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global economic development– today, soon and tomorrow

Ingrid Bengtsson-Rijavec

"There is a clear consensus that the future now emerging will be extremely different from anything we have ever known in the past. It is a difference not of degree but of kind."

Al Gore

Malmö University in numbers

- Founded in 1998
- 24,000 students
- 1,700 employees
- 80 professors
- 400 doctoral-level teachers
- 230 PhD students
- 100 degree programmes and 350 courses
- 500 international peer-reviewed articles
- 160 million Euro turnover

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Five faculties:
The Faculty of Health and Society
The Faculty of Culture and Society
The Faculty of Education and Society
The Faculty of Technology and Society
The Faculty of Odontology

Five research centres:

- Biofilms – Research Center for Biointerfaces
- Centre for Sexology and Sexuality Studies
- Centre for Work Life and Evaluation Studies
- Malmö Institute for Studies of Migration, Diversity and Welfare
- Internet of Things and People Research Center

What do you mean?

- Gross domestic product (GDP)
- Purchasing power parity (PPP)
- G7 – US, UK, France, Germany, Japan, Canada, Italy
- E7 – China, India, Indonesia, Brazil, Russia, Mexico, Turkey
- EU 27 –European Union countries except for the UK
- G20 - Group of Twenty Finance Ministers and Central Bank Governors

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Gross domestic product (GDP) is one of the most important socio-economic measures. GDP is the market value of all goods and services produced in a country during one year. Although GDP is not a perfect measure, it reflects the size of an economy. The most common way of describing economic growth is to state the increase of GDP over time.

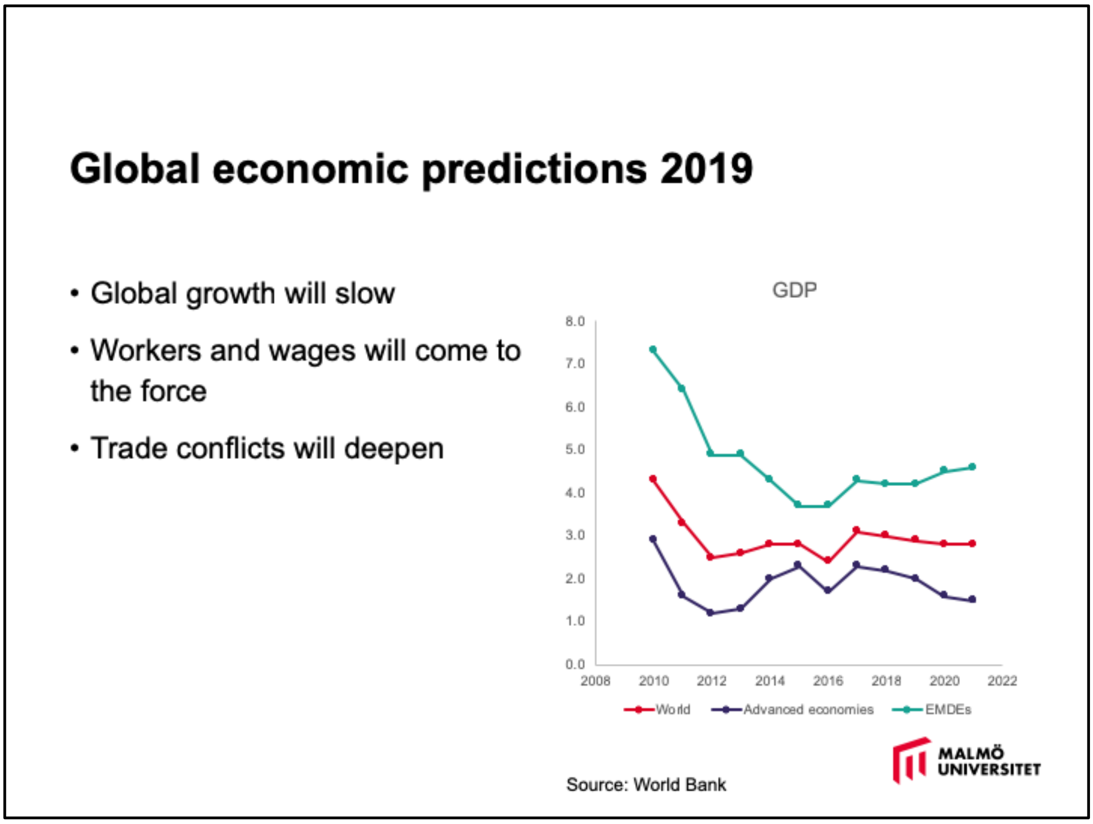
PPP is GDP adjust for price level differences across countries.

G7 also called Group of Seven is an informal group consisting of seven of the world's largest industrialized economies:

E7 emerging countries

EU 27 is the European Union except UK

G20 Group of Twenty Finance Ministers and Central Bank Governors – Argentina, Australia, Brazil, EU, France, India, Indonesia, Italy, Japan, Canada, China, Mexico, Russia, Saudi arabia, UK, South Africa, Southcorea, Turkey, Germany and US



We can se that GLOBAL GROWTH WILL SLOW : The global economy enjoyed a mini-boom between the end of 2016 and early 2018, when growth picked up in most major economies. This phase is now over, and in 2019 the G7 economies expectes to return to growth rates close to their long-run averages. About 1,6 or 1,7%.

