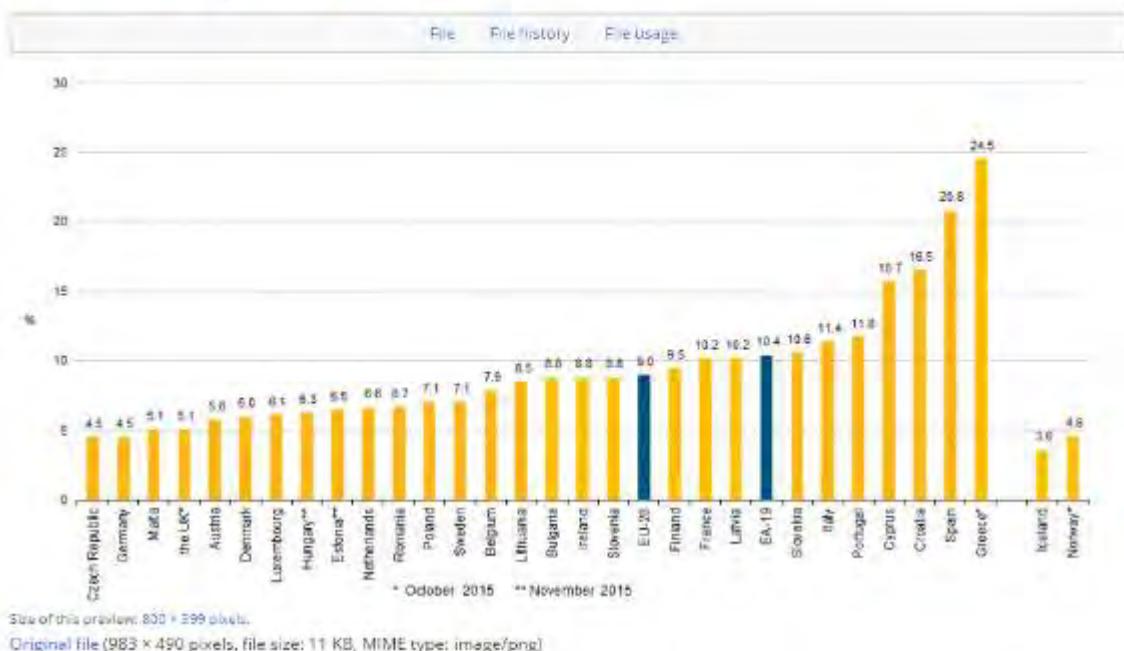


Anexo Paper - La “década perdida” de la Unión Europea

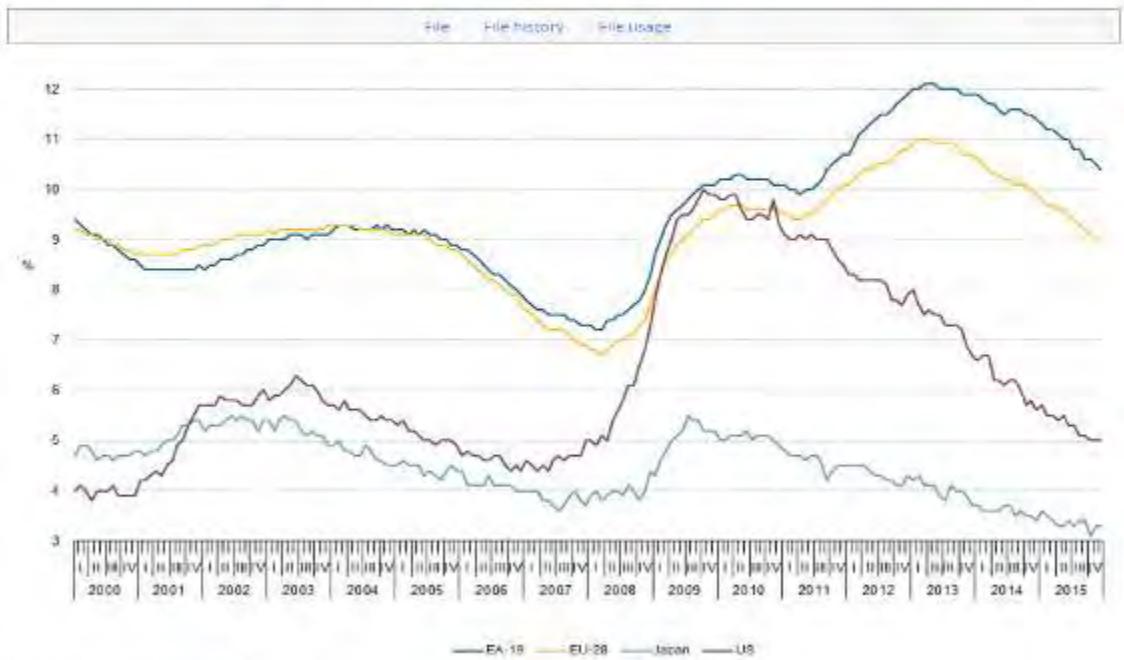
Informes de Organismos Internacionales (selección y resumen)

Eurostat - Main statistical findings (Datos disponibles a febrero de 2016)

File:Unemployment rates, seasonally adjusted, December 2015.png



File:Unemployment rates EU-28 EA-19 US and Japan seasonally adjusted January 2000 December 2015.png



Unemployment trends

At the beginning of 2000, above 20 million persons were unemployed in the EU-28, corresponding to 9.2 % of the total labour force. The unemployment trend at that moment was downwards. In the second quarter of 2001 the number of unemployment persons had dropped to 19.6 million and the unemployment rate to 8.7 %. A long period of increasing unemployment followed. At the end of 2004 the number of jobseekers available for work reached 21.1 million, while the unemployment rate was 9.2 %.

At the beginning of 2005 a period of steadily declining unemployment started, lasting until the first quarter 2008. At that time, EU-28 unemployment hit a low of 16.1 million persons (equivalent to a rate of 6.8 %) before rising sharply in the wake of the economic crisis. Between the second quarter 2008 and mid-2010 the unemployment level went up by more than 6.6 million, taking the rate up to 9.7 %, at that time the highest value recorded since the start of the series in 2000. The decline of unemployment in the following three quarters was a deceptive sign of an end of the crisis and of a stable improvement in labour market conditions in the EU-28. In fact, since the second quarter 2011 and until the first quarter of 2013 unemployment steadily and markedly increased taking it to the record level of 26.4 million, corresponding to a record rate of 10.9 %. Since then the rate has started to decrease, reaching 9.9 % at the end of 2014.

The unemployment rate in the euro area (EA-18) followed roughly the same trend as in the EU-28. However, between 2000 and the beginning of 2004 the unemployment rate in the euro area was below that recorded in the EU-28. This pattern was subsequently reversed as, between 2005 and the beginning of 2008, unemployment declined more rapidly in the Member States which do not yet have the euro. As in the EU-28, during the economic crisis unemployment increased at a considerable pace, with the exception of the period between mid-2010 and mid-2011 where it temporarily declined. The unemployment level peaked at 19.2 million in the second quarter of 2013, before going down in the second part of 2013 and in the course of 2014.

In 2000, the unemployment rate in the United States was around 4 %, considerably lower than in the EU. It remained much lower until early 2008, when unemployment started to increase rapidly. By the beginning of 2009 the unemployment rate in the United States had reached the same level as in the EU-28, and stayed above the EU-28 rate until the beginning of 2010. Since then the US unemployment rate has followed a downwards path which has taken it to 5.7 % at the end of 2014. In Japan, between 2000 and 2014, unemployment rates were much lower than in the EU, ranging between 3.5 % in the fourth quarter 2014 and 5.4 % in the third quarter 2009, when the rate started declining.

Youth unemployment trends

Youth unemployment rates are generally much higher, even double or more than double, than unemployment rates for all ages. As for the rate for the total population, the youth unemployment rate in the EU-28 sharply declined between 2005 and 2007, reaching its minimum value (15.2 %) in the first quarter 2008. The economic crisis, however, severely hit the young. From the second quarter of 2008, the youth unemployment rate has taken an upward trend peaking in 23.8 % in the first quarter 2013, before receding to 21.4 % at the end of 2014. The EU-28 youth unemployment rate was systematically higher than in the euro area between 2000 and mid-2007. Since then and until the third quarter 2010 these two rates were very close. Afterwards the

indicator moved more sharply in the EA-18 than in the EU-28, first downwards until mid-2011, then upwards until the end of 2012. In the middle of 2012 the euro area youth unemployment rate overtook the EU-28 rate, and the gap increased until the end of the year. The gap became even larger in the second part of 2013 and during 2014, when the rate for the euro area went down less than the rate for the EU-28.

High youth unemployment rates do reflect the difficulties faced by young people in finding jobs. However, this does not necessarily mean that the group of unemployed persons aged between 15 and 24 is large, as many young people are studying full-time and are therefore neither working nor looking for a job (so they are not part of the labour force which is used as the denominator for calculating the unemployment rate). For this reason, youth unemployment ratios are also calculated, according to a somewhat different concept: the unemployment ratio calculates the share of unemployed for the whole population. Table 1 shows that youth unemployment ratios in the EU are much lower than youth unemployment rates; they have however also risen since 2008 due to the effects of the crisis on the labour market.

File:Table 1 Youth unemployment, 2014Q4 (%).png

	Youth unemployment rate				Youth unemployment ratio		
	2012	2013	2014	2014Q4*	2012	2013	2014
EU-28	23.3	23.7	22.2	21.4	9.8	9.9	9.1
Euro area	23.5	24.4	23.8	23.2	9.8	9.8	9.4
Belgium	19.8	23.7	23.2	22.4	6.2	7.3	7.0
Bulgaria	28.1	28.4	23.8	23.0	8.5	8.4	6.5
Czech Republic	19.5	16.9	15.0	14.5	5.1	6.0	5.1
Denmark	14.1	13.0	12.6	11.2	9.1	8.1	7.8
Germany	8.0	7.8	7.7	7.4	4.1	4.0	3.9
Estonia	20.9	18.7	15.0	14.4	8.5	7.4	5.9
Ireland	30.4	26.8	23.9	21.9	12.3	10.6	8.9
Greece	55.3	58.3	52.4	51.1	16.1	16.5	14.7
Spain	52.9	55.5	53.2	51.7	20.6	21.0	19.0
France	24.4	24.8	24.1	24.6	8.9	8.9	8.5
Croatia	42.1	50.0	45.5	46.3	12.7	14.9	15.3
Italy	35.3	40.0	42.7	42.0	10.1	10.9	11.6
Cyprus	27.7	38.9	35.9	33.9	10.8	14.9	14.5
Latvia	28.5	23.2	19.8	19.2	11.5	9.1	7.9
Lithuania	26.7	21.9	19.3	18.5	7.8	6.9	6.6
Luxembourg	18.0	16.9	21.2	23.5	5.0	4.0	6.0
Hungary	28.2	26.6	20.4	18.9	7.2	7.3	6.0
Malta	14.1	13.0	11.8	11.1	7.2	6.9	6.2
Netherlands	11.7	13.2	12.7	11.9	6.6	7.7	7.1
Austria	9.4	9.7	10.3	10.2	5.6	5.7	6.0
Poland	26.5	27.3	23.9	22.0	8.9	9.1	8.1
Portugal	38.0	36.1	24.7	33.3	14.1	13.3	11.9
Romania	22.6	23.7	24.0	23.6	6.9	7.1	7.1
Slovenia	20.5	21.6	20.2	19.1	7.1	7.3	6.8
Slovakia	34.0	33.7	29.7	26.9	10.4	10.4	9.2
Finland	19.0	19.9	20.5	21.1	9.8	10.3	10.7
Sweden	23.7	23.6	22.9	22.4	12.4	12.8	12.7
United Kingdom	21.2	20.7	16.9	16.1	12.4	12.1	9.8
Iceland	13.6	10.7	10.0	9.7	10.2	8.3	7.5
Norway	8.6	9.1	7.9	7.8	4.8	5.2	4.3
Switzerland					5.7	5.8	5.8
Turkey	15.8	17.1	18.0	19.2	5.9	6.6	7.3
United States	16.2	15.5	13.4	12.6	-	-	-
Japan	8.1	6.8	6.3				

data not available

* The quarterly youth unemployment rate is seasonally adjusted.

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File:Table 2 Unemployment rate, 2003-2014 (%).png

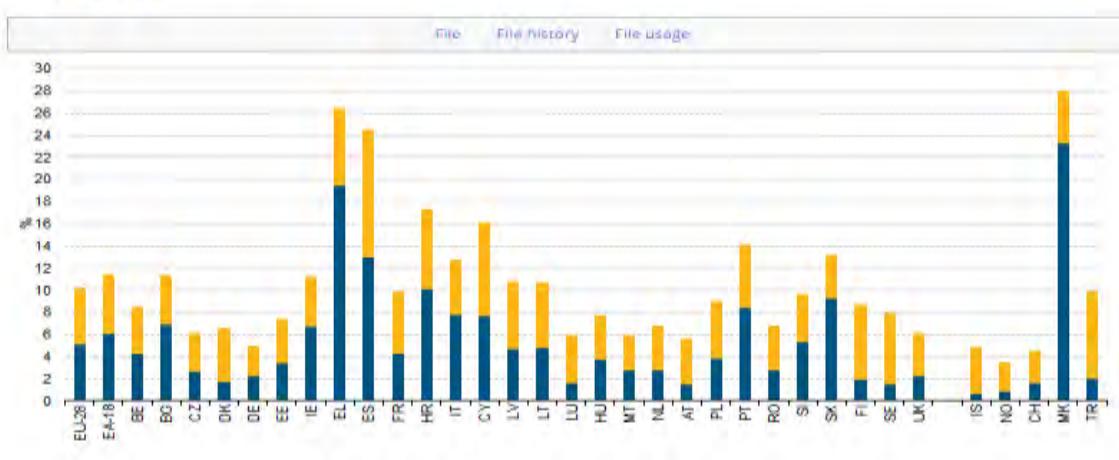
	File	File history	File usage											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
EU-28	9.2	9.3	9.0	8.2	7.2	7.0	9.0	9.6	9.7	10.5	10.9	10.2		
Euro area	8.9	9.1	9.0	8.4	7.5	7.6	9.5	10.0	10.1	11.3	12.0	11.5		
Belgium	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.3	7.2	7.6	8.4	8.5		
Bulgaria	13.7	12.1	10.1	9.0	6.9	5.6	6.8	10.3	11.3	12.3	13.0	11.4		
Czech Republic	7.8	8.3	7.9	7.1	5.3	4.4	6.7	7.3	6.7	7.0	7.0	6.1		
Denmark	5.4	5.5	4.8	3.9	3.8	3.4	6.0	7.5	7.6	7.5	7.0	6.6		
Germany	9.7	10.4	11.2	10.1	8.5	7.4	7.6	7.0	5.8	5.4	5.2	5.0		
Estonia	10.3	10.1	8.0	5.9	4.6	5.5	13.5	16.7	12.3	10.0	8.6	7.4		
Ireland	4.6	4.5	4.4	4.5	4.7	6.4	12.0	13.9	14.7	14.7	13.1	11.3		
Greece	9.7	10.6	10.0	9.0	8.4	7.8	9.6	12.7	17.9	24.5	27.5	26.5		
Spain	11.5	11.0	9.2	8.5	8.2	11.3	17.9	19.9	21.4	24.8	26.1	24.5		
France	8.6	8.9	8.9	8.8	8.0	7.4	9.1	9.3	9.2	9.8	10.3	10.3		
Croatia	14.2	13.9	13.0	11.6	9.9	8.6	9.2	11.7	13.7	16.0	17.3	17.3		
Italy	8.4	8.0	7.7	6.8	6.1	6.7	7.7	8.4	8.4	10.7	12.1	12.7		
Cyprus	4.1	4.6	5.3	4.6	3.9	3.7	5.4	6.3	7.9	11.9	15.9	16.1		
Latvia	11.6	11.7	10.0	7.0	6.1	7.7	17.5	19.5	16.2	15.0	11.9	10.8		
Lithuania	12.4	10.9	8.3	5.8	4.3	5.8	13.8	17.8	15.4	13.4	11.8	10.7		
Luxembourg	3.8	5.0	4.6	4.6	4.2	4.9	5.1	4.6	4.8	5.1	5.5	5.9		
Hungary	5.8	6.1	7.2	7.5	7.4	7.8	10.0	11.2	11.0	11.0	10.2	7.7		
Malta	7.7	7.2	5.9	6.8	6.5	6.0	6.9	6.9	6.4	6.3	6.4	5.9		
Netherlands	4.8	5.7	5.9	5.0	4.2	3.7	4.4	5.0	5.0	5.8	7.3	7.4		
Austria	4.8	5.5	5.6	5.3	4.9	4.1	5.3	4.8	4.6	4.9	5.4	5.6		
Poland	19.8	19.1	17.9	13.9	9.6	7.1	8.1	9.7	9.7	10.1	10.3	9.0		
Portugal	7.4	7.8	8.8	8.9	9.1	8.8	10.7	12.0	12.9	15.8	16.4	14.1		
Romania	7.7	8.0	7.1	7.2	6.4	5.6	6.5	7.0	7.2	6.8	7.1	6.8		
Slovenia	6.7	6.3	6.5	6.0	4.9	4.4	5.9	7.3	8.2	8.9	10.1	9.7		
Slovakia	17.7	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	14.2	13.2		
Finland	9.0	8.8	8.4	7.7	6.9	6.4	8.2	8.4	7.8	7.7	8.2	8.7		
Sweden	6.6	7.4	7.7	7.1	6.1	6.2	8.3	8.6	7.8	8.0	8.0	7.9		
United Kingdom	5.0	4.7	4.8	5.4	5.3	5.6	7.6	7.8	8.1	7.9	7.6	6.1		
Iceland	3.3	3.1	2.6	2.9	2.3	3.0	7.2	7.6	7.1	6.0	5.4	5.0		
Norway	4.2	4.3	4.5	3.4	2.5	2.5	3.2	3.6	3.3	3.2	3.5	3.5		
Turkey					9.5	9.0	9.1	10.0	13.0	11.1	9.1	8.4	9.0	9.9
United States	6.0	5.5	5.1	4.6	4.6	5.8	9.3	9.6	8.9	8.1	7.4	6.2		
Japan	5.3	4.7	4.4	4.1	3.8	4.0	5.1	5.0	4.6	4.3	4.0	3.5		

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File:Figure 8 Unemployment rates by duration 2014 (%).png



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Figure_8_Unemployment_rates_by_duration_2014_(%).png (788 × 424 pixels, file size: 7 KB, MIME type: image/png)

File:Unemployment rates by age and gender.PNG

	Male		Female		< 25 years	25-74 years	
	2007	2014	2007	2014	2014	2014	
EU-28	6.6	10.1	7.9	10.3	22.2	9.0	
Euro area	6.7	11.5	8.6	11.8	23.8	10.4	
Belgium	6.7	9.0	8.5	7.9	23.2	7.3	
Bulgaria	6.5	12.3	7.4	10.4	23.8	10.7	
Czech Republic	4.2	5.1	6.7	7.4	15.9	5.4	
Denmark	3.4	6.4	4.2	6.8	12.6	5.5	
Germany	8.4	5.3	8.7	4.6	7.7	4.7	
Estonia	5.4	7.9	3.8	6.8	15.0	6.7	
Ireland	5.0	12.9	4.3	9.4	23.9	10.0	
Greece	5.3	23.7	12.9	30.2	52.4	24.8	
Spain	6.4	23.6	10.7	25.4	53.2	22.3	
France	7.6	10.5	8.5	10.1	24.1	8.8	
Croatia	8.8	16.5	11.4	18.3	45.5	14.6	
Italy	4.9	11.9	7.8	13.8	42.7	10.6	
Cyprus	3.4	17.1	4.6	15.1	35.9	14.0	
Latvia	6.5	11.8	5.6	9.8	19.6	10.0	
Lithuania	4.2	12.2	4.3	9.2	19.3	9.9	
Luxembourg	3.4	5.9	5.1	6.0	21.2	5.0	
Hungary	7.1	7.6	7.7	7.9	20.4	6.7	
Malta	5.8	6.2	7.9	5.4	11.8	4.8	
Netherlands	3.3	7.2	5.2	7.8	12.7	6.5	
Austria	4.5	5.9	5.3	5.4	10.3	4.9	
Poland	9.0	8.5	10.3	9.6	23.9	7.7	
Portugal	8.7	13.8	9.6	14.5	34.7	12.5	
Romania	7.2	7.3	5.2	6.1	24.0	5.5	
Slovenia	4.0	9.0	5.9	10.6	20.2	8.9	
Slovakia	10.0	12.8	12.8	13.6	29.7	11.8	
Finland	6.5	9.3	7.2	8.0	20.5	7.0	
Sweden	5.9	8.2	6.5	7.7	22.9	5.7	
United Kingdom	5.5	6.4	5.0	5.8	16.9	4.4	
Iceland	2.3	5.1	2.3	4.9	10.0	3.9	
Norway	2.6	3.7	2.5	3.3	7.9	2.8	
Turkey	:	:	:	:	18.0	8.3	
United States	4.7	6.3	4.5	6.1	13.4	5.0	
Japan	3.9	3.8	3.7	3.4	6.3	3.3	

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[Unemployment_rates_by_age_and_gender.PNG](#) (549 × 492 pixels, file size: 20 KB, MIME type: image/png)

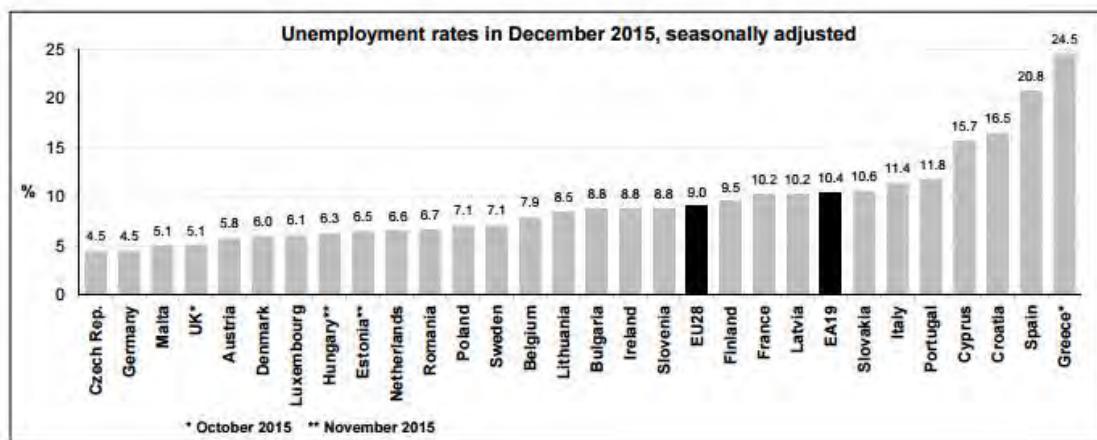
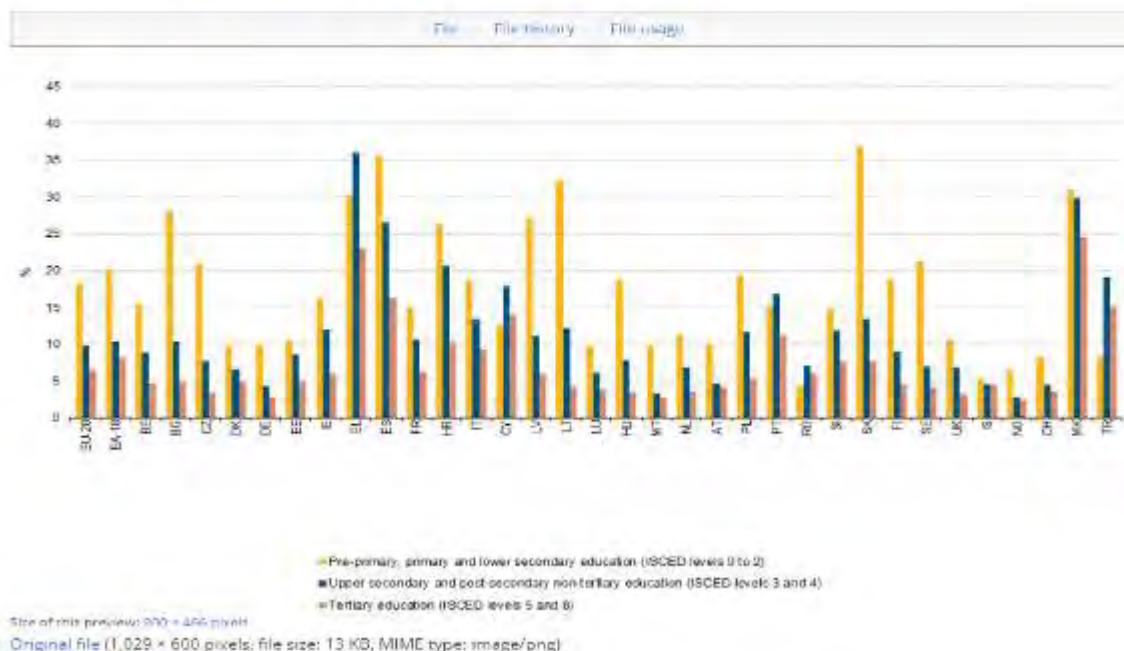
File:Unemployment rate EU-28 2005-2014.PNG

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Male	8.4	7.6	6.6	6.6	9.0	9.7	9.6	10.4	10.8	10.1
Female	9.8	9.0	7.9	7.5	8.9	9.6	9.8	10.5	10.9	10.3
Less than 25 years	19.0	17.7	15.9	15.9	20.3	21.4	21.7	23.3	23.7	22.2
Between 25 and 74 years	7.7	7.0	6.1	5.9	7.6	8.3	8.3	9.1	9.5	9.0
Long-term unemployment rate	4.1	3.7	3.1	2.6	3.0	3.9	4.2	4.7	5.2	5.1
Male	3.8	3.5	2.9	2.4	2.9	3.9	4.2	4.7	5.2	5.1
Female	4.5	4.1	3.4	2.8	3.1	3.8	4.1	4.7	5.1	5.1
Very long-term unemployment rate	2.4	2.2	1.9	1.5	1.6	1.8	2.2	2.6	2.9	3.1

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[Unemployment_rate_EU-28_2005-2014.PNG](#) (711 × 164 pixels, file size: 9 KB, MIME type: image/png)

File:Figure 9 Unemployment rate by level of educational attainment, 2014 (%).png



Youth unemployment

In December 2015, 4.454 million young persons (under 25) were unemployed in the EU28, of whom 3.057 million were in the euro area. Compared with December 2014, youth unemployment decreased by 426 000 in the EU28 and by 229 000 in the euro area. In December 2015, the youth unemployment rate was 19.7% in the EU28 and 22.0% in the euro area, compared with 21.2% and 23.0% respectively in December 2014. In December 2015, the lowest rates were observed in Germany (7.0%), Denmark (10.3%) and the Czech Republic (10.9%), and the highest in Greece (48.6% in October 2015), Spain (46.0%), Croatia (44.1% in the fourth quarter 2015) and Italy (37.9%).

Informe de la Fundación FOESSA y Cáritas: Expulsión y recuperación económica (análisis y perspectivas) - Abril 2016

3. Algunos elementos para comprender las raíces de la desigualdad

Es un hecho que, a pesar de las notables diferencias que se dan en los indicadores de desigualdad a nivel internacional, esta tiende a ser menor en los países desarrollados. El motivo es triple: el mayor nivel de empleo real —en muchos países del Sur abunda el subempleo, que no suele quedar adecuadamente reflejado en las estadísticas—, la mayor productividad asociada a salarios mayores —en condiciones laborales reguladas más favorablemente— y la muy superior capacidad redistributiva del Estado. Profundicemos un poco más en estas cuestiones para identificar los factores que inciden en la desigualdad y poder discernir más adelante —con Atkinson— cuáles pueden ser los instrumentos que permitan amasarla.

Por regla general, se suelen identificar dos niveles en la distribución de la renta nacional: la distribución primaria —o de mercado— en la que los factores productivos, capital y trabajo, obtienen sus ingresos, y la distribución secundaria —o de la renta disponible—, que es consecuencia de la redistribución resultante de la acción del Estado a través de los impuestos y las transferencias y cuyo impacto es muy diverso según los países que consideremos. Para que podamos constatar tanto la relevancia de la acción redistributiva del Estado como la diversidad de situaciones nacionales, las Tablas 1 y 2 recogen la evolución de los índices de Gini primario y secundario para España y varios países de la UE-15 que pueden servirnos de referencia.

TABLA 1. Índice de Gini de mercado de España, la Unión Europea 15 y algunos países seleccionados 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
UE-15	49,5	49,9	49,7	50,4	51,1	51,3	52,1	52,6
Alemania	54,4	56,0	54,4	55,4	55,5	54,4	56,4	57,7
España	45,4	45,4	44,5	46,8	48,8	48,7	49,3	50,9
Francia	49,9	48,8	48,7	49,2	49,7	49,8	50,3	49,7
Grecia	49,4	49,1	49,4	49,1	51,9	56,9	61,6	61,0
Italia	47,8	46,5	46,6	47,0	48,0	47,5	48,9	49,1
Portugal	51,0	50,2	50,7	50,0	50,3	55,9	55,9	60,4
R. Unido	50,4	51,9	53,0	53,6	53,4	55,3	54,5	54,0
Suecia	44,3	52,2	51,6	52,7	54,8	52,4	53,4	55,0

Fuente: Eurostat.

TABLA 2. Índice de Gini de la renta disponible (después de impuestos y transferencias) de España, la Unión Europea 15 y algunos países seleccionados 2007-2014

	2007	2008	2009	2010	2011	2012	2013	2014
UE-15	30,3	30,8	30,5	30,5	30,8	30,4	30,4	30,9
Alemania	30,4	30,2	29,1	29,3	29,0	28,3	29,7	30,7
España	31,9	31,9	32,9	33,5	34,0	34,2	33,7	34,7
Francia	26,6	29,8	29,9	29,8	30,8	30,5	30,1	29,2
Grecia	34,3	33,4	33,1	32,9	33,5	34,3	34,4	34,5
Italia	32,2	31,0	31,5	31,2	31,9	31,9	32,5	32,4
Portugal	36,8	35,8	35,4	33,7	34,2	34,5	34,2	34,5
R. Unido	32,6	33,9	32,4	32,9	33,0	31,3	30,2	31,6
Suecia	23,4	24,0	24,8	24,1	24,4	24,8	24,9	25,4

Fuente: Eurostat.

Los datos ofrecen —entre otros— tres resultados relativamente sorprendentes. De entrada, países más desarrollados que el nuestro, como Alemania, Suecia o Reino Unido en tienen una desigualdad de partida —o de mercado— muy superior a la española. En segundo lugar, esos países son capaces de corregir mucho mejor que nosotros la falta de equidad debido a la acción del Estado —el caso sueco resulta particularmente espectacular, pues reduce la desigualdad a menos de la mitad—. Por último, no hay correlación entre la intensidad de la crisis económica y la evolución de la desigualdad: Grecia la mantiene a pesar de la gravedad de su recesión —algo parecido a Italia—, Portugal es incluso capaz de mejorar la equidad durante este periodo —lo que implica un reparto de los costes de ajuste muy igualitario(18)—, mientras que España, como ya hemos indicado, ha experimentado un severo aumento de la desigualdad.

Sin embargo, existen otros dos niveles redistributivos que no suelen ser registrados por las estadísticas y que, sin embargo, poseen una extraordinaria repercusión sobre las condiciones de vida de la población. Me refiero

a los servicios públicos y a lo que podríamos llamar la solidaridad ciudadana (en el seno de las familias, a través del asociacionismo, etc.). Efectivamente, la existencia de servicios públicos —particularmente cuando son de calidad, gratuitos y universales— tiene un impacto redistributivo muy fuerte, que ha llegado a estimarse en un 20% de minoración sobre la desigualdad de la renta disponible(19). Su inexistencia o provisión limitada deteriora la calidad de vida de la población más pobre y obliga a los hogares más modestos a hacer un esfuerzo adicional de ahorro de tipo preventivo. Adicionalmente, los mecanismos de apoyo mutuo en los niveles familiar y vecinal —cuya cuantificación monetaria no es posible estimar— resultan de una importancia crucial en épocas de crisis para evitar la exclusión social de un amplio número de hogares. Su importancia cualitativa va mucho más allá de su posible cuantía financiera.

En consecuencia, la búsqueda de una mayor equidad tendrá que aspirar a incidir en los cuatro planos señalados: la distribución de la renta en el ámbito productivo, la estructura de la tributación y las transferencias monetarias, la amplitud y calidad de los servicios públicos y la intensidad de la solidaridad interpersonal.

Tendencias sociales y del empleo en el mundo (2016) - OIT - Mayo 2016

Recuadro 1

¿Cuáles son las causas de la desaceleración del crecimiento mundial?

Las últimas previsiones macroeconómicas sugieren que el crecimiento del Producto Interior Bruto (PIB) mundial continuará siendo moderado en los próximos dos años, siguiendo con la tendencia de las estimaciones de crecimiento a medio plazo, continuamente revisadas a la baja desde 2011. De hecho, el actual PIB se sitúa casi un 2 por ciento por debajo del potencial de producción (FMI, 2015; Zhu, 2015). Además, la brecha de producción puede ampliarse aún más en los próximos años, debido en gran parte a una multitud de factores que se auto refuerzan, incluyendo:

- *El descenso de la inversión de capital a largo plazo.* A pesar de que el ahorro mundial esté creciendo, las necesidades de inversión a largo plazo, particularmente en lo que se refiere a la infraestructura, a menudo no se satisfacen (Spence et al., 2015; Baldwin y Teulings, 2014). Esta situación refleja en parte los ajustes, posteriores al auge del crédito, que se han dado en ciertas economías. Mientras tanto, el aumento de la escasez de activos seguros, sustentado por el declive secular de los tipos de interés reales durante las dos últimas décadas, corre el riesgo de convertirse en estructural en varias economías importantes. En particular, la escasez de activos seguros puede provocar la reducción de inversiones a largo plazo, a favor de tipos de activos más fácilmente titulizables (Caballero y Farhi, 2014). Este cambio, especialmente en países desarrollados, puede atribuirse en parte, a la aparición de nuevos modelos de negocio que demandan poco capital físico por

ser modelos intensivos en conocimiento que requieren poca inversión y en consecuencia aportan un nivel equilibrado de intereses a largo plazo.

- *La ralentización del crecimiento de la población en edad laboral.* El rápido envejecimiento de la población en los países desarrollados, junto con el crecimiento más lento de la población en edad de trabajar en los países emergentes y en desarrollo y la extendida tendencia a la baja de las tasas de participación en la población activa, constituyen, todos ellos, factores que limitan el crecimiento de la mano de obra disponible y a su vez el potencial de crecimiento del empleo y el aumento de la producción (véase también sección D).
- *Una distribución desigual de los beneficios derivados del crecimiento.* Tras una interrupción temporal inmediatamente después de la crisis, los ingresos del 1 por ciento más rico de la población han vuelto a crecer a un ritmo mucho mayor que los del resto de la población. Se estima que en 2016, el 1 por ciento más rico de la población ganará más del 50 por ciento de la riqueza mundial – un crecimiento del 44 por ciento en 2009 (Oxfam, 2015). Además, los datos indican que se ha producido una tendencia a la baja en la participación del trabajo, lo que contribuye aún más a la creciente desigualdad en los ingresos, especialmente en los países en desarrollo (OIT, 2014d). Estas tendencias, en su conjunto, están relacionadas con la bajada del consumo y el déficit de la

Recuadro 1 (cont.)

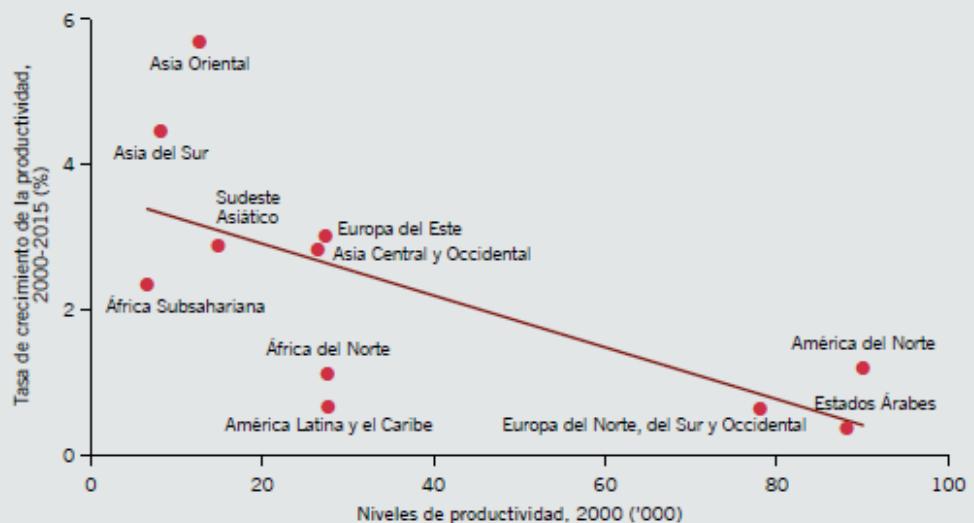
demanda, llevando a una demanda de inversión más baja y, en última estancia, a un menor crecimiento económico.

- *Un crecimiento débil de la Productividad Total de los Factores (PTF):* Las reducidas inversiones de capital parecen ser, tanto en los países desarrollados como en las economías emergentes, la razón principal tras la desaceleración de larga duración de la PTF. Además, cualquier aumento de productividad previsto por el nuevo ciclo de avances

tecnológicos todavía no se ha materializado. Simultáneamente, al acercarse varias economías emergentes a la frontera tecnológica mundial, las ganancias de la PTF pueden estabilizarse en niveles inferiores a las tendencias anteriores a la crisis. Mientras tanto, las tasas de crecimiento de la productividad laboral en regiones como América Latina y el Caribe, África del Norte y África Subsahariana han sido especialmente lentas ([gráfico 1](#)).

Gráfico 1

Tasas de crecimiento de la productividad (2000-2015) y niveles de productividad (2000), por regiones de la OIT

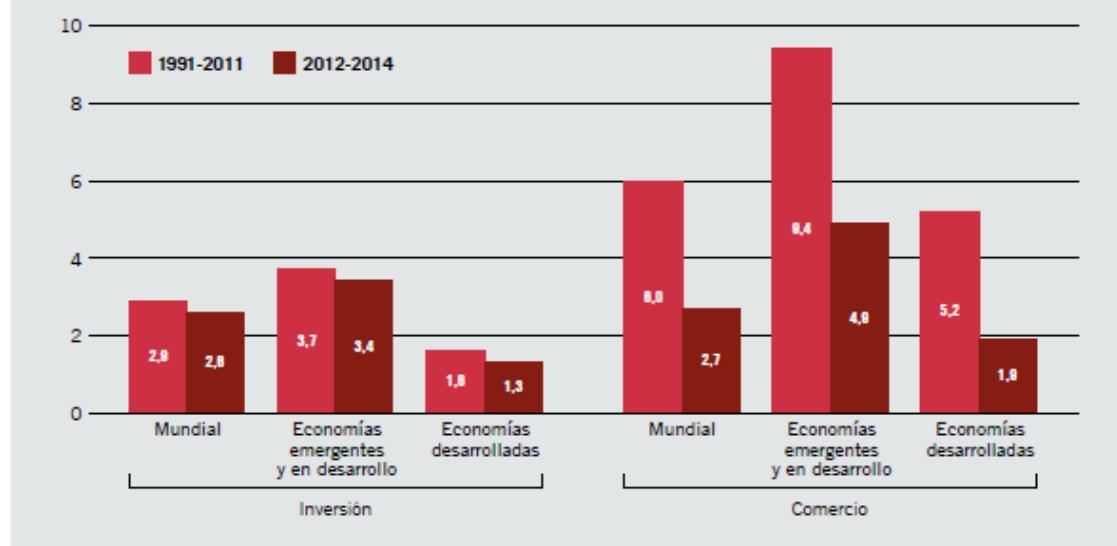


Nota: El eje Y se refiere a la tasa de crecimiento anual compuesto a lo largo del periodo. La productividad del trabajo se mide como la producción real por trabajador, en términos de paridad del poder adquisitivo (PPA), ajustada.

Fuente: Cálculos de la OIT sobre la base de Modelos económicos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

Gráfico 2

Tasas medias anuales de crecimiento del comercio y de las importaciones, 1991-2014 (%)



Nota: Comercio mundial se refiere a las importaciones mundiales de mercancía, mientras que inversiones se refiere a la formación bruta de capital fijo. Ambas series se han medido en US\$ a precios constantes (2005) y tipos de cambio constantes (2005) en millones. Los datos de 2014 son preliminares.

Fuentes: Cálculos de la OIT sobre la base de las estadísticas de la UNCTAD 2015 (UNCTAD, 2015), y los Indicadores de Desarrollo Mundial el Banco Mundial [consultado el 10 de Diciembre de 2015].

Gráfico 3

Tasa de desempleo mundial y desempleo total, 2005-2015



Fuente: Cálculos de la OIT sobre la base de Modelos económéticos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

Tabla 1

Tasa de desempleo y número de desempleados: Tendencias y proyecciones 2007-2017

	2007-2014	Tasa de desempleo, 2007-2017 (porcentajes)				Millones, 2015-2017			
		2014	2015	2016	2017	2015	2016	2017	
Estimaciones mundiales y principales agrupaciones de países									
MUNDO		5,8	5,8	5,8	5,7	197,1	199,4	200,5	
Economías avanzadas		7,1	6,7	6,5	6,4	46,7	46,1	45,3	
Economías emergentes		5,5	5,6	5,6	5,6	135,3	137,7	139,1	
Economías en desarrollo		5,5	5,5	5,5	5,5	15,1	15,6	16,1	
Economías del G20		5,5	5,4	5,4	5,3	123,9	124,3	123,8	
Economías avanzadas del G20		7,3	6,8	6,6	6,5	42,2	41,2	40,2	
Economías emergentes del G20		4,9	4,9	4,9	4,9	81,7	83,1	83,6	
UE-28		10,2	9,4	9,2	9,1	23,2	22,7	22,2	
UE-19		11,8	10,9	10,7	10,4	17,5	17,1	16,7	
Regiones de la OIT y detalle por país									
Estados Árabes		10,1	10,1	10,2	10,2	5,3	5,5	5,6	
Arabia Saudí		5,9	5,8	5,7	5,7	0,7	0,7	0,7	
Asia Central y Occidental		9,1	9,2	9,4	9,4	6,8	7,0	7,1	
Turquía		9,9	10,3	10,5	10,4	3,0	3,1	3,1	
Asia Oriental		4,5	4,5	4,5	4,6	42,1	42,4	42,7	
China		4,6	4,6	4,7	4,7	37,3	37,7	38,1	
Corea, República de		3,5	3,7	3,5	3,4	1,0	0,9	0,9	
Japón		3,5	3,3	3,2	3,1	2,2	2,1	2,0	
Europa del Este		6,8	6,9	7,0	6,9	10,2	10,3	10,1	
Federación Rusa		5,2	5,8	6,2	6,1	4,4	4,7	4,6	
América Latina y el Caribe		6,4	6,5	6,7	6,7	19,8	21,0	21,2	
Argentina		7,3	6,7	6,9	6,7	1,3	1,4	1,4	
Brasil		6,8	7,2	7,7	7,6	7,7	8,4	8,4	
Méjico		4,9	4,3	4,1	4,0	2,5	2,4	2,4	
África del Norte		12,5	12,1	11,8	11,6	8,8	8,8	8,8	
América del Norte		6,3	5,5	5,1	4,9	10,0	9,3	9,0	
Canadá		6,9	6,9	6,8	6,8	1,4	1,4	1,4	
Estados Unidos		6,3	5,3	4,9	4,7	8,7	7,9	7,7	
Europa del Norte, del Sur y Occidental		10,7	10,1	9,9	9,7	21,8	21,4	21,0	
Alemania		5,0	4,6	4,6	4,7	2,0	2,0	2,0	
Francia		10,3	10,6	10,4	10,0	3,1	3,0	2,9	
Italia		12,7	12,1	12,0	11,5	3,0	3,0	2,9	
Reino Unido		6,1	5,5	5,4	5,5	1,8	1,8	1,9	
Asia Sudoriental y el Pacífico		4,3	4,4	4,3	4,2	15,1	15,2	15,1	
Australia		6,1	6,3	6,3	5,8	0,8	0,8	0,7	
Indonesia		5,9	5,8	5,7	5,6	7,3	7,3	7,3	
Asia del Sur		4,2	4,1	4,1	4,0	28,8	29,1	29,4	
India		3,5	3,5	3,4	3,4	17,5	17,5	17,6	
Africa Subsahariana		7,3	7,4	7,5	7,5	28,2	28,4	30,4	
Sudáfrica		24,9	25,1	25,5	25,7	5,1	5,3	5,4	

Nota: Véase Apéndice A para la lista de grupos de países por región geográfica y nivel de ingresos. Los números del 2015, 2016 y 2017 son proyecciones.

Fuente: Cálculos de la OIT sobre la base de Modelos económicos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

Tabla 2**Tasas de empleo vulnerable, 2007-2019 (porcentajes)**

	2007-2014	2014	2015	2016	2017	2018	2019
Estimaciones mundiales y principales agrupaciones de países							
Mundo		46,3	46,1	46,0	45,9	45,9	45,8
Economías avanzadas		10,5	10,4	10,4	10,3	10,3	10,2
Economías emergentes		53,1	52,9	52,6	52,3	52,1	51,9
Economías en desarrollo		76,8	76,7	76,6	76,5	76,3	76,2
Economías del G20		42,0	41,7	41,6	41,4	41,3	41,2
Economías avanzadas del G20		9,9	9,8	9,7	9,6	9,6	9,5
Economías emergentes del G20		53,7	53,4	53,1	52,8	52,6	52,4
UE-28		12,3	12,2	12,1	12,0	11,9	11,8
Regiones de la OIT							
Estados Árabes		17,5	18,0	17,7	17,7	17,8	17,9
Asia Central y Occidental		33,0	32,6	32,3	32,0	31,6	31,1
Asia Oriental		42,6	42,1	41,6	41,3	41,1	40,9
Europa del Este		11,3	11,2	11,5	11,4	11,4	11,3
América Latina y el Caribe		31,0	31,0	31,1	31,1	31,1	31,1
Africa del Norte		34,2	34,0	33,8	33,6	33,4	33,2
América del Norte		6,5	6,5	6,4	6,3	6,2	6,1
Europa del Norte, del Sur y Occidental		11,5	11,5	11,4	11,3	11,2	11,1
Asia Sudoriental y el Pacífico		54,4	54,1	53,7	53,3	52,9	52,5
Asia del Sur		74,1	73,6	73,3	72,8	72,4	71,9
Africa Subsahariana		69,8	69,9	69,7	69,6	69,5	69,4

Fuente: Cálculos de la OIT sobre la base de Modelos económicos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

Tabla 3**Tasa de participación en la fuerza laboral y proyecciones hasta el 2020, grupos de países seleccionados**

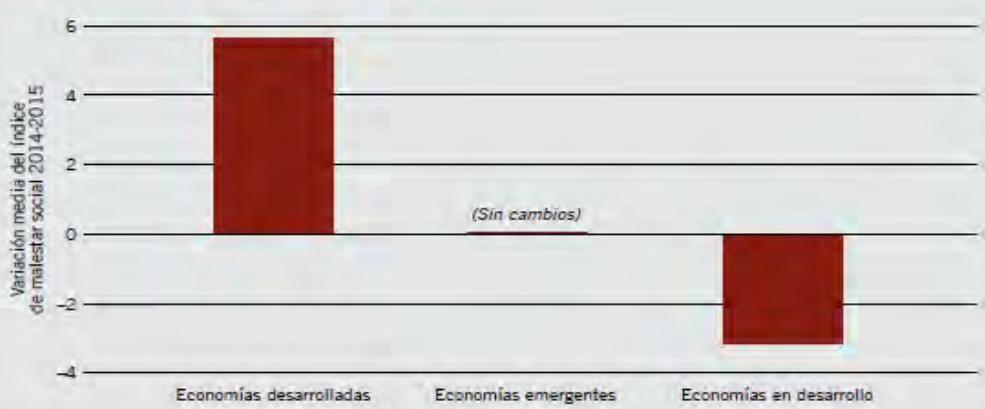
	2007-2014	2014	2015	2016	2017	2018	2019	2020
Estimaciones mundiales y principales agrupaciones de países								
Total		62,9	62,9	62,8	62,8	62,7	62,6	62,5
Mundo		62,9	62,9	62,8	62,8	62,7	62,6	62,5
Economías avanzadas		60,6	60,5	60,4	60,3	60,1	60,0	59,8
Economías emergentes		62,3	62,3	62,2	62,1	62,0	61,9	61,8
Economías en desarrollo		76,8	76,8	76,8	76,9	76,9	76,9	76,9
Economías del G20		62,4	62,3	62,2	62,1	61,9	61,7	61,6
Economías avanzadas del G20		60,1	60,0	59,8	59,7	59,5	59,4	59,2
Economías emergentes del G20		63,3	63,2	63,1	63,0	62,8	62,7	62,5
Hombres								
Mundo		76,2	76,1	76,1	76,1	76,1	76,0	76,0
Economías desarrolladas		69,1	68,9	68,8	68,7	68,5	68,4	68,2
Economías emergentes		77,7	77,6	77,6	77,6	77,6	77,5	77,5
Economías en desarrollo		83,0	82,8	82,8	82,8	82,9	82,9	82,9
Economías del G20		75,6	75,5	75,5	75,5	75,4	75,3	75,1
Economías avanzadas del G20		68,0	67,9	67,8	67,6	67,4	67,2	67,0
Economías emergentes del G20		78,5	78,4	78,4	78,4	78,3	78,2	78,1
Mujeres								
Mundo		49,7	49,6	49,6	49,5	49,5	49,4	49,2
Economías desarrolladas		52,5	52,6	52,5	52,5	52,3	52,2	52,1
Economías emergentes		46,8	46,7	46,6	46,6	46,4	46,3	46,1
Economías en desarrollo		71,0	71,0	71,0	71,0	71,0	71,0	71,0
Economías del G20		49,2	49,1	49,0	48,8	48,7	48,5	48,2
Economías avanzadas del G20		52,6	52,7	52,6	52,5	52,4	52,2	52,1
Economías emergentes del G20		47,7	47,6	47,5	47,3	47,2	46,9	46,7

Fuente: Cálculos de la OIT sobre la base de Modelos económicos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

Tabla 4**Población en edad de trabajar y proyecciones hasta 2020, grupos de países seleccionados**

Estimaciones mundiales y principales agrupaciones de países	2007-2014	2014	2015	2016	2017	2018	2019	2020
Total								
Mundo								
Economías avanzadas	/ / / /	1,3	1,3	1,3	1,3	1,3	1,3	1,2
Economías emergentes	/ / / /	0,6	0,5	0,5	0,5	0,4	0,4	0,4
Economías en desarrollo	/ / / /	1,4	1,4	1,4	1,3	1,3	1,3	1,3
Economías del G20								
Economías avanzadas del G20	/ / / /	1,0	1,0	0,9	0,9	0,9	0,9	0,9
Economías emergentes del G20	/ / / /	0,4	0,4	0,3	0,3	0,3	0,3	0,3
Hombres								
Mundo								
Economías desarrolladas	/ / / /	1,4	1,3	1,3	1,3	1,3	1,3	1,3
Economías emergentes	/ / / /	0,6	0,6	0,5	0,5	0,5	0,4	0,4
Economías en desarrollo	/ / / /	1,4	1,4	1,4	1,3	1,3	1,3	1,3
Economías del G20								
Economías avanzadas del G20	/ / / /	1,0	1,0	1,0	0,9	0,9	0,9	0,9
Economías emergentes del G20	/ / / /	0,4	0,4	0,4	0,4	0,3	0,3	0,3
Mujeres								
Mundo								
Economías desarrolladas	/ / / /	1,3	1,3	1,3	1,2	1,2	1,2	1,2
Economías emergentes	/ / / /	0,5	0,5	0,5	0,4	0,4	0,4	0,4
Economías en desarrollo	/ / / /	1,4	1,4	1,4	1,3	1,3	1,3	1,3
Economías del G20								
Economías avanzadas del G20	/ / / /	1,0	0,9	0,9	0,9	0,9	0,9	0,9
Economías emergentes del G20	/ / / /	0,4	0,3	0,3	0,3	0,3	0,3	0,3

Fuente: Cálculos de la OIT sobre la base de Modelos econométricos de tendencias, noviembre 2015 del Departamento de Investigaciones de la OIT.

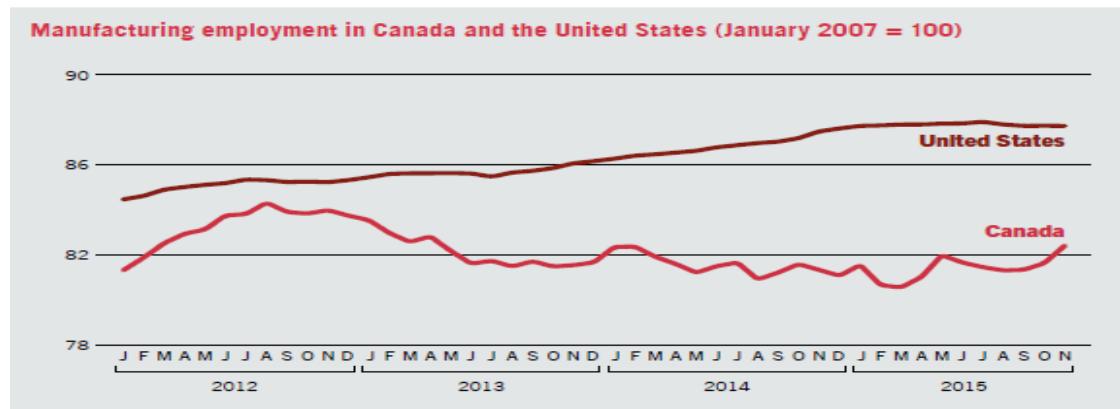
Gráfico 9**Inestabilidad social: Cambios entre 2014 y 2015**

Nota: El índice de malestar social para cada país oscila de 0 (el más bajo) a 100 (el más alto). El gráfico muestra la variación media para todos los países dentro de un mismo grupo de ingresos. Véase Apéndice A para la clasificación en grupos por ingresos.

Fuente: Cálculos de la OIT sobre la base de la base de datos sobre acontecimientos de GDELT (<http://gdeltpoint.org>).

World Employment Social Outlook - Trends 2016 - OIT

(Del Informe completo -versión en inglés- no destacado en Resumen)



Source: ILO calculations based on Statistics Canada and the United States Bureau of Labor Statistics.

Labour market outlook for Northern America (2000–17)

	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	United States	65.5	63.6	62.2	62.1	62.0
	Canada	66.4	66.6	65.7	65.6	65.4
Unemployment rate	United States	5.1	8.3	6.3	5.3	4.9
	Canada	7.0	7.4	6.9	6.9	6.8
Employment growth	United States	0.8	-0.1	1.7	1.7	1.1
	Canada	2.0	0.9	0.7	0.8	1.1
Productivity growth	United States	1.8	1.0	0.8	0.9	1.7
	Canada	0.8	0.5	2.0	0.3	0.6
						1.9

Note: Employment and productivity growth figures present the percentage growth rate. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Labour market outlook for the euro area (2000–17)

	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	55.8	56.8	56.6	56.5	56.4	56.2
Unemployment rate	8.6	10.0	11.6	10.9	10.7	10.4
Employment growth	1.3	-0.5	0.3	0.6	0.2	0.2
Productivity growth	1.0	0.3	0.4	0.9	1.4	1.5

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Labour market outlook for Northern, Western and Southern Europe (2000–17)

	2000–07	2008–13	2014	2015	2016	2017
Labour force participation rate	56.9	57.8	57.7	57.7	57.6	57.5
Unemployment rate	8.2	9.7	10.7	10.1	9.9	9.7
Employment growth	1.1	-0.3	0.7	0.7	0.3	0.2
Productivity growth	1.3	0.1	0.4	0.9	1.4	1.6

Note: Employment and productivity growth figures present percentage growth rates. Employment figures refer to the total economy. Labour productivity is measured as real output per worker, PPP-adjusted.

Source: ILO calculations based on ILO Research Department's Trends Econometric Models, November 2015.

Influx of refugees into Europe

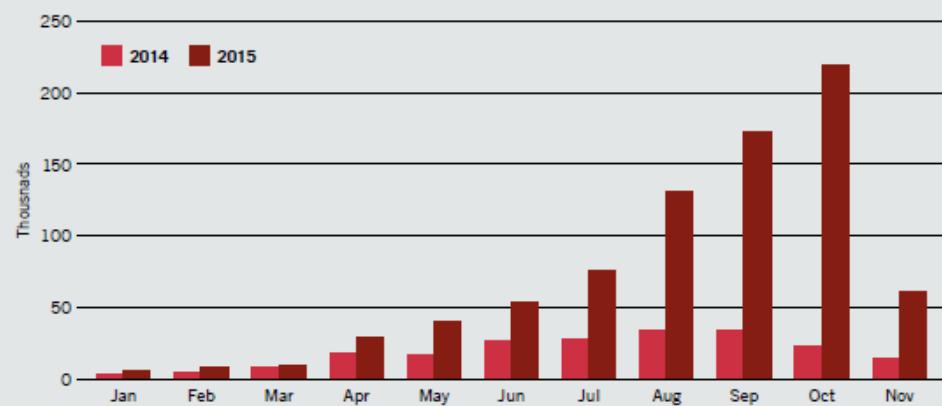
Monthly arrivals of refugees to the region via the Mediterranean Sea in 2015 have far exceeded those experienced in 2014 (figure 14), with arrivals increasing fourfold in 2015 compared to a year earlier – from 216,054 in 2014 to 806,000 in 2015 (as of November only). Moreover, 2014 had already seen a fourfold increase compared to 2013. The recent surge is mainly a result of individuals fleeing war-torn countries. Indeed, close to 80 per cent of the arrivals are from Afghanistan, Iraq and Syria.* The number of asylum applications in the EU-28 was close to two-thirds of a million in the first eight months of 2015, compared to roughly half a million in 2014. For example, in Germany alone, a quarter of a million people sought asylum in the first eight months of 2015, accounting for one-third of all applicants for the EU as a whole.

The emergence of new migration routes has meant that the influx has affected many countries in

Europe, from the Balkans to those of Western and Northern Europe. Member states of the EU have agreed upon actions to handle the influx of refugees: (i) *Operational measures*: Migration Management Support Teams have been established in "hot-spots" where migrants tend to land first in Europe (Greece and Italy); (ii) *Budgetary support*: the EC has proposed amendments to its 2015/16 budget in order to boost the resources allocated to the refugee crisis by €1.7 billion; in total, the EC will spend €9.2 billion in 2015 and 2016 on the refugee crisis. Member states are expected to match this spending with their national allocations; and (iii) *Implementation of EU law*: Member states are expected to adhere to the Common European Asylum System, which is geared towards helping people in need of international protection (European Commission. 2015b) Furthermore, there are efforts to find political solutions in the originating countries and to engage regional allies such as Lebanon and Turkey.

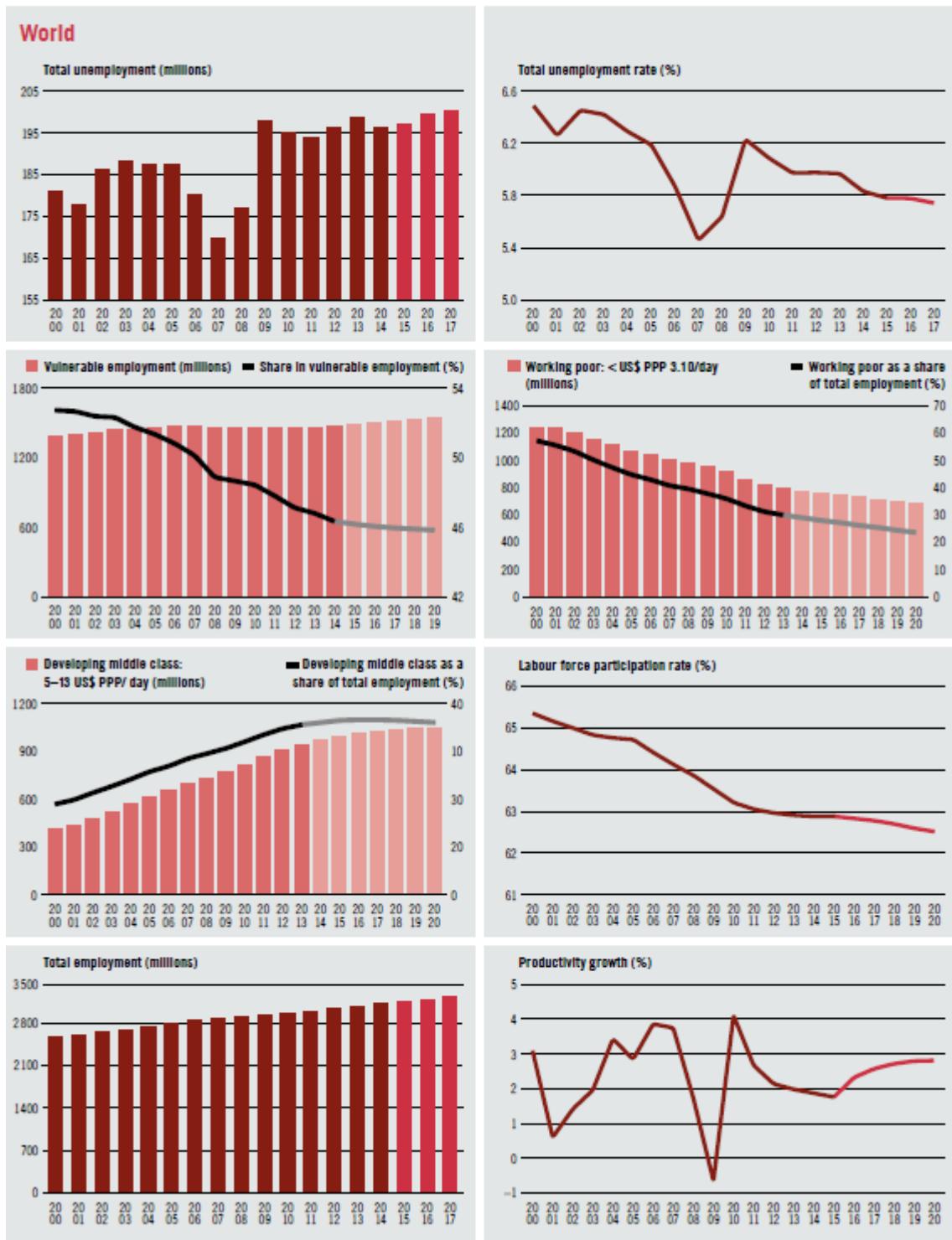
* UNHCR Population Statistics Database: http://popstats.unhcr.org/en/overview#_ga=1.76466773.1982046382.1450473222 [accessed 17 December 2015].

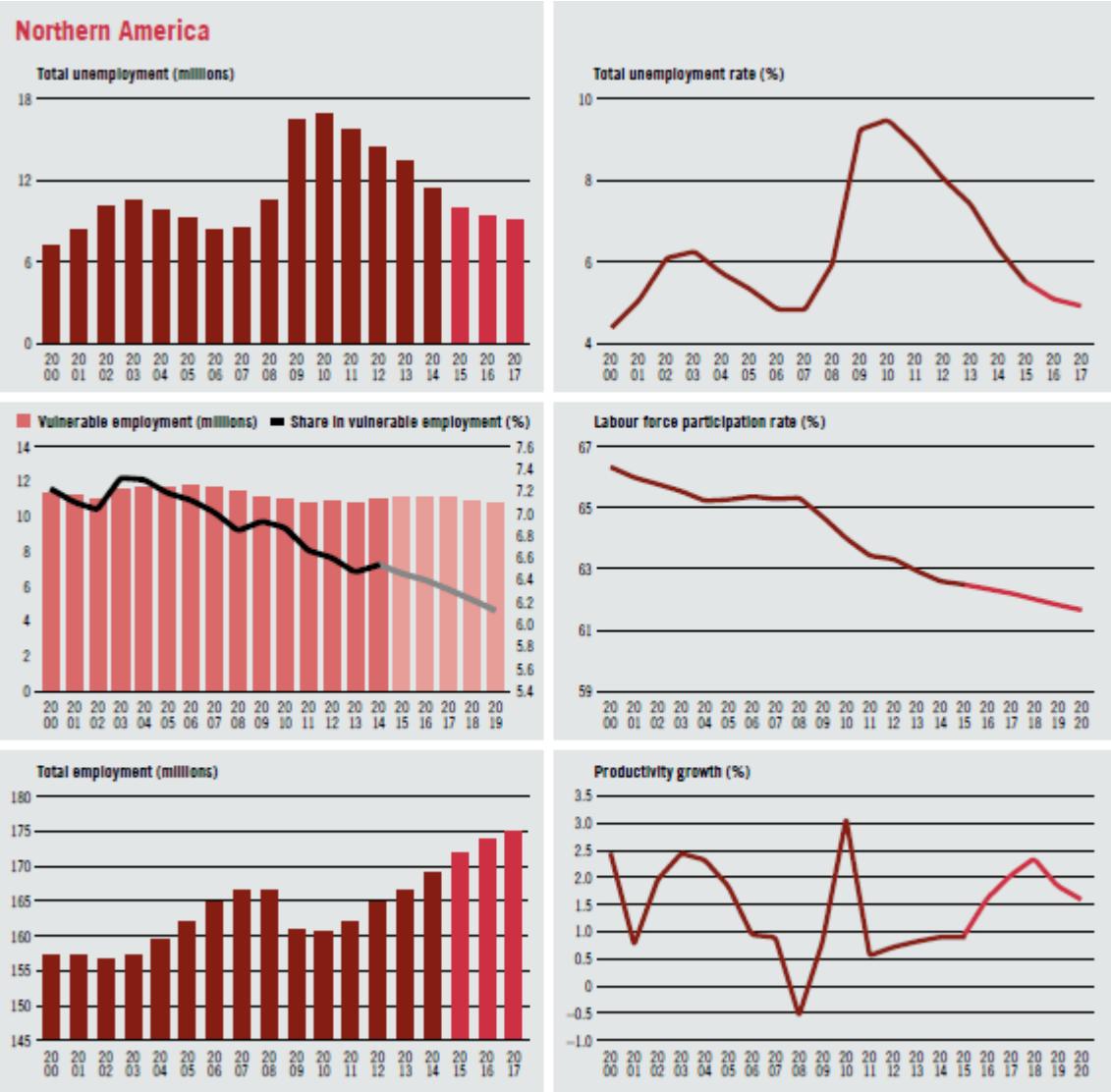
Monthly arrivals via the Mediterranean Sea (2014–2015)



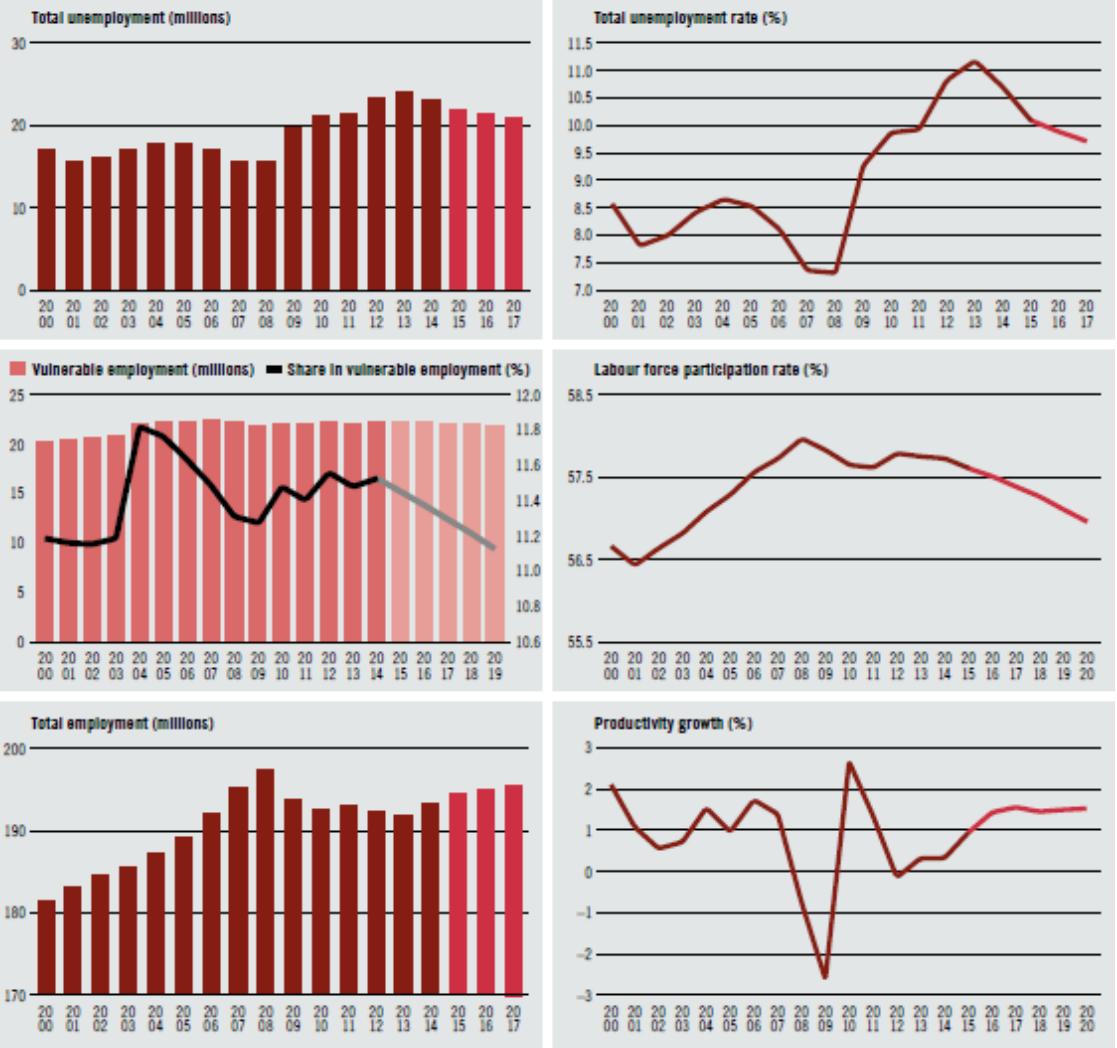
Source: ILO Research Department based on UNHCR Population Statistics Database: http://popstats.unhcr.org/en/overview#_ga=1.76466773.1982046382.1450473222 [accessed 17 December 2015].

Appendix E. Labour market and social statistics by ILO Region

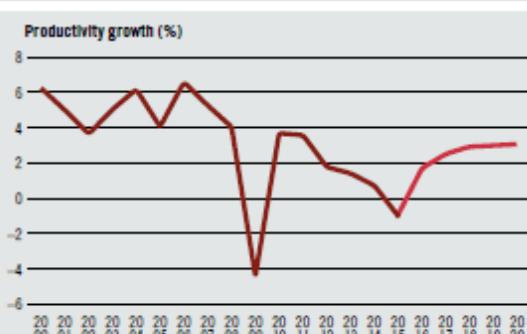
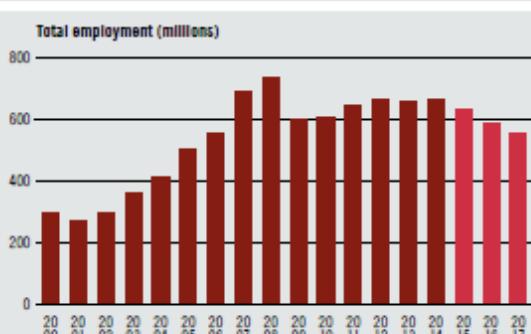
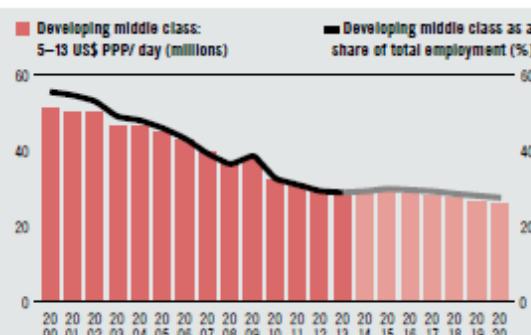
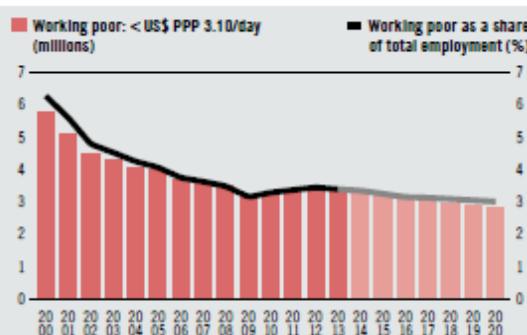
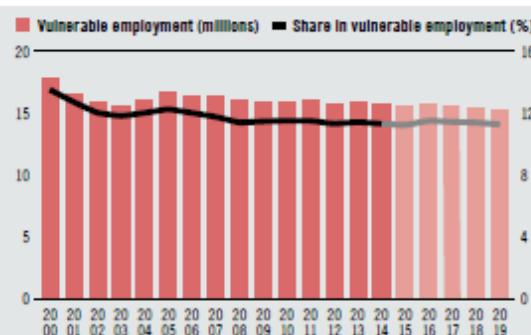
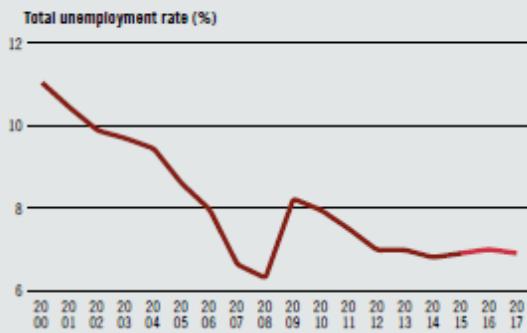
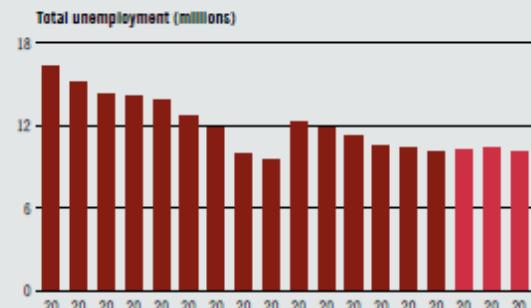




Northern, Southern and Western Europe



Eastern Europe



Tendencias Mundiales del Empleo Juvenil, 2013 (Una generación en peligro) - OIT

(Último Informe disponible a febrero de 2016)

1.1 Panorama general

No es fácil ser joven en el mercado de trabajo actual

El debilitamiento de la recuperación mundial en 2012 y 2013 ha agravado la crisis del empleo juvenil, dificultando aún más el acceso al empleo para muchos desafortunados jóvenes que buscan trabajo. Y está dificultándolo hasta tal punto que muchos están renunciado a seguir buscando. La prolongada crisis económica también obliga a la generación actual de jóvenes a ser menos selectivos con los empleos que están dispuestos a aceptar, una tendencia que ya era evidente antes de la crisis. El número de jóvenes que está aceptando trabajos a tiempo parcial o que se encuentra confinado en empleos temporales es cada vez mayor. Los empleos seguros, que en una época eran lo habitual para generaciones anteriores – por lo menos en las economías avanzadas – han pasado a ser más difíciles de conseguir para los jóvenes de hoy.

La tasa mundial de desempleo juvenil, estimada en un 12,6 por ciento para 2013, se acerca al nivel máximo registrado durante la crisis actual. Se calcula que en 2013 hay 73 millones de jóvenes desempleados¹. Al mismo tiempo, el empleo informal entre los jóvenes sigue muy extendido y las transiciones al trabajo decente son lentas y difíciles.

Los costos económicos y sociales del desempleo, del desempleo de larga duración, de la falta de ánimo y de los empleos de baja calidad generalizados para los jóvenes siguen aumentando, socavando el potencial de crecimiento de las economías.

El desajuste de las competencias se suma a la crisis del empleo de los jóvenes

El desajuste de las competencias en los mercados de trabajo de los jóvenes se ha convertido en una tendencia constante cada vez más acusada. La sobreeducación y el exceso de competencias coexisten con la subeducación y la escasez de competencias, y cada vez más con el desfase de la formación adquirida por causa del desempleo de larga duración.

Este desajuste hace que las soluciones a la crisis del empleo juvenil sean más difíciles de encontrar y más lentas de poner en práctica. Además, en la medida en que los jóvenes empleados cuentan con más competencias de las exigidas para el puesto que ocupan, la sociedad está desaprovechando su valioso potencial y perdiendo la posibilidad de mejorar la productividad económica, que sería posible si estos jóvenes ocupasen puestos de trabajo acordes con su nivel de competencias.

En las regiones en desarrollo, donde vive el 90 por ciento de los jóvenes del mundo, el empleo estable y de calidad escasea particularmente

Las regiones en desarrollo se enfrentan a graves problemas en lo que atañe a la calidad del empleo disponible para los jóvenes. El presente informe confirma que en las economías en desarrollo, donde las instituciones del mercado de trabajo, incluida la protección social, son débiles,

¹ Salvo indicación contraria, las cifras que se incluyen en este capítulo se refieren a jóvenes de entre 15 y 24 años de edad.

gran número de jóvenes sigue enfrentándose a un futuro de empleo ocasional e informal. Los trabajadores jóvenes a menudo reciben salarios por debajo de la media y ocupan puestos para los que cuentan con más o con menos competencias de las exigidas para desempeñarlo. En algunas economías en desarrollo, hasta dos tercios de la población joven está infrautilizada, es decir: los jóvenes están desempleados, trabajan en empleos ocasionales, probablemente en el sector informal, o no forman parte ni de la fuerza de trabajo ni están recibiendo educación o formación.

En las economías avanzadas, el desempleo de larga duración ha irrumpido como un peaje imprevisto que tiene que pagar la generación actual de jóvenes

El desempleo juvenil y sus «efectos cicatriz» son especialmente frecuentes en tres regiones: las economías desarrolladas y la Unión Europea, Oriente Medio y África del Norte. En estas regiones, las tasas de desempleo juvenil llevan aumentando desde 2008. El desempleo de los jóvenes aumentó hasta un 24,9 por ciento en las economías desarrolladas y la Unión Europea entre 2008 y 2012, y la tasa de desempleo juvenil alcanzó en 2012 un nivel sin precedentes en los últimos decenios del 18,1 por ciento. Según las proyecciones actuales, en las economías desarrolladas y la Unión Europea la tasa de desempleo de los jóvenes no bajará del 17 por ciento antes de 2016.

Como ya se analizó en la edición de 2010 del informe de las Tendencias Mundiales del Empleo Juvenil, hay que pagar un precio si se quiere acceder al mercado de trabajo en tiempos de crisis económica. Hemos aprendido mucho sobre las «cicatrices» producidas en el poder adquisitivo futuro y en las vías de transición en el mercado de trabajo (OIT, 2010a). Aunque, tal vez, las cicatrices más importantes sean las de la desconfianza que la generación actual de jóvenes tiene en los sistemas socioeconómicos y políticos. Parte de esta desconfianza se ha manifestado en protestas políticas como los movimientos contra la austeridad en España y Grecia.

Se necesitan soluciones de política creativas y de amplio alcance

Para mejorar los resultados del mercado de trabajo es necesario un conocimiento en profundidad de las cuestiones relativas al empleo y al mercado de trabajo específicas de cada contexto nacional. Para determinar las necesidades concretas de cada país, así como para formular políticas e intervenciones programáticas, es de fundamental importancia hacer análisis de los mercados de trabajo de los jóvenes que hagan especial hincapié en los aspectos que caracterizan las transiciones de este colectivo de la población al trabajo decente.

Para romper el círculo vicioso que mantiene a tantos millones de jóvenes sin educación, confinados en empleos no productivos e inmersos en la pobreza, es preciso impulsar un movimiento global enmarcado en el Llamado a la Acción de la OIT (como se expone en el capítulo 6).

1.2 Estructura del informe

La presente edición del informe sobre las Tendencias Mundiales del Empleo Juvenil proporciona una puesta al día sobre los mercados de trabajo de los jóvenes en todo el mundo, centrándose tanto en la persistente crisis del mercado de trabajo como en cuestiones estructurales de los mercados de trabajo de los jóvenes².

Tras una breve recuperación, el desempleo de los jóvenes sigue aumentando en el mundo

Gráfico 1. Desempleo juvenil y tasa mundial de desempleo juvenil, 1991-2013

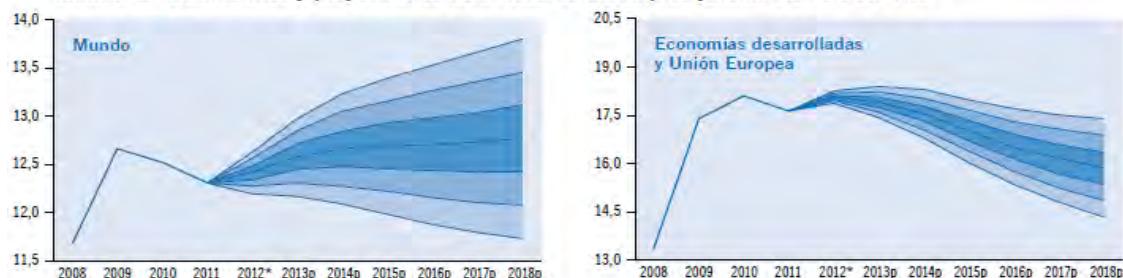


p = proyección.

Fuente: OIT: Modelos Económéticos de Tendencias, abril de 2013.

