



Faculty of World Economy and
International Affairs

School of World Economy

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XII ANNUAL CONFERENCE ON THE GLOBAL ECONOMY

«Challenges of catch-up: Emerging countries in the global economy»

Fragile convergence: past, present and future of inequality between countries

DIVERGENCE: GLOBAL TRENDS AND DM-EM STORIES

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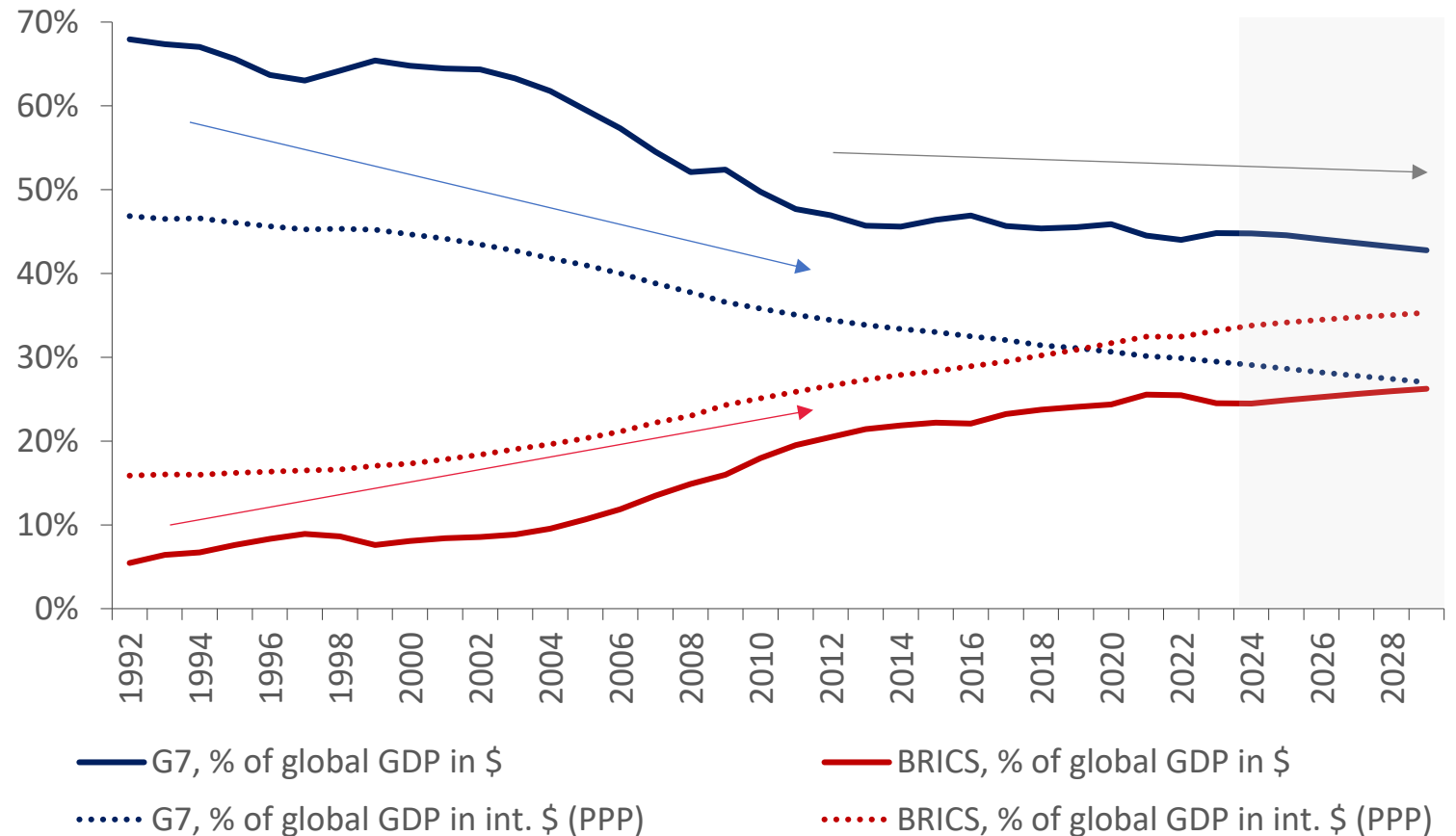
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Global trends

BRICS and G7 and their importance in global GDP

- The rise of BRICS in 2000-2010 (mainly due to China). Then – the slowdown of China's GDP growth
- G7 countries' growth slowdown
- PPP vs. USD – inflation, growth and resources!
- The impact of global crises



Nominal GDP (PPP)

	1994	1999	2004	2009	2014	2019	2024	2029
USA	USA	USA	USA	USA	USA	China	China	China
Japan	Japan	China	China	China	China	USA	USA	USA
Germany	China	Japan	India	India	India	India	India	India
China	Germany	Germany	Japan	Japan	Japan	Japan	Russia	Russia
Italy	India	India	Germany	Germany	Germany	Germany	Japan	Japan
Russia	Italy	Russia	Russia	Russia	Russia	Russia	Germany	Germany
France	France	Italy	France	France	Brasil	France	Brasil	Indonesia
India	UK	France	Brasil	France	France	UK	Indonesia	Brasil
UK	Russia	UK	UK	UK	UK	Brasil	France	France
Brasil	Brasil	Brasil	Italy	Indonesia	Indonesia	Indonesia	UK	UK