In the **US**, the boost from fiscal stimulus is likely to fade, higher interest rates may dampen consumer spending and a strong dollar could continue to drag on net exports. Growth excpects to moderate from an estimated 2.8% in 2018 to around 2.3% in 2019.

In **the Eurozone** uncertainty relating to global trade tensions and the effects of Brexit in the UK has a dampening effect on growth.

Growth in **China** is also expected to slow relative to 2018. For a long time we have hade growth rates of 13-15% yearly. Chinese growth has gone from being investment-dependent to becoming consumer-driven. Together with weaker global demand and overcapacity in parts of the domestic economy, this has meant that growth has stopped at a lower level for China.

Emerging market currencies could come under periodic pressure from a strong US dollar, but this effect is likely to lessen later in the year, when it will become more evident that the US economy is slowing.

WORKERS AND WAGES WILL COME TO THE FORCE: Labour markets in **advanced economies** are likely to continue to tighten, even if job creation slows. This may push up wages, but cause problems for businesses looking to fill talent shortages. In 2019 unemployment rates expectes to fall a little further in the **US and Germany**, where the rates of job creation have remained strong.

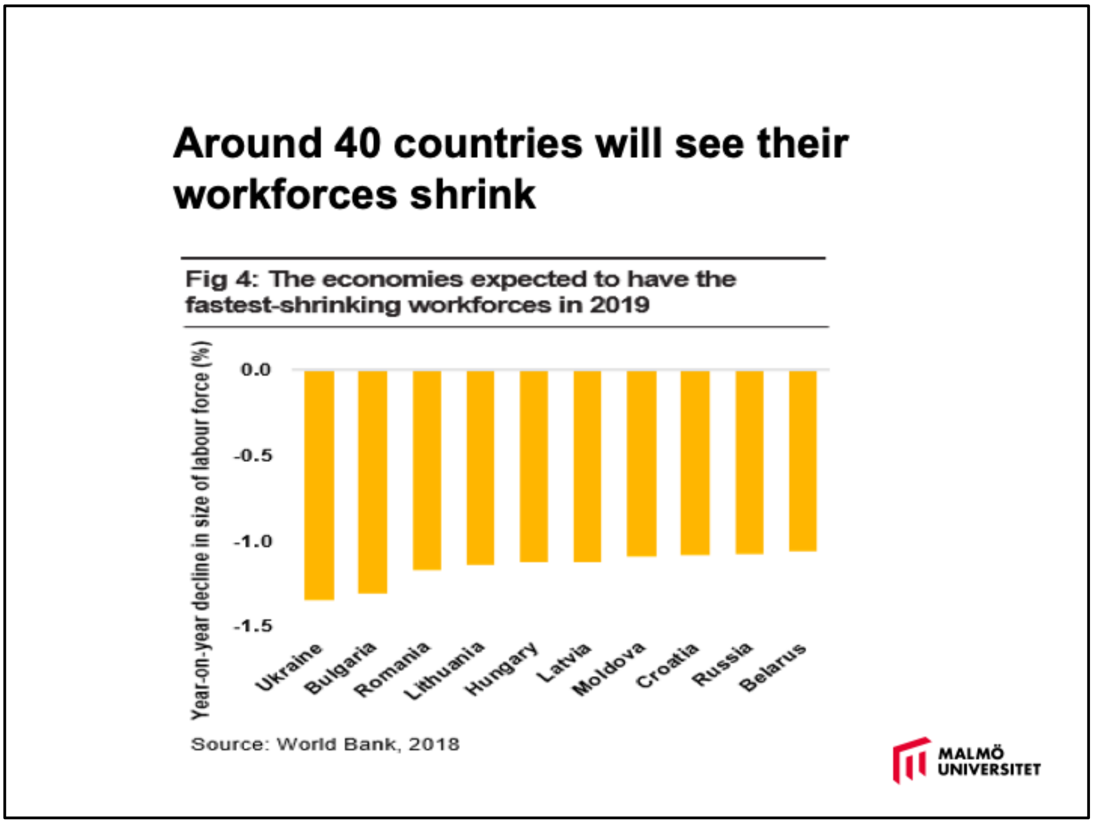
But many other economies could show evidence of **hitting structural floors**. There is already evidence of this in Canada, where unemployment reached a 40-year low of 5.8% in late 2017 but has failed to fall any further, triggering an acceleration in wage growth.

Other economies, such as the Netherlands, Denmark and Belgium are approaching their respective floors, with the pace of decline in joblessness slowing sharply.

Assuming an orderly Brexit, by end-2019, the UK may also see unemployment flattening off at around current levels, though a disorderly 'no deal' could lead to a marked rise in unemployment.

TRADE CONFLICTS WILL DEEPEN: Trade wars will be expected to continue in 2019. This is likely to generate further uncertainty for policymakers and businesses. The former will try to assess the impact of potential tariffs on growth and inflation, while the latter will attempt to mitigate the impact on their supply chains and customers.

