

Globalization



FEDERAL RESERVE BANK *of* KANSAS CITY

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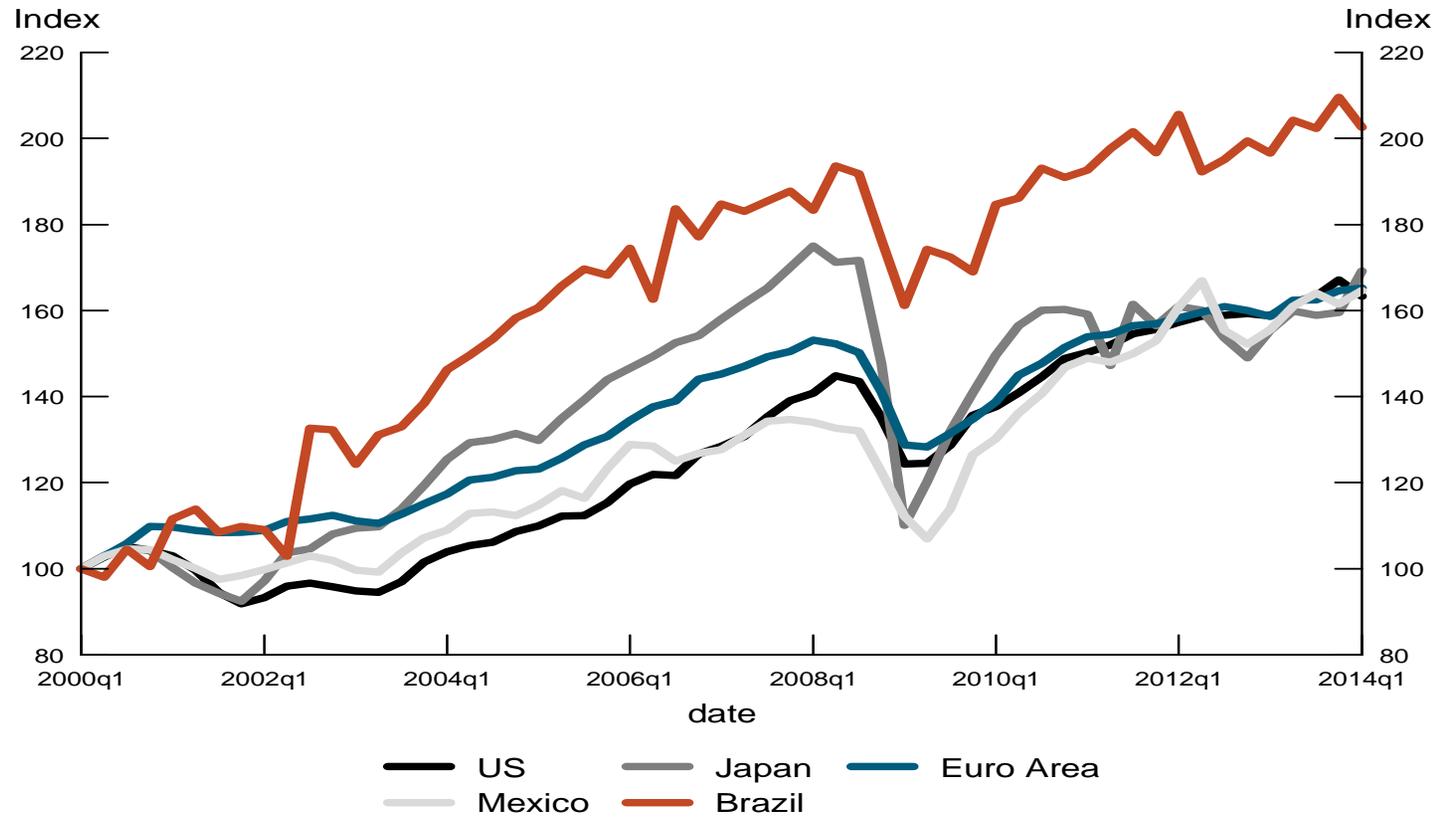
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Federal Reserve Bank of Dallas or the Federal Reserve System**

Globalization is everywhere

- We see it in
 - World GDP
 - International trade
 - International finance
- What about monetary policy?

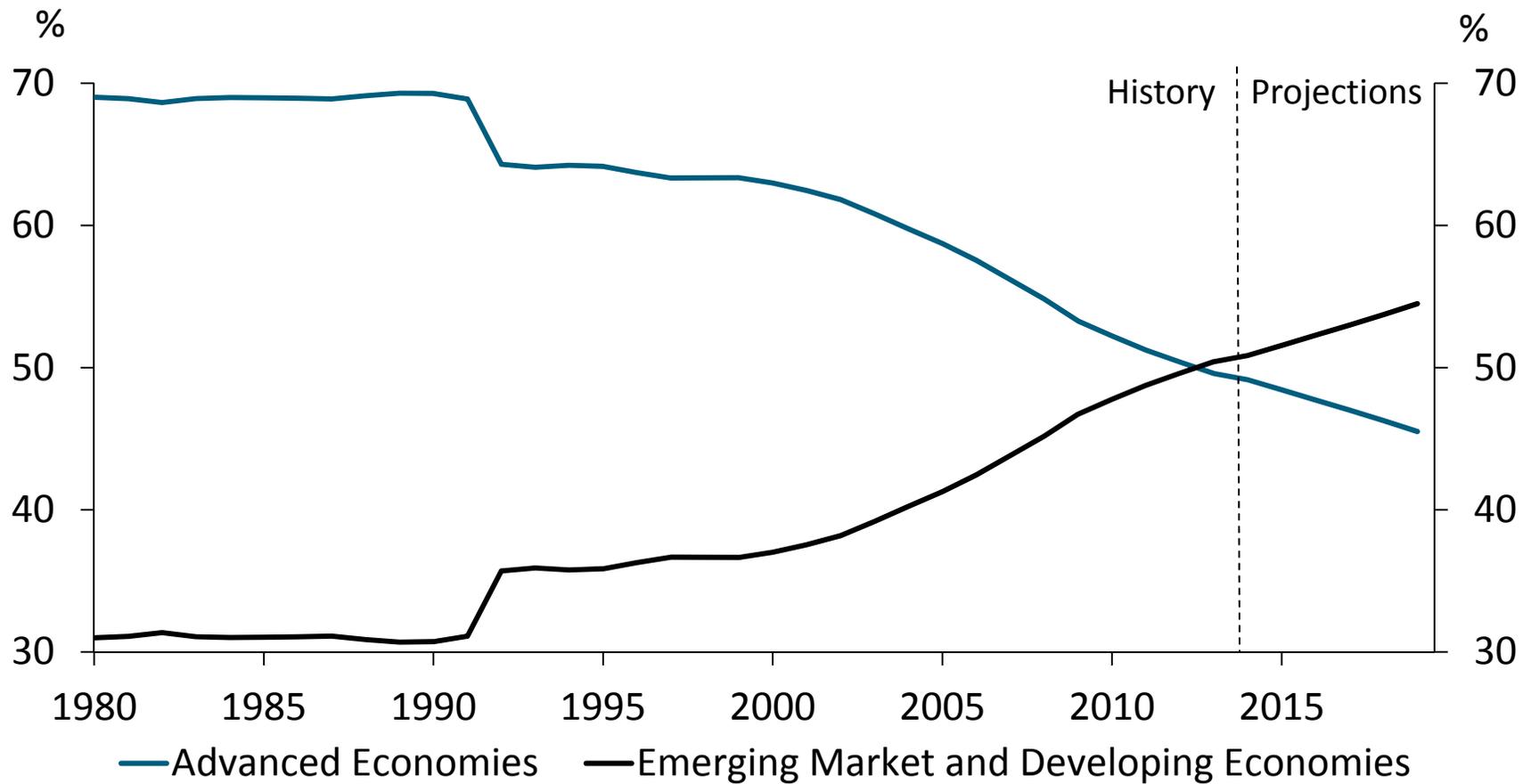
What does it all mean?

