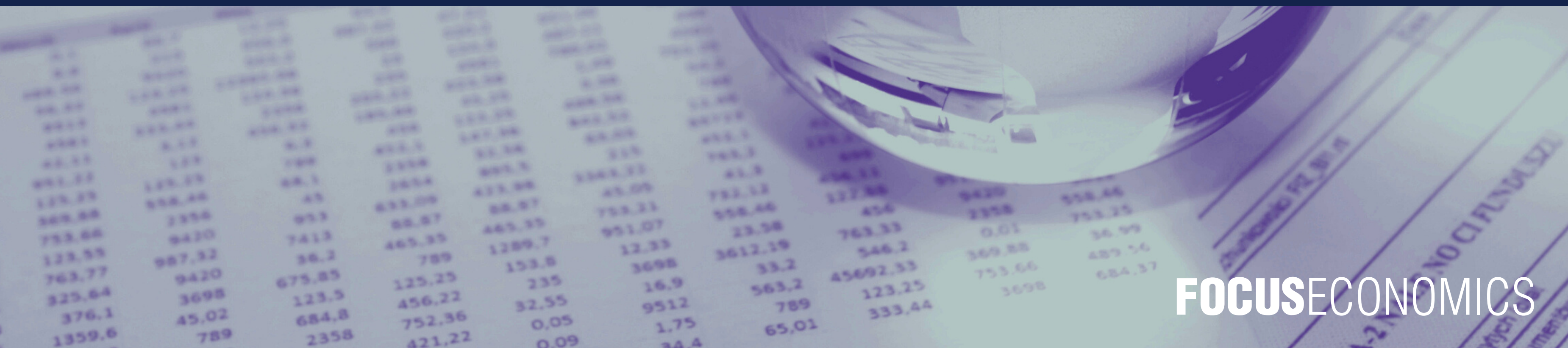




Focus 2024

Our panelists' key predictions for the year ahead



FOCUSECONOMICS

Table of contents

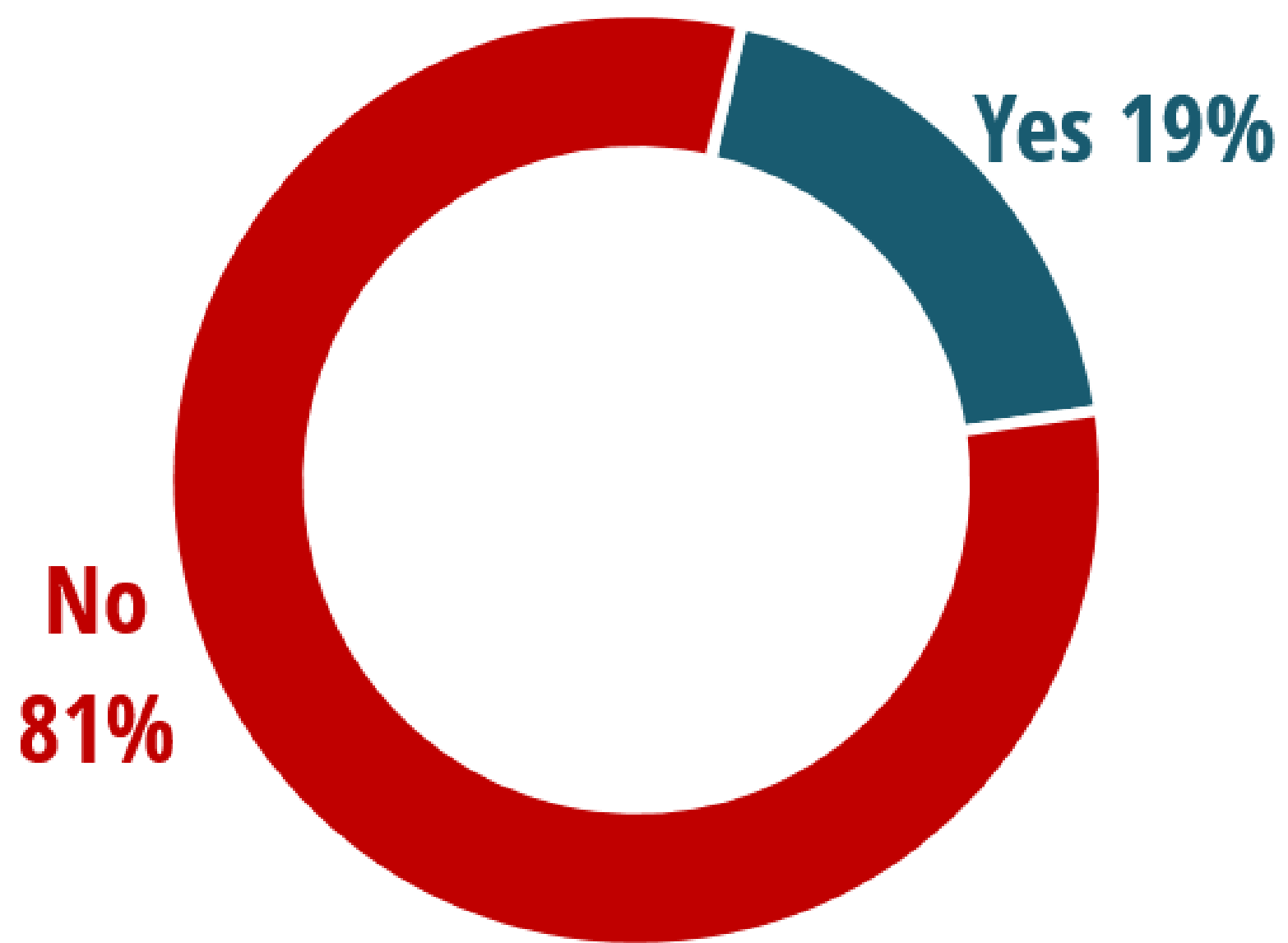
1. Executive Summary
2. Key Geopolitical Events
3. Risks to the Economic Outlook
4. Regional Forecasts
5. Country Forecasts
6. Commodity Forecasts
7. About Us

Executive summary

- In early October, we conducted a survey of 100 panelists on the economic and political outlook for next year.
- On the geopolitical front, most respondents expect the Russia-Ukraine war to continue throughout 2024. Most also see the U.S. implementing further trade or tech restrictions on China, and a small majority expect Joe Biden to be reelected as U.S. president.
- Over half of respondents see risks to the 2024 economic outlook as skewed slightly to the downside, with the top downside risk judged to be higher-for-longer global interest rates.
- Our Consensus Forecasts are for Asia-Pacific and Sub-Saharan Africa to be the fastest-growing world regions in 2024, and for Latin America to record the highest inflation.
- During 2024, our panelists forecast base metals prices to rise, precious metals prices to stay fairly steady, and agricultural and energy prices to dip somewhat. Brent crude oil prices are projected to remain above USD 80 per barrel.

Key geopolitical events: Russia-Ukraine war

Will the Russia-Ukraine war end in 2024?



Note: Share of panelist responses for each option in %.

Our panelists overwhelmingly expect the Russia-Ukraine war to continue through next year. With both armies seemingly evenly matched on the battlefield, Putin keen to have a military victory to show for the invasion, and Ukraine still receiving aid from the West, neither side appears in the mood to back down. Continued conflict will keep grain and energy prices higher than they would otherwise be in 2024, though our Consensus is for the prices of both commodity groups to still be well below 2022 levels.

Key geopolitical events: Russia-Ukraine war

“The Russia-Ukraine war is very unlikely to end next year, even though that has been the IMF’s base case. We are in a protracted conflict, and Russia will be waiting for a potentially favourable US election outcome to swing the war back in its favour by 2025.”

Dennis Shen, Senior Director, Scope Ratings

“Given upcoming US elections, financial support to the war might be fading. There is also growing disagreement among EU countries on Ukrainian financial and military support. This might shorten the war and lead to quicker peace negotiations in 2024.”