The main focus of tensions is likely to remain US-China trade, but there will always be the risk of this escalating into a wider trade conflict.



Thirty years ago, it generally required war or major civil unrest for a country's working-age population to shrink. This occurred in only a handful of states, such as Liberia and parts of former Yugoslavia. But in each decade since, the number of such economies has risen, to 16 in 1999 and an estimated 39 in 2018, due to ageing populations and below replacement fertility levels.

According to World Bank data, seven of the G20 countries have declining workforces, in addition to other major economies such as Austria, Portugal and Spain. But the global nexus of the declining labour force remains Eastern Europe.

Having fewer workers is problematic for an economy. Productivity has to rise more quickly just to keep output flat. Government funding must be sourced from fewer contributors. And if the shrinking labour force is caused by an ageing society, there are more pensioners who need to be supported in their old age.

What could be the biggest risks to the global economy in 2019?

- The biggest economic risks will emerge in those areas where investors think recent patterns are unlikely to change.
- Growth recession in China
- A rise in the long-term real interest rate
- Political chaos in the US
- Brexit
- Shaky banks in Italy
- … don't expect the economy to crash in 2019, but be prepared for a possible recession

Over the course of this year and next, the biggest economic risks will emerge in those areas where investors think recent patterns are unlikely to change. They will include a growth recession in China, a rise in global long-term real interest rates and a crescendo of populist economic policies that undermine the credibility of central bank independence, resulting in higher interest rates on "safe" advanced-country government bonds.

One of the biggest risk is a **Growth recession in China,** We have already seen a slow down in the Chinese growth caused by a transision from export- and investment-led growth to more sustainable domestic consumption-led growth.

How much the Chinese economy will slow is an open question; but, given the inherent contradiction between an ever-more centralised Party-led political system and the need for a more decentralised consumer-led economic system, long-term growth could fall quite dramatically.

Any significant growth recession in China would hit the rest of Asia hard, along with other emerging economies. Nor would Europe – and especially Germany – be spared. Although the US is less dependent on China, the trauma to financial markets and politically sensitive exports would make a Chinese slowdown much more painful than US leaders seem to realise.

An other risk is if, after many years of trend decline, global long-term real interest rates reversed course and rose significantly.

The most likely cause of higher global real interest rates is the explosion of populism across much of the world. A populist policy that doesn´t take the debt levels seriously.

If policymakers rely too much on debt (as opposed to higher taxation on the wealthy) in order to pursue progressive policies that redistribute income, it is easy to imagine markets coming to doubt that countries will grow their way out of very high debt levels. Investors' scepticism could well push up interest rates to uncomfortable levels.

High debt levels make it more difficult for governments to respond aggressively to shocks as a financial crisise, a cyber attack, a pandemic or a trade war.

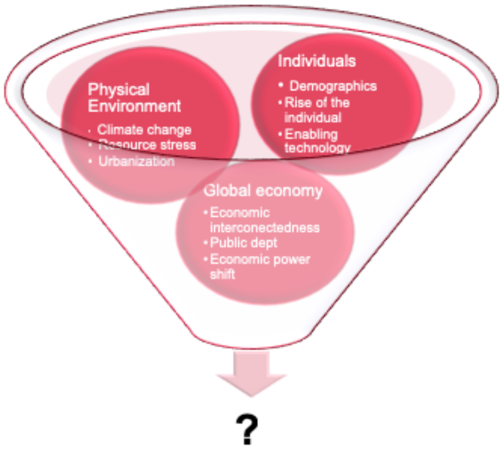
One factor that could cause global rates to rise, on the benign side, would be a spurt in productivity, for example, if the so-called Fourth Industrial Revolution starts to affect growth much faster than is currently anticipated. This would of course be good overall for the global economy but it might greatly strain lagging regions and groups.

Of course, there are many other risks to global growth, including ever-increasing political chaos in the US, a messy Brexit, Italy's shaky banks and heightened geopolitical tensions.

But these outside risks do not make the outlook for global growth necessarily grim. The baseline scenario for the US is still strong growth. Europe's growth could be above trend as well, as it continues its long, slow recovery from the debt crisis at the beginning of the decade. And China's economy has been proving doubters wrong for many years.

So 2019 could turn out to be another year of solid global growth. Unfortunately, it is likely to be a nerve-racking one as well. But don't expect the economy to crash in 2019, but be prepared for a possible recession

The world economy's operating system is being rewritten - Trends reshaping the world



