



Advance G-20 release of Economic Outlook

Getting the world economy into higher gear

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Catherine L. Mann
OECD Chief Economist

www.oecd.org/eco/economicoutlook.htm

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Key messages

Global growth is modest, with widening differences across countries

Financial risks are rising and volatility is set to increase

Potential growth has slowed, interacting with weak demand

Weakness in the euro area is a major concern

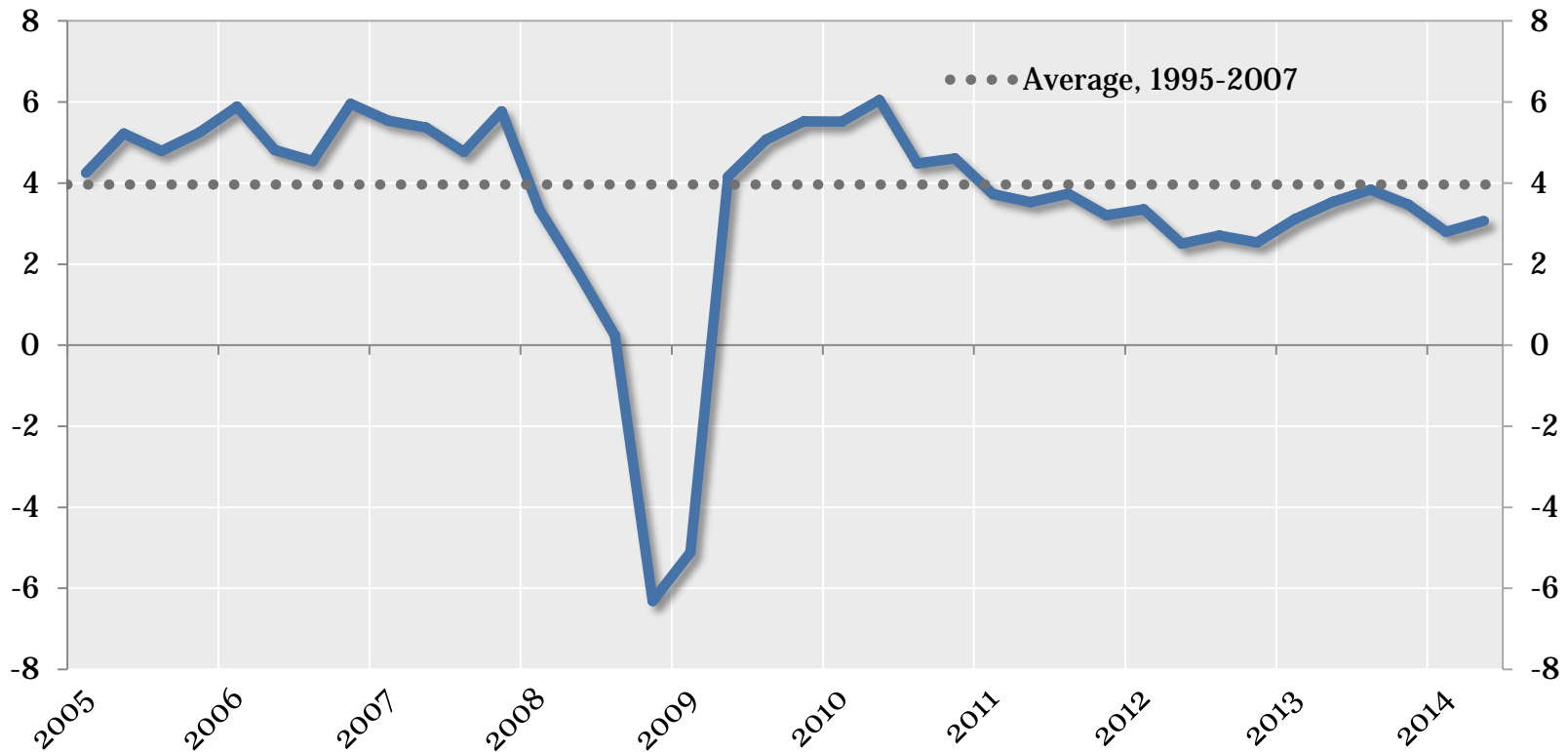
Monetary, fiscal and structural policies must all be employed to address risks and support growth



The global economy is stuck in low gear

World GDP growth¹

Per cent, seasonally adjusted annualised rate



1. GDP calculated at PPP exchange rates.
Source: OECD National Accounts database.

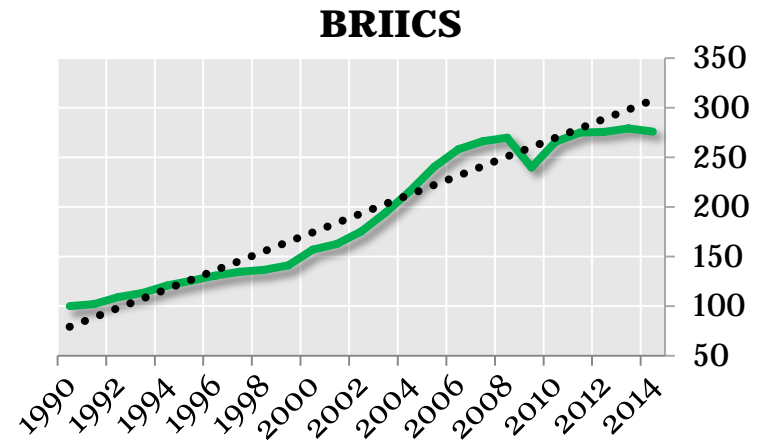
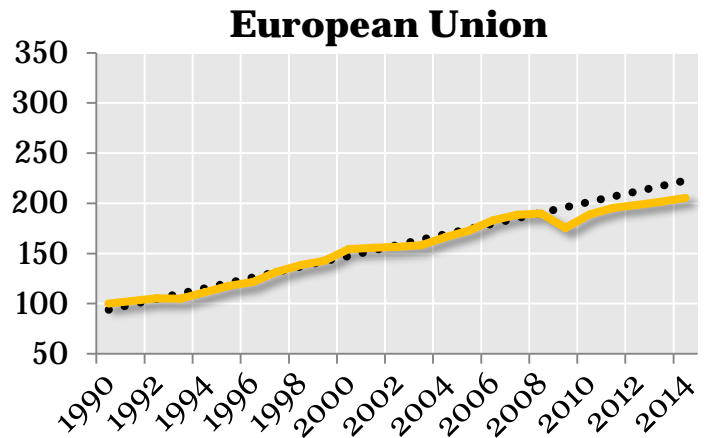
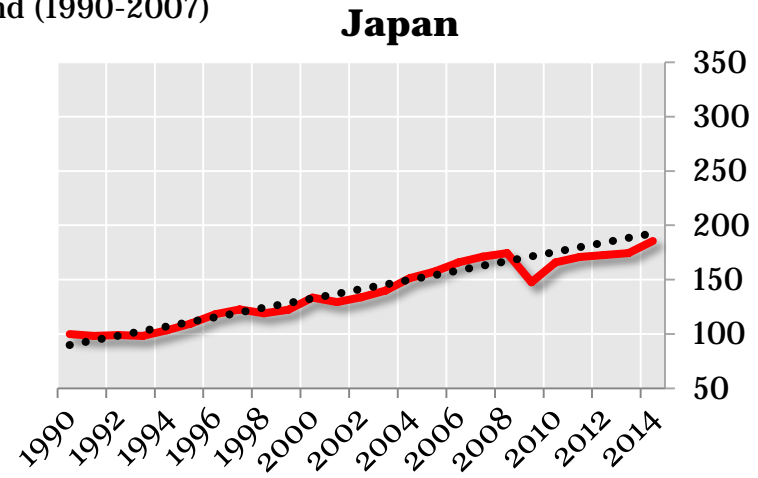
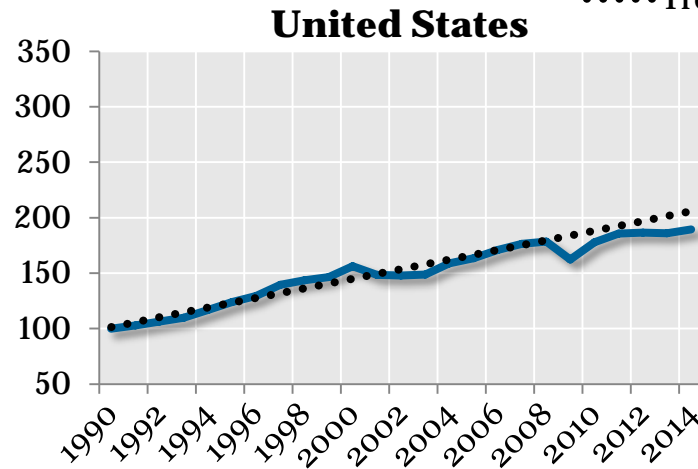