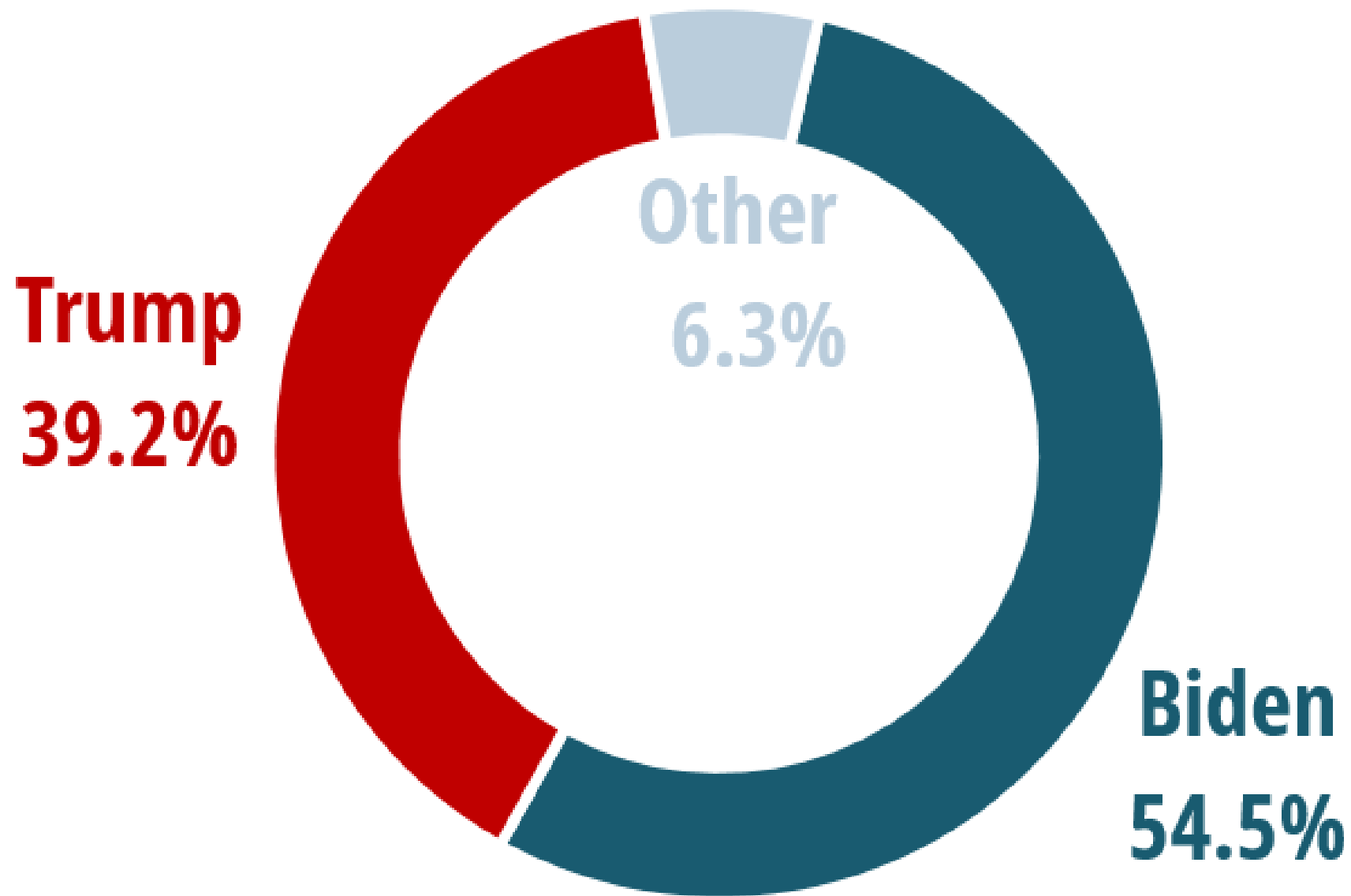
Goldman Sachs analysts

“Russia has announced a significant increase in its military budget, allocating nearly 6% of its GDP to defense spending. Simultaneously, there appears to be waning enthusiasm for supporting Ukraine in both the European Union (EU) and the United States. The situation on the frontlines between Russia and Ukraine appears to be at a stalemate.”

Polish Economic Institute

Key geopolitical events: U.S. elections

Who will win the U.S. presidential elections?



Note: Share of panelist responses for each option in %.

Just over half of our panelists expect Biden to win the U.S. presidential elections next year. However, he may still face a divided Congress which would stymie policymaking. 39% of respondents expect Trump to emerge victorious. On the economic front, a second Trump term would likely be marked by tax cuts and greater trade frictions. Moreover, the multiple criminal charges leveled against him could inflame social tensions and lead to a political crisis if he is convicted while in office.

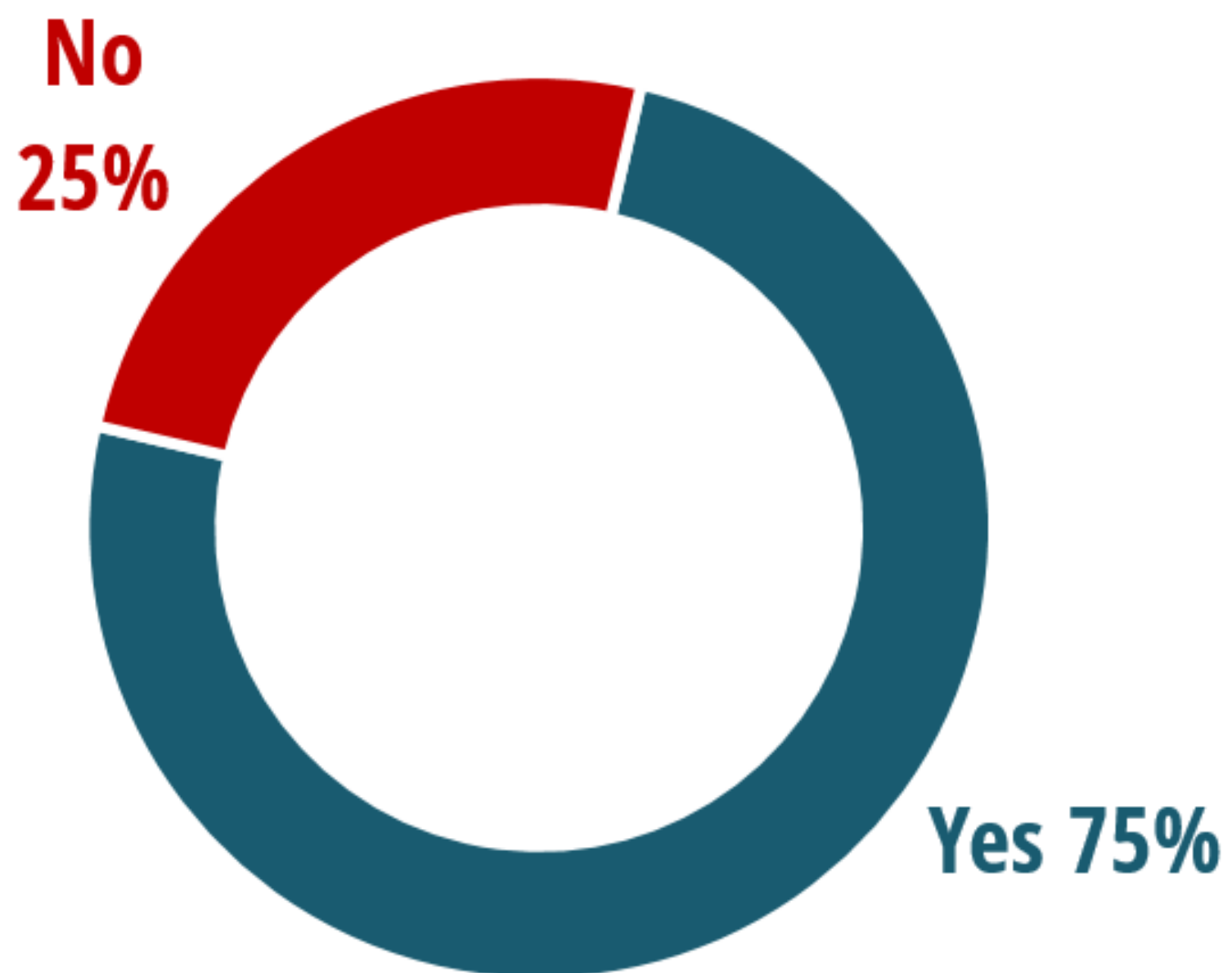
Key geopolitical events: U.S. elections

“The historic 2024 elections in the United States look likely to be a Biden versus Trump rematch – a match-up many were hoping against. The greater uncertainty is less whether Trump is the Republican nominee and more whether there is any risk to Biden’s re-election nomination due to health reasons and internal party concerns. If it is Biden against Trump again, things are more likely this time around to go favouring Trump winning as he is no longer the incumbent – allowing him to position himself as the outsider again – and the US Electoral-College system favours the Republican candidate to a degree.” Dennis Shen, Senior Director, Scope Ratings

