

## The 2024 ISA Global Economic and Risk Outlook

**Presented by Michael Weidokal**

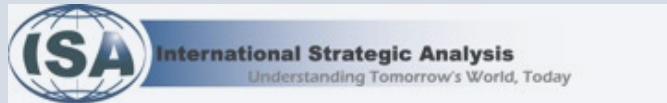
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# Agenda and Objectives

## Today's Agenda

- Introduction
- The Economy Today
- The Near-Term Economic and Risk Outlook
- The Long-Term Economic and Risk Outlook
- What This Means for You

## Today's Objectives

- To analyze the key factors impacting the global economy today
- To forecast the near-term and long-term outlook for the global economy
- To determine how near-term and long-term factors will impact you and your business

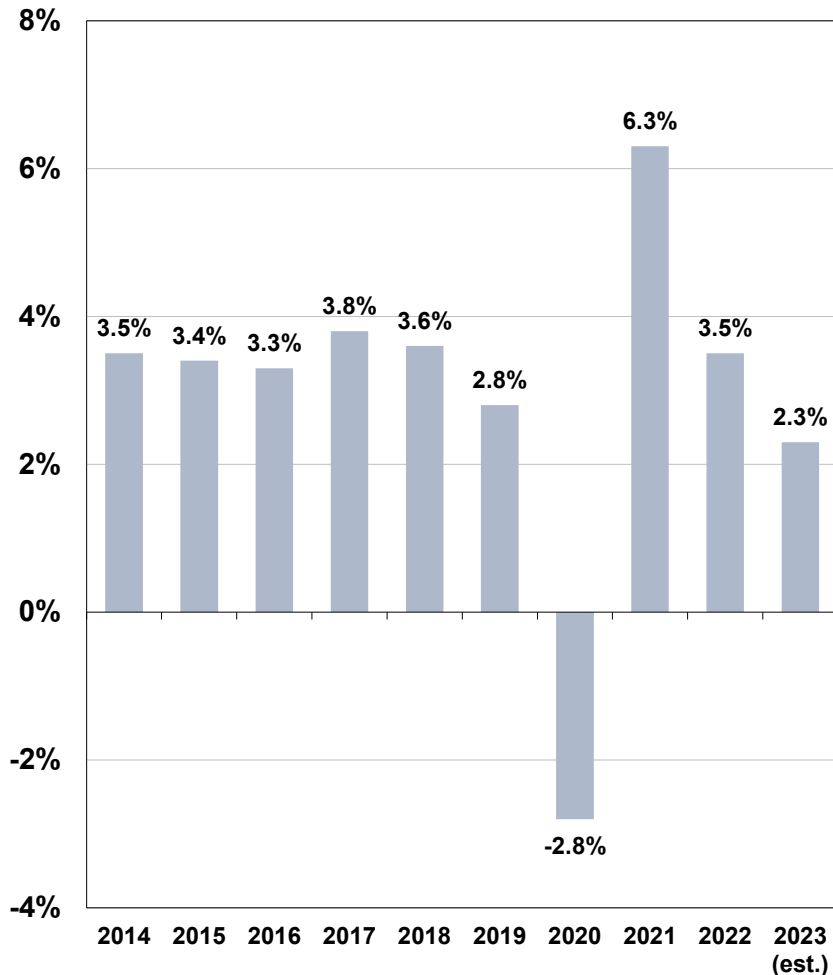
# **The Global Economy Today**

# The State of the Global Economy Today

- The world has bounced from crisis to crisis in the 21<sup>st</sup> century.
- The impact of the Covid-19 pandemic is still lingering nearly four years after it began.
- Consumer spending has prevented a larger economic slowdown but is in jeopardy of slowing.
- The era of rapid globalization is coming to an end, transforming into an era of regionalization and protectionism.

# The Current Performance of the Global Economy

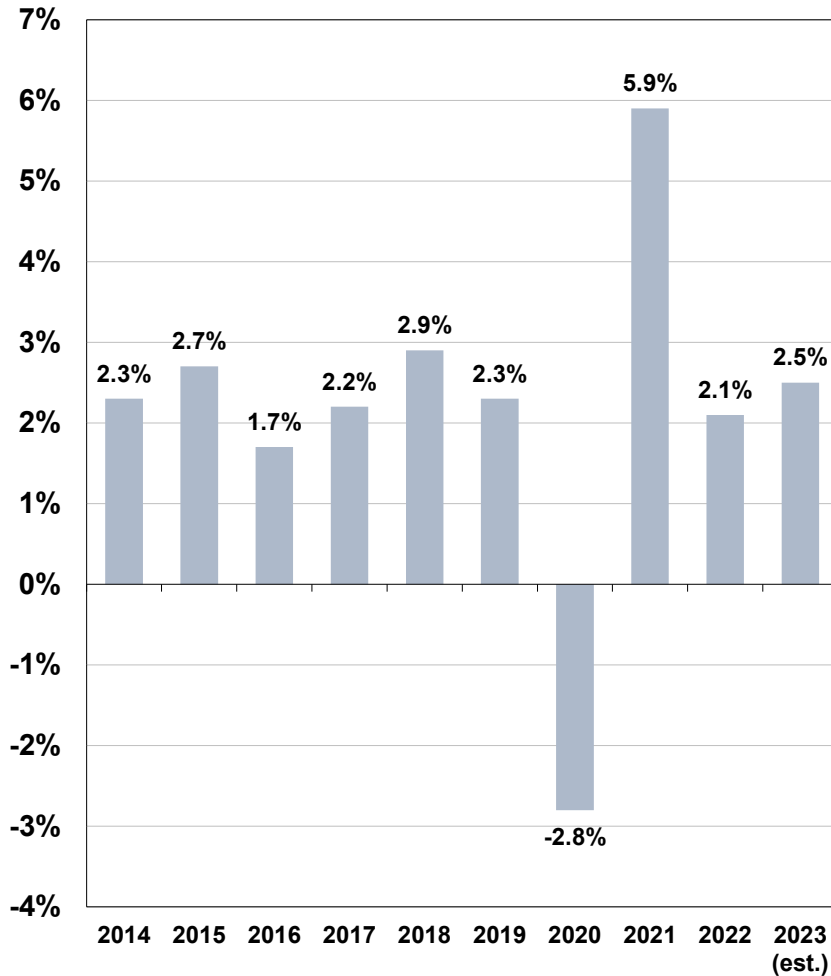
**Global GDP Growth**



- The global economy was remarkably consistent in the 2010s.
- The Covid-19 pandemic led to the worst decline in economic output since the Second World War.
- The recovery from Covid-19 was swift, but has faltered over the past year.