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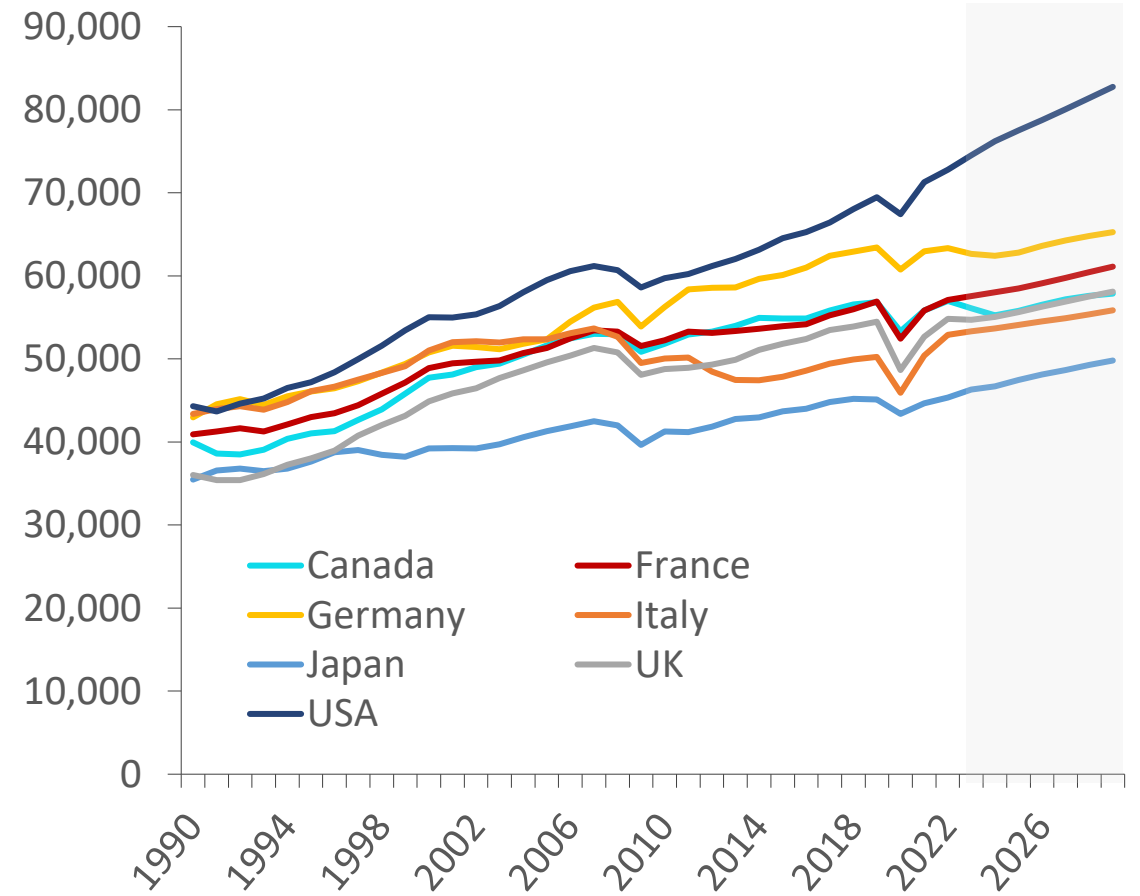
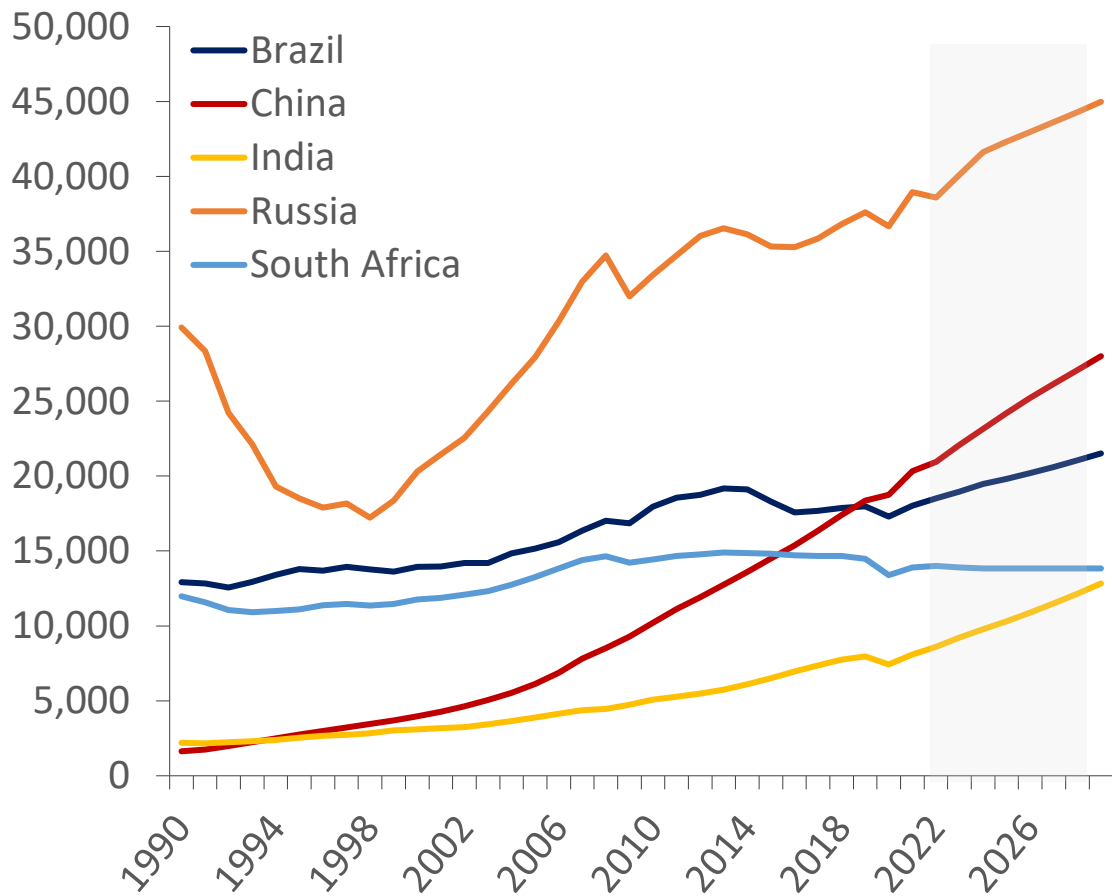
Top countries by nominal GDP

Nominal GDP (USD)

	1994	1999	2004	2009	2014	2019	2024	2029
USA	USA	USA	USA	USA	USA	USA	USA	USA
Japan	Japan	Japan	Japan	Japan	China	China	China	China
Germany	Germany	Germany	Germany	China	Japan	Japan	Germany	India
France	UK	UK	Germany	Germany	Germany	Germany	Japan	Germany
UK	France	France	France	France	UK	UK	India	Japan
Italy	Italy	China	UK	UK	France	India	UK	UK
Canada	China	Italy	Italy	Italy	Brasil	France	France	France
China	Canada	Spain	Brasil	Brasil	Italy	Italy	Italy	Brasil
Mexico	Spain	Canada	Spain	Spain	Russia	Brasil	Canada	Canada
Brasil	Mexico	Korea S.	Canada	Canada	India	Korea S.	Brasil	Italy



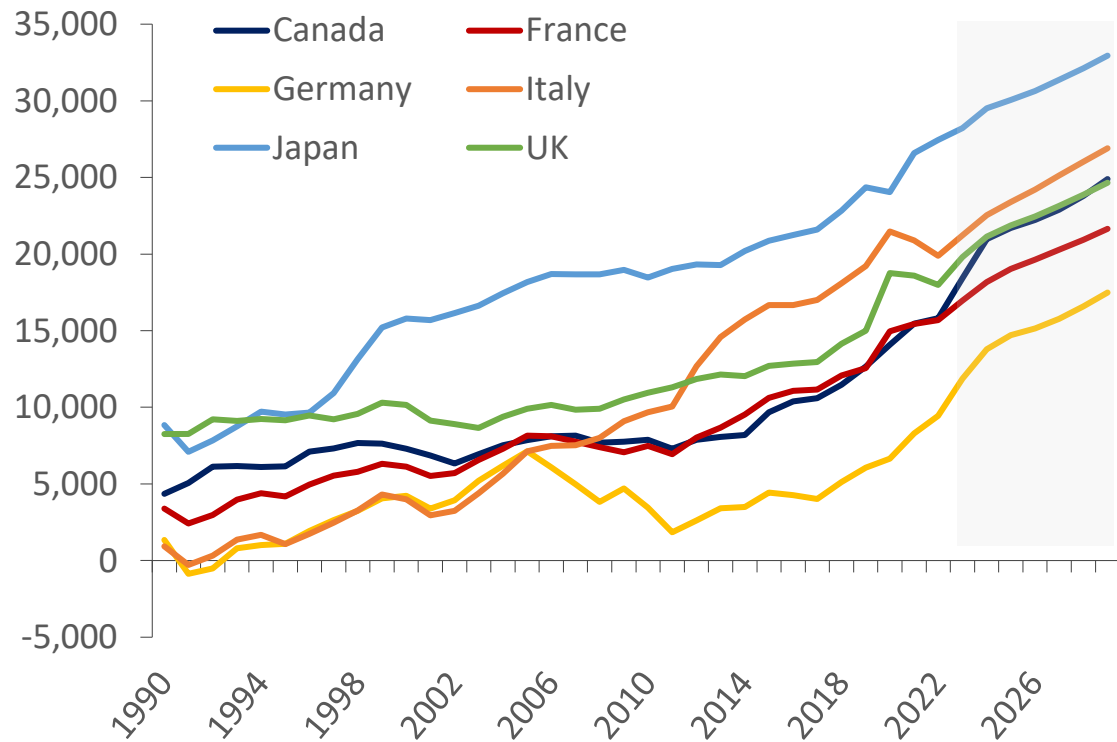
GDP at constant PPP prices (international dollars)



