



## Macrotrends and Implications on GBS

Kort Syverson and Michael Wolf, April 4<sup>th</sup>, 2024

# Welcome and Introductions



**Kort Syverson**

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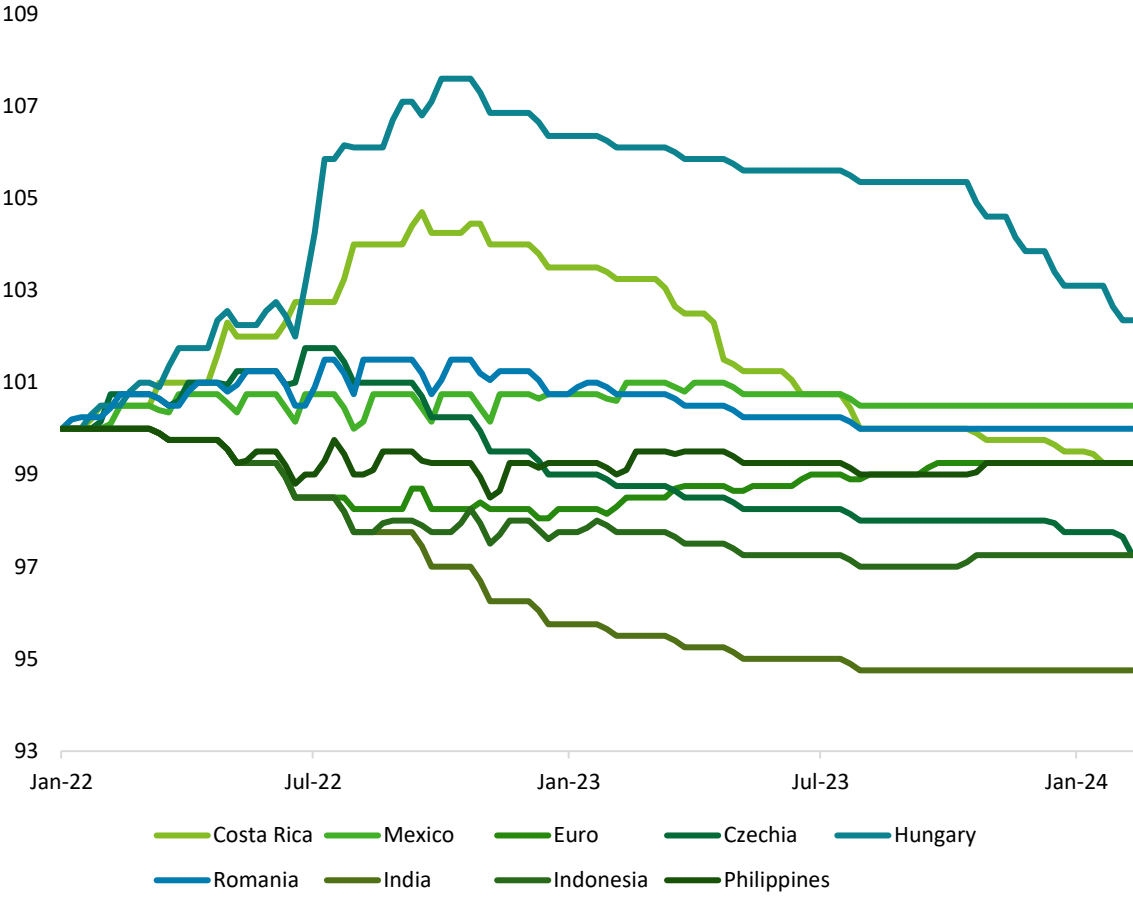


