



The Outlook

Raghuram G. Rajan





Outline

- Global outlook
 - Inflation and rates, focus on US
 - China
- Medium term risks

Wage Growth Tracker

three-month moving average of median wage growth, hourly data



Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

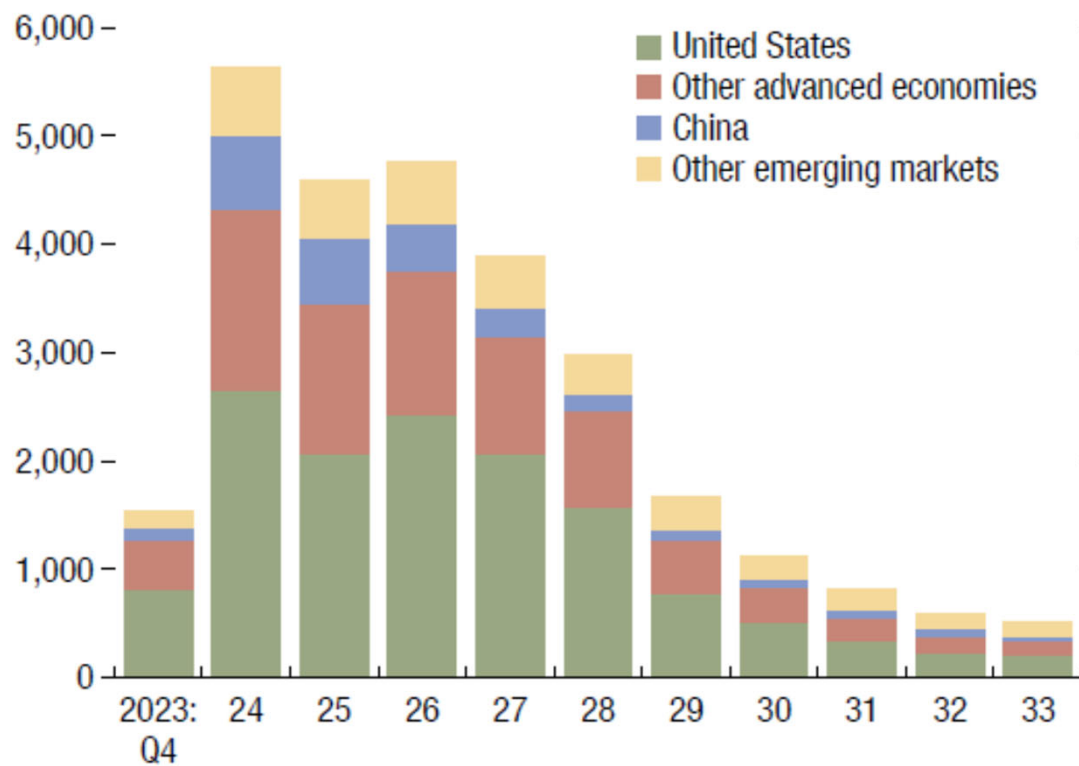


Why is the economy so strong?

- Over 500 basis points in tightening since March 2022 yet...
 - Households savings.
 - Household wealth effects
 - Jobs plentiful
 - Corporate profitability strong despite tightening bank credit
 - Termed out financing
 - US government fiscal deficit.

