

After the Crisis – Mixed Perspectives for the Future

Prof. Dr. Michael Grömling

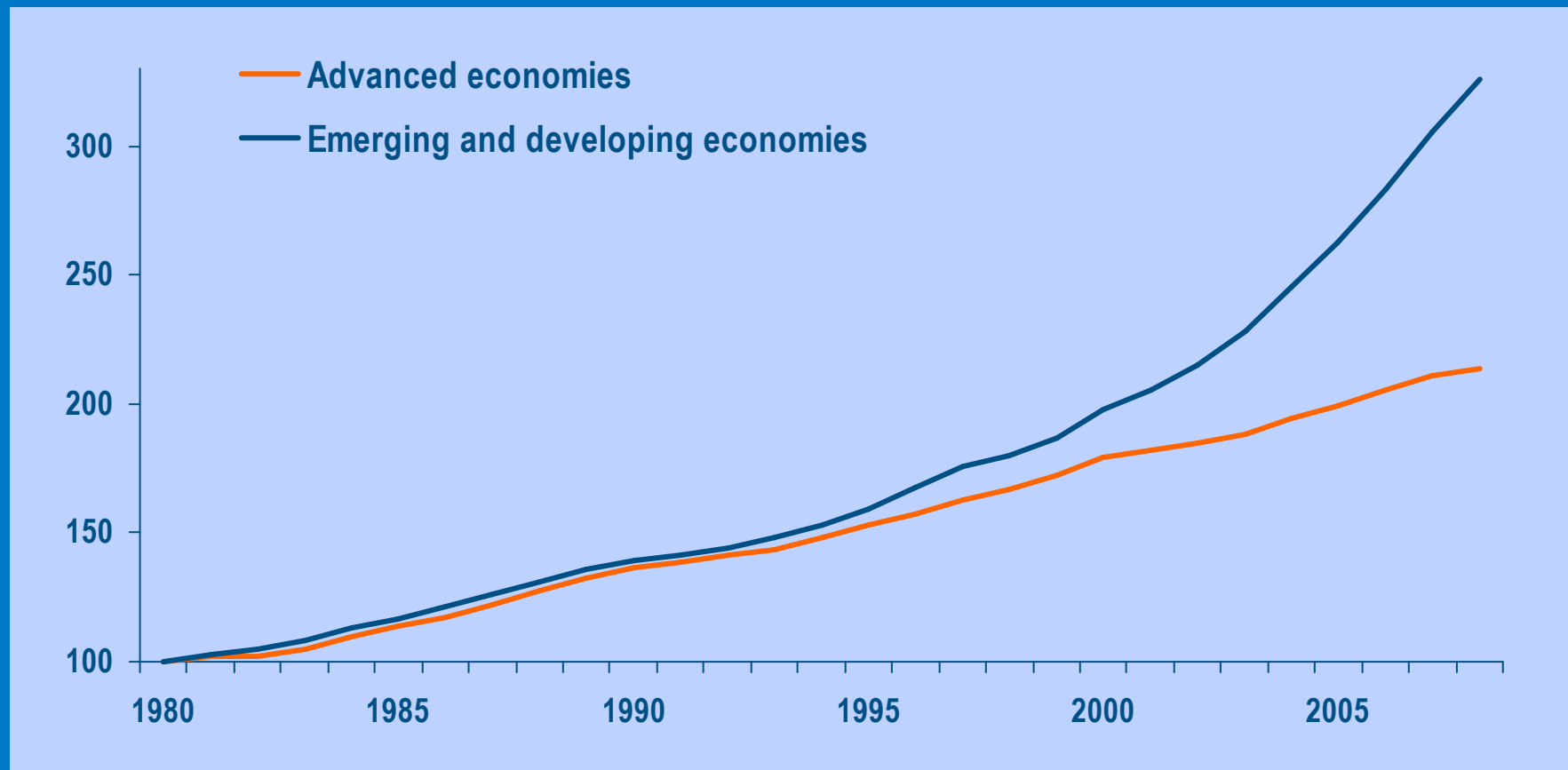
Institut der deutschen Wirtschaft Köln / International University of Applied Sciences Bad Honnef-Bonn

1. The road into the crisis

Not everything was bad!

Global Growth by Development Status

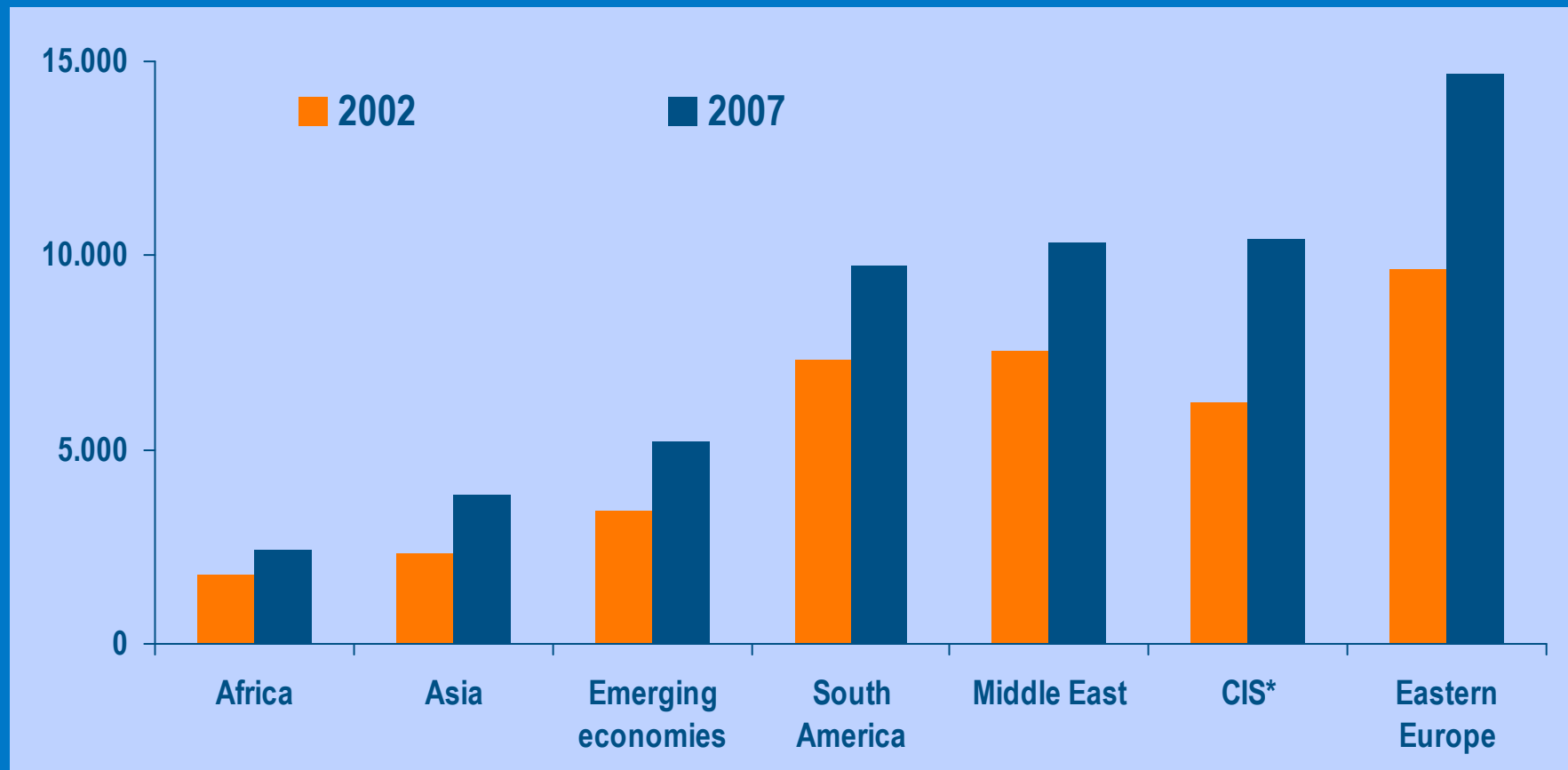
Real GDP; index 1980=100



Sources: IMF

Regional Income Growth

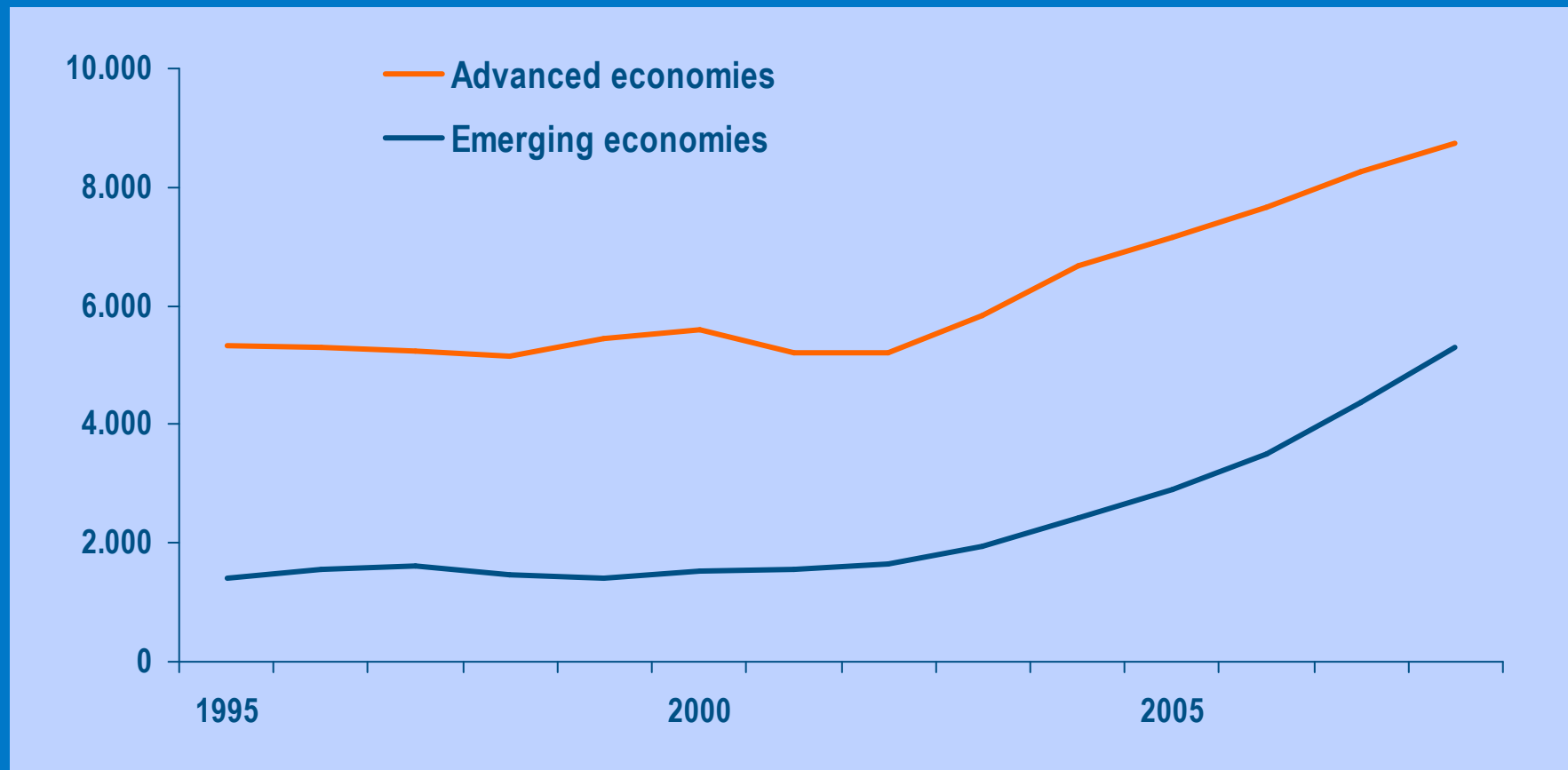
Per capita GDP in purchasing power parity dollars



