

News Release

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Trade Disruptions May Derail Global Growth Momentum

Prospect of trade disruptions could elevate recession risk

NEW YORK, June 11, 2018...Trade policy risk has overtaken other financial and economic risks as the biggest threat to the global economy's current growth momentum, according to The Conference Board's latest Global Economic Outlook.

The Conference Board Global Economic Outlook 2018 provides projections for the output growth of the world economy, including 11 major regions and individual estimates for 33 mature and 36 emerging market economies for 2018–2022 and 2023–27.

“For now, confidence among consumers and businesses remains strong, and a possible escalation in tit-for-tat tariffs or quotas is unlikely to push the global economy into reverse, in the near term,” said Bart van Ark, Chief Economist of The Conference Board. “However, uncertainty could exacerbate a slowdown in global growth if businesses hold off on investment and hiring. Policy risks are therefore more likely to bring recession risks forward.”

These developments, combined with the anticipated maturing of the business cycle, especially in mature economies, has led The Conference Board to revise global growth for 2018 to 3.2 percent, slightly down from its February projection of 3.3 percent (**see page 4-5 for detailed table of all regions and countries**).

Key Highlights:

- A modest dip in global growth momentum is primarily driven by a maturing business cycle in the Euro Area and a slightly weaker growth outlook in emerging markets, driven by US dollar

appreciation and rising interest rates, and more challenging economic conditions in Brazil, Russia and Turkey.

- Business and consumer confidence levels remain very strong, indicating there is low recession risk in the short-term despite the long expansions experienced by many countries.
- Lingering potential trade disruptions have limited impact on such confidence levels. However, if current negotiations spiral out of control and cause an escalation in terms of tariffs or quotas, they can trigger an economic downturn sooner rather than later.
- Tariffs, and especially quotas, will be huge disruptors in this age of integrated global supply chains. If current supply channels dry up, firms may need to make quick transitions to domestic or other foreign suppliers, requiring those suppliers to scale up quickly.

Mature Economies

Momentum in mature economies improved last year and will continue growing at about the same pace through 2018. Collectively, mature economies are projected to grow by 2.4 percent in 2018 (unchanged from 2017), and 1.9 percent during 2018-2022.

- The US is forecast to grow 3.0 percent in 2018, up from 2.4 percent last year, with some upward momentum in the second half of the year resulting from policy measures, including the tax cuts and spending stimulus. Trade disruptions may not affect the US economy immediately in a big way, given the dominance of the domestic economy. However, uncertainty about the outcome from trade negotiations still could cause businesses to delay investment decisions. Tightening labor market conditions – and the possibility of further wage acceleration – explain why inflation trends, and the Federal Reserve’s response to them, will play a critical role in shaping economic conditions this year and next year.
- The Euro Area is forecast to see a slowdown to 2.0 percent in 2018, down from 2.5 percent last year, though still well ahead of its medium-term growth potential of about 1.5 percent. ***The Conference Board Leading Economic Index***[®] for the Euro Area has recently moderated. Germany has even shown two months of a negative growth rate in the LEI, pointing at a loss of growth momentum in Europe’s largest economy.
- The UK is forecast to grow below its potential at only 0.9 percent through 2018, down from 1.8 percent last year, and Japan is projected to grow 1.0 percent, down from 1.7 percent in 2017.

Emerging Markets

Emerging markets are projected to grow by 3.9 percent on average in 2018, which is slightly down from 2017. *The Conference Board Leading Economic Index*[®] for emerging economies suggests that the growth momentum is moderating further, but there are significant differences across countries.

- Based on The Conference Board's estimates, China will grow 4.0 percent through 2018, down from 4.2 in 2017. Intensifying debt pressures and related deleveraging are likely to force a marginal slowdown in 2018 through the investment channel. Rising trade frictions with the US, however, pose risks for the export outlook.
- India will see improved growth, from 6.3 percent last year to 6.8 percent in 2018. However, rising oil prices and a stronger US dollar will challenge India's inflation outlook and the continued need for fiscal prudence.
- Brazil will continue to recover slowly from a deep economic crisis and is forecast to grow 1.8 percent in 2018. However, the continuing increase in unemployment in Brazil will challenge its consumer-driven growth.
- Mexico, which is expected to grow 2.2 percent in 2018, down from 2.3 percent last year, is likely to face more headwinds from uncertainties caused by the NAFTA negotiations and the outcome from the general election on July 1st.

