

KIEL INSTITUTE **ECONOMIC OUTLOOK**

World Economy
Autumn 2018

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LESS EVEN GROWTH IN THE WORLD ECONOMY WITH SIGNIFICANT DOWNSIDE RISKS

Klaus-Jürgen Gern, Philipp Hauber, Stefan Kooths, Saskia Möhle, and Ulrich Stolzenburg

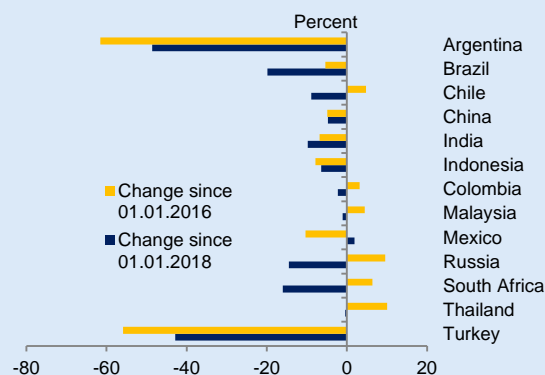
The global economy is losing steam. After a weak start in the beginning of this year, world production accelerated again in the second quarter of 2018. However, the recent expansion probably overstates its underlying momentum. At the same time, the expansion is becoming less even as compared to last year. In addition, global economic prospects remain subject to significant downside risks in light of increasing trade tensions, investors withdrawing funds from emerging markets, and uncertainty concerning the effect of renewed Iran sanctions on oil prices. Our forecast for global growth in 2018 nevertheless remains unchanged at 3.8 percent; for 2019 we slightly revise downwards—by 0.1 percentage points—to 3.5 percent. In 2020 world output is expected to rise by 3.4 percent. Despite the gradual global economic slowdown, capacity utilization in advanced economies will remain high. As a consequence, inflationary pressures will gradually increase beyond the current temporary pick-up of inflation stemming from higher oil prices.

The global economic upturn regained pace in spring but the cyclical peak has been passed. After having slowed down markedly in the beginning of 2018, world production picked up again in the second quarter to a rate of 1 percent, a similar pace of growth as in mid-2017. However, recent economic developments and sentiment indicators point towards a somewhat reduced underlying momentum at the global level.

Growth accelerated again in advanced economies. Generally, the slowdown in the beginning of this year appears to have been partly driven by temporary factors, although the recent expansion probably overstates its underlying momentum. Only in the euro area the lower economic pace in the first quarter of 2018 seems to have signalled a more permanent moderation given that production increased at a similar rate in the second quarter. Still, capacity utilization continues to be high also in the euro area.

Emerging economies face challenges as financial conditions have tightened. The economic expansion in emerging economies continued through spring but the outlook is increasingly clouded by tighter financial conditions. Since interest rates in the US are rising faster than expected due to favourable economic conditions and additional fiscal stimulus, emerging economies' currencies have come under pressure (Figure 1) as investors have withdrawn funds. So far, Argentina and Turkey have been hurt most, with significant implications also for the real economy. In most other emerging markets, negative effects have so far been less visible. The risk of contagion through the global financial system is generally high among emerging economies as differentiation of investors between assets from different emerging markets tends to be limited. However, we do not expect a

Figure 1:
Exchange rate developments in emerging markets,
2016–2018



Last observation: 03.09.2018.

Source: Thomson Reuters Datastream.

broad-based economic slump comparable to the 1997/98 crisis since most countries appear more resilient given reduced exposure to foreign debt, lower external deficits that need to be financed, and flexible exchange rate regimes in place.

Global trade has slowed after a strong recovery in 2017. Following robust growth in 2017 on the back of rising investment, world trade decelerated again in 2018. The slowdown was broad-based, with the United States an exception as US exports notably increased.

Oil prices have remained broadly stable over the summer after a substantial increase earlier this year, but there is a risk of substantial supply constraints when renewed sanctions on Iran will be enacted. Having increased to around 80 US dollar in spring, the price of Brent has more recently hovered around 75 dollar. It is projected to remain elevated given that inventories decreased substantially since the beginning of 2017, and OPEC and Russia seem determined to keep their production in check, with notable trend declines in some major producing countries. Short-term shortages resulting from the renewed sanctions on Iran that are scheduled to take effect in autumn constitute a significant upside risk to prices.

Monetary policy in advanced economies continues to diverge, while inflation increased due to higher oil prices. While core inflation so far has risen only modestly, we expect that inflationary pressures will gradually increase beyond the current temporary pick-up stemming from higher oil prices, given that capacity utilization in advanced economies will remain high. In the US, inflation is now close to its target level and the Fed has increased the pace of monetary policy tightening. The Fed Funds Rate was lifted already twice this year and will probably rise to around 3 percent by the end of 2019. At the same time, the ECB has signalled to keep interest rates unchanged at least until mid-2019, but the bond purchase programme will be terminated by the end of this year. In Japan, interest rates will be kept at their current ultra-low levels for the foreseeable future.

Table 1:
Real GDP and consumer prices in selected countries and regions, 2018–2020

	Gross domestic product			Consumer prices		
	2018	2019	2020	2018	2019	2020
United States	2.8	2.4	1.9	2.5	2.3	2.2
Japan	0.9	1.2	1.0	0.9	1.0	1.8
Euro Area	2.1	1.9	1.7	1.7	1.7	1.7
United Kingdom	1.2	1.0	1.0	2.4	2.2	2.0
Advanced economies total	2.3	2.1	1.8	2.0	1.9	1.9
China	6.6	6.1	5.8	2.1	2.3	2.3
Latin America	1.2	1.6	2.3	7.0	8.0	6.0
India	7.7	7.5	7.0	4.9	4.8	5.0
East Asia	5.1	4.7	4.6	3.0	3.4	3.4
Russia	1.9	1.6	1.5	3.0	5.0	3.6
World economy total	3.8	3.5	3.4	3.4	3.8	3.5
<i>Addendum:</i>						
World trade volume	3.2	3.0	3.0	.	.	.
Oil price (Brent in US\$)	73.5	78.9	80.4	.	.	.
World economy total (weighted according to GDP at market exchange rates)	3.3	3.0	2.8	2.9	3.2	3.0

Weighted according to GDP at PPP rates. East Asia: Emerging Asia excluding China and India. Shaded: IfW forecast.

Source: IfW forecast.

Global output growth is expected to decelerate over the forecast horizon, with risks tilted to the downside. Our outlook for global growth in 2018 remains unchanged at 3.8 percent on a PPP-basis, following the same rate of increase as last year. For 2019 we slightly revise downwards our forecast—by 0.1 percentage points—to 3.5 percent. In 2020 world output is projected to rise by 3.4 percent. The outlook is clouded by a number of downside risks, including the escalation of trade conflicts, significant contagion from currency crises in Turkey and Argentina, the possibility of a “hard Brexit”, and potential negative effects of policy uncertainty in Italy.

