

World Economic Trends I

<The 2016 Spring Report>

Risks and Challenges of the World Economy

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Section 1 Factors to Promote Labor Participation

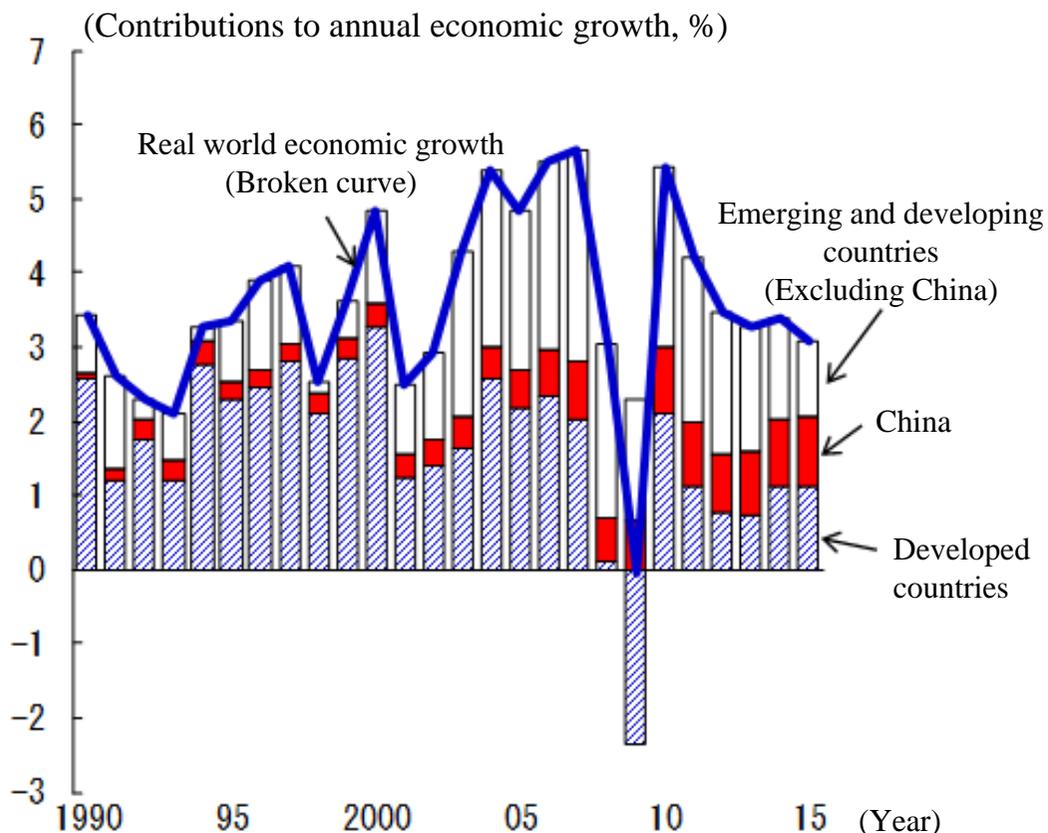
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Chapter 1 Decline of Economic Growth after the Global Financial Crisis

