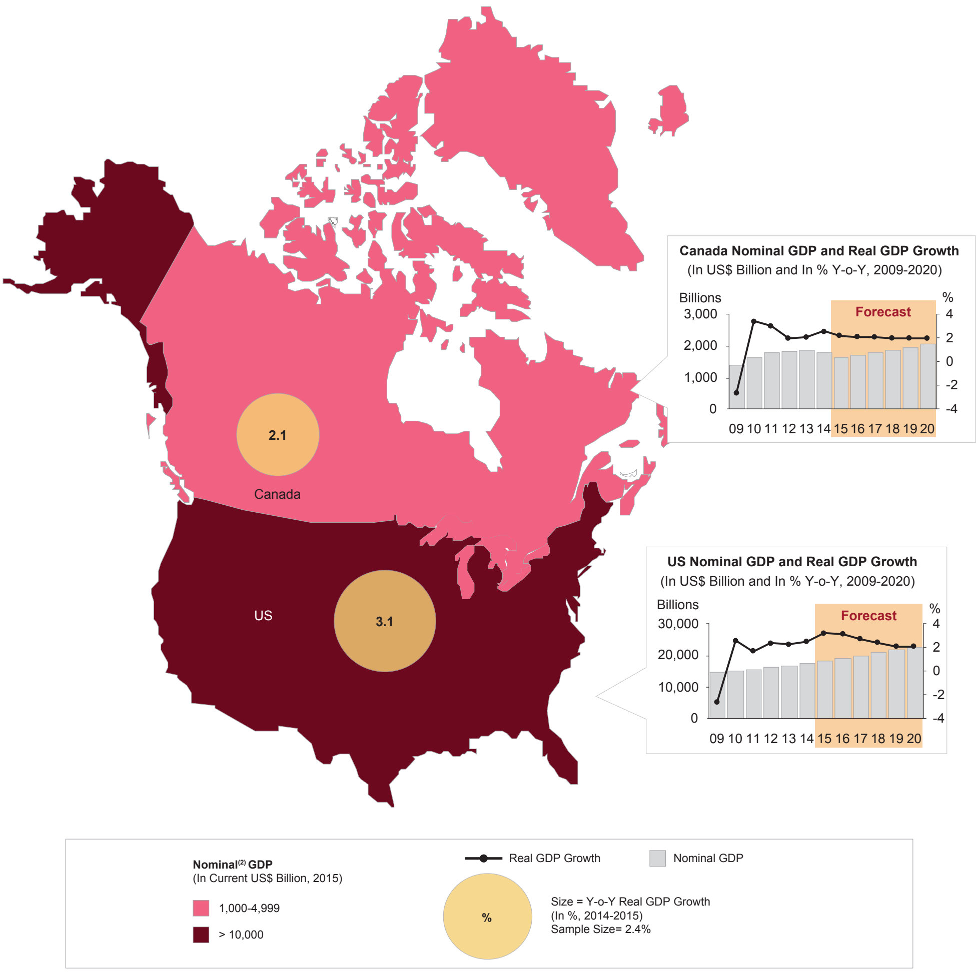


Source- Upper Chart: "World Economic Output", IMF, Apr. 2015
Sources- Lower Chart: Penn Table; World Bank Development Indicators

NORTH AMERICAN GROWTH WILL BE ROBUST, with the US growing at 3.1% in 2015/16 and Canada benefiting from a rise in exports to a recovering US economy

US growth is being driven by solid employment growth, a drop in unemployment, stronger non-residential activity and continuing low inflation. The Canadian economy has benefited from growth in the US, its biggest export partner

North America's[1] Economic Outlook: Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)