En la mayoría de las regiones, la tasa de desempleo juvenil sigue una tendencia al alza

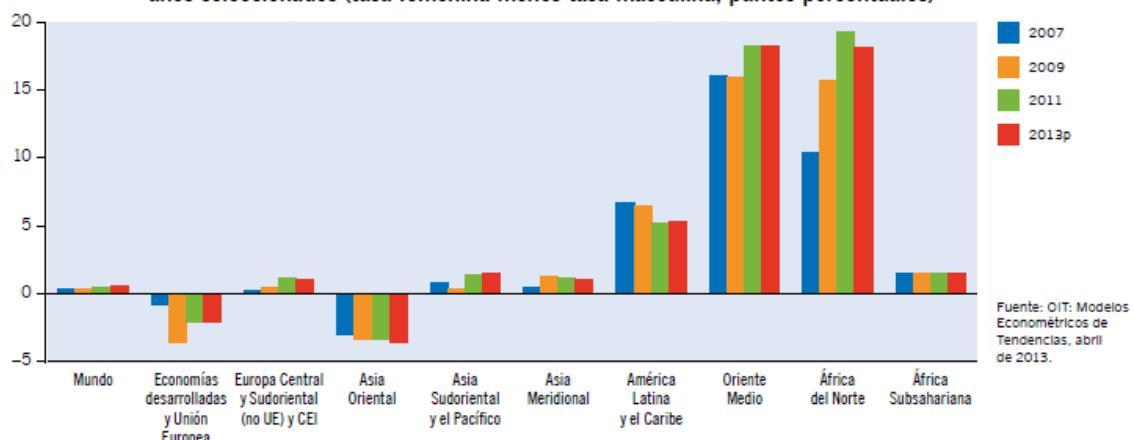
Gráfico 2. Estimaciones y proyecciones de la tasa de desempleo juvenil (2008-2018, %)



* Parte de esta disminución en la participación de los jóvenes se debe al aumento de la escolarización.

Las brechas de género en las tasas de desempleo juvenil son excepcionalmente importantes en Oriente Medio y África del Norte

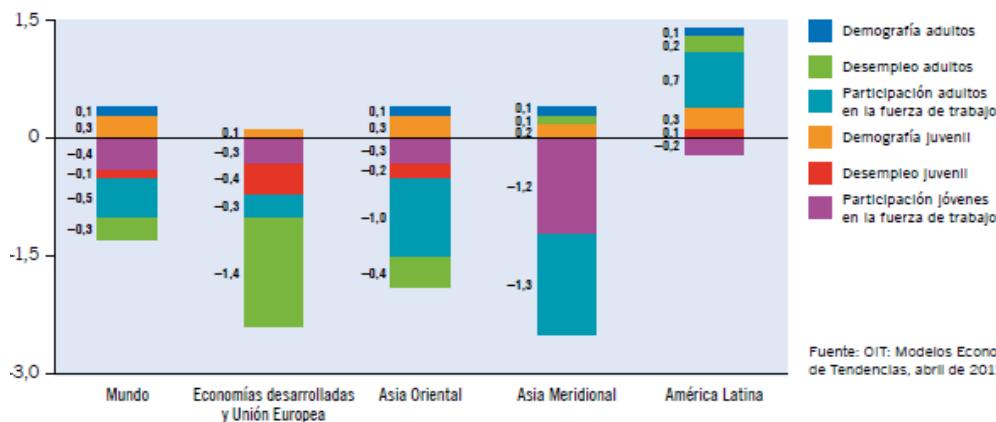
Gráfico 3. Brechas de género mundiales y regionales en las tasas de desempleo juvenil, años seleccionados (tasa femenina menos tasa masculina, puntos porcentuales)



Fuente: OIT: Modelos Económéticos de Tendencias, abril de 2013.

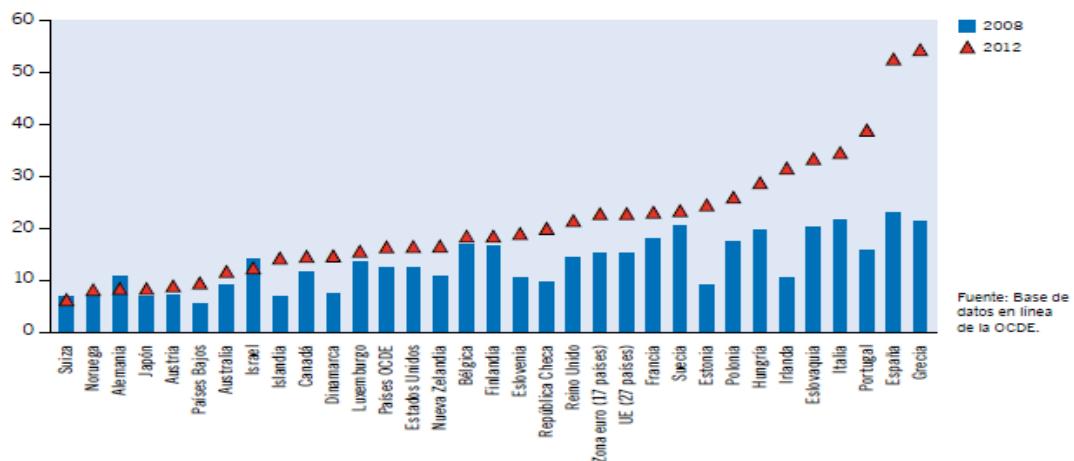
Los jóvenes sufren desproporcionadamente de unas condiciones de crecimiento del empleo deficientes

Gráfico 4. Desglose de las variaciones en la relación empleo-población, 2007-2012



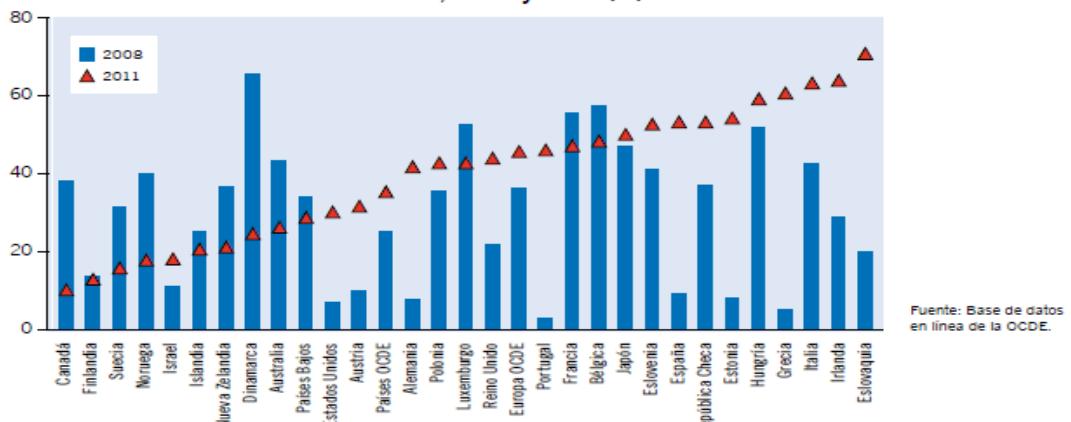
La tasa de desempleo juvenil supera el 15 por ciento en dos tercios de las economías avanzadas

Gráfico 5. Tasas de desempleo juvenil, 2008 y 2012 (segundo trimestre, %)



Más de un tercio de los jóvenes desempleados llevan sin trabajar como mínimo seis meses

Gráfico 6. Proporción de jóvenes desempleados que llevan sin trabajar como mínimo seis meses, 2008 y 2011 (%)



3. Desempleo juvenil, empleo y desajuste de las competencias en las economías avanzadas

La crisis económica mundial ha provocado una reducción masiva del empleo disponible, que a menudo se concentra en un número reducido de sectores. Como resultado, un número de jóvenes aún mayor se ha visto obligado a aceptar trabajos en sectores u ocupaciones en los que no había trabajado antes, o en los que no había previsto trabajar antes de entrar en el mercado de trabajo. Así pues, puede existir un desajuste entre las competencias que tienen los jóvenes y las competencias que piden los posibles empleadores. Un desajuste tal entre la oferta y la demanda de competencias obstaculiza la reasignación de la mano de obra y añade presión a las tasas de desempleo.

Otras formas de desajuste de las competencias y las calificaciones también pueden haber empeorado. Cada vez son mayores las posibilidades de que los trabajadores estén empleados en ocupaciones que subutilizan sus competencias (trabajadores sobreclificados) o en ocupaciones para las que suelen exigirse competencias que no poseen (trabajadores subcalificados). En ambos casos, el desajuste de las competencias afecta a la satisfacción laboral y a los salarios de los trabajadores, así como a la productividad de las empresas. También puede provocar una mayor rotación de personal (Quintini, 2011). Y, sobre todo, el desajuste de las competencias impide que los países aprovechen todo el potencial de su fuerza de trabajo y limita el crecimiento de la productividad.

En este capítulo se examina el desajuste de las competencias en los países avanzados, donde el nivel cada vez mayor de educación ha contribuido a que la incidencia de la sobreeducación sea mayor. En el capítulo 4 se abordan cuestiones relacionadas con el desajuste de las competencias en los países en desarrollo, donde la subeducación sigue muy extendida y el nivel de educación es mucho más bajo. Pero tanto en los países avanzados como en los países en desarrollo, el alcance y los tipos de desajustes de las competencias varían mucho, por lo que es necesario aplicar indicadores múltiples.

Debido a la crisis económica, el desajuste de las competencias, que en el mercado de trabajo siempre presenta varias formas, ha despertado una renovada atención en las economías avanzadas. La demanda y la oferta de competencias dependen de una amplia gama de factores, como el nivel de desarrollo económico de un país, los cambios tecnológicos o la demografía. La coincidencia mayor o menor entre la demanda y la oferta de las competencias es un factor decisivo para la configuración de los resultados económicos y del mercado de trabajo, el crecimiento económico, la productividad y la competitividad (gráfico 9). Por consiguiente, la formulación y la implantación de políticas de educación y formación eficaces, incluidos sistemas de educación y formación con capacidad de reacción, son un reto continuo para todos los países. Para hacer frente a este reto, es preciso vincular el desarrollo de las competencias al empleo y al desarrollo económico, implicar a los interlocutores sociales y a las partes interesadas clave en los sistemas de desarrollo de las competencias, y contar con sistemas de información y análisis del mercado de trabajo que sean eficaces¹⁸.

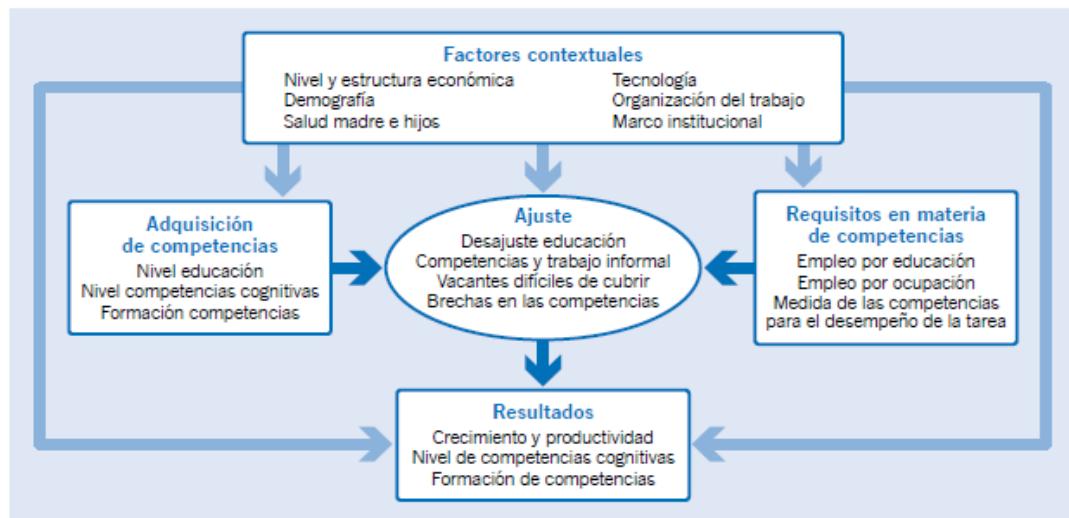
En este capítulo se analizan dos tipos de desajuste de las competencias (véase el recuadro 3 sobre la medición del desajuste de las competencias). El primer tipo se basa en una comparación entre los niveles de educación de los trabajadores empleados y los niveles de educación

de los trabajadores desempleados. La principal conclusión respecto de este tipo de desajuste es el elevado riesgo de desajuste que corren las personas que se encuentran en la base de la pirámide educacional.

El segundo tipo consiste en el desajuste entre los puestos que ocupan los trabajadores jóvenes y las calificaciones que tienen. Las principales conclusiones en relación con este tipo de desajuste son que los jóvenes (15 a 29 años) están mucho más expuestos a la sobreeducación que los trabajadores de más de 30 años de edad, y tienen menos probabilidades de estar subeducados. Se demuestra asimismo que la crisis económica ha tenido un gran impacto en el desajuste, en especial respecto de la incidencia en la sobreeducación. Además de los jóvenes, entre los grupos del mercado de trabajo que a menudo se enfrentan a un elevado riesgo de desajuste se incluyen las mujeres, las personas discapacitadas y los migrantes.

Ambos tipos de desajuste están relacionados con cuestiones estructurales del mercado de trabajo no necesariamente vinculadas a las tasas de desempleo medidas. La razón es que las variaciones en las tasas de desempleo se deben, en gran parte, a factores económicos cíclicos, y no tanto, a condiciones estructurales. Sin embargo, en países concretos y grupos de mercados de trabajo específicos, el desajuste puede estar relacionado con las tasas de desempleo.

Gráfico 9. Contexto económico y desajuste de las competencias



Fuente: Presentado al Grupo de trabajo del G20 para el desarrollo de los recursos humanos (2012) por el Banco Mundial, la OCDE, la OIT y la UNESCO.

Cuadro 1. Incidencia de la sobreeducación en países europeos (%)

	Todos	Hombres	Mujeres	Jóvenes (< 30 años)
Alemania	11,8-60,6	12,3-14,1	10,7-19,1	2,2-12,6
Austria				1,1-9,6
Bélgica	10,5-54,2			21,7-49,1
República Checa				1,5-7,1
España	15,0-37,2			6,5-24,8
Finlandia	11,1			3,3-14,1
Italia	13,9-71,5	14,9	12,8	4,0-19,0
Noruega	16,6-32,6			2,5-20,4
Países Bajos	11,2-30,6	8,7-11,5	12,2-13,6	2,9-41,7
Portugal	12,6-33,0			
Reino Unido	13,0-36,8	25,0	27,0	19,0-53,0
Suiza	14,9	15,0	14,7	

Nota: El cuadro muestra el grado de incidencia de la sobreeducación en cada país según los estudios que figuran a continuación.

Fuente: Barone y Ortiz (2010); Bauer (2002); Brynín y Longhi (2009); Büchel y Battu (2003); Büchel y Van Ham (2003); Budría (2011); Cainarca y Sgobbi (2012); Chevalier (2003); Cutillo y Di Pietro (2006); Dekker, De Grip y Heijke (2002); Groot y Van den Brink (2000); Hartog (2000); Jauhainen (2011); Jensen, Gartner y Rässler (2010); Karakaya, Plasman y Rycx (2007); McGuiness y Bennett (2007); Murillo, Rahona-López y Salinas-Jiménez (2012); Ortiz y Kucel (2008); Støren y Wiers-Jenssen (2010); Sutherland (2012); Verhaest y Omey (2010); Wirz y Atukeren (2005).

Cuadro 2. Incidencia de la subeducación en países europeos (%)

	Todos	Hombres	Mujeres	Jóvenes (< 30 años)
Alemania	12,1	10,4	15,6	
Bélgica	25,8-32,4			
España	11,0-25,6			
Italia	17,1	17,7	16,3	11,7
Países Bajos	12,0	3,8-16,7	2,1-14,3	
Portugal	17,0-38,0			
Reino Unido	17,0			

Nota: El cuadro muestra el grado de incidencia de la subeducación en cada país según los estudios que figuran a continuación.

Fuente: Bauer (2002); Cainarca y Sgobbi (2012); Groot y Van den Brink (2000); Hartog (2000); Karakaya, Plasman y Rycx (2007); Murillo, Rahona-López y Salinas-Jiménez (2012).

Cuadro 4. Incidencia de la sobreeducación por grupo de edad (%)

	2002			2004			2006			2008			2010		
	Jóvenes (15-29)	Adultos (30+)	Total												
Alemania	7,3	13,7	12,9	8,5	11,2	10,8	6,1	9,1	8,7	10,3	10,6	10,6	4,7	11,1	10,1
Austria	3,4	3,6	3,6	4,0	6,0	5,7	3,7	5,9	5,4	8,7	6,4	7,0			
Bélgica	8,2	10,5	10,0	15,5	10,7	11,8	9,7	8,8	8,9	11,8	8,2	8,9	18,5	12,6	13,6
Bulgaria							5,5	8,0	7,6	5,7	7,4	7,1	14,7	10,8	11,2
República Checa	6,0	7,5	7,3	6,4	5,7	5,8				5,4	7,1	6,8	6,8	7,8	7,6
Chipre							22,6	13,5	15,5	21,3	16,8	17,9	33,2	17,6	21,0
Croacia										16,6	11,7	12,8	13,3	12,9	12,9
Dinamarca	15,1	11,4	12,0	12,9	13,0	12,9	6,5	10,9	10,4	7,7	13,3	12,5	8,9	10,6	10,4
Eslovaquia				8,3	8,9	8,7	6,6	9,6	8,9	12,7	9,4	10,0	11,7	11,0	11,1
Eslovenia	7,5	4,6	5,3	9,2	3,9	5,1	6,0	7,5	7,2	14,5	11,5	12,3	14,4	9,2	10,1
España	14,8	7,4	9,2	13,1	7,3	8,8	14,7	7,8	9,7	12,4	9,3	10,0	12,7	11,4	11,6
Estonia				8,0	13,9	12,7	8,9	13,5	12,5	9,8	10,5	10,3	16,5	20,0	19,5
Finlandia	14,1	8,7	9,7	14,9	11,2	11,8	11,9	10,4	10,7	10,4	9,6	9,7	10,6	11,6	11,5
Francia	24,0	5,9	9,7	19,0	6,2	8,3	15,9	9,2	10,4	12,1	8,3	8,9	14,6	9,3	10,1
Grecia	11,3	7,5	8,3	21,8	10,9	12,7				16,2	9,9	11,2	15,3	12,6	13,0
Hungría	4,9	6,8	6,4	8,9	7,4	7,7	11,8	10,2	10,6	23,6	12,5	14,6	10,4	8,7	9,0
Irlanda	21,0	9,9	12,4	15,9	11,9	12,9	28,5	14,7	18,0	38,5	19,9	23,2	18,2	18,1	18,1
Islandia				23,3	14,3	16,4									
Israel	14,4	10,6	11,6							21,0	15,1	16,6	15,0	14,4	14,6
Italia	4,5	1,7	2,1	5,3	4,0	4,2									
Letonia							9,0	13,3	12,2	17,4	17,8	17,8			
Lituania										15,7	30,8	27,7	16,5	16,5	16,5
Luxemburgo	5,6	5,9	5,8	3,8	3,5	3,6									
Noruega	4,9	5,8	5,6	18,4	8,0	9,6	13,5	8,4	9,4	10,6	6,6	7,3	10,9	12,5	12,2
Países Bajos	4,9	2,5	3,0	4,6	4,0	4,1	7,3	4,3	4,8	3,1	2,1	2,3	5,9	3,6	3,9
Polonia	8,7	1,8	3,6	9,5	3,4	5,0	11,4	4,4	6,3	11,9	3,0	5,5	11,6	3,3	5,4
Portugal	4,7	0,9	1,9	3,9	2,5	2,9	4,7	1,7	2,3	7,3	1,9	2,9	9,0	3,5	4,5
Reino Unido	9,4	5,6	6,4	11,2	6,4	7,6	19,9	12,0	13,7	12,0	12,8	12,6	24,0	12,9	15,1
Rumanía							8,1	8,9	8,7	14,5	9,0	10,1			
Rusia, Federación de							24,6	34,2	32,1	32,8	34,0	33,7	26,4	34,4	32,6
Suecia	4,3	3,6	3,7	7,0	4,6	5,0	8,8	5,0	5,6	7,9	4,3	4,9	11,1	6,3	7,0
Suiza	4,7	6,5	6,2	7,6	9,7	9,4	4,0	5,3	5,1	4,6	5,6	5,4	3,7	10,4	9,2
Turquía				5,8	5,7	5,8				8,0	7,6	7,7			
Ucrania				38,3	34,6	35,3	40,2	32,5	34,0	20,3	28,4	26,6	30,0	27,7	28,1

Fuente: Cálculos de la OIT basados en la Encuesta Social Europea (Norwegian Social Science Data Services, 2002; 2004; 2006; 2008; 2010).

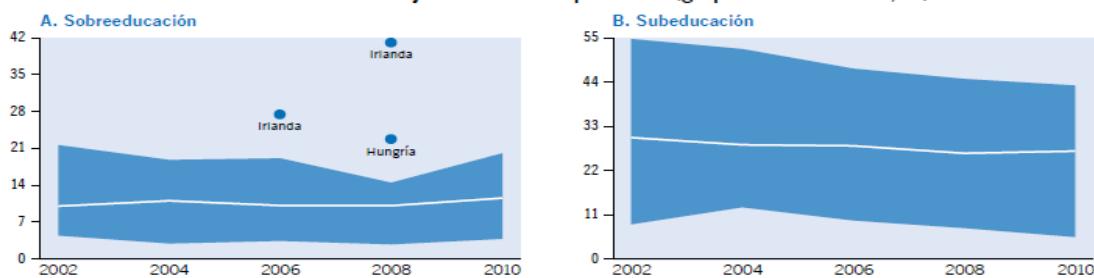
Cuadro 5. Incidencia de la subeducación por grupo de edad (%)

	2002			2004			2006			2008			2010		
	Jóvenes (15-29)	Adultos (30+)	Total	Jóvenes (15-29)	Adultos (30+)	Total	Jóvenes (15-29)	Adultos (30+)	Total	Jóvenes (15-29)	Adultos (30+)	Total	Jóvenes (15-29)	Adultos (30+)	Total
Alemania	34,4	22,6	24,2	33,0	24,1	25,4	33,4	25,0	26,3	29,9	23,8	24,6	44,2	21,3	24,9
Austria	38,1	45,0	43,8	43,0	33,9	35,5	40,2	40,1	40,1	31,1	35,9	34,7			
Bélgica	24,7	28,9	27,9	19,8	29,3	27,2	29,2	29,5	29,4	18,0	29,2	27,2	24,0	24,1	24,1
Bulgaria							21,2	21,6	21,5	21,0	23,7	23,4	18,1	20,1	19,9
República Checa	25,8	24,3	24,5	23,9	27,7	27,1				28,8	25,7	26,3	18,2	20,8	20,3
Chipre							11,6	22,3	19,8	8,9	24,4	20,6	10,8	20,7	18,6
Croacia										13,6	17,1	16,3	6,3	17,5	15,5
Dinamarca	28,3	25,6	26,0	25,0	16,8	18,2	31,8	20,9	22,2	33,1	19,6	21,5	38,6	23,9	25,6
Eslovaquia				22,3	27,9	26,6	17,8	27,8	25,5	22,2	23,8	23,6	27,5	19,4	20,6
Eslovenia	20,1	33,0	29,9	20,6	27,5	25,9	23,3	26,5	25,8	24,8	26,9	26,4	20,2	21,9	21,6
España	37,2	45,6	43,6	40,7	45,1	44,1	46,3	43,4	44,2	42,8	42,6	42,6	35,8	35,5	35,5
Estonia				25,9	24,4	24,7	30,5	24,7	25,9	32,9	29,6	30,2	23,7	20,4	21,0
Finlandia	16,5	34,6	31,2	21,3	27,1	26,2	19,4	23,9	23,0	16,4	24,5	23,1	18,4	23,1	22,4
Francia	9,6	31,7	27,0	15,4	34,9	31,7	11,4	28,3	25,3	22,8	28,5	27,5	16,6	32,2	29,7
Grecia	33,8	48,2	45,2	18,1	38,3	34,9				24,4	37,3	34,6	18,1	30,6	28,7
Hungría	21,5	24,1	23,6	24,2	24,3	24,3	17,3	12,5	13,5	16,9	21,7	20,8	5,5	6,9	6,6
Irlanda	25,4	38,6	35,6	21,9	42,0	36,9	20,9	32,4	29,6	10,5	28,3	25,1	16,6	23,7	22,1
Islandia				34,9	30,0	31,1									
Israel	31,2	31,4	31,4							22,9	28,4	27,0	24,2	27,3	26,5
Italia	45,2	54,7	53,3	35,9	45,5	43,8									
Letonia							25,1	19,4	20,9	13,5	16,8	16,3			
Lituania										12,4	7,5	8,5	13,1	15,4	15,1
Luxemburgo	39,2	41,3	40,9	39,6	45,4	43,8									
Noruega	14,3	25,1	23,1	13,0	24,3	22,5	9,5	21,8	19,4	15,0	20,2	19,3	16,0	15,4	15,5
Paises Bajos	46,5	53,5	52,1	41,3	49,0	47,6	49,1	48,4	48,5	39,7	49,2	47,4	45,0	48,2	47,7
Polonia	46,6	58,6	55,6	41,5	54,7	51,1	34,9	54,2	48,9	34,7	49,1	45,1	23,2	45,9	40,1
Portugal	58,7	64,2	62,8	55,7	62,4	60,9	50,9	57,2	55,9	42,9	57,6	54,8	36,6	58,9	54,9
Reino Unido	45,4	47,8	47,3	34,4	48,5	45,1	35,7	36,8	36,6	32,3	33,9	33,6	25,5	34,1	32,4
Rumania							31,1	26,1	27,1	29,4	34,3	33,3			
Rusia, Federación de							11,8	8,6	9,3	8,1	6,5	6,8	9,1	8,3	8,5
Suecia	21,5	39,6	36,9	18,2	35,4	32,5	18,7	34,0	31,6	16,3	33,0	30,0	19,7	25,3	24,5
Suiza	47,4	32,6	34,9	33,6	31,5	31,8	34,4	31,4	31,9	35,8	34,3	34,6	42,2	26,3	29,2
Turquía				43,8	54,1	50,4				48,4	58,1	55,2			
Ucrania				4,0	4,7	4,6	5,5	5,3	5,4	10,0	7,1	7,8	2,4	2,4	2,4

Fuente: Cálculos de la OIT basados en la Encuesta Social Europea (Norwegian Social Science Data Services, 2002; 2004; 2006; 2008; 2010).

La sobreeducación aumenta y la subeducación disminuye entre los jóvenes

Gráfico 12. Incidencia media del desajuste de las competencias (grupo de edad 15-29, %)

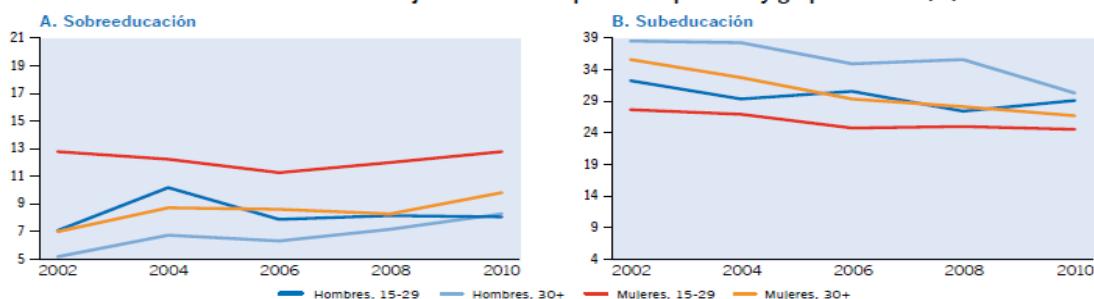


Nota: El gráfico muestra promedios no ponderados basados en datos de países que figuran en las cinco rondas de la ESE (Alemania, Bélgica, Dinamarca, Eslovenia, España, Finlandia, Hungría, Irlanda, Noruega, Países Bajos, Polonia, Portugal, Reino Unido, Suecia y Suiza); la zona sombreada muestra el grado de incidencia en los distintos países. Los puntos señalados fuera de las zonas sombreadas representan países con una incidencia considerablemente diferente del desajuste de las competencias respecto de otros países en una ronda específica de la encuesta. Estos valores atípicos tienen incidencia ya sea por encima de $p_{75} + 1.5 \times RIC$ o por debajo de $p_{25} - 1.5 \times RIC$, donde p_{25} y p_{75} son, respectivamente, los percentiles 25 y 75 de la distribución de incidencia en una ronda dada y RIC es el rango intercuartil (véase, $P_{75} - P_{25}$). Los valores atípicos no se han incluido en los valores medios.

Fuente: Cálculos de la OIT basados en la Encuesta Social Europea (Norwegian Social Science Data Services, 2002; 2004; 2006; 2008; 2010).

La sobreeducación es más frecuente entre las mujeres jóvenes, mientras que la subeducación se da más entre los hombres jóvenes

Gráfico 13. Incidencia media del desajuste de las competencias por sexo y grupo de edad (%)



Nota: El gráfico muestra promedios no ponderados basados en datos de países que figuran en las cinco rondas de la ESE (Alemania, Bélgica, Dinamarca, Eslovenia, España, Finlandia, Hungría, Irlanda, Noruega, Países Bajos, Polonia, Portugal, Reino Unido, Suecia y Suiza). Los países con una incidencia del desajuste de las competencias muy distinta de la de otros países que han participado en la misma ronda en como mínimo una de las cuatro categorías que se comparan (hombres jóvenes, mujeres jóvenes, hombres adultos y mujeres adultos) están excluidos del cálculo de los valores medios para dicha ronda. Estos valores atípicos tienen incidencia ya sea por encima de $p_{75} + 1.5 \times RIC$ o por debajo de $p_{25} - 1.5 \times RIC$, donde p_{25} y p_{75} son, respectivamente, los percentiles 25 y 75 de la distribución de incidencia en una ronda dada y RIC es el rango intercuartil (véase, $P_{75} - P_{25}$). Los valores atípicos corresponden a Alemania (ronda 1), Bélgica (ronda 5), Dinamarca (ronda 4), Irlanda (rondas 3-5) y Reino Unido (ronda 3).

Fuente: Cálculos de la OIT basados en la Encuesta Social Europea (Norwegian Social Science Data Services, 2002; 2004; 2006; 2008; 2010).

Cuadro 6. Tendencias por país de la incidencia del desajuste de las competencias en los jóvenes (15 a 29 años)

	Tendencia de la sobreeducación		Tendencia de la subeducación	
	En aumento	En disminución	En aumento	En disminución
Austria				X
Bulgaria	X			X
Dinamarca	X			X
Eslovaquia				X
Eslovenia	X			
España				X
Estonia		X		
Grecia			X	
Hungría				X
Noruega			X	
Polonia				X
Portugal	X			X
Reino Unido				X
Suiza			X	

Las tendencias sólo figuran si se dan en las cuatro rondas, o en las cuatro últimas rondas observables, o en las rondas 3-5.

Nota: Véase anexo C, cuadro C3 para el cuadro completo.

Education to Employment: Getting Europe's Youth into Work - McKinsey Center for Government - June 2016

Exhibit 1

An increasing proportion of the working-age population wants to work

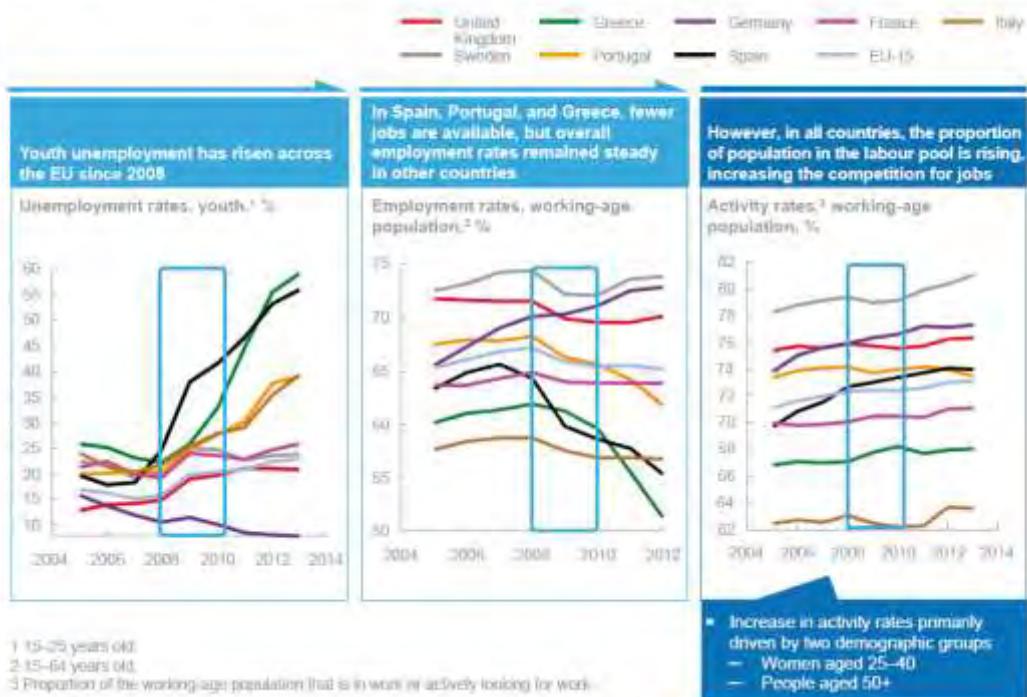
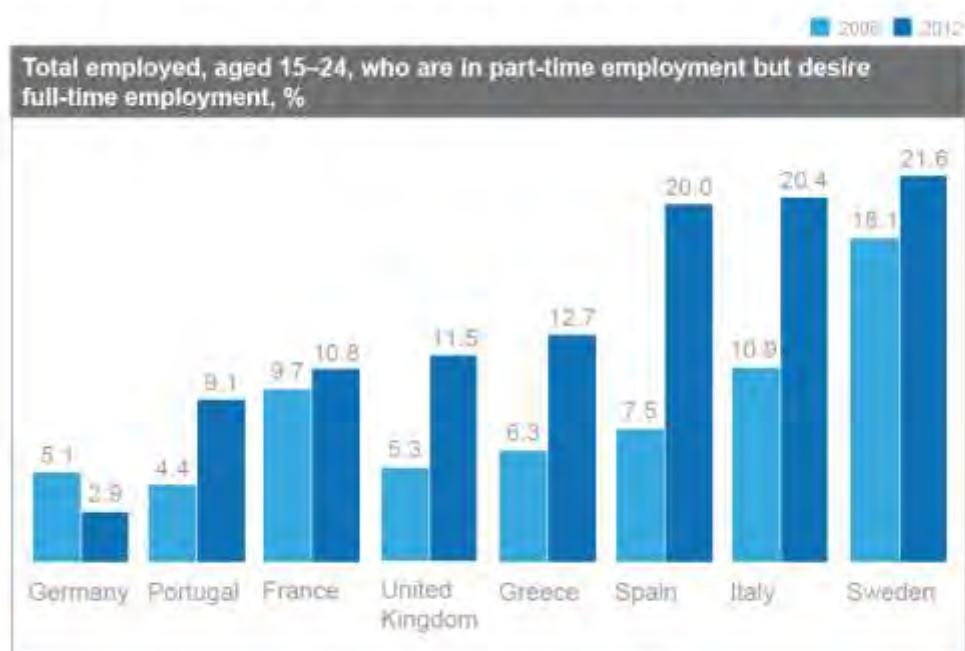


Exhibit 2

Many have part-time work but want full-time employment



Source: Eurostat

Exhibit 4

Only 20% of young people are satisfied with their outcomes



Exhibit 21

Young people are attracted to several post-secondary and professional degrees

Youth who are attracted to each occupation,¹ %

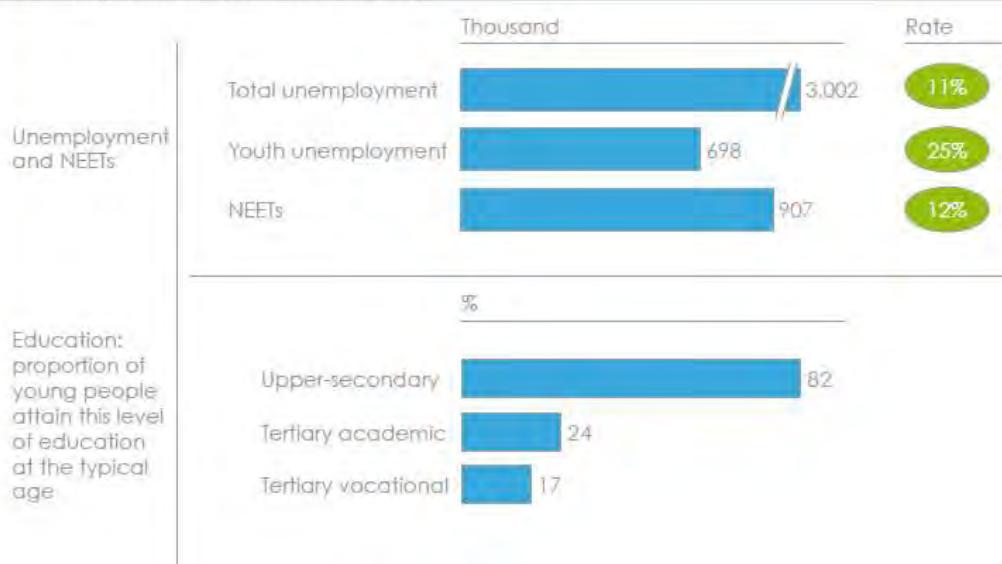
	Occupation	Germany	France	United Kingdom	Spain	Italy	Greece	Portugal	Sweden
Professional degree	Engineer	59	61	41	57	46	51	58	50
	Doctor/surgeon	51	59	40	47	46	54	49	37
	Lawyer	55	50	41	42	40	41	44	38
	Accountant	49	42	38	52	52	40	50	26
Master's	School teacher	48	45	45	60	51	56	45	29
	Financial analyst	55	39	41	56	54	48	42	27
Bachelor's	Web developer	58	57	43	67	61	62	60	45
	Graphic designer	57	54	36	63	56	52	54	44
	IT technician	60	53	46	58	58	64	58	45
	Social worker	48	46	36	54	42	50	45	33
2-3-year post-secondary	Police officer	50	47	36	51	49	34	46	42
	Medical assistant	53	49	38	46	45	37	47	30
	Teacher assistant	44	41	38	57	50	41	43	24
	Health-care technician	44	43	31	54	42	37	53	25
Certificates	Secretary	44	45	38	57	57	54	61	35
	Electrician	44	40	31	41	43	41	41	35
	Mechanic	48	35	28	49	42	46	41	31
	Construction worker	40	37	25	41	42	26	32	35
Services	Sales representative	48	39	40	46	45	48	44	40
	Customer service	49	43	51	58	54	56	55	38
	Food-service worker	51	43	38	54	59	46	47	42
	Hotel staff	40	43	37	60	58	51	60	42

1 % who find the field attractive or have applied for a position in it/% who are familiar with it.

Source: McKinsey survey Aug–Sept 2012, 2013

France

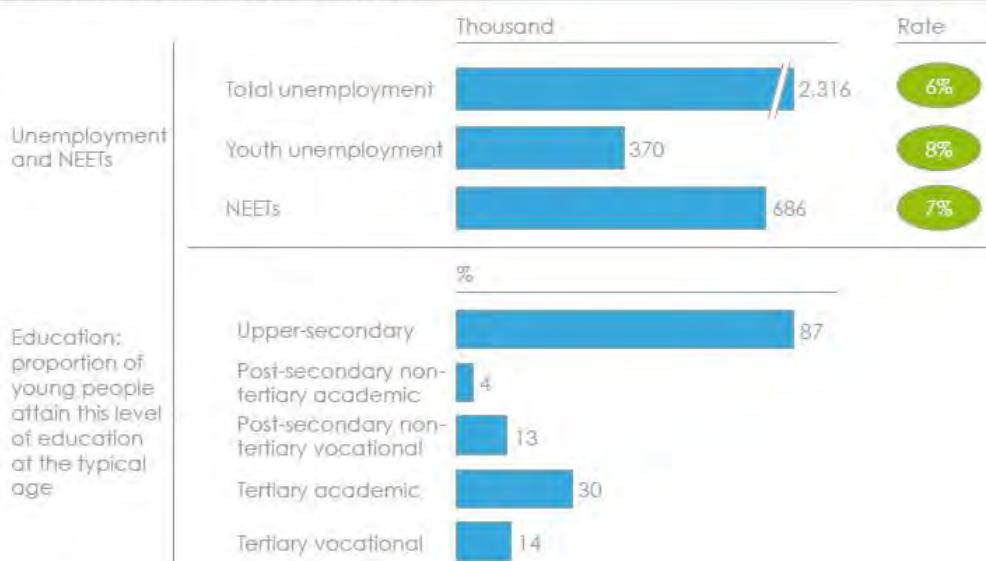
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24; Education: *Quand l'école est finie... Premiers pas dans la vie active d'une génération*, enquête 2010, Cereq

Germany

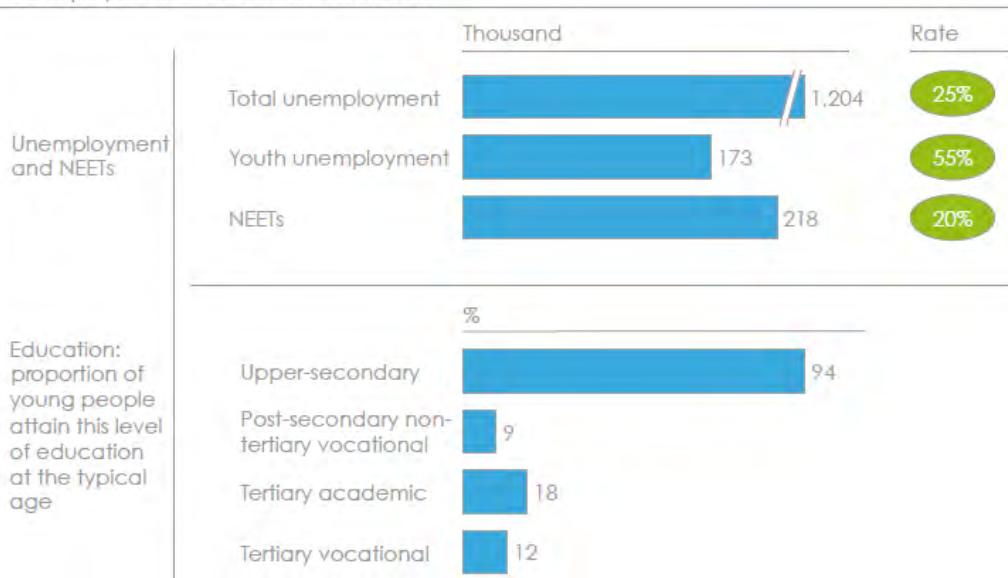
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24; Education: OECD 2010 age-specific graduation rates

Greece

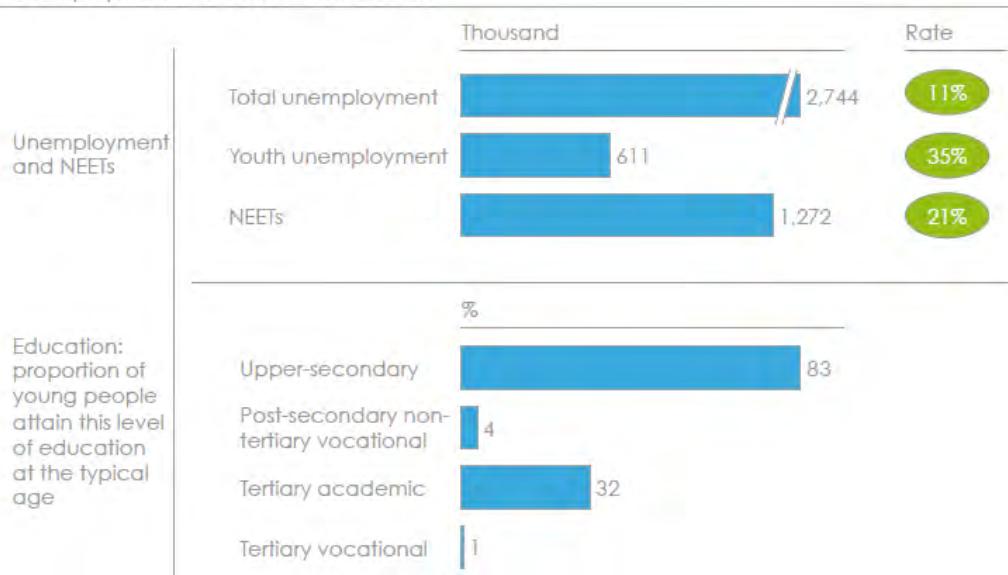
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates except for Tertiary from 2007

Italy

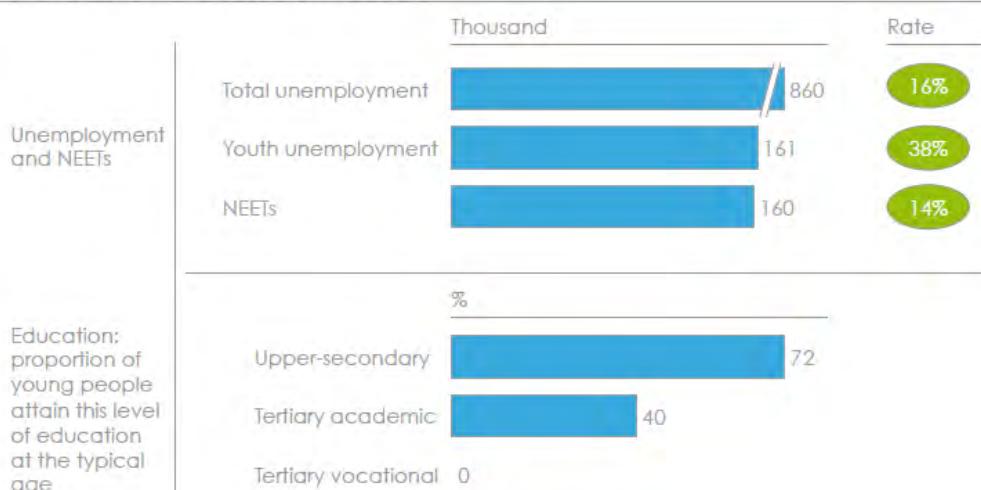
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates

Portugal

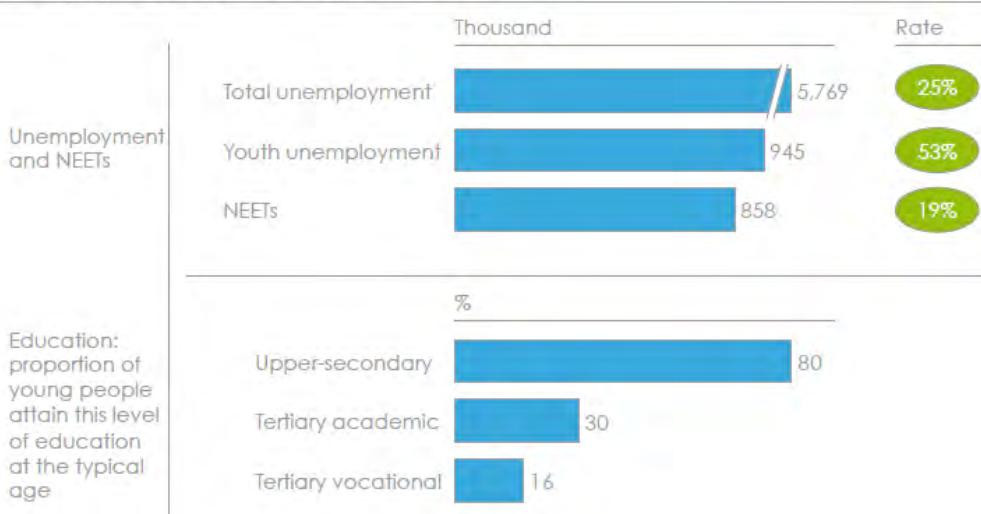
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates, PORTDATA

Spain

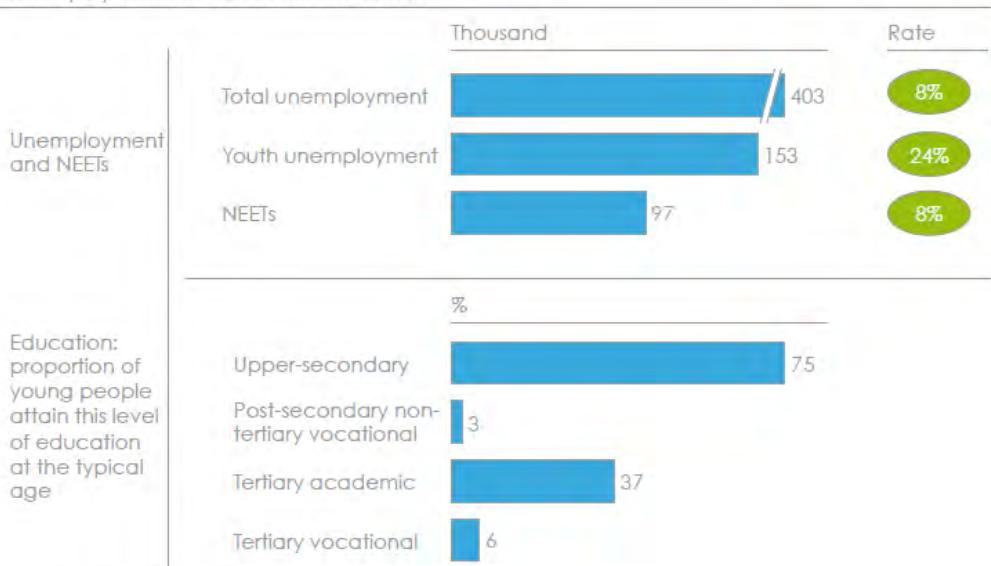
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates

Sweden

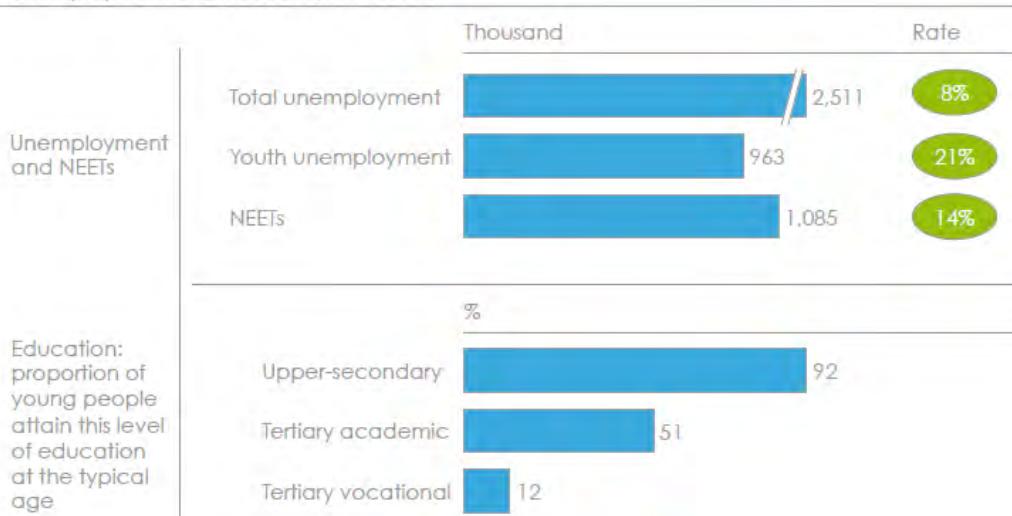
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates

United Kingdom

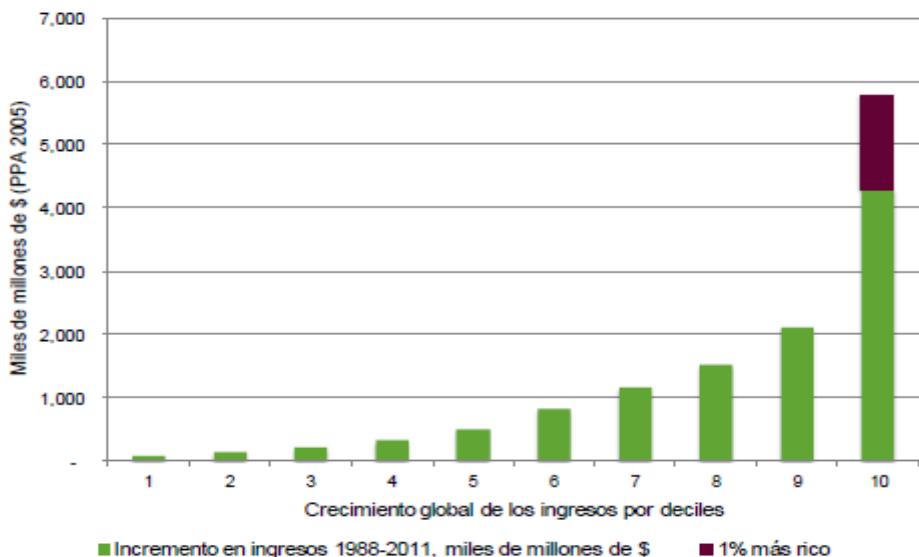
Unemployment and education indicators



Sources: Unemployment: Eurostat LFS 2012; NEET total figures: ILO 2012 15-24; NEET rate: LFS 2012 15-24;
Education: OECD 2010 age-specific graduation rates

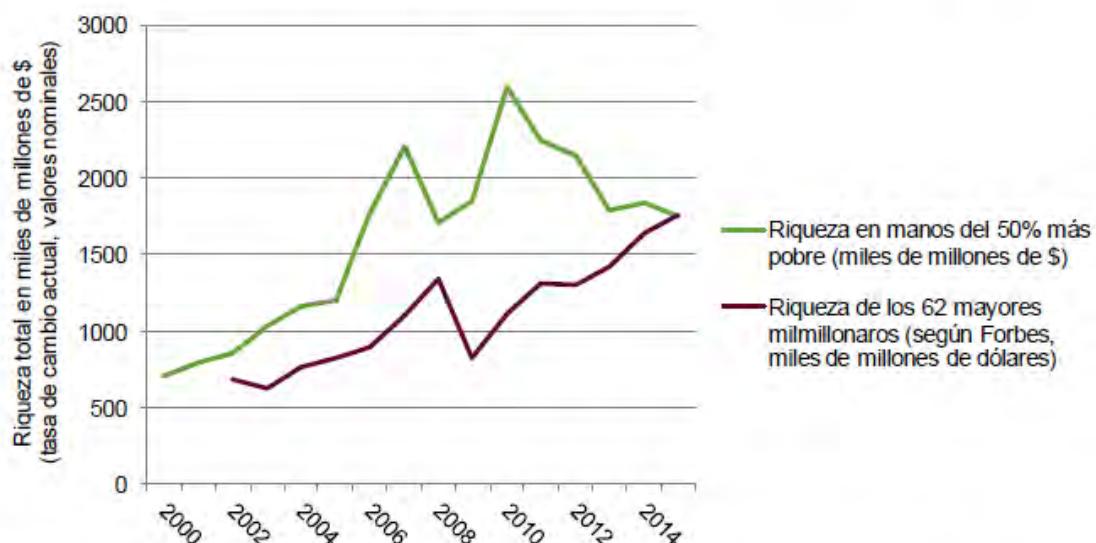
Una economía al servicio del 1% - Acabar con los privilegios y la concentración de poder para frenar la desigualdad extrema - Intermon Oxfam - Febrero 2016

Gráfico 1: Incremento de los ingresos mundiales acumulados que han ido a parar a cada decil entre 1988 y 2011: el 46% del incremento total fue a parar a manos del 10% más rico



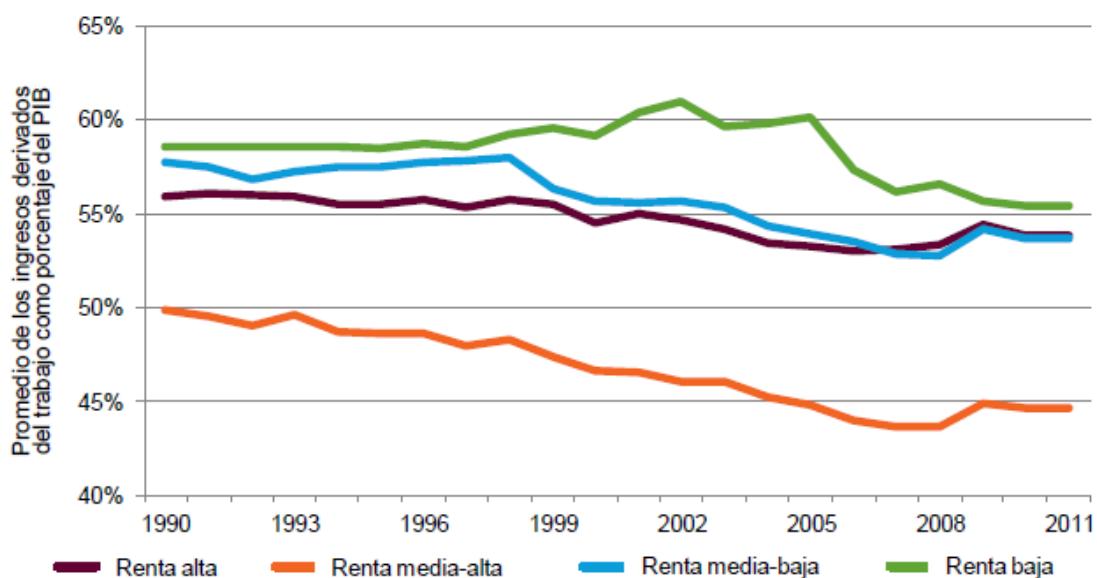
Fuente: cálculos de Oxfam basados en la base de datos del grupo de expertos mundiales sobre distribución de los ingresos (World Panel Income Distribution; LM-WPID) de Lakner-Milanovic (2013). Creado por C. Lakner and B. Milanovic (2013) "La distribución global del ingreso desde la caída del muro de Berlín a la gran recesión". Banco Mundial. Los datos de 2011 proceden de correspondencia personal con B. Milanovic en septiembre de 2015. Los cálculos han sido realizados por Sophia Ayele; podrá encontrar más información sobre la metodología utilizada para elaborar este gráfico en la nota metodológica adjunta.

Gráfico 3: La riqueza de las 62 personas más ricas sigue aumentando, mientras que la que se encuentra en manos de la mitad más pobre de la población mundial se ha estancado



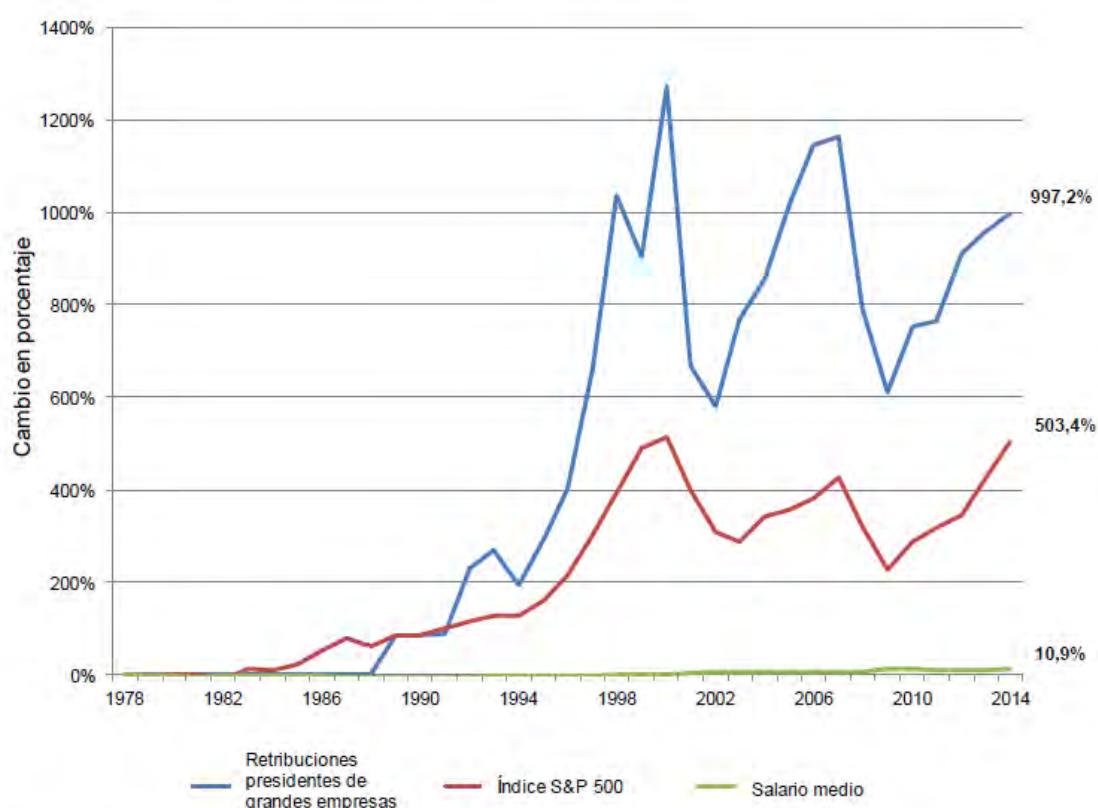
Fuentes: Los datos sobre la riqueza del 50% más pobre de la población están extraídos del "Global Wealth Databook 2015" de Credit Suisse. Los datos sobre la riqueza neta de las 62 personas más ricas del mundo proceden de la lista anual de milmillonarios elaborada por Forbes.

Gráfico 4: Ingresos derivados del trabajo como porcentaje del PIB en distintos países, 1988–2011



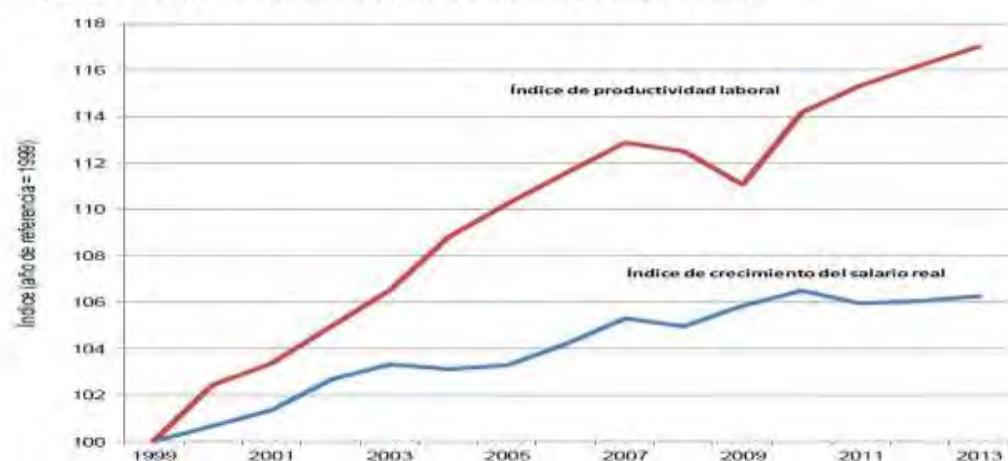
Fuente: Penn World Table. Feenstra, Robert C., Robert Inklaar y Marcel P. Timmer (2015), "The Next Generation of the Penn World Table" en la próxima American Economic Review, que puede descargarse en www.ggdc.net/pwt

Gráfico 5: En Estados Unidos, los incrementos salariales de los presidentes de grandes empresas superan con mucho los del salario medio



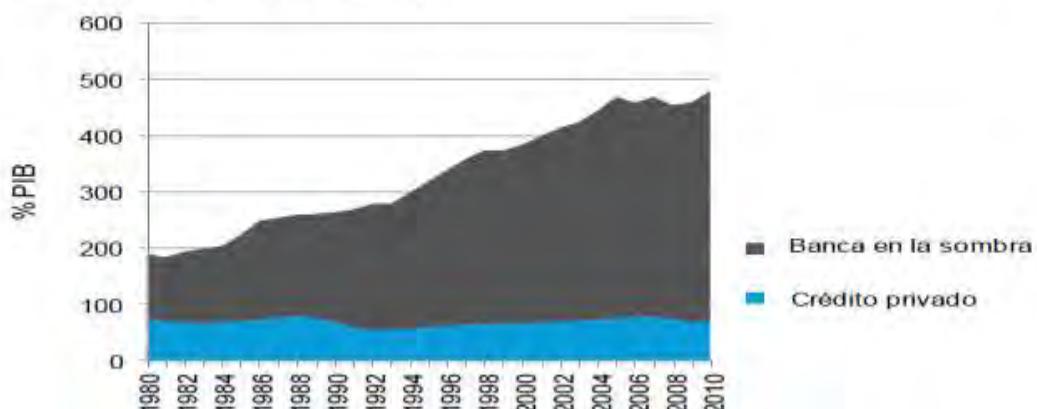
Fuente: Copiado de L. Mishel y A. Davis (2015) "CEO Pay Has Grown 90 Times Faster than Typical Worker Pay Since 1978" EPI. <http://www.epi.org/publication/ceo-pay-has-grown-90-times-faster-than-typical-worker-pay-since-1978/>

Gráfico 6: En los países desarrollados, la productividad de los trabajadores ha aumentado, pero sus salarios no han mantenido el mismo ritmo.



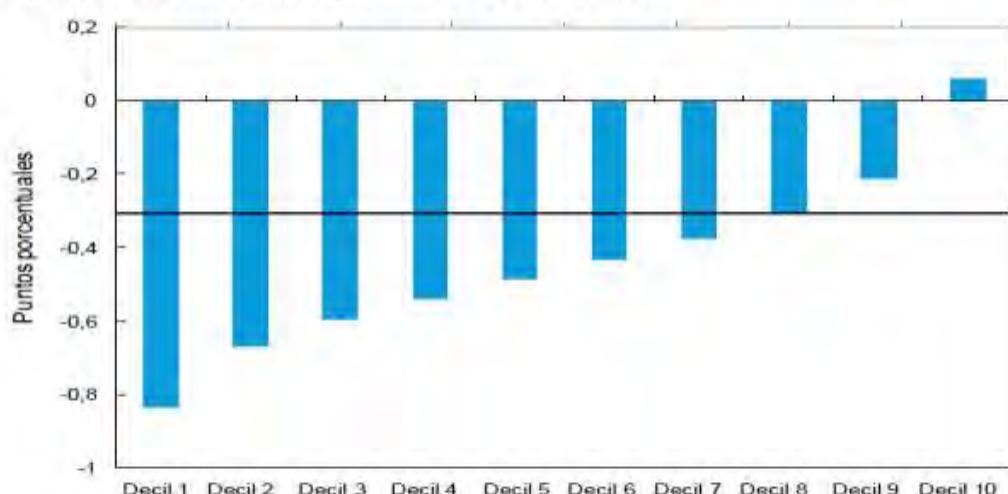
Fuente: Reproducción del gráfico 7, Informe mundial sobre salarios de la OIT 2014-15. Base de datos sobre salarios mundiales de la OIT. Tendencia de los modelos económicos de la OIT, abril de 2014.

Gráfico 7: El crecimiento del sector financiero como porcentaje del PIB en Estados Unidos se ha visto impulsado por el incremento de la banca en la sombra, más que por el aumento del crédito privado



Fuente: R. Sahay et al. (2015) "Reconsiderando la profundización financiera", FMI

Gráfico 8: La maldición financiera – el mayor tamaño del sector financiero perjudica a los más pobres y beneficia a los más ricos¹⁵¹



Nota: Los efectos simulados de la expansión del crédito y del mercado bursátil difieren en función de los niveles de renta; el gráfico muestra la relación entre el aumento de los ingresos de los hogares en los distintos deciles si se produce un incremento equivalente al 10% del PIB en el crédito. Fuente: <http://www.oecd.org/eco/How-to-restore-a-healthy-financial-sector-that-supports-long-lasting-inclusive-growth.pdf>

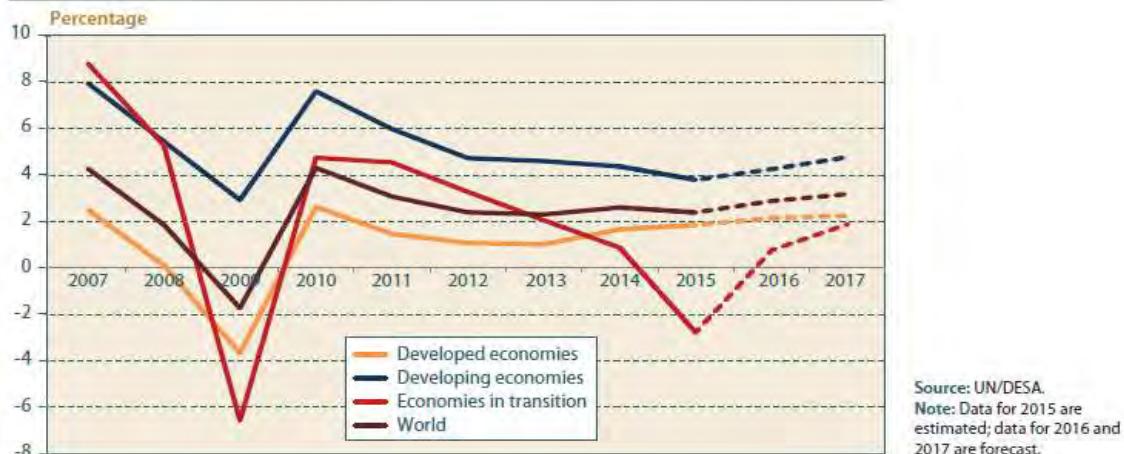
World Economic Situation and Prospects 2016 - ONU

Prospects for the world economy in 2016–2017

Global growth stumbles

The world economy stumbled in 2015, amid weak aggregate demand, falling commodity prices and increasing financial market volatility in major economies. The world gross product is projected to grow by a mere 2.4 per cent in 2015 (figure I.1 and table I.1), marking a downward revision from the 2.8 per cent forecast in the *World Economic Situation and Prospects as of mid-2015* (United Nations, 2015a). The growth rates of gross fixed capital formation and aggregate demand continue to remain subdued. The world economy is projected to grow by 2.9 per cent in 2016 and 3.2 per cent in 2017, supported by generally less restrictive fiscal and still accommodative monetary stances worldwide. The anticipated timing and pace of normalization of the United States monetary policy stance is expected to reduce policy uncertainties, while preventing excessive volatility in exchange rates and asset prices. While the normalization will eventually lead to higher borrowing costs, rising interest rates should encourage firms to front-load investments in the short run. The improvement in global growth is also predicated on easing of downward pressures on commodity prices, which should encourage new investments and lift growth, particularly in commodity-dependent economies.¹

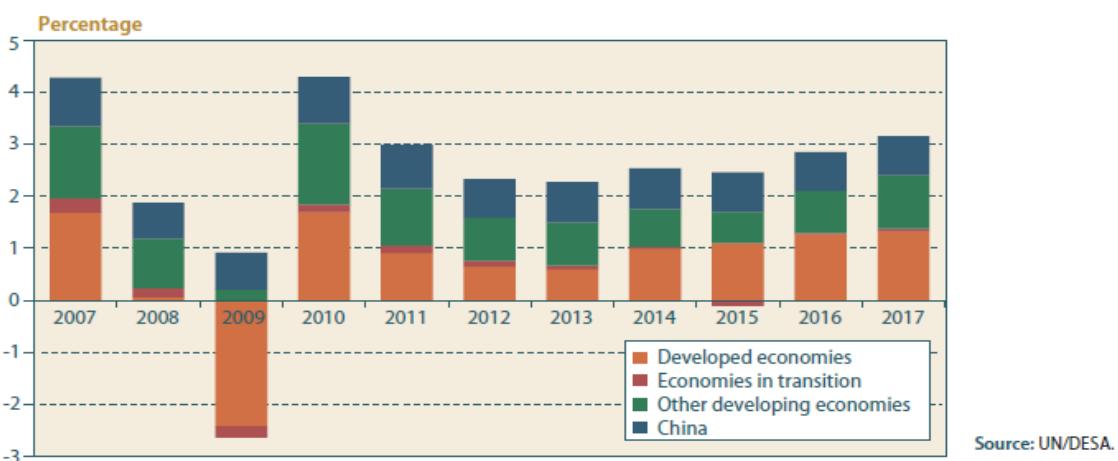
Figure I.1
Growth of world gross product and gross domestic product by country grouping, 2007–2017



¹ The key assumptions underlying this outlook are detailed in the appendix to this chapter.

Source: UN/DESA.
Note: Data for 2015 are estimated; data for 2016 and 2017 are forecast.

Figure I.2
Contribution to global growth, 2007–2017



Source: UN/DESA.

Figure I.3
Global consumer price inflation, 2006-2017^a

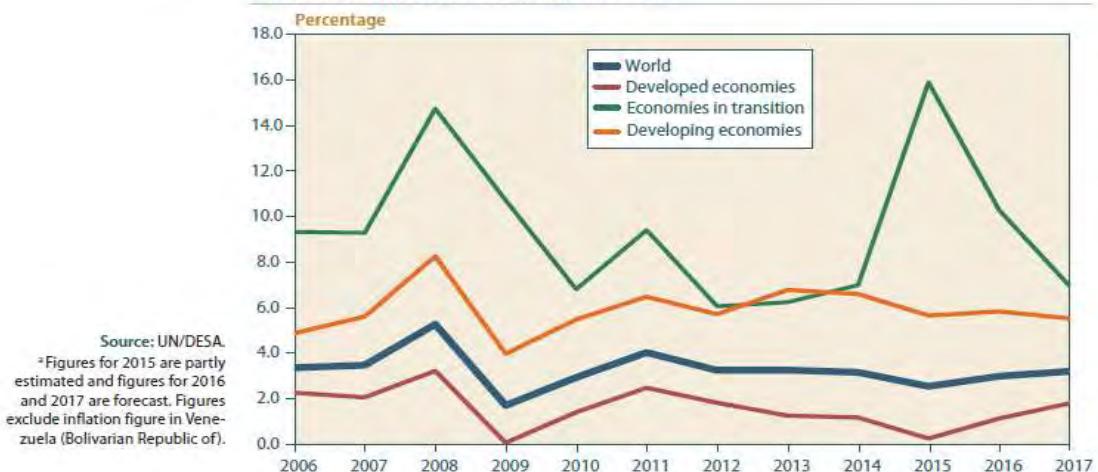


Figure I.4
Global employment gap, 1999–2019

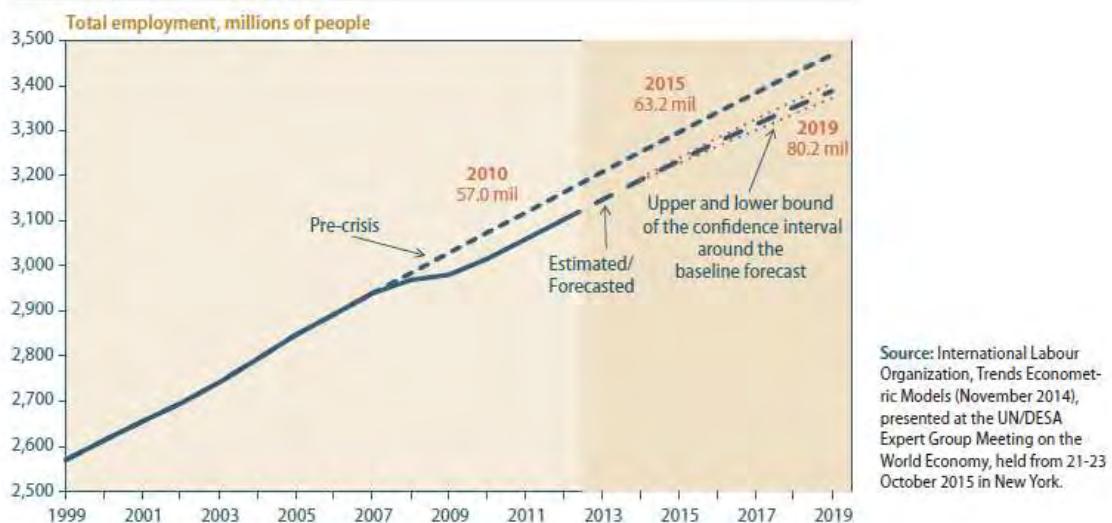


Figure I.5
Total unemployment by regions, 2007–2019

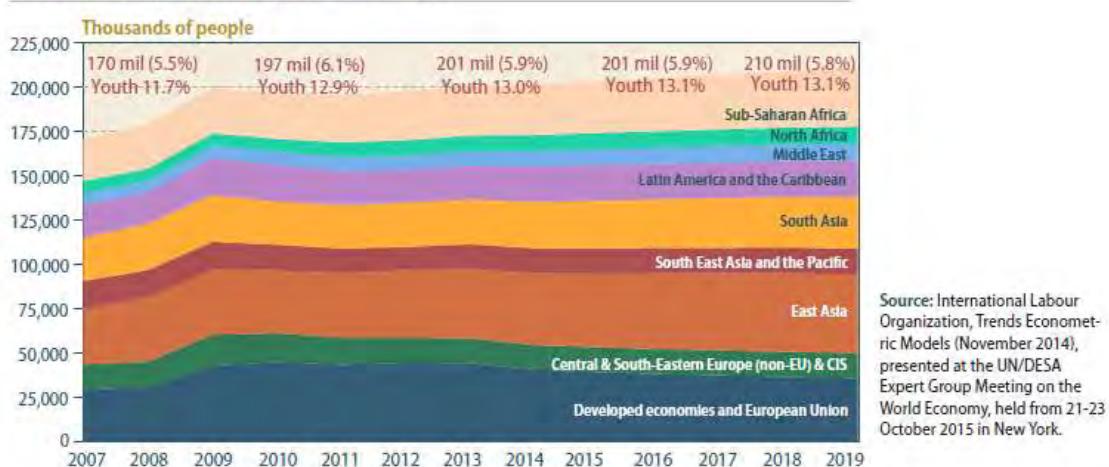


Table I.2
Key macroeconomic volatilities before and after the crisis

		Developed 20		Developing 20	
		2002 Q3: 2007 Q4	2010 Q1: 2015 Q2	2002 Q3: 2007 Q4	2010 Q1: 2015 Q2
Output growth	Mean	2.8	1.3	6.3	4.3
	Volatility	1.2	1.5	2.9	2.6
Consumption growth	Mean	2.6	1.0	6.5	4.1
	Volatility	1.0	1.4	2.7	3.7
Investment growth	Mean	4.4	0.9	10.9	5.6
	Volatility	4.3	4.6	8.5	7.3
Inflation	Mean	1.9	1.6	6.9	6.6
	Volatility	0.6	1.1	3.3	2.9
M2 growth	Mean	7.9	3.5	20.9	14.4
	Volatility	2.9	2.7	7.8	5.2

Source: UN/DESA calculations.

Note: Volatility is measured as standard deviation.

Figure I.7
Volatility and growth in developed economies, 2010 Q1–2015 Q2

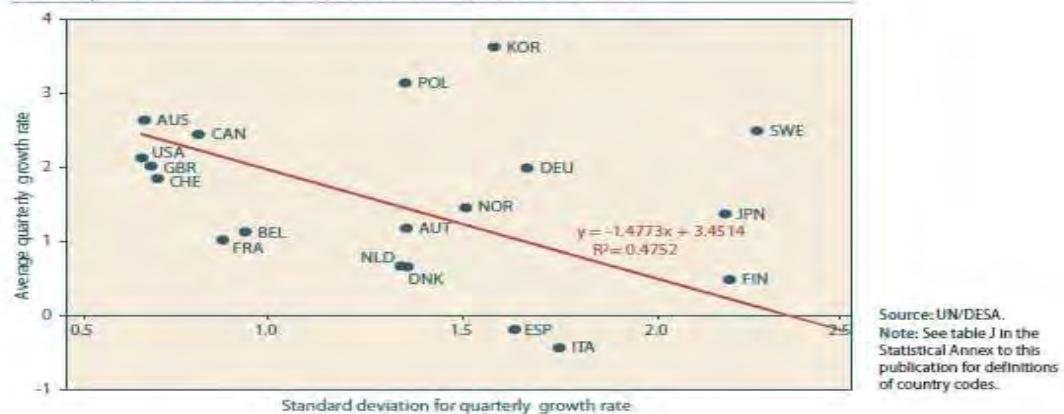


Figure I.8
Volatility and growth in developing economies and economies in transition, 2010 Q1–2015 Q2

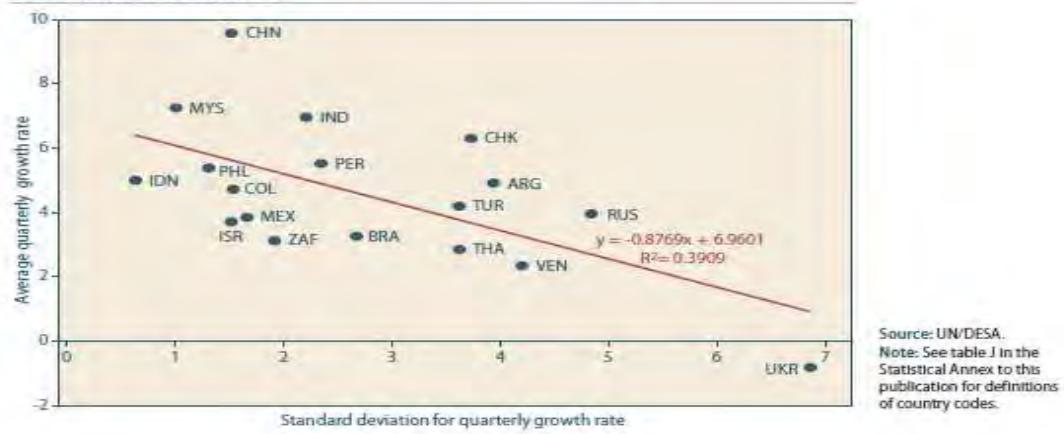


Figure I.9
Regional contributions to world import growth^a

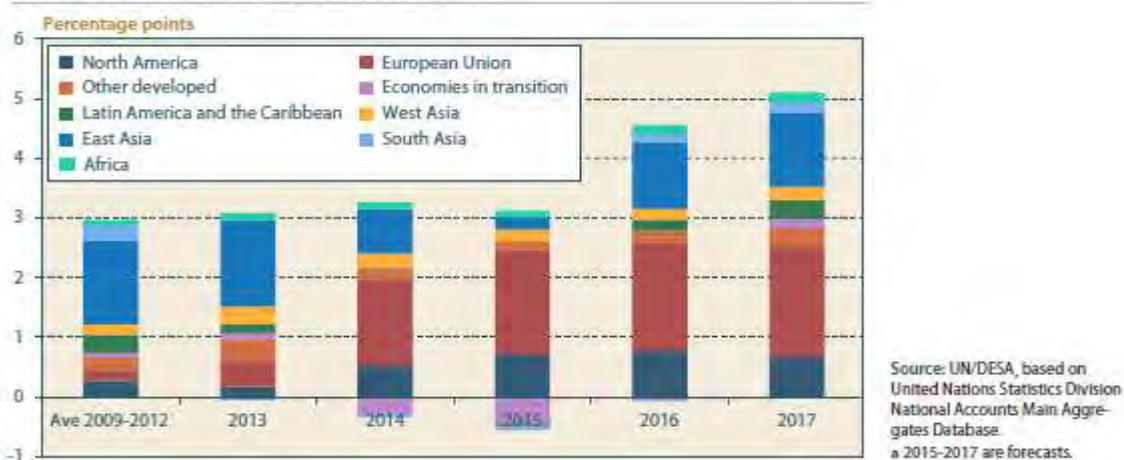


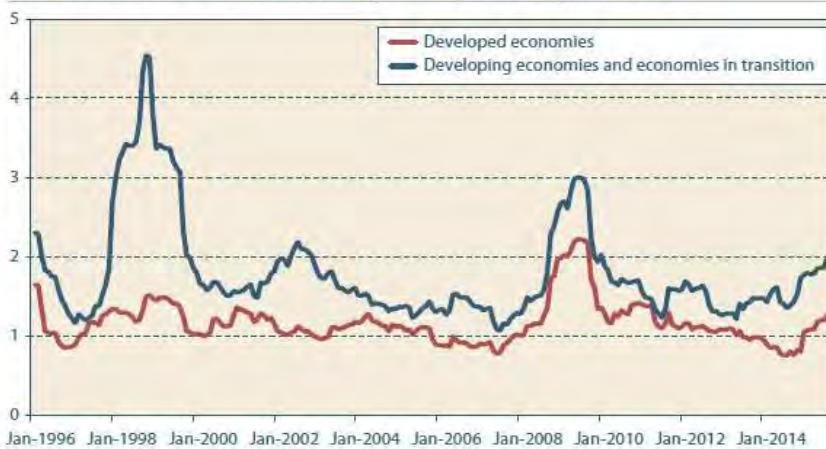
Figure I.10
Price Indices of selected groups of commodities, August 2013–September 2015



Figure I.11
Exchange rates of selected emerging-market currencies vis-à-vis the United States dollar, 1 September 2014–23 November 2015



Figure I.12
Real effective exchange-rate volatility, January 1996–September 2015



Source: UN/DESA, based on data from the Bank for International Settlements (BIS).

