



# Our Economy and The World

## The Weekly Report

Issue: 125 Date: 2<sup>nd</sup> December 2018

This week's issue of "Our Economy and the World" includes:

- **Key Global and Regional Developments over the Past Week**
  - Bloomberg: Carney says BOE ready for the worst in Brexit recession warning
  - Bloomberg: American life expectancy falls again as opioid deaths, disease rise
  - Bloomberg: Powell's 'Just Below' Comment Seen as Suggesting Fewer Hikes
  - Bloomberg: Malaysia beats emerging market peers as Asia outshines
- **Special Analysis: ILO – Global Wage Report 2018/19**
- **Recent Developments in Financial and Commodity Markets**
  - Reuters: Stocks rise, dollar sags on signs of more cautious Fed
  - Reuters: Bull run finale for global stocks not far off now: Reuters poll

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# Our Economy and The World

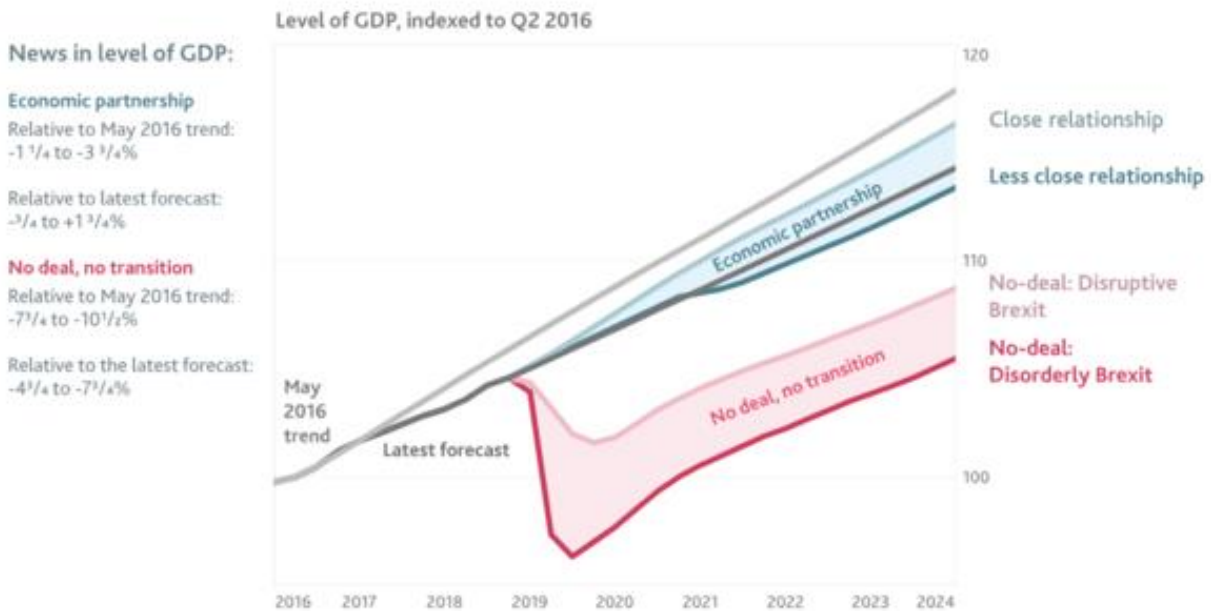
## The Weekly Report

### Key Global and Regional Developments over the Past Week

#### Bloomberg: Carney says BOE ready for the worst in Brexit recession warning

Mark Carney said the Bank of England is prepared for the worst possible Brexit and that the U.K. faces the steepest economic slump since at least World War II if it crashes out of the European Union without a deal. The stark warning from the governor sees the economy shrinking by 8 percent within a year and property prices plunging almost a third under a worst-case scenario, with Prime Minister Theresa May failing to get her Brexit plan past lawmakers. For context, the peak-to-trough drop in U.K. GDP in the financial crisis was just over 6 percent.

#### Modelled scenarios based on different assumptions about Brexit



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### Bloomberg: American life expectancy falls again as opioid deaths, disease rise

U.S. life expectancy has fallen again, according to the Centers for Disease Control report on 2017 deaths. The decline is driven by an increase in deaths from drug overdoses, suicides, diabetes, and influenza and pneumonia. Overall, heart disease and cancer remain the two leading causes of death. Unintentional injuries, a category that includes drug overdoses, is the third leading cause of death. In 2017, a total of 2,813,503 resident deaths were registered in the United States. A baby born in 2017 can expect to live 78.6 years, which was down from 78.7 years in 2016. The life expectancy for a female born in 2017 is 81.1 -- five years longer than males.

