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Universidad de Navarra

GLOBAL ECONOMIC OUTLOOK. COMPETING FOR TALENT

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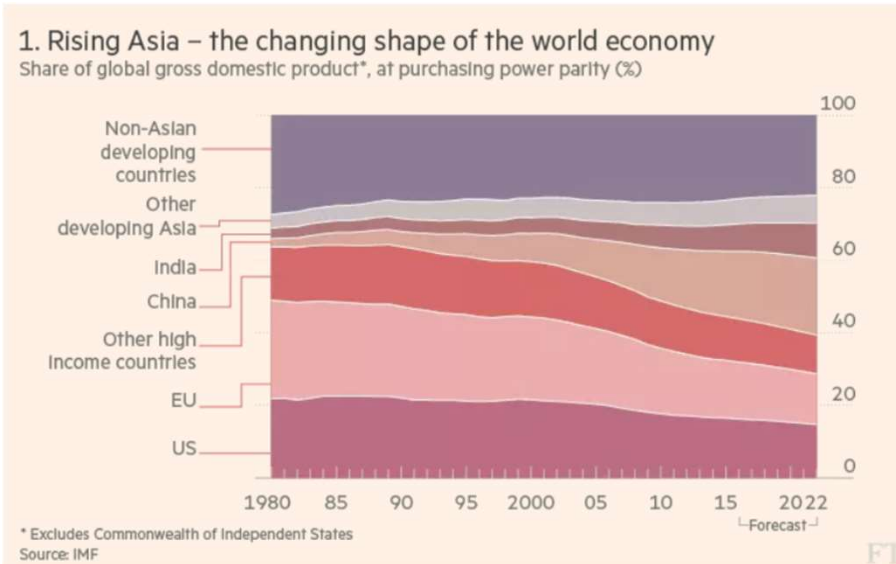
GLOBAL ECONOMIC OUTLOOK IS WORSENING

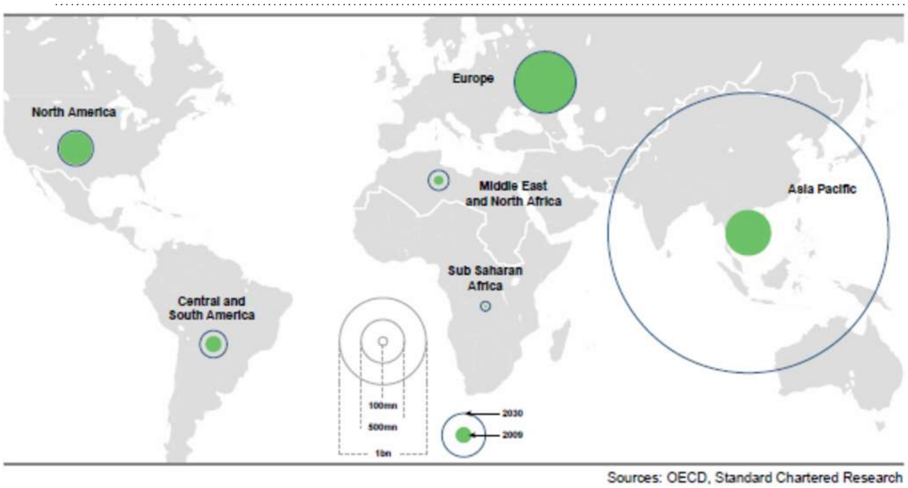
	Year over Year					
			Projections		Difference from April 2019 WEO Projections 1/	
	2017	2018	2019	2020	2019	2020
World Output	**3.8**	**3.6**	**3.2**	**3.5**	**–0.1**	**–0.1**
Advanced Economies	**2.4**	**2.2**	**1.9**	**1.7**	**0.1**	**0.0**
United States	2.2	2.9	2.6	1.9	0.3	0.0
Euro Area	2.4	1.9	1.3	1.6	0.0	0.1
Germany 3/	2.2	1.4	0.7	1.7	–0.1	0.3
France	2.3	1.7	1.3	1.4	0.0	0.0
Italy	1.7	0.9	0.1	0.8	0.0	–0.1
Spain	3.0	2.6	2.3	1.9	0.2	0.0
Japan	1.9	0.8	0.9	0.4	–0.1	–0.1
United Kingdom	1.8	1.4	1.3	1.4	0.1	0.0
Canada	3.0	1.9	1.5	1.9	0.0	0.0