**Michael Wolf**

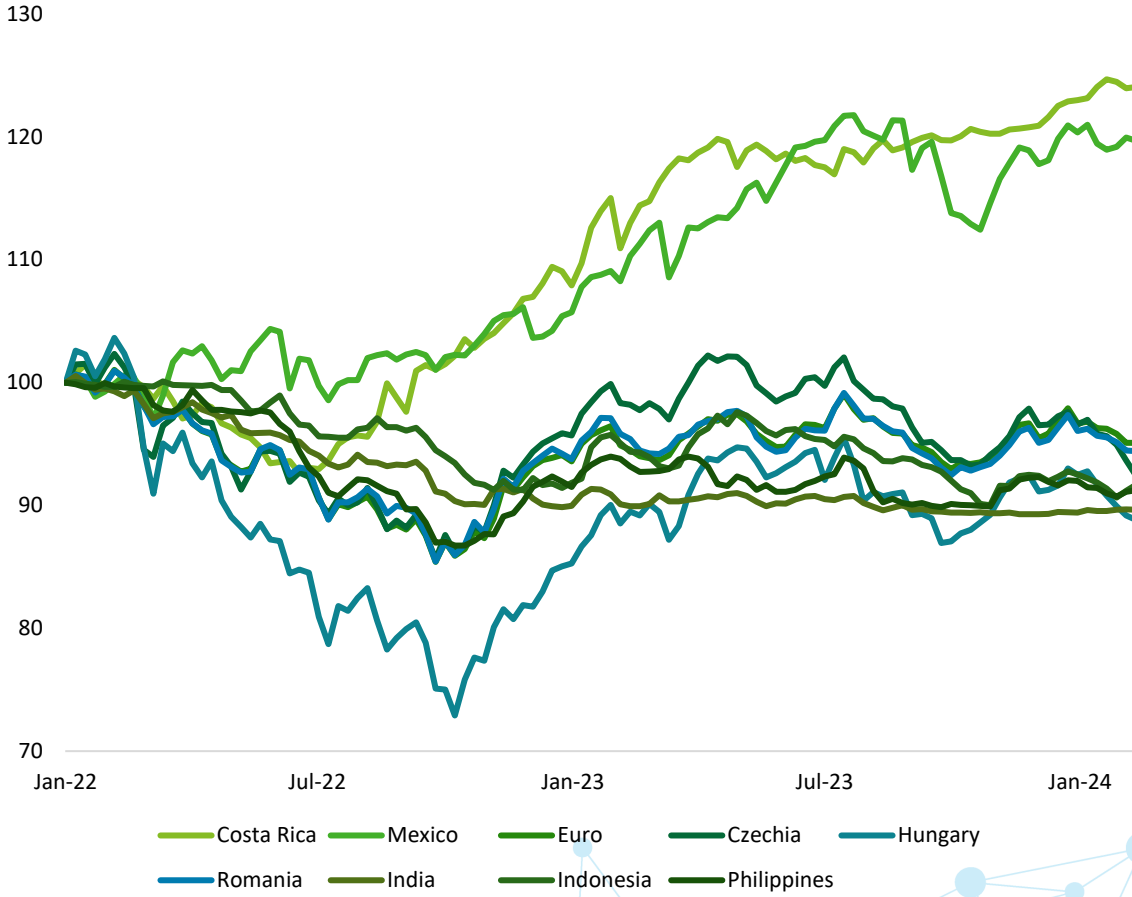
Global Economist  
Deloitte Touche Tohmatsu

# Exchange Rates Should Mostly Follow Changes In Interest Rate Policy

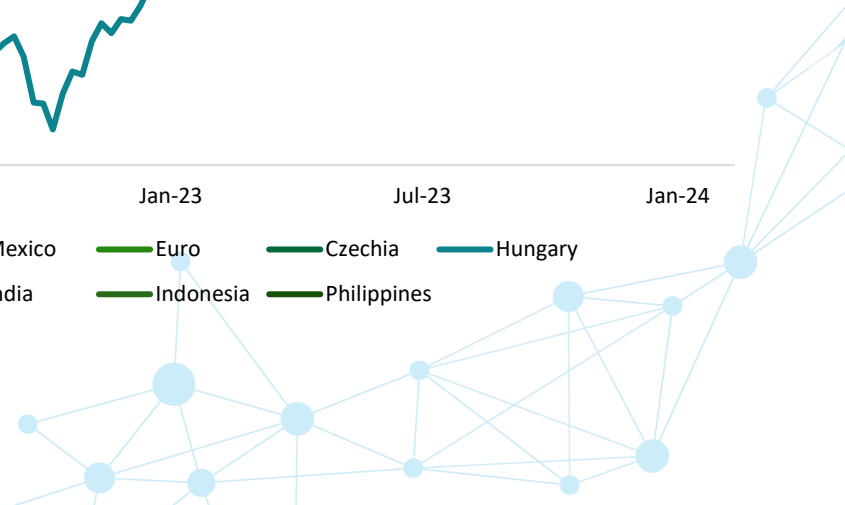
Central Bank Policy Rate Spread with US Index January 2022 = 100