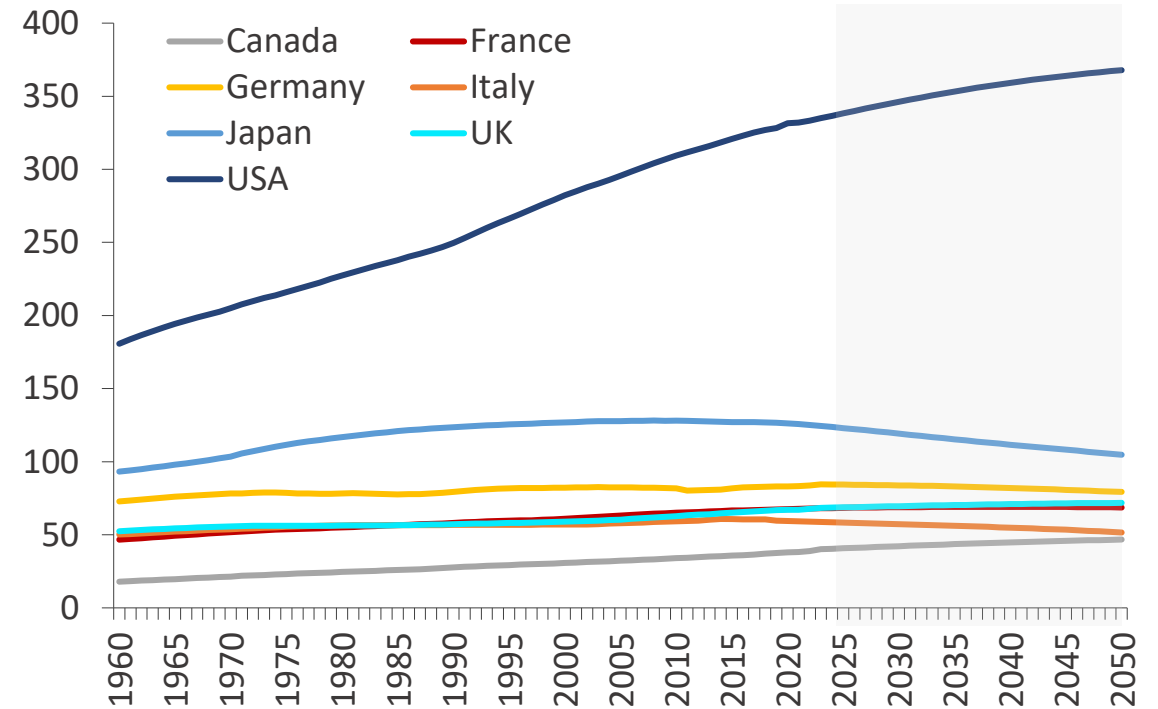
inside DM



In short – the winner is USA (yet)



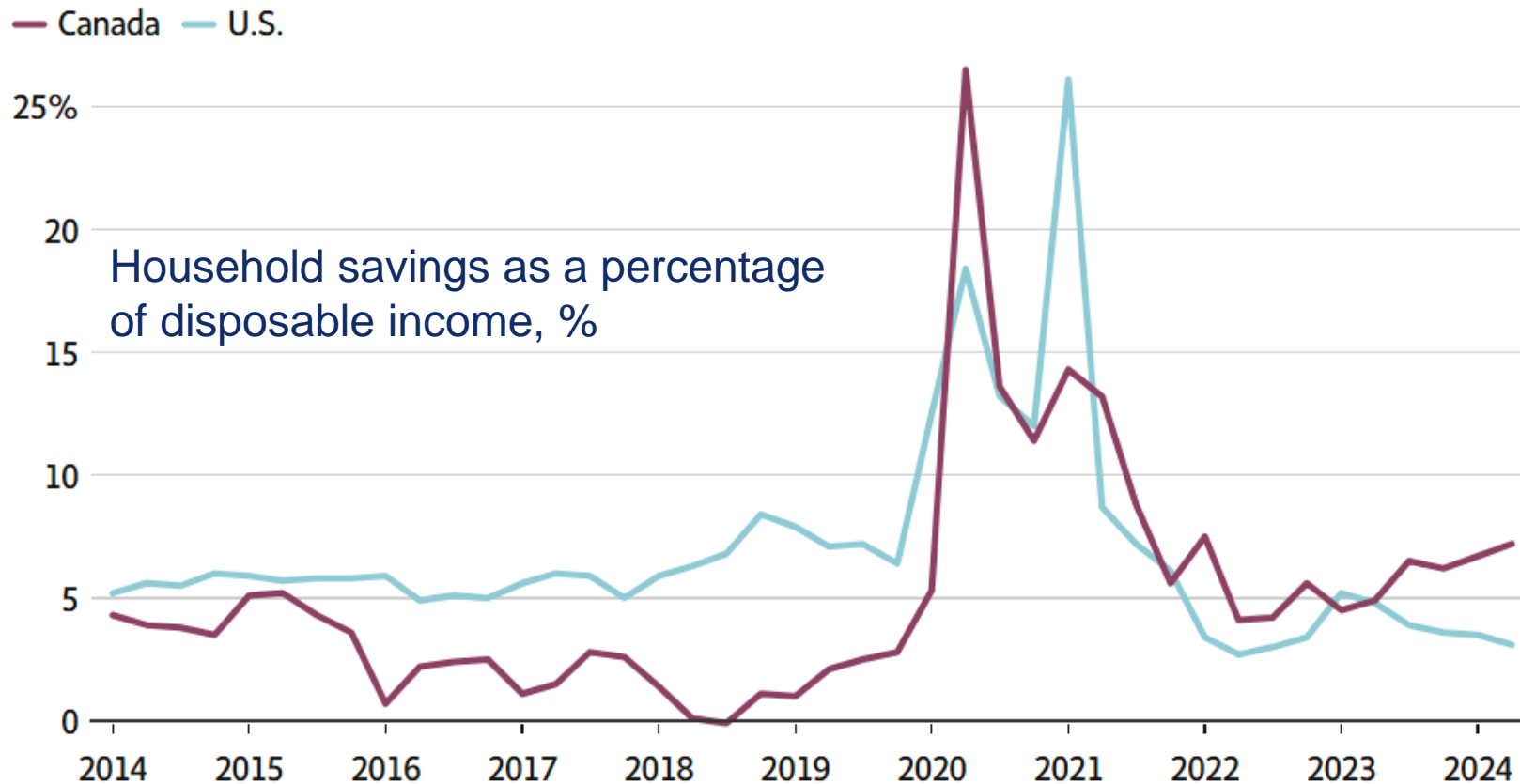
USA vs other G7 countries GDP per capita differential
(constant prices, \$)



Population in G7 countries
(number of people)