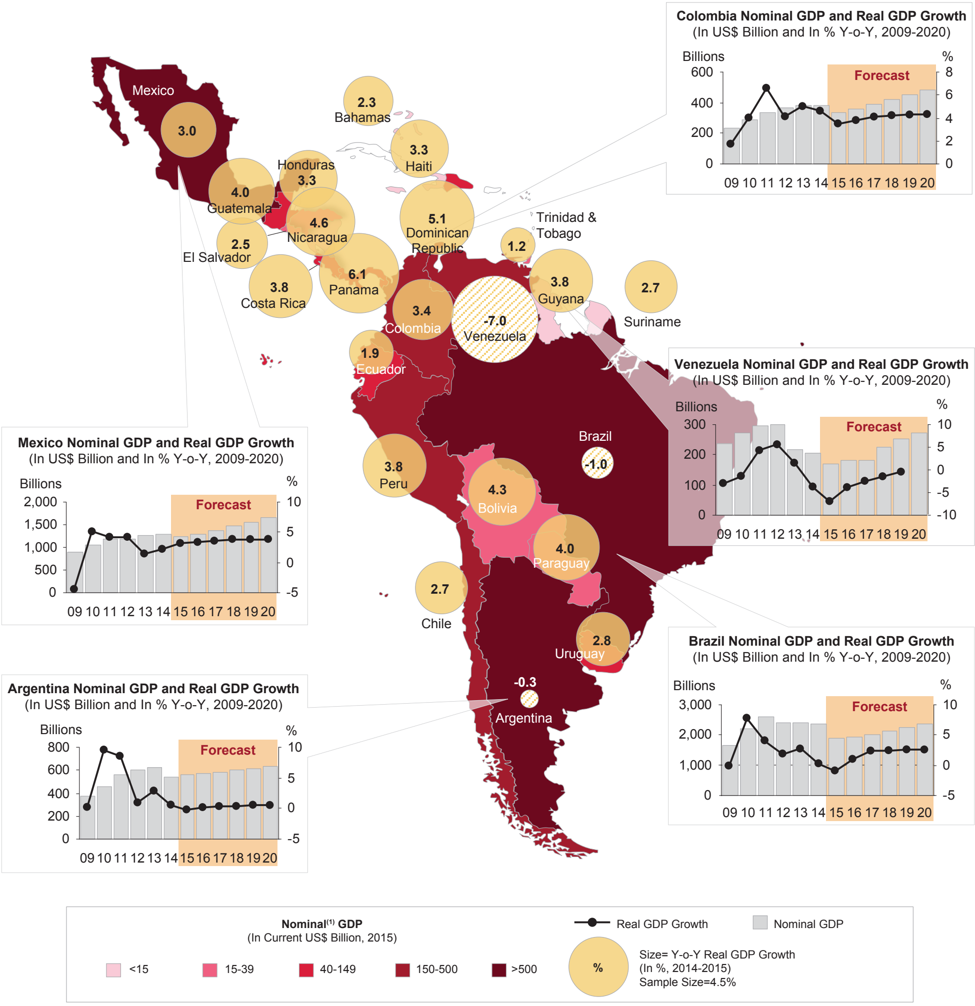


Notes: (1) Includes the United States and Canada and excludes Mexico
(2) Projections of decreasing GDP, when applicable, are partially driven by lower oil prices and depreciating currencies against the US$
Source: "World Economic Outlook", IMF. Apr. 2015

LATIN AMERICA WILL CONTINUE TO EXHIBIT SLOW GROWTH, with lower external demand and weak domestic economic activity

Many Latin American economies depend on exports of commodities and have been hit by the drop in commodity prices. In addition to the challenges in international trade, many countries face domestic constraints, including supply bottlenecks, tight labor markets, and uncertainty over policy direction

Latin America and Caribbean's Economic Outlook: Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)



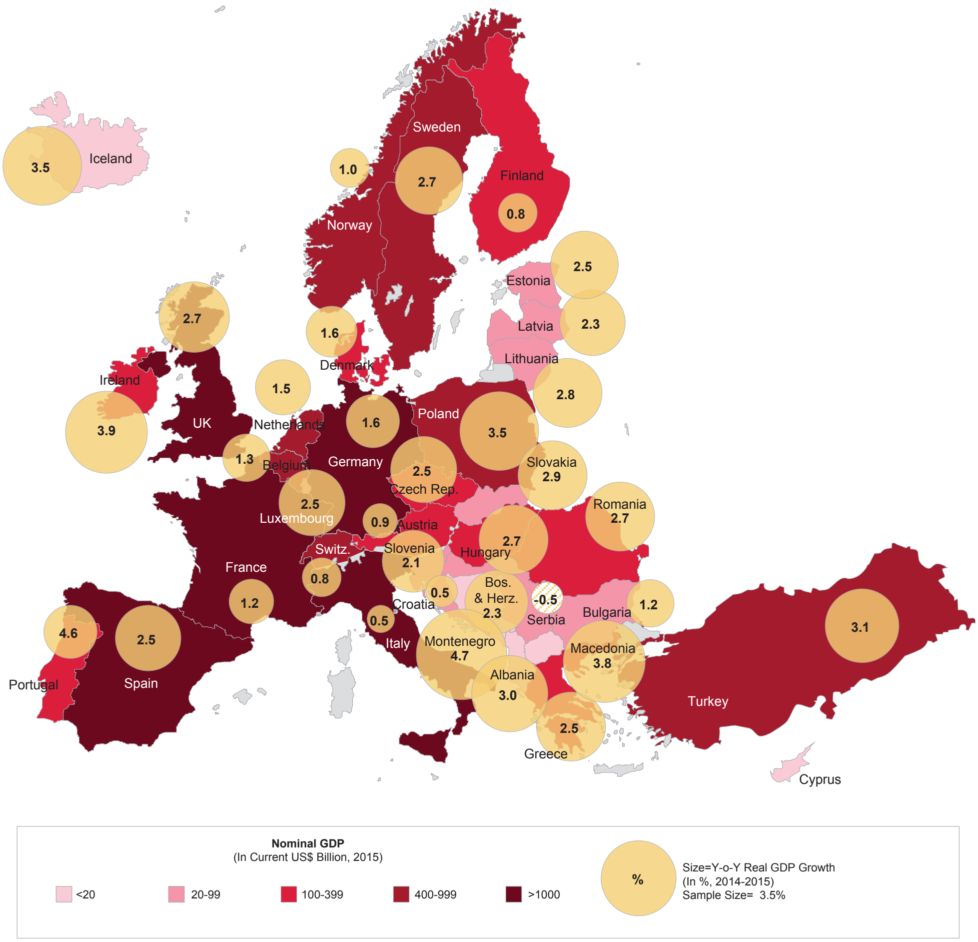
Note: (1) Projections of decreasing GDP, when applicable, are partially driven by lower oil prices and depreciating currencies against the US$
Source: "World Economic Outlook", IMF. Apr. 2015

