

World Economic Outlook



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Introductory Comments



- Personal introduction
- Aim for the sessions
- Approach adopted

Conventional Approaches



- Economic Growth Rates
- Per Capita Output Growth

Real GDP Growth Rates (%)



	2018	2019	2020	2021	2022	2023 (projection)	2024 (projection)
World	3.6	2.8	- 2.8	6.3	3.4	2.8	3.0
Advanced Economies	2.3	1.7	- 4.2	5.4	2.7	1.3	1.4
Emerging Markets and Developing Economies	4.7	3.6	- 1.8	6.9	4.0	3.9	4.2

From: IMF World Economic Outlook April 2023

Real per Capita Output (%)



	2018	2019	2020	2021	2022	2023 (projection)	2024 (projection)
World	2.4	1.6	- 4.0	5.7	2.4	1.8	2.0
Advanced Economies	1.9	1.3	- 4.7	5.3	2.3	0.9	1.0
Emerging Markets and Developing Economies	3.3	2.3	- 3.1	6.1	2.8	2.8	3.0

From: IMF World Economic Outlook April 2023



Insightful Approach



Understanding the notion of output gap

Four Topical Issues

- Supply Chain Disruption
- Inflationary Pressures
- Rising Debt Burdens
- Financial Markets' Behaviour

Broad Contours

‘During most of the twenty-first century India will be the biggest country in terms of population, China the largest in output, and the United States the richest among the major economies on a per capita income basis.’

Source: Global Turning Points: The Challenges for Business and Society in the 21st Century by Mauro F. Guillen and Emilio Ontiveros (2nd edition, Cambridge University Press, 2016)

The Great Rebalancing



“The coming decade will be the first in 200 years when emerging-market countries contribute more growth than the developed ones. This growth will not only create a wave of new middle-class consumers but also drive profound innovations in product design, market infrastructure, and value chains.”

Source: McKinsey Quarterly, June 2010



Explanation of Calculating Relative Economic Size of Countries



- GDP at market exchange rates
- GDP at purchasing power parities

Value of World Output

(billions of US dollars)



	2018	2019	2020	2021	2022	2023 (projection)	2024 (projection)
At Market Exchange Rates	85,967	87,284	84,895	96,314	100,218	105,569	110,764
At Purchasing Power Parities	129,799	135,745	133,368	147,610	163,510	174,471	183,654

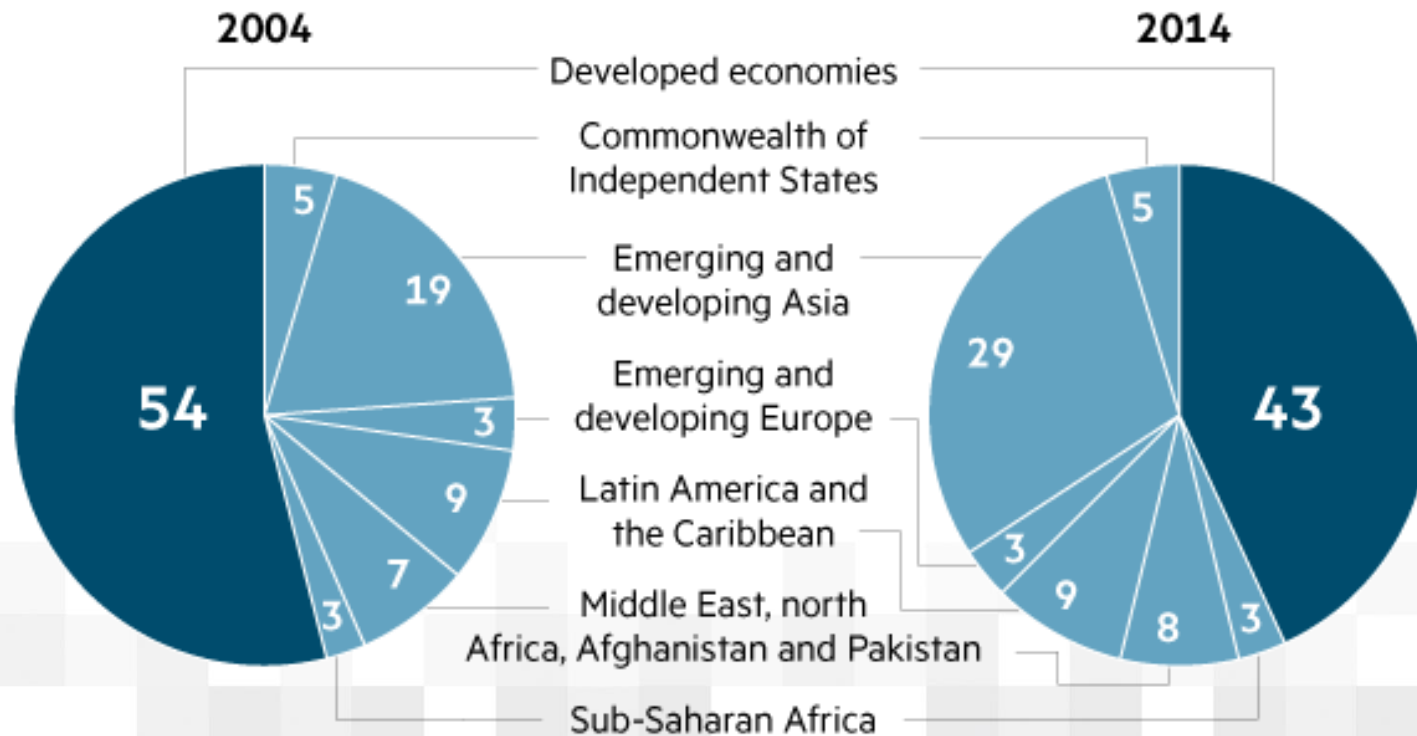
From: IMF World Economic Outlook April 2023



The Rising Power of Emerging Markets

Share of World GDP in 2004 and 2014

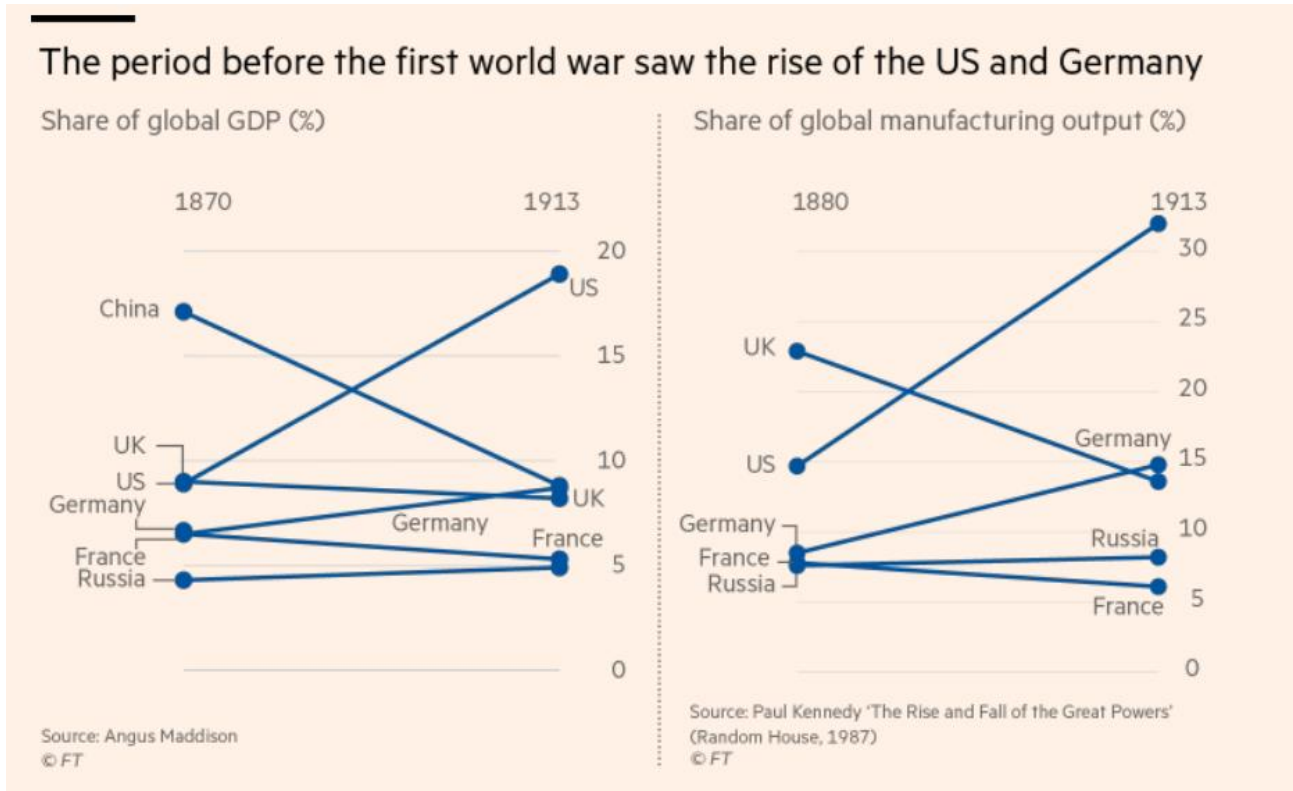
Based on purchasing power parity (\$)