* CIS: Commonwealth of Independent States and Mongolia; Sources: IMF

Global Investment

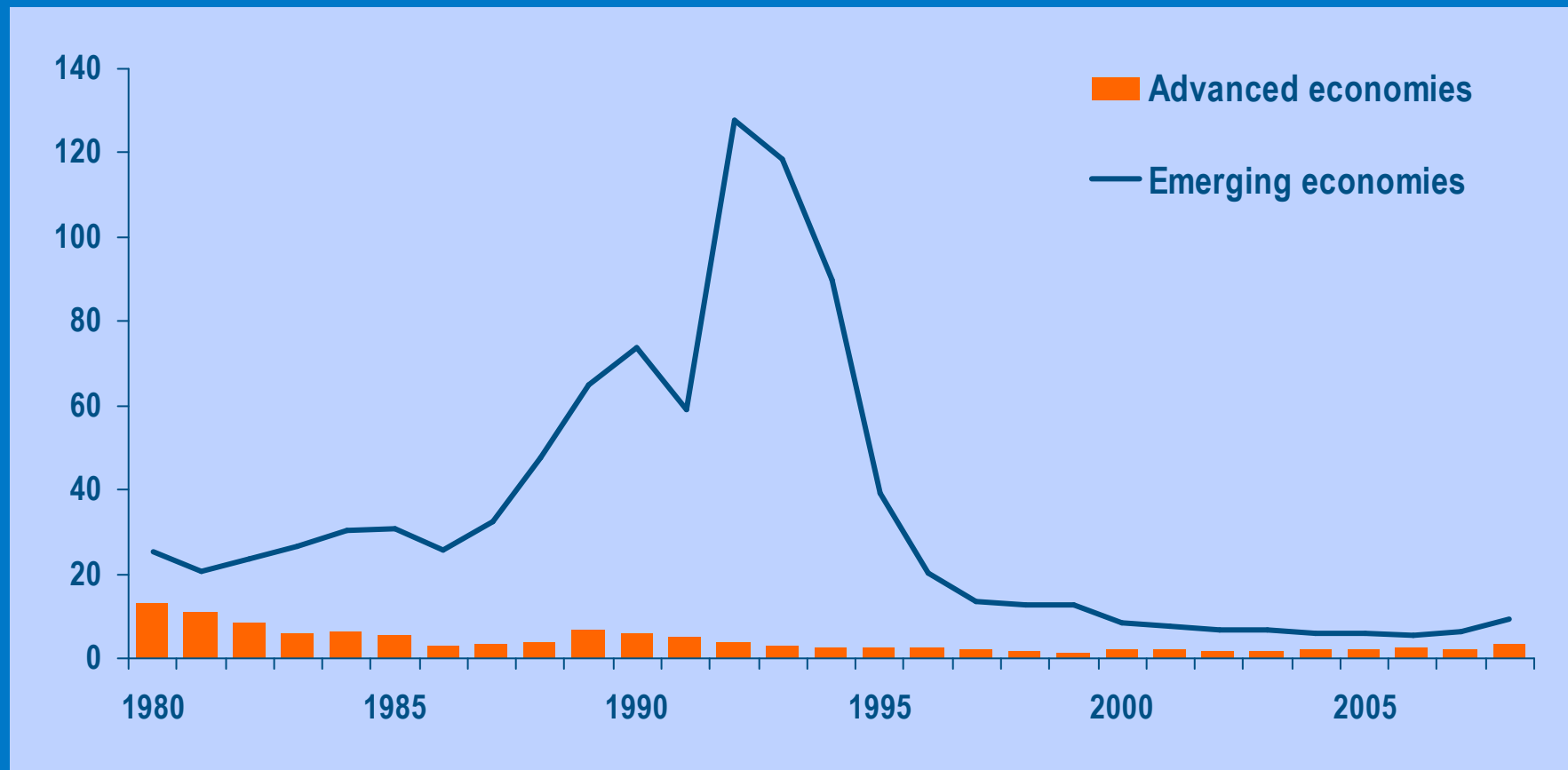
Domestic gross capital formation in billion US-Dollar



Sources: Grömling (2008); IMF

Global Inflation

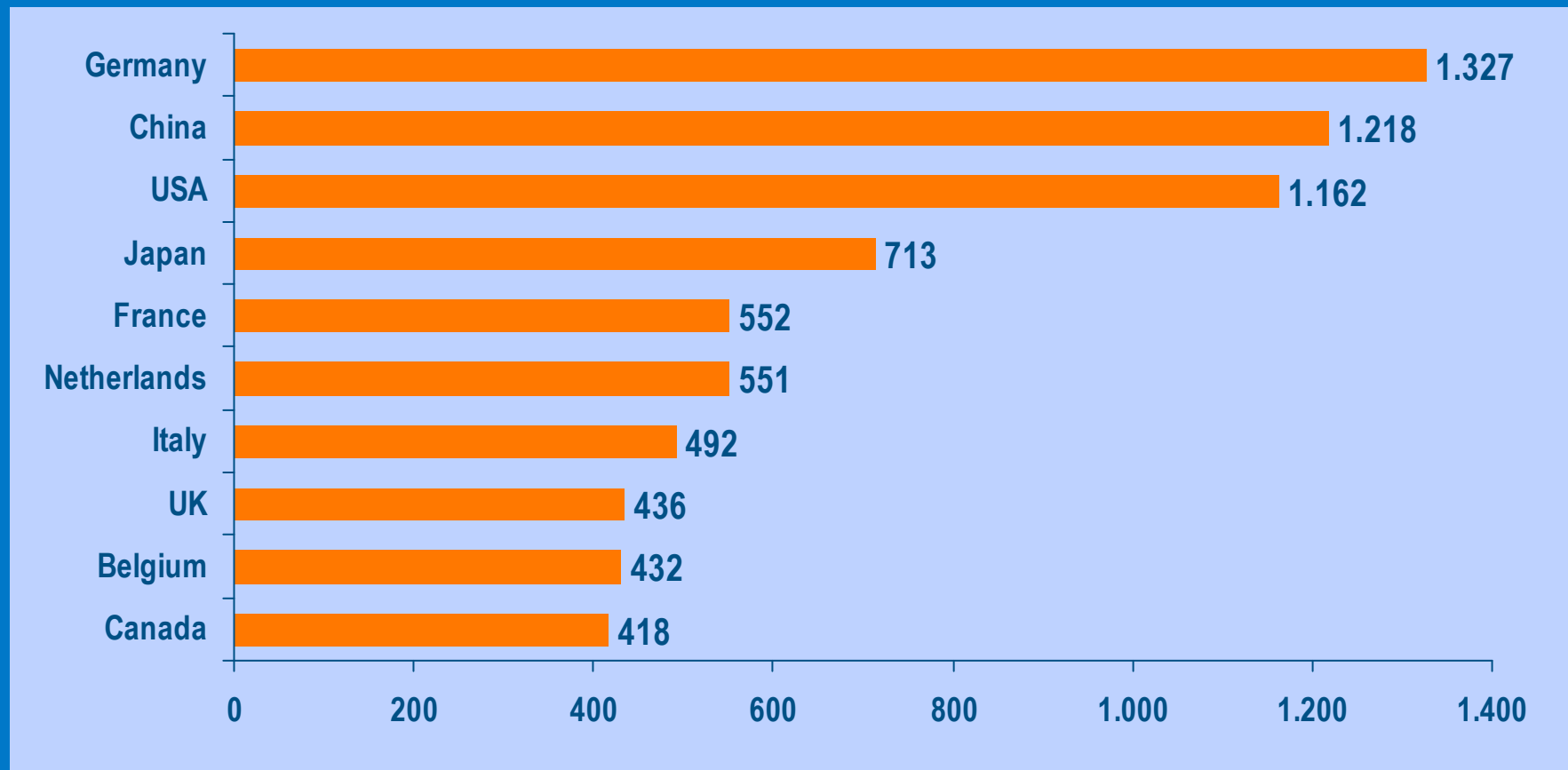
Percentage change of consumer prices from previous period



