

Public Affairs 854
**Macroeconomic Policy and
International Financial Regulation**

Lecture 1
9/2/2015

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Fall 2015

The Global Landscape

Table 1. Overview of the *World Economic Outlook* Projections

(Percent change unless noted otherwise)

	Year over Year								
	2013	2014	Projections		Difference from April 2015 WEO Projections 1/		Q4 over Q4		
			2015	2016	2015	2016	2014	2015	2016
World Output 2/	3.4	3.4	3.3	3.8	-0.2	0.0	3.3	3.3	3.7
Advanced Economies	1.4	1.8	2.1	2.4	-0.3	0.0	1.7	2.2	2.3
United States	2.2	2.4	2.5	3.0	-0.6	-0.1	2.4	2.4	2.8
Euro Area 3/	-0.4	0.8	1.5	1.7	0.0	0.1	0.9	1.8	1.6
Germany	0.2	1.6	1.6	1.7	0.0	0.0	1.5	1.8	1.5
France	0.7	0.2	1.2	1.5	0.0	0.0	-0.0	1.7	1.3
Italy	-1.7	-0.4	0.7	1.2	0.2	0.1	-0.4	1.2	1.3
Spain	-1.2	1.4	3.1	2.5	0.6	0.5	2.0	3.3	2.2
Japan	1.6	-0.1	0.8	1.2	-0.2	0.0	-0.9	1.7	1.3
United Kingdom	1.7	2.9	2.4	2.2	-0.3	-0.1	3.2	2.2	2.1
Canada	2.0	2.4	1.5	2.1	-0.7	0.1	2.5	1.0	2.3
Other Advanced Economies 4/	2.2	2.8	2.7	3.1	-0.1	0.0	2.6	2.8	3.1
Emerging Market and Developing Economies 5/	5.0	4.6	4.2	4.7	-0.1	0.0	4.7	4.3	5.0
Commonwealth of Independent States	2.2	1.0	-2.2	1.2	0.4	0.9	-1.0	-3.5	1.5
Russia	1.3	0.6	-3.4	0.2	0.4	1.3	0.4	-4.8	1.8
Excluding Russia	4.2	1.9	0.7	3.3	0.3	0.1	...	...	...
Emerging and Developing Asia	7.0	6.8	6.6	6.4	0.0	0.0	6.9	6.6	6.4
China	7.7	7.4	6.8	6.3	0.0	0.0	7.3	6.8	6.3
India 6/	6.9	7.3	7.5	7.5	0.0	0.0	7.5	7.3	7.5
ASEAN-5 7/	5.1	4.6	4.7	5.1	-0.5	-0.2	4.8	4.7	5.2
Emerging and Developing Europe	2.9	2.8	2.9	2.9	0.0	-0.3	2.6	3.5	3.0
Latin America and the Caribbean	2.9	1.3	0.5	1.7	-0.4	-0.3	1.2	-0.1	2.1
Brazil	2.7	0.1	-1.5	0.7	-0.5	-0.3	-0.2	-2.1	2.3
Mexico	1.4	2.1	2.4	3.0	-0.6	-0.3	2.6	2.5	3.0
Middle East, North Africa, Afghanistan, and Pakistan	2.4	2.7	2.6	3.8	-0.3	0.0	...	...	...
Saudi Arabia	2.7	3.5	2.8	2.4	-0.2	-0.3	1.6	2.7	2.6
Sub-Saharan Africa	5.2	5.0	4.4	5.1	-0.1	0.0	...	...	...

Source: IMF, *World Economic Outlook update*, July 2015.

