

The Outlook for Emerging Economies

by

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AEA | American
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THE SOURCES OF ECONOMIC GROWTH

Comparisons among Regions and Countries

Sources of Growth in Capital Input

Information Technology and Non-Information Technology

Labor Input and Labor Quality

Total Factor Productivity

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MODEL OF PRODUCTION: Production Possibility Frontier.

$$\overline{w_{I,t}} \Delta \ln I_t + \overline{w_{C,t}} \Delta \ln C_t = \overline{v_{K,t}} \Delta \ln K_t + \overline{v_{L,t}} \Delta \ln L_t + \Delta \ln A_t$$

where:

I - Investment

C – Consumption

w_I, w_C – *Shares of Investment, Consumption*

K – Capital

L – Labor

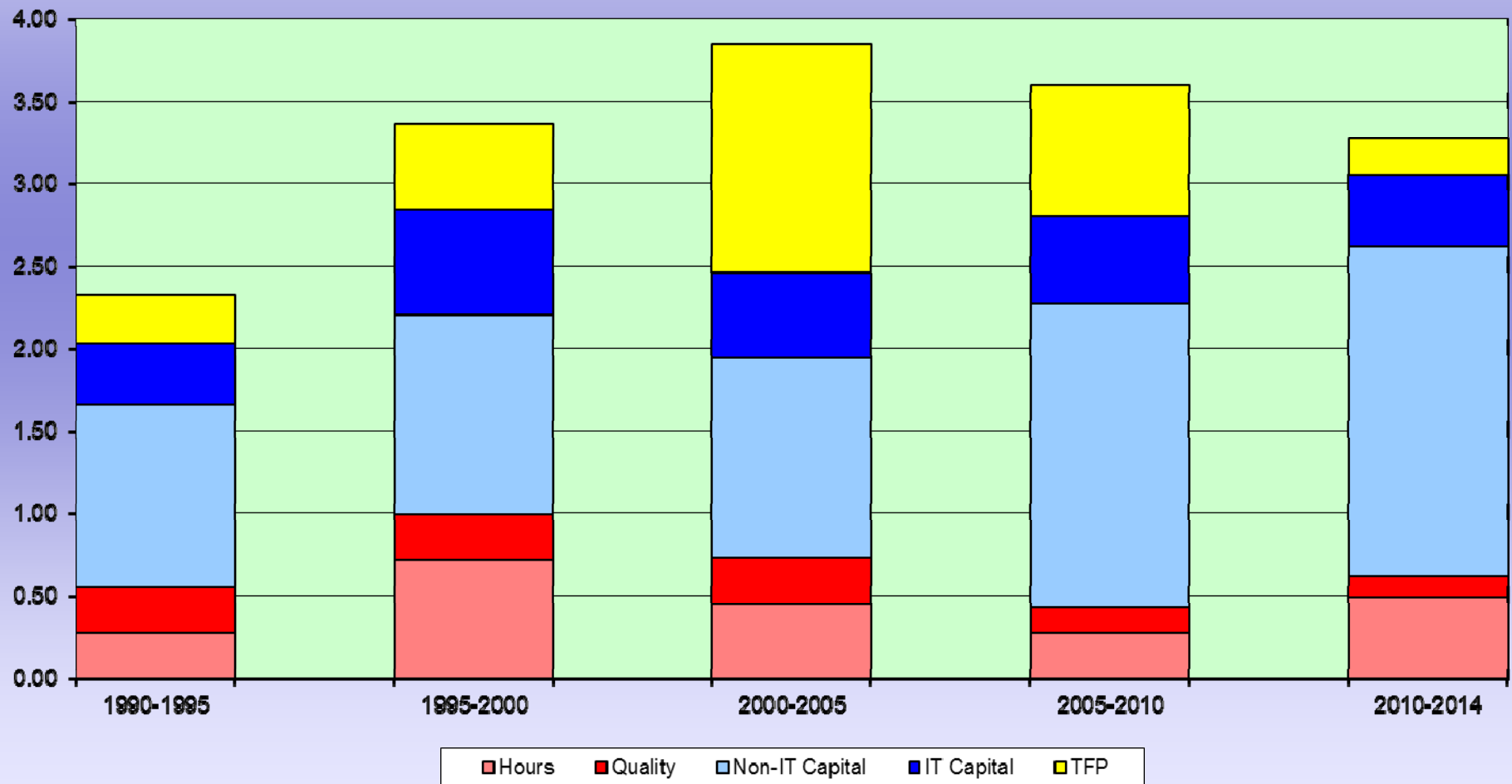
v_K, v_L – *Shares of Capital, Labor*

A - Total Factor Productivity (TFP)

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Sources of World Economic Growth