Maturity wall

1. Global Firms' Bonds and Loans Maturity Wall
(Billions of US dollars)



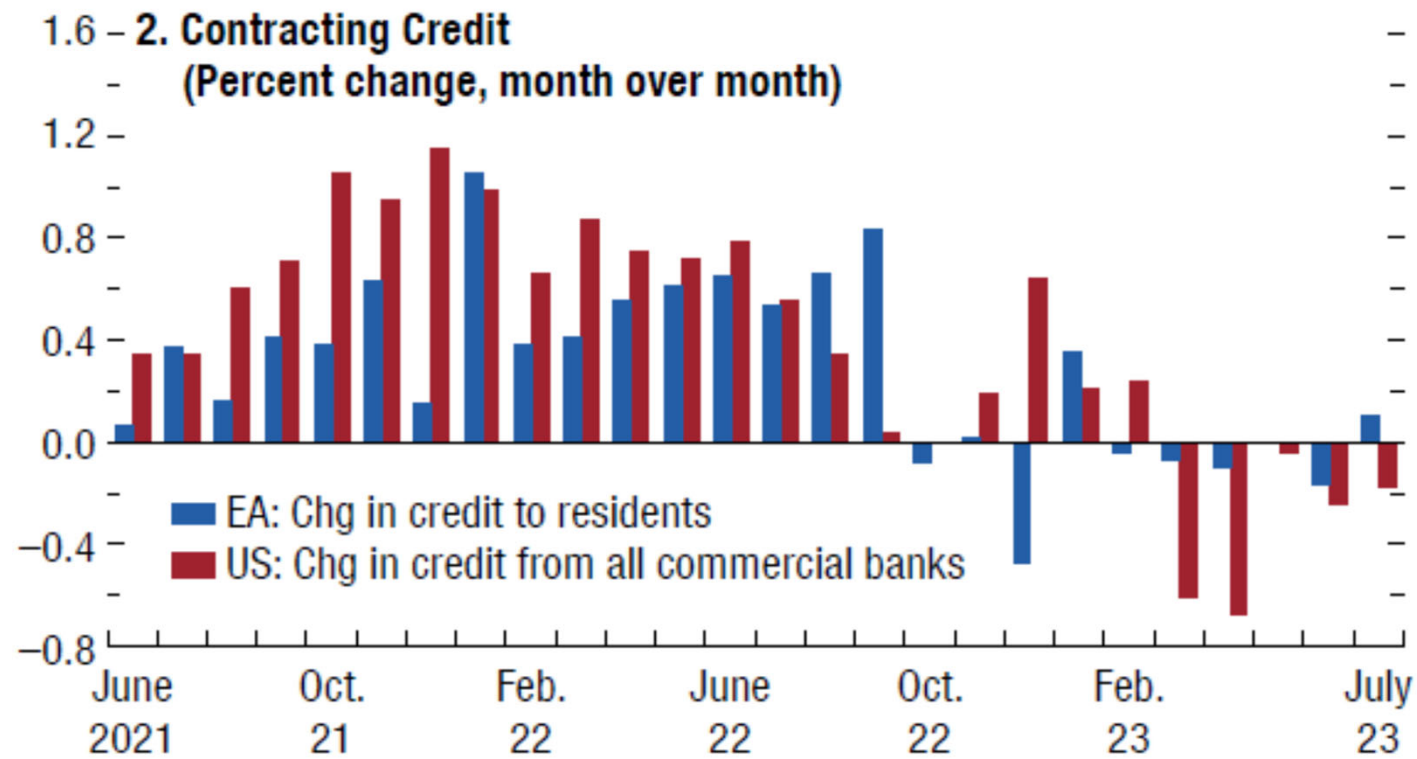
Source: IMF



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Credit tightening

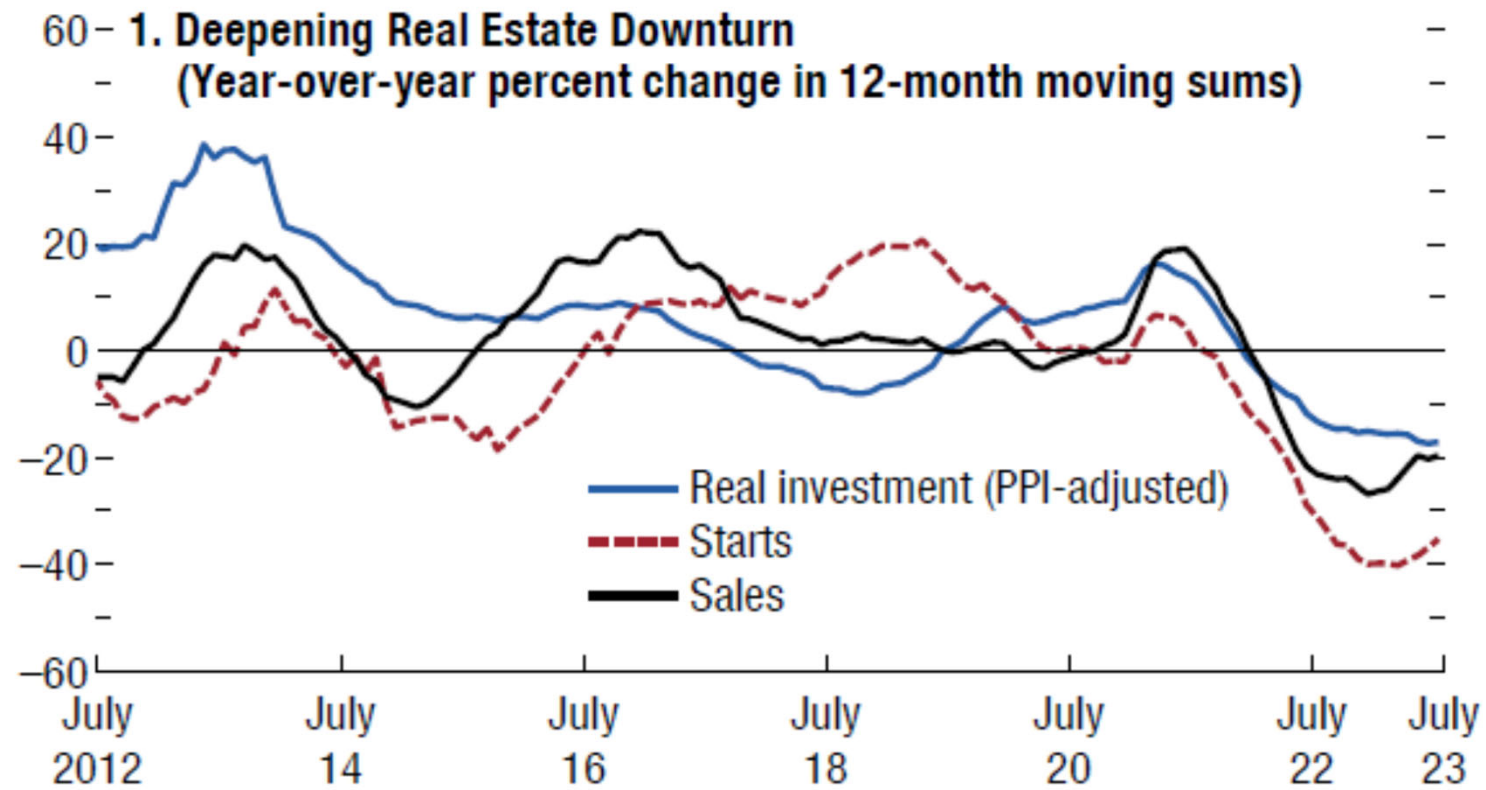




China

- China levered up unsustainably over the last decade
 - Corporate
 - Reining in developers and over-building has had spillovers
 - Local government over-investment
 - Household: Mortgage borrowing
- Central government debt still low
 - Fear of moral hazard

