



OECD INTERIM ECONOMIC OUTLOOK

*High uncertainty
weighing on global growth*

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Laurence Boone
OECD Chief Economist

<http://www.oecd.org/eco/outlook/economic-outlook/>
ECOSCOPE blog: oecdoscope.wordpress.com



Key messages

Global growth is peaking and is less synchronised

- Global growth should plateau at 3.7% in 2018 and 2019
- The job market has recovered but slack remains and wage growth is disappointing

Risks are intensifying, uncertainty is widespread

- Rising trade restrictions risk hurting jobs and living standards
- Tightened financial conditions increase stress on a number of EMEs
- Political risks could prevent Europe from thriving
- Ten years after the crisis, some financial risks have built up again

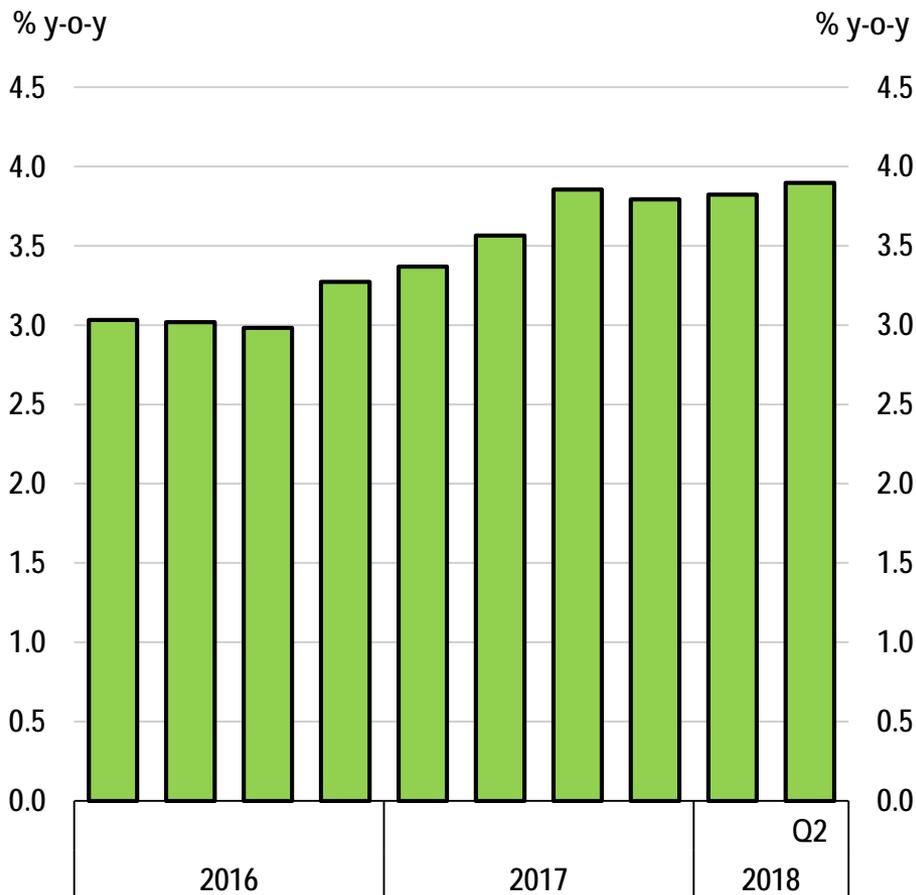
Policies should aim to enhance resilience, productivity and inclusiveness

- Reduce policy uncertainty, especially for trade, to support confidence and investment
- Review fiscal policy to react in case of a downturn and prioritise investment
- Implement reforms to boost long-term productivity and opportunities for all

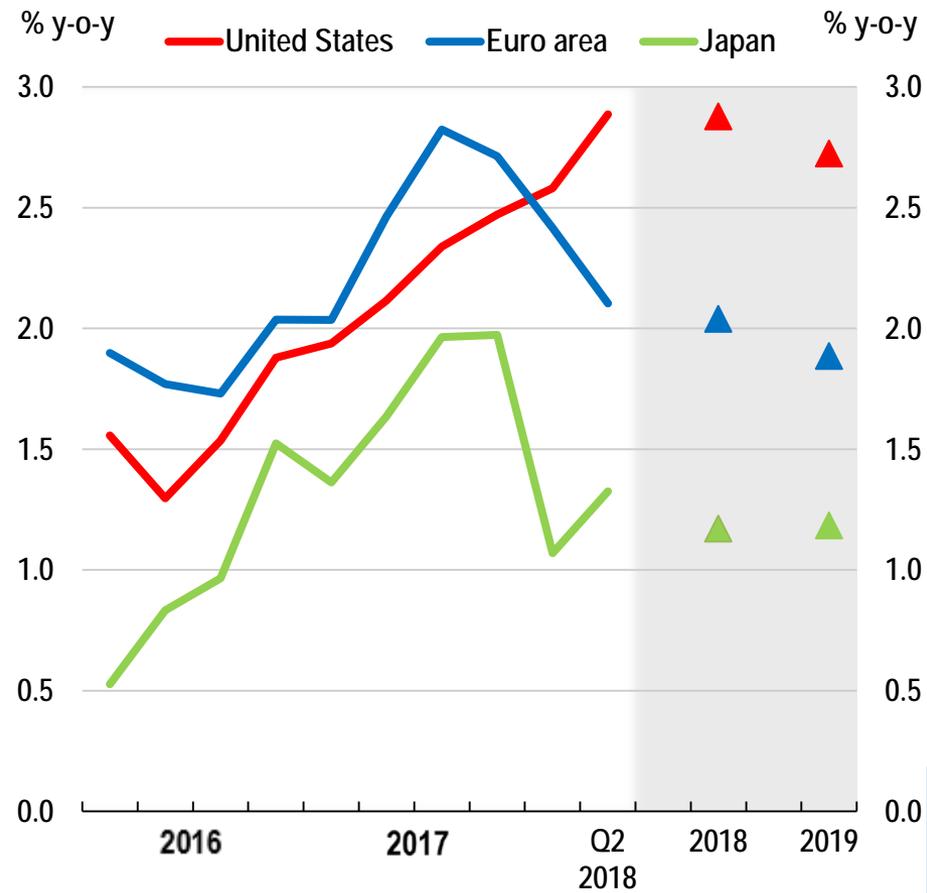


Global growth may be peaking and is less synchronised

World GDP growth plateaus



GDP growth is dispersed

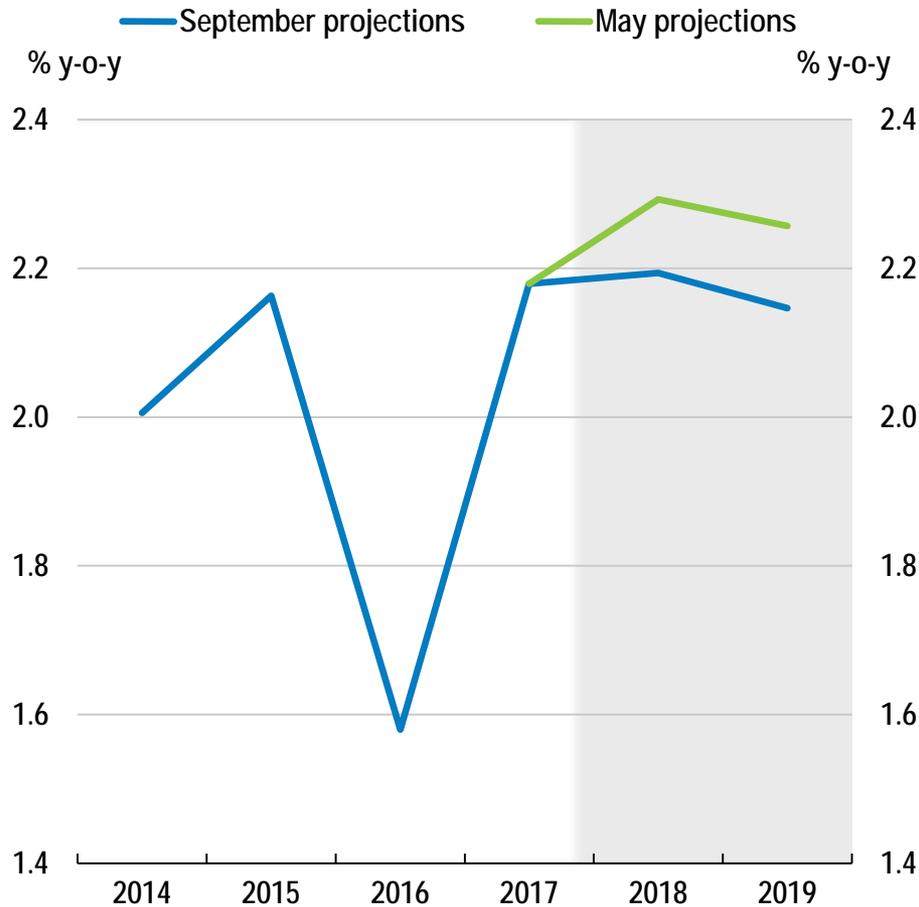


Note: Right panel: triangles show annual projections for 2018 and 2019.
Source: OECD Economic Outlook database.

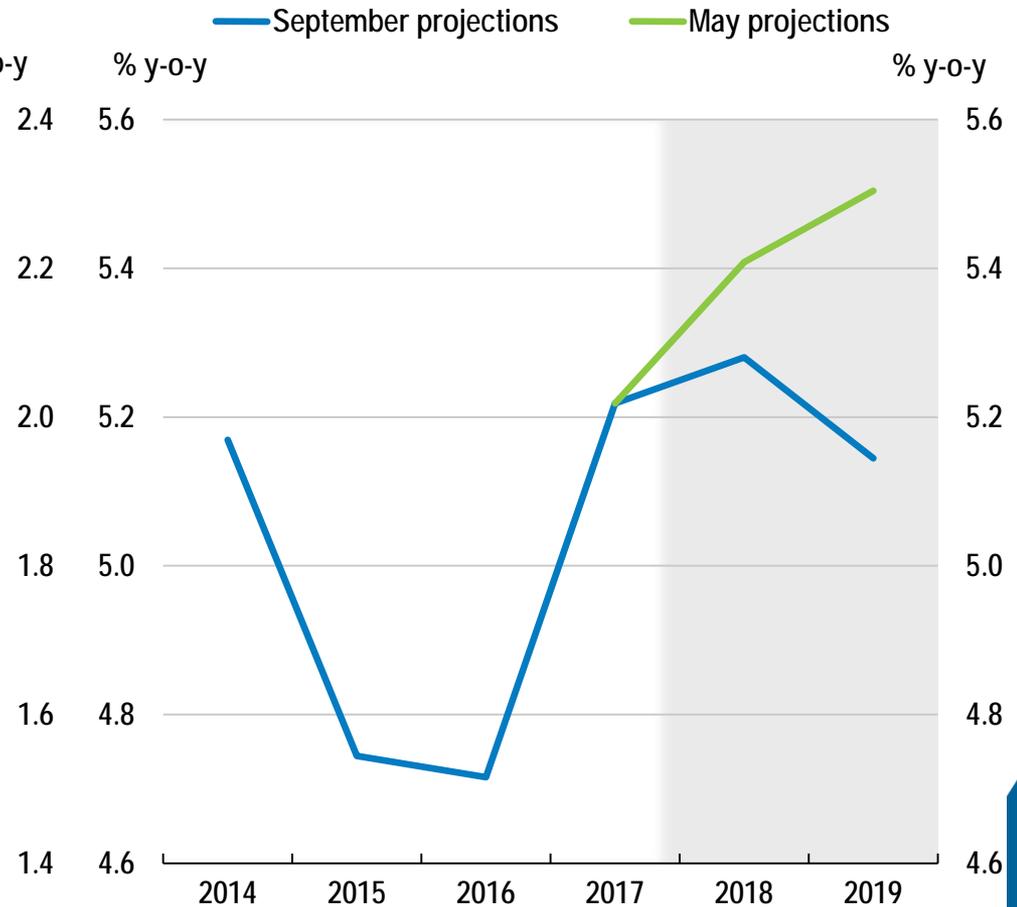


Growth prospects have weakened

G-20 advanced economies



G-20 emerging economies





OECD Interim Economic Outlook projections

Real GDP growth revised slightly down

Year-on-year, %. Arrows indicate the direction of revisions since May 2018.

