Cautious Optimism For a New Era of Global Growth

MAPI Foundation Webinar on the Global Economic Outlook

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• Growing signs of a coordinated but modest global growth improvement.

• The falling dollar adds a tailwind for U.S. manufacturing at a time of global economic strengthening.

• The MAPI Foundation baseline forecast is for an average of 1.7%
  • U.S. Manufacturing Growth from 2017-2020.
  • While modest, this is a meaningful acceleration from the nearly stagnant 2013-2016 period.

• U.S. political/policy shocks, Brexit uncertainty, and the confrontation with North Korea are the principle risks to the U.S. manufacturing outlook. The impact of the hurricane Harvey will take some time to assess but will vary by subsector.

• Population shifts that will catalyze changes in global labor supply and urbanization as well as the rise of Africa will govern global manufacturing developments in the decades to come.
Today’s Presentation

- A fundamental turn in the world
- Advanced economies generally surprise to the upside
- Mixed data from China but the rebound persists
- Developing economies stabilize
- Global manufacturing forecasts
- U.S. manufacturing: modest improvement in the cards
- The outlook from 30,000 feet
- Looking far ahead: What will shape the world in the coming decades?
Central Bankers Breathe Easier: Deflation Risks Abate

**Consumer Price Inflation: Japan, the Eurozone, and the UK**

Source(s): IHS Global Insight, and United Kingdom Central Statistics Organization (year/year for China and the Eurozone, annual percent rate for the UK)
Expectations Grow For An Improved Global Outlook

World GDP Growth

F=Forecast
Source(s): International Monetary Fund
In a Switch, the U.S. Economy Becomes a Global Risk Spot Due To Political, Policy, and Geopolitical Strains

U.S. GDP Growth, Inflation-Adjusted, Seasonally Adjusted

Source(s): U.S. Commerce Department, Bureau of Economic Analysis
The Resulting Dollar Reversal Grows as an Outlook Issue

U.S. Broad Nominal Dollar and Dollar Versus Major Currencies

Source(s): Federal Reserve Board
As Brexit Looms, Improving Growth in the Eurozone, Slowing Growth in the U.K.

Eurozone and UK Real GDP Growth, Year-Over-Year

Source(s): United Kingdom Central Statistical Office
Improvement For Eurozone Manufacturing

Eurozone Manufacturing Production, Year-Over-Year Growth

Source(s): Eurostat
At Long Last, Japan Finds Consistent Growth

Japan, Real GDP Growth, Seasonally Adjusted at Annual Rate

Source(s): Economic and Social Research Institute
Japanese Manufacturing Growth On the Upswing

Japan, Manufacturing Output Growth, Year-Over-Year Percent Change

Source(s): Bank of Japan
Encouraging Signs for Canada as Global Commodity Markets Firm

Canada Real GDP Growth, Seasonally Adjusted at Annual Rate

Source(s): Statistics Canada
China’s Annual GDP Growth

Source(s): National Bureau of Statistics of China
Positive Growth in China Trade Resumes

China’s Total Export and Total Import Growth

Source(s): China Statistical Information and Consultancy Service Center
Dodging the Bullet on a China Investment Contraction

China’s Fixed Asset Investment, Purchase of Equipment and Tools

Source(s): National Bureau of Statistics of China
The Chinese Manufacturing Slowdown Has Reached a Bottom

China’s Growth of Industrial Value-Added

Source(s): National Bureau of Statistics of China
Stabilization in Troubled Emerging Markets

Brazil’s Real GDP Growth

Source(s): IHS Global Insight
As Commodity Prices Firm, Russia Finds Stability

Russia’s Real GDP Growth, Year Over Year

Source(s): IHS Global Insight
Unfortunately, Emerging Weakness in India Prevents a Manufacturing Recovery

Source(s): Reserve Bank of India
Significant Export Improvement In Mexico, A Good Sign for North America

Mexico, Growth of Total Export Demand

Source(s): National Institute of Statistics and IHS Global Insight
Stronger Manufacturing Growth Could Lead the Way to Stronger Economic Growth in Mexico

