



Faculty of World Economy and
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Cross-country inequality issues: rising economic divergence of the USA and Germany

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Current world economic order. Factors at play.

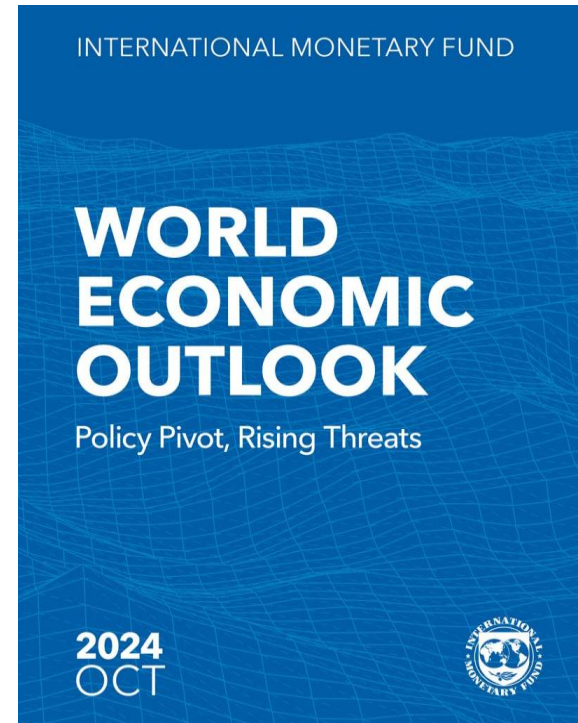
Geopolitics

- The impact of sanctions on the resulting fragmentation of global trade

Moderate global economic growth

- Economic slowdown in China
- Tight monetary policy
- Persistence of higher transportation and production costs (mainly in Europe)

The widening gap between the economic growth of developed countries



*all datasets are from the International Monetary Fund's World Economic Outlook (WEO) databases from October 2024 and April 2024

The increasing gap between German and the U.S. economies: from 2000 to 2008

- ❑ significant economic growth of both economies
- ❑ higher vulnerability of Germany to external crises
- ❑ In 2009 Germany's GDP growth rate -5,7%, U.S. -2,6%¹

