EUROMONITOR INTERNATIONAL

Global Economic Forecasts

Q1 2019

INTRODUCTION

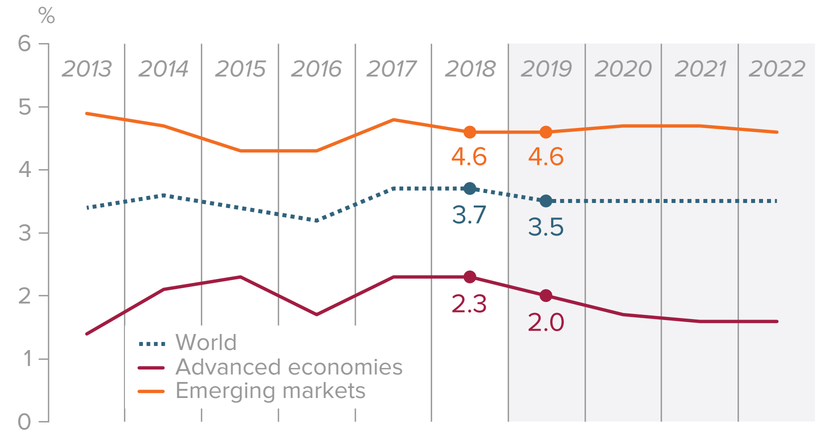
Euromonitor International Analytics offers precise answers to vital business questions in an increasingly fast-paced and uncertain world. Our Macro Model provides regularly updated forecasts and "what-if" scenarios for core macroeconomic variables, including GDP, growth and unemployment. Its global scope ensures our macro forecasts and scenarios reflect the economically inter-connected world in which we live.

The Global Economic Forecasts report focuses on quarterly macro changes for the world's key economies and what these mean to our view of the likely, optimistic and pessimistic scenarios for the global economy. Ultimately, we help businesses stay ahead of risks and opportunities as they emerge on a macroeconomic basis.

Annual global economic growth is forecast to decelerate to 3.5% in 2019 and 2020, down from 3.7% in 2018. This deterioration in our global outlook has primarily been a result of downgrades to the advanced economies, including the US and the Eurozone, but also to some emerging economies such as Mexico and Russia.

The real GDP in advanced economies is estimated to grow by 2.0% in 2019 and 1.7% in 2020, a decline from 2.3% growth in 2018. Emerging economies are anticipated to see a steadier real GDP growth of 4.6% in 2019 and 4.7% in 2020, which is similar to a pace of 4.6% in 2018.

World Real GDP Growth



Source: Euromonitor International Macro Model
Note: Growth rates are based on 58 world's major economies covered by Euromonitor International Macro Model

The world trade growth is likely to weaken in 2019 as a result of a pullback in globalisation and increasing political risks. The recent decline in financial asset prices also suggests a risk of recession in 2019.

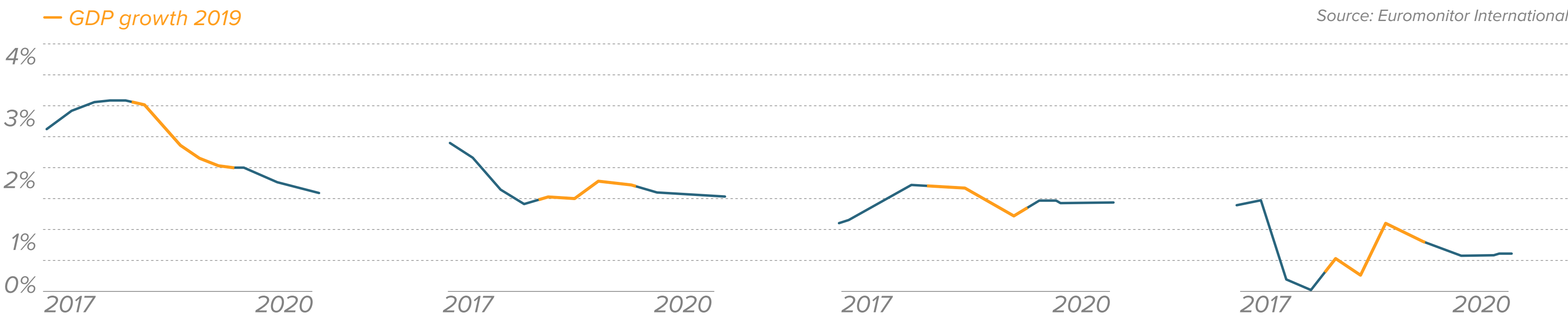
Major global risks are stemming from remaining trade war uncertainty, tightening financial conditions and risks of a worse-than-expected Chinese economic slowdown. The Eurozone outlook is also clouded by a possibility of a no-deal Brexit and Italian fiscal policy. Lower oil prices and the emergence of populist leaders in Latin America could further weigh on the outlook of emerging economies.

SCENARIO	GLOBAL RISK INDEX	
Global Downturn	63	▼
Emerging Markets Slowdown	39	▼
Global Crisis	34	▲
Eurozone Recession	20	
China Hard Landing	20	▼
US-China All-Out Trade War	16	
Disorderly No-Deal Brexit	15	
Eurozone Crisis	11	
Trump Adverse Policies	10	
Korean Conflict	9	
Global Trade War	9	▼
No-Deal Brexit	7	▼

Note: Global Risk Index ranks scenarios by the expected GDP impact, calculated as the impact of the scenario multiplied by its probability.

Risk ranking changes include revisions in scenario dynamics.

For scenario definitions see pages 32–33



US

Worsening trade and political uncertainty along with a more transitory impact of tax cuts has led us to reduce the US real GDP growth forecast to 2.4% in 2019 and 1.7% in 2020.

EUROZONE

Negative readings at the end of 2018 have led to downgrades in the Eurozone outlook, with the economy slowing close to long-term trend growth. Real GDP is to grow by 1.7% in 2019 and 1.6% in 2020.

UK

The UK outlook remains under severe Brexit uncertainty. We have kept our baseline real GDP growth at 1.5% in 2019 and 1.4% in 2020. However, the baseline is just one of several possible scenarios.

JAPAN

Slowing global demand and the China-US trade war continue to take a toll on Japan's economy, GDP growth declined in Q3. We have reduced real GDP growth to 0.6% in 2019 and 0.6% again in 2020.

GDP GROWTH

2.4% 2019 **1.7%** 2020

GDP GROWTH

1.7% 2019 **1.6%** 2020

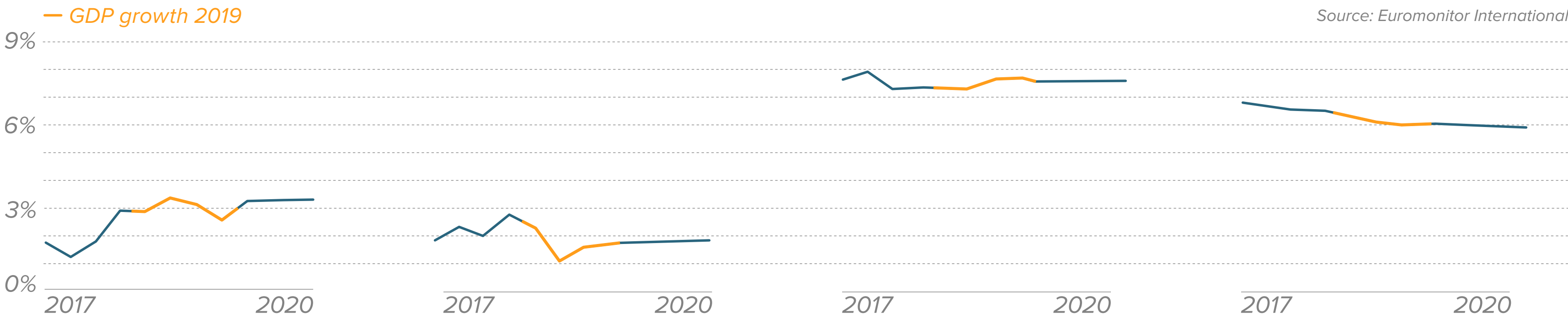
GDP GROWTH

1.5% 2019 **1.4%** 2020

GDP GROWTH

0.6% 2019 **0.6%** 2020

COUNTRY HIGHLIGHTS



CHINA

China is facing growing concerns about a domestic demand slowdown and the impact from the US-China trade war. We have for now kept GDP growth forecasts at 6.1% in 2019 and 5.9% in 2020.

