

Emerging Market Growth: A Post-Crisis Assessment

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Lamenting the Unlamentworthy: The External Environment

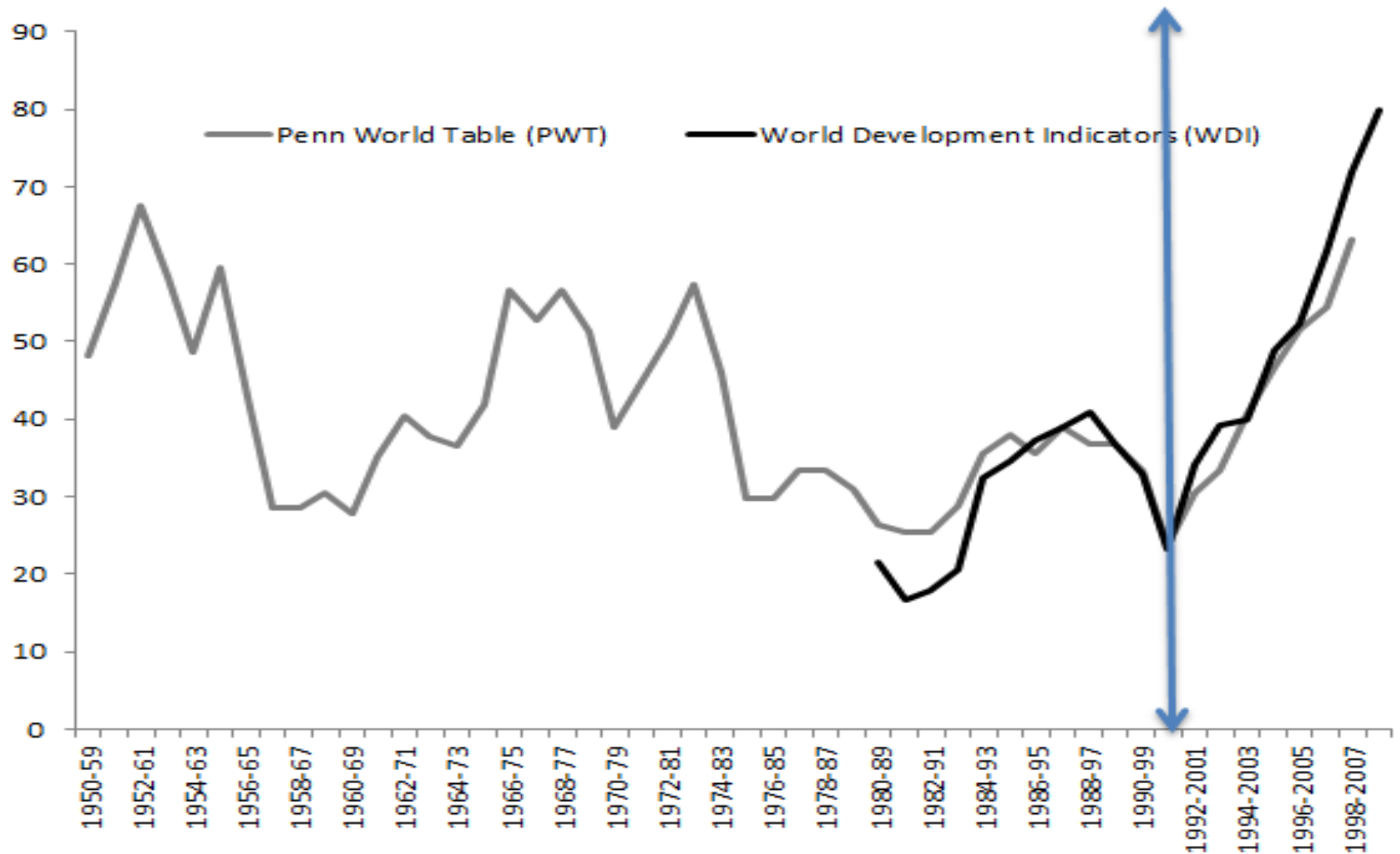
- “Convergence with a Vengeance” here to stay
- Convergence has little to do with external environment (capital and commodities) or where it does (trade) environment is benign
- Emerging markets must focus less on external environment and recognize that growth and productivity is in their own hands

