Starboard Advisors

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Commentary on IMF Growth Forecasts

The International Monetary Fund, an independent, non-political organization whose forecasts and estimates are widely followed in the investment community, released its latest version of its World Economic Outlook Update. This Report has an optimistic tone and investors should heed the findings and conclusions in the Outlook.

We summarize some key elements of the Outlook as follows:

- Global GDP Growth for the 2017 year was 3.7%; the IMF Outlook is now estimating 3.9% global growth for 2018 and 2019.
- US GDP Growth for 2017 came in at 2.3%, up from 1.5% in 2016. For 2018 and 2019, the IMF estimates are for growth of 2.7% in 2018, and 2.5% in 2019.
- Risks to these optimistic forecasts include geopolitical tensions in Korea and the Middle East, possible trade war frictions, and the likelihood of rising inflation and interest rates from currently low levels.
- Positive growth in Europe and Japan is an important factor in the higher global growth estimates.

We intend to monitor these IMF forecasts and we will issue brief commentary and IMF updates become public.

-Tom Burnett, CFA & Vice Chairman of Wall Street Access

We are pleased to be partnering with the Kelleher Family and their holding company **Wall Street Access**. Together and in collaboration with our **Investment Committee** we will be providing market commentary from time to time on subjects we think would be of interest to our clients and friends of the firm.

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Brighter Prospects, Optimistic Markets, Challenges Ahead

- *Global economic activity continues to firm up. Global output is estimated to have grown by 3.7 percent in 2017, which is 0.1 percentage point faster than projected in the fall and ½ percentage point higher than in 2016. The pickup in growth has been broad based, with notable upside surprises in Europe and Asia. Global growth forecasts for 2018 and 2019 have been revised upward by 0.2 percentage point to 3.9 percent. The revision reflects increased global growth momentum and the expected impact of the recently approved U.S. tax policy changes.*

- *The U.S. tax policy changes are expected to stimulate activity, with the short-term impact in the United States mostly driven by the investment response to the corporate income tax cuts. The effect on U.S. growth is estimated to be positive through 2020, cumulating to 1.2 percent through that year, with a range of uncertainty around this central scenario. Due to the temporary nature of some of its provisions, the tax policy package is projected to lower growth for a few years from 2022 onwards. The effects of the package on output in the United States and its trading partners contribute about half of the cumulative revision to global growth over 2018–19.*

- *Risks to the global growth forecast appear broadly balanced in the near term, but remain skewed to the downside over the medium term. On the upside, the cyclical rebound could prove stronger in the near term as the pickup in activity and easier financial conditions reinforce each other. On the downside, rich asset valuations and very compressed term premiums raise the possibility of a financial market correction, which could dampen growth and confidence. A possible trigger is a faster-than-expected increase in advanced economy core inflation and interest rates as demand accelerates. If global sentiment remains strong and inflation muted, then financial conditions could remain loose into the medium term, leading to a buildup of financial vulnerabilities in advanced and emerging market economies alike. Inward-looking policies, geopolitical tensions, and political uncertainty in some countries also pose downside risks.*

- *The current cyclical upswing provides an ideal opportunity for reforms. Shared priorities across all economies include implementing structural reforms to boost potential output and making growth more inclusive. In an environment of financial market optimism, ensuring financial resilience is imperative. Weak inflation suggests that slack remains in many advanced economies and monetary policy should continue to remain accommodative. However, the improved growth momentum means that fiscal policy should increasingly be designed with an eye on medium-term goals—ensuring fiscal sustainability and bolstering potential output. Multilateral cooperation remains vital for securing the global recovery.*

The Global Recovery Has Strengthened

The cyclical upswing underway since mid-2016 has continued to strengthen. Some 120 economies, accounting for three quarters of world GDP, have seen a pickup in growth in year-on-year terms in 2017, the broadest synchronized global growth upsurge since 2010. Among advanced economies, growth in the third quarter of 2017 was higher than projected in the fall, notably in Germany, Japan, Korea, and the United States. Key emerging market and developing economies, including Brazil, China, and South Africa, also posted third-quarter growth stronger than the fall forecasts. High-frequency hard data and sentiment indicators point to a continuation of strong momentum in the fourth quarter. World trade has grown strongly in recent months, supported by a pickup in investment, particularly among advanced economies, and increased manufacturing output in Asia in the run up to the launch of new smartphone models. Purchasing managers' indices indicate firm manufacturing activity ahead, consistent with strong consumer confidence pointing to healthy final demand.

