



An Roinn Airgeadais
Department of Finance

Global economic developments - cyclical or structural headwinds?

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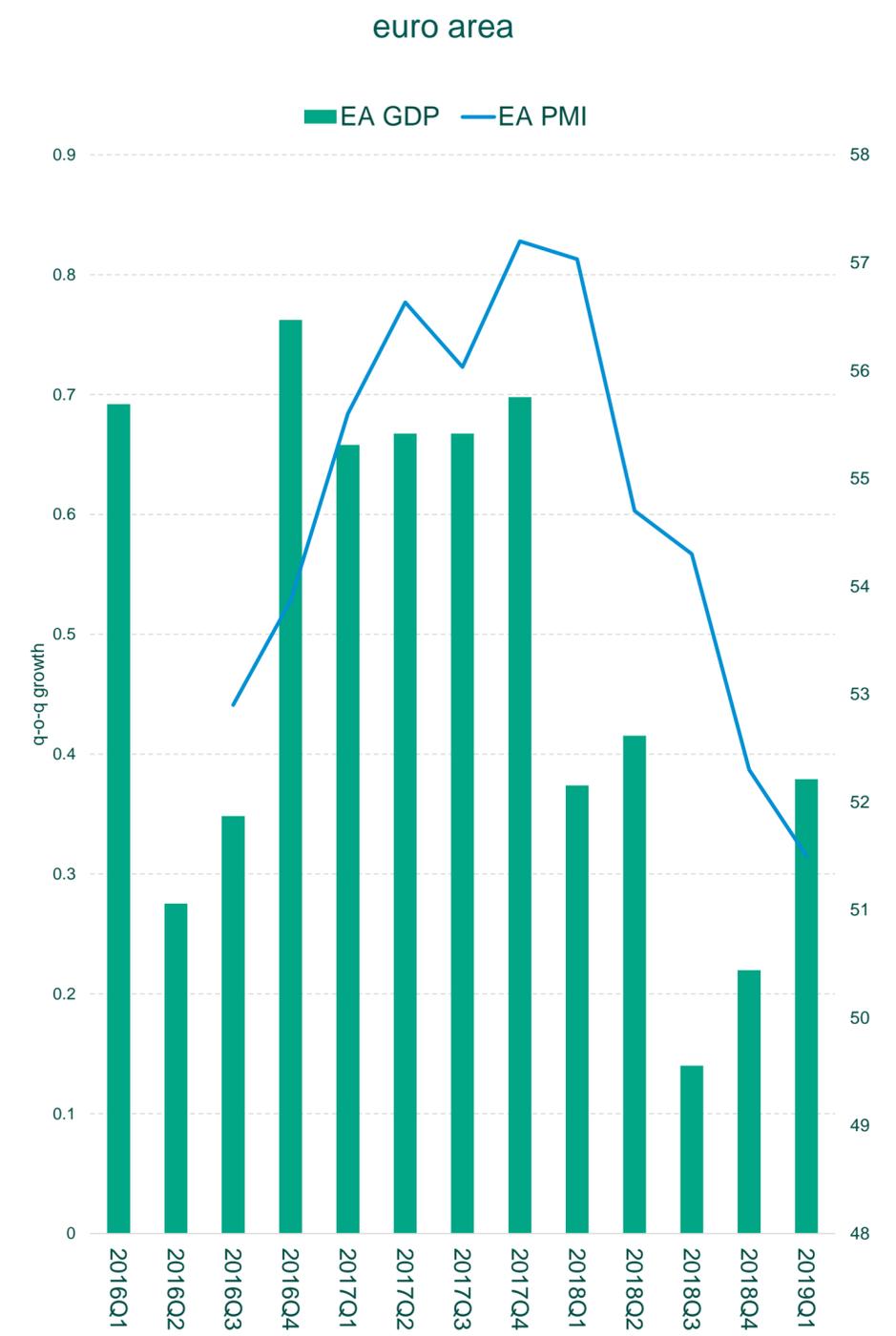
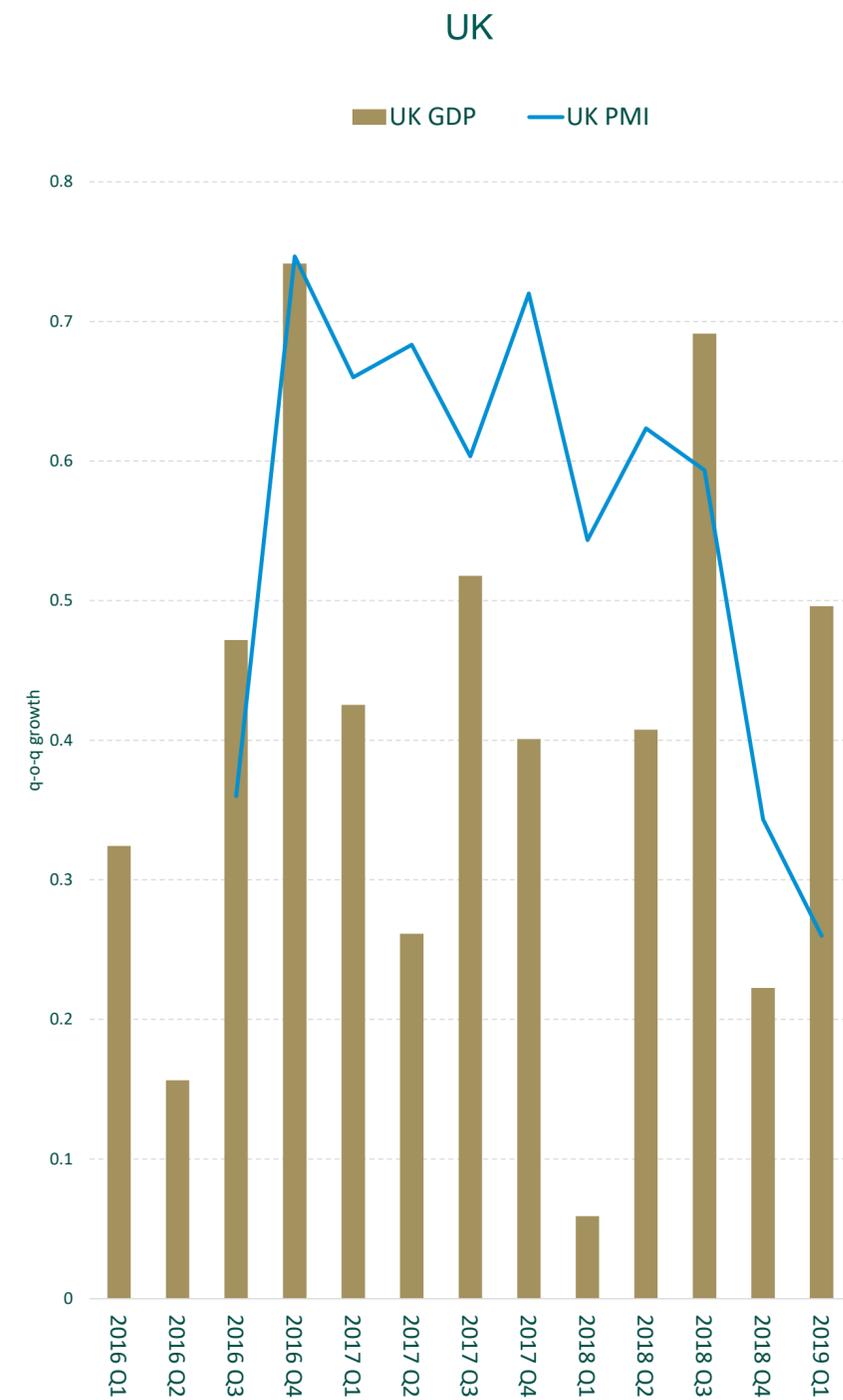
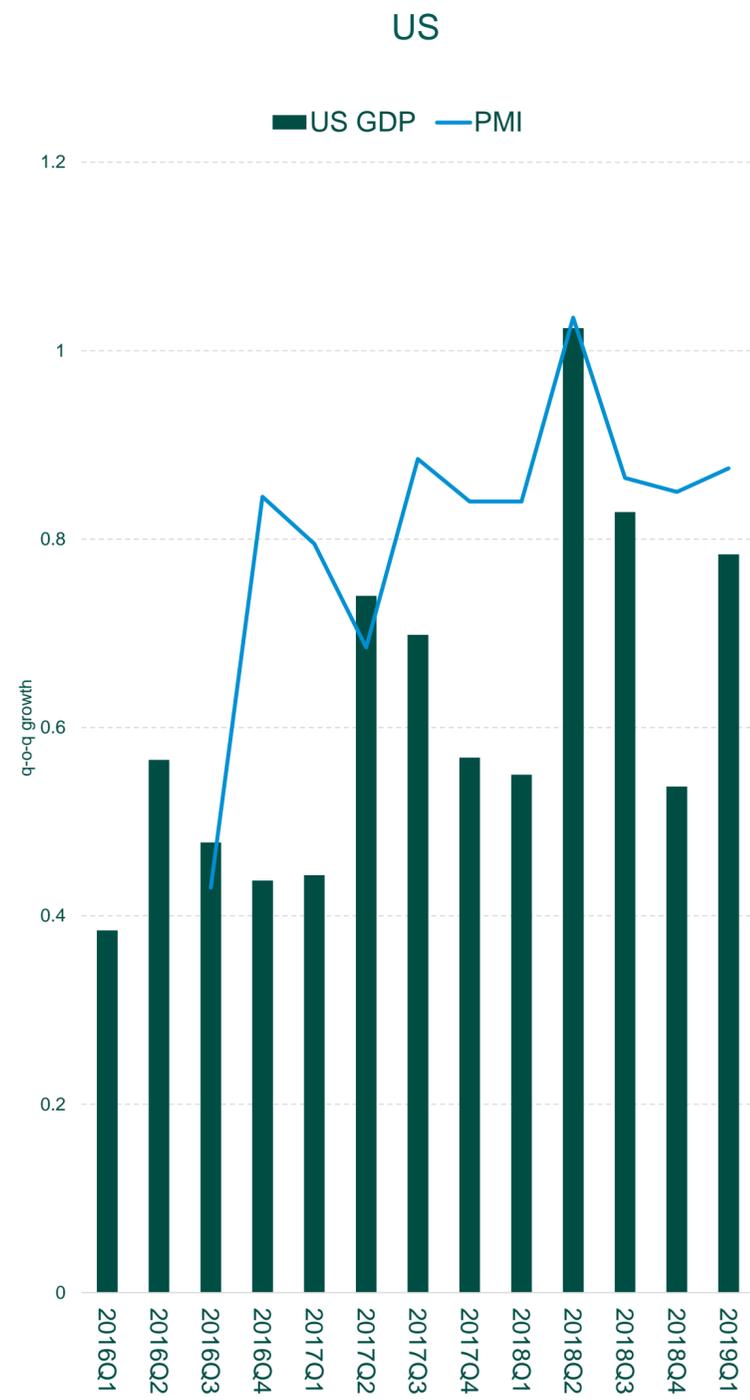
Presentation to IGEES Conference

