THE WORLD ECONOMY IN METAMORPHOSIS:

WHERE IS THE WORLD ECONOMY HEADED?

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New York
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WHERE IS THE WORLD ECONOMY HEADED?

I. SLOW GROWTH PROJECTED FOR WORLD ECONOMY

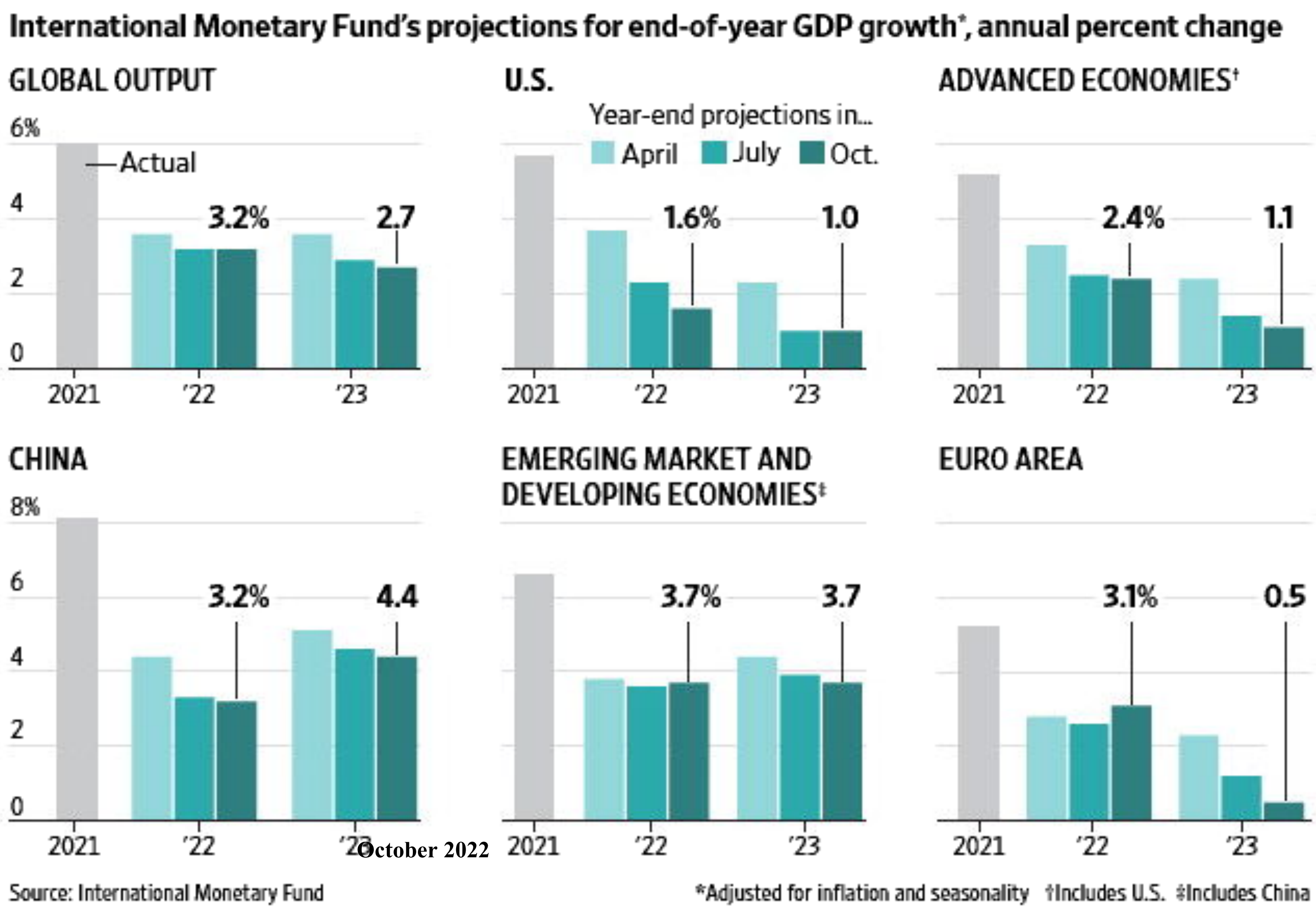
II. MONETARY AND FISCAL POLICIES FOR GROWTH

III. REASONS FOR SLOW WORLD GROWTH

IV. HOW STIMULATE WORLD GROWTH AND AVOID RECESSION OR NEW GLOBAL FINANCIAL CRISIS?

FIGURE 1

GROWTH PROJECTIONS FOR THE WORLD ECONOMY



October 2022

TABLE 1

GROWTH (%) REAL GDP 2009-2021 AND PROJECTIONS FOR 2022-2023

	2009	Yearly Aver. 2010-2019	2020	2021	2022*	2023*
USA	-2.8	2.1	-3.4	5.7	1.6	1.0
EU-19	-4.5	1.4	-6.1	5.2	3.1	0.5
Germany	-5.6	1.9	-3.7	2.6	1.5	-0.3
France	-2.9	1.4	-7.9	6.8	2.5	0.7
Italy	-5.5	0.3	-9.0	6.7	3.2	-0.2
Spain	-3.6	1.0	-10.8	5.1	4.3	1.2
U.K.	-4.3	1.9	-9.3	7.4	3.6	0.3
JAPAN	-5.4	1.3	-4.6	1.7	1.7	1.6
CANADA	-2.9	2.3	-5.2	4.5	3.3	1.5

*Projections. *Source*: IMF WEO, Oct. 2020, 2022.

