GLOBAL CONTEXT: ECONOMY AT THE CROSSROADS

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What kind of world do we live in?

Highly volatile and uncertain economic, political and social environment

Going digital

Energy transition
How concerned are you, if at all, about each of these potential economic, policy, social, environmental, and business threats to your organization’s growth prospects? (showing only ‘extremely concerned’)
Should we prepare for new global crisis?

The Inversion of the 10Y to 3M Yield Curve
Spread between 10-year and 3-month note – narrowest since Aug, 2007

Negative Dynamics of Global PMI Index
PMI output and new export orders index has been decreasing for more than a year

Source: S&P, Bloomberg, IHS Market, JPMorgan
Will an elephant in the room play a role here?

Global Debt Of Corporates, Governments And Households

Companies, governments and households increased their combined debt load by 50 percent in the 10 years following the financial crisis

Meanwhile we may be living in the most healthy and peaceful time in our species' existence

Over the last 50 years:

Life expectancy has increased ~1.4 times
Life expectancy at birth, total (years)

Over the last 30 years:

Number of war death declined
from 4.2 to 0.7 per 100,000 people

Global poverty ratio* decreased
from 42.1% to 9.9% of population

*Poverty headcount ratio at $1.90 a day (2011 PPP)
Source: The World Bank, OECD, Our World in Data
We could find ourselves in advanced and developing world

Global GDP is growing

Current US$

Over the last 65 years:
- The global literacy rate increased from 42% to 86% of population

Over the last 25-30 years:
- More people received access to electricity from 71% to 87% of population
- Export volumes increased from 19% to 37% of global GDP
- ...as well as international tourism from 523 mln to 1.3 bln arrivals

Source: World Bank, OECD, UNESCO Institute of statistics
Russia on the global map

Export structure, regions, %

Russian export is mainly minerals, metals, agriculture, machinery, chemicals and stones

Russia on the global map

Share of global GDP, %

USA 15.03%

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Germany 3.15%

India 8.07%

Brazil 2.46%

Russian Federation 3.07%

Japan 4.05%

China 19.24%

Source: The World Bank, IMF Data Mapper
Over the last year Russia has experienced growth in a number of sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and insurance</td>
<td>6.30%</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>6.10%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.70%</td>
</tr>
<tr>
<td>Metals and minerals</td>
<td>3.80%</td>
</tr>
<tr>
<td>Logistics</td>
<td>2.90%</td>
</tr>
<tr>
<td>Trade</td>
<td>2.20%</td>
</tr>
</tbody>
</table>

Total GDP growth in 2018 including:

+2.3%

Source: Russian Federation Federal State Statistics Service, 2018
Our neighbors in Eurasia region have experienced growth in economic and social spheres

Source: Maps Russia
Eurasia region could be considered as a platform for joint global projects

[Map with regional connections and labels such as "Arctic development", "One Belt, One Road", "Northern Sea Route", "Europe", "Central Asia", "Middle East", "South Asia", "Africa", "Russia", "East Asia", "South Asia", "Southeast Asia", "South Pacific", "Australia", "North America", "South America"]
On global level we see a number of geopolitical tensions and risks

- No-deal Brexit (waiting six-months extension until 31 October 2019)
- Continuing international sanctions on Russia from the European Union, the USA and other countries
- Escalating US-China trade tension
- Eurozone / US debt crisis
- Global trade war
- Capital markets freeze in China

A full-blown US-China tariff war could reduce global GDP growth to 2.8% in 2019*

* In comparison with 3.5%
There are concerns about other global challenges

**SOCIAL**
- Food / water crisis
- Interethnic or inter-religious violence
- Large-scale migration and social instability
- ‘Fake news’

**TECHNOLOGICAL AND DIGITAL**
- Battle for technological supremacy in the 4th industrial revolution
- Data fraud or theft
- Cyber-attacks
- Loss of privacy

**CLIMATE AND ENERGY**
- Destruction of natural ecosystems
- Failure of climate change mitigation and adaptation
- Air pollution
- Energy crisis

What does it all mean for the business schools?

**Be Rapid and Flexible**
to adapt to volatile environment and meet clients’ needs

**Serve as a Platform**
for different people/companies/marks to exchange thought leadership

**Stay Relevant**
and stay focused on thought leadership generation

**Create Partnerships**
that will support global cooperation and exchange in instable geopolitical situation
Thank you for attention!
Our neighbors in the region have experienced growth in economic and social spheres

Growing GDP per capita since 2016 in CIS countries

Current prices, U.S. dollars per capita

- **Real GDP growth in 2018...**
  - ...is between 1.8% in Belarus to 6.3% in Turkmenistan
  - ...is moderate **3.2% in Kazakhstan and 4.6% in Georgia**

- **Inflation** rate is **3-6%** on average

- **Official unemployment** rate is **8-10%** on average

- **Poverty gap** at $3.20 a day (2011 PPP) in all the countries is **below 5% of the population – significant decrease over 15 years** (from 15% on average)

Source: World Economic Outlook, 2019, IMF Data Mapper, The World Bank
CIS countries have been going along transformational path

Launch of The Astana International Financial Centre in 2018

Focus on digital development – launch of state program ‘Digital Kazakhstan’

DB 2019 Rank – 28 as a result of successful economic and regulatory changes

Membership in the United Nations and participation on the UN Security Council for the 2017-2018 term

Rank 41 in Corruption Perceptions Index 2018* as a result of state institutions reforms with a view to build a democratic society

International cooperation: the EU (preferential trade regime), China (membership in the Central Asia Regional Economic Cooperation), the USA (NATO–Georgia Package)

* Higher than Russia, CIS and some European countries