Exchange Rate against USD Index January 2022 = 100

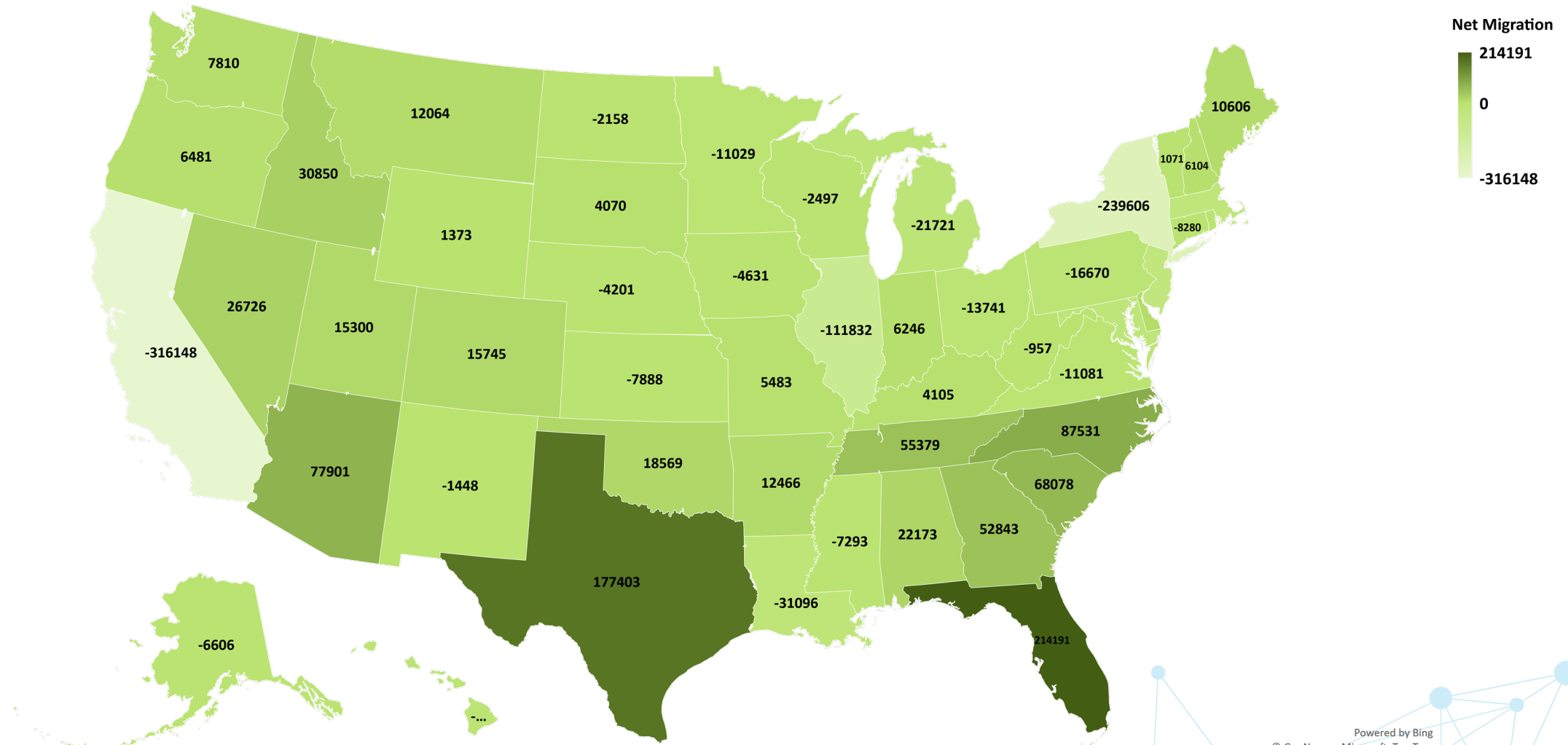


Sources: Haver Analytics



# Americans Are Still Flocking To Lower-Cost Locales

## Average Net Domestic Migration 2019-23