Sources: IMF

Top 10 of Goods Exporting Countries in 2007

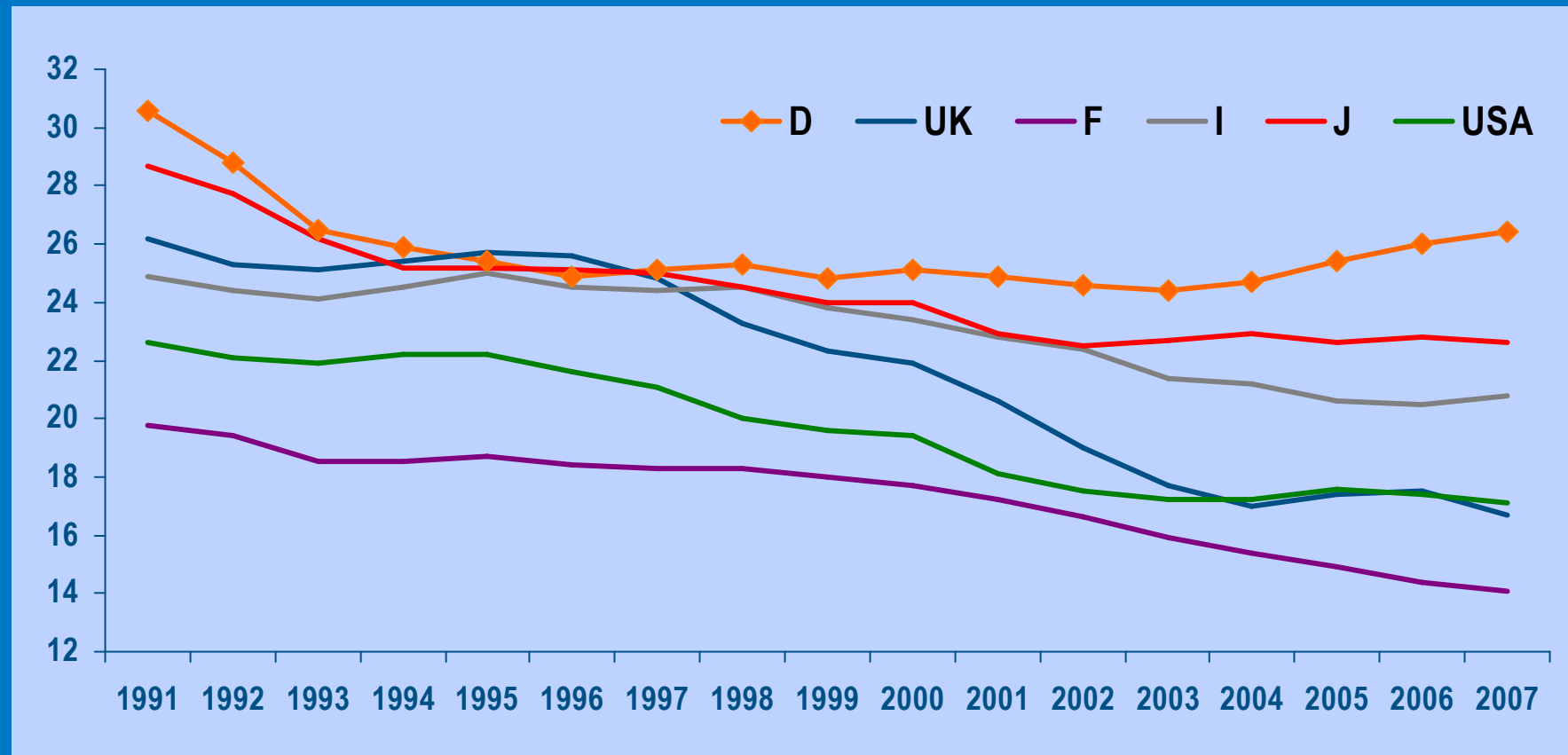
Merchandise goods exports in billion US-Dollar



Sources: WTO

Manufacturing Shares in International Comparison

Gross value added of manufacturing (including energy) as a percentage of total value added (GDP)

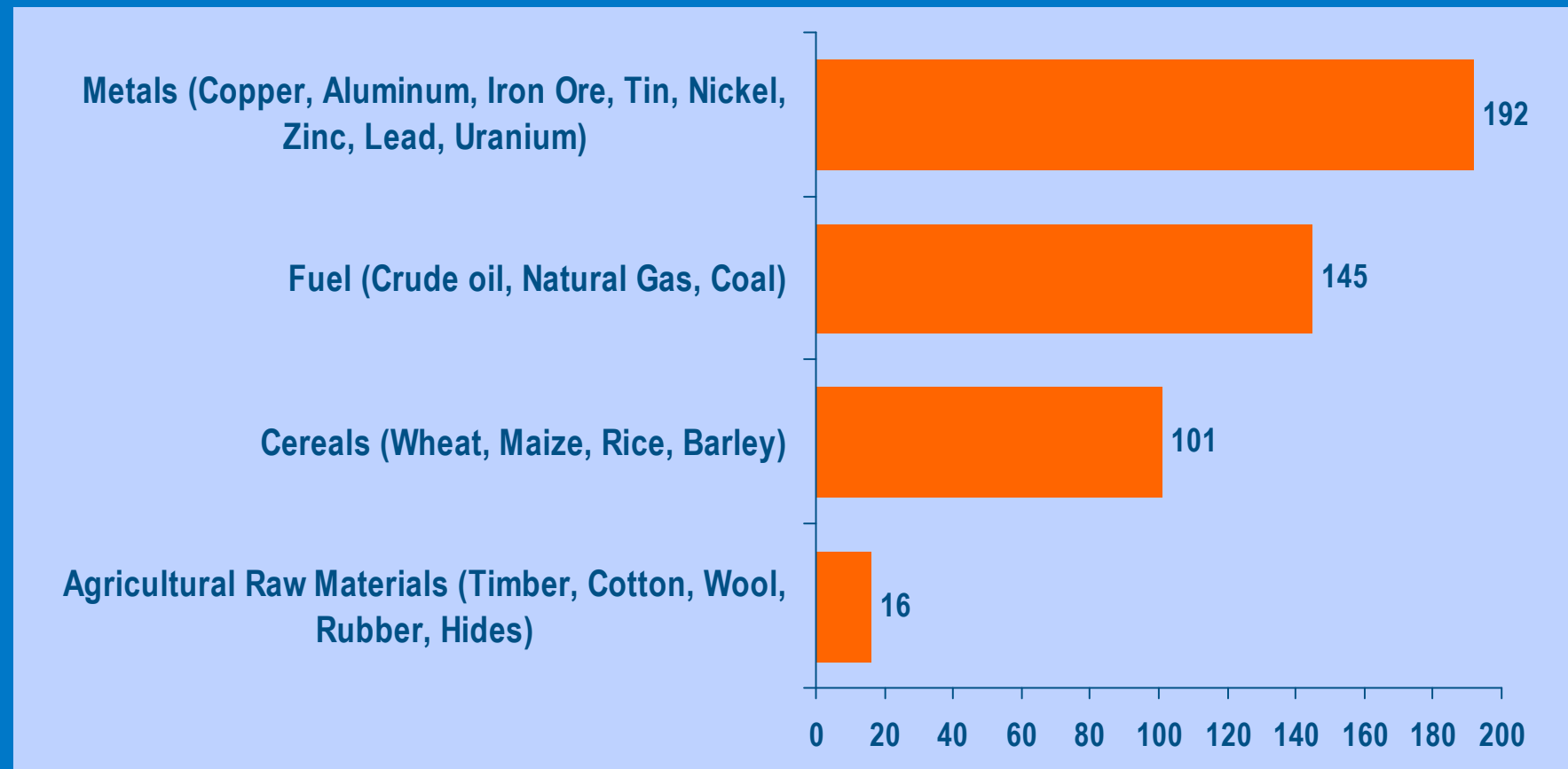


Sources: OECD; own calculations

What went wrong?

Commodity Prices

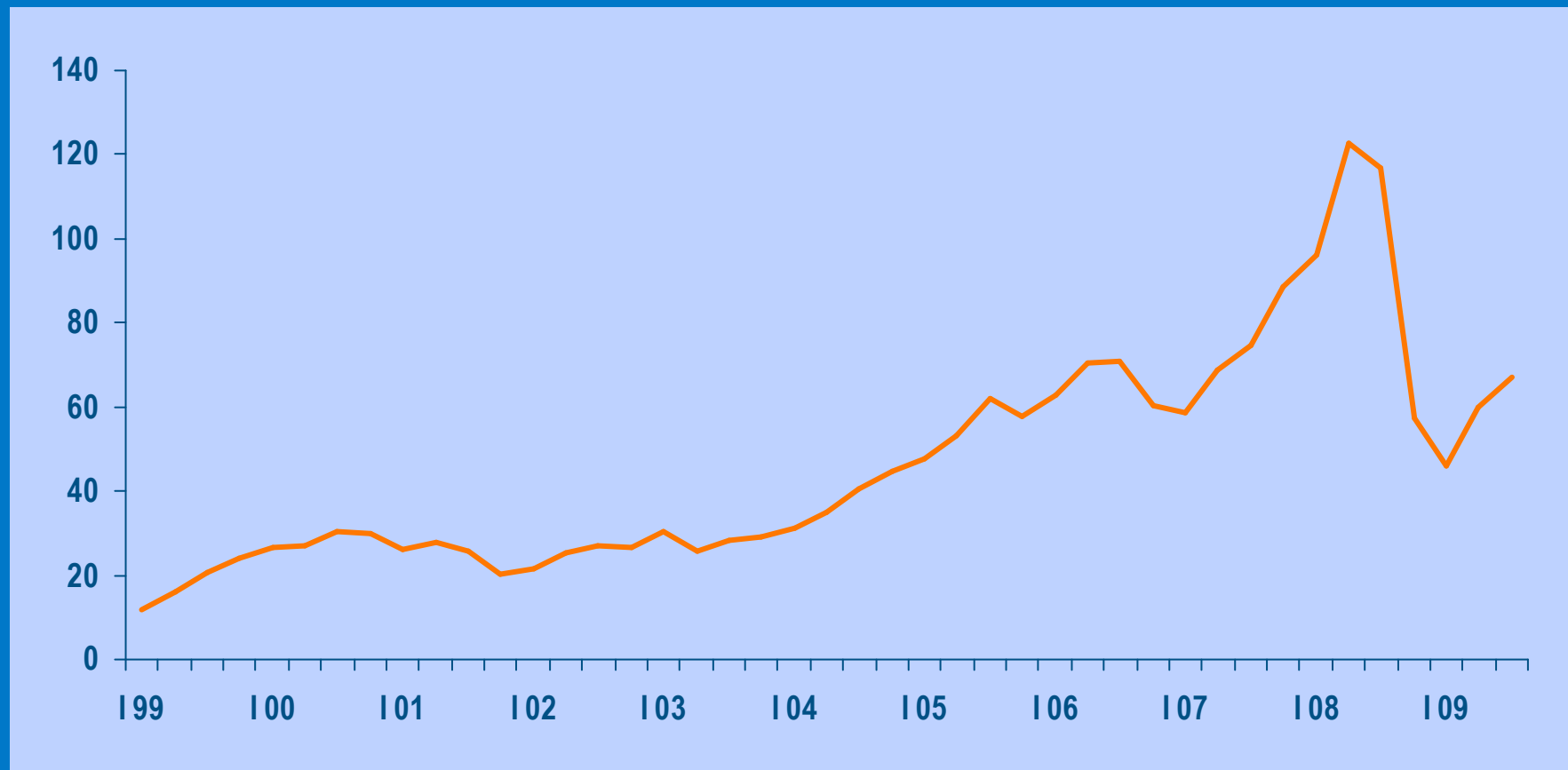
Total percentage change from 2000 to 2007



