

Gern, Klaus-Jürgen; Hauber, Philipp; Kooths, Stefan; Stolzenburg, Ulrich

**Article**

## World Economy Summer 2018 - Reduced world economic momentum

Kiel Institute Economic Outlook, No. 43

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# KIEL INSTITUTE **ECONOMIC OUTLOOK**

**World Economy**  
Summer 2018

Finalized June 20, 2018



**No. 43 (2018|Q2)**

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

## REDUCED WORLD ECONOMIC MOMENTUM

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

The world economy has lost momentum in the beginning of this year, although partly due to special factors. We have reduced our forecast for global growth in both 2018 and 2019 by 0.2 percentage points. In the advanced economies capacity utilization will continue to increase, supporting an increase in underlying inflation in addition to the temporary impact of higher oil prices on headline inflation. Escalating trade conflicts constitute a major risk for the forecast. Other notable risks are increased political uncertainty in Europe following the elections in Italy and potential disruptions associated with the process of monetary policy normalization, including financial stress in emerging economies.

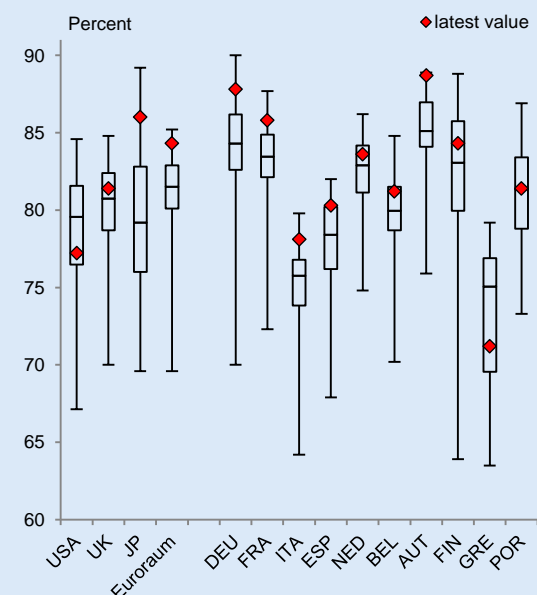
**Global growth has slowed markedly in the first quarter of 2018.** The moderation of growth was particularly pronounced in the advanced economies while momentum in the emerging economies was relatively robust. Part of the slowdown, however, seems to have been due to special factors suggesting that underlying growth is probably stronger and the second quarter will see a partial recovery of economic growth.

**Capacity utilization in the advanced economies is high.** Ten years after the global financial crisis the output gap is closed or even positive in many advanced economies according to OECD estimates. Surveys indicate unusually high capacity utilization in manufacturing in a number of countries, including Japan and large parts of the euro area (Figure 1).

**Red flags for the outlook have appeared in a small number emerging economies.** The financial environment for emerging economies has deteriorated due to the combination of monetary tightening in the US, tapering in the euro area and concerns about the outlook for growth in advanced economies amid falling sentiment indicators. So far, however, only Turkey and Argentina have been forced to raise interest rates substantially in order to deter capital outflows and arrest a progressive devaluation of their currencies. In most emerging economies, negative effects have so far been less visible, perhaps because in the private sector foreign currency denominated debt is often accompanied by foreign currency denominated assets (including export revenues), building a natural hedge against currency fluctuations.

**Political risks in Europe have risen following the election in Italy.** Concerns about a switch to fiscally unsustainable economic policies and anti-European attitudes of the new populist government have led to a significant increase of risk premia on Italian government bonds. While the cost to the government, though potentially huge in the long term, will be modest in the short term given the maturity structure of Italian public debt, the economic outlook would worsen substantially if the

**Figure 1:**  
Capacity utilization in manufacturing



Quarterly data, seasonal adjusted, 1990-Q1 to 2018-Q2. Euro area and US: Industry; UK and Japan: Manufacturing. Upper and lower boundaries reflect minimum and maximum values, the box shows lower quartile (25%), median and upper quartile (75%). Japan: Data have been linearly transformed and rescaled.

Source: European Commission, DG Ecfm; OECD, Main Economic Indicators.

elevated risk premia prevailed, as financing costs in the private sector would also increase and the balance sheet of Italian banks would deteriorate further.

**A persistent market deficit drives oil prices higher.** The price for Brent has increased to around 75 US \$ per barrel and is projected to remain high, given that inventories are already back to normal, OPEC and Russia are determined to keep their production in check and potential supply bottlenecks as a result of the re-introduction of the Iran sanctions.

**Monetary policy in the advanced economies continues to diverge.** The US central bank has progressed on its path towards monetary policy normalization and is expected to raise interest rates further over the forecast horizon to around 3 percent by the end of 2019. At the same time, the ECB will not start raising interest rates before the middle of next year, although outright asset purchases are scheduled to be terminated by the end of this year. In Japan an end to the zero interest rate policy is also not in sight.

**Global output growth (PPP-based) will decelerate slightly to 3.8 percent this year from 3.9 percent last year.** 2019 is expected to see 3.6 percent growth with capacity utilization continuing to rise in the advanced economies (Table 1). We have revised downwards our forecasts for both this year and next by 0.2 percentage points from our March report.

**Table 1:**  
Real GDP and consumer prices in selected countries and regions, 2017–2019

|  | Gross domestic product |      |      | Consumer prices |      |      |
|--|------------------------|------|------|-----------------|------|------|
|  | 2017                   | 2018 | 2019 | 2017            | 2018 | 2019 |
| United States  | 2.3                    | 2.8  | 2.3  | 1.9             | 2.2  | 2.2  |
| Japan  | 1.7                    | 0.9  | 1.2  | 0.5             | 0.9  | 1.2  |
| Euro Area  | 2.6                    | 2.1  | 2.0  | 1.5             | 1.7  | 1.7  |
| United Kingdom   | 1.8                    | 1.2  | 1.0  | 2.6             | 2.6  | 2.2  |
| <b>Advanced economies total</b>  | 2.5                    | 2.4  | 2.1  | 1.7             | 2.0  | 1.9  |
| China  | 6.9                    | 6.5  | 6.2  | 1.6             | 2.1  | 2.3  |
| Latin America  | 1.5                    | 2.1  | 2.4  | 6.8             | 5.6  | 4.8  |
| India  | 6.7                    | 7.4  | 7.8  | 3.8             | 4.9  | 4.8  |
| East Asia  | 5.2                    | 5.2  | 4.7  | 3.1             | 3.0  | 3.4  |
| Russia   | 1.5                    | 1.8  | 1.5  | 3.7             | 3.1  | 4.0  |
| <b>World economy total</b>   | 3.9                    | 3.8  | 3.6  | 3.0             | 3.4  | 3.4  |
| <i>Addendum:</i>   |                        |      |      |                 |      |      |
| World trade volume   | 4.9                    | 3.5  | 3.5  | .               | .    | .    |
| Oil price (Brent in US \$)   | 54.2                   | 74.2 | 75.9 | .               | .    | .    |
| World economy total (weighted according to GDP at market exchange rates) | 3.4                    | 3.3  | 3.1  | 2.6             | 2.9  | 2.9  |

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

Source: IfW forecast.

