

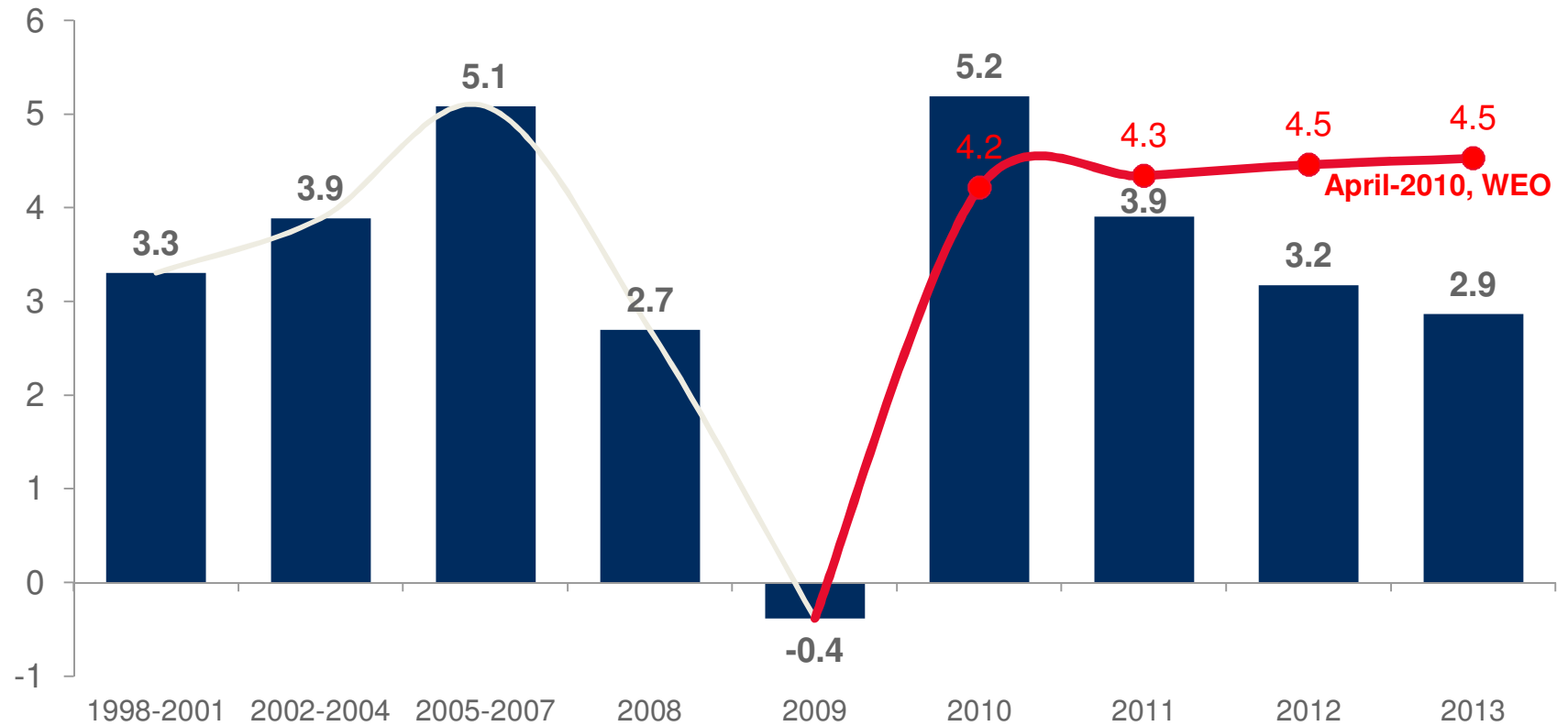
# **Global economic prospects**

January, 2014

# World GDP Growth

## The decelerating recovery

World GDP growth (%)

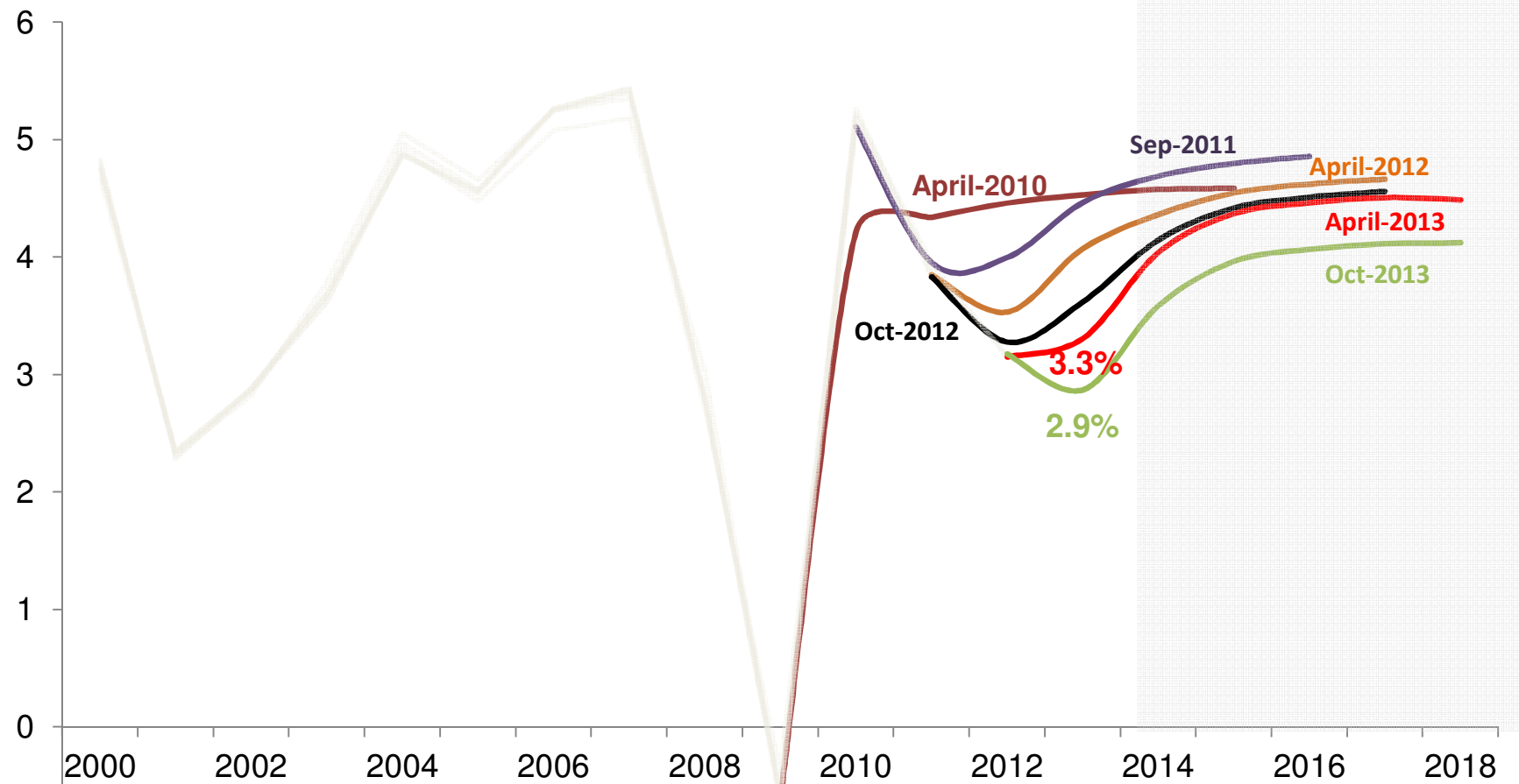


Source: IMF WEO Update, Oct-2013

# World GDP growth has been revised downward

## The deceleration was not anticipated

Real GDP growth (%)

