

Long-Term Prospects for the Global Economy

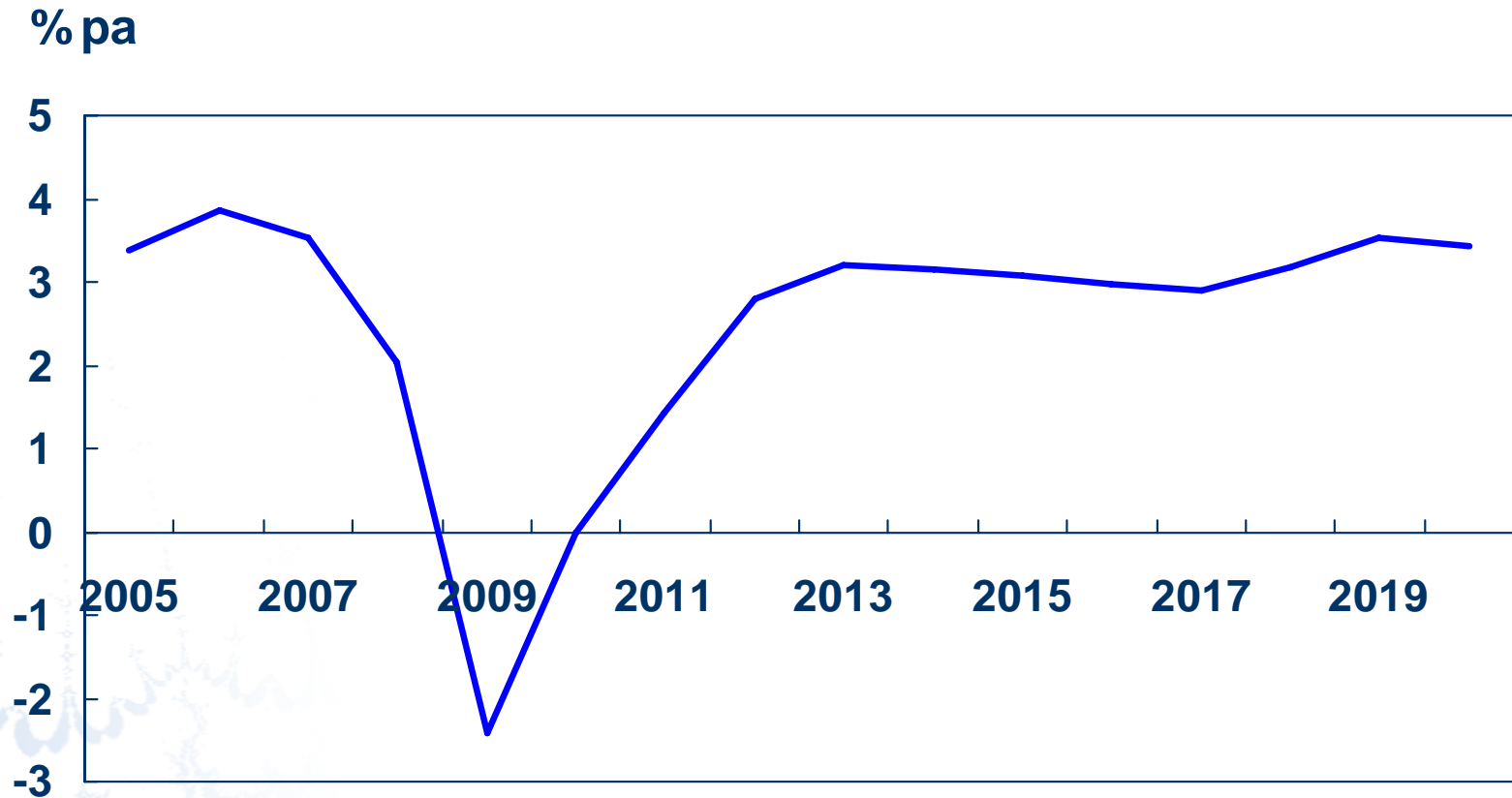
Presentation to the City of London Corporation

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Overview

- **The current consensus and its underlying assumptions**
- **Impacts of the crisis on the drivers of growth**
- **Other uncertainties**
- **Prospects for global sectors and regions**