The financial crisis hit exports in all countries



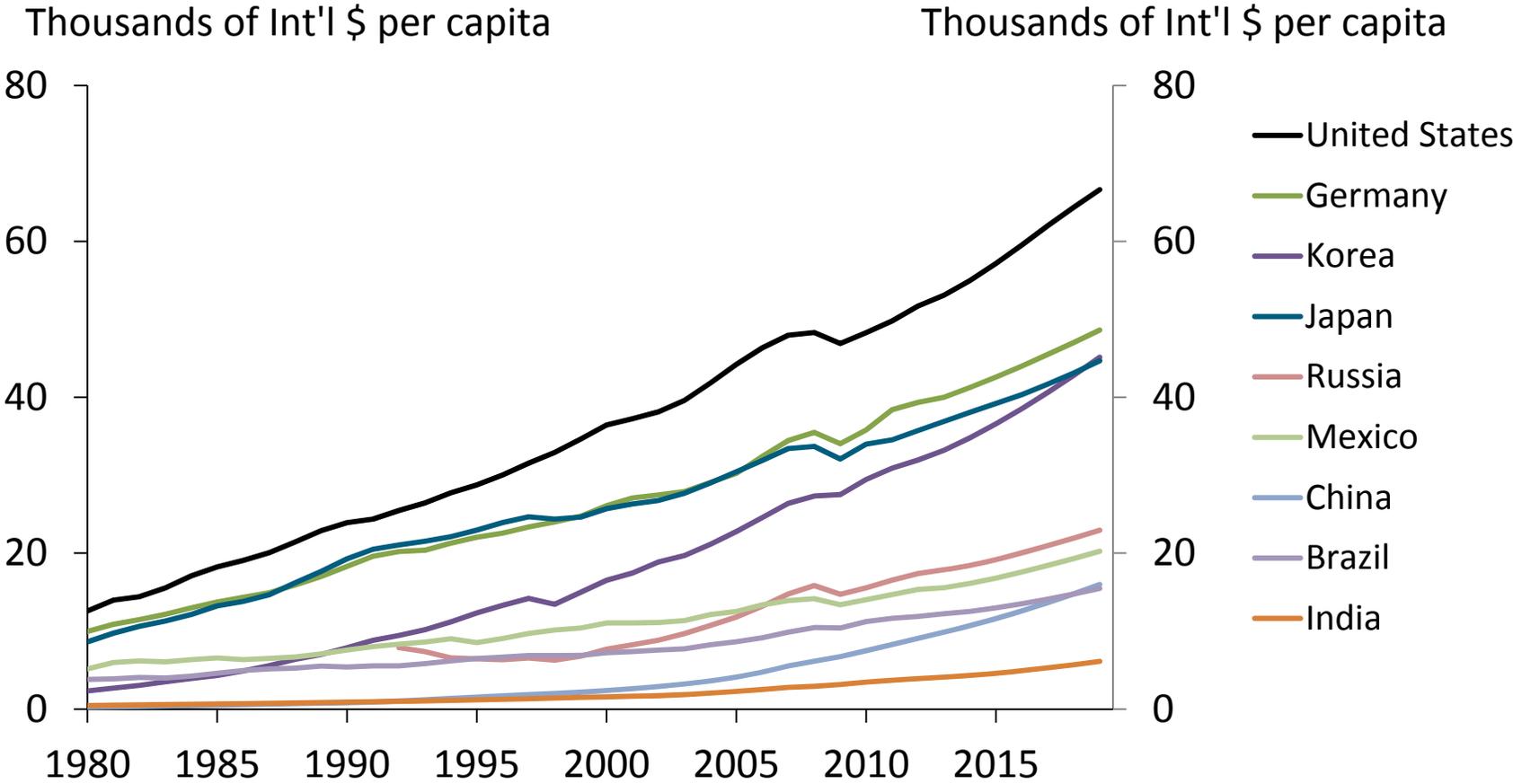
Source: Country sources, Haver Analytics.

Emerging markets are growing as a share of world GDP (% of world GDP, PPP)



