

Year 2019 seemed like a year of acrimony. Financial markets began the year apprehensively after dreadful performance during the fourth quarter of 2018. The Fed appeared intransigent insisting on a year-end rate hike and the outlook for the economy looked to be in flux. After a recovery in sentiment during the first quarter, the trade war escalated, global manufacturing began to plummet, and economic data started to deteriorate. By year end three rates cuts and a trade deal helped deliver the best all-around performance year of the decade, even though away from financial markets, geopolitical conflicts, public antipathy and popular anger proliferated. Demonstrations erupted in France, Spain, Hong Kong, Iran and Latin America, while fighting continued in the Middle East despite the defeat of ISIS. With such anger permeating many parts of the world, one might wonder if civilization made progress over the last decade. As we begin a new one, it might be a good time to reflect on the state of the world especially in the context of recent financial market performance.

Perhaps a good place to begin is by assessing “global wellbeing.” Many organizations collect data and/or create indexes that measure people’s wellbeing. While not comprehensive, we believe the concept of wellbeing can be captured in four broad aspects of people’s lives.

- Income and Employment
- Health, Education and Opportunity
- Confidence and Happiness
- Knowledge and Information

### ***Income and Employment***

From a market perspective, the culmination of the decade marked a fitting end to the “great recession” of 2009. The year’s growth rate was underwhelming by historical standards, and the decade produced the slowest annual improvement in 50 years. Nevertheless, considered in a longer historical context, the last 50 years (using 2018 data) produced an average annual growth rate in GDP per capita of 5.7%. According to World Bank data, GDP per capita stood at about \$11,312 per person in 2018 compared to \$695 in 1968. Considering global advances in manufacturing, technology, education and development policy, we expect the global growth rate to move higher over the coming decade. While many countries face demographic challenges, the outlook for income growth worldwide looks bright.

Using International Labor Organization (ILOSAT) data, the World Bank estimates global unemployment was 4.9% in 2019. This number is the lowest since 2007, and a vast improvement from 2009’s 5.6% figure. Over the historical period provided by ILOSAT, the low occurred in 1991 at 4.4% and the high at 5.9% in 2003. Acknowledging the challenges in compiling unemployment data, it is instructive to highlight conditions in certain countries or regions. Specifically, Latin America experienced a delayed reaction to the financial crisis. Unemployment estimates for the region total 8.0% in 2019 compared to just 6.1% in 2014. Significant for the region, Brazil suffered a debilitating recession that took unemployment from 6.7% in 2014 to 12.8% in 2017. The country appears to be on the mend with a 12.2% estimate for 2019 and an improving economy pointing to lower rates ahead. Like the U.S., the Euro area unemployment rate is recovering now at 7.8% compared to the region’s high point of 11.9% in 2013. For the U.S., unemployment declined to 3.5%, a 50-year low, after a debilitating 9.6% in 2010.

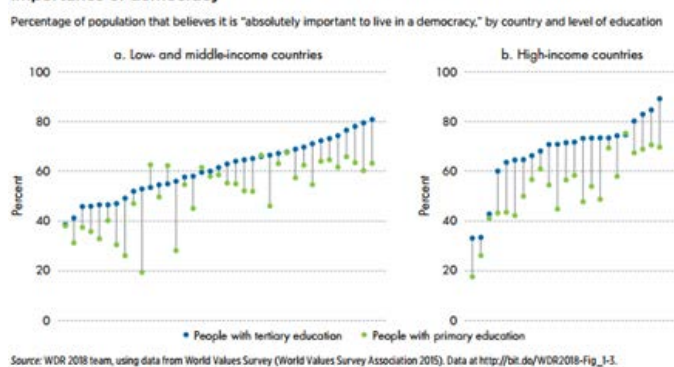
The message as we start 2020 is that per capita world income appears to be growing and unemployment should continue to decline. This combination yields the encouraging conclusion that for a world shifting rapidly from production based to consumption-based growth, conditions appear properly aligned.

### **Health, Education and Opportunity**

The United Nations under the auspices of the United Nations Development Programme (UNDP) supported the creation of the Human Development Index (HDI) a statistic intended to assess development of a country on measures of the capabilities and wellbeing of its people rather than GDP alone. The statistic results from the assessment of three essential aspects of the human condition, health, education and standard of living. It is not surprising that HDI has been improving for most countries. What may be less obvious is that the group with the highest growth rate over the last 28 years (1990 – 2018) consisted of the least developed countries. Similarly gratifying, countries of medium development had the highest growth rates over the last eight and 28 years. By region, East Asia and the Pacific grew at the fastest pace, likely a reflection of China's rapid development, and, given the components of the index, it is encouraging to see education and health continue to improve in the neediest countries.

Another organization, the Global Partnership for Education (GPE), helps support the delivery and improvement in education via partnerships with many developing nations. Among others, GPE highlights two logical and essential accomplishments of improved education, better paying jobs with improved gender equality, and more education leads to a more democratic world. These observations are contained in reports by entities, including the World Bank and the Global Education Monitoring Reports, researching the status of global education. GPE cites these conclusions evidencing the value of its work and the critical implications of proper education for development. A "catchy," yet relevant description of the UNDP's goals includes sustainable development. Few policy priorities surpass education when thinking of sustainability, and successful education carries corollary benefits, as for instance, demonstrating for freedom and democracy.