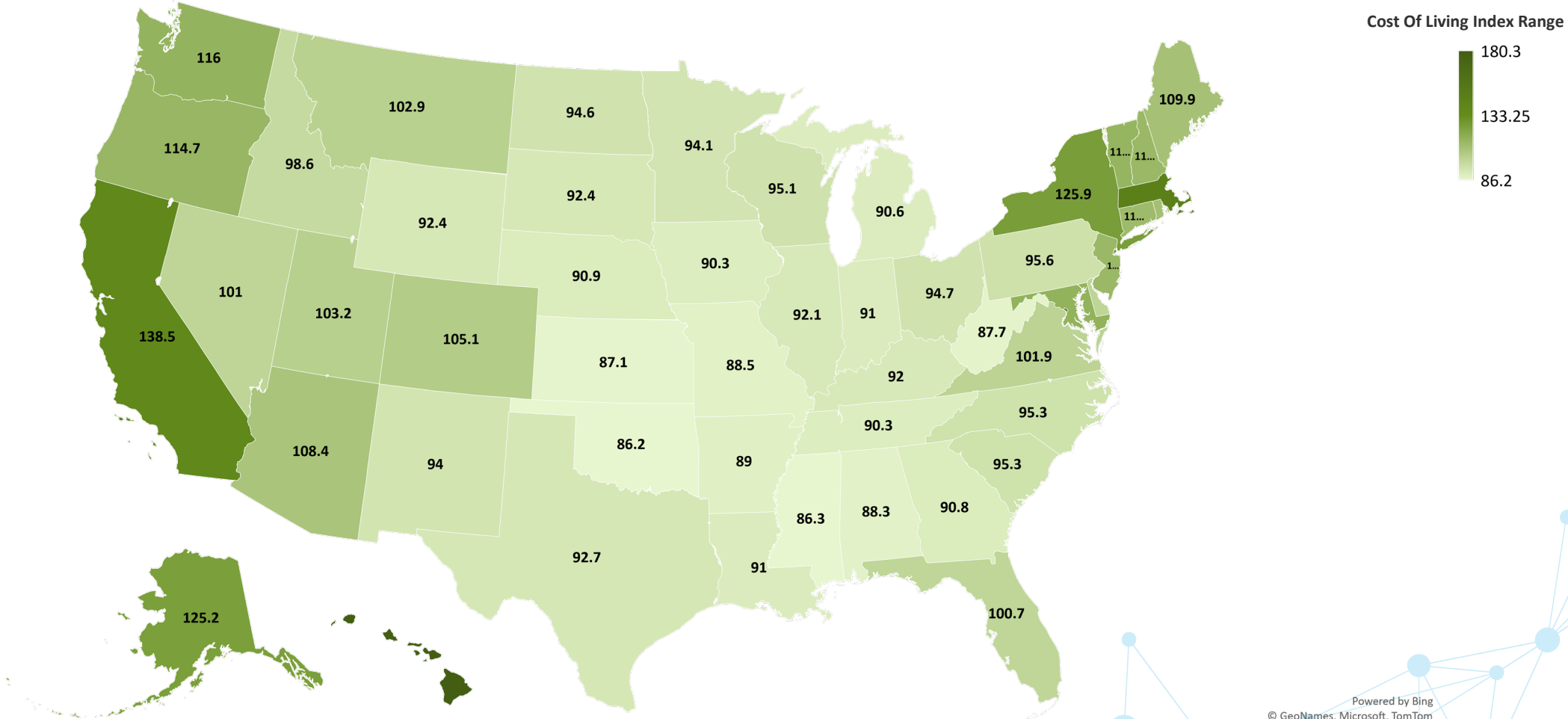
Sources: Haver Analytics  
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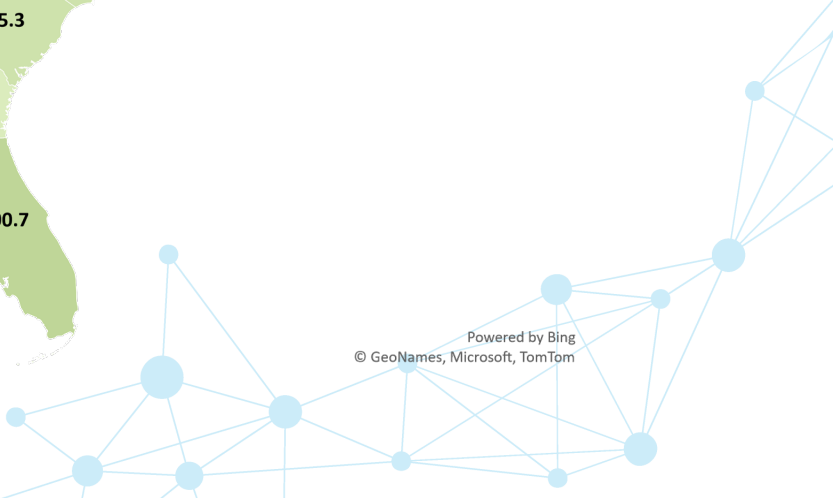
# Americans Are Still Flocking To Lower-Cost Locales (Continued)