Commodities and inflation. An improving global growth outlook, weather events in the United States, the extension of the OPEC+ agreement to limit oil production, and geopolitical tensions in the Middle East have supported crude oil prices. These have risen by about 20 percent between August 2017 (the reference period for the October 2017 WEO) and mid-December 2017 (the reference period for the January 2018 WEO Update), to over $60 per barrel, with some further increase as of early January 2018. Markets expect prices to gradually decline over the next 4–5 years—as of mid-December, medium-term price futures stood at about $54 per barrel, modestly higher than in August. The increase in fuel prices raised headline inflation in advanced economies, but wage and core-price inflation remain weak. Among emerging market economies, headline and core inflation have ticked up slightly in recent months after declining earlier in 2017.

Bond and equity markets. Market expectations of the path of U.S. Federal Reserve policy rates have shifted up since August, reflecting the well-anticipated December rate hike, but they continue to price in a gradual increase over 2018 and 2019. The Bank of England raised its policy rate for the first time since 2008 in view of diminishing slack in the economy and above-target inflation driven by the past sterling depreciation; the European Central Bank announced that it will taper its net asset purchases starting in January. The ECB intends, however, to maintain policy rates at current historically low levels until after quantitative easing ends and, should inflation underperform, extend the asset purchase program in amount and duration. Bond market reaction to these shifts has been muted, with yield curves tending to flatten as short-term rates have risen more than longer-term rates (e.g., in the United States, United Kingdom, and Canada), consistent with still-subdued market expectations of sustained upside surprises on inflation. Equity prices in advanced economies continued to rally, buoyed by generally favorable sentiment regarding earnings prospects, expectations of a very gradual normalization path for monetary policy in a weak inflation environment, and low expected volatility in underlying fundamentals. Emerging market equity indices have risen further since August, lifted by the improved near-term outlook for commodity exporters. In some cases, long-term yields have inched up in recent months, but they generally remain low, and interest rate spreads remain compressed.

Exchange rates and capital flows. As of early January 2018, the U.S. dollar and the euro remain close to their August 2017 level in real effective terms. The Japanese yen has depreciated by 5 percent on widening interest differentials, while the sterling has appreciated by close to 4 percent as the Bank of England raised interest rates in November and as expectations of a Brexit deal rose. Across emerging market currencies, the renminbi has appreciated by around 2 percent, the Malaysian ringgit has rebounded by about 7 percent on an improved growth outlook and stronger commodity prices, and the South African rand by close to 6 percent on perceptions of reduced political uncertainty. In contrast, the Mexican peso has depreciated by 7 percent owing to renewed uncertainty associated with the ongoing NAFTA negotiations and the Turkish lira by 4.5 percent on higher inflation readings. Capital flows to emerging economies have remained resilient through the third quarter of 2017, with continued strength in non-resident portfolio inflows.

Global Growth Forecast to Rise Further in 2018 and 2019

Global growth for 2017 is now estimated at 3.7 percent, 0.1 percentage point higher than projected in the fall. Upside growth surprises were particularly pronounced in Europe and Asia but broad based, with outturns for both the advanced and the emerging market and developing economy groups exceeding the fall forecasts by 0.1 percentage point.

The stronger momentum experienced in 2017 is expected to carry into 2018 and 2019, with global growth revised up to 3.9 percent for both years (0.2 percentage point higher relative to the fall forecasts).

For the two-year forecast horizon, the upward revisions to the global outlook result mainly from advanced economies, where growth is now expected to exceed 2 percent in 2018 and 2019. This forecast reflects the expectation that favorable global financial conditions and strong sentiment will help maintain the recent acceleration in demand, especially in investment, with a noticeable impact on growth in economies with large exports. In addition, the U.S. tax reform and associated fiscal stimulus are expected to temporarily raise U.S. growth, with favorable demand spillovers for U.S. trading partners—especially Canada and Mexico—during this period. The expected global macroeconomic effects account for around one-half of the cumulative upward revision to the global growth forecast for 2018 and 2019, with a range of uncertainty around this baseline projection.

