



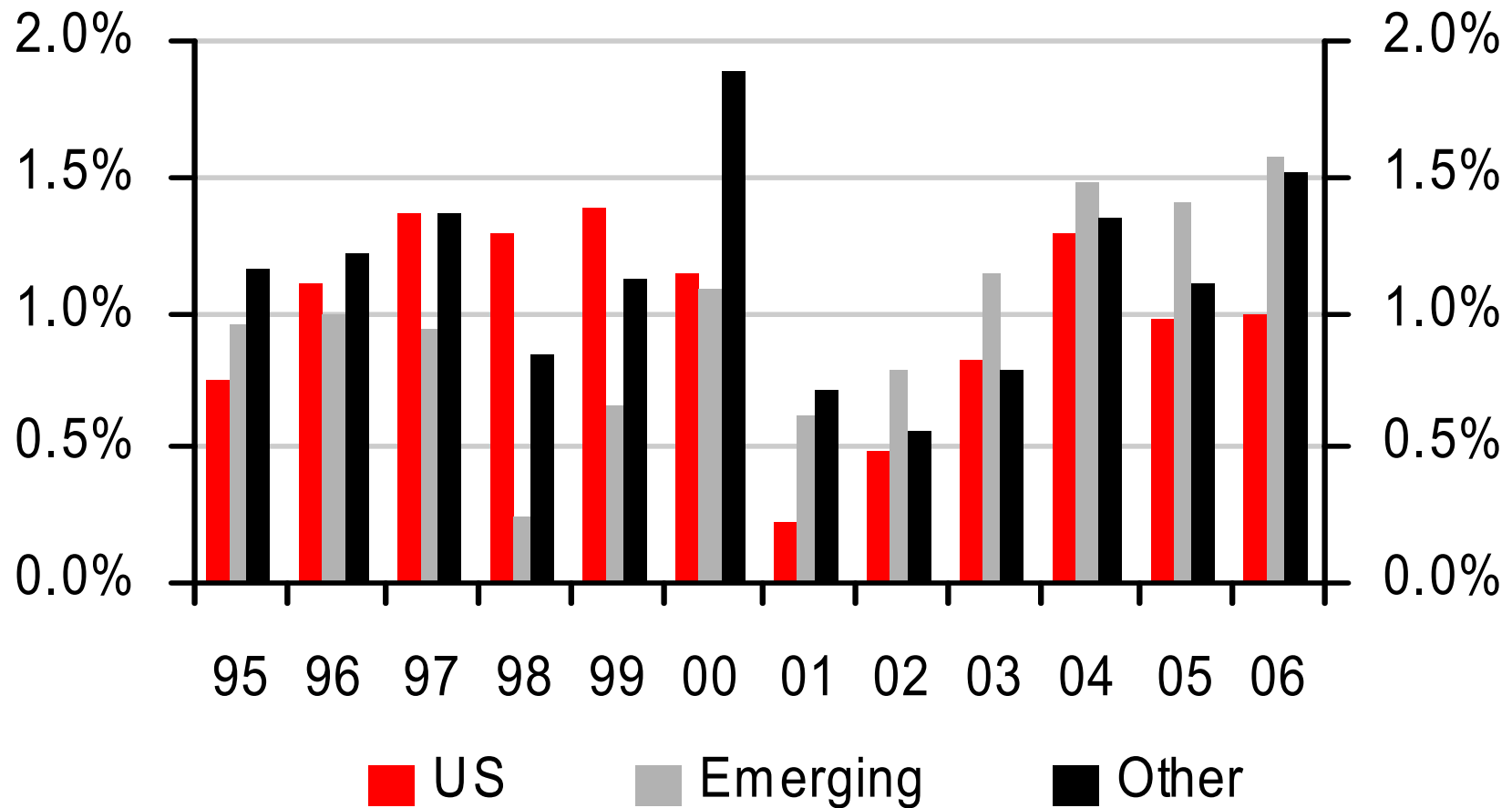
How emerging markets are shaping the world

A brief analysis

John Birchall

As the US fades other are growing

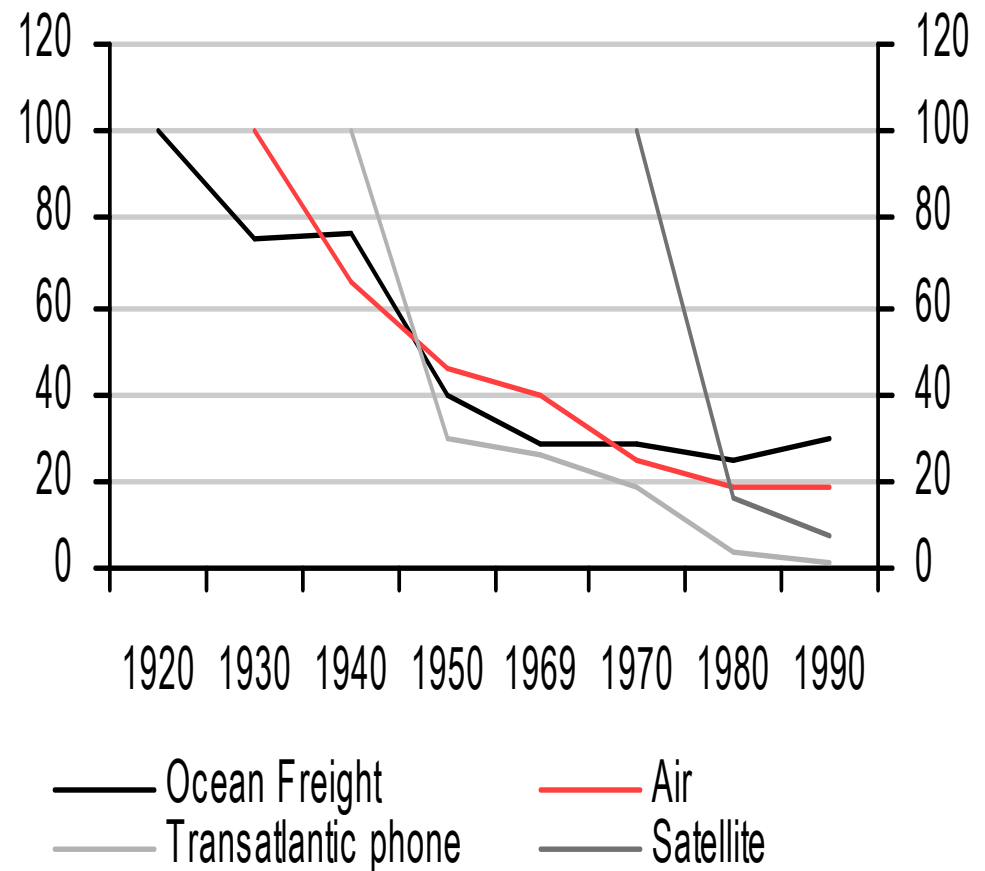
Global growth contributions



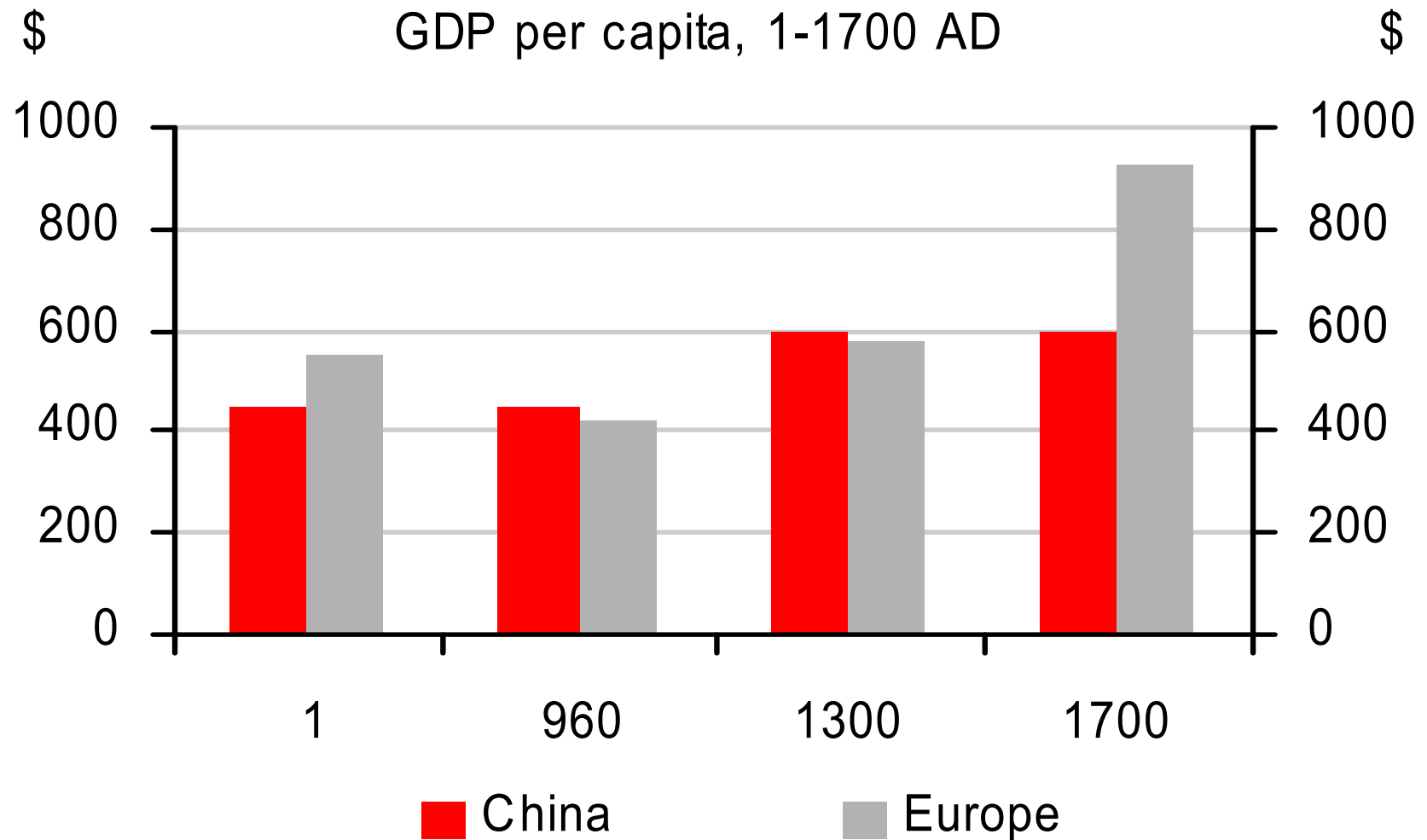
What is driving this?

