



*Welcome to Dr. Sohn's
Economic Network*



BRICs
to
America
May 2014



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Key Topics Today

Slow Growth

Global Tipping Point

What to Do?



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Why Slow Growth?

History

Productivity

Labor Force

Regulation



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History

1847-Railroad

1907-Financial Panic

Great Depression



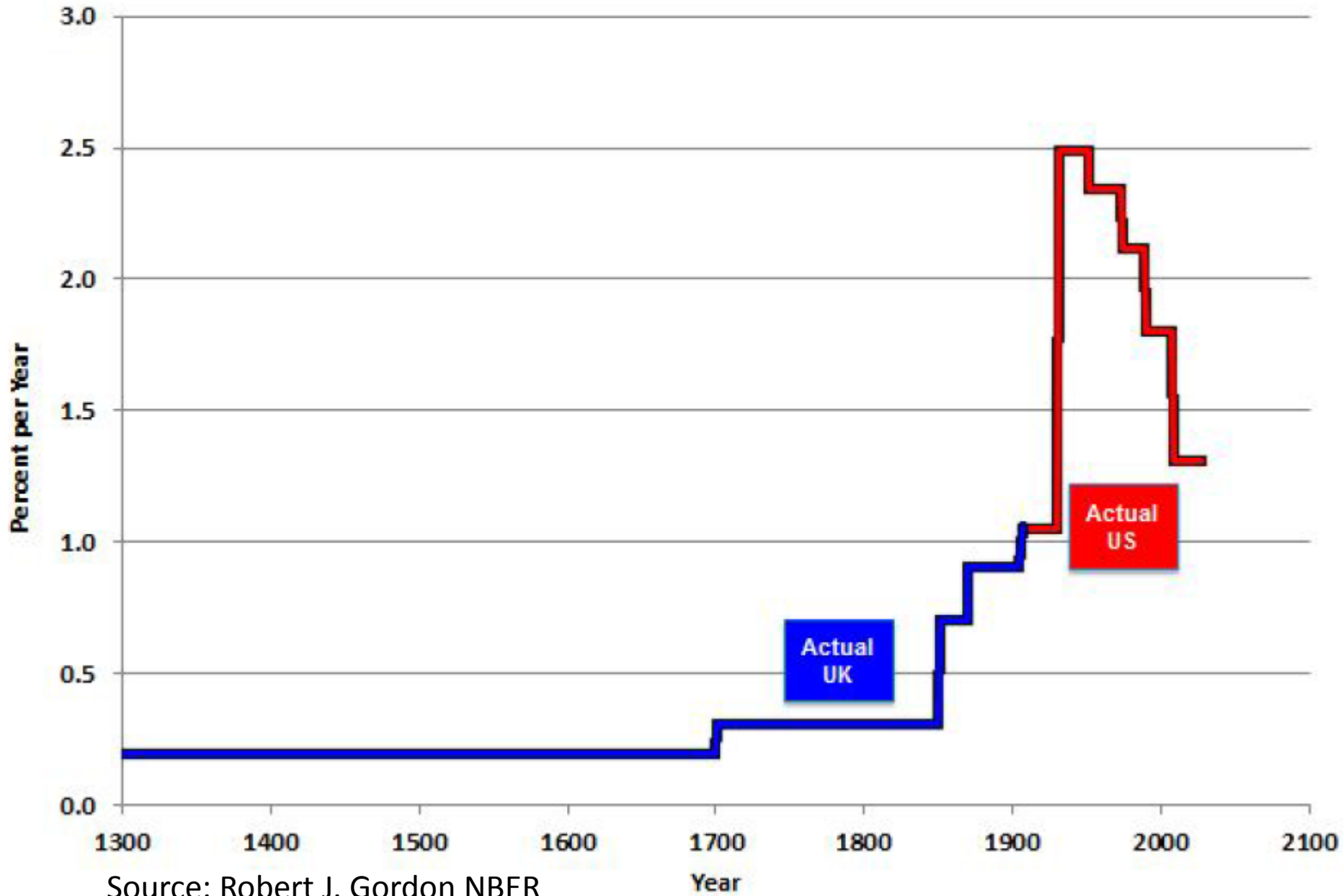
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Productivity

*Swedish
Cheese Factory*

Growth in Real GDP per Capita, 1300-2100



Source: Robert J. Gordon NBER



Productivity Gains

1300-1800 Double

1800-1900 Double

20th Century 35 Years

21st Century >35 years



Productivity: 1750 to 1830

Steam Engines

Textiles/Cotton Spinning

Railroads



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Golden Age: 1870 to 1920

Indoor Plumbing

Automobile

Electricity



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Productivity: 1960 to Date

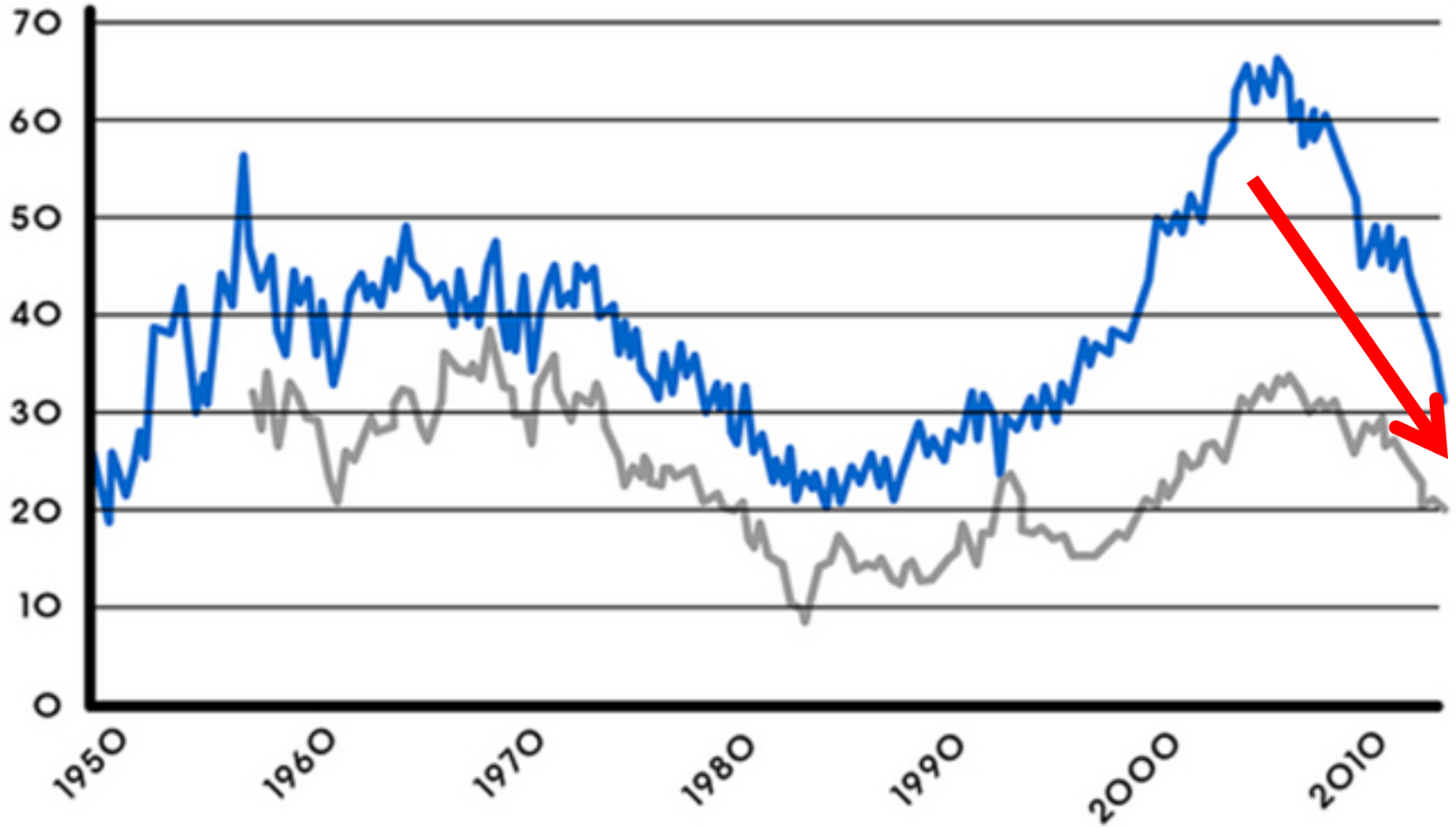
Computer

Internet

Smart Phones

TEN-YEAR PERCENT CHANGE IN PRODUCTIVITY:
MANUFACTURING vs NONFARM BUSINESS

PERCENT CHANGE IN OUTPUT PER MAN HOUR



Source: BLS, Bloomberg



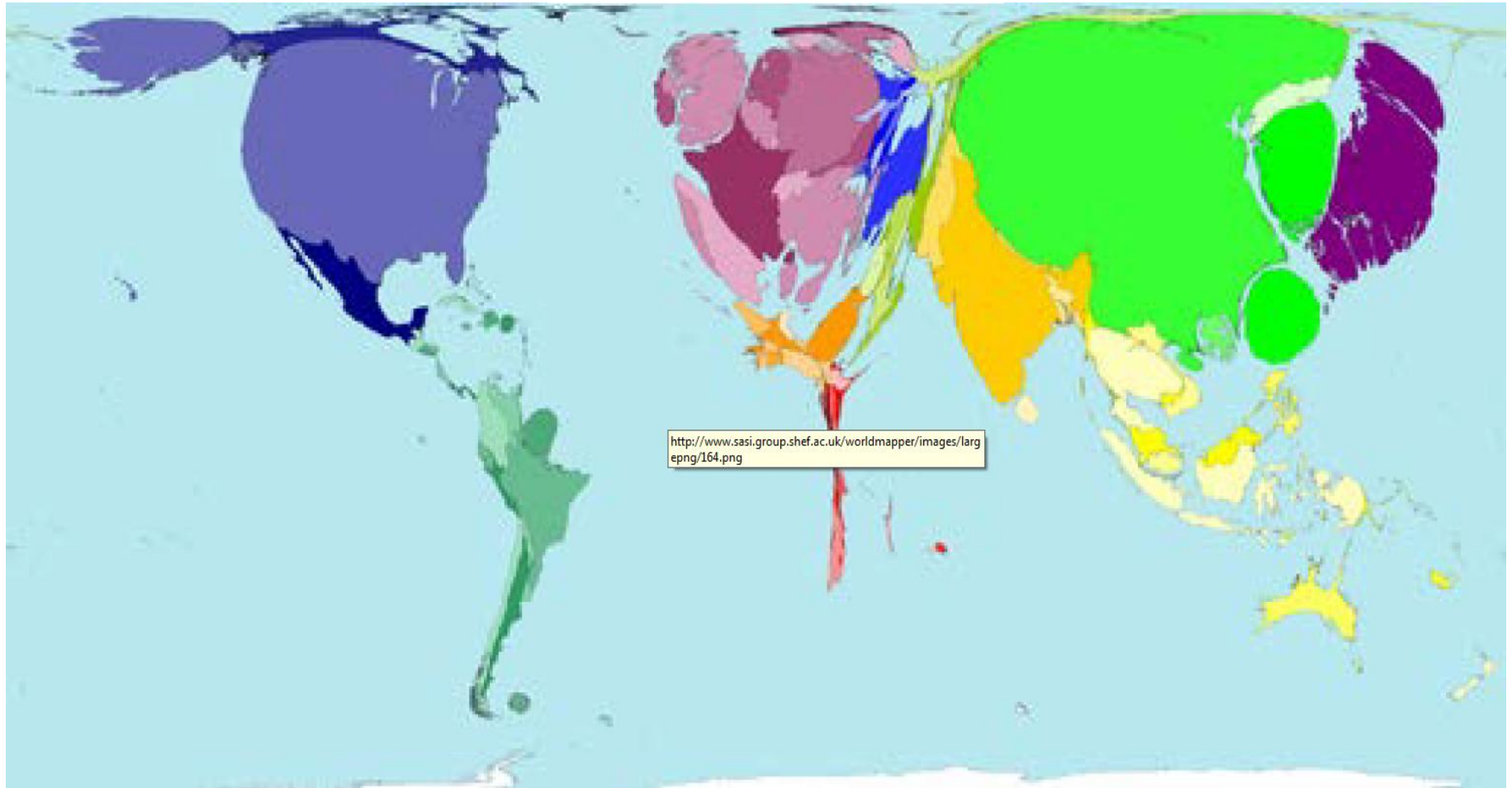
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Slow Productivity

