Macroeconomic Assumptions
The growth rate in emerging and developed economies is expected to remain relatively steady. Lagging growth is expected in developing economies for several years due to trade wars and sanctions, geo-political disruption, and national debt and financial issues.

The U.S. slightly outpaced GDP growth expectations in 2018, but is projected to return to growth rates just under 2.0% through 2028. GDP growth in Canada eased in 2018 and is expected to remain constant across the next decade. Mexico will continue on a steady GDP expansion path through 2022, then edge up slightly through 2028.

Much of Western Europe will moderate growth, although uncertainty around the UK Brexit process puts downward pressure on expectations. Japan’s GDP moderated in 2018 and is expected to remain near current levels through the projection period.

China’s economic expansion is expected to slow again in 2019, as will India’s. Both these countries are expected to experience slowing growth over the next decade as their economies mature.

The slowing in population growth rates will persist in all global regions in the long term. Annual global population expansion will fall below 1% within the next 10 years, although individual nations’ growth rates will vary considerably.

Global refugee resettlement continued to decrease in 2018. Though the U.S. continues to be the top resettlement destination and 2018 total U.S. resettlements increased by 8.4% from 2017, 2018 resettlements levels are 41.9% of the average U.S. resettlement totals from 2013-2017.

Developing and emerging economies are projected to exhibit significant slowing in population growth. Even with economic and geo-political issues, developing nations overall will still have the highest growth rates. Developed nations will continue to experience population growth declines, although at a very gradual pace.

Emerging nations will experience slower than average population growth. With high overall income growth, this group of nations will enjoy robust per capita income increases, substantially increasing purchasing power.

Despite high total GDP growth in developing countries, rapid increases in population dilute per capita income expansion and constrain improvements in standards of living. Food and feed demand will increase primarily as a result of population growth in many of the poorest nations until income thresholds are reached that enable improved diets and increased demand for consumer goods.

Some of the poorest nations have incomes below the developing nation average of $2,100, and those populations often live on subsistence agriculture, without much ability to purchase additional food.
A Few Major Developing Nations are Lagging Growth

Real GDP, % change

Population Growth Slowing in All Regions

Population, % change

Per Person, Developing Regions Will Struggle

Real per capita GDP, % change

Sources: IFS, IHS Markit
• The value of the U.S. dollar increased in 2018 relative to a global basket of currencies. The dollar is expected to maintain strength through 2021, then decline slightly against advanced and emerging countries but continue to strengthen against developing countries’ currencies.

• The current strength of the dollar contributes to increased U.S. imports and reduces its exports as U.S. goods become more expensive abroad, thus contributing to imbalanced U.S. trade.

• The Japanese yen gained strength early in 2018 against the dollar, but finished the year at values similar to the end of 2017. The euro preformed particularly well in 2018 against the dollar. The Russian ruble gained strength against the dollar in 2018, and is projected to continue this trend through 2028.

• Overall, developing country currencies will weaken the most relative to the dollar. Depreciation of local currencies is expected to occur widely in Africa and Latin America.

• While depreciation of currencies, especially steep and rapid weakening causes reduced ability to purchase goods in the short and medium term, often longer-term effects are mitigated by adjustment in the relative price levels of the importing vis-à-vis the exporting country. As such, longer-term real purchasing power of many of our trading partners is expected to increase.

• Emerging countries real exchange rates are expected to appreciate in the next few years, led by the stabilization and eventual strengthening of the Chinese yuan. Developed currencies are expected to weaken in the medium term before stabilizing toward the end of the projection period. Developing nations’ currencies are expected to depreciate in the long term, albeit at a slower rate after 2020.

• The overall long-term picture is for one of increasing purchasing power relative to the dollar. As such, U.S. goods should increase competitiveness on world markets.

• The outlook for crude oil prices is to average below $60 barrel in 2019. Moderate price increases are projected thereafter, but remaining well below $100 per barrel throughout the projection period.

• Oil price outlooks always have substantial risk around them, and while the medium term prices are expected to grow modestly, uncertainty in the outer years of the projection period persist. While supplies are currently plentiful, growing demand will absorb them, and new production technologies could require higher prices to come online.

• Many countries that historically supply a significant portion of world demand have seen GDP drop with low prices linked to increased supply. For developing and emerging oil producing nations, these GDP drops often further exacerbate existing political unrest.

• Agriculture will benefit from moderate fuel prices in terms of keeping a lid on production and transportation costs. Low fuel costs not only make it less expensive to operate machinery, but will also contain costs for purchased inputs.
Depreciation for Developing Nominal Currencies, but...

Exchange rate index, 2015=100

Sources: IFS, IHS Markit

...Purchasing Power Improves

Real exchange rate index, 2015=100

Sources: IFS, IHS Markit

Adequate Supplies at Flat Prices After 2020?

WTI price, $/bbl

Sources: EIA, IHS Markit