



# Global Economic Outlook and Risks

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## Is Growth Shifting from Emerging to Advanced Economies?

Emilio Rossi

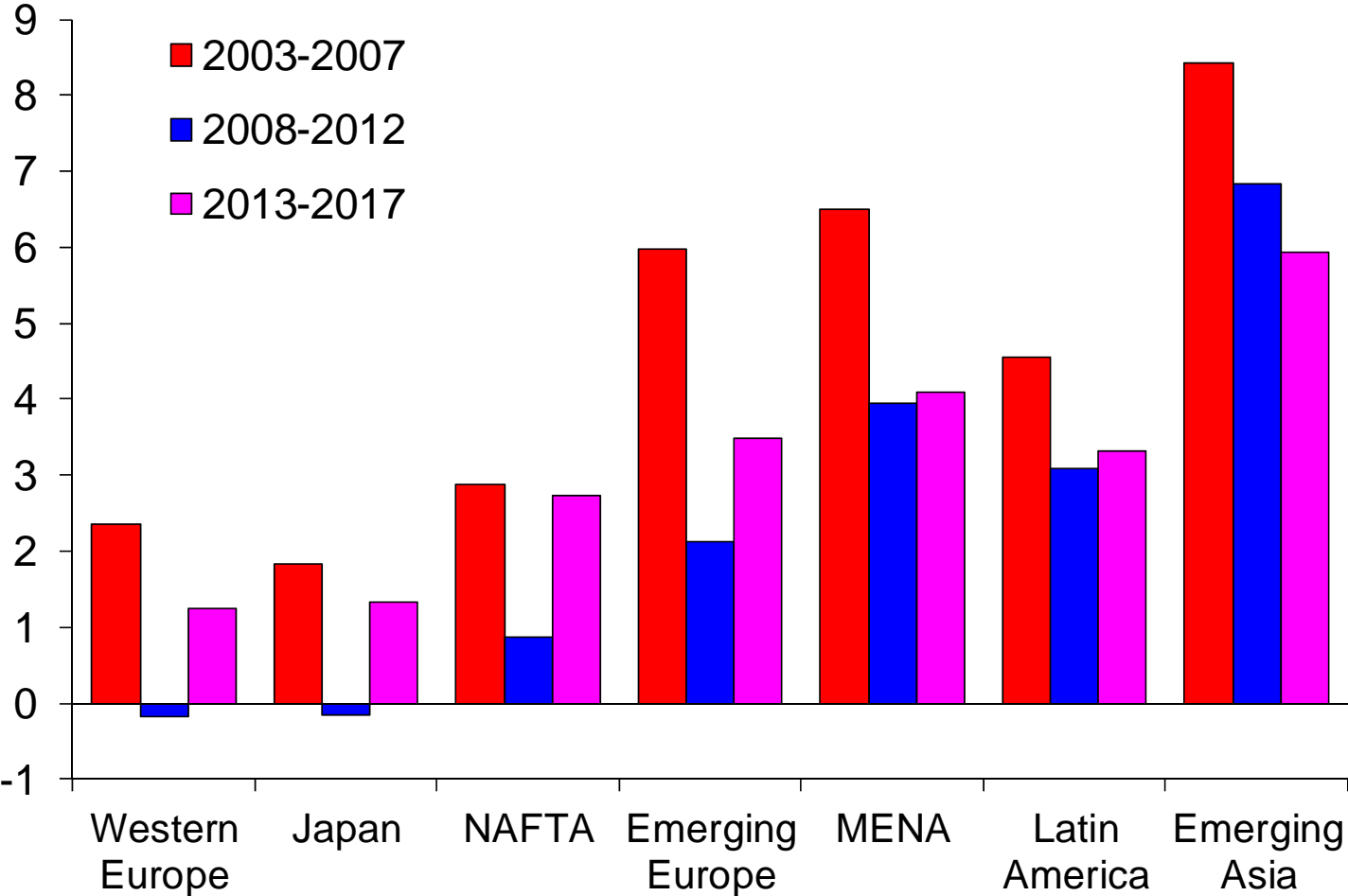
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November 25<sup>th</sup>, 2013

# World GDP Growth by Region

## GDP growth

% year



Source : Oxford Economics

# One Major Cloud Over the Horizon

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## U.S. INTEREST RATES

- Assuming that America sorts out its fiscal problems...
- ...US interest rates are bound to rise over coming months and years.
- For the US this would reflect a strengthening economy.
- Elsewhere, however, it may be less welcome.
- Unhappy response to some very mild US policy pronouncements earlier this year.
- The Oxford Economics forecast builds in a gradual rise in US bond yields (to 4 per cent by end-2016), with no financial market shocks.

# From the Strongest to the Weakest

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**The BRICs**      **Is slowdown inevitable ?**

The USA      Will it surge again ?

Japan      Some hope of growth ?

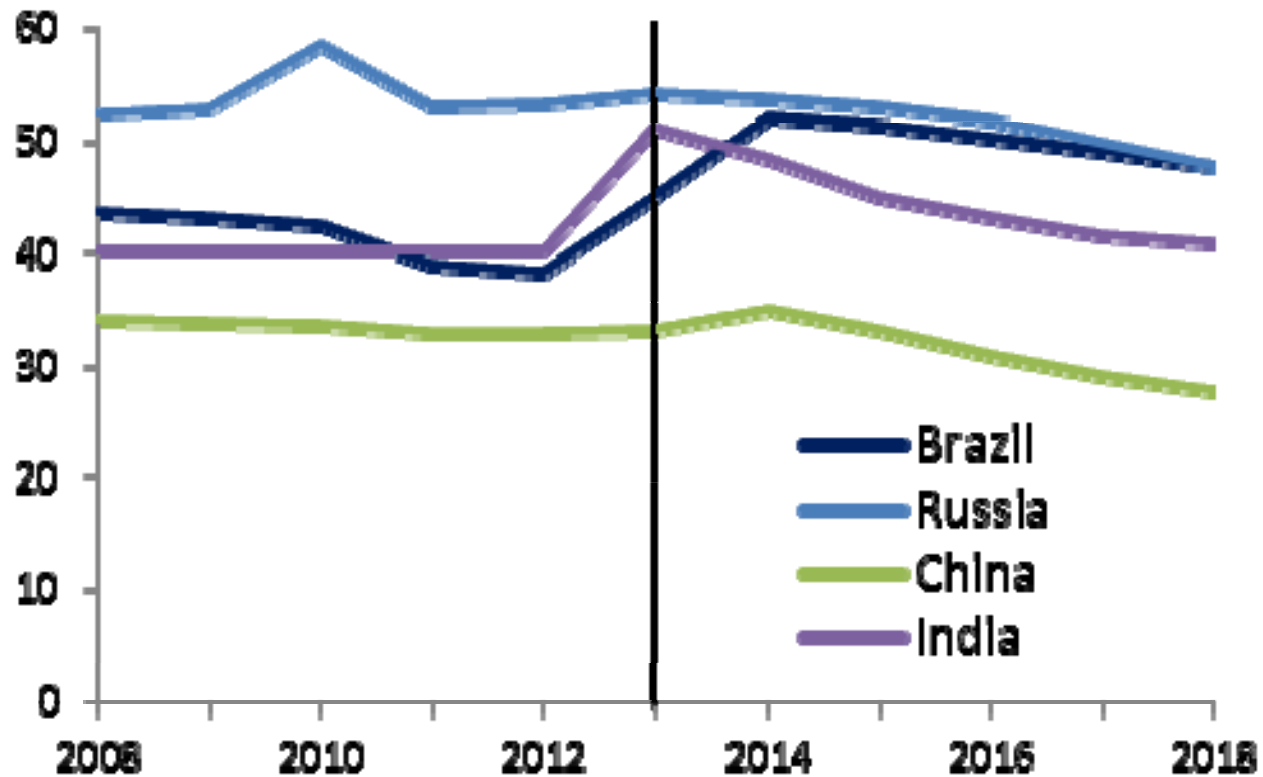
The Euro Zone (and the UK)

Little hope of growth ?