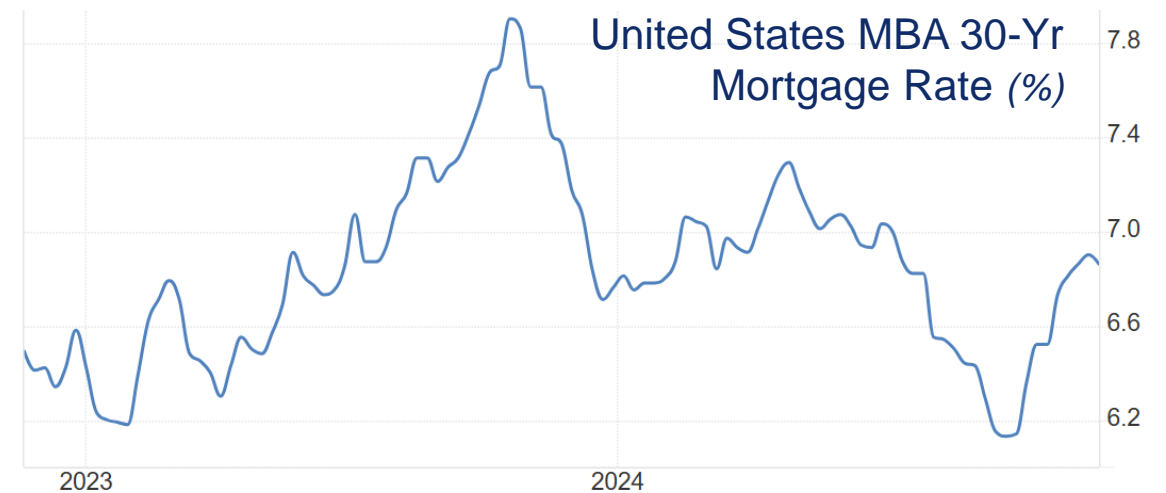
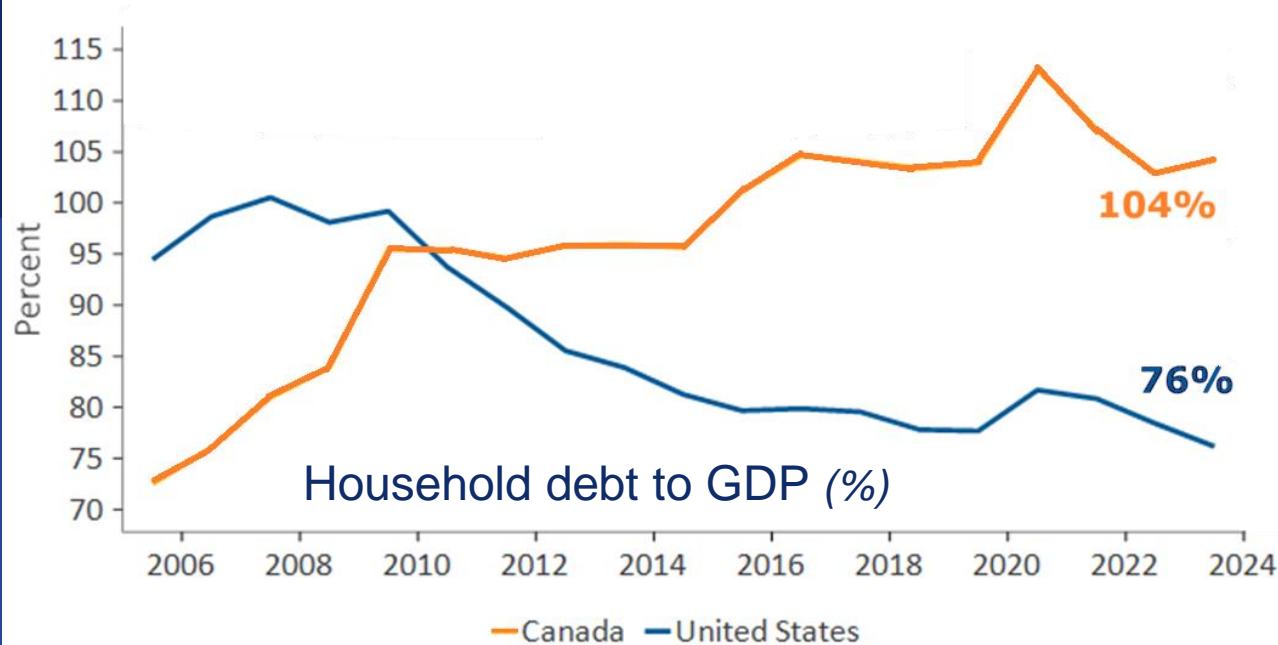
Example – US vs Canada



- Canada's savings rate has risen steadily since mid-2022, reaching 7.2% in 2Q24, the highest level, outside of the pandemic period, in nearly 30 years.
- That's a contrast to the U.S., where the savings rate has dropped compared to before the pandemic.

Example – US vs Canada

- U.S. homeowners much less sensitive to higher interest rates, so the impact of higher mortgage rates in lowering household discretionary spending activity is less pronounced (*Canadian housing market is dominated by variable-rate mortgages and 5-year fixed rate mortgages that often have stiff prepayment penalties. In the U.S., mortgages are skewed to 30-year fixed-rate mortgages with no prepayment penalties*)

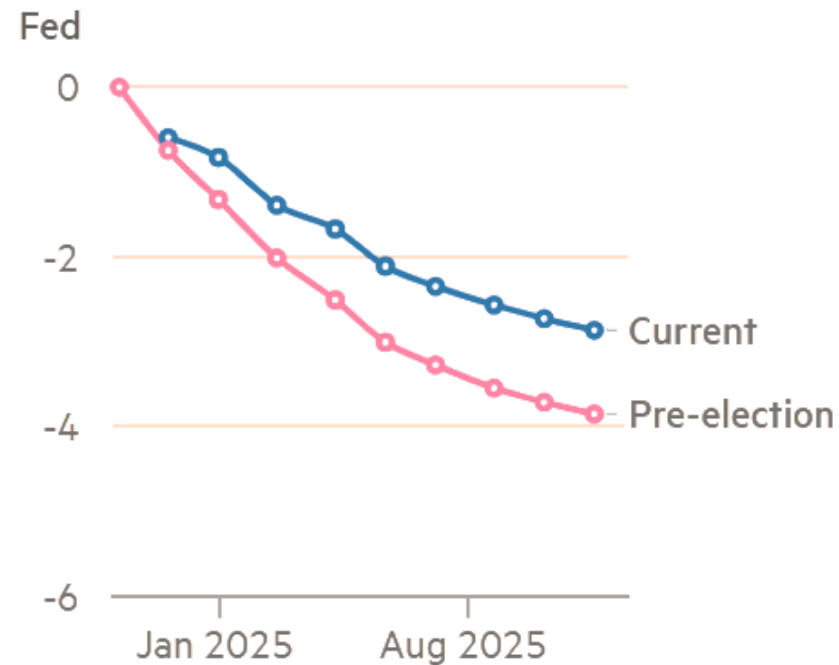
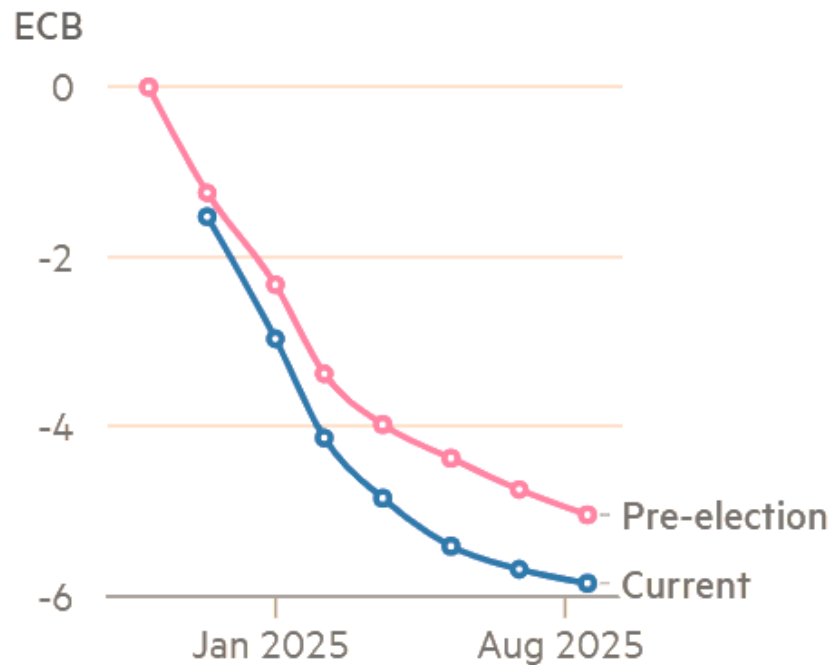