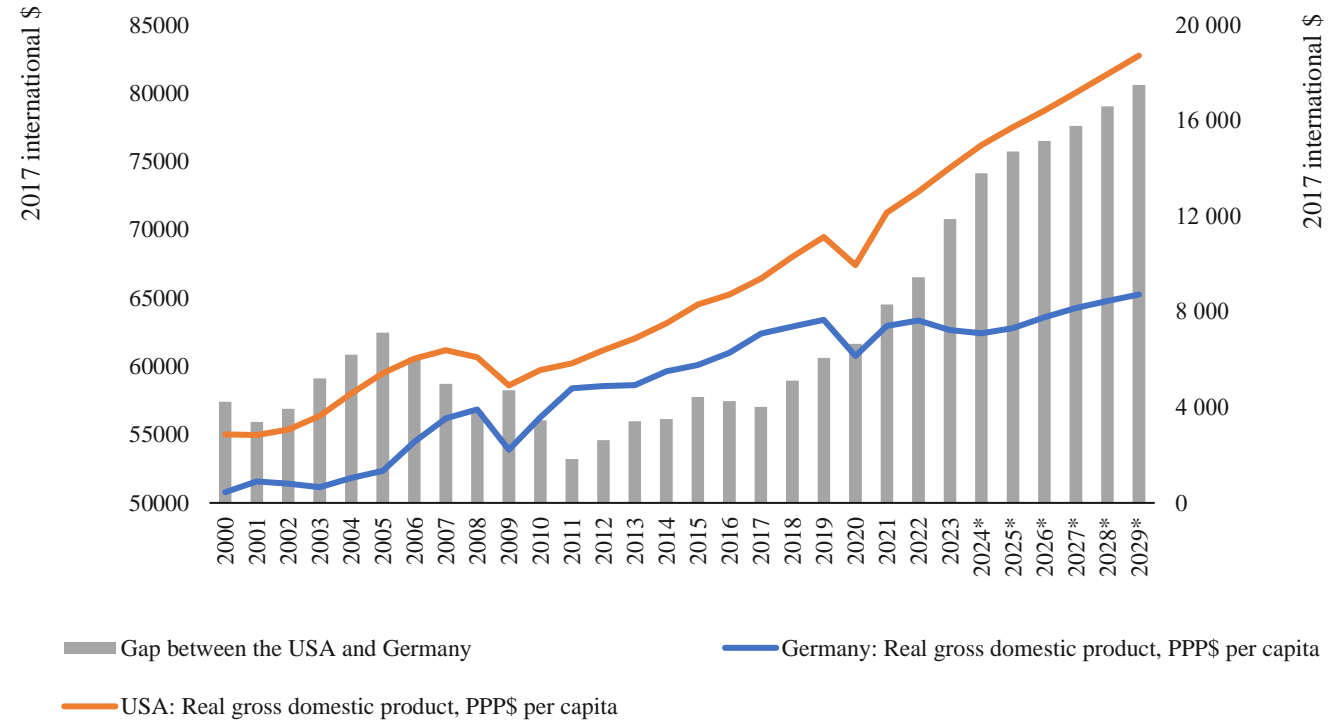


Figure 1. Real GDP per capita in Germany and the USA, 2008-2029 (PPP\$ per capita).

*Forecast

Source: IMF

1. World Bank national accounts data, and OECD National Accounts data files.

The divergence of current account and net saving rate of Germany and the U.S.

- ❑ Germany: current account surplus and an increasing saving rate
- ❑ the United States: a persistent negative current account balance alongside a low saving rate

