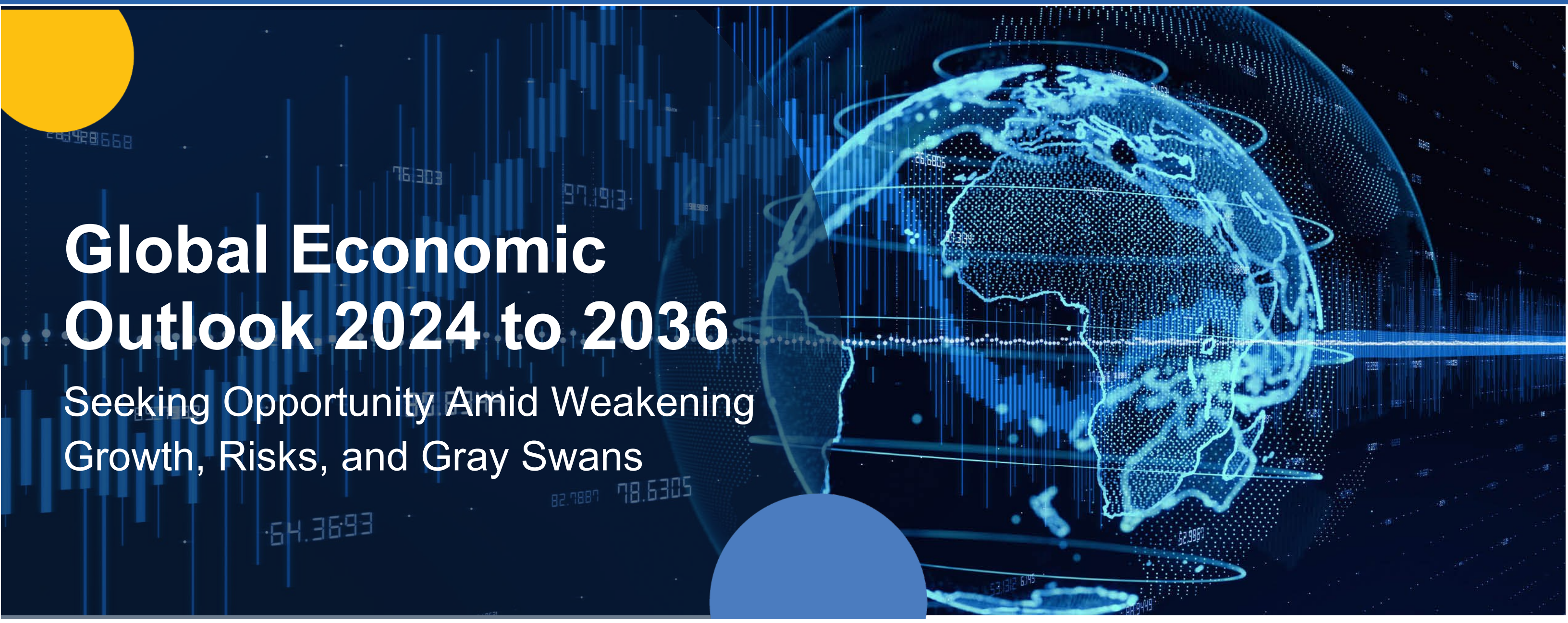


Global Economic Outlook 2024 to 2036

Seeking Opportunity Amid Weakening Growth, Risks, and Gray Swans

Global growth is expected to slow over the next decade relative to the prior one. While the contributions from labor quality and quantity are projected to shrink materially, capital deepening and faster productivity growth should continue to support expansion.

Trusted Insights for What's Ahead™

- **Our 2024 outlook for the global economy portends moderation in economic activity**, driven by the impact of persistent inflation pressures and monetary policy tightening we have seen in the past two years. Still, demand for services and strong employment continue to support growth.
- **Over the next decade, global economic growth should average about 2.5 percent, well below the prepandemic average (3.3 percent).** Declining contributions from labor inputs and capital are mainly responsible for the slower economic growth trend.
- **A gradual pickup in the pace of total factor productivity, compared to the previous decade, will be a key driver of growth ahead**, although it will not be enough to halt the declining trend in contributions from other inputs.
- **Emerging market Asian economies, especially China and India, will provide the largest contributions to global growth,** while the contributions from advanced/mature economies will diminish.
- **Risks to the global economic outlook remain tilted somewhat to the downside,** and gray swans are numerous. Amid elevated uncertainty, C-suite executives should focus on contingencies, strengthening internal operations, improving external communications, and long-term growth.

Short-Term Global Economic Outlook

Global economic growth is moderating, weighed down by the continued effects of high inflation and monetary policy tightening. A global recession is unlikely, but more subdued economic growth is expected over the next year.

The global economy continues to be buffeted by opposing forces, suggesting slower growth over the next year. Rapid monetary policy tightening over the last two years has weakened global housing, bank lending, and industrial activity. Yet, this weakness has been more than offset by strength in other sectors, most notably in demand for services, which has propped up strong labor markets. The underlying strength of consumer spending and the fading impact of shocks of recent years have been difficult to assess, leading to ongoing forecast revisions. Nonetheless, recent data point to moderation in global growth heading toward the end of 2023 and into 2024. Global real GDP growth is projected to narrow from 3.3 percent in 2022 to 2.9 percent in 2023 to 2.5 percent in 2024—the trend growth we project will continue for the next decade.

Two key risks stand out regarding the global economic outlook

The first risk is that inflation may prove difficult to subdue. While headline inflation has peaked in most economies, core inflation (excluding volatile items such as food and energy) has been stickier and has not decisively peaked in many economies. Price pressures in the (global) goods and industrial sectors have receded, and if history is any guide, services prices should likewise moderate over the next few quarters. However, the speed of this disinflationary process will depend on several factors including weakening consumer demand, business discounting, labor market dynamics, and passthrough from past input price increases.

The second risk relates to challenges with financial market stability. Central banks have tightened monetary policy rapidly, exposing weaknesses in the banking sector and financial markets in general. While most indicators point to relative stability in global financial markets, long and variable lags in the passthrough of monetary policy mean more financial turmoil could be on the horizon. Apart from country-specific deviations, business would do well to prepare for continued macro volatility in the coming years.

The US economy will likely tip into a short and mild recession in 2024

The Conference Board forecasts that economic weakness will intensify and spread more widely throughout the US economy over the coming months, leading to a short and mild recession in the first half of 2024. Consumer spending is expected to worsen as households grapple with slower income growth, mounting debt, dwindling savings, and other headwinds. The US labor market remains tight, but there are some signs that labor demand is cooling. Job openings are moderating, and the labor force participation rate is rising, both of which will push the unemployment rate higher. On inflation, progress is being made, but more work remains to be done. We expect the Federal Reserve to raise rates one more time and keep rates steady until around mid-2024. This backdrop suggests real GDP growth will decelerate from 2.2 percent in 2023 to just 0.8 percent in 2024, including two quarters of negative GDP growth in Q1 and Q2.

Persistent weakness in Europe after a near stalling of GDP growth in the first half should give way to a fragile recovery in 2024

More recent data on business activity point to persistent weakness in the European economy. Business output growth contracted for the fourth month in a row in September, while consumer confidence continued to trend lower. The European Central Bank raised policy rates by another 25 basis points in September to a new 22-year high of 4.50 percent. Restrictive monetary policy and falling demand will continue to weigh on the region's outlook. Thus, we expect growth to remain fragile beyond 2023. Despite dodging a recession in early 2023 and even after registering positive—albeit anemic—growth in Q2, the Euro Area economy continues to send discouraging signals about what lies ahead. On the one hand, tighter financing conditions, elevated underlying price pressures, and ongoing uncertainty due to the war in Ukraine are expected to continue curbing business activity and suppressing domestic demand. On the other hand, a robust labor market coupled with falling inflation and strong wage growth are set to support real incomes and could help the European economy to muddle through in the coming quarters. Real GDP growth will probably pickup from 0.7 percent in 2023 to 0.9 percent in 2024.

Strong service sector activity continues to underpin positive momentum in emerging and developing economies, but China weakness poses risks

We expect economic growth in emerging and developing economies to moderate somewhat in 2024 after a strong showing this year. Stronger GDP growth to date is largely a reflection of the ongoing services sector recovery, including wholesale and retail trade, transportation, and professional and administrative services. Emerging economies are poised to increase their global clout following the enlargement of the economic alliance among BRICS economies. At the same time, it risks creating additional frictions for global trade and business (see StraightTalk: Five Risks and Trends to Watch).

