ECRI
International Cyclical Outlook
ESSENTIALS

Brightest Global Growth Outlook Since 2010

Most central banks remain highly accommodative, even with growth prospects staying upbeat and inflation nearing their targets in nearly all major advanced economies.

The Brightening Dawn The days of quantitative easing (QE) are numbered, given the most upbeat global growth outlook in almost seven years. That is the message from ECRI's 20-Country Long Leading Index (20LLI), whose growth rate remains at an 80-month high (Chart 1, top line).

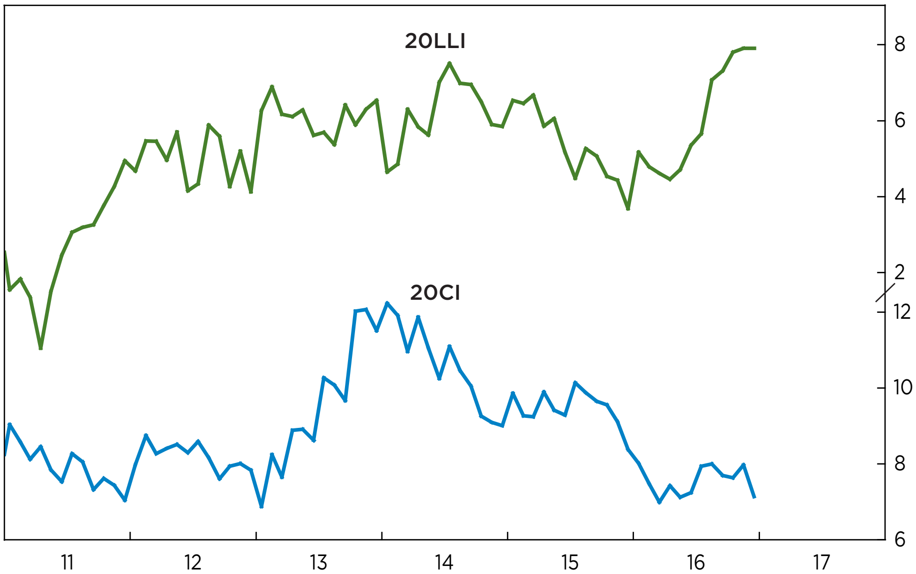
Granted, actual global economic growth – represented by growth in our 20-Country Coincident Index (20CI) – is only starting to follow suit. Though dipping in its latest reading, 20CI growth is holding above its March low (bottom line). More significantly, the coincident index growth rates for 16 of the 20 economies monitored by ECRI have already troughed, and remain above those lows. The exceptions are the U.K., Switzerland, Australia and New Zealand, where growth continues to ebb (*↗ICO Country Pages, February 2017*).

Naysayers believe that the "hard data" are not confirming the evident strength in the "soft data," such as survey data. Recall, however, that ECRI's leading index components come from three kinds of sources, i.e., private data (including survey data), market prices, and government data, which some call "hard data." In fact, the components of our long leading indexes from all three sources have been driving their upturns.

So this is not about soft vs. hard data telling us different stories. Rather, much of the "hard" *coincident* indicator data has not *yet* turned up as decisively and self-evidently

The ongoing cyclical upswings in economic growth and inflation will challenge central bankers sooner than many believe, possibly when — unbeknownst to central bankers — a new downturn in global industrial growth is about to emerge.

Chart 1: 20-Country Long Leading and Coincident Indexes, Growth Rates (%)



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