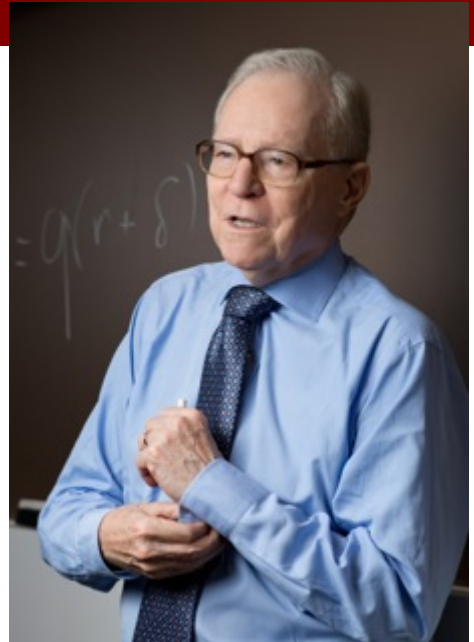


THE G20 AND THE WORLD ECONOMY: PERFORMANCE AND PROSPECTS

By

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MAJOR TRENDS IN THE WORLD ECONOMY

Introduction

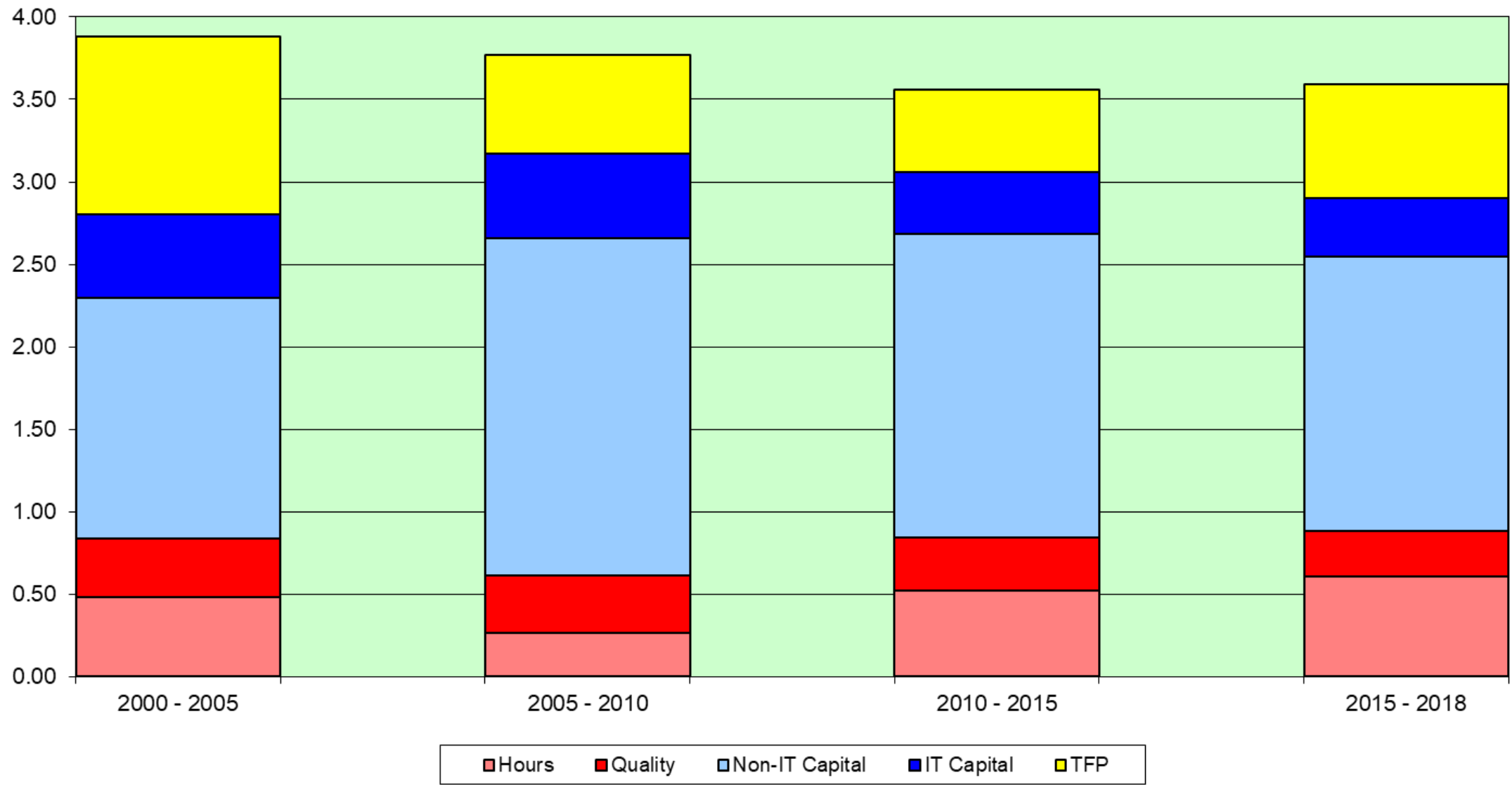
Growth of the World Economy Has Slowed since 2000.

