

CONJUNCTUUR: DE ALGEMENE TENDENSEN

Jozef KORTLEVEN
Adviseur-generaal van Financiën

Abstract

It its most recent World economic outlook of September 2005, the International Monetary Fund forecasts world economic growth for this year of 4,3 percent. The Fund thinks that the world economy will next year expand by 4,3 per cent again. These forecasts are barely different from those the Fund made in the spring of 2005. This is surprising because the spring forecasts were based on oil prices of 46,5 dollars this year and 43,75 dollars next year. In its most recent autumn previsions the oil price would be around 54,23 dollars in 2005 and 61,75 dollars in 2006.

Even more surprisingly the business cycle seems to have gained strength considerably since last spring, notwithstanding the fact that oil prices have increased considerably. It is of course possible that the negative impact of oil prices on the business cycle could be somewhat delayed and that activity could be somewhat dampened in the fourth quarter of this year. Illustrating this, most recent indicators seem to suggest that private consumption is suffering somewhat in countries like the United States, Germany and the UK. Recent indicators also suggest that Chinese industrial production is heading for a considerable slowdown from its break-neck pace of recent years.

But by and large, even if some cyclical slowdown may be in the making, it is striking how the world business cycle is weathering the oil price increases rather well, at least compared with increases of a similar magnitude in the 70's and 80's. The explanation seems to be that economic performance has become much less dependant on oil than some decades ago because oil consumption has become more efficient and because the share of the service sector in value added has increased dramatically in all Western economies. Another reason is that the macro-economic policy mix is rather stimulative. Budgetary policy is more or less neutral while monetary policy is, notwithstanding rate increases in some countries, notably the Unites States. This is possible because, mainly as a consequence of economic globalisation, the pricing power of companies has severely been dented.

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