Global growth was projected at 3.0 and 2.9 percent in 2019 and 2020 (June 2018 edition of World Bank’s *Global Economic Prospects*.)

Early indications reinforce our view of decelerating activity in 2019 and 2020 (the next edition of *Global Economic Prospects* will be published in January 2019). Reasons for decelerating activity include:

- Tightening of monetary policy in some advanced economies.
- Rapid deterioration of growth prospects in some emerging markets.
- Growth in some advanced economies remains above potential, but likely to slow because of the policy normalization.
- Rising trade tensions.

**Source:** World Bank

**Notes:** *F* denotes forecast as of June 2018.
Commodity price indexes

Index, nominal terms, 2010 = 100

Post-recession peak
2011:Q1

Post-recession trough
2016:Q1

Energy

Agriculture

Metals

Source: World Bank
Note: Last observation is August 2018.
Oil prices

US$/bbl, deflated by U.S. CPI (Jan 2017 terms)

Two price cycles after WWII

- **1972 to 1986**: A supply-driven cycle associated with oil supply disruption and major downturn in the global economy. High prices induced production from “unconventional” sources, including Alaska, Gulf of Mexico, and North Sea. OPEC withdrew in 1986 and reengaged later.

- **2003 to 2014**: Mostly a demand-driven cycle with no disruption in the global economy (during the oil price spike) or a major boost to the global economy (during the oil price collapse). High prices induced production from “unconventional” sources, including US shale, Canadian oil sands, and biofuels. OPEC withdrew in 2014 and reengaged in 2017.

1972-2018 average: $56/bbl

**Source**: World Bank

**Note**: World Bank average. Last observation is August 2018.
Two oil price mega-cycles since 1970

Source: World Bank

Note: The cycles are based on a frequency domain model estimation.
Oil production in Iran and Venezuela

Source: International Energy Agency

Notes: Last observation is July 2018.
**History of conflict-driven oil supply reductions**

- **Arab oil embargo**: Oct 1973 – Mar 1974
- **Iranian revolution**: Nov 1978 – Apr 1979
- **Iran-Iraq war**: Oct 1980 – Jan 1981
- **Kuwait invasion**: Aug 1990 – Jan 1991
- **Iraq war**: Mar – Dec 2003
- **Sanctions on Iran**: Nov 2011 – Oct 2012
- **Libyan civil war**: Feb – Oct 2011

**Source:** International Energy Agency and World Bank
Oil consumption: History and prospects as envisaged in 2005


Note: The projection was taken from the 2005 IEA World Energy Outlook. The 2018 “actual” is estimate as of August 2018.
Consumption against income in per capita terms

**Source:** BP Statistical Review and World Bank.

**Note:** Consumption per capita vs. GDP per capita (1965-2016).
Consumption of commodities in India and China

**China**

- Crude oil: 3.7% (1990-92), 12.5% (2014-16)
- Coal: 8.6% (1990-92), 24.8% (2014-16)
- Iron ore: 5.7% (1990-92), 49.4% (2014-16)
- Base metals: 11.3% (1990-92), 50.4% (2014-16)
- Grains: 21.8% (1990-92), 22.6% (2014-16)
- Edible oils: 22.2% (1990-92), 21.8% (2014-16)
- Population: 18.7% (1990-92), 21.4% (2014-16)
- GDP: 12.0% (1990-92), 2.4% (2014-16)

**India**

- Crude oil: 1.9% (1990-92), 4.4% (2014-16)
- Coal: 1.9% (1990-92), 5.2% (2014-16)
- Iron ore: 1.9% (1990-92), 5.4% (2014-16)
- Base metals: 1.8% (1990-92), 3.0% (2014-16)
- Grains: 9.9% (1990-92), 9.7% (2014-16)
- Edible oils: 13.5% (1990-92), 9.3% (2014-16)
- Population: 16.5% (1990-92), 17.8% (2014-16)
- GDP: 1.2% (1990-92), 3.0% (2014-16)

Oil price forecasts

**Oil price outlook**

- Oil prices (average of Brent, Dubai, and WTI) were expected to average $70/bbl in 2018 and $69/bbl in the next two years (as of June 2018)—left chart.
- These projections—which were the equivalent of about $3/bbl below consensus—stand.
- Elevated upside risks due to rapid deterioration in Venezuela and faster-than-expected reductions of exports from Iran will be partially offset lower growth in emerging markets and developing economies and increase in US shale production.
- We project oil prices to average $70/bbl in 2030 (nominal terms) or $59/bbl (deflated by manufacturing prices, 2010 terms).
- Technological improvements, both on the production- and (most importantly) consumption-side underpin the downward (real) price path.
- In some respects, this path mimics the relatively stable prices during 1986-2004, which were preceded and followed by the two (similar) price cycles.

**Source:** Consensus Economics (August 2018) and World Bank (June 2018)
Commodity Markets Outlook
April 24, 2018 — Oil prices are forecast to average $65 a barrel over 2018, up from an average of $53 a barrel in 2017, on strong demand from consumers and restraint by oil producers, while metals prices are expected to rise 9 percent this year, also on a pickup in demand and supply constraints, the World Bank reports. Read More »
Overview

After reaching 3.1 percent in both 2017 and 2018, global growth is expected to decelerate over the next two years as global slack dissipates, major central banks remove policy accommodation, and the recovery in commodity exporters matures. Amid moderating international trade and tightening global financing conditions, growth in emerging market and developing economies (EMDEs) is projected to plateau, reaching 4.7 percent in 2019 and 2020, up from 4.5 percent in 2018.
Thank you!