The Balance of the World Economy Is Shifting from the Advanced Economies of the G7 to the Emerging Economies of the G20.

The Transformation of the World Economy Has Led to a New Economic Order, Led by China, the United States, India, and Japan.

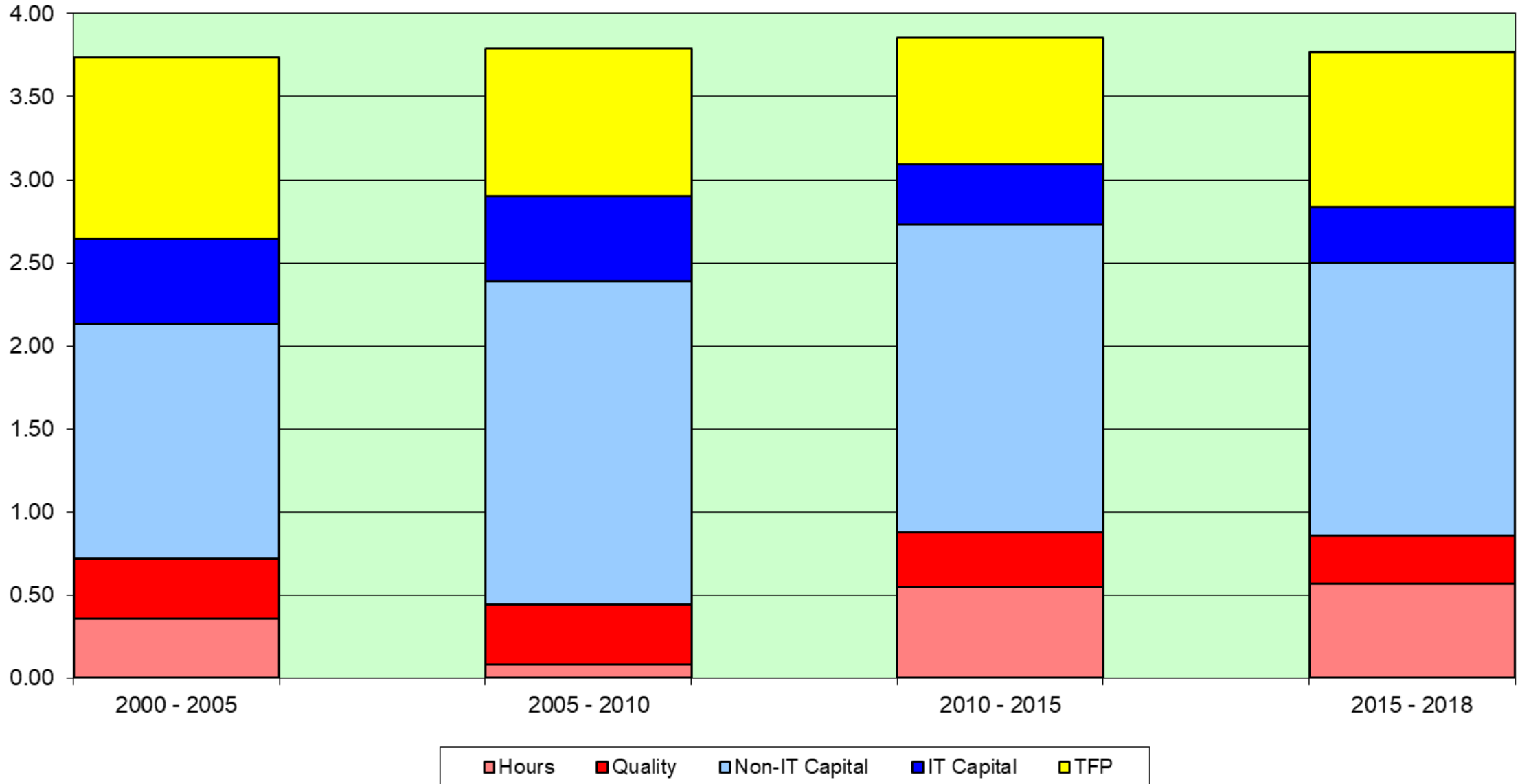
SOURCES OF WORLD ECONOMIC GROWTH

Average annual growth rates, weighted by the income share



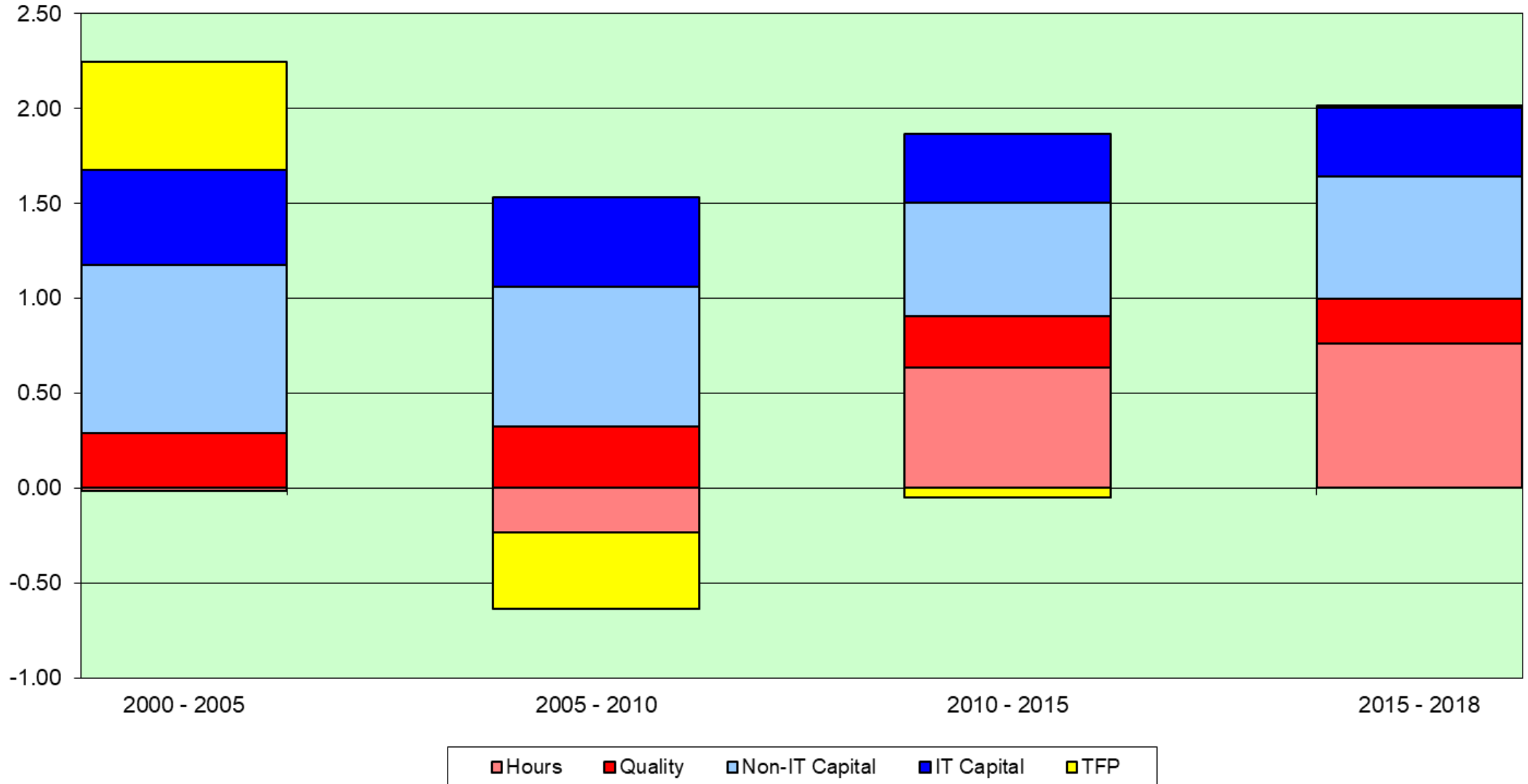
SOURCES OF G20 ECONOMIC GROWTH

Average annual growth rates, weighted by the income share



