The top-10 predictions for 2019, shown below, were published in December 2018. The text in italics describes what actually happened.

The global economy started 2018 with strong, synchronized growth, but the momentum faded as the year progressed and growth trends diverged. Notably, the economies of the eurozone, the United Kingdom, Japan, and China began to weaken. In contrast, the US economy accelerated, thanks to fiscal stimulus. These divergent trends will persist in 2019. US economic growth will remain above trend, while other key economies will experience further deceleration. As a result, IHS Markit predicts that global growth will edge down from 3.2% in 2018 to 3.0% in 2019—and will keep decelerating over the next few years. One major risk in the coming year is the sharp drop-off in world trade growth, which fell from a pace of above 5% at the beginning of 2018 to nearly zero at the end. The risk of an escalation in trade conflicts remains elevated. If such an escalation were to occur, a contraction in world trade could slow the world economy even more. At the same time, the sell-off in equity and commodity markets, on top of the gradual removal of accommodation by some central banks, means that financial conditions worldwide are tightening. Combined with heightened political uncertainty in many parts of the world, these risks point to the increased vulnerability of the global economy to further shocks and the greater probability of a recession in the next few years—although still relatively low in 2019.

What actually happened? Global growth decelerated even faster than IHS Markit predicted, from 3.2% in 2018 to 2.6% in 2019. Eight out of ten of our predictions for the past year were on the mark, and one was partially on the mark.
1  
**US growth will remain above trend.**

Based on estimates about sustainable growth in the labor force and productivity, IHS Markit assesses the trend (or potential) growth in the US economy to be around 2.0%. In 2018, US growth was a well-above-trend 2.9%, compared with only 2.2% in 2017. The acceleration was almost entirely due to a large dose of fiscal stimulus (tax cuts and spending increases) put in place at the beginning of the year. The impact of this stimulus will still be felt in 2019, but with diminishing potency as the year progresses. As a result, we expect growth of 2.6%—less than in 2018, but still above trend. By 2020, the effects of stimulus will have fully dissipated and growth will return to trend. Over the next year, there are likely to be countervailing pressures on growth. On the downside, housing has been a disappointment, the dollar has been rising, credit conditions are tightening (though not yet tight), and higher tariffs could still hurt growth. On the upside, interest rates are still low (at least by recent historical standards), fiscal stimulus is still aiding growth, and oil prices have fallen from recent peaks—and will likely remain constrained in the coming year. On balance, these trends will contribute to weaker growth, but for the balance of 2019 US economic fundamentals remain fairly solid.  
**What actually happened?** Real US GDP is estimated to have grown 2.3% (year-over-year) in 2019, which was above trend.

2  
**Europe’s expansion will slow even more.**

Eurozone growth peaked in the second half of 2017 and has declined steadily since then. Growth in 2018 was 1.9%, compared with 2.5% in 2017. IHS Markit predicts a further decline to 1.5% in 2019 and 1.2% in 2020. This marked deceleration is being driven by a number of adverse economic and political factors. To begin with, credit conditions are becoming less accommodative, as the European Central Bank tapers its bond purchases. Meanwhile, heightened trade tensions and the deceleration in world trade growth have hurt exports and the manufacturing sectors—as has the appreciation of the euro against most currencies except the US dollar. Against this backdrop, political risks have risen significantly, contributing to the decline in business sentiment—the IHS Markit PMI is at a four-year low. Anxiety about politics is certain to remain high in 2019. Riots in France are challenging the government of Emanuel Macron. The friction over budgets between Italy and the European Union are likely to persist. With the winding down of the chancellorship of Angela Merkel and the attendant rise in political uncertainty, German business apprehension is bound to increase further. Last, but by no means least, the continuing turmoil around Brexit will hurt UK growth, which fell from 1.7% in 2017 to 1.3% in 2018 and is predicted to fall further to 1.1% in 2019.  
**What actually happened?** Eurozone growth slowed from 1.9% in 2018 to 1.2% in 2019, while UK growth edge down from 1.4% to 1.3%.
3 Japan’s recovery will remain weak.

Japanese growth also peaked in 2017, at a rate of 1.7%. Growth in 2018 is expected to come in at a much slower rate of 0.8%, hold close to that rate (0.9%) in 2019, and then slip to 0.5% in 2020. While monetary policy continues to be ultra-accommodative, there are two big drags on Japanese growth. The first is the slowdown in China’s economy. The second is the fallout from the trade tensions between the United States and China and the resulting hit to trade growth. The expected rise in construction spending ahead of the 2020 Olympics will sustain growth in 2019, but the boost will fade by the end of the year. Meanwhile, the Japanese government is expected to proceed with raising the sales tax from 8.0% to 10.0% in October 2019. Buy-in-advance behavior will raise consumer spending growth before the tax hike. Nevertheless, there will be a pullback in late 2019 and early 2020. This cyclical decline in Japan’s growth is occurring in an environment of very weak long-term growth. Adverse demographics—specifically a declining labor force—is not being offset by strong-enough productivity growth. The “third arrow” of Abenomics, which was supposed to implement significant structural reforms and boost productivity, has been slow to materialize.