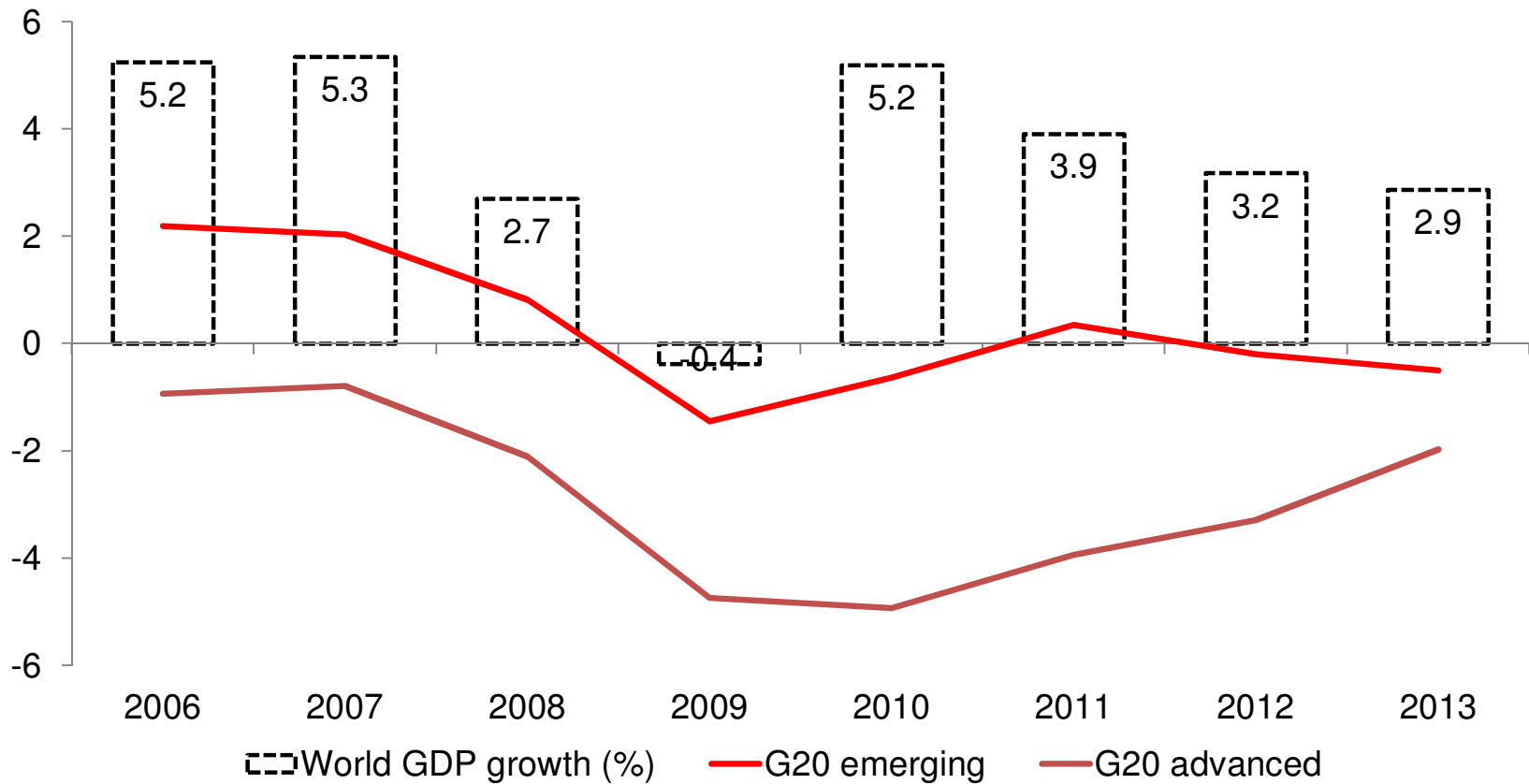


Source: IMF WEO Various Updates

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**A large globally-coordinated fiscal stimulus helped in 2010 and 2011, but was prematurely withdrawn**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

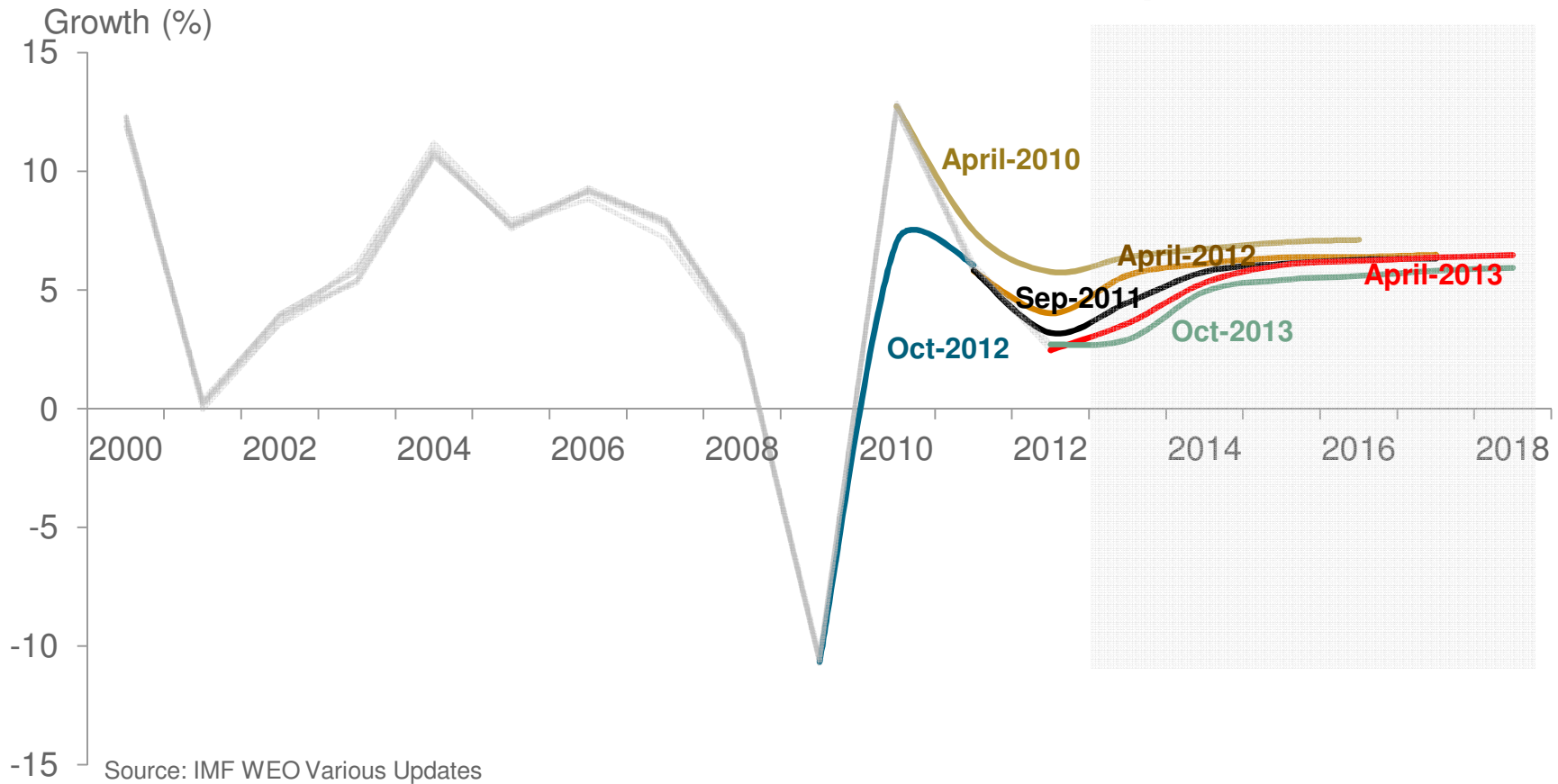
**With the sharp slow down, world trade has been growing slower than world GDP**

Growth (%)

