

# The Global Economic Landscape

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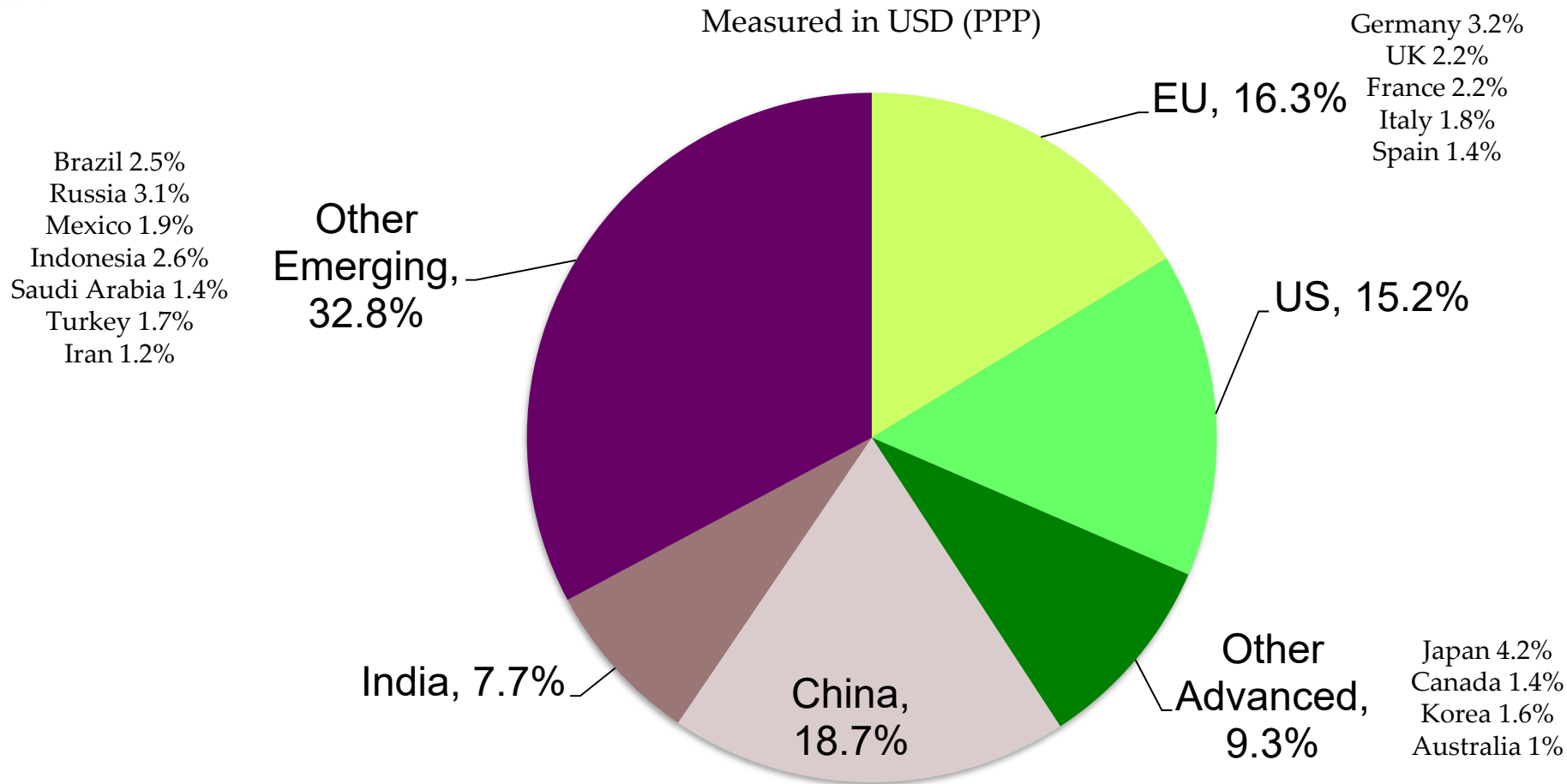
*Antonio Fatás*

*INSEAD Directors Forum  
February 2019*

# 1. Today

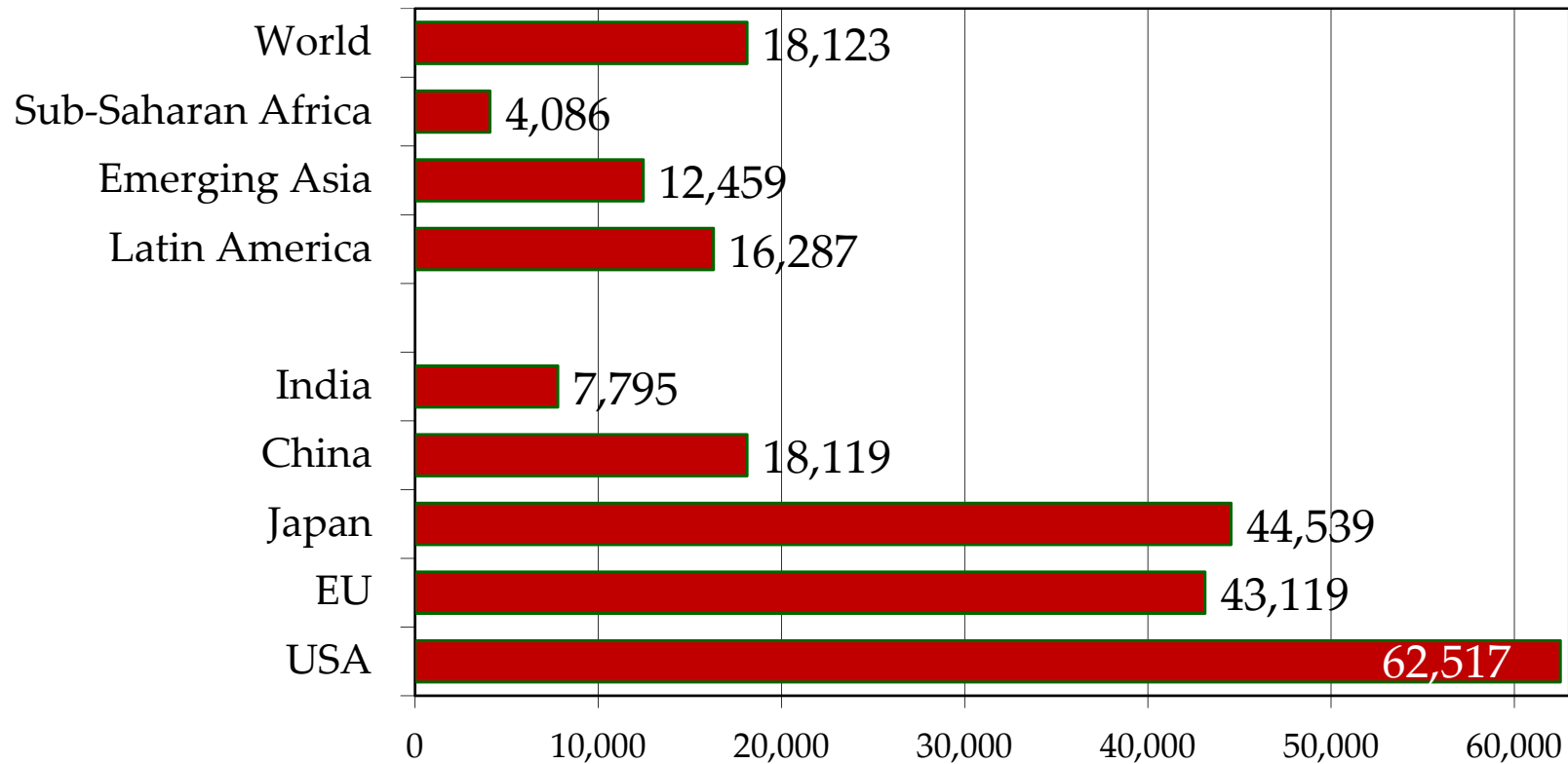
# Largest Markets (2018)

Measured in USD (PPP)



## GDP per capita ( $\approx$ Productivity)

GDP Per Capita (USD, PPP). 2018.



