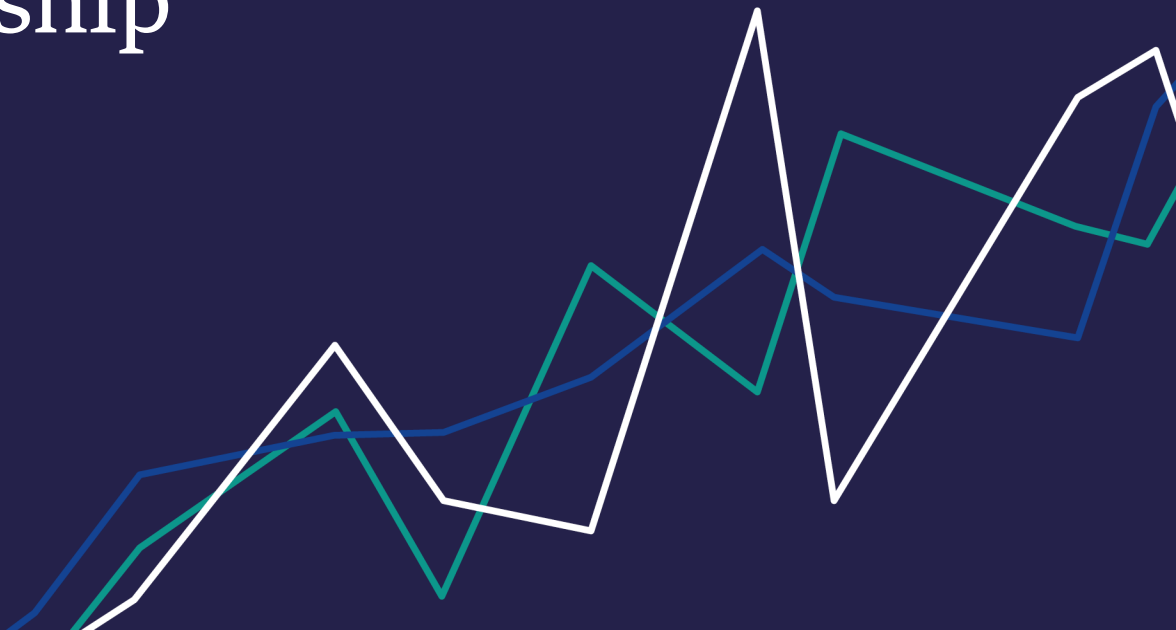


SPOTLIGHT 2024

The future of global macro and markets leadership

Will the US be overtaken?

Vicky Redwood, Senior Economic Adviser
(victoria.redwood@capitaleconomics.com)



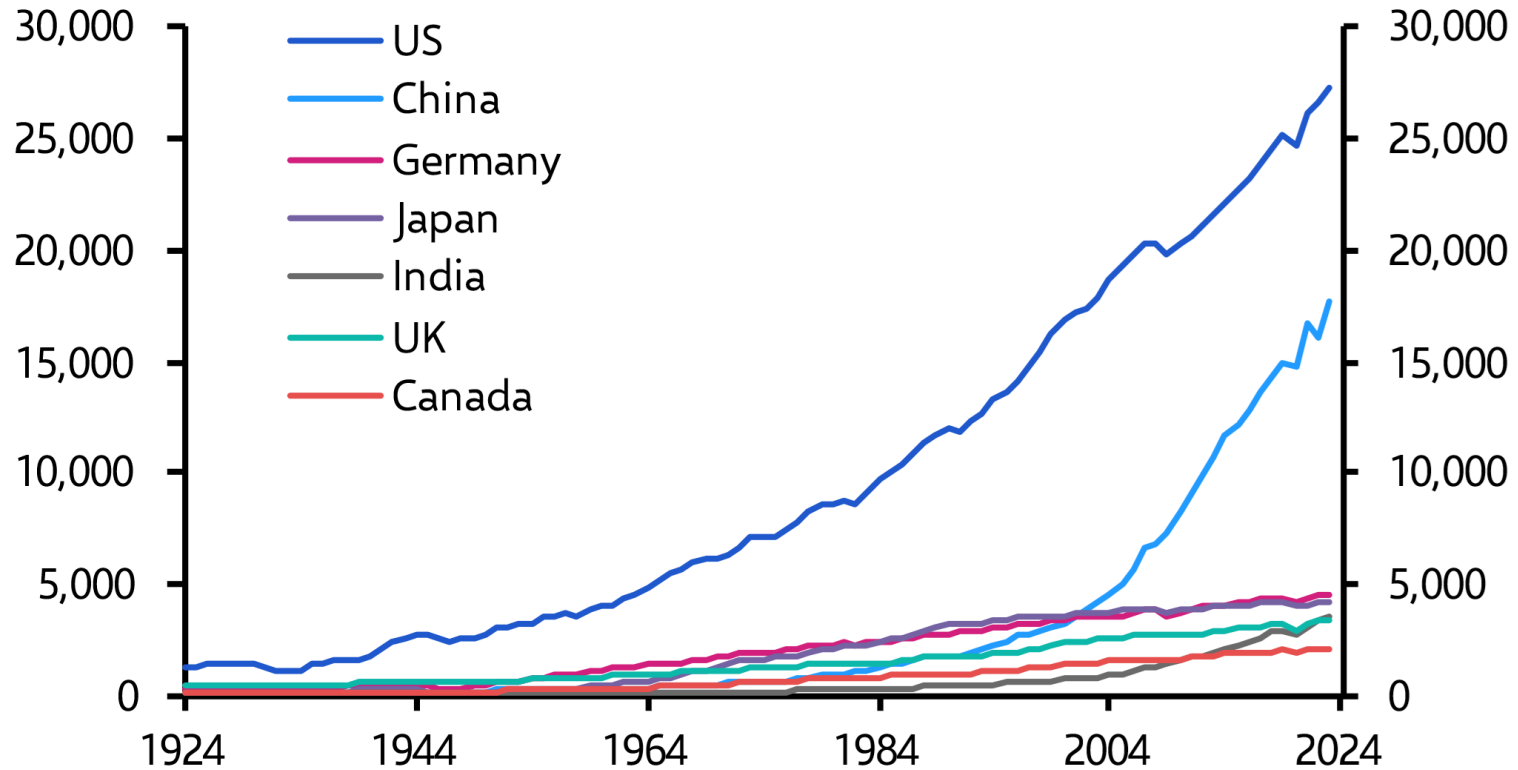
Agenda

- How has the US outperformed?
- Why has it outperformed and will this continue?
- What does this mean for stock markets?

What is economic leadership?

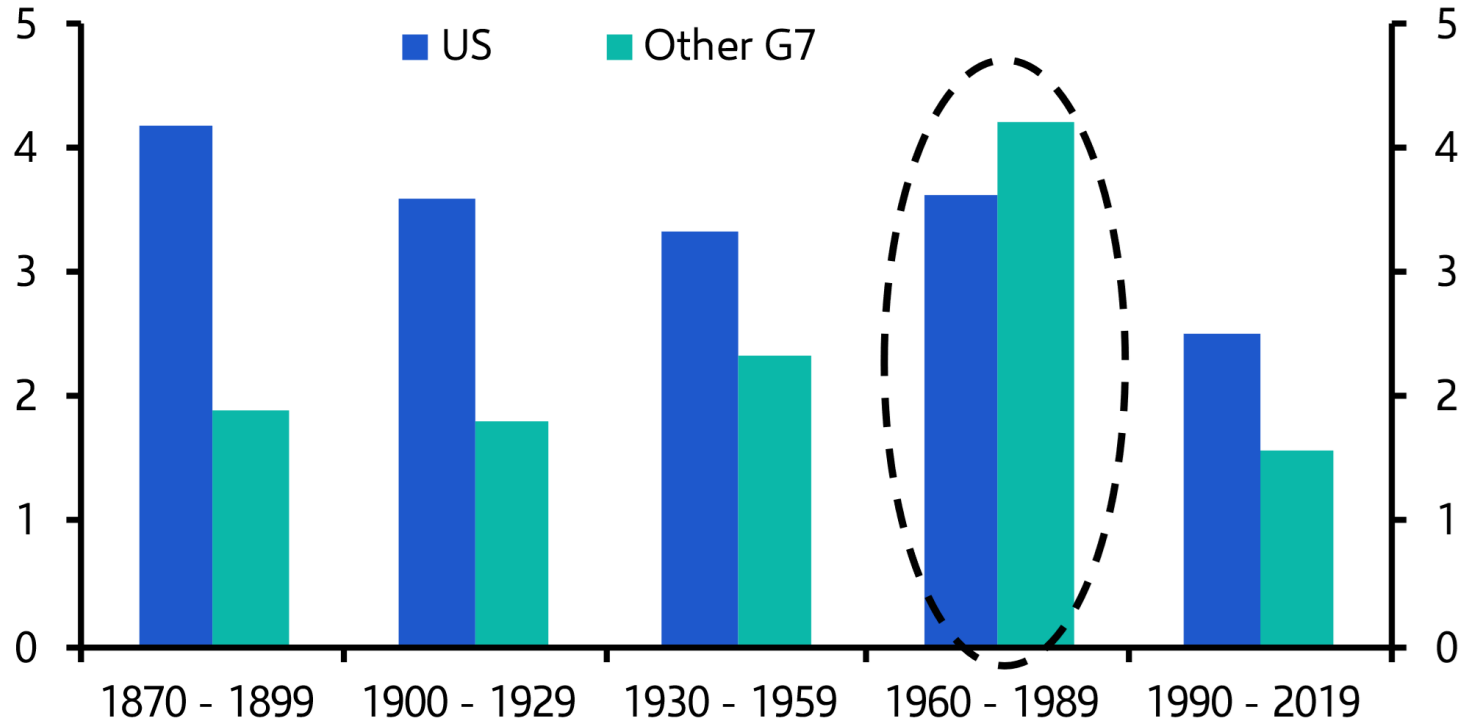
- Dominance; Having control or superiority over other countries in economic and financial activities.
- Outperformance: Achieving stronger growth, or higher returns, than other economies or stock markets.