TABLE 2

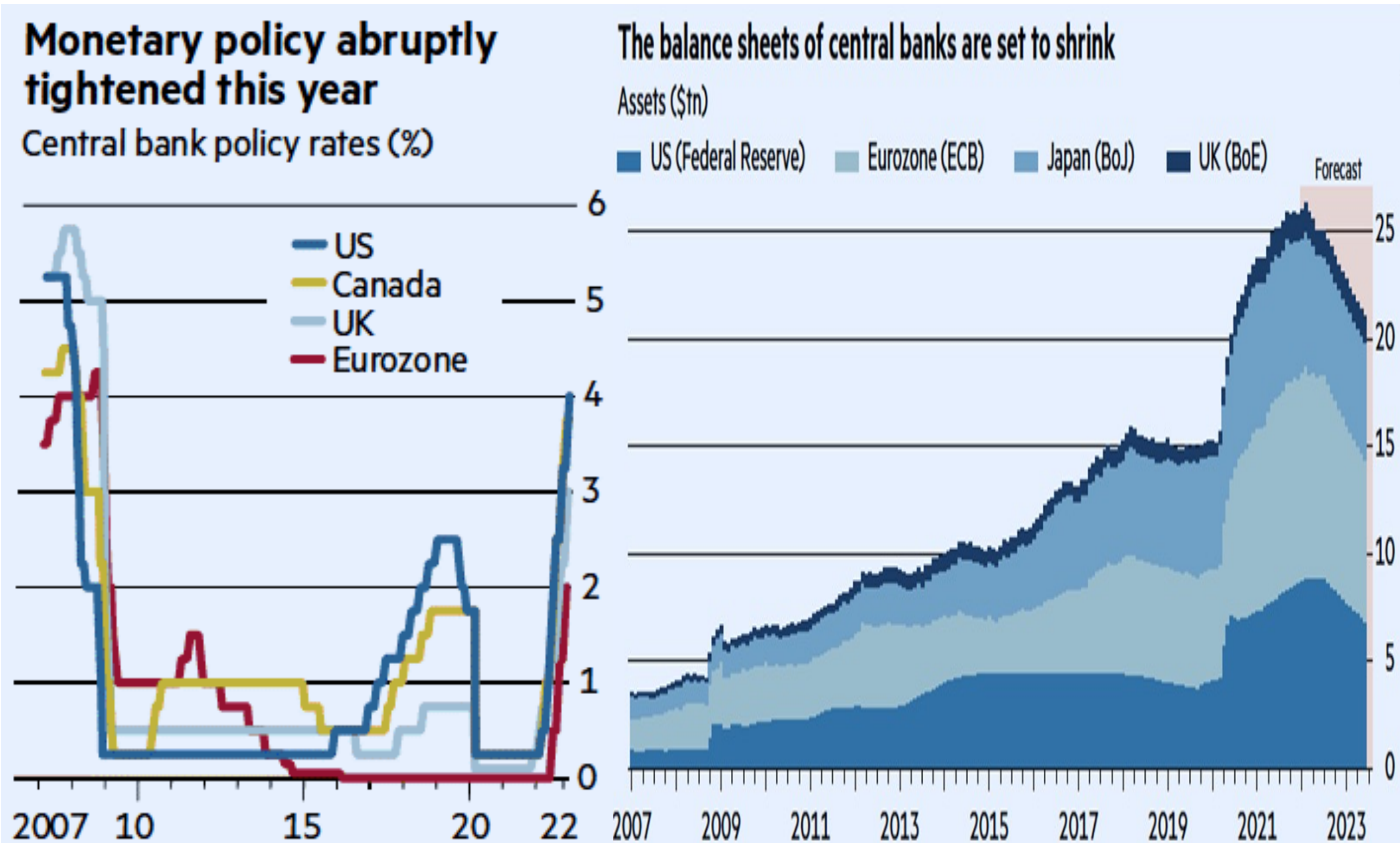
BRICS AND OTHER EMERGING IN G20: GROWTH (%) REAL GDP 2009-2022

NATION	2009	2010-2019	2020	2021	2022*	2023*
China	9.2	7.6	2.2	8.1	3.2	4.4
India	8.5	6.9	-6.6	8.7	6.8	6.1
Russia	-7.8	1.9	-2.7	4.7	-3.4	-2.3
Brazil	-0.1	0.6	-3.9	4.6	2.8	1.0
S. Africa	-1.5	1.7	-6.3	4.9	2.1	1.1
Korea	0.7	3.3	-0.7	4.1	2.6	2.0
Indonesia	4.7	5.5	-2.1	3.7	5.3	5.0
Mexico	-4.7	2.8	-8.1	4.8	2.1	1.2
Argentina	-5.9	1.4	-9.9	10.4	4.0	2.0
Turkey	-4.7	6.4	1.9	11.4	5.0	3.0
S. Arabia	-2.1	3.8	-4.1	3.2	7.6	3.2

* Projections. *Source*: IMF WEO, Oct. 2020, 2022.

FIGURE 2

NOMINAL POLICY RATES AND QE BY MAJOR CENTRAL BANKS IN 2009 AND 2020 RECESSIONS



Source: Central Banks, Nov.2022.

TABLE 3

BUDGET DEFICIT AS %GDP, G7 & SPAIN, 2007-2021 AND PROJECTIONS 2022-2023

NATION/ AREA	2007	2009	2011	2019	2020	2021	2022*	2023*
USA	-2.9	-13.1	-9.7	-5.5	-14.5	-10.9	-4.0	-4.0
Euro Area	-0.6	-6.3	-4.2	-0.7	-7.0	-5.1	-3.8	-3.3
Germany	0.2	-3.2	-0.9	1.5	-4.3	-3.7	-3.3	-2.5
France	-2.5	-7.2	-5.2	-3.1	-8.9	-6.4	-5.1	-5.6
Italy	-1.5	-5.3	-3.6	-1.5	-9.6	-7.2	-5.4	-3.9
Spain	2.0	-11.0	-9.7	-3.1	-10.3	-6.9	-4.9	-4.3
U. K.	-2.9	-10.2	-7.5	-2.2	-12.8	-8.0	-4.3	-2.3
Japan	-2.1	-9.8	-9.4	-3.0	-9.0	-6.7	-7.9	-3.6
Canada	11.8	-3.9	-3.3	0.0	-11.4	-5.0	-2.2	-1.2

*Projections. *Source:* Fiscal Monitor, Oct.2022.

The €750 bn EU Recovery Fund of loans and grants is a great show of EU "solidarity". EU recipient countries (Italy, with €209bn -- more than a quarter of the total), after spelling out to the EU Commission how they plan to spend their share of the EU funds to restructure economy and stimulate growth.