12th June 2019

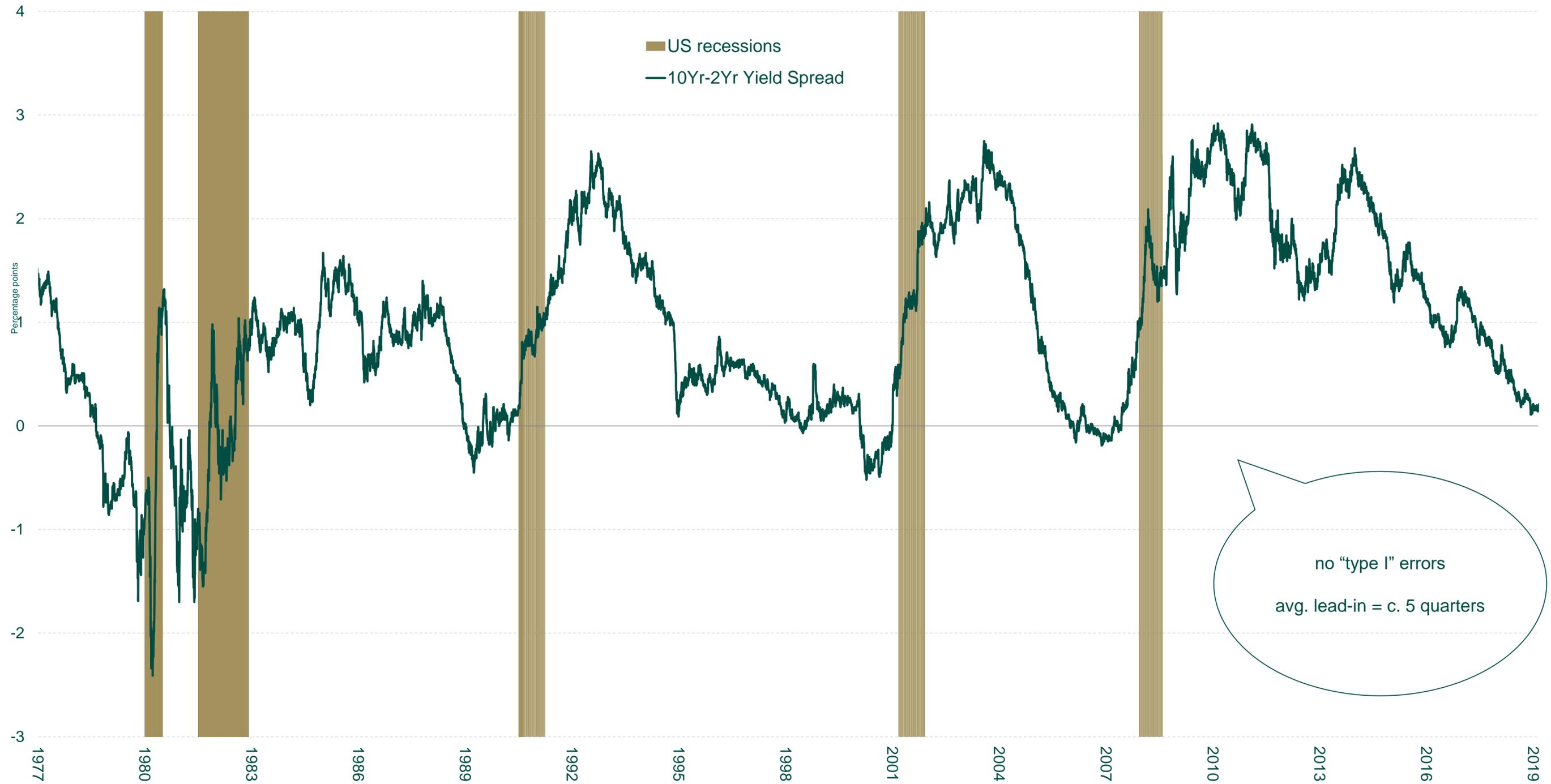


Global economy: cyclical headwinds picking up

Deterioration in external environment



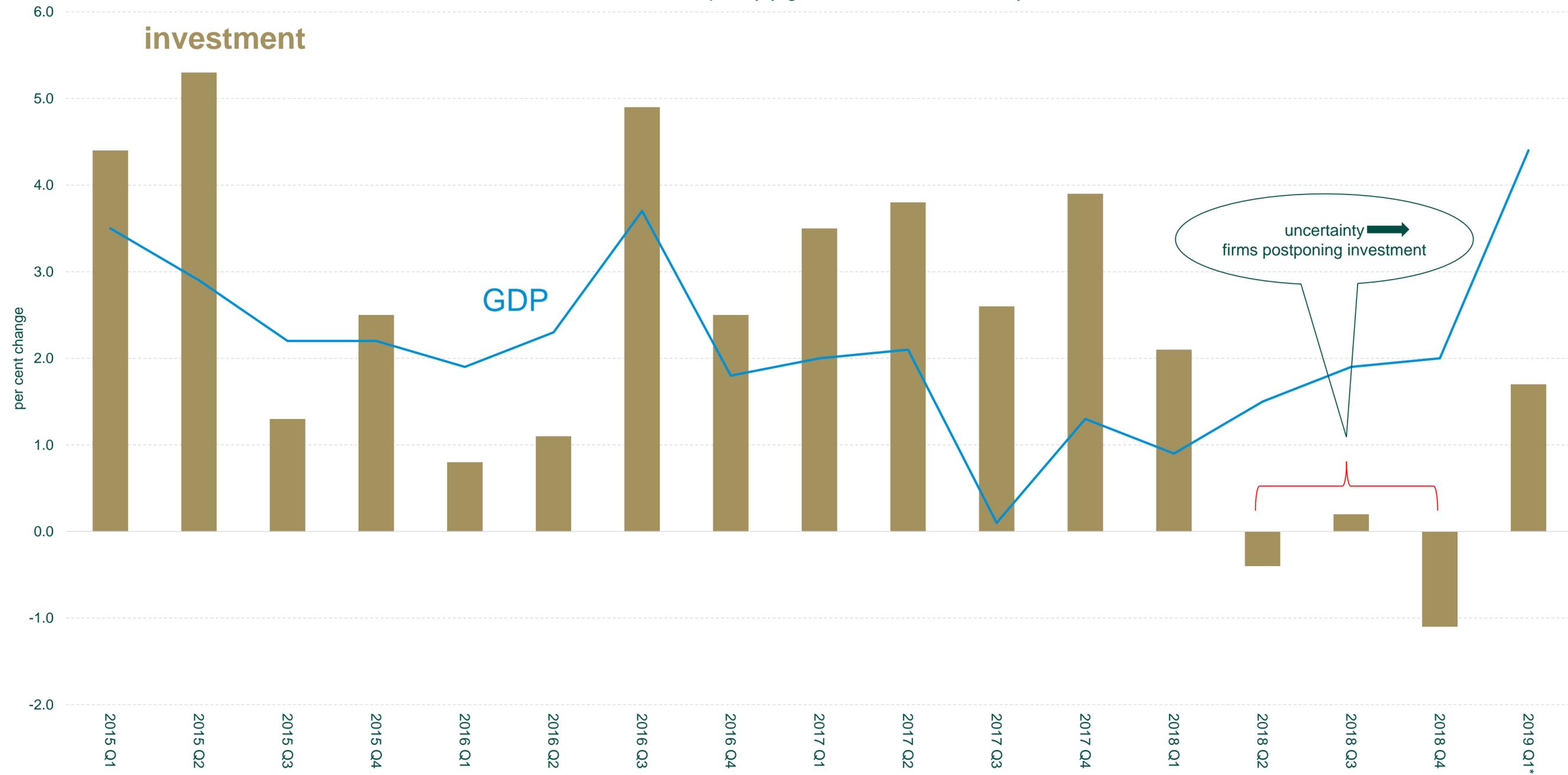
