Globalization

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Globalization is everywhere

• We see it in
  – World GDP
  – International trade
  – International finance

• What about monetary policy?

What does it all mean?
The financial crisis hit exports in all countries

Source: Country sources, Haver Analytics.
Emerging markets are growing as a share of world GDP (% of world GDP, PPP)

Source: World Economic Outlook, Haver Analytics
There are large differences in GDP per capita

Source: World Economic Outlook, Haver Analytics
It will take a long time before China catches up to the U.S.

2012 is data; 2013 – 2060 are simulated

Assumptions:
- U.S. real GDP grows 2.5 percent per year
- China real GDP grows 9.0 percent per year
- Population grows according to UN projections

International trade is a larger share of U.S. GDP ...

... and world GDP.

International finance is also a larger share of U.S. GDP ...

... and world GDP.

*Chart 7: FOREIGN ASSETS AND LIABILITIES AS A SHARE OF GDP*

Global foreign assets and liabilities as a share of global GDP

Interesting changes in long-term government bond yields

Source: U.S. Treasury, Bank of Germany, Bank of Greece, Bank of Spain, Bank of Italy, Haver Analytics
Monetary policy in advanced economies is very accommodative, but divergence may soon be with us.

Source: Federal Reserve Board, Bank of England, European Central Bank, Bank of Japan, Haver Analytics
Monetary policy in emerging economies eased ... but is tightening in some countries.

Source: Federal Reserve Board, Bank of England, European Central Bank, Bank of Japan, Haver Analytics
Central banks have provided accommodation through balance sheet policies
Foreign investors are holding larger amounts of U.S. Treasury securities

Source: Federal Reserve System, Haver Analytics
The Federal Reserve, China, and Japan hold large amounts of U.S. Treasury securities

Share of U.S. Treasury securities

Federal Reserve
China
Japan
Switzerland
Luxembourg
Hong Kong
Germany

Source: Federal Reserve System, Treasury International Capital (TIC) System, Haver Analytics
What does it mean?
Federal Reserve Bank of Kansas City