Global economic prospects
January, 2014
World GDP Growth

The decelerating recovery
World GDP growth (%)

Source: IMF WEO Update, Oct-2013
World GDP growth has been revised downward

The deceleration was not anticipated

Real GDP growth (%)
Global Fiscal Stance

A large globally-coordinated fiscal stimulus helped in 2010 and 2011, but was prematurely withdrawn

Cyclically Adjusted Primary Balance (% Potential GDP)

Source: IMF Fiscal Monitor & WEO Update, Oct-2013
World trade growth has fallen sharply

With the sharp slow down, world trade has been growing slower than world GDP

Growth (%)
Medium term outlook for trade remains a question mark

World trade has also slowed down more than expected

Source: IMF WEO Various Updates
GDP growth knocked everywhere, especially in euro area

Source: IMF WEO Update, Oct-2013
Growth forecast revisions especially high for emerging economies

Source: IMF WEO Various Updates
Fiscal stimulus is being withdrawn virtually everywhere

Source: IMF WEO Update, Oct-2013
Deflationary tendency, except in emerging economies

Source: IMF WEO Update, Oct-2013
Investment remains weak, but shows a differentiated story

Source: IMF WEO Update, Oct-2013
Public debt ratios have risen through much of advanced economies

Source: IMF WEO Update, Oct-2013
The Eurozone Trade Drag

Source: CPB World Trade Monitor
USA stabilising?

**Contribution to Real GDP growth**

Growth in output/hour-worked % saar

**US non-farm business**

**US non-farm payrolls**

Monthly change, thousands

**US retail sales and consumer credit**

Twelve-month percentage changes
China: Potential growth down
What next?

- Signs of revival: are they durable?
- Gordon: potential growth slowdown
- Secular stagnation: excess savings
- Global linkages: unwinding of global interconnections
  - No global locomotive
- Risks: euro drag persists, china melts down, the US cannot sustain consumer boom
- Global monetary policy competition hurts before eventually helping