Note: The figure is based on monthly BIS data for real effective exchange rates for a total of 60 economies. The volatility is calculated as the standard deviation over a rolling 12-month period of the first difference of the logarithms of the monthly exchange rate. The resulting standard deviations are weighted by the respective country's 2012 share in global trade (exports + imports).

Figure I.13a
Developed countries' fixed investment growth: before and after the crisis

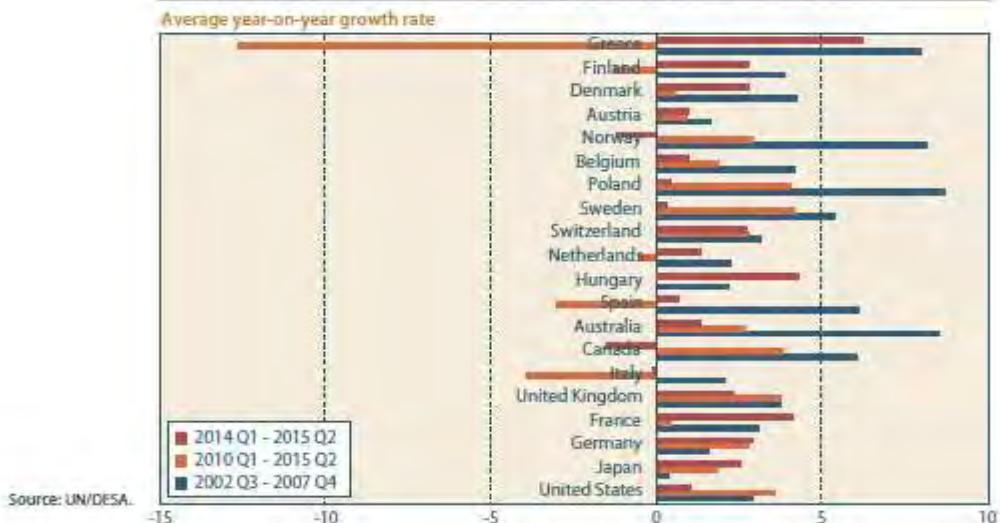


Figure I.13b
Selected other countries' fixed investment growth: before and after the crisis

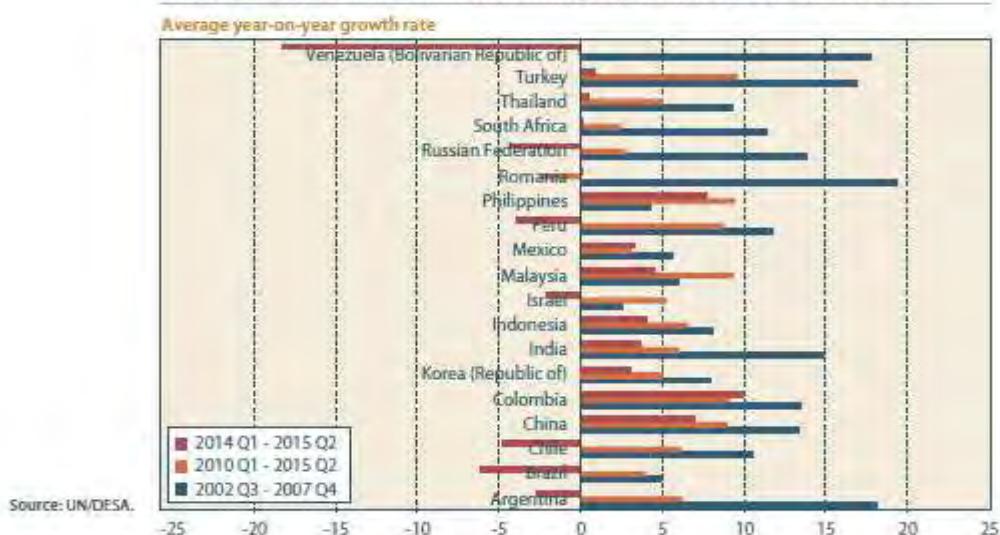


Table I.3
Growth of labour productivity, before and after the crisis

	Average percentage change per year	
	2001–2007	2009–2014
France	1.5	0.9
Germany	1.3	1.2
Japan	1.6	1.2
United Kingdom	2.2	0.3
United States	2.0	0.9
China	9.5	7.4
India	4.4	7.0
Russian Federation	5.4	2.0
South Africa	3.1	1.5

Source: UN/DESA, based on data from OECD and Asian Productivity Organization.

Note: Measured as real GDP per hour worked.

Figure I.14a
Growth accounting at the global level, 2009–2014 and 2002–2007

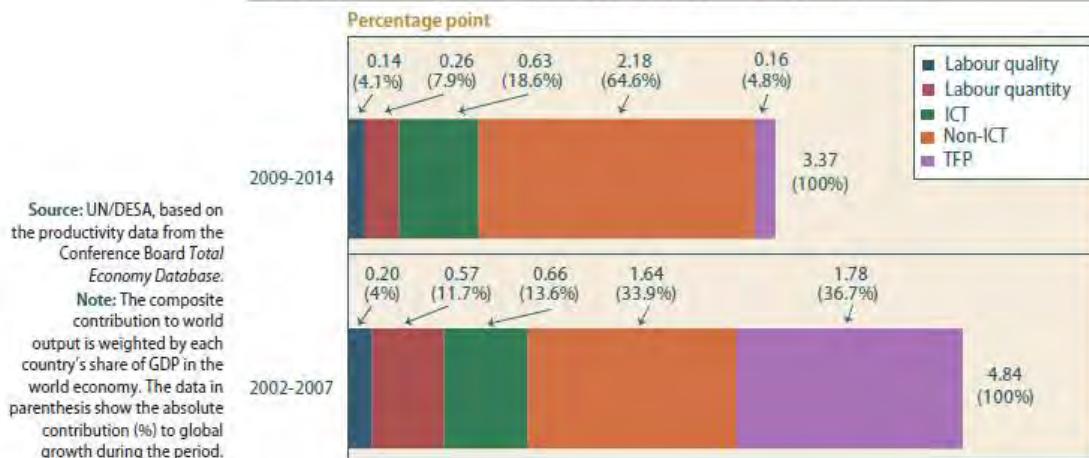
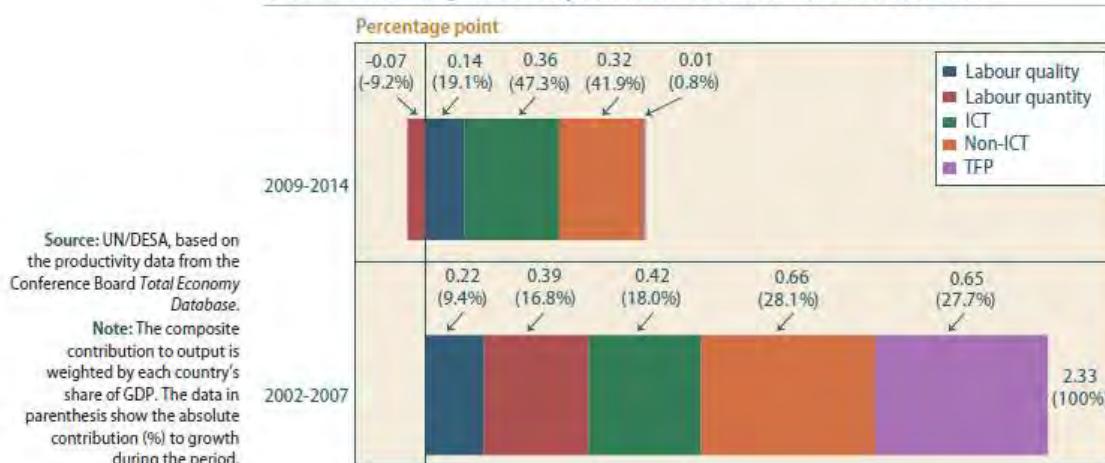


Figure I.14b
Growth accounting for developed economies, 2009–2014 and 2002–2007



Continued disconnect between finance and real sector activities

A growing disconnect between finance and real sector activities is evident in the data: fixed investment growth nearly collapsed (figures I.13a and I.13b), while debt securities (a financial instrument to raise capital) issued by non-financial corporations increased by more than 55 per cent between 2008 and 2014, representing a nearly 8 per cent increase per year (table I.4). One plausible explanation is the weak aggregate demand in developed economies, which has discouraged new investment. Policy uncertainties and the risk of deflation also partly explain the collapse in investment. On the other hand, the structural transformation of economies, with most of the growth coming from the service sector, provides another explanation. Service sectors typically require less capital inputs to produce outputs. Frey (2015), for example, has argued that digital technologies are much less capital-absorbing, creating little new investment demand relative to other revolutionary technologies. But there has been little or no structural transformation in the developed economies since the financial crisis to support this argument. The share of service sectors, including ICT sectors, has remained reasonably constant during the post-crisis period. Summers (2014) blames low real interest rates for the growing disconnect between finance and real sector activities, which, according to him, encourages excessive risk-taking by the financial sector and "greater reliance on Ponzi finance and increased financial instability" (*ibid.*, p. 69). While the low real interest rates since the financial crisis partly explain the rapid build-up of the stock of financial assets—including the build-up of debt-securities and equity prices—it does not explain why this did not lead to investment booms in the developed countries.

The total stock of financial assets worldwide is estimated at \$256 trillion at the end of 2014 (figure I.15), increasing from \$184 trillion at the end of 2008. Total financial assets in the world—measured in terms of all debt securities outstanding, equities and the stock of bank credit—exceeded the pre-crisis level as early as 2010. Given the rapid build-up of financial assets and the decoupling of finance and real sector activities, the world economy again faces the risk of rapid financial deleveraging, as observed at the onset of the financial crisis between the second and fourth quarters of 2008. In G7 economies, the financial sector deleveraging of securities averaged 6.1 per cent of GDP during those periods (figure I.16). In the United Kingdom of Great Britain and Northern Ireland, total deleveraging was as high as 18.3 per cent of GDP in 2008. The data also show a strong correlation between financial sector deleveraging and GDP contraction during the last two quarters of 2008. During the years leading up to the crisis, the financial sectors rapidly increased their

Financial sector recovery
has been swift and has
outpaced real sector
recovery

Table I.4
Global debt securities outstanding

Billions of United States dollars	2002 Q4	2008 Q4	2014 Q4
Total debt securities	42,426	76,532	92,867
<i>issued by:</i>			
Financial corporations	19,664	38,998	36,629
Non-financial corporations	5,585	7,226	11,211
General government	17,001	29,950	44,743
<i>of which:</i>			
International debt securities	7,374	17,648	19,763

Source: UN/DESA, based on the BIS debt securities data.

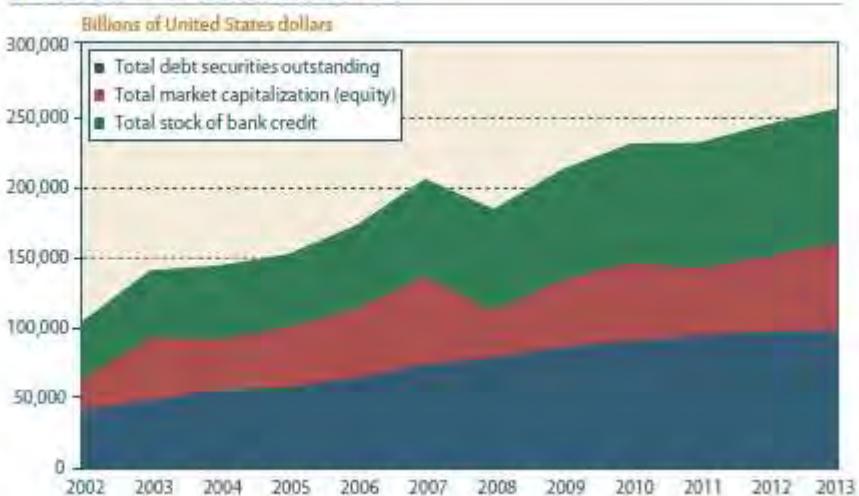
Note: The different types of securities do not add up to the total because of some overlaps of securities issued by financial and non-financial corporations.

leverages to finance activities, including the risky activities by non-bank financial sectors (shadow banks). With the collapse of Lehman Brothers in September 2008, many financial firms were forced to rapidly deleverage as their equity prices collapsed and debt-to-equity ratios skyrocketed. Preliminary UN/DESA estimates suggest that 1 per cent deleveraging is associated with a 0.1 per cent contraction in GDP growth in 16 developed economies, while controlling for changes in credit flows and market capitalization (figure I.17). On the other hand, the correlation between the net change in market capitalization and the net contraction in GDP is very weak, controlling for net changes in leverage and credit stock. One possible explanation is that the fall in market capitalization affects GDP only through indirect channels—mostly wealth effects—and those, too, with a lag.

Deleveraging pressure is on the rise

A similar deleveraging pressure may rise—particularly in developing countries—with increases in the United States policy rates, which may increase the debt-servicing cost and the counter-party risks of borrowing firms. A sudden and disorderly adjustment in equity prices could increase the debt to equity ratio of highly leveraged firms and force them to reduce their debt level to avoid defaults. The deleveraging may increase financial market volatility and have significant negative wealth effects on households and corporations, reducing investment and aggregate demand and possibly pushing the world economy towards an even weaker growth trajectory than currently anticipated.

Figure I.15
The stock of financial assets, 2002–2013



Source: UN/DESA, based on estimates, using the BIS data on debt securities, World Federation of Exchanges data on market capitalization and the Bankscope data on the stock of bank credit.

Figure I.16
Financial sector deleveraging, 2008 Q2–2008 Q4

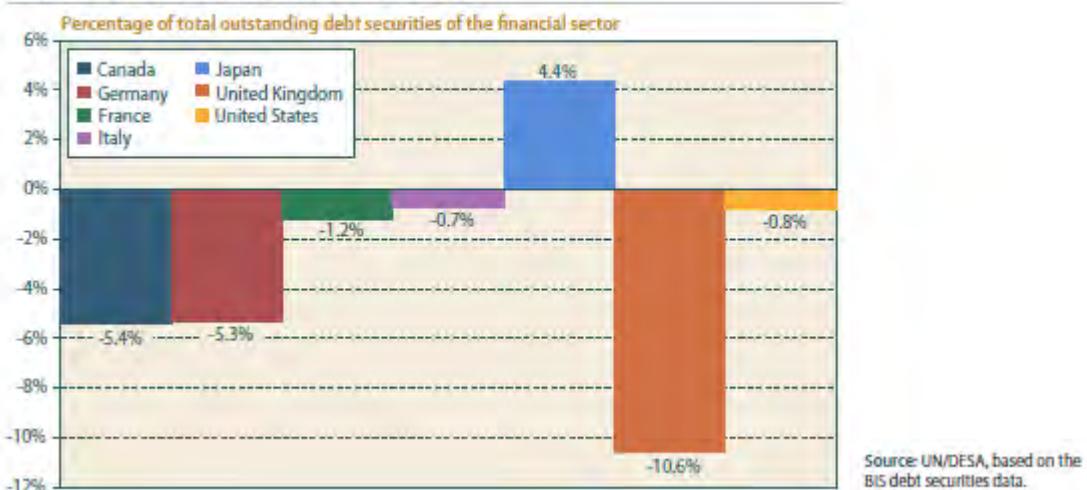


Figure I.22
Net external asset positions as a percentage of world gross product, 2003–2017^a



Figure I.23
Euro area current-account balance (CAB)

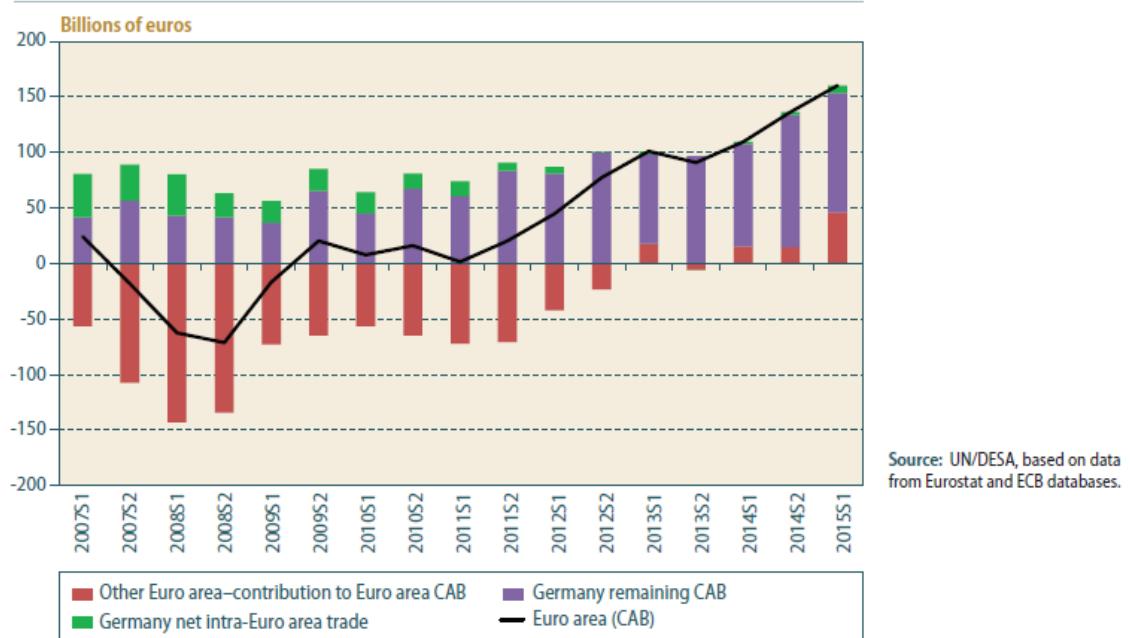
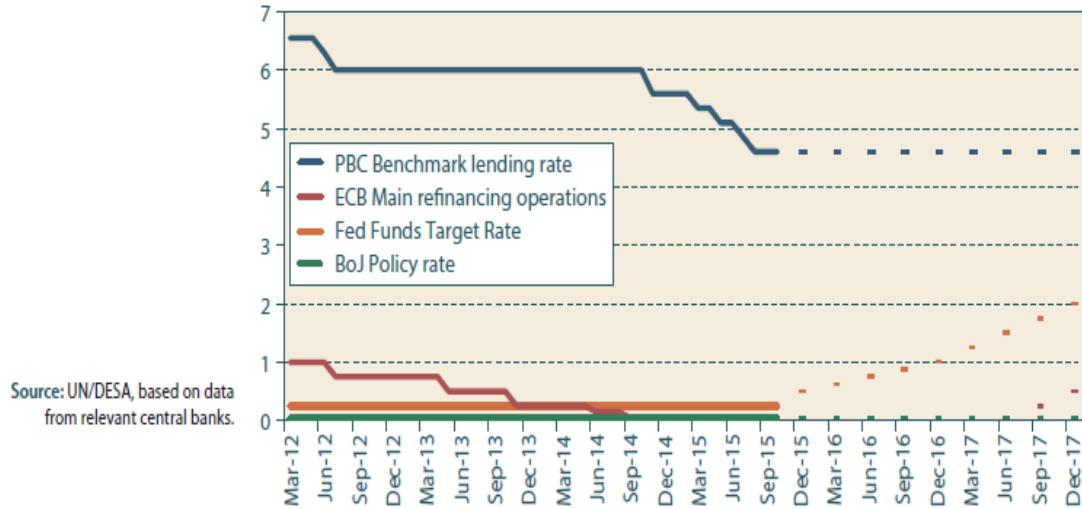
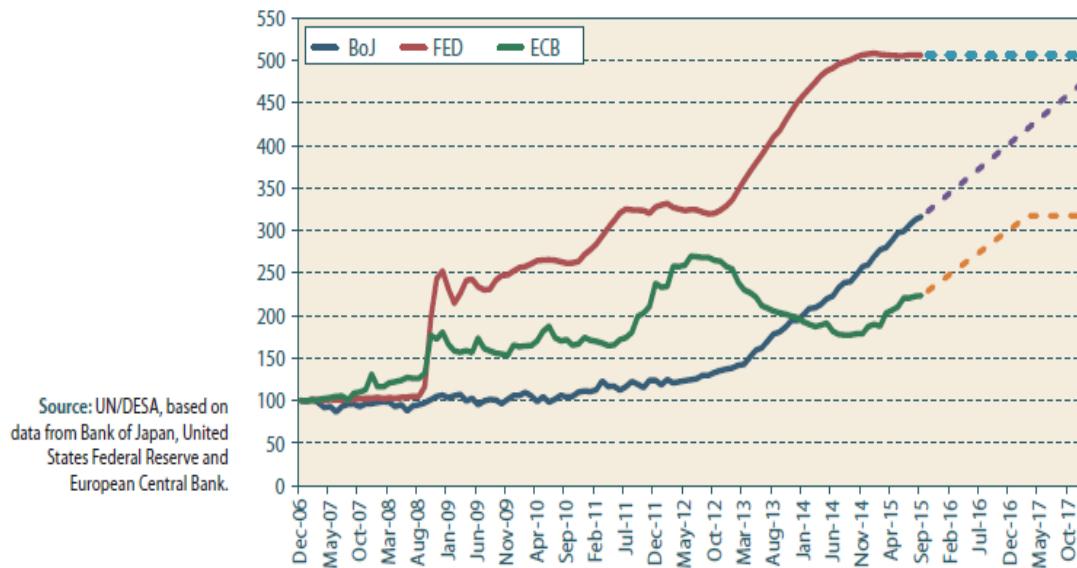


Figure I.A.1
Key policy rates



Source: UN/DESA, based on data from relevant central banks.

Figure I.A.2
Total assets of major central banks, December 2006–December 2017



Source: UN/DESA, based on data from Bank of Japan, United States Federal Reserve and European Central Bank.

Gross domestic product at market prices

At current prices

GDP (gross domestic product) is an indicator for a nation's economic situation. It ... [more](#)

unit	geo	time					Flags	Codes	Labels	Codes & Labels	1.234,56	1.234,56	1.234,56
			2007	2008	2009	2010							
	EU (28 countries)		12,983,210.6	13,053,689.6	12,295,324.0	12,814,106.9	13,189,210.9	13,449,020.2	13,568,603.7	13,987,342.1	14,692,954.2		
	Euro area (changing composition)		9,263,556.1	9,493,917.7	9,228,308.2	9,484,276.9	9,740,740.9	9,782,891.4	9,880,451.8	10,091,112.7	10,454,577.5		
	Euro area (19 countries)		9,400,764.5	9,633,289.0	9,288,120.1	9,544,795.4	9,798,148.2	9,838,208.8	9,938,219.2	10,127,557.0	10,454,577.5		
	Belgium		344,713.0	354,066.0	348,781.0	365,101.0	379,106.0	387,447.0	392,675.0	400,408.0	409,407.0		
	Bulgaria		32,449.1	37,200.1	37,317.7	38,230.5	41,282.0	41,947.2	42,011.5	42,762.2	45,286.5		
	Czech Republic		138,004.0	180,961.5	148,357.4	158,380.7	164,040.5	161,434.3	157,741.8	158,980.0	168,964.1		
	Denmark		233,439.5	241,087.3	230,213.3	241,516.9	246,074.7	252,910.2	255,235.4	260,581.0	266,178.7		
	Germany		2,513,230.0	2,581,740.0	2,460,280.0	2,580,060.0	2,703,120.0	2,758,260.0	2,826,240.0	2,923,930.0	3,032,820.0		
	Estonia		16,246.4	16,517.3	14,145.9	14,716.5	16,967.6	17,034.9	18,860.1	19,758.3	20,251.7		
	Ireland		197,293.4	187,687.2	189,704.3	167,124.3	173,070.2	175,753.0	180,209.3	193,150.0	205,815.2		
	Greece		232,684.0	241,980.4	237,634.2	226,031.4	207,028.9P	191,203.9P	180,854.3P	177,940.6P	175,697.4P		
	Spain		1,080,807.0P	1,116,207.0P	1,079,034.0P	1,080,913.0P	1,070,413.0P	1,039,758.0P	1,026,634.0P	1,037,026.0P	1,075,630.0P		
	France		1,845,670.0	1,995,850.0	1,839,017.0	1,998,481.0	2,059,284.0	2,086,829.0	2,115,256.0	2,139,964.0P	2,181,064.0P		
	Croatia		43,925.8	48,129.8	45,000.7	45,004.3	44,708.6	43,933.7	43,487.1	42,977.8	43,846.9		
	Italy		1,009,550.8	1,032,150.8	1,072,678.3	1,001,514.5	1,037,462.9	1,013,265.0	1,004,599.1	1,020,381.1	1,042,443.8		
	Cyprus		17,591.0	19,006.0	18,873.5	19,290.5	19,731.1	19,487.0	18,118.2	17,987.4	17,637.2P		
	Latvia		22,679.3	24,354.8	18,749.3	17,788.0	20,168.0	22,020.9	22,816.3	23,607.9	24,348.5		
	Lithuania		29,040.7	32,898.3	28,934.8	28,027.7	31,275.3	33,348.2	35,002.1	36,590.0	37,330.5		
	Luxembourg		36,766.1	37,647.4	36,268.2	38,946.6	42,856.4	43,905.0	46,352.6	49,272.8	51,216.2		
	Hungary		101,692.4	107,637.3	93,808.8	98,322.6	100,820.1	99,085.6	101,483.3	104,953.3	109,674.2		

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
Malta		5,757.5	6,128.7	6,138.6	6,599.5	6,874.9	7,208.8	7,671.3	8,092.9	8,788.4
Netherlands		613,280.0	839,183.0	817,540.0	631,512.0	842,929.0	645,164.0	852,748.0	683,008.0	676,531.0P
Austria		282,346.9	291,930.4	280,188.4	294,627.5	308,630.3	317,117.0	322,539.2	330,417.6	339,896.0
Poland		313,874.0	386,182.3	317,082.9	361,744.3	380,176.8	389,273.3	394,601.8	410,856.3	427,737.4
Portugal		175,467.7	178,872.6	175,448.2	179,929.8	176,166.6	168,398.0	170,269.3	173,079.1	179,539.9P
Romania		125,403.4	142,396.3	120,409.2	126,746.4	133,305.9	133,511.4	144,253.5	150,357.5	160,352.8P
Slovenia		35,152.6	37,951.2	36,198.2	38,252.4	36,806.3	36,002.5	36,917.1	37,332.4	38,570.0
Slovakia		56,241.6	66,002.8	64,023.1	67,577.3	70,627.2	72,703.5	74,169.9	75,946.4	78,685.6
Finland		188,584.0	193,711.0	181,029.0	187,100.0	198,869.0	199,793.0	203,338.0	205,364.0	209,149.0
Sweden		356,434.3	352,317.1	309,078.7	369,076.6	404,945.5	423,340.7	435,752.1	432,691.1	446,945.7
United Kingdom		2,237,031.3	1,904,449.7	1,705,456.0	1,833,021.3	1,876,151.1	2,065,736.8	2,046,328.0	2,260,804.8	2,577,280.1
Iceland		15,568.0	10,786.6	9,227.8	10,008.6	10,541.4	11,085.1	11,847.0	12,953.8	15,130.2
Liechtenstein										
Norway		293,128.0	316,813.6	278,386.1	323,587.2	358,248.4	396,678.0	393,397.2	375,894.3	348,332.1
Switzerland		348,864.9	376,326.4	368,781.9	430,140.5	501,642.7	517,390.6	515,616.9	530,038.2P	604,509.5P
Montenegro					3,125.1	3,264.8	3,181.5	3,382.5	3,457.9	3,824.7
Former Yugoslav Republic of Macedonia		6,094.5	6,772.1	6,760.5	7,108.3	7,544.2	7,584.8	8,149.6	8,562.0	9,060.7P
Albania										
Serbia		29,451.6	33,704.5	30,654.7	29,766.3	33,423.8	31,689.1	34,262.9	33,318.6	33,491.0
Turkey										
Kosovo (under United Nations Secy)		3,882.8	4,060.6	4,402.0	4,814.5	5,058.8	5,326.6	5,567.5		

eurostat

Table Graph Map

Gross domestic product at market prices
At current prices

GDP (gross domestic product) is an indicator for a nation's economic situation. It measures the value of all goods and services produced by a country's economy over a specific period of time.

Code: tec0000

unit: Current prices, euro per capita

geo: time

2007 2008 2009 2010 2011 2012 2013 2014 2015

Flags Codes Labels Codes & Labels 1 234,56 1.234,56 1.23

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
EU (28 countries)		26,000	26,100	24,500	25,400	26,100	26,600	26,700	27,500	28,800
Euro area (changing composition)		29,100	29,800	28,200	28,900	29,500	29,500	29,700	30,100	30,800
Euro area (19 countries)		26,400	26,900	27,800	26,500	29,200	29,200	29,500	30,000	30,800
Belgium		32,500	33,100	32,300	33,500	34,500	35,100	35,400	36,800	36,500
Bulgaria		4,300	5,000	5,000	5,200	5,600	5,700	5,800	5,900P	6,300P
Czech Republic		13,400	15,400	14,100	14,900	15,800	15,400	15,000	14,900	15,800
Denmark		42,800	43,900	41,700	43,500	44,200	45,200	45,500	46,200	46,000
Germany		31,000	31,700	30,600	32,100	33,700	34,300	35,000	36,100	37,100
Estonia		12,100	12,300	10,800	11,000	12,500	13,500	14,300	15,000	15,400
Ireland		44,800	41,700	37,400	36,700	37,800	38,300	39,200	41,900	55,100
Greece		21,100	21,600	21,400	20,300	18,600P	17,300P	16,500P	16,300P	16,200P
Spain		23,900P	24,300P	23,300P	23,200P	22,800P	22,200P	22,000P	22,300P	23,200P
France		30,400	31,000	30,000	30,800	31,500	31,800	32,100	32,300P	32,800P
Croatia		10,200	11,200	10,500	10,500	10,400	10,300	10,200	10,200	10,400
Italy		27,400	27,600	26,400	26,800	27,300	26,700	26,500	26,700	27,000
Cyprus		22,900	24,200	23,100	23,300	23,200	22,500	21,000	20,600	20,800P
Latvia		10,300	11,200	8,800	8,500	9,800	10,800	11,300	11,800	12,300
Lithuania		9,000	10,200	8,500	9,000	10,300	11,200	11,800	12,500	12,000
Luxembourg		76,500	77,000	72,800	78,700	82,500	82,600	85,000	88,300	89,900
Hungary		10,100	10,700	9,400	9,800	10,100	10,000	10,300	10,600	11,100

Kosovo (under United Nations Se

Compensation of employees

At current prices

Compensation of employees is defined as the total remuneration, in cash or in kind, received by employees from their employers.

unit	Percentage of gross domestic product (GDP)	2007	2008	2009	2010	2011	Flags	Codes	Labels	Codes & Labels	1 234,56	1 234,56	1 234,56
geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015			
EU (28 countries)		46.5	47.1	48.0	47.9	47.6		47.8	47.7	47.8	47.4		
Euro area (changing composition)		46.1	47.0	48.5	47.9	47.7		48.0	47.9	47.9	47.6		
Euro area (19 countries)		46.0	46.9	48.5	47.9	47.7		47.9	47.9	47.9	47.6		
Belgium		49.0	50.4	51.5	50.2	50.5		51.2	51.5	51.1	50.5		
Bulgaria		32.2	33.6	35.4	36.4	35.4		36.9	38.6	41.0	41.3		
Czech Republic		39.5	40.3	40.0	40.2	40.3		41.0	40.9	40.2	39.9		
Denmark		51.9	52.8	55.2	53.0	52.7		51.9	52.0	52.3	52.8		
Germany		47.6	48.5	50.6	49.7	49.5		50.4	50.5	50.7	50.7		
Estonia		45.3	49.9	50.5	47.3	44.7		44.9	45.0	45.2	48.0		
Ireland		40.2	43.4	43.6	41.3	40.2		39.6	39.8	38.4	38.6		
Greece		33.7	34.3	35.7	36.3	35.4P		34.6P	33.1P	32.8P	32.5P		
Spain		48.3P	50.1P	50.9P	50.1P	49.6P		48.0P	47.3P	47.4P	47.4P		
France		50.4	50.6	52.2	52.1	51.9		52.3	52.4	52.4P	52.1P		
Croatia		47.4	47.6	49.5	48.5	48.0		47.9	47.4	47.7	47.4		
Italy		38.3	39.2	40.4	40.0	39.8		39.9	39.7	39.4	39.6		
Cyprus		43.6	44.1	47.8	47.7	48.1		48.0	45.8	44.4	44.3P		
Latvia		44.2	48.2	46.9	42.9	39.5		40.0	41.3	42.8	44.5		
Lithuania		42.4	43.9	44.5	40.9	39.3		38.9	39.3	40.0	41.7		
Luxembourg		46.8	49.2	52.4	49.8	48.7		49.6	48.8	48.3	48.2		
Hungary		44.5	44.3	44.0	42.6	42.3		42.5	42.0	41.6	41.3		

Employment rate by sex, age group 20-64

The employment rate is calculated by dividing the number of persons aged 20 to 64 in

sex	Total	time	2008	2009	2010	2011	2012	2013	2014	2015	TARGET
geo											
EU (28 countries)			70.3	69.0	68.6	68.6	68.4	68.4	69.2	70.1	75
EU (27 countries)			70.3	69.0	68.6	68.6	68.5	68.5	69.3	70.1	75
Euro area (19 countries)			70.2	68.8	68.4	68.4	68.0	67.7	68.2	69.0	
Euro area (18 countries)			70.2	68.8	68.4	68.4	68.0	67.7	68.2	68.9	
Belgium			68.0	67.1	67.6	67.3	67.2	67.2	67.3	67.2	73.2
Bulgaria			70.7	68.8	64.7 ^b	62.9 ^b	63.0	63.5	65.1	67.1	76
Czech Republic			72.4	70.9	70.4	70.9 ^b	71.5	72.5	73.5	74.6	75
Denmark			79.7	77.5	75.8	75.7	75.4	75.6	75.9	76.5	80
Germany			74.0	74.2	75.0 ^b	76.5 ^b	76.9	77.3	77.7	78.9	77
Estonia			77.1	70.0	66.8	70.6	72.2	73.3	74.3	76.5	76
Ireland			72.2	66.9 ^b	64.6	63.8	63.7	65.5	67.0	68.7	69
Greece			66.3	65.6 ^b	63.8	59.6	55.0	52.9	53.3	54.9	70
Spain			68.5	64.0	62.8	62.0	59.6	58.6	59.9	62.0	74
France									69.3	69.5	75
Croatia			64.9	64.2	62.1	59.8	58.1	57.2	59.2	60.5	62.9
Italy			62.9	61.6	61.0	61.0	60.9	58.7	59.9	60.5	67
Cyprus			76.5	75.3 ^b	75.0	73.4	70.2	67.2	67.6	67.9	75
Latvia			75.4	66.6	64.3	66.3	68.1	68.7	70.7	72.5	73
Lithuania			72.0	67.0	64.3	66.9	68.5	69.9	71.8	73.3	72.8
Luxembourg			68.8	70.4 ^b	70.7	70.1	71.4	71.1	72.1	70.9 ^b	73

geo	time	2008	2009	2010	2011	2012	2013	2014	2015	TARGET
Hungary		61.5	60.1	59.9	60.4	61.6	63.0	66.7	68.9	75
Malta		59.2	59.0	60.1	61.6	63.1	64.8	66.4	67.8	70
Netherlands		78.9	78.8	76.8 ^b	76.4 ^b	76.6	75.9	75.4	76.4	80
Austria		73.8	73.4	73.9	74.2	74.4	74.6	74.2	74.3	77
Poland		65.0	64.9	64.3 ^b	64.5	64.7	64.9	66.5	67.6	71
Portugal		73.1	71.1	70.3	68.8 ^b	66.3	65.4	67.6	69.1	75
Romania		64.4	63.5	64.8 ^b	63.8	64.6	64.7	65.7	66.0	70
Slovenia		73.0	71.9	70.3	68.4	68.3	67.2	67.7	69.1	75
Slovakia		66.8	66.4	64.6	65.0 ^b	65.1	65.0	65.9	67.7	72
Finland		75.8	73.5	73.0	73.8	74.0	73.3	73.1	72.9	78
Sweden		80.4	78.3	78.1	79.4	79.4	79.8	80.0	80.5	80
United Kingdom		75.2 ^b	73.9	73.5	73.5	74.1	74.8	76.2	76.8	
Iceland		85.3	80.6	80.4	80.6	81.8	82.8	84.8	86.5	
Norway		81.8 ^b	80.6	79.6	79.6	79.9	79.6	79.6	79.1	
Switzerland				81.1	81.8	82.0	82.1	82.3	82.8	
Former Yugoslav Republic of Macedonia		46.3	47.9	48.1	48.4	48.2	50.3	51.3	51.9	
Turkey		48.4	47.8	50.0	52.2	52.8	53.4	53.2 ^b	53.9	

Total unemployment rate

%
Unemployment rates represent unemployed persons as a percentage of the labour force. The ... more

unit	Percentage of total population										
		2007	2008	2009	2010	2011	Flags	Codes	Labels	Codes & Labels	1 234,56
geo	time										1 234,56
EU (28 countries)		4.5	4.4	5.6	6.0	6.1		6.7	6.9	6.5	6.0
EU (27 countries)		4.5	4.4	5.6	6.0	6.1		6.6	6.9	6.5	6.0
Euro area (19 countries)		4.6	4.7	6.0	6.4	6.4		7.2	7.6	7.4	6.9
Euro area (18 countries)		4.7	4.7	6.0	6.3	6.4		7.2	7.6	7.4	6.9
Belgium		4.5	4.2	4.7	5.0	4.2		4.5	5.1	5.1	5.1
Bulgaria		4.0	3.4	4.0	6.0 ¹	6.5		7.2	7.7	6.9	5.5
Czech Republic		3.4	2.8	4.2	4.6	4.2		4.4	4.5	3.9	3.3
Denmark		2.7	2.5	4.3	5.3	5.3		5.2	4.8	4.5	4.2
Germany		5.6	4.9	5.1	4.8	3.9		3.8	3.8	3.4	3.2
Estonia		3.0	3.7 ¹	9.0	11.1	8.3		6.6	5.9	5.0	4.3
Ireland		3.2	4.3	7.9	9.0	9.4		9.4	8.4	7.3	6.1
Greece		4.9	4.6	5.7	7.6	10.6		14.5	16.3	15.7	14.8
Spain		5.3	7.4	11.7	13.1	14.2		16.5	17.3	16.0	14.5
France		4.8	4.4	5.5	5.6	5.5		5.9	6.2	6.3	6.3
Croatia		5.7	5.0	5.4	8.7	7.8		9.1	9.8	10.1	9.6
Italy		3.3	3.7	4.2	4.6	4.6		5.9	6.7	7.1	6.7
Cyprus		2.7	2.5	3.6	4.3	5.3		8.0	10.7	11.0	10.0
Latvia		4.0	5.2	11.5	12.6	10.4		9.9	7.8	7.2	6.7
Lithuania		2.6	3.6	8.6	11.1	9.8		8.6	7.8	7.1	6.1
Luxembourg		2.4	3.0	3.1	2.7	3.0		3.2	3.7	3.7	4.3

Long-term unemployment rate, by sex

The share of long-term unemployment is the share of unemployed persons since 12 months or more.

sex	Total	2007	2008	2009	2010	2011	Flags	Codes	Labels	Codes & Labels	1.234,56	1.234,56	1.234,56
geo	time												
EU (28 countries)		3.0	2.0	3.0	3.8	4.1		4.6	5.1	5.1	5.0	4.5	4.5
EU (27 countries)		3.0	2.0	2.8	3.8	4.1		4.6	5.1	5.1	5.0	4.5	4.5
Euro area (19 countries)		3.2	2.9	3.3	4.3	4.6		5.2	5.8	5.8	6.0	5.5	5.5
Euro area (18 countries)		3.2	2.9	3.3	4.2	4.5		5.2	5.9	5.9	6.1	5.5	5.5
Belgium		3.8	3.3	3.5	4.0	3.5		3.4	3.9	3.9	4.3	4.4	4.4
Bulgaria		4.0	2.9	2.9	4.7	6.3		6.8	7.4	7.4	6.9	5.6	5.6
Czech Republic		2.8	2.2	2.0	3.0	2.7		3.0	3.0	3.0	2.7	2.4	2.4
Denmark		0.6	0.5	0.6	1.5	1.8		2.1	1.8	1.8	1.7	1.7	1.7
Germany		4.9	3.9	3.5	3.3	2.8		2.4	2.3	2.3	2.2	2.0	2.0
Estonia		2.3	1.7	3.7	7.6	7.1		5.5	3.8	3.8	3.3	2.4	2.4
Ireland		1.4	1.7	3.5	6.8	8.6		9.0	7.8	7.8	6.6	5.3	5.3
Greece		4.2	3.7	3.9	5.7	8.6		14.5	18.5	18.5	19.5	18.2	18.2
Spain		1.7	2.0	4.3	7.3	8.9		11.0	13.0	13.0	12.9	11.4	11.4
France		3.0	2.6	3.0	3.5	3.6		3.7	4.0	4.0	4.2	4.3	4.3
Croatia		6.0	5.3	5.1	6.6	8.4		10.2	11.0	11.0	10.1	10.3	10.3
Italy		2.9	3.0	3.4	4.0	4.3		5.6	6.0	6.0	7.7	6.9	6.9
Cyprus		0.7	0.5	0.6	1.3	1.6		3.6	6.1	6.1	7.7	6.8	6.8
Latvia		1.6	1.9	4.5	8.8	8.8		7.8	5.7	5.7	4.6	4.5	4.5
Lithuania		1.4 ^b	1.3 ^b	3.3	7.4	8.0		6.0	5.1	5.1	4.8	3.9	3.9
Luxembourg		1.2	1.6	1.2	1.3	1.4		1.6	1.8	1.8	1.6	1.9	1.9

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hungary		3.5	3.8	4.2	5.5	5.2	5.0	4.0	3.7	3.1
Malta		2.7	2.6	2.9	3.1	3.0	3.1	2.9	2.7	2.4
Netherlands		1.2	0.9	0.8	1.2	1.6	1.9	2.5	2.9	3.0
Austria		1.3	1.0	1.2	1.2	1.2	1.2	1.3	1.5	1.7
Poland		5.1	2.5	2.6	3.0	3.6	4.1	4.4	3.8	3.0
Portugal		3.6	3.6	4.2	5.7	6.2	7.7	9.3	8.4	7.2
Romania		3.2	2.4	2.2	2.4	2.9	3.0	3.2	2.8	3.0
Slovenia		2.2	1.8	1.8	3.2	3.6	4.3	5.2	5.3	4.7
Slovakia		8.4	6.7	6.6	9.3	9.3	9.4	10.0	9.3	7.6
Finland		1.5	1.2	1.4	2.0	1.7	1.6	1.7	1.9	2.3
Sweden		0.8	0.8	1.1	1.6	1.5	1.5	1.4	1.4	1.5
United Kingdom		1.3	1.4	1.9	2.5	2.7	2.7	2.7	2.2	1.8
Iceland		-	-	0.4	1.3	1.7	1.5	1.0	0.6	0.5
Norway		0.4	0.3	0.5	0.7	0.7	0.6	0.7	0.8	1.0
Switzerland		-	-	-	-	-	-	-	-	-
Turkey		2.3	2.3	2.9	2.8	2.1	1.8	1.9	2.0	2.2

People at risk of poverty or social exclusion

The Europe 2020 strategy promotes social inclusion, in particular through the reduction of poverty.

geo	time	2008	2009	2010	2011	2012	2013	2014	2015	TARGET
EU (28 countries)		1	1	448	3,437	6,371	6,455	4,725	1,205*	-
EU (27 countries)		0	-1,701	446	3,374	6,306	6,506	4,803	1,312*	-20,000
Euro area (19 countries)		0	68	1,526	4,680	6,162	6,465	6,634	5,457*	-
Euro area (18 countries)		0	36	1,368	4,588	6,097	5,458	6,740	5,511*	-
Belgium		0	-48	41	77	162	92	146	143	-380
Bulgaria		0	90	298	272	200	72	-512*	-439	-260
Czech Republic		0	-118	-71	32	14	-58	-35	-122	-100
Denmark		0	75	120	82 ^b	78	138	119	112	-22
Germany		0	-128	-383	-271	-435	-133	163	-262	-8
Estonia		0	21	-2	10	21	22	48 ^b	24	-8
Ireland		0	100	171	269	328	309	224	-	-200
Greece		0	-39	-15	357	749	857	838	782	-450
Spain		0 ^b	549	1,243	1,577	1,841	1,844	2,616	2,389	-1,400
France		0	50	561	690	610	94	-369	-103	-1,800
Croatia		-	-	63	63	-51	-78	-	-8	-
Italy		0	-282	-190	1,776	2,894	2,147	2,064	2,387	-2,200
Cyprus		0	7	21	26	53	59	54	63	-27
Latvia		0	68	59	82	-9	-38	-94	-134	-121
Lithuania		0	33	158	101	65	7	-106	-53	-170
Luxembourg		0	12	11	12	23	24	24	23	-6

geo	time	2008	2009	2010	2011	2012	2013	2014	2015	TARGET
Hungary		0	130	154	298	478	604	302	59	-450
Malta		0	1	6	9	14	18	18	14	-6.56
Netherlands		0	51	51	166	59	216	319	361 ^P	-100
Austria		0	-122	-133	-105	-157	-127	-89	-147	-235
Poland		0	-1,037	-1,063	-1,295	-1,364	-1,744	-2,155	-2,731	-1,500
Portugal		0	-110	-65	-157	-90	121	106	7	-200
Romania		0	-319	-689	-649	-441	-723	-1,021 ^P	-1,980	-500
Slovenia		0	-21	5	25	31	49	49	24	-40
Slovakia		0	-50	7	1	-2	-41	-151	-148	d
Finland		0	-24	-20	30	5	-57	16	-7	d
Sweden		0	91	51	171	152	234	269	188	d
United Kingdom		0	-681	142	-26	1,029	1,517	1,202	950	
Iceland		0	0	6	5	2	4	-1	5	
Norway		0	23	15	4	-20	13	-19	89	
Switzerland		0	5	-43	-25	17	-62	-10 ^B		
Former Yugoslav Republic of Macedonia					66	66	21	-78		
Serbia		-								
Turkey		0	784	2,603	1,896	868	-6,136 ^B	-	-	

Source of Data: Eurostat

:=not available e=estimated b=break in time series d=definition differs (see metadata) p=provisional

Income quintile share ratio (S80/S20) - EU-SILC survey
 The ratio of total income received by the 20 % of the population with the highest income to the 20 % with the lowest income (in %)

Geo graphy	time	Flags									
		2007	2008	2009	2010	2011	2012	2013	2014	2015	1.234,56
EU (28 countries)					4.9	5.0	5.0	5.0	5.2	5.2	
EU (27 countries)		5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.2	5.2	
Euro area (19 countries)		4.8	4.9	4.9	4.9	5.0	5.0	5.0	5.2	5.2	
Euro area (18 countries)		4.8	4.9	4.8	4.9	5.0	5.0	5.0	5.2	5.2	
Belgium		3.9	4.1	3.9	3.9	3.9	4.0	3.8	3.8	3.8	
Bulgaria		7.0	6.5	5.9	5.9	6.5	6.1	6.6	6.8	7.1	
Czech Republic		3.5	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.5	
Denmark		3.7	3.6	4.6	4.4 ^b	4.0 ^b	3.9	4.0	4.1	4.1	
Germany		4.9	4.8	4.5	4.5	4.5	4.3	4.6	5.1	4.8	
Estonia		5.5	5.0	5.0	5.0	5.3	5.4	5.5	6.5 ^b	6.2	
Greece		6.0	5.9	5.8	5.8	6.0	6.6	6.6	6.5	6.5	
Spain		5.5	5.6 ^b	5.9	6.2	6.3	6.5	6.3	6.8	6.9	
France		3.9	4.4 ^b	4.4	4.4	4.6	4.5	4.5	4.3	4.3	
Croatia					5.5 ^b	5.6	5.4	5.3	5.1		
Italy		5.4	5.2	5.3	5.4	5.7	5.6	5.8	5.8	5.8	
Cyprus		4.4	4.3 ^b	4.4	4.5	4.3	4.7	4.9	5.4	5.2	
Latvia		6.4	7.3	7.4	6.8	6.5	6.5	6.3	6.5	6.5	
Lithuania		5.0	6.1	6.4	7.3	5.8	5.3	6.1	6.1	7.6	
Luxembourg		4.0	4.1	4.3	4.1	4.0	4.1	4.6	4.4	4.3	
Hungary		3.7	3.6	3.5	3.4	3.9	4.0	4.3	4.3	4.3	

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
Malta		3.9	4.3	4.0	4.3	4.0	3.9	4.1	4.0	4.2
Netherlands		4.0	4.0	4.0	3.7	3.8	3.6	3.6	3.8	3.8P
Austria		3.8	4.2 ^b	4.2	4.3	4.1	4.2	4.1	4.1	4.0
Poland		5.3	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.9
Portugal		6.5	6.1	6.0	5.6	5.7	5.8	6.0	6.2	6.0
Romania		8.1	7.6	6.5	6.1	6.2	6.6	6.8	7.2P	8.3
Slovenia		3.3	3.4	3.2	3.4	3.5	3.4	3.6	3.7	3.6
Slovakia		3.5	3.4	3.6	3.8	3.8	3.7	3.6	3.9	3.5
Finland		3.7	3.8	3.7	3.6	3.7	3.7	3.6	3.6	3.6
Sweden		3.3	3.6	3.7	3.6	3.6	3.7	3.7	3.6	3.8
United Kingdom		5.3	5.6	5.3	5.4	5.3	5.0 ^b	4.6	5.1	5.2
Iceland		3.9	3.8	4.2	3.6	3.3	3.4	3.4	3.1	3.4
Norway		3.5	3.7	3.5	3.4	3.3	3.2	3.3	3.4	3.5
Switzerland		4.7	4.9	4.8	4.5	4.5	4.4	4.2	4.4 ^b	
Montenegro		-	-	-	-	-	-	-	-	-
Former Yugoslav Republic of Macedonia		-	-	-	-	-	10.2	8.4	7.2	
Albania		-	-	-	-	-	-	-	-	-
Serbia		-	-	-	-	-	-	8.6	9.8	9.0
Turkey		9.3	9.3	10.3	9.9	9.5	9.3	8.7	-	-

:=not available s=Eurostat estimate (phased out) b=break in time series p=provisional

[tessi180] - Income quintile share ratio (S80/S20) - EU-SILC survey

Short Description: The ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.

Gini coefficient of equivalised disposable Income - EU-SILC survey

Number

The Gini coefficient is defined as the relationship of cumulative shares of the income

geo	time	2007	2008	2009	2010	2011	Flags	Codes	Labels	Codes & Labels	1 234,56	1 234,56	1 234,56
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
EU (28 countries)					30.5	30.8	30.4	30.5	30.9	31.0			
EU (27 countries)		30.6	30.9	30.5	30.5	30.8	30.4	30.5	30.9	31.0			
Euro area (19 countries)		30.0	30.5	30.3	30.3	30.6	30.4	30.7	31.0	30.8			
Euro area (18 countries)		30.0	30.5	30.3	30.3	30.6	30.4	30.7	30.9	30.7			
Belgium		26.9	27.5	28.4	28.6	28.3	28.5	29.0	29.9	29.2			
Bulgaria		35.3	35.9	33.4	33.2	35.0	33.6	35.4	35.4	37.0			
Czech Republic		25.3	24.7	25.1	24.9	25.2	24.9	24.6	29.1	25.0			
Denmark		25.2	25.1	26.9	26.9 ^b	26.6 ^b	26.5	26.8	27.7	27.4			
Germany		30.4	30.2	29.1	29.3	28.0	28.3	29.7	30.7	30.1			
Estonia		33.4	30.0	31.4	31.3	31.0	32.5	32.9	35.6 ^b	34.8			
Ireland		31.3	29.9	28.8	30.7	29.8	29.9	30.0	30.8				
Greece		34.3	33.4	33.1	32.9	33.5	34.3	34.4	34.5	34.2			
Spain		31.9	32.4 ^b	32.9	33.5	34.0	34.2	33.7	34.7	34.6			
France		26.6	29.6 ^b	29.9	29.8	30.8	30.5	30.1	29.2	29.2			
Croatia					31.6	31.2	30.9	30.9	30.2				
Italy		32.0	31.2	31.8	31.7	32.5	32.4	32.8	32.4	32.4			
Cyprus		29.8	29.0 ^b	29.5	30.1	29.2	31.0	32.4	34.8	33.6			
Latvia		35.4	37.5	37.5	36.9	35.1	35.7	35.2	35.5	35.4			
Lithuania		33.8	34.5	35.9	37.0	33.0	32.0	34.6	35.0	37.9			
Luxembourg		27.4	27.7	29.2	27.9	27.2	28.0	30.4	28.7	28.5			

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hungary		25.8	25.2	24.7	24.1	26.9	27.2	28.3	28.6	28.2
Malta		26.3	28.1	27.4	28.6	27.2	27.1	27.9	27.7	28.1
Netherlands		27.6	27.6	27.2	25.6	25.8	25.4	25.1	26.2	26.4 ^b
Austria		26.2	27.7 ^b	27.5	28.3	27.4	27.6	27.0	27.6	27.2
Poland		32.2	32.0	31.4	31.1	31.1	30.9	30.7	30.8	30.6
Portugal		36.8	35.8	35.4	33.7	34.2	34.5	34.2	34.5	34.0
Romania		38.3 ^b	35.9	34.5	33.5	33.5	34.0	34.6	34.7 ^b	37.4
Slovenia		23.2	23.4	22.7	23.8	23.8	23.7	24.4	25.0	24.6
Slovakia		24.5	23.7	24.6	25.9	25.7	25.3	24.2	26.1	23.7
Finland		26.2	26.3	25.0	25.4	25.8	25.9	25.4	25.6	25.2
Sweden		23.4	24.0	24.8	24.1	24.4	24.8	24.9	25.4	25.2
United Kingdom		32.6	33.9	32.4	32.9	33.0	31.3 ^b	30.2	31.6	32.4
Iceland		28.0	27.3	29.6	25.7	23.6	24.0	24.0	22.7	23.6
Norway		23.7	25.1	24.1	23.6	22.9	22.5	22.7	23.5	23.9
Switzerland		30.4	31.1	30.7	29.6	29.7	28.8	28.5	29.5 ^b	-
Montenegro		-	-	-	-	-	-	-	-	-
Former Yugoslav Republic of Macedonia		-	-	-	-	-	38.8	37.0	35.2	-
Albania		-	-	-	-	-	-	-	-	-
Serbia		-	-	-	-	-	-	38.0	38.8	38.2
Turkey		43.2	43.0	44.2	43.5	43.3	42.8	42.1	-	-

:=not available s=Eurostat estimate (phased out) b=break in time series p=provisional

[tessi190] - Gini coefficient of equivalised disposable income - EU-SILC survey - Number

Short Description: The Gini coefficient is defined as the relationship of cumulative shares of the population arranged according to the level of equivalised disposable income, to the cumulative share of the equivalised total disposable income received by them.

Inequality of Income distribution

Income quintile share ratio

The ratio of total income received by the 20% of the population with the highest incomes

geo	time			Flags		Codes		Labels		Codes & Labels		1.234,56		1.234,56		1.234,56	
		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
EU (28 countries)					4.9	5.0	5.0	5.0	5.2	5.2							
EU (27 countries)		5.0	5.0	4.9	4.9	5.0	5.0	5.0	5.2	5.2							
Euro area (19 countries)		4.8	4.9	4.9	4.9	5.0	5.0	5.0	5.2	5.2							
Euro area (18 countries)		4.8	4.9	4.8	4.9	5.0	5.0	5.0	5.2	5.2							
Belgium		3.8	4.1	3.8	3.8	3.8	4.0	3.8	3.8	3.8							
Bulgaria		7.0	6.5	5.9	5.9	6.5	6.1	6.6	6.8	7.1							
Czech Republic		3.5	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.5							
Denmark		3.7	3.6	4.6	4.4 ^b	4.0 ^b	3.9	4.0	4.1	4.1							
Germany		4.9	4.8	4.5	4.5	4.5	4.3	4.6	5.1	4.8							
Estonia		5.5	5.0	5.0	5.0	5.3	5.4	5.5	6.5 ^b	6.2							
Ireland		4.8	4.4	4.2	4.7	4.6	4.7	4.6	4.8								
Greece		6.0	5.9	5.8	5.6	6.0	6.6	6.6	6.5	6.5							
Spain		5.5	5.6 ^b	5.9	6.2	6.3	6.5	6.3	6.8	6.9							
France		3.9	4.4 ^b	4.4	4.4	4.6	4.5	4.5	4.3	4.3							
Croatia		—	—	—	5.5 ^b	5.8	5.4	5.3	5.1								
Italy		5.4	5.2	5.3	5.4	5.7	5.6	5.8	5.8	5.8							
Cyprus		4.4	4.3 ^b	4.4	4.5	4.3	4.7	4.9	5.4	5.2							
Latvia		6.4	7.3	7.4	6.8	6.5	6.5	6.3	6.5	6.5							
Lithuania		5.9	6.1	6.4	7.3	5.8	5.3	6.1	6.1	7.5							
Luxembourg		4.0	4.1	4.3	4.1	4.0	4.1	4.0	4.4	4.3							

geo	time	2007	2008	2009	2010	2011	2012	2013	2014	2015
Hungary		3.7	3.6	3.5	3.4	3.9	4.0	4.3	4.3	4.3
Malta		3.9	4.3	4.0	4.3	4.0	3.9	4.1	4.0	4.2
Netherlands		4.0	4.0	4.0	3.7	3.8	3.6	3.6	3.8	3.8P
Austria		3.8	4.2 ^b	4.2	4.3	4.1	4.2	4.1	4.1	4.0
Poland		5.3	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.9
Portugal		6.5	6.1	6.0	5.6	5.7	5.8	6.0	6.2	6.0
Romania		8.1	7.0	6.5	6.1	6.2	6.6	6.8	7.2P	8.3
Slovenia		3.3	3.4	3.2	3.4	3.5	3.4	3.6	3.7	3.6
Slovakia		3.5	3.4	3.6	3.8	3.8	3.7	3.6	3.9	3.5
Finland		3.7	3.8	3.7	3.6	3.7	3.7	3.6	3.6	3.6
Sweden		3.3	3.5	3.7	3.5	3.6	3.7	3.7	3.9	3.8
United Kingdom		5.3	5.6	5.3	5.4	5.3	5.0 ^b	4.6	5.1	5.2
Iceland		3.9	3.8	4.2	3.8	3.3	3.4	3.4	3.1	3.4
Norway		3.5	3.7	3.5	3.4	3.3	3.2	3.3	3.4	3.5
Switzerland		4.7	4.9	4.8	4.5	4.5	4.4	4.2	4.4 ^b	
Former Yugoslav Republic of Macedonia							10.2	8.4	7.2	
Serbia								8.6	9.8	9.0
Turkey		9.3	9.3	10.3	9.9	9.5	9.3	8.7		

:=not available s= Eurostat estimate (phased out) b=break in time series p=provisional

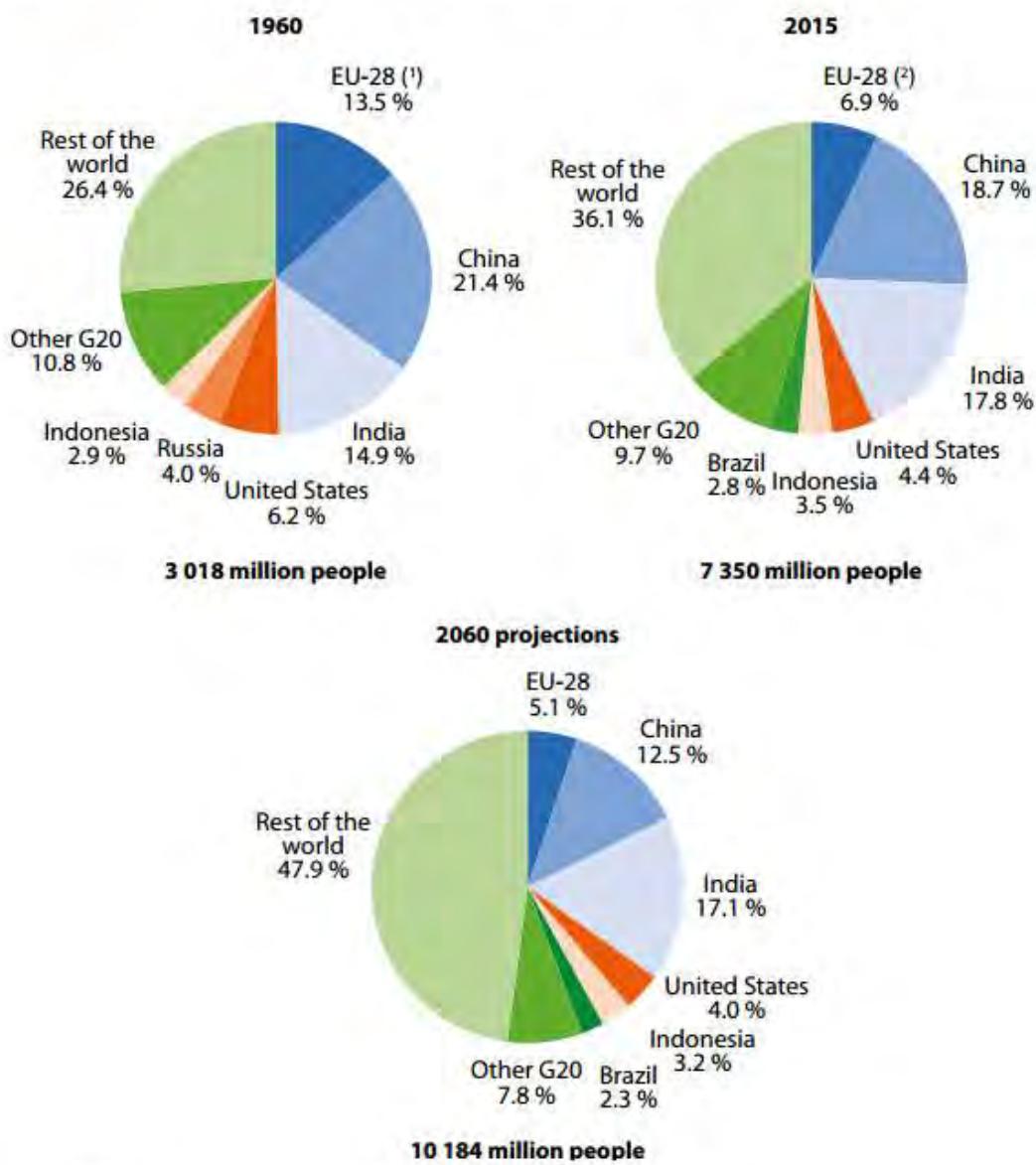
[tsdsc260] - Inequality of income distribution - Income quintile share ratio

Short Description: The ratio of total income received by the 20 % of the population with the highest income (top quintile) to that received by the 20 % of the population with the lowest income (lowest quintile). Income must be understood as equivalised disposable income.

La insoportable levedad de la Unión Europea (y otros “daños colaterales”)

- The UE in the world 1016 edition - Statistical Books - Eurostat

Figure 1.1: Share of world population, 1960, 2015 and 2060 (%)



Note: Projections for EU-28 on the basis of main convergence scenario; for non-EU G20 member projections on the basis of medium fertility variant, 2015–2100.

(1) 1960 population excluding French overseas departments and territories.

(2) Provisional estimates. Break in the series.

Source: Eurostat (online data codes: demo_gind and proj_13npms), United Nations Population Division, Department of Economic and Social Affairs (World Population Prospects: the 2015 Revision)

Table 1.1: Population and population density, 1960, 2015 and 2060

	Population (millions)		Population density (inhabitants per km ²)	Average annual growth rate (%)	Average annual growth rate (%)
	1960	2015			
EU-28 (1)	406.7	508.5	522.9	116.9	0.4
World	3 018.3	7 349.5	10 184.3	54.0 (3)	1.6
Argentina	20.6	43.4	57.5	15.7	1.4
Australia (2)	10.3	24.0	35.8	3.1	1.5
Brazil	72.5	207.8	236.0	24.7	1.9
Canada	17.9	35.9	45.5	3.9	1.3
China	644.5	1 376.0	1 276.8	145.9	1.4
India	449.7	1 311.1	1 745.2	435.7	2.0
Indonesia	87.8	257.6	326.0	140.5	2.0
Japan	92.5	126.6	101.4	347.8	0.6
Mexico	38.2	127.0	166.1	64.5	2.2
Russia	119.9	143.5	124.6	8.8	0.3
Saudi Arabia	4.1	31.5	47.7	14.4	3.8
South Africa	17.4	54.5	67.2	44.5	2.1
South Korea	25.1	50.3	47.9	515.0	1.3
Turkey	27.6	78.7	96.9	100.7	1.9
United States	186.2	321.8	403.5	34.9	1.0

Note: EU-28 projections on the basis of main convergence scenario. G20 member country projections on the basis of medium fertility variant, 2015–2100.

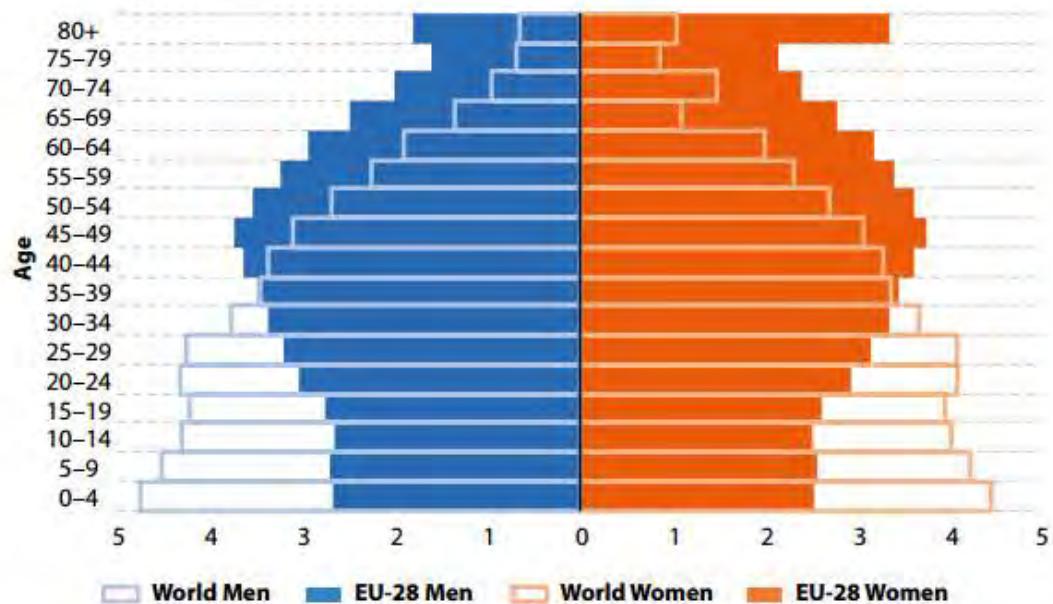
(1) 1960: population excluding French overseas departments and territories. Provisional estimates for 2015.

(2) Including Christmas Island, Cocos (Keeling) Islands and Norfolk Island.

(3) Using the surface area used in the United Nations calculation for 2014.

Source: Eurostat (online data codes: demo_gind, proj_13npms and ips00003), United Nations Department of Economic and Social Affairs (World Population Prospects: the 2015 Revision)

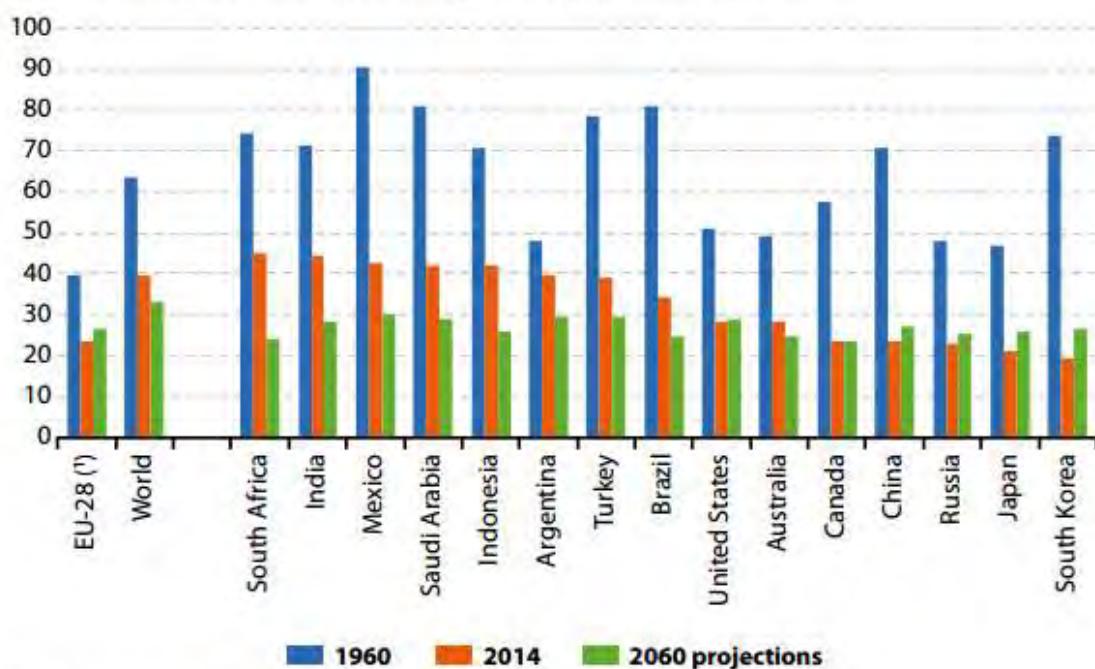
Figure 1.2: Age pyramids, 2014
(% of total population)



Note: EU-28: Provisional estimates.

Source: Eurostat (online data code: demo_pjangroup) and the World Bank (Health Nutrition and Population Statistics)

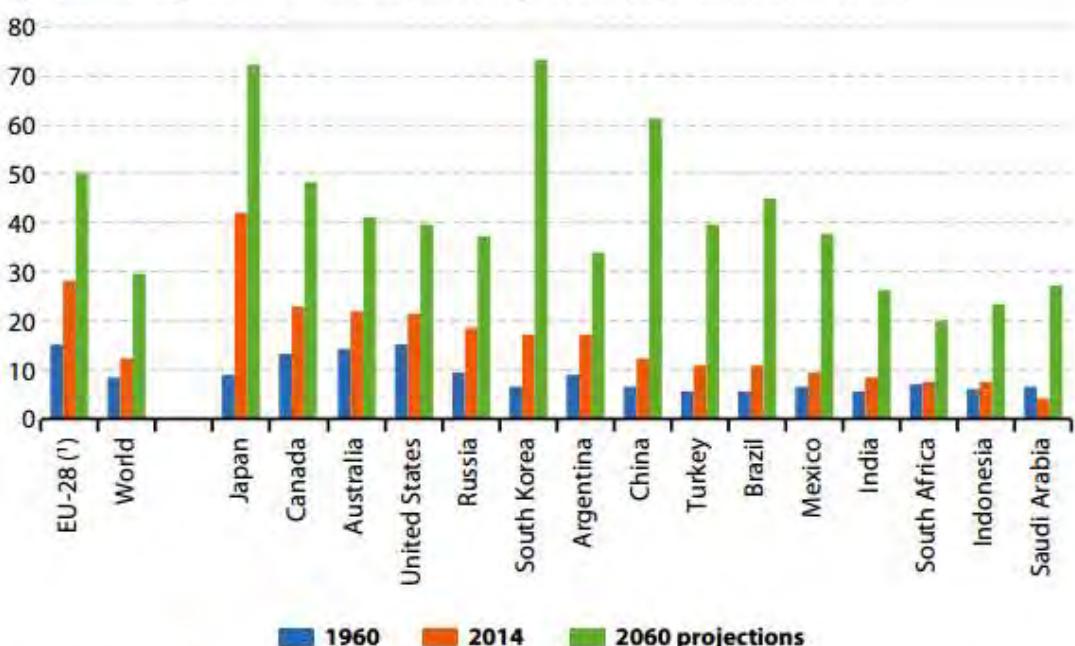
Figure 1.3: Young-age dependency ratio, 1960, 2014 and 2060
 (population aged 0–14 as a percentage of the population aged 15–64)



(*) Provisional estimates for 2014 and break in the series.

Source: Eurostat (online data codes: demo_pjanind and proj_13npms), World Bank (Health Nutrition and Population Statistics) and United Nations Department of Economic and Social Affairs (World Population Prospects: the 2015 Revision)

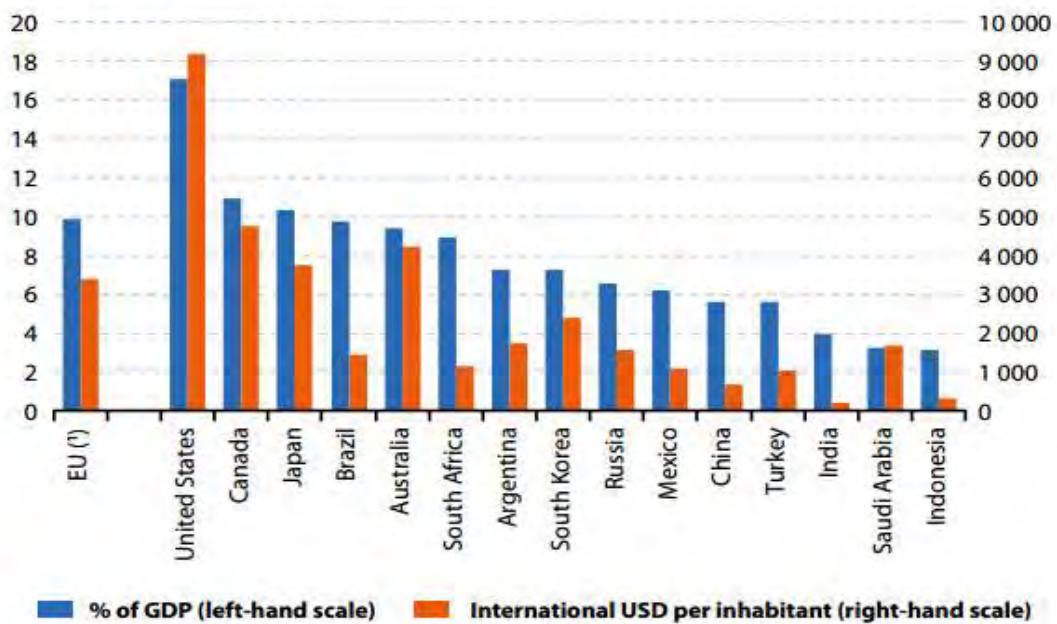
Figure 1.4: Old-age dependency ratio, 1960, 2014 and 2060
 (population aged 65 or more as a percentage of the population aged 15–64)



(*) Provisional estimates for 2014 and break in the series.

Source: Eurostat (online data codes: demo_pjanind and proj_13npms), World Bank (Health Nutrition and Population Statistics) and United Nations Department of Economic and Social Affairs (World Population Prospects: the 2015 Revision)

Figure 3.1: Expenditure on health, 2013

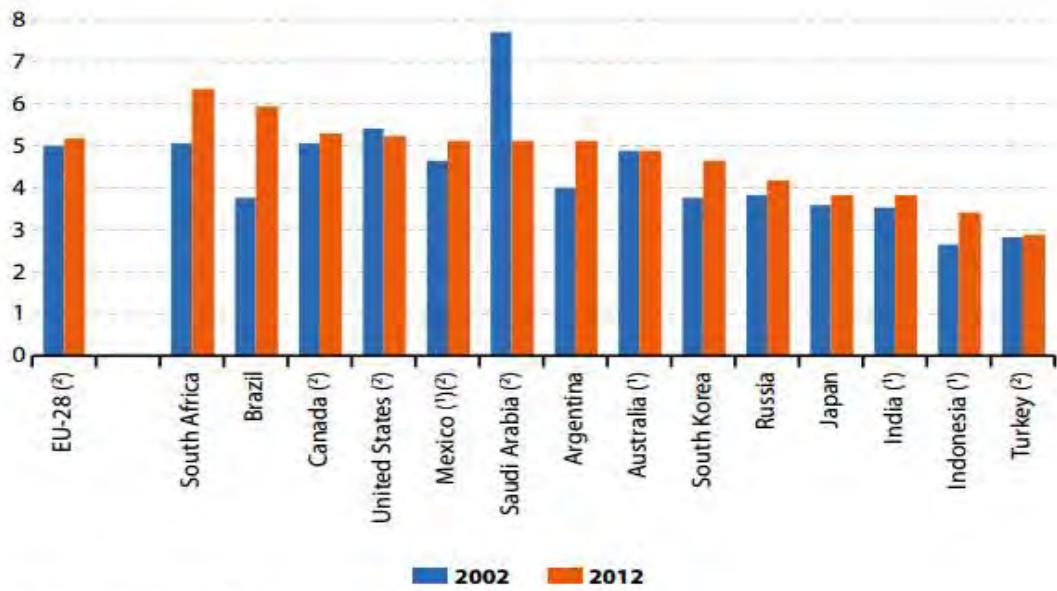


Note: ranked on '% of GDP'.

(1) EU-28: 2012 data excluding Ireland, Italy, Malta and the United Kingdom. Latvia: 2010 data.
Bulgaria, Portugal, Slovenia and Slovakia: 2011 data.

Source: Eurostat (online data codes: halth Sha_hf, nama_10_gdp and demo_gind) and the World Health Organization (World Health Statistics).

Figure 4.1: Public expenditure on education, 2002 and 2012 (% of GDP)

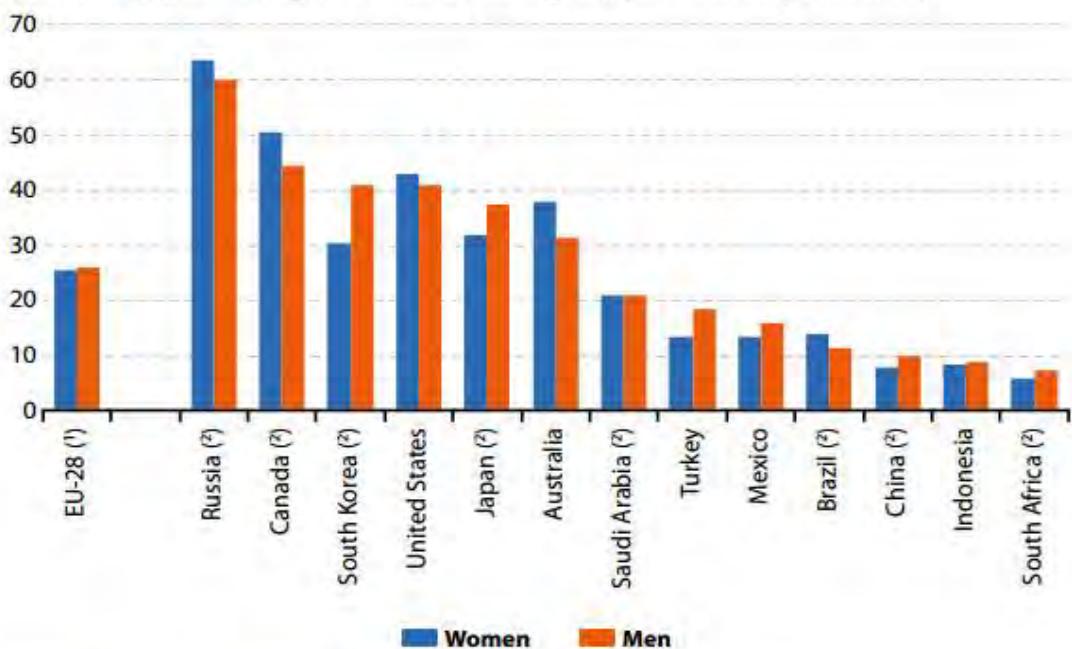


Note: data not available for China.

(1) 2002: Australia: 2000 data. Indonesia: 2002 estimate. India: 2003 data.
(2) 2012: Turkey: 2006 data. Saudi Arabia: 2008 data. Canada, the United States and Mexico: 2011 data.
EU-28 does not include Greece.

