

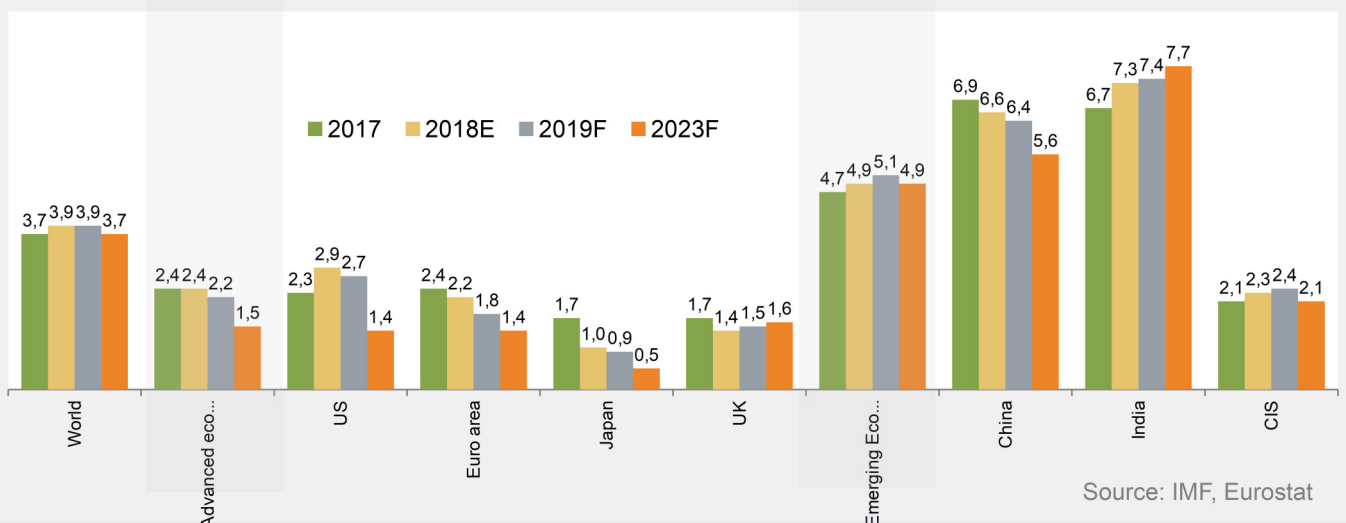
WHAT TO EXPECT IN 2019 AND BEYOND?

JEKATERINA ROJAKA

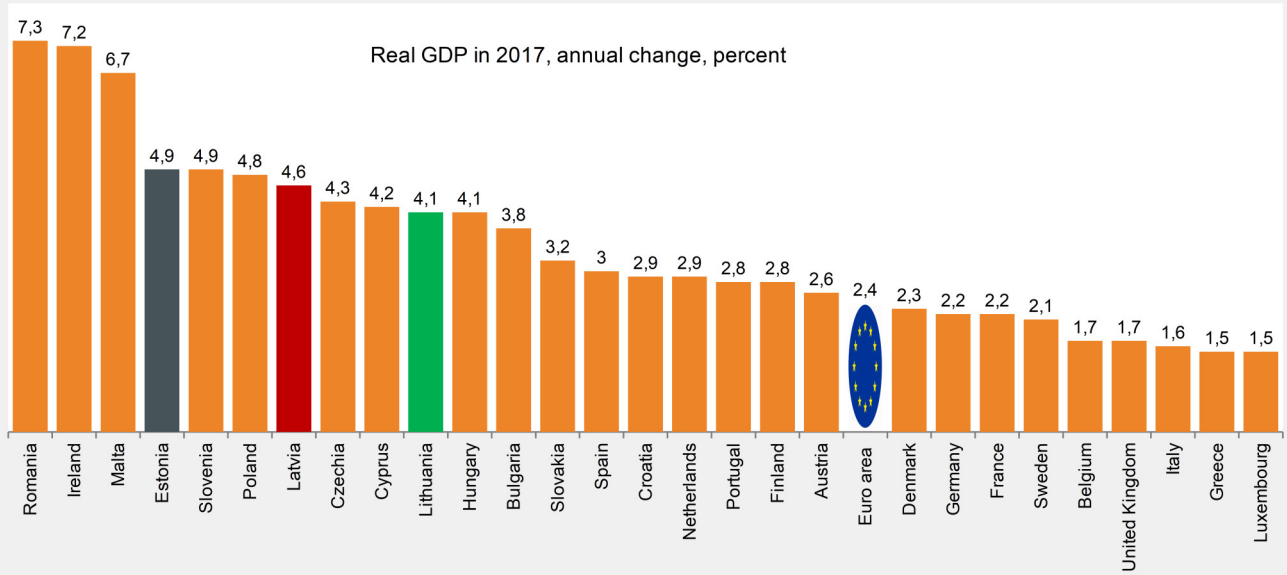
RMS FORUM: AUDITING, TAXES AND ACCOUNTING
2018.12.14

GLOBAL ECONOMIC GROWTH - SUSTAINABLE OR NOT?