# The Current Performance of the US Economy

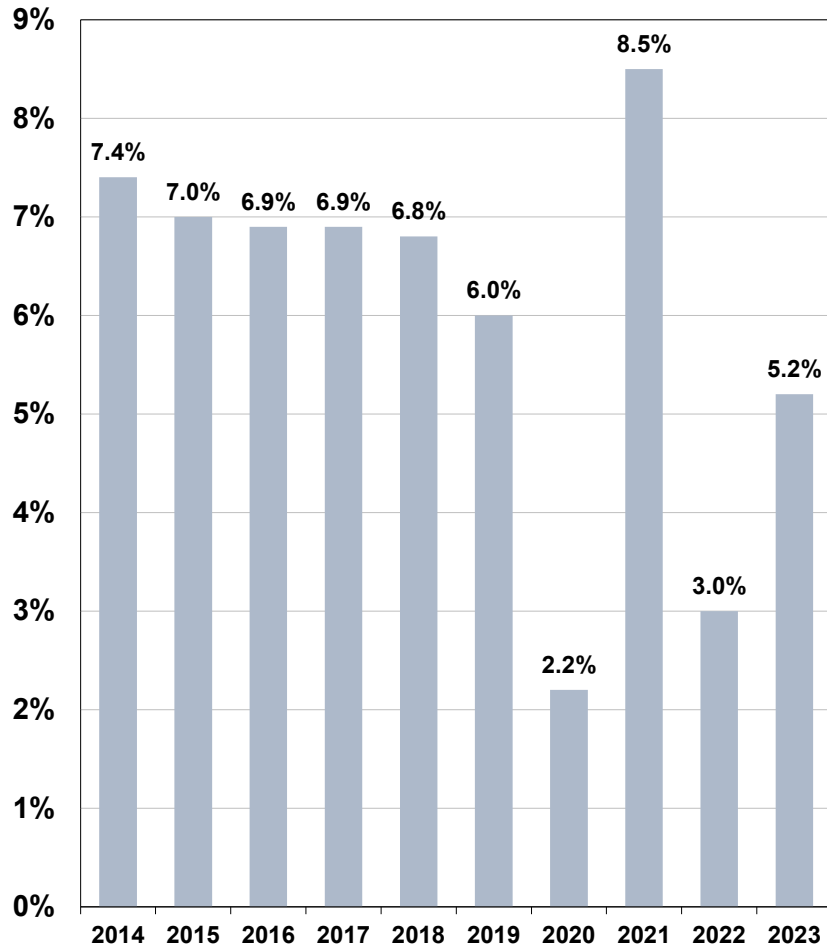
USA GDP Growth



- The United States has grown faster than most other developed economies.
- The US economy recorded steady, if unspectacular, growth in the 21<sup>st</sup> century.
- The US economy expanded by a robust 5.2% in the third quarter of 2023.

# The Current Performance of the Chinese Economy

China: GDP Growth

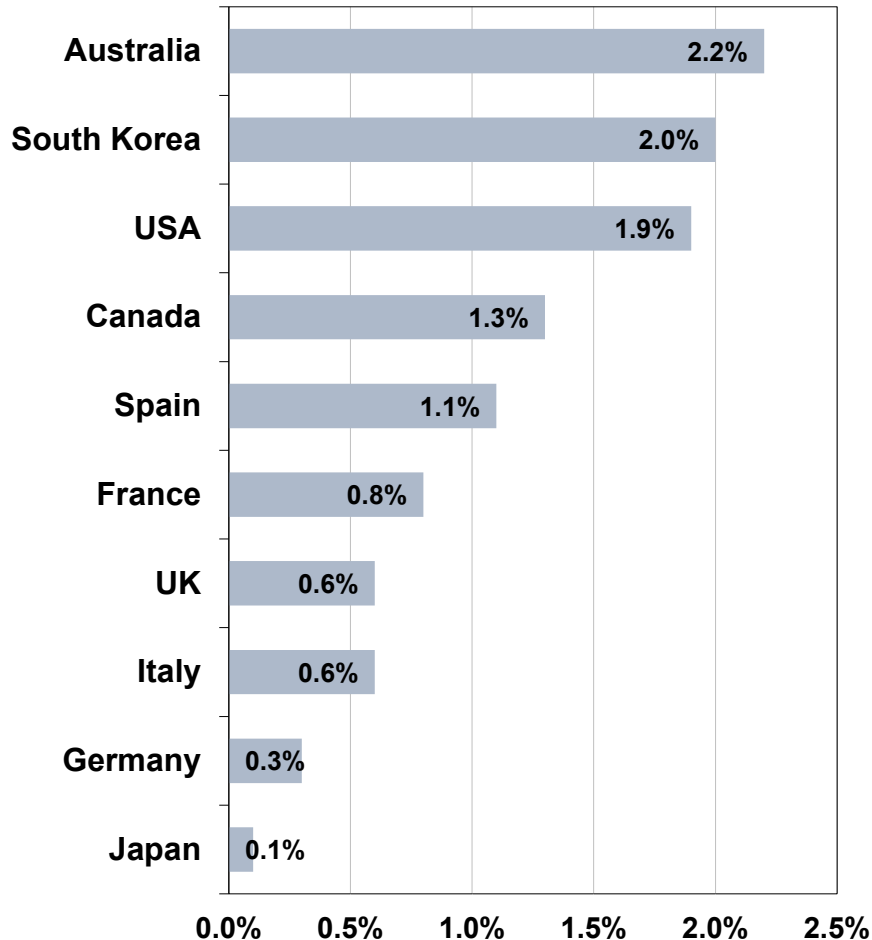


- China's economy grew by around 7% in the years before the Covid-19 pandemic.
- The Covid-19 pandemic caused major disruptions to China's economy.
- In 2023, the Chinese economy expanded by 5.2%.



# The Current Performance of Developed Economies

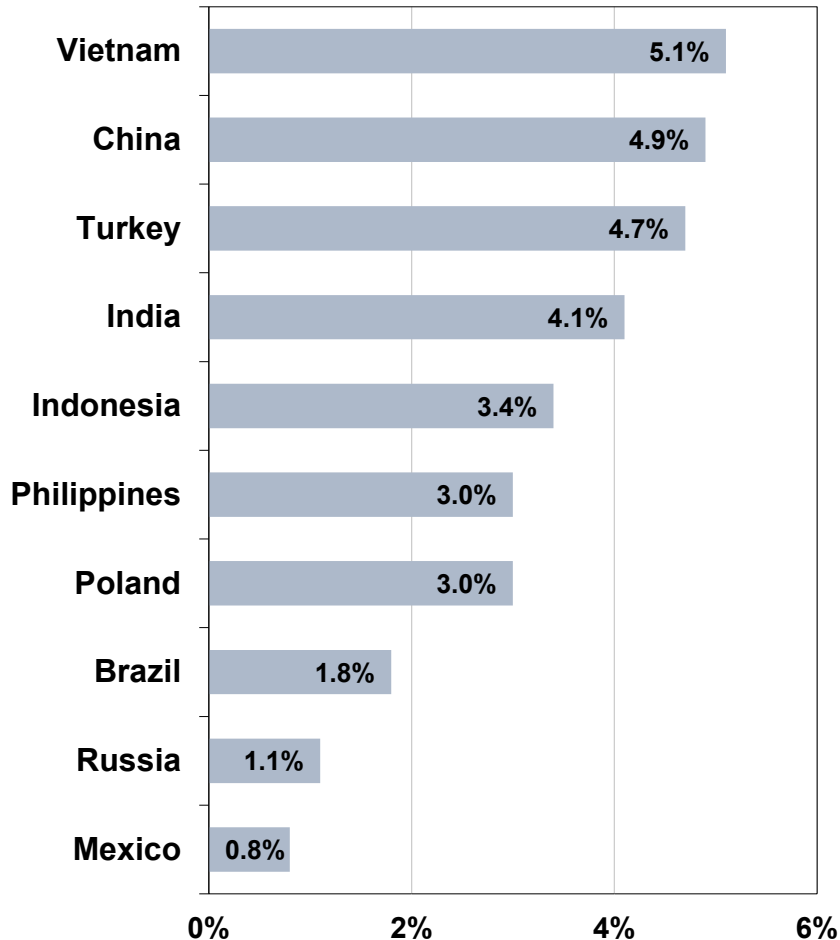
**Average Economic Growth Rates  
Over the Last Five Years**



- “New World” developed economies have outperformed their counterparts in Europe and Japan in recent years.
- Economies with large high-tech or commodity sectors have grown faster than their rivals in recent years.

# The Current Performance of Emerging Markets

**Average Economic Growth Rates  
Over the Last Five Years**



- Asian emerging markets continue to grow faster than economies outside of that region.
- More diversified economies have been more resistant to the recent upheaval.
- Latin American and East European economies have struggled of late.