- The collapsing price of technology
- The political openness generated by, first, the adoption of outward looking policies by the Chinese under Deng Xiaoping in the early 1980s and, second, by the fall of the Berlin Wall in 1989
- These are massive shocks that have rocked the competitive equilibrium of the world economy through both labour and capital flows
- The fall in real communications prices

Cost of transport and communications

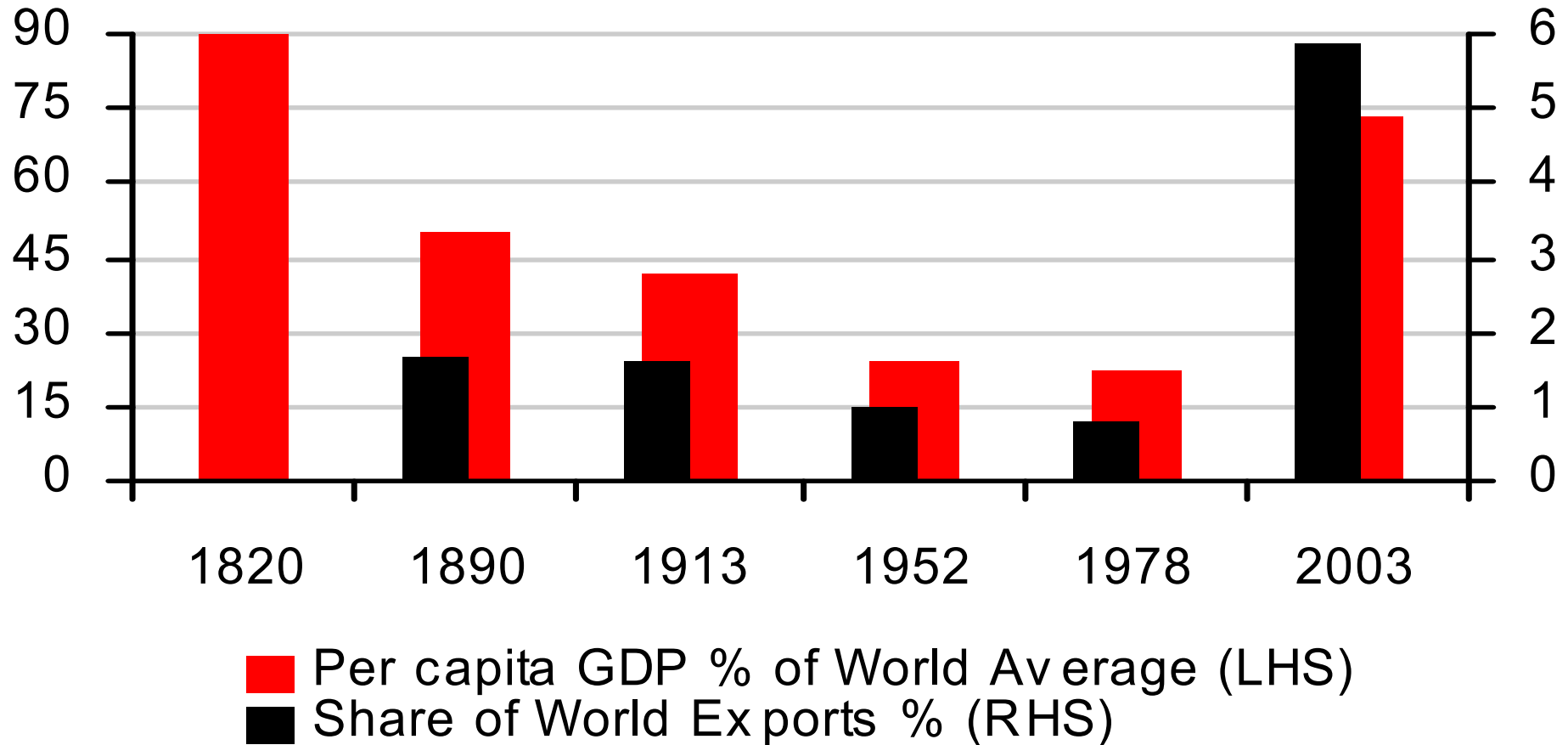


The history of China's economy

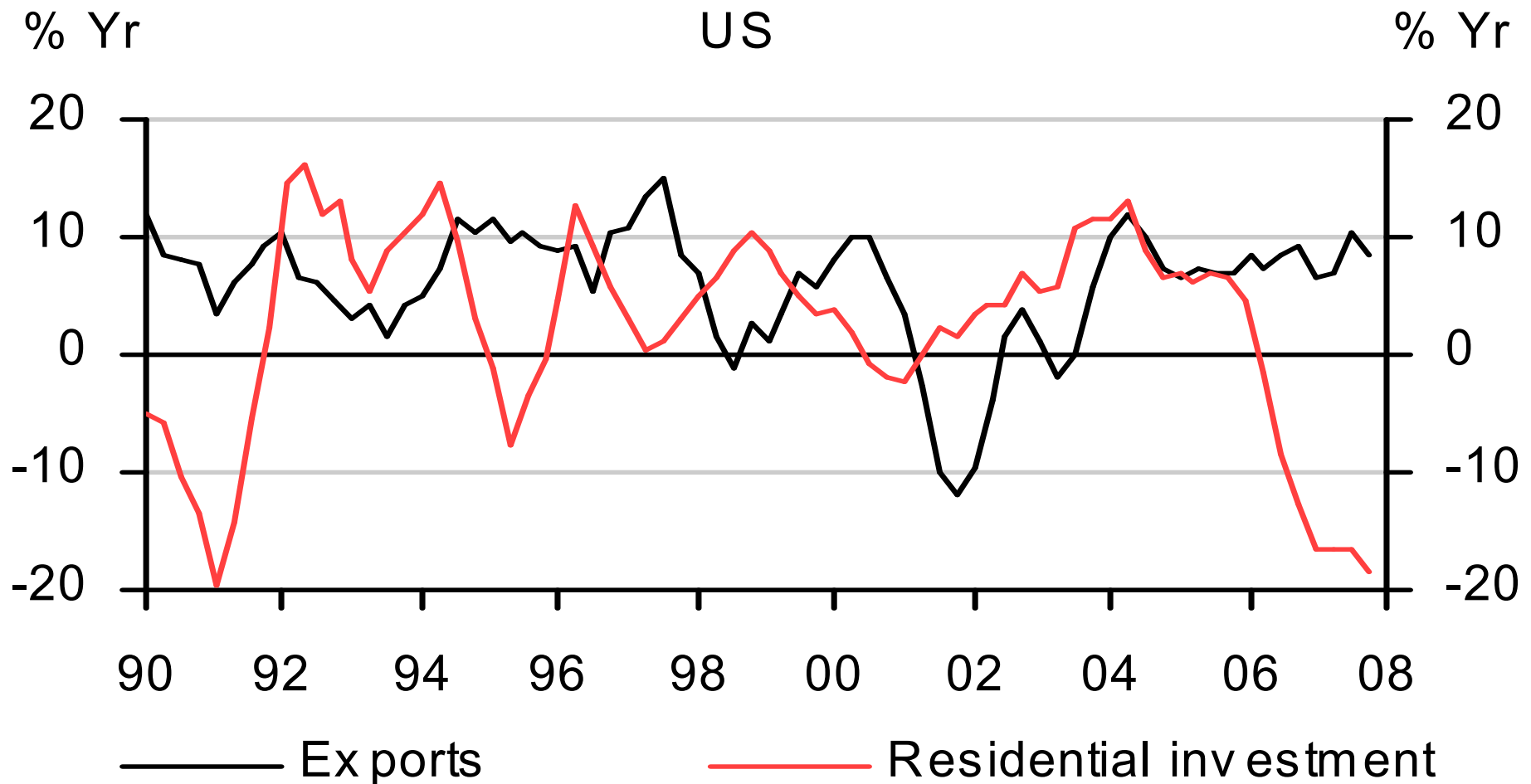


Now it's edging into the lead

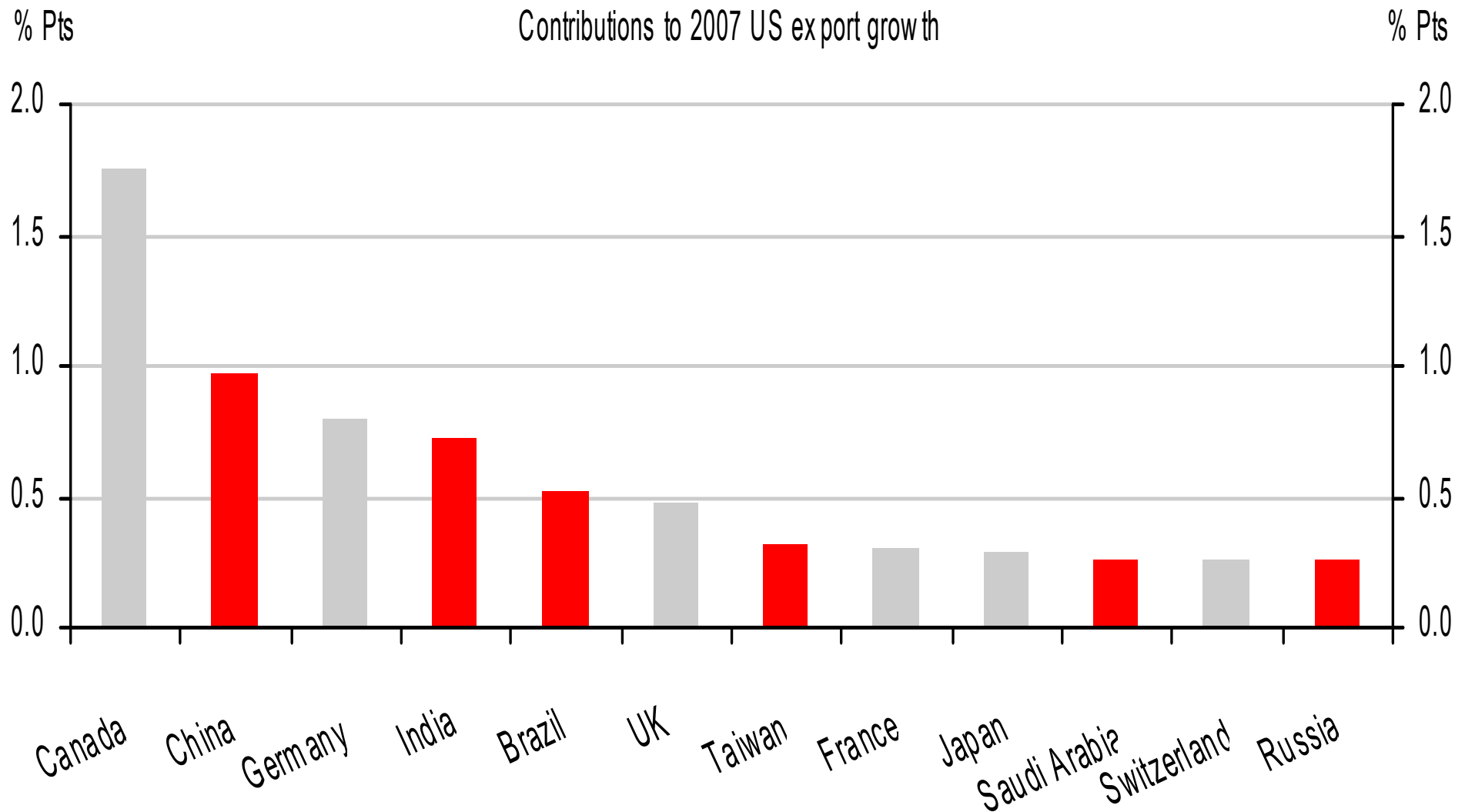
China's Geopolitical standing, 1820-2003



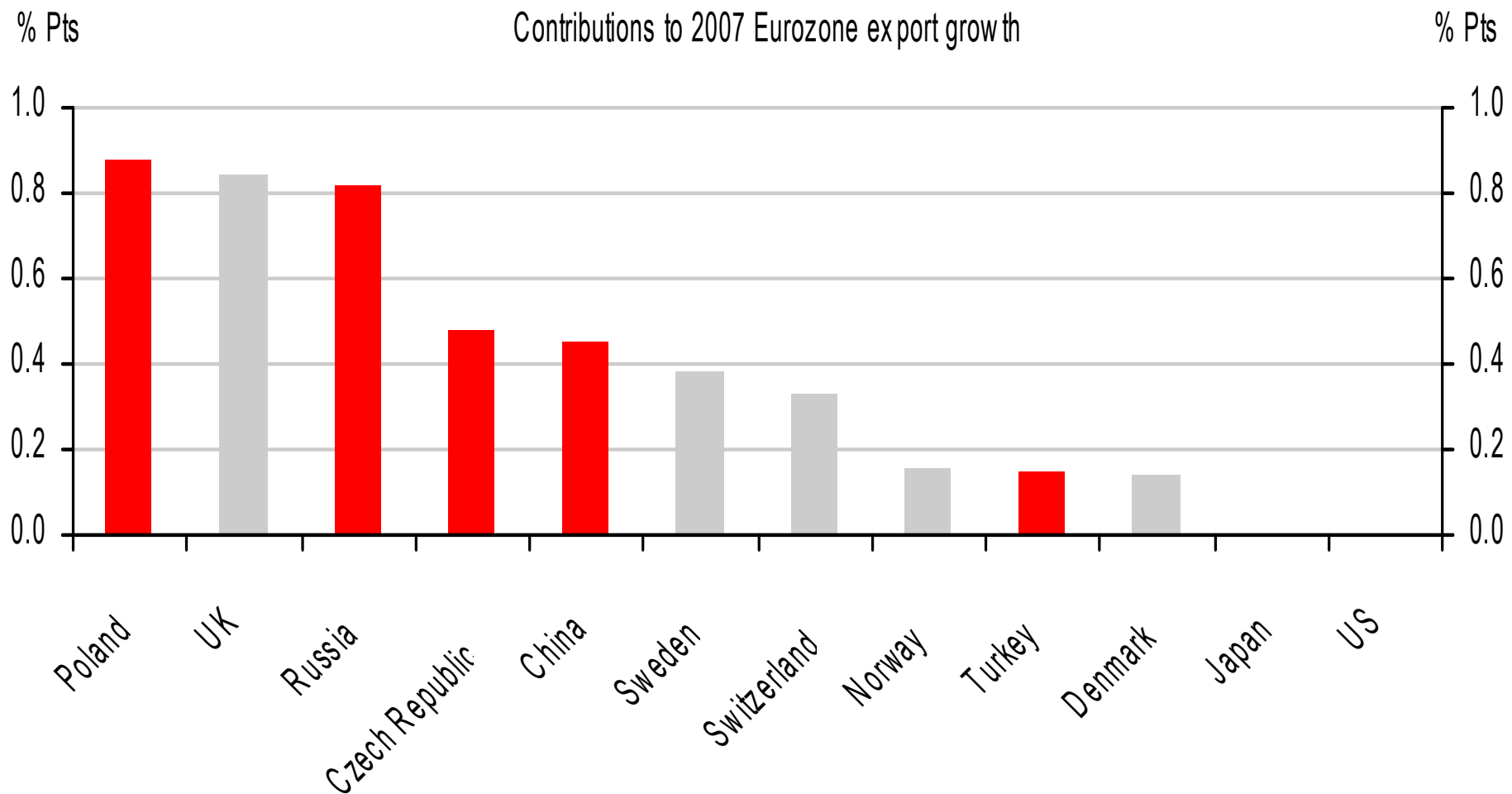
The US would have fallen faster if the merging markets had not been hungry for US goods