Convergence with a Vengeance: Magnitude

	1870-1960	1960-2000	2000-2011	2008-2012
<i>Data Source</i>	<i>Maddison</i>	<i>Penn World Tables</i>	<i>World Development Indicators</i>	<i>World Economic Outlook³</i>
U.S. Growth Rate of GDP per capita	1.7%	2.47%	0.65%	0.02%
World Growth Rate of GDP per capita	1.3%	2.75%	2.28%	1.73%
Number of developing countries where growth exceeds US growth ¹	2	21	80	78
BROADENING Percentage of developing countries where growth exceeds the US	5.3%	29.2%	89.9%	83.9%
ACCELERATION Average excess over US growth ²	0.02%	1.53%	2.94%	3.03%
Total number of non-oil, non-small developing countries in sample	38	72	89	93

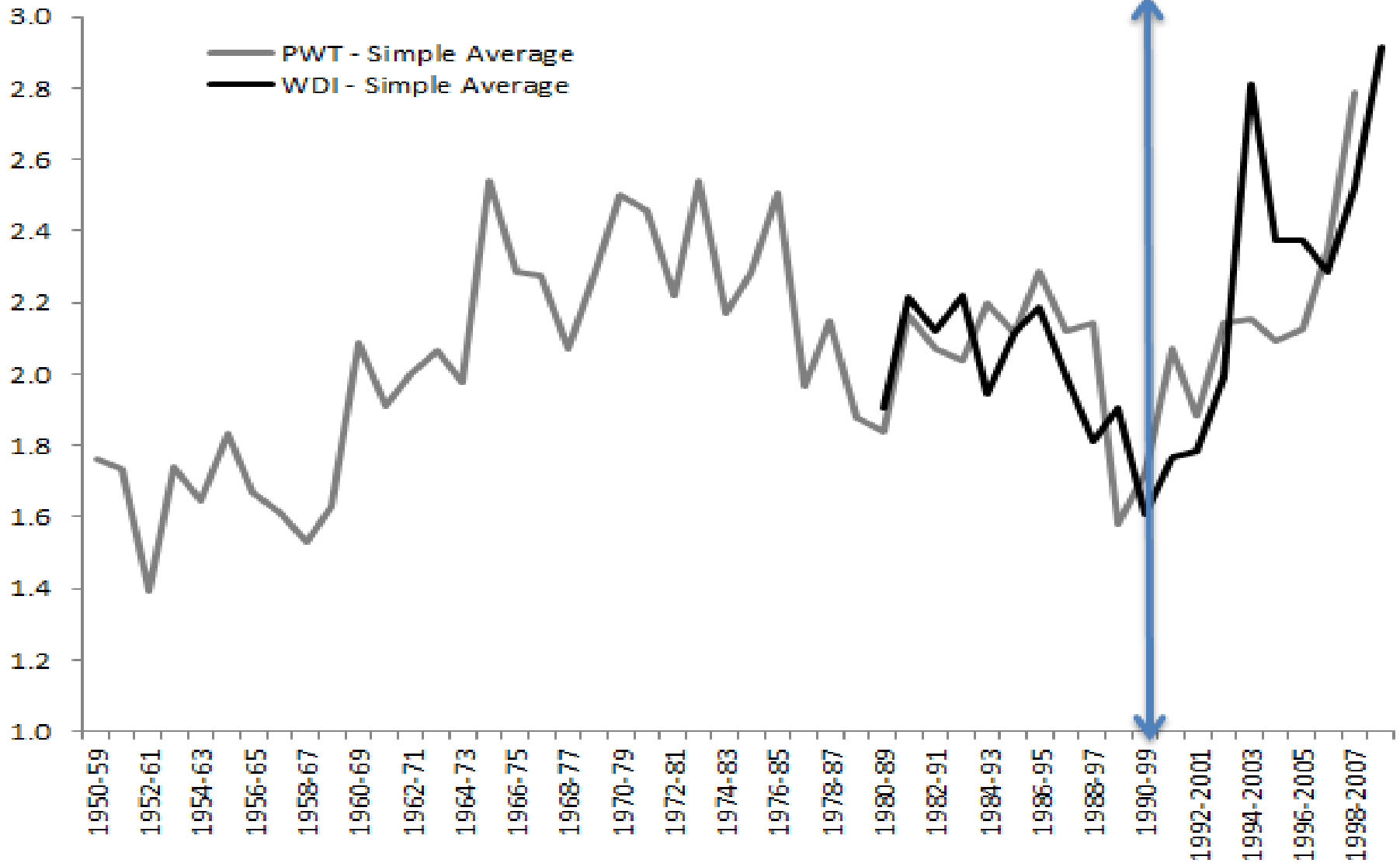
Convergence here to Stay: Timing

(percent of countries converging)