Source: Eurostat (online data code: educ_figdp , educ_uoe_fine06) and the United Nations Educational, Scientific and Cultural Organisation (UIS: Education)

Figure 4.9: Tertiary educational attainment by sex, 2014
 (% of total population aged 25 and over having completed tertiary education)



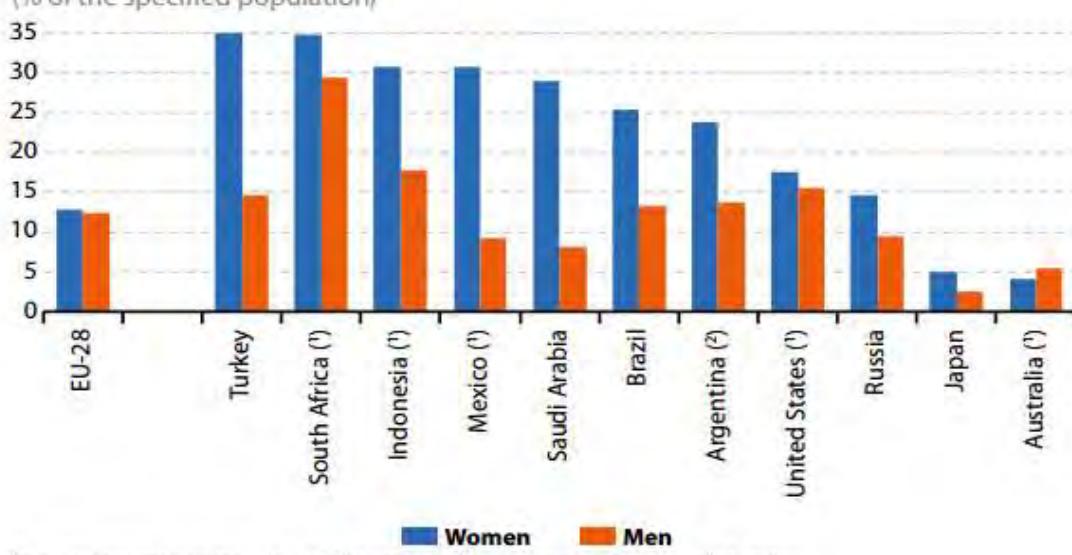
Note: ranked on 'Women'. The highest ISCED level of education successfully completed by an individual. This is usually measured with respect to the highest educational programme successfully completed, which is typically certified by a recognised qualification. Recognised intermediate qualifications are classified at a lower level than the programme itself. Data not available for Argentina and India.

(1) Estimates calculated for the purpose of this publication based on UNESCO data.

(2) Russia, Japan, South Korea and China: 2010 data. Canada: 2011 data. South Africa: 2012 data. Saudi Arabia and Brazil: 2013 data.

Source: the United Nations Educational, Scientific and Cultural Organisation (UIS: Education).

Figure 4.10: Proportion of 15–24-year-olds not in employment, education or training (NEET), 2014
 (% of the specified population)



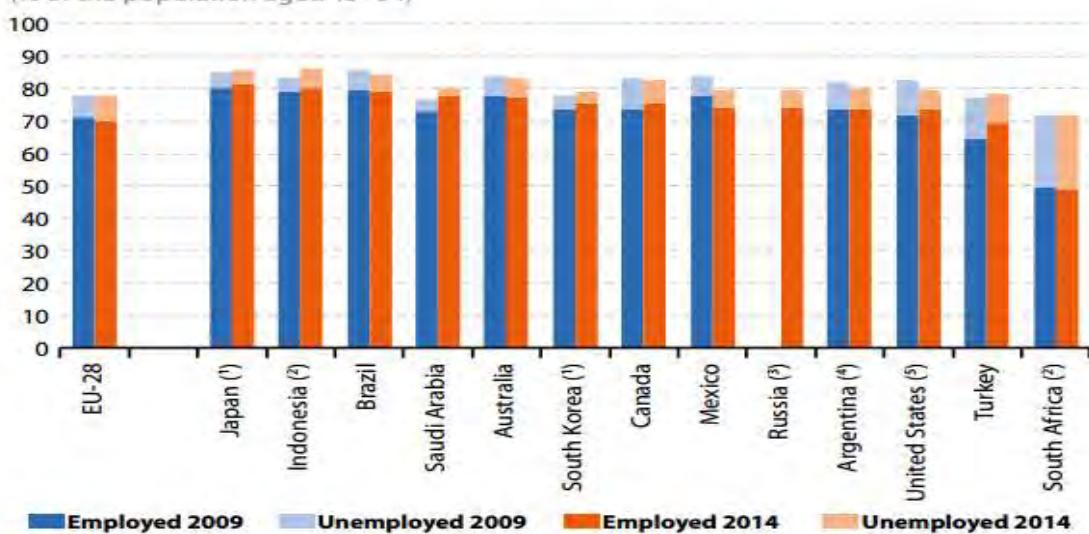
Note: ranked on 'Women'. Data not available for China, India and South Korea. Canada not included: data not comparable.

(1) Australia: 2010 data. Mexico and the United States: 2012 data. South Africa and Indonesia: 2013 data.

(2) Data on urban areas only.

Source: Eurostat (online data code: yth_empl_150) and the International Labour Organization (ILOSTAT)

Figure 5.1: Activity rate for men — employed and unemployed, 2009 and 2014
(% of the population aged 15–64)



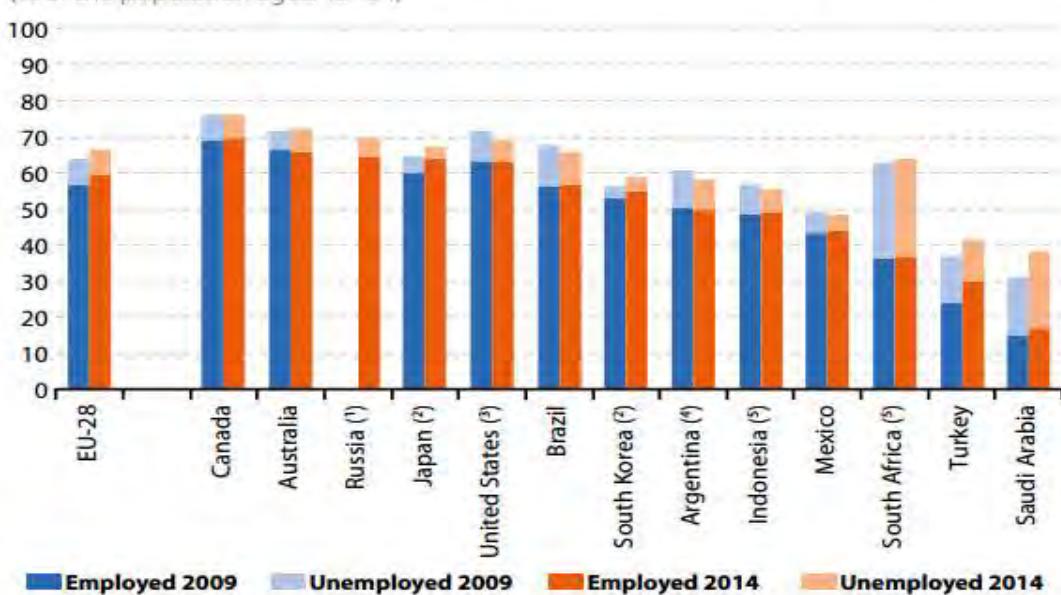
Note: ranked on 'Employed 2014'. The share of the unemployed in the population should not be confused with the unemployment rate; the former is the share of the unemployed in the whole population whereas the latter is the share of the unemployed in the labour force. Data not available for China and India.

(1) 2009: Japan and South Korea: 2011 data.
(2) 2014: Indonesia and South Africa: 2013 data.
(3) Data not available for 2009.

(4) Geographical coverage: main cities or metropolitan areas.
(5) Non standard age group excluding age 15.

Source: Eurostat (online data codes: lfsa_argan, lfsa_egan and lfsa_ugan) and the International Labour Organisation (ILOSTAT).

Figure 5.2: Activity rate for women — employed and unemployed, 2009 and 2014
(% of the population aged 15–64)



Note: ranked on 'Employed 2014'. The share of the unemployed in the population should not be confused with the unemployment rate; the former is the share of the unemployed in the whole population whereas the latter is the share of the unemployed in the labour force. Data not available for China and India.

(2) Data not available for 2009.

(3) 2009: Japan and South Korea: 2011 data.

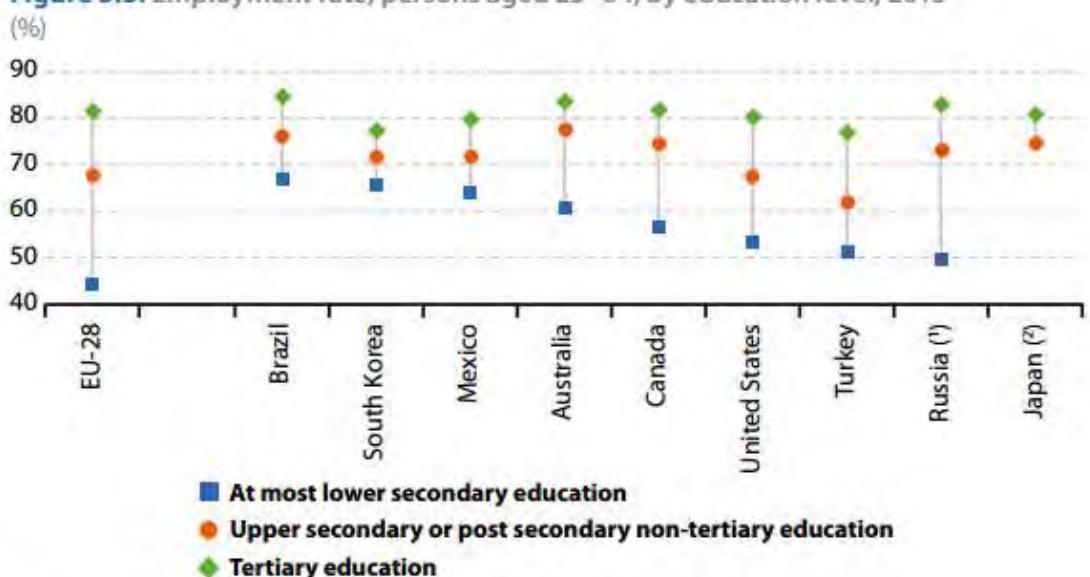
(4) Non standard age group excluding age 15.

(5) Geographical coverage: main cities or metropolitan areas.

(6) 2014: Indonesia and South Africa: 2013 data.

Source: Eurostat (online data codes: lfsa_argan, lfsa_egan and lfsa_ugan) and the International Labour Organisation (ILOSTAT).

Figure 5.3: Employment rate, persons aged 25–64, by education level, 2013



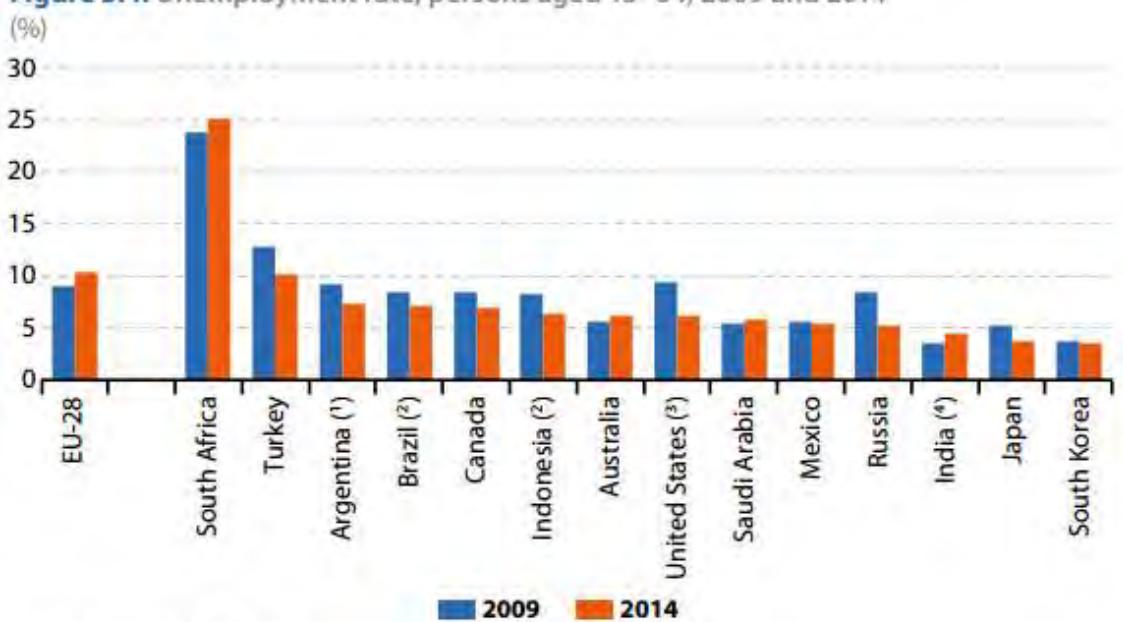
Note: ranked on 'At most lower secondary education'. Data not available for Argentina, China, India, Indonesia, Saudi Arabia and South Africa.

(1) 2012 data.

(2) Data not available for 'At most lower secondary education'.

Source: Eurostat (online data codes: lfsa_urgen, lfsa_egan and lfsa_uwan) and the International Labour Organisation (ILOSTAT)

Figure 5.4: Unemployment rate, persons aged 15–64, 2009 and 2014



Note: Data not available for China.

(1) Geographical coverage: main cities or metropolitan areas.

(2) Brazil: two criteria unemployment definition (not in employment and currently available).

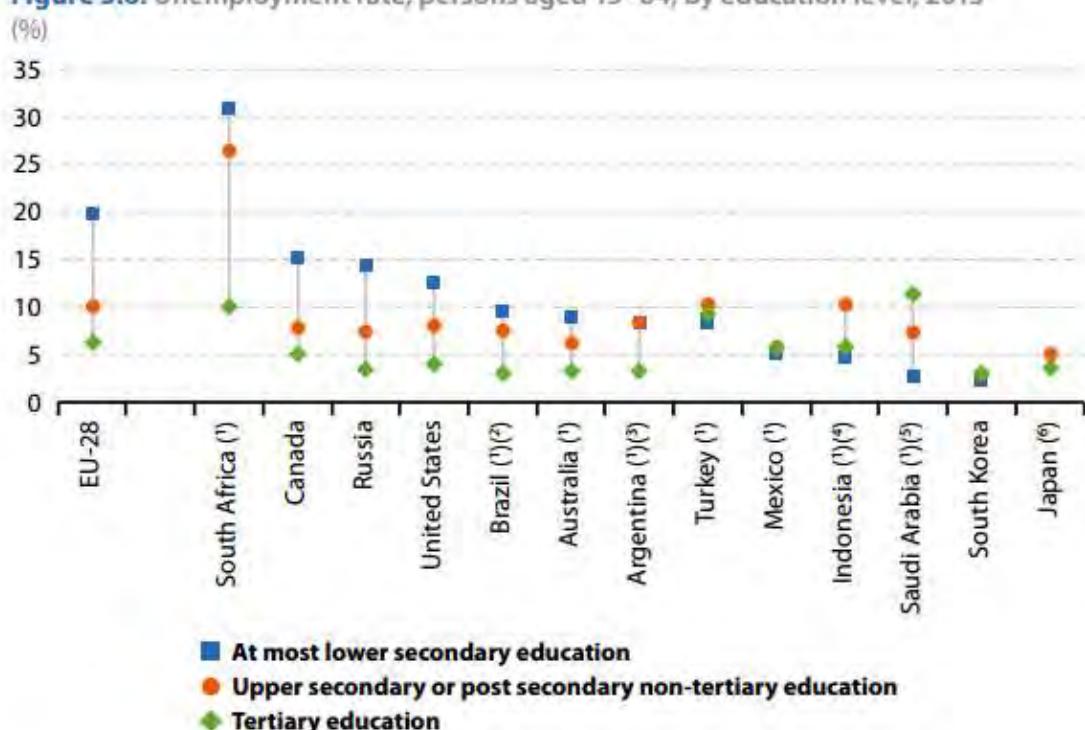
Indonesia: unemployment includes discouraged jobseekers.

(3) Non standard age group excluding age 15.

(4) Data from last year's edition of this publication; 2009: 2010 data; 2014: 2013 data.

Source: Eurostat (online data code: lfsa_urgen) and the International Labour Organisation (ILOSTAT)

Figure 5.6: Unemployment rate, persons aged 15–64, by education level, 2013



Note: ranked on 'At most lower secondary education'. Data not available for China and India.

(1) Non standard education level (less than basic). Pre-primary — levels 0 (ISCED 1997).

(2) Unemployment definition: two criteria (not in employment and seeking).

(3) Geographical coverage: main cities or metropolitan areas.

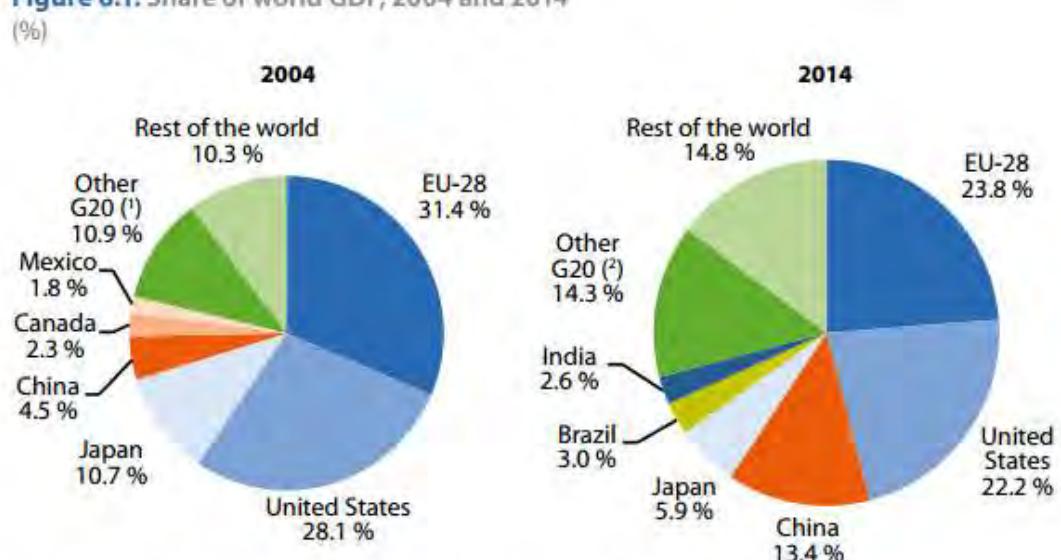
(4) Unemployment definition concept: including discouraged jobseekers.

(5) 2009 data.

(6) Non standard education level: including 0–2.

Source: Eurostat (online data code: lfsa_urgaed) and the International Labour Organisation (ILOSTAT)

Figure 6.1: Share of world GDP, 2004 and 2014

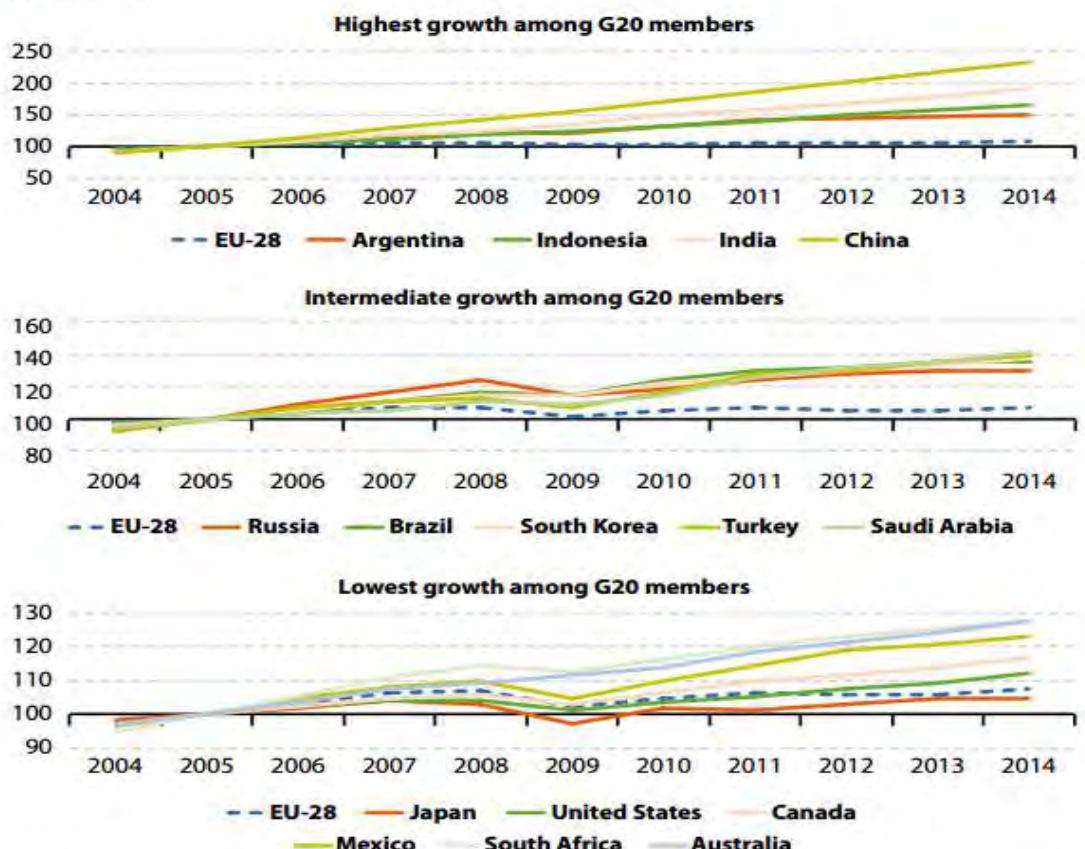


(1) Argentina, Australia, Brazil, India, Indonesia, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

(2) Argentina, Australia, Canada, Indonesia, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey.

Source: Eurostat (online data code: nama_10_gdp) and the United Nations Statistics Division (National Accounts Main Aggregates Database)

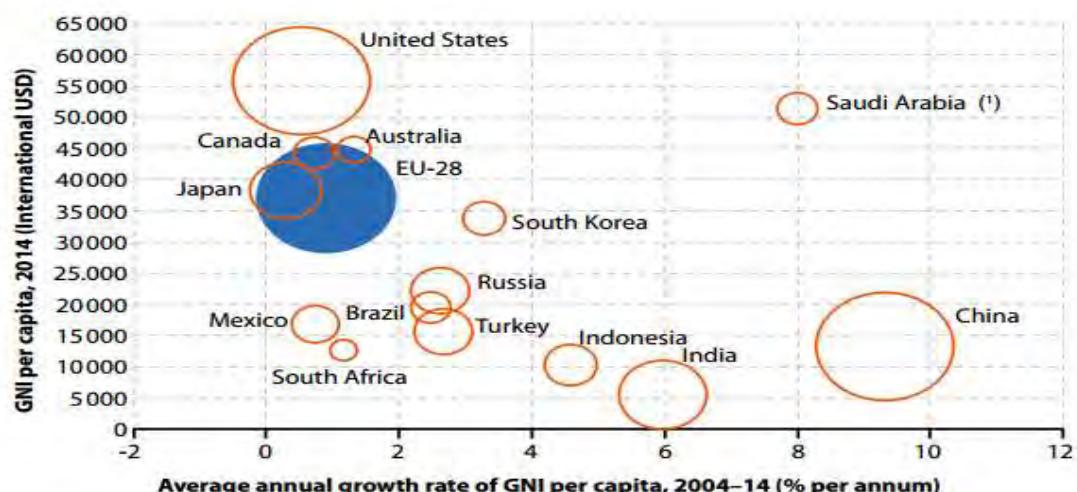
Figure 6.2: GDP at constant prices, 2004–14
(2005 = 100)



Note: differences in the range of the y-axes between the different parts of the figure. The EU-28 series is shown in all three parts of the figure for the purpose of comparison.

Source: Eurostat (online data code: [nama_10_gdp](#)) and the United Nations Statistics Division (National Accounts Main Aggregates Database)

Figure 6.3: GNI per capita (2014) and average annual growth of GNI per capita (2004–14)



Note: GNI per inhabitant is presented in international US dollar at current prices for 2014. The relative size of each bubble reflects the value of GNI in PPP international USD for 2014. The EU-28's 10-year annual average growth rate of GDP between 2004 and 2014 was 0.9 % (shown on the horizontal axis), while its GNI per inhabitant in 2014 was 37 007 (shown on the vertical axis). The GNI was 18.7 trillion international USD in 2014 (represented by the size of the large orange circle). Data not available for Argentina.

(*) Saudi Arabia GNI per capita: 2013 data.

Source: Eurostat (online data code: [nama_10_gdp](#)) and the World Bank (World Development Indicators)

Table 6.1: General government finances, 2004 and 2014
(% of GDP)

	Expenditure		Revenue		Deficit / surplus		Gross debt	
	2004	2014	2004	2014	2004	2014	2004	2014
EU-28	46.1	48.2	43.2	45.2	-2.9	-3.0	61.2	86.8
EA-19	46.7	49.4	43.8	46.8	-3.0	-2.6	68.4	92.1
Australia	35.0	36.4	36.0	33.6	1.0	-2.8	36.2	64.2
Canada	38.8	39.4	39.8	37.8	1.0	-1.6	91.3	107.7
Japan	36.6	42.0	30.7	35.8	-5.9	-6.2	178.8	246.6
South Korea	29.6	32.0	29.9	33.2	0.2	1.2	:	:
Mexico (1)	19.1	24.4	20.7	24.5	1.6	0.1	38.0	44.9
Russia (1)	33.4	37.4	39.5	40.2	6.0	0.6	:	:
Turkey (1) (2)	33.0	37.4	33.7	36.6	0.8	-0.8	:	39.0
United States	36.4	38.1	30.9	33.1	-5.4	-4.9	79.2	123.3

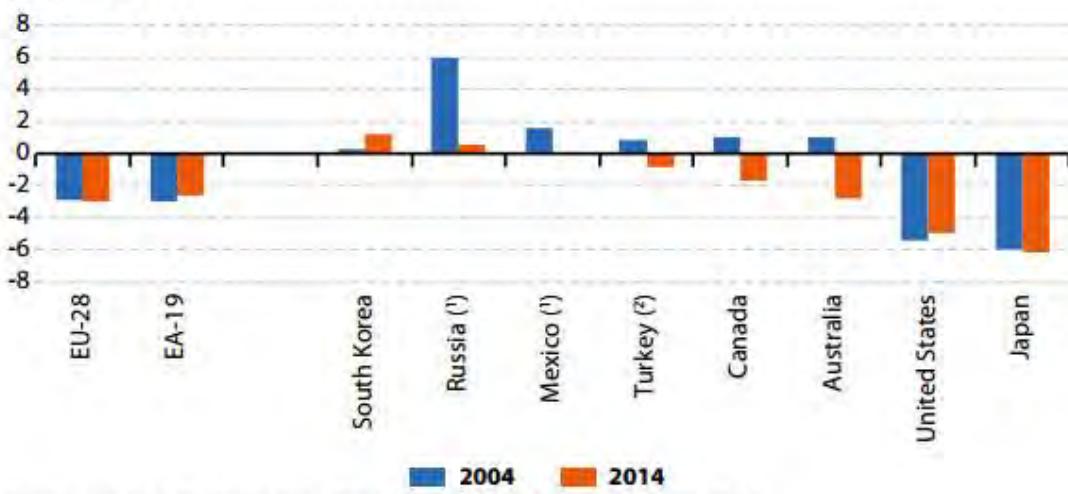
Note: data not available for Argentina, Brazil, China, India, Indonesia, Saudi Arabia and South Africa.

(1) 2014 'Expenditure', 'Revenue' and 'Deficit/surplus': Turkey (2011 data); Mexico and Russia (2013 data).

(2) 2004 'Expenditure', 'Revenue' and 'Deficit/surplus': Turkey (2006 data).

Source: Eurostat (online data codes: gov_10a_main and gov_10dd_edpt1) and OECD National Accounts at a glance

Figure 6.4: General government deficit / surplus, 2004 and 2014
(% of GDP)



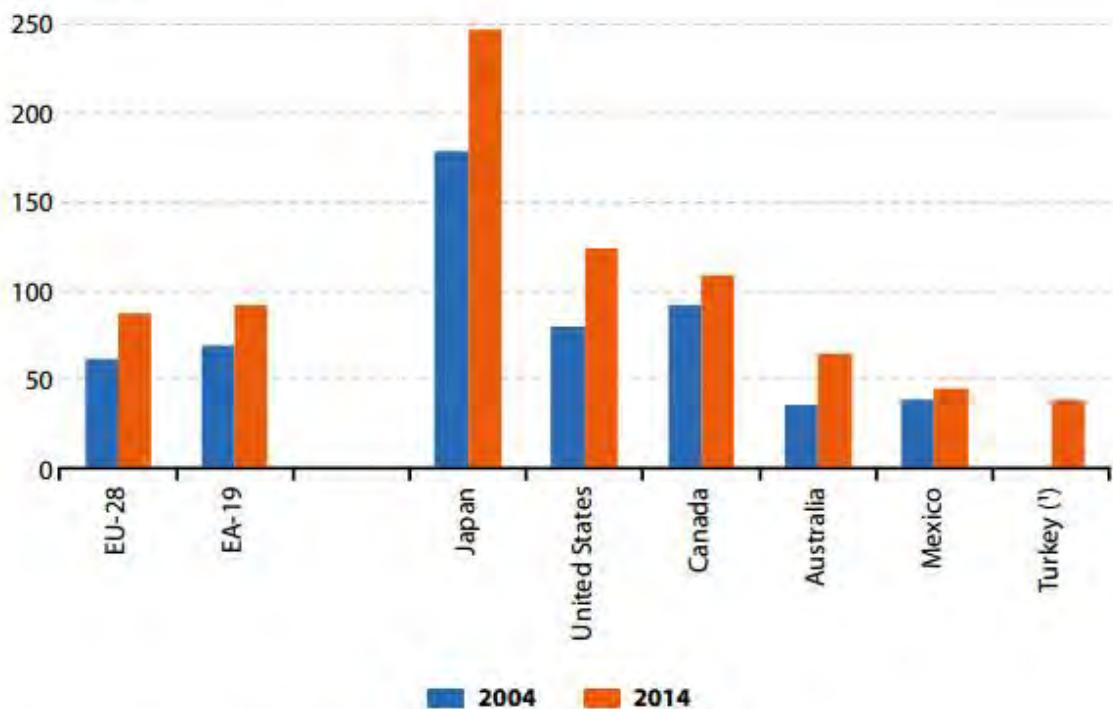
Note: data not available for Argentina, Brazil, China, India, Indonesia, Saudi Arabia and South Africa.

(1) 2014: Turkey (2011 data), Mexico and Russia (2013 data).

(2) 2004: Turkey (2006 data).

Source: Eurostat (online data codes: gov_10a_main and gov_10dd_edpt1) and OECD National Accounts at a glance

Figure 6.5: General government debt, 2004 and 2014
(% of GDP)

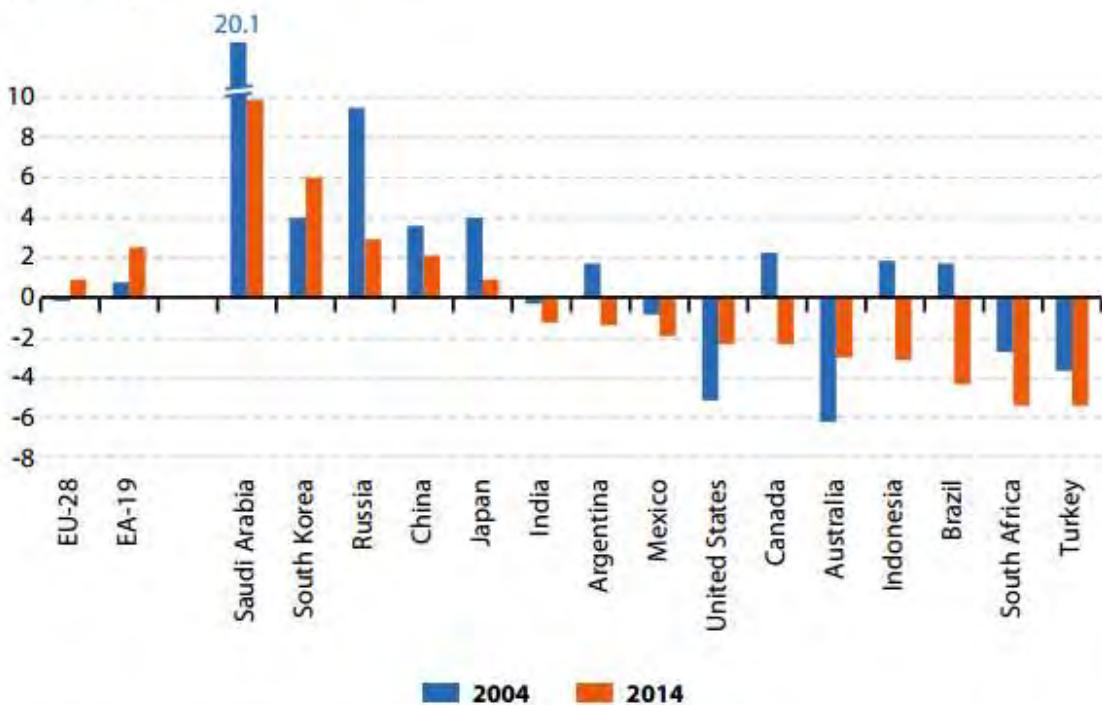


Note: data not available for Argentina, Brazil, China, India, Indonesia, Russia, Saudi Arabia, South Africa and South Korea.

(1) 2004 data not available.

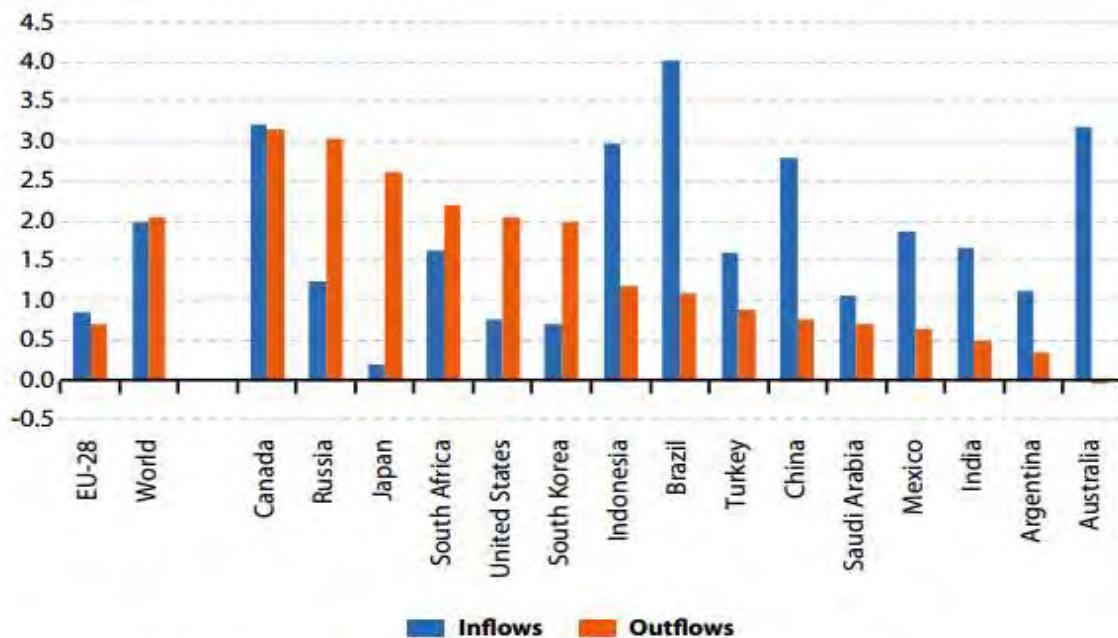
Source: Eurostat (online data codes: `gov_10a_main` and `gov_10dd_edpt1`) and OECD National Accounts at a glance

Figure 6.6: Current account balance, 2004 and 2014
(% of GDP)



Source: Eurostat (online data codes: `bop_eu6_q` and `nama_10_gdp`), OECD (Key Short-Term Economic Indicators) and the International Monetary Fund (World Economic Outlook database)

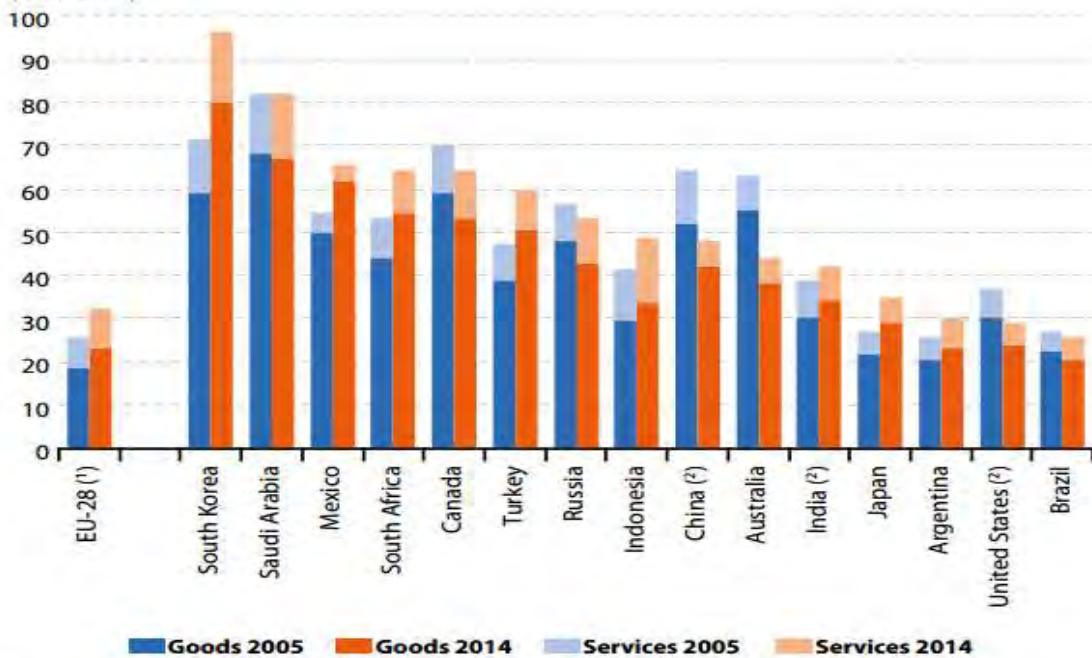
Figure 6.7: Flows of foreign direct investment, 2014
(% of GDP)



Note: ranked on 'Outflows'. As of 2013 a new methodology (BPM6) was implemented with differences compared to earlier methodology (BPM5) which may partly explain significant changes in the indicators when comparing with earlier periods. A special purpose entity (SPE) is included.

Source: Eurostat (online data code: `nama_10_gdp`) and the World Bank (World Development Indicators)

Figure 7.1: International trade in goods and services, 2005 and 2014
(% of GDP)



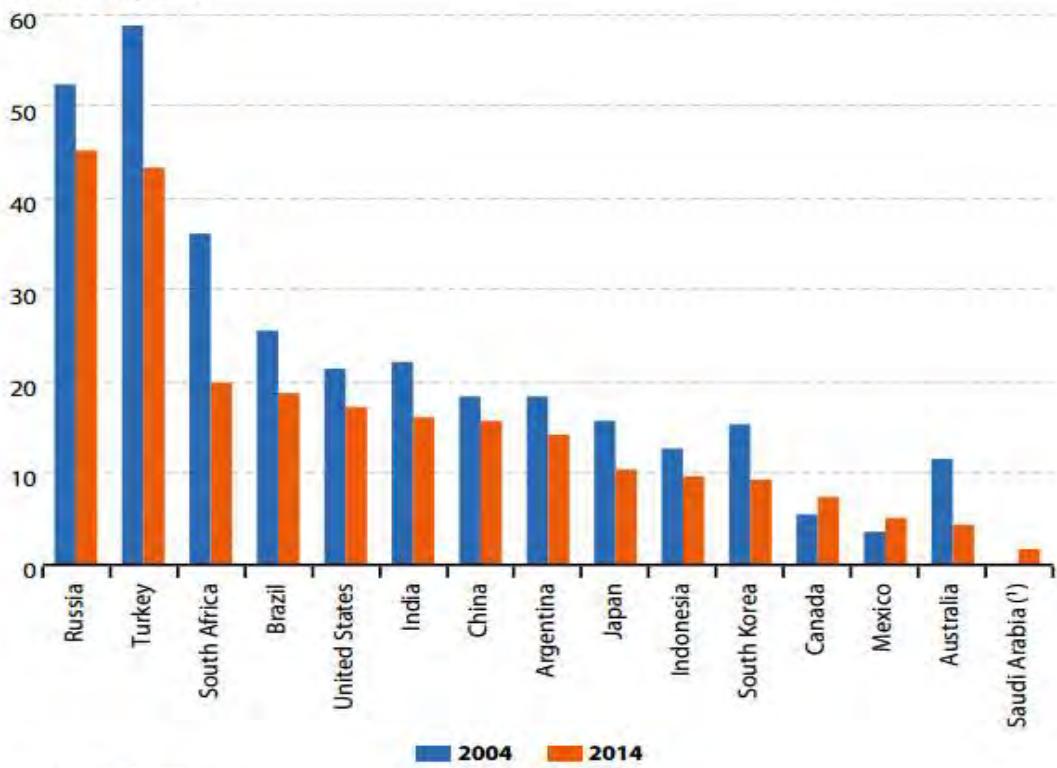
Note: ranked on total of 'Goods 2014' and 'Services 2014': Sum of imports and exports of goods and services of an economy, measured as debits and credits, relative to its gross domestic product (GDP). Higher values indicate higher integration within the international economy.

(1) Extra-EU flows only for EU-28 (trade between EU Member States not included), while flows with the rest of the world are measured for other countries.

(2) 2013 data instead of 2014.

Source: Eurostat (online data codes: `bop_eu6_q` and `nama_10_gdp`) and the World Bank (World Development Indicators)

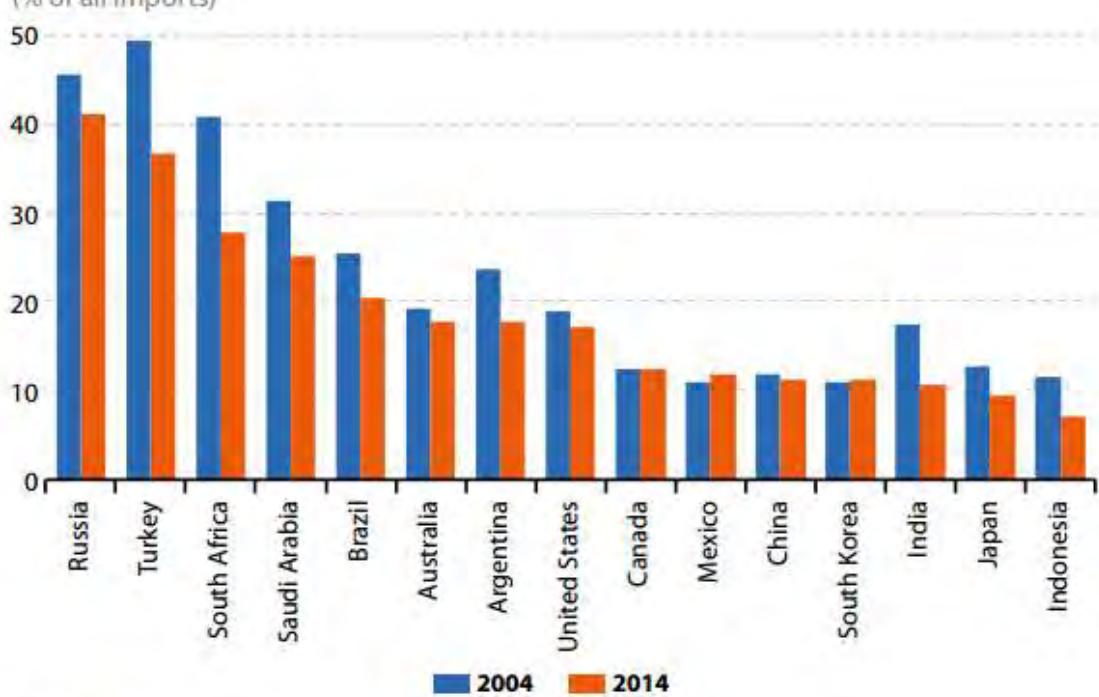
Figure 7.2: Share of EU-28 as the destination of exports of goods by G20 partners, 2004 and 2014
(% of all exports)



⁽¹⁾ Not available for 2004.

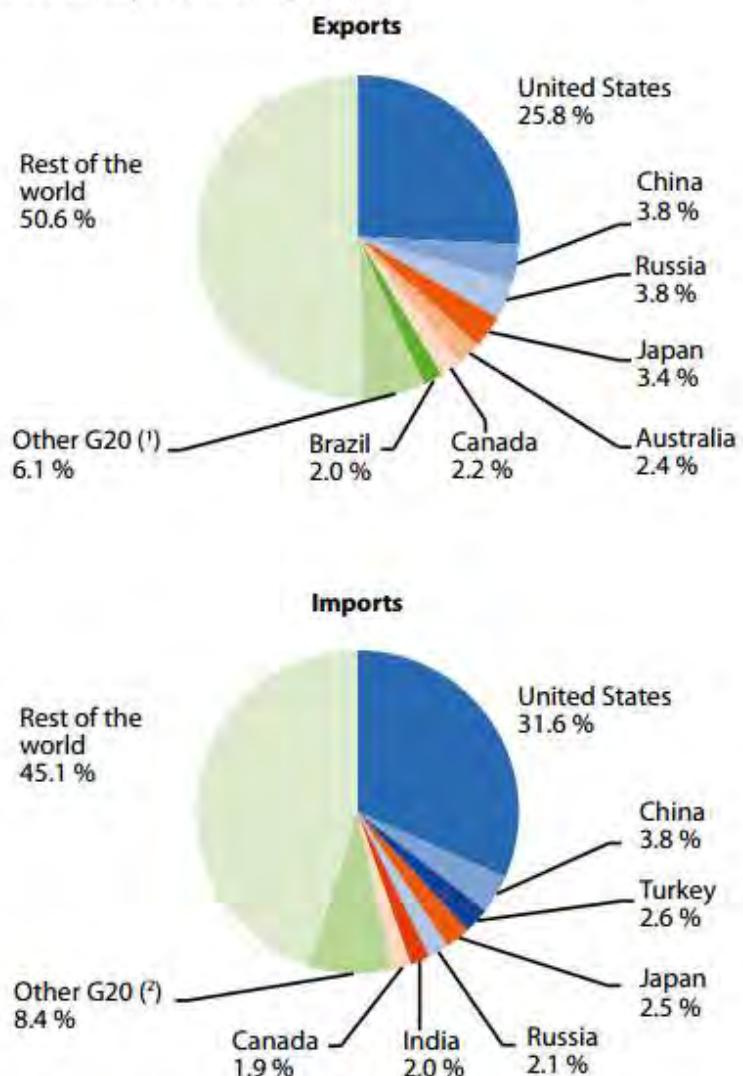
Source: the United Nations (Comtrade)

Figure 7.3: Share of EU-28 as the origin of imports of goods by G20 partners, 2004 and 2014
(% of all imports)



Source: the United Nations (Comtrade)

Figure 7.4: EU-28 International exports and imports of services by main partners, 2014
 (% share of extra-EU-28 exports and imports)

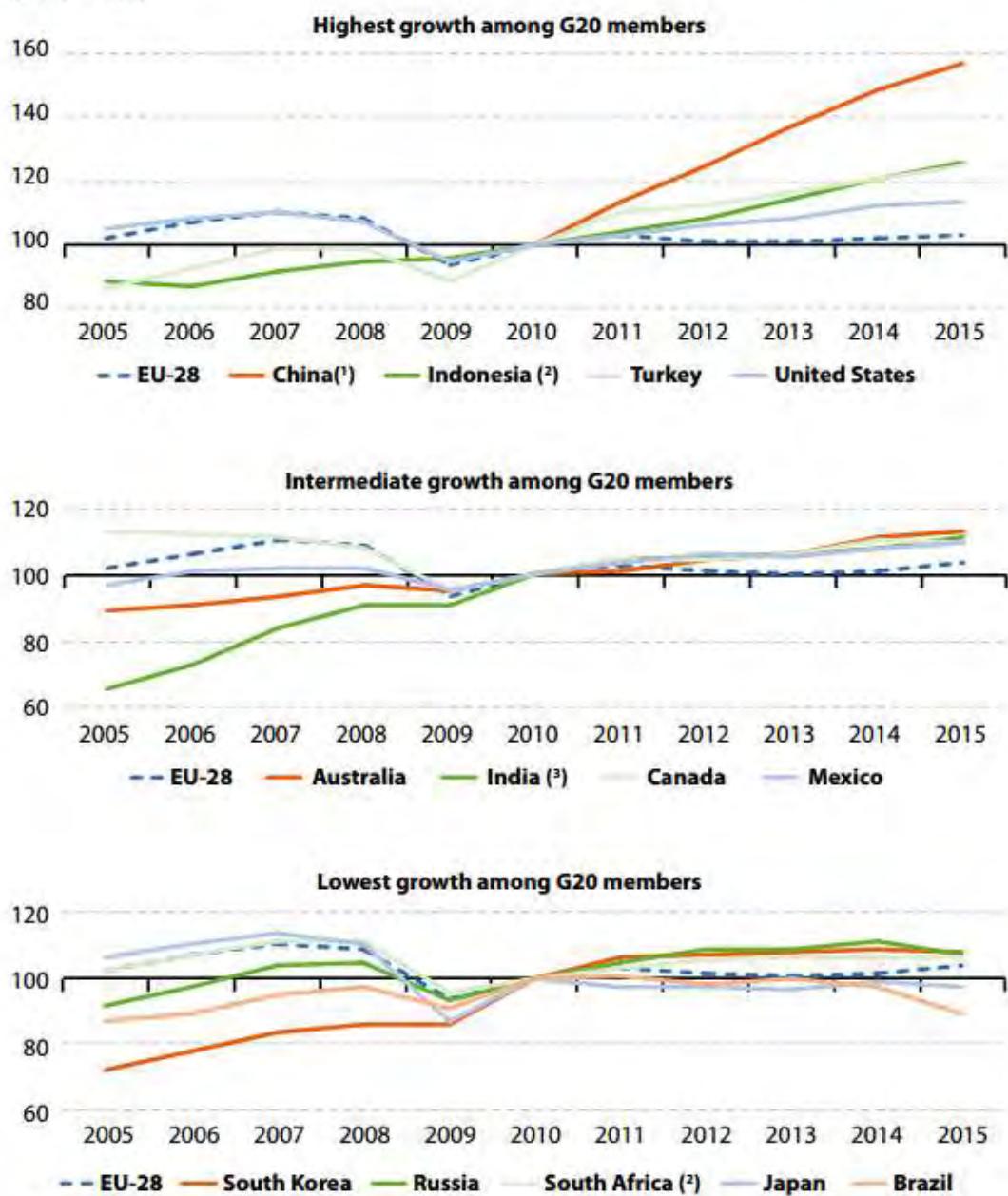


(1) Argentina, India, Indonesia, Mexico, South Africa and Turkey. Not including Saudi Arabia or South Korea.

(2) Argentina, Australia, India, Indonesia, Mexico and South Africa. Not including Saudi Arabia or South Korea.

Source: Eurostat (online data code: bop_lts6_det)

Figure 8.1: Industrial production index, average annual growth rate, 2005–15
(2010 = 100)



Note: different ranges in y-axis in between different parts of the figure. The EU-28 is shown in all three parts of the figure for the purpose of comparison. Argentina and Saudi Arabia: not available.

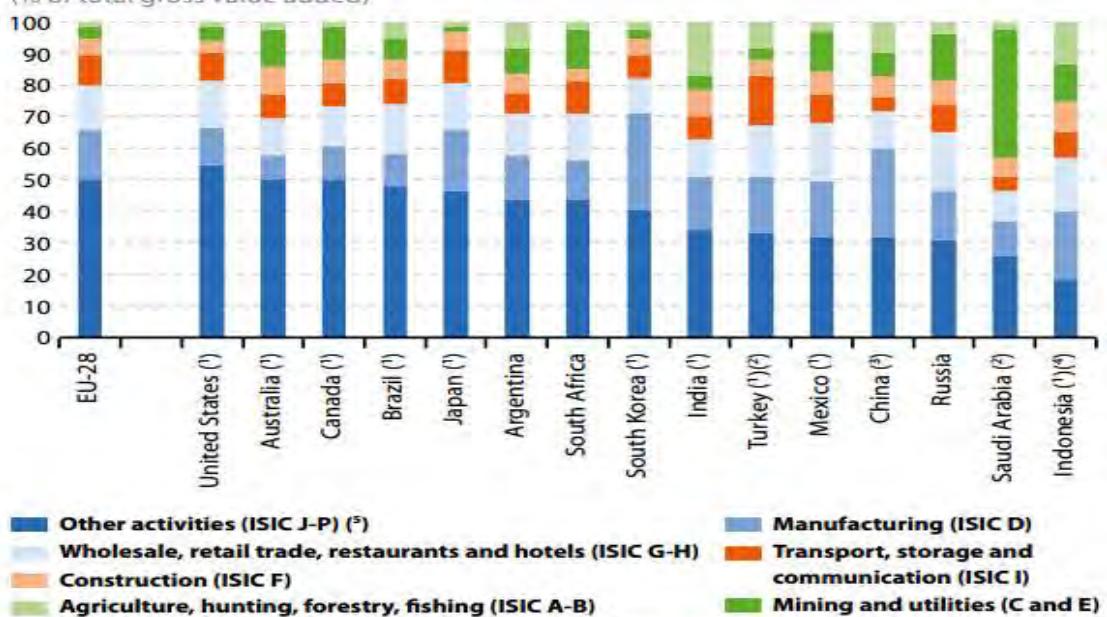
⁽¹⁾ Data not available from 2005–09.

⁽²⁾ Data for manufacturing instead of industry.

⁽³⁾ 2005: break in the series.

Source: Eurostat (online data code: `sts_inpr_a`), OECD (Main Economic Indicators — Production and Sales) and IMF, International Financial Statistics (Price, Production and Labour selected indicators)

Figure 8.3: Gross value added by economic activity at current prices, 2014
(% of total gross value added)



Note: ISIC Rev. 3 classification. Countries ranked on share of 'Other activities' in their country's total valued added. Economical activities ranked by their share in the total of the G20 members.

(1) 'Other activities' excludes computer and related activities and radio/TV activities; includes travel agencies and landscaping care; 'Agriculture, hunting, forestry, fishing' excludes irrigation canals and landscaping care; 'Manufacturing' excludes recycling and publishing activities; 'Wholesale, retail trade, restaurants and hotels' excludes repair of personal and household goods; 'Transport, storage and communication' excludes travel agencies, includes publishing activities, computer and related activities and radio/TV activities.

(2) FISIM has not been allocated to intermediate consumption by economic activity.

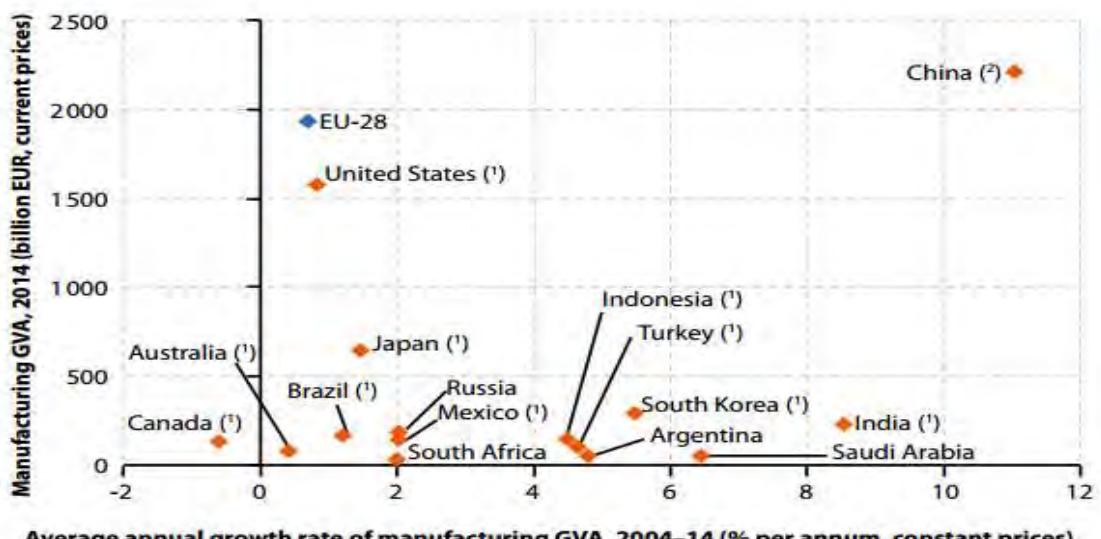
(3) At producers' prices.

(4) Refers to gross domestic product.

(5) 'Other activities' include: financial intermediation; real estate, renting and business activities; public administration and defence; compulsory social security; education; health and social work; other community, social and personal service activities; and private households with employed persons.

Source: United Nations Statistics Division, National Accounts estimates of main aggregates

Figure 8.4: Manufacturing — gross value added and annual growth rate of gross value added, 2004–14



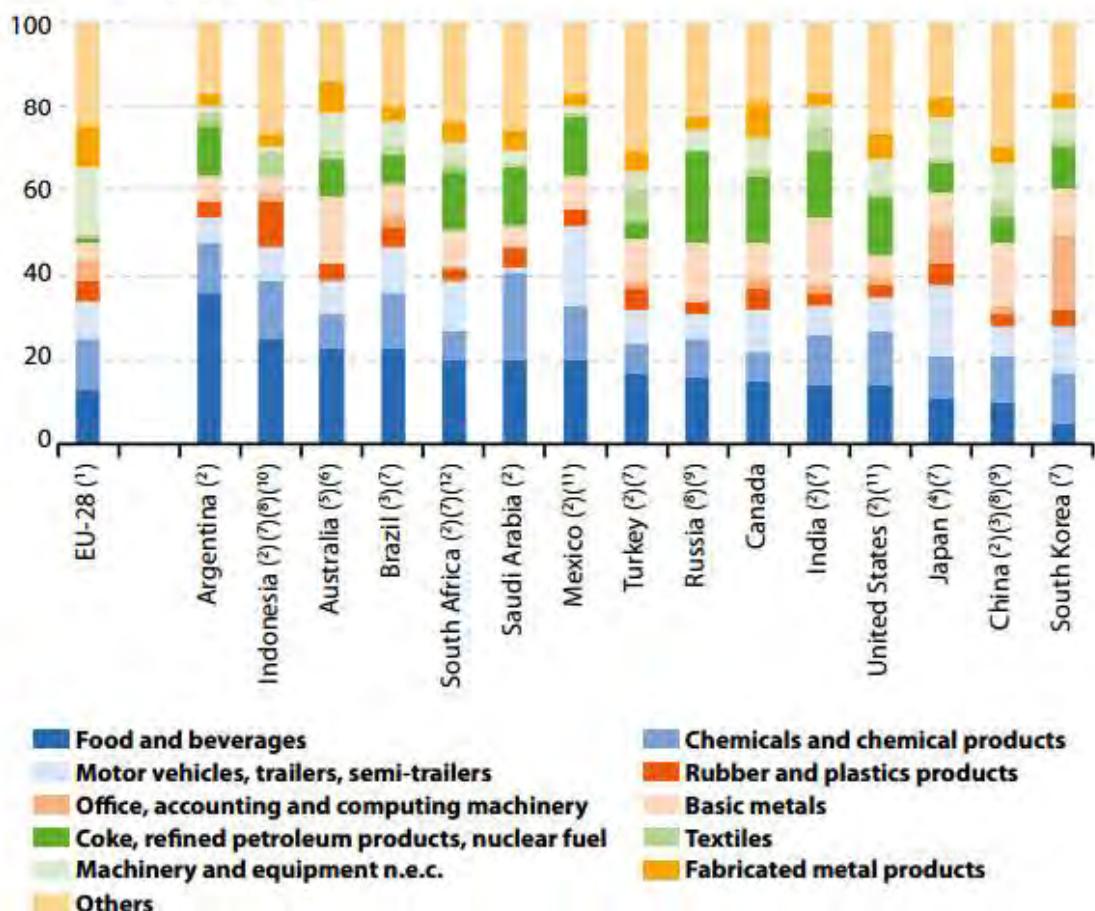
Note: the EU-28's annual average growth rate between 2004 and 2014 of GVA for manufacturing activities was 0.7 % (shown on the horizontal axis). The EU-28 GVA was EUR 1 932 billion in 2014 (shown on the vertical axis).

(1) 'Manufacturing' excludes recycling and publishing activities.

(2) At producers' prices for current prices series. 2005 data for constant prices series instead of 2004.

Source: Eurostat (online data code: demo_gind), United Nations, National Accounts Estimates of Main Aggregates and United Nations Population Division, Department of Economic and Social Affairs (World Population Prospects: the 2015 Revision)

Figure 8.5: Value added of manufacturing activities, 2012 or latest year
(% of total manufacturing)



Food and beverages

■ Motor vehicles, trailers, semi-trailers

■ Office, accounting and computing machinery

■ Coke, refined petroleum products, nuclear fuel

■ Machinery and equipment n.e.c.

■ Others

Chemicals and chemical products

■ Rubber and plastics products

■ Basic metals

■ Textiles

■ Fabricated metal products

Note: countries ranked on 'Food and beverages'. Sectors ranked on their total share in the G20 total.

(1) EU-28 data based on divisions of the NACE Rev. 2. Data for other countries based on divisions of the ISIC Rev.3.

(2) China, India, and Indonesia: 2011 data. Mexico and South Africa: 2010 data. Turkey: 2009 data. United States: 2008 data. Saudi Arabia: 2006 data. Argentina: 2002 data.

(3) Sum of available data.

(4) Japan: total manufacturing excludes publishing. South Africa: total manufacturing includes estimates of informal sectors

(5) Australia and South Africa: 'Food and beverage's includes 'Tobacco'.

(6) Australia: 'Textiles' includes 'wearing apparel, fur' and 'leather, leather products and footwear'. 'Machinery and equipment n.e.c.' include 'Office, accounting and computing machinery', 'Electrical machinery and apparatus', 'Radio, television and communication equipment' and 'Medical, precision and optical instruments'. 'Motor vehicles, trailers, semi-trailers' includes 'Other transport equipment'.

(7) Brazil, India, Indonesia, Japan, South Korea and Turkey: 'Office, accounting and computing machinery' includes 'Radio, television and communication equipment' and 'Medical, precision and optical instruments'.

(8) China, Indonesia and Russia: 'Coke, refined petroleum products, nuclear fuel' excludes processing of nuclear fuel.

(9) China and Russia: 'Machinery and equipment n.e.c.' excludes weapons and ammunition.

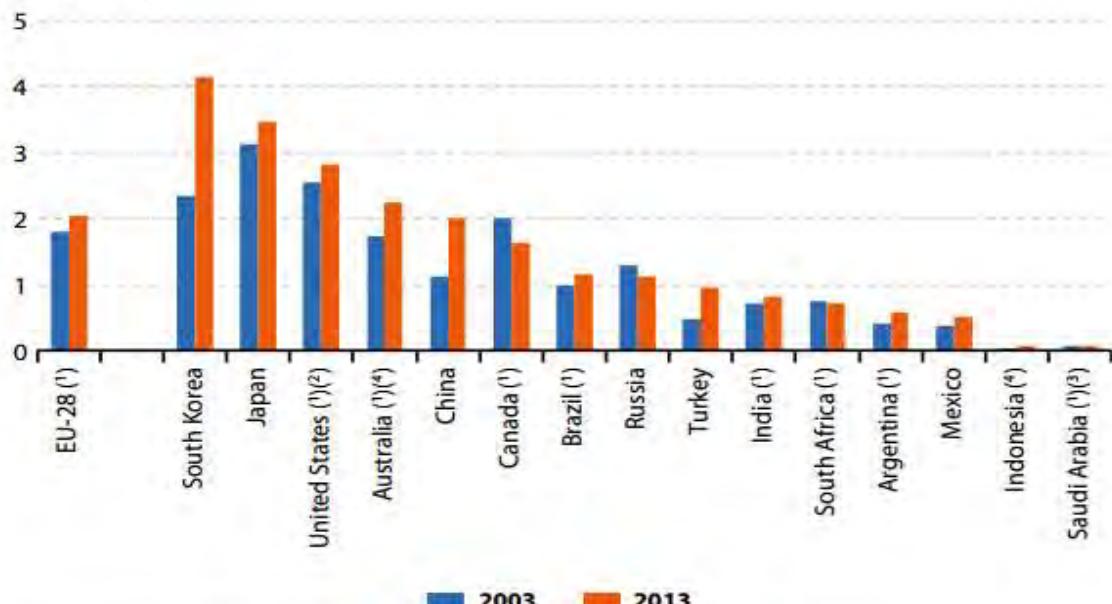
(10) Indonesia: 'Chemicals and chemical products' includes processing of nuclear fuel.

(11) Mexico and the United States: 'Coke, refined petroleum products, nuclear fuel' includes refined petroleum products only.

(12) South Africa: 'Coke, refined petroleum products, nuclear fuel' includes also basic chemicals. 'Chemicals and chemical products' data are aggregated from incomplete 3- and/or 4-digit level of ISICs.

Source: Eurostat (online data code: sbs_na_ind_r2) and the United Nations Industrial Development Organisation (Indstat)

Figure 9.1: Gross domestic expenditure on research and development relative to GDP, 2003 and 2013
(% of GDP)



(1) 2013: Saudi Arabia: 2009 data. Australia and India: 2011 data. Argentina, Brazil, South Africa and United States: 2012 data. EU-28 and Canada: provisional data. Indonesia: estimate.

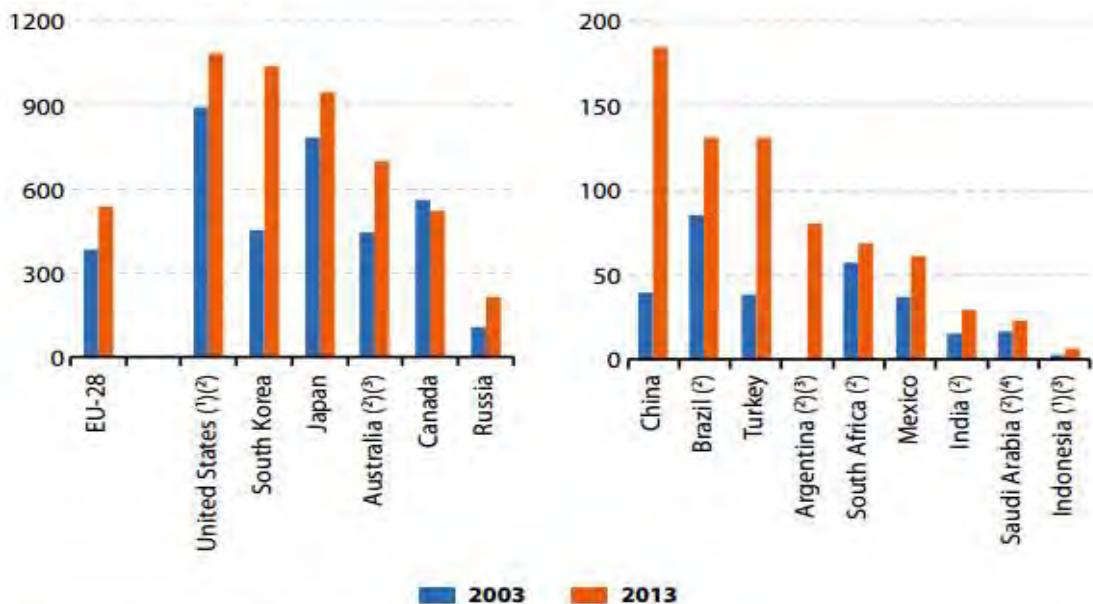
(2) Excluding most or all capital expenditure.

(3) Partial data.

(4) 2003: Indonesia: 2001 data. Australia: 2002 data.

Source: Eurostat (online data code: rd_e_gerdtot) and the United Nations Educational, Scientific and Cultural Organisation (UIS: Science & Technology)

Figure 9.2: Gross domestic expenditure on research and development per inhabitant, 2003 and 2013
(EUR per inhabitant)



Note: the two bar charts have different scales.

(1) United States: excluding most or all capital expenditure. Indonesia: excluding humanities and social sciences in 2001.

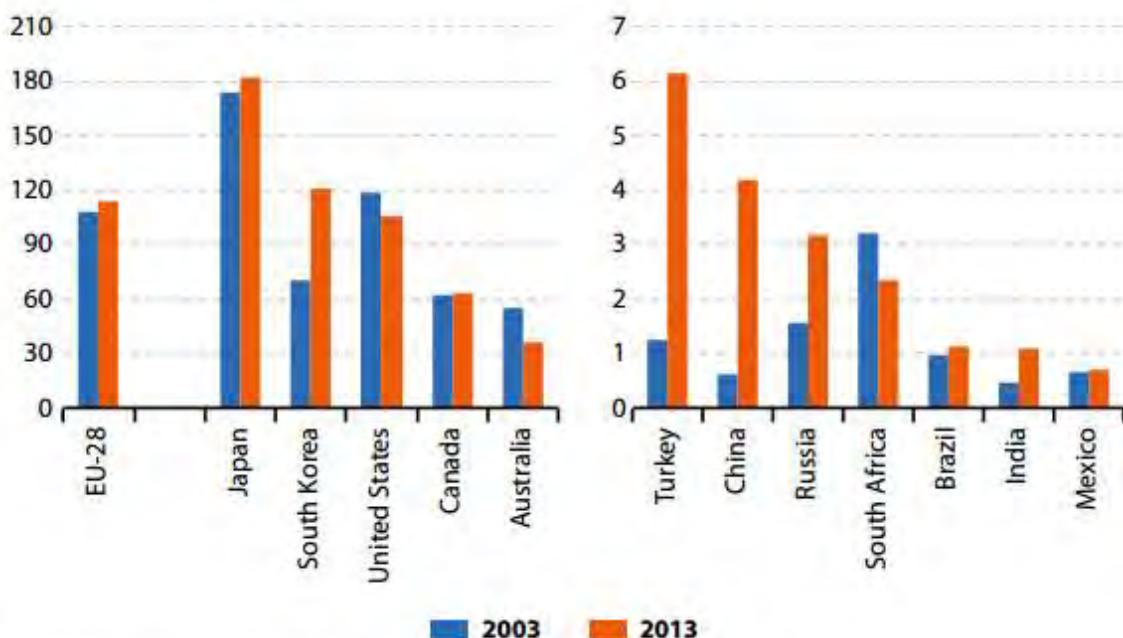
(2) 2013: Saudi Arabia: 2009 data. Argentina, Australia and India: 2011 data. Brazil, South Africa and United States: 2012 data. Includes estimates and provisional data.

(3) 2003: Indonesia: 2001 data. Australia: 2002 data. Argentina: data not available.

(4) Partial data.

Source: Eurostat (online data code: rd_e_gerdtot) and the United Nations Educational, Scientific and Cultural Organisation (UIS: Science & Technology)

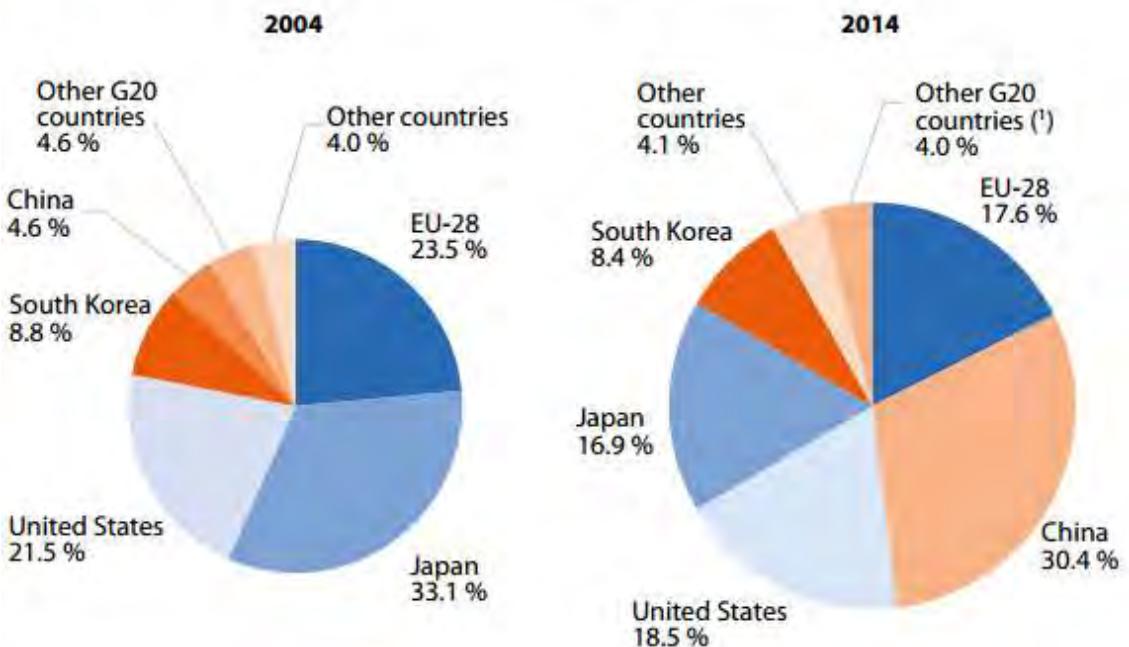
Figure 9.5: Patent applications to the European patent office, 2003 and 2013 (per million inhabitants)



Note: the two bar charts have different scales. Data not available for Argentina, Indonesia and Saudi Arabia, 2013: estimates.

Source: Eurostat (online data code: pat_ep_ntot) United Nations, Department of Economic and Social Affairs, Population Division – 2015

Figure 9.6: Share of world patent applications, 2004 and 2014 (%)

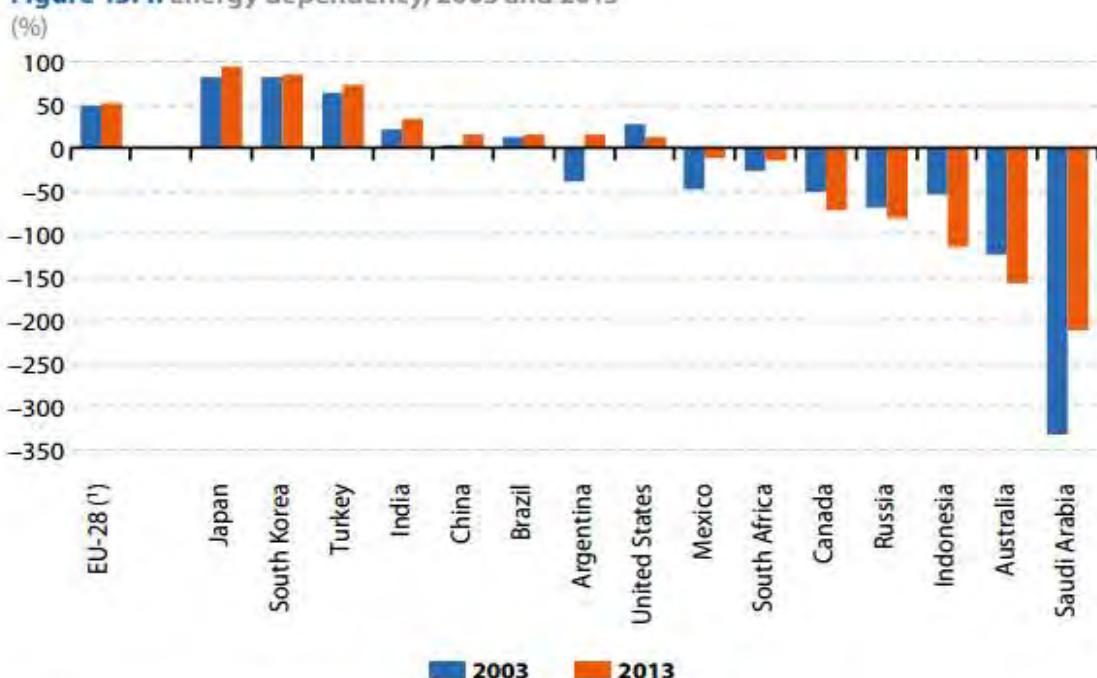


Note: country of origin based on the residence of the applicant.

(1) Argentina, Australia, Brazil, Canada, India, Indonesia, Mexico, Russia, Saudi Arabia, South Africa and Turkey.

Source: the World Intellectual Property Organisation (WIPO Statistics Database)

Figure 13.4: Energy dependency, 2003 and 2013



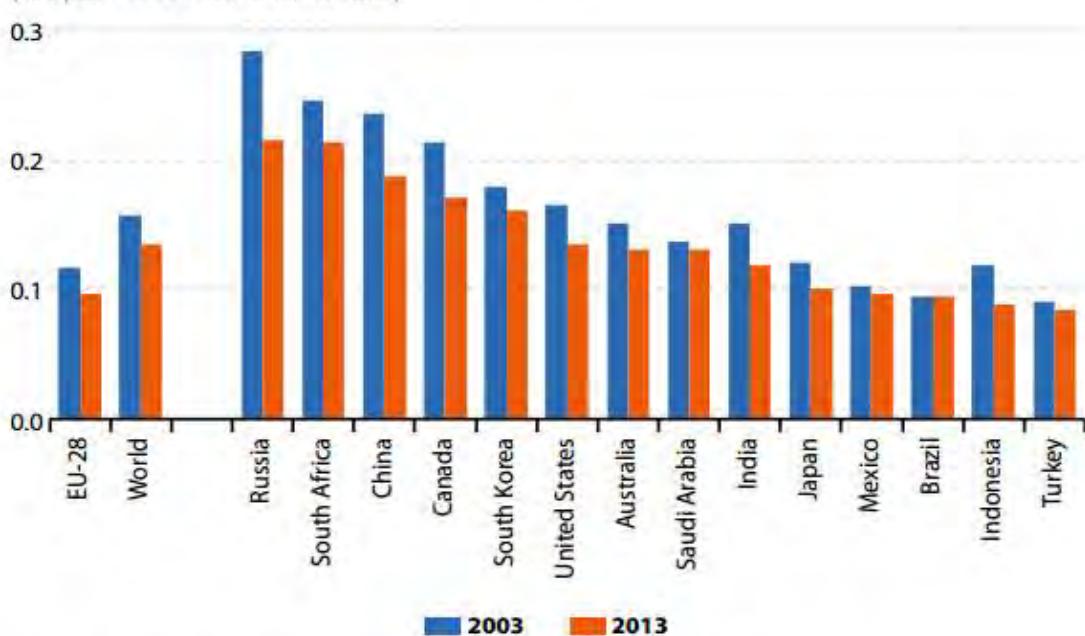
Note: energy dependency is calculated as the ratio between net imports and the sum of gross inland energy consumption and bunkers (expressed as a percentage). Countries with negative values are not energy dependent, they produce more energy than they consume.

(*) Only include marine bunkers.

Source: Eurostat (online data code: nrg_100a) and the International Energy Agency (Balances)

Figure 13.5: Energy intensity, 2003 and 2013

(toe per 1 000 international USD)



Note: energy intensity is the ratio between the gross inland consumption of energy and the gross domestic product (GDP). The GDP figures are at 2011 constant prices expressed in United States dollars converted using international purchasing power parities. Data not available for Argentina

Source: Eurostat (online data code: nrg_100a), the International Energy Agency (Balances) and the World Bank, International Comparison Program database

De la intolerable opresión de lo sucesivo

Debt and (not much) deleveraging - McKinsey Global Institute - February 2015

IN BRIEF

DEBT AND (NOT MUCH) DELEVERAGING

After the 2008 financial crisis and the longest and deepest global recession since World War II, it was widely expected that the world's economies would deleverage. It has not happened. Instead, debt continues to grow in nearly all countries, in both absolute terms and relative to GDP. This creates fresh risks in some countries and limits growth prospects in many.

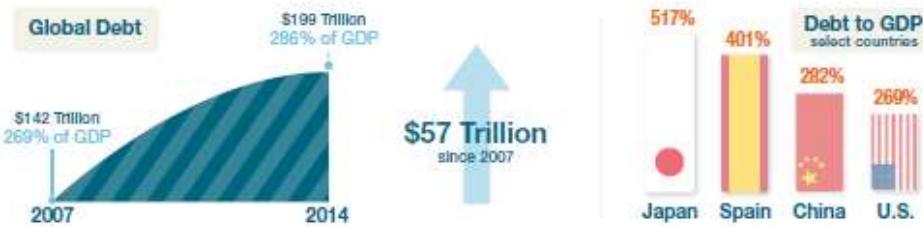
- **Debt continues to grow.** Since 2007, global debt has grown by \$57 trillion, raising the ratio of debt to GDP by 17 percentage points.¹ Developing economies account for roughly half of the growth, and in many cases this reflects healthy financial deepening. In advanced economies, government debt has soared and private-sector deleveraging has been limited.
- **Reducing government debt will require a wider range of solutions.** Government debt has grown by \$25 trillion since 2007, and will continue to rise in many countries, given current economic fundamentals. For the most highly indebted countries, implausibly large increases in real GDP growth or extremely deep reductions in fiscal deficits would be required to start deleveraging. A broader range of solutions for reducing government debt will need to be considered, including larger asset sales, one-time taxes, and more efficient debt restructuring programs.
- **Shadow banking has retreated, but non-bank credit remains important.** One piece of good news: the financial sector has deleveraged, and the most damaging elements of shadow banking in the crisis are declining. However, other forms of non-bank credit, such as corporate bonds and lending by non-bank intermediaries, remain important. For corporations, non-bank sources account for nearly all new credit growth since 2008. These intermediaries can help fill the gap as bank lending remains constrained in the new regulatory environment.
- **Households borrow more.** In the four "core" crisis countries that were hit hard—the United States, the United Kingdom, Spain, and Ireland—households have deleveraged. But in many other countries, household debt-to-income ratios have continued to grow, and in some cases far exceed the peak levels in the crisis countries. To safely manage high levels of household debt, more flexible mortgage contracts, clearer personal bankruptcy rules, and stricter lending standards are needed.
- **China's debt is rising rapidly.** Fueled by real estate and shadow banking, China's total debt has quadrupled, rising from \$7 trillion in 2007 to \$28 trillion by mid-2014. At 282 percent of GDP, China's debt as a share of GDP, while manageable, is larger than that of the United States or Germany.² Several factors are worrisome: half of loans are linked directly or indirectly to China's real estate market, unregulated shadow banking accounts for nearly half of new lending, and the debt of many local governments is likely unsustainable.