# BRICs - Overall risk fairly stable at 2013 levels

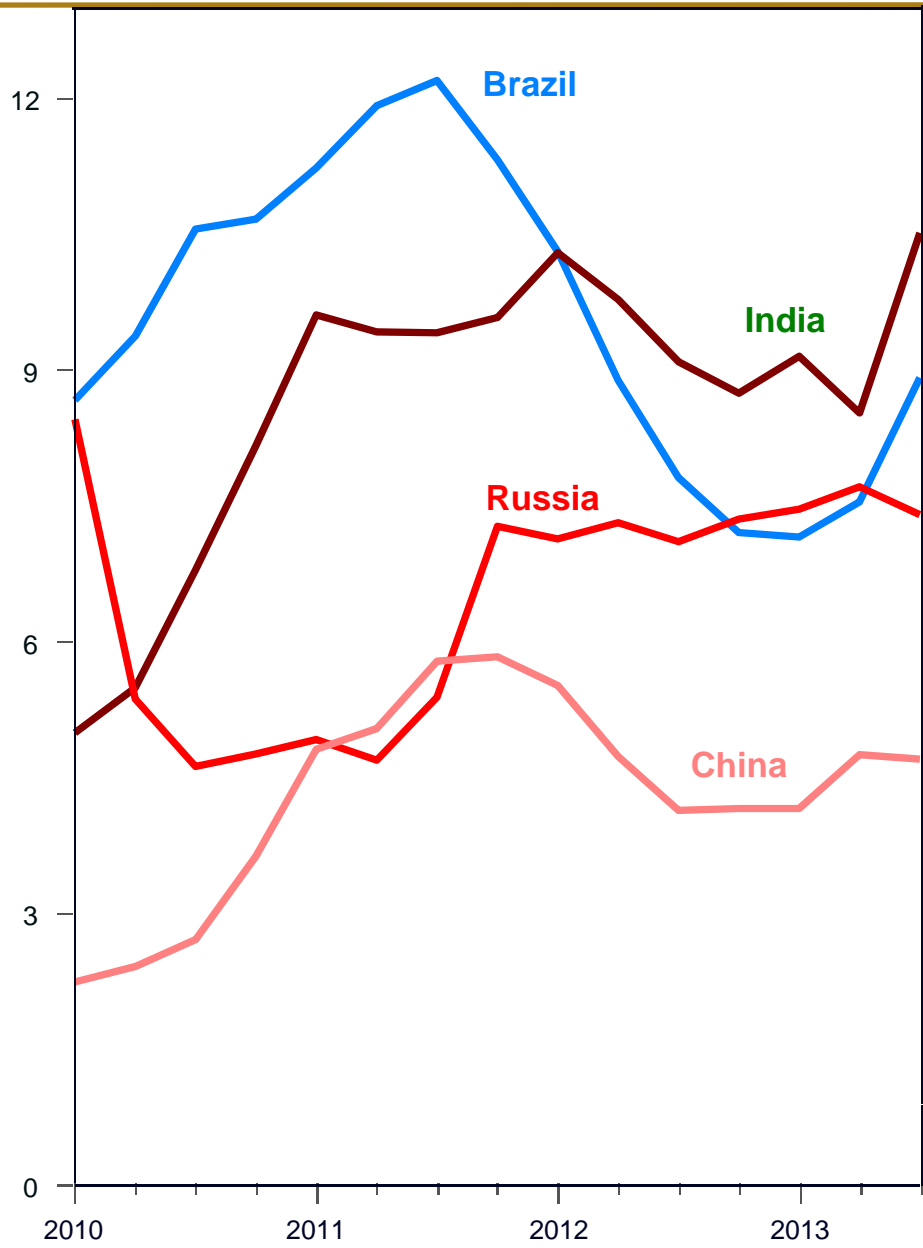
## BRICs: OE risk Index

100=highest risk



Source: Oxford Economics

# BRIC's Short-term Interest Rates

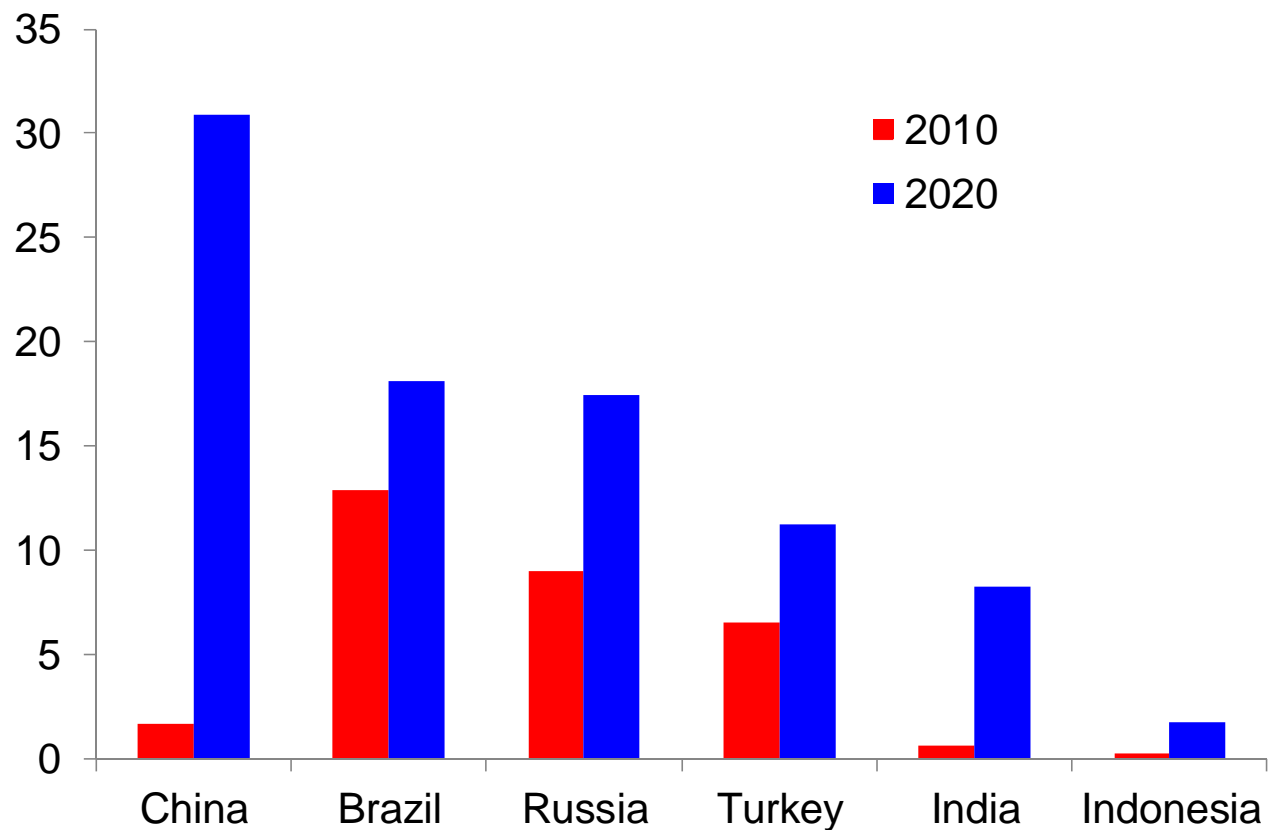


# EM : Middle class still growing

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## Households with an income greater than US\$30,000