Example – US vs EU

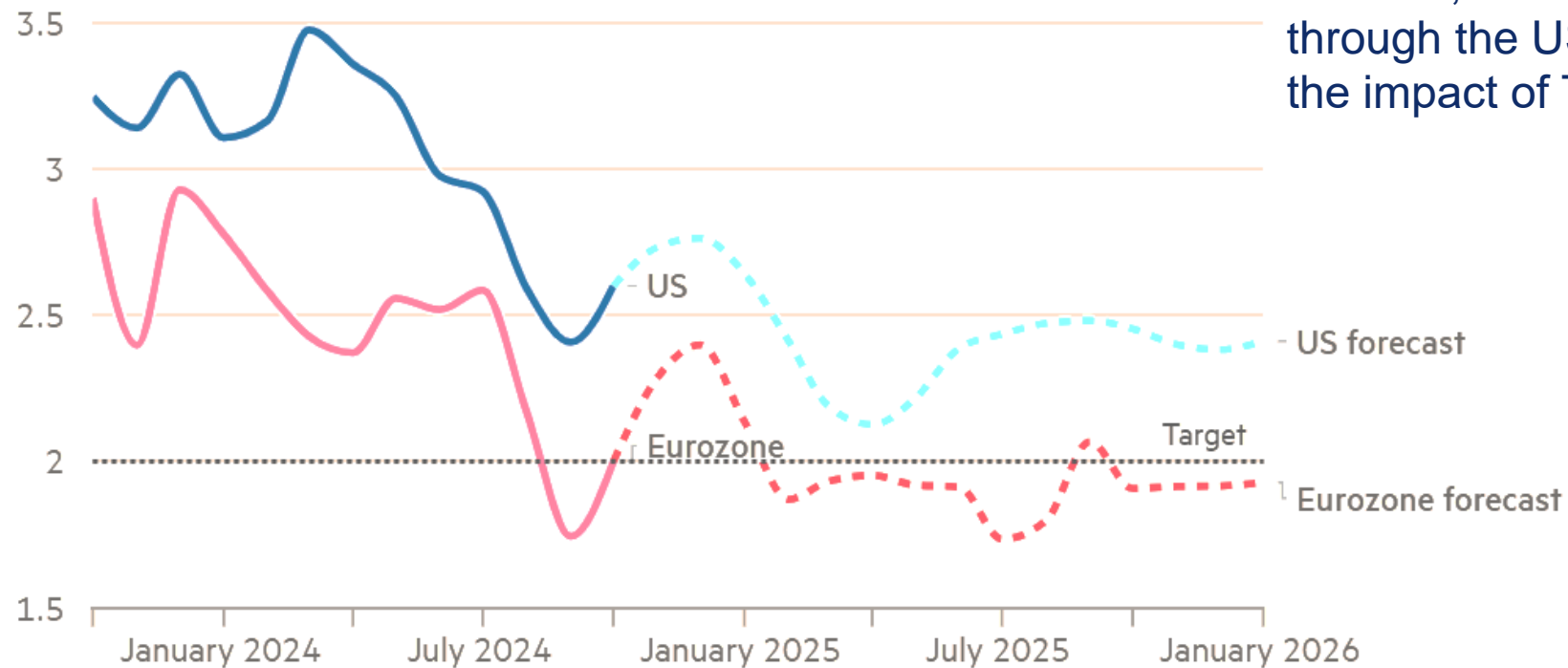
- US and Eurozone rate expectations have moved in opposite directions

Number of quarter percentage point rate cuts priced in since November



Example – US vs EU

Inflation, annual % change

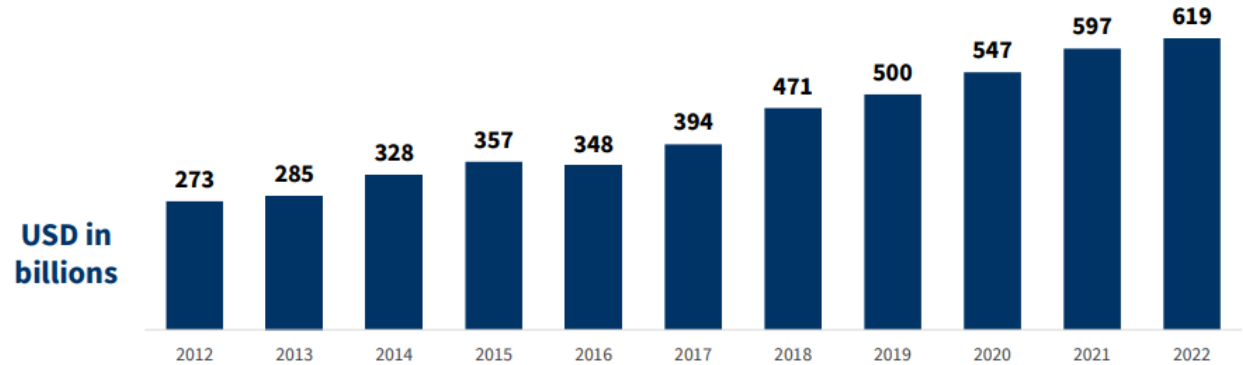


- The divergence has sparked a reversal in currency markets, where interest rates are a driving force.
- The dollar, which had been weakening since the summer, dramatically rallied against peers through the US election as investors anticipated the impact of Trump's tariff and tax policies.

Example – US vs EU

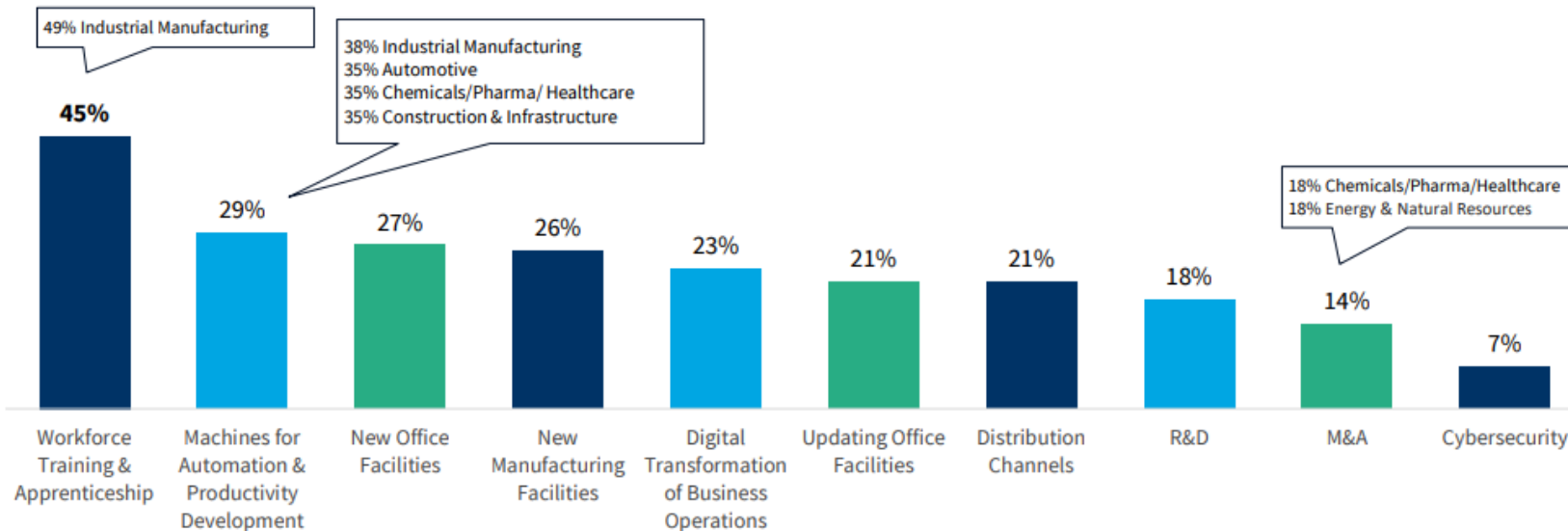
- Business immigration from the EU to the US
- German investment over the last 10 years has more than doubled
- Buy America(n), Inflation Reduction Act (IRA), CHIPS Act