**The US economy is going to accelerate this year.** In 2018, GDP growth will 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. We expect GDP to rise by 2.8 percent in 2018 and 2.3 percent in 2019.

**The upturn in the euro area continues at a more moderate pace.** In the beginning of this year, the economic expansion slowed from the strong momentum of last year, but a number supportive factors remain in place, including highly expansive monetary policies, further fiscal easing and robust external demand growth. As a result, we expect the upturn in the euro area to continue although at somewhat reduced pace. Real GDP is forecast to rise by 2.1 percent and 2 percent this year and next, respectively, which is still above the estimated growth rate of potential output. Unemployment will continue to decline, to 8.4 percent this year and 7.8 percent in 2019. Pushed by higher energy prices

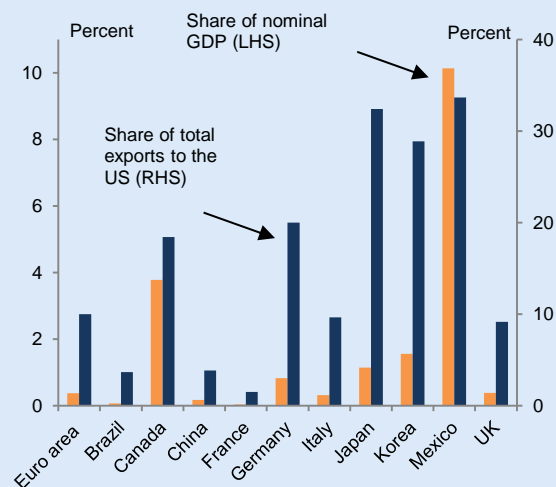
consumer price inflation will rise to 1.7 percent this year and, with underlying inflation gradually increasing, remain at this level in 2019.

**Growth in the UK is constrained by Brexit-related uncertainty.** While the UK government and EU institutions are striving to organize a smooth implementation of the British exit from the European Union, it is still largely unclear how the future relationship will finally look like. This dampens investment and exerts downward pressure on the exchange rate reducing the scope for real incomes growth. Against this backdrop, GDP growth is forecast to rise only modestly by 1.2 percent in 2018 and 1.0 percent in 2019.

**Growth in China is likely to gradually decelerate.** Following robust growth of 6.9 percent last year, GDP in China should increase by 6.5 percent and 6.3 percent this year and next, respectively. The moderation of growth is reflecting the slowdown of potential output growth and restrictive measures of the government to reign in strong credit growth that continues to be a major concern.

**Potential trade conflicts are a major risk to the outlook.** Since the beginning of this year the US government has progressively introduced protectionist policies inducing retaliation measures by affected countries, including China and the EU. There is an increasing risk of a spiral of action and counteraction that could have a substantial negative impact on the prospects for global growth. For instance US tariffs on autos and car parts, which are currently debated, would affect large volumes of exports to the US constituting significant shares of national output in a number of countries, including not only Mexico and Canada but also South Korea, Japan and Germany (Figure 2). Already the risk of an escalating trade conflict can discourage investments, dampen trade and lead to reduced world economic growth.

**Figure 2:**  
**Car exports to the US of selected countries, 2017**



Includes exports of automotive vehicles, parts, and engines.

Source: Bureau of Economic Analysis; IMF, *World Economic Outlook Database April 2018*.

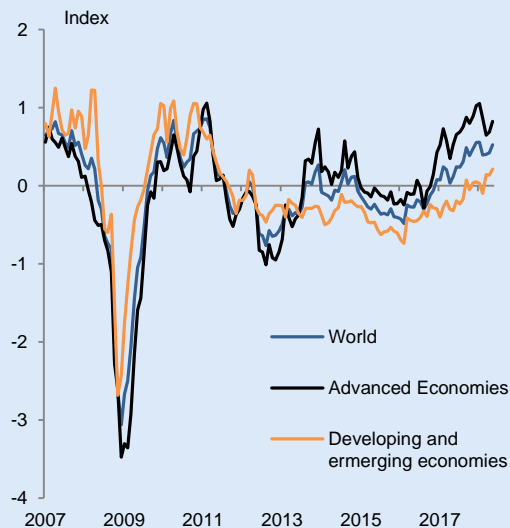
**Data annex**

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## 1. World Economy

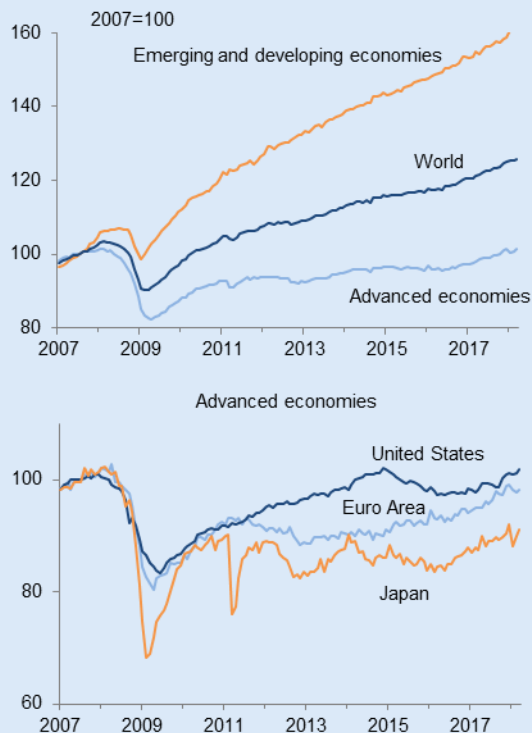
**Figure 1.1:**  
Business expectations by groups of countries, 2007–2018



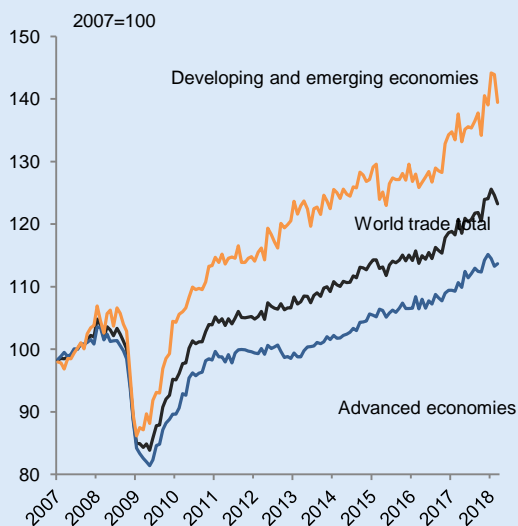
Monthly data, seasonally adjusted. Indicators are based on business expectations in 42 countries (34 advanced economies and 8 emerging economies).