Number of households, millions

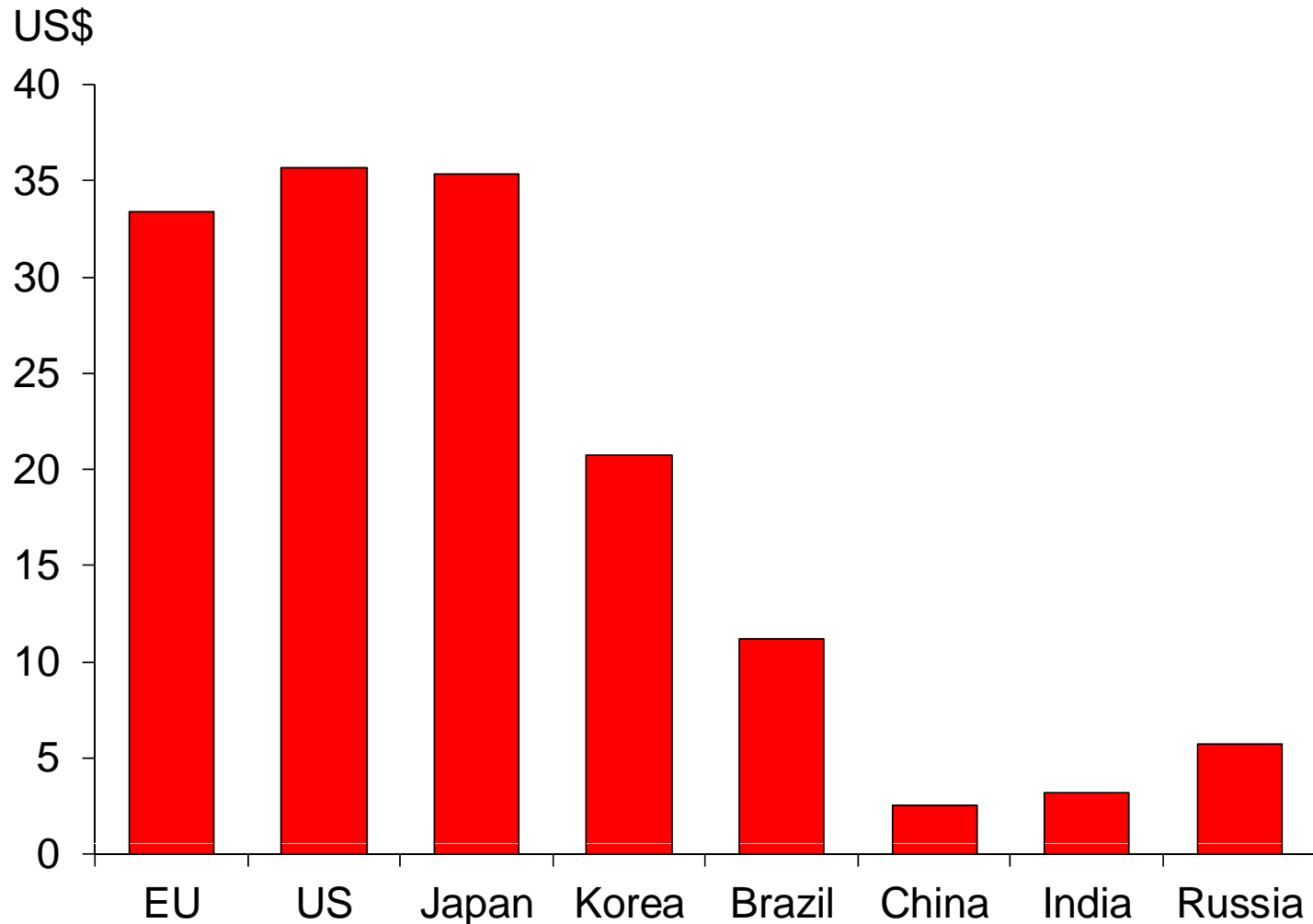


Source: Oxford Economics

# EM - Labor costs remain low

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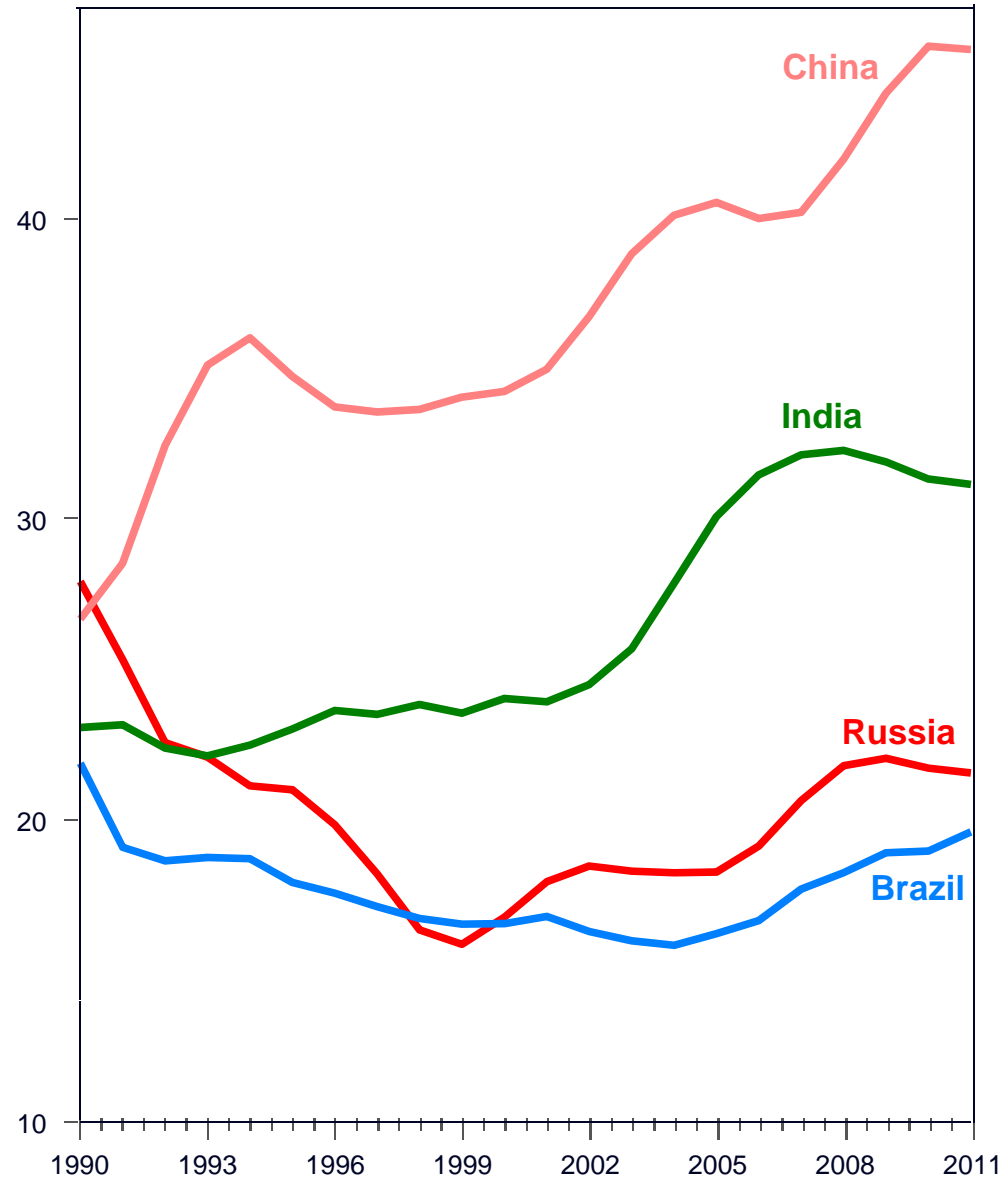
## Hourly labour costs in manufacturing in 2012