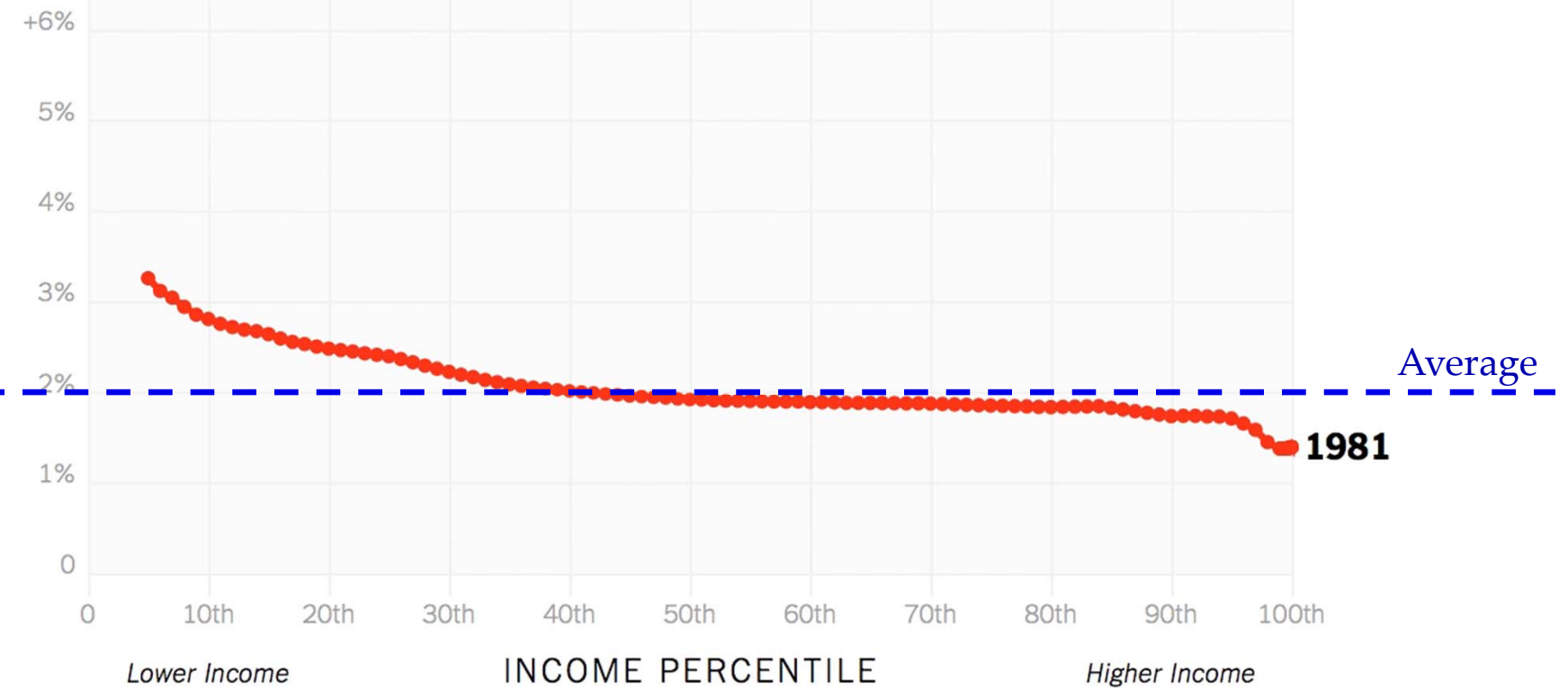
## Is the Average Meaningful? (US)

- Jeff Bezos enters into a bar with 100 other customers.
- Average wealth before he came in: \$150,000
- Average wealth after he came in: \$1,633,000,000 (\$1.6 Billion)

