

## World Economic Outlook (WEO) Update by IMF reports weak pickup in global growth, with risks pivoting to emerging markets

Global growth forecast revised down 3.4% in 2016 and 3.6% in 2017. Emerging market and developing economies facing increased challenges, while key risks relate to China slowdown, stronger dollar, geopolitical tensions, renewed global risk aversion

According to the IMF's latest World Economic Outlook (WEO) Update, January 2016, pickup in global growth is weak and uneven across economies, with risks now tilted toward the emerging markets. Advanced economies will see a modest recovery, while emerging market and developing economies face the new reality of slower growth. The WEO Update now projects global growth at 3.4% this year and 3.6% in 2017, slightly lower than the forecast issued in October 2015.

### Marginal improvements in advanced economies

Growth in advanced economies is projected to rise to 2.1% and to hold steady in 2017, a slightly weaker pickup than that forecast in October. Overall activity remains robust in the **United States**, supported by still easy financial conditions and strengthening housing and labour markets. In **the euro area**, stronger private consumption supported by lower oil prices and easy financial conditions is outweighing a weakening of net exports. Growth in **Japan** is also expected to firm up in 2016, on the back of fiscal support, lower oil prices, accommodative financial conditions, and rising incomes.

### Emerging markets face growth slowdown

Growth forecasts for most emerging market and developing economies reveal a slower pickup than previously predicted. Growth is projected to increase from 4% in 2015, the lowest rate since the 2008–09 financial crisis to 4.3 and 4.6% in 2016 and 2017, respectively. **India and parts of emerging Asia are bright spots, projected to grow at a robust pace**, whereas **Latin America and the Caribbean** will again see a contraction in 2016, reflecting the recession in Brazil and economic stress elsewhere in the region, even as most other countries in the region will continue to grow.

**Latest IMF projections**  
Global economy still growing, but at a slower pace.  
(percent change)

	Estimates	Projections		Difference from October 2015 WEO projections <sup>1</sup>	
	2015	2016	2017	2016	2017
<b>World Output</b>	3.1	3.4	3.6	-0.2	-0.2
<b>Advanced Economies</b>	1.9	2.1	2.1	-0.1	-0.1
United States	2.5	2.6	2.6	-0.2	-0.2
Euro Area	1.5	1.7	1.7	0.1	0.0
Germany	1.5	1.7	1.7	0.1	0.2
France	1.1	1.3	1.5	-0.2	-0.1
Italy	0.8	1.3	1.2	0.0	0.0
Spain	3.2	2.7	2.3	0.2	0.1
Japan	0.6	1.0	0.3	0.0	-0.1
United Kingdom	2.2	2.2	2.2	0.0	0.0
Canada	1.2	1.7	2.1	0.0	-0.3
Other Advanced Economies	2.1	2.4	2.8	-0.3	-0.1
<b>Emerging Market and Developing Economies</b>	4.0	4.3	4.7	-0.2	-0.2
Commonwealth of Independent States	-2.8	0.0	1.7	-0.5	-0.3
Russia	-3.7	-1.0	1.0	-0.4	0.0
Excluding Russia	-0.7	2.3	3.2	-0.5	-0.8
Emerging and Developing Asia	6.6	6.3	6.2	-0.1	-0.1
China	6.9	6.3	6.0	0.0	0.0
India	7.3	7.5	7.5	0.0	0.0
ASEAN-5 <sup>2</sup>	4.7	4.8	5.1	-0.1	-0.2
Emerging and Developing Europe	3.4	3.1	3.4	0.1	0.0
Latin America and the Caribbean	-0.3	-0.3	1.6	-1.1	-0.7
Brazil	-3.8	-3.5	0.0	-2.5	-2.3
Mexico	2.5	2.6	2.9	-0.2	-0.2
Middle East, North Africa, Afghanistan, and Pakistan	2.5	3.6	3.6	-0.3	-0.5
Saudi Arabia	3.4	1.2	1.9	-1.0	-1.0
Sub-Saharan Africa	3.5	4.0	4.7	-0.3	-0.2
Nigeria	3.0	4.1	4.2	-0.2	-0.3
South Africa	1.3	0.7	1.8	-0.6	-0.3
Low-Income Developing Countries	4.6	5.6	5.9	-0.2	-0.2

Source: IMF, World Economic Outlook Update, January 2016.  
<sup>1</sup>Difference based on rounded figures for both the current and October 2015 WEO forecasts.  
<sup>2</sup>Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: PHD Research Bureau, compiled from IMF

Looking beyond the short-run forecasts, there are important risks to the outlook, which are particularly prominent for emerging market and developing economies and could stall global recovery. They include the following possibilities:

- **A sharper-than-expected slowdown in China**, which could bring more international spillovers through trade, commodity prices, and waning confidence.
- **A further appreciation of the dollar** and tighter global financing conditions which could raise vulnerabilities in emerging markets, possibly creating adverse effects on corporate balance sheets and raising funding challenges for those with high dollar exposures.
- **A sudden bout of global risk aversion**, regardless of the trigger, could lead to sharp further depreciations and possible financial strains in vulnerable emerging market economies.
- **An escalation of ongoing geopolitical tensions** in a number of regions, which could affect confidence and disrupt global trade, financial flows, and tourism. New economic or political shocks in countries currently in economic distress which could also derail the projected pickup in activity.

In this global environment, with the risk of low growth persisting for a long time, the WEO Update underlines the urgent need for policymakers to raise actual and potential growth through a mix of demand support and structural reforms. Policymakers in emerging markets and developing economies need to redirect activity to new sources of growth. Lifting growth will also ensure continued convergence toward advanced economy income levels.

**Warm regards,**

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