TABLE 4

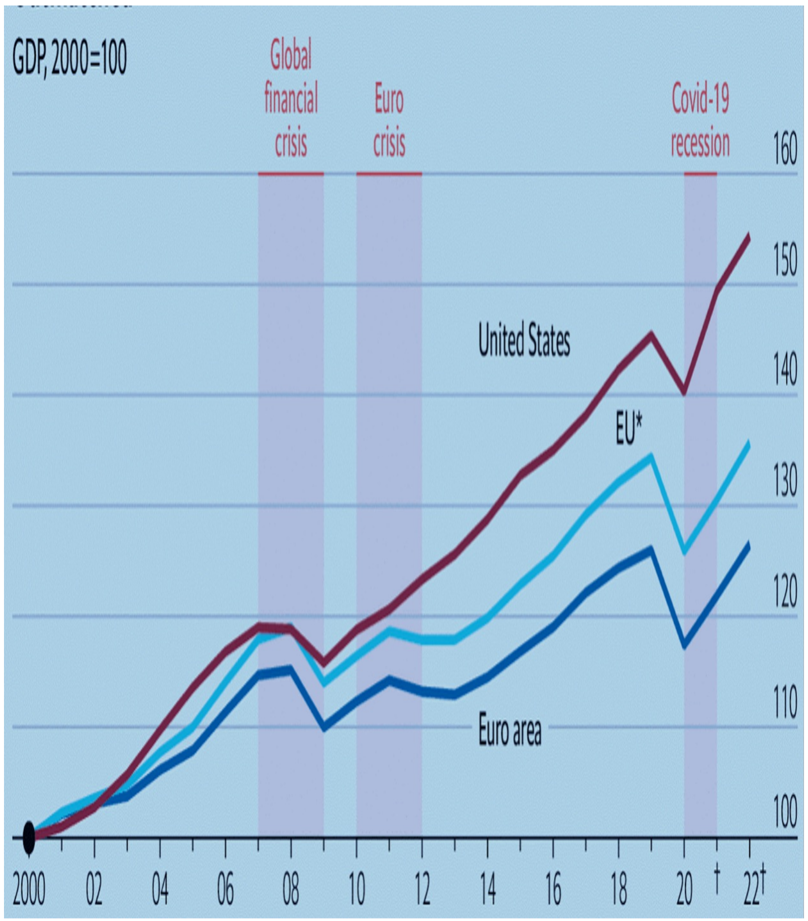
GOV'T DEBT AS % GDP, G7 & SPAIN, 2007-2021 AND PROJECTIONS 2022-2023

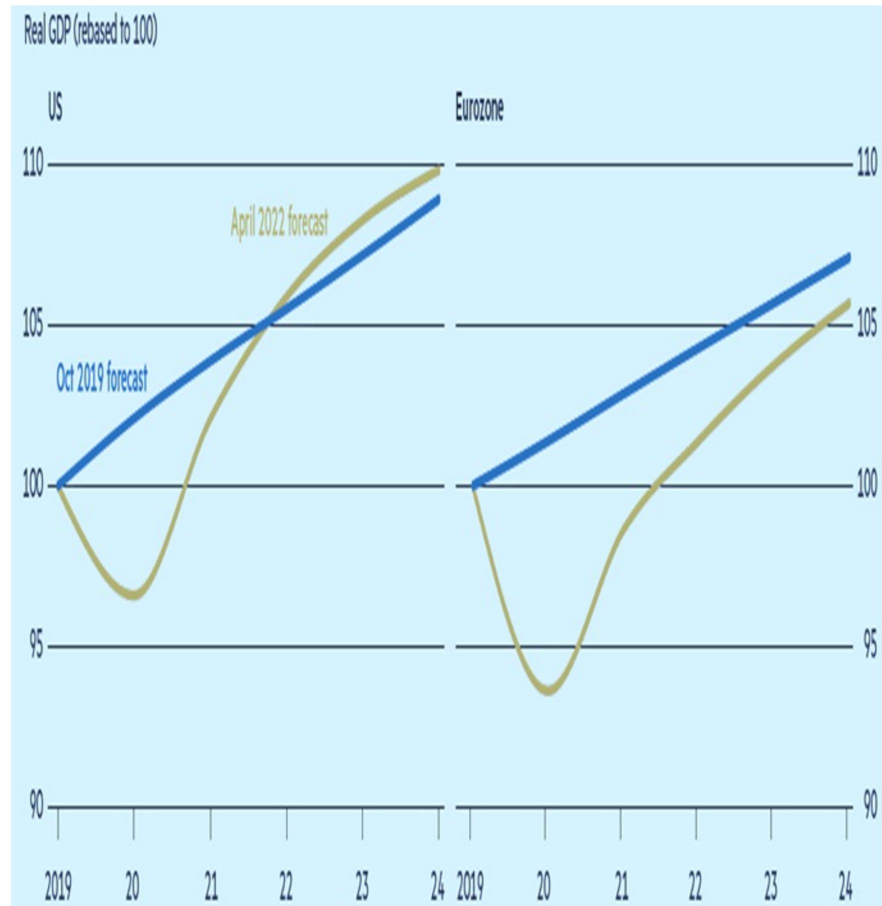
NATION/ AREA	2007	2009	2011	2019	2020	2021	2022*	2023*
USA	64.0	87.0	99.8	108.8	134.5	125.1	122.1	122.9
Euro Area	64.9	78.4	87.7	83.3	97.3	96.0	95.2	93.4
Germany	63.6	72.6	79.8	58.9	68.0	69.6	71.1	68.3
France	64.4	82.9	87.8	97.4	114.7	112.6	111.8	112.5
Italy	99.8	112.5	119.7	134.1	155.3	150.9	147.2	147.1
Spain	35.5	52.7	69.9	95.5	120.0	118.7	116.4	115.9
U. K.	42.2	64.1	80.1	83.9	102.6	95.3	87.0	79.9
Japan	183.0	201.0	221.9	236.3	259.4	262.5	263.9	261.1
Canada	66.8	79.3	81.8	87.2	117.8	112.9	102.2	96.7

* Projections. *Source:* IMF Fiscal Monitor, Oct.2022.

FIGURE 3

WITH LESS FISCAL STIMULUS, EUROPE'S RECOVERY FROM GLOBAL FINANCIAL AND COVID CRISES, SLOWER THAN U.S.





Source: IMF, 2021 and 2022.

