



Driving global growth. Entebbe Expressway nearing completion. Infrastructure such as roads drive a country's growth. PHOTO BY RACHEL MABALA

Global economy to grow at 3.1 per cent in 2018 – WB

Implication. This means that poor countries such as Uganda are likely to earn more from commodity exports hence increased foreign exchange.

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KAMPALA. The World Bank (WB) forecasts global economic growth to edge up to 3.1 per cent in 2018 after a much stronger-than-expected 2017, as the recovery in investment, manufacturing and trade continues, and as commodity-exporting developing economies

benefit from firming commodity prices.

This implies that poor countries such as Uganda are likely to earn more from commodity exports thus helping them to have more foreign exchange flowing in.

In its Global Economic Prospects released in Washington DC on Tuesday, the World Bank said growth in advanced economies is expected to moderate slightly to 2.2 per cent in 2018, as central banks remove their post-crisis accommodation and as an upturn in investment levels off.

It says growth in emerging market and developing economies as a whole is projected to strengthen to 4.5 per cent in 2018, as activity in commodity exporters continues to recover.

"The broad-based recovery in global growth is encouraging, but this is no time for complacency," the World Bank Group president Dr Jim Yong Kim, said.

Dr Kim said: "This is a great opportunity to invest in human and physical capital. If policy makers around the world focus on these key in-

vestments, they can increase their countries' productivity, boost workforce participation, and move closer to the goals of ending extreme poverty and boosting shared prosperity."

The Bank explains that 2018 is on track to be the first year since the financial crisis that the global economy will be operating at or near full capacity.

A research fellow at the Economic Policy Research Centre (EPRC), Dr Madina Guloba told *Daily Monitor* that Uganda will only feel an

impact of the global growth if there is increased demand of our raw materials for industries up north.

"We will need to increase production. In addition, the effects will be even much higher if value addition to raw materials is undertaken prior to exporting. Otherwise, we might feel that growth but not to the level desired unless we change the way we do business," she said.

Ms Guloba added: "There is also the argument that the growth might not be felt at all if world prices for commodities does not change and also if our export volumes of raw materials as inputs to manufacturing industries do not change."

More effort needed

However, with slack in the economy expected to dissipate, policymakers will need to look beyond monetary and fiscal policy tools to stimulate short-term growth and consider initiatives more likely to boost long-term potential.

The report shows that slowdown in potential growth is the result of years of softening productivity growth, weak investment, and the aging of the global labour force. The deceleration is widespread, affecting economies that account for more than 65 per cent of global Gross Domestic Product.

Without efforts to revitalise potential growth, the decline

may extend into the next decade, and could slow average global growth by a quarter percentage point and average growth in emerging markets and developing economies by half a percentage point over the period.

"An analysis of the drivers of the slowdown in potential growth underscores the point that we are not helpless in the face of it," said World Bank senior director for development economics, Dr Shantayanan Devarajan.

Risks involved

The Bank explains that an abrupt tightening of global financing conditions could derail the expansion. Escalating trade restrictions and rising geopolitical tensions could dampen confidence and activity.

On the other hand, it says stronger-than-anticipated growth could also materialize in several large economies, further extending the global upturn.

"With unemployment rates returning to pre-crisis levels and the economic picture brighter in advanced economies and the developing world alike, policymakers will need to consider new approaches to sustain the growth momentum," said the Bank's development economics prospects director Ayhan Kose.

Ms Kose added: "Specifically, productivity-enhancing reforms have become urgent as the pressures on potential growth from aging populations intensify."

In addition to exploring developments at the global and regional levels, the January 2018 Global Economic Prospects takes a close look at the outlook for potential growth in each of the six global regions; lessons from the 2014-2016 oil price collapse; and the connection between higher levels of skill and education and lower levels of inequality in emerging markets.

GROWTH

Sub-Saharan Africa. World Bank says growth in sub-Saharan Africa is estimated to have rebounded to 2.4 per cent in 2017, after slowing sharply to 1.3 per cent in 2016; all because of improvement in commodity prices.