# THE WORLD ECONOMY

Barry Naisbitt with Janine Boshoff, Ian Hurst, Amit Kara, Cyrille Lenoel, Iana Liadze, Xuxin Mao, Craig Thamotheram and Kemar Whyte*

Global outlook overview

After two years during which global economic growth has slowed from a cyclical peak in 2017 to its slowest rate since 2009, we expect that the growth slowdown will halt this year. We project global GDP growth of 3 per cent this year, effectively the same as last year, and 3¼ per cent next, with these forecasts unchanged from those of three months ago.

The headwinds to output growth since 2017 have been widespread, due to several factors. With China now accounting for around 20 per cent of global GDP,[1] the reduction in GDP growth in China since 2017 as the economy has continued its adjustment path has reduced global growth by about 0.2 percentage points. The era of over 7 per cent annual economic growth in China has ended and growth last year of 6.1 per cent was the slowest for 29 years, reflecting both international factors and the phase of economic development adapting. In the US, the ending of the boost to growth from the fiscal stimulus has occurred at the same time as interest rates increased as part of monetary policy normalisation and US growth has slowed from 2.9 per cent in 2018 to 2.3 per cent in 2019. Last year the imposition of new tariffs by the US (and subsequent retaliation) and uncertainty over future tariff imposition led to disruption and uncertainty in global goods trade. In addition, disruption in the automobile market from changing regulatory and demand patterns has played a role, especially in Germany. Finally, recessions in Argentina and Turkey and slower growth in India, largely from domestic factors, have also contributed to explaining slower overall economic growth. This confluence of factors has worked to reduce global growth.

Figure 1. GDP growth in advanced and emerging economies
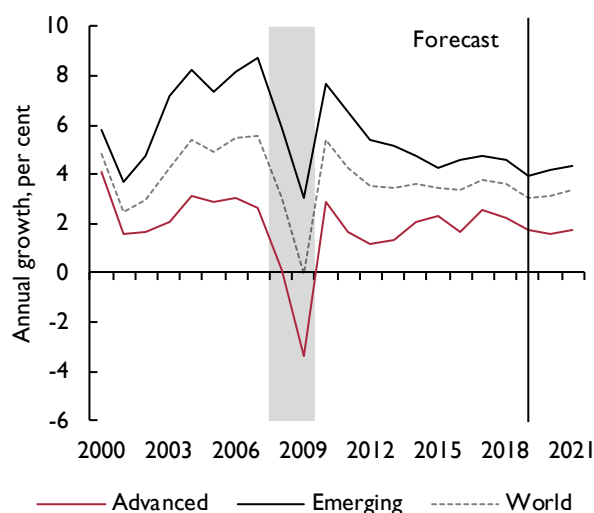
Source: NiGEM database and NIESR forecast.
Note: Shading denotes global financial crisis.

We expect that the waning influence of the temporary factors that have slowed growth in the past two years and monetary policy loosening in several economies, especially in the US, will support the pace of growth gradually recovering later this year and into 2021 (see figure 1). A key global uncertainty, however, is how the change in the direction of tariffs that has occurred in the past two years will develop and how it will affect the global trading system. The signing of the Phase One