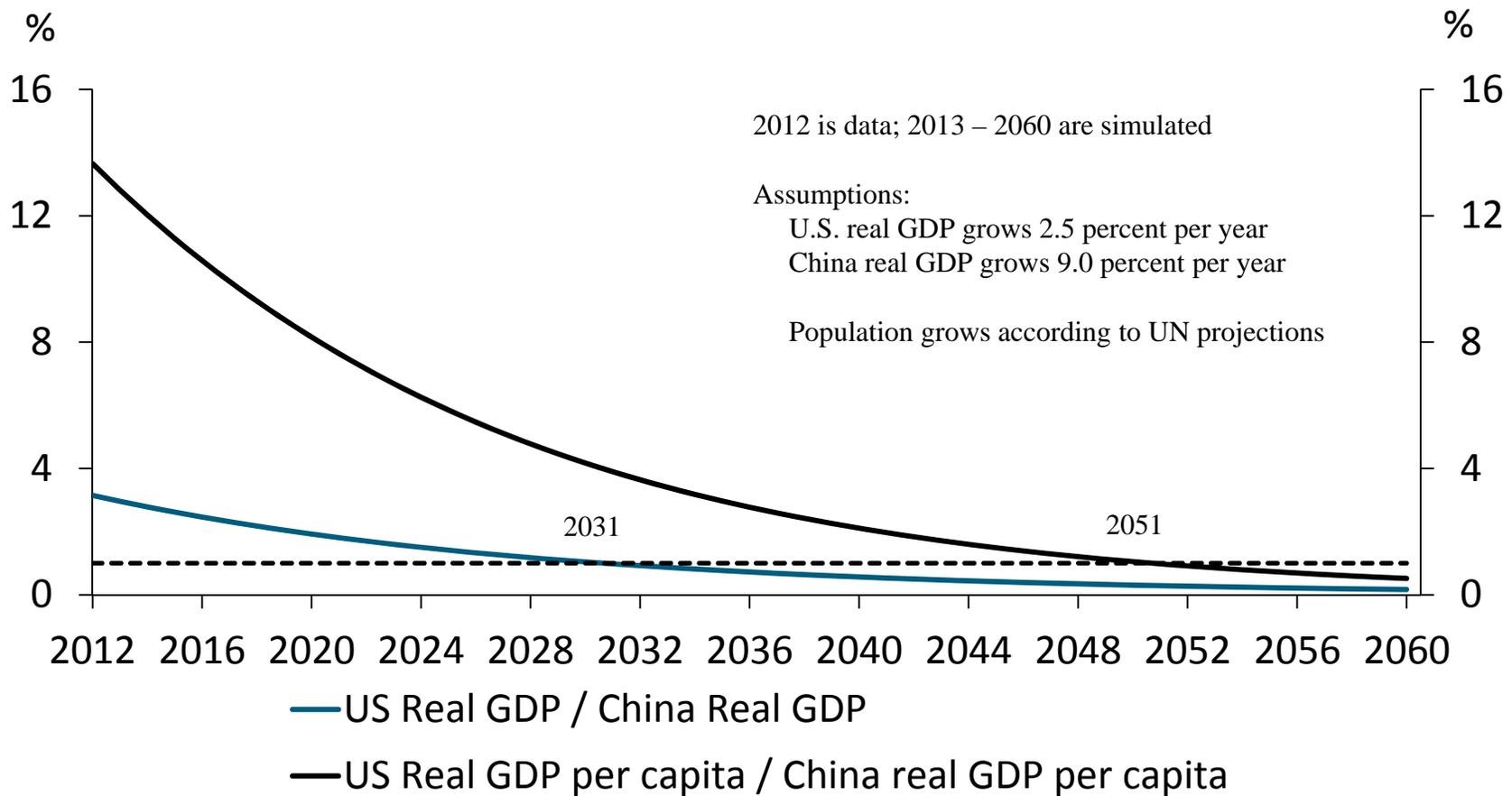
Source: World Economic Outlook, Haver Analytics

There are large differences in GDP per capita



Source: World Economic Outlook, Haver Analytics

It will take a long time before China catches up to the U.S.

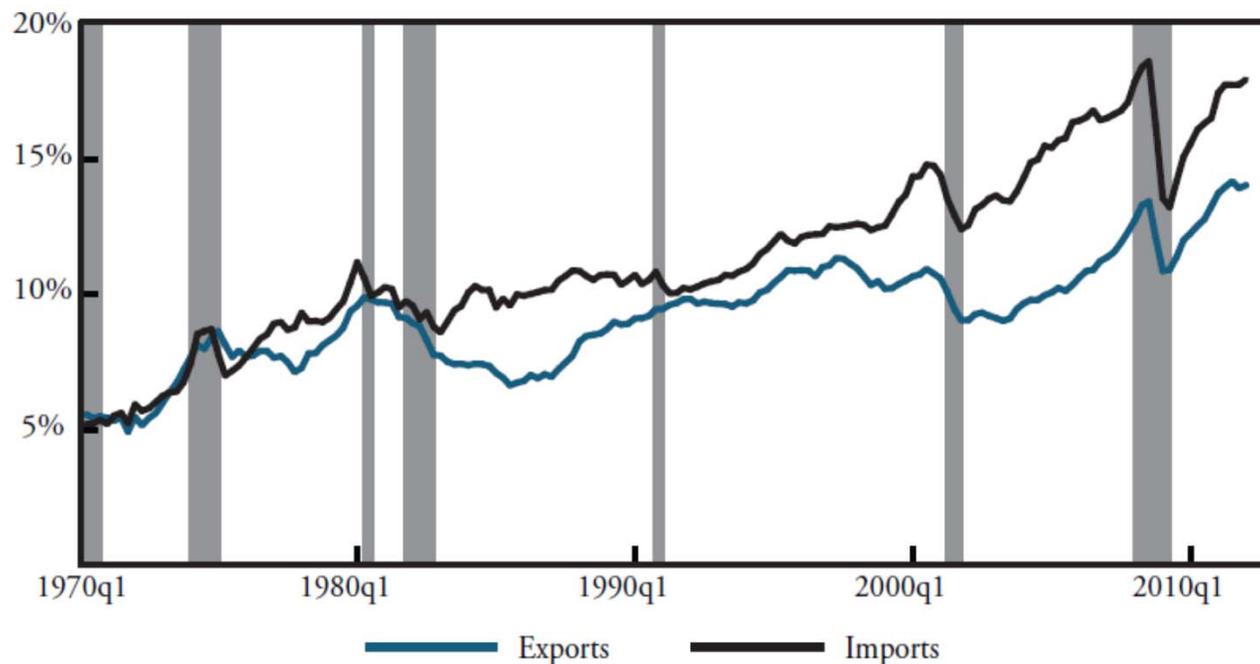


Source: Bureau of Economic Analysis, China National Bureau of Statistics, U.N., Haver Analytics

International trade is a larger share of U.S. GDP ...

Chart 4

U.S. IMPORTS AND EXPORTS AS A PERCENTAGE OF GDP



Notes: Gray bars indicate recessions as defined by the National Bureau of Economic Research.