EUROPE'S GROWTH IS UNEVEN IN BOTH ADVANCED AND EMERGING COUNTRIES,

with its biggest bloc– the Eurozone– still growing slowly

Europe's growth remains slow, although a recovery is anticipated given the European Central Bank's quantitative easing and the drop in the price of oil. However, some structural problems remain, including rigid labor markets, barriers to competition and slow innovation. Emerging Europe, like advanced Europe, has a varied outlook with countries like Poland, Hungary and Turkey growing quickly while others struggle

Europe's Economic Outlook: Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)



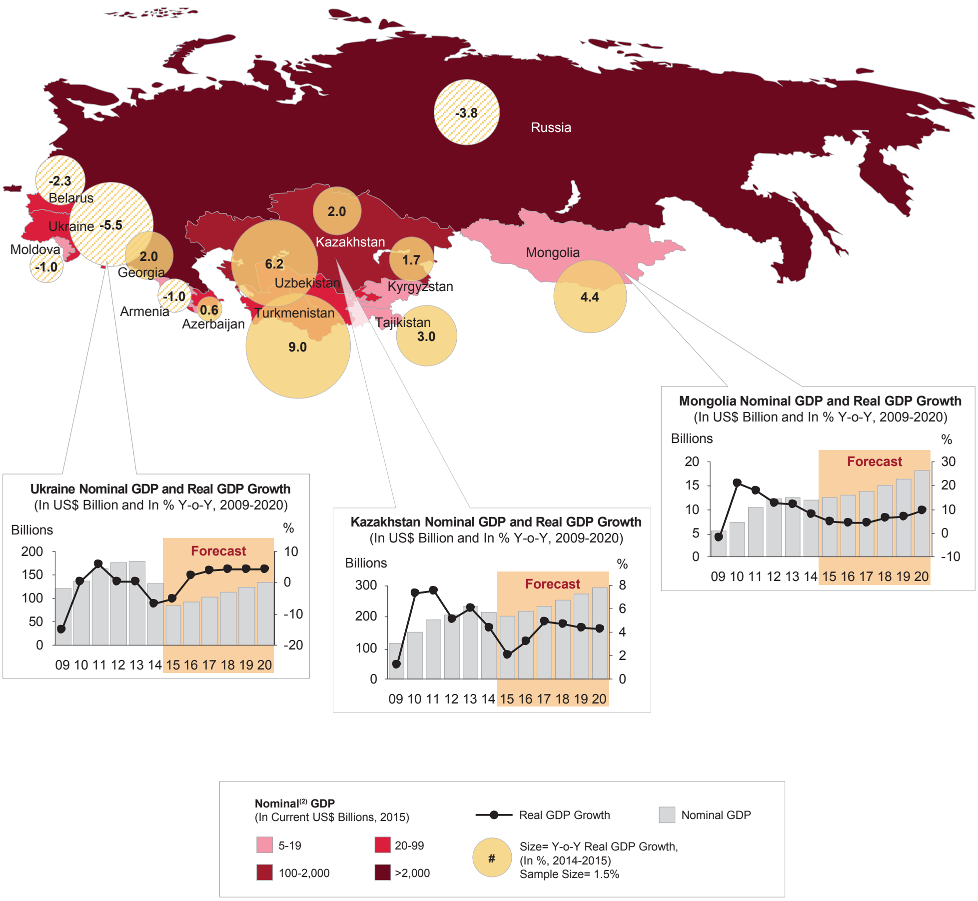
Source: "World Economic Outlook", IMF. Apr. 2015

RUSSIA'S CONTRACTING ECONOMY WILL AFFECT PROSPECTS OF GROWTH WITHIN THE CIS, with most countries' economies slowing down