GDP (\$bn, 2023 market prices and exchange rates)

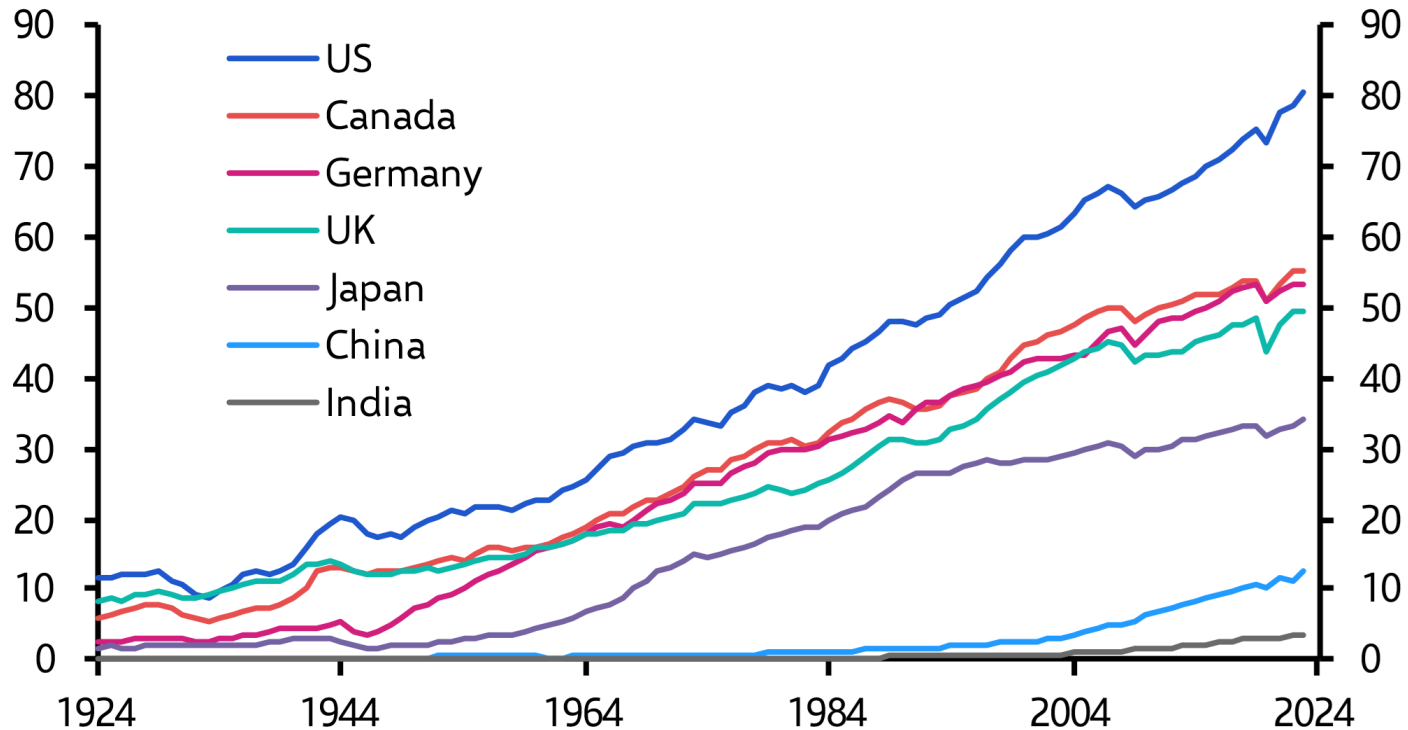


Sources: Refinitiv, IMF, Maddison, Capital Economics

Real GDP (% y/y, average over period)

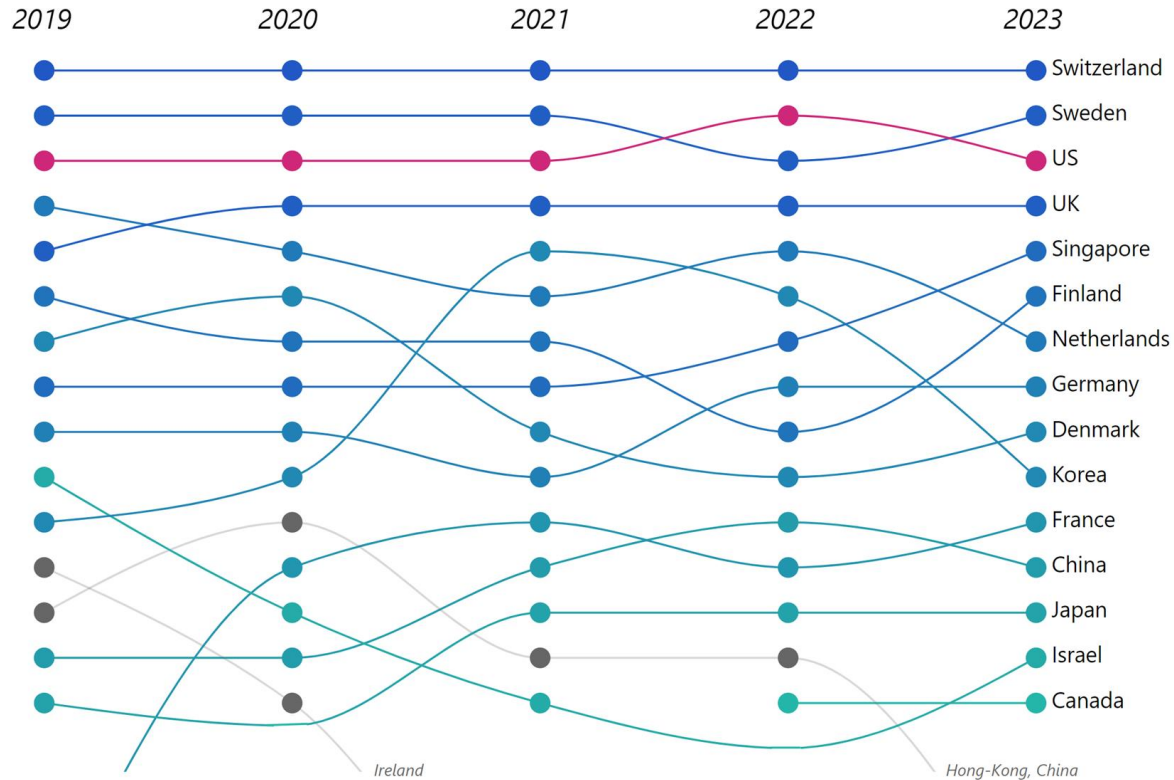


GDP per Capita (\$000s, 2023 market prices and exchange rates)