### U.S. Life Expectancy at Birth

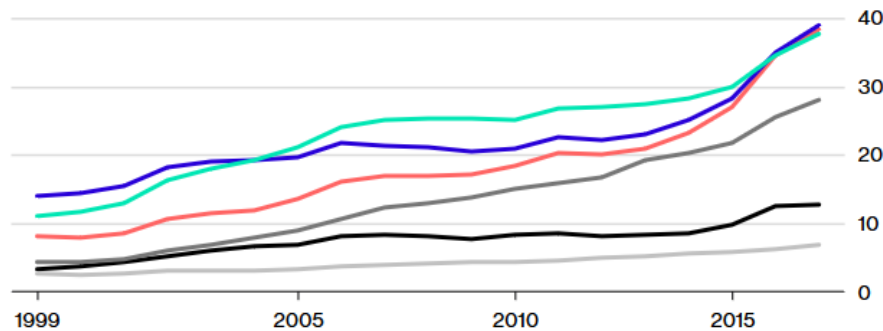


Source: National Vital Statistics System

### Drug Overdose Death Rates by Age Group

Overdose death rate among 25-34 year olds up more than five-fold from 1999

15-24 25-34 35-44 45-54 55-64 65 and over



Source: National Vital Statistics System

Note: deaths per 100,000

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#### **Bloomberg: Powell's 'Just Below' Comment Seen as Suggesting Fewer Hikes**

Federal Reserve Chairman Jerome Powell said interest rates are “just below” a range of estimates of the so-called neutral level, softening previous comments that seemed to suggest a greater distance and spurring speculation that central bankers are increasingly open to pausing their series of hikes next year. Wall Street embraced the news with a rally for Treasuries and the biggest surge in major U.S. stock indexes since March. Powell’s “just-below” description tempered remarks last month that markets read as a signal of more aggressive monetary policy tightening. Speaking on Oct. 3, he said that “we may go past neutral. But we’re a long way from neutral at this point, probably.”

[Read the full article](#)

#### **Bloomberg: Malaysia beats emerging market peers as Asia outshines**

Turkey has tumbled to bottom of the emerging-market pile, according to a Bloomberg analysis. Ranked fifth out of 21 nations in a similar study six months ago, the country has slumped on a scorecard that includes metrics ranging from growth prospects to the state of the current account, sovereign credit ratings and stock and bond valuations. Meanwhile Asia’s economies, which have stronger buffers against headwinds like Federal Reserve policy tightening, outshone the rest, with Malaysia holding on to the No. 1 spot.

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# Special Analysis: ILO Global Wage Report 2018/19

## Part I.

### Major trends in wages

#### Lowest wage growth globally in 2017 since 2008

Global wage growth in 2017 was not only lower than in 2016, but fell to its lowest growth rate since 2008, remaining far below the levels before the global financial crisis. Global wage growth in real terms (that is, adjusted for price inflation) has declined from 2.4 per cent in 2016 to just 1.8 per cent in 2017. If China, whose large population and rapid wage growth significantly influence the global average, is excluded, global wage growth in real terms fell from 1.8 per cent in 2016 to 1.1 per cent in 2017. Real wage growth is calculated using gross monthly wages, rather than hourly wage rates, which are less frequently available, and fluctuations therefore reflect both hourly wages and the average number of hours worked.

Slow wage growth in high-income countries despite economic recovery and falling unemployment. In the advanced G20 countries, real wage growth declined from 1.7 per cent in 2015 to 0.9 per cent in 2016 and 0.4 per cent in 2017. In Europe (excluding Eastern Europe), real wage growth declined from 1.6 per cent in 2015 to 1.3 per cent in 2016 and further declined to about zero in 2017, owing to lower wage growth in countries including France and Germany, and declining real wages in Italy and Spain; in Eastern Europe, by contrast, real wage growth recovered from its 4.9 per cent decline in 2015 and continued to increase thereafter, from 2.8 per cent in 2016 to 5.0 per cent in 2017. Real wage growth in the United States declined from 2.2 per cent in 2015 to 0.7 per cent in both 2016 and 2017.

Given the recovery in GDP growth and the gradual reduction in unemployment rates in various countries, slow wage growth in high-income countries in 2017 represented somewhat of a puzzle and has been the subject of intense debate. Possible explanations for subdued wage growth include slow productivity growth, the intensification of global competition, the decline in the bargaining power of workers and the inability of unemployment statistics to adequately capture slack in the labour market, as well as an uncertain economic outlook which may have discouraged firms from raising wages.

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## Recent Developments in Financial and Commodity Markets

### [Reuters: Stocks rise, dollar sags on signs of more cautious Fed](#)

Asian stocks rose on Thursday, tracking gains on Wall Street, after the chairman of the U.S. Federal Reserve suggested it may be nearing an end to its three-year rate tightening cycle, boosting interest in riskier assets. Spreadbetters expected European stocks to open higher, with Britain's FTSE rising 0.5 percent, Germany's DAX adding 0.6 percent and France's CAC gaining 0.65 percent. The dollar and U.S. Treasury yields fell after Jerome Powell said on Wednesday that U.S. policy rates were "just below" neutral, less than two months after saying rates were probably "a long way" from that point.

[Read the full article](#)

### [Reuters: Bull run finale for global stocks not far off now: Reuters poll](#)

An end to the bull run in global stocks is not far away, according to a Reuters poll which also showed a broad cut to forecasts for next year on concerns over global growth and tightening financial conditions. World stocks tested lows at the end of October during a brutal rout that wiped off trillions of dollars of market value, driven by a U.S.-led trade war and a hawkish Federal Reserve. The recent turbulent sell-off in stocks is more or less over, according to nearly 250 equity strategists polled Nov 13-28. But they mostly said 2018 would end up a forgettable year with most markets set to finish off in the red.

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