Global Economy

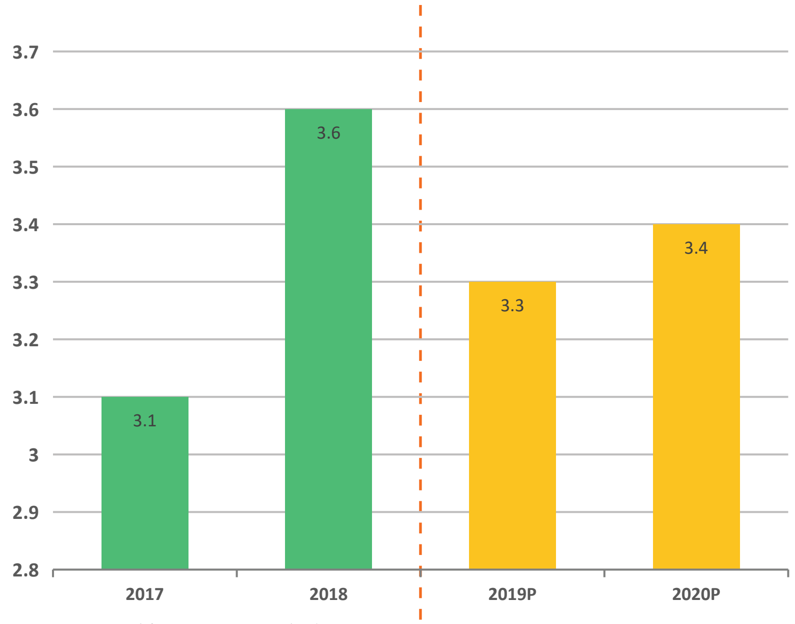
Global Economy | Global economy to slow down in 2019.

Despite the global growth in 2018 remained close to post-crisis highs, in Q1 2019 global expansion weakened at a rate slightly faster than expected. It continues to lose momentum, in the midst of heightened policy uncertainty, persistent trade tensions and ongoing declines in business and consumer's confidence. Although, the financial markets in advanced economies appeared to be disconnected from trade tensions for much of 2018, the two have become intertwined in Q1 2019, tightening financial conditions and escalating the risks to global growth.

Furthermore, leading indicators suggest that near-term trade prospects are weak. Survey indicators of new export orders remain low in China and continue to decline in Europe and many Asian economies.

Global inflation rose from 2.4% in January to 2.3% in February 2019. However, disinflationary pressures are mainly stemming from weak global economic growth, while subdued price pressures in China which is a key driver of global commodity prices are also helping global inflation. Moreover, the exchange rate of the world's main economies against the USD were broadly stable in recent weeks.

Figure 1: Global Growth Forecast (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jan., 2019.

Global economic growth is expected to slow in 2019. This is mostly due to trade wars and tighter monetary policy. However, the global economy is seen benefiting from tight labor markets, still accommodative monetary and policy stimulus in some countries like China.

The global economy is projected to expand 2.9% in 2019, down 0.1 percentage points from last month's forecast. For 2020, the global economy is projected to grow 2.9% again.

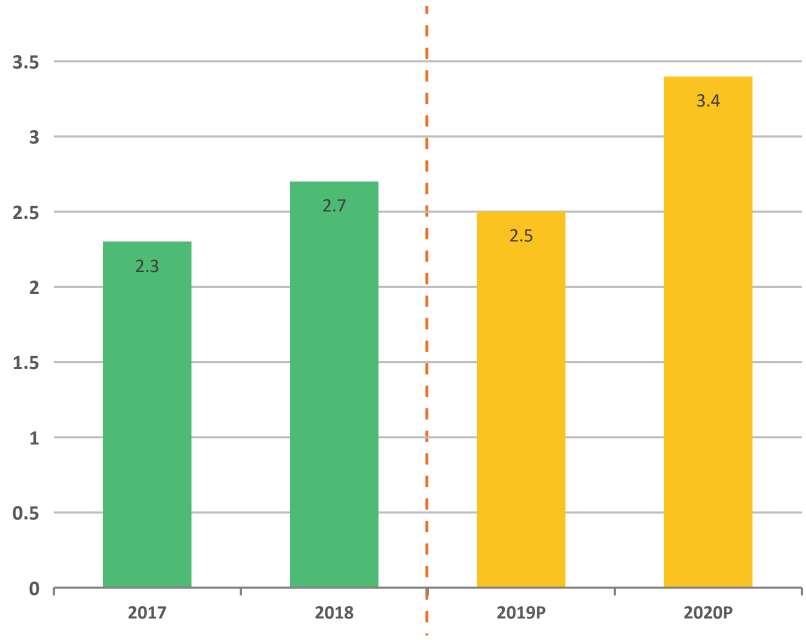
United States | Economic Growth expected to slow down in 2019

The United States economy slowed noticeably in Q4 2018 on softer consumer spending; declining federal outlays partly due to the government shutdown and residential investment; and a weak external sector. Solid labour market outcomes and supportive financial conditions continue to underpin household incomes and spending, but higher tariffs have begun to add to business costs and prices, and the growth of business investment and exports has moderated.

Weak payroll gains in February, together with shutdown effects and tepid retail sales data in January, augur poorly for private consumption.