	2017	2018	2019		2017	2018	2019
World	3.6	3.7 ↓	3.7 ↓	G-20	3.8	3.9 ↓	3.8 ↓
Australia	2.2	2.9	3.0	Argentina	2.9	-1.9 ↓	0.1 ↓
Canada	3.0	2.1	2.0 ↓	Brazil	1.0	1.2 ↓	2.5 ↓
Euro area	2.5	2.0 ↓	1.9 ↓	China	6.9	6.7	6.4
Germany	2.5	1.9 ↓	1.8 ↓	India¹	6.7	7.6 ↑	7.4 ↓
France	2.3	1.6 ↓	1.8 ↓	Indonesia	5.1	5.2 ↓	5.3 ↓
Italy	1.6	1.2 ↓	1.1	Mexico	2.3	2.2 ↓	2.5 ↓
Japan	1.7	1.2	1.2	Russia	1.5	1.8	1.5
Korea	3.1	2.7 ↓	2.8 ↓	Saudi Arabia	-0.7	1.7 ↑	2.6 ↑
United Kingdom	1.7	1.3 ↓	1.2 ↓	South Africa	1.2	0.9 ↓	1.8 ↓
United States	2.2	2.9	2.7 ↓	Turkey	7.4	3.2 ↓	0.5 ↓

Note: Difference in percentage points based on rounded figures. Dark green and dark orange for, respectively, upward and downward revisions of 0.3 percentage points and more. Light green and light orange for, respectively, upward and downward revisions of less than 0.3 percentage points. The European Union is a full member of the G-20, but the G-20 aggregate only includes countries that are also members in their own right.

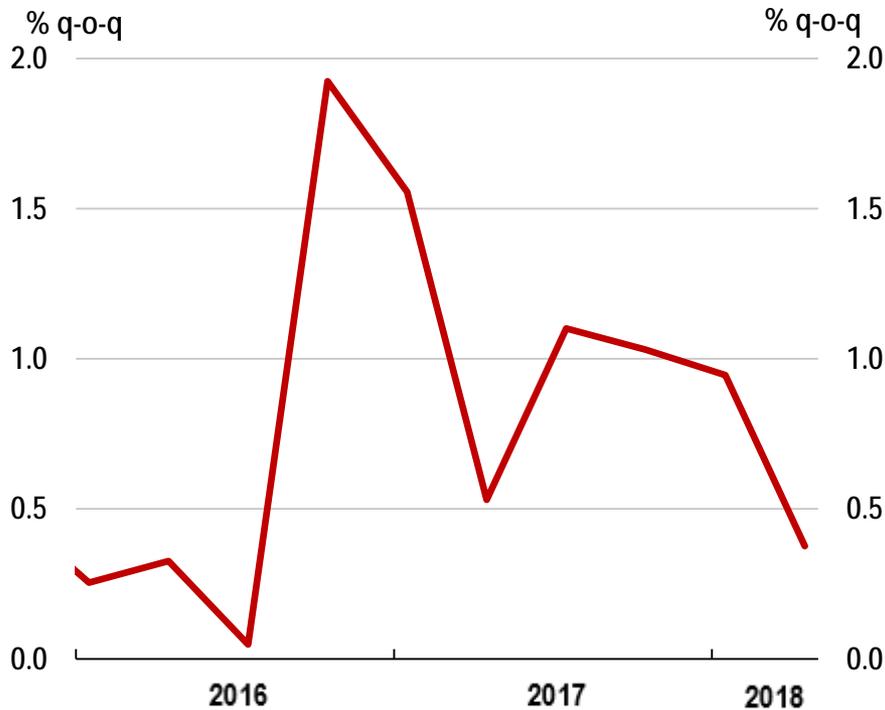
1. Fiscal years starting in April.



Trade tensions are beginning to bite

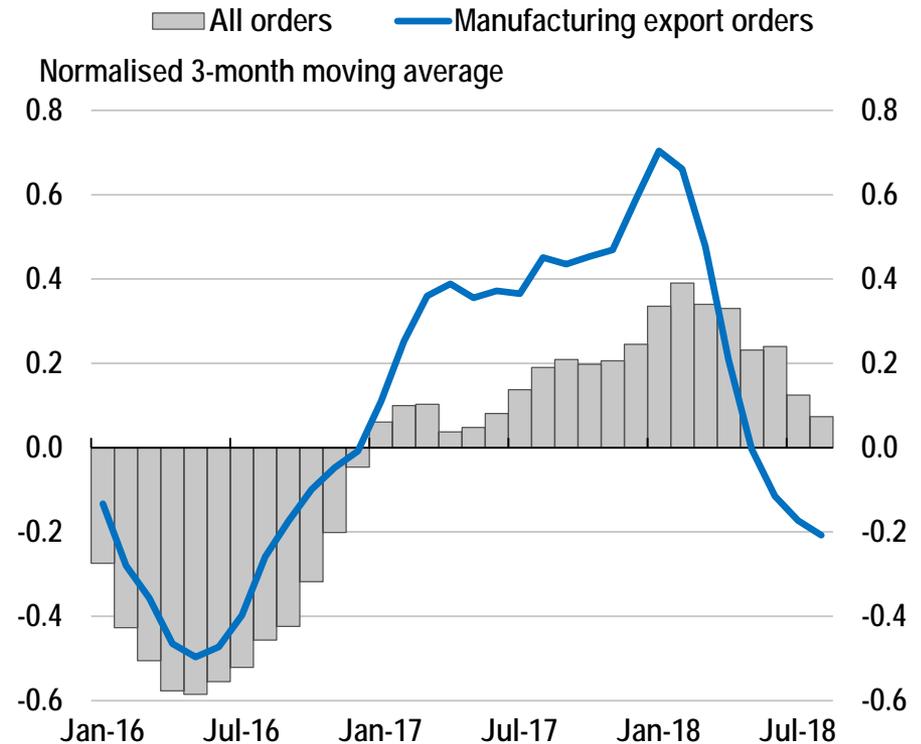
Trade growth has slowed

World merchandise exports, volume



Export orders have worsened

Global

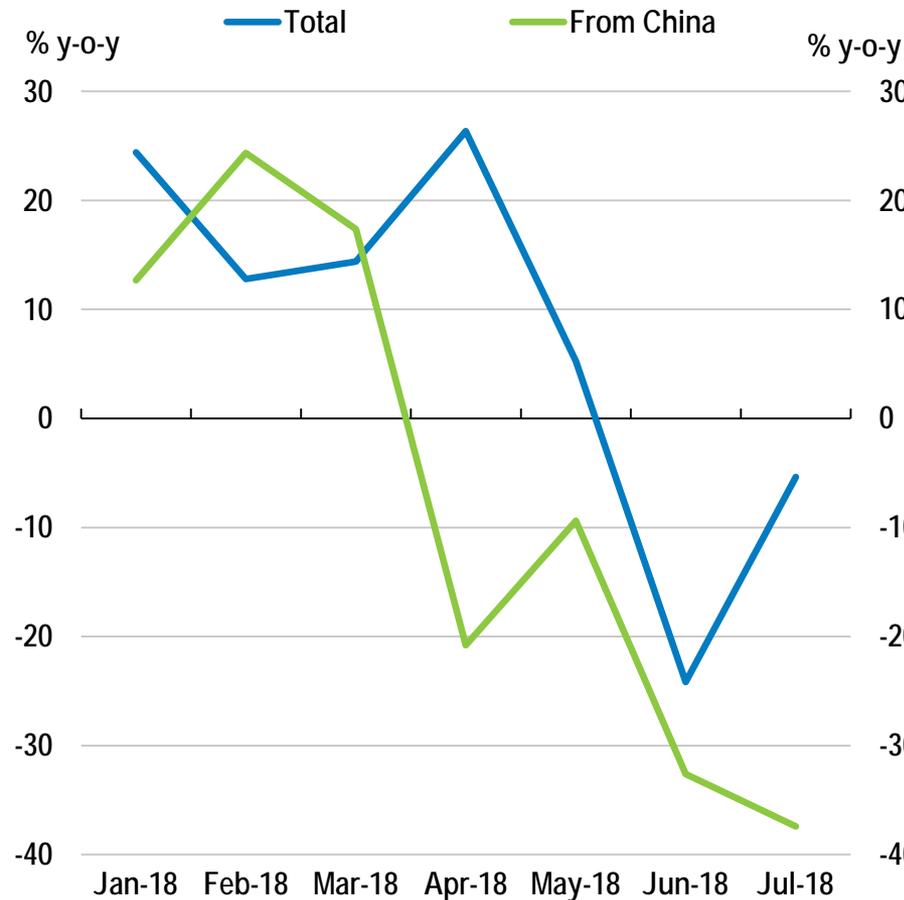


Note: Left panel: Seasonally-adjusted, in USD at constant prices. Right panel: Data normalised over the 2004-2018 period. All orders refer to the composite PMI (manufacturing and services).
Source: CPB; Markit; and OECD calculations.