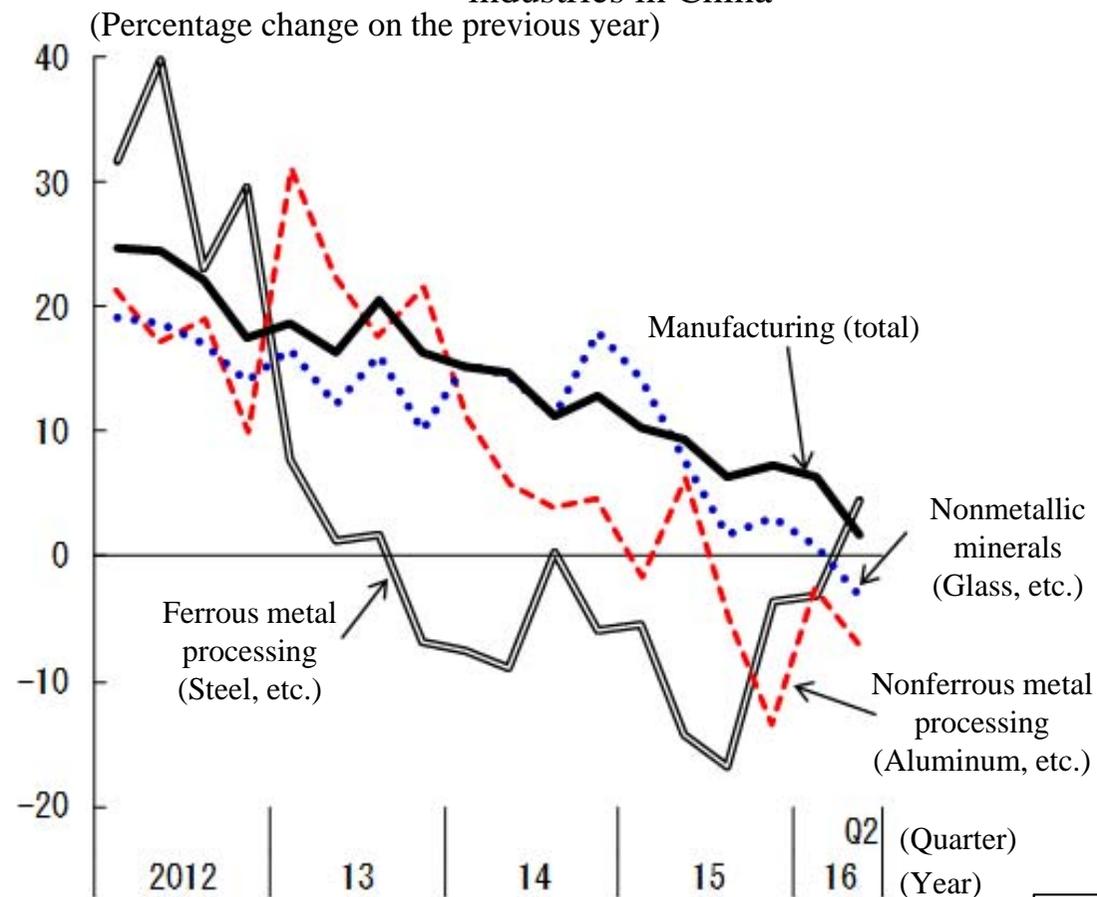
- World economic growth has decelerated since a peak in 2010. As the Chinese economy's contribution to world economic growth has expanded close to 30%, its trend influences other economies.
- As economic adjustments have continued in China following a 4 trillion-yuan economic stimulus package, the economy has moderately decelerated. While consumption has been increasing, adjustments of excessive capacity and production have exerted downward pressure on the economy.

Figure 1 Contributions to real world economic growth



- (Notes)
1. Prepared from IMF "World Economic Outlook Database April 2016"
 2. Countries are classified into 39 developing countries and 151 emerging and developing countries according to the IMF.
 3. The contribution by each country or region is estimated based on its share of nominal GDP in the previous year.

Figure 2 Fixed asset investment by excessive production industries in China



(Note) Prepared from data from the National Statistics Bureau of China

- Increasing immigration has contributed to economic growth in the United Kingdom and Germany.
- In the United States, Germany and some other countries, income gaps have expanded over recent years. Globalization, including increasing immigration, and progress in technological innovation might have contributed to the income gap expansion. It is necessary to return the fruits of economic growth to the citizens.

