

## Global economic growth

# Global economy enters 'synchronised slowdown'

Disappointing indicators show similar picture in US, China and Europe



Christine Lagarde, managing director of the IMF, said the IMF would cut its growth forecasts © AFP

Chris Giles in London APRIL 6, 2019

The global economy has entered a “synchronised slowdown” which may be difficult to reverse in 2019, according to the latest update of a [tracking index](#) compiled by the Brookings Institution think-tank and the Financial Times.

Sentiment indicators and economic data across advanced and emerging economies have been deteriorating since last autumn, suggesting fading momentum in global growth and the need to resort to new forms of economic stimulus.

The worsening outlook has sparked [warnings](#) from Christine Lagarde, managing director of the IMF, who said the fund would cut its growth forecasts later this week, and the [World Trade Organization](#) which has said the continued threats of trade skirmishes had weakened forecasts.

The findings follow generally disappointing economic indicators over the past six months that have shown a similar picture in the US, China and in Europe.

Professor Eswar Prasad of the Brookings Institution said the slowdown did not yet appear to be heading for a global recession, but all parts of the world economy were losing momentum.

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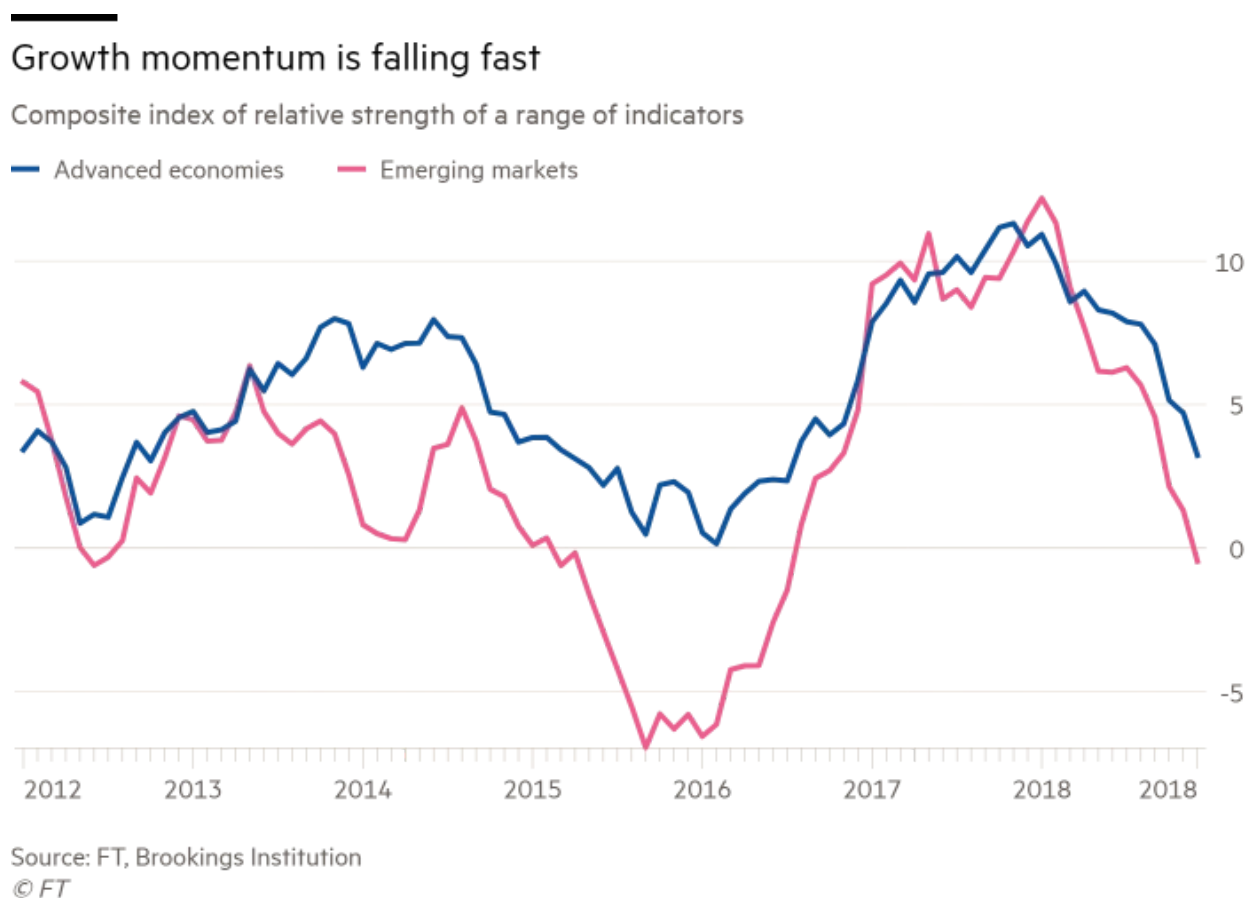
“The nature of the slowdown has ominous portents for these economies over the next few years,

