

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

Lecture 1  
9/7/2015

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# The Global Landscape

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

*(Percent change unless noted otherwise)*

	Year over Year						Q4 over Q4 2/		
	2014	2015	Projections		Difference from April 2016 WEO Projections 1/		2015	Projections	
			2016	2017	2016	2017		2016	2017
<b>World Output</b>	<b>3.4</b>	<b>3.1</b>	<b>3.1</b>	<b>3.4</b>	<b>-0.1</b>	<b>-0.1</b>	<b>3.0</b>	<b>3.2</b>	<b>3.5</b>
<b>Advanced Economies</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>-0.1</b>	<b>-0.2</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>
United States	2.4	2.4	2.2	2.5	-0.2	0.0	2.0	2.5	2.3
Euro Area	0.9	1.7	1.6	1.4	0.1	-0.2	1.7	1.4	1.5
Germany	1.6	1.5	1.6	1.2	0.1	-0.4	1.3	1.5	1.3
France	0.6	1.3	1.5	1.2	0.4	-0.1	1.4	1.3	1.4
Italy	-0.3	0.8	0.9	1.0	-0.1	-0.1	1.1	1.0	1.0
Spain	1.4	3.2	2.6	2.1	0.0	-0.2	3.5	1.8	2.5
Japan	0.0	0.5	0.3	0.1	-0.2	0.2	0.8	0.6	0.2
United Kingdom	3.1	2.2	1.7	1.3	-0.2	-0.9	1.8	1.2	1.5
Canada	2.5	1.1	1.4	2.1	-0.1	0.2	0.3	1.8	2.2
Other Advanced Economies 3/	2.8	2.0	2.0	2.3	-0.1	-0.1	2.2	2.0	2.6
<b>Emerging Market and Developing Economies</b>	<b>4.6</b>	<b>4.0</b>	<b>4.1</b>	<b>4.6</b>	<b>0.0</b>	<b>0.0</b>	<b>4.1</b>	<b>4.4</b>	<b>4.9</b>
Commonwealth of Independent States	1.1	-2.8	-0.6	1.5	0.5	0.2	-3.4	-0.3	1.8
Russia	0.7	-3.7	-1.2	1.0	0.6	0.2	-4.0	-0.3	1.8
Excluding Russia	1.9	-0.6	1.0	2.5	0.1	0.2	...	...	...
Emerging and Developing Asia	6.8	6.6	6.4	6.3	0.0	0.0	6.8	6.3	6.3
China	7.3	6.9	6.6	6.2	0.1	0.0	6.8	6.5	6.1
India 4/	7.2	7.6	7.4	7.4	-0.1	-0.1	8.1	7.4	7.4
ASEAN-5 5/	4.6	4.8	4.8	5.1	0.0	0.0	4.8	4.5	5.3
Emerging and Developing Europe	2.8	3.6	3.5	3.2	0.0	-0.1	4.1	3.3	3.0
Latin America and the Caribbean	1.3	0.0	-0.4	1.6	0.1	0.1	-1.4	0.0	2.1
Brazil	0.1	-3.8	-3.3	0.5	0.5	0.5	-5.9	-1.2	1.1
Mexico	2.2	2.5	2.5	2.6	0.1	0.0	2.4	2.4	2.8
Middle East, North Africa, Afghanistan, and Pakistan	2.7	2.3	3.4	3.3	0.3	-0.2	...	...	...
Saudi Arabia	3.6	3.5	1.2	2.0	0.0	0.1	1.8	1.0	2.4
Sub-Saharan Africa	5.1	3.3	1.6	3.3	-1.4	-0.7	...	...	...

Source: IMF, *World Economic Outlook update*, July 2016.

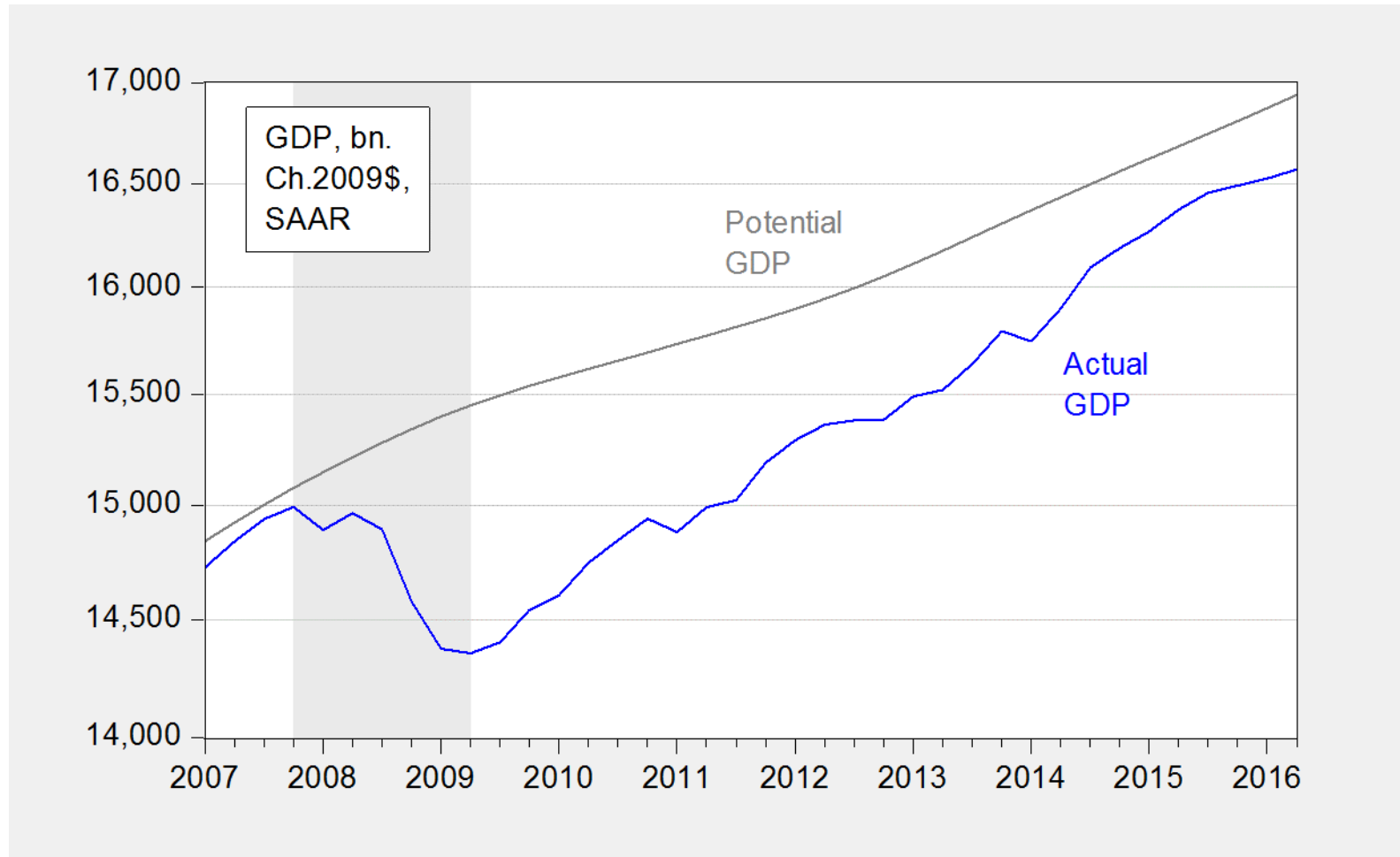
# Global: Trade, Commodities

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

(Percent change unless noted otherwise)