Other Advanced Economies 4/	2.9	2.6	2.1	2.4	–0.1	–0.1
Emerging Market and Developing Economies	**4.8**	**4.5**	**4.1**	**4.7**	**–0.3**	**–0.1**
Commonwealth of Independent States	2.2	2.7	1.9	2.4	–0.3	0.1
Russia	1.6	2.3	1.2	1.9	–0.4	0.2
Excluding Russia	3.5	3.9	3.5	3.7	0.0	0.0
Emerging and Developing Asia	6.6	6.4	6.2	6.2	–0.1	–0.1
China	6.8	6.6	6.2	6.0	–0.1	–0.1
India 5/	7.2	6.8	7.0	7.2	–0.3	–0.3
ASEAN-5 6/	5.3	5.2	5.0	5.1	–0.1	–0.1
Emerging and Developing Europe	6.1	3.6	1.0	2.3	0.2	–0.5
Latin America and the Caribbean	1.2	1.0	0.6	2.3	–0.8	–0.1
Brazil	1.1	1.1	0.8	2.4	–1.3	–0.1
Mexico	2.1	2.0	0.9	1.9	–0.7	0.0
Middle East, North Africa, Afghanistan, and Pakistan	2.1	1.6	1.0	3.0	–0.5	–0.2
Saudi Arabia	–0.7	2.2	1.9	3.0	0.1	0.9
Sub-Saharan Africa	2.9	3.1	3.4	3.6	–0.1	–0.1
Nigeria	0.8	1.9	2.3	2.6	0.2	0.1
South Africa	1.4	0.8	0.7	1.1	–0.5	–0.4