Russia's recession, the depreciation of the ruble, and the economic crisis in Ukraine will create problems for the whole region. Russia's projected negative growth for 2015 reflects the impact of lower oil prices, economic sanctions and geopolitical tensions. Despite lower growth, many CIS economies still struggle with high inflation –the region as a whole is expected to have 17% inflation in 2015– reflecting pass-throughs from depreciating currencies

CIS(1) Economic Outlook: Overview of Major Regional Economies

(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)



Notes: (1) Mongolia, Georgia and Turkmenistan are not part of the Commonwealth of Independent States (CIS) but are added to CIS countries in IMF's regional analysis due to the similarity in their economies to CIS countries

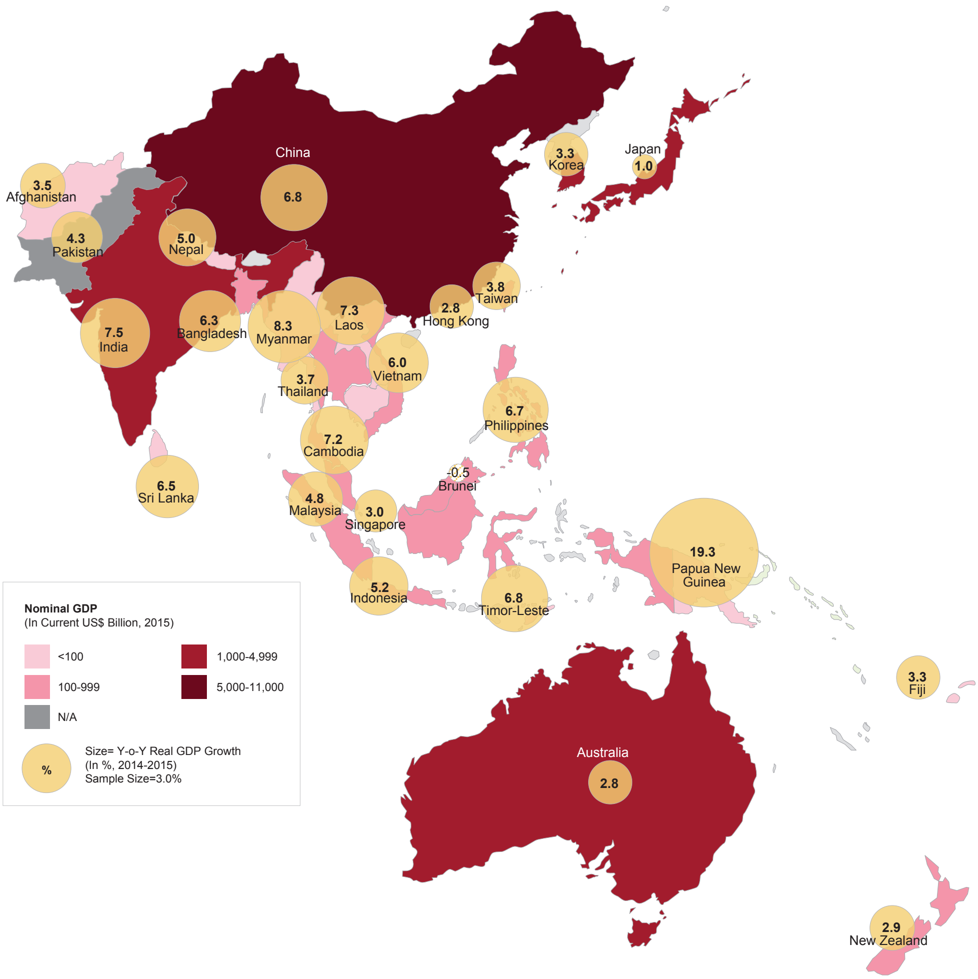
(2) Projections of decreasing GDP, when applicable, are partially driven by lower oil prices and depreciating currencies against the US$

Source: "World Economic Outlook", IMF, Apr. 2015

SLOWER GROWTH DOESN'T MEAN NO GROWTH: ASIA PACIFIC WILL STILL BE ROBUST with South Asian economies faring particularly well

Growth rebounded in parts of Asia towards the end of 2014 and is likely to continue in 2015/16. Faster growth in India is being driven by a rise in exports and investment. In China, the slowdown is a result of a reduction in credit in both the banking and nonbanking sectors. For most of Asia, growth is robust, although some vulnerabilities remain because of fiscal sustainability and current account deficits

Asia Economic Outlook: Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)



Source: "World Economic Outlook", IMF, Apr. 2015

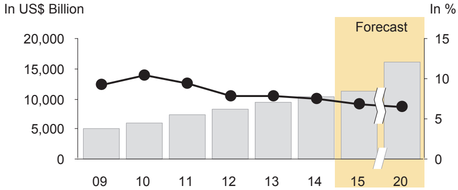
CHINA'S GROWTH IS STABILIZING AS INDIA'S PICKS UP, with growth in much of the rest of Asia ticking up