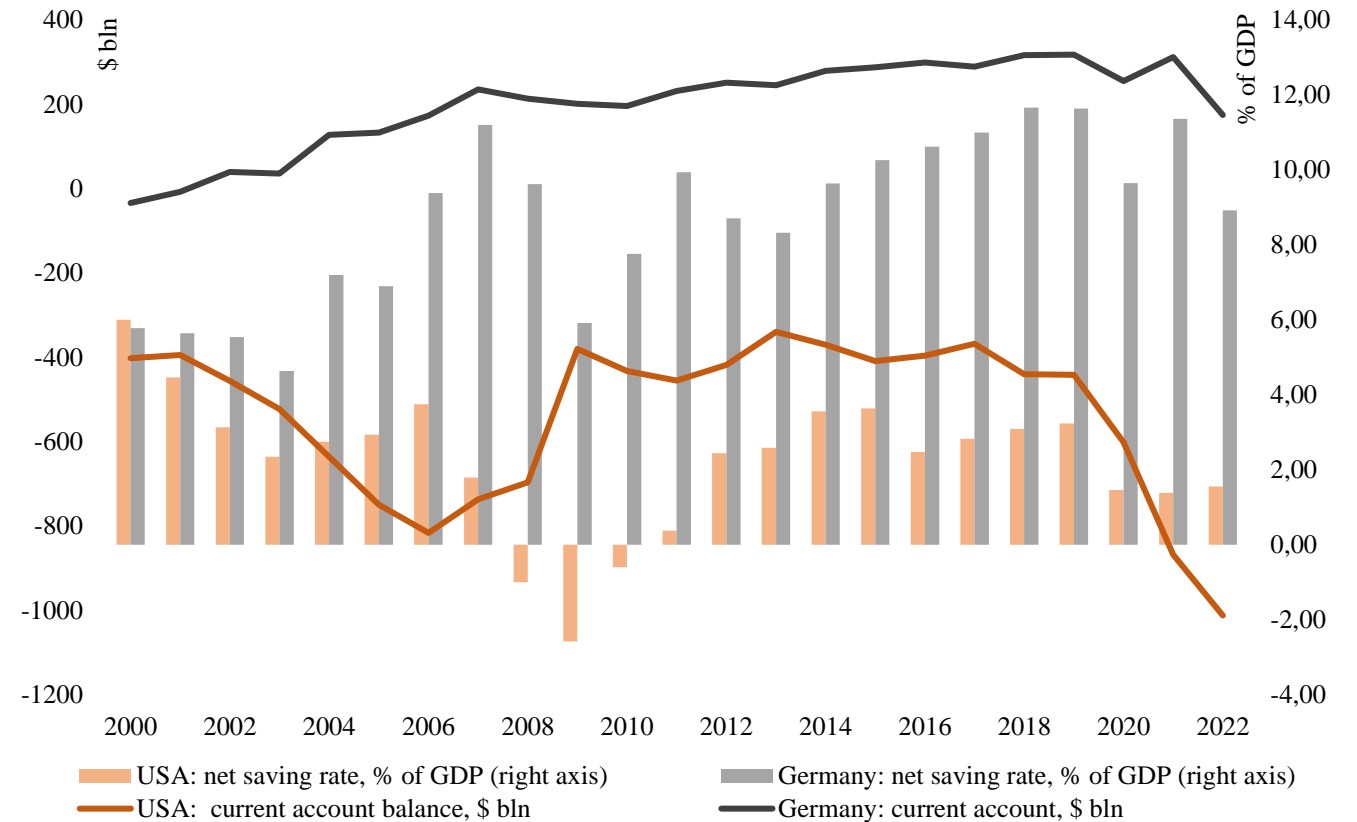


Figure 2. Current account balance and net saving rate in Germany and the USA, 2000-2022

Source: IMF; OECD

From 2022 onwards: the gap between the German and the U.S. economies is widening

- ❑ The gap in GDP PPP per capita in 2029 (PPP \$17.5 thousand): **4 times higher** than the average of 2009-2021 (PPP \$4.5 thousand)

GDP growth rate dynamics:

- ❑ Before 2022: GDP growth rates are positively correlated
- ❑ After 2022: **opposing trends**
- ❑ USA GDP growth: **+2.4%** in 2024
- ❑ **Germany** GDP growth: **first two-year recession** in 20 years