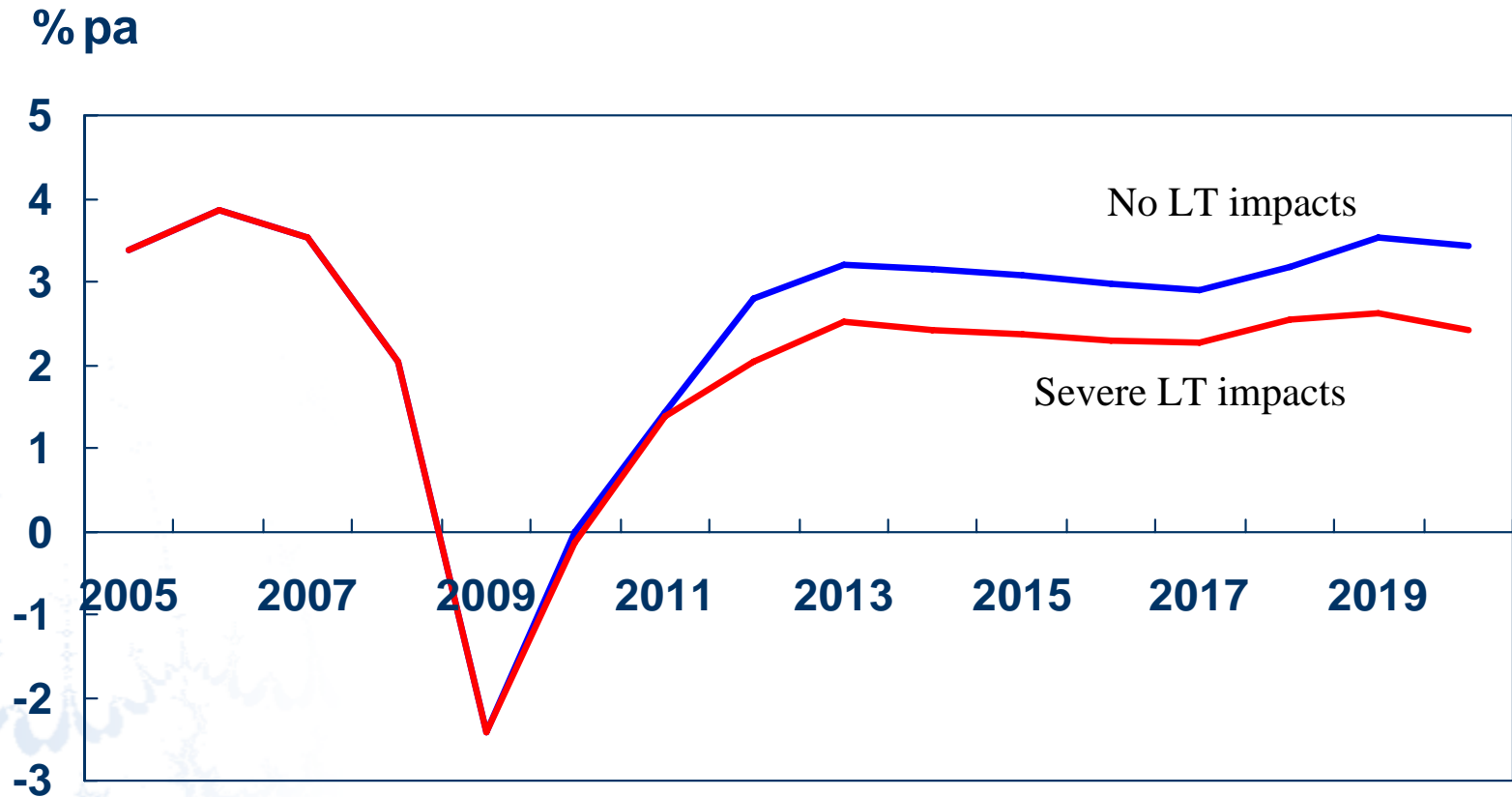
Current Forecasts – World GDP



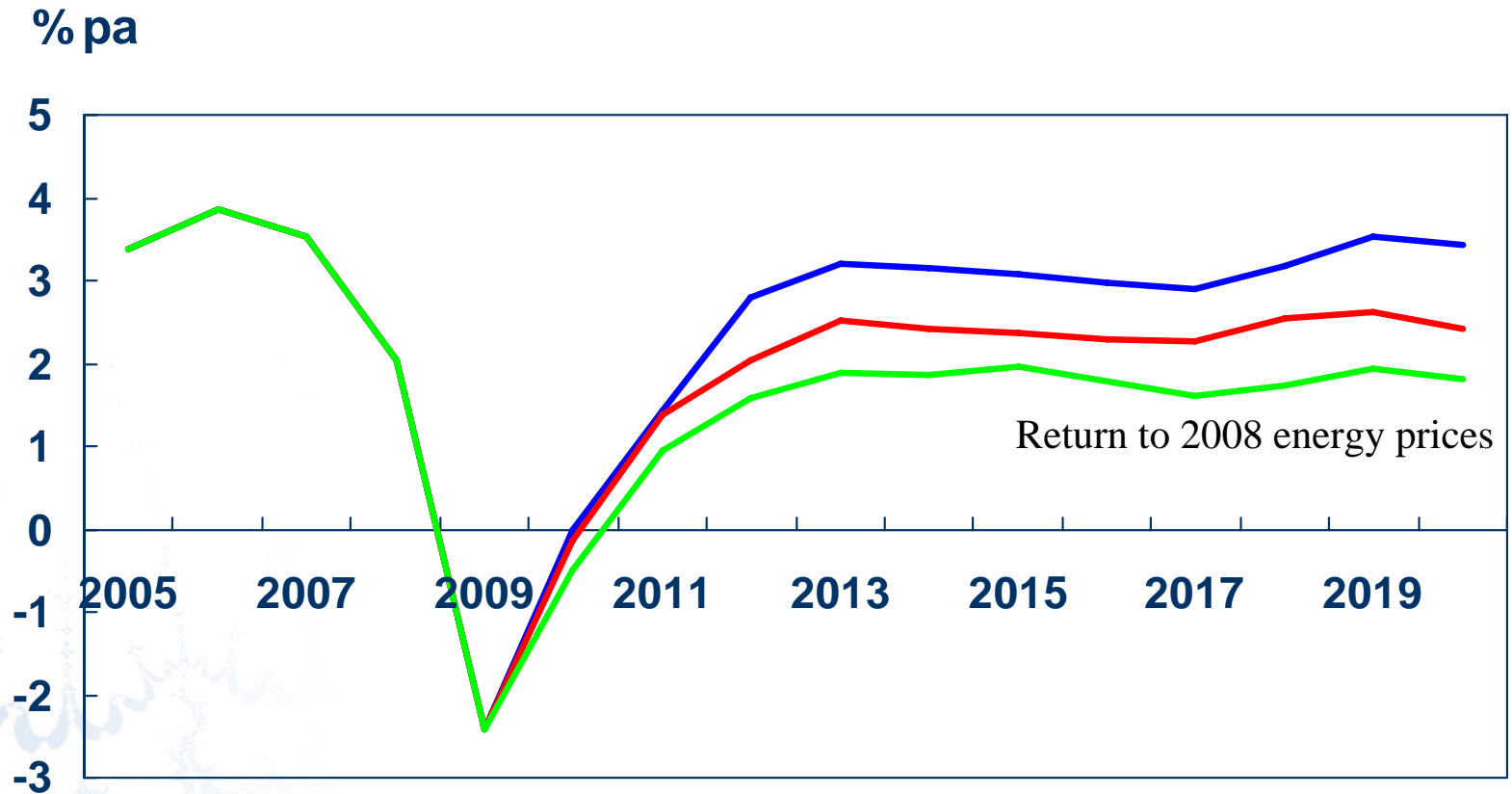
Underlying assumptions

- **There will be a ‘return to normal’ with the global economy returning to previous rates of growth...**
- **... but this assumes that there are no long-term impacts on the drivers of growth, eg**
 - **demographic development**
 - **globalisation**
 - **technological progress**
 - **the public sector**

Impacts on Long-Term Global Growth



Thoughts about uncertainties



Selected GDP growth, %pa 2010-20

	No long-term impact	Large long-term impact	Plus higher energy prices
Europe	2.3	1.3	0.6
USA	2.4	1.8	0.7
Japan	1.3	0.6	0.2
China	7.4	6.9	6.4
India	4.7	4.2	3.7

Sectoral Profiles

- **A private-sector recovery will be led by investment:**
 - benefits to construction and engineering sectors
 - and their suppliers (metals, aggregates)
- **This will be tempered by lower public-sector demand**
- **And the government sectors which have previously not been affected so much may suffer:**
 - health, education, defence
 - and their suppliers (pharmaceuticals, defence contractors)

Conclusions

- **It is still too early to tell what impact the crisis will have on the trend rate of growth**
- **We have identified some of the impacts on the main drivers and tried to quantify where possible**
- **Over 2010-20 our results show a maximum impact of 0.5-1% pa on global growth**
- **Other considerable uncertainties remain in the system!**