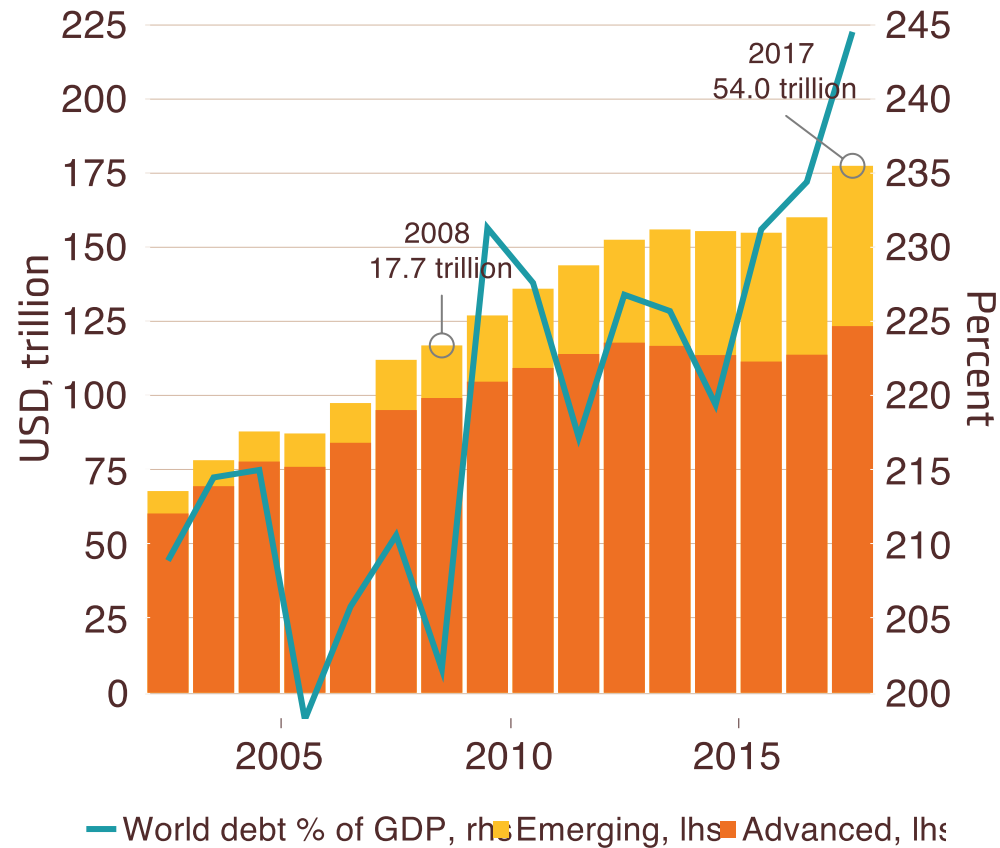


# Global and local economic outlook

Nerijus Mačiulis  
2018 11 20

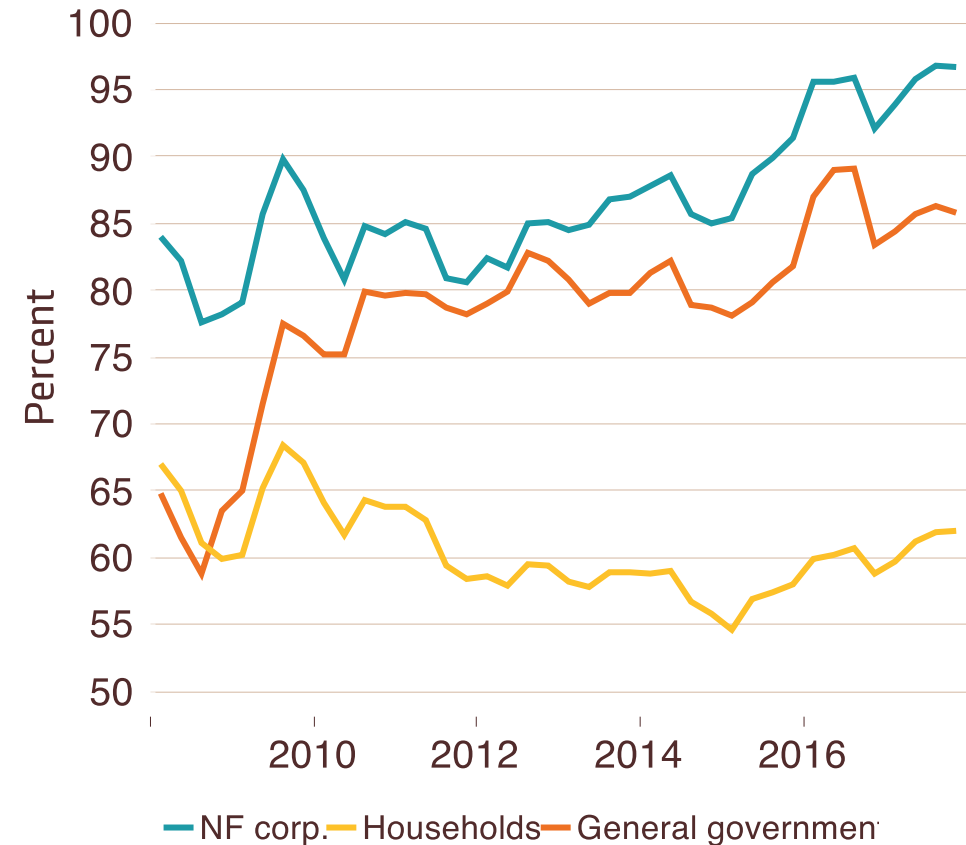
# 1. Total global debt: \$177tn -> \$250tn