It is clear that deleveraging is rare and that solutions are in short supply. Given the scale of debt in the most highly indebted countries, the current solutions for sparking growth or cutting fiscal deficits alone will not be sufficient. New approaches are needed to start deleveraging and to manage and monitor debt. This includes innovations in mortgages and other debt contracts to better share risk; clearer rules for restructuring debt; eliminating tax incentives for debt; and using macroprudential measures to dampen credit booms. Debt remains an essential tool for funding economic growth. But how debt is created, used, monitored, and when needed discharged, must be improved.

¹ Includes debt of the financial sector.

Seeking stability in an indebted world

What happened to deleveraging?



Across sectors and geographies there are troubling signs:

CHINA'S debt is soaring

Quadrupled since 2007

~50% of loans linked to real estate

Shadow banking growing at 36% p.a.

HOUSEHOLDS borrow more

80% of countries have higher debt

74% of household debt is mortgages

7 countries at risk

GOVERNMENT debt is up \$25 trillion since 2007

75% of increase in advanced economies

Exceeds 100% of GDP in 10 countries

Projected to keep growing in Europe and Japan

Good news: the financial sector has deleveraged and become safer

Risky forms of shadow banking are fading, while non-bank lending is rising in importance



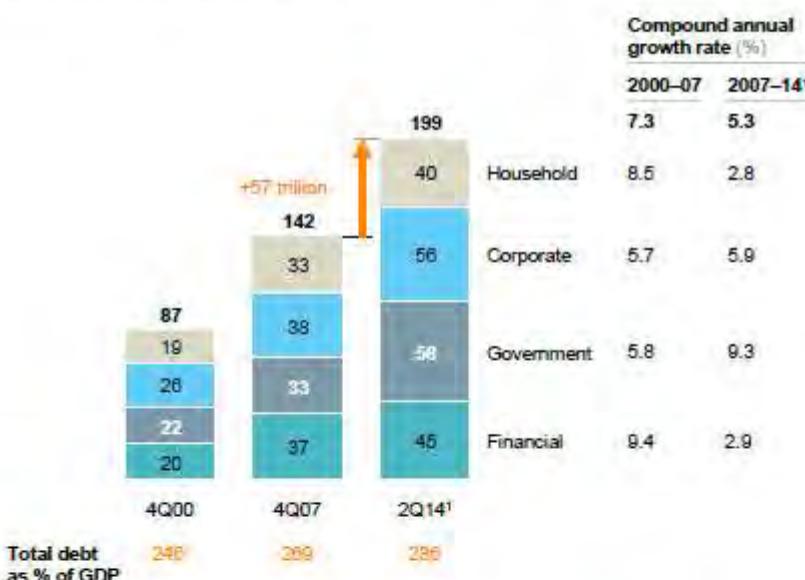
EXECUTIVE SUMMARY

Seven years after the global financial crisis, global debt and leverage have continued to grow. From 2007 through the second quarter of 2014, global debt grew by \$57 trillion, raising the ratio of global debt to GDP by 17 percentage points (Exhibit E1). This is not as much as the 23-point increase in the seven years before the crisis, but it is enough to raise fresh concerns. Governments in advanced economies have borrowed heavily to fund bailouts in the crisis and offset falling demand in the recession, while corporate and household debt in a range of countries continues to grow rapidly.

Exhibit E1

Global debt has increased by \$57 trillion since 2007, outpacing world GDP growth

Global stock of debt outstanding by type¹
\$ trillion, constant 2013 exchange rates



1. 2Q14 data for advanced economies and China; 4Q13 data for other developing economies.
NOTE: Numbers may not sum due to rounding.

SOURCE: Haver Analytics; national sources; World economic outlook, IMF; BIS; McKinsey Global Institute analysis

There are few indicators that the current trajectory of rising leverage will change, especially in light of diminishing expectations for economic growth. This calls into question basic assumptions about debt and deleveraging and the adequacy of the tools available to manage debt and avoid future crises. We find it unlikely that economies with total non-financial debt that is equivalent to three to four times GDP will grow their way out of excessive debt. And the adjustments to government budgets required to start deleveraging of the most indebted governments are on a scale that makes success politically challenging.

This situation demands a broader set of approaches. Debt will remain an essential tool for the global economy, funding needed investments in infrastructure, business expansion, and urbanization. But high debt levels, whether in the public or private sector, have historically placed a drag on growth and raised the risk of financial crises that spark deep economic recessions.¹ A broader range of tools to avoid excessive borrowing and efficiently restructure debt when needed should be considered.

High debt levels, whether in the public or private sector, have historically placed a drag on growth and raised the risk of financial crises that spark deep economic recessions.

This research builds on our previous work on global debt and deleveraging, which examined debt in the private and public sectors across countries.² In this report, we examine the evolution of debt and prospects for deleveraging in 22 advanced economies and 25 developing economies. Our research focuses on debt of the "real economy"—of households, non-financial corporations, and governments—and treats financial-sector debt separately. One bit of good news in our research is the reduced leverage and increased safety of the financial sector in advanced economies.

In our analysis we examine several important developments in global debt since the crisis: the continuing rise of leverage around the world; growing government debt and how it might be managed; continued rapid growth in household debt in some countries that raises the risk of future crises; the potential risks of China's rising debt, which accounts for about a third of the increase in global debt since 2007; and the decline of the riskiest forms of shadow banking and continued growth of other forms of non-bank lending. We conclude that, absent additional steps and new approaches, business leaders should expect that debt will be a drag on GDP growth and continue to create volatility and fragility in financial markets. Policy makers will need to consider a full range of responses to reduce debt as well as innovations to make debt less risky and make the impact of future crises less catastrophic.

Since the crisis, most countries have added debt, rather than deleveraging.
A large body of academic research shows that high debt is associated with slower GDP growth and higher risk of financial crises.³ Given the magnitude of the 2008 financial crisis, it is a surprise, then, that no major economies and only five developing economies have reduced the ratio of debt to GDP in the "real economy" (households, non-financial corporations, and governments, and excluding financial-sector debt). In contrast, 14 countries have increased their total debt-to-GDP ratios by more than 50 percentage points (Exhibit E2).⁴ Exhibit E3 shows the change in the ratio of debt to GDP in countries by sector since 2007 and ranks countries by the size of their total debt-to-GDP ratio.

¹ There has been much debate about what constitutes excessive leverage. We find that the definition will vary by country and that specific target ratios cannot be applied universally. Our data provide a basis for comparison and further analysis.

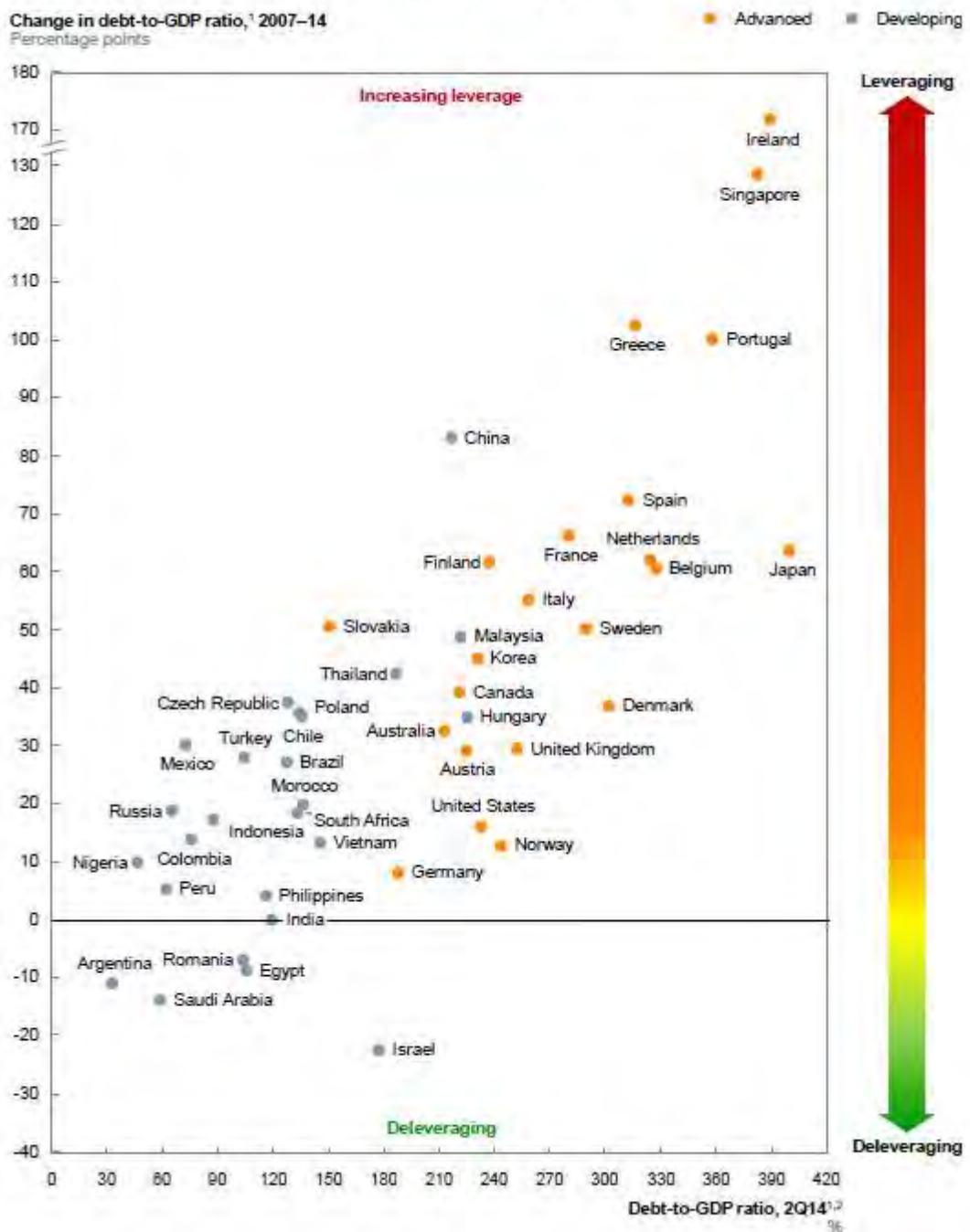
² *Debt and deleveraging: Uneven progress on the path to growth*, McKinsey Global Institute, January 2012; *Debt and deleveraging: The global credit bubble and its economic consequences*, McKinsey Global Institute, January 2010.

³ Carmen M. Reinhart, Vincent R. Reinhart, and Kenneth S. Rogoff, "Public debt overhangs: Advanced economy episodes since 1800," *Journal of Economic Perspectives*, volume 26, number 3, Summer 2012; Stephen G. Cecchetti, M.S. Mohanty and Fabrizio Zampoli, *The real effects of debt*, Bank for International Settlements (BIS) working paper number 352, September 2011.

⁴ This pattern of rising overall leverage has been observed in academic papers, notably by Luigi Bini Smaghi et al., "Deleveraging? What deleveraging?" *Geneva Reports on the World Economy*, issue 16, September 2014.

Exhibit E2

The ratio of debt to GDP has increased in all advanced economies since 2007



1. Debt owed by households, non-financial corporates, and governments.

2. 2Q14 data for advanced economies and China; 4Q13 data for other developing economies.

SOURCE: Haver Analytics; national sources; McKinsey Global Institute analysis

Exhibit E3

Change in debt-to-GDP ratio since 2007 by country

Ranked by real economy debt-to-GDP ratio, 2Q14¹

Advanced economy Developing economy ↑ Leveraging ↓ Deleveraging

Rank	Country	Debt-to-GDP ratio ¹ %	Real economy debt change, 2007–14 Percentage points				Financial sector debt change
			Total	Government	Corporate	Household	
1	Japan	400	84	83	2	-1	8
2	Ireland	390	172	93	90	-11	-25
3	Singapore	382	129	22	92	15	23
4	Portugal	358	100	83	19	-2	38
5	Belgium	327	81	34	15	11	4
6	Netherlands	325	82	38	17	7	38
7	Greece	317	103	70	13	20	1
8	Spain	313	72	92	-14	-6	-2
9	Denmark	302	37	22	7	8	37
10	Sweden	290	50	1	31	18	37
11	France	280	68	38	19	10	15
12	Italy	259	55	47	3	5	14
13	United Kingdom	252	30	50	-12	-8	2
14	Norway	244	13	-16	16	13	16
15	Finland	238	62	29	17	15	24
16	United States	233	16	35	-2	-18	-24
17	South Korea	231	45	15	19	12	2
18	Hungary	225	35	15	21	-1	10
19	Austria	225	29	23	6	0	-21
20	Malaysia	222	49	17	16	16	6
21	Canada	221	39	18	6	15	-6
22	China	217	83	13	52	18	41
23	Australia	213	33	23	-1	10	-8
24	Germany	188	8	17	-2	-6	-16
25	Thailand	187	43	11	6	28	21
26	Israel	178	-22	-4	-21	3	-2
27	Slovakia	151	51	28	8	14	-5
28	Vietnam	148	13	10	-1	5	2
29	Morocco	138	20	8	7	5	3
30	Chile	138	35	6	20	9	9
31	Poland	134	36	14	9	13	9
32	South Africa	133	19	18	2	-2	-3
33	Czech Republic	128	37	19	9	9	4
34	Brazil	128	27	3	15	9	13
35	India	120	0	-5	6	-1	5
36	Philippines	118	4	-3	9	-2	-5
37	Egypt	106	-9	9	-18	0	-8
38	Turkey	104	28	-4	22	10	11
39	Romania	104	-7	28	-35	1	-4
40	Indonesia	88	17	-5	17	8	-2
41	Colombia	78	14	1	8	5	3
42	Mexico	73	30	19	10	1	-1
43	Russia	65	19	3	9	7	-4
44	Peru	62	5	-10	11	5	2
45	Saudi Arabia	59	-14	-15	2	-1	-8
46	Nigeria	46	10	7	1	2	-1
47	Argentina	33	-11	-14	1	2	-5

¹ Includes debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China; 2013 data for other developing economies.

NOTE: Numbers may not sum due to rounding.

47%
Contribution of
developing
economies to
global debt growth

Some of the growth in global debt is benign and even desirable. Developing economies have accounted for 47 percent of all the growth in global debt since 2007—and three-quarters of new debt in the household and corporate sectors. To some extent, this reflects healthy financial system deepening, as more households and companies gain access to financial services. Moreover, debt in developing countries remains relatively modest, averaging 121 percent of GDP, compared with 280 percent for advanced economies. There are exceptions, notably China, Malaysia, and Thailand, whose debt levels are now at the level of some advanced economies.

More concerning is the continuing rise of debt levels in advanced economies. Despite the tightening of lending standards, household debt relative to income has declined significantly in only five advanced economies—the United States, Ireland, the United Kingdom, Spain, and Germany.⁵ The United States and Ireland have achieved the most household deleveraging, using very different mechanisms (default in the United States, and loan modification programs in Ireland). Meanwhile, a number of countries in northern Europe, as well as Canada and Australia, now have larger household debt ratios than existed in the United States or the United Kingdom at the peak of the credit bubble. Corporations were not highly leveraged at the start of the 2008 crisis and their debt has risen only slightly since then. For small businesses, particularly in parts of Europe, new lending has dried up.

Government debt: A wider range of solutions is needed

Government debt in advanced economies increased by \$19 trillion between 2007 and the second quarter of 2014 and by \$6 trillion in developing countries. In the depths of the recession, the rise in government spending was a welcome counterbalance to the sharp decline in private-sector demand. Indeed, at the first G20 meeting in Washington, DC, policymakers urged governments to use fiscal stimulus to combat the recession.

But government debt has now reached high levels in a range of countries and is projected to continue to grow. Given current primary fiscal balances, interest rates, inflation, and consensus real GDP growth projections, we find that government debt-to-GDP ratios will continue to rise over the next five years in Japan (where government debt is already 234 percent of GDP), the United States, and most European countries, with the exceptions of Germany, Ireland, and Greece.

It is unclear how the most highly indebted of these advanced economies can reduce government debt. We calculate that the fiscal adjustment (or improvement in government budget balances) required to start government deleveraging is close to 2 percent of GDP or more in six countries: Spain, Japan, Portugal, France, Italy, and the United Kingdom (Exhibit E4). Attaining and then sustaining such dramatic changes in fiscal balances would be challenging. Furthermore, efforts to reduce fiscal deficits could be self-defeating— inhibiting the growth that is needed to reduce leverage.

Nor are these economies likely to grow their way out of high government debt—which was essential to some previous successful deleveraging episodes, such as Sweden's and Finland's in the 1990s. In these countries, too, government debt rose in the recessions that followed their crises. But their private sectors deleveraged rapidly, and both nations benefited from an export boom, fueled in large part by a 30 percent currency depreciation and strong global demand. Today, many of the world's largest economies are trying to deleverage at the same time and in an environment of limited global growth and persistently low inflation. Our analysis shows that real GDP growth would need to be twice the current projected rates or more to start reducing government debt-to-GDP ratios in six countries: Spain, Japan, Portugal, France, Italy, and Finland.

⁵ In some countries, such as Japan, Ireland, and Portugal, deleveraging of households has been offset by rising corporate-sector leverage.

Exhibit E4

European economies and Japan require significant fiscal adjustment to start public-sector deleveraging

Country	Primary balance—current and required ¹		Fiscal adjustment required ● – ■ Percentage points	Real GDP growth, 2014–19 consensus forecast ² %
	Primary balance, 2014	Primary balance to start deleveraging		
Spain	-2.3 ■	2.6	4.9	1.7
Japan	-5.4 ■	-1.3	4.1	1.1
Portugal	0.1 ■	3.7	3.6	1.4
France	-2.3 ■	0.2	2.5	1.5
Italy	1.7 ■	3.6	1.9	0.9
United Kingdom	-2.7 ■	-0.8	1.9	2.5
Finland	-1.6 ■	-0.3	1.3	1.6
Netherlands	-1.0 ■	0.1	1.1	1.6
Belgium	0.1 ■	0.8	0.7	1.6
United States	-1.0 ■	-0.8	0.2	2.8
Ireland	0.4 | -0.2	n/a	3.0	
Greece	1.4 ■	2.7	n/a	2.5
Germany	0.0 ■	2.1	n/a	1.6

¹ Based on consensus GDP forecast, current inflation, 2Q14 government debt-to-GDP level, and estimated 2014 effective interest rate.² Average real GDP growth forecast from 2014 to 2019 per IMF, IHS, EU, Oxford Economics, OECD, and McKinsey Global Growth Model.

SOURCE: McKinsey Country Debt database; IMF; IHS; EU; Oxford Economics; OECD; McKinsey Global Growth Model; McKinsey Global Institute analysis.

A wider range of solutions to enable government deleveraging is therefore needed. The specifics will depend on the circumstances of each country. But these may include, for instance, more widespread public asset sales, higher or one-time taxes on wealth, higher inflation targets, and more efficient programs for debt restructuring.

Household debt continues to grow rapidly, and deleveraging is rare

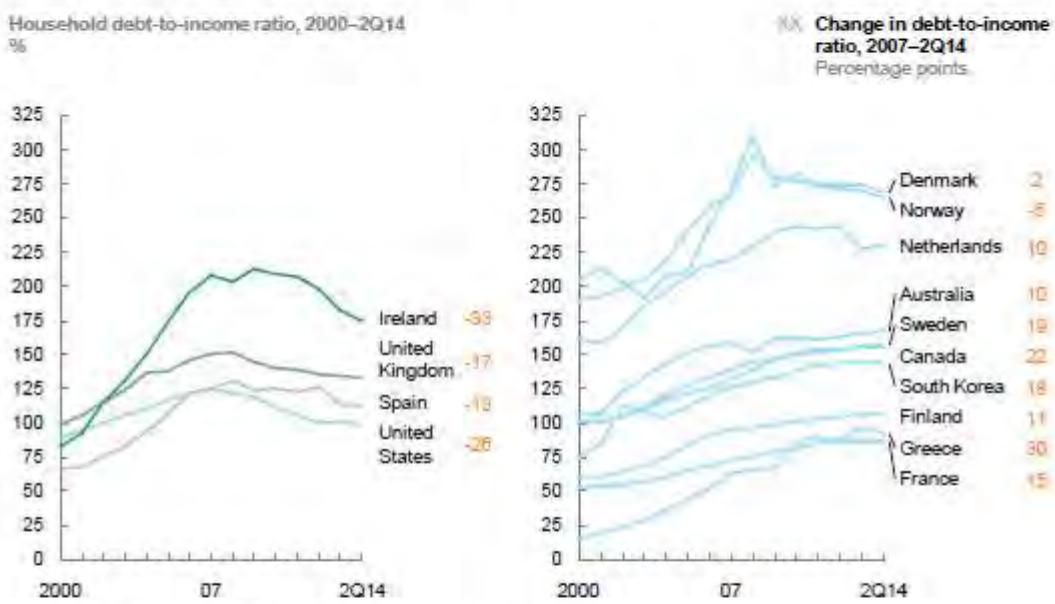
Unsustainable levels of household debt in the United States and a handful of other advanced economies were at the core of the 2008 financial crisis. Between 2000 and 2007, the ratio of household debt relative to income rose by one-third or more in the United States, the United Kingdom, Spain, Ireland, and Portugal. This was accompanied by, and contributed to, rising housing prices. When housing prices started to decline and the financial crisis occurred, the struggle to keep up with this debt led to a sharp contraction in consumption and a deep recession.⁸

⁸ Atif Mian and Amir Sufi, *House of Debt: How they (and you) caused the Great Recession, and how we can prevent it from happening again*, University of Chicago Press, 2014.

Since then, households in those countries have begun deleveraging, with the most progress in Ireland and the United States (Exhibit E5). In many other countries, however, household debt has continued to rise rapidly. In the Netherlands, Denmark, and Norway, household debt now exceeds 200 percent of income—far above US or UK household debt at the peak. In other advanced economies, such as Canada, South Korea, and Australia, household debt also continues to grow. Household debt has risen rapidly in some developing countries, too—quadrupling in China, for instance—but remains at much lower levels relative to income than in advanced economies (Malaysia and Thailand are exceptions).

Exhibit E5

Households in the hard-hit countries have deleveraged, but household debt has continued to grow in most advanced economies



SOURCE: Haver Analytics; national central banks; McKinsey Global Institute analysis

Why is household deleveraging so rare? Mortgages are the main form of household debt in all advanced economies, and rising housing prices contribute to more borrowing. And, when buyers can obtain larger mortgages, they bid up house prices even more. We find a strong correlation between increases in real estate prices and household debt both across countries and between US states. Housing prices, in turn, reflect land costs, which are influenced by physical limitations, regulatory policies, and urban concentration.⁷ We show that urbanization patterns matter: countries in which a large share of the population crowds into a small number of cities have higher real estate prices—and household debt—than countries with more dispersed urban development. Policy makers will therefore need to be particularly vigilant in monitoring debt growth and sustainability in global cities with high real estate prices.

⁷ Other factors, including the size of the high-skill, high-income workforce, also contribute to higher land and housing prices in large cities.

\$4.3T

Increase in
corporate bonds
outstanding since
2007

The question now is whether high household debt in some countries will spark a crisis. We assess the level and growth of debt-to-income ratios, debt service ratios, and house price changes. Using these metrics, we find that seven economies today have potential vulnerabilities in household debt: the Netherlands, South Korea, Canada, Sweden, Australia, Malaysia, and Thailand. More than ever, effective tools are needed for issuing, monitoring, and managing household debt.

The riskiest forms of shadow banking have retreated, but non-bank credit remains important

One bright spot in our research is progress in financial-sector deleveraging. In the years prior to the crisis, the global financial system became ever more complex and interconnected. Credit intermediation chains became very long, involving multiple layers of securitization, high levels of leverage, and opaque distribution of risk. This was reflected in growing debt issued by financial institutions to fund their activities. Financial-sector debt grew from \$20 trillion in 2000 to \$37 trillion in 2007, or from 56 percent of global GDP to 71 percent. Much of this debt was in the so-called shadow banking system, whose vulnerability was starkly exposed by the financial crisis.

It is a welcome sign, then, that financial-sector debt relative to GDP has declined in the United States and a few other crisis countries, and has stabilized in other advanced economies. At the same time, banks have raised capital and reduced leverage. Moreover, the riskiest elements of shadow banking are in decline. For example, the assets of off-balance sheet special-purpose vehicles formed to securitize mortgages and other loans have fallen by \$3 trillion in the United States. Repurchase agreements (repos), collateralized debt obligations, and credit default swaps have declined by 19 percent, 43 percent, and 67 percent, respectively, since 2007.

However, if we consider the broader context of non-bank credit, including corporate bonds, simple securitizations, and lending by various non-bank institutions, we see that non-bank credit is an important source of financing for the private sector. Since 2007, corporate bonds and lending by non-bank institutions—including insurers, pension funds, leasing programs, and government programs—has accounted for nearly all net new credit for companies, while corporate bank lending has shrunk (Exhibit E6). The value of corporate bonds outstanding globally has grown by \$4.3 trillion since 2007, compared with \$1.2 trillion from 2000 to 2007. Most of these forms of non-bank credit have fewer of the risks of the shadow banking seen before the crisis, in terms of leverage, maturity mismatch, and opacity.

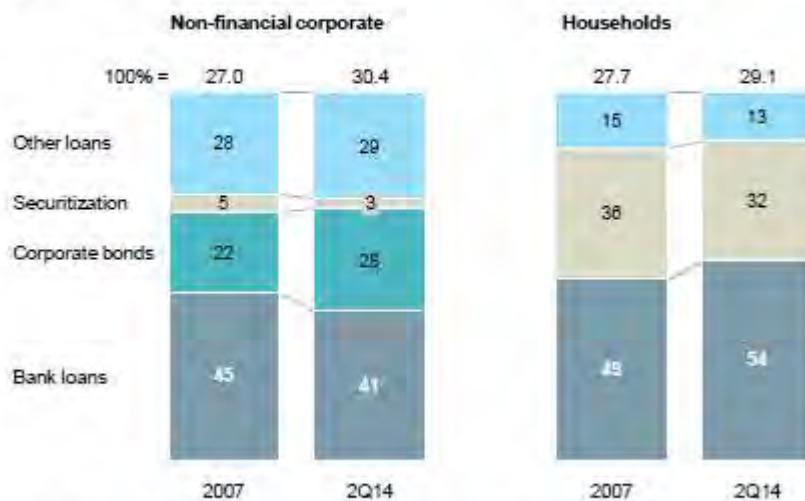
Some specific types of non-bank credit are growing very rapidly, such as credit funds operated by hedge funds and other alternative asset managers. Assets in credit funds for a sample of eight alternative asset managers have more than doubled since 2009 and now exceed \$400 billion. Another small, but rapidly growing, source of non-bank debt is peer-to-peer lending. These online lending platforms have originated only about \$30 billion in loans so far, but private equity funds, other asset managers, and even banks have begun investing in peer-to-peer platforms, suggesting that these lenders could build greater scale. Currently, the risks associated with these new credit intermediaries appear low, although they should be monitored closely, as that could change.

With bank lending likely to remain constrained in the future due to new regulations, non-bank credit could fill a growing need. If appropriate restrictions on leverage and use of complex, opaque financial instruments are in place, loans from non-bank intermediaries, corporate bonds, and simple forms of securitization can play an important role in funding growth.

Exhibit E6

Since 2007, non-bank credit has grown as a corporate funding source and declined for households

Outstanding debt in advanced economies[†]
% ; \$ trillion, constant exchange rates 2013



[†] Australia, Canada, France, Germany, Japan, Netherlands, South Korea, United Kingdom, United States.
NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; McKinsey Global Institute analysis

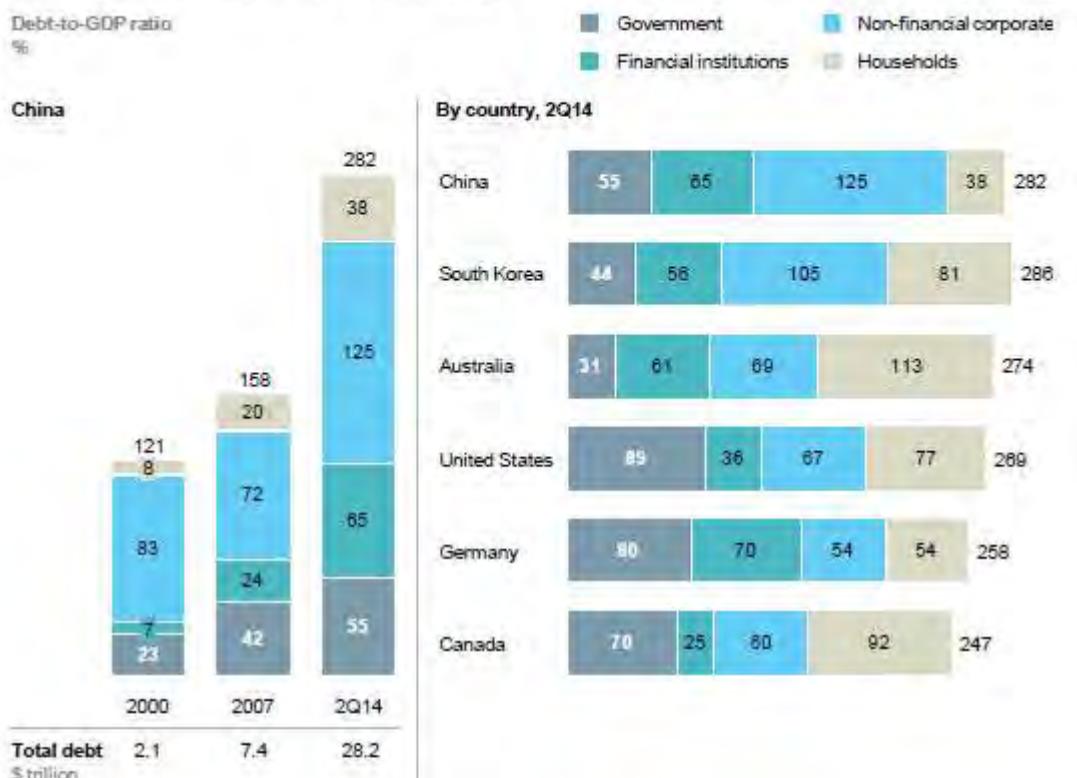
China's debt is rising rapidly, with several potential risks ahead

Since 2007, China's total debt (including debt of the financial sector) has nearly quadrupled, rising from \$7.4 trillion to \$28.2 trillion by the second quarter of 2014, or from 158 percent of GDP to 282 percent (Exhibit E7). China's overall debt ratio today appears manageable, although it is now higher in proportion to GDP than that of the United States, Germany, or Canada. Continuing the current pace of growth would put China at Spain's current level of debt—400 percent of GDP—by 2018. We find three particular areas of potential concern: the concentration of debt in real estate, the rapid growth and complexity of shadow banking in China, and the off-balance sheet borrowing by local governments.

We estimate that nearly half of the debt of Chinese households, corporations, and governments is directly or indirectly related to real estate, collectively worth as much as \$9 trillion. This includes mortgages to homeowners; debt of property developers; lending to related industries, such as steel and cement; and debt raised by local governments for property development. This concentration in the property sector poses a significant risk. Property prices have risen by 60 percent since 2008 in 40 Chinese cities, and even more in Shanghai and Shenzhen. Residential real estate prices in prime locations in Shanghai are now only about 10 percent below those in Paris and New York. Over the past year, a correction has begun. Transaction volumes are down by around 10 percent across China, and unsold inventories are building up: smaller inland cities now have 48 to 77 months of inventory. A slowdown in the property market would be felt mostly in construction and related industries, rather than by households, which are not highly indebted. However, housing construction is an enormous sector, accounting for 15 percent of GDP. Thousands of small players in the industry, many of which rely on high-cost shadow banking loans, would have trouble keeping up with debt service payments in a prolonged slowdown.

Exhibit E7

China's debt reached 282 percent of GDP in 2014, higher than debt levels in some advanced economies



NOTE: Numbers may not sum due to rounding.

SOURCE: MGI Country Debt database; McKinsey Global Institute analysis

The rapid growth of shadow banking in China is a second area of concern: loans by shadow banking entities total \$6.5 trillion and account for 30 percent of China's outstanding debt (excluding the financial sector) and half of new lending. Most of the loans are for the property sector. The main vehicles in shadow banking include trust accounts, which promise wealthy investors high returns; wealth management products marketed to retail customers; entrusted loans made by companies to one another; and an array of financing companies, microcredit institutions, and informal lenders. Both trust accounts and wealth management products are often marketed by banks, creating a false impression that they are guaranteed. The underwriting standards and risk management employed by managers of these funds are also unclear. Entrusted loans involve lending between companies, creating the potential for a ripple of defaults in the event that one company fails. The level of risk of shadow banking in China could soon be tested by the slowdown in the property sector.

The third potential risk in China is the growing debt accumulated in off-balance sheet local-government financing vehicles, which are used to fund infrastructure (airports, bridges, subways, industrial parks), social housing, and other projects. Local governments rely on these off-balance sheet entities because they have limited taxing authority, must share revenue with the central government, and until recently have not been permitted to issue municipal bonds. Since China's 2009 stimulus program, lending to local governments has surged, reaching \$2.9 trillion. The central government has recognized the growing risk and in 2014 conducted an audit of local government finances, finding that 40 percent rely on land sales to make loan payments and that 20 percent of new borrowing is to repay older loans. The slowing of property markets puts these entities at risk of default.

We find three particular areas of potential concern in China: the concentration of debt in real estate, the rapid growth and complexity of shadow banking, and the off-balance sheet borrowing by local governments.

China's central government has the financial capacity to handle a financial crisis if one materializes—government debt is only 55 percent of GDP. Even if half of property-related loans defaulted and lost 80 percent of their value, we calculate that China's government debt would rise to 79 percent of GDP to fund the financial-sector bailout. However, the larger question is whether China could manage this without a significant slowdown in GDP growth (which then would put additional pressure on government finances). China's challenge today is to enact reforms to deflate the growing credit and property bubbles, increase transparency and risk management throughout the financial system, and create efficient bankruptcy courts and other mechanisms to resolve bad debt without provoking instability or financial crises.

The path forward: Learning to live with debt

The growing debt of the global economy is an unwelcome development seven years after the financial crisis began. It slows the recovery, raises the risk of new crises, and it limits the ability to respond to them. While significant deleveraging may prove elusive for many countries, effectively managing the growth of debt—and reducing it where necessary—is an imperative. We offer several ideas that warrant further discussion:

- **Encourage innovations in mortgage contracts.** More flexible mortgage contracts can avoid foreclosure and the associated social and economic costs. One proposal is a "shared responsibility mortgage," in which loan payments are reduced when home prices decline below the purchase price and revert when prices improve; in return, when the home is sold, the lender receives a portion of the capital gain.⁸ A "continuous workout mortgage" would adjust payments automatically in response to triggers such as recession or job loss to enable borrowers to continue making payments and avoid default.⁹ Or homeowners could be given incentives (or required) to purchase insurance to cover mortgage payments in case of job loss or other developments that inhibit their ability to pay. The benefits of these schemes should be weighed carefully against the costs and risks, but could improve financial system stability.

⁸ Ibid. Atif Mian and Amir Sufi, *House of debt*, 2014.

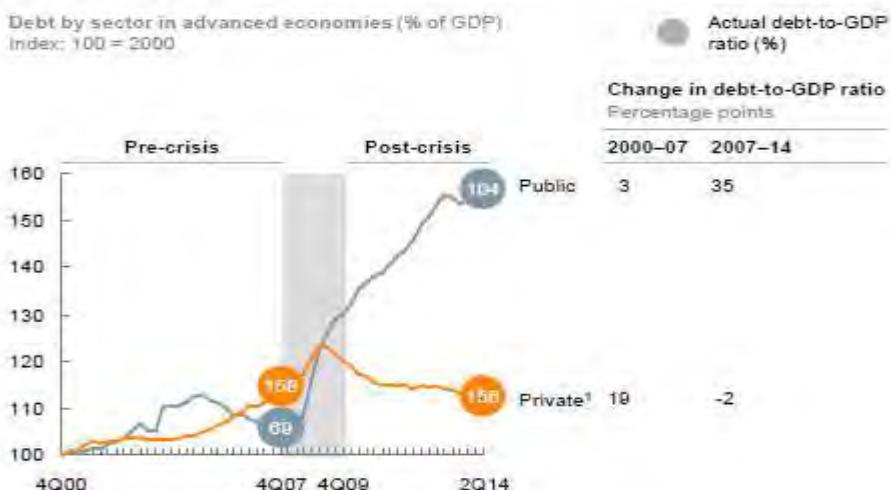
⁹ Robert J. Shiller et al., *Continuous workout mortgages*, NBER working paper number 17007, May 2011.

- **Improve processes for private-sector debt resolution.** Loan defaults, when they occur, can be made less disruptive. Non-recourse mortgages, which allow creditors to seize only the collateral when a loan is in default, are widely used in the United States. These facilitate relatively swift resolution of bad debts and enable households to extinguish debt through default and resume normal consumption. Recourse loans, which are common in most of the rest of the world, permit the lender to pursue a borrower's other assets and future income. As a result, borrowers try to make loan repayments under all circumstances, and they have a strong incentive to limit debt. The downside is that to keep up with loan payments, households may cut other spending dramatically, which can deepen and extend a recession. Non-recourse loans must be combined with strong macroprudential rules that limit excessive borrowing, but could facilitate more efficient resolution of bad debts when they occur.
- **Use macroprudential tools to dampen credit cycles.** The 2008 financial crisis was a reminder that, given the opportunity, some borrowers will take on too much debt. Macroprudential measures are intended to reduce those opportunities. For example, these measures may place limitations on loan-to-value ratios (LTVs) or restrict certain types of mortgages, such as interest-only loans. In addition, they may include countercyclical measures to dampen lending during periods of strong credit growth, for instance by raising capital requirements for banks. Most advanced economies today have adopted some macroprudential regulations, and these should be strengthened and expanded to consider the total leverage in the economy.
- **Reduce tax incentives for debt.** Given the role of housing debt and real estate bubbles in financial crises, it may be time to reconsider deductibility of mortgage interest and other tax preferences for housing debt. Interest deductibility benefits high-income households most and creates incentives for households to take out larger mortgages to maximize deductions. Reducing or phasing out the deductibility of interest on corporate debt would be more challenging, but policy makers should consider measures that would put debt and equity on a more equal footing. This could improve capital allocation in firms and also would reduce the incentives to invest in capital goods rather than labor. Such reforms may need to be accompanied by other adjustments to corporate tax codes, including perhaps reductions in marginal rates. While changes in tax policy are always difficult, they deserve attention.
- **Consider a broader range of tools for resolving sovereign debt.** Unilateral default is the most extreme option for countries struggling with unsustainable public debt. But today a broader range of options for restructuring debt may be available. Greece, for example, negotiated a partial debt restructuring in 2012 by modifying only the debt held by private investors. Stronger collective-action clauses would facilitate such restructuring by compelling bondholders to accept a majority vote to modify loans. In addition, when assessing the sustainability of government debt, more attention should be paid to net debt, which can be defined as excluding debt owned by other government agencies and central banks, rather than gross debt. In a sense, such debt is merely an accounting entry, representing a claim by one arm of government on another. Moreover, debt owned by central banks could be replaced upon maturity indefinitely, eliminating the future need to raise taxes or reduce government spending, with interest payments remitted to the national treasury. Focusing on net government debt provides a clearer picture of sustainability.

- **Improve data collection and monitoring of debt.** Better information is essential for avoiding future credit crises. Governments and businesses should invest in improving the granularity and reliability of data about debt. Government debt reporting remains relatively opaque. Treatment of unfunded future pension and health-care liabilities and intragovernment borrowing varies across governments, for example. Microeconomic data about household finances, including the liabilities, assets, and incomes of individual households, are available in only a few advanced economies but should be expanded to more countries. To monitor business debt, a central credit register that collects all data about commercial loans of a certain size from different sources could be helpful. This information would be useful for regulators as well as lenders.
- **Create a healthy mix of bank and non-bank credit intermediaries.** Given the constraints on bank lending due to new regulations, non-bank intermediaries will play an important role in funding economic growth. Corporate bond markets, which provide capital for large companies, could expand significantly in most countries, and private placements of bonds with insurers, pension funds, and other investors can provide financing for smaller companies. “Plain vanilla” securitization, which has proven sustainable in providing liquidity to the mortgage market, can be a useful component of the financial system and applied to other forms of debt, such as loans to small and medium-sized enterprises. New and fast-growing non-bank intermediaries, such as credit funds and online peer-to-peer lending platforms, could be another important source of non-bank lending, but should be monitored as they continue to grow and evolve. For all non-bank intermediaries, it will be important to strengthen reporting standards and monitoring to avoid excessive risk-taking and leverage.
- **Promote financial deepening in developing economies.** Rising levels of debt relative to GDP should be expected in developing economies, which need to fund growing businesses, infrastructure, and housing. This should be accompanied by the introduction of a wider range of financial products and services and more intermediaries, as well as the development of debt and equity capital markets. But developing economies today should also learn from the mistakes of recent years and take action now to avoid future financial crises. This includes strengthening regulations on lending, adopting macroprudential regulations, expanding rules for financial disclosure, and creating a legal system that protects the rights of minority shareholders and efficiently disposes of bad debt through bankruptcy. Many developing economies have these elements in place on paper, and the challenge now is ensuring they function effectively in practice.

Exhibit 4

In advanced economies, private-sector deleveraging has been accompanied by a rapid increase in public debt



¹ Includes household and non-financial corporate sector debt.

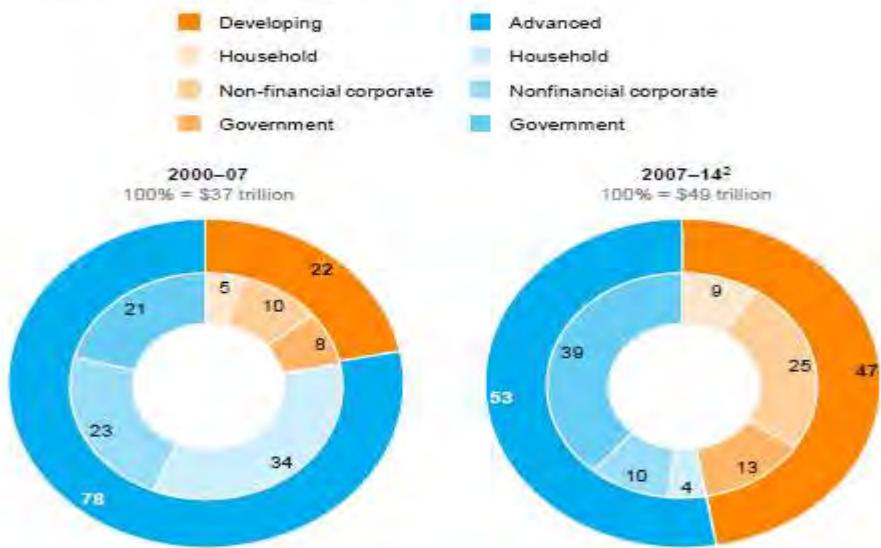
NOTE: Debt as percent of GDP is indexed to 100 in 2000; numbers here are not actual figures.

SOURCE: Haver Analytics; national central banks; McKinsey Global Institute analysis

Exhibit 5

Growth in global debt has shifted since 2007, with developing economies accounting for half of new debt

Change in debt outstanding—by country group and type of debt¹
%: \$ trillion, constant 2013 exchange rates



¹ Includes debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China, 4Q13 data for other developing economies.

² 2Q14 data for advanced economies and China; 4Q13 data for other developing economies.

NOTE: Numbers may not sum due to rounding.

SOURCE: Haver Analytics; national sources; World economic outlook, IMF; BIS; McKinsey Global Institute analysis

Exhibit 6

The debt-to-GDP ratio in developing economies remains less than half the level in advanced economies



1. Includes debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China, 4Q13 data for other developing economies.

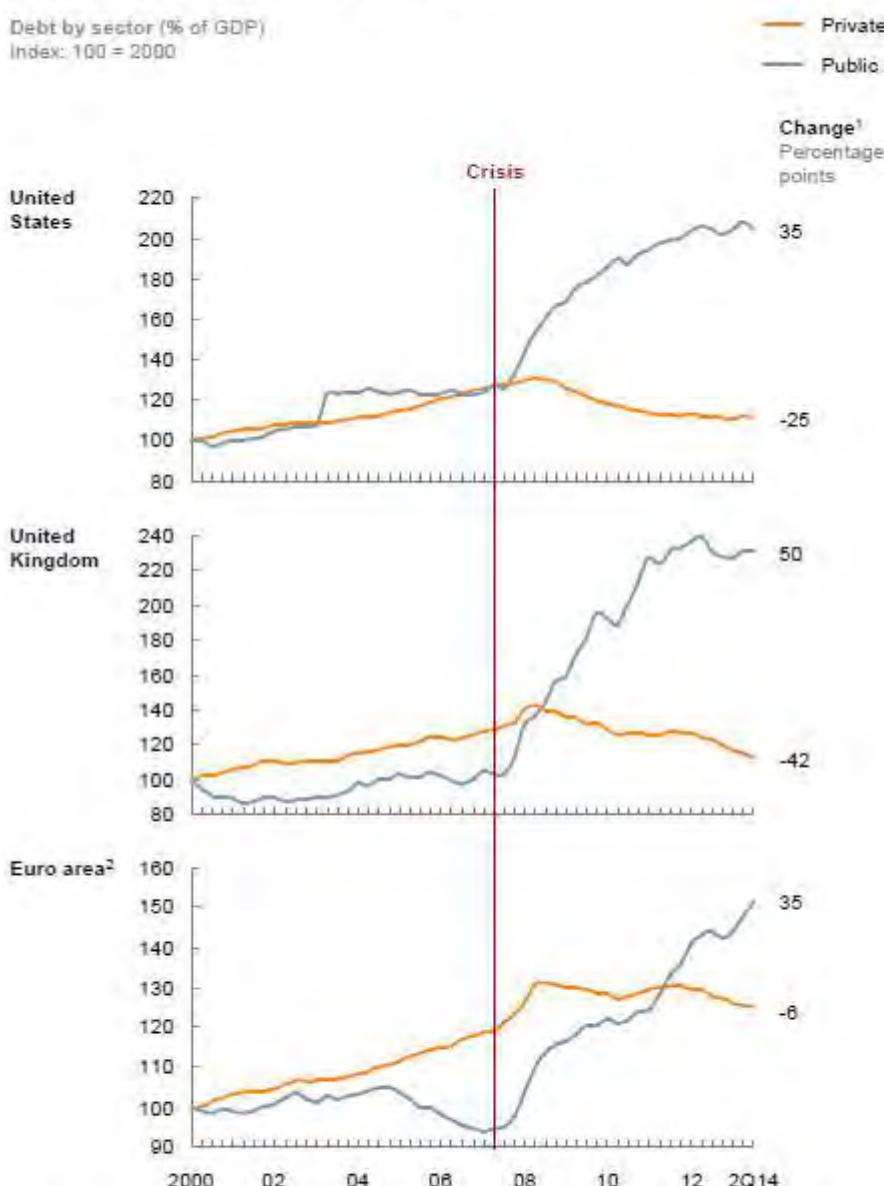
2. Average of 22 advanced and 25 developing economies in the MGI Country Debt database.

NOTE: Numbers may not sum due to rounding.

SOURCE: Haver Analytics; national sources; World economic outlook, IMF; BIS; McKinsey Global Institute analysis

Exhibit 8

Government debt has grown rapidly in most advanced economies and private-sector deleveraging has been modest



1 For public debt, percentage point change between 4Q07 and 2Q14; for private debt, percentage point change between peak (1Q09) and 2Q14.

2 Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal, Slovakia, and Spain.

NOTE: Debt as percent of GDP is indexed to 100 in 2000; numbers here are not actual figures. Not to scale.

SOURCE: World economic outlook, IMF; BIS; Haver Analytics; national central banks; McKinsey Global Institute analysis

Exhibit 9

In Japan, private-sector deleveraging was delayed and limited, public debt rose sharply, and GDP growth has been modest for about 25 years

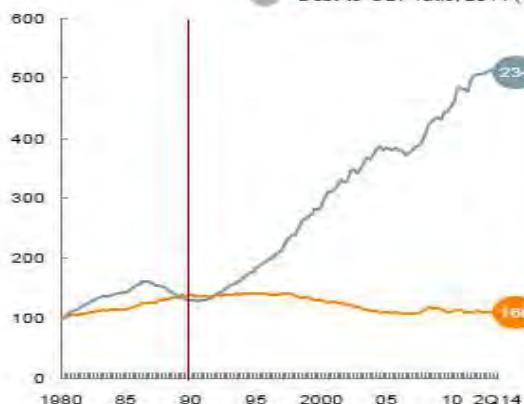
Index: 100 = 1980

Crisis

Debt by sector
% of GDP

Private Public

Debt-to-GDP ratio, 2014 (%)

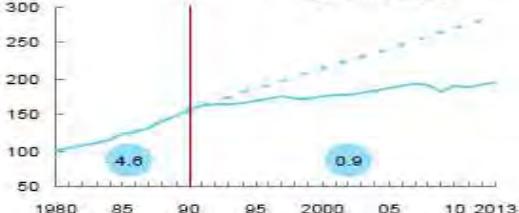


Real GDP
Constant 2005 \$

GDP

Trendline (1980–90)

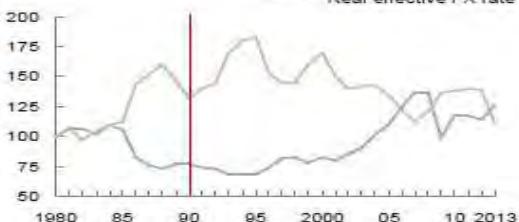
GDP compound annual
growth rate (%)



Exchange rate vs. exports to GDP
Constant 2005 \$

Exports to GDP

Real effective FX rate



NOTE: Debt as percent of GDP is indexed to 100 in 1980; numbers here are not actual figures.

SOURCE: World economic outlook, IMF; BIS; Haver Analytics; national central banks; McKinsey Global Institute analysis

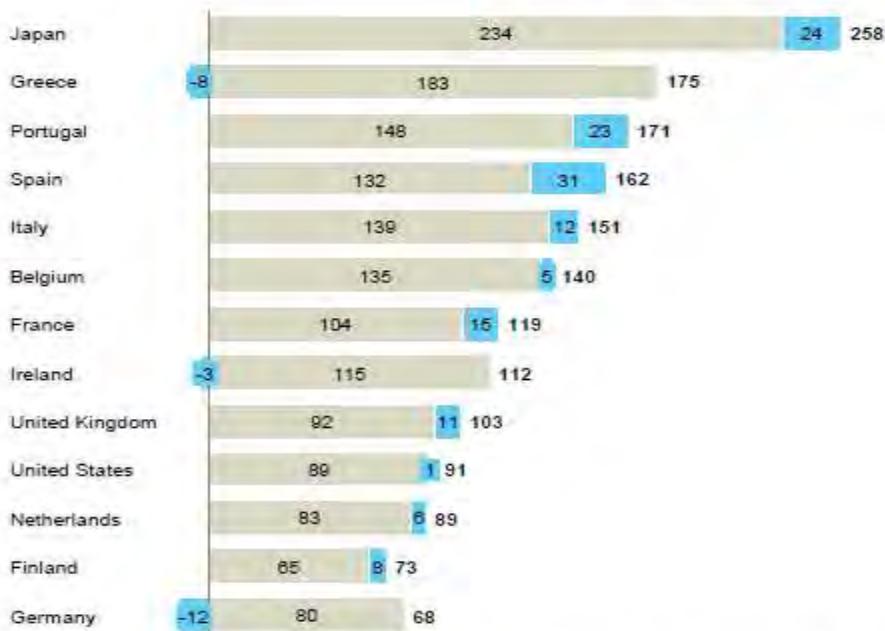
Exhibit 10

Most advanced economies are expected to have rising public debt,
given current projected growth

Government debt-to-GDP ratio¹
%

Current, 2Q14

Change from 2Q14 to 2019-projected



1. Based on consensus GDP forecast, current inflation, estimates for 2014 primary deficit and effective interest rate.
NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Country Debt database; IMF; IHS; EIU; Oxford Economics; OECD; McKinsey Global Growth Model

Exhibit 11

European economies and Japan require significant fiscal adjustment to start public-sector deleveraging



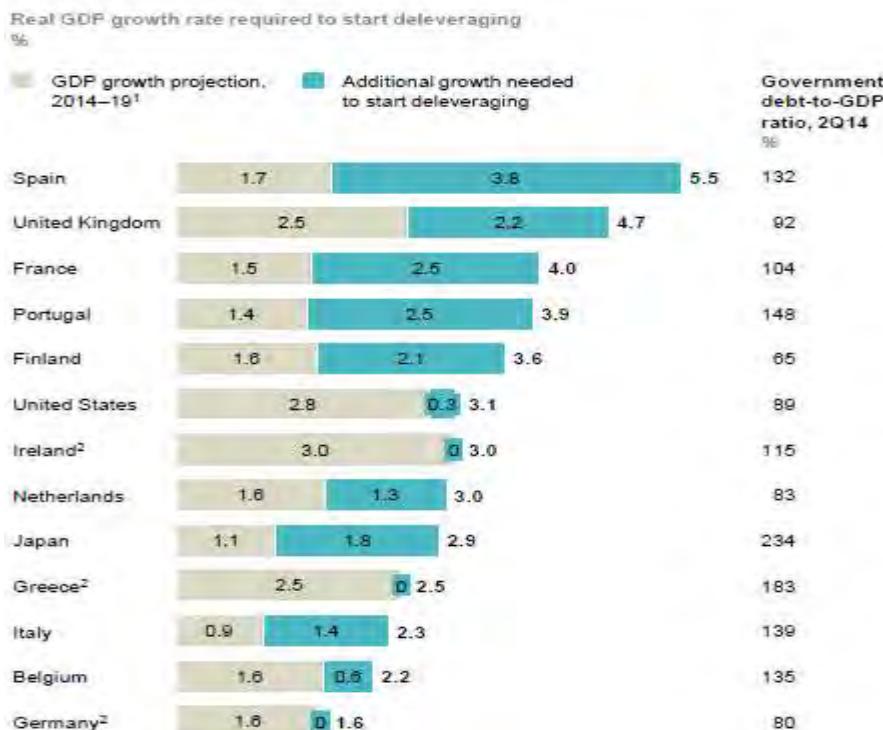
¹ Based on consensus GDP forecast, current inflation, 2Q14 government debt-to-GDP level, and estimated 2014 effective interest rate.

² Average real GDP growth forecast from 2014 to 2019 per IMF, IHS, EIU, Oxford Economics, OECD, and McKinsey Global Growth Model.

SOURCE: McKinsey Country Debt database; IMF; IHS; EIU; Oxford Economics; OECD; McKinsey Global Growth Model; McKinsey Global Institute analysis

Exhibit 12

Real GDP growth would need to accelerate substantially in many countries to start public-sector deleveraging



¹ Average real GDP growth forecast from 2014 to 2019 per IMF, IHS, EIU, Oxford Economics, OECD, and McKinsey Global Growth Model.

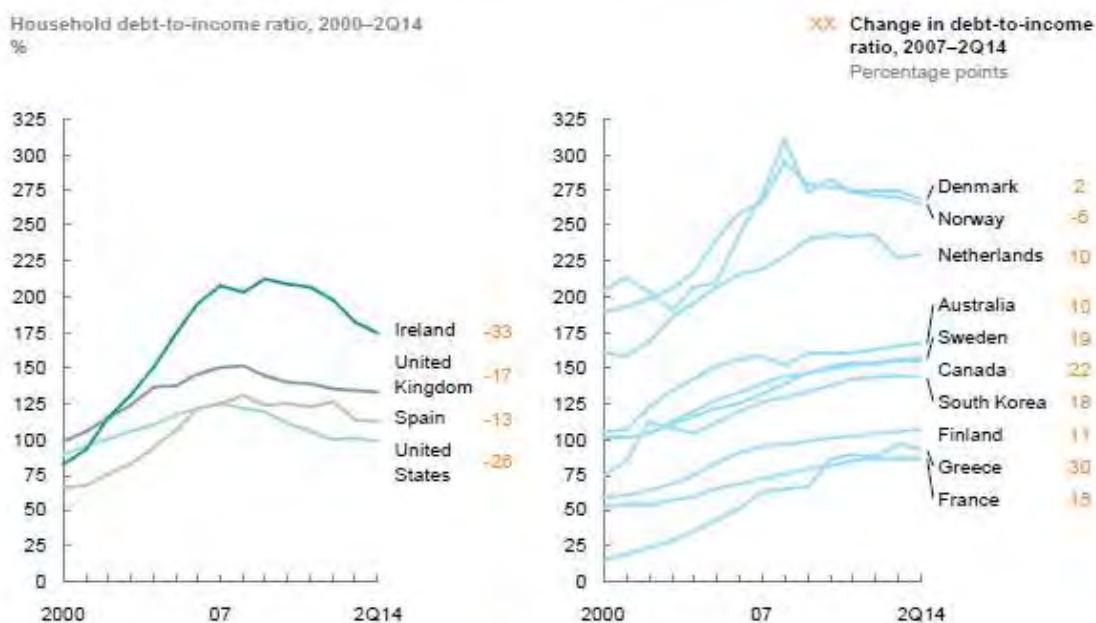
² Based on current GDP forecasts. Ireland, Greece, and Germany do not require any additional growth to start public-sector deleveraging.

NOTE: Numbers may not sum due to rounding.

SOURCE: McKinsey Country Debt database; IMF; IHS; EIU; Oxford Economics; OECD; McKinsey Global Growth Model

Exhibit 13

Households in the hard-hit countries have deleveraged, but household debt has continued to grow in most advanced economies



SOURCE: Haver Analytics; national central banks; McKinsey Global Institute analysis

Exhibit 15

US household debt has increased steadily over time, due to growth in mortgages

Household debt-to-income ratio
%

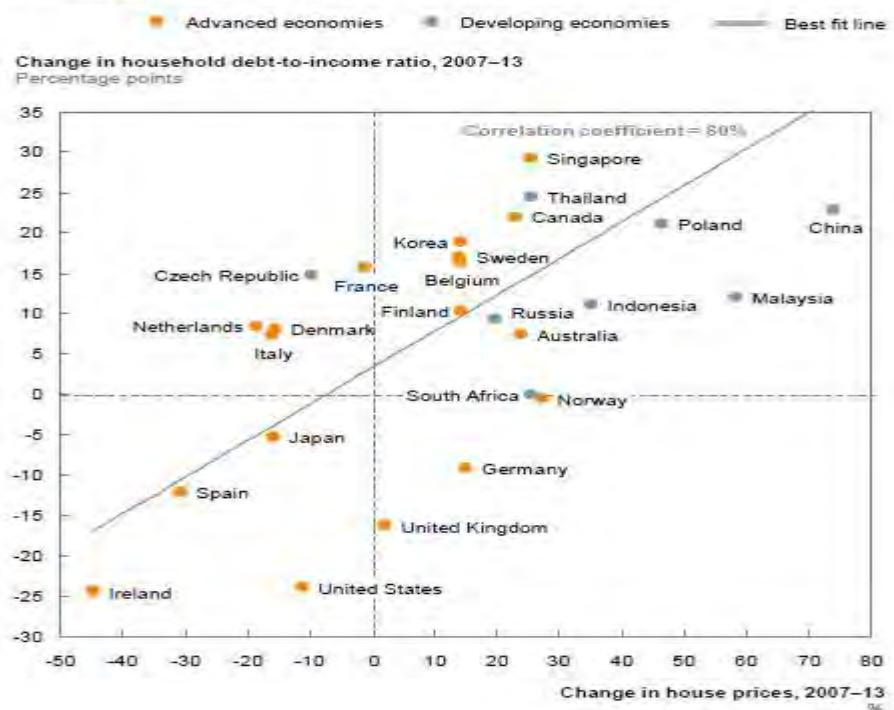


¹ Student loan data not available before 1998.

SOURCE: US Federal Reserve; US Office of Management and Budget; McKinsey Global Institute analysis

Exhibit 16

Across countries, rising house prices are correlated with increases in household debt-to-income ratios



SOURCE: National sources; Haver Analytics; Federal Reserve Bank of Dallas; McKinsey Global Institute analysis

Exhibit 21

Comparison of household debt levels across countries

Highest ↑ Lowest ↓

Country	Debt-to-income ratio, 2Q14 ¹ %	Change in debt-to-income ratio, 2007–2Q14 ¹ Percentage points	Debt servicing ratio, 2013 ¹ %	House price increase, 2007–2Q14 ¹ %
Netherlands	230	10	23	-18
South Korea	144	18	22	15
Canada ³	155	22	8	28
Sweden	157	19	15	18
Denmark	269	2	24	-13
Norway	266	-5	19	30
Australia	168	10	26	28
Malaysia	146	7	44	62
Thailand ⁴	121	28	19	27
Ireland ⁴	175	-33	20	-43
Belgium	93	16	22	15
Finland	106	11	10	14
United Kingdom	133	-17	16	9
Spain	113	-13	25	-31
Portugal	115	-9	21	-2
China	57	22	8	86
France	87	15	18	-2
Brazil ^{4,5}	41	14	22	178
Russia ⁴	27	9	20	20
United States	99	-26	10	-9
Germany	83	-11	13	18
Italy	62	7	10	-18

1 Or latest available.

2 Defined as interest plus principal payments divided by household disposable income. Sweden is estimated using reported interest rate and debt figures.

3 Canada household debt figures includes the credit market debt of unincorporated businesses.

4 Debt-to-income ratio for Ireland, Brazil, Russia, and Thailand correspond to 4Q13.

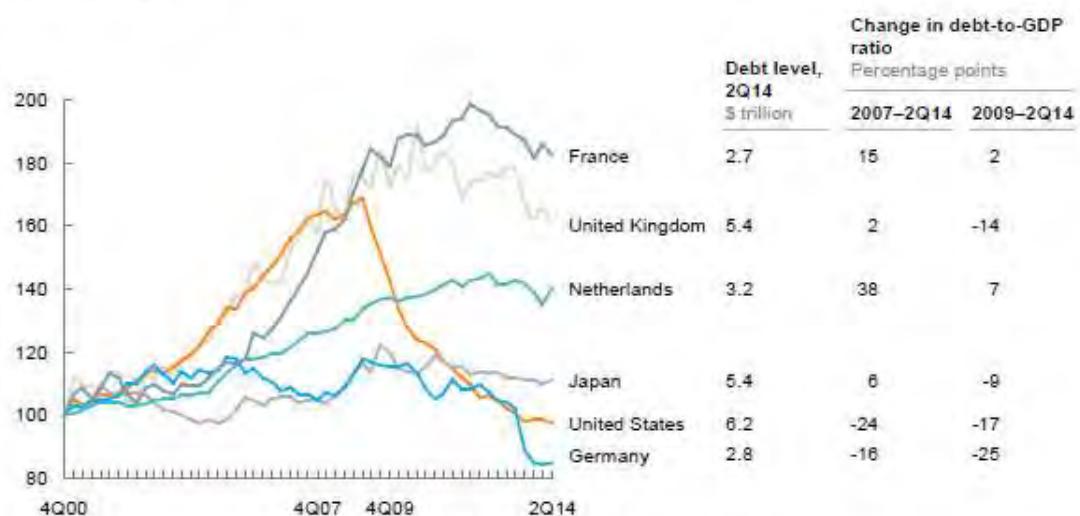
5 Banco Central do Brasil reports house price Index only from 2010 onward. The change from 4Q07 is estimated.

SOURCE: National sources; BIS; Eurosystem Household Finance and Consumption Survey; IMF; McKinsey Global Institute analysis

Exhibit 22

The financial sector has deleveraged since the crisis—mostly driven by the United States

Financial-sector debt¹ (% of GDP)
(Index: 100 = 2000)

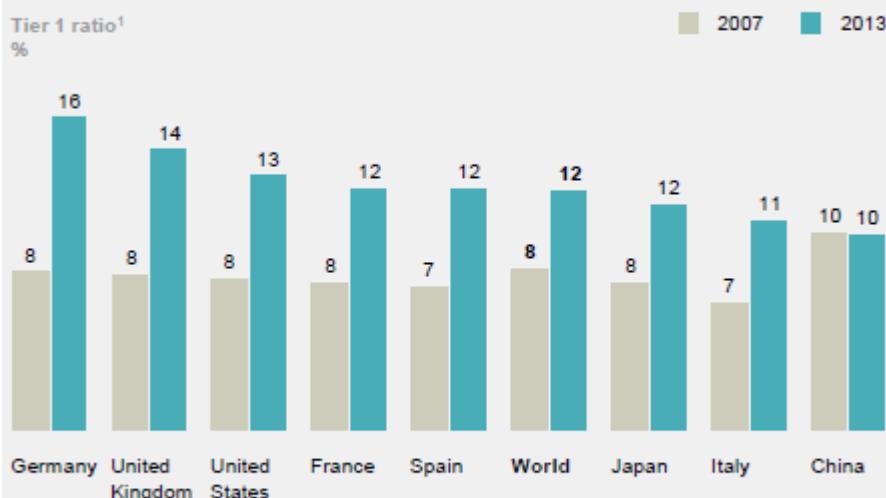


¹ Sample includes advanced economies with largest financial-sector debt levels (greater than \$2 trillion) in 2014.
NOTE: Debt as percent of GDP is indexed to 100 in 2000; numbers here are not actual figures.

SOURCE: Haver Analytics; national sources; World economic outlook, IMF; BIS; McKinsey Global Institute analysis

Exhibit 23

Banks have become healthier: Tier 1 ratio is now 1.5 times the 2007 level

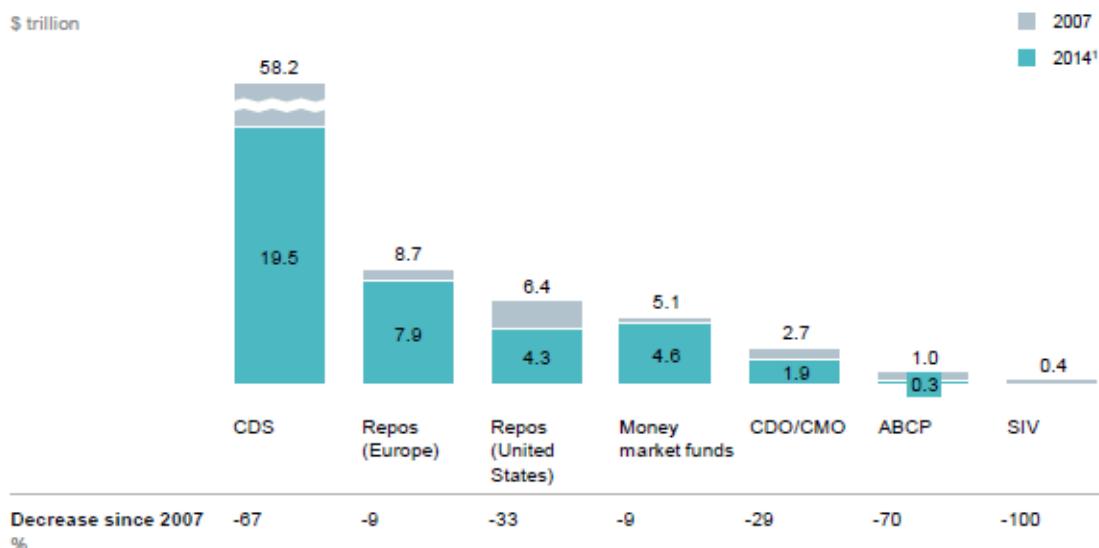


¹ Based on a sample of listed banks with >\$10 billion in assets.

SOURCE: Thomson Reuters; SNL Financial; McKinsey Panorama—Global Banking Pools; McKinsey Global Institute analysis

Exhibit 24

Shadow banking entities and instruments that were important before the crisis have declined



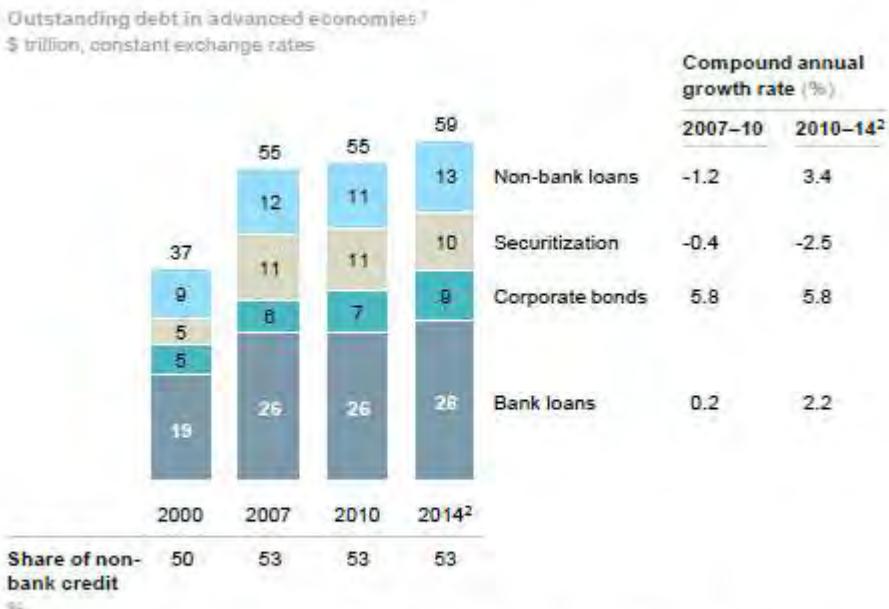
1. As of June 30, 2014.

NOTE: For CDS (credit default swaps), data are global net amount outstanding; repos (repurchase agreements), gross value of repo and reverse repo contracts outstanding; money market funds, global assets under management; CDO (collateralized debt obligations), global amount outstanding; CMO (collateralized mortgage obligations), amount outstanding in the United States; ABCP (asset-backed commercial paper), amount outstanding in the United States and Europe; SIV (structured investment vehicle), global assets under management. Numbers may not sum due to rounding.

SOURCE: BIS; FED; ICMA; SIFMA; Slimfund; Fitch; McKinsey Global Institute analysis

Exhibit 26

Over the past 10 years, non-bank sources have provided more than half of the credit to the private sector in advanced economies¹



1. United States, United Kingdom, Germany, France, Spain, Netherlands, Japan, South Korea, Canada, and Australia.

2. As of June 30, 2014.

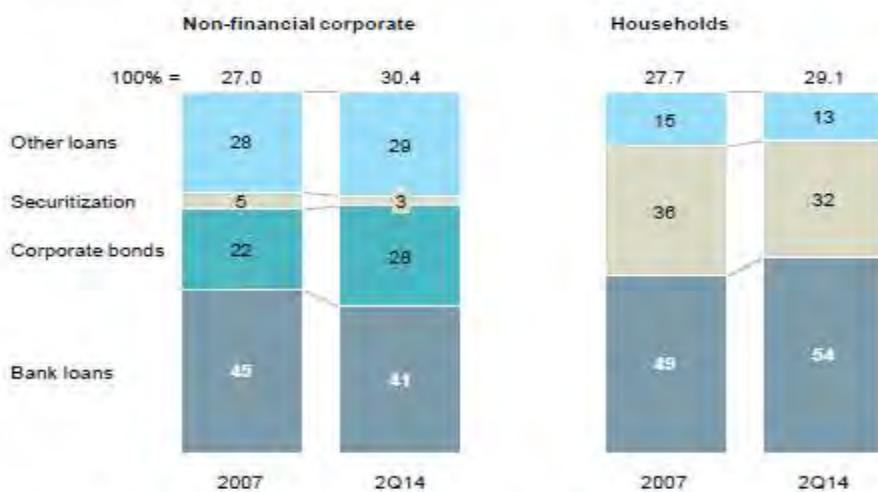
NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis

Exhibit 27

Since 2007, non-bank credit has grown as a corporate funding source and declined for households

Outstanding debt in advanced economies¹
%: \$ trillion, constant exchange rates 2013



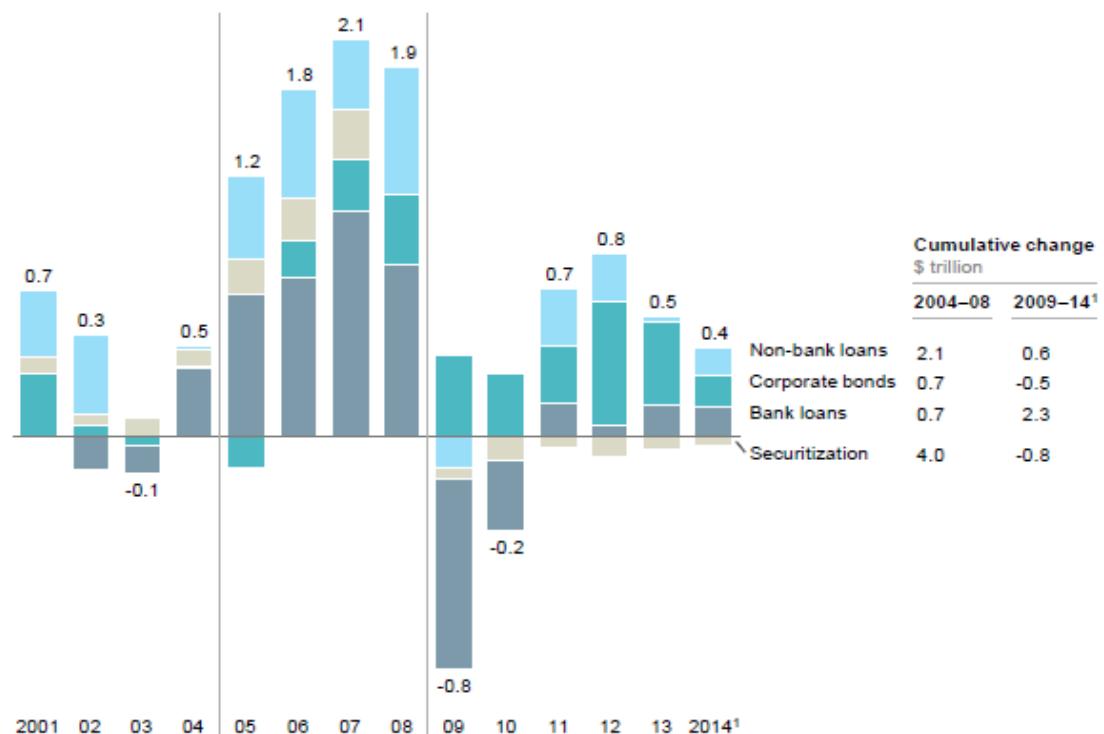
¹ Australia, Canada, France, Germany, Japan, Netherlands, South Korea, United Kingdom, United States.
NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; McKinsey Global Institute analysis

Exhibit 28

Bank lending to corporate borrowers has been replaced almost entirely by other sources of credit since 2009

Change in corporate debt in 10 advanced economies¹
\$ trillion, constant exchange rates



¹ Australia, Canada, France, Germany, Japan, Netherlands, South Korea, Spain, United Kingdom, United States.

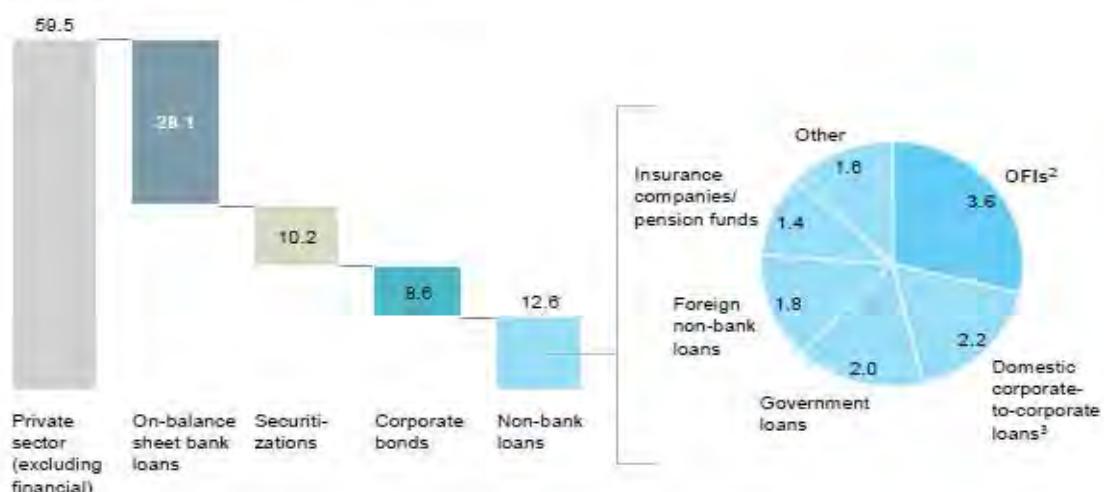
² As of June 30, 2014.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis

Exhibit 29

"Other financial intermediaries" (OFIs) are the largest source of non-bank credit

Outstanding debt in advanced economies, 2Q 14¹
\$ trillion, %



1 Australia, Canada, France, Germany, Japan, Netherlands, South Korea, Spain, United Kingdom, United States.

2 Includes inter-alia finance companies, credit funds, holding companies, and funding corporations; may also include unconsolidated bank subsidiaries.

3 Includes unconsolidated loans within corporate groups.

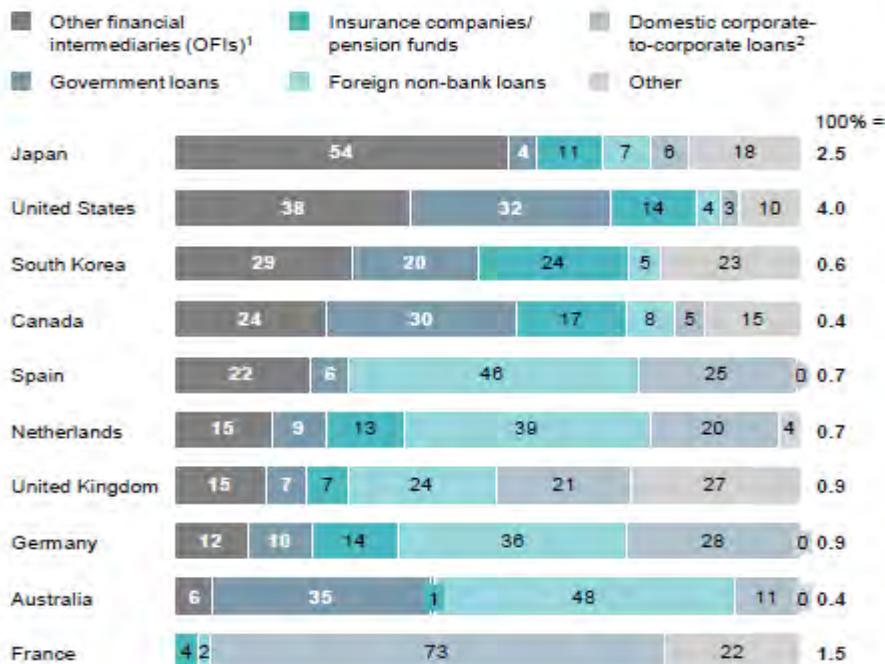
NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis.

Exhibit 30

The sources of non-bank loans vary across countries

Other loans by intermediary for the private sector, 2Q 14
%: \$ trillion



1 Includes inter-alia finance companies, credit funds, holding companies and funding corporations; may also include unconsolidated bank subsidiaries; for Japan majority is public financial institutions classified as non-depository taking OFIs; for the US majority is finance companies.

2 Includes unconsolidated loans within domestic corporate groups.

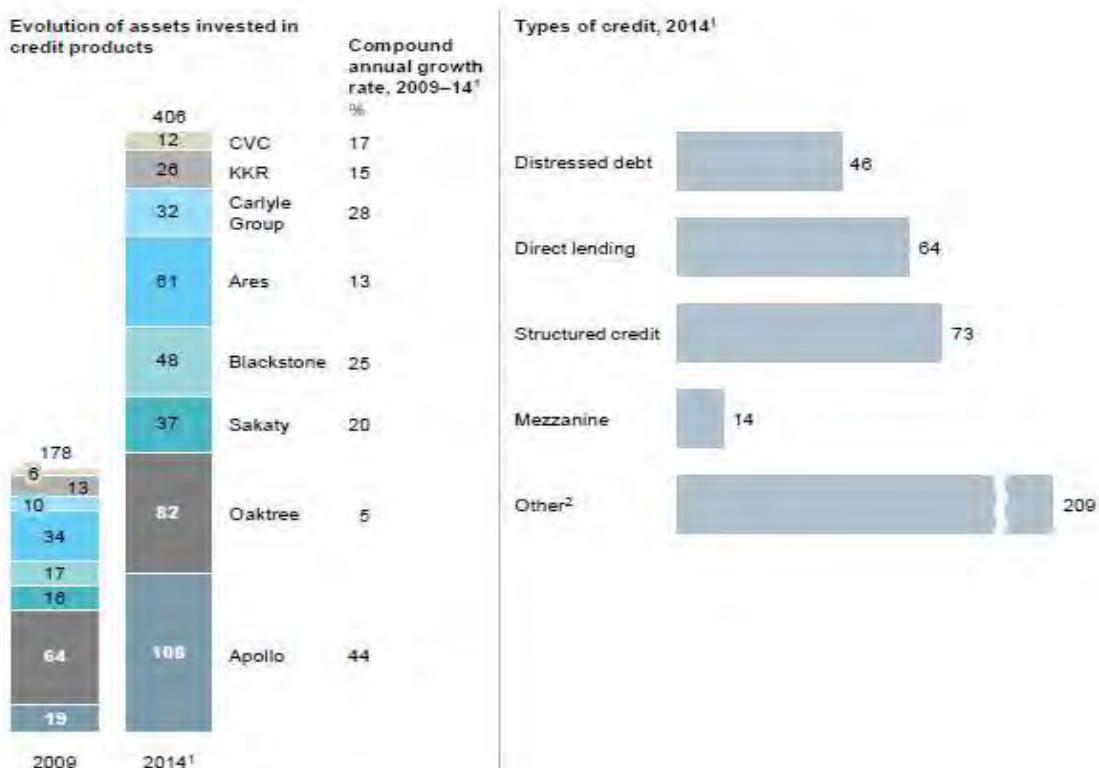
NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis

Exhibit 3.1

Assets of credit funds have more than doubled since 2009

Assets under management in credit funds of 8 alternative asset managers
\$ billion



¹ As of September 30, 2014; Sakaty as of July 1, 2014.