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

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

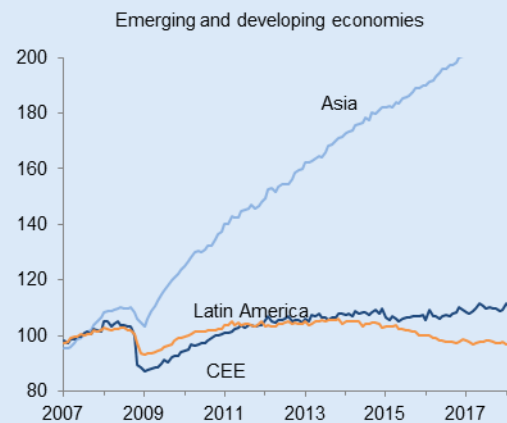


**Figure 1.3:**  
World economic activity, 2007–2018



Monthly Data.

Source: CPB, *World Trade Monitor*, own calculated.



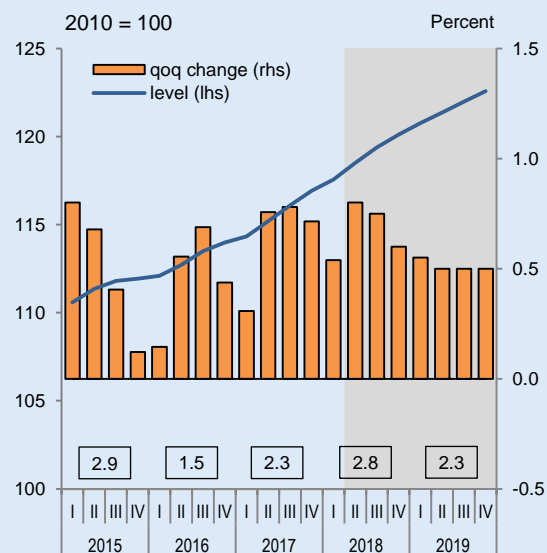
Monthly Data.

Source: CPB, *World Trade Monitor*.



## 2. United States

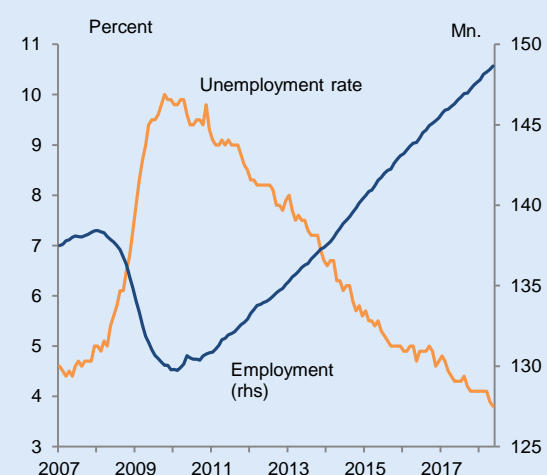
**Figure 2.1:**  
GDP, 2015–2019



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

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

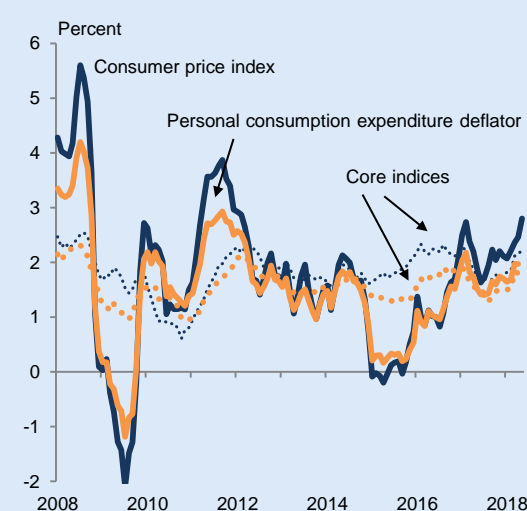
**Figure 2.2:**  
Labor market, 2007–2018



Monthly data; seasonal adjusted.

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, 2017–2019

|                               | 2017 | 2018 | 2019 |
|-------------------------------|------|------|------|
| Gross Domestic Product        | 2.3  | 2.8  | 2.3  |
| Domestic expenditure          | 2.4  | 2.6  | 2.6  |
| Private consumption           | 2.8  | 2.5  | 2.7  |
| Government consumption        | 0.1  | 1.1  | 0.7  |
| Gross fixed capital formation | 4.0  | 5.5  | 3.8  |
| Machinery and equipment       | 4.8  | 7.7  | 5.0  |
| Intellectual property rights  | 3.9  | 5.2  | 3.5  |
| Structures                    | 5.6  | 5.7  | 3.0  |
| Residential investment        | 1.8  | 2.3  | 3.2  |
| Inventories                   | -0.1 | 0.2  | 0.0  |
| Net exports                   | -0.1 | -0.1 | -0.2 |
| Exports                       | 3.4  | 4.1  | 2.9  |
| Imports                       | 4.0  | 4.8  | 3.9  |
| Consumer prices               | 2.1  | 2.5  | 2.3  |
| Unemployment rate             | 4.4  | 3.8  | 3.6  |
| Current account balance       | -2.7 | -3.0 | -3.2 |
| Government budget balance     | -3.4 | -4.3 | -4.6 |

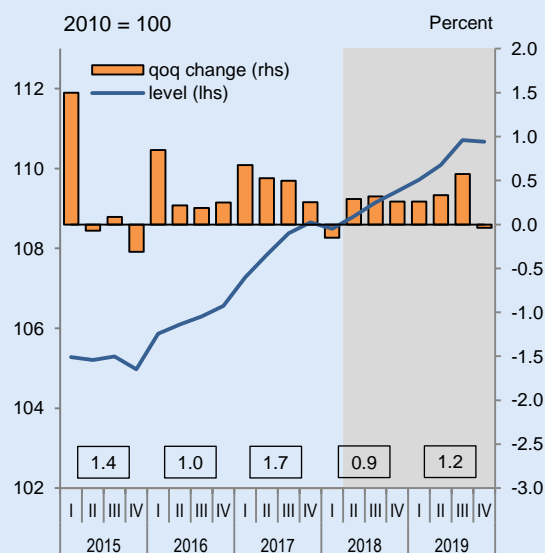
GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP. Budget balance: fiscal year.