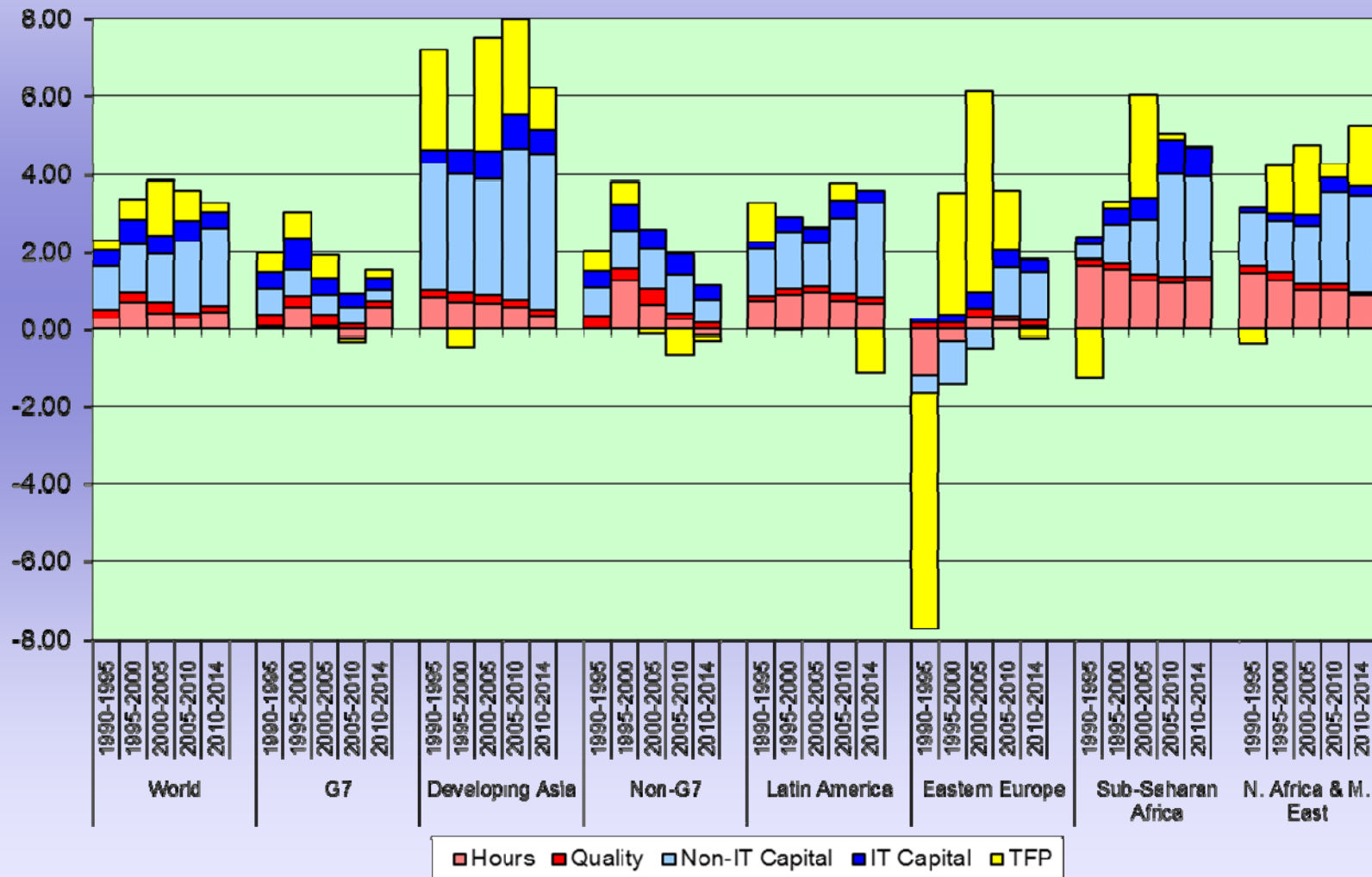
Average annual growth rates, weighted by the income share.



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Sources of World Economic Growth