What actually happened? Japan’s economy expanded at a weak at 1.1% pace in 2019, with fourth quarter growth expected to be negative, in the wake of the sales tax hike.

4 China’s economy will keep decelerating.

In the third quarter of 2018 China’s real GDP grew at a year-on-year rate of 6.5%, the lowest since the financial crisis 10 years ago. The quarterly rate of growth has been steadily edging down since the beginning of 2017. On an annual basis, the pace of expansion has slowed from 6.9% in 2017 to 6.6% in 2018, and will fall further to 6.3% in 2019 and 6.0% in 2020. The underlying dynamic behind this deceleration is the government’s attempt to reduce ultra-high debt levels. That said, the Chinese government is very sensitive to both a too rapid decline in growth—6.0% growth is often referred to as the “line of defense”—and the recent rout in the stock market. The government is also concerned about the impact of US tariffs (so far limited) on growth. In response, policymakers have unleashed a series of monetary and fiscal measures to help support growth and stabilize financial markets. Nevertheless, these measures are likely to remain modest. Credit growth will continue to be constrained by the massive debt overhang and the government’s commitment to deleveraging—at least in the medium-to-long term. On the other hand, the government’s stimulus efforts may well become more aggressive if the trade tensions with the United States (re)escalate and growth is seriously damaged.

What actually happened? China’s real GDP grew by 6.2% in 2019, compared with 6.6% in 2018.
5 Growth in the emerging world has topped out and will slide further. At 4.9%, emerging-market growth in 2017 was the strongest since 2013. During 2018, growth among these countries has edged down to 4.8%. IHS Markit expects another decline in growth over 2019, to 4.6%. These averages hide a large divergence. Some economies such as Brazil, India, and Russia experienced a mild pickup in growth in 2018. Others such as Argentina, South Africa and Turkey came under intense financial pressure and suffered recessions or near-recessions. Going forward, emerging markets face a number of headwinds. First, growth in the advanced economies (about 60% of world GDP) is slowing—as is the pace of world trade. Second, global financial conditions are getting gradually tighter and the dollar is expected to remain strong. The countries likely to be hurt most are those with the highest debt burdens—especially those with high levels of debt denominated in other currencies (especially the US dollar). Third, commodity prices will remain volatile and could be trending down over the next year. Last, but by no means least, rising political uncertainty in countries such as Brazil and Mexico could scare away foreign capital inflows. A few countries will be able to buck these trends—especially dynamic economies with low levels of debt—notably in Asia. What actually happened? Growth in the emerging world decelerated from 4.8% in 2018 to 4.2% in 2019.

6 The volatility in commodity markets will continue, with significant downside risks. Weaker global growth, the gradual tightening of credit conditions, and strength in the US dollar will pose challenges for commodity markets in 2019. Nevertheless, demand growth next year still looks strong enough to provide markets with support, making the kind price collapse seen during 2015 unlikely. IHS Markit predicts that commodity prices at the end of 2019 will be little different than at the end of 2018. But getting from here to there could be another roller-coaster ride. Oil markets, in particular, will not be spared continuing volatility. In the late summer of 2018, oil prices shot up to nearly $90 per barrel for dated Brent, as renewed sanctions on Iran and collapsing oil production in Venezuela gave rise to fears of a supply shortage. However, only a few weeks later higher Saudi output, along with fast rising US production and gains from Russia, triggered the opposite fears and prices plunged below $60 per barrel, before recovering a little. IHS Markit expects that the recent output cuts agreed to by OPEC and Russia will support prices. As a result, we predict oil prices will rise a bit in the near term and average around $70.0 per barrel over the coming year, compared with an average $71.0 in 2018. That said, the risks to prices of oil and other commodities are predominantly on the downside, given slowing demand growth and rising supply. What actually happened? As measured by the IHS Markit Materials Price Index, commodity prices remained volatile in 2019 and retreated about 5%.
7  **Inflation will not rise much—if at all.**
Global consumer price inflation rose from 2.0% in 2015 to 3.0% in 2018. Most of this was due to a transition in the developed world from deflationary (or near deflationary) conditions to inflation rates that are close to central banks’ targets of 2.0%. Over the near term, IHS Markit expects global inflation and developed-economy inflation to remain close to 3.0% and 2.0%, respectively. While there will be upward pressures in many economies as output gaps close and unemployment rates fall (in some cases to multi-decade lows), there are downward pressures as well. Outside the United States growth is weakening. Moreover, relative to 2018, commodity prices will be relatively flat, on average, in 2019. Finally, with the trade war in a “temporary truce,” the upward push from tariff increases will be on hold. Given these trends, IHS Markit expects that US core personal consumption inflation will move up modestly from 1.8% in 2018 to 2.1% in 2019. Nevertheless, we have lowered our core inflation rate forecast in both years by 0.2 percentage point. Meanwhile, headline inflation in the eurozone will slide from current levels of 2.0% (because of weaker oil prices) and core inflation will not rise much above 1.0% (given weak growth). On the other hand, Japan’s inflation rate will not reach 2.0% any time soon.
**What actually happened?**  *Global inflation fell a little from 2.9% in 2018 to 2.6% in 2019.*