“Mr Trump's legal challenges will remain a risk to political stability over the coming years. He faces 91 felony charges across four criminal cases (he denies any wrongdoing), which could result in prolonged prison sentences. [...] This will add considerable uncertainty to the political outlook. If Mr Trump is convicted of these charges and elected, cases could move to the conservative-leaning Supreme Court, which would probably affect his ability to serve as president. This could set the scene for a constitutional crisis over the ability of a president to serve while convicted.” EIU analysts

Key geopolitical events: U.S.-China tensions

Will the U.S. implement further trade and/or tech restrictions on China in 2024?



Three quarters of respondents to our survey expect further U.S. trade or tech restrictions on China next year. Biden's desire to look tough on China during an election year, coupled with genuine concern over the erosion of the U.S.' technological supremacy and China's antithetical political model, will motivate future restrictions. At the very least, restrictions will stay as they are, with no notable rollback of the tariffs on over USD 350 billion of goods put in place under Trump. The upshot will be an ongoing fraying of U.S.-China trade and investment ties.

Note: Share of panelist responses for each option in %.

Key geopolitical events: U.S.-China tensions

“While there appears to have been some thawing in US-China relations at a political level, fracturing is continuing at a corporate level. This could be shaken up by the 2024 US election - Trump would take a tougher line on trade policy. And even if Biden remains in power, it’s notable that he hasn’t rolled back any of Trump’s original tariffs on China and has introduced subsidies to promote domestic production in key hi-tech industries.” Lily Millard, Capital Economics

“There is a more than 50% chance of further policy action towards China, especially as the administration might want to look tough in the run-up to the elections.” Klaus-Jürgen Gern, Kiel Institute for the World Economy

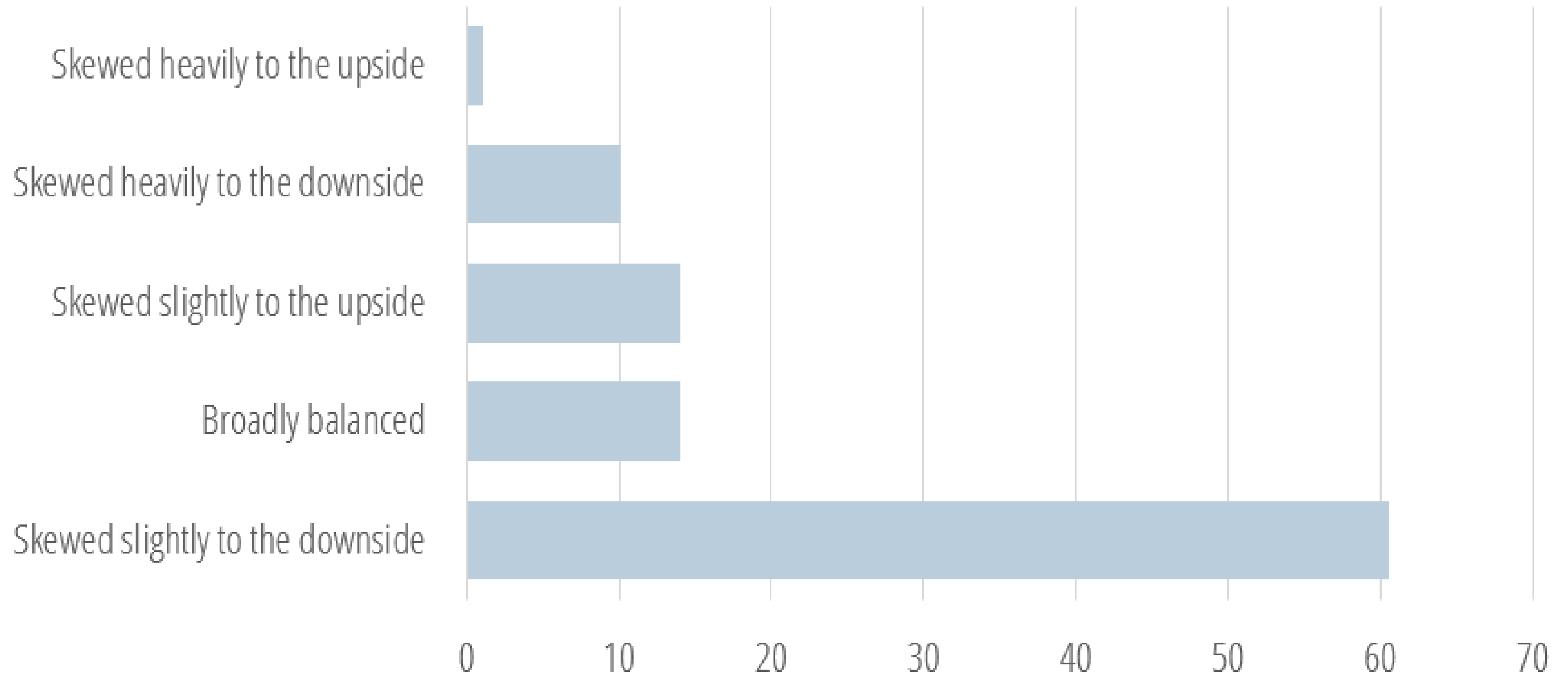
“Current restrictions will be seen as enough and slower growth will cause both sides to hesitate on more trade restrictions.” Jennifer Lee, BMO Financial Group

2024 economic outlook: risks

- Just over 60% of survey respondents see risks to the 2024 economic outlook as skewed slightly to the downside, and over 70% see risks skewed either slightly or heavily to the downside.
- Higher-for-longer global interest rates were by far the main downside risk cited, with over 70% of panelists selecting that option. Economic activity in developed economies has been more robust than expected so far this year—2023 GDP growth forecasts in the U.S. and the Euro area have been revised up by 1.7 and 0.6 percentage points, respectively, since the outset of this year. A continuation of robust economic growth, together with OPEC+'s tight control of oil supply, could keep price pressures elevated and necessitate high interest rates.
- Conflict in Ukraine and between the U.S. and China was the second major risk, with the latter most likely to emerge as a result of any Chinese military action against Taiwan.
- Conversely, a faster-than-expected fall in global inflation and interest rates was seen as the key upside risk to the global economic outlook next year, followed by extra fiscal stimulus and an AI-driven productivity boost. On AI, a report by Goldman Sachs earlier this year suggested that generative AI models could increase productivity by 1.5 percentage points over a 10-year period.