Trade growth has been weak

Trade intensity¹

Index, 1990=100

.....Trend (1990-2007)



1. Index of sum of exports and imports as a ratio of GDP.

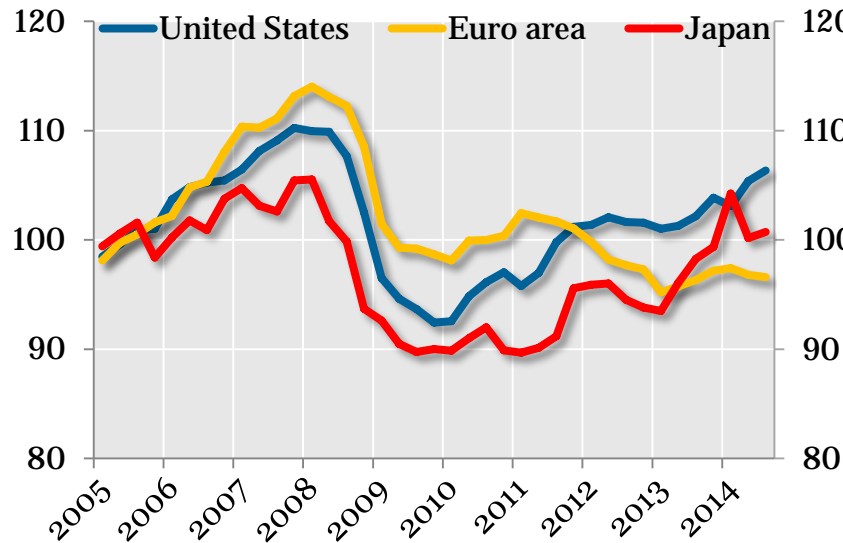
Source: Preliminary November 2014 Economic Outlook database.



Demand patterns are diverging

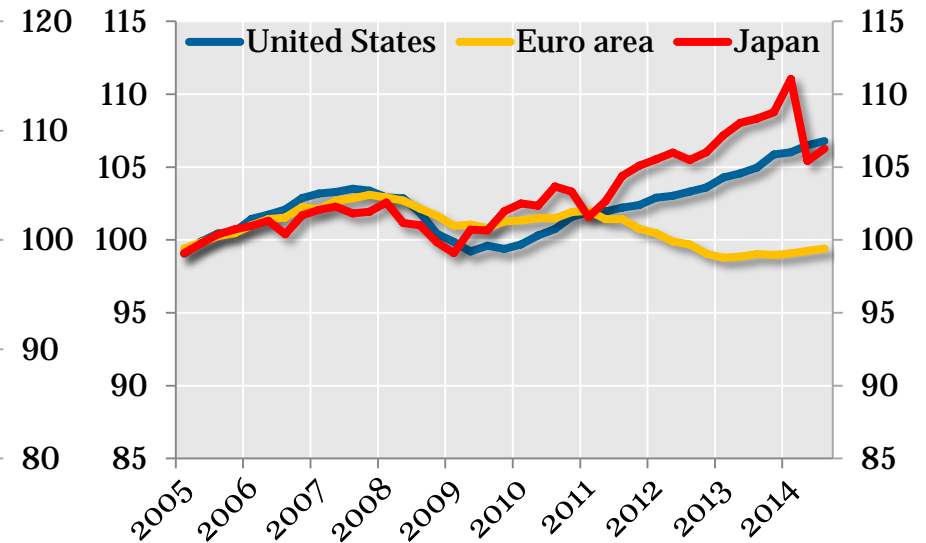
Non-residential investment per capita

Index, 2005 = 100



Private consumption per capita

Index, 2005 = 100



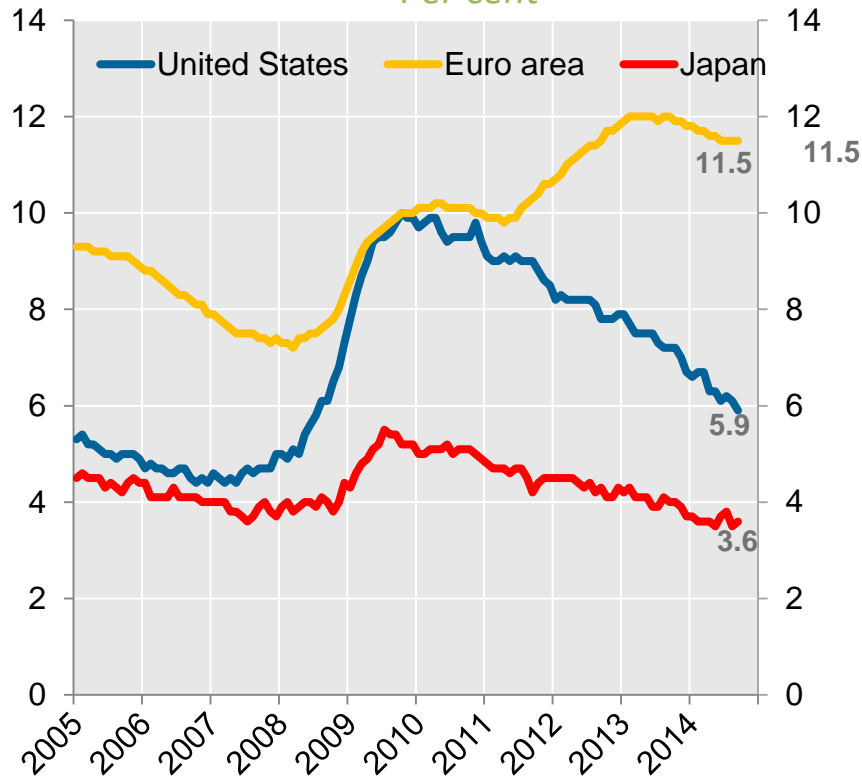
Source: OECD national accounts database; Preliminary November 2014 Economic Outlook database; and OECD calculations.