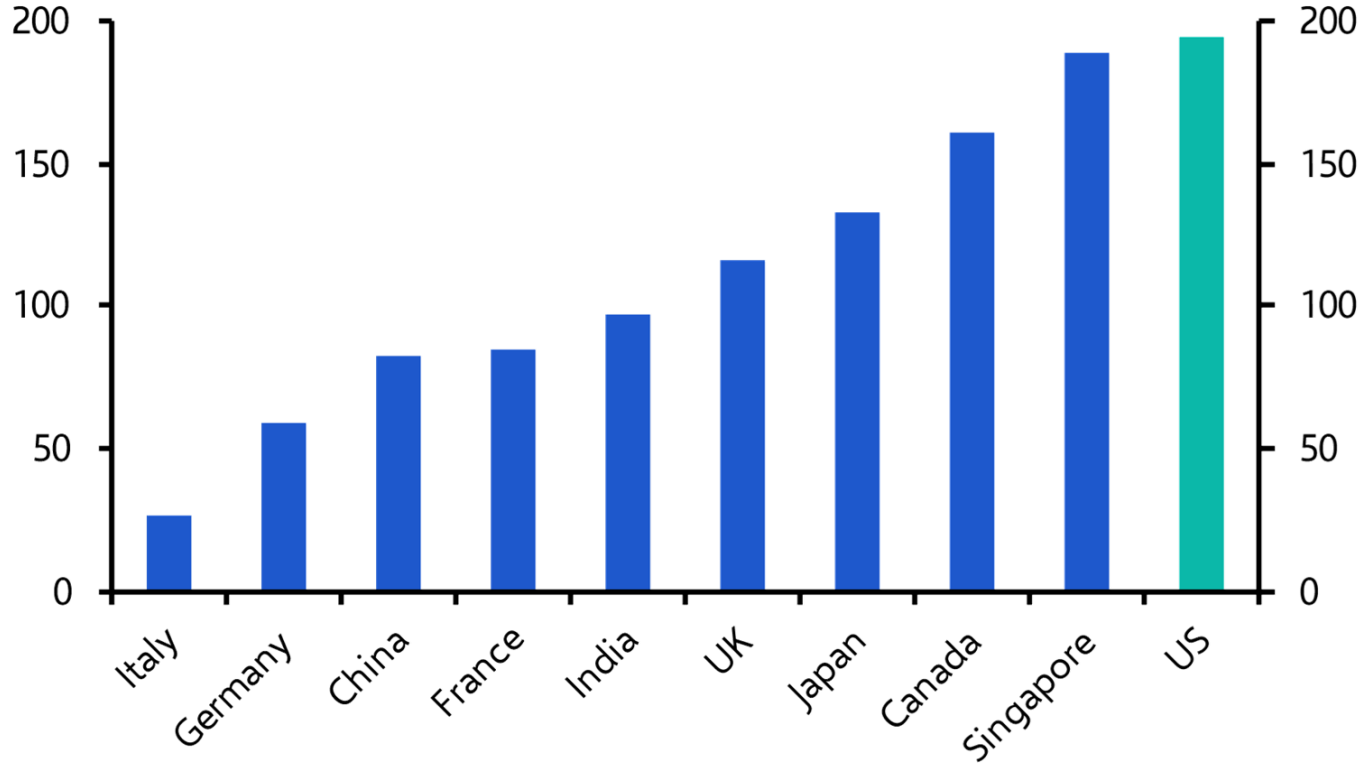
Sources: Refinitiv, Capital Economics

WIPO Global Innovation Index: Top 15 Innovators



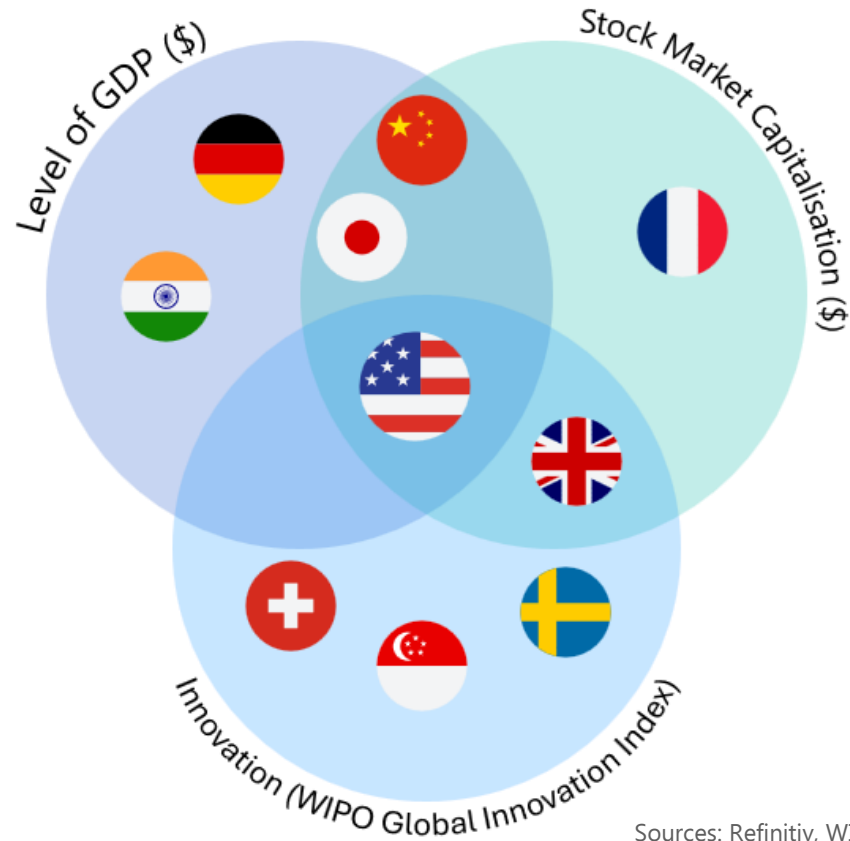
Sources: WIPO, Capital Economics

Stock Market Capitalisation (% of GDP, 2020)



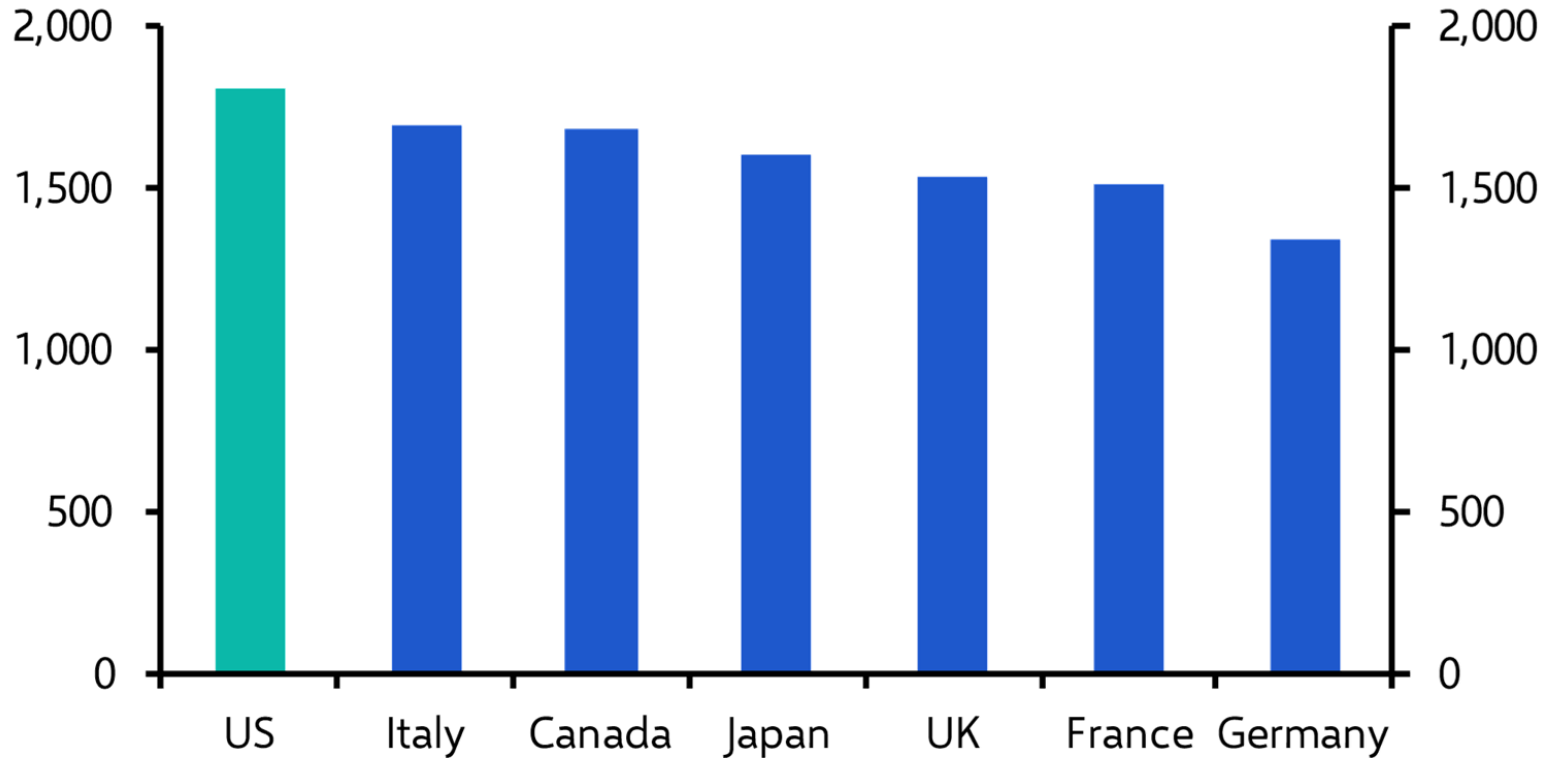
Sources: World Bank Global Financial Development Database

The World's Top 5



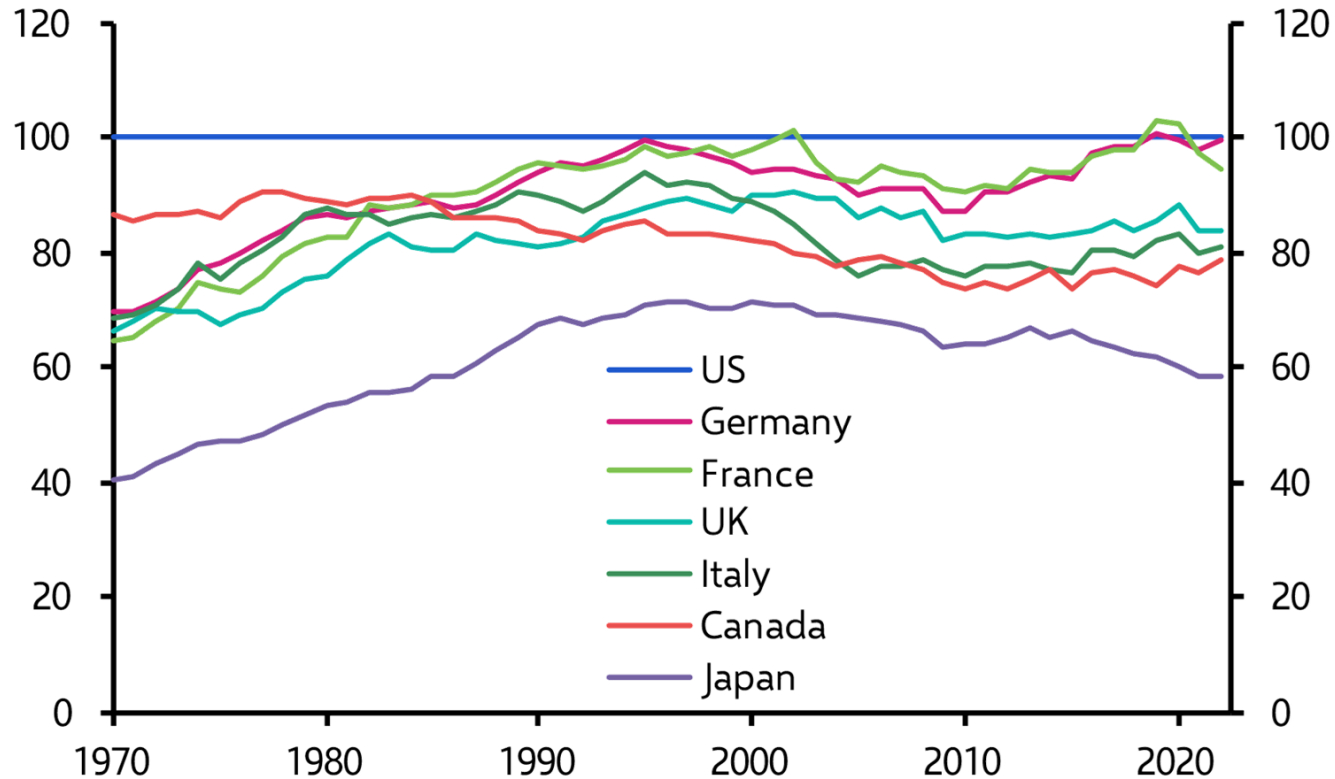
Sources: Refinitiv, WIPO, Capital Economics