GDP GROWTH

6.1% 2019 **5.9%** 2020

BRAZIL

Brazil's business confidence has jumped on the new president's reform agenda. While waiting for the government's actions, our real GDP growth forecast is unchanged at 2.2% in 2019, 2.4% in 2020.

GDP GROWTH

2.2% 2019 **2.4%** 2020

RUSSIA

Russia's economic growth will be weighed down by slowing exports, weak domestic demand and decreasing oil prices. We have cut the real GDP growth forecast to 1.3–1.4% in 2019–2020.

GDP GROWTH

1.3% 2019 **1.4%** 2020

INDIA

India's economy decelerated slightly in Q3 2018, dragged down by private consumption and net exports. We have reduced real GDP growth forecasts to 7.4% in 2019 and 7.5% in 2020.

GDP GROWTH

7.4% 2019 **7.5%** 2020

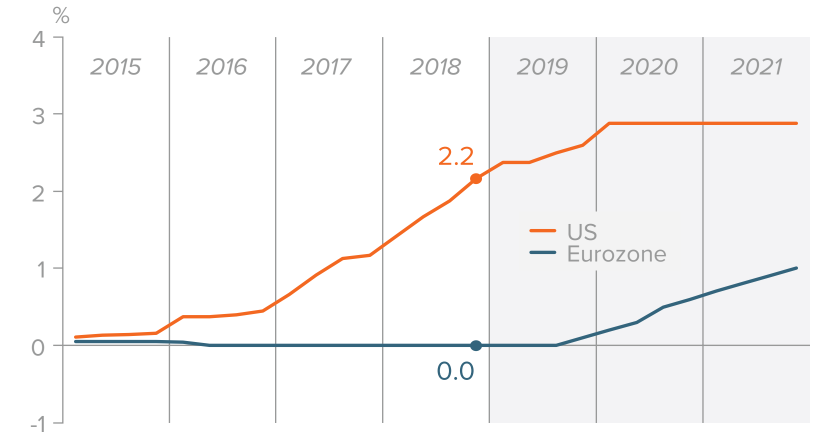
GDP GROWTH FORECASTS REVISIONS OVER LAST QUARTER

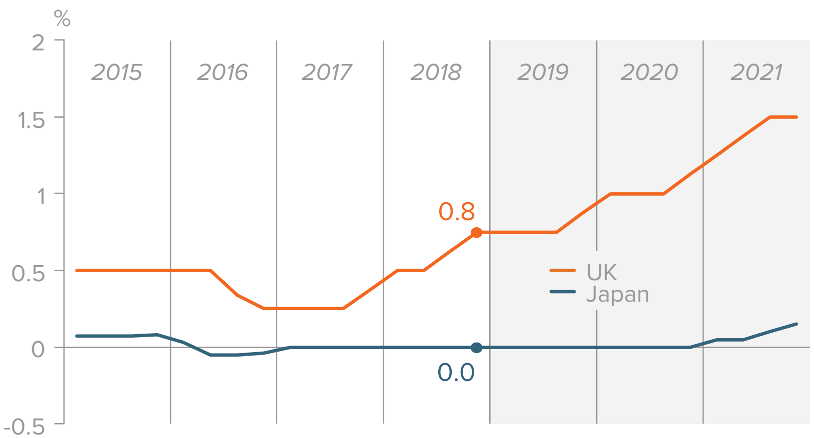
	COUNTRY	2017 %	2018 (E) %	2019 (F) %	2020 (F) %	2021–2025 AVERAGE (F) %	2019 FORECAST CHANGE Percentage points	2020 FORECAST CHANGE Percentage points
Advanced	USA	2.2	2.9	2.4	1.7	1.6	0.0	-0.3 ▼
	Canada	3.0	2.1	1.8	1.7	1.7	-0.2 ▼	0.0
	Japan	1.9	0.7	0.6	0.6	0.7	-0.3 ▼	0.0
	Eurozone	2.5	1.9	1.7	1.6	1.3	-0.1 ▼	0.0
	France	2.3	1.6	1.5	1.5	1.3	-0.2 ▼	-0.1 ▼
	Germany	2.5	1.6	1.5	1.5	1.1	-0.1 ▼	-0.1 ▼
	Italy	1.6	0.9	0.6	0.8	0.8	-0.2 ▼	-0.1 ▼
	Spain	3.1	2.5	2.3	1.9	1.4	0.0	0.0
	UK	1.7	1.4	1.5	1.4	1.6	0.0	0.0
Emerging	China	6.8	6.6	6.1	5.9	5.3	0.0	0.0
	India	6.3	7.5	7.4	7.5	7.0	-0.2 ▼	0.0
	Brazil	1.1	1.4	2.2	2.4	2.4	0.0	0.0
	Mexico	2.3	2.1	1.9	2.1	2.7	-0.4 ▼	-0.3 ▼
	Russia	1.5	1.7	1.3	1.4	1.5	-0.2 ▼	-0.1 ▼

INFLATION FORECASTS REVISIONS OVER LAST QUARTER

	COUNTRY	2017 %	2018 (E) %	2019 (F) %	2020 (F) %	2021–2025 AVERAGE (F) %	2019 FORECAST CHANGE Percentage points	2020 FORECAST CHANGE Percentage points
Advanced	US	2.1	2.5	2.2	2.0	2.0	-0.2 ▼	-0.1 ▼
	Canada	1.6	2.3	2.0	2.0	2.0	-0.3 ▼	0.0
	Japan	0.5	1.0	1.0	1.6	1.3	-0.2 ▼	-0.1 ▼
	Eurozone	1.5	1.7	1.7	1.7	1.9	0.0	0.0
	France	1.1	2.0	1.5	1.6	1.8	-0.2 ▼	-0.1 ▼
	Germany	1.8	1.9	1.8	1.8	2.0	0.0	0.0
	Italy	1.2	1.3	1.4	1.4	1.6	0.0	-0.1 ▼
	Spain	2.0	1.8	1.8	1.8	2.0	0.0	0.0
	UK	2.7	2.5	2.3	2.1	2.0	0.0	0.0
Emerging	China	1.6	2.1	2.3	2.3	2.5	-0.2 ▼	-0.2 ▼
	India	3.3	4.3	4.6	4.7	4.8	-0.3 ▼	-0.1 ▼
	Brazil	3.5	3.8	4.5	4.4	4.2	0.4 ▲	0.4 ▲
	Mexico	6.0	4.9	4.3	3.8	3.4	0.3 ▲	0.3 ▲
	Russia	3.7	2.8	4.6	4.2	4.0	0.0	0.0

