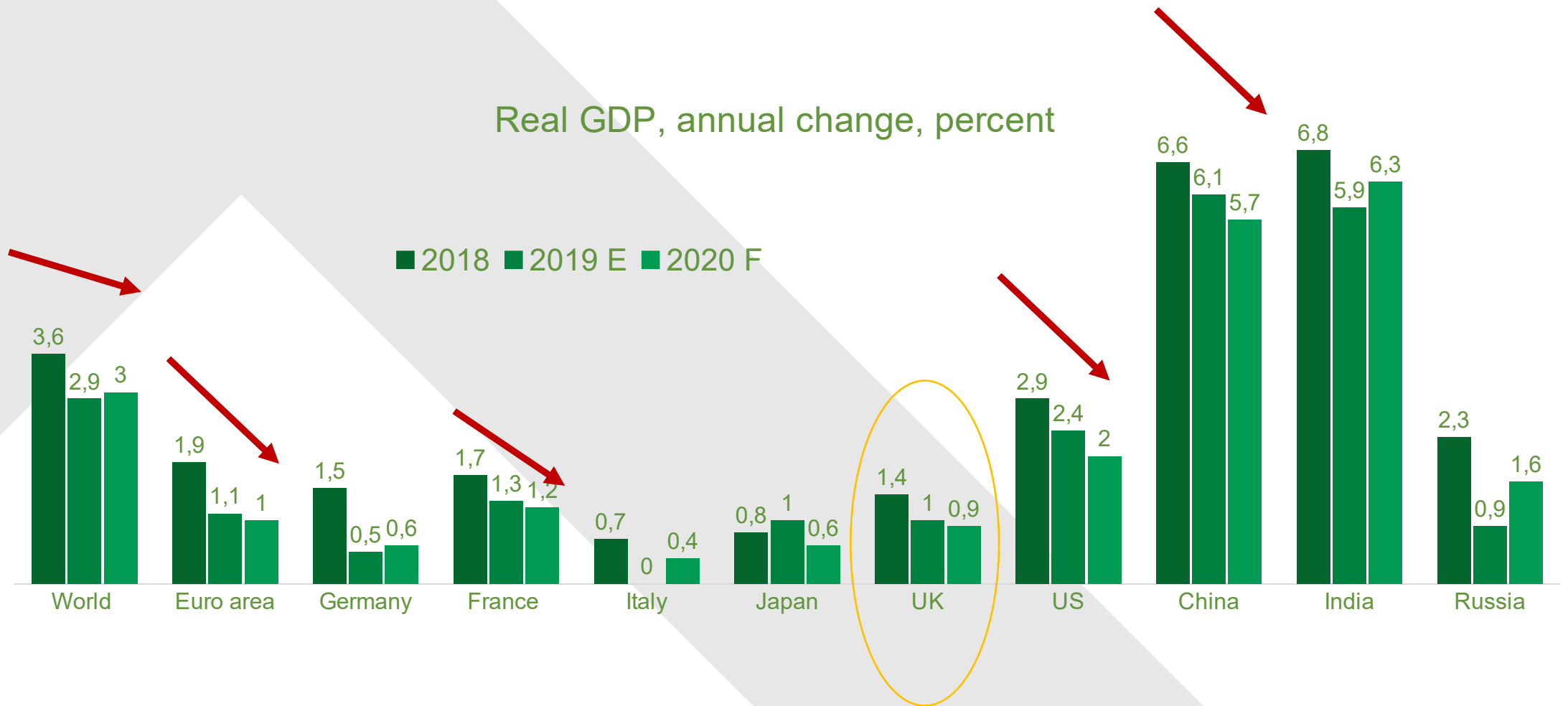


# Global economic environment: what to expect in 2020?

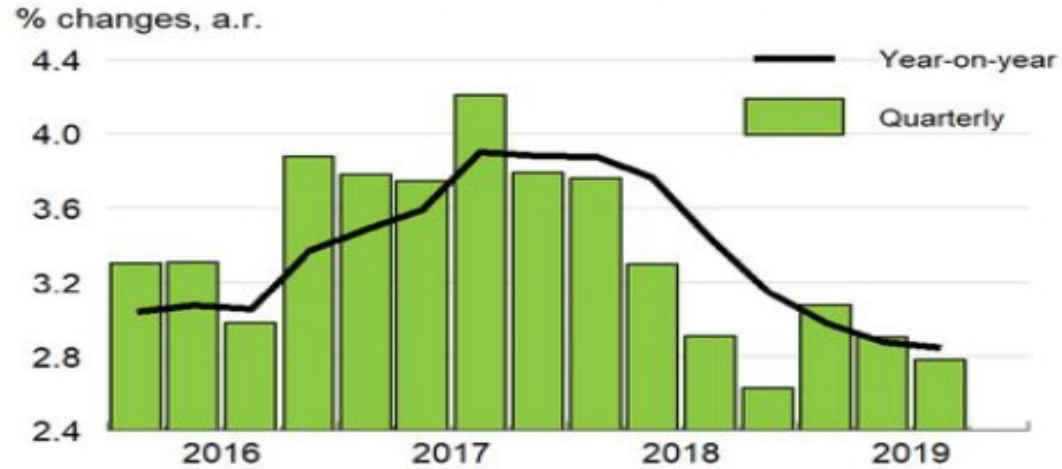
Jekaterina Rojaka

# International organisations cut world economic outlook

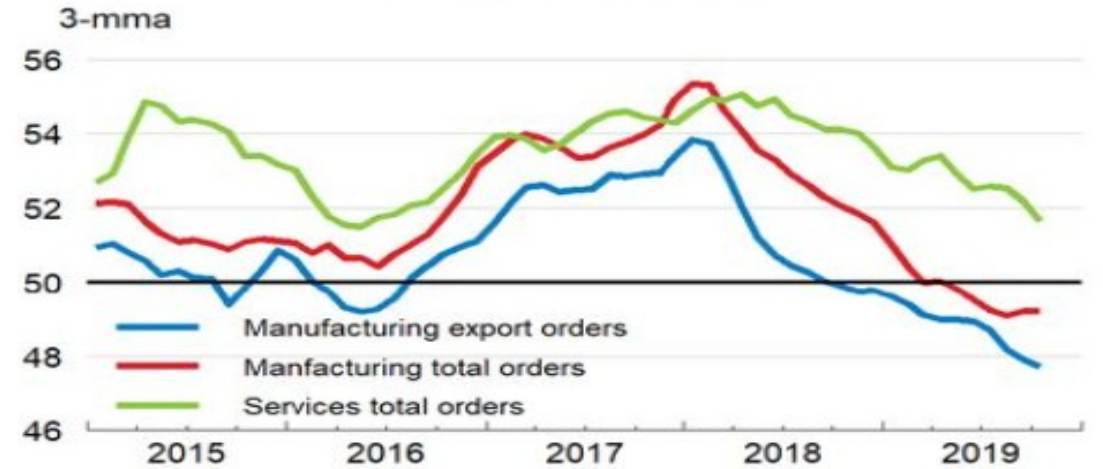


# Global activity has slowed... dramatically

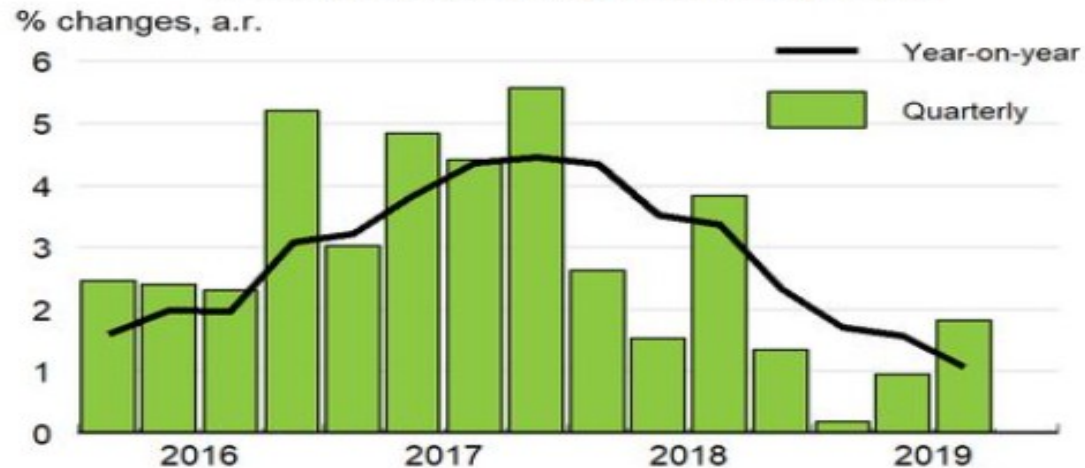
### A. Global GDP growth



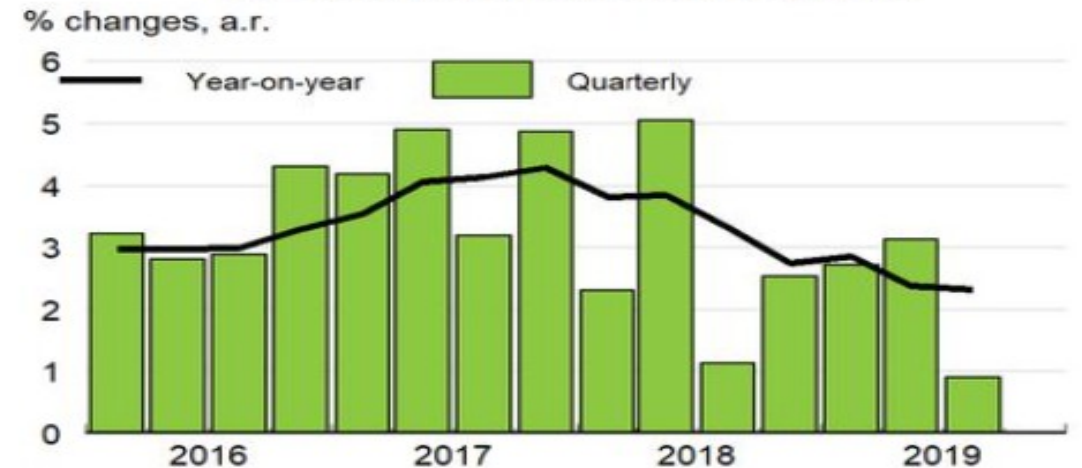
### B. Global new orders



### C. Global industrial production growth



### D. Global retail sales volume growth



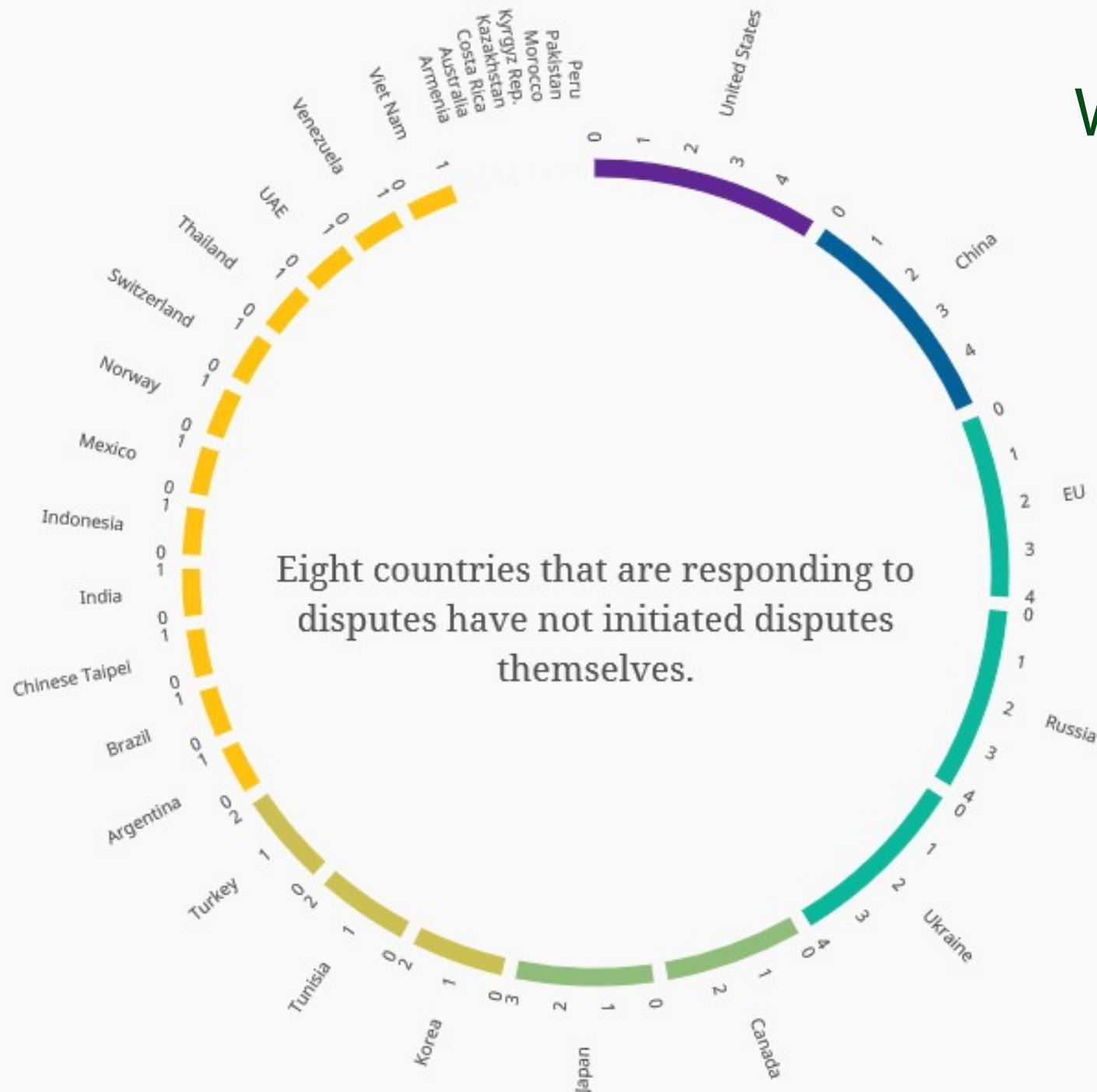
# WTO RESTRICTIONS: 2017-2019



Two countries have initiated five disputes.