Economic momentum in the US is likely to peak this year. In 2018, US growth is projected to strengthen significantly on the back of substantial fiscal stimulus from a major tax reform and additional government expenditures supporting higher investment and robust private consumption. Given that economic stimulus will fade, we expect growth rates to gradually decrease over the forecasting horizon to 2.4 percent in 2019 and 1.9 percent in 2020, respectively.

The economic expansion in the euro area continues at a more moderate pace. Following a period of exceptionally strong growth in 2017, the economic upturn has slowed down in the first half of 2018. Reasons were a reduced contribution from external demand and country-specific temporary factors. However, a range of supportive factors, including the continuation of the low interest rate policy and further fiscal easing, as well as leading indicators suggest that growth will remain above potential and capacity utilization is going to rise further, although at a significantly lower pace. Real GDP is projected to rise by 2.1 percent in 2018, followed by 1.9 and 1.7 percent in 2019 and 2020, respectively. Pushed up by higher energy prices, inflation is expected at 1.7 percent this year. With underlying inflation gradually increasing, inflation should remain at this level through 2020.

Growth in the UK is constrained due to uncertainty related to Brexit. Negotiations on the nature of the British exit from the European Union in March 2019 and the design of the future relations between the EU and the UK are still ongoing and the outcome is open with associated economic uncertainty remaining high. In fact, a “hard Brexit” – a scenario that would see the UK give up full access to the EU single market and the customs union – seems to have become more likely recently. At the same time, financial conditions tightened somewhat. With inflation stubbornly above target, the Bank of England in August increased key interest rates by 25 basis points to 0.75 percent. Against this backdrop, we expect GDP growth to remain modest at close to 1 percent over the forecasting horizon.

Economic momentum is likely to decelerate in China. Following robust growth of 6.9 percent last year, GDP is projected to increase by 6.6 percent this year. This still slightly exceeds the target rate of the Chinese government. For 2019 and 2020 we expect growth to slow to 6.1 and 5.8 percent, respectively. The moderation of growth is reflecting measures taken by the authorities to tackle domestic risks including the strong credit growth in the private sector and high valuations in the housing market. The tariffs currently implemented by the US and China will most likely only have modest effects on the Chinese economy; however, an escalation of the trade conflict constitutes a significant downside risk.

Box 1:

The macroeconomic impact of a global trade dispute

Under President Trump US trade policy has taken a protectionist turn. Earlier this year, the US administration raised safeguard tariffs on washing machines and solar panels followed by duties on steel and aluminum imports due to alleged threats to national security. The focus of the protectionist measures, however, has so far clearly been China, with which the US runs the largest bilateral trade deficit. In early July, tariffs of 25 percent on US imports from China worth roughly 50 billion dollars came into effect; the Chinese authorities have retaliated on a similar scale. Further measures seem likely as the US government has announced additional tariffs on Chinese goods, totaling 200 billion dollars.^a Moreover, President Trump has also threatened the European Union (EU) with higher tariffs and the US Commerce Department is currently reviewing whether imports of automotives and parts also constitute a threat to national security. An escalation of the conflict into a global trade dispute therefore poses a major risk to the world economy.

We analyze the macroeconomic impact of such a conflict using the global macroeconomic model NiGEM, provided by the National Institute for Economic and Social Research.^b In a first scenario, we consider the impact of the measures that have been implemented so far by the US and Chinese governments. Secondly, we model an escalation of the trade dispute by assuming that both countries impose tariffs of 10 percent on the remaining imports (Scenario 2). Finally, we consider a scenario in which the US also imposes tariffs of 10 percent on imports from its European trading partners. The EU is assumed to respond tit-for-tat on imports from the US.

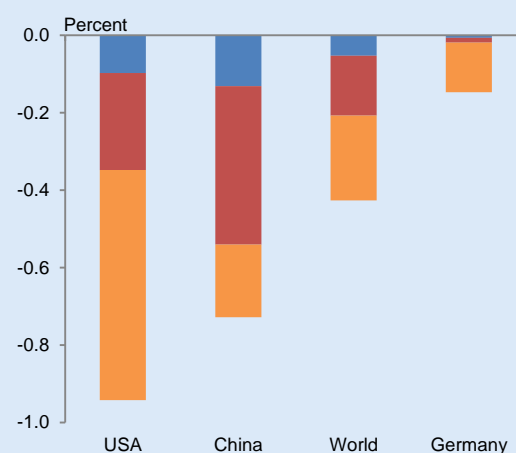
While the impact of the tariffs that have been imposed so far is rather limited, according to the simulation results, an escalation of the trade dispute between the US and China would have significant GDP effects (Figure 1). Given the larger share of Chinese exports going to the US, the drop in activity is more pronounced in China (almost 0.6 percent compared to the baseline) than in the United States (0.4 percent). If the conflict included the EU (Scenario 3), US gross domestic product would be nearly one percent lower than in the baseline; global output would shrink by around 0.5 percent.

The simulation results are mainly driven by international trade linkages. All countries suffer large drops in export and import volumes. Given higher consumer prices (Figure 2), real disposable income shrinks, leading to lower private consumption; investment also falls. However, the increase of uncertainty that would accompany a global trade dispute is not modeled and would most likely add to the negative effects on investment and consumption. Thus, the results should be considered a lower bound on the effects a sudden rise in protectionism would have on global output.

^aThe Peterson Institute for International Economics provides an up-to-date overview of the announced and implemented measures. See <https://piie.com/blogs/trade-investment-policy-watch/trump-trade-war-china-date-guide>.

^bWe closely follow Liadze (2018) in implementing the shocks (I. Liadze, Trade wars – any winners? National Institute Economic Review 245, August 2018. Via Internet (September 3, 2018) <<https://www.niesr.ac.uk/sites/default/files/publications/Trade%20wars%20box.pdf>>.

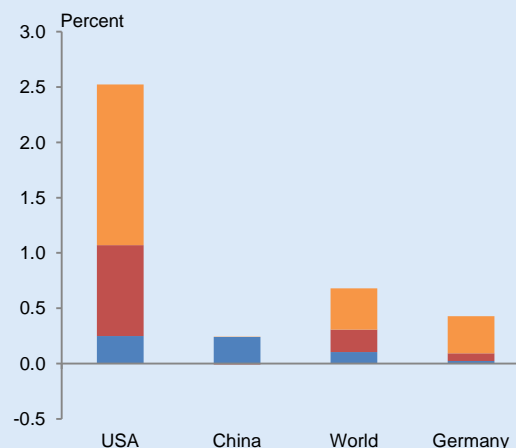
Figure 1:
Impact of a global trade dispute: GDP



Deviation from baseline after three years.