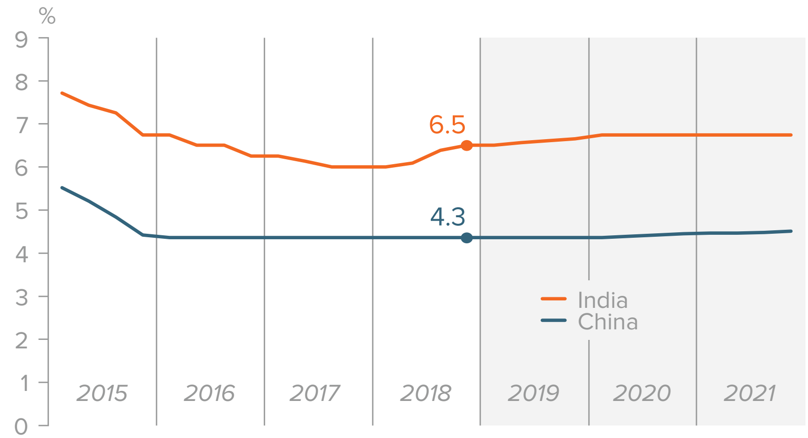
Advanced Economies Interest Rate Forecast

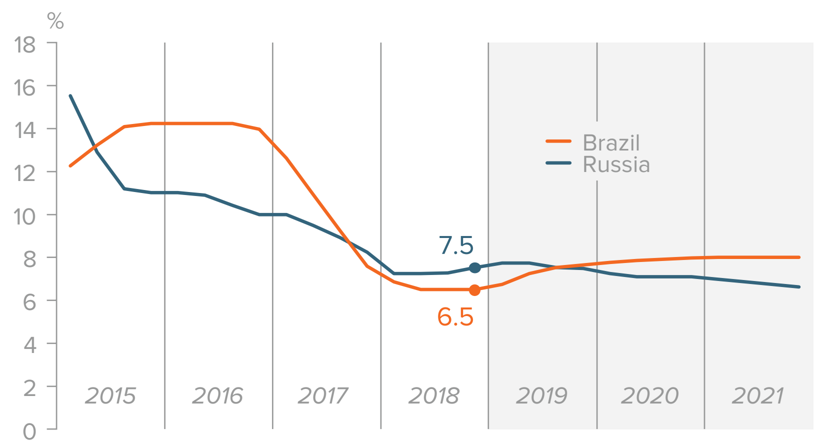




Source: Euromonitor International Macro Model

BRIC Countries Interest Rate Forecast





Source: Euromonitor International Macro Model

Eurozone

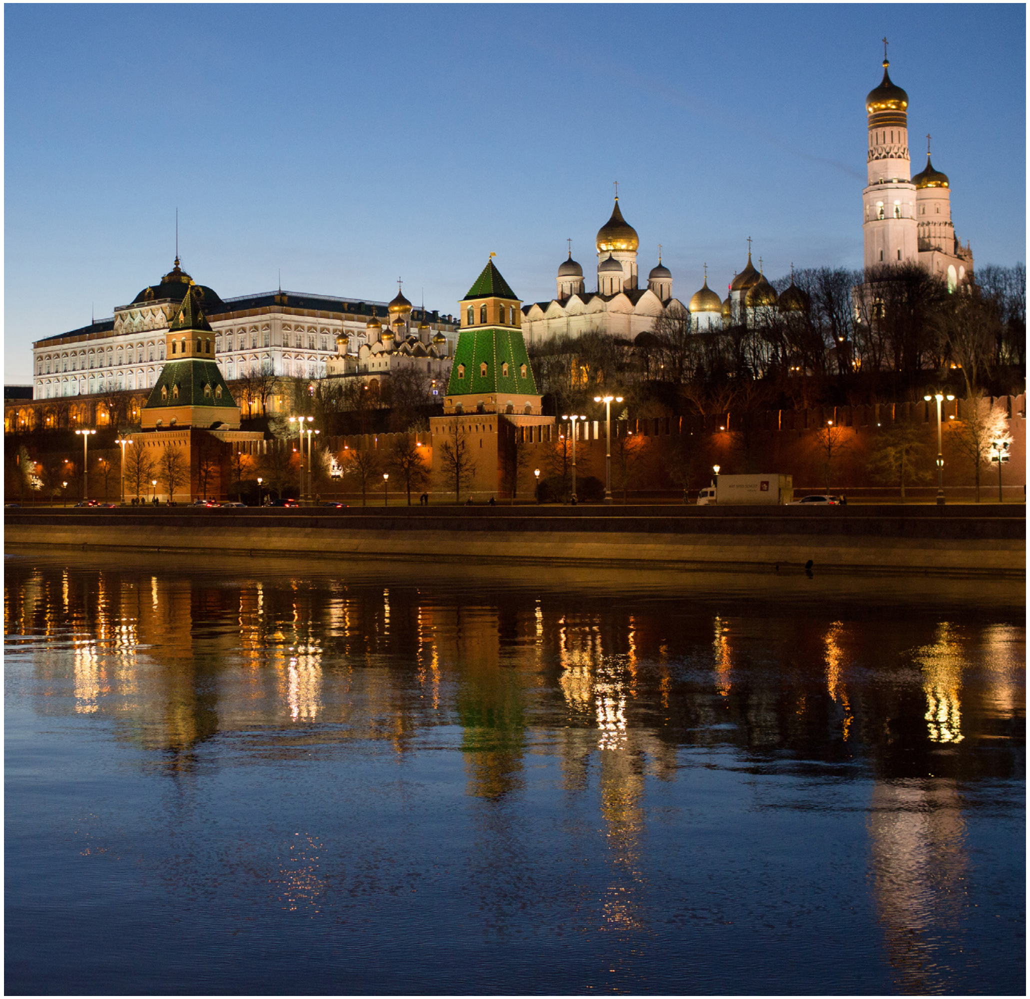
More negative news at the end of 2018 has led to further downgrades in the Eurozone outlook. Private sector sentiment has declined to the lowest level in two years, and GDP growth in Q4 2018 was just 1.2% year on year. Much of the recent disappointing growth is due to temporary factors such as the Gilets Jaunes protests in France and some sectoral industry shocks in Germany. However overall, the Eurozone economy appears to be slowing down close to its long-term trend growth in 2019–2020, with rising downside risks.

Mexico

We have downgraded Mexican GDP growth forecasts by 0.3–0.4 percentage points in 2019–2020. This reflects worse than expected growth at the end of 2018, rising business uncertainty about the policies of the more populist Lopez-Obrador government, and a worsening global trade environment. Higher risks of currency devaluation, inflation and a tighter monetary policy have also worsened the outlook.

Russia

We have downgraded Russian GDP growth forecasts by another 0.1–0.2 percentage points in 2019–2020 due the worsening oil price outlook. The price per barrel of Brent oil has declined from USD80–85 in September–October 2018 to USD60–65 in January, and it is expected to remain in that range in 2019–2020. The worsening outlook for oil prices has further dampened Russia's already mediocre growth prospects, with average annual GDP growth in 2019–2023 forecast at around 1.4%.



US

We have reduced the GDP growth forecast for 2020 by 0.3 percentage points to reflect worsening trade and political uncertainty together with estimating a more transitory impact of the 2018 business tax cuts on investment. While financial markets have likely overreacted negatively in recent months, recession risks have increased for 2019–2020.