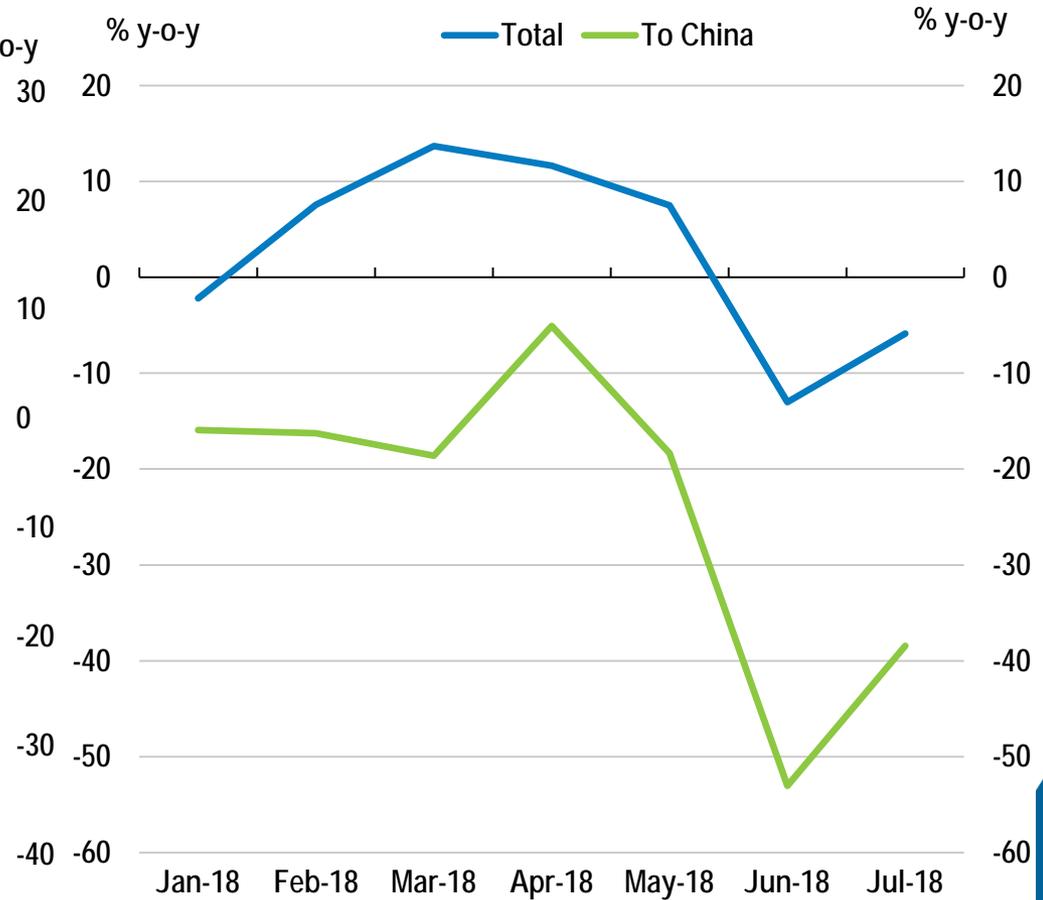


New trade restrictions: Targeted sectors take a hit

US imports of steel articles



US exports of vehicles

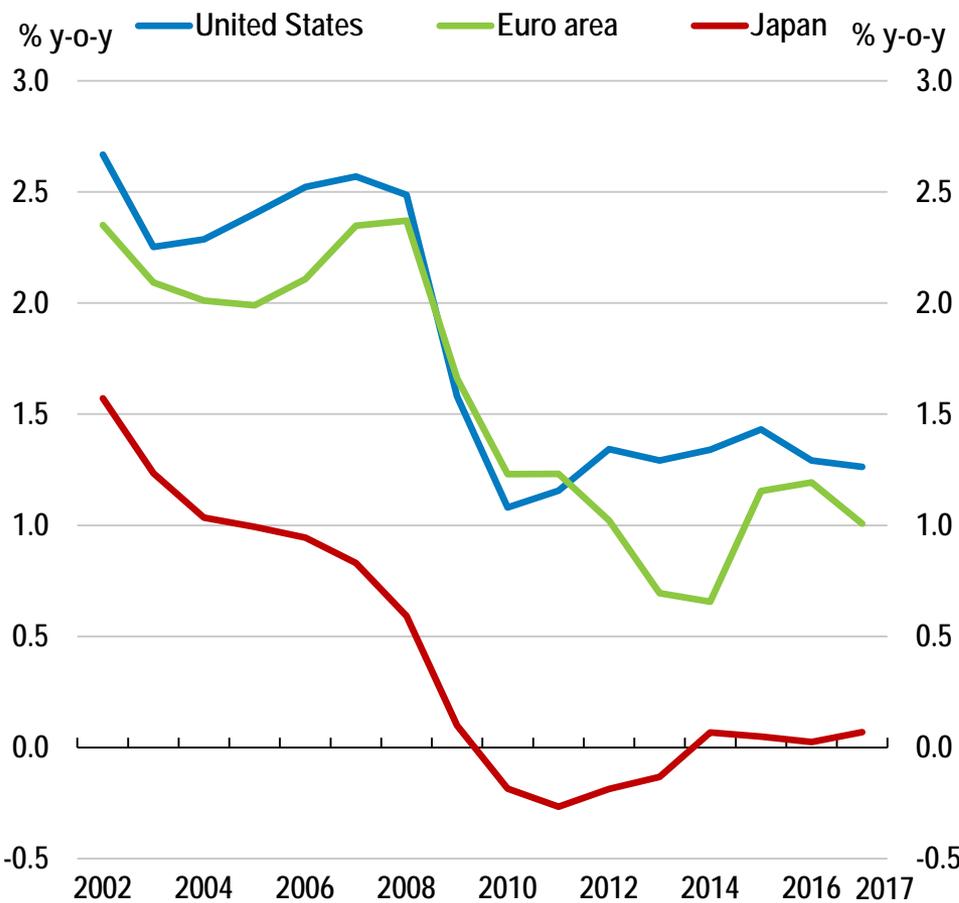


Note: Percentage changes in USD value.
Source: United States International Trade Commission; and OECD calculations.

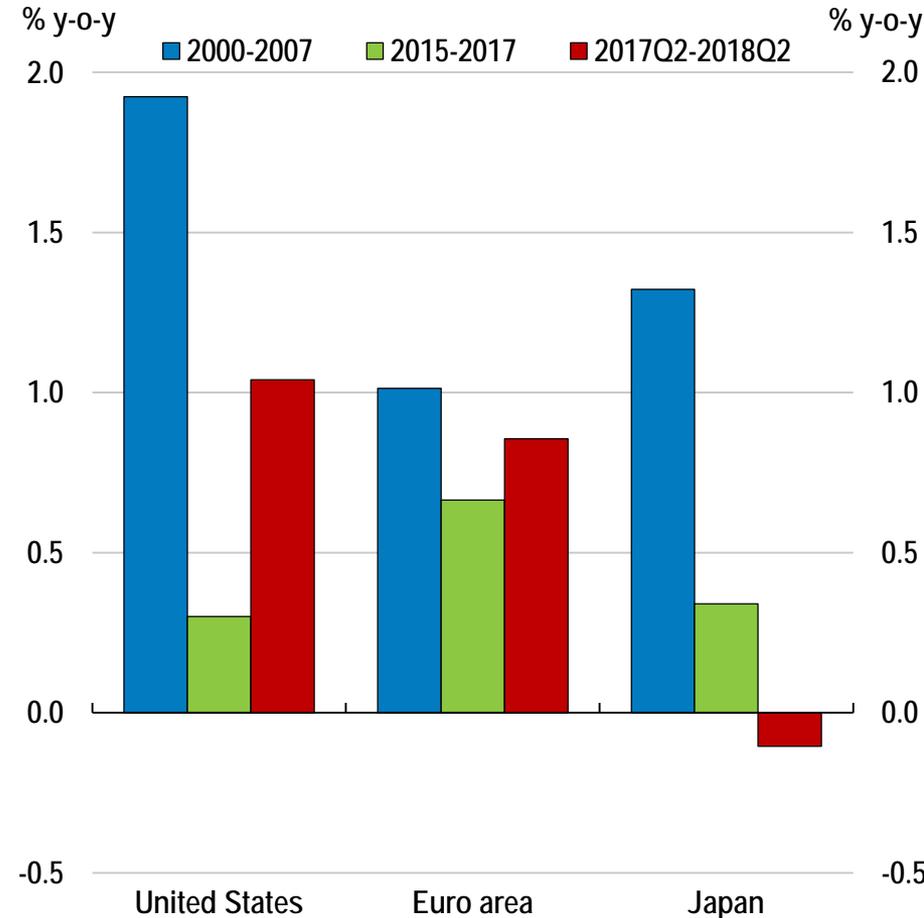


Investment growth is too weak to support productivity gains

Productive capital stock growth



Productivity growth



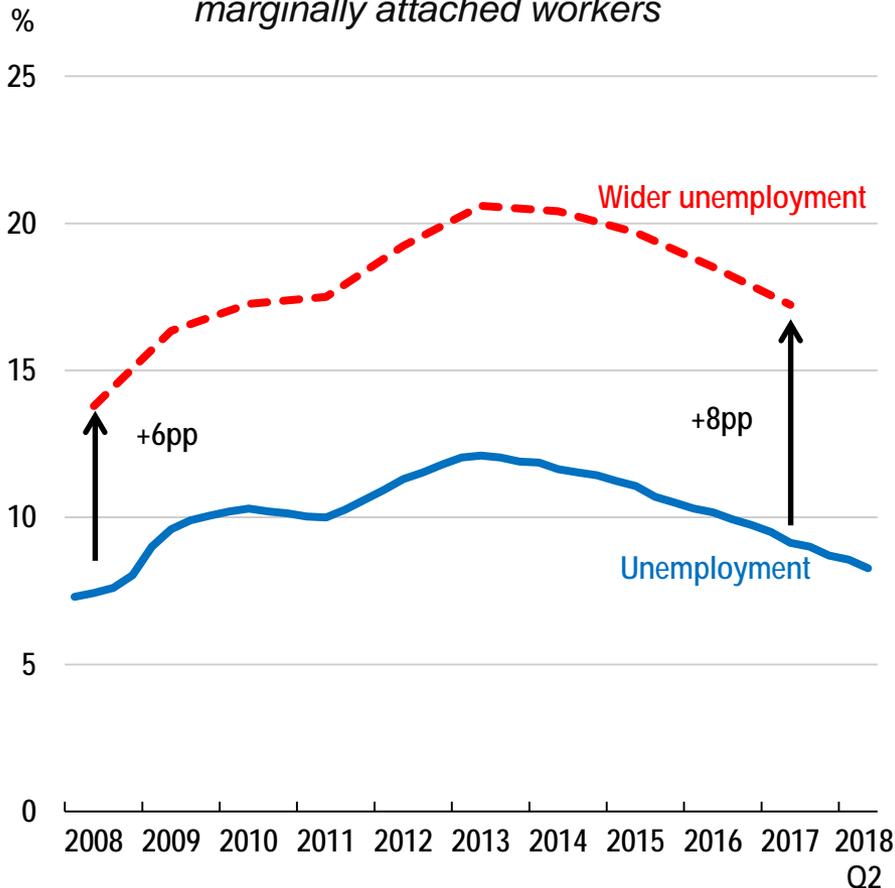
Note: Right panel: Labour productivity growth rates, annual averages.
Source: OECD Economic Outlook database; and OECD calculations.