² Includes \$46 billion of assets of Apollo's insurance subsidiary Athene.

NOTE: Numbers may not sum due to rounding.

SOURCE: Company websites, regulatory filings, and investor presentations; McKinsey Global Institute analysis

Exhibit A3

Two-step approach to review credit provision to the private sector



¹ Includes some government banks (e.g., development, promotional, export financing).

² Includes intracompany loans.

SOURCE: McKinsey Global Institute analysis

Debt-to-GDP ratio by country and sector

Ranked by decreasing real economy debt-to-GDP ratio, 2Q14¹

Advanced economy Developing economy 1st quartile 2nd quartile 3rd quartile 4th quartile

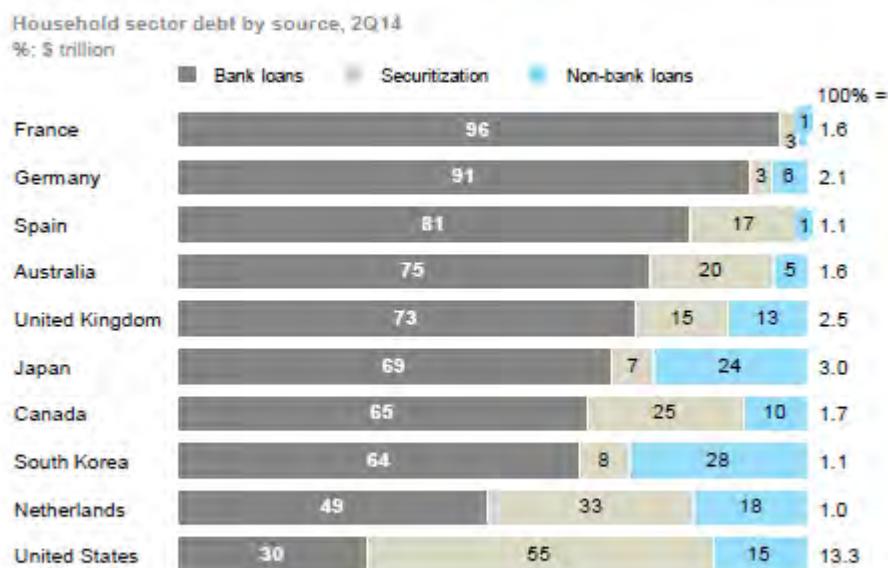
Rank	Country	Debt-to-GDP ratio ¹ %	Real economy debt-to-GDP ratio by sector %			Financial-sector debt-to-GDP ratio
			Government	Corporate	Household	
1	Japan	400	234	101	86	117
2	Ireland	390	115	189	85	291
3	Singapore	382	105	201	78	246
4	Portugal	358	148	127	83	81
5	Belgium	327	136	136	58	75
6	Netherlands	325	83	127	115	382
7	Greece	317	183	68	66	5
8	Spain	313	132	108	73	89
9	Denmark	302	60	114	129	235
10	Sweden	290	42	165	82	125
11	France	280	104	121	58	93
12	Italy	259	139	77	43	76
13	United Kingdom	252	92	74	88	183
14	Norway	244	34	86	124	93
15	Finland	238	65	108	64	59
16	United States	233	89	67	77	36
17	South Korea	231	44	105	81	56
18	Hungary	225	83	114	28	51
19	Austria	225	87	88	50	80
20	Malaysia	222	55	91	78	42
21	Canada	221	70	60	92	25
22	China	217	55	125	38	85
23	Australia	213	31	69	113	61
24	Germany	188	80	54	54	70
25	Thailand	187	46	65	76	64
26	Israel	178	67	73	38	12
27	Slovakia	151	67	52	32	9
28	Vietnam	148	50	76	19	8
29	Morocco	138	62	51	23	15
30	Chile	138	15	86	36	40
31	Poland	134	57	42	35	20
32	South Africa	133	45	49	38	21
33	Czech Republic	128	47	49	33	23
34	Brazil	128	65	38	25	32
35	India	120	68	45	9	15
36	Philippines	116	40	71	8	12
37	Egypt	108	77	23	6	2
38	Turkey	104	35	47	22	29
39	Romania	104	38	47	19	7
40	Indonesia	88	22	46	20	21
41	Colombia	78	32	30	15	8
42	Mexico	73	44	22	7	20
43	Russia	65	9	40	16	23
44	Peru	62	19	29	15	8
45	Saudi Arabia	59	3	43	13	8
46	Nigeria	46	20	22	4	3
47	Argentina	33	19	8	5	7

¹ Includes debt of households, non-financial corporations, and government; 2Q14 data for advanced economies and China; 2013 data for other developing economies.

SOURCE: World economic outlook, IMF; BIS; Haver Analytics; national central banks; McKinsey Global Institute analysis

EXHIBIT A5

For households, bank loans still dominate credit provision outside the United States and the Netherlands

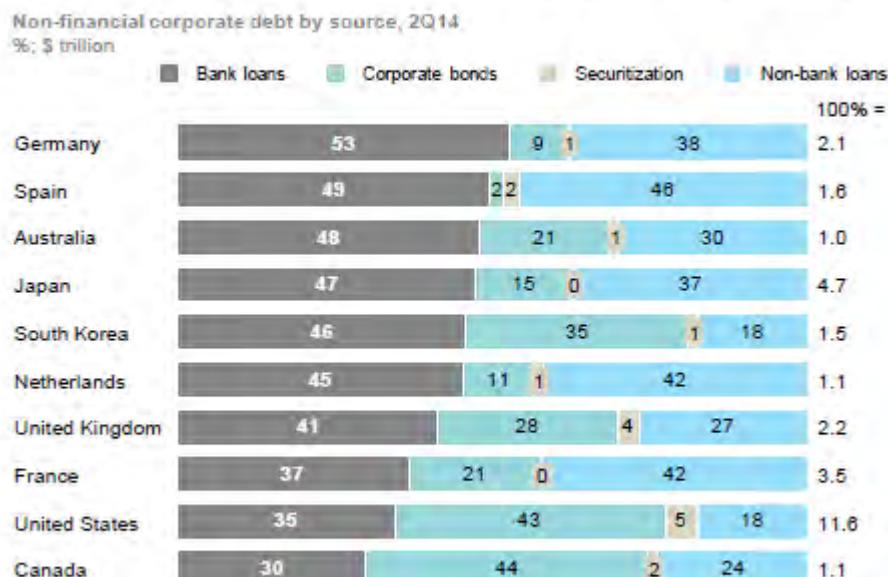


NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis

Exhibit A6

For non-financial corporations, bank lending is the majority of credit only in Germany



NOTE: Numbers may not sum due to rounding.

SOURCE: National central banks, statistics offices, and regulators; BIS; ECB; SIFMA; for some individual data points, additional country-specific data sources; McKinsey Global Institute analysis

Debt - Use it wisely - Fiscal Monitor - FMI - October 2016

Executive Summary

At 225 percent of world GDP, the global debt of the nonfinancial sector—comprising the general government, households, and nonfinancial firms—is currently at an all-time high. Two-thirds, amounting to about \$100 trillion, consists of liabilities of the private sector which, as documented in an extensive literature, can carry great risks when they reach excessive levels. However, there is considerable heterogeneity, as not all countries are in the same phase of the debt cycle, nor do they face the same risks. Nevertheless, there are concerns that the sheer size of debt could set the stage for an unprecedented private deleveraging process that could thwart the fragile economic recovery. Resolving this “private debt overhang” problem is, however, not easy in the current global environment of low nominal output growth.

In light of these developments, this issue of the *Fiscal Monitor* examines the extent and makeup of global debt and asks what role fiscal policy can play in facilitating the adjustment. It goes beyond previous studies by drawing on an expanded data set covering emerging markets and low-income countries as well as advanced economies. Another novelty is the use of an analytical framework that explicitly models the interlinkages between private and public debt in analyzing the role of fiscal policy in the deleveraging process. Finally, country case studies provide useful insights on what fiscal policy should and should not do to facilitate deleveraging while minimizing the drag on the economy.

The chapter finds that private debt is high not only in advanced but also in a few systemically important emerging market economies. Although some advanced economies have made inroads in reducing household indebtedness—the original source of the problem—these debt ratios are still going up in some cases. In addition, easier financial conditions have led to a sharp increase in nonfinancial corporate sector debt in a few emerging markets. Historical precedents and alternative indicators of debt overhang indicate that the private deleveraging process may still take some time to play out, even more so in light of low nominal growth. The incomplete repair of banks’

balance sheets creates additional headwinds to the deleveraging process by hampering the efficient flow of credit, hence contributing to lackluster growth. Weak macroeconomic conditions are also taking a toll on general government balance sheets, particularly in advanced economies, where they explain close to 50 percent of the increase in public debt since the start of the global financial crisis. Financial deepening and improved market access over the last few years have led to higher private and public debt ratios in low-income countries, although debt levels remain generally low. Advances in microfinance lending and mobile banking have also helped improve financial inclusion in many of these countries.

New empirical evidence confirms that financial crises tend to be associated with excessive private debt levels in both advanced and emerging market economies, but high public debt is not without its risks. In particular, entering a financial crisis with a weak fiscal position exacerbates the depth and duration of the ensuing recession. The reason is that the absence of fiscal buffers prior to the crisis significantly curtails the ability to conduct countercyclical fiscal policy, especially in emerging market economies. These results argue for strengthening the government balance sheet in upturns, while adequately accounting for financial cycles when assessing a country’s fiscal position, and ensuring the close monitoring of private debt through adequate regulatory and supervisory frameworks.

This is particularly relevant in emerging markets where private sector leverage has increased significantly over the past few years.

It is clear that meaningful deleveraging will be very difficult without robust growth and a return to normal inflation, but what can fiscal policy do to facilitate the deleveraging process? The path toward strong growth in those countries mired in a debt overhang may require decisive and prompt action to repair the balance sheets of banks—a clear priority in some European countries—and the private sector, notably nonfinancial corporations in China. The specific policy package will depend of course on country circumstances and the available fiscal buffers. Generally, where the financial

1

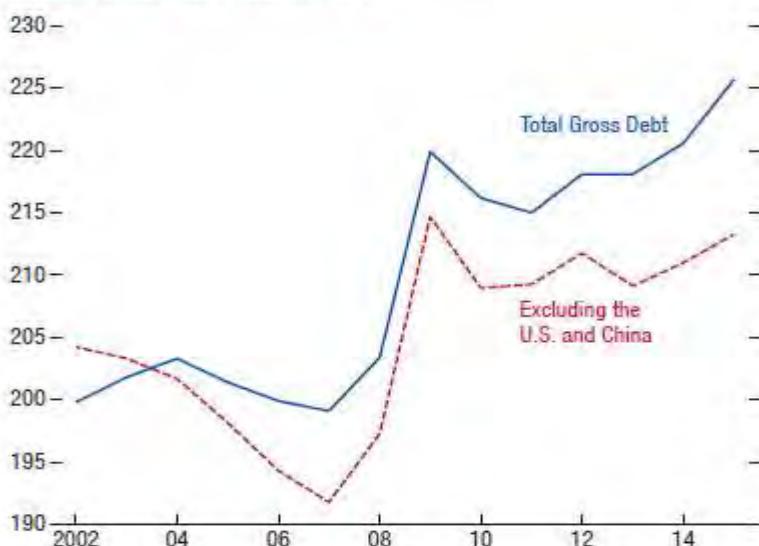
system is under severe stress, resolving the underlying problem quickly is critical. When the problems in the nonfinancial sector have not yet migrated to the banking sector, well-designed and well-targeted fiscal interventions in the form of government-sponsored programs to restructure private debt—which can include measures such as subsidies for creditors to lengthen maturities, guarantees, direct lending, and asset-management companies—can create incentives for the cleanup to take place. These measures should be supported by strong insolvency and bankruptcy procedures. As past experience shows, the design of fiscal interventions to facilitate the deleveraging process is critical for minimizing their cost, mitigating moral hazard, and ultimately ensuring their success. In particular, these measures should be targeted to specific sectors or individuals and involve burden sharing. If bank recapitalization is necessary, it should be carried out swiftly, with the private sector

taking the lead. Strong governance principles should be applied in the decision-making process to safeguard public funds.

While trade-offs are difficult at the current juncture of limited fiscal room, inaction is likely to be costlier, even from a public debt sustainability perspective. However, fiscal policy cannot do it alone; it has to be supported by complementary policies within credible frameworks. More specifically, monetary policy should remain accommodative in those countries where inflation is still well below target, while financial policies should provide incentives for banks to recognize losses and facilitate balance sheet repair. Structural policies can also improve intertemporal budget constraints by increasing potential growth. If well designed and credible, these policies can in fact increase the policy space to support growth and bring inflation to target while facilitating the deleveraging process.

2

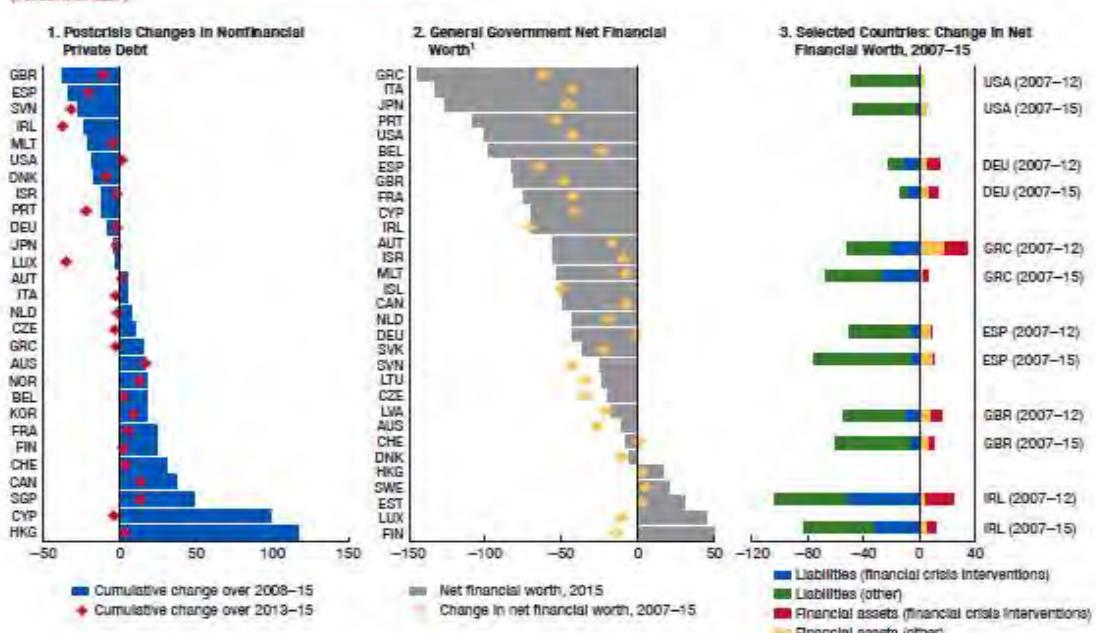
Figure 1.1. Global Gross Debt
(Percent of GDP; weighted average)



Sources: Abbas and others 2010; Bank for International Settlements; Dealogic; IMF, *International Financial Statistics*; IMF, Standardized Reporting Forms; IMF, *World Economic Outlook*; Organisation for Economic Co-operation and Development; and IMF staff estimates.

Note: U.S. = United States.

Figure 1.4. Advanced Economies: Debt Developments
(Percent of GDP)

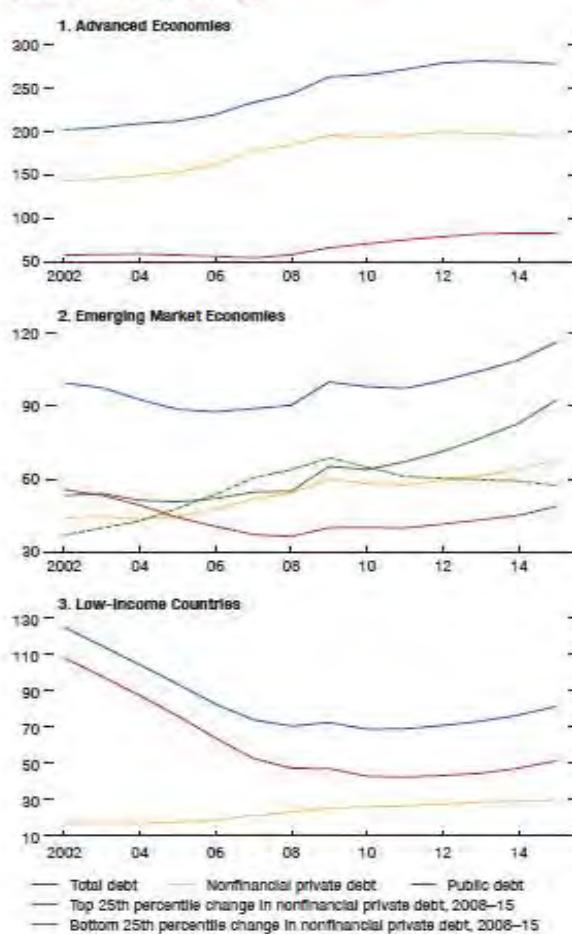


Sources: Bank for International Settlements; Dealogic; Eurostat; IMF, *Government Finance Statistics*; IMF, *International Financial Statistics*; IMF, Standardized Reporting Forms; IMF, *World Economic Outlook*; Organisation for Economic Co-operation and Development; and IMF staff estimates.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes.

¹Data are from 2007 to latest available. For Switzerland, latest available data are for 2013. For Hong Kong Special Administrative Region, Iceland, Israel, and Japan, latest available data are for 2014. For all others, data are for 2015.

Figure 1.2. Gross Debt by Country Groups
(Percent of GDP, simple average)



Sources: Abbas and others 2010; Bank for International Settlements; Dealogic; IMF, International Financial Statistics; IMF, Standardized Reporting Forms; IMF, World Economic Outlook; Organisation for Economic Co-operation and Development; and IMF staff estimates.

Note: Countries in the top 25th percentile are Brazil, China, Colombia, Georgia, Malaysia, Oman, Paraguay, Thailand, Turkey, and Venezuela. Countries in the bottom 25th percentile are Bulgaria, El Salvador, Hungary, Jordan, Kazakhstan, Pakistan, Romania, South Africa, Sri Lanka, and Ukraine.

Figure 1.3. Sectoral Changes in Debt
(Percent of GDP)

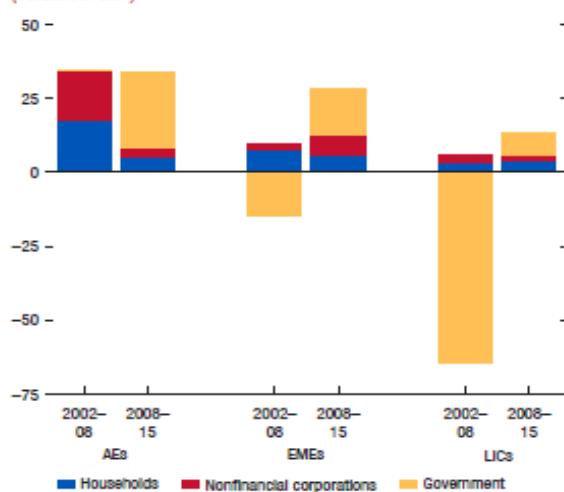
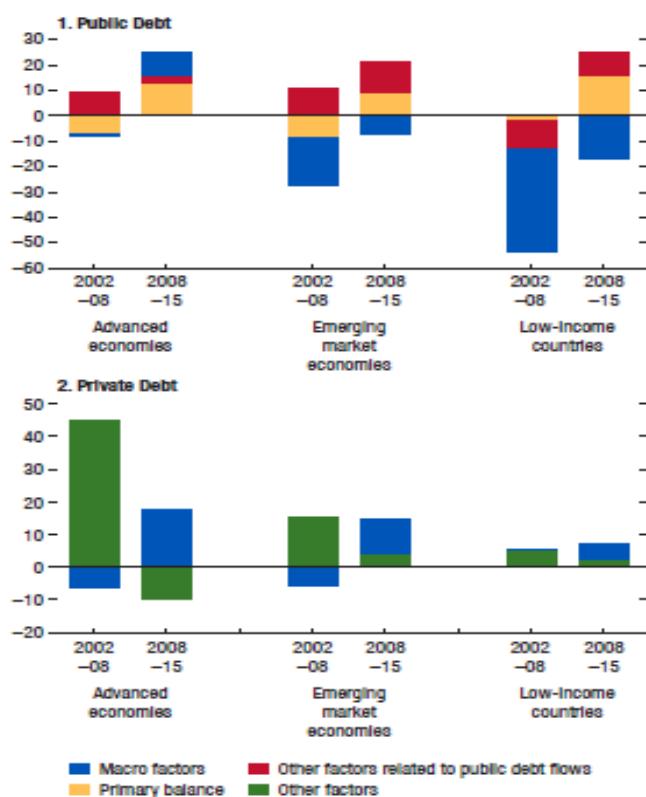


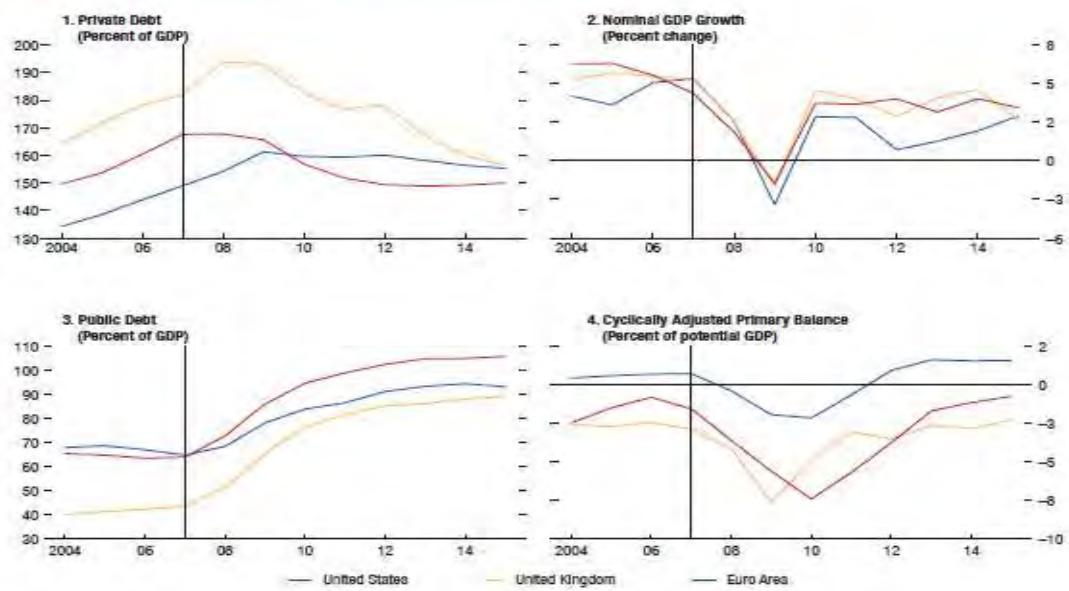
Figure 1.7. Debt Decomposition
(Percent of GDP; cumulative changes)



Sources: Abbas and others 2010; Bank for International Settlements; Dealogic; IMF, *International Financial Statistics* (IFS); IMF, Standardized Reporting Forms; IMF, *World Economic Outlook*; Organisation for Economic Co-operation and Development (OECD); and IMF staff estimates.

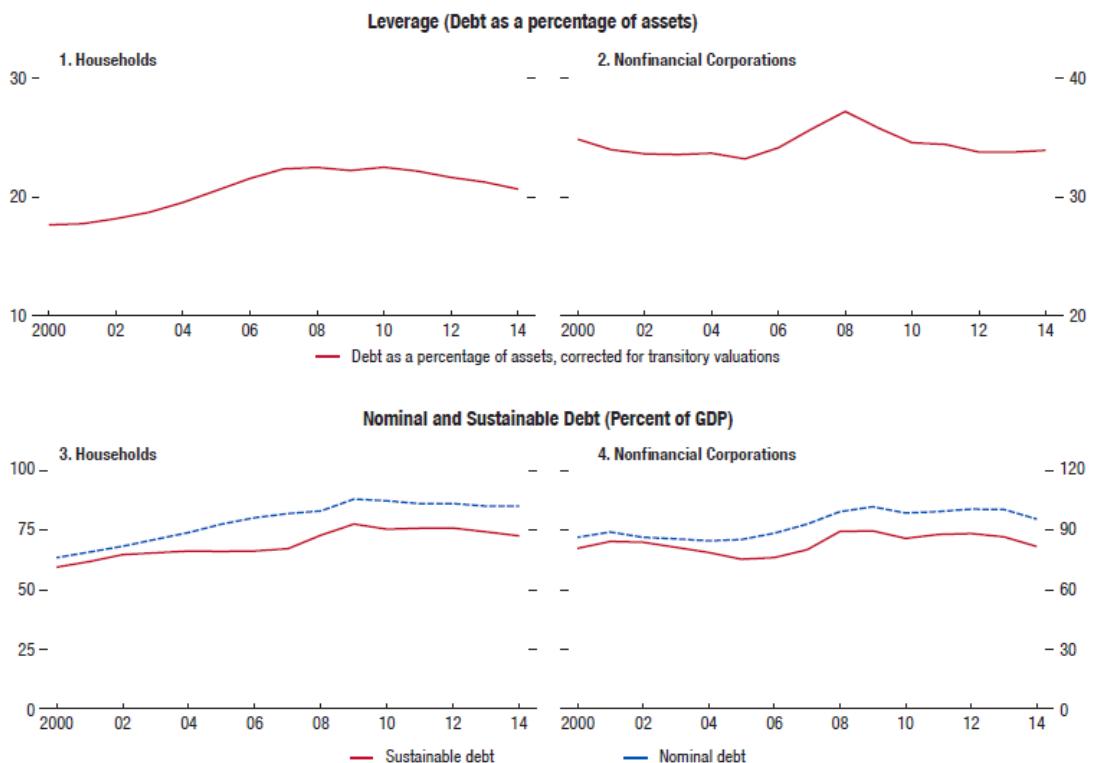
Note: For OECD countries, effective private sector interest rates are calculated using OECD data on private sector interest payments from the national accounts, augmented with data from national statistics offices. For non-OECD countries, IFS lending rates are used.

Figure 1.8. Selected Advanced Economies: Current deleveraging episodes
(Weighted average)



Sources: Bank for International Settlements; IMF, *World Economic Outlook*; and IMF staff estimates.

Figure 1.10. Selected Advanced Economies: Leverage



Sources: National statistical offices; Organisation for Economic Co-operation and Development; and IMF staff estimates.

Note: The sample comprises 16 advanced economies in the case of households and 15 in the case of nonfinancial corporations. Assets are obtained as the sum of financial and nonfinancial assets. Financial assets corrected for transitory valuations are constructed by adding financial asset transactions and trend revaluations to the stock of financial assets in the initial year. Nonfinancial assets corrected for transitory valuations are calculated by applying real growth rates to the initial stock of nonfinancial assets. Real house prices are used as a deflator in the case of households. For nonfinancial corporations, the analysis is based on a weighted average of house prices and the investment deflator.

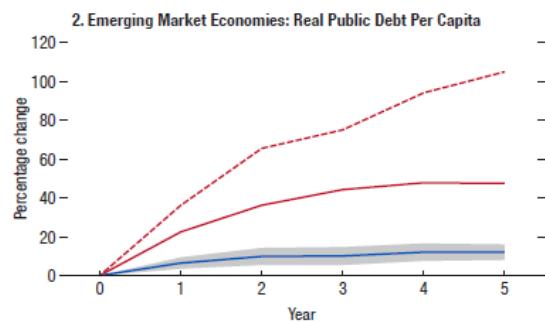


Figure 1.11. Public Debt in Normal and Financial Recessions

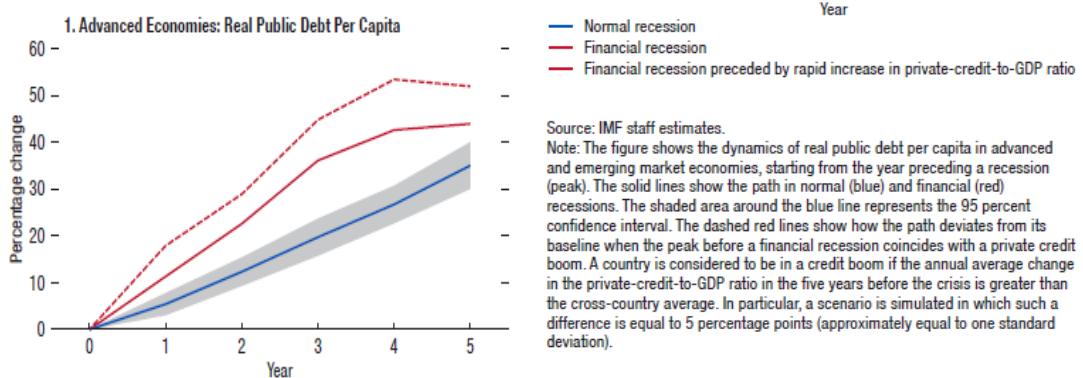


Table A1. Advanced Economies: General Government Overall Balance, 2007–21
(Percent of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia	1.5	-1.1	-4.6	-5.1	-4.5	-3.5	-2.8	-2.9	-2.8	-2.9	-2.5	-1.7	-0.8	-0.2	0.0
Austria	-3.9	-3.9	-5.3	-4.4	-2.6	-2.2	-1.3	-2.7	-1.2	-1.6	-1.5	-1.1	-1.0	-0.8	-0.7
Belgium	0.1	-1.1	-5.4	-4.9	-4.1	-4.2	-3.0	-3.1	-2.6	-2.7	-2.2	-2.0	-2.2	-2.3	-2.4
Canada	1.8	0.2	-3.9	-4.7	-3.3	-2.5	-1.9	-0.5	-1.3	-2.5	-2.3	-2.0	-1.6	-1.2	-0.9
Cyprus ¹	3.3	0.9	-5.5	-4.8	-5.7	-5.8	-4.4	-0.2	-1.4	-0.5	-0.6	-0.5	-0.1	-0.1	-0.1
Czech Republic	-0.7	-2.1	-5.5	-4.4	-2.7	-3.9	-1.2	-1.9	-0.4	-0.6	-0.6	-0.4	-0.4	-0.4	-0.5
Denmark	5.0	3.2	-2.8	-2.7	-2.1	-3.5	-1.1	1.5	-1.7	-0.9	-1.9	-1.7	-1.5	-1.3	-1.1
Estonia	2.4	-2.9	-1.8	0.2	1.0	-0.4	-0.3	0.7	0.4	0.2	0.2	0.1	-0.1	-0.1	-0.2
Finland	5.1	4.2	-2.5	-2.6	-1.0	-2.2	-2.6	-3.2	-2.7	-2.4	-2.4	-2.0	-1.5	-1.1	-0.6
France	-2.5	-3.2	-7.2	-6.8	-5.1	-4.8	-4.0	-4.0	-3.5	-3.3	-3.0	-2.7	-2.1	-1.5	-1.0
Germany	0.2	-0.2	-3.2	-4.2	-1.0	0.0	-0.2	0.3	0.7	0.1	0.1	0.2	0.4	0.5	0.6
Greece	-6.7	-10.2	-15.2	-11.2	-10.2	-6.5	-3.5	-4.1	-3.1	-3.4	-2.7	-1.7	-1.7	-2.0	-2.8
Hong Kong SAR	7.3	0.1	1.7	4.1	3.8	3.1	1.0	3.8	0.6	1.5	1.5	0.8	1.2	2.1	2.1
Iceland	4.9	-13.1	-9.7	-9.8	-5.6	-3.7	-1.8	-0.1	-0.5	14.7	0.5	0.6	1.1	0.7	1.1
Ireland ¹	0.3	-7.0	-13.8	-32.1	-12.6	-8.0	-5.7	-3.7	-1.9	-0.7	-0.5	-0.3	-0.1	0.2	0.4
Israel	-0.6	-2.7	-5.6	-4.1	-3.4	-6.0	-4.2	-3.4	-3.1	-3.4	-3.9	-3.9	-3.9	-3.9	-3.9
Italy	-1.5	-2.7	-5.3	-4.2	-3.5	-2.9	-2.9	-3.0	-2.6	-2.5	-2.2	-1.3	-0.5	-0.1	0.0
Japan	-2.1	-4.1	-10.4	-9.3	-9.8	-8.8	-8.8	-6.2	-6.2	-5.2	-5.1	-4.4	-3.9	-3.2	-3.1
Korea	2.2	1.5	0.0	1.5	1.7	1.6	0.6	0.4	0.3	0.8	1.1	1.6	2.1	2.2	2.3
Latvia	0.6	-3.2	-7.0	-6.5	-3.1	0.1	-0.6	-1.7	-1.8	-1.2	-1.2	-0.1	-0.4	-0.5	-0.5
Lithuania	-1.0	-3.3	-9.3	-6.9	-8.9	-3.1	-2.6	-0.7	-0.2	-0.3	-0.5	-0.5	-0.5	-0.5	-0.5
Luxembourg	4.2	3.4	-0.7	-0.7	0.5	0.3	0.8	1.7	1.3	1.2	0.0	-0.1	-0.3	-0.3	-0.3
Malta	-2.3	-4.2	-3.3	-3.2	-2.6	-3.6	-2.6	-2.0	-1.5	-0.8	-0.7	-0.6	-0.5	-0.5	-0.5
Netherlands	0.2	0.2	-5.4	-5.0	-4.3	-3.9	-2.4	-2.3	-1.9	-1.1	-0.7	-0.4	-0.2	0.0	0.2
New Zealand	3.2	1.3	-1.7	-5.9	-5.4	-1.8	-1.0	-0.3	-0.2	-0.4	-0.3	0.0	0.6	0.9	0.9
Norway	17.0	18.5	10.3	10.9	13.2	13.5	10.5	8.4	5.5	3.0	32	3.5	3.6	3.5	3.5
Portugal	-3.0	-3.8	-9.8	-11.2	-7.4	-5.7	-4.8	-7.2	-4.4	-3.0	-3.0	-2.9	-2.9	-2.9	-2.9
Singapore	10.1	6.1	0.0	6.0	8.7	7.9	6.7	5.5	2.6	2.4	2.4	2.5	2.9	2.8	3.2
Slovak Republic	-1.9	-2.3	-7.9	-7.5	-4.1	-4.3	-2.7	-2.7	-3.0	-2.3	-2.2	-2.0	-1.9	-1.9	-1.9
Slovenia	0.3	-0.3	-5.4	-5.2	-5.5	-3.1	-13.9	-5.0	-3.3	-2.3	-2.3	-2.4	-2.6	-2.7	-2.8
Spain ¹	2.0	-4.4	-11.0	-9.4	-9.6	-10.4	-6.9	-6.9	-5.1	-4.5	-3.1	-2.7	-2.3	-2.2	-2.1
Sweden	3.3	2.0	-0.7	0.0	-0.1	-0.9	-1.3	-1.5	0.0	-0.4	-0.7	-0.4	0.1	0.3	0.3
Switzerland	1.6	1.8	0.6	0.3	0.5	0.0	-0.2	-0.2	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	0.0
United Kingdom	-2.9	-4.9	-10.5	-9.5	-7.6	-7.7	-5.7	-5.6	-4.2	-3.3	-2.7	-2.2	-1.1	-0.7	-0.7
United States ²	-2.9	-6.7	-13.1	-10.9	-9.6	-7.9	-4.4	-4.2	-3.5	-4.1	-3.7	-3.3	-3.5	-3.6	-3.7
Average	-1.2	-3.5	-8.8	-7.7	-6.3	-5.5	-3.7	-3.3	-2.8	-3.0	-2.8	-2.3	-2.1	-2.0	-2.0
Euro Area	-0.6	-2.2	-6.3	-6.2	-4.2	-3.7	-3.0	-2.6	-2.1	-2.0	-1.7	-1.4	-1.0	-0.7	-0.6
G7	-2.1	-4.5	-10.9	-8.8	-7.4	-6.4	-4.4	-3.8	-3.2	-3.6	-3.3	-2.8	-2.6	-2.5	-2.5
G20 Advanced	-1.6	-4.2	-9.5	-8.3	-7.0	-6.0	-4.1	-3.6	-3.0	-3.4	-3.1	-2.6	-2.4	-2.2	-2.2

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table B.

¹ Data include financial sector support. For Cyprus, 2014 and 2015 balances exclude financial sector support.

² For cross-country comparability, expenditure and fiscal balances of the United States are adjusted to exclude the imputed interest on unfunded pension liabilities and the imputed compensation of employees, which are counted as expenditures under the 2008 System of National Accounts (2008 SNA) adopted by the United States, but not in countries that have not yet adopted the 2008 SNA. Data for the United States in this table may thus differ from data published by the U.S. Bureau of Economic Analysis.

Table A5. Advanced Economies: General Government Revenue, 2007–21
(Percent of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia	35.8	34.0	33.4	32.0	32.1	33.3	34.0	34.2	34.6	34.7	34.9	35.2	35.5	35.8	36.0
Austria	47.8	48.3	48.8	48.3	48.3	48.9	49.5	49.9	50.5	49.7	49.5	49.5	49.5	49.5	49.5
Belgium	48.3	49.2	48.8	49.3	50.3	51.6	52.6	52.0	51.4	51.0	50.8	50.4	50.1	49.9	49.9
Canada	40.4	39.1	39.6	38.4	38.4	38.5	38.5	38.5	39.1	38.8	38.6	38.4	38.4	38.5	38.6
Cyprus	41.1	39.5	36.8	37.5	36.8	36.1	37.6	39.7	38.9	37.8	37.5	37.3	37.6	37.6	37.6
Czech Republic	39.3	38.1	38.1	38.6	40.3	40.5	41.4	40.3	41.4	40.0	40.9	40.2	40.1	40.0	39.9
Denmark	54.6	53.7	54.0	54.3	54.8	54.8	55.5	57.4	53.9	52.5	50.0	49.8	49.6	49.4	49.4
Estonia	36.0	36.1	42.3	40.6	38.4	38.7	38.0	38.7	40.0	41.5	42.5	42.8	42.8	42.6	42.3
Finland	51.8	52.4	52.2	52.1	53.3	54.0	54.9	54.9	55.0	54.9	53.5	54.1	54.4	54.6	54.8
France	49.7	49.8	49.6	49.6	50.8	52.0	52.9	53.4	53.5	53.2	53.3	53.1	53.1	53.1	53.1
Germany	43.0	43.4	44.3	43.0	43.8	44.2	44.5	44.7	44.7	44.6	44.5	44.5	44.4	44.4	44.4
Greece	40.4	40.6	38.9	41.3	44.0	45.8	47.9	46.8	48.1	47.2	46.2	45.1	44.2	43.5	43.2
Hong Kong SAR	21.3	18.9	18.8	20.7	22.4	21.4	21.0	20.9	18.7	21.2	20.9	21.8	21.8	21.9	21.9
Iceland	45.9	42.5	38.8	39.6	40.1	41.7	42.1	45.3	42.2	56.9	41.7	41.4	41.6	41.3	41.4
Ireland	36.1	34.8	33.3	33.2	33.1	33.6	33.9	34.0	27.6	26.3	25.8	25.6	25.3	25.0	24.7
Israel	41.5	39.1	36.2	37.0	37.0	36.1	36.5	36.7	36.8	37.6	37.2	37.3	37.3	37.3	37.3
Italy	45.3	45.1	45.9	45.6	45.7	47.8	48.1	48.2	47.9	47.3	46.0	45.8	46.0	46.0	46.0
Japan	31.2	31.6	29.6	29.6	30.8	31.1	32.1	33.6	34.1	33.7	33.7	33.7	33.8	34.6	34.7
Korea	22.6	22.3	21.3	21.0	21.6	22.1	21.5	21.2	21.3	22.0	21.8	21.5	21.5	21.5	21.5
Latvia	33.8	33.5	35.8	36.6	35.7	37.5	36.9	36.2	36.3	36.2	36.8	37.9	37.2	36.3	36.0
Lithuania	33.4	33.8	34.3	34.3	32.6	32.1	32.1	33.5	34.4	34.3	34.5	34.5	34.5	34.4	34.4
Luxembourg	42.4	43.6	45.3	44.2	43.8	44.8	44.9	44.1	42.8	42.6	41.3	41.0	40.8	40.8	40.8
Malta	38.9	38.4	38.8	37.9	38.5	38.9	39.3	41.2	41.9	39.8	39.8	39.9	40.0	40.1	40.1
Netherlands	42.7	43.8	42.7	43.2	42.7	43.2	43.8	43.9	43.2	43.6	43.7	43.7	43.7	43.7	43.7
New Zealand	36.6	36.0	34.8	33.9	33.9	33.9	34.0	34.1	34.5	34.4	34.4	34.0	33.9	34.0	34.0
Norway	56.5	57.4	55.4	56.0	56.2	56.8	55.8	53.3	53.3	53.1	51.2	51.2	51.3	51.2	51.1
Portugal	41.5	41.6	40.4	40.6	42.6	42.9	45.1	44.5	43.9	43.6	43.4	43.3	43.2	43.0	42.9
Singapore	23.8	24.0	17.4	21.1	23.2	22.4	21.7	21.6	21.6	22.0	21.3	21.6	21.8	22.0	22.3
Slovak Republic	34.2	34.3	36.1	34.5	36.4	36.2	38.6	39.2	42.7	39.7	39.5	39.3	39.0	38.7	38.4
Slovenia	39.8	40.4	39.8	40.8	40.6	41.7	41.0	41.5	40.7	40.7	40.4	40.5	40.6	40.7	40.8
Spain	40.9	36.7	34.8	36.2	36.2	37.5	38.2	38.6	38.2	37.4	38.0	38.0	37.9	37.9	37.9
Sweden	52.0	51.3	51.3	51.0	50.3	50.6	50.9	50.1	48.9	48.6	48.9	49.2	49.3	49.1	49.1
Switzerland	31.6	32.4	33.0	32.5	33.0	32.6	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7	32.7
United Kingdom	35.4	36.0	34.4	35.3	36.0	36.0	36.3	35.3	35.8	36.3	36.4	36.1	36.3	36.2	36.1
United States	31.7	30.8	28.4	29.1	29.4	29.4	31.6	31.4	31.6	31.4	31.5	31.7	31.8	32.0	32.0
Average	36.8	36.6	35.1	35.1	35.7	35.8	37.0	37.0	36.5	36.4	36.2	36.2	36.3	36.4	36.4
Euro Area	44.7	44.4	44.4	44.3	44.9	46.0	46.6	46.7	46.4	46.0	45.8	45.7	45.6	45.6	45.5
G7	36.1	35.9	34.3	34.3	35.0	35.0	36.5	36.6	36.3	36.1	36.0	36.0	36.1	36.3	36.3
G20 Advanced	35.6	35.4	33.9	33.8	34.4	34.5	35.9	35.9	35.7	35.5	35.4	35.4	35.5	35.7	35.7

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table B.

Table A6. Advanced Economies: General Government Expenditure, 2007–21
(Percent of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia	34.4	35.1	37.9	37.1	36.5	36.8	36.8	37.1	37.5	37.6	37.4	36.9	36.3	36.0	36.0
Austria	51.7	52.2	54.1	52.7	50.8	51.1	50.8	52.6	51.7	51.3	51.0	50.7	50.5	50.4	50.3
Belgium	48.2	50.3	54.1	53.3	54.4	55.8	55.6	55.1	54.0	53.7	53.0	52.4	52.2	52.2	52.3
Canada	38.6	38.9	43.5	43.2	41.7	41.0	40.3	39.9	40.4	41.4	40.9	40.4	40.0	39.7	39.5
Cyprus	37.9	38.6	42.3	42.2	42.5	41.9	42.0	39.9	40.3	38.3	38.1	37.8	37.7	37.7	37.6
Czech Republic	40.0	40.2	43.6	43.0	43.0	44.5	42.6	42.2	41.8	40.6	40.5	40.7	40.6	40.5	40.4
Denmark	49.6	50.5	56.8	57.1	56.8	58.3	56.5	56.0	55.7	53.4	51.9	51.5	51.0	50.7	50.5
Estonia	33.6	39.0	44.2	40.4	37.4	39.1	38.3	38.0	39.6	41.3	42.3	42.7	42.8	42.7	42.6
Finland	46.8	48.3	54.8	54.8	54.4	56.2	57.5	58.1	57.7	57.2	56.0	56.1	55.9	55.7	55.4
France	52.2	53.0	56.0	56.4	55.9	58.8	57.0	57.3	57.0	56.5	56.2	55.8	55.3	54.7	54.1
Germany	42.8	43.6	47.6	47.3	44.7	44.3	44.7	44.4	44.0	44.5	44.3	44.2	44.0	43.9	43.8
Greece	47.1	50.8	54.1	52.5	54.2	52.3	51.4	50.8	51.1	50.5	48.9	46.8	46.0	45.5	45.8
Hong Kong SAR	13.9	18.8	17.1	16.6	18.6	18.3	20.0	17.3	18.1	19.7	19.4	20.9	20.6	19.8	19.8
Iceland	41.0	55.7	48.5	49.4	45.7	45.4	44.0	45.3	42.7	42.2	41.2	40.8	40.5	40.6	40.4
Ireland	35.8	41.8	47.1	65.3	45.7	41.6	39.5	37.7	29.5	27.0	26.3	25.8	25.4	24.8	24.3
Israel	42.1	41.7	41.8	41.0	40.4	41.1	40.7	40.1	39.9	41.0	41.1	41.2	41.2	41.2	41.2
Italy	46.8	47.8	51.2	49.9	49.1	50.8	51.0	51.2	50.5	49.8	48.2	47.2	46.6	46.1	46.0
Japan	33.3	35.7	40.0	38.9	40.6	39.8	40.6	39.8	39.3	38.9	38.9	38.1	37.7	37.8	37.8
Korea	20.5	20.8	21.3	19.5	19.9	20.6	20.9	20.8	21.0	21.1	20.6	19.8	19.3	19.2	19.1
Latvia	33.2	36.7	42.8	43.1	38.8	37.4	37.4	37.9	38.1	37.4	37.9	38.0	37.7	36.8	36.5
Lithuania	34.4	37.0	43.6	41.2	41.5	35.2	34.7	34.1	34.6	34.6	35.0	35.0	35.0	34.9	35.0
Luxembourg	38.2	40.2	46.0	44.9	43.3	44.6	43.2	42.4	41.5	41.4	41.3	41.1	41.1	41.1	41.1
Malta	41.2	42.6	41.9	41.1	41.0	42.5	41.8	43.2	43.4	40.5	40.5	40.5	40.6	40.6	40.6
Netherlands	42.4	43.6	48.2	48.1	47.0	47.1	46.3	46.2	45.1	44.7	44.4	44.2	43.9	43.7	43.5
New Zealand	33.4	34.7	36.5	38.9	39.3	35.8	35.0	34.3	34.7	34.8	34.7	34.0	33.4	33.1	33.1
Norway	39.5	38.9	45.0	44.1	43.0	42.2	43.3	44.9	47.8	50.1	48.0	47.7	47.7	47.7	47.6
Portugal	44.5	45.3	50.2	51.8	50.0	48.5	49.9	51.2	48.3	46.8	46.4	46.2	46.1	45.9	45.8
Singapore	13.7	17.9	17.3	15.0	14.6	14.5	15.1	16.1	19.0	19.6	18.9	19.1	18.9	19.2	19.0
Slovak Republic	36.1	36.7	43.9	42.0	40.5	40.5	41.3	41.9	45.6	42.0	41.7	41.3	40.9	40.6	40.3
Slovenia	39.6	40.7	45.3	46.0	46.1	44.8	54.9	47.3	44.1	43.0	42.7	42.9	43.2	43.4	43.6
Spain	38.9	41.1	45.8	45.6	45.8	48.0	45.1	44.5	43.3	41.9	41.1	40.7	40.2	40.1	40.0
Sweden	48.7	49.3	52.0	51.0	50.4	51.5	52.2	51.7	48.9	49.0	49.6	49.5	49.2	48.8	48.5
Switzerland	30.0	30.7	32.4	32.2	32.6	32.6	32.9	32.9	33.0	33.1	33.0	33.0	33.0	32.9	32.8
United Kingdom	38.3	40.9	44.8	44.9	43.6	43.7	42.0	40.9	40.0	39.6	39.1	38.4	37.4	36.9	36.8
United States	34.5	37.3	41.6	40.0	38.9	37.3	36.0	35.5	35.0	35.5	35.2	35.0	35.3	35.5	35.8
Average	38.0	40.1	43.9	42.7	42.0	41.2	40.7	40.2	39.3	39.4	39.0	38.6	38.4	38.4	38.4
Euro Area	45.3	46.6	50.7	50.5	49.1	49.7	49.8	49.3	48.5	48.0	47.4	47.0	46.6	46.3	46.1
G7	38.2	40.3	44.3	43.1	42.4	41.4	40.9	40.3	39.5	39.6	39.3	38.9	38.8	38.8	38.8
G20 Advanced	37.5	39.6	43.5	42.1	41.5	40.8	40.0	39.5	38.7	38.9	38.5	38.1	37.9	37.9	38.0

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and table B.

Table A7. Advanced Economies: General Government Gross Debt, 2007–21
(Percent of GDP)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia ¹	9.7	11.7	16.7	20.5	24.2	27.8	30.8	34.3	37.6	40.9	43.2	43.5	42.3	40.6	39.0
Austria	64.8	68.5	79.7	82.4	82.2	81.6	80.8	84.3	86.2	84.9	83.7	82.3	80.6	78.9	77.3
Belgium	87.0	82.5	99.6	99.7	102.3	104.1	105.2	106.6	106.1	105.8	105.0	104.0	103.2	102.6	102.1
Canada ¹	66.8	67.8	79.3	81.1	81.5	84.8	86.1	86.2	91.5	92.1	90.5	88.7	88.7	84.6	82.2
Cyprus	53.6	44.6	53.4	56.3	65.8	79.3	102.5	108.2	108.9	106.7	105.3	101.9	97.9	94.6	91.2
Czech Republic	27.8	28.7	34.1	38.2	39.8	44.5	44.9	42.2	40.3	39.8	38.8	37.8	36.9	36.0	35.2
Denmark	27.3	33.4	40.4	42.9	46.4	45.2	44.7	44.8	45.5	45.7	46.3	46.3	46.0	45.1	44.6
Estonia	3.7	4.5	7.0	6.6	5.9	9.5	8.8	10.4	9.7	9.5	9.1	8.7	8.4	8.1	7.9
Finland	34.0	32.7	41.7	47.1	48.5	52.9	55.4	59.3	62.5	63.8	65.3	65.9	66.0	65.5	64.4
France	84.4	68.1	79.0	81.7	85.2	89.6	92.4	95.3	96.1	97.1	97.8	97.9	97.4	95.9	93.8
Germany	83.5	64.9	72.4	81.0	78.3	79.5	77.1	74.5	71.0	68.2	65.9	63.6	61.1	58.9	56.7
Greece ¹	103.1	108.4	126.7	146.2	172.1	159.6	177.7	180.1	176.9	183.4	184.7	184.7	178.5	173.1	169.2
Hong Kong SAR ¹	1.0	0.9	0.7	0.6	0.6	0.5	0.5	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
Iceland	27.3	67.6	82.9	88.3	95.1	92.6	84.8	82.5	67.6	55.1	51.8	41.5	36.7	34.0	29.9
Ireland	23.9	42.4	61.7	86.3	109.6	119.5	119.5	105.2	78.7	74.6	72.6	68.7	68.0	66.2	63.5
Israel	73.0	71.9	74.6	70.7	68.8	68.3	67.0	66.0	64.1	65.8	67.6	68.7	69.3	70.0	70.6
Italy	99.8	102.4	112.5	115.4	116.5	123.3	129.0	132.5	132.7	133.2	133.4	132.0	129.9	127.5	125.0
Japan	183.0	191.8	210.2	215.8	231.6	238.0	244.5	249.1	248.0	250.4	253.0	254.9	254.7	254.5	253.9
Korea	28.7	28.2	31.4	30.8	31.5	32.1	33.8	35.9	37.9	38.9	38.2	38.8	37.8	36.8	35.6
Latvia	7.2	16.2	32.5	40.3	37.6	36.9	35.8	36.6	34.9	35.1	34.7	32.9	31.6	30.2	28.9
Lithuania	16.7	15.4	29.0	36.3	37.3	39.8	38.8	40.7	42.8	41.9	41.0	38.5	37.9	36.5	35.2
Luxembourg	7.8	15.1	16.0	20.1	19.1	22.0	23.3	22.9	21.5	22.2	22.9	23.5	24.0	24.0	24.2
Malta	62.4	62.7	67.8	67.6	70.0	67.6	68.4	67.0	64.0	62.2	59.7	57.9	55.8	53.7	51.7
Netherlands	42.4	54.5	56.5	59.3	61.6	66.4	67.7	67.9	65.1	63.5	61.8	60.4	58.8	57.0	55.3
New Zealand	14.5	16.9	21.7	26.9	31.5	31.9	30.8	30.3	29.9	29.9	29.2	26.8	25.6	24.6	23.1
Norway	49.2	47.3	42.0	42.4	28.9	30.0	30.3	27.9	27.9	27.9	27.9	27.9	27.9	27.9	27.9
Portugal	68.4	71.7	83.6	96.2	111.4	126.2	129.0	130.2	129.0	128.4	128.2	127.7	127.0	126.5	125.9
Singapore	84.7	95.3	99.7	97.0	101.1	105.8	103.1	98.5	104.7	106.4	105.7	104.2	102.7	101.1	99.6
Slovak Republic	29.9	28.2	36.0	40.8	43.3	52.4	55.0	53.9	52.9	52.8	53.0	52.4	51.6	50.8	50.0
Slovenia	22.7	21.6	34.5	38.2	46.4	53.9	71.0	80.9	83.1	80.0	81.2	82.3	83.1	84.0	84.9
Spain	35.5	39.4	52.7	60.1	69.5	85.4	93.7	99.3	99.3	100.1	100.2	100.0	99.2	98.3	97.4
Sweden	38.1	38.7	40.2	37.6	36.9	37.2	39.8	44.8	43.4	42.7	41.2	40.4	39.7	38.4	37.0
Switzerland	49.5	49.4	47.3	46.1	46.0	46.6	46.4	45.7	45.7	44.7	43.7	42.6	41.3	40.3	39.3
United Kingdom	42.2	50.3	64.2	75.7	81.3	84.8	86.0	87.9	89.0	89.0	88.8	88.6	86.6	84.3	82.1
United States ¹	64.0	72.8	86.0	94.7	99.0	102.5	104.6	104.6	105.2	108.2	108.4	107.9	107.8	107.9	108.3
Average	71.7	78.5	91.9	98.4	102.6	106.8	105.6	105.4	105.4	108.6	109.2	108.5	107.6	106.5	105.5
Euro Area	84.9	68.5	78.3	84.1	86.7	91.3	93.3	94.3	92.5	91.7	91.0	88.8	88.1	86.2	84.2
G7	80.9	88.9	103.7	111.9	117.1	121.3	119.4	118.6	117.9	121.7	122.6	122.0	121.1	120.2	119.3
G20 Advanced	77.1	84.8	99.2	106.1	110.6	114.5	112.9	112.4	112.2	116.0	116.3	116.1	115.2	114.1	113.1

Source: IMF staff estimates and projections. Projections are based on staff assessment of current policies (see Fiscal Policy Assumptions in text).

Note: For country-specific details, see Data and Conventions in text, and Table 8.

¹ For cross-country comparability, gross debt levels reported by national statistical agencies for countries that have adopted the 2008 System of National Accounts (Australia, Canada, Hong Kong Special Administrative Region, and the United States) are adjusted to exclude unfunded pension liabilities of government employees' defined-benefit pension plans.

Trade and Development Report, 2016 - UNCTAD - United Nations

Overview

In 1997, the Trade and Development Report argued that a return to faster growth and full employment in developed economies was a prerequisite for tackling the problem of rising inequality, and warned that failure to achieve this could provoke a “backlash against globalization, which might put the gains of global economic integration at risk”.

What happened next in the developed economies was a short boom-bust cycle linked to the dot-com bubble, followed by a period of steady growth and slowly falling unemployment. This was backed by an easy monetary policy in the United States that shored up investor confidence, triggered a surge of international capital flows and boosted global trade. Economists suggested that the world had entered a period of “great moderation”. Some proceeded to explain how hyperefficient, self-regulating markets, under the watchful eye of astute central bankers, had finally overcome the challenge of what then Federal Reserve Chairman Alan Greenspan called “risk transfer and financial stability”.

It was a comforting narrative, but one which ignored how growth was being fed by a massive explosion of debt and an unhealthy addiction to high-risk bets amongst financial market players. In this “great gambling”, inequality, rather than falling, continued to rise, in some countries to levels not seen since the 1920s.

The luck of the financiers finally ran out, beginning with the subprime crisis in early 2007 and ending with the collapse of the investment bank, Lehman Brothers, in September 2008. Sentiment transformed swiftly from euphoria to panic, not only sending financial sectors across the globe into a tailspin, but also triggering the biggest global contraction since the Great Depression.

Governments intervened rapidly to save their financial systems, turning on the money tap as well as initiating more targeted actions tailored to local circumstances; and the G20 stepped in to coordinate a Keynesian-style fiscal expansion. Greenspan apologized, acknowledging that “I made a mistake in presuming that the self-interests of organizations, specifically banks and others, were such that they were best capable of protecting their own shareholders and their equity in the firms”.

Thirty quarters after the crisis hit, developed countries are still struggling to return to a solid growth path, and policymakers were predicting tougher times ahead even before Brexit gave another jolt to financial markets. Growth forecasts have been regularly scaled back, and a new vocabulary has emerged to describe an underperforming economy faced with the choice between episodic growth spurts and financial stability. Developing economies, having for a while believed they had decoupled from events in the developed economies, are increasingly worried that policy actions in the latter could trigger a deflationary spiral and a new round of debt crises.

While the current situation seems less ominous than in 2008, it is proving more difficult to manage. With the financial system on a firmer footing, politicians and policymakers have recovered their sense of impotence in the face of supposedly insurmountable global forces, and have made “business as usual” their default policy option. Financial markets are chastened but unreformed, debt levels are higher than ever and inequality continues to rise. Most of the upside gains have resulted from asset price rises and increased corporate profits. Meanwhile, most of the downside adjustment has fallen on debtor countries and working families, with wages, employment and welfare provision under constant pressure from a return to austerity measures.

This conjuncture might appropriately be described as a “Polanyi period”, in which the regulatory and normative framework on which healthy markets depend, having already warped, is beginning to buckle as the weight of Greenspan’s mistake is felt in an ever-widening swathe of economic and social life – from precarious employment conditions to corporate tax inversions to undrinkable tap water. Trust in political leadership is at an all-time low, just when the need for decisive political action is at an all-time high. This is particularly true for a series of interconnected global challenges, codified in the Sustainable Development Goals, which can only be met through effective international cooperation and action.

Reflecting on a similar period between the two world wars, Karl Polanyi insisted that a “great transformation” would be needed if markets were to work for a stable and prosperous future for all. Trust would have to be rebuilt, regulations strengthened, and rights and representation expanded. Western governments after the Second World War were able to strike a balance between market-driven efficiency and the demands for shared prosperity and greater economic security. Managing such a transformation in our highly interconnected global economy is today’s big political challenge, for countries and communities at all levels of development.

The global economy: A year of living dangerously

The world economy in 2016 is in a fragile state, with growth likely to dip below the 2.5 per cent registered in 2014 and 2015. The mediocre performance of developed countries since the 2008–2009 economic and financial crisis is set to endure, with the added threat that the loss of momentum in developing countries over the past few years will be greater than was previously anticipated. Without a change of course in the former, the external environment facing the latter looks set to worsen, with potentially damaging consequences for both their prosperity and stability in the short to medium term. More widespread contagion from unforeseen shocks cannot be ruled out, knocking global growth back more sharply. The decision by voters in the United Kingdom to leave the European Union (EU) is one such shock.

Growth in the United States this year is likely to slow down, as the momentum that was built through the quick detoxification of its banking system and a more aggressive use of monetary policy loses traction. Moreover, given its weak underlying employment rate, the number of distressed households with high levels of debt and exporters already struggling with a strong dollar, there are no guarantees that the economy will enjoy a robust period of growth any time soon.

Recovery in the euro zone has lagged behind that of the United States, in part because of the more timid use of monetary policy in the years immediately following the crisis and a greater proclivity for severe austerity measures in some members of the zone. The tentative pick-up of growth from 2015 seems likely to stall this year, and could even be reversed due to the uncertainty triggered by the announced departure of the United Kingdom from the EU. Economic growth continues to be held back by weak domestic demand and only sporadic signs of an improvement in real wages. Efforts to tackle the sharply diverging economic performances of the countries in the euro zone are complicated by political uncertainties, such as the ongoing migration crisis, and doubts about the future pace and direction of European integration.

European economies outside the euro zone have performed better in recent years, mainly because the monetary authorities in many of those countries have been willing, and able, to orchestrate financial bubbles. The economy of the United Kingdom, even without the threat of Brexit, was destined for a difficult period owing to its high level of indebtedness and a persistently large trade deficit. The longer term consequences of the Brexit vote are still unclear, given the unprecedented nature of the decision and the political uncertainty it has created, though growth will undoubtedly slow down in the short term. Just how steep the drop could be, given the highly financialized and flexible markets in the United Kingdom, is difficult to predict.

Japan continues to exhibit a distinct set of economic characteristics stemming from decades of underperformance, with persistently low and erratic growth accompanied by a low unemployment rate and a declining active population, a high domestic debt and a strong payments position. Consumption has remained slack due to stagnant wages, leaving exports as the preferred source of expanding demand. In recent years, with the weakening of global markets and an appreciating yen, efforts have turned to stimulating the economy through government spending, but with only a modest response so far.

The upshot is that continuing weak demand in developed economies is stifling growth in the global economy. The expected positive impacts of lower commodity prices, particularly oil, have not materialized. Higher levels of public debt are failing to stimulate demand and boost growth, largely because these are a consequence of balance sheet adjustments in other parts of the economy. The persistent drag on growth in most developed countries is due to a falling wage share and insufficient household demand that have not been offset by higher investment spending.

Neither financial bubbles nor export surges offer a sustainable solution to the tepid growth and weak labour market conditions. Financial bubbles can provide a temporary boost, at best, but they tend to aggravate the deflationary gap by increasing inequality, and create supply-side distortions that impede productivity growth. Export surpluses can certainly benefit countries that achieve them, but are ultimately a beggar-thy-neighbour response in a world of insufficient global demand.

In the absence of concerted recoveries in the developed economies, international trade is in the doldrums for the fifth straight year. To date, protectionist tendencies have been kept in check, but risk surfacing if the real causes of this slowdown are not tackled effectively. The major problem is weak global demand due largely to stagnant real wages.

The slowdown of trade has stalled growth in many developing countries, particularly commodity exporters, and recent growth spurts have relied largely on capital inflows. As capital begins to flow out, there is now a real danger of entering a third phase of the financial crisis which began in the United States housing market in late 2007 before spreading to the European sovereign bond market.

Developing economies will likely register an average growth rate of slightly less than 4 per cent – as in 2015 – but with considerable variation across countries and regions, along with mounting downside risks. Damaging deflationary spirals cannot be ruled out. Indeed, these are already occurring in some countries, including large emerging economies such as Brazil, the Russian Federation and South Africa, where recession has returned, or is imminent, with likely negative spillover effects on neighbouring economies.

Other economies are also set for hard times ahead, smaller commodity producers being particularly vulnerable. The commodity cycle is in its second year of a sharp downturn, and the commodity price index is well below the level it was at when the financial crisis hit. With investors still exiting developing and transition economies, net capital flows turned negative in the second quarter of 2014, and amounted to -\$656 billion in 2015 and -\$185 billion in the first quarter of 2016. Even though there was a respite in the second quarter of 2016, there remains a risk of deflationary spirals in which capital flight, currency devaluations and collapsing asset prices would stymie growth and shrink government revenues, and cause heightened anxiety about the vulnerability of debt positions.

Size can provide somewhat of a buffer against strong headwinds from the global economy. The two largest developing economies, China and India, may escape the worst of the adverse external environment due to their expanding domestic markets and a combination of sufficient foreign reserves and an effective use of their policy space.

China's economy has slowed down sharply over the past few years, although it is still maintaining a relatively high growth rate of 6.5–7 per cent. While this partly reflects its ongoing shift away from an excessive reliance on external markets to boost growth, the surge of domestic credit in response to the crisis has created a debt bubble which, along with excess capacity in several sectors of the economy, will not be easy to manage if it bursts. Financial volatility in early 2016, which saw capital outflows from China of around \$160 billion in the first quarter of the year and a further drop in foreign reserves, is a warning sign of the possible turbulence ahead.

India has so far managed the downside risks of the post-crisis period better than other emerging economies, and is now growing faster than China. Private investment, which began rising strongly from the start of the millennium, continued to grow even as the crisis hit. However, it is now showing signs of weakening, along with emerging debt servicing difficulties. Meanwhile public investment has yet to take off, exposing infrastructure gaps that could hinder future growth.

Working out the debt problem

In recent years, developing countries have steadily opened their domestic financial markets to non-resident investors, foreign banks and other financial institutions, and have eased restrictions on their own residents investing abroad to allow portfolio diversification. In addition, their financial institutions have diversified into cross-border activities unrelated to international trade and investment. These developments have deepened their financial integration and amplified boom conditions across all developing regions. But they have also created new sources of vulnerability.

There have been growing concerns about financial fragility in emerging economies due to a deluge of financial flows and cheap credit since 2009, fueled to a considerable extent by extensive quantitative easing programmes in developed economies. Alarm bells have been ringing for a while over the exploding corporate debt incurred by emerging market economies. According to the Bank for International Settlements, the debt of non-financial corporations in these economies increased from around \$9 trillion at the end of 2008 to just over \$25 trillion by the end of 2015, and doubled as a percentage of gross domestic product (GDP) – from 57 per cent to 104 per cent – over the same period. Past experience shows that if much of the non-performing private sector debt is large and denominated in foreign currency, as in Latin America, for example, it tends to end up on public balance sheets, thus risking a sovereign external debt crisis. The exception is China, where corporate debt is about 170 per cent of GDP, up from 100 per cent in 2008, but it mainly consists of domestic bonds and claims by domestic banks. While there is no danger of an external debt crisis, the high debt level is exerting considerable pressure on the domestic banking and financial sector.

In poorer developing economies, the benefits reaped from the debt relief initiatives of the 1990s and early 2000s and a rushed integration into international financial markets post-2008, are fast evaporating. Only a couple of years ago, the amount of debt that low-income developing economies could have sold to eager investors seemed almost limitless. International sovereign bond issuance in these economies rose from a mere \$2 billion in 2009 to almost \$18 billion by 2014. But a prolonged commodity price shock, steep currency depreciations and worsening growth prospects in a deteriorating global economic environment have quickly driven up borrowing costs and debt-to-GDP ratios.

If the global economy were to slow down more sharply, a significant share of developing-country debt incurred since 2008 – not only debt issued and held within the borders of individual economies, but also

cross-border debt, including debt accumulated by private residents and governments – could become unpayable and exert considerable pressure on the financial system. Thus, the international community will need to prepare itself for managing debt work-outs in a faster, fairer and more orderly manner than it has done so far.

Changing policy direction

A world economy populated by consumers with insufficient purchasing power and too much debt and producers with large profits and a weak propensity to invest is unlikely to provide the stable economic foundation on which a sustainable and inclusive future can be built. At the same time, global productivity growth appears to be stuck, adding to the unbalanced state of the world economy. This is due not least to the protracted nature of the recovery from the 2008 crisis. However, the weight of financial markets on economic decision-making and the related rise of inequality, both of which have increased unchecked over several decades, is of particular concern. In addition there is growing recognition that excessive concentration in some markets, along with excessive competition in others, is compounding economic imbalances and adding to the difficulties for policymaking everywhere.

Separately, a slowdown of productivity growth, rising inequality, insufficient global demand and mounting levels of debt represent enormous challenges for policymakers at the national and international levels. Together they pose a serious threat to shared prosperity and stability. The worry that an unforeseen event, such as Brexit, could trigger widespread economic disruption is now being put to the test. The International Monetary Fund (IMF) has warned policymakers to be alert; perhaps it is also time for them to become a little more alarmed.

While there is agreement that these challenges are closely interconnected, there is no sign of a concerted move towards policy coordination among systemically important economies. The United States has begun to recognize that its economic policy decisions have impacts beyond its own borders, with the Federal Reserve responding with a more cautious stance on interest rate rises. But a more ambitious policy package is needed to address existing imbalances and ease the constraints on faster growth, whether in large or small countries, surplus or deficit economies, commodity or manufacturing exporters, creditors or debtors. A global new deal will need to move beyond business as usual.

As argued in past *Trade and Development Reports*, the policy package in developed economies will need to combine a proactive fiscal stance, both on spending and taxation, with supportive monetary and credit policies, stronger financial regulations and redistributive measures through an incomes policy, minimum wage legislation, progressive taxation measures and welfare-enhancing social programmes. The specific policy mix will, of course, vary across countries, although large public infrastructure spending would need to be a common thread. Developing countries also will need to adopt proactive policies – including fiscal, financial and regulatory policies – to restore growth rates to their pre-crisis levels and ensure that such growth is more inclusive and sustainable. For this, they will require sufficient policy space both to manage unforeseen economic shocks and to pursue the kind of structural transformation strategies previously undertaken by today's developed economies. Such policy space should be guaranteed through more flexible international rules. Other initiatives that need to be taken at the multilateral level include measures aimed at stemming tax evasion and avoidance, and financing infrastructure development with a low-carbon footprint.

There are signs that international bodies, such as the IMF, are rethinking their approach to macroeconomic adjustment along these lines. The necessary next step is for them to move away from a narrow discussion of structural reform that promotes a familiar package of liberalization and deregulation measures, and instead consider the wide range of actions needed to diversify the structure and level of sophistication of economic activity. Such actions should aim to increase productivity, create more and better jobs, boost household incomes, increase fiscal revenues and investment, and foster technological progress, and all this in the context of a world that is rapidly moving towards a low-carbon future.

The antinomies of globalization

Beginning in the early 2000s, all developing regions saw growth accelerate significantly more than in developed countries, and at a pace which helped bring about a dramatic reduction in levels of extreme poverty. In some countries it also helped reduce income gaps with the North. This convergence trend continued in the aftermath of the financial crisis, but is now losing steam as growth decelerates across the developing world. Lessons need to be drawn from this recent experience if convergence is to resume and be guided along more transformative growth paths.

Looking at the period since the early 1980s, it is possible to discern three major trends that have helped reshape the global economic landscape: the persistent slowdown of developed economies, the consistently strong performance of East Asia, and the uneven performance of other developing countries, both over time and across regions.

East Asia's economic take-off began in the 1960s with the newly industrializing economies in the North-East, and spread South-East in the 1980s, albeit with a weaker momentum. It was reinvigorated in the new millennium as China's post-reform transformation took hold. Of the 11 fastest growing non-island developing economies since 1980, 9 are from East Asia.

Elsewhere in the developing world catch-up growth has been more intermittent. Indeed, many developing countries are further behind the developed economies today than they were in 1980, despite recent growth spurts.

One possible explanation for this variation relates to the reconfiguring of the global environment over the past three decades, which has benefited some countries (and communities) but held back others. Certainly a confluence of favourable economic factors – greater trade and capital flows, increased remittances and aid flows, and higher commodity prices – explains the general acceleration of growth across the South at the start of the millennium, but such growth occurred along development paths that had been set in the previous two decades. As the global economic tide begins to ebb, those paths are being exposed to the elements of a less favourable environment.

The big investment push that was expected to drive structural transformation in developing regions remains one of the unfulfilled promises of a more open global economy. Financial openness has certainly improved access to capital and made it cheaper, while foreign direct investment has reconfigured segments of the international division of labour. However, capital flows in most developing countries have become more volatile, and have not always triggered new investments in productive capacity or changed productive structures. Shocks and crises were frequent threats to forward planning until the early 2000s, when a short-lived period of calm was established and investment increased, albeit gingerly. Taking the period since the early 1980s in its entirety, there appears to have been a weak, and possibly inverse, relationship between capital formation and financial openness.

Another feature of the contemporary globalization process which might offer some clues to these varied growth experiences is the reconfiguring of markets. Free competitive markets are a favourite textbook prescription for enhancing economic prosperity, and it is assumed that the larger those markets the greater will be the prosperity. In reality, some markets have become subject to increasing concentration as a handful of firms have emerged with the resources to gain control, while other markets have experienced an intensification of competition. The danger with such a combination is rent extraction in some areas and a race to the bottom in others. As a result, different countries are facing very different opportunities and pressures.

Global markets can be good servants but bad masters; and ceding more authority to those markets is a matter of political choice, not economic or technological destiny. The economic slowdown in developed economies rules out any simple explanation that those choices are the product of a rigged North-South

game. Indeed, the combination of slower growth and rising inequality in these economies has left its own trail of depressed communities. The big political challenge facing the international community is therefore to move beyond a mapping of the winners and losers from globalization to a more constructive narrative of building shared prosperity.

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WORLD OUTPUT GROWTH, 2008–2016

(Annual percentage change)

Region/country	2008	2009	2010	2011	2012	2013	2014	2015	2016 ^a
World	1.5	-2.1	4.1	2.8	2.2	2.2	2.5	2.5	2.3
Developed countries	0.1	-3.6	2.6	1.5	1.1	1.1	1.7	2.0	1.6
of which:									
Japan	-1.0	-5.5	4.7	-0.5	1.7	1.4	0.0	0.5	0.7
United States	-0.3	-2.8	2.5	1.6	2.2	1.7	2.4	2.6	1.6
European Union (EU-28)	0.4	-4.4	2.1	1.8	-0.4	0.3	1.4	2.0	1.8
of which:									
Euro zone	0.5	-4.5	2.1	1.6	-0.9	-0.3	0.9	1.7	1.6
France	0.2	-2.9	2.0	2.1	0.2	0.7	0.2	1.2	1.5
Germany	1.1	-5.6	4.1	3.7	0.4	0.3	1.6	1.7	1.7
Italy	-1.1	-5.5	1.7	0.6	-2.8	-1.8	-0.3	0.8	0.8
United Kingdom	-0.5	-4.2	1.5	2.0	1.2	2.2	2.9	2.3	1.8
EU member States after 2004	3.6	-3.6	2.0	3.1	0.5	1.1	2.7	3.4	2.6
South-East Europe and CIS	5.4	-6.6	4.7	4.6	3.3	2.0	0.9	-2.8	0.0
South-East Europe ^b	5.8	-1.9	1.5	1.7	-0.6	2.4	0.3	2.0	2.8
CIS, incl. Georgia	5.3	-8.8	4.9	4.8	3.5	2.0	0.9	-3.0	-0.2
of which:									
Russian Federation	5.2	-7.8	4.5	4.3	3.5	1.3	0.7	-3.7	-0.3
Developing countries	5.2	2.4	7.8	5.9	4.8	4.6	4.4	3.9	3.8
Africa	5.5	3.2	5.2	1.1	5.6	2.0	3.7	2.9	2.0
North Africa, excl. Sudan	6.3	2.8	4.1	-6.6	10.1	-3.7	1.5	2.9	1.7
Sub-Saharan Africa, excl. South Africa	8.1	5.8	6.7	4.7	4.6	5.2	5.8	3.5	2.8
South Africa	3.2	-1.5	3.0	3.2	2.2	2.2	1.5	1.3	0.3
Latin America and the Caribbean	3.7	-2.1	5.9	4.5	3.0	2.7	1.1	0.2	-0.2
Caribbean	2.6	-0.9	3.1	2.2	2.1	2.9	2.8	3.6	2.5
Central America, excl. Mexico	3.8	-0.7	3.7	5.4	4.8	3.6	3.9	4.1	4.0
Mexico	1.4	-4.7	5.2	3.9	4.0	1.4	2.2	2.5	2.2
South America	5.0	-1.0	6.6	4.8	2.6	3.3	0.3	-1.4	-1.8
of which:									
Brazil	5.1	-0.1	7.5	3.9	1.9	3.0	0.1	-3.8	-3.2
Asia	5.7	3.8	8.8	7.0	5.2	5.5	5.5	5.1	5.1
East Asia	6.9	5.9	9.7	7.8	6.0	6.3	6.2	5.4	5.5
of which:									
China	9.6	9.2	10.6	9.5	7.7	7.7	7.3	6.9	6.7
South-East Asia	4.2	1.6	8.0	4.8	5.8	4.9	4.4	4.4	4.3
South Asia	4.8	4.4	9.1	5.5	3.1	5.0	6.3	6.1	6.8
of which:									
India	6.2	5.0	11.0	6.1	4.9	6.3	7.0	7.2	7.6
West Asia	4.0	-2.0	6.2	7.7	4.1	3.4	3.0	2.9	2.1
Oceania	2.0	0.8	4.1	3.7	2.7	2.2	3.6	4.7	2.9

Source: UNCTAD secretariat calculations, based on United Nations, Department of Economic and Social Affairs (UN DESA), *National Accounts Main Aggregates database*, and *World Economic Situation and Prospects (WESP): Update as of mid-2016*; ECLAC, 2016; Organisation for Economic Co-operation and Development (OECD), 2016a; International Monetary Fund (IMF), *World Economic Outlook*, April 2016; Economist Intelligence Unit, *EIU CountryData* database; JP Morgan, *Global Data Watch*; and national sources.

Note: Calculations for country aggregates are based on GDP at constant 2005 dollars.

^a Forecasts.

^b Albania, Bosnia and Herzegovina, Montenegro, Serbia and the former Yugoslav Republic of Macedonia.

INDUSTRIAL GROWTH RATES, SELECTED COUNTRIES AND REGIONS, 1870–2014

(Per cent)

Groups	1870– 1890	1890– 1913	1913– 1920	1920– 1938	1938– 1950	1950– 1973	1973– 1990	1990– 2007	2007– 2014
Germany, United Kingdom and United States	3.1	3.4	1.4	1.9	0.9	5.2	1.1	2.1	0.2
Germany, Japan and United States	-	-	-	-	-	7.9	2.4	2.2	0.3
European periphery	4.7	5.0	-6.5	4.7	3.6	8.9	3.3	2.8	0.0
Asia	1.5	4.2	5.2	4.2	-1.7	8.5	5.8	4.2	4.1
Latin America and the Caribbean	6.4	4.4	3.4	2.8	5.3	5.7	2.7	2.2	1.0
Middle East and North Africa	1.7	1.7	-5.8	4.9	6.0	6.2	6.1	4.5	3.2
Sub-Saharan Africa	-	-	13.4	4.6	8.6	5.5	3.5	3.9	4.1

Source: Bénédix et al., 2012, for the period 1870–2007; UNCTAD secretariat calculations, based on *UNCTADstat* for 2007–2014.

Note: The table reports unweighted average industrial (or manufacturing when available) growth rates by region. In this table, the country groups comprise the following: *European periphery*: Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Czechoslovakia (for the period prior to 1993), Estonia, Finland, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Malta, Montenegro, Poland, Portugal, Republic of Moldova, Romania, the Russian Federation, Serbia, Slovakia, Slovenia, Spain, the former Yugoslav Republic of Macedonia, Ukraine and Yugoslavia (prior to 1995). *Asia* comprises the developing economies of East Asia, South-East Asia and South Asia, plus Georgia, Japan, Kazakhstan, Kiribati, Kyrgyzstan, Papua New Guinea, Samoa, Solomon Islands, Tajikistan, Tonga, Uzbekistan and Vanuatu. *Middle East and North Africa* comprises: Algeria, Bahrain, Egypt, Iraq, Islamic Republic of Iran, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Saudi Arabia, Sudan, Syrian Arab Republic, Tunisia, Turkey, United Arab Emirates and Yemen.

Table 2.2

GROWTH OF REAL GDP PER CAPITA AT PURCHASING POWER PARITY, SELECTED REGIONS AND ECONOMIES, 1951–2015

(Average annual growth, per cent)

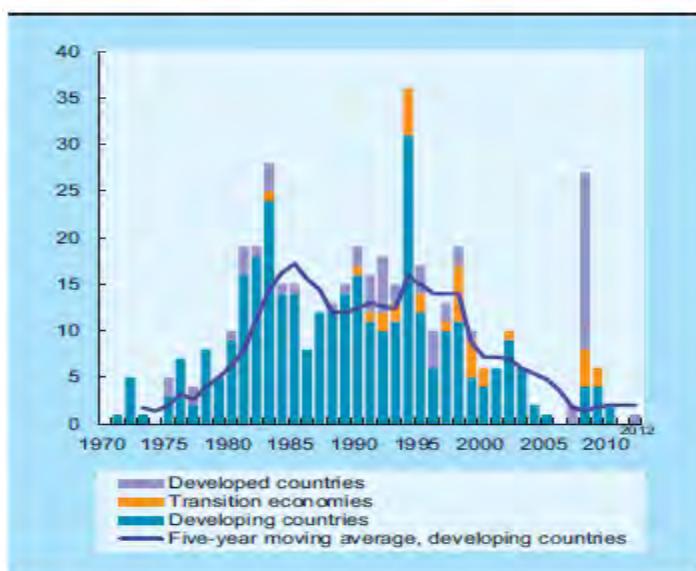
	1951– 1980	1981– 2015	1951– 1960	1961– 1970	1971– 1980	1981– 1990	1991– 2000	2001– 2010	2011– 2015
Developed economies	3.5	1.8	3.1	4.2	2.6	2.5	2.1	1.2	1.1
United States	2.3	1.8	1.3	3.4	2.2	2.6	2.4	0.9	1.4
Developing economies	2.7	3.8	2.7	2.6	3.0	2.1	3.2	5.8	4.0
Africa	1.8	1.2	1.5	1.9	1.2	-0.4	0.7	3.0	1.8
America	2.6	1.3	2.4	2.4	3.0	-0.4	1.6	2.4	1.1
Asia	2.8	5.0	2.8	2.7	3.3	3.6	4.2	7.0	4.9
East Asia	3.0	7.1	4.2	3.4	4.1	6.7	5.8	9.6	6.5
China	2.3	7.7	4.1	2.7	3.1	6.5	6.2	11.1	7.2
South-East Asia	2.6	3.5	2.3	1.6	4.0	2.6	3.0	4.2	4.0
South Asia	1.4	4.1	1.5	1.5	1.2	3.1	3.7	5.7	4.1
West Asia	4.4	1.4	3.2	4.9	3.4	-1.6	1.6	3.3	-0.1
Transition economies	3.2	0.5	3.7	3.7	2.0	0.5	-4.9	6.2	2.1
World	2.7	2.1	2.6	3.1	2.0	1.5	1.7	3.1	2.5
Memo items:									
Developing economies, excl. China	2.7	2.4	2.4	2.5	2.9	1.1	2.3	3.6	2.3
Developing economies, excl. East Asia	2.6	2.3	2.3	2.4	2.7	0.6	2.1	3.7	2.4
Developing economies, excl. East and South-East Asia	2.6	2.0	2.3	2.5	2.5	0.2	2.0	3.6	2.0
Developing economies, excl. East, South-East and South Asia	2.8	1.1	2.4	2.8	2.7	-0.8	1.2	2.5	0.6

Source: UNCTAD secretariat calculations, based on The Conference Board, *Total Economy Database*, May 2015.