China





China

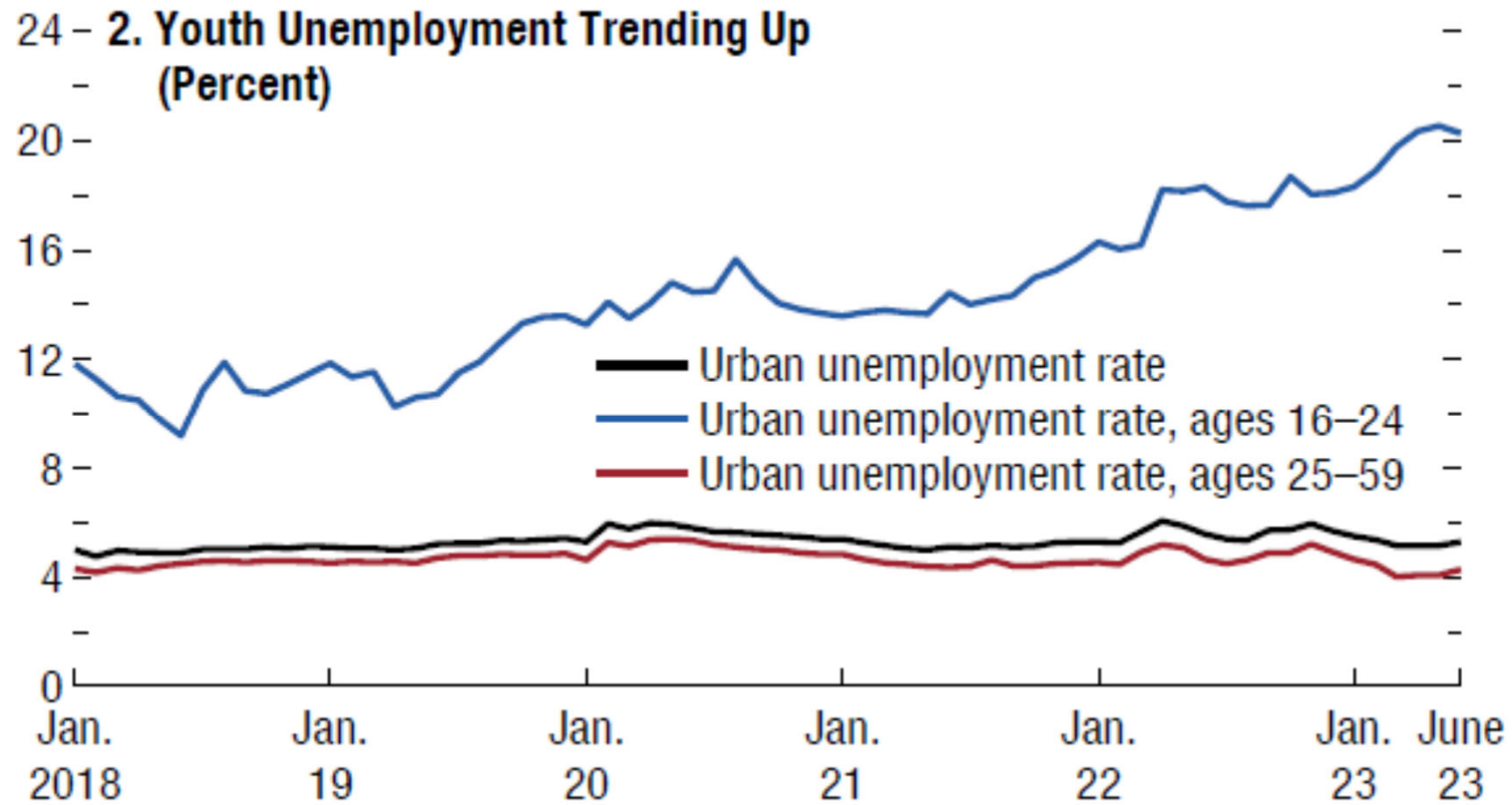
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What is China's growth strategy?

- China attempting to change the pattern of growth :
economy + ideology
 - Consumption vs investment and exports
 - Private interest vs public purpose
 - Trade and investment headwind

China





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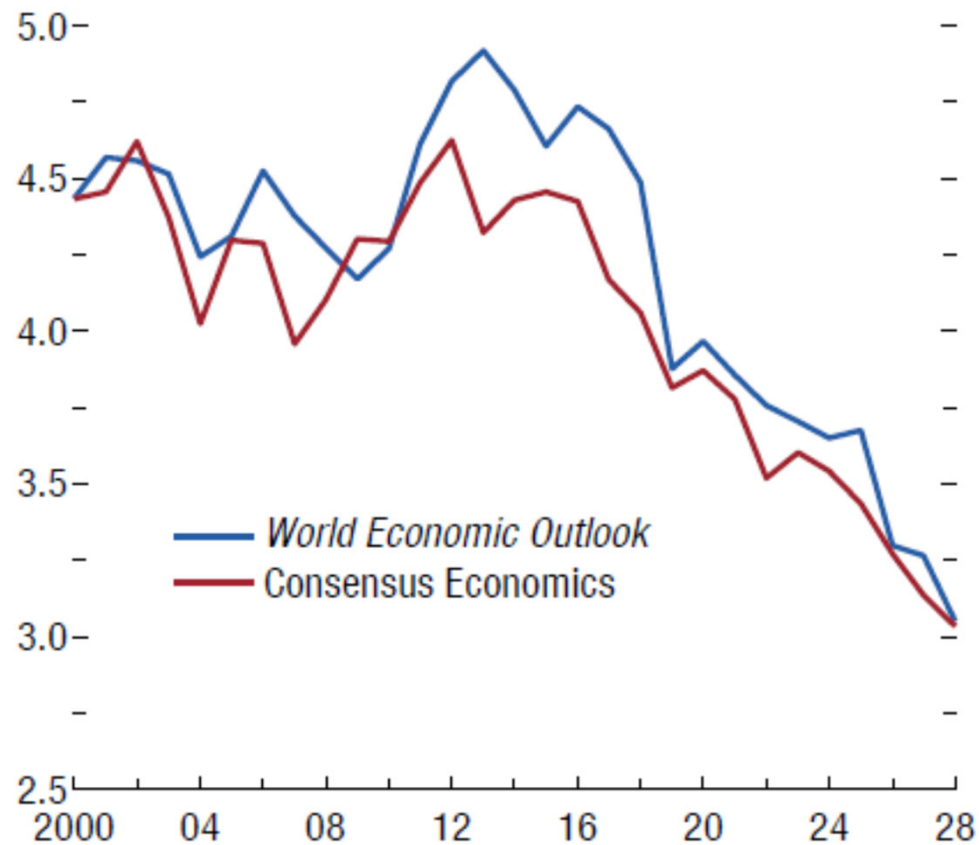
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China's challenges