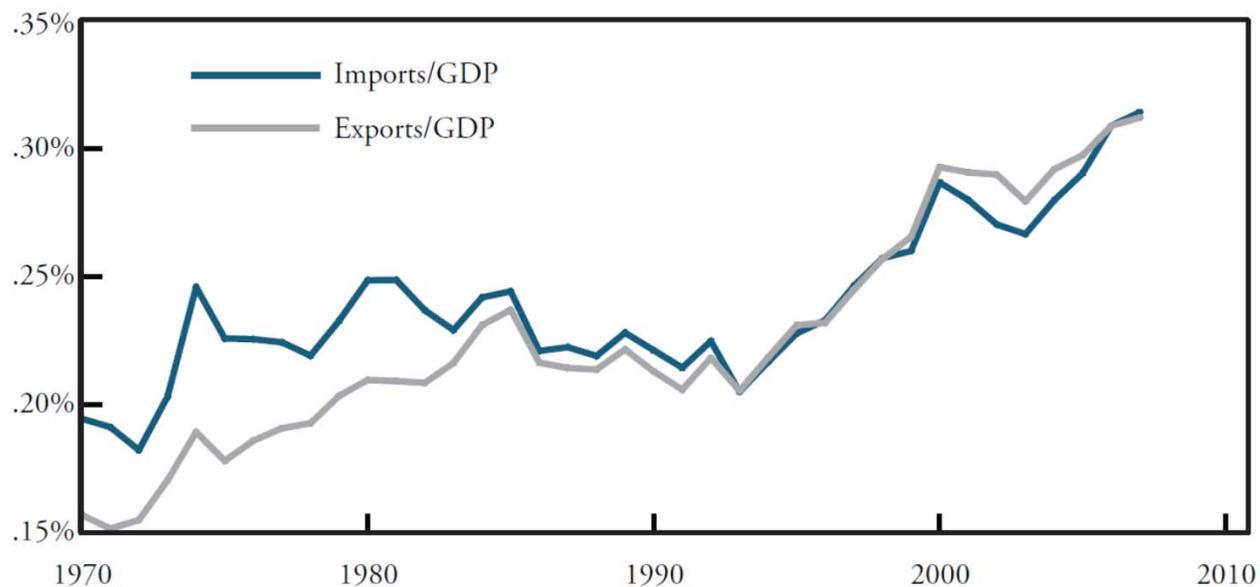
Sources: U.S. Bureau of Economic Analysis and National Bureau of Economic Research.

Source: "Has Globalization Increased the Synchronicity of International Business Cycles?"
Travis J. Berge, Economic Review, Federal Reserve Bank of Kansas City, 2012 Q3.

... and world GDP.

Chart 5

GLOBAL IMPORTS AND EXPORTS AS A SHARE OF GDP: 1970-2007



Notes: The chart plots an unweighted average of the ratios imports-to-GDP and exports-to-GDP.

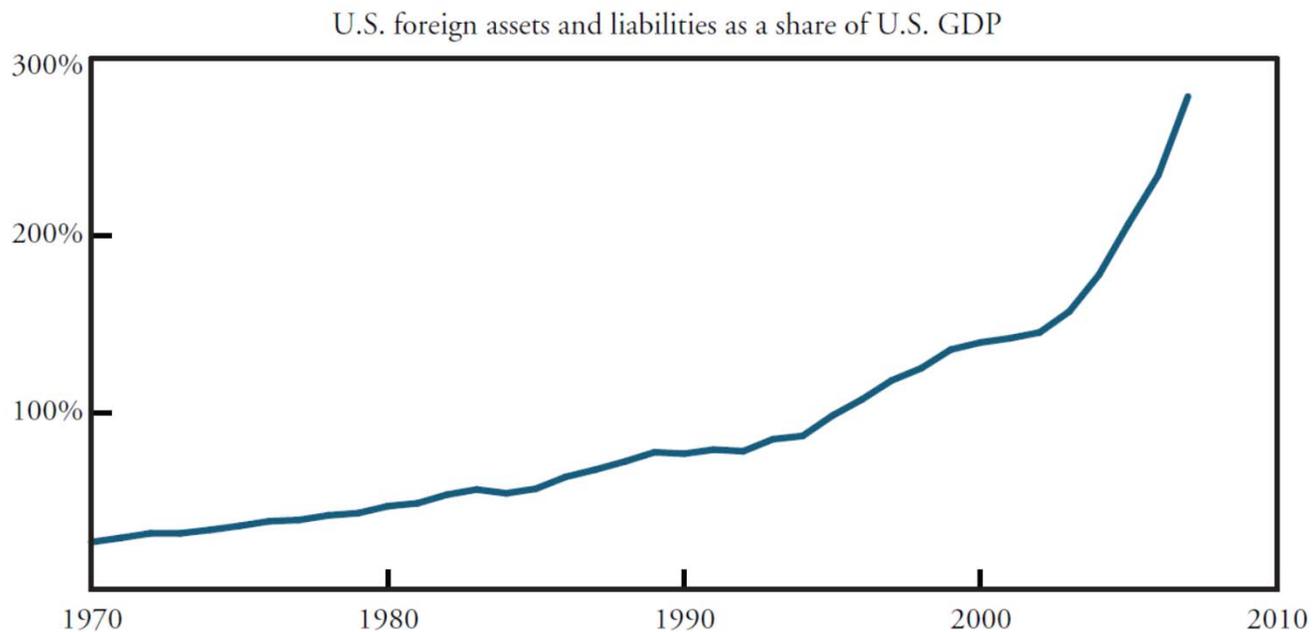
Source: Barbieri and Keshk (2012).

Source: "Has Globalization Increased the Synchronicity of International Business Cycles?"
Travis J. Berge, Economic Review, Federal Reserve Bank of Kansas City, 2012 Q3.

International finance is also a larger share of U.S. GDP ...