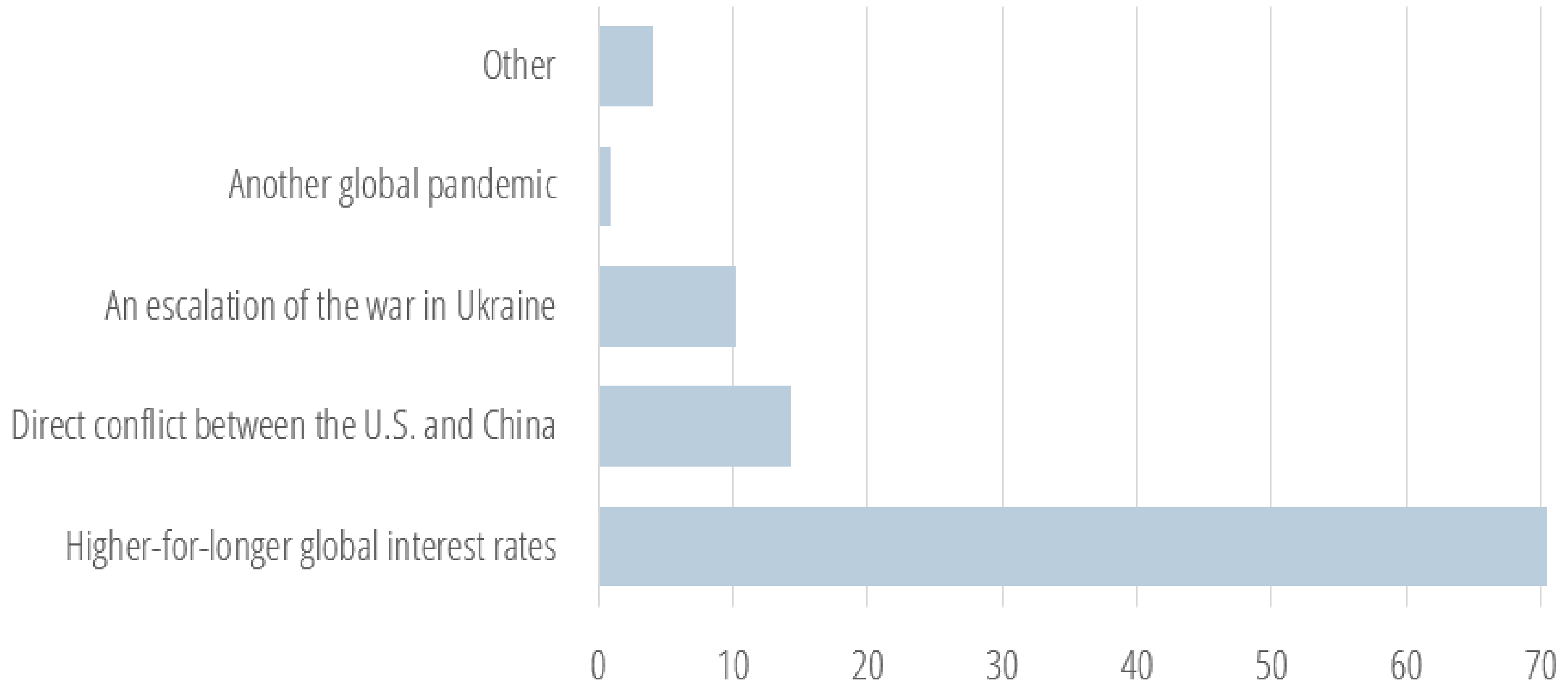
What is the balance of risks to the 2024 global economic outlook?

Note: Share of panelist responses for each option in %.



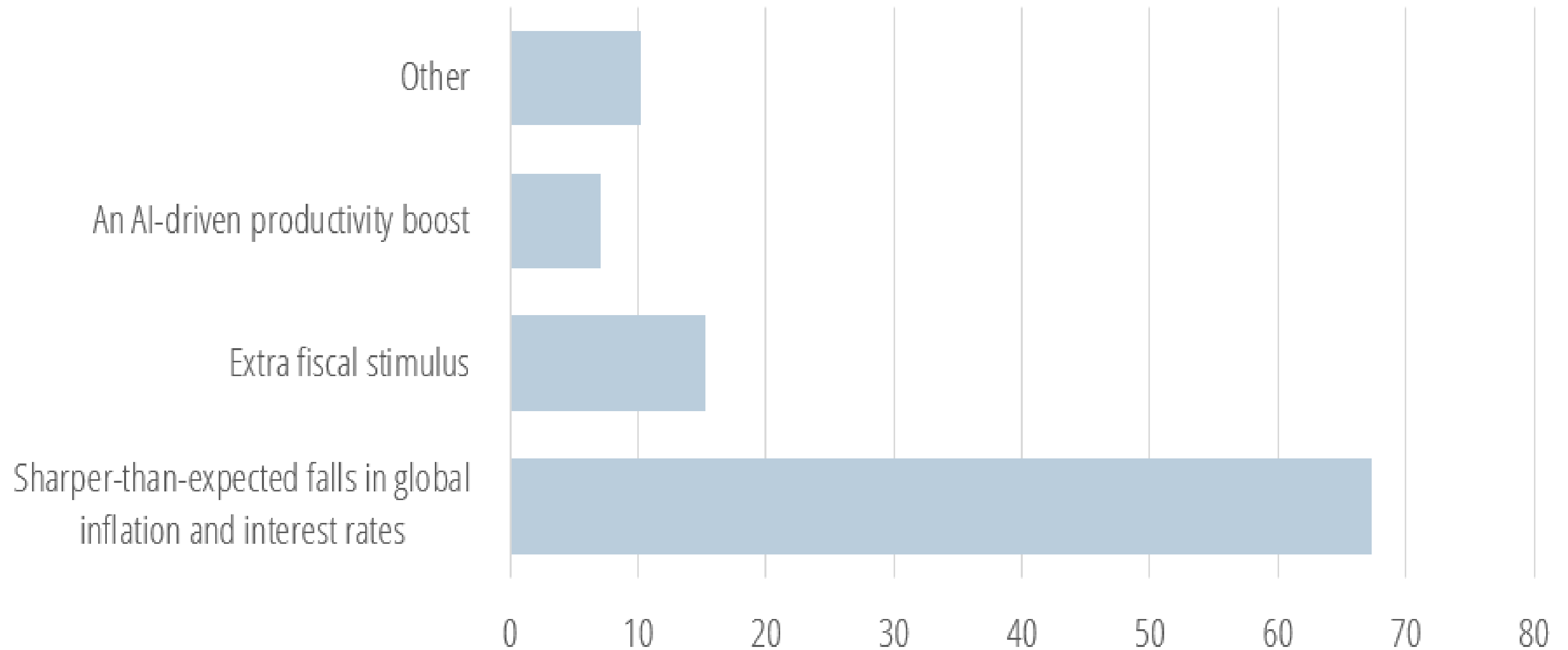
What is the top downside risk to the 2024 global economic outlook?

Note: Share of panelist responses for each option in %.



What is the top upside risk to the 2024 global economic outlook?

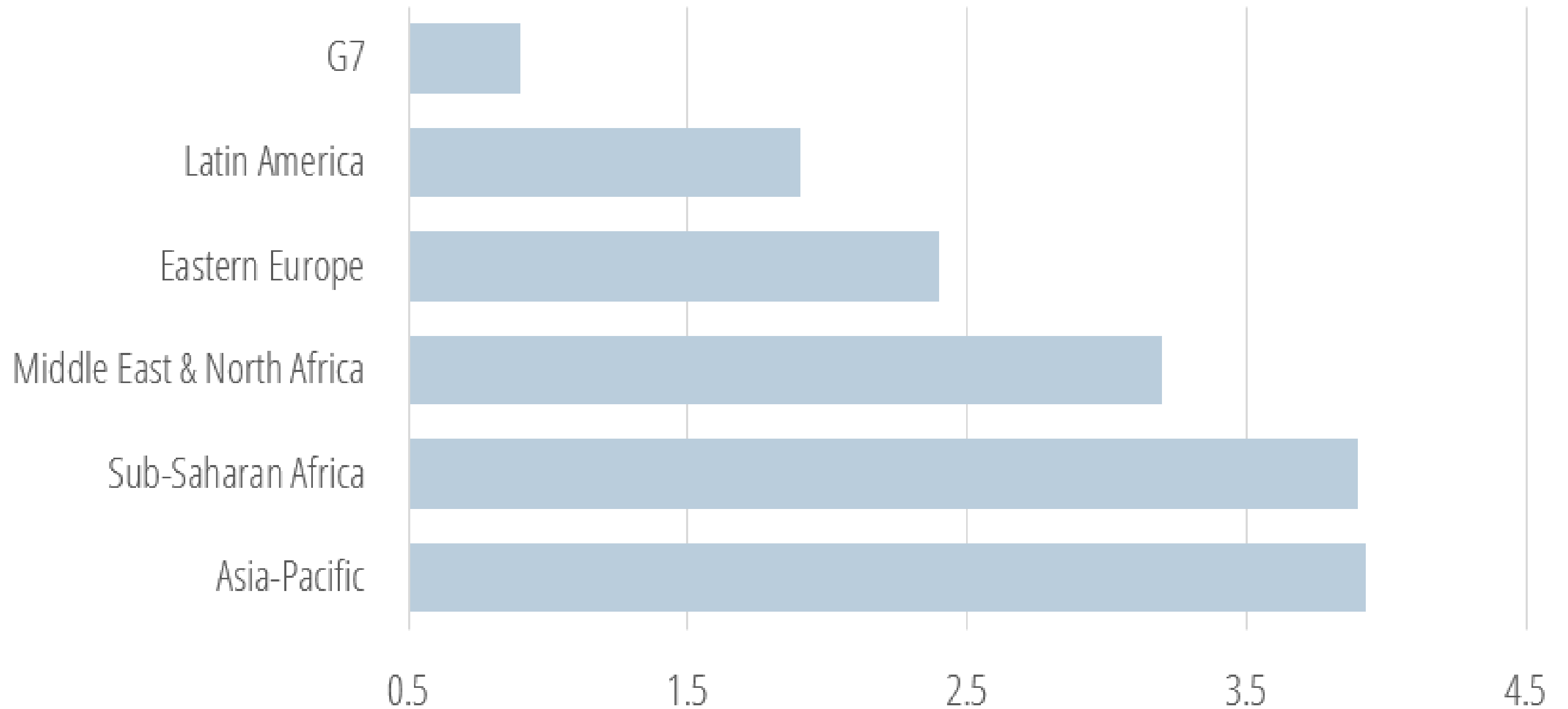
Note: Share of panelist responses for each option in %.