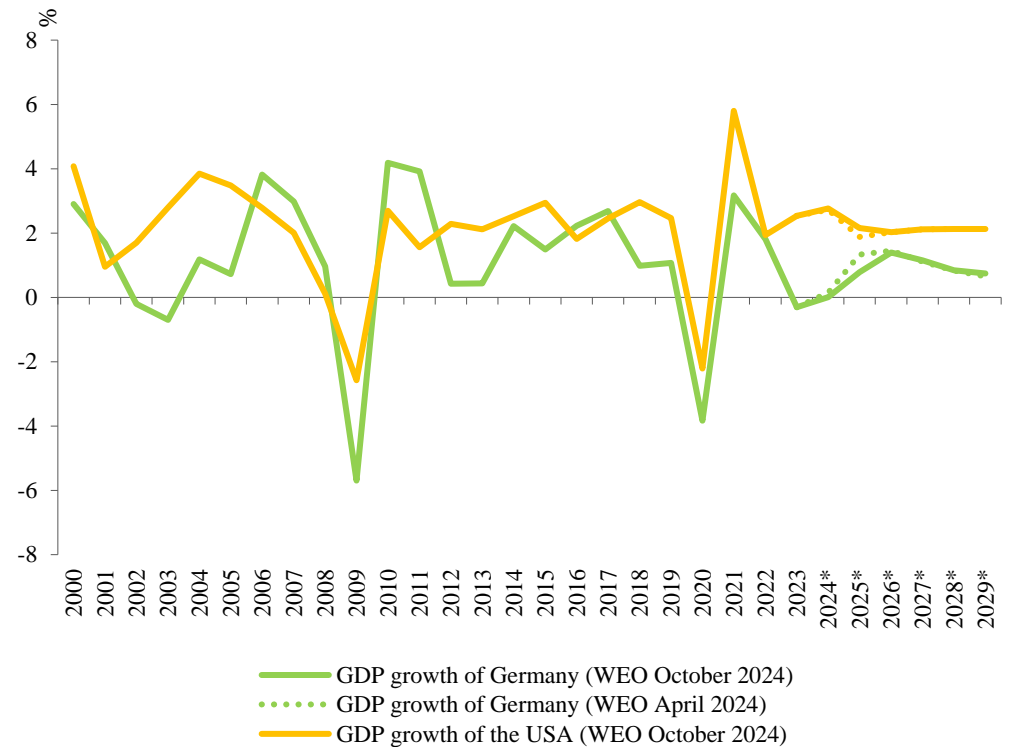


Figure 3. Percentage of GDP in Germany and the USA, 2008-2029.

*IMF Forecast

Source: IMF

Energy crisis and LNG exports

USA:

- ❑ Natural gas prices **returned to pre-pandemic** levels by 2023
- ❑ **Substitution of Russian gas in Europe with LNG:** increase in exports from 12 to 55 mln tonnes from 2021 to 2023

EU/Germany:

- ❑ In 2023-2024 prices **2 times higher than in 2019** => relative energy costs are 2.5 times higher than before
- ❑ Both production and cost competitiveness decreases => firms shutdowns
- ❑ Embargo on Russian gas + disruption of the Nord Stream 2