Slow Growth

Economic Map of the World





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Tipping Point

Emerging Markets

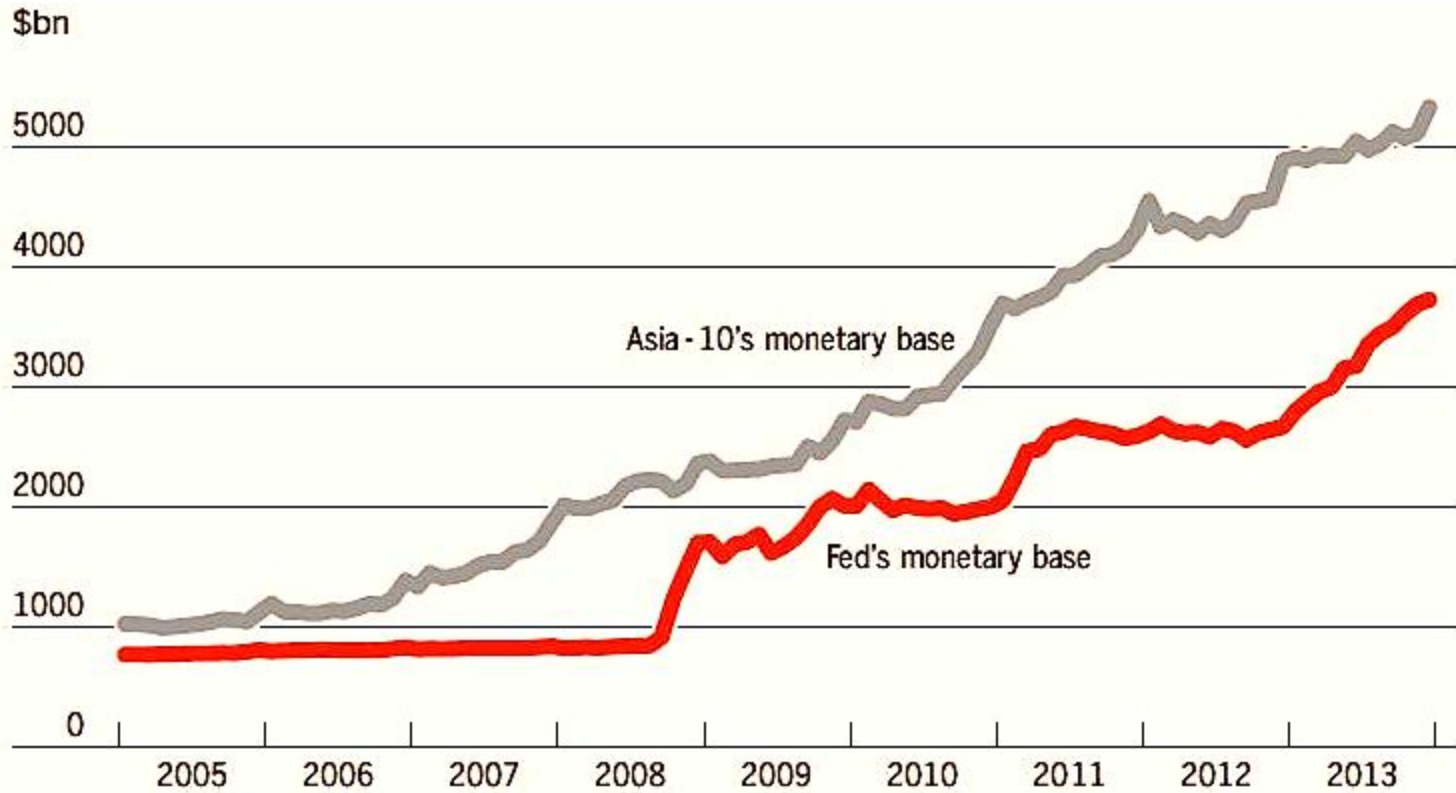
to

Developing Markets



Turkey, India, Indonesia, Brazil, South Africa

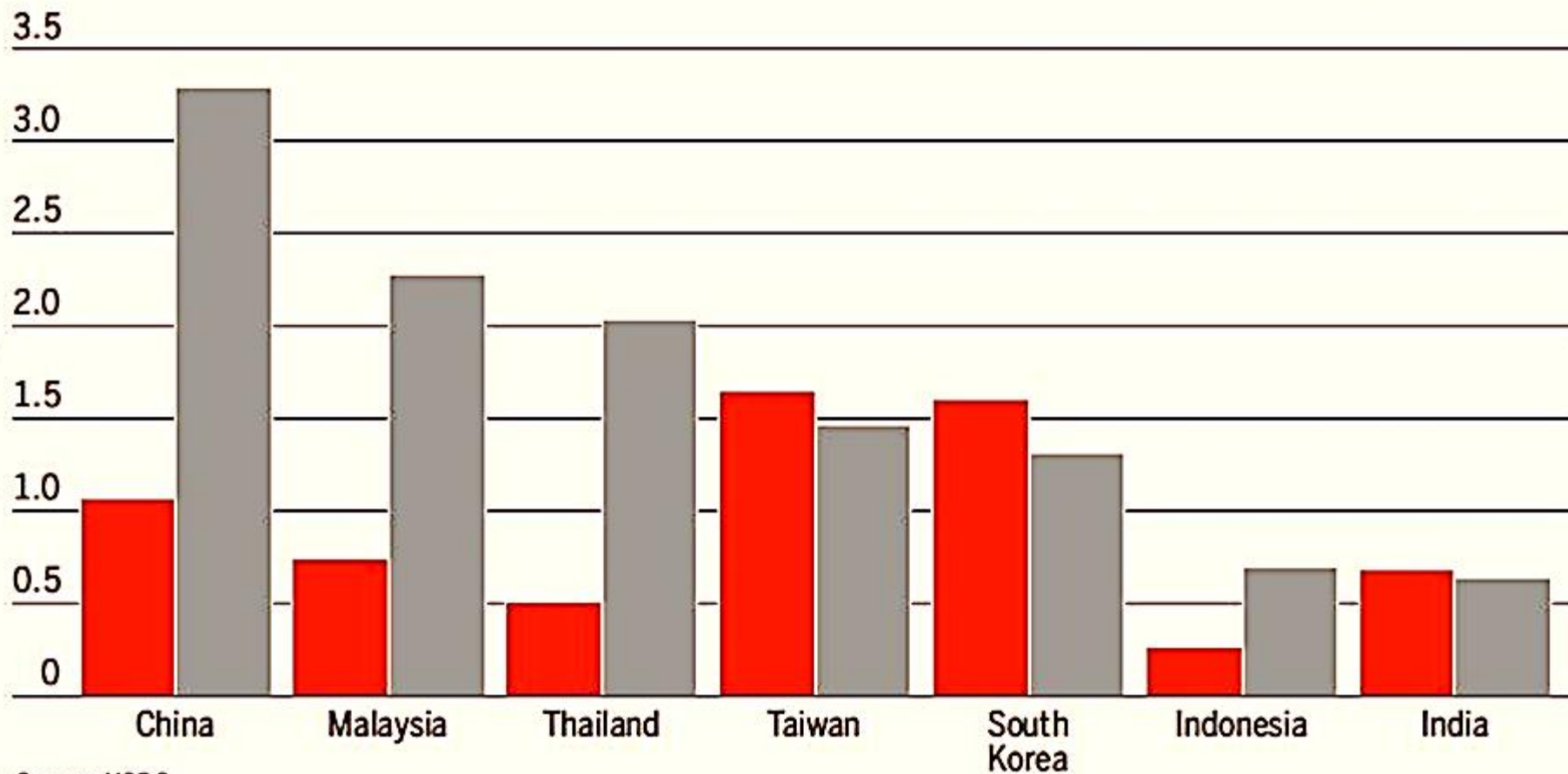
Asia: Central Bank Balance Sheets



Asia: Credit and Economic Growth

Change in nominal debt/change in nominal GDP

■ 2005-07
■ 2013



Source: HSBC

Asia's Exports Sputter

Asia's exports have failed to maintain sustained growth as they did after previous economic crises. Quarterly exports, change from a year earlier:



Source: Thomson Reuters

The Wall Street Journal



U.S. Imports Less

Slower Economic Growth

Capital Spending: Oil & Gas

Consumers Pay Down Debt

Asia Too Expensive



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Less Optimism on EM

C/A Deficit

Inflation

Commodities

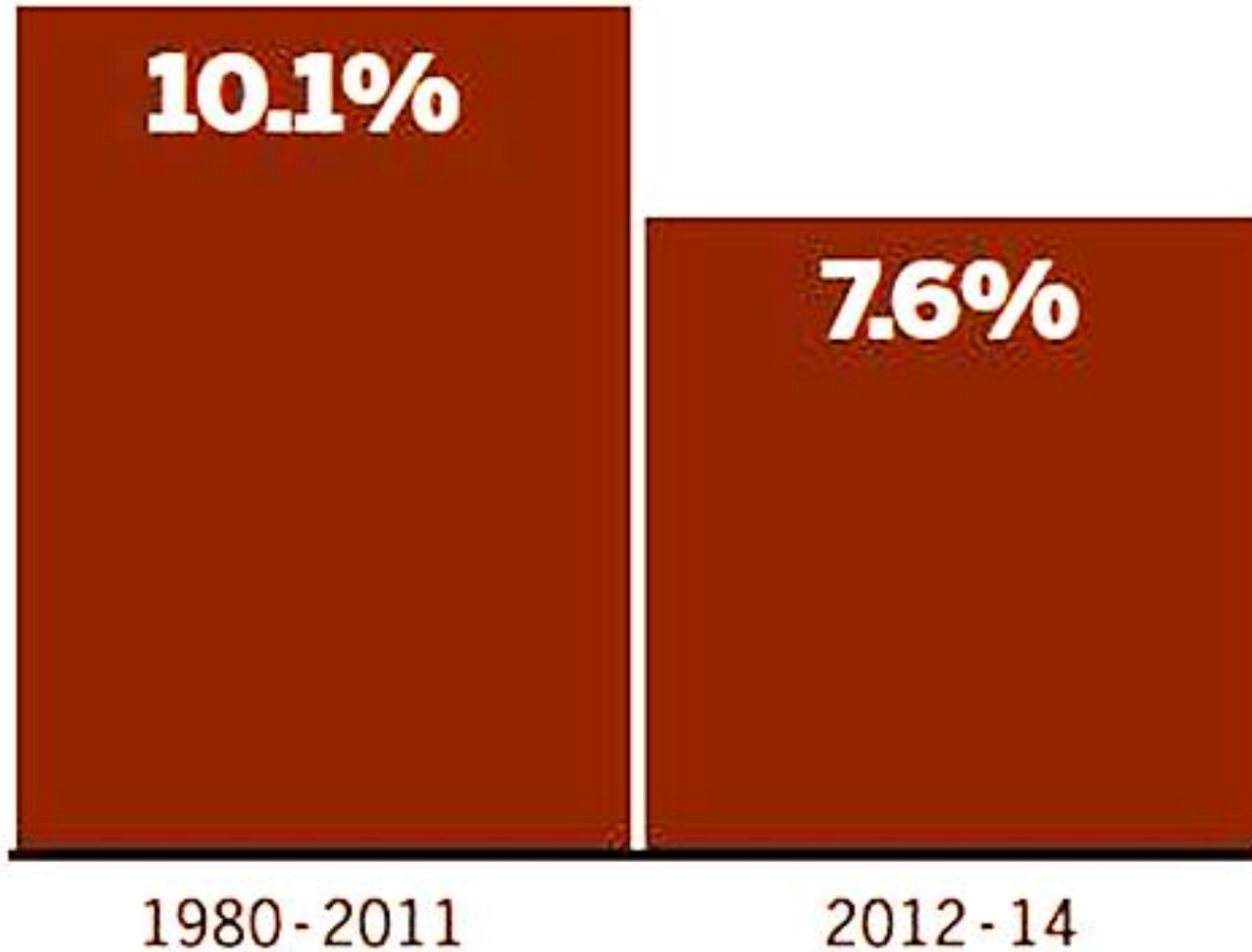


Brazil, Russia, India, China

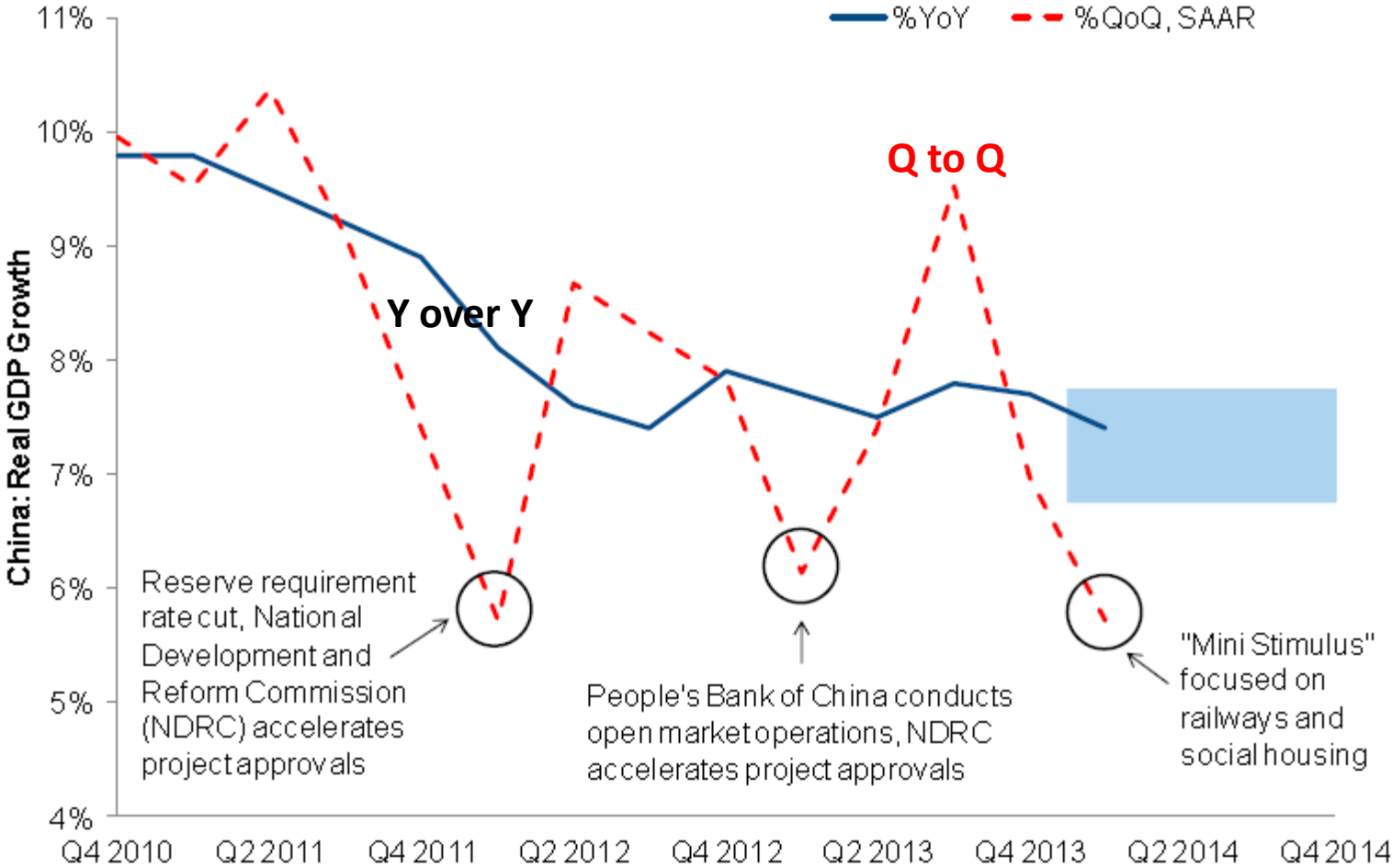
China's Economy



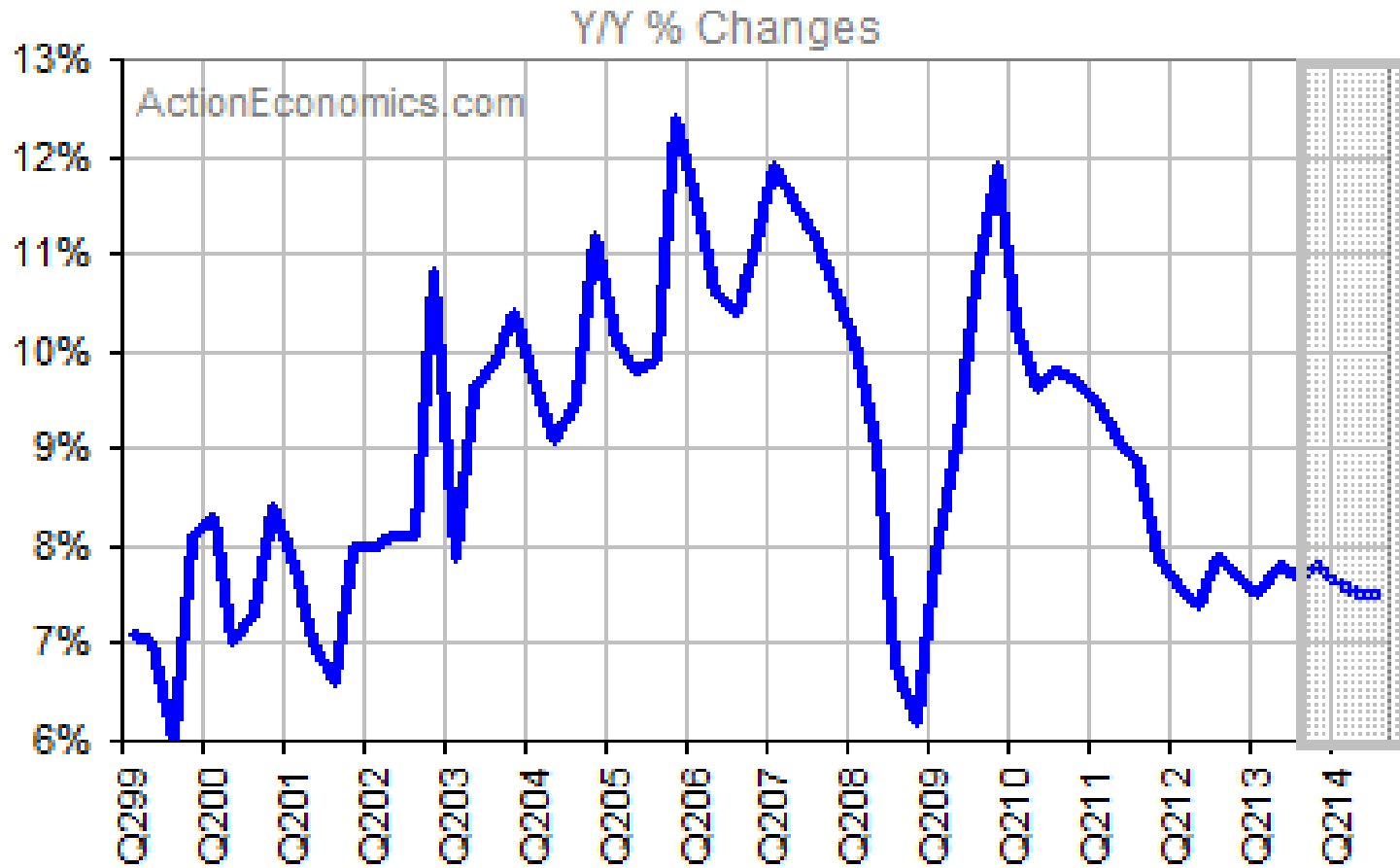
China's GDP Growth: Annual Avg.



China's Economy: Soft Landing



China: Locomotive? China's Real GDP

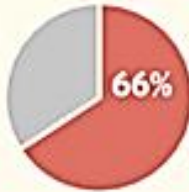


China's Appetite for Commodities

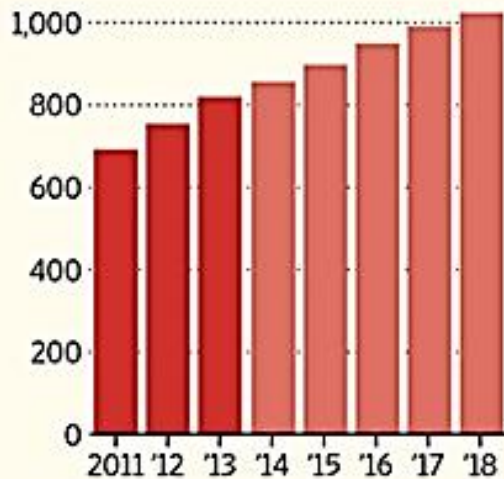
China's domestic consumption



Iron ore



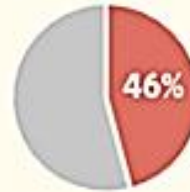
1,200 million metric tons



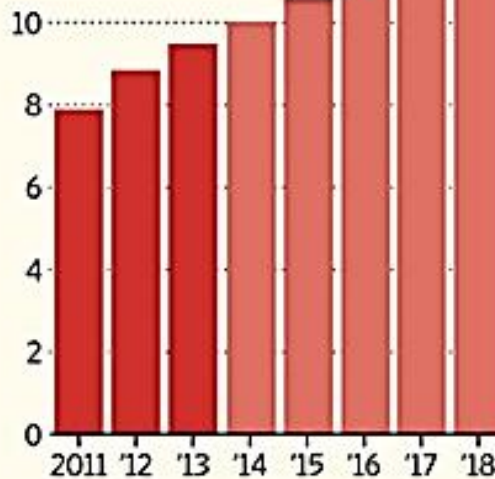
Percentage of global demand, 2014



Copper



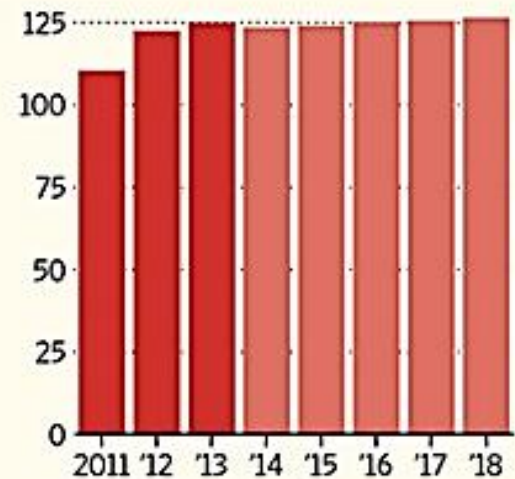
12 million metric tons



Wheat



150 million metric tons





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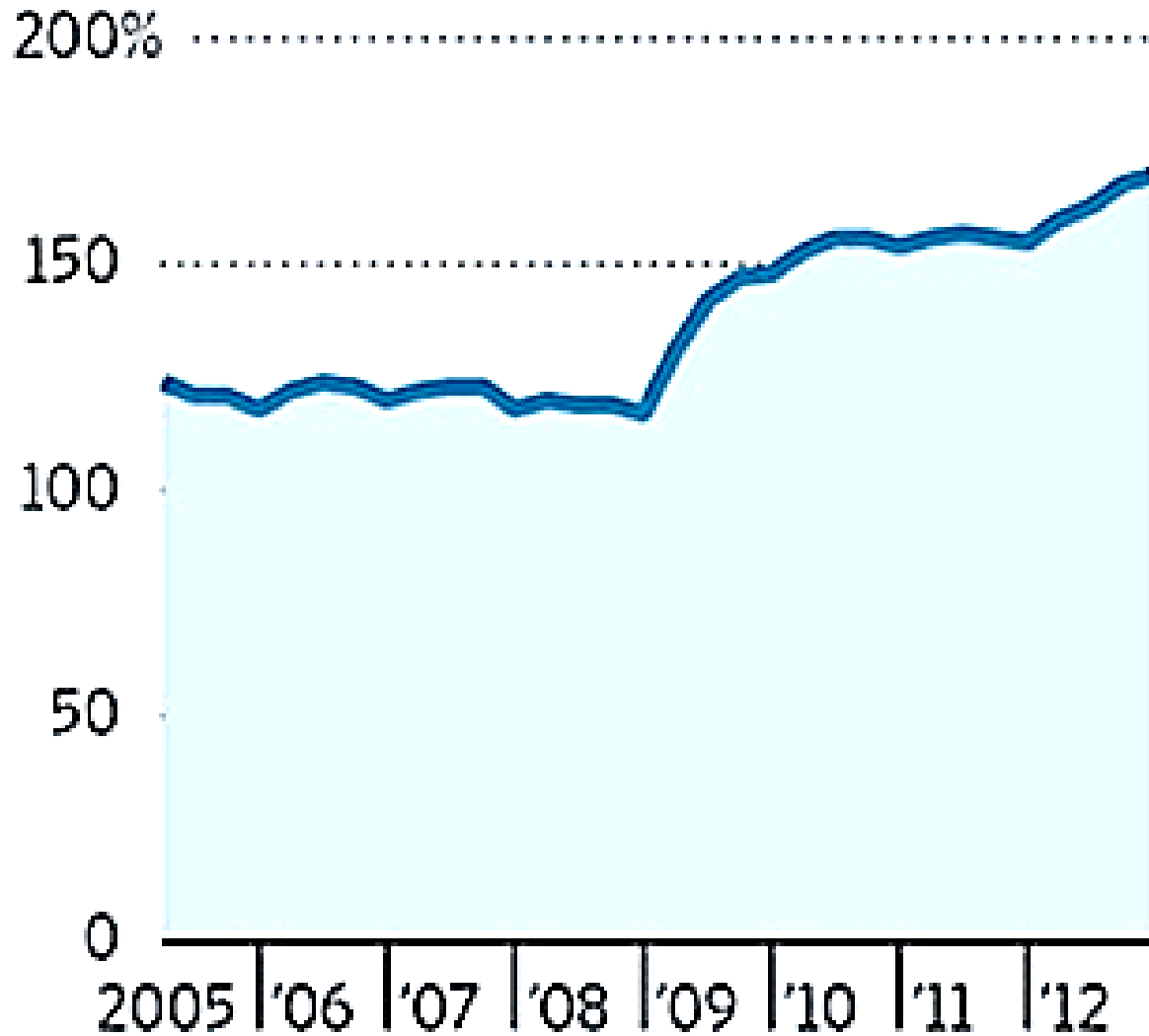
China Risks