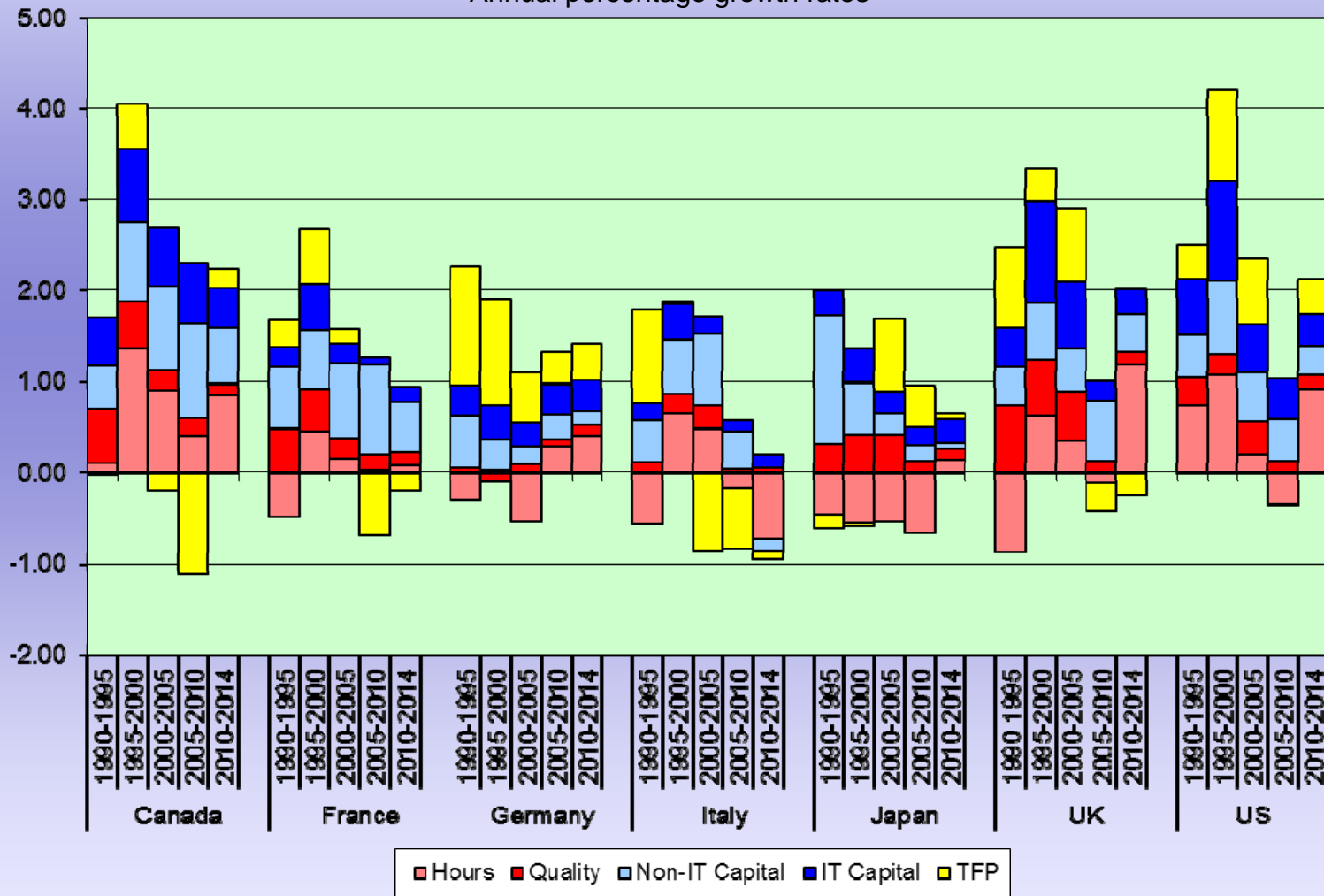
Annual percentage growth rates



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Sources of G7 Economic Growth