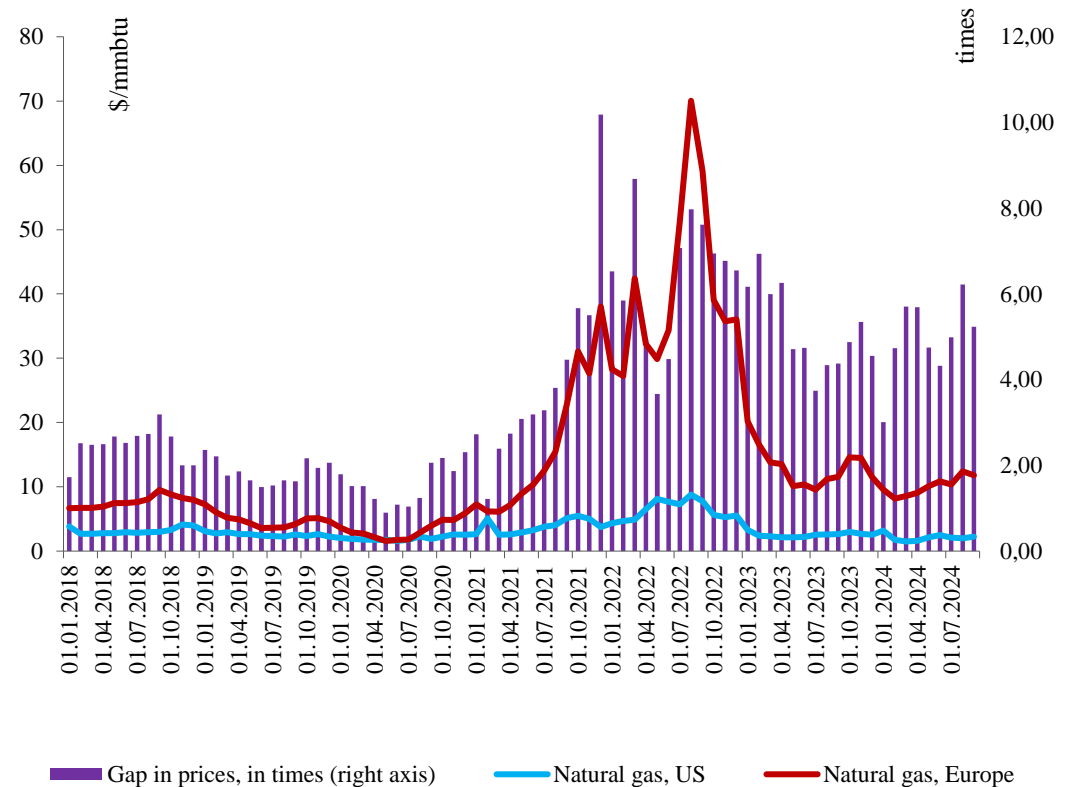


Figure 4. Natural gas price dynamics in the US and Germany in 2018-2024

Source: The World Bank

German industry migrating to the U.S.

- ❑ German firms: a **record \$15.7 billion** in capital commitments for U.S. projects in 2023

Reasons for the transfer of manufacturing facilities from Germany

- ❑ **Loss** of key competitive advantages (**cheap Russian energy + labour cost advantage**)
- ❑ Limited fiscal programs for business in Germany
- ❑ **Favorable tax incentives in the U.S.** (Inflation Reduction Act) + China's large-scale programs to support national producers

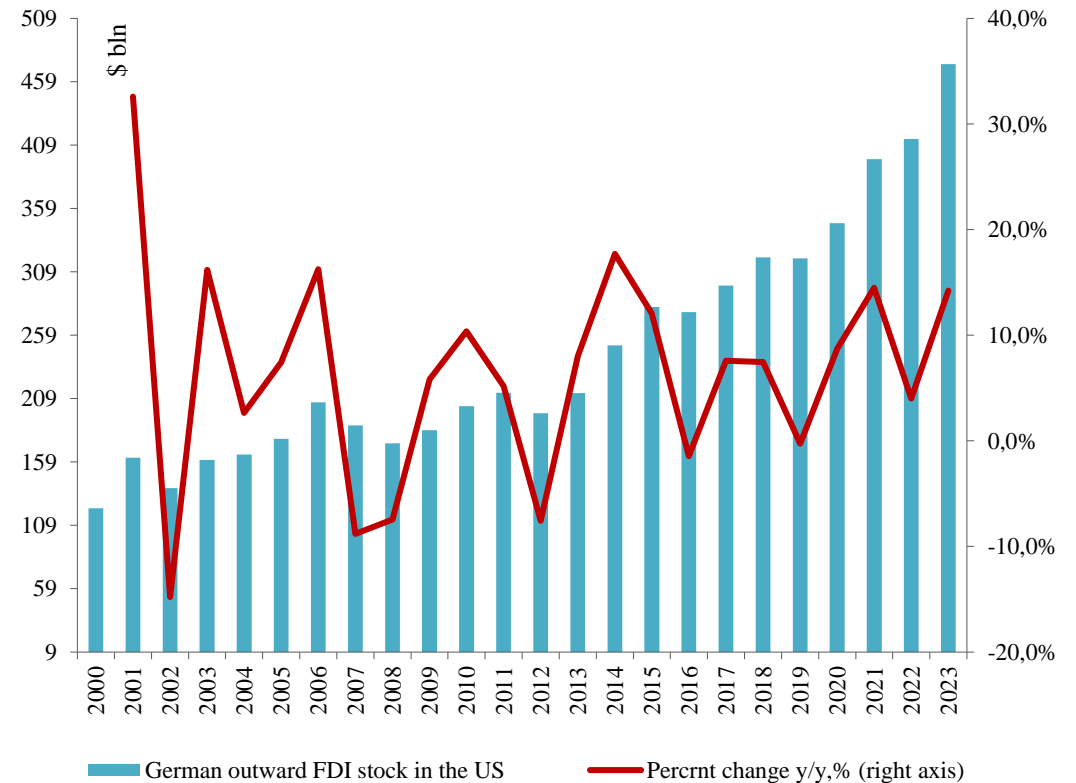


Figure 5. U.S. annual FDI receipts from Germany 2000-2023 (billion U.S. dollars)