# Current Risks to the US and Global Economy

# Internal Political Risk

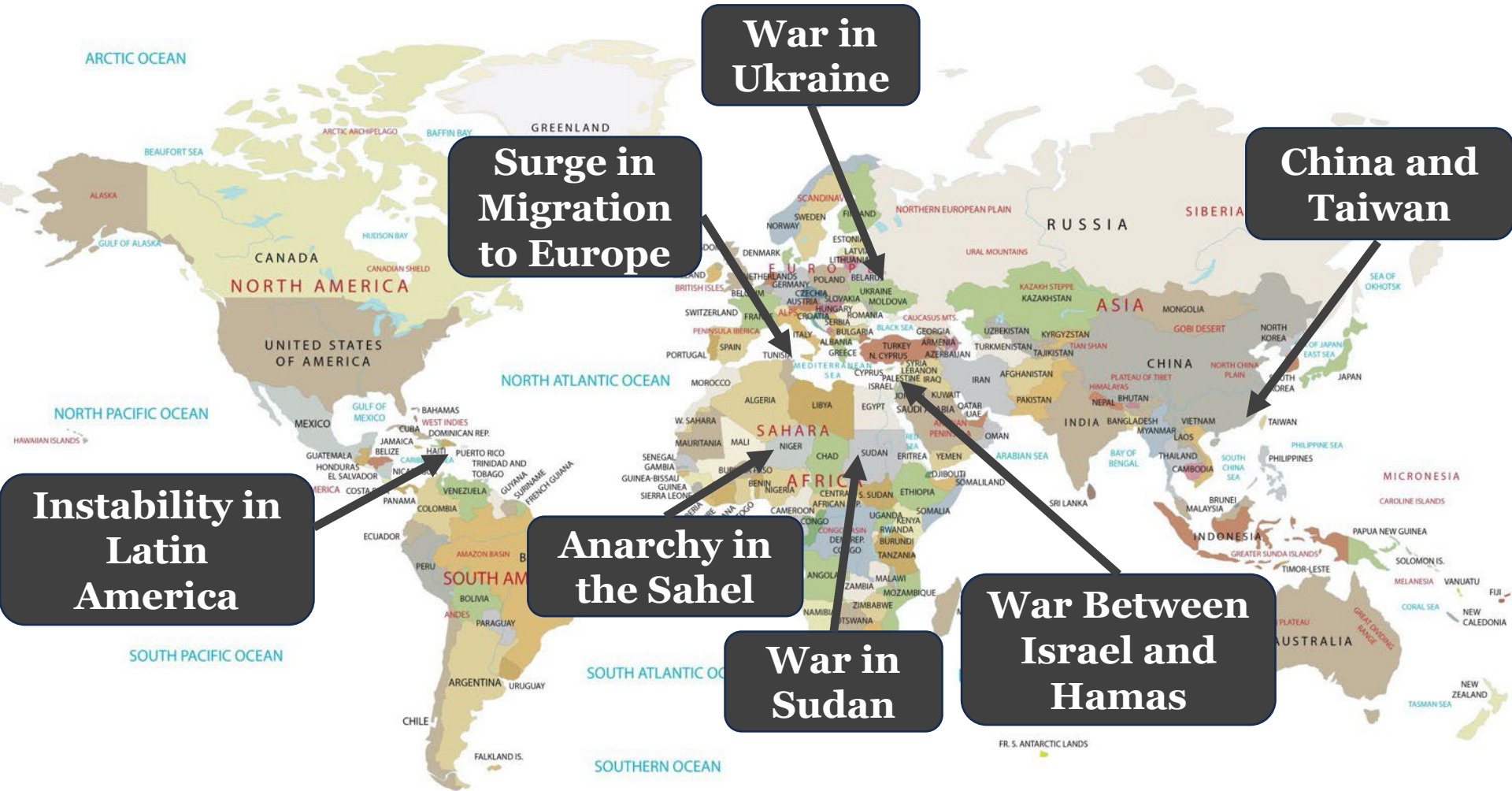
## Key Risks

- Rising levels of political extremism
- Increasing political fragmentation
- Increasingly narrow focus of individual segments of society

An inability to focus on the economic, political, environment and social challenges facing our country and the world.

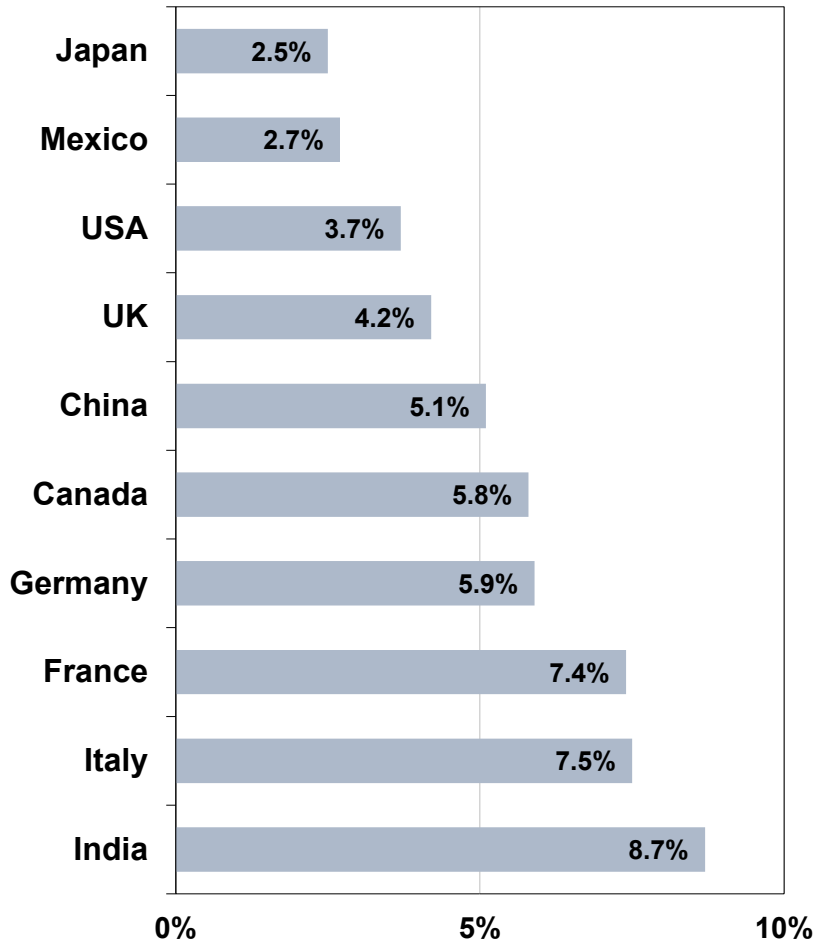
The diagram consists of three bullet points on the left, each with a blue arrow pointing towards a central blue rounded rectangle on the right. The arrows originate from the right side of each bullet point and converge towards the left side of the central box.