Labour market: divergent performance, but overall slack remains

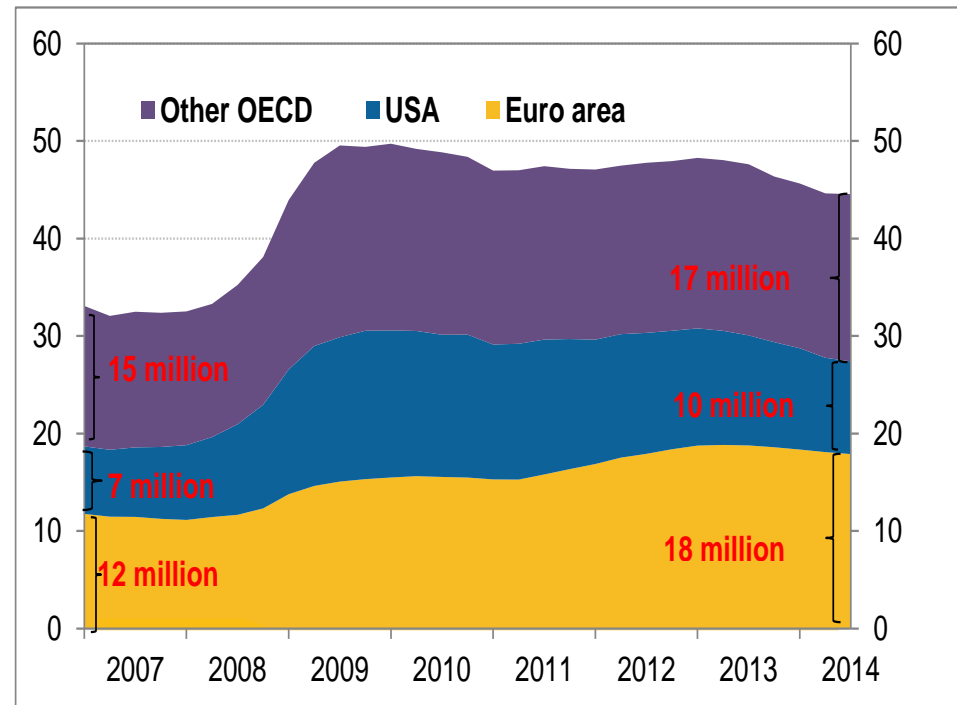
Unemployment rate

Per cent



Number of unemployed persons

Millions

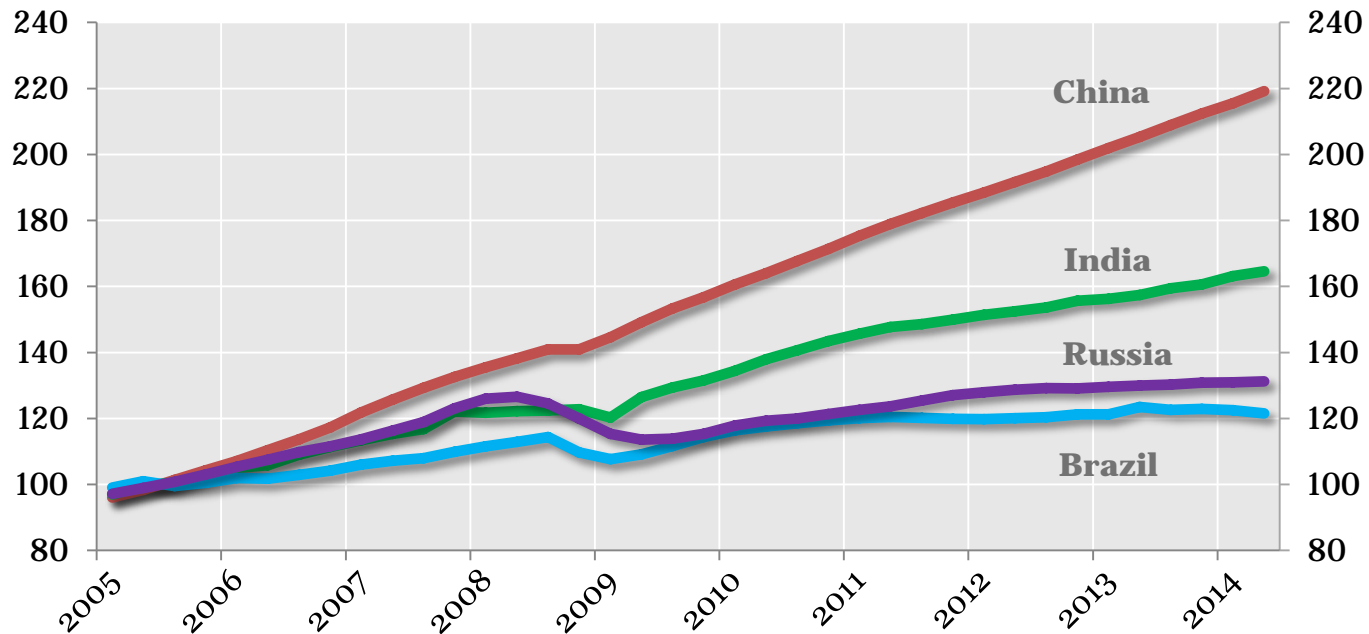


Source: Preliminary November 2014 Economic Outlook database.



Trends are also diverging among emerging economies

GDP per capita
Volume, 2005=100



Source: OECD National Accounts database; Preliminary November 2014 Economic Outlook database; IMF WEO database; Central Statistical Organisation, India; and OECD calculations.