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

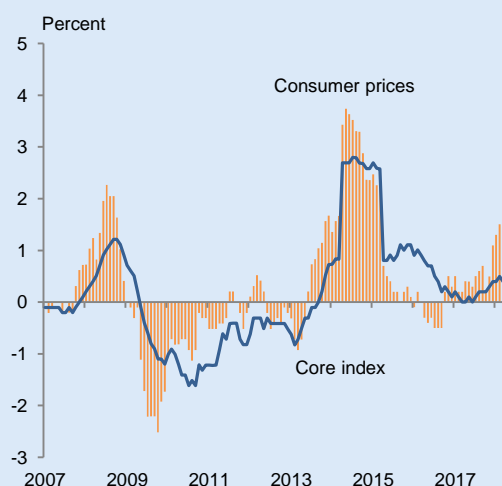
**Figure 3.1:**  
GDP, 2015–2019



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

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

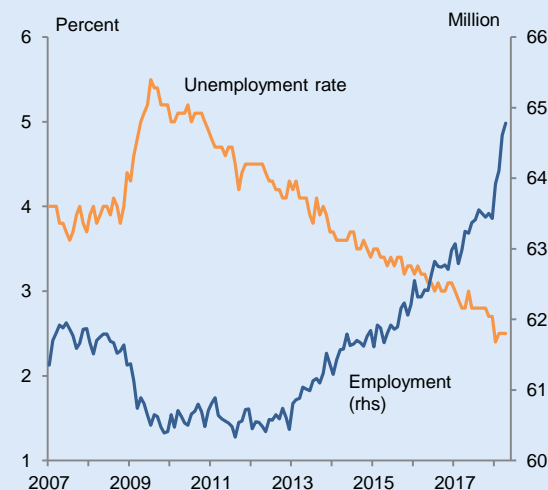
**Figure 3.3:**  
Consumer prices, 2007–2018



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

Source: Statistics Bureau of Japan.

**Figure 3.2:**  
Labor market, 2007–2018



Monatsdaten; saisonbereinigt.

Quelle: Department of Labor.

**Table 3.1:**  
Key indicators Japan, 2016–2019

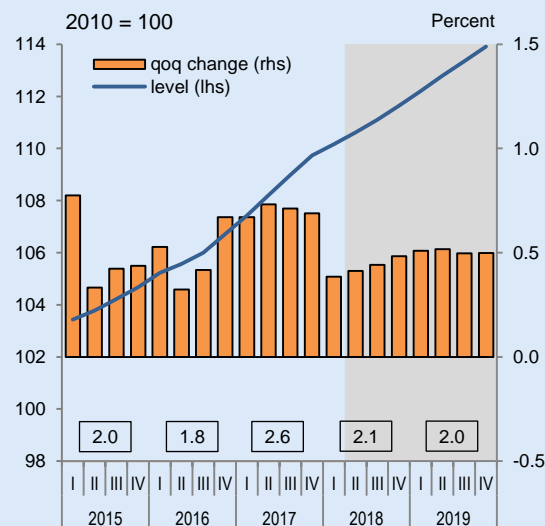
|                               | 2016 | 2017 | 2018 | 2019 |
|-------------------------------|------|------|------|------|
| Gross Domestic Product        | 1.0  | 1.7  | 0.9  | 1.2  |
| Domestic expenditure          | 0.4  | 1.2  | 0.7  | 1.2  |
| Private consumption           | 0.1  | 1.0  | 0.4  | 1.1  |
| Government consumption        | 1.3  | 0.4  | 0.6  | 0.8  |
| Gross fixed capital formation | 1.1  | 2.5  | 1.0  | 1.8  |
| Enterprises                   | 0.6  | 2.9  | 2.4  | 2.0  |
| Residential Investment        | 5.6  | 2.7  | -4.4 | 1.8  |
| Public investment             | 0.1  | 1.2  | -0.2 | 1.2  |
| Change in inventories         | -0.2 | -0.1 | 0.1  | 0.0  |
| Net exports                   | 0.4  | 0.4  | 0.1  | 0.0  |
| Exports                       | 1.7  | 6.7  | 4.3  | 3.0  |
| Imports                       | -1.6 | 3.5  | 3.4  | 3.1  |
| Consumer prices               | -0.1 | 0.5  | 0.9  | 1.2  |
| Unemployment rate             | 3.1  | 2.8  | 2.5  | 2.3  |
| Current account balance       | 3.8  | 4.0  | 3.9  | 4.2  |
| Government budget balance     | -3.4 | -3.5 | -3.4 | -3.1 |

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

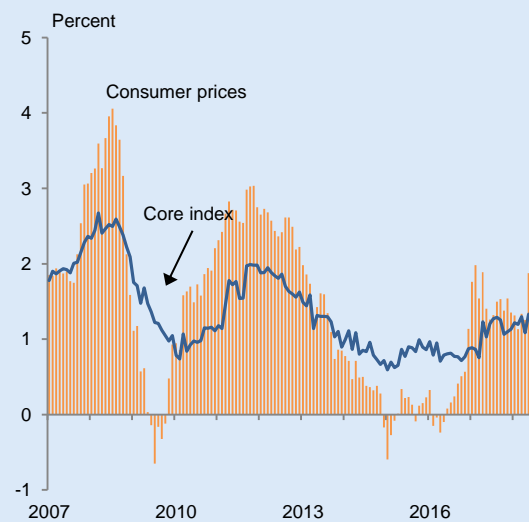
**Figure 4.1:**  
GDP, 2015–2019



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

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

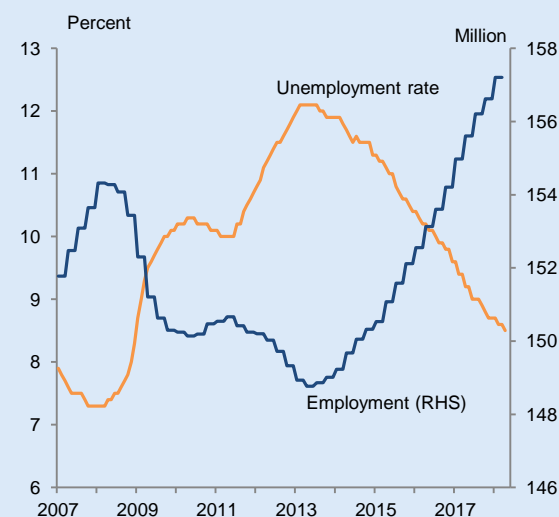
**Figure 4.3:**  
Consumer prices, 2007–2018



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

Source: Eurostat, *Price Statistics*.

**Figure 4.2:**  
Labor market, 2007–2018



Monthly data; seasonally adjusted.