Chart 6

INTERNATIONAL ASSETS AND LIABILITIES OF THE UNITED STATES



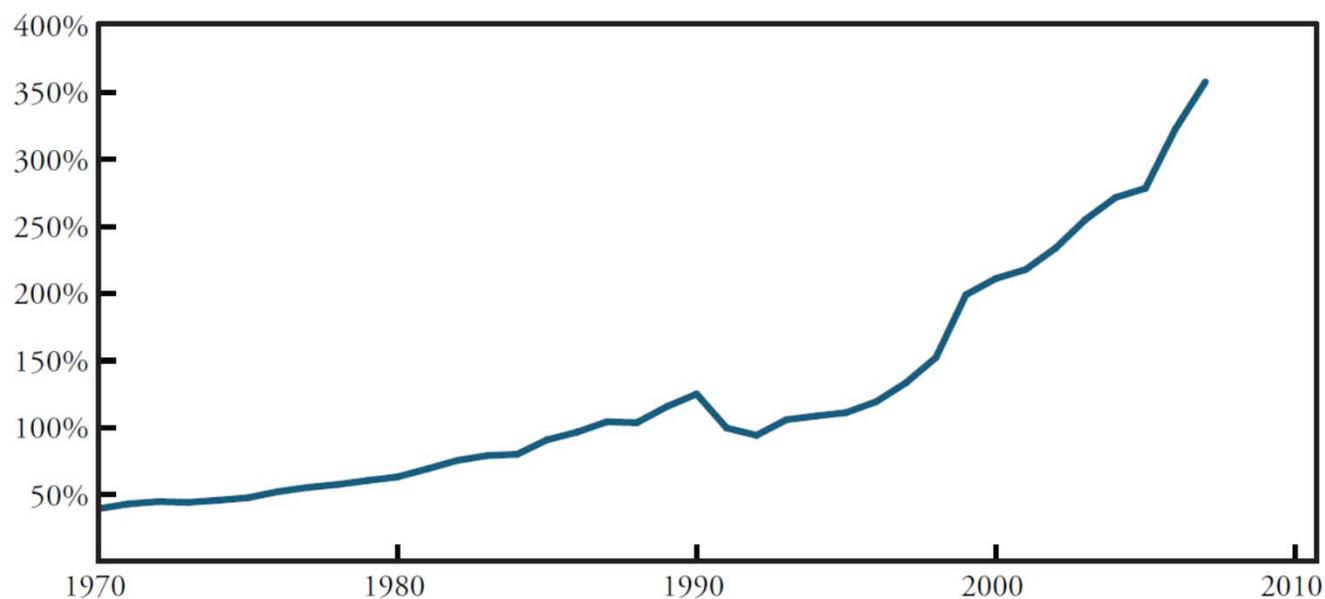
Source: "Has Globalization Increased the Synchronicity of International Business Cycles?"
Travis J. Berge, Economic Review, Federal Reserve Bank of Kansas City, 2012 Q3.

... and world GDP.

Chart 7

FOREIGN ASSETS AND LIABILITIES AS A SHARE OF GDP

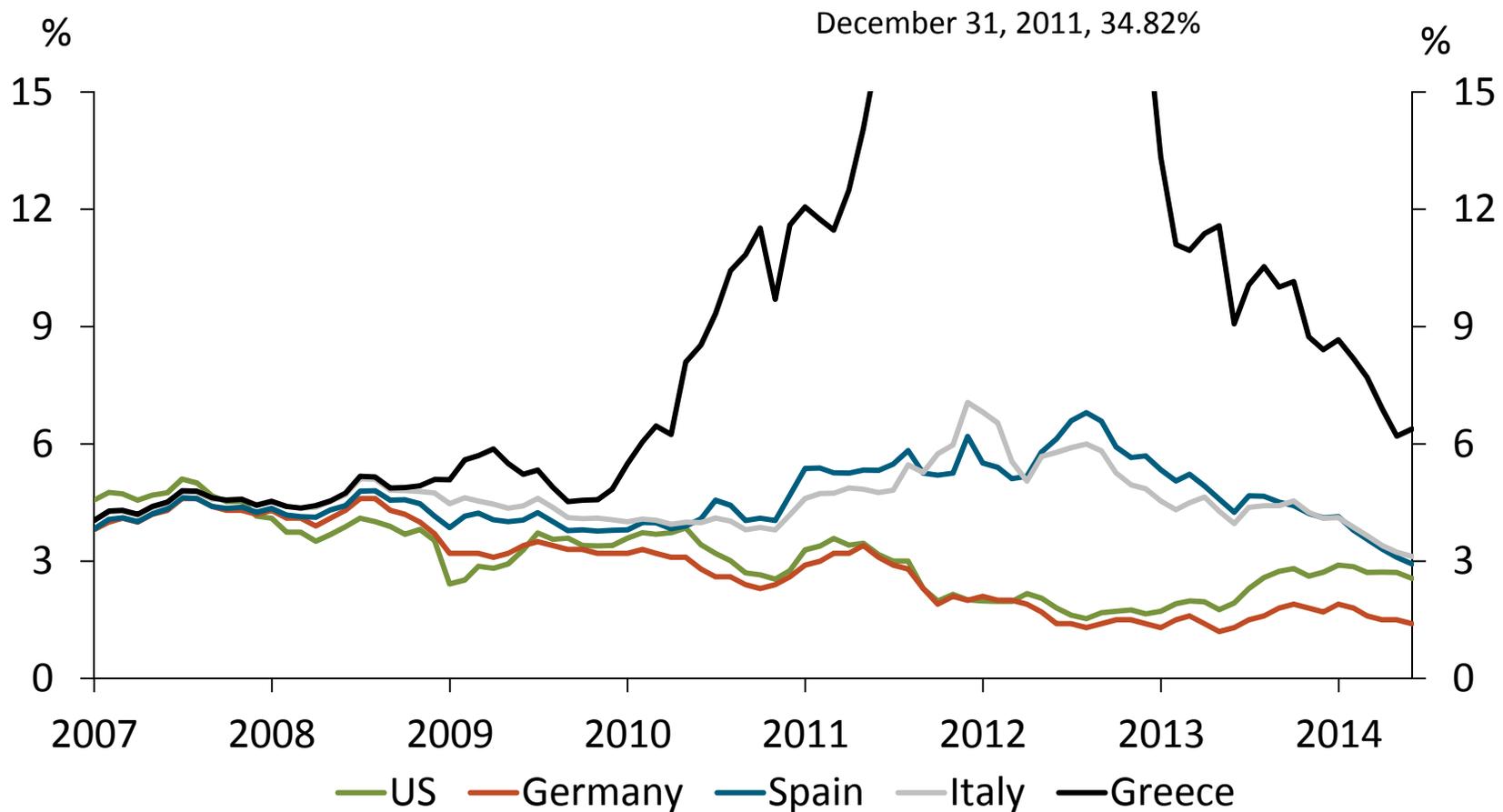
Global foreign assets and liabilities as a share of global GDP



Source: Lane and Milesi-Ferretti (2007).