China's disappointing recovery is reverberating throughout the region. The real estate downturn continues to exert pressure on the outlook, with most indicators pointing to a disappointing recovery from the pandemic lockdowns of 2022. The consumption recovery will also take longer than expected, as households remain cautious about the outlook due to the ongoing property downturn and the weakening job market. The result is a sharp increase in the likelihood that China will miss its GDP growth target of about 5 percent, with a forecasted 4.8 percent growth rate in 2023. Without major policy adjustments, which do not seem likely in the short run, the current trajectory points to a further slowdown next year to 4.1 percent (see A Bad Start into Q3 Puts Yearly Growth Target in Jeopardy, Economy Watch: China).

Long-Term Global Economic Outlook

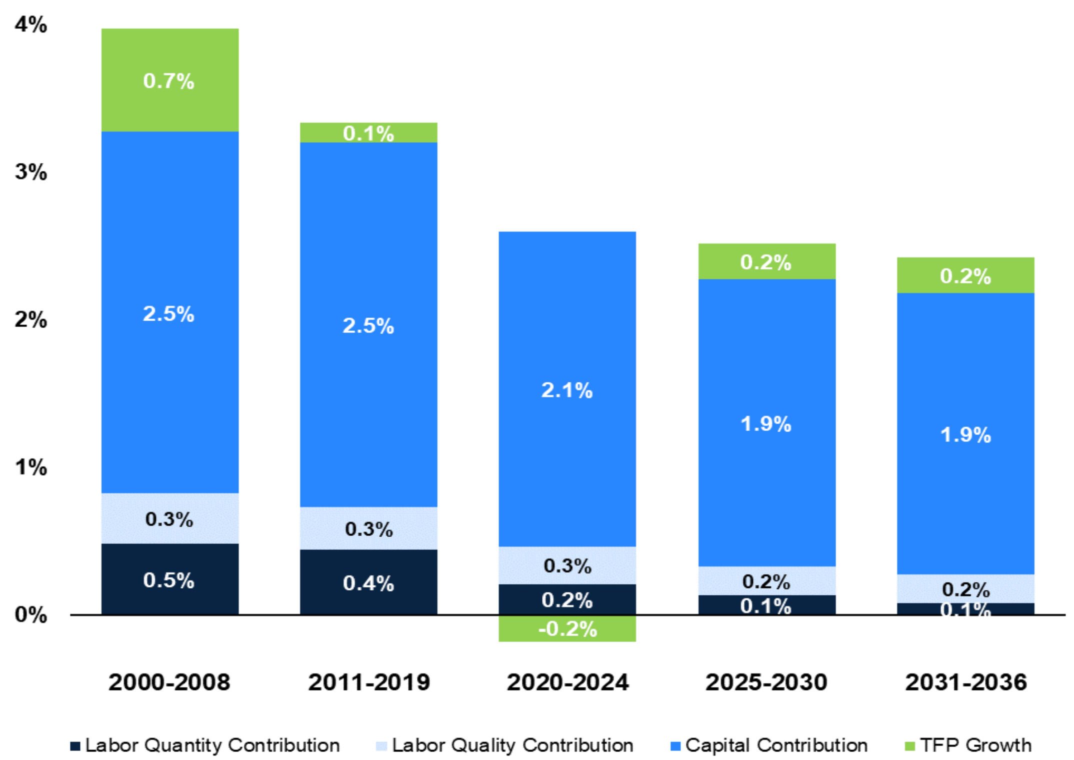
The global economy will probably expand at a subdued 2.5 percent trend rate over the next decade, well below the prepandemic average

The estimated pace of future global growth (2.5 percent) will remain below the average for the decade leading up to the pandemic (3.3 percent) and even further below the average of the decade leading up to the global financial crisis of 2008/2009 (4.0 percent). This declining trend is mostly a result of slower growth in the supply of labor and capital (**Figure 1**).

Figure 1

Trend global economic growth is weakening

Contribution of factor inputs and efficiency changes to global GDP growth (average annual % change)



Global GDP contributions are calculated using shares in nominal PPP converted GDP

Source: The Conference Board Global Economic Outlook 2024

The global talent pool is expanding at a glacial rate and skewing more toward older workers

Growth in the working-age population (aged 15-74) has been on a declining trend for the last two decades. At the same time, the share of older workers is increasing due to push factors such as increases in retirement ages but also pull factors such as the changing nature of work.

Aging populations and lower birth rates are dampening growth potential as the global workforce grows more slowly. This trend is largely being driven by advanced/mature economies (plus China) that not only are experiencing retirement of the baby boomer generation and declining birth rates but also more limited growth in immigration. Economies with younger, and in some cases, highly educated, populations like India will have larger contributions from labor, but these demographics will not offset the weight of narrowing labor contributions from advanced/emerging economies

These trends represent challenges for firms worldwide, as the hunt for talent will become more intense. It will also become more important to change work practices to keep older workforces more engaged.

Capital contributions will contribute to growth ahead, but not to the same degree as in prior decades

A large part of the slowdown in global GDP growth can be explained by a shrinking capital contribution. The capital contribution to global growth accounted for 2.4 percentage points of annual global GDP growth in the two decades leading up to the pandemic but will narrow to about 1.8 percentage points over the period 2024 through 2036. This reflects slower growth in the use of tangible capital such as machinery and building but also to a lesser extent intangible capital such as software and R&D.

This shift is partly due to aging demographics worldwide (increasing the demand for less capital-intensive services such as elder care) but also to a slowing pace of capital accumulation as large emerging economies such as China's shift more toward domestic, service-oriented industries. The smaller labor contribution also has a knock-on effect on capital inputs, most notably buildings and machinery, though less so for intangible assets such as R&D and software.

The global energy transition will require massive amounts of capital investment. Deglobalization, induced by industrial policies and poor international relations, will also prompt new investments in factories onshore or near shore. These trends may prove to be upsides to capital deepening. While individual businesses and households can take advantage of economic incentives to decrease carbon emissions, the impact on the wider macroeconomic trend of slowing capital contribution will be muted. This is partly because of substitution effects as fossil fuel investments are scaled back and partly because of the scale of the investments relative to the wider economy.

Total factor productivity is expected to moderately pick up over the next decade

Global trends for Total Factor Productivity (a measure of innovation and the efficiency with which inputs are used in the production process) have weakened over the past two decades, particularly in developed economies. Among the drivers of this decline were weak diffusion of new technologies across sectors and challenges with integrating new technologies into business models. The past few years have further weighed on short-term productivity trends due to shutdowns and reopening of the economy in response to the pandemic, supply chain bottlenecks, and steep rises in input costs.

A gradual pickup in the pace of productivity compared to the previous decade, as exemplified by the growth of total factor productivity (TFP), will not be enough to halt the slowing trend in capital and labor. Still, TFP expansion holds tremendous promise for global growth, as firms—especially those operating in advanced/mature economies—will need to become more productive to substitute for smaller labor inputs. TFP comes in many forms, including the adoption of past technologies, the creation of new technologies, benefits from past investments in infrastructure, and ongoing investments in human capital upskilling.

At the same time, there is upside to future productivity growth as new technologies in various fields have broken through. For example, mRNA technology has been used successfully to develop new vaccines and AI, while in existence for more than 60 years, is becoming more widely accessible and has the possible to greatly enhance labor productivity. Furthermore, R&D and infrastructure expenditures have risen significantly over the past decade in part from government injections, and barriers to diffusion are weakening boding well for future TFP growth.

Which Economies Will Drive Global GDP Growth?

Global GDP growth will be driven by emerging market economies

Emerging economies have increasingly become a key engine of global growth, accounting for over two-thirds of global GDP growth in the decade leading up to the pandemic (**Figure 3**). This share is expected to exceed 60 percent by 2036 as these economies continue to close the development gap with mature countries. A large part of this increase is explained by continued, albeit less robust, growth in India and China. We project India and China will increase their share of Purchasing Power Parity (PPP) adjusted GDP to 35 percent, while the share for all other emerging economies will change only minimally (**Figure 4**). The US is projected to account for a stable 10 percent of global growth in the coming 10 years, which would match the trend in the two decades before the pandemic. Europe's contribution will become ever more marginal.

United States: Can TFP Save Growth?

