

Global Economic Prospects



GLOBAL ECONOMIC PROSPECTS

WORLD BANK UPDATE



**Birgit Hansl, Lead Economist and Program Leader
Europe and Central Asia Region
World Bank**

Global Economic Prospects



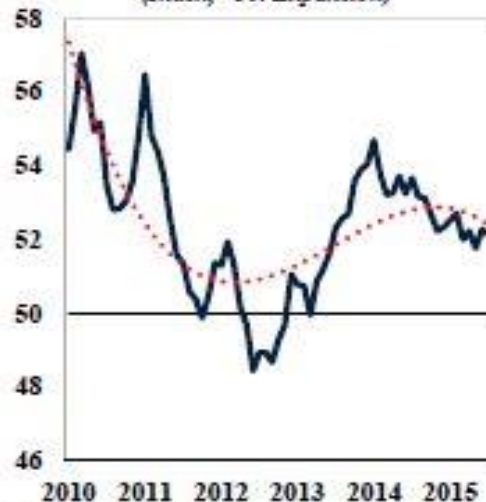
- 1. What is the state of the global economy?**
- 2. What is happening to growth in emerging market economies?**
- 3. What are the major risks to the outlook?**
- 4. What are the main policy challenges?**

Global Economic Prospects

1. What is the state of the global economy?

- ❖ Latest Activity: High-Income Economies Recovering, Emerging Markets and Developing Economies Weakening

Manufacturing PMI: High-Income Countries
(Index, +50: Expansion)



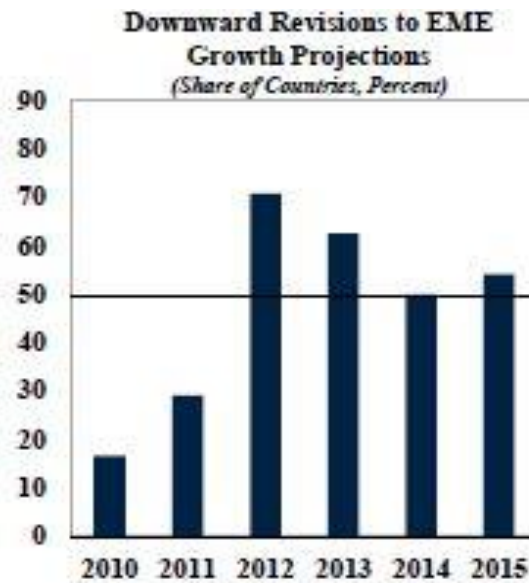
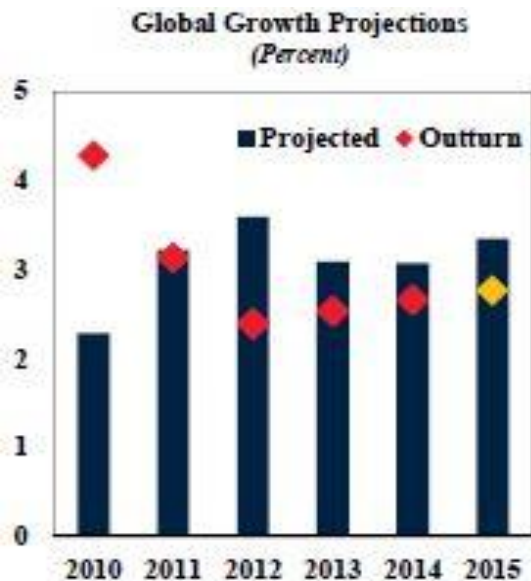
Manufacturing PMI: Developing Countries
(Index, +50: Expansion)



Source: IHS GlobalVantage, World Bank.
Note: Dotted lines show the trend. The latest observation is for August 2015.

Global Economic Prospects

- ❖ Growth Forecasts: Successive Downward Revisions, Especially in Emerging Market Economies (EMEs)



Source: World Bank.

Right panel: Projected numbers are forecasts a year before the indicated year. "Outturn" for 2015 is the September 2015 projection.

Left panel: The share of EMEs (24 economies) that have a downward revision during the same year.