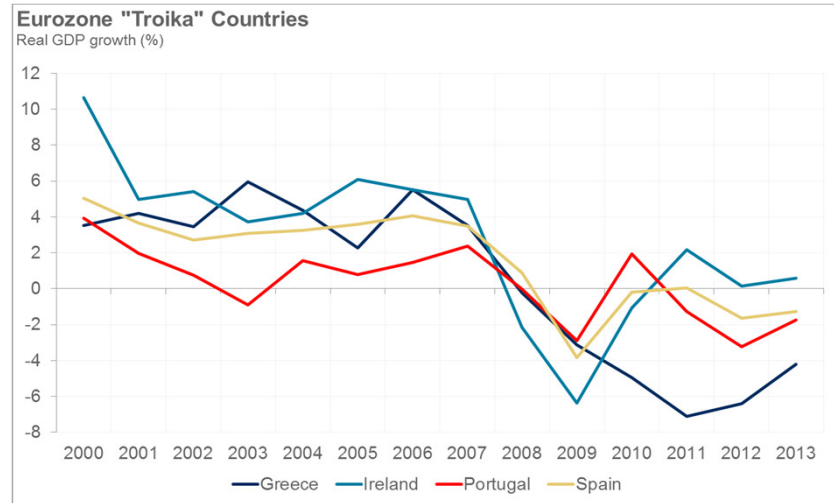
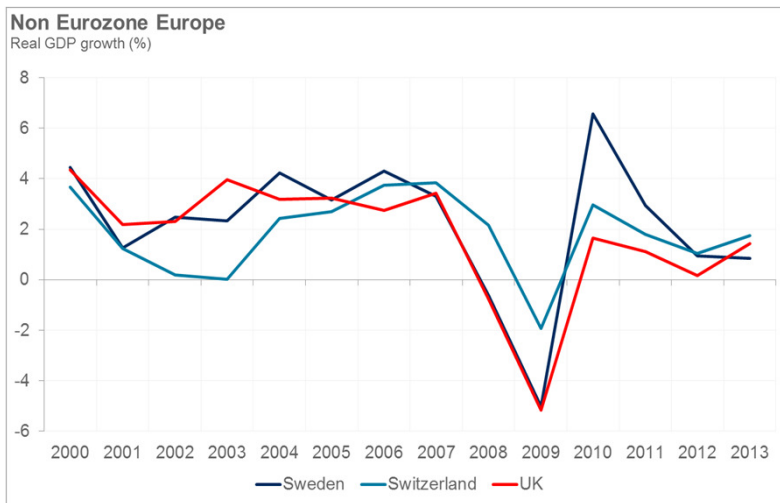
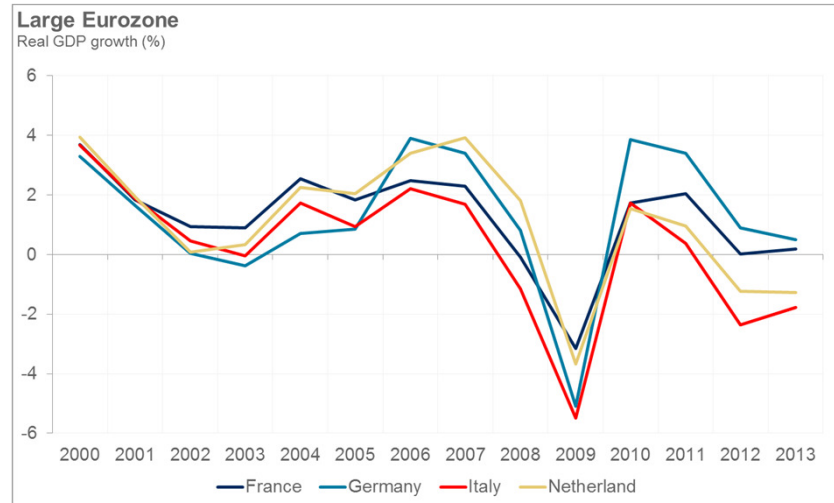
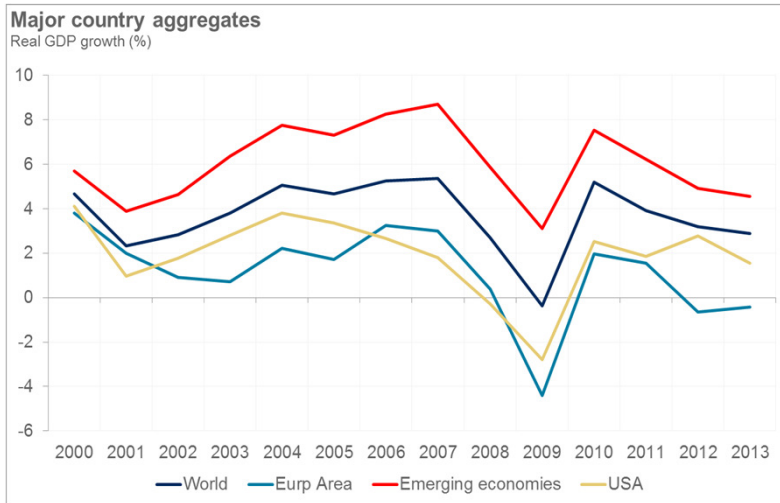


# Medium term outlook for trade remains a question mark

World trade has also slowed down more than expected

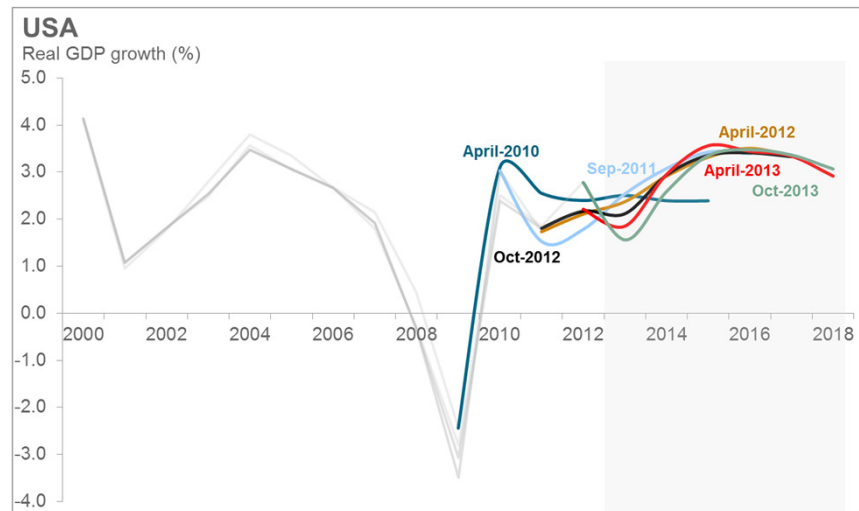
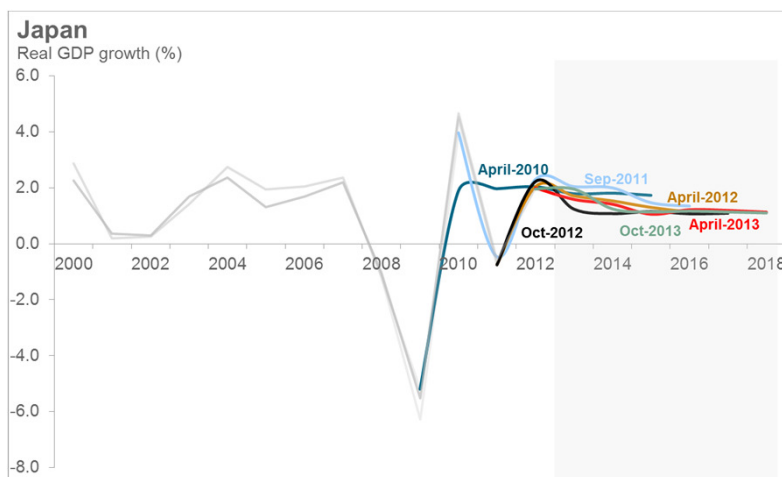
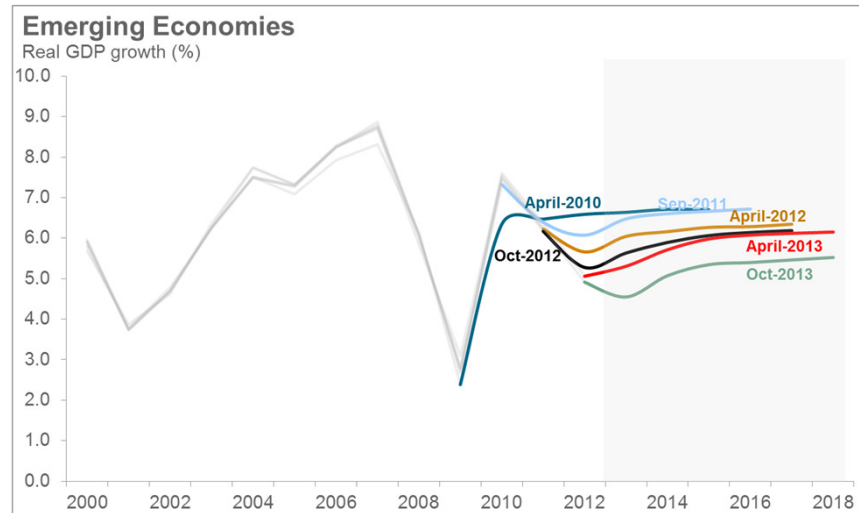
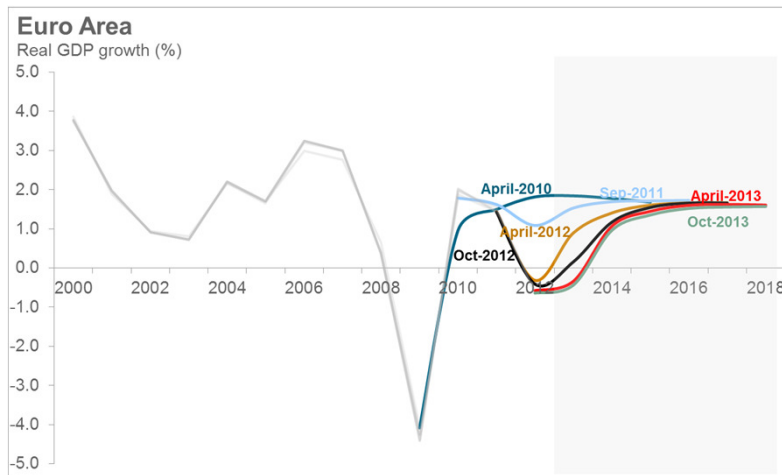