Figure 3 Immigration and population trends

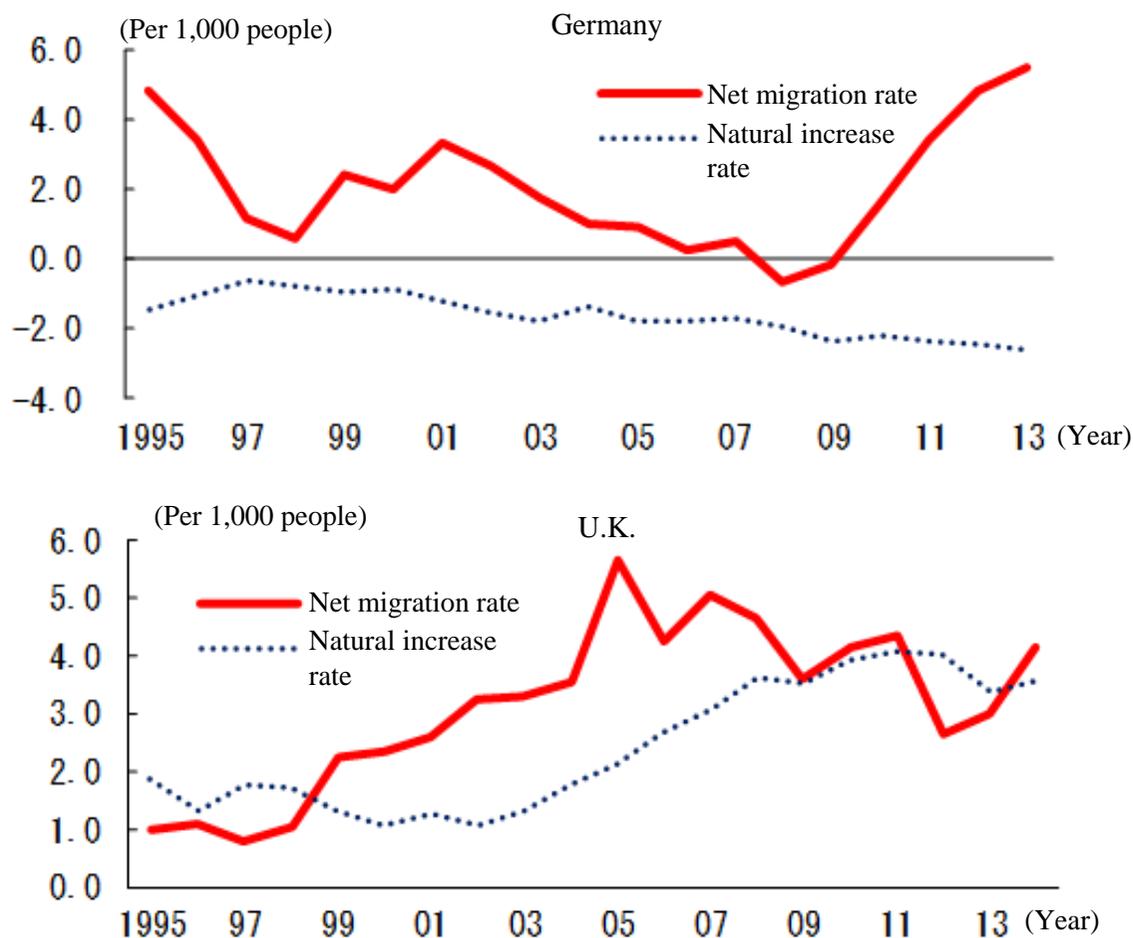
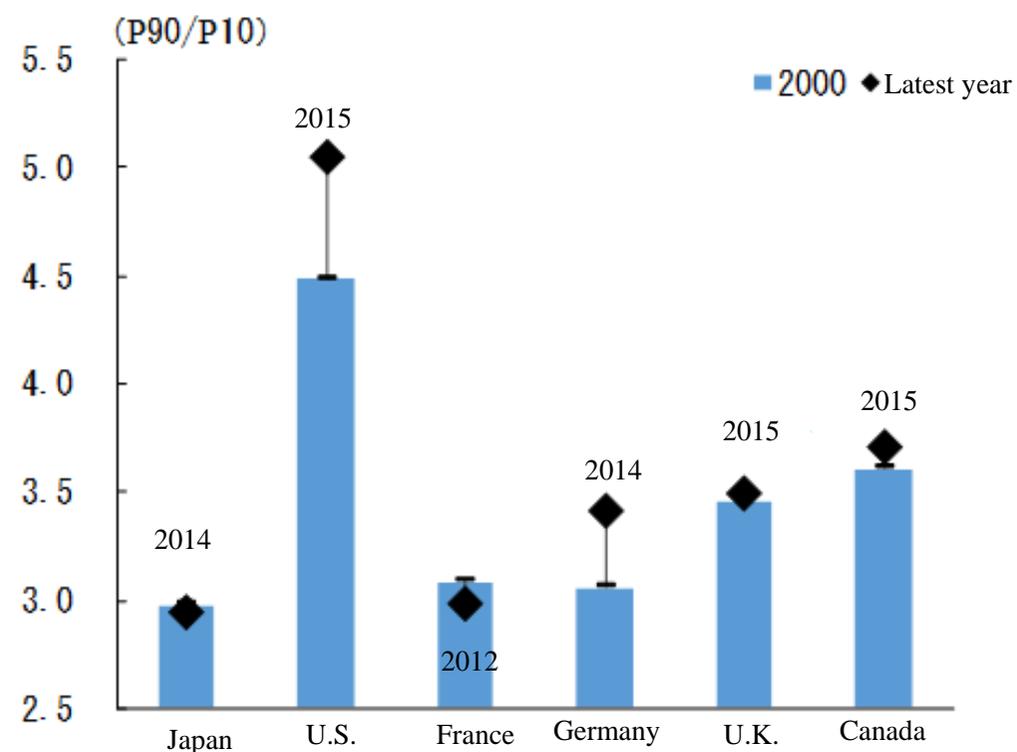


