



Major shifts in the global economy

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- The global economy no longer depends on the American or European consumer, but rather on the Chinese investor
- This shift requires further radical changes in developing countries.



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- The global economy no longer depends on the Western consumer, but rather on the Eastern investor
- This shift requires further radical changes in developing countries.
- Citizens will become more global, but inequality in wealth is becoming major concern.



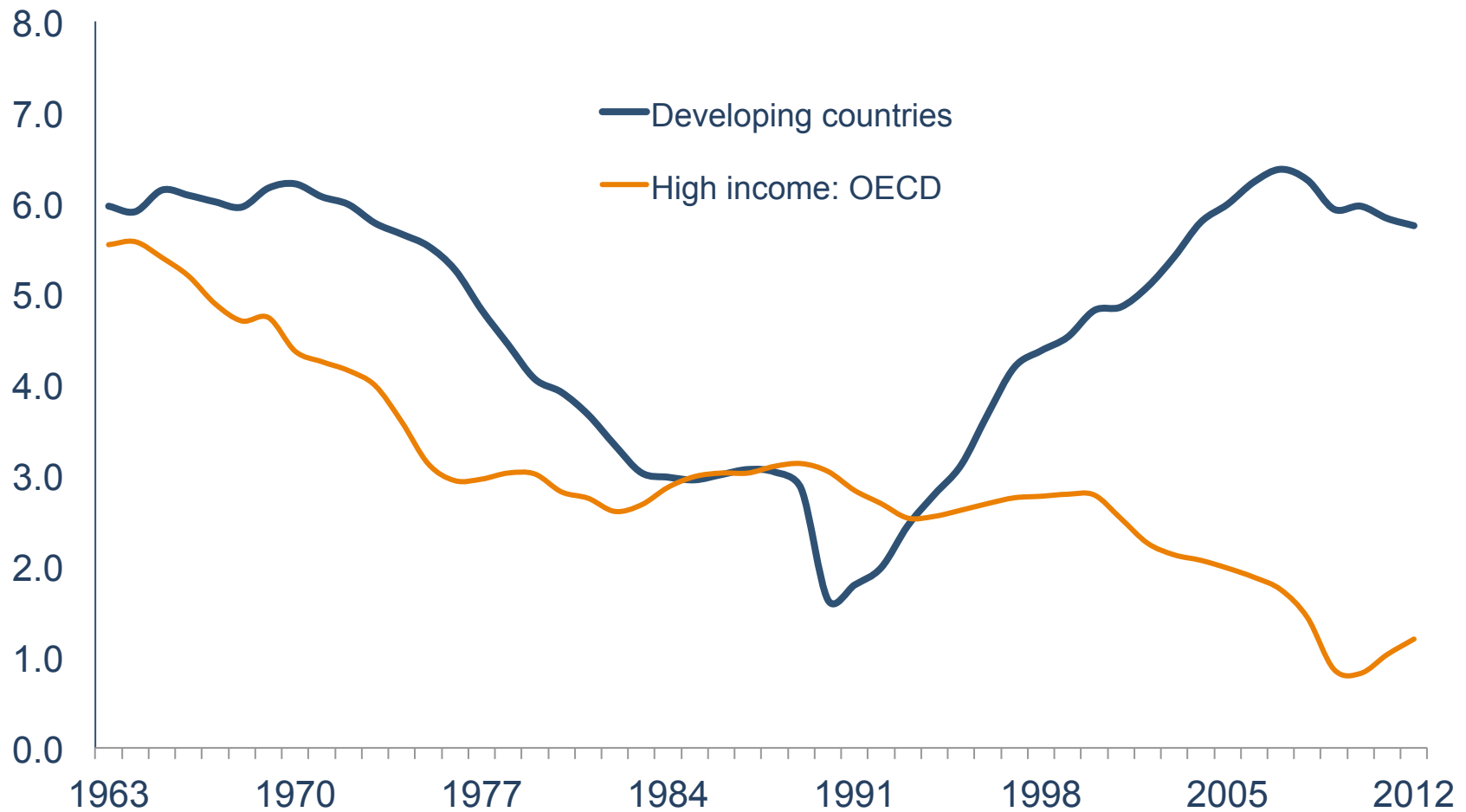
From Western consumer to Eastern investor

- Structural growth in developing countries has decoupled from high-income countries
- Business cycles have become more synchronized
- Domestic demand in developing countries is leading the cycle



Structural growth has become delinked...

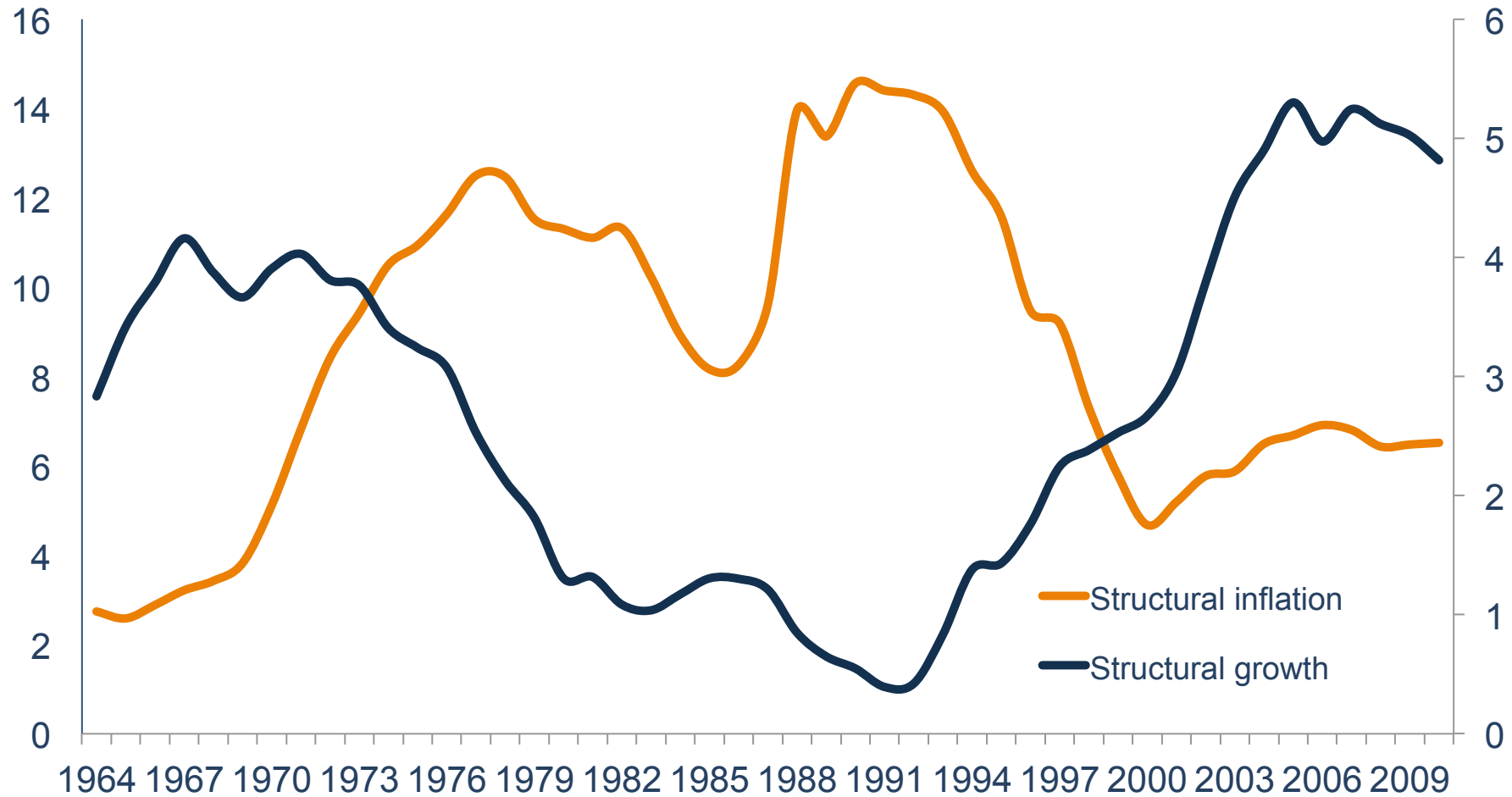
Real GDP growth, 7-year moving average



Source: World Bank



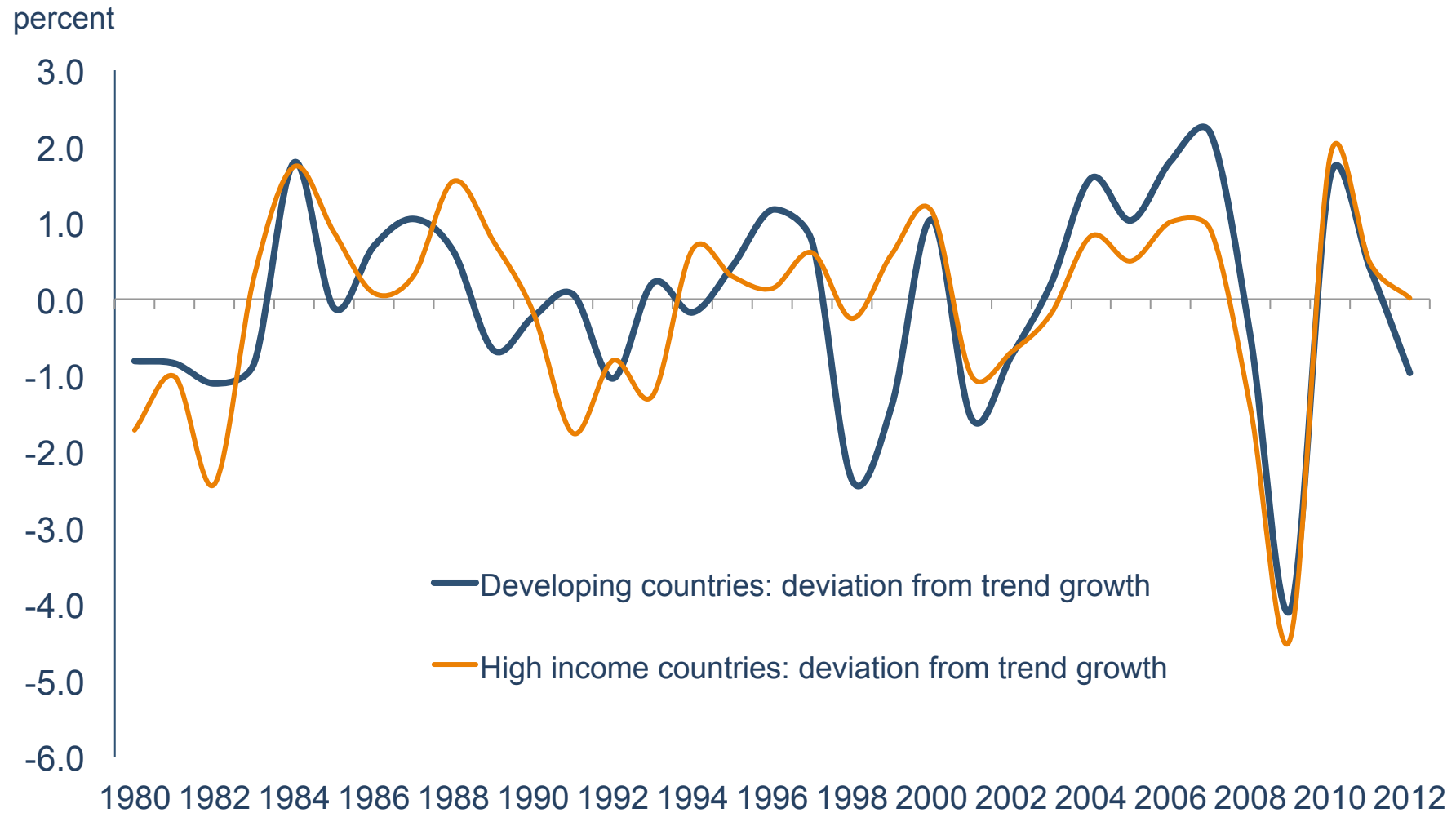
Developing countries reach high growth in periods of low inflation