Debt

Real Estate Bubble

Costs

China: Debt % of GDP*



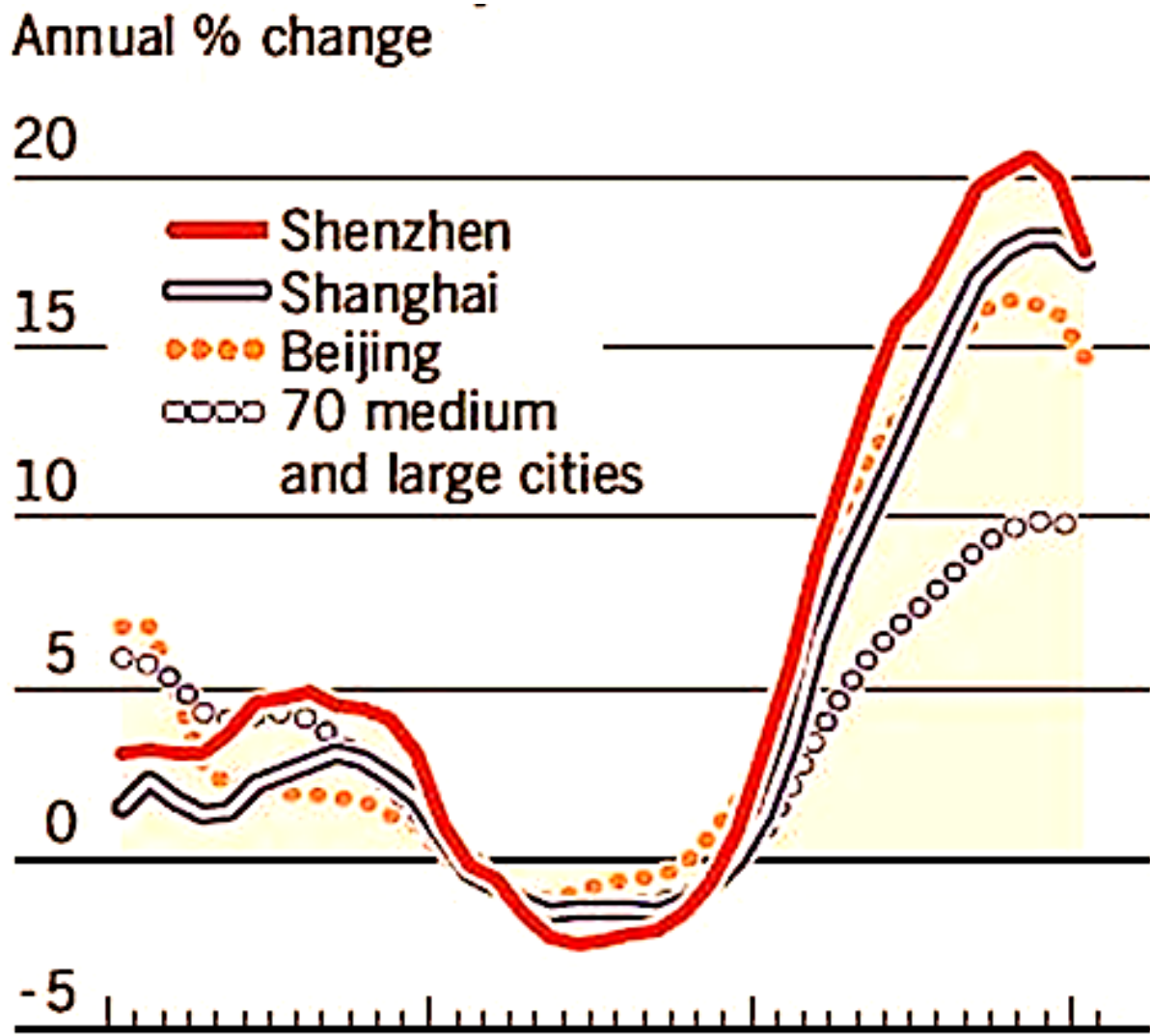
* Business and Household Debt

Guizhou Bridge



Corbis

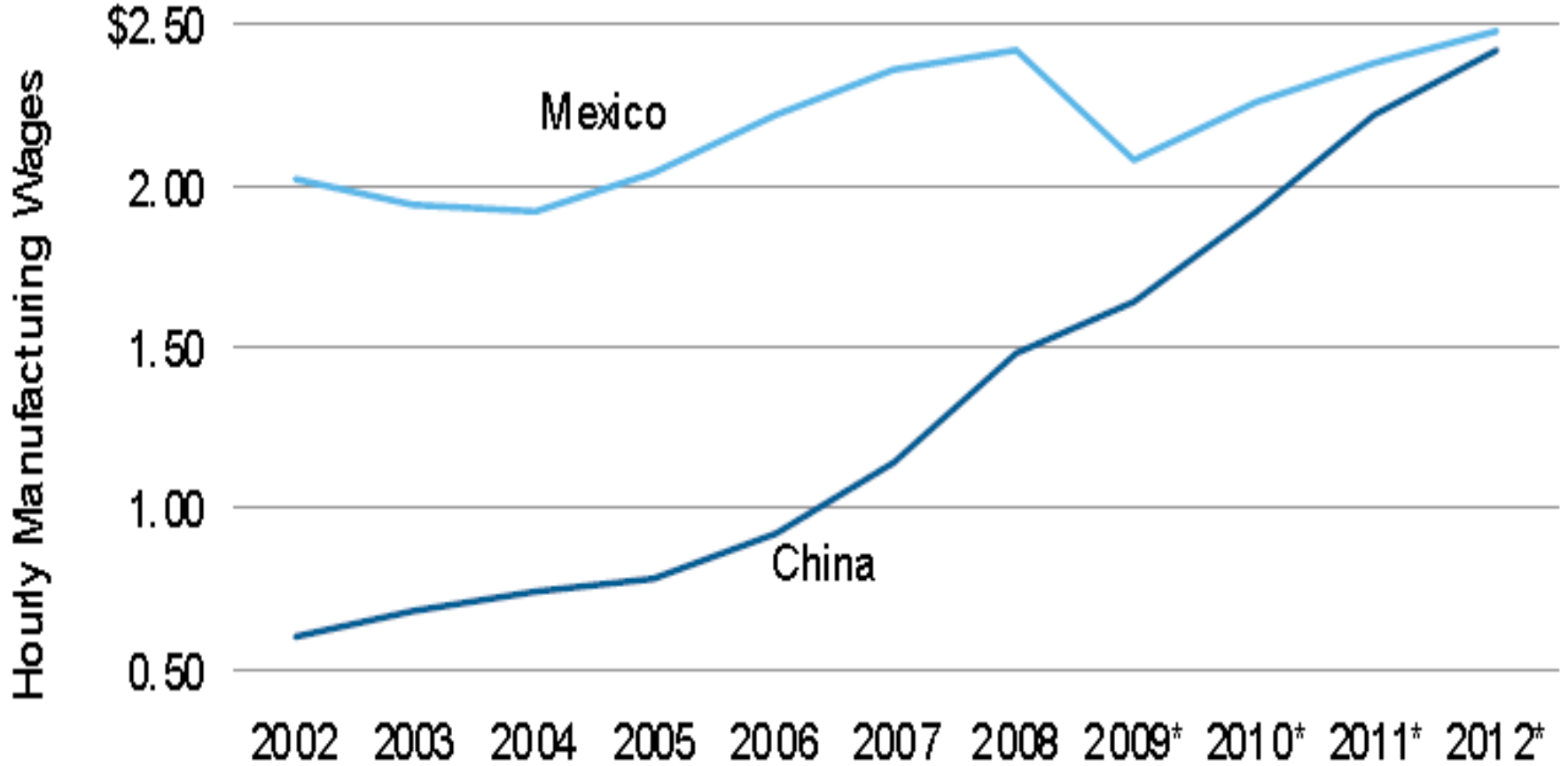
China's House Prices



China's Ghost City



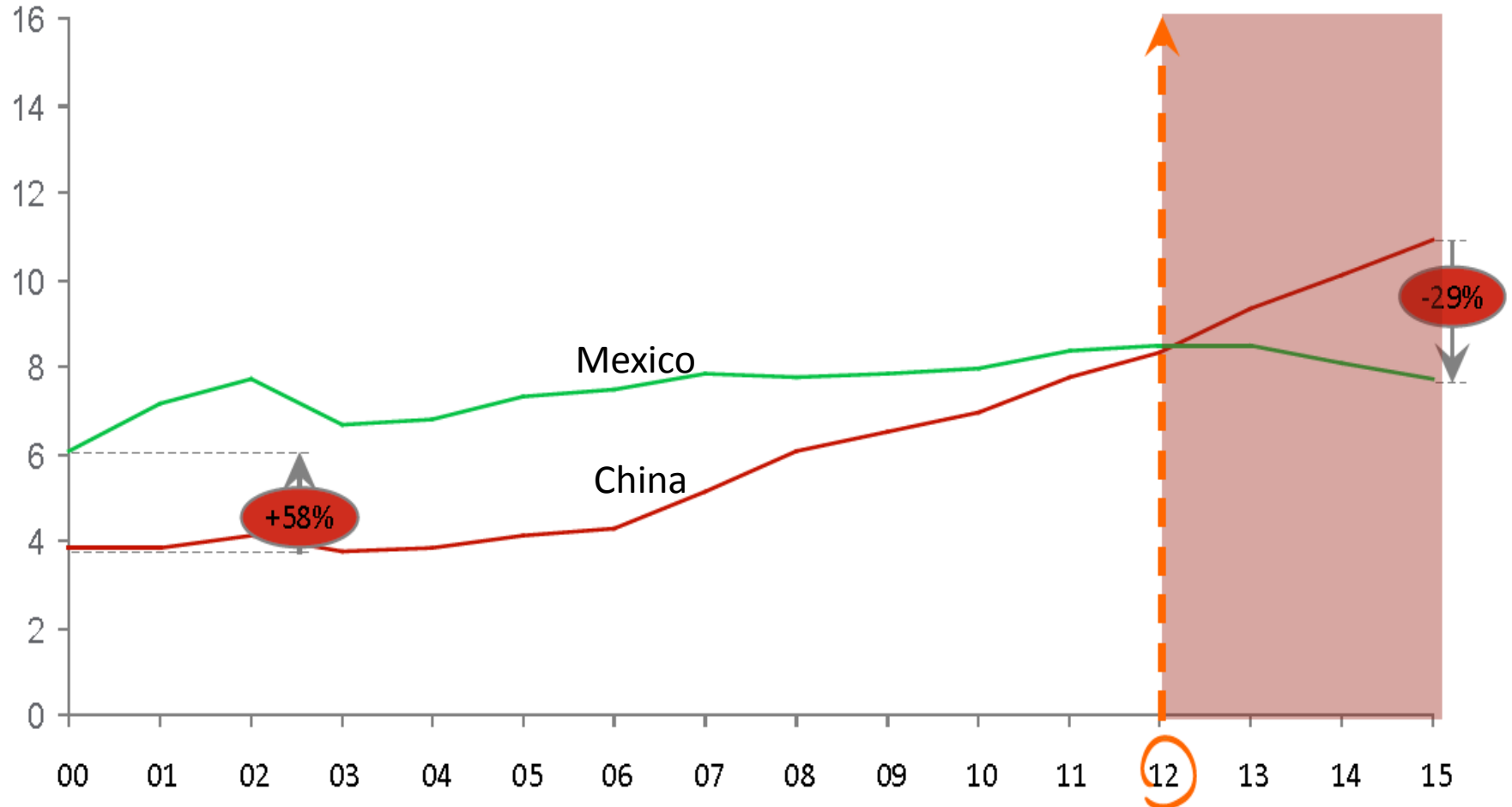
Manufacturing Wages



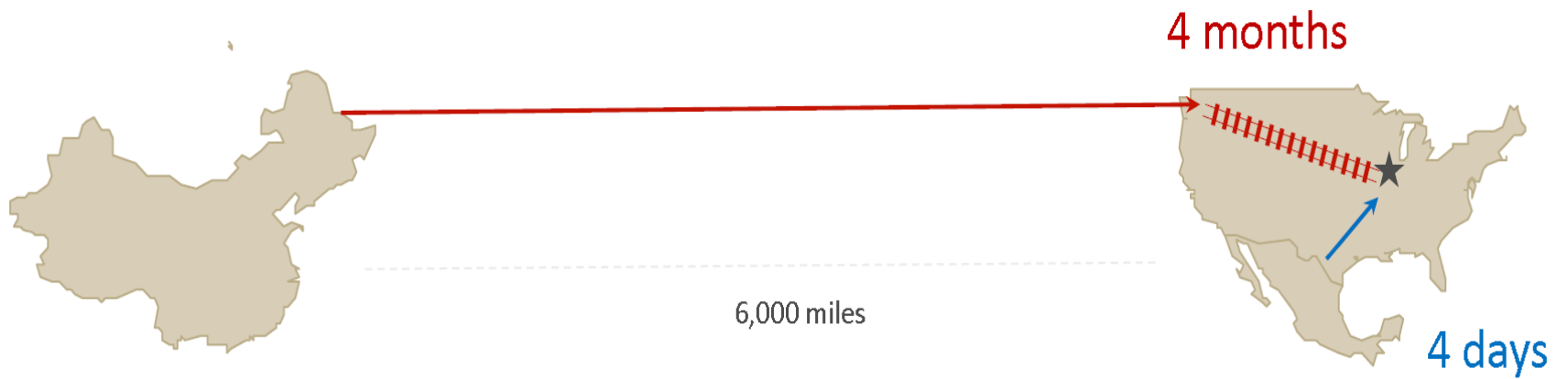
Labor Costs: China vs. Mexico

Productivity-adjusted labor rate

Adj. US\$ / hr



Mexico's Advantage: Distance





Why Pay Attention to EM?

Better Economic Indicators

Growing Market Cap.