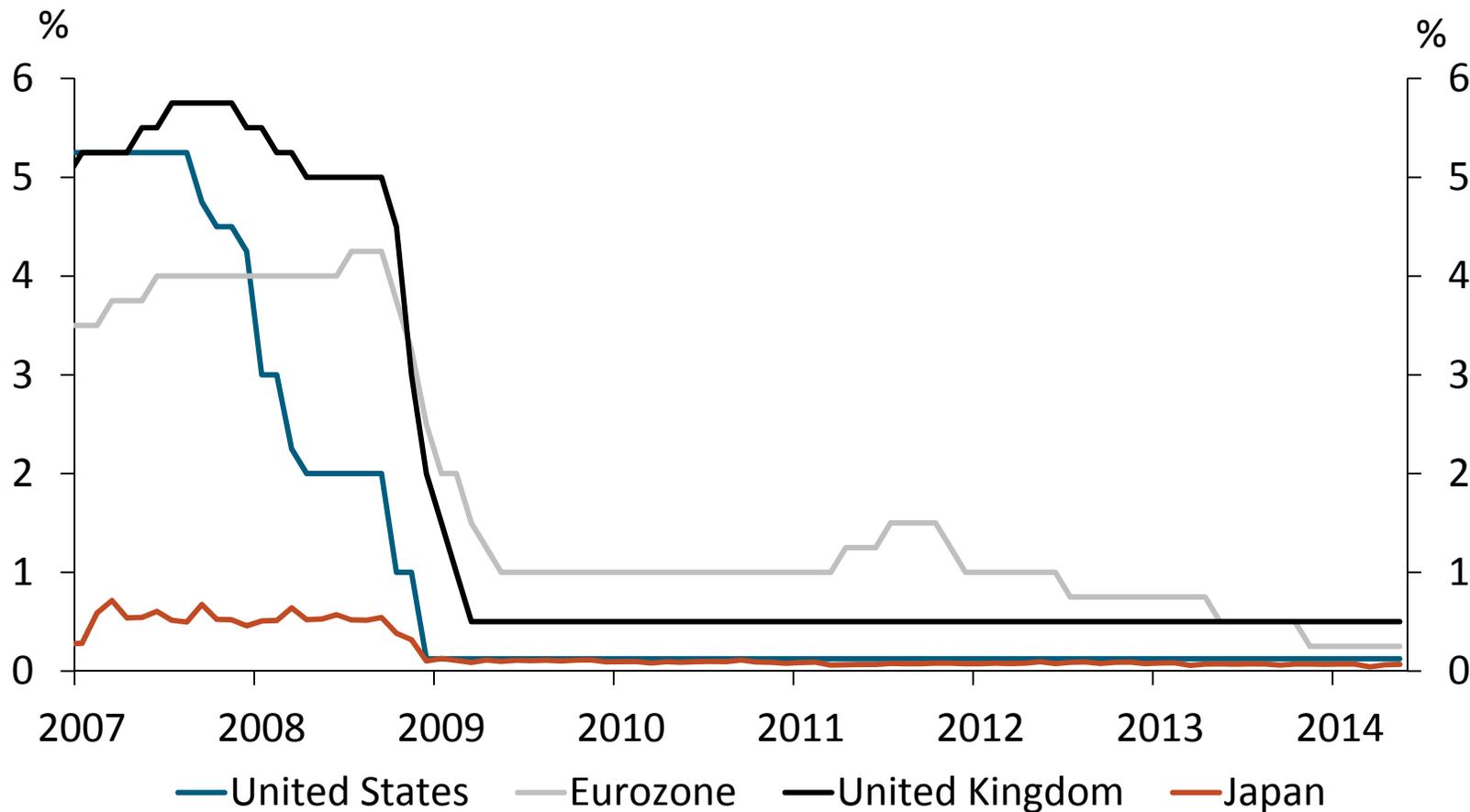
Source: "Has Globalization Increased the Synchronicity of International Business Cycles?"
Travis J. Berge, Economic Review, Federal Reserve Bank of Kansas City, 2012 Q3.

Interesting changes in long-term government bond yields



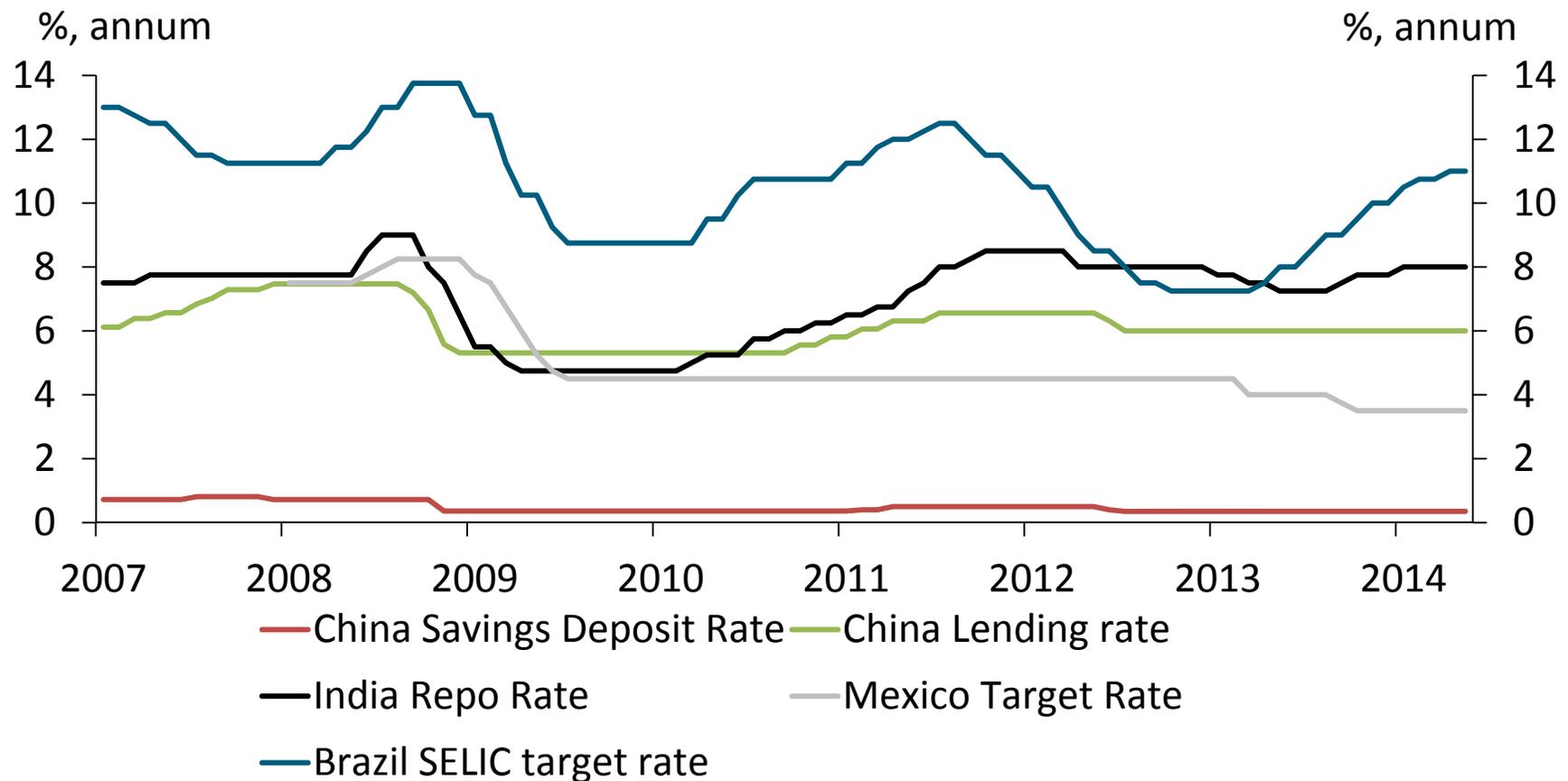
Source: U.S. Treasury, Bank of Germany, Bank of Greece, Bank of Spain, Bank of Italy, Haver Analytics

Monetary policy in advanced economies is very accommodative, but divergence may soon be with us.



