Three Reasons to Worry about the Global Economy

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AND ONE REASON TO BE FRIGHTENED
Short-term outlook - dismal

- Global growth clearly beyond trend – 3.1% in 2016 and 3.4% in 2017
- Far smaller in the US, EU and Japan
- Continued structural growth slow-down in China
- Why – new normal, secular stagnation, or will it get better beyond the corner?
- Medium and long-term outlook poor – long trend of supply-side stagnation in major economies

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1. Stagnating productivity growth
Labour Productivity Growth
G7 Labour Productivity Growth

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Western Total Factor Productivity growth

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2. Investments – or how big firms spend their money
Decomposing Investment Slump: 2008-2015

- US
- EU
- Japan

[Bar chart showing investment slump for US, EU, and Japan, with categories for Public, Residential, and Business.]
U.S. Business Net Lending and Borrowing
U.S. Ratio of Investment/Cash to Shareholders
3. Stalling Globalisation
The Value of Global Exports 1800-2014

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Panic – no, not Trump