# BRIC: Gross Fixed Investment

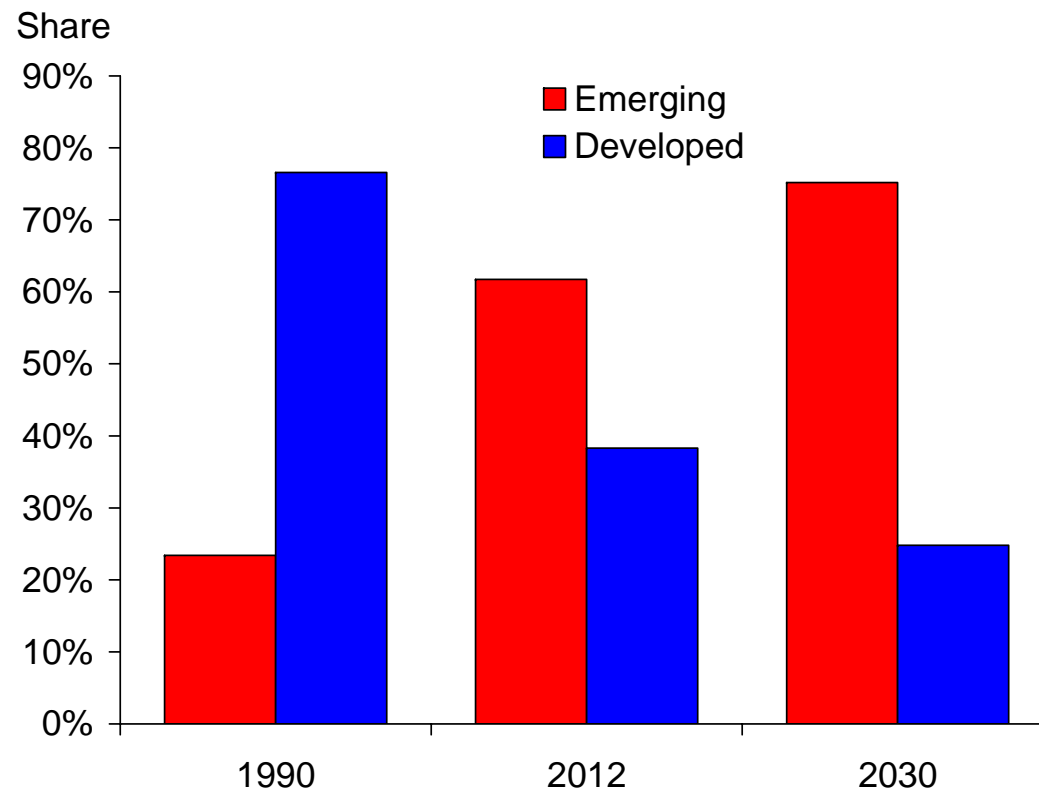
(in per cent of GDP; 3 year moving average)



# EM to account for larger share of global BM output

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## World basic metals shares