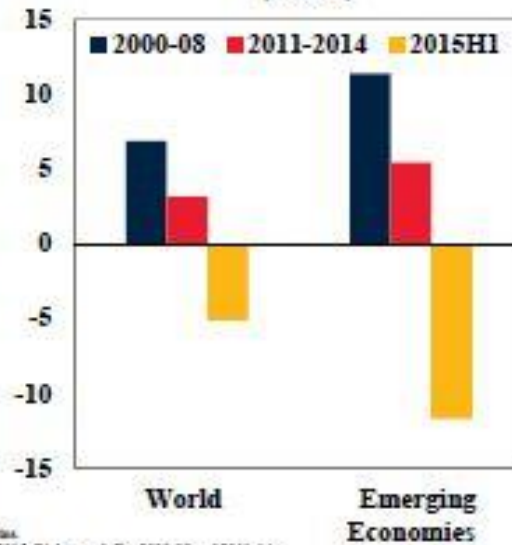
Global Economic Prospects

❖ Global Trade Subdued

Forecasts of Global Trade Growth for 2015
(Percent)



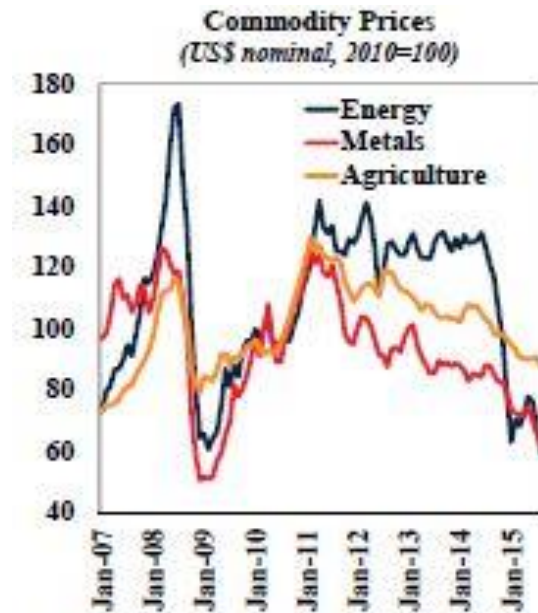
Global Import Growth
(Percent)



Source: IMF WEO database, CPB World Trade Monitor, and World Bank staff estimates.
Left panel: Annual percent change in trade volume of goods and services forecast for 2015. Right panel: For 2000-08 and 2011-14, average annual merchandise import growth. For 2015H1, 6-month-over-6-month merchandise growth, annualized.

Global Economic Prospects

❖ Commodity Prices Still Falling

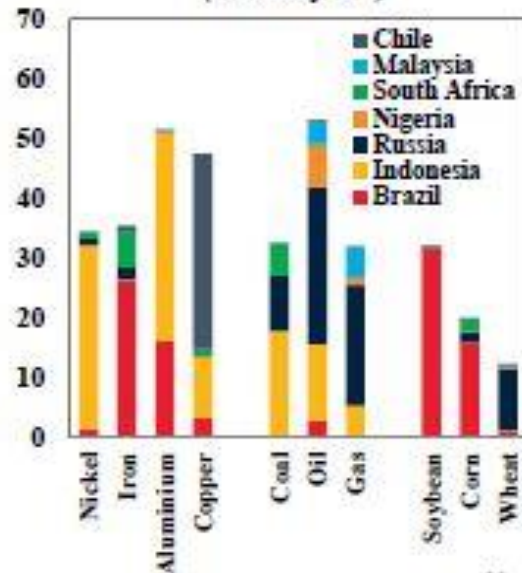


Source: World Bank.

Left panel: The latest observation is for August 2015.

Right panel: Average over 2008-2013. Including exports of raw (e.g. bauxite) and oil products.

EMEs in Global Commodity Exports
(Percent of total)