Source: IMF

FT

Contrast (1)



From: Financial Times p.11 Wednesday 27 November 2019

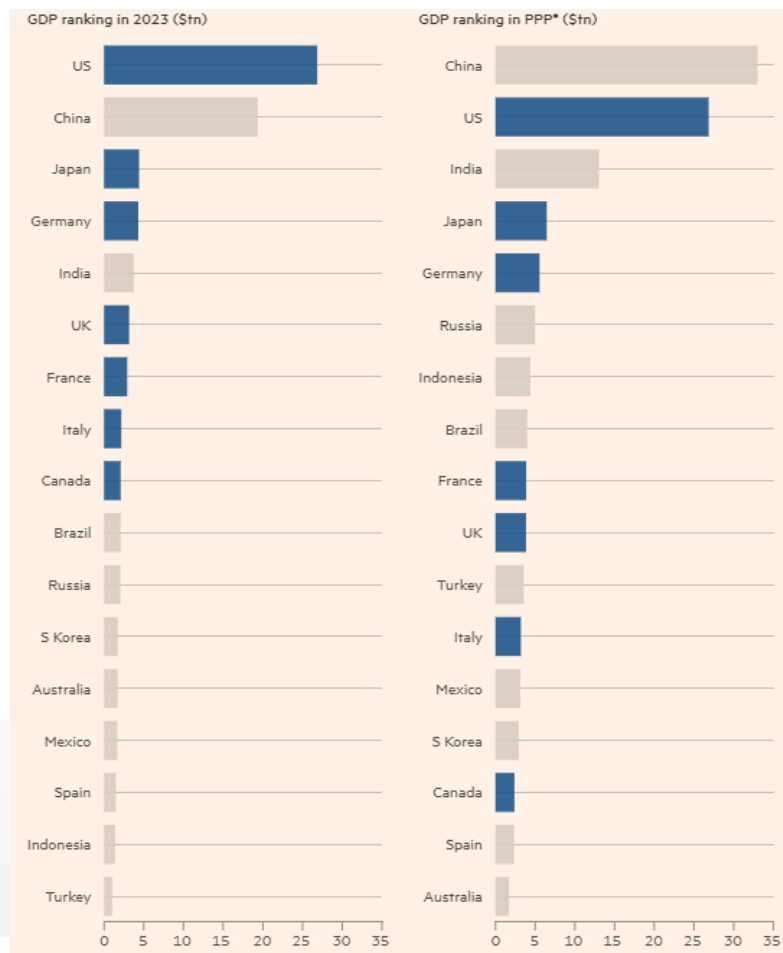
Contrast (2)



From: Financial Times p.11 Wednesday 27 November 2019

Top Economies in the World

The G7 are in the top ten countries ranked by GDP but not when we adjust for differing price level between countries



From: Financial Times Special Report 'G7 Japan' Friday 19 May 2023

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G7 versus E7

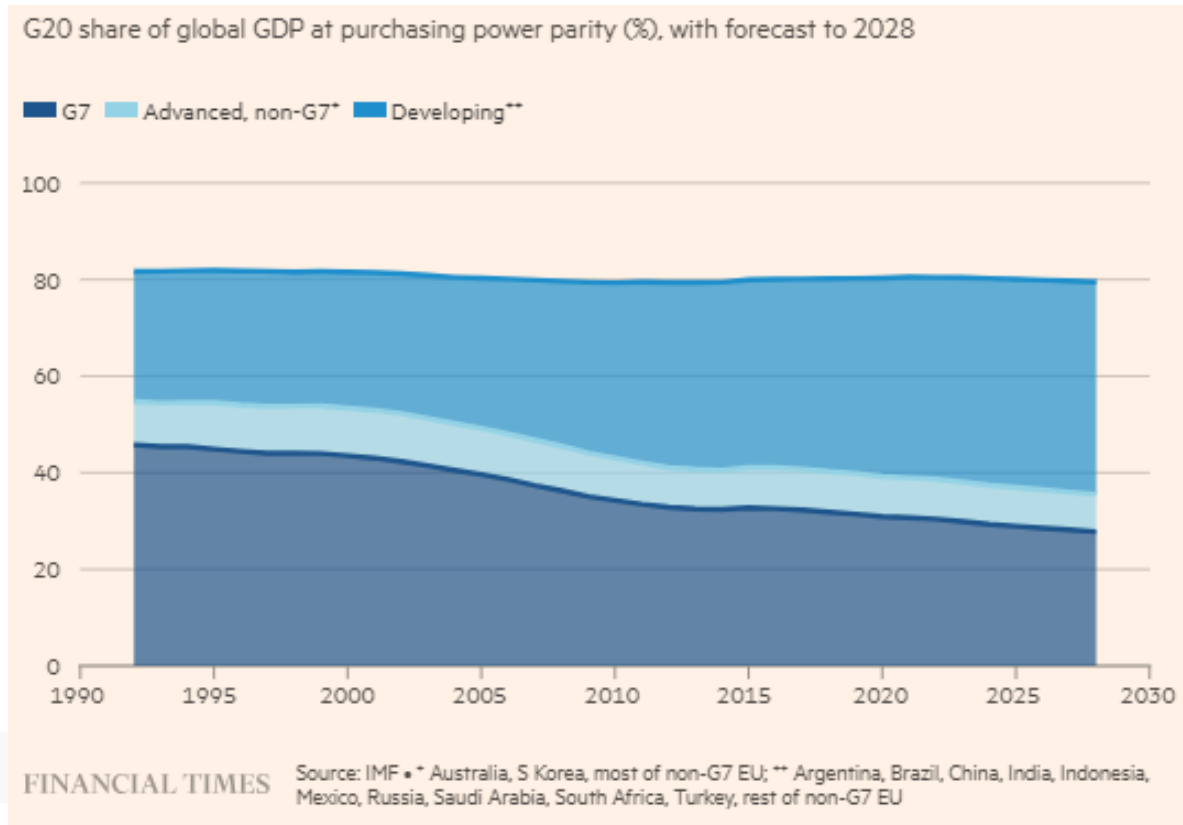
The larger developing nations now form a much greater share of the world economy than the G7