Foreign direct investment (FDI) in USD from Germany in the US 2012-2022



Source: Bureau of Economic Analysis, in USD, US Department of Commerce

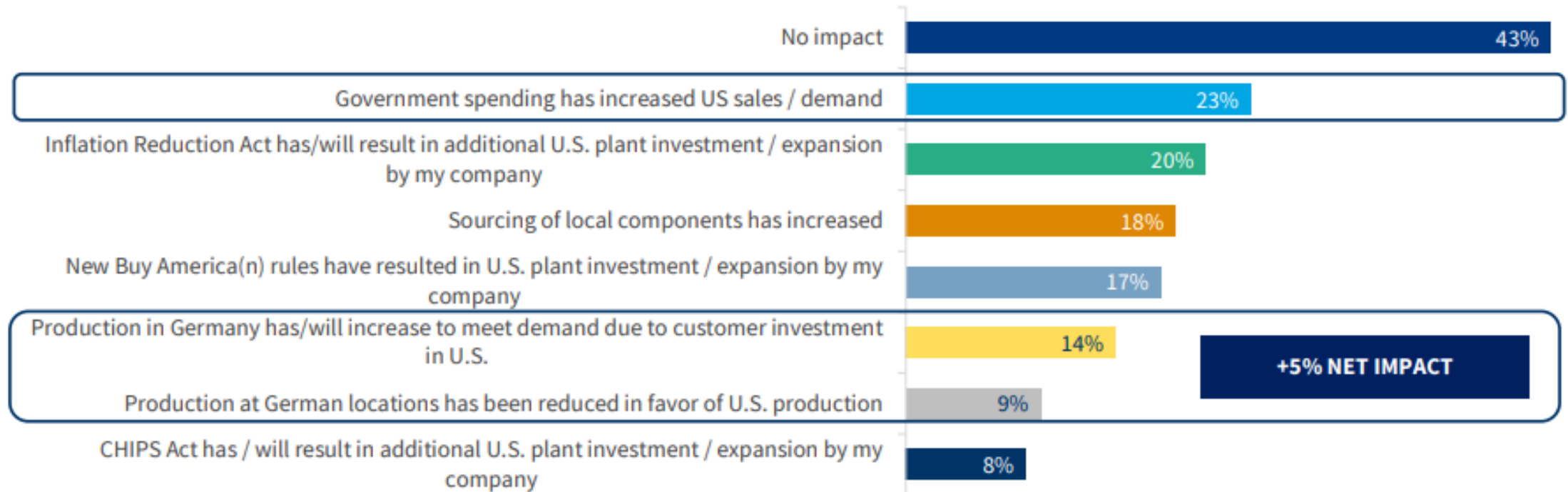
In which areas are you planning to invest in the US within the next three years (2024 - 2026)?



Source: GACCs, 2024, figures in percent, multiple answers possible, N=221



How have changes to Buy America(n) rules, passage of the Inflation Reduction Act (IRA), CHIPS Act, or related US federal government incentives affected your business decisions with respect to investment in the US?



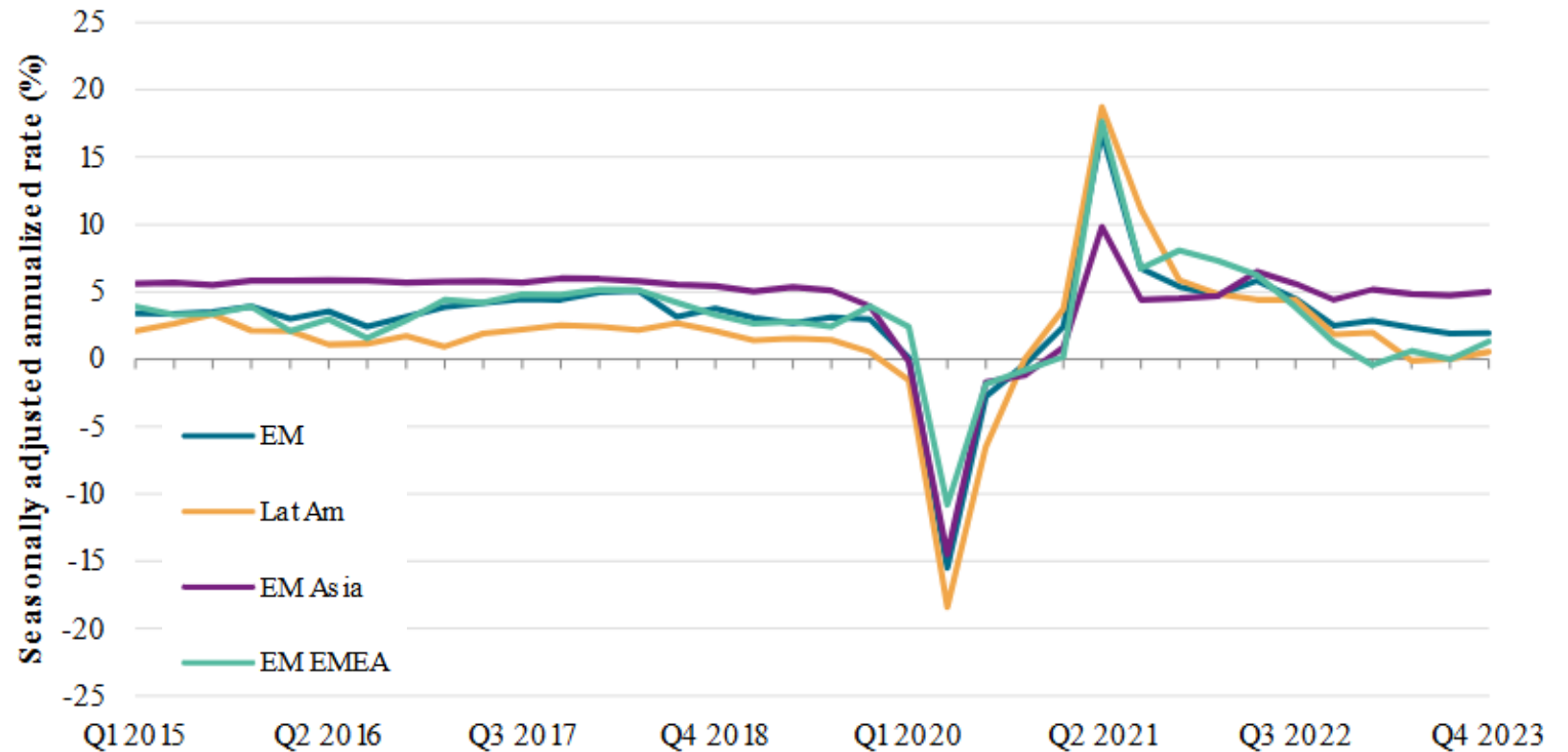
Source: GACCs, 2024, figures in percent, multiple answers possible, N=221

