

GLOBALVIEW 2021

3-part webinar series focused on conducting business in the US/UK and beyond





Meet Your Hosts



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- 25+ Attorneys
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iag global
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- IAG Global (Integrated Advisory Group) was set up 25 years ago by medium-sized law and accounting firms around the world to give on-the-ground advice, support and assistance to the clients of member firms.
- Aaron & Partners and Wegman Hessler are two of more than 65 members globally, committed to offering clients uncomplicated access to cost-effective legal, tax, and business solutions, worldwide.

In 2020 we formally launched 'Aarons International', in recognition of the growing cross border work covered by our teams.

Introducing Michael Weidokal

One of the world's leading experts in the fields of International Economics, Geopolitics, and Business Strategy.





Today's Topics

1. The political unrest in the United States is not expected to temper the US' expected recovery from the pandemic.
2. The economy of the United Kingdom has been battered by the pandemic and the fallout from Brexit, but the UK economy still can stage a stronger-than-expected recovery in the coming years.
3. Europe's economic struggles over the past 12 years could result in many countries in that region struggling to recoup the losses they incurred in 2020.
4. China remains relevant regardless of region, as their economic competitiveness continues to increase. China has not only recovered faster than all other large economies, but it is gaining global shares of exports and foreign investment at the expense of many other countries.



POLLING QUESTION

The ISA Global Economic and Risk Outlook

**Presented by:
Michael Weidokal**

**Executive Director
ISA (International Strategic Analysis)**

www.isa-world.com





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The ISA Global Economic and Risk Outlook

Agenda

- Introduction
- The Impact of the Covid-19 Pandemic
- The State of the Global Economy
- The State of US and Global Politics
- Factors to Watch
- Regional Outlooks
- Conclusions

Objectives

- Assess the outlook for the Covid-19 pandemic and how it will continue to impact the world in the months and years ahead.
- Assess the state of the global economy and its outlook for the coming years.
- Monitor the most important long-term factors impacting the global economy.
- Determine which economies are best placed to mount a recovery, and which ones will continue to struggle in the months and years ahead.

The Impact of the Covid-19 Pandemic

The Latest on the Covid-19 Pandemic

Key Developments

The number of recorded Covid-19 cases around the world has reached 100 million, with the actual number of cases likely being many times higher.

The number of fatalities linked to Covid-19 is now nearly 2.2 million.

New variants of the virus that are more easily transmitted have been discovered in the United Kingdom, South Africa and Brazil in recent months.

The Covid-19 Pandemic Around the World

Chart: Covid-19 Cases

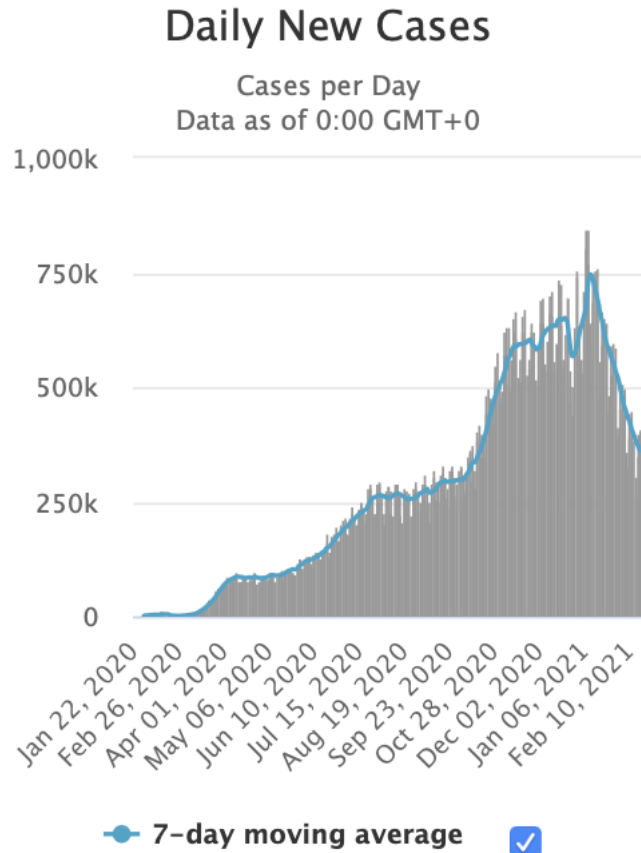
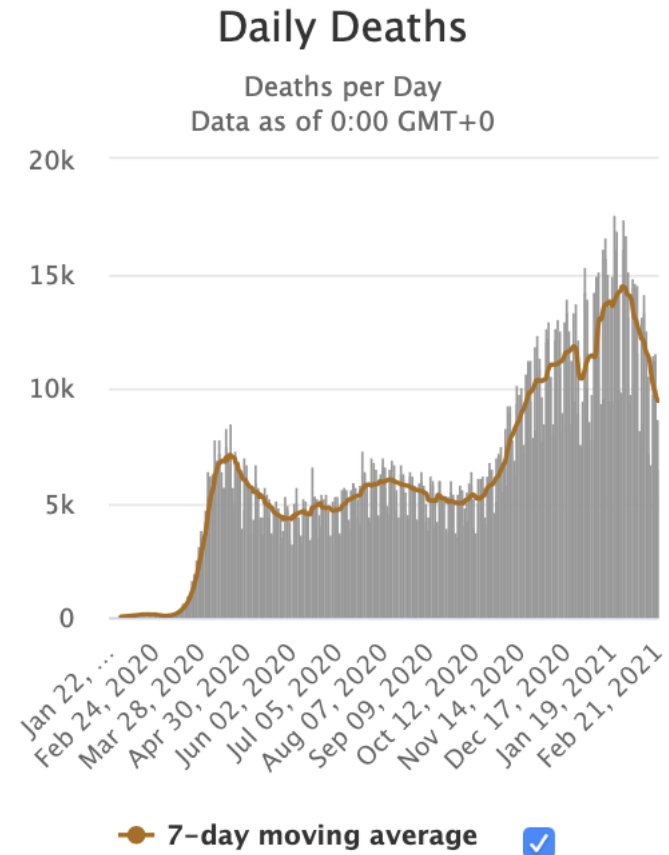