Sources: IMF

Oil Price

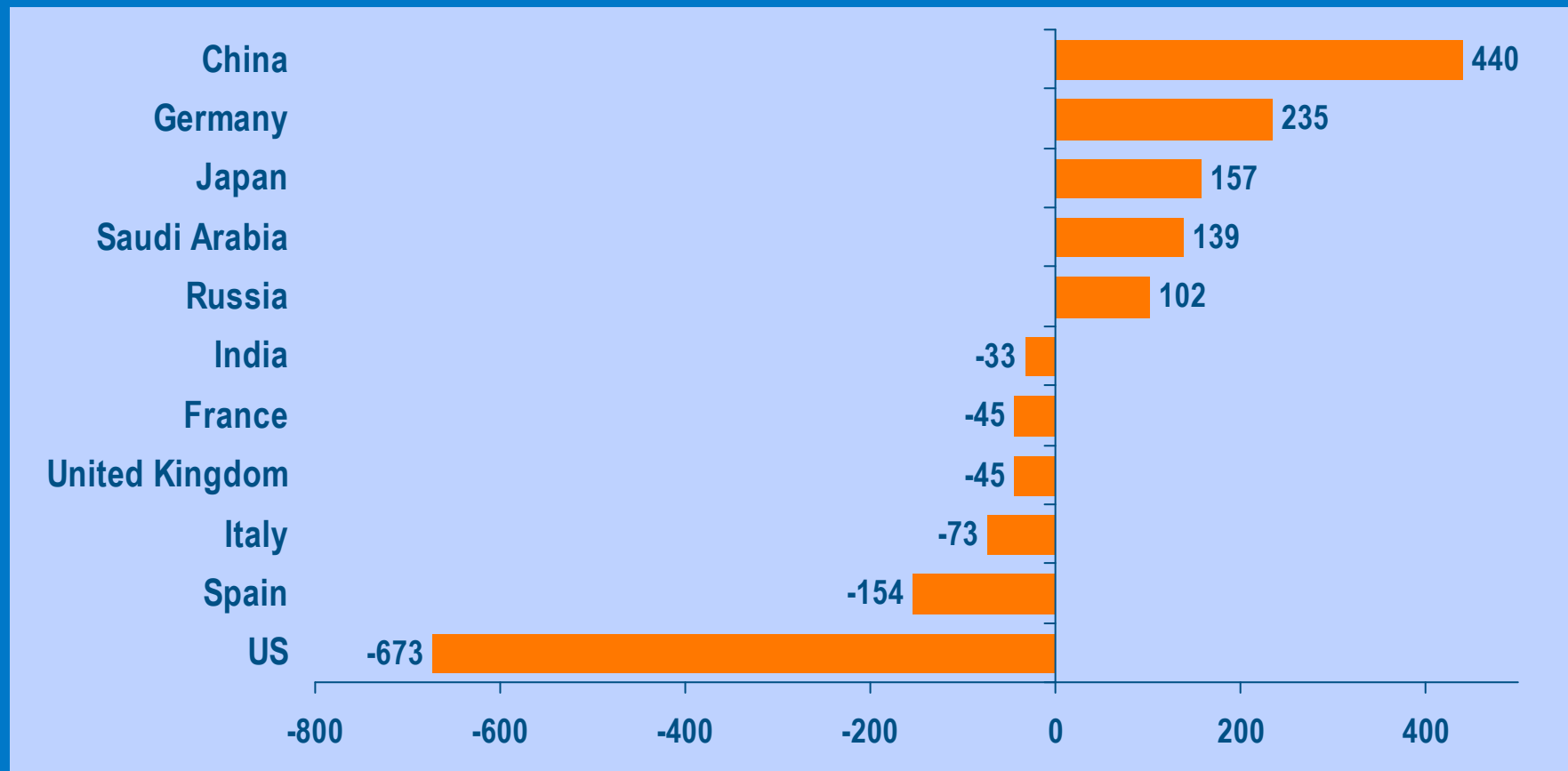
Brent crude oil in US-Dollar per barrel, quarterly values



Sources: OECD; ECB

Current Account Imbalances

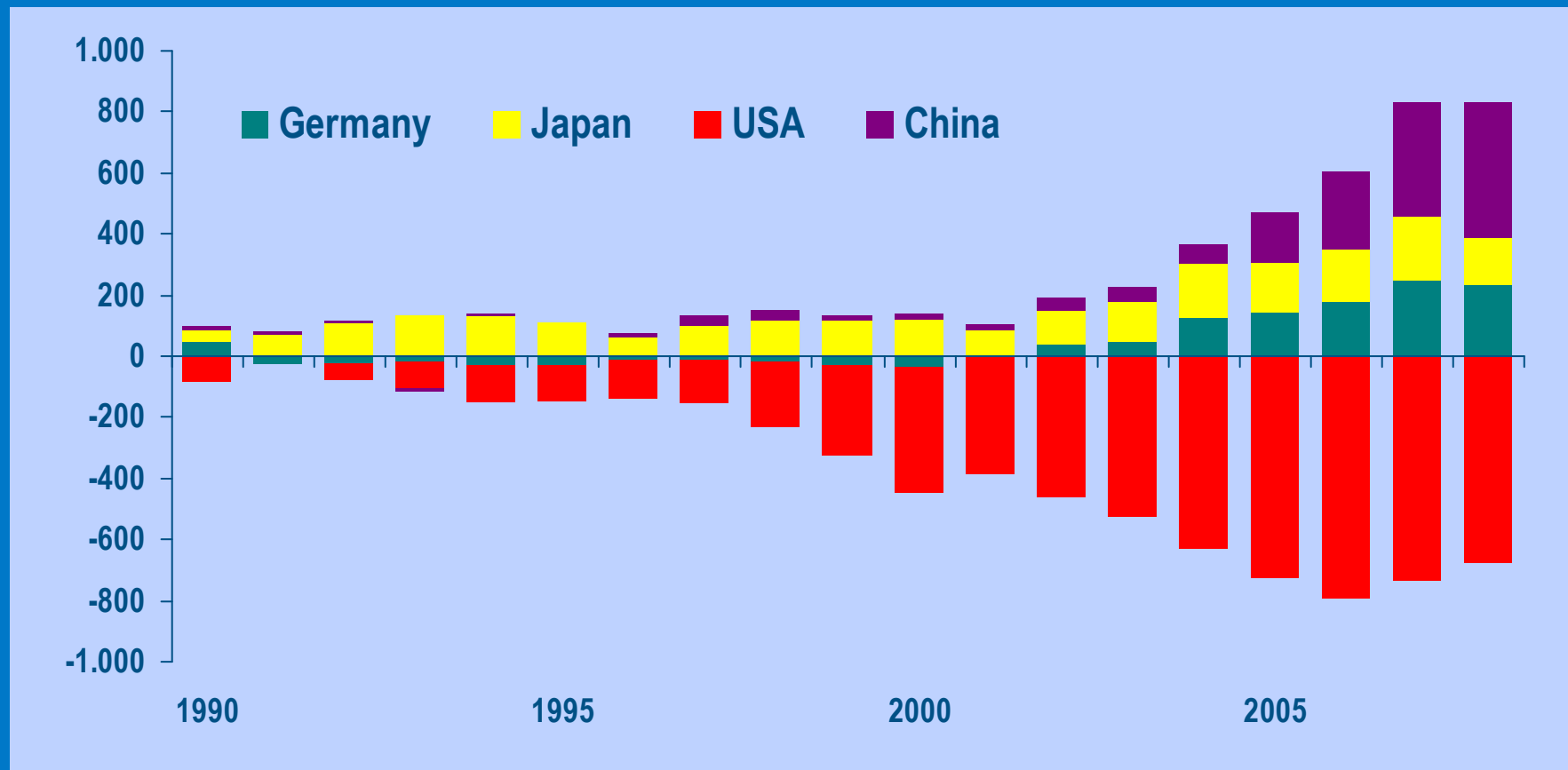
Current account balances of selected countries in 2008 in billion US-Dollar



Sources: IMF

Current Account Imbalances in the Long Run

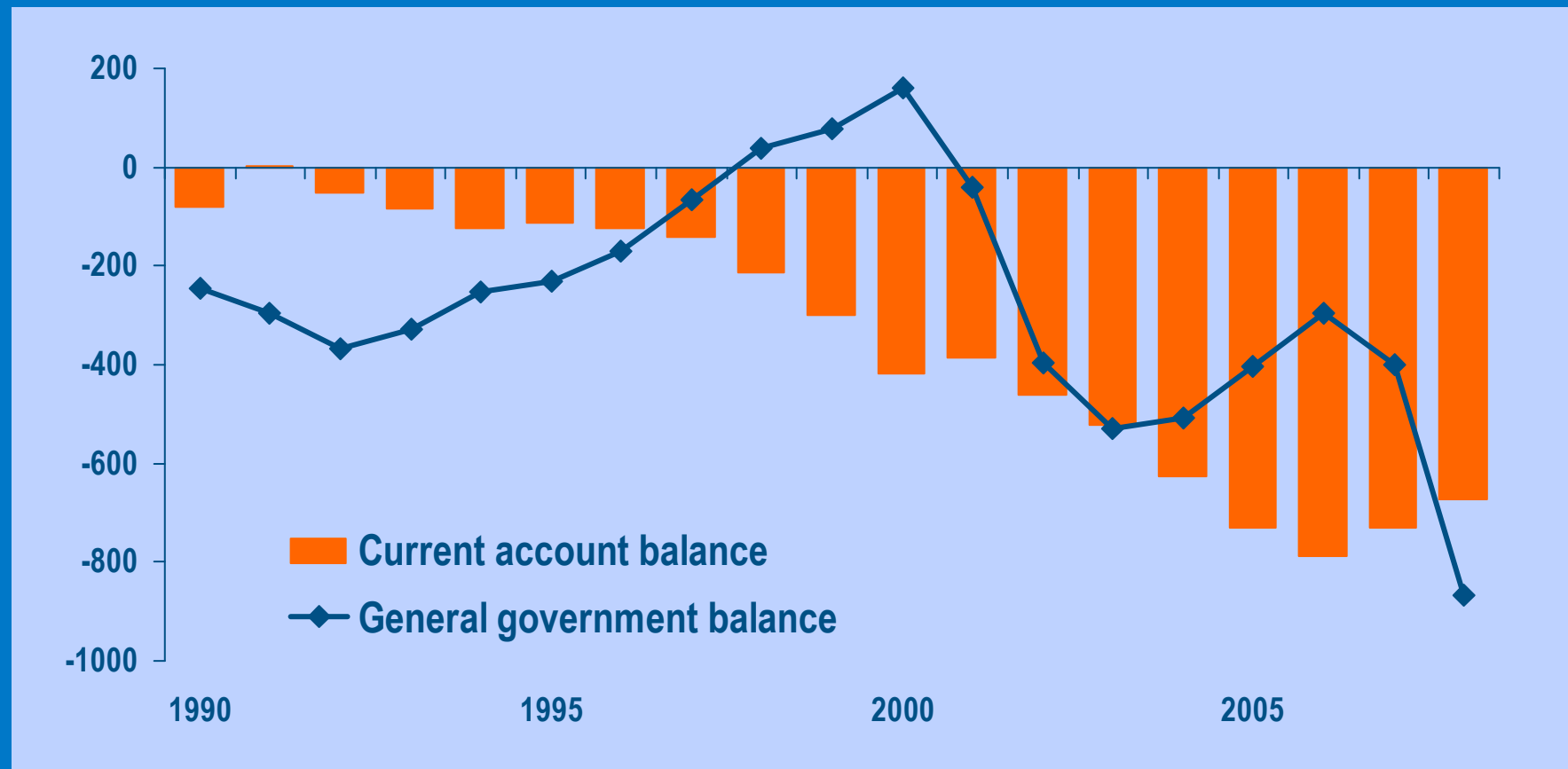
Current account balance of selected countries in billion US-Dollar



