CONJUNCTUUR:

DE ALGEMENE TENDENSEN

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According to the IMF's latest autumn forecast, the world economy will achieve above-trend growth in 2004 and 2005. However, this rosy scenario is not without risks; a sharp increase of oil prices and a collapse of house prices seem to be the major ones. The American and Chinese economy are the main growth engines of the world economy. The recent pick-up in business investment seems to indicate that the American recovery economy has reached after three years a self-sustaining pattern. In the meantime it is to be hoped that the Chinese economy will be able to achieve a soft landing, because its growth is too rapid and too unbalanced.

Although cyclical conditions have considerably improved since mid-2003, economic growth is set to remain considerably lower in the euro area than in the United States. The sharp appreciation of the exchange rate of the euro and the oil price increases of last summer could take their toll on the business cycle as evidenced by the (be it limited) deterioration of the main leading economic indicators. On the other hand, oil prices have dropped sharply very recently. So the recovery might merely experience an "air pocket" in the second half of 2004, to pick up steam afterwards. The macro-economic policy-mix remains stimulative and the corporate sector has restructured its balance sheets. The big positive surprise for 2005 might be the German economy, which seems by now to have fully corrected the wage cost derailment of the 1991-1995 period.

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