

Macro Economy & a look to the Year 2030

In this LP

What are macroeconomics trends and what are predictions for the next decade?



Macro Economy

- Macroeconomic trends **move asset prices** for two reasons. They influence investors' attitudes towards risk, and they affect the risk-neutral expected payoff of securities. An example of the first is the rise in risk aversion in economic recessions when cash flows and incomes fall to critical thresholds.
- What are the 3 major concerns of macroeconomics?
- The three major concerns or issues of macroeconomics are:
1-Unemployment levels. 2-Inflation. 3-Economic growth.
- What are the six key macroeconomic factors?
- Common measures of macroeconomic factors include gross domestic product, the rate of employment, the phases of the business cycle, the rate of inflation, the money supply, the level of government debt, and the short-term and long-term effects of trends and changes in these measures.

Projections

- **The Economic Outlook for 2025 to 2030**
- The economy continues to expand during the second half of the decade in CBO's projections.
- Output grows at an average annual rate of 2.1 percent over the 2025–2030 period—faster than the 1.8 percent average annual growth of potential output.
- The unemployment rate continues to drift downward, reaching 4.4 percent by the end of 2030.
- Inflation is stable during the 2025–2030 period.

Projections

- **The Economic Outlook for 2025 to 2030 (continued)**
- Interest rates are higher in the second half of the projection period than in the first:
- From 2025 to 2030, the federal funds rate averages 1.1 percent; the rate on 3-month Treasury bills, 1.0 percent; and the rate on 10-year Treasury notes, 2.6 percent.
- Labor income as a share of GDP averages 58.1 percent, which is low compared with its historical average and reflects trends that were under way before the pandemic.

Projections

What does this mean? \$million-dollar question

- The USA may not be the leader as we are now in many areas
- The USD still looks to be a dominating factor but could be in jeopardy
- The divide among economic classes will continue to widen

Who will
be the
most
powerful
country by
2050?



- 1. **China.** And, to one's surprise, China will be the most powerful economy in the world in 2050

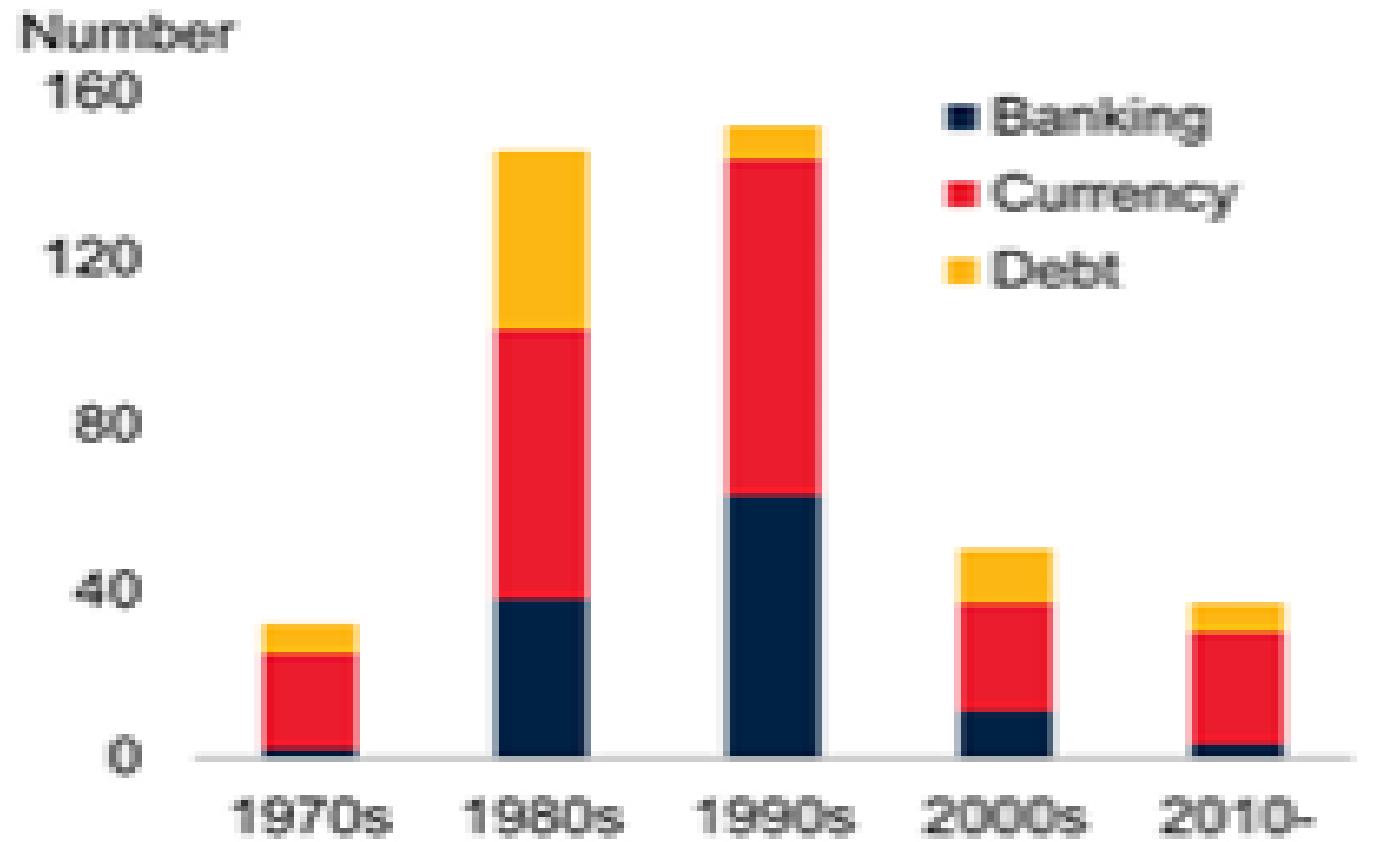
World's Most Forward-Thinking Countries, 2021