Average Annual Hours Worked (2022)



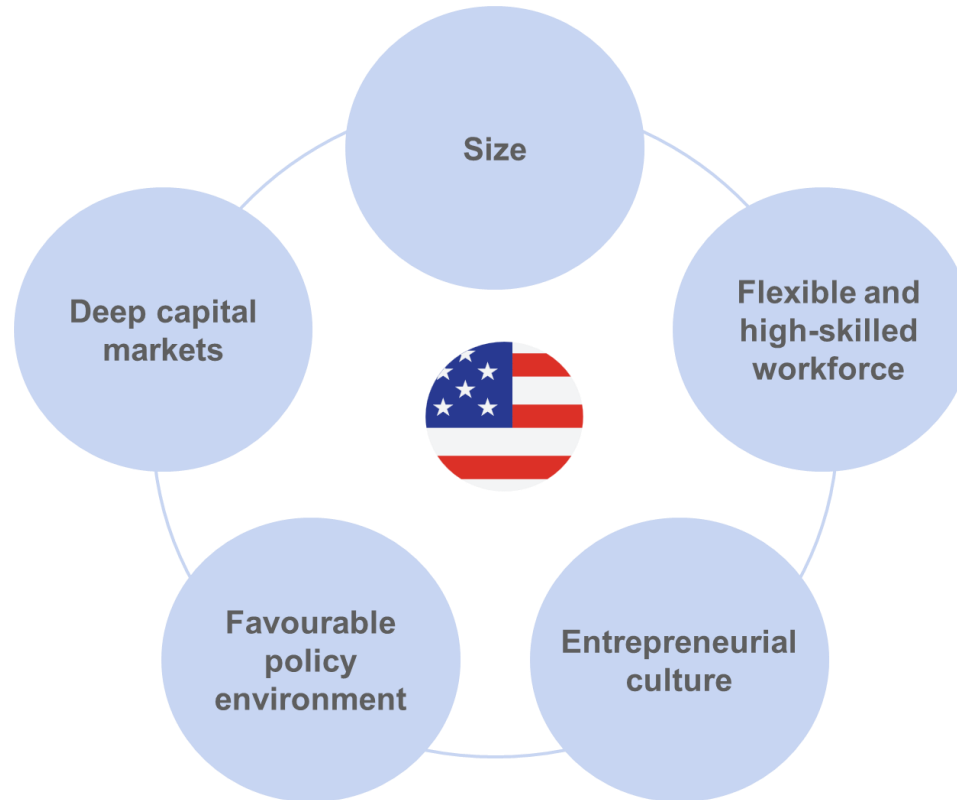
Sources: OECD, Capital Economics

Output Per Hour Worked (As a % of US GDP, \$, current prices)