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

**Table 4.1:**  
Key indicators Euro Area, 2016–2019

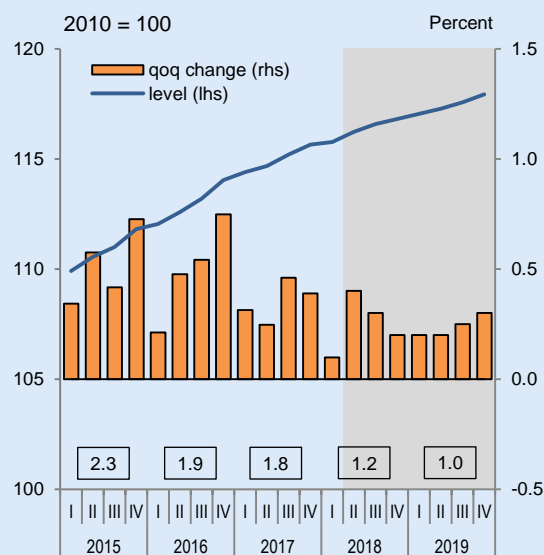
|                               | 2016 | 2017 | 2018 | 2019 |
|-------------------------------|------|------|------|------|
| Gross Domestic Product        | 1.8  | 2.5  | 2.1  | 2.0  |
| Domestic expenditure          | 2.4  | 1.9  | 1.9  | 2.1  |
| Private consumption           | 1.9  | 1.7  | 1.6  | 1.8  |
| Government consumption        | 1.8  | 1.2  | 1.2  | 1.6  |
| Gross fixed capital formation | 4.5  | 3.1  | 3.3  | 3.4  |
| Inventories                   | -0.1 | 0.0  | 0.0  | 0.0  |
| Net exports                   | -0.5 | 0.6  | 0.3  | -0.0 |
| Exports                       | 3.4  | 5.3  | 4.0  | 4.5  |
| Imports                       | 4.8  | 4.3  | 3.7  | 5.0  |
| Consumer prices               | 0.2  | 1.5  | 1.7  | 1.7  |
| Unemployment rate             | 10.0 | 9.1  | 8.4  | 7.8  |
| Current account balance       | 3.6  | 3.5  | 3.4  | 3.0  |
| 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

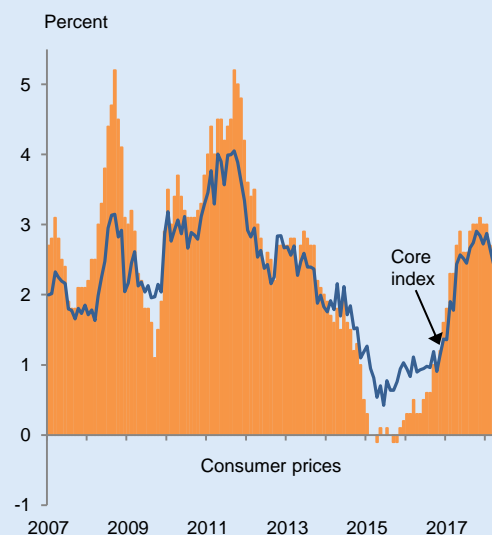
**Figure 5.1:**  
GDP, 2015–2019



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

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

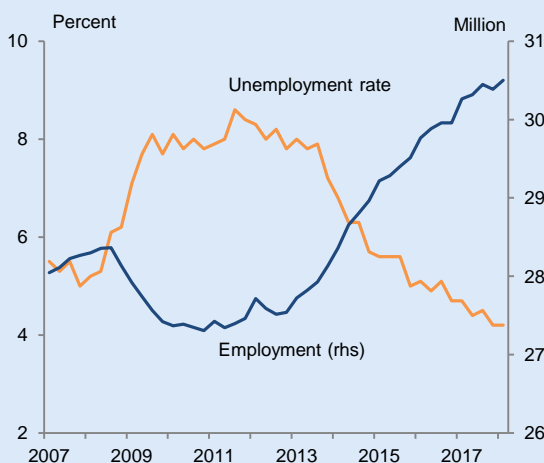
**Figure 5.3:**  
Consumer prices, 2007–2018



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

Source: Office for National Statistics, *Economy*.

**Figure 5.2:**  
Labor market, 2007–2018



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

**Table 5.1:**  
Key indicators United Kingdom, 2016–2019

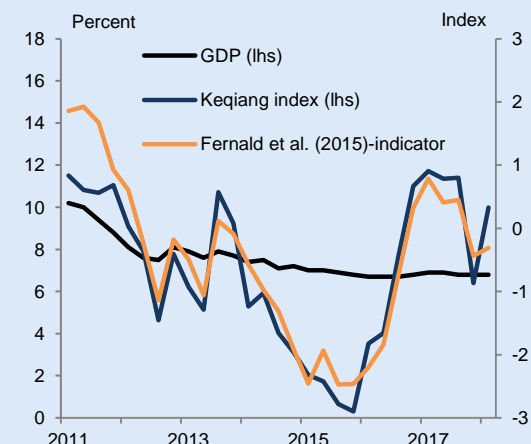
|                           | 2016 | 2017 | 2018 | 2019 |
|---------------------------|------|------|------|------|
| Gross Domestic Product    | 1.9  | 1.8  | 1.2  | 1.0  |
| Domestic expenditure      | 2.2  | 1.4  | 1.2  | 0.7  |
| Private consumption       | 2.9  | 1.7  | 1.0  | 0.7  |
| Government consumption    | 0.8  | 0.1  | 1.1  | 1.1  |
| Gross fixed investment    | 1.8  | 4.0  | 2.2  | 0.2  |
| Inventories               | -0.2 | -0.4 | 0.0  | 0.0  |
| Net exports               | -0.8 | 0.6  | 0.1  | 0.4  |
| Exports                   | 2.3  | 5.7  | 1.9  | 2.5  |
| Imports                   | 4.8  | 3.2  | 1.0  | 0.9  |
| Consumer prices           | 0.7  | 2.6  | 2.6  | 2.2  |
| Unemployment rate         | 4.8  | 4.4  | 4.2  | 4.3  |
| Current account balance   | -5.8 | -4.1 | -3.0 | -2.5 |
| Government budget balance | -3.3 | -1.8 | -1.6 | -1.5 |

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

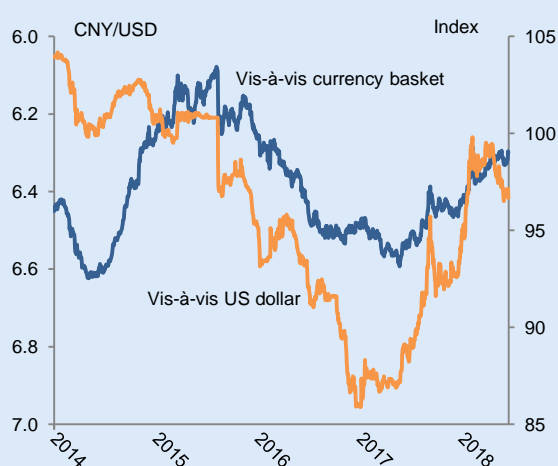
**Figure 6.1:**  
GDP and alternative activity indicators, 2011–2018



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; own calculations.