Note: The Islamic Republic of Iran is included in West Asia. Real GDP corresponds to Geary-Khamis PPP.

Chart 2.12

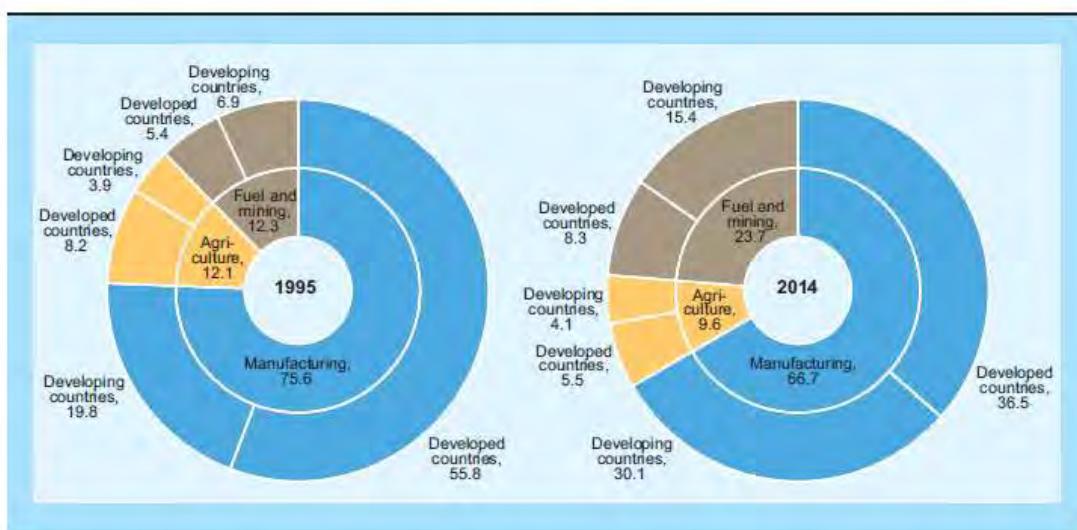
**NUMBER OF SYSTEMIC BANKING CRISES
BY COUNTRY GROUP, 1970–2012**



Source: UNCTAD secretariat calculations, based on Laeven and Valencia, 2012.

**DEVELOPING AND DEVELOPED COUNTRIES' SHARE IN WORLD EXPORTS
IN MANUFACTURES AND SELECTED COMMODITIES, 1995 AND 2014**

(Per cent)



Source: UNCTAD secretariat calculations, based on UNCTADstat.

Note: In this chart, data for developing countries include data for transition economies. The totals of the inner and outer rings each equal 100 per cent. Each category includes the following SITC Rev. 3 codes: manufacturing = 5, 6, 7, 8 less 667 and 68; agriculture = 0, 1, 2, 4 less 27 and 28; fuel and mining = 27, 28, 3, 667, 68, 971.

EXPORTS OF MANUFACTURES AS A SHARE OF GDP, BY COUNTRY GROUP, 1980–2013
(Per cent)

Country group	Trade partner	1980	1990	2000	2006	2013	Percentage point change
Developed economies	Developed economies	6.2	7.0	8.4	9.4	8.8	2.6
	Transition economies	..	..	0.1	0.4	0.5	0.4
	Developing economies	3.3	2.4	2.9	3.6	4.4	1.1
	Asia	1.0	1.2	1.5	1.9	2.3	1.4
	Latin America and the Caribbean	0.7	0.4	0.8	0.8	1.0	0.3
	Sub-Saharan Africa	0.4	0.2	0.1	0.2	0.2	-0.2
	West Asia and North Africa	0.9	0.4	0.4	0.6	0.8	-0.1
	World	9.5	9.4	11.4	13.3	13.7	4.2

IMPORTS OF MANUFACTURES AS A SHARE OF GDP, BY COUNTRY GROUP, 1980–2013
(Per cent)

Country group	Trade partner	1980	1990	2000	2006	2013	Percentage point change
Developed economies	Developed economies	6.3	7.1	8.3	9.1	8.5	2.2
	Transition economies	..	..	0.1	0.2	0.2	0.1
	Developing economies	1.1	1.8	3.3	4.6	5.5	4.4
	Asia	0.7	1.2	2.4	3.5	4.2	3.6
	Latin America and the Caribbean	0.2	0.3	0.7	0.7	0.8	0.6
	Sub-Saharan Africa	0.1	0.1	0.1	0.1	0.1	0.0
	West Asia and North Africa	0.0	0.1	0.1	0.3	0.3	0.3
	World	7.4	8.9	11.7	13.9	14.1	6.7

SIZE OF THE FINANCIAL SYSTEM, SELECTED INDICATORS AND ECONOMIES
(Per cent of GDP)

	Domestic credit by the financial sector		Stock market capitalization		Stocks traded – total value		Insurance companies' assets		Mutual funds' assets	
			(Average values)						(End of year)	
	1996– 2000	2011– 2014	1989– 1992	2011– 2014	1992– 1995	2011– 2014	2000	2013	2000	2013
Africa										
Angola	5.0	15.6	..	..	..	..	6.5	1.6	..	..
Egypt	82.7	79.7	5.0	21.7	..	6.6	4.1	2.8	1.1	4.6
Morocco	70.5	111.4	3.6	52.7	3.5	2.9	16.1	18.7	9.0	26.4
Nigeria	14.6	21.7	4.4	12.1	0.2	1.1	1.2	1.7	..	..
South Africa	140.8	180.0	108.4	235.5	7.8	66.8	38.5	62.1	12.7	40.7
Developing Asia										
China	108.6	155.0	2.4	47.2	10.6	86.3	7.4	12.2	12.4	5.1
Hong Kong, China	145.5	216.8	118.7	1 055.7	85.9	486.6	11.6	53.8	181.4	470.6
India	59.3	41.1	12.5	65.3	1.7	33.3	12.1	17.9	2.9	5.6
Indonesia	46.6	76.2	4.5	44.0	6.5	10.7	2.2	3.7	..	..
Malaysia	151.3	133.3	105.3	142.9	34.1	42.3	17.4	21.2	12.1	34.0
Philippines	65.4	52.6	20.4	84.3	16.4	14.4	5.6	7.8	0.1	1.7
Republic of Korea	60.5	156.8	34.4	90.0	45.4	120.8	30.2	58.2	19.7	21.9
Singapore	75.4	105.1	94.3	243.0	91.8	86.8	27.9	43.7	..	..
Thailand	156.6	158.1	31.5	90.3	55.4	69.5	8.4	20.2	1.2	3.7
Viet Nam	25.0	109.3	..	21.4	..	7.8	3.4	3.8	..	..
Latin America										
Argentina	32.2	30.6	5.4	8.3	21.0	0.4	2.6	3.1	2.6	2.3
Brazil	64.1	100.5	3.6	43.3	9.6	30.5	3.4	10.4	25.2	49.7
Chile	65.5	114.6	44.6	103.0	8.8	15.8	15.7	20.2	6.1	13.8
Colombia	38.8	68.9	5.3	55.8	2.0	6.6	2.6	6.0	0.2	0.1
Mexico	31.7	47.9	17.4	39.5	11.3	10.4	2.8	5.8	3.4	10.1
Peru	23.1	21.1	2.6	45.1	6.4	2.2	2.1	5.2	2.6	3.0
Venezuela, Bol. Rep. of	17.6	48.0	11.0	..	1.6	..	1.6	3.1	..	..
Other										
Russian Federation	32.1	45.9	..	35.0	..	10.0	2.7	1.7	0.1	0.2
Turkey	34.2	79.6	6.6	29.2	22.4	45.9	1.6	3.6	1.2	1.7
Developed countries										
France	98.4	146.4	27.4	69.3	12.0	40.3	70.1	105.3	54.4	56.0
Germany	133.7	149.2	18.2	42.5	23.9	33.9	50.5	62.7	40.7	52.8
Japan	293.0	356.6	103.1	75.6	20.0	114.5	42.7	87.8	9.1	15.8
United Kingdom	116.7	186.0	58.7	111.0	37.3	70.3	99.5	94.2	24.1	46.9
United States	186.5	238.6	83.5	127.7	51.5	211.0	38.8	43.6	61.3	91.1

Source: UNCTAD secretariat calculations, based on World Bank, *World Development Indicators* database.

IN BRIEF

POORER THAN THEIR PARENTS? FLAT OR FALLING INCOMES IN ADVANCED ECONOMIES

The debate over rising inequality in advanced economies has focused on income and wealth gains going disproportionately to top earners. In this research, we look at an aspect that has received less attention: households in developed economies whose incomes have not advanced when compared to their peers in the past. Examining this issue in three separate ways, we found a very substantial increase in the number of such households.

- Between 65 and 70 percent of households in 25 advanced economies, the equivalent of 540 million to 580 million people, were in segments of the income distribution whose real market incomes—their wages and income from capital—were flat or had fallen in 2014 compared with 2005. This compared with less than 2 percent, or fewer than ten million people, who experienced this phenomenon between 1993 and 2005. Government transfers and lower tax rates reduced the effect on disposable incomes: 20 to 25 percent of households were in segments of the income distribution whose disposable income was flat or down between 2005 and 2014, compared with less than 2 percent in 1993–2005.
- Today's younger generation is at risk of ending up poorer than their parents. Most population segments experienced flat or falling incomes in the 2002–12 decade but young, less-educated workers were hardest hit, according to our second analysis, which segmented income from France, Italy, and the United States by age and educational attainment. Today's younger generation is at risk of ending up poorer than their parents. The third way we looked at this issue was through a 2015 survey of British, French, and US citizens. It largely confirmed that perceptions were in line with the segment analysis. Almost two in five respondents felt their economic positions had deteriorated.
- Government policy and labor-market practices helped determine the extent of flat or falling incomes. In Sweden, for example, where the government intervened to preserve jobs, market incomes fell or were flat for only 20 percent, while disposable income

advanced for almost everyone. In the United States, government taxes and transfers turned a decline in market incomes for 81 percent of income segments into an increase in disposable income for nearly all households.

- Flat or falling incomes for the majority of the population could reduce demand growth and increase the need for social spending. Social consequences are also possible; in our survey, nearly a third of those who felt they were not advancing thought that their children and the next generation would also advance more slowly in the future, and they expressed negative opinions about trade and immigration.
- The deep recession and slow recovery after the 2008 financial crisis were primary causes of this phenomenon, but labor-market shifts such as the falling wage share of GDP and long-term demographic trends of aging and shrinking household size also played a role. Before the recession, GDP growth contributed about 18 percentage points to median household income growth, on average, in the United States and Europe. In the seven years after the recession, that contribution fell to four percentage points, and even these gains were eroded by labor-market and demographic shifts.
- Longer-run demographic and labor trends will continue to weigh on income advancement. Even if economies resume their historical high-growth trajectory, we project that 30 to 40 percent of income segments may not experience market income gains in the next decade if labor-market shifts such as workplace automation accelerate. If the slow-growth conditions of 2005–12 persist, as much as 70 to 80 percent of income segments in advanced economies may experience flat or falling market incomes to 2025.
- Policy makers and business leaders both have a role to play in shaping the discussion and helping create solutions. We detail options to boost productivity, GDP growth, and employment; enable workers to find better-paying work; and support disposable incomes of middle- and low-income households.

FLAT OR FALLING

a new look at
INCOME INEQUALITY

The population with flat or falling incomes has surged in advanced economies



65–70%

of households in advanced economies, on average, were in income segments whose incomes in 2014 were flat or down compared with 2005.¹

MARKET INCOME

<10 MILLION
540M–580M

DISPOSABLE INCOME

<10 MILLION
170M–210M

Although the global recession was the most important factor, median household incomes were also affected by long-run trends.

Both the extent of flat or falling incomes and the forces driving the phenomenon vary considerably among countries.

% of population in groups with flat or falling market income, 2005–14¹

AGGREGATE DEMAND

Slow or negative growth in output and employment

DEMOGRAPHIC CHANGES

Smaller households with fewer working-age adults

LABOR-MARKET SHIFTS

Lower share of GDP flowing to wages; weak demand for low- and medium-skill labor

CAPITAL INCOME

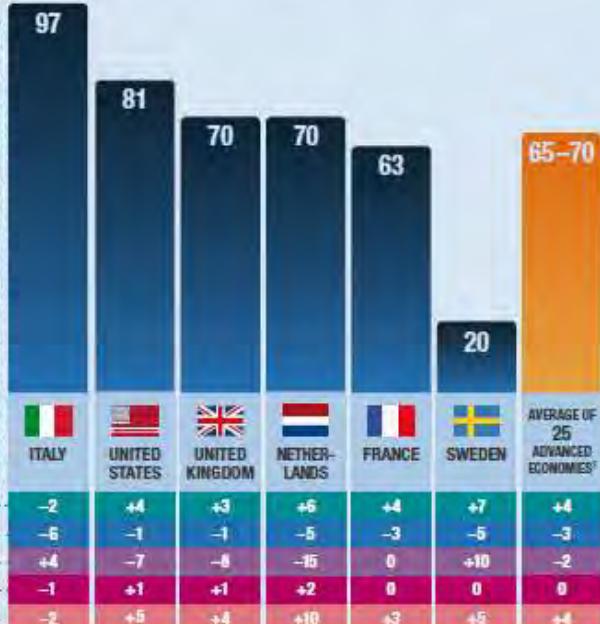
Lower investment returns and business income

TAXES AND TRANSFERS

Reduced taxes and increased transfers offset some of the losses in market income

IMPACT OF THESE FACTORS

Percentage points of change in disposable income, 2005–14²



In a worst-case scenario, 70–80% of income groups might not advance in the coming decade

WHAT CAN BE DONE?

ENABLE BUSINESSES TO GROW AND CREATE JOBS

Remove barriers to competition; enable private and public investment; encourage innovation

INCREASE OPPORTUNITIES TO IMPROVE EARNING POTENTIAL

Improve quality and job relevance of education; support labor mobility; raise labor participation

SECURE INCOMES

Adjust taxes, transfers, and labor policies; encourage business initiatives in profit-sharing and employee benefits

¹ 2014 or latest available data for market income (wages and income from capital); population measured in income deciles.

² Population-weighted average.

³ SOURCE: McKinsey Global Institute analysis.

McKinsey&Company

EXECUTIVE SUMMARY

65-70%

Households in income groups with flat or falling market incomes in 2005–14

Most people growing up in advanced economies since World War II have been able to assume that they and their children will be better off than their parents and grandparents—and for most of the time, that assumption has been correct. Over the past 70 years, except for a brief hiatus in the 1970s, buoyant economic and employment growth has meant that all households, especially those of the baby boomer generation, experienced rising incomes, both before and after paying taxes and receiving government transfers such as unemployment or social security benefits.

That positive income trend came to an abrupt halt in the past decade. Our research shows that in 2014, between 65 and 70 percent of households in 25 advanced economies were in income segments whose real market incomes—from wages and capital—were flat or below where they had been in 2005.¹ This does not mean that individual households' wages necessarily went down but that households earned the same as or less than similar households had earned in 2005 on average. In the 12 preceding years, between 1993 and 2005, this flat or falling phenomenon was rare, with less than 2 percent of households not advancing. In absolute numbers, while fewer than ten million people were affected in the 1993–2005 period, that figure exploded to between 540 million and 580 million people in 2005–14. Taxes and transfers helped soften the blow, but disposable incomes were nonetheless flat or down in 20 to 25 percent of income segments on average.

The severe recession that followed the 2008 financial crisis and the slow-growth recovery since are a fundamental cause of this phenomenon, but we find that deep-rooted demographic and labor-market factors also played a role—and will likely continue doing so, even if economic growth accelerates. These factors include shrinking households; a smaller share of GDP going to wages; and increased automation in the workplace. Even in the 2005–14 period, market incomes in most of the countries we studied would have risen slightly had it not been for such changes. In this report, we detail the extent of the "flat or falling" phenomenon and the underlying factors, and outline some options for dealing with what is potentially a corrosive social and economic development.

THE GROWING PHENOMENON OF FLAT OR FALLING INCOMES IN ADVANCED ECONOMIES

There are several ways of thinking about income inequality and its implications. The most commonly used approach in recent years has been to look at the rising gap between the wealthiest segments of the population and those in the middle or lower end of the scale. This, for example, has been a focus of French economist Thomas Piketty, whose best-selling 2014 book about the concentration of wealth going to top earners sparked broad public discussion.² Another frequently used approach to inequality is to focus on the

¹ The 25 advanced economies are Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Sweden, Switzerland, the United Kingdom, and the United States. The choice of these countries was determined by our methodology, as outlined in the technical appendix.

² Thomas Piketty, *Capital in the twenty-first century*, Belknap Press, 2014. Other works that have examined this aspect include Philippe Aghion et al., "Innovation and top income inequality," CEPR discussion paper number 10659, June 2015; Anthony Atkinson, *Inequality: What can be done?* Harvard University Press, 2015; David Autor, "Skills, education, and the rise of earnings inequality among the 'other 89 percent,'" *Science*, volume 344, issue 6186, May 2014; François Bourguignon, *The globalization of inequality*, Princeton University Press, 2015; Brian Keeley, *Income Inequality: The gap between rich and poor*, OECD, December 2015; Branko Milanovic, *Global inequality: A new approach for the age of globalization*, Harvard University Press, 2016; José Gabriel Palma, "Homogeneous middles vs. heterogeneous tails, and the end of the 'Inverted-U': The share of the rich is what it's all about," *Development and Change*, volume 42, number 1, January 2011; Joseph E. Stiglitz, *The price of inequality: How today's divided society endangers our future*, W. W. Norton, 2012.

poor, those with insufficient income to provide for their basic needs, often calculated as a percentage of the median income.

Our research looks at a third aspect, which has not been as widely studied or documented: the very rapid growth in the proportion of income segments in advanced economies whose earnings both before and after taxes and transfers have been flat or falling. This goes beyond the degree of inequality measured in the standard Gini index by providing a detailed view of the trajectory of all income segments, which can be lost in a consolidated index. We focus on income rather than on wealth or consumption, and we also look at the evolution of incomes over time, rather than at a fixed point.

In our research, we used three approaches to size this flat or falling phenomenon. The first analyzed changes by income segments, or households divided into deciles (tenths), quintiles (fifths), and even percentiles (one-hundredths) depending on where they rank in the national income distribution.³ We examined income segments in six advanced economies (France, Italy, the Netherlands, Sweden, the United Kingdom, and the United States) to determine how they have fared over the past two decades.⁴ We then scaled up the findings to include 19 other advanced economies with similar growth rates and income distribution patterns, for a total of 25 countries with a combined population of about 800 million that account for just over 50 percent of global GDP.⁵ Our second approach was an analysis of a detailed data set for 350,000 people in the three countries with microdata available—France, Italy, and the United States. For these countries we examined income by age bracket and educational attainment. Finally, we sought to understand perceptions through conducting detailed surveys of more than 6,000 people in France, the United Kingdom, and the United States that tested how people felt about the evolution of their income.

We did not conduct a longitudinal study to examine intergenerational changes in income level or social mobility. The numbers of people or households that we report are thus based on income or population segments rather than on individuals. Nonetheless, the overall trend is striking, given the hundreds of millions of people in segments with flat or falling income. Full details of our methodology are to be found in the technical appendix at the end of this report.

A total of 65 to 70 percent of income segments in advanced economies experienced flat or falling market incomes in 2005–14

Since 2005, household incomes across advanced economies have stagnated or fallen for most income segments. This is based on an analysis of income segment data from national agencies in the six countries we looked at in detail, a total of 487,000 households. On average, 65 to 70 percent of the population were in income deciles (10-percent slices of the population) whose real market incomes in 2014 fell compared with 2005.⁶ In our six focus countries alone, more than 400 million people were in income segments with flat or falling market incomes. When scaled up to the 25 countries in our sample, this translates into

³ In this report, “high-income” households refers to those in the top two deciles, or top quintile, of income distribution, and “middle-income” segments refers to the fifth and sixth deciles, or third quintile, of income distribution. Where we refer to “low- and middle-income” households, we mean people in deciles one through six, or the first three quintiles, that is to say, the bottom 60 percent of households in income distribution.

⁴ Our choice of countries was determined by the public availability of detailed data.

⁵ We do not include other advanced economies such as Japan and South Korea, primarily because of the lack of available comparative data. Our main scaling methodology is to group all countries into six categories, based on similarities in GDP growth rates and shifts in income inequality between the two periods, which we measure using Gini coefficients. Throughout this report, we use real, or inflation-adjusted, figures for incomes. We use the OECD consumer price index numbers across all deciles to gauge inflation. For further details see the technical appendix.

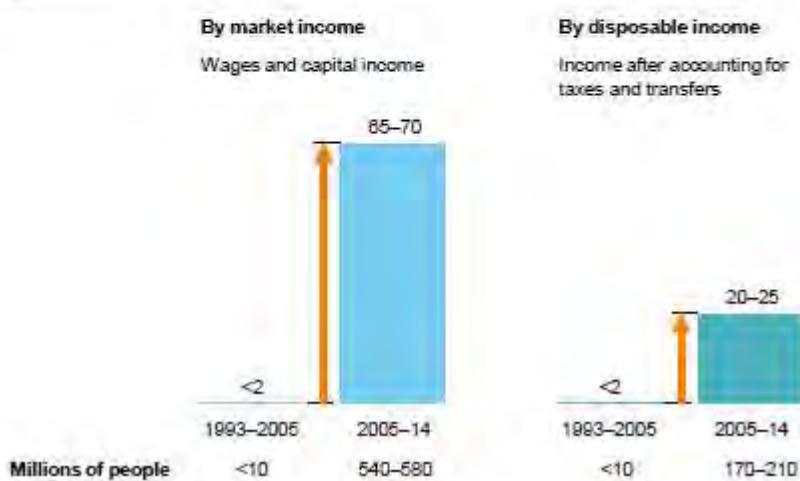
⁶ End dates for our income segment analysis are dependent on the most recent data available for each country: France (2012), Italy (2012), the Netherlands (2014), Sweden (2013), the United Kingdom (2014), and the United States (2013). For the sake of convenience we describe the two periods in this report as 1993–2005 and 2005–14. To account for the different end dates among countries and make the data comparable, we have standardized the time frame for all.

540 million to 580 million people. By comparison, in the 12 previous years, between 1993 and 2005, less than 2 percent of the population, or fewer than ten million people, were in income segments whose average market incomes were flat or down (Exhibit E1).

Exhibit E1

The percentage of households in income segments with flat or falling incomes exploded in the past decade

Share of households with flat or falling incomes¹
%



¹ Population-weighted average of 25 countries extrapolated from six country deep dives; for each country we use the latest year the data are available—France (2012), Italy (2012 market incomes, 2014 disposable incomes), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013). The base year for France is 1996 and for Sweden is 1995.

SOURCE: McKinsey Global Institute analysis

The impact was smaller when measured in disposable income. But even after accounting for higher net transfers to households because of the recession, disposable incomes on average were flat or down in 20 to 25 percent of income segments.

The distribution of flat or falling incomes varies across the six economies we studied in depth. At one extreme is Italy, which experienced a severe economic contraction in the recession after the 2008 financial crisis and has had a very weak recovery since. There, real market incomes were flat or falling for virtually the entire population. At the other extreme is Sweden, where only 20 percent of the population had flat or falling market incomes. In each of the four other focus countries—France, the Netherlands, the United Kingdom, and the United States—the proportion of segments whose market incomes did not advance was in the 60 to 80 percent range.

The variation was greater at the level of disposable income. The share of income segments whose disposable income did not advance between 2005 and 2014 ranged from 100 percent in Italy to 10 percent in France and less than 2 percent in Sweden and the United States. These variations reflect differences in policy approaches; labor institutions such as the strength of unions and their role, or services for the unemployed; and widely varying national economic, fiscal, and monetary policy responses to the recession. Exhibit E2 shows how income segments in each of our six focus countries fared during the 2005–14 period.

Exhibit E2

How income groups in our six focus countries fared before taxes and transfers



¹ Growth numbers are standardized to make both periods comparable for all countries. For each country we use the latest year the data are available—France (2012), Italy (2012), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013).

² Data show that the increase in the bottom decile incomes in the Netherlands is driven by increase in self-employment income, while in the United Kingdom, the bottom three deciles saw gains in both self-employment and wage income. In the United States, the decrease in the incomes of the top 5% is driven by a decrease in capital income for the top 1% from 2005 to 2013 based on available CBO data.

³ US income is available only in quintiles except for the top quintile which is broken up into the 81st to 90th, 91st to 95th, 95th to 99th and top 1 percentiles.

SOURCE: Institut national de la statistique et des études économiques (INSEE); Bank of Italy; Centraal Bureau voor de Statistiek (CBS); Statistics Sweden; UK Office for National Statistics (ONS); US Congressional Budget Office (CBO); McKinsey Global Institute analysis

20x
as many single
mothers in the
United States were
in the lowest-
income house-
holds as in the
highest-income
ones.

Analysis by demographic segments highlights the disproportionate impact on the young and less educated

The trend of flat or falling incomes was confirmed by our second analysis of age- and education-based population segments. The data on 350,000 individuals from France, Italy, and the United States that we used tracked incomes of demographic segments based on three age brackets (younger than 30, 30–45, and older than 45) and three levels of educational attainment—low, medium, and high, based on whether a person received less than a high school diploma, a high school diploma, or a bachelor's degree or above.

This second set of data confirmed our sizing results from the first analysis by income segments. We found that income from wages fell for all population segments between 2002 and 2012, regardless of age or level of education.

In all three countries, less-educated workers, and especially younger ones, have been most affected. Moreover, the recession and weak recovery in some of the countries have led to persistently high levels of youth unemployment, preventing young people across advanced economies from launching careers. These are the people who are literally at risk of growing up poorer than their parents.

Women are also overrepresented in lower income deciles. Single mothers were more likely to be in segments that were not advancing, although there is a variance among countries. In the United States, 20 times as many single mothers were in the lowest-income decile as in the highest. In Italy, there were eight times as many single mothers in the lowest income households as in the highest-income households. For France this number was 11 times. Our microdata for the United States show that single-mother households not only earn less than the average household, but their real household income also declined nearly one percentage point faster than all other households in the decade from 2003 to 2013.

Our survey of citizen sentiment in three countries confirmed widespread concerns about current and future income trends

The citizen surveys we conducted in 2015 in France, the United Kingdom, and the United States show that perceptions are in line with the findings of our analysis of income and population segments. We sought to gauge whether people perceived a decline in their income. We asked them to respond to statements about their financial position today, whether it had improved, and how it compared with that of friends and neighbors. We also asked about the future, what they expected their financial position to be in five years' time, and whether they thought they were worse or better off than their parents at the same age.

The answers varied by country but overall there was an even split, with 30 to 40 percent saying their incomes were not advancing, and the same proportion saying their incomes had advanced. The remaining 20 to 30 percent were neutral and did not feel strongly either way about their incomes. The 30 to 40 percent who felt they were not advancing held more pessimistic views about their futures and the futures of their children than those who felt they were advancing. Nearly half of those not advancing expected not to advance in the future, compared with just one-quarter of those who felt they were advancing. Those who felt they were not advancing fell into one of two camps: the two-thirds who believed that things would improve for their children and the next generation, and the remaining one-third who saw slow income growth as a persistent problem that would continue to affect their children. As we shall see, expectations of future income advancement often colored people's views of the world.

The flat or falling phenomenon could have corrosive economic and social implications

Over time, declining earning power for large swaths of the population could limit demand growth in economies and increase the need for social spending and transfer payments, even as tax receipts from workers with stagnating incomes limit capacity to fund such programs.⁷ The impact could be more than purely economic, however, if the disconnect between GDP growth and income growth persists.

The impact of flat or falling incomes could be more than purely economic if the disconnect between GDP growth and income growth persists.

30-40%

of survey
respondents said
their incomes were
not advancing

The survey provided an indication of the potentially corrosive social and economic consequences of flat or falling incomes. Along with questions about income trends, we asked about people's views on trade and immigration. The citizens who held the most negative views on both were the same group who felt their incomes were not advancing and did not expect the situation to improve for the next generation. More than half of this group agreed with the statement, "The influx of foreign goods and services is leading to domestic job losses," compared with 29 percent of those who were advancing or neutral. They were also twice as likely to agree with the statement, "Legal immigrants are ruining the culture and cohesiveness in our society," compared to those advancing or neutral. Our survey also found that those who were not advancing and not hopeful about the future were more likely than those who were advancing to support nationalist political parties such as France's National Front or, in the United Kingdom, to support the move to leave the European Union.

WHY INCOMES STOPPED RISING

The recession that followed the 2008 financial crisis was one of the deepest and longest-lasting downturns of the post-World War II era, and the recovery that followed it has been unusually sluggish in many advanced economies, especially in Western Europe. The downturn was the single biggest factor affecting incomes in the 2005–14 period. However, it was not the only cause. Longer-term demographic and labor-market developments in each of the countries we examined also played a role in the flat or falling income trend and will continue to do so.

To understand how these different forces played out, we analyzed the patterns of median market and median disposable incomes for two periods: 1993 to 2005 and 2005 to 2014.⁸ We focus on income changes of the median income household because middle-income households are representative of the overall flat or falling income trend in most countries, with the singular exception of Sweden.

⁷ Wealthier households have a lower marginal propensity to consume. For a discussion of this phenomenon and its effect on growth, see *A window of opportunity for Europe*, McKinsey Global Institute, June 2015.

⁸ In our analyses of factors causing flat or falling incomes, we standardize the growth rate from 1993 to 2005 and 2005 to 2014 in order to make them comparable. For details, see the technical appendix.

Five factors underlie the changes in median incomes that we observe in our focus countries:

- **Aggregate demand factors.** When aggregate demand (or GDP) grows, employment, and labor-force participation also increase, enabling incomes to rise. Conversely, lower labor-force participation rates, rising unemployment, and waning productivity (output per worker) can all lead to stagnating or falling incomes. Unemployment in particular can have a dampening effect on household income.
- **Demographic factors.** These capture changes in the number of working-age people in each household. This number has fallen in several of our focus countries because of the shrinking size of households, the result of changing family structures and lower fertility rates, and aging, which decreases the number of people available to work.
- **Labor-market factors.** These include the evolving pattern in labor demand and supply. This is manifested in the wage share of GDP and the median household's share of wages. Among the forces that can explain movements in these two factors are income gains for high-skill workers and negligible income gains or declines for low- and medium-skill workers, and the share of part-time and temporary work, which is often less well paid proportionately than permanent or full-time work. Labor-market factors can vary depending on the role and influence of unions, different national labor regulations and practices, trade and immigration, and the degree to which jobs are affected by automation.
- **Capital income factors.** These include capital gains from asset sales, interest and dividends from investments, rental income, income from business, or income received from private pension plans.
- **Tax and transfer factors.** Transfers include a range of cash payments to beneficiaries such as social security payments, disability or workers' compensation, and unemployment benefits.⁹

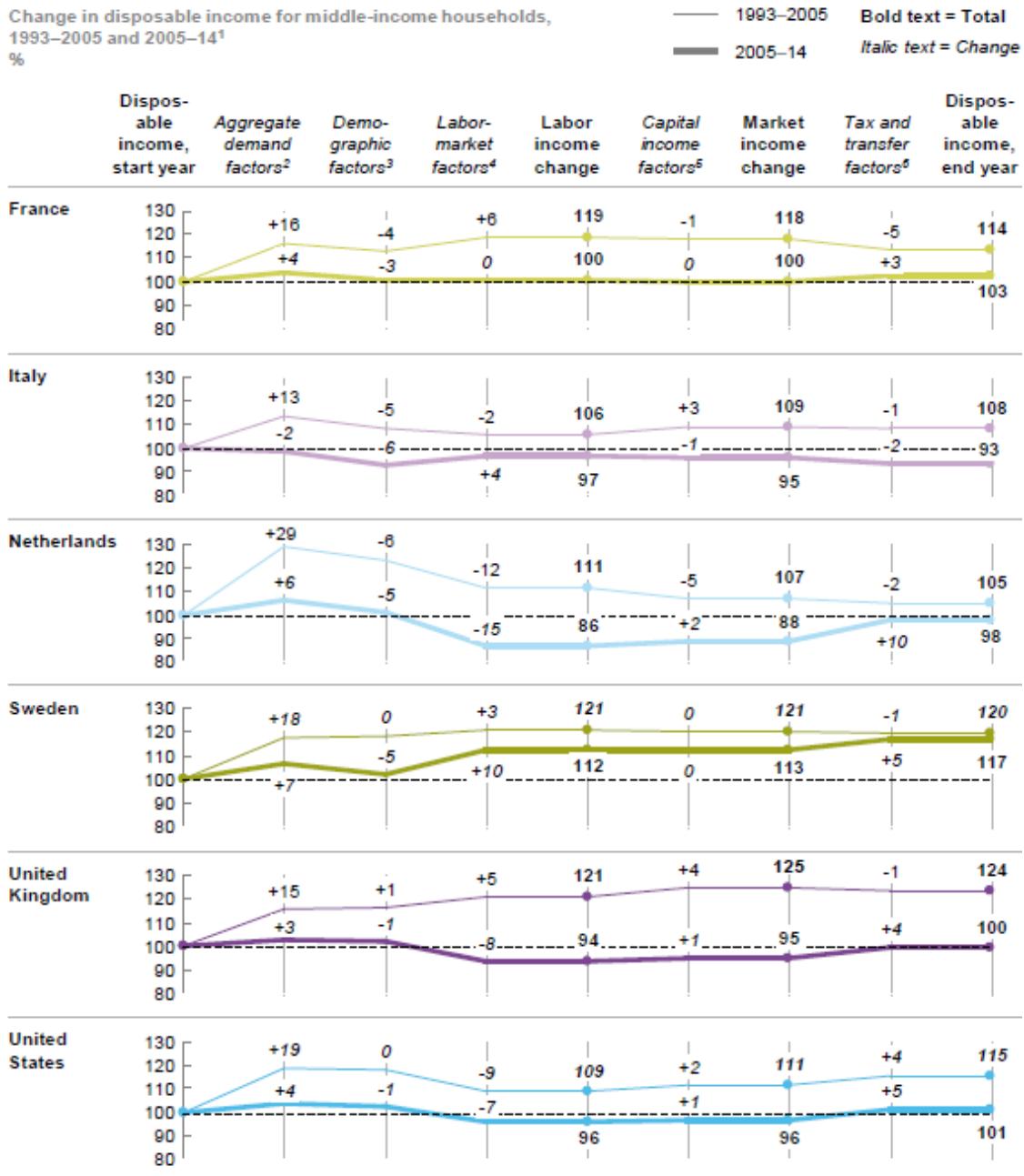
The first three of these categories—aggregate demand, demographic, and labor-market factors—contribute to changes in labor income. Changes in market income are driven by changes in this labor income, together with changes in capital income. Disposable income is the amount households receive after taxes, and transfers are applied to market income. Exhibit E3 shows how each of these factors played a role in the 2005–14 period, and the difference with the previous 1993 to 2005 period, by country.

Let us now explore each of these in turn.

* In-kind transfers such as the Supplemental Nutrition Assistance Program, Medicare, and Medicaid are counted for the United States but not for the other five countries due to lack of data on in-kind transfers by decade.

Exhibit E3

Five factors determine changes in disposable income



1 Middle-income, or median, households are households in the middle (3rd) quintile or the 5th and 6th decile or the 40th to the 59th percentile. For each country we use the latest data available—France (2012), Italy (2012), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013). The base year for France is 1996 and for Sweden is 1995. All growth numbers are standardized to make results comparable.

2 Change in aggregate output, measured by output per employed worker, multiplied by change in number of employed workers in the working-age population.

3 Change in number of working-age people per household.

4 Change in wage share of GDP, adjusted for difference between consumer price inflation and inflation of overall output, and median household share of wages.

5 Includes profit from own business, income from capital, and other sources of market incomes that cannot be classified as income from labor.

6 Includes income from private and public pension transfers, other transfers such as social security benefits, and taxes on labor income and capital income.
 NOTE: Numbers may not sum due to rounding.

SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; ONS; CBO; McKinsey Global Institute analysis

On average:

18
percentage points
of growth in
median disposable
incomes in
1993–2005 came
from aggregate
demand

The recession and subsequent slow recovery sharply reduced the effect of aggregate demand on market incomes

After the global financial crisis in 2008, GDP contracted in each of the economies we studied in depth, raising unemployment rates sharply and reducing median incomes. Labor productivity growth, which was already slowing in the 2000–07 period, has slowed even further since the crisis. In the 12-year period before the recession that is our baseline (1993 to 2005), growth in aggregate demand contributed 19 percentage points to median disposable income growth in the United States and 17 points, on average, in the five European countries we focused on. In 2005 to 2014, which included the recession and its aftermath, that figure plunged to just four percentage points in the United States and in Europe.

The recession in the United States was severe but relatively short-lived: GDP dropped by 3.4 percent from peak to trough from 2008 to 2009, and growth was negative for five quarters, ending in late 2009. Unemployment doubled from less than 5 percent to nearly 10 percent between 2007 and 2010. Europe overall suffered a “double-dip” recession, when growth stalled in 2012 during the Eurozone’s sovereign debt crisis. Italy suffered a “quadruple-dip” recession with growth stalled or falling almost continuously from 2007 through 2015; over that period, GDP contracted by 12.2 percent. Unemployment rates in Europe rose at an accelerated pace after the second dip, doubling from less than 4 percent in the Netherlands in 2008 to nearly 8 percent in 2014. In France, unemployment reached its highest level since the crisis—10.8 percent—in the third quarter of 2015. Italy’s unemployment rate peaked at 12.9 percent in the third quarter of 2014.

The recovery has been slow and uneven across countries. At the end of 2015, seven years after the recession began, per capita GDP had not returned to pre-recession levels in Italy and the Netherlands, though it had recovered in the other four countries. The US economy has recovered faster than the other five, with GDP per capita rising 1.3 percent per year between 2009 and 2015. This compares with 0.9 percent across the European Union (EU). However, even as US GDP per capita growth rebounded and the US unemployment rate returned to the pre-crisis level in 2015, median market incomes remained flat between 2011 and 2014. The United Kingdom suffered a double-dip recession, but employment has returned to the pre-recession level.

Slow productivity growth in turn has raised questions about the link between productivity and inequality.¹⁰ While the largest change from the 1993–2005 period was the lower levels of aggregate demand growth, that alone was not enough to depress incomes and determine which income segments bore the pain to a greater or lesser degree.¹¹ Indeed, aggregate growth remained positive for all countries except Italy, and yet most income segments had flat or falling incomes. That was because two other long-run factors also weighed heavily on income advancement.

Long-term demographic factors are limiting growth in household income, especially in Europe

The shrinking household size and the decline in the number of working-age adults per household affect income in two ways: by reducing the pool of income that is earned by household members, and by limiting the economies of scale that can be gained from sharing resources.

Households are shrinking as a result of changing family structures and lower fertility rates, and the number of working-age adults per household is also changing, in part because of aging. These two long-run demographic factors have had a significant influence on

¹⁰ See, for example, *The productivity-inclusiveness nexus*, OECD, June 2016.

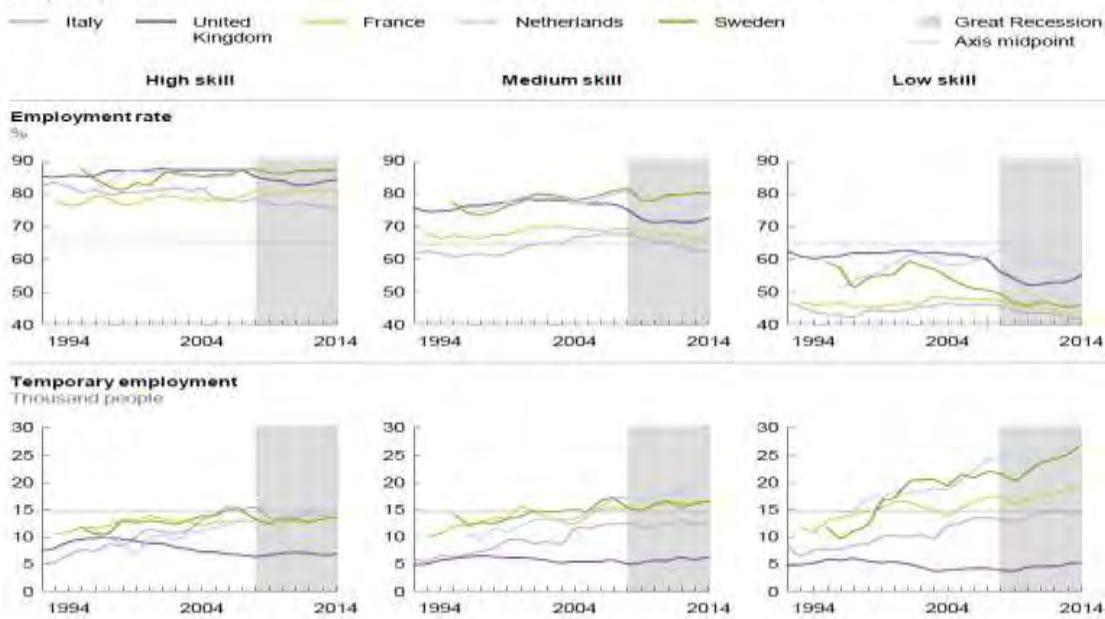
¹¹ *Ibid.*

household incomes in the past two decades, especially in Europe, and will continue to do so. The number of working-age adults per household fell in both the 1993–2005 and 2005–14 periods across the five European economies we analyzed, reducing income by the equivalent of four percentage points in both periods. The drop in household size was greatest in Italy, where there were 21 fewer working-age people per hundred households in 2012 than in 2002.¹² In the United States, by comparison, the number of working-age people per hundred households dropped on average between 2002 and 2012 by just two. However, in the United States, the bottom quintile of households has on average 50 fewer working-age people in every hundred households than the richest quintile.¹³

(...)

Exhibit E4

Employment has been lower for low- and medium-skill workers, and they are more likely to be employed on temporary contracts



SOURCE: OECD; McKinsey Global Institute analysis

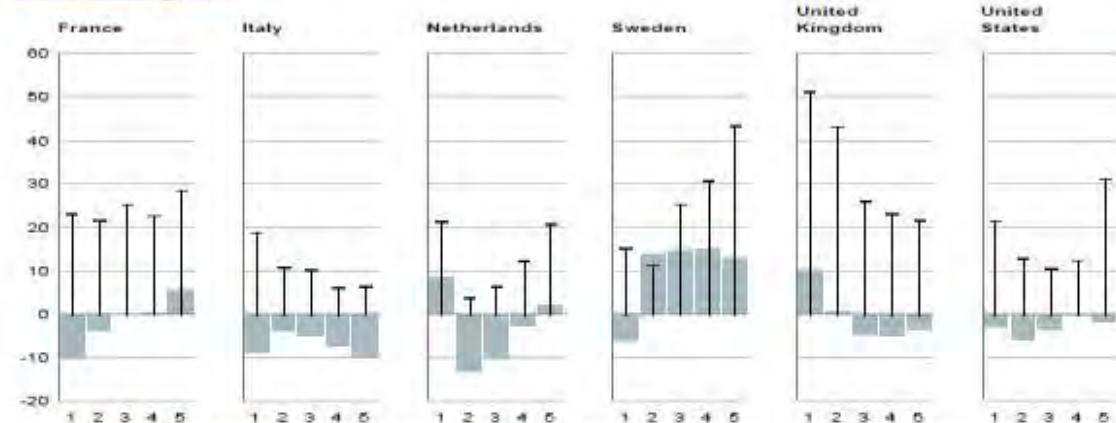
Exhibit E5

Wide variations in market and disposable incomes in the two periods were driven by differing tax and transfer policies across countries

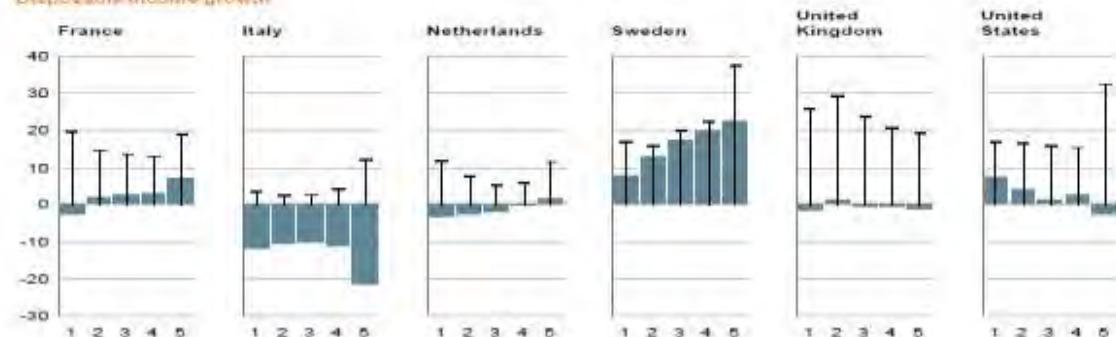
Total growth in income by quintile (%)
Quintiles (1 = bottom, 5 = top)

— 1993–2005¹
■ 2005–14²

Market income growth



Disposable income growth



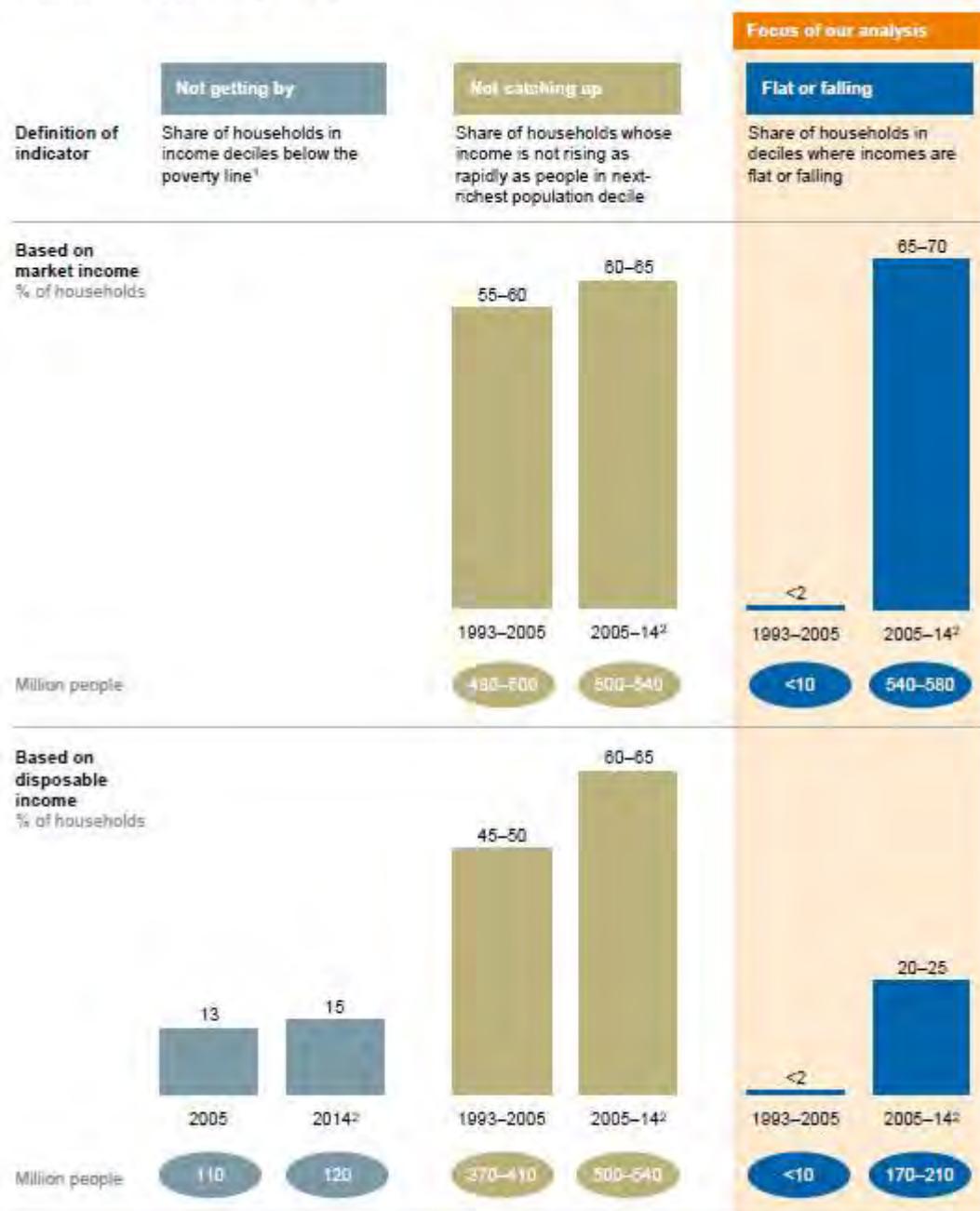
¹ All growth numbers are standardized to make results comparable across all countries and both time periods.

² For each country we use the latest year the data are available: France, 2012; Italy, 2014; disposable incomes; 2012 market incomes; Netherlands, 2014; Sweden, 2013; United Kingdom, 2014; and United States, 2013.

SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; CNS; CBO; McKinsey Global Institute analysis

Exhibit 1

The share of households with flat or falling incomes in advanced economies now surpasses the share of those not catching up or not getting by



¹ Market income data is not shown for the "not getting by" segment as countries do not typically measure pre-transfer poverty rates.

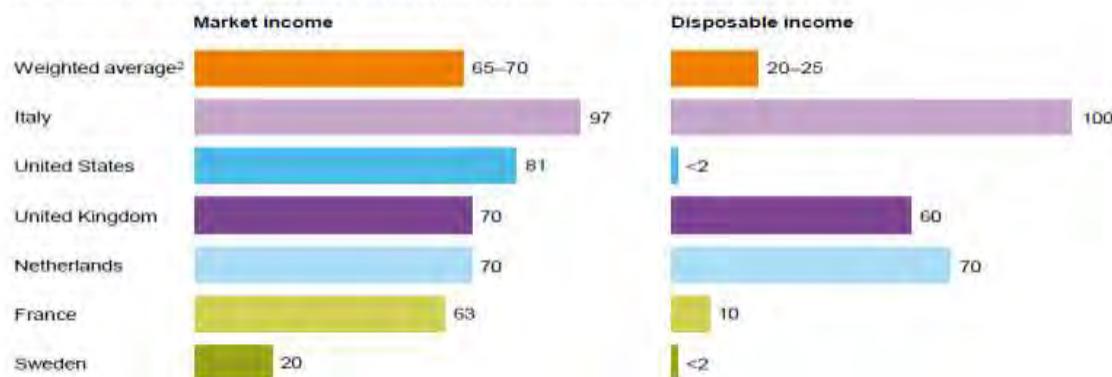
² For each country we use the latest year the data are available—France (2012), Italy (2014 disposable incomes, 2012 market incomes), the Netherlands (2014), Sweden (2013), United Kingdom (2014), United States (2013).

SOURCE: McKinsey Global Institute analysis

Exhibit 2

In the past decade 65 to 70 percent of income segments in advanced economies had flat or falling market incomes and 20 to 25 percent had flat or falling disposable incomes

% of households in income segments with flat or falling income: 2005–14¹



1. For each country we use the latest year the data are available—France (2012), Italy (2014 disposable incomes, 2012 market incomes), the Netherlands (2014), Sweden (2013), United Kingdom (2014), United States (2013).

2. Population-weighted average of 25 countries extrapolated from six country deep dives.

SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; ONS; CBO; McKinsey Global Institute analysis

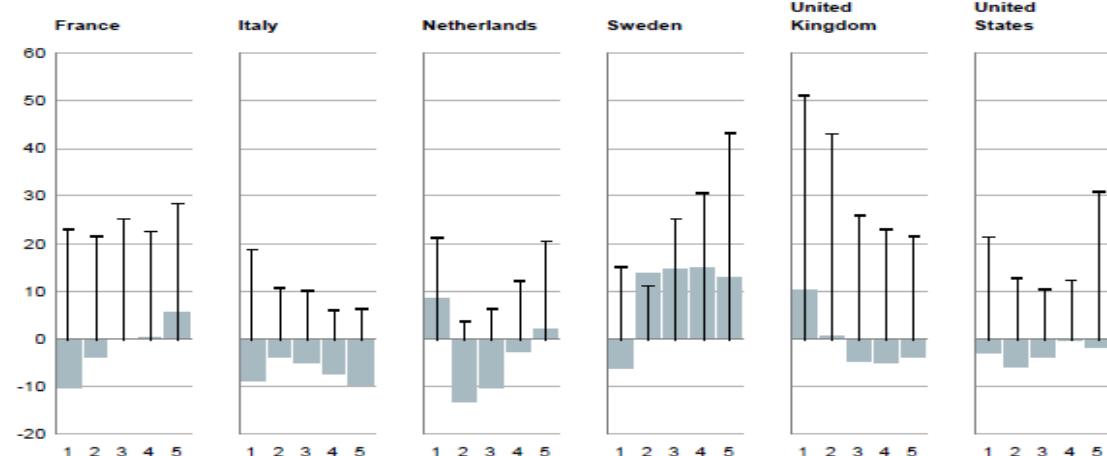
Exhibit 3

Wide variations in market and disposable incomes in the two periods were driven by differing tax and transfer policies across countries

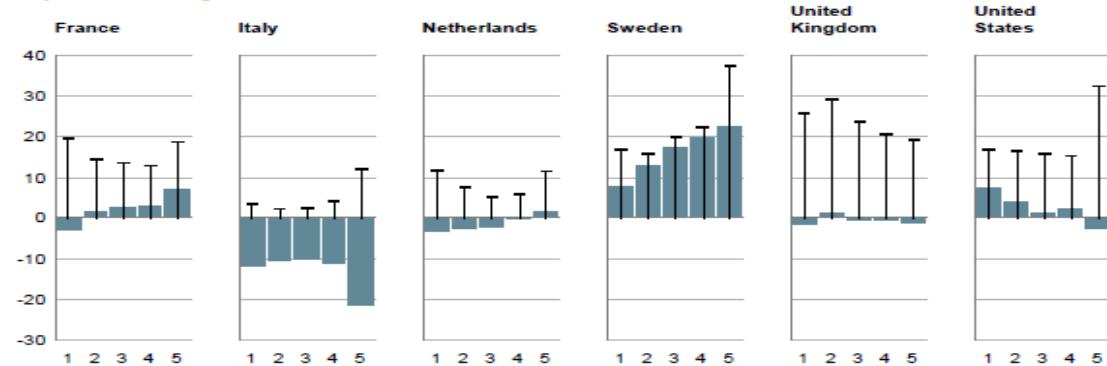
Total growth in income by quintile (%)
Quintiles (1 = bottom, 5 = top)

— 1993–2005¹
■ 2005–14²

Market income growth



Disposable income growth



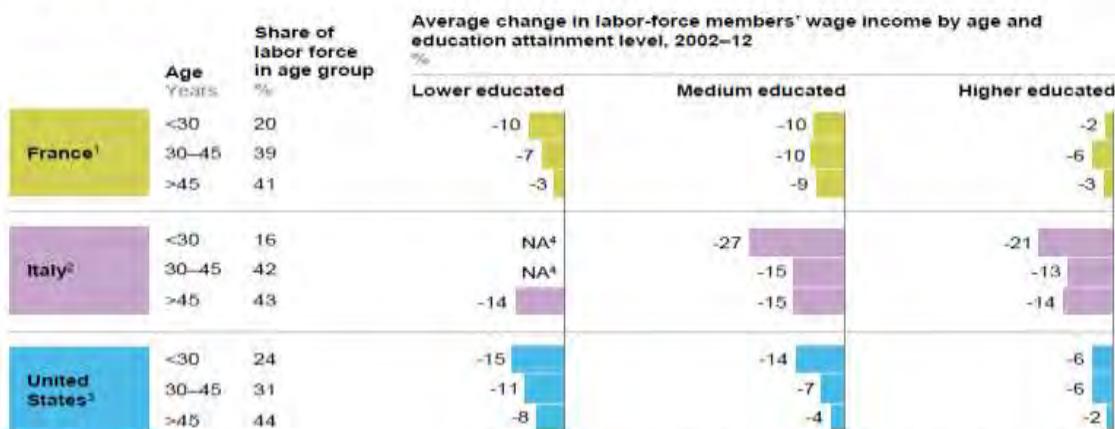
1. All growth numbers are standardized to make results comparable across all countries and both time periods.

2. For each country we use the latest year the data are available: France, 2012; Italy, 2014 disposable incomes, 2012 market incomes; Netherlands, 2014; Sweden, 2013; United Kingdom, 2014; and United States, 2013.

SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; ONS; CBO; McKinsey Global Institute analysis

Exhibit 4

Younger and less-educated workers were more likely to face income declines than other types of workers



1 In France, lower educated is lower secondary school diploma or less; medium, secondary school diploma; higher, bachelor's degree or higher. Incomes in France include self-employment income.

2 In Italy, lower educated is middle school diploma or less; medium, high school diploma; higher, bachelor's degree or higher.

3 In the United States, lower educated is less than a high school diploma; medium, high school diploma or associate's degree; higher, bachelor's degree, graduate degree, or higher. US data compare 2003 to 2013.

4 Sample size too small for reliable measurement.

NOTE: Numbers may not sum due to rounding.

SOURCE: ONS; Bank of Italy; INSEE; US Current Population Survey; McKinsey Global Institute analysis

Exhibit 5

In our survey, 30–40 percent of respondents said their incomes were not advancing

Share of respondents per category (self-identified)
Weighted % in category¹



1 Weights rebalance sample distribution to match distribution of disposable income.

2 Those who (strongly) agree with at least one of the following two statements: "My financial position is worse than it was five years ago" or "My financial position is worse than my parents' when they were my age."

3 Those who either somewhat agree or somewhat disagree with both the statements "My financial position is worse than it was five years ago" or "My financial position is worse than my parents' when they were my age."

4 Those who (strongly) disagree with at least one of the statements "My financial position is worse than it was five years ago" or "My financial position is worse than my parents' when they were my age" and did not (strongly) disagree with either of those statements.

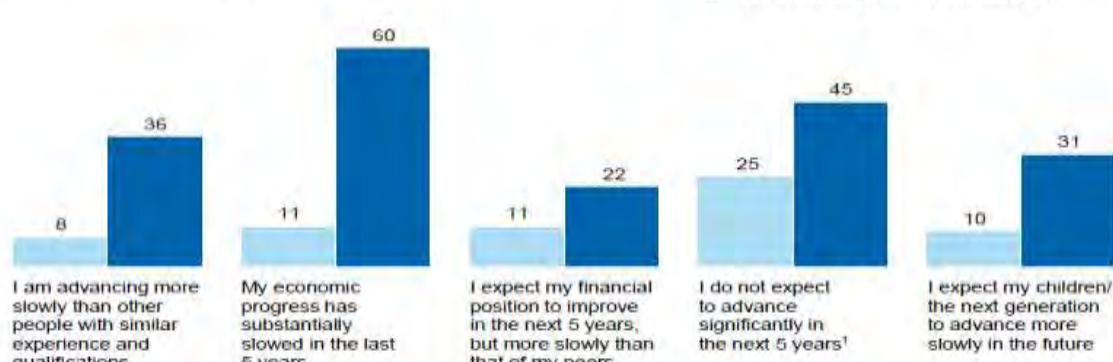
SOURCE: McKinsey Global Institute survey on income inequality, 2015; McKinsey Global Institute analysis

Exhibit 6

Respondents who were not advancing were most pessimistic about their future and the future of their children

Views on own financial position
% who agreed or strongly agreed

■ Advancing or neutral (60–70% of sample)
■ Not advancing (30–40% of sample)

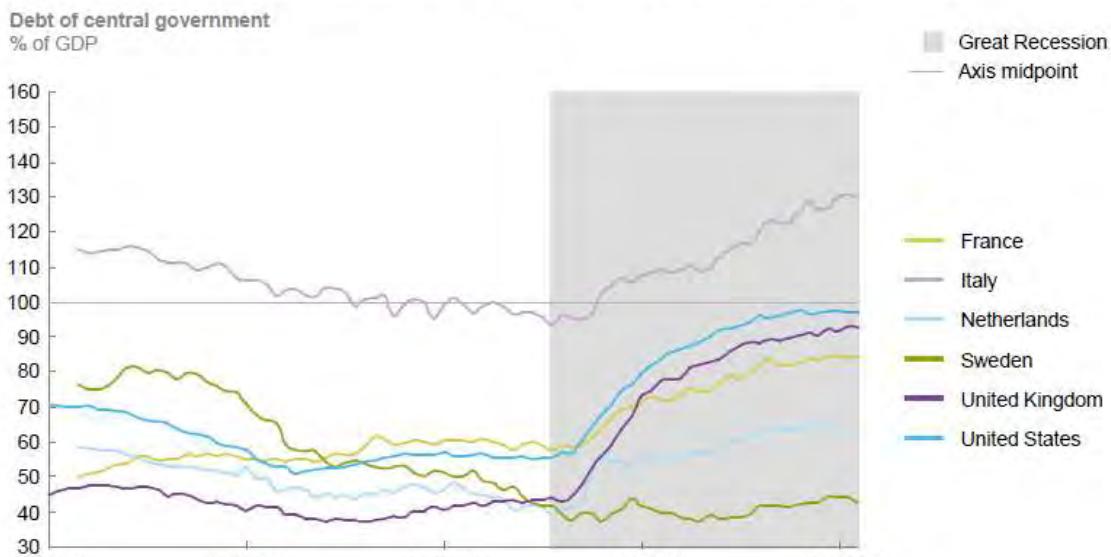


1 Percentage of people who strongly disagreed or disagreed with the positively framed statement, "I expect to advance significantly in the next five years."

SOURCE: McKinsey Global Institute survey on income inequality (2015) results for United States, France, and United Kingdom, about 2,000 respondents per country; McKinsey Global Institute analysis

Exhibit 7

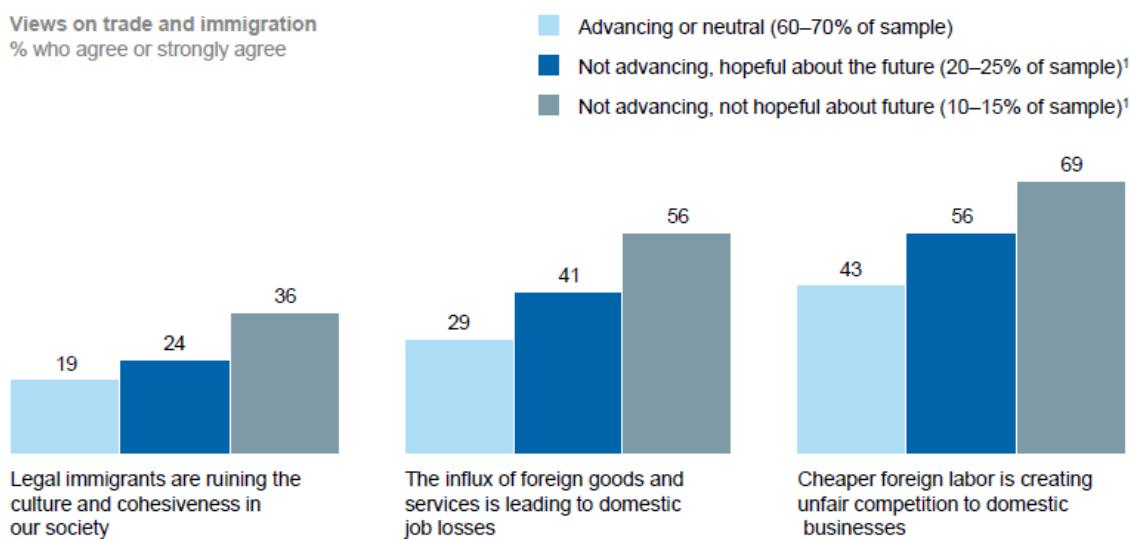
Government debt rose sharply in all countries except Sweden during and after the 2008 financial crisis



SOURCE: OECD; McKinsey Global Institute analysis

Exhibit 8

Respondents who were not advancing and not hopeful about the future (10–15 percent of the sample) held strong negative attitudes about immigration and free trade



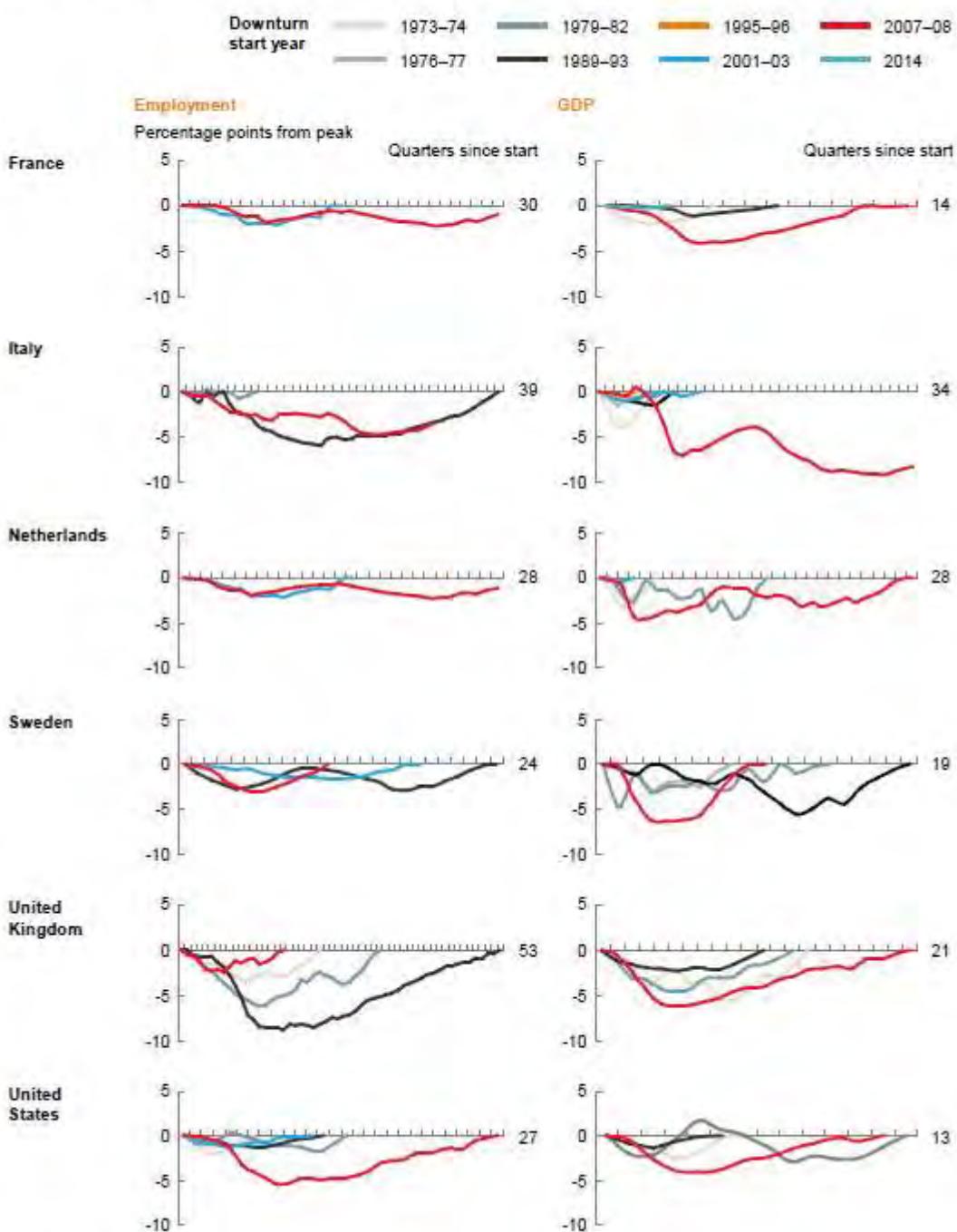
¹ Respondents that agreed or strongly agreed with the statement, "My non-adult children/the next generation will advance more slowly in the future" were counted as those who were not advancing and not hopeful about the future. All other respondents who were not advancing were counted in the group that was not advancing but hopeful about the future.

SOURCE: McKinsey Global Institute survey on income inequality (2015) results for United States, France, and United Kingdom, about 2,000 respondents per country; McKinsey Global Institute analysis

Exhibit 9

In most economies, the recession following the 2008 financial crisis was deeper and longer than previous downturns

Employment and GDP recession and recovery periods over time



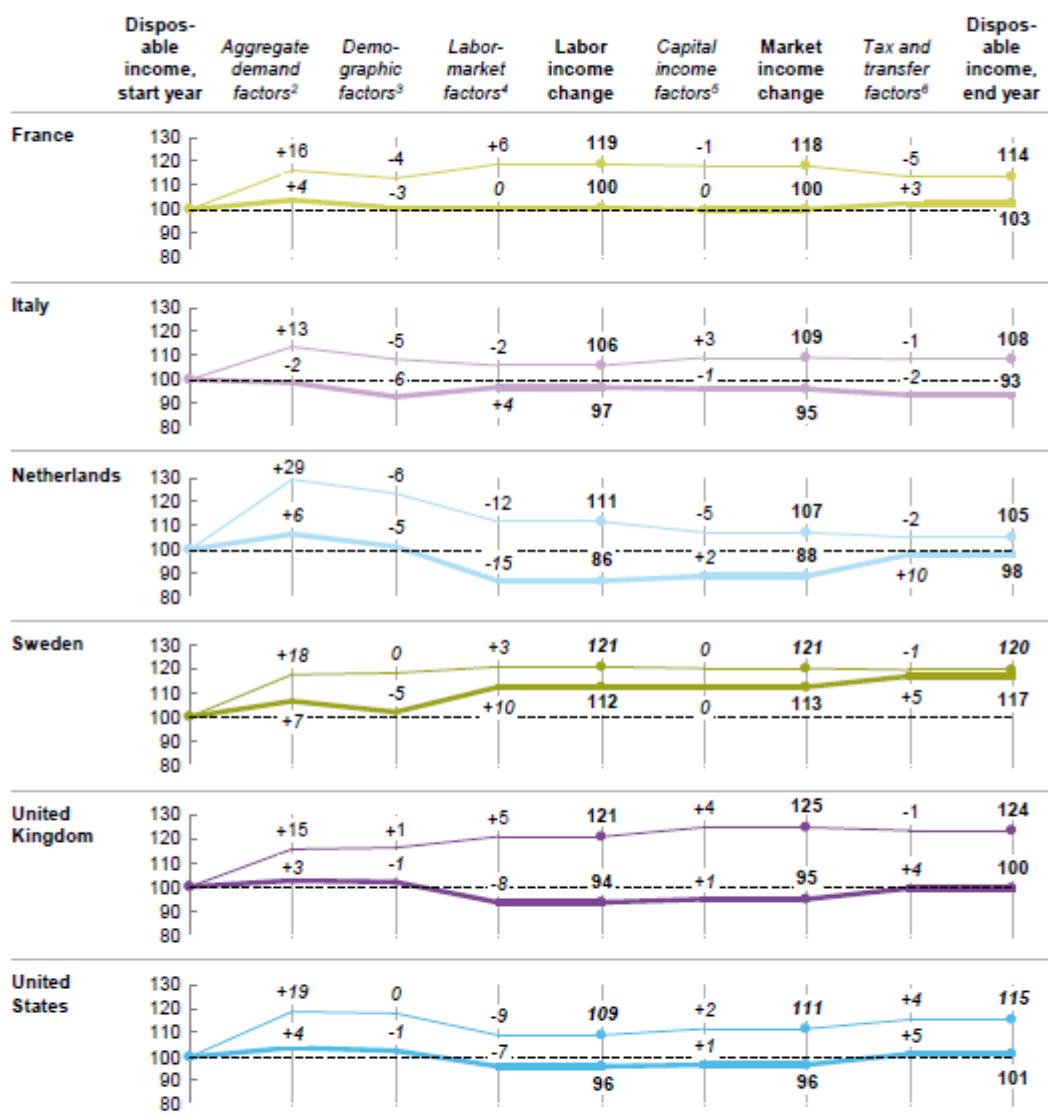
SOURCE: OECD; McKinsey Global Institute analysis

Exhibit 10

Five factors determine changes in disposable income

Change in disposable income for middle-income households,
1993–2005 and 2005–14¹
%

— 1993–2005 **Bold text = Total**
 — 2005–14 *Italic text = Change*



1 Middle-income, or median, households are households in the middle (3rd) quintile or the 5th and 6th decile or the 40th to the 59th percentile. For each country we use the latest data available—France (2012), Italy (2012), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013). The base year for France is 1996 and for Sweden is 1995. All growth numbers are standardized to make results comparable.

2 Change in aggregate output, measured by output per employed worker, multiplied by change in number of employed workers in the working-age population.

3 Change in number of working-age people per household.

4 Change in wage share of GDP, adjusted for difference between consumer price inflation and inflation of overall output, and median household share of wages.

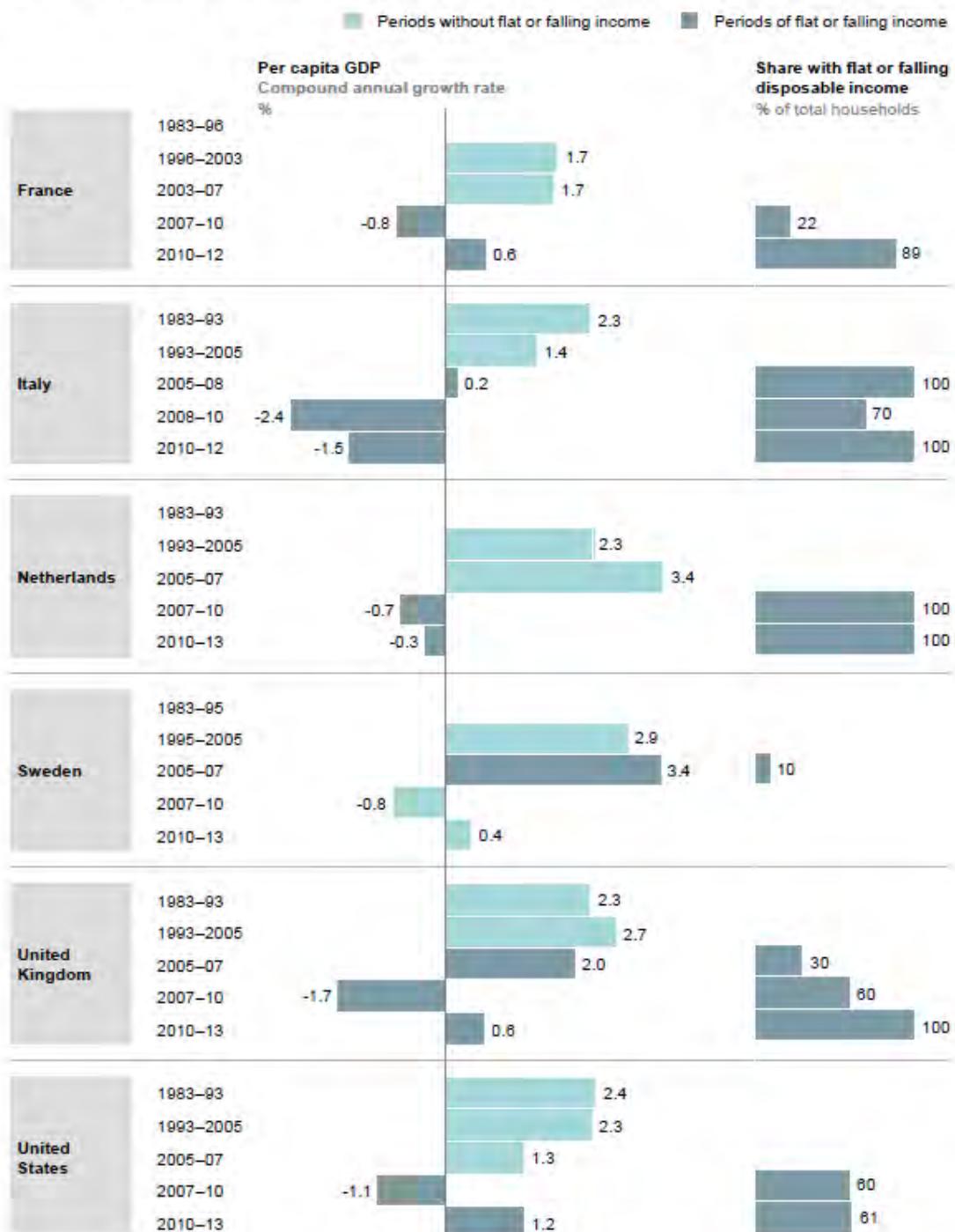
5 Includes profit from own business, income from capital, and other sources of market incomes that cannot be classified as income from labor.

6 Includes income from private and public pension transfers, other transfers such as social security benefits, and taxes on labor income and capital income.

NOTE: Numbers may not sum due to rounding.

Exhibit 11

Flat or falling incomes spread during the recession and the weak recovery

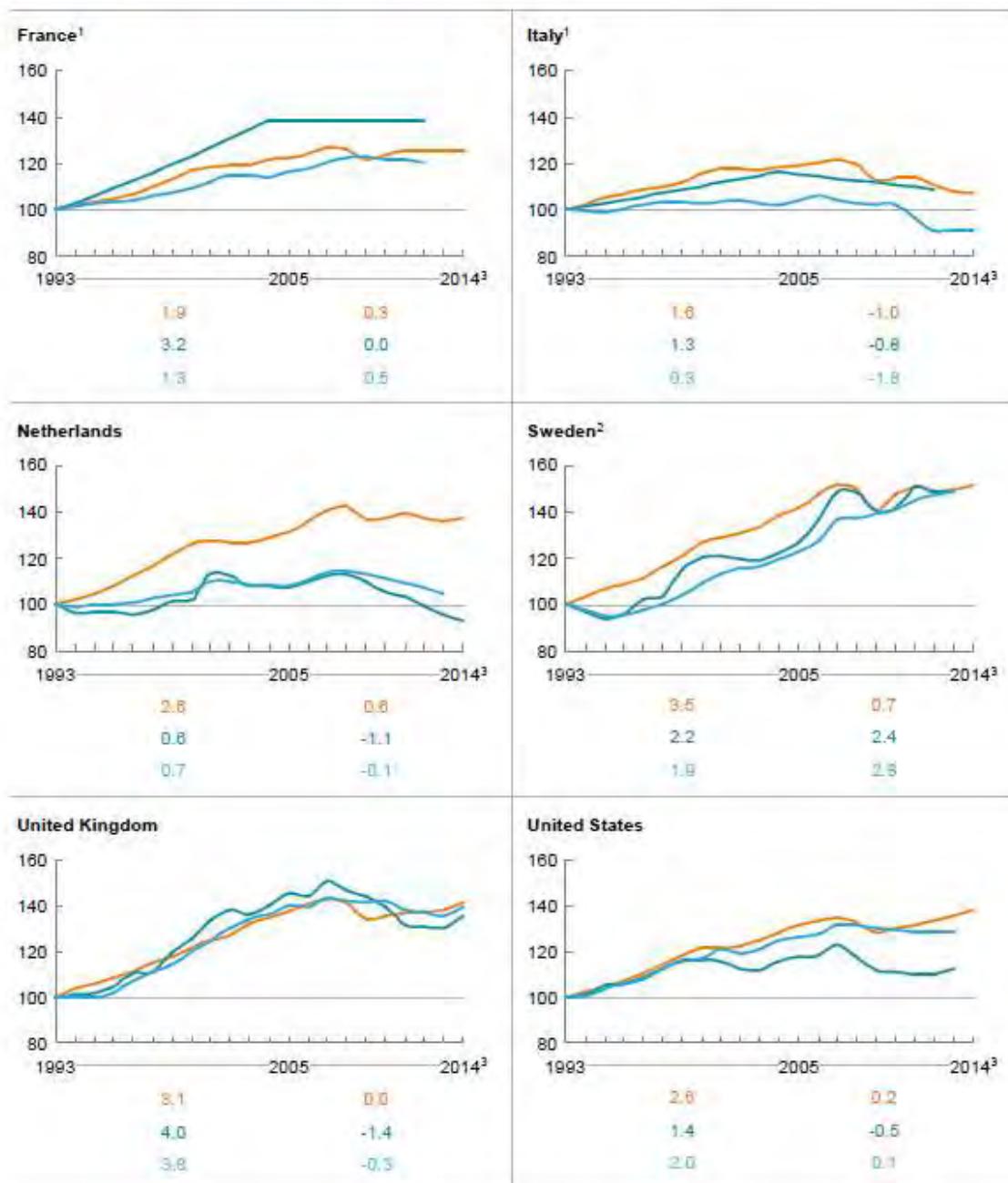


SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; ONS; CBO; OECD; McKinsey Global Institute analysis

Exhibit 12

Income growth followed GDP down, but did not necessarily recover when GDP recovered

GDP per capita, median market income, median disposable income (index: 100 = 1993)
Compound annual growth rate, 1993–2005, 2005–14 (%)



1. Market incomes are calculated only for the beginning and end of periods; graphs show a smoothed curve across these three data points.

2. 1993 is estimated by taking average of 1991 and 1995 data; all years are available after 1995.