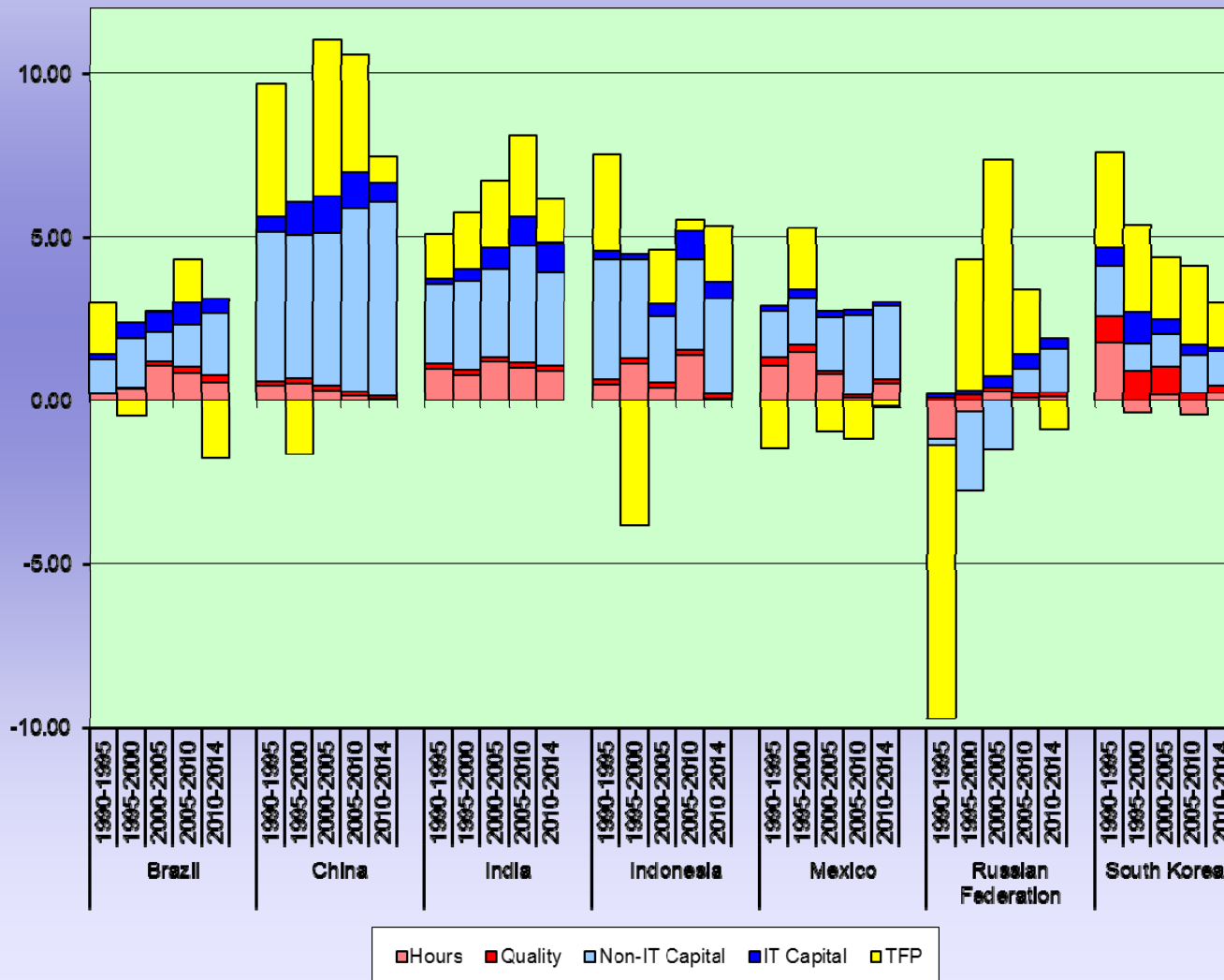
Annual percentage growth rates



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Sources of Growth for Emerging Economies

Annual percentage growth rates





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Projecting Growth of the U.S. and the World Economy

Hours Worked from Labor Force Projections;
Labor Quality from Projections of Educational Attainment

Productivity Growth from Production Possibility Frontier:
IT and Non-IT Productivity Growth, Capital Quality, and the
Gap between Growth of Output and Capital

GDP Growth Is the Sum of Growth in
Hours Worked and Productivity Growth

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SOURCES OF AVERAGE LABOR PRODUCTIVITY GROWTH

$$\Delta \ln y_t = \overline{v_{K,t}} \Delta \ln k_t + \overline{v_{L,t}} (\Delta \ln L_t - \Delta \ln H_t) + \Delta \ln A_t$$

where:

$y = Y/H$ - Output per Hour Worked (ALP).