Figure4 Ratio of top 10% income level to low 10% income level



- (Notes)
- Prepared from OECD Stat. However, the United Kingdom's net migration rate and natural increase rate are prepared from data from its Office for National Statistics.
 - The natural increase rate is a change in the gap between the number of annual births and the number of annual deaths for every 1,000 of the population.
 - Immigrants are defined as foreigners staying in a country for at least three months excluding those doing so for entertainment and leisure purposes.
 - The net increase rate is the change in the gap between the number of immigrants entering a country from other countries and the number of emigrants leaving the country for other countries for every 1,000 of the population.

- (Notes)
- Prepared with data from OECD Stat.
 - When incomes of sample households are lined up in descending order and divided into 100 levels, the nth lowest level is given as Pn. P10 represents the 10th lowest level and P90 indicates the 90th lowest level. P90/P10 is the ratio of P90 to P10.

Chapter 2 Major Risks of the World Economy

- Since adjustments of excessive debt are not progressing in China, financial risks are expanding. The situation of rapidly increasing wealth management products are obscure.
- The global crude oil market remains plagued with oversupply. Crude oil price plunges may lead to deterioration of European and U.S. energy companies' earnings, investment cuts and risk-off movements in international financial and capital markets. Continued vigilance is necessary.

Figure 5 Outstanding wealth-management products

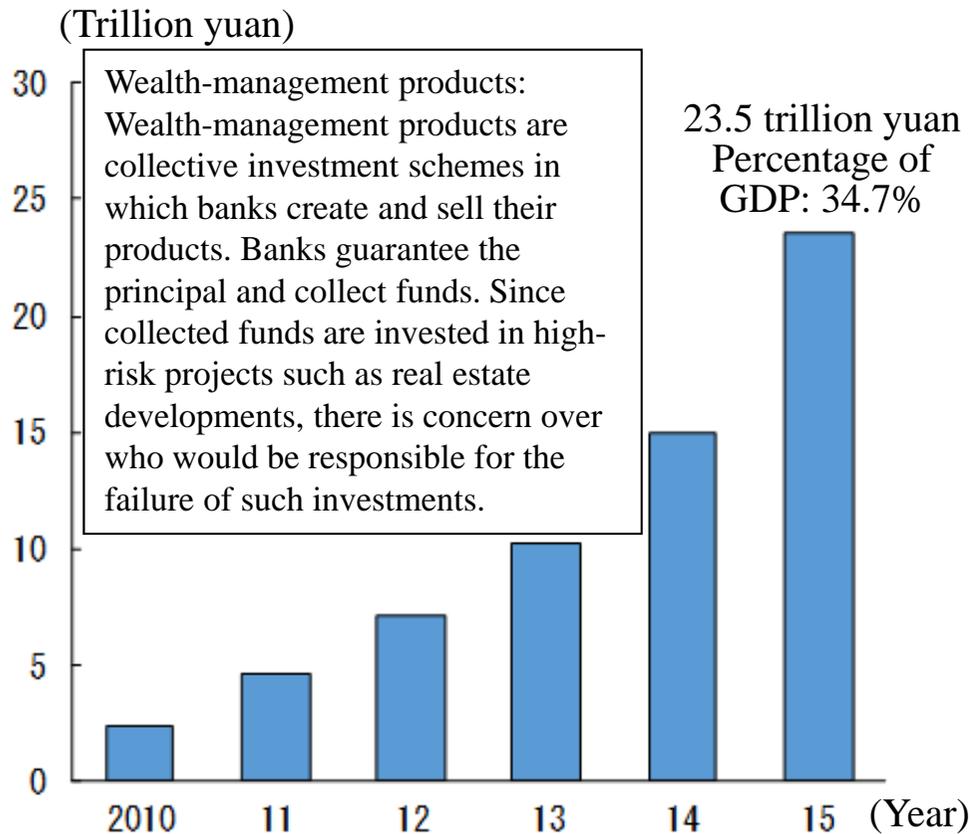
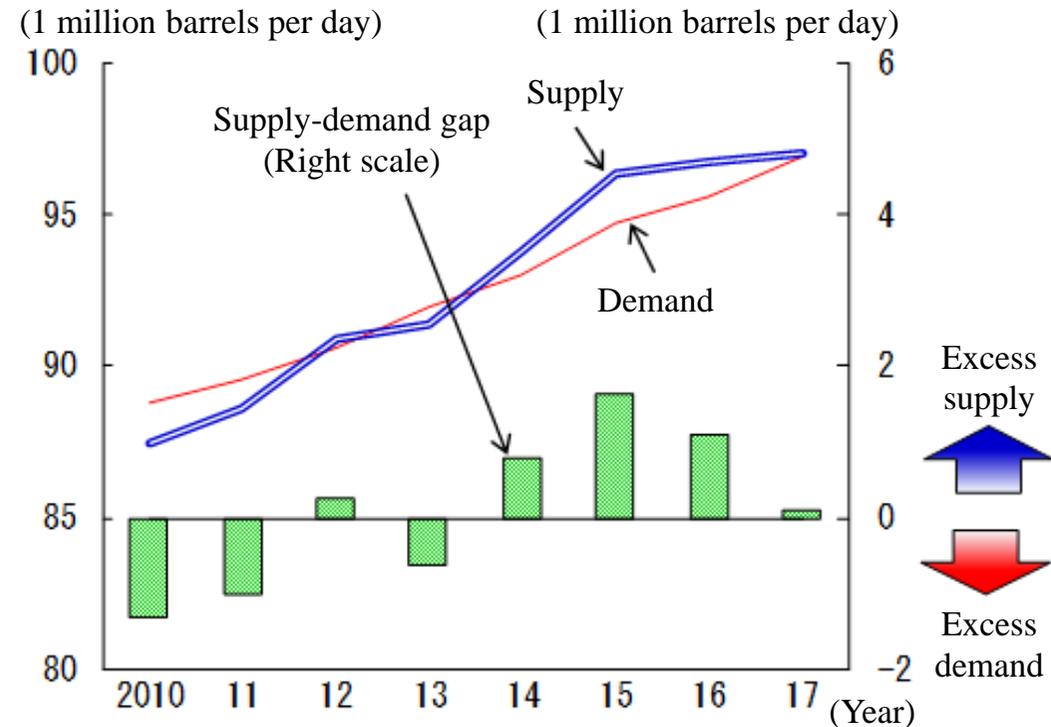


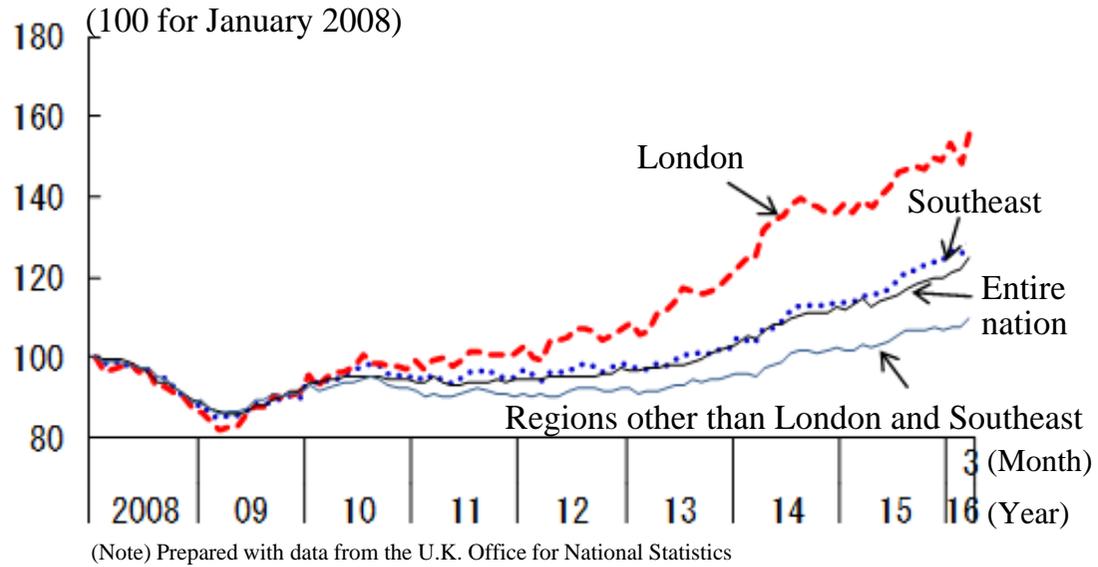
Figure 6 Crude oil supply/demand outlook



