



Global outlook

Disappointing global growth to pick up slightly next year

Growth in global economic activity is now projected to bottom this year and rise gradually toward trend by 2017, led primarily by an acceleration in emerging market economies. We expect global growth will have dipped to 3.1% in 2015, its slowest pace since the global financial crisis in 2009. This slowdown has been driven primarily by a deceleration in emerging market economies, where growth is expected to have fallen by more than one-half of a percentage point from 2014. The sharp contractions in Russia and Brazil are the main reason for this deceleration. Conversely, faster growth in the euro area and Japan implies a modest pickup in growth in advanced economies this year.

Over the next two years changes in the global growth outlook are likely to be driven entirely by fluctuations in emerging market growth. Next year growth is projected to rise gradually, as the severe contractions in Russia and Brazil moderate. This should help boost emerging market growth by almost one-half of a percentage point, even with growth slowing further in China. But the emerging markets growth story is not simply a technical one: recent declines in export growth should reverse, albeit weakly, providing a more positive basis for recovery than the 'less bad' Brazil and Russia outlooks. Growth in advanced economies should remain stable at just below 2% in 2016, as a more-than-doubling in growth in Japan and a slight pickup in the euro area offset deceleration in the US. Further acceleration in global economic activity in 2017 is likely to be due to additional improvement in Russia and Brazil, while a pickup in India and stability in China would imply a modest acceleration in emerging Asia. Advanced economy growth is once again expected to remain just shy of 2% in 2017, despite a halving of growth in Japan.

Figure 1: Global growth to rise toward trend from its slowest pace since 2009



Note: Trend period: 1995-2017  
 Source: IMF, Haver Analytics LP, Deutsche Bank Research

Figure 2: Fluctuations in growth in emerging market economies driving global growth dynamics over next two years

	GDP growth, %				CPI inflation, %			
	2014	2015F	2016F	2017F	2014	2015F	2016F	2017F
G7	1.7	1.9	1.9	1.8	1.5	0.3	1.5	2.1
US	2.4	2.4	2.1	2.1	1.6	0.2	1.9	2.3
Japan	-0.1	0.7	1.5	0.8	2.8	0.8	0.7	2.1
Euro area	0.9	1.5	1.6	1.5	0.4	0.1	0.9	1.6
Asia (ex-Japan)	6.4	6.1	6.1	6.3	3.4	2.4	2.9	2.9
China	7.3	7.0	6.7	6.7	2.0	1.4	1.8	1.8
India	7.1	7.3	7.5	7.8	6.7	4.9	5.4	5.0
EEMEA	2.4	1.0	1.9	2.5	6.0	8.7	6.7	5.9
Russia	0.6	-3.7	-0.7	0.5	7.8	15.6	9.2	7.1
Latin America	0.8	-0.8	-0.1	2.2	12.5	15.2	18.8	19.4
Brazil	0.1	-3.7	-2.4	1.0	6.3	9.0	8.5	6.2
Advanced economies	1.7	1.9	1.9	1.8	1.3	0.3	1.4	2.0
EM economies	4.6	4.0	4.4	4.9	5.3	5.6	5.9	5.7
Global	3.4	3.1	3.3	3.6	3.6	3.4	4.0	4.2

Source: Deutsche Bank Research