From: Financial Times Special Report 'G7 Japan' Friday 19 May 2023

G20

The G20 is a more representative forum, accounting for four-fifths of global GDP



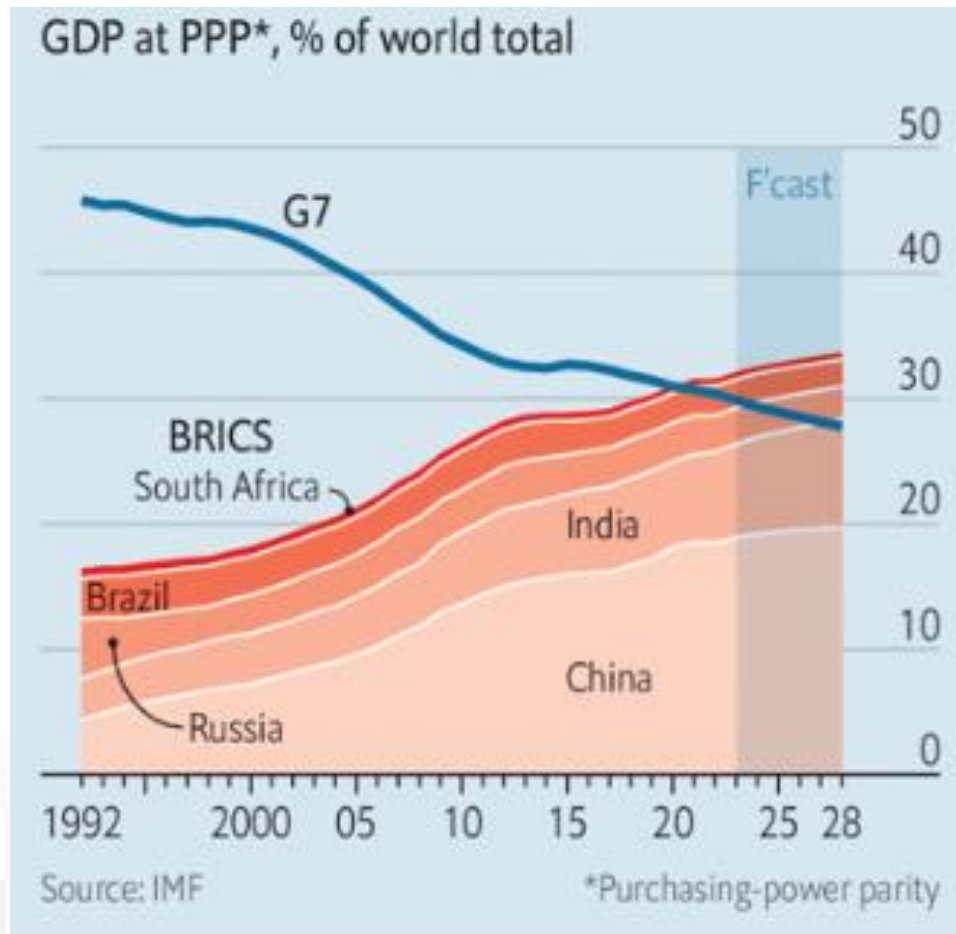
From: Financial Times Special Report 'G7 Japan' Friday 19 May 2023

G7 versus BRICS (1)

“The G7’s relative economic strength has been declining, and with it the pull of the international order it represents: the club-members’ share of global GDP in nominal terms peaked at nearly 70% in the late 1980s, but dipped to under 45% in 2021. In purchasing-power parity terms, the BRICS grouping, of Brazil, Russia, India, China and South Africa, has surpassed the G7’s share (see next slide).”

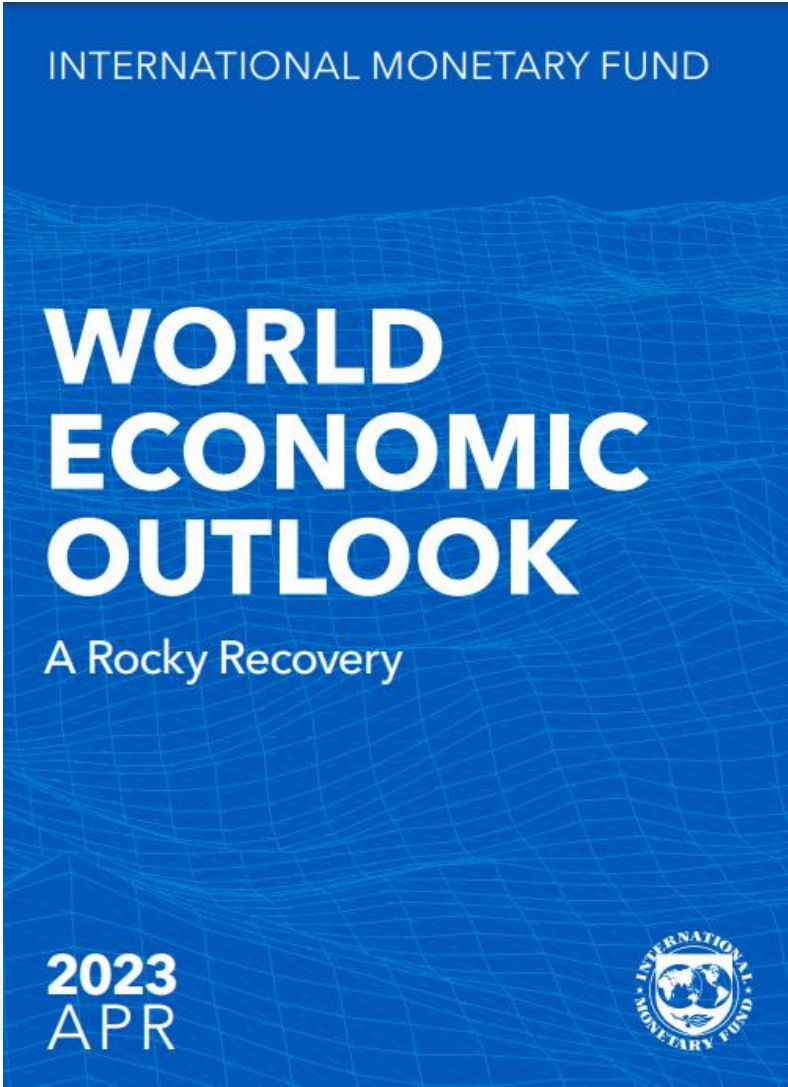
Source: The Economist p.50 20th May 2023

G7 versus BRICS (2)



Source: The Economist p.51 20th May 2023

Latest Data



Developed vs Developing Countries in the World Economy



	Population	GDP at Market Prices	GDP at Purchasing Power Parity
Developed	13.9%	59.1%	41.7%
Developing	86.1%	40.9%	58.3%

From: IMF World Economic Outlook April 2023



China vs America



'China's GDP per head in 2017 was 14 per cent of US levels at market prices and 28 per cent at purchasing power parity, up from 3 per cent and 8 per cent, respectively, in 2000.'

'Yet, since China's population is more than four times as big as that of the US, its GDP in 2017 was 62 per cent of US levels at market prices and 119 per cent at purchasing power parity.'