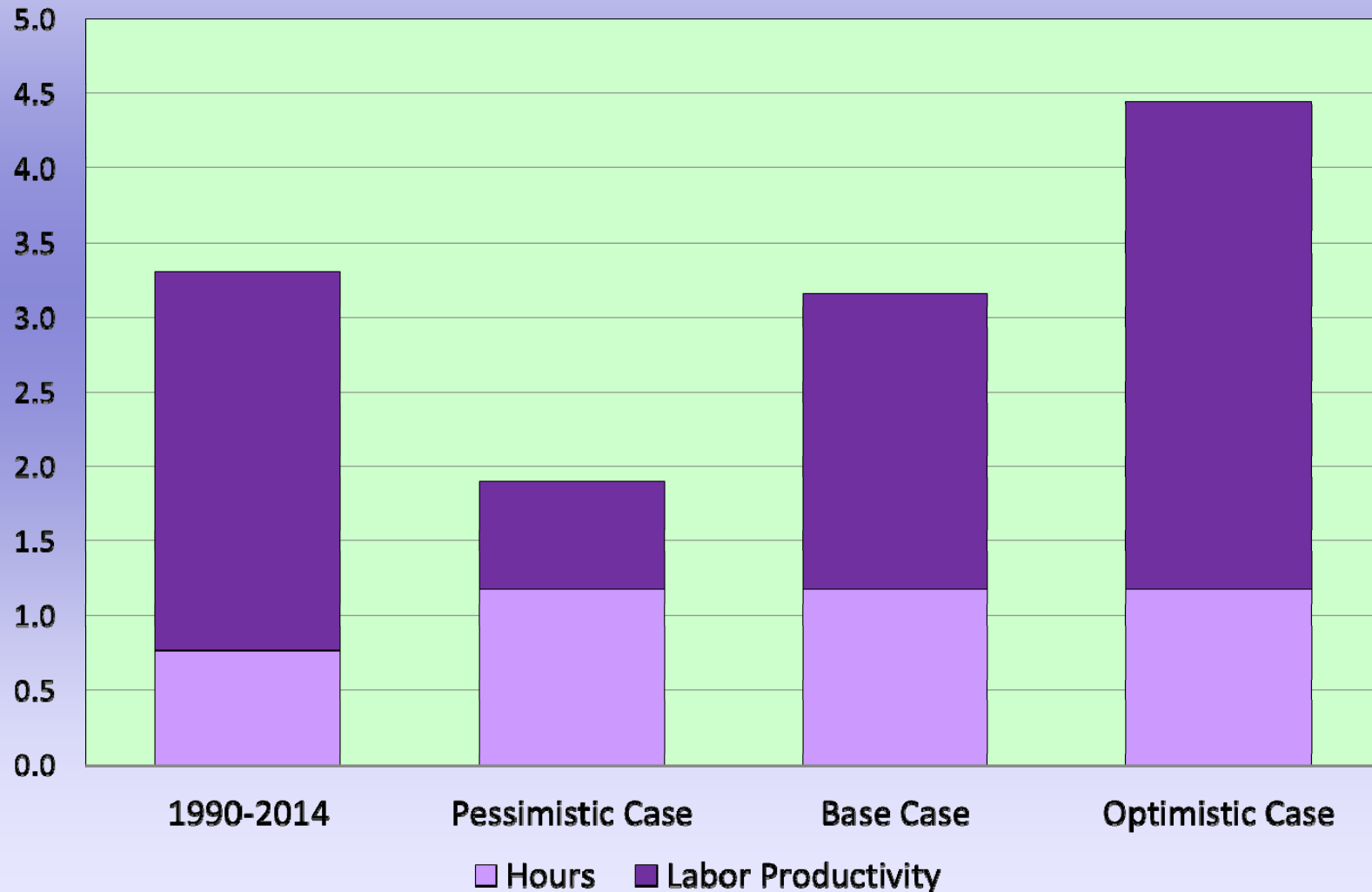
$k = K/H$ - Capital Input per Hour Worked.

- **CAPITAL DEEPENING:** growth of capital input per hour worked, weighted by the share of capital.
- **LABOR QUALITY GROWTH:** growth of labor input per hour worked, weighted by the share of labor.
- **TOTAL FACTOR PRODUCTIVITY.**