Source: DEC Prospects Group, World Bank

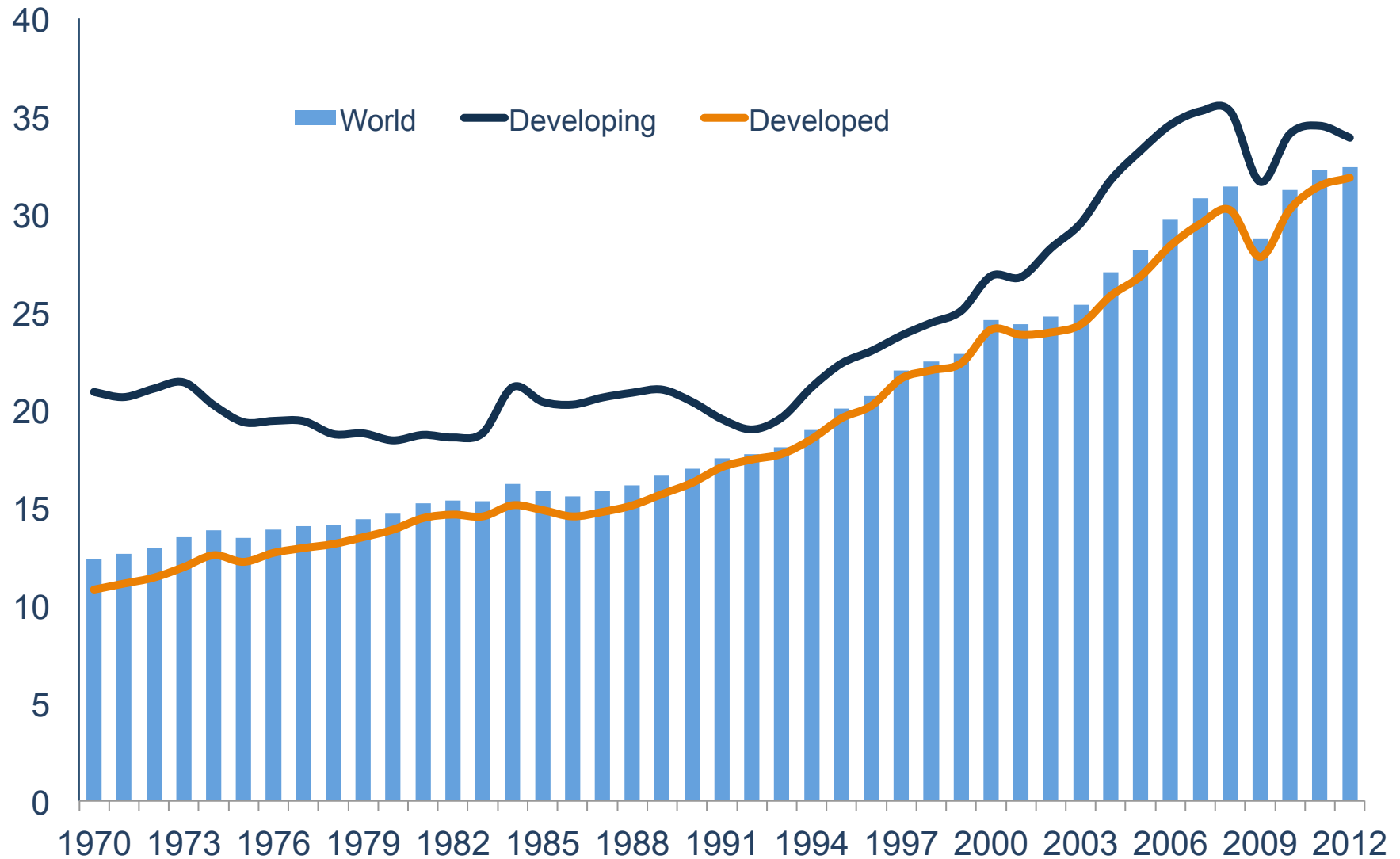


Deviation from trend growth remains highly synchronized



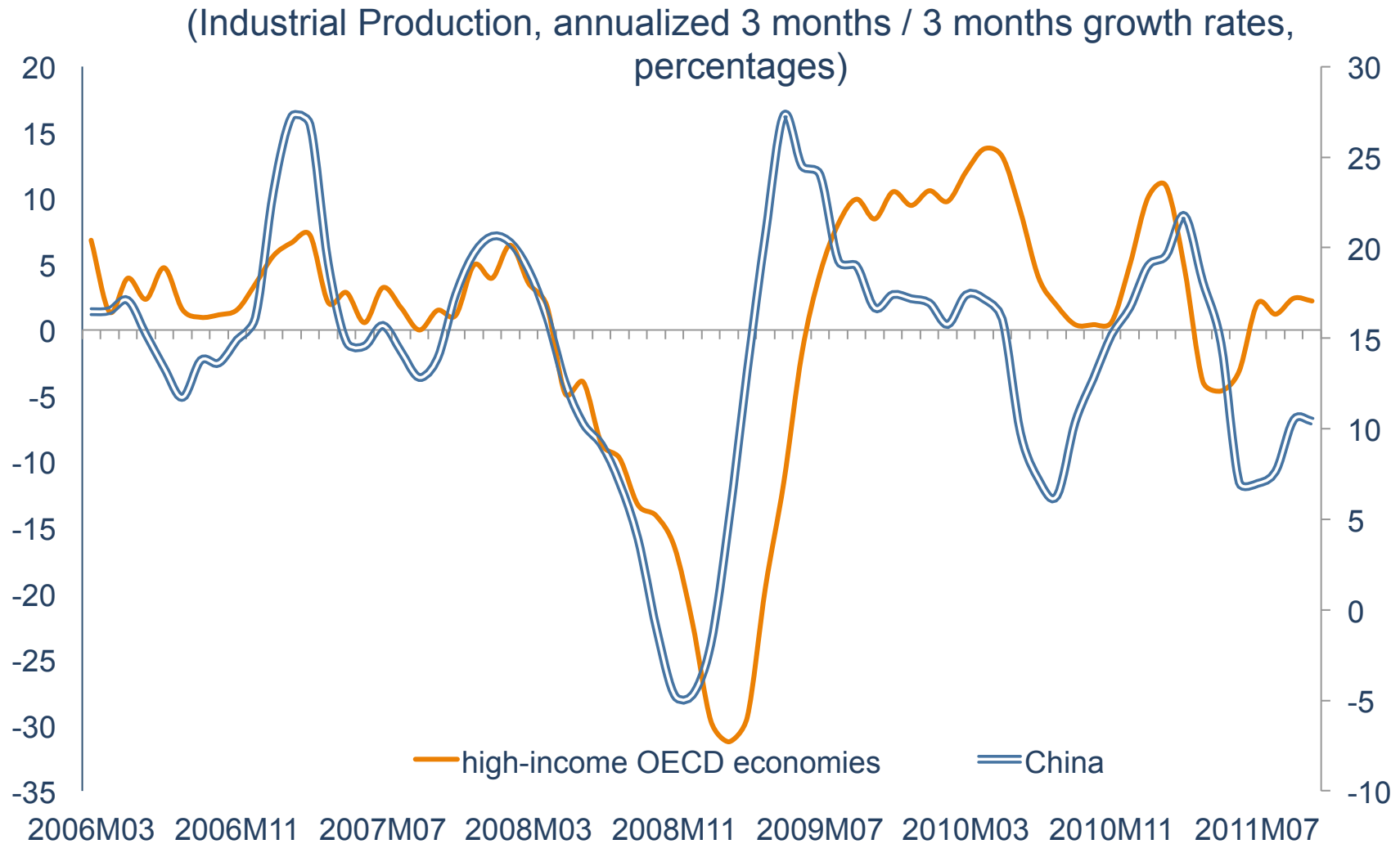


Export shares have been rising





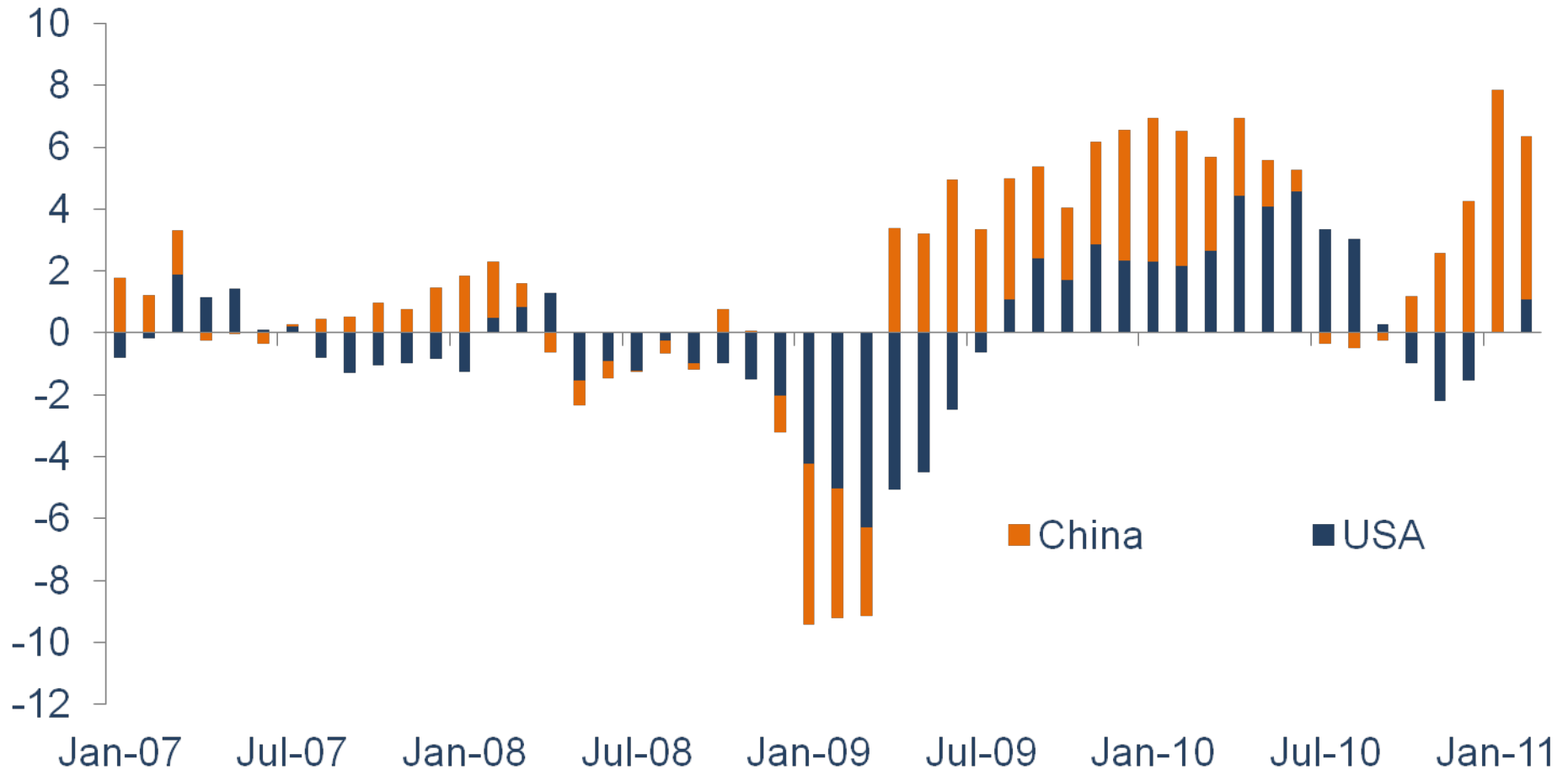
China is leading the global production cycle