## Non-financial sector debt



Sources: Swedbank Research & Macrobond

## World debt % of GDP

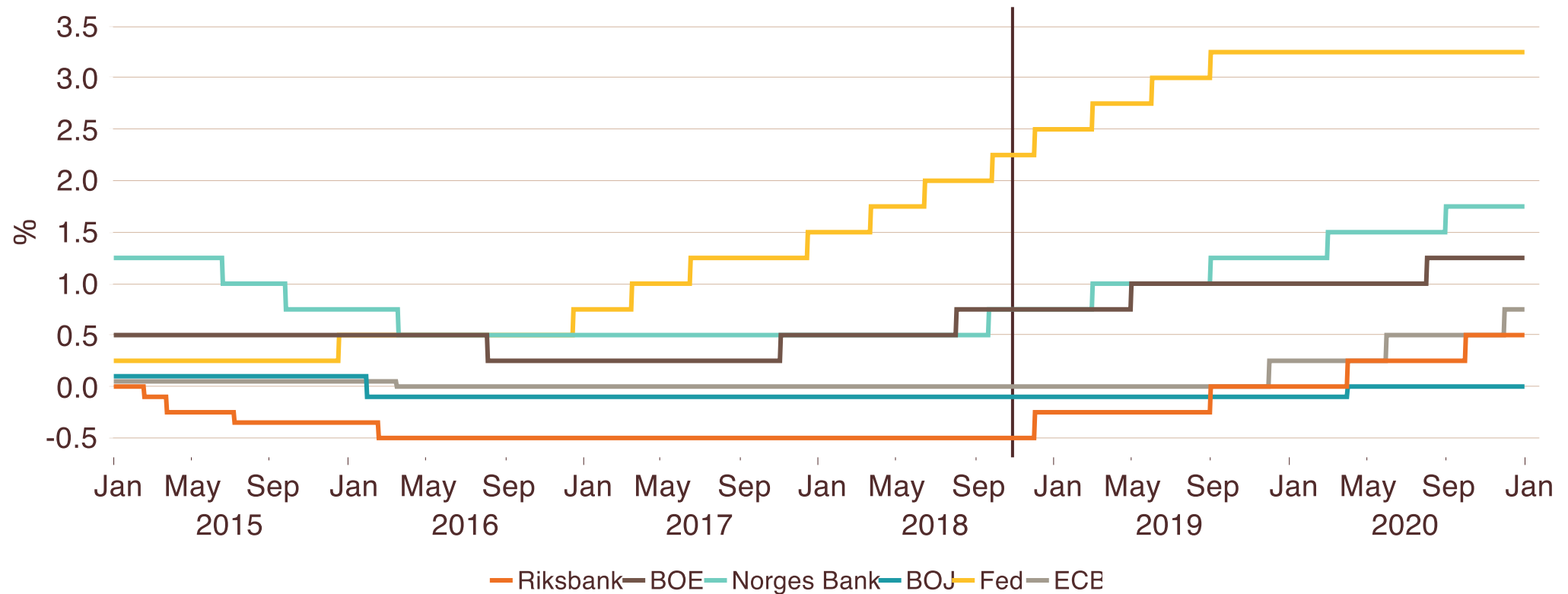


Sources: Swedbank Research & Macrobond

# Borrowing costs are on the rise

## Central bank policy rates and Swedbank forecasts

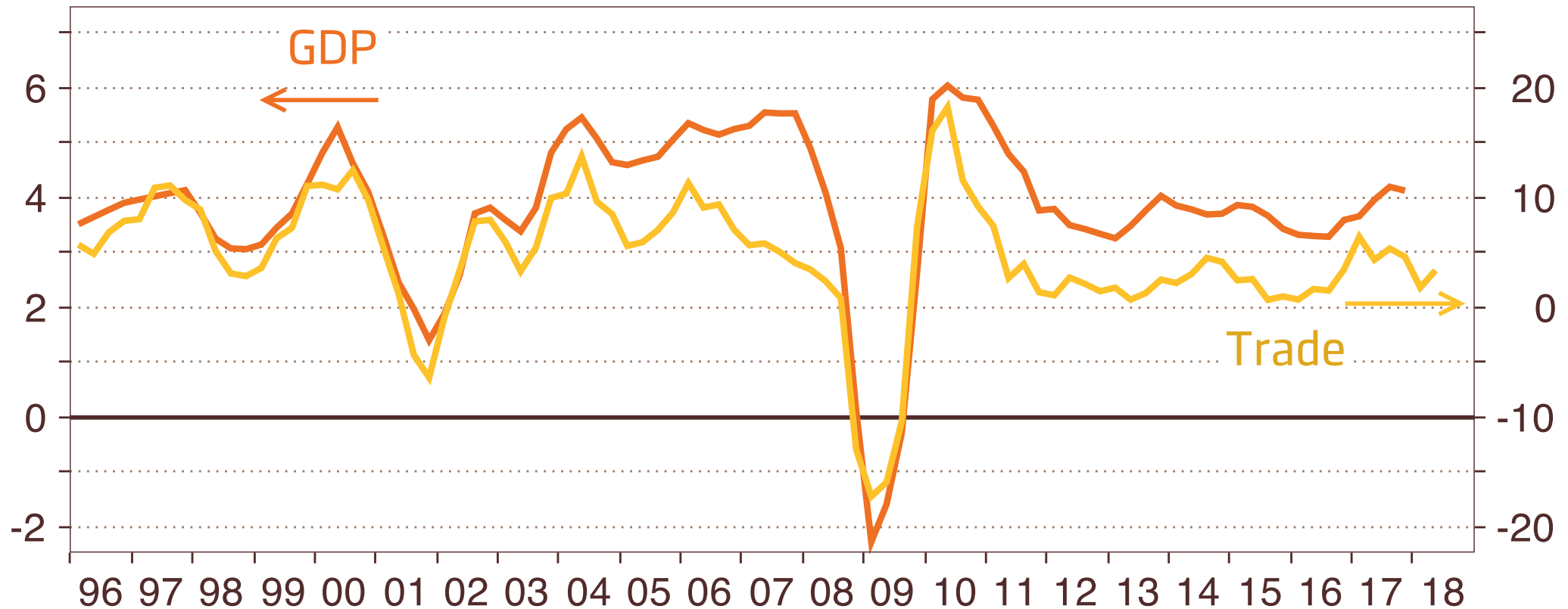
Central bank policy rates and Swedbank forecasts



Sources: Swedbank Research & Macrobond

## 2. Unwise economic policy (trade wars)

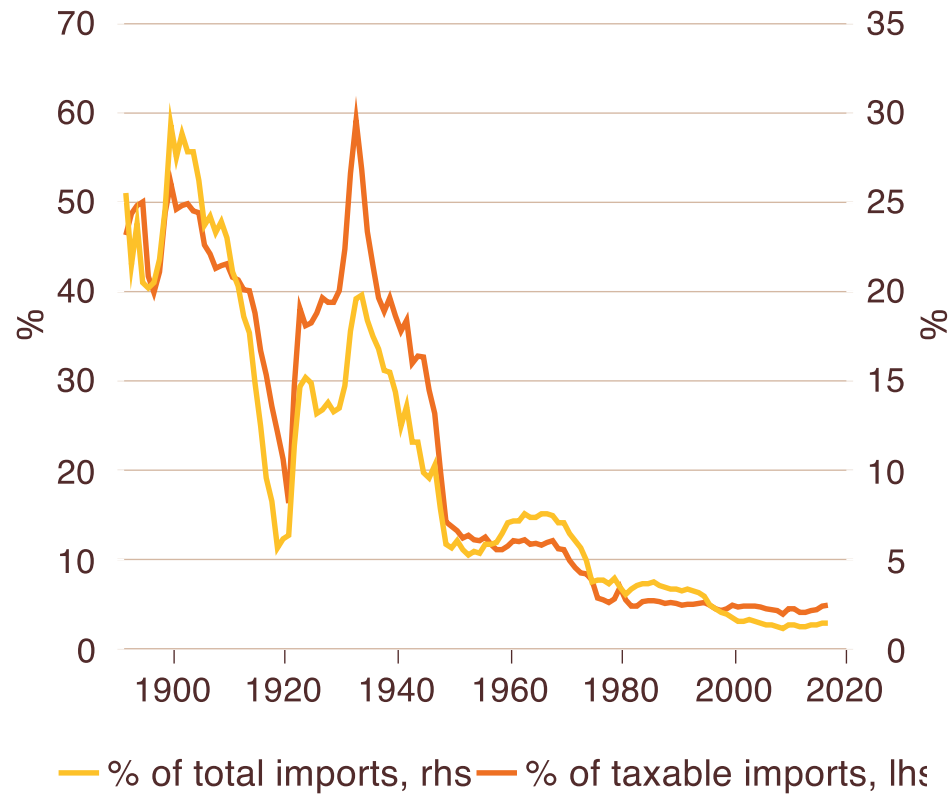
World GDP and international trade, yoy, %



Sources: Swedbank & Macrobor

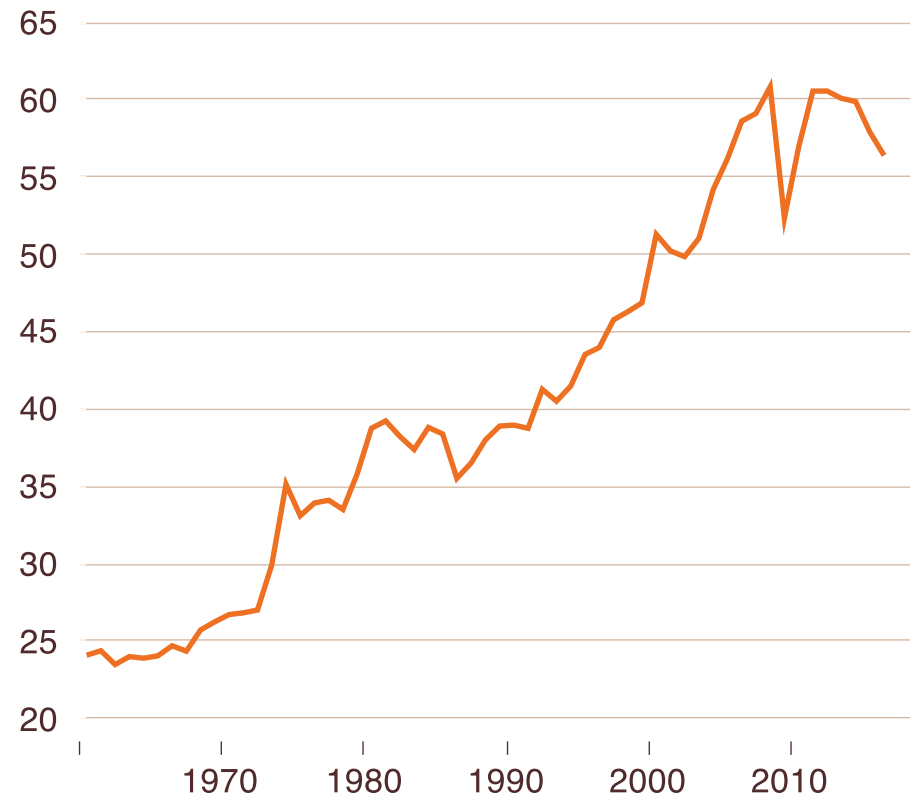
# Trade liberalization has lasted for 70 years

