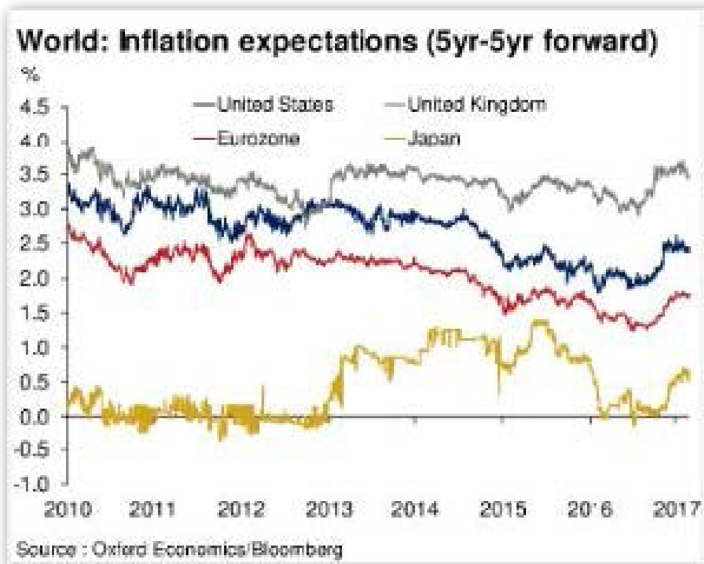
EXECUTIVE SUMMARY

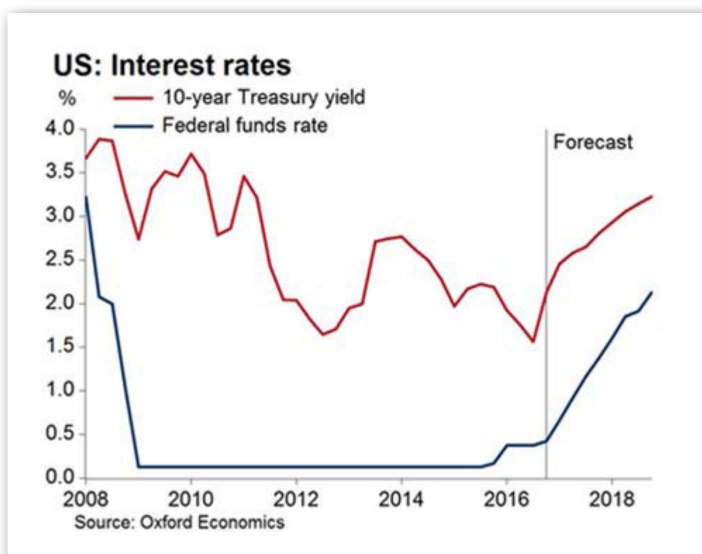
World Economic Prospects: March 2017

Each month Oxford Economics' team of 160 economists updates its baseline forecast for 200 countries using the Global Economic Model, the only fully integrated economic forecasting framework of its kind. Below is a summary of our analysis on the latest economic developments, and headline forecasts. For complete analysis or to request trial access, click here or visit www.oxfordeconomics.com.

Reflation enthusiasm is tempered

- We have kept our world GDP growth forecasts unchanged this month, at 2.6% for 2017 and 2.9% in 2018. But our outlook for inflation has been lowered to 3.0% this year (from 3.3% last month) as inflation is close to a peak in several economies and oil prices have fallen recently.
- Global indicators continue to point to buoyant activity, driven by manufacturing. The global manufacturing PMI rose to its highest level in almost six years in February, which in turn is boosting world trade. Despite the exuberance shown by the surveys, we remain cautious. We continue to expect a slowdown in consumer spending as households are squeezed by higher prices.
- Although we still see GDP growth in the US accelerating this year, we have lowered our forecast to 2.1% as economic data have been weaker than expected at the start of the year. Large uncertainties around our central forecast persist given the





unpredictability of President Trump's policies, and markets have tempered their initial enthusiasm regarding the success of 'Trumponomics'.

- With the Federal Reserve now close to meeting its dual mandate, the pace of policy normalisation will accelerate. We now expect the Fed to raise interest rates this month and three times overall this year. This means that US bond yields are likely to continue to rise and the euro will remain under pressure due to the widening interest rate differential between the US and the Eurozone.
- The Eurozone economy remains resilient ahead of key elections in France, the Netherlands and Germany. Our view remains that populist fears are overstated and that Emmanuel Macron is still favourite to become the next French president.
- Many emerging markets have started 2017 with positive momentum, but caution remains the name of the game as the Fed prepares to raise rates faster than previously expected and the future of US trade policy remains uncertain.

About Oxford Economics

Oxford Economics is a world leader in global forecasting and quantitative analysis. Our worldwide client base is comprised over 1,200 corporations, financial institutions, and government organisations.

Founded in 1981, Oxford Economics employs more than 260 people in 19 offices around the world, including 160 economists, and draws on a network of 500 contributing researchers. The rigour of our analysis, the calibre of our staff, and our links with Oxford University make us a trusted resource for decision makers.

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