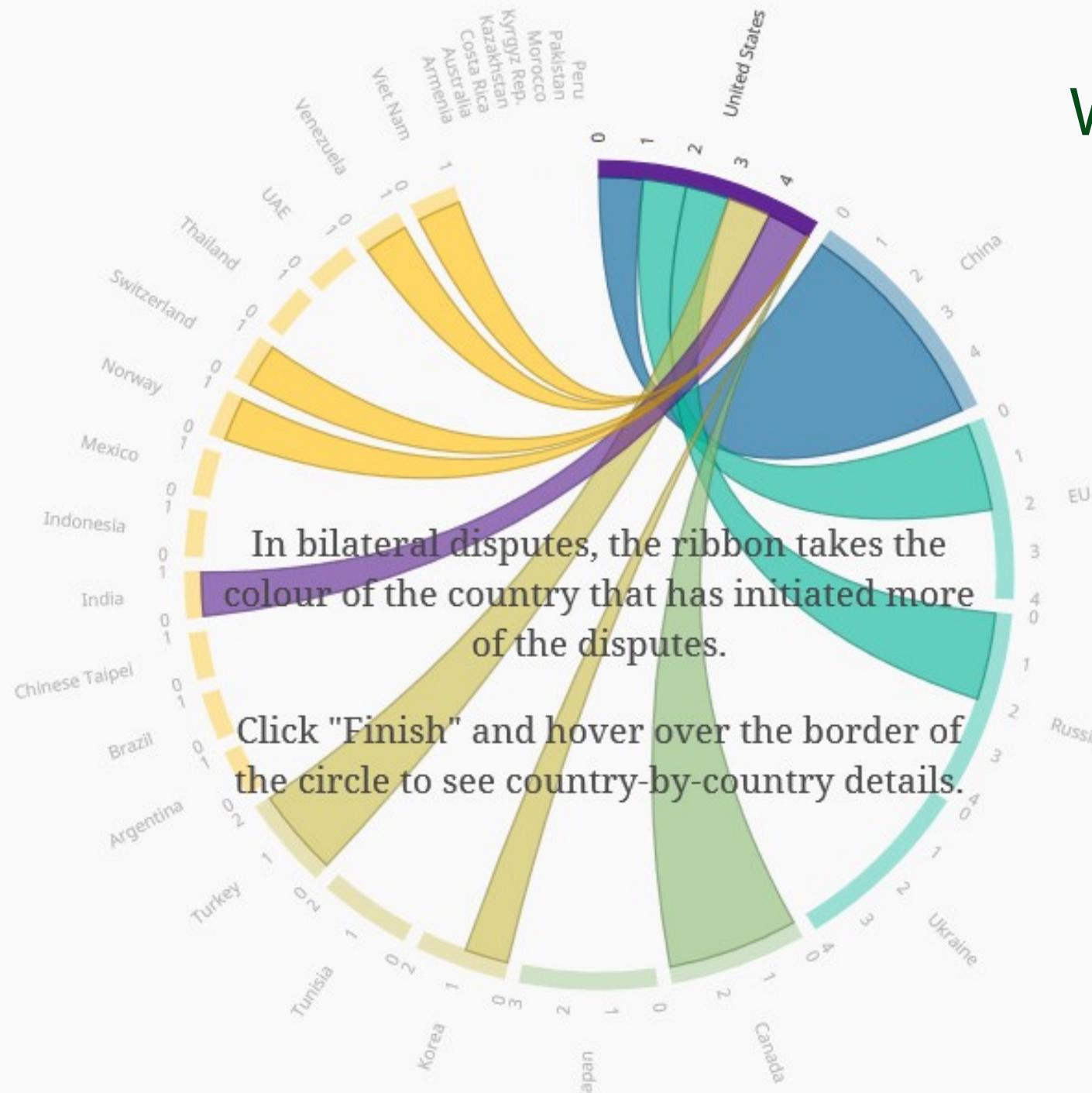
- Temporary measures to adjust trade balance
- 5 disputes in 2 countries – US and China

# WTO RESTRICTIONS: 2017-2019



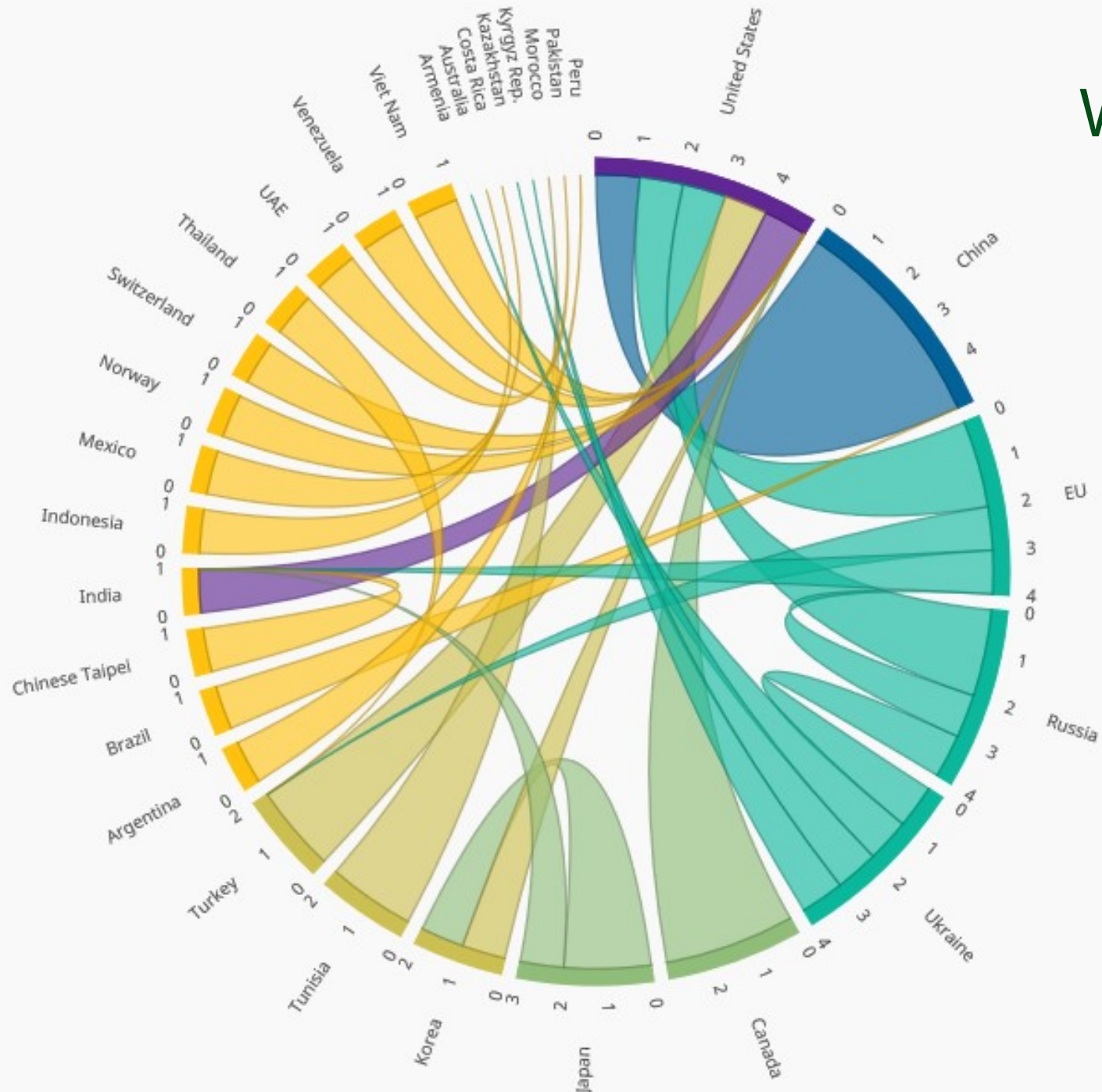
- Temporary measures to adjust trade balance
- 5 disputes in 2 countries
- + 20 countries involved into disputes
- 8 countries stay aside

# WTO RESTRICTIONS: 2017-2019



- Temporary measures to adjust trade balance
- 5 disputes in 2 countries
- 20 countries involved into disputes
- +10 responses
- 8 countries stay aside

# WTO RESTRICTIONS: 2017-2019



- Form temporary – to structural!
- Policies unpredictable
- Negative effect on global trade and value chains