Sources: IMF

US Twin Deficit

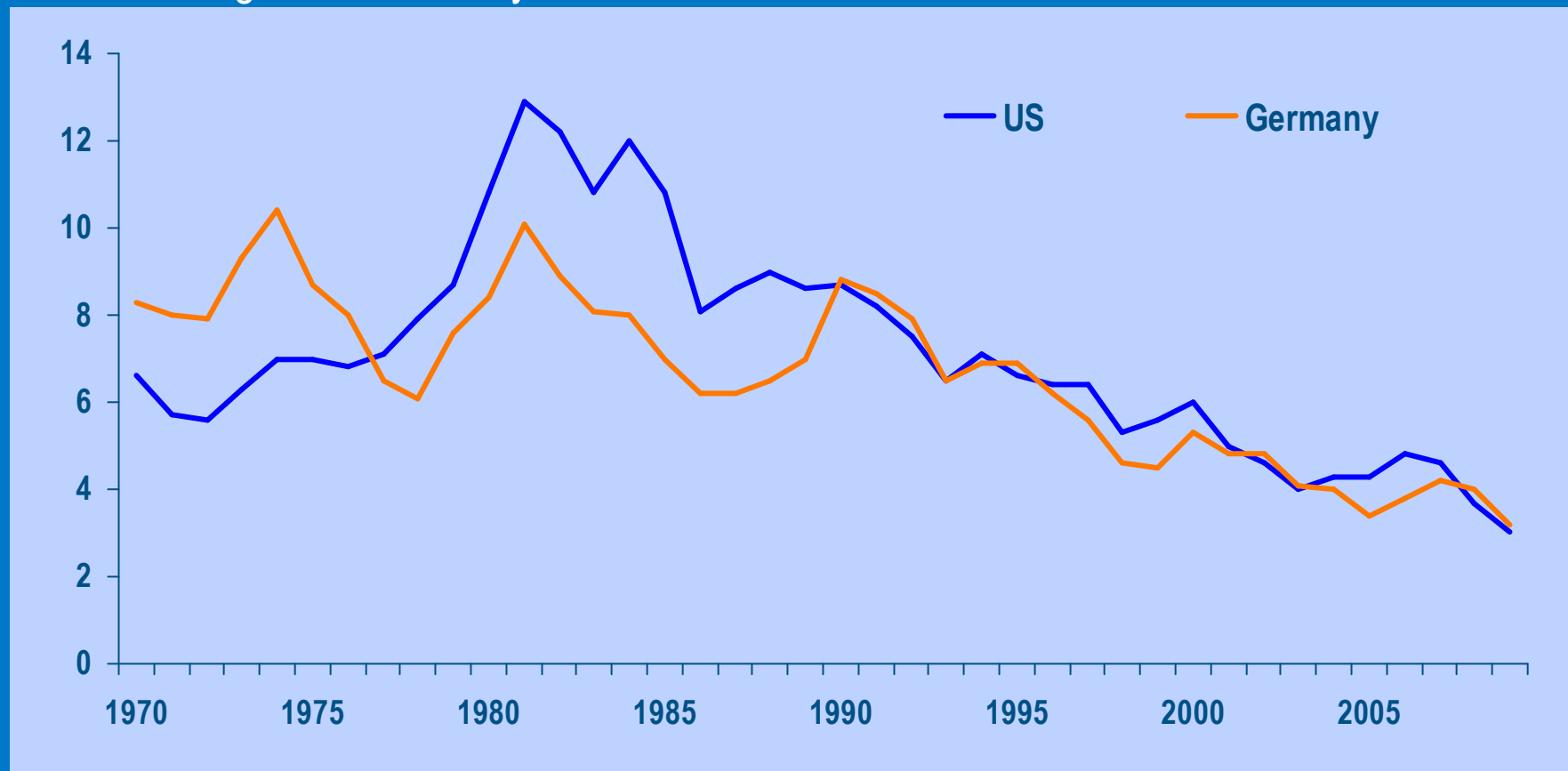
Current account balance and general government balance in billion US-Dollar



Sources: IMF

Nominal Interest Rates in Germany and US

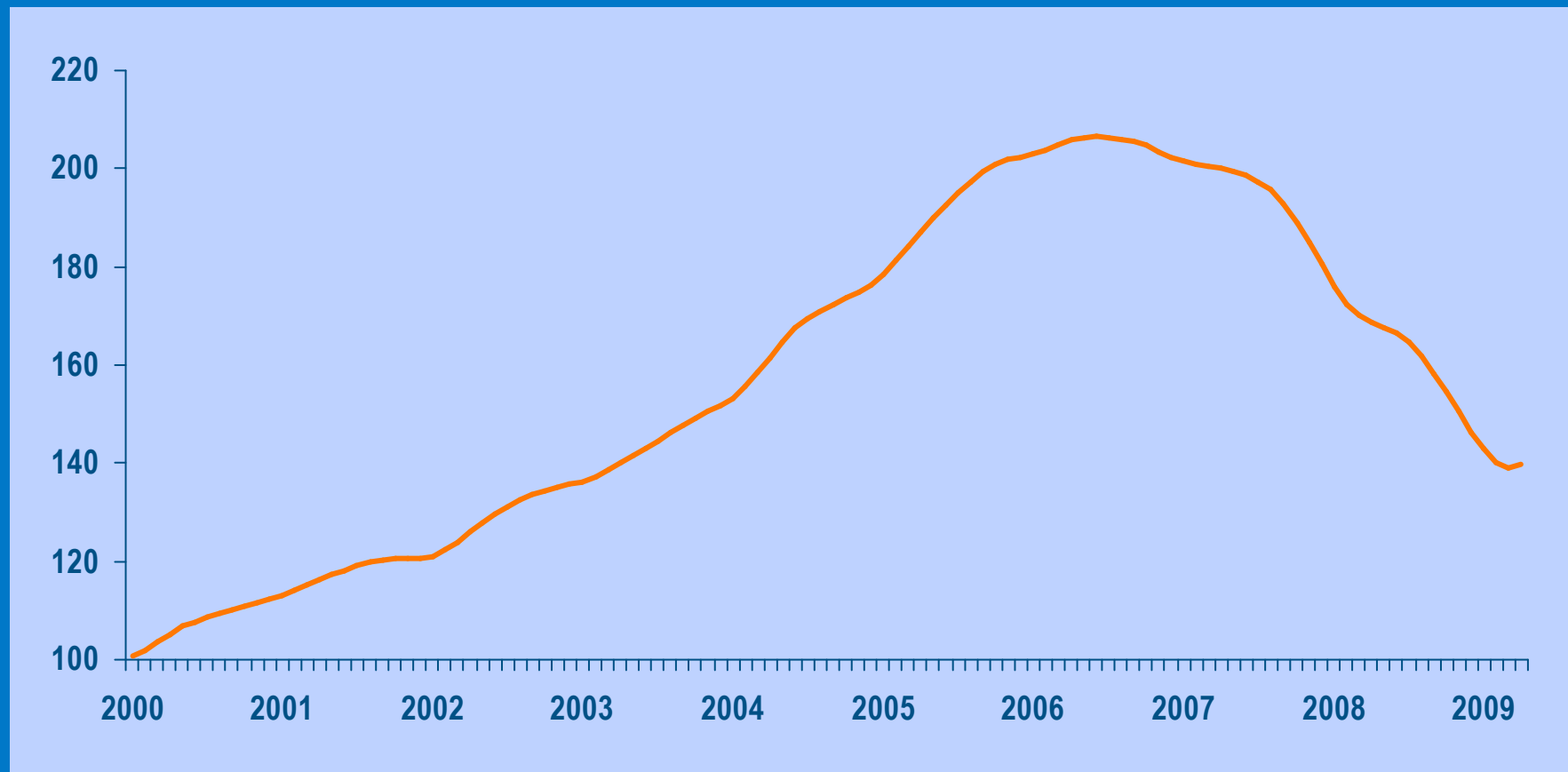
Long-term interest rates for government bonds in percent;
annual averages and 1st half year 2009



