

World Economic Outlook **UPDATE**

An update of the key WEO projections

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Slower Growth in Emerging Markets, a Gradual Pickup in Advanced Economies

- *Global growth is projected at 3.3 percent in 2015, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. In 2016, growth is expected to strengthen to 3.8 percent.*
- *A setback to activity in the first quarter of 2015, mostly in North America, has resulted in a small downward revision to global growth for 2015 relative to the April 2015 World Economic Outlook (WEO). Nevertheless, the underlying drivers for a gradual acceleration in economic activity in advanced economies—easy financial conditions, more neutral fiscal policy in the euro area, lower fuel prices, and improving confidence and labor market conditions—remain intact.*
- *In emerging market economies, the continued growth slowdown reflects several factors, including lower commodity prices and tighter external financial conditions, structural bottlenecks, rebalancing in China, and economic distress related to geopolitical factors. A rebound in activity in a number of distressed economies is expected to result in a pickup in growth in 2016.*
- *The distribution of risks to global economic activity is still tilted to the downside. Near-term risks include increased financial market volatility and disruptive asset price shifts, while lower potential output growth remains an important medium-term risk in both advanced and emerging market economies. Lower commodity prices also pose risks to the outlook in low-income developing economies after many years of strong growth.*

The Updated Forecast

Advanced Economies

Growth in advanced economies is projected to increase from 1.8 percent in 2014 to 2.1 percent in 2015 and 2.4 percent in 2016, a more gradual pickup than was forecast in the April 2015 WEO. The unexpected weakness in North America, which accounts for the lion's share of the growth forecast revision in advanced economies, is likely to prove a temporary setback. The underlying drivers for acceleration in consumption and investment in the United States—wage growth, labor market conditions, easy financial conditions, lower fuel prices, and a strengthening housing market—remain intact.

The economic recovery in the euro area seems broadly on track, with a generally robust recovery in domestic demand and inflation beginning to increase. Growth projections have been revised upward for many euro area economies, but in Greece, unfolding developments are likely to take a much heavier toll on activity relative to earlier expectations. In Japan, growth in the first quarter of 2015 was stronger than expected, supported by a pickup in capital investment. However, consumption remains sluggish and more than half of quarterly growth stemmed from changes in inventories. With weaker underlying momentum in real wages and consumption, the pickup in growth in 2015 is now projected to be more modest.

Emerging Markets and Developing Economies

Growth in emerging market and developing economies is projected to slow from 4.6 percent in 2014 to 4.2 percent in 2015, broadly as expected. The slowdown reflects the dampening impact of lower commodity prices and tighter external financial conditions—particularly in Latin America and oil exporters, the rebalancing in China, and structural bottlenecks, as well as economic distress related to geopolitical factors—particularly in the Commonwealth of Independent States and some countries in the Middle East and North Africa.

In 2016, growth in emerging market and developing economies is expected to pick up to 4.7 percent, largely on account of the projected improvement in economic conditions in a number of distressed economies, including Russia and some economies in the Middle East and North Africa. As noted in earlier WEO reports, in many other emerging market and developing economies, much of the growth slowdown in recent years has amounted to a moderation from above-trend growth.

Table 1. Overview of the World Economic Outlook Projections

(Percent change unless noted otherwise)