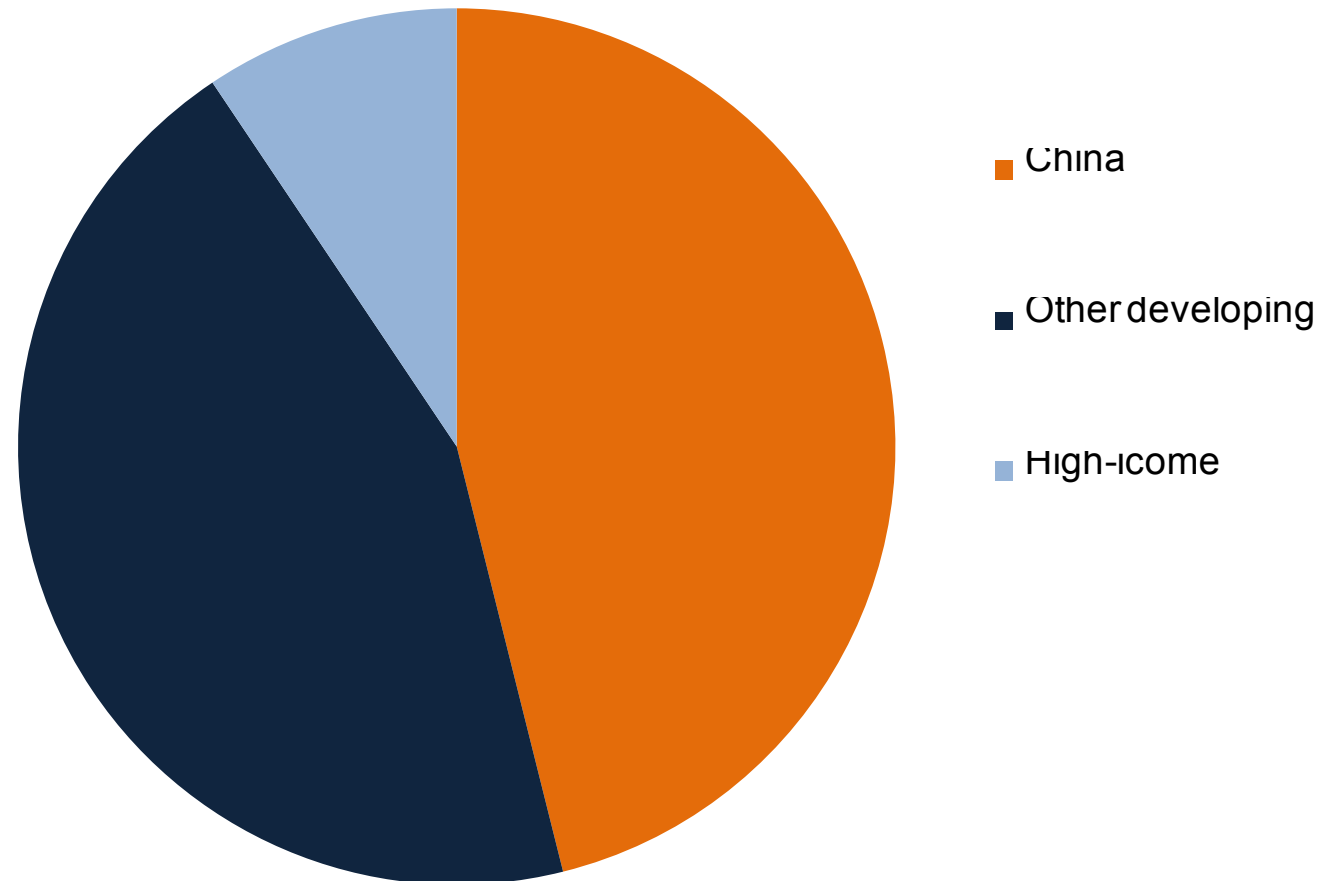
... and has driven the rebound

Contribution to global growth of import volumes, 3m/3m saar



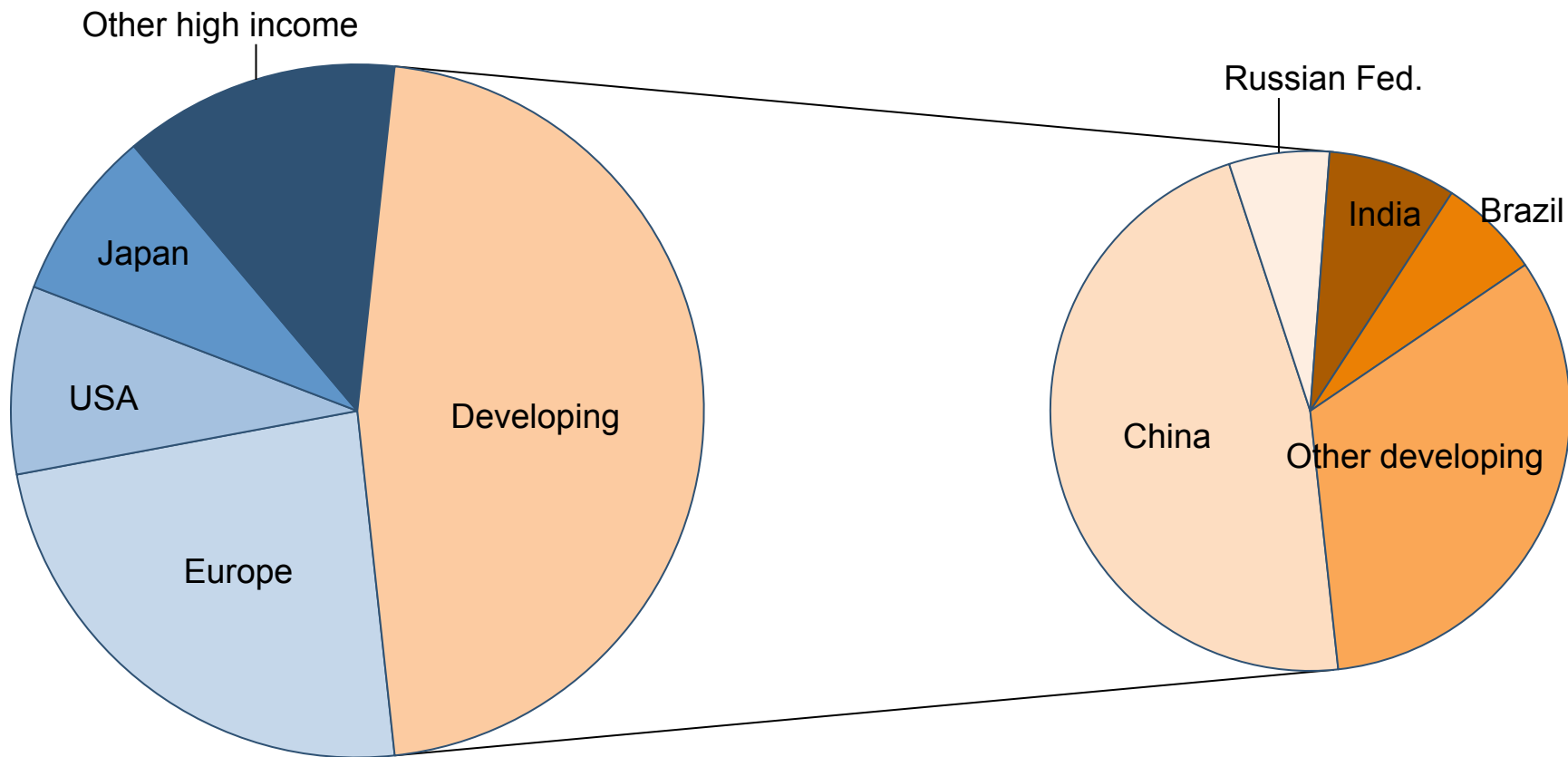


Contribution to global investment growth (2005-2010)