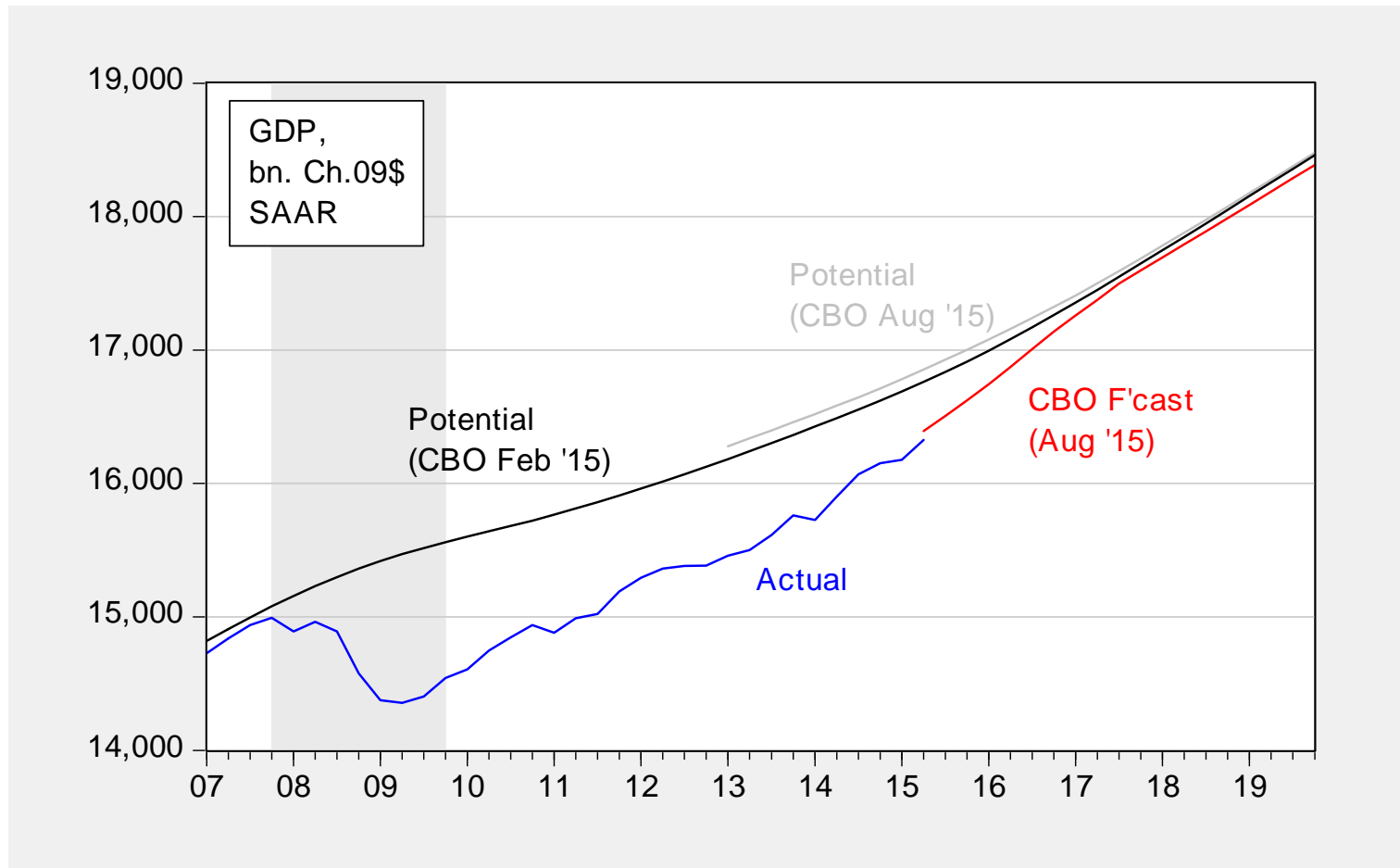
Global: Trade, Commodities

Table 1. Overview of the World Economic Outlook Projections

(Percent change unless noted otherwise)

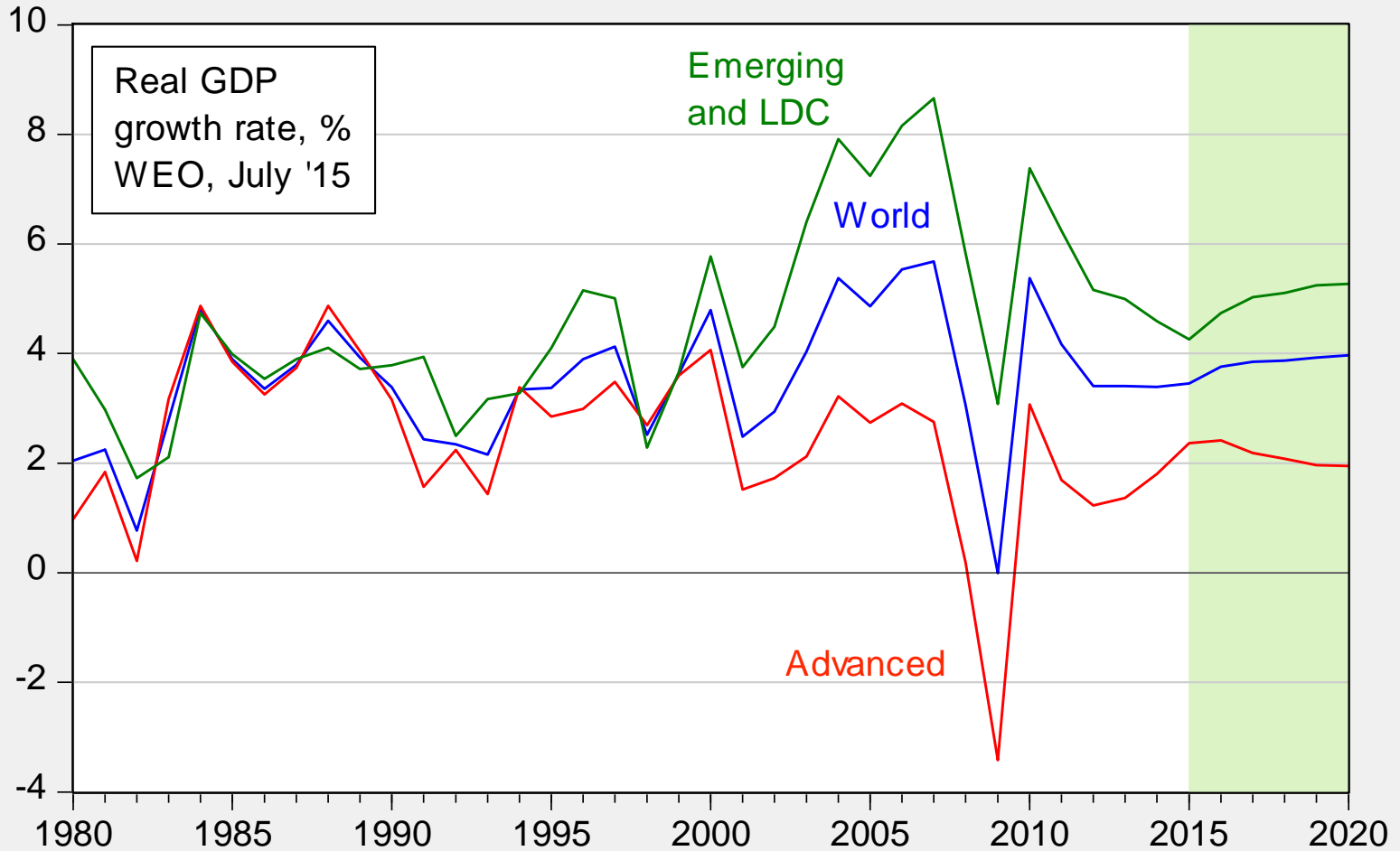
	Year over Year								
	2013	2014	Projections		Difference from April 2015 WEO Projections 1/		Q4 over Q4		
			2015	2016	2015	2016	2014	2015	2016
World Trade Volume (goods and services)	3.3	3.2	4.1	4.4	0.4	-0.3	...	...	...
Imports									
Advanced Economies	2.1	3.3	4.5	4.5	1.2	0.2	...	...	...
Emerging Market and Developing Economies	5.2	3.4	3.6	4.7	0.1	-0.8	...	...	...
Commodity Prices (U.S. dollars)									
Oil 8/	-0.9	-7.5	-38.8	9.1	0.8	-3.8	-28.7	-16.8	5.5
Nonfuel (average based on world commodity export weights)	-1.2	-4.0	-15.6	-1.7	-1.5	-0.7	-7.5	-12.6	0.7
Consumer Prices									
Advanced Economies	1.4	1.4	0.0	1.2	-0.4	-0.2	1.0	0.2	1.5
Emerging Market and Developing Economies 5/	5.9	5.1	5.5	4.8	0.1	0.0	5.0	6.0	4.7
London Interbank Offered Rate (percent)									
On U.S. Dollar Deposits (six month)	0.4	0.3	0.4	1.2	-0.3	-0.7	...	...	...
On Euro Deposits (three month)	0.2	0.2	0.0	0.0	0.0	0.0	...	...	...
On Japanese Yen Deposits (six month)	0.2	0.2	0.1	0.1	0.0	-0.1	...	...	...