Growth projections for 2015-16

GDP

Volume, percentage change

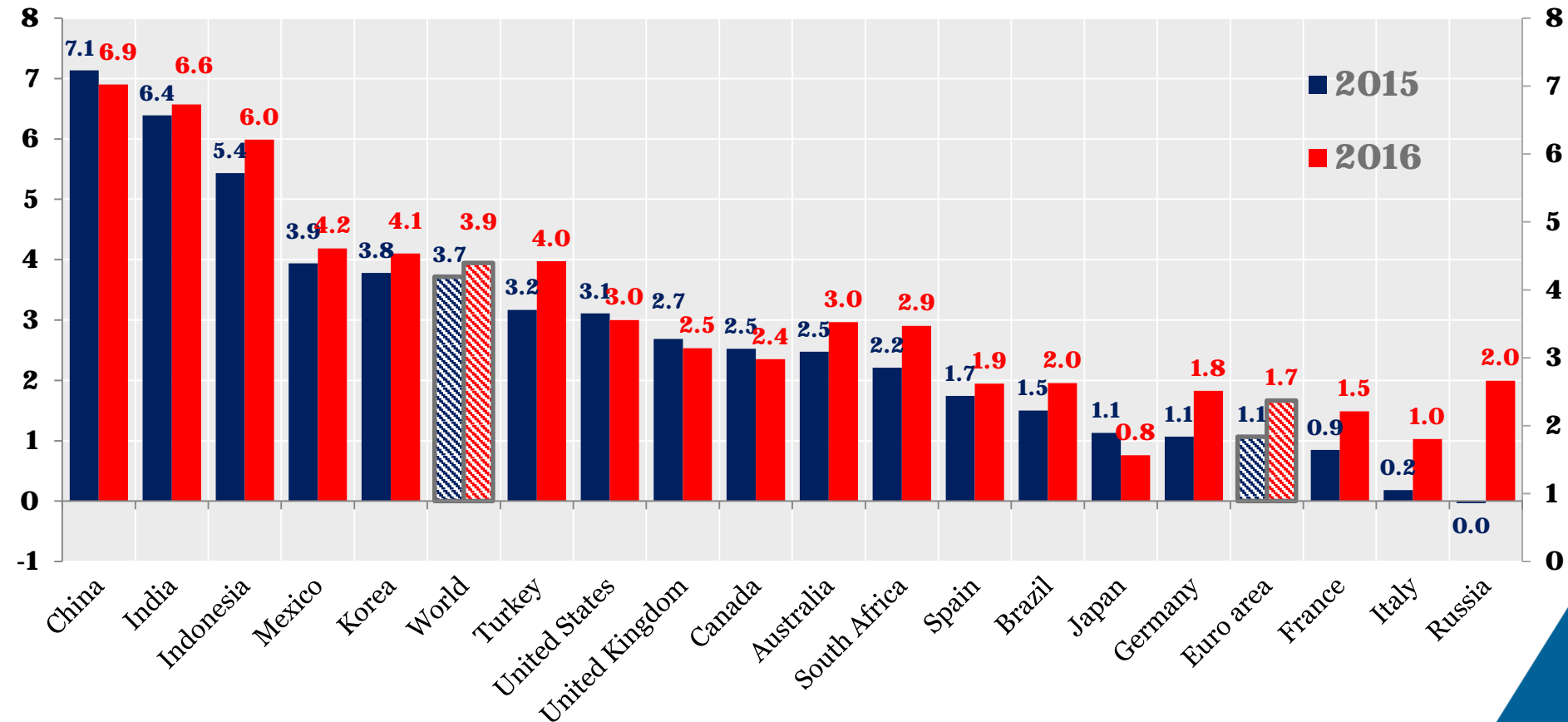
	2013	2014	2015	2016
World	3.1	3.3	3.7	3.9
United States	2.2	2.2	3.1	3.0
Euro area	-0.4	0.8	1.1	1.7
Japan	1.5	0.9	1.1	0.8
China	7.7	7.3	7.1	6.9
India	4.7	5.4	6.4	6.6
Brazil	2.5	0.3	1.5	2.0
Russia	1.3	0.7	0.0	2.0

Preliminary *Economic Outlook* (EO) projections - figures will be updated for incoming data for the complete EO release on 25 November .



Growth projections for 2015-16

GDP growth Per cent



Source: Preliminary November 2014 OECD Economic Outlook database.



