News release

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**PwC economists reveal predictions for 2015**

* *US to bounce back*
* *China to slow down*
* *Ailing Eurozone to introduce QE*
* *India to turn corner*
* *Sub-Saharan Africa to continue to outpace global growth*

As we enter the New Year, PwC’s economists have once again peered into the crystal ball to make their top five predictions for 2015.

1. **US economic growth expected to be the fastest for a decade:** US unemployment has fallen during 2014 to below 6%, and we expect this, combined with lower oil prices, to contribute to rising household consumption. In our main scenario we are projecting the US economy to grow by more than 3% in 2015, the fastest growth rate since 2005. In line with this, we expect the US to contribute around 23% of global GDP growth in 2015 (see Figure 1), its largest contribution in a single year since before the financial crisis.

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1. **Economic growth in China projected to be the slowest since 1990:** We still expect China to make the biggest contribution to global growth in 2015. However, its projected growth rate of 7.2% would be its slowest since 1990 and its high debt levels pose some downside risks to that main scenario.

But two of the other BRIC economies are experiencing more severe problems:

* in Russia, we expect GDP to shrink in 2015 on the back of low oil prices and economic sanctions; and
* growth is expected to be sluggish in Brazil where our main scenario projection is for the economy to grow by only around 1%.

Taken together, we expect the BRICs’ contribution to global growth to fall for the second year in a row to around 33% in 2015 (see Figure 1).

1. **Low inflation leads to Quantitative Easing in the Eurozone:** We expect both inflation and growth to remain very low in the Eurozone in 2015. We therefore expect the ECB to undertake a quantitative easing programme involving the purchase of government bonds, in an attempt to boost demand and head off deflation.
2. **India expected to resume growing at above 6%:** After growing at below 6% since 2012, we think 2015 could be the year that India turns the corner, posting growth of around 7%. In the short-term, low oil prices are likely to increase GDP growth, ease the pressures of India’s high current account deficit and help bring down inflation.

Looking towards the medium-term, we think that the February 2015 budget could see India take a step towards implementing new structural reforms which will boost the economy.

1. **Economic growth in Sub-Saharan Africa (SSA) to outpace global growth for 15th year in a row** (see Figure 2): We also expect the combined GDP of SSA’s four largest economies (in purchasing power parity terms) – Nigeria, South Africa, Angola and Ethiopia – to overtake the economic output of Italy in 2015 when measured in constant 2013 international dollars. For businesses, this is a further sign of the potential of SSA as a region in which to invest.



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Finally, PwC has identified three factors for business to look out for in 2015. First, oil prices have been falling in recent months due to slowing global demand, the US shale oil boom and steady production from OPEC. Says PwC senior economist Richard Boxshall: “Our predictions and projections assume that oil prices will average between $60-70 over the course of 2015 and finish the year at around $80. However, due to the highly unpredictable nature of oil prices, businesses should plan for different scenarios.”

Second, a hard landing in China. Says Richard Boxshall: “The Chinese economy clearly has vulnerabilities given its high total debt level – around 250% of GDP – and estimates by Chinese

academic researchers that around $6.8 trillion of the investments made since 2009 may have been wasted on creating ghost towns, unused office blocks and mothballed factories. So far the Chinese government appears to have this under control, but the downside risks of a hard landing should not be ignored.”

And lastly, escalation of geopolitical risks. “An escalation of the geopolitical tensions in Russia and Ukraine and in the Middle East could have a negative influence on business confidence, with consequent implications for global growth,” says Richard Boxshall.

***ends***

**Notes:**

**How well did our economists do with last year’s predictions?**

On balance, pretty well. They predicted correctly, for example, that:

* advanced economies would contribute about 40% to global GDP growth;
* the Federal Reserve would taper their asset purchases to zero during the year; and
* the UK would be the fastest growing G7 economy.

...but oil prices and football tripped them up.

Says Richard Boxshall: “We didn’t get everything right. Last year we had thought that there was a risk of upward pressure on oil prices, whereas the price has fallen sharply in recent months due to slowing demand and US shale oil production. Linked to this, we had expected UK inflation to be slightly above its 2% target on average in 2014, but it has fallen well below that, due in large part to weaker global energy and food prices.

“And our suggestion that Brazil was favourite to win the World Cup also came up short; though our second and third favourites, Germany and Argentina, did contest the final.”

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