America in “recovery”

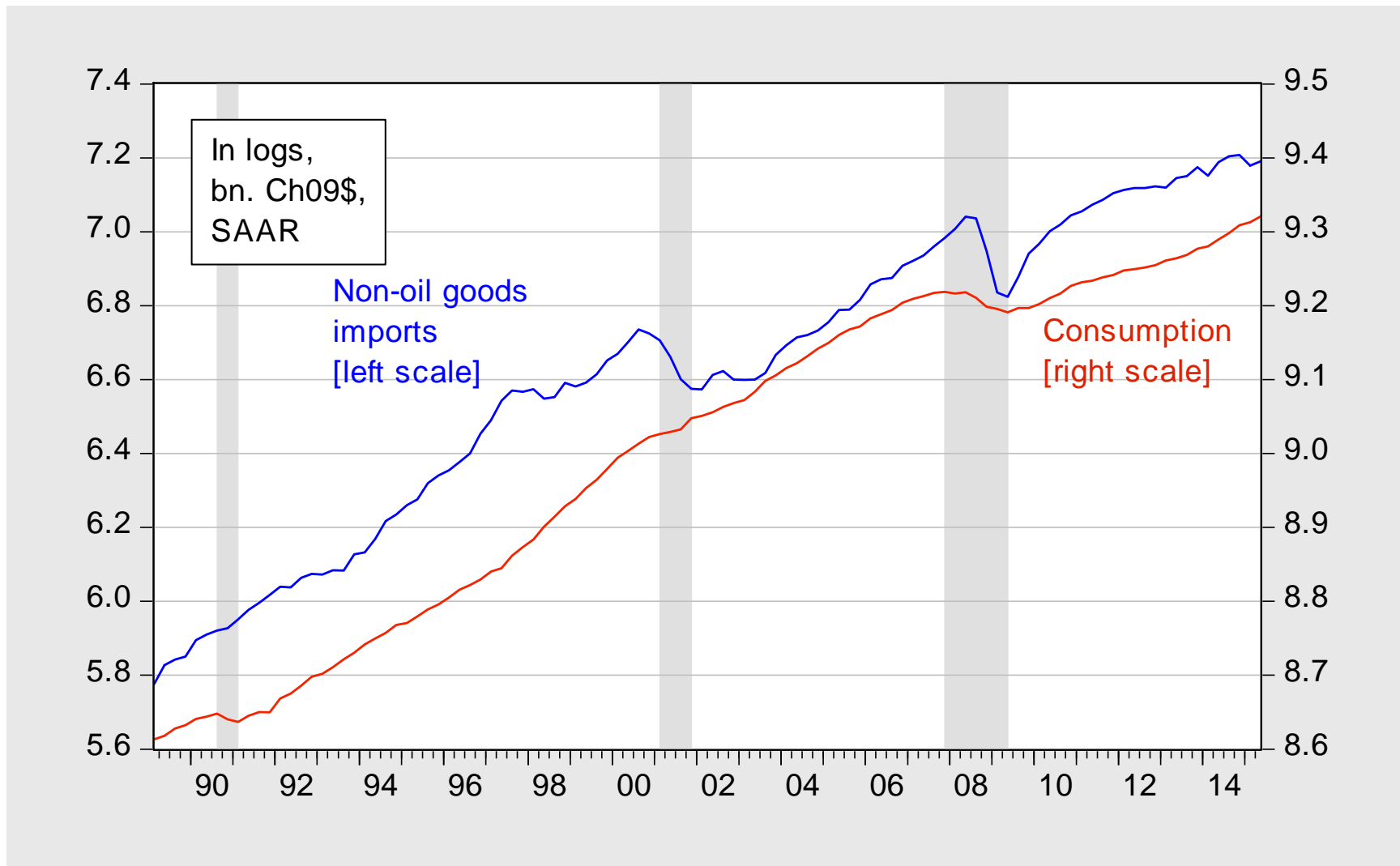


Source: BEA, 2015Q2 2nd release, CBO, Feb, Aug 2015

The Rest of the World

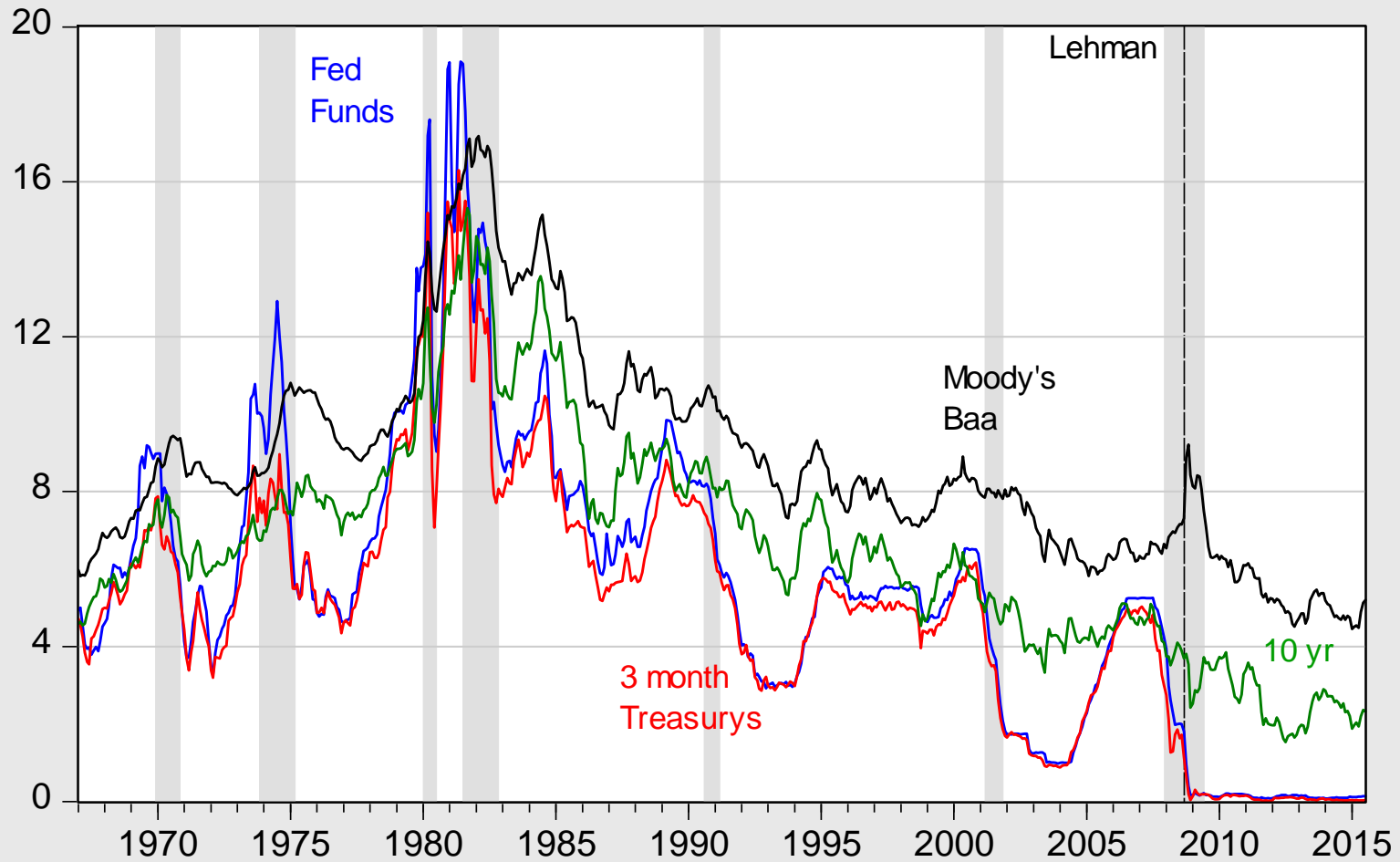