# Is the Average Meaningful? (US)

## INCOME GROWTH

Over previous 34 years



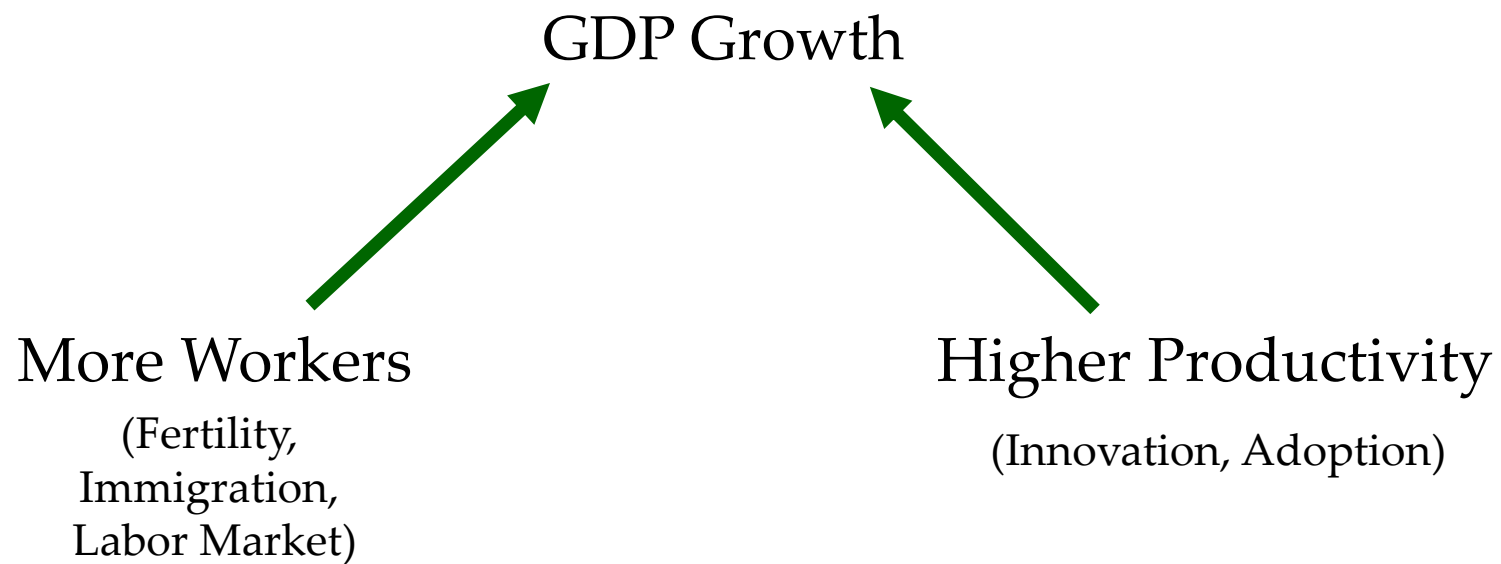
# Fixing Inequality



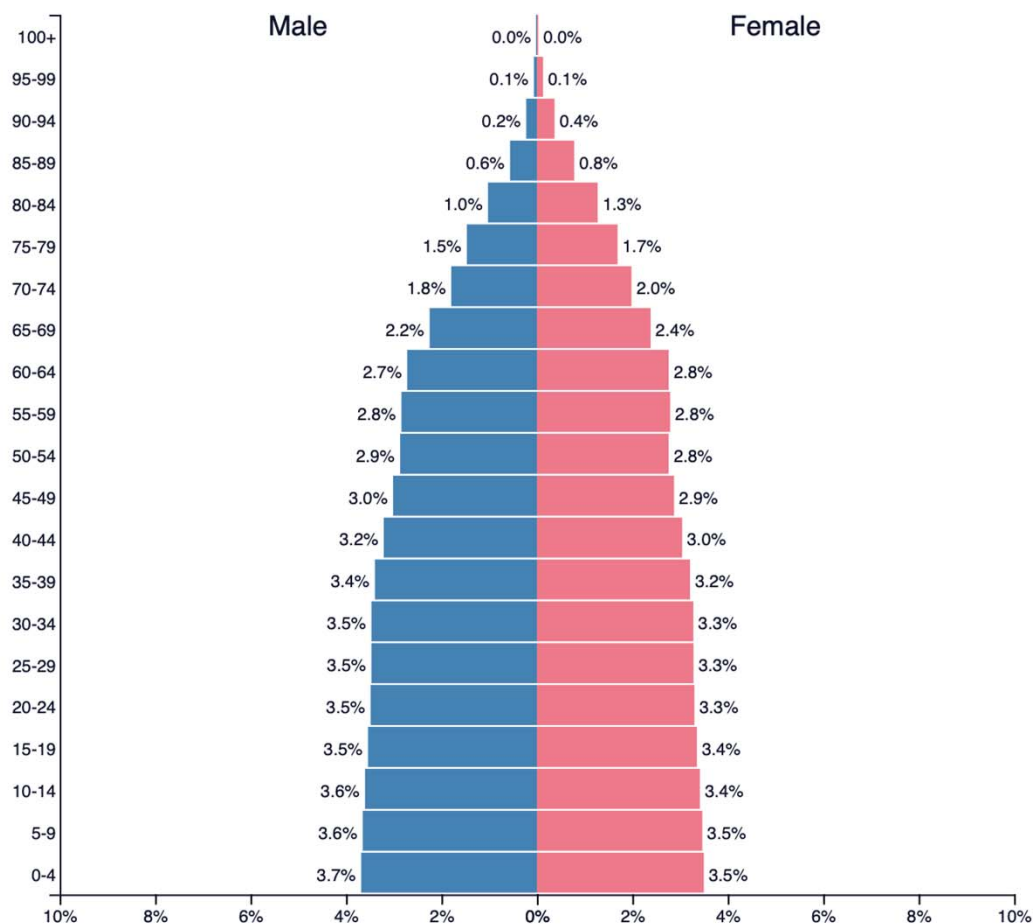
## 2. Economic Power is Shifting



# Growth

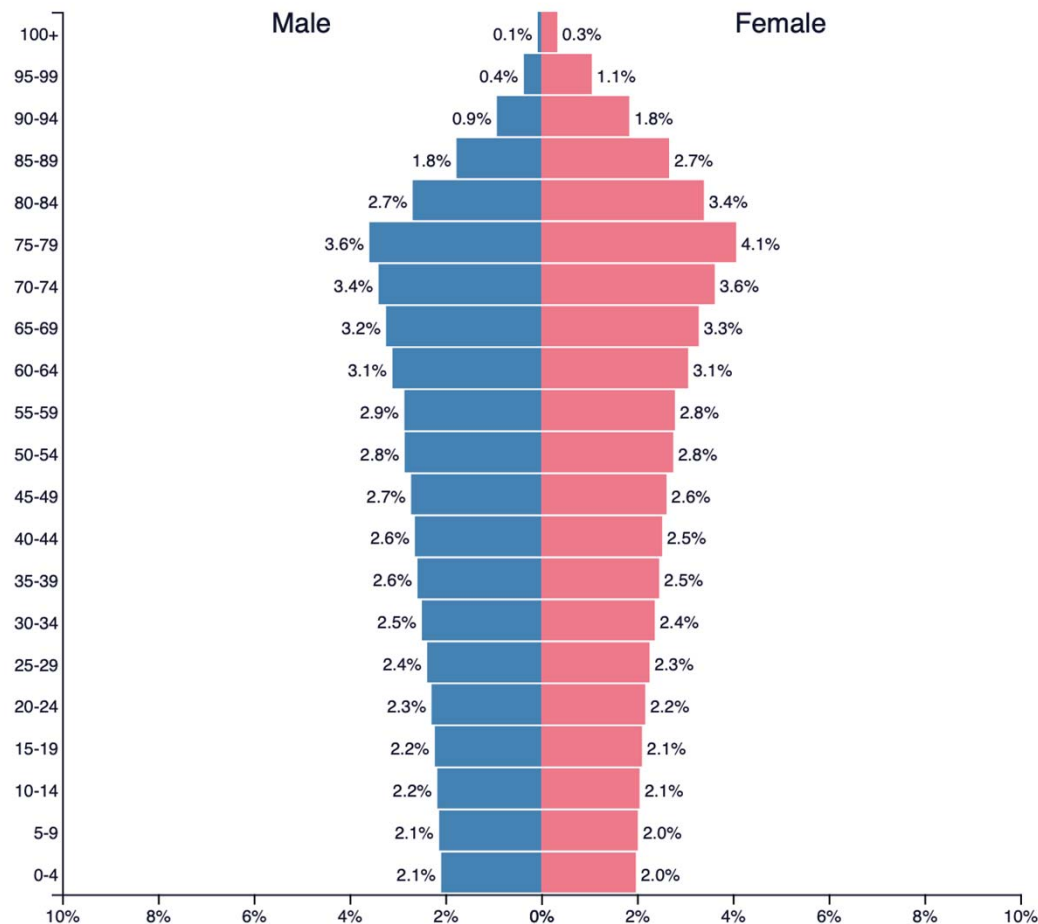


# Population and Aging



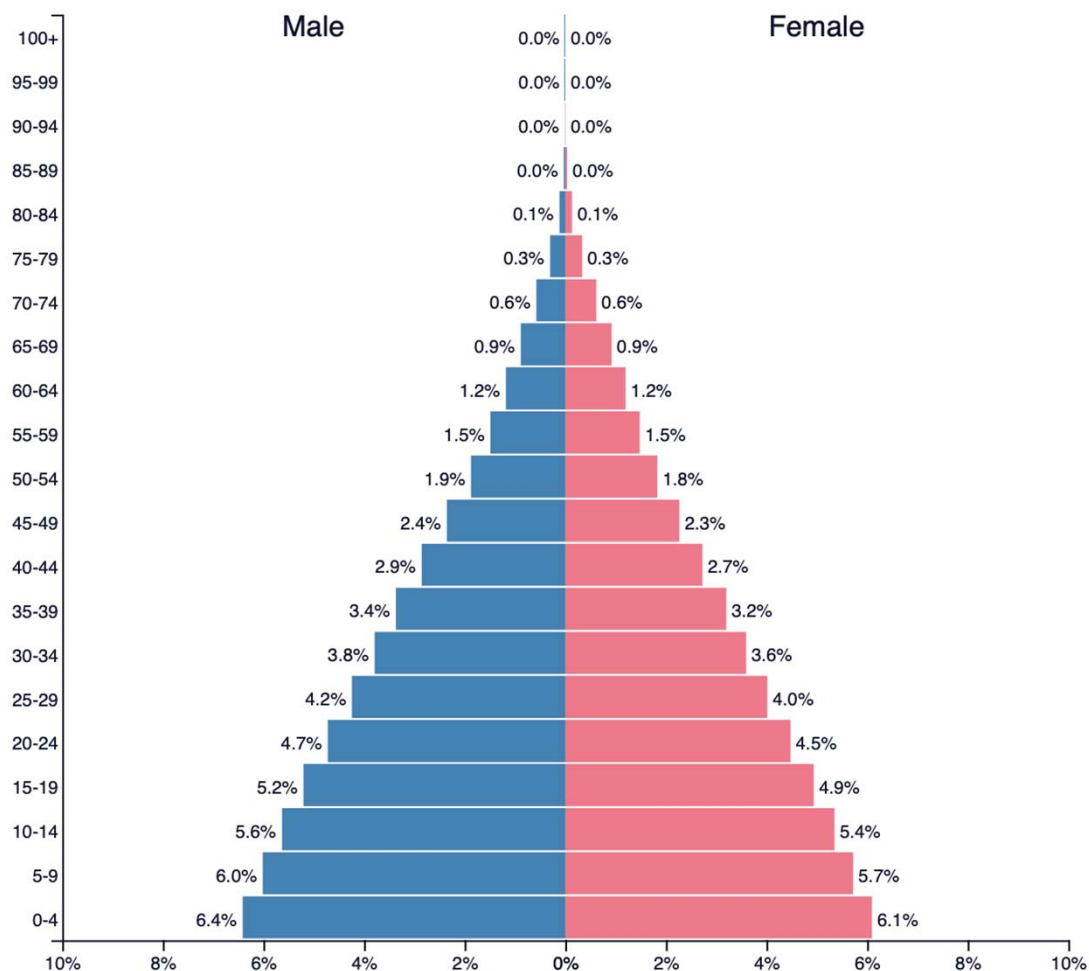