US: is the yield curve “near-inversion” an omen?



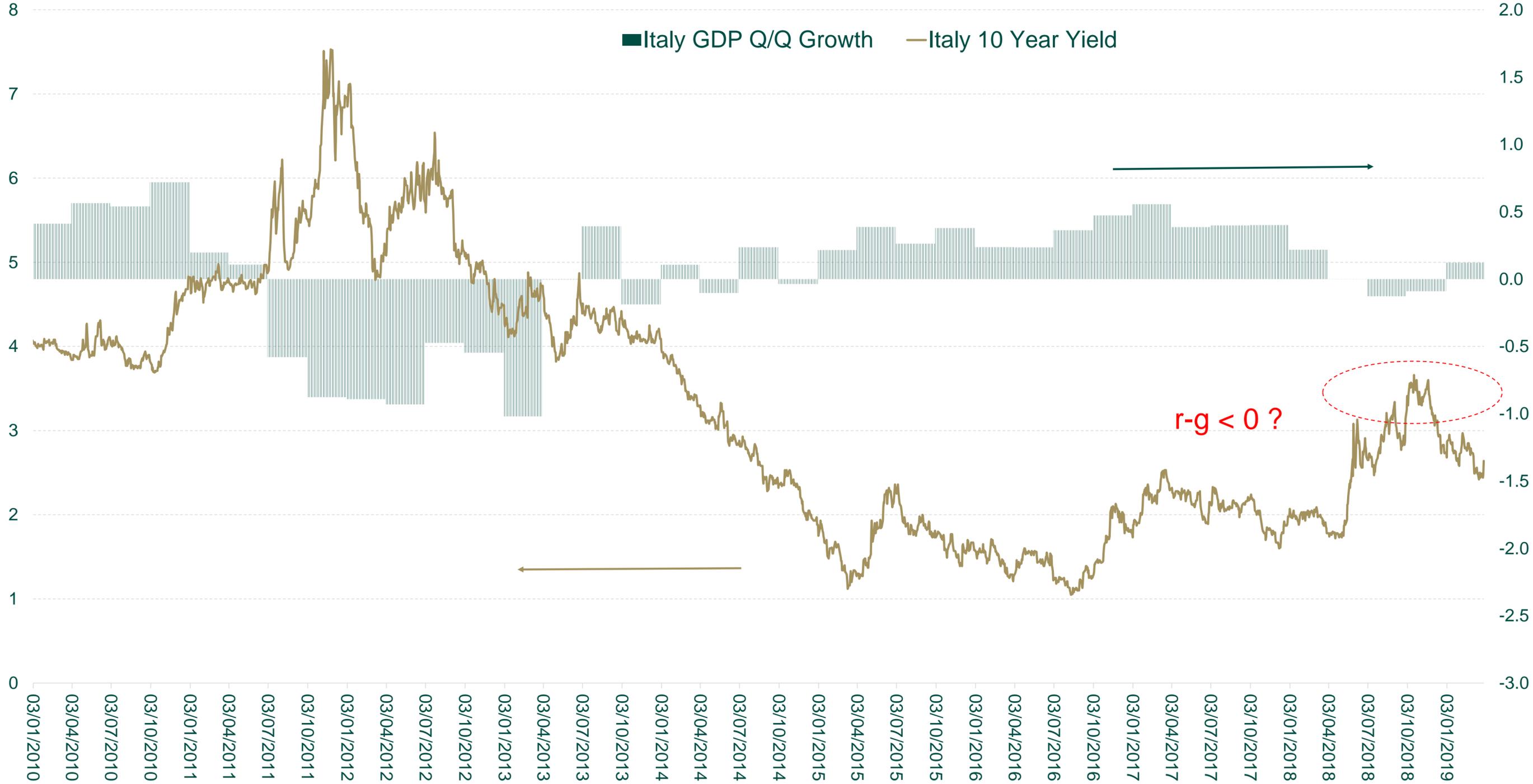
UK: business slamming on the brakes



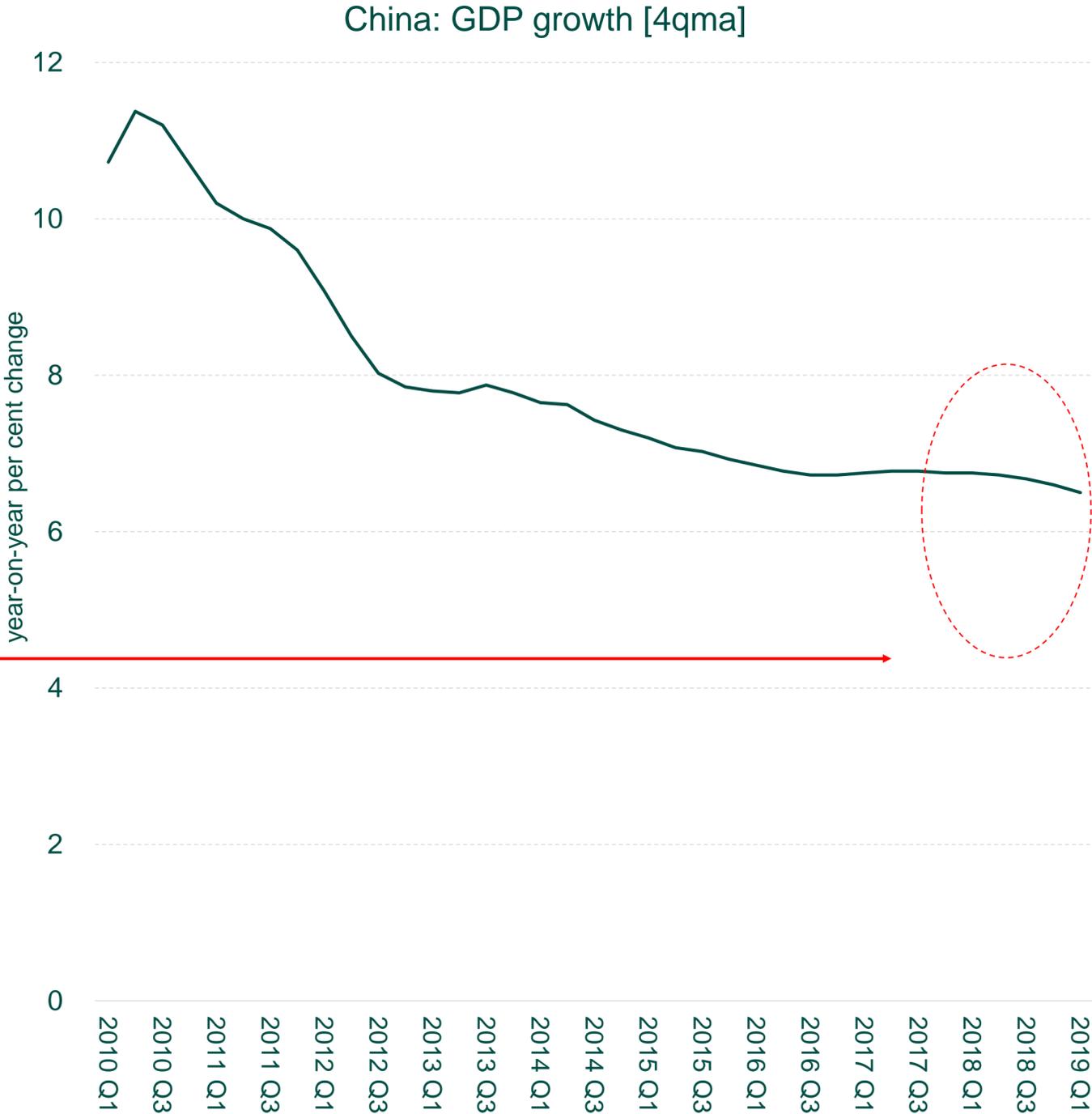
investment and output, y/y growth in the UK economy