Real GDP, annual change, percent



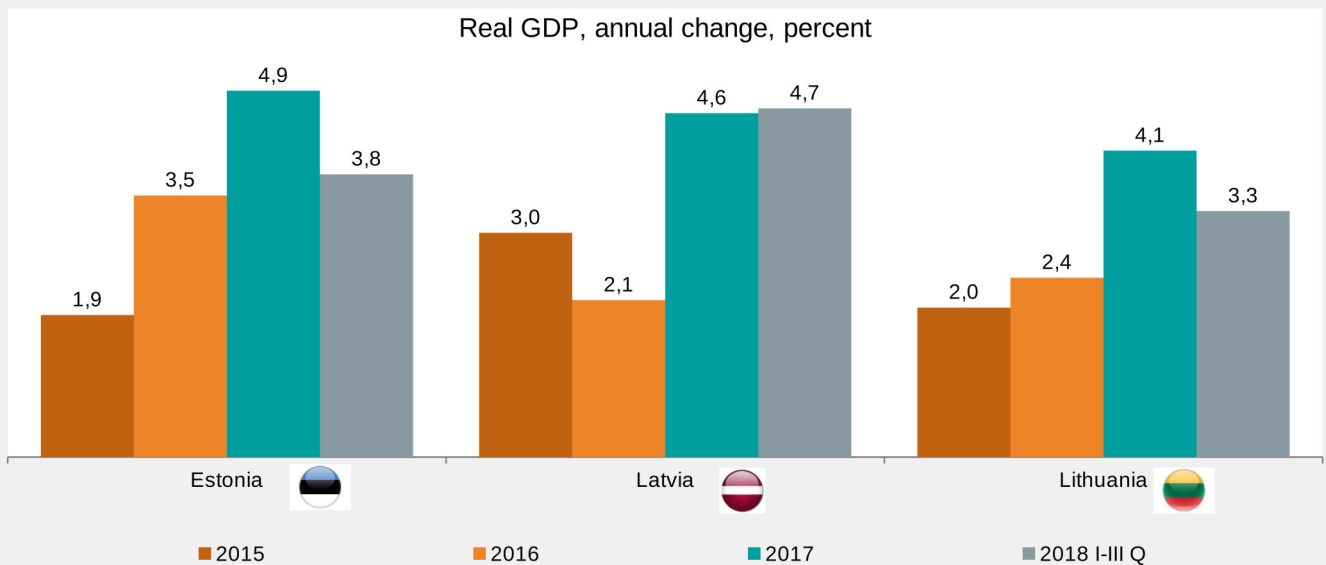
IN 2017, THE BALTICS WERE AMONG THE EU LEADERS



Source: Eurostat

3

IN 2018, THE BALTICS ALSO DEMONSTRATE A SOLID, WHILE LOWER GROWTH

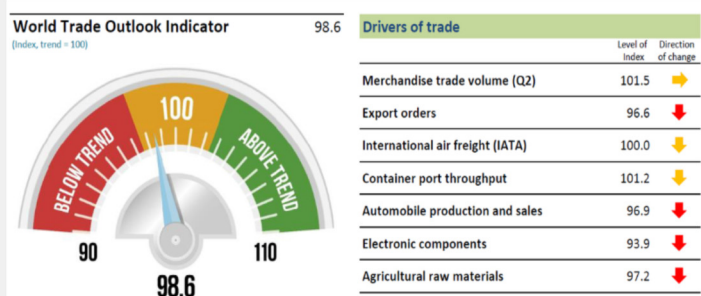


Source: Eurostat

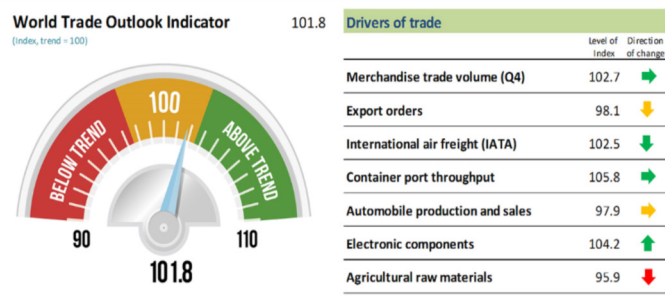
4

GLOBAL TRADE FORECASTS ARE SOFTENING

2018 4Q



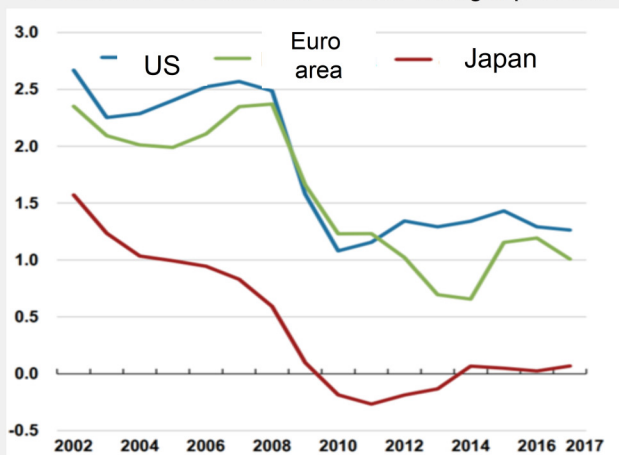
2018 2Q



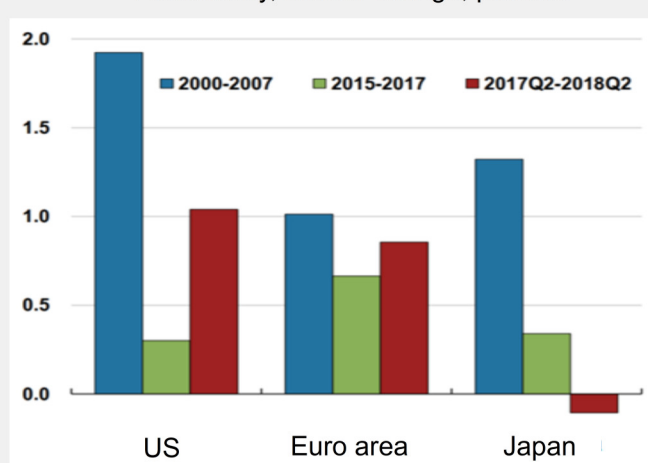
Source: WTO

PRODUCTIVITY STAGNATES

Productive investments, annual change, percent



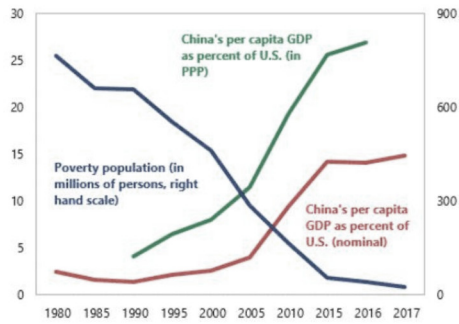
Productivity, annual change, percent



Šaltinis: WB, OECD.

