

IMF raises global economic forecast for 2017 but warns of 'impediments'

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Global economic growth will accelerate in 2017 as investment, manufacturing and trade rebound, the International Monetary Fund said Tuesday as it raised its outlook for the year.

World growth is expected to rise to 3.5% this year and 3.6% in 2018, compared to 3.1% last year.

"Stronger activity and expectations of more robust global demand, coupled with agreed restrictions on oil supply, have helped commodity prices recover from their troughs in early 2016," according to a statement from the IMF, which is holding its annual spring meetings in Washington, D.C.

The IMF was more pessimistic in January. In cutting its growth forecast for the U.S. and other advanced economies, the IMF said then the global economy would grow 3.4% this year vs. 3.1% in 2016.

"Higher commodity prices have provided some relief to commodity exporters and helped lift global headline inflation and reduce deflationary pressures," the IMF said. "Financial markets are buoyant and expect continued policy support in China and fiscal expansion and deregulation in the United States. If confidence and market sentiment remain strong, short-term growth could indeed surprise on the upside."

Still, "structural impediments," such as low productivity growth and high income inequality, will likely persist and could stall a stronger recovery, it said.

In a pointed criticism of nationalistic proposals in the U.S. and other EU countries, the IMF said "inward-looking policies threaten global economic integration and the cooperative global economic order, which have served the world economy, especially emerging-market and developing economies, well."

The IMF raised its outlook for advanced economies, which include the U.S., the U.K., Germany, Italy, Spain, Japan and other developed nations. It now antici-



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IMF statement

pates they will grow by 2% this year, up slightly from 1.9% forecast in January. Its outlook for the U.S. economy, whose 2017 growth was projected in January at 2.3%, was left unchanged. The U.S. economy grew 1.6% last year.

Heartened by palpable signs of growth in the U.S. economy, the Federal Reserve in March raised its benchmark short-term rate by a quarter percentage point, its second interest rate hike in three months. And it signaled more gradual hikes are likely.

But the IMF said "a faster-than-expected pace" of interest rate hikes in the U.S. could tighten financial conditions elsewhere, and strengthening of the U.S. dollar could strain emerging-market economies with currencies that are pegged to the dollar.

Emerging-market economies remain vulnerable as geopolitical tensions rise and the use of credit proliferates, the IMF said. The IMF left unchanged its January forecast for emerging markets, anticipated to grow 4.5% in 2017 and 4.8% in 2018.

China's growth this year is now estimated at 6.6%, up from 6.5%.