Why 2018 global growth will be strong, and why there is still cause for concern—In 10 charts

Figure 1. A Broad-Based Recovery

The broad-based recovery should continue.

A. Growth

B. Global goods trade growth

Global trade has gained momentum.

Headwinds in commodity-exporting EMDEs have eased.

C. Investment growth in commodity-exporting EMDEs

D. Capital inflows to EMDEs

<table>
<thead>
<tr>
<th>Percent</th>
<th>ECA</th>
<th>LAC</th>
<th>SSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


A. Shaded area indicates forecasts. Aggregate growth rates calculated using constant 2010 U.S. dollars GDP weights.
B. Goods trade data are 3-month moving averages. Last observation is October 2017.
C. Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights. ECA = Europe and Central Asia, LAC = Latin America and the Caribbean, and SSA = Sub-Saharan Africa. Data for 2017 are estimates.
D. Based on top 28 recipients of capital flows. “Other” investment category includes all financial transactions not covered in direct investment, portfolio investments, or reserve assets. Data for 2017 are estimates.
Why 2018 global growth will be strong, and why there is still cause for concern—In 10 charts

Figure 2. Outlook and Short-Term Risks

The near-term EMDE outlook is solid.

A. EMDE Growth

... as well as rising policy uncertainty and geopolitical tensions.

C. Global economic policy uncertainty, geopolitical risks, financial market volatility

EMDEs have limited policy space to counter negative shocks.

D. Fiscal sustainability gaps in EMDEs


A. Shaded areas indicate forecasts. Aggregate growth rates calculated using constant 2010 U.S. dollars GDP weights. Data for 2017 are estimates.

B. Price-to-earnings ratio is the cyclically-adjusted ratio as described in Shiller (2015). Long-term interest rates are the nominal 10-year Treasury constant maturity rates. Last observation is December 2017. Data for December 2017 are estimates.

C. Policy and geopolitical uncertainty indexes are based on the frequency of words related to either topics in newspapers. Volatility is measured by the VIX. All indexes are normalized to equal 100 at their 2000-17 medians. Blue bars denote 2017 averages. Orange horizontal line denotes 2000-17 median. The last observation is December 2017 for geopolitical uncertainty and volatility (VIX), and November 2017 for policy uncertainty.

D. Simple averages. Sustainability gaps are measured under current conditions. The year of global recession (2009) is shaded in gray.
Why 2018 global growth will be strong, and why there is still cause for concern—In 10 charts

Figure 3. Medium-Term Outlook and Risks

Slowing potential growth among EMDEs is a major concern.

A. EMDE potential growth

B. EMDE cumulative potential output change, 2018-27

Absent reforms, a crisis could exert substantial costs.


A. Shaded area indicates forecast. GDP-weighted averages of production function-based potential growth as described in Chapter 3.

B. GDP-weighted averages. Crisis scenario assumes that potential growth is reduced by 1 percentage point for five years and then reverts to baseline scenario. Policy push scenario assumes 0.2 percentage point increase in global potential growth (0.4 percentage point for EMDE potential growth) during 2018-27 compared with 2013-17 because of investment boost (0.2 percentage point), improved human capital (0.1 percentage point) and increased labor supply (0.1 percentage point). Policy push and crisis scenario assumes that potential growth is reduced by 1 percentage point for five years and then reverts to policy push scenario.