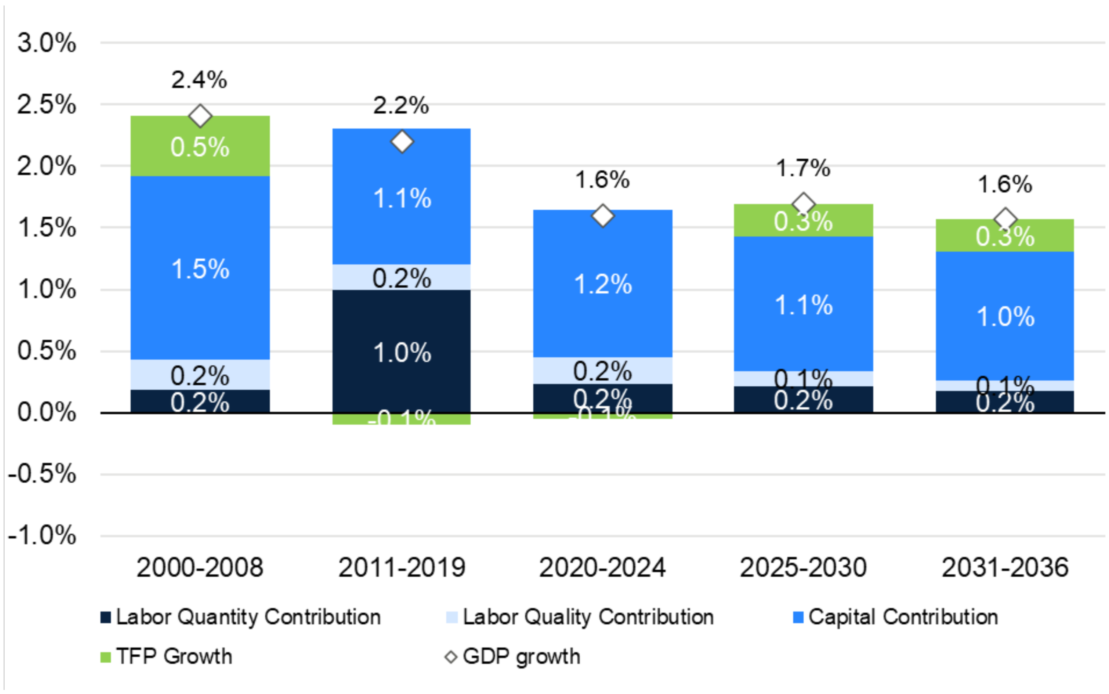
Potential US real GDP will likely expand at an average rate of 1.6 percent year-over-year from 2025 to 2036, slower than the 2.2 percent pace over the decade prior to the pandemic. During this period, capital's contribution to growth will be robust due to ongoing digital transformation, infrastructure spending, and the renewable energy transition. Labor inputs will also support growth over the coming decade, but less than they did prior to the pandemic due to an aging population that will reduce the size of the labor force. However, following a decade of low TFP growth, the pandemic inspired a surge in innovation and digital transformation that will likely boost productivity growth, helping to offset the smaller contribution from labor.

Risks to this forecast are two sided. On the downside, tight labor markets, deglobalization, the renewable energy transition, a diminished housing stock, and other forces may result in a higher inflationary environment that requires higher interest rates. This would be a drag on growth. However, upsides include the development and deployment of more advanced technologies (such as artificial intelligence), which may serve to drive productivity growth more than forecast.

Figure 2

Return of TFP to be a major contributor to US growth

Contributions to real GDP growth (year-over-year annual rate)

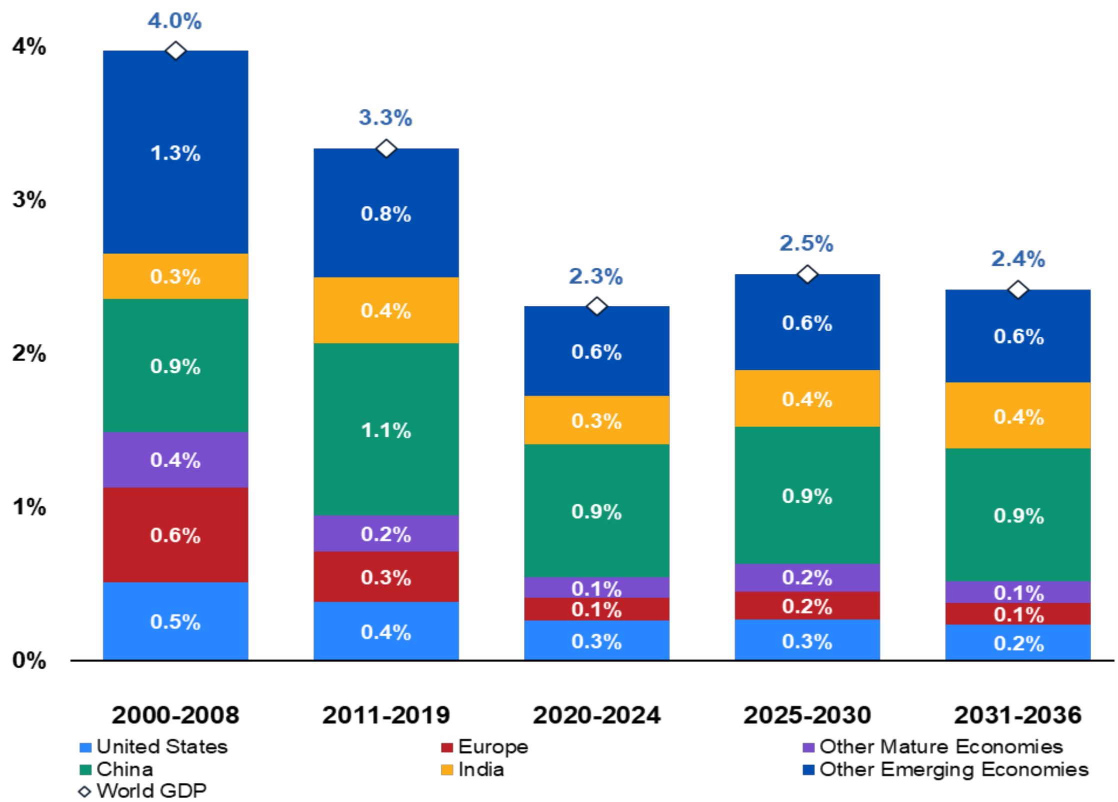


Source: The Conference Board Global Economic Outlook 2024

Figure 3

Emerging economies to remain key global growth engines

Regional contributions global GDP growth (average annual % change)



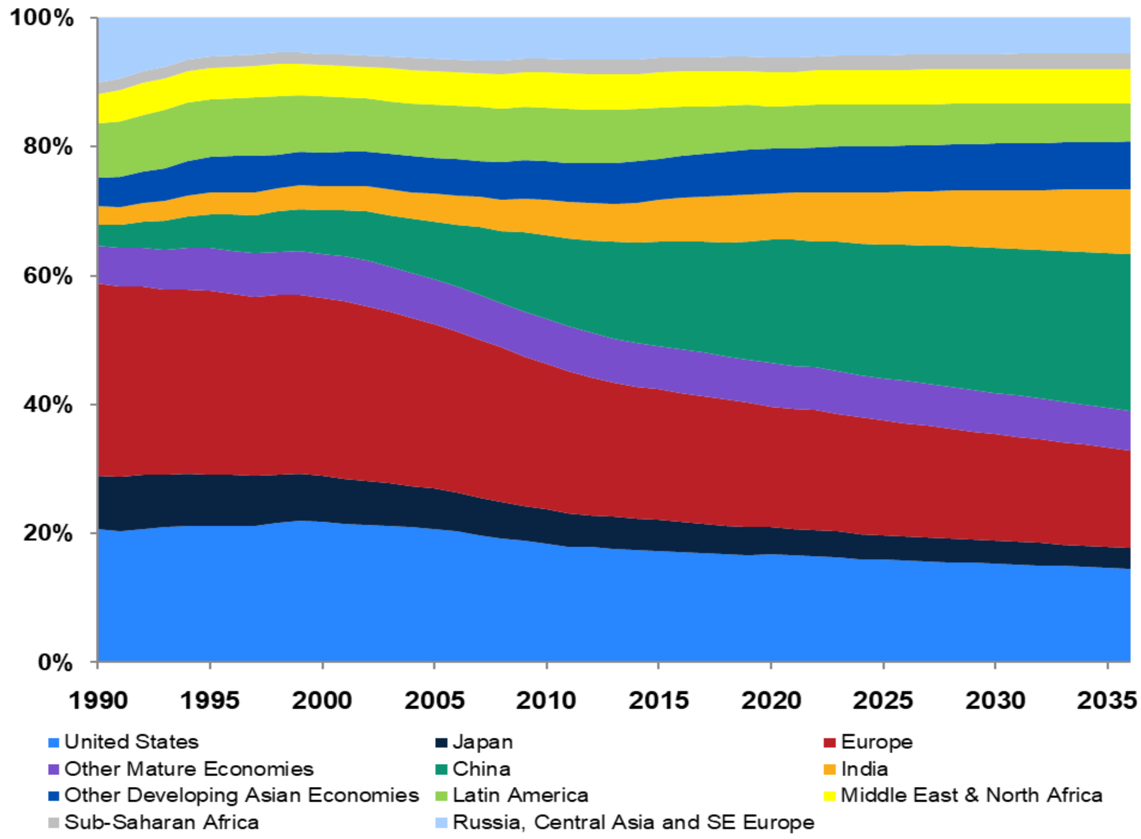
Note: Regional GDP contributions are calculated using shares in nominal PPP converted GDP