# Policy uncertainty do not contribute to economic growth



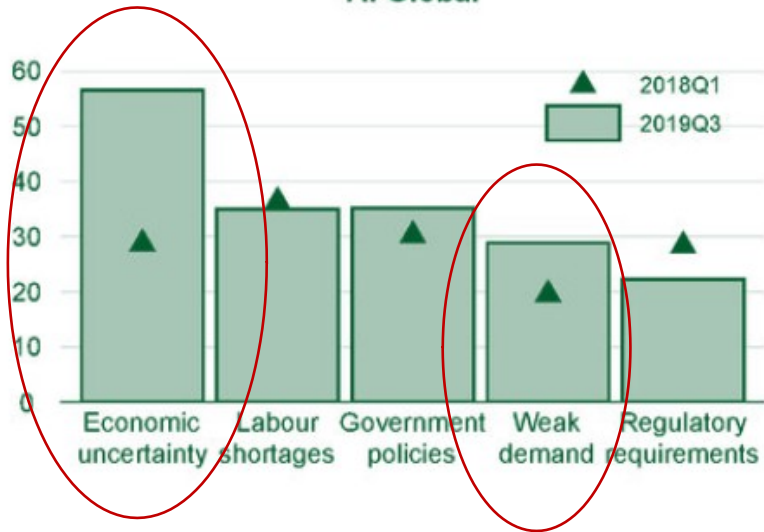
Source: IHS Markit, Eurostat



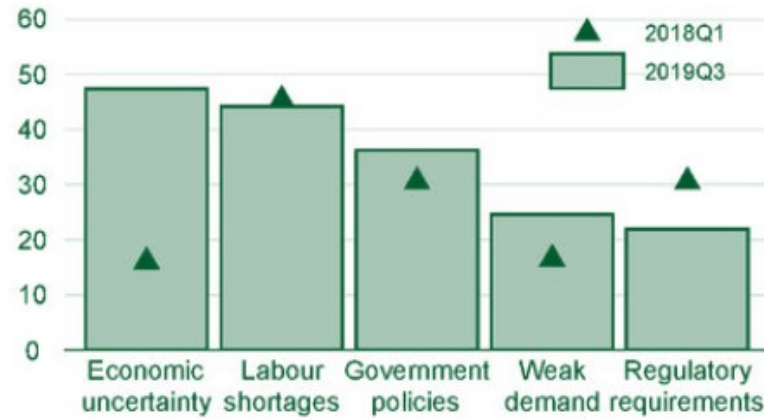
# Uncertainty has elevated

Per cent of firms citing factor as a concern

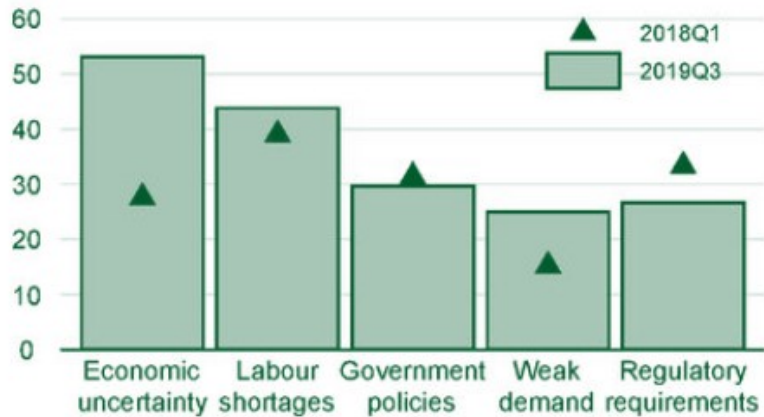
A. Global



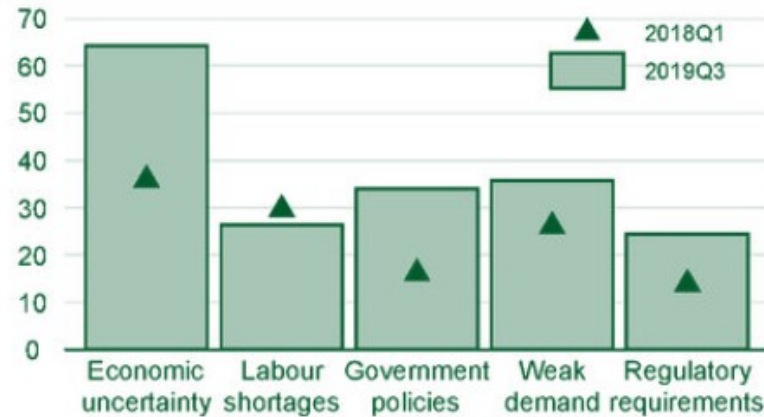
B. United States



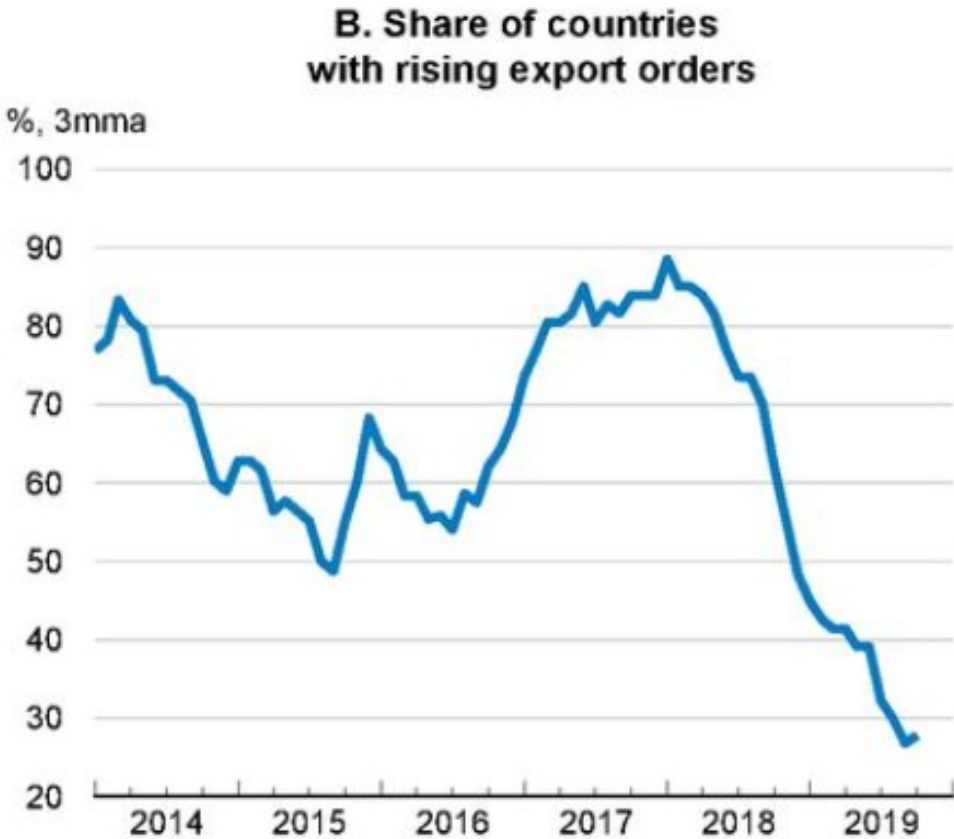
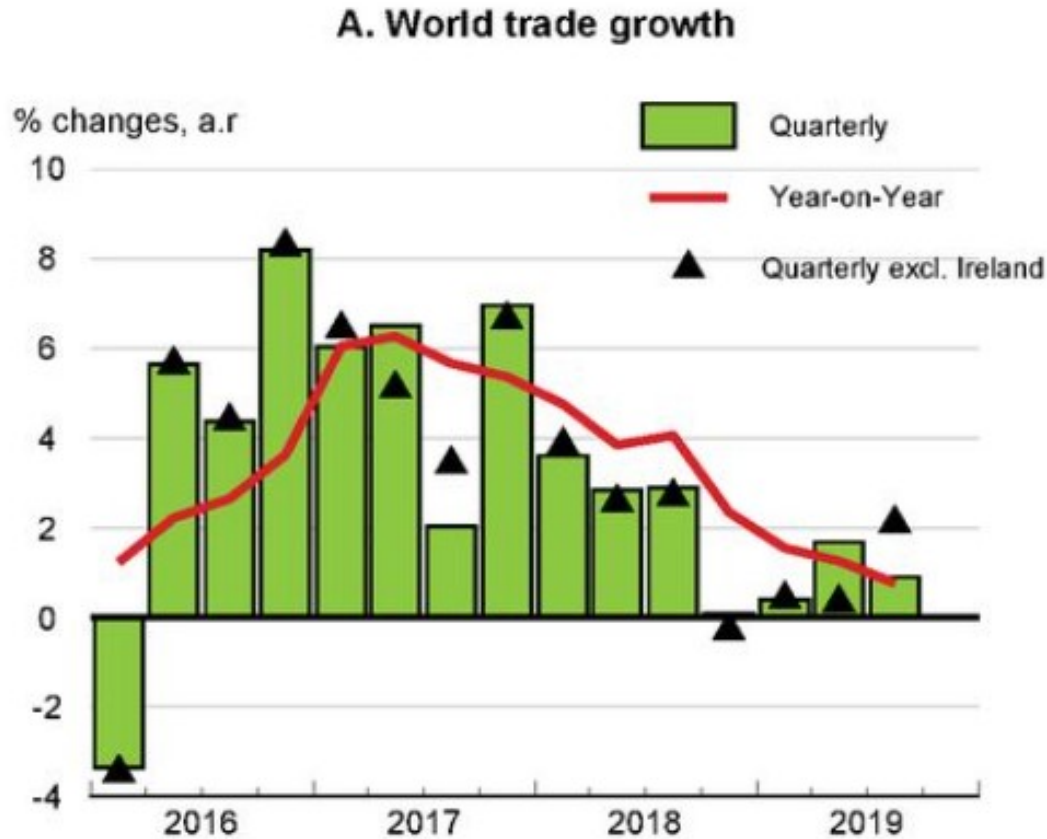
C. Europe



D. Asia



# Impact on the global economy is broadening

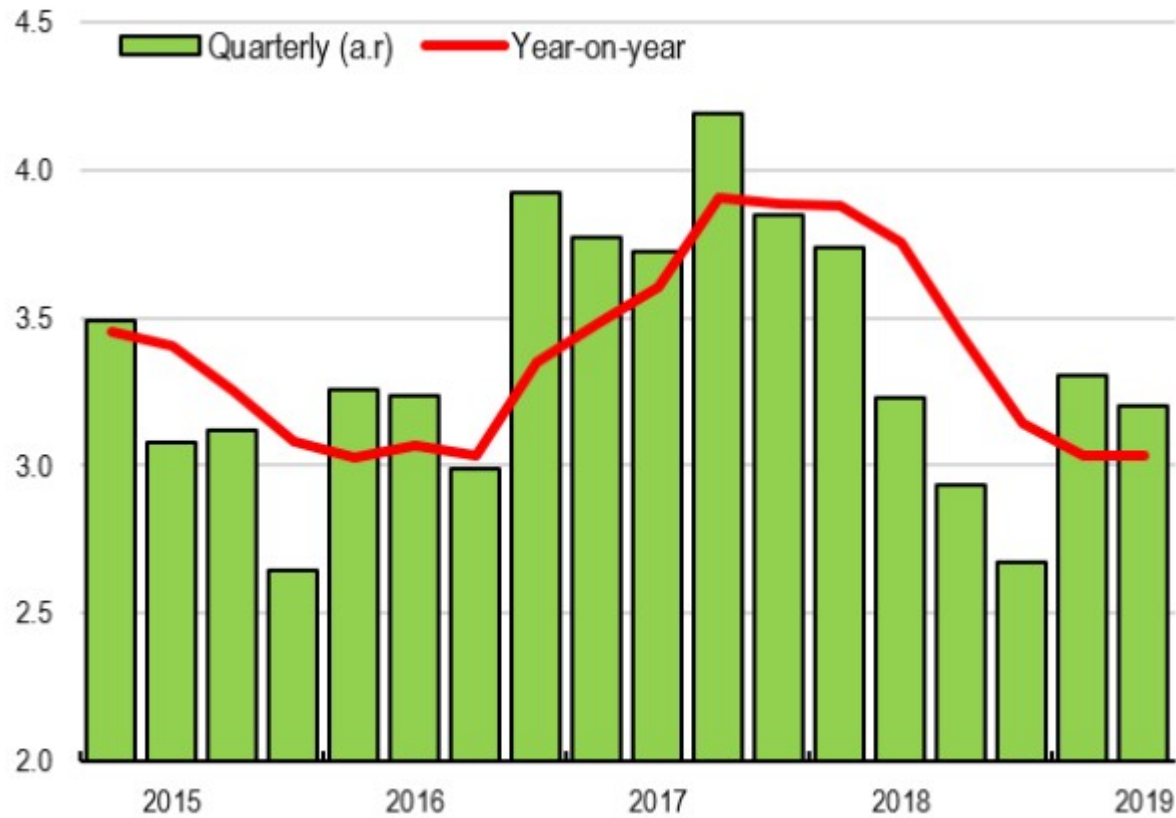


Note: Countries with rising export orders are ones with a PMI manufacturing export orders survey indicator at or above 50. Based on a sample of 29 countries.