Japan's growth remains low but will rebound after the short dip caused by the consumption tax. Australia and South Korea's growth will be helped by exports while ASEAN countries will enjoy robust growth resulting from high levels of investment and internal reforms. Thailand's political uncertainty remains a major risk

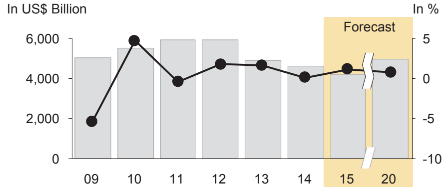
Asia's Economic Outlook: Selected Countries

(In US$ Billion and In % Y-o-Y, 2009-2020)

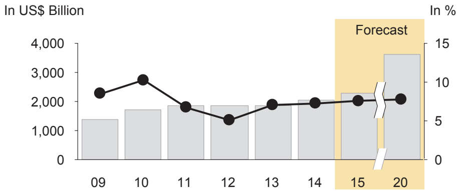
China's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



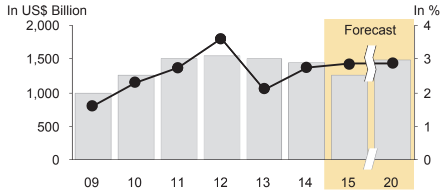
Japan's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



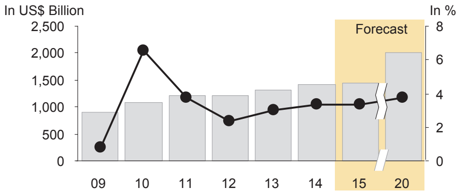
India's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



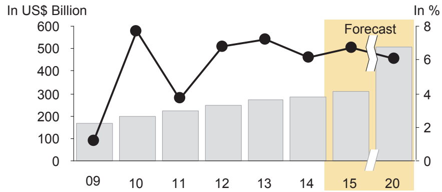
Australia's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



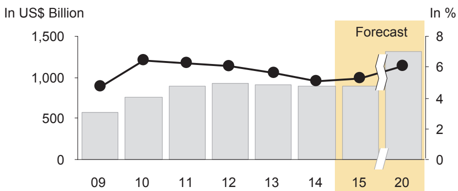
South Korea's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



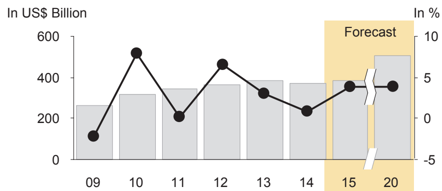
Philippines' Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



Indonesia's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



Thailand's Nominal(1) GDP and Real GDP Growth
(In US$ Billion, and In % Y-o-Y, 2009-2020)



