

Global Macro Outlook 2020 – global growth in 2020

Outlook for the global economy in 2020

The global economy enters 2020 at an important inflection point after 18 months of deteriorating manufacturing activity which weighed on global growth. We now see signs of stabilization and a long list of indicators and even some evidence that the global economy will reaccelerate in the second half of this year.

But let's remember, the slowdown experienced in 2019 was complex and the recovery will be complex too. Back in 2019, we saw three major headwinds on growth.

One, a classic inventory shock in which companies sold off inventories.

Two, more protectionist policies globally that weighed on global trade flows, and three, an ensuing confidence shock from that uncertainty and how it weighed on businesses and consumers.

Looking ahead into 2020, we feel pretty confident that the worst of that inventory shock is behind us and that companies will begin to rebuild. We even see some evidence that business confidence is stabilizing globally. At the same time, inflationary pressures remain muted. Central banks have told us they will not be hiking rates anytime soon and that environment is what markets might consider “Goldilocks”—low rates, stable growth.

We agree this is as a base case, relatively supported for risk markets over the next year, but it doesn't mean we're immune to risks. And in particular, we do remain concerned that while one, markets are probably underpricing geopolitical risks from various trade relationships, Brexit, rising global protests, even the U.S. Iranian conflict, we don't want to be complacent.

We also remain focused on the risk of a double dip in China. The possibility that an Asia-based weakness filters through into the global economy reignites some concerns about global growth in 2020.

All in all, what we see as a year of low growth, stable growth, one with a variety of downside risks, but in the meantime, an environment where risk assets can indeed rally.