Source: OECD Economic Outlook 106 database; Markit; and OECD calculations.

# The eurozone economy is close to stalling, demand is slowing down, especially in manufacturing

World's GDP growth, percent



New orders, 3 month index



# Seismic zones of the global economy

A hand holding a globe of the Earth, symbolizing global economic stability and risk. The background is a dark, textured surface, possibly a mountain or a rocky terrain, with a cloudy sky in the upper part.

**Fragility of global economic recovery**

**Social unrest, antiglobalism and fragmentation**

**Protectionism, "trade wars"**

**The QE experiment and its side effects**

**Short-sighted Trumponomics**

**Geopolitical risks and spillover effects**

# Politikos formuotojų arsenalas senka...

ECB announces fresh stimulus as eurozone economy falters

Bloomberg

ECB TO BUY BONDS AS LONG AS NEEDED

Mario Draghi  
Lagarde says

Netherlands rolls out economic stimulus plan as downturn looms

Draghi

The ECB

Deposit

Tax cuts and extra investment come after ECB urges government to boost growth

Tiering

Exempts part of banks' excess liquidity from negative rates in 2-tier system

Forward guidance

Scraps calendar-based guidance, sees rates at present or lower levels until inflation "robustly" converges on goal, supported by underlying dynamics

Quantitative easing

Net purchases will be restarted at a monthly pace of €20 billion as of Nov. 1. Purchases to continue until shortly before first rate increase

TLTRO

Lowers interest rates on TLTROs, lengthens maturities to 3 years (from 2 years)

## Trump's trade war farm bailout

The U.S. government will pay American farmers hurt by the trade war with China between \$15 and \$150 per acre as part of a \$16 billion aid package starting later this month. The program covers 29 commodity crops, including soybeans, corn, wheat, sorghum and upland cotton. It follows a \$12 billion package last year. Farmers have also received around \$5 billion in disaster relief assistance from the federal government in the past two years.

## Repo market

NY Fed injects \$66bn into short-term lending markets

Latest auction shows reduced demand from banks for cash as strains subside



Business

Market Data

Global Trade

Companies

Entrepreneurship

Technology of Business

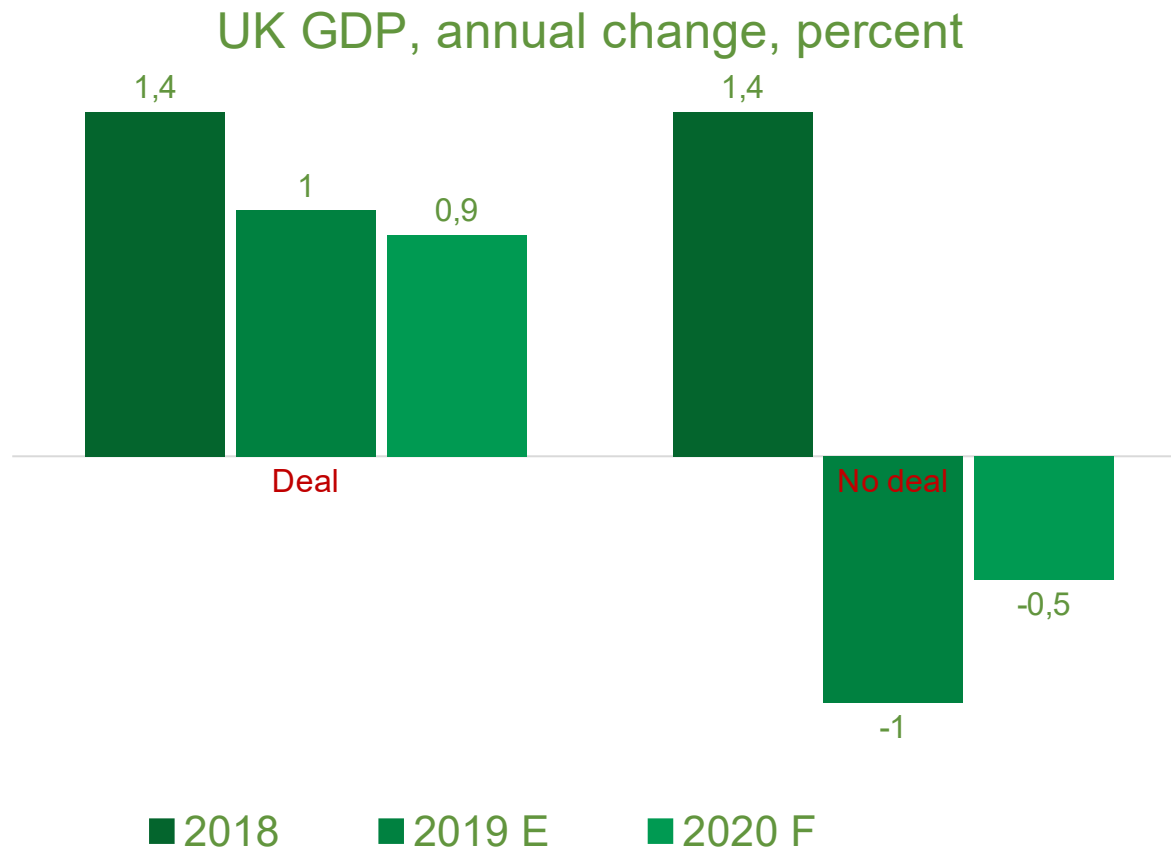
## US Fed cuts interest rates for second time since 2008

Note: Data as of July 25; the average is shown for counties with more than one value. Sources: U.S. Department of Agriculture; U.S. Census Bureau



GET **BREXIT** DONE

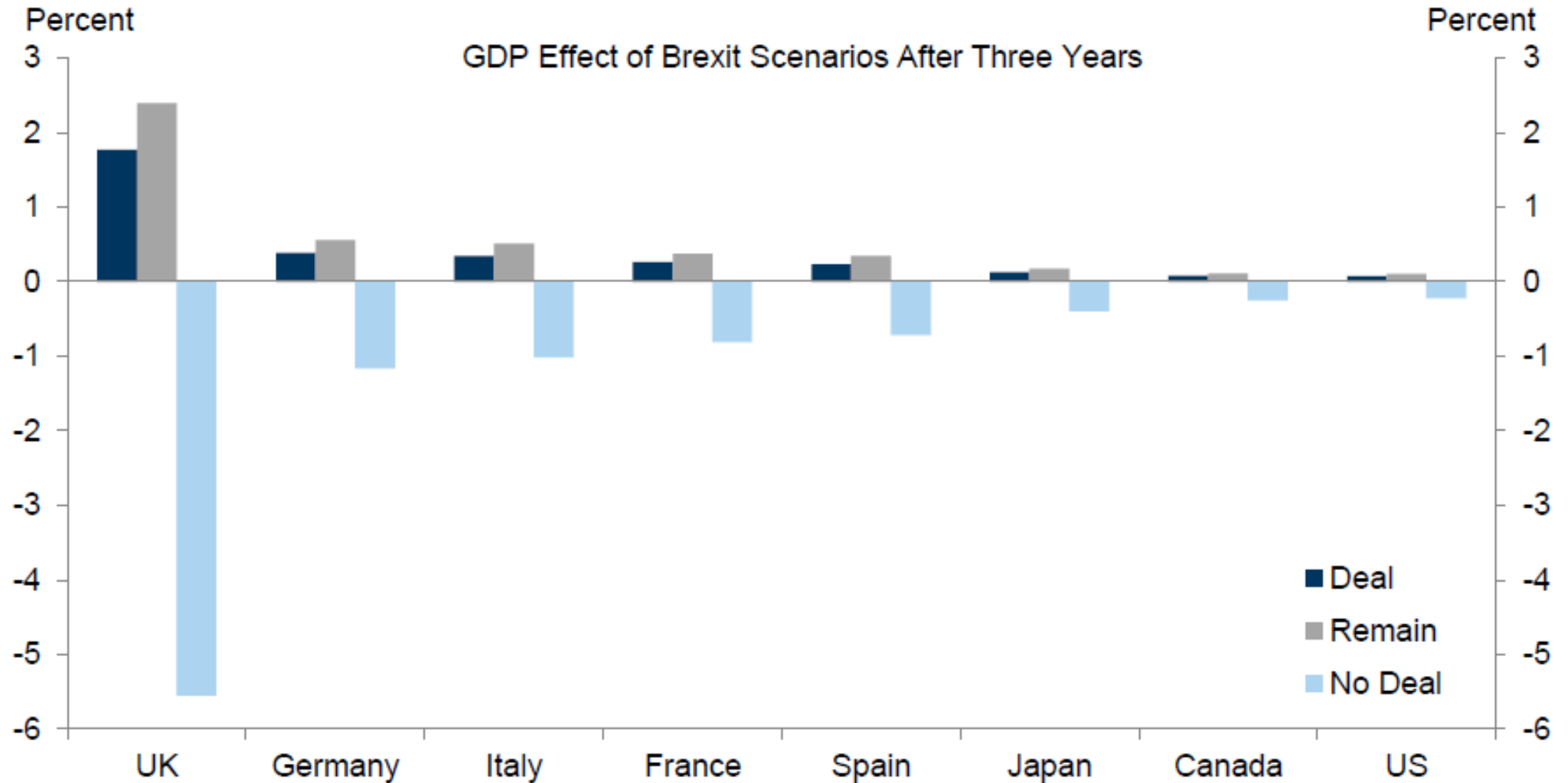
# Brexit scenarios and effect on the economy



## Estimates based on 2016-2019

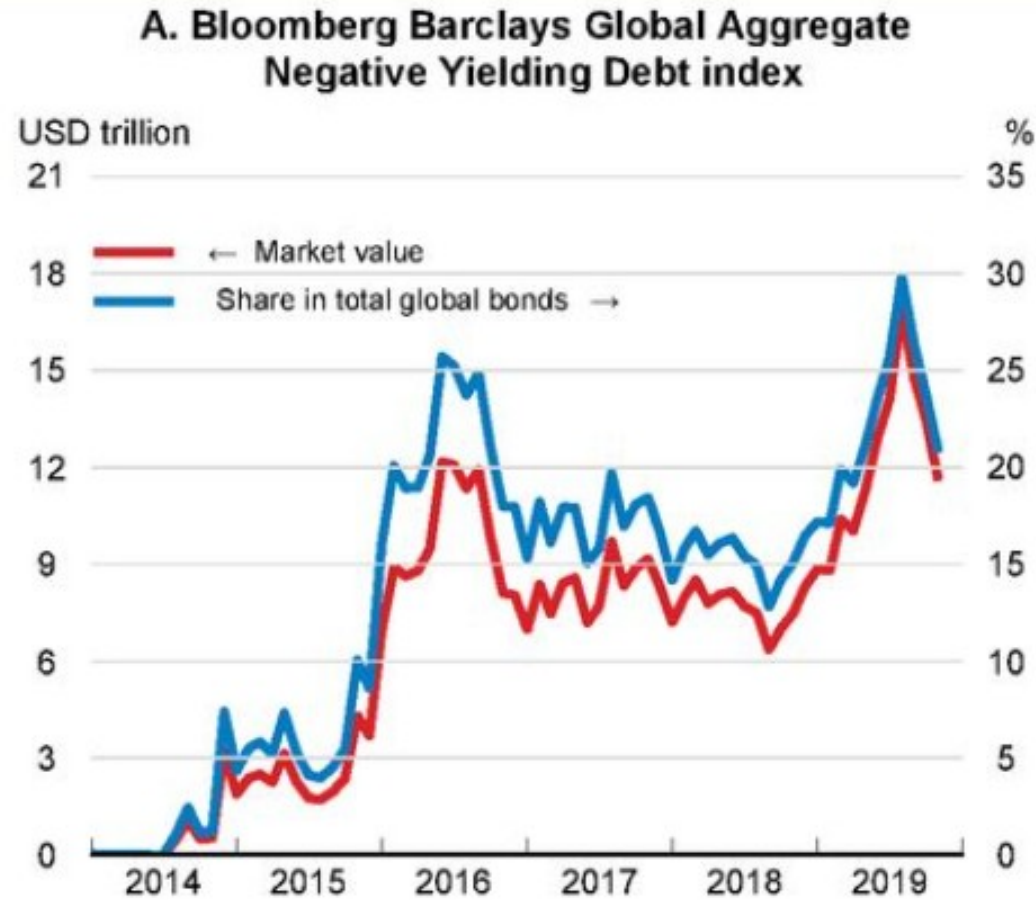
- Investments: 11 percent yoy
  - Labour productivity: 4 percent yoy
  - Employment: 18,000 per 3y
- ↓
- Uncertainty
  - Additional “Brexit” hours: +200 val.
- ↑

