

Emerging Markets 2018 Economic Outlook

Emerging Markets have suffered in recent years due to low commodities prices and slower global demand, but analysts believe that this year will be brighter. In fact, the IMF said in its latest World Economic Outlook that the higher global growth projection for this year and next, “stems from improvements in some large emerging market and low income economies that in 2016 were exceptionally stressed.”

Our economists expect that higher commodity prices, resilient global growth and still accommodative monetary policies will boost economic activity in many of the emerging markets, although this will not be the case across the board. Let’s take a closer look at what’s expected for some of these countries in the coming year:

China

The Chinese economy’s slow-but-steady deceleration will continue in 2018 as policymakers continue to rebalance the country’s economic model. Tighter regulation in the property market and stricter environmental regulations will exert downward pressure on growth. FocusEconomics panelists forecast that the economy will grow 6.4% in 2018, which is unchanged from last month’s forecast. In 2019, the economy is expected to grow 6.2%.

India

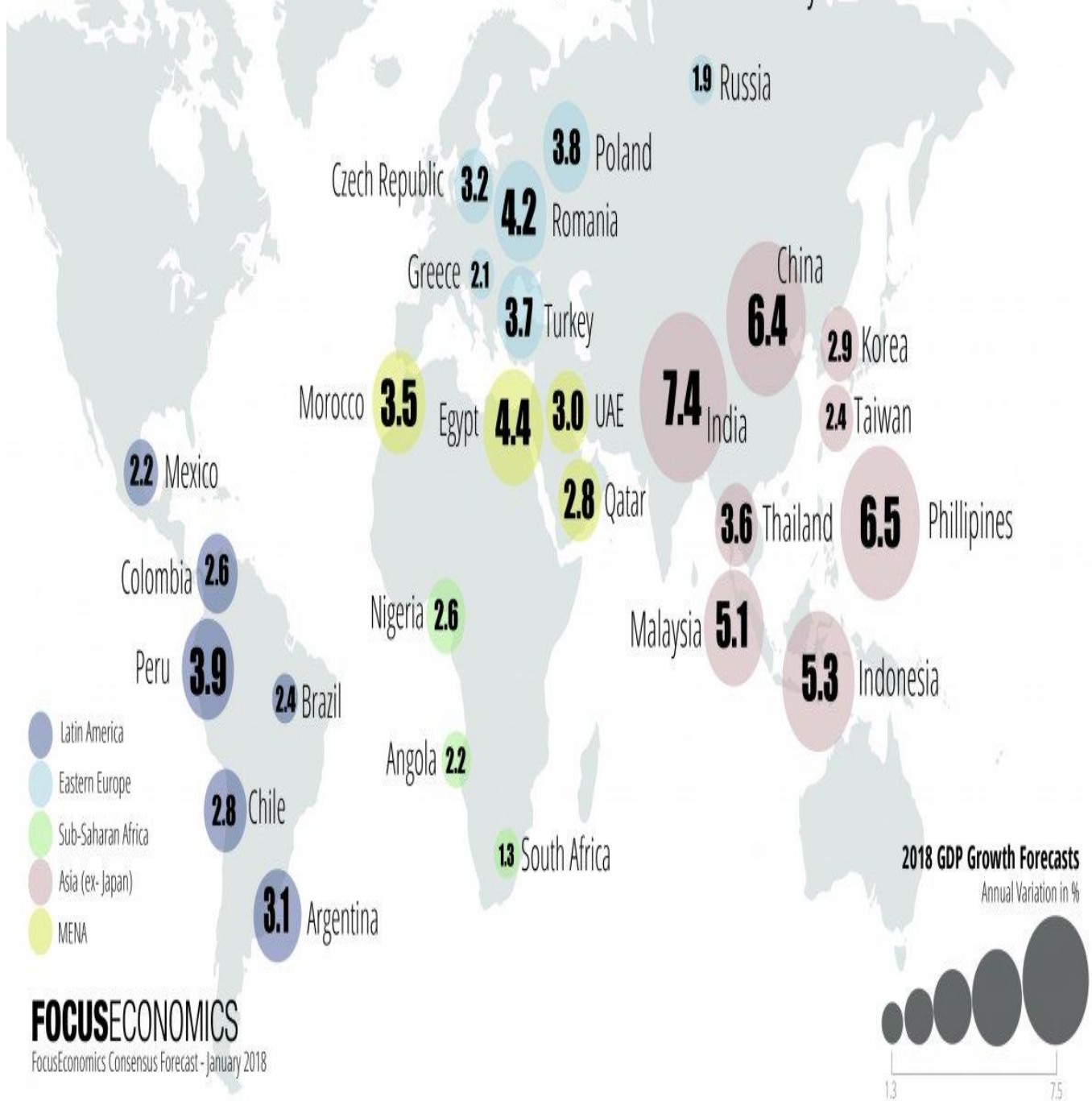
Growth is expected to accelerate further as recent fine-tuning measures on GST compliance, a large recapitalization plan for public banks and easing policy uncertainty all bolster the economy’s performance. The economy is expected to grow 6.6% in FY 2017, down 0.1 percentage points from last month’s estimate. This month’s downward revision largely reflects a slightly weaker-than-expected GDP figure in Q2 FY 2017. In FY 2018, panelists forecast growth of 7.4%.

