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The Global Economic Prospects: Ukrainian Aspect

Today the world is trapped in permanent stagnation. In the future it will be difficult to reduce the debt burden, that is why economies and standards of living of future generations will be lower than expected. The International Monetary Fund (IMF) stresses that in recent years potential output growth in both developed and developing countries significantly decreased. It is a well known fact that potential output growth in developed countries began to fall in the early 2000s, and since then the trend only deepens. IMF also stresses that potential GDP growth in developed countries is declining. Among the main reasons there is the overall decline in productivity and demographic factors, including an aging population. Moreover, the IMF identifies demographic crisis as one of the main problems of the modern world. According to the analysis, working-age population will shrink by 0.2% by 2020 in Germany and Japan. Similar dynamics can be observed in Korea and China. Almost all of Eastern Europe faces a crisis of aging. Increasing the proportion of older citizens will mean the reduction of the workforce in percentage terms. Accordingly, production will fall, which in the future could result in a reduction in life. Over the past half century, the global economy has developed rapidly and has increased six times. Per capita income has increased threefold. However, if not to improve performance, the picture can change dramatically, and the world will return to sluggish growth. The company PricewaterhouseCoopers (PwC) published the long-term forecast for 32 major economies. According to the experts, economy will be dominated by Asia by the mid 21st century. The largest economy in 2030 will be China, but from 2020 it will slow growth. However, the current leaders - Japan, the US and Western Europe - will lose their positions. Mexico, Indonesia and Nigeria can push out of the top ten UK and France. In Europe, Poland will grow fastest. Average annual GDP growth in 2050 could reach 2.7% or 2.9% per capita. All mentioned above without a doubt influences economic development of Ukraine and gives the chance to make corresponding predictions for the country.

The prospects of several world leaders should be taken into consideration in more detail in 2017 in order to predict the situation in Ukraine. Most forecasts, like a recent one from the IMF World Economic Outlook, were predicting U.S. growth of just over 2% for 2017. One year ago, three factors conspiring against growth were mentioned: the uncertainties regarding the U.S. presidential election; the continued high cost of the regulatory state and all its effects; and the lackluster performance of most major Western economies. Today, there is less uncertainty in politics. The days of the Trump administration are keys in sending strong signals to the global markets. Some of the choices for his cabinet already reflect his determination to make the U.S.

more attractive to business. The strong performance of stocks, with indices in the U.S. and UK at an all-time high, indicates that the world markets take Trump seriously. Cooperation between Ukraine and the USA is an important development of Ukraine. The USA ever since the independence of Ukraine to this day gives financial assistance for the economic development of Ukraine. As a result, Ukraine's economy has begun turning around and is projected to grow between 2.5 and 3 percent this year.

Considering Germany, it overtook the UK as the fastest growing among the G7 states during 2016. In the final quarter of 2016 Germany's economy grew by 0.4%, improving on 0.1% growth in the third quarter. It was fuelled by domestic demand as government and consumer spending rose. Economists said growth in 2017 was likely to be slower than the 1.9% achieved in 2016. The German government is forecasting growth of 1.4% this year. Jennifer McKeown, chief European economist at Capital Economics said that in all, the German economy remains in good health. A strong economic backdrop has helped Germany post a record budget surplus of €23.7bn in 2017, fuelled by higher tax revenues, rising employment and low debt costs. It was the highest budget surplus since reunification in 1990 and the third successive year the government has a budget surplus. The country has always been keen on Ukraine and it means that the more positive predictions are made for Germany, the better the economic situation will be in Ukraine.

Dwindling world trade growth is both a contributing factor and a symptom of the global economic slowdown. World trade volumes expanded by just 1.2 per cent in 2016, the third-lowest rate in the past 30 years. The ratio of world trade growth to world gross product growth has declined significantly since the 1990s. While global import penetration is expected to exhibit a modest recovery, world trade growth is unlikely to outpace world gross product significantly in the coming years. World trade is projected to expand by 2.7 per cent in 2017 and 3.3 per cent in 2018.

To conclude, it should be noted that global economic prospects remain subject to significant uncertainties and risks that are weighted on the downside, with the potential to obstruct the modest acceleration in growth that is currently a forecast for 2017-2018.