WORLD  
2018  
7,597,175,534

# Population and Aging



Japan  
2050  
107,411,391

# Population and Aging

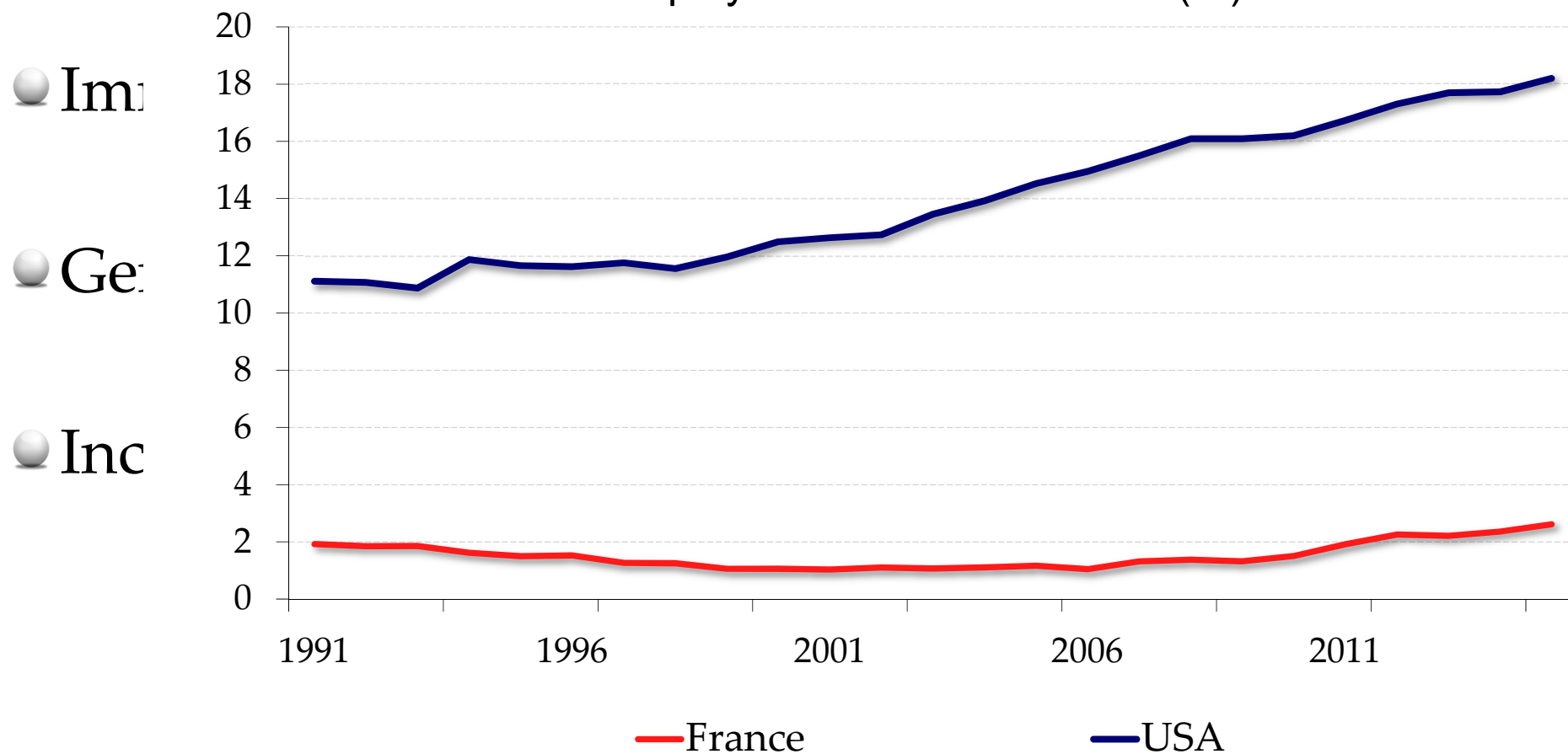


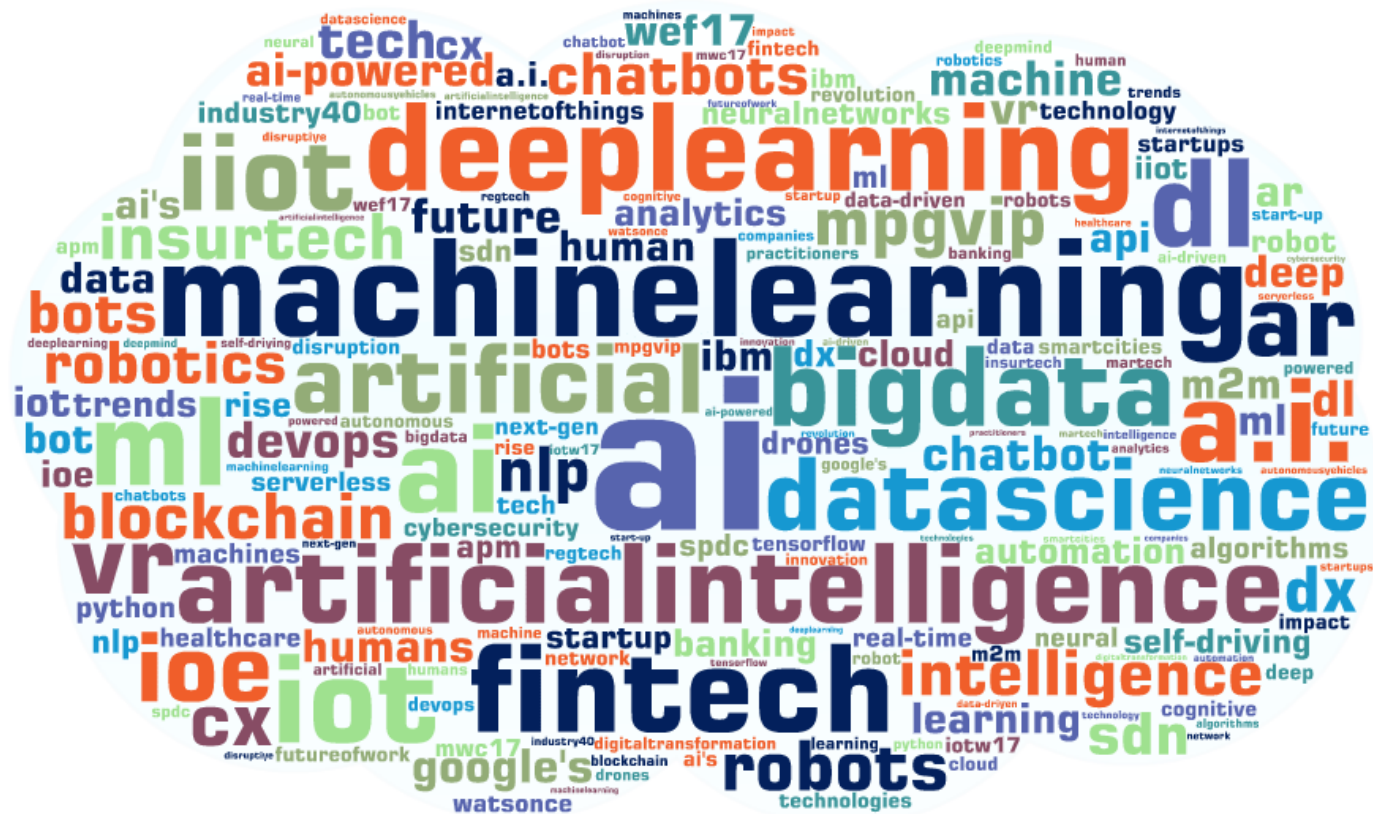
Nigeria  
2050

398,507,704

# Missing Workers?

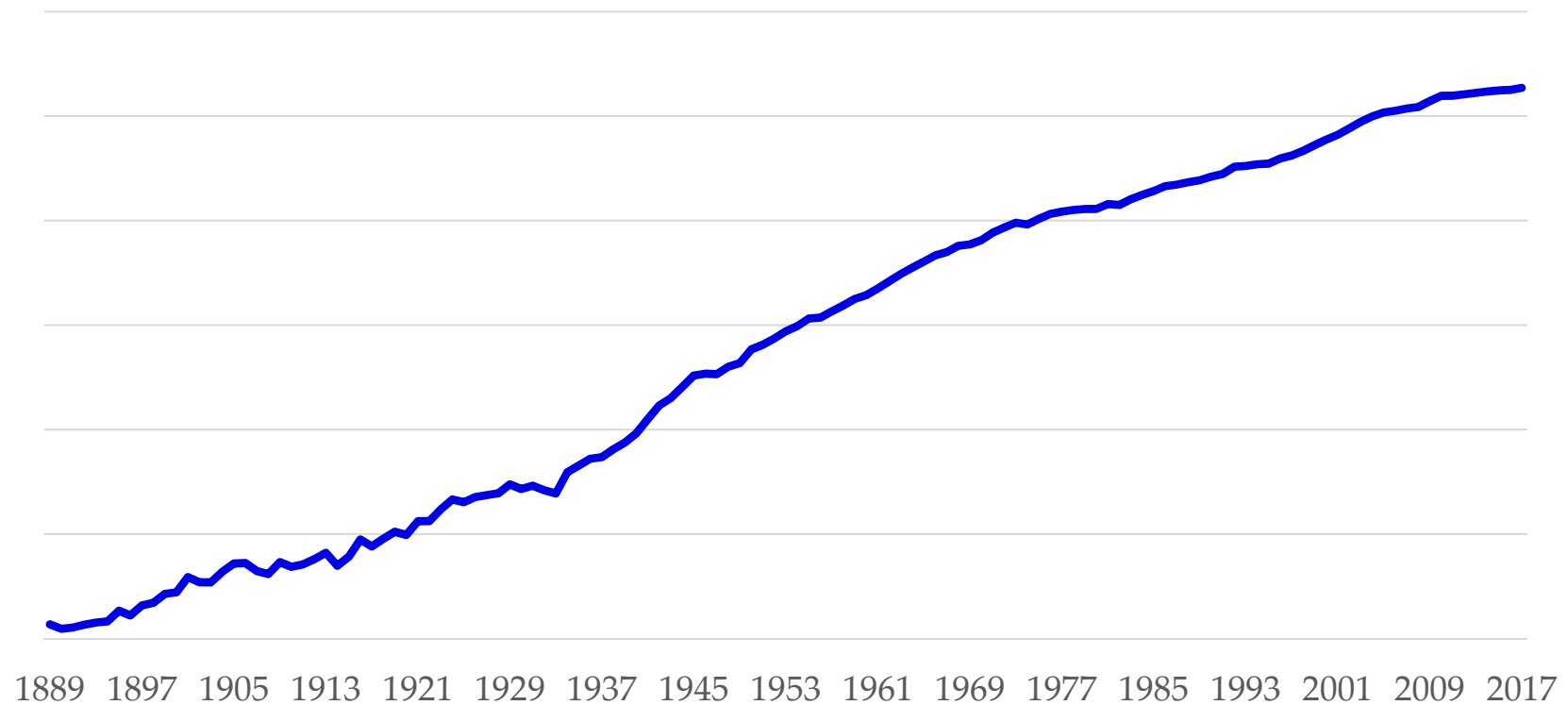
Employment of Older than 65 (%)