Russia

Higher commodity prices, lower interest rates and low inflation are expected to fuel another year of moderate growth in 2018. The upcoming elections do not pose a risk to our forecasts, as economic policy will likely not be affected. FocusEconomics Consensus Forecast panelists see GDP expanding 1.9% in 2018, unchanged from last month’s forecast and only slightly above 2017’s projected 1.8% expansion. In 2019, growth is seen broadly stable at 1.8%.

EMERGING MARKETS ECONOMIES IN 2018

Higher commodity prices, resilient global growth and still accommodative monetary policies will boost economic activity



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FocusEconomics Consensus Forecast - January 2018

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Brazil

Low interest rates, improving confidence and historically-low inflation should fuel an acceleration in growth next year. Structural reforms, however, are key to a sustainable recovery and the reversal of the untenable level of public debt. FocusEconomics see the economy growing 2.4% in 2018, which is up 0.1 percentage points from last month's forecast. In 2019, growth is seen edging up to 2.5%.

Mexico

A clouded political outlook ahead of next year's presidential elections and lingering uncertainty surrounding NAFTA negotiations will continue to keep a lid on economic growth. That said, growth is expected to accelerate in 2018 due to a rebound in capital expenditure and a more supportive fiscal stance. The FocusEconomics Consensus Forecast for 2018 was downgraded 0.1 percentage points this month to 2.2%, and analysts expect GDP to increase 2.4% in 2019.

Turkey

The unwinding of the government's fiscal stimulus and the recent deterioration in fundamentals will weigh on the country's economic prospects this year. Similarly, persistent political noise and a volatile lira will continue to tame investors' appetite for Turkish assets. The FocusEconomics panel expects growth of 3.7% this year, which is up 0.2 percentage points from last month's estimate. Our panel also expects growth of 3.7% in 2019.

UAE

Growth should pick up significantly this year, as the oil sector slowly recovers and the non-oil sector benefits from preparations for the Dubai 2020 World Expo, which should boost fixed investment. FocusEconomics panelists expect GDP to rise 3.0% in 2018, which is up 0.1 percentage points from last month's forecast, and 3.3% in 2019.

South Africa

The economy is expected to recover as prices for commodities pick up. Economic growth will remain constrained, however, as abysmal business confidence, political uncertainty and high unemployment weigh on fixed investment and private consumption. FocusEconomics panelists expect the economy to grow 1.3% in 2018, which is unchanged from last month's forecast, and 1.7% in 2019.