# Any good news about Xmas?

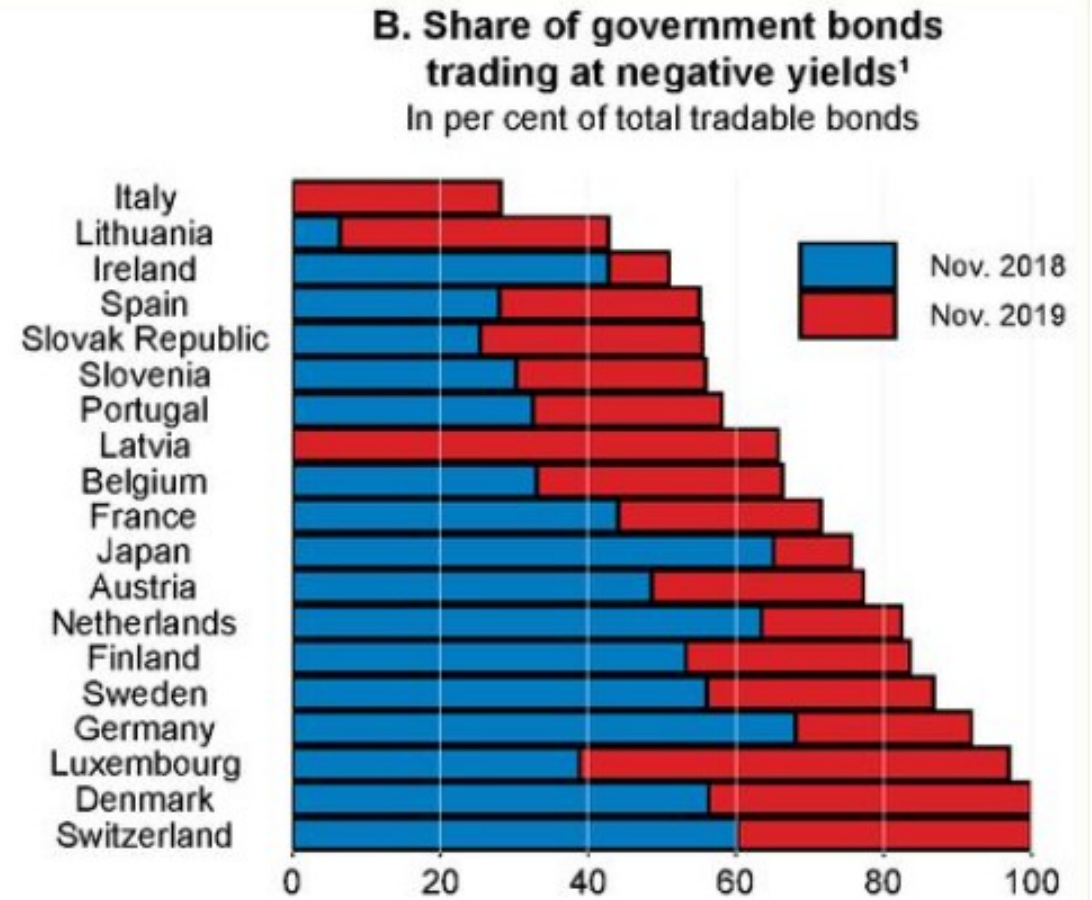




# Lower longer-term interest rates do not stimulate economic growth if they reflect only heightened uncertainty



stronger demand for safer assets



21% of the total stock of global bonds

# Measures to stimulate the economy are limited

ECB announces fresh stimulus as eurozone economy falters

Bloomberg

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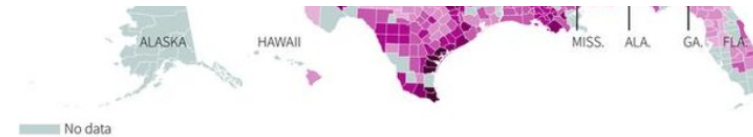
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Sources: U.S. Department of Agriculture; U.S. Census Bureau

# European Green Deal – a drag or stimulus?

## The EU will:



Become  
climate-neutral  
by 2050



Protect human life,  
animals and plants,  
by cutting pollution



Help companies  
become world leaders  
in clean products and  
technologies



Help ensure a  
just and inclusive  
transition



**93%**  
of Europeans see  
**climate change** as  
a **serious problem**



**93%**  
of Europeans have **taken**  
at least one **action**  
to tackle climate change



**79%**  
agree that taking action  
on climate change will  
**lead to innovation**

# EU to become Climate – neutral by 2050

## ENERGY

Decarbonise the energy sector

## BUILDINGS

Renovate buildings, to help people cut their energy bills and energy use



**40%** of our energy consumption is by buildings

## INDUSTRY

Support industry to innovate and to become global leaders in the green economy

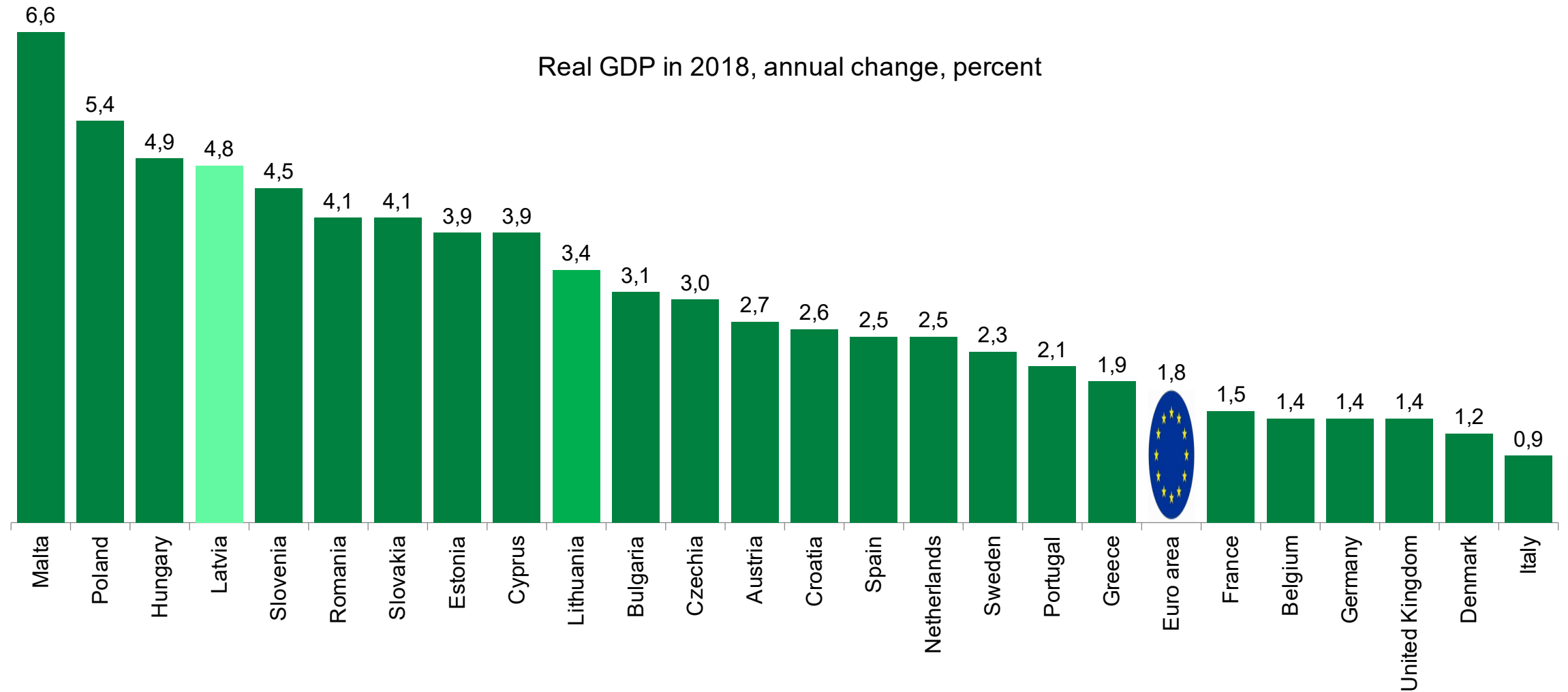
## MOBILITY

Roll out cleaner, cheaper and healthier forms of private and public transport



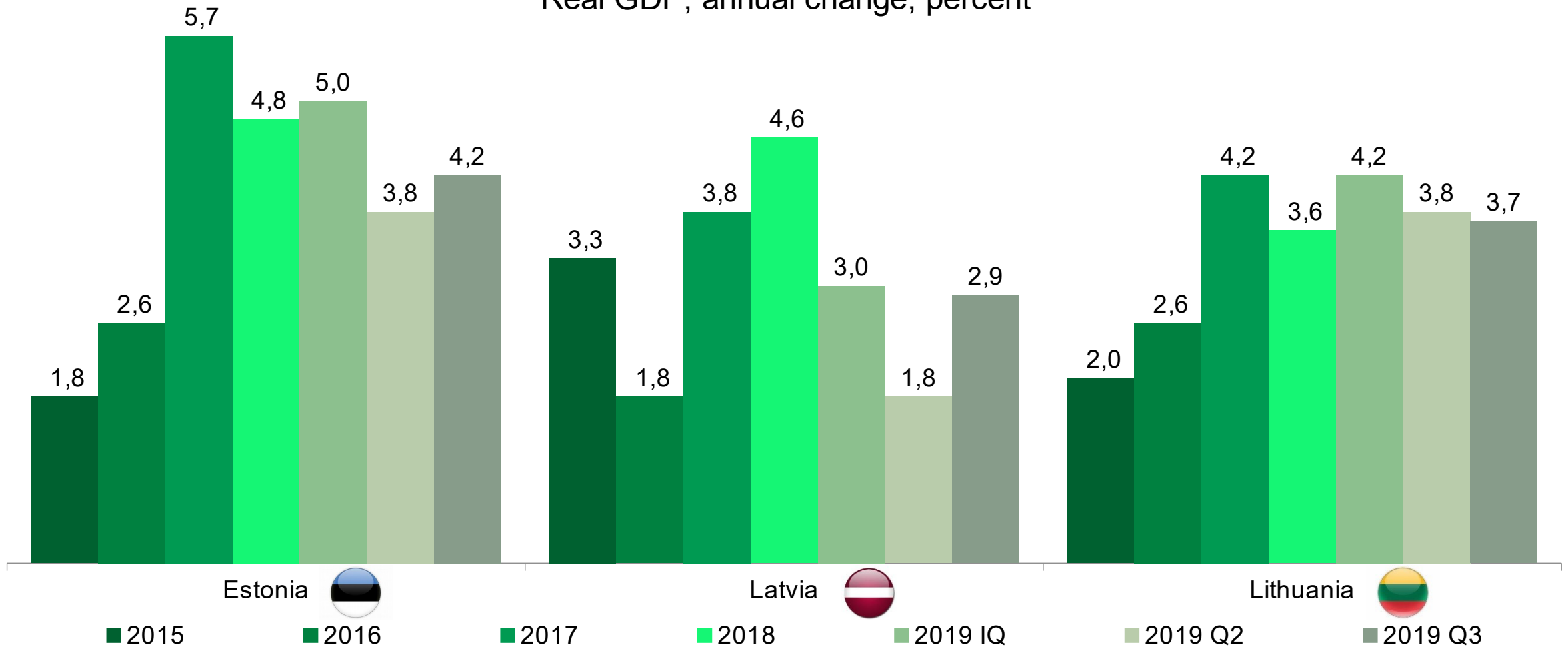
Transport represents **25%** of our emissions