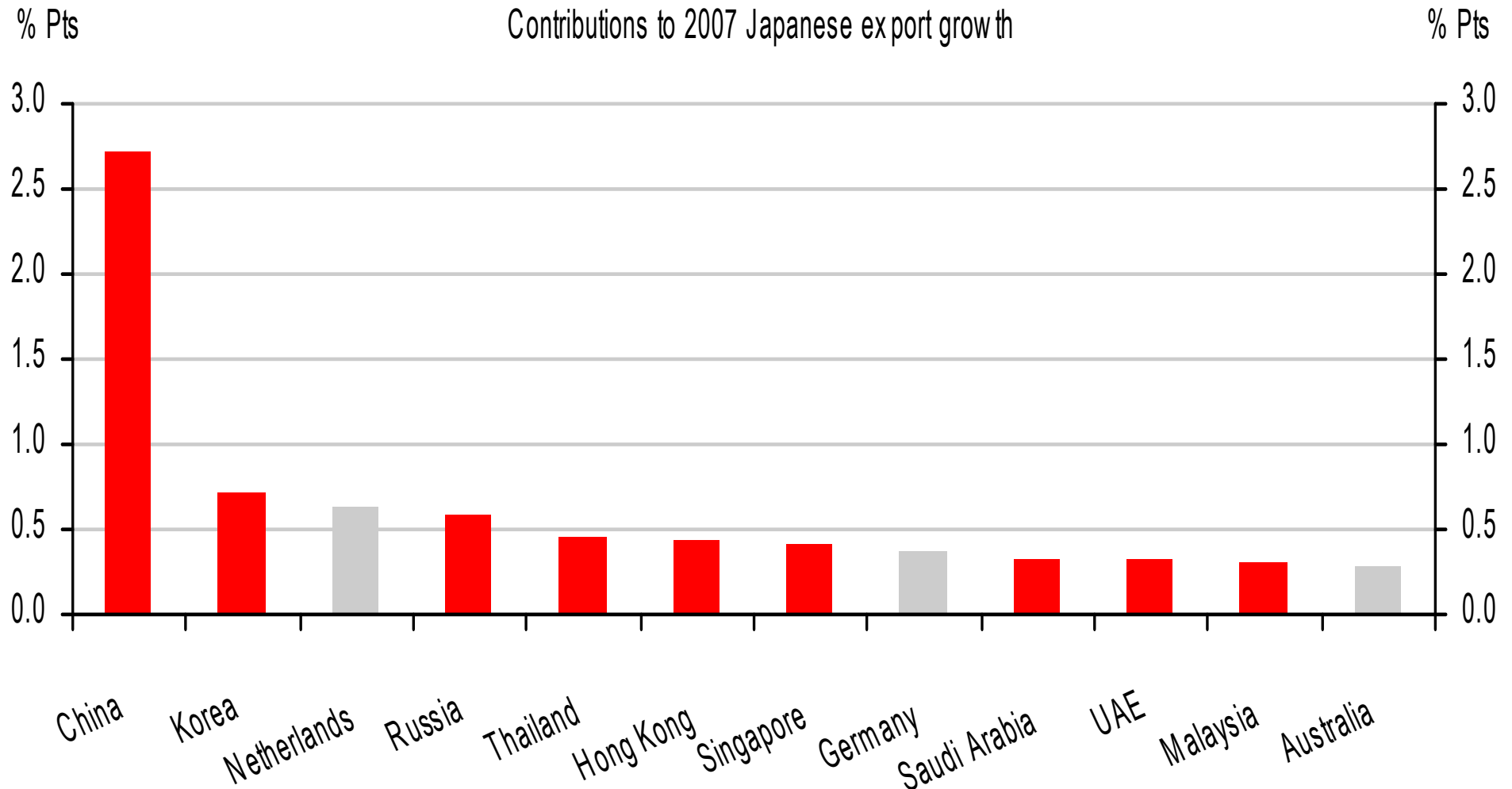
Who drives US export growth?



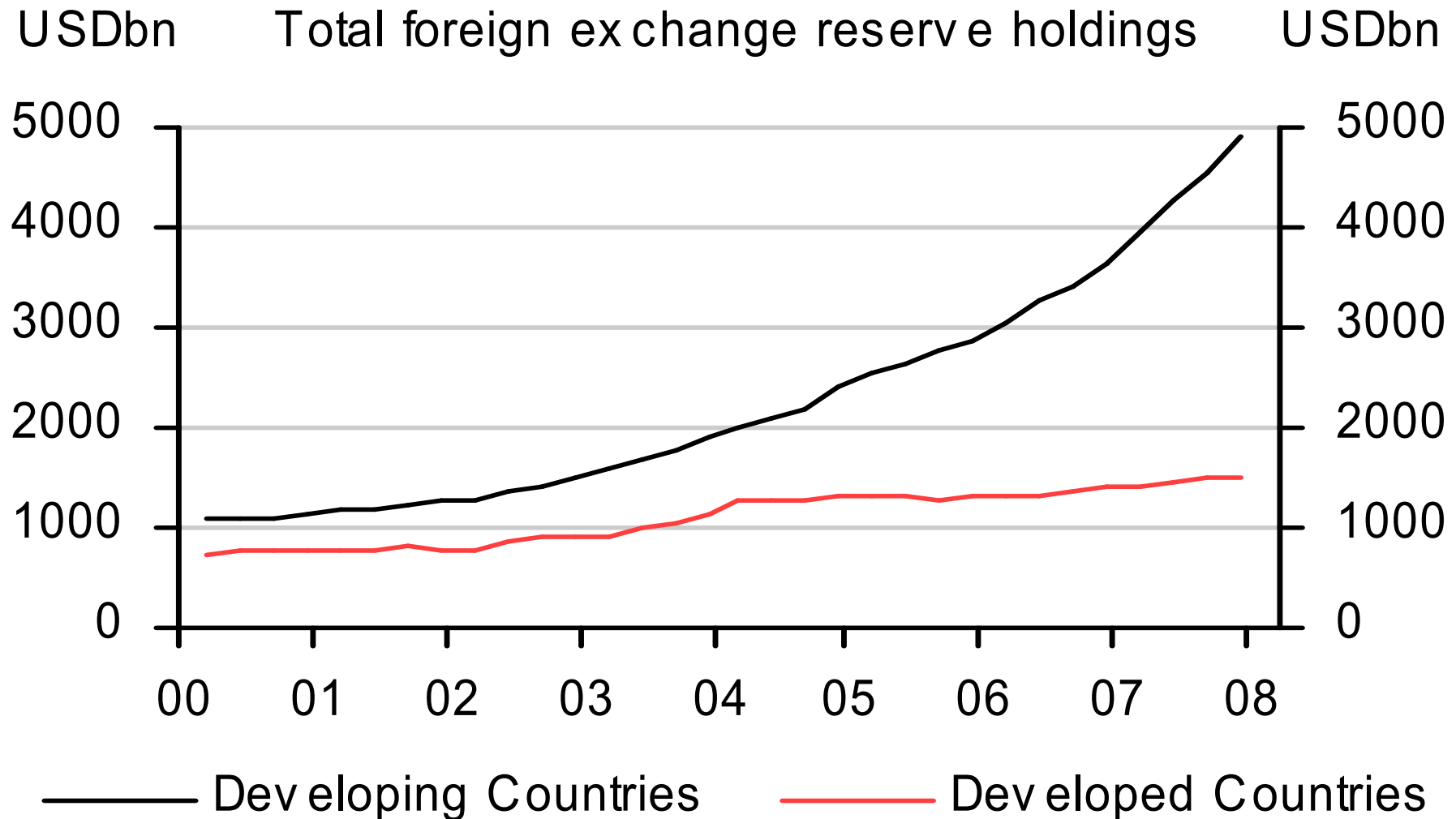
The Eurozone is increasingly influenced by China and Eastern Europe



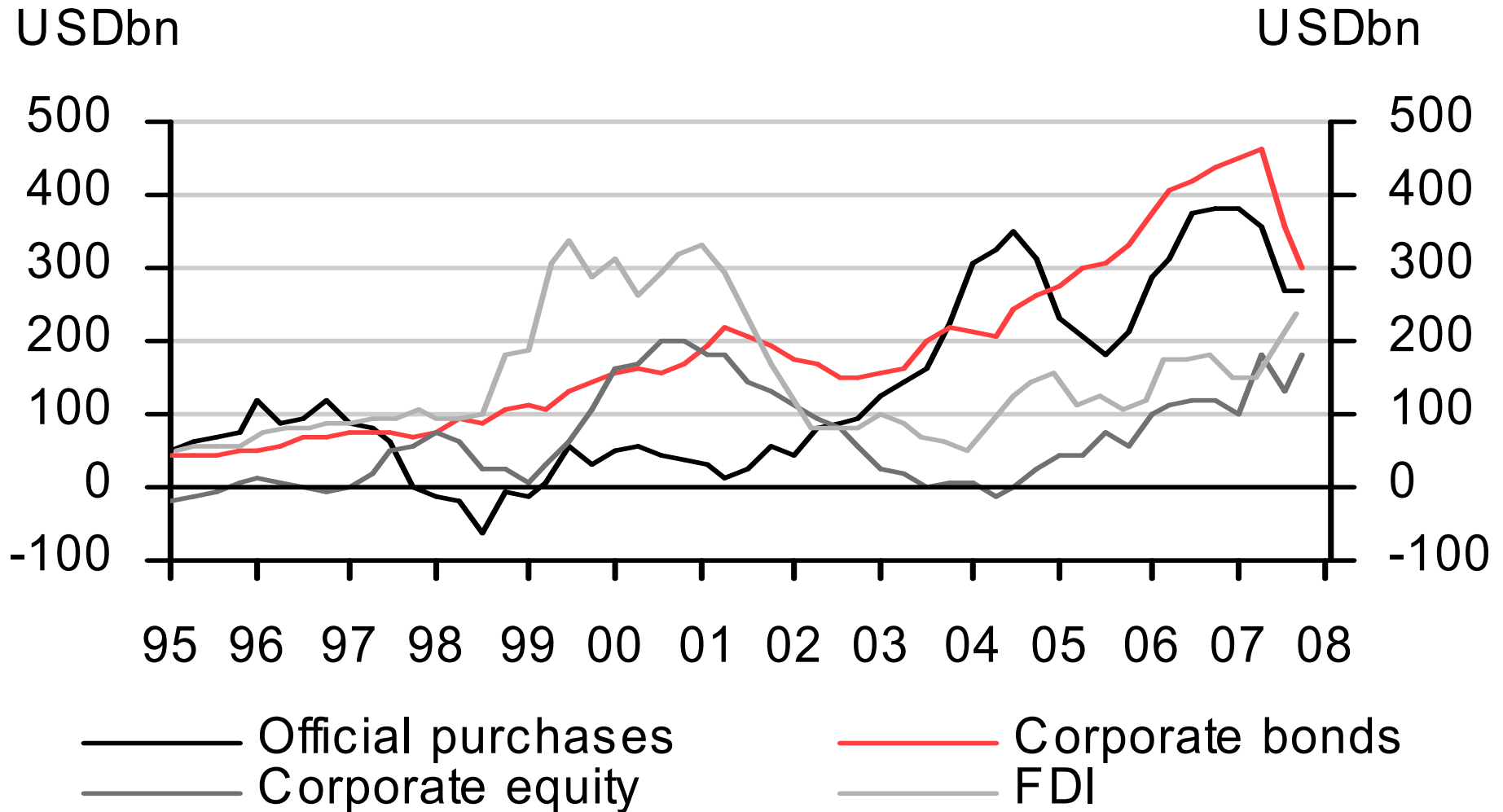
Japan is also increasing its dependence on emerging markets