Sources: OECD

US House Prices

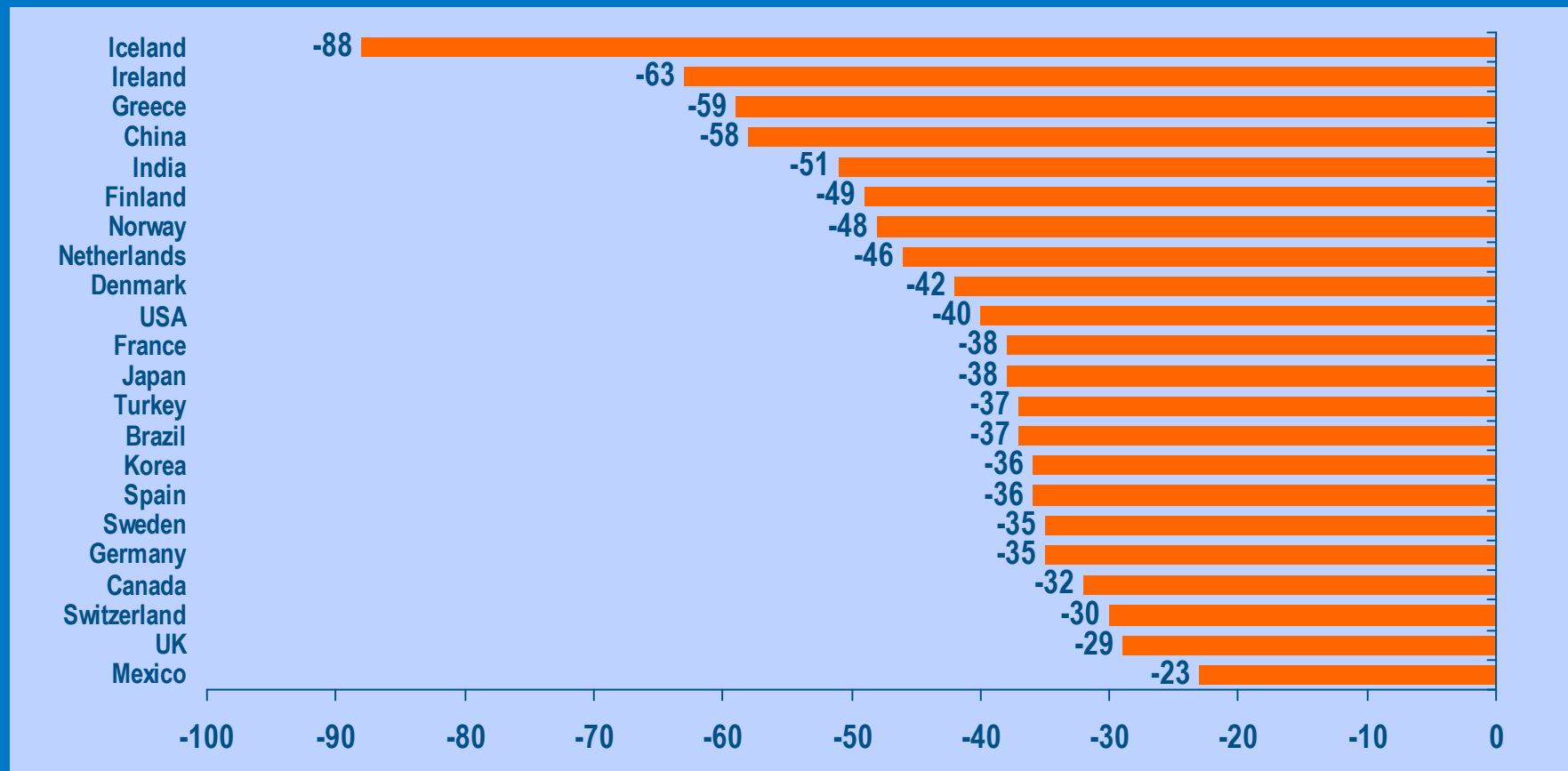
Case-Shiller Composite House Price Index; January 2000 = 100



Sources: Case/Shiller

Share Prices

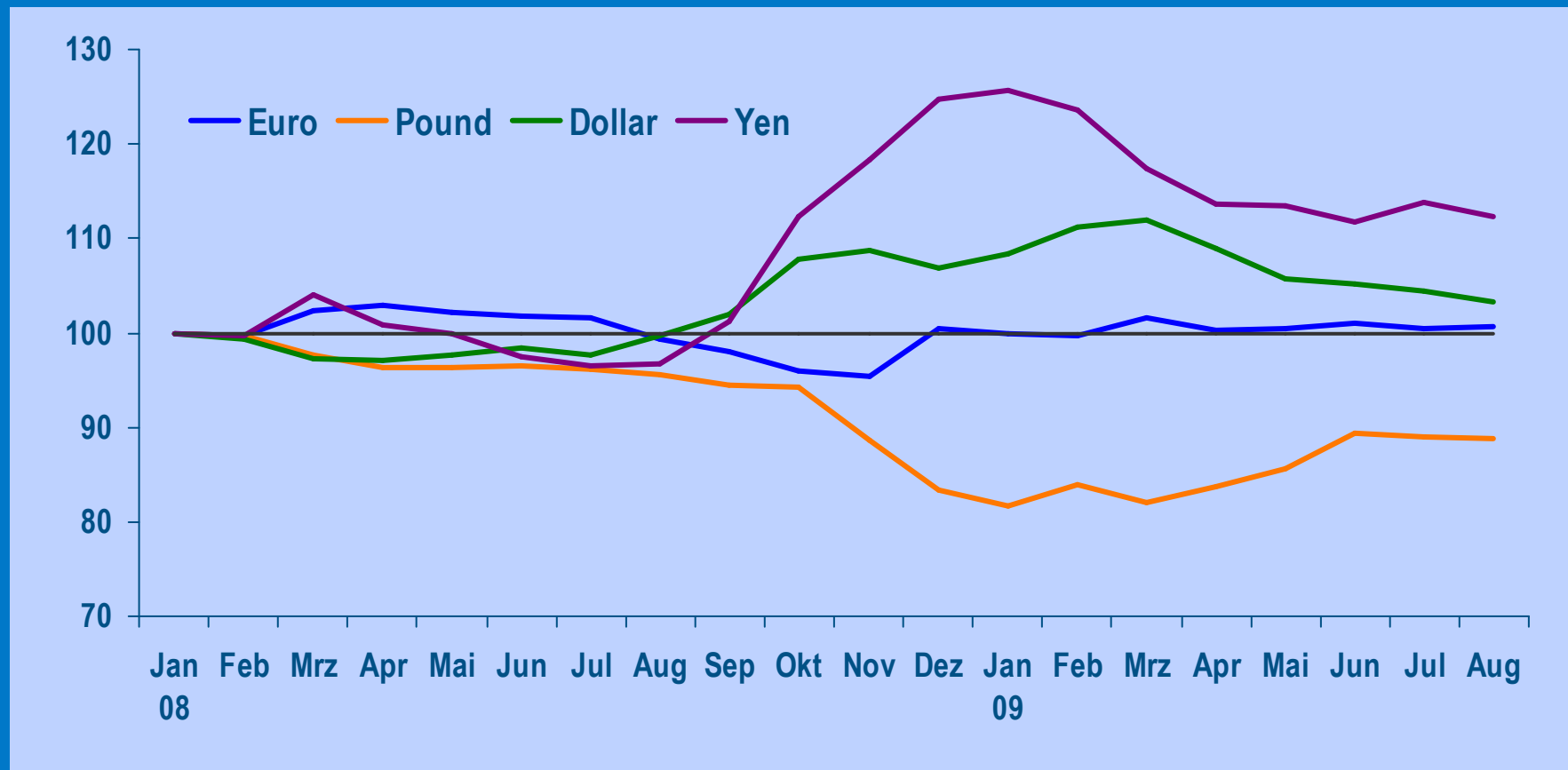
Percentage change of share prices from January to December 2008