Source: Kiel Institute calculations based on NiGEM.

Figure 2:
Impact of a global trade dispute: consumer prices



Deviation from baseline after three years.

Source: Own calculations based on NiGEM.

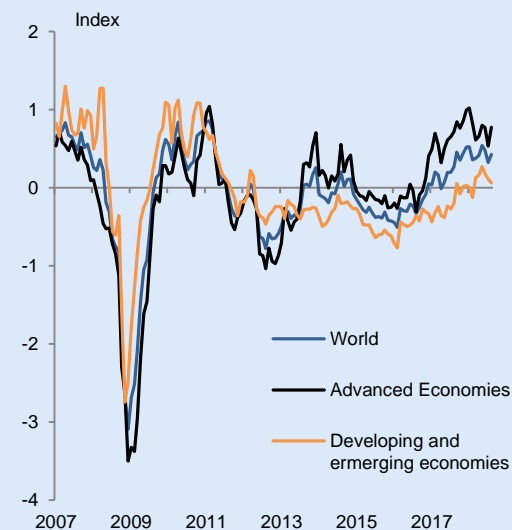
Data annex

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1. World Economy

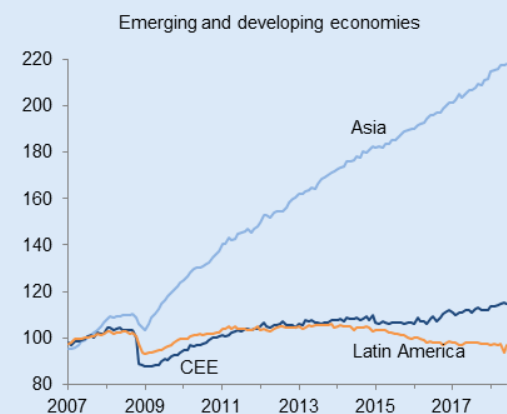
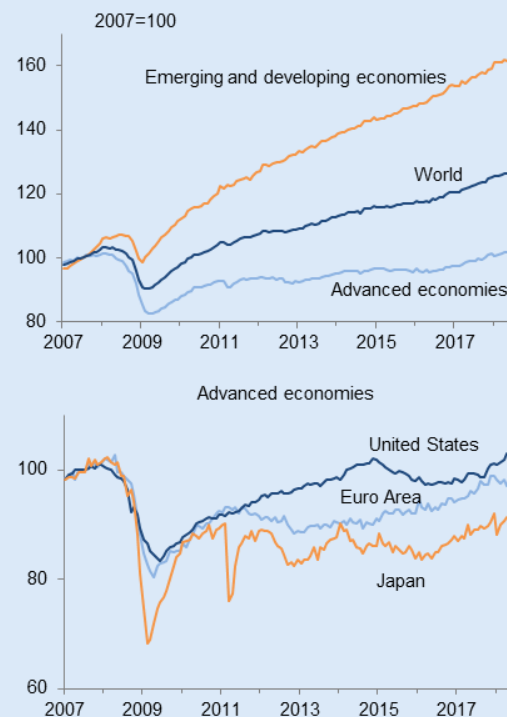
Figure 1.1:
Business expectations by groups of countries, 2007–2018



Monthly data, seasonally adjusted. Indicators are based on business expectations in 42 countries (34 advanced economies and 8 emerging economies).

Source: OECD, *Main Economic Indicators*; national sources; own calculations.

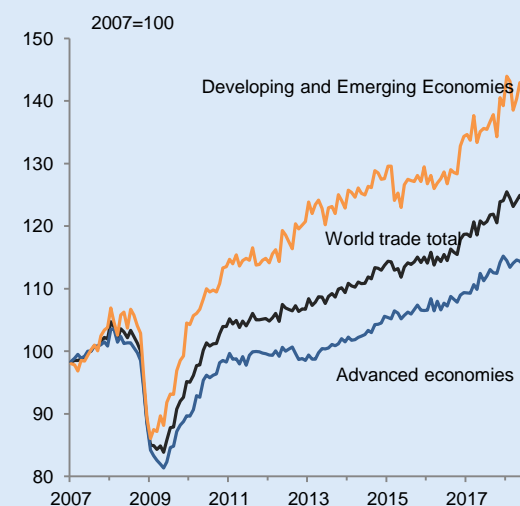
Figure 1.2:
Industrial production by groups of countries and regions, 2007–2018



Monthly Data.

Source: CPB, *World Trade Monitor*.

Figure 1.3:
World Trade, 2007–2018

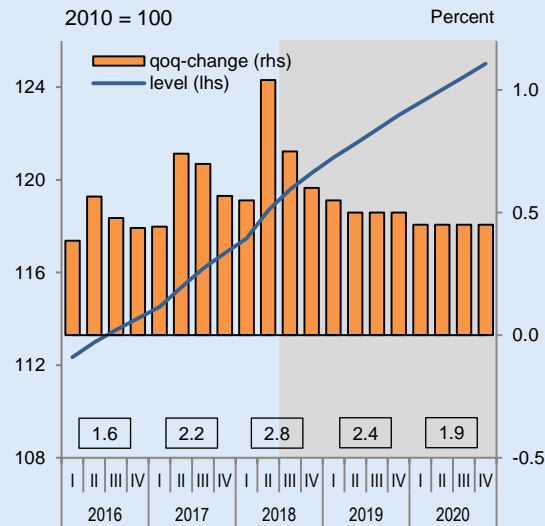


Monthly Data.

Source: CPB, *World Trade Monitor*; own calculations.

2. United States

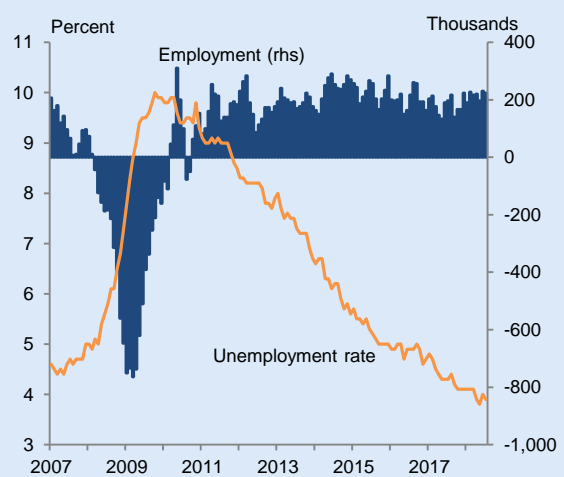
Figure 2.1:
GDP, 2016–2020



Quarterly data, price, seasonally and calendar adjusted, qoq change, annual rate of change (boxes).