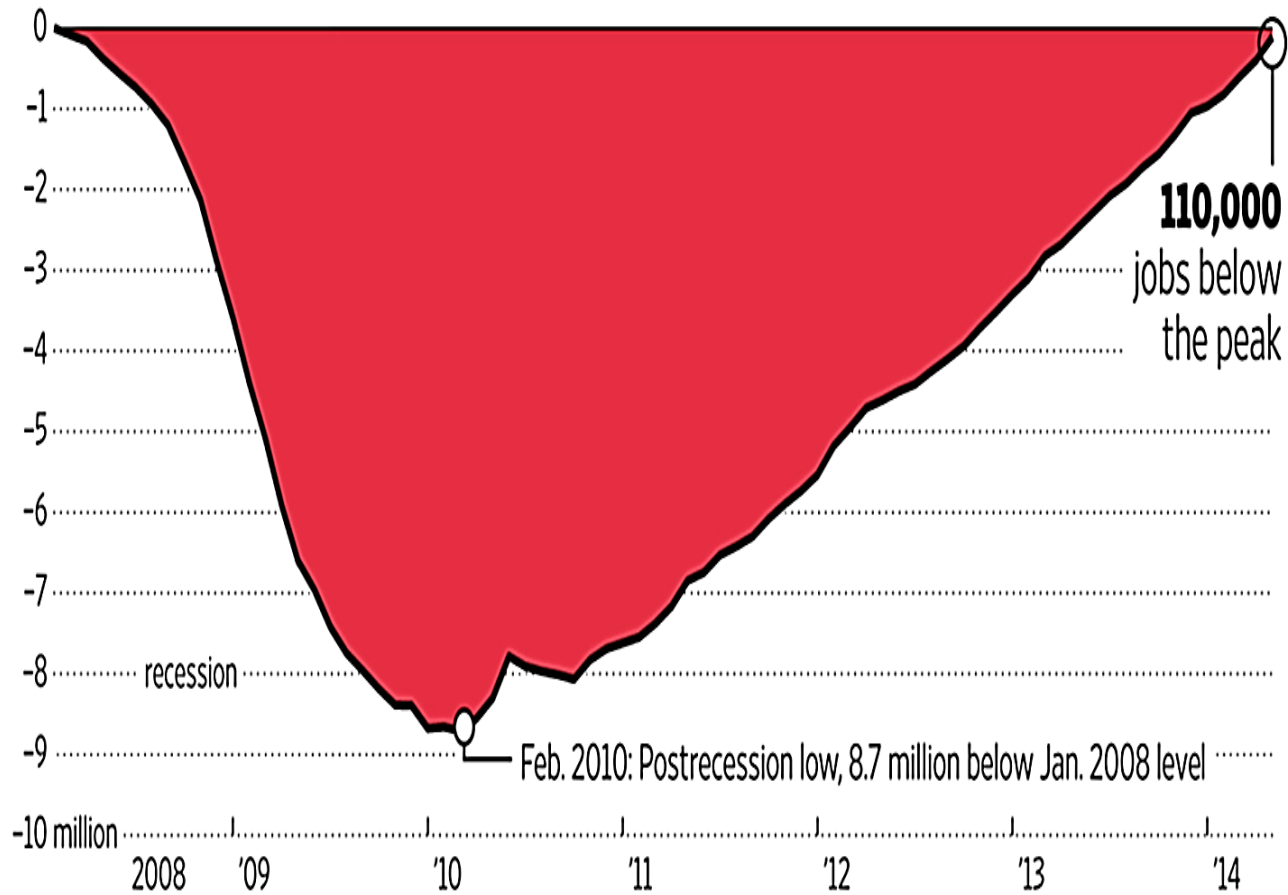
Higher Return

Diversification

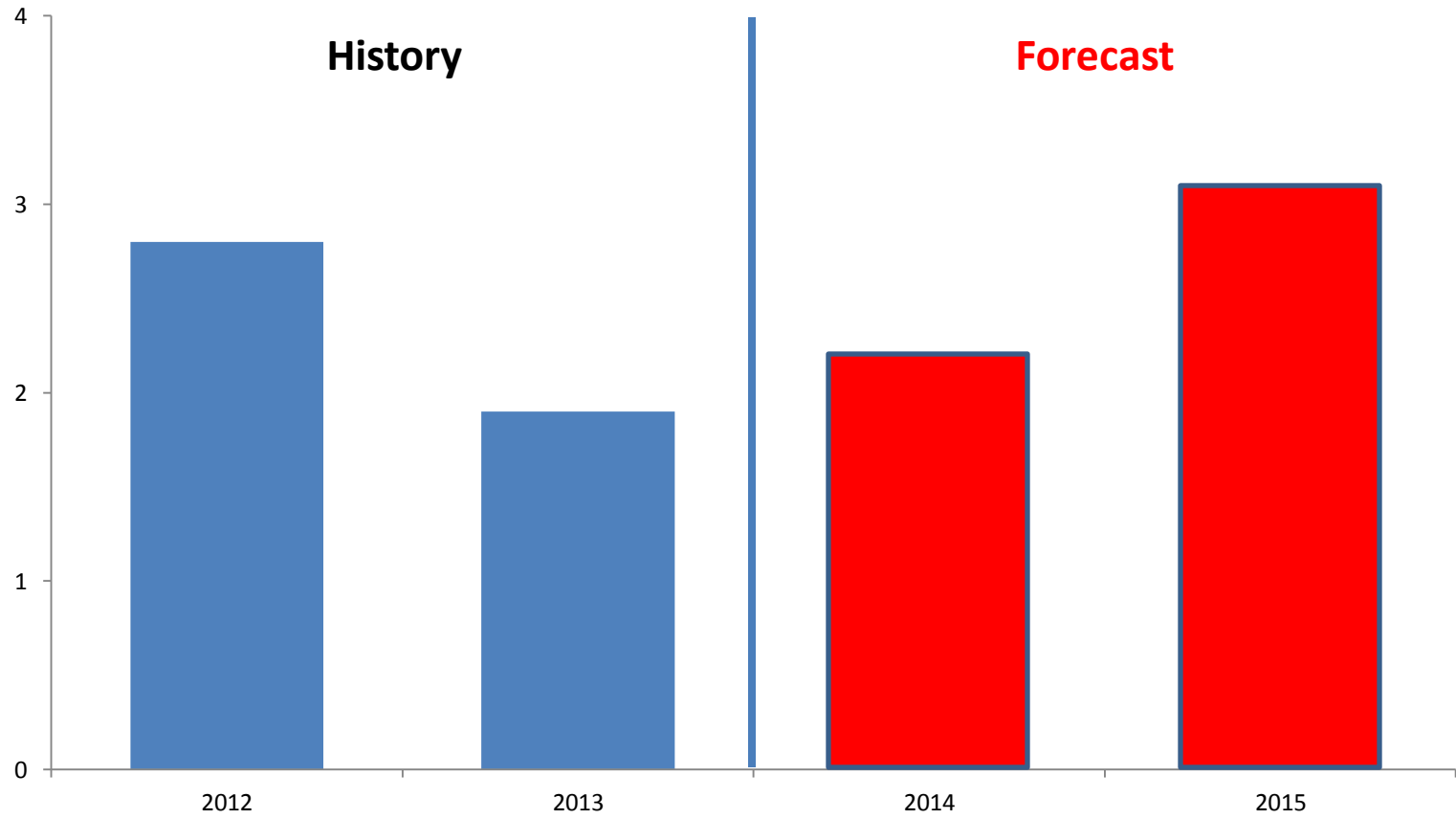


U.S. Jobs: Back to Pre-Recession Peak

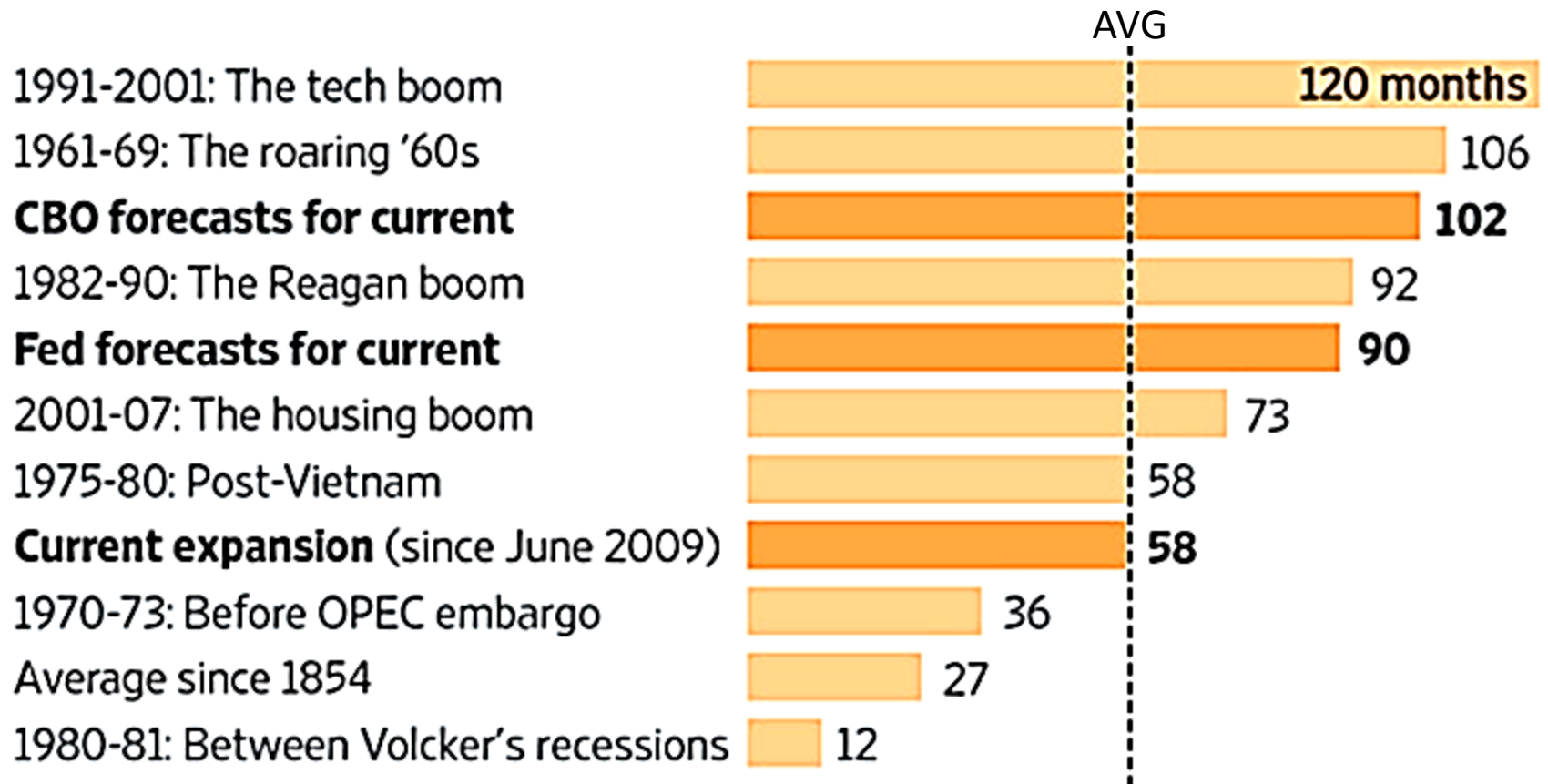
Cumulative change in nonfarm payrolls since the peak in Jan. 2008, in millions



U.S. Economic Growth



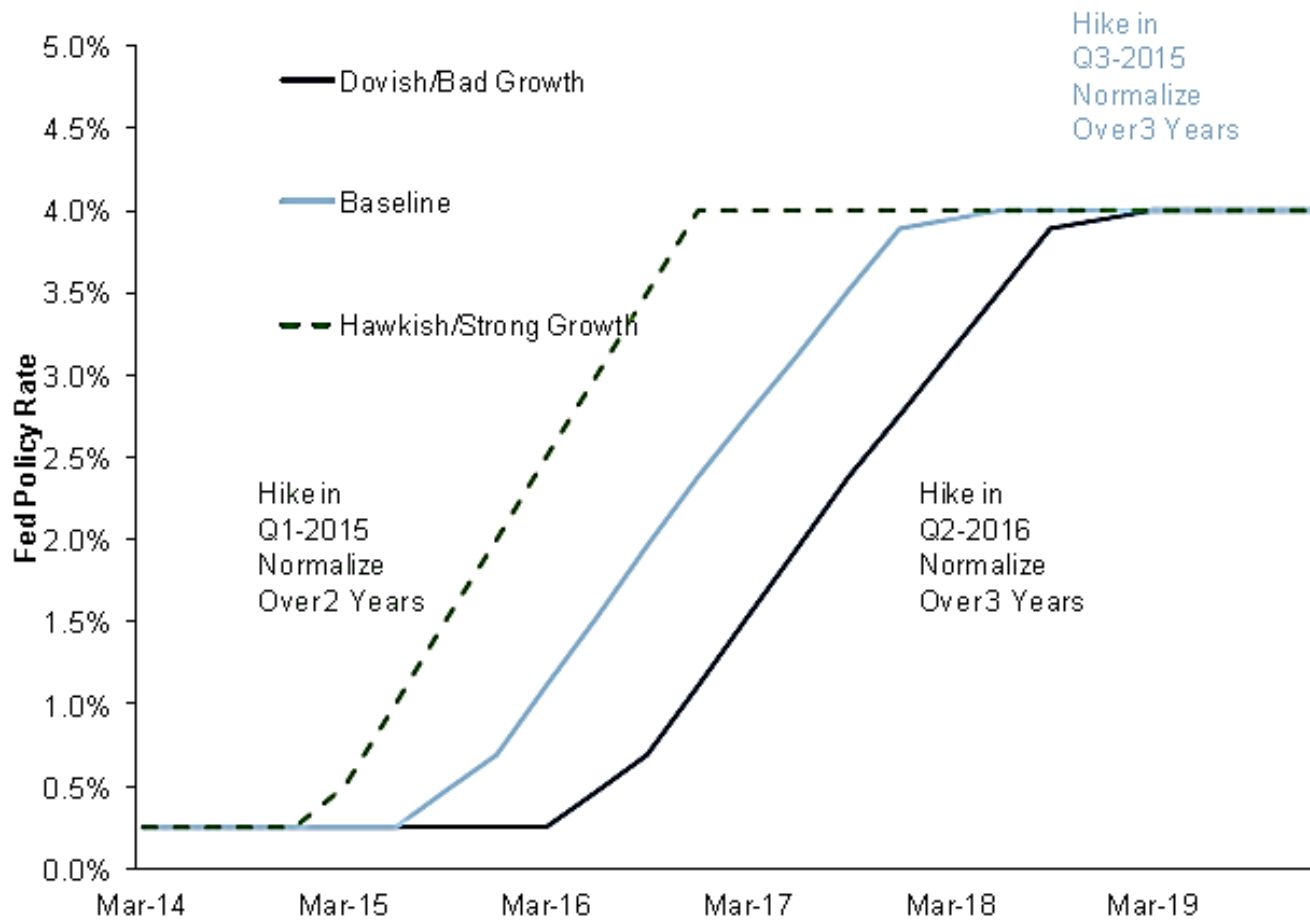
Length of Economic Expansions



Recession Triggers

1948-49	Fed tightening
1953-54	Fiscal tightening
1957-58	Fed tightening
1960-61	Fed and fiscal policy tightening
1969-70	Fed tightening, GM strike deepens the recession
1973-75	Oil shock, Fed tightening
1980	Oil shock, Fed tightening, credit controls
1981-82	Fed tightening
1990-91	Fed tightening, oil shock, saving and loans crisis
2001-02	End of Information Technology bubble
2007-09	End of housing bubble