- The growth forecast for the United States has been revised up given stronger than expected activity in 2017, higher projected external demand, and the expected macroeconomic impact of the tax reform, in particular the reduction in corporate tax rates and the temporary allowance for full expensing of investment. The forecast assumes that the decline in tax revenues will not be offset by spending cuts in the near term. The tax reform is therefore anticipated to stimulate near-term activity in the United States. As a by-product, stronger domestic demand is projected to increase imports and widen the current account deficit. Overall, the policy changes are projected to add to growth through 2020, so that U.S. real GDP is 1.2 percent higher by 2020 than in a projection without the tax policy changes. The U.S. growth forecast has been raised from 2.3 percent to 2.7 percent in 2018, and from 1.9 percent to 2.5 percent in 2019. In light of the increased fiscal deficit, which will require fiscal adjustment down the road, and the temporary nature of some provisions, growth is expected to be lower than in previous forecasts for a few years from 2022 onward, offsetting some of the earlier growth gains. The inflation response to higher domestic demand is expected to be muted given the low sensitivity of core price pressures to changes in slack in recent years and a somewhat faster projected pace of U.S. Federal Reserve policy rate hikes than in the fall, with a modest decompression of term premiums and no sizable U.S. dollar appreciation. According to the U.S. Congressional Joint Committee on Taxation, the tax code overhaul is projected to reduce the average tax rate on upper income U.S. households relative to those in the middle and lower segments, especially over the medium term (when some provisions benefiting lower- and middle-income taxpayers expire).

- Growth rates for many of the euro area economies have been marked up, especially for Germany, Italy, and the Netherlands, reflecting the stronger momentum in domestic demand and higher external demand. Growth in Spain, which has been well above potential, has been marked down slightly for 2018, reflecting the effects of increased political uncertainty on confidence and demand.

- The growth forecast for 2018 and 2019 has also been revised up for other advanced economies, reflecting in particular stronger growth in advanced Asian economies, which are especially sensitive to the outlook for global trade and investment. The growth forecast for Japan has been revised up for 2018 and 2019, reflecting upward revisions to external demand, the supplementary budget for 2018, and carryover from stronger-than-expected recent activity.

The aggregate growth forecast for the emerging markets and developing economies for 2018 and 2019 is unchanged, with marked differences in the outlook across regions.

- Emerging and developing Asia will grow at around 6.5 percent over 2018–19, broadly the same pace as in 2017. The region continues to account for over half of world growth. Growth is expected to moderate gradually in China (though with a slight upward revision to the forecast for 2018 and 2019 relative to the fall forecasts, reflecting stronger external demand), pick up in India, and remain broadly stable in the ASEAN-5 region.

- In emerging and developing Europe, where growth in 2017 is now estimated to have exceeded 5 percent, activity in 2018 and 2019 is projected to remain stronger than previously anticipated, lifted by a higher growth forecast for Poland and especially Turkey. These revisions reflect a favorable external environment, with easy financial conditions and stronger export demand from the euro area, and, for Turkey, an accommodative policy stance.

- In Latin America, the recovery is expected to strengthen, with growth of 1.9 percent in 2018 (as projected in the fall) and 2.6 percent in 2019 (a 0.2 percentage point upward revision). This change primarily reflects an improved outlook for Mexico, benefiting from stronger U.S. demand, a firmer recovery in Brazil, and favorable effects of stronger commodity prices and easier financing conditions on some commodity-exporting countries. These upward revisions more than offset further downward revisions for Venezuela.

- Growth in the Middle East, North Africa, Afghanistan, and Pakistan region is also expected to pick up in 2018 and 2019, but remains subdued at around 3½ percent. While stronger oil prices are helping a recovery in domestic demand in oil exporters, including Saudi Arabia, the fiscal adjustment that is still needed is projected to weigh on growth prospects.

- The growth pickup in Sub-Saharan Africa (from 2.7 percent in 2017 to 3.3 percent in 2018 and 3.5 percent in 2019) is broadly as anticipated in the fall, with a modest upgrade to the growth forecast for Nigeria but more subdued growth prospects in South Africa, where growth is now expected to remain below 1 percent in 2018–19, as increased political uncertainty weighs on confidence and investment.

- Growth this year and next is projected to remain above 2 percent in the Commonwealth of Independent States, supported by a slight upward revision to growth prospects for Russia in 2018.

Risks

Risks to the outlook are broadly balanced in the near term, but—as in the October 2017 WEO—remain skewed to the downside over the medium term. One notable threat to growth is a tightening of global financing terms from their current easy settings, either in the near term or later.