Source: The Conference Board Global Economic Outlook 2024

Figure 4

Emerging market share of global GDP to rise to 61 percent

Global GDP shares using Purchasing Power Parities



Source: The Conference Board Global Economic Outlook 2024

China: Downshifting Growth

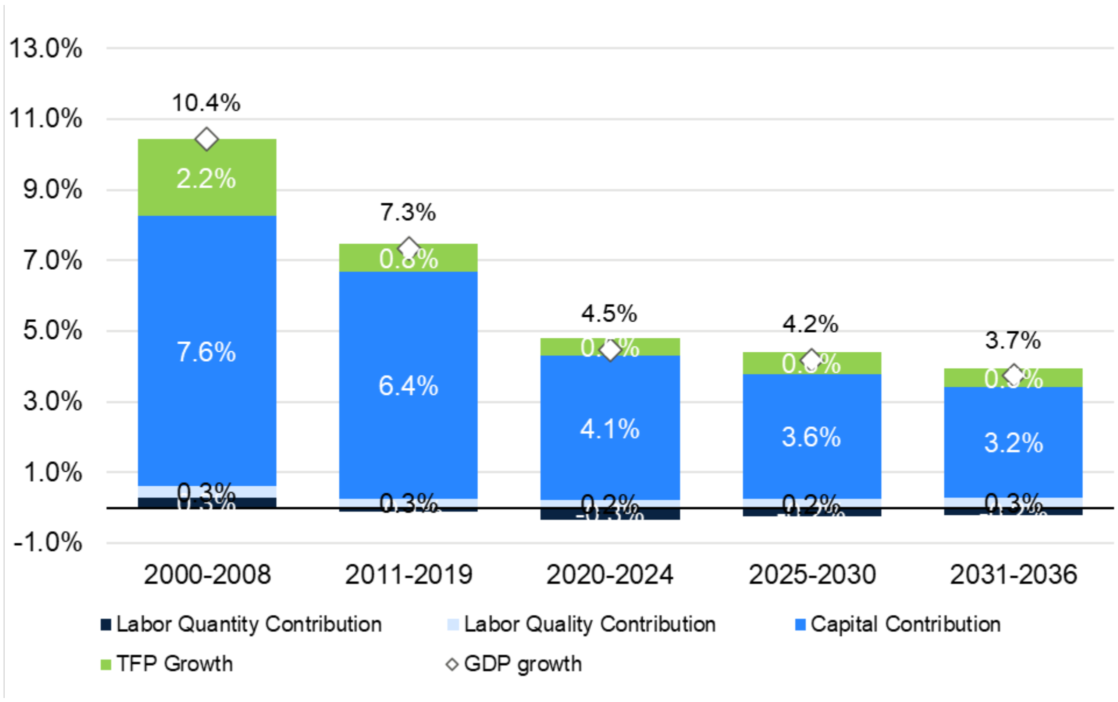
China's potential GDP growth will probably decline in the coming decade, from an average of 4.1% in 2025-30 to an average of 3.7% in 2031-36. The contribution from capital will moderate in the 2025-2036 period due to the falling rate of capital return, which is mainly driven by the enlarged state sector. During this period, labor quantity will continue to drag on growth owing to the declining working-age population. However, labor quality will offset the decline in labor quantity thanks to the increasing average years of education of China's labor force. Meanwhile, the contribution from TFP is estimated to be minor, due to the US-China "tech de-coupling" and the diminishing technology gap between China and advanced economies.

Potential GDP growth for China is at risk of undershooting expectations due to insufficient domestic demand. The ongoing property downturn will weigh on investment growth, and in turn hinder job creation and disposable income growth. We expect it to be a key drag on China's domestic demand growth for several years. On the upside, China's low level of capital stock per capita and high proportion of agriculture employment compared to advanced economies leave room for the country to catch up through capital stock accumulation and labor relocation across sectors. Additionally, China's fast-growing "new economy" – e.g., NEVs, 5G, high-end manufacturing, etc. is expected to gradually increase its contribution to growth in the coming decade.

Figure 5

China to transition to a lower-growth economy

Contributions to real GDP growth (year-over-year annual rate)



Source: The Conference Board Global Economic Outlook 2024

Emerging markets may reach parity with advanced economies in 2039, later than expected

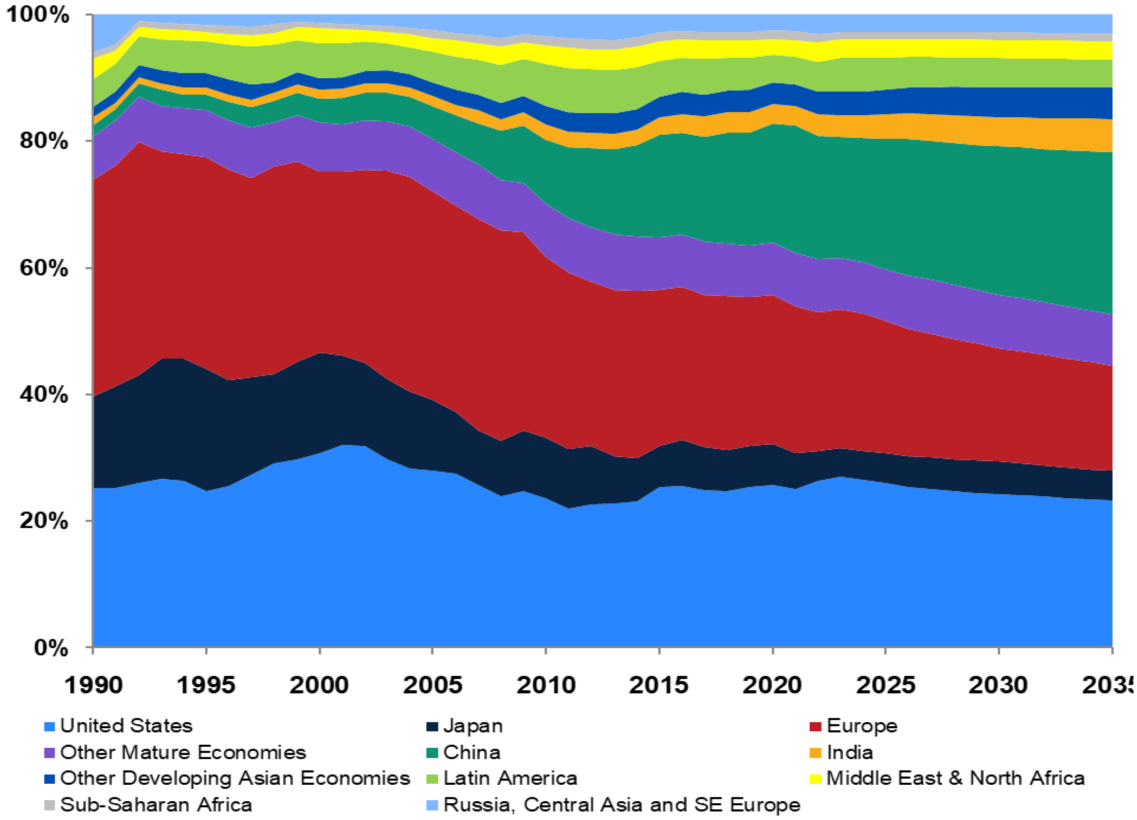
For the US and Europe, real GDP growth over the next 10 years is projected to fall below the average experienced in the decade before the pandemic. The UK is expected to suffer one of the biggest trend depressions, with growth averaging a mere 0.9 percent between 2025 and 2036, less than the prepandemic average growth rate of 2.1 percent. Latin America had one of the weakest growth rates in the decade prior to the pandemic. However, a larger contribution from capital and less negative TFP growth should push the region’s growth trend above the depressed prepandemic pace.

Around 2013, GDP in emerging economies equaled that of mature economies as measured in nominal terms at “Purchasing Power Parities” (PPP adjusts GDP for differences in price levels for domestically produced services). When we measure GDP in market exchange rates converted to US dollars, which is a better measure of what economies can buy on the global market, the balance remains skewed in favor of mature economies. Yet, even without PPP adjustment, emerging economies are projected to reach parity with mature economies by 2039.