INDICATOR	2017 %	2018 (E) %	2019 (F) %	2020 (F) %	2021–2025 AVERAGE (F) %	2019 FORECAST CHANGE Percentage points	2020 FORECAST CHANGE Percentage points
Real GDP growth	2.3	2.9	2.4	1.7	1.6	0.0	-0.3 ▼
Inflation	2.1	2.5	2.2	2.0	2.0	-0.2 ▼	-0.1 ▼
Federal Funds Rate	1.0	1.8	2.5	2.9	2.9	-0.3 ▼	-0.4 ▼

General outlook

The US economy ended 2018 with growth approaching 3%. US private sector confidence remains above average, the unemployment rate is close to 4%, and real wage growth has increased to a still modest 1–1.5% per year. Domestic demand growth continues to run faster than trend growth, with consumption rising at around 3% year-on-year recently and the 2018 corporate tax cuts are still providing a modest stimulus to business investment.

However, the outlook has become less optimistic, with the economy expected to decelerate in 2019–2020, and risks of an economic contraction rising.

Consumer and business confidence indices have declined in recent months. Financial markets' and business uncertainty levels have increased, and macroeconomic risks are significantly tilted to the downside.

In our baseline forecast we expect US real GDP growth of 2–2.7% in 2019 and 1.1–2.2% in 2020. GDP growth is expected to decline to an annual rate of 1.1–2.1% over 2021–2025. Baseline scenario probability: 20–30% over a one-year horizon.

INDICATOR	2017 %	2018 (E) %	2019 (F) %	2020 (F) %	2021–2025 AVERAGE (F) %	2019 FORECAST CHANGE Percentage points	2020 FORECAST CHANGE Percentage points
Real GDP growth	2.5	1.9	1.7	1.6	1.3	-0.1 ▼	0.0
Inflation	1.5	1.7	1.7	1.7	1.9	0.0	0.0
ECB Refinancing Rate	0.0	0.0	0.0	0.4	1.4	0.0	0.0

General outlook

The Eurozone outlook has continued to deteriorate since November. Private sector sentiment has declined to the lowest level in two years. Global exports demand growth has declined in recent quarters. The preliminary Q4 2018 GDP growth estimate was just 0.2% quarter-on-quarter, with year-on-year growth declining from 1.6% in Q3 to just 1.2% in Q4.

Much of the recent disappointing growth is due to temporary factors such the Gilets Jaunes protests in France and some sectoral industry shocks in Germany. Nevertheless, the Eurozone economy appears to be slowing down close to its long-term trend growth in 2019–2020, with rising downside risks.

Our baseline forecast for Eurozone GDP growth is 1.2–2% in 2019, followed by 1–2.1% growth in 2020. Annual GDP growth in 2021–2025 is expected to be 0.8–1.8%.

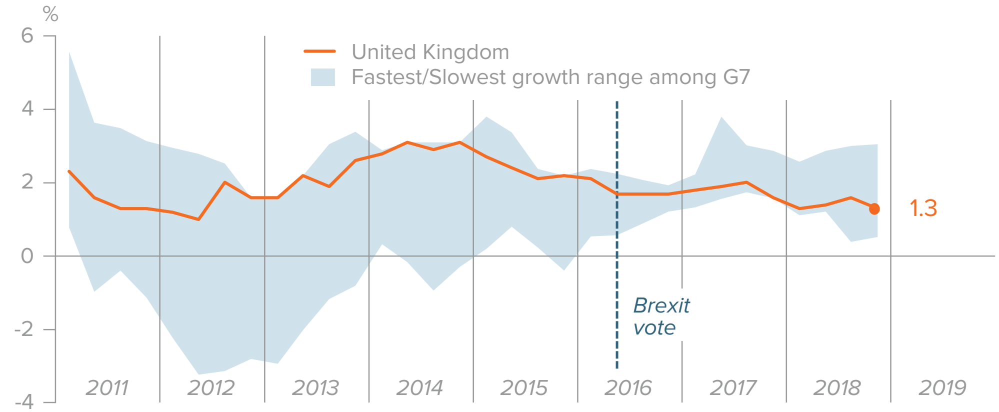
We assign the baseline scenario a probability of 20–30% over a one-year horizon.

General outlook

The beginning of 2019 saw a number of negative reports impact the UK economy. The preliminary estimates show that real GDP growth decelerated from 1.6% in Q3 to 1.3% year on year in Q4 2018, nearly the slowest in six years. In Q4 2018, private and public consumption made positive contributions to GDP growth, while investments and net trade contributed negatively.

Over the last five years, UK economic growth has gone from the top to the bottom of the ranking among the G7 economies. The growth has particularly slowed down since the Brexit referendum in June 2016, weighed down by uncertainty.

UK Real GDP vs. G7 Countries, y-o-y Growth

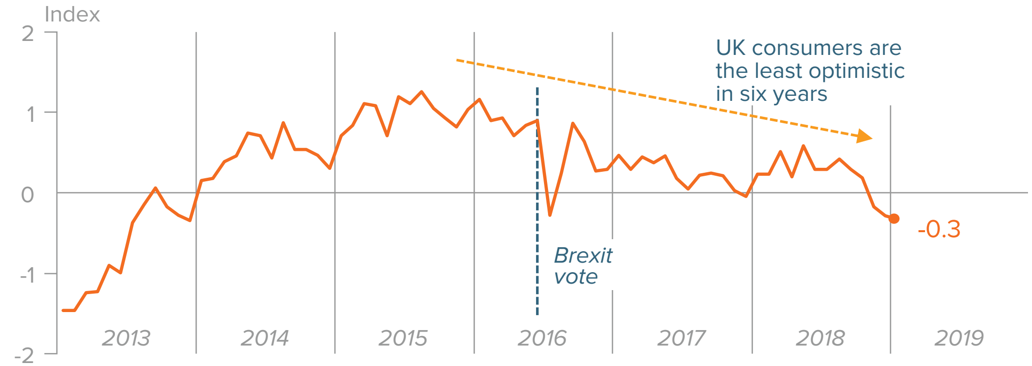


Source: Euromonitor International Macro Model

With a prevailing lack of clarity over the UK's exit from the EU, consumer sentiment in January 2019 was the most depressed since 2013. Waning consumer confidence, contracting business investments and bleak economic growth suggest the UK economy is at risk of stagnating and highlights how uncertainty about Brexit is putting strain on spending by both consumers and businesses.

There is an unusual amount of volatility about the UK outlook going forward. In our baseline forecast we have kept the annual real GDP growth at 1.4–1.5% in 2019–2020. However, the outlook primarily depends on the deal under which the UK will pledge to leave the EU.

