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Charts of the Week: Revisions, Risks, Reforms, Repeat

A HAVER ANALYTICS[®] podcast and publication

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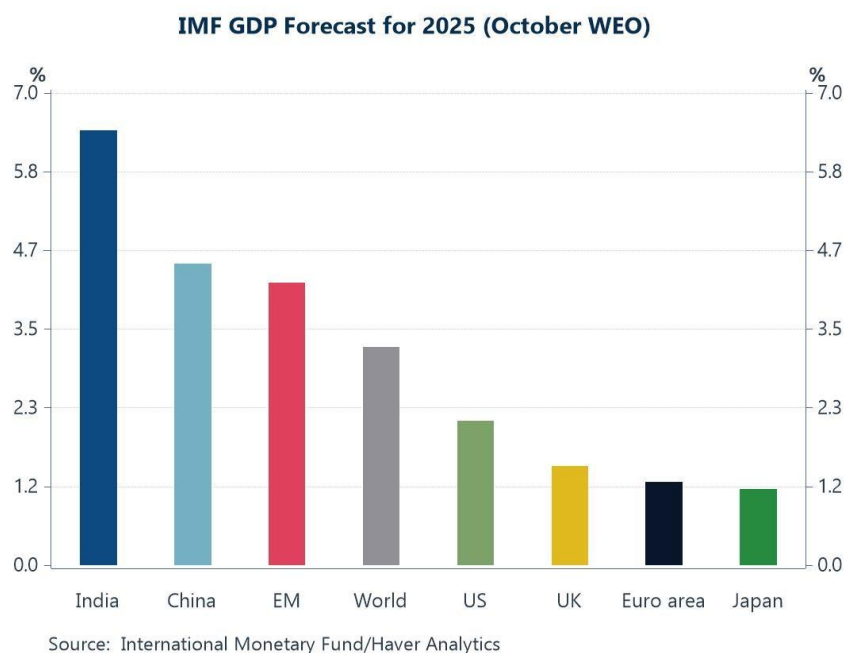
Revisions, Risks, Reforms, Repeat

In the absence of incoming data that might have influenced the economic outlook, the financial press has been dominated by other factors, including Q3 corporate earnings reports and US political shenanigans. This week's IMF meetings in Washington have additionally grabbed headlines and particularly the accompanying reports on the global economic outlook and financial market stability. While the IMF's projections for global growth for 2024 and 2025 were little-changed compared with the previous full report in April (see chart 1), there were some notable revisions beneath the surface. Upgrades to the US growth outlook, for example, were offset by downgrades to Europe. And downside risks were additionally emphasised amidst elevated policy uncertainty in a number of countries (chart 2). These risks stem from a range of issues, including geopolitical stress in the Middle East, China's imbalances and their reverberations (chart 3), high levels of debt together with other supply-side challenges such as climate change, the energy transition (chart 4) and ageing populations. Against that backdrop, policy decisions concerning the calibration of monetary and fiscal policy will be crucial (chart 5), as will the ability to implement supply-side reforms (chart 6).

The IMF's Economic Outlook

The IMF expects global growth to remain broadly flat – decelerating marginally from 3.3% y/y in 2023 to 3.2% in both 2024 and 2025. This outlook is largely unchanged from the forecasts that were published in April 2024 and October 2023. But there were some nuances beneath the surface, with upward revisions to the outlook for the US offset by downward revisions to the euro area, and to Germany in particular, in 2025.