# GDP growth knocked everywhere, especially in euro area



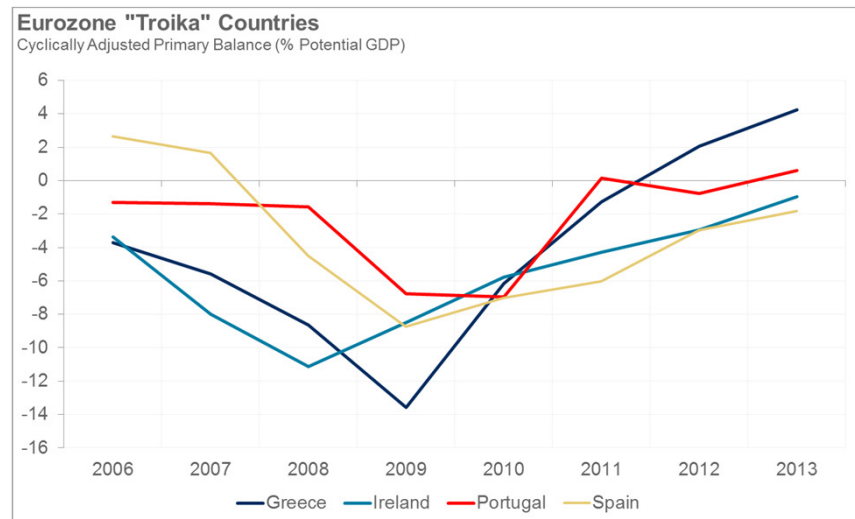
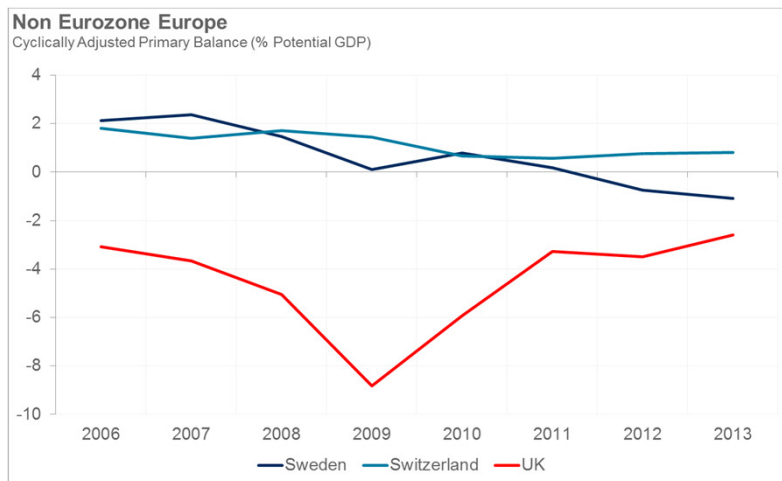
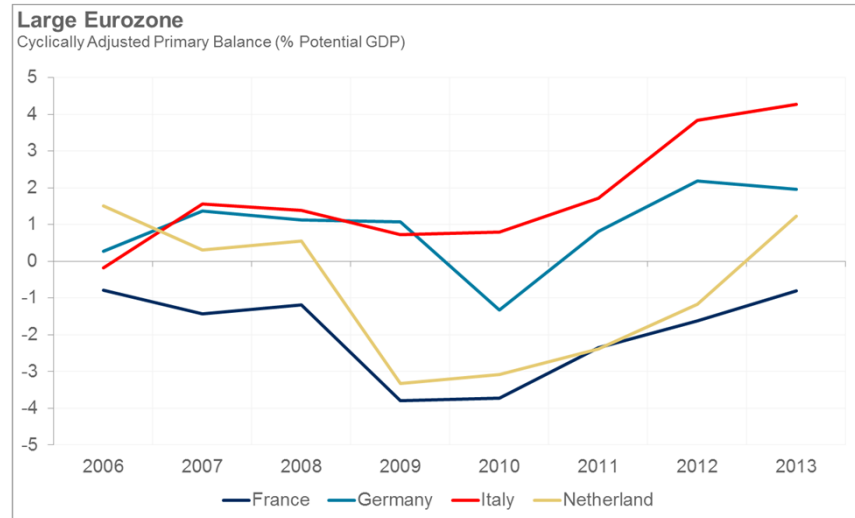
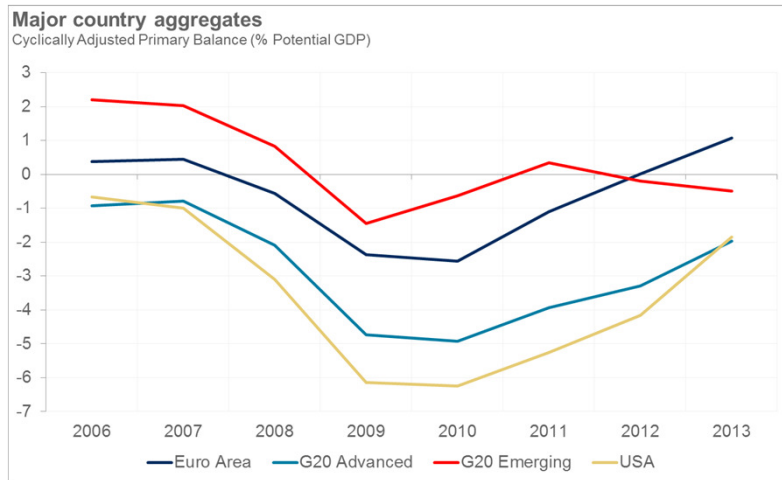
Source: IMF WEO Update, Oct-2013

