

The State of the Global Economy

Part II

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Outline

- ◆ Introduction
- ◆ The Shifting Centre of Gravity of the Global Economy
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- ◆ The World Price of Oil
- ◆ The Short-Term and Long-Term Global Economic Outlook
- ◆ Concluding Remarks

The Effects of Quantitative Easing: The World Economy

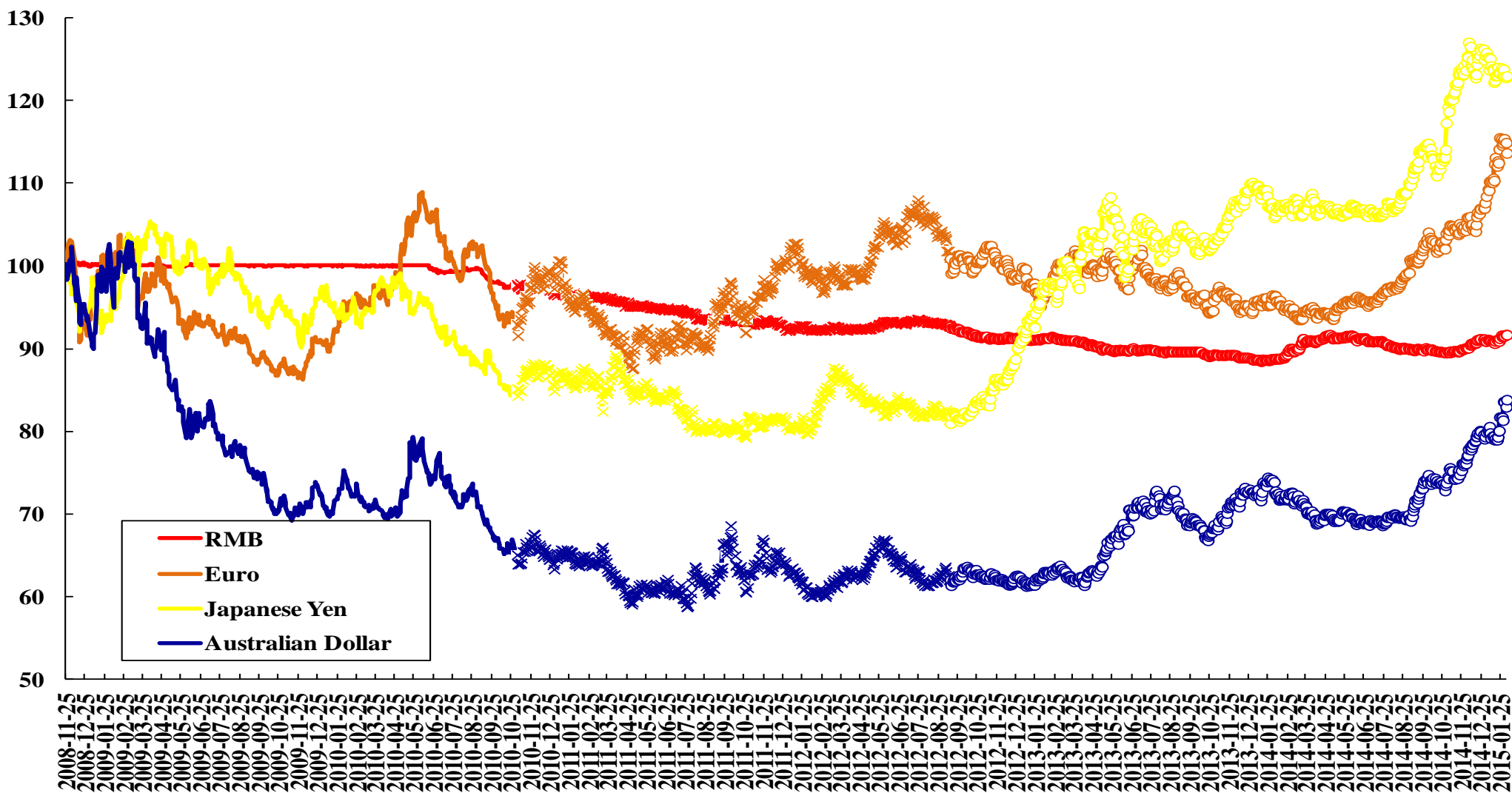
- ◆ The excess liquidity released through the QEs and the excessively low interest rates in the U.S. have led to a massive exodus of short-term capital from the U.S. to the rest of the World seeking higher yields.
- ◆ This massive liquidity drove up the exchange rates of most other currencies relative to the U.S. Dollar (thus effectively devaluing the U.S. Dollar), except for the Vietnamese Dong, and lowered interest rates almost everywhere, which in turn fueled a rise in asset prices (real estate and stock prices) worldwide. These trends were partially reversed with the public introduction of the possibility of “tapering” in late May 2013. The changes in the exchange rates of East Asian economies are presented in the following Charts and tables.
- ◆ In some of the economies, such as Brazil, India, Indonesia and Turkey, the massive inflow of capital caused economic boomlets.