# Baltics demonstrate strong growth



# And keeps momentum this year

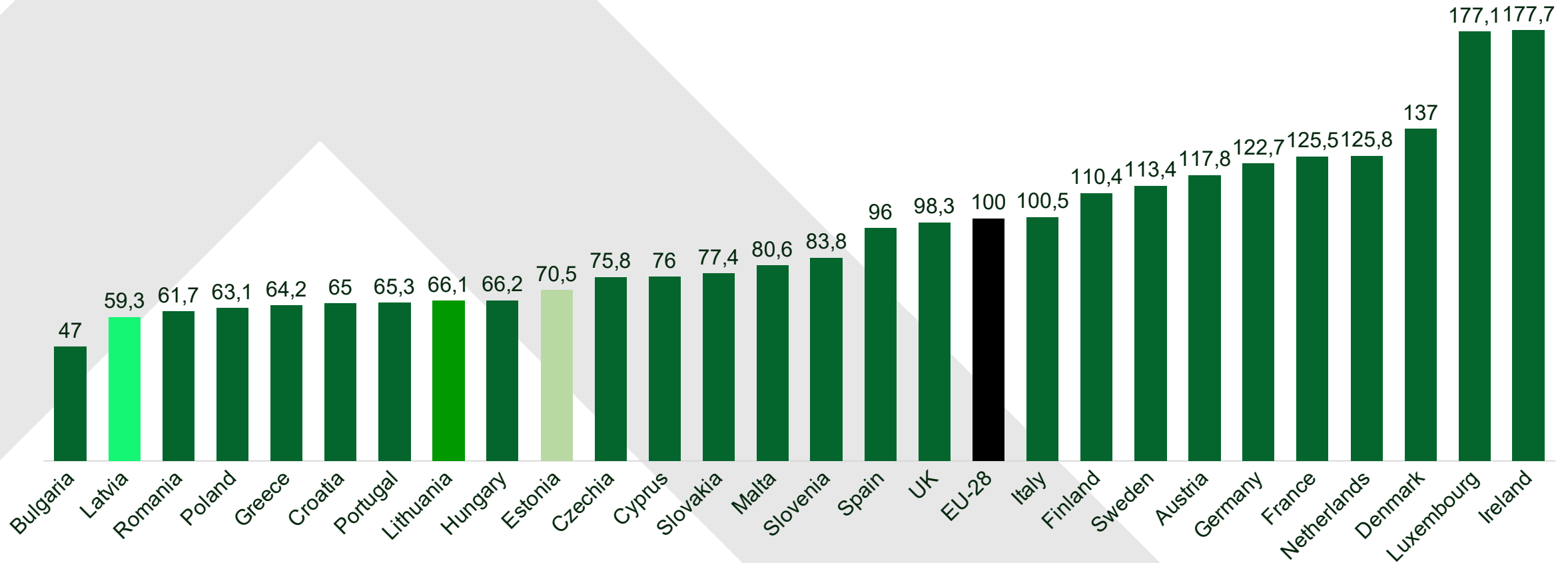
Real GDP, annual change, percent



# Baltics still lag behind EU by productivity



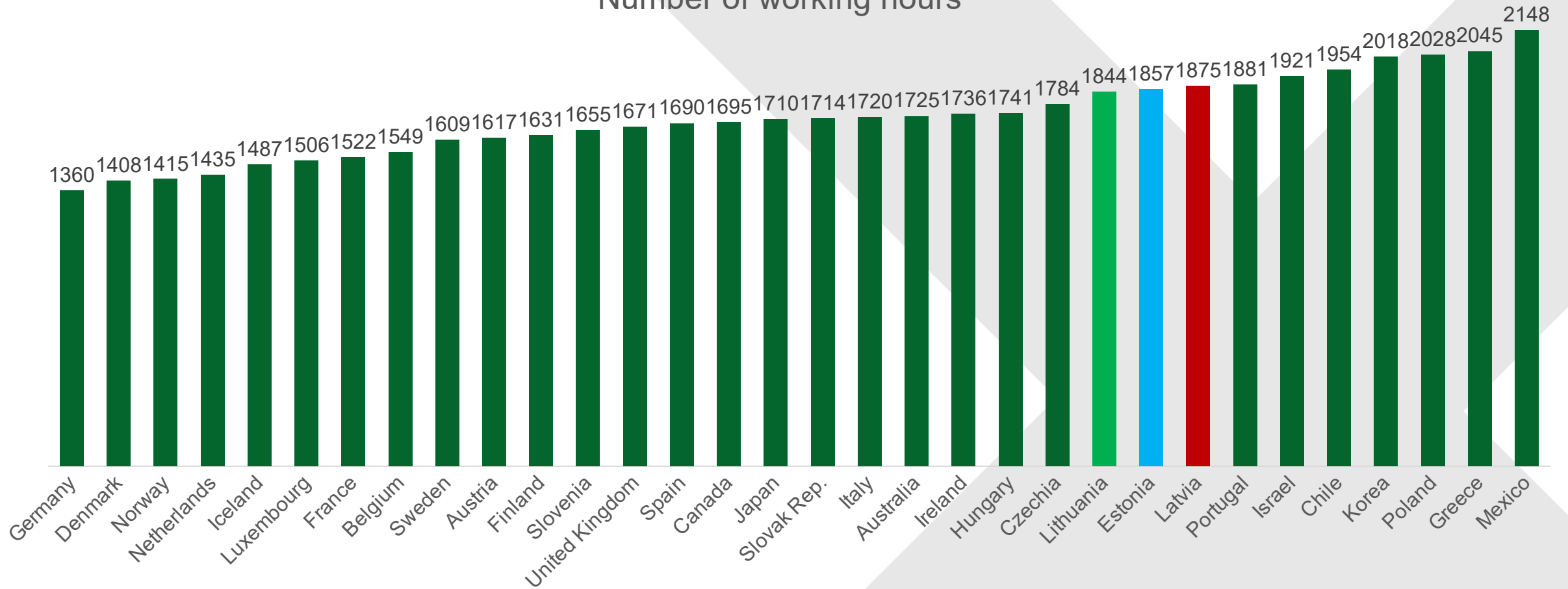
Labour productivity in PPP per hour worked in 2018, EU28=100





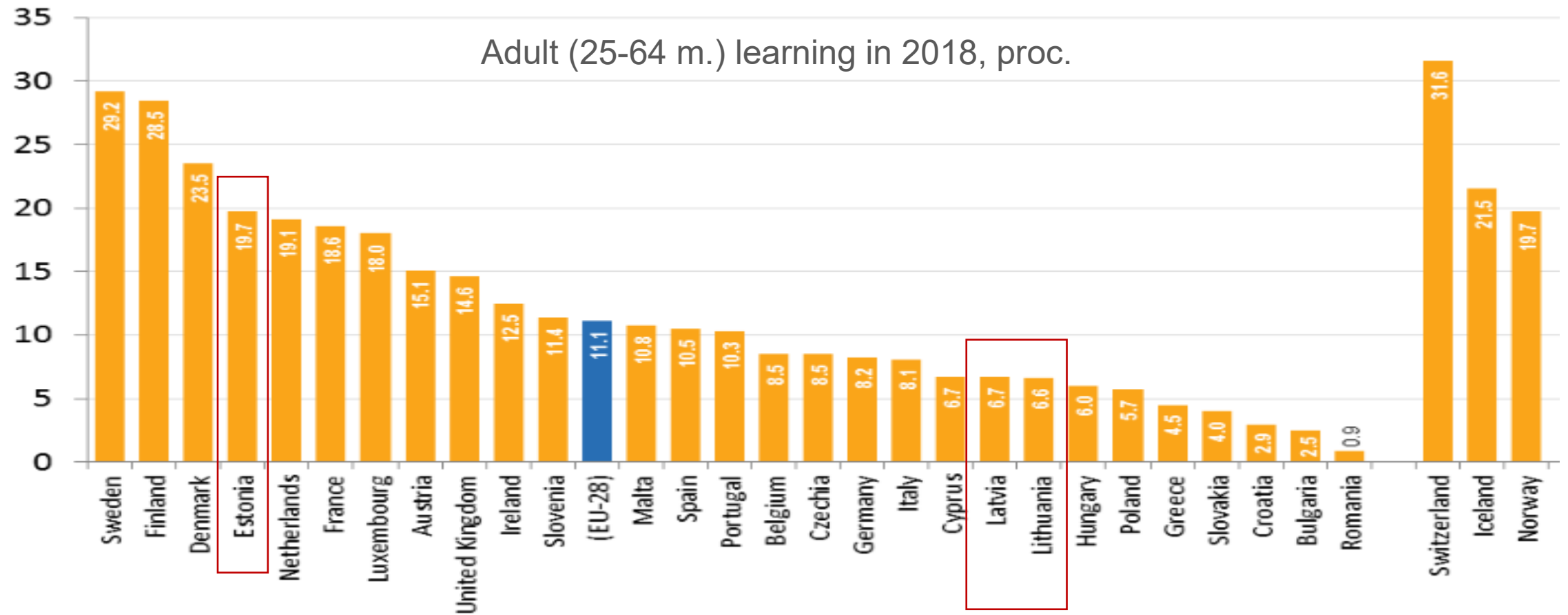
# People in the Baltics work hard...

Number of working hours



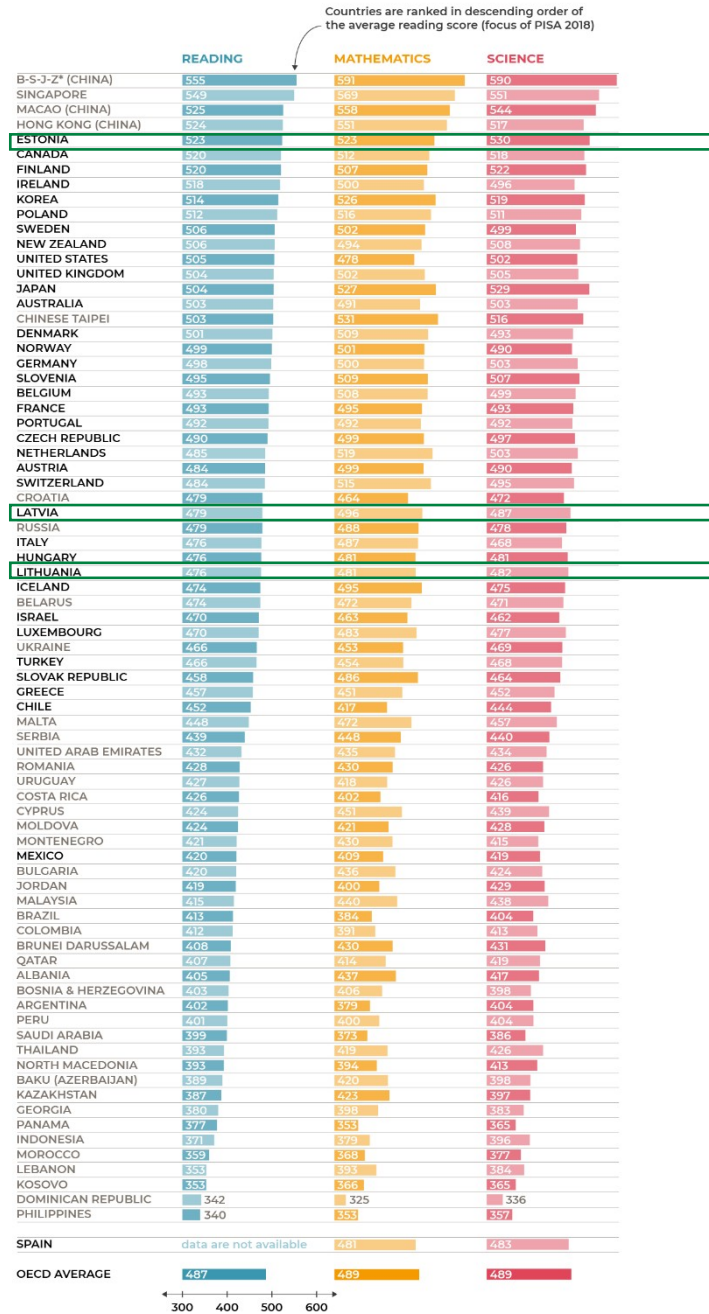


# Investments in knowledge are crucial



# PISA 2018 results

Snapshot of students' performance in reading, mathematics and science



# Skills are changing

## Growing

- 1 Analytical thinking and innovation
- 2 Active learning and learning strategies
- 3 Creativity, originality and initiative
- 4 Technology design and programming
- 5 Critical thinking and analysis
- 6 Complex problem-solving
- 7 Leadership and social influence
- 8 Emotional intelligence
- 9 Reasoning, problem-solving and ideation
- 10 Systems analysis and evaluation