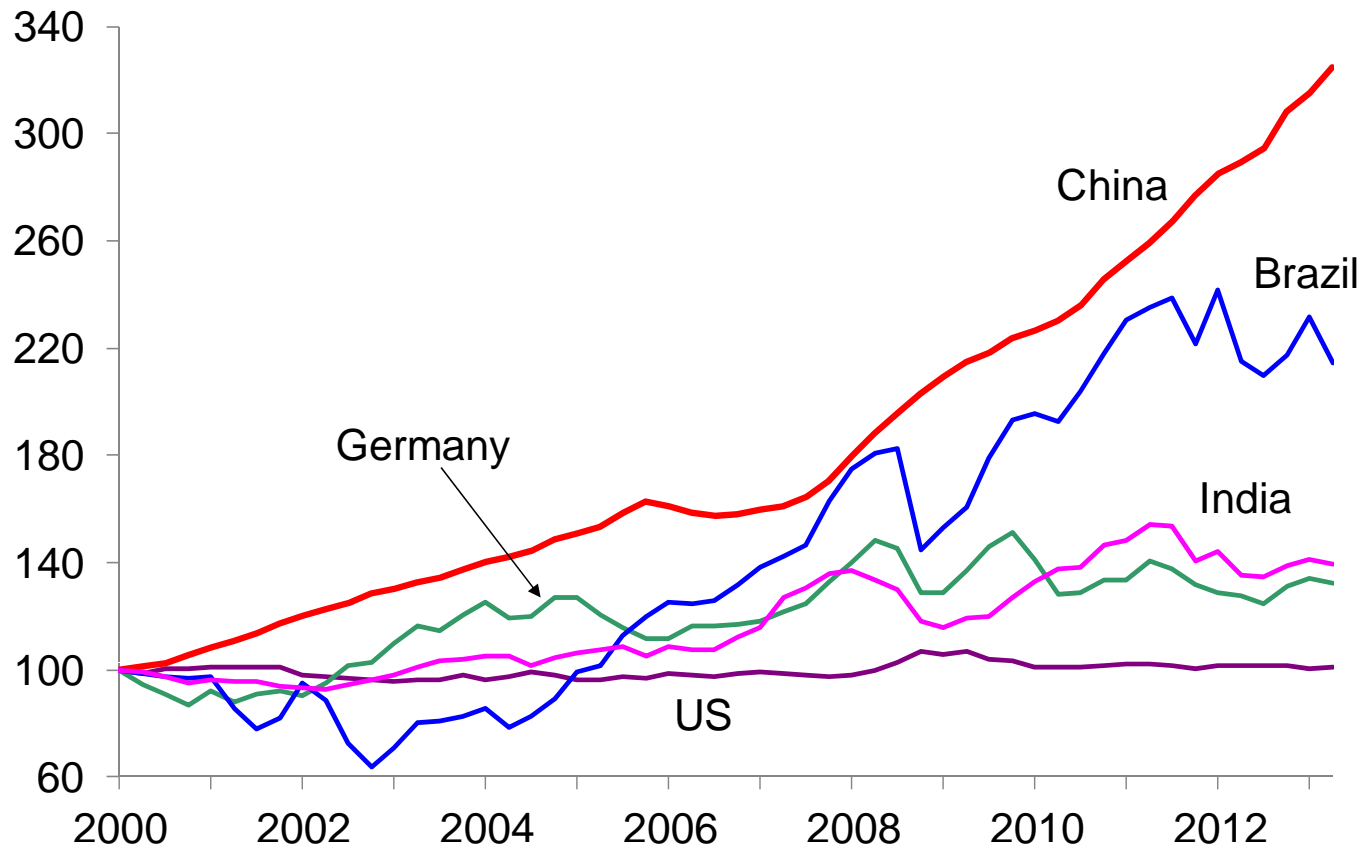


Source: Oxford Economics Industry Service -

# BRIC Competitiveness being eroded

## Unit labour costs in manufacturing in US\$

2000 Q1 = 100



Source : Oxford Economics

# From the Strongest to the Weakest

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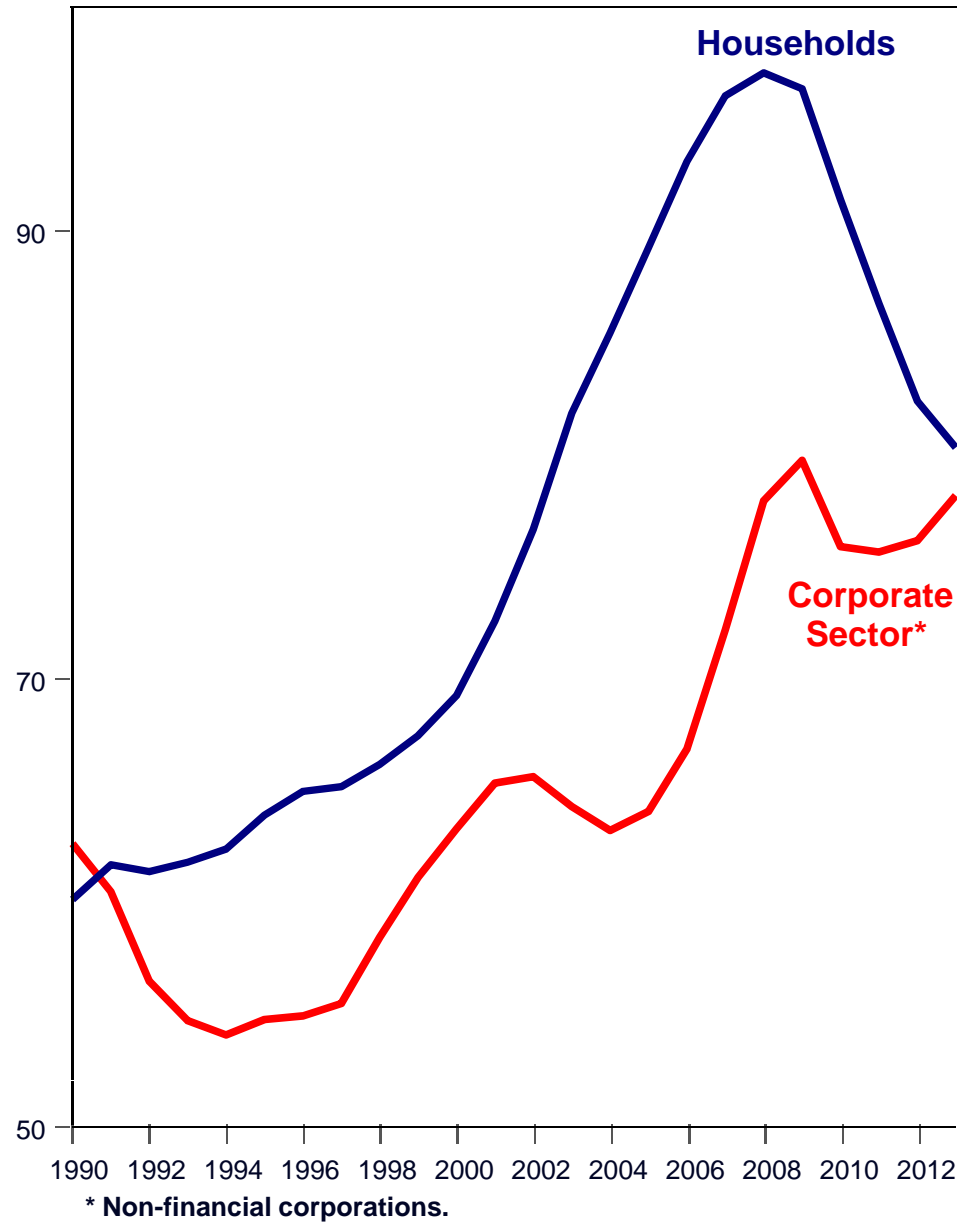
**The USA**      **Will it surge again ?**

Japan              Some hope of growth ?

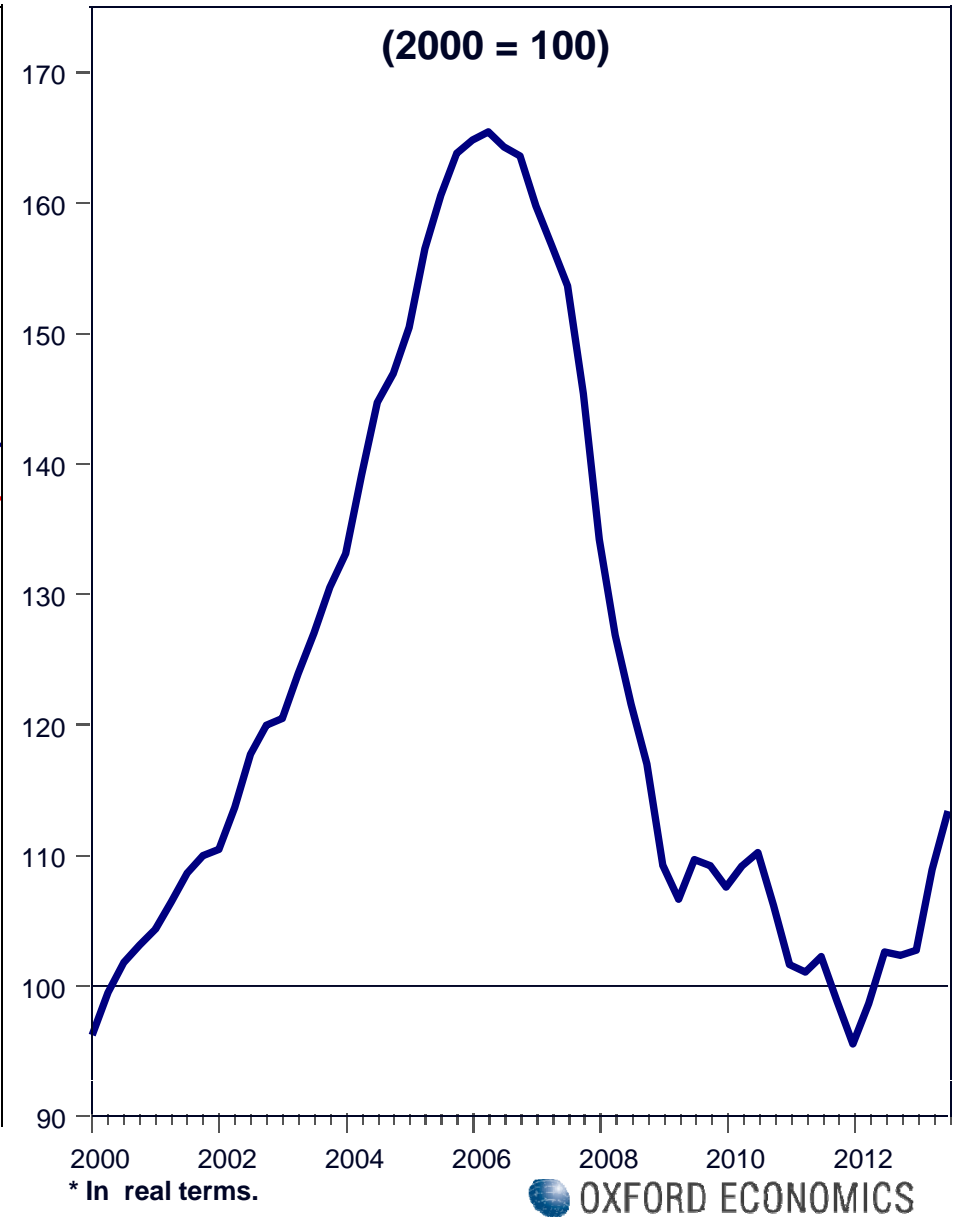
The Euro Zone (and the UK)

Little hope of growth ?