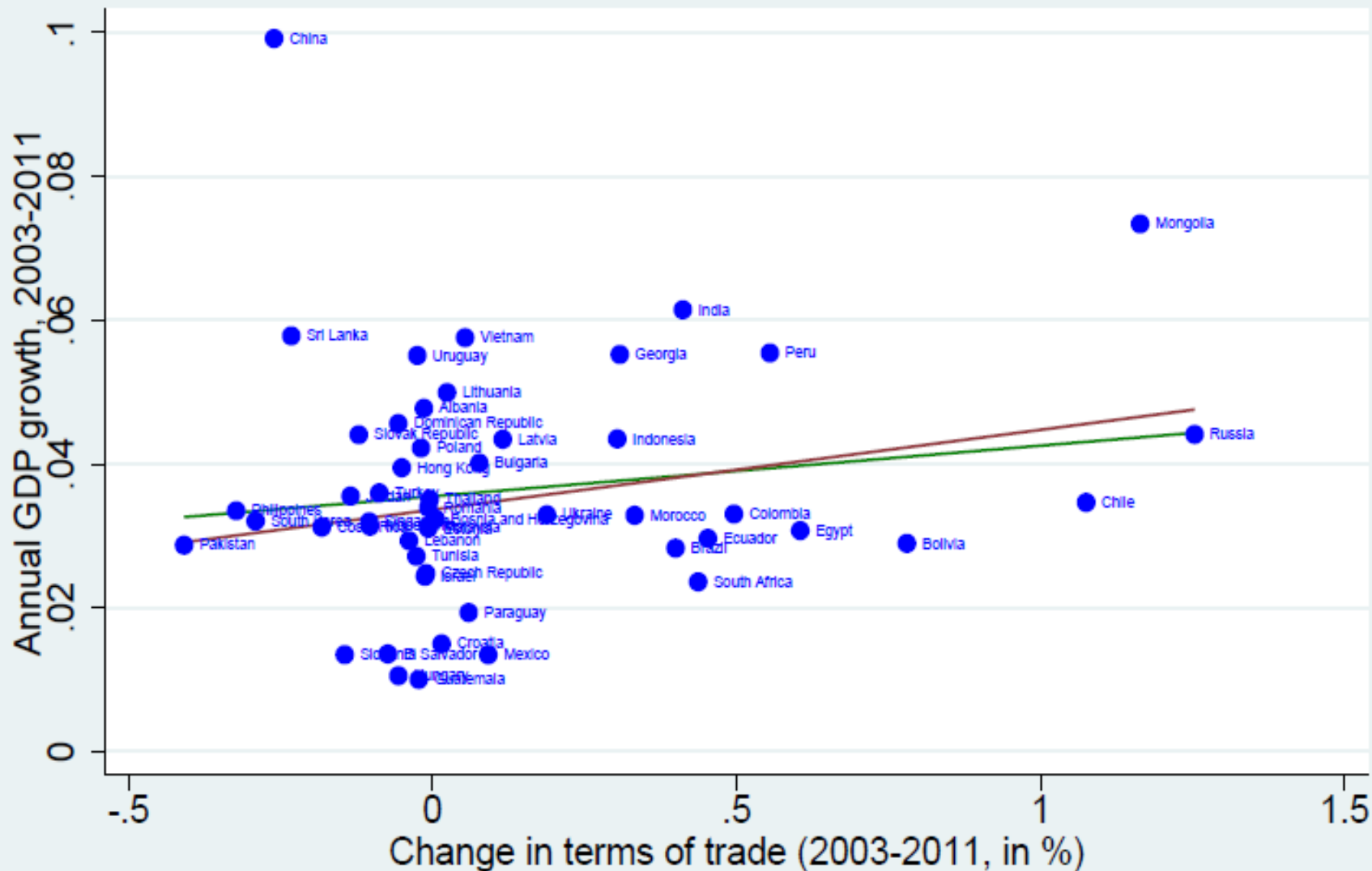
Convergence here to Stay: Timing

(excess—over US—per capita GDP growth)