Source: Bureau of Economic Analysis, *National Income and Product Accounts*; shaded: IfW forecast.

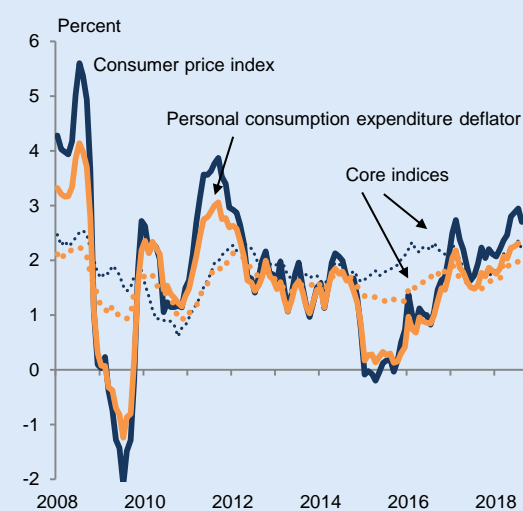
Figure 2.2:
Labor market, 2007–2018



Monthly data; seasonal adjusted. Employment: 3-month moving average of monthly change in employment

Source: US Department of Labor, *Employment Situation*.

Figure 2.3:
Consumer prices, 2008–2018



Monthly data; change over previous year. Core index: consumer prices excluding energy and food.

Source: US Department of Labor, *Consumer Price Index*.

Table 2.1:
Key indicators United States, 2018–2020

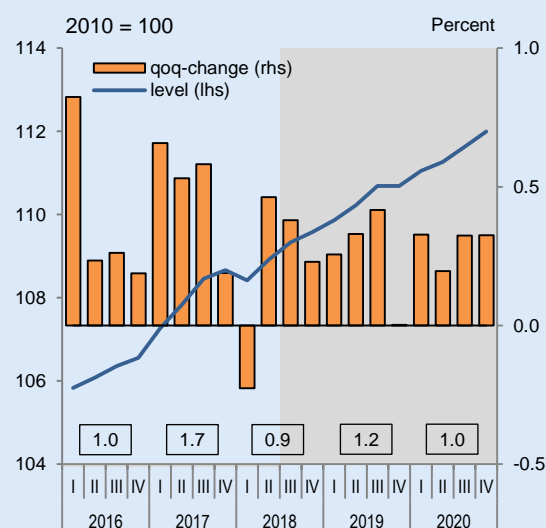
	2018	2019	2020
Gross Domestic Product	2.8	2.4	1.9
Domestic expenditure	2.6	2.5	2.0
Private consumption	2.6	2.7	2.0
Government consumption	1.2	0.8	0.8
Gross fixed capital formation	5.5	3.6	3.0
Machinery and equipment	7.2	4.0	3.1
Intellectual property rights	6.5	3.8	3.2
Structures	6.2	3.4	2.8
Residential investment	1.2	2.8	2.8
Inventories	-0.1	-0.1	0.0
Net exports	0.1	-0.1	-0.1
Exports	5.1	3.2	2.8
Imports	4.2	3.7	3.0
Consumer prices	2.5	2.3	2.2
Unemployment rate	3.9	3.8	3.6
Current account balance	-2.5	-2.5	-2.6
Government budget balance	-4.2	-4.6	-4.0

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP. Budget balance: fiscal year.

Source: US Department of Commerce, *National Economic Accounts*; US Department of Labor, *Employment Situation and Consumer Price Index*; US Department of the Treasury, *Monthly Treasury Statement*; own calculations; shaded: IfW forecast.

3. Japan

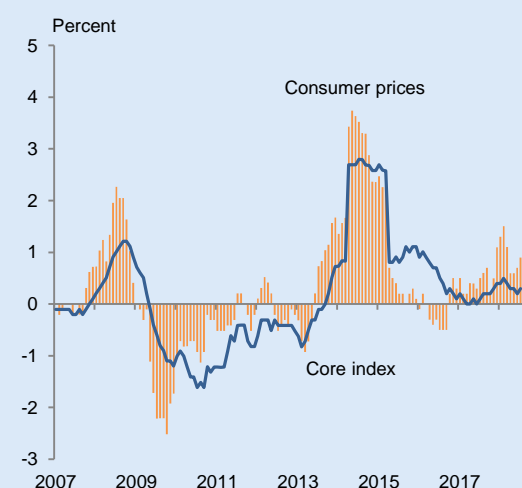
Figure 3.1:
GDP, 2016–2020



Quarterly data, price, seasonally and calendar adjusted, qoq change. annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: IfW forecast.

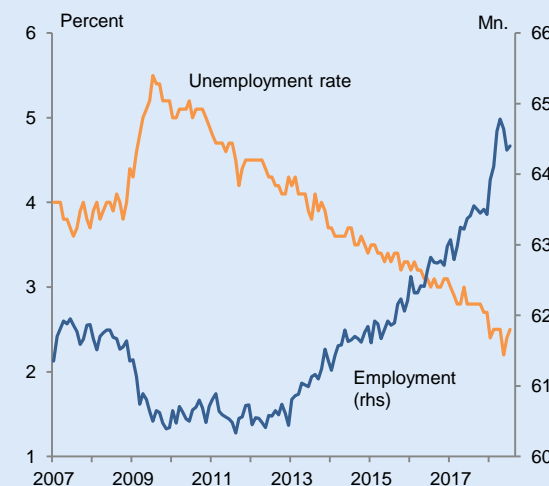
Figure 3.3:
Consumer prices, 2007–2018



Monthly data. Change over previous year. Core index: Consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan, *Consumer Price Index*.

Figure 3.2:
Labor market, 2007–2018



Monthly data; seasonally adjusted.

Quelle: Department of Labor.