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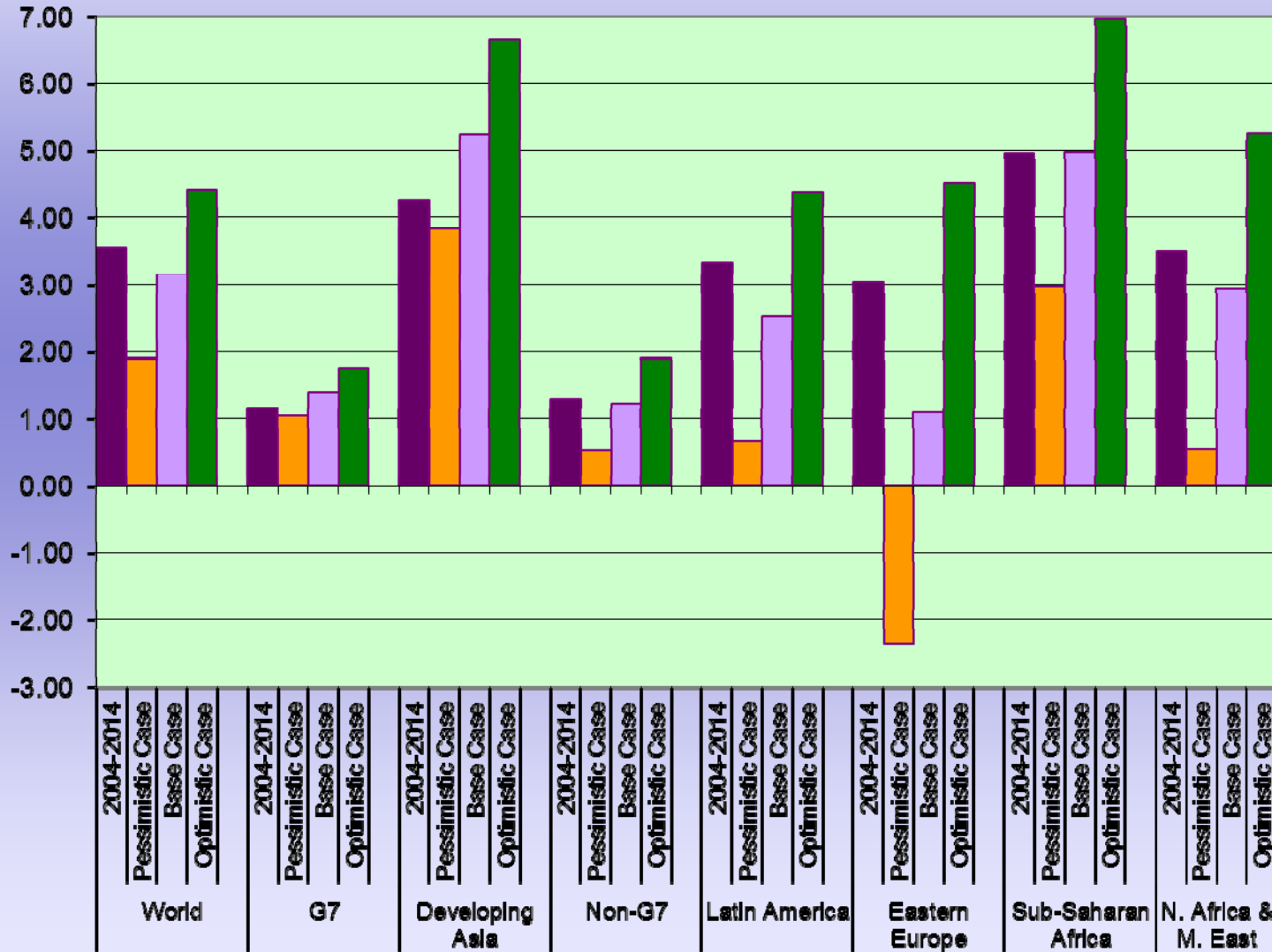
Range of World Output Projections

Annual percentage growth rates



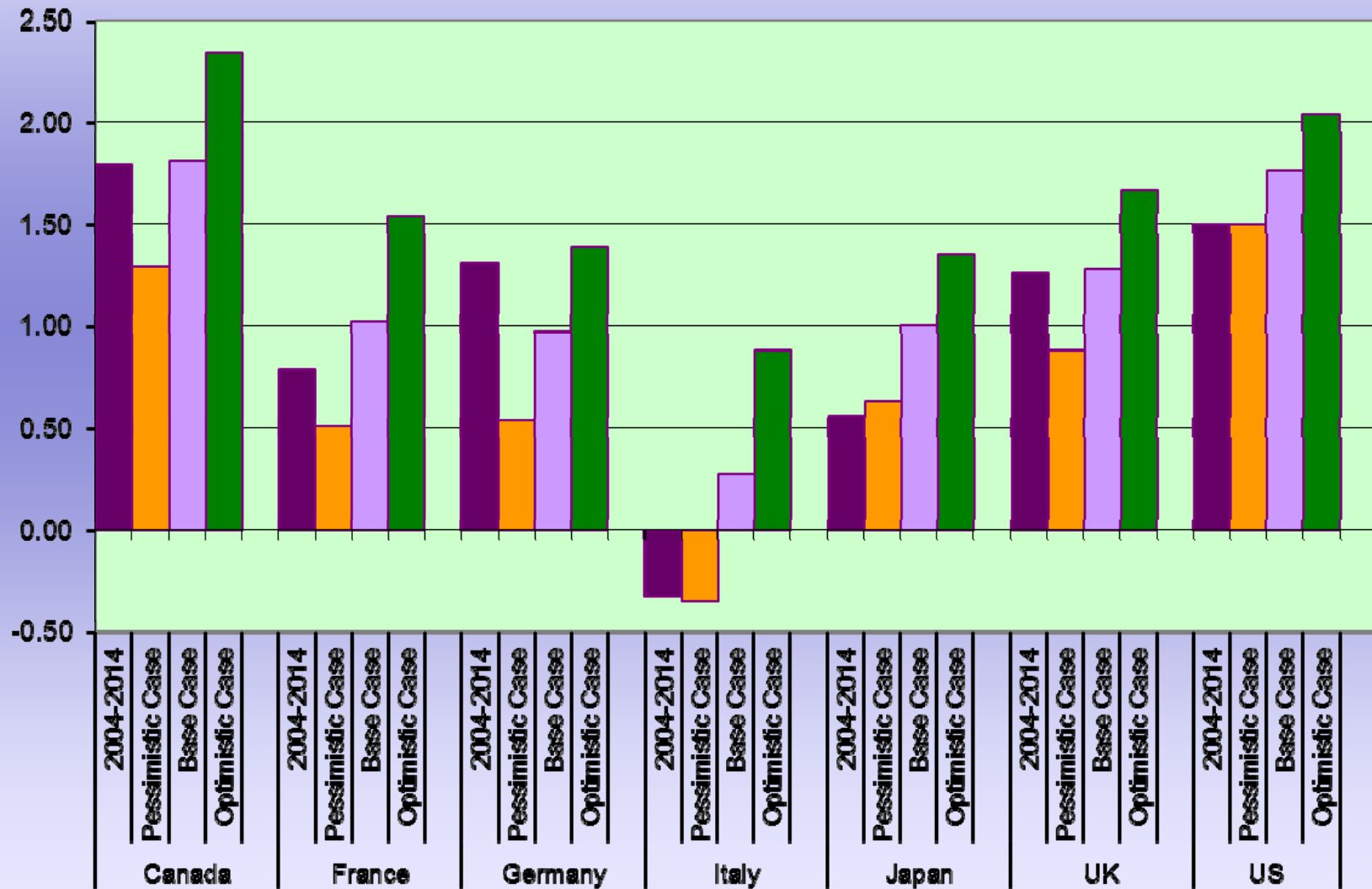
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Range of World Output Projections



