

The Outlook for the World Economy: Risks, Opportunities, and Drivers of Growth

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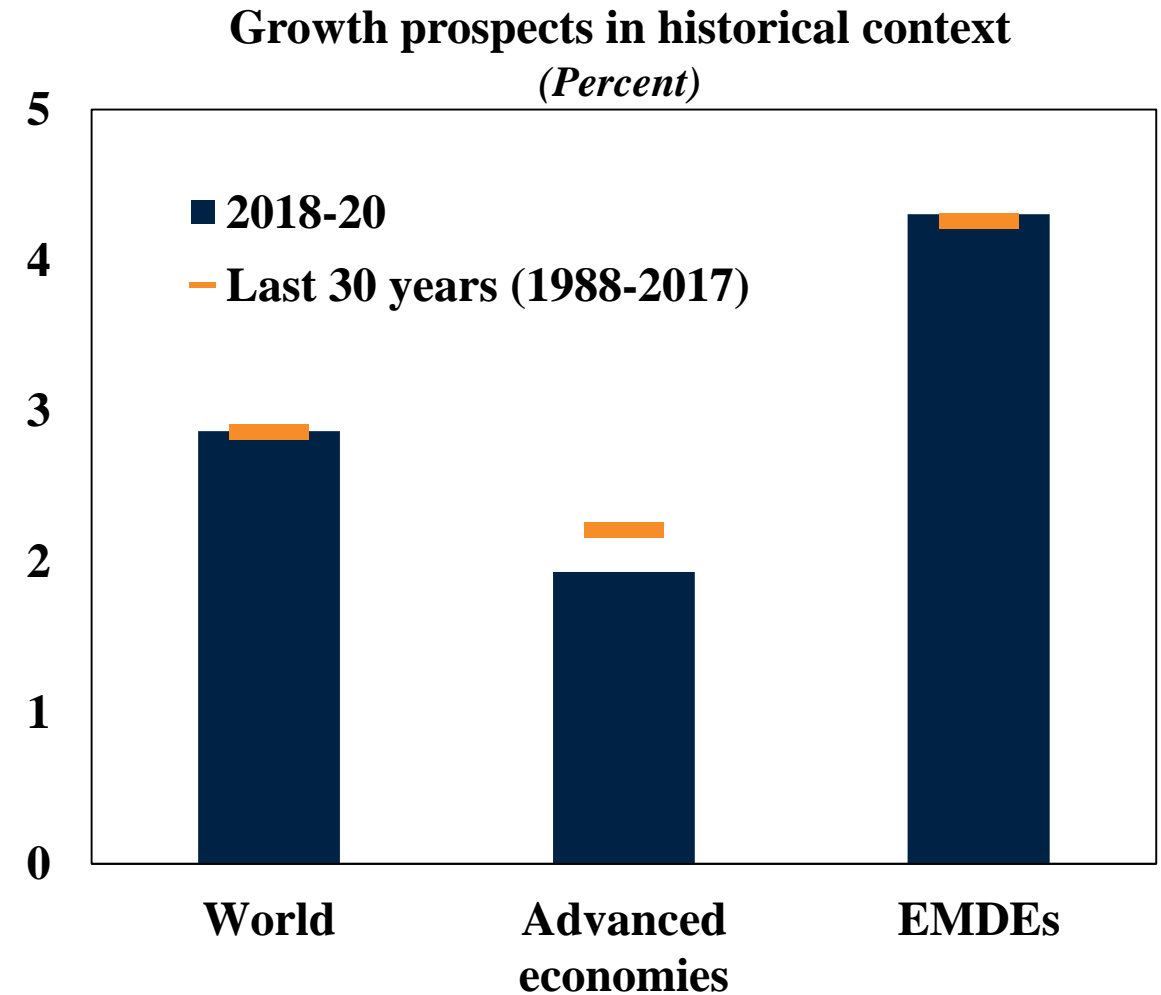
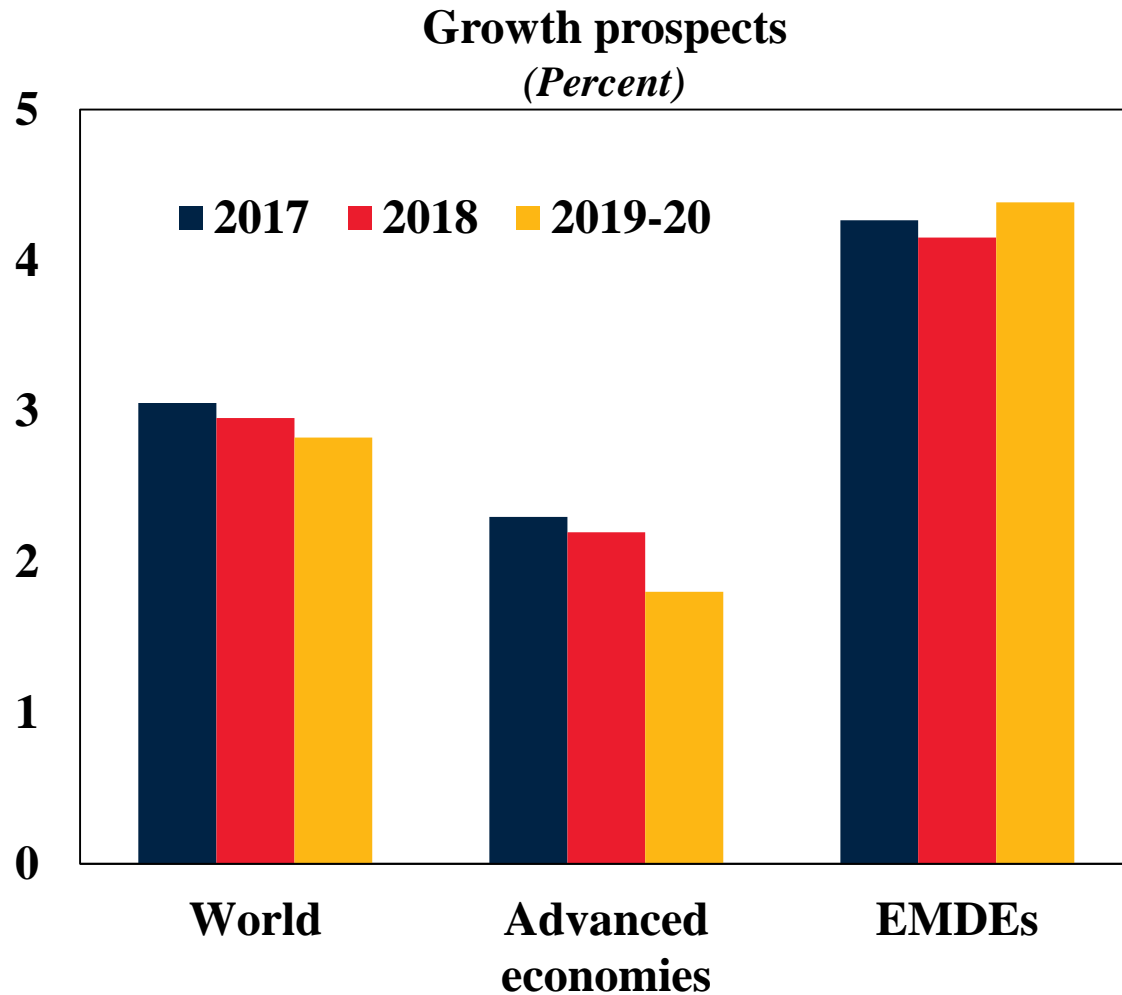
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THE GLOBAL OUTLOOK



Global Growth Prospects

Slowing Growth but in Line with Historical Average

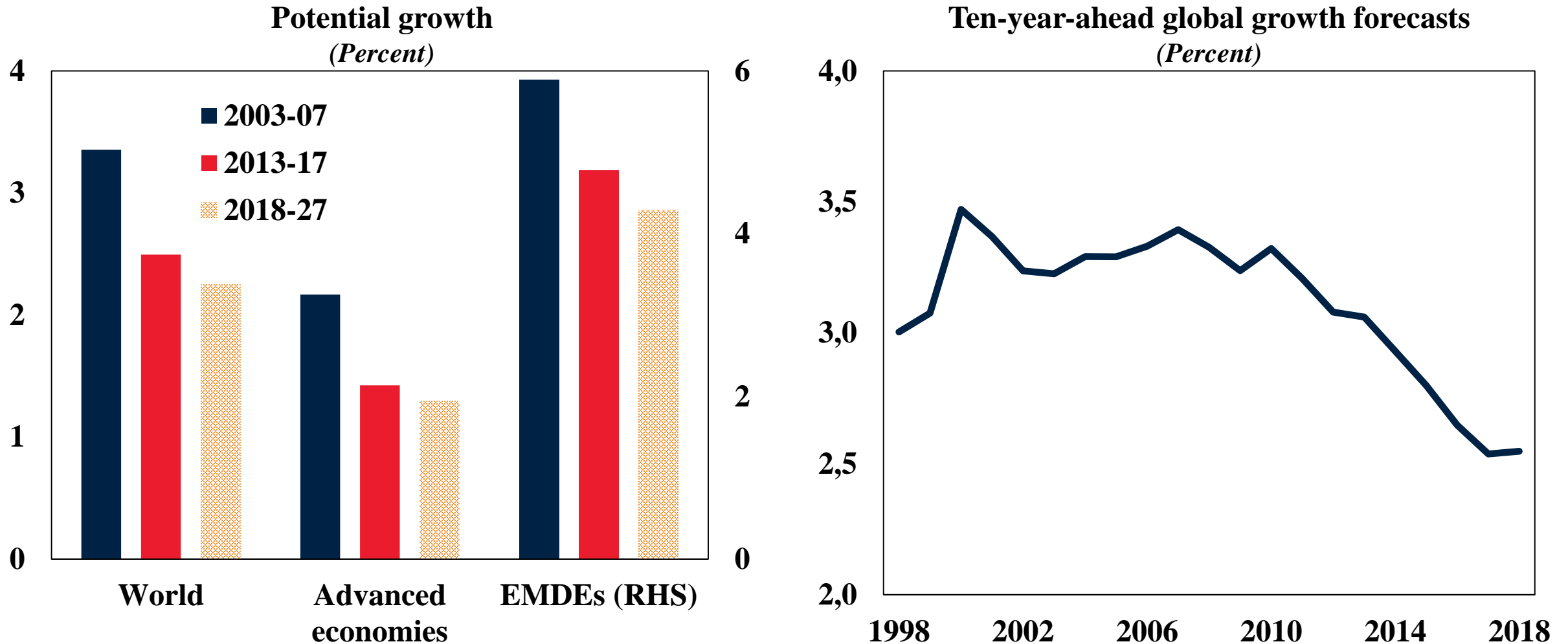


Source: World Bank.