CHINA IS ABOUT TO BECOME NO1 WORLD ECONOMY

Growing from strength-to-strength Rapid growth means rising living standards.

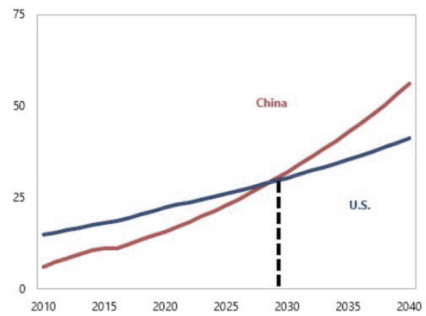


Sources: CEIC, National Bureau of Statistics of China statistical yearbook.



Quality as well as quantity China's GDP could overtake the United States by 2030.

(nominal GDP in USD trillions, assuming market exchange rate of 2017)



Source: IMF staff estimates.

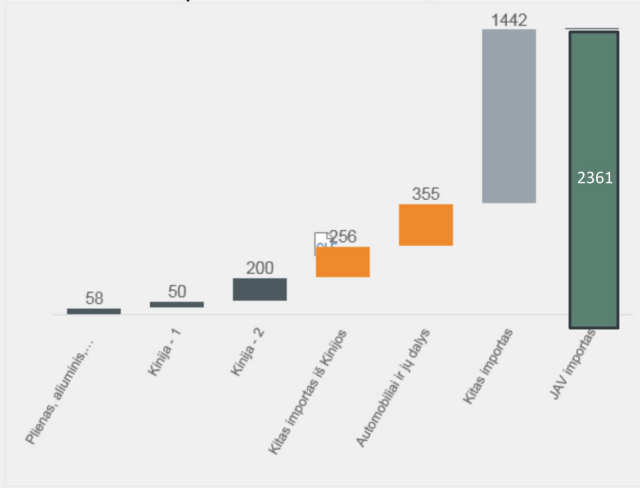


CHINA VS US: TRADE WAR OR WAR FOR THE POWER?

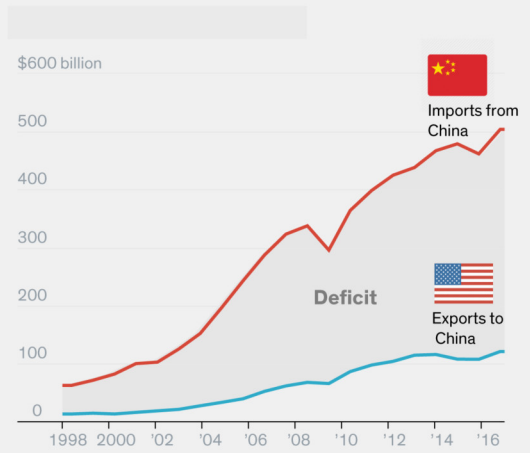


FOREIGN TRADE DEFICIT HITS THE RECORD HIGH

US imports and new tariffs, USD bn



Trade deficit

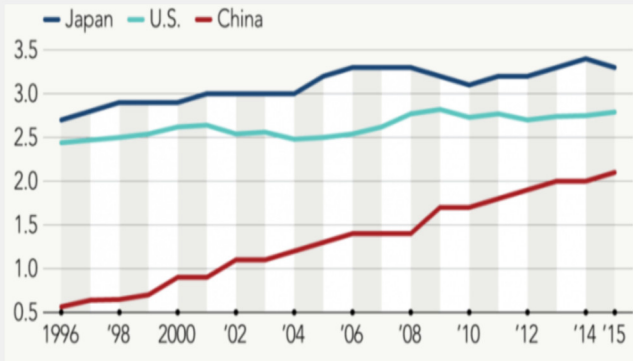


Source: USITC, OECD.

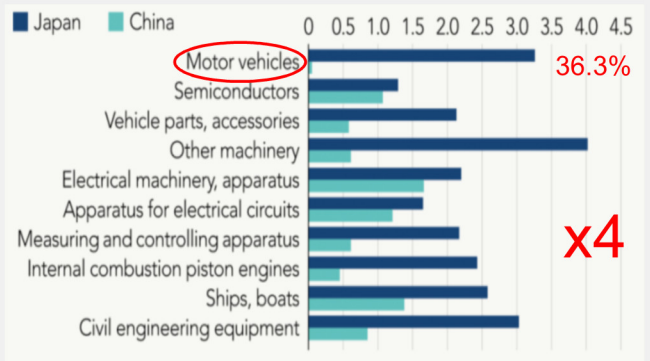


CHINA IS QUICKLY CLOSING THE GAP IN INDUSTRIAL COMPETITIVENESS

R&D, percent of GDP



Competitive advantage by sector



* Assessment by foreign trade flows

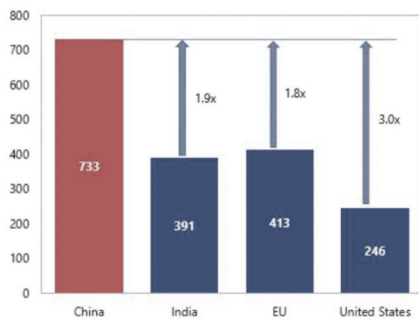
Source: WB, UNSTAD, Natixis, Bruegel

CHINA'S STRUCTURE OF CONSUMPTION IS MORE PRODUCTIVE

Digital leaders

China is a global leader in frontier industries such as e-commerce.