## US income from import taxes



Sources: Swedbank Research & Macrobond

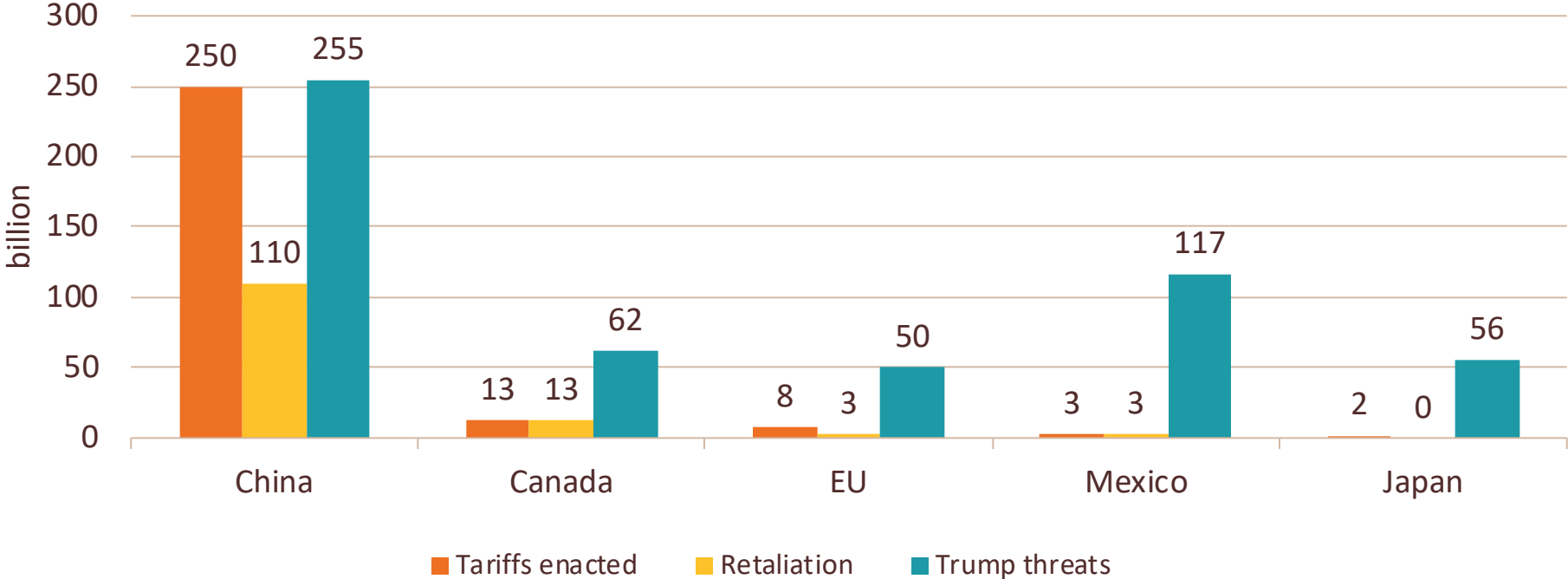
## International trade, % of global GDP



Sources: Swedbank Research & Macrobond

# Protectionism is on the rise

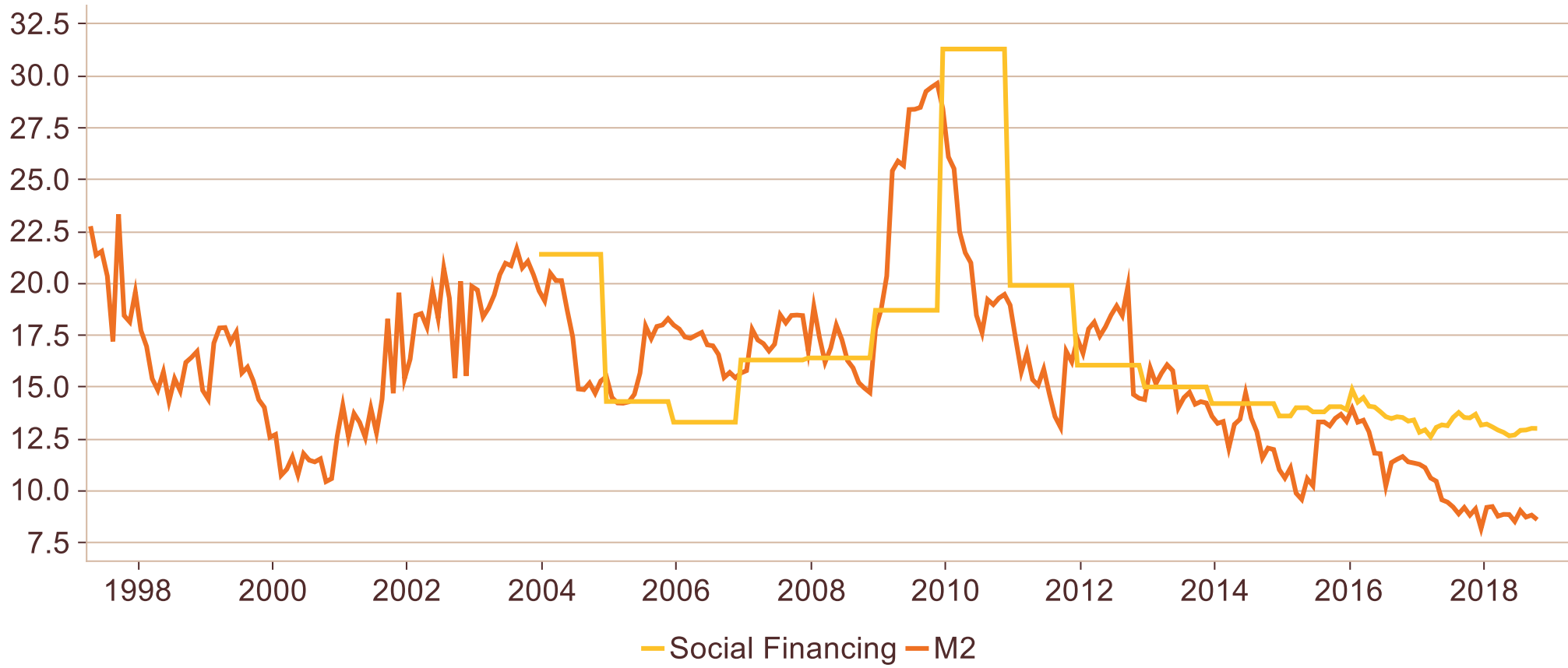
Trump's trade fight by country  
Value of traded goods, USD, billion



Source: Swedbank Research

# China tried to curtail credit growth, but it is much harder to do when you are in a trade war

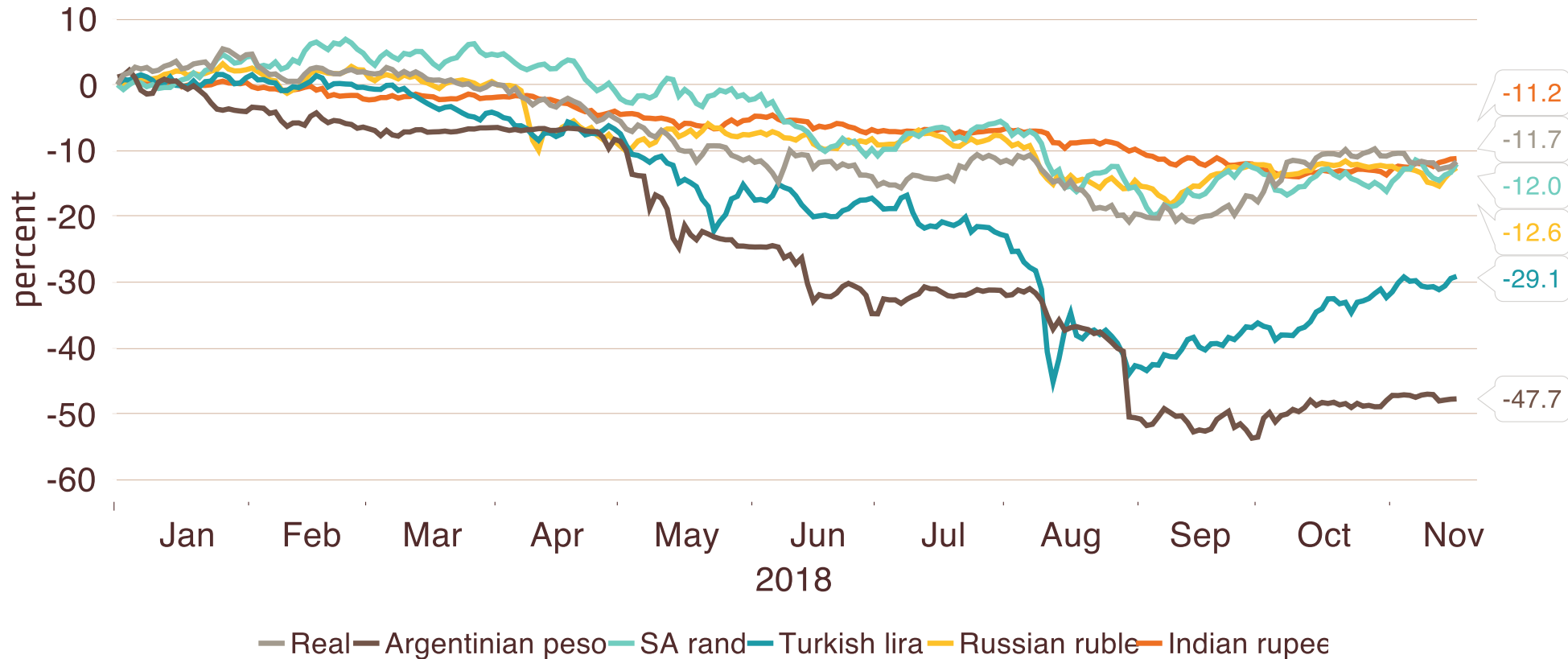
Money and credit supply in China, yoy, %