Sources: OECD

Exchange Rates

Real effective exchange rates; index January 2008 = 100

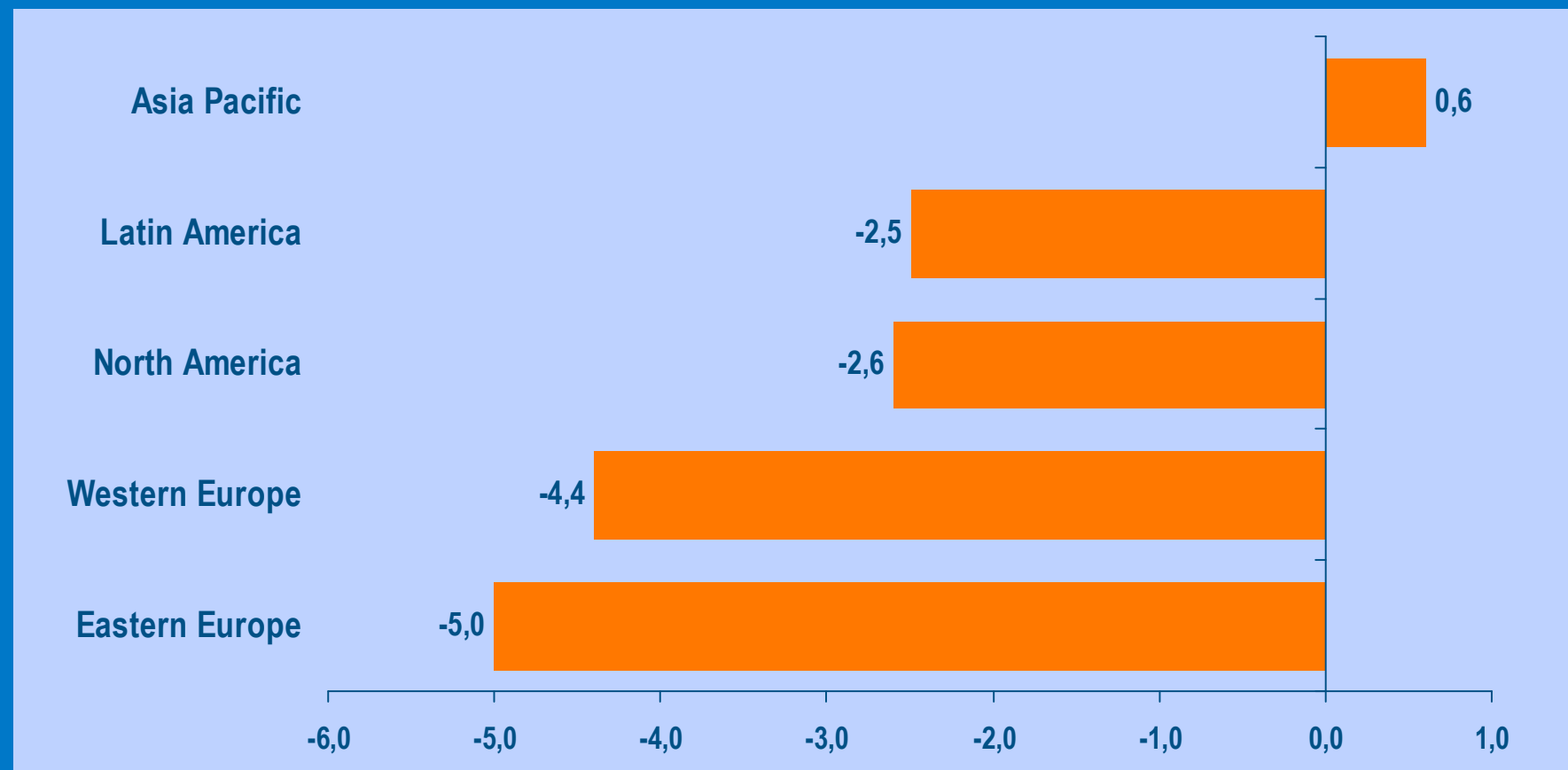


Source: OECD

2. Inside the Crisis

Global Growth Forecasts 2009

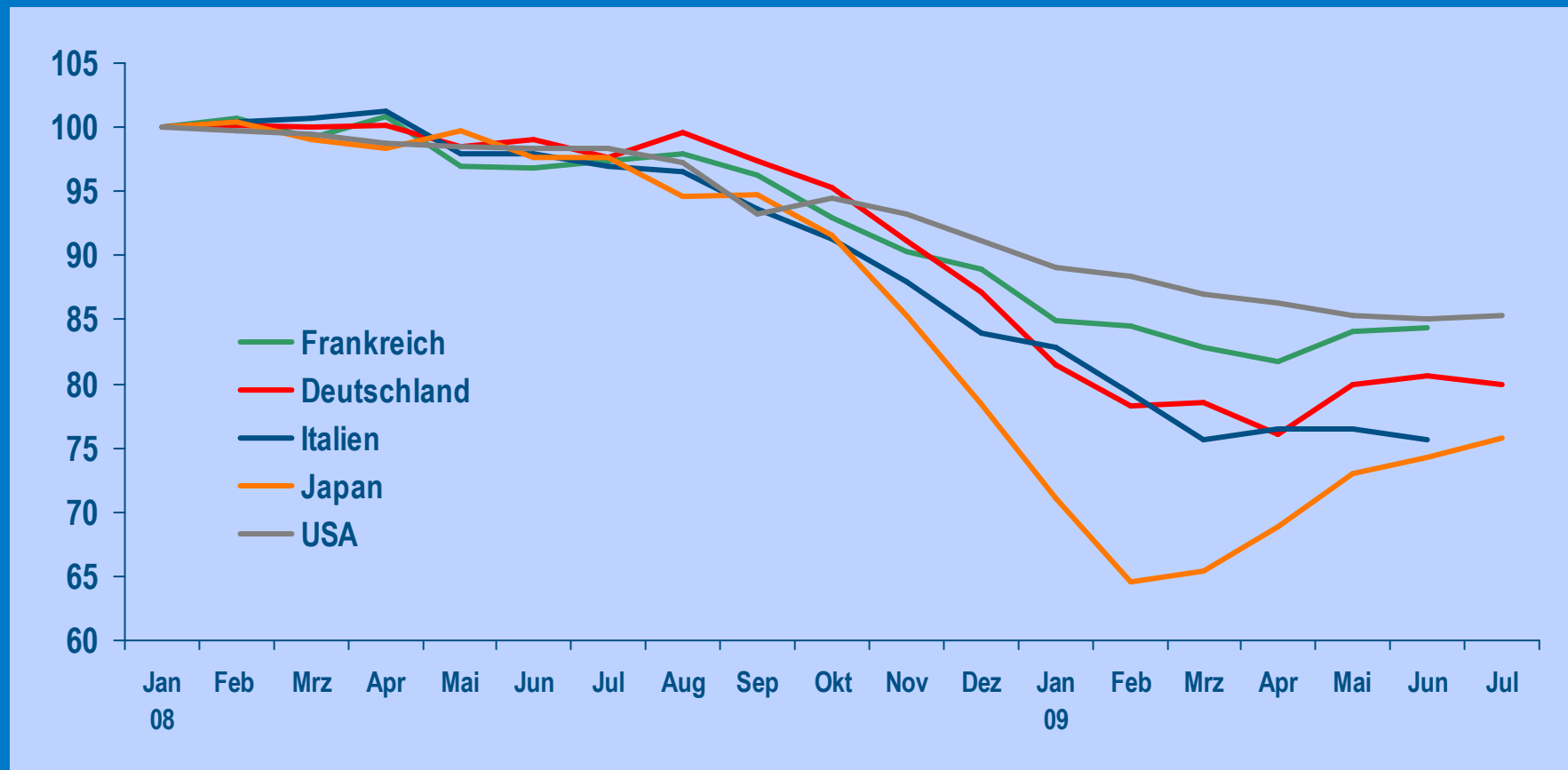
Change of real GDP from previous year in percent; Consensus Forecasts August 2009



Source: Consensus Forecasts

Manufacturing Production in Selected Countries

Seasonal adjusted production, index: January 2008 = 100



Sources: Statistisches Bundesamt; OECD

3. After the Crisis

A pessimistic view

Growing government interventions

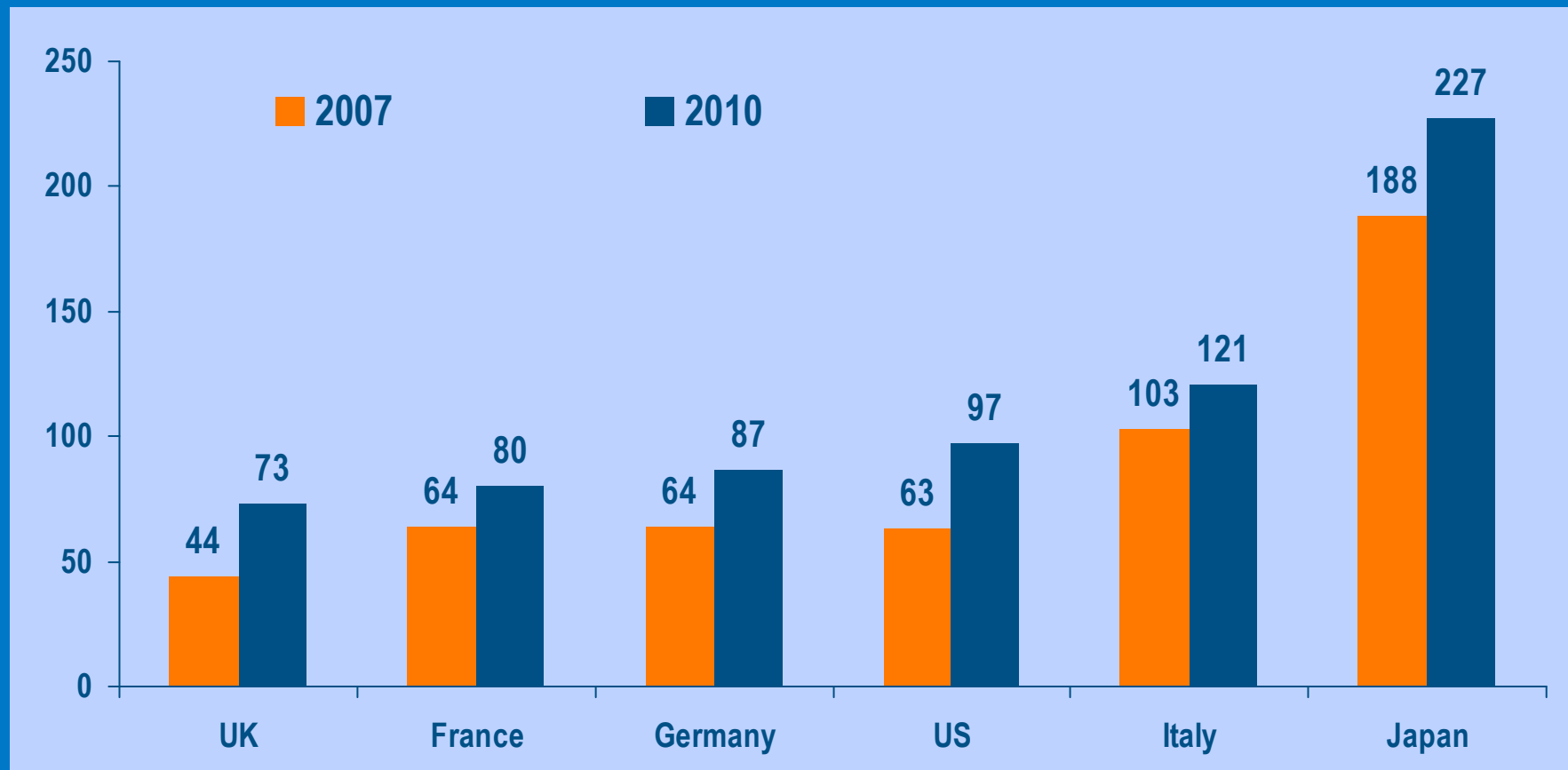
- fiscal stimulus packages
- protectionism
- structural policies
- nationalization
- „new economic order“ → more regulations

Exploding government debt

- direct burden, e. g. high interest payments
- higher interest rates and growing out
- government bankrupt and international bail out

Government Debt

General government gross debt as a percentage of GDP



Sources: IMF

Inflation

- loss of purchasing power
- higher risk premia, interest rates and volatile exchange rates
- distributional effects

Globalization backlash

- protectionism and economic patriotism
- effects on international division of labor
- end of economic convergence

Structural change

- „business models“ at the stake
- conservation of the economic structure by structural policies
- or: increasing change of the production and export structure

Diminishing growth potential

- slower productivity progress
- slower capital formation
- less flexibility because of more regulations