America: No longer consumer of last resort

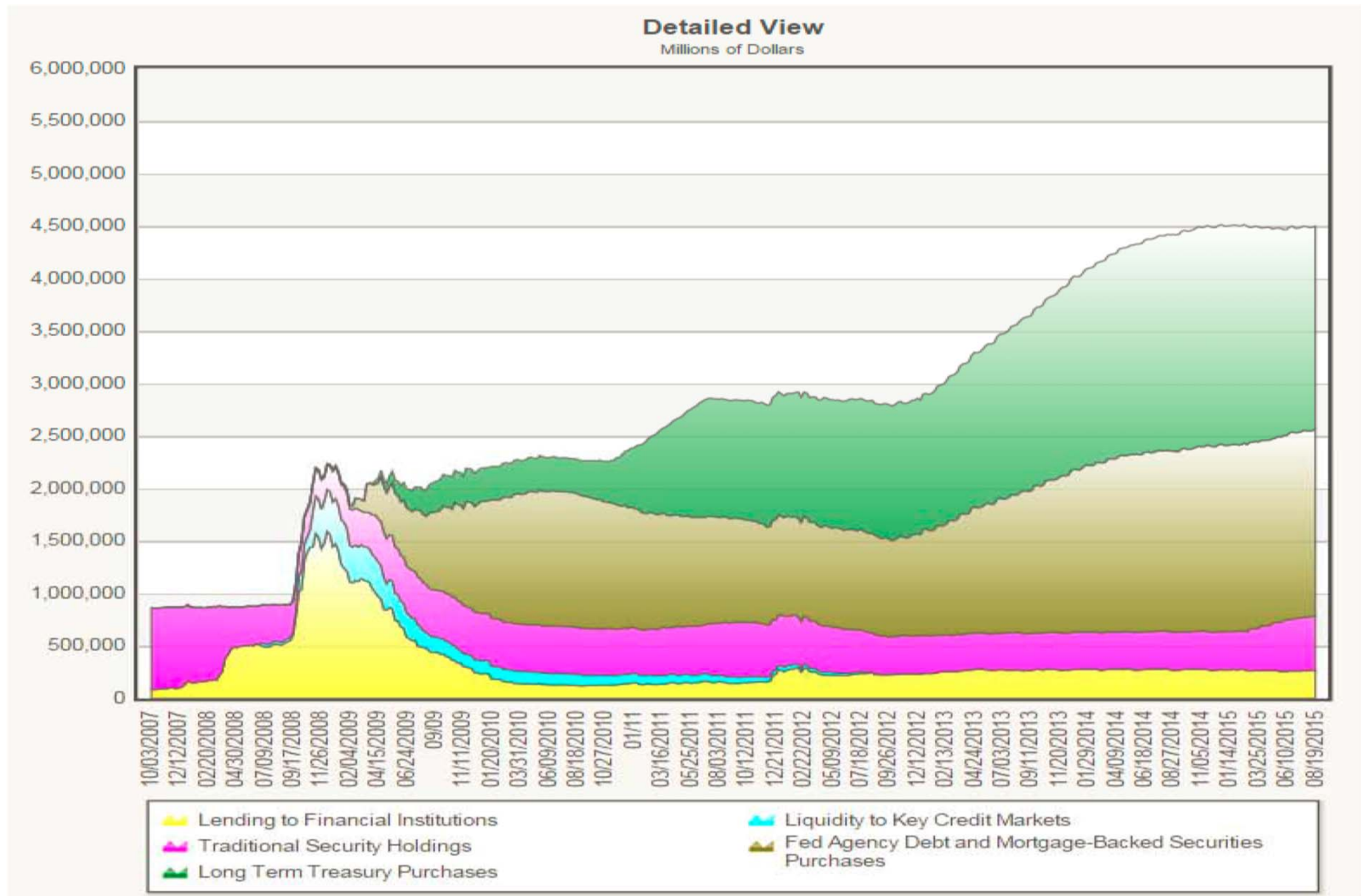


Log real imports of goods ex.-oil, and real consumption. Source: BEA, August 2015), NBER