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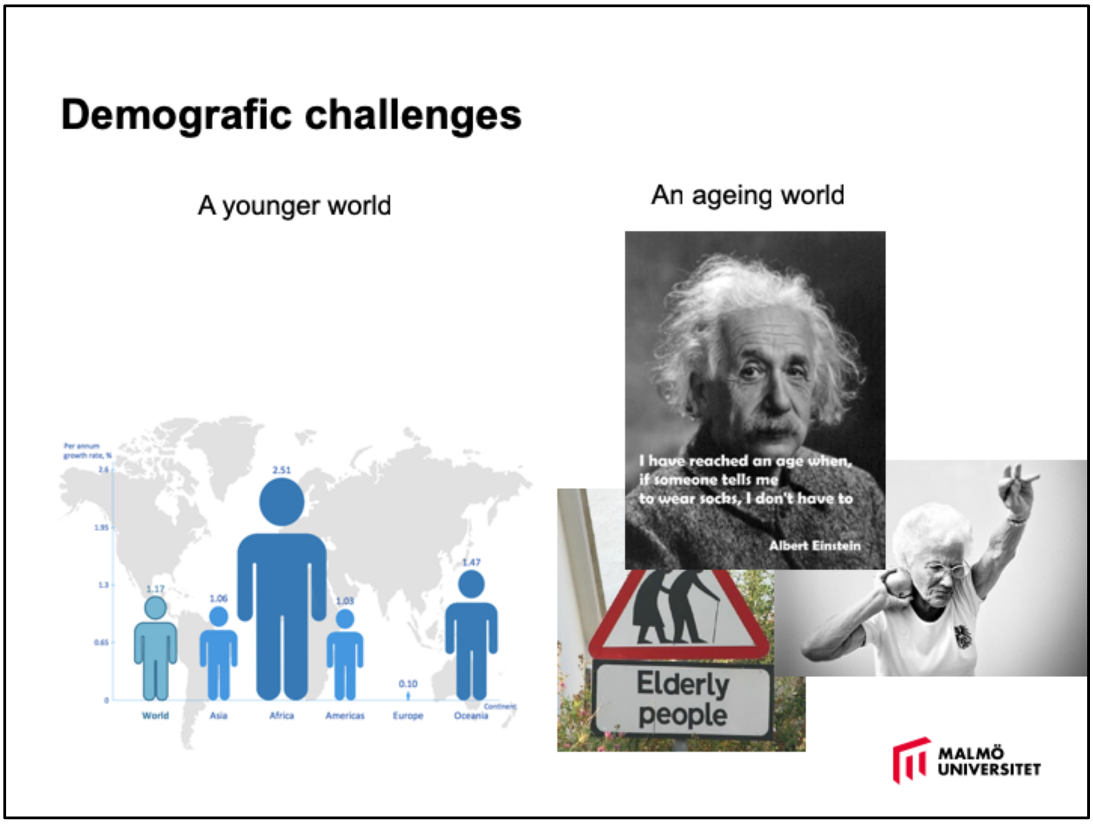


Higher life expectancy and falling birth rates are increasing the proportion of elderly people across the world, and challenging the solvency of social welfare systems including pensions and healthcare.

Some regions are also facing the challenge of integrating large youth populations into saturated labor markets.

By 2030, the number of people aged 65 and older will double to 1 billion globally, causing concerns with overall labor market productivity and the ability of existing fiscal systems to withstand the pressures of aging.

In contrast, many developing countries are simultaneously experiencing a youth explosion, creating opportunities for ‘demographic dividends’ for governments that can overcome the challenges of successfully integrating younger citizens into the workforce.

Just to challenge you, I'll give you some key figures that will make you understand what impact the demographic challenge has on the economy:

By 2030, population aging will drive up health and pension spending by a projected: 4.4% of GDP in developed countries 3.2% of GDP in developing countries.

1 million young people in India will enter the labor force every month for the next 20 years

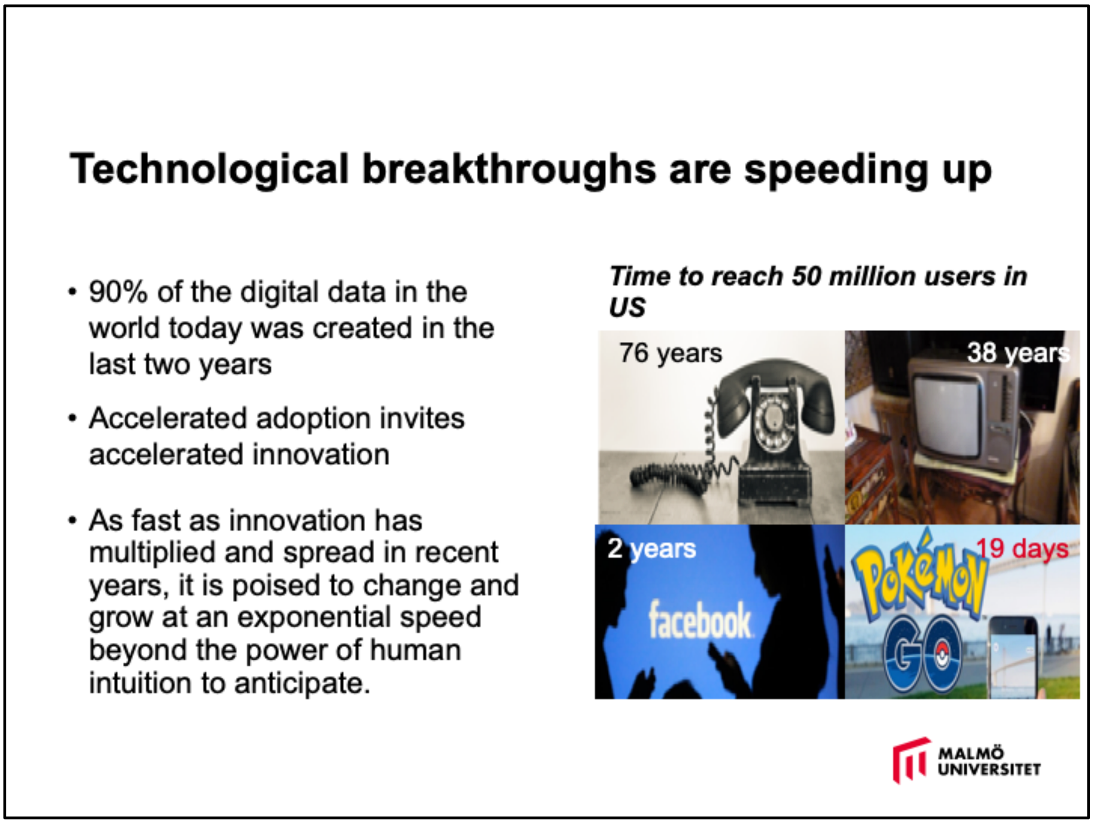
60% of the world's population will be middle class by 2030, compared to 27% in 2009. 80% of the global middle class will reside in developing regions compared to 58% in 2010