The emerging markets influence on capital markets



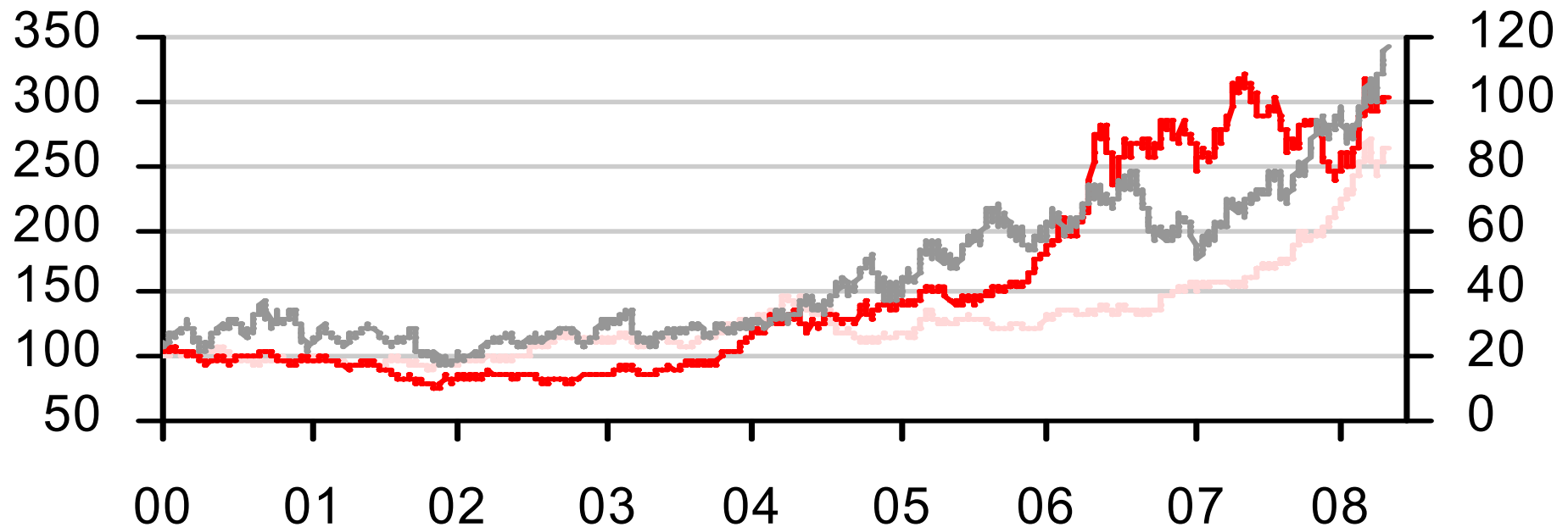
This is driving demand for asset back securities



Might loose monetary discipline in emerging markets be partly responsible for commodity price increases?