Unemployment is falling but too many people remain out of employment

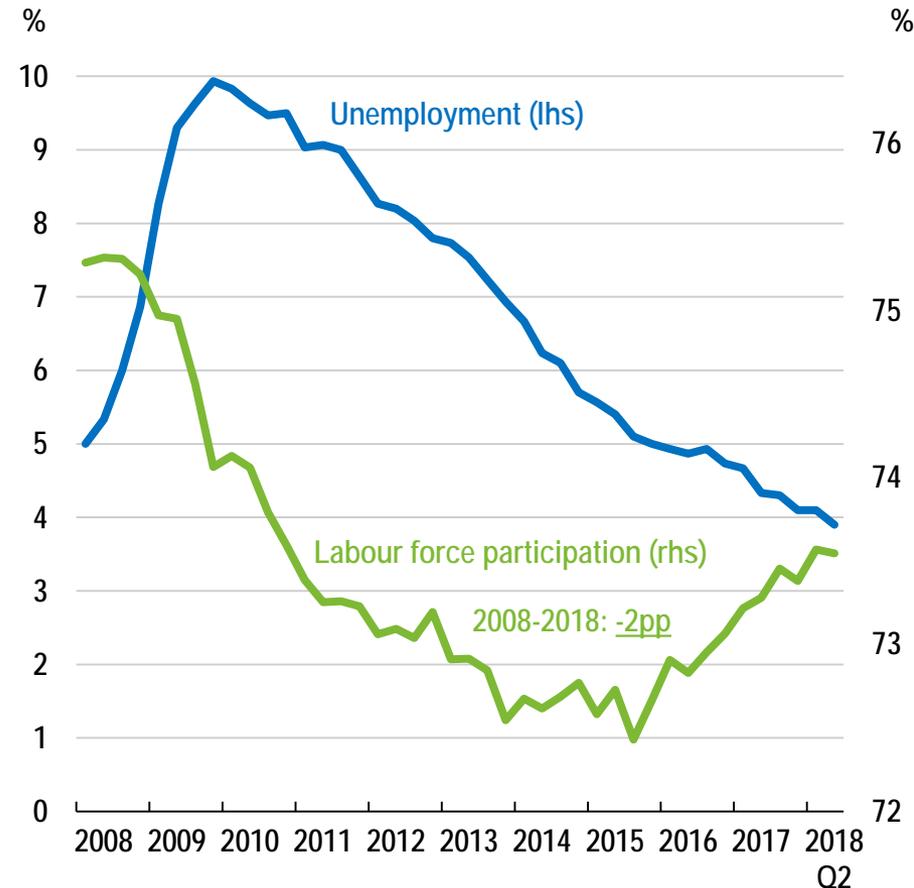
Euro area

Unemployment, involuntary part-time work and marginally attached workers



United States

Unemployment and labour force participation rates



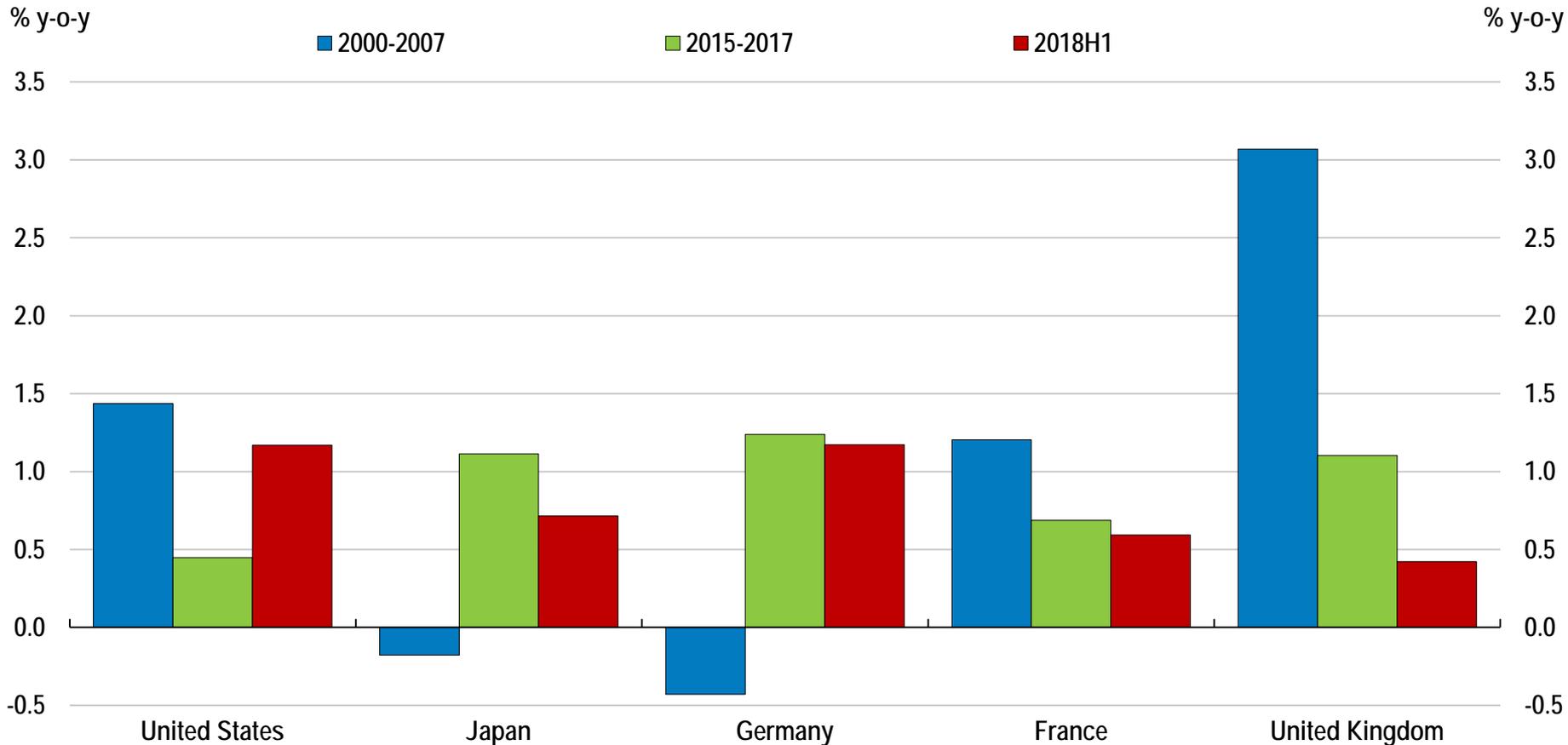
Note: Unemployment and wider unemployment rates among active labour force aged 15-64 years. Labour force participation rate among population aged 15-64 years. Wider unemployment rate refers to U6 unemployment and includes unemployed, involuntary part-time workers and marginally attached workers.

Source: OECD Short-Term Labour Market statistics; National Labour Force Surveys; and OECD calculations.



Wage growth lags behind pre-crisis levels in some countries

Wage growth *Average annual change in real wages*



Note: 2018H1 for year-on-year growth in % over 2017H1. Growth rates are annualised.
Source: OECD Economic Outlook database; and OECD calculations.