(internet users in millions of persons)



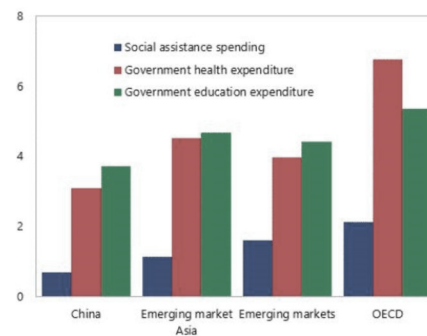
Source: World Development Indicators (WDI) database.



Rebalancing through spending

China's social spending is relatively low.

(social spending in percent of GDP)



Sources: Expenditure Assessment Tool, CEIC, and IMF staff calculations.



“What do you think about French Revolution?”

Richard Nixon

“It is too early to tell”!

MAO



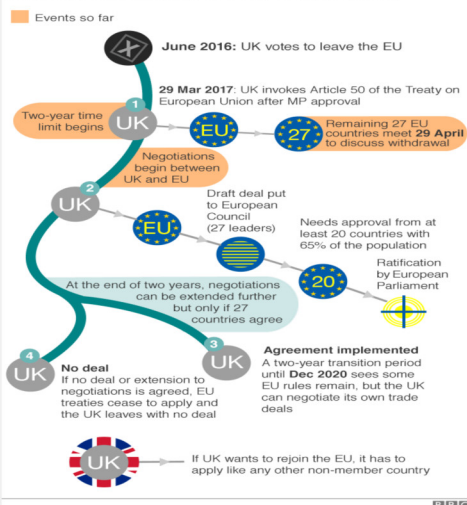
MADE IN CHINA 中国制造

 **2025**



BREXIT – ONE MORE DISRUPTOR OF THE NEXT YEAR GROWTH

Steps to UK leaving the European Union



Šaltinis: WB, OECD.

- Current agreement:
 - transition period from 29 March, 2019, to 31 December, 2020. Extension possible till 2022-end
 - £39bn. In 2018 - net £10.8bn
 - Trade agreement by July 2020
 - Citizen rights. Work abroad?
- Direct investments outflows from UK toward Europe. Seize the moment!
- Further political instability will weigh on EUR/GBP

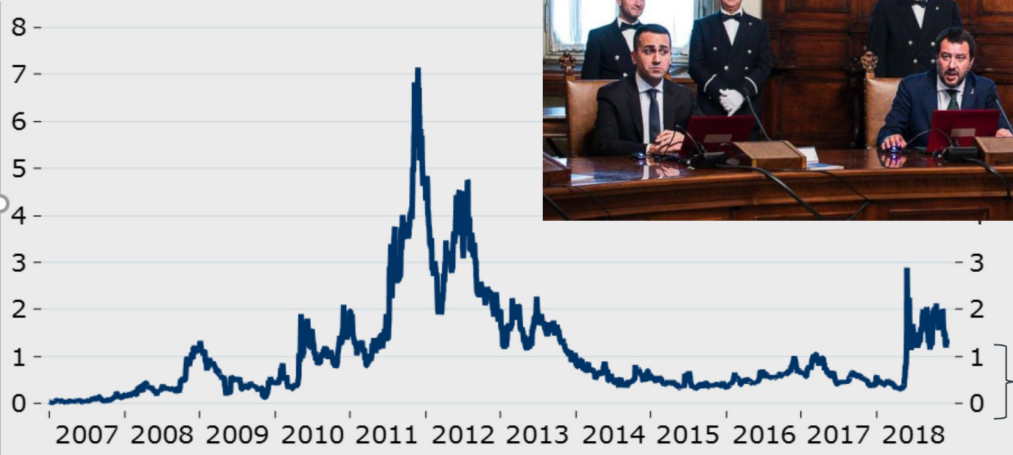
BREXIT AND GBP TANGO...



Source: FT, Reuters

ITALY – ANOTHER PROBLEM

Italy / Germany 2 year yield spread



EUR 2,7 bn in debt service

Source: ECB

RUSSIA'S POTENTIAL GROWTH IS DECLINING

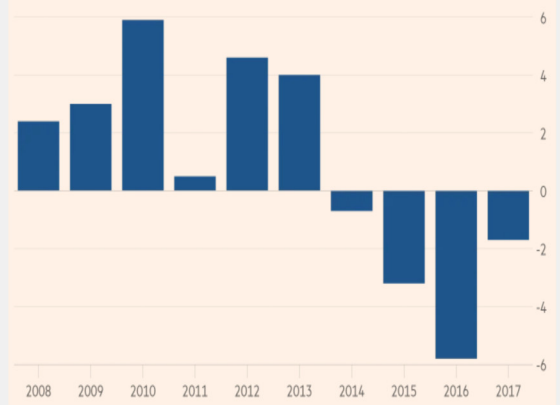
Russia's economic growth is being propped up by oil and gas revenues

Annual change in GDP (%)



