

Stratas Advisors' Analysis: Economic Growth will be at Slower Pace in 2019 and 2020

NEW YORK, March 14, 2019 /PRNewswire/ -- A new analysis from Stratas Advisors concludes that while global economic expansion is expected to continue, indicators are growing that 2019 and 2020 gains will be slower and subject to more downside risks.

The outlook for the global economy has weakened since Stratas Advisors' previous update in the fourth quarter of 2018. Global GDP growth, according to the International Monetary Fund (IMF), is expected to be 3.5 percent in 2019 and 3.6 percent in 2020. This forecast is 0.2 and 0.1 percentage points lower than last quarter's report. Global growth in 2018 was 3.7 percent. In advanced economies, growth is forecast to slow from 2.3 percent in 2018 to 2 percent in 2019 and 1.7 percent in 2020.

"Many of the main economic indicators remain generally range-bound, and our heat map shows an increasing number of neutral factors. This reflects the reality that risks are rising but not necessarily going to come to pass, and it highlights the difficulty in firmly calling the peak of the global expansion," said Ashley Petersen, director of Hart Energy's Short-Term Price Outlook Service.

The revised expectations build on the downward revision from last quarter. The additional revision is due to softer momentum in the latter half of 2018 and weaker financial market sentiment, according to the analysis. Risks remain skewed to the downside, and the sudden realization that several of the following uncertainties would have negative implications for risk sentiment and thus growth:

Escalation of trade tensions: The White House has reportedly made progress on negotiations with China, although no formal agreement has been reached. However, at the same time, the administration has apparently set its sights on India and Turkey, announcing plans to end preferential trade treatment for both countries.

No-deal withdrawal of the United Kingdom from the European Union: While a "no-deal Brexit" is unlikely to be as bad as initial fears, it would still inject significant uncertainty into an already anemic European picture.

Greater-than-expected slowdown in China: Given high debt levels and an uncertain trade outlook, expectations for Chinese growth have already been reduced. But if growth fails to meet already-lowered expectations, markets will likely

react swiftly to the downside.

While numbers have not been as bad as expected in the fourth quarter of 2018, the IMF fears that these numbers may be artificially inflated by import front-loading ahead of tariff hikes and an uptick in tech exports with the launch of new products. Supporting this hypothesis, purchasing managers' indices have been generally less positive.

According to Stratas Advisors, financial conditions have worsened since last fall. Trade tensions and the US government shutdown diminished optimism in the financial sector. The Central Bank appears to be taking a more negative view of global financial conditions and has been adopting more cautious approaches, including slowing down or pausing interest-rate increases.

The United States economy grew at 2.6 percent during the fourth quarter of 2018, for an annual growth rate of about 2.88 percent. Stratas Advisors expects US GDP growth to be 2.54 percent in 2019 and 1.81 percent in 2020, a downward revision from last quarter's report.

"In a story echoed in almost every major economy, the US outlook is generally positive but must be balanced against a growing array of domestic and global risks. In fact, the increasing likelihood of a slowdown in global growth led the US Central Bank to put further interest-rate hikes on hold," Petersen said.

Economic data from the past few months has been mixed, with weaker retail sales and manufacturing reports counterbalanced by continued strong job growth. Domestically, the picture is generally bright with hiring still growing and average earnings increasing. However, consumers still seem to be very saving-oriented, so employment is not necessarily translating into generalized growth.

Here are economic capsules from other nations:

Germany

The German economy grew 0.6 percent during the fourth quarter of 2018, for an annual growth rate of 1.91 percent. Stratas Advisors expects German GDP growth to be 1.86 percent in 2019 and 1.59 percent in 2020, a downward revision from last quarter's report.

Italy

The Italian economy grew 0.1 percent during the fourth quarter of 2018, for an annual growth rate of 1.17 percent. Stratas Advisors expects Italian GDP growth to be 1.03 percent in 2019 and 0.87 percent in 2020, a downward revision from last quarter's report.

Poland

The Polish economy grew 4.9 percent during the fourth quarter of 2018, for an annual growth rate of 4.35 percent. Stratas Advisors expects Poland's GDP growth to be 3.51 percent in 2019 and 2.99 percent in 2020, a downward revision from last quarter's report.

Japan

The Japanese economy grew 1.4 percent during the fourth quarter of 2018, for an annual growth rate of 1.14 percent. Stratas Advisors expects Japan's GDP growth to be 0.94 percent in 2019 and 0.3 percent in 2020, a significant downward revision from last quarter's report.

China

The Chinese economy grew 6.4 percent during the fourth quarter of 2018, for an annual growth rate of 6.59 percent. Stratas Advisors expects China's GDP growth to be 6.18 percent in 2019 and 6.22 percent in 2020, nearly unchanged from last quarter's report.

India

The Indian economy grew 6.55 percent during the fourth quarter of 2018, for an annual growth rate of 7.3 percent. Stratas Advisors expects India's GDP growth to be 7.44 percent in 2019 and 7.75 percent in 2020, a downward revision from last quarter's report.

Brazil

The Brazilian economy grew 1.07 percent during the fourth quarter of 2018, for an annual growth rate of 1.44 percent. Stratas Advisors expects Brazil's GDP growth to be 2.37 percent in 2019 and 2.27 percent in 2020, an upward revision from last quarter's report.

Indonesia

The Indonesian economy grew 5.18 percent during the fourth quarter of 2018, for an annual growth rate of 5.14 percent. Stratas Advisors expects Indonesia's GDP growth to be 5.12 percent in 2019 and 5.18 percent in 2020, a significantly downward revision from last quarter's report.