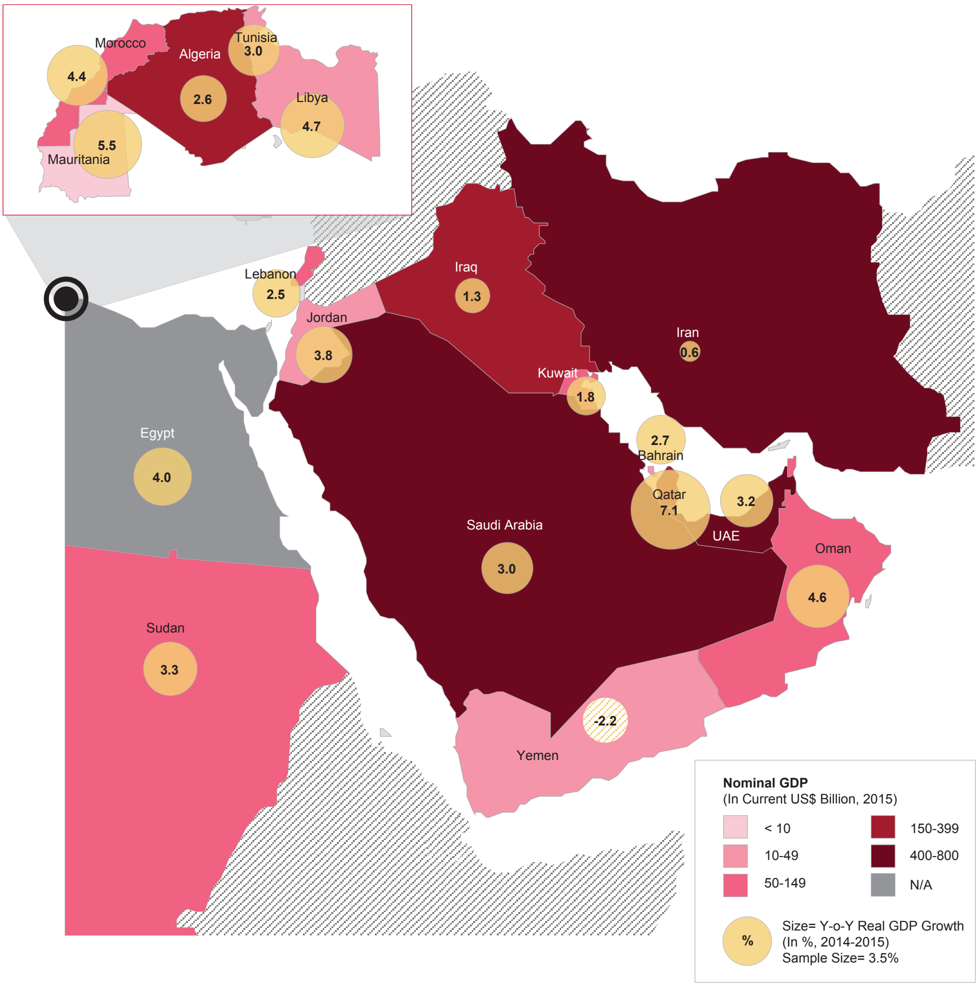
Real GDP Growth   Nominal GDP

Note: (1) Projections of decreasing GDP, when applicable, are partially driven by lower oil prices and depreciating currencies against the US$
Source: "World Economic Outlook", IMF, Apr. 2015

THE MENA REGION'S POLITICAL TURMOIL HINDERS NET OIL IMPORTING COUNTRIES' GROWTH while net oil exporters are affected by lower oil prices

Despite a predicted pick-up in growth for 2015, most MENA countries remain vulnerable because of their political instability. Their fiscal balances still need to be restored to provide buffers against shocks. Moreover, structural reforms are still required to generate employment and address infrastructure gaps and inequality

MENA's Economic Outlook: Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)

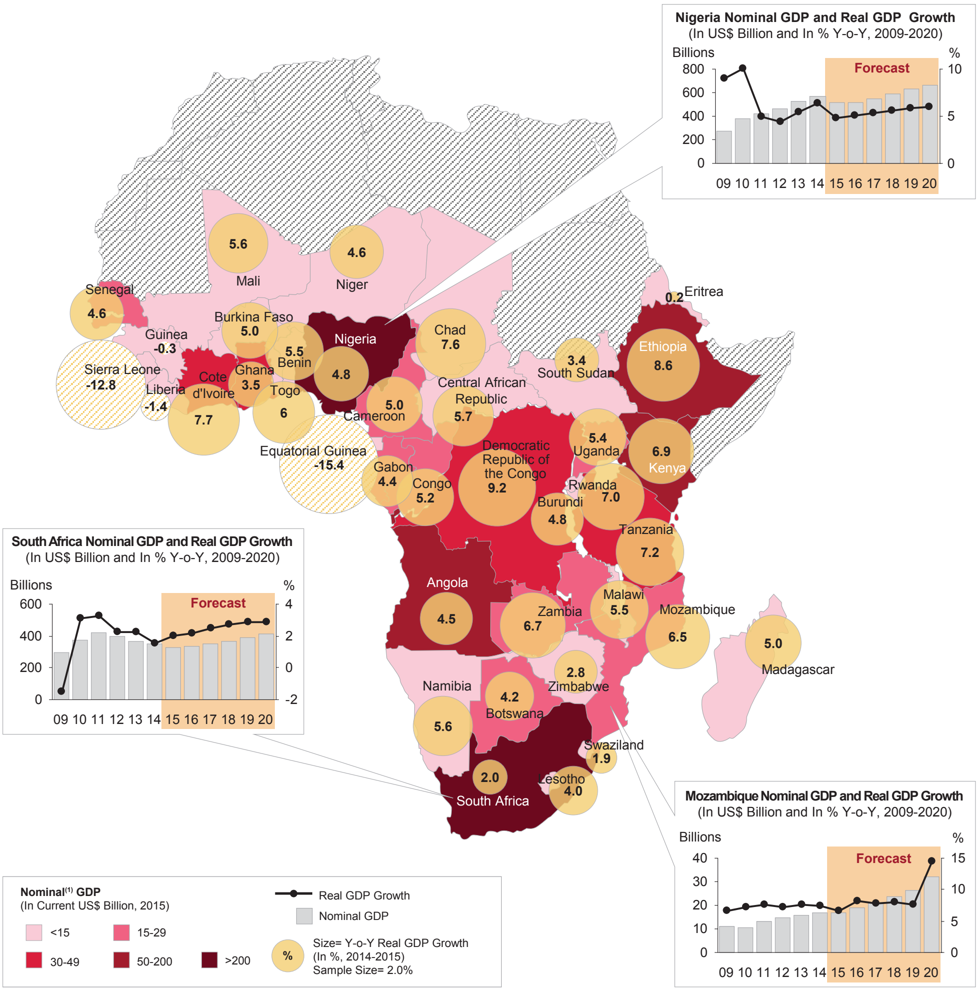


Source: "World Economic Outlook", IMF, Apr. 015

SOLID GROWTH IN SUB-SAHARAN AFRICA IS LIKELY TO CONTINUE although financial vulnerabilities, weakening external demand and further drops in commodity prices are major risks