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Appendix B: Forecast detail

Table B1. Real GDP growth and inflation

	Real GDP growth (per cent)						Annual inflation[a] (per cent)					
	2017	2018	2019	2020	2021	2022–26	2017	2018	2019	2020	2021	2022–26
Argentina	2.7	–2.5	–2.6	–0.9	0.8	2.7	26.3	34.2	52.6	44.6	31.0	14.5
Australia[a]	2.5	2.7	1.8	2.5	2.5	2.8	1.4	1.6	1.9	2.0	1.8	1.9
Austria[a]	2.6	2.3	1.6	1.5	1.6	1.2	2.2	2.1	1.4	1.7	1.8	1.5
Belgium[a]	2.0	1.5	1.3	1.5	1.6	1.4	2.2	2.3	1.3	1.3	1.5	1.3
Bulgaria[a]	3.5	3.2	3.6	3.3	3.5	2.4	1.2	2.6	2.4	2.2	2.1	1.4
Brazil	1.3	1.3	0.9	1.8	2.3	2.5	3.4	3.7	3.7	3.6	3.8	3.9
Chile	1.5	4.0	2.0	1.5	2.1	1.4	2.2	2.7	2.1	2.6	2.1	1.8
China	6.8	6.6	6.1	5.9	5.7	5.2	1.5	2.1	2.9	3.3	2.2	2.2
Canada	3.2	2.0	1.7	1.8	2.1	1.8	1.0	1.7	1.6	2.1	1.9	2.1
Czechia[a]	4.5	2.8	2.6	2.5	2.2	2.2	2.4	2.0	2.5	1.9	2.2	2.3
Denmark[a]	2.0	2.4	2.1	1.7	1.8	1.3	1.1	0.7	0.7	1.5	1.9	1.5
Estonia[a]	5.6	4.8	4.0	2.7	3.3	2.0	3.7	3.4	2.2	2.5	2.9	1.4
Finland[a]	3.1	1.7	1.4	1.5	1.4	1.1	0.8	1.2	1.1	1.5	1.5	1.4
France[a]	2.4	1.7	1.3	1.2	1.7	1.4	1.2	2.1	1.3	1.4	1.6	1.3
Germany[a]	2.8	1.5	0.5	0.7	1.2	1.1	1.7	1.9	1.4	1.5	1.8	1.6
Greece[a]	1.4	1.9	2.3	2.1	1.9	1.8	1.1	0.8	0.5	1.2	1.5	1.5
Hong Kong	3.8	3.0	–1.1	0.1	2.5	2.5	2.5	3.2	2.8	1.2	2.0	1.9
Hungary[a]	4.5	5.1	4.9	3.6	3.3	1.6	2.4	2.9	3.3	3.5	3.7	3.5
India	6.9	7.4	5.3	6.3	6.5	6.7	3.3	3.9	3.7	5.6	3.0	3.5
Indonesia	5.1	5.2	4.9	4.7	4.4	3.9	3.8	3.2	3.1	3.2	3.4	2.9
Ireland	8.2	8.3	5.7	2.4	3.0	3.2	0.2	0.7	0.9	1.4	1.8	2.0
Italy[a]	1.8	0.7	0.2	0.4	0.8	0.8	1.3	1.3	0.6	0.7	1.5	1.5
Japan	2.2	0.3	1.1	0.4	0.5	0.9	0.2	0.6	0.5	1.8	1.1	1.3
Lithuania[a]	4.4	3.7	3.6	2.8	3.1	1.4	3.7	2.5	2.2	2.1	1.9	1.2
Latvia[a]	3.8	4.8	2.2	2.6	3.2	1.9	2.9	2.6	2.7	2.4	1.9	1.3
Mexico	2.4	2.1	0.2	1.5	2.0	2.7	6.0	4.9	3.5	3.1	3.1	2.4
Netherlands[a]	3.0	2.5	1.7	1.8	1.8	1.2	1.3	1.6	2.7	1.9	1.8	1.5
New Zealand	3.8	3.2	2.3	2.2	2.6	2.1	1.5	1.3	1.4	2.1	2.0	1.9
Norway	2.7	1.5	1.0	2.6	2.1	1.8	1.9	2.2	1.9	1.8	2.0	2.4
Poland[a]	4.9	5.2	4.4	3.3	3.4	2.3	1.6	1.2	2.1	2.4	2.4	2.0
Portugal[a]	3.5	2.4	2.0	1.8	1.7	1.4	1.6	1.2	0.3	0.7	1.3	1.1
Romania[a]	6.9	4.6	3.9	3.1	3.2	2.6	1.1	4.1	3.9	2.4	2.4	1.6
Russia	1.6	2.3	1.3	1.5	1.8	1.6	3.7	2.9	4.5	3.6	3.9	3.2
Singapore	3.7	3.2	0.7	0.9	3.1	3.0	0.6	0.4	0.7	1.3	2.0	2.3
South Africa	1.4	0.7	0.3	1.6	1.5	1.6	4.5	4.1	3.6	5.0	4.9	3.0
S. Korea	3.2	2.7	1.9	2.3	2.0	2.9	1.9	1.5	0.3	1.2	1.4	1.6
Slovakia[a]	3.0	4.0	2.3	2.0	2.4	1.0	1.4	2.5	2.8	2.3	2.1	1.4
Slovenia[a]	5.1	4.2	2.5	2.6	2.6	1.8	1.6	1.9	1.7	2.1	2.1	1.4
Spain[a]	2.9	2.4	1.9	1.8	1.8	1.6	2.0	1.7	0.8	1.4	1.6	1.4
Sweden[a]	2.7	2.3	1.4	1.8	1.6	1.2	1.9	2.0	1.7	1.6	1.9	1.9
Switzerland	1.9	2.8	0.9	1.4	1.7	2.0	0.6	1.1	0.1	0.5	1.2	1.0
Taiwan	3.3	2.7	2.6	2.1	1.8	2.8	0.0	1.0	0.6	0.2	0.5	0.7
Turkey	7.4	2.9	0.1	3.2	3.5	3.8	11.1	16.3	15.3	11.0	7.7	5.0
UK[a]	1.9	1.3	1.3	1.3	1.6	1.7	2.7	2.4	1.8	1.8	2.1	2.0
US	2.4	2.9	2.3	2.0	2.0	1.6	1.8	2.1	1.4	1.9	2.1	2.1
Vietnam	6.7	7.1	7.0	6.7	6.6	5.7	3.5	3.6	2.8	4.4	3.2	2.0
Euro Area[a]	2.7	1.9	1.2	1.1	1.5	1.3	1.5	1.8	1.2	1.4	1.7	1.5
EU–28[a]	2.7	2.0	1.4	1.1	1.7	1.4	1.7	1.9	1.4	1.4	1.9	1.6
OECD	2.7	2.3	1.7	1.7	1.8	1.7	2.1	2.5	2.1	2.4	2.3	2.0
World	3.8	3.6	3.0	3.1	3.3	3.4	3.8	3.9	4.2	4.4	3.7	3.3

Note: (a) Harmonised consumer price inflation in the EU economies and inflation measured by the consumer expenditure deflator in the rest of the world.