For more information on The Conference Board Global Economic Outlook:

<https://www.conference-board.org/data/globaloutlook/>

For other information on economic data and analysis by The Conference Board:

<https://www.conference-board.org/data/>

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REAL GDP GROWTH, 2017 COMPARED TO 2018 FORECAST

Growth STRENGTHENING					
	2017	2018		2017	2018
Australia	2.3	2.7	Qatar	1.6	2.1
Belarus	2.3	2.9	Russian Federation	1.5	1.7
Brazil	1.0	1.8	Saudi Arabia	-0.7	1.3
Chile	1.6	3.5	South Africa	1.3	1.8
Colombia	1.8	2.7	Sweden	2.7	2.8
Ghana	6.6	7.1	Switzerland	1.1	1.8
Hong Kong	3.8	4.7	Thailand	3.9	4.0
Hungary	4.3	4.4	United Arab Emirates	1.3	3.0
India	6.3	6.8	United States	2.4	3.0
Israel	3.3	4.0	Venezuela	-12.0	-8.0
Kuwait	-2.1	3.0			
Luxembourg	2.3	3.3			
Nigeria	0.8	2.0			
Oman	0.0	3.8			
Pakistan	5.4	5.8			
Growth FLAT					
	2017	2018		2017	2018
Algeria	1.6	1.6			
Belgium	1.7	1.7			
Philippines	6.6	6.6			
Growth WEAKENING					
	2017	2018		2017	2018
Argentina	2.9	2.4	Kenya	4.8	4.6
Austria	2.9	1.9	Malaysia	5.9	5.2
Bahrain	3.9	1.9	Malta	6.6	2.6
Canada	3.0	1.9	Mexico	2.3	2.2
China	4.2	4.0	Morocco	4.0	2.7
Cyprus	3.9	3.4	Netherlands	3.3	2.5
Czech Republic	4.6	3.1	New Zealand	3.0	2.9
Denmark	2.2	1.0	Norway	2.0	1.9
Egypt	5.5	5.2	Poland	4.7	4.5
Ethiopia	8.1	8.0	Portugal	2.7	2.0
Finland	2.6	2.5	Singapore	3.6	3.4
France	2.0	1.8	South Korea	3.1	2.8
Germany	2.5	1.8	Spain	3.0	2.6
Greece	1.3	0.9	Taiwan	2.9	2.6
Iceland	3.7	3.1	Tanzania	6.9	5.7
Indonesia	5.1	5.0	Turkey	7.4	3.5
Iran	6.2	0.1	Turkmenistan	6.5	6.3
Ireland	7.8	7.5	United Kingdom	1.8	0.9
Italy	1.6	1.2	Uzbekistan	6.4	6.0
Japan	1.7	1.0	Vietnam	6.7	6.3
Kazakhstan	4.0	1.9			

The Conference Board Global Economic Outlook, 2012-2027

GDP growth, (average annual) percent change

	Actual	Estimate	Forecast	Projected	Trend
	2012-2016	2017	2018	2018-2022	2023-2027
United States	2.3	2.4	3.0	2.1	1.9
Europe*	1.1	2.5	2.0	1.6	1.3
<i>of which: Euro Area</i>	0.7	2.5	2.0	1.5	1.2
<i>of which: United Kingdom</i>	2.2	1.8	0.9	1.6	1.3
Japan	1.4	1.7	1.0	1.3	0.9
Other Mature**	2.5	3.0	2.7	2.8	2.2
All Mature Economies	1.8	2.4	2.4	1.9	1.6
China	5.3	4.2	4.0	3.8	3.3
India	6.8	6.3	6.8	6.1	5.8
Other developing Asian economies	4.9	5.3	5.2	5.3	4.7
Latin America	0.9	0.9	2.0	2.0	1.9
<i>of which: Brazil</i>	-0.4	1.0	1.8	1.2	1.3
<i>of which: Mexico</i>	2.7	2.3	2.2	3.5	2.6
Middle East & North Africa	3.1	2.6	2.3	3.1	2.8
Sub-Saharan Africa	3.6	2.4	3.1	4.3	4.4
Russia, Central Asia and Southeast Europe***	2.7	3.8	2.6	2.2	2.1
<i>of which: Russia</i>	0.7	1.5	1.7	0.4	0.5
<i>of which: Turkey</i>	5.5	7.4	3.5	4.7	4.2
All emerging and developing economies	4.2	3.9	3.9	3.9	3.6
World	3.0	3.2	3.2	3.0	2.8

Notes: GDP growth is revised upward in order to reflect faster declines in alternative ICT prices for China, Japan and the United States, countries with significant ICT production and trade. See The Conference Board Global Economic Outlook webpage for more details, <https://www.conference-board.org/data/globaloutlook.cfm>.

*Europe includes all 28 current members of the European Union, as well as Iceland, Switzerland and Norway.

**All Mature Economies include Europe, as well as Australia, Canada, Israel, Hong Kong, South Korea, New Zealand, Singapore, and Taiwan

***Russia, Central Asia and Southeast Europe include projections for Russia, Kazakhstan, Turkmenistan, Uzbekistan, Belarus and Turkey.

Sources: The Conference Board Global Economic Outlook 2018, June 2018 update.