An optimistic view

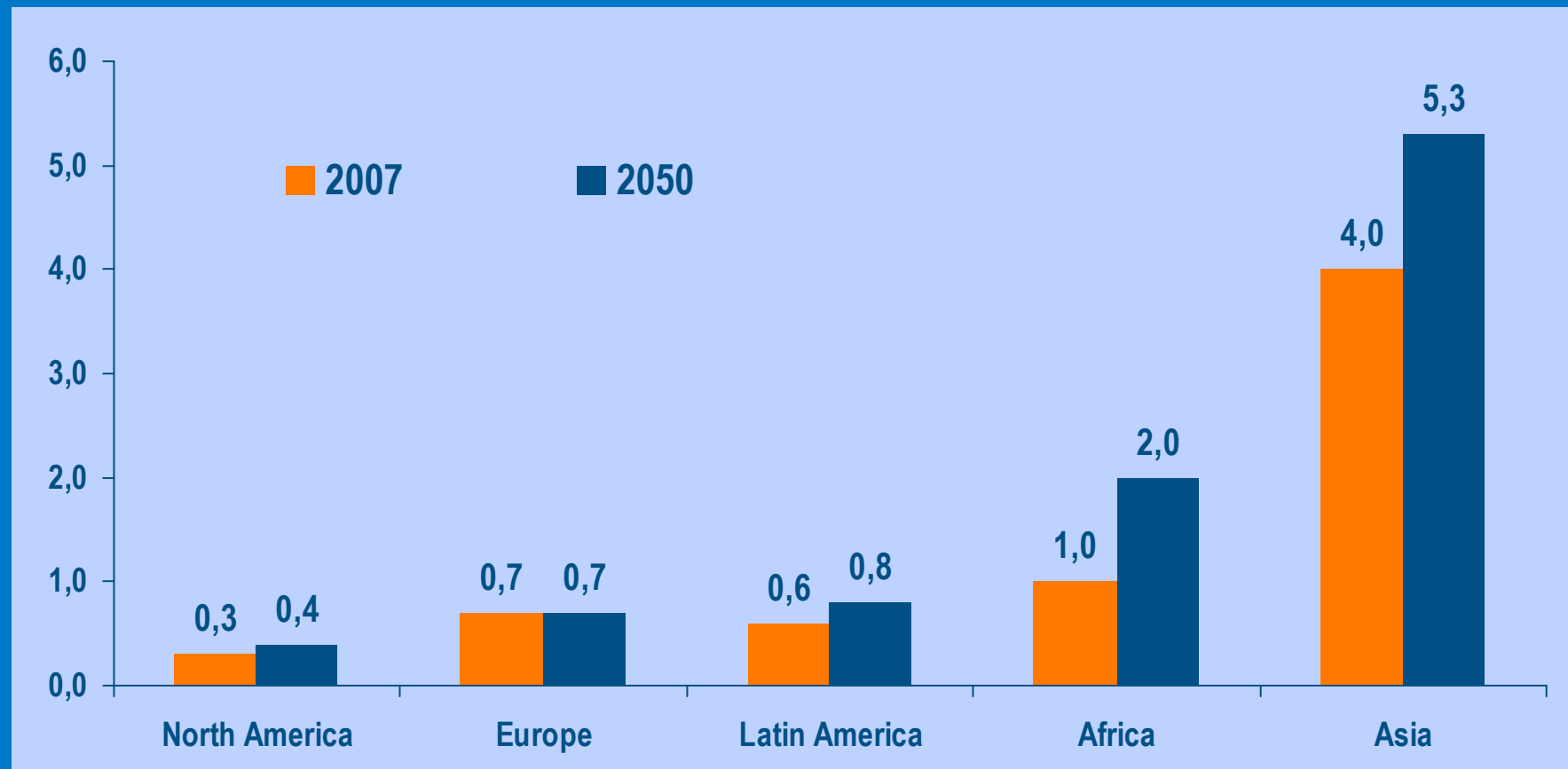
Global trends

1. Population growth
2. Urbanization
3. Wealth orientation
4. Scarce resources
5. Climate change
6. Globalization
7. Security
8. Technology
9. Knowledge / information
10. Infrastructure

Source: Grömling/Hass (2009)

World Population Prospects

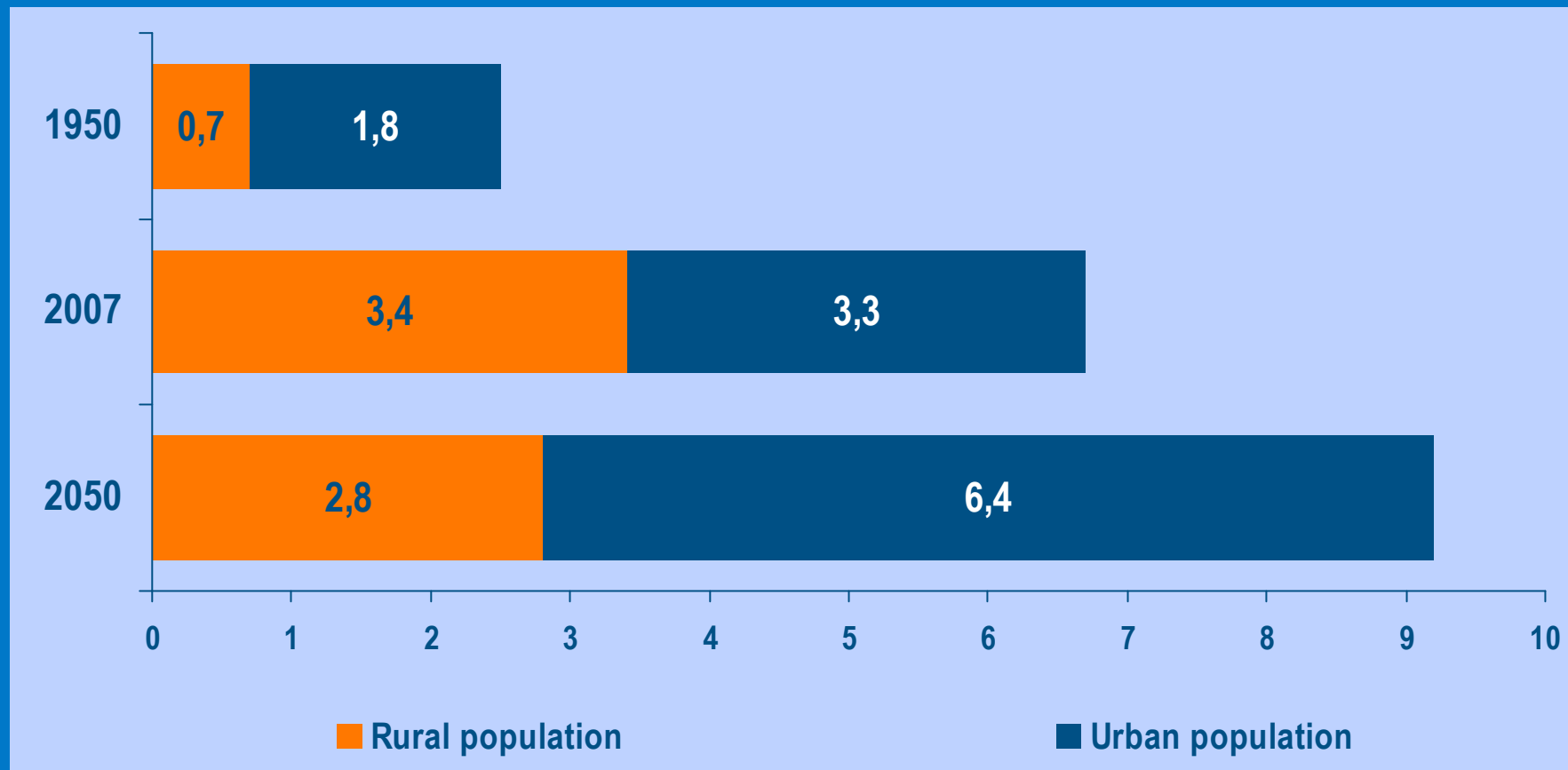
Population by regions in billion people



Sources: UN

World Urbanization Prospects

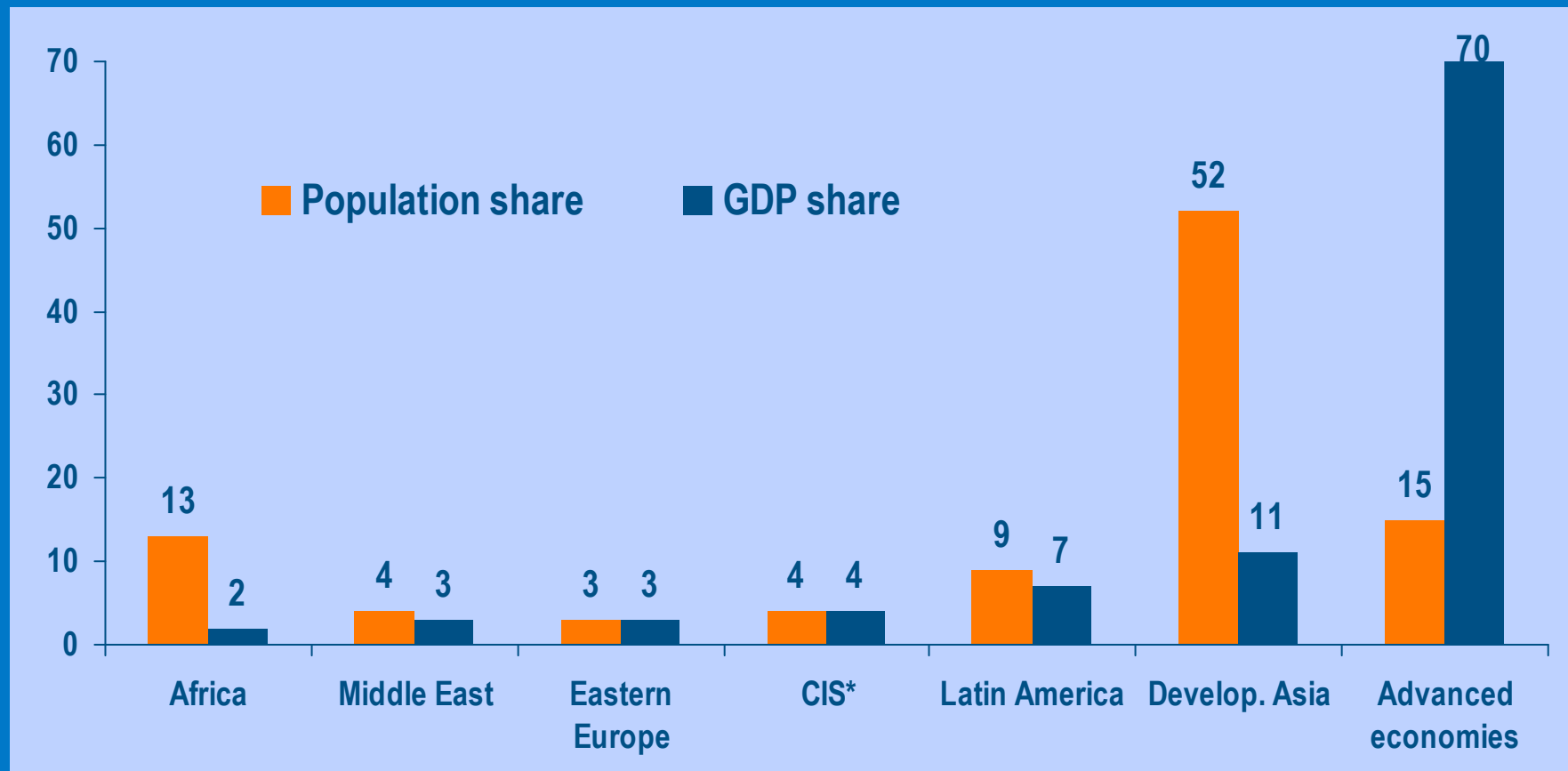
Rural and urban populations in billion



Sources: United Nations

World Population and Global Production

Share by regions in global population and GDP in percent



* Commonwealth of Independent States; Sources: UN

Thank you for your attention!

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