UK Consumer Confidence, Standardised



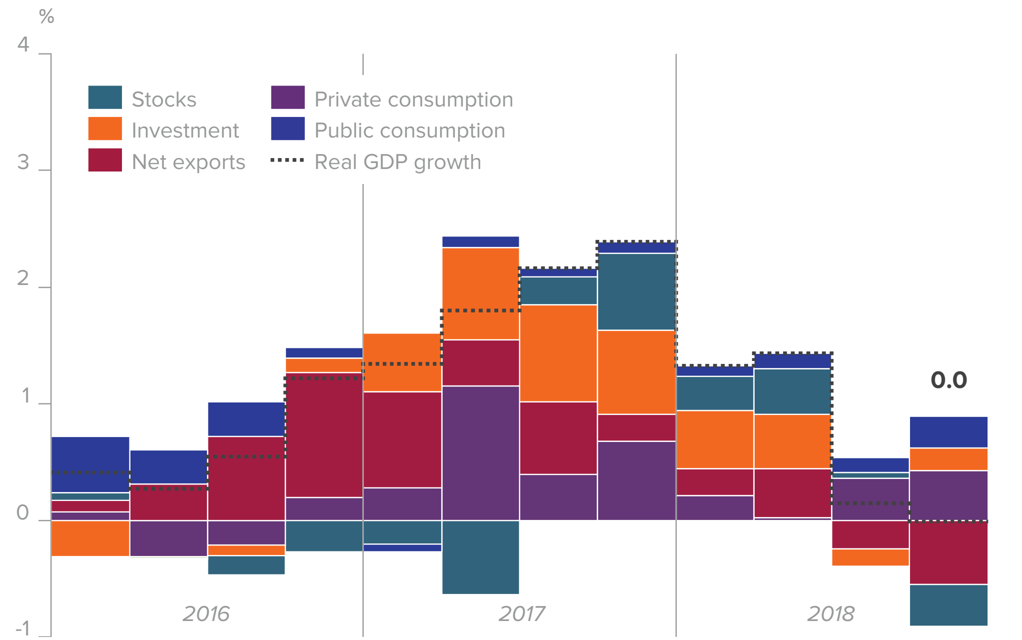
Source: Euromonitor International from Eurostat
Note: Values above 0 indicate sentiment above long term average

General outlook

Slowing global demand and the China-US trade war continue to take their toll on Japan's economy, with real GDP growth standing virtually at zero in Q4 2018, dragged down by lower exports. On the positive side, consumption and investment picked up a tad towards the end of the year, although the rebound is under question bearing in mind the sluggish overall outlook.

Stagnant growth in Q4 2018 prompted us to revise our real GDP growth forecasts for 2019 down to 0.6% (compared to 1.0% in our November report). The projection for 2020 remains at 0.6%.

Japan Real GDP Growth by Expenditure Component

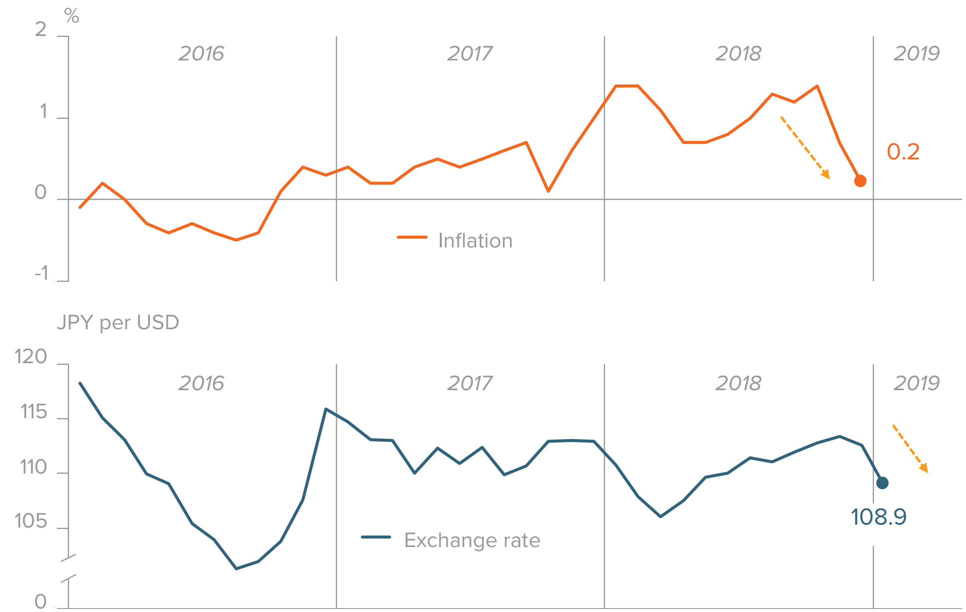


Source: Euromonitor International from national statistics

Global economic slowdown, Brexit negotiations and signs that the US Federal Reserve will hold off interest rate hikes until mid-summer have boosted investor demand for safe-haven currencies, resulting in a firming Japanese yen, which adds pressure to Japan's export-reliant economy.

Fears of slowing global demand are keeping businesses from raising wages; in addition, the recent decrease in oil prices has pushed down gasoline prices as well as gas and electricity bills. As a result, the consumer price index still lacks momentum, with inflation slowing down over the last few months of 2018.

Japan Inflation and Yen Exchange Rate



Source: Euromonitor International from national statistics, IMF
Note: Inflation for Jan '19 — Euromonitor International estimate

INDICATOR	2017 %	2018 (E) %	2019 (F) %	2020 (F) %	2021–2025 AVERAGE (F) %	2019 FORECAST CHANGE Percentage points	2020 FORECAST CHANGE Percentage points
Real GDP growth	6.8	6.6	6.1	5.9	5.3	0.0	0.0
Inflation	1.6	2.1	2.3	2.3	2.5	-0.2 ▼	-0.2 ▼
1-Year Lending Rate	4.4	4.4	4.4	4.4	4.9	0.0	0.0

General outlook

China has started 2019 with growing concerns about a domestic demand slowdown and the negative impact from the US-China trade war on exports. Chinese government officials have tried to appear optimistic especially about the continuation of economic rebalancing, though consumer spending has also decelerated in recent months. Fiscal stimulus remains modest so far, mainly consisting of targeted consumption and business tax cuts.

GDP growth is expected at 5.6–6.5% in 2019 and 5.2–6.5% in 2020, followed by annual growth of 4.5–6% in 2021–2025, based on official GDP data.

However, the slowdown and increasing trade related uncertainty is accompanied by renewed doubts about the reliability of Chinese official growth statistics.

Recent academic analysis uses statistical estimates of the relation between economic activity and night light intensity[1] to provide stronger evidence of a significant upwards bias in official Chinese GDP growth data, declining in recent years. Assuming the degree of upwards bias in official estimates keeps declining and putting some weight on the official estimates, the baseline forecast of 2019–2023 annual GDP growth of around 5.6% could be closer to 5%.

1 Night light intensity is a satellite measurement of light intensity at night from specific geographic pixels as a method to measure economic output.

General outlook

According to the latest Rosstat data, published in early February, real GDP grew by 2.3% in 2018 compared with 2017. This is the largest growth rate since 2012, when GDP increased by 3.7%.