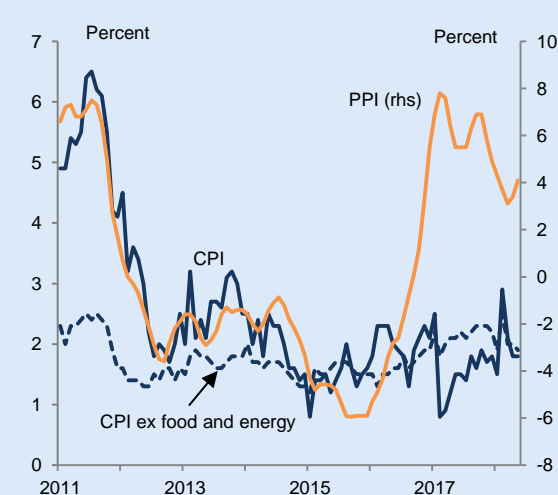
**Figure 6.3:**  
Exchange rate, 2014–2018



Daily data.

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

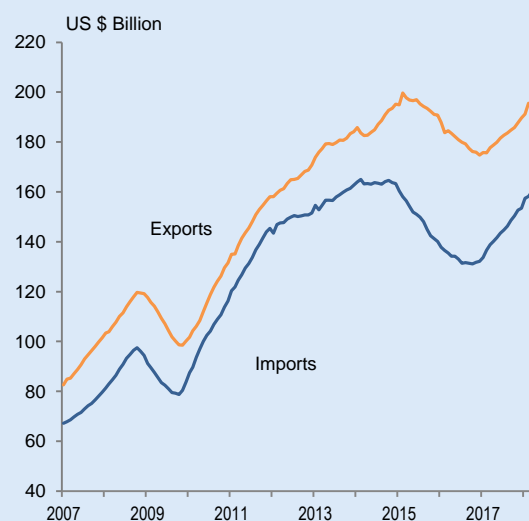
**Figure 6.2:**  
Inflation, 2011–2018



Monthly data; y-o-y growth rate. Core index: CPI excluding food.

Source: National Bureau of Statistics.

**Figure 6.4:**  
Exports and imports, 2007–2018

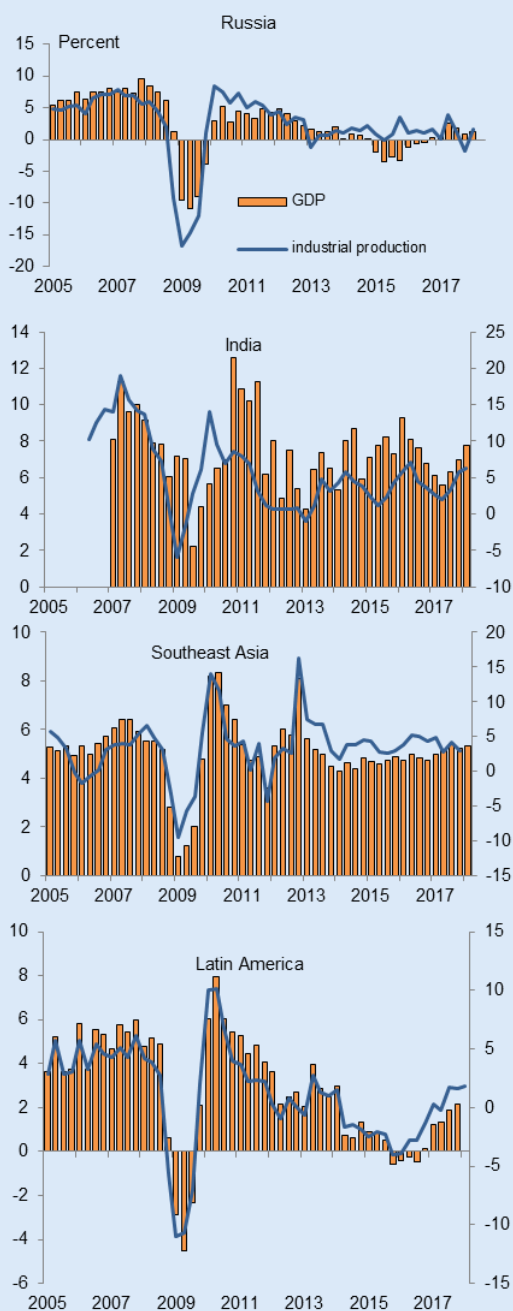


Monthly data, 12-month moving average.

Source: General Administration of Customs; own calculations.

## 7. Emerging Economies

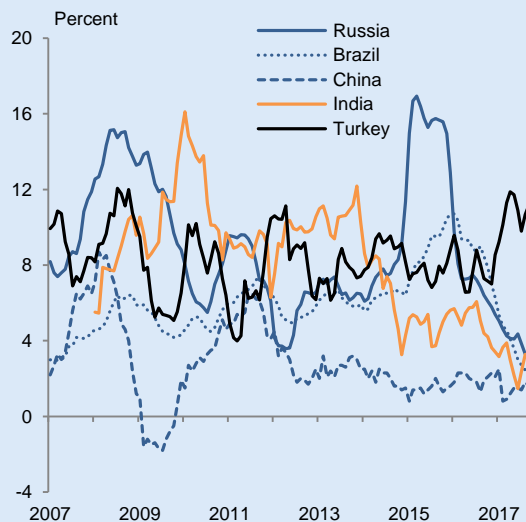
**Figure 7.1:**  
GDP and industrial production in Emerging Economies 2005–2018



Quarterly data; volumes; seasonal adjusted; change over previous quarter; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: Q4 2015 to Q2 2016 partly estimated.

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

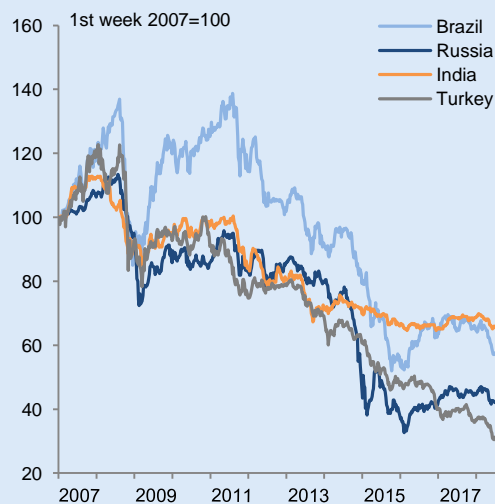
**Figure 7.2:**  
Consumer price inflation in large emerging economies, 2007–2018



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: June 11th 2017.

Source: Thomson Financial Datastream.