Monetary Policy



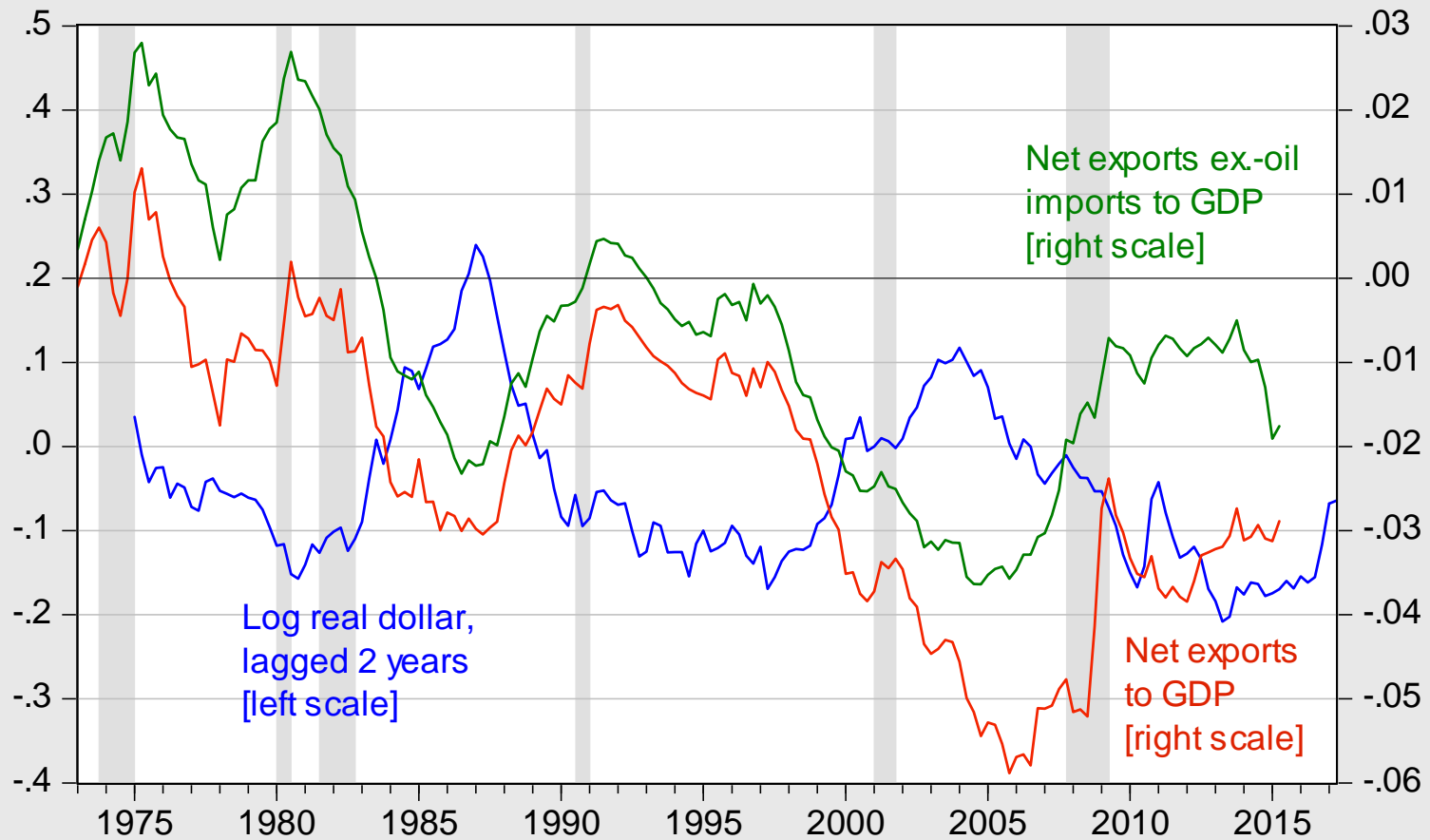
Fed interventions



Looking ahead

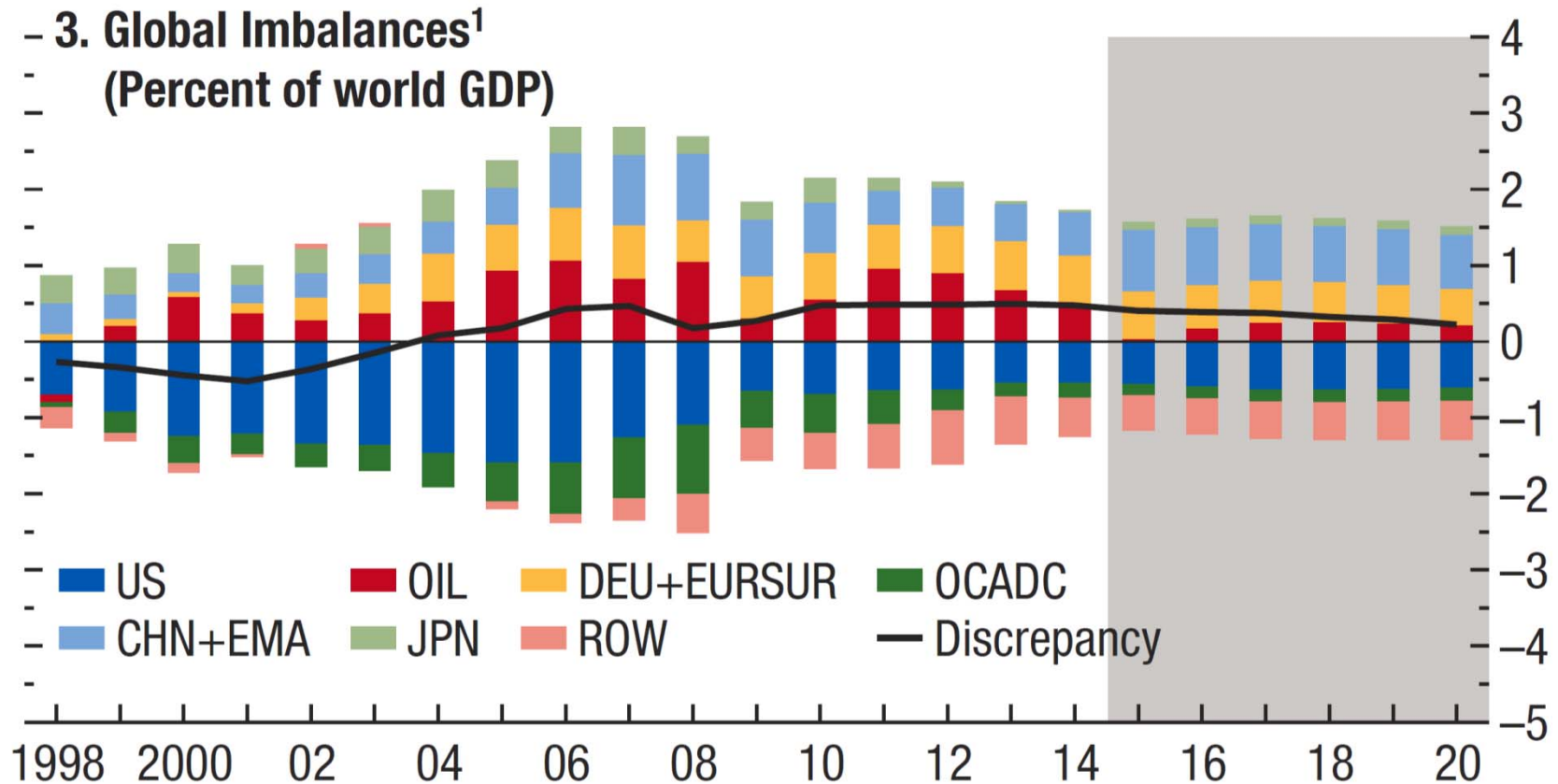
- Deleveraging implies easy credit is over for...
- European sovereign debt crisis
- Emerging market bust (China)
- Rebalancing is key