# Geopolitical Risk



# Labor Shortages

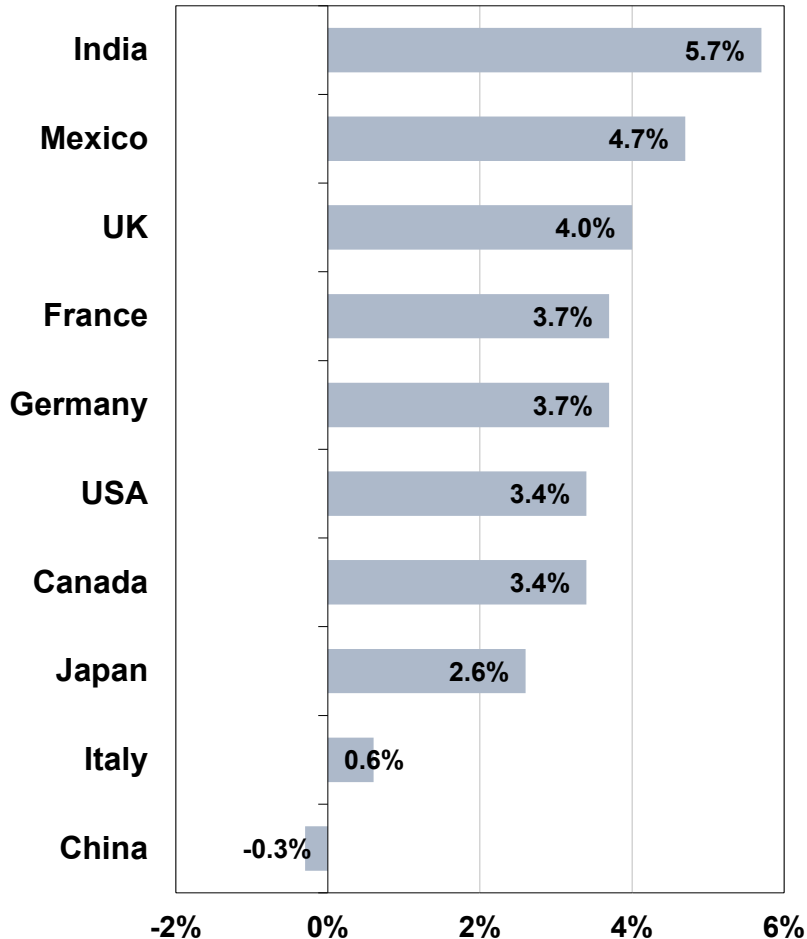
Current Unemployment Rates



- Labor shortages are present in most major economies.
- Unemployment has remained low despite sluggish economic growth.
- Demographic changes are the primary cause, but changes in working patterns are also a factor.

# Inflation

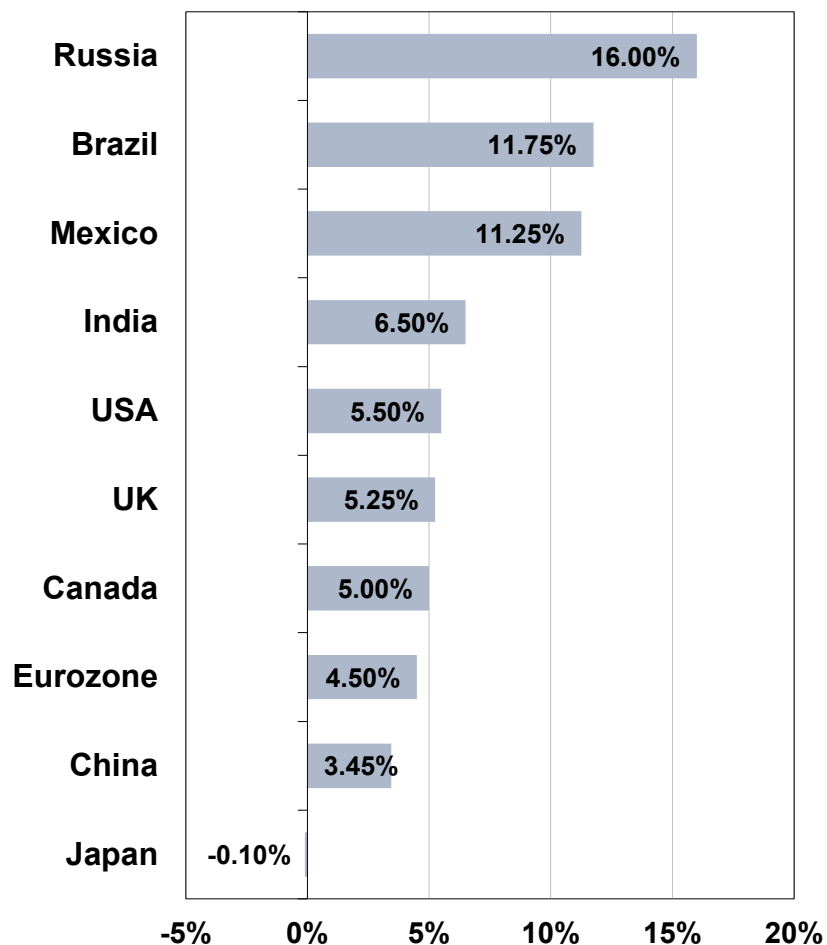
**Current Inflation Rates**



- Inflation rates have fallen from their recent highs.
- Weakening demand is driving down inflation.
- However, core inflation remains relatively high.
- Deflationary pressures have emerged in China.

# Interest Rates

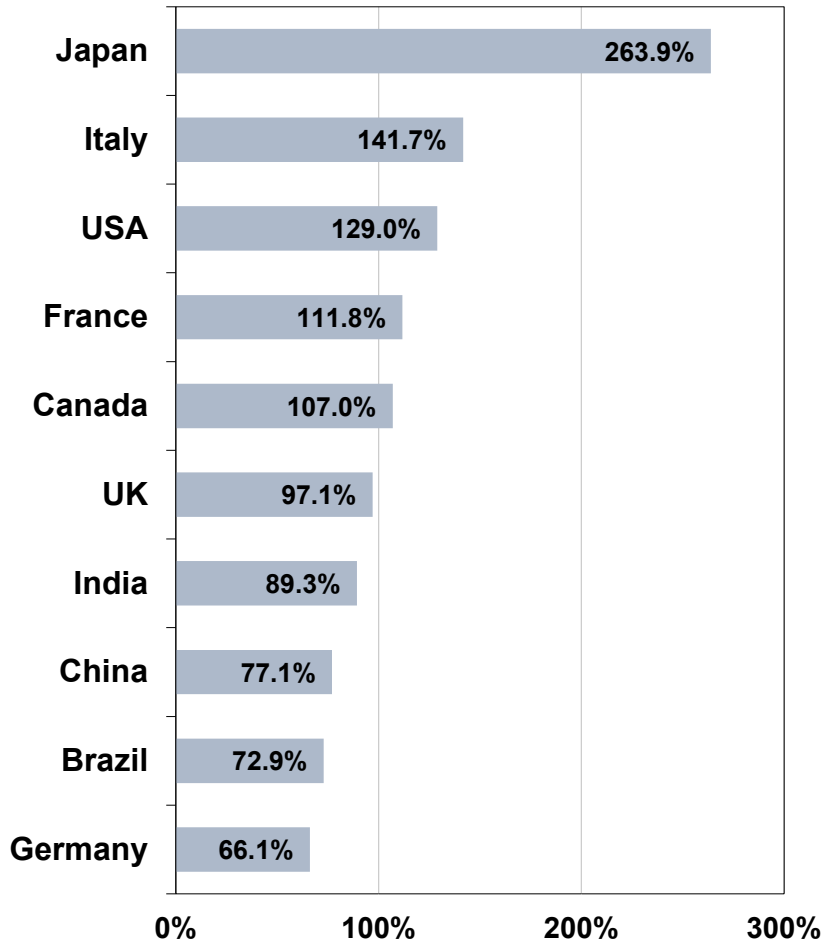
**Current Interest Rates**



- Interest rates were raised around the world due to soaring inflation rates.
- Interest rates were raised faster and higher than in previous crises.
- The impact of higher interest rates is now impacting many sectors of the economy.