inside EM



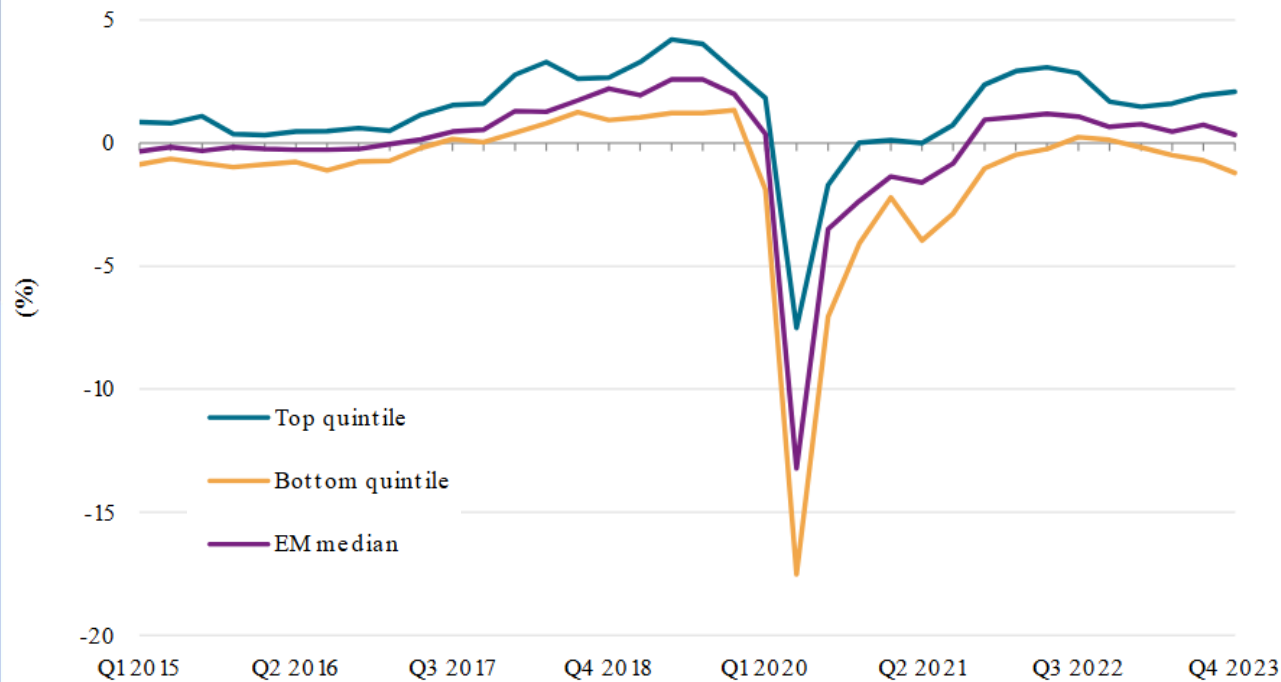
EM – regional trends

- EMs will still face significant obstacles this year that will keep economic paths highly vulnerable
- Growth paths across EMs will diverge significantly in 2024-2025 and onwards



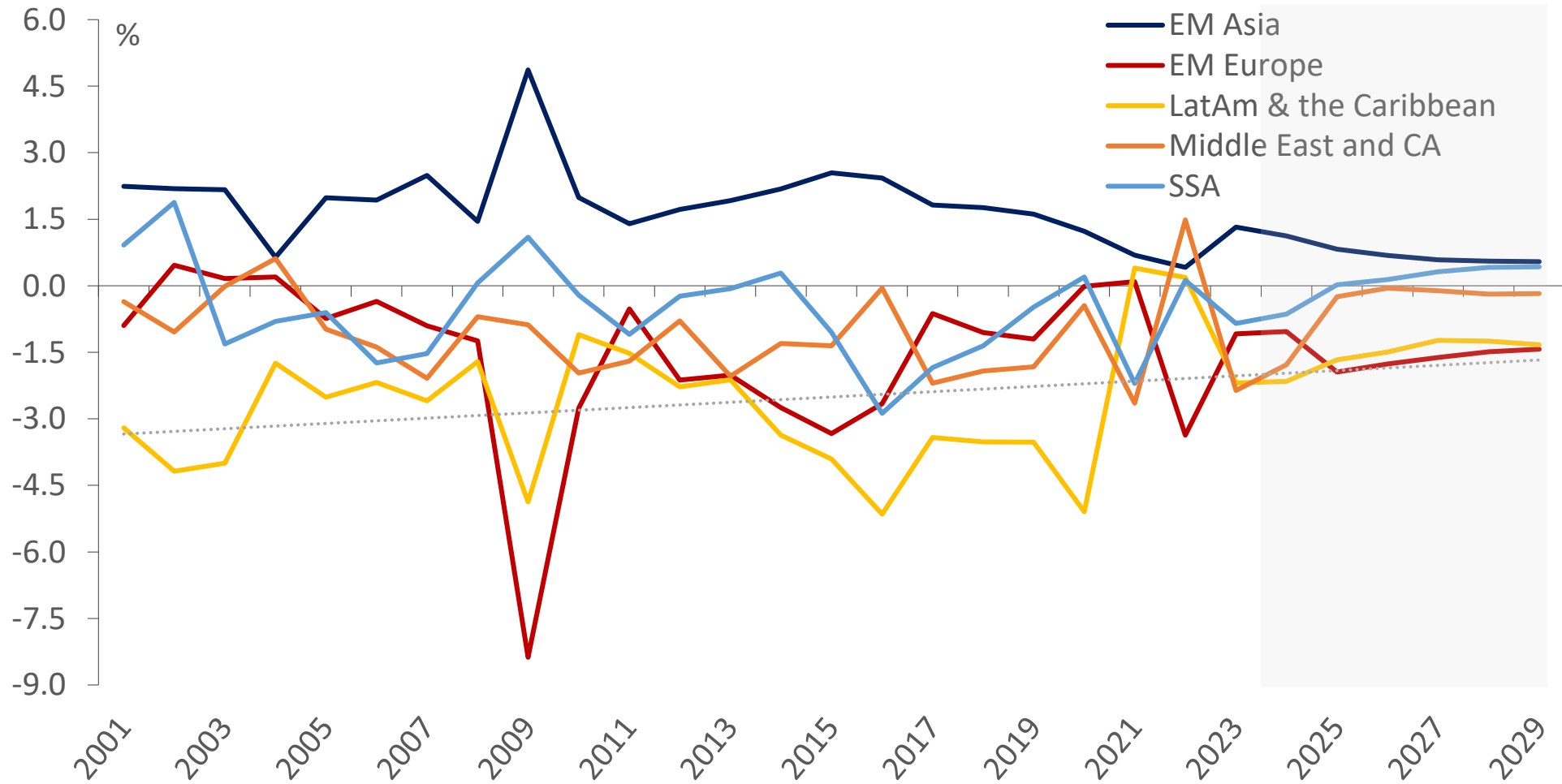
Median quarterly GDP, moving average
S&P