especially given present constraints on macroeconomic policies that could stimulate growth," he said.

The Brookings-FT Tracking Index for the Global Economic Recovery (Tiger) compares indicators of real activity, financial markets and investor confidence with their historical averages for the global economy and for individual countries.

The headline readings slipped back significantly at the end of last year and are at their lowest levels for both advanced and emerging economies since 2016, the year of the weakest global economic performance since the financial crisis.

The index fell partly because hard data indicating real economic activity has been weaker, with countries such as Italy falling into recession and Germany narrowly avoiding one and with the US economy losing steam as the effects of Donald Trump's tax cuts wear off.



Although economic sentiment remains high in advanced economies, it has fallen from its peaks and has plummeted to well below normal levels in emerging economies, led by fears that China's years of rapid economic growth are coming to an end.

Although China's economy has been showing signs of improvement following government efforts to stimulate capital spending and the US Federal Reserve's reversal of its plans for further interest

rate rises this year has had a steadying effect, economic confidence has taken a knock over the past six months.

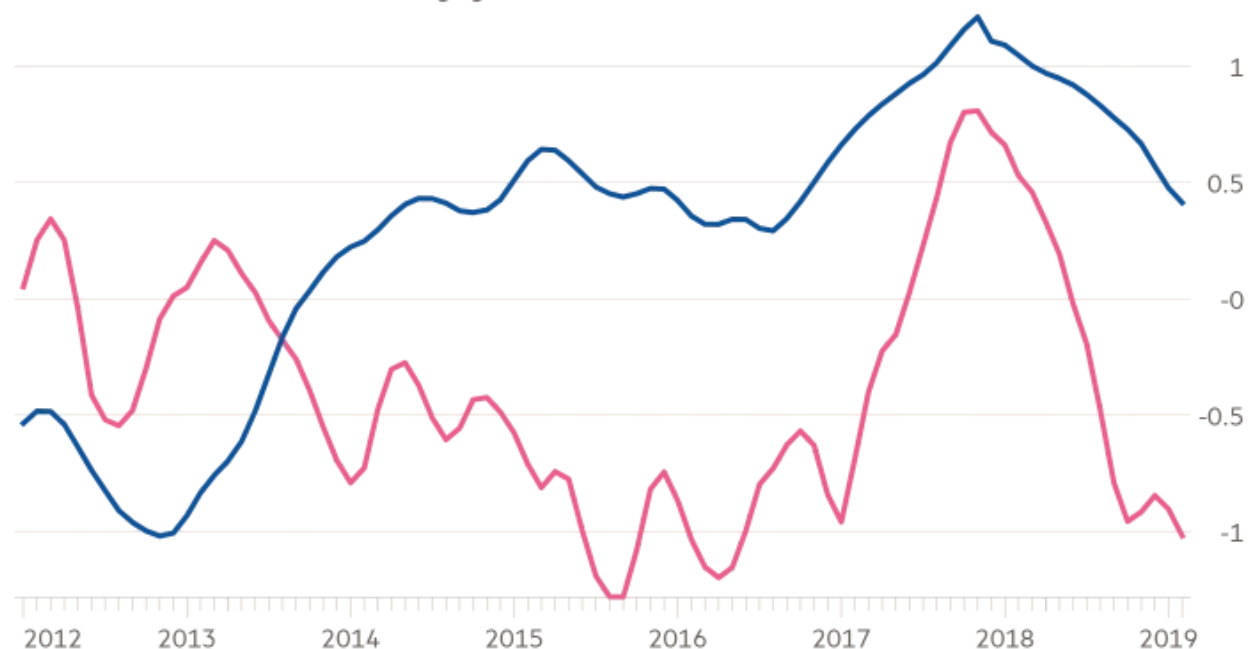
Growth indicators in Europe have been disappointing, Prof Prasad said. Globally, only India stands out as an exception to the slowing trend, boosted by fiscal and monetary stimulus ahead of national elections starting later this month.