Source: Swedbank Research & Macrobond

# 3. Overheating or overleveraged emerging economies, contagion

## Emerging market exchange rates, change ytd, %



Sources: Swedbank Research & Macrobond

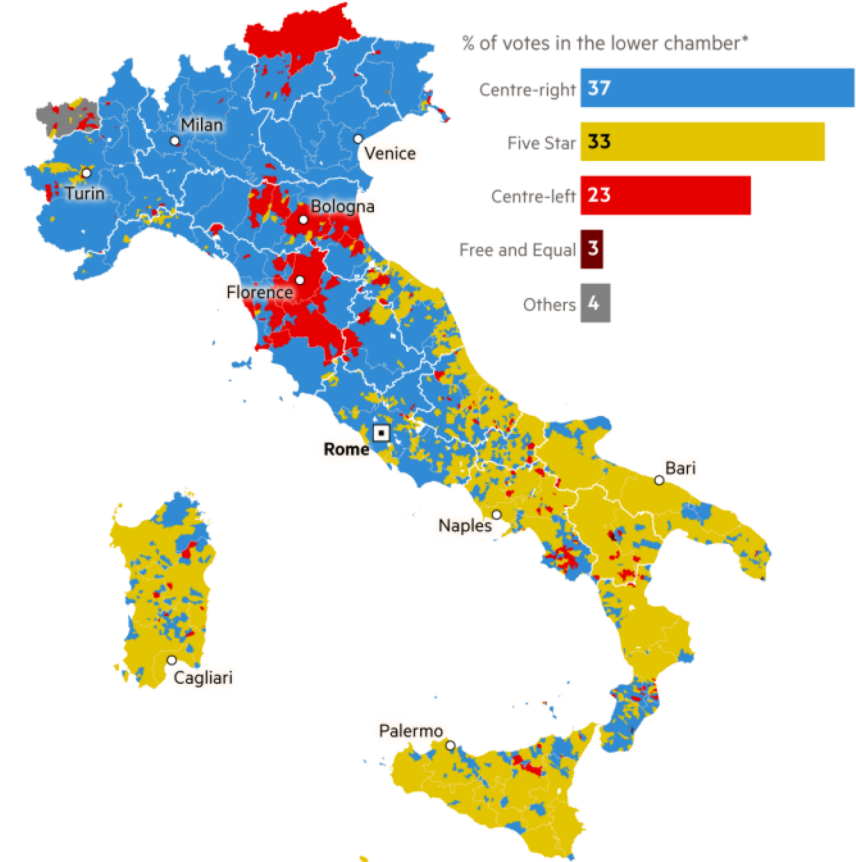


# 4. Luigi di Maio and Matteo Salvini



## Italy election results

% of votes in the lower chamber\*

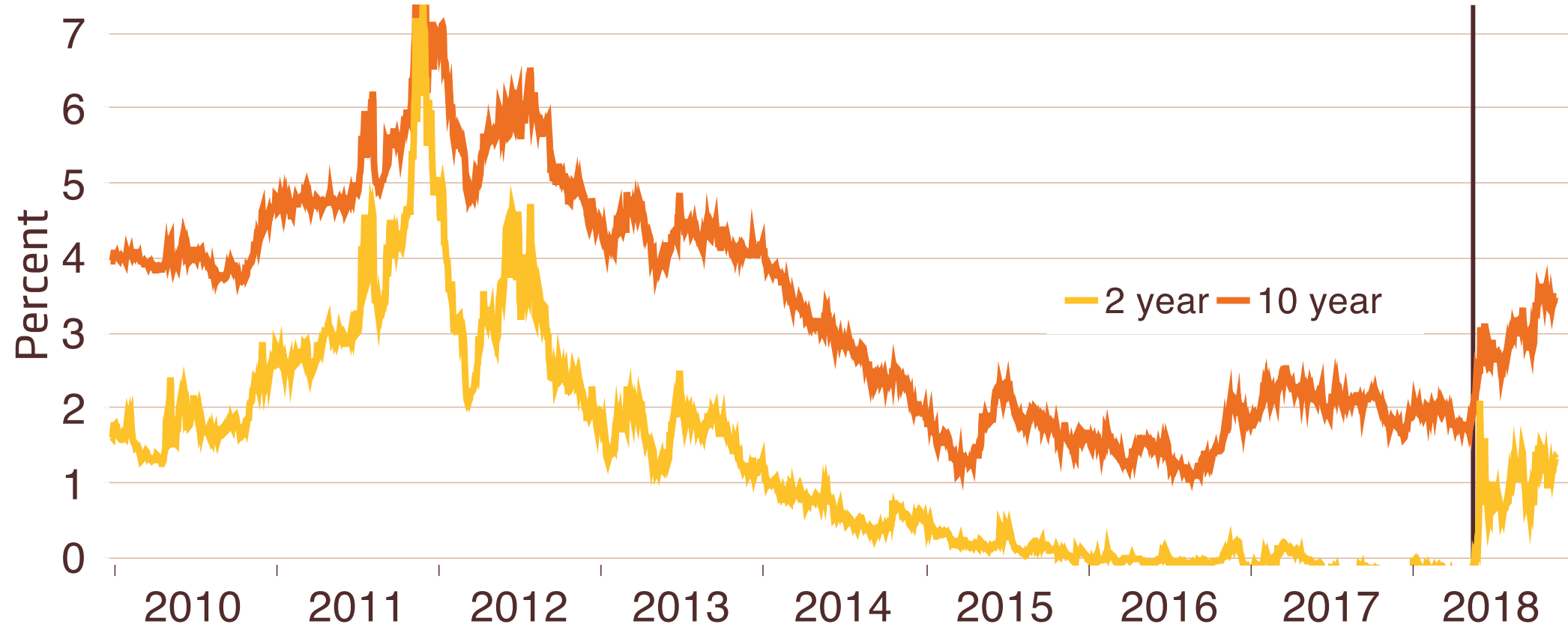


Source: Italy's Ministry of Interior  
© FT

\* 61,044 of 61,401 constituencies. Does not include overseas voters

# The price of bad intensions

## Italian government bond yield

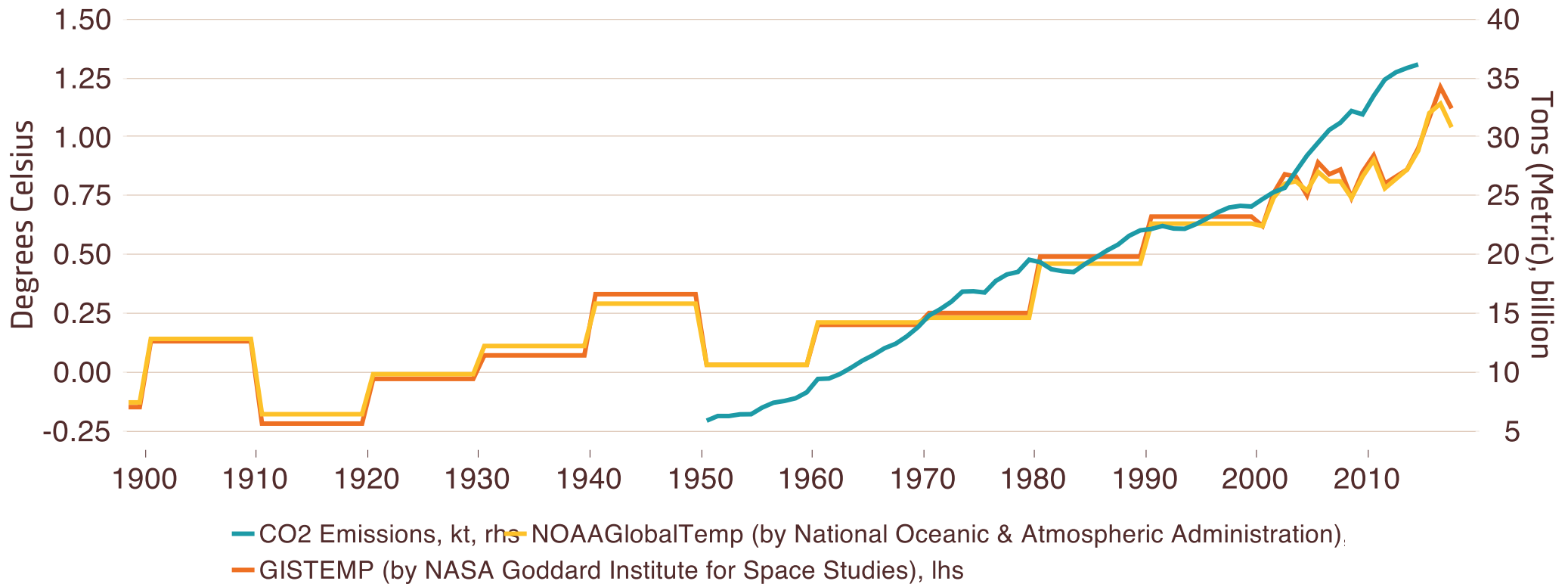


Sources: Swedbank Research & Macrobond

# 5. Climate change: who's problem is it?

## Extreme weather conditions to recur more often

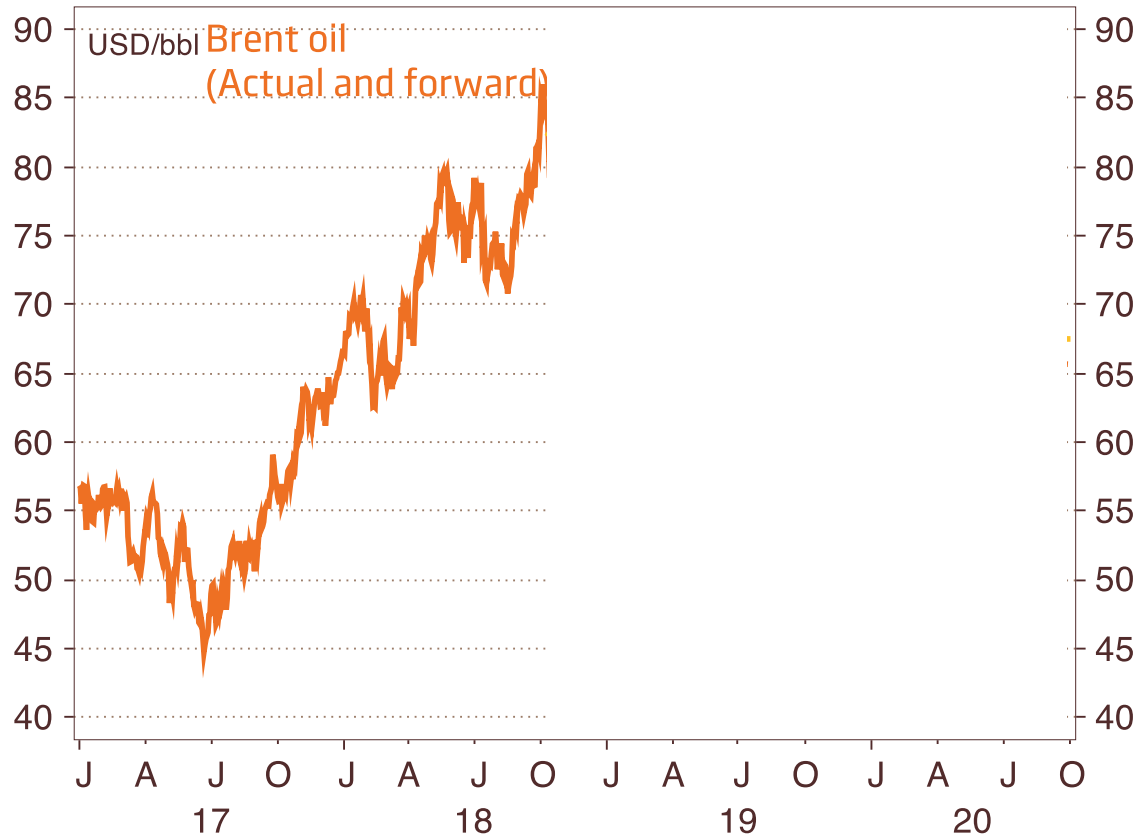
Global CO2 emissions & deviation from avg. temperature 1850-1899



Sources: Swedbank Research & Macrobond

# Will oil hit \$100 or...?

## Oil: Spot and Forward curve



Sources: Swedbank & Macrobor



### Traders Bet on Return of \$100 Oil

Wall Street Journal - 2018-10-08

A hot streak in the oil market is setting off a wave of bets on how high prices can go. With crude prices rallying for four straight weeks, trading of ...



### Is \$100 Oil Inevitable?

Forbes - 2018-10-29

Bloomberg: "Rising oil prices are prompting forecasts of a return to \$100 a barrel for the first time since 2014, creating both winners and losers ...



### The winners and losers of \$100 oil

Financial Times - 2018-10-08

Since the 1990s, oil prices have spiked above \$100 per barrel only a handful of times. Once in the beginning of 2008, and for a longer stretch ...