In Europe, the decline in the working age population will be particularly acute. For every four working age people per elderly person in 2015 there'll be just two by 2050.

Thirty years ago, only a small share of the global population lived in the few countries with fertility rates below those needed to replace each generation—2.1 children per woman. But by 2013, about 60 percent of the world's population lived in countries with fertility rates below the replacement rate. This is a sea change. The European Commission expects that by 2060, Germany's population will shrink by one-fifth, and the number of people of working age will fall from 54 million in 2010 to 36 million in 2060.

Addressing that shortfall will require greater workforce participation by two groups: women and the elderly themselves.

According to the International Monetary Fund (IMF), just having as many women in the labor force as men could boost economic growth by 5% in the US, 9% in Japan and 34% in Egypt.



We've recently witnessed rapid change in the technological arena. Technology—from the printing press to the steam engine and the Internet—has always been a great force in overturning the status quo. The difference today is the sheer presence of technology in our lives and the speed of change.

As an example e could see that it took 76 years for the phone to reach 50 million users in the US. It took 38 years for the television to reach 50 million users. 2 years for Facebook an 19 days for Pokemon Go to reach 50 million users.

Much like Japan and Korea did a few decades ago, China and India are moving up the food chain, as we can see from the growing share of new global patents taken out by Chinese companies – which in 2014 filed for more patents than those from the US and Japan combined.

Artificial intelligence and robotics are reinventing the workforce. Drones and driverless cars are transforming supply chains and logistics. And changing preferences and expectations – most notably in the millennial generation.

Accelerated adoption invites accelerated innovation. In 2009, two years after the iPhone's launch, developers had created around 150,000 applications. By 2014, that number had hit 1.2 million, and users had downloaded more than 75 billion total apps, more than ten for every person on the planet.

Technology offers the promise of economic progress for billions in emerging economies at a speed that would have been unimaginable without the mobile Internet. Twenty years ago, less than 3 percent of the world's population had a mobile phone; now two-thirds of the world's population has one, and one-third of all humans are able to communicate on the Internet.

Technology allows businesses such as WhatsApp to start and gain scale with stunning speed while using little capital.

Entrepreneurs and start-ups now frequently enjoy advantages over large, established businesses. The furious pace of technological adoption and innovation is shortening the life cycle of companies and forcing executives to make decisions and commit resources much more quickly. The courage to adopte and see possibilities in new technology will be the new survival of the fittest.

Rapid urbanisation - Countries are becoming much more urbanized

- City populations are growing by 65 milion every year
- 440 cities in emerging markets will account for nearly half of global GDP growth by 2025
- 2.5 billion people will live in Asians cities by 2025
- By 2025 46 of the world´s 200 top cities will be in China
- Emerging economies are becoming major forces.

Emerging markets are going through simultaneous industrial and urban revolutions, shifting the center of the world economy east and south at a speed never before witnessed.

As recently as 2000, 95 percent of the Fortune Global 500—the world's largest international companies including Airbus, IBM, Nestlé, Shell, and The Coca-Cola Company, to name a few—were headquartered in developed economies. By 2025, China will be home to more large companies than either the United States or Europe, we expect nearly half of the world's large companies—defined as those with revenue of $1 billion or more—to be headquartered in emerging markets.