Note: Aggregate growth rates calculated using constant 2010 U.S. dollar GDP weights. Data for 2018 and 2019-20 are estimates and forecasts, respectively. EMDEs refer to emerging market and developing economies. Right Panel. Growth over the last 30 years is average growth over 1988-2017.

Long-Term Growth

Weaker Potential Growth; Future Growth Pessimism

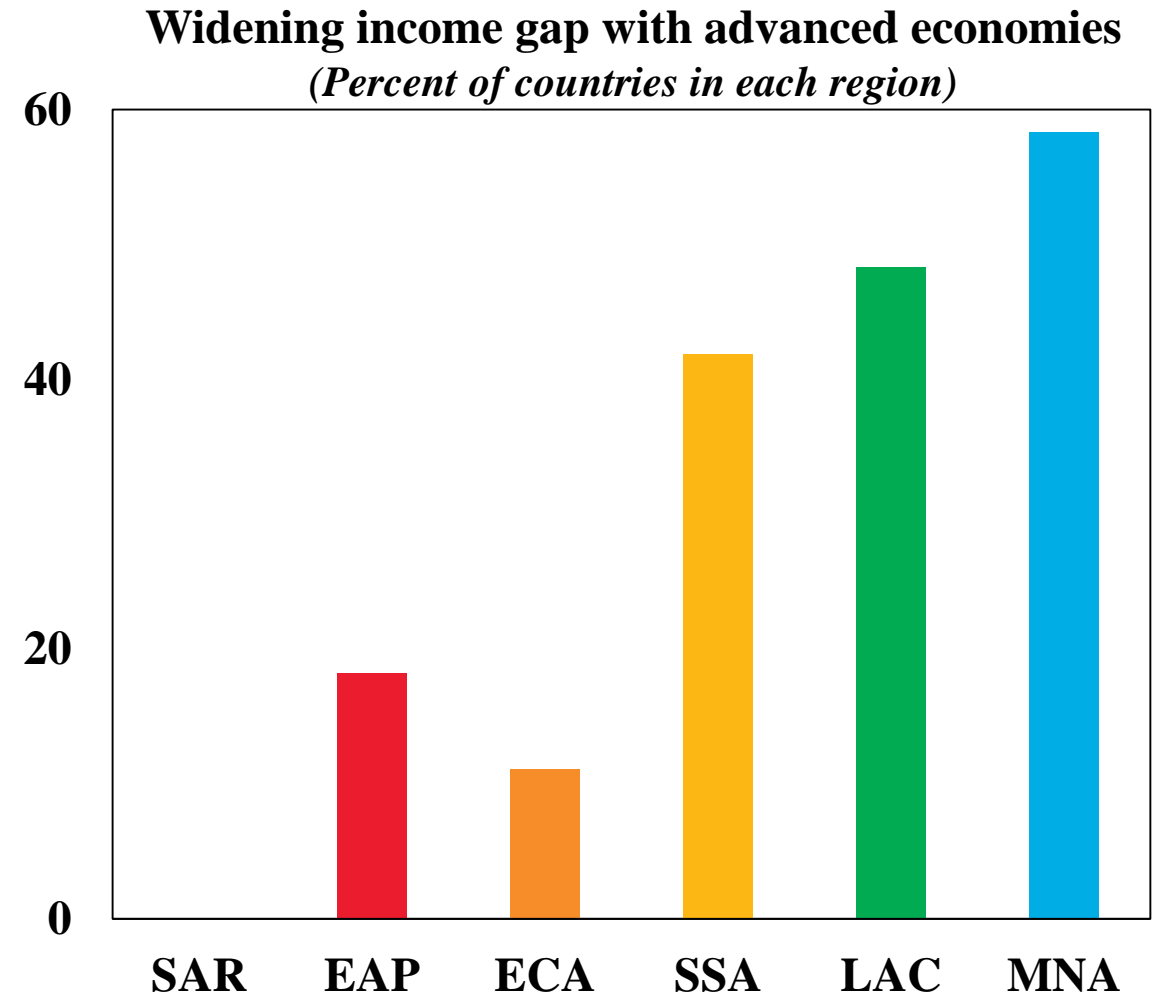
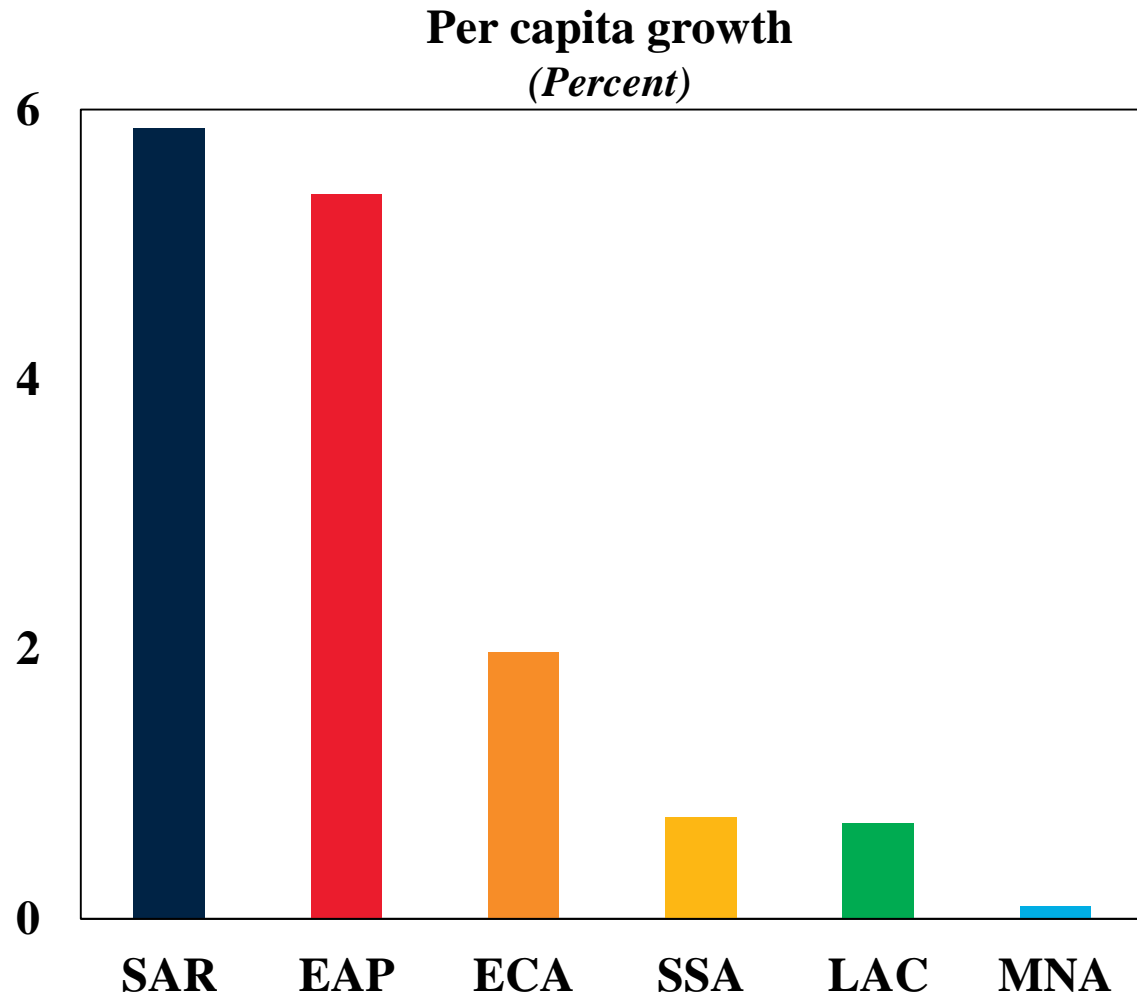


Sources: Consensus Economics, World Bank.

Left Panel. Potential growth derived using production function approach. GDP-weighted averages based on 30 advanced economies and 50 EMDEs. Shaded bars are forecasts. Right Panel. The horizontal axis refers to the year of consensus forecast surveys. Sample includes 38 countries, consisting of 20 advanced economies and 18 EMDEs, where consensus forecasts are consistently available during 1998-2018. Annual averages of results from multiple surveys conducted in each year are presented. Global growth is computed with constant 2010 U.S. dollar GDP weights.

EMDE Per Capita Growth in 2019

Weaker Growth and Wider Income Gap in Commodity-Exporting Regions

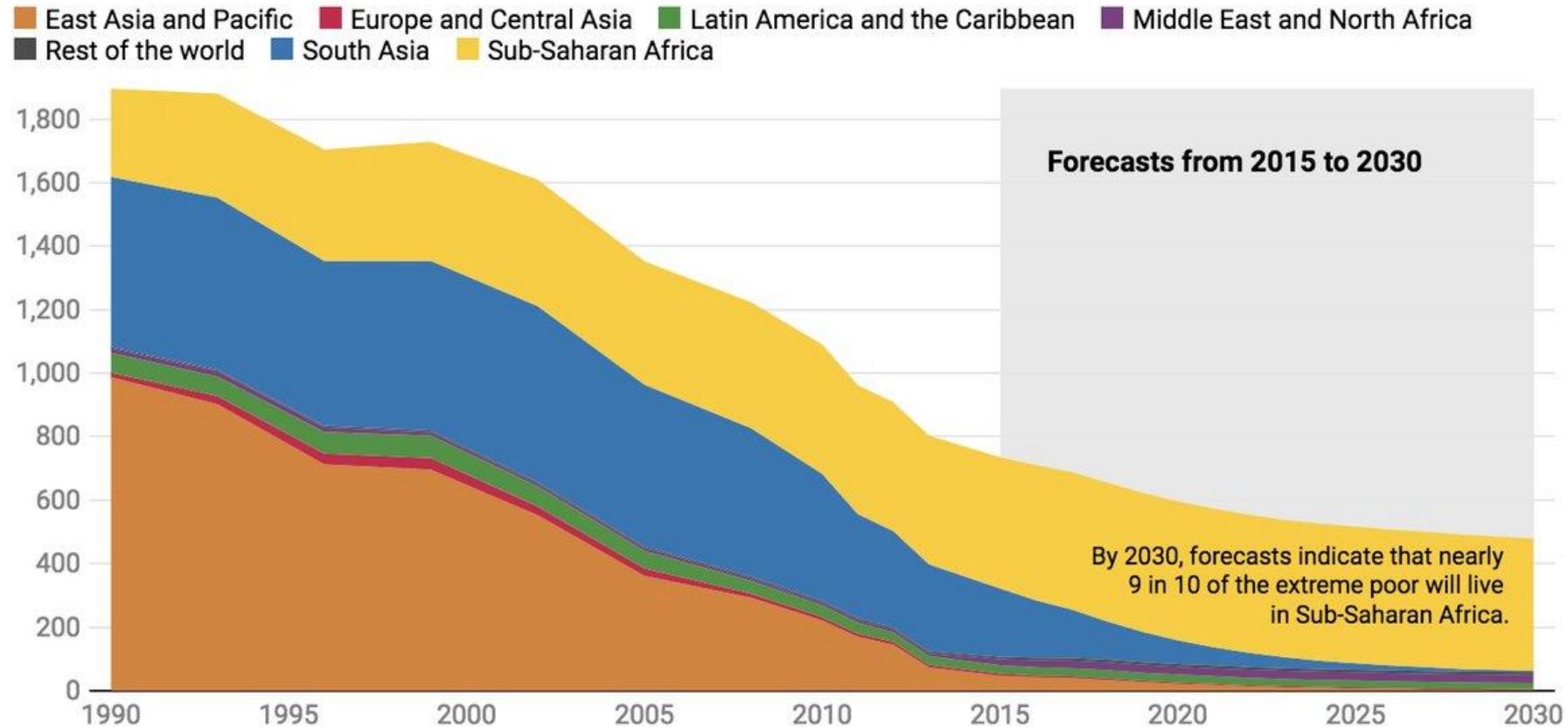


Source: World Bank.

