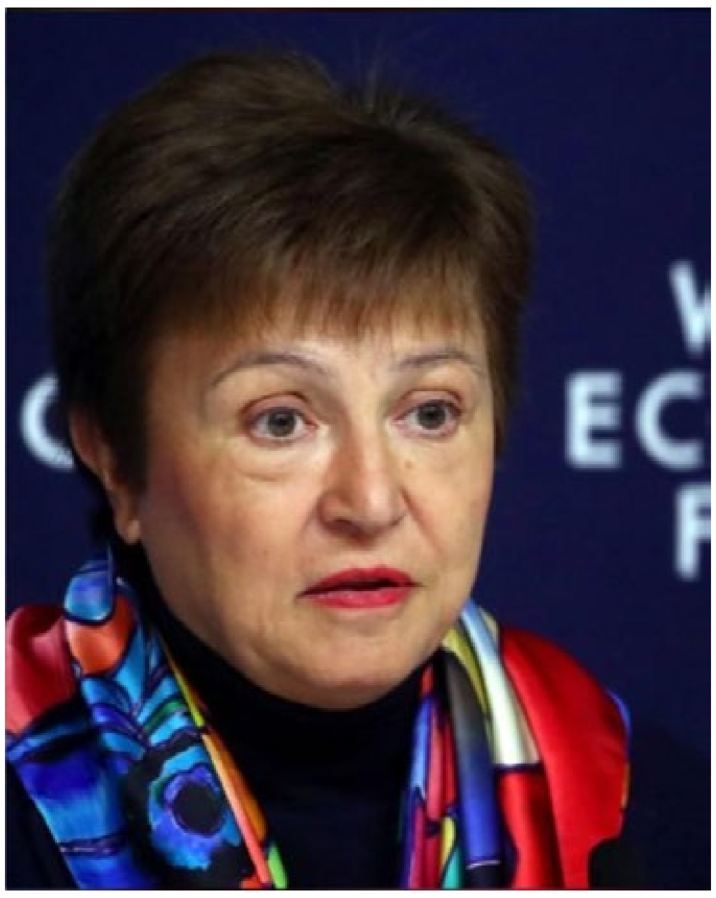
IMF reduces global growth forecasts

Reductions reflect reassessment of economic prospects for major emerging markets

- Global growth would reach 3.3 per cent in 2020
- Growth will improve slightly to 3.4pc in 2021
- Ppgraded China's 2020 growth forecast to 6.0pc
- US growth would be 0.1 percentage point lower than forecast
- India saw a sharp, 1.2 percentage point cut

Reuters | Washington



IMF Managing Director Kristalina Georgieva speaks at a news conference ahead of the World Economic Forum (WEF) in Davos, Switzerland

The International yesterday Fund yesterday trimmed back its 2020 global growth forecasts due to sharper-than-expected slowdowns in emerging markets but said a US-China trade deal was another sign that trade and manufacturing activity may soon bottom out.

The IMF said global growth would reach 3.3 per cent in 2020, compared to 2.9pc in 2019, which was the slowest pace since the financial crisis a decade ago. Estimates for both years were cut by 0.1 percentage point from forecasts made in October.

Growth will improve slightly to 3.4pc in 2021, but that estimate, too, was cut by 0.2 percentage point from October, the Washington-based international crisis lender said.

The reductions reflect the IMF's reassessment of economic prospects for a number of major emerging markets.

The IMF also said it marked down growth forecasts for Chile due to social unrest and for Mexico, due to a continued weakness in investment.

The Fund said that an easing of tensions between the United States and China, which had stunted GDP growth in 2019, had boosted market sentiment, amid "tentative" signs that trade and manufacturing were bottoming out.

"These early signs of stabilisation could persist and eventually reinforce the link between still-resilient consumer spending and improved business spending," the IMF said. The fund has cited uncertainty over tariffs and its negative effects on business investment as the biggest factor in limiting growth.

"However, few signs of turning points are yet visible in global macroeconomic data," the Fund added.

