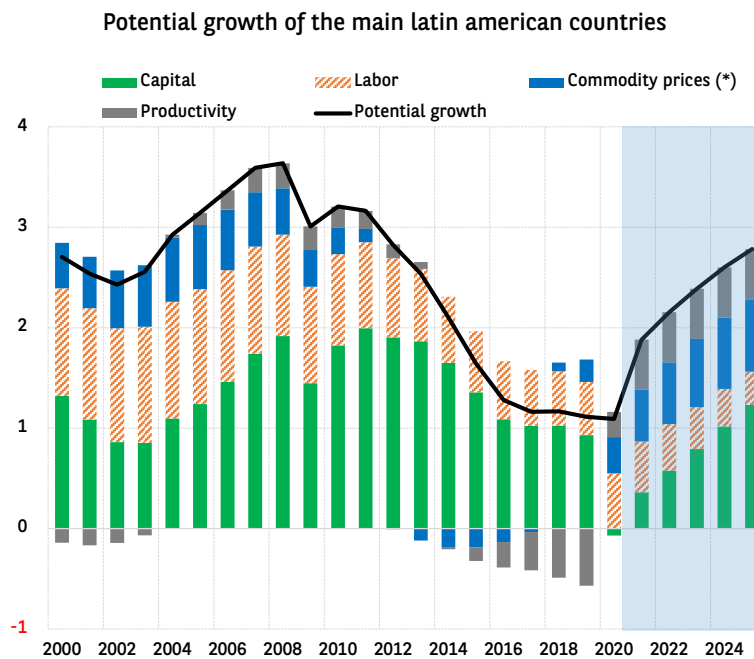


28 July 2021

POTENTIAL GROWTH AND THE COMMODITIES CYCLE

François Faure



Sources: World Penn table, Refinitiv, calculations BNP Paribas

The Covid-19 crisis is expected to have a lasting negative impact on potential growth in the emerging countries. IMF economists are forecasting per capita GDP growth of only 2.5% in 2025. Granted, that is higher than the 1.8% annual average over the past decade, but it is far from the 4% growth rates of the early 2000s, during which the emerging countries were buoyed by a commodity super cycle. Can we hope to see a repeat performance? It seems highly improbable. According to our estimates, even using a scenario of a new price cycle, potential growth in the Latin American countries—all commodity producers and exporters to various degrees—is unlikely to exceed 3% by 2025. Moreover, this scenario implicitly assumes that China, a big commodity consumer, will also see its potential growth rebound. Yet there is consensus for China's growth potential to be capped at about 5%.

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