Figure 6

Global spending power is still skewed toward mature economies

Global GDP shares using US dollar market exchange rates



Source: The Conference Board Global Economic Outlook 2024

Europe: The Next Decade

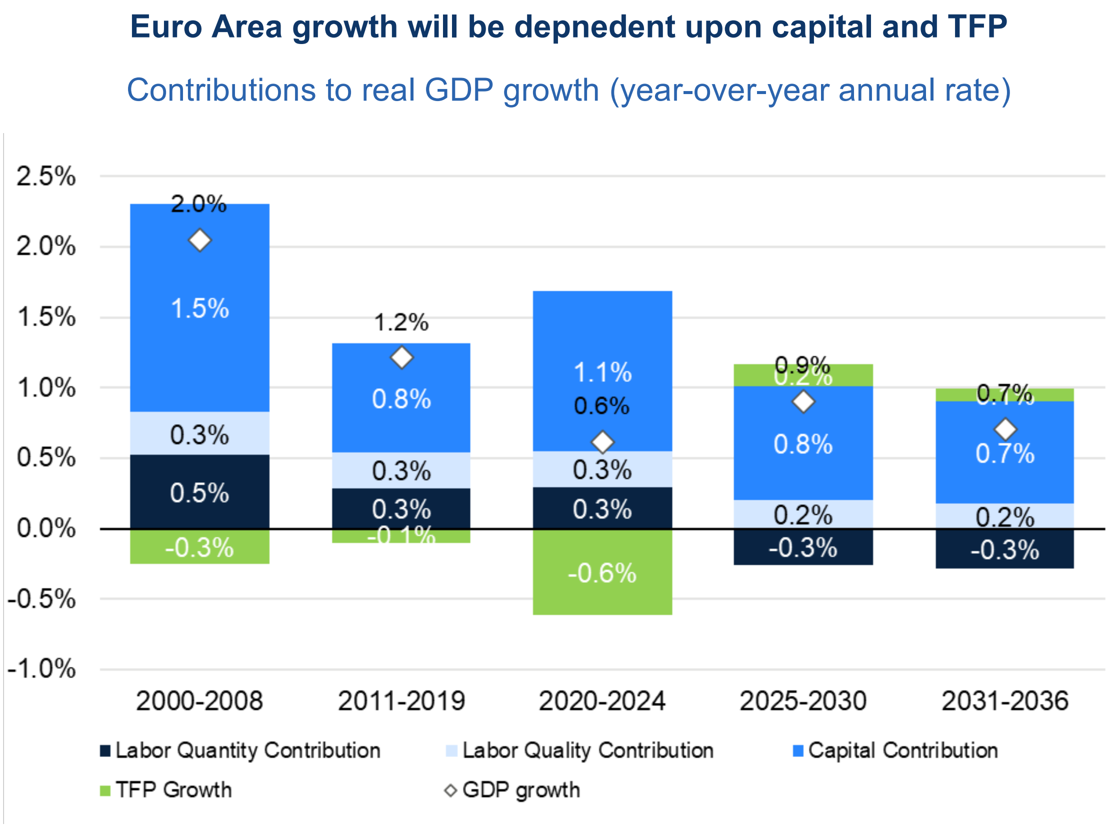
We expect Europe's longer-term growth trend to remain below the prepandemic average. Over the next ten years, real GDP growth for the region should average 1 percent, which is down from the 1.6 percent average between 2011 and 2019. Declining populations mean labor supply will become an increasing structural headwind for the region. However, we expect that to be offset by a continuing positive contribution from labor quality due to Europe's excellent education system and vocational training.

Capital investments and productivity are expected to drive growth. Typical for a maturing economy, Europe's growing capital stock and capital deepening are the main drivers of our longer-term growth forecasts. That trend is supported by ramped up efforts to accelerate digital and green transformations. The war in Ukraine has exposed Europe's dependency on oil and natural gas imports and is now fueling the drive for more energy self-sufficiency, which renewables promise. Increased infrastructure investment and Europe's strong position in the development of new technologies should also drive continued growth in total factor productivity over the next decade.

Nonetheless risks are largely tilted to the downside. Key downside risks include:

1. An aging population, which might worsen existing labor shortages and place upward pressure on wages;
2. High sensitivity to natural gas prices, whose volatility may cause intense economic and political disruptions until the region fully transitions to renewables;
3. The possibility that the war in Ukraine is prolonged and even metastasizes into a broader conflict that includes NATO economies;
4. Doubts over whether Germany—previously an economic juggernaut but now a weaker nation with trade dependencies on a flagging China—will cause greater than expected drag on overall European growth;
5. Potential disintegration of the Euro Area currency bloc or the European Union political block due to the rise in populist movements that prioritize nationalism over economic unions; and
6. Redux of significant migration flows from within the continent and from the MENA and Sub-Saharan Africa regions that prompt economic and political instability.

Figure 7



Source: The Conference Board Global Economic Outlook 2024

India: The New China?

Will this be India's decade? It is possible. In 2023, India overtook China as the world's most populous nation, with roughly 1.43 billion people. This is notable as China held the number one spot since the 1950s. Moreover, while the number of working-age persons per retired person is declining all over the world, India's is declining far more slowly than China's and that of many advanced/mature economies. Importantly, India has a younger and more highly education population compared to many other emerging markets. This demographic dividend could potentially be an engine for growth, helping India to become a wealthier economy.

India will be a major driver of global GDP growth. Capital deepening, plus gains in productivity as India benefits from past investments, will likely support growth. While the pace of real GDP growth may be slower over the next ten years compared to the prior decade, a relatively young and large population, and a growing middle class should represent plenty of growth opportunities for business worldwide. Furthermore, wide use of English and a relatively skilled workforce underpin the role of India as the world's back office (e.g., IT services, administrative support, and consultancy services).

India is also a poised to benefit from relocation of production activities, mainly out of China. While India is unlikely to replace China as the world's factory floor, several industries have a supplier base in India that should be able to support a greater global production footprint, including food products; wood; paper products and printing; fabricated metal products; and computer, electronic, and optical equipment.

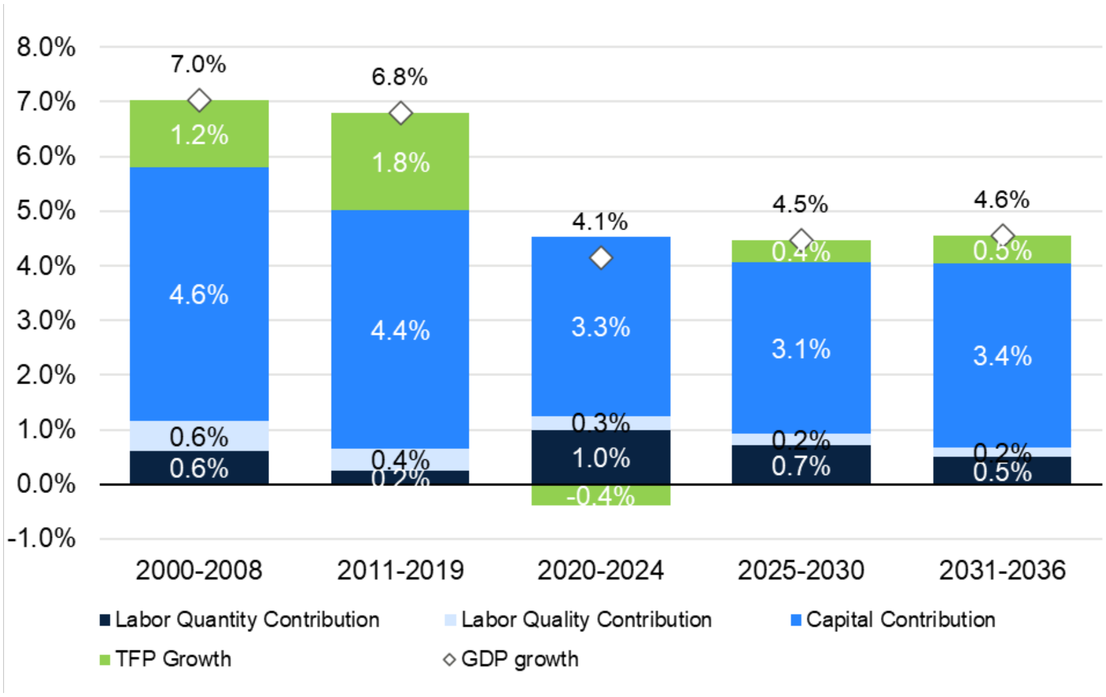
Geopolitical developments are also relatively benign for India, as Western political leaders increasingly see the economy as a strategic partner in the region to counter the influence of China. Still, a lack of openness to foreign investment and significant barriers to success for foreign companies, including regulator red tape, could limit the extent to which India could replace China as a manufacturing destination.