Note: Data are for 2019 (forecasts). EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. Right Panel. EMDEs with lower per capita GDP growth than advanced-economy per capita GDP growth are counted as countries with widening income gaps. Sample includes 118 EMDEs.

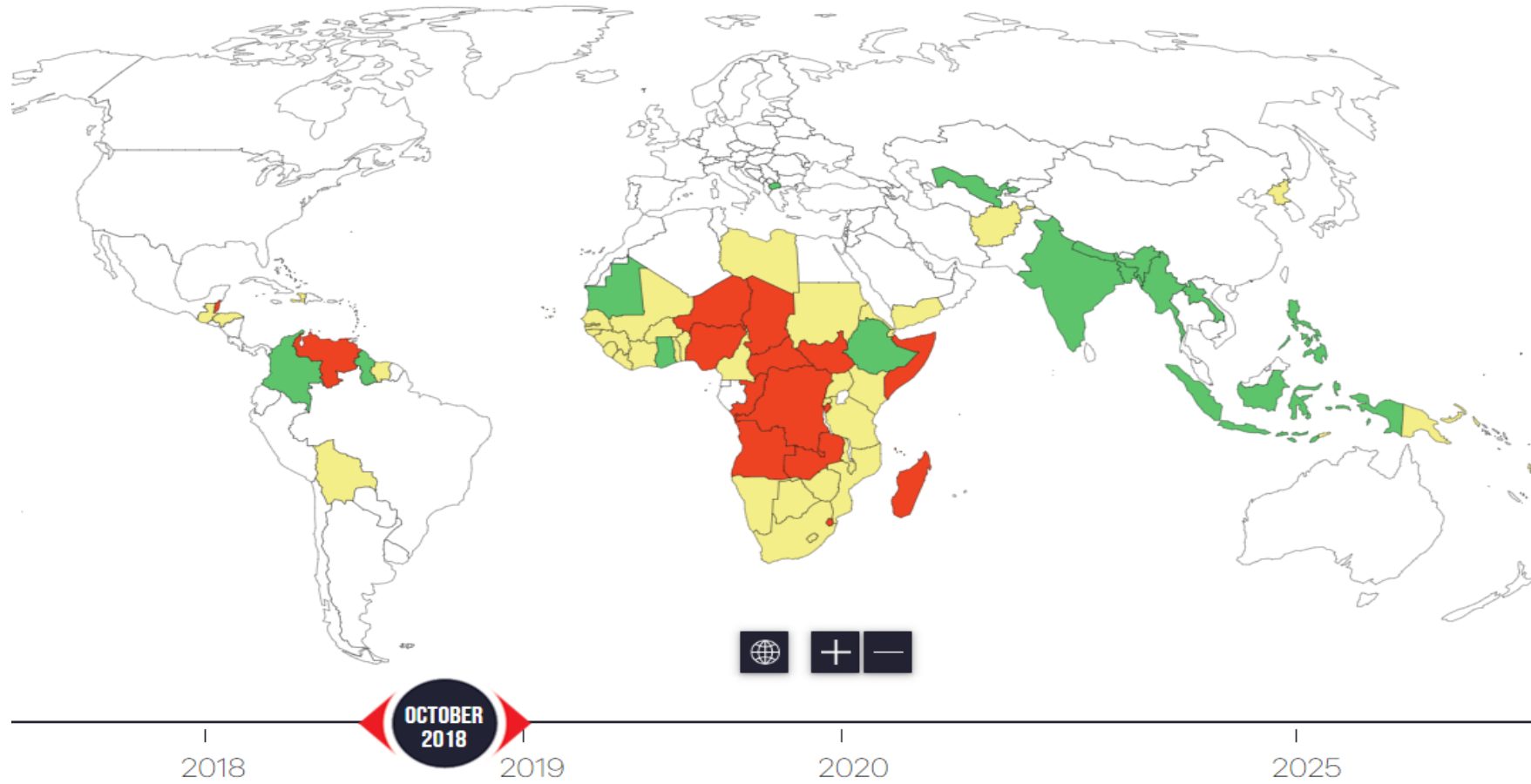
Extreme poverty increasingly concentrated in Africa

People in extreme poverty (millions)



Source: World Bank PovcalNet and Poverty & Equity Data Portal

Within Africa, poverty in fragile states is *rising*



Source: World Poverty Clock

- On-track for SDG Target
Countries able to escape poverty by 2030
- Off-track for SDG Target
Countries not able to reach the SDG Target at the current
- Poverty is rising
- No extreme poverty