Source: U.S. Bureau of Economic Analysis (BEA)





Energy crisis in the EU: Natural gas futures (Dutch TTF Natural Gas Futures)

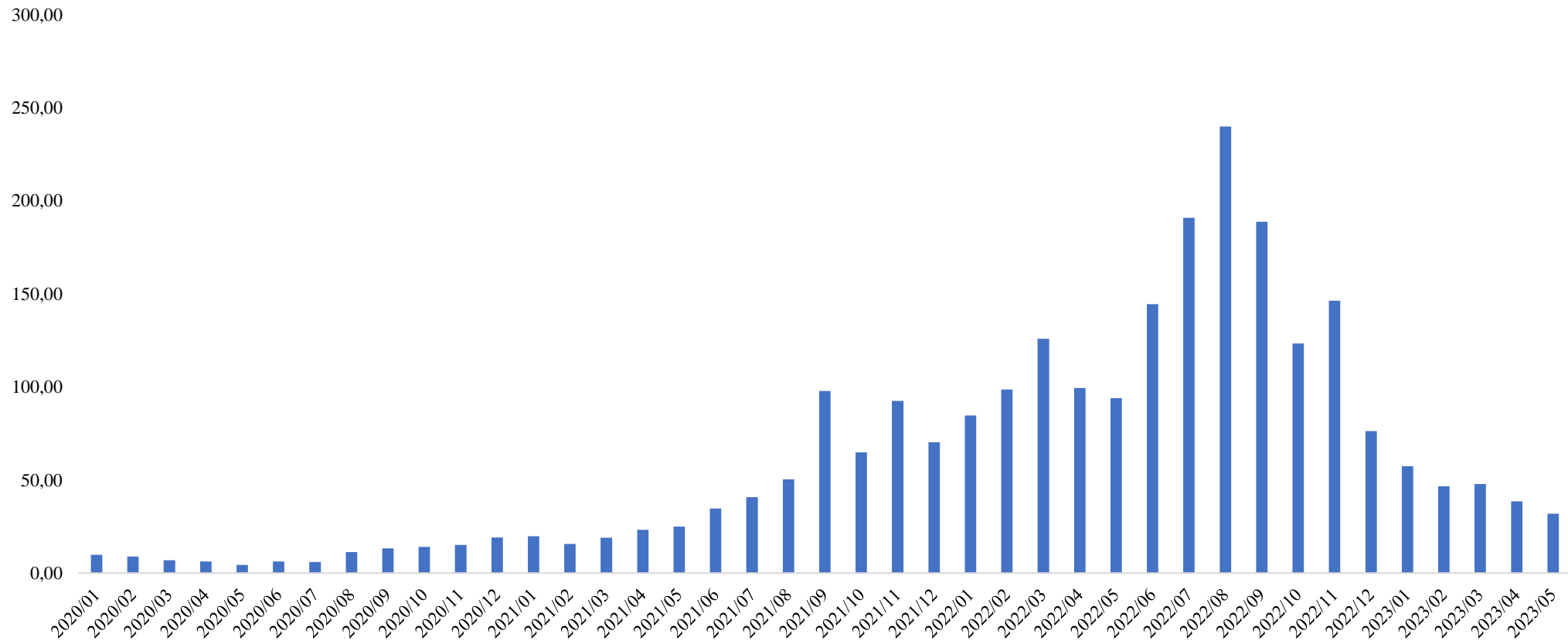


Figure 4. Dutch TTF Natural Gas Futures, U.S. dollars

Source: Investing.com

Energy crisis in the EU: natural gas prices in Germany