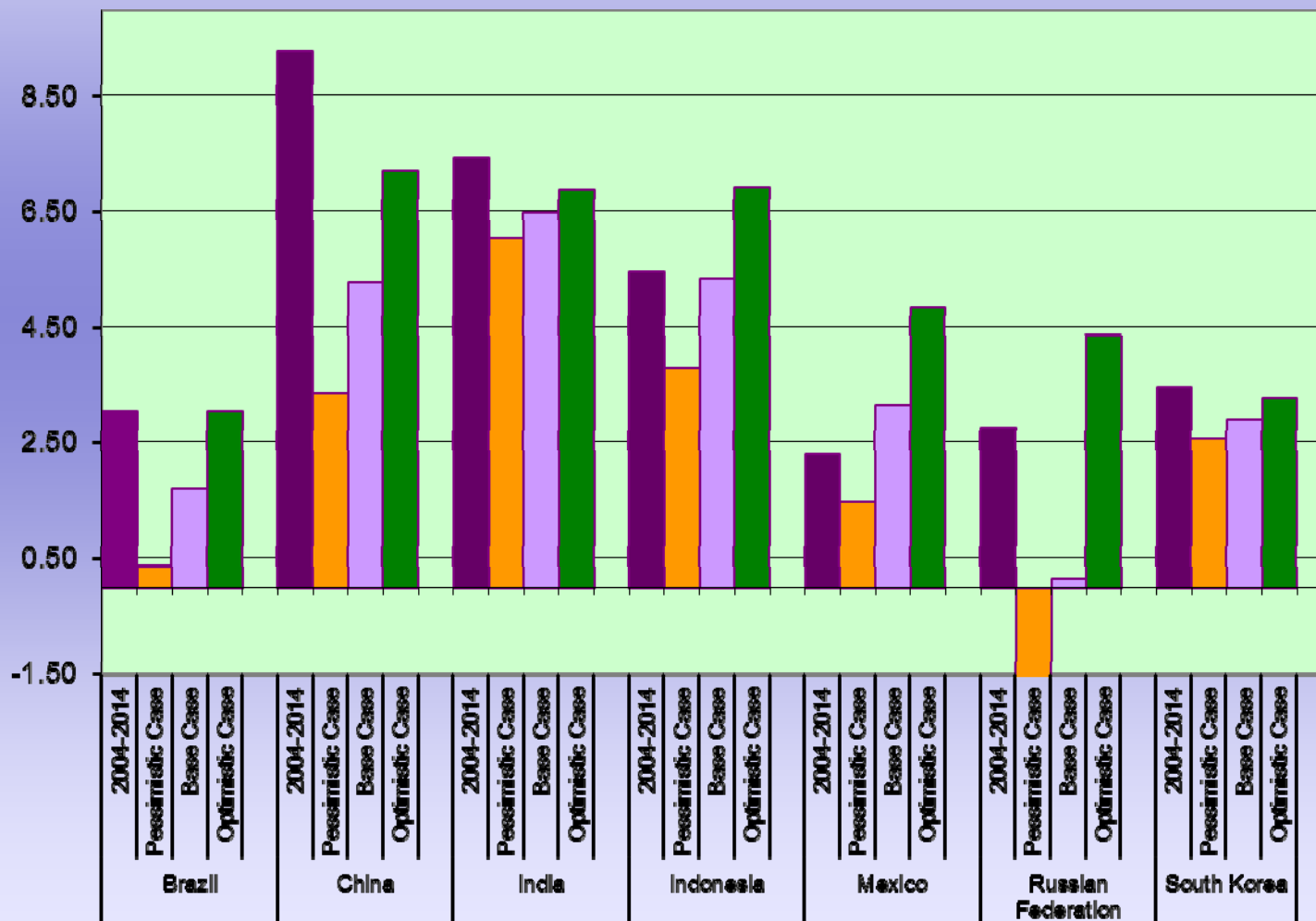
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Range of G7 Output Projections