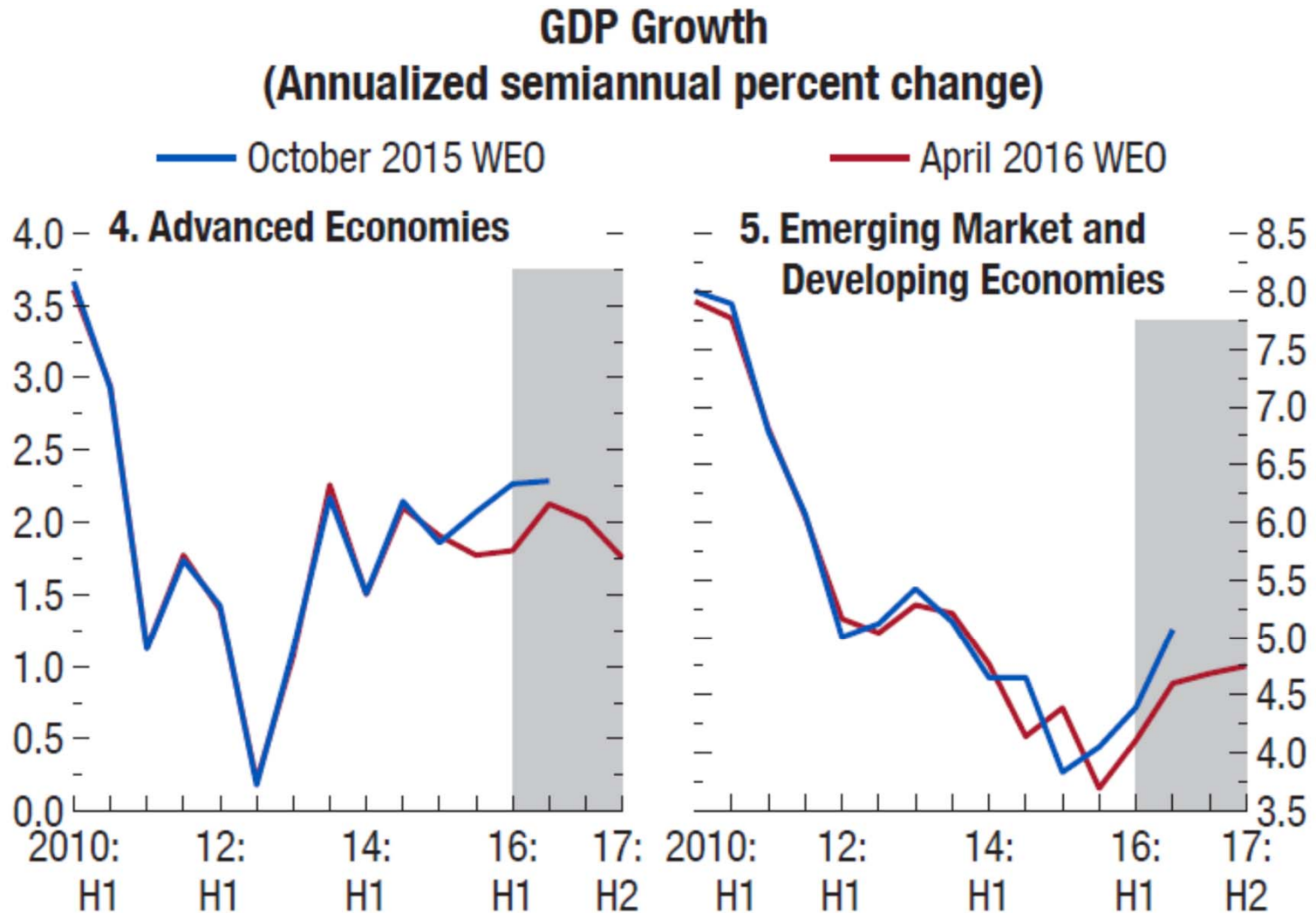
	Year over Year						Q4 over Q4 2/		
	2014	2015	Projections		Difference from April 2016 WEO Projections 1/		2015	Projections	
			2016	2017	2016	2017		2016	2017
<b>World Trade Volume (goods and services) 6/</b>	3.7	2.6	2.7	3.9	-0.4	0.1	...	...	...
Advanced Economies	3.6	3.8	2.6	3.9	-0.4	0.1	...	...	...
Emerging Market and Developing Economies	3.9	0.6	2.9	3.9	-0.5	0.1	...	...	...
<b>Commodity Prices (U.S. dollars)</b>									
Oil 7/	-7.5	-47.2	-15.5	16.4	16.1	-1.5	-43.4	13.7	5.2
Nonfuel (average based on world commodity export weights)	-4.0	-17.5	-3.8	-0.6	5.6	0.1	-19.1	5.0	-2.7
<b>Consumer Prices</b>									
Advanced Economies	1.4	0.3	0.7	1.6	0.0	0.1	0.4	1.0	1.7
Emerging Market and Developing Economies 8/	4.7	4.7	4.6	4.4	0.1	0.2	4.6	4.3	4.0
<b>London Interbank Offered Rate (percent)</b>									
On U.S. Dollar Deposits (six month)	0.3	0.5	0.9	1.2	0.0	-0.3	...	...	...
On Euro Deposits (three month)	0.2	0.0	-0.3	-0.4	0.0	0.0	...	...	...
On Japanese Yen Deposits (six month)	0.2	0.1	-0.0	-0.2	0.1	0.1	...	...	...