# US Debt/GDP Ratios

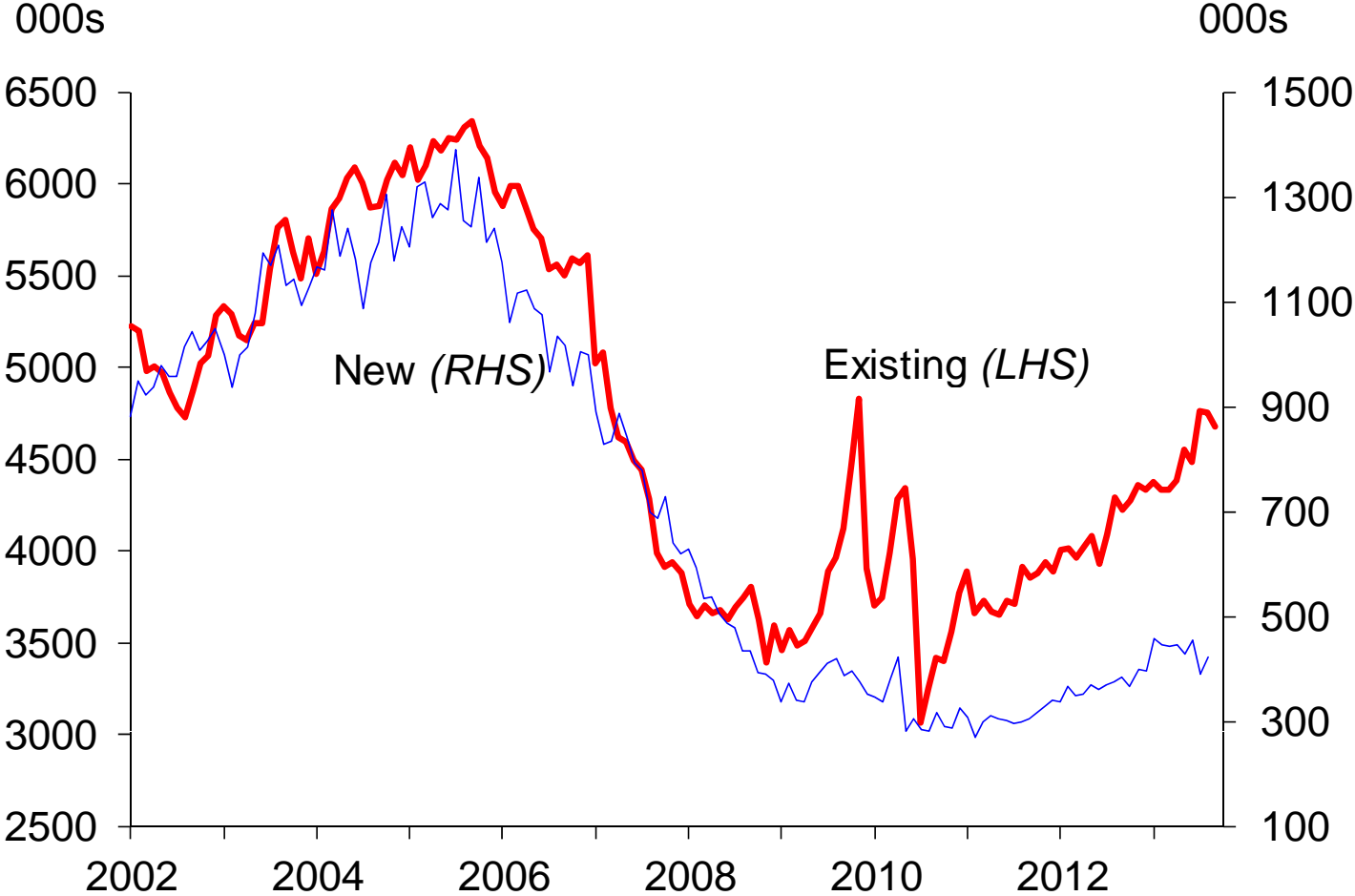


# US House Prices\*



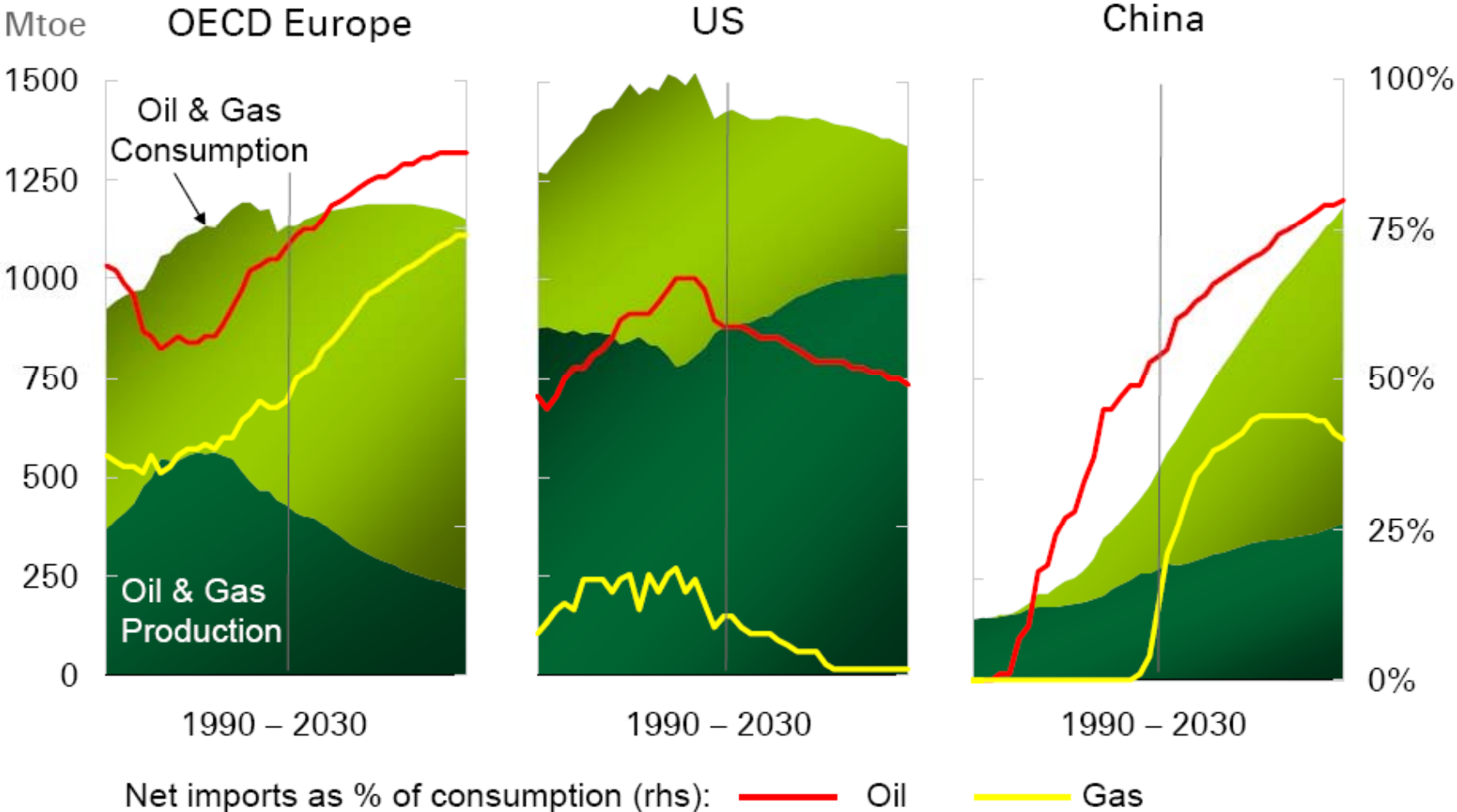
# US construction activity strengthening