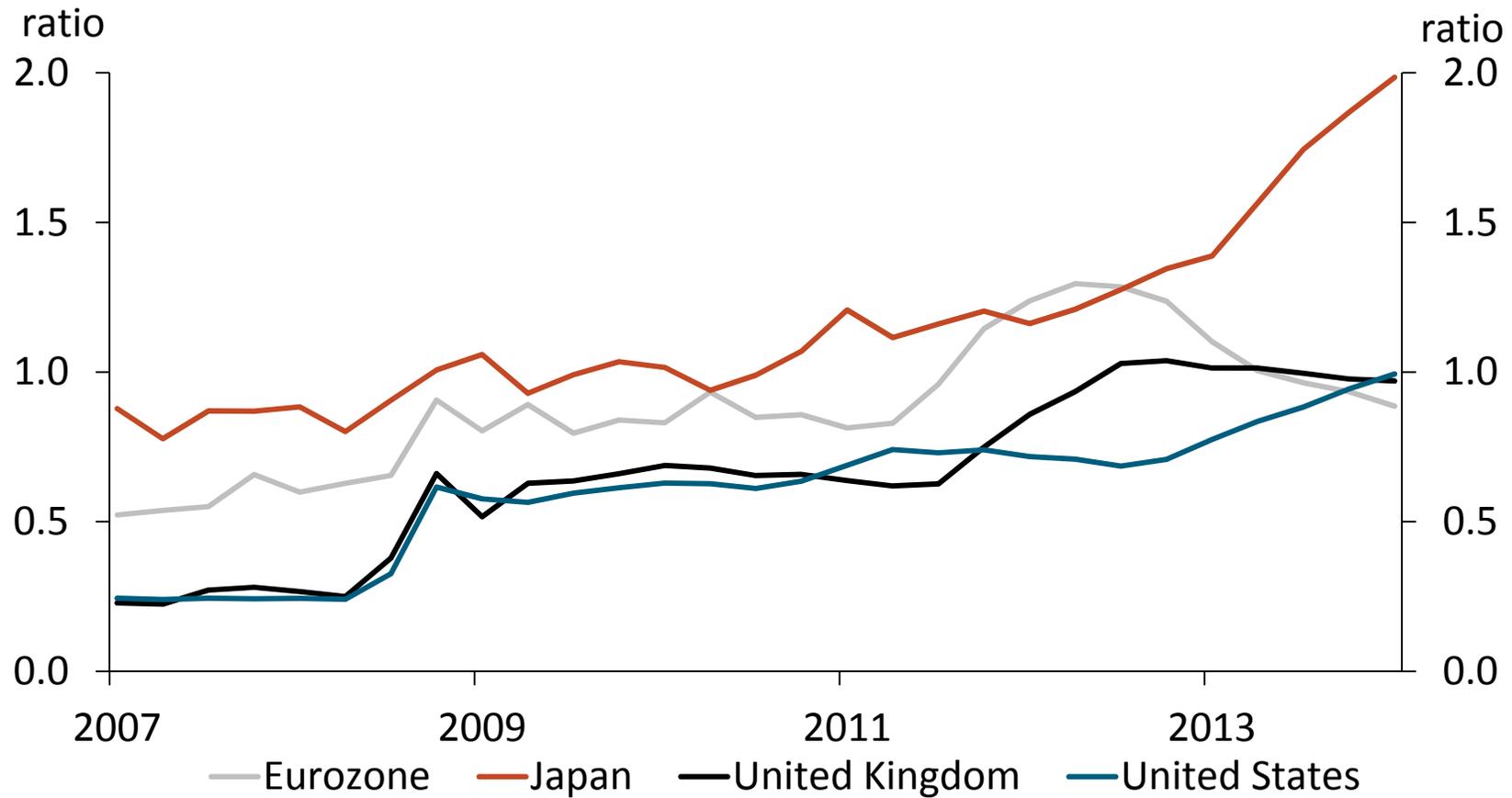
Source: Federal Reserve Board, Bank of England, European Central Bank, Bank of Japan, Haver Analytics

Monetary policy in emerging economies eased ... but is tightening in some countries.