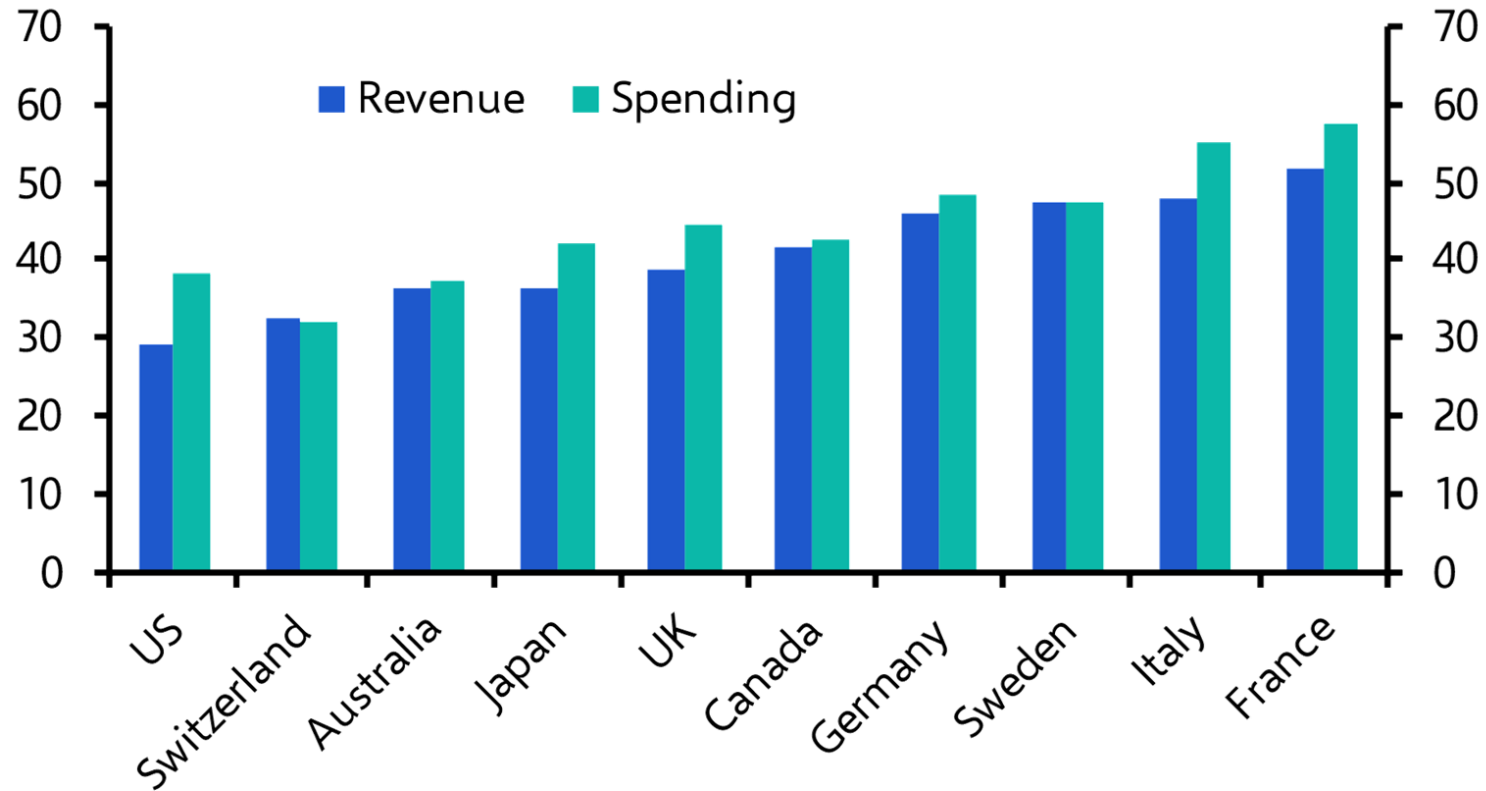
Sources: Refinitiv, Capital Economics

The US's Key Economic Advantages



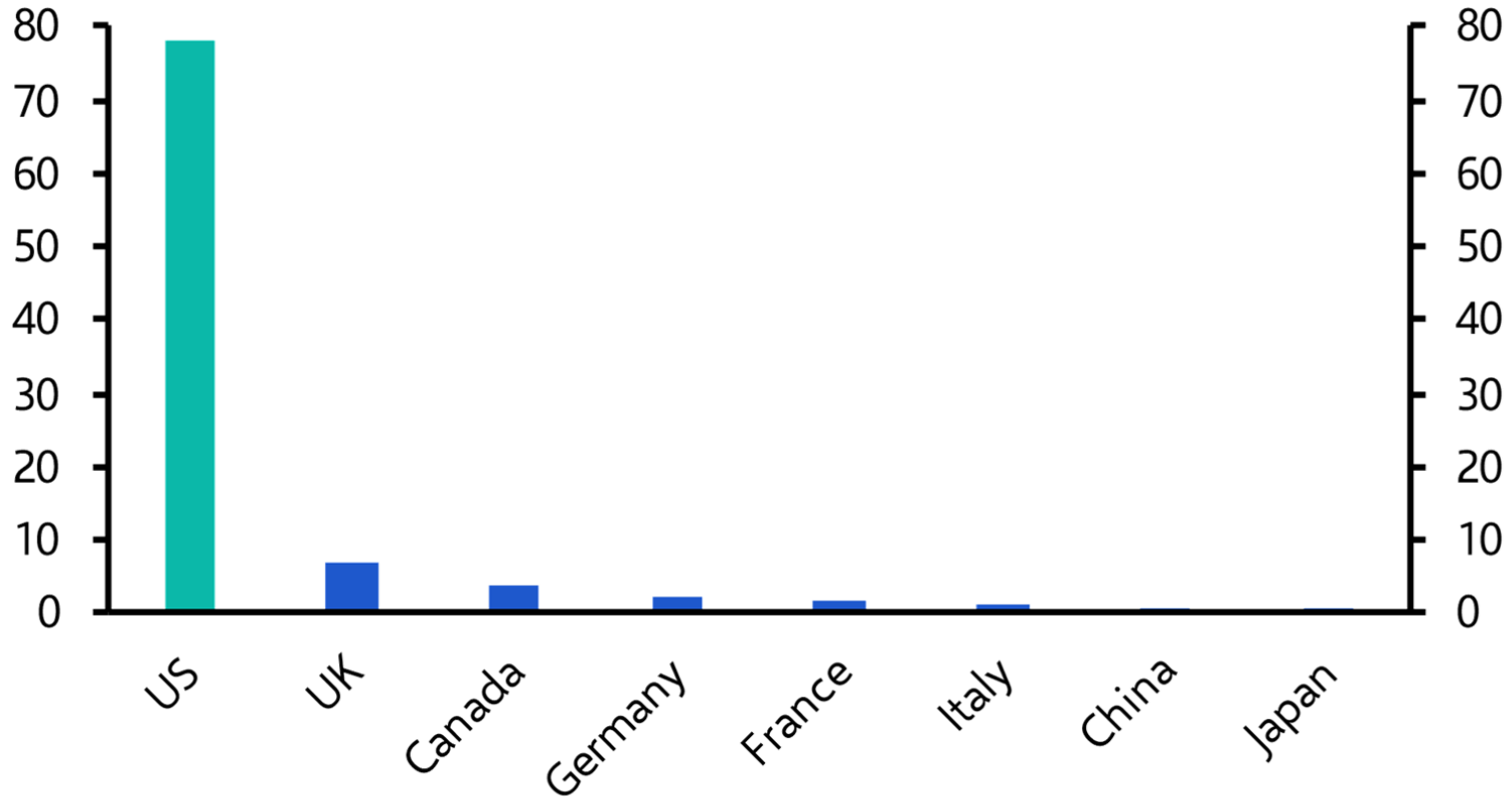
Sources: Various

Government Revenue and Spending (% of GDP, 2023)

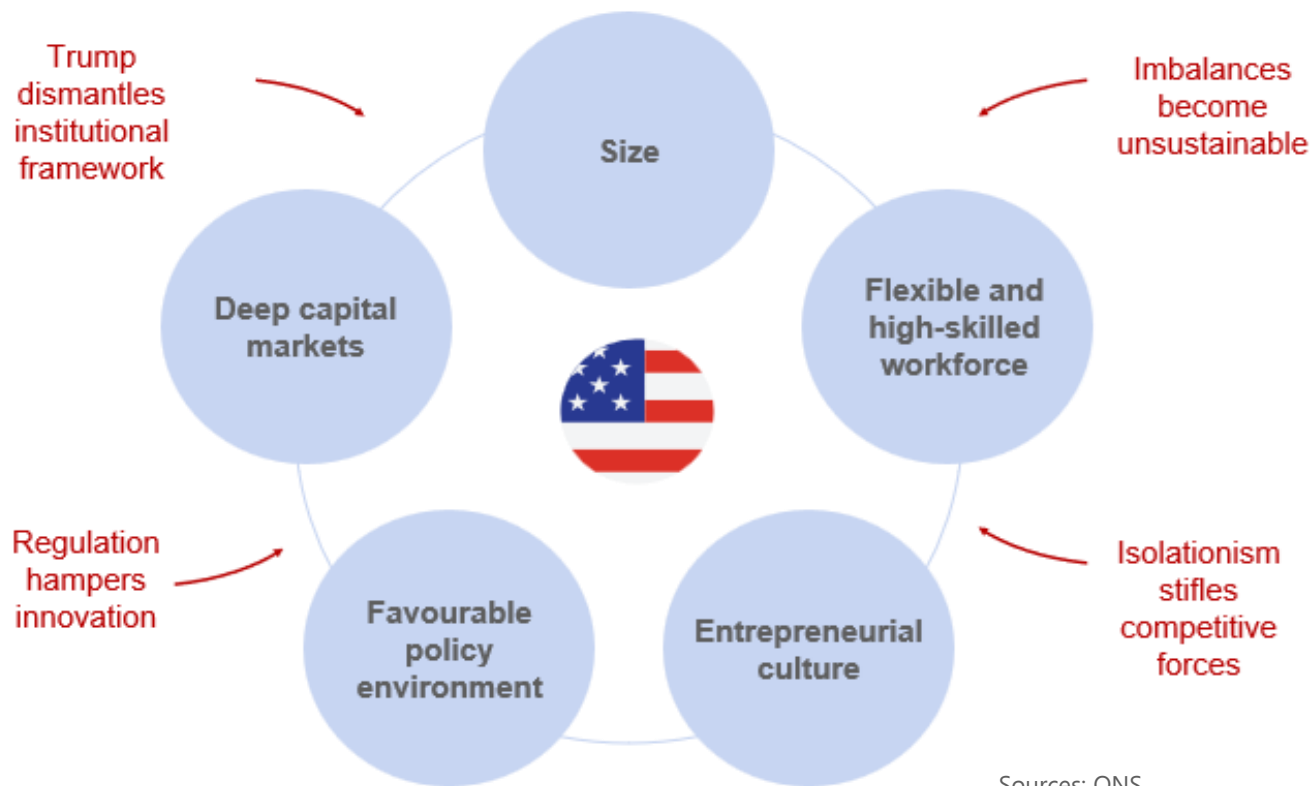


Sources: OECD, Capital Economics

Number of Active Start-ups (000s, 2024)

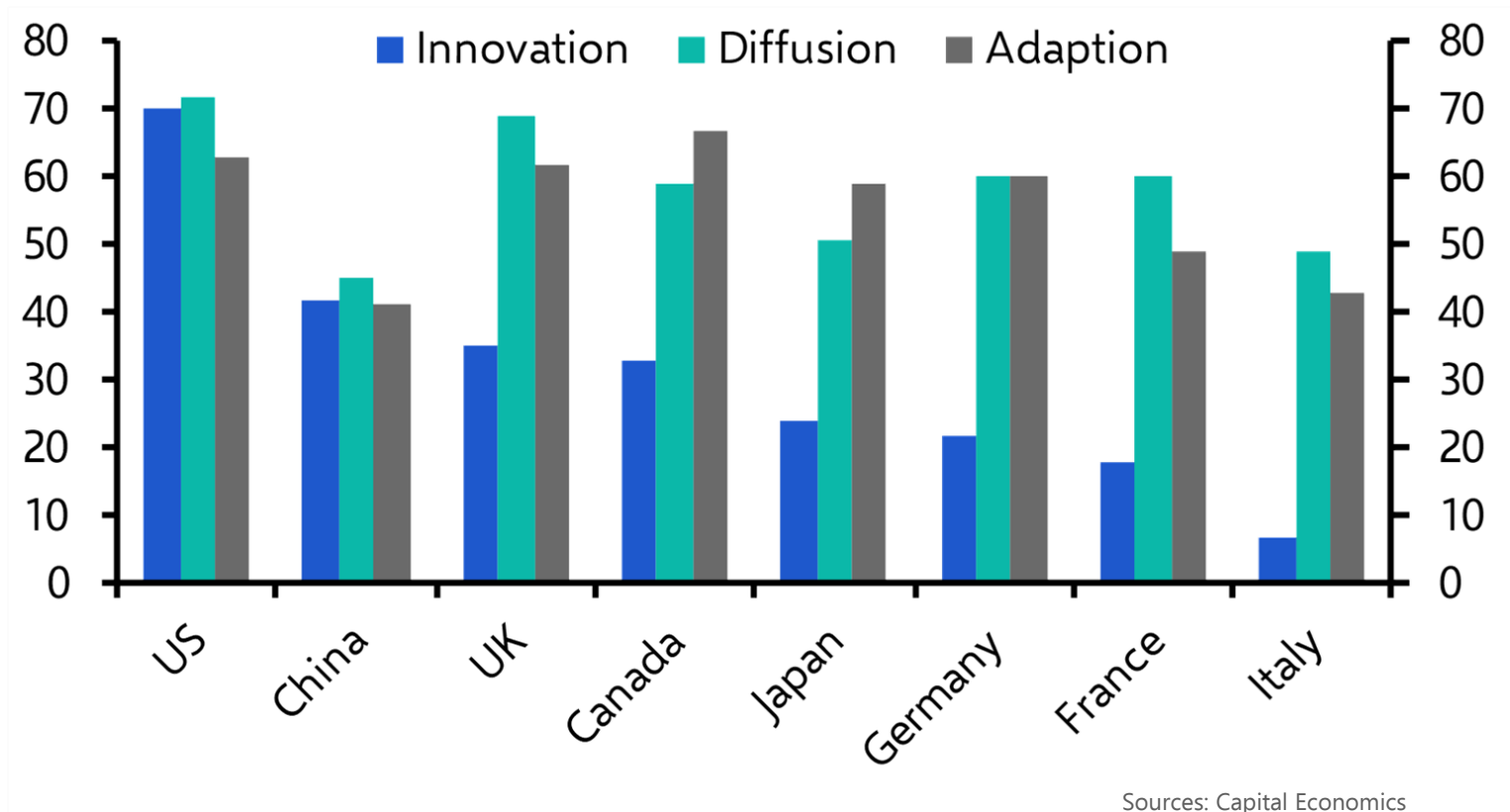


Threats to US performance



Sources: ONS

CE AI Economic Impact Index



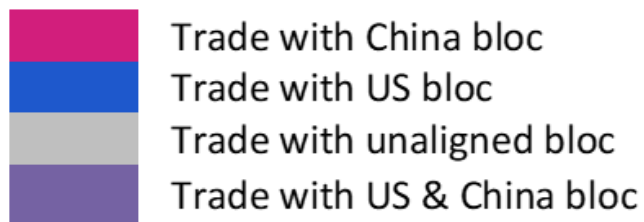
Sources: Capital Economics

China's hurdles

- State intervention a barrier to wider efficiency gains.
- Fracturing to restrict access to western technology.
- Export-led model a barrier to global use of renminbi.