# Growth forecast revisions especially high for emerging economies



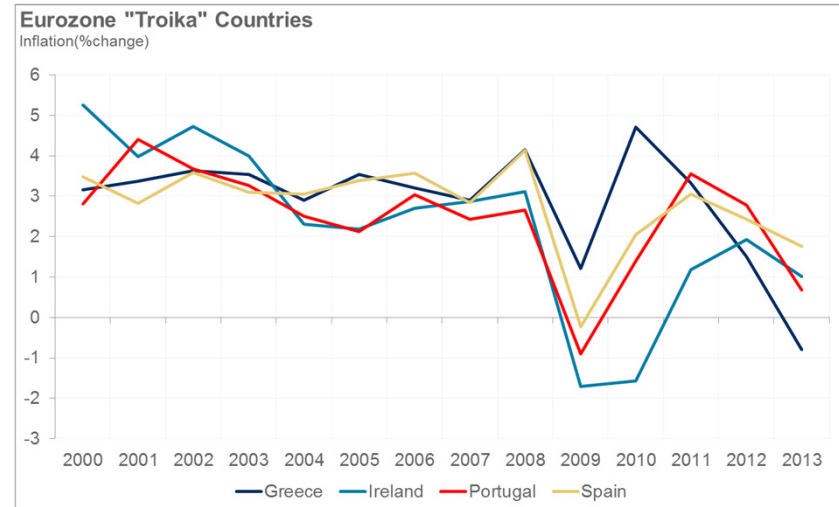
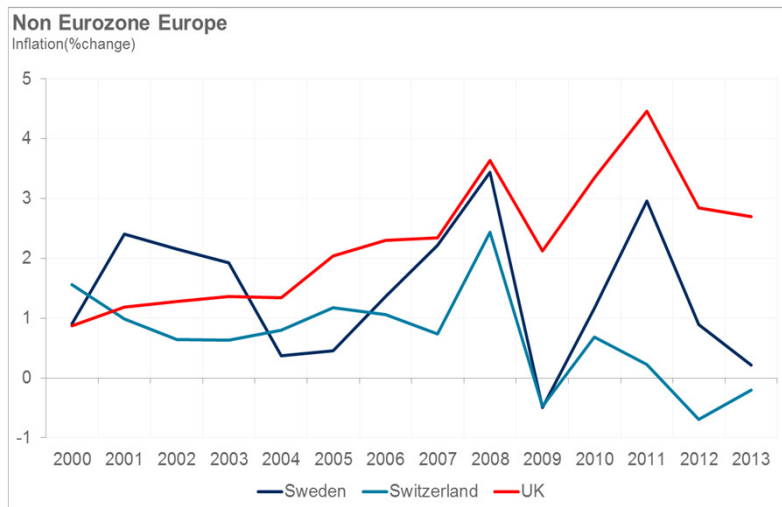
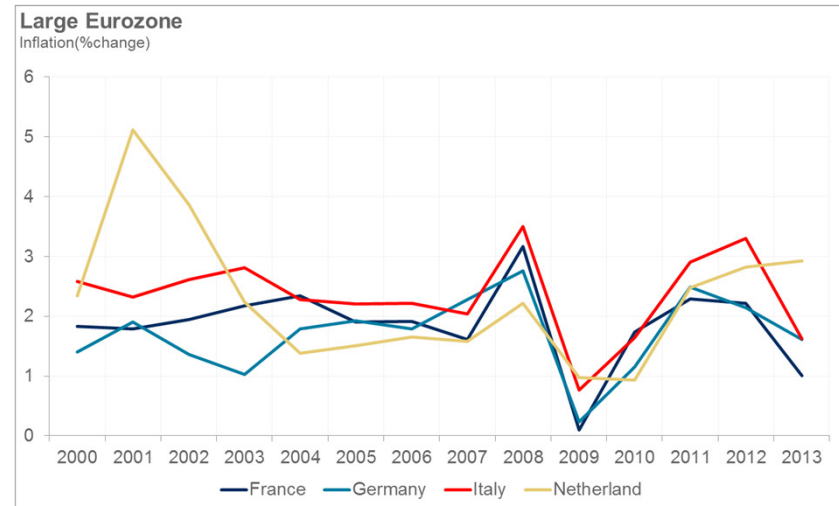
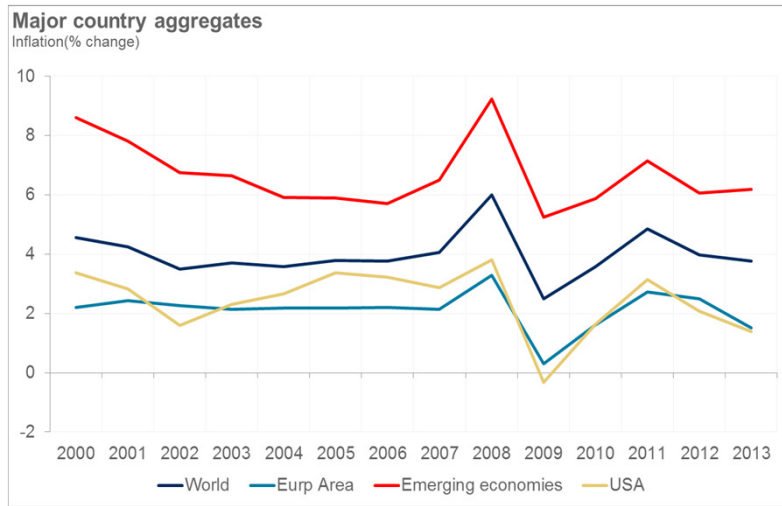
Source: IMF WEO Various Updates