Source: IMF; WEO; July 2019

THE ECONOMIC POWER IS SHIFTING



MIDDLE CLASS FAMILIES IN 2010 AND PREDICTIONS FOR 2030




CHINA
TALENT
Real PPP Income Change (in %)
Change in real income levels glob
between 1988 and 2008
Populations in China and other EMs who experienced sharp increases in their real income as inflation moderated. They became part of GVCs and moved from rural to urban areas
Middle class in advanced economies whose income stagnated
Populations in poor developing economies that did not manage to become integrated in GVCs
80%
60%
40%
20%
0%
10 20 30 40 50 60 70 80 90 99 100
Percentile of Global Income Distribution
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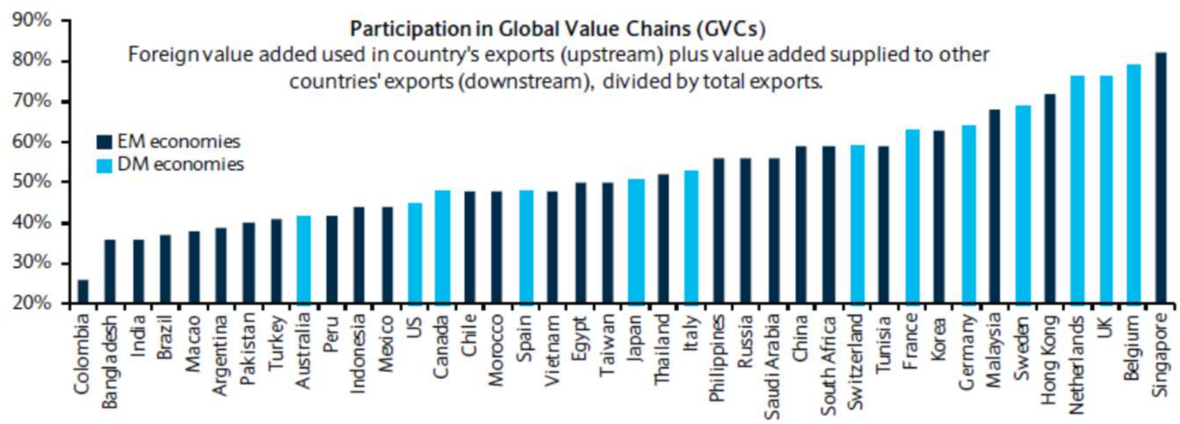
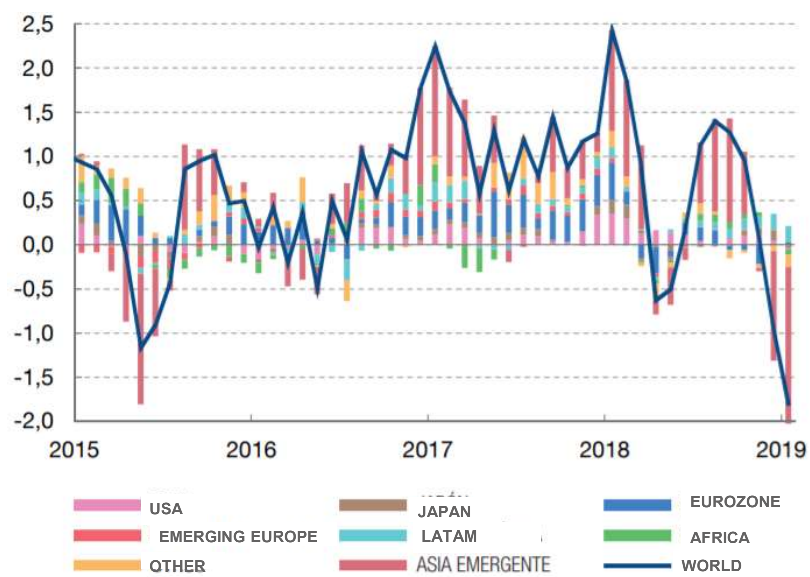
TRADE WAR