# America in “recovery”



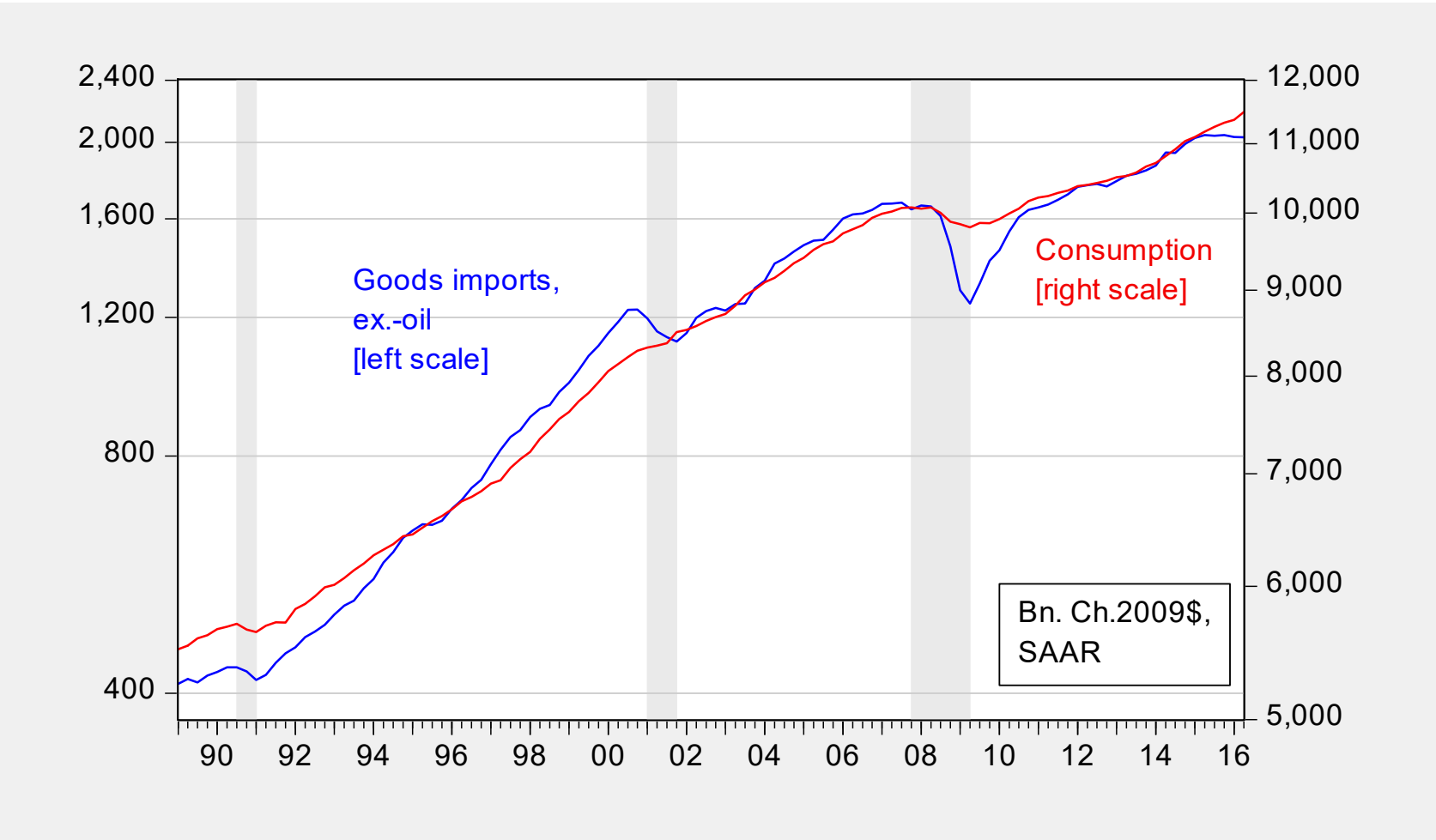
Source: BEA, 2016Q2 2nd release, CBO Jan. 2016

# The Rest of the World



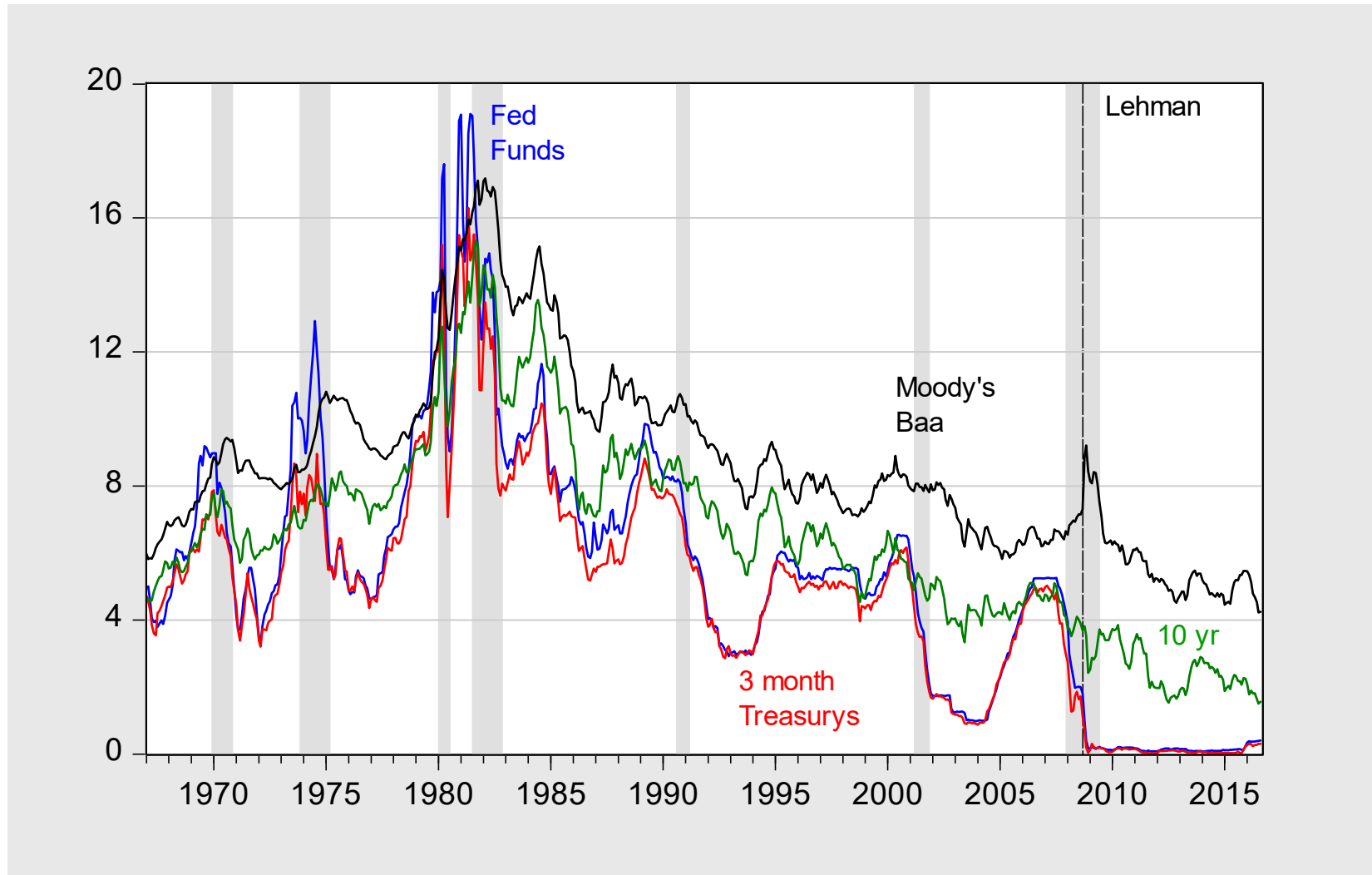
Source: IMF, *World Economic Outlook*, April 2016, Figure 1-1.