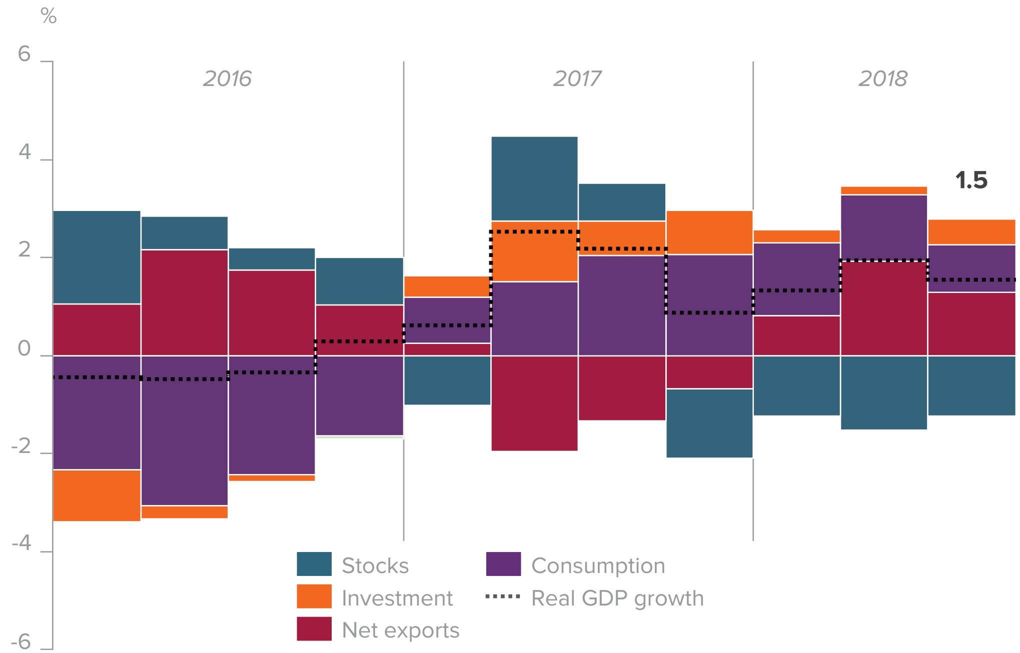
Available revised statistics on GDP dynamics exceeded even the most optimistic forecasts for 2018, as almost no one expected economic growth to exceed 2% in 2018. The key factor behind such a significant improvement in economic activity was a sharp revision of the construction dynamics. It turned out, construction increased by 5.9% in 2018, instead of 0.5% stagnation expected before, which was a record for 10 years.

Net exports dynamics was the main driver of the economy in 2018 amid a favourable foreign environment created by active growth of global GDP and oil prices. This is primarily caused by growth of hydrocarbon exports and reduction of imports amid the ruble's depreciation. The dynamics of domestic demand, in contrast to external, slightly deteriorated relative to 2017 amid already mentioned weakened local currency. The increase in the average oil price in 2018 by 31% therefore had a limited impact on the dynamics of Russian domestic demand.

The growth of gross fixed capital formation slowed down by half, due in part to the negative impact of newly imposed economic sanctions.

In 2019, we expect a number of factors to constrain economic growth in Russia: a slowdown in export growth under still weak domestic demand, a decrease in the average oil price, increase in VAT and key interest rate. In our baseline, we expect real GDP to grow by about 1.3–1.4% over the next two years.

Russia Real GDP Growth by Expenditure Component



Source: Euromonitor International from national statistics
Note: Real GDP growth split by spending components is provided before the recent Rosstat revision of construction and total annual GDP statistics

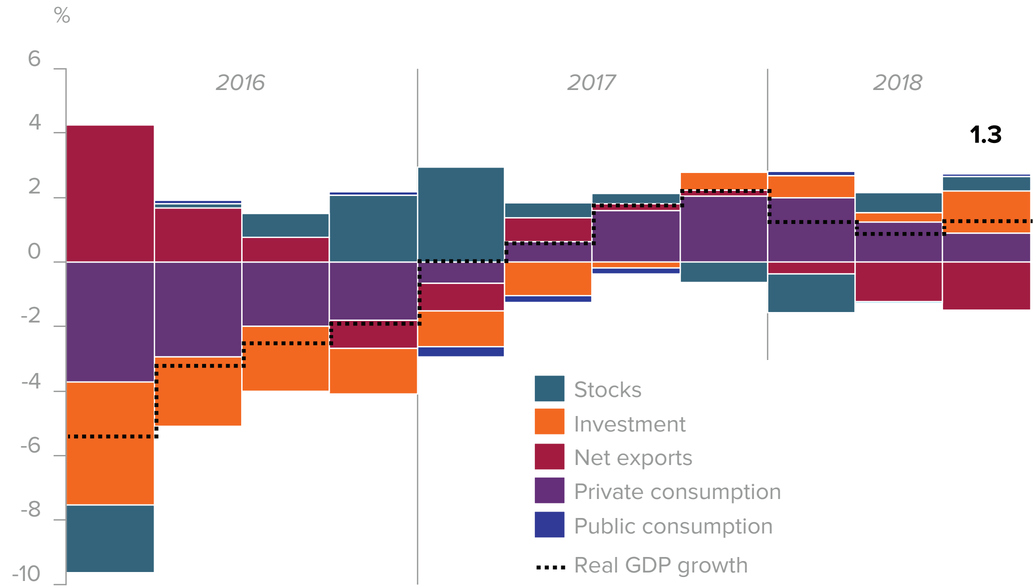
General outlook

Brazil's economy grew by 1.3% in Q3 2018, driven mainly by healthy investment growth on the back of low interest rates and investors becoming optimistic regarding the country's future performance.

The new President Jair Bolsonaro has taken office at the beginning of 2019 and all investors' eyes are on the new government's further actions, with expectations being largely positive.

While we await for the government's actions to start materialising, our real GDP growth forecasts remain unchanged at 2.2% in 2019 and 2.4% in 2020.

Brazil Real GDP Growth by Expenditure Component

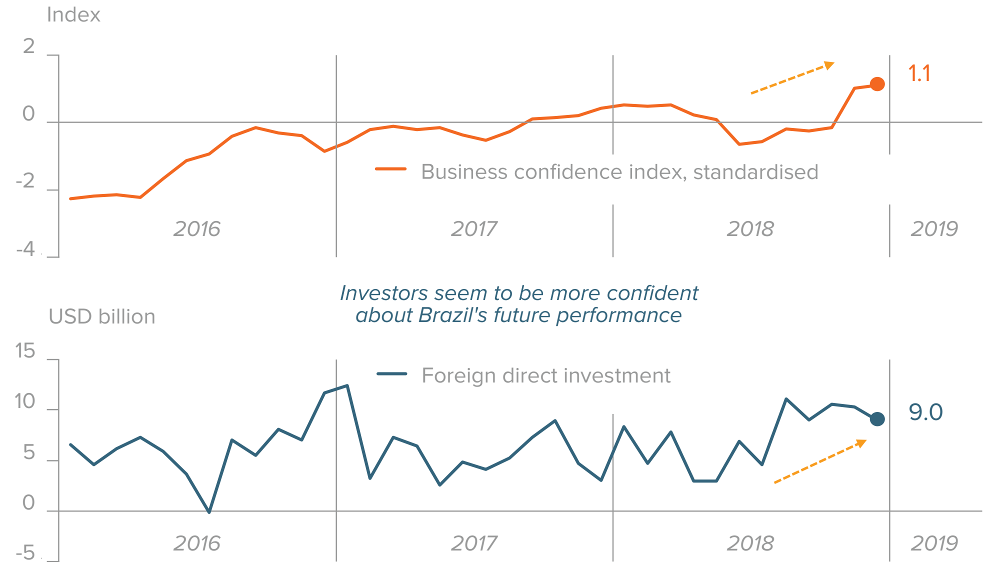


Source: Euromonitor International from OECD

Bolsonaro is taking over at a time when the global economy is in retreat, with tightening financing conditions in the US and China slowing down. However, the situation in the domestic arena is in the spotlight, with the market closely eyeing the implementation of measures to balance Brazil's fiscal accounts.

Up to now, investors have been positive: towards the end of 2018, both business confidence and foreign direct investment inflows increased, although sentiment going forward relies heavily on the successful government measures to normalise Brazil's public finances.