euro area: re-domination risk emerging?



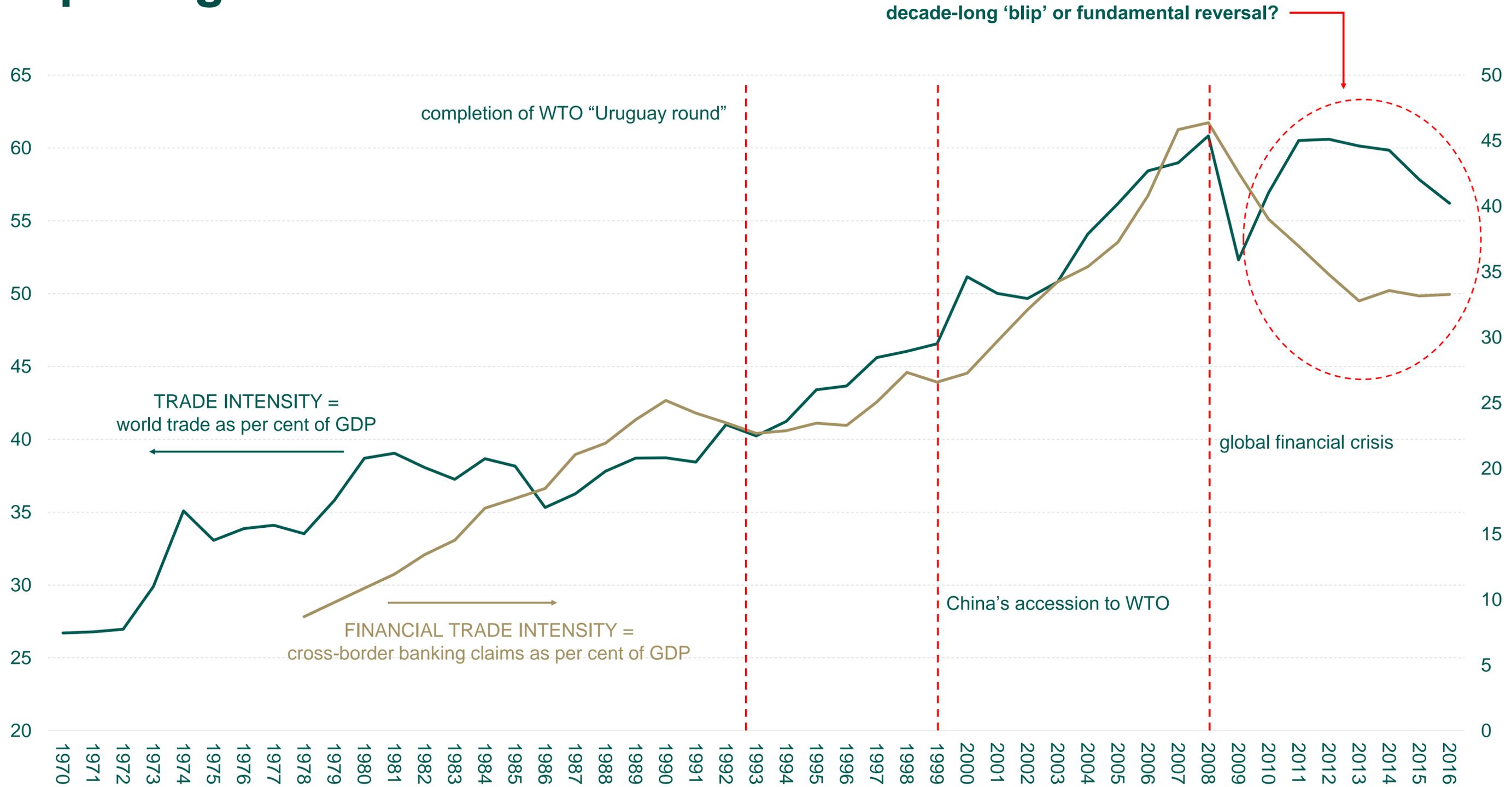
China: vulnerabilities weighing on output