From: Financial Times p11 Wednesday 18 May 2018

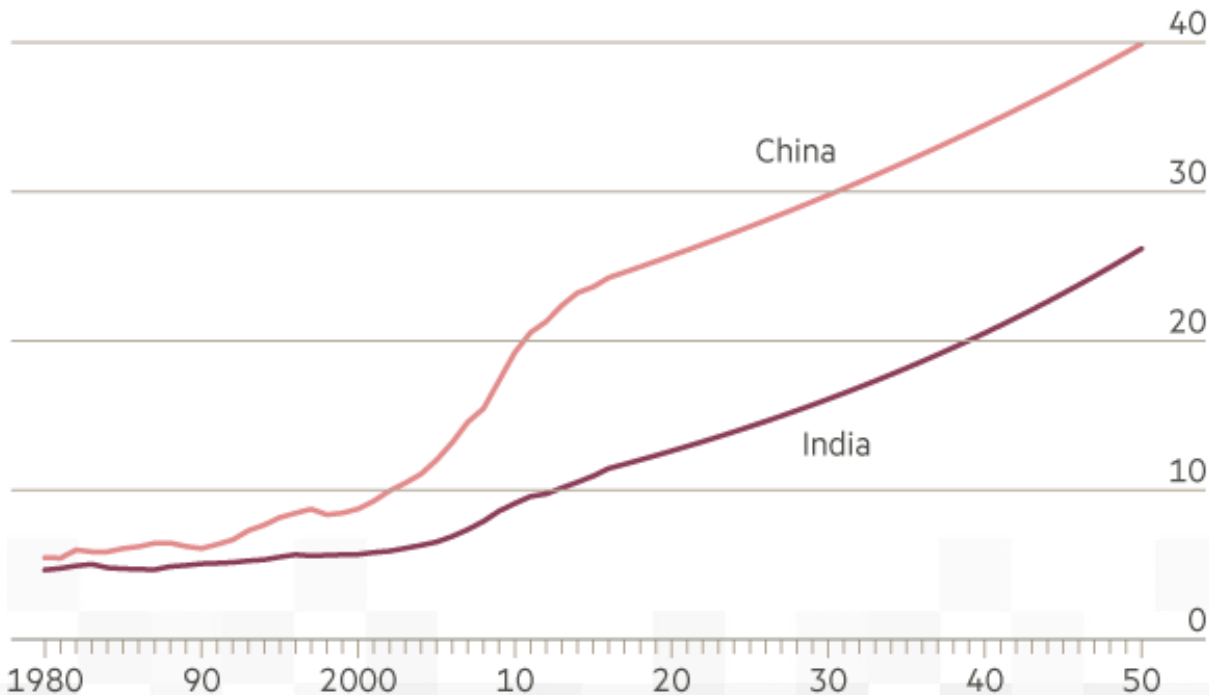


China and India: comparison with USA



Catching up

Relative GDP per head at purchasing power parity, % of US level*



* From 2016 onwards assumes annual growth of India 4%, China 3% and US 1.5%

Source: The Conference Board

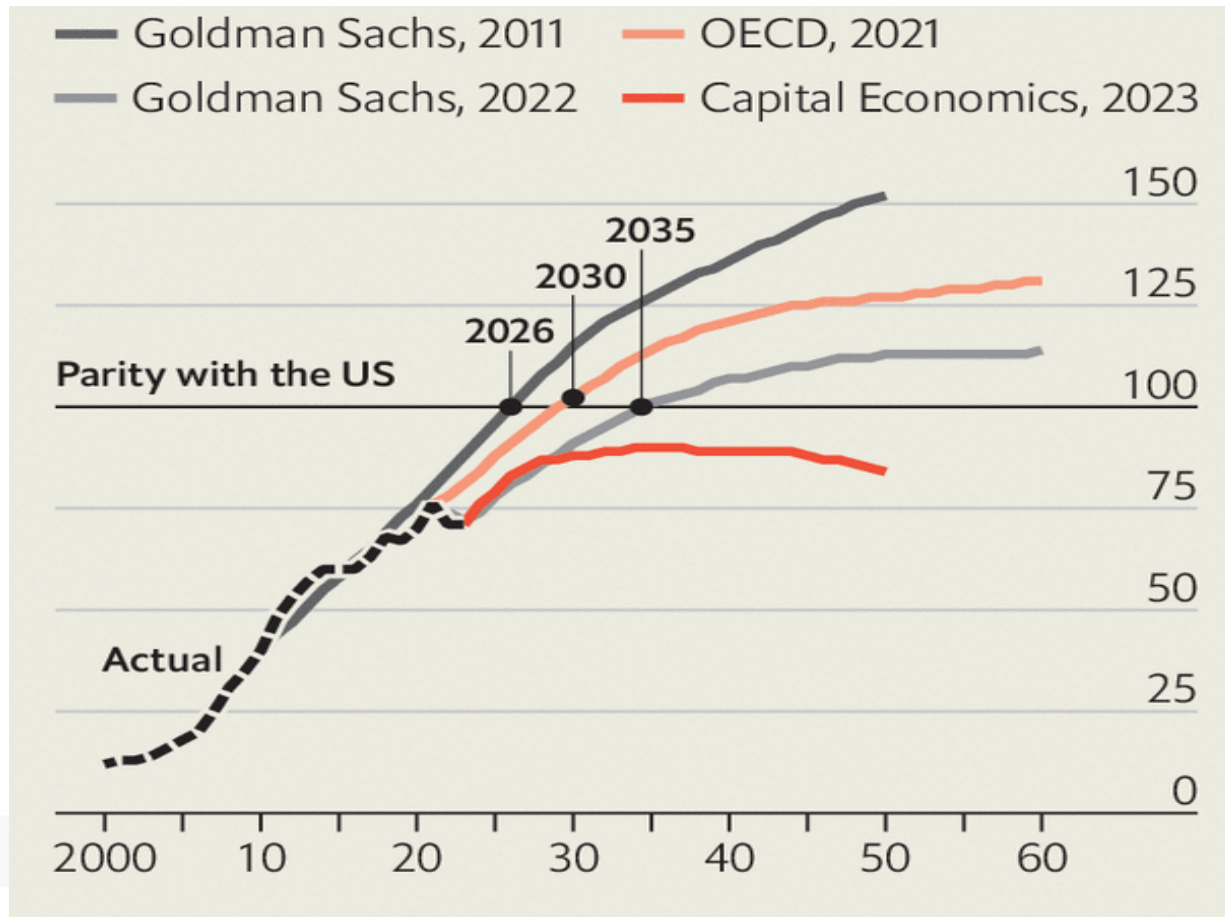
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From: Financial Times p11 Wednesday 1st March 2017

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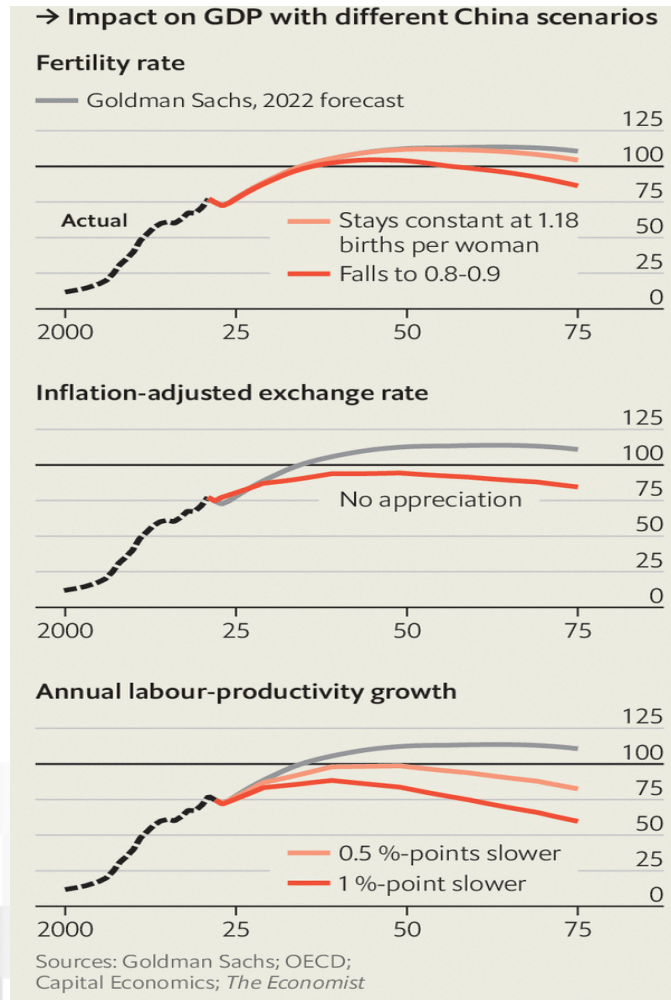