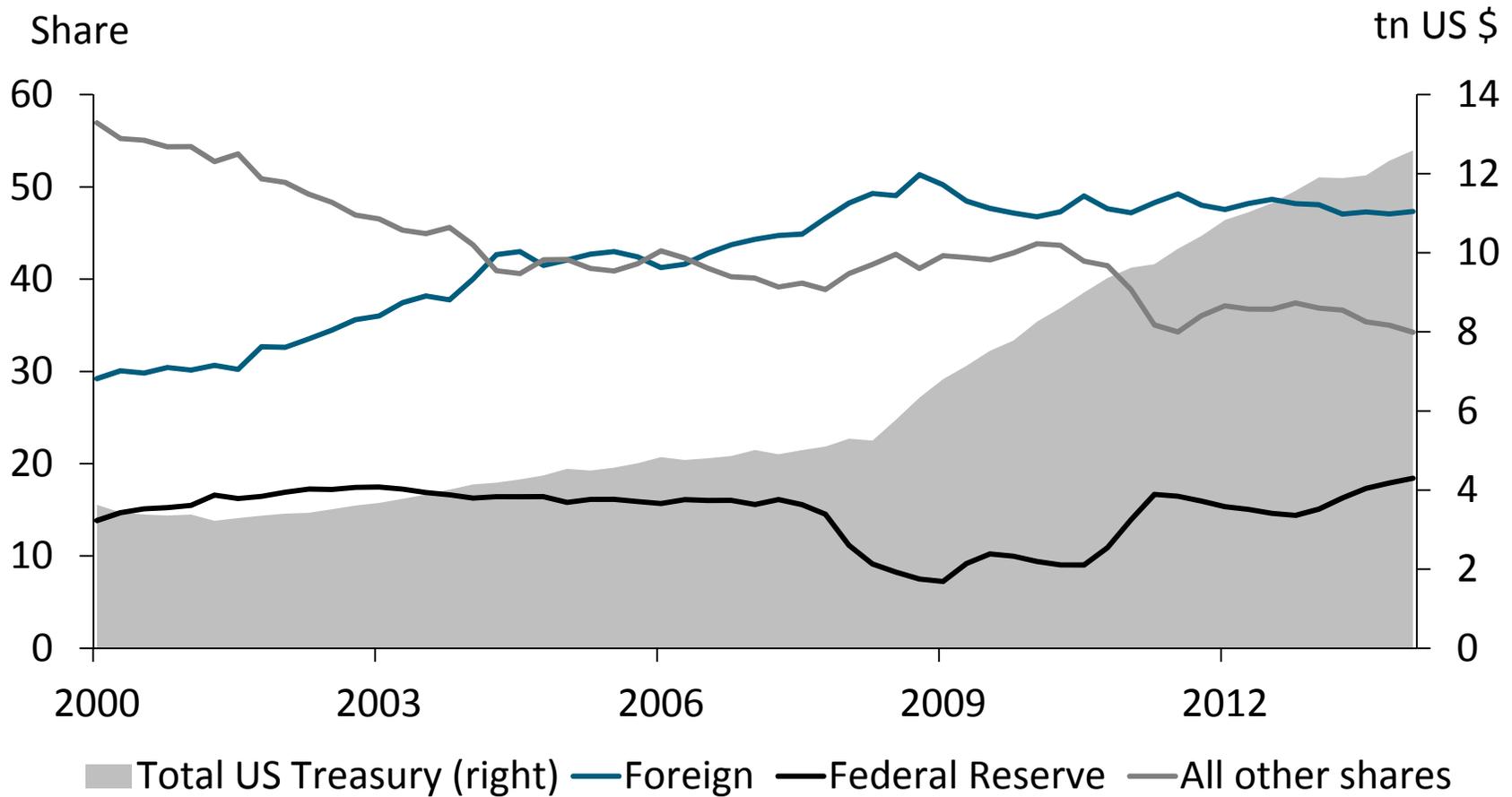
Source: Federal Reserve Board, Bank of England, European Central Bank, Bank of Japan, Haver Analytics

Central banks have provided accommodation through balance sheet policies



Source: Central Banks of Respective Countries, Haver Analytics

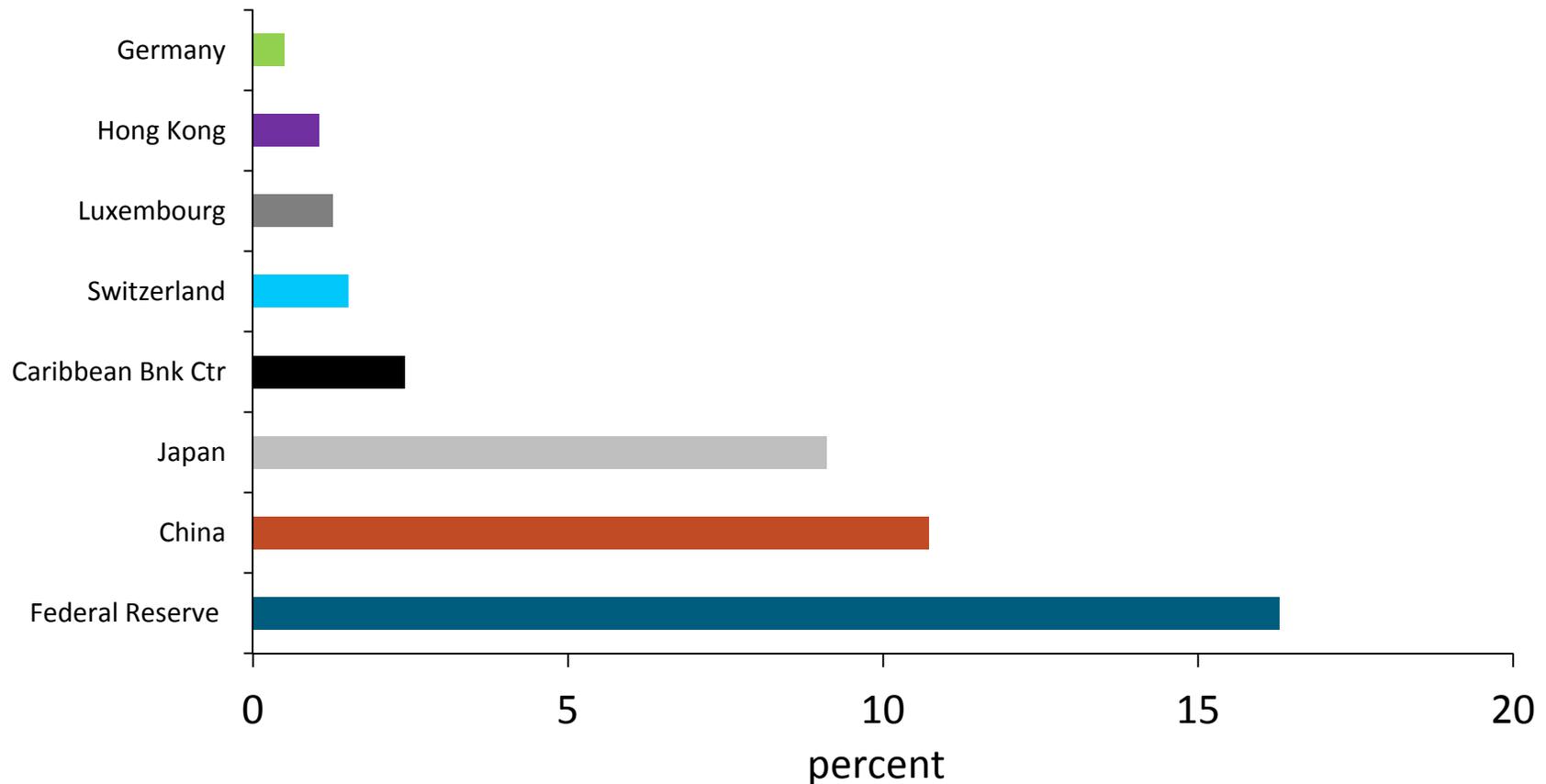
Foreign investors are holding larger amounts of U.S. Treasury securities



Source: Federal Reserve System, Haver Analytics

The Federal Reserve, China, and Japan hold large amounts of U.S. Treasury securities

Share of U.S. Treasury securities



Source: Federal Reserve System, Treasury International Capital (TIC) System, Haver Analytics

What does it mean?



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