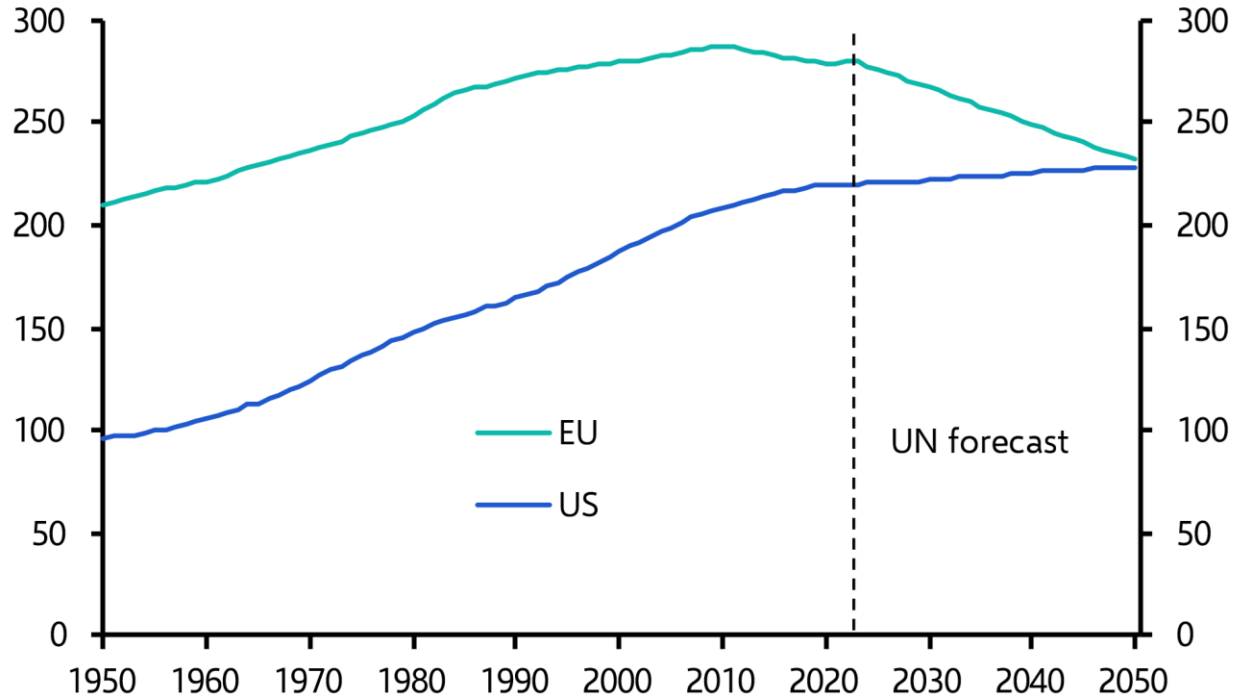
Share of Global Trade Between Blocs

		Importer		
		US bloc	Unaligned	China bloc
Exporter	US bloc	54%	5%	10%
	Unaligned	5%	2%	3%
	China bloc	12%	2%	6%



Sources: Capital Economics

Working Age Population (millions)

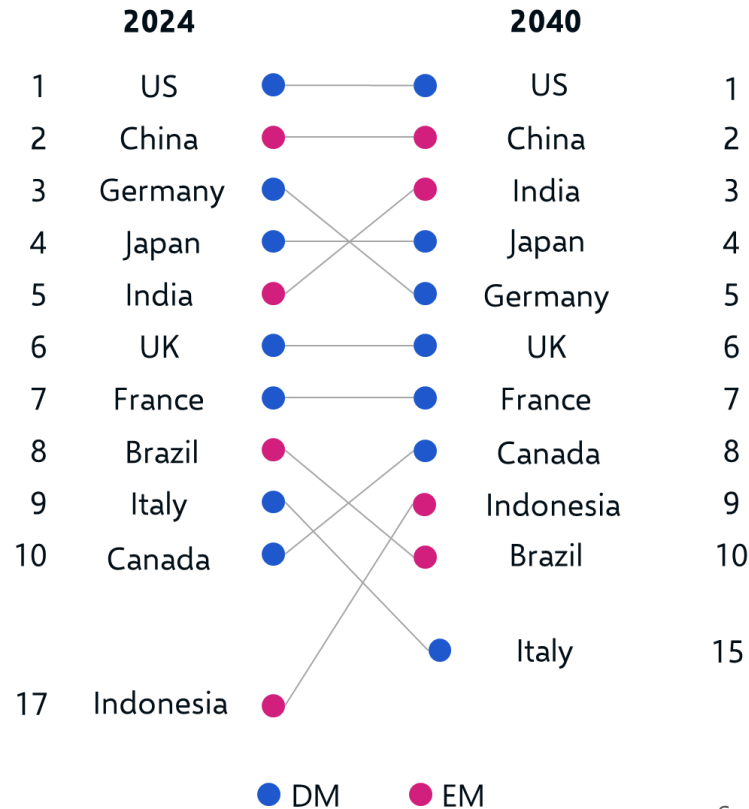


Source: UN

Europe's hurdles

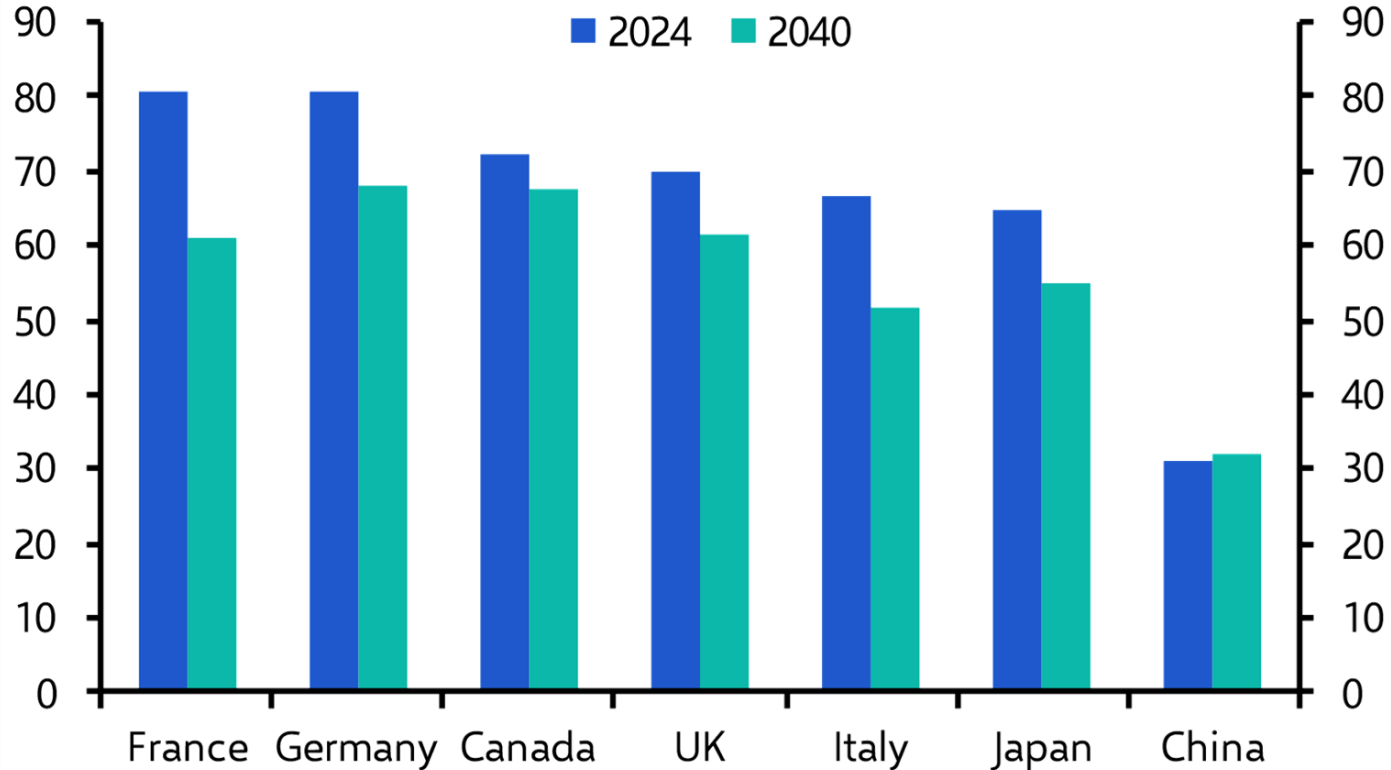
- Shrinking working-age population.
- Trend towards shorter working hours.
- Significant structural reforms not on the horizon.
- Slow adoption of previous ICT advances.
- Lack of fiscal, capital markets or banking union.