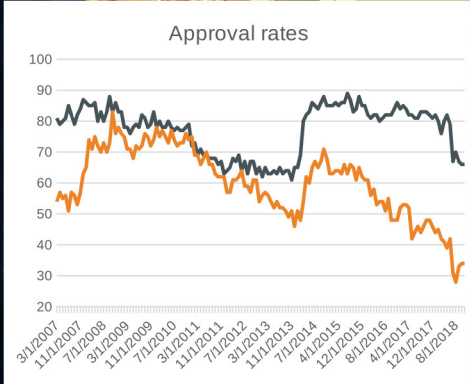
Real wages in Russia are in decline

Annual change in real disposable income (%)



Source: Rosstat, FT

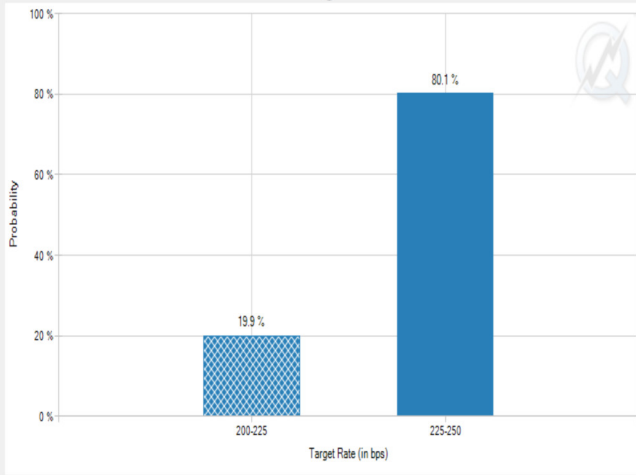
ANY CHANGES?



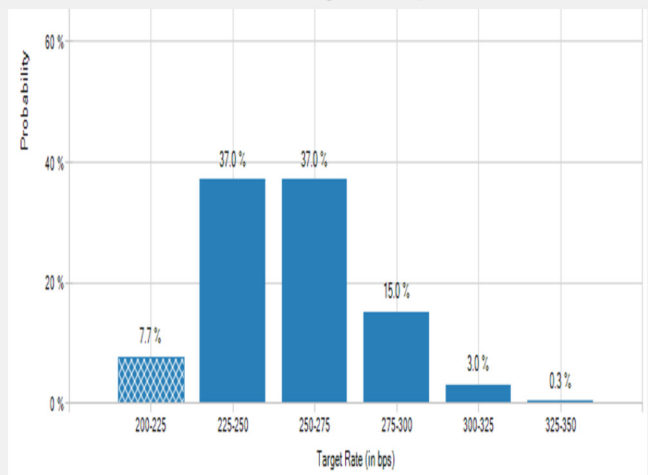
**IS THE CRISIS
COMING?**

US TARGET RATE IS SET TO INCREASE

Fed Meeting 19 Dec 2018

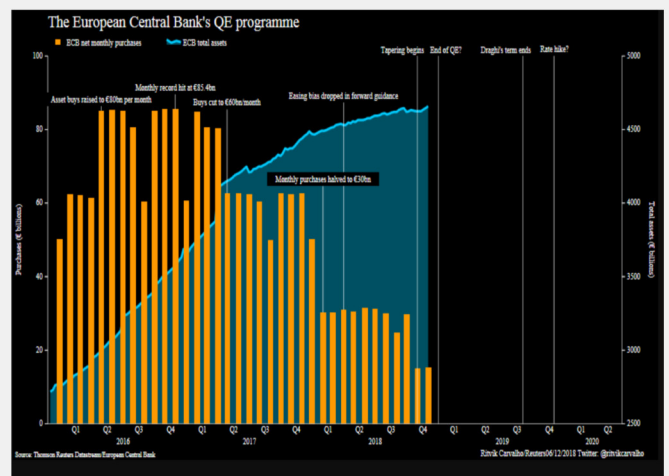
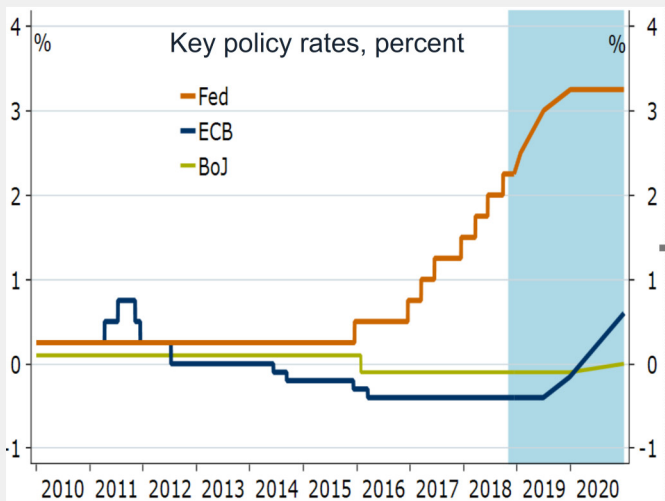


