

Box 6**World trade, GDP and inflation outlook according to OECD, European Commission and IMF forecasts**

Reflecting the positive developments in the global outlook, the OECD, the European Commission and the IMF have revised upwards their forecasts for world GDP. All three institutions expect world output to grow by between 4.0% and 4.3% this year, and to slow down to around 3.8% to 3.9% in 2001. The aforementioned institutions forecast that world trade growth will also accelerate to between 7.9% and 10.4% in 2000 and moderate to between 7.2% and 8.3% in 2001. Despite closing or already positive output gaps, they also forecast that inflation will remain moderate over the forecasting horizon (2000-01). The moderate global inflation reflects anticipated tightening of monetary policy as well as the assumption that both oil and non-oil commodity prices will not continue to rise significantly during the forecasting period.

All three institutions agree that most of the risks to the outlook remain unchanged from previous forecasting rounds but their balance may be changing, while a number of new risks appear to be arising. The bulk of the risks relate to a disorderly correction in equity markets in the United States resulting from the imbalances that have emerged during the long expansion of the US economy. To this the OECD adds two downside risks. One refers to a halt of the ongoing recovery in Japan arising from either a sharp appreciation of the yen or a stalling of structural reform. The second risk, at a global level, is related to the fact that the strength of the world expansion may lead to an overheating of the global economy.

OECD, European Commission and IMF forecasts

(annual percentage changes)

	Latest OECD, EC and IMF forecasts						Differences between current and previous forecasts ¹⁾		
	OECD	EC	IMF	OECD	EC	IMF	OECD	EC	IMF
	2000			2001					
Real GDP growth									
World	4.3	4.0	4.2	3.8	3.9	3.9	0.8	0.4	0.7
United States	4.9	3.6	4.4	3.0	3.0	3.0	1.8	0.8	1.8
Japan	1.7	1.1	0.9	2.2	1.8	1.8	0.3	-0.5	-0.6
Euro area	3.5	3.4	3.2	3.3	3.1	3.2	0.7	0.5	0.4
GDP deflator									
United States	2.1	2.1	2.0	2.3	1.5	2.3	0.2	0.3	-0.2
Japan	-0.8	0.1	-0.8	-0.1	0.8	0.9	0.4	-0.3	-0.4
Euro area	1.5	1.4	1.5	1.9	1.9	1.7	-	-0.3	0.1
Imports of goods and services									
World	10.4	8.1	7.9	8.3	7.2	7.2	2.3	1.2	1.7

Sources: OECD, European Commission and IMF.

1) For the OECD the comparison is between May 2000 and December 1999 forecasts; for the EC it is between April 2000 and November 1999 forecasts; while for the IMF April 2000 forecasts are compared with those of October 1999.