Net Exports and the Dollar



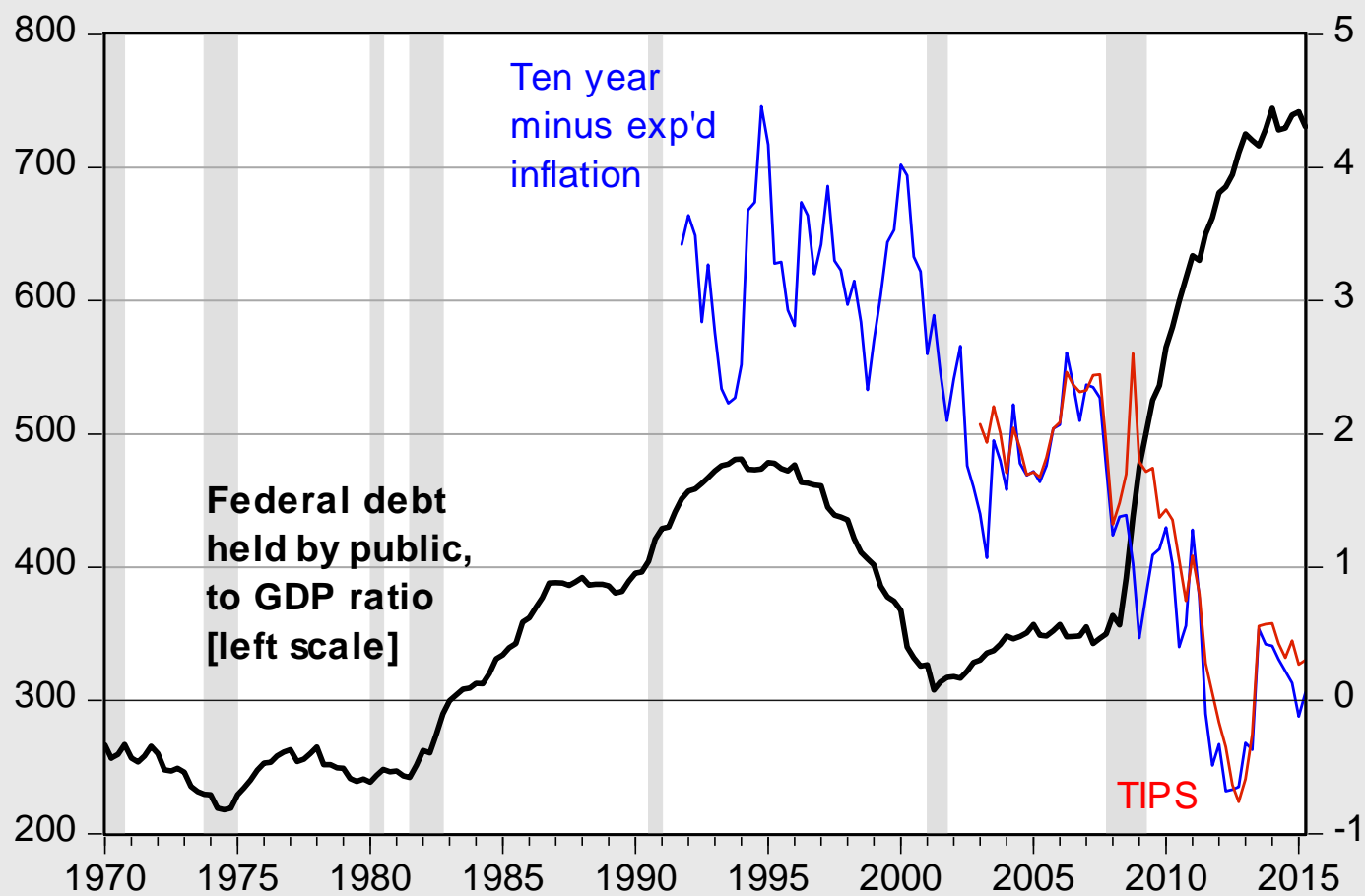
Source: Federal Reserve Board, and BEA, 2015Q2 GDP 2nd release