# America: No longer consumer of last resort

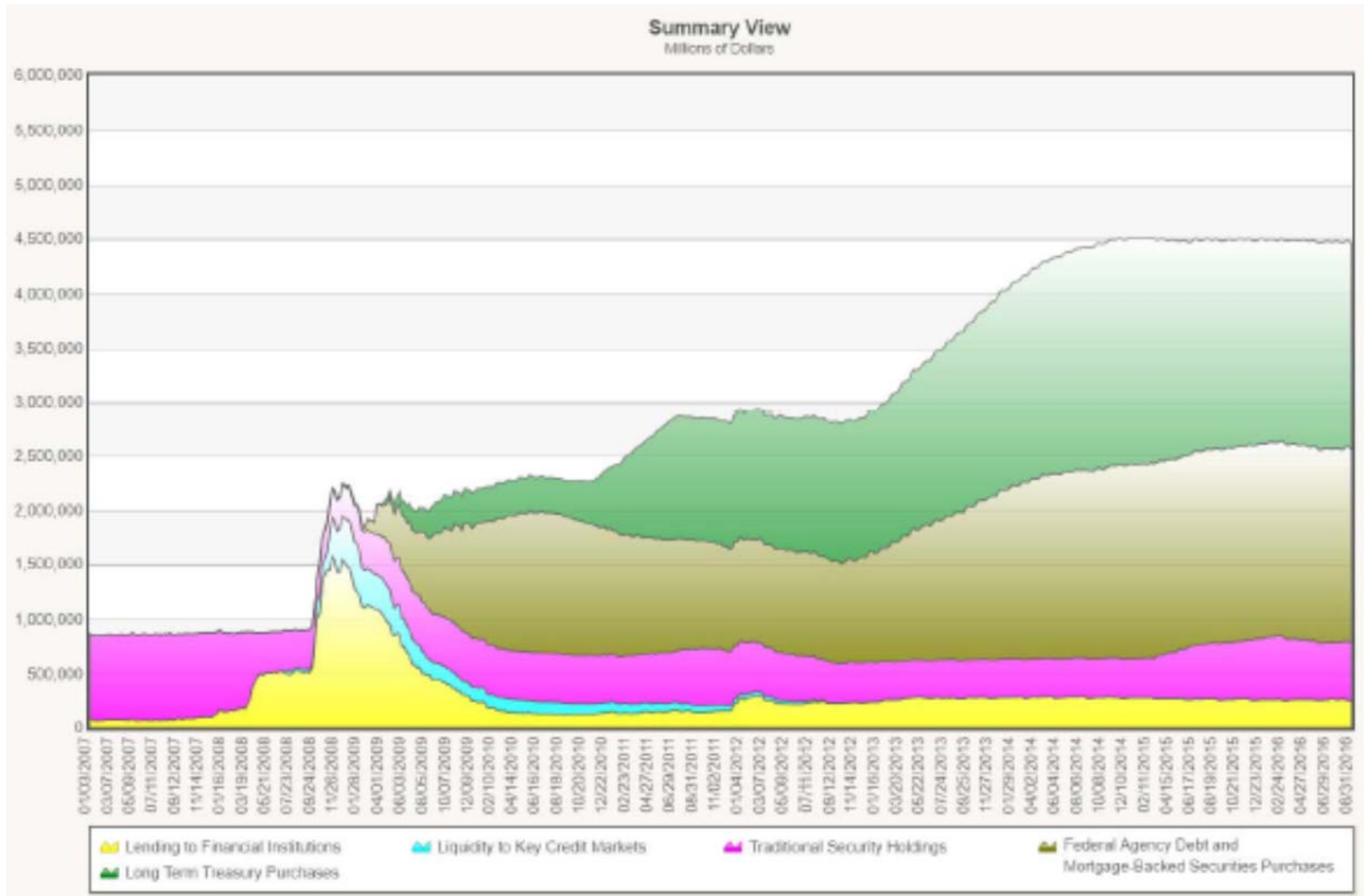


Real imports of goods ex.-oil, and real consumption. Source: BEA, 2016Q2 2<sup>nd</sup> release), NBER