## 8. Forecast summary

**Table 8.1:**  
Key assumptions, 2017–2019

|                                | 2017  |       |       |       | 2018  |       |       |       | 2019  |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                | I     | II    | III   | IV    | I     | II    | III   | IV    | I     | II    | III   | IV    |
| Key interest rate              |       |       |       |       |       |       |       |       |       |       |       |       |
| United States                  | 0.8   | 1.0   | 1.0   | 1.3   | 1.5   | 1.8   | 2.0   | 2.3   | 2.3   | 2.5   | 2.5   | 2.8   |
| Japan                          | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | 0.0   | 0.0   | 0.0   | 0.1   |
| Euro area                      | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.0   | 0.3   |
| Exchange rates                 |       |       |       |       |       |       |       |       |       |       |       |       |
| US-dollar/euro                 | 1.1   | 1.1   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   | 1.2   |
| Yen/US-dollar                  | 109.5 | 111.1 | 111.0 | 112.9 | 108.3 | 108.5 | 110.0 | 110.0 | 110.0 | 110.0 | 110.0 | 110.0 |
| Oil price (Brent, US-dollar)   | 53.6  | 49.6  | 52.1  | 61.4  | 66.9  | 75.4  | 79.0  | 75.6  | 75.4  | 75.7  | 76.1  | 76.5  |
| HWWI-Index indust. commodities | 123.1 | 110.4 | 118.9 | 120.5 | 129.8 | 129.5 | 132.1 | 133.5 | 135.5 | 137.5 | 138.9 | 140.2 |

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: HWWI, *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, 2017–2019

|                | Weights | Real GDP |      |      | Consumer prices |      |      | Unemployment rate |      |      |
|----------------|---------|----------|------|------|-----------------|------|------|-------------------|------|------|
|                |         | 2017     | 2018 | 2019 | 2017            | 2018 | 2019 | 2017              | 2018 | 2019 |
| European Union | 36.4    | 2.6      | 2.1  | 1.9  | 1.8             | 2.0  | 1.9  | 8.0               | 7.3  | 6.9  |
| Euro area      | 26.3    | 2.6      | 2.1  | 2.0  | 1.5             | 1.7  | 1.7  | 9.1               | 8.4  | 7.9  |
| United Kingdom | 5.9     | 1.8      | 1.2  | 1.0  | 2.6             | 2.6  | 2.2  | 4.4               | 4.2  | 4.3  |
| Sweden         | 1.1     | 2.7      | 2.6  | 1.9  | 1.8             | 2.2  | 2.0  | 6.7               | 6.2  | 6.0  |
| Poland         | 1.1     | 4.7      | 4.3  | 2.8  | 1.5             | 1.6  | 1.8  | 4.9               | 3.8  | 3.1  |
| Switzerland    | 1.5     | 1.1      | 2.1  | 1.6  | 0.5             | 0.8  | 0.9  | 4.6               | 4.5  | 4.3  |
| Norway         | 0.8     | 1.4      | 1.6  | 1.9  | 2.1             | 2.3  | 2.2  | 4.2               | 3.8  | 3.6  |
| United States  | 41.2    | 2.3      | 2.8  | 2.3  | 2.1             | 2.5  | 2.3  | 4.9               | 4.8  | 4.6  |
| Canada         | 3.4     | 3.0      | 2.3  | 2.0  | 1.6             | 1.8  | 2.1  | 6.3               | 5.8  | 5.6  |
| Japan          | 11.0    | 1.7      | 0.9  | 1.2  | 0.5             | 0.9  | 1.2  | 2.8               | 2.5  | 2.3  |
| South Korea    | 3.1     | 3.1      | 3.0  | 2.5  | 1.9             | 1.7  | 2.0  | 3.7               | 3.7  | 3.6  |
| Australia      | 2.7     | 2.2      | 2.9  | 3.0  | 2.0             | 2.3  | 2.3  | 5.6               | 5.4  | 5.3  |
| Total          | 100.0   | 2.4      | 2.4  | 2.1  | 1.8             | 2.1  | 2.1  | 6.0               | 5.6  | 5.3  |

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 2015.

