5 Charts That Explain the Global Economy in 2018

By Oya Celasun, Gian Maria Milesi-Ferretti, and Maurice Obstfeld

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阿拉伯文, 中文, Français, 日本語, Русский
The global economy started 2018 on an upbeat note, buoyed by a pickup in global manufacturing and trade through 2017. As investors’ confidence in the global economic outlook lost steam, so did the upswing.

**Slowing down**
After rapid growth in 2017, industrial production and trade have slowed, and business confidence has fallen.

(Percent change, difference from 50 for PMI)

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One reason behind this loss in momentum is the implementation of tariffs by major economies—especially the United States—and retaliatory measures taken by others, including China. The increasingly protectionist rhetoric on trade has meant higher uncertainty about trade policy, which weighs on future investment decisions.

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Despite these actions, the US economy expanded at a fast pace in 2018, as tax cuts and spending increases stimulated demand. The US Federal Reserve has continued to raise the policy interest rate as a result. Interest rates on US long-term bonds have increased less, as investors see risks to future growth and value the safety of US Treasury securities.
US policy rates have been rising steadily, while US 10-year bond rates have also increased but less so.

(Percent)

![Graph showing Federal Funds Target Rate and 10-year Treasury Note.]

Source: Haver Analytics.

As growth and interest rates in the United States have outpaced those in other major economies, the US dollar has appreciated against most other currencies in 2018.

**Stronger than the rest**

A strong US economy and higher US interest rates have strengthened the US dollar.

(nominal exchange rate vs. US dollar; percent; December 31, 2017 to latest)

![Bar chart showing exchange rate appreciation against various countries.]

Source: IMF staff calculations.
have come under strain as the US dollar gained value and the level of risk that global financial investors were prepared to accept dropped. Most of these countries have seen increases in their external borrowing costs, but the extent of these increases varied widely.

**Higher borrowing costs**
Spreads have widened over the past 12 months but by different amounts.
*(change in basis points; December 31, 2017 to latest)*

![Graph showing higher borrowing costs](image)

Source: Thomson Reuters Datastream.
Note: EMBI = J.P. Morgan Emerging Markets Bond Index. The spread is the EMBI yield over the yield of US Treasuries of comparable maturity.

How will the global economy fare in 2019? Stay tuned until January 21, when the *World Economic Outlook Update* will present the IMF’s view on where the global economy is headed.

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