

World Economic Outlook¹

Global growth remains moderate and uneven. Growth is projected at 3.1 percent in 2015, somewhat lower than last year, and is expected to accelerate to 3.6 percent in 2016. Prospects across the main countries and regions continue to vary:

- While the dynamism of advanced economies is still muted by postcrisis legacies, growth is projected to pick up modestly this year and next year. This year's developments reflect primarily a strengthening of the modest recovery in the euro area and a return to positive growth in Japan, supported by declining oil prices, accommodative monetary policy, and, in some cases, currency depreciation. In the United States, the recovery is more entrenched, but underlying productivity gains remain weak. The pickup in advanced economies is hampered by a decline in growth in commodity exporters—particularly Canada and Norway—and in Korea.
- Growth prospects in emerging markets vary significantly across countries, but the outlook is generally weakening given lower growth in oil and other commodity exporters, a slowdown in China reflecting lower reliance on investment, adjustment in the aftermath of credit and investment booms, and geopolitical tensions and security challenges in some countries. Growth should rebound in 2016 owing to a partial normalization of conditions in countries currently in economic distress (Russia, Brazil and some other countries in Latin America, and some in the Middle East), spillovers from stronger activity in advanced economies, and the easing of sanctions on Iran. China is projected to slow further, albeit gradually.

Overview of the *World Economic Outlook* Projections

(Annual percent change)

	2014	Projections	
		2015	2016
World output	3.4	3.1	3.6
Advanced economies	1.8	2.0	2.2
<i>Of which:</i> United States	2.4	2.6	2.8
European Union	1.5	1.9	1.9
Emerging market and developing economies	4.6	4.0	4.5
<i>Of which:</i> MENAP	2.7	2.5	3.9
CCA	5.3	3.7	4.0
Commonwealth of Independent States	1.0	-2.7	0.5
<i>Of which:</i> Russia	0.6	-3.8	-0.6
World trade volume (goods and services)	3.3	3.2	4.1
Commodity prices			
Oil ¹	-7.5	-46.4	-2.4
Nonfuel ²	-4.0	-16.9	-5.1

Sources: IMF, *World Economic Outlook* (October 2015) and *Regional Economic Outlook: Middle East and Central Asia* (October 2015).

¹ Simple average of prices of U.K. Brent, Dubai, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel was \$96.25 in 2014; the assumed price based on future markets is \$51.62 in 2015 and \$50.36 in 2016.

² Average (measured in U.S. dollars) based on world commodity export weights.

Downside risks to growth have risen, particularly for emerging market and developing countries, reflecting highly volatile financial markets. Lower prices for oil and other commodities could provide some upside to demand in commodity importers, but complicate the outlook for commodity exporters, especially emerging markets already facing strained conditions. Increased financial market volatility can pose financial stability challenges in advanced economies, with important spillovers to emerging markets, including through tighter financial conditions and a reversal in capital flows. Emerging markets also remain vulnerable in the short term to a sharp appreciation of the U.S. dollar, which could exacerbate strains on corporate balance sheets in some countries. Over the medium term, the main risk for advanced economies is near stagnation, particularly if global demand falters. In emerging markets, spillovers from a stronger slowdown of growth in China remain a concern. Escalation of geopolitical tensions, with increased disruptions in global trade and financial transactions and commodity markets, are also a risk.

¹ See IMF, *World Economic Outlook*, *Global Financial Stability Report*, and *Fiscal Monitor* (all October 2015) for more information.

Boosting growth through a combination of demand support and structural reforms continues to be the key policy priority:

- In advanced economies, accommodative monetary policy remains essential, alongside macroprudential policies to contain financial sector risks as needed. In countries with fiscal space and sizable economic slack, the near-term fiscal stance should be eased, especially through higher infrastructure investment. Structural reforms should aim to strengthen labor market functioning to create new jobs and boost labor market participation, increase competition in product markets, and tackle debt overhang.
- Many emerging markets face a difficult trade-off between supporting demand amid slowing growth and reducing vulnerabilities in a more difficult external environment. In oil importers, lower oil prices have reduced price pressures and external vulnerabilities, easing the burden on monetary policy. In oil exporters, lower oil revenue calls for fiscal consolidation, with the timing and pace of adjustment depending on policy space. Currency depreciation can help to offset the demand impact of terms-of-trade losses in countries with flexible exchange rate regimes, but sharp exchange rate changes could exacerbate vulnerabilities from high corporate leverage and foreign currency exposures in some countries. Structural reforms to raise productivity and remove bottlenecks to production are urgently needed in many cases.