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OECD: Global Economic Growth Reaching Seven-Year High

It has been nearly 10 years since the global financial crisis, and the road to recovery is gaining pace. On 28th of November, the Organization for Economic Co-operation and Development (OECD) announced its re-assessment of the global economy prospect for 2017 – 2019, including predicted growth of 3.6 percent for the global real GDP in 2017. This projection indicates a 0.1 percent improvement from the previous projection made in September. If realized, growth in 2017 is expected to be at its highest since 2010. This positive outlook is attributed to the improving Eurozone and US economies.

In detail, the Eurozone economy has been projected to grow at 2.4 percent in 2017, showing an impressive 0.3 percent increase from earlier estimates. Germany–its largest member by GDP size–will lead the rank with 2.5 percent growth. At the same time, the US will experience a slightly lower growth than that of the Eurozone. The 2.2 percent growth rate forecast for the US is, however, revised up from 2.1 percent. Japan and the United Kingdom will expand modestly, both at 1.5 percent. Meanwhile, China will continue to slow down during the three year period, with growth projected at 6.8, 6.6 and 6.4 percent in 2017, 2018 and 2019, respectively. In contrast, India's will speed up, starting with 6.7 percent in 2017 and rising to 7.4 percent in 2019.

Catherine L. Mann, OECD's chief economist, explained this pick-up in pace primarily as the result of continuous central bank stimulus policies. Simultaneously implemented by central banks worldwide for the past several years, the ease of credit access made possible by near-bottom interest rates has contributed significantly to global recovery. That being said, Ms. Mann added a degree of caution to the optimism of the recent figures, stressing the transitory nature of this break from normal growth rate. Furthermore, she warned against two potential risks as growth-hindering factors: increasing barriers to international trade and increasing global indebtedness, which is approaching the level encountered in 2007.

In terms of the effects on the Thai economy, the bright global outlook may have already manifested itself on Thai export performance. In October, Thailand recorded its highest 10 month export growth in 6 years, at 9.7 percent. However, on the farther horizon, it remains to be seen how the normalization of economic growth among Thailand's trading partners would affect the momentum of Thai goods. Moreover, as central banks in advance economies raise interest rates, it may cause capital flows to reverse, which could inadvertently hamper investment in Thailand.

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