## US: Single-family home sales



Source: Census Bureau, NAR/Haver Analytics

# Shale boom helping US competitiveness

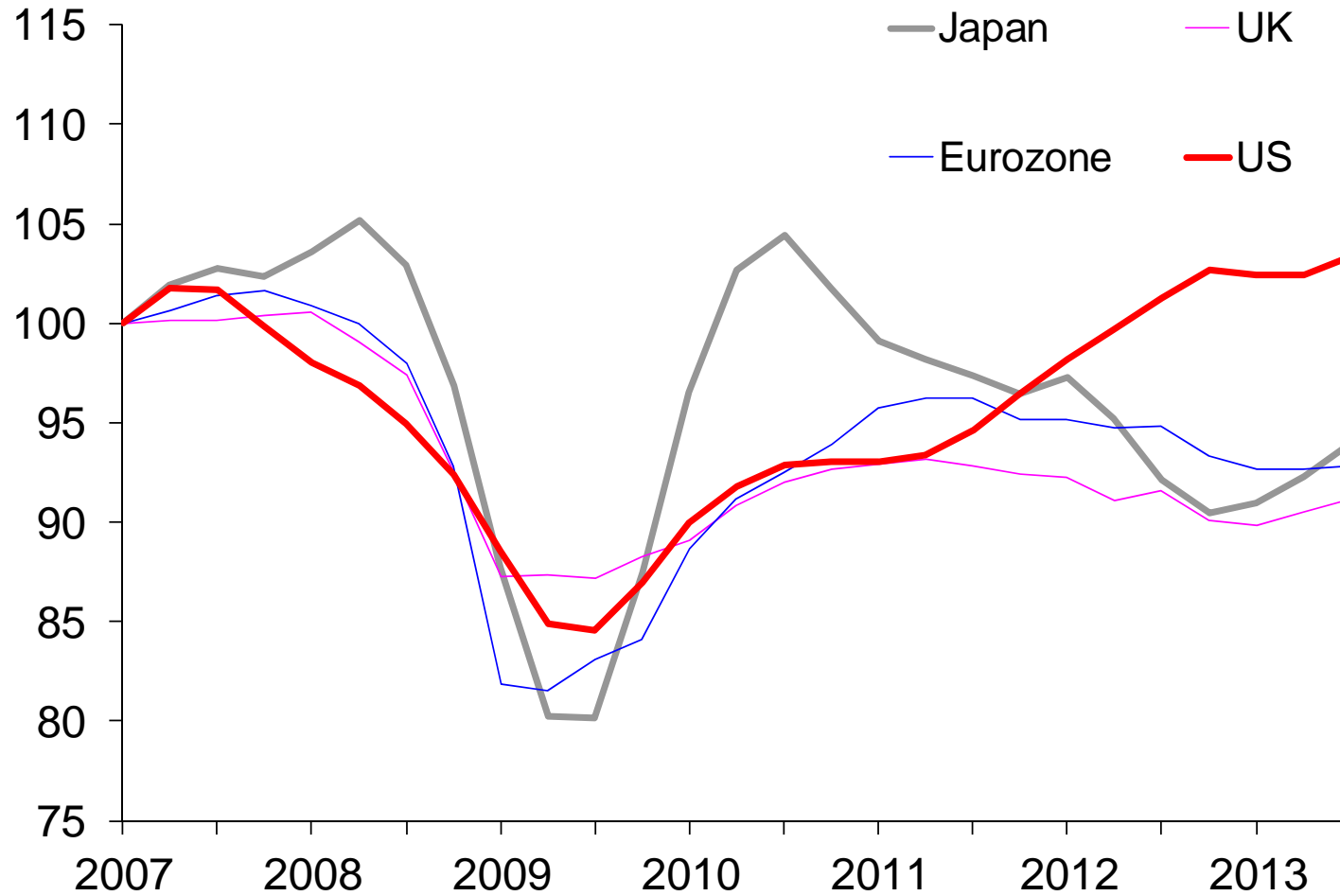


Source: BP

# US manufacturing recovering nicely

## Manufacturing Production

Index: 2007Q1 = 100





# From the Strongest to the Weakest

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# Japan's New Economic Policy

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## Main thrust (Three Arrows)

- double the monetary base in two years
- provide a large fiscal stimulus
- enact significant reforms