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, 2017–2019

|                           | Weights | Real GDP |      |      | Consumer prices |      |      | Unemployment rate |      |      |
|---------------------------|---------|----------|------|------|-----------------|------|------|-------------------|------|------|
|                           |         | 2017     | 2018 | 2019 | 2017            | 2018 | 2019 | 2017              | 2018 | 2019 |
| Germany                   | 21.2    | 2.5      | 2.0  | 2.5  | 1.7             | 2.0  | 2.0  | 3.8               | 3.3  | 3.0  |
| France                    | 15.0    | 2.3      | 1.7  | 1.7  | 1.2             | 1.8  | 1.6  | 9.4               | 9.0  | 8.5  |
| Italy                     | 11.3    | 1.6      | 1.1  | 0.8  | 1.3             | 1.3  | 1.3  | 11.2              | 11.0 | 10.8 |
| Spain                     | 7.5     | 3.1      | 2.7  | 2.1  | 2.0             | 1.8  | 1.8  | 17.2              | 15.6 | 14.7 |
| Netherlands               | 4.7     | 3.3      | 2.3  | 2.0  | 1.3             | 1.7  | 1.7  | 4.9               | 3.8  | 3.1  |
| Belgium                   | 2.8     | 1.7      | 1.5  | 1.6  | 2.2             | 2.0  | 1.9  | 7.1               | 6.3  | 6.0  |
| Austria                   | 2.4     | 3.2      | 3.0  | 2.0  | 2.2             | 2.3  | 2.3  | 5.5               | 5.0  | 4.8  |
| Ireland                   | 1.9     | 7.8      | 7.3  | 3.4  | 0.4             | 0.4  | 1.5  | 6.7               | 5.6  | 4.8  |
| Finland                   | 1.5     | 2.7      | 3.0  | 2.1  | 0.8             | 1.3  | 1.4  | 8.6               | 8.2  | 7.9  |
| Portugal                  | 1.2     | 2.7      | 2.0  | 1.7  | 1.6             | 1.4  | 1.7  | 9.0               | 7.3  | 6.2  |
| Greece                    | 1.2     | 1.3      | 2.1  | 2.3  | 1.1             | 0.9  | 1.2  | 21.5              | 19.7 | 18.0 |
| Slovak Republic           | 0.5     | 3.4      | 3.8  | 3.8  | 1.4             | 2.8  | 2.7  | 8.1               | 7.0  | 5.9  |
| Luxembourg                | 0.4     | 2.3      | 3.2  | 3.2  | 2.1             | 1.9  | 2.1  | 5.6               | 5.3  | 5.0  |
| Slovenia                  | 0.3     | 5.4      | 4.1  | 3.2  | 1.6             | 2.0  | 2.1  | 6.6               | 5.1  | 4.4  |
| Lithuania                 | 0.3     | 3.9      | 4.2  | 3.9  | 3.7             | 3.4  | 3.6  | 7.1               | 6.4  | 6.0  |
| Latvia                    | 0.2     | 5.0      | 4.7  | 4.1  | 2.9             | 2.5  | 2.8  | 8.7               | 7.3  | 6.8  |
| Estonia                   | 0.1     | 4.7      | 3.1  | 3.4  | 3.7             | 3.5  | 3.6  | 5.8               | 5.2  | 4.8  |
| Cyprus                    | 0.1     | 3.9      | 3.9  | 3.3  | 0.7             | 0.4  | 0.9  | 11.1              | 8.6  | 7.1  |
| Malta                     | 0.1     | 6.4      | 3.5  | 3.7  | 1.3             | 1.8  | 2.1  | 4.0               | 3.2  | 2.7  |
| United Kingdom            | 15.9    | 1.8      | 1.2  | 1.0  | 2.6             | 2.6  | 2.2  | 4.4               | 4.2  | 4.3  |
| Sweden                    | 3.1     | 2.7      | 2.6  | 1.9  | 1.8             | 2.2  | 2.0  | 6.7               | 6.2  | 6.0  |
| Poland                    | 2.9     | 4.7      | 4.3  | 2.8  | 1.5             | 1.6  | 1.8  | 4.9               | 3.8  | 3.1  |
| Denmark                   | 1.9     | 2.2      | 1.2  | 1.5  | 1.0             | 1.4  | 1.3  | 5.7               | 5.0  | 4.5  |
| Czech Republic            | 1.2     | 4.6      | 2.9  | 2.6  | 2.5             | 2.3  | 2.6  | 2.9               | 2.1  | 1.7  |
| Romania                   | 1.1     | 6.8      | 3.3  | 3.2  | 0.8             | 3.2  | 3.0  | 4.9               | 4.3  | 4.0  |
| Hungary                   | 0.8     | 4.2      | 4.1  | 2.7  | 2.2             | 2.7  | 2.7  | 4.2               | 3.6  | 3.3  |
| Bulgaria                  | 0.3     | 3.7      | 3.5  | 3.2  | 1.0             | 2.4  | 2.3  | 6.2               | 5.2  | 4.8  |
| Croatia                   | 0.3     | 3.1      | 2.2  | 2.4  | 1.2             | 1.8  | 1.7  | 11.2              | 8.8  | 7.4  |
| European Union            | 100.0   | 2.6      | 2.1  | 1.9  | 1.8             | 2.0  | 1.9  | 8.0               | 7.3  | 6.9  |
| <i>Addendum:</i>          |         |          |      |      |                 |      |      |                   |      |      |
| European Union 15         | 91.6    | 2.4      | 1.9  | 1.8  | 1.7             | 1.9  | 1.8  | 8.2               | 7.6  | 7.2  |
| Accession countries       | 8.4     | 4.6      | 3.6  | 2.9  | 1.6             | 2.2  | 2.3  | 7.2               | 5.9  | 5.1  |
| Euro Area                 | 72.5    | 2.6      | 2.1  | 2.0  | 1.5             | 1.7  | 1.7  | 9.1               | 8.4  | 7.9  |
| Euro Area without Germany | 51.4    | 2.6      | 2.1  | 1.8  | 1.5             | 1.7  | 1.6  | 11.0              | 10.2 | 9.6  |

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 2016. 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, 2016–2019**

|                                | Weights | Real GDP |      |      |      | Consumer prices |      |      |      |
|--------------------------------|---------|----------|------|------|------|-----------------|------|------|------|
|                                |         | 2016     | 2017 | 2018 | 2019 | 2016            | 2017 | 2018 | 2019 |
| Indonesia                      | 6.0     | 5.0      | 5.1  | 5.3  | 5.2  | 3.5             | 3.8  | 3.4  | 4.0  |
| Thailand                       | 2.3     | 3.3      | 3.9  | 4.1  | 3.0  | 0.2             | 0.7  | 1.5  | 2.0  |
| Malaysia                       | 1.7     | 4.2      | 5.9  | 5.2  | 4.4  | 2.1             | 3.8  | 2.2  | 3.0  |
| Philippines                    | 1.6     | 6.9      | 6.6  | 6.3  | 5.7  | 1.3             | 2.9  | 4.3  | 3.6  |
| Total                          | 11.5    | 4.8      | 5.2  | 5.2  | 4.7  | 2.3             | 3.1  | 3.0  | 3.4  |
| China                          | 42.5    | 6.7      | 6.9  | 6.5  | 6.2  | 2.0             | 1.6  | 2.1  | 2.3  |
| India                          | 17.4    | 7.1      | 6.7  | 7.4  | 7.8  | 4.5             | 3.8  | 4.9  | 4.8  |
| Asian countries                | 71.5    | 6.5      | 6.6  | 6.5  | 6.4  | 2.7             | 2.4  | 2.9  | 3.1  |
| Brazil                         | 6.0     | -3.5     | 1.0  | 1.7  | 2.4  | 8.7             | 3.4  | 3.3  | 4.0  |
| Mexico                         | 4.5     | 2.6      | 2.3  | 2.8  | 2.4  | 2.8             | 6.0  | 4.3  | 3.1  |
| Argentina                      | 1.7     | -1.8     | 2.9  | 2.2  | 2.6  | 25.0            | 26.9 | 22.7 | 15.4 |
| Colombia                       | 1.3     | 2.0      | 1.8  | 2.6  | 3.1  | 7.5             | 4.3  | 3.1  | 3.0  |
| Venezuela                      | 0.7     | -16.5    | -4.5 | -3.0 | -1.0 | 254.4           | -    | -    | -    |
| Chile                          | 0.8     | 1.2      | 1.6  | 4.2  | 2.8  | 3.8             | 2.2  | 2.3  | 3.0  |
| Peru                           | 0.8     | 4.0      | 2.5  | 3.5  | 3.5  | 3.6             | 2.8  | 1.3  | 2.3  |
| Latin American countries total | 15.8    | -1.1     | 1.5  | 2.1  | 2.4  | 8.1             | 6.8  | 5.6  | 4.8  |
| Russia                         | 7.4     | -0.2     | 1.5  | 1.8  | 1.5  | 15.5            | 3.7  | 3.1  | 4.0  |
| Turkey                         | 4.0     | 3.2      | 7.0  | 3.8  | 3.0  | 7.8             | 11.1 | 12.5 | 10.0 |
| South Africa                   | 1.4     | 0.3      | 0.9  | 0.9  | 0.9  | 6.3             | 5.3  | 5.4  | 5.1  |
| Total                          | 100.0   | 4.6      | 5.4  | 5.3  | 5.2  | 4.7             | 3.6  | 3.8  | 3.7  |

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.