Fed Meeting 18 Sep. 2019



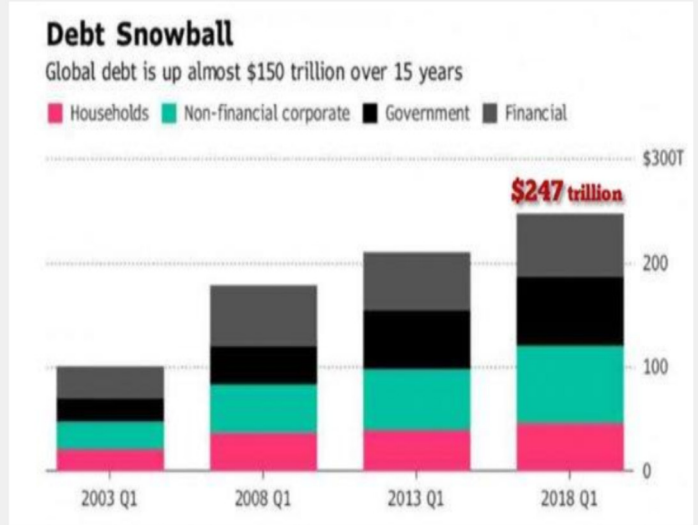
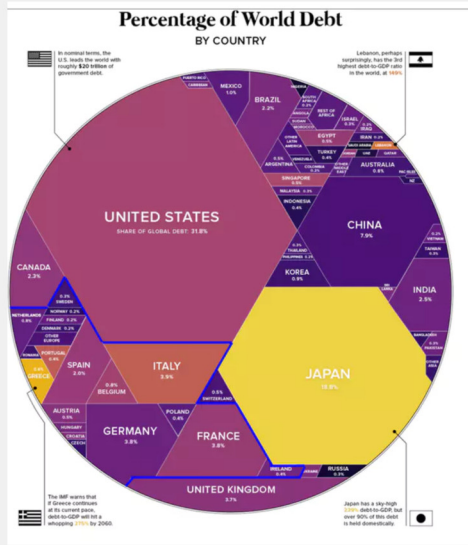
Source: FEDWatchTool

ULTRA-EXPANSIONARY MONETARY POLICY HAS COMING TO AN END



Source: Eurostat, Reuters

WORLD DEBT IS ON A RISE



Source: IIF, UN

WHAT DOES OIL PRICES SAY?

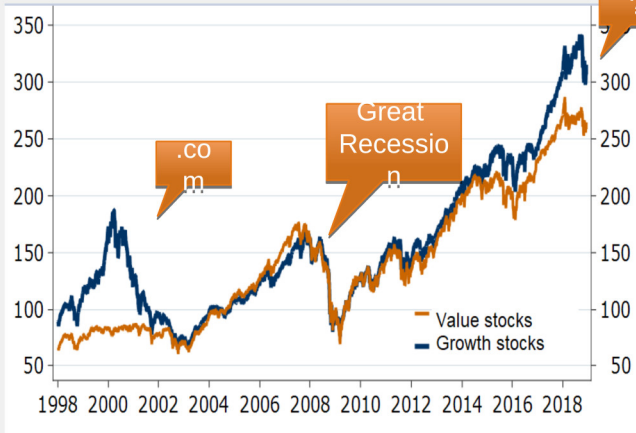
Texas oil, USD./b



Source: WB, OECD, FT.

STOCK MARKET RETURNS HAVE SHIFTED

MSCI IMI, USD



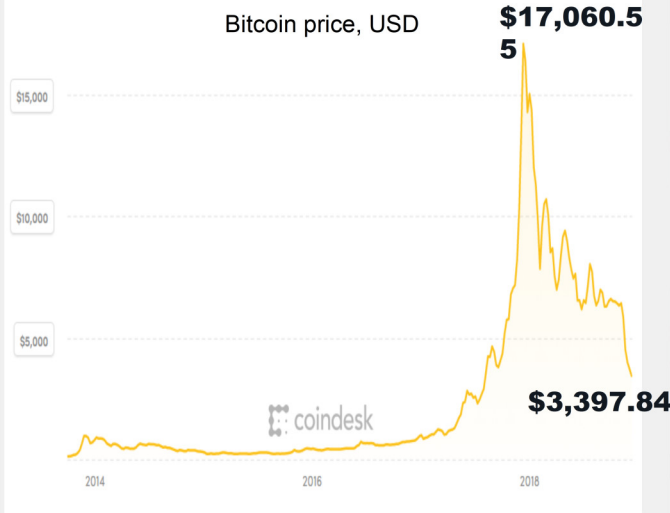
MSCI EM vs World, USD



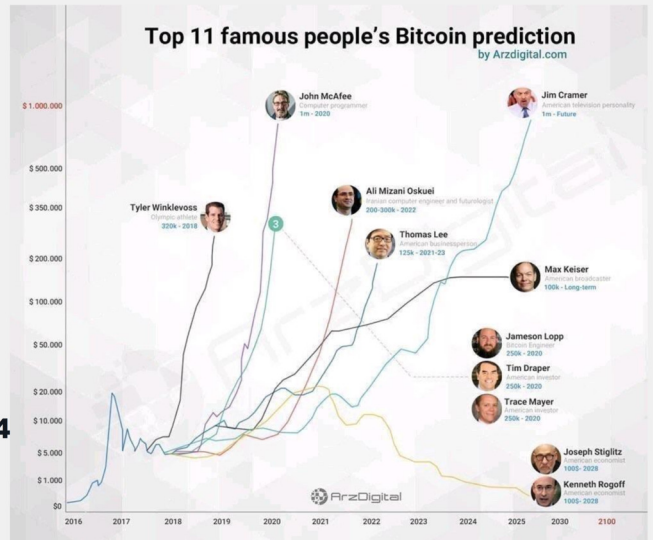
Source: MSCI

BITCOIN – OUTLIER OR MARKET PREDICTOR?

Bitcoin price, USD



Top 11 famous people's Bitcoin prediction



BEYOND 2019

PEOPLE IN THE BALTICS WORK HARD...