TABLE 5

REASONS WORLD GROWTH SLOWED DOWN

1. The Need to Control High World-Wide Inflation

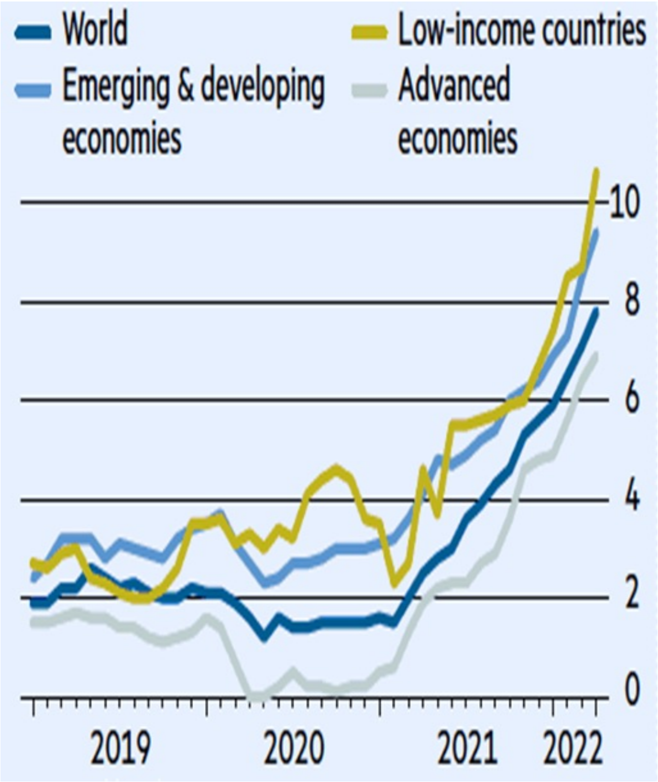
2. World Trade Slowdown by Disruptions in Supply Chains

3. Labor Productivity Growth Has Slowed Down

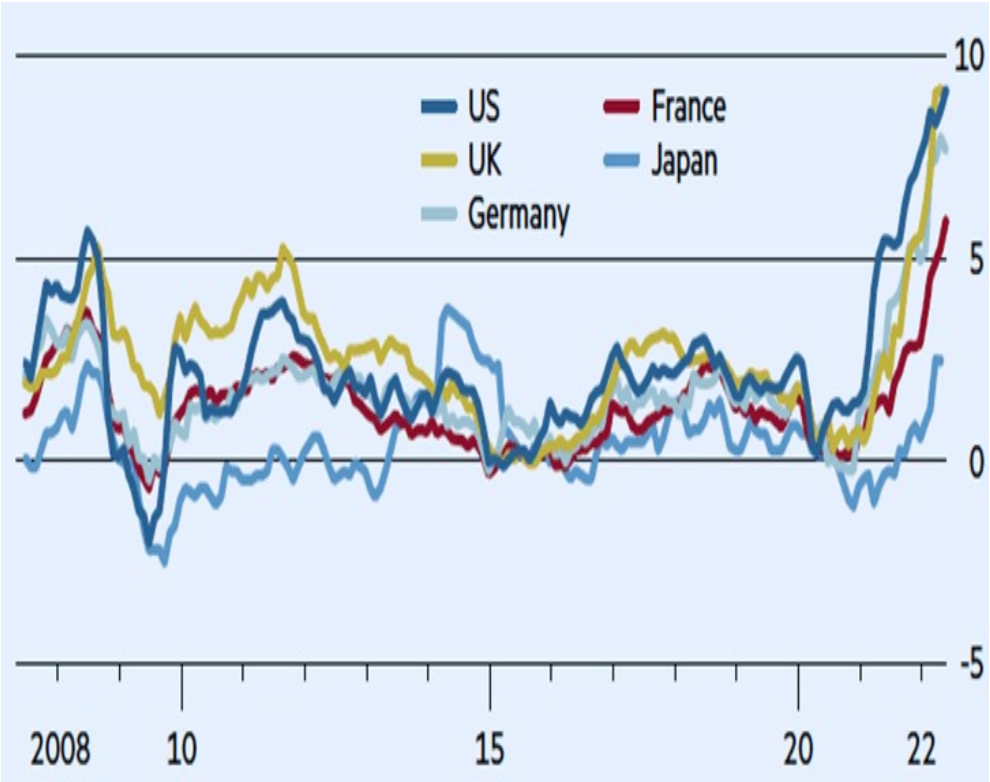
4. Rising LDC's Debt May Lead to New Global Financial Crisis