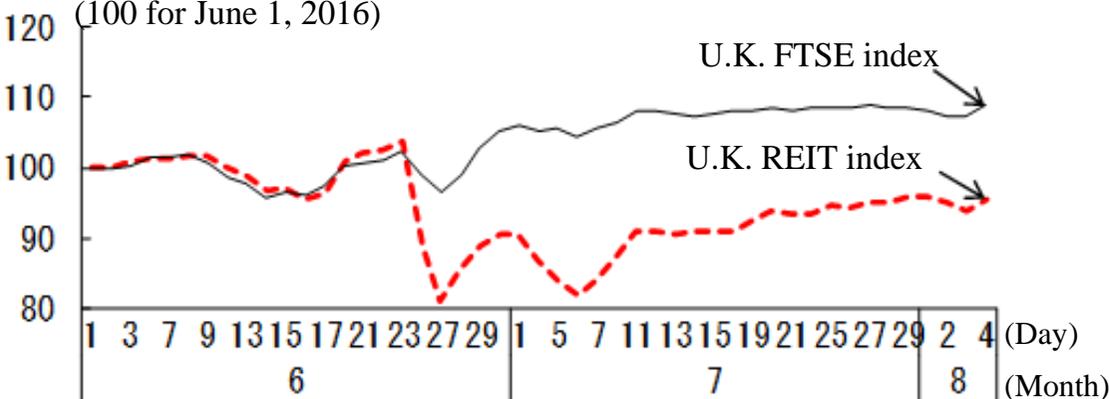
(Note) Prepared from IEA, "The Oil Market Report for July," and IEA, "Medium-term Oil Market Report 2016." Data are estimated for 2016 and predicted for 2017.

- While the United Kingdom has chosen to leave the European Union through a national referendum, its future path to the exit from the union remains uncertain. Growing uncertainties are expected to decelerate the recovery of the U.K. economy. In addition to decelerating domestic demand, the decline of investment from foreign countries may cause a drop in real estate prices.
- In some EU countries, financial institutions' vulnerabilities could emerge.