In the near term, the global economy is likely to maintain its momentum absent a correction in financial markets—which have seen a sustained run-up in asset prices and very low volatility, seemingly unperturbed by policy or political uncertainty in recent months. Such momentum could even surprise on the upside in the near term if confidence in the global outlook and easy financial conditions continue to reinforce each other.

The reaction of longer-term bond yields and the U.S. dollar to the change in U.S. tax policy appears to have been limited so far, and markets currently anticipate a more gradual pace of monetary policy tightening than incorporated into the WEO baseline. A financial market correction could be triggered, for example, by signs of firmer inflation in the United States, where the boost to demand will exert downward pressure on the already very low unemployment rate. Higher inflation pressure, together with faster Fed policy rate tightening than anticipated in the baseline, could contribute to a larger decompression of term premiums in the United States, a stronger U.S. dollar, and lower equity prices. The tightening of global financial conditions would have implications for global asset prices and capital flows, leaving economies with high gross debt refinancing needs and unhedged dollar liabilities particularly exposed to financial distress.

Also on the downside, the response of U.S. investment to tax policy changes could be more modest than envisaged in the baseline, with attendant repercussions on the strength of external demand for the main U.S. trading partners.

Over the medium term, a potential buildup of vulnerabilities if financial conditions remain easy, the possible adoption of inward-looking policies, and noneconomic factors pose notable downside risks.

- *Buildup of financial vulnerabilities*. If financial conditions remain easy into the medium term, with a protracted period of very low interest rates and low expected volatility in asset prices, vulnerabilities could accumulate as yield-seeking investors increase exposure to lower-rated corporate and sovereign borrowers and less credit-worthy households. As noted in the October 2017 *Global Financial Stability Report*, the share of companies with low investment-grade ratings in advanced economy bond indices has increased significantly in recent years. Non-financial corporate debt has grown rapidly in some emerging markets, calling for a policy response. The Chinese authorities have made a welcome start by recently tightening the regulation of non-bank intermediation. Credit risks on these exposures may be hidden while near-term global growth momentum is maintained and refinancing needs remain low. The absence of near-term warning flags, in turn, may reinforce yield-seeking behavior and amplify the buildup of financial vulnerabilities that come to the fore over the medium term.

- *Inward-looking policies.* Important long-standing commercial agreements, such as NAFTA and the economic arrangements between the United Kingdom and rest of the European Union, are under renegotiation. An increase in trade barriers and regulatory realignments, in the context of these negotiations or elsewhere, would weigh on global investment and reduce production efficiency, exerting a drag on potential growth in advanced, emerging market, and developing economies. A failure to make growth more inclusive and the widening of external imbalances in some countries, including the United States, could increase pressures for inward-looking policies.

- *Noneconomic factors.* The medium-term global outlook is also clouded by geopolitical tensions, notably in East Asia and the Middle East. Political uncertainty also gives rise to reform implementation risks or the possibility of reoriented policy agendas, including in the context of upcoming elections in several countries (such as Brazil, Colombia, Italy, and Mexico). Recent extreme weather developments—hurricanes in the Atlantic, drought in sub-Saharan Africa and Australia—point to the risk of recurrent, potent climate events that impose devastating humanitarian costs and economic losses on the affected regions. They may also add to migration flows that could further destabilize already fragile recipient countries.

Policies

Two common policy objectives tie advanced, emerging, and developing economies together. First, the need to raise potential output growth—through structural reforms to lift productivity and, especially in advanced economies with aging populations, enhance labor force participation rates—while making sure that the gains from growth are shared widely. Second, the imperative to increase resilience, including through proactive financial regulation and, where needed, balance sheet repair and strengthening fiscal buffers. Action is particularly important in a low-interest-rate, low-volatility environment with potential for disruptive portfolio adjustments and capital flow reversals. The current cyclical upswing provides a unique opportunity for structural and governance reforms.