# Monetary Policy



# Fed interventions

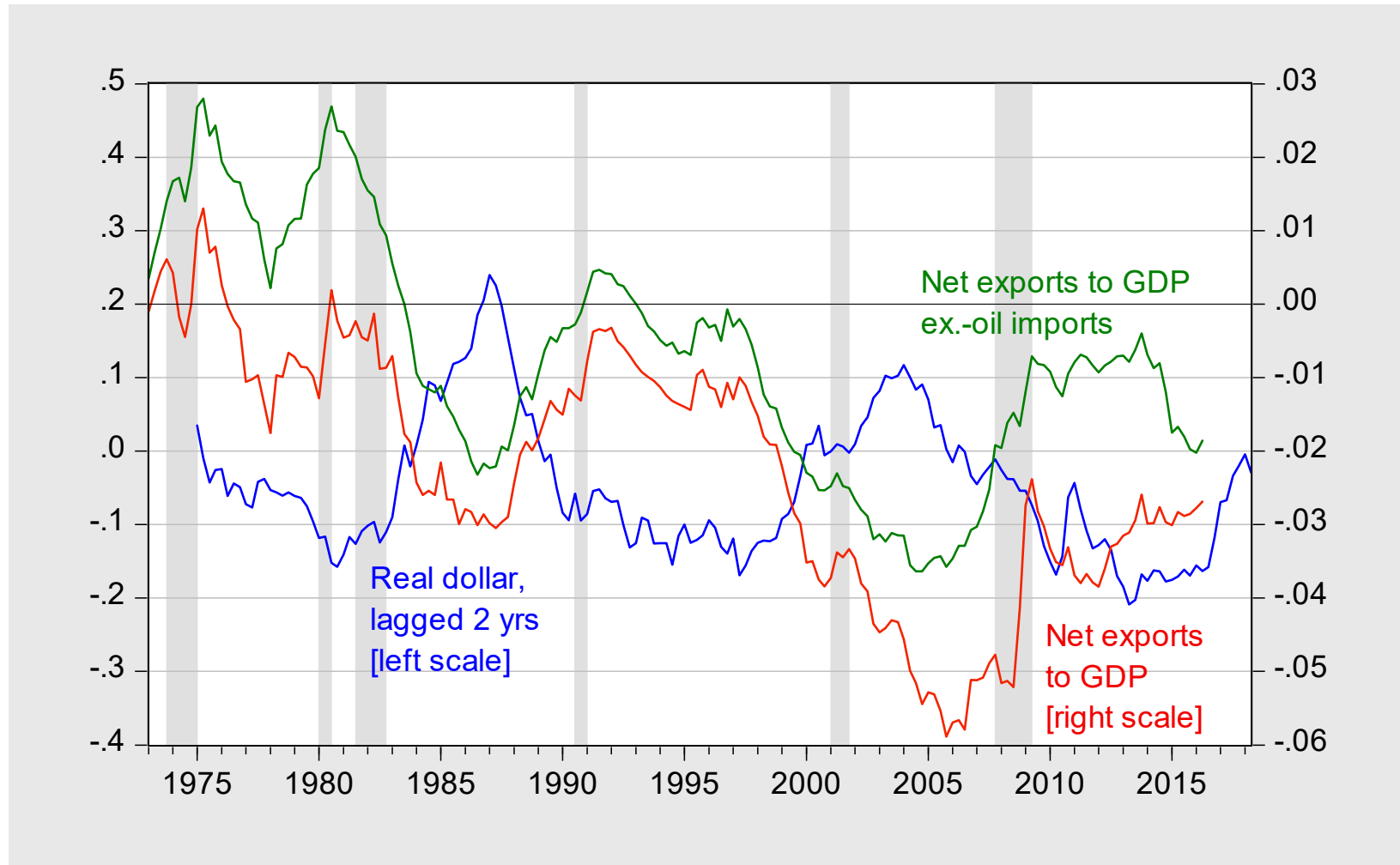




# Looking ahead

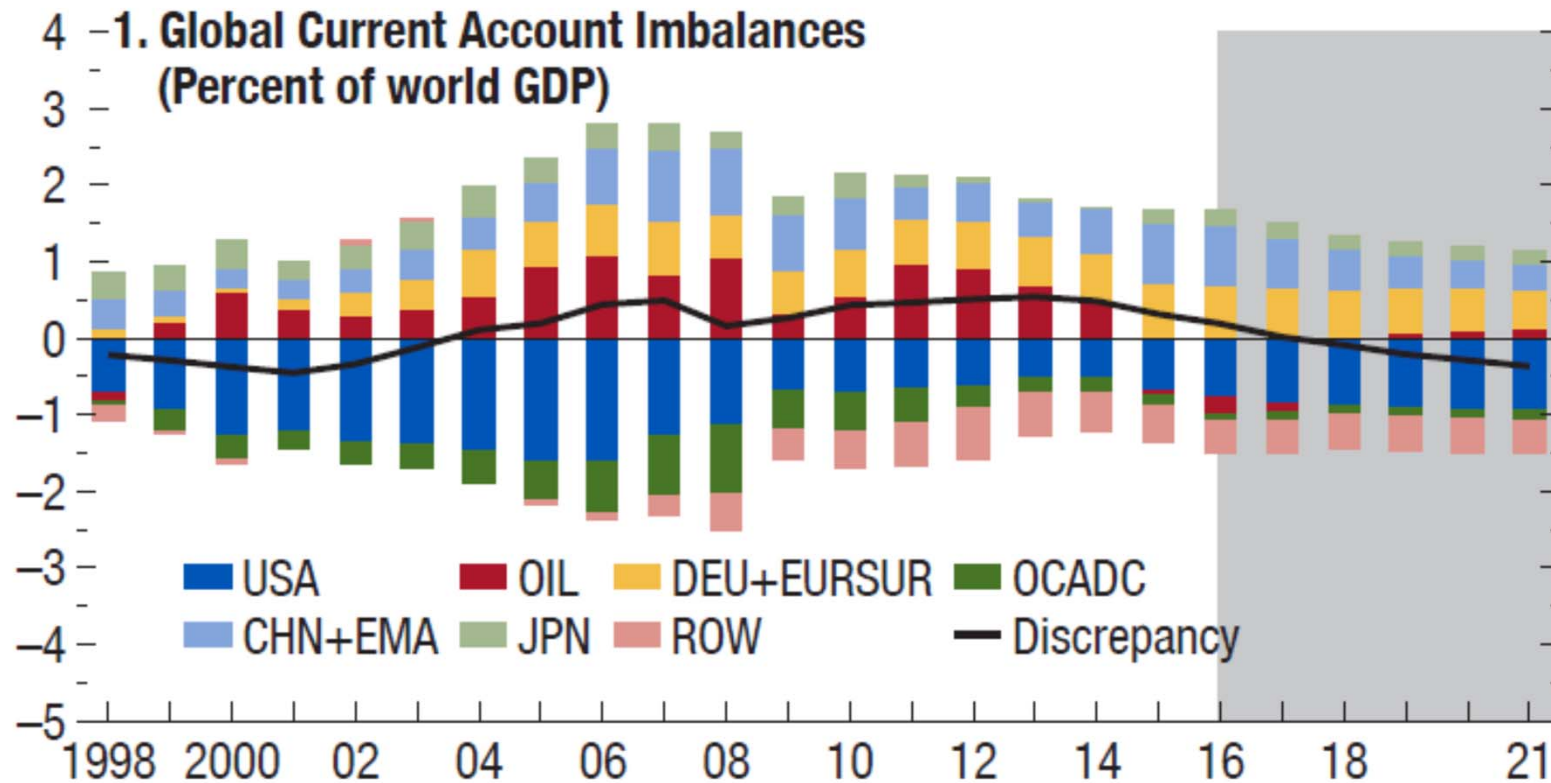
- Deleveraging implies easy credit is over for...
- European sovereign debt crisis
- Emerging market bust (China)
- Rebalancing is key