PARTICIPATION IN THE GLOBAL VALUE CHAIN



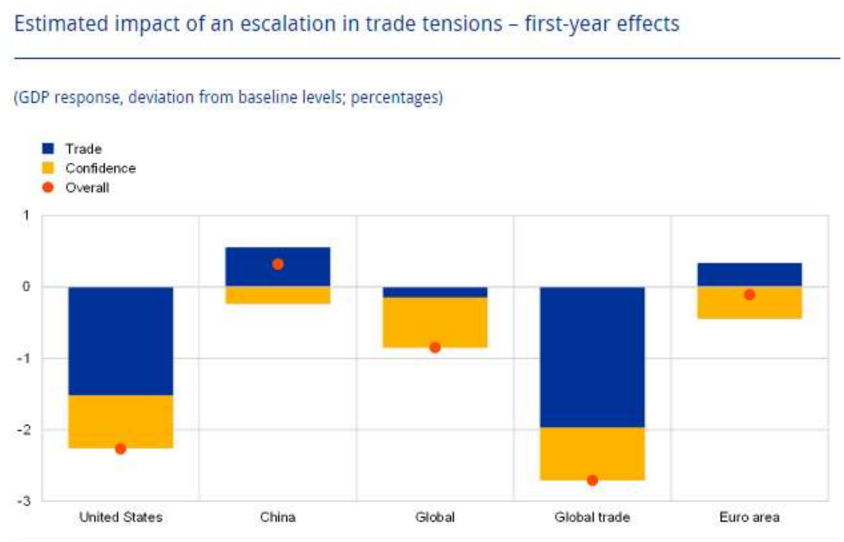
Source: Barclays Research, January 2017

EVOLUTION OF GLOBAL TRADE



Source: Bank of Spain; Annual Report; May 2019

IMPACT OF AN ESCALATION OF TENSIONS



Source: ECB Bulletin April, 2019

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TARIFFS ARE HAVING AN EFFECT ON CONSUMER PRICES

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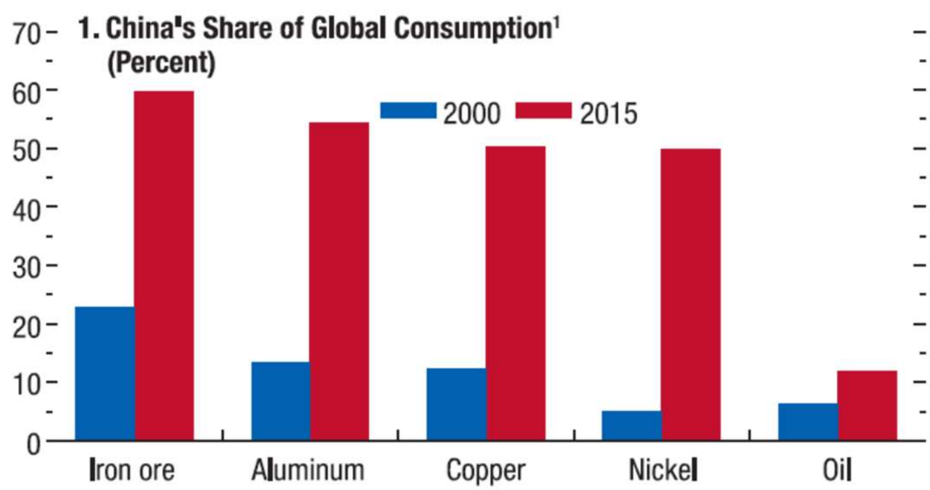
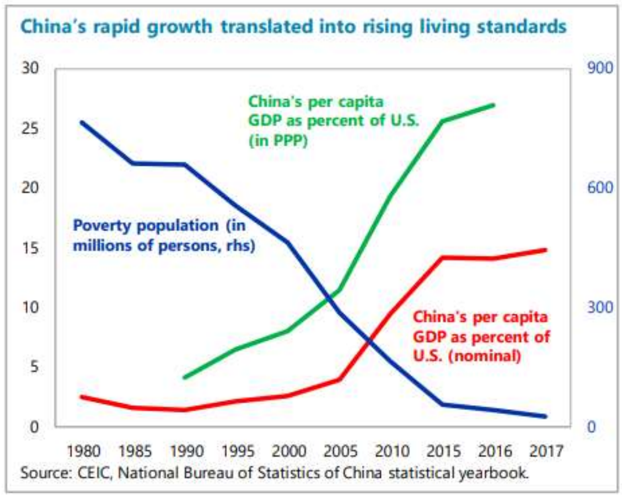
CHINA´S SHARE OF GLOBAL CONSUMPTION