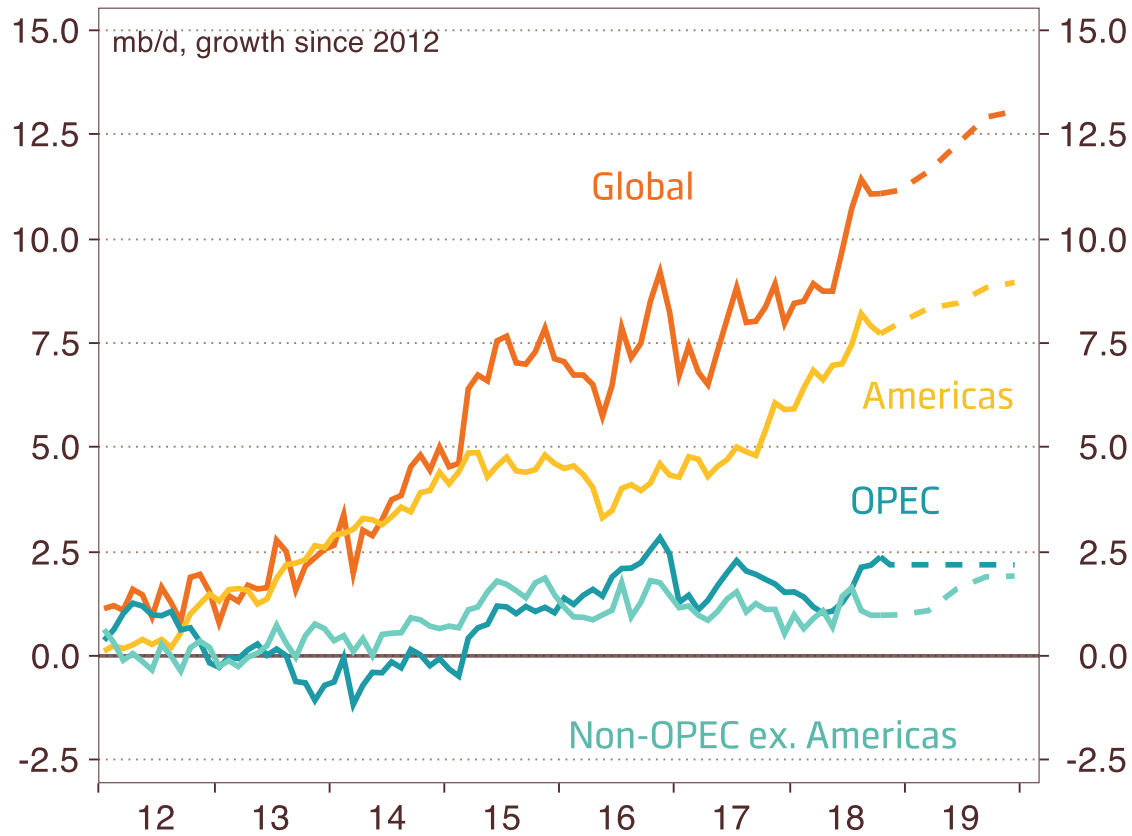
### The global economic impact of \$100 oil 'isn't trivial': Here are the likely ...

CNBC - 2018-10-11

The prospect of an abrupt supply shock in the energy market is making investors increasingly nervous about the possibility of oil prices soaring ...

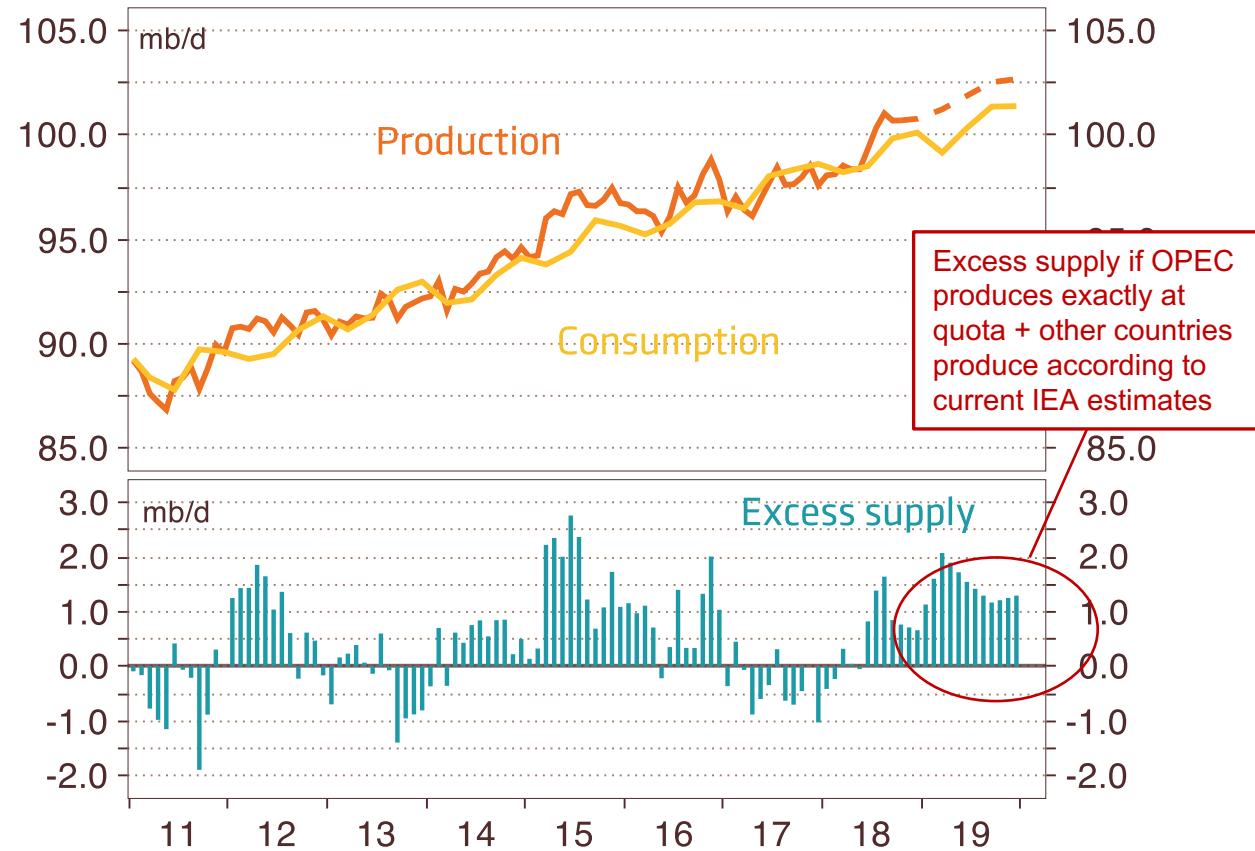
# Why one should expect rising prices with excess supply?