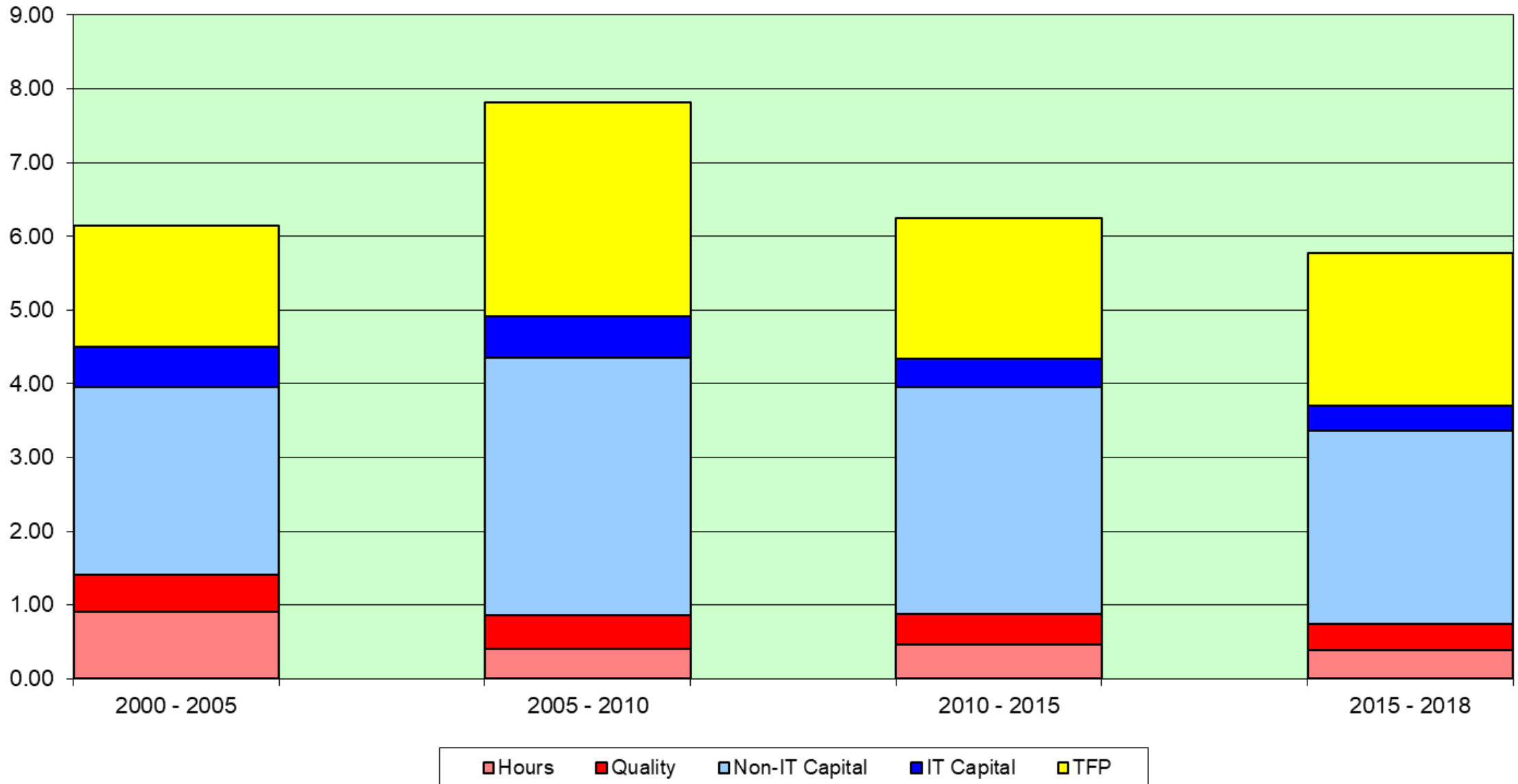
SOURCES OF G7 ECONOMIC GROWTH

Average annual growth rates, weighted by the income share



SOURCES OF EM7 ECONOMIC GROWTH

Average annual growth rates, weighted by the income share



PROJECTING THE GROWTH OF THE WORLD ECONOMY

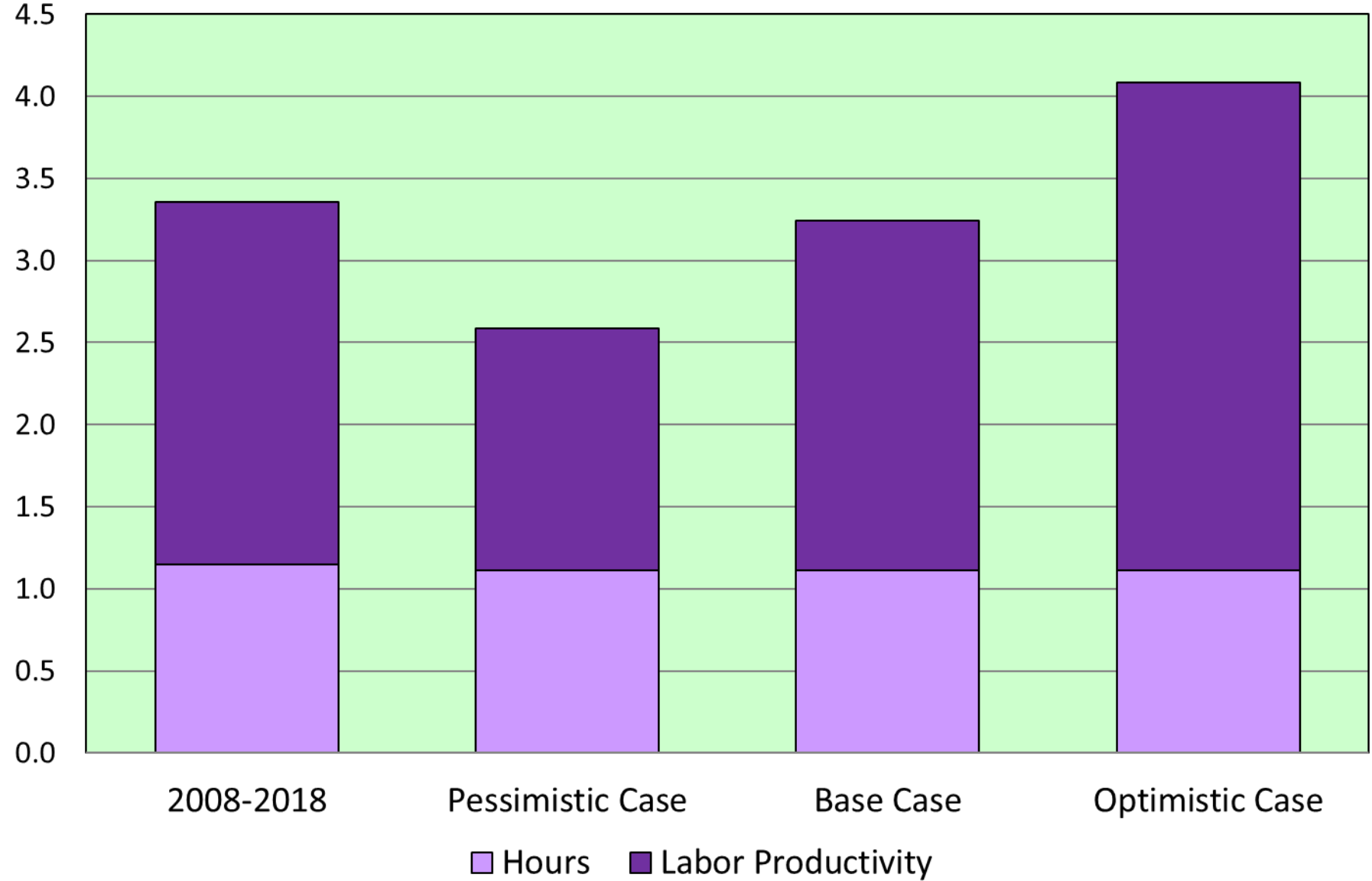
Future Demography: Projections of the World Population Are Available from the United Nations. Labor Input Growth Includes the Growth of the Labor Force and Changes in Labor Quality Due to Age, Gender, and Educational Attainment.

Future Productivity: Productivity Projections Are Available from the Conference Board in New York. These Are Based on Future Trends in the Development of Information technology and Non-Information Technology.

We Derive Output and Capital Projections from Future Trends in Demography and Productivity. Future Productivity Growth Is the Main Source of the Substantial Uncertainty in Projections of the Growth of the World Economy.

RANGE OF WORLD OUTPUT PROJECTIONS, 2018-2028

Annual percentage growth rates



OUTLOOK FOR THE MAJOR REGIONS OF THE WORLD ECONOMY

Future Growth of the G7

Growth of the G7 Economies Will Slow Modestly to 1.18 Percent Annually in 2018-2028 from 1.45 Percent Annually in 2008-2018.

The Upside Potential for Overcoming the Stagnation of the G7 Economies Would Require a Revival in the Sources of Average Productivity Growth, including Capital Deepening and Total Factor Productivity Growth.

The Downside Potential for Continued Stagnation Would Involve a Further Decline in These Sources of Growth in Average Labor Productivity.