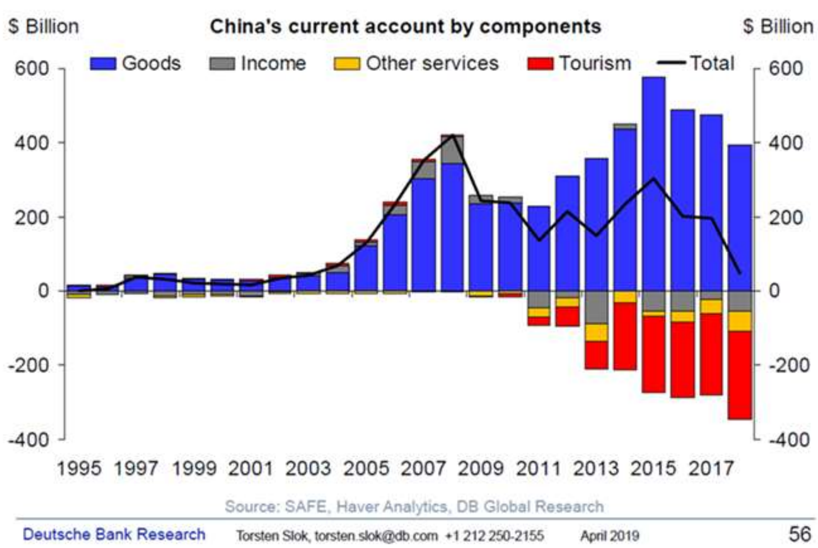


Fuente: IMF, WEO chapter 4; Oct 2016

CHINA´S IMPROVEMENT IN LIVING STANDARDS



CHINA´S CURRENT ACCOUNT



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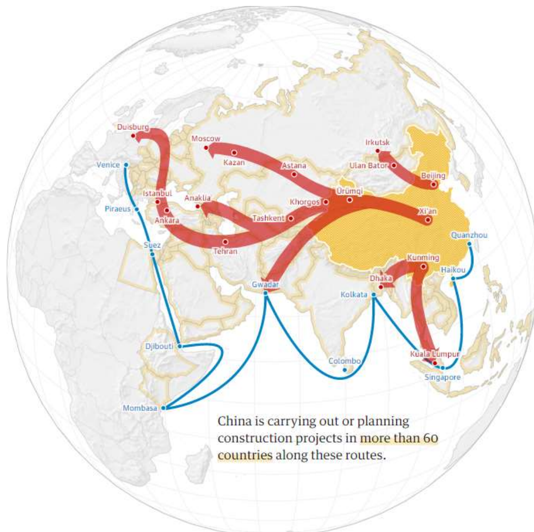
ONE BELT ONE ROAD



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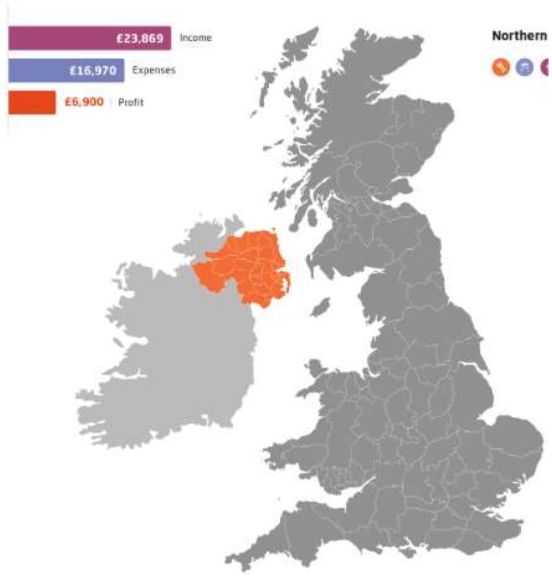
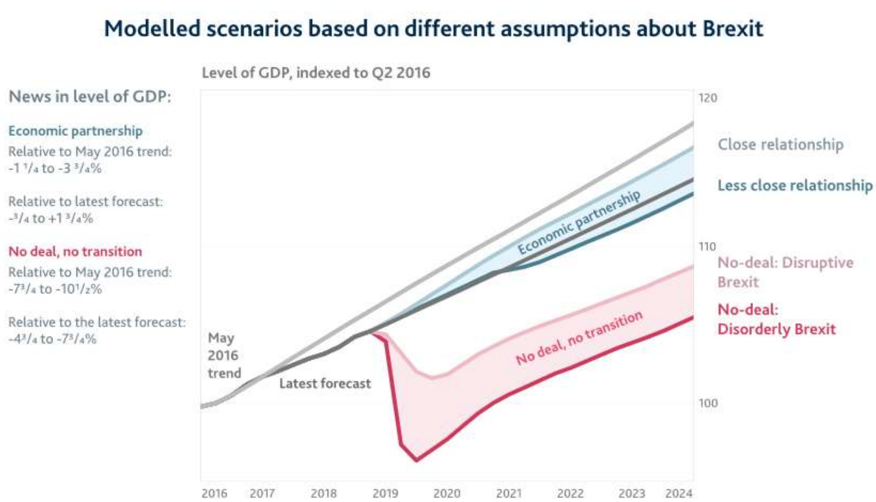
WHAT ABOUT NORTHERN IRELAND?



