WORLD KNOWLEDGE FORUM

Nouriel Roubini: The Global Economic Outlook

Speaker:

- Dr. Nouriel Roubini, Chairman of Roubini Global Economics

Andrew Stone, Reporter

Nouriel Roubini, Chairman of Roubini Global Economics and professor at New York University, had good news and bad news for the 2015 World Knowledge Forum in his lecture, "The Global Economic Outlook."

First, the good news.

"The chance for another global recession at this time being is low," Dr. Roubini said. "The bad news," he added, "is I don't think we will have strong economic growth in the next few years."

Dr. Roubini pointed to several factors that have lead him to this assessment, including the economic activity in emerging markets, the slowing of the Chinese economy, and the potential of the US Federal Reserve increasing interest rates.

Dr. Roubini discussed the slowing economic growth in emerging markets, pointing to a few factors that are affecting their growth.

"The commodity super-cycle is over," Dr. Roubini said, alluding to the falling commodity prices all over the world, which is having an effect on emerging markets like Russia, India, and Turkey. However, nations like the United States, which are commodity importers, are benefiting from the falling prices.

But Dr. Roubini warned the audience not to group all emerging markets together.

"We have to take a more diversified look at what's happening to the emerging markets" he said, adding that South Korea, Hong Kong, and the Philippines are among the stronger emerging markets.

He also noted that between 2003 and 2013, when things were going well in the emerging markets, many of them did not make much needed reforms to stabilize their markets.

"If anything, they moved away from market reforms," Dr. Roubini said.

This lack of reform led to a discussion of the current economic situation in China.

"There are two extreme views about Chinese growth, and both of them are incorrect," Dr. Roubini said. The first is the soft view, which is that China can continue at 7 percent growth, while others contend that the Chinese are inflating their growth rate and that it is actually closer to 4 percent. Dr. Roubini believes the truth lies somewhere in the middle.

"The good news about China . . . is it's not a freefall. It's somewhere around 6 percent."

Dr. Roubini was also bullish on the Chinese currency, the Renminbi (RMB).

"There is a high likelihood that the IMF is going to recommend that the Chinese currency be included at the end of this year in the basket," Dr. Roubini said, referring to the reserve basket of currencies the IMF uses to benchmark Special Drawing Rights.

He ended the lecture by discussing the United States economy, specifically whether or not the Federal Reserve should increase interest rates. According to Dr. Roubini, it isn't a matter of when they start to increase the rates, but how they do it.

"My view is, regardless if the Feds are going to start hiking rates in December or wait until March of next year, the Feds are going to exit their zero policy rates really slowly and really gradually. I don't see the Feds fund rates to be more than say 1 percent by the end of next year. So it's going to grow from zero percent to, at best, 1 percent," he said.

Dr. Roubini believes that increasing the interest rate too rapidly will have a negative impact on the United States economy, which could cause ripple effects around the world. But he was not too worried about the interest rate increase.

"Global markets should worry a little less about the Fed," he insisted, "and a little more about the slowdown of China and the dropping commodity markets."