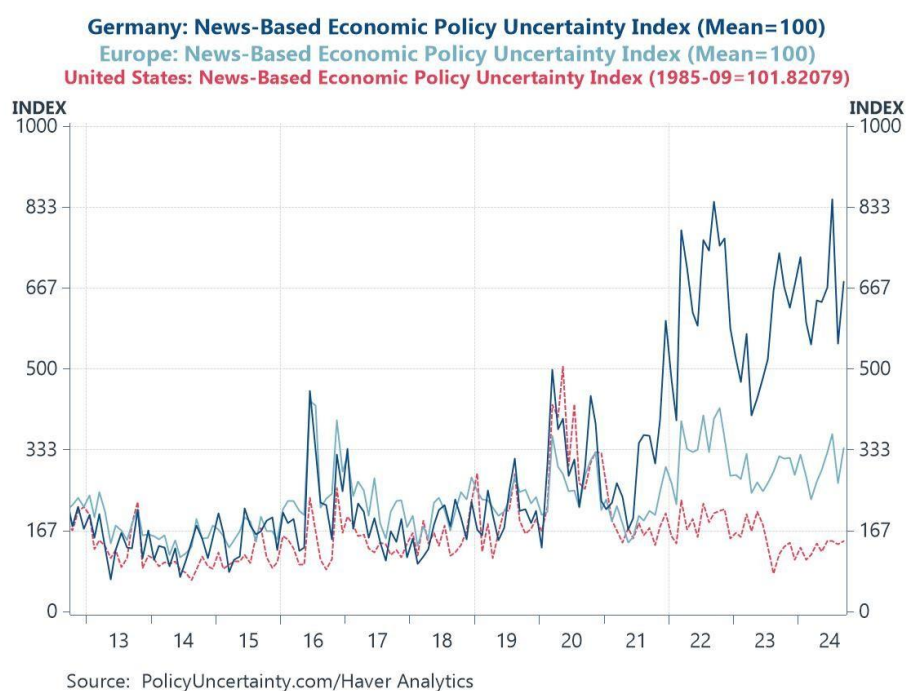
Chart 1: The IMF's GDP forecasts for 2025 for selected economies and regions



Policy Uncertainty

The IMF's relative optimism about the outlook for the US and the pessimism about Germany can be traced to a number of factors, though the latter's high energy costs along with the plight of its manufacturing sector - and its auto sector in particular - have been key. These have combined to generate very high levels of policy uncertainty in Germany relative to its European peers and particularly compared to the US (see chart 2).

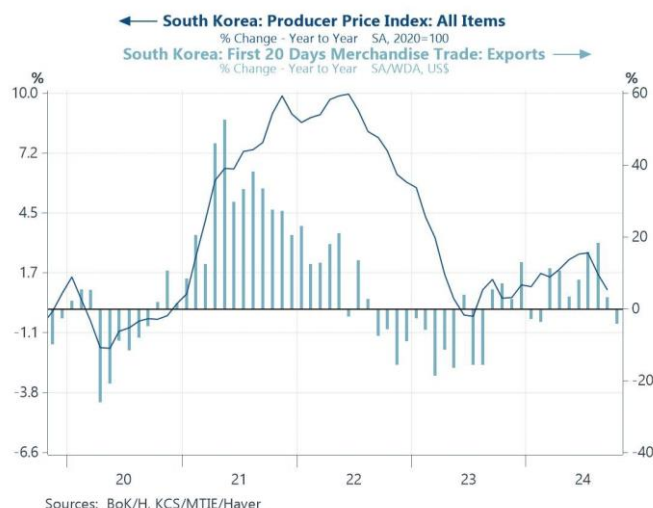
Chart 2: Economic Policy Uncertainty in the US, Germany and the broader European region



Global trade

Weak global demand, particularly from key markets like China, has also hit Germany's economy. And this week's latest data from South Korea have additionally underscored the fragility of that demand. For instance export growth in the first 20 days of October slowed to a 14 month low of -4.2% y/y on a working-day adjusted basis after +3.1% in September. PPI inflation also weakened, to 0.9% y/y in September from 1.6% in the previous month.

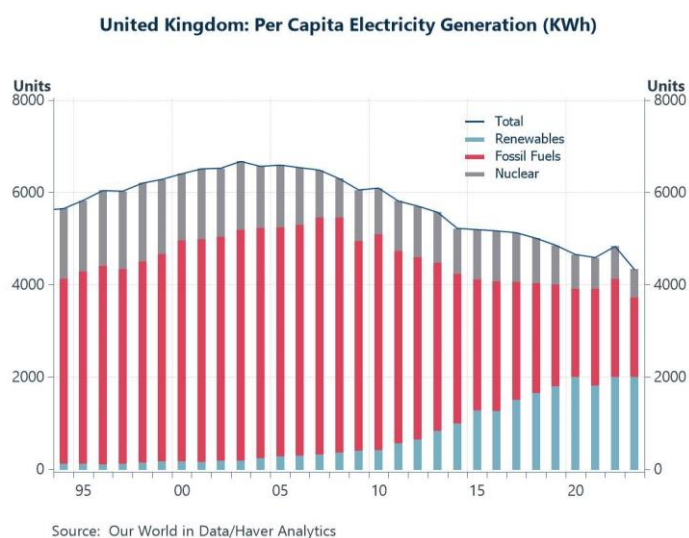
Chart 3: South Korea's export growth in the first 20 days of the month versus PPI inflation



The Energy Transition (and the UK)

There are a number of downside risks to the outlook that the IMF – and other economic forecasters – have been citing in recent months. One of the most critical is climate change and the energy transition and how this is amplifying instability in energy and food markets. Ahead of next week's Budget announcement from the new Labour government, there has been an active debate about the provision of electricity, amidst a dearth of public investment in nuclear energy sources. This is notwithstanding a relatively impressive shift away from fossil fuels toward more sustainable renewable energy sources over the past few years (see chart 4).