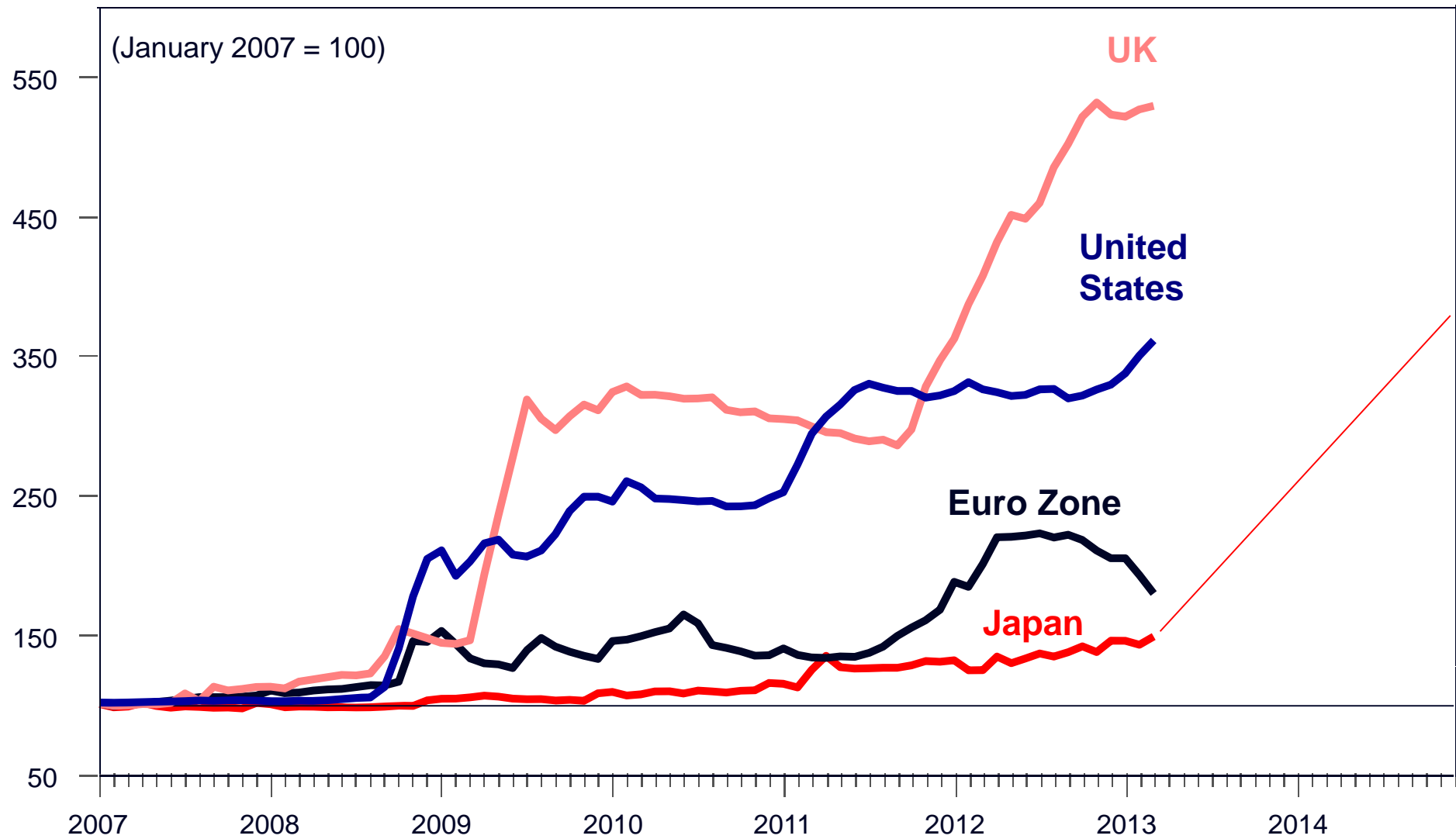
## Main aims

- raise inflationary expectations
- restore economic growth
- raise equity prices
- lower the exchange rate

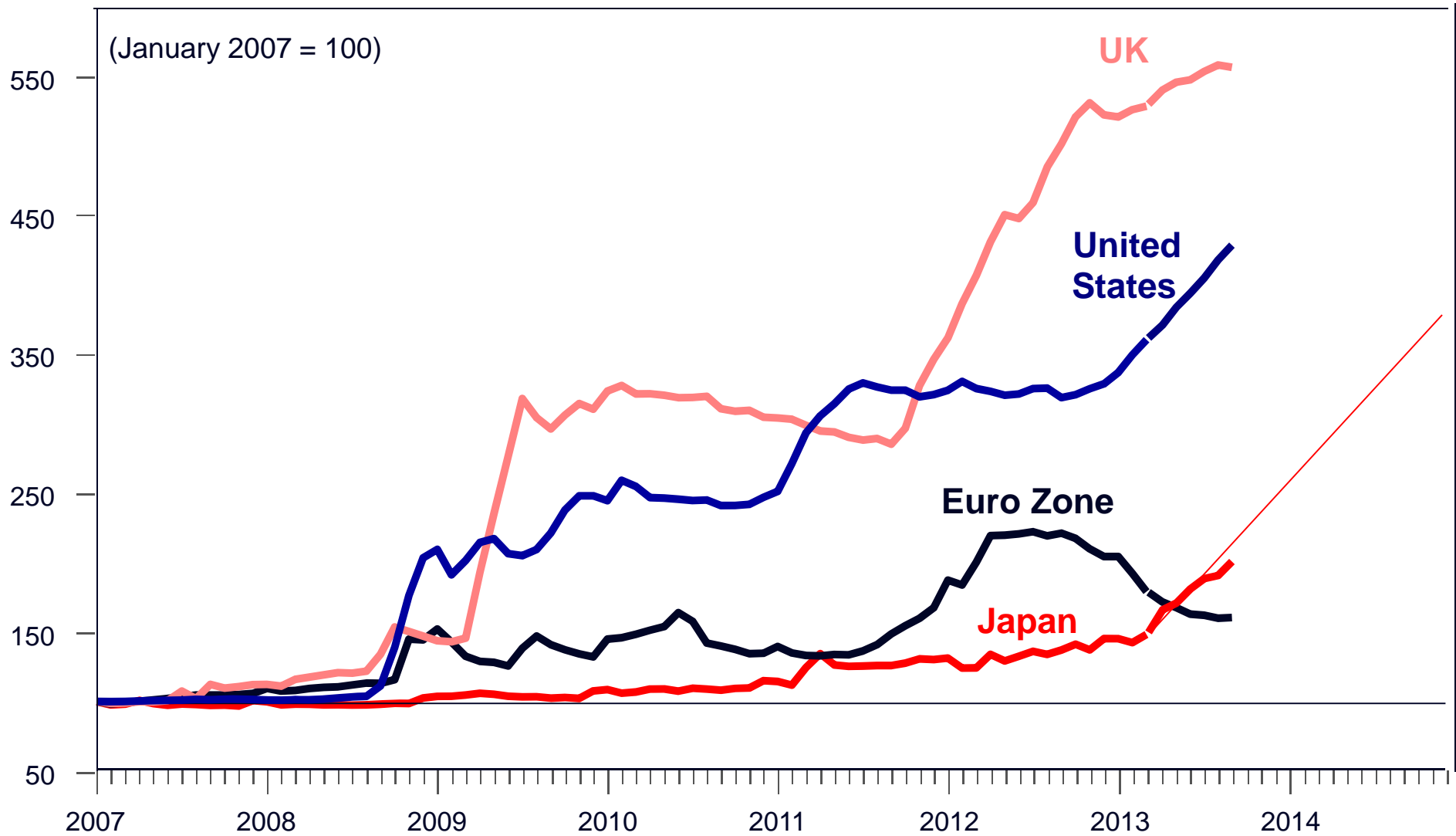
## Main risks

- higher government bond yields (though the BoJ will buy massive amounts of long-term bonds)
- raising the consumption tax in 2014

# Monetary Base



# Monetary Base



# Global Growth supports World Trade

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<b>World GDP Growth</b>				
<b>% Change on Previous Year</b>				
	2012	2013	2014	2015-2018
US	2.8	1.7	2.6	3.1
Japan	1.9	1.8	1.6	1.0
Eurozone	-0.6	-0.5	0.9	1.6
China	7.7	7.6	7.3	7.2
India	5.1	4.1	4.3	6.4
Russia	3.4	1.4	2.8	3.2
Brazil	0.9	2.6	1.9	3.2
MENA	4.3	3.7	4.4	4.8
World	2.4	2.1	2.8	3.3
World, at PPP	3.1	2.8	3.5	4.1
World Trade	2.4	2.5	5.1	5.9

# From the Strongest to the Weakest

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**The BRICs**

**Slowdown is inevitable but still high growth**

**The USA**

**It will surge again if it sorts out its fiscal problems**

**Japan**

**Some hope of (slow) growth but challenging experiment**

**The Euro Zone (and the UK)**

**Little hope of growth ?**