# Fiscal stimulus is being withdrawn virtually everywhere



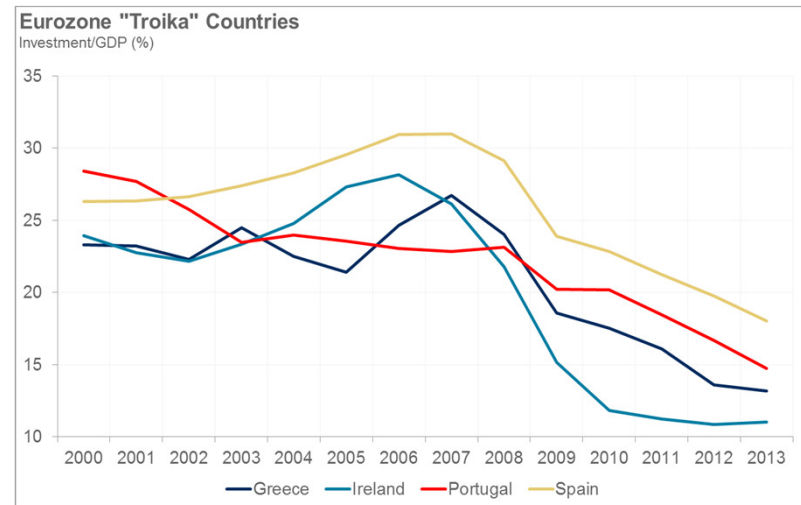
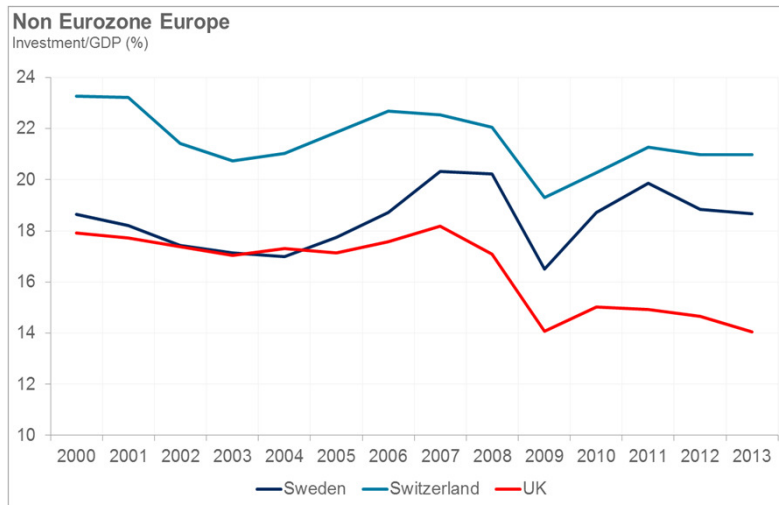
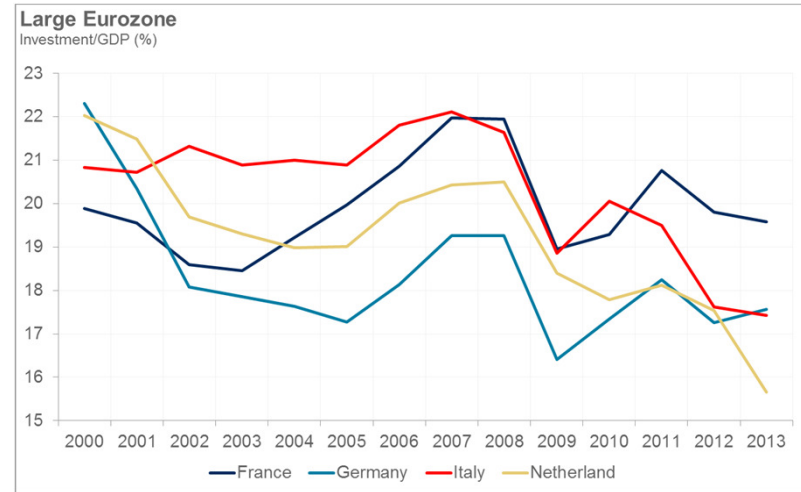
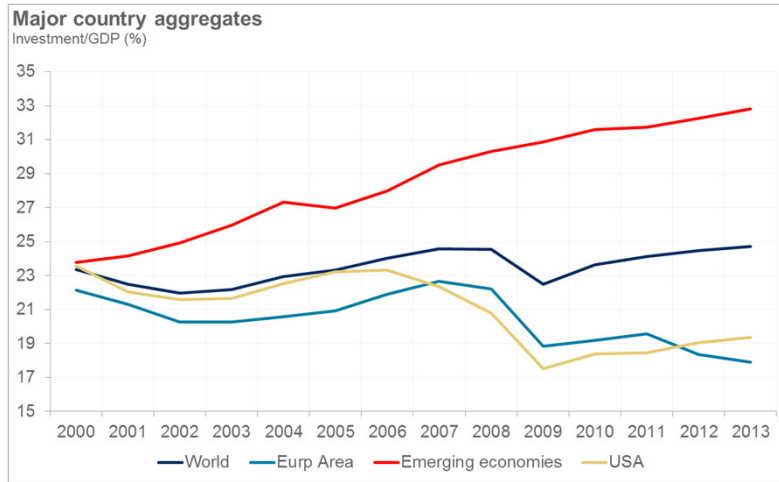
Source: IMF WEO Update, Oct-2013

# Deflationary tendency, except in emerging economies



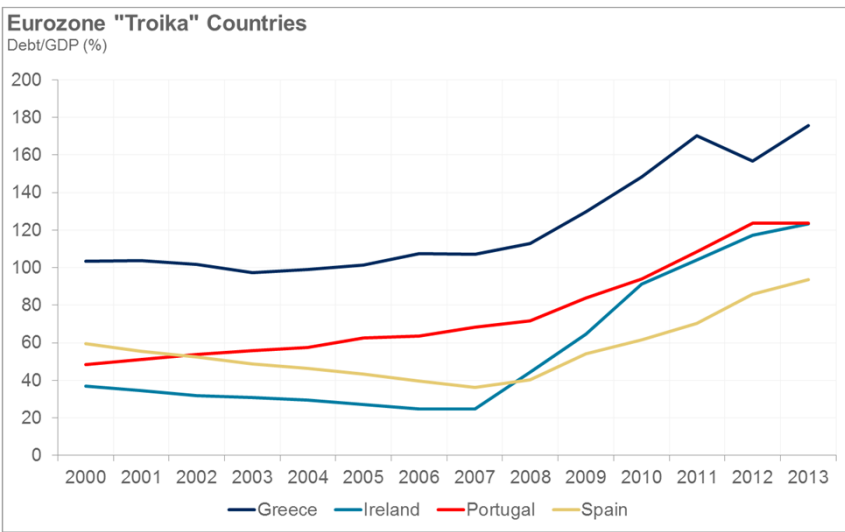
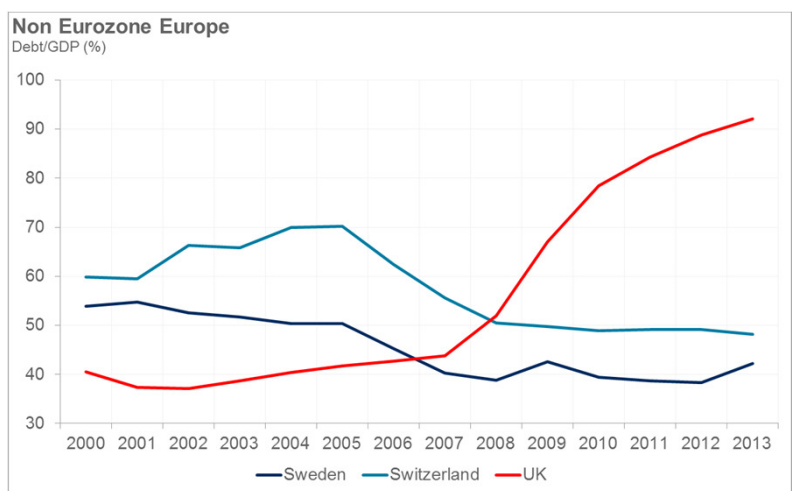
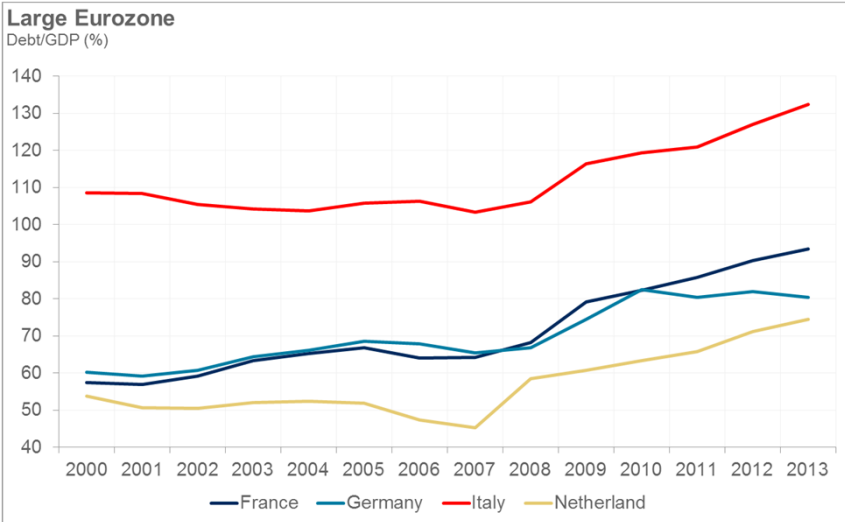
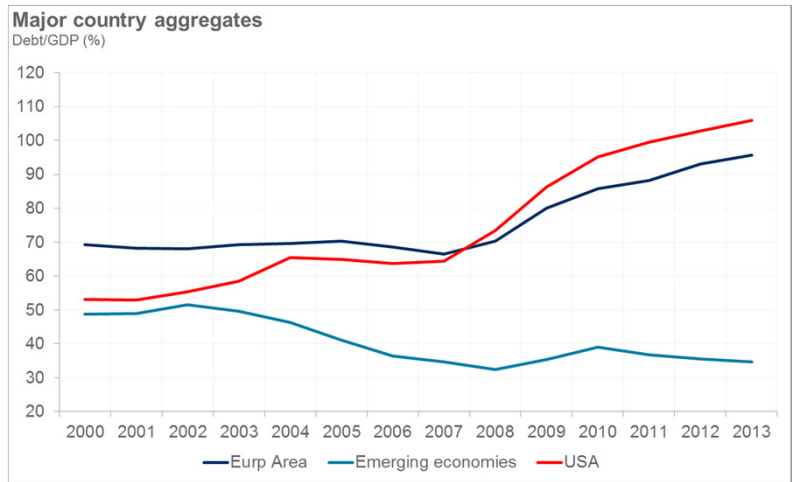
Source: IMF WEO Update, Oct-2013