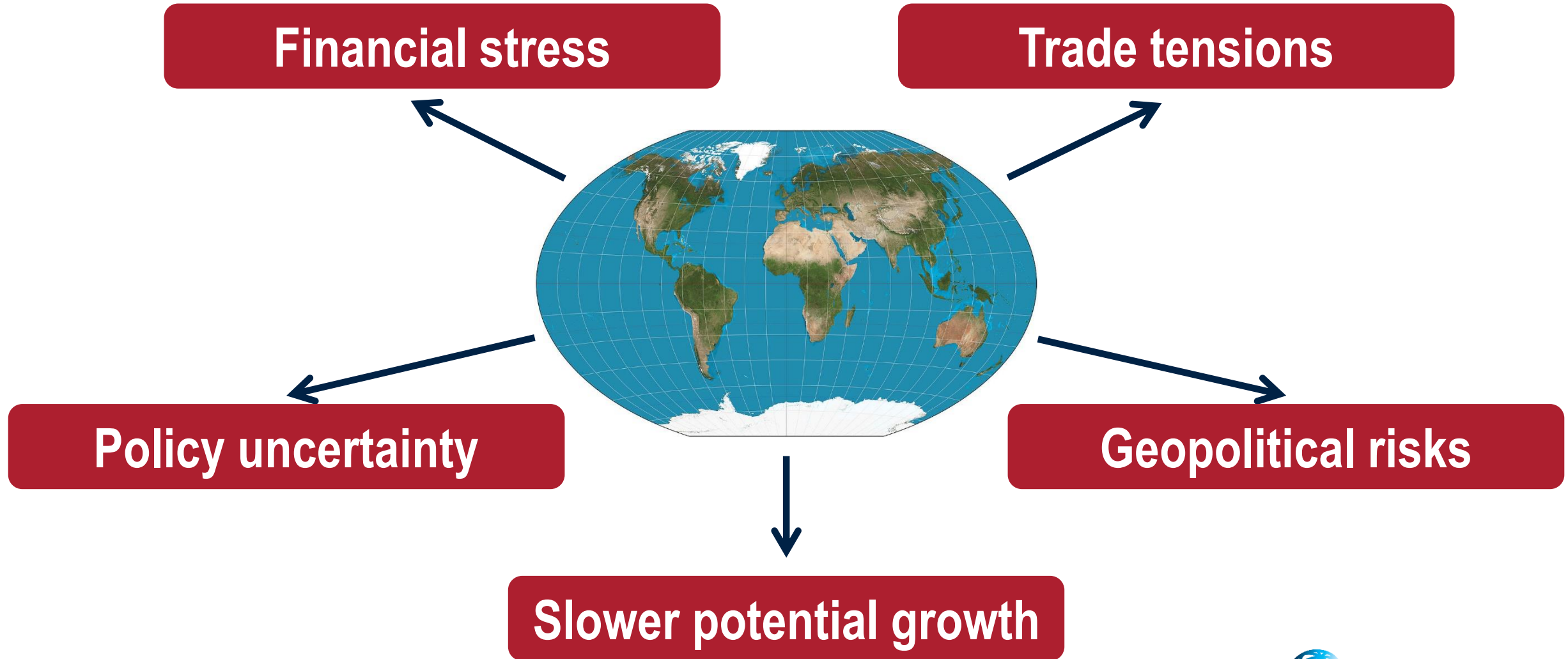
RISKS AND POSSIBLE CRISES



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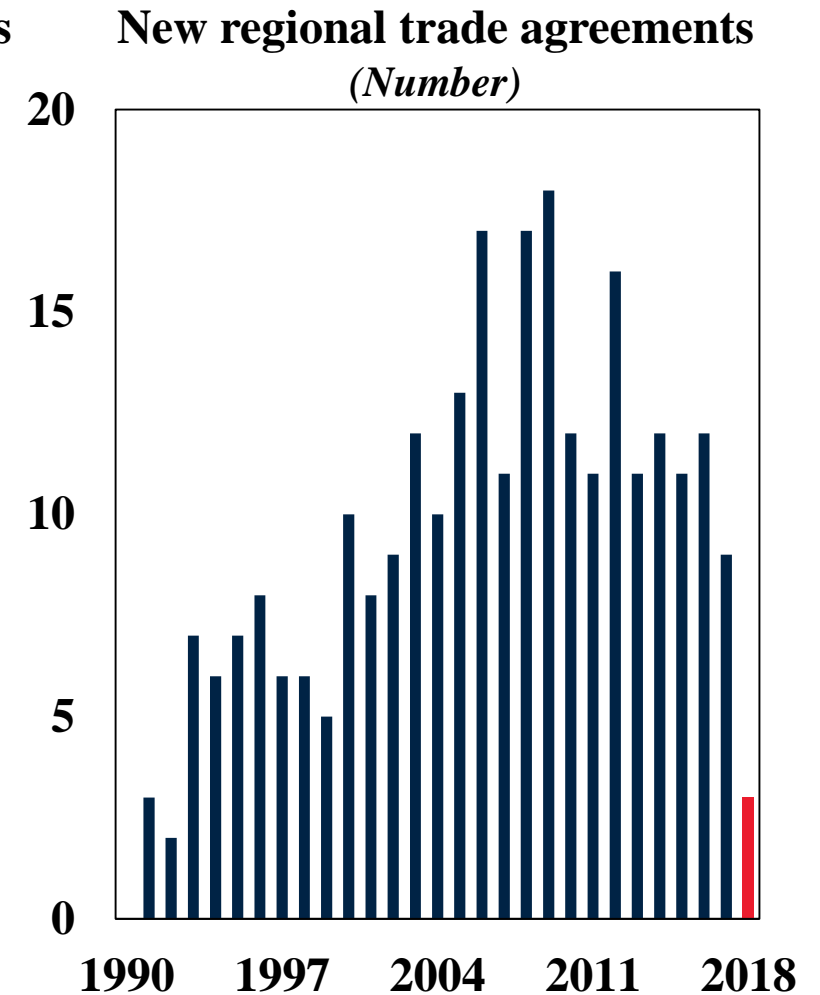
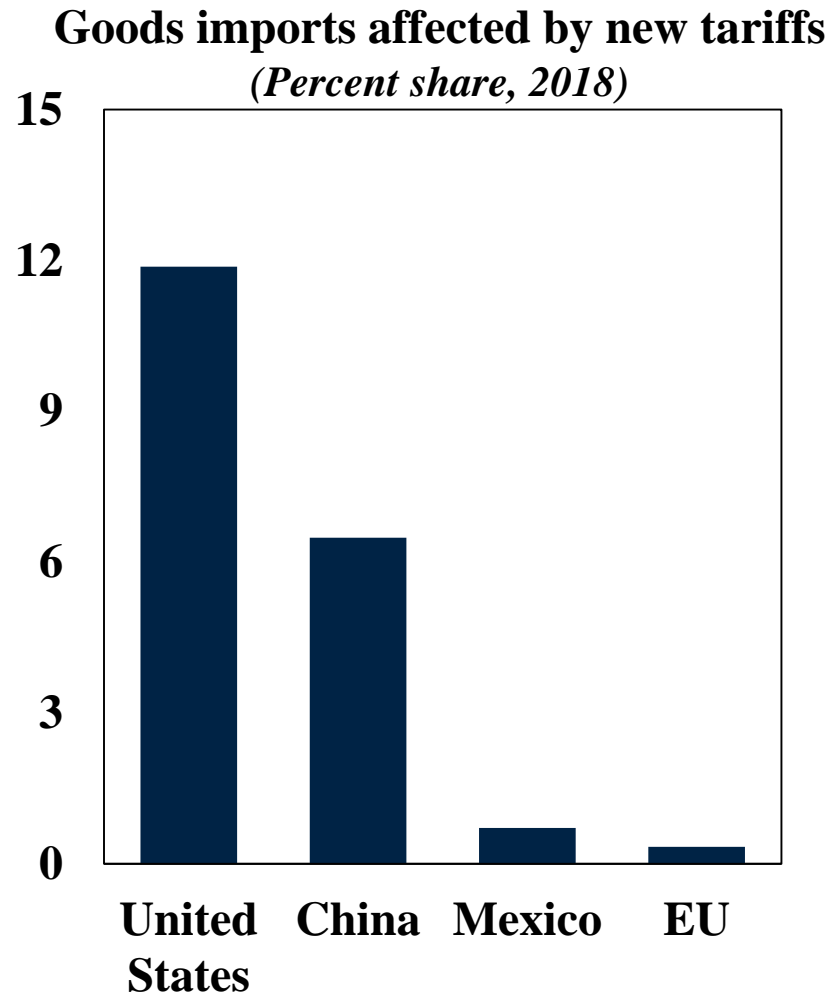
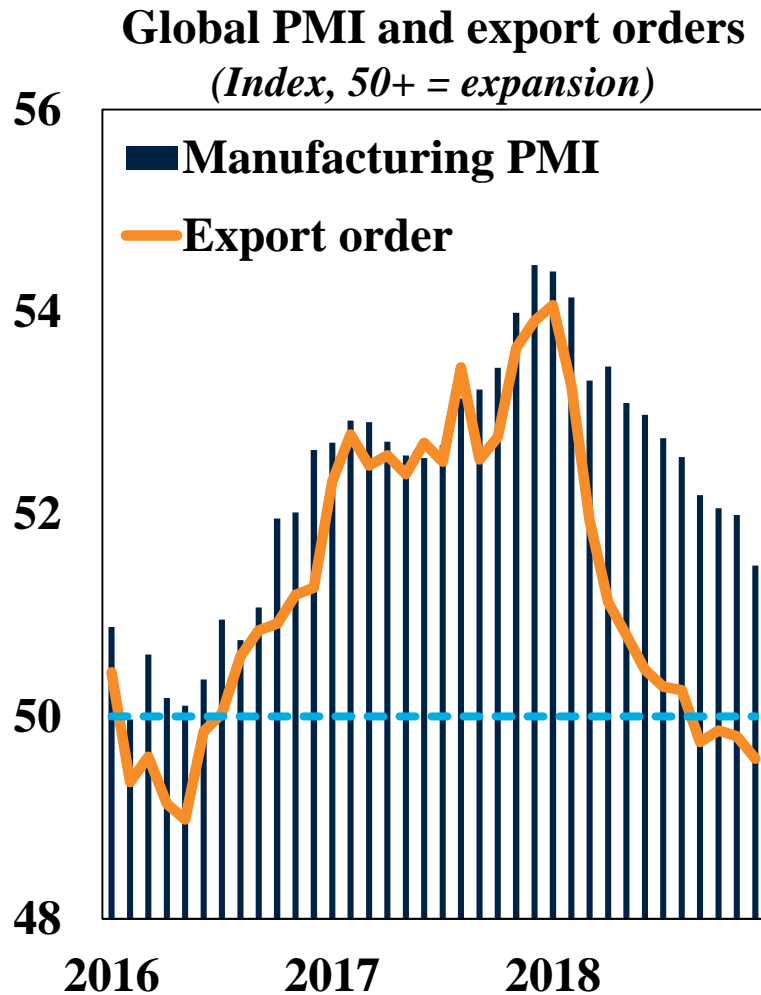
Risks

Increasingly Tilted to Downside



Trade Risks

Weakening Global Trade; Threat of Escalation of Trade Tensions

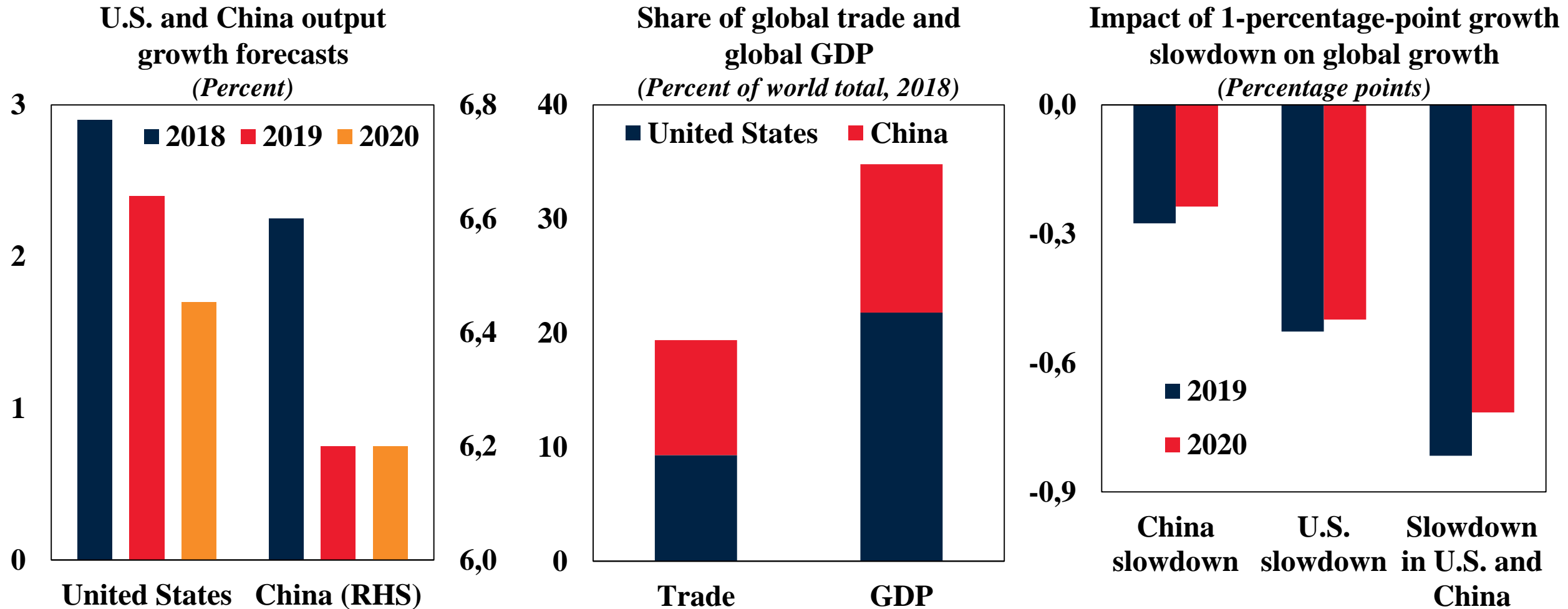


Sources: Haver Analytics, World Bank, World Trade Organization.

Left Panel. PMI refers to Purchasing Managers' Index. Readings above 50 (shown as a dashed line in light blue) indicate expansion in economic activity, readings below 50 indicate contraction. Last observation is December 2018. Center Panel. Value of goods imports affected by tariffs implemented in 2018 as a share of total goods imports. Right Panel. The number of regional trade agreements becoming in force in each year. Data are obtained on January 23, 2019.