Fed Rate Hike Scenarios





Fed Reserve Holdings % GDP





America's Advantages

1. Economic

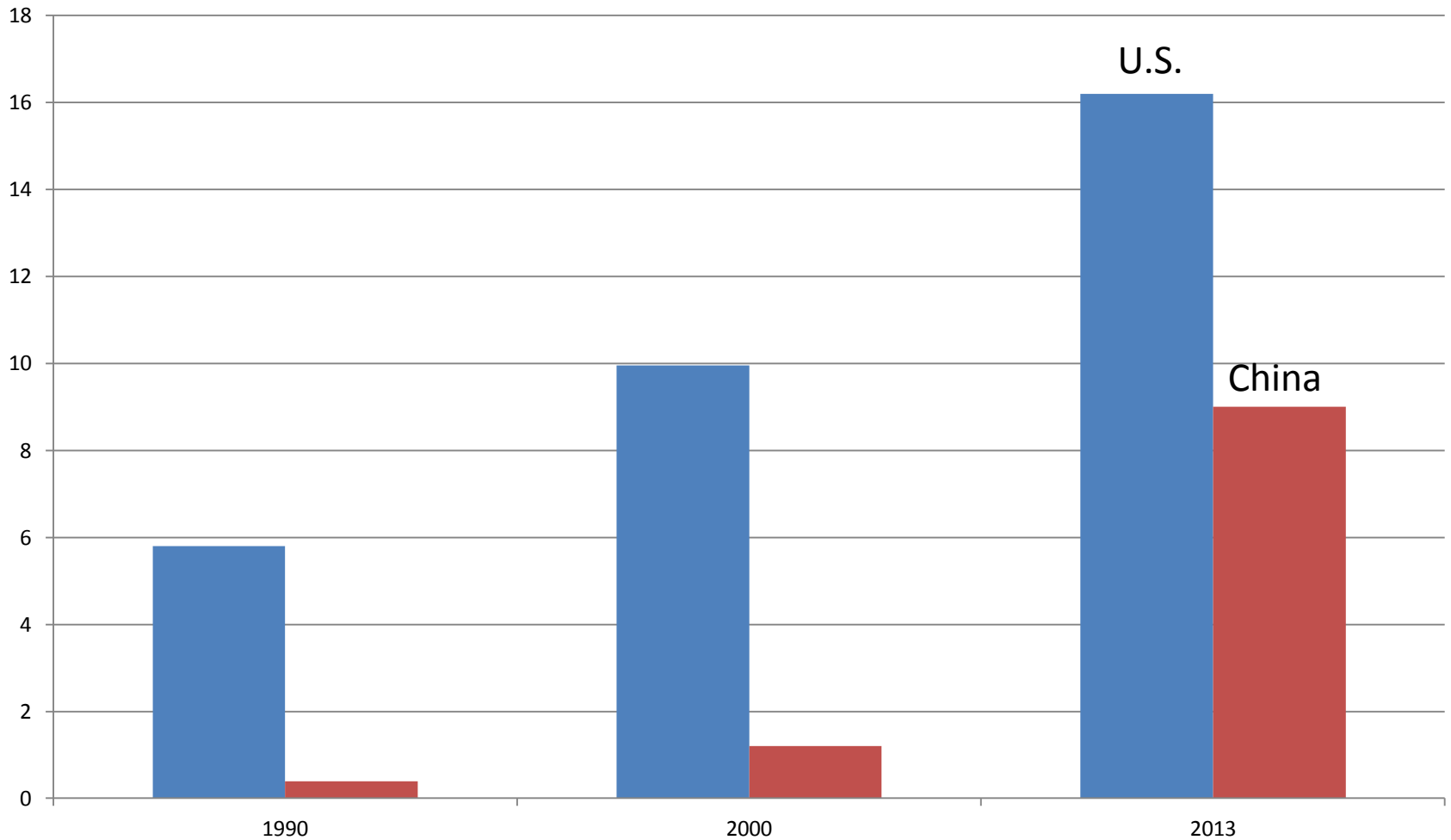
2. Institutional

3. Human Capital

4. Location

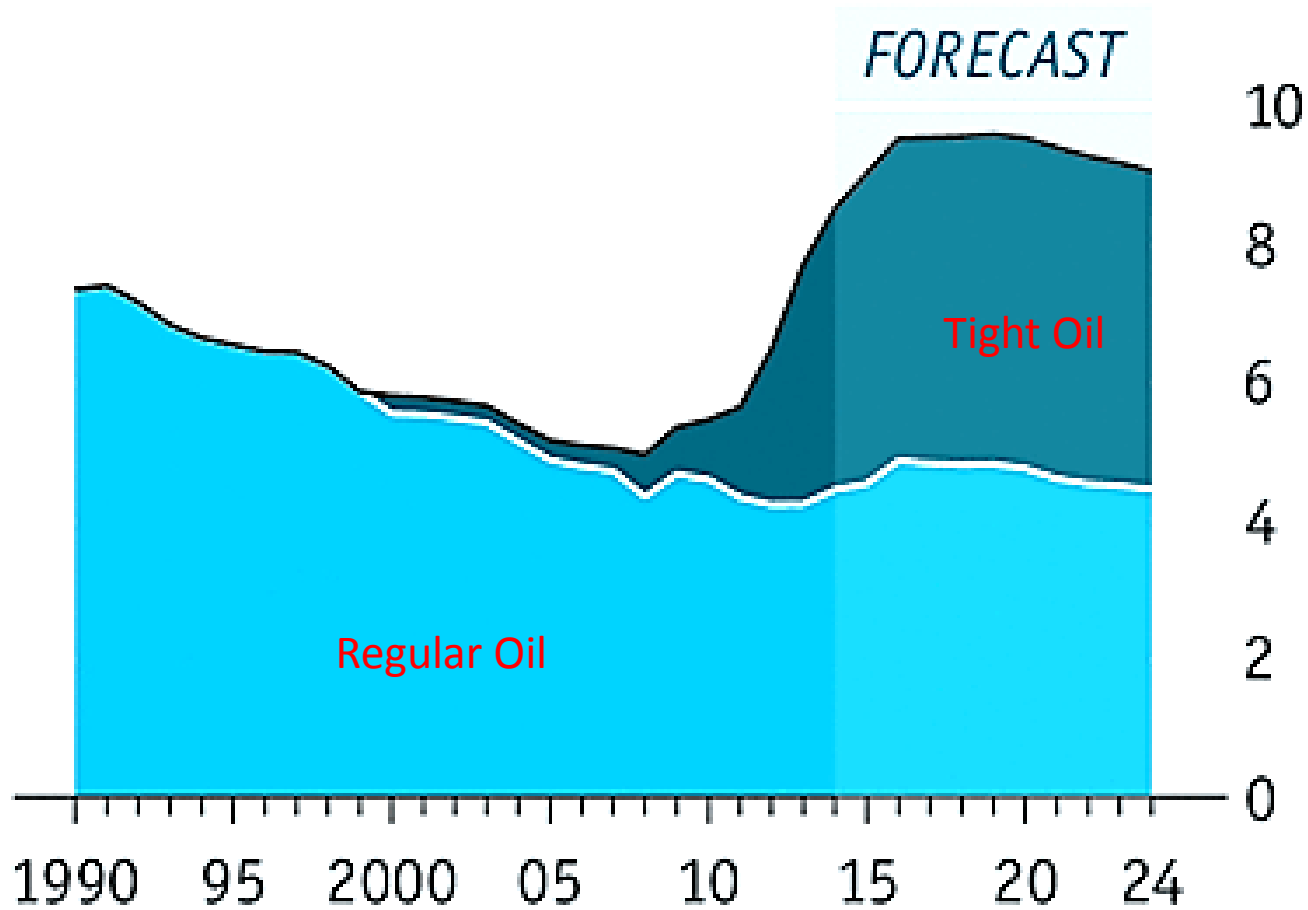
Economic Size: U.S. vs. China

Trillions of \$

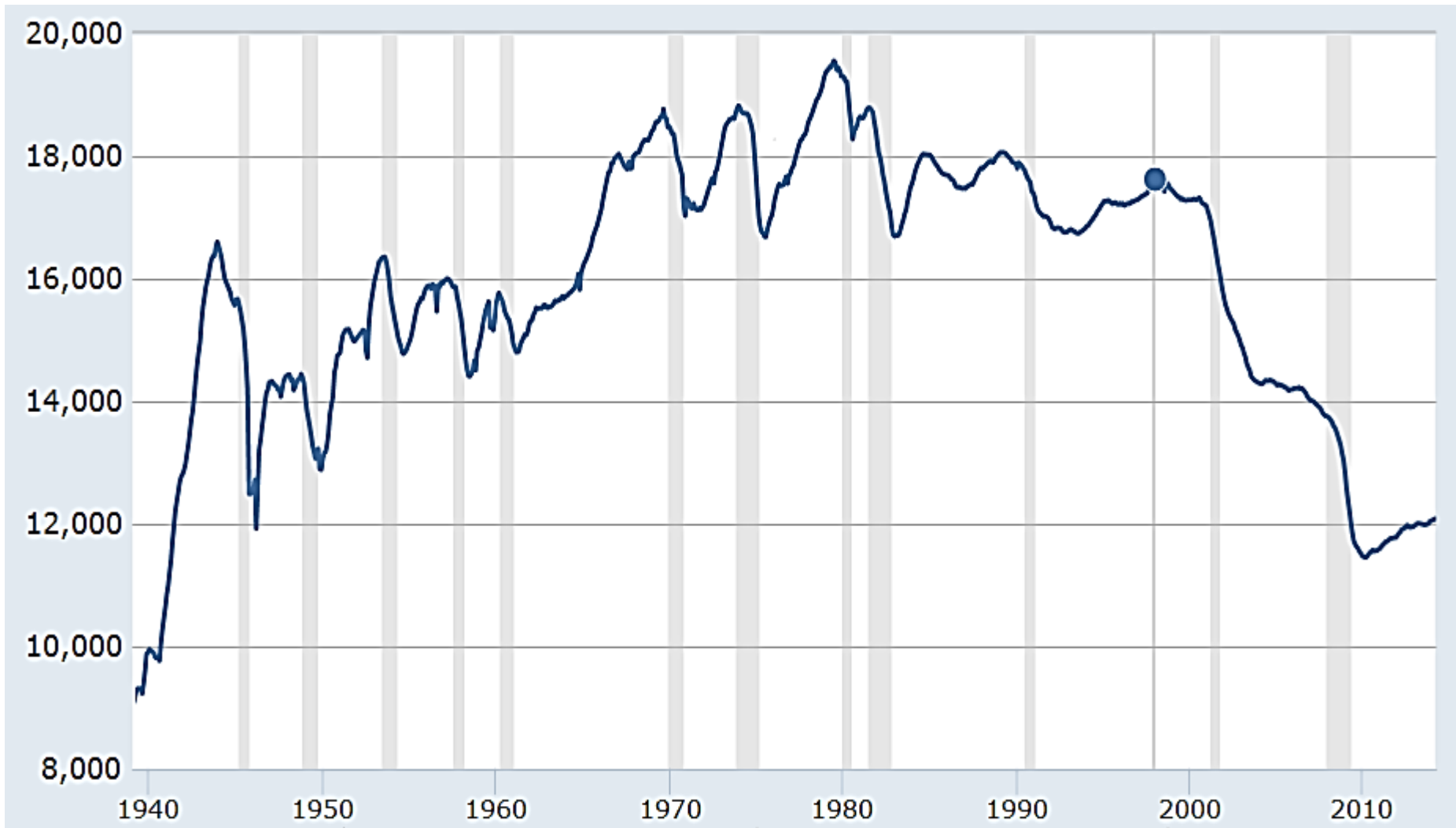


Saudi America Oil Production

Millions Barrels per Day



U.S. Manufacturing Employment



U.S. Firms Re-shoring



http://upload.wikimedia.org/wikipedia/en/thumb/f/ff/General_Electric_logo.svg/240px-General_Electric_logo.svg.png



GE Appliance Park in Ky



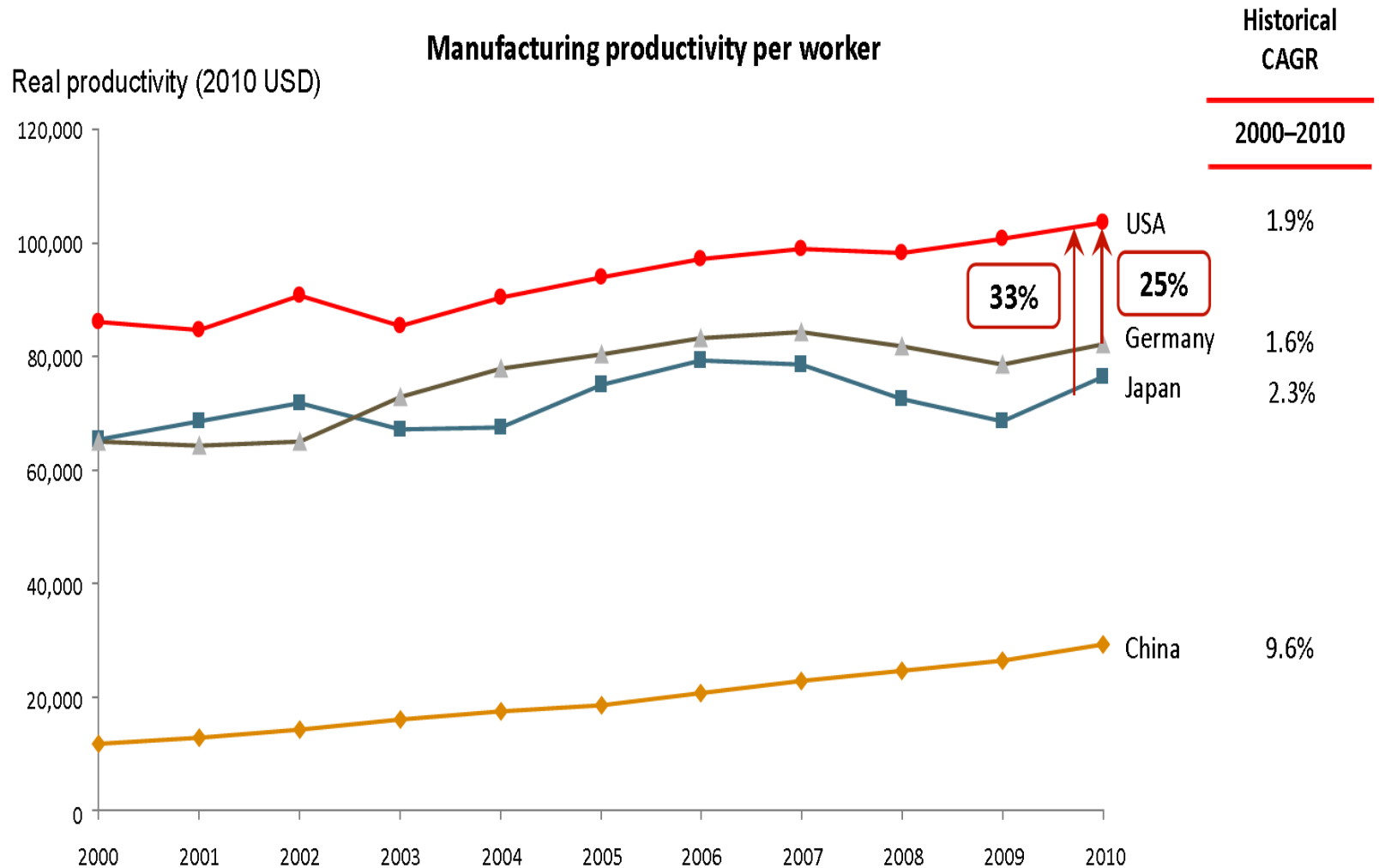
Foreign Firms Expanding in U.S.



<http://www.dmcinfo.com/Portals/0/Siemens-logo1.jpg>

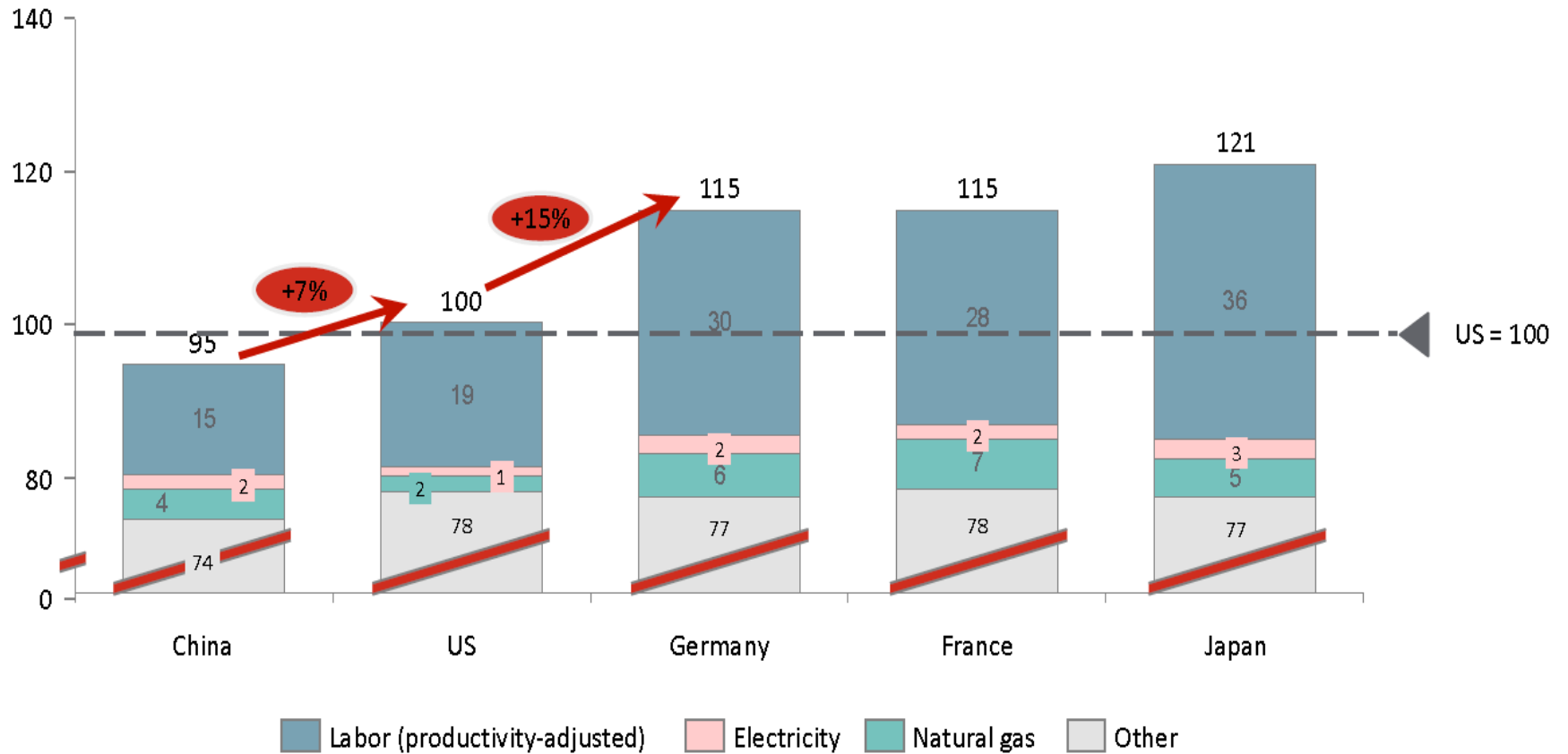


Manufacturing Productivity



Relative Manufacturing Costs

Manufacturing cost index (US = 100)