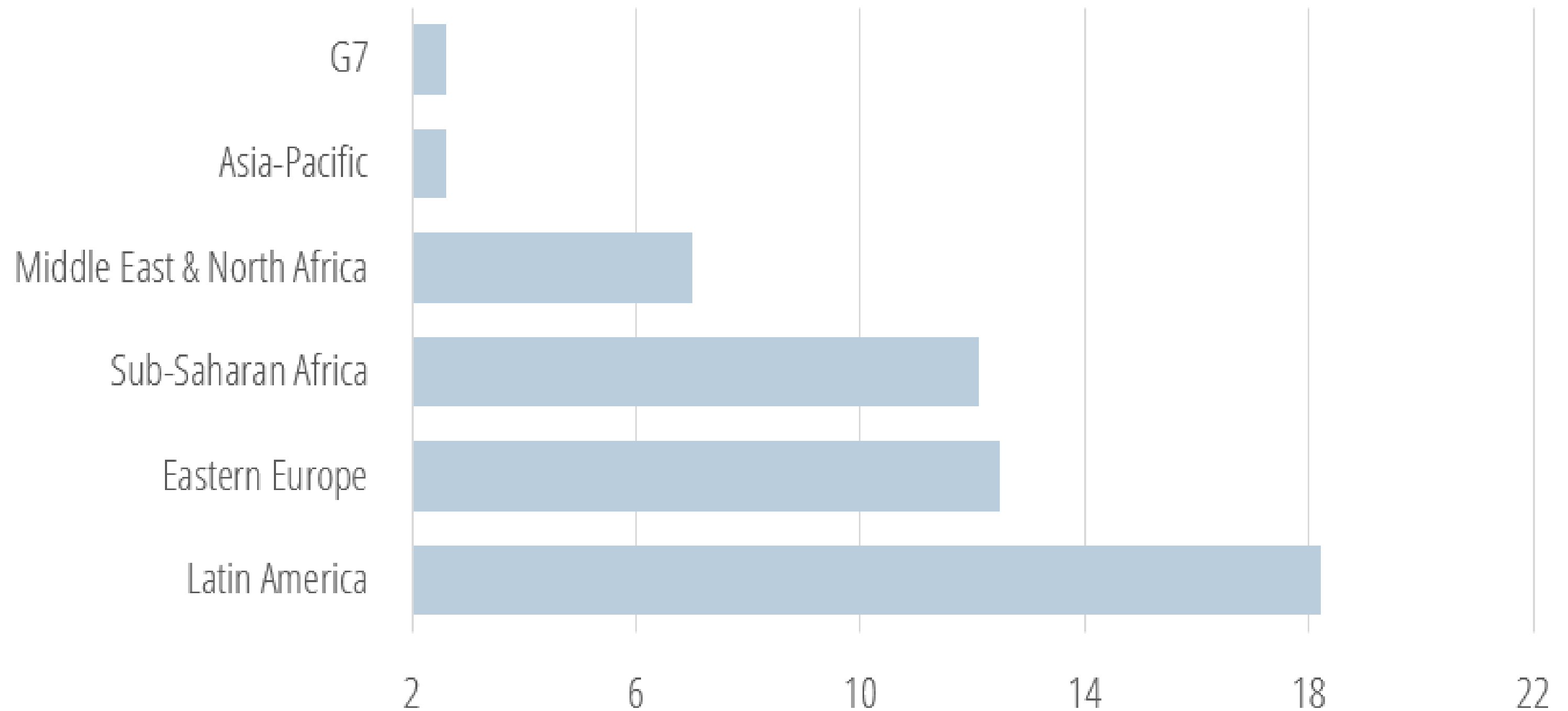
Regional Outlook

- The Asia-Pacific and Sub-Saharan Africa regions should see the fastest GDP growth in 2024, of close to 4% year on year. Asia-Pacific will benefit from relative political stability and its position as a critical node in global manufacturing supply chains, while Sub-Saharan Africa will get a boost from population growth currently running at over 2% a year.
- In contrast, major advanced economies will see the slowest growth due to the lagged impact of recent rate hikes.
- Inflation in Latin America is projected to be the highest among all world regions next year, chiefly due to Argentina and Venezuela, which are forecast to see some of the highest inflation rates of any country globally. Inflation will also be in double digits in Sub-Saharan Africa (SSA) and Eastern Europe. High inflation in SSA will be linked to currency depreciation, monetary policy easing and weather disruptions caused by the El Niño climate phenomenon. High inflation in Eastern Europe is linked to extreme price pressures in Turkey.
- Meanwhile, inflation in the G7 and Asia-Pacific should be relatively muted. Price pressures in Asia-Pacific will be dampened by economic slack in China, while price pressures in the G7 will be tamed by past interest rate hikes.

Real GDP growth by region in %, 2024



Consumer price inflation by region in %, 2024



United States

Outlook

- The economy has remained robust year-to-date despite the Fed's rate hikes, with our panelists expecting 2.0% GDP growth in 2023 as a whole.
- The economic expansion should roughly halve next year as higher interest rates gradually rein in economic activity, though the U.S. is expected to avoid a recession.

Factors to watch

- Political tensions could run high in the run-up to and the aftermath of the November 2024 general elections.
- If Donald Trump is elected president, international trade frictions would likely rise, while an eventual criminal conviction for Trump could stir domestic sociopolitical unrest.
- In the near term, a government shutdown is possible due to political disagreements in Congress; such an outcome would hit public spending.

Panelist forecasts, real GDP growth in %

	2024	2025
ABN AMRO Bank	1.0	2.8
Actinver	1.1	2.1
ADA Economics	1.1	
Afi	0.4	1.5
Allianz	1.1	1.7
<i>Others (62)</i>		
Minimum	-0.1	1.2
Maximum	1.9	3.3
Consensus	0.9	1.9

China

Outlook

- After a mid-year lull, the latest data suggests the economy may be bottoming out.
- That said, GDP growth next year will still be among the weakest rates in decades, held back by deteriorating demographics, trade tensions with the West, depressed sentiment and the unresolved property sector crisis.

Factors to watch

- The property sector downturn could worsen, with broader implications for financial stability.
- The U.S. could implement further restrictions on China's tech industry, while the threat of EU tariffs on Chinese electric vehicles is also present.
- The government's attitude towards the private sector will be key. After a regulatory clampdown on tech and private tutoring in 2021, in recent months, the authorities have appeared more conciliatory.