BANK OF ENGLAND SCENARIOS



Source: Bank of England; EU withdrawal scenarios; 28 Nov 2018

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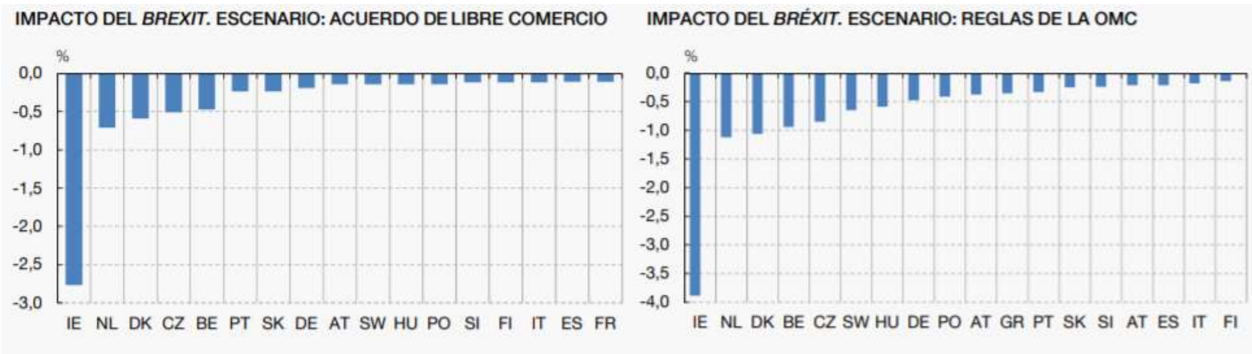
IMPACT OF BREXIT TO EU COUNTRIES



Source: Bank of Spain: Brexit, balance de situación y perspectivas; March 2019

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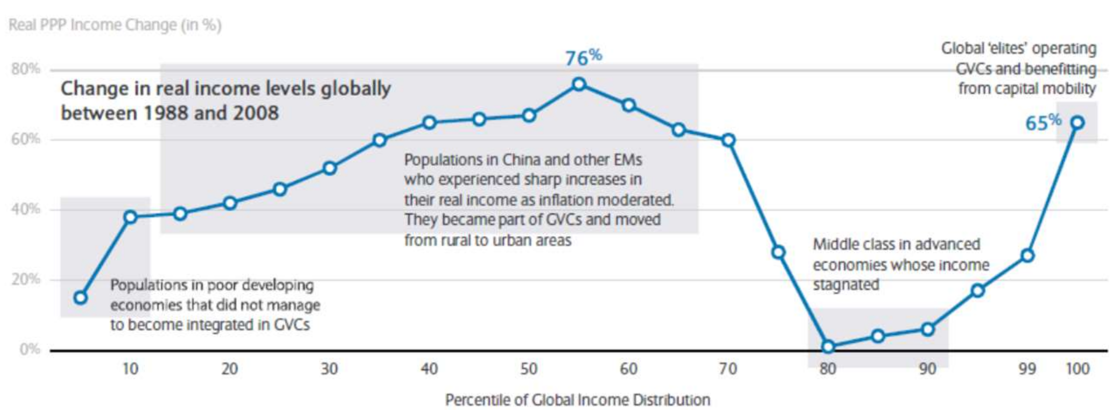
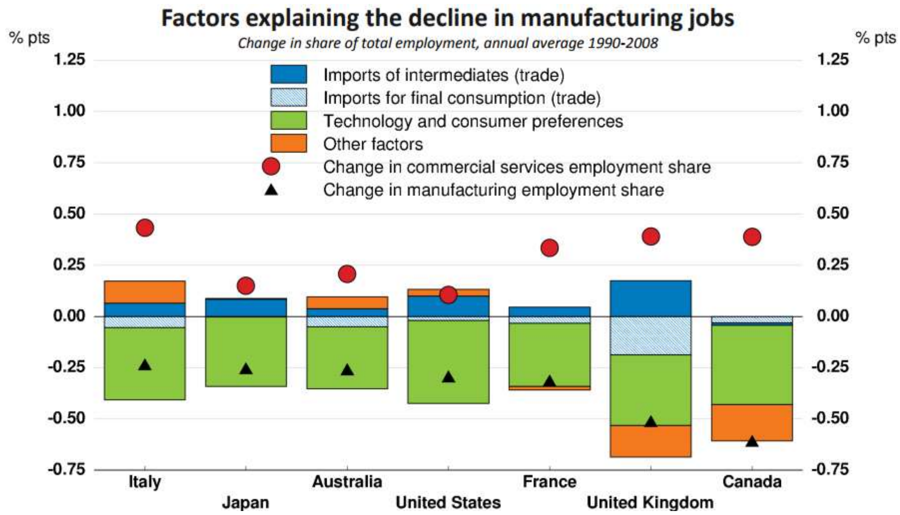
THE ELEPHANT IN THE ROOM



