Top 10 Predictions for World Economy in 2011

IHS Global Insight provides a comprehensive economic, financial, and political coverage to support business planning and decision-making. Recently, the HIS Chief Economist, Nariman Behravesh presented his top 10 economic predictions for 2011:

1. **The U.S. recovery will pick up steam as the year progresses.** The economy is likely to grow 3 percent in the first half of the year and 3.5 percent in the second half. The White House tax package will probably add 0.6 percent to growth and reduce unemployment by 0.2 to 0.3 percent.

2. **Europe and Japan will see slightly stronger growth in the second half of 2011.** In Europe, there is a north-south divide. Northern Europe is going to grow 1 to 2 percent and southern Europe will only grow 1 percent or less. In Japan, growth has been very strong, but will decelerate in 2011.

3. **Growth will slow in the Emerging Markets.** However, they would continue to grow three times faster than the Developed Countries. A two-speed growth pattern will remain the key feature of the world economy. The Emerging Markets would grow over 6 percent and the Developed Countries would expand 2 percent. China will continue to be the star of the Emerging Markets.

4. **Interest rates will remain on hold in key Developed Countries, but keep rising in the Emerging Markets.** The central banks of Canada, U.S., and Germany will keep interest rates low to stimulate growth. The Emerging Markets will keep interest rates high to control inflation.

5. **Fiscal policy will become tighter in the Developed Countries.** This prediction is especially likely in large European economies like Germany and U.K. They will do it voluntarily to manage their finances. In smaller economies of Greece, Ireland, and Portugal, fiscal adjustments will be done under duress and are going to be quite large. In the U.S., fiscal policy would be looser and likely expansionary.

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1 The newly industrializing nations of Brazil, China, India, Indonesia, Mexico, Poland, Russia, South Korea, and Turkey

2 The industrial nations of North America and Western Europe plus Japan, Australia, and New Zealand
6. **Commodity prices will move up gradually.** In 2011, commodity prices are going to rise 5 to 10 percent due to stronger global demand and faster growth.

7. **Inflation will not be a problem in the Developed Countries, but will accelerate in the Emerging Markets.** Inflation would average 1.5 percent in the Developed Countries due to tight management of the economy. Inflation is likely to be 5.5 percent in the Emerging Markets due to strong growth and the fixing of foreign exchange rates.

8. **Global imbalances will neither worsen nor improve by much.** The U.S. current account deficit is going to get stock at $500 billion. There are countervailing elements. Export-led growth would improve the trade balance, whereas rising oil prices would increase the imports bill. These offsetting elements would leave the U.S. trade deficit unaffected.

9. **The U.S. dollar will continue to slide against most currencies with the possible exception of the euro.** Because of a large U.S. trade deficit, Emerging Markets’ currencies would appreciate against the dollar, while the euro is expected to depreciate against the dollar.

10. **There will be no shortage of risks in the world economy.** Risks are not all bad! Downside risks such as sovereign debt problem and housing market recession would continue to exist along with upside risks of rising consumer demand, potential for stronger productivity growth, and greater business optimism. The upside risks result in more spending and more hiring by businesses worldwide.

**Sources:**
Bakersfield Industrial Real estate.com, [http://blog.bakersfieldindustrialrealestate.com/](http://blog.bakersfieldindustrialrealestate.com/)
IHS Global Insight’s, [www.globalinsight.com](http://www.globalinsight.com)