Cost of Living 2023 Annual Average  
Index US Average = 100



Sources: MERIC

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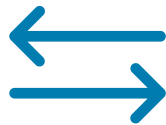
# US Election Could Create Dramatic Shift In Policy



The Future of Tariffs



Changes To Tax Policies



Updates to Immigration Policies



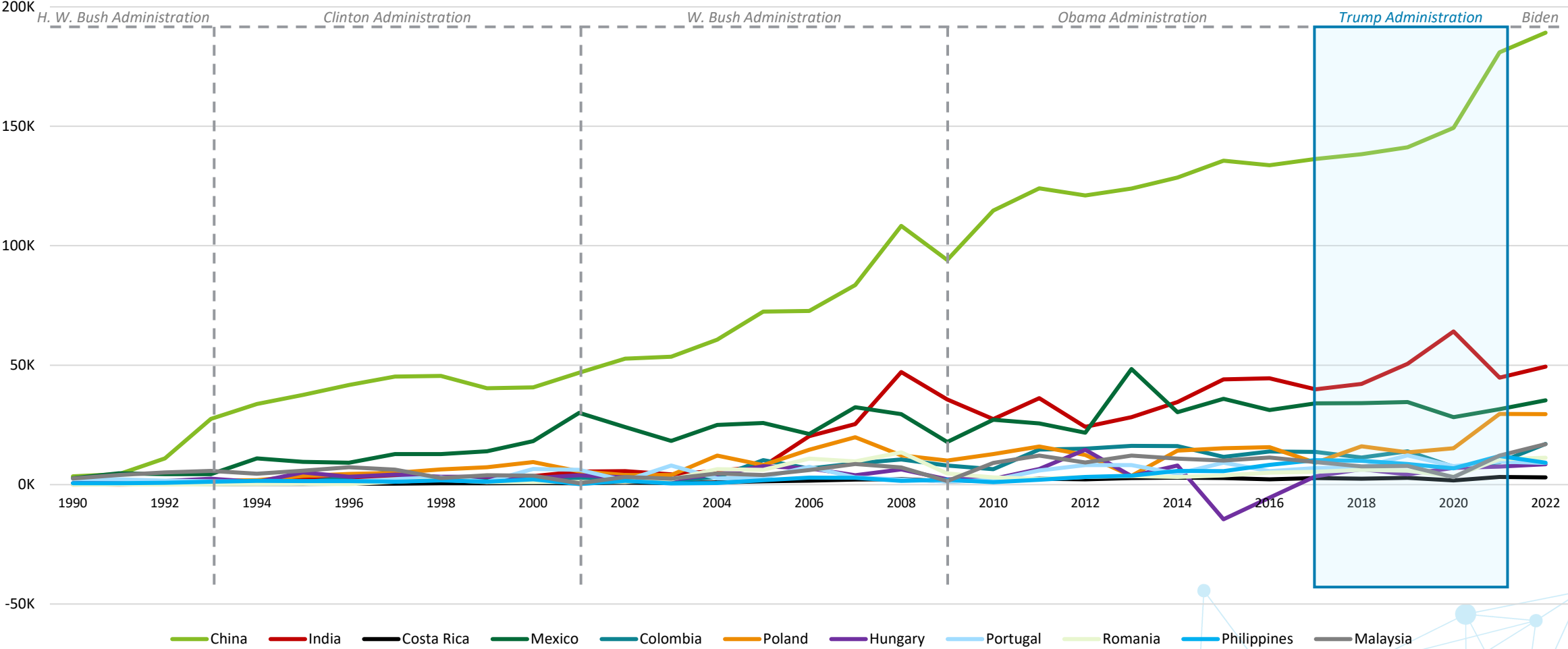
Impacts on Climate Policy



# Trump's Stated Protectionist Policies Didn't Create A Massive Push For Reshoring Services

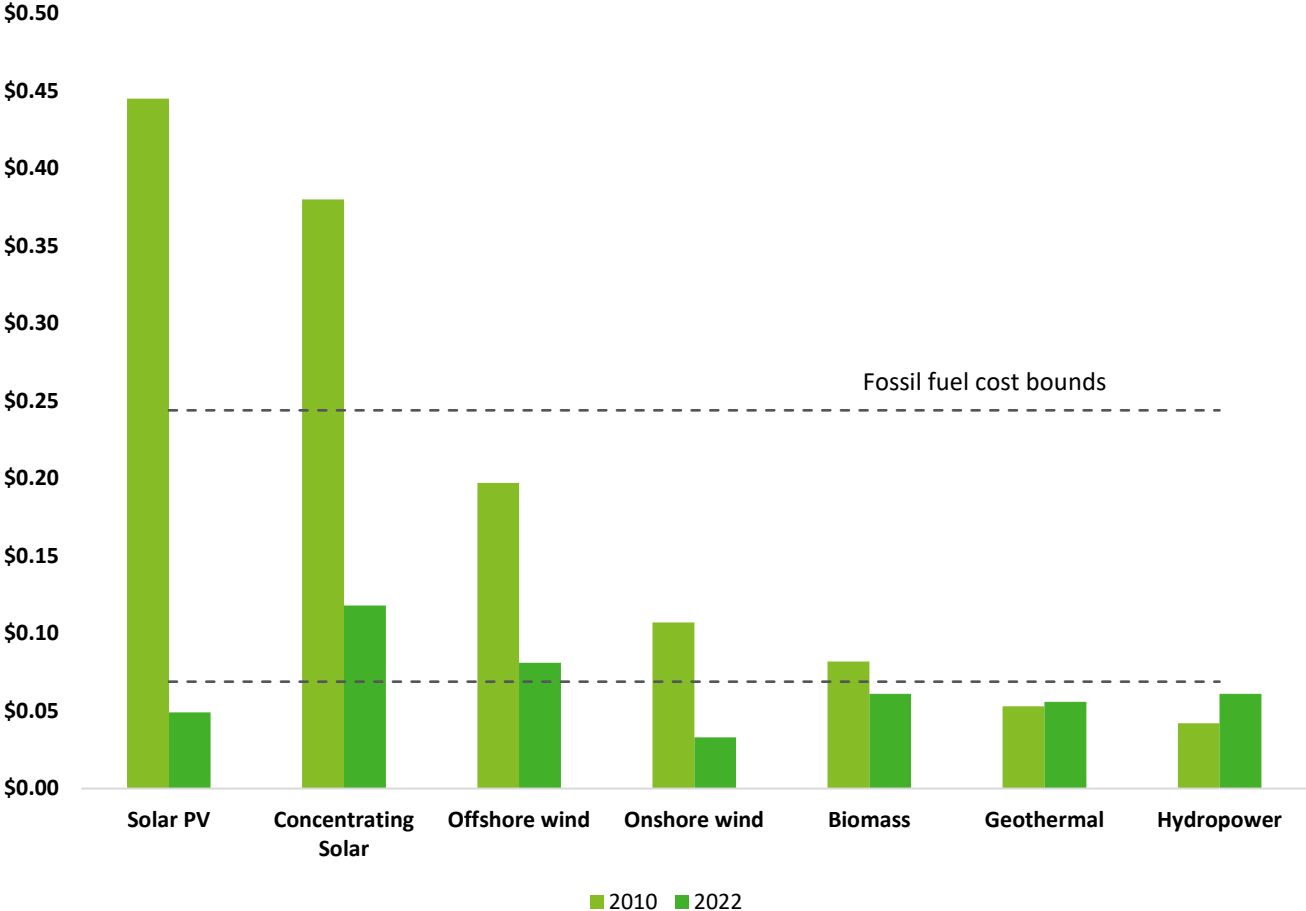
Global Foreign Direct Investment Flows Over The Last 30 Years (1990-2022) (\$M)