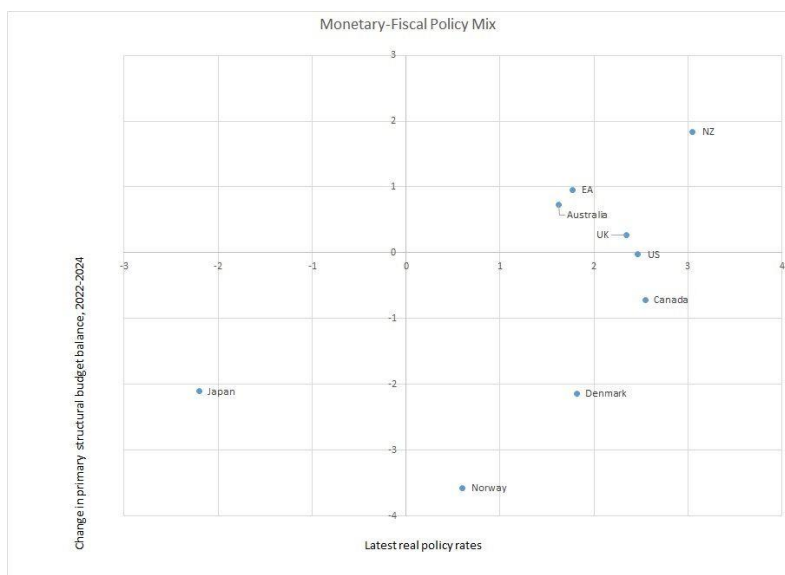
Chart 4: Electricity Generation in the UK by major energy source



The Policy Mix

How policymakers now calibrate both monetary and fiscal policy will also clearly be key for the evolution of the broader world economy and financial markets in the period ahead. As the IMF additionally noted in its latest report, monetary policy has tightened considerably over the past two years and with respect to current levels of real policy rates, remains restrictive at present (with the notable exception of Japan). When measured with reference to shifts in cyclically-adjusted primary balances, fiscal policy is also now a little tighter in most major economies compared with two years ago.

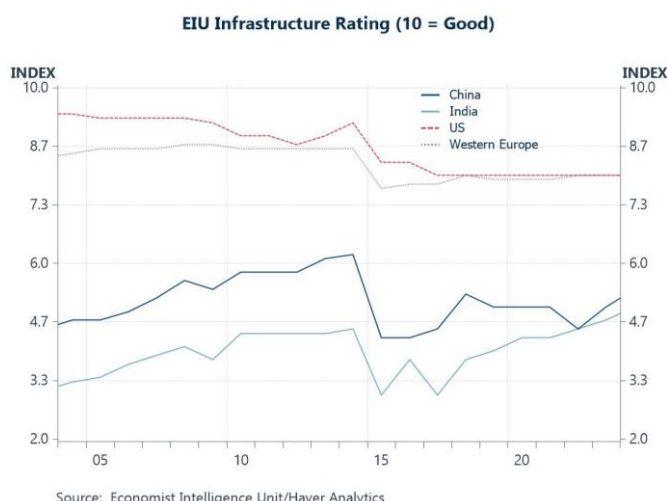
Chart 5: The Monetary/Fiscal Policy Mix in major advanced economies



Structural Reforms

Supply side rigidities stemming from reform fatigue, lacklustre investment and broader global challenges (including climate change) are additional threats to global economic stability. On the reform front it is certainly of note that Infrastructure Ratings from the Economist Intelligence Unit for several major advanced economies have, on the whole, declined over the past 10 years, albeit from a relatively high base. And even in fast growing developing economies, those ratings have also often either declined a little (e.g. for China) or edged only marginally higher (e.g. for India) even though the underlying base of these ratings is usually much weaker.

Chart 6: EIU Infrastructure Ratings for China, India, the US and Europe



About the author



Haver Analytics is pleased to bring [Andy Cates's](#) commentaries on the state of the global economy to its clients.