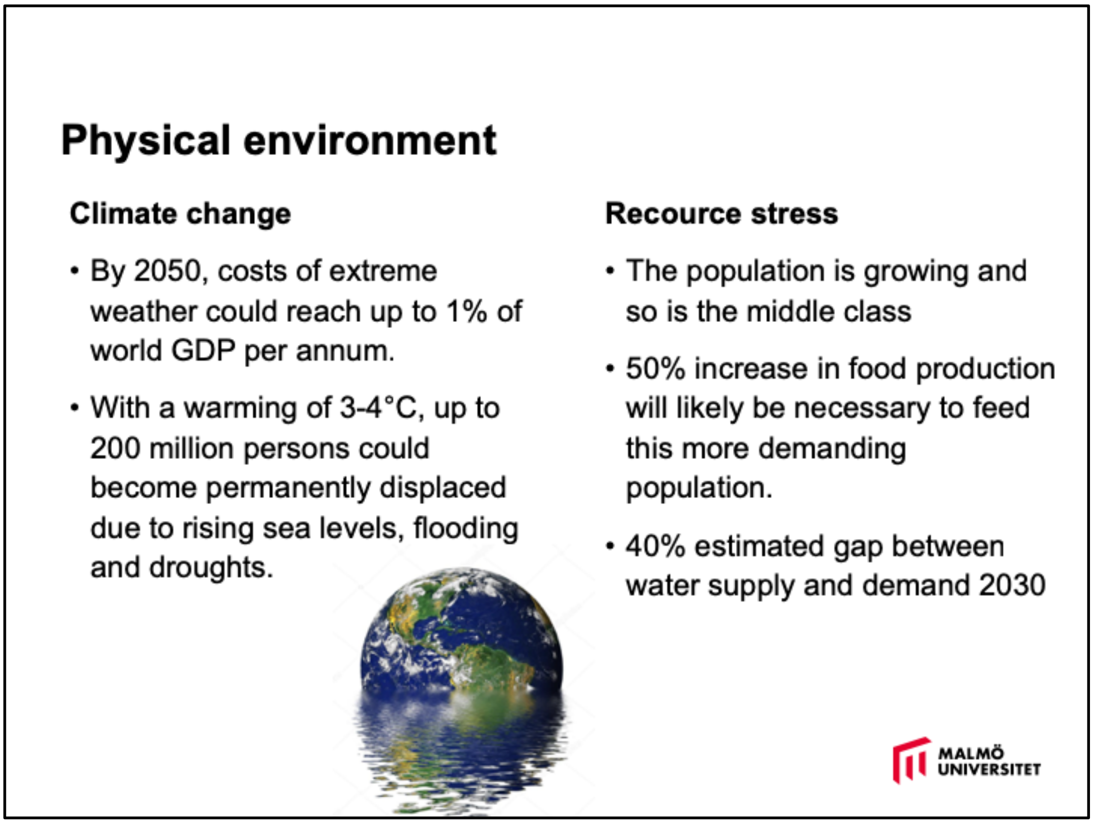
Emerging economies are becoming major forces. By 2050 emerging economies are taking a larger share of the world economy. 1/3 today and 50% by 2050

2.5 billion people will live in Asians cities by 2025 – that´s half of all urbanites in the world

By 2025 46 of the world´s 200 top cities will be in China. The number of megacities (population 10+ million) will increase from 20 today to 37 in 2025.

The growth of the urban consumer class will increase with 150% in annual consumption in emerging markets 2030 compared to 2010.

By 2050, at current rates of urbanization, the world will be two-thirds urban and one-third rural. Most of that growth will occur in Asia and Africa. Those regions are expected to receive an additional 1 million inhabitants every week for the next 40 years



The combined pressures of population growth, economic growth and climate change will place increased stress on essential natural resources including water, food, arable land and energy.

These issues will place sustainable resource management at the center of government agendas. By 2030, significant changes in global production and consumption, along with the cumulative effects of climate change, are expected to create further stress on already limited global resources.

Stress on the supply of these resources directly impacts the ability of governments to deliver on their core policy pillars of economic prosperity, security, social cohesion and environmental sustainability.

Both growing demands and unstable production patterns due to climate change will cause global food prices to double between 2010 and 2030.

The International Energy Agency projects an approximate 40% increase in global energy demand by 2030 driven by economic growth population growth and technological advancements

If nothing is done and we are living in a business as usual scenario about 1 billion more people will live in areas of water stress by 2030.

Global flows – the volume of trade, finance, people and data are increasing

- Global flows contribute $250 billion to $450 billion to yearly GDP growth
- Global growth in trade is projected to continue at approximately 5% annually through to 2030
- Highly connected countries can see 40% more GDP than the least connected
- Asia's share of global exports is expected to nearly double to 39% by 2030

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Interests, opinions, experiences and even consumer goods can now be shared with others more easily than ever

Trade and finance have long been part of the globalization story but, in recent decades, there's been a significant shift. Instead of a series of lines connecting major trading hubs in Europe and North America, the global trading system has expanded into a complex, intricate, sprawling web.

Asia is becoming the world's largest trading region. "South–south" flows between emerging markets have doubled their share of global trade over the past decade. The volume of trade between China and Africa rose from $9 billion in 2000 to $211 billion in 2012. And Asia's share of global exports is expected to nearly double to 39% in 2030.