Against a backdrop of common priorities, the optimal policy mix differs across countries depending on cyclical considerations and available policy space:

- In *advanced economies* where output is close to potential, still-muted wage and price pressures call for a cautious and data-dependent monetary policy normalization path. However, where unemployment is low and projected to decline further, such as in the United States, a faster pace of policy normalization may be required if inflation were to pick up more than currently anticipated. In advanced economies where output gaps persist and inflation remains below the central bank target, continued monetary accommodation is desirable. Fiscal policy in both cases should focus on medium-term objectives —including public investment to boost potential output and initiatives to raise labor force participation rates where gaps exist—while ensuring that public debt dynamics are sustainable and excessive external imbalances are reduced. Where fiscal consolidation is needed, its pace should be calibrated to avoid sharp drags on growth, while orienting policy toward boosting the quality of public health and education, and protecting the vulnerable, including those that may be adversely affected by structural transformation.

- In *emerging market economies*, improved monetary policy frameworks have helped lower core inflation, which provides scope for using monetary policy to support demand should activity weaken. Fiscal policy is generally more constrained by the need to gradually rebuild buffers, especially in commodity-dependent emerging market and developing economies. With the recent respite provided by the cyclical rebound in commodity prices, policymakers should guard against the temptation to defer reforms and budgetary adjustments for later. Exchange rate flexibility can complement domestic policy settings by preventing sustained misalignments in relative prices, facilitating adjustment to shocks, and curtailing the buildup of financial and external imbalances.

- The policy challenges for *low-income countries* are particularly complex, as they involve multiple, sometimes conflicting goals. These include supporting near-term activity; diversifying their economies and lifting potential output to maintain progress toward their Sustainable Development Goals; building buffers to enhance resilience, especially in commodity-dependent economies grappling with a subdued outlook for commodity prices; and tackling high and rising debt levels in many cases. Policy initiatives should continue to focus on broadening the tax base, mobilizing revenue, improving debt management, reducing poorly targeted subsidies, and channeling spending into areas that lift potential growth and improve the livelihoods of all (infrastructure, health, and education). Efforts to strengthen macroprudential frameworks and greater exchange rate flexibility would improve resource allocation, reduce vulnerabilities, and boost resilience.

Cooperative multilateral effort remains vital to safeguard recent momentum in global activity, strengthen medium-term prospects, and ensure the benefits from technological progress and global economic integration are shared more widely. Priority areas include continuing the financial regulatory reform agenda; avoiding competitive races to the bottom in taxes, labor, and environmental standards; modernizing the rules-based multilateral trade framework; strengthening the global financial safety net; preserving correspondent banking relationships; curbing cross-border money laundering, organized crime, and terrorism; and mitigating and adapting to climate change.