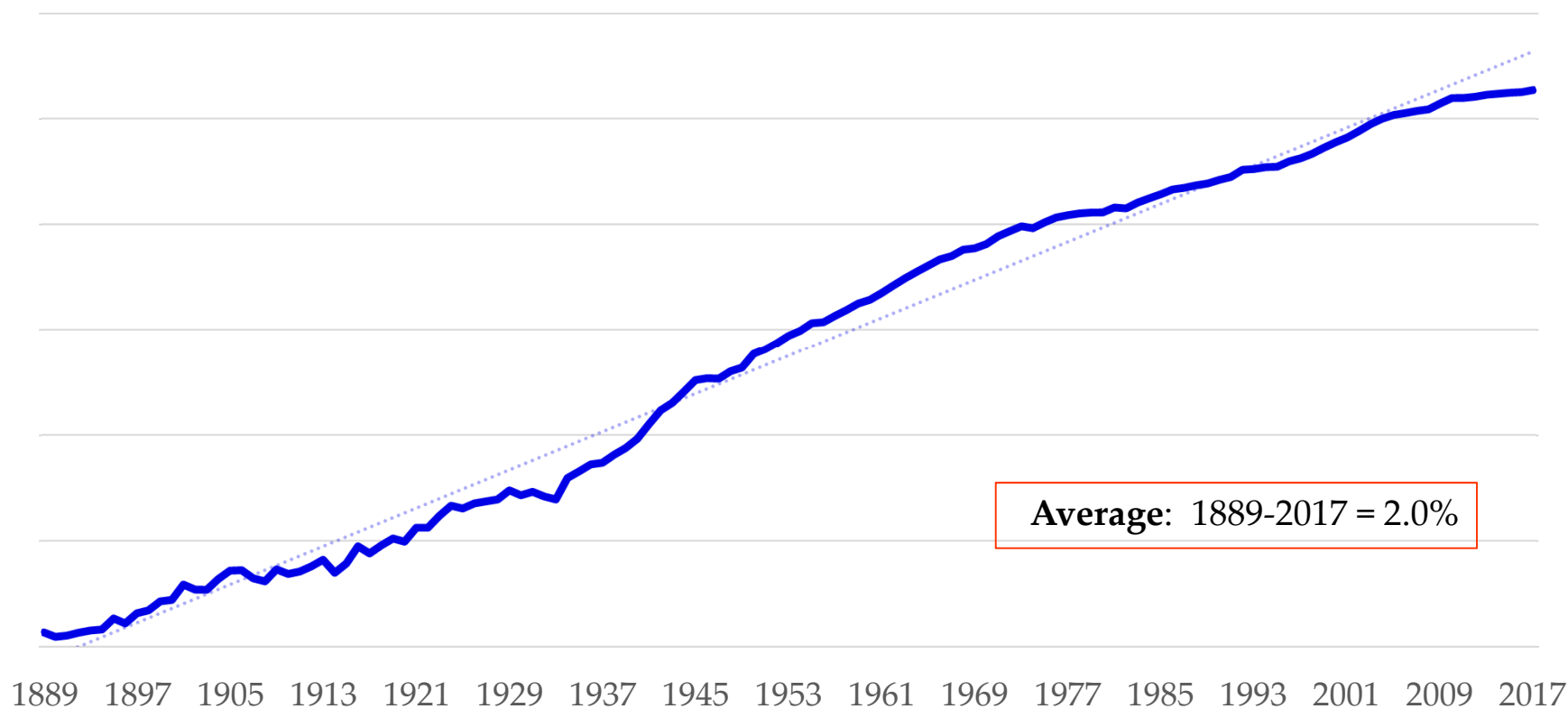
# Innovation Trends

## US Real GDP per Hour Worked



# Innovation Trends

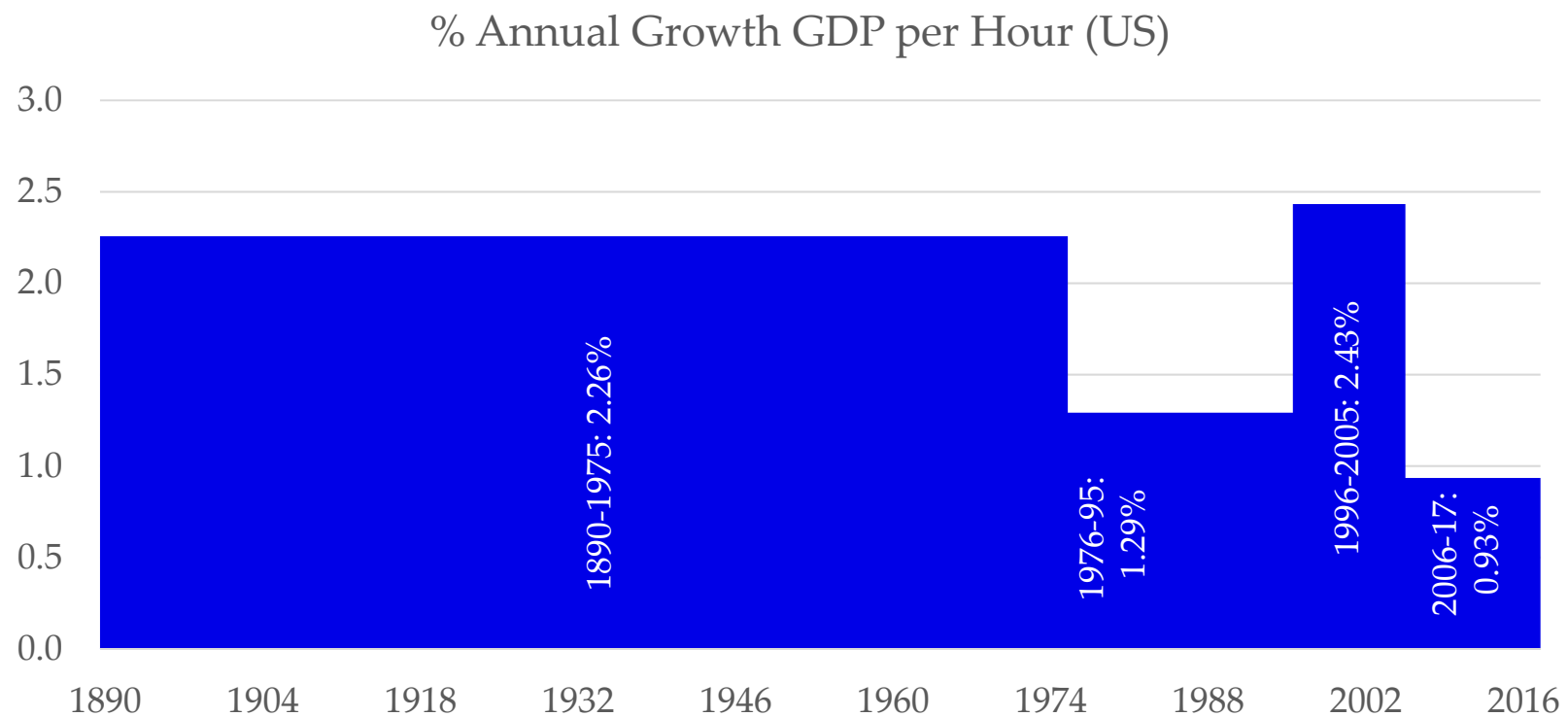
## US Real GDP per Hour Worked





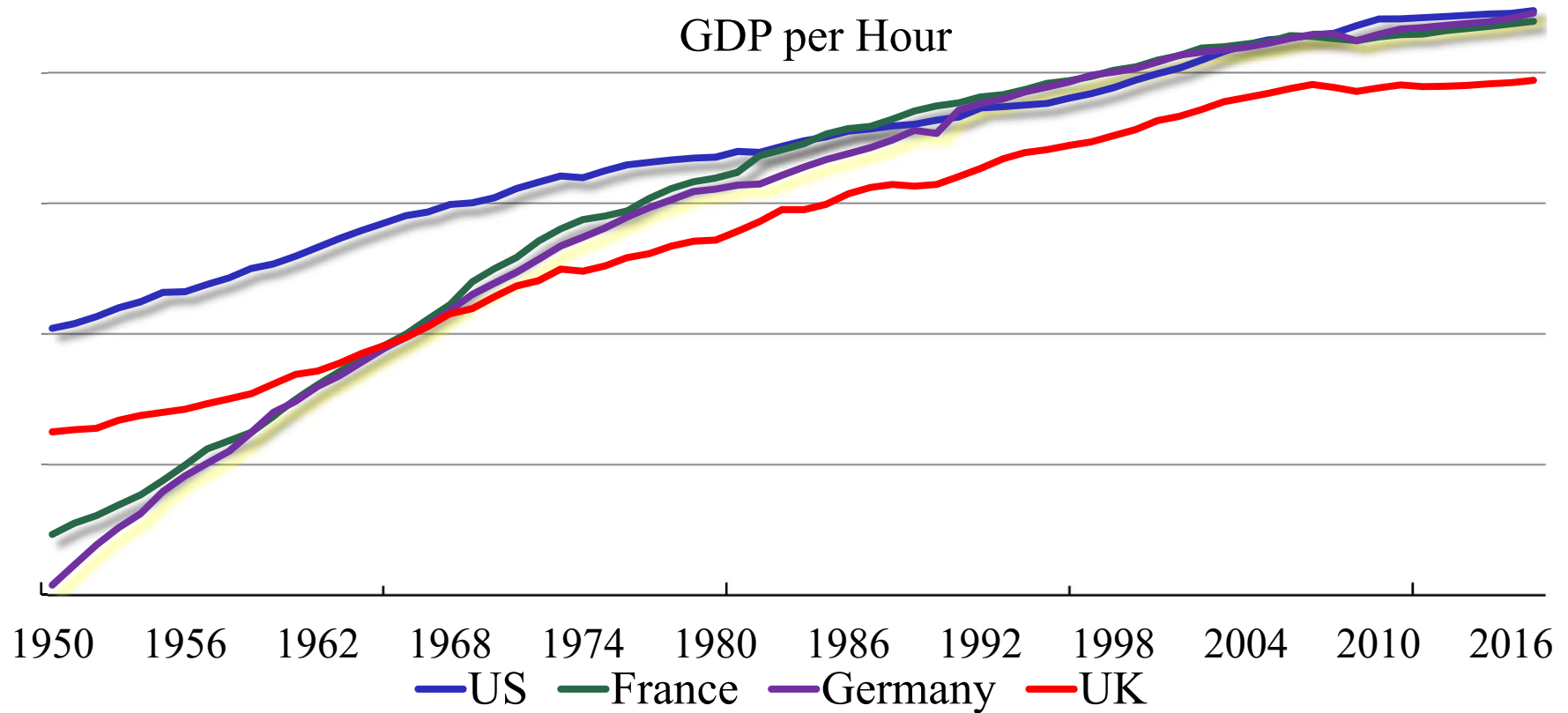
# Innovation: Slower

Productivity growth has slowed down since the mid 1970s.