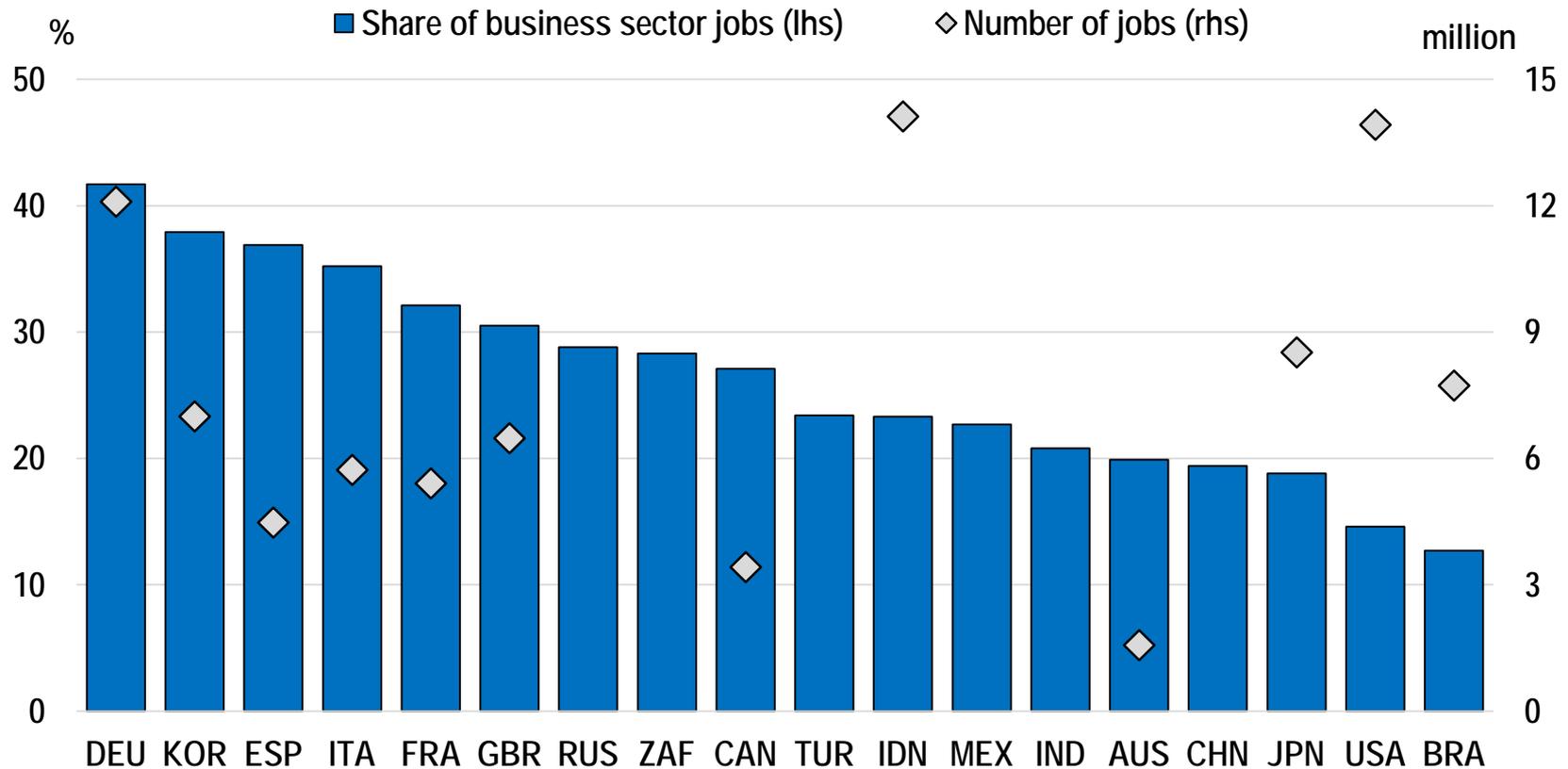
RISKS ARE INTENSIFYING,
UNCERTAINTY IS WIDESPREAD



An escalation in trade restrictions would harm investment, growth and jobs

Jobs dependent on foreign final demand

2015 or latest available



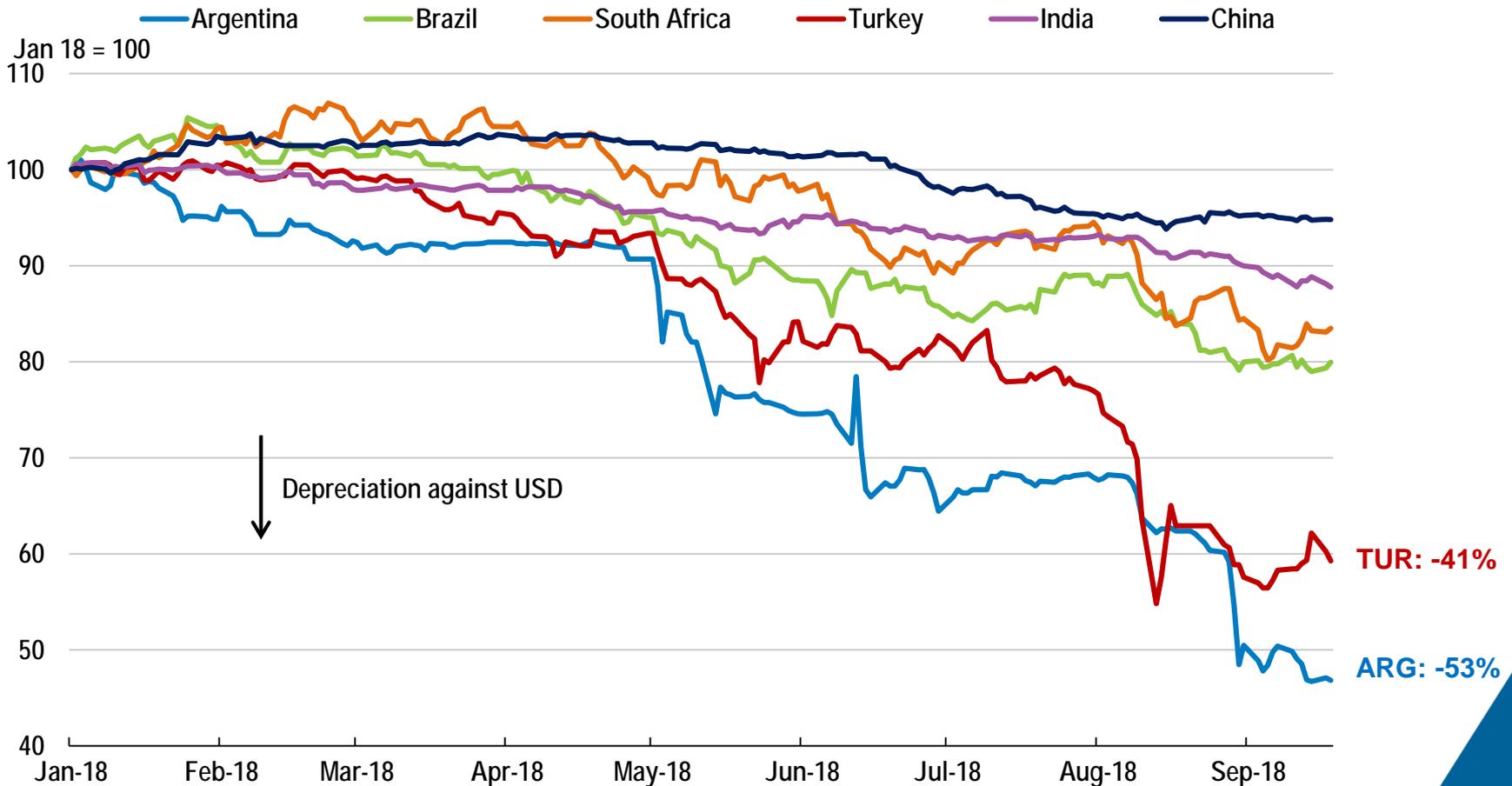
Note: The business sector corresponds to ISIC Rev.3 Divisions 10 to 74.

Source: Preliminary estimates based on OECD Inter-Country Input-Output Database; OECD Annual National Accounts Database; OECD Structural Analysis (STAN) Database; OECD Trade in Employment Database; World Input-Output Database (WIOD); and OECD calculations.



Rising US rates and home-grown imbalances create turbulence in some EMEs

Exchange rates *vis-à-vis USD*



TUR: -41%

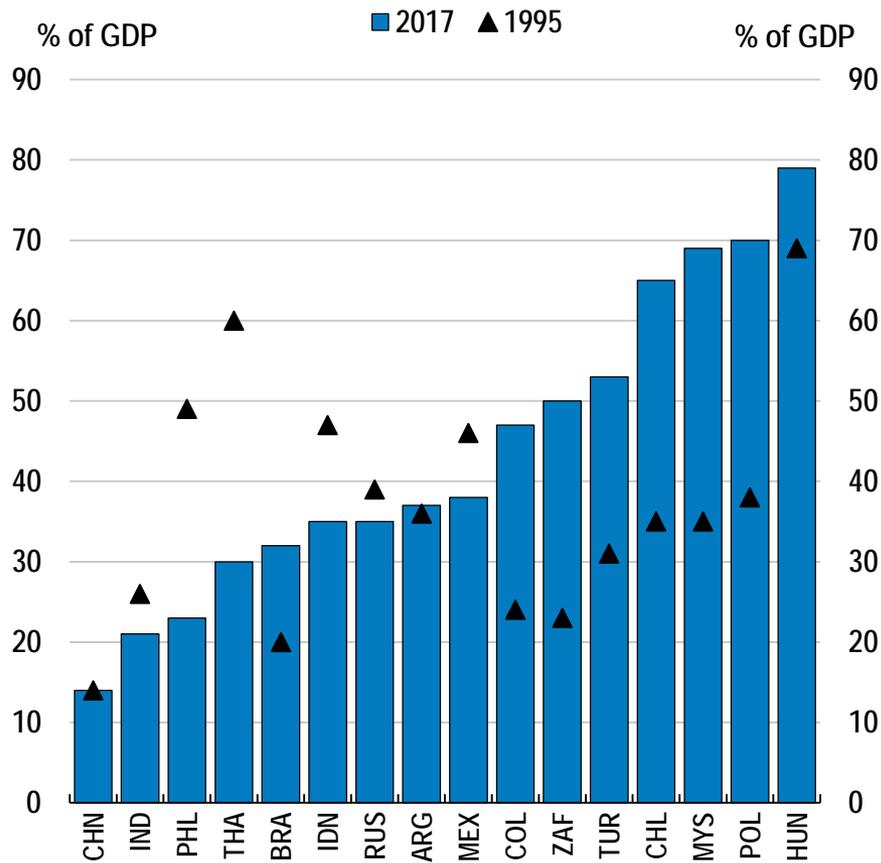
ARG: -53%

Note: Data are indexed to 01-Jan-2018. Data as of 18 September 2018.
Source: Thomson Reuters; and OECD calculations.

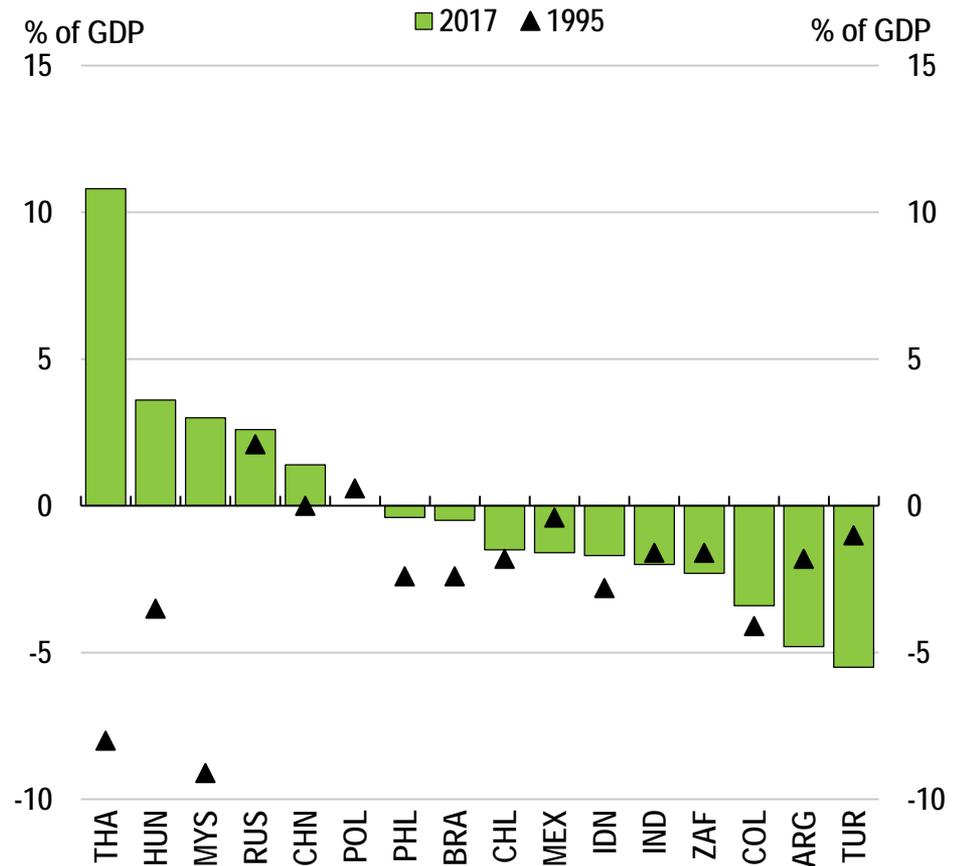


Emerging markets with external imbalances are more vulnerable

External debt



Current account balance



Note: Gross external debt is the outstanding amount of those actual current, and not contingent, liabilities that require payment of principal and/or interest by the debtor at some point(s) in the future and that are owed to nonresidents by residents of an economy.

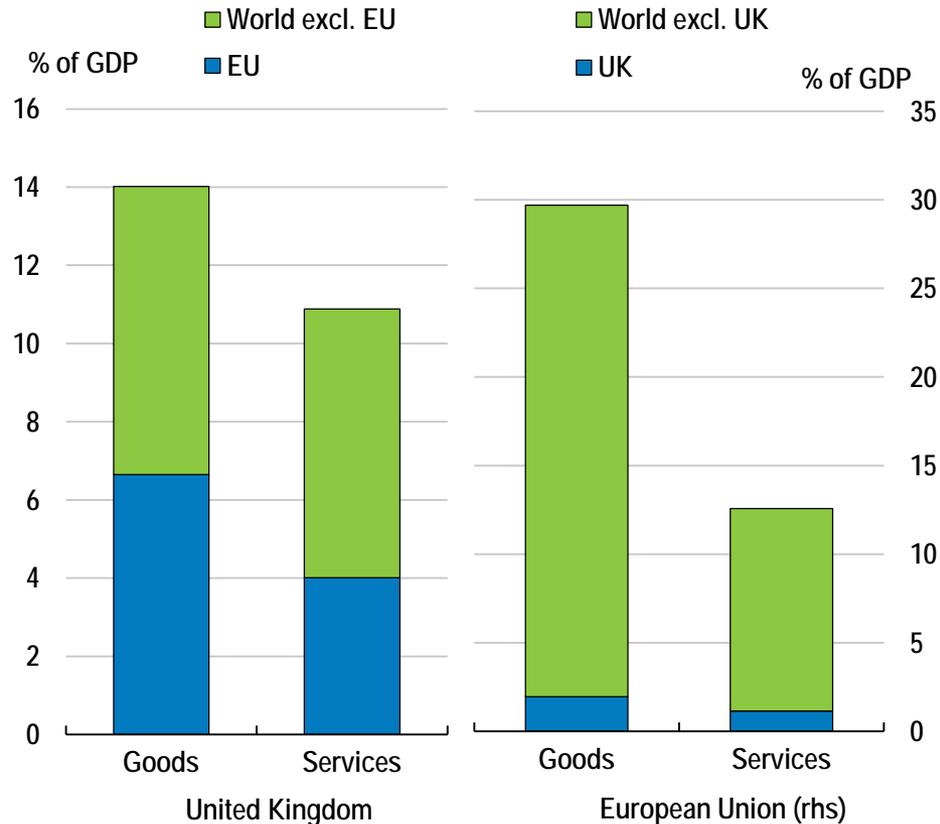
Source: IMF Balance of Payments and International Investment statistics; and OECD calculations.