FIGURE 4

INFLATION (%) IS A WORLD-WIDE PROBLEM



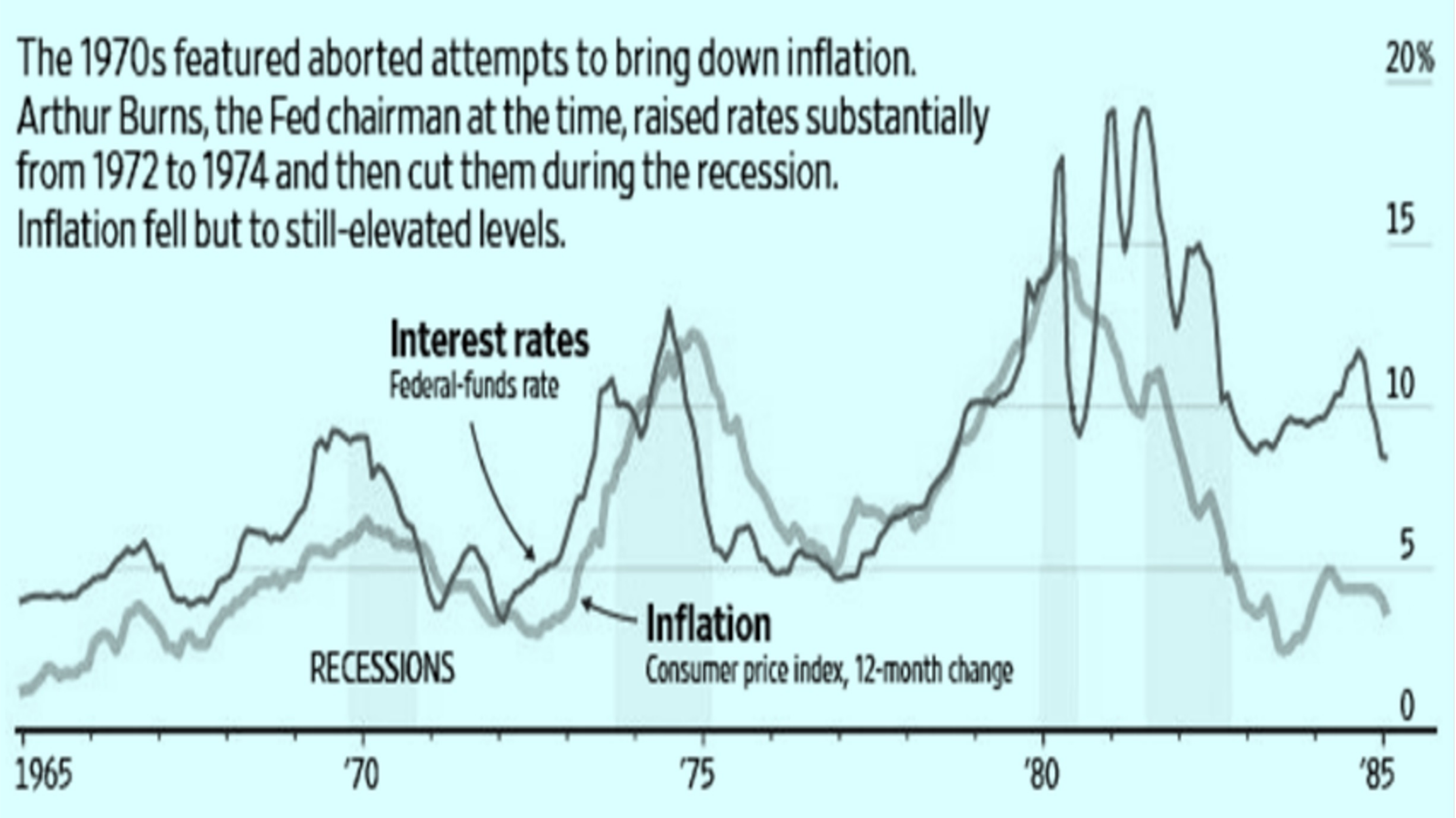
Source: WB, June 2022.



Source: IMF, July 2022.

FIGURE 5

INFLATION IS A WORLD-WIDE PROBLEM –
CORRECTION COULD LEAD TO WORLD RECESSION



Source: WSJ Aug,28, 2022.

FIGURE 6

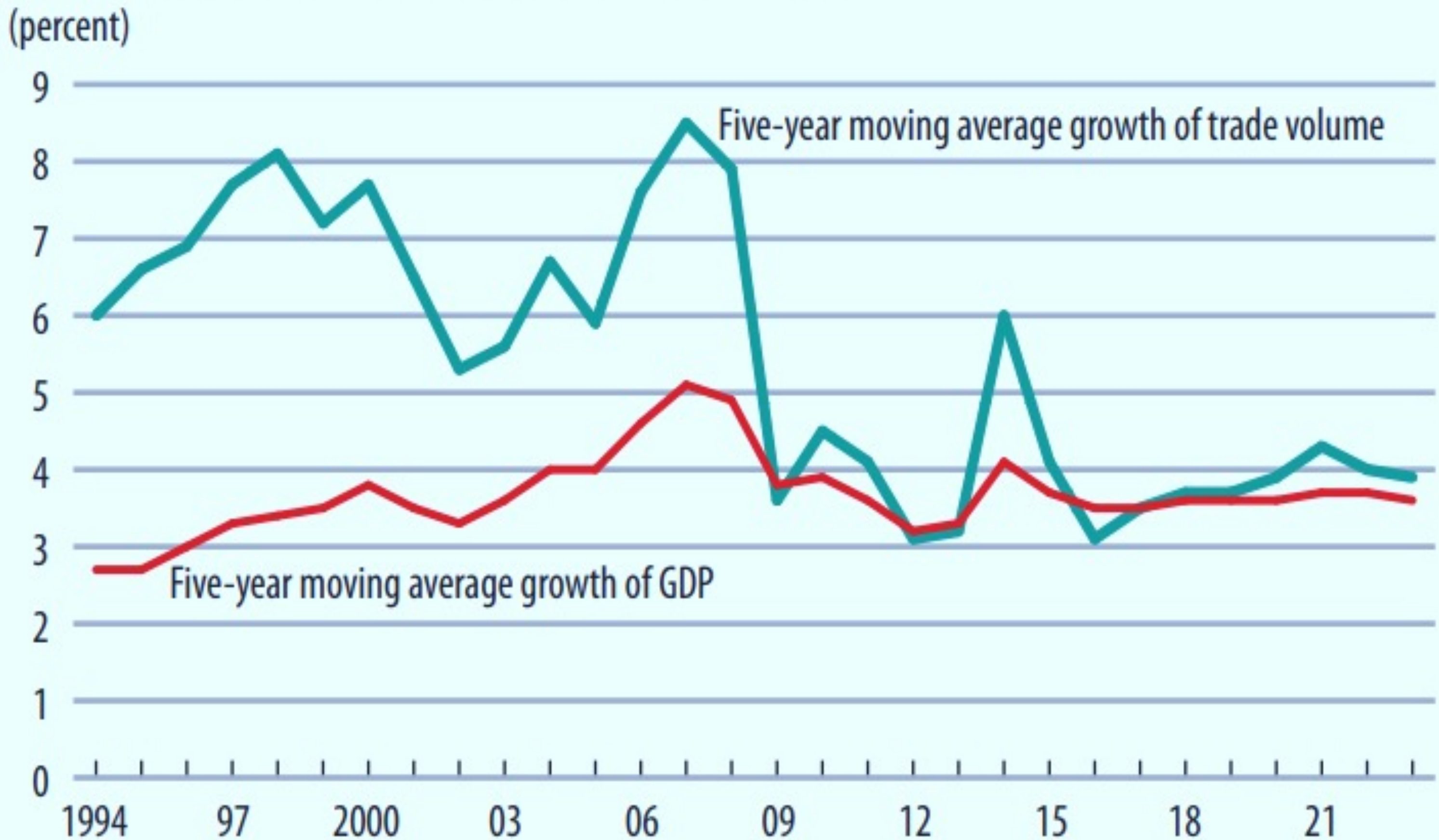
IS EU OR U.S. CLOSER TO ANOTHER RECESSION?