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#4

Geographical Location



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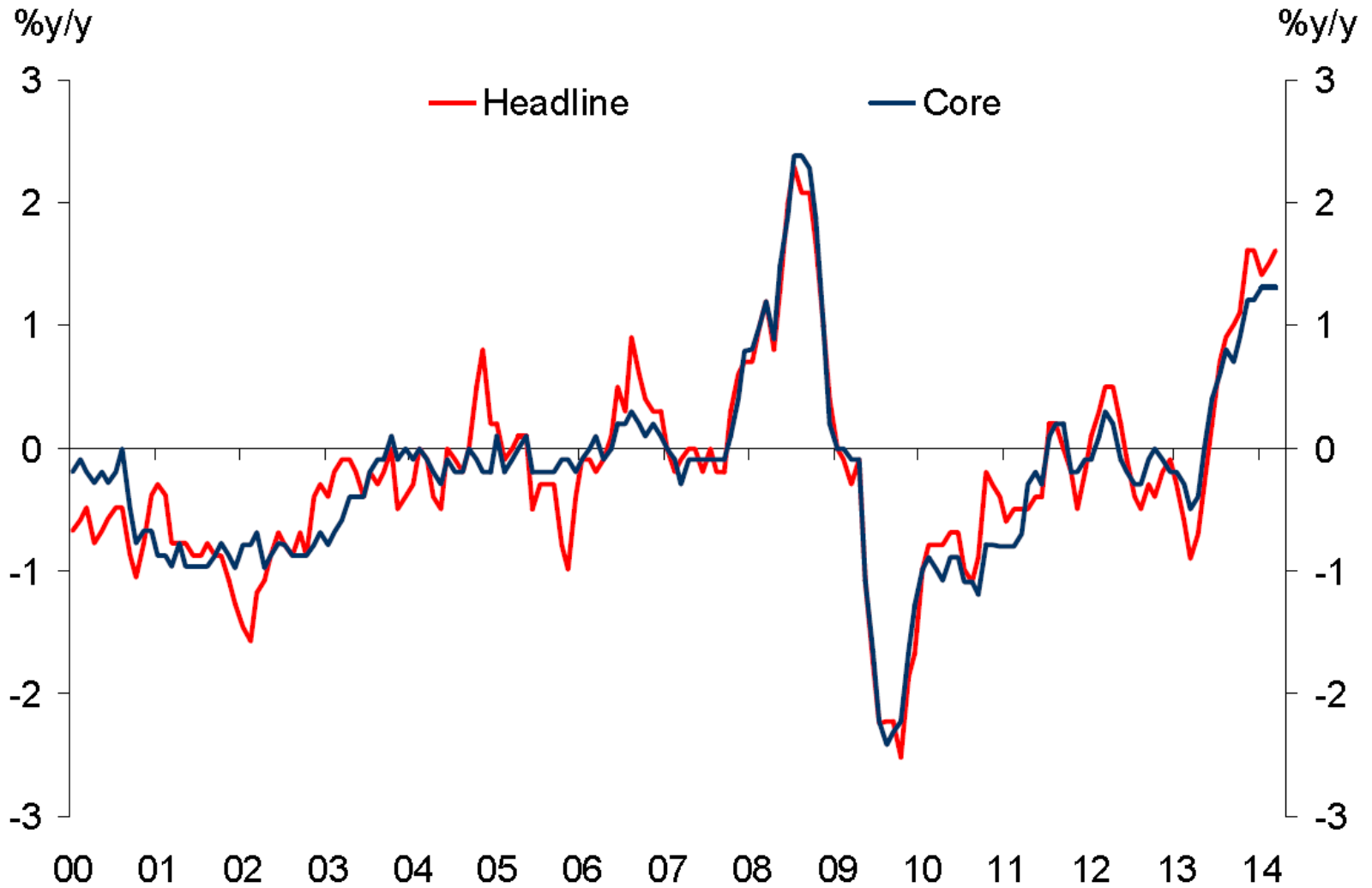


Wimbledon Effect

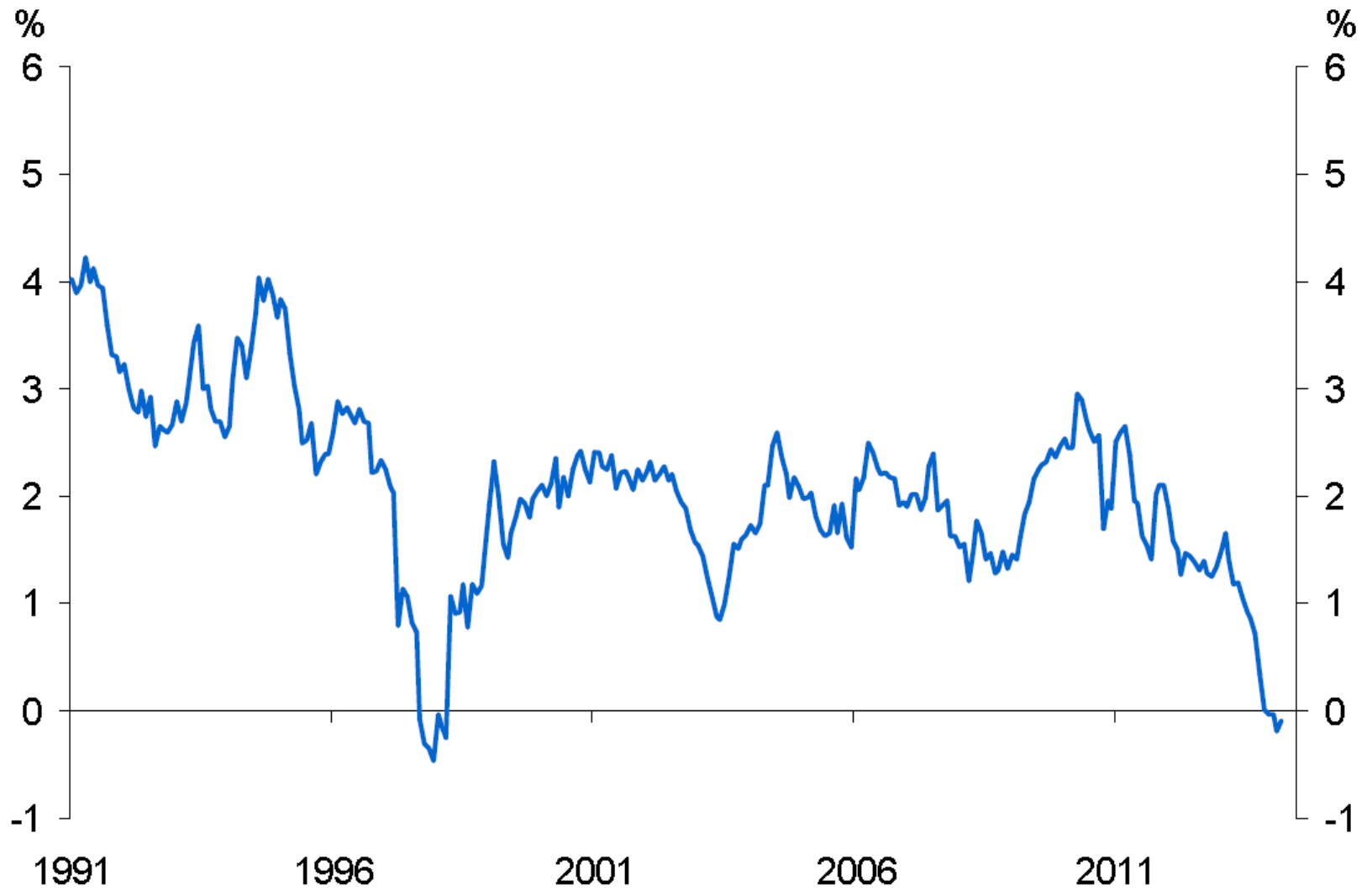
Japan



Japan: Higher Inflation



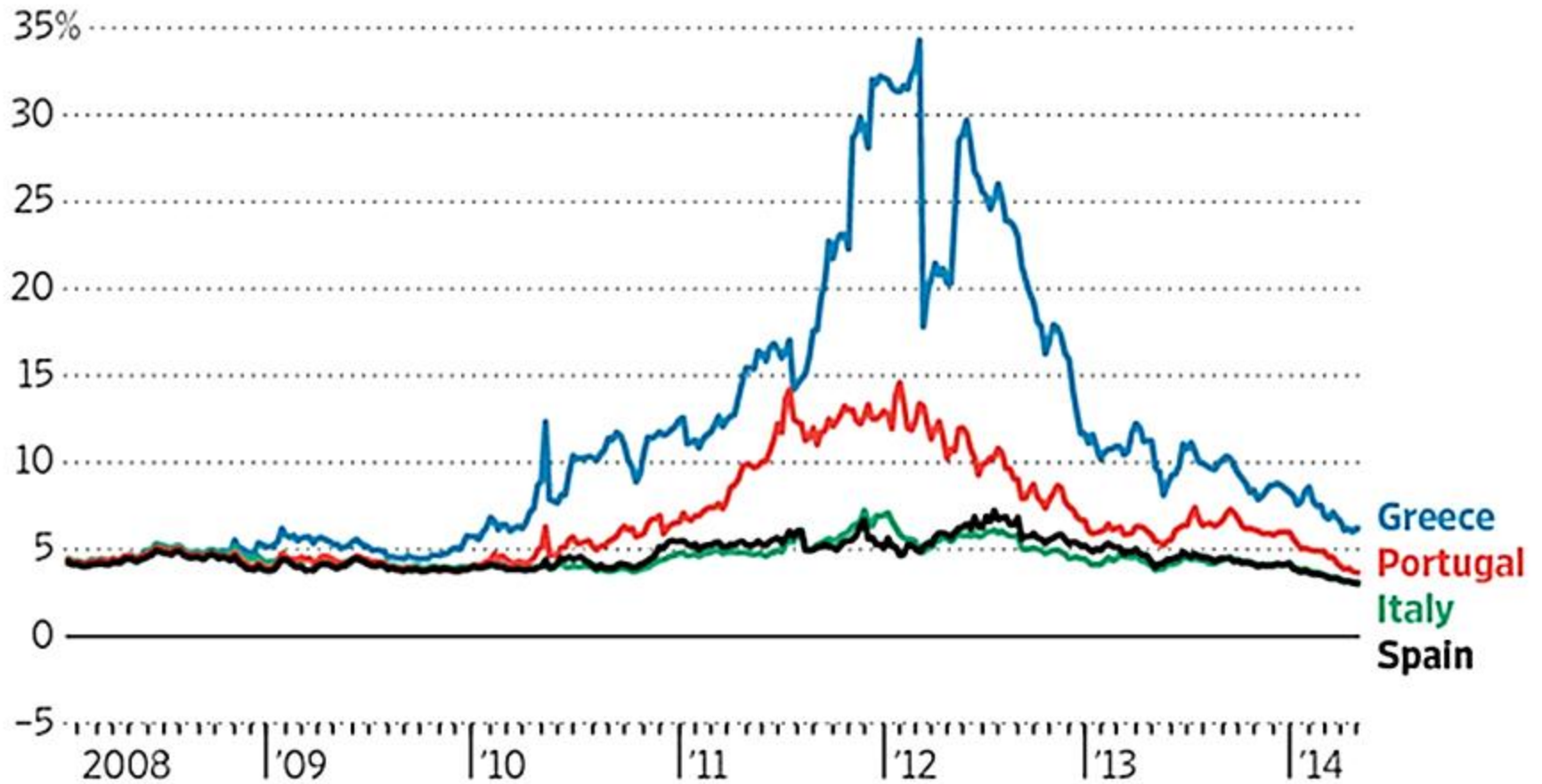
Japan: Low Real Interest Rate





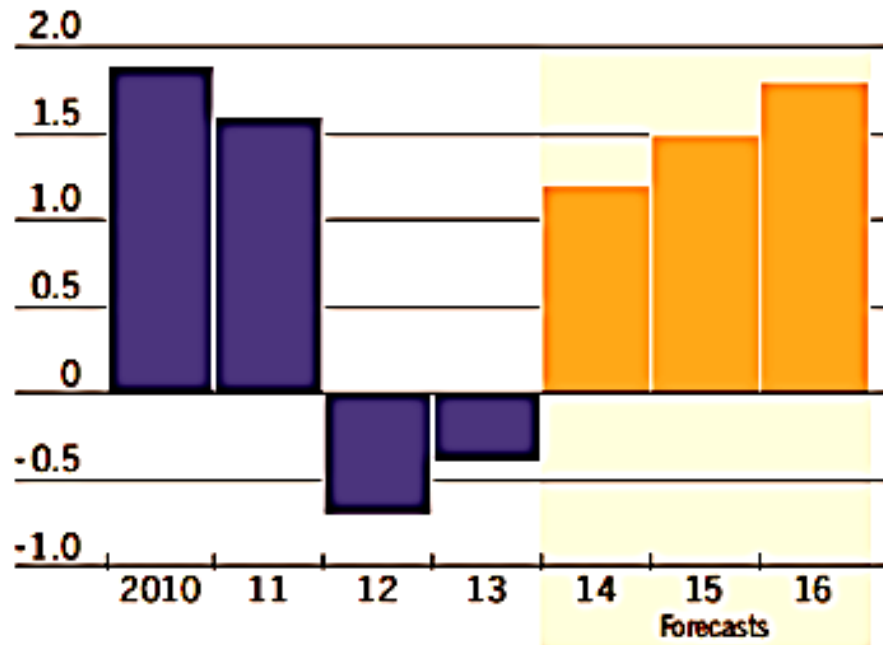
Europe Improves

10-year government bond yields



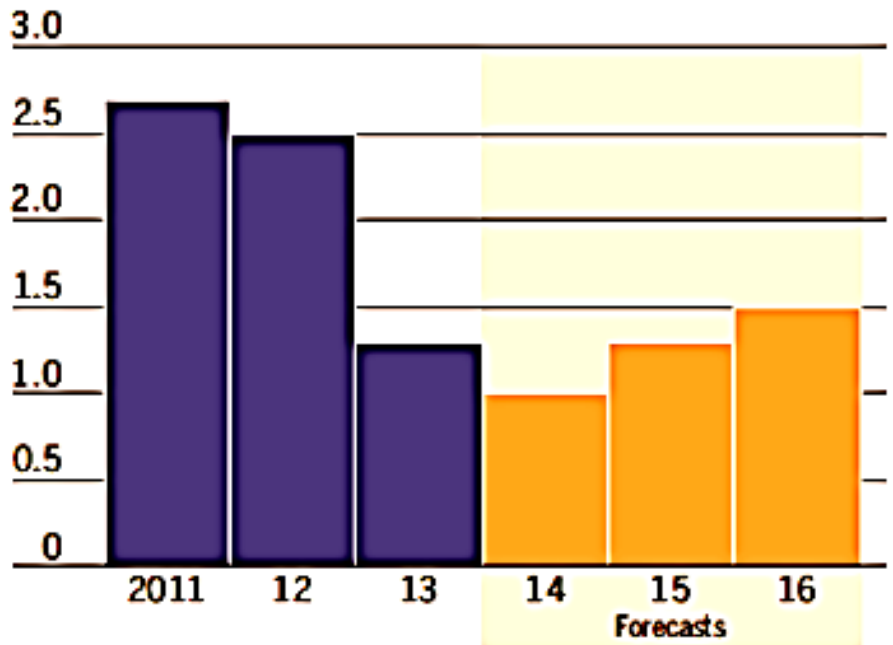
Eurozone Economy

Eurozone GDP growth
(annual % change)