Global Imbalances Persist

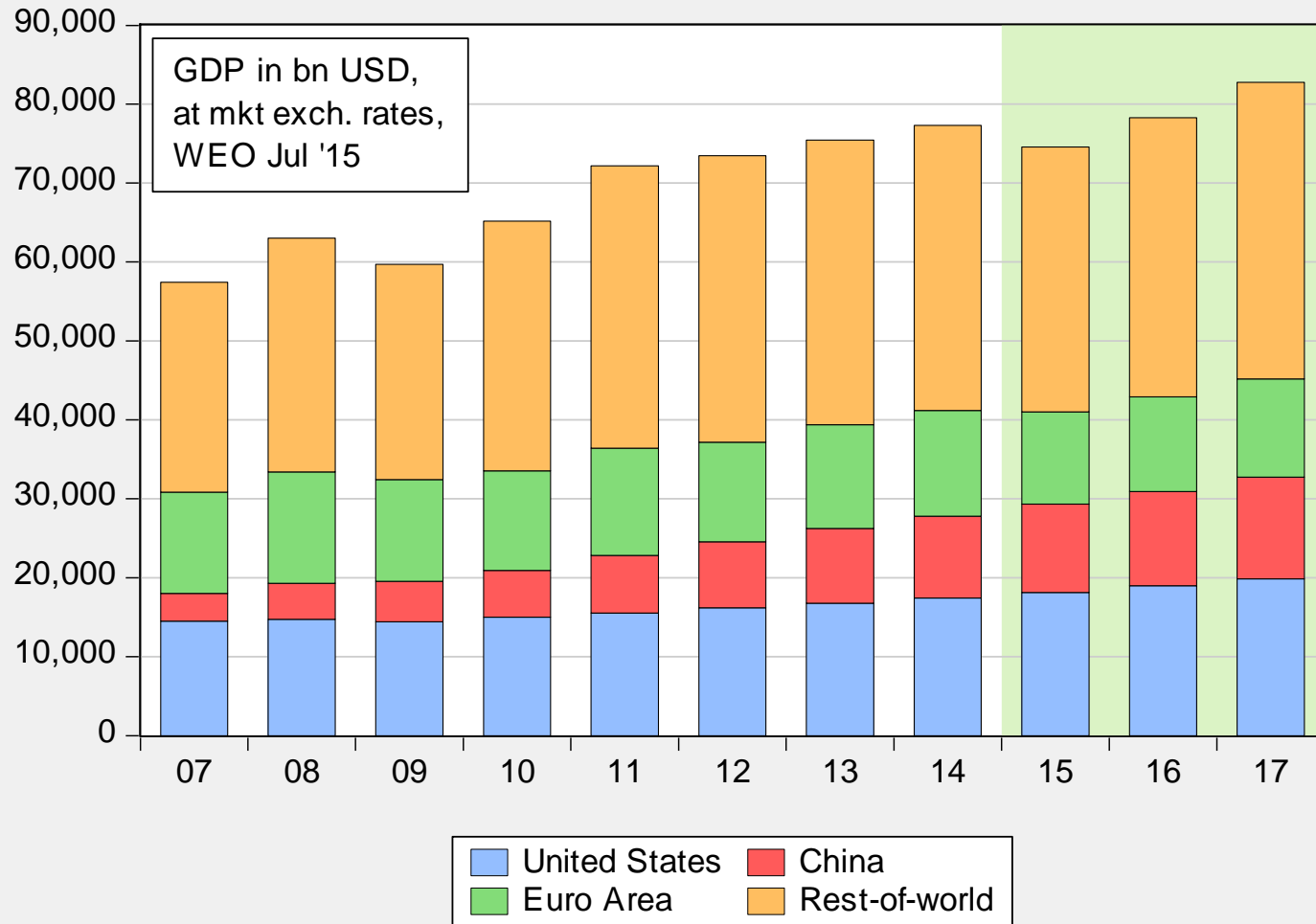


Source: IMF, World Economic Outlook, April 2015, Figure 1.10

The Current Puzzle



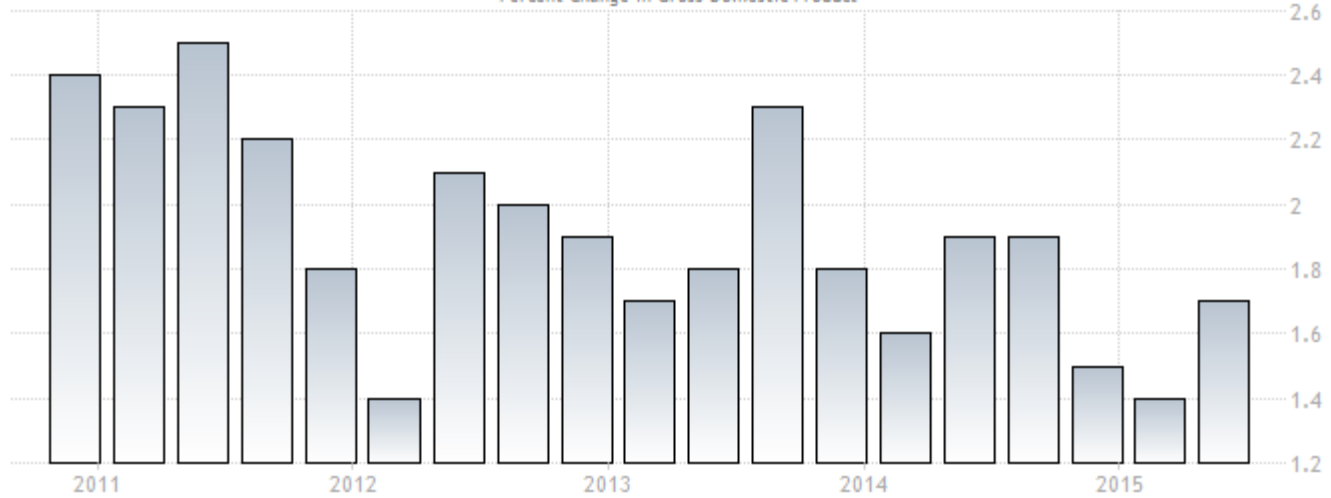
The Big Question Mark



China

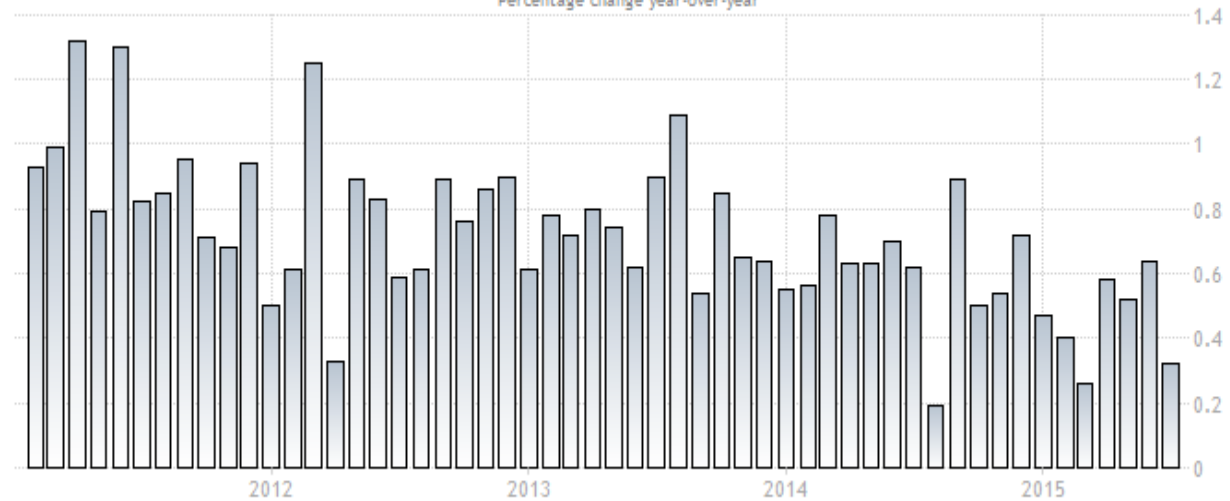
CHINA GDP GROWTH RATE

Percent Change in Gross Domestic Product



CHINA INDUSTRIAL PRODUCTION MOM

Percentage change year-over-year