Which country has a better future?

Rank	Country	Score
1	United Kingdom	72.15
2	Japan	67.22
3	Germany	65.15
4	Singapore	64.32

At a Glance
Macro
Indicators
& Trends

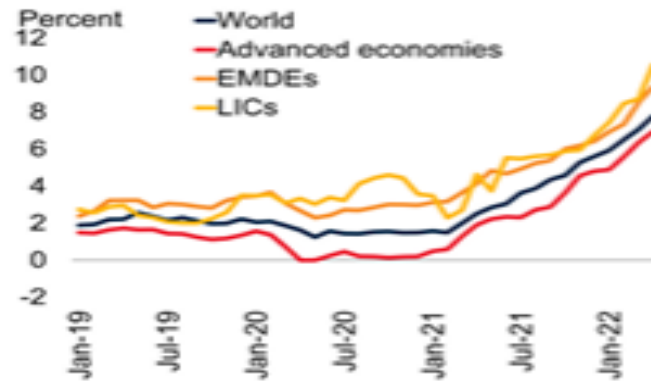
E. Financial crises in EMDEs



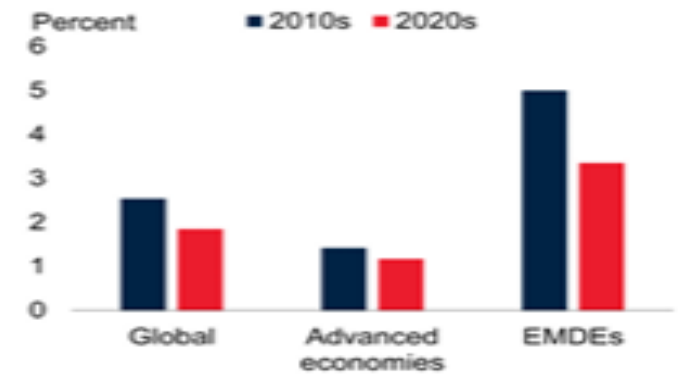
Emerging Markets and Developing Economies