## Government Debt to GDP Ratio in 2023



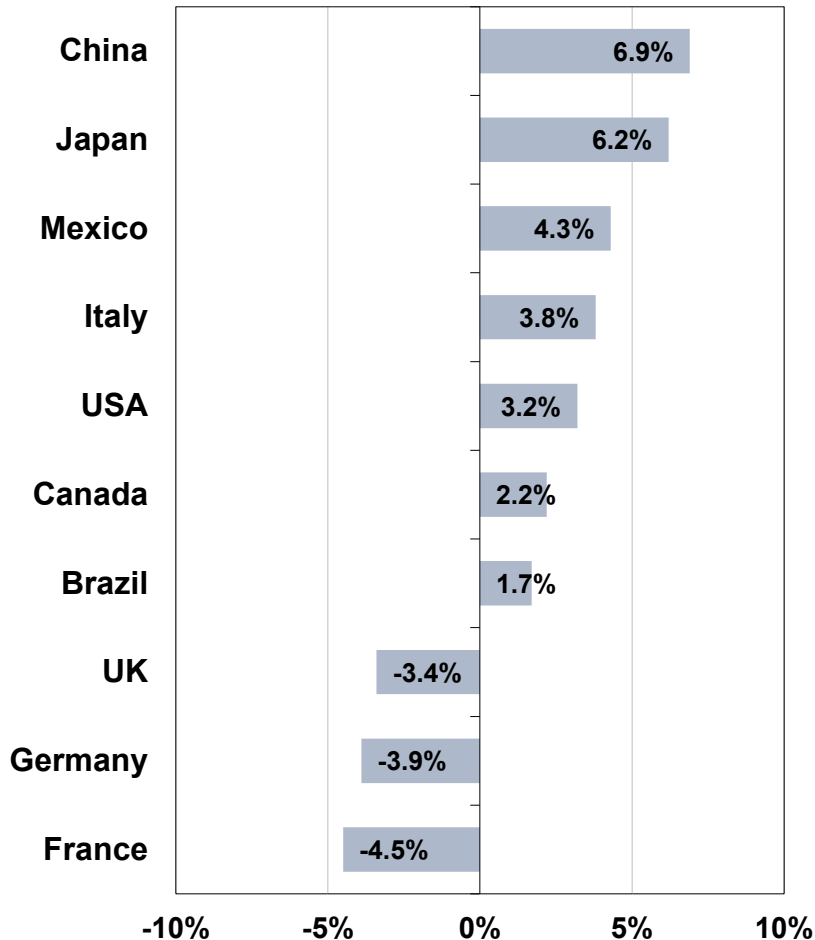
- Debt levels have been rising for decades.
- There was a spike in debt levels early in the pandemic.
- Public debt has been the focus of much attention.
- Private debt is the threat to many economic sectors.

# Current Opportunities for Growth



# Resilient Consumers

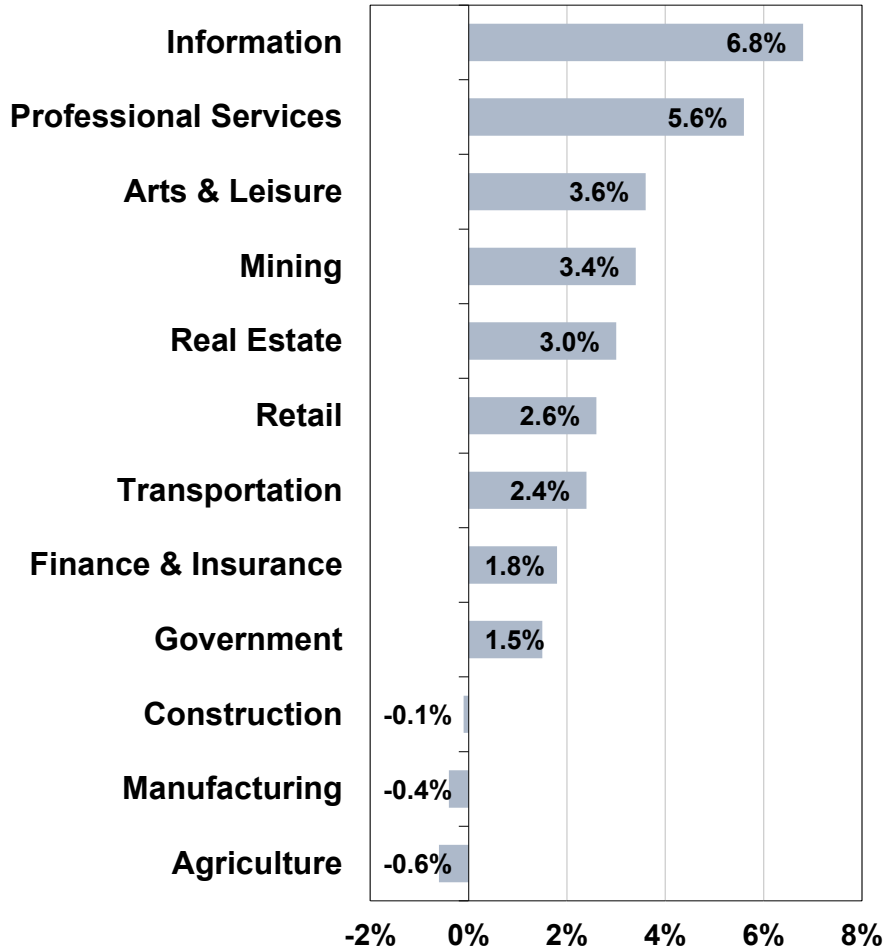
## Retail Sales Growth in 2023



- Consumer spending has been the key driver of growth for the global economy in 2023.
- High inflation and interest rates have held back even higher rates of consumer spending growth.
- The notable exception has been Europe.

# High Growth Sectors of the Economy

**Average Annual Growth in US GDP by Sector (Last Five Years)**



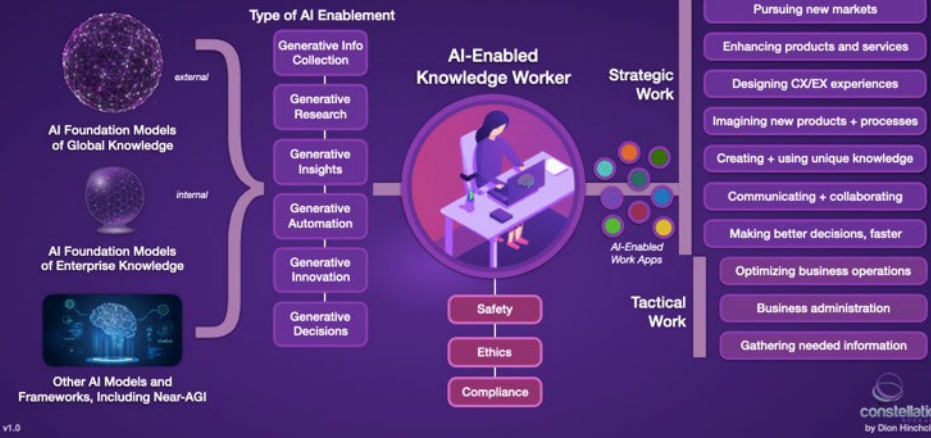
- Economic growth in 2023 has been driven by a handful of sectors.
- Information and tech have led this growth.
- Many sectors of the economy continue to rebound from the impact of the Covid-19 pandemic.

# New Technologies

## Key New Technologies

- Generative-AI
- Metaverse
- Green Technology
- Automation

## Generative AI and the Future of Work



# How to Succeed in the World of Today

## How to Mitigate Risk

- Identify the immediate threats to your business.
- Reduce exposure to high-risk, low-growth segments of the market

## How to Take Advantage of Opportunities

- Identify the right opportunities for immediate growth.
- Focus resources on key growth markets.