## Economic sentiment off the boil

Confidence index

— Advanced economies

— Emerging markets



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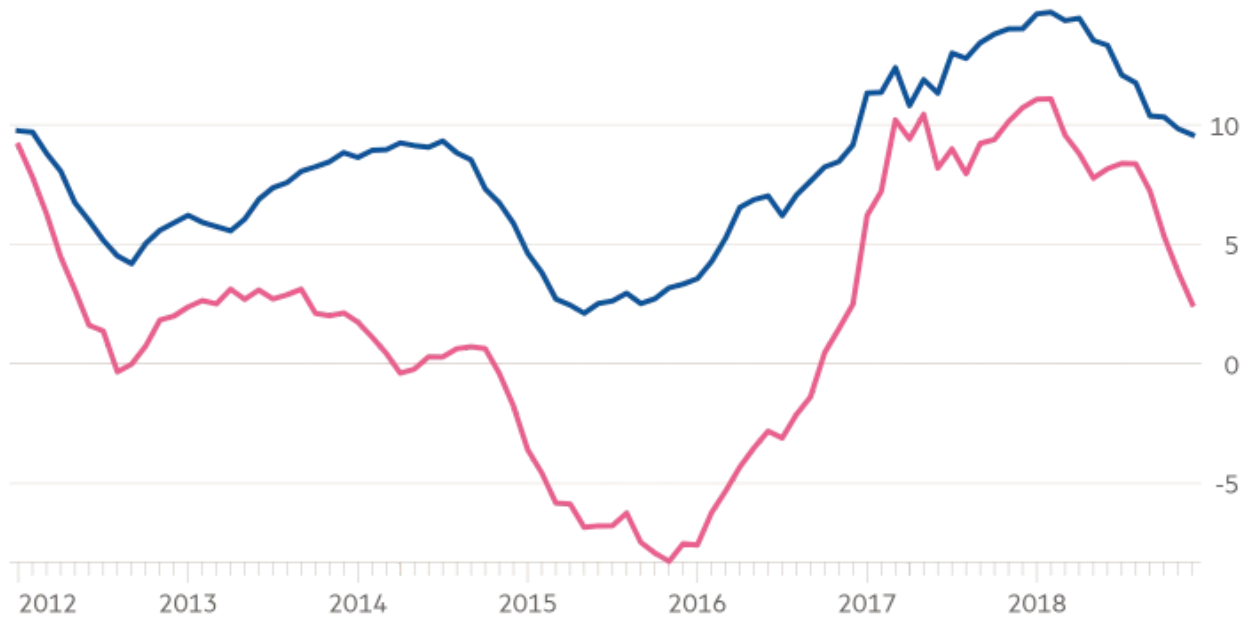
Delays in the anticipated trade rapprochement between the US and China have also raised questions over the prospects for greater momentum in the world economy in the second half of the year.

“Trade tensions and the uncertainty they have spawned are likely to leave a long-lasting scar on the world economy. This uncertainty is undermining business confidence and depressing private investment, which has implications for longer-term productivity growth,” Prof Prasad said. He added that any weakness might be amplified by policymakers’ inability to provide effective stimulus to boost prospects later this year.

# Hard data is turning down

Real activity index

— Advanced economies — Emerging markets



Source: FT, Brookings © FT

“High levels of public debt are likely to limit the ability of major advanced economies to counteract a slowdown with fiscal stimulus,” he said. “Conventional monetary policy remains constrained in many advanced economies where policy rates are close to or below zero, while any further unconventional monetary policy actions present significant risks and uncertain pay-offs.”

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