Boost for China, US

The Fund's cautious outlook assumes that there are no additional flare-ups in US-China trade tensions, and that Britain executes an orderly exit from the European Union at the end of January.

The IMF upgraded China's 2020 growth forecast by 0.2 percentage point to 6.0pc because the US trade deal included a partial tariff reduction and canceled tariffs on Chinese consumer goods that had been scheduled for December. These tariffs had been built into the IMF's previous forecasts.

But the Fund did not give a boost to its US growth forecast for China's pledges to increase purchases of US goods and services by $200 billion over two years. Instead, the IMF said 2020 US growth would be 0.1 percentage point lower than forecast in October, at 2.0pc because of the fading stimulus effects from 2017 tax cuts and the Federal Reserve's monetary easing.

Eurozone growth also was marked down 0.1 percentage point from October, to 1.3pc for 2020, largely due to a manufacturing contraction in Germany and decelerating domestic demand in Spain.

India saw a sharp, 1.2 percentage point cut to its 2020 growth forecast to 5.8pc, the IMF's biggest markdown for any emerging market, because of the domestic credit crunch. Monetary and fiscal stimulus is expected to lift India's growth rate back to 6.5pc in 2021, although this is still 0.9 percentage point lower than forecast in October.

Other emerging markets saw forecast downgrades, the IMF said, including Chile, which has been hit by social unrest. Mexico will grow just 1.0pc in 2020, down from 1.3pc forecast in October.

Although downside risks had diminished in the wake of the US-China trade deal, the IMF said they were still considerable.

"Rising geopolitical tensions, notably between the United States and Iran, could disrupt global oil supply, hurt sentiment and weaken already tentative business investment," the IMF said.

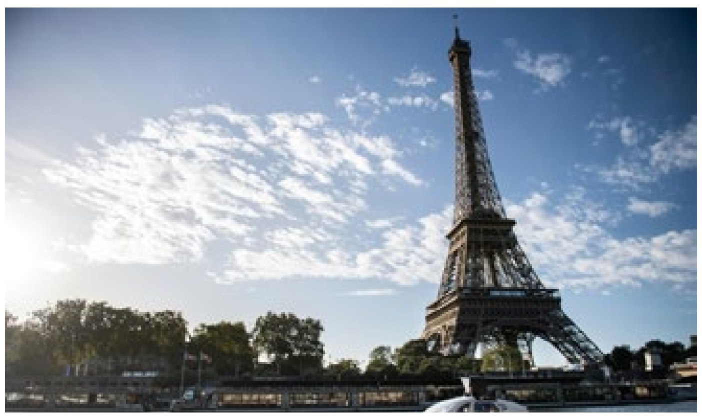
"Moreover, intensifying social unrest across many countries - reflecting in some cases, the erosion of trust in established institutions and lack of representation in governance structures - could disrupt activity, complicate reform efforts and weaken sentiment, dragging growth lower than projected."

Workers erect scaffolding at a construction site of a metro rail station in Kolkata, India

Global tourism growth slowed in 2019: UN

- Middle East was the one bright spot as tourist arrivals in the region jumped by 8.0 pc in 2019
- UNWTO expects France, Spain and the United States to once again be the three most visited countries in the world

Madrid



The number of international tourist arrivals rose by 4.0 per cent last year

Global tourism slowed in 2019 due to a cooling world economy, especially in Europe and Asia where uncertainties linked to Brexit and protests in Hong Kong also weighed, the United Nation's tourism agency said yesterday.

The number of international tourist arrivals rose by 4.0 per cent last year to 1.5 billion, its slowest rate since 2016, the Madrid-based World Tourism Organization (UNWTO) said in a statement.

"This is a growth that we can consider strong because it is within the historical average, but we see a slight slowdown compared to the last two years. But it should be noted that the last two years have been really exceptional with a growth that was not normal," the body's intelligence chief, Sandra Carvao, told a news conference.

Tourist numbers grew by 6.0 pc in 2018 and by 7.0 pc in 2017 as holidaymakers returned to sunshine destinations in the eastern Mediterranean such as Turkey and Egypt after several years of tourists staying away due to security concerns. Tourism numbers rose by 4.0 pc in 2016.