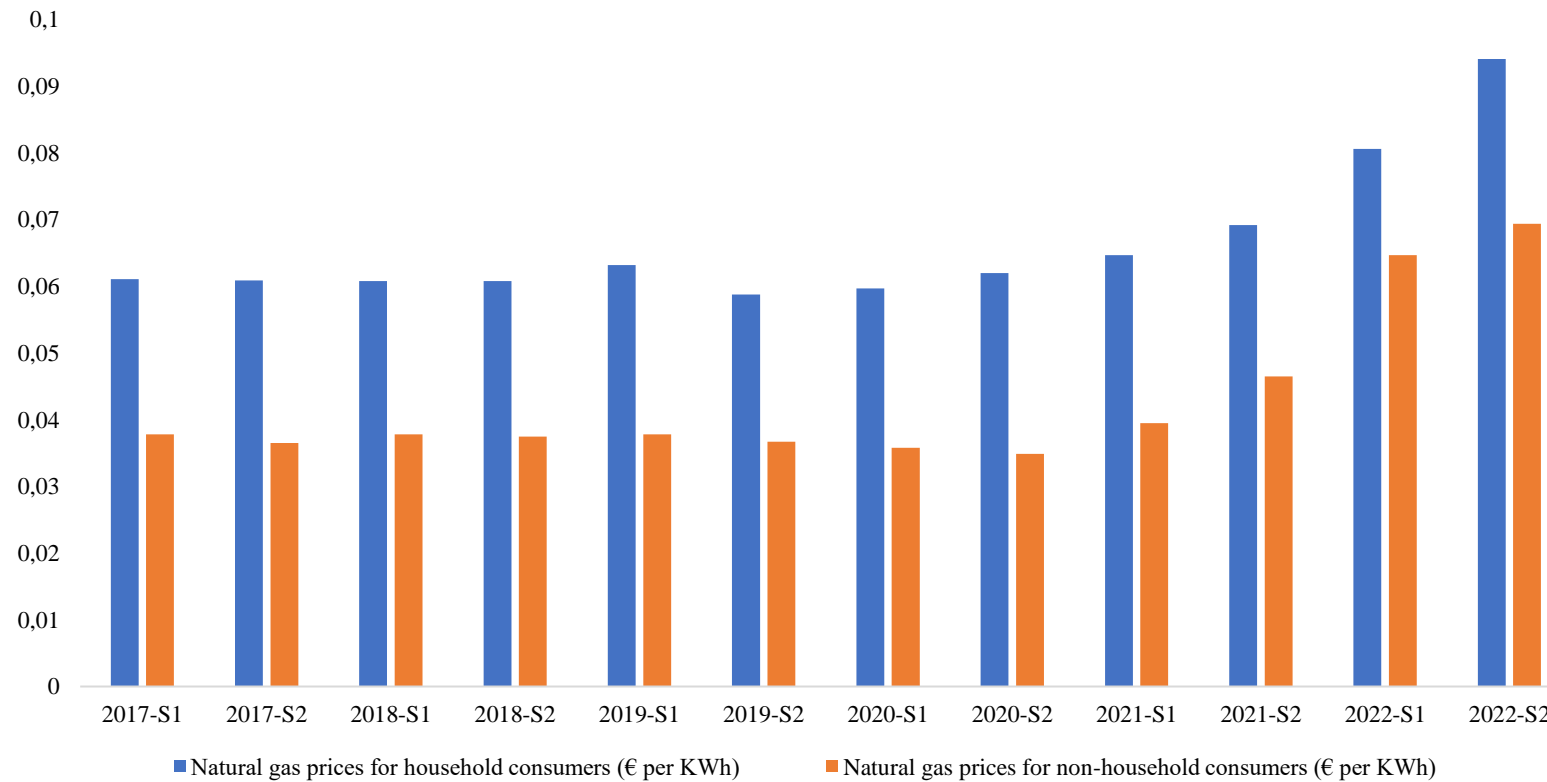


Figure 5. Natural gas prices for households and non-households 2017-2022 (€ per KWh)

Source: Eurostat

Labour costs in Germany



Figure 6. Average labour costs per hour worked in Germany, 2000 - 2023 (EUR)

Source: Statistisches Bundesamt