Global Economic Outlook
Will growth continue and at what pace?

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Agenda

1. Global Snapshot – Steady Growth
2. North America – Growth and Stimulus
3. Latin America – Improvement, Challenges Remain
4. China – Transition Continues
5. Europe – Growth, but Losing Momentum?
Steady Growth

Global Snapshot

- Global economy maintains pace
- Oil prices move higher
Global Economy Growing Moderately, with Heightened Risks

Annual Real GDP Growth

USA
- 16
- 17
- 18
- 19

1.6% 2.3% 2.9% 2.8%

Euro Area
- 16
- 17
- 18
- 19

1.6% 2.6% 2.2% 1.8%

China
- 16
- 17
- 18
- 19

6.7% 6.9% 6.4% 5.9%

Latin America
- 16
- 17
- 18
- 19

-0.9% 1.1% 2.0% 2.6%

Source: IMF, RISI.
Both Developed and Developing Economies Doing Better Than in the Past Few Years

Global Real GDP* Growth

Source: IMF, RISI.

*Measured at purchasing power parity exchange rates.
Annual GDP Growth in Emerging Markets Has Slowed

Source: IMF, RISI.
Inflation Remains Low Globally

CPI Year-over-Year Percentage Change

Source: IMF.
Oil Prices at Highest Levels in Four Years
US Dollars per Barrel

Source: Energy Information Administration, RISI.
Economic Policy Uncertainty Is Elevated

Economic Policy Uncertainty Index; US, Global

Continued uncertainty associated with Trump policies
Domestic growth remains healthy
US Economy: Growth and Stimulus

• Continued uncertainty associated with Trump policies
  ▪ Tax reform provides stimulus in growth market
  ▪ Trade policy a serious concern
  ▪ Ability to function?
  ▪ Positive: Deregulation stepped up

• Domestic growth remains healthy
  ▪ Employment and wage growth
  ▪ Housing market has potential
  ▪ Dollar gave support, now stronger
  ▪ Tightening labor supply promotes inflation
Job Openings at a Very High Level
Job Openings and Labor Turnover, Thousands

Job Growth Continues
Monthly Employment Change, Total Non-Farm, Thousands; Six-Month Moving Average


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Consumption Growth Strongest in Services
Annualized Percentage Change in Real Personal Consumption Expenditure, Unemployment

Source: Bureau of Economic Analysis.
Fed Rate Hikes Impact Credit Growth
Consumer Credit, Year-over-Year Percentage Change, Not Seasonally Adjusted; Fed Rates

Source: Federal Reserve.

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Housing Starts and Sales Stall
Existing and New Home Sales and Housing Starts, Millions of Units


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Housing Sales and Mortgage Rates Connected
Existing and New Home Sales, Millions of Units; Average Mortgage Rates

Dollar Gaining Strength Again
Trade Weighted US Dollar Index: Broad, January 1997 = 100

Source: Federal Reserve.
Policy Now Supporting Manufacturing?
Index of Industrial Production, January 2012 = 1.00; PMI

US Economy Maintains Growth

Real GDP Growth, Annualized Percentage Change

The chart shows the annualized percentage change of Real GDP Growth from 2000 to 2019. The US economy maintains growth as indicated by the mostly positive percentage changes, even though there were periods of negative growth, such as in 2008 and 2009. The growth has been generally steady with some fluctuations.
Oil and US Economy Boost Canada
Real GDP Growth, Annualized Percent Change

Source: Statscan.
Canadian Dollar Expected to Weaken Slightly from Current Level

Source: Fed, RISI.
Inflation manageable in most countries

Political risk
Latin America – Improvement, Challenges Remain

• Positives
  ▪ Commodity prices have stabilized
  ▪ Inflation manageable in most countries

• Negatives
  ▪ Slowing China
  ▪ Low investment
  ▪ Political risk
  ▪ Basket case economies
Global Economy and Improved Domestic Environment Providing a Boost

Latin America Annual Real GDP Growth*

Source: IMF, RISI.

*Measured at purchasing power parity exchange rates.
Economies Back on a Growth Path

Annual Real GDP Growth

Source: IMF, RISI.
Inflation Heading Up; Argentina in Its Own Class
Consumer Price Indexes, Annual Inflation Rate

Source: CEIC.
Interest Rates in Brazil Fell as Inflation Eased

Source: BCB, BCC.
Investment at a Low Level in Latin America
Investment as a Percentage of GDP

Source: IMF.
Brazilian Real Expected to Maintain Current Levels
Nominal Exchange Rate
Chilean Peso Closely Linked to Copper Price

Source: CEIC.
Mexican Economy to Maintain Pace

Year-over-Year Percentage Change in Exports and Industrial Production, Three-Month Moving Averages; Mexican Peso vs US Dollar; Real GDP Growth

Source: IMF, CEIC, RISI.

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Transition Continues

China

- Economy going through restructuring
- Continuing concerns about debt levels
- Trade war an additional risk
China: The Transition Continues

• Economy going through restructuring
  ▪ Investment-led growth transitioning to consumer-based growth
  ▪ Growth resizing to lower levels
• Global economy boosted growth
• Continuing concerns about debt levels
• Trade war an additional risk
Industrial Side of Economy Settling
Fixed Asset Investment, Year-over-Year Percentage Change; Industrial Production, Year-over-Year Percentage Change
High Lending Increases Debt Risks
New Bank Loans, Aggregate Financing, Billion Renminbi; Money Supply, Year-over-Year Percentage Change

Source: CEIC.
Trade Recovered to Higher Level in 2017
Exports and Imports, Year-over-Year Percentage Change

Source: China National Bureau of Statistics, CEIC.
Chinese Economy Decelerating Modestly

Real GDP Growth, Annual Percentage Change

Source: NBS, RISI.
Growth, but Losing Momentum?

Europe

- Growth, but slowing down
- Inflation remains a challenge
- Loss of momentum?
Europe: Growth, but Losing Momentum?

- The Positives
  - Growth, but slowing down
  - Unemployment at pre-crisis levels or below

- The Negatives
  - Inflation remains a challenge
  - Loss of momentum?

- The Risks
  - Lack of policy coordination, politics
  - Geopolitics
Unemployment Improves, but Differences Remain

Harmonized Unemployment Rate, Seasonally Adjusted
Inflation Continues to Struggle

CPI, Core CPI; Year-over-Year Percentage Change, ECB Policy Rate; Brent, Euros per Barrel

Source: Eurostat.
Loss of Momentum in Euro Area?

Source: IHS Markit, Eurostat.
Euro Recovering from Lower Levels

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Eurozone Economy Growing at a Steady Pace

Annual Real GDP Growth

Source: IMF, RISI
Conclusions

• World economy expected to remain similar to 2018 in 2019
• US economy projected to perform well
  ▪ Trump administration policies?
  ▪ Housing market still presents upside risk
  ▪ Manufacturing side of economy improving
• Positive outlook for Latin America
  ▪ Boost from global economy
  ▪ Challenges remain along with concerns about political stability
Conclusions

• China moving toward consumer-led growth
  ▪ Slowdown will continue, hard landing unlikely
  ▪ High debt is a risk, trade war as well

• Europe is predicted to post growth
  ▪ Unemployment improving
  ▪ Government policies tend to stifle economy
  ▪ Loss of momentum?
Increased Uncertainties, Elevated Risks

- US economic policy
- Trade war
- China: Pace of GDP growth deceleration
- Geopolitical tensions
- Eurozone problems
- Low inflation
- Political uncertainty
Thank you!

For more information:

Monthly Economic Commentary
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