Forecasts of China's GDP, as % of America's (1)



Source: The Economist p.13 13th May 2023

Forecasts of China's GDP, as % of America's (2)



Goldman Sachs, 2011
 OECD, 2021
 Goldman Sachs, 2022
 Capital Economics, 2023

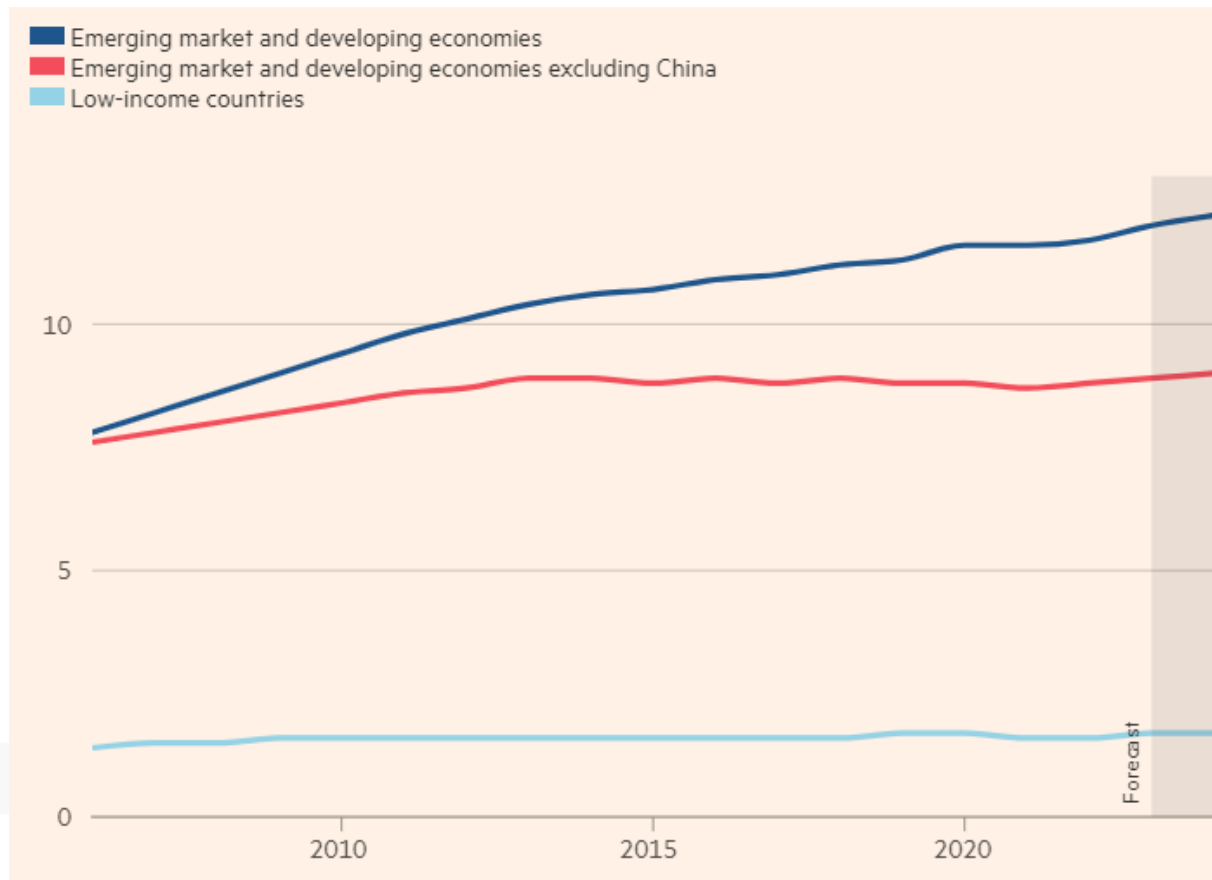
Source: The Economist p.13 13th May 2023



The Relative Output per Head of Emerging and Developing Countries is Stagnating



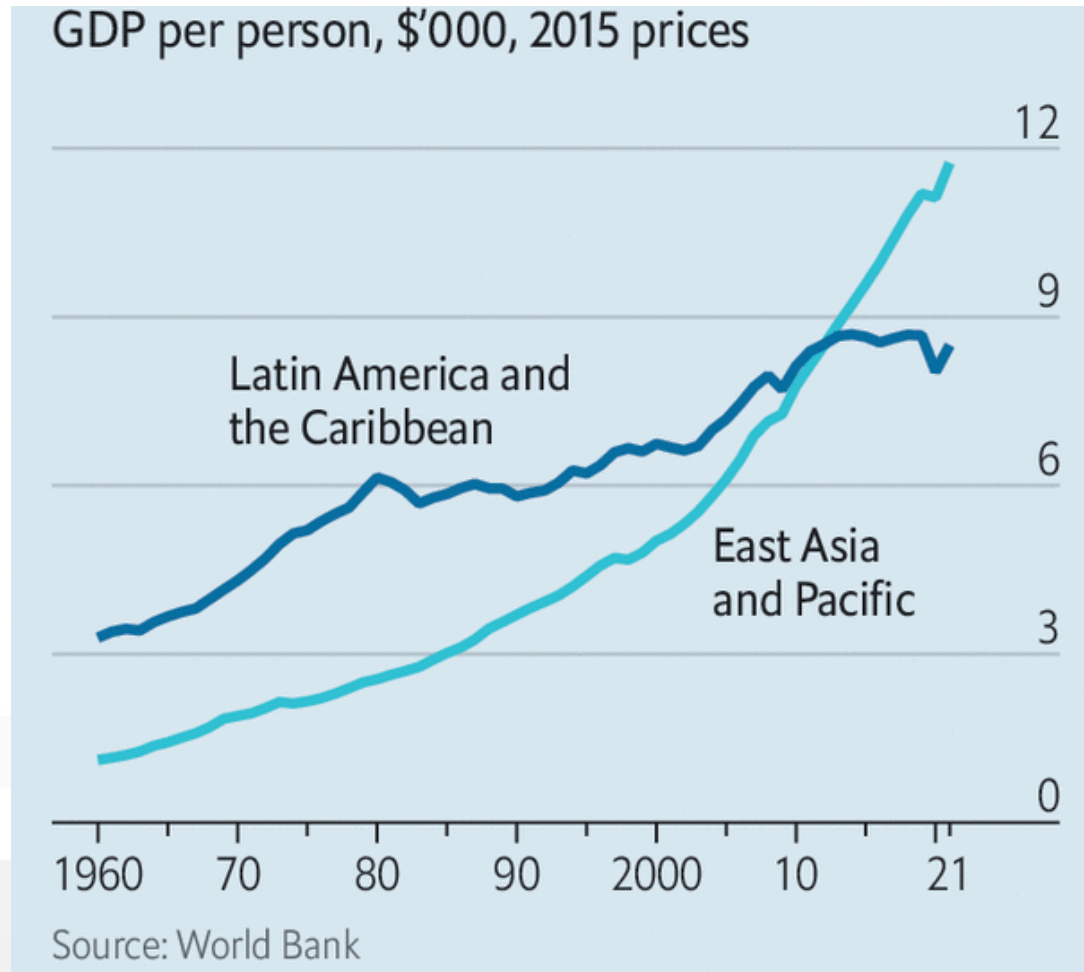
GDP per capita as % of advanced economy level



Source: Financial Times p23 Wednesday 14 June 2023



A Big Contrast



Source: The Economist p.38 10th June 2023

Interesting Recent Research

PwC (PricewaterhouseCoopers) February 2017 report: The Long View – How will the global economic order change by 2050?