Source: IIF Sept. 2022.

Source: WSJ. Nov. 30, 2022

FIGURE 7

BEFORE THE GLOBAL FINANCIAL CRISIS, TRADE GREW AT ALMOST TWICE THE GROWTH OF GDP. TODAY GROWTH RATES ARE ABOUT THE SAME

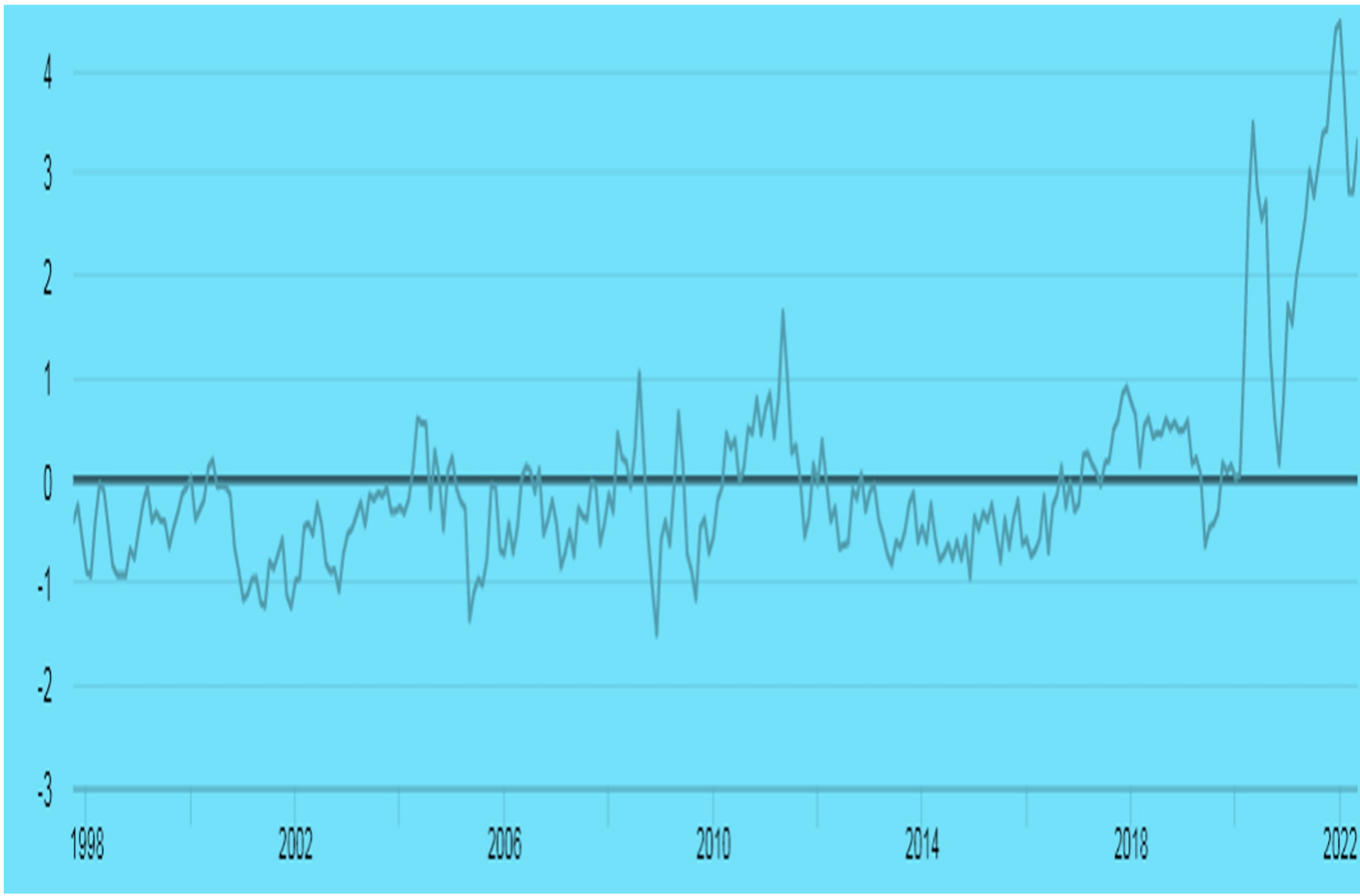


Source: IMF, *World Economic Outlook*.

Note: Figures are based on moving averages at the end of each period.