# **The Near-Term Outlook**

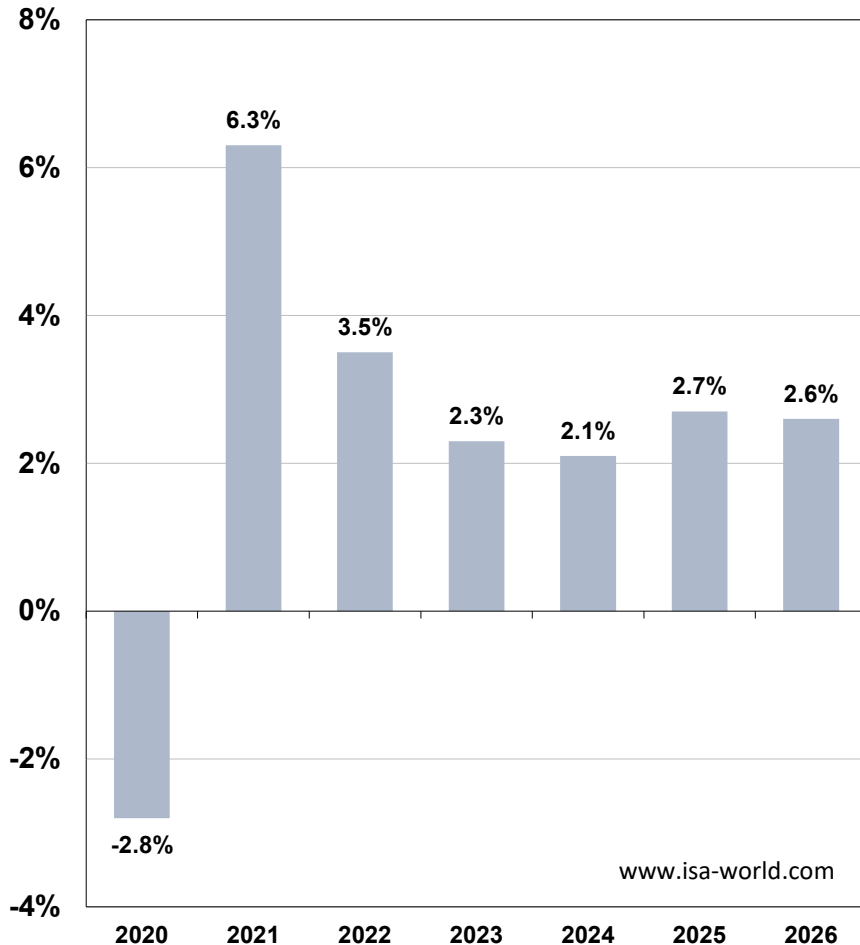
# The Outlook for the Next Three Years

- The near-term outlook for the global economy calls for relatively sluggish growth in most major economies.
- Growth is forecast to accelerate over the course of 2025 and 2026.
- Many of the current factors impacting the global economy will remain in place over the next three years.



# The Three-Year Forecast for the Global Economy

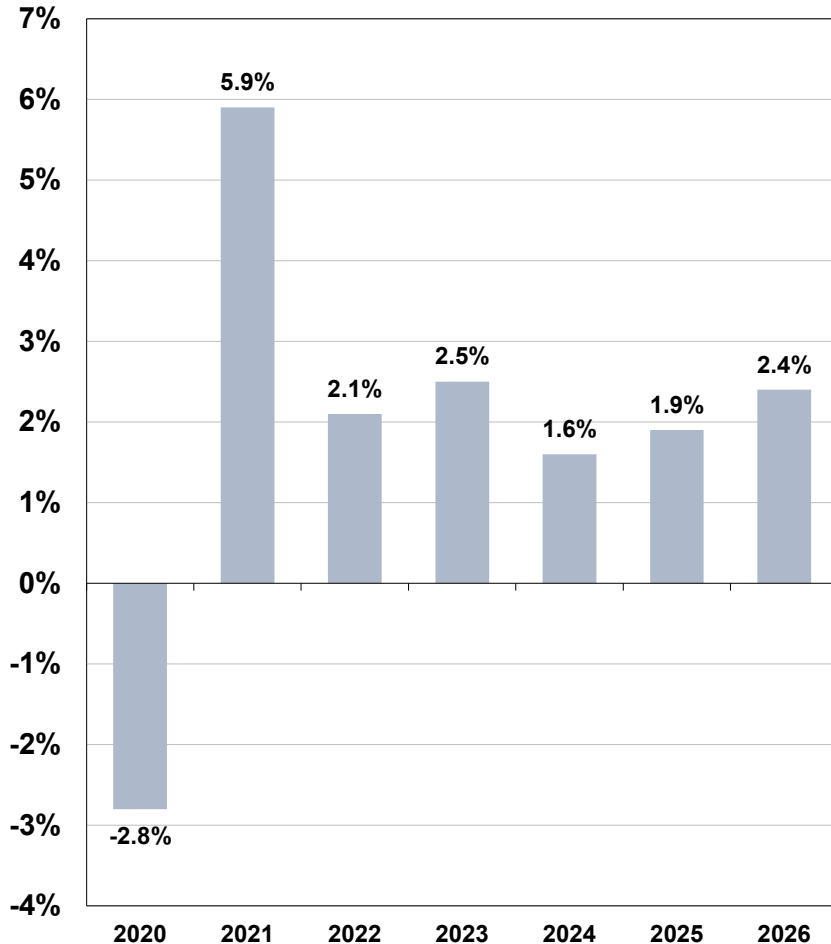
## Global GDP Growth Rate Forecasts



- In 2024, global GDP growth will slow to its lowest level since 2020.
- Growth will slowly accelerate over the course of 2025 and 2026.
- Growth rates in the mid-2020s will be noticeably below those of the 2010s.

# The Three-Year Forecast for the US Economy

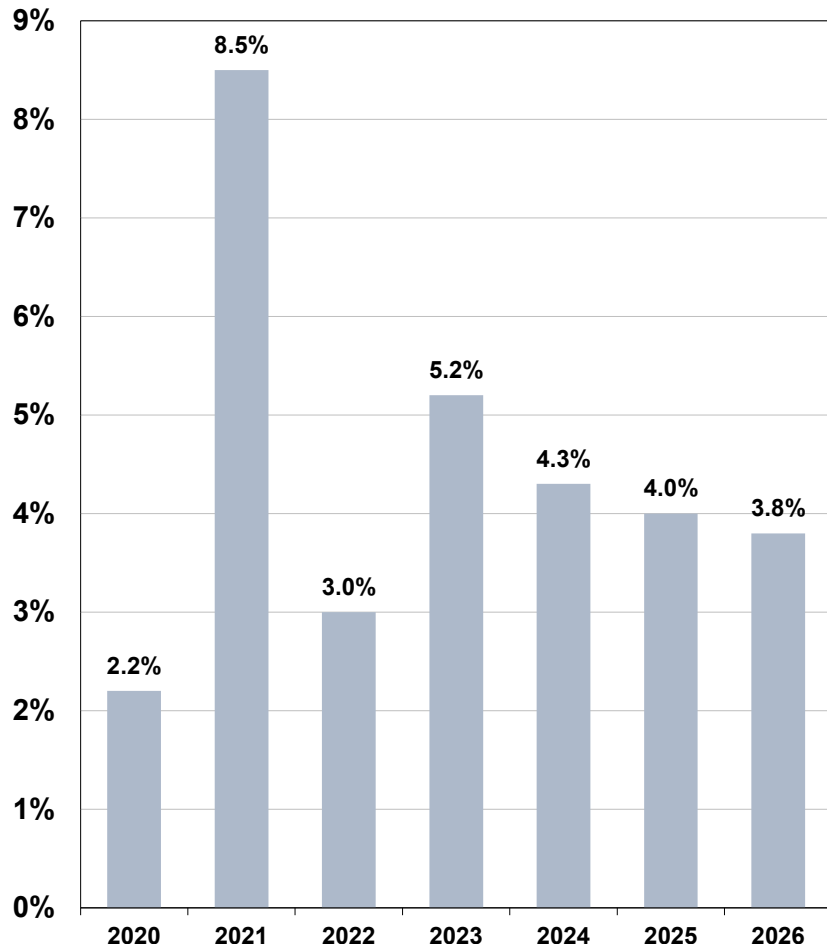
**USA GDP Growth Rates  
(2020-2026)**



- The US economy faces a slowdown over the next year.
- Growth in excess of 2% per year will return by 2026.
- Economic growth in the US will exceed that of most other developed economies over the near-term.

# The Three-Year Forecast for the Chinese Economy

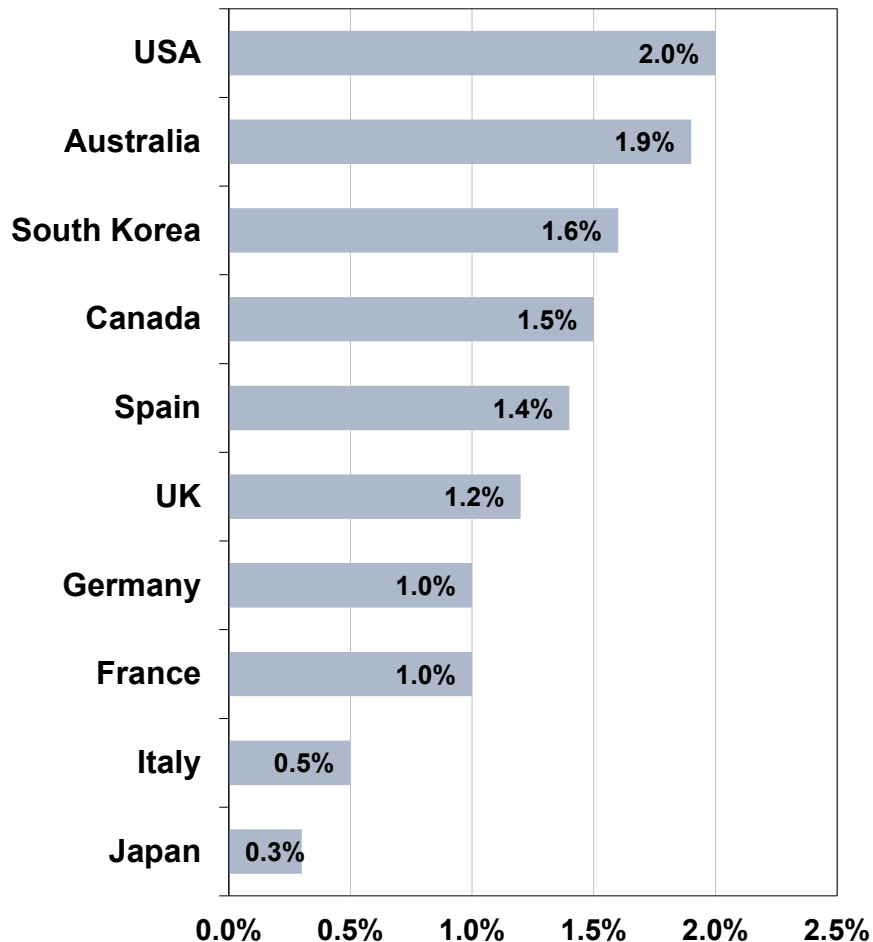
**China: GDP Growth Rates  
(2020-2026)**



- The Chinese economy is facing a number of major challenges in 2024.
- Most notably, consumer spending is threatened by a teetering real estate sector.
- Looking ahead, economic growth rates are forecast to fall below 4% per year later in this decade.

# The Three-Year Forecast for Developed Economies

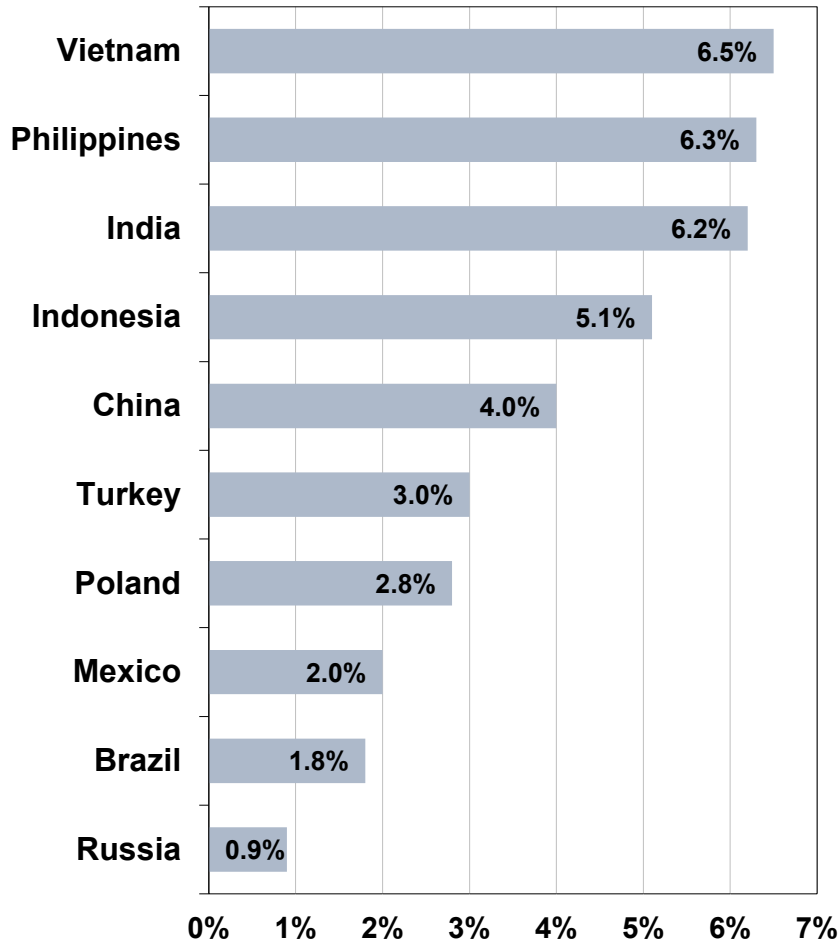
**Average Annual Forecast GDP Growth Rates (2024-2026)**



- Developed economies in the “New World” and the Asia-Pacific regions will continue to outperform other developed economies.
- Economic growth rates in Europe will be higher than in previous years.
- Italy and Japan will remain laggards in terms of growth.

# The Three-Year Forecast for Emerging Markets

**Average Annual Forecast GDP  
Growth Rates (2024-2026)**



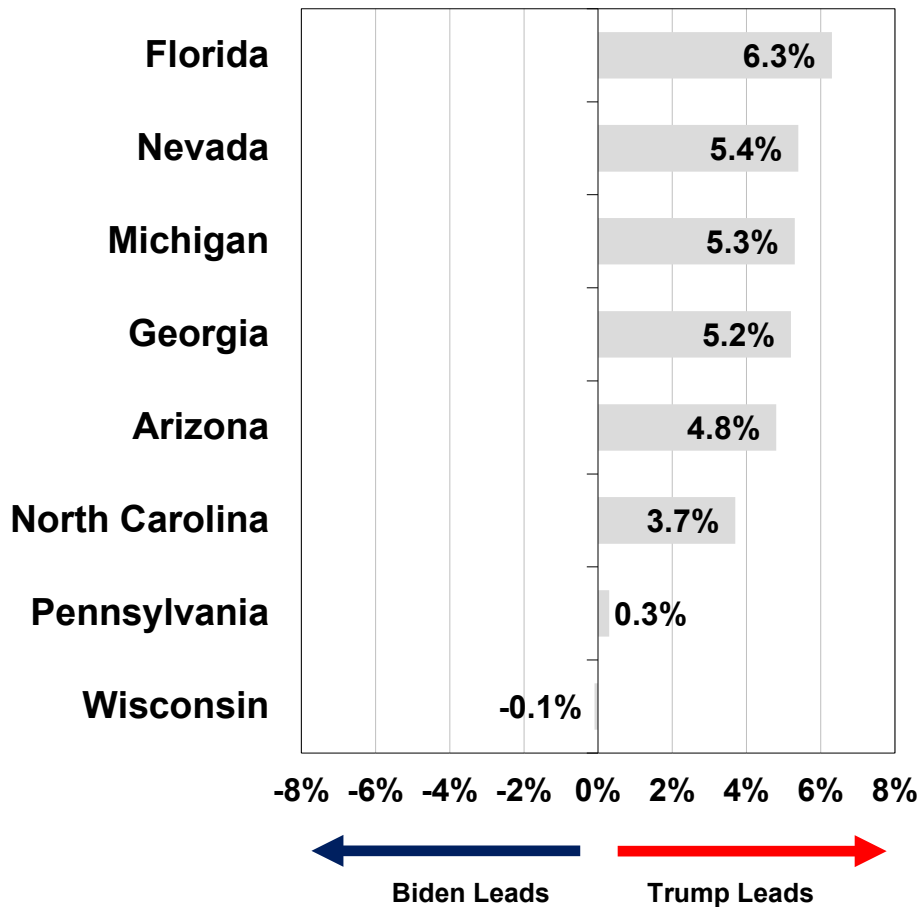
- China's economy will grow at a slower pace over the near-term.
- Other Asian emerging markets will record stronger growth during this period.
- Economic growth rates will remain unspectacular in most other emerging markets.