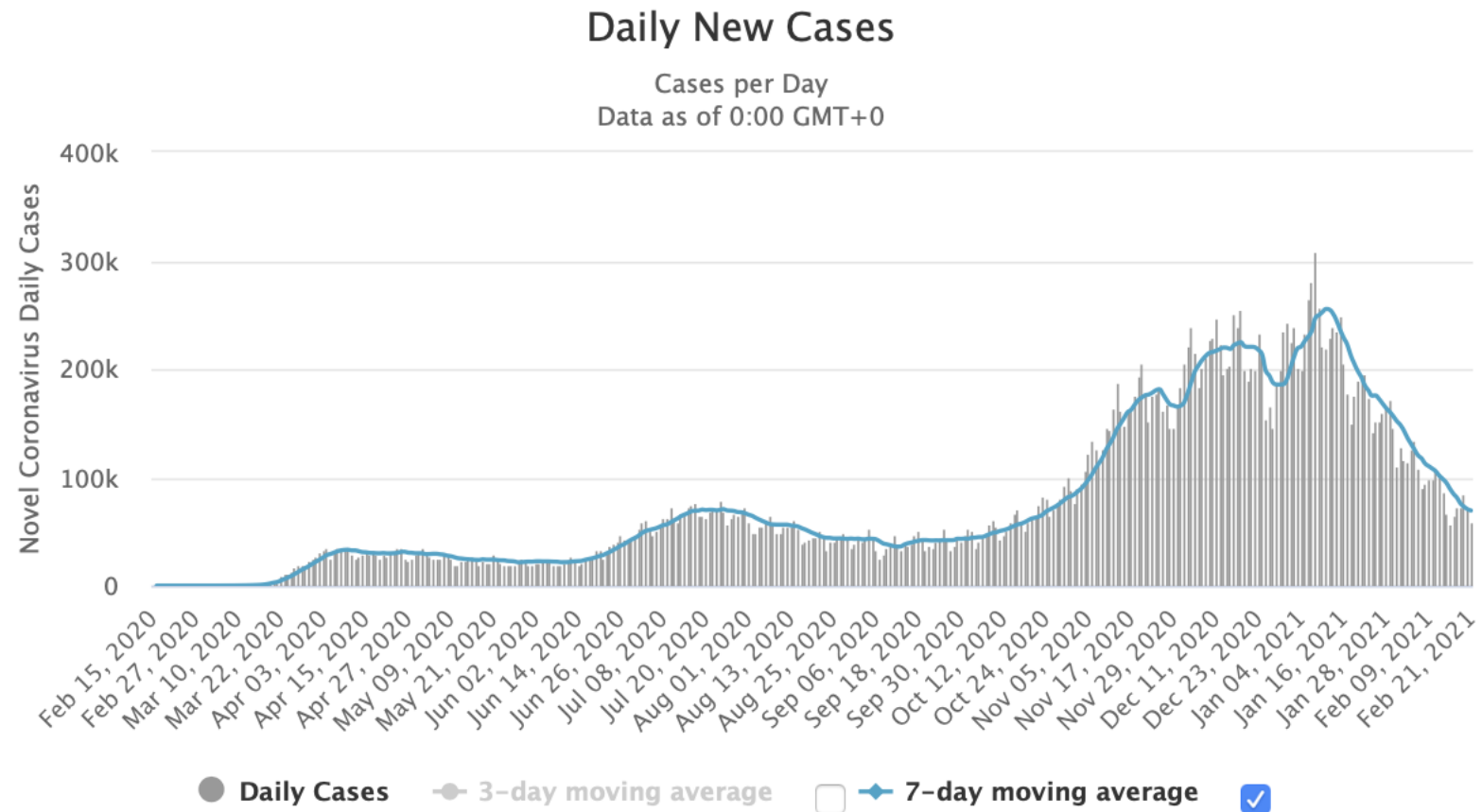
Chart: Covid-19 Fatalities



The Covid-19 Pandemic in the United States

Chart: Covid-19 Cases

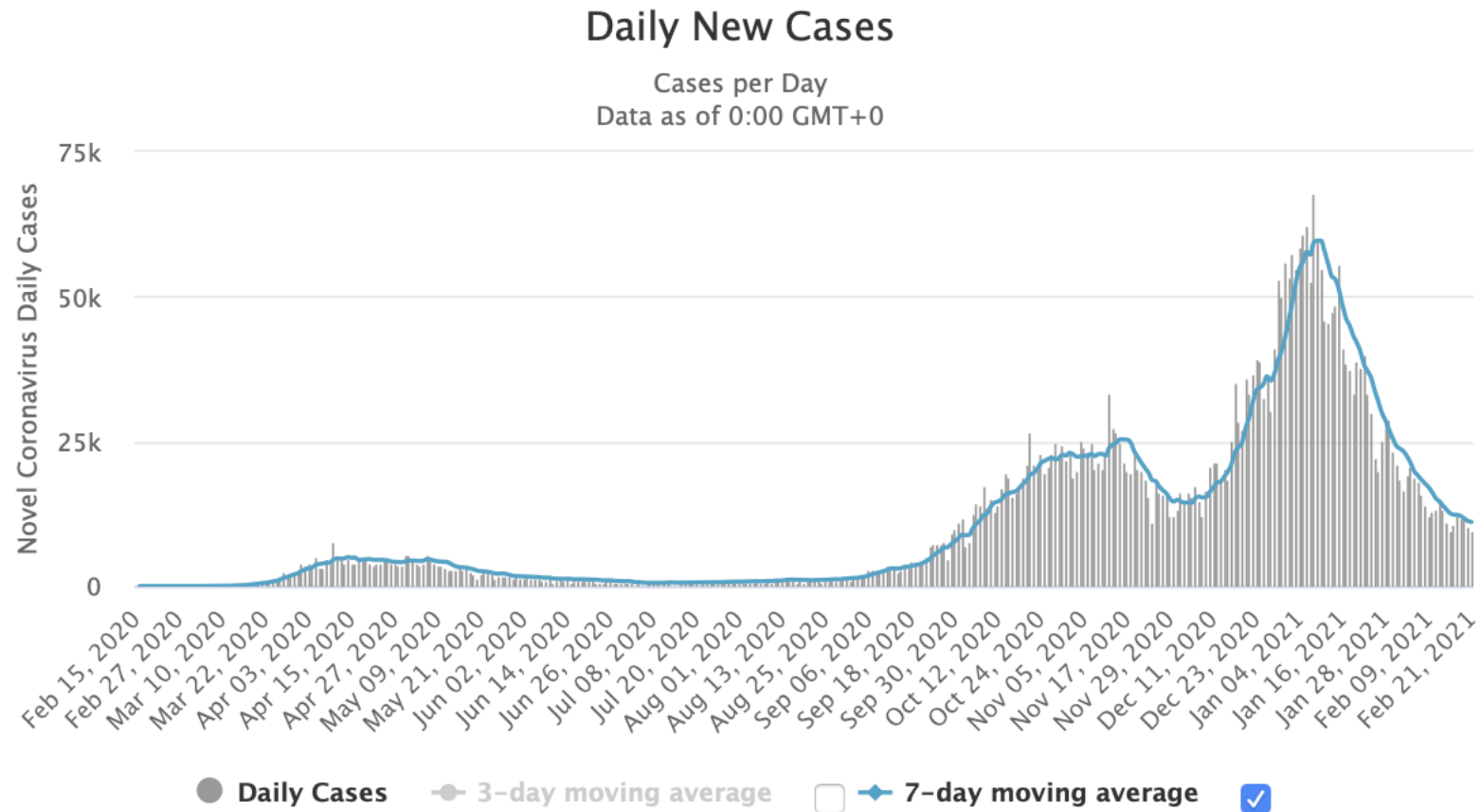
Daily New Cases in the United States



The Covid-19 Pandemic in the United Kingdom

Chart: Covid-19 Cases

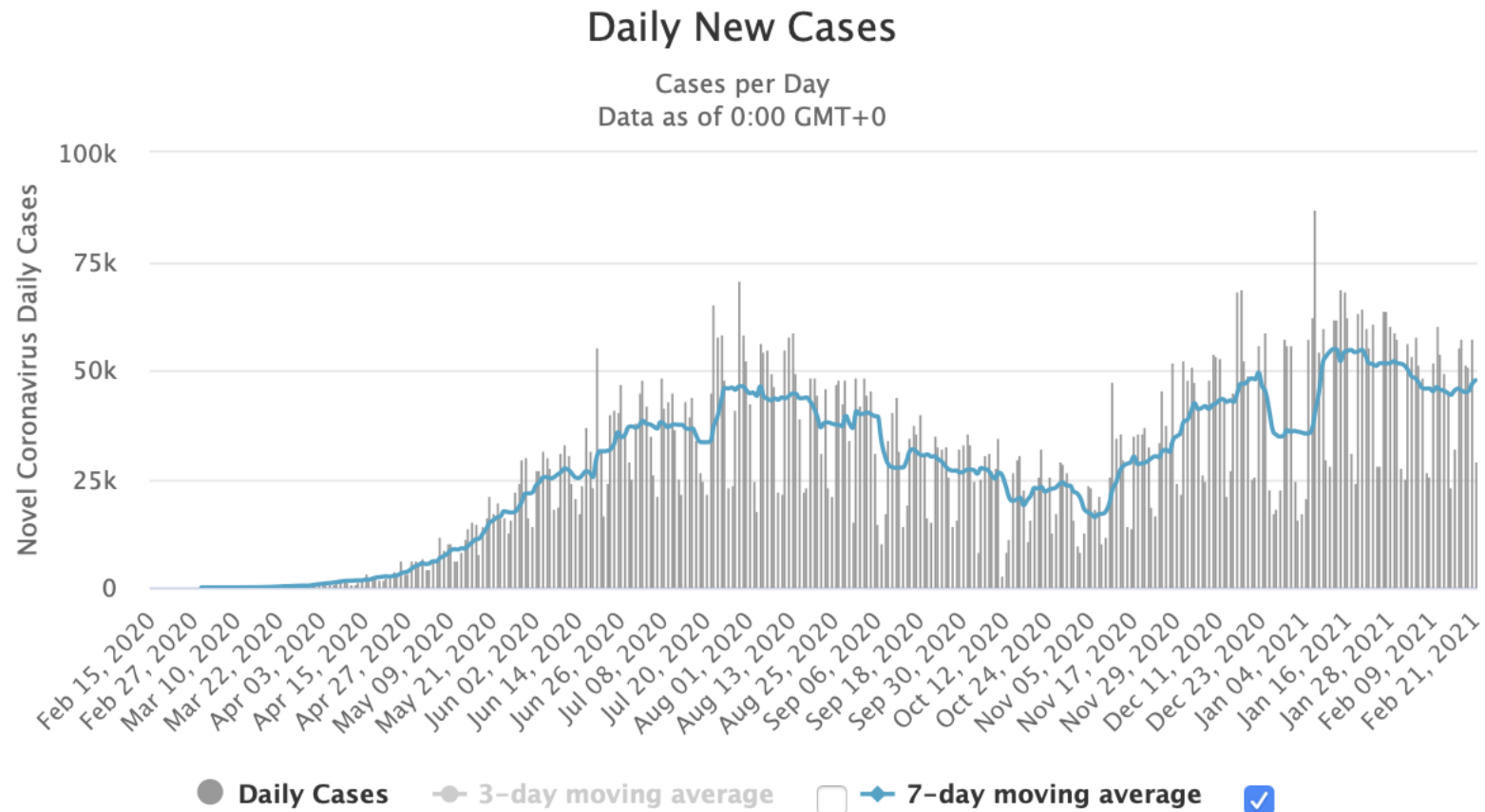
Daily New Cases in the United Kingdom



The Covid-19 Pandemic in Brazil

Chart: Covid-19 Cases

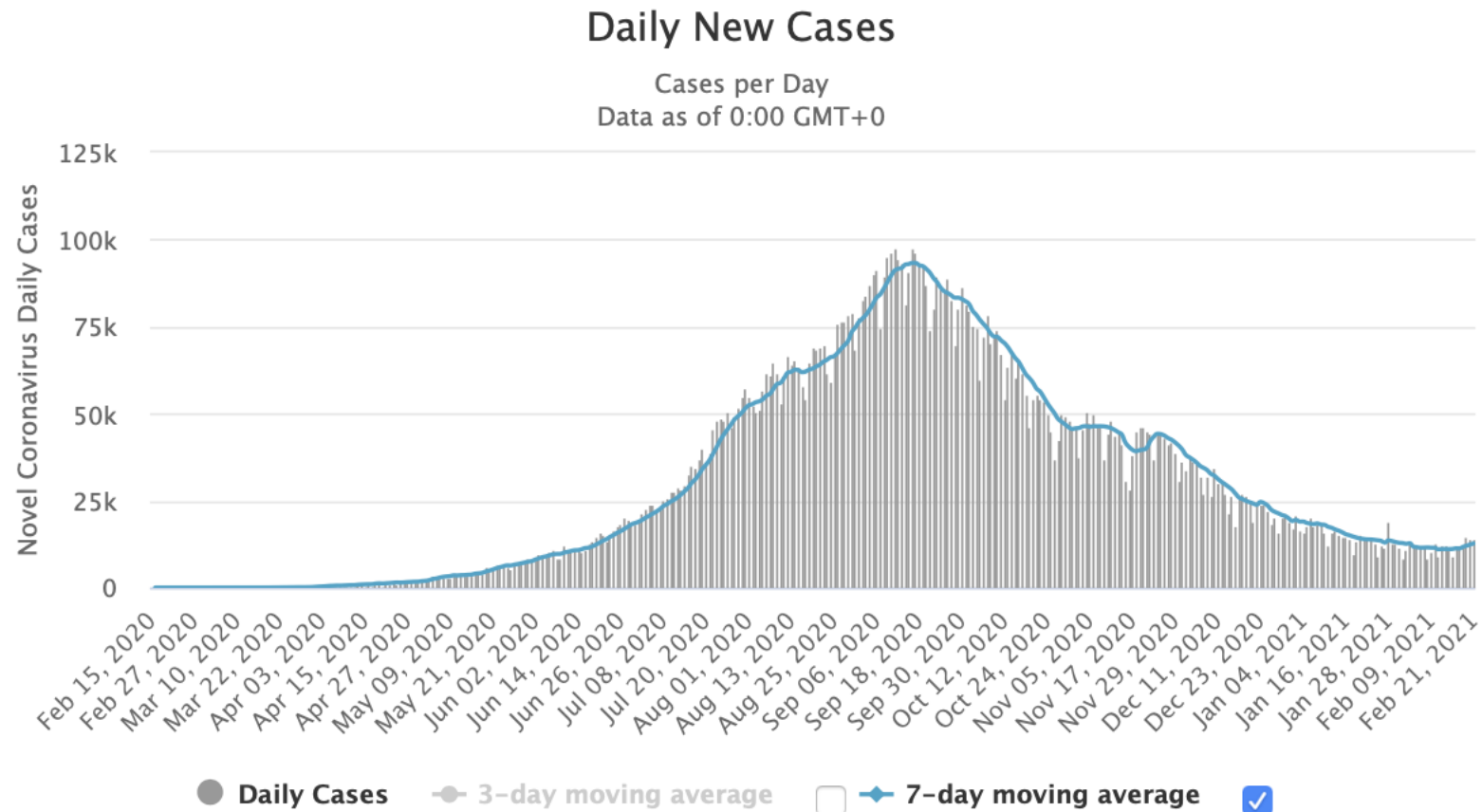
Daily New Cases in Brazil



The Covid-19 Pandemic in India

Chart: Covid-19 Cases

Daily New Cases in India

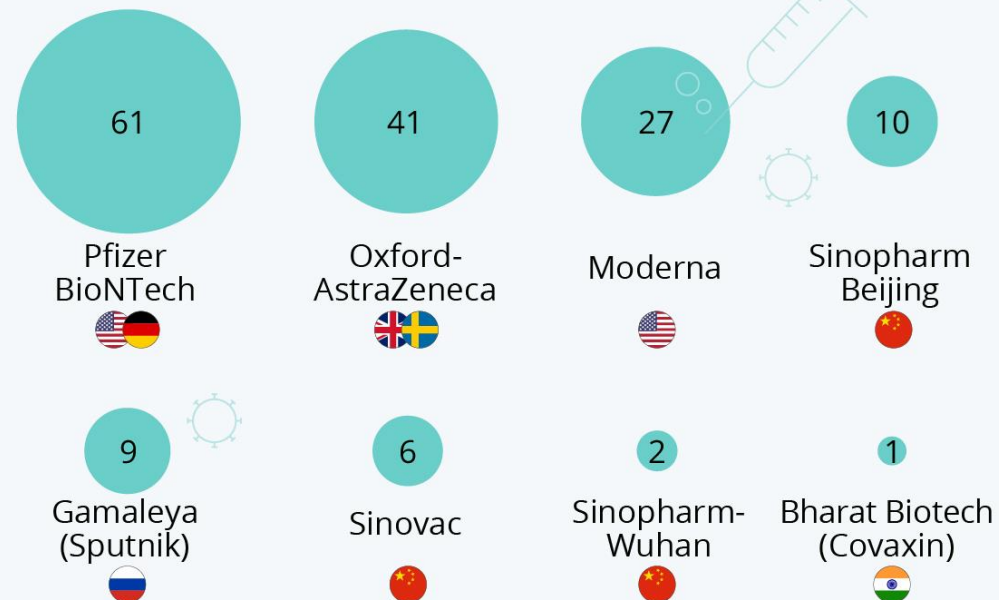


Covid-19 Vaccines

Chart: Covid-19 Vaccines

Which Covid-19 Vaccines Are Most Widely Used?

Number of countries using selected Covid-19 vaccines as of February 16, 2021



Source: Our World in Data via The New York Times



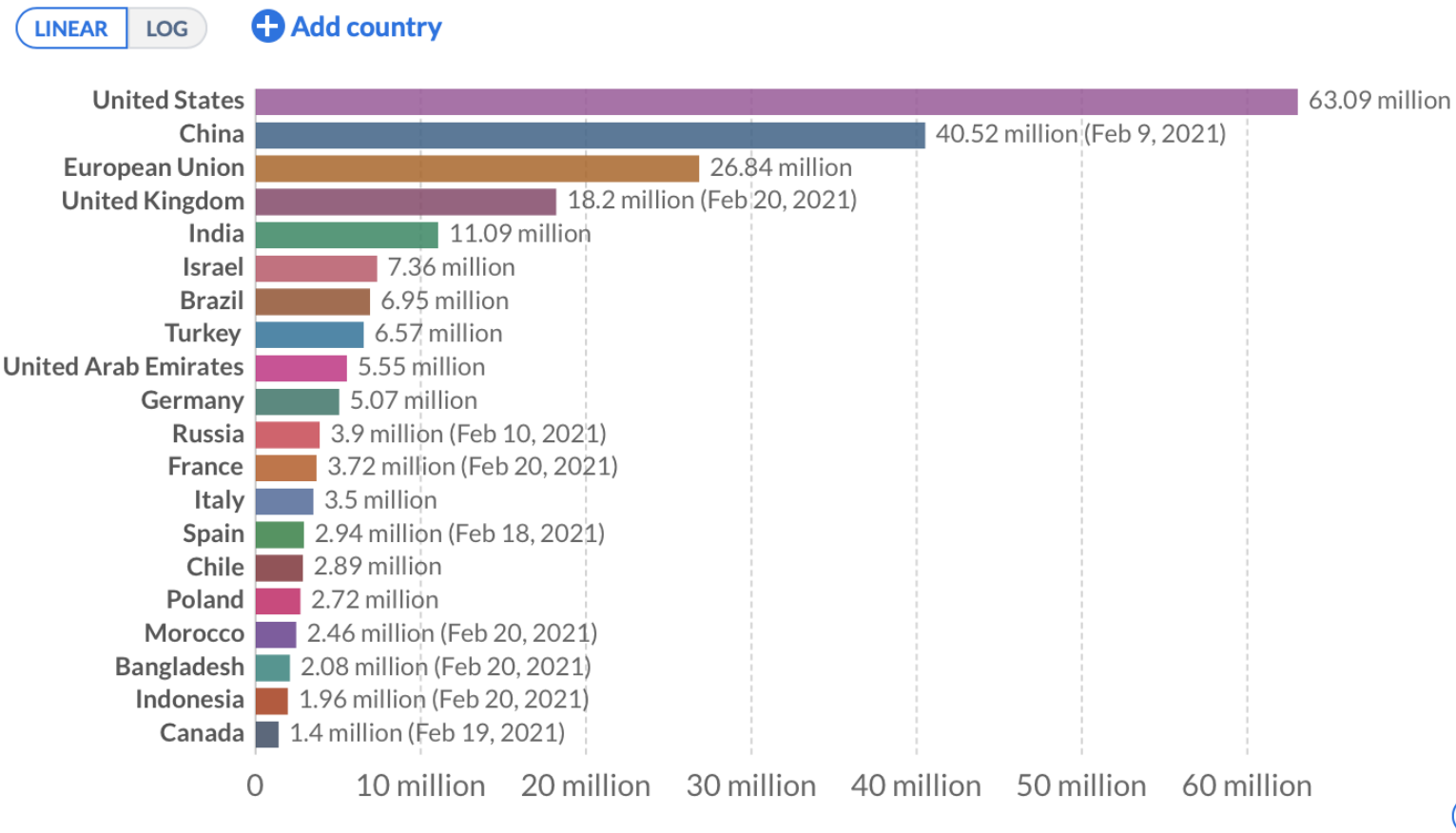
Covid-19 Vaccinations

Chart: Covid-19 Vaccinations by Country

COVID-19 vaccine doses administered, Feb 21, 2021

Total number of vaccination doses administered. This is counted as a single dose, and may not equal the total number of people vaccinated, depending on the specific dose regime (e.g. people receive multiple doses).