Political risks could hamper Europe's growth and social cohesion

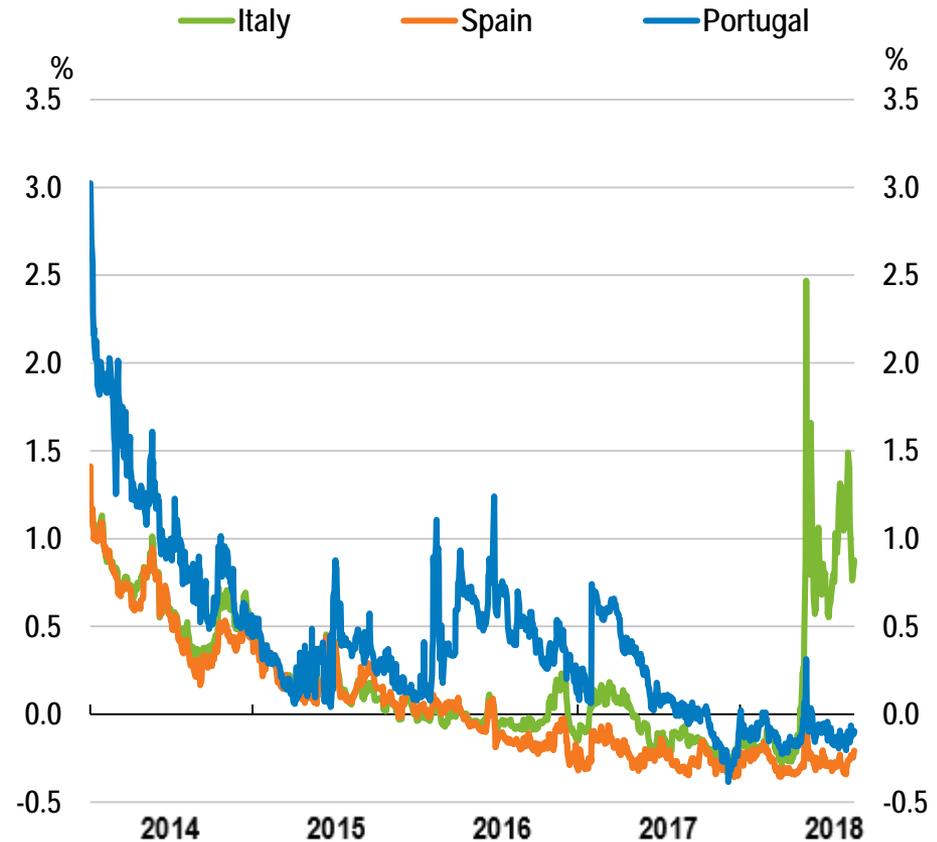
UK-EU trade relationship

Exports



Government bond yields

2-year yields



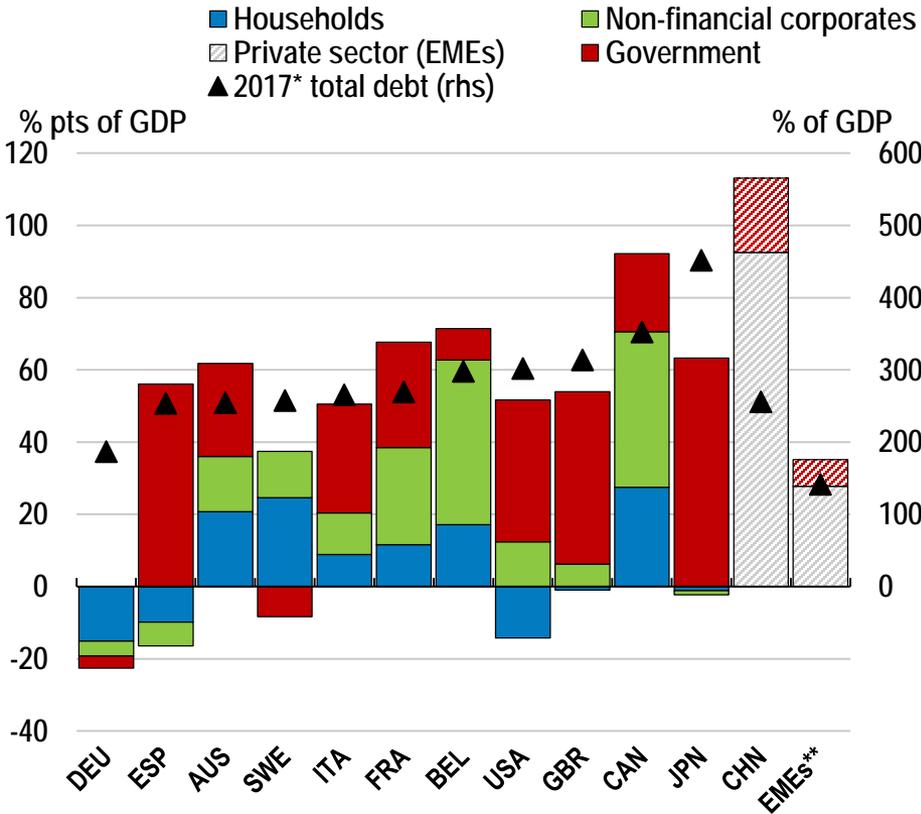
Note: Left panel: Data as of 2016 for services and 2017 for goods. Exports and GDP of the European Union excludes those of the UK. Source: OECD International Trade in services statistics; UN Comtrade database; OECD Economic Outlook database; Thomson Reuters; and OECD calculations.



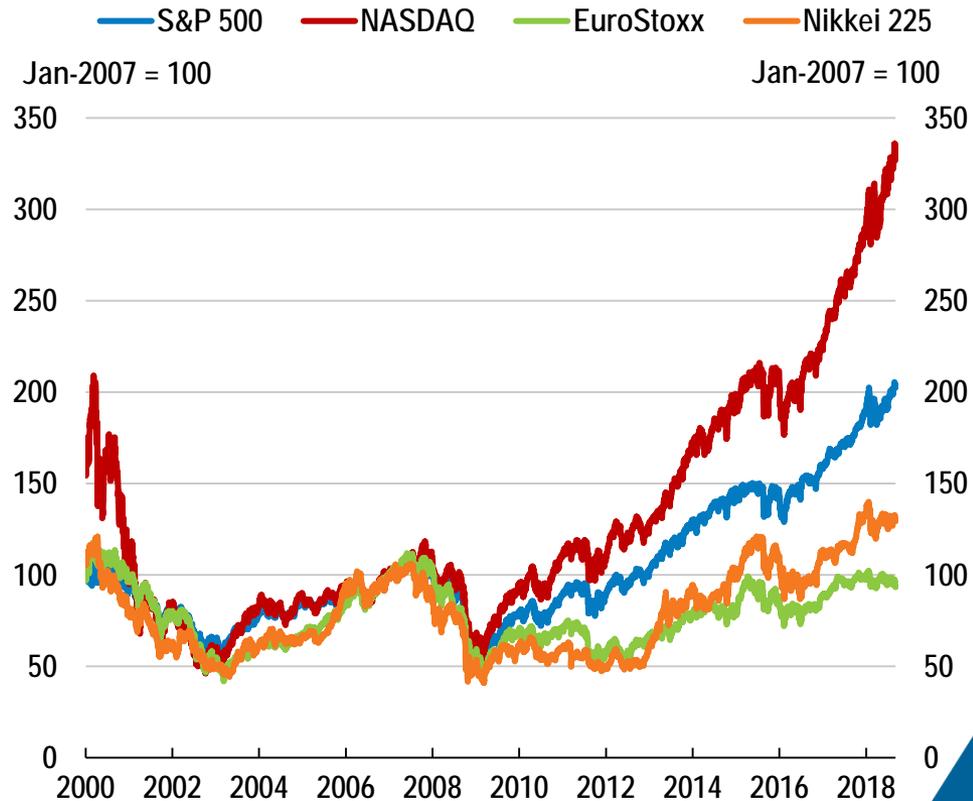
Ten years after the crisis, financial risks have built up again

Change in total debt

2005-2017



Equity prices



Note: Left panel: *Total debt levels, 2017 or latest available. **EMEs excluding China. Private debt ratios shown are computed on a consolidated basis except for Canada, Japan and the United States for which consolidated data are not available. Public debt ratios are based on the national accounts definitions except for EU countries where debt ratios based on Maastricht criteria are shown. Data for China and EMEs are credit.

Source: OECD National Accounts database; Bank for International Settlements; OECD Economic Outlook database; Thomson Reuters; and OECD calculations.



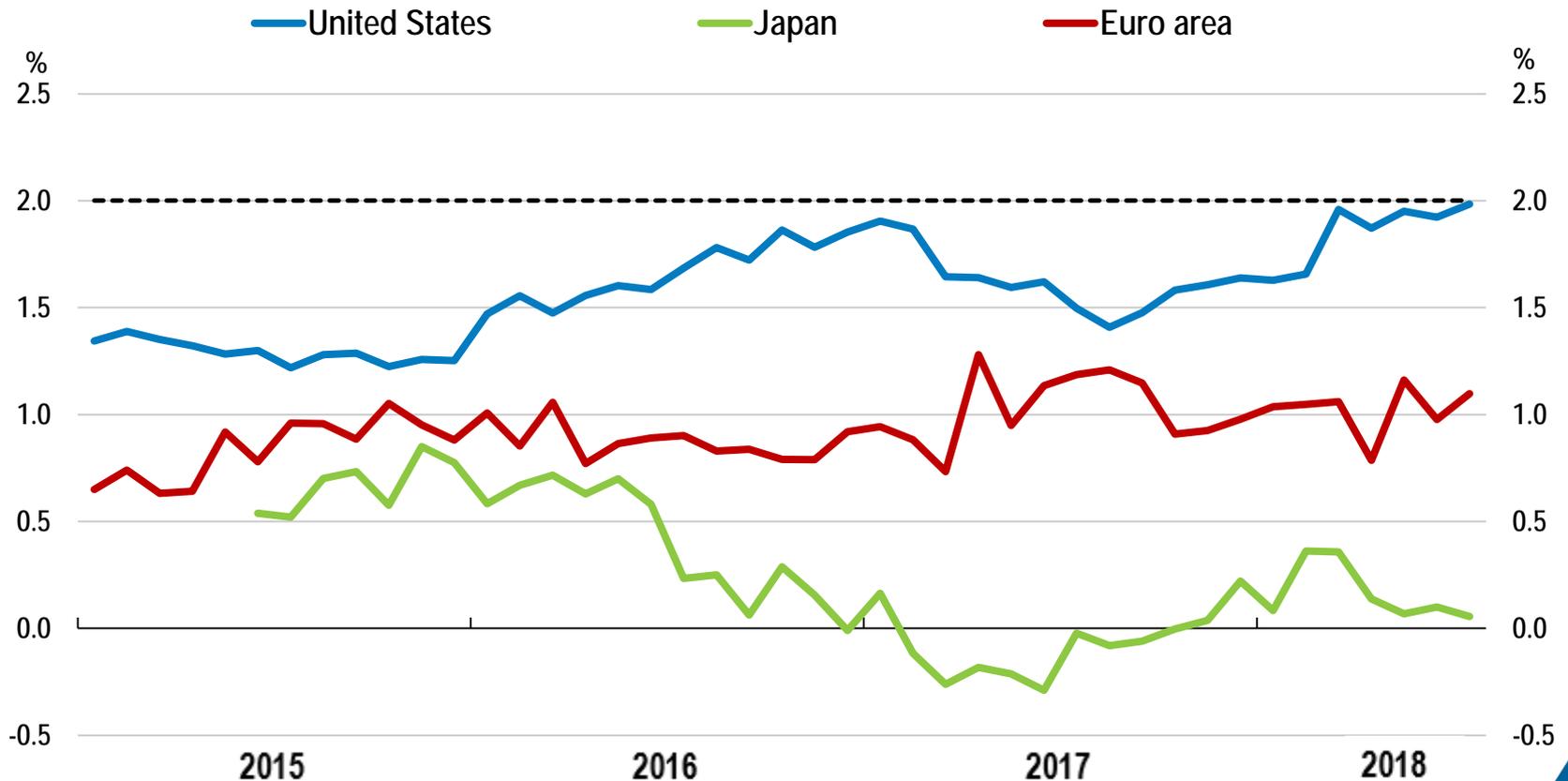
POLICIES SHOULD AIM TO ENHANCE
RESILIENCE, PRODUCTIVITY AND
INCLUSIVENESS



The monetary policy stance in major economies is appropriate

Inflation in major advanced economies

Consumer price inflation, excluding food and energy



Note: Core inflation excludes energy and food products and refers to harmonised data for the euro area. Inflation numbers affected by the effects of the 2014 tax hike in Japan are not shown.