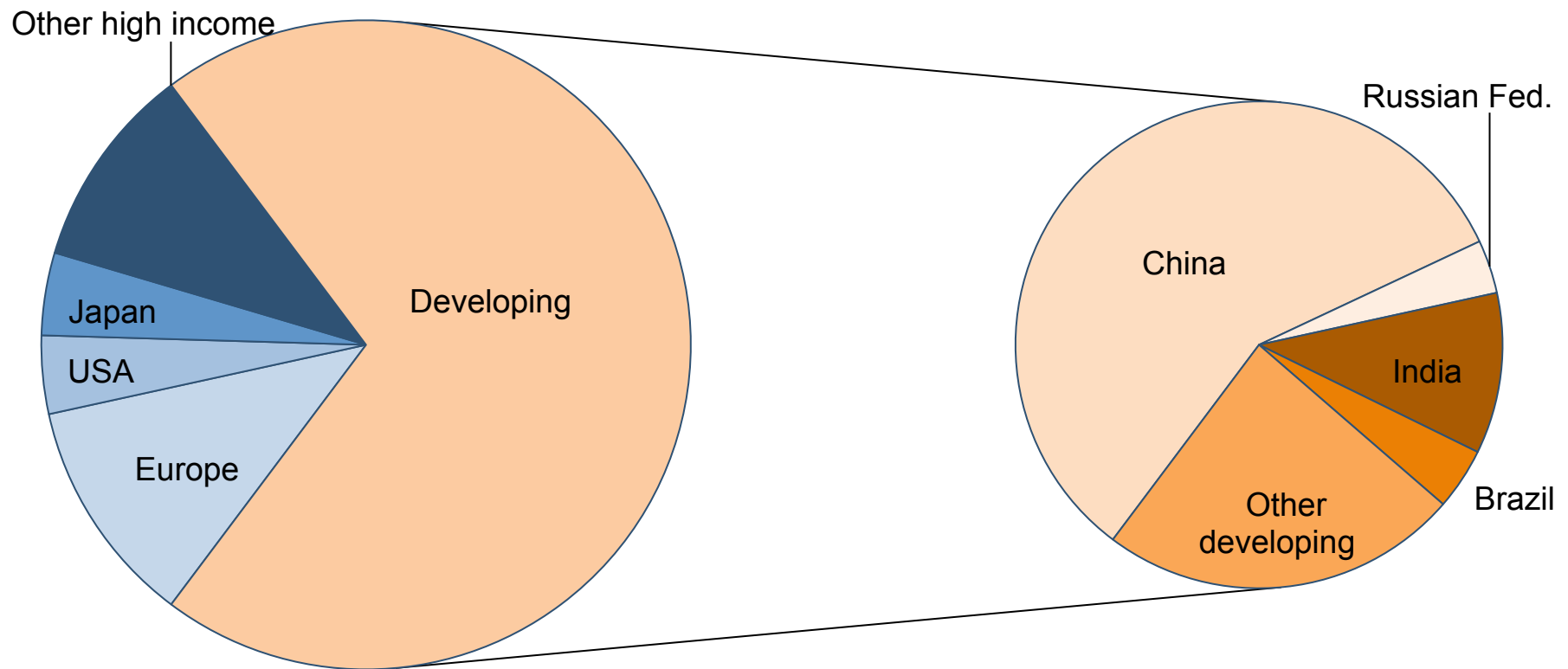


Global saving shares, 2010



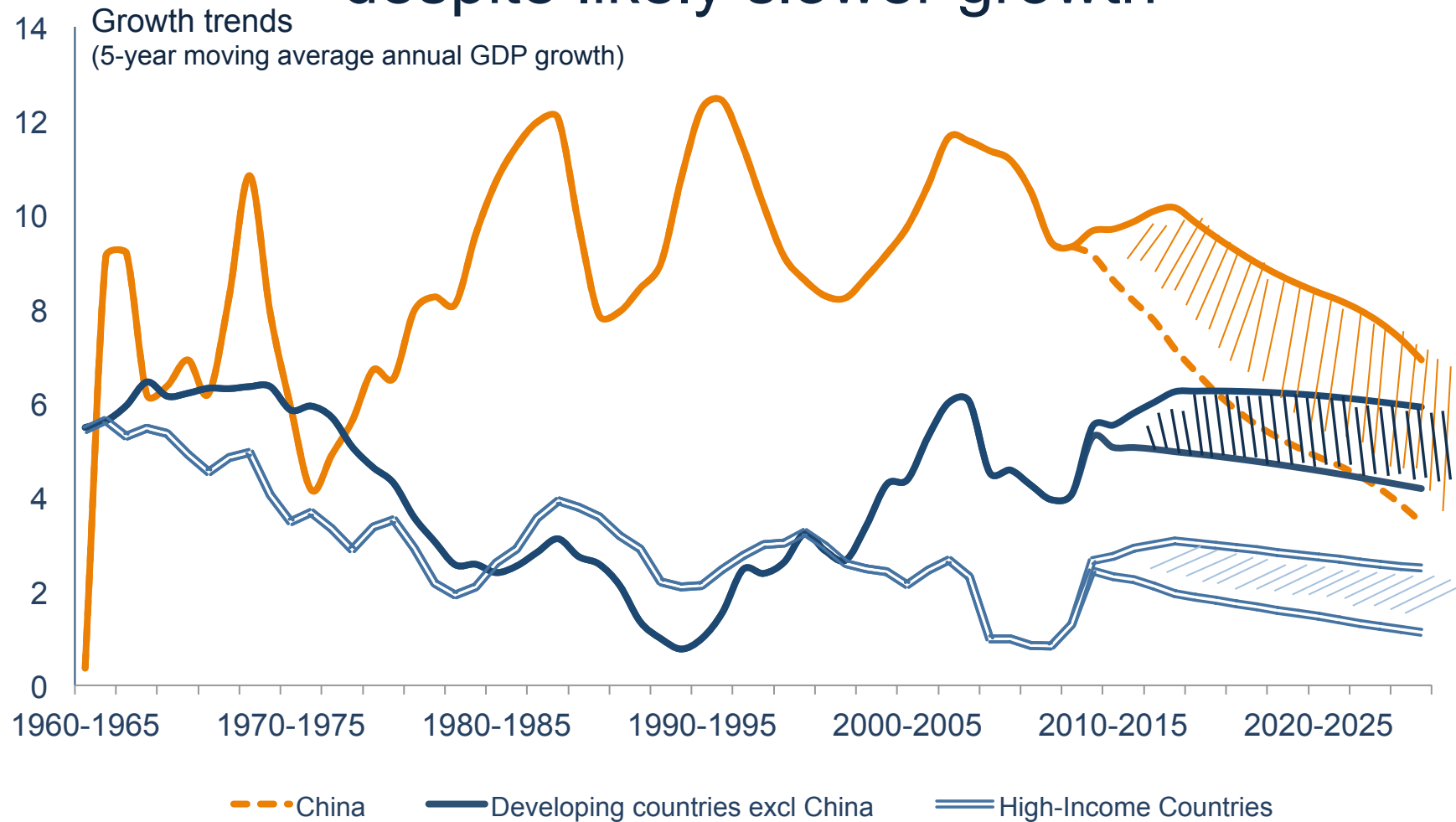


Global saving shares, 2030





Shift toward developing countries will continue, despite likely slower growth



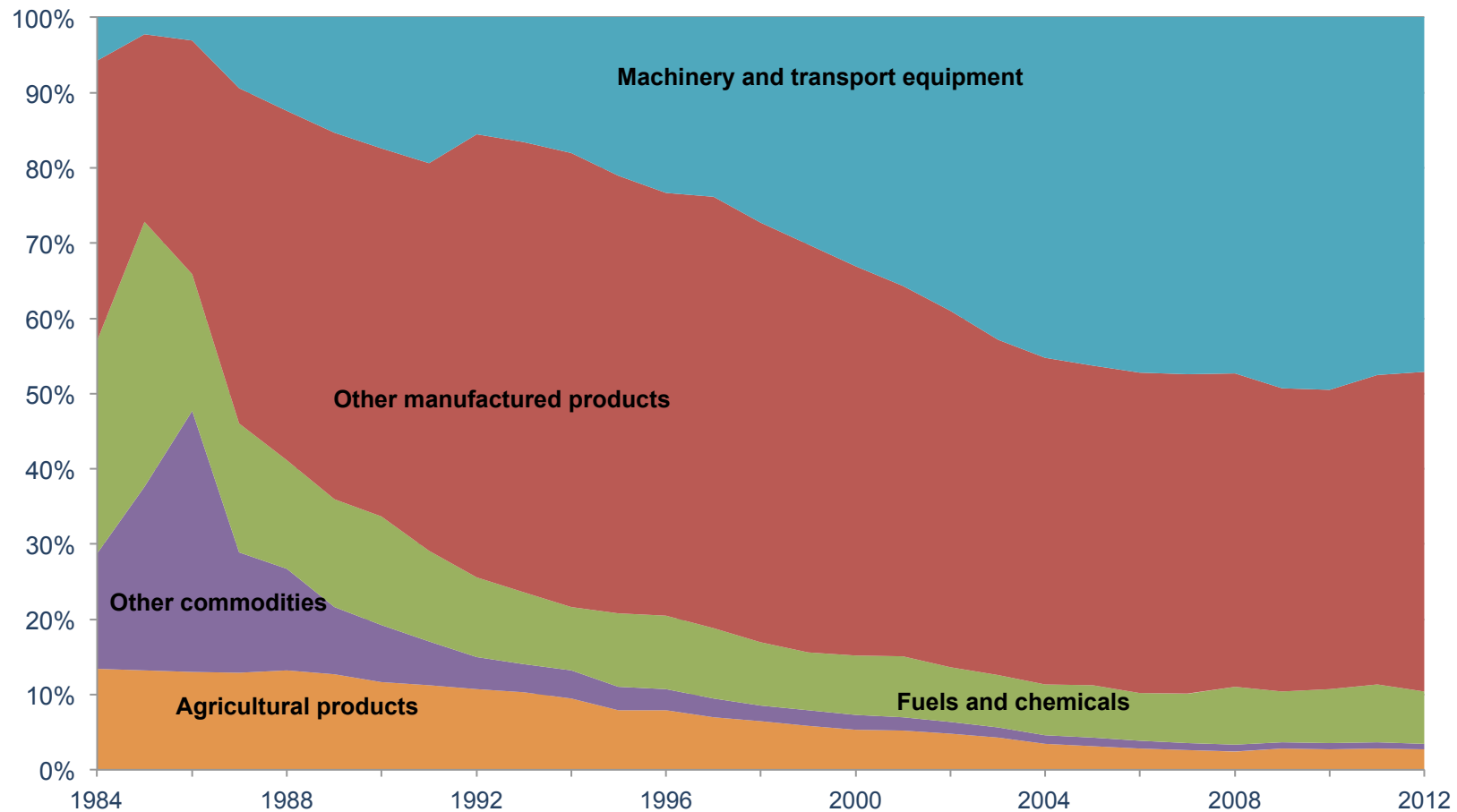


Radical changes needed: the case of China

Last two decades	Next two decades
Manufacturing powerhouse based on cheap unskilled labor and subsidized capital	Shift to skill-intensive, green production and shift to services with less financial repression
10% growth	6% growth?
Inward FDI	Outward FDI
Capital controls	Internationalization RMB



Fast growth comes with dramatic structural change



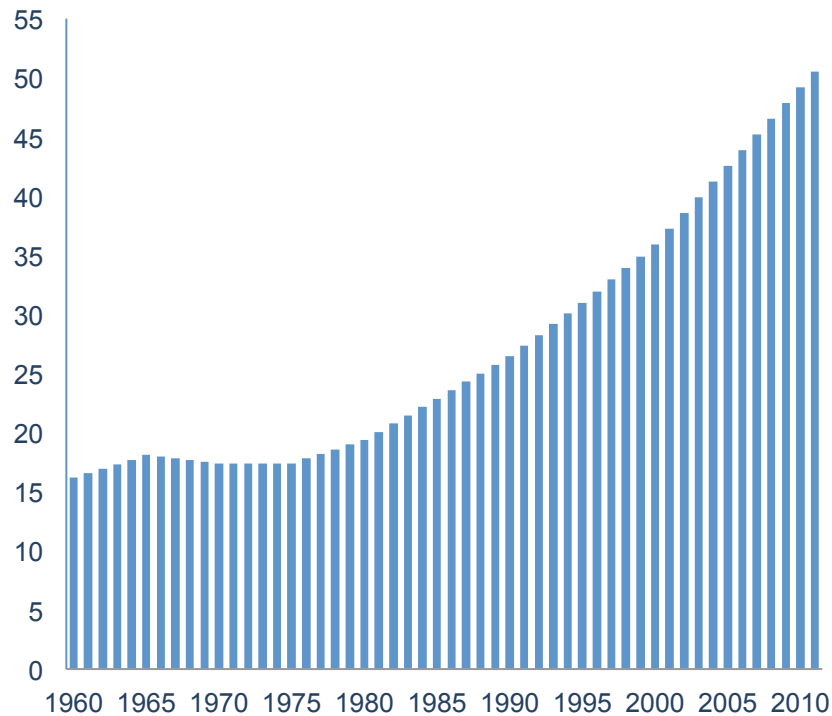
Export shares



Fast growth comes with dramatic structural change

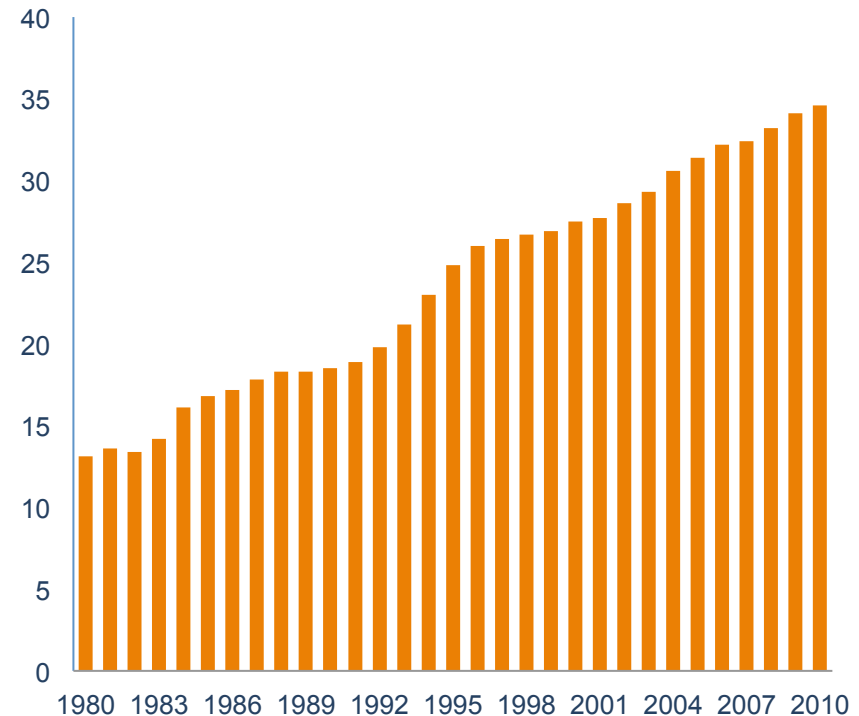
People are moving into cities.....