World Rankings by Nominal GDP at \$ Market Exchange Rates



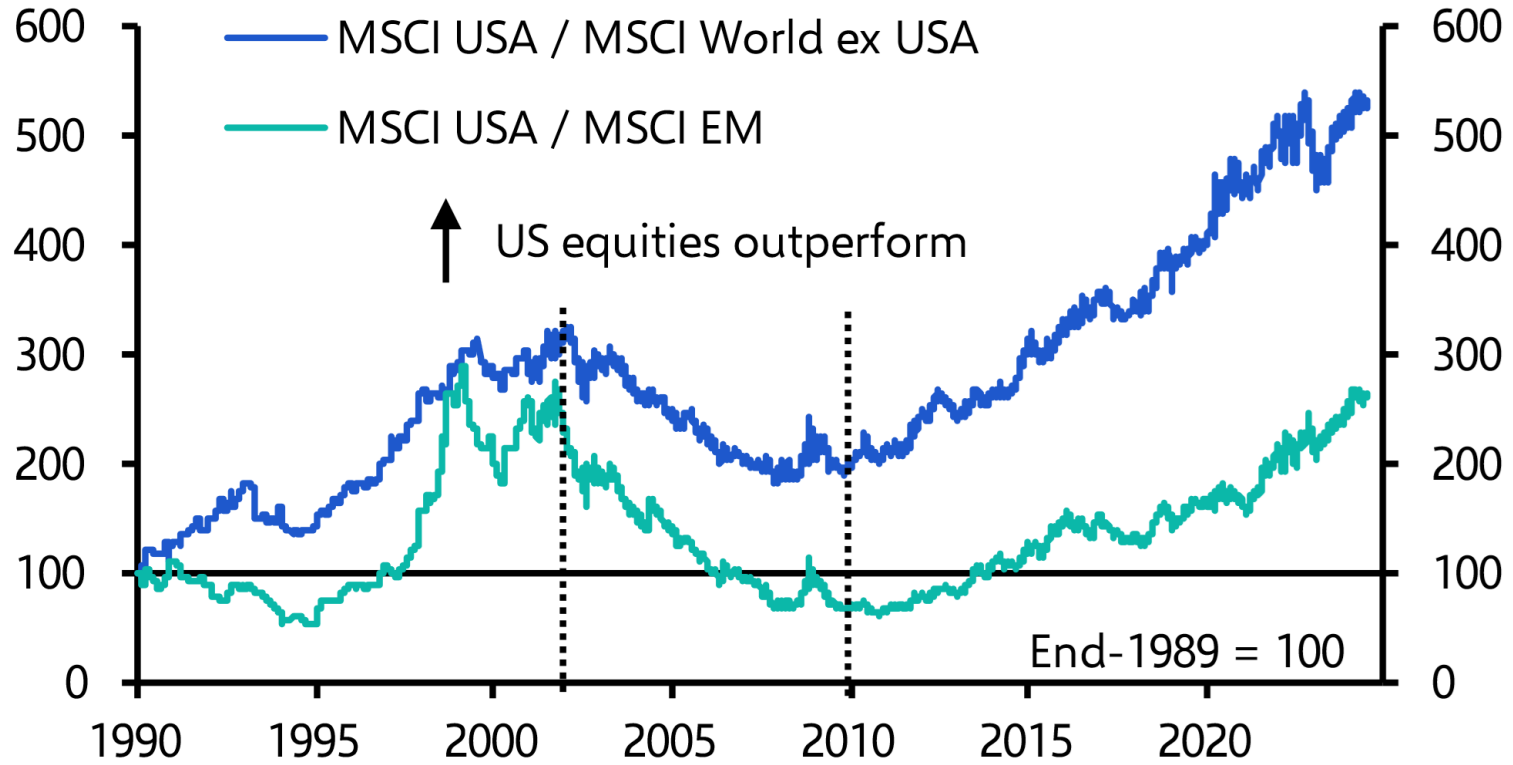
Sources: Capital Economics

Real GDP Per Capita (PPP, % of US Level)