Source: Thomson Reuters Datastream; ECB

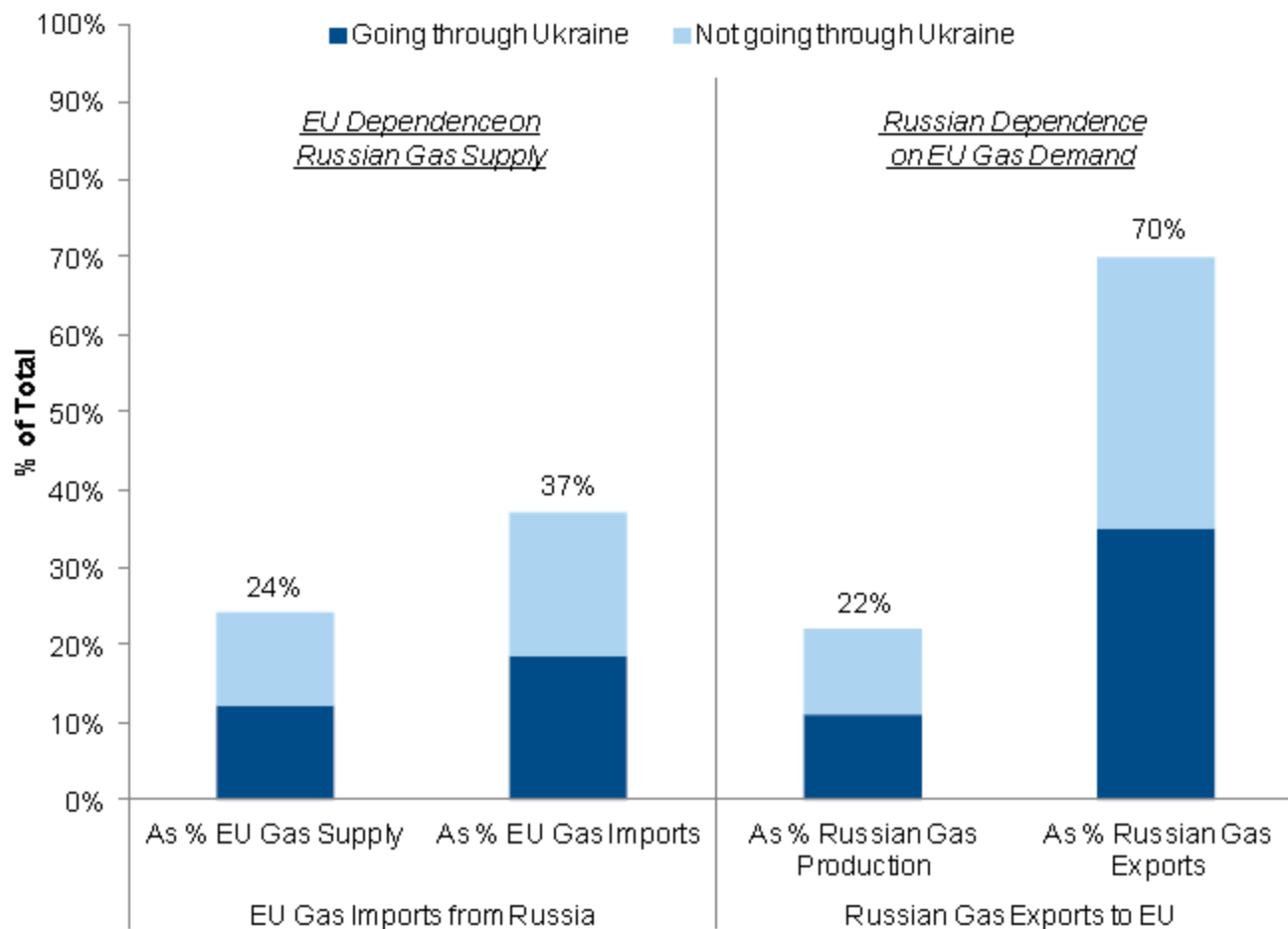
Eurozone inflation
(annual % change in CPI)



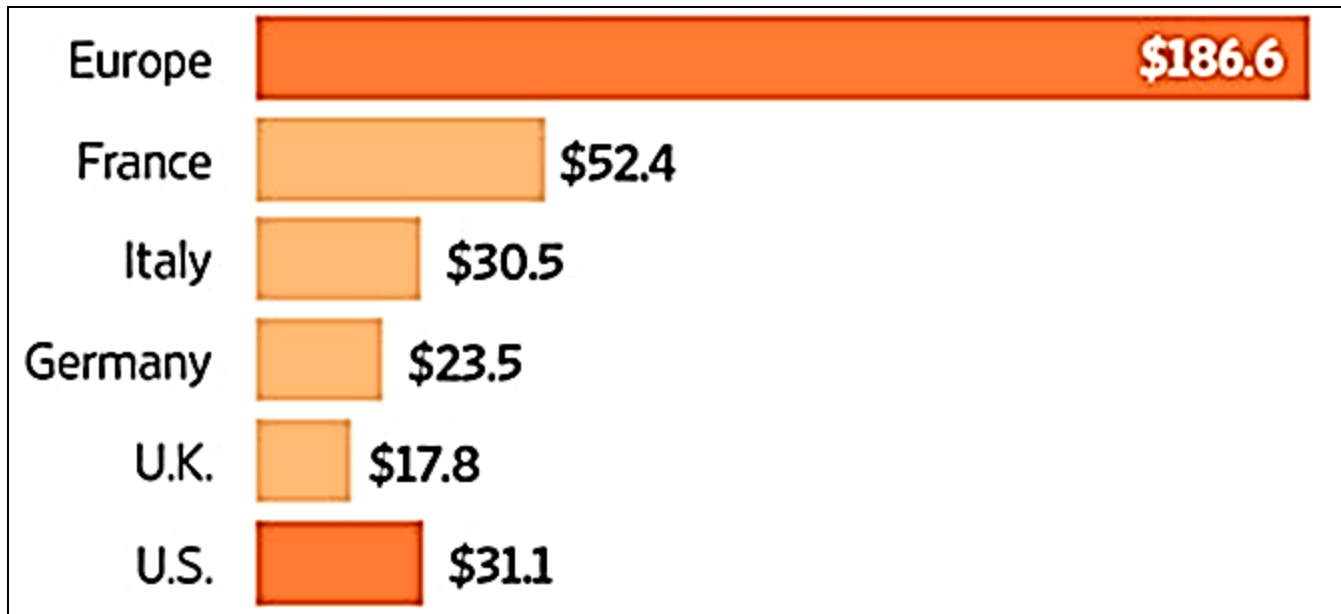
Russian Bear



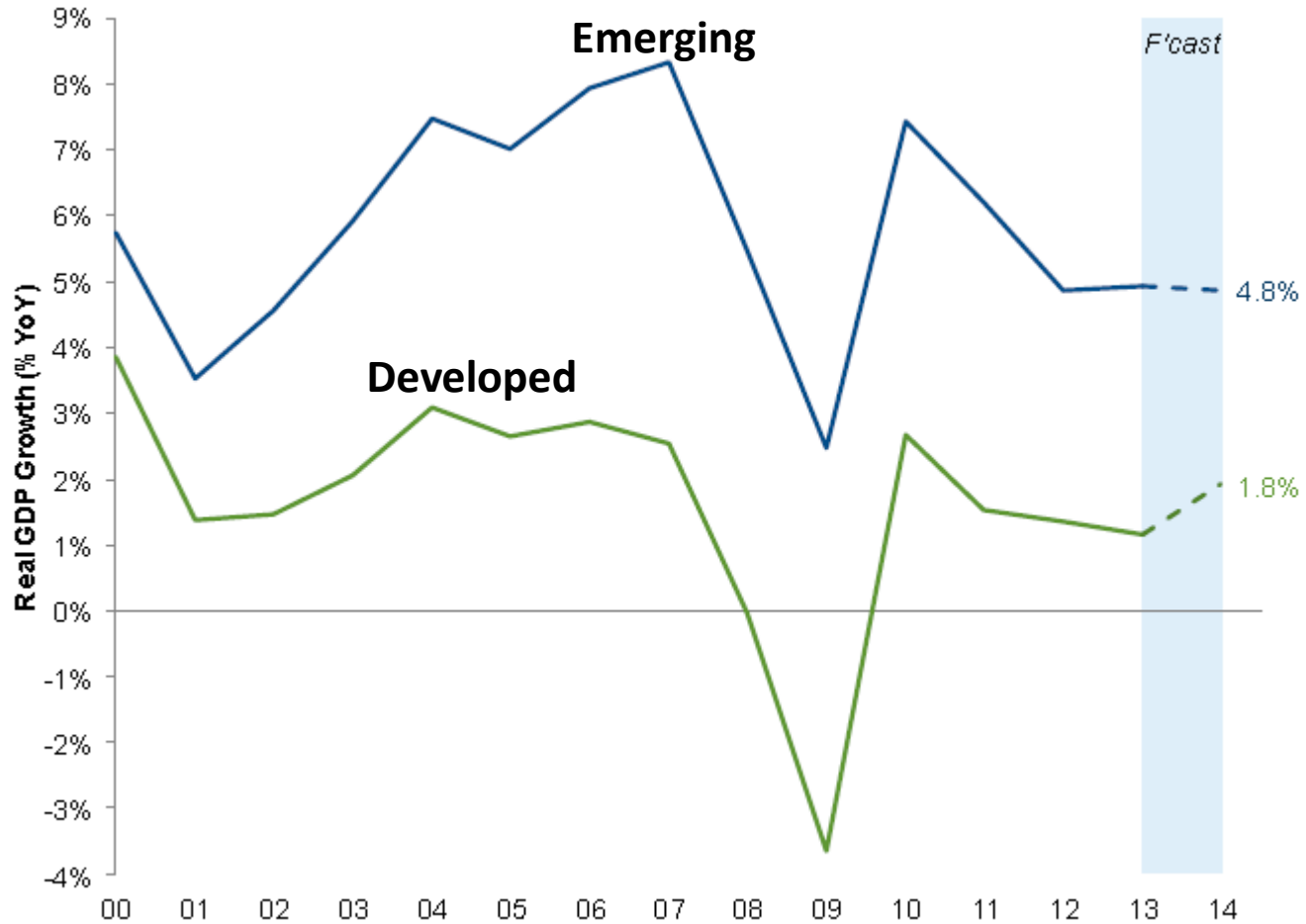
Russian Gas Exports to European Union



Bank Exposure to Russia



Economic Growth: Developed vs. Emerging





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Pie
Not Growing
Fast



What to Do?

More Production

does not mean

More Satisfaction

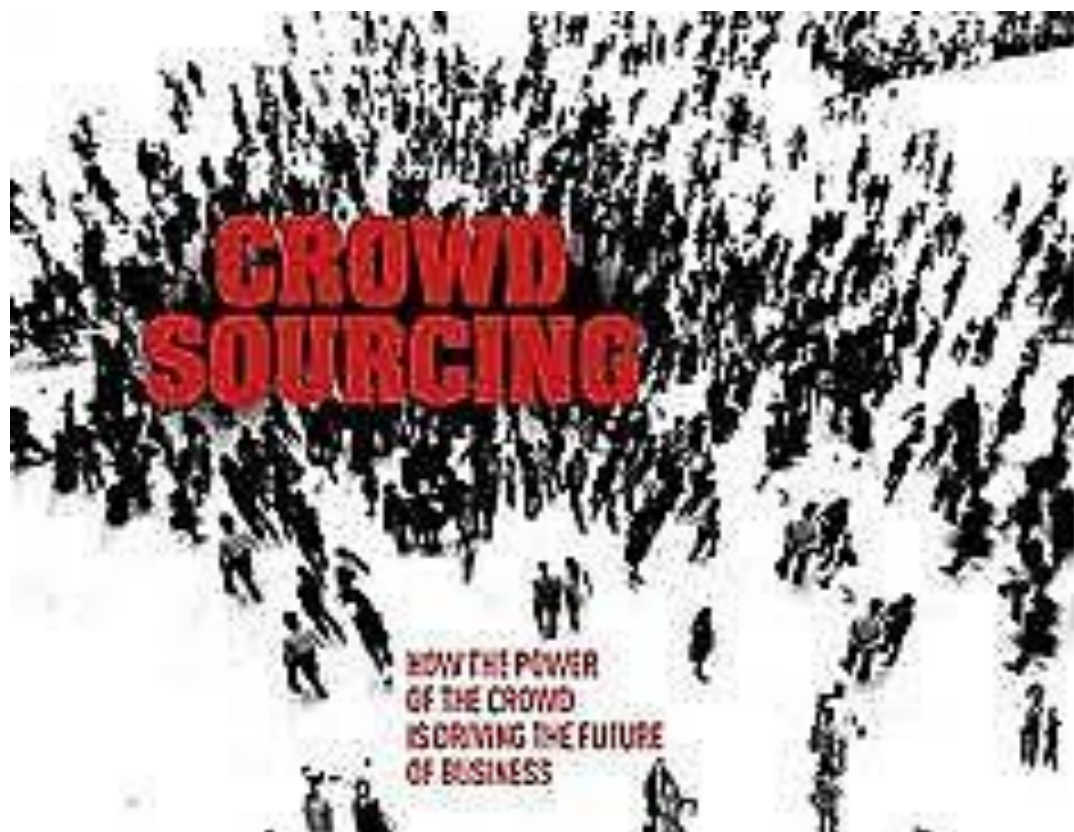
Co-creation





Levi's





CROWD SOURCING

**HOW THE POWER
OF THE CROWD
IS DRIVING THE FUTURE
OF BUSINESS**

Proctor & Gamble



Crowd sourcing

YouTube

GUIDE

MORE RESULTS
gopro baby

GoPro: Dubstep Baby - Super Bowl Commercial 2013

GoProCamera · 530 videos

1,160,756

1,224,928

10,996 332



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Slow Global Growth

Inevitable



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Technology Can

*Give you a Bigger
Share of the Pie*

미래
경제

NEW
ECONOMY

당신은 준비되었는가?

손성원 지음 | 황숙혜 옮김



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