urban population (% of total)



.....and workers into services

employment in services as percent of total employment

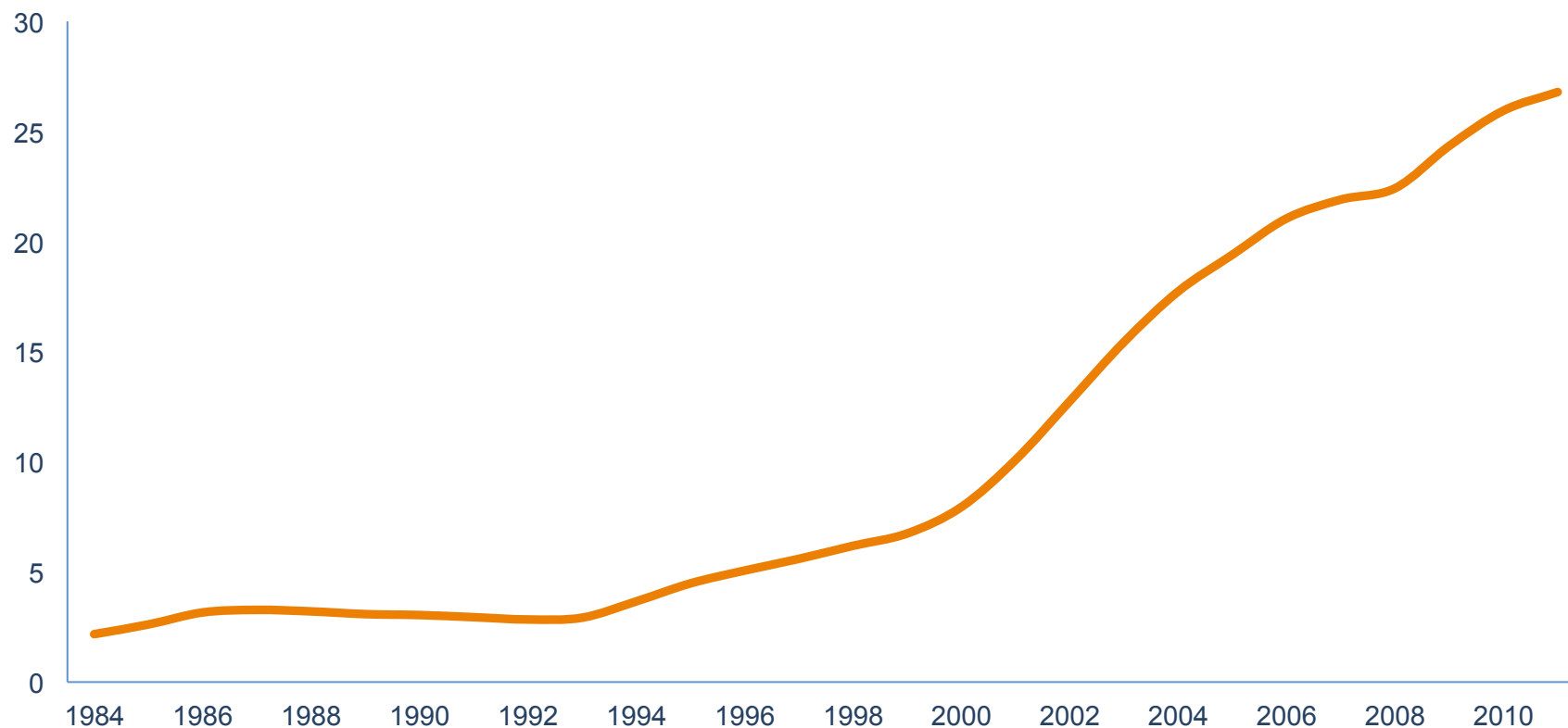




Fast growth comes with dramatic structural change

Skill level rapidly increasing

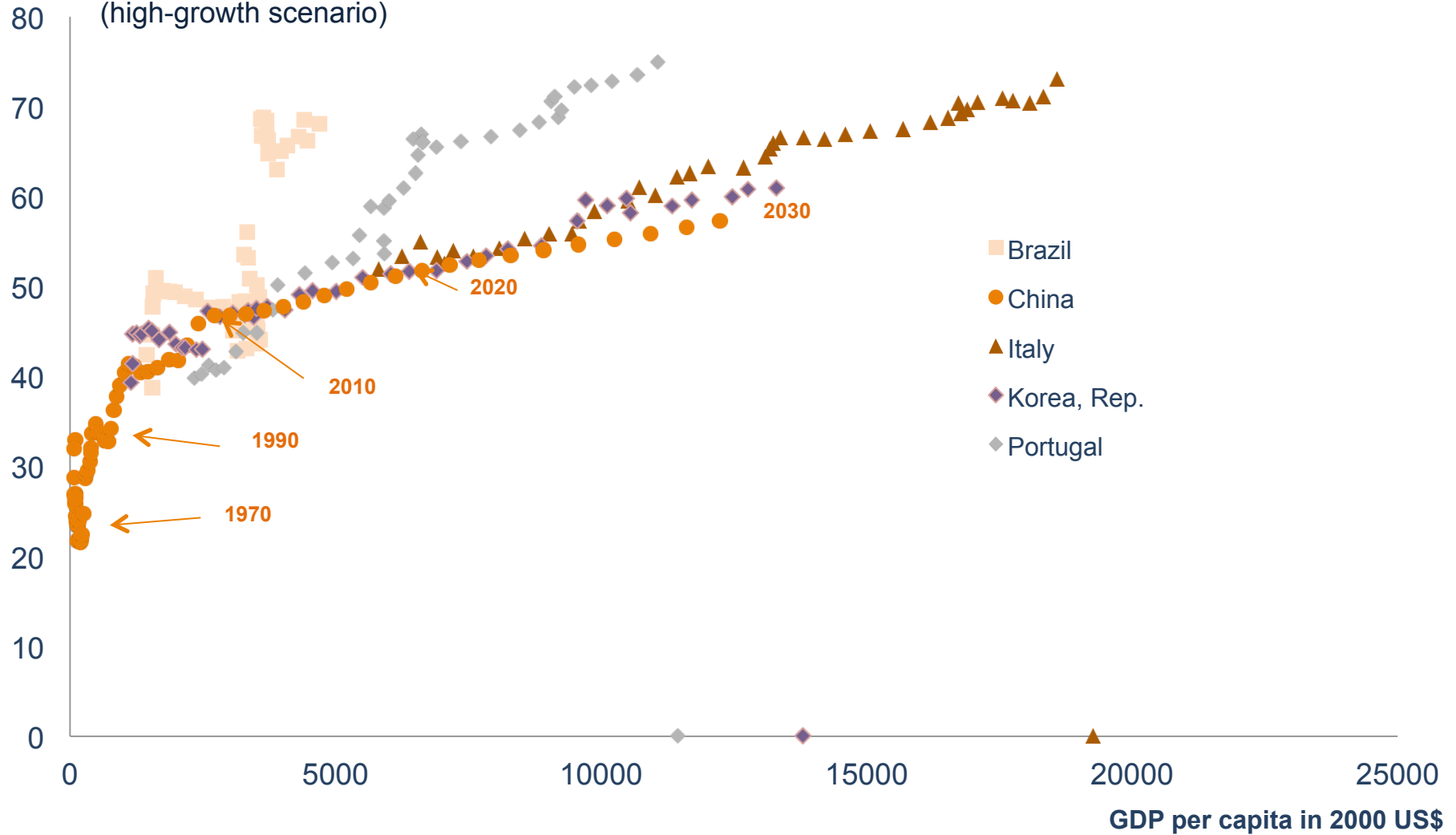
school enrollment in tertiary education (%)





