Beat: Business

Spain leads world economic growth

IMF data

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USPA NEWS - The macroeconomic data seem to agree with the Spanish Government, which does not tire of repeating that the crisis is over and that although the improvements have not yet reached all citizens, the future is optimistic.

The latest report from the International Monetary Fund (IMF) puts Spain as the engine of global economic recovery. According to the IMF, Spain will grow by 3.1% and 2.5% in 2016, well above the 2.1% and 2.4% respectively of the average of the most advanced countries this year. Only the United States exceeds the growth forecast for Spain in 2016, when the US economy recorded an increase of 3%. But this year, Spain's leader.

And if that was not enough for the Spanish Prime Minister, Mariano Rajoy, and his economy minister, Luis de Guindos, presumed of good work, the OECD predicts that unemployment will decline this year in Spain and 2.9% will end the year below 20%. The only discordant note is youth unemployment, which in Spain is around 50% and is at the level of Greece.

Economic growth

According the IMF, moderate growth continues, with global growth forecast to be slightly down for 2015, reflecting an unexpected setback to economic activity in the first quarter of 2015, mostly in North America, says the IMF´s latest update on the World Economic Outlook. General evolutions are unfolding very much as forecast in April, said Olivier Blanchard, IMF Economic Counselor and Director of Research, “namely, an improving recovery in advanced economies and a slowdown in underlying growth in emerging markets and developing economies.“� Forecasts for the world economy are for 3.3 percent this year, marginally lower than in 2014, and 3.8 percent next year.

The increase in global growth in 2015 will be driven by stronger growth in advanced economies. Growth in these economies is forecast to increase from 1.8 percent in 2014 to 2.1 percent in 2015 (falling about 0.3 percentage points short of the forecast in April), and 2.4 percent in 2016. The report notes that the unexpected weakness in North America in early 2015, which accounts for most of the growth forecast revision for 2015, will likely prove to be a temporary setback. The underlying drivers for consumption and investment in the United States -wage growth, labor market conditions, easy financial conditions, lower fuel prices, and a strengthening housing market- remain intact.

The economic recovery in the Euro area is more solidly anchored, with signs of increase in both domestic demand and inflation, said IMF. Growth projections were revised up for many euro area economies (e.g., Spain, Italy), but in Greece, unfolding developments are likely to take a much heavier toll on activity relative to previous expectations. Japan saw a stronger than expected growth in the first quarter of 2015, but much of the surprise reflected inventory accumulation. With weaker underlying momentum in real wages and consumption, the pickup in growth in 2015 is now projected to be more modest.

Growth in emerging market and developing economies is projected to slow from 4.6 percent in 2014 to 4.2 percent in 2015. The slowdown reflects the dampening impact of lower commodity prices and tighter external financial conditions“”particularly in Latin America (e.g., Brazil) and oil exporters. Other factors include rebalancing in China, structural bottlenecks, and economic distress related to geopolitical factors -particularly in the Commonwealth of Independent States and some countries in the Middle East and North Africa.

In 2016, growth in emerging market and developing economies is expected to pick up to 4.7 percent, largely on account of the projected improvement in economic conditions in a number of distressed economies, including Russia and some economies in the Middle East and North Africa. In this setting, without the expected pickup in global growth, the IMF emphasizes that the economic policy priority must remain raising actual and potential output through a combination of demand support and structural reforms.

Unemployment according the OECD

Unemployment in the 34 OECD countries is projected to continue declining over the next 18 months to reach 6.5% in the last quarter of 2016. It will remain above 20% in Greece and Spain. “Time is running out to prevent the scars of the crisis becoming permanent, with millions of workers trapped at the bottom of the economic ladder,“ said OECD Secretary-General Angel Gurria, launching the report in Paris. “If that happens, the long-run legacy of the crisis would be to ratchet inequality up yet another notch from levels that were already far too high. Governments need to act now to avoid a permanent increase in the number of workers stuck in chronic joblessness or moving between unemployment and low-paid precarious jobs.“

The Outlook finds that long-term unemployment remains unacceptably high. More than one in three jobseekers in the OECD have been out of work for 12 months or more, equivalent to 15.7 million people. This is an increase of 77.2% since the end of 2007. More than half of these people have been without work for two years or more, and their chances of finding work again are shrinking.

The high and persistent youth joblessness level also remains a major concern. While levels have peaked in the worst hit countries of Southern Europe, youth unemployment remains above pre-crisis level in nearly every OECD country. The share of young people neither employed nor in education or training, the so-called NEETs, is still higher than in 2007 in more than three quarters of OECD countries among 20-24 year-olds and nearly two thirds of countries among 25-29 year-olds.

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