You can easily google this report in its entirety

Emerging markets will dominate the world's top 10 economies in 2050 (GDP at PPPs)

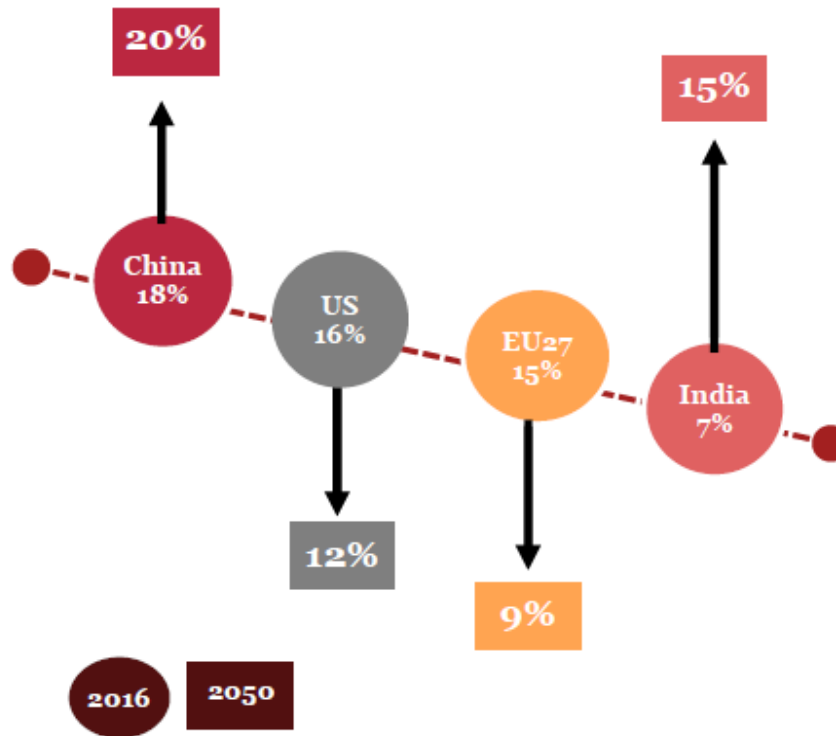
	2016	2050	
China	1	1	China
US	2	2	India
India	3	3	US
Japan	4	4	Indonesia
Germany	5	5	Brazil
Russia	6	6	Russia
Brazil	7	7	Mexico
Indonesia	8	8	Japan
UK	9	9	Germany
France	10	10	UK

E7 economies
 G7 economies

Source: PwC report

The US and Europe will steadily lose ground to China and India

Share of world GDP (PPPs) from 2016 to 2050...



Sources: IMF for 2016 estimates, PwC analysis for projections to 2050

Source: PwC report

Global economic power will shift from the G7 to the E7 economies



In...

1995 **E7** were **half** the size of **G7**

By...

2015 **E7** were around the **same** size as **G7**

And in just 25 years...

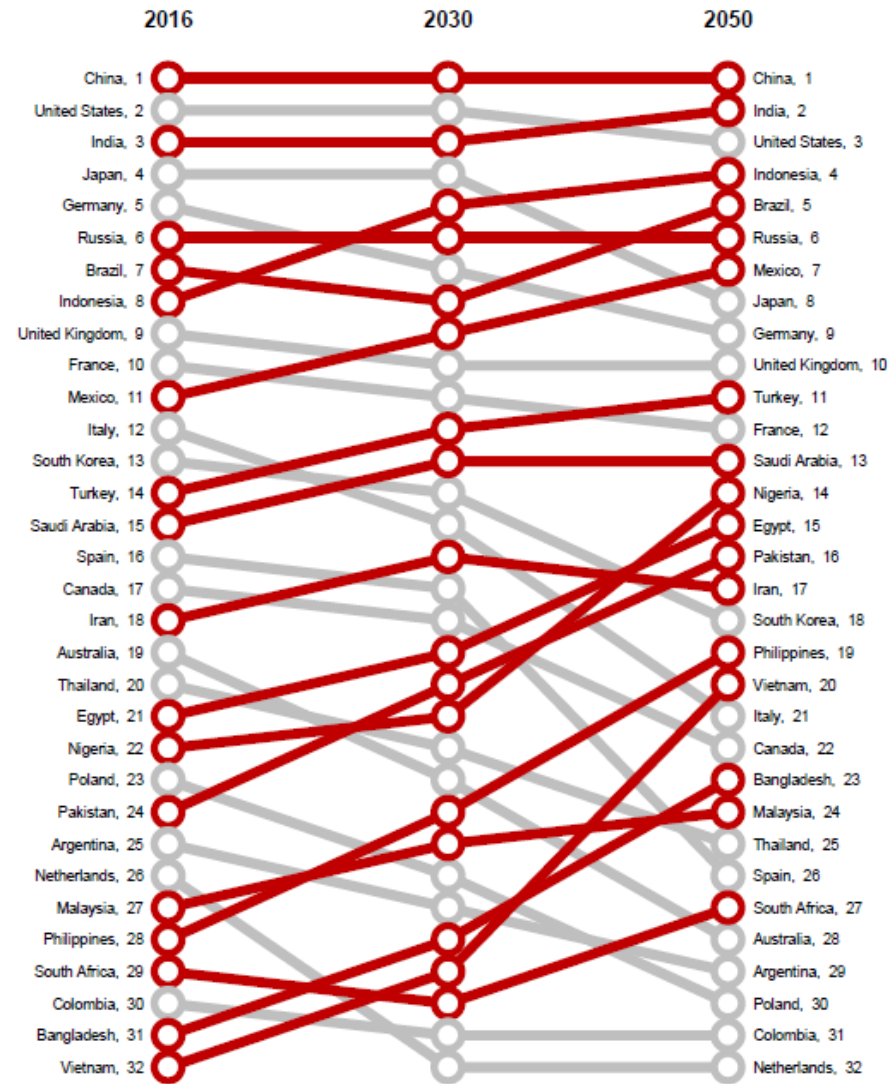
2040 **E7** could be **double** the size of **G7**

G7: US, UK, France, Germany, Japan, Canada and Italy
E7: China, India, Indonesia, Brazil, Russia, Mexico and Turkey

Source: PwC report



Figure 2: Projected GDP rankings (at PPPs)



Sources: IMF for 2016 estimates (updated for Turkey due to recent major statistical revisions), PwC projections for 2030 and 2050