OUTLOOK FOR THE MAJOR REGIONS OF THE WORLD ECONOMY

Future Growth of Emerging Economies

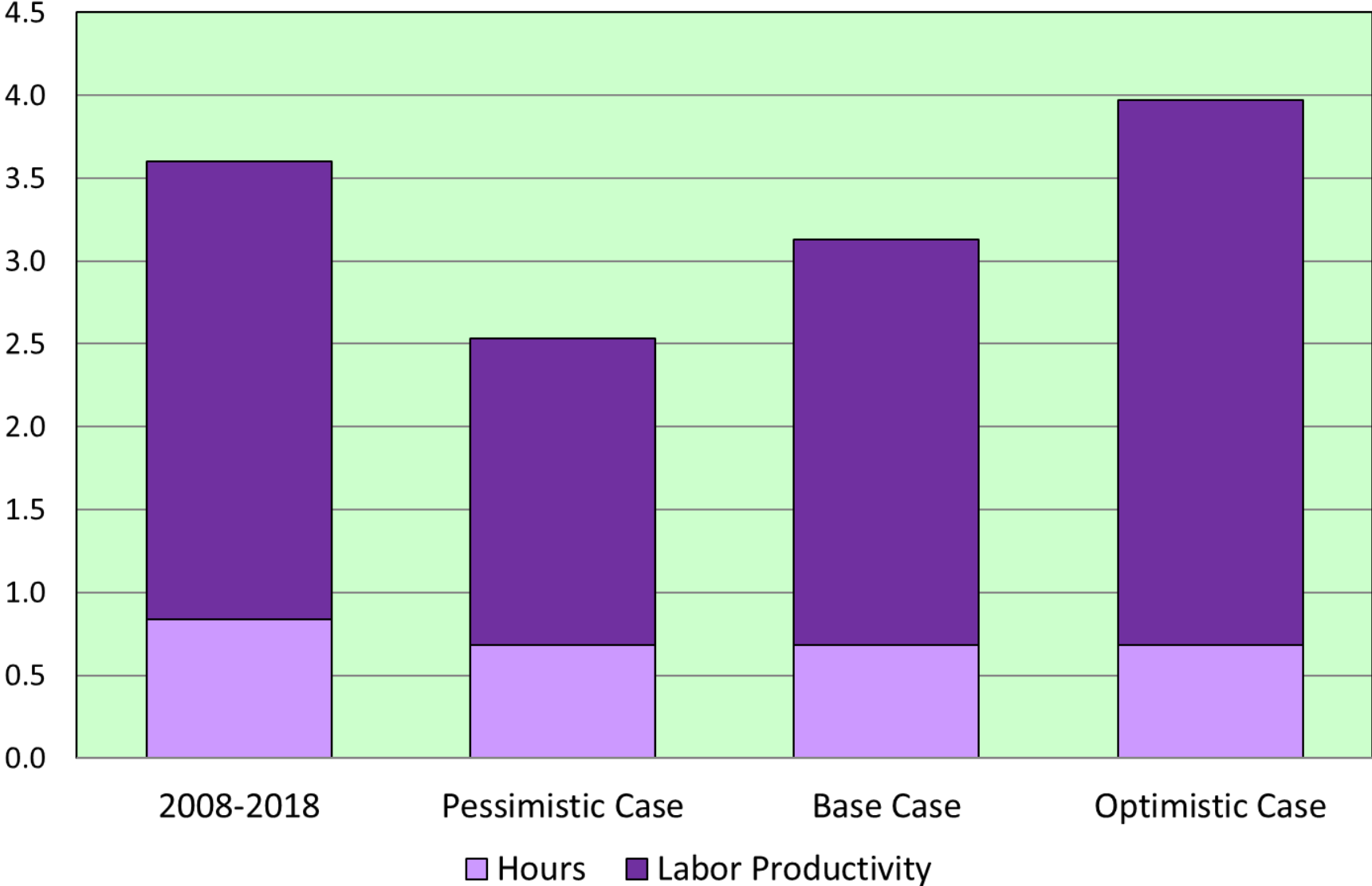
Will Slow to 4.46 Percent Annually in 2018-2028 from 6.5 Percent Annually During the Past Decade, 2008-2018.

These Economies Will Continue to Grow More Rapidly than the World Economy, so that the Share of These Economies in World GDP Will Rise from 37.43 Percent in 2018 to 42.15 Percent in 2028.

The Upside Potential for Emerging Economies During 2018-2028, 5.69 Percent Annually, Will Be Insufficient to Continue the Rate of Growth of the Past Decade. The Downside Potential Is for a Much More Substantial Slowdown to 3.70 Percent Annually.