Brazil Foreign Direct Investment and Business Confidence

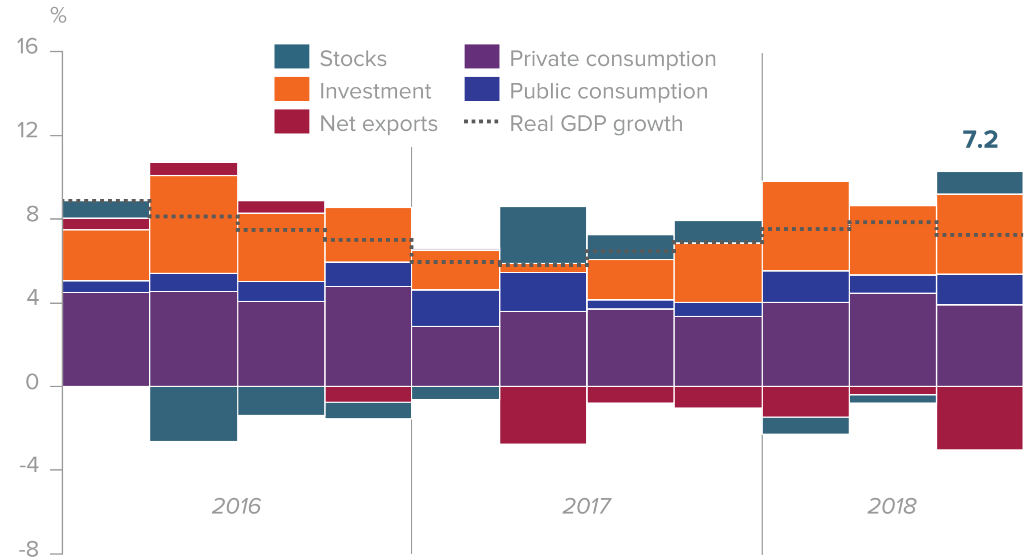


Source: Euromonitor International from Central Bank of Brazil,National Confederation of Industry

General outlook

India's economy decelerated in Q3 2018. Real GDP slowed down to 7.2% year on year from a high of 7.8% in the previous quarter. The economic performance was dragged down by real private consumption, which slowed down from 8.0% year on year in Q2 to 7.0% in Q3, as a result of lower rural consumer spending and agricultural prices. Meanwhile, import growth doubled from 12.5% year on year to 25.6% affected by higher oil prices, and export growth remained broadly stable. On a more positive note, real investments accelerated in Q3 2018, as did public spending.

India Real GDP Growth by Expenditure Component

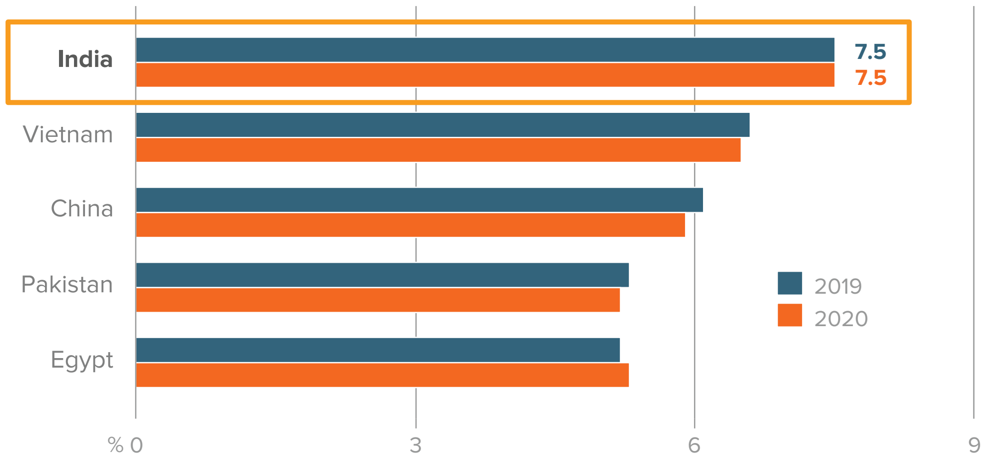


Source: Euromonitor International from OECD

We expect economic growth to gain pace over 2019 on the back of stronger investment and private consumption growth. Real GDP growth is forecast to average 7.5% over 2019–2020. This will make India a top growth economy among the world's major countries.

The main downside to India's outlook is the risk of fiscal slippage in anticipation of general elections between April and May 2019, while imports remain vulnerable to oil price changes. In February, Prime Minister Modi presented an interim budget for the 2019 financial year, which aims to generate higher income for farmers and the middle class, with a hope to shore up political support.

World's Top Real GDP Growth



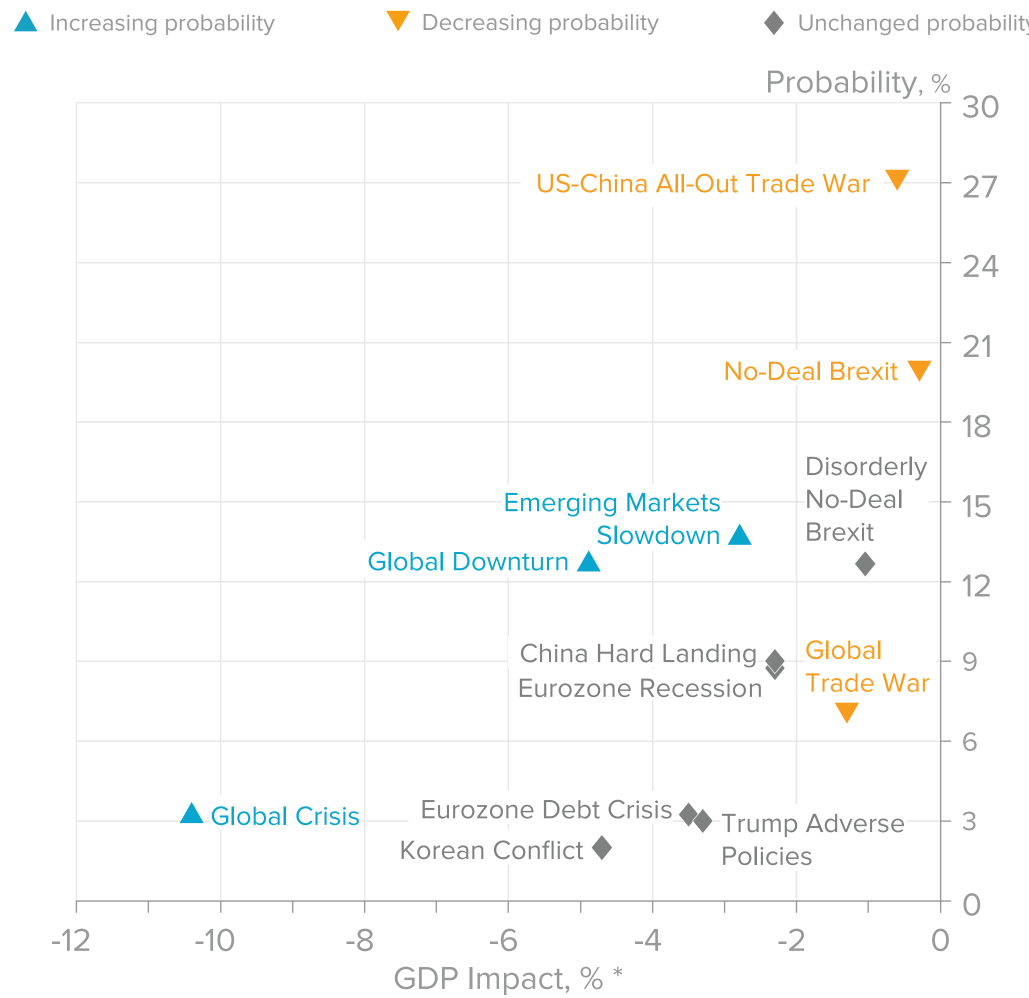
Source: Euromonitor International from OECD
Note: Out of 58 world's major economies covered by Euromonitor International's Macro Model

Summary

Global Downturn, Global Crisis and Emerging Market Slowdown risks have increased with higher turbulence in financial markets. Also, our revised Global Downturn and Global Crisis scenarios now assume more negative effects from emerging markets.