Panelist forecasts, real GDP growth in %

	2024	2025
ABN AMRO Bank	4.8	4.8
Actinver	4.8	4.6
ADB	4.5	
Allianz	4.7	4.2
ANZ	4.2	4.0
<i>Others (51)</i>		
Minimum	3.0	3.0
Maximum	5.2	5.2
Consensus	4.5	4.4

Euro area

Outlook

- GDP should expand at a moderate rate over the next few quarters, and the Euro area economy is set to avoid recession.
- While high interest rates will curtail demand next year, an expected recovery in exports will provide support.
- Member states in north-western Europe will be economic laggards next year, while those in eastern Europe will see growth rates above 2%.

Factors to watch

- EU leaders could take steps towards the enlargement of the bloc next year, though any new members are unlikely to join before 2030 at the earliest.
- Rule-of-law disputes with Poland and Hungary could persist, leading to the continued suspension of EU funds to both countries.
- The ECB's policy rate will have an important bearing on economic activity. There is currently a 125 basis points discrepancy among our panelists over the end-2024 policy rate.

Panelist forecasts, real GDP growth in %

	2024	2025
ABN AMRO Bank	0.7	2.3
Actinver	1.4	1.8
ADA Economics	0.8	-
Afi	0.6	1.7
Allianz	0.9	1.7
<i>Others (72)</i>		
Minimum	-0.7	1.0
Maximum	1.5	2.3
Consensus	0.9	1.5

India

Outlook

- GDP growth should be among the highest in Asia next year, buoyed by strong expansions in private and government spending, investment and exports.
- India will likely have continued success at attracting FDI from firms looking to invest in the country's manufacturing sector, thanks to the government's financial incentives, business-friendly reforms and firms' desire to shift production away from China.

Factors to watch

- The strength of the El Niño weather phenomenon will have an important bearing on agricultural output; agriculture still represents close to 20% of the economy.
- Tensions with China and Pakistan over disputed borders could spike. Relations with the West could also grow more tense if India continues to move in a more illiberal political direction.
- General elections are due in April-May 2024, and will likely see Prime Minister Modi's Bharatiya Janata Party retain power.

Panelist forecasts, real GDP growth in %

	2024	2025
ADB	6.7	-
Allianz	6.1	6.2
ANZ	6.3	6.5
BBVA Research	6.4	6.4
Berenberg	6.5	6.0
<i>Others (39)</i>		
Minimum	5.0	5.9
Maximum	8.2	7.6
Consensus	6.3	6.5

Brazil

Outlook

- Our panelists have upped their 2023 growth forecasts by 2.0 percentage points so far this year.
- Interest rate cuts in H2, softer inflation, a lower unemployment rate and a bumper harvest will all support activity this year.
- That said, the economy will slow in 2024 as the positive contribution from agriculture fades, and the lack of structural reforms and a sclerotic public sector continue to hold back momentum.

Factors to watch

- El Niño could cause dry weather in the north of the country, hitting agricultural output.
- Public debt is over 70% of GDP and expected to keep rising in the coming years. As such, the government's fiscal stance will be in focus; the government is currently aiming for a balanced primary budget in 2024.
- The approval of a tax reform bill that is currently in the Senate would simplify the tax regime and reduce compliance costs for business.

Panelist forecasts, real GDP growth in %

	2024	2025
4intelligence	1.8	2.0
Actinver	1.6	2.1
Allianz	1.3	0.7
Banco BMG	1.5	1.5
Banco BV	1.5	1.5
<i>Others (50)</i>		
Minimum	0.3	0.7
Maximum	2.3	3.0
Consensus	1.5	1.9

Nigeria

Outlook

- GDP growth will be below the average for Sub-Saharan Africa next year, and GDP per capita growth will be minimal given that the population is expanding over 2.5% per year.
- Extremely elevated inflation following recent FX devaluation, renewed monetary tightening, chronic insecurity and corruption will all weigh on economic prospects.
- However, a rise in oil output next year will prop up activity.

Factors to watch

- Social unrest could cause the government to row back on recent pro-market reforms and widen the fiscal deficit.
- Another currency devaluation is possible next year, though not our panelists' base case. This would feed through to higher inflation.
- The security situation in the Niger Delta, the country's key oil-producing region, will be key; attacks by militant groups have the potential to disrupt oil output.

Panelist forecasts, real GDP growth in %

	2024	2025
Euromonitor Int.	3.0	3.4
Fitch Ratings	2.9	3.0
Fitch Solutions	2.9	4.3
FrontierView	3.5	3.5
Goldman Sachs	4.1	3.8
<i>Others (15)</i>		
Minimum	2.3	2.6
Maximum	4.4	4.3
Consensus	3.2	3.6

Saudi Arabia

Outlook

- Our panelists have downgraded their 2023 GDP forecast by 1.6 percentage points since January, with Saudi Arabia's voluntary 10% oil production cut on top of pre-existing OPEC+ oil output cuts expected to push growth below its 10-year average of 2.6%.
- However, growth should pick up in 2024 as Saudi oil production recovers. Meanwhile, non-oil activity should remain buoyant thanks to the government's economic diversification drive.

Factors to watch

- Changes to the amount of oil the country pumps will be key. If oil prices seem set to fall below USD 80 per barrel, further voluntary production cuts could be on the cards. On the flip side, the Saudi authorities reportedly suggested that they could be willing to raise production next year as part of a political deal with the U.S. and Israel.
- Additional pro-business reforms could support growth in the non-oil private sector.

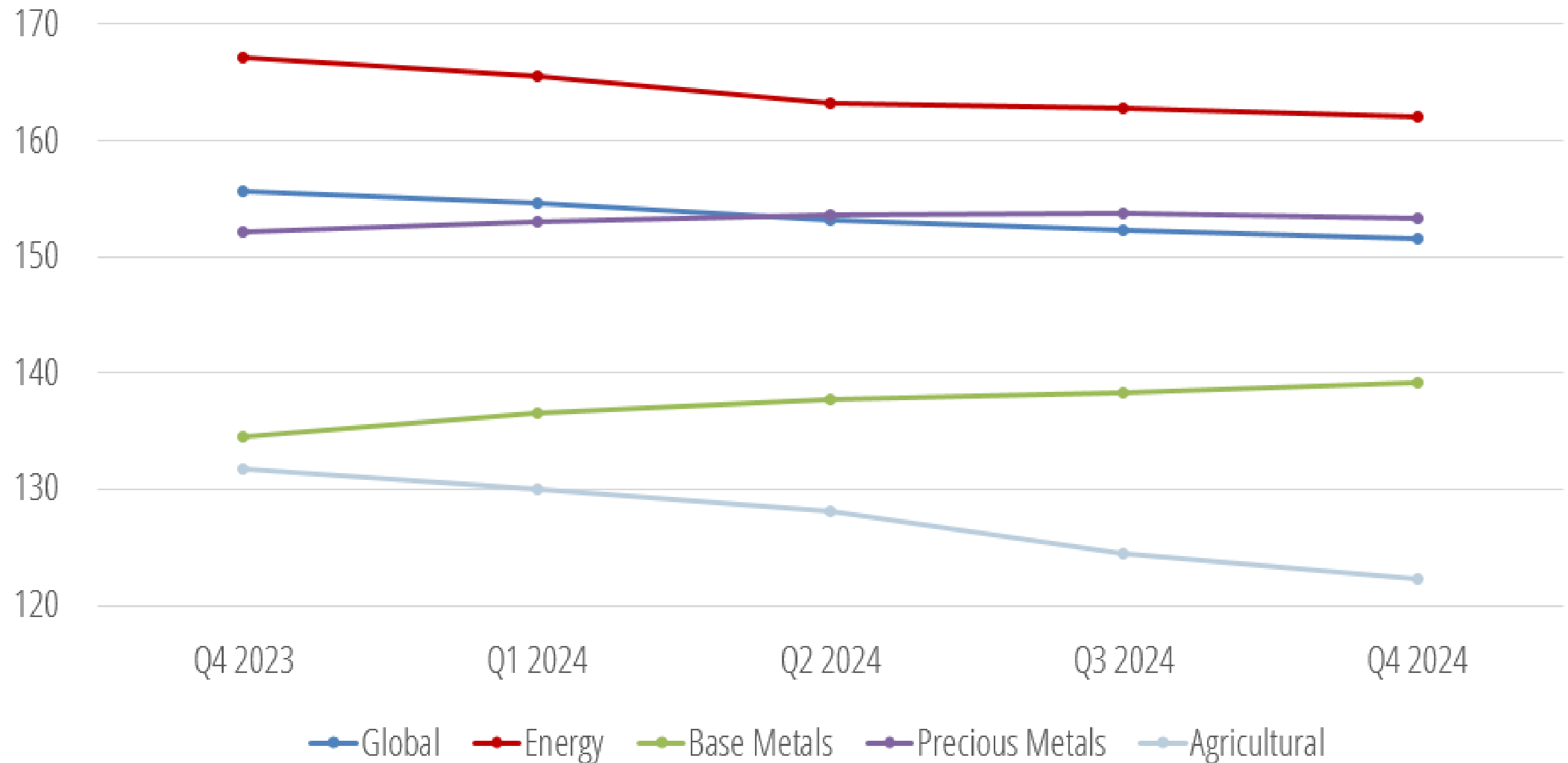
Panelist forecasts, real GDP growth in %