Global Oil Production Growth



Sources: Swedbank & Macrobor

Global Oil Market Balance



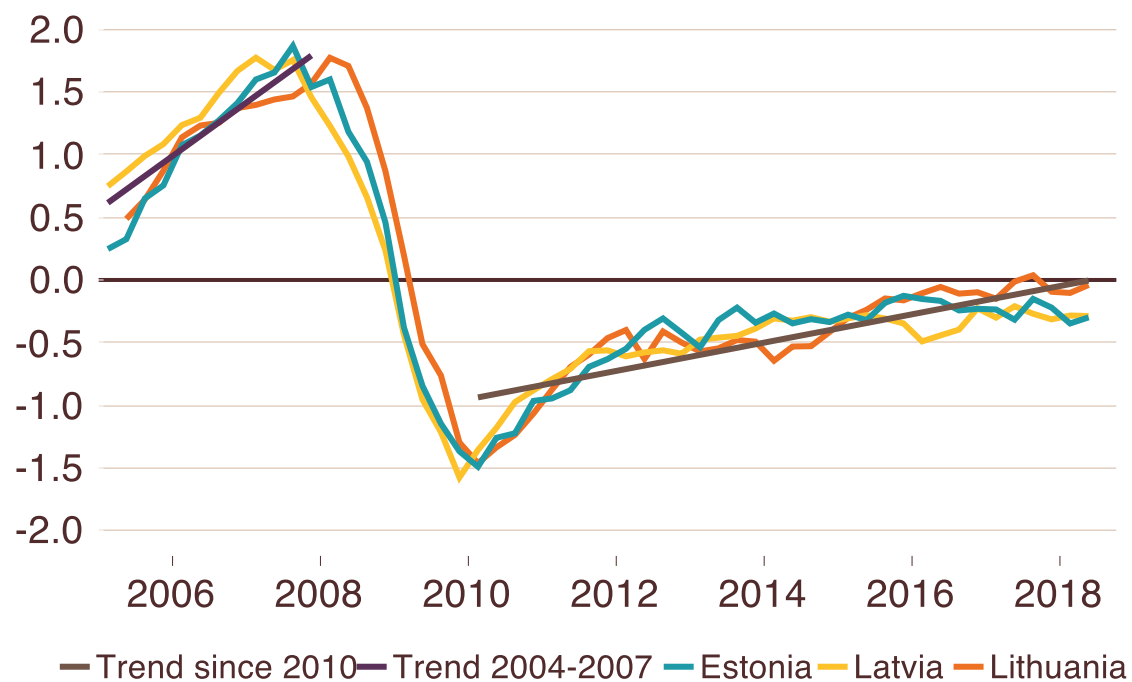
Sources: Swedbank & Macrobor

# Are Baltic countries overheating?

# Are Baltic economies overheating?

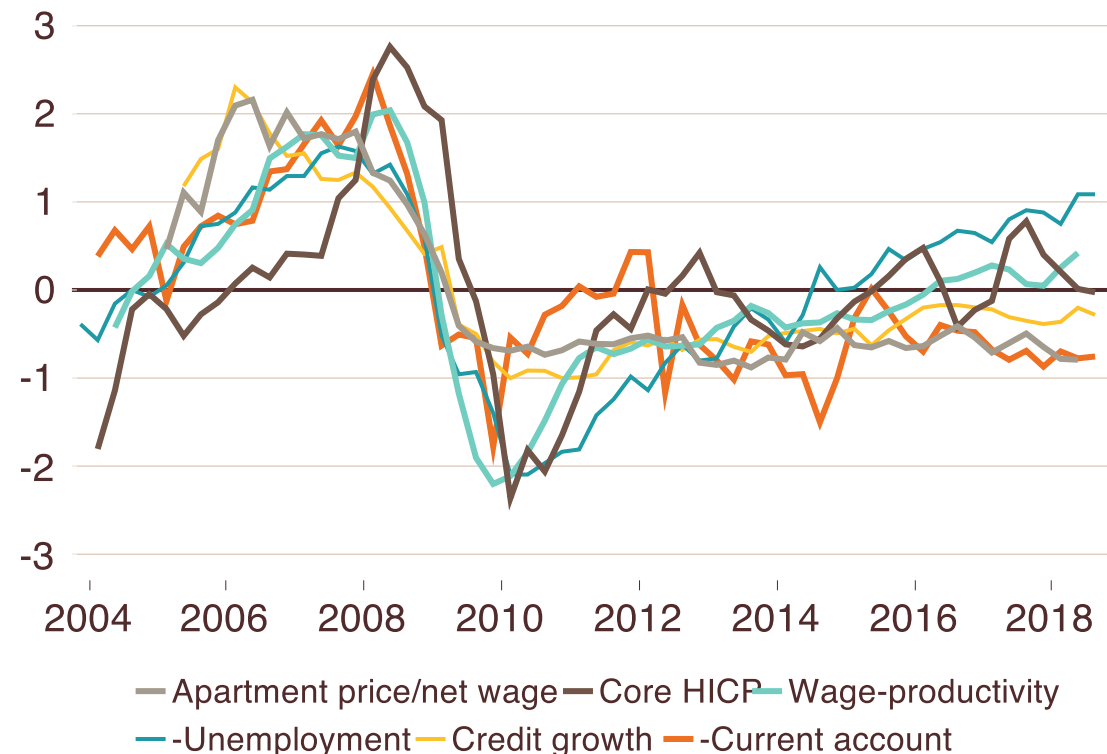
## Economy Heat Index

Average of underlying indicators z-scores



Sources: Swedbank Research & Macrobond

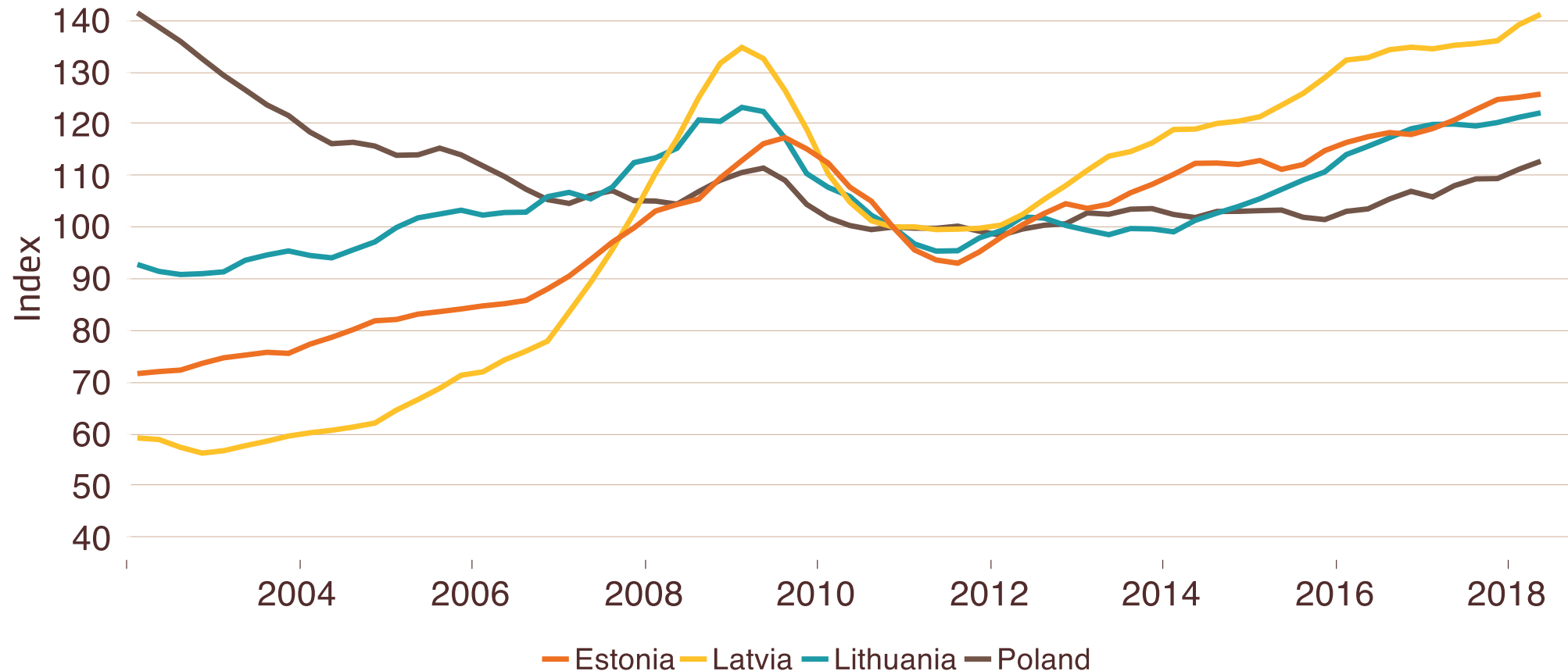
## Z-scores of factors, LT



Sources: Swedbank Research & Macrobond