Still there are challenges to the extent to which India's economy can expand going forward. The scope of industrialization in India is relatively limited. Despite decades of policy objectives, India's industrial base remains relatively underdeveloped. India is still challenged by underdeveloped infrastructure, which could also hamper goods production, and continues to struggle to create jobs for its expanding population. Moreover, with the fertility rate falling, India has a narrow window for taking advantage of its robust working-age population. Policies that promote social mobility and urbanization will also be vital to expanding India's middle class, which will be key to faster growth ahead.

Figure 8

India's labor dividend will be an asset going forward

Contributions to real GDP growth (year-over-year annual rate)



Source: The Conference Board Global Economic Outlook 2024

What Factors Will Shape Global Real GDP Growth Ahead?

Global growth in the next decade ranges from 1.5 to 3.3 percent depending on how downside risks and upside developments materialize

Our base case global growth scenario is built from the bottom up based upon certain assumptions around the key supply-side drivers of GDP growth: labor, capital, and TFP. Downsides or upsides to these factors therefore yield a different outcome for global growth. Regarding labor, variations to our base case would largely be the result of changing assumptions about future trends in participation rates. Capital's contribution to growth could come in higher or lower depending upon trends in globalization, monetary policy, and the speed of the transition toward net-zero emissions. Finally, productivity is perhaps the most difficult variable to project. Our assumption is for a modest pickup from the weak prepandemic trend, but it is perfectly conceivable that it will further disappoint, leading to lower global growth. At the same time, productivity resurgences have been overlooked in the past, so it is not impossible to rule out a revival in productivity growth.

Table 1

The key drivers of global growth scenarios

Scenarios for global GDP growth, 2025-2036

Contribution	Downside	Base Case	Upside
Labor	*No improvement in participation rates*	*Modest improvement in participation, but the improvement will be slower compared to previous decades*	*Participation rates keep improving rapidly, particularly for older workers; public policies support labor force mobility*
	0.1	0.3	0.5
Capital	*The slowing trend intensifies as deglobalization and population aging continue; tighter monetary policies restrict lending*	*The slowing trend continues as a result of the ongoing shift toward less capital-intensive services*	*Capital growth resurges because of investment needs for the net-zero transition and renewed optimism for globalization*
	1.5	1.9	2.3
Total Factor Productivity	*Weakens further as problems that have held back productivity growth in the past worsen (diffusion, inequality, superstar firms, deglobalization, etc.)*	*Picks up modestly from weak pre-pandemic trend due to ongoing investment in R&D, digital transformation, and the energy transition*	*Resurges as productivity gets another boost from innovations breakthrough technologies and solutions to diffusion problems*
	-0.1	0.2	0.5
GDP	1.5	2.4	3.3

Note: Labor supply projections are simulated using participation rates. The upside capital scenario is close to the average capital contribution to global growth in the two decades leading up to the pandemic. The downside capital scenario is calculated by subtracting the base case with the difference between the base case and the upside scenario. The upside TFP scenario is based on global TFP growth rates observed in the 2000-2008 period. The downside TFP scenario is calculated by subtracting the base case with the difference between the base case and the upside scenario.

Source: The Conference Board Global Economic Outlook 2024

MENA: Structural Shifts to Challenge Growth

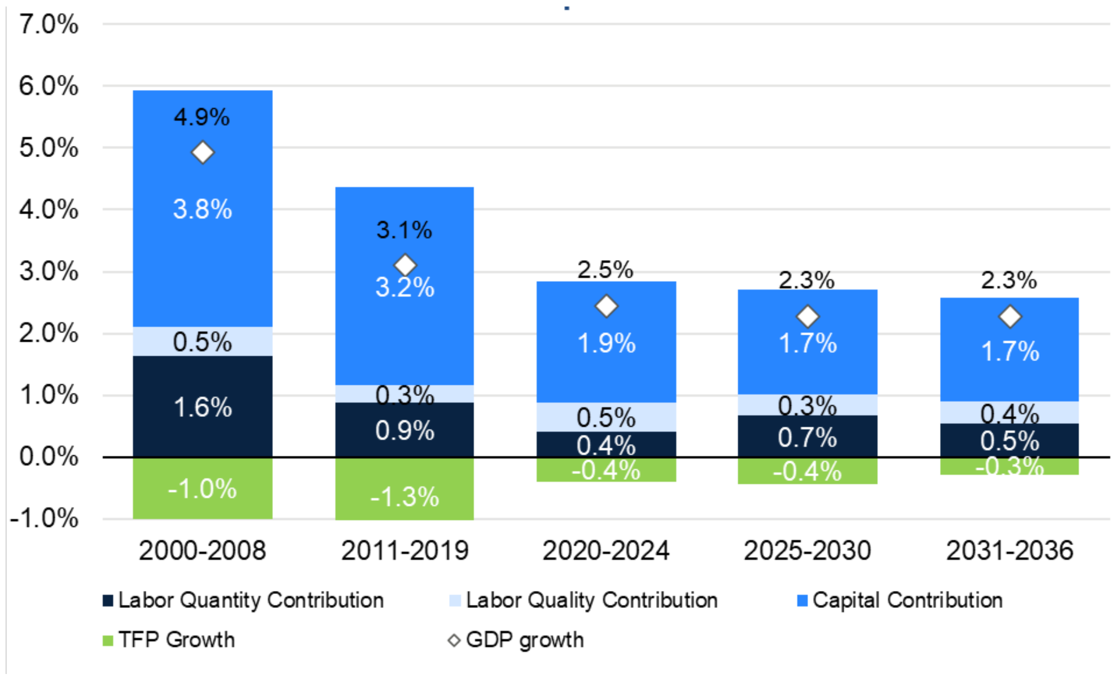
Growth in the Middle East and North Africa (MENA) is expected to slow to 2.3 percent in 2025–2036, down from growth of 3.1 percent over the past decade. The region's growth is expected to reflect slowing population growth. The region's unimpressive productivity growth and absence of reforms in key economies are expected to weigh on the region's potential growth in the decade ahead. Oil producers in the MENA region will also be hurt by the global energy transition, which will entail reduced demand for fossil fuel exports from these countries.

There are significant risks to these projections. On the upside, a more deliberate implementation of required reforms in Egypt and other regional economies. Such reforms, which could promote macroeconomic stability and pro-growth policies, could attract investment and unleash more rapid economic growth. Greater success in diversification of oil-dependent economies could also bring similar upside to GCC countries. Downside risks include increased political instability and a broader war in the region, which could sap investment and growth.

Figure 9

MENA to suffer reduction in capital investment

Contributions to real GDP growth (year-over-year annual rate)



Source: The Conference Board Global Economic Outlook 2024

Risks and Gray Swans Challenge the Long-Term Outlook

Downside risks to global growth are greater than upsides

Risks to the global economic outlook remain two-sided but tilted somewhat to the downside. Key downside risks include increasing upward inflation pressures, higher-for-longer interest rates, financial crises linked to tight monetary and increasing sovereign debt, perennial labor shortages, and geopolitics.

- **Inflation pressures** Upward inflation pressures may intensify over the next decade. The ongoing war in Ukraine is continuing to place upward pressure on food prices, but if the conflict persists and climate events continue to negatively affect crops, then **food prices** may remain elevated. The **energy transition** will prove to be inflationary given the intense degree of investment necessary to harness and transmit renewables energy; stranded assets, divestment in fossil fuels that boosts prices in the short run, building new infrastructure, retrofitting, and coming into compliance with new regulations and tax regimes (see US Energy Transition: The Path Toward Net Zero). **Industrial policies** will also place upward pressure on prices for companies and consumers given investments needed for reorienting supply chains, repositioning and/or building new factories, and the likely higher costs for labor in the case of reshoring and "friend-shoring." Ongoing **shortages in affordable homes** spanning the globe amid powerful demand from younger generations stands to keep housing costs elevated.
- **Higher-for-longer rates** The potential for unyielding upward pressures on inflation suggest that interest rates may generally be higher over the next decade compared to the last ten years. This means a higher cost of capital for business and financing for consumers, which may cause global real GDP growth to be slower than anticipated. Perpetually tight monetary policy also introduces the risk of financial market instability, including stresses placed on financial institutions holding distressed assets such as commercial real estate in the US (see *Banking & Financial Sectors Face Risks from a Declining Office Building Market*) or institutions experiencing margin compression (see 2023 Banking Crisis: US By the Numbers, 6-Month Update). For nonfinancial institutions, higher interest on new and refinanced debt can also squeeze profitability. For governments, high interest rates compound debt service, adding to already outsized sovereign debt levels, and lead to ratings downgrades that further increase the cost of borrowing. For consumers, elevated interest rates mean a higher cost of carrying revolving, unsecured debt (e.g., credit cards).
- **Labor shortages** Acute labor shortages and upward pressure on wages may be more enduring given aging populations. Large economies, including the US, most of Europe, and mature Asian economies (e.g., Japan, Australia, South Korea) are experiencing labor shortages in some form as there are fewer younger people to take the place of retiring baby boomers. China has also seen a dramatic aging of its population and will continue to do so. Firms may need to tap emerging markets

(other than China), including India, South Africa, or Mexico, for labor since working-age populations in these regions are shrinking at much slower rates. Consequently, labor shortages may continue to force businesses to raise wages and increase benefits to both attract and retain workers. Upskilling and training are also ways that firms are coping. Still, these solutions incur costs that are often ultimately passed onto the consumer, boosting inflation.