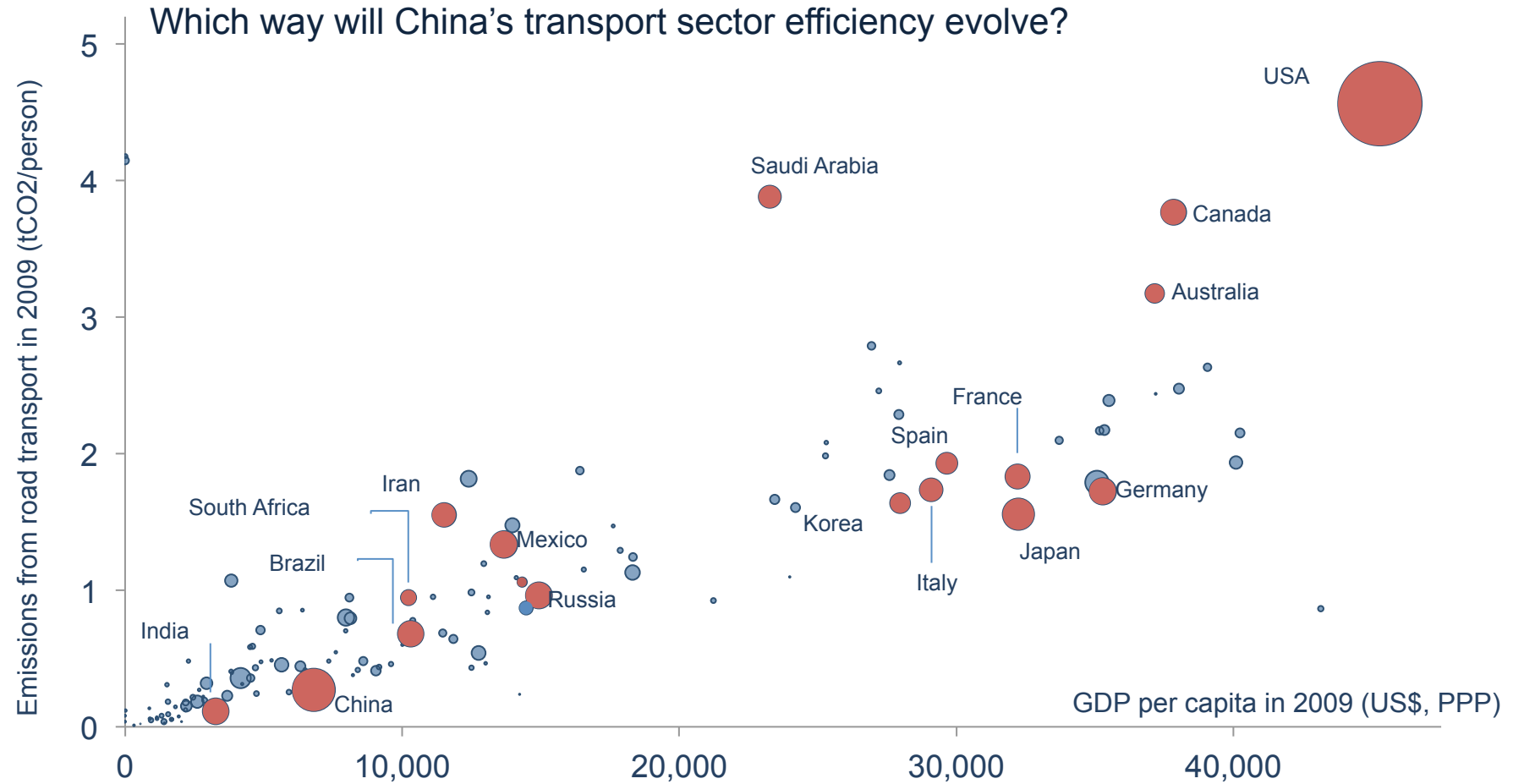
Prepare the shift towards services

China's future share in services and historical experiences of other countries (high-growth scenario)