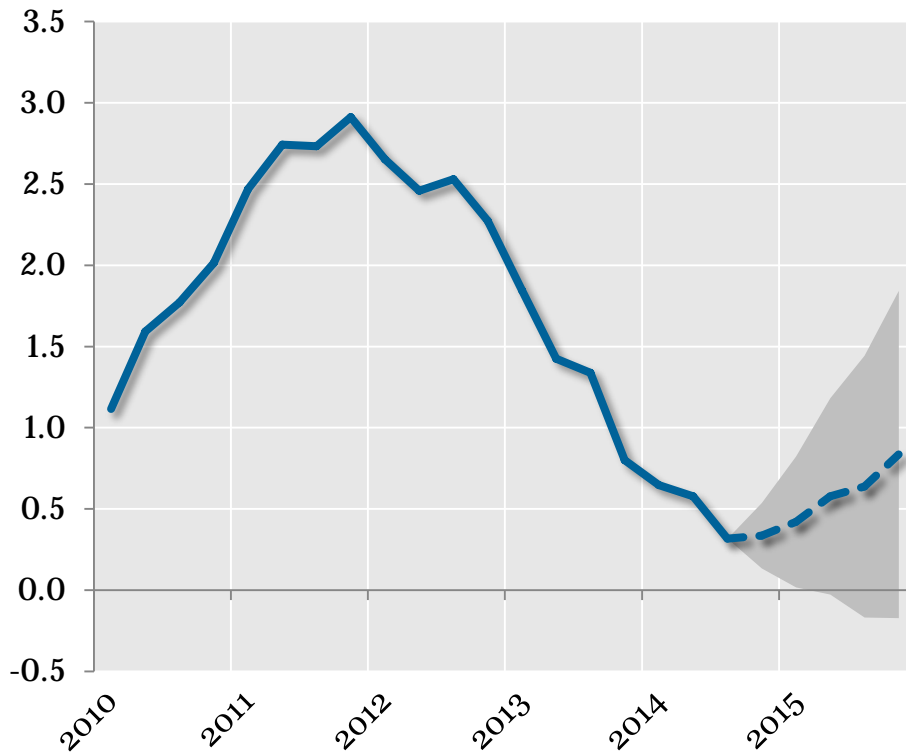
RISKS



The threat of euro area stagnation remains

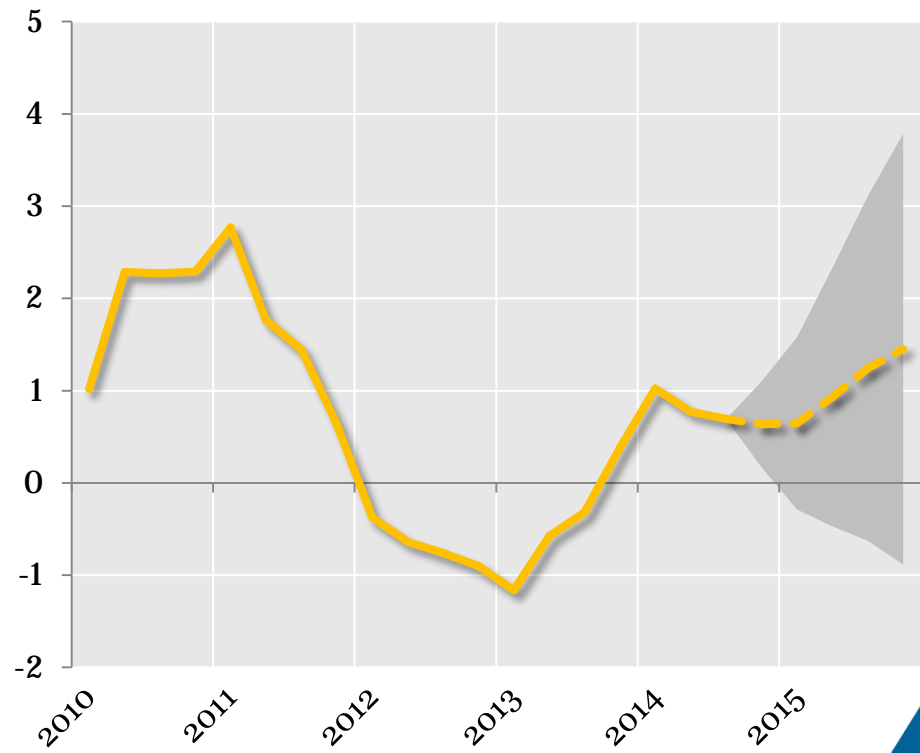
Inflation

HIPC, 12-month percentage change



GDP

Year-on-year percentage change



Note: Shaded bands show +/- one standard deviation based on past variation.

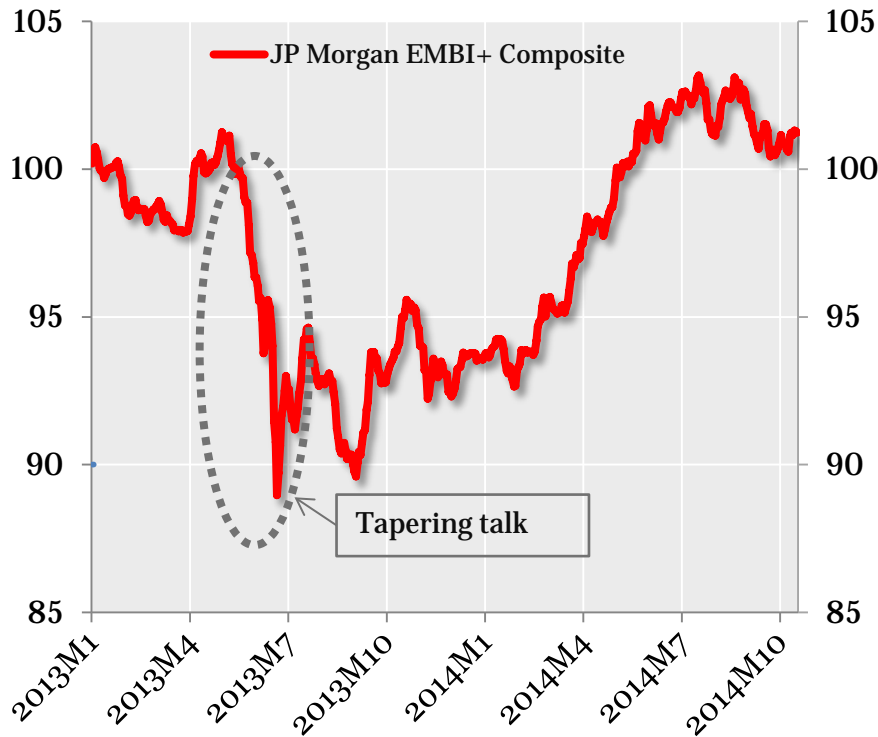
Source: Preliminary November 2014 Economic Outlook database.



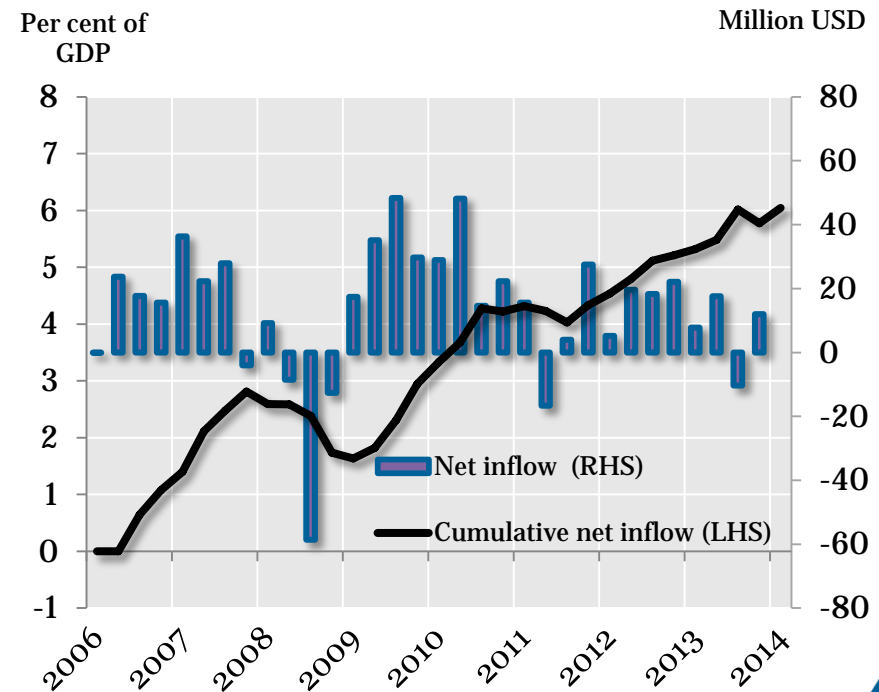
Diverging monetary policies could lead to more volatility for emerging economies