Sub-Saharan Africa's robust growth is expected to continue because of strong external demand and high levels of public and private investment. The drop in commodity prices is likely to affect the two largest economies—South Africa and Nigeria. Humanitarian crises, instability, and, in certain countries, financial vulnerabilities are among the other ongoing risks

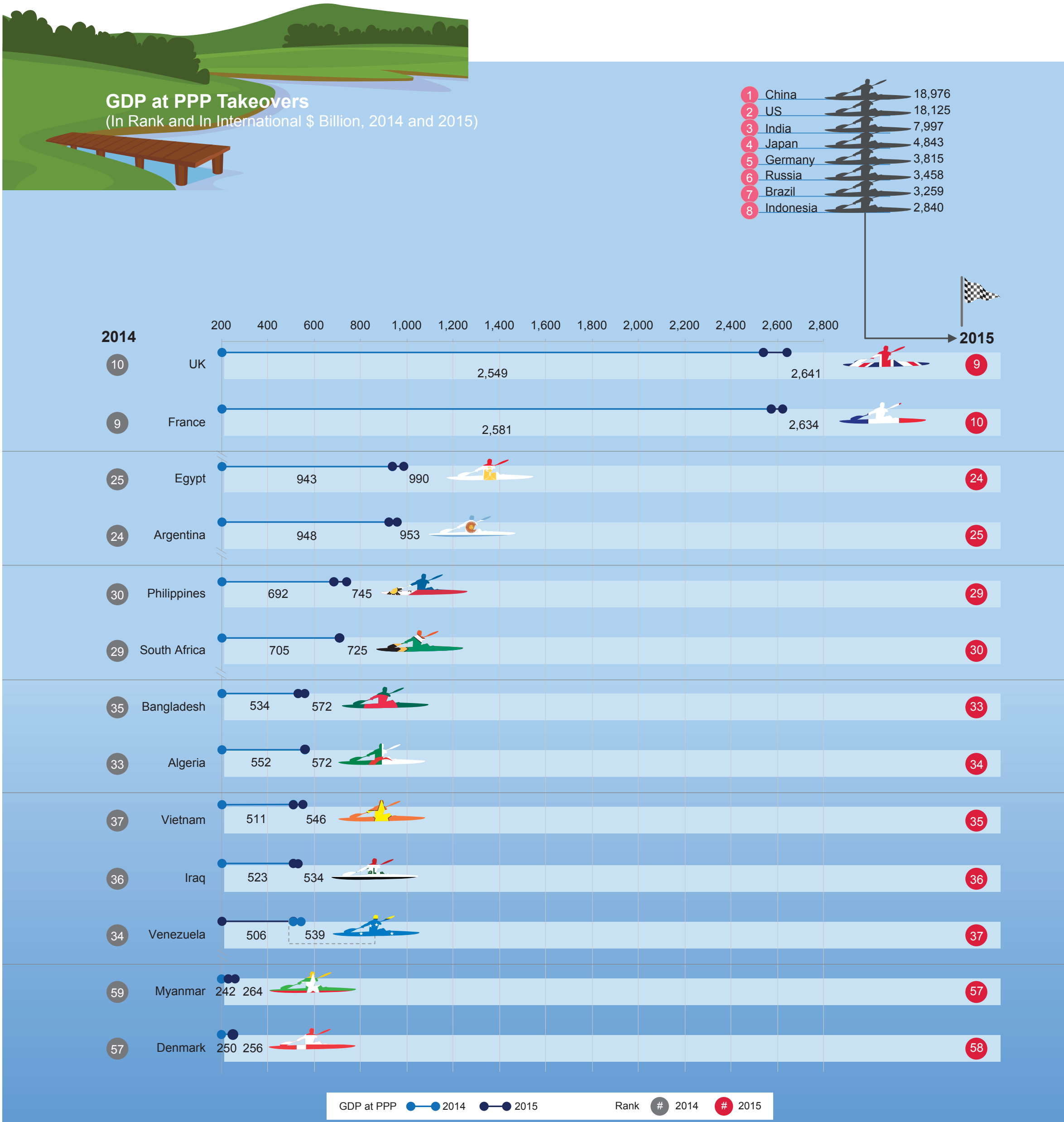
Africa's Economic Outlook Overview of Major Regional Economies
(In Current US$ Billion, 2015 and In % Y-o-Y Real GDP Growth Rate, 2014-2015)