FIGURE 8

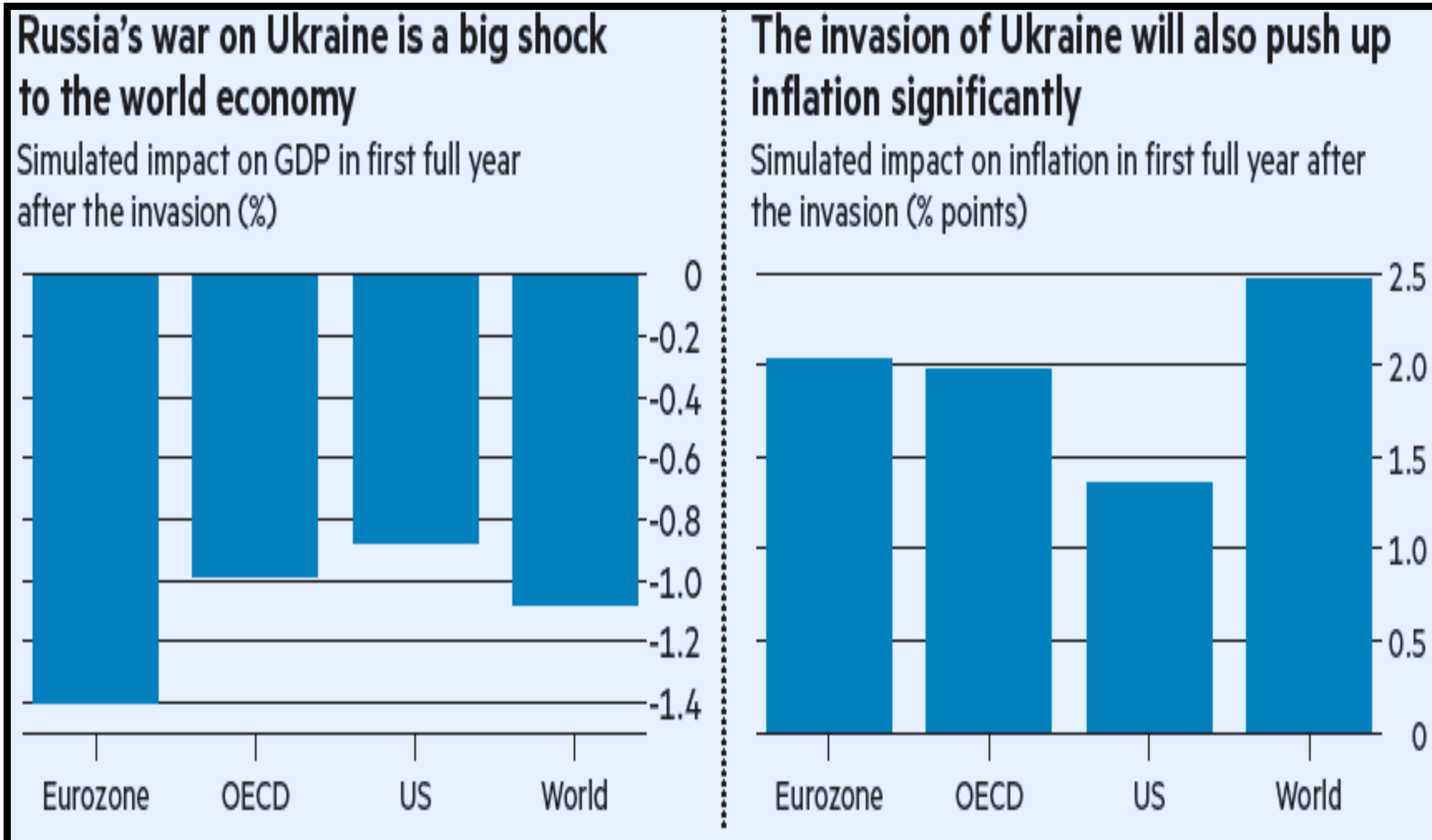
GLOBAL SUPPLY CHAIN PRESSURE INDEX, APRIL 2022



Source: BLS, 2022.

FIGURE 9

IMPACT OF UKRAINE WAR ON WORLD ECONOMY



Source: OECD, 2022.

TABLE 10

GROWTH OF LABOR PRODUCTIVITY AVERAGE PERCENT PER YEAR, 1999-2023

	U.S.	Euro Area	U.K.	Japan
1999-2006	2.4	1.5	2.4	1.8
2007-2018	1.0	0.5	0.2	0.4
2019-2021	1.0	0.0	-0.9	-0.8
*2022-2023	2.6	2.5	2.0	2.2

Source: OECD, 2022.

Why Has World Labor Productivity Has Been Declining?

The New Technologies and Digital Transition Will Greatly Increase Labor Productivity, But They Are Also Leading to Less Jobs Growth and More Income Inequalities, Both Within and Between Advanced and Emerging Market Economies -- Which Are Further Slowing World GDP Growth!

Source: Salvatore, *JPM*, 2021.