Global Economic Prospects

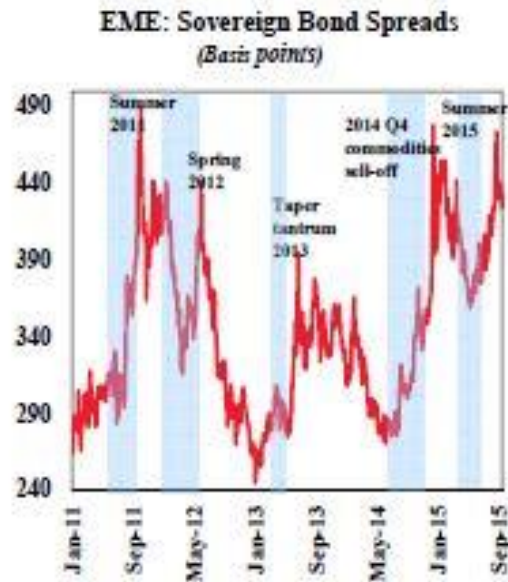
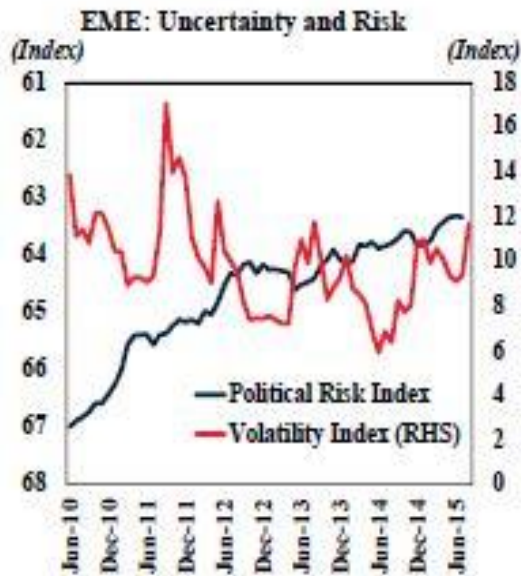
❖ Productivity Growth Slowing



Source: World Bank, Haver Analytics.
Note: Decomposition based on a Cobb-Douglas production function. Unweighted averages to ensure that the charts reflect the full universe of EME.

Global Economic Prospects

❖ Uncertainty Rising



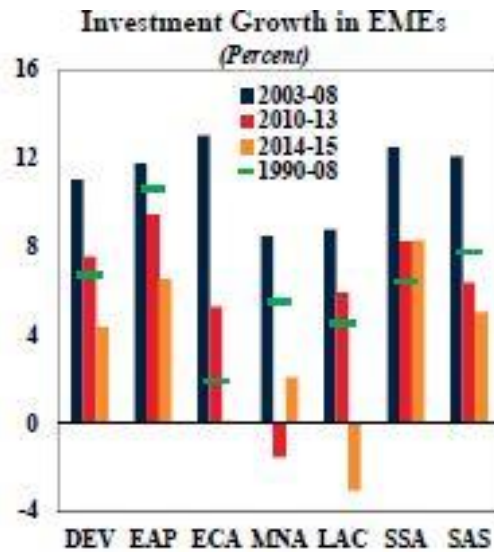
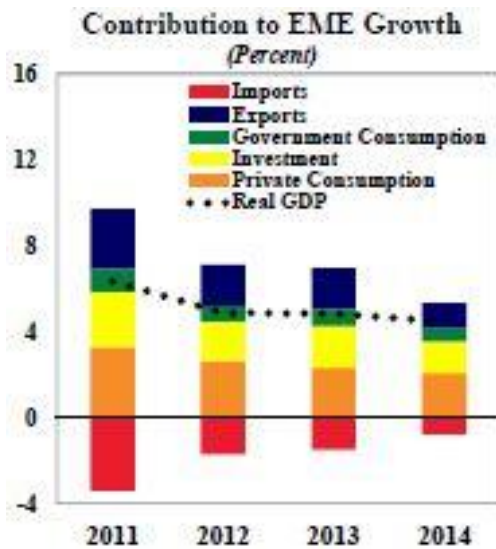
Source: Bloomberg.

Left panel: Political Risk Index (0 = highest, 100 = lowest); unweighted averages of Political Risk Rating of EMs. Volatility Index: JPMorgan's emerging market volatility index, which tracks the level of implied volatility of emerging market currencies.



Global Economic Prospects

❖ Investment Weakening



Source: IIF, Bloomberg, World Bank estimates.

Left panel: Weighted average, growth may differ from slide 18 due to weighting. Right panel: Excludes economies for which data is not available in 1990.

Global Economic Prospects

3. What are the major risks to the outlook?

Backdrop of structural growth slowdown with **eroding buffers** and weak external demand ...