Trade Tensions

If Tensions Escalate, Large Spillovers

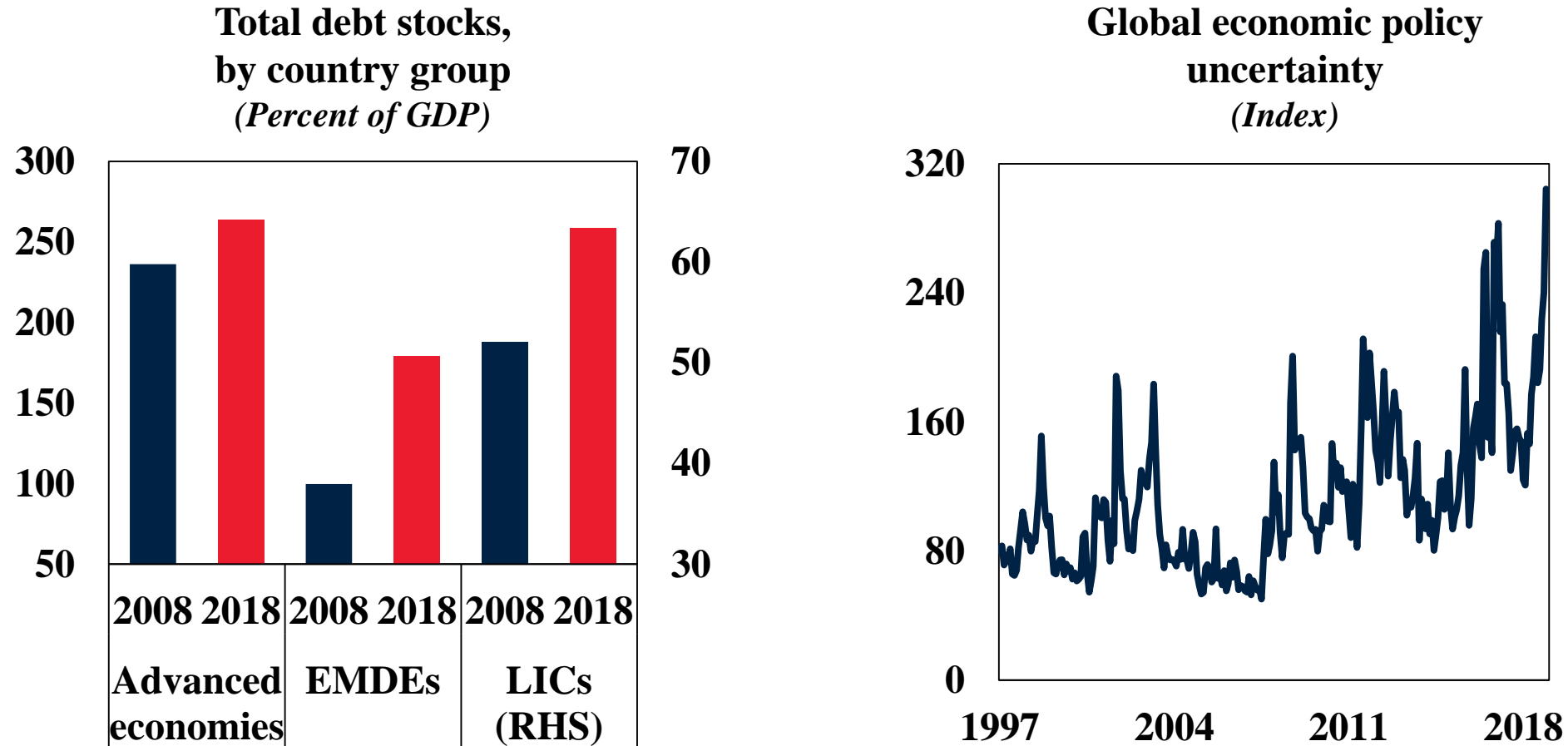


Sources: International Monetary Fund, World Bank.

Left panel. Data for 2018 and 2019-20 are estimates and forecasts, respectively. Center Panel. Data are for 2018. Trade is represented by total exports of goods and services in percent of global goods and services exports. Trade and GDP are measured by constant 2010 U.S. dollars. Right Panel. Bars show scenarios assuming a 1-percentage-point growth slowdown in China, in the United States, and the combination of the two. Slowdown shocks are applied in the second half of 2019. Based on the vector autoregression model presented in the January 2016 *Global Economic Prospects* report. Deviations from baseline are all significantly different from zero.

Other Risks

Rising Debt; Record High Uncertainty

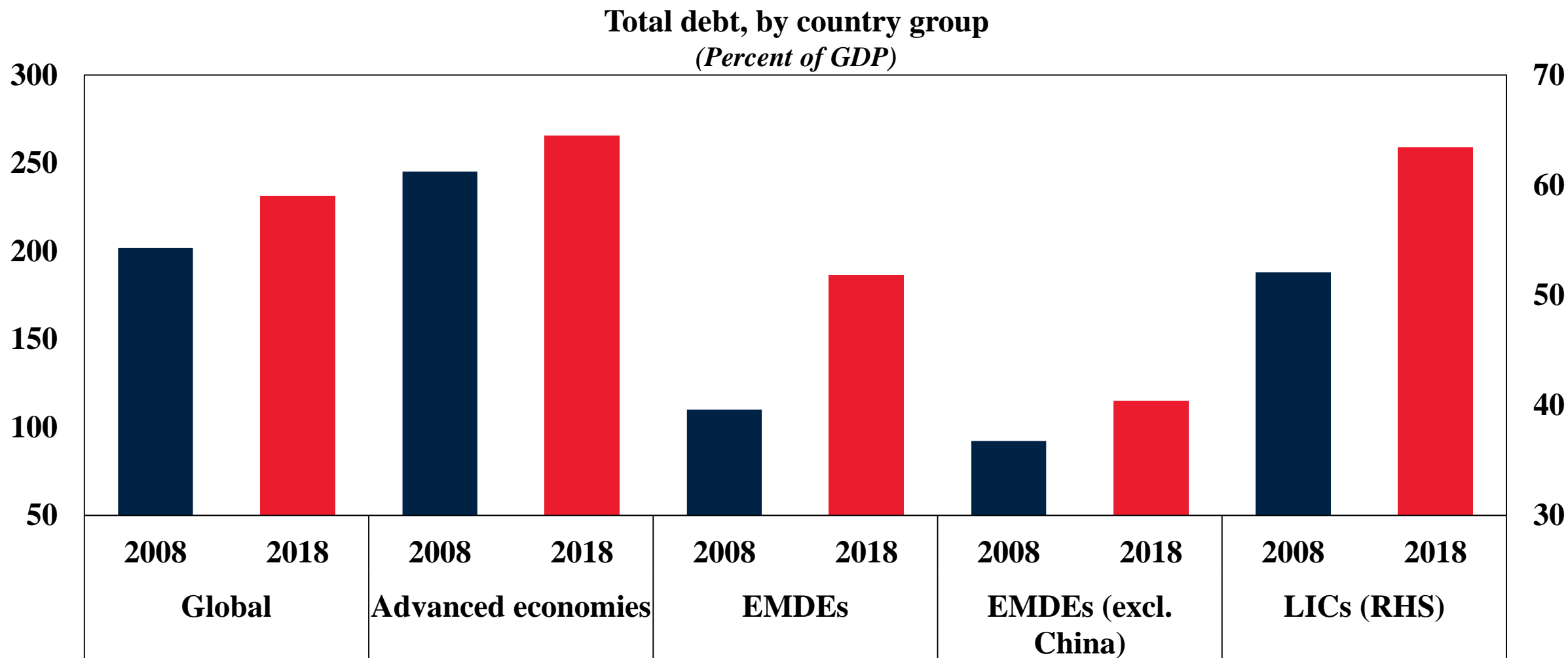


Sources: Baker, Bloom, and Davis (2016); Bank for International Settlements; International Monetary Fund; World Bank.

Left Panel. Aggregates are computed with debt and GDP expressed in current U.S. dollars, following the methodology in BIS. EMDE aggregate is based on 16 countries and data for 2018 are for the second quarter. Data for 2018 in low-income countries (LICs) are for the latest available quarter and sample includes 21 LICs. Total debt is measured as total credit to general government and non-financial private sector for EMDEs and a sum of general government debt and domestic claims on the private sector for LICs. Right Panel. Global economic policy uncertainty is a GDP-weighted average of national economic policy uncertainty indexes for 18 countries, which are based on the frequency of articles in domestic newspapers mentioning economic policy uncertainty. Last observation is December 2018.

Global Debt Stocks

Rising in All Country Groups



Sources: Bank for International Settlements, International Monetary Fund, World Bank.

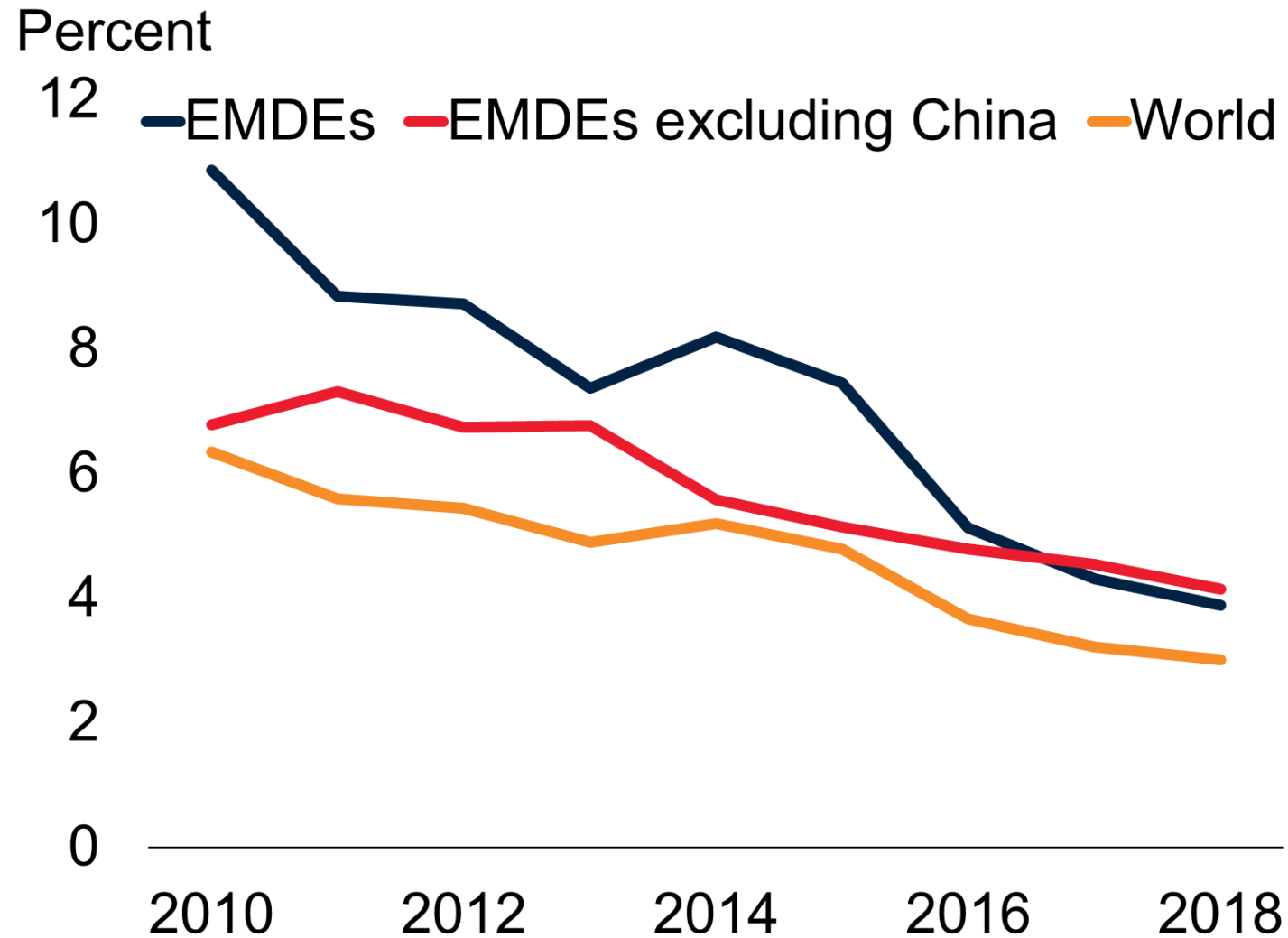
Note. Aggregates are computed with debt and GDP expressed in current U.S. dollars, following the methodology in BIS. Aggregates of advanced economies and EMDEs are based on 27 countries and 16 countries, respectively, and data for 2018 are for the third quarter. Data for 2018 in low-income countries (LICs) are for the latest available quarter and sample includes 21 LICs. Total credit is measured as total credit to general government and non-financial private sector for EMDEs and a sum of general government debt and domestic claims on the private sector for LICs.