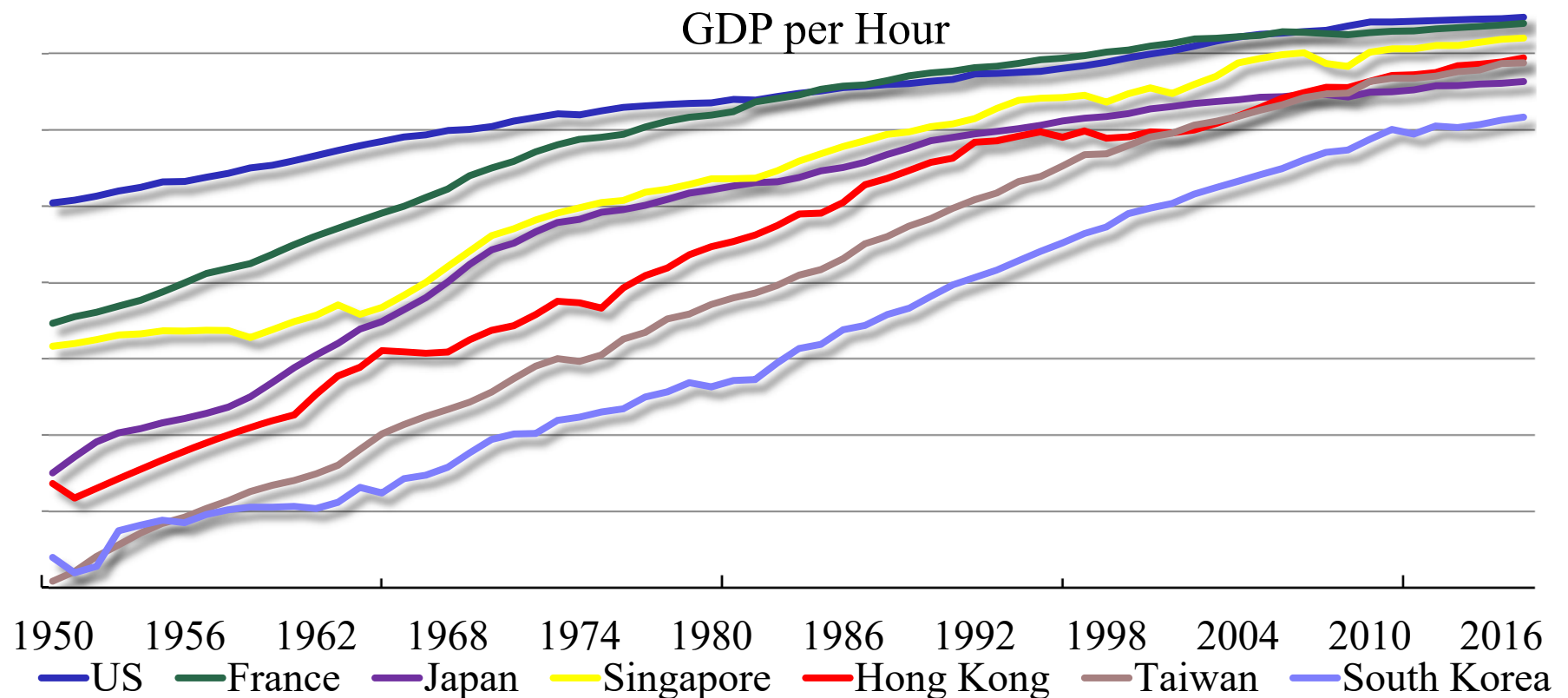
## Advanced Economies

Significant convergence in the earlier decades. Slowdown in recent decades.



# Emerging (and Advanced) Asia

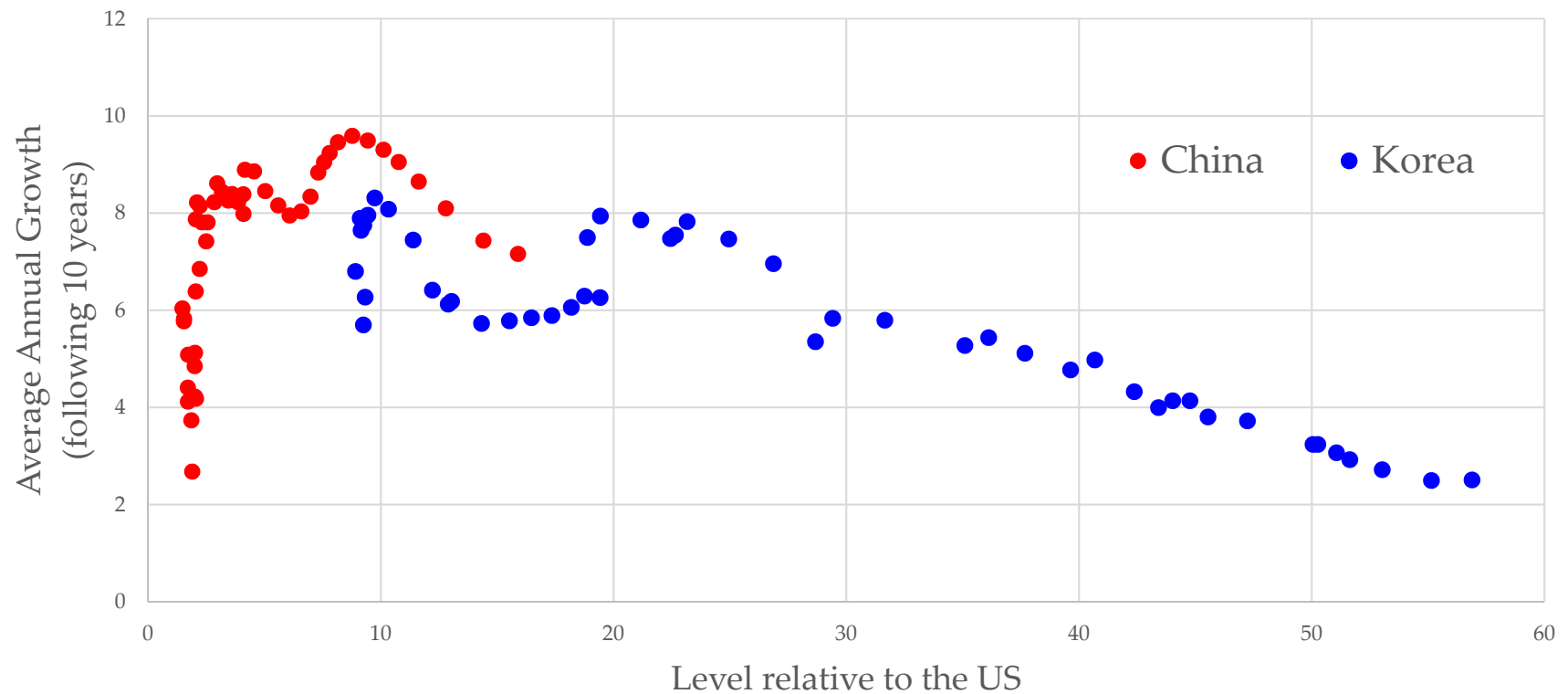
Very fast convergence. It levels off at different levels for different countries.