Figure 7-1 U.K. housing prices

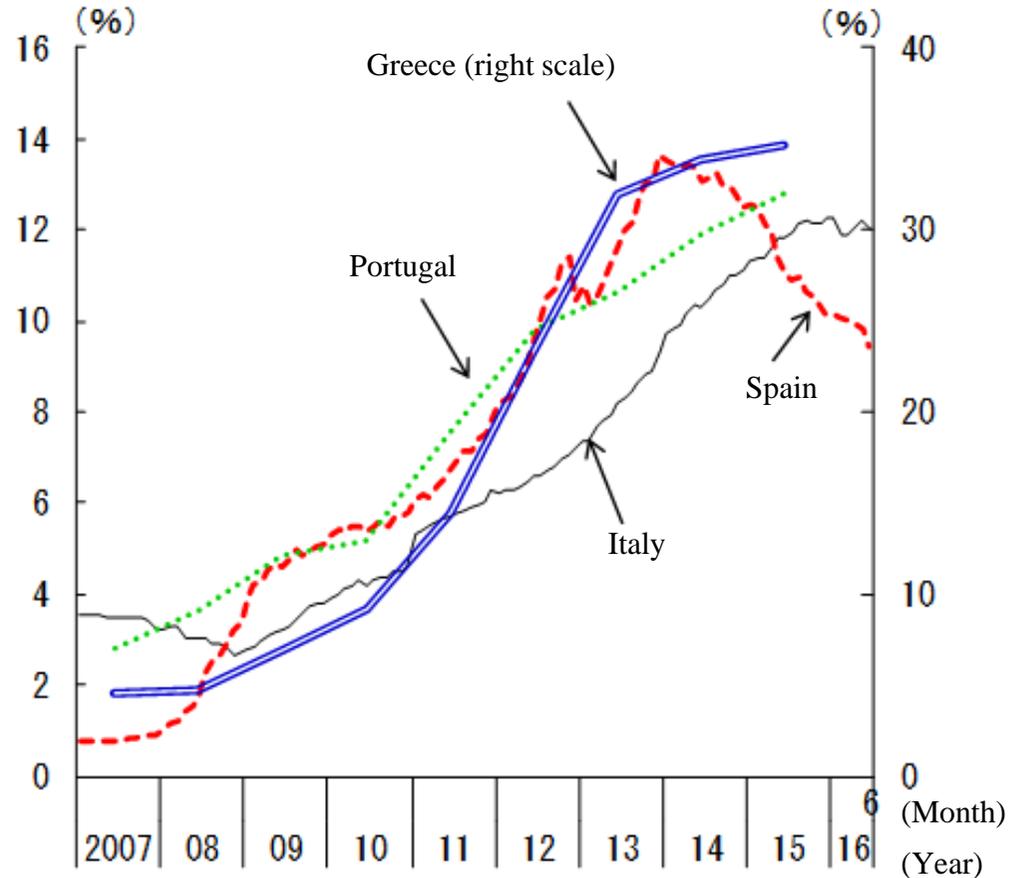


7-2 U.K. REIT index



(Notes) 1. Prepared with data from Bloomberg
2. The REIT index is the FTSE EPRA/NA REIT.

Figure 8 Banks' non-performing loan ratios in southern Europe

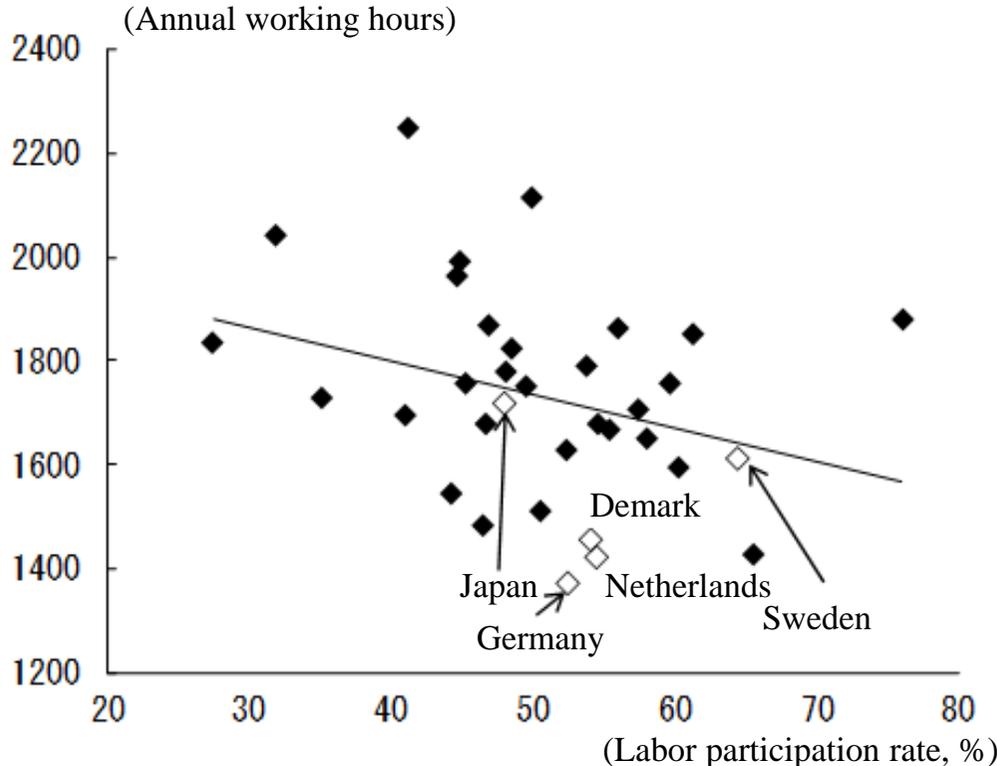


(Notes) 1. Italian data are monthly data from the Bank of Italy.
2. Spanish data are monthly data from Thomson Reuters.
3. Greek and Portuguese data are annual data from the World Bank.