## Declining

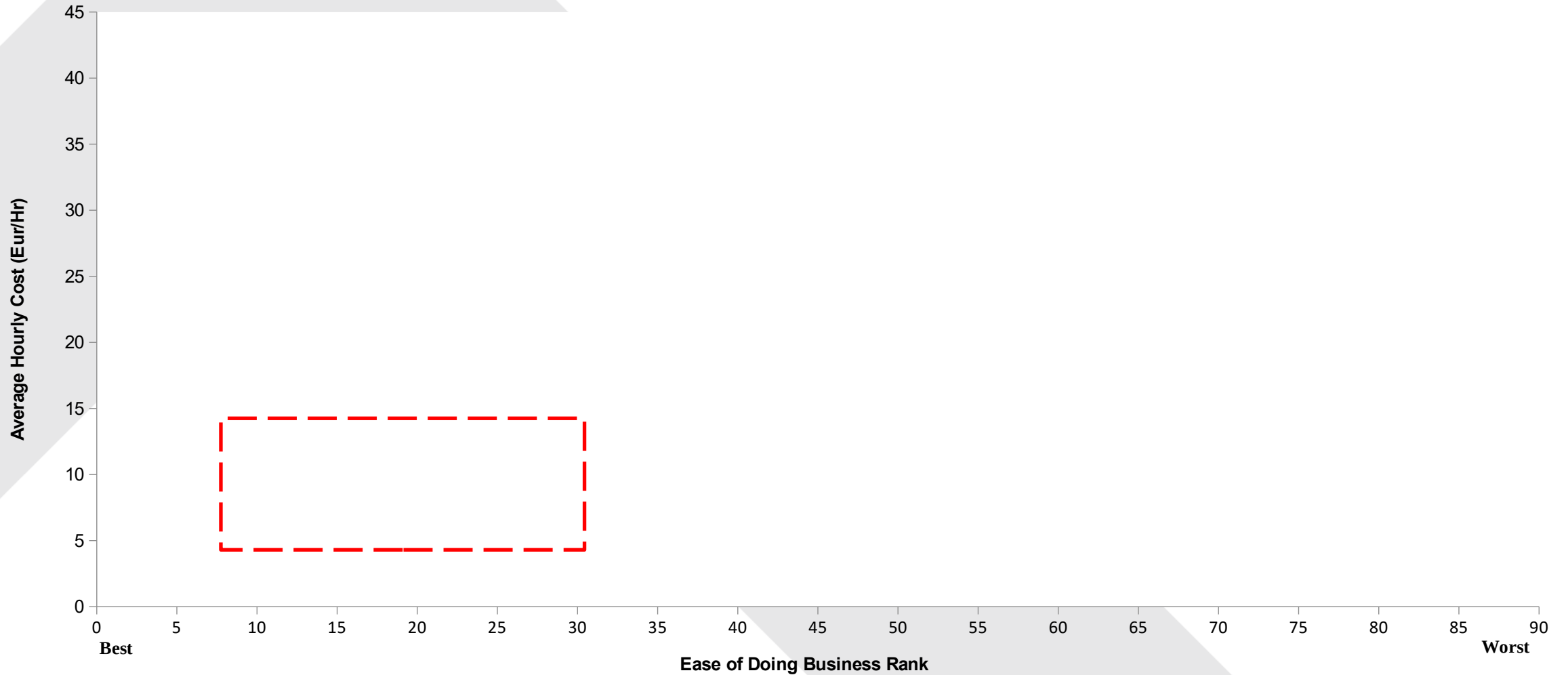
- 1 Manual dexterity, endurance and precision
- 2 Memory, verbal, auditory and spatial abilities
- 3 Management of financial, material resources
- 4 Technology installation and maintenance
- 5 Reading, writing, math and active listening
- 6 Management of personnel
- 7 Quality control and safety awareness
- 8 Coordination and time management
- 9 Visual, auditory and speech abilities
- 10 Technology use, monitoring and control