Emerging market bonds

Total return index, May 2012=100



Portfolio exposure of BRIICS excluding China

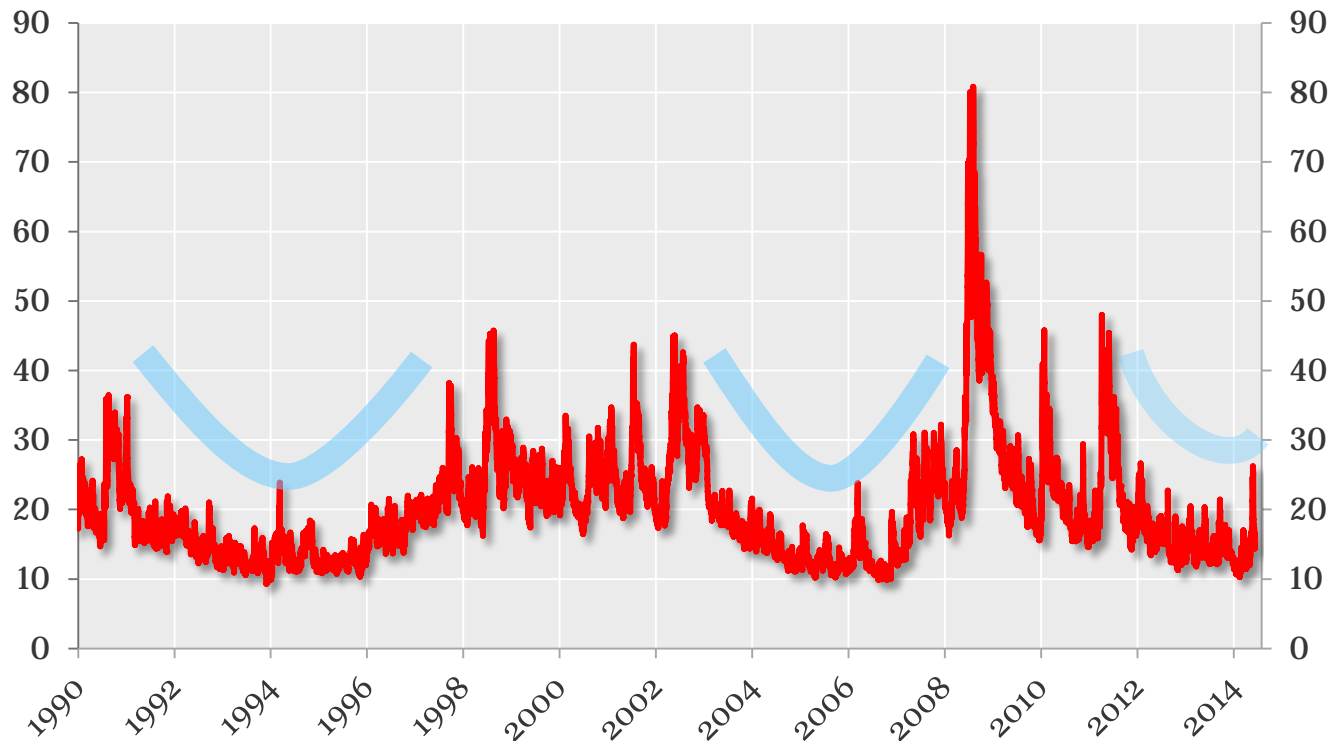




Financial market volatility: upsurge likely

VIX index

Volatility index based on S&P500 stock index option prices



Note: The blue curves suggest troughs of the VIX.

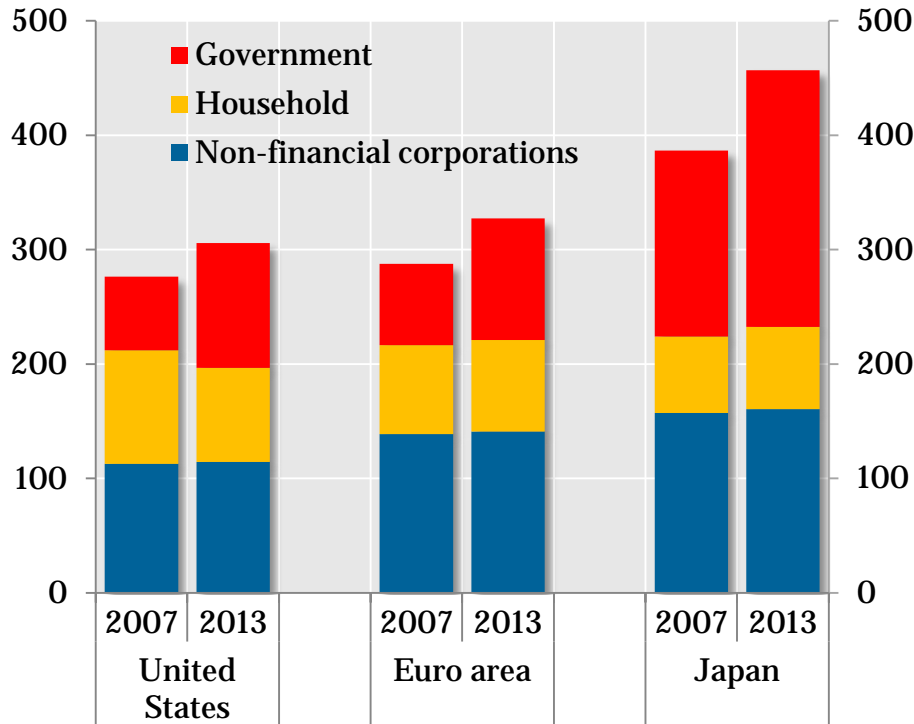
Source: Chicago Board Options Exchange (CBOE); Datastream.