	2024	2025
Allianz	1.8	-
BNP Paribas	2.8	-
Capital Economics	1.0	6.3
Citigroup	1.9	3.8
EGFC	2.7	2.7
<i>Others (22)</i>		
Minimum	1.0	2.7
Maximum	5.8	6.3
Consensus	3.4	3.8

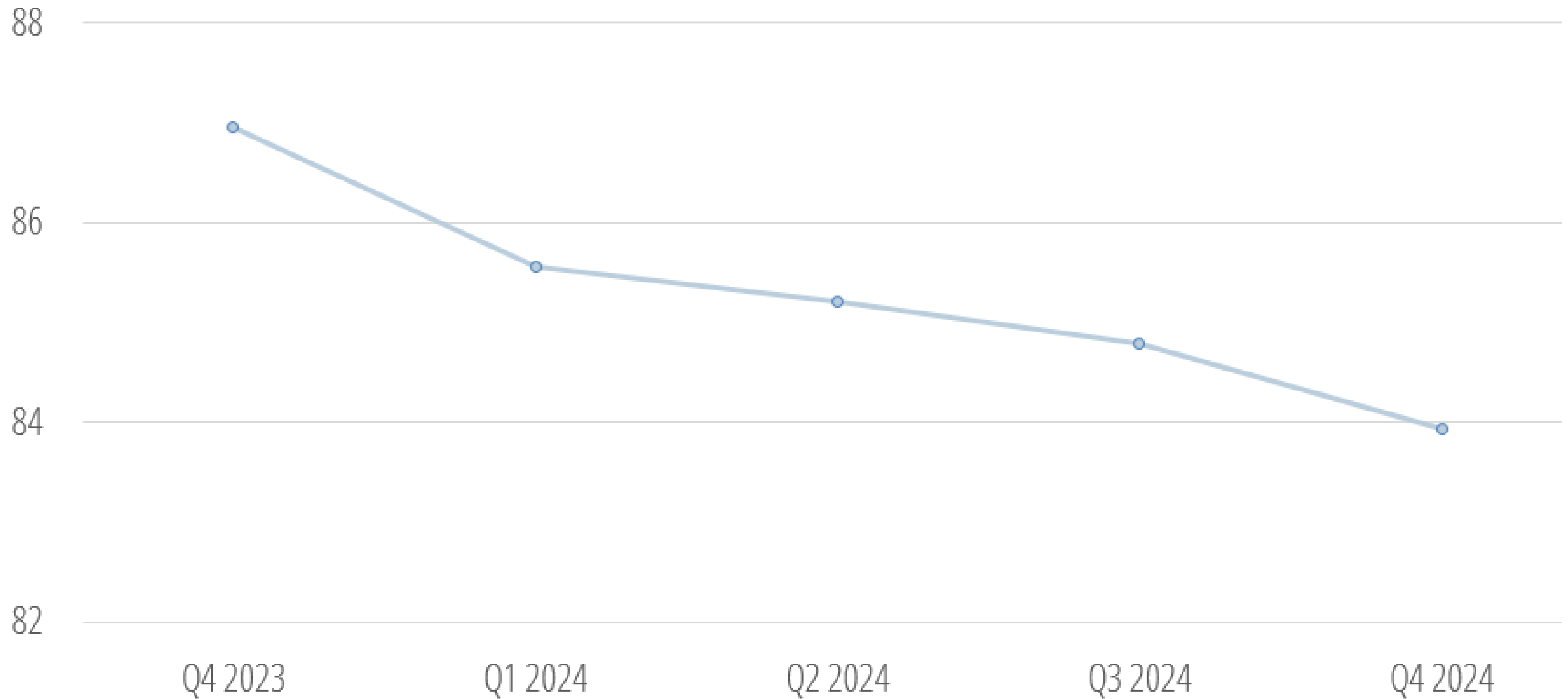
Commodities outlook

- Global commodity prices are forecast to average slightly below their September 2023 levels in Q4 2023 and then dip slightly further by Q4 2024. This will be largely due to a pullback in energy prices following their Q3 2023 surge. The Consensus among our panelists is for Brent crude oil prices to average around USD 85 per barrel next year.
- Over 2024, our panelists forecast base metals prices to rise, precious metals prices to stay fairly steady, and for agricultural prices to dip somewhat as supply concerns gradually ease.
- The El Niño weather phenomenon is a key risk, particularly to agricultural prices. The U.S. weather service currently puts the chance of a strong El Niño at above 70%. The climatic event should bring drier weather to North America, Sub-Saharan Africa, the Asia-Pacific and the northern part of South America, limiting agricultural yields in those areas. In contrast, stronger rains in the southern part of South America should alleviate Argentina's drought, boosting the country's grains output.
- The health of China's economy will be key for base metal prices, given that China is the world's largest importer of many base metals. Finally, the Russia-Ukraine conflict will have an important bearing on global grains output. Ukraine is currently able to export grain via European and domestic ports, though this situation could change if Russia pushes Ukraine back militarily.