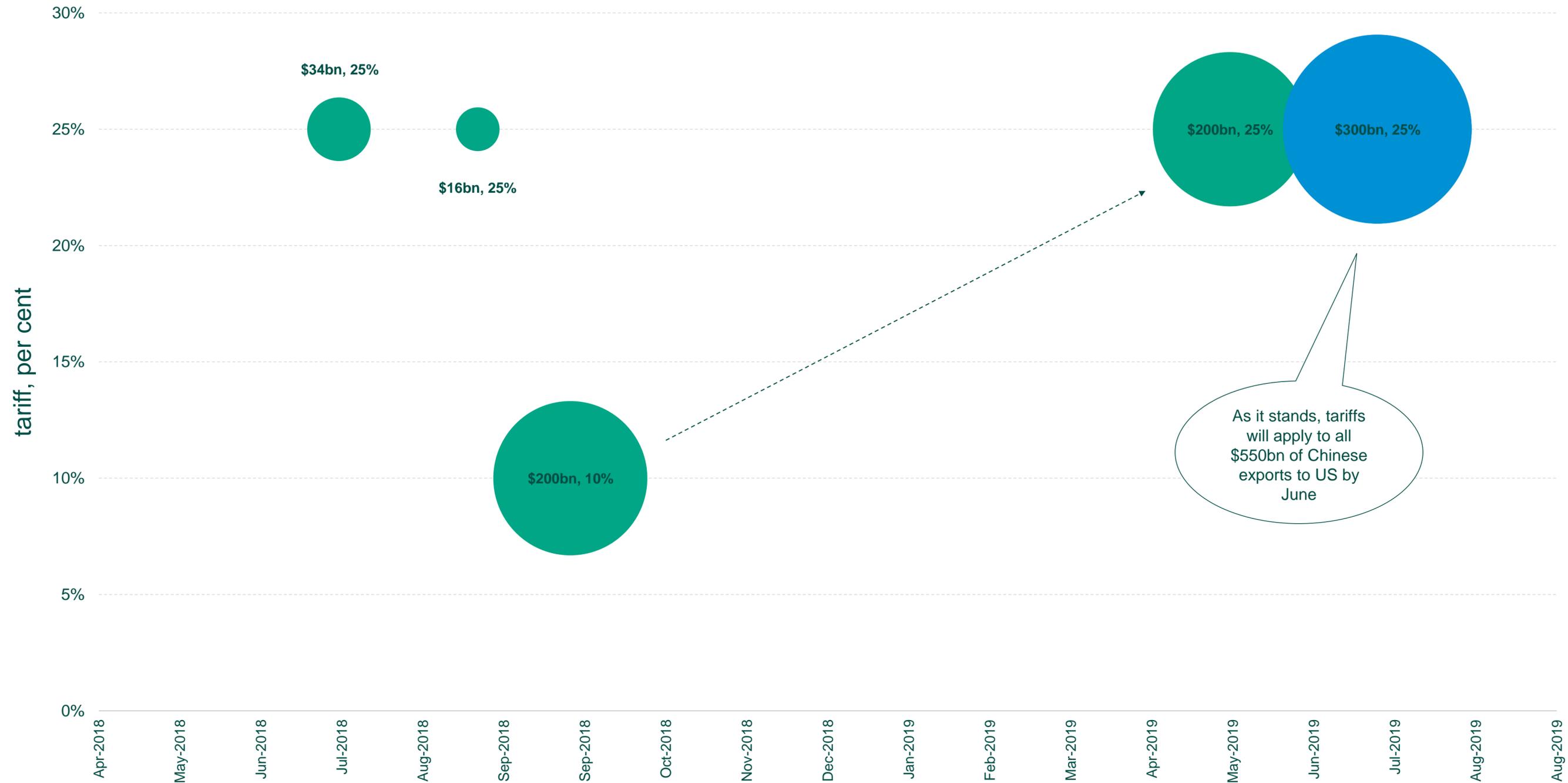


Global economy: structural headwinds

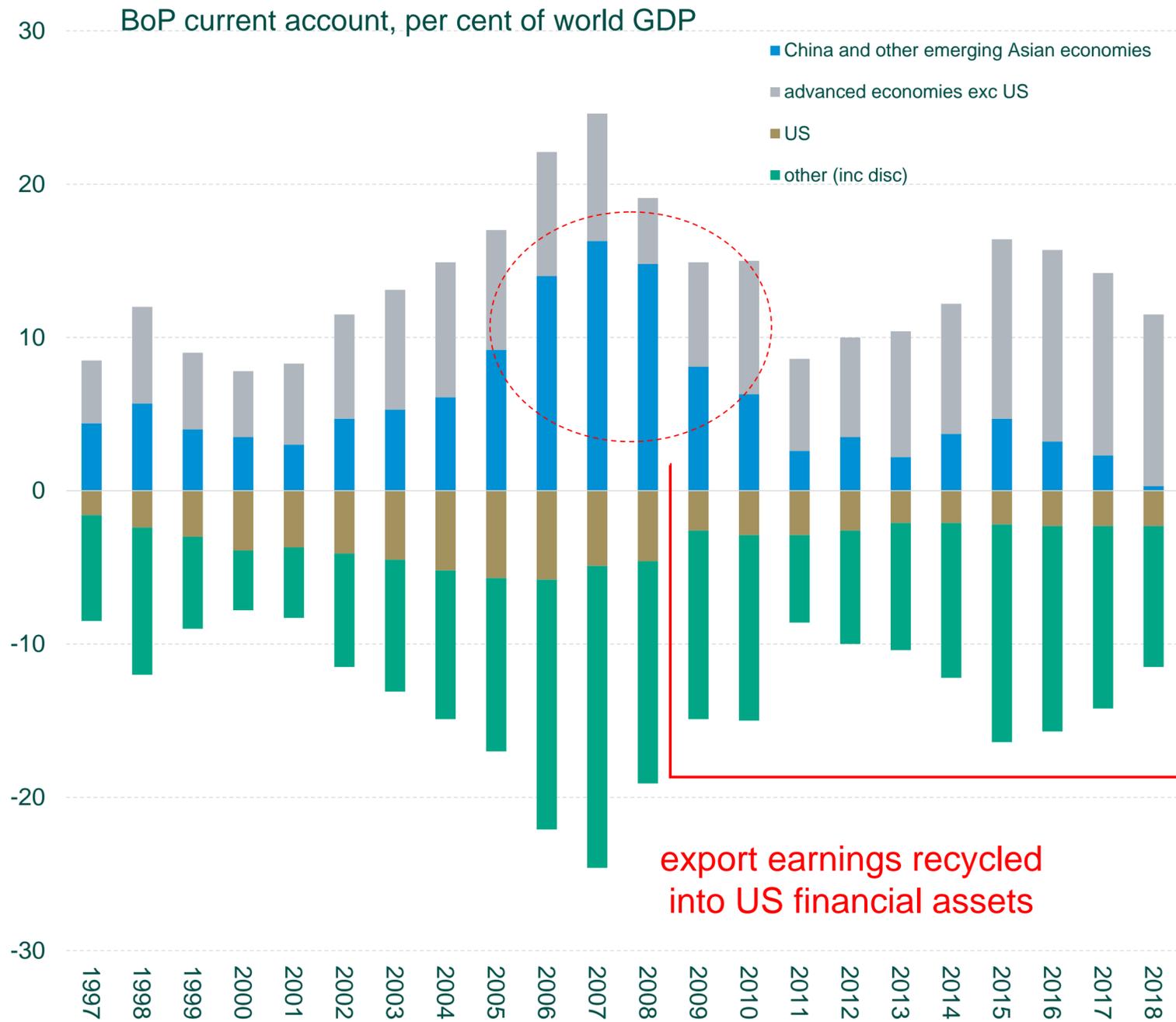
'peak' globalisation?



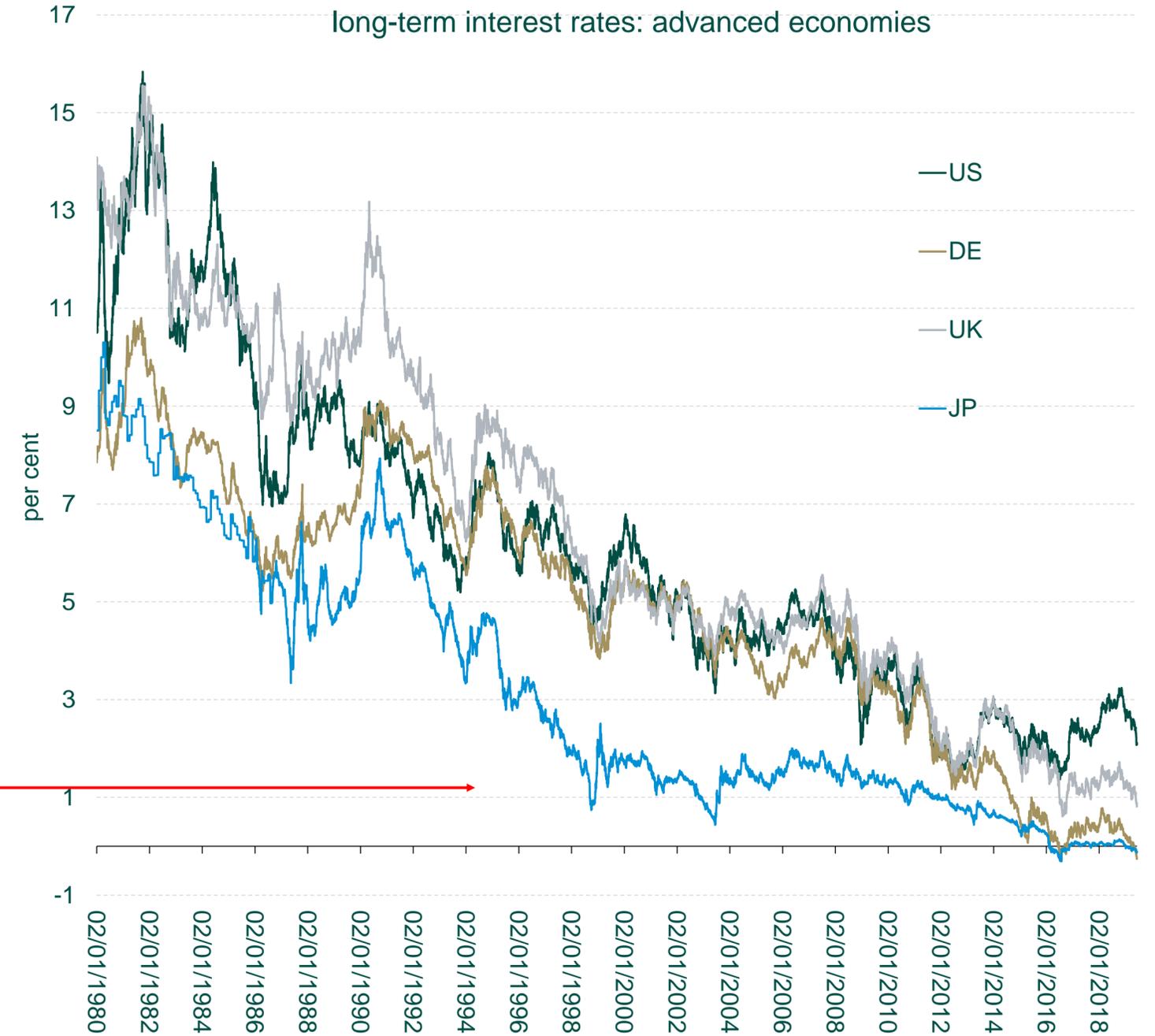
Wide-ranging import tariffs.....with retaliatory measures