Li Keqiang Index

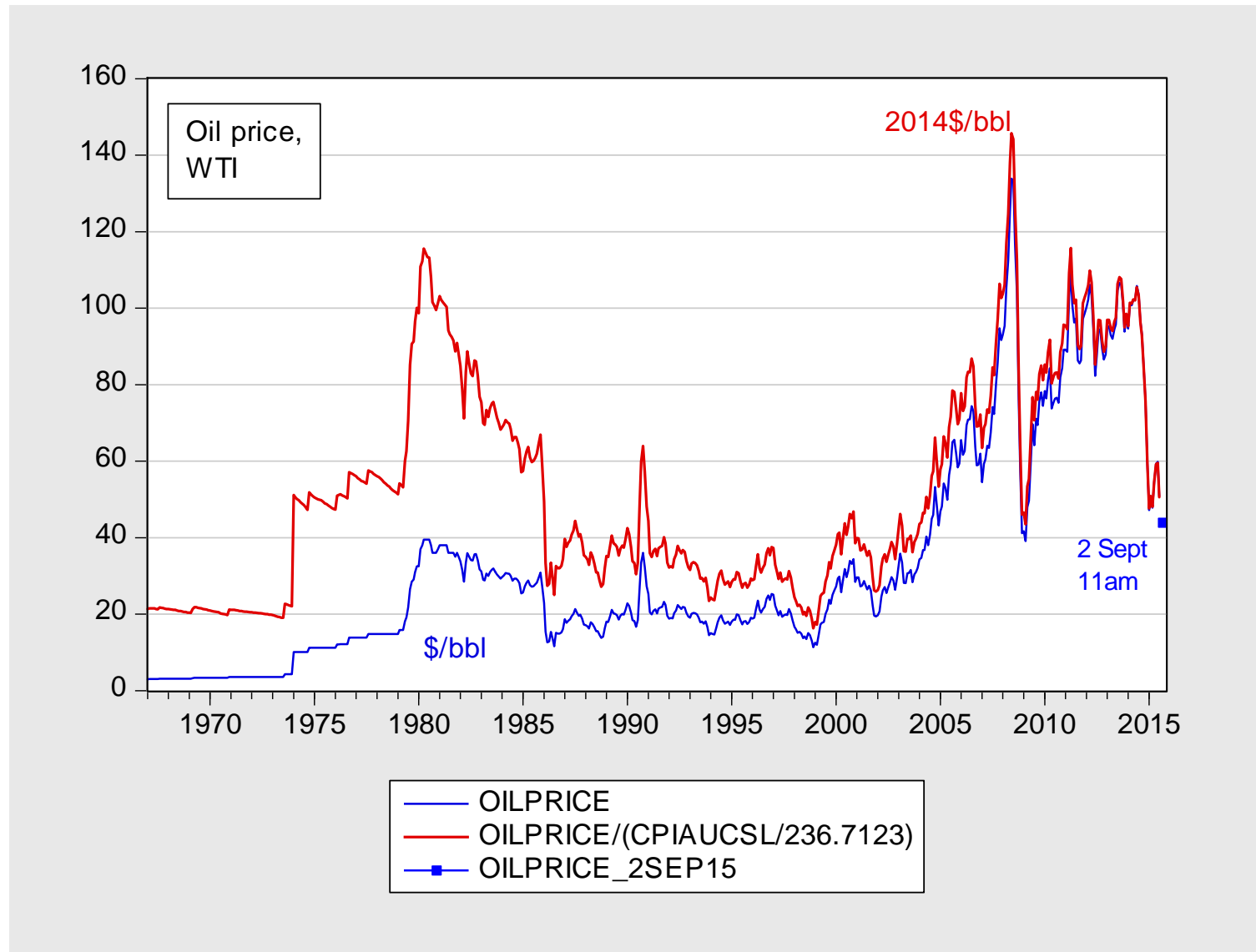


Source: NBS, PBC, NEA

World Economics,

http://www.worldeconomics.com/Papers/China%20Growth%20Monitor_cac90741-8882-4311-969e-3ae0e3e2575c.paper

Where China Goes: Commodities



Where China Goes: EM FX

JohnKicklighter published on TradingView.com, August 25, 2015 19:29 EST

BATS_DLY:EEM 31.74 ▲ +0.42 (+1.34%) O:33.26 H:33.28 L:31.72 C:31.74