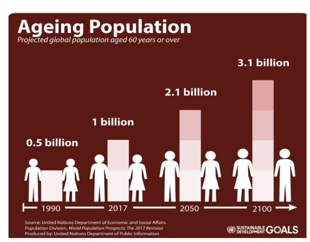
Source: Branco Milanovic 2012

DECLINE IN MANUFACTURING JOBS



Source: OECD Economic Outlook database; STAN database; and OECD calculations.

3 MAIN TRENDS



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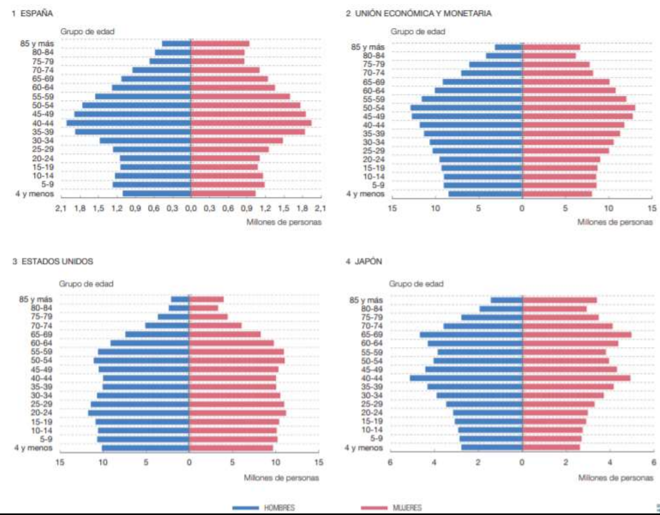
POPULATION AGEING

LAS PIRÁMIDES DE POBLACIÓN EN PAÍSES DESARROLLADOS REFLEJAN UN ENSANCHAMIENTO EN LAS EDADES CENTRALES (a)

Además, este ensanchamiento es más abultado en España que en otros países avanzados, lo que anticipa que el progresivo aumen de la población de edad más avanzada a lo largo de los próximos años será más intenso en el caso español.



Source: Annual Report; Bank of Spain; May 2019

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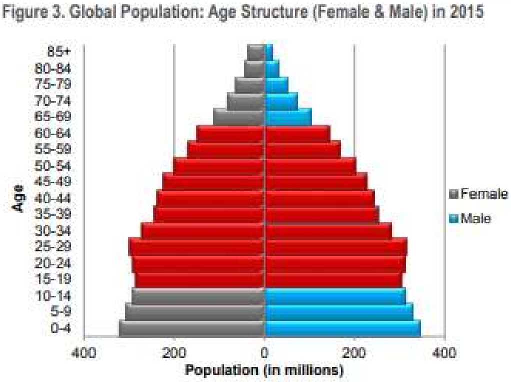
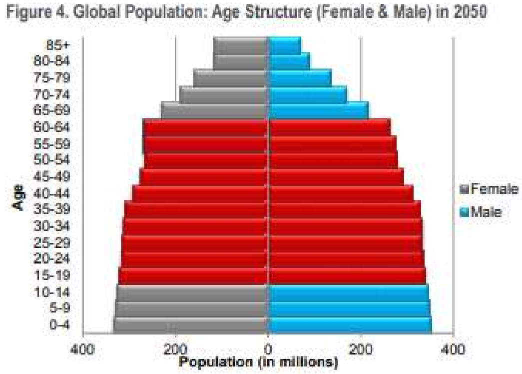
IMPACT ON PENSIONS AND HEALTH