# China and Korea

Very fast convergence. Speed slows down as convergence is successful.

GDP per Capita

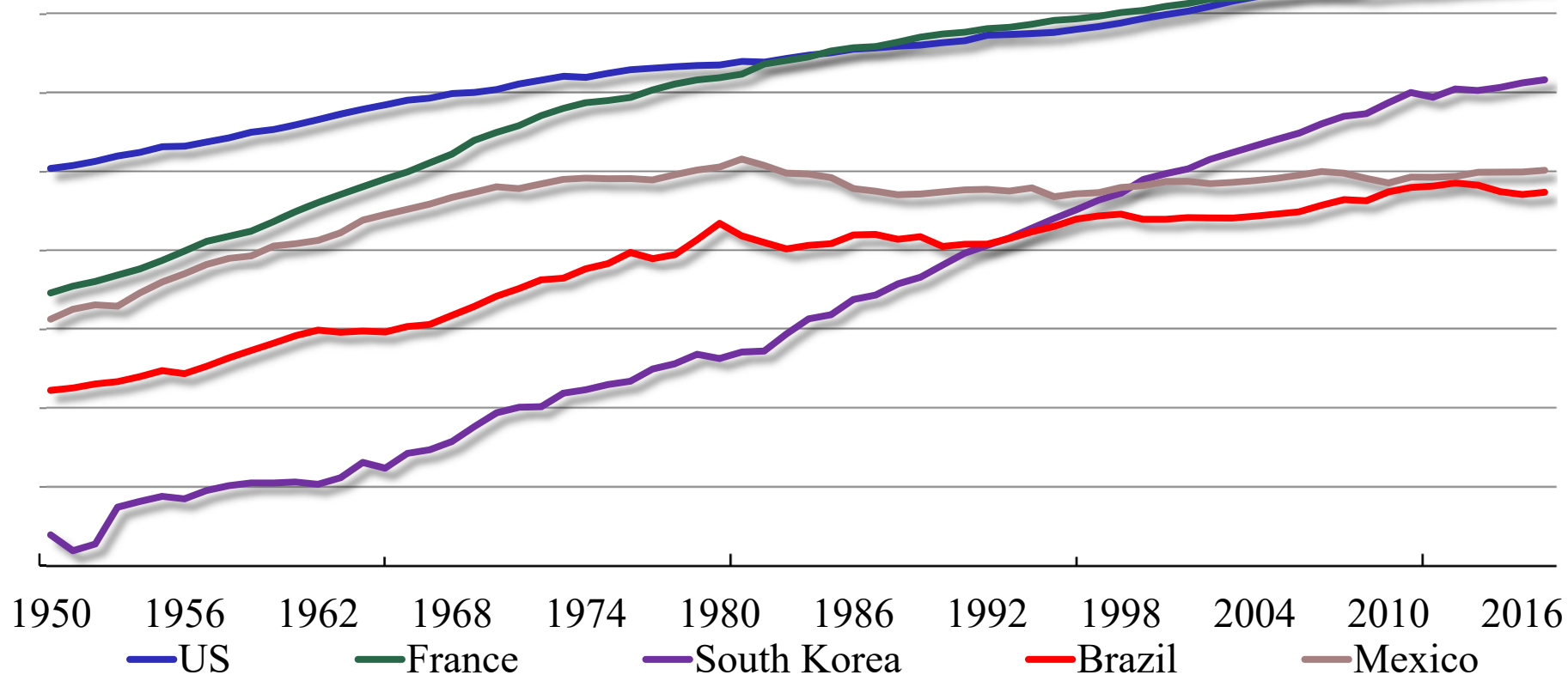


Korea: 1950-2018  
China: 1970-2018

# Emerging Latin America

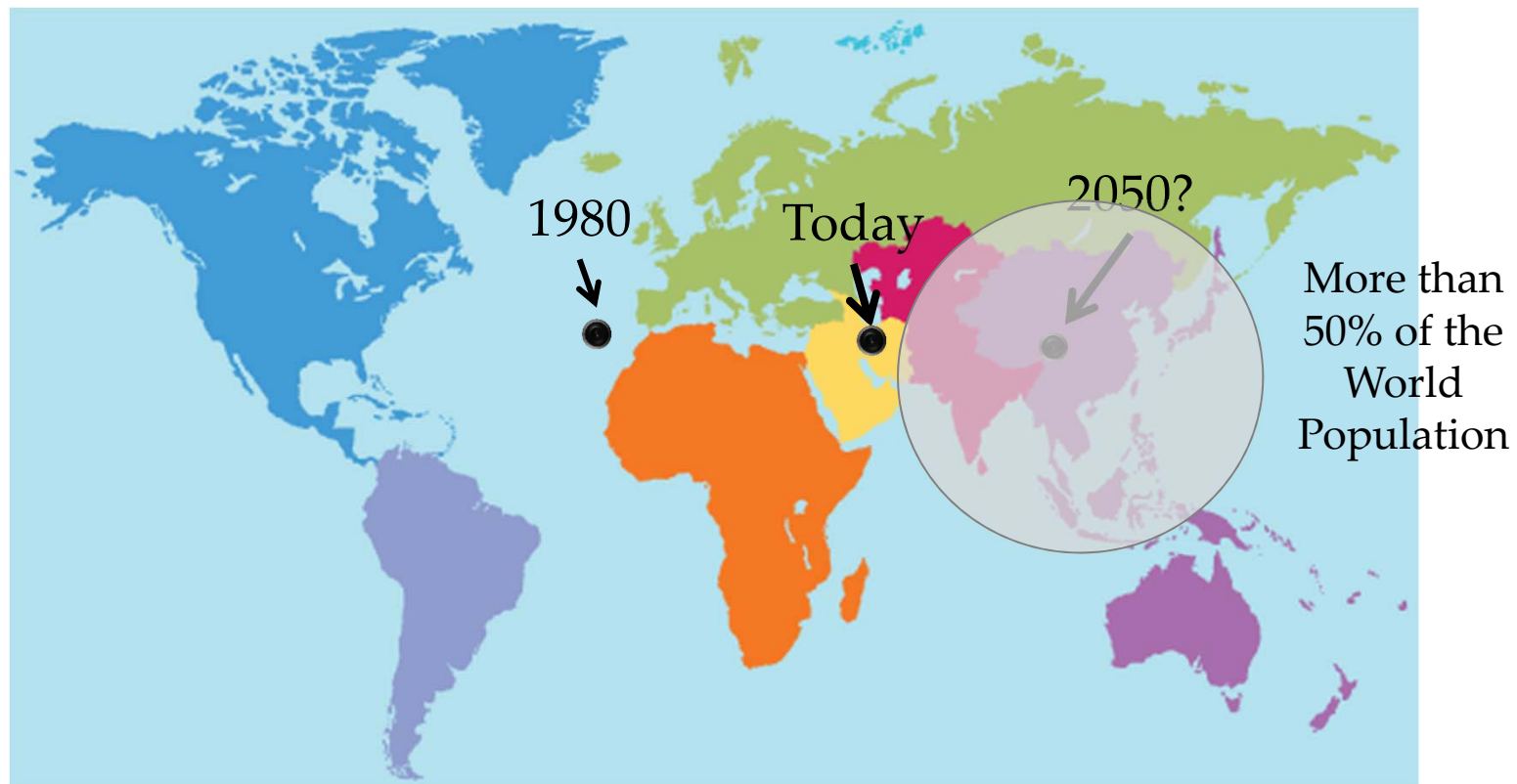
Slow or no convergence. Contrast with Asia.