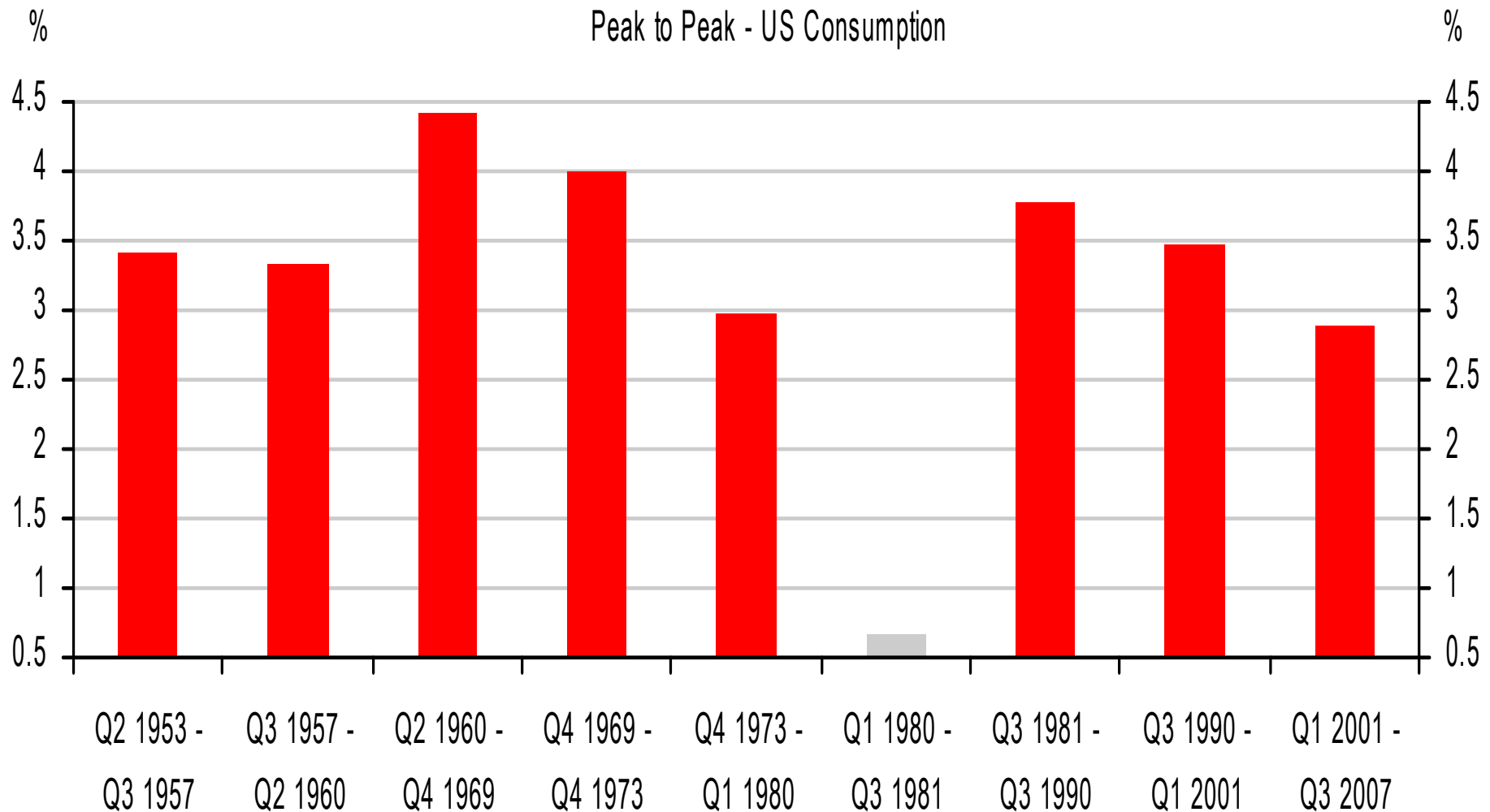
Index 2000 = 100

USD/BBL

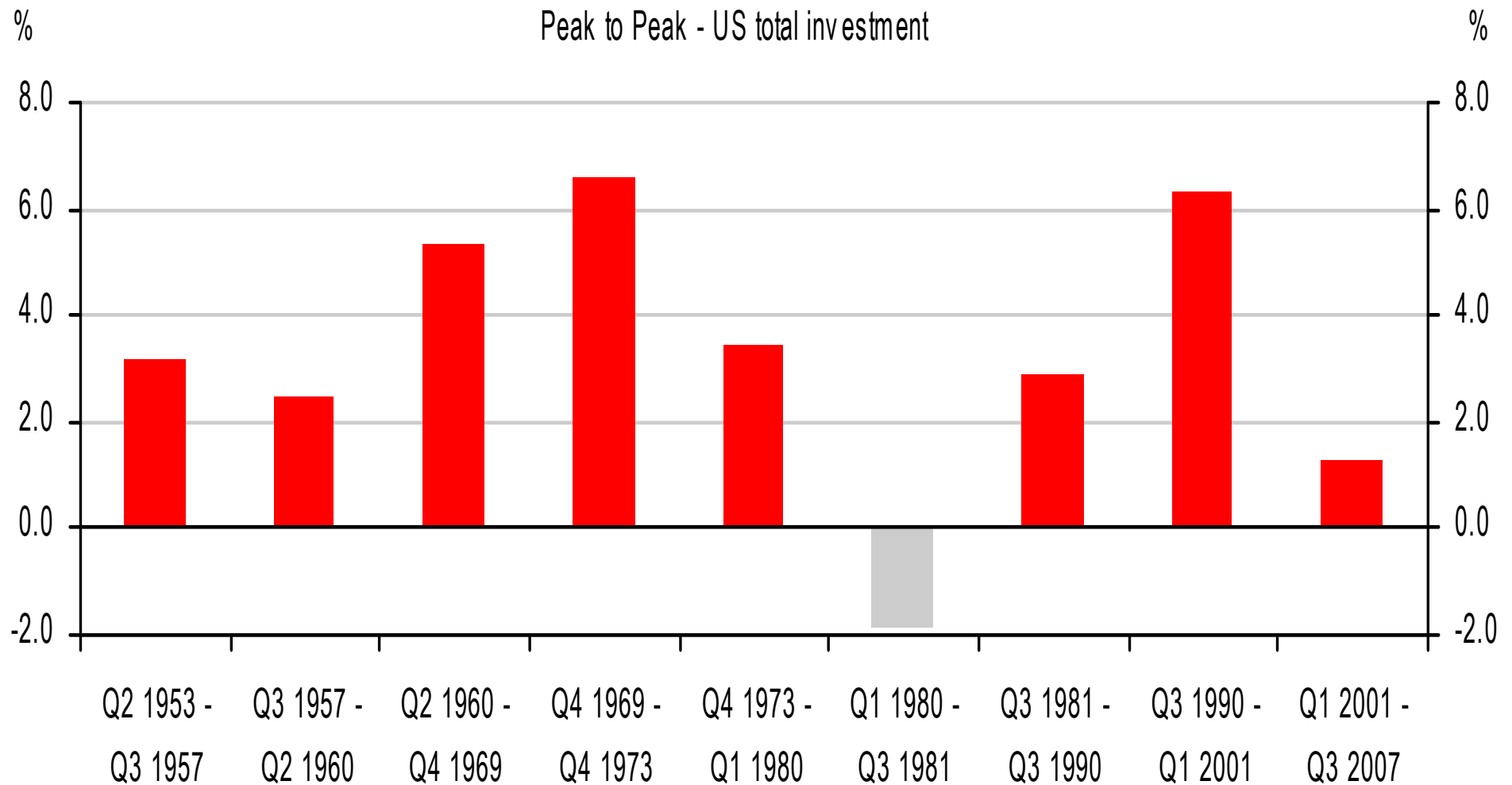


- Economist food prices (LHS)
- Economist metal prices (LHS)
- Brent oil prices (RHS)

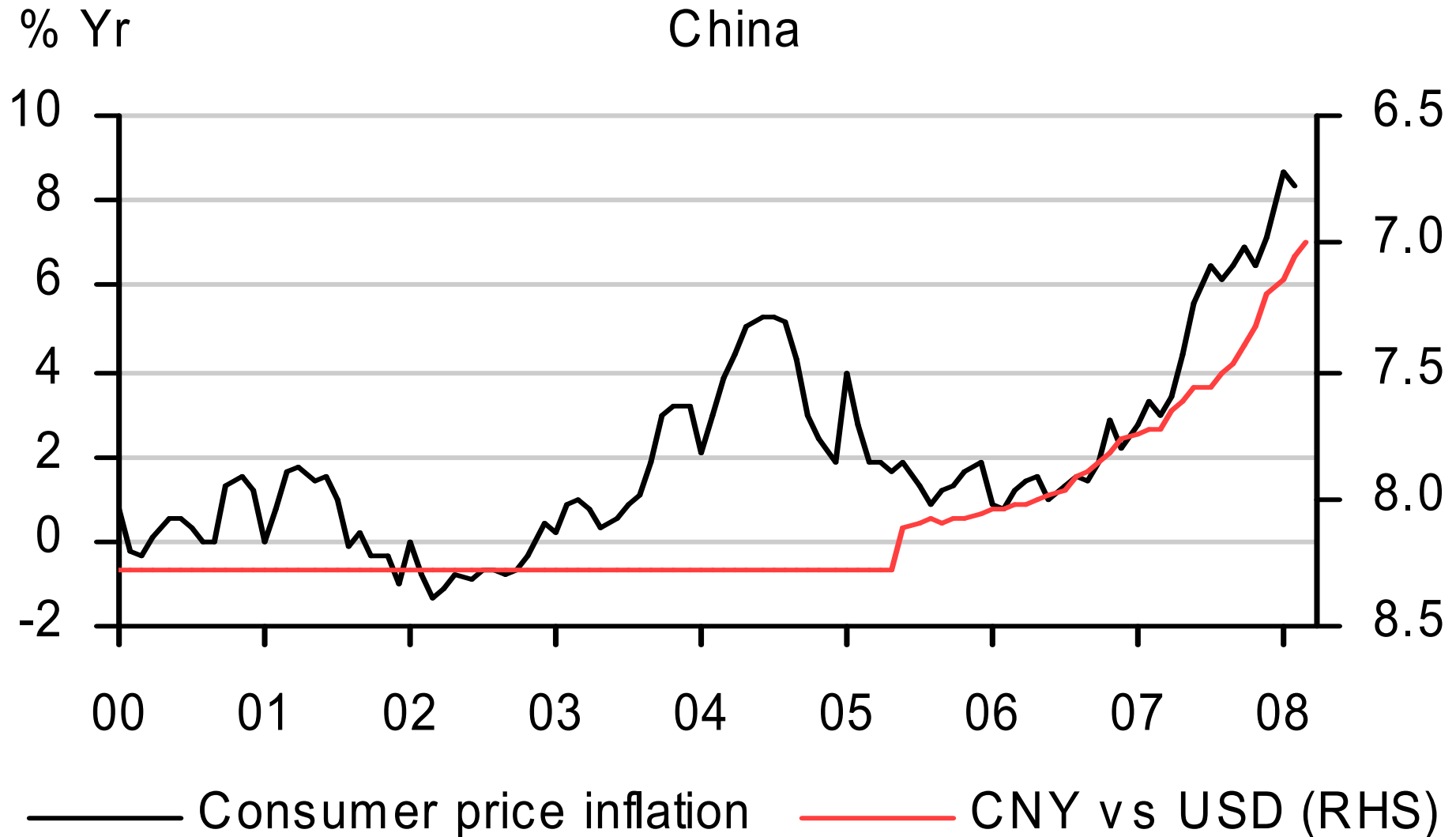
Have US consumers finally run out of steam?