LONG-TERM CHALLENGES AND OPPORTUNITIES

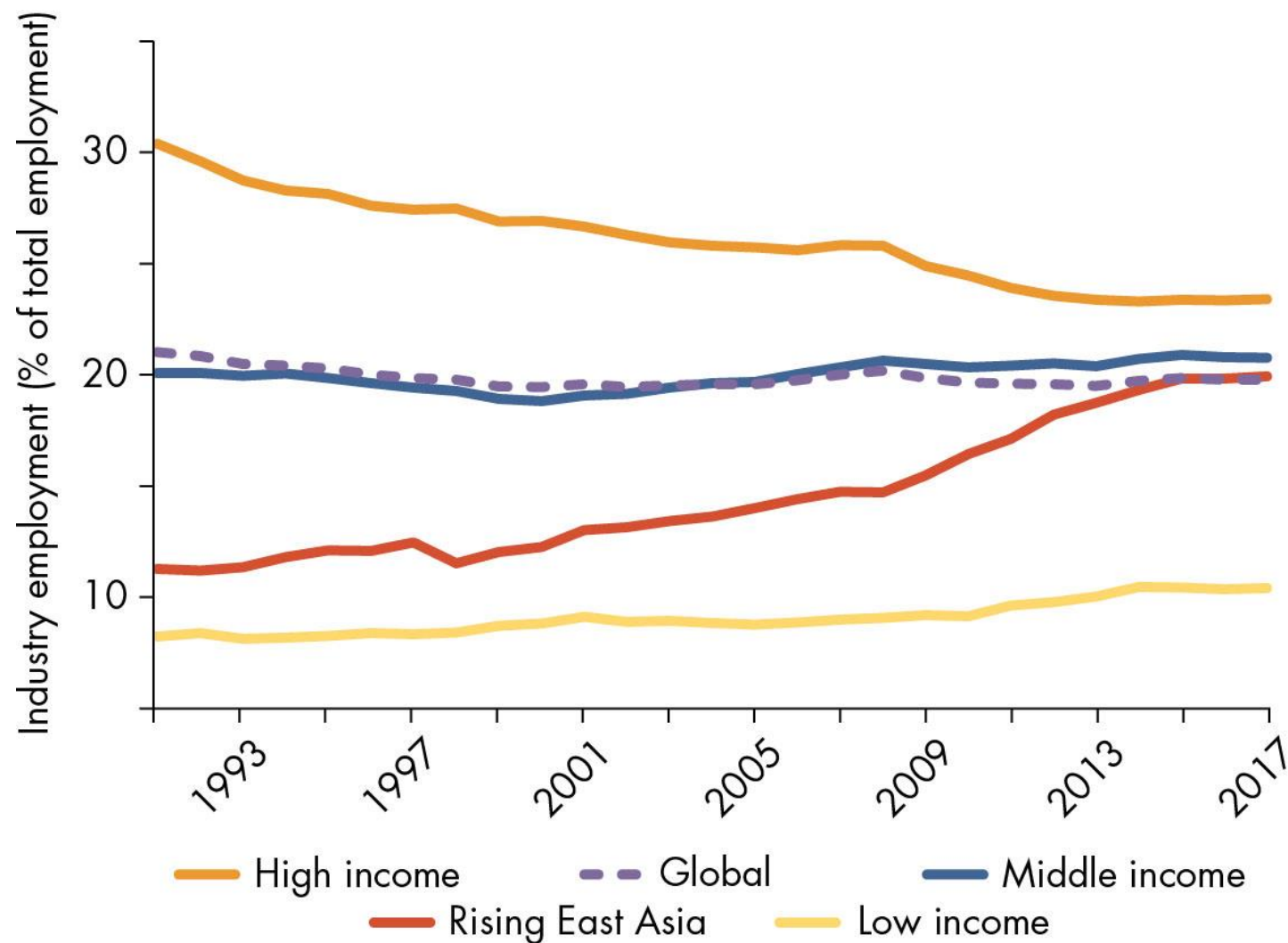


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Long-Term Investment Growth Forecasts

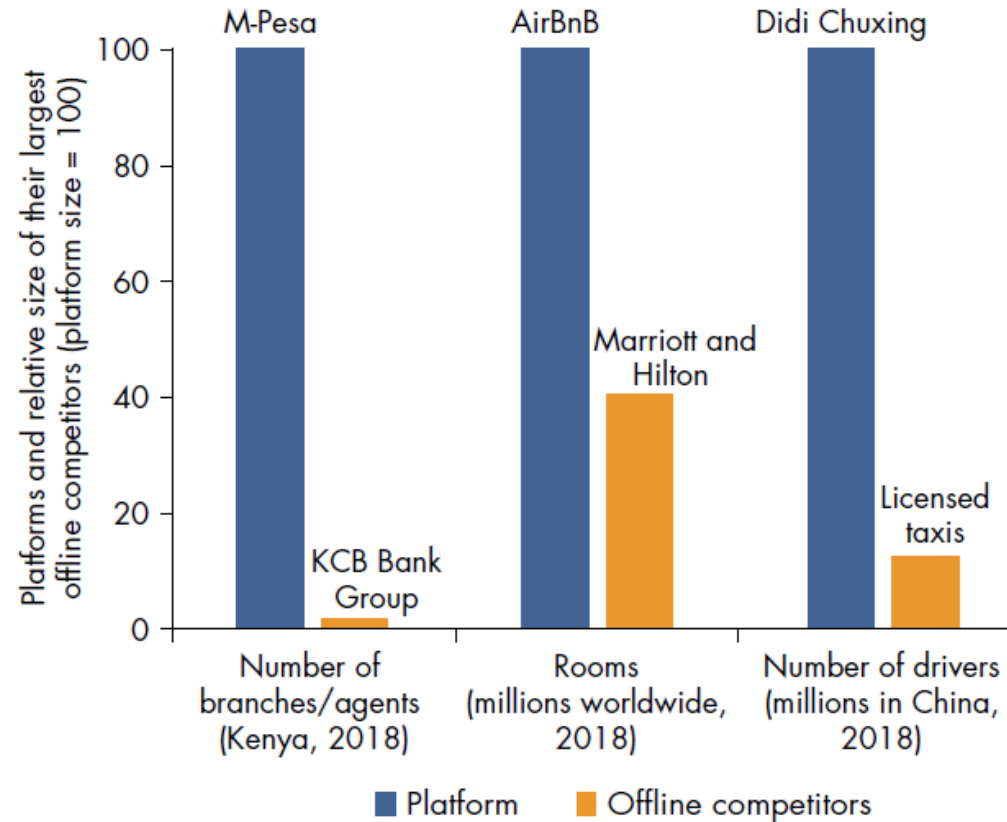


Industrial Jobs are Falling in the West and Rising in the East



Technology Is Disrupting the Nature of Firms Posing New Policy Challenges

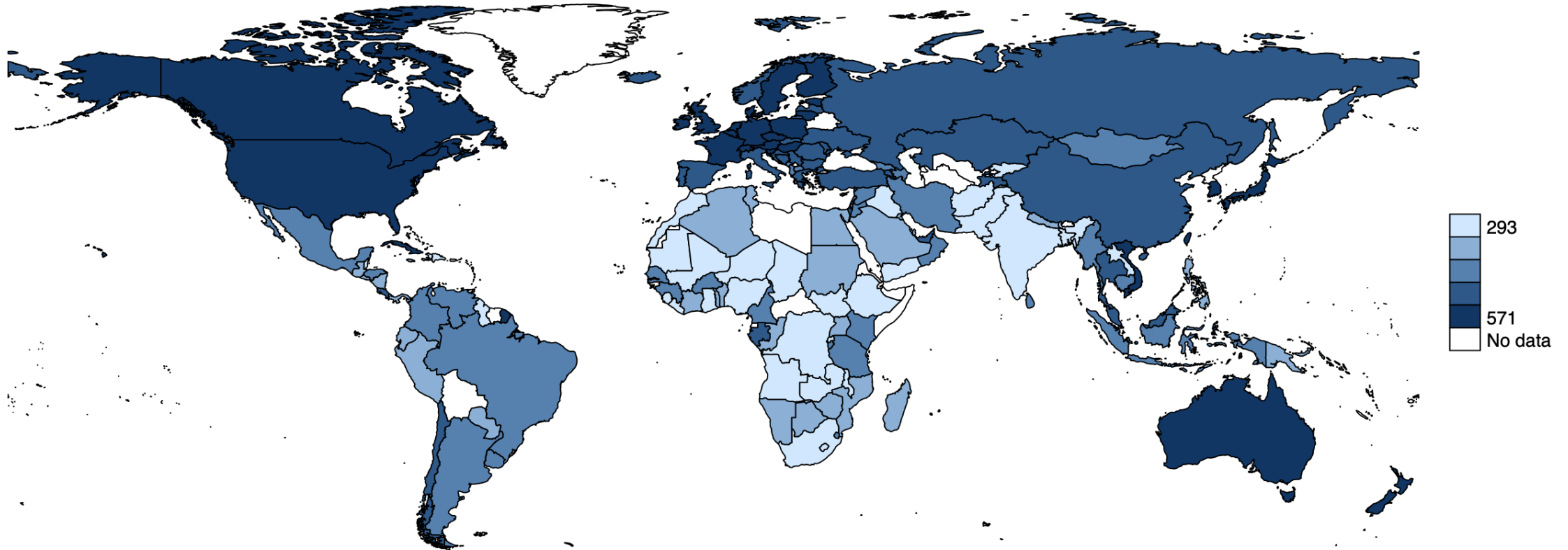
New Superstar Firms: digital platforms operating globally, existing in the cloud



Source: Author's analysis based on data from Safaricom, KCB Bank Group, AirBnb, Marriot International Inc., Financial Times.

