THE CONFERENCE BOARD

News Release

For Immediate Release October 10, 2019 Release #6129

Global Economy Will Avoid Recession, and See Some Recovery in 2020

Decline in industrial production will ease, while consumers and labor markets remain resilient

- **A global recession, with global growth dipping below 2 percent, will be avoided in 2020, barring an escalation of any major geo-political risk**
- **Strong labor markets and strong consumer spending will sustain growth**
- **The decline in industrial production will ease and eventually bottom out**
- **A permanent loss in consumer confidence poses the largest downside risk**
- **Foreign trade will be less important as a source of growth**
- **Productivity growth is the key for sustainable growth in the long-term**

NEW YORK, NY, October 10, 2019…The global economy significantly weakened in 2019 to 2.3 percent growth in GDP, down from 3.0 percent in 2018. However, a small recovery in 2020 to 2.5 percent growth is likely, according to **The Conference Board Global Economic Outlook 2020**. In the longer-term, the global economy will grow at about 2.7 percent by the middle of the next decade. Consumers around the world will benefit from rising wages and low inflation rates, while businesses continue to leverage innovation and digital transformation to grow top-line revenue and reduce costs to avoid a major squeeze on profits.

In addition to forecasts for 2020, ***The Conference Board Global Economic Outlook 2020*** provides projections for the output growth of the world economy, including 11 major regions and individual estimates for 33 mature and 36 emerging market economies for 2020–2024 and 2025–29 (**see page 4 for detailed table of regions and selected countries**).

The critical component of the recovery in 2020 is the eventual bottoming out of the decline in industrial production. The slump, which originated in China in 2018, rapidly spread across the world in 2019 and upset global supply chains, pushing some economies (such as those in Germany and Japan) to the brink of recession. Emerging markets in particular will benefit from an industrial recovery, rising commodity and energy prices, and stable currencies.

“The global economy has taken a bigger hit in 2019 than anticipated and it seems we have arrived in a world of stagnating growth,” says Bart van Ark, Chief Economist of The Conference Board. “But even though recession fears are widespread, we expect some recovery in 2020 as China’s overcapacity problem is being addressed, supply chains are getting restructured, the risk of an escalation of trade disputes recedes, and productivity growth continues to recover."

While output may still contract temporarily in some locations (for example, in Germany, Italy, Japan, or the UK) as well as in some emerging markets (such as Brazil, Mexico, and Turkey), robust labor markets and strong consumer spending will continue to provide an important contribution to growth for most countries. The current ununsually large gap between the high level of consumer confidence and rapidly declining business confidence is likely to get resolved in favor of improving business confidence.

"Consumers are certainly not immune to negative news, but they're less likely to respond until risks pose an immediate threat to their jobs, incomes, and lives," says Ataman Ozyildirim, Senior Director, Economic Research and Global Research Chair at The Conference Board. "Ultimately, the divergent views will have to come closer together. Consumer strength will most likely continue, while business confidence will recover, provided the industrial production decline eases and trade tensions recede."

Underpinnings of the 2020 Outlook Suggest a Plausible Recovery Scenario

- **US GDP growth will slow moderately** - US GDP will grow at 2.2 percent in 2020, supported by a modest improvement in investment, slower but still solid employment growth, strong consumer spending, and slightly faster productivity growth. The external sector will detract from US growth in 2020 as the trade deficit keeps growing. If the economy weakens more than anticipated, there is room under current budget arrangements for more fiscal spending, which may be put to use, especially during an election year.
- **China's growth will slightly improve as industrial restructuring pays off** - The Conference Board forecasts China's GDP growth at 3.4 percent in 2020, according to its independent estimates. Provisional estimates for 2018 and 2019 show that China's growth rate slowed from 3.7 percent to 3.0 percent respectively. While China will show less inclination to launch any large additional fiscal and monetary stimulus packages, it appears that excess capacity is being contained and might eventually be reduced.
- **Other emerging markets also show slight recoveries** - Beyond China, other emerging markets will benefit from the bottoming out of the industrial cycle. Some Asian economies (e.g., Vietnam and Cambodia) will benefit from the reallocation of supply chains, and some large economies (in particular India and Indonesia) will continue to see rapid domestic growth. However, various large emerging markets will grow at less than 1 percent, including Brazil, Mexico, Russia, South Africa, and Turkey.
- **The UK economy will enter a recession** - Irrespective of whether a deal or no-deal Brexit emerges by late 2019 or early 2020, a contraction of the UK economy over multiple quarters will be difficult to avoid. If a no-deal Brexit emerges, the immediate impact on the economy depends on what share of companies are well prepared to offset negative effects from delays in bringing goods and services across borders with Europe and how disruptions in the flow of foreign workers are managed by the government.