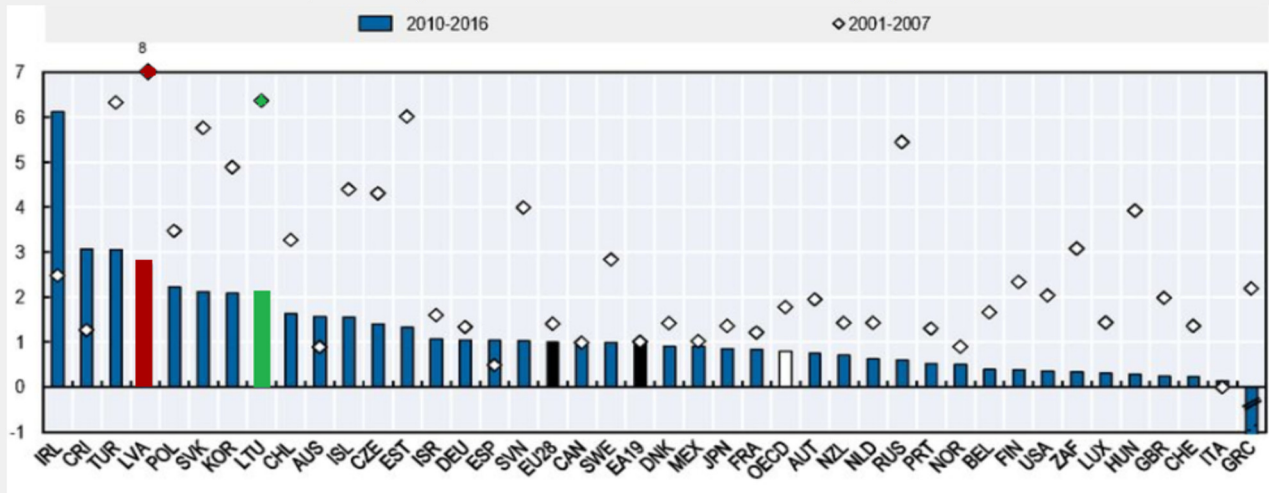
Number of working hours



Source: OECD

HOWEVER LABOUR PRODUCTIVITY GROWTH HAS SLOWED

Labour productivity before and after the crisis, annual change, percent

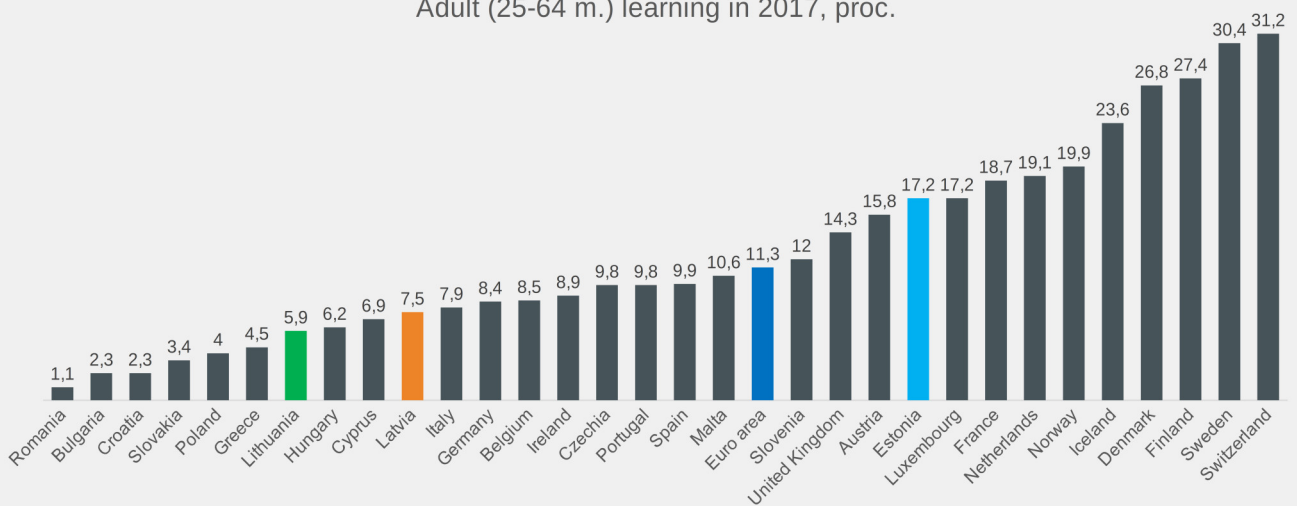


Source: OECD

*Real value added per hour

INVESTMENTS IN KNOWLEDGE ARE CRUCIAL

Adult (25-64 m.) learning in 2017, proc.



Source: Eurostat

SKILLS ARE CHANGING

Growing

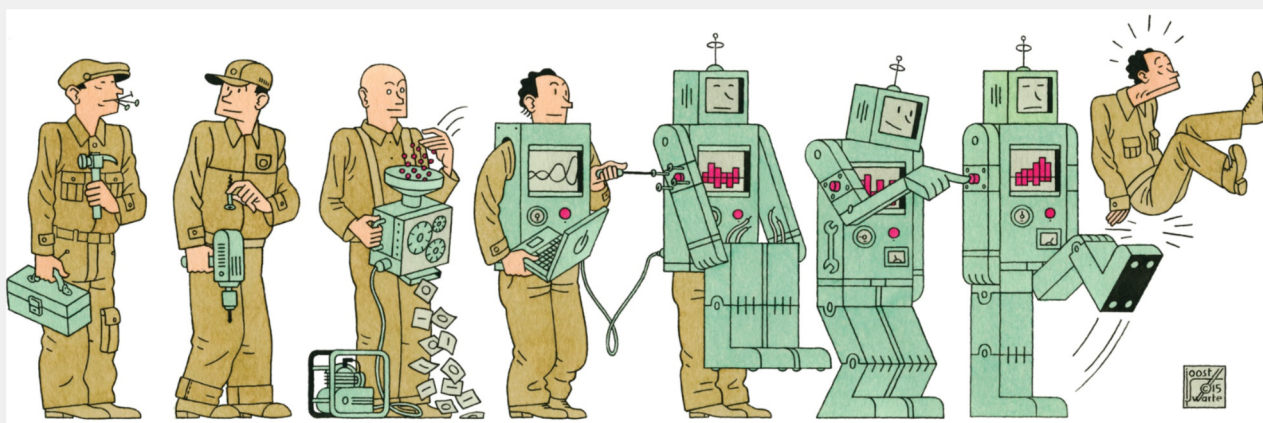
- 1 Analytical thinking and innovation
- 2 Active learning and learning strategies
- 3 Creativity, originality and initiative
- 4 Technology design and programming
- 5 Critical thinking and analysis
- 6 Complex problem-solving
- 7 Leadership and social influence
- 8 Emotional intelligence
- 9 Reasoning, problem-solving and ideation
- 10 Systems analysis and evaluation