Millions of Dollars



# ESG Requires The Right Incentives To Work

Global Levelized Cost of Electricity  
USD per kWh



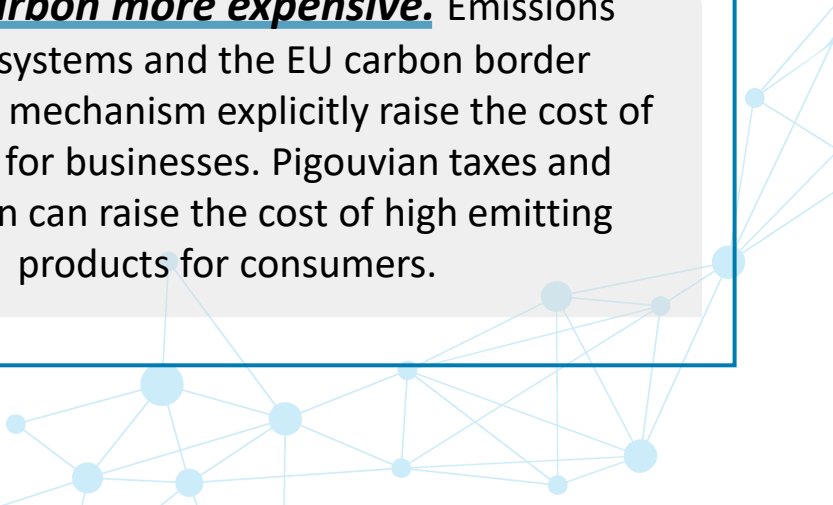
Sources: International Renewable Energy Agency  
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## Economics of Climate Incentives

**Make renewables more affordable.** Industrial policies, such as the US Inflation Reduction Act, provide subsidies and tax benefits that alter cost structures. They can also push past the current technological frontier to make renewables more attractive



**Make carbon more expensive.** Emissions trading systems and the EU carbon border adjustment mechanism explicitly raise the cost of polluting for businesses. Pigouvian taxes and regulation can raise the cost of high emitting products for consumers.