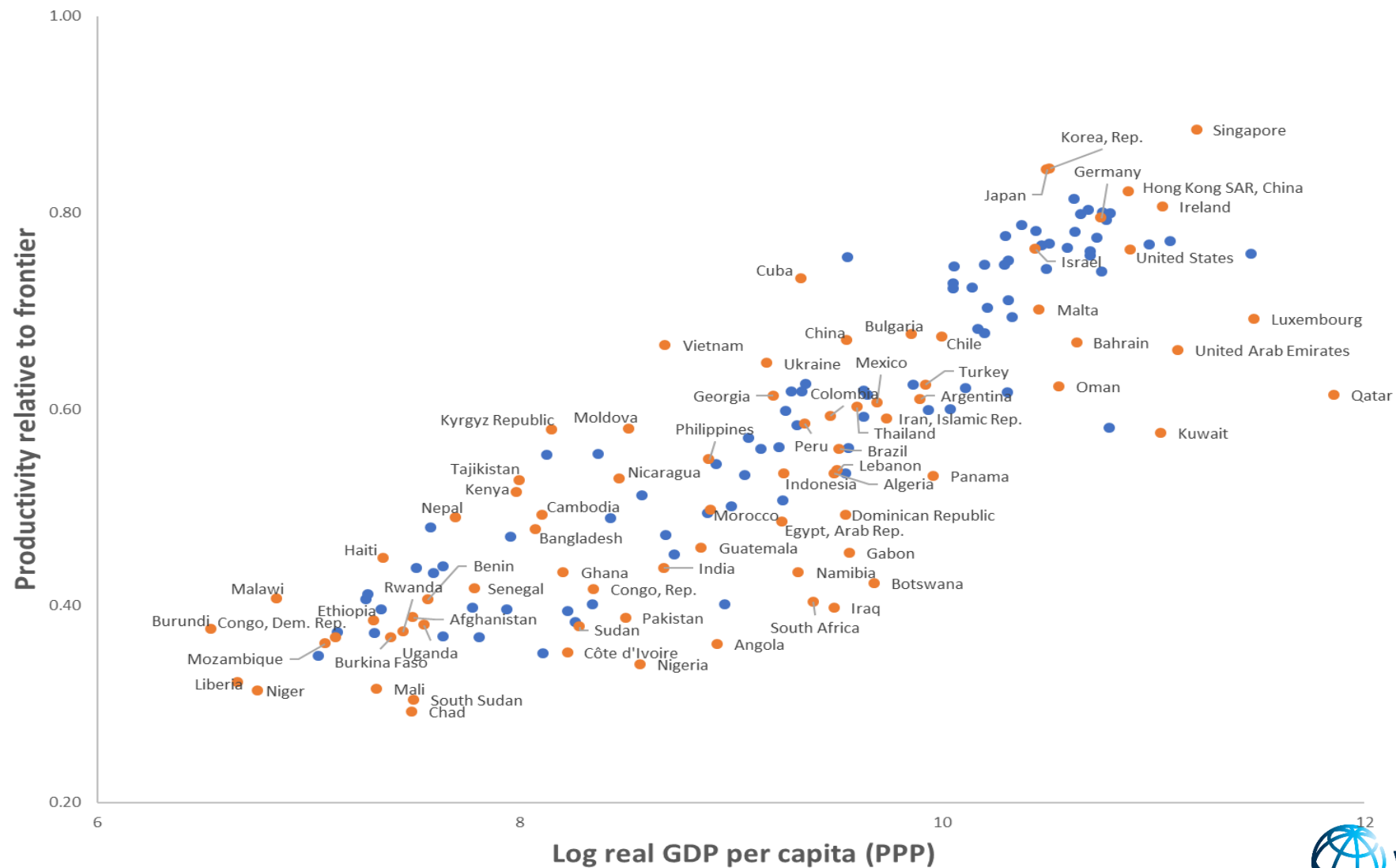
Human Capital

Average Human Capital Score, 2000-17



Average human capital is calculated across subjects and levels over the given period of time. Human capital scores vary on a range of 300 to 625, where 300 is minimum attainment and 625 is advanced attainment.

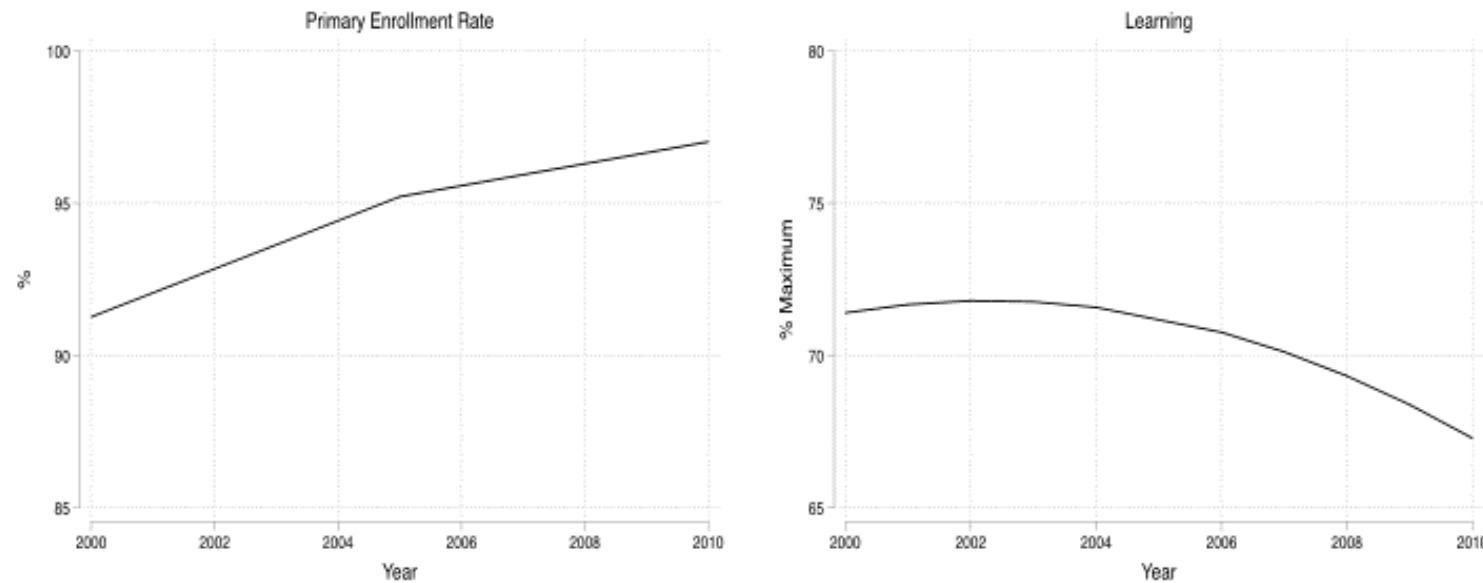
The Human Capital Index 2018



Source: World Bank staff calculations

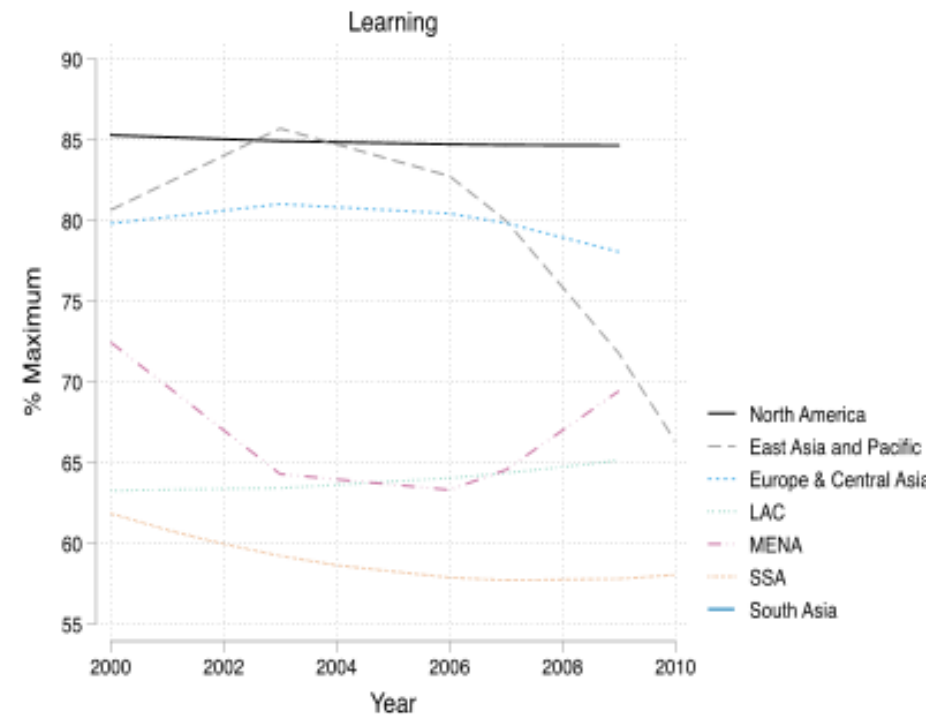
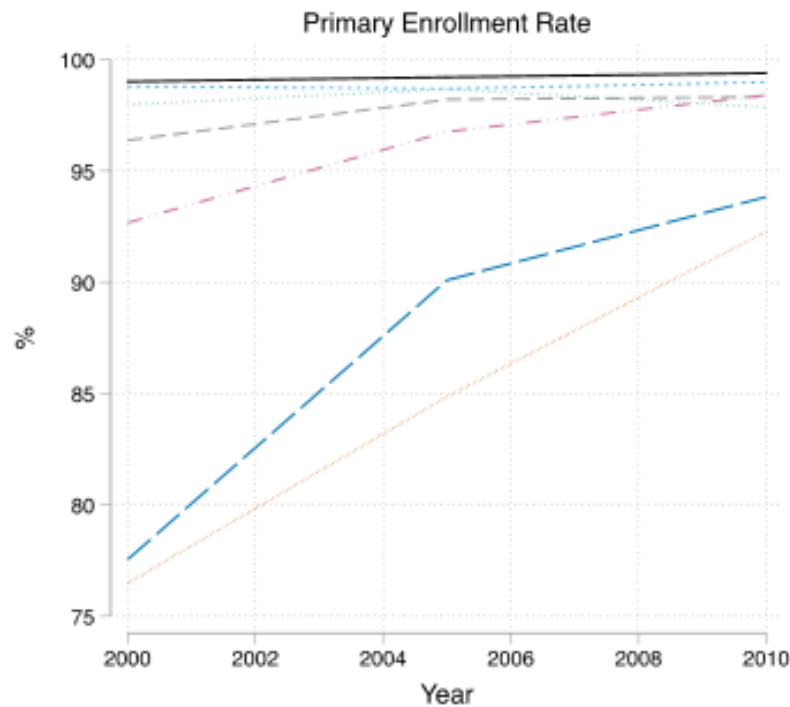
The Learning Crisis

