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THE US AND UK LEAD A SLUGGISH AND OUT-OF-SYNC GLOBAL ECONOMY

WASHINGTON—Economists at the Peterson Institute for International Economics are forecasting sluggish performance for the global economy in 2015 despite the United States, the United Kingdom, and India having favorable economic outlooks.

The Institute's forecast, led by Senior Fellow David J. Stockton, will be presented at 12:15 p.m. ET on Tuesday, April 7. After Stockton gives his US and global growth forecasts, Jacob Funk Kirkegaard and Nicholas R. Lardy will challenge overly downbeat consensus outlooks for the euro area and China, respectively. The live webcast and all of the PIIE experts' presentations will be available on the Peterson Institute's [website](#).

Stockton forecasts favorable growth for the US economy, driven by an improving labor market and a rise in consumer spending due to lower oil prices. US economic growth (Real Q4/Q4) is projected to be 2.7 percent in 2015, 2.4 percent in 2016, and 2.3 percent in 2017. Stockton, however, expects the US Federal Reserve to fall short of its 2.0 percent inflation target, with inflation running just 1.0 percent in 2015, 1.8 percent in 2016, and 1.9 percent in 2017.

Stockton expects the Fed to tighten monetary policy more gradually than some official forecasts anticipate, citing the downward pressure on exports and inflation resulting from the surging US dollar and a soft housing market. US economic growth is expected to be sufficient to keep unemployment on a downward trend, with the rate reaching 5.1 percent in 2015, 4.8 percent in 2016, and 4.7 percent in 2017.

For the United Kingdom, Stockton forecasts solid growth at 2.8 percent in 2015, and 2.6 percent in 2016. For the euro area, Stockton forecasts a noticeable pickup in growth to 1.7 percent in 2015 and 1.9 percent in 2016—a better performance than is generally expected.

Jacob Funk Kirkegaard argues that optimism on the euro area economy is warranted because of declining oil prices, the European Central Bank's monetary stimulus, and the euro's declining value relative to the US dollar. Kirkegaard also notes that Europe's broad-based recovery is occurring both in the major and periphery economies. Greece is the exception, but Kirkegaard discounts the likelihood of a Greek exit from the euro area and judges that there is limited risk of Greece's fiscal troubles spreading to other countries.

The abating tensions between Europe and Russia have been a boon to growth in Europe, but Kirkegaard warns that with stubbornly high unemployment and low inflation, any renewed Russian aggression or sharp rise in oil prices could exacerbate the structural weaknesses that remain in many euro area economies.

Turning to Asia, Stockton forecasts that India's economy will pick up moderately to 7.3 percent in 2015 and 7.6 percent in 2016, driven by domestic policy reforms and the stimulus provided by lower oil prices. Japan's economic activity has fallen short of expectations, reflecting the fallout from last spring's increase in consumption taxes and Japan's lagging efforts on structural reforms, causing Stockton to forecast disappointing growth of 0.9 percent in 2015, before rising up to 1.8 percent in 2016 on the economic stimulus of lower oil prices and a weaker yen. Even with easier monetary policy, Stockton expects the Bank of Japan to remain far below its 2.0 percent inflation target.

Nicholas R. Lardy, Anthony M. Solomon senior fellow and the United States' leading expert on China's economy, explains that China's gradual slowdown largely results from the indirect effects of the weakening property markets and slowdown in construction activities. Because China has been overinvesting in property for years any slowdown is actually a positive development, part of a transition to more sustainable growth over the medium term. Stockton forecasts that China will continue to slow gradually to 6.9 percent in 2015 and 6.7 percent in 2016.

About the Forecasters

David J. Stockton, Peterson Institute senior fellow and senior adviser to Macroeconomic Advisers, was chief economist for the Federal Reserve Board in 2000–11.

Jacob Funk Kirkegaard, Peterson Institute senior fellow, is an expert on the political economy of Europe.

Nicholas R. Lardy, the Institute's Anthony M. Solomon Senior Fellow, is the author of the widely-acclaimed new book *Markets over Mao*.

About the Peterson 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 posted at <http://piie.com/supporters.cfm>.