Global Economic Outlook for 2019
or
How I Learned to Stop Worrying and Love Volatility

SAA Outlook Conference 2019

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The Global Economy in 2019

Real GDP growth rate in 2019, Frontier Strategy Group forecasts

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<th>Global growth, % YOY</th>
<th>2017</th>
<th>2018e</th>
<th>2019f</th>
<th>2020f</th>
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<tr>
<td>2017</td>
<td>3.3</td>
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Frontier Strategy Group
Advanced economies will decelerate in 2019, while some emerging markets pick up the pace

A slowing US, ongoing NAFTA uncertainty, and AMLO’s disruptions weigh heavily on Mexico.

China continues to transition to a lower growth rate, but policy stimulus should ensure a soft landing in 2019.

Growth is accelerating in Morocco, Kenya, and Nigeria, where we’ve seen recent investment in auto assembly in 2018.
Prediction #1: Mexico swerves wildly

**Volatility Drivers**
- AMLO personality and management
- US tensions over USMCA, immigration
- Government spending

**GDP Forecast Revisions**
Mexico: Gross Domestic Product (GDP), Real %YOY
Prediction #2: China decelerates

Volatility Drivers
- Steeper slowdown than expected
- Persistent debt levels
- Reliance on SOEs
- Central control
Prediction #3: South Korea stuck in neutral

Volatility Drivers
- Economic stimulus
- Export dependence on China supply chain
- Government popularity
- NK peace negotiations

GDP Forecast Revisions
South Korea: Gross Domestic Product (GDP), Real %Y/Y
**Downside scenario risk: India**

- **Volatility Drivers**
  - Social tensions and election strife
  - Slow pace of reform
  - Weak financial sector
  - Import costs increase

**GDP Forecast Revisions**
India: Gross Domestic Product (GDP), Real %YOY
Upside scenario potential: Brazil

Volatility Drivers
- Bolsonaro cabinet cohesion
- Congress adoption of orthodox economic policy
- Security and jobs
Thank you!