Andy has more than 25 years of experience forecasting the global economic outlook and in assessing the implications for policy settings and financial markets. He

has held various senior positions in London in a number of Investment Banks including as Head of Developed Markets Economics at Nomura and as Chief Eurozone Economist at RBS. These followed a spell of 21 years as Senior International Economist at UBS, 5 of which were spent in Singapore. Prior to his time in financial services Andy was a UK economist at HM Treasury in London holding positions in the domestic forecasting and macroeconomic modelling units.

He has a BA in Economics from the University of York and an MSc in Economics and Econometrics from the University of Southampton.

Data featured in this commentary:

Chart 1: The IMF's GDP forecasts for 2025 for selected economies and regions

Series 1: [A534GPCP@IMFWEO](#)

A534GPCP@IMFWEO [India: Real GDP[Oct 2024](Y/Y %Chg)]

Series 2: [A924GPCP@IMFWEO](#)

A924GPCP@IMFWEO [China: Real GDP[Oct 2024](Y/Y %Chg)]

Series 3: [A200GPCP@IMFWEO](#)

A200GPCP@IMFWEO [Emerging & Developing Economies: GDP, Constant Prices[Oct 2024](Ann % Chng)]

Series 4: [A001GPCP@IMFWEO](#)

A001GPCP@IMFWEO [World: Gross Domestic Product, Constant Prices[Oct 2024](Ann % Chng)]

Series 5: [A111GPCP@IMFWEO](#)

A111GPCP@IMFWEO [US: Real GDP[Oct 2024](Y/Y %Chg)]

Series 6: [A112GPCP@IMFWEO](#)

A112GPCP@IMFWEO [UK: Real GDP[Oct 2024](Y/Y %Chg)]

Series 7: [A163GPCP@IMFWEO](#)

A163GPCP@IMFWEO [Euro Area: Gross Domestic Product, Constant Prices[Oct 2024](Ann % Chng)]

Series 8: [A158GPCP@IMFWEO](#)

A158GPCP@IMFWEO [Japan: Real GDP[Oct 2024](Y/Y %Chg)]

Chart 2: Economic Policy Uncertainty in the US, Germany and the broader European region

Series 1: [N134VIUC@ESG](#)

N134VIUC@ESG [Germany: News-Based Economic Policy Uncertainty Index (Mean=100)]

Series 2: [N100VIUC@ESG](#)

N100VIUC@ESG [Europe: News-Based Economic Policy Uncertainty Index (Mean=100)]

Series 3: [N111VIUC@ESG](#)

N111VIUC@ESG [United States: News-Based Economic Policy Uncertainty Index (1985-09=101.82079)]

Chart 3: South Korea's export growth in the first 20 days of the month versus PPI inflation

Series 1: [yrr%\(H542PPF@EMERGEPR\)](#)

H542PPF@EMERGEPR [South Korea: Producer Price Index: All Items (SA, 2020=100)]

Series 2: [yrr%\(W542IX20@EMERGEPR\)](#)

W542IX20@EMERGEPR [South Korea: First 20 Days Merchandise Trade: Exports (SA/WDA, Mil.US\$)]

Chart 4: Electricity Generation in the UK by major energy source

Series 1: [OJGBDU@ENERGY](#)

OJGBDU@ENERGY [United Kingdom: Per Capita Electricity Generation (KWh)]

Series 2: [OJGBDZ@ENERGY](#)

OJGBDZ@ENERGY [United Kingdom: Per Capita Renewables Electricity Generation (KWh)]

Series 3: OJGBBE@ENERGY

OJGBBE@ENERGY [United Kingdom: Per Capita Fossil Fuel Electricity Generation (KWh)]

Series 4: OJGBCS@ENERGY

OJGBCS@ENERGY [United Kingdom: Per Capita Nuclear Electricity Generation (KWh)]

Chart 5: The Monetary/Fiscal Policy Mix in major advanced economies

*Please see Excel file included in VG3 folder download.

Chart 6: EIU Infrastructure Ratings for China, India, the US and Europe

Series 1: A924INRT@EIUIASIA

A924INRT@EIUIASIA [China: Infrastructure Rating (10=Good)]

Series 2: A534INRT@EIUIASIA

A534INRT@EIUIASIA [India: Infrastructure Rating (10=Good)]

Series 3: A111INRT@EIUIAMER

A111INRT@EIUIAMER [United States: Infrastructure Rating (10=Good)]

Series 4: A030INRT@EIUIWEUR

A030INRT@EIUIWEUR [Western Europe: Infrastructure Rating (10=Good)]

For more info on our data offerings please email sales@haver.com