Note: (1) Projections of decreasing GDP, when applicable, are partially driven by lower oil prices and depreciating currencies against the US$
Source: "World Economic Outlook", IMF, Apr. 2015

THE UK IS EXPECTED TO OVERTAKE FRANCE IN TERMS OF GDP AT PPP, Egypt to overtake Argentina and Philippines to overtake South Africa

2015/2016 will see growth in the GDP of many emerging market economies, particularly in Africa and Asia. Moreover, the dip in economic activity in Latin America will result in many Asian economies overtaking major LAC players, as exemplified by Vietnam overtaking Venezuela

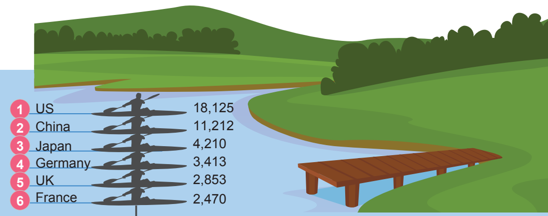


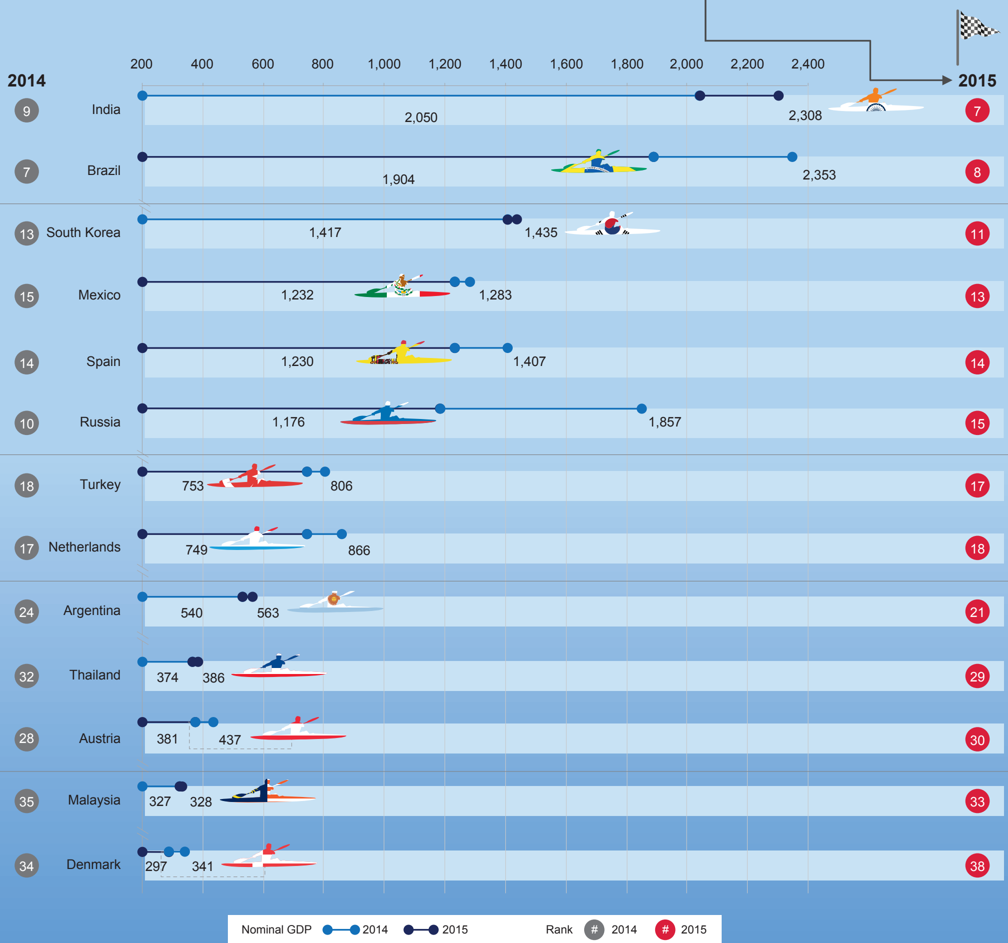
Source: "World Economic Outlook", IMF, Apr. 2015

IN TERMS OF NOMINAL GDP, INDIA OVERTAKES BRAZIL WHILE RUSSIA DROPS BELOW SOUTH KOREA, MEXICO AND SPAIN

Deflation in many European and some Latin American countries has led to minimal growth in nominal GDP. Similar to trends in GDP at PPP, much of Asia continues to grow, with many Asian economies overtaking European and Latin American economies

Nominal GDP Takeovers
(In Rank and In US$ Billion, 2014 and 2015)





Source: "World Economic Outlook", IMF, Apr. 2015