Chapter 3 Boosting Growth Potential through Promotion of Labor Participation

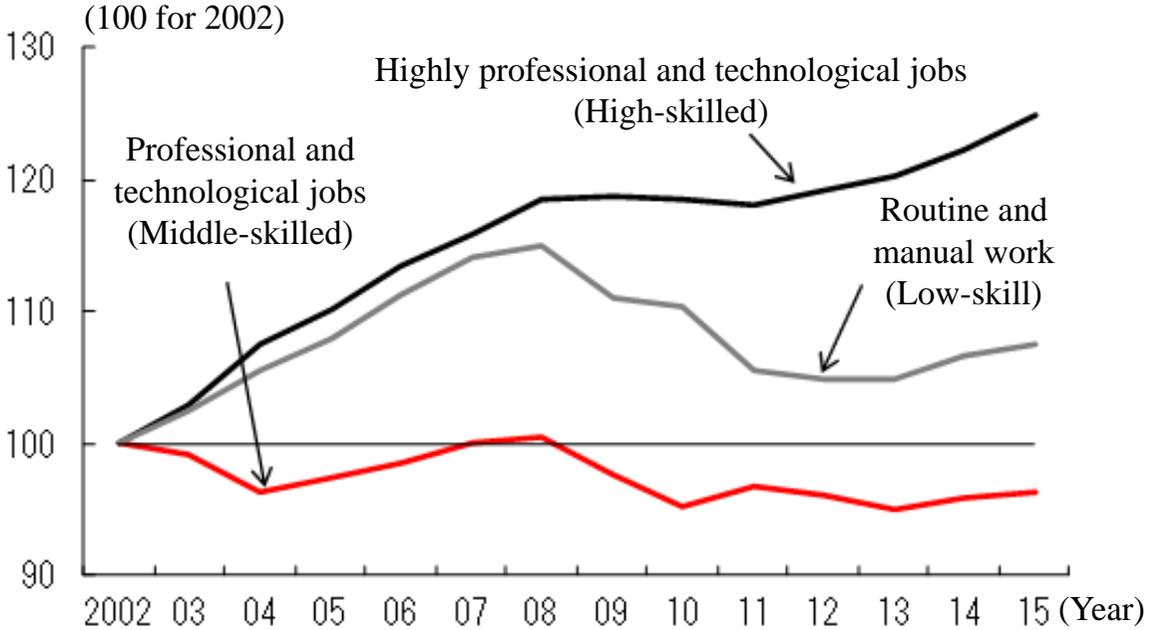
- ❑ In developed countries, annual working hours have a negative relationship with women's labor participation rate. The Netherlands has promoted the diversification of working styles and has succeeded at increasing women's labor participation.
- ❑ In Europe, employment has increased for high- and low-skilled workers while decreasing for middle-skilled workers. Behind such trend has been technological innovation including information technology expansion, resulting in the bipolarization of employment. It is important to expand education and vocational training systems.

Figure 9 Annual working hours and women's labor participation rate



(Notes) 1. Prepared from OECD data
 2. 2014 data for Turkey
 3. Annual working hours cover self-employed workers

Figure 10 Workers broken down by skill category in EU countries



(Notes) 1. Prepared with Eurostat data
 2. Classification is based on CEDEFOP (European Centre for the Development of Vocational Training) "Labour-market polarisation and elementary occupations in Europe."
 3. "Highly professional and technological jobs" include medical doctors, lawyers, and enterprise administrators and other managerial jobs for which advanced professionalism and technology are required. "Professional and technological jobs" includes company employees, home and personal service providers, skill-required agriculture/forestry/fisheries jobs; train, aircraft and vehicle drivers; and construction machine controllers. "Routine and manual work" include elementary jobs in such areas as agriculture, forestry, fisheries, sales, mining, construction and manufacturing.