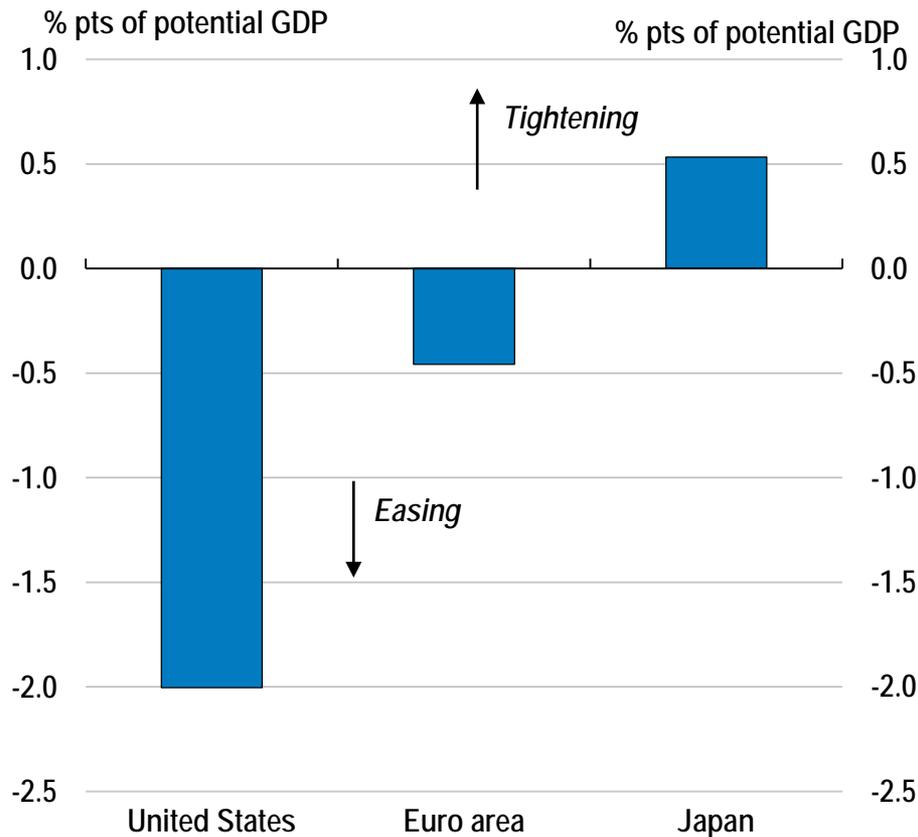
Source: OECD Main Economic Indicators Database.



Fiscal policies should avoid being procyclical and should focus on the long term

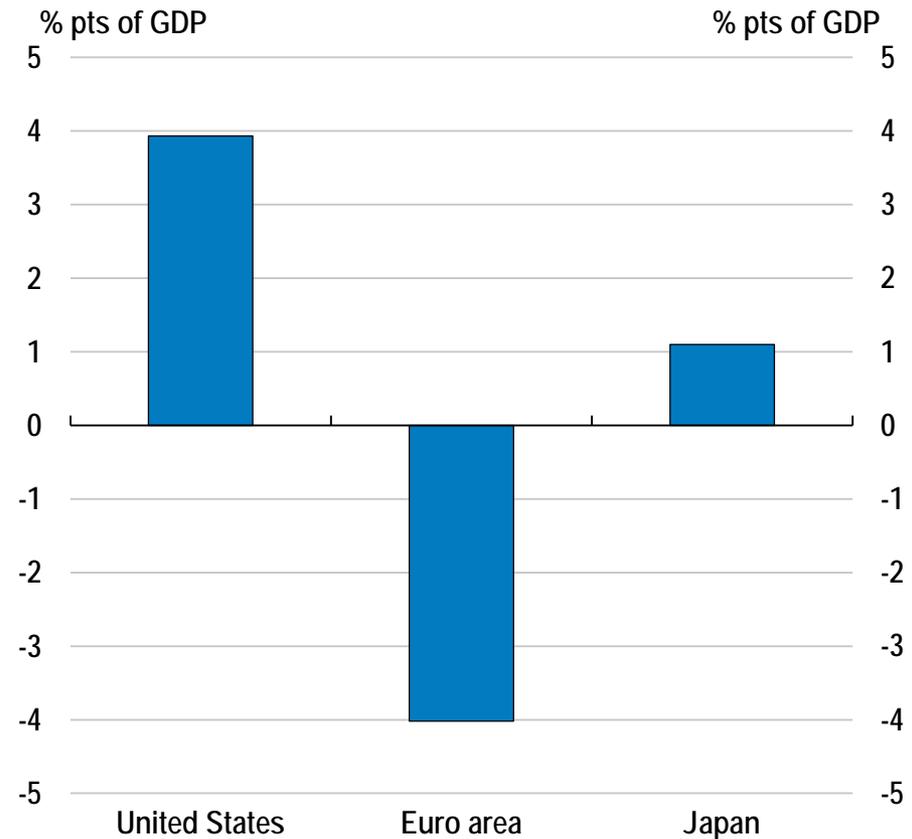
Change in the fiscal stance

2017-2019, projected



Change in public debt

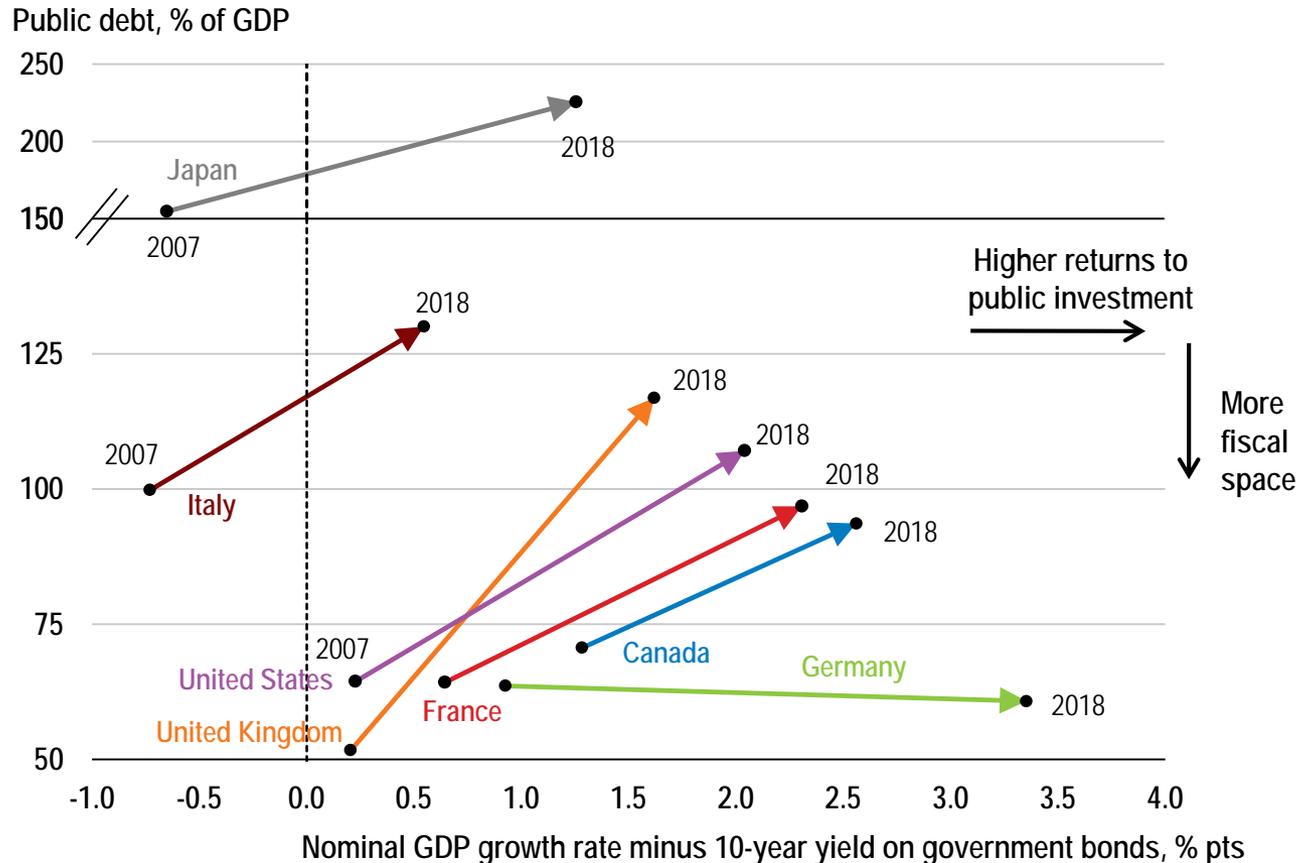
2017-2019, projected



Note: Left panel: The fiscal stance is measured as the underlying primary balance, in % of potential GDP. Right panel: Public debt based on the national accounts definition except for EA countries where public debt based on Maastricht criteria is shown. Therefore, debt numbers are not fully comparable between EA and non-EA countries.
Source: OECD Economic Outlook database; and OECD calculations.



Fiscal space is uneven: Investment should be prioritised



Strong case for more public investment in some countries

Other countries could benefit but lack fiscal space

Priorities: rebuild buffers and invest in future growth

Coordinated fiscal action yields larger gains

Note: Data for 2018 are projections. Public debt based on the national accounts definition except for EU countries where public debt based on Maastricht criteria is shown. Therefore, debt numbers are not fully comparable between EU and non-EU countries.

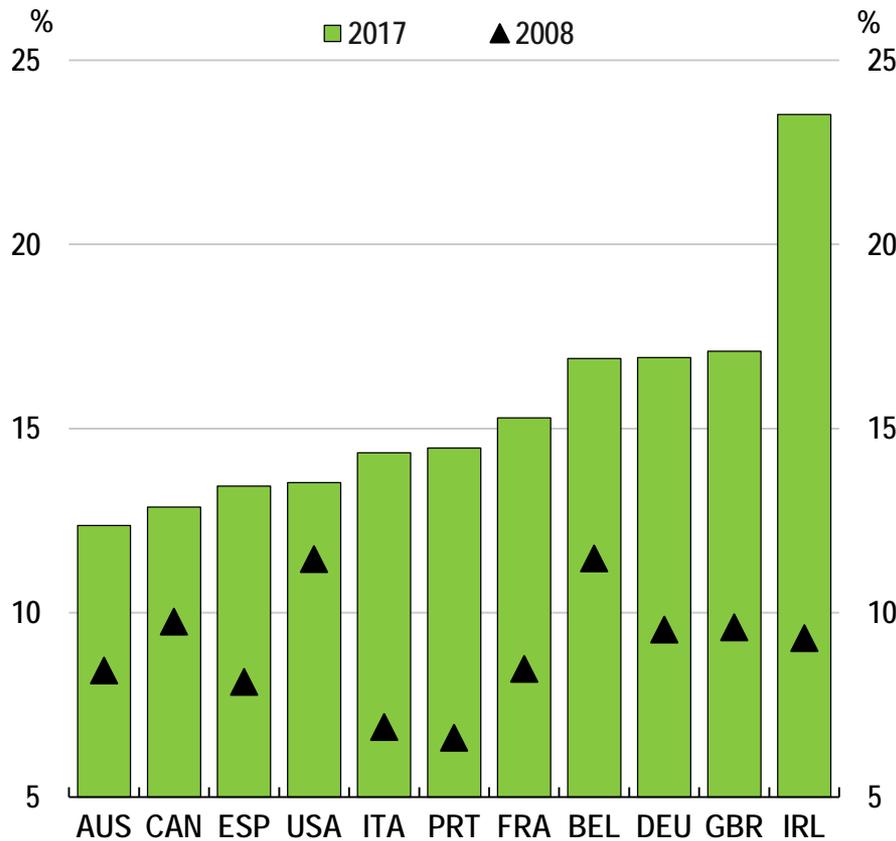
Source: OECD Economic Outlook database; and OECD calculations.