Secular stagnation (Summers, 2015): decline in neutral interest rate



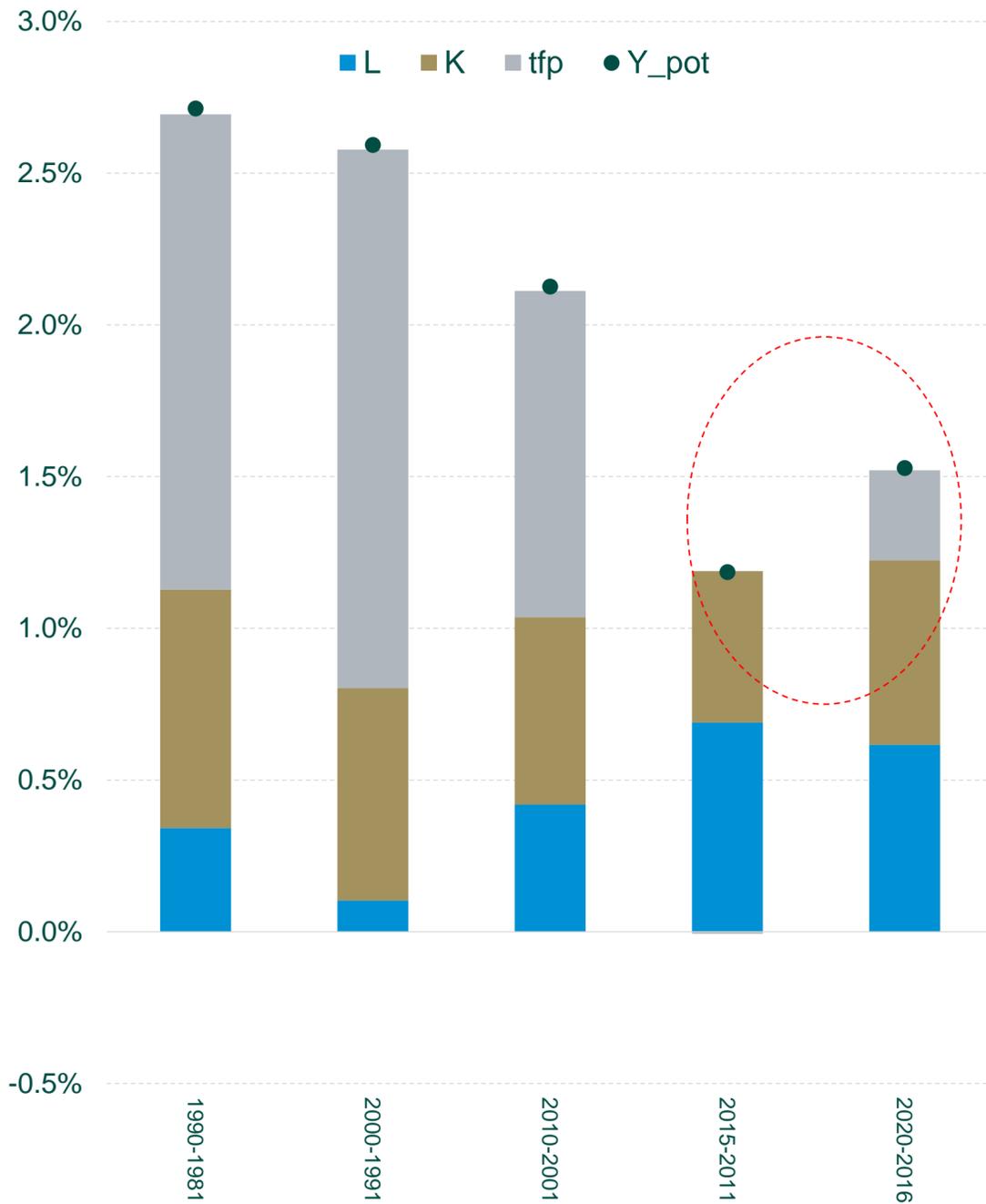
export earnings recycled into US financial assets



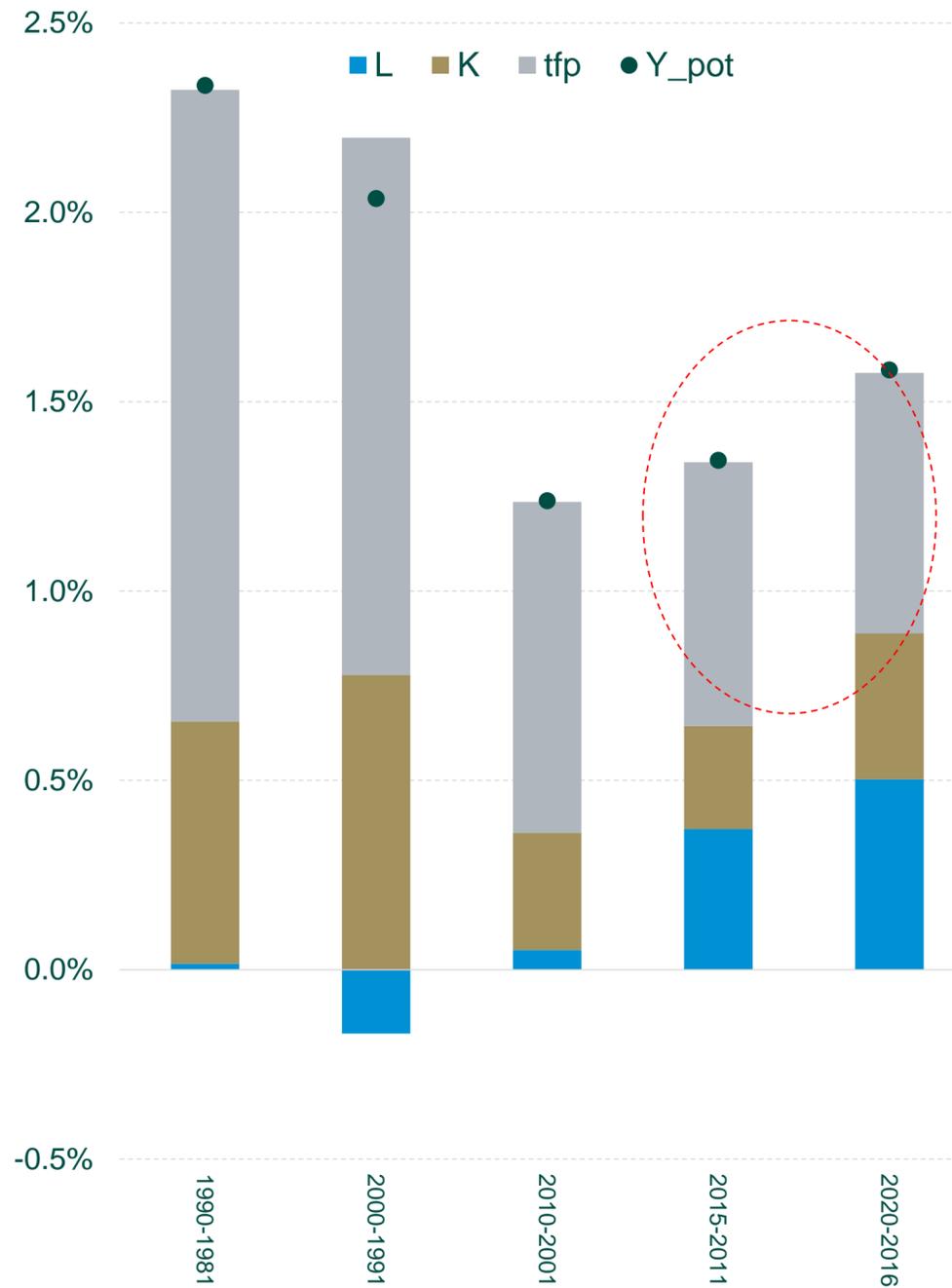
Where has all the TFP gone?