The Effects of Quantitative Easing: The World Economy

- ◆ Japan, as part of its Abenomics initiatives, has countered with its own QE in December 2012, and reversed the appreciation of the Japanese Yen vis-a-vis the U.S. Dollar. This is sometimes referred to as “Qualitative and Quantitative Easing (QQE)”.
- ◆ Moreover, in anticipation of the tapering and possible termination of the QEs, the exchange rates of many currencies already began to devalue with respect to the U.S. Dollar in May 2013 but had also since recovered somewhat.

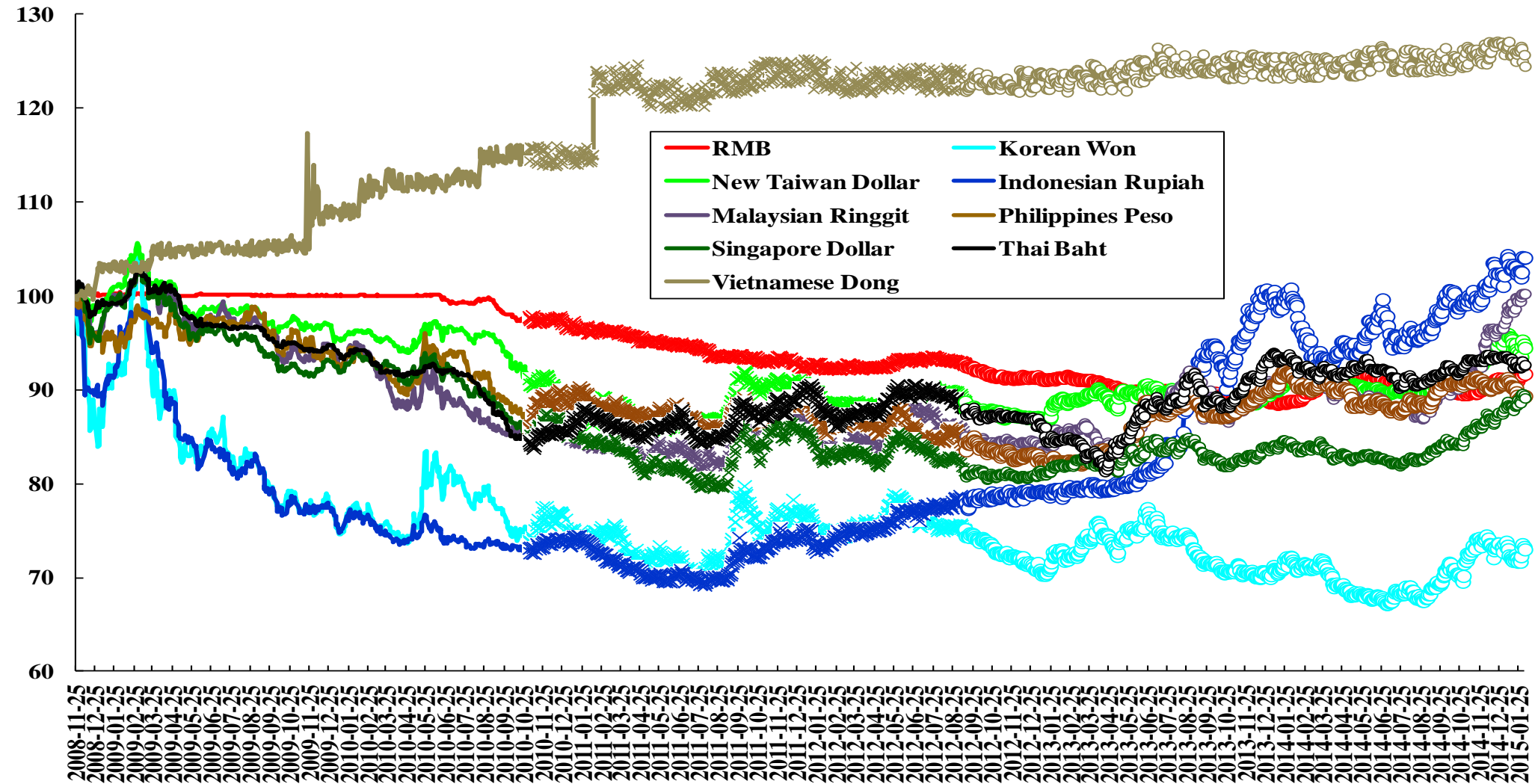
Exchange Rate Indexes of Selected Economies (11/25/2008=100)