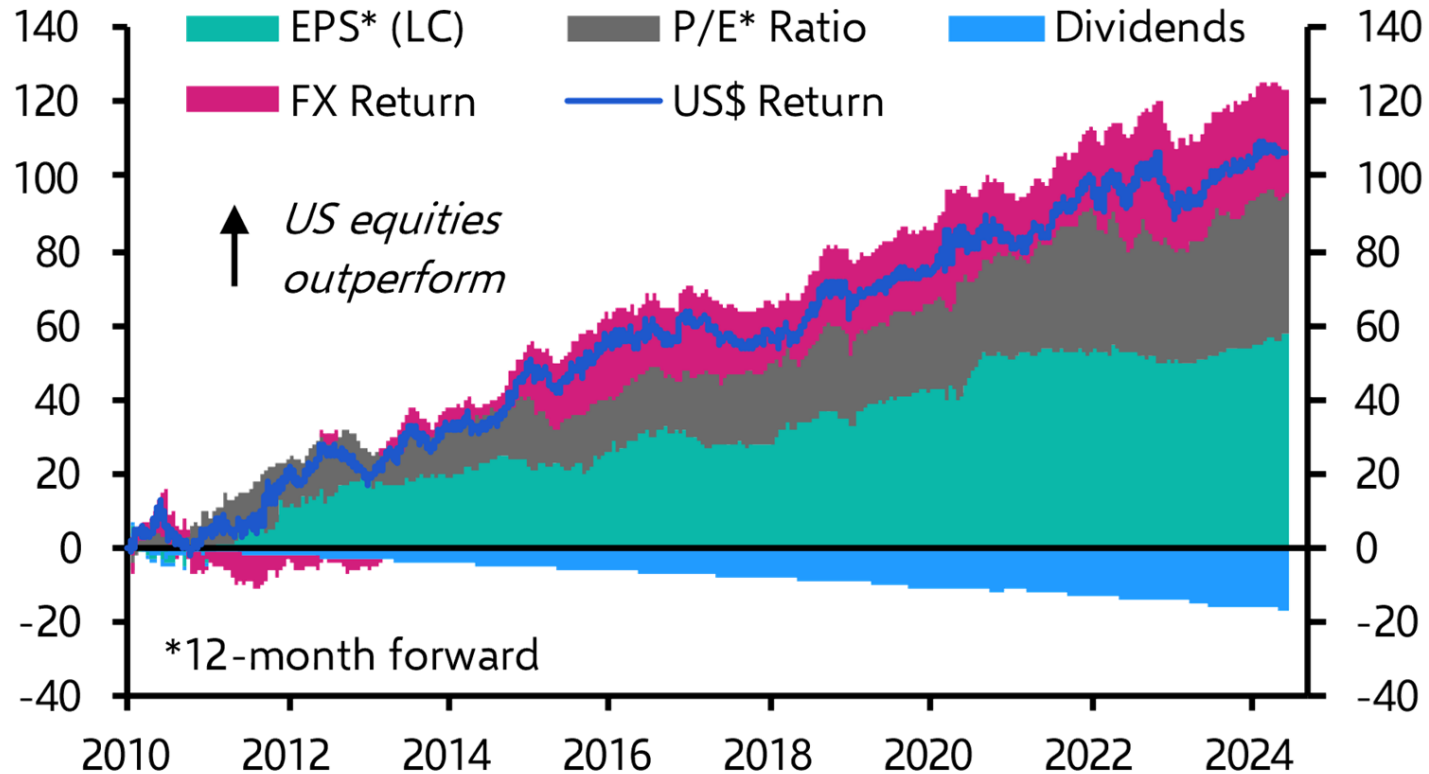
Sources: Capital Economics

Ratios of MSCI USA Index Over Other Selected Return Indices



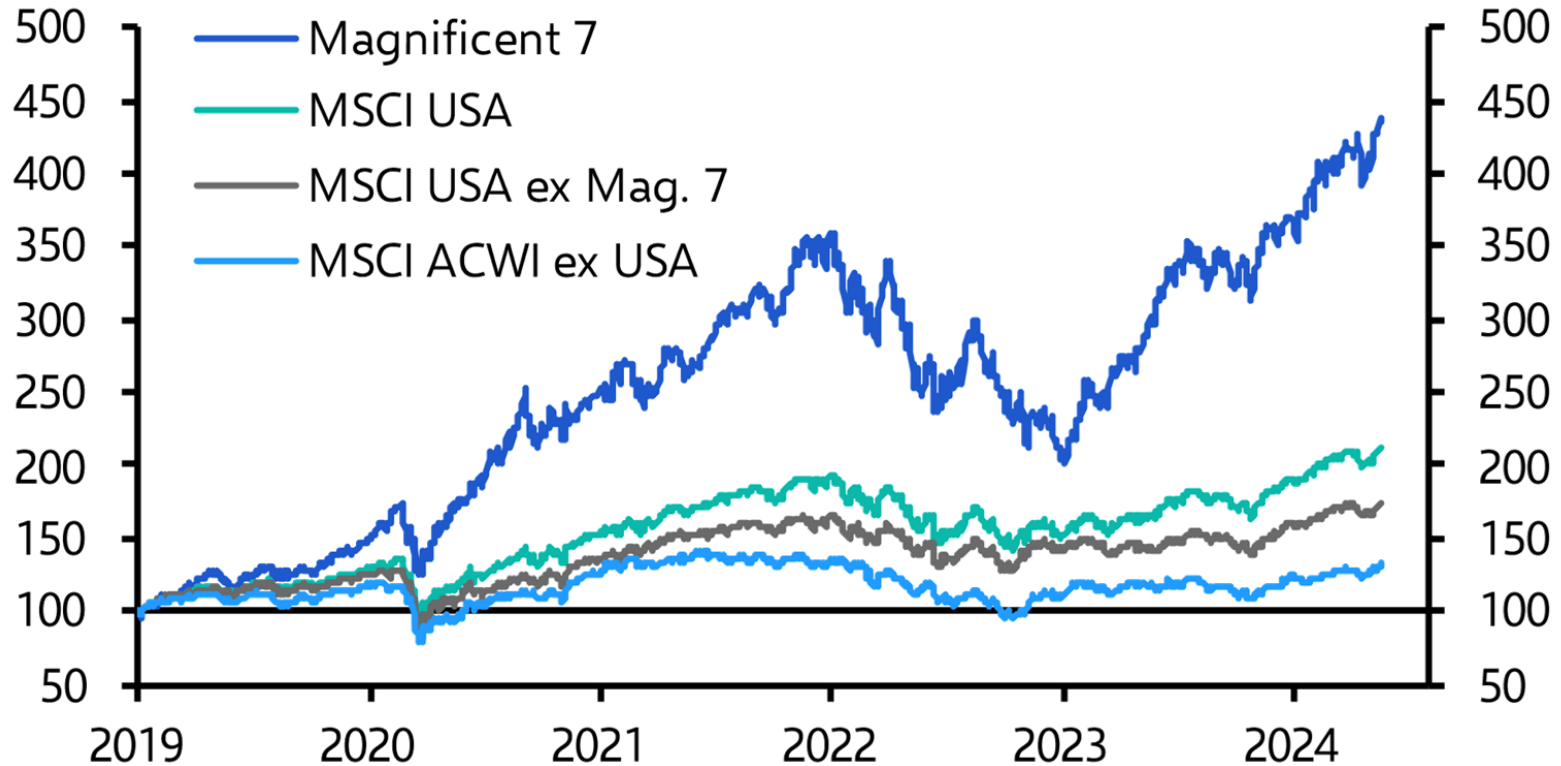
Sources: Refinitiv, Capital Economics

Decomposition of Difference Between MSCI USA & ACWI ex USA (Cumulative Log Changes)



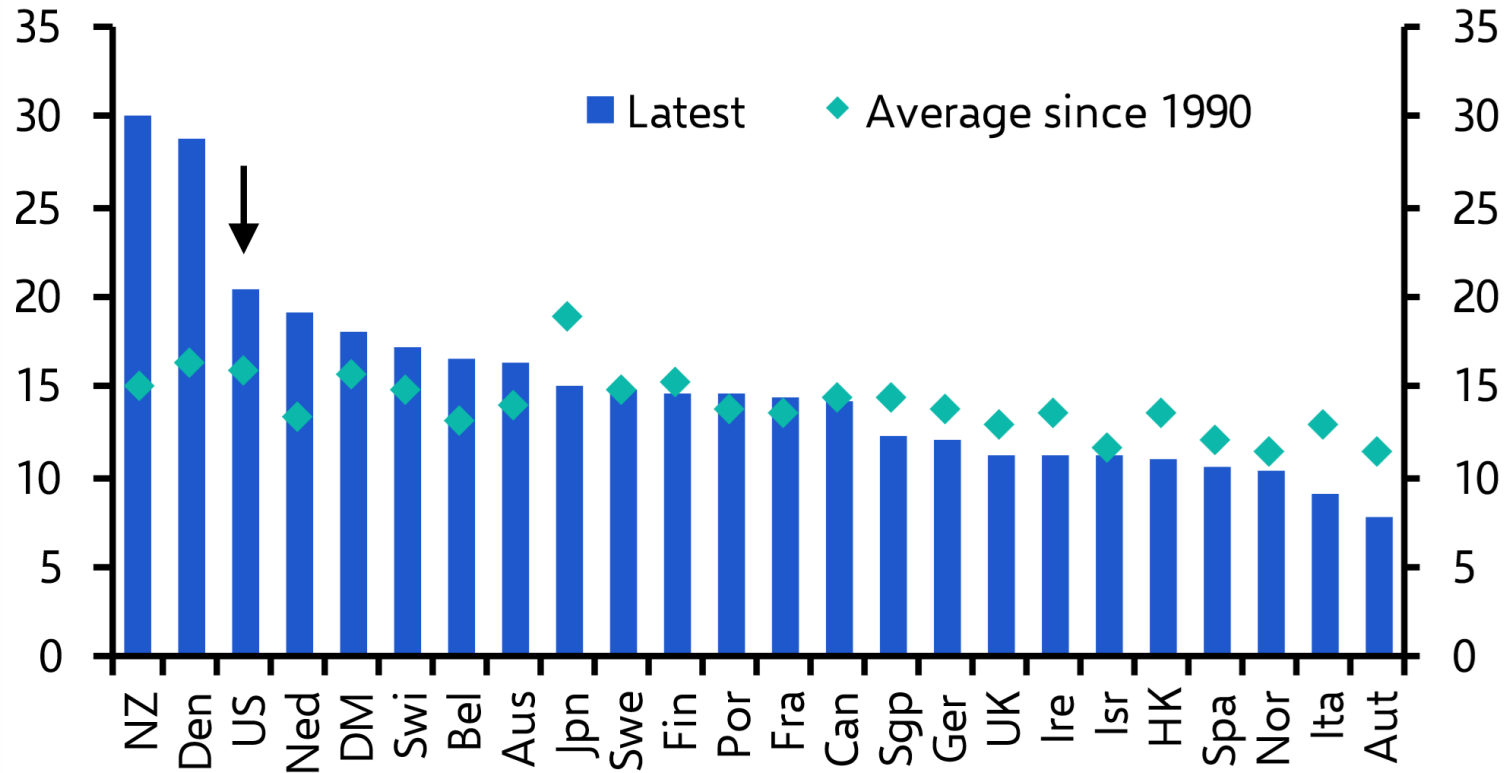
Sources: Refinitiv, Capital Economics

“Magnificent 7” & MSCI Price Indices (1st Jan. 2019 = 100)



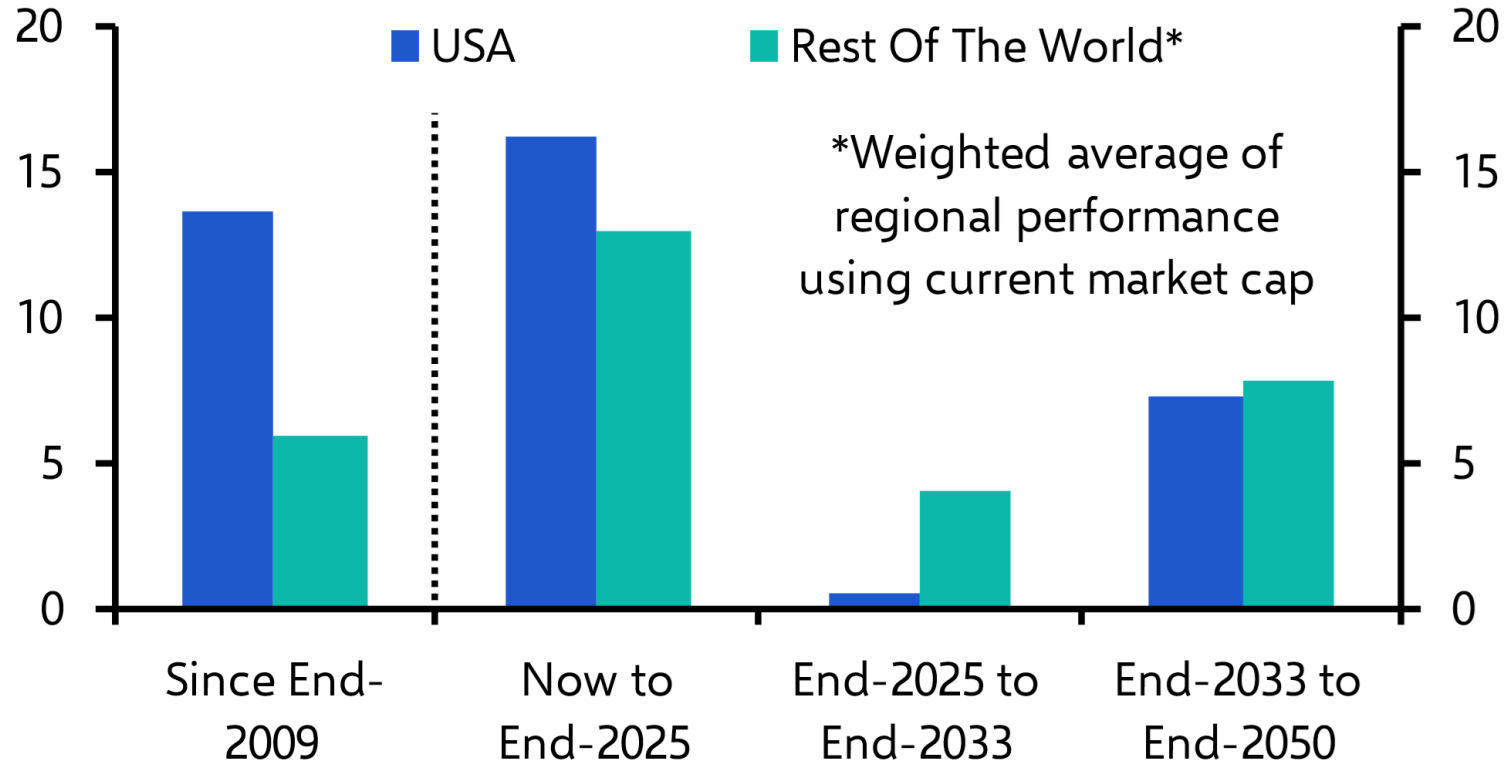
Sources: Refinitiv, Capital Economics

Forward P/E Ratios Of MSCI DM Indices



Sources: Refinitiv, Capital Economics

Average Annual Returns (US\$, %)



Sources: Refinitiv, Capital Economics

Conclusions

- US to remain the world's pre-eminent global economy.
- US's own economic performance to remain strong while the "challengers" fall short.
- That said, the US won't play as dominant a role as it has in recent decades.
- And economic strength won't always translate into stock market strength.

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