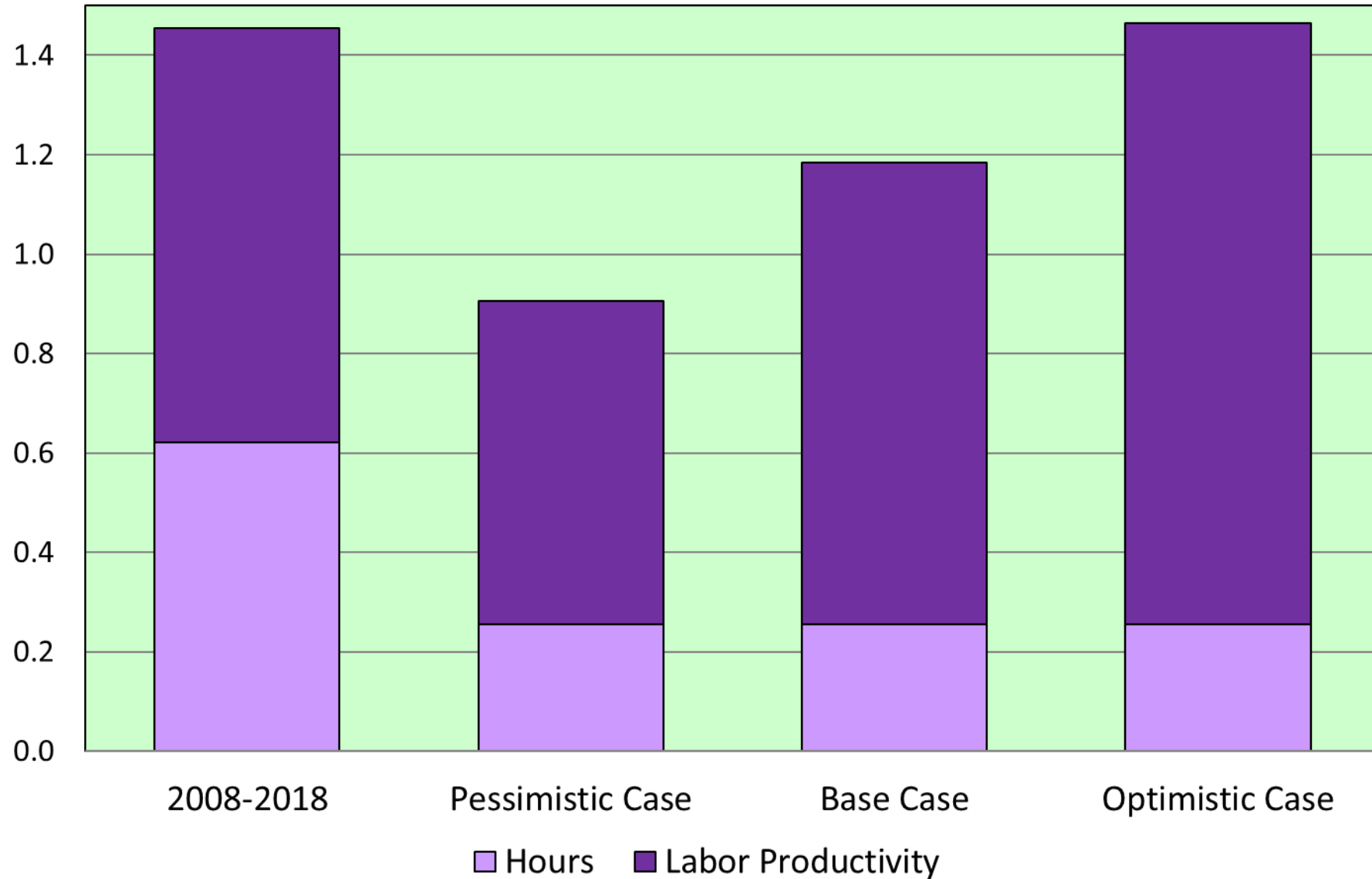
RANGE OF G20 OUTPUT PROJECTIONS, 2018-2028

