Peterson Institute for International Economics

News

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PIIE EXPERTS FORECAST SLOW, STEADY GROWTH FOR THE GLOBAL ECONOMY IN 2016–17

WASHINGTON—Economists at the Peterson Institute for International Economics (PIIE) forecast slow but steady growth for the global economy in 2016–17, with recessions in a few emerging economies determined by country-specific, domestic political or geopolitical developments. PIIE experts consider that, although projected growth will remain well below the rates experienced prior to the 2008–09 crisis, the world economy will weather prospective shocks in the next year.

The Institute's semiannual Global Economic Prospects program will be presented (and webcast) at 12:15 pm (ET) on Monday, April 11. Paolo Mauro will provide the global context by analyzing potential shocks of global relevance. Adam S. Posen will give his forecast for the United States and analyze the factors that are likely to shape monetary policy decisions in the months ahead. Nicholas R. Lardy will discuss prospects for the Chinese economy, with emphasis on developments in the exchange rate and international capital flows. The video, transcript, and PIIE experts' presentations will be available on the Institute's website after the event.

Opening the session, Mauro argues that our expectations for the global economy's potential must adjust to a new reality in which growth will be lower than before the crisis. He expects that the beneficial impact of lower oil prices will filter through to advanced economies more fully during the coming year and that possible shocks from Europe are unlikely to derail the global economy. He argues that despite China's reasonably stable GDP growth, its structural transformation from manufacturing to services is reducing its imports and thus producing a negative impact on the rest of the world.

Posen forecasts a "Goldilocks" growth rate near potential for the US economy, with little inflationary pressure despite a low unemployment rate. He believes that too much attention is being paid to Federal Reserve interest rate decisions with little risk of a major error either way, against the background of an economy on a generally sustainable path. Although that oversensitivity implies that tail risks have diminished, the balance of risks remains clearly on the downside.

While noting a mild growth deceleration in China, Lardy corrects widespread misunderstandings of economic and financial developments in that country. He points out that services and consumption are likely to remain the major drivers of China's economic growth. He views the assertion that authorities will engineer a large step devaluation of the currency to prevent a further economic slowdown as unfounded. Similarly, once the factors underlying recent capital outflows are properly understood, it becomes apparent that market forces are unlikely to trigger a sizable depreciation.

About the Forecasters

Paolo Mauro joined the Peterson Institute for International Economics as a senior fellow in late 2014, after 20 years at the International Monetary Fund in increasingly senior roles in the fiscal and research departments.

Adam S. Posen has been president of the Peterson Institute for International Economics since 2013 and was member of the Monetary Policy Committee of the Bank of England from 2009 to 2012.

Nicholas R. Lardy, the Institute's Anthony M. Solomon Senior Fellow, is the author of the widely acclaimed book *Markets over Mao: The Rise of Private Business in China*.

About the Institute

The **Peterson Institute for International Economics** is a private, nonprofit institution for rigorous, intellectually open, and indepth study and discussion of international economic policy. Its purpose is to identify and analyze important issues to make globalization beneficial and sustainable for the people of the United States and the world, and then to develop and communicate practical new approaches for dealing with them. The Institute is widely viewed as nonpartisan. Its work is funded by a highly diverse group of philanthropic foundations, private corporations, and interested individuals, as well as income on its capital fund. About 35 percent of the Institute's resources in its latest fiscal year were provided by contributors from outside the United States. A list of all financial supporters for the preceding four years is available online [pdf].