

Economic outlook, analysis and forecasts

Comprehensive action needed to shift the global economy into higher gear, says OECD in latest Economic Outlook

06/11/2014 - The global economy remains stuck in low gear, but is expected to accelerate gradually if countries implement growth-supportive policies. Widening differences across countries and regions are adding to the major risks on the horizon, according to the advanced G20 release of the OECD's latest [Economic Outlook](#).

“We have yet to achieve a broad-based, sustained global expansion, as investment, credit and international trade remain hesitant,” OECD Secretary-General Angel Gurría said while launching the Outlook in the run-up to the G20 Leaders’ Summit that will take place on 15-16 November in Brisbane.

“Financial risks remain high and may increase market volatility in the coming period. There is an increasing risk of stagnation in the euro area. Countries must employ all monetary, fiscal and structural reform policies at their disposal to address these risks and support growth,” Mr Gurría said. ([Read the speech](#))

Global GDP growth is projected to reach a 3.3% rate in 2014 before accelerating to 3.7% in 2015 and 3.9% in 2016, according to the Outlook. This pace is modest compared with the pre-crisis period and somewhat below the long-term average. It is also slightly lower than the last OECD forecast in September.

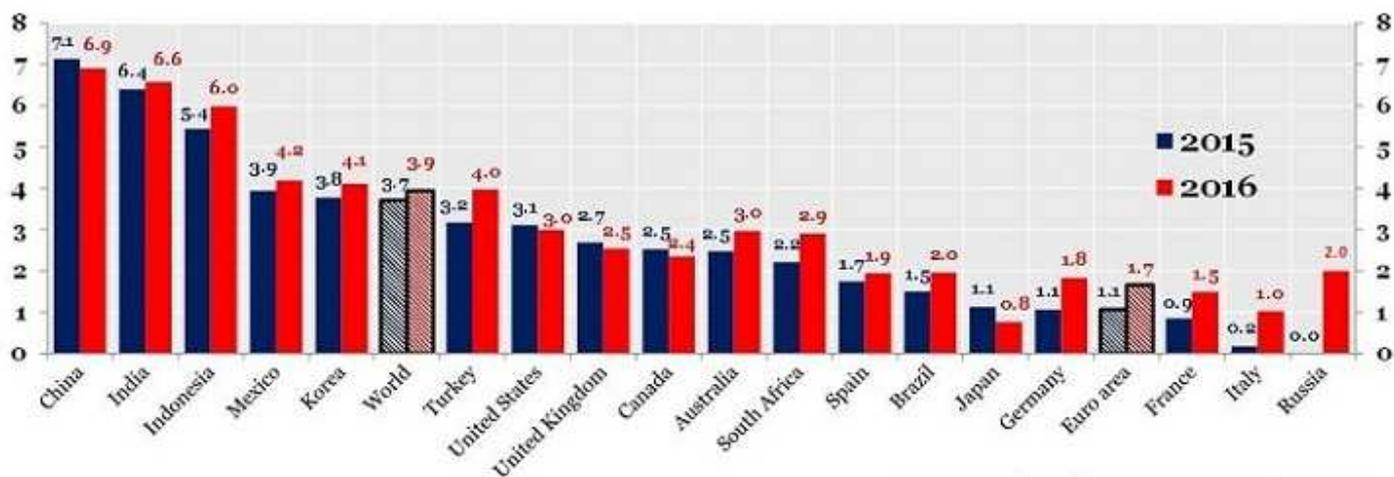
Among the major advanced economies, recovery remains robust in the United States, which is projected to grow by 2.2% in 2014 and around 3% in 2015 and 2016. Growth in the euro area is expected to pick up slowly, from 0.8% in 2014 to 1.1% in 2015 and 1.7% in 2016. In Japan, growth will continue to be impacted by consumption tax hikes, and is expected to be 0.9% in 2014, 1.1% in 2015 and 0.8% in 2016.

Large emerging economies are also projected to show diverging performance over the coming years. China is rebalancing its economy while trying to achieve a controlled slowdown to more sustainable growth rates, and is projected to grow at around 7% over the 2015-16 period, down slightly from 7.4% in 2014. Growth will strengthen in India as investment picks up, from a 5.4% rate in 2014 to 6.4% in 2015 and 6.6% in 2016.

Growth in Brazil has slumped, with the economy set to expand by only 0.3% in 2014, before a recovery to 1.5% in 2015 and 2% in 2016. The Russian economy, hit by lower oil prices and weakening trade, will expand by only 0.7% this year, and growth is expected to fall to zero in 2015 before recovering to 2% in 2016.

Growth projections for 2015-16

GDP growth
Per cent



Source: OECD (2014), Preliminary Economic Outlook

The Outlook draws attention to significant downside risks. A major concern is the weakness of demand in the euro area, which points to a rising risk of a prolonged period of stagnation and low inflation. Tightening of US monetary policy could lead to financial market volatility for emerging market economies. High levels of debt in some advanced and emerging economies also raise financial stability concerns. Moreover, a key risk is that the slowdown in potential output growth since the crisis leads to even weaker trend growth than currently anticipated.

The advanced OECD Economic Outlook - the full report will be presented on 25 November - provides policy recommendations for strengthening growth and combating downside risks. The Outlook acknowledges that countries are at different points in the cycle, and consequently policies will diverge.

Monetary policy still needs to support demand in all the major advanced economies. In the United States, continued growth and tightening labour markets should allow policy rates to begin rising from mid-2015. By contrast, the Bank of Japan should continue quantitative easing until its inflation target has been sustainably achieved.

With euro area inflation far below target and drifting downward, the European Central Bank should expand its monetary policy stimulus – even beyond measures already announced - building on the positive steps taken to date.

With significant progress already made to strengthen the fiscal position of many advanced economies, a considerable easing of the pace of consolidation is warranted in many cases, notably the United States and the euro area. All available room under the EU fiscal rules should be used to avoid negative effects on demand and to allow the automatic stabilisers to work fully. Fiscal consolidation should proceed steadily in Japan.

Ambitious structural reforms that complement macroeconomic policies can boost growth in advanced and emerging countries alike. To this end, G20 countries are set to deliver national growth strategies at the Brisbane summit that could collectively lift G20 GDP by about 2% by 2018 relative to the 2013 level.

“Reforms to tax, trade, labour, and product markets will benefit domestic investment and global trade, and support greater employment and consumption around the world,” OECD Chief Economist Catherine Mann said. “The potential pay-off from the structural reform agenda under consideration is tremendous, but countries must implement the measures that

have been identified to get the global economy into higher gear. Macroeconomic policy support must be part of the package.”

For more information on the Economic Outlook, see: www.oecd.org/economy/outlook/economicoutlook.htm

Journalists are invited to contact the [OECD's Media Division](#) (tel: +33 1 4524 97 00)