- **Geopolitics** Geopolitical uncertainties also present serious downside risks over the next decade. Continuation of the war in Ukraine; a worsening relationship between China and the US; further military/economic splintering with NATO and BRICS expansions; and massive people migrations due to military conflicts, economic hardships and/or climate events are a few risks to highlight.
  - **War in Ukraine intensifies** The war in Ukraine could morph into an even more dangerous conflict with the use of unconventional weapons (e.g., tactical nuclear, chemical) and further destruction of basic infrastructure (e.g., transportation, bridges, hospitals) in Ukraine. Escalation of the conflict could also occur if NATO countries are drawn into a broader war. Such volatilities and risks increase the longer the war lasts. Negative impacts on global supply chains, international trade, business and consumer confidence, commodity prices, and importantly, lives, would deepen if conflict expands.
  - **Fragmentation and polarization** The expansion of military and economic alliances risks further fragmentation of the global economy into competing factions and polarization. Powerful economies (economically and/or militarily) banding together could force less developed and weaker economies to choose sides, potentially lessening global trade, cooperation, and economic growth. For example, the **expansion of BRICS** economies strengthens the economic partnership of a disparate group of nations but also risks the creation of geopolitical tensions, greater frictions for international trade, financial transactions, and ease of doing business for firms (see StraightTalk: Five Risks and Trends to Watch).
  - **China-US tensions** The contentious relationship between the US and China, who view each other as strategic competitors along a number of fronts: technology, trade, investment, military (i.e., hard power) and global influence (i.e., soft power) will likely be at the heart of many geopolitical concerns going forward. Existing conflicts over trade in key materials such as high-end computer chips and rare earths could escalate into larger and broader trade wars, undermining of each other's currencies, and potentially even military conflagrations.
  - **People Migration** While migration might be a solution for labor shortages among mature economies, lack of integration of foreign refugee populations into domestic ones can prove economically disastrous and politically destabilizing. Causes of mass migration might include geopolitical events (e.g. wars, regime changes), shortages of key commodities (e.g., food, energy), and

climate events (e.g., rising sea levels, droughts, and flooding). Indeed, the World Bank recently warned of intensification of economic and political risks in what has come to be termed the “global south,” which might prompt massive migration flows northward and to wealthy economies.

Important upsides include a peaceful end to the war in Ukraine; significant productivity gains from past investments in R&D, automation (including AI), infrastructure, digital transformation, and human capital; potential breakthroughs in technological advancements that enhance production, profits, and livelihoods; lower inflation due to slower global growth and/or technological advancements; and an increase in the global middle class as emerging markets like India mature into advanced economies.

- **Lower inflation** Materially lower global inflation that facilitates a return to growth would be a tremendous upside to the global economic outlook helping economies experience better-than-expected expansions. Aggressive interest rate hikes by central banks spanning the globe might push inflation gauges back to prescribed targets sooner and preferably without crushing domestic demand. This could be a result of shorter monetary policy lags. Reductions in upward inflationary pressures might also stem from currency appreciation for economies with floating currencies, significant improvement in supply chain pressures with an end to the war in Ukraine (see below), better food harvests from fewer bad weather events, increases in global oil and natural gas production and/or greater adoption of renewable energy sources, and increased efficiencies from past investments and greater productivity. Lower inflation might also be a consequence of slower growth in general.
- **The end of the war in Ukraine** An end of the war in Ukraine through a negotiated permanent ceasefire would be a major upside to the region and the global economy. The humanitarian crisis within Ukraine would ease, and GDP would expand with the rebuilding effort. Potentially, thousands of Ukrainian refugees might return, bolstering consumption over time. Russia’s economy probably would improve if the terms of the cease-fire included some lifting of sanctions or the removal of the cap on its oil price. Farming and mining in Ukraine would resume, as well as shipments of these commodities to the rest of the world, further easing global prices for food, metals, and industrial gases. The lower inflation, greater food availability, and reduced political instability that might follow would benefit all economies, especially those regions (especially MENA, Sub-Saharan Africa, and parts of Asia) dependent upon grain from Ukraine.
- **Faster productivity growth** Measures of macroeconomic productivity were whipsawed by the pandemic, with productivity surging when economies reopened and then collapsing as labor markets healed. Productivity growth could exceed our modest expectations given the potential for technological breakthroughs and as governments invest in infrastructure; businesses invest in digital transformation, automation, R&D, and human capital; and economic actors adopt new and emerging technologies. Indeed, the advent of more accessible forms of artificial intelligence pose significant upside for making workers more efficient and creating

new jobs, although it certainly does have risks associated with displacing workers and stoking cybersecurity crimes and terrorism (see StraightTalk – AI: Savior or Destroyer of Global Labor Markets?).

- **A rising global middle class** The next ten years could be a pivotal decade for several emerging markets to transform their economies into advanced economies. Notably, this could be India's decade, given an ample young and highly educated workforce (see Policy Brief: India Becomes the World's Most Populous Nation), new domestic and foreign direct investments, potential to become an alternative locale (away from China) for global manufacturing, and political will to move up the production value chain (see India's Economic Outlook in 2023 and Beyond and India's Trade and Globalization Outlook). Other emerging markets with great potential include Mexico (a destination for US friend-shoring), Brazil, the ASEAN bloc, Nigeria, and South Africa. If these economies are successful, then they will create a strong middle class along the way, which will demand higher-end goods and services and attract even more foreign investment, trade, and tourism. This is known as economic convergence. China will be more challenged to achieve economic convergence with mature economies as its population is aging rapidly.

Gray swans are also important influencers of the path of global growth ahead

The above scenarios are rather easily identified and modeled, but a host of other possible developments or gray swans may affect the forecast in less predictable ways. Gray swans are low probability, high-impact events, whose possible occurrence may be conceived of. This is different from black swans, which are low probability, high-impact events that cannot be easily identified.

Gray swans come in different varieties:

- Many are **geopolitical** in nature. These include further escalation of the war in Ukraine, involving expansion into NATO territories or use of unconventional weapons; military conflict between China and the US; increases in protectionism and authoritarian regimes; and cybersecurity attacks that hobble critical infrastructure.
- Gray swans can be **economic**, including financial market instability as central banks tighten monetary policy; ousting of the US dollar as the global reserve currency by BRICS+ economies; and the mounting risk of sovereign debt crises, notably in the US, as economies with aging populations struggle with increasing outlays, lower revenues, and rising debt and debt service costs.
- Some are **environmental**, including natural disasters and other climate events, or induced by policy, such as rationing of food, water, or other critical materials (e.g., rare earths, semiconductors) or the imposition of global carbon taxes.
- Gray swans can be **social,** including civil unrest due to increases in key commodities (e.g., food, energy) or regime changes, terrorism, or new health pandemics.

- Gray swans are also **technological** (e.g., space wars, broad adoption of digital currencies, or the metaverse).

Gray swans can be negative and disruptive but also positive and beneficially transformative in nature. Examples include advancements in quantum computing or use of hydrogen as a safe, low-cost, and environmentally friendly fuel delivery source (see Hydrogen Energy: Bridge Fuel to Net Zero?). These events and more can have fundamental impacts on the outlook for global and regional growth over the next decade (see Global Gray Swans Tool and US-China Gray Swans Watchlist 2023—Risk Assessment Tool).

Leading for Tomorrow: Winning Through Change and Disruption

How can C-suite executives position the firm for success amid increasing uncertainty and volatility?

Amid elevated economic uncertainty, firms can focus on strengthening internal operations, improving external communications to all stakeholders, and shoring up long-term growth. Companies can also take preemptive actions to protect themselves from shocks, geopolitical tensions, and an increasingly uncertain and multipolar world.

