OXFORD ECONOMICS

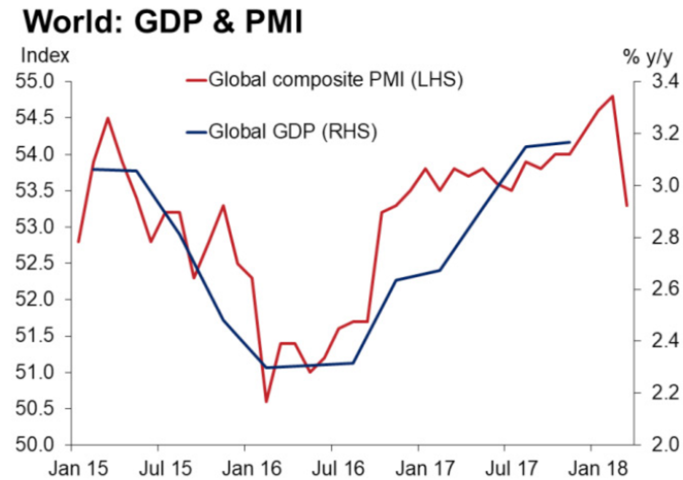
EXECUTIVE SUMMARY

World Economic Prospects: April 2018

Each month Oxford Economics' team of 200 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.

Growth resilient to protectionist concerns

- Despite the mounting threat of more protectionist trade measures, we expect the impact on global growth and trade to be mild. Given this, and the still fairly solid underlying economic picture, we have left our global GDP growth forecasts for 2018 and 2019 unchanged at 3.2% and 3.0% respectively.
- Although economic data in Q1 painted a pretty solid picture, there are signs that the global expansion may lose momentum in Q2. Most notably, the global PMI fell sharply in March, more than offsetting the gains of the previous three quarters or so. Some of the decline may reflect an over-reaction to recent trade threats and could be reversed in April and despite the drop, the surveys still point to strong growth. But the fall highlights the risk that lingering trade tensions could damage confidence and prompt firms and consumers to delay investment and major spending plans.
- On a more positive note, China's economic growth picked up markedly



Source : Oxford Economics/Haver Analytics/Markit

Major forecast changes this month

Country	Change	Background
Canada	Forecast for 2018 GDP growth has been lowered from 2.0% to 1.8%.	A disappointing GDP growth print for January, weighed down by a decline in goods output and flat services activity, leaves our Q1 tracking estimate at around 1% annualized. While activity is expected to rebound to roughly 2% in subsequent quarters, average growth this year is unlikely to rise above 2%.
Chile	CPI inflation for 2018 has been lowered from 2.4% to 2.6%	Low March inflation reading suggests that the economy will take longer to return to target
Hong Kong	GDP growth in 2018 revised down from 3.1% to 3.0%.	China-US trade friction prompted the downward revision.
Mexico	We expect Banxico to keep its policy rate on hold at 7.5% until Q4 2018; previously we had expected a rate hike in Q2.	Expectations of a successful NAFTA deal in the coming weeks have caused a strong rally in the peso, which should ease central bank concerns about the potential pass-through from a sudden peso depreciation in the coming months.
Saudi Arabia	CPI inflation for 2018 cut from 4.0% to 3.2%.	Weaker-than-expected start to the year has prompt us to lower the average for 2018.
South Korea	GDP growth revised down from 2.9% to 2.8% this year and from 2.8% to 2.6% in 2019.	China-US trade friction prompted the downward revision, though the revised bilateral Korea-US Free Trade Agreement (KORUS) is expected to have a limited adverse impact on growth.
Turkey	Growth for 2018 raised from 4% to 4.3%	On the back of strong momentum after higher-than-expected growth of 7.4% in 2017
UAE	CPI inflation revised up from 4.1% to 4.4% for 2018	Weaker-than-expected start to the year has prompted us to lower the average for 2018.

in early 2018, which could provide a fillip to global trade growth in the near term. Given the betterthan-expected start to the year, we have made no change to our 2018 China GDP growth forecast (of 6.4%) despite the probable negative effects of trade measures.

- Meanwhile, most advanced economies remain in the late expansionary stage of the cycle. And those that show signs of slowing, such as the Eurozone, are doing so from multi-year highs. While we have nudged down our 2018 Eurozone GDP growth forecast slightly to 2.2%, the pace is expected to remain well above trend. We judge the impact of US tariffs and counter-measures on the US economy to be subdued and have lowered our GDP growth forecasts for 2018 and 2019 by just 0.1pp.
- For now, we see further solid growth for the world economy this year even in the environment of rising protectionism. While there is a risk that a further escalation of trade tensions could trigger a sharper slowdown in global GDP growth, we still see the risks of a full-blown and damaging trade war as limited and the chances of protectionism leading to recessions as smaller still.

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