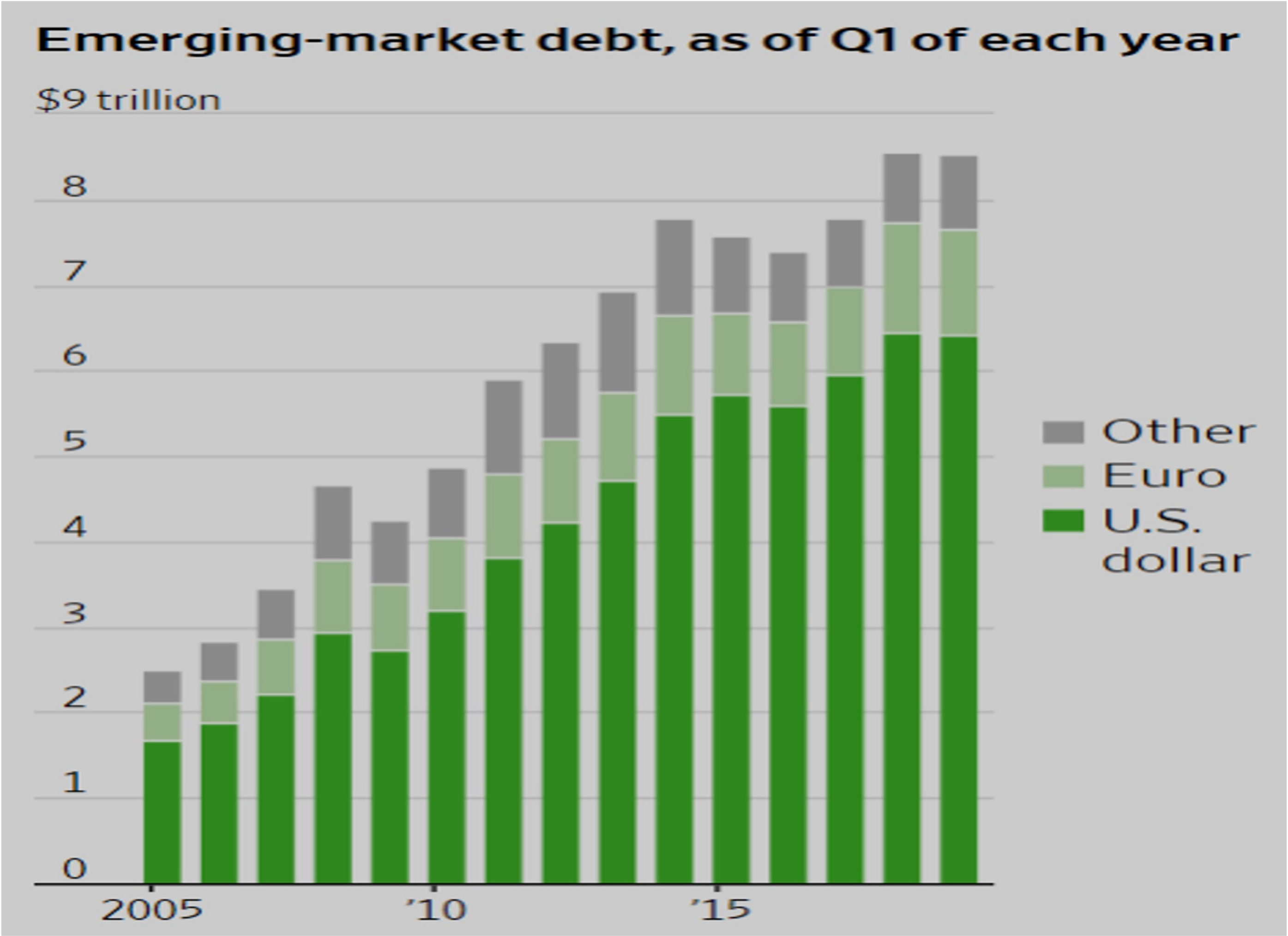
FIGURE 11

LABOR PRODUCTIVITY HAS SLOWED DOWN

OECD, October 2022

FIGURE 12

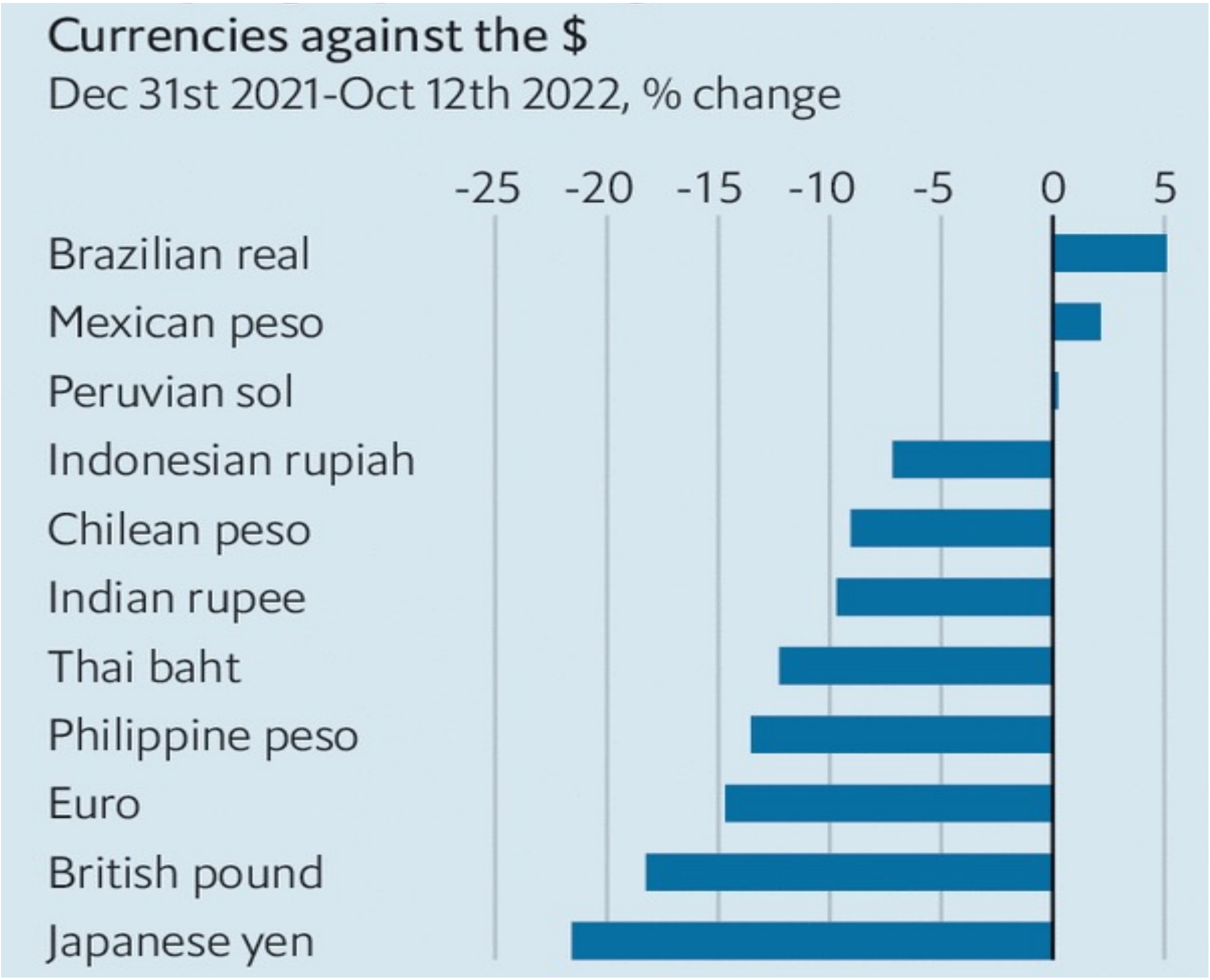
EMERGING-MARKET DEBT BY CURRENCY, 2005-2020



Source: IIF, 2021.

FIGURE 13

HIGHER U.S. RATES, DOLLAR APPRECIATION AND DEBT CRISIS IN LDCs (AND SOME ACs)



Source: The Economist. Oct. 2022.

TABLE 6

POLICY CHALLENGES TO STIMULATE WORLD GROWTH AND AVOID RECESSION AND A NEW FINACIAL CRISIS

1. Stimulate growth by increasing infrastructure investment and TFP (with more education, higher labor productivity and R&D, and better regulations).

2. Reduce income inequalities by redistributing to labor more of the productivity gains and by more training of low-skilled labor (for the new jobs for remote work created by the acceleration of automation and digitization with the pandemic).

3. Repair the rule-based international system by reforming the WTO (the world supply chain), the WHO (developing *world* vaccines), and improving (strengthening) the Paris Climate Accord.

4. Deal with the coming credit crunch, rising inflation and interest rates in order to avoid a new global financial crisis and recession.

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