Our World
in Data



Lingering Threats from the Covid-19 Pandemic

Key Developments

The Vaccination progress proves disappointing slow in many parts of the world.

New variants of Covid-19 weaken the efficacy of certain vaccines.

Disruptions to the economy persist in some parts of the world into 2022 and beyond.

The State of the Global Economy

The State of the Global Economy

Key Developments

The global economy is emerging from its most difficult year since the Second World War.

For some parts of the world, there has been a steady recovery from the massive losses in the first half of 2020.

For others, the recovery appears to be less robust, with further disruptions hampering a return to growth.

The Impact of the Covid-19 Pandemic on the Global Economy

Key Developments

The initial impact of the pandemic was felt across most sectors of the global economy.

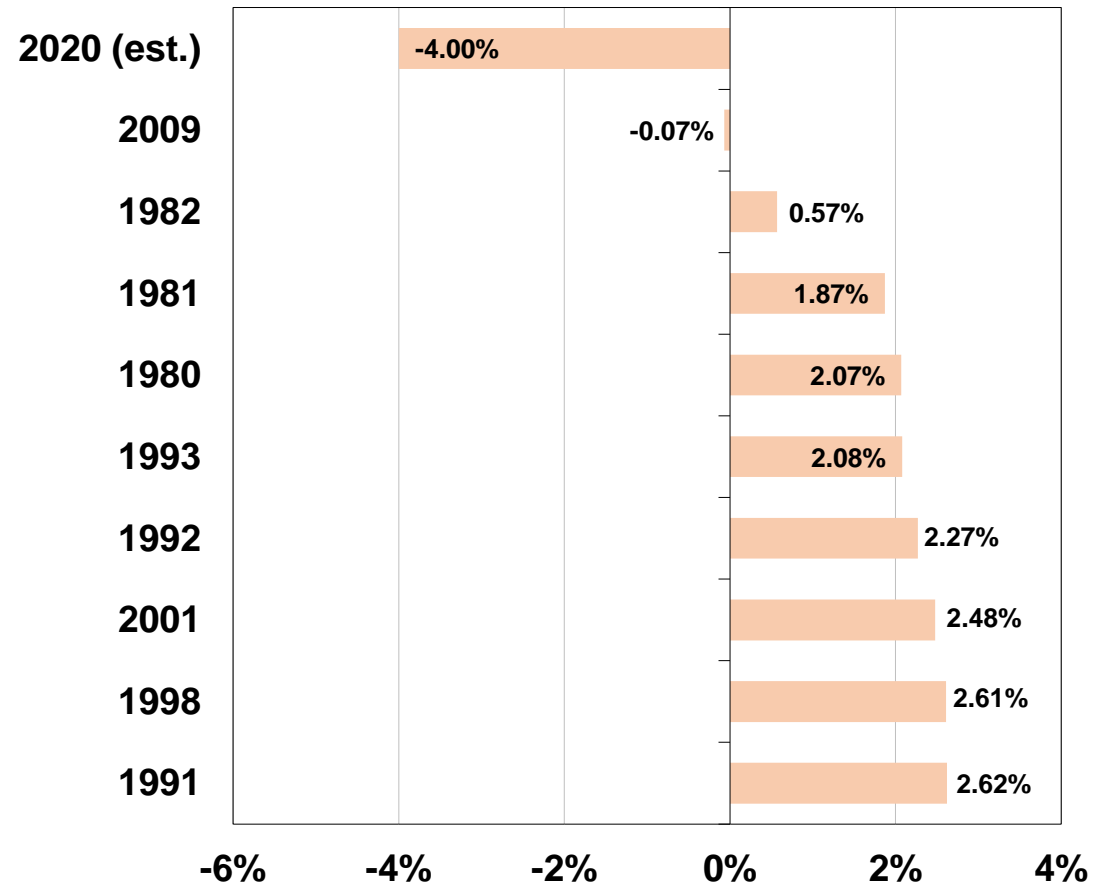
In time, most manufacturing sectors have rebounded.

However, many service sectors, together with the construction sector, continue to suffer severe losses due to the pandemic.

Without a faster roll-out of vaccinations, many of these service sectors will experience another difficult year in 2021.

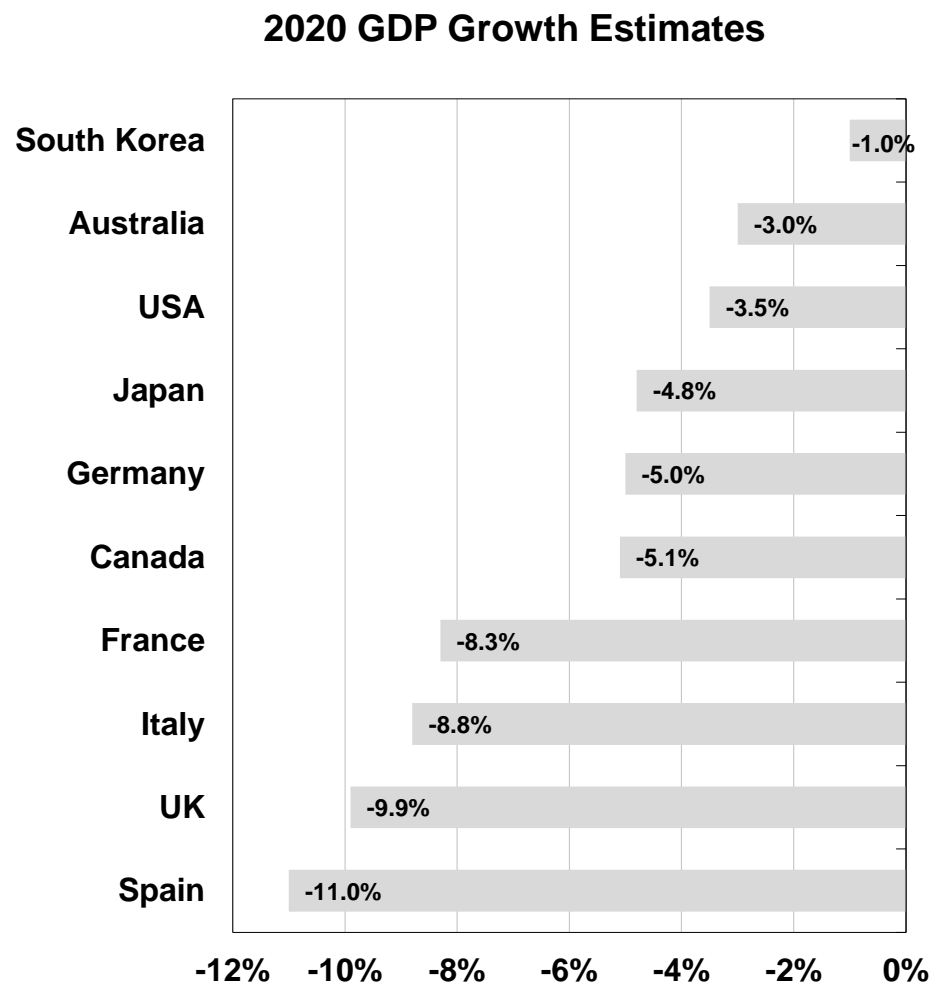
2020 Was a Bad Year for the Global Economy

The Ten Worst Years for the Global Economy Since 1980 (based on annual GDP growth rates)



Developed Economies in 2020

Chart: Estimated 2020 GDP Growth



Summary

No developed economy in the world recorded any growth in 2020.

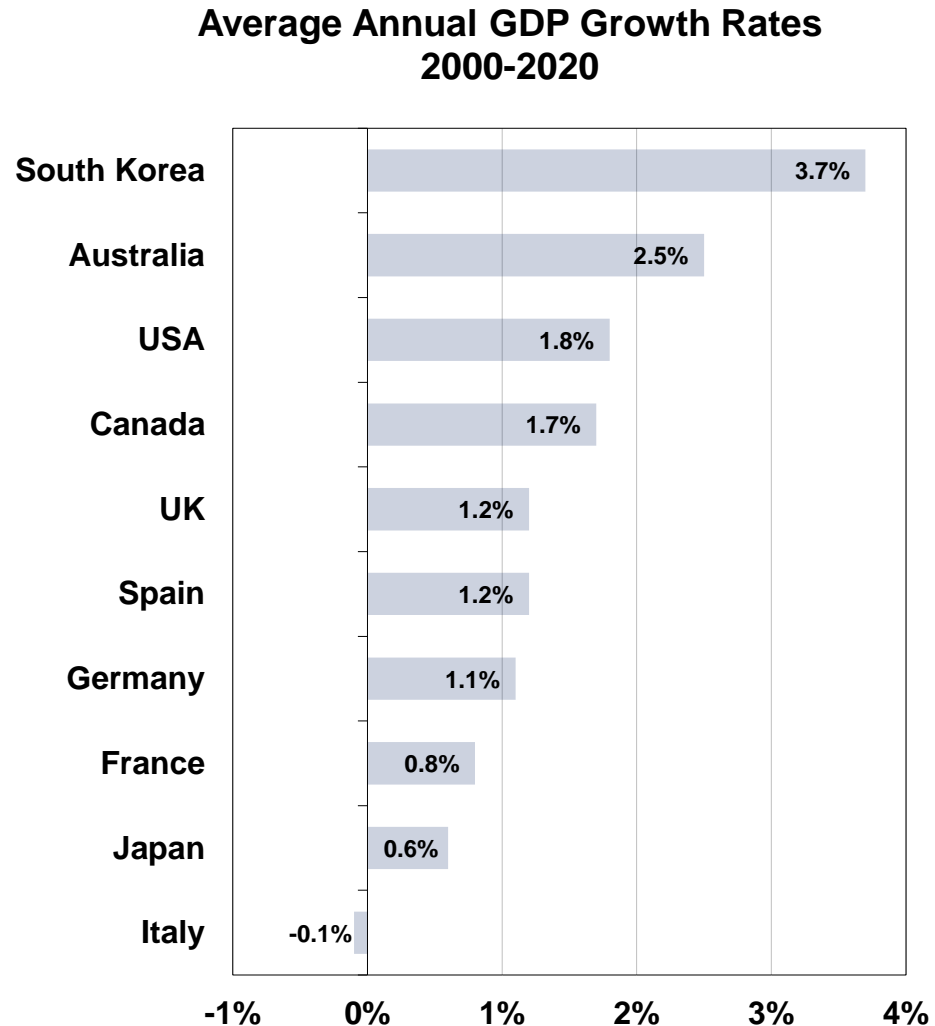
Developed economies in the Asia-Pacific region did not shrink as much as their counterparts in the rest of the world.

The US economy also outperformed most other developed economies.

Europe's leading economies suffered massive losses in 2020.

Developed Economies in the 21st Century

Chart: 21st Century GDP Growth



Summary

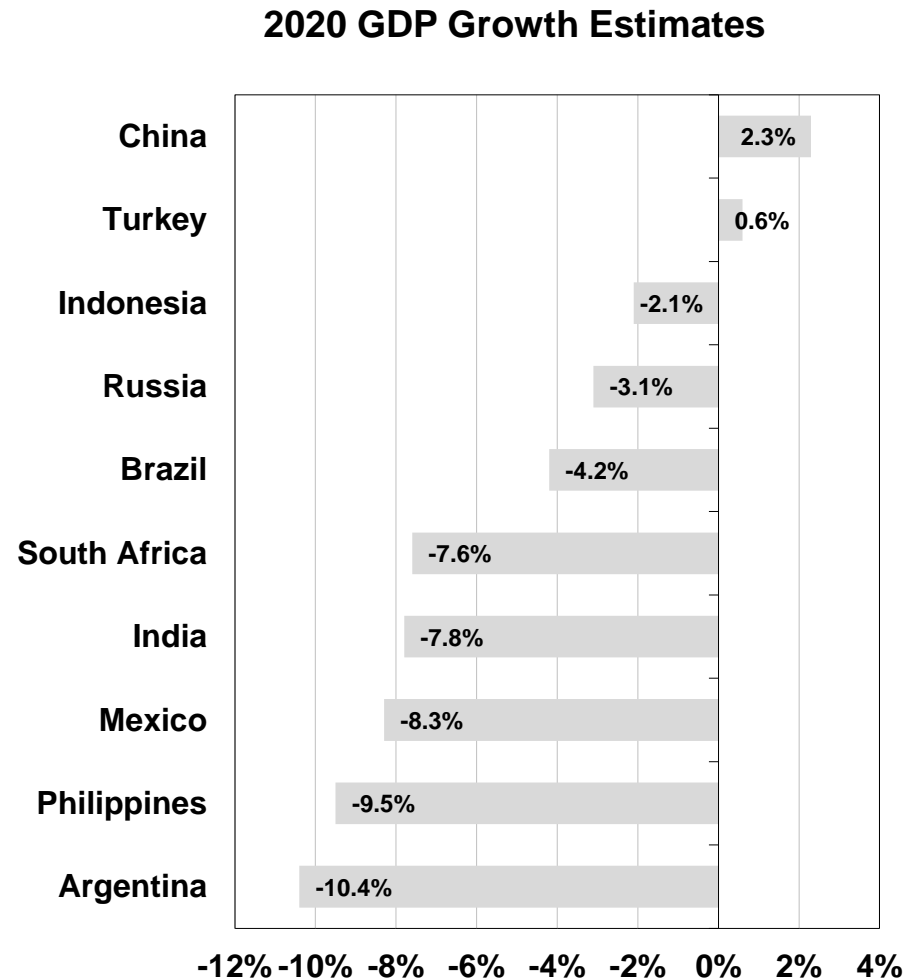
Developed economies in much of the world have grown much slower than in previous decades.

Europe and Japan have recorded very little growth over the past two decades.

Italy's economic output is smaller now than it was in the late 1990s.

Emerging Economies in 2020

Chart: Estimated 2020 GDP Growth



Summary

Most emerging markets also suffered major economic losses in 2020.

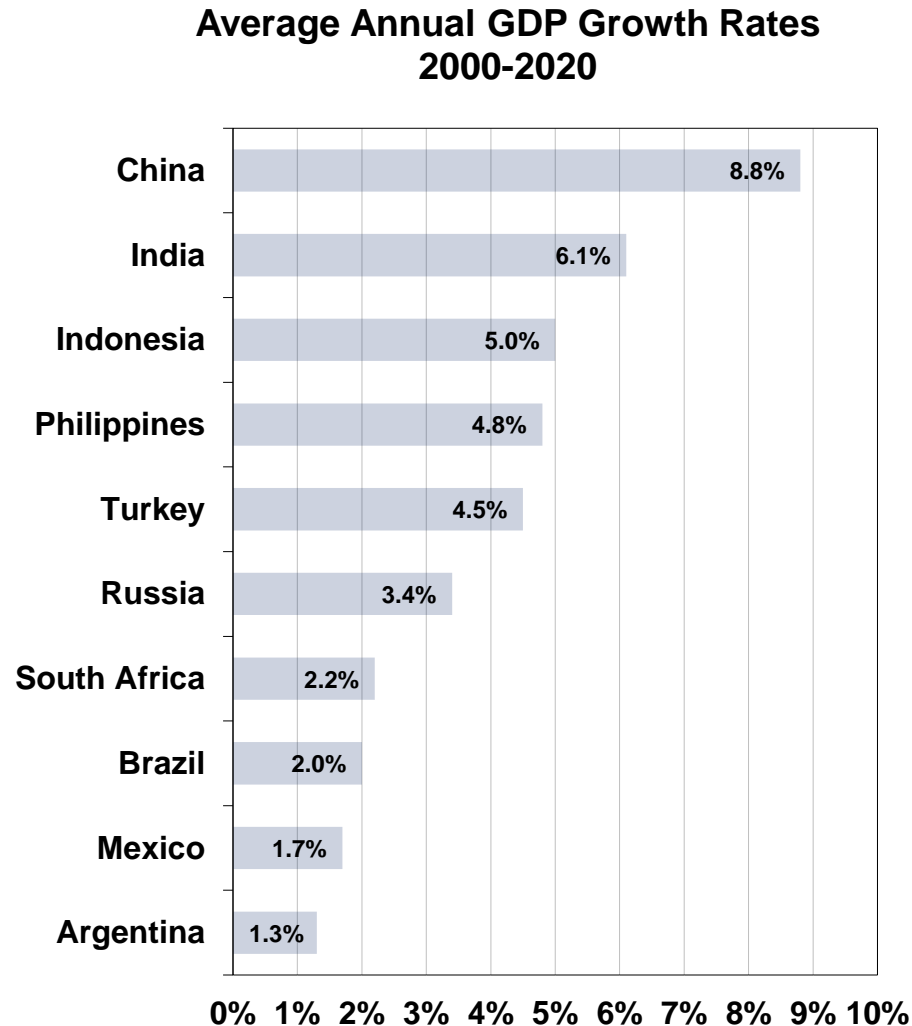
The impact of the pandemic and the severity of their lockdowns largely determined the performance of emerging economies in 2020.

India's sharp decline in 2020 came on the heels of a severe slowdown.

China was the only major economy to record growth in 2020.

Emerging Economies in the 21st Century

Chart: 21st Century GDP Growth



Summary

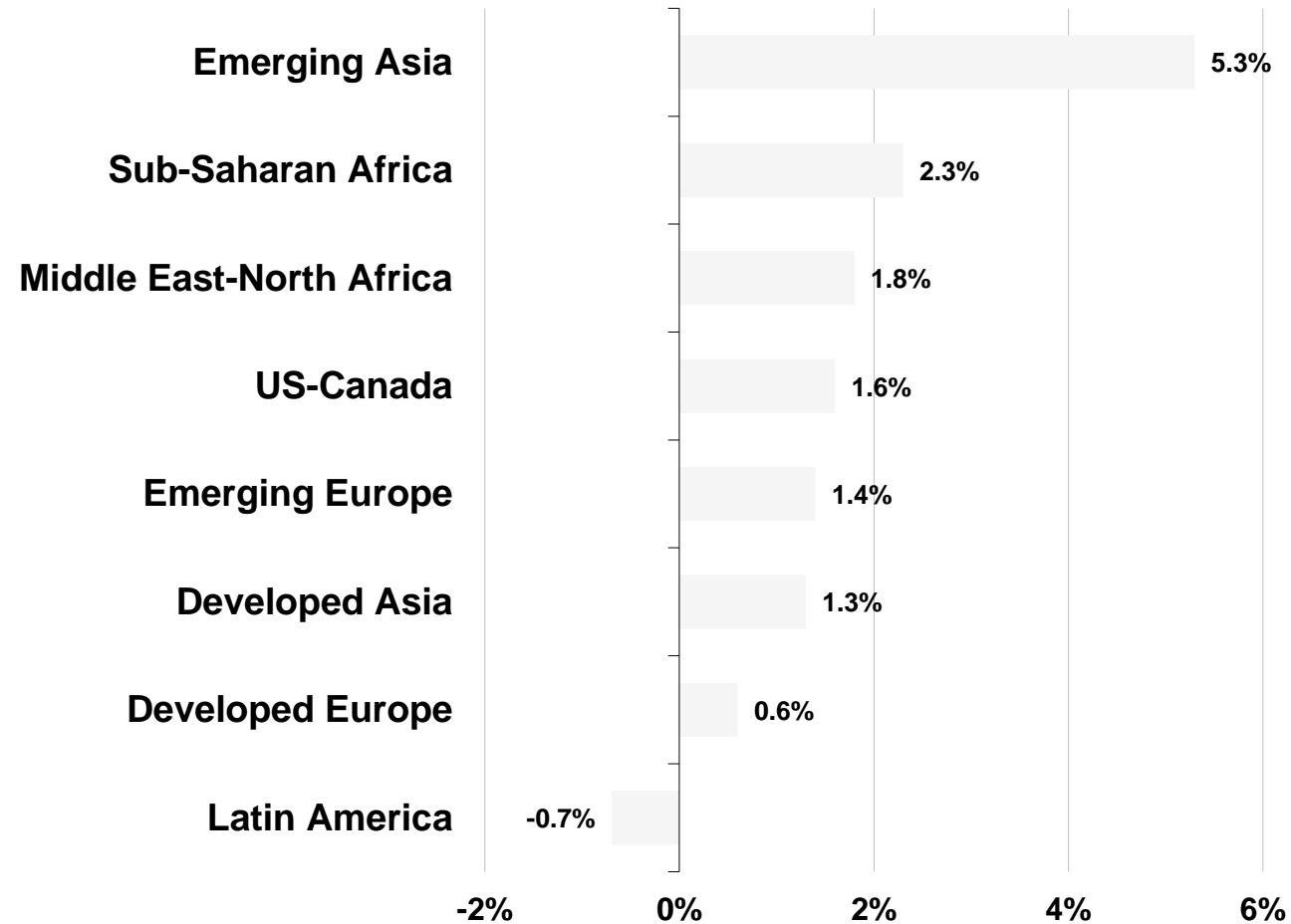
Emerging markets have outgrown their developed counterparts by a factor of three-to-one over the past two decades.

Emerging markets now account for more than half of all additional global economic output.

Asian emerging markets have outperformed their counterparts in other regions.

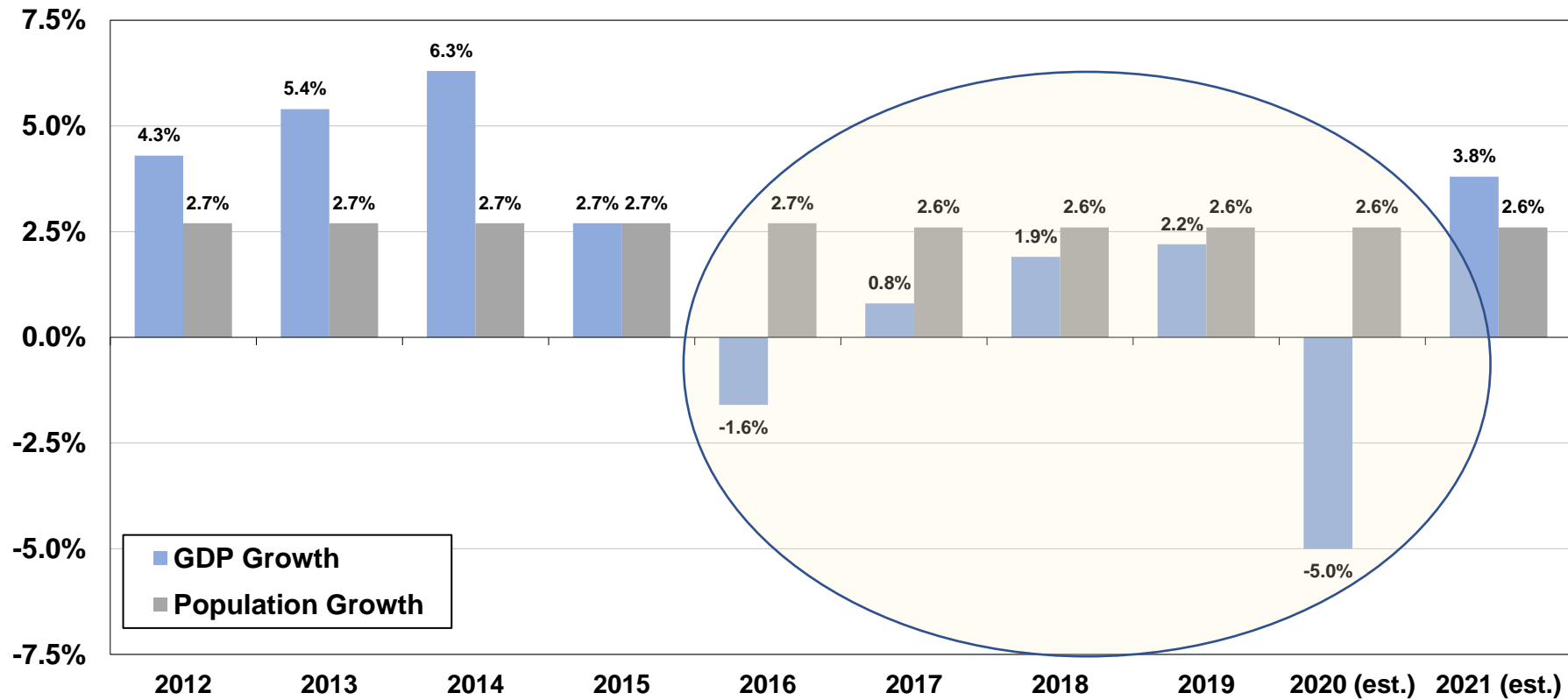
Economic Growth by Region Since 2014

Average Annual GDP Growth by Region 2014-2020



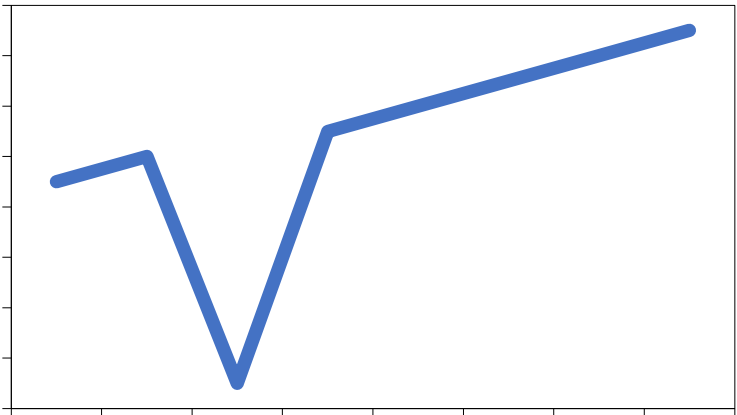
Economic and Population Growth Rates in Nigeria

GDP Growth Rates vs. Population Growth Rates in Nigeria

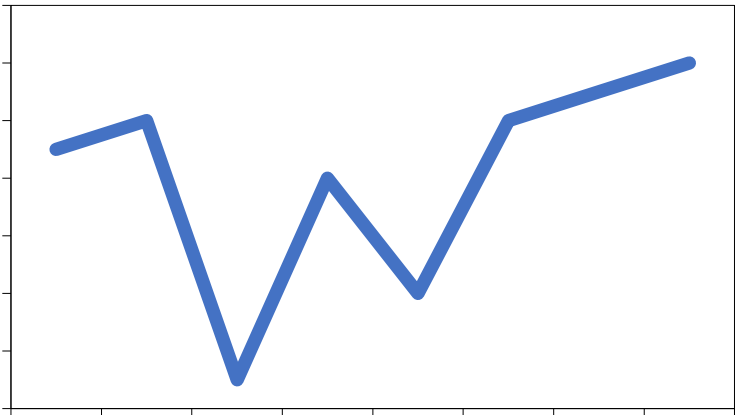


2020-2021 Economic Recovery Possibilities

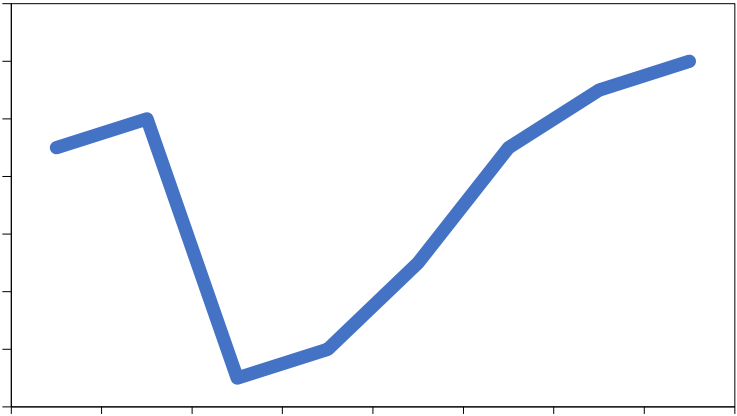
V-Shaped Recovery



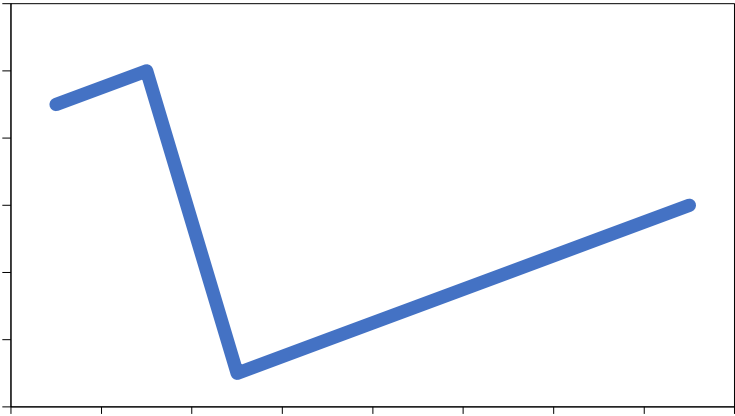
W-Shaped Recovery



U-Shaped Recovery

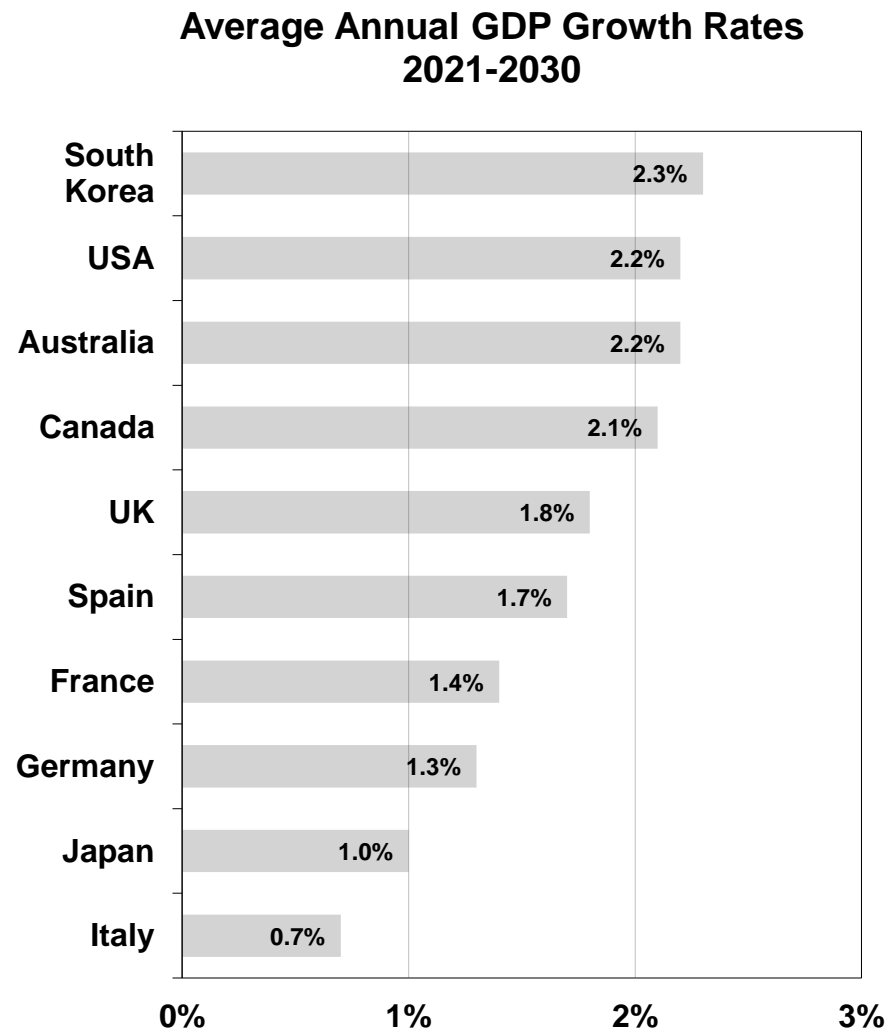


L-Shaped Recovery



Developed Economies in the 2020s

Chart: Forecast 2020s GDP Growth



Summary

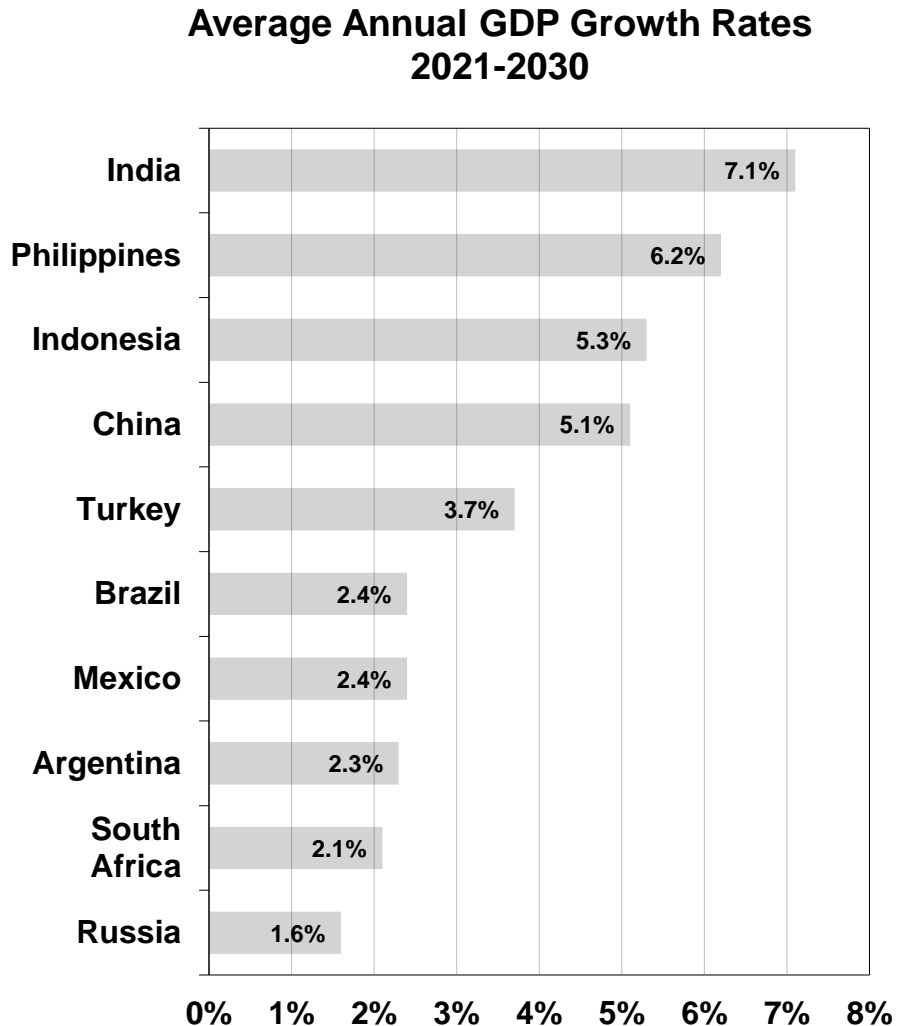
Overall economic growth for the 2020s will be boosted by the economic recoveries foreseen for 2021 and 2022.

Developed economies around the Pacific Rim will continue to outperform their counterparts in other parts of the world.

There is a significant amount of downside risk to the growth forecasts for many developed economies.

Emerging Economies in the 2020s

Chart: Forecast 2020s GDP Growth



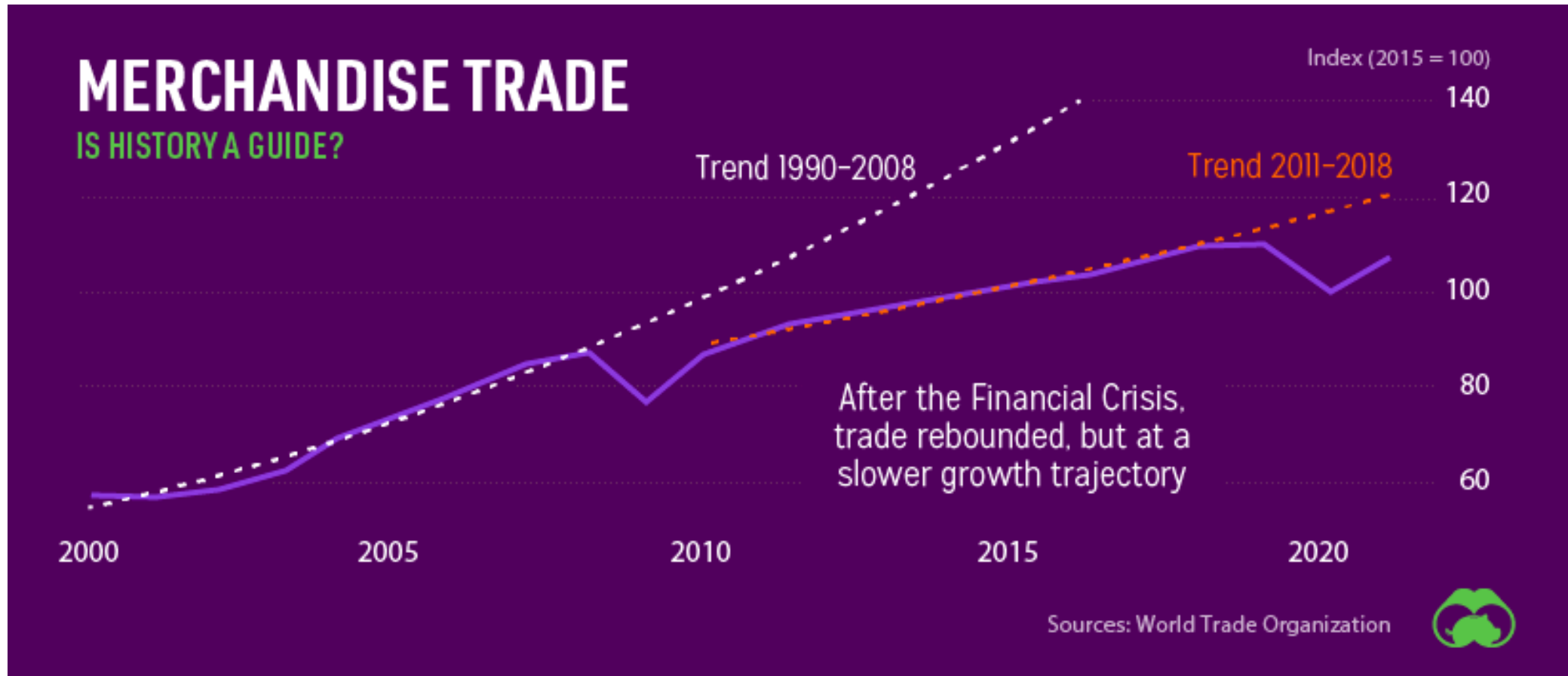
Summary

Emerging markets in Asia will continue to outperform rivals in other parts of the world.

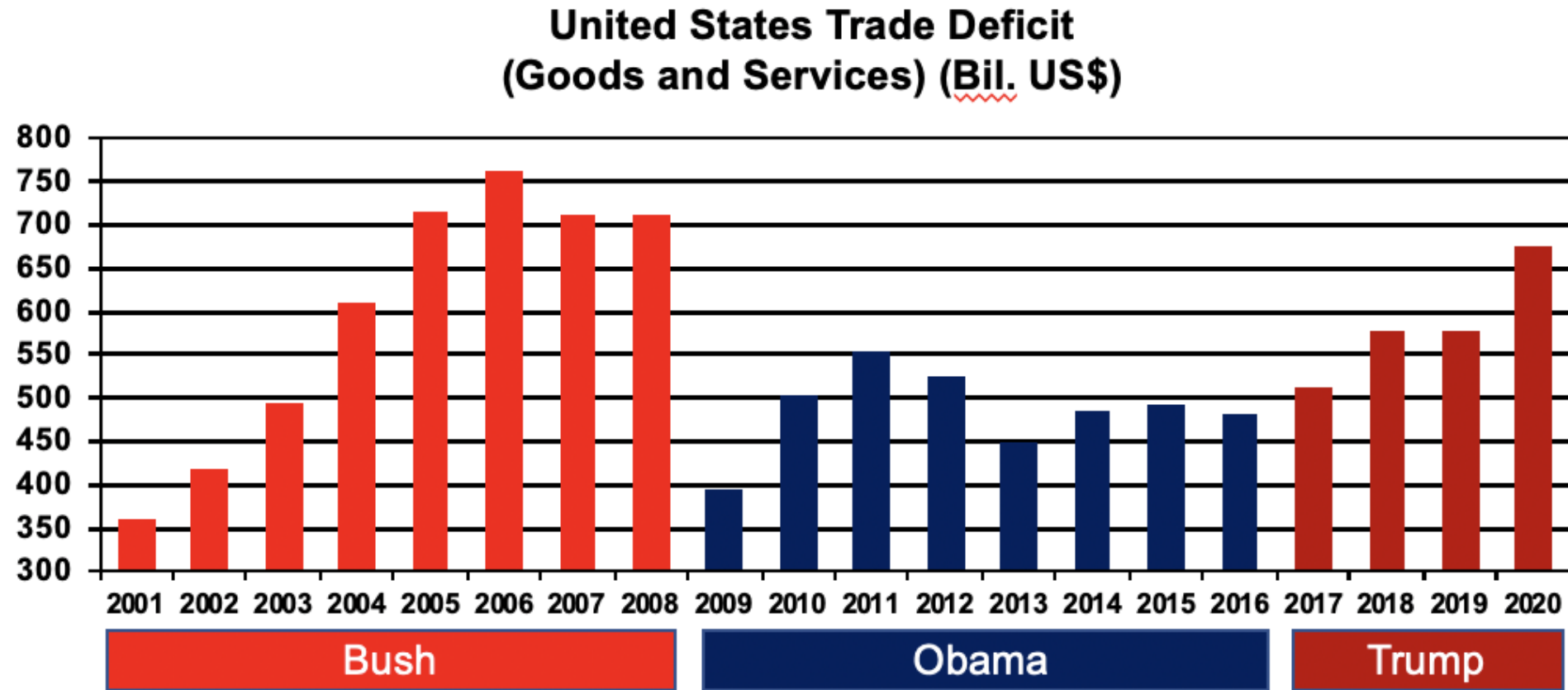
Some poorer emerging markets are expected to overtake China in terms of economic growth in the coming decade.

The prospects for growth in Latin America and East Europe are mixed.

The Great Trade Slowdown



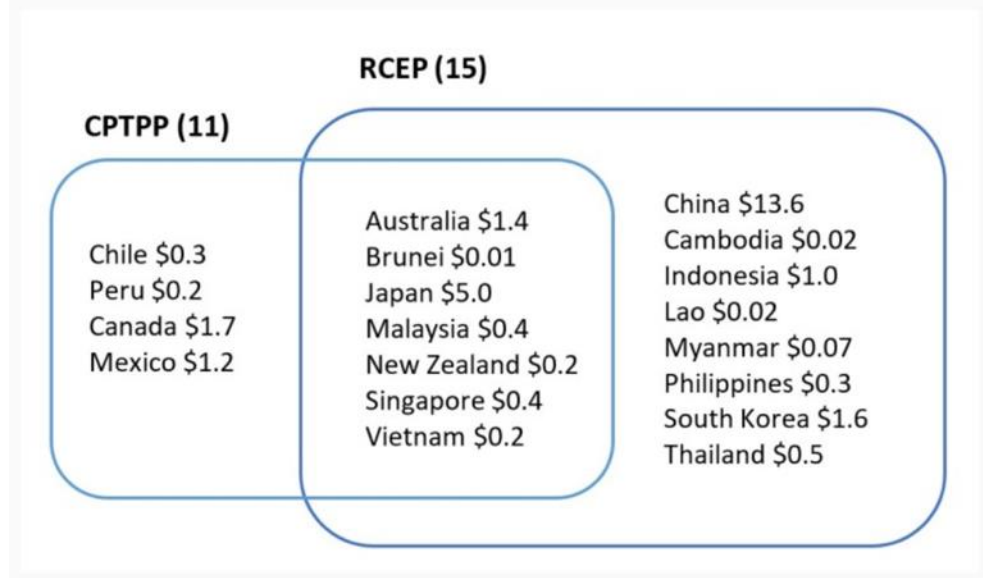
US Trade Deficit in the 21st Century



Asia-Pacific Trade Deals

Chart: Recent Asian Trade Deals

Figure 1: Members of RCEP and CPTPP
(Numbers present 2018 GDP in trillions of U.S. dollars)



Other Key Trade Deals

US-China Phase One Trade Deal

USMCA Trade Deal

China-EU Investment Deal

EU-UK Post-Brexit Deal

The US Dollar



Inflation

Chart: US Inflation

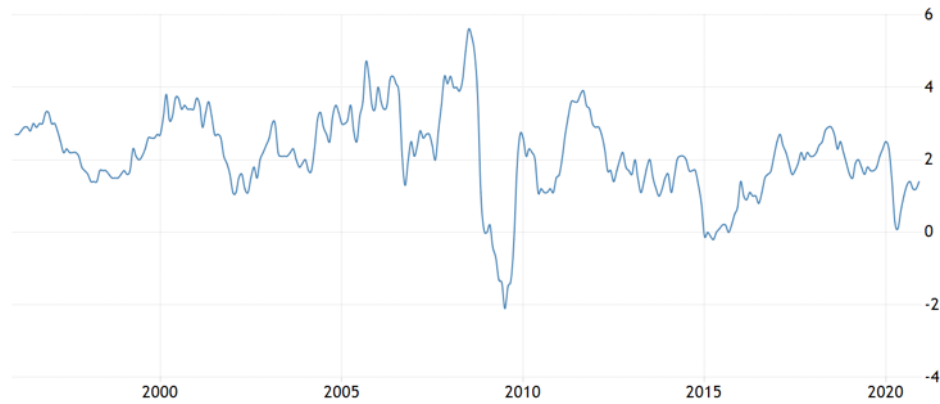


Chart: China Inflation

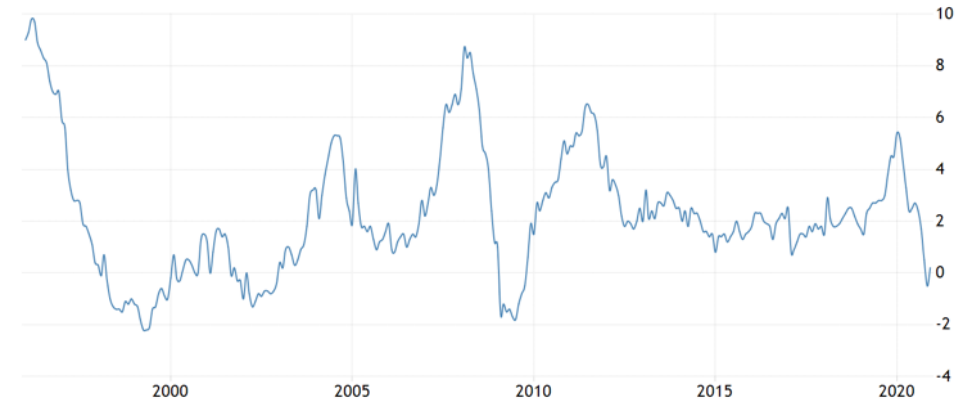


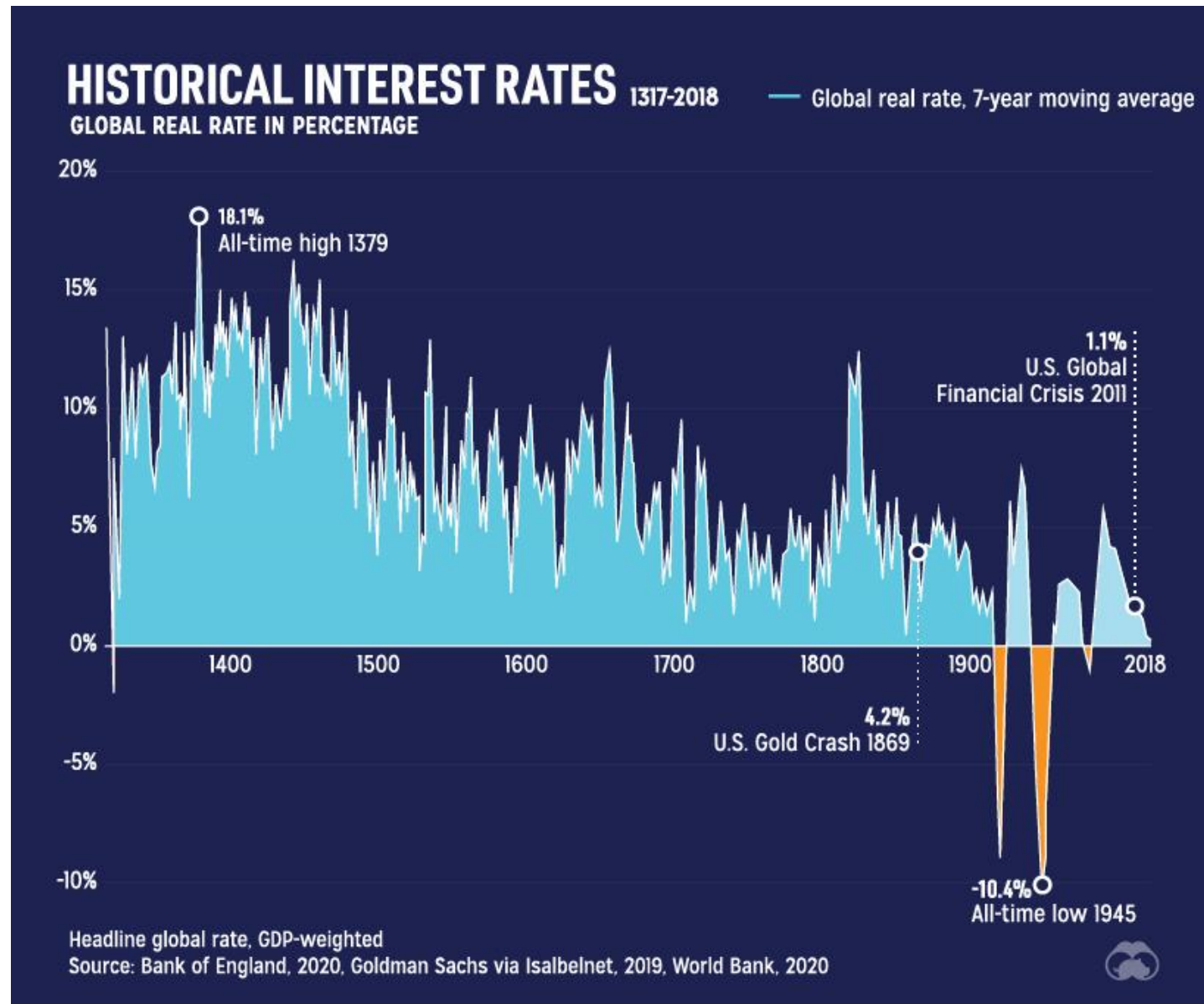
Chart: Eurozone Inflation



Chart: Japan Inflation



Historical Interest Rate Trends



Unemployment

Chart: US Unemployment

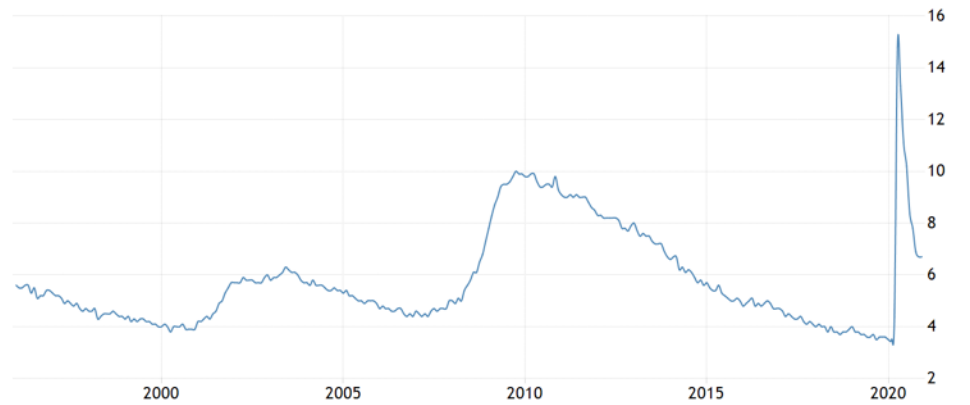


Chart: China Unemployment

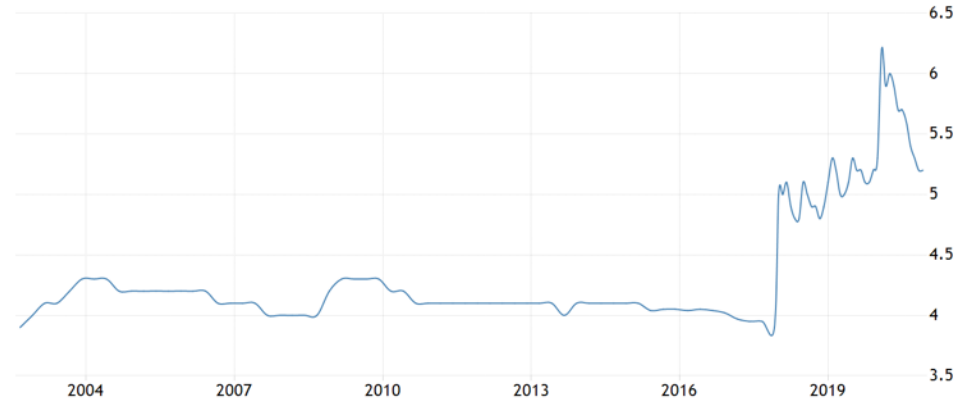


Chart: Eurozone Unemployment

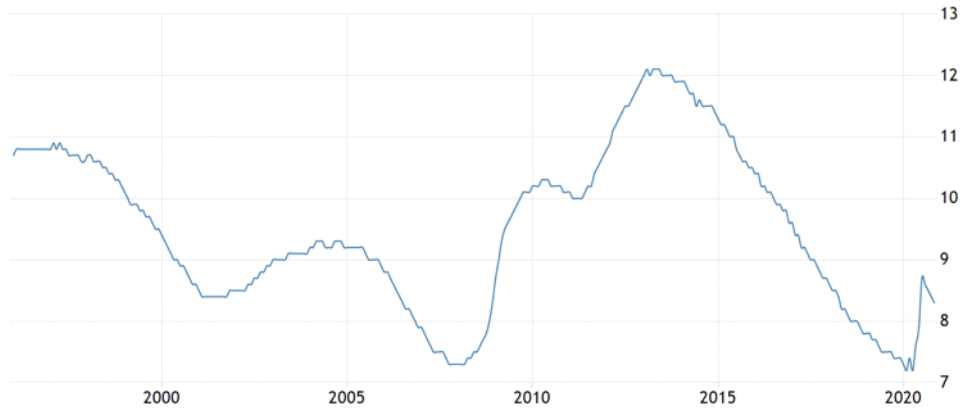
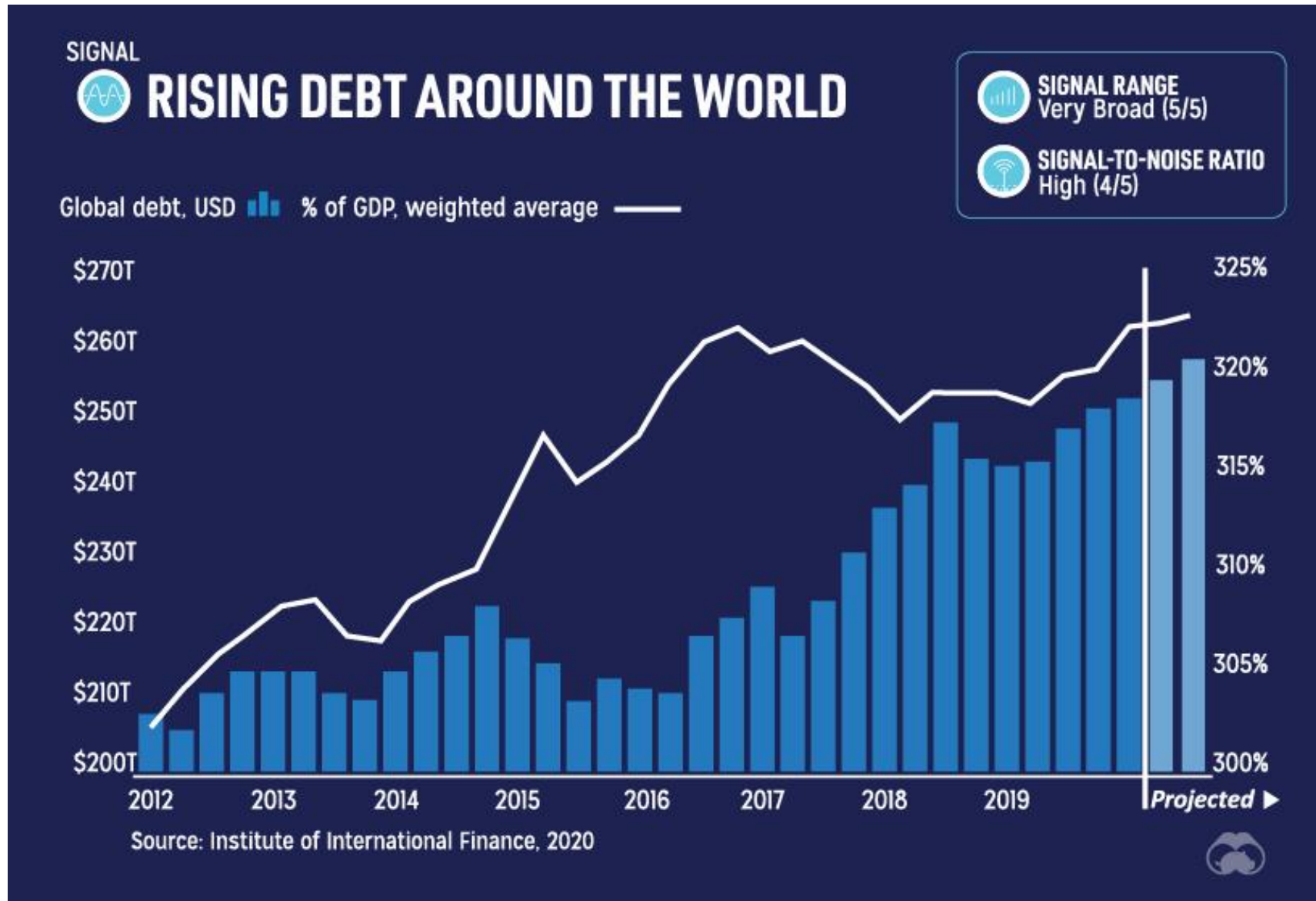


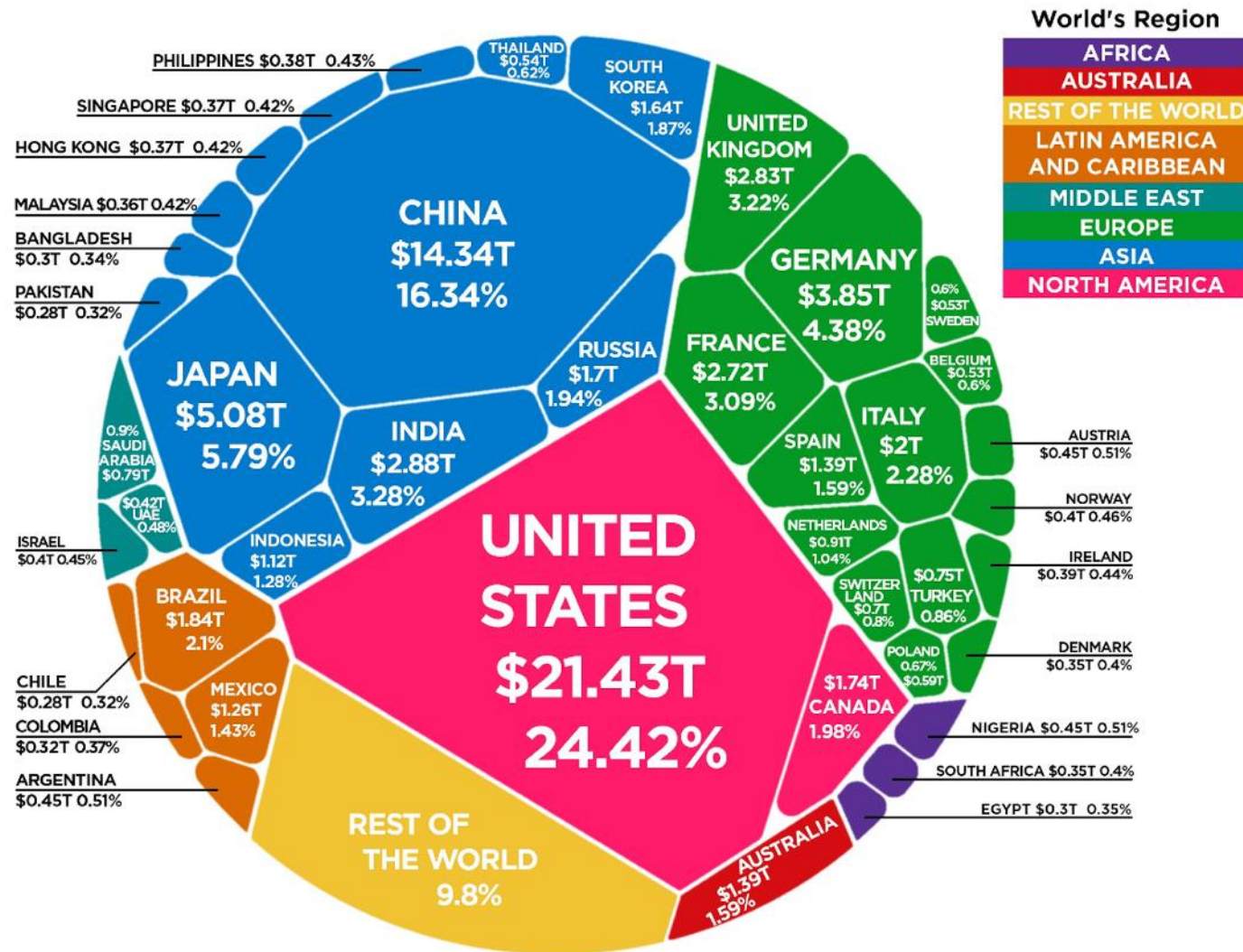
Chart: Japan Unemployment



Global Debt Levels



Breakdown of Global GDP



Article & Sources:

<https://howmuch.net/articles/the-world-economy-2019>

<https://databank.worldbank.org>

The State of Global Politics

Key Political Developments to Watch

Key Developments

The new administration in the United States

The US-China rivalry

Relations between China and its neighbors

Rising tensions in the Eastern Mediterranean

Key elections in 2021

The New Administration in the United States

What to Watch

The Biden Administration has moved quickly to reverse many of the policies of the Trump Administration.

The Democrats now control the presidency and both houses of the US Congress.

Political tensions remain dangerously high in the United States.



US-China Relations

What to Watch

Despite the new government in Washington, US-Chinese relations are likely to remain strained.

Key flashpoints between the world's two leading powers include:

- Trade
- Technology
- Defense Spending
- Taiwan
- South China Sea



China and its Neighbors

What to Watch

China has a difficult relationship with many of its neighbors.

Of particular note are China's relations with:

- India
- Taiwan
- Japan
- Southeast Asia
- North Korea
- Russia



Rising Tensions in the Eastern Mediterranean

What to Watch

The eastern Mediterranean region has turned into one of the world's most volatile flashpoints.

Tensions include:

- Turkey and Greece
- Syria
- Libya
- Lebanon
- Israel and its neighbors
- A resurgent Islamic State



Elections to Watch in 2021

Elections to Watch

- | | |
|---|--|
| <ul style="list-style-type: none">• Netherlands (March) | <ul style="list-style-type: none">• Germany (September) |
| <ul style="list-style-type: none">• Israel (March) | <ul style="list-style-type: none">• Iraq (October) |
| <ul style="list-style-type: none">• Peru (April) | <ul style="list-style-type: none">• Argentina (October) |
| <ul style="list-style-type: none">• Iran (June) | <ul style="list-style-type: none">• Japan (before October) |
| <ul style="list-style-type: none">• Hong Kong (September) | <ul style="list-style-type: none">• Chile (November) |
| <ul style="list-style-type: none">• Russia (September) | <ul style="list-style-type: none">• Libya (December) |

Longer-Term Factors to Watch

Key Longer-Term Factors to Watch

Key Factors

Demographic Changes

Shifting Trade and Investment

Sluggish Productivity Growth

The Environment and Climate Change

Falling Birth Rates

Key Developments

Birth rates in some regions have been very low for years.

- East Asia
- Europe

Birth rates have fallen in many emerging markets.

- China
- Latin America

Birth rates have fallen in many areas where they had been high.

- "New World" developed economies
- Many emerging markets

Aging Populations

Key Developments

The average age of many countries' populations has continued to trend upwards.

The retired share of these countries' populations is now larger than ever.

Too few countries are ensuring that this segment of their population is remaining productive.

This is proving to be a massive drain on the public finances of many countries.

Shrinking Working-Age Populations

Key Developments

At the same time, the working-age populations of many leading economies are stagnant or in decline.

- Japan
- Europe
- China

Furthermore, a growing share of many countries' working-age populations is now out of the labor market.

Slowing Trade and Investment Growth

Key Developments

International trade growth has trailed behind global economic growth over the past decade.

This trend was exacerbated by recent trade disputes and the Covid-19 pandemic.

Global trade fell sharply in 2020, with the notable exception of China.

Foreign direct investment fell even further in 2020, particularly in Europe and North America.

Rising Levels of Protectionism and Nationalism

Key Developments

Support for protectionist economic policies has been on the rise in many parts of the world.

This has boosted support for political parties and leaders on the far-right and the far-left.

Nationalist politics has moved to the fore in recent years, driven by support from those segments of society that have struggled to react to globalization.

Localization or Reshoring

Key Developments

A number of factors are leading businesses to locate their production facilities, or service centers, closer to their end-users.

- Protectionism and nationalism
- Technological changes
- Environmental concerns
- Rising demand for customization
- Rising demand for shorter delivery times

Sluggish Productivity Growth Rates

Key Developments

Productivity growth for most of the world's leading economies has trended downwards in recent decades.

For more high-tech economies, there was a period of higher productivity growth in the late 1990s and early 2000s.

Since the early 2000s, there was a clear downwards trend in productivity growth, particularly in developed economies.

Recent Productivity Trends

Key Developments

There are hopes that some of the transitions that were made to counter the impact of the Covid-19 pandemic will boost productivity growth.

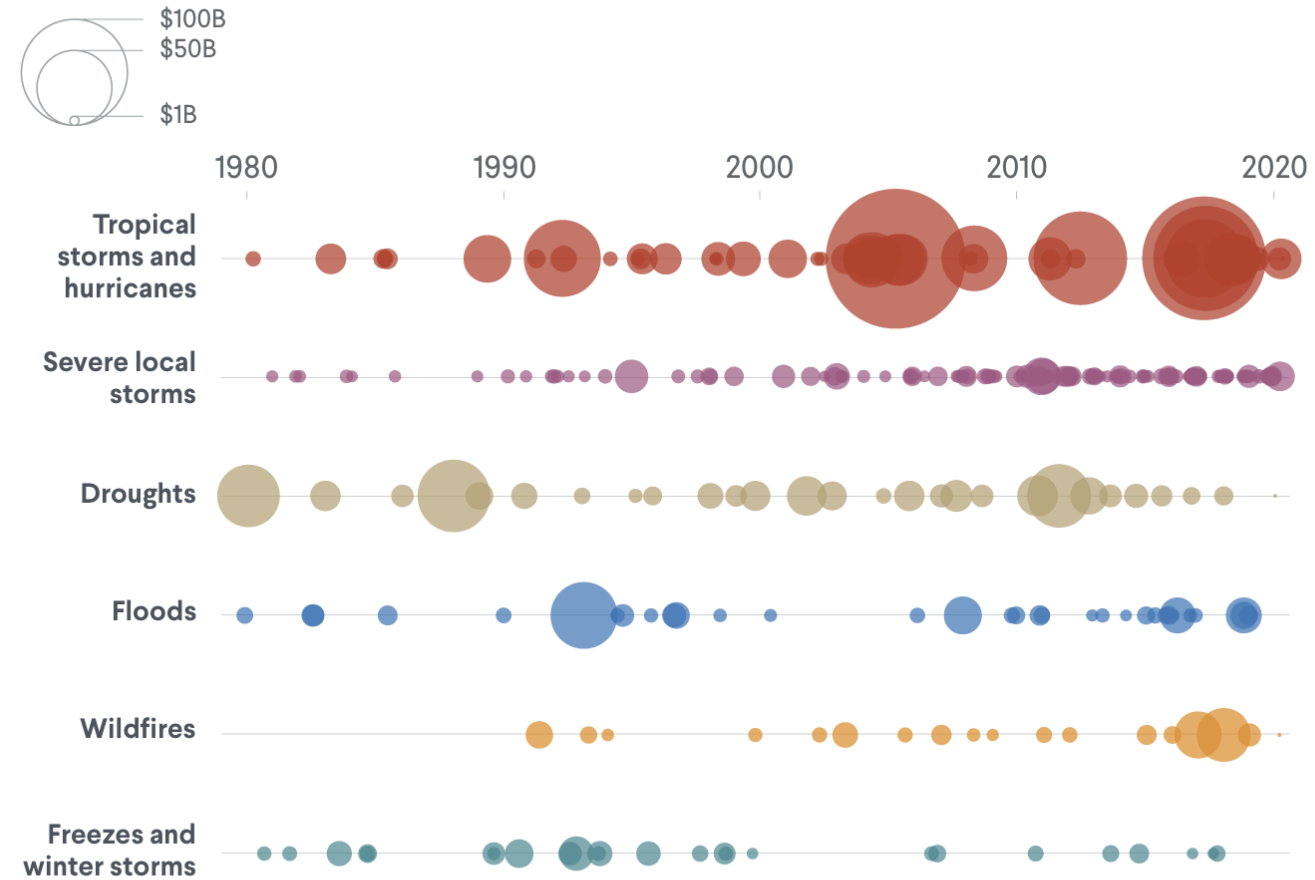
Some emerging markets continue to record healthier levels of productivity growth, particularly in Asia.

With the outlook for population growth looking more pessimistic, and the outlook for trade and investment uncertain, the generation of economic growth is increasingly dependent upon higher levels of productivity growth.

The Impact of Climate Change on the US Economy

U.S. Faces Growing Number of Climate Disasters

Bubbles represent weather and climate disasters in the U.S. costing \$1 billion or more in 2020 dollars, sized according to total cost



Source : National Oceanic and Atmospheric Association.

COUNCIL on
FOREIGN
RELATIONS

Regional Outlooks

United States and Canada

Key Economic Issues to Watch

The US and Canada appear set to stage stronger recoveries than most other developed economies.

A weaker US dollar and an influx of government money could spur inflation in the United States.

The US' position in high-tech and high-growth industries could act as a catalyst for a relatively strong performance in the years ahead.

Other Issues to Watch

The political climate in the United States remains deeply polarized and volatile.

Natural disasters have wreaked havoc on many areas of North America in recent years.

Canada's Prime Minister Justin Trudeau's approval rating has been trending upwards in recent months.

Region: Latin America

Key Economic Issues to Watch

No region's economy has performed worse than that of Latin America in recent years.

Economic output in most major Latin American economies is below the level of five or six years ago.

Brazil and Mexico are likely to bounce back in 2021, but growth will remain well below potential.

Economic crises in Argentina and Venezuela will continue.

Other Issues to Watch

Popular anger is dangerously high in many areas of Latin America.

The level of political polarization in Latin America is hindering stability in this region.

No region has suffered more in terms of human and economic losses from the Covid-19 pandemic than Latin America.

Region: Europe

Key Economic Issues to Watch

Most of Europe's leading economies suffered near double-digit losses in 2020.

2021 will be a year of recovery, but longer-term growth is likely to remain tepid.

Deflationary pressures are likely to remain as a greater threat than inflation in many European countries.

Other Issues to Watch

2021's elections in Germany will result in the selection of a replacement for Angela Merkel.

The fallout from Brexit will continue in the coming months.

Russia's relationship with the new administration in the United States will be closely watched.

The slow rollout of Covid-19 vaccinations in Europe is causing concerns for 2021.

Region: Sub-Saharan Africa

Key Economic Issues to Watch

This region needs a larger-than-expected increase in commodity prices to boost its economic outlook.

In recent years, economic growth has barely exceeded population growth in many areas of this region.

The region's two dominant economies (Nigeria and South Africa) have struggled mightily in recent years.

Other Issues to Watch

Sub-Saharan Africa's population is forecast to grow from 1.5 billion today to 2.5 billion by the year 2050.

Too many areas of this region are suffering from internal unrest, with dozens of conflicts and insurgencies underway in 2021.

Providing vaccinations for Covid-19 in Sub-Saharan Africa is likely to be a lengthy process.

Region: Middle East and North Africa

Key Economic Issues to Watch

Oil-producing countries remain mired in a prolonged economic slump.

More diversified economies in this region continue to performed relatively well.

Too many countries in this region have suffered massive economic losses in recent years.

Other Issues to Watch

The potential for more unrest remains all too high in much of this region.

A number of key elections (Iran, Iraq, Israel and Libya) will take place in 2021.

Israel and Qatar will benefit from improved political ties with much of the region.

Region: Central and South Asia

Key Economic Issues to Watch

India suffered a massive economic downturn in the middle part of 2020.

Economic growth in India is forecast to rebound in 2021 and to grow at around 7% per year in the following years.

Bangladesh is expected to record strong growth, but Pakistan will struggle to keep up.

Other Issues to Watch

India faces strained relations with both China and Pakistan.

Internal divisions will also continue to plague India.

India's population is forecast to overtake that of China later this decade.

The Taliban has the upper hand in the ongoing conflict in Afghanistan.

Region: East Asia and Pacific

Key Economic Issues to Watch

China's economic recovery will continue over the near-term, but growth will slow later in the decade.

China's influence on the region's economy will continue to grow.

Japan's economic sluggishness will continue.

Asia will be home to many of the fastest-growing developed and emerging economies.

Other Issues to Watch

China's growing assertiveness is leading to the formation of alliances aimed at balancing China's power.

China, Japan and South Korea face some of the world's most-pressing demographic challenges.

Asia has gained in economic and political stature in the wake of the Covid-19 pandemic.

Summary

What Will Drive Economic Growth in the 2020s

The Drivers of Global Economic Growth

Falling levels of trade and investment are a self-inflicted setback for major economies

Demographic growth will not come back anytime soon

The onus is on productivity growth to drive global economic growth for the foreseeable future

The Covid-19 crisis will continue to cause disruptions to many economies and industries in the months ahead.

What Could Go Wrong

Things That Have Me Worried

The number of Covid-19 cases and fatalities could rise much further over the near-term.

Delays in developing, producing and distributing vaccines for Covid-19 could prevent a full recovery until late 2021, or later.

Rising levels of protectionism and nationalism appear to be here to stay.

Two major economic crises in 12 years, coupled with major headwinds, have raised fears of long-term economic stagnation

What Could Go Right

Things That Give Me Hope

While the initial economic downturn was severe, there are hopes that a relatively strong recovery will take place.

A sensible reallocation of resources away from stagnant sectors of the economy could boost long-term growth.

Changes forced by the pandemic could help solve the problem of long-term productivity declines.

A more environmentally-friendly global economy could emerge from this crisis.


Questions

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The image features a central red diamond shape pointing downwards, set against a dark blue background. The text "Q&A" is written in white, bold, sans-serif font across the center of the red diamond.

Q&A

The image features a vertical banner on the left side of the slide. The top half of the banner displays the United States flag, and the bottom half displays the Union Jack flag of the United Kingdom. Both flags are shown with a slight wave effect.

GlobalView 2021 Series Continues

- Join us for Part 2 of our GlobalView 2021 series where we are hosting UK clients and Advisors and US Advisors.
- We will explore what it takes to conduct effective and profitable international trade in the United States.

GlobalView - Part 2

When: March 25, 2021
Time: 4:00 PM UK / 11:00 AM US
Where: Zoom Webinar

GlobalView - Part 3

When: April 29, 2021
Time: 4:00 PM UK / 11:00 AM US
Where: Zoom Webinar



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Thank You

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Specific legal advice about your specific circumstances should always be sought separately before taking any action based on this information..