Growth and Commodities

- Less than half of non-OECD countries are net primary exporters
- Unsurprising, correlation between growth and TOT changes in emerging markets weak



— Regression line with China — Regression line without China

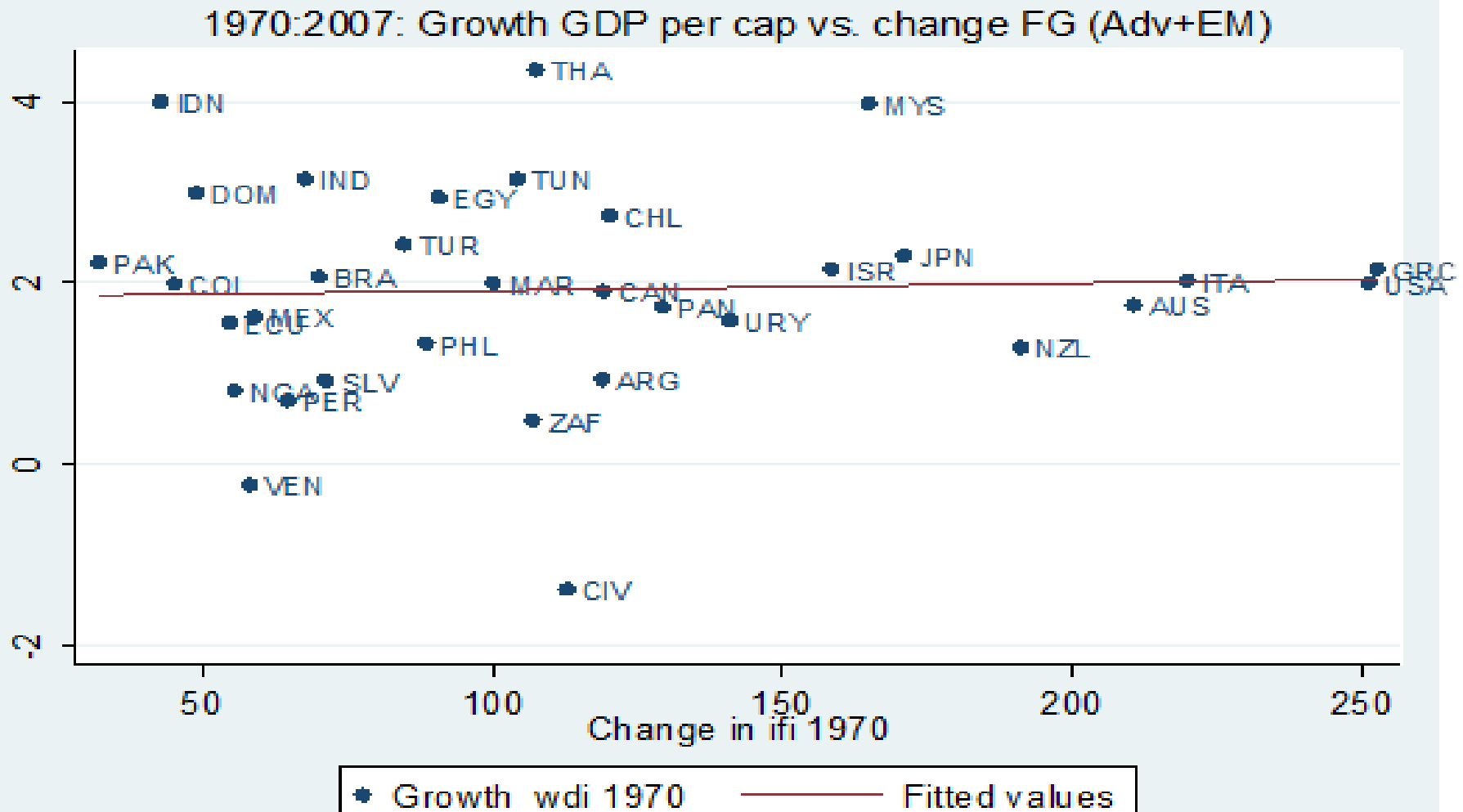
The coefficient for TOT is non-significant when China is included (.007), but significant and positive (though small) when it is excluded (.011**)

Growth and Commodities

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- When was commodity-boom based growth good growth or sustained growth except in rare and strong institutional environments (Chile)?
- Reforms seldom happen during commodity booms