- Is China embarking on a period similar to Japan's lost decades
 - Demographics:
 - Falling productivity: From capital to TFP
 - Party as a constraint
- All this will slow China's growth pace.

Five Year Ahead Global Growth Projections (IMF)

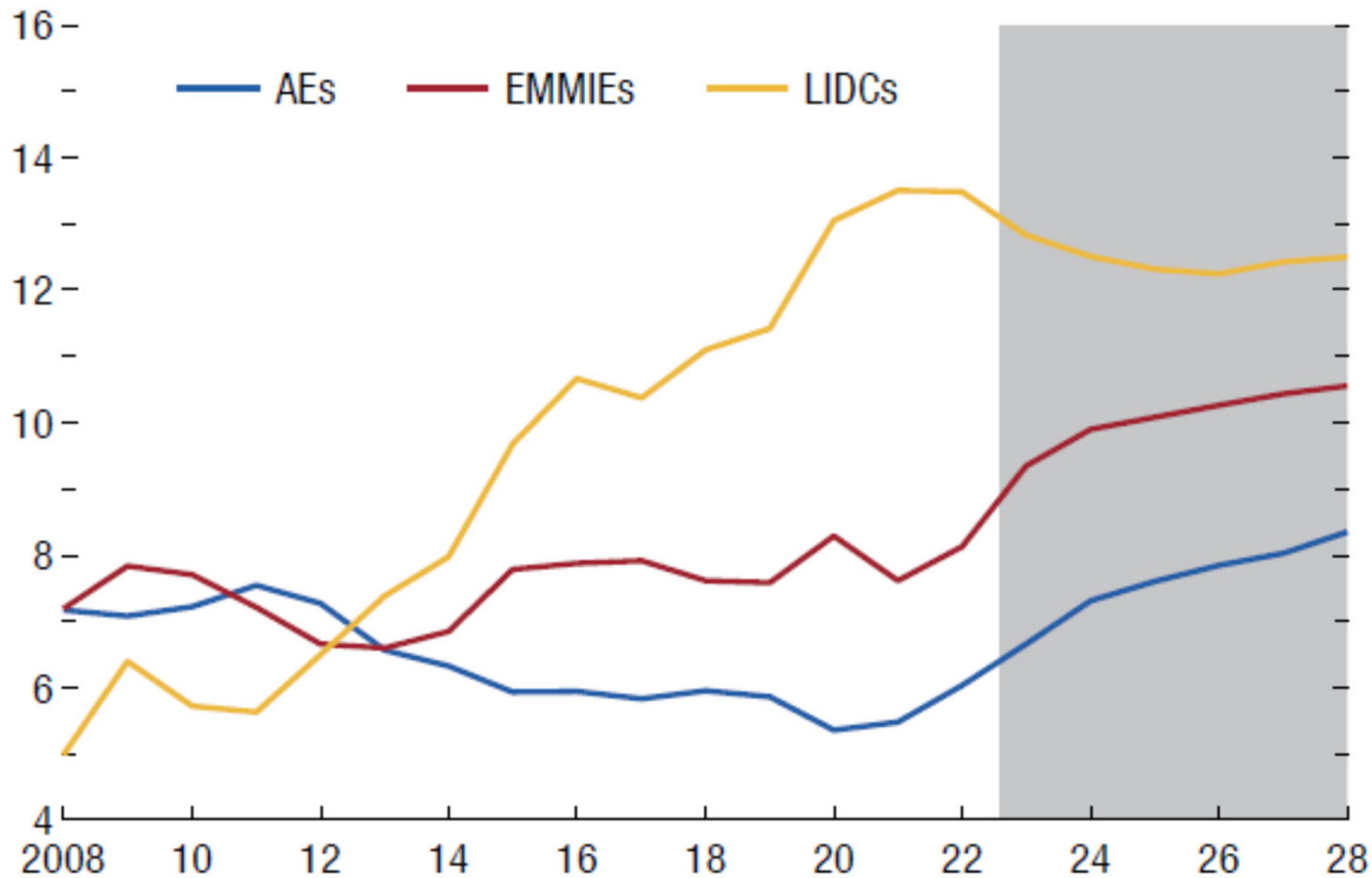




Risks

- Fractured Domestic politics
- De-globalization
- Climate
- Geo-politics

Government Interest Payments (% of Revenues) Source: IMF