# Net Exports and the Dollar



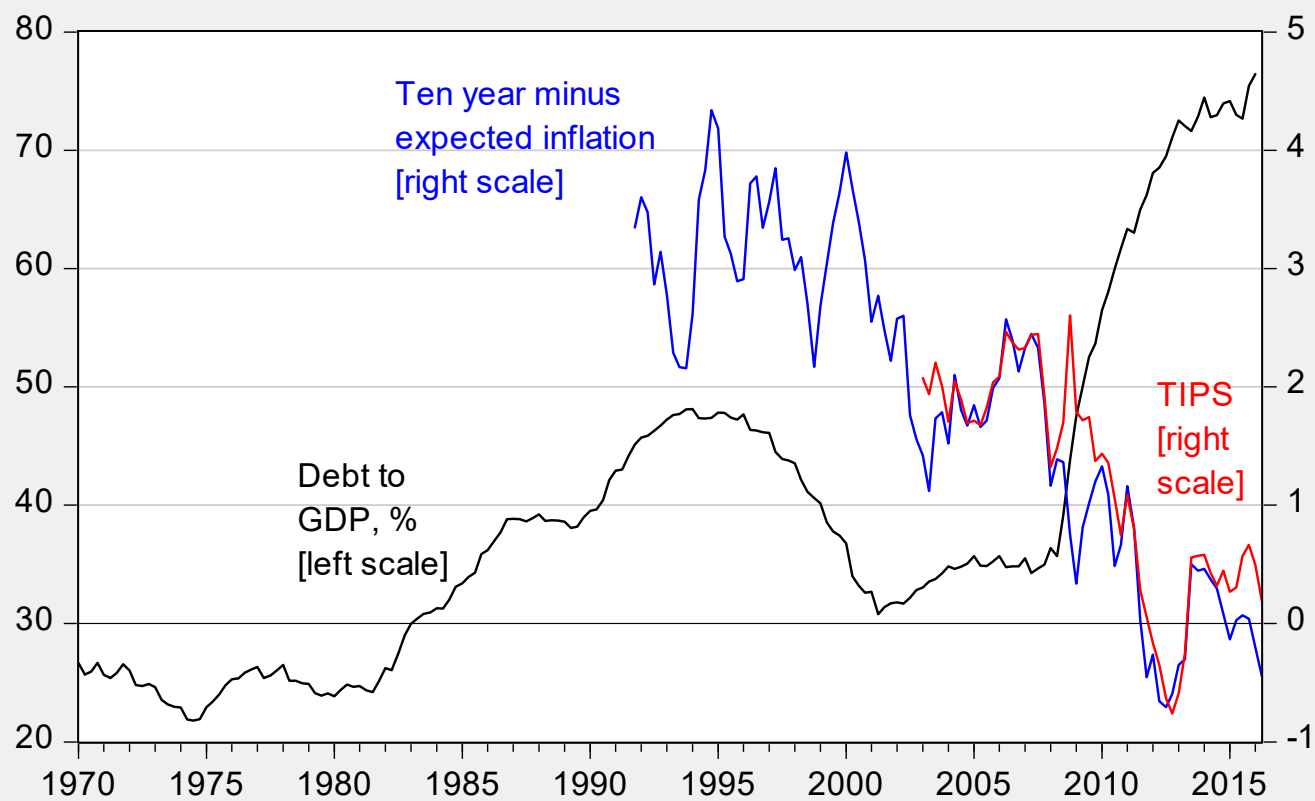
Source: Federal Reserve Board, and BEA, 2016Q2 GDP 2nd release