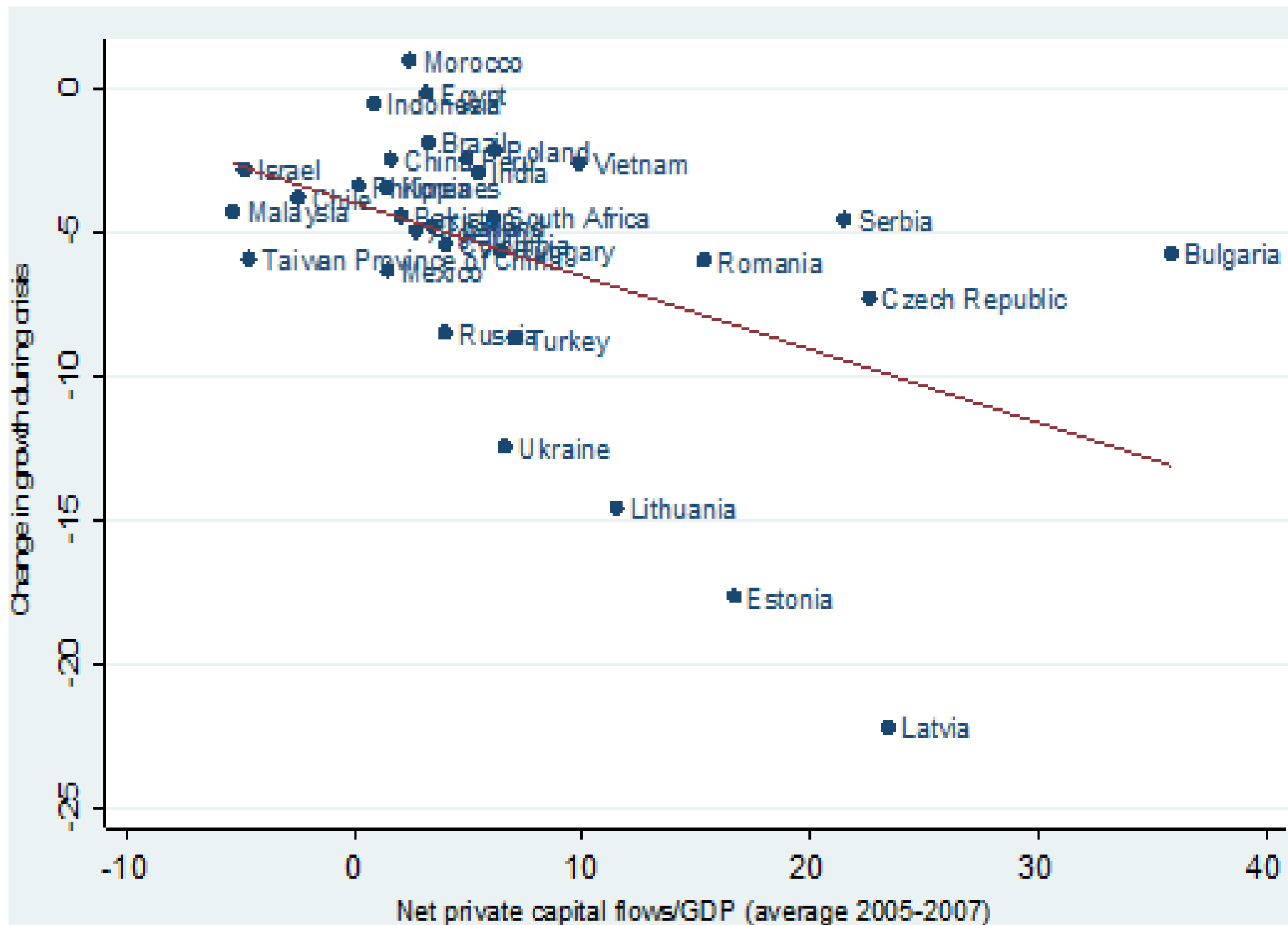
Growth and Capital Flows

- No long run relationship (Rodrik-Subramanian, 2008; Jeanne, Subramanian and Williamson, 2012)