8  **The Fed will stay the course by raising interest rates only gradually; a few other central banks may follow, but at an even slower pace.**
With the world’s key economies at different points in the business cycle, it is not surprising that the respective central banks are moving at different speeds (and in different directions). Given weaker growth and muted inflationary pressures, however, the pace of removing accommodation is likely to be even more modest than previously expected. In the case of the Federal Reserve, a December rate hike is likely, and IHS Markit expects three interest rate increases in 2019 and one in 2020. But the timing of the last four hikes could be delayed. This will depend on incoming data, estimates of the “neutral” federal funds rate, and assessments regarding the implications of a (partially) inverted yield curve. Other central banks that might increase rates next year (but likely less than the Fed) are the Bank of Canada, the Bank of England (although this will depend on the Brexit process), and a few emerging-market central banks, possibly including those in Brazil, India, and Russia. Meanwhile, we do not expect the European Central Bank to hike rates until early 2020. Similarly, we do not believe that the Bank of Japan will end its negative interest-rate policy until 2021. The People’s Bank of China is the one major central bank moving in the opposite direction—worried about growth, it is providing modest stimulus.
**What actually happened?**  *The Fed did not raise rates, it lowered them—and many other central banks followed suit.*
The US dollar will maintain its strength against most currencies.
The US dollar, in trade-weighted terms, rose about 6.5% from the fourth quarter of 2017 to the fourth quarter of 2018, although the increase was far from smooth. Much of the appreciation occurred in the second half of 2018—mostly against emerging-market currencies. IHS Markit expects the greenback to hold at current elevated levels for much of 2019. Continued above-trend US growth and more rate hikes by the Fed, compared with most other central banks, are the primary reasons for this expected strength. Given the recent relative calm in forex markets, especially relative to emerging-market currencies, another big appreciation of the US dollar seems unlikely. Nevertheless, the potential for volatility remains very high. On the one hand, if tensions between the Trump administration and House Democrats get out of control, dollar bears could take heart. On the other hand, high (and rising) levels of political uncertainty in Europe (i.e., in France, Germany, Italy, and the United Kingdom) could be very negative for the euro and sterling. In particular, we expect that the euro/dollar rate will end 2019 at around $1.10, compared with $1.14 at the end of 2018. At the same time, we predict that the renminbi/dollar rate will hold fairly steady just below the psychological level of 7.0—the result of the Chinese government’s desire for financial stability. **What actually happened?** On a real (inflation-adjusted) effective (trade-weighted) basis, the dollar rose about 2.0% in 2019.

The risks of policy shocks have risen, but probably not enough to trigger a recession in 2019.
Policy mistakes remain the biggest threats to global growth in 2019 and beyond. The United States is the only key economy that has enacted major fiscal stimulus (China’s is much more modest). This stimulus will fade soon, leaving the American economy with a legacy of trillion-dollar annual budget deficits as far as the eye can see—and steadily rising debt levels. This means that the United States will have very little room for fiscal stimulus when the economy next goes into recession. Given still-high debt levels, European and Japanese fiscal policies will also be highly constrained. The risks associated with monetary policy are no less significant. Key central banks could either tighten too little (and risk rising inflation) or tighten too much (and risk a premature recession). Perhaps most worrying of all is that low levels of interest rates will severely limit the ability of central banks to cut rates in a downturn. This is especially the case in the eurozone and Japan, where policy rates are either at zero or below. Last, but by no means least, the simmering trade conflicts are dangerous, not because they have done damage so far (they haven’t) but because they could easily escalate and get out of control. The good news is that the probability of such policy mistakes seriously hurting global growth in 2019 is still relatively low. On the other hand, IHS Markit believes that the risks of damage from policy mistakes will rise in 2020 and beyond, as growth slows further. **What actually happened?** Despite the sharp rise in policy uncertainty, the global economy continued to grow at a modest pace in 2019.