Schooling is NOT Learning



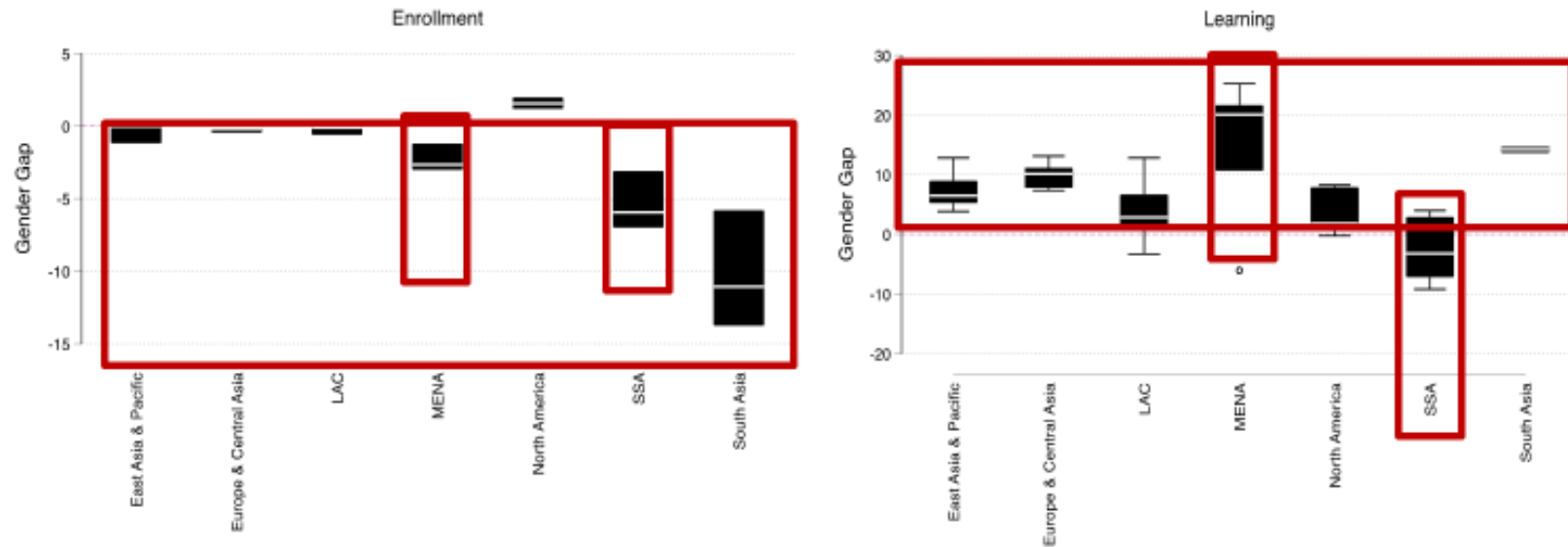
ENROLLMENT VERSUS LEARNING (2000-2010)

Schooling is NOT Learning By Region



ENROLLMENT VERSUS LEARNING (2000-2010), BY REGION

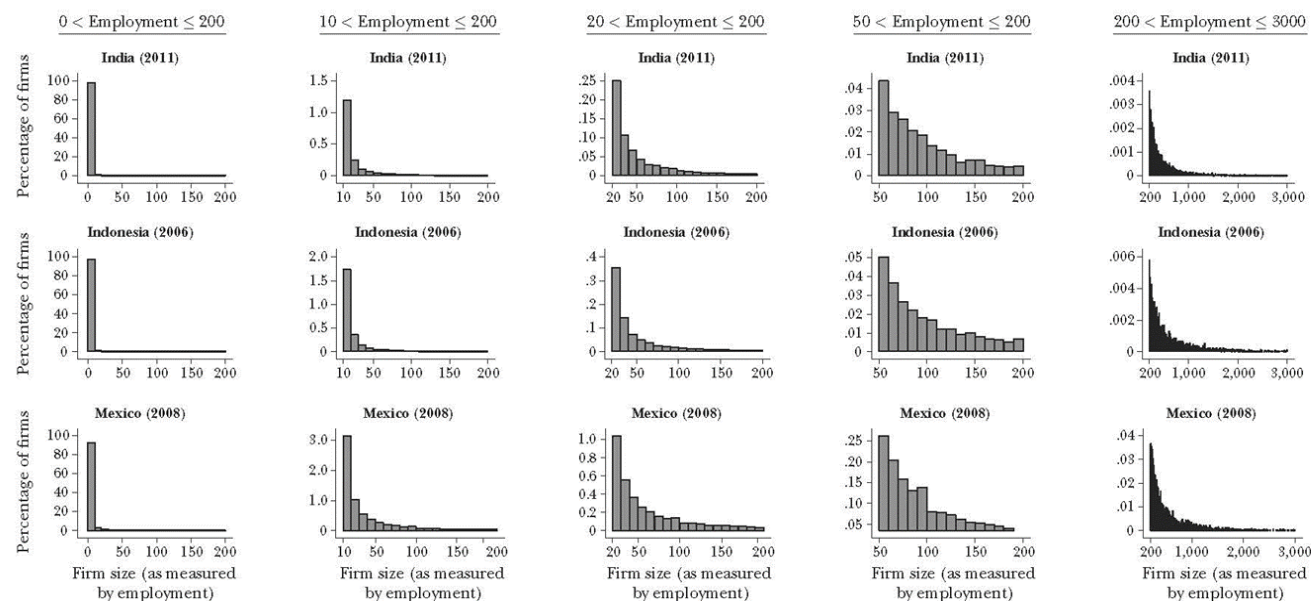
The Gender Gap is Flipped



GENDER GAP – ENROLLMENT VERSUS LEARNING (2000-2010), BY REGION

Informality: Firm Size Distribution in Developing Countries

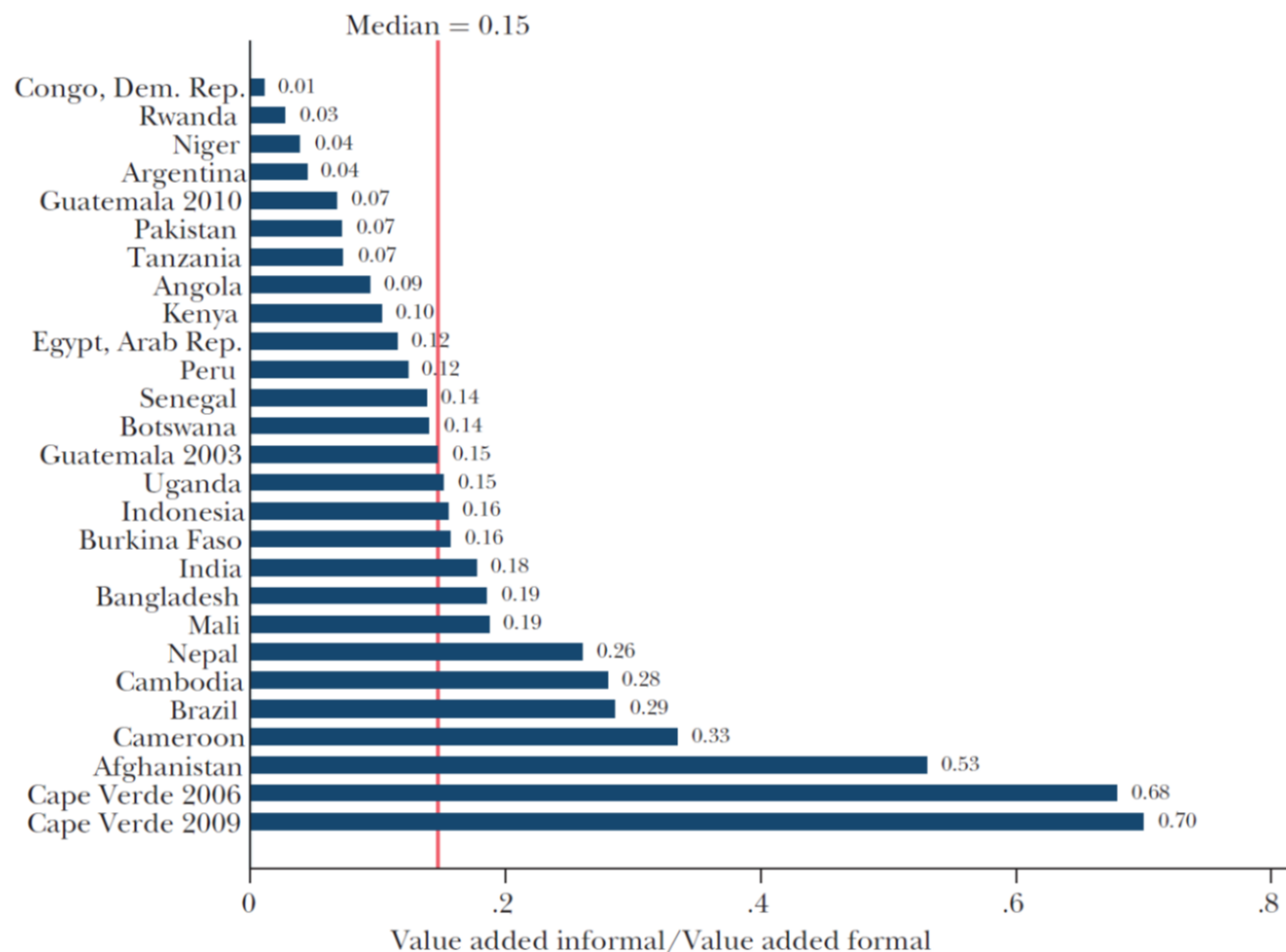
Distribution of Firm Size as Measured by Number of Workers



Source: Hsieh and Olken, JEP 2014

Informal Firms are Small and Inefficient

Ratio of the Value Added by Informal Firms to Value Added by Formal Firms



Source: LaPorta and Shleifer,
JEP 2014

Policies

Cyclical Tools to Mitigate Risks; Reforms to Advance Structural Agenda

How to proactively respond to risks?

- Utilize fiscal, monetary and financial policies

How to tackle structural problems?

- Identify priorities (human and physical capital, governance); implement reform programs
- Undertake measures to reduce informality

How to address global challenges?

- Coordinate policies globally to address global problems
- Improve multilateral frameworks