Table 3.1:
Key indicators Japan, 2017–2020

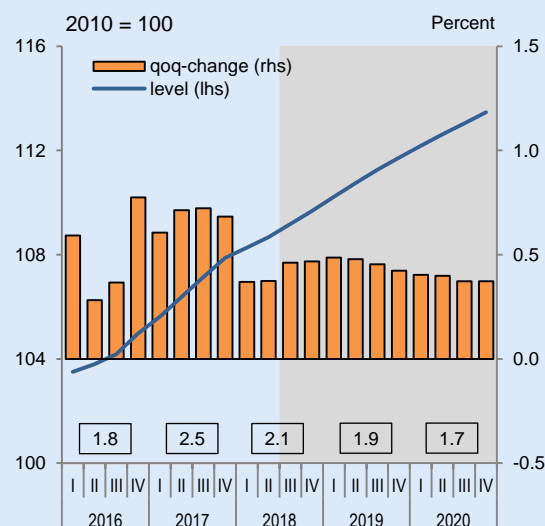
	2017	2018	2019	2020
Gross Domestic Product	1.7	0.9	1.2	1.0
Domestic expenditure	1.2	0.9	1.2	1.0
Private consumption	1.0	0.7	1.2	0.9
Government consumption	0.4	0.5	0.8	0.8
Gross fixed capital formation	2.5	1.0	1.7	1.4
Enterprises	2.9	3.2	2.3	1.6
Residential Investment	2.7	-7.0	0.2	1.3
Public investment	1.3	-0.9	0.8	0.8
Change in inventories	-0.1	0.1	0.0	0.0
Net exports	0.4	0.1	0.0	0.0
Exports	6.7	4.0	2.7	2.4
Imports	3.4	3.6	3.0	2.2
Consumer prices	0.5	0.9	1.0	1.8
Unemployment rate	2.8	2.4	2.2	2.1
Current account balance	4.0	4.1	4.2	3.9
Government budget balance	-3.5	-3.5	-3.2	-2.7

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; own calculations; shaded: IfW forecast.

4. Euro Area

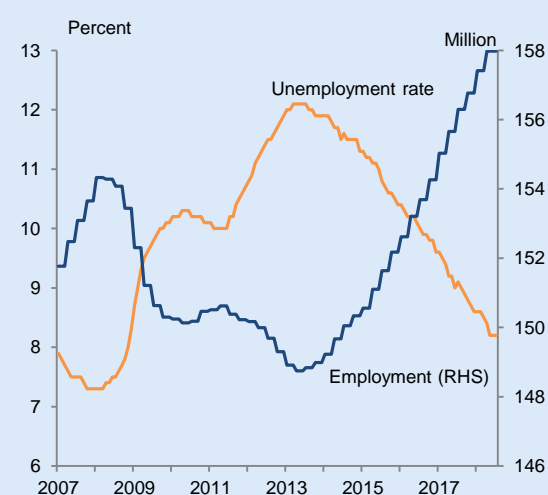
Figure 4.1:
GDP, 2016–2020



Quarterly data, price, seasonally and calendar adjusted, qoq change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*, shaded: IfW forecast.

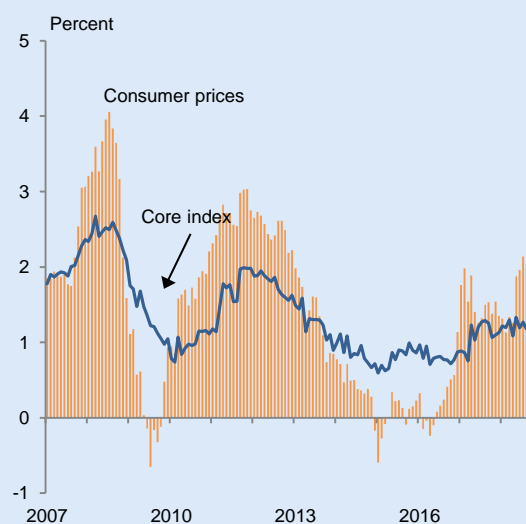
Figure 4.2:
Labor market, 2007–2018



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

Figure 4.3:
Consumer prices, 2007–2018



Monthly data; yoy change. HICP; Core index: HICP without Energy and Unprocessed Food.

Source: Eurostat, *Price Statistics*.

Table 4.1:
Key indicators Euro Area, 2017–2020

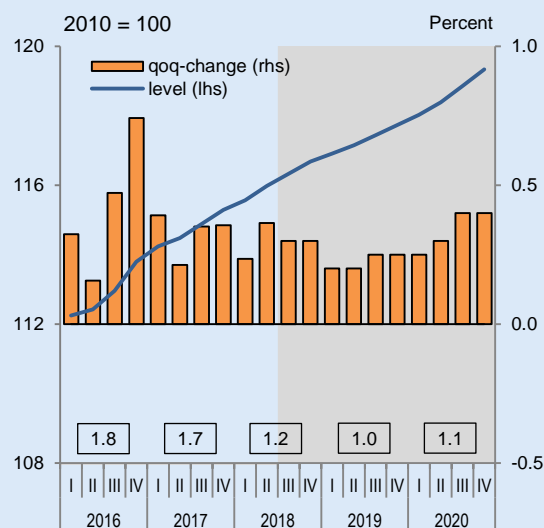
	2017	2018	2019	2020
Gross Domestic Product	1.8	2.0	2.0	1.7
Domestic expenditure	1.7	1.4	1.7	1.7
Private consumption	1.2	1.2	1.7	1.5
Government consumption	2.9	3.5	3.4	1.9
Gross fixed capital formation	0.0	0.2	-0.0	0.0
Inventories	0.8	0.1	-0.1	0.0
Net exports	5.5	3.2	4.1	3.9
Exports	4.2	3.2	4.6	4.1
Imports	1.5	1.7	1.7	1.7
Consumer prices	9.1	8.4	7.8	7.4
Unemployment rate	3.5	3.1	2.6	2.4
Current account balance	-0.9	-0.8	-1.0	-1.1
Government budget balance	-1.5	-0.9	-0.8	-0.7

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP.

Source: Eurostat, *National Accounts*; own calculations; shaded: IfW forecast.

5. United Kingdom

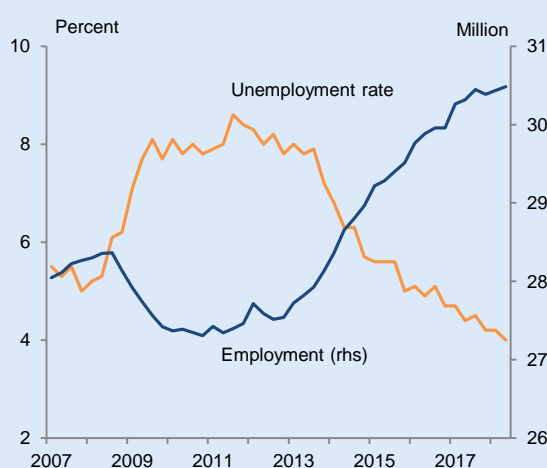
Figure 5.1:
GDP, 2016–2020



Quarterly data, price, seasonally and calendar adjusted, qoq change. annual rate of change (boxes).

Source: Eurostat, *National Accounts*; shaded: IFW forecast.