Source: PwC report

International Trends in Business Strategy



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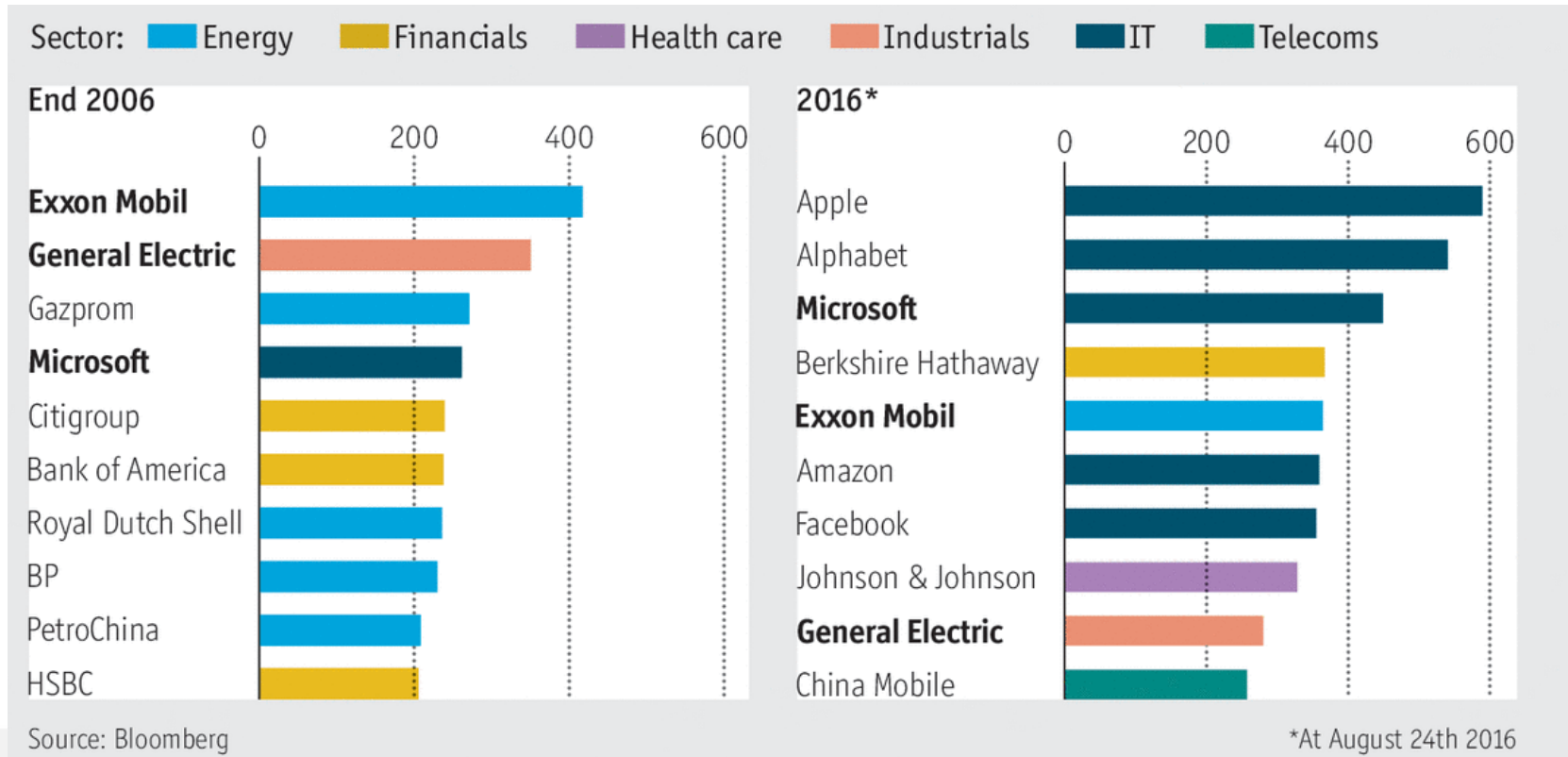


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Broad Contours

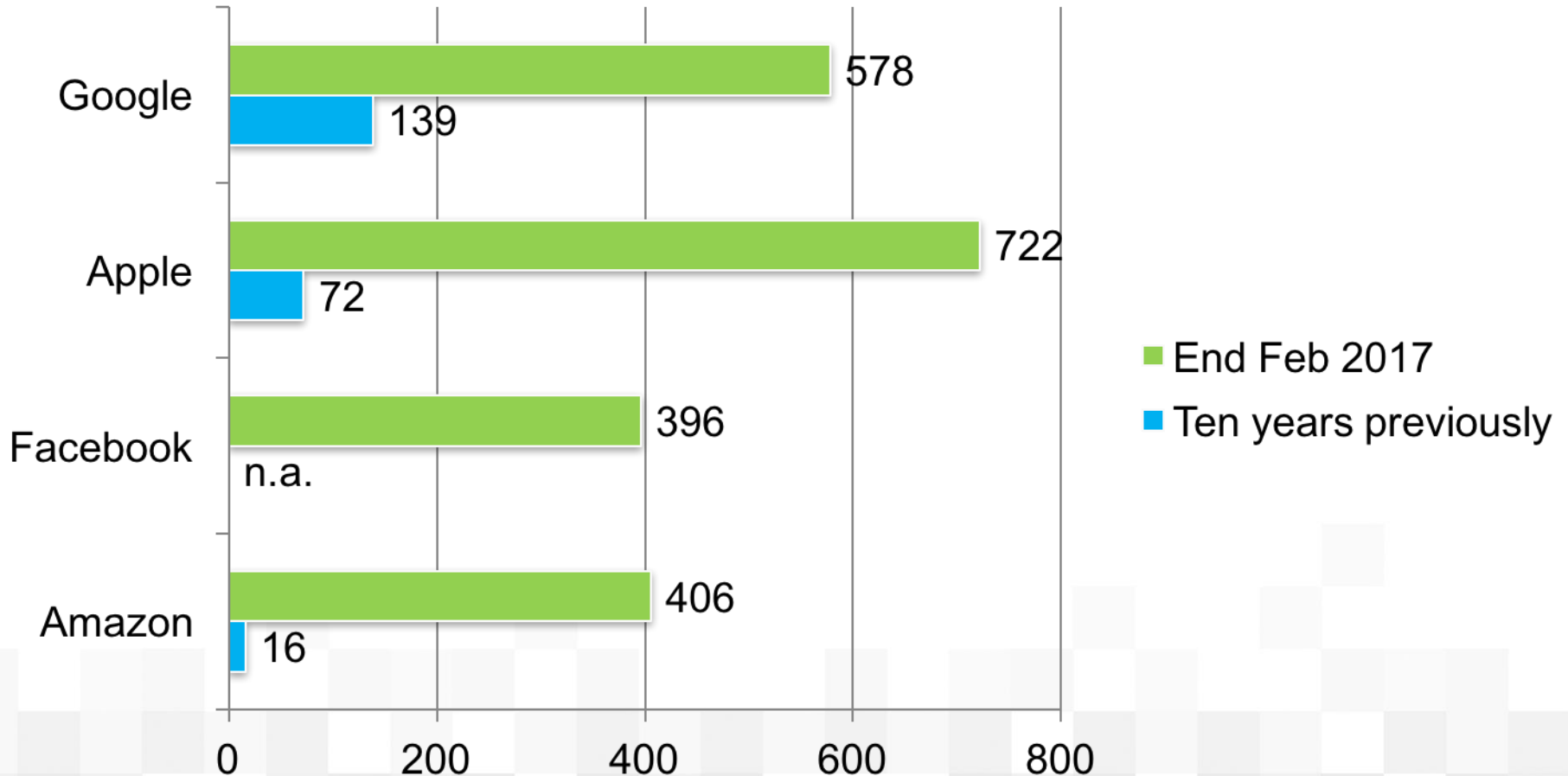
- Forget BRICs (BRICS) or MINTs, think TICKs!
- More significant: Not BRICS but MAAMA!
- What about BATs?