# Investment remains weak, but shows a differentiated story



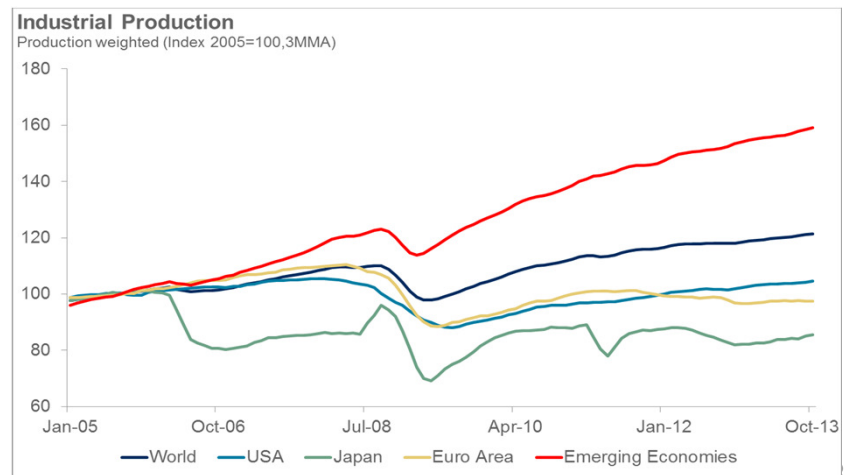
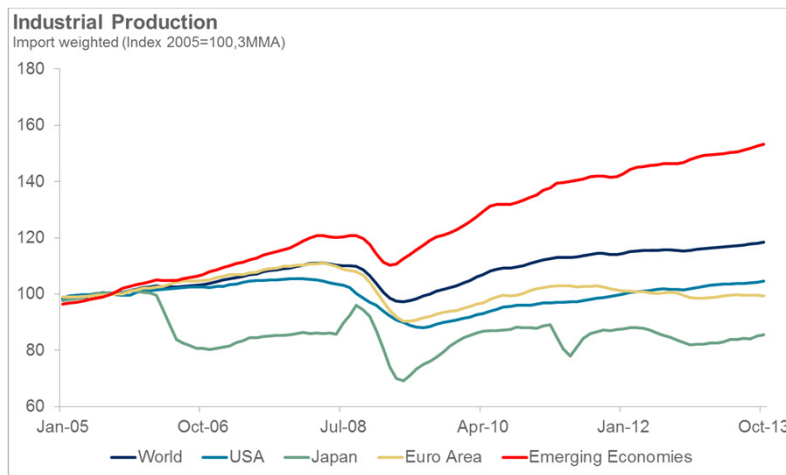
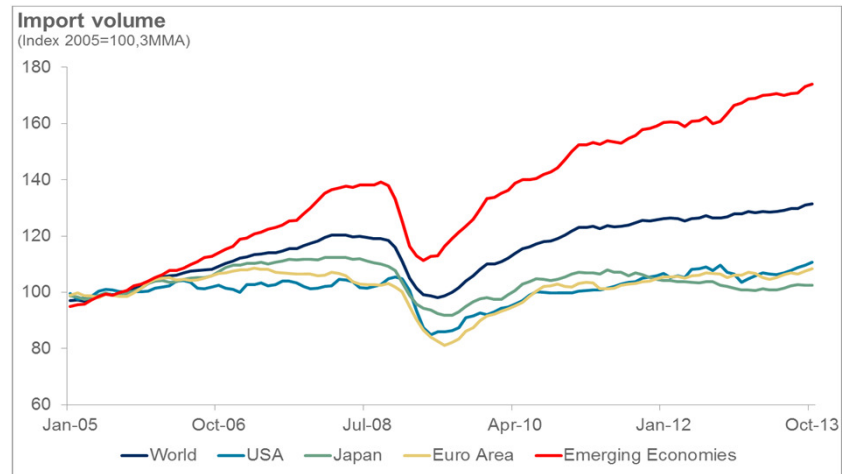
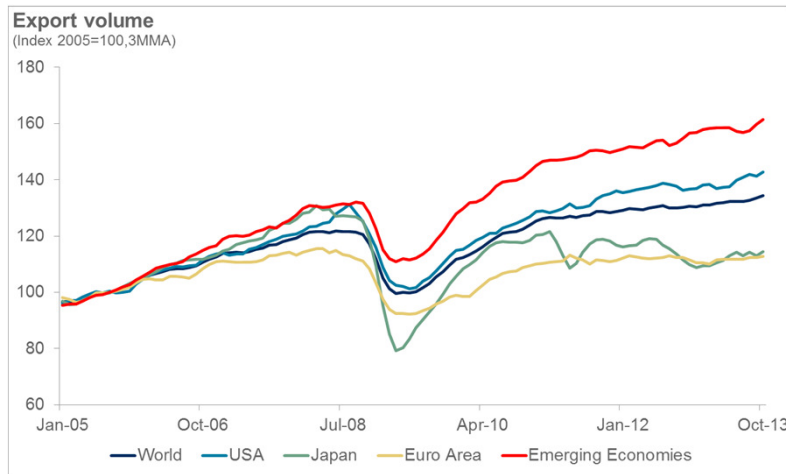
Source: IMF WEO Update, Oct-2013