- **Strengthening internal operations** includes enhancing/updating risk management and crisis management programs; making supply chains more resilient to disruptions, including those stemming from economic and geopolitical risks; communicating the impacts of economic shocks to the board, employees, and customers; trimming discretionary expenditures with the aim of continuing to best serve customers and retain talent; ensuring the firm has adequate liquidity; and establishing financing by market to meet projected disruptions (see **Security Amid Increasing Financial Market Stress,** below).
- **External communications** can be improved by helping customers and the communities the firm operates in understand how economic forces negatively affect them (e.g., rising prices, layoffs) and how the company can help them to weather the storm; promoting the company's brands more and generating greater media exposure; and managing the uncertainty of investors over company performance with honesty, transparency, and concrete plans for moving forward.
- **Keys to ensuring growth** over the longer term include developing new lines of business (product and geography), divesting from weak businesses and investing in core units; strengthening corporate culture, embracing digital transformation and automation, engaging in M&A, recruiting for talent with new skills not currently represented in the company, and maximizing the hybrid work model where it makes sense. Additionally, firms can plan for capital investments around demand fluctuations and model employee/staffing needs and compensation requirements given company growth projections.

- **Hope for the best, prepare for the worst** Multinational firms should continue to diversify their supply chains to reduce the risk of higher costs and stranded assets. This may mean relocating factories or creating redundancies in other regions or investing in core markets to protect topline sales and revenues Firms may also need to invest in friendly, higher growth regions, build sustainable workforces, hire for key skill sets, and invest in productivity enhancing areas – including upskilling labor and AI.

Security Amid Increasing Financial Market Stress

Best practices in normal times

Financial firms

- Continue holding a material buffer of extra cash, potentially using the cheapest sources available, including the Fed window and Federal Home Loan Bank (FHLB).
- Review all asset classes for liquidity vulnerability, with a particular focus on the tenors of their exposures (i.e., recognizing that counterparties may not be available if they need to roll over or extend certain maturing exposures or portfolios).
- Stress test portfolios to uncover break-even levels of risk.
- Avoid introducing new products in consumer areas, which often take 6-18 months to determine vintage experience.
- Consider foregoing some new product revenue to avoid excessively large losses if consumer performance stumbles.
- Retain experienced staff and invest in technology and training for risk functions.

Nonfinancial firms

- Lengthen funding tenors now, as the duration of debt should be much longer than historical norms.
- Fatten stores of liquidity and have a series of alternative sources at the ready should disaster strike.
- Assume that losses will exceed worst case scenarios and make sure that there is a sufficient capital buffer.
- Diversify banking/financing relationships to avoid concentration of deposits in any one institution.
- Increase risk monitoring and management staff.

- Execute contingency planning, including how to handle a surge in portfolio delinquencies.

Best practices amid a crisis

Financial firms

- Maintain constant contact with regulators, the board, staff, and customers.

- Move quickly to ring-fence distressed assets to reduce losses; keep track of counterparty exposure to determine where and when contagion might be realized.

- Be prepared for worst case scenarios, which might include selling assets or considering a merger or acquisition.

Nonfinancial Firms

- Tap into own funding sources, understanding that liquidity may dry up quickly and that new capital will be available at less competitive levels.

- Reduce or delay discretionary investments until markets calm and the cost of capital cheapens.

Figure 8

The Conference Board Global Economic Outlook

Real GDP Growth Rates (average annual % change)

	2000-2008	2011-2019	2020	2021	2022	2023	2024	2025-2030	2031-2036
United States	2.4	2.2	-2.8	5.9	2.1	2.2	0.8	1.7	1.6
Europe	2.3	1.6	-6.4	5.6	3.5	0.6	1.1	1.1	0.9
Euro Area	2.0	1.2	-6.6	5.2	3.3	0.7	0.9	0.9	0.7
Germany	1.5	1.7	-3.7	2.6	1.8	-0.4	0.8	1.1	0.9
Italy	1.2	0.1	-9.0	7.0	3.7	0.7	0.5	0.4	0.1
France	1.9	1.4	-7.5	6.4	2.5	0.9	1.3	0.9	0.8
United Kingdom	2.3	2.0	-11.0	7.6	4.1	0.4	0.9	1.0	0.8
Japan	1.1	0.9	-4.3	2.2	1.0	2.3	1.0	1.0	0.8
Other Mature Economies	4.0	2.8	-2.5	5.6	2.8	1.4	1.9	2.2	1.8
Mature Economies	**2.4**	**1.9**	**-4.4**	**5.4**	**2.7**	**1.4**	**1.1**	**1.5**	**1.3**
China	10.4	7.3	2.2	8.4	3.0	4.8	4.1	4.2	3.7
India	7.0	6.8	-6.8	9.6	6.8	6.9	5.1	4.5	4.6
Other Developing Asian Economies	5.2	5.0	-2.7	3.7	5.5	3.7	3.6	2.9	2.7
Latin America	3.4	1.2	-7.1	6.8	3.9	2.0	1.3	1.6	1.6
Brazil	3.8	0.7	-3.3	5.0	3.0	3.0	1.3	1.5	1.5
Mexico	2.2	2.4	-8.2	4.9	3.9	3.3	1.8	1.5	1.4
Middle East & North Africa	4.9	3.1	-5.7	4.9	5.5	3.5	4.5	2.3	2.3
Gulf region	5.1	3.6	-4.7	3.5	7.7	1.7	5.5	2.3	2.5
Sub-Saharan Africa	5.9	3.6	-1.5	4.8	3.5	2.7	3.1	3.5	3.6
Russia, Central Asia and SE Europe	6.5	2.8	-1.3	7.3	-0.5	3.0	2.3	1.9	1.9
Russian Federation	7.0	1.7	-2.7	5.6	-1.4	2.3	1.7	1.4	1.6
Turkey	4.9	5.5	1.9	11.4	5.3	4.2	2.5	2.4	2.2
Emerging Markets and Developing Economies	**6.3**	**4.8**	**-2.2**	**7.1**	**3.8**	**4.2**	**3.6**	**3.3**	**3.2**
World	**4.0**	**3.3**	**-3.2**	**6.3**	**3.3**	**2.9**	**2.5**	**2.5**	**2.4**
Addenda									
Asia	6.2	5.7	-1.5	7.0	3.9	4.6	3.8	3.7	3.4
Mature Asia	2.2	1.6	-3.9	3.2	1.7	1.9	1.2	1.4	1.0
China (Alternative)	8.9	5.6	2.0	7.7	3.0	5.1	3.8	3.2	2.9

Note: Regional GDP growth rates are aggregated using shares in nominal PPP converted GDP. For China alternative, see Harry Wu, “China's Growth and Productivity Performance Debate Revisited—Accounting for China's Sources of Growth with a New Data Set,” The Conference Board 2014. The data was updated and revised in September 2021 and the historical data series are available through The Conference Board Total Economy Database.

Source: The Conference Board Global Economic Outlook 2024

The Conference Board Global Economic Outlook GDP Projections 2024 to 2036: A Primer

Short-term forecasts of real gross domestic product (GDP) are typically based on assumptions around the expenditure components of GDP, which are consumer spending, government spending, business investment, and foreign trade. Longer-term forecasts of GDP are based on the supply-side factors of production, which are capital, labor, and total factor productivity (TFP). The capital contribution to growth measures the growth in the supply of capital, be it buildings, machinery, or software. The labor contribution to growth measures the growth in the supply of workers (quantity) and also the increase in skill levels (quality). Finally, TFP refers to the efficiency with which capital and labor inputs are used in the production process.

In The Conference Board Global Economic Outlook, the long-term projections of these supply-side drivers of growth are derived as follows: Capital and TFP projections are derived from a regression approach using as independent variables structural factors such as the saving rate, depreciation rate, wages, corruption, growth in R&D, and the United Nations Human Development Index. The regression basically estimates the historical relationship between these variables and capital and TFP. Assumptions about the future trajectory of these independent variables then result in capital and TFP projections. Labor projections are done separately. Labor quality projections are based on projections of educational attainment and assumptions around average returns to schooling. Labor quantity projections are based on working-age population growth rates combined with assumptions regarding age-specific participation rates. Capital and labor growth rates are then converted to contributions to GDP growth using factor income shares.

Capital and labor contributions to GDP growth combined with the TFP projections are then summed up to provide the GDP projections. The resultant GDP projections should be thought of as potential or trend growth rates (i.e., what the economy could be producing when it fully employs its available economic resources at normal levels). The implicit assumption is that the economy returns to trend in the medium to long term. The shorter-term projections for the next two to three years are not the potential or trend growth. The economy could operate below or above the trend, and we adjust the yearly numbers based on the short-term dynamics that depend on demand and business cycle, as well as what we glean from economic indicators.

For more information, see this methodology working paper.

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