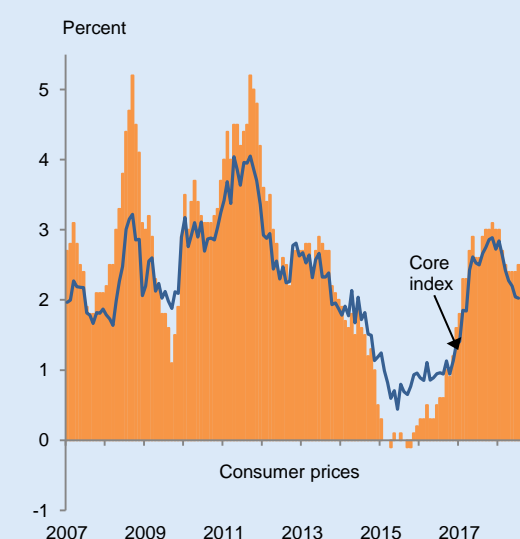
Figure 5.2:
Labor market, 2007–2018



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices, 2007–2018



Monthly data. Change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy*.

Table 5.1:
Key indicators United Kingdom, 2017–2020

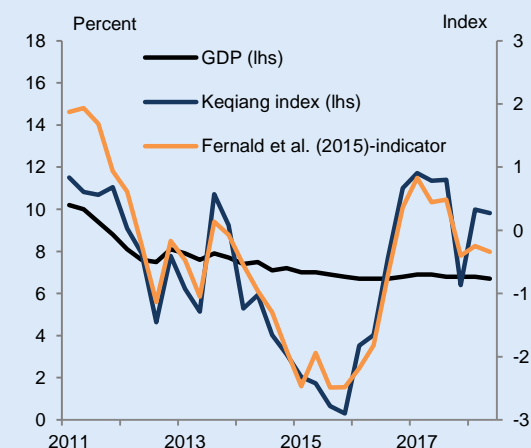
	2017	2018	2019	2020
Gross Domestic Product	1.7	1.2	1.0	1.0
Domestic expenditure	1.3	1.0	0.8	0.8
Private consumption	1.8	1.2	1.0	1.0
Government consumption	-0.1	1.4	1.1	0.8
Gross fixed investment	3.4	0.6	-0.5	0.5
Inventories	-0.4	-0.1	0.1	0.0
Net exports	0.6	0.1	0.2	0.1
Exports	2.2	-0.5	1.5	2.0
Imports	3.2	-0.3	0.8	1.6
Consumer prices	2.6	2.4	2.2	2.0
Unemployment rate	4.4	4.2	4.3	4.5
Current account balance	-3.9	-3.5	-3.2	-3.2
Government budget balance	-1.8	-1.5	-1.5	-1.6

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy*; shaded: IFW forecast.

6. China

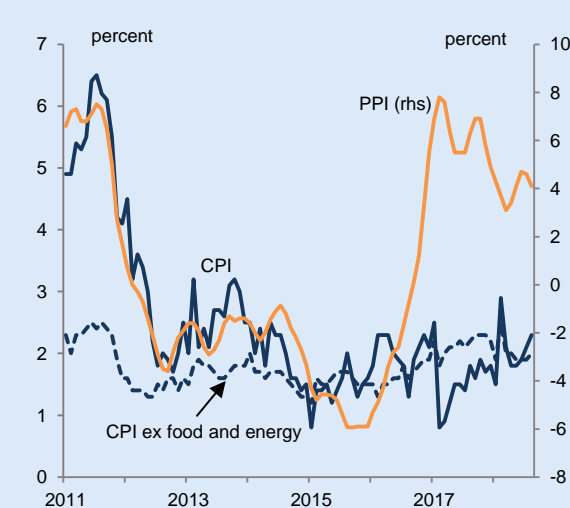
Figure 6.1:
GDP, 2011–2019



Quarterly data. GDP: year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of bank lending, electricity consumption and freight cargo; Fernald et al. (2015)-indicator: first principal component of the year-on-year growth rates of electricity production, railway cargo, retail sales and raw material prices (see Fernald et al. (2015)). *Is China Fudging its Figures? Evidence from Trading Partner Data*. Federal Reserve Bank of San Francisco, Working Paper 2015-12).

Source: National Bureau of Statistics; People's Bank of China; IfW calculations.

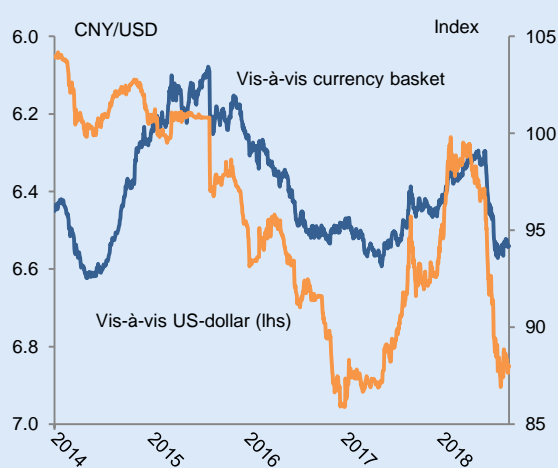
Figure 6.2:
Inflation, 2011–2018



Monthly data; yoy growth rate. Core index: CPI excluding food.

Source: National Bureau of Statistics.

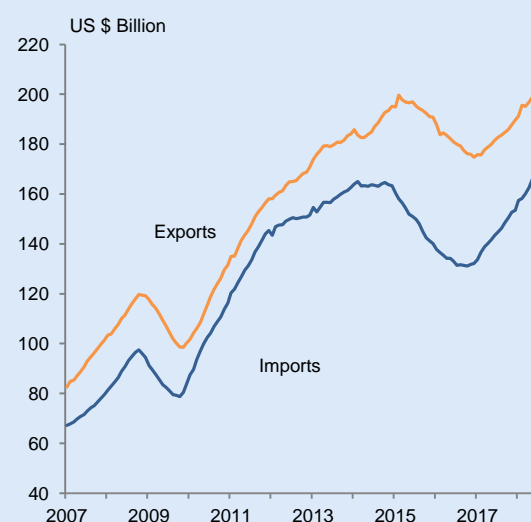
Figure 6.3:
Exchange rates, 2014–2018



Daily data.

Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

Figure 6.4:
Exports and imports, 2007–2018

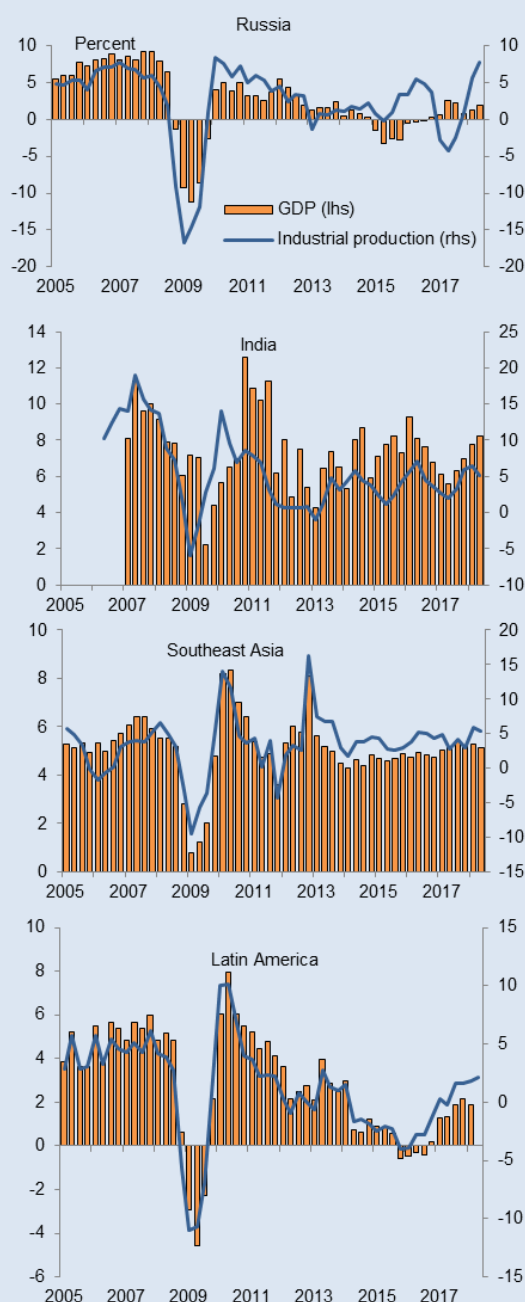


Monthly data, 12-month moving average.

Source: General Administration of Customs; IfW calculations.

7. Emerging Economies

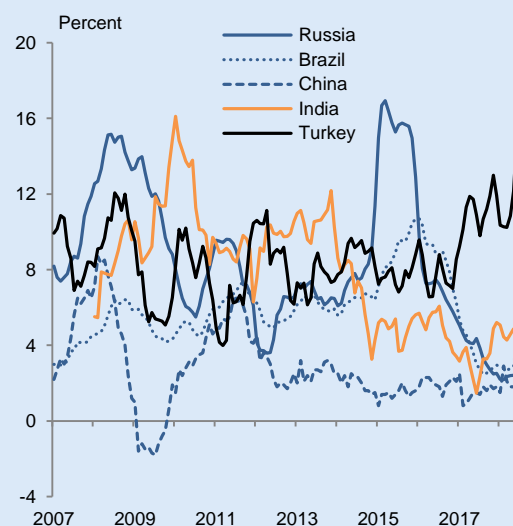
Figure 7.1:
GDP and industrial production in emerging economies
2005–2017



Quarterly data; volumes; seasonally adjusted; change over previous quarter; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices; own calculations.

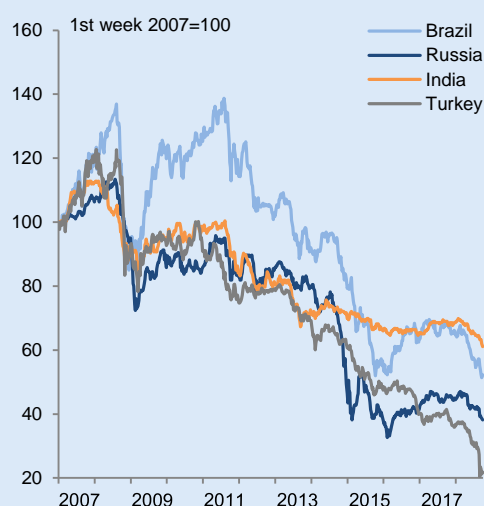
Figure 7.2:
Consumer prices, 2007–2018



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-dollar exchange rates, 2007–2018



Weekly data. Last value: September 10th 2018.

Source: Thomson Financial Datastream.

8. Forecast summary

Table 8.1:
Key assumptions, 2018–2020

	2018				2019				2020			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Key interest rate												
United States	1.5	1.8	2.0	2.3	2.3	2.5	2.5	2.8	2.8	2.8	2.8	2.8
Japan	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Euro area	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.5	0.5	0.8	0.8
Exchange rates												
US-dollar/euro	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Yen/US-dollar	108.3	109.2	111.5	112.0	112.0	112.0	112.0	112.0	112.0	112.0	112.0	112.0
Oil price (Brent, US-dollar)	66.9	74.5	74.5	77.9	78.3	78.7	79.1	79.4	79.8	80.2	80.6	81.0
HWI-Index indust. commodities	129.8	129.4	122.0	122.0	123.2	124.5	125.4	126.5	127.1	127.7	128.4	129.0

Key interest rate: Fed Funds Rate (United States, since December 2015 between 0.25 to 0.5 percent; overnight rate (Japan); main refinancing operations (euro area).

Source: HWI, *Commodity Price Index*; IMF, *International Financial Statistics*; Federal Reserve Bank, *Intended Federal Funds Rate*; ECB, *Monthly Bulletin*; shaded: IfW forecast or assumption.

Table 8.2:
Real gross domestic product, consumer prices and unemployment rate in advanced economies, 2018–2020

	Weights	Real GDP			Consumer prices			Unemployment rate		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
European Union	36.4	2.1	1.8	1.6	2.0	1.9	1.9	7.2	6.8	6.5
Euro area	26.3	2.1	1.9	1.7	1.7	1.7	1.7	8.3	7.7	7.4
United Kingdom	5.9	1.2	1.0	1.0	2.4	2.2	2.0	4.2	4.3	4.5
Sweden	1.1	3.3	2.6	2.2	2.2	2.0	2.2	6.2	6.0	5.8
Poland	1.1	4.5	3.0	2.8	1.4	1.8	2.1	3.6	3.0	2.7
Switzerland	1.5	2.3	1.9	1.7	0.7	1.0	1.0	4.5	4.3	4.3
Norway	0.8	1.8	2.0	1.7	1.9	2.0	2.0	4.0	3.8	3.7
United States	41.2	2.8	2.4	1.9	2.5	2.3	2.2	3.9	3.8	3.6
Canada	3.4	2.2	2.3	1.9	2.2	2.1	2.1	5.8	5.8	5.9
Japan	11.0	0.9	1.2	1.0	0.9	1.0	1.8	2.4	2.2	2.1
South Korea	3.1	2.8	3.0	2.9	1.6	1.4	1.3	3.8	3.7	3.7
Australia	2.7	3.0	3.1	2.9	2.1	2.3	2.4	5.4	5.3	5.2
Total	100.0	2.4	2.2	1.8	2.1	2.0	2.1	5.3	5.0	4.8

Based on GDP at prices and exchange rates of 2017 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2017.