# Public debt ratios have risen through much of advanced economies



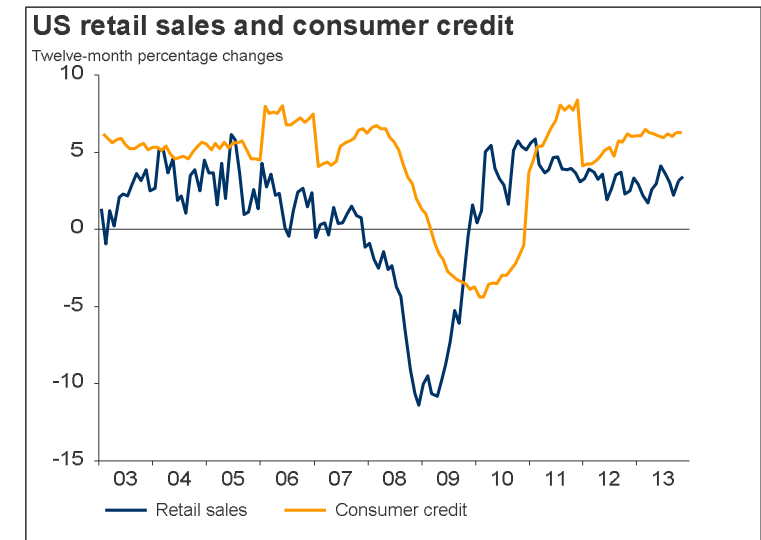
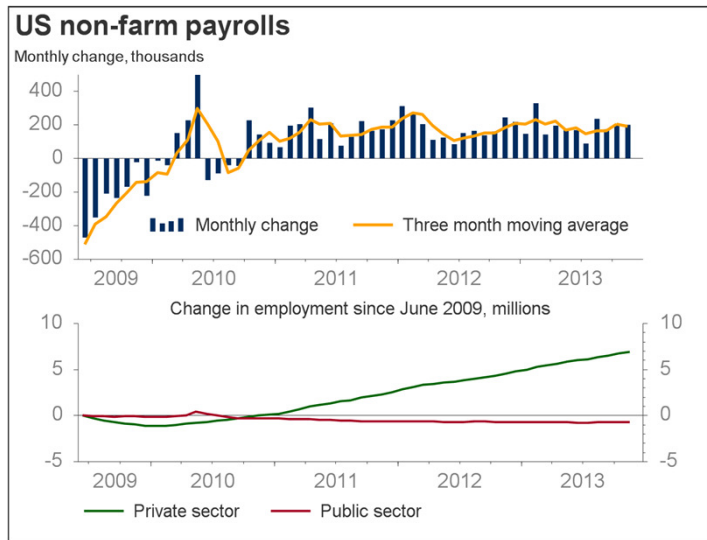
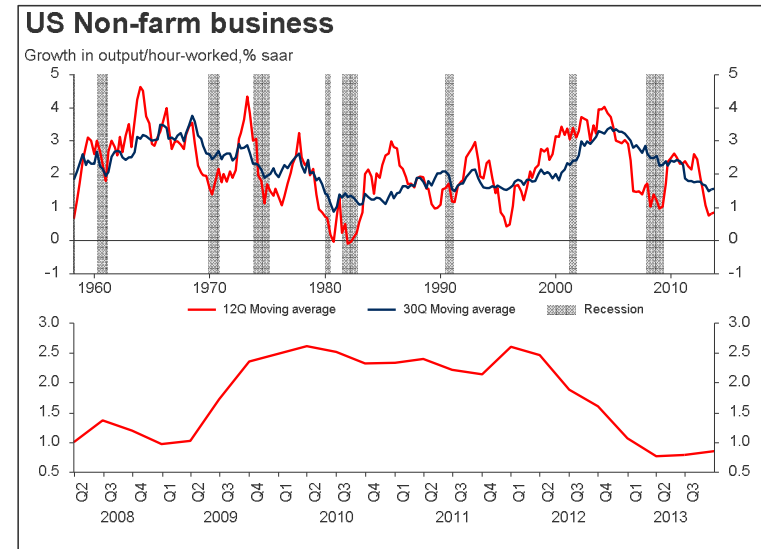
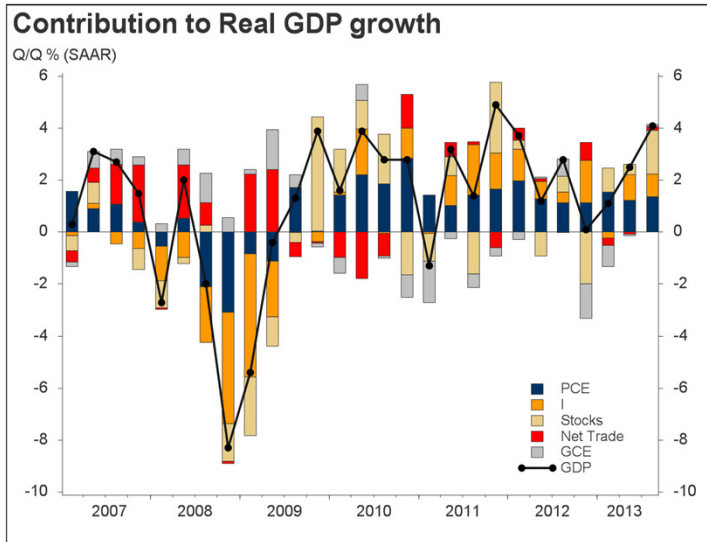
Source: IMF WEO Update, Oct-2013

# The Eurozone Trade Drag

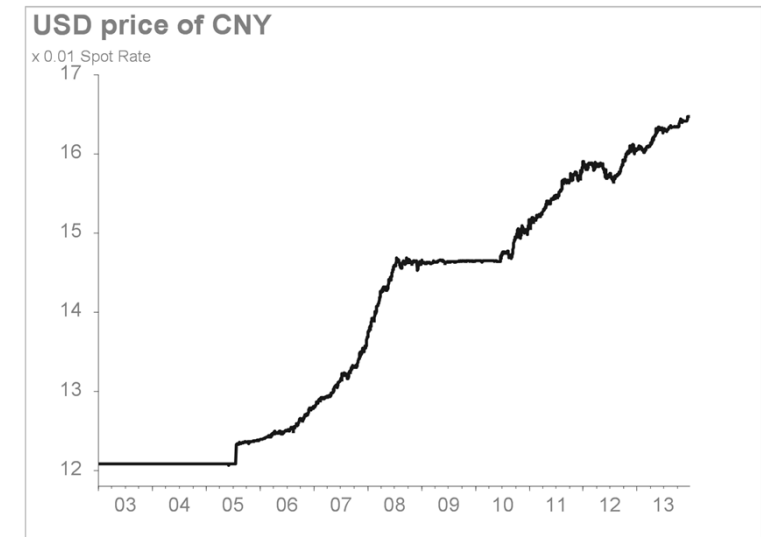
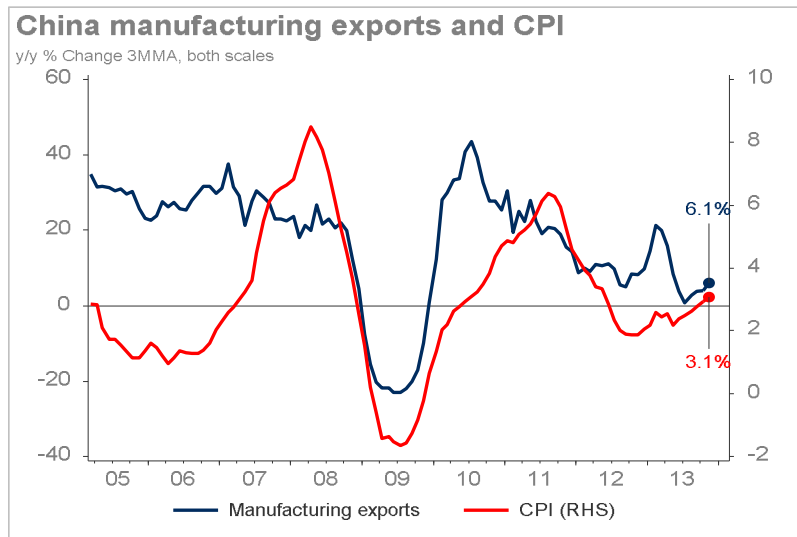
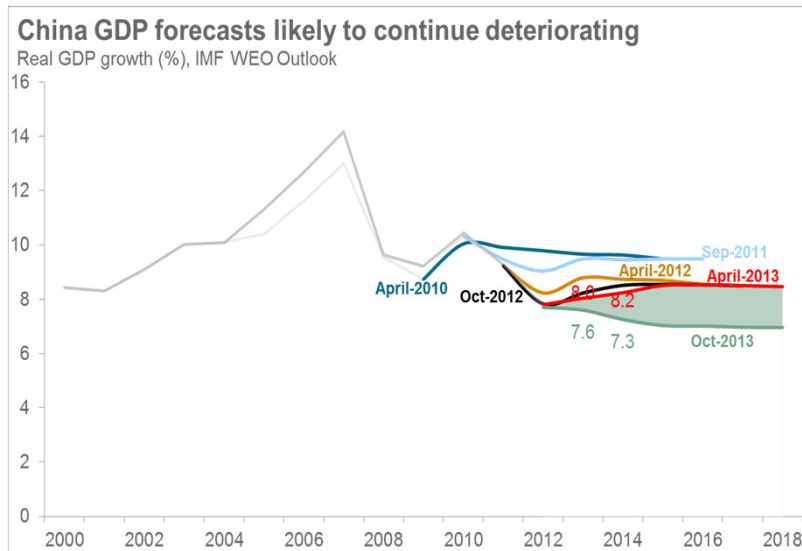


Source: CPB World Trade Monitor

# USA stabilising?



# 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