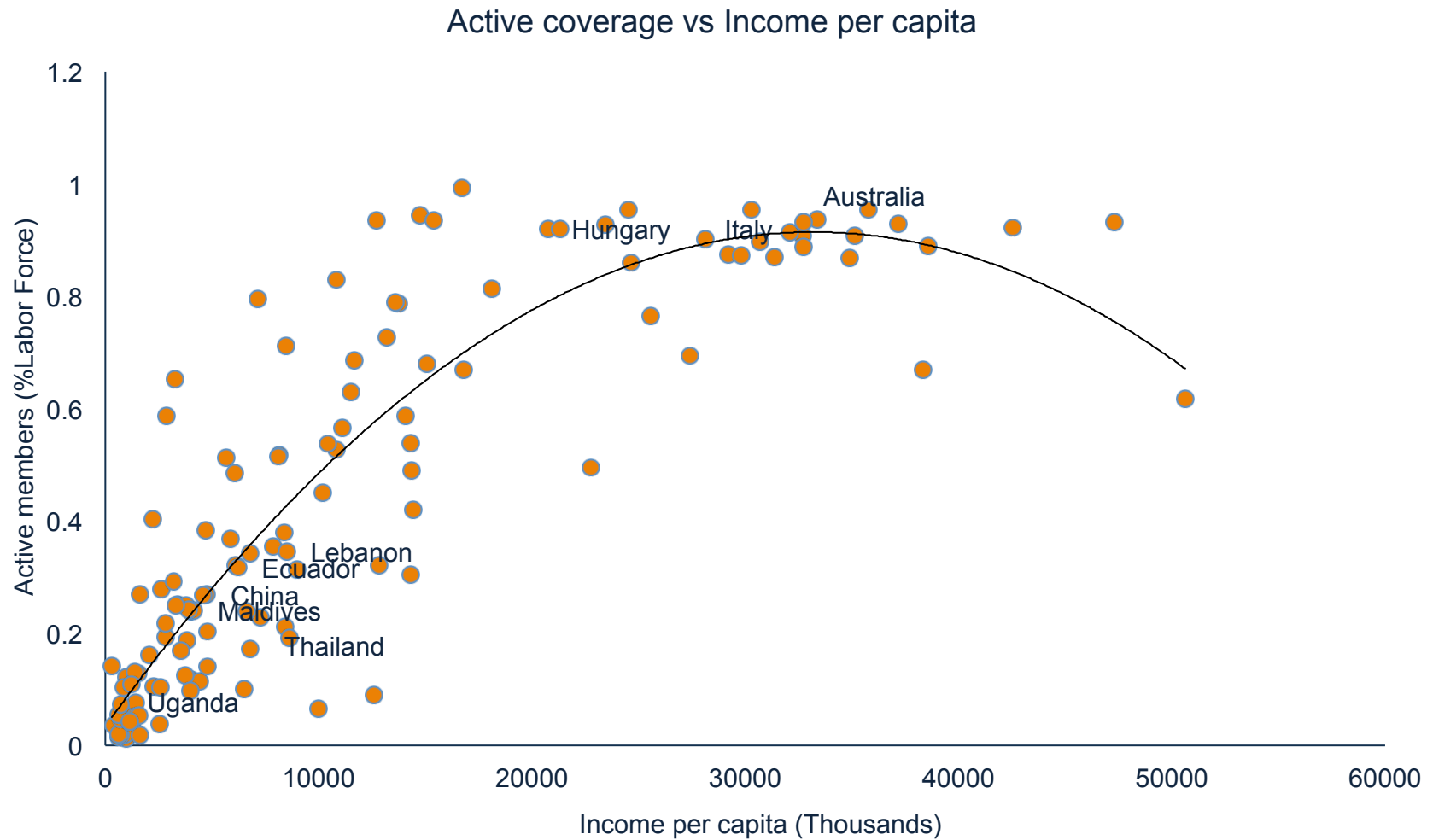


Choices to be made in infrastructure





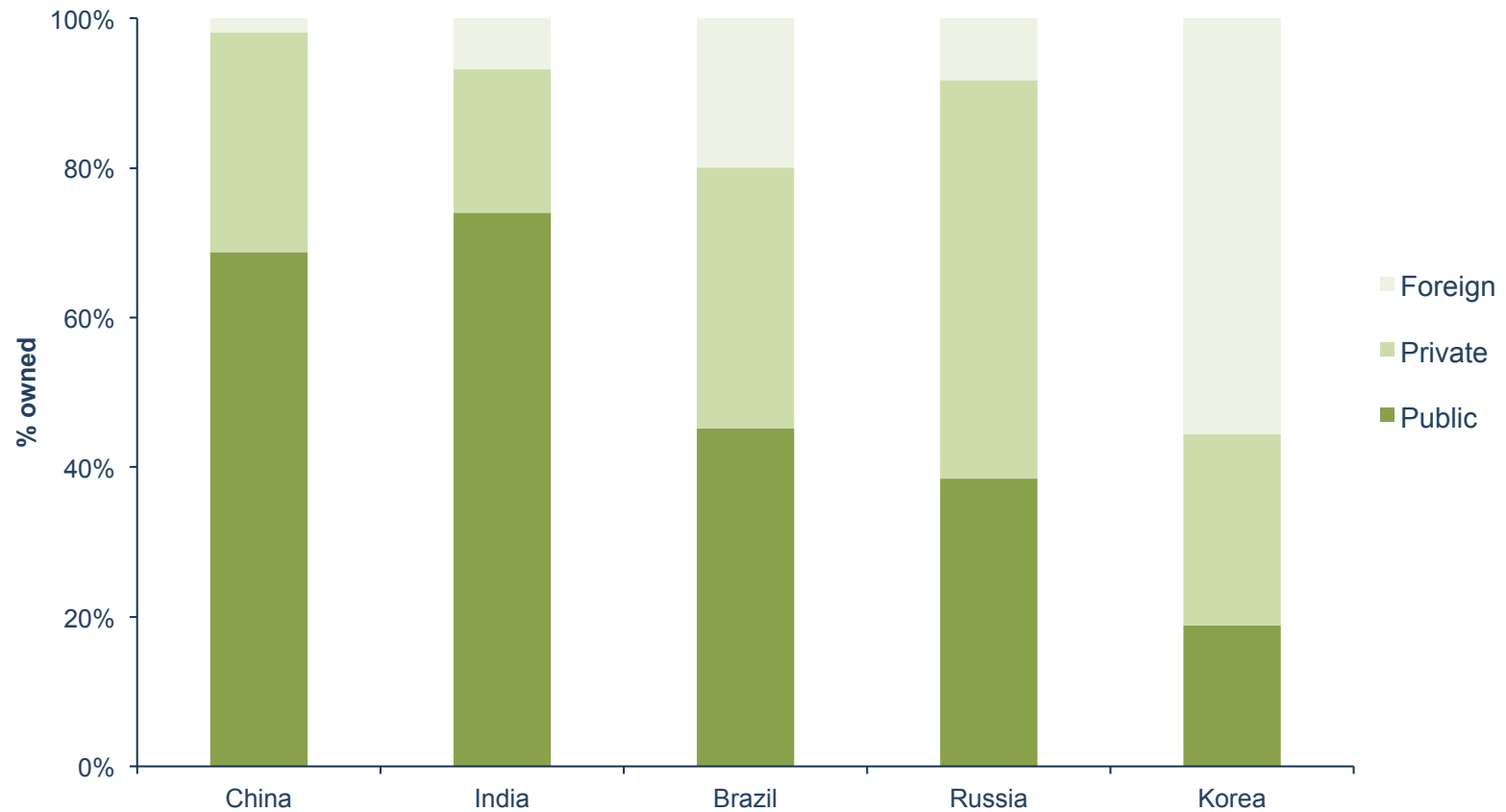
Increase pension coverage





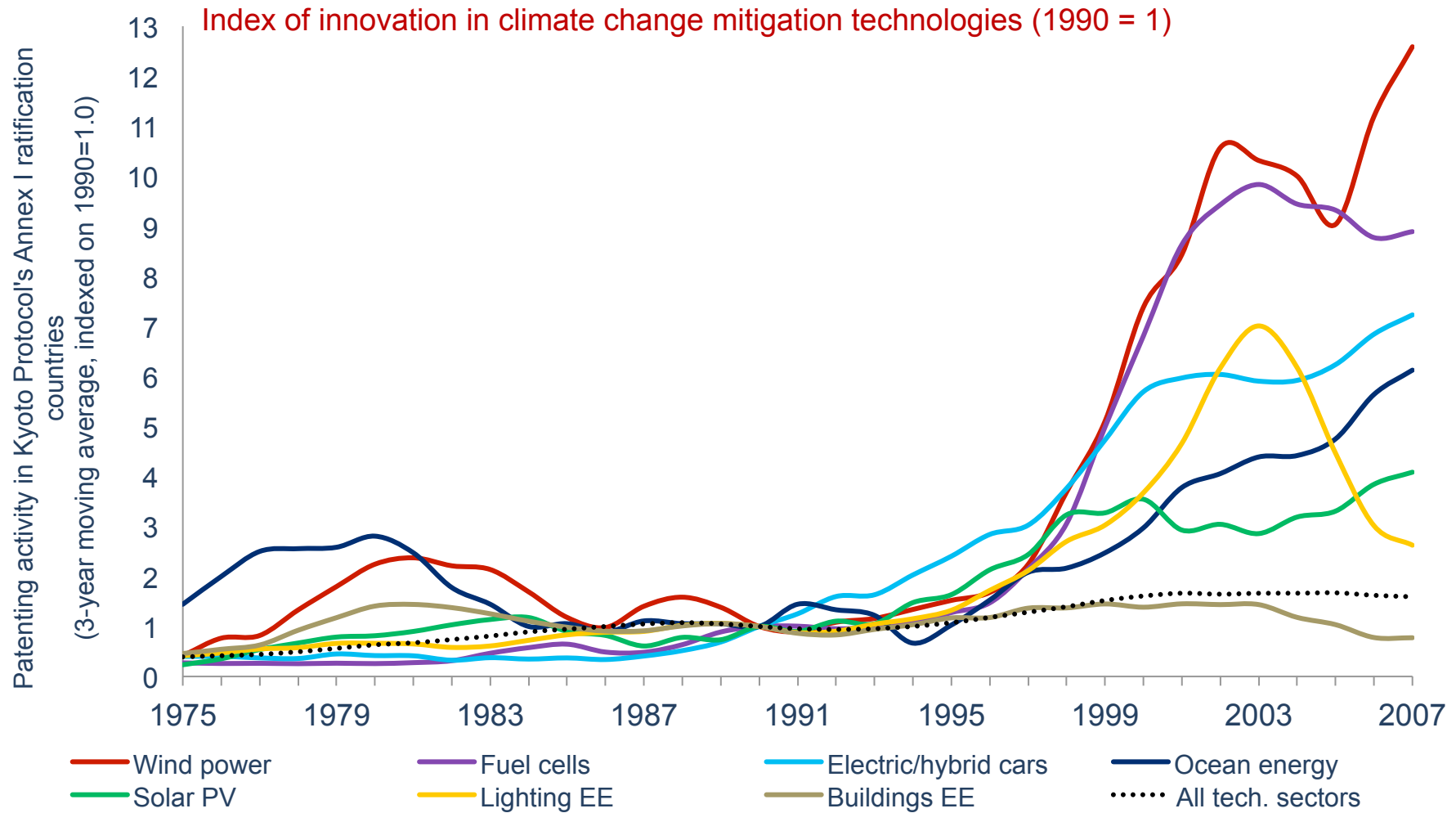
Diversify financial sector

Ownership structure of the banking sector, 2005





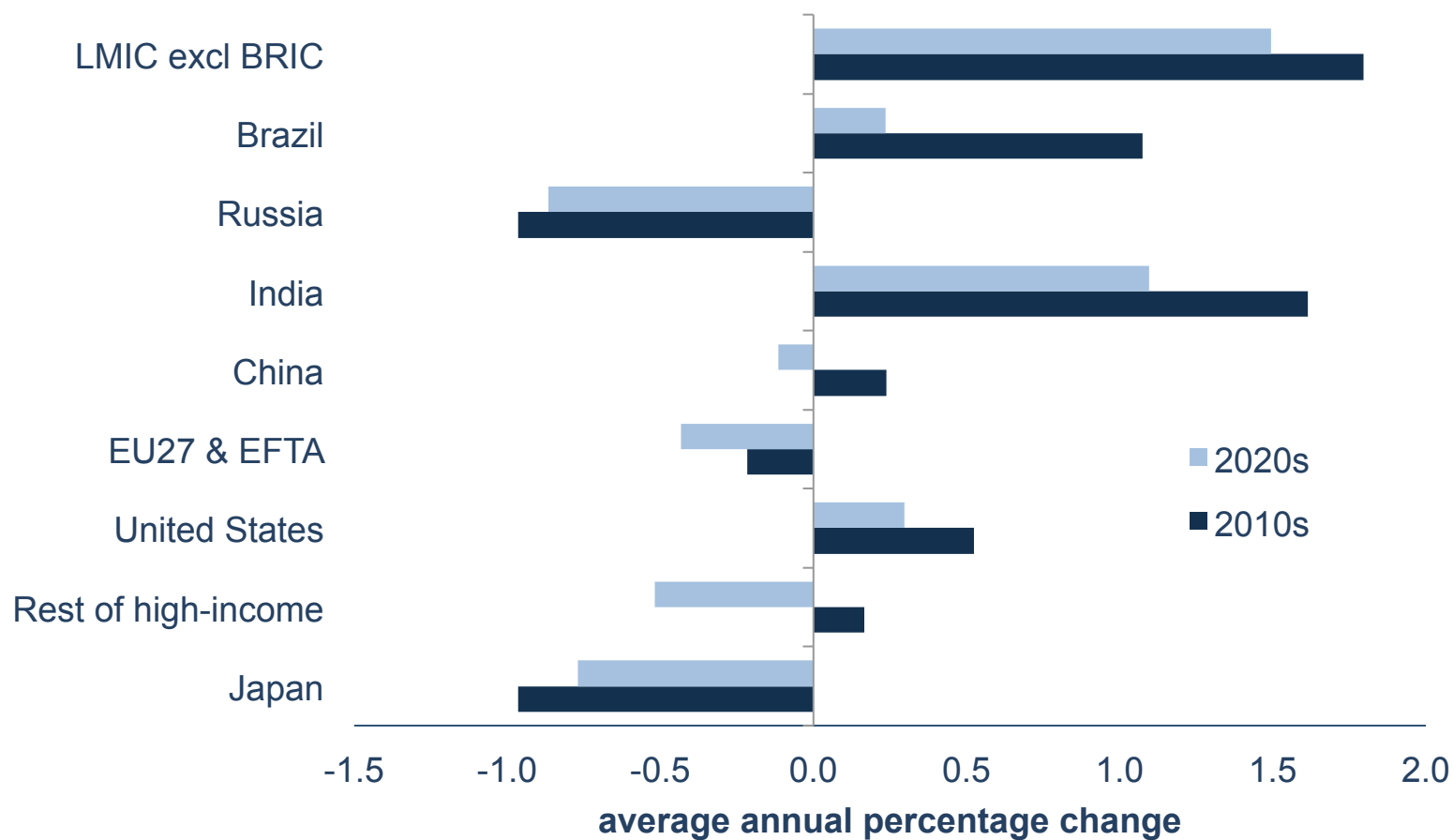
Green technology driver of growth





Diverse growth in labor supply

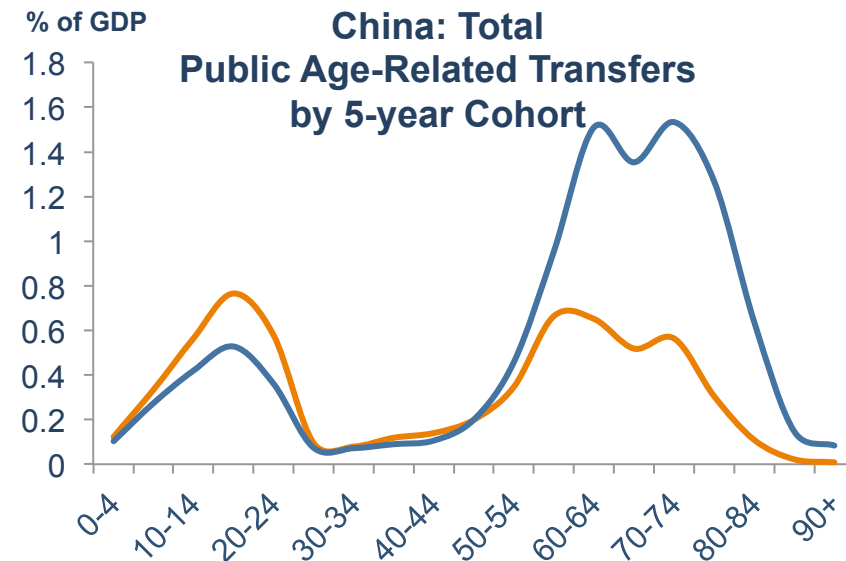
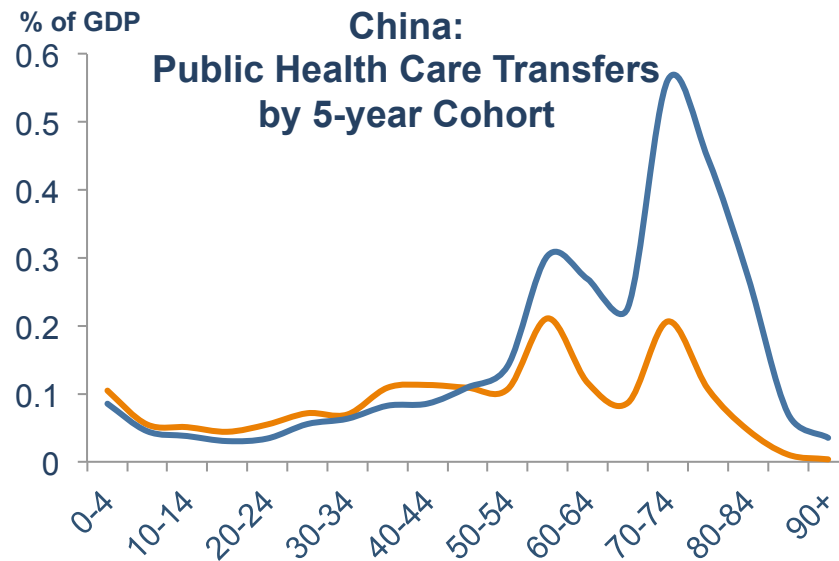
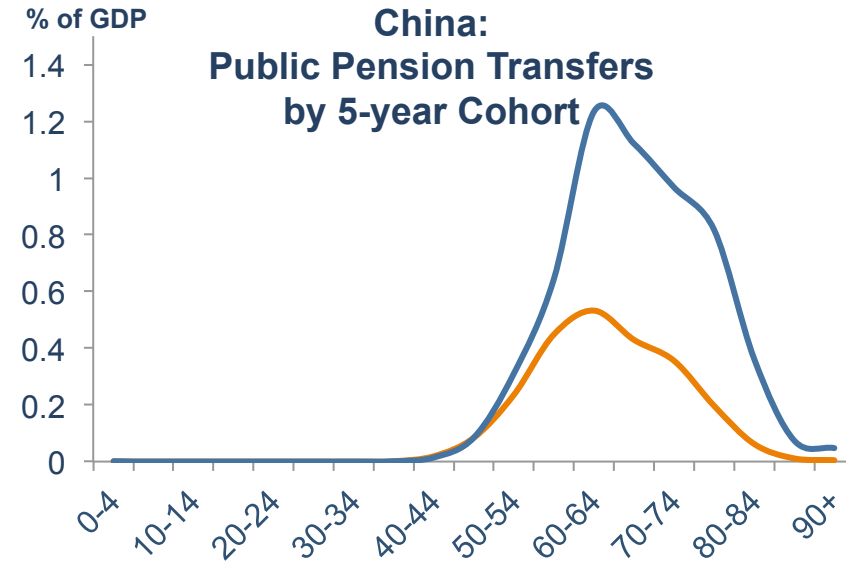
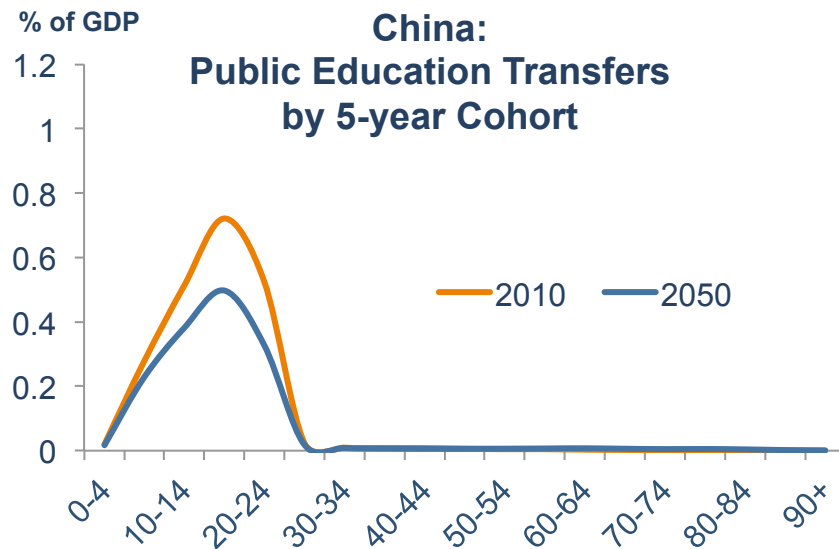
average annual percentage change