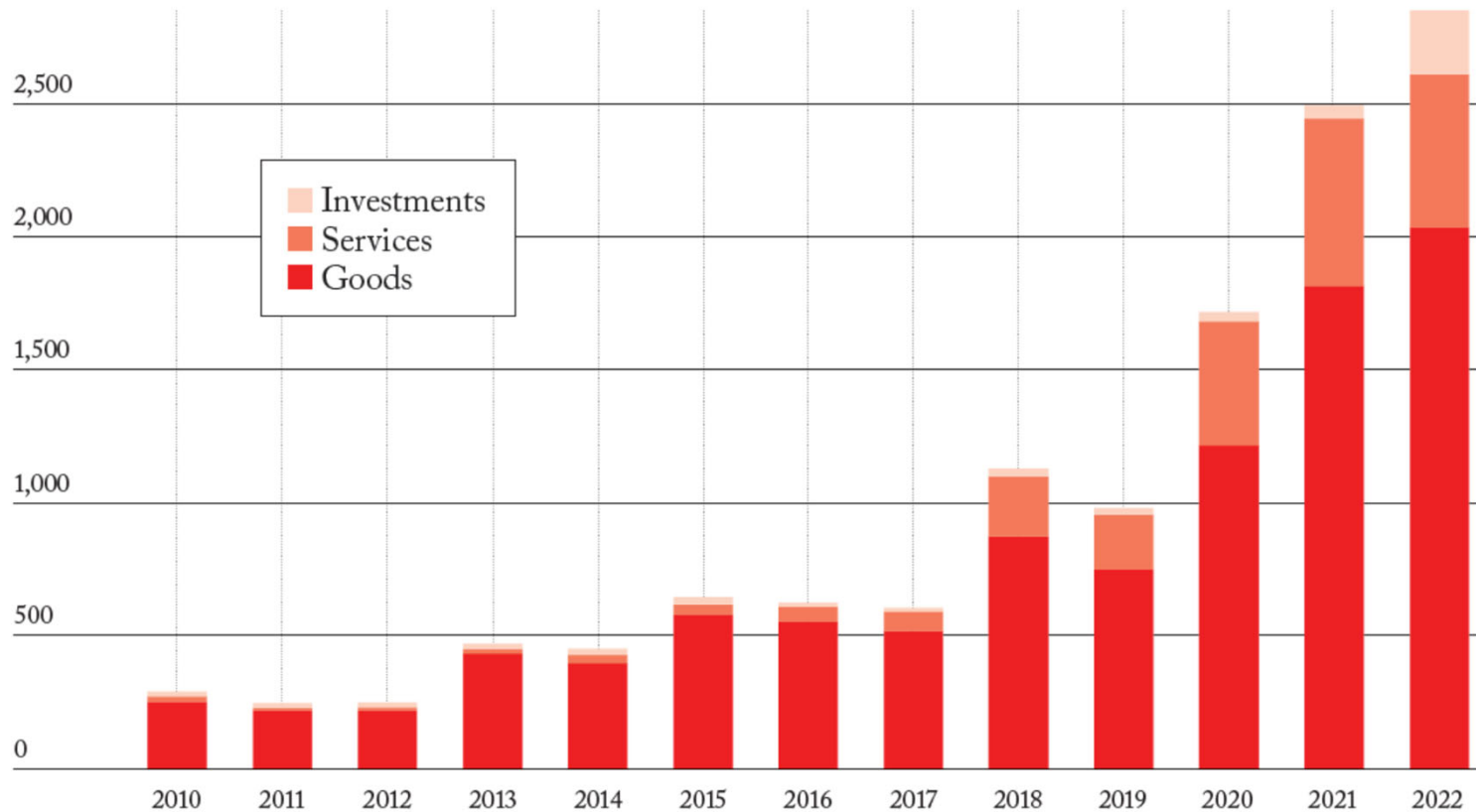




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Number of trade restrictions imposed annually worldwide



Sources: *Global Trade Alert*; IMF staff calculations.

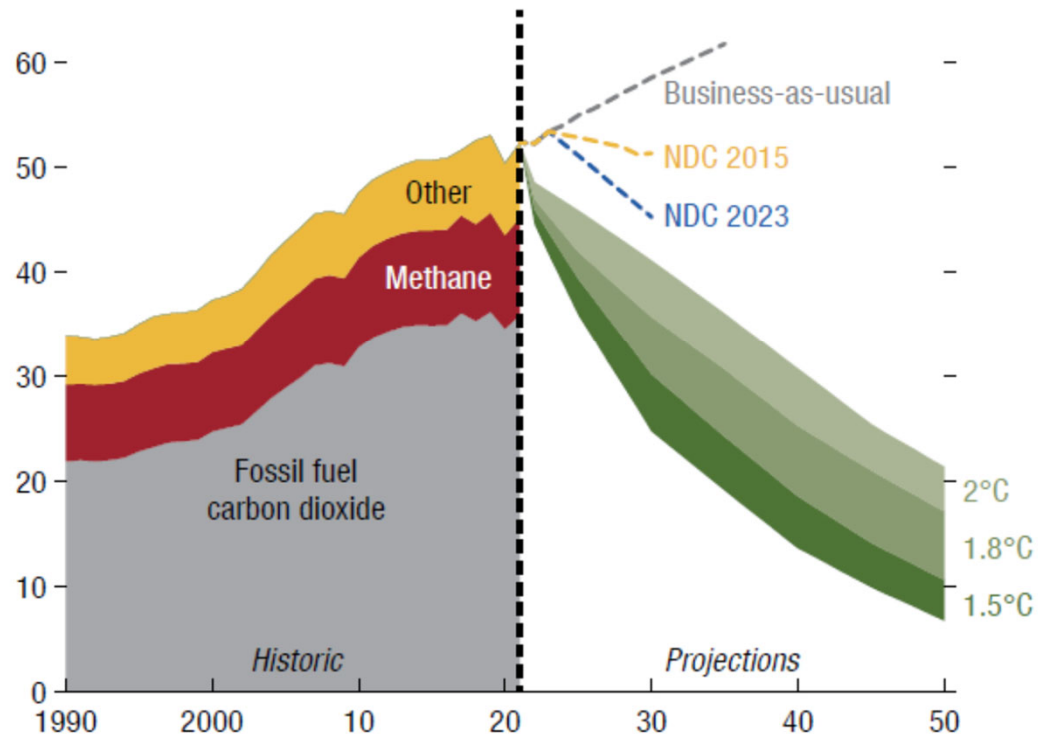


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Greenhouse emissions 1990-2050

(Billions of tons of carbon dioxide emissions equivalence)



NDC: Nationally Determined Contributions

Source: IPCC



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Corporate responses to risks

- Stress testing existing supply chains
- Increasing inventory buffers
- Building operational flexibility
- Diversifying both demand and supply
- Quick separation into multiple entities, each focused on a region.



Conclusion

- Slowing growth
- Many challenges and limited resources
- Global cooperation difficult
- Will good sense and technology come to the rescue?