The UNWTO predicted global tourism will grow by 3.0-4.0 pc this year, buoyed by major sporting and cultural events such as the Tokyo Olympics in Japan.

An economic slowdown in many key issuing markets such as Germany and the collapse of Thomas Cook, the world's oldest travel form, had contributed to the slowdown in the sector last year, Carvao said.

Britain's looming departure from the European Union had generated "strong uncertainty" and "has impacted its economy, which has impacted the value of its currency" leading to fewer British nationals going abroad on holidays, she added.

Tourist arrivals in Europe rose by 4.0 pc in 2019, down from 6.0 pc in the previous year.

It remained the most visited region in the world, accounting for 51 pc of all international tourist arrivals last year, or 743 million people.

> **The Americas showed a mixed picture as many island destinations in the Caribbean consolidated their recovery after the 2017 hurricanes while arrivals fell in South America due partly to ongoing social and political turmoil**
>
> UN STATEMENT

Arrivals in the Asia-Pacific region rose by 5.0 pc compared to 7.0 pc in 2018 as Hong Kong was rocked by sometimes violent political protests which caused hotel occupancy rates to slump in the Chinese-ruled city.

Middle East jump

Africa posted a 4.0-pc rise in tourist arrivals, down from 9.0 pc in 2018.

"The Americas showed a mixed picture as many island destinations in the Caribbean consolidated their recovery after the 2017 hurricanes while arrivals fell in South America due partly to ongoing social and political turmoil," the UN body's statement said.

The Middle East was the one bright spot as tourist arrivals in the region jumped by 8.0 pc in 2019, up from 3.0 pc in the previous year, due mainly to Saudi Arabia's ambitious plan to draw foreign visitors and the recovery of the Egyptian market.

UNWTO expects France, Spain and the United States to once again be the three most visited countries in the world last year once it has final figures.

"We don't really expect changes in the rankings," said Carvao.

In 2018, France remained the world's most visited nation with 89 million arrivals followed by Spain and the United States.

Despite the slowdown in the rise in international arrivals, tourism spending continued to grow in 2019, especially among the world's top ten spenders.

France reported the strongest increase in international tourism spending, jumping 11 pc, while spending by international visitors from the United States rose by 6.0 pc due to the strong dollar.

But many emerging markets such as Brazil, China -- the world's top source market -- and Saudi Arabia reported declines in tourism spending.

Trump hails China trade deal as 'much better' than expected

US President Donald Trump, shown taking the stage at the American Farm Bureau Federation Annual Convention, has repeatedly touted the trade pact with China as a win for American farmers, who were hit hard by the tariff war

Austin

President Donald Trump on Sunday hailed the trade deal signed last week with China for dramatically improving relations with Beijing, saying it was "much better" than he expected.

The "phase one" deal marks a truce in the two countries' trade war after nearly two years of tensions. But with tariffs still in place on two-thirds of more than $500 billion worth of imports from China, US consumers and businesses will be left to foot the bill.

"This is an incredible success for our entire country," Trump said Sunday evening at a rally in Austin, Texas. He was speaking to a convention of the American Farm Bureau Federation.

"I think China's gonna go all out to prove that the agreement that was signed is a good agreement. It's much bigger and much better than I ever thought we'd get," he said.

Trump also praised a new chapter in relations with Beijing, calling it "the best relationship that we've ever had with China in many, many years."

"China respects us now," Trump said. "They didn't respect us. They couldn't believe they were getting away with what they were getting away with."

The US and China signed "phase one" of their trade deal on Wednesday, bringing relief to stock markets after prolonged trade friction.

The deal is also a boon for Trump as he faces an impeachment trial in the Senate this week, followed by a tough re-election fight.

The agreement includes pledges from China to beef up purchases of US agricultural goods and other exports for two years, provides some protections for US technology, and new enforcement mechanisms that allow Washington to quickly impose penalties that Beijing cannot respond to.