Advanced economy debt levels are high and credit growth in China is rapid

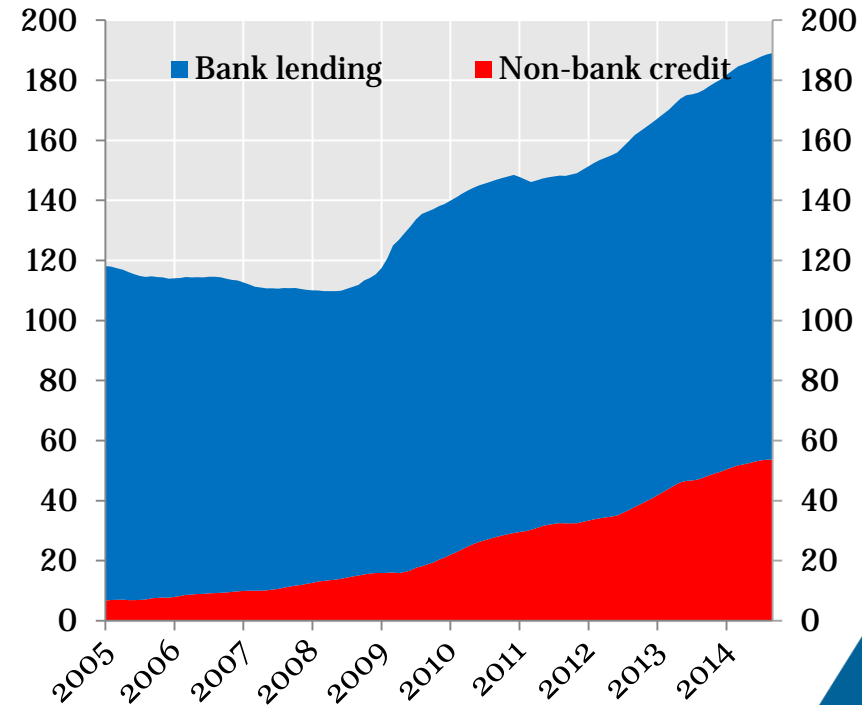
Debt excluding the financial sector

Per cent of GDP



China: credit to non-financial private sector

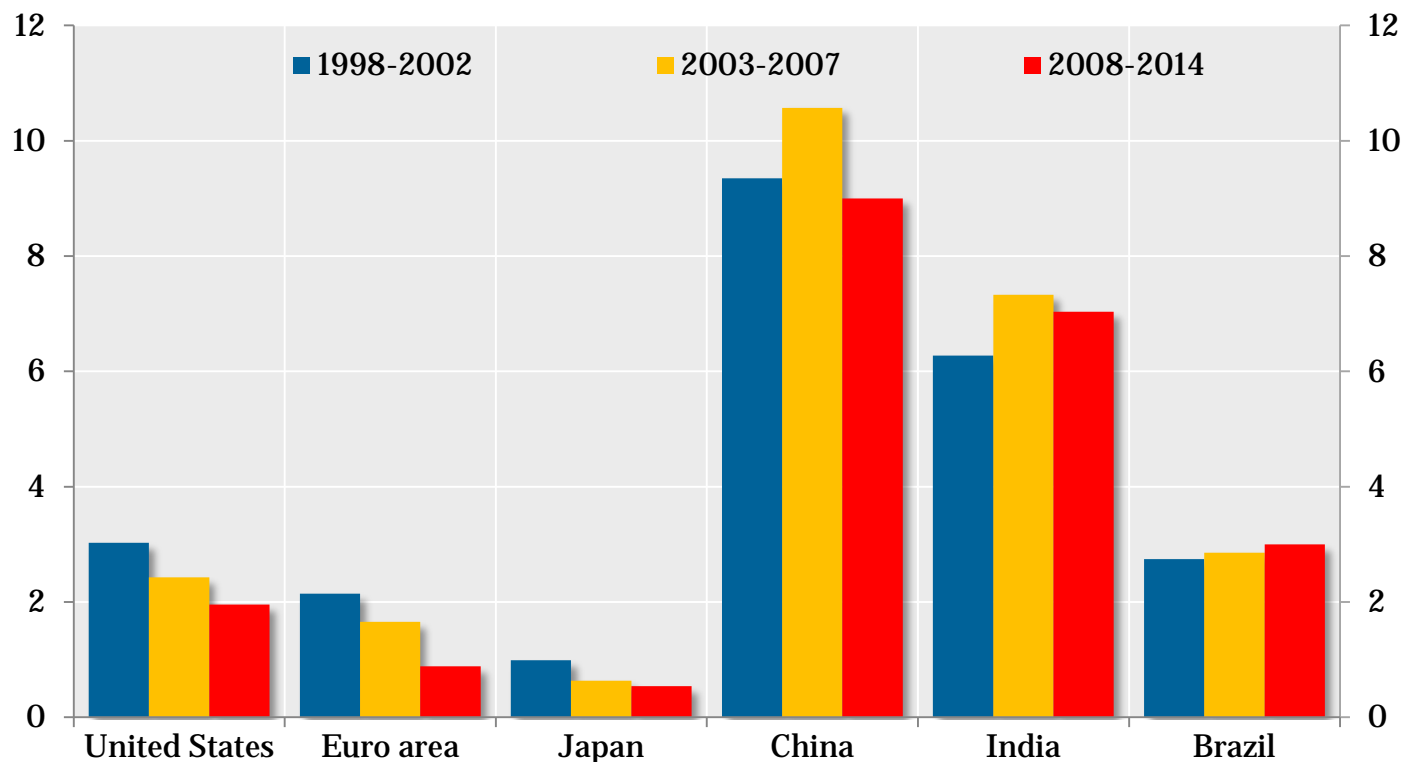
Per cent of GDP





Potential growth rates could fall further

Potential GDP growth
Annual average, per cent



Source: Preliminary November 2014 OECD Economic Outlook database.

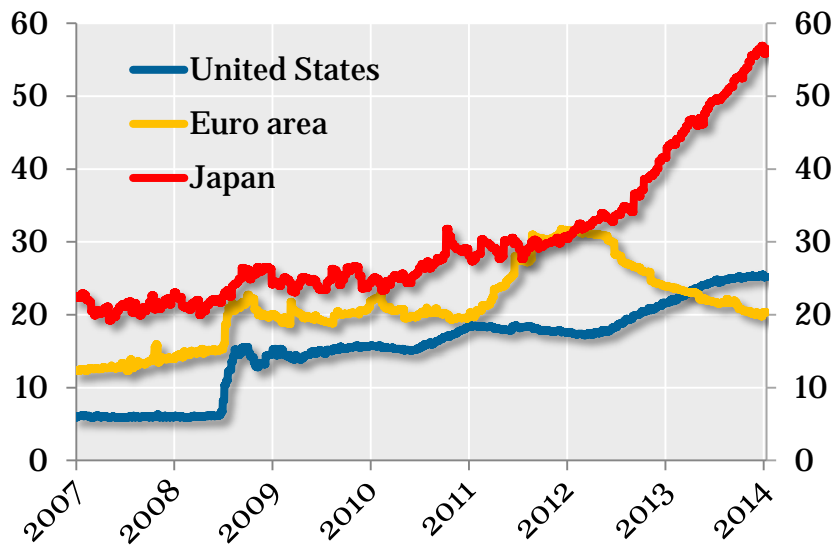


POLICIES

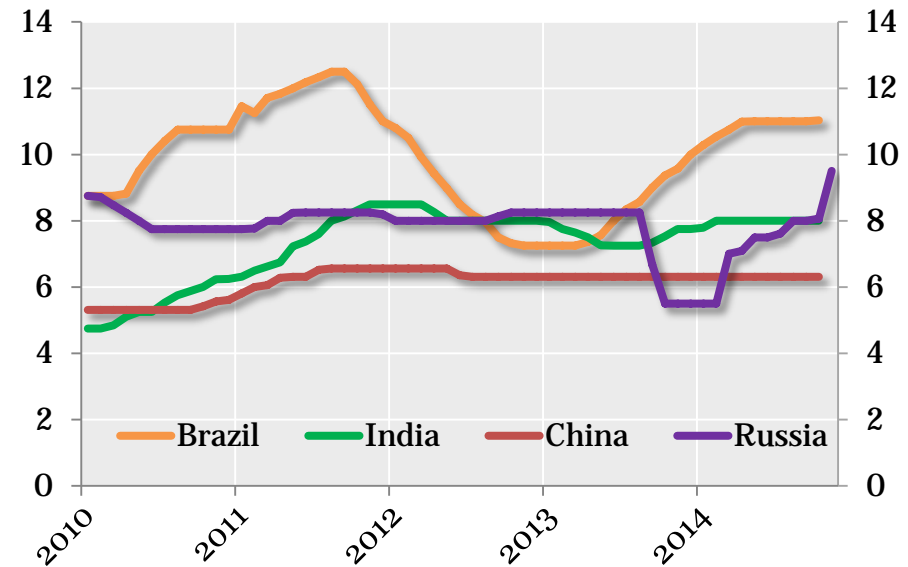


Monetary policy: Continued need to support demand, but more variation in circumstances

Central bank assets
Per cent of GDP



Policy rates
Per cent



Source: Datastream; National Central Banks.