# Global Imbalances Persist

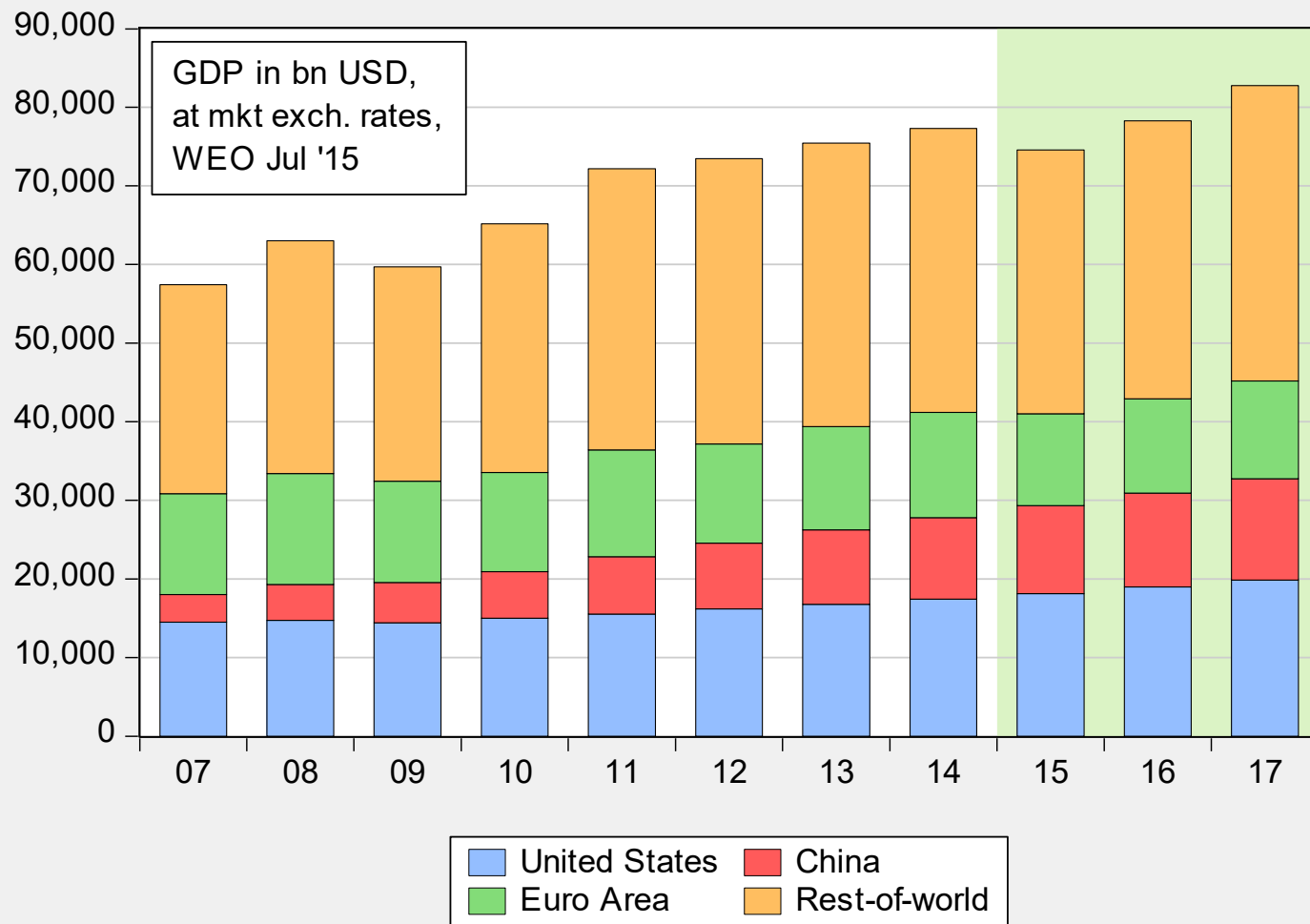


Source: IMF, *World Economic Outlook*, April 2016, Figure 1.15

# The Current Puzzle

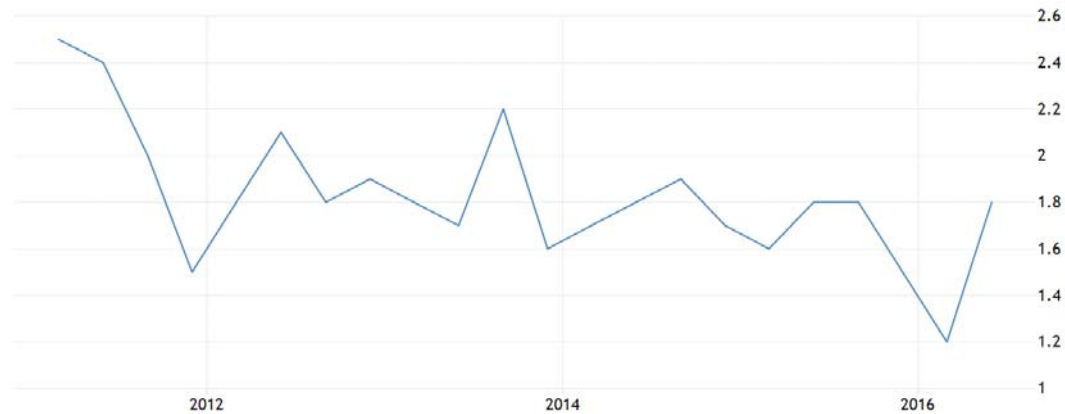


# The Big Question Mark



# China

CHINA GDP GROWTH RATE



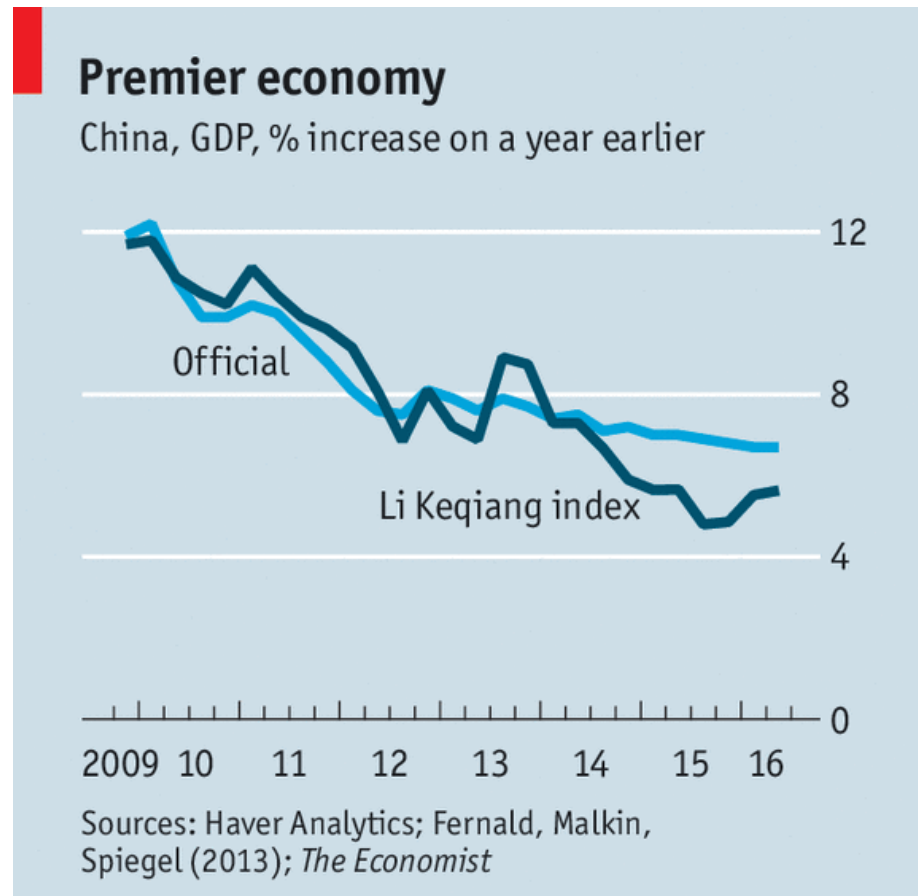
SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

CHINA INDUSTRIAL PRODUCTION



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL BUREAU OF STATISTICS OF CHINA