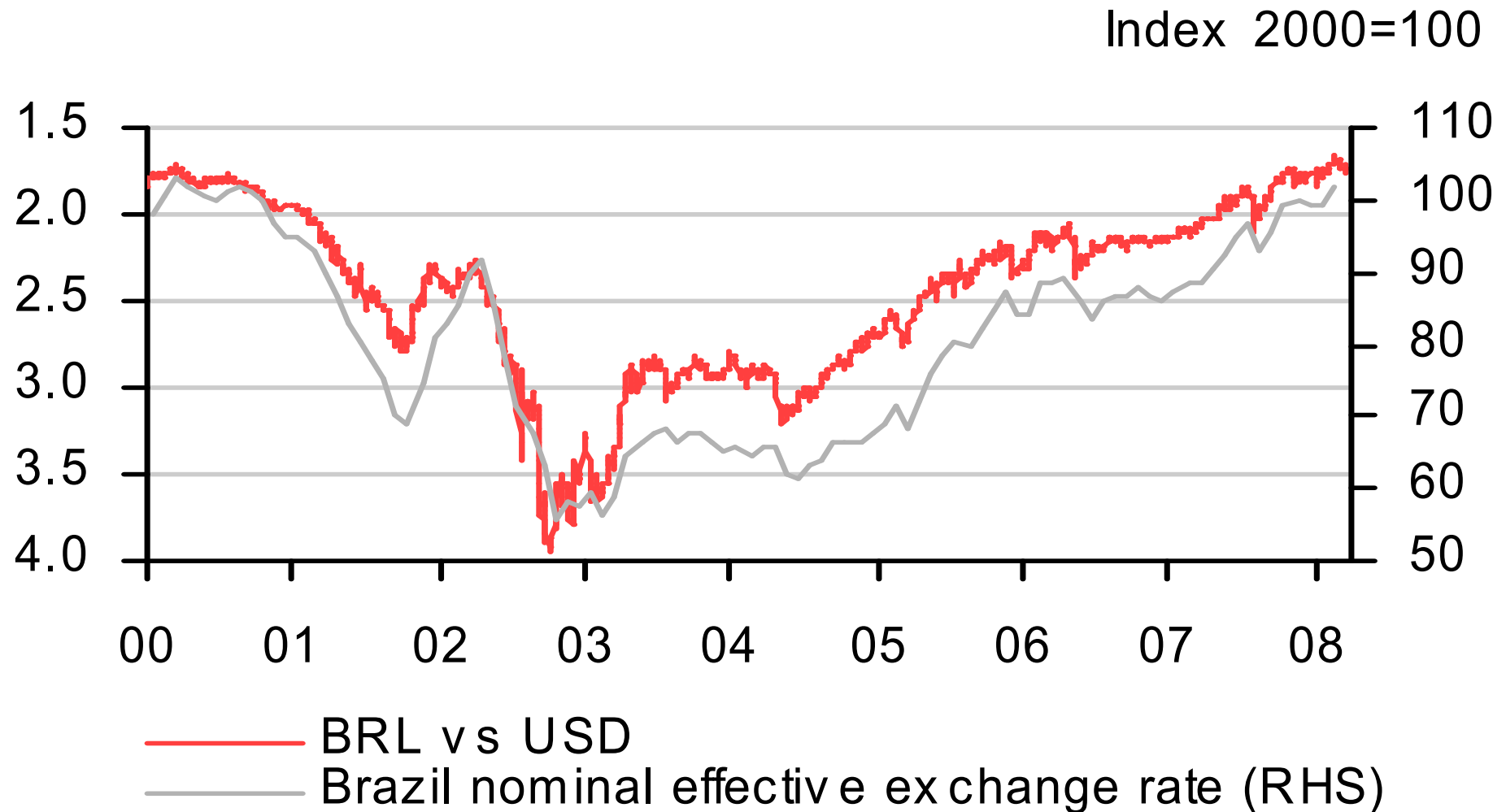
And their spending on capital items is slowing

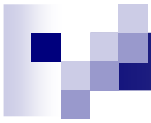


Will China have to re-value?

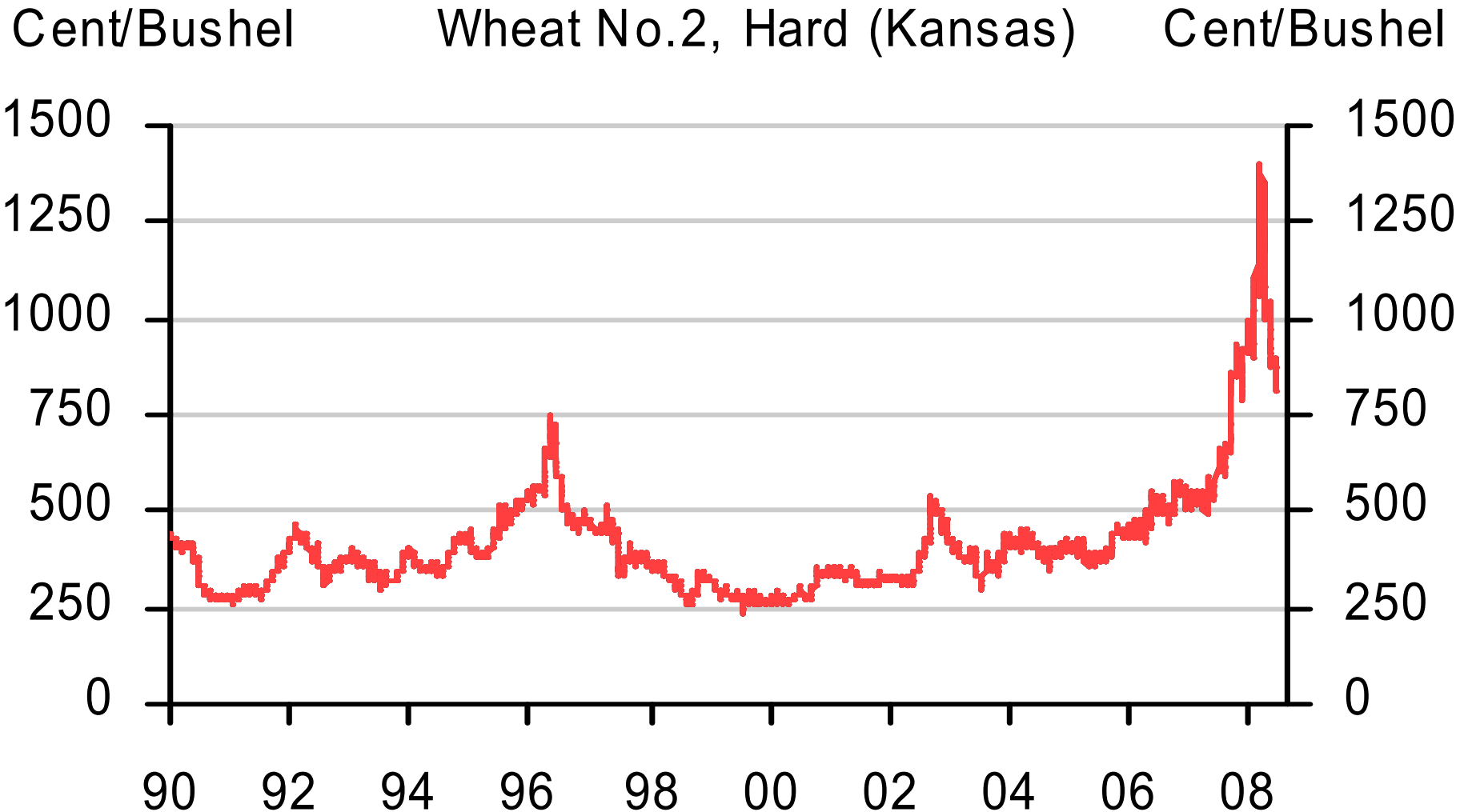


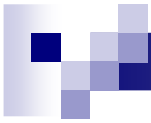
Could Brazil (BRIC country) be the new leader?