Source: Eurostat, *National Accounts*; OECD, *Main Economic Indicators*; IMF, *World Economic Outlook Database*; Statistics Canada, *Canadian Economic Account*; shaded: IfW forecast.

Table 8.3:
Real gross domestic product, consumer prices and unemployment rates in the European Union, 2018–2020

	Weights	Real GDP			Consumer prices			Unemployment rate		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
Germany	21.4	1.9	2.1	1.7	1.8	1.9	1.9	3.4	3.1	3.0
France	14.9	1.6	1.7	1.6	2.0	1.9	1.9	9.1	8.5	8.0
Italy	11.2	1.1	0.9	0.9	1.3	1.2	1.0	10.8	10.6	10.4
Spain	7.6	2.6	2.0	1.8	1.7	1.6	1.6	15.3	14.4	13.7
Netherlands	4.8	2.7	2.1	1.9	1.6	1.7	1.7	3.8	3.2	2.9
Belgium	2.8	1.5	1.5	1.4	2.1	1.9	1.8	6.2	6.0	5.8
Austria	2.4	2.8	1.8	1.7	2.2	2.1	2.1	4.9	4.7	4.6
Ireland	1.9	6.1	3.7	2.8	0.5	1.2	1.4	5.7	4.7	4.1
Finland	1.5	2.6	2.0	1.9	1.2	1.3	1.4	7.7	7.5	7.3
Portugal	1.3	2.1	2.0	1.7	1.4	1.4	1.4	6.9	6.2	5.7
Greece	1.2	2.1	2.3	2.7	0.8	1.1	1.3	19.5	17.5	15.5
Slovak Republic	0.6	3.9	3.7	3.7	2.7	2.8	3.1	6.8	5.7	5.0
Luxembourg	0.4	4.6	3.2	2.8	1.9	2.0	2.1	5.2	4.9	4.7
Slovenia	0.3	4.0	3.2	3.1	2.0	2.2	2.4	5.5	4.7	4.0
Latvia	0.3	4.0	4.0	3.4	2.7	2.8	2.9	6.1	5.7	5.4
Lithuania	0.2	4.4	3.8	3.7	2.4	2.5	2.8	7.5	7.0	6.7
Estonia	0.1	3.5	3.4	3.3	3.2	3.1	3.4	5.2	4.8	4.5
Cyprus	0.1	3.7	3.1	3.0	0.6	1.0	1.2	8.1	6.5	5.8
Malta	0.1	3.6	3.9	3.6	1.8	2.0	2.3	3.9	3.2	2.8
United Kingdom	15.2	1.2	1.0	1.0	2.4	2.2	2.0	4.1	4.0	4.0
Sweden	3.1	3.3	2.6	2.2	2.2	2.0	2.2	6.2	6.0	5.9
Poland	3.0	4.5	3.0	2.8	1.4	1.8	2.1	3.7	3.3	3.1
Denmark	1.9	1.2	1.5	1.5	1.1	1.3	1.4	5.0	4.8	4.6
Czech Republic	1.2	2.9	2.6	2.6	2.2	2.3	2.6	2.2	2.0	2.0
Romania	1.2	3.3	3.2	3.2	4.3	3.5	3.0	4.3	4.0	3.8
Hungary	0.8	4.1	2.7	2.7	2.9	3.0	3.3	3.6	3.4	3.2
Bulgaria	0.3	3.5	3.2	3.2	2.6	3.0	3.0	5.0	4.6	4.3
Croatia	0.3	2.2	2.4	2.4	1.7	1.7	1.9	9.1	8.5	8.0
European Union	100.0	2.1	1.8	1.6	2.0	1.9	1.9	7.2	6.8	6.5
<i>Addendum:</i>										
European Union 15	91.3	1.9	1.7	1.5	1.8	1.8	1.7	7.5	7.0	6.7
Accession countries	8.7	3.8	3.0	2.9	2.3	2.4	2.6	5.8	5.2	4.9
Euro Area	72.9	2.1	1.9	1.7	1.7	1.7	1.7	8.3	7.7	7.4
Euro Area without Germany	51.5	2.1	1.8	1.7	1.7	1.6	1.6	10.0	9.4	8.9

Based on GDP at prices and exchange rates of 2017 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2017. Accession countries since 2004.

Source: Eurostat, *National Accounts*; shaded: IfW forecast.

Table 8.4:
Real gross domestic product and consumer prices in selected emerging market economies, 2017–2020

	Weights	Real GDP				Consumer prices			
		2017	2018	2019	2020	2017	2018	2019	2020
Indonesia	6.0	5.1	5.3	5.2	5.2	3.8	3.4	4.0	4.0
Thailand	2.3	3.9	4.5	3.0	3.0	0.7	1.4	2.0	2.0
Malaysia	1.7	5.9	4.5	4.1	4.1	3.8	2.1	3.0	3.0
Philippines	1.6	6.7	6.0	5.7	5.5	2.9	4.4	3.6	3.5
Total	11.6	5.2	5.1	4.7	4.6	3.1	3.0	3.4	3.4
China	42.0	6.9	6.6	6.1	5.8	1.6	2.1	2.3	2.3
India	17.1	6.7	7.7	7.5	7.0	3.8	4.9	4.8	5.0
Asian countries	70.7	6.6	6.6	6.2	5.9	2.3	2.9	3.1	3.1
Brazil	6.2	1.0	1.0	1.9	2.5	3.4	4.4	5.0	4.0
Mexico	4.6	2.3	2.1	2.6	2.4	6.0	4.7	3.4	3.1
Argentina	1.7	2.9	0.5	-2.0	1.9	26.9	30.0	40.0	26.0
Colombia	1.4	1.8	2.8	3.1	3.2	4.3	3.3	3.1	3.0
Venezuela	0.8	-14.0	-11.0	-6.0	-3.0	-	-	-	-
Chile	0.9	1.6	4.2	2.8	2.8	2.2	2.4	3.1	3.0
Peru	0.8	2.5	4.0	3.7	3.5	2.8	1.3	2.3	2.5
Latin American countries total	16.4	1.1	1.2	1.6	2.3	6.8	7.0	8.0	6.0
Russia	7.5	1.8	1.9	1.6	1.5	15.5	3.0	5.0	3.6
Turkey	3.9	7.0	4.0	0.8	4.0	11.1	18.0	25.0	12.0
South Africa	1.5	1.3	1.5	1.0	1.8	5.3	5.8	6.4	5.5
Total	100.0	5.3	5.2	4.9	4.9	4.4	4.2	4.9	4.0

Based on 2017 GDP at purchasing power parities; in percent.

Source: IMF, *International Financial Statistics*; OECD, *Main Economic Indicators*; national statistics; own calculations; shaded: IfW forecast.