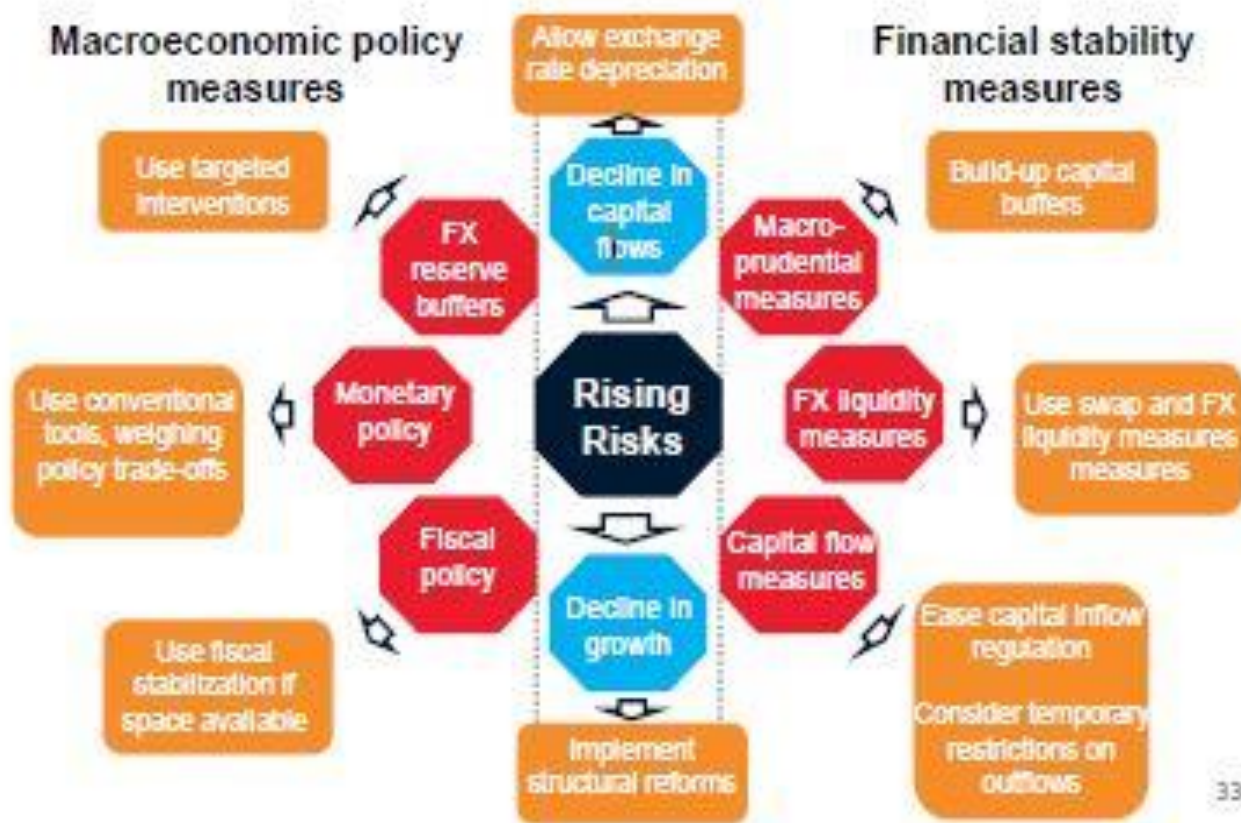
Preexisting risks: Growth stagnation in advanced economies; Geopolitical tensions.

EMEs centered risks: **Financial market volatility** due to uncertainties associated with U.S. Fed tightening and/or disorderly slowdown in China; Lower commodity prices (for exporters); Currency weakness (for deficit countries with large exposures).

Tail risk (a perfect storm?): Combination of risks materializes; multiple sudden stops; disruptions in financial markets.

Global Economic Prospects

4. What are the main policy challenges?



Global Economic Prospects



1. What is the state of the global economy?

The modest pickup in growth expected for 2015 is unlikely to materialize.

2. What is happening to growth in emerging market economies?

A synchronized, extended slowdown is underway in EMEs.

3. What are the major risks to the outlook?

Uncertainty about growth prospects in EMEs, decreasing policy buffers, and monetary policy normalization may trigger financial market volatility.

4. What are the main policy challenges?

Preparing for financial market volatility, while lifting long-term growth prospects.

Global Economic Prospects



THANK YOU!



Birgit Hansl: bhansl@worldbank.org

World Bank in Russia: