What is behind the recent slowdown?

Hyun Song Shin*, Economic Adviser and Head of Research, BIS

“Public Finance Dialogue” workshop arranged by the German Federal Ministry of Finance and Centre for European Economic Research (ZEW)

Berlin, 14 May 2019

*The views expressed here are mine and not necessarily those of the Bank for International Settlements
PMIs for the manufacturing sector

Diffusion indices

A value of 50 indicates that the number of firms reporting improvement and deterioration is equal; a value above 50 indicates improvement.

Source: IHS Markit.

---

Graph 1

1 A value of 50 indicates that the number of firms reporting improvement and deterioration is equal; a value above 50 indicates improvement.
Germany: Ifo business climate index by sector

Balances, seasonally adjusted

Graph 2

Manufacturing  |  Trade  |  Service sector  |  Construction

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>-20</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-20</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Business climate**  |  **Business expectations**  |  **Business situation**

1 The balance value for the business situation (expectations) is computed as the difference between the percentages of the responses “good” (“more favourable”) and “poor” (“more unfavourable”). The business climate is a transformed mean of the balances of the business situation and the expectations.

Network structure of global value chains in 2000 and 2017

Ratio of world goods exports to world GDP

In constant prices, Q1 2000 = 100

Sources: IMF, *World Economic Outlook*; World Trade Organization; Datastream; national data; BIS calculations.
Dollar credit growth and GVC activity are negatively related to dollar strength

Graph 5

US dollar credit to emerging market economies (EMEs)\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total credit</th>
<th>Bank loans</th>
<th>Debt securities</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Global trade and US dollar

Per cent

Per cent

Q1 2000 = 100
Q1 2000 = 100

1 Annual growth of credit to non-banks denominated in US dollars.

2 Annual growth of Federal Reserve Board trade-weighted nominal dollar index, major EMEs ("other important trading partners"), based only on trade in goods. A positive value indicates appreciation of the US dollar.

3 Federal Reserve Board trade-weighted nominal dollar index, broad group of major trading partners of the US ("broad"), based only on trade in goods. An increase indicates appreciation of the US dollar.

4 Both exports and GDP are measured in constant prices.

Sources: Federal Reserve Bank of St Louis, FRED; IMF, World Economic Outlook; World Trade Organization; Datastream; Dealogic; Euroclear; Thomson Reuters; Xtrakter Ltd; national data; BIS locational banking statistics; BIS calculations.
Banking sector assets and book equity\(^1\)

Graph 6

\[ \text{Ln (USD bn)} \]

\[ \beta_{\text{pre}} = 0.15 \]

\[ \beta_{\text{post}} = -0.01 \]

\[ \beta_{\text{post}} = 0.02 \]

\[ \text{Total assets} \quad \text{Book equity} \]

\[ 96 \quad 98 \quad 00 \quad 02 \quad 04 \quad 06 \quad 08 \quad 10 \quad 12 \quad 14 \quad 16 \quad 18 \]

\[ 5.0 \quad 6.0 \quad 7.0 \quad 8.0 \quad 9.0 \quad 10.0 \quad 11.0 \]

\( ^1 \) Sum of respective variables for a sample of 75 banks (as listed below). Ln denotes natural logarithm.


Sources: Datastream; BIS calculations.