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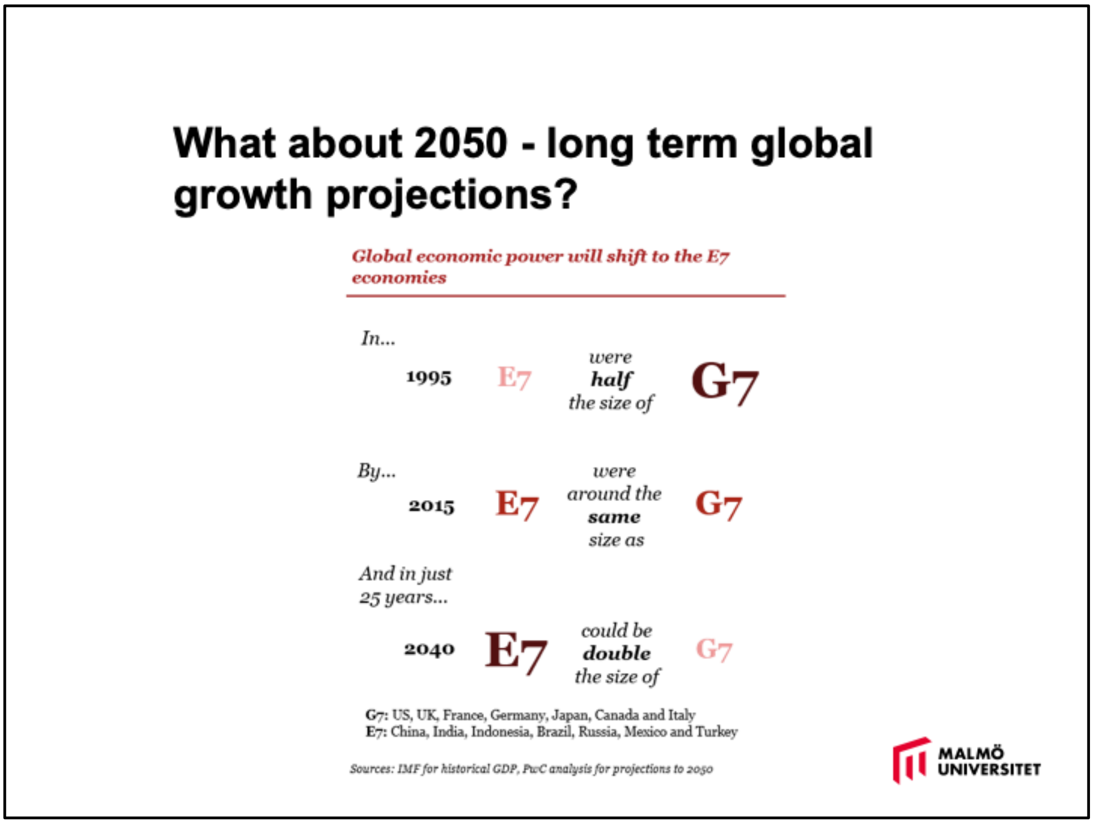

PriceWaterhouseCooper made a report that sets out a long-term global growth projections to 2050 for 32 of the largest economies in the world, accounting for around 85% of world GDP.

They assume broadly growth-friendly (but not perfect) policies and no major civilisation-threatening global catastrophes (e.g. nuclear war, asteroid collisions) over the period to 2050.

How will the global economic order change by 2050?

- The world economy could more than double in size by 2050,
- Emerging markets (E7) could grow around twice as fast as advanced economies (G7) on average
- Six of the seven largest economies in the world are projected to be emerging economies in 2050
- The EU27's share of world GDP could fall below 10% by 2050

Emerging markets will dominate the world's top 10 economies in 2050 (GDP at PPPs)

	2016	2050	
China	1	1	China
US	2	2	India
India	3	3	US
Japan	4	4	Indonesia
Germany	5	5	Brazil
Russia	6	6	Russia
Brazil	7	7	Mexico
Indonesia	8	8	Japan
UK	9	9	Germany
France	10	10	UK