US: Policy rates rise from mid-2015

Brazil and Russia: May need to raise rates further

China: Trade-off between sustaining demand and stability

Japan: QQE continue until inflation target sustainably achieved



ECB must act decisively to support growth and head off deflation

Monetary policy stimulus – beyond measures already announced – is needed in combination with banking union and structural reforms

Existing ECB Measures

Very low policy rates (incl. negative deposit rates)

Long-Term Refinancing Operations (LTROs)

Targeted Longer-Term Refinancing Operations (TLTROs)

Outright purchases of asset-backed securities and covered bonds

Forward guidance

ECB Policy Options

Open-ended or large-scale asset purchases:

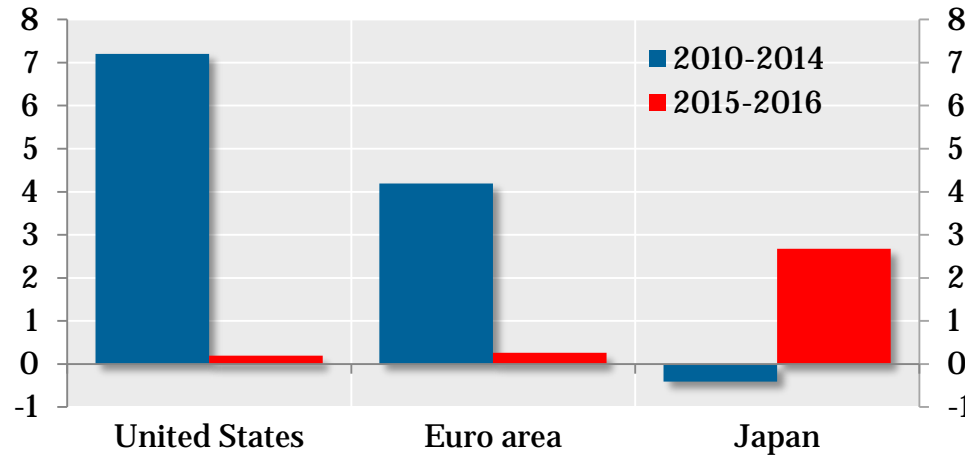
- Increased outright purchases of asset-backed securities and covered bonds
- Outright purchase of sovereign bonds
- Outright purchase of investment-grade corporate bonds



Fiscal policy: flexible and designed to better support growth

Improvement in underlying primary balance

Per cent of potential output



Source: Preliminary November 2014 Economic Outlook database.

Flexibility and discretion within the EU fiscal rules should be used to reduce the drag on demand

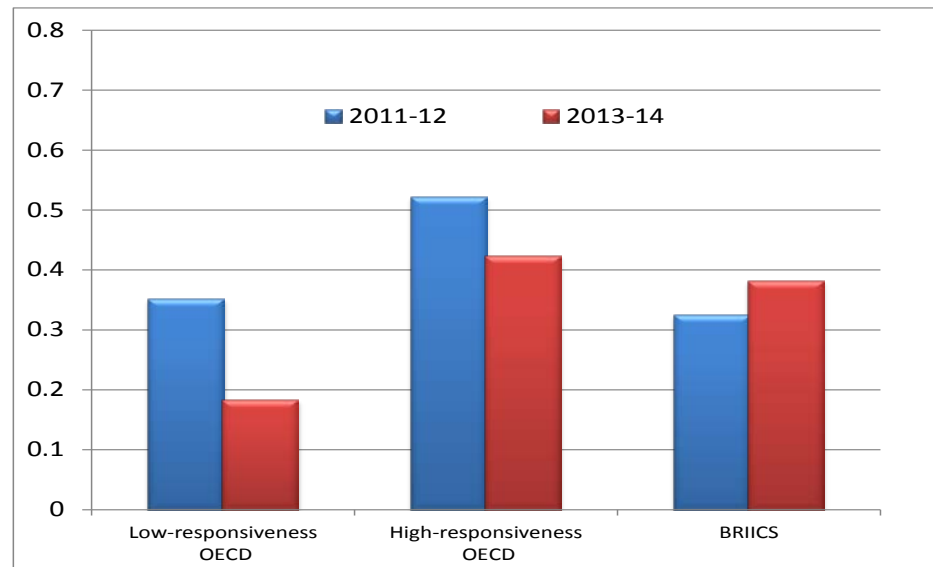
Japan must continue to address its fiscal challenges

Fiscal packages should be more supportive of growth



Structural policies: more ambitious reforms needed to boost growth

Responsiveness to *Going for Growth* reform priorities *Responsiveness rate (0-1)*



Source: Going for Growth (2015, forthcoming); and OECD calculations.

Some signs that reform momentum in advanced countries has slowed

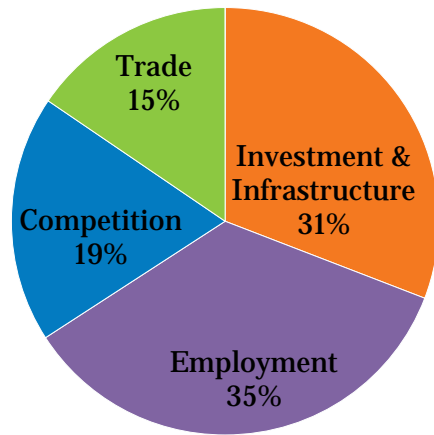
Better recent alignment with *Going for Growth* priorities in the BRIICS

Some laggards are launching reforms – implementation will be key.
Other countries need to scale up their ambition.



G-20 reform commitments will give a welcome impetus to growth

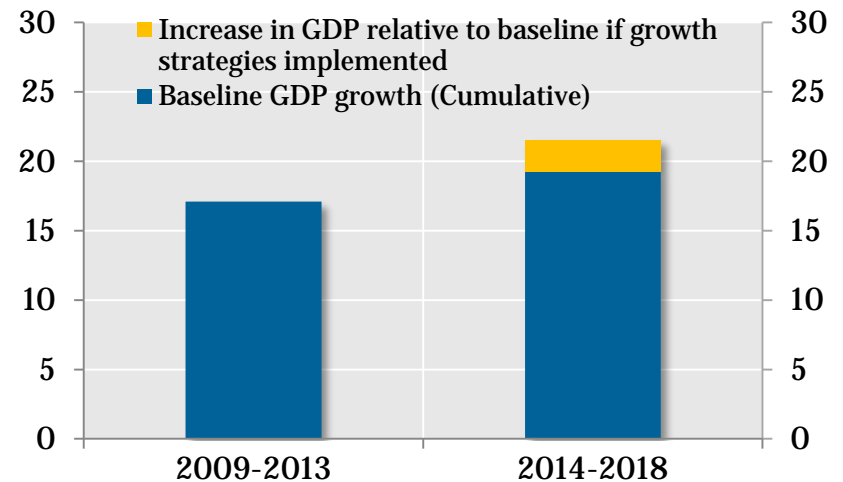
Growth strategy commitments by area



Source: draft G-20 growth strategies, and OECD calculations.

Incremental GDP gains by implementation of policy commitments

Per cent



G-20 countries will present growth strategies at the Brisbane summit

OECD/IMF Estimates: Strategies would raise G-20 GDP by about 2% in 2018 if fully implemented



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Monetary, fiscal and structural policies must all be employed to address risks and support growth