**Figure 1.3 People with higher education hold stronger beliefs about the importance of democracy**



### **Confidence and Happiness**

According to Organization for Economic Cooperation and Development (OECD) data, its consumer confidence index ended 2019 at 100.46 up from a low of 100.16 in September and a high of 100.58 in April. Over the last six years the high was 100.91 in March 2018 and the low was 99.60 in January 2014. Other surveys also suggest global consumer confidence hit annual or multi-year highs at year-end. These data are consistent with the global employment and income statistics cited above and suggest people feel confident about their financial and work prospects.

Under the auspices of the United Nations, a number of economists developed and computed a World Happiness Index which has been presented annually since 2012 in a World Happiness Report. To construct the index, developers use a variety of data including information contained in Gallup World Polls conducted between 2005 – 2008 and 2016 – 2018.



The objective of the project has been to assess subjective measures of wellbeing to assist in understanding human development. Broadly, the critical inputs included measures of GDP per capita, healthy life expectancy, social support, freedom, generosity, perceptions of corruption and inequality. As with other wellbeing measures discussed above, global happiness increased during the decade between the 2005 – 2008 and 2016 - 2018 polls. Although country-by-country results vary, the data provide broadly gratifying conclusions. Of 132 countries with complete data, Happiness increased in 64, declined in 42 and was unchanged in 26. Developing countries and regions were more gainers than losers, whereas developed countries had a few losers, including the U.S. Confirming the work has merit, the two biggest losers were Venezuela and Syria.

### ***Knowledge and Information***

The world experienced explosive technological progress during the last decade. An essential contributor to human economic and social development was the availability of information and the democratization of communications. According to Statista, a research organization, Facebook users grew from 100 million in 2008 to 2.449 billion in 2019. Similarly, smartphone users expanded by over one billion between 2016 and 2020. Pew Research notes that 94% of advanced country adults own a mobile phone with 90% being “smart.” In emerging economies 83% own a mobile phone, although fewer of those devices are smart. The proliferation of communications devices and platforms evidences the remarkable expansion in means of communications now available to people. One further piece of data is the “connectedness” distinction between the older and younger generation. Young adults globally are highly likely to own mobile phones, actively use the internet and have a social media presence. While some worry about the nefarious side effects of the vast networks of information and data, we believe the contributions to knowledge, understanding and curiosity should prove a larger societal outcome.

Public demonstrations, violence, political rage and a hyper-active news cycle may make people wonder if the world order is under threat or at least directionally misguided. We believe the opposite is true and, instead, the disturbances reflect manifestations of a more educated and informed populace arguing for freedom, fairness and equality. Data on human development and wellbeing corroborate a vast improvement over the last decade, especially in areas of education, healthcare and opportunity. There will always be room for improvement and organizations like the United Nations, the World Bank and numerous non-for-profit educators will continue their laudable efforts. Comparing current conditions with former intractable crises like the Cold War, sovereign debt defaults, Apartheid and the great recession of 2009, suggests the world is a much better place today. In the end, people tend to aspire to be healthy, educated, safe and free. We believe we are moving, in fits and starts, in the right direction.

#### Sources:

World Bank, International Labor Organization, United Nations, United Nations Development Program, Human Development Index, Global Partnership for Education, World Happiness Report, OECD, Conference Board Statista, Pew Research

January 15, 2020



---

**GIA Partners, LLC**

At GIA Partners, credit is in our DNA. We are a bottom-up credit manager who has managed credit portfolios in virtually every part of the world's fixed income markets as well as through some of the most severe credit events in history. Additionally, our investment team has the distinction of being among the first to recognize and actively invest in global high yield and emerging markets debt.

We have a thorough understanding of fixed income investments and their role in a globally diversified portfolio, which has rewarded our clients throughout market cycles.

Gloria Carlson  
Director, Sales and Marketing  
212 893-7835  
[gcarlson@giallc.com](mailto:gcarlson@giallc.com)

Arnold West  
Director, Institutional Sales  
212 893-7815  
[awest@giallc.com](mailto:awest@giallc.com)

**Important Information**

GIA Partners, LLC ("GIA") is an SEC registered investment adviser.

This material is for information purposes only. It does not constitute an offer to or a recommendation to purchase or sell any shares in any security. Investors should consider the investment objectives, risks and expenses of any strategy or product carefully before investing.

**Past Performance:** The performance data quoted represents past performance. Past performance is not an indication of future performance provides no guarantee for the future and is not constant over time. The value of an investment may fluctuate and may be worth more or less than its original cost when redeemed. Current performance may be lower or higher than the performance data quoted.

**Forecasts and Market Outlook:** The forecasts and market outlook presented in this material reflect subjective judgments and assumptions of the investment manager and unexpected events may occur. There can be no assurance that developments will transpire as forecasted in this material. Certain assumptions made in the preparation of the material may be subject to change without notice and GIA is under no obligation to update the information contained herewith.