The simmering tensions between the US and China, agreements between the US, Mexico and Canada and the ongoing truce between the US and the EU have reduced trade war risks.

The No-Deal Brexit risk has declined since November but remains high. We have also introduced a new worst-case Disorderly No-Deal Brexit scenario, amid the continuing uncertainty about the UK outlook and Brexit deadline coming closer.



Source: Euromonitor International

* Impact is measured as world GDP change over 3 years compared to baseline scenario, in percentage points

ABOUT EUROMONITOR INTERNATIONAL

Euromonitor International is a global market research company providing statistics, analysis and reports, as well as breaking news on industries, economies and consumers worldwide. We connect market research to your company goals and annual planning by analysing market context, competitor insight and future trends impacting businesses worldwide. Companies around the world rely on Euromonitor International to develop and expand business opportunities, answer complex questions and influence strategic decision-making.

The Macro Model is an interactive and highly visual dashboard that places the client in the driver's seat. The Macro Model can help your business plan for shifts in economic environments, pressure test strategic plans and track changing forecast expectations over time, enabling your business to examine risks and vulnerabilities of economies in order to support critical decision-making.

For more detailed analysis around the economic forecasts by country for this quarter, purchase the full Global Economic Forecasts Report or Request a live demonstration to learn more about the power of Passport.

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SCENARIO DESCRIPTIONS

SCENARIO	DESCRIPTION
Global Downturn	Fears about trade wars and populist policies in advanced economies cause a fall in private confidence. Uncertainty concerns lead to a sell-off in financial markets and spill-overs to emerging markets.
Emerging Markets Slowdown	Higher pessimism about long-term growth potential and greater protectionism. Slower global trade growth. Domestic business and consumer confidence drop. Rise in capital outflows leads to higher financing costs.
Global Crisis	Fears about populist policies cause private confidence to decline to lows not seen since the Global Financial Crisis. Stock markets crash. Worse income prospects and higher finance costs reduce consumption and investment.
Eurozone Recession	Growing geopolitical and EU break-up risks raise uncertainty and reduce investment. Significant deterioration in Eurozone credit markets, confidence indicators drop. Italy and Greece exit Eurozone.
China Hard Landing	Lower private confidence, declining exports and rising proportion of non-performing loans lead to a sharper economic downturn in China. Rebalancing slows down, reducing long-term growth potential.
US-CN Trade War	The US raises tariffs on Chinese imports by 15–25 p.p. China retaliates with similar tariff increases.
No-Deal Brexit	UK-EU negotiations break down, and the UK leaves the EU in 2019 without making a trade deal.
Disorderly No-Deal Brexit	Trade sensitivity and disruptions are more severe and long-lasting. This is the worst-case No-Deal scenario.
Eurozone Crisis	Growing geopolitical and EU break-up risks raise uncertainty and reduce investment. Tensions in sovereign debt markets cause turmoil in financial markets. Collapse in confidence. Italy and Greece exit Eurozone.

SCENARIO DESCRIPTIONS

SCENARIO	DESCRIPTION
Trump Adverse Policies	The US imposes tariffs on imports from Mexico, China and other Asian countries, leading to a trade war. Stricter immigration restrictions reduce labour supply. Stock market declines, and interest rates increase.
Korean Conflict	Nuclear fears lead to US strike on North Korea. North Korea invades South Korea and strikes on Japan. Fears of strikes on the US or other Asian countries lead to a sell-off in financial markets and a slowdown.
Global Trade War	The US raises tariffs on Chinese imports by 15–25 p.p., on other Asian countries by 5–15 p.p., on Mexico by 10–20 p.p. and on Canada and the EU by 5–15 p.p. Countries retaliate with similar tariff increases.

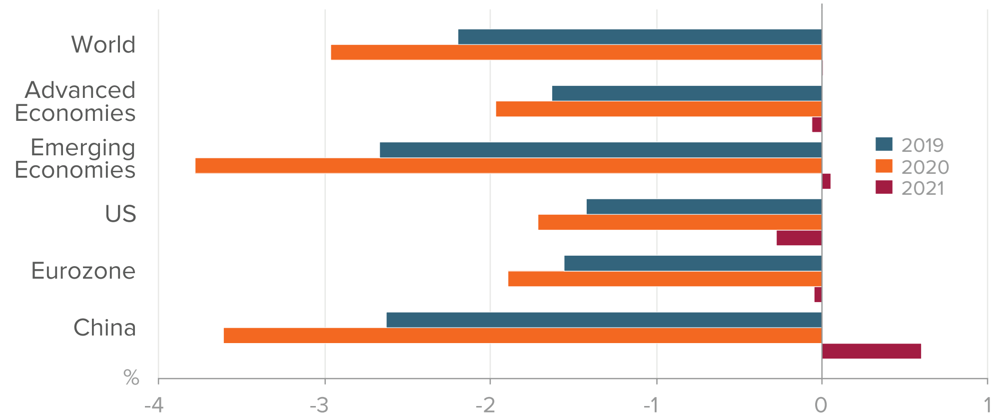
Scenario news

We have revised our main global scenarios in January, including the Global Downturn, Emerging Market Slowdown, Global Crisis, and China Hard Landing scenarios.

The Global Downturn scenario (our top global risk) now assumes more widespread global financial and private sector sentiment shocks, leading to bigger emerging markets' effects. These shocks may be related to rising protectionism and higher geopolitical or populist policies' risks in a more uncertain world.

The worst-case Global Crisis stress-testing scenario is now conceived as a deeper global downturn, combined with more recessionary Eurozone shocks.

Global Downturn Impact on Real GDP, Difference from Baseline Growth



Source: Euromonitor International Macro Model
Note: Scenario assumed to start in Q2 2019

The other scenarios have been revised to account for lower historical estimates of Chinese GDP growth volatility, and to incorporate more realistic current account reversal and currency devaluation dynamics for several emerging markets such as South Africa and Turkey.

We have introduced a worst-case Disorderly No-Deal Brexit scenario, in addition to our main No-Deal Brexit scenario, given the continuing uncertainty about the British Parliament's approval of a deal that allows for a smooth EU exit after March 2019. The new scenario assumes more prolonged and severe trade disruptions and a higher sensitivity of trade flows to tariff increases. These assumptions imply a deep recession in the UK with GDP contracting by around 2% annually in 2019–2020.

Definitions

- Forecast closing date: 1st February 2019
- All baseline forecasts (expected or most likely outcomes) are assigned a 20–30% probability unless stated otherwise.
- All most likely pessimistic and optimistic scenarios are assigned a probability of 15–25% unless stated otherwise.
- All GDP and GDP components growth rates are in real (inflation adjusted) terms unless stated otherwise.
- All GDP and GDP components growth rates are year-on-year unless stated otherwise.

For further insight, do not hesitate to contact us at analytics@euromonitor.com