Source: World Bank



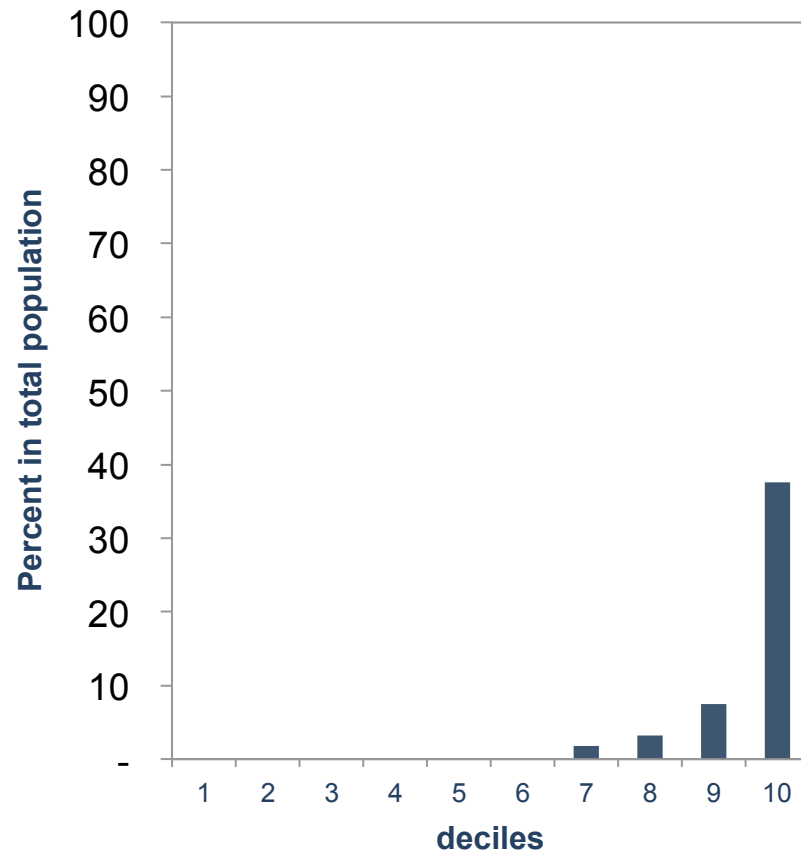
Projected demographic effect on public transfers:



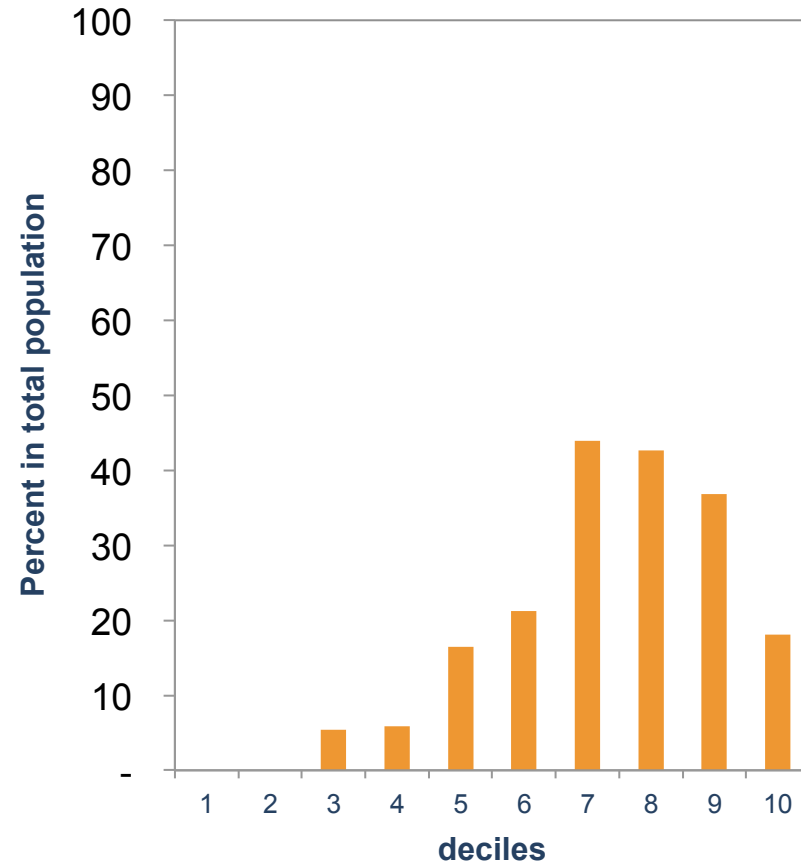


Citizens will become global and global citizens will be better represented

US' share in deciles of Global Income
Distribution, 2009

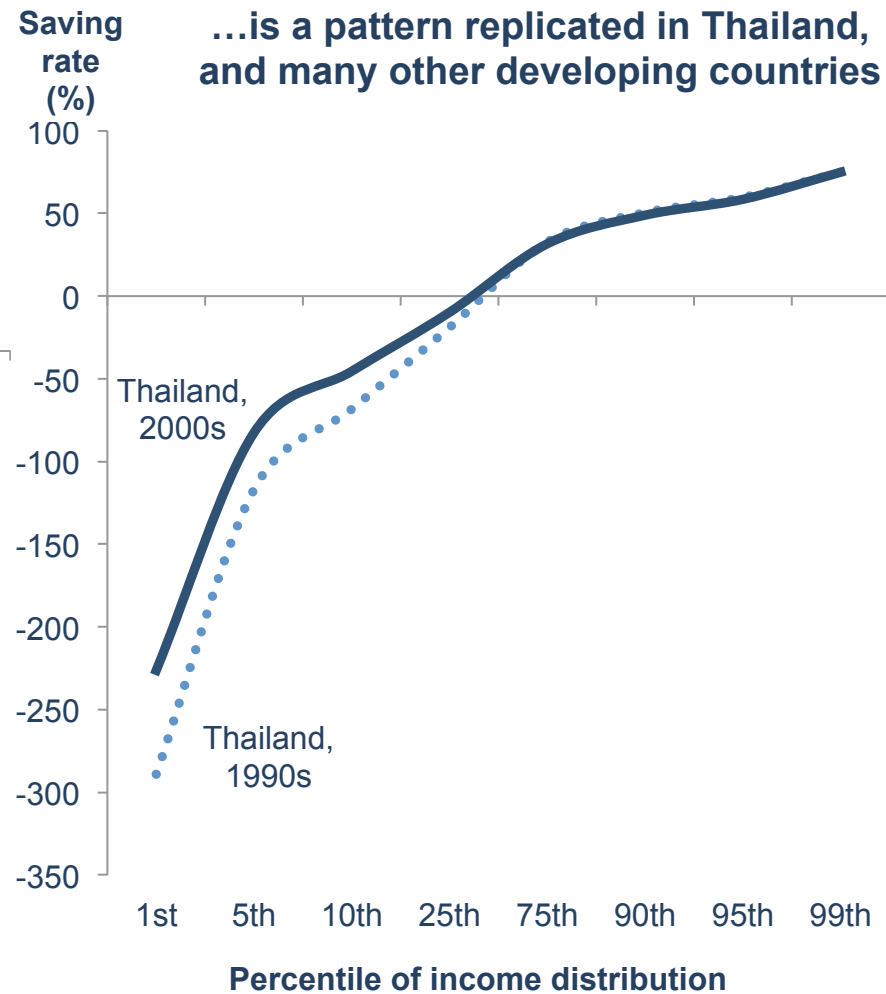
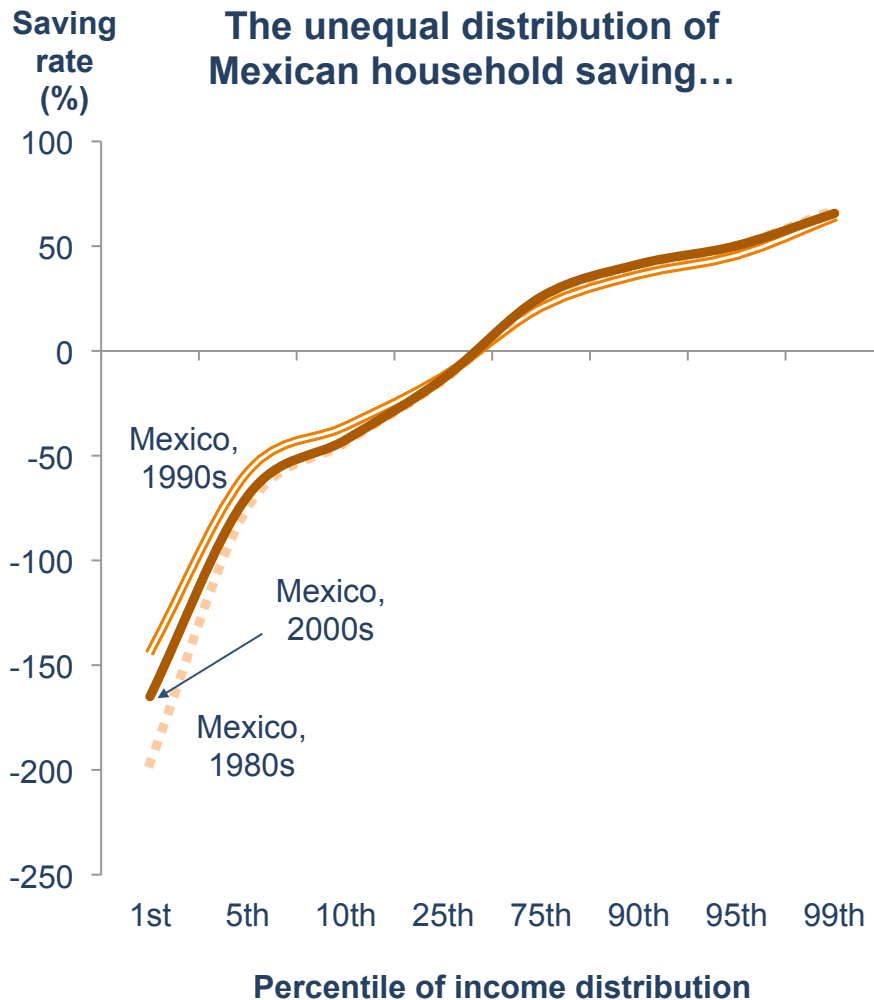


China's share in deciles of Global
Income Distribution, 2030





saving concentrated among a few rich households





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