Growth and Capital Flows

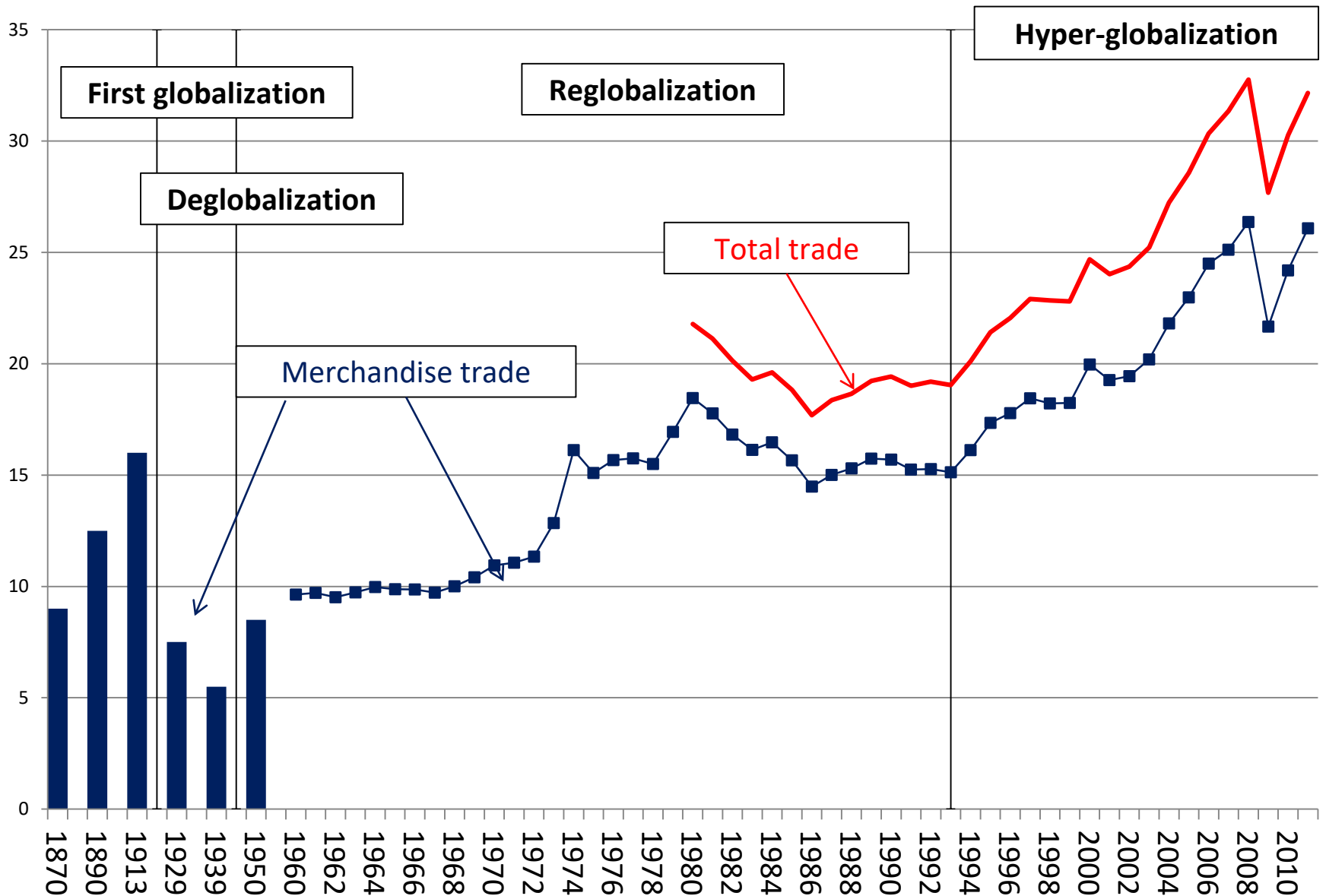
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Growth and Capital Flows

- No long run relationship (Rodrik and Subramanian, 2008; Jeanne, Subramanian and Williamson, 2012)
- And crisis-generating potential: Greater the private flows pre-Lehman, sharper the subsequent decline
- And crisis-generating potential now: Pressures and volatility greater for countries with greater current account deficits

Growth and Trade (Alive and Well)



Policy Messages

- Many domestic challenges ahead: BRIICS
- Some slowdown is convergence-consistent: China
- But misplaced focus on external environment
- Financial integration not forced upon EMEs and questionable benefits
 - The lament for lost capital and the need for export diversification
 - The China example