Declining

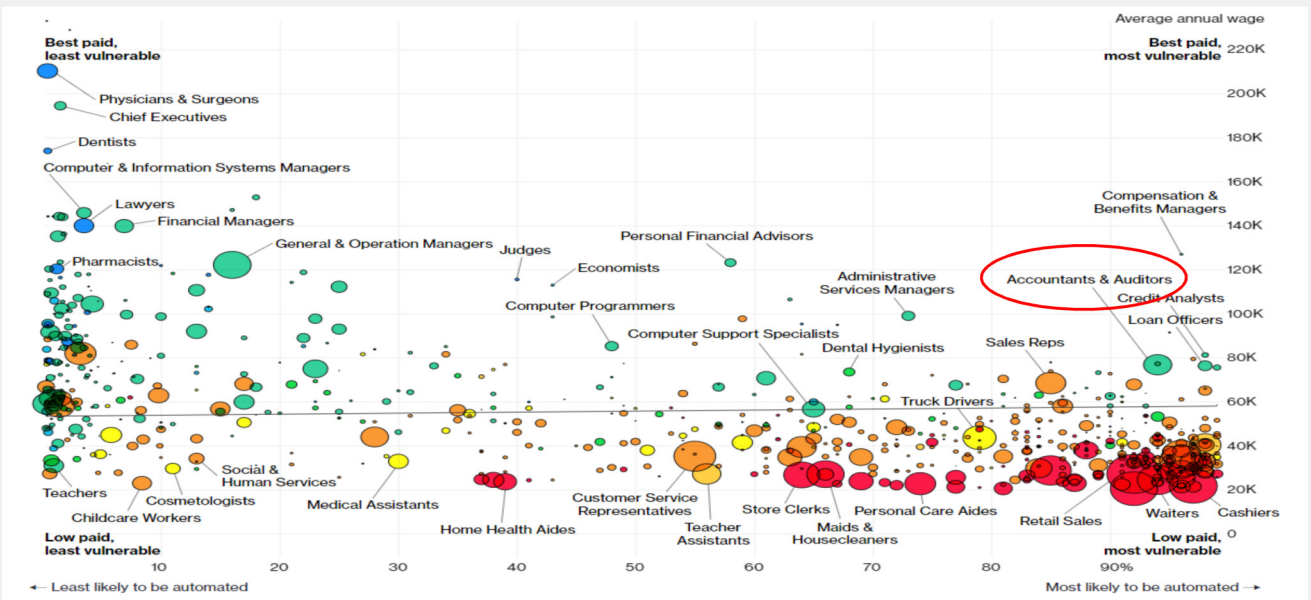
- 1 Manual dexterity, endurance and precision
- 2 Memory, verbal, auditory and spatial abilities
- 3 Management of financial, material resources
- 4 Technology installation and maintenance
- 5 Reading, writing, math and active listening
- 6 Management of personnel
- 7 Quality control and safety awareness
- 8 Coordination and time management
- 9 Visual, auditory and speech abilities
- 10 Technology use, monitoring and control

Šaltinis: WEF

FUTURE JOBS UNDER CONTROL?

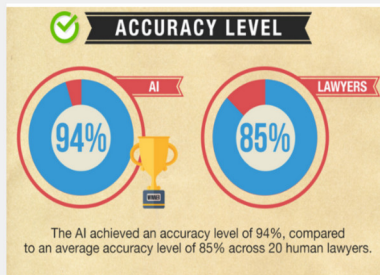
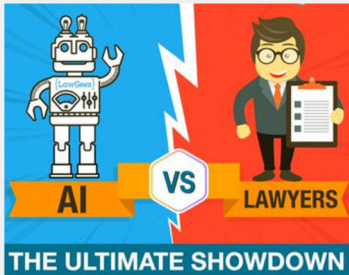


RISK TO AUTOMATION IS HIGH



Šaltinis: WEF

DISRUPT THE DISRUPTORS.



If the rate of change on the outside exceeds the rate of change on the inside, the end is near.
— Jack Welch, Former GE CEO

WHAT TO EXPECT IN 2019 AND BEYOND?

- Global growth remains solid, while softens. Exports and consumption slows down.
- No objective reasons to expect economic crisis in 2019. However risks are rising...
- Rising interest rates in US, less stimulus in EU. Further tapering in monetary policy may result into slower growth by 2019-end.
- Political tensions, including European Parliament elections.
- Future business model specifics: Be prepared for the cardinal shift. Invest into innovations and automation. Use the data. Consulting.

Work Smarter,
Not Harder.