Commodities price evolution, Q1 2015=100



Brent crude oil price, USD per barrel



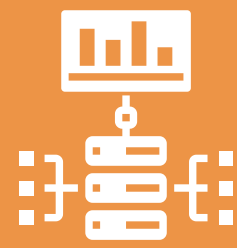
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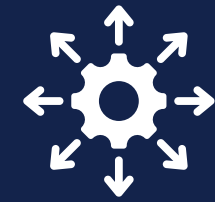
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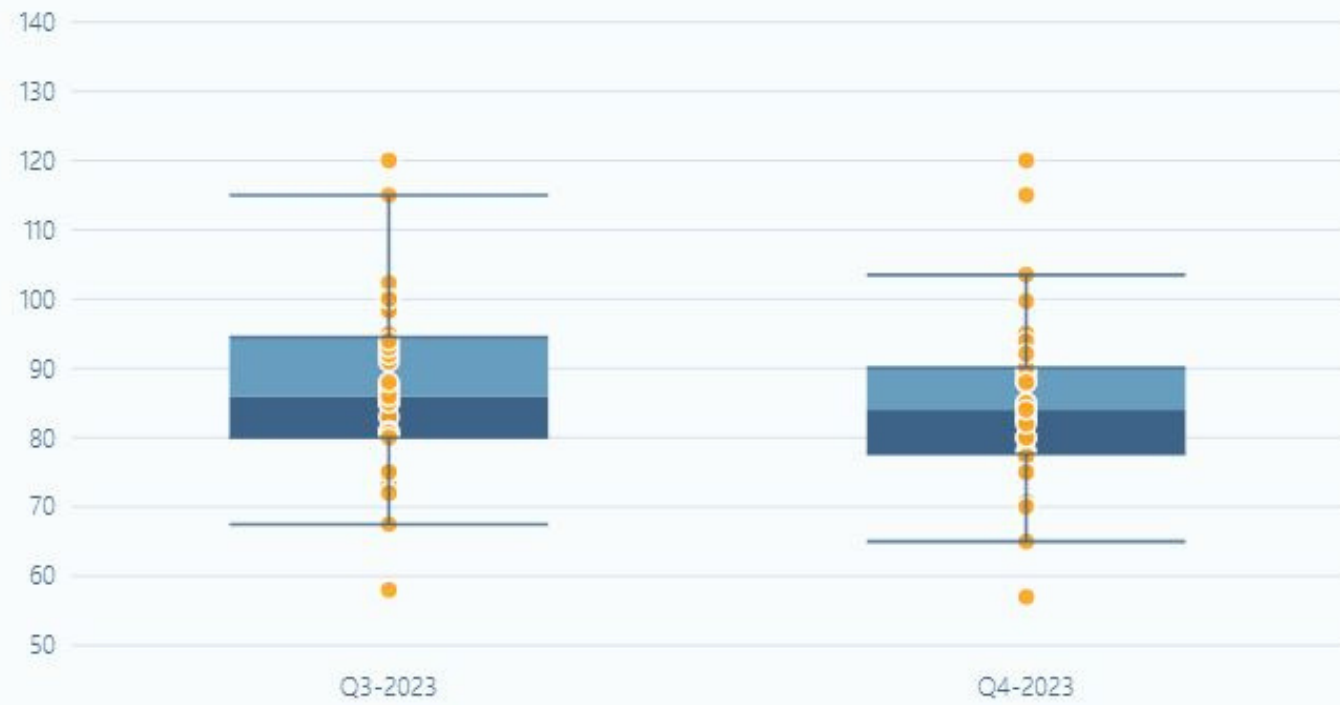
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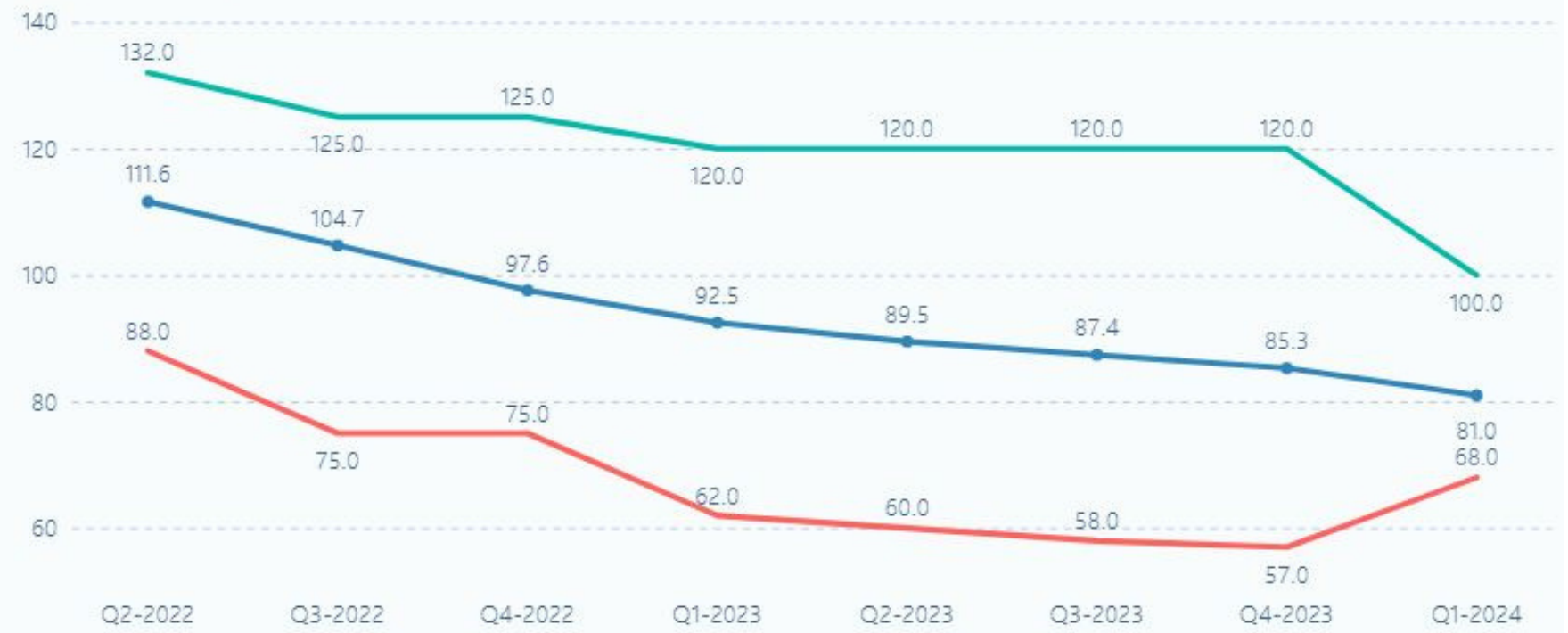
What's included in FocusEconomics' solutions?

Panel Distribution Box-Plot

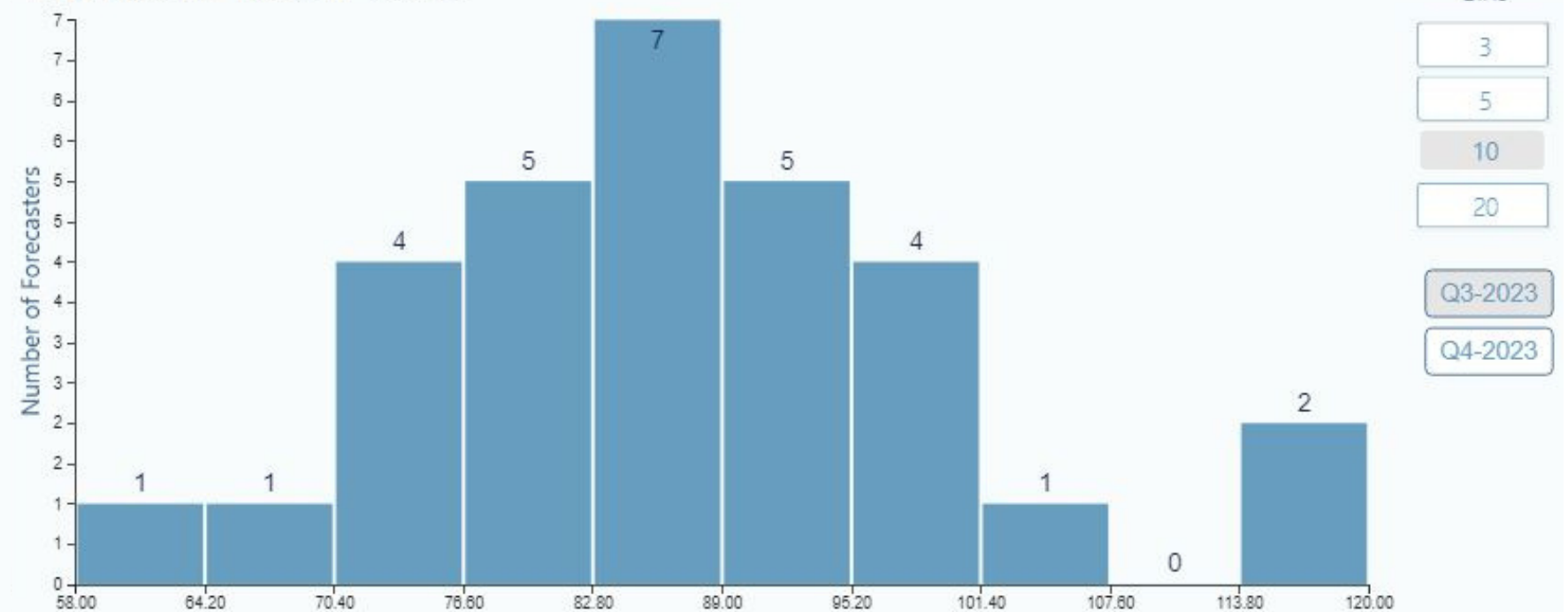


Forecaster	Q3-2023	Q4-2023
ABN AMRO Bank N.V	120.00	120.00
Banca Intesa Beogra	86.00	84.00
Banco Bilbao Vizcaya Argentaria	85.00	85.00
Baramoda	91.00	88.00
BMO Capital Markets	83.00	83.00
Capital Economics	87.50	82.50
Citigroup Global Markets	58.00	57.00
Danske Bank	95.00	95.00
DekaBank	92.00	90.20
Desjardins Group	80.00	78.00

Min Consensus Max



Panel Distribution - Histogram - Q3-2023



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