Ten years later: Banks are stronger but much remains to be done

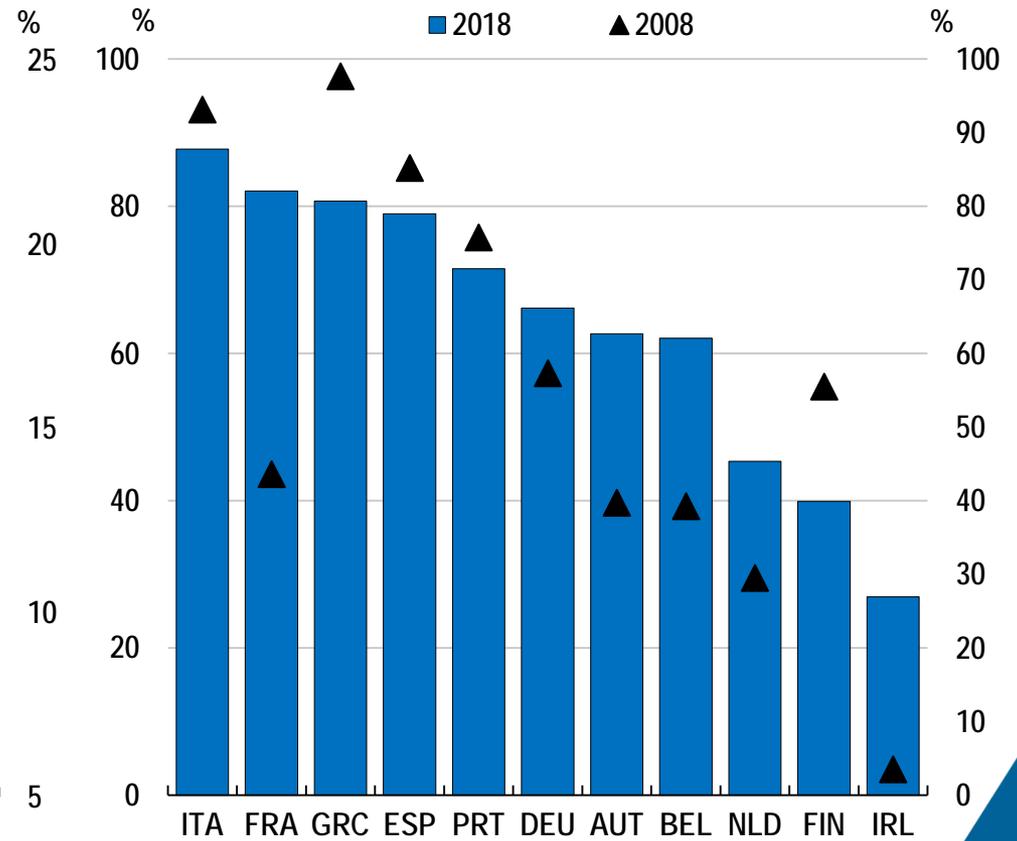
Banks are better capitalised

Regulatory Tier 1 capital to risk-weighted assets



Financial fragilities remain in the euro area

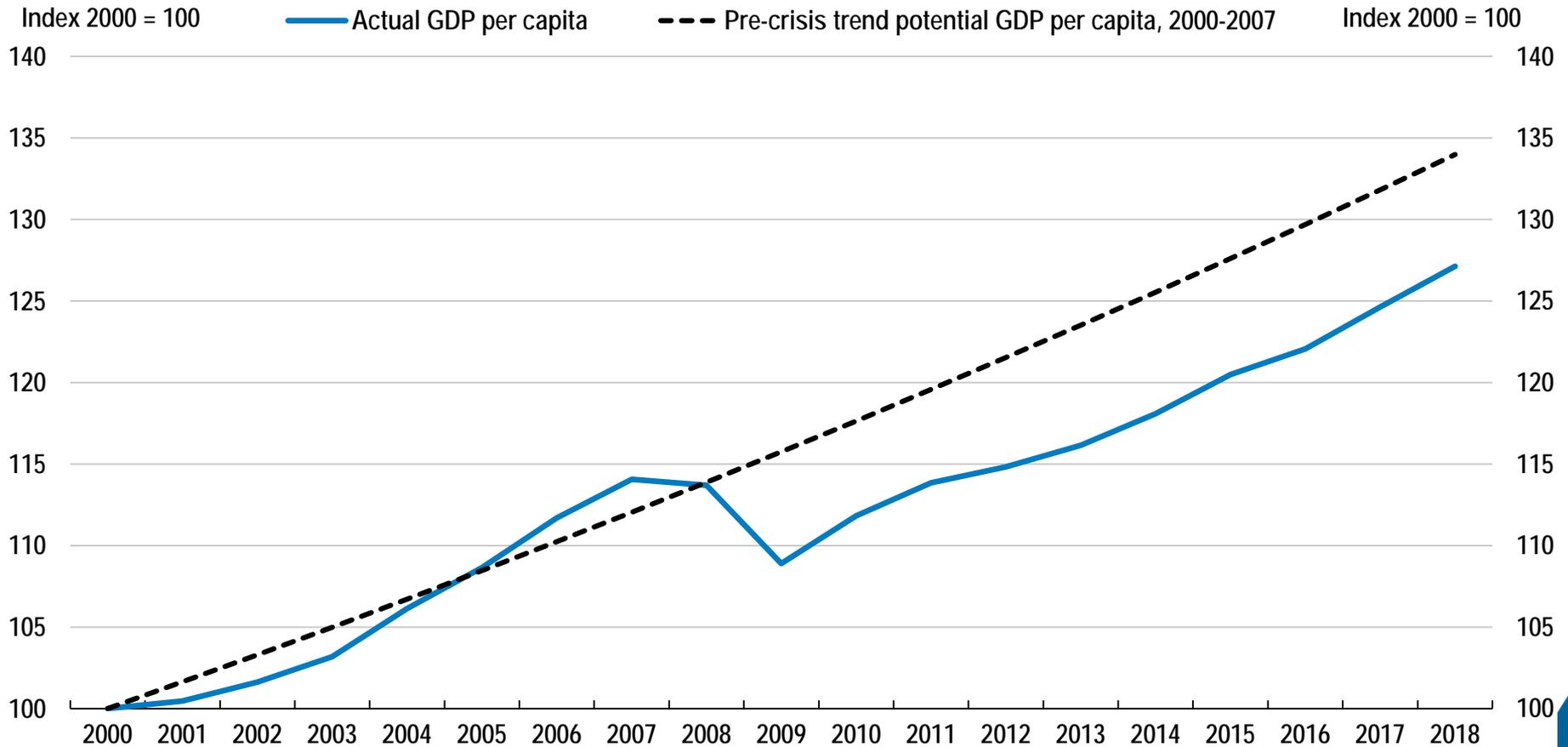
Share of own-government securities in bank holdings of euro area sovereign debt





The real economy has not regained the ground lost during the crisis

Real GDP per capita, OECD



Note: The dotted line shows a linear projection based on the average annual growth rate of OECD potential GDP per capita in the 2000-2007 period.

Sources: OECD Economic Outlook database; and OECD calculations.

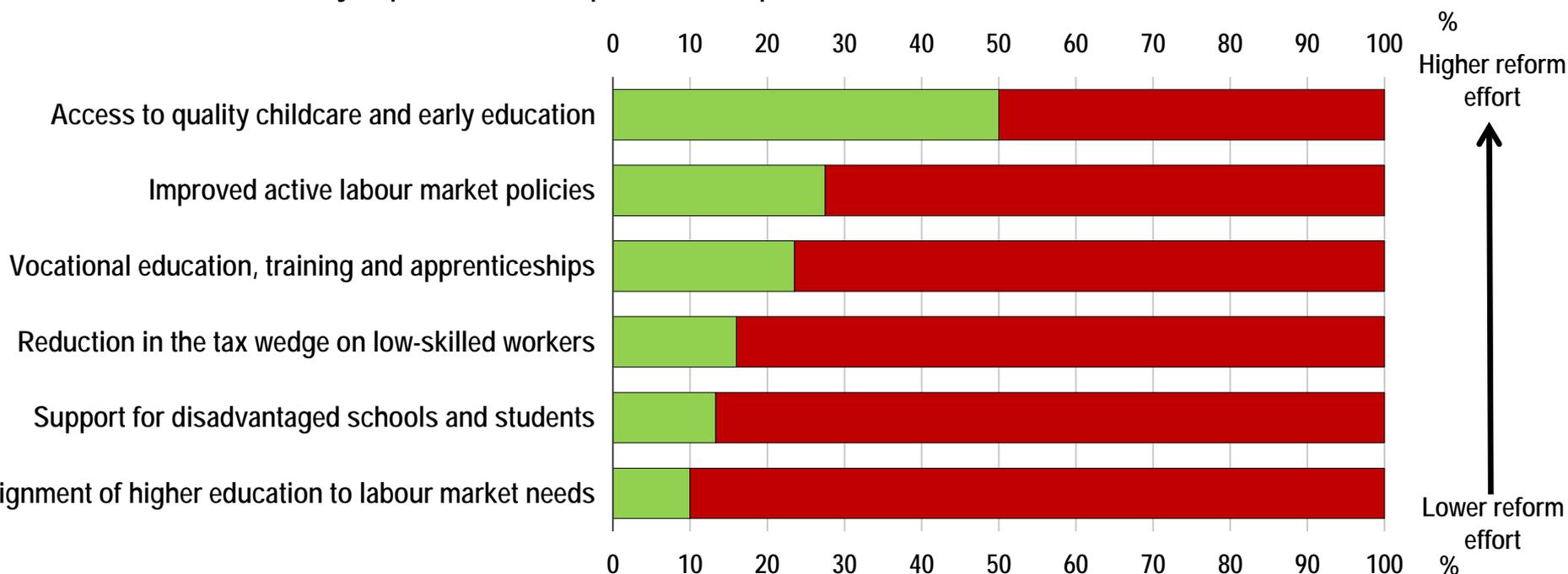


Focus on people to raise well-being, improve opportunities and address political tensions

Education, skills and labour policies are key

Share of priority recommendations followed by action

■ Fully implemented or in process of implementation ■ No action taken in 2017



Note: Refers to reform priorities identified in Going for Growth in 2017 for the 35 OECD economies, Argentina, Brazil, China, Colombia, Costa Rica, India, Indonesia, Russia and South Africa.

Sources: OECD *Going for Growth* 2018; and OECD calculations.



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