Focusing on Q1 2019, available data indicates a further weakening. Weak payroll gains in February, together with shutdown effects and tepid retail sales data in January, augur poorly for private consumption. Moreover, a weak housing market may cause residential investment to keep contracting, and Fed Chair Powell recently noted that business investment is also seen slowing in the quarter. Turning to trade talks, negotiators for both China and the U.S. now hope to reach an agreement by the end of April, though

Figure 2: United States Projected GDP Growth (%) 2017- 2020P



Source: IMF: World Economic Outlook, Jan., 2018.

progress could be stalled by enforcement issues.

Overall US inflation softened. Total yearly inflation stood at 1.6% y-o-y in January 2019, compared to 1.9% y-o-y in December and 2.2% in November 2018, indicating a clear downward trend as it marks the fourth consecutive month of decline. The manufacturing PMI retracted to stand at 54.2 in February, compared to 56.6, in January 2019. The important index for the services sector improved to 59.7 in February, compared to 56.7 in January 2019 and 58.0 in December 2018.

At its March 19-20, 2019 monetary policy meeting, the Federal Reserve's Open Market Committee (FOMC) collectively voted to maintain its target range for the federal funds rate at 2.25%–2.50%. Aside from the widely expected rate decision, the March policy meeting was particularly noteworthy because FOMC members signaled they now expected no more rate hikes this year, confirming a dovish shift that started at its December meeting after coming under pressure from tumbling markets. Moreover, after hinting at doing so in January, the Fed confirmed in March it was tapering off its program of balance sheet reduction and planned to end the program by September 2019. Together, these moves represented a dramatic U-turn in Fed policy, reflecting a lower global growth outlook and significantly weakening domestic momentum.

Despite a likely halt to Fed rate hikes, notably weaker global growth and the fading of the fiscal stimulus could dampen momentum.

Growth is seen to be slowing down in 2019 in the midst of strong headwinds. Despite a likely halt to Fed rate hikes, notably weaker global growth and the fading of the fiscal stimulus could dampen momentum. Besides, trade tensions with China though likely to abate will fuel uncertainty at least until H2. An elevated fiscal deficit and high corporate debt also cloud the outlook.

According to IMF, the US Growth is expected to decline to 2.5% in 2019 and soften further to 1.8% in 2020 with the unwinding of fiscal stimulus and as the federal funds rate temporarily overshoots the neutral rate of interest. Nevertheless, the projected pace of expansion is above the US economy's estimated potential growth rate in both years. Strong domestic demand growth will support rising imports and contribute to a widening of the US current account deficit.

United Kingdom | Brexit uncertainty to impact on growth

The UK economy appears to have grown meagerly in Q1 against a backdrop of heightened Brexit uncertainty, with the services and manufacturing PMIs hovering only slightly in expansionary territory in the first two months of 2019 amid soft new orders. More positively, in the three months to January employment surged, the unemployment rate dipped, and wage growth remained at a multi-year high. The strong labor market supported private consumption in Q1, as suggested by healthy retail sales growth in January and February.

Moreover, on the political scene, the EU recently agreed to delay Brexit until April 12, 2019, although there is still no clarity over the final outcome of the process. Earlier in March 2019, the chancellor presented his Spring Statement, highlighting stronger-than-expected public finances and suggesting a looser fiscal stance if the UK leaves the EU with a deal.

At its meeting ending on 20 March, 2019 the Monetary Policy Committee (MPC) of the Bank of England (BoE) voted unanimously to keep the Bank Rate unchanged at 0.75%. The Bank was also in full agreement to maintain the stock of investment-grade corporate bond purchases at GBP 10 billion and to maintain the total stock of UK government bond purchases at GBP 435 billion, financed by the issuance of Central Bank reserves. All decisions were in line with market expectations

The outlook for 2019 centers on the outcome of Brexit; leaving the EU with a deal, or remaining in the EU, would likely unleash pent-up investment and boost consumer sentiment, while leaving with no deal could cause a serious economic shock. It would prolong uncertainty and thus continue to hamper investment.

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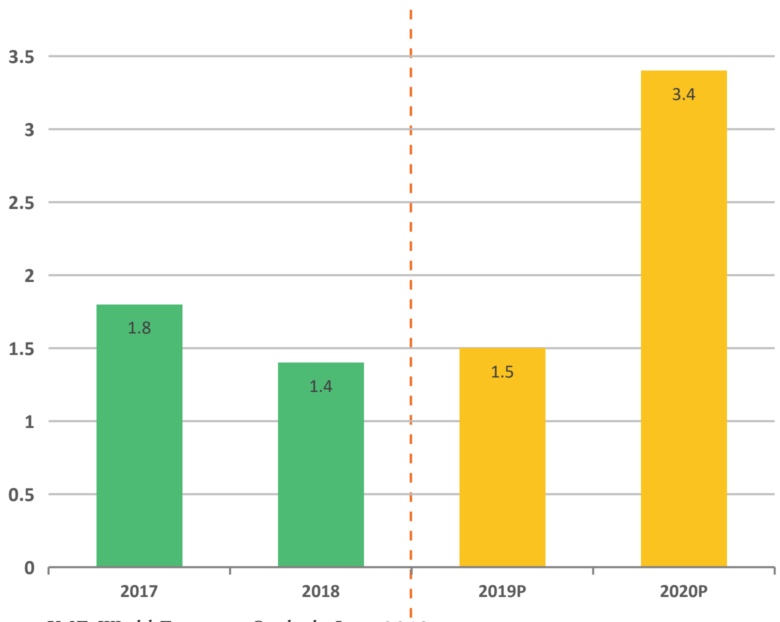
Furthermore, GDP growth for 2019 estimate remains at 1.4%, unchanged from the previous year. However, the Brexit development will be the most influential factor and the current uncertainty is likely to have a negative

Figure 3: United Kingdom Projected GDP Growth (%) 2017-2020P



Source: IMF: World Economic Outlook, Jan., 2019.

impact on the UK's economic growth this year.

Euro Area |Growth expected to decline at a moderate rate

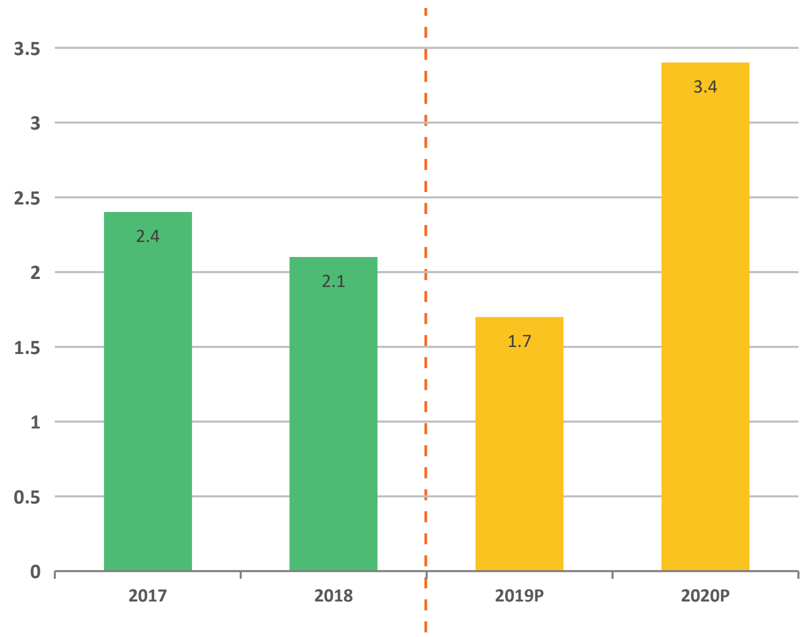
The Eurozone economy remains somber in Q1 2019 with heightened uncertainty over Brexit and tariffs on the automobile industry, recent signs have emerged of a tentative stabilization. Retail sales jumped in January and the unemployment rate held at a multi-year low, boding well for household spending. Meanwhile, the low oil prices should keep inflation and the import bill in check.

Furthermore, while economic sentiment continued to fall in February, the pace of decline moderated significantly. The manufacturing PMI slumped in March 2019, suggesting that the sector is still reeling from a slowing global economy and a bruised car sector.

On March 7, 2019, the ebbing economic momentum across the Eurozone pushed the European Central Bank (ECB) to rethink its monetary policy. Policymakers left interest rates at record-low levels with the refinancing rate at 0.00%, the marginal lending rate at 0.25% and deposit facility rate at minus 0.40% but modified their forward guidance and introduced new stimulus intended to put a floor on the recent cool-off. Accordingly, they also lowered their growth forecasts for the currency bloc and now see full-year growth at 1.1%, 1.6% and 1.5% between now and 2021 (previously:

Retail sales jumped in January and the unemployment rate held at a multi-year low, boding well for household spending.

Figure 4: Euro Area Projected GDP Growth (%) 2017-2020P



Source: IMF: World Economic Outlook, Jan., 2019.

1.7%, 1.7% and 1.5%).

Moreover, the Eurozone's growth outlook was cut for a fifth consecutive month on the back of a disappointing 2018 and ongoing woes in the manufacturing sector. Risks to activity linger from automobile tariffs, political uncertainty and sluggish global demand. However, a tightening labor market, contained inflation and accommodative monetary policy should provide some relief.

Growth in the euro area is set to moderate from 1.8% in 2018 to 1.6% in 2019 (0.3 lower than projected last fall) and 1.7% in 2020. Growth rates have been marked down for many Eurozone economies. For instance, Germany due to soft private consumption, weak industrial production following the introduction of revised auto emission standards, and subdued foreign demand, Italy due to weak domestic demand and higher borrowing costs as sovereign yields remain elevated and France due to the negative impact of street protests and industrial action.

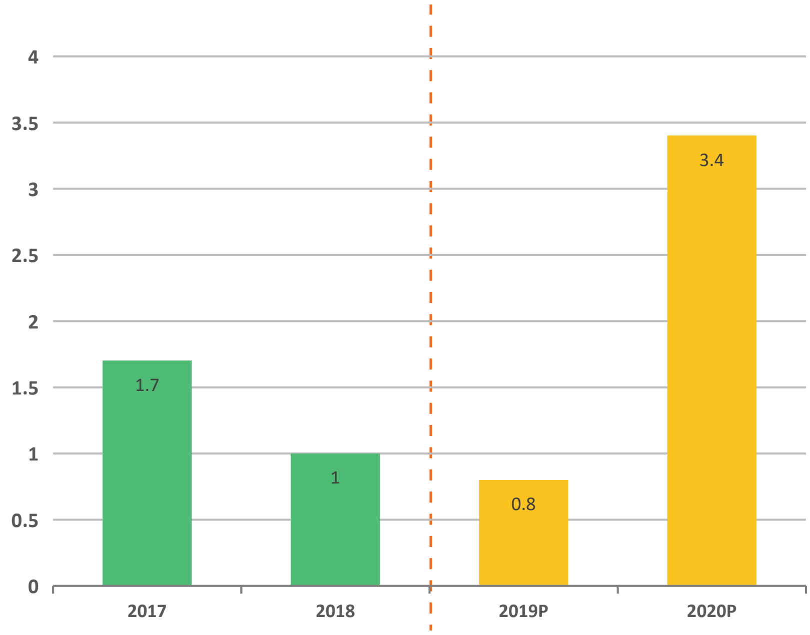
Japan | Expected to grow at moderate rate

The Japanese growth was weak in Q1 2019 despite a confirmed rebound in economic activity in 84 2018.The average manufacturing PMI hit an over two-year low in Q1 2019, as nominal exports contracted for the third consecutive month in February amid an economic slowdown in China.

The Bank of Japan (BoJ) board members at its 14–15 March, 2019 meeting, decided in a seven-to-two vote to keep its monetary policy unchanged, in line with market analysts' expectations. The BoJ kept the short-term policy rate applied to current account balances held by financial institutions at the Bank at minus 0.10%. 10-year Japanese government bond (JGB) yields were capped at around 0%, albeit with some elasticity which will allow the yields to move upwards and downwards to some extent. Moreover, the Bank will continue to purchase JGBs at a pace of about JPY 80 trillion (USD 720 billion) per year in a flexible manner. Regarding asset purchases other than JGB, the board unanimously decided to purchase exchange-traded funds (ETFs) and Japanese real estate investment trusts (J-REITS) at an annual pace of about JPY 6 trillion and JPY 90 billion yen, respectively. Similarly, the Bank's purchases of commercial paper and corporate bonds were kept unchanged at about JPY 2.2 trillion yen and JPY 3.2 trillion yen per year.

Furthermore, consumer confidence deteriorated noticeably at the beginning of the year, which does not foretell well for private consumption this year, while machinery orders a leading indicator for investment in the coming three to six months contracted for the third period in a row in January. In light of recent developments, the Japanese government downgraded its assessment of the economy for the first time in three years on March 20,

Figure 5: Japan Projected GDP Growth (%) 2015- 2019P



Source: IMF: World Economic Outlook, Jan., 2019.

2019. This could prompt Prime Minister Shinzo Abe to take action ahead of the election in the upper house, which is to be held this July 2019.

Intense consumer spending ahead of the planned sales tax hike in October WEO and a recovery in gross fixed investment partially due to works related to the Tokyo 2020 Olympic Games—will shore up economic growth this year. On the downside, the economy will feel the pinch of weak global demand, especially from China and Europe.

Japan's economy is set to grow by 1.1% in 2019 (0.2 percentage point higher than in the October). This revision mainly reflects additional fiscal support to the economy this year, including measures to mitigate the effects of the planned consumption tax rate increase in October. Growth is projected to moderate to 0.5% in 2020 (0.2 percentage point higher than in the October 2018 WEO) following the implementation of the mitigating measures

China | Financial regulatory tightening and trade tensions to impact growth

China's policy support appears to have shored up economic growth at Q1 2019, with investment growth, especially property investment, accelerating in January–February 2019 and retail sales stabilizing in the same period. Industrial production growth, however, slowed to a multi-year low in the first two months of the year, mostly due to subdued global demand.

Against a backdrop of struggling domestic growth and external headwinds, the government slightly lowered its GDP growth target for this year at the National People's Congress (NPC).

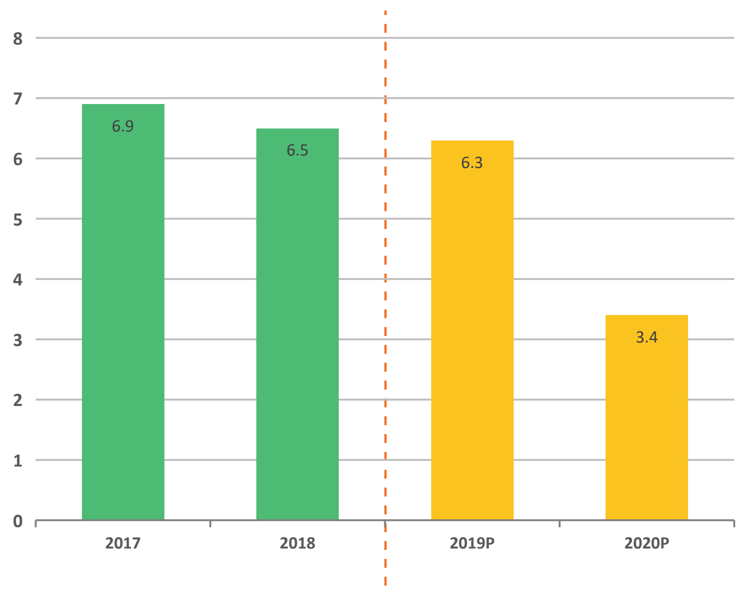
At the same event, the top-leadership signaled a more accommodative fiscal policy for this year and unveiled a series of tax cuts in order to support the economy. In terms of policy action, along with announcing reforms to state-owned enterprises, the NPC approved a new investment law in an attempt to placate the U.S. as trade negotiations continue.

On February 29, 2019, the People's Bank of China (PBOC) announced a cut to the reserve requirement ratio (RRR) for the second time since October 2015. Effective March 1, the PBOC reduced the RRR for large banks by 50 basis points to 17.00%, while the RRR for smaller institutions was lowered to 15.00%. With this move, monetary authorities expect to inject around CNY 700 billion (USD 108 billion) into the financial system while also signaling that monetary policy conditions will remain soft in the foreseeable future.

Furthermore, domestic vulnerabilities, a global export downcycle and authorities' efforts to transition towards a more sustainable economic model will lead the China's economy to decelerate this year. China's economic outlook will be shaped by a potential trade deal with the United States, the scale of policy easing and a sharp downturn in the property sector.

Despite fiscal stimulus that offsets some of the impact of higher US tariffs,

Figure 6: China Growth Forecast (%) 2015-2019P



China's economy will slow down due to the combined influence of needed financial regulatory tightening and trade tensions with the United States. The economy is expected to grow at 6.2% in 2019, before decelerating further to 6.0% in 2020.

India | Benefiting from lower oil prices and a slower pace of monetary tightening

India's economic growth slowed in the latter part of 2018 on a weaker expansion in private consumption owing to tighter financial conditions. However, fixed investment increased at a faster rate while export growth accelerated and import growth decelerated. The differing export and import dynamics can somewhat be attributed to the large currency depreciation, followed by the announcement of new import restrictions on some goods, in the immediate run-up to the quarter.

Overall, India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease.

Turning to the Q1 2019, India's economy grew at a steady pace, with survey data for the private-sector economy pointing to robust growth in both the manufacturing and tertiary sectors through February. Meanwhile, India's electoral commission announced the upcoming general election will run from 11 April till 19 May, with the final vote count due on 23 May 2019.

On February 9, 2019, the Reserve Bank of India's (RBI) Monetary Policy Committee (MPC) cut all monetary policy rates by 0.25 percentage points at its meeting. The repo rate was therefore decreased to 6.25%, the marginal standing facility to 6.50% and the reverse repurchase rate to 6.00%. The MPC also officially changed its monetary policy stance from December's "calibrated tightening", which was supposed to rule out a rate cut, to "neutral". This meeting was the first presided over by Governor Shaktikanta Das, who took up office on 10 December after his predecessor, Urjit Patel, resigned following pressure from the government to ease monetary policy.

Furthermore, economic momentum is expected to remain steady next fiscal year, which starts in April. Robust government spending should support growth, as could a possible sustained lull in oil prices and greater political certainty following the elections. Nevertheless, weak public finances and global trade protectionism both weigh on prospects.

Overall, India's economy is poised to pick up in 2019, benefiting from lower oil prices and a slower pace of monetary tightening than previously expected, as inflation pressures ease. GDP growth is expected to be 7.3% in FY 2019 and 7.3% again in FY 2020.

Sub-Saharan Africa | Recovery set to strengthen

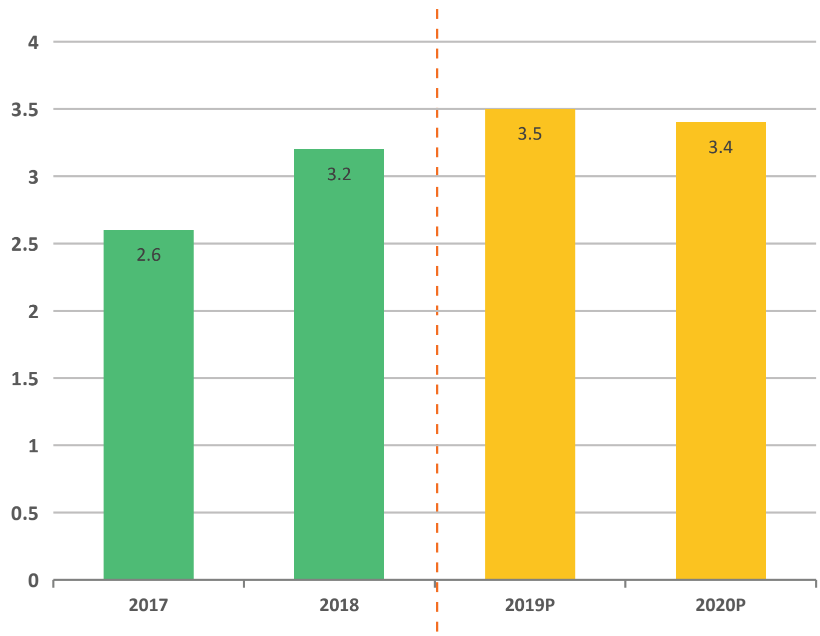
Growth in the Sub-Saharan Africa is seen picking up for a third year in a row in Q1 2019, as Nigeria's recovery gathers pace and Angola exits from a three-year recession. Moreover, modest growth in South Africa should also lend support to economic activity. Higher capital spending internally, coupled with a favorable price outlook for energy-exporters, are seen driving the overall expansion in this region.

Looking ahead, inflationary pressures are seen receding thanks to exchange rate stability and central banks' relative aggressive stance.

Furthermore, inflation in Sub-Saharan Africa remained unchanged at January's 8.4% in February 2019, mostly reflecting softer food inflation in countries like Angola and Nigeria offsetting increased price pressures in Ghana and Uganda. Looking ahead, inflationary pressures are seen receding thanks to exchange rate stability and central banks' relative aggressive stance.

Besides, moderating inflationary pressures in some countries like Ghana and Angola led central bankers to cut policy rates back in January. Going forward, an easing of monetary policy is expected overall in the midst of a

Figure 7: Sub-Saharan Africa Growth Forecast (%) 2015-2019P



Source: IMF: World Economic Outlook, Jan., 2019.

sustained declining trend in inflation, although will still remain relatively tight in countries like Angola, Ghana and Nigeria.

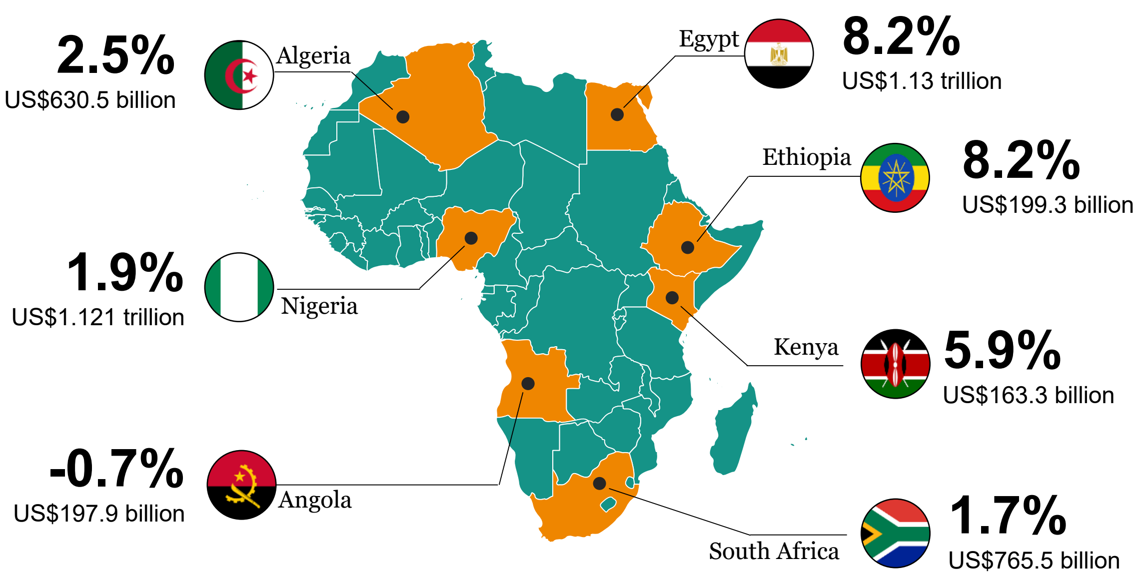
Angola, at its meeting on January 25, 2019, the Monetary Policy Committee (MPC) of the National Bank of Angola (Banco Nacional de Angola, BNA) lowered the key policy rate by 75 basis points to 15.75%. While Ghana at its three-day meeting concluding also on January 25, 2019, the Monetary Policy Committee (MPC) of the Bank of Ghana (BOG) cut its policy rate by 100 basis points to a five-year low of 16.00%.

Furthermore, Nigeria at its March 25- 26, 2019 meeting, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) cut the monetary policy rate from a record-high of 14.00%, which had remained in place since July 2016, to 13.50%.

However, currencies across the region remained broadly stable in recent weeks. The Ghanaian cedi, however, was a notable exception, depreciating sharply amid investors' loss of appetite for the country's bonds following the unexpected policy rate cut in January. Most currencies are expected to depreciate this year, albeit at a weaker pace than that experienced in 2018.

According to IMF, GDP growth is expected to pick up from 2.9% in 2018 to 3.5% in 2019, and 3.6% in 2020. For both years the projection is 0.3 percentage point lower than last October's projection, as softening

Top Economies in Africa in 2018



* **Real GDP Growth (2018)**; Nominal GDP (2017)

* Nominal GDP based on PPP

Nigeria: Economic Outlook

oil prices have caused downward revisions for Angola and Nigeria. The headline numbers for the region mask significant variation in performance, with over one-third of sub-Saharan economies expected to grow above 5% in 2019–20.

Crude Oil | Oscillating prices to continue

The Crude oil markets started the year 2019 on a positive note with a rebound in January, gaining more than 3%, or $1.80 (m-o-m), to average $58.74/b. This improvement over the month was sustained by tightening crude supply as well as firm crude oil demand, particularly from Asia Pacific.

In January 2019, Brent Crude was on average higher by $2.57, or 4.4%, m-o-m at $60.24/b, while WTI rose m-o-m by $2.57, or 5.2%, to average $51.55/b. In this period, OPEC crude oil production decreased by 797 tb/d to average 30.81 mb/d.

Oil prices also were supported by a more stable oil market, which was aided by the start of OPEC and nonOPEC production adjustment in January and tightening supply from several regions.

According to the OPEC report, the 2019 world oil demand growth was revised lower by 0.05 mb/d and is now forecast at 1.24 mb/d, this was a result of downward revisions to the economic outlook for major economies. Early data in January showed that non-OPEC supply, decreased by 0.23 mb/d m-o-m to average 68.52 mb/d, higher by 2.86 mb/d y-o-y. Hence, indicating that the global oil supply decreased in January 2019 by 1.03 mb/d m-o-m to average 99.32 mb/d.

Furthermore, in February 2019 for the second-consecutive month, the crude oil price improved by about 9%, or $5.09 m-o-m to average $63.83/b. This came a result of a strong crude oil demand for March as well as concerns about tightening oil supply in the coming months amid rising unplanned outages due to technical and geopolitical factors.

Oil prices also were supported by a more stable oil market, which was aided by the start of OPEC and nonOPEC production adjustment in January and tightening supply from several regions. Hence, Market sentiments continued to improve in February, given the high conformity levels of the countries participating in the "Declaration of Cooperation".

On the other hand, higher US crude oil exports, refinery turnarounds in several regions, and low refining margins, as well as concerns about slowing global economic growth, limited gains.

Prices could rally gradually over the course of the year, if the OPEC Countries and their partners such as Russia agree to more production cuts in April, and if U.S. sanctions on Iran and Venezuela lead to tightening global crude supply.

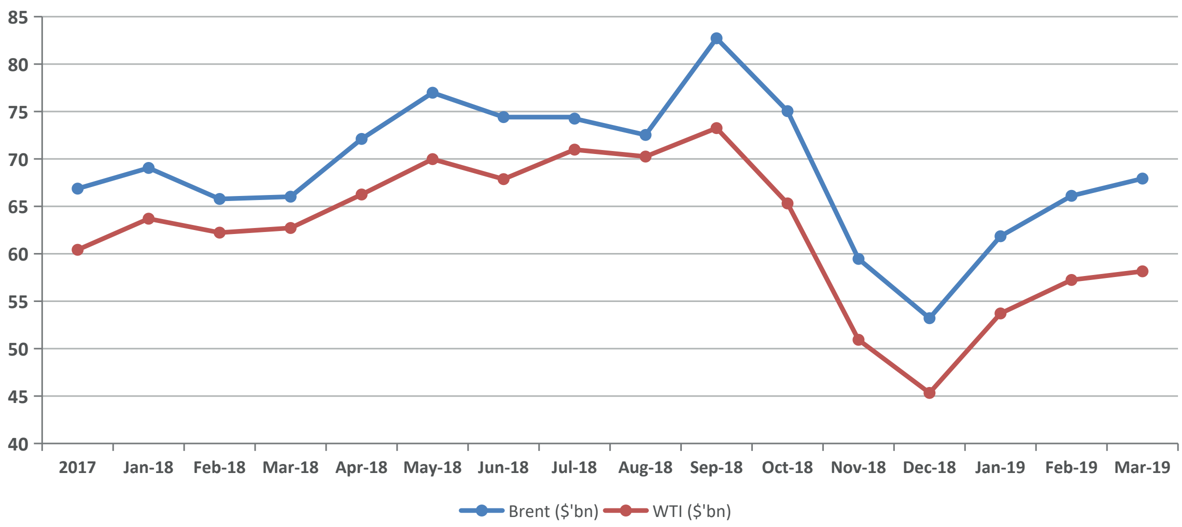
The major producers, led by OPEC, will meet on April 17-18, 2019 in Vienna to review their supply cuts, as agreed in December 2018 to help avoid an unwelcome build-up in global inventory that threatened to undermine the oil price.

Although sanctions on Iran and Venezuela will tighten overall supply, both countries have reduced their production and export levels rapidly in 2018, which may implies that potential further declines will not be as intense and the impact on oil markets will not be as significant as it was last year.

For the rest of 2019, analysts forecast Brent crude oil futures to average $66.44 a barrel in 2019, slightly below the $67.32 projected in January. That also compares with the $62 average for the global benchmark this year. A slowdown in growth is very much a risk, but demand is not likely to fall as a result.

In addition, U.S. output is another strong barrier for oil price gains this year, specifically as U.S domestic crude inventories rose to it highest in over a year and production has hit a record high. The poll forecast U.S. light crude will average $58.18 per barrel in 2019, down from January's $59.43 projection.

Figure 8: Oil Prices for Brent & WTI 2017- 2019



Source: OPEC

Key Global Risks

For 2019, the key sources of risk to the global growth are the outcome of trade negotiations and the direction financial conditions will take in upcoming months. If the difference between countries are resolved without further raising distortive trade barriers and the market sentiment recovers, then improved confidence and easier financial conditions could strengthen each other to lift growth above the baseline forecast. However, the balance of risks remains tilted to the downside, as in the October 2018 World Economic Outlook.

	RISK	DESCRIPTION	IMPACT
1	**Trade tensions**	• The November 30 signing of the US-Mexico-Canada free trade agreement (USMCA) to replace NAFTA, • The December 1 US-China announcement of a 90-day "truce" on tariff increases, and • The announced reduction in Chinese tariffs on US car imports These are welcome steps toward de-escalating trade frictions, however, final outcomes remain, subject to a possibly difficult negotiation process in the case of the US-China dispute and domestic ratification processes for the USMCA	Global trade, investment, and output remain under threat from policy uncertainty, as well as from other ongoing trade tensions Failure to resolve differences and a resulting increase in tariff barriers would lead to higher costs of imported intermediate and capital goods and higher final goods prices for consumers. In the long term, higher trade policy uncertainty and concerns over escalation and retaliation would lower business investment, disrupt supply chains, and slow productivity growth. The resulting depressed outlook for corporate profitability could dent financial market sentiment and further dampen growth
2	**Financial market sentiment**	Escalating trade tensions, together with concerns about Italian fiscal policy, worries regarding several emerging markets Toward the end of the year, US government shutdown contributed to equity price declines during the second half of 2018.	A range of catalysing events in key systemic economies could spark a broader deterioration in investor sentiment and a sudden, sharp repricing of assets amid elevated debt burdens. Global growth would likely fall short of the baseline projection if any such events were to materialize and trigger a generalized risk-off episode.
3	**A US-China trade conflict morphs into a full blown global trade war**	China and the US have started negotiations to resolve the current trade dispute, and the US government has decided to suspend further increases in tariffs on US$200bn-worth of Chinese goods. While this will avoid an escalation in tensions for now, a full-blown trade war between the US and China remains a significant risk to the global economy	Global trade could actually decline, with major knock-on effects for inflation, business sentiment, consumer sentiment and, ultimately, global economic growth.

4	**Broad-based emerging-markets crisis**	Many emerging markets suffered currency volatility in 2018, primarily as a result of US monetary tightening and the strengthening US dollar. Market sentiment remains fragile, and pressure on emerging markets as a group could re-emerge if market risk appetite deteriorates further than currently expected. In a few instances, a combination of factors, including external imbalances, political instability and poor policymaking, led to full-blown currency crises.	Capital outflows from emerging markets could become more indiscriminate and severe, forcing countries with external imbalances to make painful adjustments, with the most vulnerable falling deep into crisis. Emerging-market GDP growth would fall sharply as a result, weighing on the global economy.
5	**US corporate debt burden turns downturn into a recession**	Fuelled by a prolonged period of ultra-low interest rates, corporate debt as a percentage of GDP has surged to just under 47%, higher than the previous peak during the global financial crisis in 2008-09. The quality of this debt has fallen, with over half of US corporate debt rated BBB—the lowest investment grade—and about 60% of loans were issued without maintenance covenants in 2018.	A downturn could lead to an increasing number of firms cutting investment and hiring, while also struggling to meet debt repayments, as their profits decline and as ratings agency downgrades lead investors to withdraw funding to corporates. A US recession would greatly exacerbate a global slowdown, with countries affected by declining US demand for goods and weakening investment.
6	**China suffers a disorderly and prolonged economic downturn**	In China, a shift towards looser macroeconomic policy settings is under way as a result of the escalating trade conflict with the US. The authorities would make every effort to prevent a funding crunch in any bank, even a hint of banking sector distress could cause problems, given the boom in debt over recent years.	There is a risk that, in the government's efforts to support the economy, policy missteps will be made Resolving these issues, could prove challenging, forcing the economy into a sudden downturn particularly as the trade conflict with the US also weighs on economic activity, This, in turn, would have a detrimental effect on other economies that had benefited from the earlier Chinese-driven boom in commodity prices. In addition, given the growing dependence of Western manufacturers and retailers on demand in China and other emerging markets, a disorderly slump in Chinese growth would have a severe global impact far more than would have been the case in earlier decades.

7	**Supply shortages lead to a globally damaging oil-price spike**	Market fears of oil-supply shortages have eased since the US granted six-month sanction waivers to eight of the key purchasers of Iranian oil in December 2018. Along with higher output from Saudi Arabia and Russia, and global growth concerns, this has caused the price of dated Brent Blend to fall to close to US$60/barrel, compared with highs of over US$80/b in September 2018.	The risk of major supply disruptions remains if the US manage to crack down efficiently on Iran's "ghost tankers" and also strike deals with other importers to switch their supplier bases away from Iran once the waivers have expired. Iran's oil exports could drop well below the 1.2m barrels/day that we currently expect in 2019-20. As spare production capacity is used up to cover Iranian cuts, it will become more difficult to cover a sudden and sizeable cut to supply elsewhere. As a result, prices could soar to well above the US$80/b seen in 2018, with producers unable to increase output sufficiently to put a lid on price rises. Such a scenario would push up inflation and weigh on global growth.
8	**Cyber-attacks and data integrity concerns cripple large parts of the internet**	Revelations of major data breaches across a range of social media, and the use of that data for propaganda, are likely to see social media companies facing tighter regulation in the coming years	There is a risk that the frequency and severity of cyber attacks on government will increase to the extent that corporate and government networks could be brought down or manipulated for an extended period. Recent data breaches and cyber-attacks could well be part of wider efforts by state actors to develop the ability to cripple rival governments and economies, and include efforts to either damage physical infrastructure or gain access to sensitive information as a means to influence democratic processes. These breaches of security have shaken consumer faith in the security of the internet and threaten to put at risk billions of dollars of daily transactions and have a severe impact on economic growth.