Figure 3. Global Population: Age Structure (Female & Male) in 2015



Note: Working age population is highlighted in red.
Source: UN, Citi Research

Figure 4. Global Population: Age Structure (Female & Male) in 2050



Note: Working age population is highlighted in red.
Source: UN, Citi Research

WHAT IT MEANS FOR PENSION SUSTAINABILITY

$$\frac{\text{Pension Spending}}{\text{GDP}} = \underbrace{\frac{\#\text{ Pensions}}{\text{population}}}_{\text{Dependency ratio}} \times \underbrace{\frac{\text{Population}}{\#\text{ employed}}}_{\text{Employment Rate}} \times \underbrace{\frac{\text{Avg Pension}}{\text{Avg wage}}}_{\text{Substitution rate}} \times \frac{\text{Labor Income}}{\text{GDP}}$$

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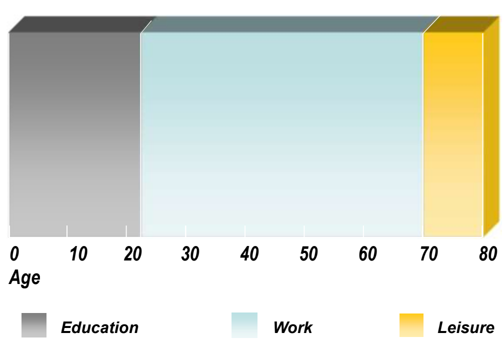
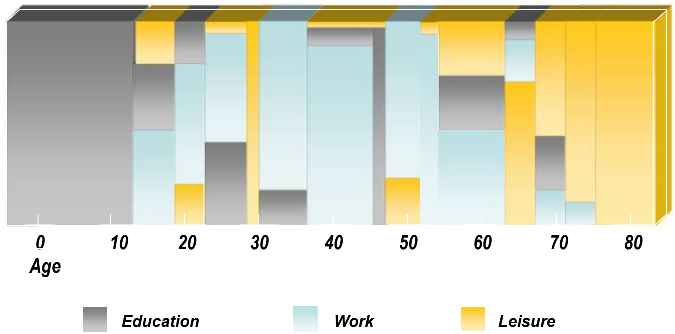
EDUCATION-WORK-RETIREMENT PARADIGM WILL CHANGE FROM…

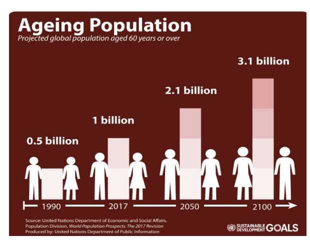


Source: Demography is De$tiny, The Concours Group and Age Wave, 2003



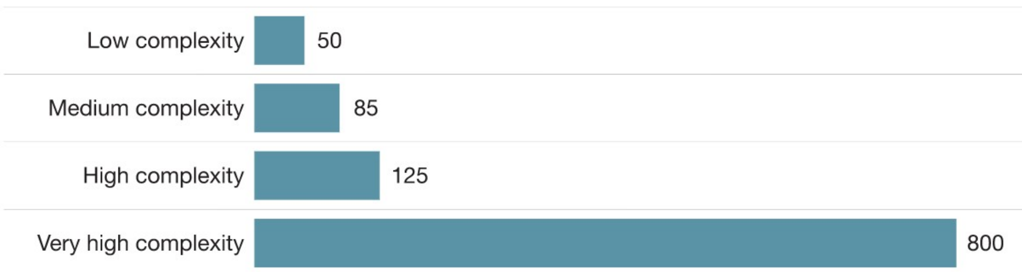
Source: Demography is De$tiny,
The Concours Group and Age Wave, 2003

3 MAIN TRENDS



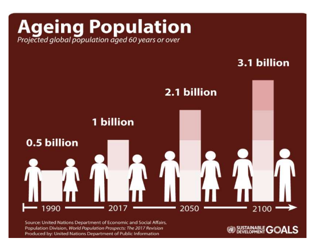
TALENT IS KEY

Productivity gap between average performers and high performers, by job complexity, %



McKinsey&Company | **Source:** "McKinsey Global Survey: War for talent 2000," refreshed in 2012

3 MAIN TRENDS



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