At a Glance Macro Indicators & Trends

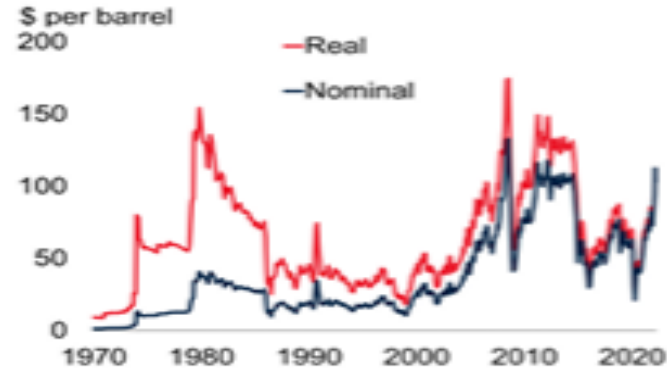
A. Inflation



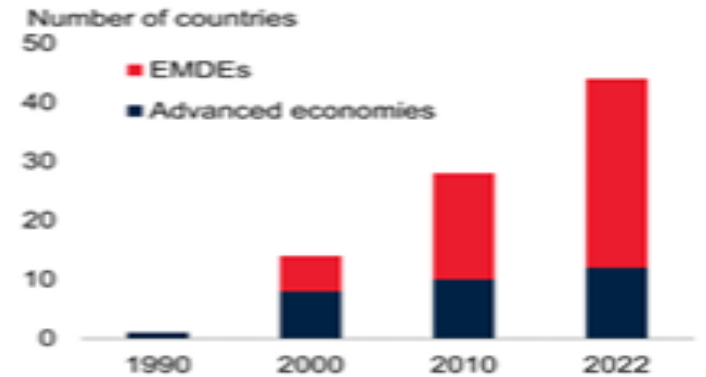
B. Potential growth prospects



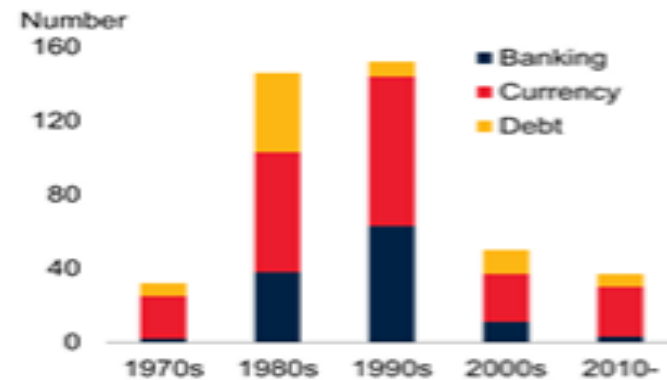
C. Oil price



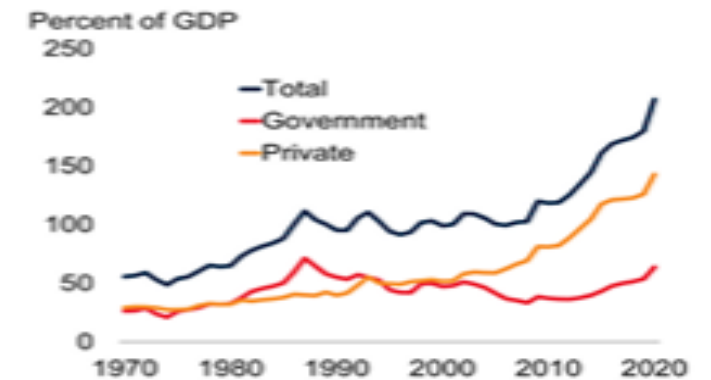
D. Number of countries with inflation targeting



E. Financial crises in EMDEs



F. Debt in EMDEs



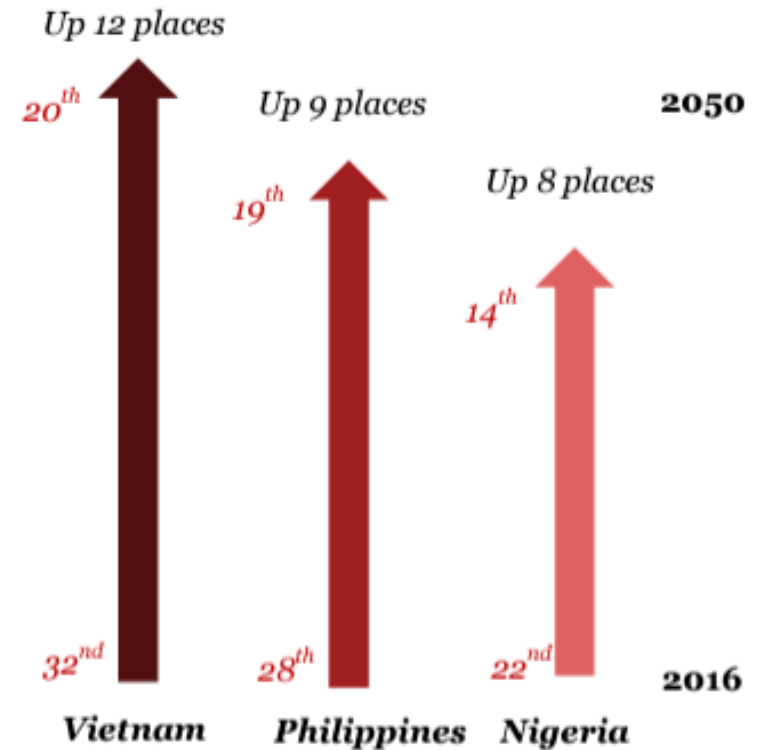
At a Glance Macro Indicators & Trends

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

Vietnam, the Philippines and Nigeria could make the greatest moves up the GDP at PPP rankings by 2050



Average annual GDP growth rate, 2016-2050		
Vietnam	Philippines	Nigeria
5.1%	4.3	4.2%

Links to source information

- <https://www.worldbank.org/en/publication/global-economic-prospects>
- <https://www.un.org/sustainabledevelopment/economic-growth/>
- <https://www.cbo.gov/publication/56465>
- <https://www.bbc.com/travel/article/20200322-five-superpowers-ruling-the-world-in-2050>