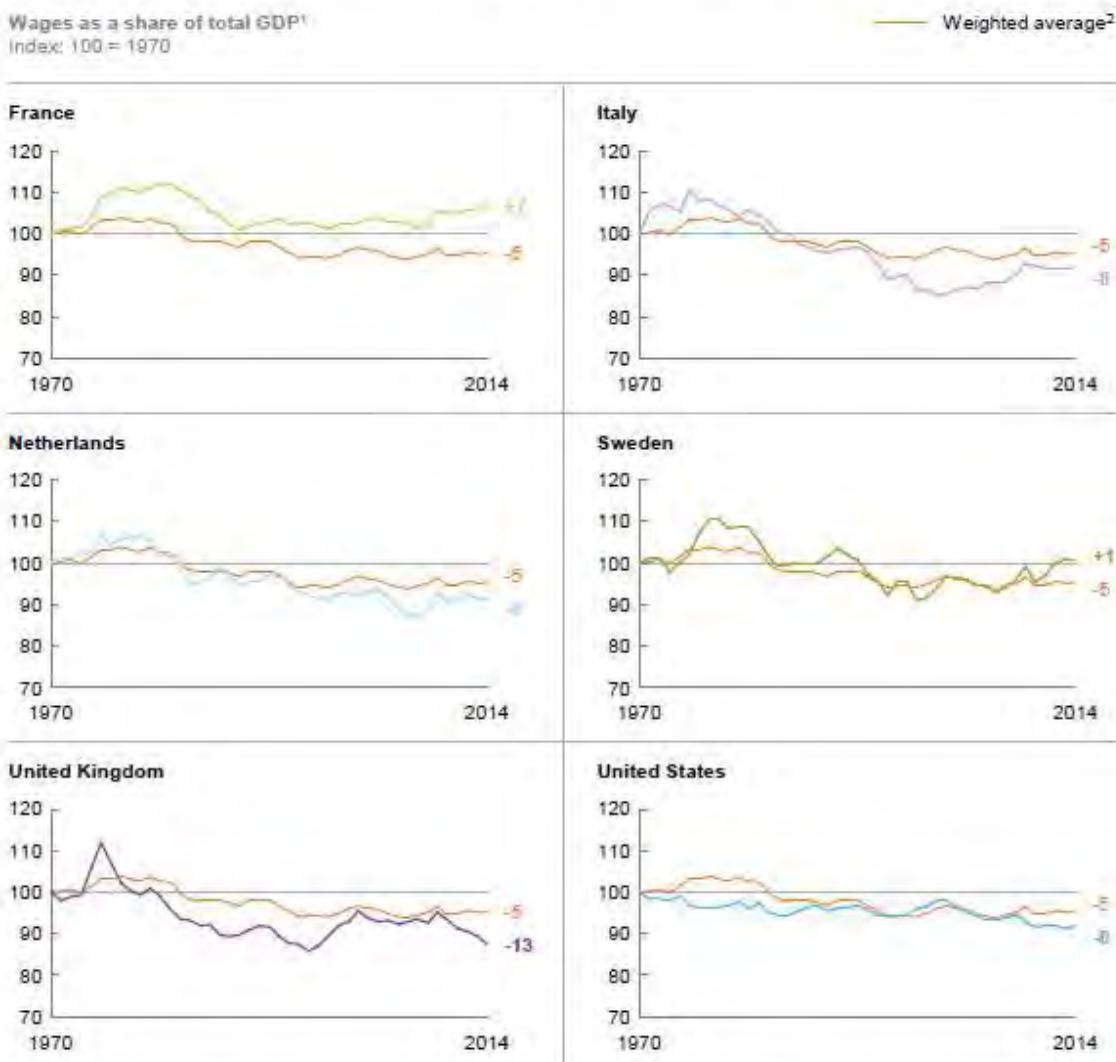
3. Latest data available ranges from 2012 to 2014.

SOURCE: INSEE; Bank of Italy; CBS; Statistics Sweden; ONS; CBO; OECD; US Bureau of Labor Statistics; McKinsey Global Institute analysis

decreased labor's bargaining power. Finally, rising capital incomes from owner-occupied housing also contributed to wage share decline.⁶⁴

Exhibit 14

The wage share of national incomes has declined over the past 44 years in every country except France and Sweden



¹ Measured as full compensation to employees. (This is slightly different from our model, which uses only wages and salaries for data availability reasons). Full compensation includes wages, salaries, and social insurance contributions payable by employers (e.g., social security) and does not include other employer-payable labor costs such as training, transportation, and employment or payroll tax. We use GDP as a proxy for GDI.

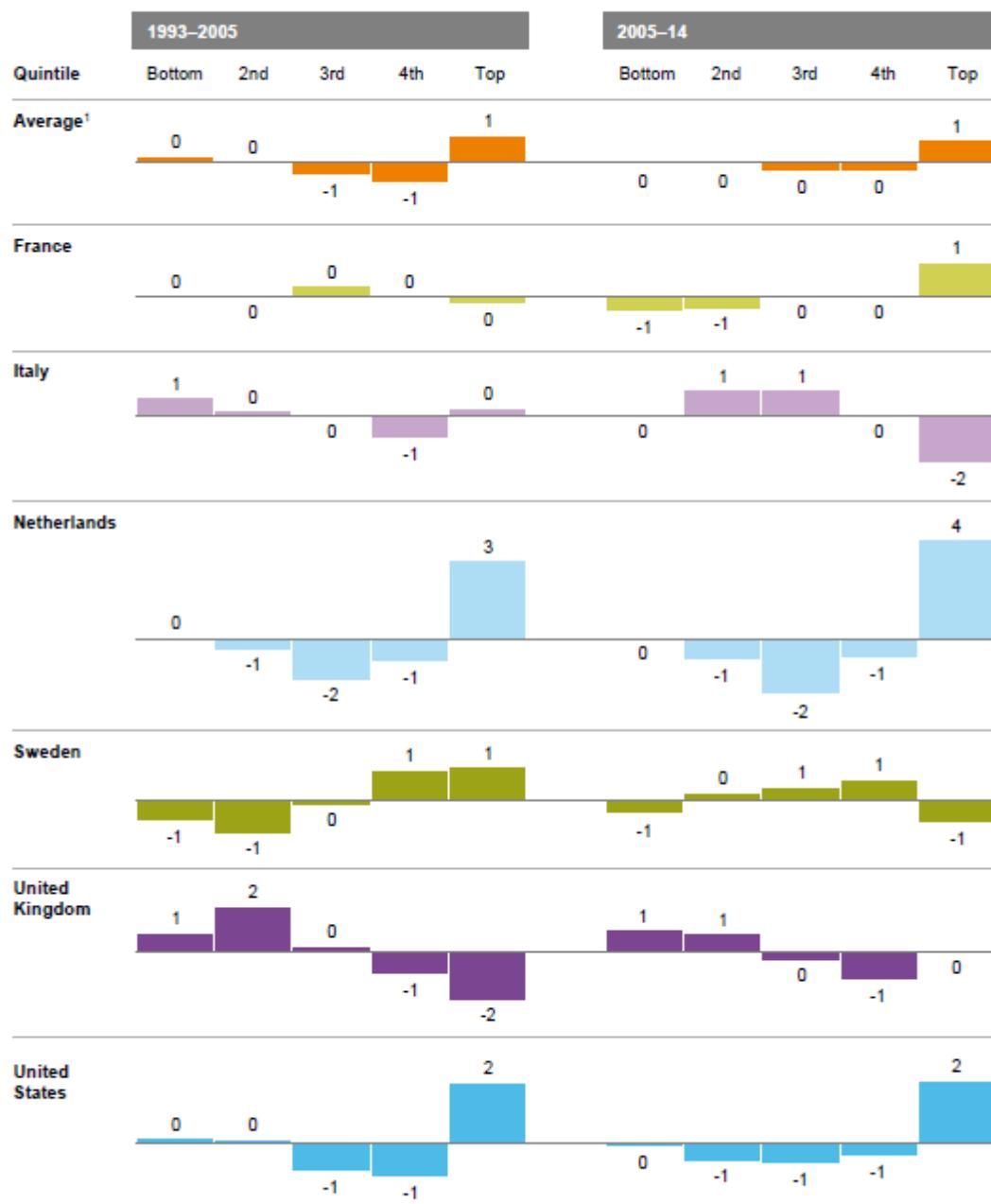
² The absolute change in population-weighted average employee compensation share of GDP during 1970–2014 was from 53% to 50%; France, 50% to 53%; Italy, 43% to 40%; Netherlands, 54% to 50%; Sweden 48% to 47%; United Kingdom, 56% to 49%; and United States, 58% to 53%.

SOURCE: OECD; McKinsey Global Institute analysis

Exhibit 15

Since 1993, upper-income households have received a growing share of total wages in most countries

Change in share of total wage pool to each quintile
%

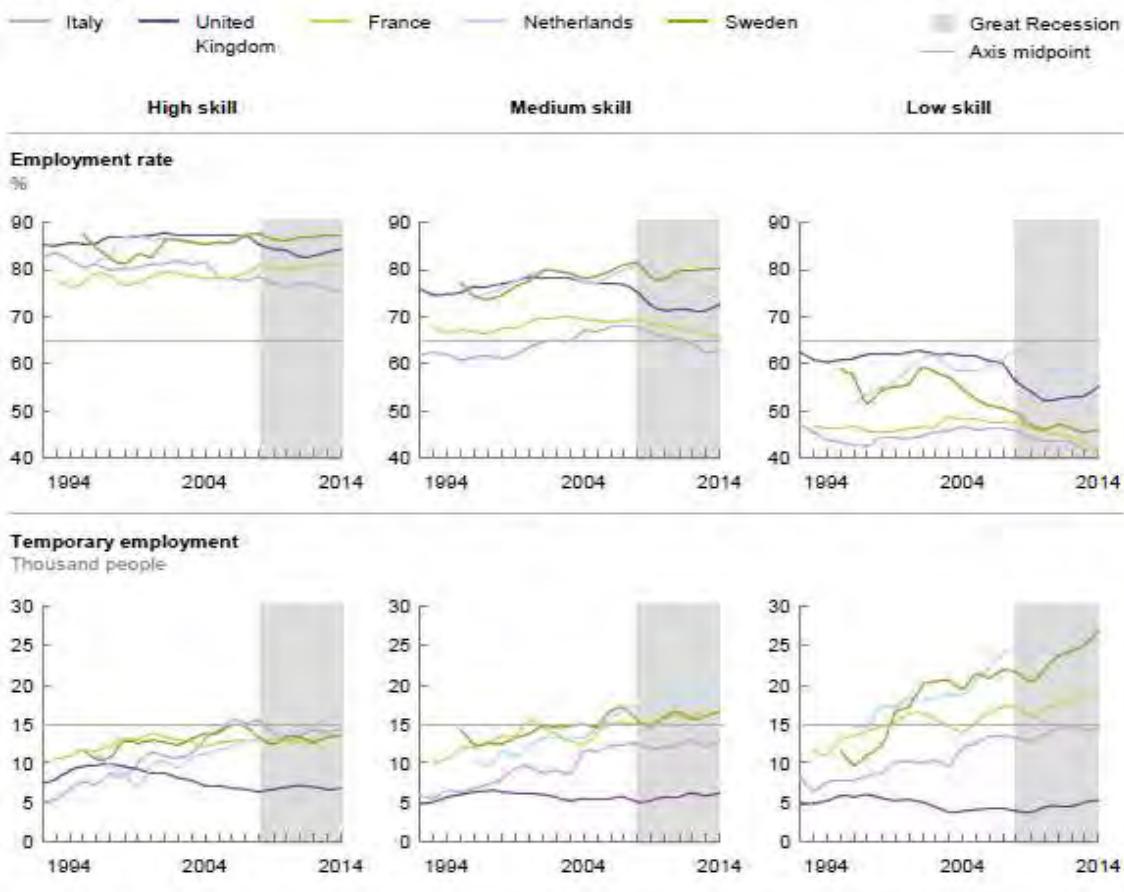


¹ Population-weighted average for advanced economies. For each country we use the latest data available – France (2012), Italy (2012), the Netherlands (2014), Sweden (2013), United Kingdom (2014), and United States (2013).

SOURCE: INSEE; Bank of Italy; CBO; Statistics Sweden; ONS; CBO; McKinsey Global Institute analysis

Exhibit 16

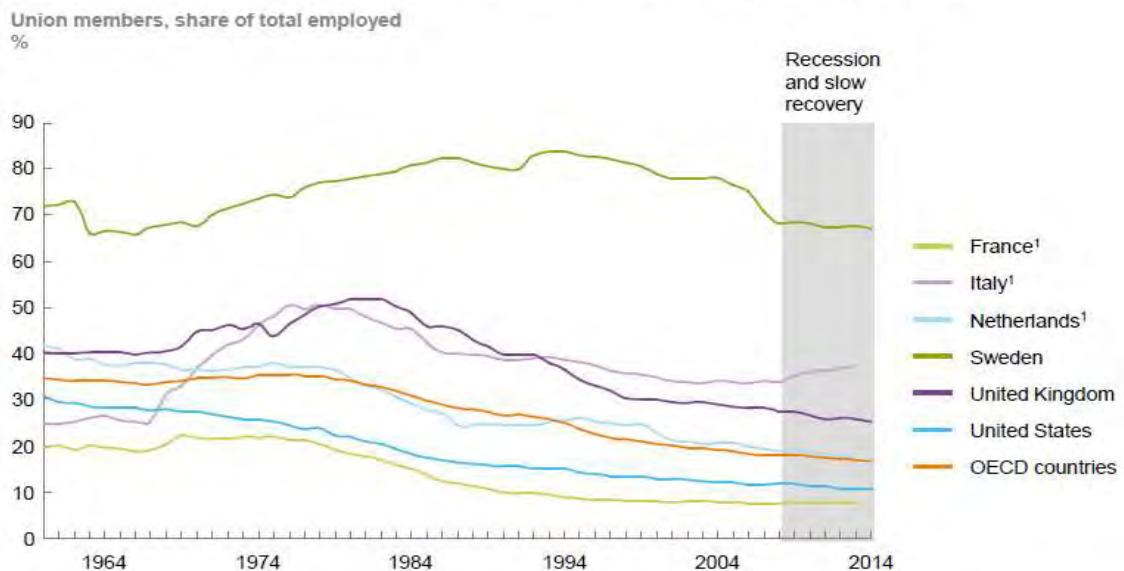
Employment has been lower for low- and medium-skill workers, and they are more likely to be employed on temporary contracts



SOURCE: OECD; McKinsey Global Institute analysis

Exhibit 17

Union membership has declined in all countries but Italy, and remains exceptionally high in Sweden



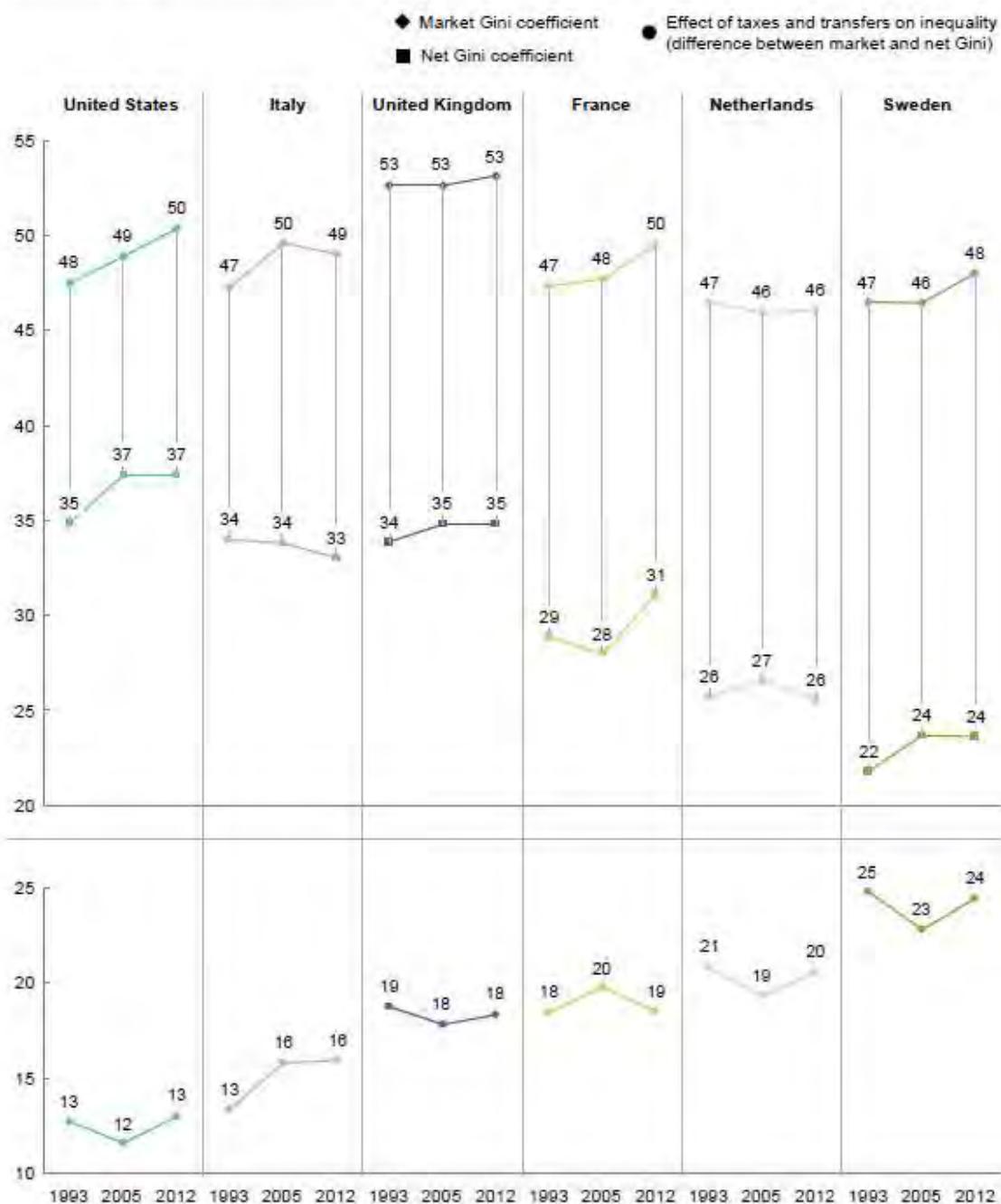
¹ 2014 data unavailable.

SOURCE: OECD; McKinsey Global Institute analysis

Exhibit 18

Inequality as measured by market Ginis has increased in most advanced economies, but transfer payments have limited the impact on net Gini (based on disposable income)

Market Gini and net Gini coefficients (index 0–100), and difference between market and net Gini, 1993–2012



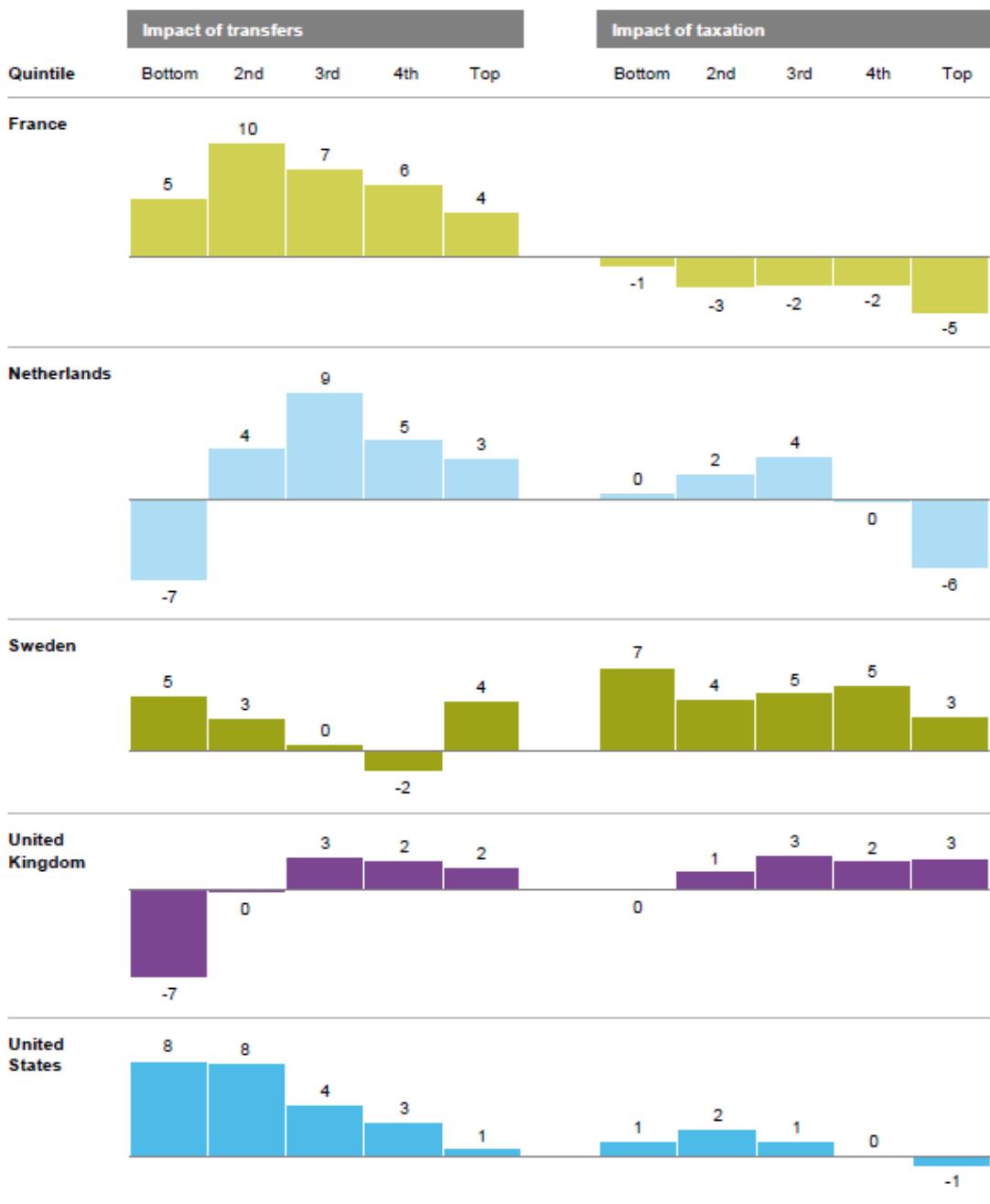
NOTE: We use data from the Standardized World Income Inequality database, which provides market and net Gini data for 174 countries for the periods we examine in this report.

SOURCE: Frederick Solt, The standardized world income inequality database, working paper, SWIID version 5.0, October 2014; McKinsey Global Institute analysis

Exhibit 19

Transfer payments had a greater impact on disposable incomes for the middle-income households in our focus countries¹

Effect of changes in taxes and transfers on disposable incomes from 2005 to 2014
%



¹ Data for Italy do not separate the effects of taxes from transfers and hence we exclude Italy in this analysis.

SOURCE: INSEE; CBS; Statistics Sweden; ONS; CBO; McKinsey Global Institute analysis

Exhibit 20

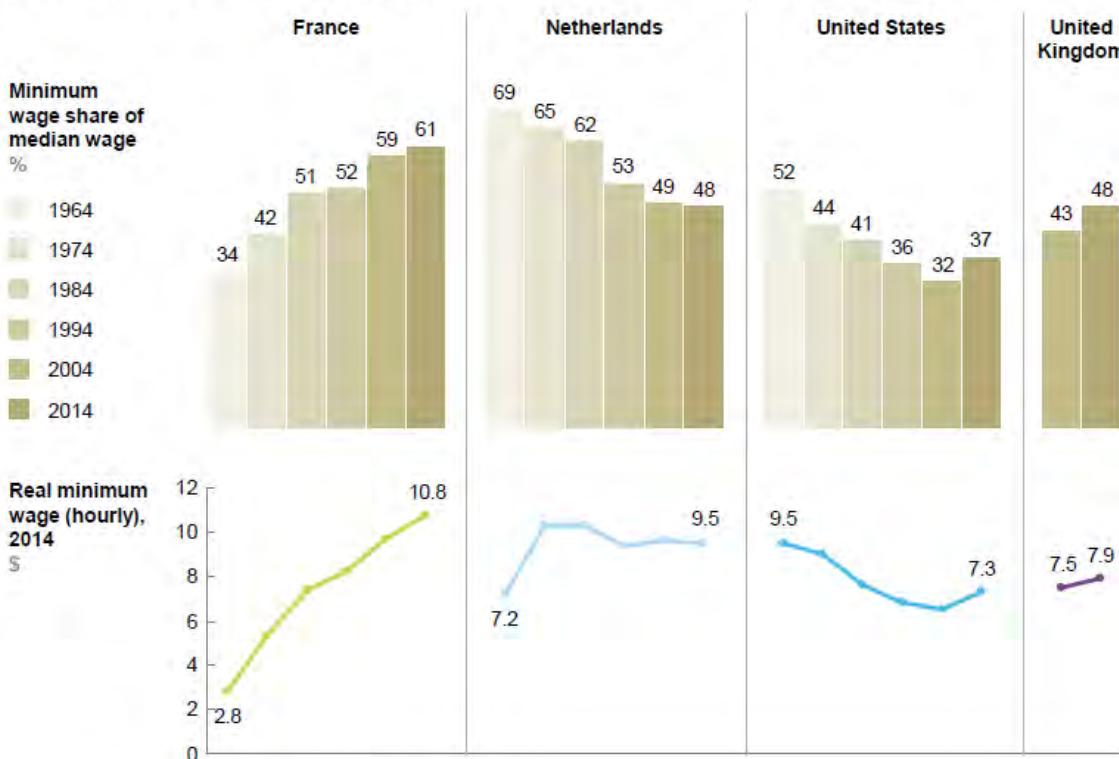
Depending on the pace of GDP growth and automation adoption, as little as 10 percent of income groups and as many as 80 percent might not advance through 2025

2012–25 sensitivity	Low growth	High growth	High growth with labor-market disruption
Labor-market dynamics	Growth and labor-market trends of past decade continue through 2025	Growth returns to pre-recession average; labor-market effects return to higher 30-year average	Growth returns to pre-recession average, but automation continues to depress labor-market factors
Flat or falling market incomes % of population	70–80	10–20	30–40
Additional income needed to ensure all groups advance % of current transfers	15–20	0–5	5–10

SOURCE: McKinsey Global Institute analysis

Exhibit 22

Over 50 years, France has increased its minimum wage and narrowed the wage gap between minimum and median wage earners; in the Netherlands and the United States, low- and middle-wage income inequality has grown

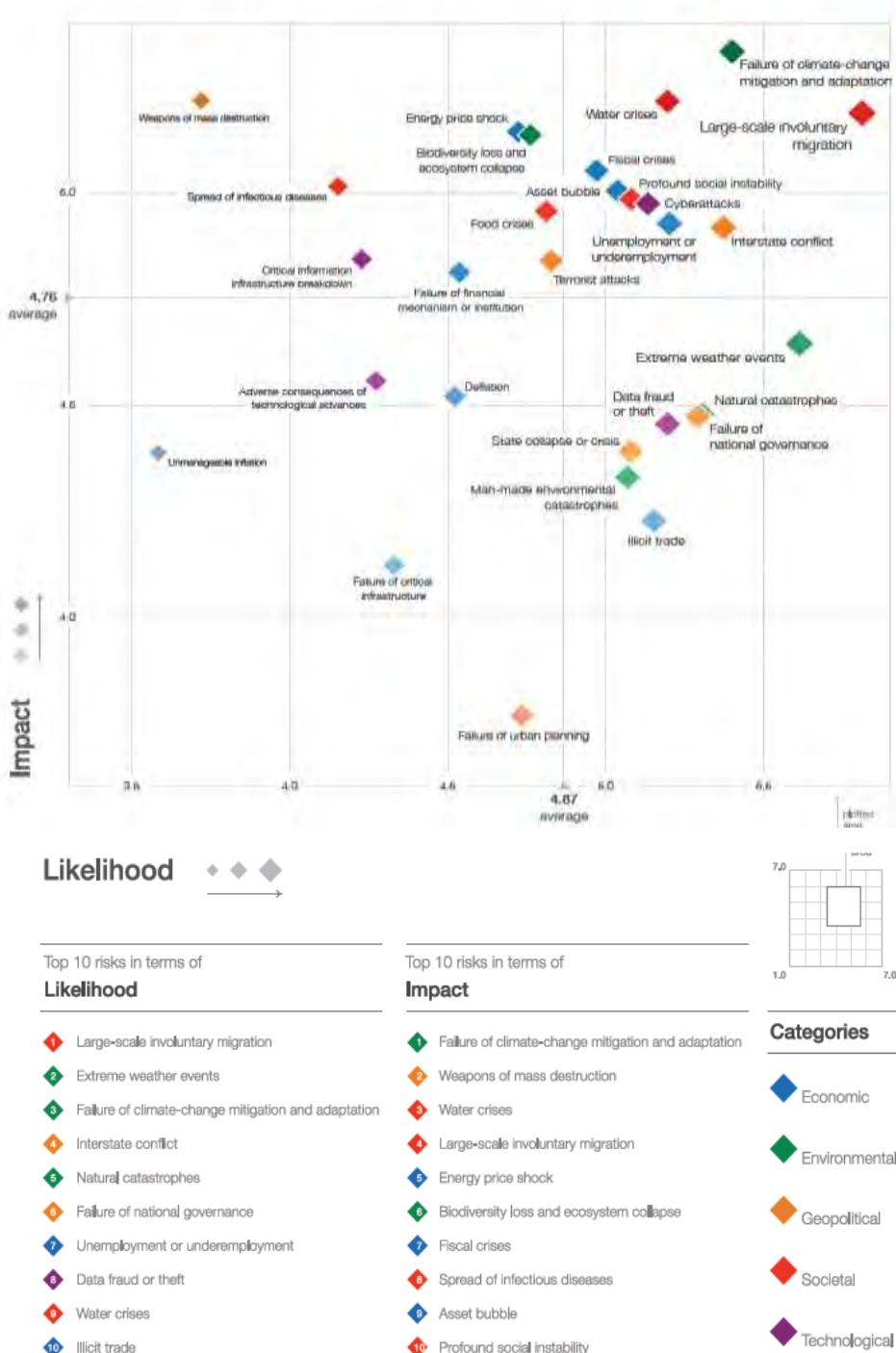


SOURCE: OECD; McKinsey Global Institute analysis

En la economía global 4.0, lo único estable es la inestabilidad (...y la que rondaré morena)

The Global Risks Report 2016 - World Economic Forum - Davos - Enero 2016

Figure 1: The Global Risks Landscape 2016



Source: Global Risks Perception Survey 2015.

Note: Survey respondents were asked to assess the likelihood and impact of the individual risks on a scale of 1 to 7, 1 representing a risk that is not likely to happen or have impact, and 7 a risk that is very likely to occur and have massive and devastating impacts. See Appendix B for more details. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full name and description.

Figure 2: The Global Risks Interconnections Map 2016

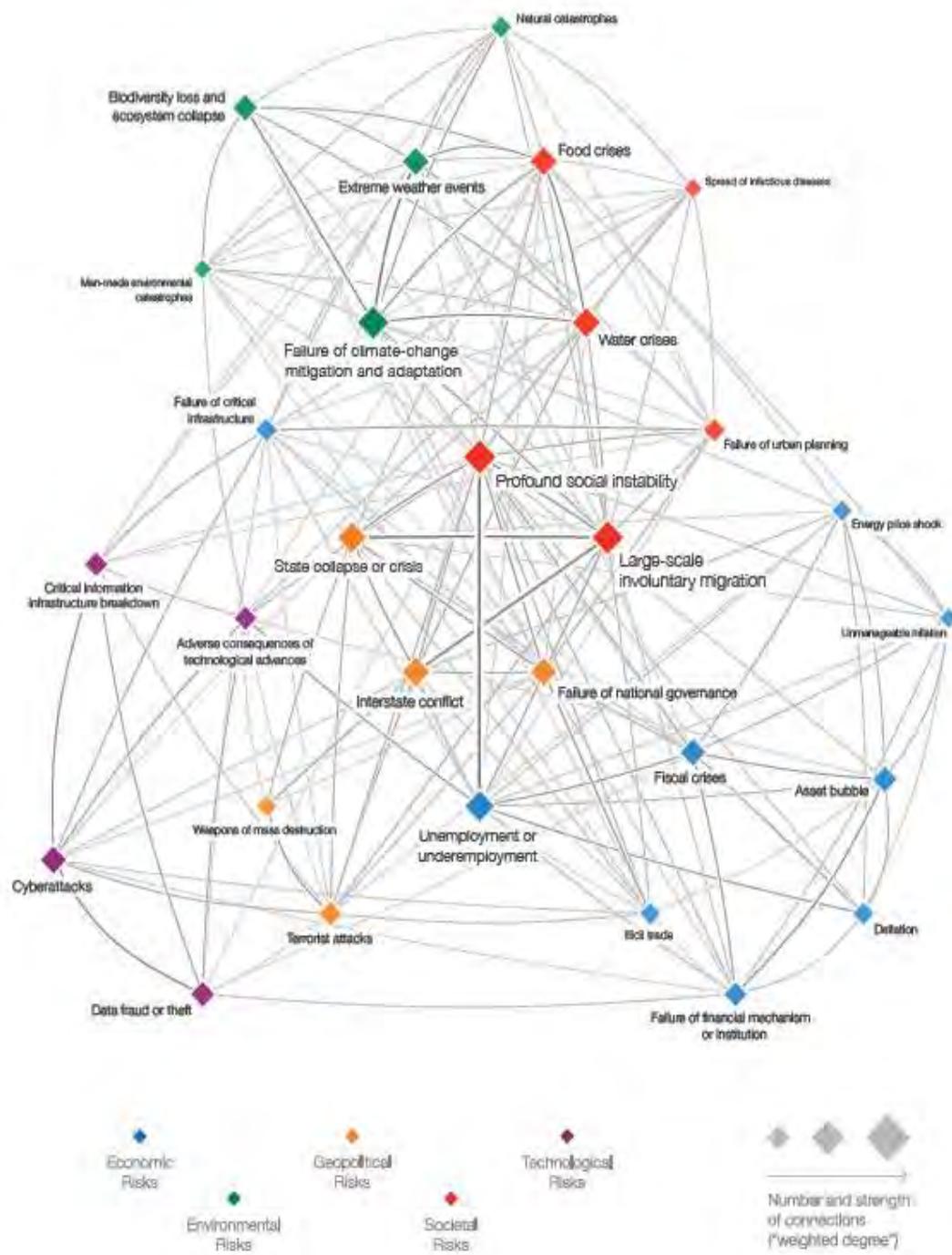


Table A: Global Risks 2016

- | | | |
|---|---|--|
| (1) Asset bubble in a major economy | (2) Extreme weather events (e.g. floods, storms, etc.) | (3) Failure of urban planning |
| (4) Deflation in a major economy | (5) Failure of climate-change mitigation and adaptation | (6) Food crises |
| (7) Failure of a major financial mechanism or institution | (8) Major biodiversity loss and ecosystem collapse (land or ocean) | (9) Large-scale involuntary migration |
| (10) Failure/shortfall of critical Infrastructure | (11) Major natural catastrophes (e.g. earthquake, tsunami, volcanic eruption, geomagnetic storm) | (12) Profound social instability |
| (12) Recal crises in key economies | (13) Man-made environmental catastrophes (e.g. oil spill, radioactive contamination, etc.) | (14) Rapid and massive spread of infectious diseases |
| (14) High structural unemployment or underemployment | (15) Failure of national governance (e.g. failure of rule of law, corruption, political deadlock, etc.) | (16) Water crisis |
| (15) Illicit trade (e.g. illicit financial flow, tax evasion, human trafficking, organized crime, etc.) | (16) Interstate conflict with regional consequences | (17) Advance consequences of technological advances |
| (16) Severe energy price shock (increase or decrease) | (17) Large-scale terrorist attacks | (18) Breakdown of critical information infrastructure and networks |
| (17) Unmanageable inflation | (18) State collapse or crisis (e.g. civil conflict, military coup, failed states, etc.) | (19) Large-scale cyberattacks |
| | (19) Weapons of mass destruction | (20) Massive incident of data fraud/ theft |

Table B: Trends 2015

- Ageing population
- Changing landscape of international governance
- Climate change
- Environmental degradation
- Growing middle class in emerging economies
- Increasing national sentiment
- Increasing polarization of societies
- Rise of chronic diseases
- Rise of cyber dependency
- Rising geographic mobility
- Rising income and wealth disparity
- Shifts in power
- Urbanization

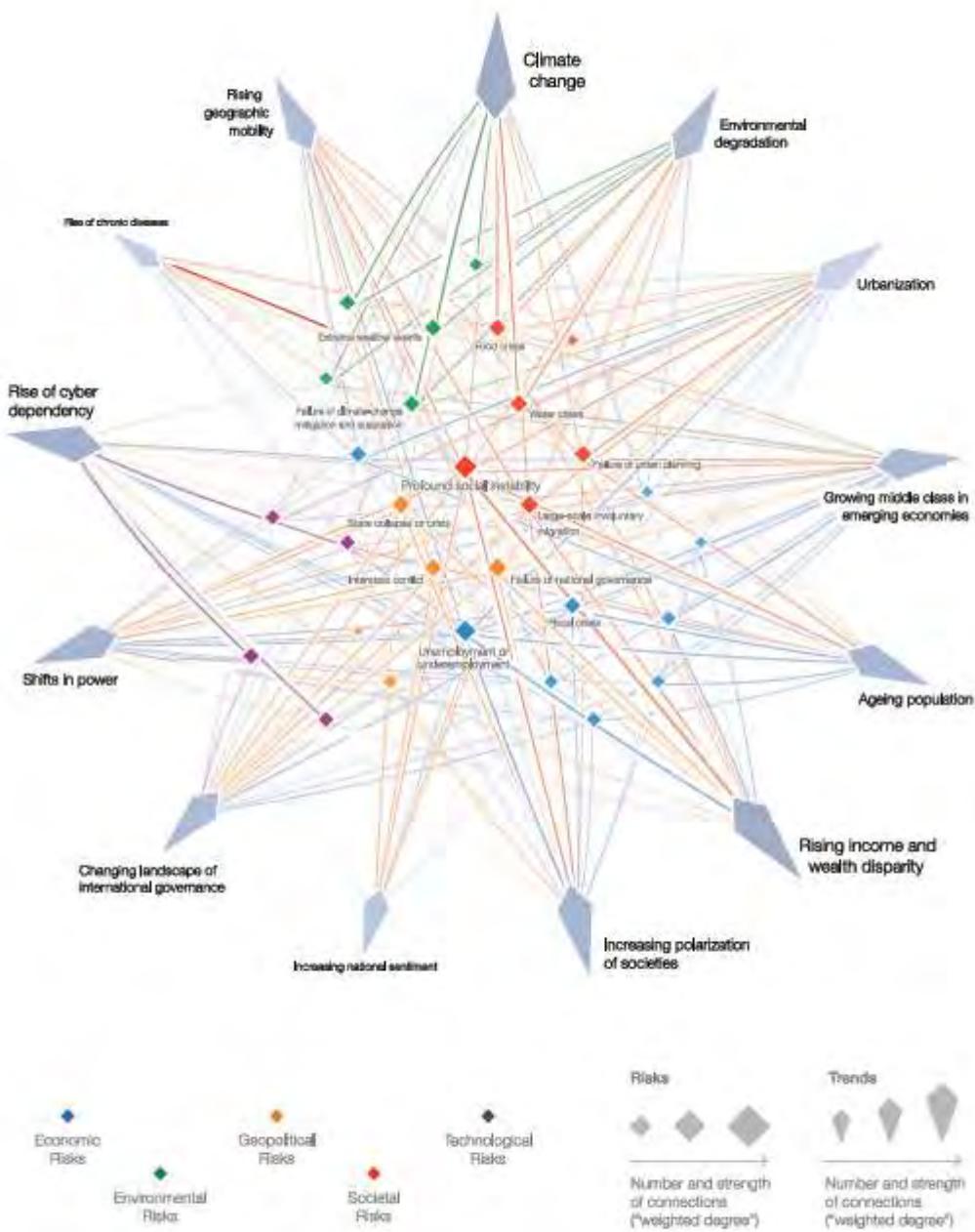
Figure 3: The Most Likely Global Risks 2016: A Regional Perspective



Source: Global Risks Perception Survey 2015.

Note: Respondents were asked to select the three global risks that they believe are the most likely to occur in their region. For legibility reasons, the names of the global risks are abbreviated; see Appendix A for the full name and description. Oceania is not displayed because of the low number of respondents.

Figure 4: The Risks-Trends Interconnections Map 2016



Source: Global Risks Perception Survey 2015.

Note: Survey respondents were asked to select the three trends that are the most important in shaping global development in the next 10 years. For each of the three trends identified, respondents were asked to select the risks that are most strongly driven by those trends. See Appendix B for more details. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full name and description.

Executive Summary

Now in its 11th edition, *The Global Risks Report 2016* draws attention to ways that global risks could evolve and interact in the next decade. The year 2016 marks a forceful departure from past findings, as the risks about which the *Report* has been warning over the past decade are starting to manifest themselves in new, sometimes unexpected ways and harm people, institutions and economies. Warming climate is likely to raise this year's temperature to 1° Celsius above the pre-industrial era, 60 million people, equivalent to the world's 24th largest country and largest number in recent history, are forcibly displaced, and crimes in cyberspace cost the global economy an estimated US\$445 billion,¹ higher than many economies' national incomes. In this context, the *Report* calls for action to build resilience – the "resilience imperative" – and identifies practical examples of how it could be done.

Box 1: Definition of Global Risks and Trends

A **global risk** is an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years.

A **global trend** is a long-term pattern that is currently taking place and that could contribute to amplifying global risks and/or altering the relationship between them.

Geopolitical concerns remain prominent in the minds of respondents to the Global Risks Perception Survey for the second year in a row. The *Report* therefore delves into the international security landscape and explores what drives this evolution and, in particular, how it could be affected by the Fourth Industrial Revolution and climate change. The three scenarios for possible futures developed in this context inform new ways of building resilience to security threats through public-private collaboration.

The *Report* also steps back and explores how emerging global risks and major trends (see Box 1), such as climate change, the rise of cyber dependence and income and wealth disparity are impacting already-strained societies by highlighting three clusters of risks as Risks in Focus. As resilience building is helped by the ability to analyse global risks from the perspective of specific stakeholders, the *Report* also analyses the significance of global risks to the business community at a regional and country-level.

The Global Risks Perception Survey

Almost 750 experts and decision-makers in the World Economic Forum's multistakeholder communities responded to this year's Global Risks Perception Survey. Respondents are drawn from business, academia, civil society and the public sector and span different areas of expertise, geographies and age groups.

The survey asked respondents to consider 29 global risks – categorized as societal, technological, economic, environmental or geopolitical – over a 10-year time horizon, and rate each according to their perceived likelihood of it occurring and impact if it does.

After its presence in the top five most impactful risks for the past three years, the failure of climate change mitigation and adaptation has risen to the top and is perceived in 2016 as the most impactful risk for the years to come, ahead of weapons of mass destruction, ranking 2nd, and water crises, ranking 3rd. Large-scale involuntary migration was also rated among the top five for impact, as was severe energy price shock (increase or decrease).

The risk rated most likely was large-scale involuntary migration, with last year's top scorer – interstate conflict with regional consequences – giving way to the environmental risks of extreme weather events and the failure of climate change mitigation and adaptation and followed by major natural catastrophes.

Global risks that remain serious because of their combined impact and likelihood involve some economic risks, including fiscal crises in key economies and high structural unemployment and underemployment. These are complemented by cyberattacks and profound social instability. Their assessment reflects the potentially profound impact of the Fourth Industrial Revolution on the economy and society and emphasizes the need for safeguarding future benefits.

Respondents were also asked which risks were related and could give rise to cascading risks. Three emerged strongly: the potential for climate change to exacerbate water crises, with impacts including conflicts and more forced migration, calling for improved water governance to adapt to climate change and accommodate a growing population and economic development; the need to address the global refugee crisis, adding emphasis to policies that can build resilience in addition to responding to the immediate crisis; and the risks of failing to fully understand the risks around the Fourth Industrial Revolution and how this transition will impact countries, economies and people at a time of persistently sluggish growth.

Risks in Focus

Key to building resilience is the stability of societies. The first Risk in Focus therefore looks at the complex dynamics of societies in the age of digitization and discusses the phenomenon of the (dis)empowered citizen, which is a result of the interplay of varying dynamics: as technology empowers citizens to find information, connect with others and organize, those citizens feel disenfranchised by distant elites. It explores the risk of social instability if both governments and business embark on either repressive actions or non-action out of uncertainty about how to deal with a more informed, connected and demanding citizenry, which could lead to an escalating downward spiral of broken trust and harsher response on either side. The chapter also, however, explores the benefits governments and business stand to gain by proactively

looking for ways to engage with concerned citizens.

Food security risk in the context of climate change is the second Risk in Focus. Building upon the climate-water nexus discussed in Part 1, the chapter looks at how changing climate and weather patterns could jeopardize food security and agricultural production across geographies. The most climate-vulnerable countries often heavily depend on agricultural productivity to sustain economic growth and development. But the recent years have also shown the climate vulnerability of G-20 countries such as India, Russia and the United States – the breadbasket of the world – and other large industrial producers of agricultural commodities. The chapter discusses how climate change-resilient crops and supply chain networks, as well as financing and insurance schemes, can help mitigate the social, economic and environmental aspects of food security risks related to climate change.

Drawing lessons from the Ebola crisis, the third Risk in Focus discusses **global disease outbreaks**. It warns that population growth, rapid urbanization and increasing transnational flows of commodities, people and animals intensify the risk of infectious transmission across geographies while equally diminishing the ability to respond – all at a time of growing resistance of microorganisms to today's most effective medicines. Preparedness and response measures range from the behavioural, such as fact-based communication and education campaigns, to the need to invest in diagnostic, drug and vaccine R&D and in its enabling environment, especially advancing a regulatory framework. It raises the imperative for public-private sector collaboration across areas such as data availability and analysis, a joint research agenda, regulatory frameworks, long-term financing and ways to promote responsible media engagement as part of effective crisis management communication.

For each Risk in Focus, examples are given of three practical mechanisms that can build resilience against the identified threats.

Risks to Doing Business

Private sector respondents to the World Economic Forum's Executive Opinion Survey were asked to identify their risks of highest concern for doing business in the next 10 years. The responses, from 140 economies, reveal patterns of concern at country and regional levels that can usefully inform initiatives to engage the private sector in building resilience to global risks.

On a global scale, two economic risks – **unemployment and underemployment** and **energy price shocks** – are mentioned as the top risks of highest concern for doing business in half of the 140 economies. These are followed by the failure of national governance, fiscal crises, asset bubbles and cyberattacks.

Economic risks predominate in responses from Europe, including fiscal crises, unemployment, asset bubbles and energy prices – the latter also being the top concern in Canada – while executives in the United States are most concerned about cyber-related risks and attacks. Respondents from Central Asia and Russia worry about fiscal crises and unemployment, along with the risks of unmanageable inflation and interstate conflict. Environmental risks worry business leaders in East Asia and the Pacific, alongside energy prices, asset bubbles, and cyber attacks.

In South Asia concerns also include energy prices, together with fiscal crises, unemployment and failure of national governance – which is the top concern in Latin America and the Caribbean – followed by energy price shock and unemployment. Executives in the Middle East and North Africa likewise worry about energy prices, together with unemployment, terrorist attacks and interstate conflict. In Sub-Saharan Africa, the business community's top concerns include unemployment, energy prices, the failure of national governance and the failure of critical infrastructure.

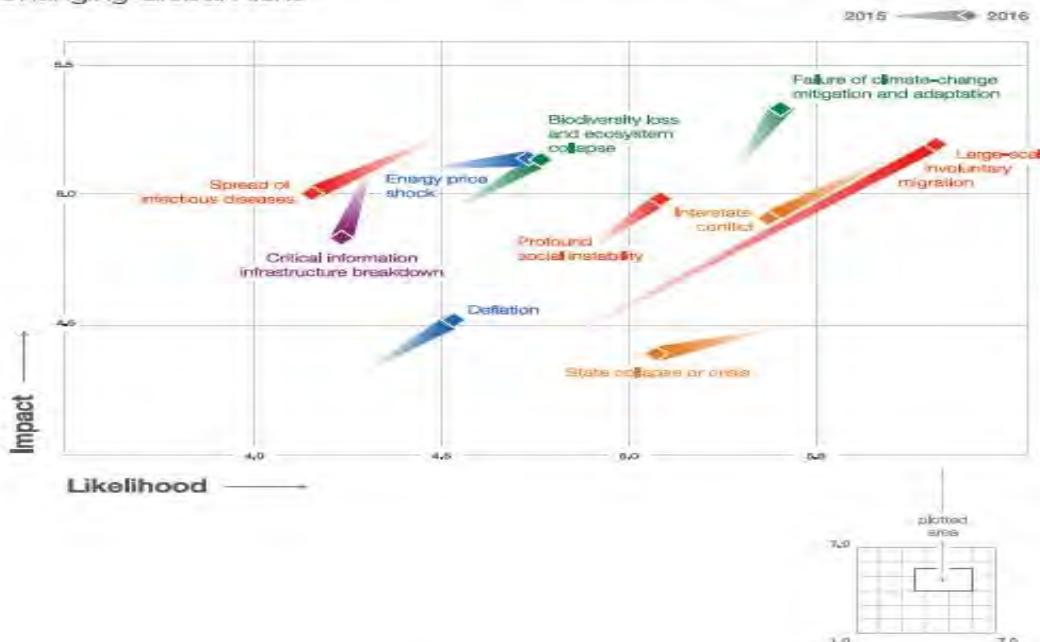
Figure 1.1.1: The Evolving Risks Landscape, 2007–2016



Source: World Economic Forum 2007–2016, *Global Risks Reports*.

Note: Global risks may not be strictly comparable across years, as definitions and the set of global risks have evolved with new issues emerging on the 10-year horizon. For example, cyberattacks, income disparity and unemployment entered the set of global risks in 2012. Some global risks were reclassified: water crises and rising income disparity were re-categorized first as societal risks and then as a trend in the 2015 and 2016 Global Risks Reports, respectively. The 2006 edition of the Global Risks Report did not have a risks landscape.

Figure 1.1: The Changing Global Risks Landscape 2015–2016: The 10 Most Changing Global Risks

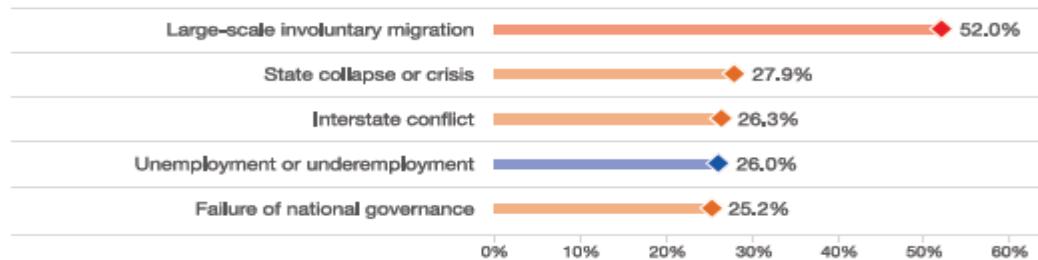


Source: Global Risks Perception Survey 2014 and 2015, World Economic Forum.

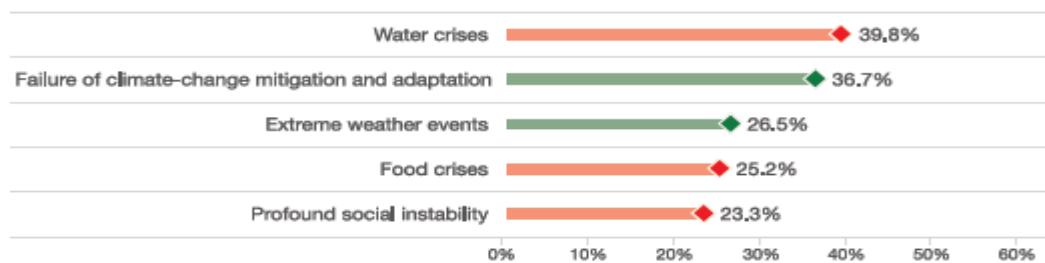
Note: We are presenting the 10 global risks assessments that have changed the most since the *Global Risks Report 2015*. To identify them, we take the distance between the two years for each risk, in absolute terms.

Figure 1.2: The Top Five Global Risks of Highest Concern for the Next 18 Months and 10 Years

For the next 18 months



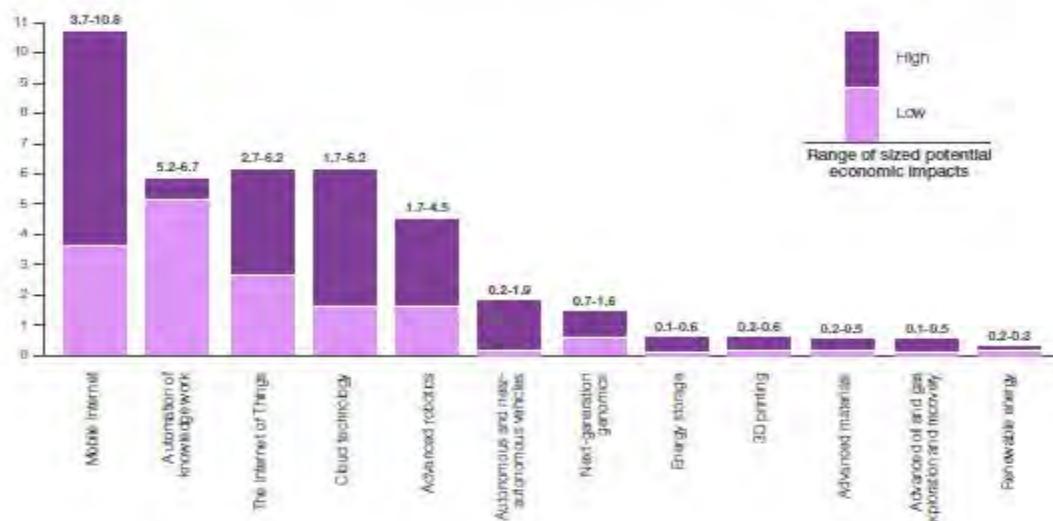
For the next 10 years



Source: Global Risks Perception Survey 2015, World Economic Forum.

Note: Survey respondents were asked to select up to five risks of highest concern for each time frame. The percentage indicates the share of respondents who selected the specific global risk among the five risks of highest concern for each time frame. See Appendix B for more details. To ensure legibility, the names of the global risks are abbreviated; see Appendix A for the full names and descriptions of the risks.

Figure 1.4: Estimated Potential Economic Impact of Technologies, US\$ trillion, annual



Source: Based on Manyika et al. 2013.

Note: Projections are to 2025 and include sized applications and consumer surplus.

The Security Outlook 2030

Box 2.4: The Seven Driving Forces of International Security

Technological innovation: Emerging technologies create challenges, but also opportunities to solve them.

Resources, climate management and security: Tensions are raised by growing competition over access to resources including energy, water and food.

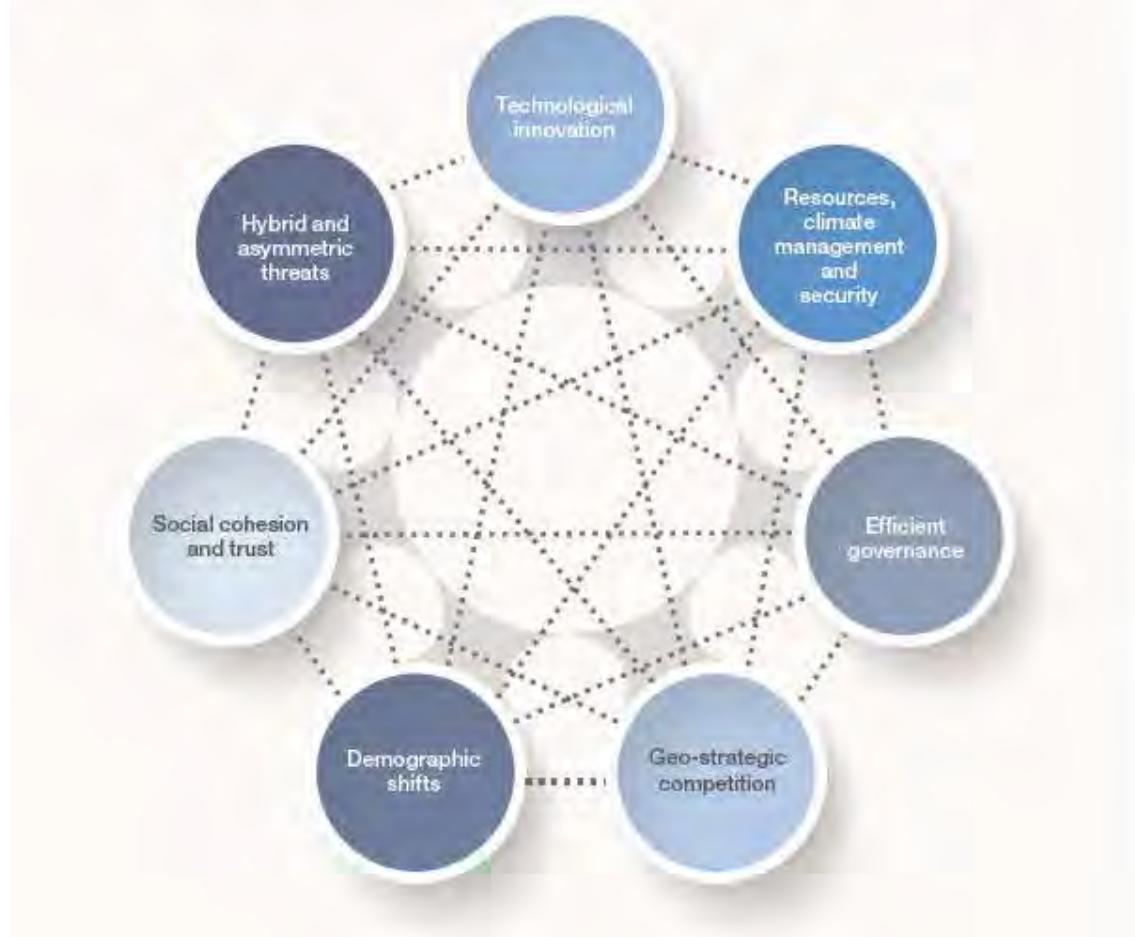
Efficient governance: Corruption and lack of transparency or rule of law limits the progress of development and destabilizes societies.

Geo-strategic competition: Shifts in economic and political power and weakened mutual trust lead great powers to compete for influence, often creating competing spheres of influence.

Demographic shifts: Countries may struggle with bulges of youth or elderly populations, or with rapid influxes of migrants.

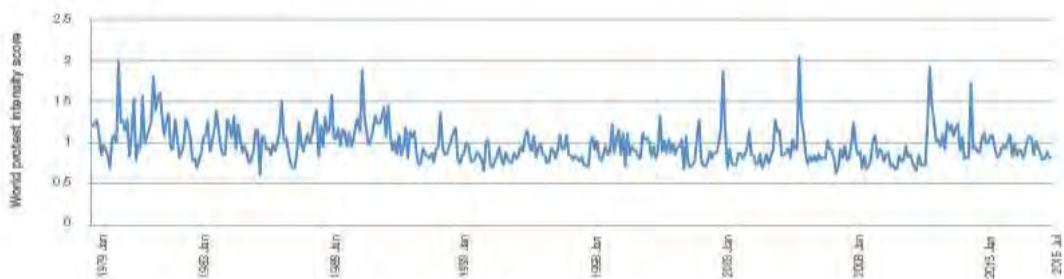
Social cohesion and trust: Fuelled by inequality, feelings of social exclusion, mistrust and marginalization threaten social stability.

Hybrid and asymmetric threats: More complex threats, indistinct adversaries and "black swans" are arising from a more interconnected world.



Risks in Focus

Figure 3.1.1: World Protest Intensity



Source: Computations and illustration by Kalev Leetaru, 2015, based on the GDELT data set (<http://gdeliproject.org/>).

Note:

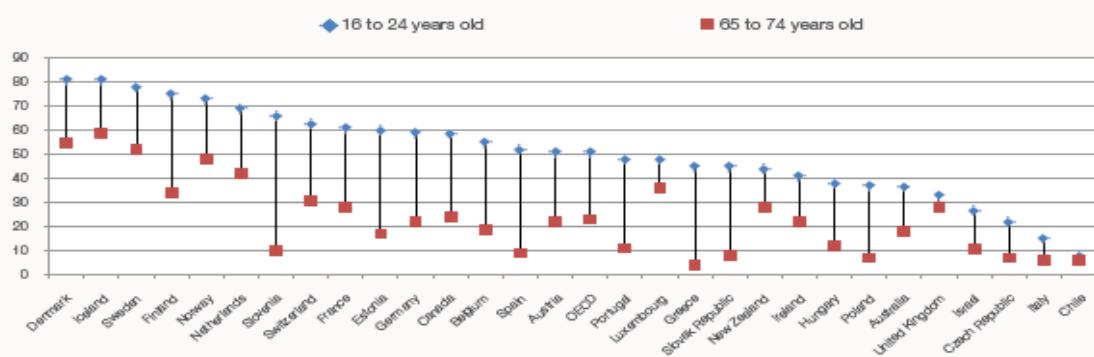
The World Protest Intensity score is the total number of protest events divided by all events seen that month. This timeline in this figure is created using data collected from print, broadcast, and web news media worldwide from over 100 languages (<http://gdeliproject.org/>). The data are normalized for the exponential rise in media coverage of this past 30 years.

Box 3.1.2: Digital Government Technologies: The (Persisting) Challenges of Inclusiveness and Engagement

The ability to leverage technology to improve relationships between governments and citizens depends on citizens being able to use that technology. In OECD countries in 2012, for instance, less than a quarter of people aged 65–74 said they interacted electronically (internet portals, social media) with their government, compared to more than half among the 16–24 age group on average across the OECD (Figure 3.1.2.1). To fully exploit the potential of digital technologies, governments should take steps to address existing digital divides and avoid the emergence of new forms of e-exclusion. As well as age, gaps persist in the level of uptake by education level and living area.

The two main reasons for e-exclusion are lack of physical access and limited technological skills. Therefore, alongside the development of a well-functioning digital government infrastructure, a crucial component of an effective digital government strategy is action to increase the population's ICT literacy, raise awareness of existing online opportunities and boost the comfort and familiarity of all age groups with the use of digital channels to interact with governments. A multi-channel approach to service delivery, providing services by various offline (e.g. in-person contact, postal mail) and online means (e.g. websites, mobile-based applications) in an integrated way, is more likely to guarantee access to public services to all citizens.

Figure 3.1.2.1: Citizens Using the Internet to Interact with Public Authorities by Age Group, 2012



Source: OECD ICT Database; Eurostat Information Society Statistics (database).

Governments can take further steps to use digital channels to foster engagement through the full policy-making cycle. Most governments still view social media as an additional tool to broadcast traditional communication messages. According to a recent OECD survey, fewer than one in four governments try to leverage social media for more advanced purposes such as transforming public service delivery or opening up public policy processes to key stakeholders.¹ The 2014 OECD's *Recommendation of the Council on Digital Government Strategies* provides principles for governments to harness new technologies to increase openness, transparency and inclusiveness of processes and operations, and to foster greater citizen engagement and empowerment. Government bodies need to identify and support businesses and citizens who can form a digital government ecosystem that promotes dialogue and exchange.

One important development has been the use of Open Government Data to make public data sets available to citizens to enable more informed engagement, greater social accountability of government, and opportunities to create public value by putting information into the hands of citizens. The OECD OUR Data Index assesses governments' efforts to implement open data in three critical areas – openness, usefulness and re-usability of government data.²

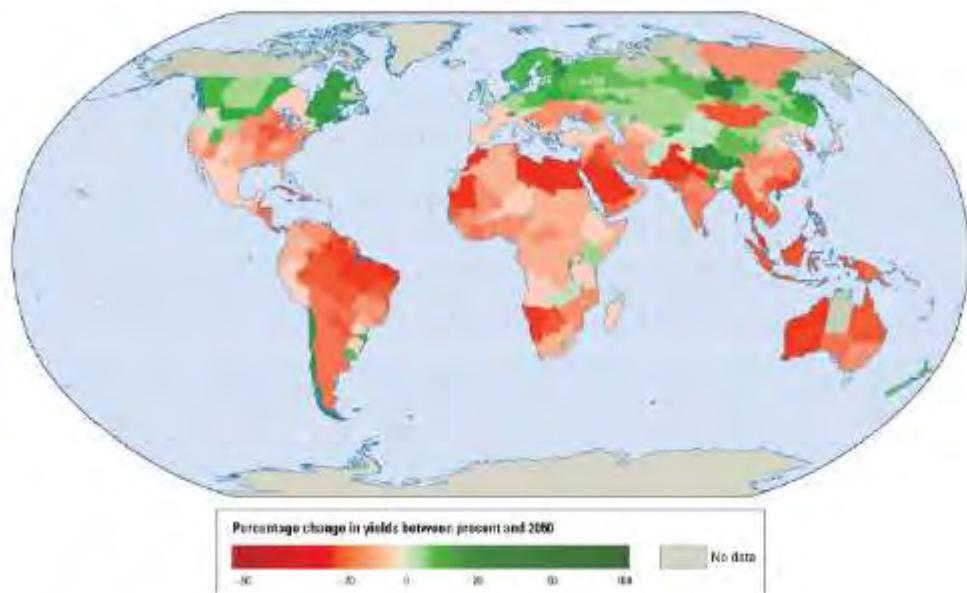
Notes

¹ OECD 2014.

² OECD 2015; for more on the data, see <https://data.oecd.org/>.

Climate Change and Risks to Food Security

Figure 3.2.1: Projected Impacts on Crop Yields in a 3°C Warmer World

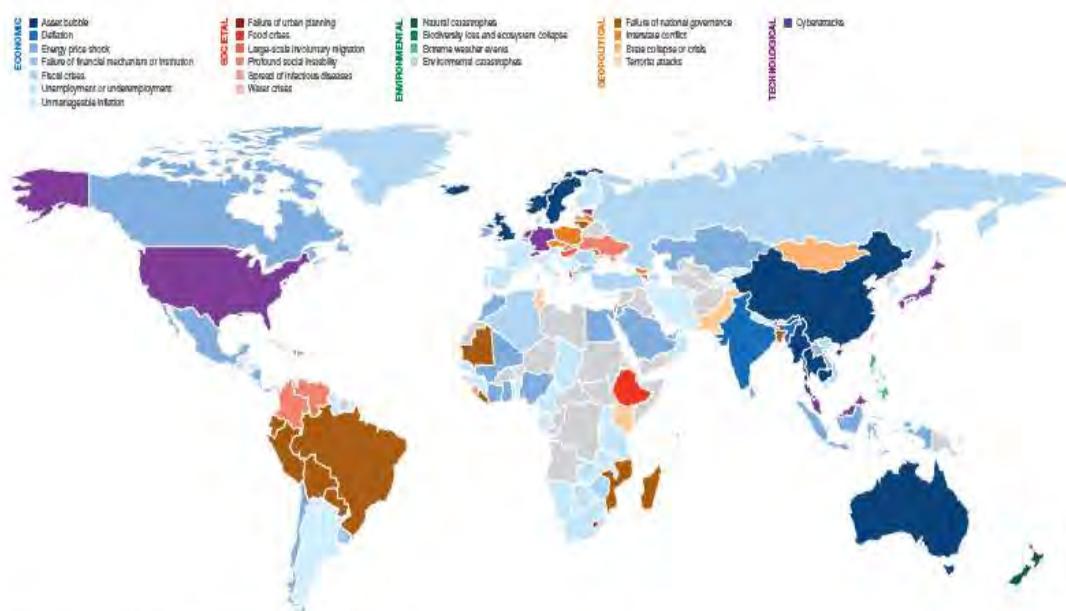


Source: WRI 2013.

Note: -50% change = half as productive in 2050 as in 2015; +100% change = twice as productive in 2050 as in 2015.

Risks for Doing Business at a Glance

Figure 4.1: Global Risk of Highest Concern for Doing Business, by Country



Source: Executive Opinion Survey 2015, World Economic Forum.

Notes:

In addition to the risk indicated on the map, the following countries have another risk as the risk of highest concern:
Haiti: Unemployment or underemployment; Oman: Energy price shock; Peru: Profound social Instability; Paraguay: Failure of financial mechanism or institution; Senegal: Energy price shock; Tunisia: Profound social Instability; Venezuela: Unmanageable Inflation; Vietnam: Man-made environmental catastrophes.

Table 4.1: Europe: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Fiscal crises	67
Unemployment or underemployment	64
Failure of financial mechanism or institution	62
Energy price shock	56
Asset bubble	51

Note: 39 economies considered

Table 4.2: North America: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Cyberattacks	100
Asset bubble	100
Energy price shock	50
Fiscal crises	50
Failure of critical Infrastructure	50
Failure of climate change adaptation	50
Terrorist attacks	50
Data fraud or theft	50

Note: 2 economies considered

Table 4.3: Central Asia and Russia: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Fiscal crises	100
Unmanageable inflation	86
Unemployment or underemployment	71
Interstate conflict	71
Failure of financial mechanism or institution	57

Note: 7 economies considered

Table 4.5: South Asia: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Energy price shock	67
Failure of national governance	67
Fiscal crises	50
Unemployment or underemployment	50
Failure of climate-change adaptation	50

Note: 6 economies considered

Table 4.4: East Asia and the Pacific: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Energy price shock	71
Asset bubble	59
Cyberattacks	41
Fiscal crises	41
Natural catastrophes	35
Unemployment or underemployment	35
Unmanageable inflation	35

Note: 17 economies considered

Table 4.6: Latin America and the Caribbean: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Failure of national governance	91
Energy price shock	82
Unemployment or underemployment	64
Profound social instability	59
Fiscal crises	45

Note: 22 economies considered

Table 4.7: Middle East and North Africa: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Unemployment or underemployment	71
Energy price shock	71
Fiscal crises	71
Terrorist attacks	64
Asset bubble	43
Interstate conflict	43

Note: 14 economies considered

Table 4.8: Sub-Saharan Africa: Percentage of Economies in which a Risk Appears among the Top Five of Highest Concern for Doing Business

Risk	Percent
Unemployment or underemployment	88
Energy price shock	70
Failure of national governance	55
Failure of critical Infrastructure	45
Fiscal crises	39

Note: 33 economies considered

Table 4.9: Number of Economies in which a Risk Appears as the Risk of Highest Concern for Doing Business

Risk	Number
Unemployment or underemployment	41
Energy price shock	29
Failure of national governance	14
Asset bubble	11
Fiscal crises	10
Cyberattack	8

Note: out of 140 economies globally

Figure 4.2: Unemployment or Underemployment, rank



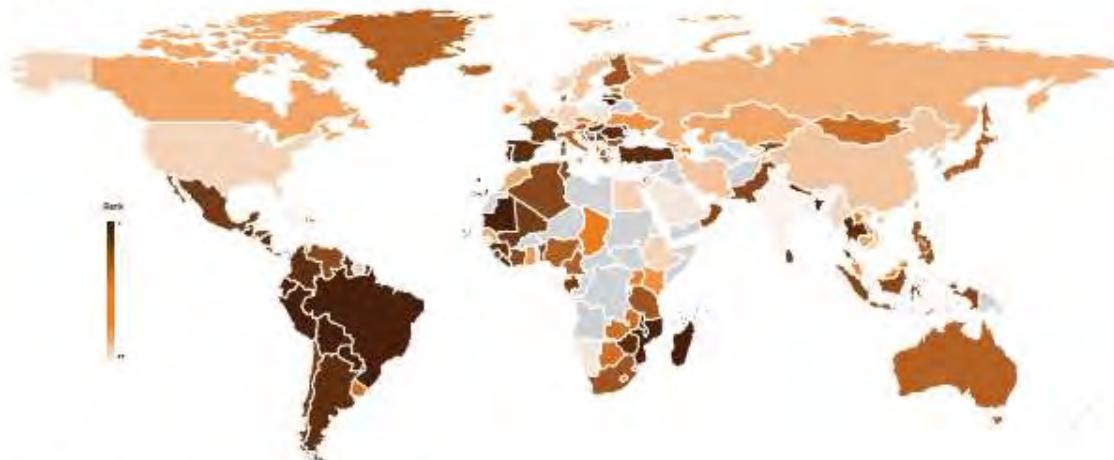
Source: Executive Opinion Survey 2015, World Economic Forum.
Note: The darker colour, the higher the concern.

Figure 4.3: Energy Price Shock to the Global Economy, rank



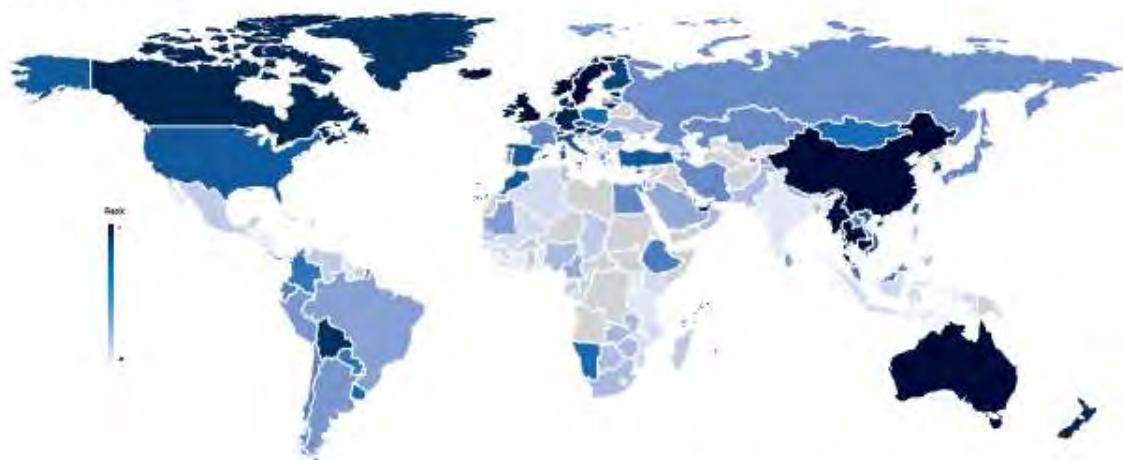
Source: Executive Opinion Survey 2015, World Economic Forum.
Note: The darker colour, the higher the concern.

Figure 4.4: Failure of National Governance, rank



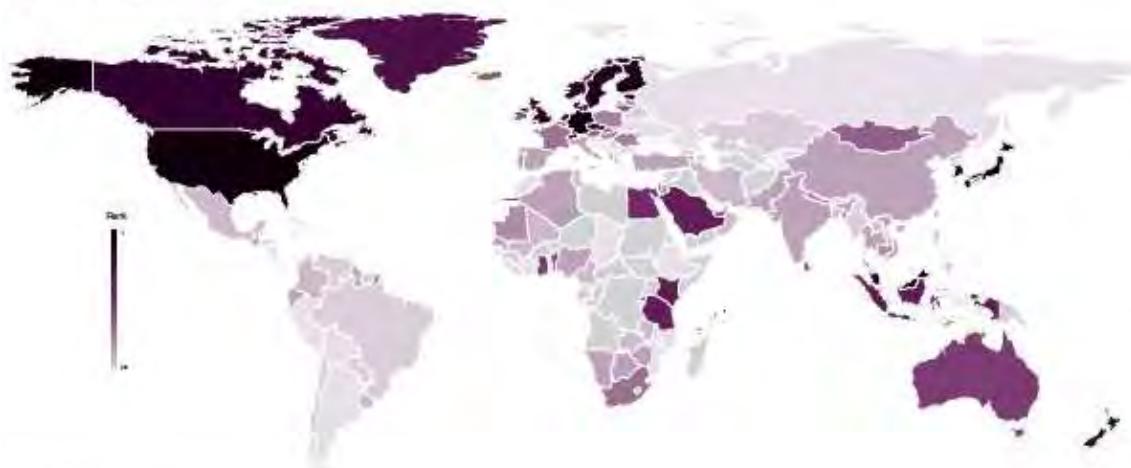
Source: Executive Opinion Survey 2015, World Economic Forum.
Note: The darker colour, the higher the concern.

Figure 4.5: Asset Bubble, rank



Source: Executive Opinion Survey 2015, World Economic Forum.
Note: The darker colour, the higher the concern.

Figure 4.6 Cyberattacks, rank



Source: Executive Opinion Survey 2015, World Economic Forum.
Note: The darker colour, the higher the concern.

Appendix A: Description of Global Risks and Trends 2016

Global Risks

A "global risk" is defined as an uncertain event or condition that, if it occurs, can cause significant negative impact for several countries or industries within the next 10 years.

	Global Risk	Description
Economic Risks	Asset bubble in a major economy	Unsustainably overpriced assets such as commodities, housing, shares, etc. In a major economy or region.
	Deflation in a major economy	Prolonged ultra-low inflation or deflation in a major economy or region.
	Failure of a major financial mechanism or institution	Collapse of a financial institution and/or malfunctioning of a financial system impacts the global economy.
	Failure/shortfall of critical infrastructure	Failure to adequately invest in, upgrade and secure infrastructure networks (e.g. energy, transportation and communications) leads to pressure or a breakdown with system-wide implications.
	Fiscal crises in key economies	Excessive debt burdens generate sovereign debt crises and/or liquidity crises.
	High structural unemployment or underemployment	A sustained high level of unemployment or underutilization of the productive capacity of the employed population prevents the economy from attaining high levels of employment.
	Illicit trade (e.g. illicit financial flow, tax evasion, human trafficking, organized crime, etc.)	Large-scale activities outside the legal framework such as illicit financial flow, tax evasion, human trafficking, counterfeiting and organized crime undermine social interactions, regional or international collaboration and global growth.
	Severe energy price shock (increase or decrease)	Energy price increases or decreases significantly and places further economic pressures on highly energy-dependent industries and consumers.
	Unmanageable inflation	Unmanageable increase in the general price level of goods and services in key economies.
	Extreme weather events (e.g. floods, storms, etc.)	Major property, infrastructure and environmental damage as well as human loss caused by extreme weather events.
Environmental Risks	Failure of climate-change mitigation and adaptation	Governments and businesses fail to enforce or enact effective measures to mitigate climate change, protect populations and help businesses impacted by climate change to adapt.
	Major biodiversity loss and ecosystem collapse (land or ocean)	Irreversible consequences for the environment, resulting in severely depleted resources for humankind as well as industries.
	Major natural catastrophes (e.g. earthquake, tsunami, volcanic eruption, geomagnetic storms)	Major property, infrastructure and environmental damage as well as human loss caused by geophysical disasters such as earthquakes, volcanic activity, landslides, tsunamis or geomagnetic storms.
	Man-made environmental catastrophes (e.g. oil spill, radioactive contamination, etc.)	Failure to prevent major man-made catastrophes, causing harm to lives, human health, infrastructure, property, economic activity and the environment.

	Global Risk	Description
Geopolitical Risks	Failure of national governance (e.g. failure of rule of law, corruption, political deadlock, etc.)	Inability to govern a nation of geopolitical importance due to weak rule of law, corruption or political deadlock.
	Interstate conflict with regional consequences	A bilateral or multilateral dispute between states escalates into economic (e.g. trade/currency wars, resource nationalization), military, cyber, societal or other conflict.
	Large-scale terrorist attacks	Individuals or non-state groups with political or religious goals successfully inflict large-scale human or material damage.
	State collapse or crisis (e.g. civil conflict, military coup, failed states, etc.)	State collapse of geopolitical importance due to internal violence, regional or global instability, military coup, civil conflict, failed states, etc.
	Weapons of mass destruction	Nuclear, chemical, biological and radiological technologies and materials are deployed creating International crises and potential for significant destruction.
	Failure of urban planning	Poorly planned cities, urban sprawl and associated infrastructure create social, environmental and health challenges.
	Food crises	Access to appropriate quantities and quality of food and nutrition becomes inadequate, unaffordable or unreliable on a major scale.
Societal Risks	Large-scale involuntary migration	Large-scale involuntary migration induced by conflict, disasters, environmental or economic reasons.
	Profound social instability	Major social movements or protests (e.g. street riots, social unrest, etc.) disrupt political or social stability, negatively impacting populations and economic activity.
	Rapid and massive spread of Infectious diseases	Bacteria, viruses, parasites or fungi cause uncontrolled spread of infectious diseases (for instance due to resistance to antibiotics, antivirals and other treatments) leading to widespread fatalities and economic disruption.
	Water crises	A significant decline in the available quality and quantity of fresh water resulting in harmful effects on human health and/or economic activity.
Technological Risks	Adverse consequences of technological advances	Intended or unintended adverse consequences of technological advances such as artificial intelligence, geo-engineering and synthetic biology causing human, environmental and economic damage.
	Breakdown of critical information infrastructure and networks	Cyber dependency increases vulnerability to outage of critical information infrastructure (e.g. internet, satellites, etc.) and networks causing widespread disruption.
	Large-scale cyberattacks	Large-scale cyberattacks or malware causing large economic damages, geopolitical tensions or widespread loss of trust in the Internet.
	Massive incident of data fraud/theft	Wrongful exploitation of private or official data that takes place on an unprecedented scale.

Trends

A "trend" is defined as a long-term pattern that is currently taking place and that could contribute to amplifying global risks and/or altering the relationship between them.

Trend	Description
Ageing population	Ageing populations in developed and developing countries driven by declining fertility and decrease of middle and old age mortality.
Changing landscape of international governance	Changing landscape of global or regional institutions (e.g. UN, IMF, NATO, etc.), agreements or networks.
Climate change	Change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere, in addition to natural climate variability.
Environmental degradation	Deterioration in the quality of air, soil and water from ambient concentrations of pollutants and other activities and processes.
Growing middle class in emerging economies	Growing share of population reaching middle-class income levels in emerging economies.
Increasing national sentiment	Increasing national sentiment among populations and political leaders affecting countries' national and international political positions.
Increasing polarization of societies	Inability to reach agreement on key issues within countries because of diverging or extreme values, political or religious views.
Rise of chronic diseases	Increasing rates of non-communicable diseases, also known as chronic diseases, leading to long-term costs of treatment and threatening recent societal gains in life expectancy and quality.
Rise of cyber dependency	Rise of cyber dependency due to increasing digital interconnection of people, things and organizations.
Rising geographic mobility	Increasing mobility of people and things due to quicker and better-performing means of transport and lowered regulatory barriers.
Rising income and wealth disparity	Increasing socio-economic gap between rich and poor in major countries or regions.
Shifts in power	Shifting power from state to non-state actors and individuals, from global to regional levels, and from developed to emerging market and developing economies.
Urbanization	Rising number of people living in urban areas resulting in physical growth of cities.