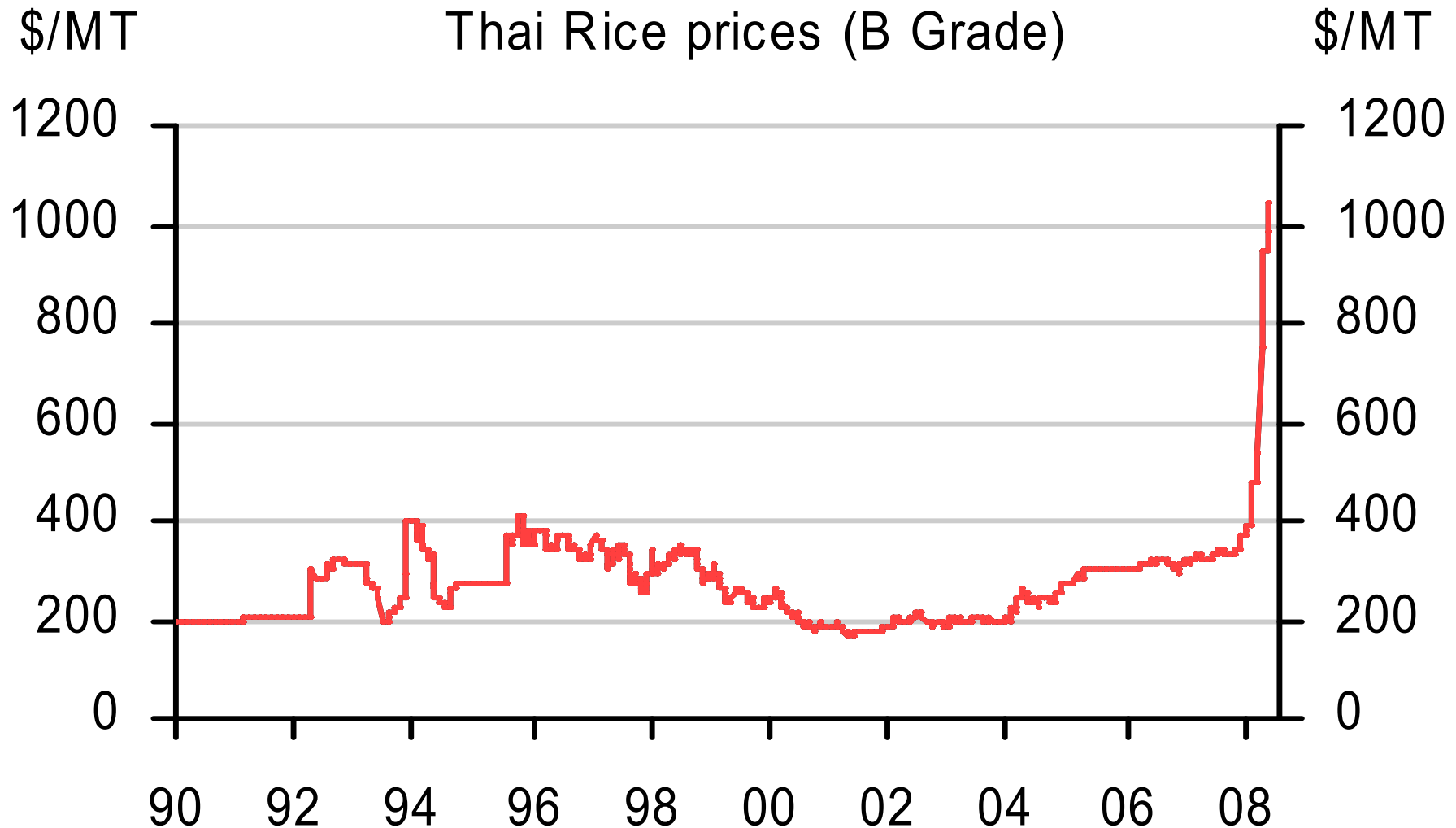


The food price problem

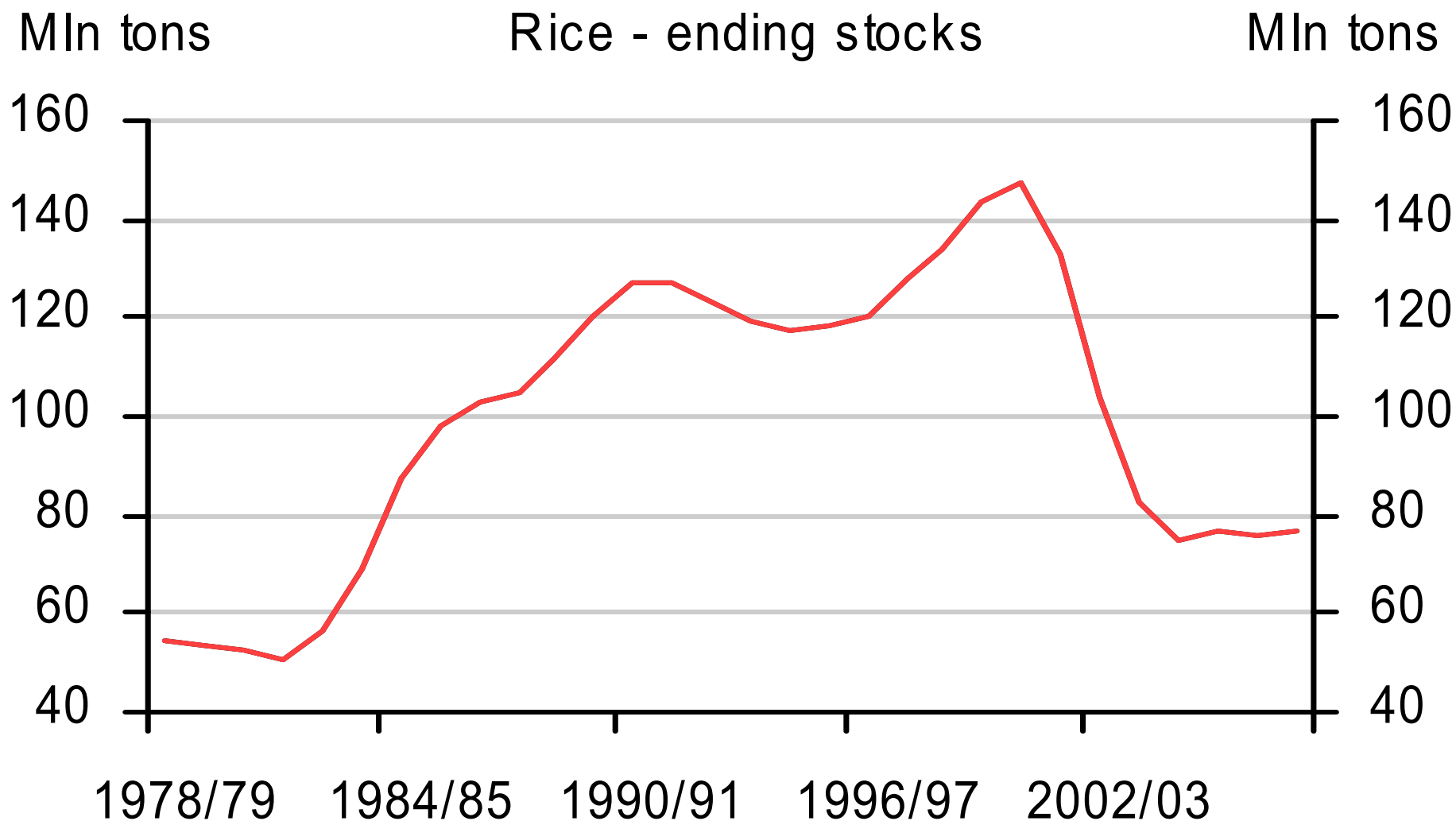


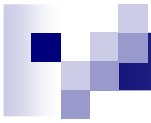


It's across all markets

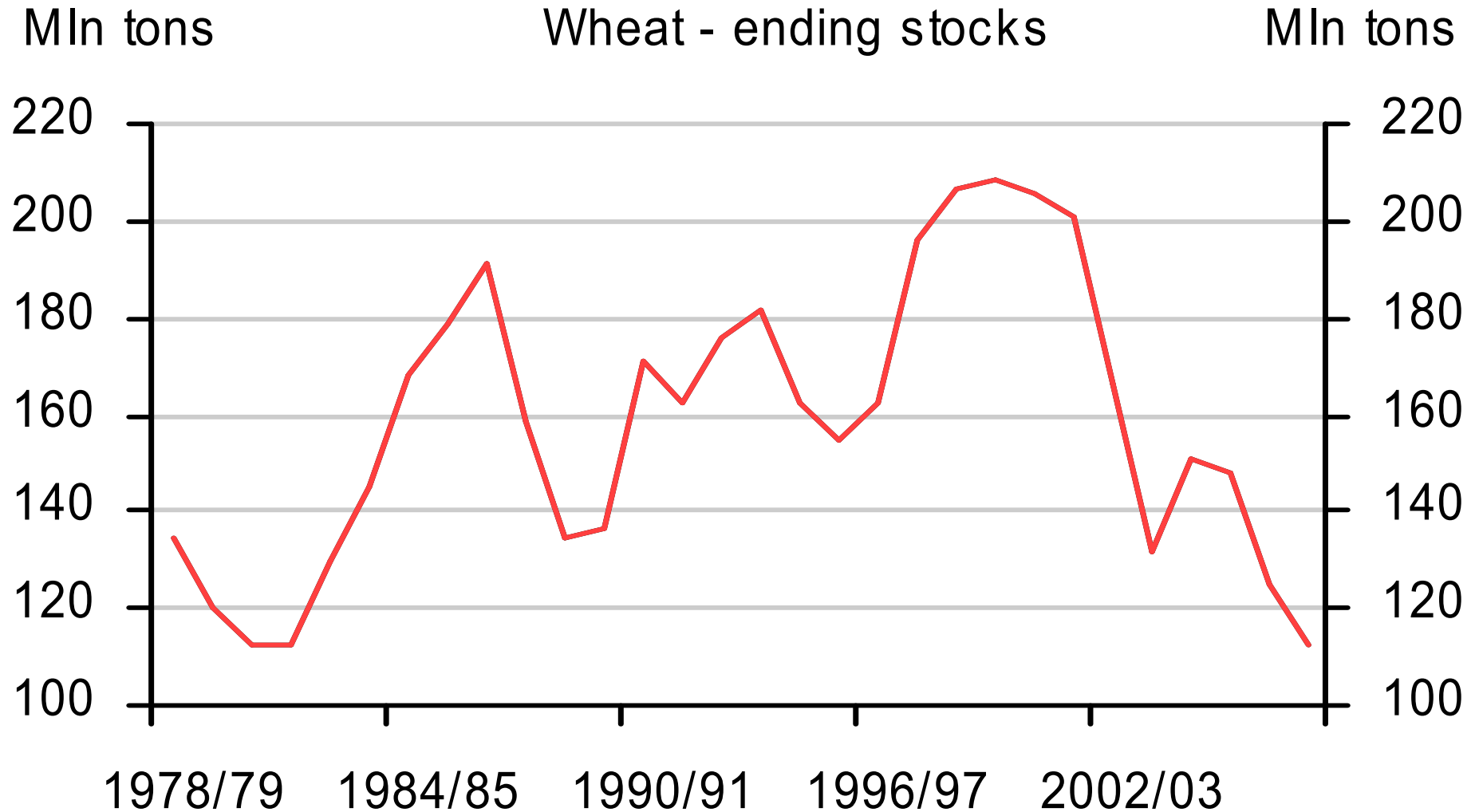


Stocks are low





Wheat also





Problems of the developing world

- Food and energy price uncertainty makes inflation targeting more difficult...
- ...and requires tough decisions on interest rates...
- ...when the rise in global inflationary pressures is someone else's fault