# The gap between wage and productivity growth

## Unit labour cost in manufacturing, 2010=100

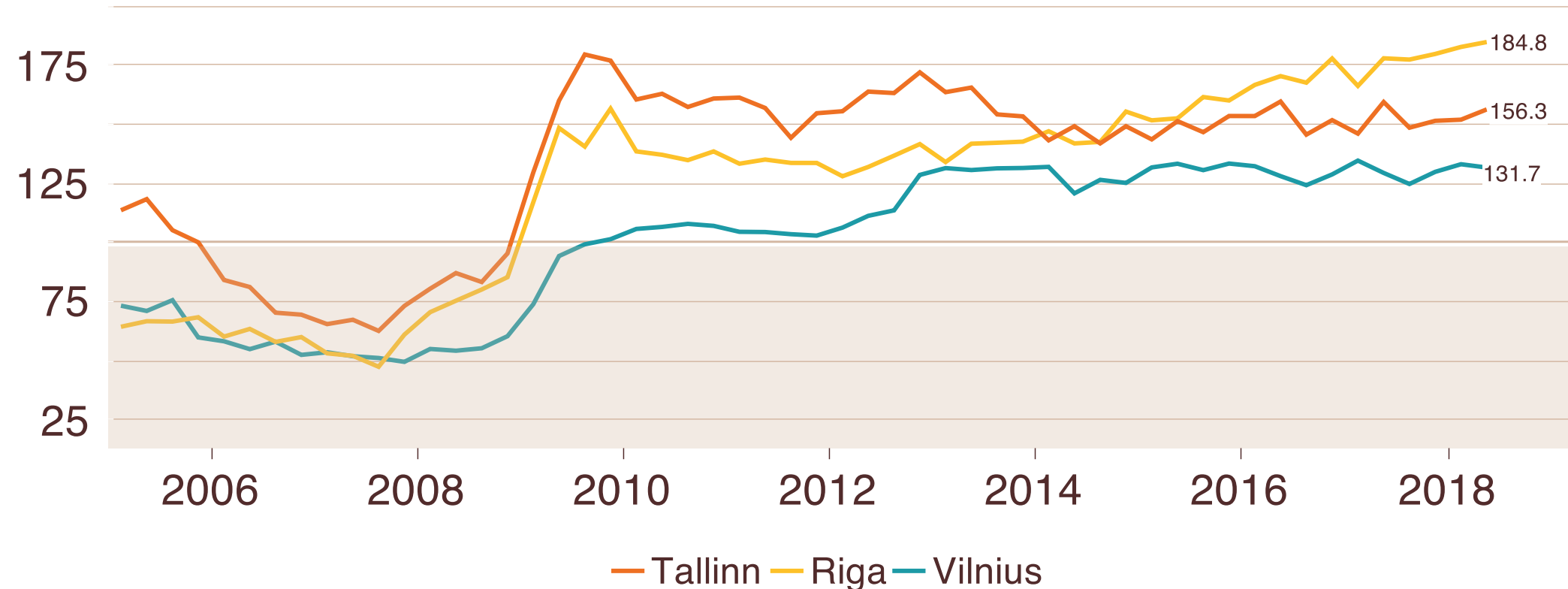


Sources: Swedbank Research & Macrobond



# Housing affordability is high, but...

## Housing affordability index

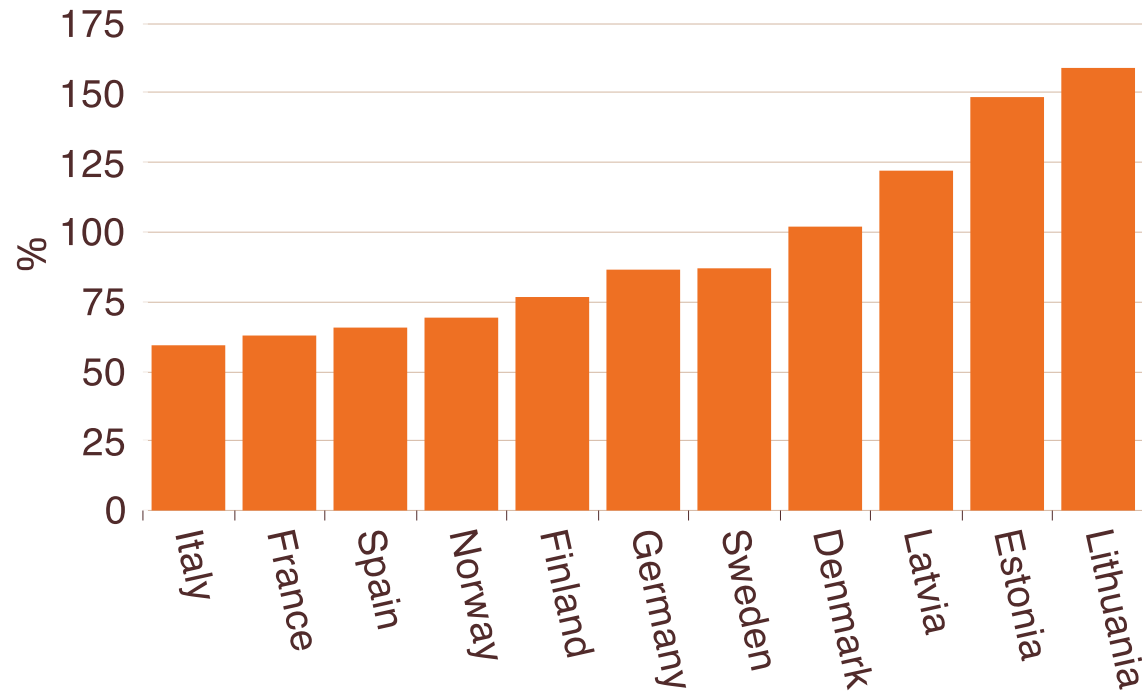


Sources: Swedbank Research & Macrobond

# Openness is not a bonus during the trade war

## Openness of EU countries

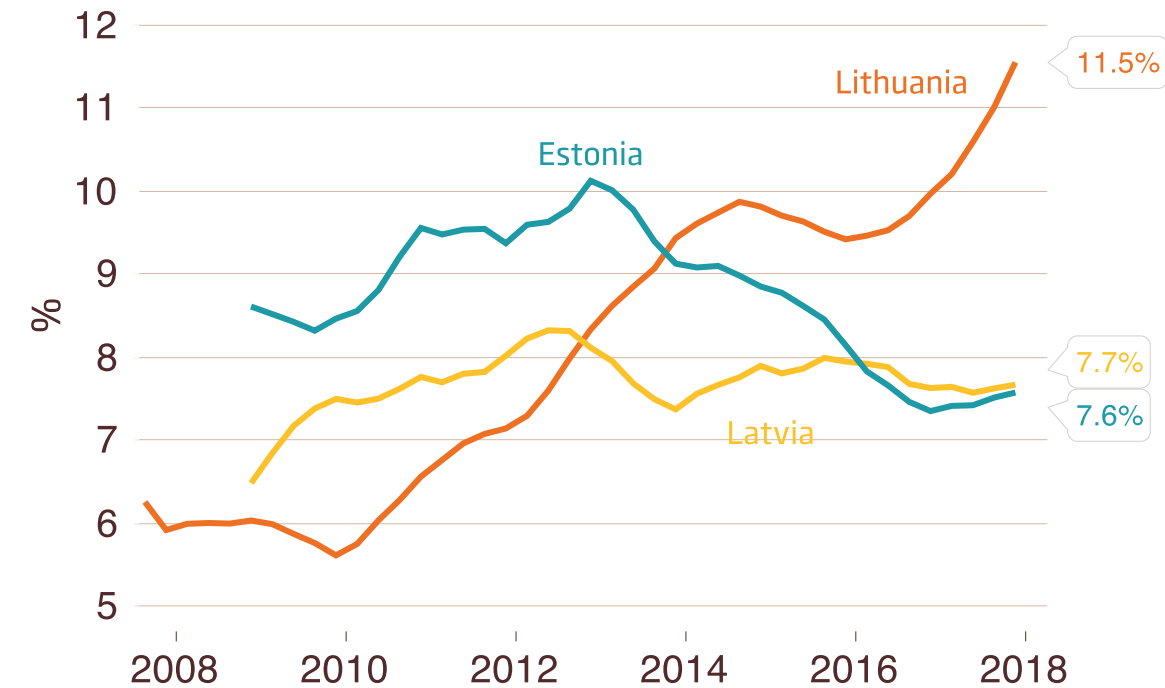
Total exports and imports, percent of GDP, 2017



