Global activity has gained further momentum

- **Global growth** picked up further in 2017H2; outlook is for higher annual growth in 2018 and 2019
  - **Advanced Economies** (AE): stronger cyclical recovery in near term, subdued potential growth in medium term
  - **Emerging Market and Developing Economies** (EMDE): activity in stressed economies bottoming out, commodity importers generally projected to maintain high growth rates

- **Inflation** remains subdued

- **Risks** skewed to the downside in the medium term

- **Policy priorities**: macroeconomic management needs vary; common goals are to boost potential output, increase resilience, and make growth more inclusive
Forces shaping the outlook

Advanced economies

• Cyclical sweet spot: growth accelerates but inflation remains subdued
• Supportive financial conditions
• Varying degrees of post-crisis repair
• Demographic headwinds

Emerging market and developing economies

• Commodity price recovery offers cyclical respite, but adjustment still needed
• China’s rebalancing and transition
• Geopolitical and political factors
• Demographic trends

Ongoing forces...

...overlaid on...

• Weak productivity growth
### Growth projections: Advanced economies

(percent change from a year earlier)

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Advanced Economies</th>
<th>U.S.</th>
<th>U.K.</th>
<th>Japan</th>
<th>Euro Area</th>
<th>Germany</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3.7</td>
<td>2.3</td>
<td>2.3</td>
<td>1.7</td>
<td>1.8</td>
<td>2.4</td>
<td>2.5</td>
<td>3.0</td>
</tr>
<tr>
<td>2018</td>
<td>3.9</td>
<td>2.3</td>
<td>2.7</td>
<td>1.5</td>
<td>1.2</td>
<td>2.2</td>
<td>2.3</td>
<td>2.3</td>
</tr>
<tr>
<td>Revision from Oct. 2017</td>
<td>0.2</td>
<td>0.3</td>
<td>0.4</td>
<td>0.0</td>
<td>0.5</td>
<td>0.3</td>
<td>0.5</td>
<td>0.2</td>
</tr>
<tr>
<td>2019</td>
<td>3.9</td>
<td>2.2</td>
<td>2.5</td>
<td>1.5</td>
<td>0.9</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Revision from Oct. 2017</td>
<td>0.2</td>
<td>0.4</td>
<td>0.6</td>
<td>-0.1</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Sources: IMF, World Economic Outlook January 2018 Update; and IMF, World Economic Outlook October 2017.
## Growth projections: Emerging markets and LIDCs

*(percent change from a year earlier)*

<table>
<thead>
<tr>
<th></th>
<th>World</th>
<th>Emerging Market and Developing Economies</th>
<th>China</th>
<th>India</th>
<th>Brazil</th>
<th>Russia</th>
<th>South Africa</th>
<th>Sub-Saharan Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2017</strong></td>
<td>3.7</td>
<td>4.7</td>
<td>6.8</td>
<td>6.7</td>
<td>1.1</td>
<td>1.8</td>
<td>0.9</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>2018</strong></td>
<td>3.9</td>
<td>4.9</td>
<td>6.6</td>
<td>7.4</td>
<td>1.9</td>
<td>1.7</td>
<td>0.9</td>
<td>3.3</td>
</tr>
<tr>
<td>Revision from Oct. 2017</td>
<td>0.2</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.4</td>
<td>0.1</td>
<td>–0.2</td>
<td>–0.1</td>
</tr>
<tr>
<td><strong>2019</strong></td>
<td>3.9</td>
<td>5.0</td>
<td>6.4</td>
<td>7.8</td>
<td>2.1</td>
<td>1.5</td>
<td>0.9</td>
<td>3.5</td>
</tr>
<tr>
<td>Revision from Oct. 2017</td>
<td>0.2</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>0.1</td>
<td>0.0</td>
<td>–0.7</td>
<td>0.1</td>
</tr>
</tbody>
</table>

Recovery “falls short” in a few areas

- Underlying inflation remains below target in AEs

- Medium term growth projections in AEs and commodity-exporting EMDEs fall short of past averages

- In over ¼ of EMDEs, real per capita GDP is not projected to converge toward AE levels over 2017-22
Per capita real GDP growth set to remain below past averages in AEs and commodity (especially fuel) exporters

Source and notes: IMF staff calculations. Medians are shown by red dots.
About a quarter of EMDEs are not projected to see income convergence toward AEs in 2017-22

Source: IMF staff calculations.
Risks skewed to the downside over the medium term

• Financial tensions
  o A potential tightening of global financial conditions:
    o Accumulation of vulnerabilities that come to the fore over the medium term, risk off sentiment returns;
    o or inflation surprise in US triggers faster than expected Fed interest rate normalization
  o Risks of capital flow reversals
  o Financial deregulation: broad rollback of regulatory reforms could foster excessive risk-taking

• Threats to global economic integration

• Non-economic factors
Use the cyclical upswing: undertake structural reforms to bolster potential output, make growth more inclusive, reduce risks

Advanced economies

• Cyclical support where demand, inflation are weak

• In some cases, if inflationary pressure surprises on upside, monetary policy normalization may need to proceed faster than currently anticipated

• Boost potential output, strengthen safety nets, make growth more inclusive

• Rebuild fiscal buffers

Emerging market and developing economies

• Structural reforms to boost potential output, make growth more inclusive

• Support for rebalancing and tame credit growth in China

• Adjustment to lower commodity revenues in exporters

• Contain financial risks in vulnerable EMDEs