

BANKING ON KNOWLEDGE

Global growth drivers are curtailed by headwinds

By Dr R Seetharaman

The IMF and World Bank annual meeting is happening this week at Bali Nusa Dua, Indonesia. Some of my areas of interest which are expected to be discussed at this meeting include key developments impacting global economy arising from global trade issues, fiscal and monetary policies, trends impacting financial services, disruptions expected from technology, sustainable development and youth empowerment and people.

Global growth is projected at 3.7% for 2018 and 2019. Growth in advanced economies will remain well above trend at 2.4% in 2018, before softening to 2.1% in 2019. In the US, momentum is still strong as fiscal stimulus continues to increase, but the forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on \$200bn of US imports from China. In 2019, recent trade measures are expected to weigh on economic activity, especially in the US, where the 2019 growth forecast has been revised down



by 0.2 percentage point to 2.5%. Growth projections have been marked down for the euro area to 2% in 2018, following surprises that suppressed activity in early 2018. Japan growth was marginally revised upwards in 2018 to 1.1% due to the uptick in growth and domestic demand in the April-June quarter. Growth in the emerging market and de-

veloping economy group is set to remain steady at 4.7% both in 2018 and 2019. Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for certain countries, reflecting country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills.

The global growth drivers are curtailed by headwinds. Key challenges to the global economy include rising trade barriers and a reversal of capital flows to emerging market economies with weaker fundamentals and higher political risk. While financial market conditions remain accommodative in advanced economies, they could tighten rapidly, if trade tensions and policy uncertainty were to intensify. Monetary policy is also another potential trigger. Tighter financial conditions in advanced economies could cause disruptive portfolio adjustments, sharp exchange rate movements, and further reductions in capital inflows to emerging markets, particularly those with greater vulnerabilities. Avoiding protectionist



reactions to structural change and finding cooperative solutions that promote continued growth in goods and services trade remain essential to preserve and extend the global expansion.

With global debt levels well-above those at the time of the last crash in 2008, the risk remains that unregulated parts of the financial system could trigger a global panic.

Qatar is expected to grow by 2.7% in 2018 and 2.8% in 2019 respectively.

The topics of my interest in financial services which are expected to be discussed at the World Bank-IMF meeting include, 'The future of finance: Charting new waters in the next decade' and 'The Bali fintech agenda.' Population ageing, climate change, increasing credit intermediation through nonfinancial firms, and changes in global economic integra-

tion will continue to shape the future of finance. How can policymakers and financial institutions best deal with these changes and help improve economic outcomes while adequately safeguarding the stability of the financial system? Fintech can support growth and poverty reduction by strengthening financial development, inclusion, and efficiency, but may also pose risks to financial stability and integrity, as well as to consumer and investor protection.

The topics of my interest in 'technology', which are expected to be discussed at this meeting include, 'Disrupting development: How digital platforms and innovation are changing the future of developing nations' and 'Harnessing technology for inclusive growth.'

Key themes to be explored will include the potential of disruptive technologies

to solve existing and emerging development challenges, proven pathways and strategies for countries to pursue, and the implications for governance, human capital, job creation, and social inclusion. The topics of my interest in 'sustainable development', which are expected to be discussed at this meeting include, 'Leveraging policies for sustainable development goals', 'Investing in a climate-adapted world' and 'Building resilience to climate change and the role of regulators and central banks in scaling up green finance.'

Discussions are also going to be held on 'Youth empowerment' and people on sessions such as Youth Dialogue 2018: 'Youth at work', 'Global financing facility: Investing in people and empowering women in the workplace.'

The key dimensions of youth employment, including trends in labour markets, gender roles and informality, as well as their economic and social implications are also expected to be discussed.

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