E7 economies G7 economies

Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

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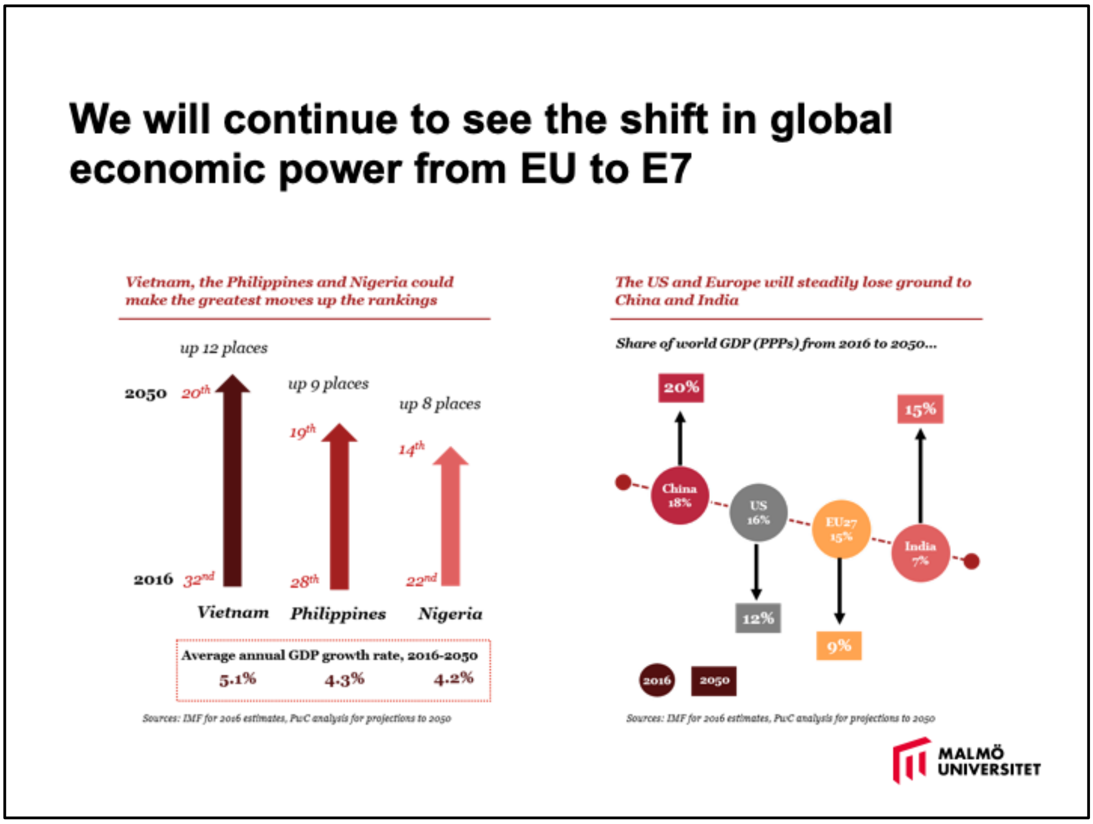
Emerging markets will continue to be the growth engine of the global economy. By 2050, the E7 economies could have increased their share of world GDP from around 35% to almost 50%. China could be the largest economy in the world, accounting for around 20% of world GDP in 2050, with India in second place and Indonesia in fourth place.

A number of other emerging markets will also take centre stage – Mexico could be larger than the UK and Germany by 2050 in PPP terms and six of the seven largest economies in the world could be emerging markets by that time.

Meanwhile, the EU27 share of world GDP could be down to less than 10% by 2050, smaller than India.

Vietnam, India and Bangladesh could be three of the world's fastest growing economies over this period. UK growth has the potential to outpace the average rate in the EU27 after the transitional impact of Brexit has passed, although the fastest growing large EU economy is projected to Poland.



To realise this growth potential, emerging market governments need to implement structural reforms to improve macroeconomic stability, diversify their economies away from undue reliance on natural resources, and develop more effective political and legal institutions.

Nigeria has the potential to be the fastest growing large African economy and could move up the GDP rankings from 22nd place to 14th by 2050. But Nigeria will only realise this potential if it can diversify its economy away from oil and strengthen its institutions and infrastructure. Colombia and Poland also exhibit great potential, and are projected to be the fastest growing large economies in their respective regions, Latin America and the EU.

By 2050, emerging economies such as Mexico and Indonesia are likely to be larger than the UK and France, while Pakistan and Egypt could overtake Italy and Canada. In terms of growth, Vietnam, India and Bangladesh could be the fastest growing economies over the period to 2050, averaging growth of around 5% a year.

UK could be down to 10th place by 2050, France out of the top 10 and

Italy out of the top 20 as they are overtaken by faster growing emerging economies like Mexico, Turkey and Vietnam respectively
But emerging economies need to enhance their institutions and their infrastructure significantly if they are to realise their long-term growth potential

We will continue to see the shift in global economic power away from established advanced economies, especially those in Europe, towards emerging economies in Asia and elsewhere.

The E7 could comprise almost 50% of world GDP by 2050, while the G7's share declines to only just over 20%.

During the past 30 years, the world has witnessed profound changes in political, economic and social spheres and increasingly rapid technological advances. This is often attributed to the phenomenon of globalization.

Capital markets are today integrated around the globe and movies and books circle the world in seconds. Hundreds of millions of people visit the same websites, watch the same TV channels and laugh at the same jokes. These examples have contributed to the belief that globalization brings converging values, or a McDonaldization of the world. In fact, analysis of data from the World Values Survey demonstrate that mass values have not been converging over the past three decades.

Norms concerning marriage, family, gender and sexual orientation show dramatic changes but virtually all advanced industrial societies have been moving in the same direction, at roughly similar speeds. This has brought a parallel movement, without convergence. Moreover, while economically advanced societies have been changing rather rapidly, countries that remained economically stagnant showed little value change. As a result, there has been a growing divergence between the prevailing values in low-income countries and high-income countries.

Only the future can show what the rapid development will have for effects on our values. The global development that involves the movement of economic growth and power to Asia and Africa will affect our values. Values are nothing that changes overnight. The values prevailing in the western world have been built up in step with the economic development. A development that has been going on for several centuries.

What´s interesting is how the consequenses of the global megatrends is going to affect our values.

The shift in economic power from G7 to E7 can shift values in different directions. We can develop towards a society where we continue to develop the sharing economy with a greater focus on sustainability, more honesty, transparency and respect for others. But we also see a development towards increased protectionism and nationalism. Trade conflicts and a risk for a growing inequality.

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