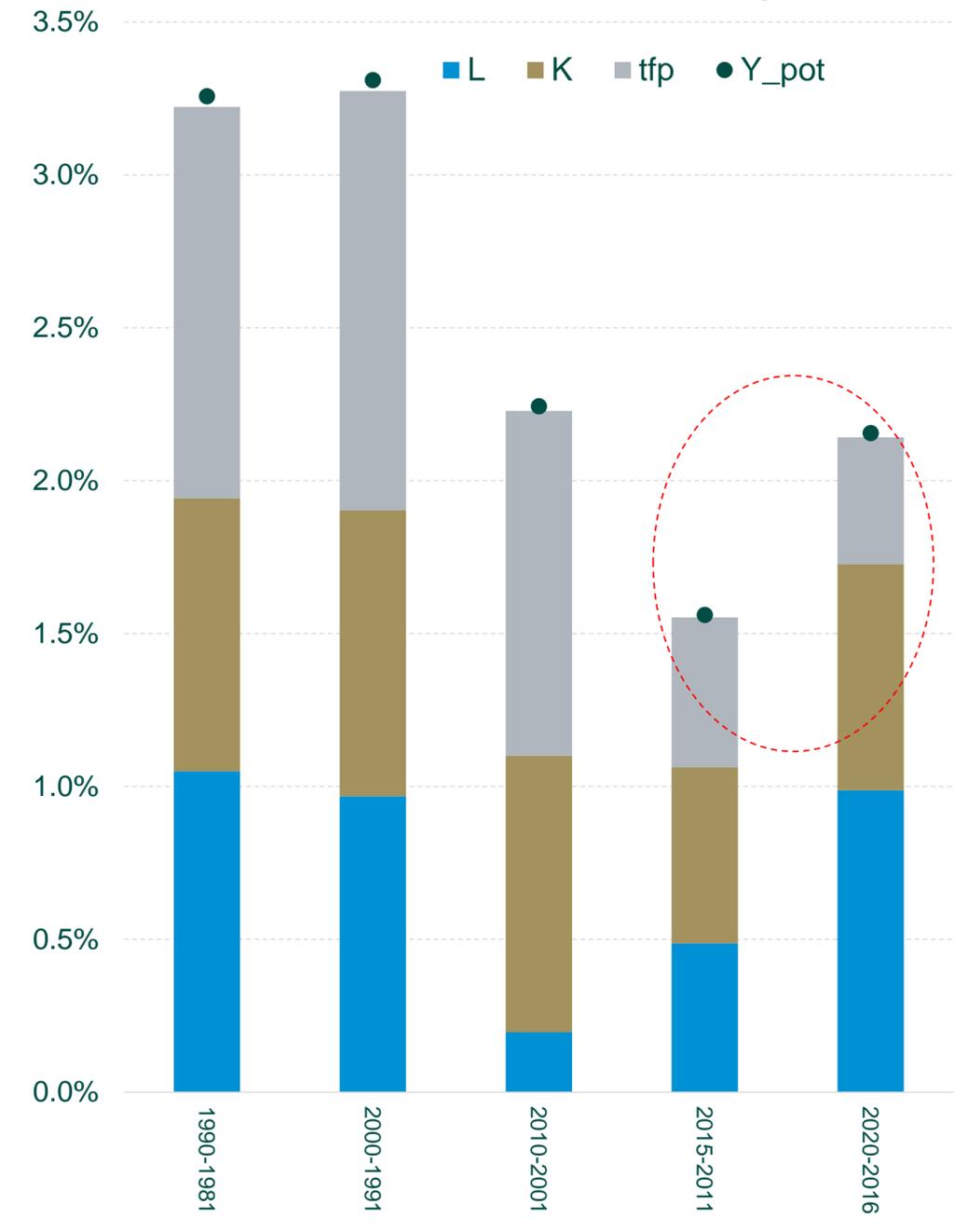
growth accounting: UK



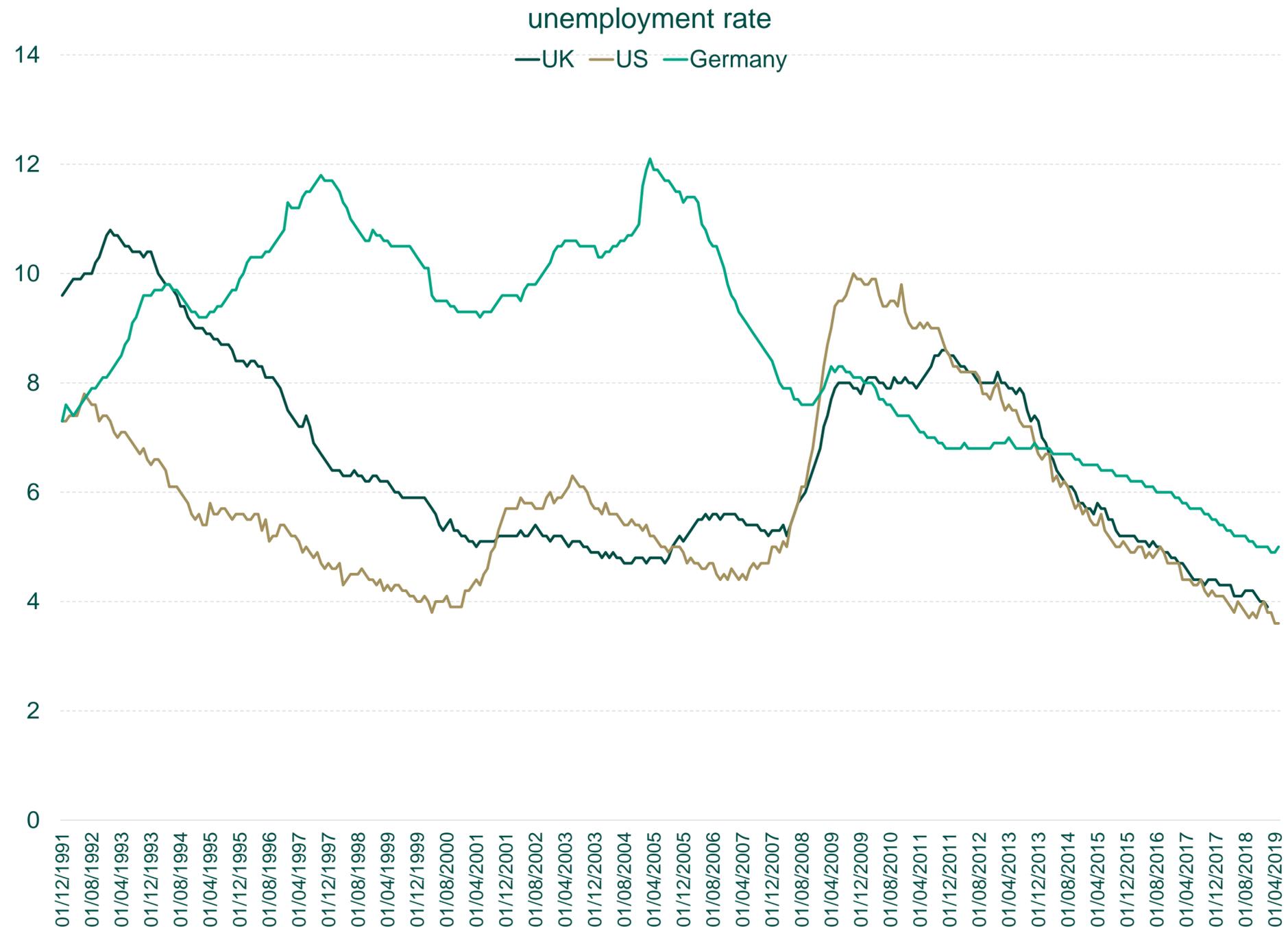
growth accounting: DE



growth accounting: US



Capital / labour substitution = part of the answer

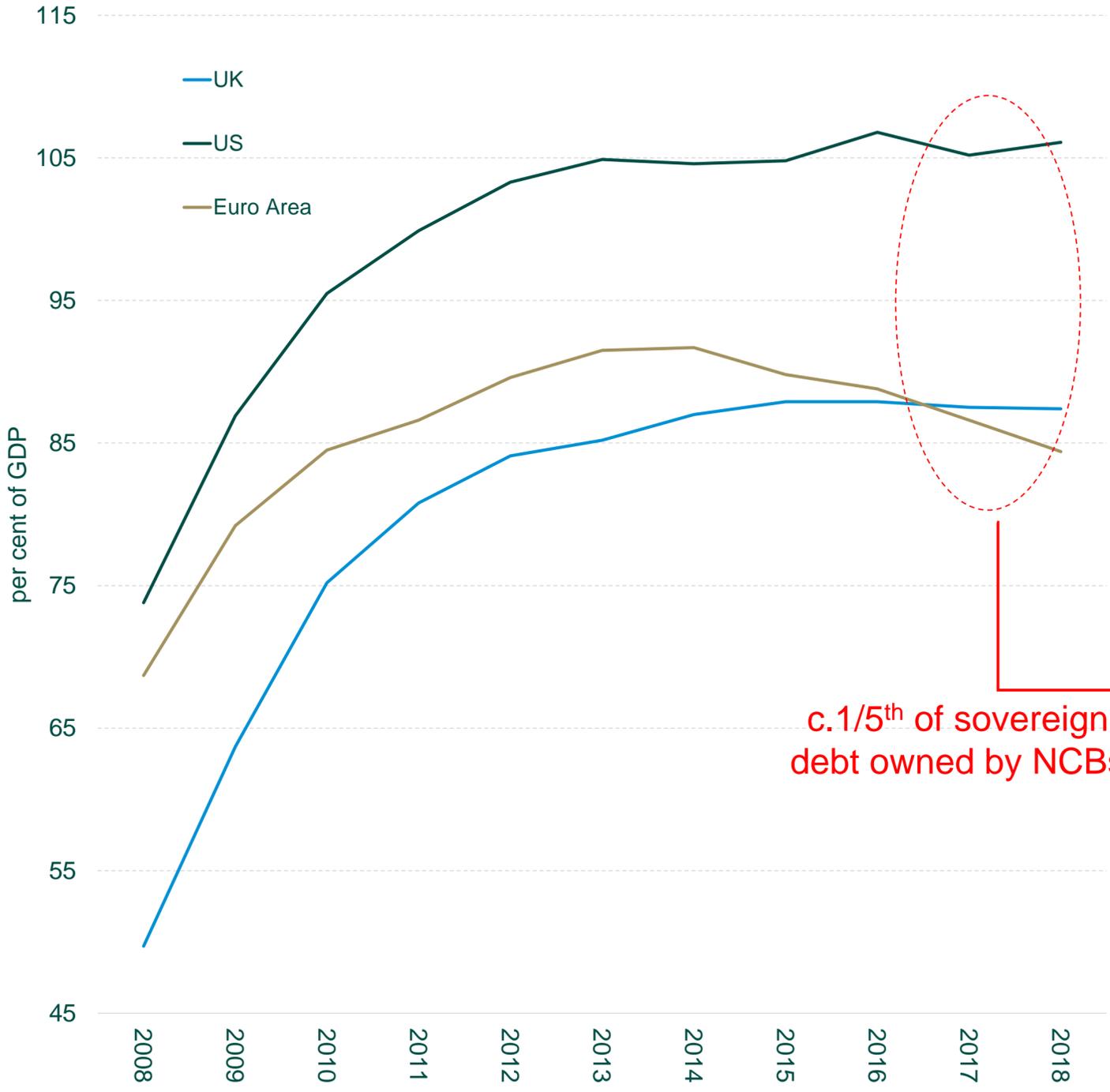


- Unemployment decline
: 50-year low
- Testing understanding of NAWRU
- Firms substituting L for K
- Implications for productivity
: K per worker

Scope for macroeconomic policy to respond?

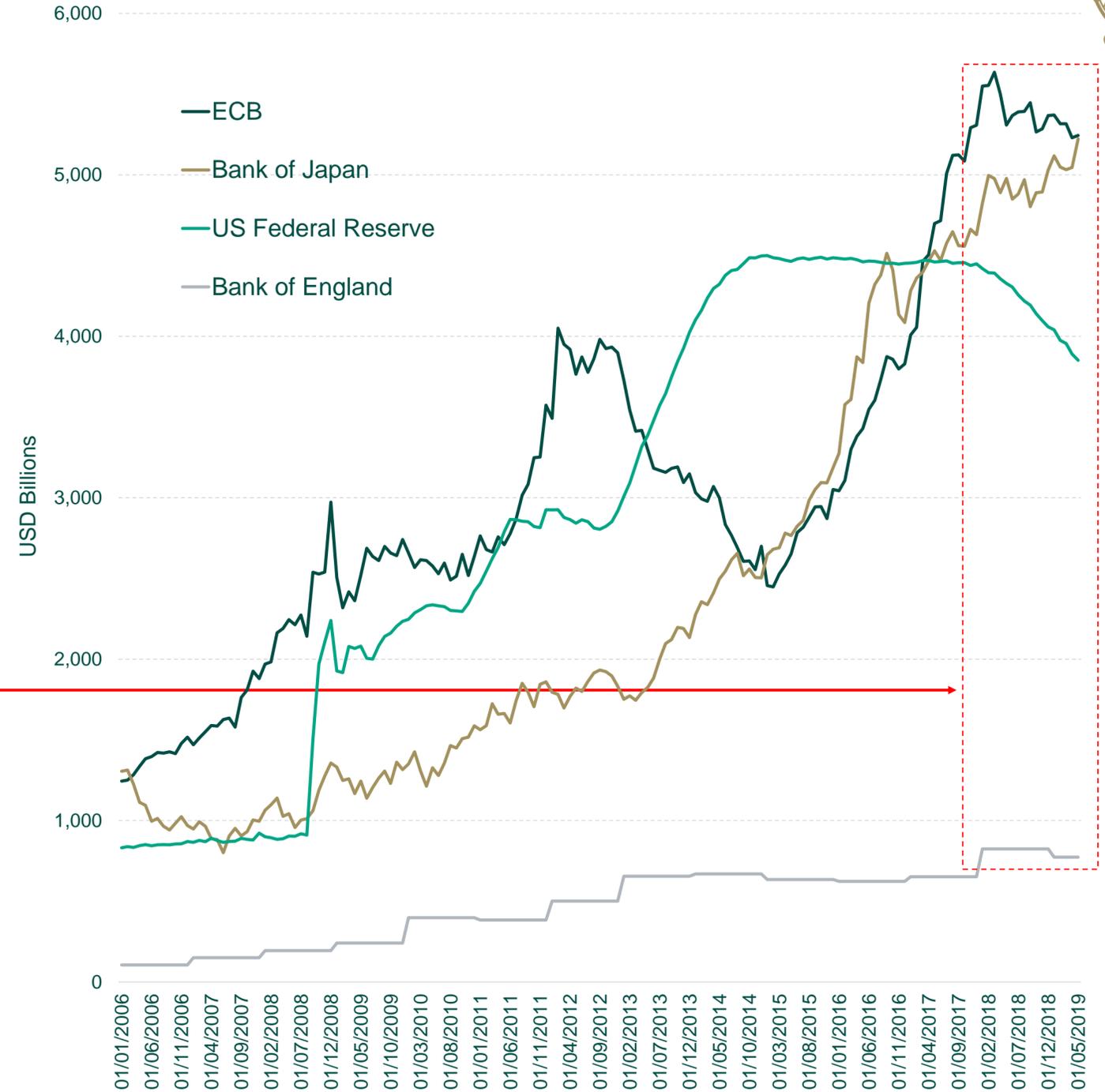


FISCAL: public debt has risen sharply since crisis



c.1/5th of sovereign debt owned by NCBs

MONETARY: massive expansion of central bank balance sheets





Conclusion

Main take-aways and implications for Ireland



- Cyclical factors at work
 - momentum has softened
 - maturing cycle
- Secular forces may also be at play
 - “peak globalisation”?
 - negative feedback loop between economics and geopolitics?



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