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Range of Output Projections for Emerging Economies





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OUTLOOK FOR THE EMERGING ECONOMIES: SUMMARY

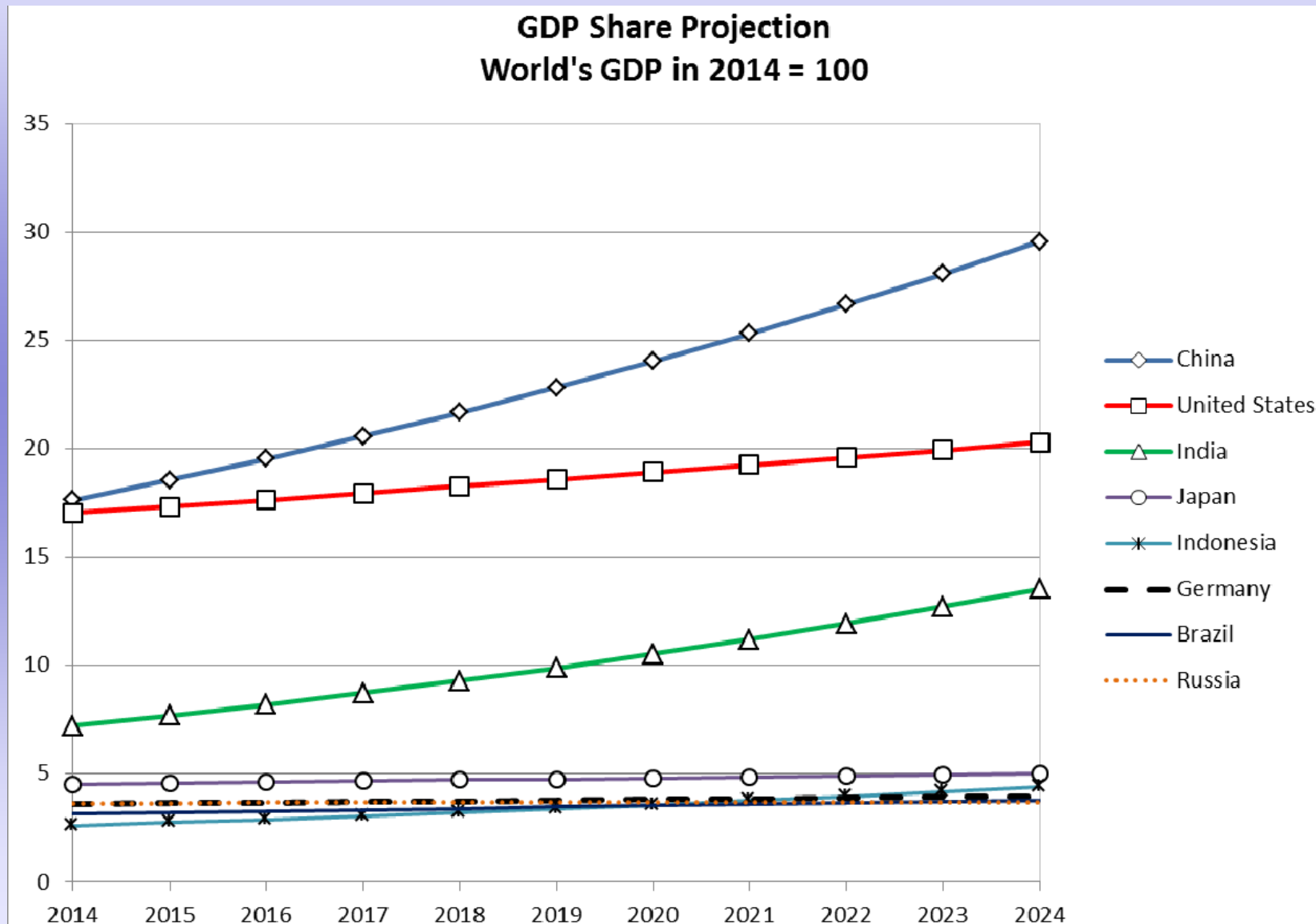
Medium-Term Outlook for the World Economy by the IMF.

The Transition to Sustainability.

Potential Growth of the World Economy.

Curb Your Enthusiasm.

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