

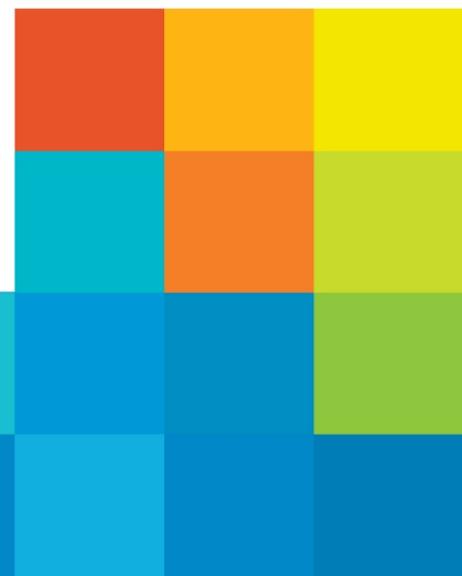


Comments on World Bank 2018 “Global Economic Prospects”

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Summary

- Comprehensive review of recent trends in advanced, emerging and developing economies and near-term prospects
 - Perhaps more upside than downside risk?
- A formidable data-intensive and analytic approach applied to the growth of potential GDP and productivity
 - Widespread slowdown in productivity growth seen
- An analysis of the possible impacts of structural reforms on the growth potential of EMDEs

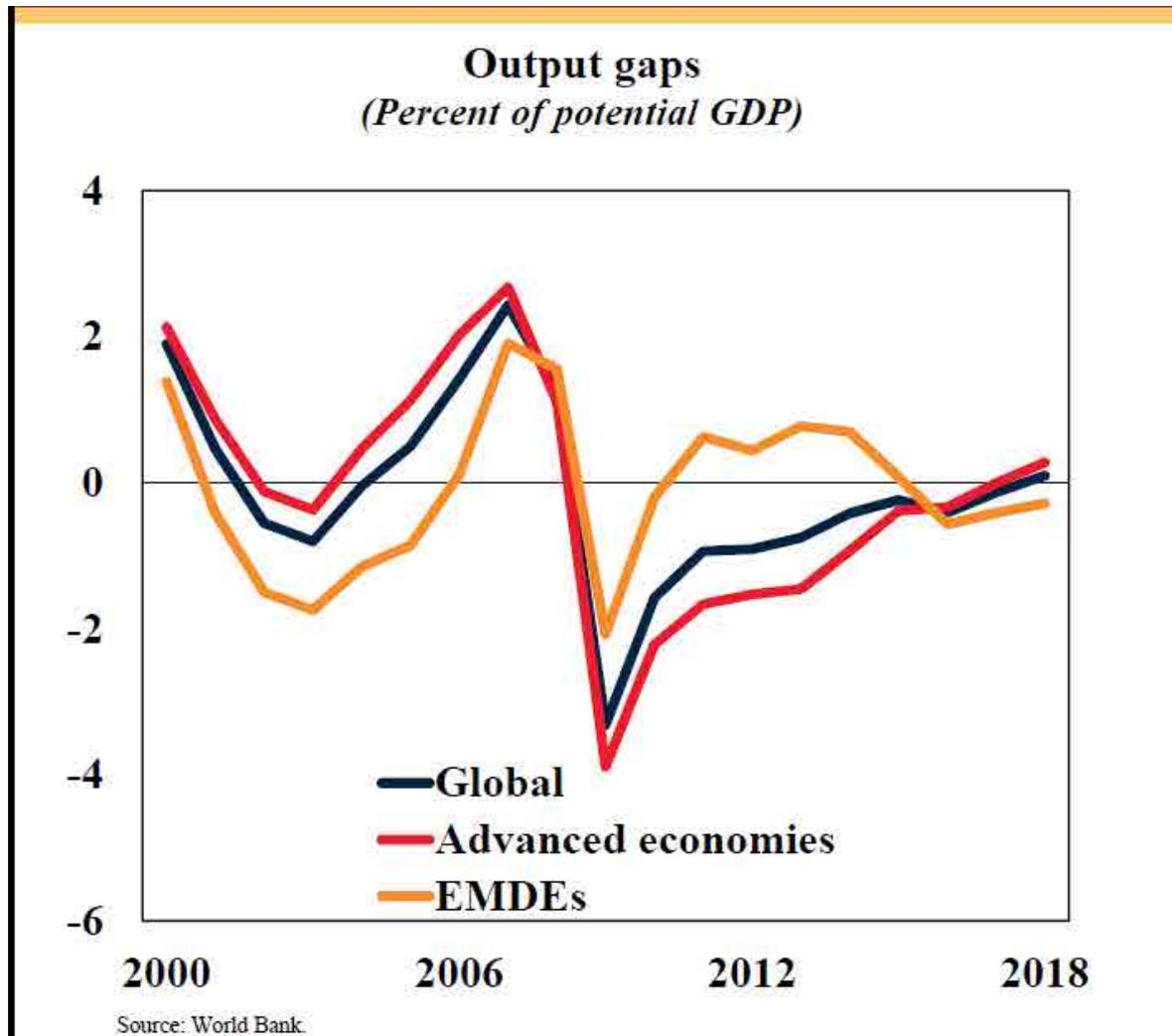
Global Forecast Comparisons

GDP forecasts						
		World Bank		IMF		ADB
% Change	2017e	2018f	2019f	2018f	2019f	2018f
World	3.0	3.1	3.0	3.9	3.9	--
Advanced economies	2.3	2.1	1.9	2.3	2.2	2.1
US	2.3	2.5	2.2	2.7	2.5	2.4
Euro Area	2.4	2.1	1.7	2.2	2.0	1.9
Japan	1.7	1.3	0.8	1.2	0.9	1.2
Emerging & developing	4.3	4.5	4.7	4.9	5.0	--
East Asia & Pacific	6.4	6.2	6.1	6.5	6.6	5.8
PRC	6.8	6.4	6.3	6.6	6.4	6.4
Source: World Bank (2018), IMF (2018), ADB (2017)						

Risks to the Outlook

- Mostly on the upside or the downside?
 - Stock markets booming
 - US fiscal stimulus
 - Effects of global financial crisis steadily receding
 - Impacts of PRC capacity adjustment also fading
 - Growth forecasts generally being revised up
 - Issue of weights
- Some downside risks not necessarily so worrisome
 - Elevated policy uncertainty
 - Geopolitical risks (Korean peninsula)
 - Protectionism
 - Slower potential growth

Are closing output gaps positive or negative?



Analysis of potential growth

- A very comprehensive and heroic analysis
- Some caveats
 - Filters may not deal well with structural breaks
 - TFP is a residual, and many methodological issues
 - Estimating capital stock faces many problems, too, especially in EMDEs where data is problematic—example of PRC
 - Period of 2008-2017 dogged by after-effects of GFC and weak commodity prices
- Key issue is potential for faster investment growth
 - Effects of GFC gradually fading
 - Higher investment growth could boost TFP growth as well
 - Labor force growth probably less amenable to policy

Analysis of reform impacts

- Structural reforms are necessary to raise potential growth, or at least limit the degree of slowdown
- Nice analysis of quantitative effects of structural reforms
 - Human capital improvements
 - Labor market reforms
 - Promotion of investment
- Comprehensive reforms could add as much as 0.5% to EMDE productivity growth over 4 years
- Reform proposals are generally the usual suspects