GDP per Hour



## Shifting Economic Power

### World Economic Center of Gravity



Source: Danny Quah (LSE, LKYSPP)

### 3. Today's Economic Landscape (Waiting for the next crisis)

# The World Economy

## World GDP Growth

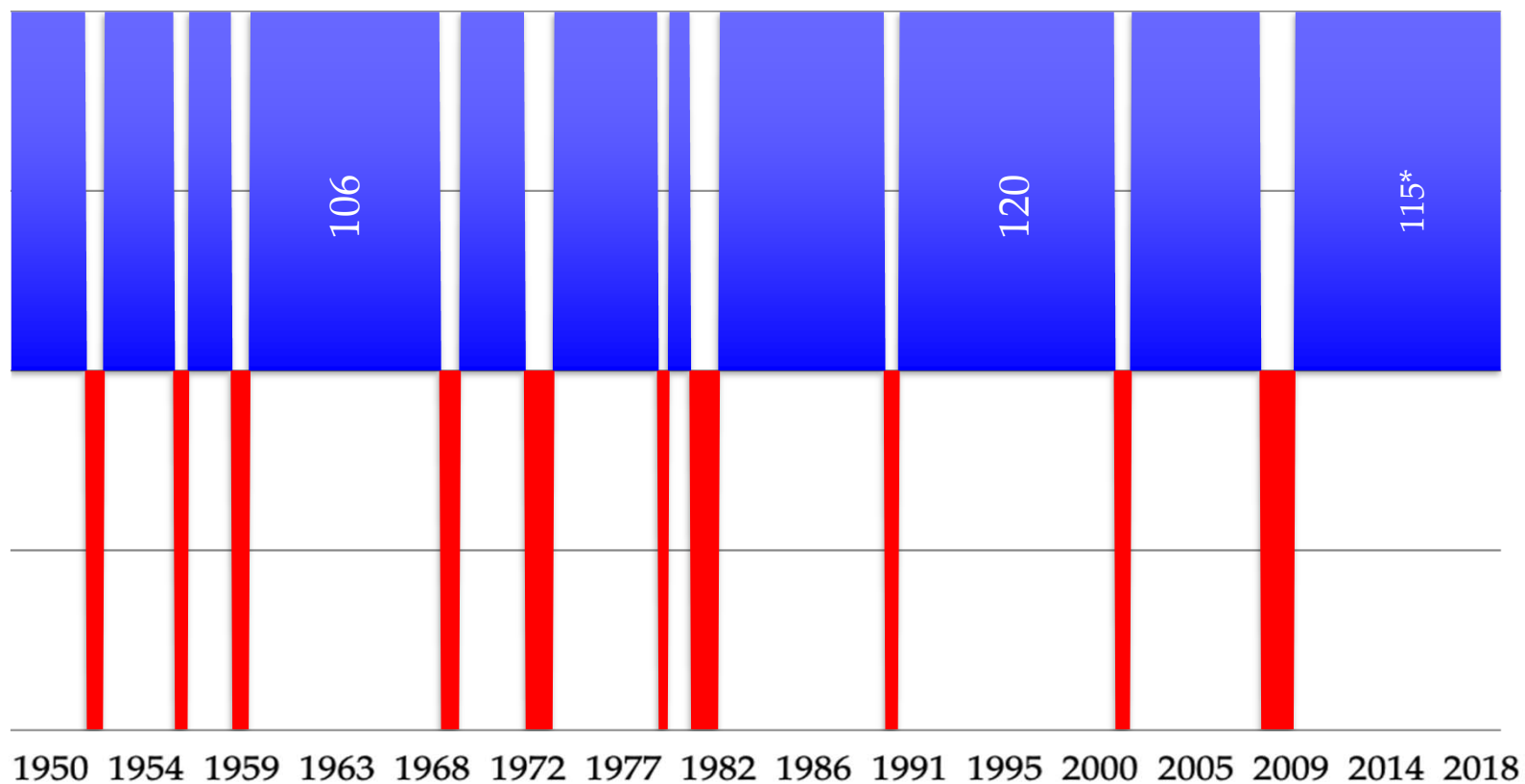


A deep crisis



# Time for a Recession (US)?

## Expansions



\* As of January 2019

## Recessions

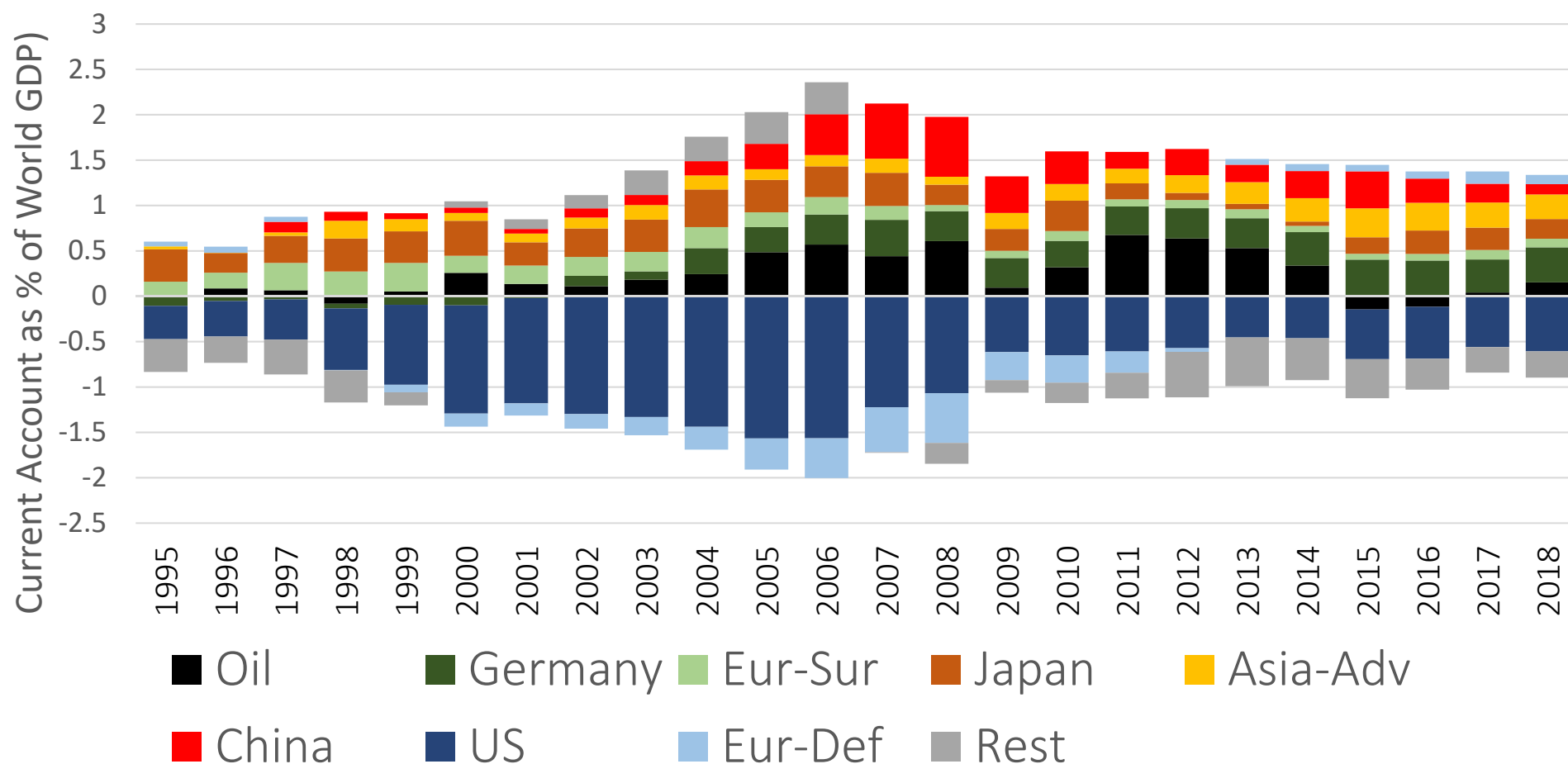
## Risks?

- The good news: Global Growth healthy without major imbalances. No crisis yet!
- But:
  - Credit, asset prices are high and towards the end of the cycle
  - Plus fundamental growth remains weak in both advanced and emerging markets
  - And there are substantial global risks

# Fighting over Trade Imbalances

- Trade (Current Account) Imbalances reflects differences in spending and income
- There is NO economic loss in a trade deficit
- The World needs surpluses and deficits

# Fighting over Trade Imbalances



## The Other Shocks: Pick Your Favorite One

- China: slowdown in growth rates, pressure on reform
- Europe: political crisis in large country: Brexit, Italy,...
- Middle East, Russia, Venezuela, North Korea,...(and Robert Mueller)