World Economic Trends I

<The 2016 Spring Report>

Risks and Challenges of the World Economy

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Cabinet Office
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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.
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

(Per 1,000 people)

<table>
<thead>
<tr>
<th>Year</th>
<th>Net migration rate</th>
<th>Natural increase rate</th>
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<tbody>
<tr>
<td>1995</td>
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<td>1997</td>
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<td>2011</td>
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<td>2013</td>
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</table>

Figure 4 Ratio of top 10% income level to low 10% income level

(2000 Latest year)

<table>
<thead>
<tr>
<th>Year</th>
<th>(P90/P10)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>5.5</td>
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</table>

2. 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.

(Notes) 1. 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.
2. 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.
3. Immigrants are defined as foreigners staying in a country for at least three months excluding those doing so for entertainment and leisure purposes.
4. 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.
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 (Trillion yuan)

Wealth-management products: Wealth-management products are collective investment schemes in which banks create and sell their products. Banks guarantee the principal and collect funds. Since collected funds are invested in high-risk projects such as real estate developments, there is concern over who would be responsible for the failure of such investments.

23.5 trillion yuan
Percentage of GDP: 34.7%

Figure 6 Crude oil supply/demand outlook

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.
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

**Figure 10** Workers broken down by skill category in EU countries

(Notes) 1. Prepared from OECD data
2. 2014 data for Turkey
3. Annual working hours cover self-employed workers
4. High-skill: workers in highly professional and technological jobs include medical doctors, lawyers, and enterprise administrators and other managerial jobs for which advanced professional 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.