World's largest listed companies by market capitalisation, \$bn



Source: The Economist September 17th 2016 p5 of Special Report on 'Companies: The rise of the superstars'

Market cap of tech giants, \$bn



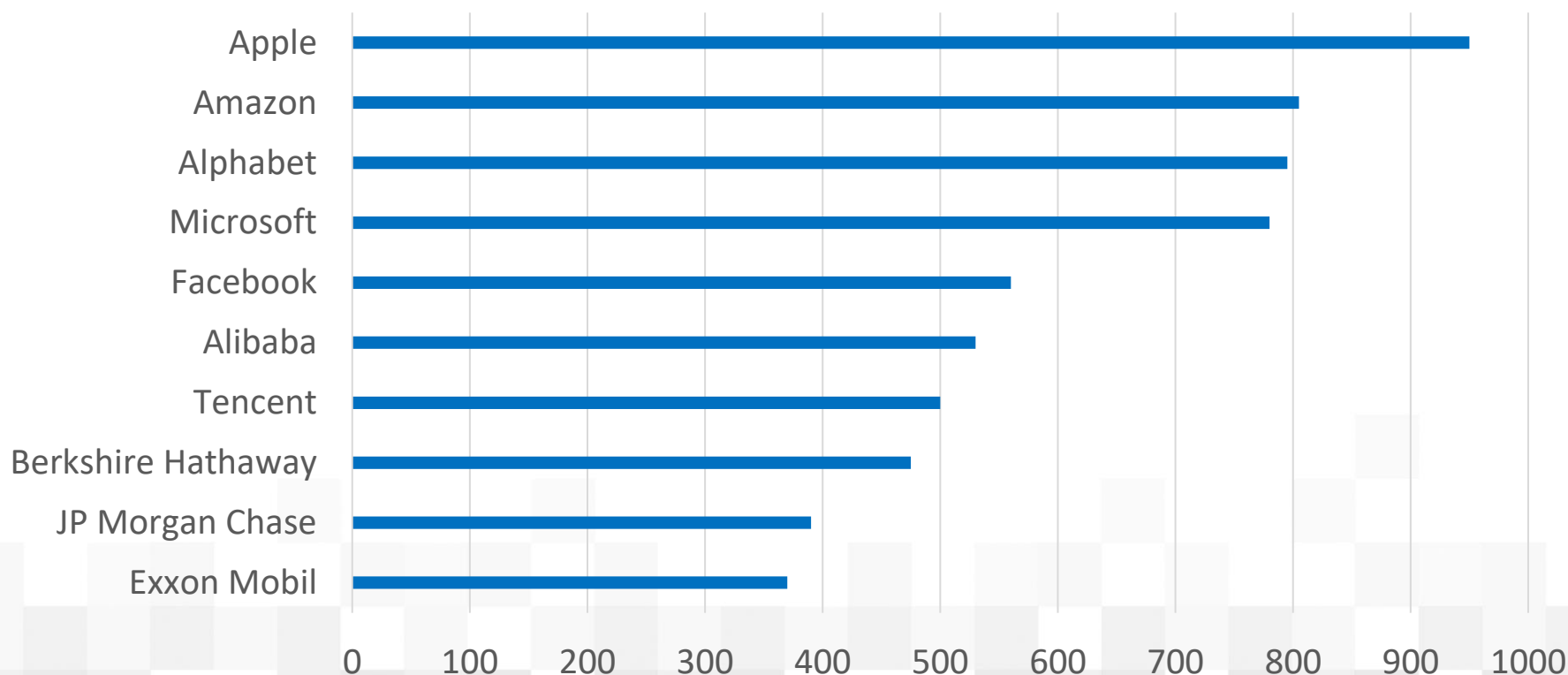
Source: The Times Wednesday 1st March 2017 p.39



The Economic Dominance Of The Tech Giants



Top companies by market value (\$bn)



Source: The Financial Times p. 11 13th June 2018



FAANGs versus BATs



Economist.com

Source: The Economist p. 53 7th July 2018

World's Largest Companies by Market Capitalisation



See handout



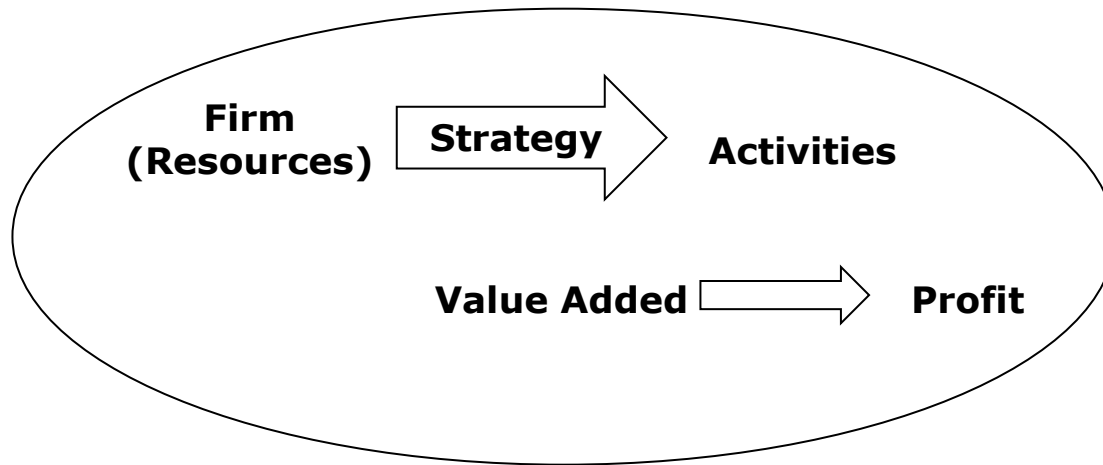
States and Firms in the Contemporary World



A short comment on USA, China, trade wars and business strategies



Conventional Approach To Strategy



Process by which a firm's valuable resources are directed towards the right activities, so that the firm can enjoy competitive advantage, add value and generate economic profit.

Sources of Competitive Advantage



Firm = collection of assets:

- **Tangible resources:**
 - Real estate, production facilities, raw materials
- **Intangible resources:**
 - Company reputations, brand names, technological knowledge, patents and trademarks, accumulated learning and experience
- **Organisational capabilities:**
 - Complex combinations of assets, people, processes that transform inputs into outputs

Elaboration

The Organisation:

- **Power:**
 - Decision making and communication
 - Delegation of decision rights
 - Divisional vs functional organisation
- **Pay:**
 - Importance of incentive compensation
 - Non-financial rewards
- **People:**
 - Skills (general vs specialised)
 - Culture

Global Business Strategies for Firms (1)



- Exporting
- International Licensing
- International Franchising
- Strategic Business Alliances

Continued

➤ Foreign Direct Investment

- Greenfield Investment
- Mergers & Acquisitions
- Joint Ventures

➤ Specialised Modes

- Contract Manufacturing
- Turnkey Projects
- Build-Operate-Transfer
- Management Contracts

New Forces in Global Finance and Their Implications for Global Business



- Private Equity Groups
- Sovereign Wealth Funds
- Hedge Funds

Looking into the Future



- Rising inequalities
- Where will the jobs of the future come from?
- Geopolitical implications

The End



'In the new world, it is not the big fish which eats the small fish, it's the fast fish which eats the slow fish.'

Klaus Schwab, chairman of World Economic Forum

'If you don't take change by the hand, it will take you by the throat.'

Winston Churchill

'To improve is to change; to be perfect is to change often.'

Winston Churchill