# Li Keqiang Index

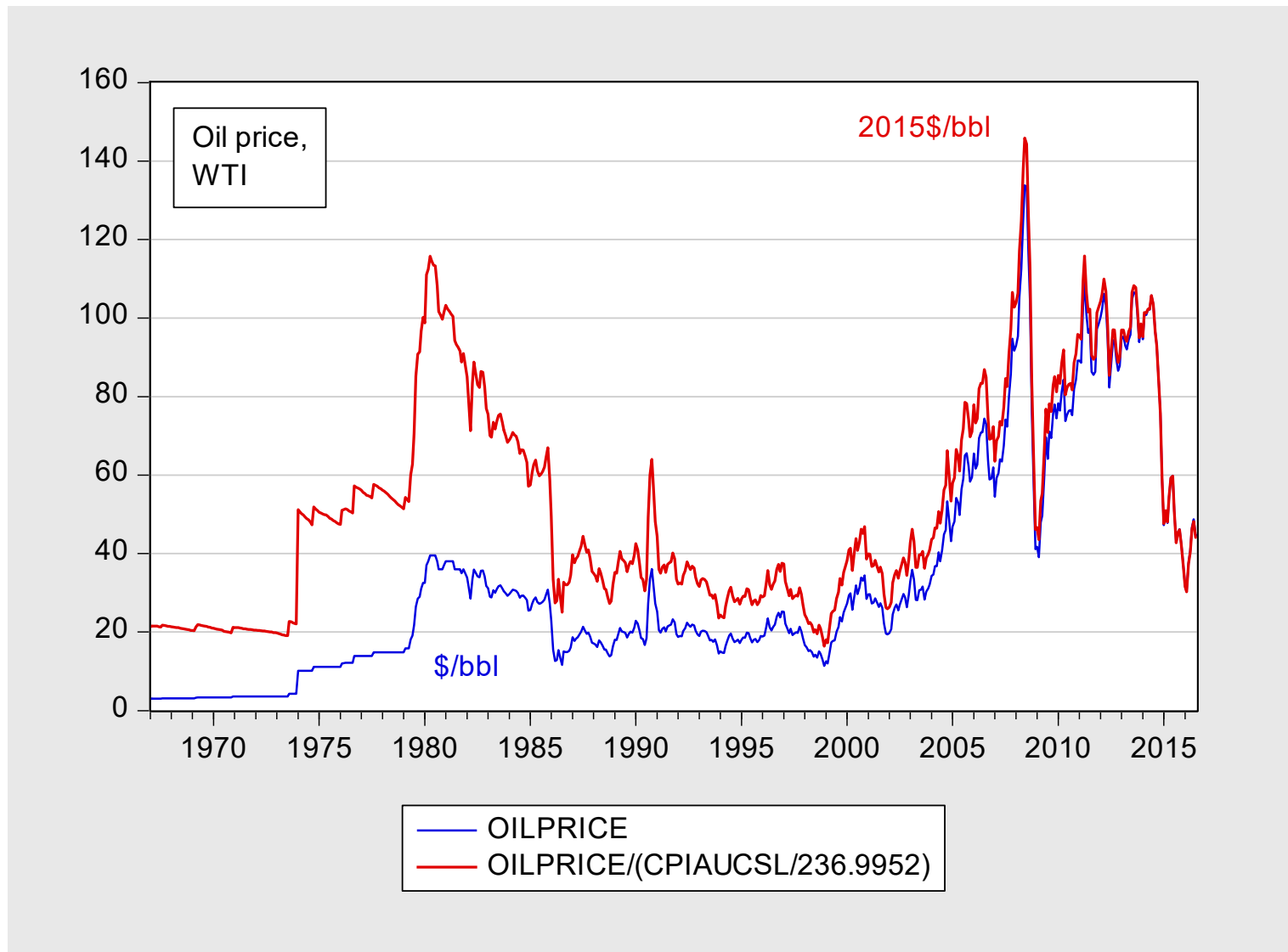


Economist.com

*Economist*, 3 Sept. 2016

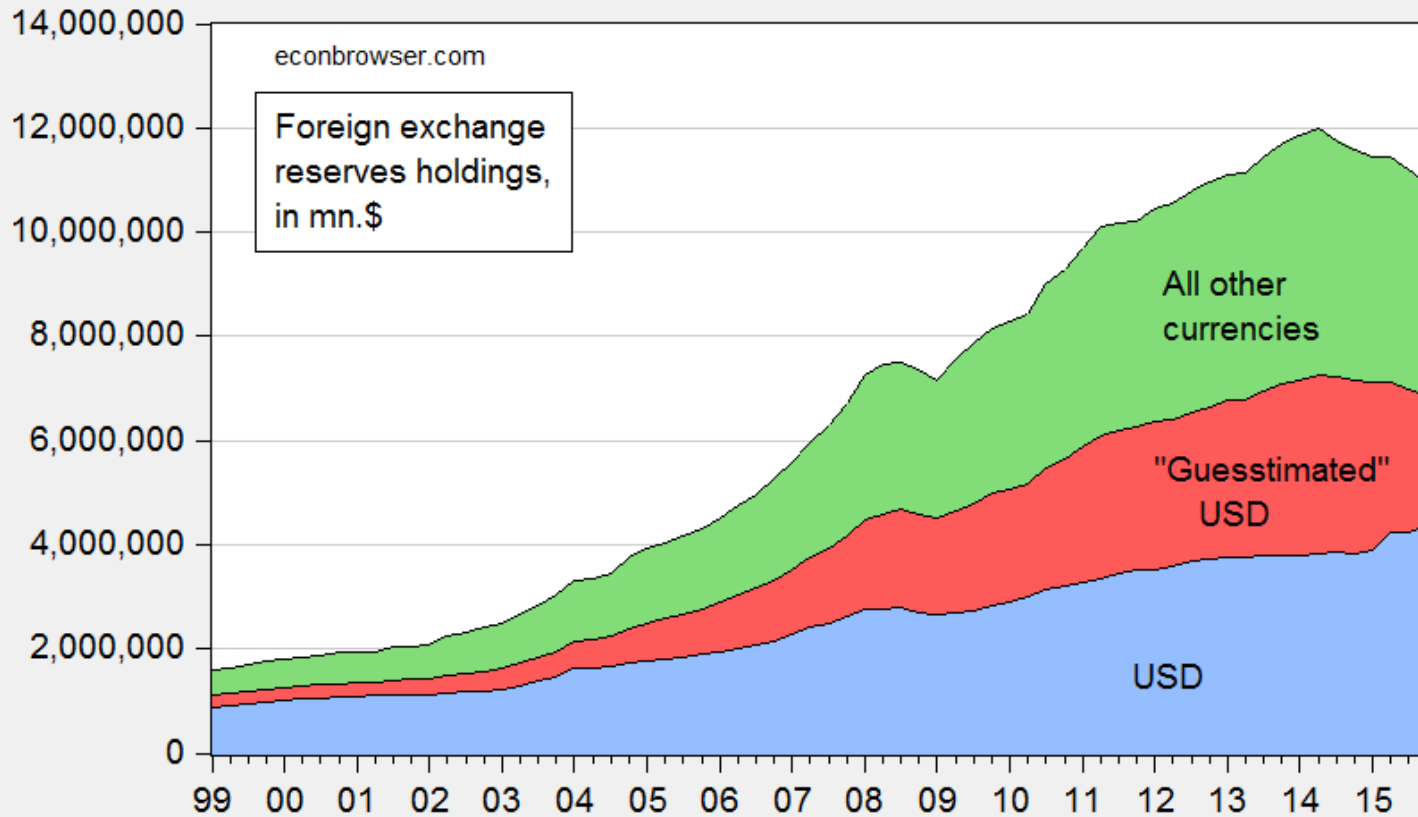
<http://www.economist.com/news/finance-and-economics/21706272-why-do-people-still-pay-rapt-attention-chinas-unsatisfactory-growth-statistics>

# Where China Goes: Commodities





# And ForEx Reserves



Holdings of foreign exchange reserves ex.-gold in USD (blue), guesstimated USD (red), and all other currencies (green), all in millions of \$. Source: IMF, COFER, and author's calculations.