FINANCIAL TIMES

Last updated: April 14, 2013 8:24 pm

Global economy stuck in a rut

By Chris Giles in London


©AP

The global economy is stuck in a rut, unable to sustain a decent recovery and susceptible to a sudden stall, according to the latest Brookings Institution-Financial Times tracking index of recovery.

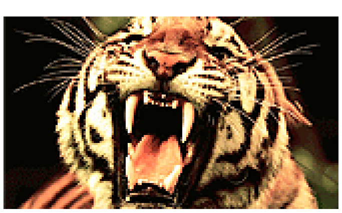
Despite strong financial markets and confidence returning to business and consumers in emerging economies, overall indicators of growth have hardly budged since mid-2011, since when repeated tentative upswings have always been snuffed out by weak data and renewed stress in the eurozone.

Tiger (Tracking Indexes for the Global Economic Recovery) shows the global economy "unable to achieve lift-off and facing the risk of stalling", said Professor Eswar Prasad, a senior fellow at the Brookings Institution.

"The best that can be said about the weak pace of economic activity is that it has bottomed out in some key economies," he added.

The evidence of continued stress in the global economy will ensure a subdued mood at this week's spring meetings of the International Monetary Fund and World Bank in Washington. Christine Lagarde, IMF managing director, has already warned of the new risks inherent in what she called a "three-speed" global economy with some countries doing well, some on the mend and some still in trouble.

Brookings Institution-FT Tiger index



'The best that can be said about the weak pace of

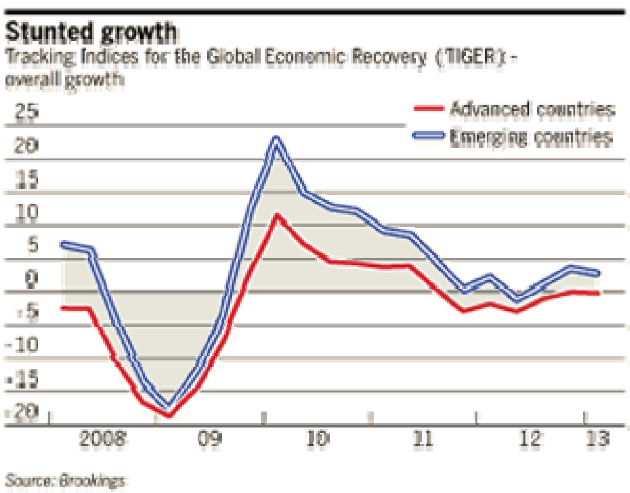
The Tiger index combines measures of real economic activity, financial variables and indicators of confidence, according to the degree to which they are all moving up or down at the same time. Using sophisticated statistical methods it can capture similar movements of data which are measured on a very different basis and across many countries.

Compared with the weak and declining performance of economic data in most advanced economies, the US still stands out as a relative economic activity is that it has bottomed out in some key economies'

bright spot. But even in the world's largest economy, indicators of real activity and confidence remain well below their normal levels for a recovery.

There have been modest improvements in the eurozone indicators, especially in the periphery, although the indicators of growth remain at low levels. "There are few grounds to anticipate improved growth momentum in these economies, which continue to post shrinking levels of national income," said Prof Prasad.

The slowdown in many emerging economies last year looked set to continue, he added, as "they continue to be buffeted by a weak external environment" and their policy options to boost growth are severely constrained. The Tiger for China remains relatively strong, underpinned by recent data pointing to a stabilisation of growth rates in the world's second-largest economy.



Elsewhere in emerging economies, Latin America has hit a soft patch with Argentina and Brazil showing continued signs of a slide towards stagnation and Mexico also slowing down.

In the eurozone periphery, indicators of real economic activity in Ireland, Portugal, Italy and Spain all remain well below their historical averages, although there has been some improvement since the annual IMF meetings in October and a sharp rise to positive levels is evident in Greece. This signal that the worst might be over for Greece is not yet evident in its unemployment figures which showed joblessness still rising in the first few months of 2013.

You may be interested in

Wild ideas lost in the grass

Printed from: http://www.ft.com/cms/s/0/e3c15782-a385-11e2-ac00-00144feabdc0.html