EM – current economic cycles

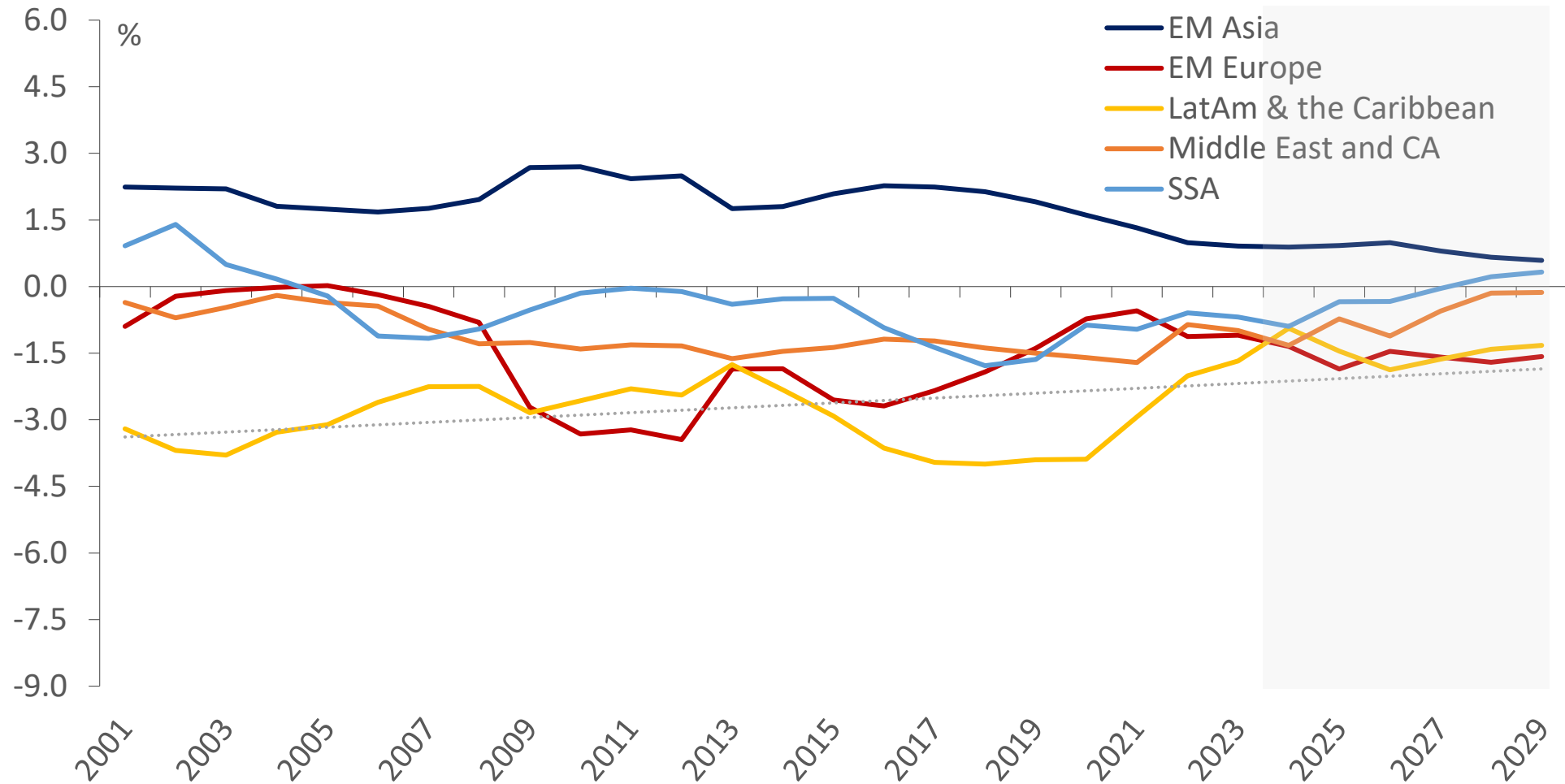


- lagged effects of high interest rates, which will increase the cost of servicing debt and financing new investments.
- subdued confidence and property sector woes will continue to generate uncertainty over the trajectory of the Chinese economy
- heavy electoral agenda could keep policy predictability lower than normal, which may restrain investment in some cases.

GDP deviation from long-term period



GDP deviation from EM global trend



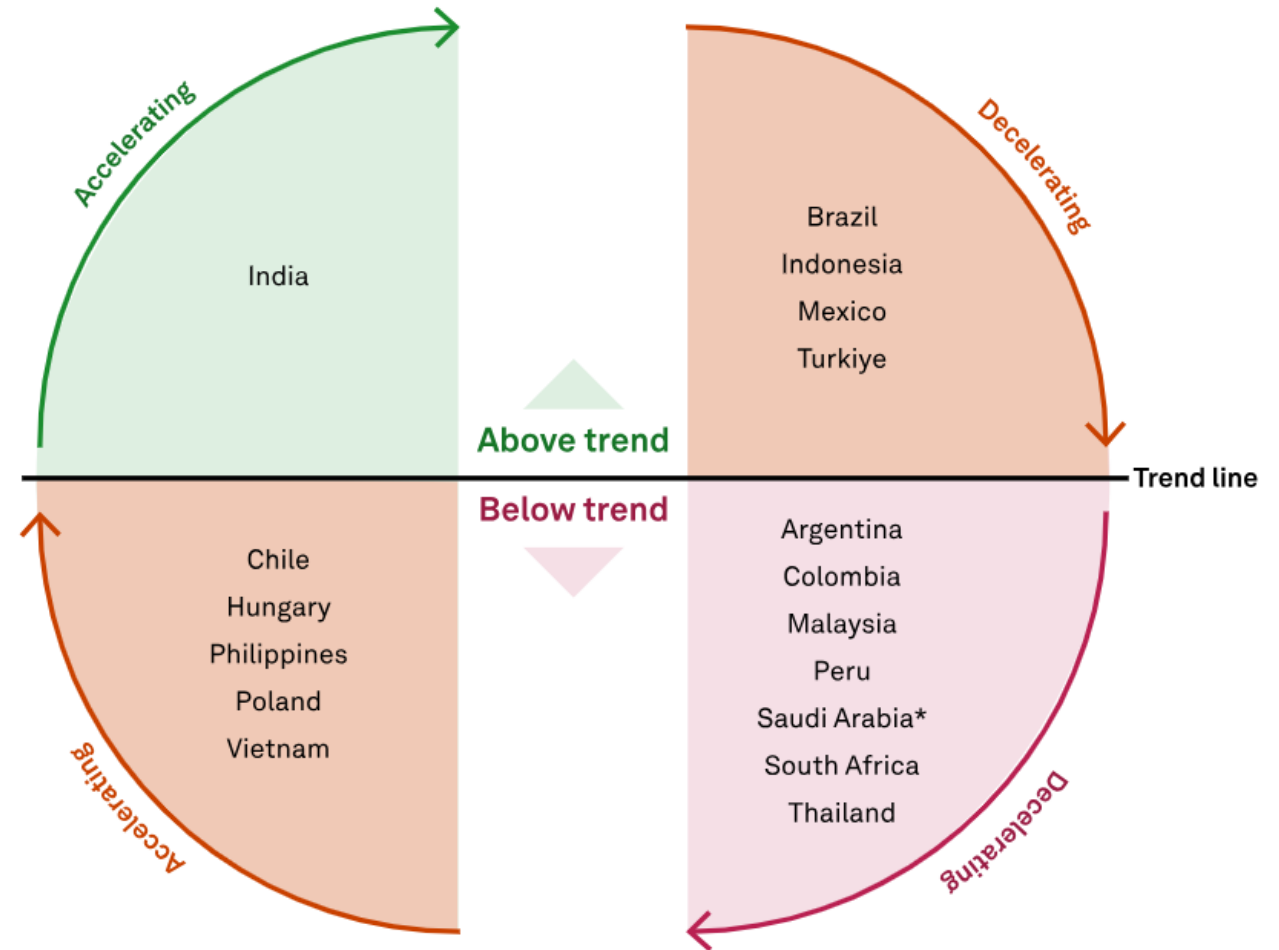
GDP deviation from EM global trend (4Y moving)

EM – current economic cycles

- EMs entered 2024 at different stages of their economic cycles.

GDP growth in economies that were expanding above trend in 2023 to while decelerate modestly in 2024...

...while those that grew below trend last year will improve in 2024 but remain below trend in most cases.



Note: We use an Hodrick-Prescott filter on seasonally-adjusted GDP levels to define above/below trend, and the average of the latest two quarters compared to the average of the previous two quarters to define accelerating/decelerating.

*Saudi Arabia's non-oil GDP is above-trend and accelerating.

Sources: Haver Analytics and S&P Global Ratings.

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