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. China – Transition Continues
4. 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

Source: IMF, RISI.

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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.

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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

Growth and stimulus
North America

• 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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Inflation Pressure Building, but Slowly

Unemployment vs. Average Hourly Salary Change Year-over-Year; 10 Year Sample

US Labor Productivity Growth Slow
Non-farm, Percentage Change Quarter-over-Quarter, Annualized
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.
Amount of Consumer Credit Has Grown Significantly

Consumer Credit, PCE; Indexed 2Q2007 = 100

Volume of nonrevolving consumer credit 7/2018: $2.88 trillion
Volume of revolving consumer credit 7/2018: $1.04 trillion
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


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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
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.
Mexican Economy to Maintain Pace

Year-over-Year Percentage Change in Exports and Industrial Production, Three-Month Moving Averages; Mexican Peso / USD; 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
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
• China moving toward consumer-led growth
  ▪ Slowdown will continue, hard landing unlikely
  ▪ High debt is a risk, trade war as well
Conclusions

• 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: