Global growth is being deeply affected by the trade turmoil fomented by Donald Trump and uncertainty abounds, with slower growth in many places and plenty of policy risk. Here are five key issues to watch in 2020.

Expect little overall improvement in global economic prospects. It would be unrealistic to expect a material improvement in economic performance. Both the International Monetary Fund and Organisation for Economic Co-operation and Development project global economic growth below 3.5 percent in 2020, after 3 percent projected for 2019. That would be the weakest period of global growth since the 2008-09 financial crisis.

Policy risk remains heightened. There are always risks to the economic outlook, but this is an especially turbulent time. Recession risk remains present. Yield curves that inverted last summer have returned to a modest uptick, but remain an important leading indicator of possible recession that ought to be taken seriously.

Trade tension, notably the US-China trade dispute, is taking a toll on business confidence and investment in many countries and regions. While ratification of the new North American free-trade pact, and Britain now clearly moving to leave the European Union, might help, continuing policy uncertainty adds to the risk of trade tension spilling into financial markets. The probability of being disappointed by the actual performance of the global economy is likely greater than the chance of a stronger outcome, which makes the consensus outlook for 2020 imbalanced. And climate change risk has not (yet) been factored into the growth outlook.

Emerging and developing economies are now nearly 60 percent of global GDP, and that share keeps rising. They are projected to expand collectively by 4.6 percent in 2020, up from 4 percent in 2019, even as projected Chinese growth dips below 6 percent due principally to weak exports and heavy domestic debt. India is a global growth leader, with projected growth of 7 percent.

In contrast, advanced economies will grow by only 1.7 percent in 2020, increasingly affected by aging demographics and weak trade growth. American growth will moderate further in 2020 to around 2 percent. The US fiscal boost provided by the 2018 tax cuts has come to an end, and resulting fiscal deficits now exceed $1 trillion annually and are still growing. US employment and consumption have been buoyant, but investment is sluggish and tariffs erode confidence. Growth across the EU will average 1.4 percent, and only 0.5 percent in Japan.

What about Canada? The consensus outlook is for a modest rebound in 2020, with growth at around 1.6 percent. This outlook largely depends on factors beyond our control, notably improved trade policy certainty vis-à-vis the US and China, and stabilization of global prices and demand for energy and other key commodities.

Trade is a drag on growth. Trade is no longer the cutting edge of the global economy, as it was for decades. Global trade is projected by the World Trade Organization to grow by only 1.25 percent in 2019, the worst year in a decade. Trade growth is projected to rebound to around 2.7 percent in 2020, but will remain well below historic trends. Trade relationships and global value chains are being re-examined and restructured on the fly, which will ultimately affect the competitiveness of many firms and countries.

Inflation is an afterthought. Consumer price inflation is expected to average only 1.5 percent in 2020 in advanced economies. The US may see inflation tick above 2 percent in 2020 due to an economy operating above potential. Canada is operating at potential, with inflation close to the Bank of Canada’s 2-percent target, and short-term rates are generally expected to remain unchanged. Muted inflation elsewhere provides some scope for accommodative monetary policy in an attempt to shore up growth. Inflation in emerging markets will dip below 5 percent on average, although there are a few sad cases of hyper or high inflation, notably Venezuela, Zimbabwe and Argentina.

Where does this mixed outlook leave Canada? Policy makers and business leaders cannot control external forces, but they could do more to address factors that are within our control – such as ensuring our products can get to global markets, reducing internal barriers to trade, reforming the tax system to support growth, investing sufficiently in human capital, promoting business and policy innovation, and deepening trade relations with more diverse partners.