

# Advanced-Economy Slowdowns to Deepen

**China's growth prospects also remain downcast, with its industrial outlook worsening further, despite policy stimulus.**

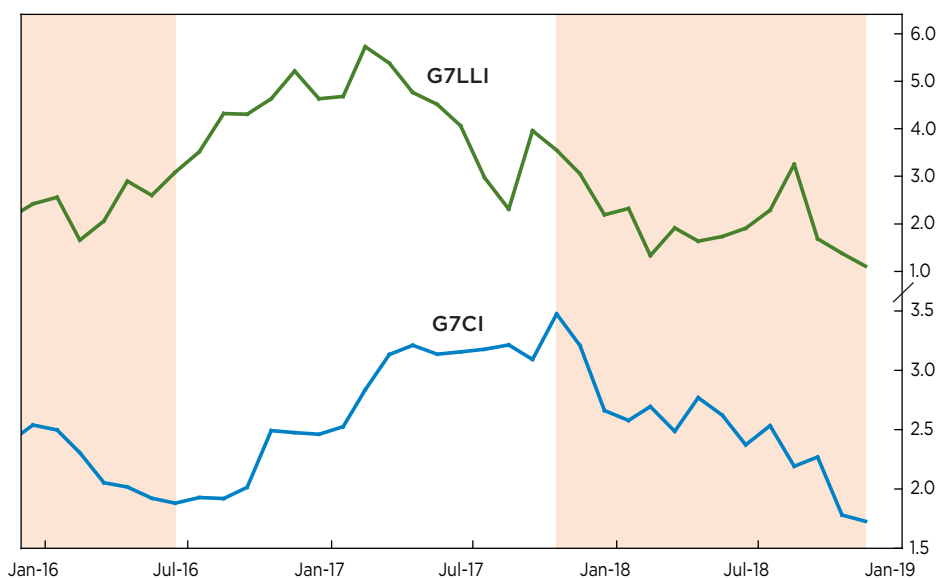
**No Light in Sight** Growth prospects for the major advanced economies – already the worst in over seven years – continue to deteriorate, despite hopes that Chinese stimulus will save the day. Cutting through complacency about a trade deal and dovish central bank pivots, Group of Seven Long Leading Index (G7LLI) growth, which turned down well ahead of trade war talk, foresees a sustained synchronized slowdown.

In fact, it was more than a year ago, amidst widespread euphoria about the synchronized global growth upturn, that G7 Coincident Index (G7CI) growth began to slow, following the earlier downturn in G7LLI growth. Before the slowdown started, ECRI warned that “what we had earlier described as the ‘brightest global growth outlook since 2010’ ... is quickly losing luster” (*ICO Essentials, July 2017*). Today, with year-over-year (yoy) growth in the G7LLI falling to its lowest reading since 2011 (Chart 1, top line), yoy G7CI growth – already at a five-year low (bottom line) – is poised to fall further. In essence, for the world's largest advanced economies, ECRI's long leading indexes have yet to see any light at the end of the tunnel.

The fact that G7LLI growth turned down nearly two years ago – well before trade war talk started – underscores that the trade conflict was not the root cause of the downswing. As such, a trade deal cannot reverse the advanced-economy slowdown, which can be accomplished only by a turnaround in the underlying cyclical forces captured by G7LLI growth.

**In structural terms, EM growth has been driven primarily by China and India since the GFC. In cyclical terms, the worsening global industrial outlook hurts EM prospects, so the rush to invest in EM securities warrants scrutiny.**

**Chart 1: G7 Long Leading and Coincident Indexes, Growth Rates (%)**



Shaded areas represent cyclical downturns in G7CI growth.