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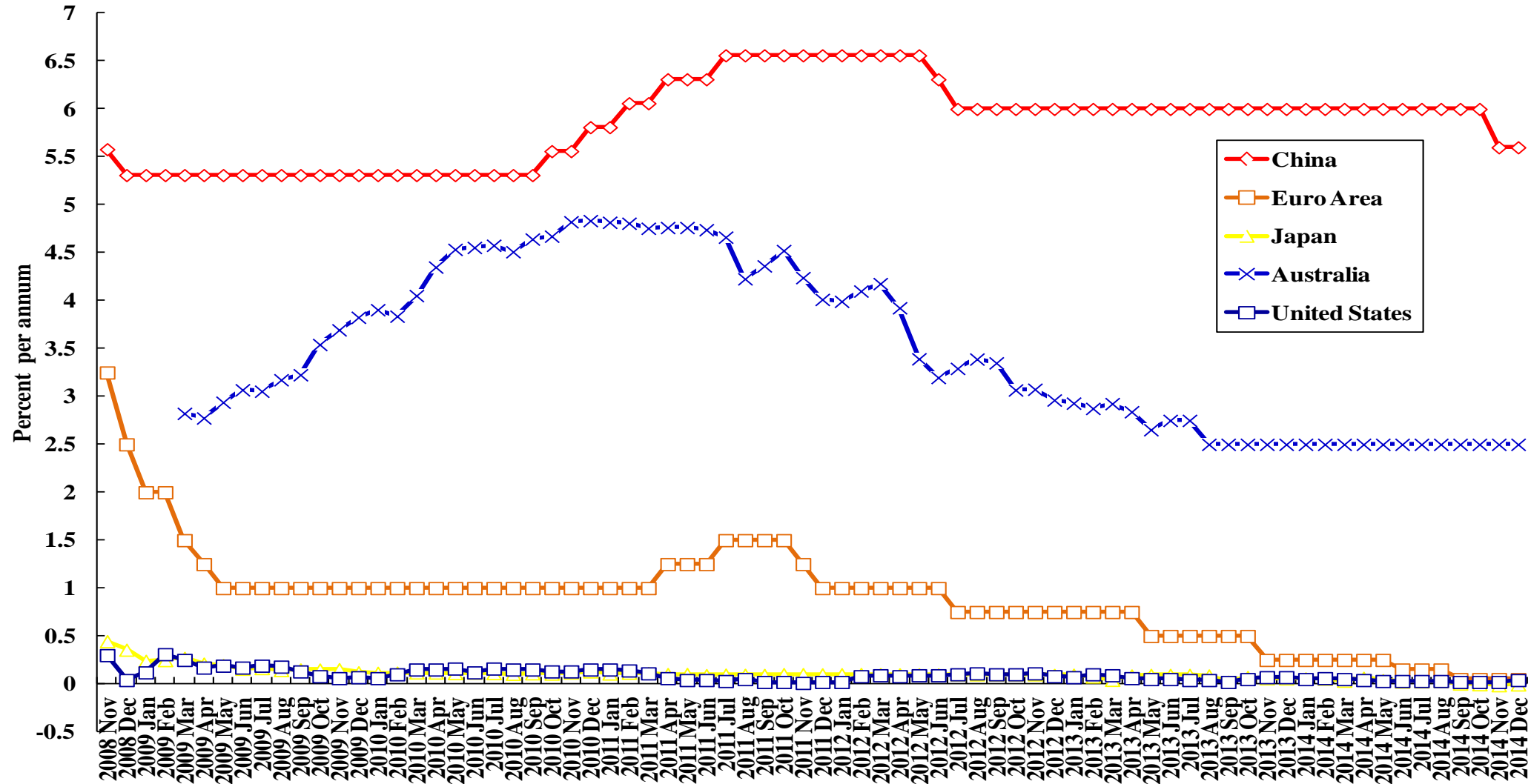


The Exchange Rate Revaluation/Devaluation of Selected Economies (2008/11/25-2015/02/03)

The Exchange Rate Revaluation/Devaluation 11/25/2008-02/03/2015			
Currency	11/25/2008	02/03/2015	Revaluation/ Devaluation against US\$
RMB	6.8245	6.2593	8.28%
Euro	0.76748	0.87251	-13.69%
Japanese Yen	95.532	117.51	-23.01%
Australian Dollar	1.54135	1.2927	16.13%
Korean Won	1501.72	1096.5	26.98%
New Taiwan Dollar	33.349	31.51	5.51%
Indonesian Rupiah	12209	12710	-4.10%
Malaysian Ringgit	3.6207	3.6304	-0.27%
Philippines Peso	49.409	44.155	10.63%
Singapore Dollar	1.5108	1.3469	10.85%
Thai Baht	35.205	32.633	7.31%
Vietnamese Dong	16957	21112	-24.50%
Indian Rupee	49.894	61.633	-23.53%

The Effects of Quantitative Easing: Interest Rates of Selected Economies

Interest Rates of Selected Economies



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