Annual percentage growth rates



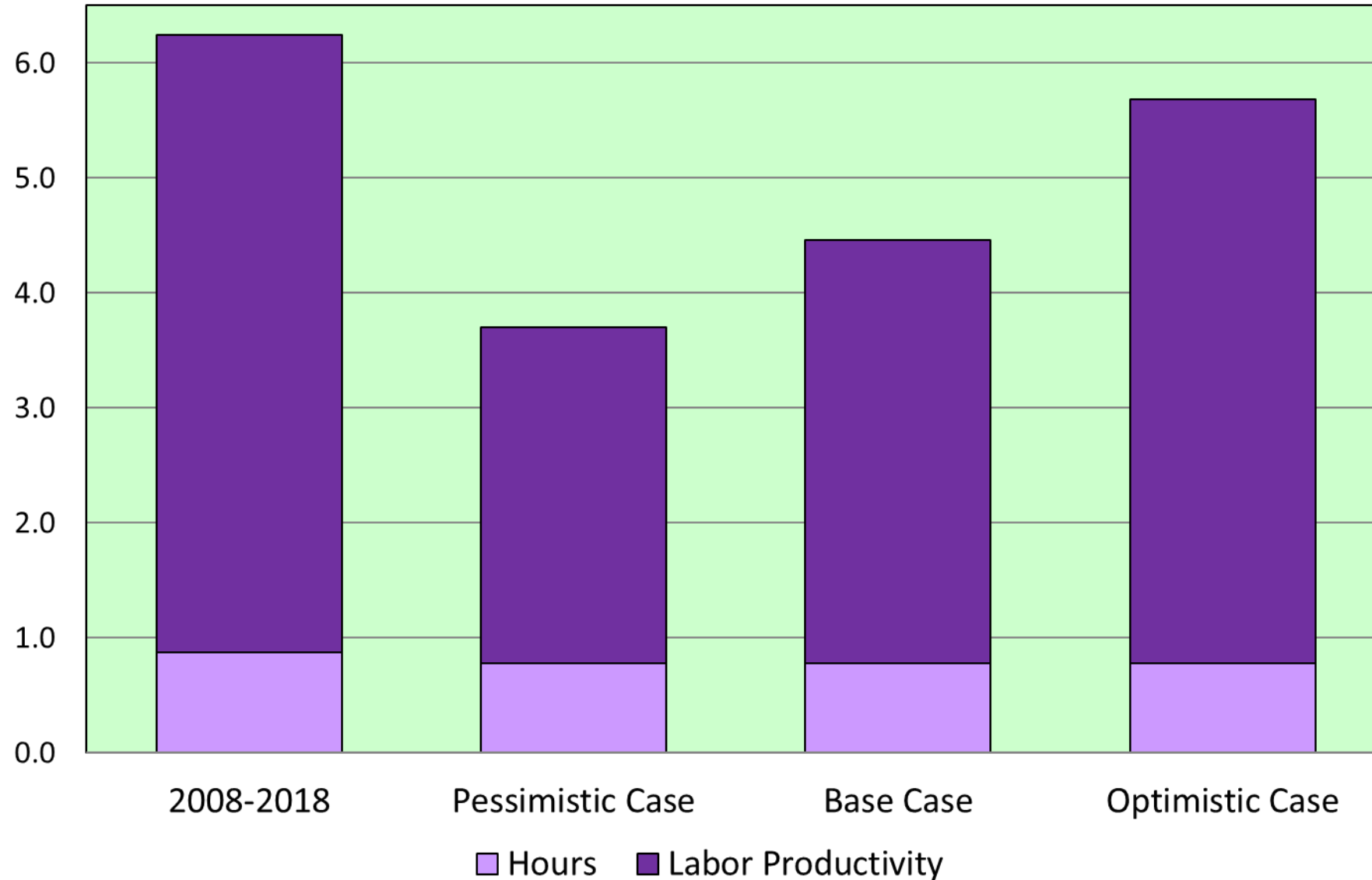
RANGE OF G7 OUTPUT PROJECTIONS, 2018-2028

Annual percentage growth rates



RANGE OF EM7 OUTPUT PROJECTIONS, 2018-2028

Annual percentage growth rates



SUMMARY OF THE TRANSFORMATION OF THE WORLD ECONOMY

The World Economy Is Entering a Period of Sustainable Growth at a Rate of 3.24 Percent Annually during 2018-2028, only Slightly Below the Rate of 3.36 Percent Annually During the Past Decade, 2008-2018.

The Relative Importance of the Emerging Economies Like China and India Will Continue to Increase, even with Much Slower Growth in China and Sustained Rapid Growth in India.

Growth Potential Will Decrease in the G7 Advanced Economies and Shrink Their Relative Importance in the World Economy.

Upside Potential of the World Economy Is Considerable, But Would Require Ambitious Domestic Reforms for the Major Emerging Economies that Appear Unlikely. Downside Risks Are for Continued Stagnation of Productivity Growth around the World.

THE TRANSFORMATION OF THE WORLD ECONOMY

CONCLUSION

The Base Case Projection of the World Economy Is for Moderate but Sustained Economic Growth and a Continuing Shift from the Advanced Economies of the G7 to the Major Emerging Economies. This Has Established the New World Order of the 21st Century.

The World Economy:

Growth or Stagnation?

Edited by Dale W. Jorgenson,
Kyoji Fukao, and Marcel P. Timmer