- **GDP growth for the Euro Area will weaken slightly more** - Even though contraction for the aggregate Euro Area is likely to be averted in 2020, Europe's largest economy, Germany, might see negative growth in late 2019 and/or early 2020. The impact of a no-deal Brexit creates a downside for EU countries that depend the most on trade and investment in the UK, such as Belgium, Denmark, the Netherlands, and especially Ireland.
- **Geopolitical uncertainties will be contained** - Civil unrest in Hong Kong, skirmishes with Iran, and other geopolitical conflicts are assumed to be contained. If excessive volatility in oil prices is avoided with prices staying at moderate levels between US$50–70 per barrel, and currency turbulence is limited, global trade will slightly recover but grow more slowly than GDP.
- **Monetary policy may not be a panacea** - Loosening monetary policy, while creating greater long-term financial risks, such as increased national debt and misallocation of capital to low-yielding assets, will provide a floor of liquidity to keep the global economy afloat in the short term. However, the effectiveness of more quantitative easing and low or negative interest rates to drive faster growth is limited at best.
- **Use of fiscal policy might prevent recessions** - While there is no certainty about how much room individual governments in the US, China, or Europe have or how willing they are to intervene to head off a larger downturn through fiscal stimulus, there may be room for this in several economies, including Germany, Japan, the UK, and the United States. Longer-term challenges to the level of sovereign debt, in particular in the US and Japan, are muted but could erupt as interest rates go up and higher inflation eventually returns.

Global Economy Will Grow More Slowly in the Next Decade

The Conference Board estimate of the long-term growth trend for the next decade (2020–2029) is 2.7 percent per year on average, down from 3.3 percent from 2010 to 2019. The 2020–2029 average for advanced economies is 1.9 percent. Average growth will be 2 percent in the US, 1.8 percent in Japan, and 1.5 percent in Europe. For emerging markets and developing economies combined, the trend projection is 3.5 percent, which is also the long-term projection for China.

Trends in labor supply and migration, adoption of digital technologies, distribution of income, and multiple pressures on the environment and productivity growth are some of the key factors determining the long-term growth potential of the global economy.

While the projected long-term growth rate for the next decade is well below the average of the past 10 years, it will stay strong enough to sustain average income growth at more than 2 percent per year (real GDP per capita) because projections of global population growth have also dropped substantially. Purchasing power and consumer growth will remain a critical source of growth.

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The Conference Board Global Economic Outlook, 2013-2029 (annual % change)						
	2013-2018	2018	2019	2020	2020-2024	2025-2029
	Actual	Actual	Preliminary	Forecast	Projected	Trend
United States	2.5	3.1	2.5	2.2	2.0	2.0
Europe	1.9	2.1	1.5	1.4	1.5	1.4
Euro Area	*1.5*	*1.9*	*1.3*	*1.3*	*1.4*	*1.1*
United Kingdom	*2.1*	*1.4*	*1.0*	*0.2*	*1.2*	*1.5*
Japan	1.4	1.0	1.2	0.5	1.8	1.9
Other Mature	2.6	2.6	1.7	1.8	2.7	2.5
All Mature Economies	**2.2**	**2.4**	**1.9**	**1.6**	**1.9**	**1.8**
China	4.9	3.7	3.0	3.4	3.4	3.6
India	7.3	7.4	5.9	6.3	5.9	5.4
Other developing Asian economies	4.9	5.1	4.5	4.4	4.5	4.3
Latin America	0.6	0.6	-0.4	0.2	1.7	1.6
Brazil	*-0.2*	*1.1*	*0.7*	*0.9*	*1.4*	*1.4*
Mexico	*2.4*	*2.0*	*0.1*	*0.4*	*2.4*	*1.8*
Middle East & North Africa	2.8	1.5	1.0	2.1	2.7	2.6
Sub-Saharan Africa	3.3	2.9	2.9	3.1	3.4	3.6
Russia, Central Asia and Southeast Europe	2.1	2.6	0.8	0.8	1.7	1.9
Russia	*0.7*	*2.3*	*0.8*	*0.7*	*0.4*	*0.7*
Turkey	*5.5*	*2.6*	*-0.3*	*0.3*	*3.8*	*3.7*
All emerging and developing economies	**3.9**	**3.6**	**2.7**	**3.1**	**3.5**	**3.5**
World	**3.1**	**3.0**	**2.3**	**2.5**	**2.8**	**2.7**

Note: The GDP estimates for China for 2018 and 2019 are provisional estimates. TCB's underlying methodology critically depends on the underlying data for industrial production series, which for both years are still under review. In addition, the recently released 2017 IO table for China has not yet been processed for the latest estimates. Revisions to the China estimates will therefore be provided by March 2020. GDP growth rates are adjusted upward for China, Japan and the United States in order to reflect faster declines in alternative ICT prices in those countries with significant ICT production and exports. For more methodological details as well as a detailed list of countries included in each regional aggregate, see Global Economic Outlook webpage
Source: The Conference Board Global Economic Outlook 2020, October 2019.

For more information on The Conference Board Global Economic Outlook:
https://www.conference-board.org/data/globaloutlook/

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