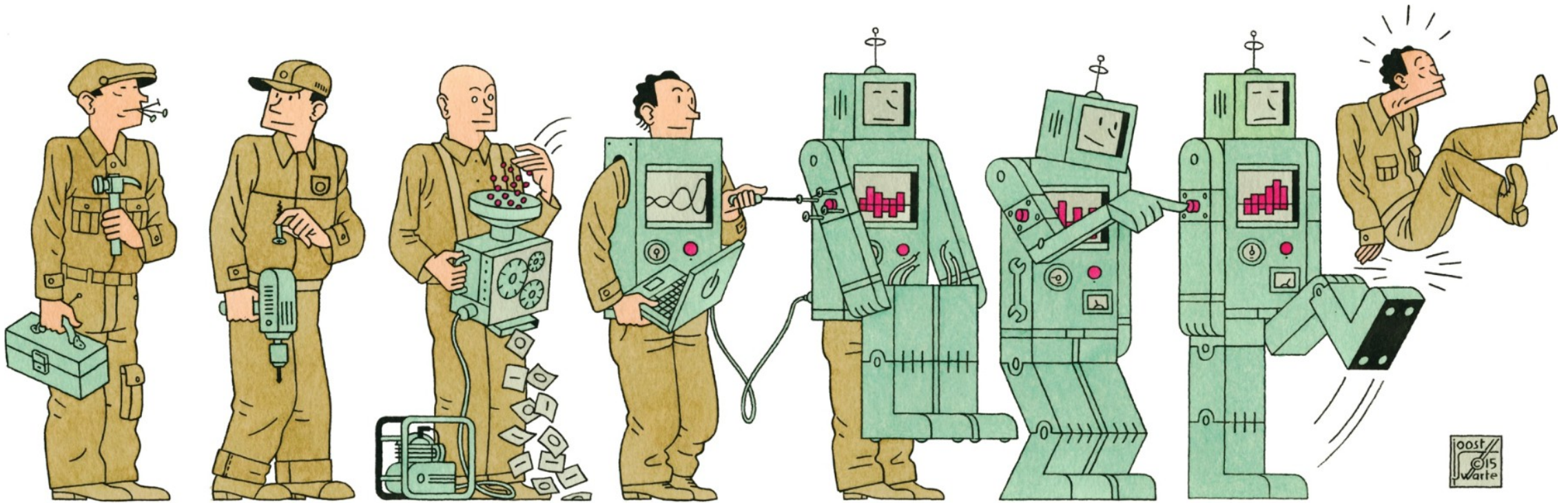
# Great quality to cost ratio



## HOURLY LABOUR COST VS EASY OF DOING BUSINESS

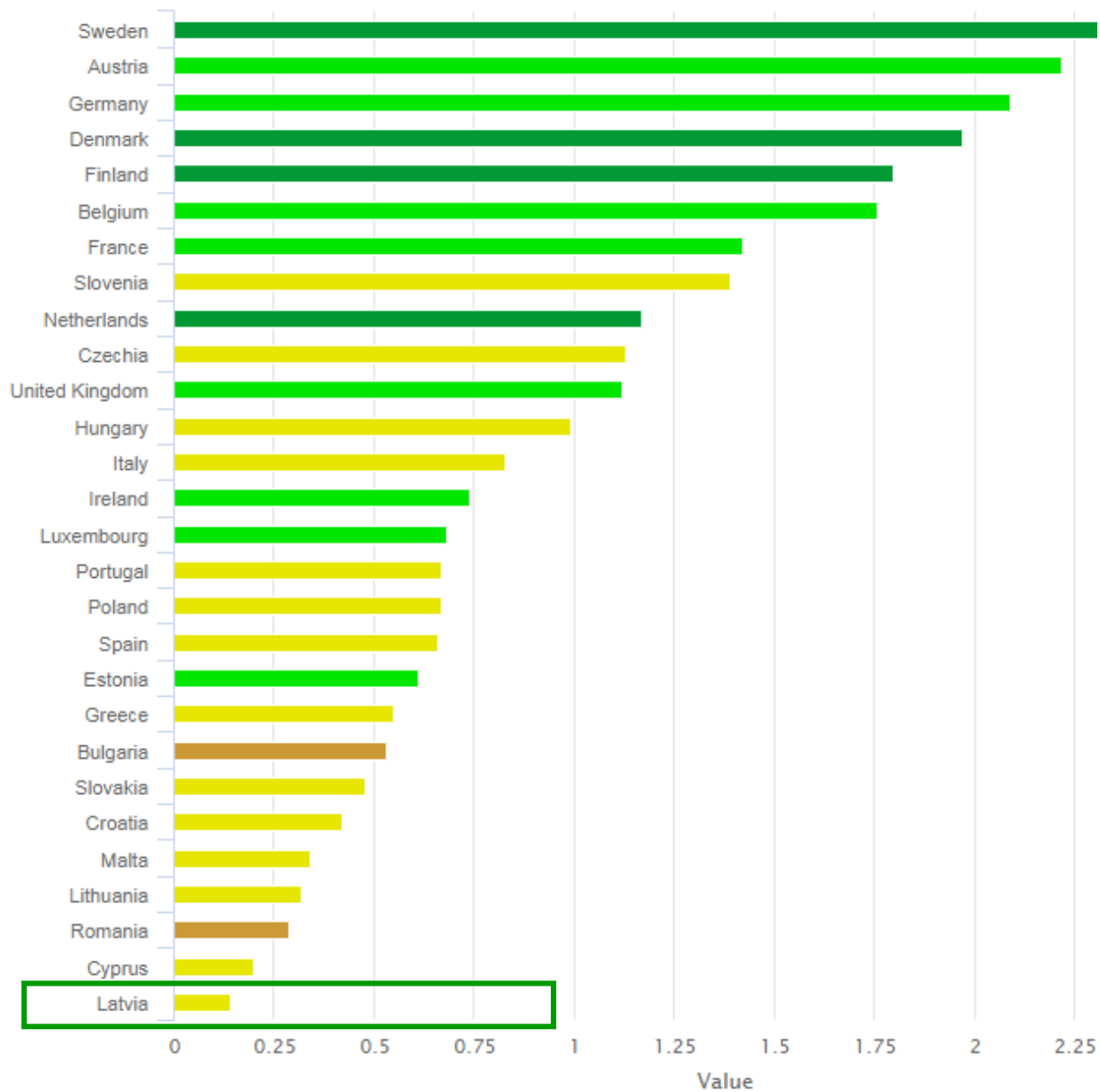


# Future jobs under control?



## 2.2.1 Business R&D expenditure

Source: European Innovation Scoreboard 2019



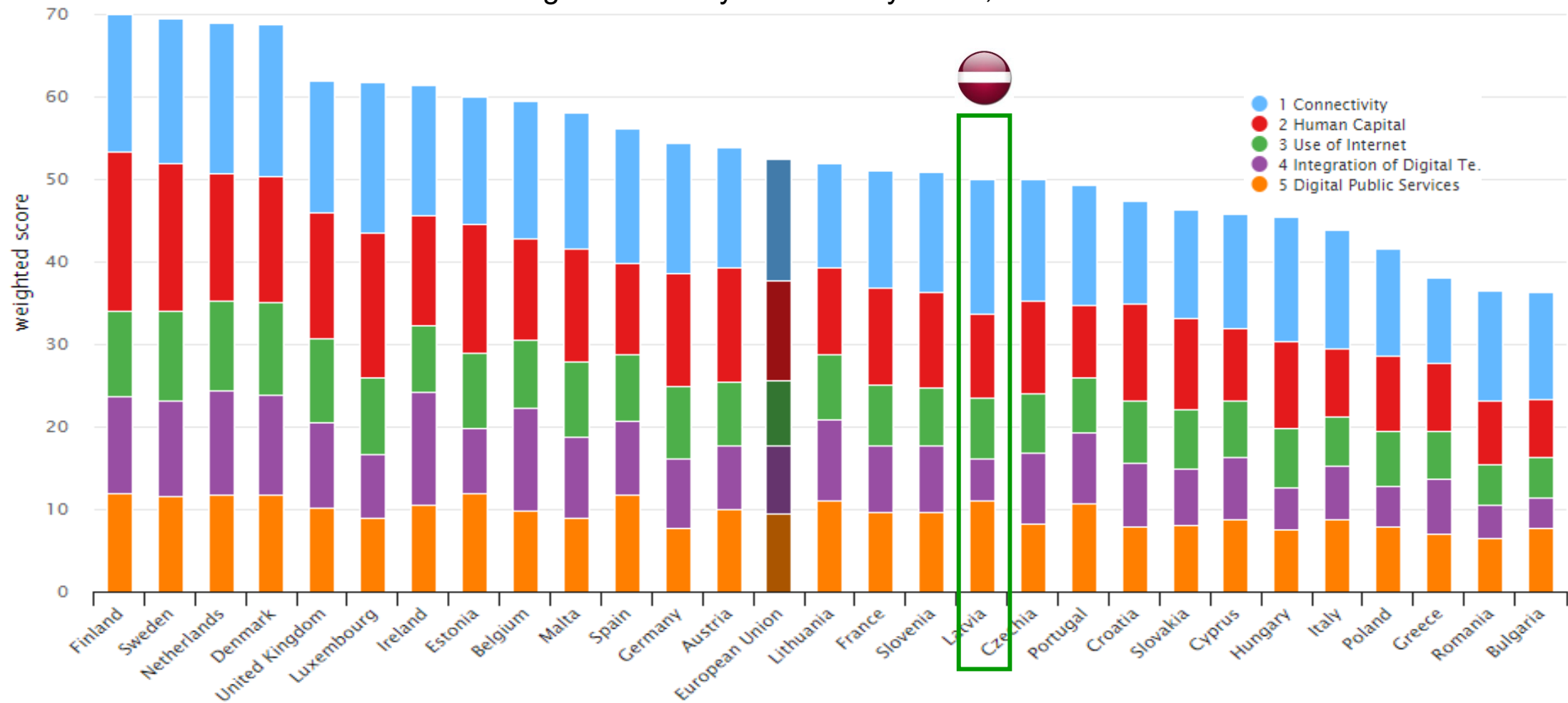
## 5.1.6 Share Knowledge-intensive services (%)

Source: European Innovation Scoreboard 2019



# Latvia needs to improve its digital score

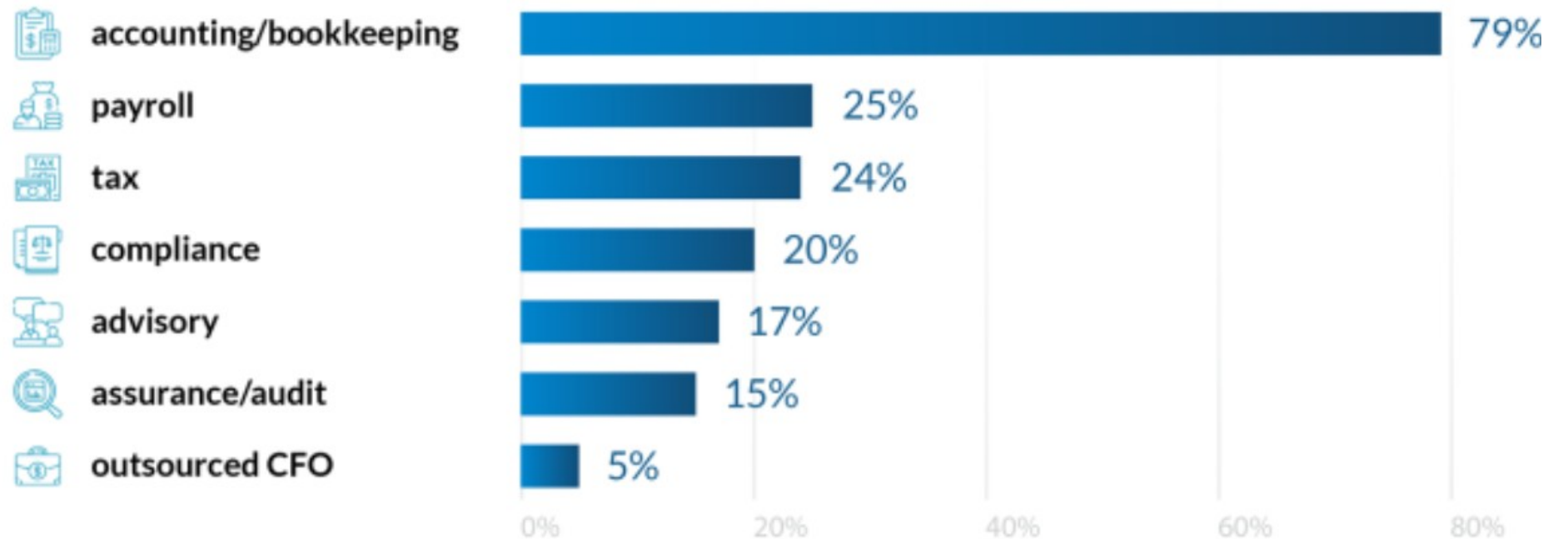
Digital Economy and Society Index, 2019



# Global trends in accounting in 2020: broader responsibilities, increase in consultancy

1

## Top services undertaken by accounting firms



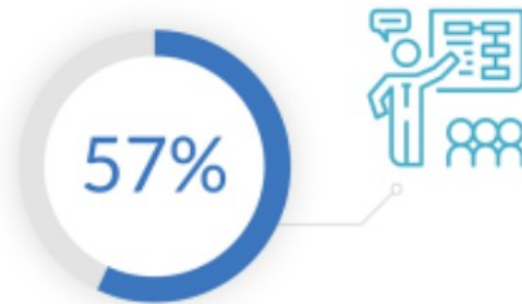
# Accounting increasingly relies on technologies

## 2 Firms that use cloud-based accounting software, by size

Source: Accounting Today



large firms



mid-sized firms

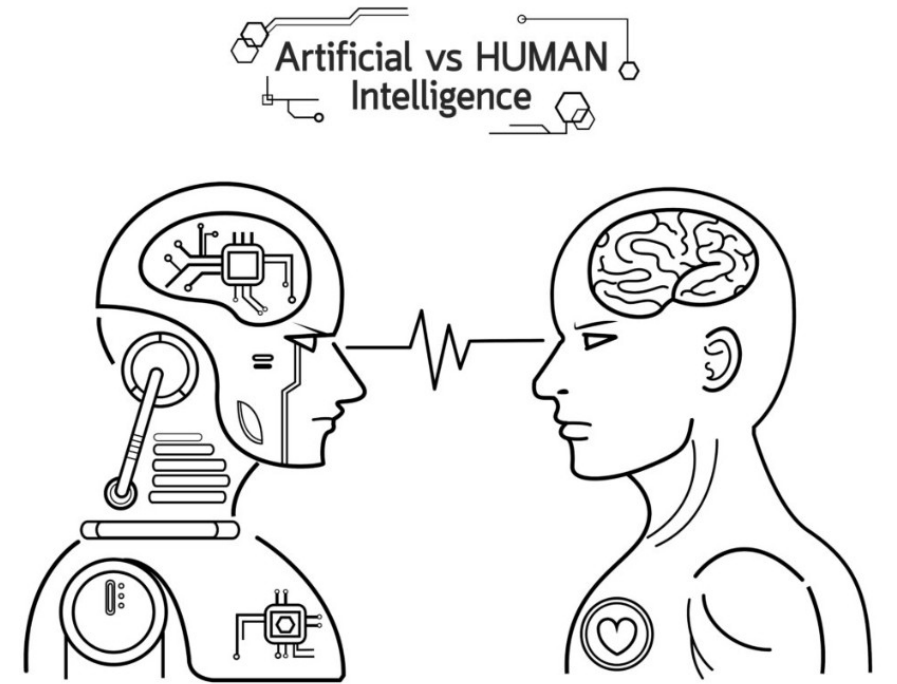


small firms

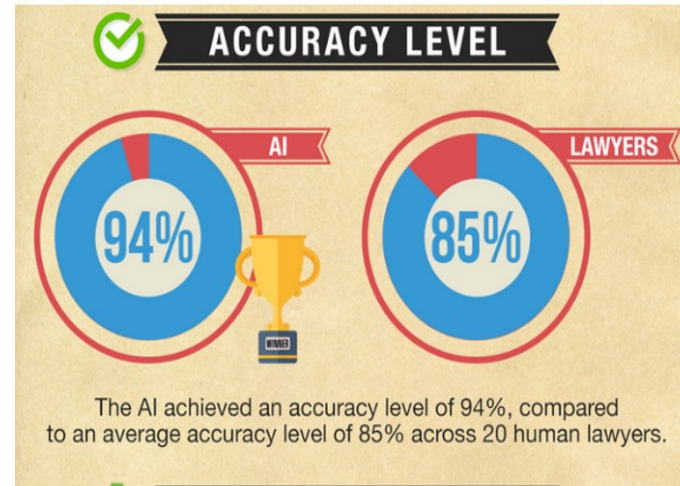
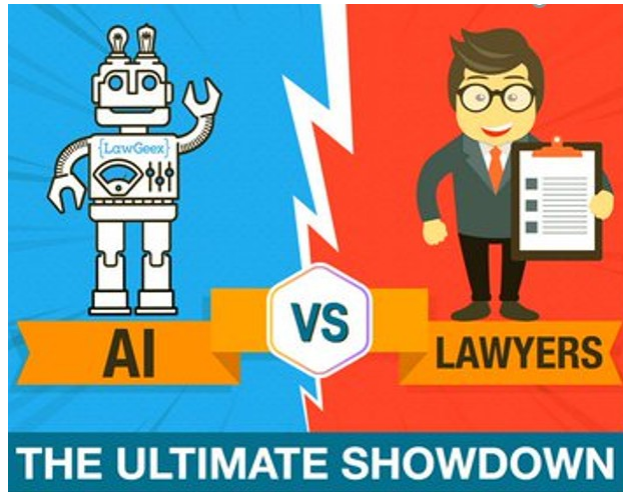


# Rising trends in 2020-2021

- Automated accounting processes: eliminates confusion and minimizes errors. But risk to fraud and compromised security remain...
- Rise of accounting software solutions
- Outsourcing accounting functions
- Cloud-based accounting
- Focus on data analytics
- Blockchain



# Disrupt the disruptors...



*If the rate of change on the outside exceeds the rate of change on the inside, the end is near.*

*— Jack Welch, Former GE CEO*