Sources: Swedbank Research & Macrobond

## Eksport of transport services

% of GDP, 1 year MA

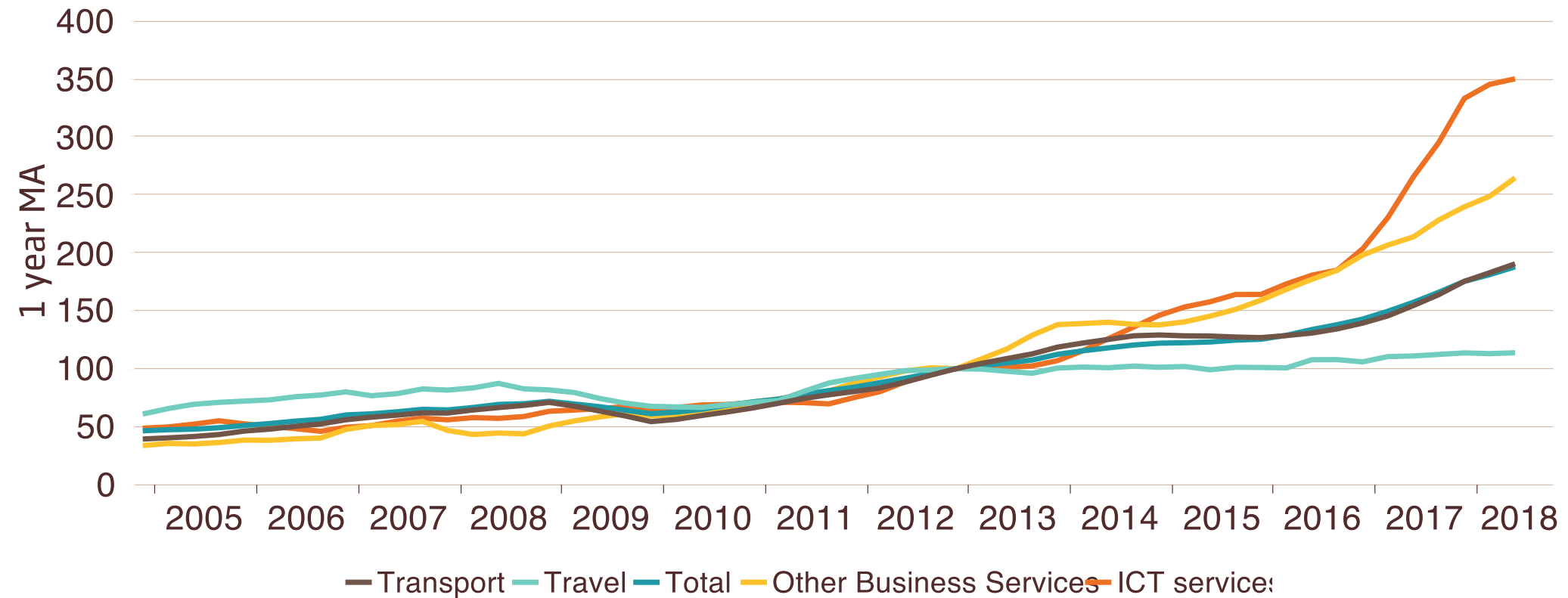


Sources: Swedbank Research & Macrobond

# Export of services has exceeded 20% of GDP

## Export of high value added services has been expanding rapidly

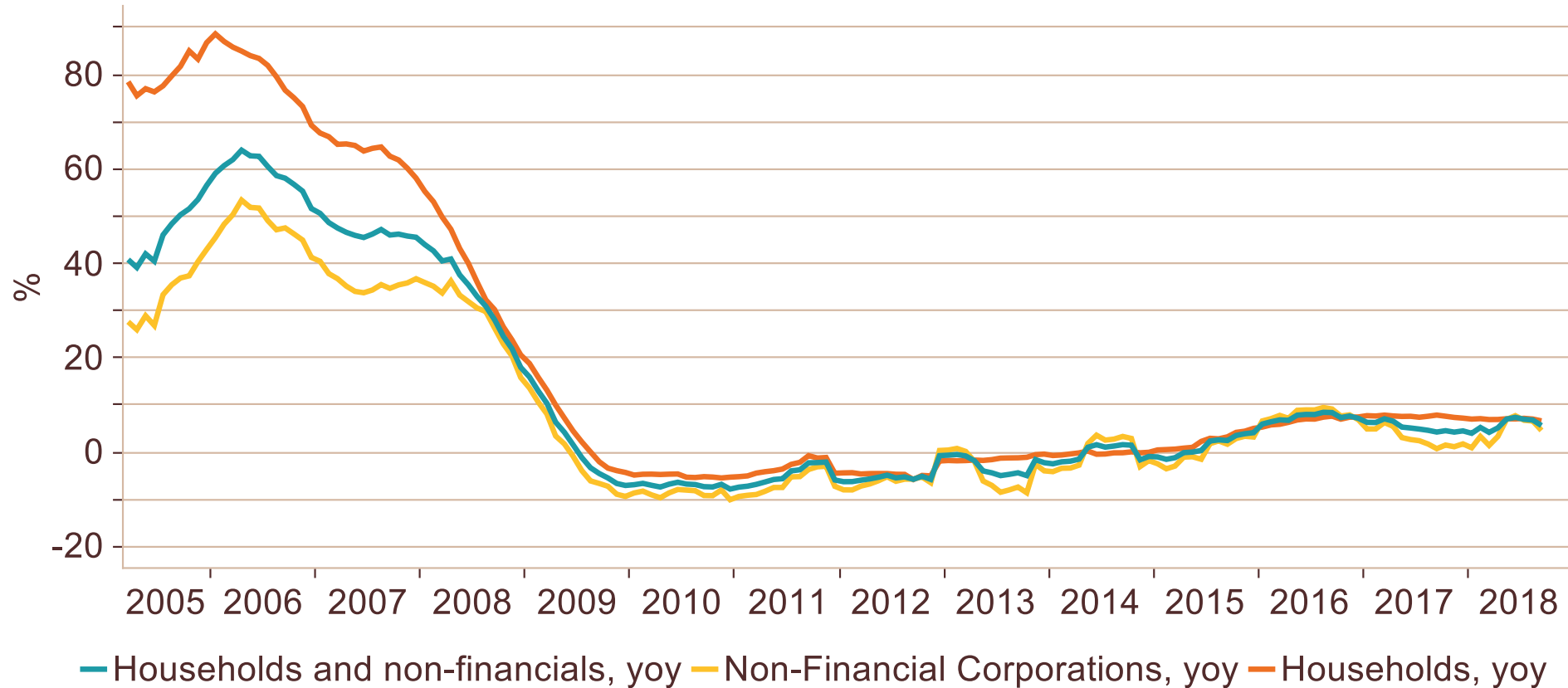
Index 2012=100



Sources: Swedbank Research & Macrobond

# Healthy credit growth

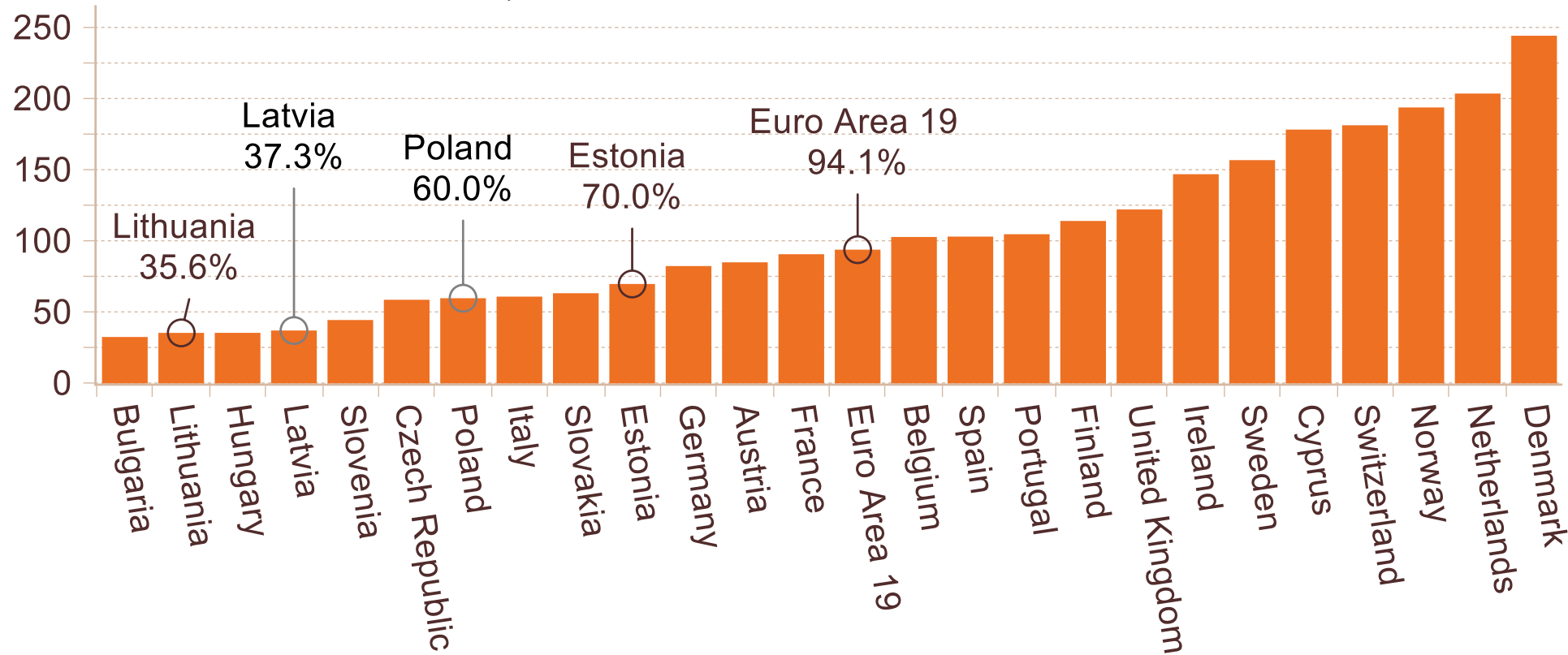
## Loan stock of households and non-financial corporations (YoY, %)



Source: Swedbank Research & Macrobond

# Households are not overly exposed

Household debt to income, %

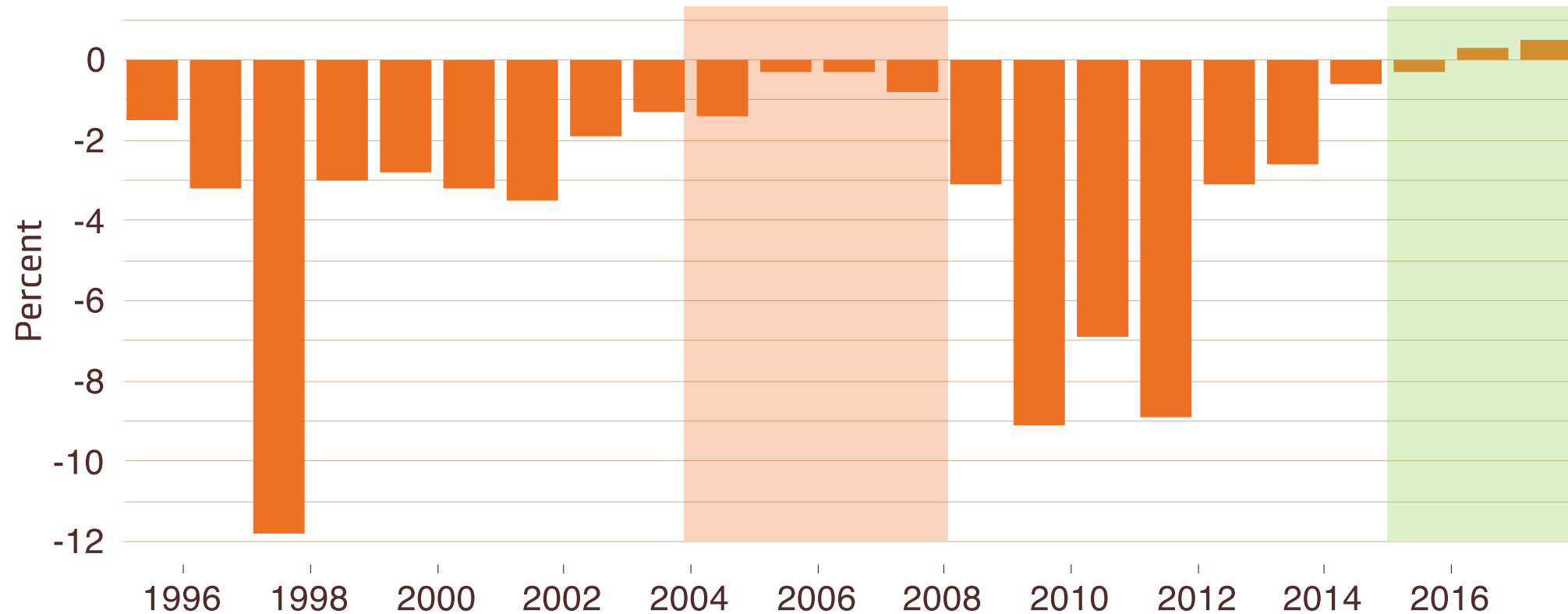


Source: Swedbank Research & Macrobond

# Fiscal policy is not too pro-cyclical

## Largest budget surplus in modern history

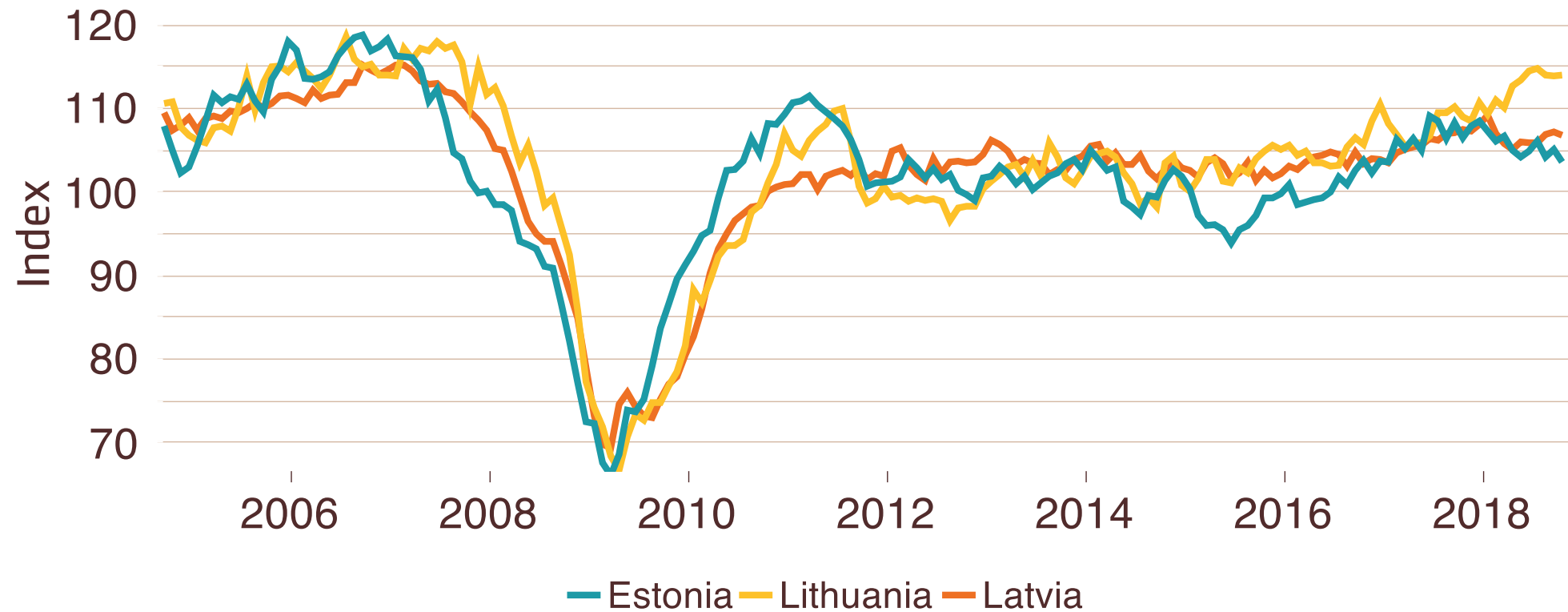
General government surplus/deficit, % of GDP



Sources: Swedbank Research & Macrobond

# No panic. Yet.

## Economic sentiment indicator



Sources: Swedbank Research & Macrobond

Thank you!

Swedbank