Table 1. Overview of the *World Economic Outlook* Projections

(Percent change unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
		Estimate	Projections		Difference from October 2017 WEO Projections 1/		Estimate	Projections	
	2016	2017	2018	2019	2018	2019	2017	2018	2019
World Output	**3.2**	**3.7**	**3.9**	**3.9**	**0.2**	**0.2**	**3.9**	**3.9**	**3.8**
Advanced Economies	**1.7**	**2.3**	**2.3**	**2.2**	**0.3**	**0.4**	**2.4**	**2.3**	**2.0**
United States	1.5	2.3	2.7	2.5	0.4	0.6	2.5	2.7	2.4
Euro Area	1.8	2.4	2.2	2.0	0.3	0.3	2.4	2.1	2.0
Germany	1.9	2.5	2.3	2.0	0.5	0.5	2.8	2.1	2.1
France	1.2	1.8	1.9	1.9	0.1	0.0	2.2	1.8	1.9
Italy	0.9	1.6	1.4	1.1	0.3	0.2	1.5	1.4	0.9
Spain	3.3	3.1	2.4	2.1	–0.1	0.1	3.0	2.2	2.0
Japan	0.9	1.8	1.2	0.9	0.5	0.1	2.0	0.9	–0.3
United Kingdom	1.9	1.7	1.5	1.5	0.0	–0.1	1.3	1.5	1.5
Canada	1.4	3.0	2.3	2.0	0.2	0.3	3.0	2.2	1.9
Other Advanced Economies 3/	2.3	2.7	2.6	2.6	0.1	0.1	2.7	2.5	2.9
Emerging Market and Developing Economies	**4.4**	**4.7**	**4.9**	**5.0**	**0.0**	**0.0**	**5.2**	**5.3**	**5.3**
Commonwealth of Independent States	0.4	2.2	2.2	2.1	0.1	0.0	2.2	2.1	1.7
Russia	–0.2	1.8	1.7	1.5	0.1	0.0	2.3	1.9	1.6
Excluding Russia	1.9	3.1	3.4	3.5	0.1	0.0	. . .	. . .	. . .
Emerging and Developing Asia	6.4	6.5	6.5	6.6	0.0	0.1	6.8	6.5	6.5
China	6.7	6.8	6.6	6.4	0.1	0.1	6.7	6.5	6.4
India 4/	7.1	6.7	7.4	7.8	0.0	0.0	7.9	7.4	7.8
ASEAN-5 5/	4.9	5.3	5.3	5.3	0.1	0.0	5.4	5.4	5.3
Emerging and Developing Europe	3.2	5.2	4.0	3.8	0.5	0.5	4.0	4.8	3.7
Latin America and the Caribbean	–0.7	1.3	1.9	2.6	0.0	0.2	2.2	2.3	2.6
Brazil	–3.5	1.1	1.9	2.1	0.4	0.1	2.5	2.2	2.0
Mexico	2.9	2.0	2.3	3.0	0.4	0.7	1.4	2.9	2.8
Middle East, North Africa, Afghanistan, and Pakistan	4.9	2.5	3.6	3.5	0.1	0.0	. . .	. . .	. . .
Saudi Arabia	1.7	–0.7	1.6	2.2	0.5	0.6	–1.4	2.5	2.2
Sub-Saharan Africa	1.4	2.7	3.3	3.5	–0.1	0.1	. . .	. . .	. . .
Nigeria	–1.6	0.8	2.1	1.9	0.2	0.2	. . .	. . .	. . .
South Africa	0.3	0.9	0.9	0.9	–0.2	–0.7	1.2	0.5	1.1
Memorandum									
Low-Income Developing Countries	3.6	4.7	5.2	5.3	0.0	0.1	. . .	. . .	. . .
World Growth Based on Market Exchange Rates	2.5	3.2	3.3	3.2	0.2	0.2	3.3	3.3	3.0
World Trade Volume (goods and services) 6/	**2.5**	**4.7**	**4.6**	**4.4**	**0.6**	**0.5**	**. . .**	**. . .**	**. . .**
Advanced Economies	2.6	4.1	4.3	4.2	0.6	0.7	. . .	. . .	. . .
Emerging Market and Developing Economies	2.3	5.9	5.1	4.8	0.4	0.2	. . .	. . .	. . .
Commodity Prices (U.S. dollars)									
Oil 7/	–15.7	23.1	11.7	–4.3	11.9	–5.0	19.0	–0.9	–3.9
Nonfuel (average based on world commodity export weights)	–1.6	6.5	–0.5	1.0	–1.0	1.5	1.2	1.2	1.0
Consumer Prices									
Advanced Economies	0.8	1.7	1.9	2.1	0.2	0.1	1.6	2.1	2.1
Emerging Market and Developing Economies 8/	4.3	4.1	4.5	4.3	0.1	0.2	3.7	3.9	3.6
London Interbank Offered Rate (percent)									
On U.S. Dollar Deposits (six month)	1.1	1.5	2.3	3.4	0.4	0.5	. . .	. . .	. . .
On Euro Deposits (three month)	–0.3	–0.3	–0.3	–0.1	0.0	–0.1	. . .	. . .	. . .
On Japanese Yen Deposits (six month)	0.0	0.0	0.0	0.1	–0.2	–0.1	. . .	. . .	. . .

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during November 13, 2017-December 11, 2017. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted.

1/ Difference based on rounded figures for both the current and October 2017 *World Economic Outlook* forecasts. Countries w hose forecasts have been updated relative to October 2017 *World Economic Outlook* forecasts account for 94 percent of w orld GDP measured at purchasing pow er parity.

2/ For World Output, the quarterly estimates and projections account for approximately 90 percent of annual w orld output at purchasing-pow er-parity w eights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-pow er-parity w eights.

3/ Excludes the G7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

4/ For India, data and forecasts are presented on a fiscal year basis and GDP from 2011 onw ard is based on GDP at market prices w ith FY2011/12 as a base year.

5/ Indonesia, Malaysia, Philippines, Thailand, Vietnam.

6/ Simple average of grow th rates for export and import volumes (goods and services).

7/ Simple average of prices of U.K. Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in U.S. dollars a barrel w as $52.7 in 2017; the assumed price based on futures markets (as of December 11, 2017) is $59.9 in 2018 and $56.4 in 2019.

8/ Excludes Argentina and Venezuela.