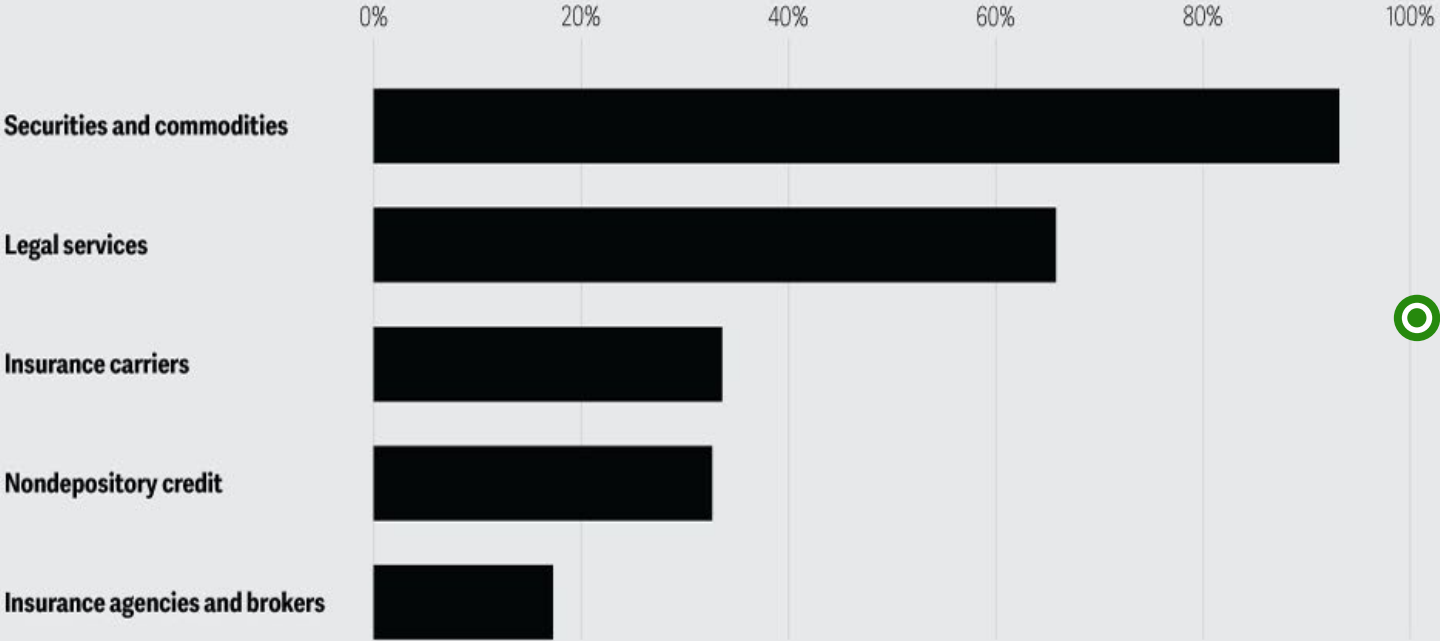




# Generative AI Should Have An Unusual Effect On The Labor Market

## Legal and financial services are the industries with greatest exposure to generative AI

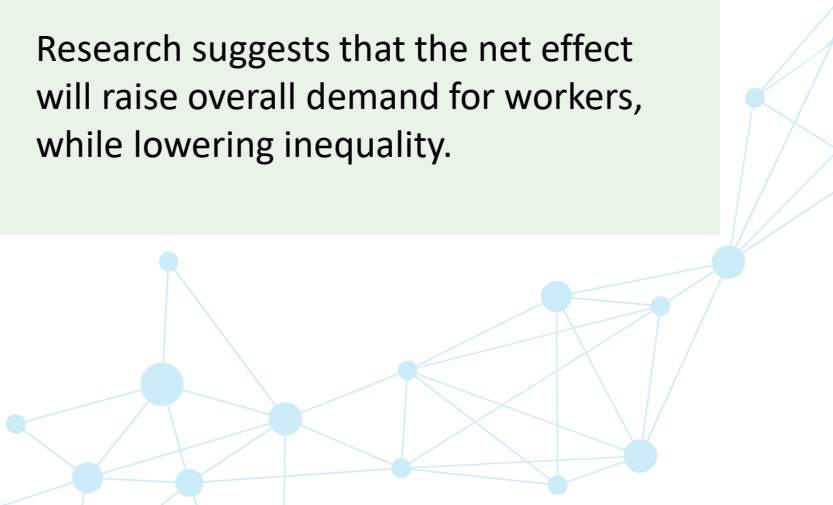
Wage premium relative to national average for top five industries affected by generative AI



Sources: Ed Felten, Manav Raj, and Robert Seamans, "How will language modelers like ChatGPT affect occupations and industries?," Arxiv.org, March 18, 2023; US Labor Department via Haver Analytics; author calculations.

### How will AI affect labor markets?

1. The occupations and industries most exposed to generative AI are found at the top of the wage distribution.
2. Automating their tasks should reduce labor costs for their employers.
3. However, such automation could raise demand (and wages) for workers lower in the distribution.
4. Research suggests that the net effect will raise overall demand for workers, while lowering inequality.





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