

## AT A GLANCE . . .

### The world economy

- The world economy is expected to grow by 3.0 per cent in 2016, down from the 3.2 per cent predicted in the February Review. Growth this year is therefore forecast to be the slowest since the 2009 recession, before picking up to 3.5 per cent in 2017.
- The growth downgrade is mainly due to disappointing performances in the United States and Japan. Among the emerging market economies, growth has also been revised down for Brazil and Russia.
- A moderate strengthening of growth is forecast for 2017 and beyond, supported by accommodative monetary policies, lower oil prices and the gradual normalisation of conditions in stressed emerging market economies.

The past three months have seen significant upturns in global oil prices and financial markets, a decline in financial market volatility, and a downturn in the exchange rate of the US dollar. Market sentiment has improved in many respects, thanks partly to the actions of central banks, but global growth has remained mediocre.

In advanced economies, consumer price inflation has remained low, and wage increases have remained notably subdued. A similar picture is expected for this year, before inflation picks up in 2017. Since late January, central banks in Japan and the Euro Area have acted to ease monetary conditions further; similar action has taken place in several other countries including China.

Global oil prices bottomed out at \$26 a barrel in February, and have now risen to \$45, their highest since last November. The recovery has been fuelled by growing evidence that non-OPEC production has been significantly reduced and over-production is diminishing. We expect the oil price to average about \$35 a barrel in 2016 and \$42 in 2017.

As ever, there are a number of risks to the outlook. First, the risks associated with the prospective normalisation of monetary policy in advanced economies remain. The stubbornness of below-target inflation and wage

stagnation, even in economies apparently close to full employment, points to the risk of its continuing persistence, and even deflation. Significant risks also surround the assumed future path of oil prices. A significant reversal is possible given that production, although cut back, is continuing to exceed demand. On the other hand, prices could rise further if there are further production cuts or supply disruptions, or if demand strengthens.

While recent developments in China have been encouraging in terms of short-term growth, they have been less encouraging with regard to the needed restructuring of the economy.

Among political risks in many advanced economies is the pressure for defensive, protectionist policies to address weak income growth and growing income inequality. Such policy reactions could seriously exacerbate the problems they are meant to address.

Finally, there are widespread risks around the reliance on increased monetary accommodation in several advanced economies, including lowering interest rates below zero. These risks call for a more balanced policy strategy, including the use of fiscal space to expand demand and potential output, as well as growth-enhancing structural reforms.

#### Summary of the forecast

#### Percentage change, year-on-year

	World economy			Real GDP growth in major economies				
	Real GDP <sup>(a)</sup>	Consumer prices <sup>(b)</sup>	World trade <sup>(c)</sup>	US	China	Japan	Euro Area	India
2015	3.1	0.7	2.9	2.4	6.9	0.5	1.5	7.3
2016	3.0	0.9	4.4	2.0	6.5	0.2	1.5	7.5
2017	3.5	1.8	6.2	2.5	6.2	-0.1	1.7	8.0

(a) Based on global PPP shares. (b) OECD countries, private consumption deflator. (c) Volume of total world trade.