

World Bank forecasts global economic growth at 2.7% in 2017

According to the Global Economic Prospects Report released by the World Bank in June 2017 forecasts that global economic growth will strengthen to 2.7% in 2017 as a pickup in manufacturing and trade, rising market confidence, and stabilizing commodity prices allow growth to resume in commodity-exporting emerging market and developing economies. India is expected to accelerate to 7.2% in FY2018 and 7.5% in next fiscal year.

As per the report, growth in advanced economies is expected to accelerate to 1.9% in 2017, which will also benefit the trading partners of these countries. Global financing conditions remain favorable and commodity prices have stabilized. Against this improving international backdrop, growth in emerging market and developing economies as a whole will pick up to 4.1% in 2017 from 3.5% in 2016. Growth among the world's seven largest emerging market economies is anticipated to increase and exceed its long-term average by 2018. Recovering activity in these economies should have noteworthy positive effects for growth in other emerging and developing economies and globally.

According to the report, however, substantial risks cloud the outlook. New trade restrictions could derail the welcome rebound in global trade. Persistent policy uncertainty could dampen confidence and investment. Amid exceptionally low financial market volatility, a sudden market reassessment of policy-related risks or of the pace of advanced-economy monetary policy normalization could provoke financial turbulence. Over the longer term, persistently weak productivity and investment growth could erode long-term growth prospects in emerging market and developing economies that are key to poverty reduction.

The report highlights concern about mounting debt and deficits among emerging market and developing economies, raising the prospect that an abrupt rise in interest rates or tougher borrowing conditions might be damaging. At the end of 2016, government debt exceeded its 2007 level by more than 10 percentage points of GDP in more than half of emerging market and developing economies and fiscal balances worsened from their 2007 levels by more than 5 percentage points of GDP in one-third of these countries.

A bright spot in the outlook is a recovery in trade growth to 4% after a post-financial crisis low of 2.5% last year. The report highlights a key area of weakness in global trade, trade among firms not linked through ownership. Such trade through outsourcing channels has slowed much more sharply than intra-firm trade in recent years. This is a reminder of the importance of a healthy global trading network for the less integrated firms that account for the majority of enterprises.

Regional Outlooks

East Asia and Pacific: Growth in the region is projected to ease to 6.2% in 2017 and to 6.1% in 2018 as the gradual slowdown in China is offset by a pickup elsewhere led by a rebound among commodity exporters and accelerating growth in Thailand. Growth in China is expected to slowdown to 6.5% this year and 6.3% in 2018. Excluding China, the region is seen advancing at a more rapid 5.1% rate in 2017 and 5.2% in 2018. Indonesia is anticipated to pick up to 5.2 percent in 2017 and 5.3 percent in 2018 as the effects of fiscal consolidation dissipate and as private activity picks up, supported by modestly rising commodity prices, improving external demand, and increased confidence due to reforms.

Europe and Central Asia: Growth in Europe and Central Asia is forecast to accelerate broadly to 2.5% in 2017, and to 2.7% in 2018, supported by continued recovery among commodity exporters and unwinding of geopolitical risks and domestic policy uncertainty in major economies in the region. Russia is expected to grow at a 1.3% rate in 2017 after a two-year recession and by 1.4% in 2018, with growth helped by gains in consumption. Among commodity importing economies, Turkey is projected to expand by 3.5% in 2017, supported by accommodative fiscal policy, and by 3.9% in 2018 as uncertainty abates, tourism recovers, and corporate balance sheets mend.

Latin America and the Caribbean: Growth in Latin America and the Caribbean is projected to strengthen to 0.8% in 2017 as Brazil and Argentina emerge from recession and rising commodity prices support agricultural and energy exporters. Brazil is expected to expand 0.3 % in 2017, with growth expected to pick up to a 1.8% in 2018, while growth in Argentina is projected to expand at a 2.7 % pace this year. Growth in Mexico is anticipated to moderate to 1.8 % in 2017, principally due to contracting investment stemming from uncertainty about U.S. economic policy, before accelerating to 2.2 % next year. A rising forecast for metal prices is expected to help Chile, where copper production should recover after a strike.

Middle East and North Africa: Growth in the region is projected to fall to 2.1% in 2017 as the adverse impact of Organization of the Petroleum Exporting Countries production cuts on oil exporters outweighs modestly improving conditions in oil importers. Growth is expected to pick up to 2.9% in 2018, assuming a moderation of geopolitical tensions and an increase in oil prices. Growth in Saudi Arabia, the largest economy in the region, is anticipated to ease to 0.6% as a result of the production cuts, before accelerating to a 2 % pace in 2018. The Islamic Republic of Iran is seen slowing to a 4 % rate before accelerating modestly to a 4.1 % pace in 2018 as limited spare capacity in oil production and difficulty in accessing finance weigh on the country's growth.

South Asia: Growth in the region is forecast to pick up to 6.8% in 2017 and accelerate to 7.1% in 2018, reflecting a solid expansion of domestic demand and exports. Excluding India, regional growth is anticipated to hold steady at 5.7 %, rising to 5.8 %, with growth accelerating in Bhutan, Pakistan, and Sri Lanka but easing in Bangladesh and Nepal. India is expected to accelerate to 7.2 % in fiscal 2017 (April 1, 2017 – March 31, 2018) and 7.5 % in next fiscal year. Sri Lanka's growth is forecast to accelerate to a 4.7% rate in 2017 and 5% in 2018, as international financial institution programs support economic reforms and boost private sector competitiveness.

Sub-Saharan Africa: Growth in Sub-Saharan Africa is forecast to pick up to 2.6% in 2017 and to 3.2 % in 2018, predicated on moderately rising commodity prices and reforms to tackle macroeconomic imbalances. However, per capita output is projected to shrink by 0.1% in 2017 and to increase to a modest 0.7% growth pace over 2018-19. At those rates, growth will be insufficient to achieve poverty

reduction goals in the region, particularly if constraints to more vigorous growth persist. Growth in South Africa is projected to rise to 0.6% in 2017 and accelerate to 1.1% in 2018. Growth in non-resource-intensive countries is anticipated to remain solid, supported by infrastructure investment, resilient services sectors, and the recovery of agricultural production.

The detailed report on “Global Economic Prospects” released by World Bank in June 2017 has been attached for your ready reference.

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