Mexico Manufacturing Production Growth, Year-Over-Year

Source(s): National Institute of Statistics and IHS Global Insight
On the Whole, A Mixed But Improving Picture for Global Manufacturing Growth

Select Economies, Forecast of Manufacturing/Industrial Production Growth

Source(s): Consensus Forecasts and MAPI Foundation
U.S. Manufacturing Growth Strengthens as An Improving Global Economy and a Falling Dollar Spur Factory Activity

U.S. Manufacturing Production Growth, Annual Percent Change, Seasonally Adjusted

Source(s): Federal Reserve Board
The Purchasing Managers’ Index Has Generally Transmitted Optimistic Signals About Better Days for U.S. Manufacturing

Source(s): Institute for Supply Management
Hints of Stronger U.S. Export Demand From a More Stable World

U.S. Total Export Growth, Annual Rate, Seasonally Adjusted

Source(s): U.S. Bureau of Economic Analysis
Modest Firming in U.S. Equipment Investment as Global Risks Abate

U.S. Equipment Expenditure Growth, Annual Rate, Seasonally Adjusted

Source(s): U.S. Bureau of Economic Analysis
MAPI Foundation Forecast:
The Era of Moderate Economic Growth Continues in the U.S.

U.S. GDP Growth, Inflation-Adjusted

F=Forecast
Source(s): U.S. Bureau of Economic Analysis and MAPI Foundation
MAPI Foundation Forecast: Modest Outlook for the Drivers of Manufacturing Activity

U.S. Manufacturing Production Growth

- **Annual Percent Change**
  - **Exports**
  - **Business Equipment Investment**

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Business Equipment Investment</th>
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</thead>
<tbody>
<tr>
<td>2015</td>
<td>3.4%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2016</td>
<td>-1.2%</td>
<td>-1.3%</td>
</tr>
<tr>
<td>2017 (F)</td>
<td>2.8%</td>
<td>2.9%</td>
</tr>
<tr>
<td>2018 (F)</td>
<td>4.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2019 (F)</td>
<td>1.8%</td>
<td>1.9%</td>
</tr>
<tr>
<td>2020 (F)</td>
<td>3.0%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

F=Forecast
Source(s): MAPI Foundation
U.S. Manufacturing Production Growth

Source(s): Federal Reserve Board and MAPI Foundation
Upside Risk to U.S. Manufacturing Growth From a More Protracted Fall in the Dollar

U.S. Manufacturing Forecast, Alternative Dollar Scenarios, Projected Average of U.S. Manufacturing Growth for 2017-2020

Source(s): MAPI Foundation


Source(s): MAPI Foundation
• Growing signs of coordinated but modest global growth improvement.

• The falling dollar adds a tailwind for U.S. manufacturing at a time of global economic strengthening.

• The MAPI forecast remains for a modest improvement in U.S. manufacturing growth over the nearly stagnant 2013-2016 period.

• Political/Policy shocks, Brexit uncertainty, and the confrontation with North Korea are the principle risks to the U.S. manufacturing outlook.
Shaping the World in the Decades to Come

- **Labor Supply:** The shift from a labor rich to labor scarce global economy.

- **Urbanization:** Population concentration creates spatial scarcities, reshapes supply chains, alters household structures, and impacts the composition of goods demand.

- **Africa’s Promise:** Favorable demographics and accelerating economic growth shed sunlight on a difficult continent. But it’s a diversified and nuanced story of winners and losers.
Labor Supply Becomes a Worldwide Challenge

Share of World, More Developed, and Less Developed Populations in the Aged 15-64 Cohort

F=Forecast
Source(s): United Nations, *World Population Prospects, 2017 Revision*
As Population Growth Slows and as Populations Age, They Appear to Concentrate

Share of Population Residing in Urban Areas: World and Major Divisions

Source(s): United Nations, Department of Economic and Social Affairs, World Urbanization Prospects, 2014 Revision
Economic Growth Shows Promise Even in the Poorest Region of Africa

Real GDP Growth

F = Forecast
Source(s): International Monetary Fund
Questions, Anyone?