	Year over Year						Q4 over Q4		
	2013	2014	Projections		Difference from April 2015 WEO Projections 1/		Projections		
			2015	2016	2015	2016	2014	2015	2016
World Output 2/	3.4	3.4	3.3	3.8	-0.2	0.0	3.3	3.3	3.7
Advanced Economies	1.4	1.8	2.1	2.4	-0.3	0.0	1.7	2.2	2.3
United States	2.2	2.4	2.5	3.0	-0.6	-0.1	2.4	2.4	2.8
Euro Area 3/	-0.4	0.8	1.5	1.7	0.0	0.1	0.9	1.8	1.6
Germany	0.2	1.6	1.6	1.7	0.0	0.0	1.5	1.8	1.5
France	0.7	0.2	1.2	1.5	0.0	0.0	-0.0	1.7	1.3
Italy	-1.7	-0.4	0.7	1.2	0.2	0.1	-0.4	1.2	1.3
Spain	-1.2	1.4	3.1	2.5	0.6	0.5	2.0	3.3	2.2
Japan	1.6	-0.1	0.8	1.2	-0.2	0.0	-0.9	1.7	1.3
United Kingdom	1.7	2.9	2.4	2.2	-0.3	-0.1	3.2	2.2	2.1
Canada	2.0	2.4	1.5	2.1	-0.7	0.1	2.5	1.0	2.3
Other Advanced Economies 4/	2.2	2.8	2.7	3.1	-0.1	0.0	2.6	2.8	3.1
Emerging Market and Developing Economies 5/	5.0	4.6	4.2	4.7	-0.1	0.0	4.7	4.3	5.0
Commonwealth of Independent States	2.2	1.0	-2.2	1.2	0.4	0.9	-1.0	-3.5	1.5
Russia	1.3	0.6	-3.4	0.2	0.4	1.3	0.4	-4.8	1.8
Excluding Russia	4.2	1.9	0.7	3.3	0.3	0.1	...	...	...
Emerging and Developing Asia	7.0	6.8	6.6	6.4	0.0	0.0	6.9	6.6	6.4
China	7.7	7.4	6.8	6.3	0.0	0.0	7.3	6.8	6.3
India 6/	6.9	7.3	7.5	7.5	0.0	0.0	7.5	7.3	7.5
ASEAN-5 7/	5.1	4.6	4.7	5.1	-0.5	-0.2	4.8	4.7	5.2
Emerging and Developing Europe	2.9	2.8	2.9	2.9	0.0	-0.3	2.6	3.5	3.0
Latin America and the Caribbean	2.9	1.3	0.5	1.7	-0.4	-0.3	1.2	-0.1	2.1
Brazil	2.7	0.1	-1.5	0.7	-0.5	-0.3	-0.2	-2.1	2.3
Mexico	1.4	2.1	2.4	3.0	-0.6	-0.3	2.6	2.5	3.0
Middle East, North Africa, Afghanistan, and Pakistan	2.4	2.7	2.6	3.8	-0.3	0.0	...	...	...
Saudi Arabia	2.7	3.5	2.8	2.4	-0.2	-0.3	1.6	2.7	2.6
Sub-Saharan Africa	5.2	5.0	4.4	5.1	-0.1	0.0	...	...	...
Nigeria	5.4	6.3	4.5	5.0	-0.3	0.0	...	...	...
South Africa	2.2	1.5	2.0	2.1	0.0	0.0	1.3	1.5	2.4
<i>Memorandum</i>									
Low-Income Developing Countries	6.1	6.0	5.1	6.2	-0.4	0.2	...	...	...
World Growth Based on Market Exchange Rates	2.5	2.7	2.6	3.2	-0.3	0.0	2.5	2.6	3.1
World Trade Volume (goods and services)	3.3	3.2	4.1	4.4	0.4	-0.3	...	...	...
Imports									
Advanced Economies	2.1	3.3	4.5	4.5	1.2	0.2	...	...	...
Emerging Market and Developing Economies	5.2	3.4	3.6	4.7	0.1	-0.8	...	...	...
Commodity Prices (U.S. dollars)									
Oil 8/	-0.9	-7.5	-38.8	9.1	0.8	-3.8	-28.7	-16.8	5.5
Nonfuel (average based on world commodity export weights)	-1.2	-4.0	-15.6	-1.7	-1.5	-0.7	-7.5	-12.6	0.7
Consumer Prices									
Advanced Economies	1.4	1.4	0.0	1.2	-0.4	-0.2	1.0	0.2	1.5
Emerging Market and Developing Economies 5/	5.9	5.1	5.5	4.8	0.1	0.0	5.0	6.0	4.7
London Interbank Offered Rate (percent)									
On U.S. Dollar Deposits (six month)	0.4	0.3	0.4	1.2	-0.3	-0.7	...	...	...
On Euro Deposits (three month)	0.2	0.2	0.0	0.0	0.0	0.0	...	...	...
On Japanese Yen Deposits (six month)	0.2	0.2	0.1	0.1	0.0	-0.1	...	...	...

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during May 4–June 1, 2015. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. Lithuania is now included in the euro area. Lithuania was previously included in the other advanced economies.

1/ Difference based on rounded figures for both the current and April 2015 WEO forecasts.

2/ The quarterly estimates and projections account for 90 percent of the world purchasing-power-parity weights.

3/ Includes Lithuania, which joined the euro area in January 2015.

4/ Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

5/ The quarterly estimates and projections account for approximately 80 percent of the emerging market and developing economies.

6/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onw and is based on GDP at market prices with FY2011/12 as a base year.

7/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

8/ Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$96.25 in 2014; the assumed price based on futures markets is \$58.97 in 2015 and \$94.22 in 2016.