# Near-Term Risks to the US and Global Economy



# The 2024 US Elections and Near-Term Political Risk

**Average Polling Margin Between Joe Biden and Donald Trump in US Swing States**



- 2024 is shaping up to be a repeat of the 2020 US presidential election.
- The combined age of the two leading candidates will be 160!
- Recent polls have shown a loss of support for President Biden in key swing states.

# Elections to Watch in 2024

## In the First Half of 2024

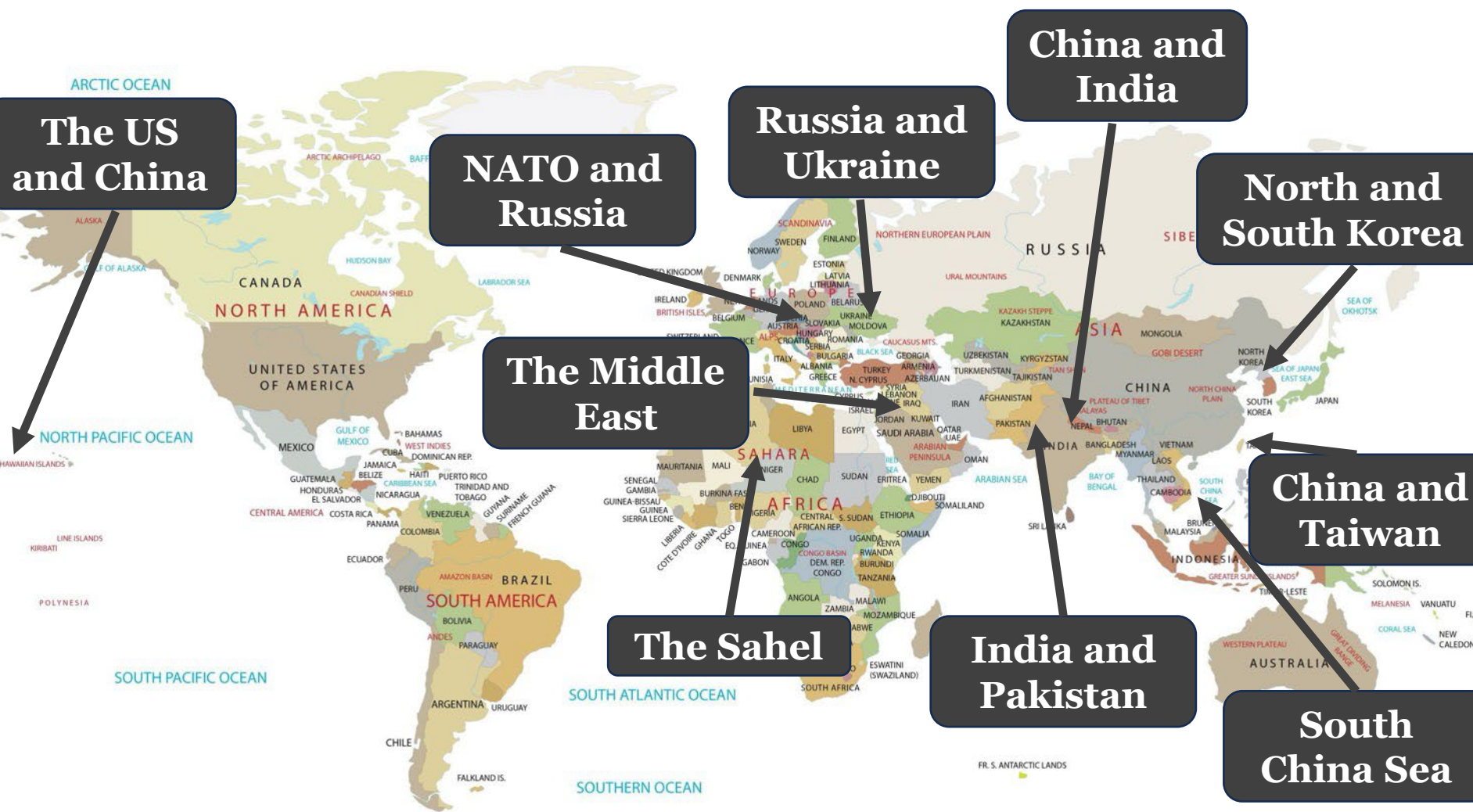
- Bangladesh
- Taiwan
- Pakistan
- Indonesia
- Iran
- Russia
- India
- Mexico
- European Parliament

## In the Second Half of 2024

- South Africa
- United States
- United Kingdom
- Venezuela
  
- Countries that are home to more than 4.2 billion people will go to the polls in 2024.

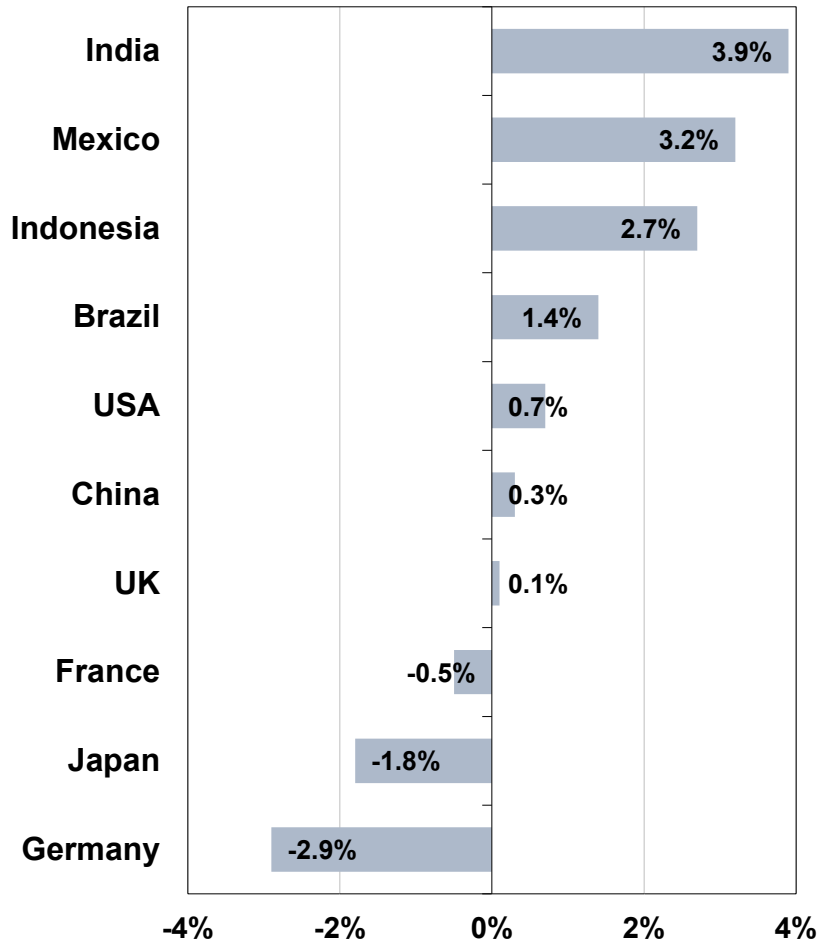


# Geopolitical Flashpoints in the Next Three Years



# Labor Shortages and Demographic Change

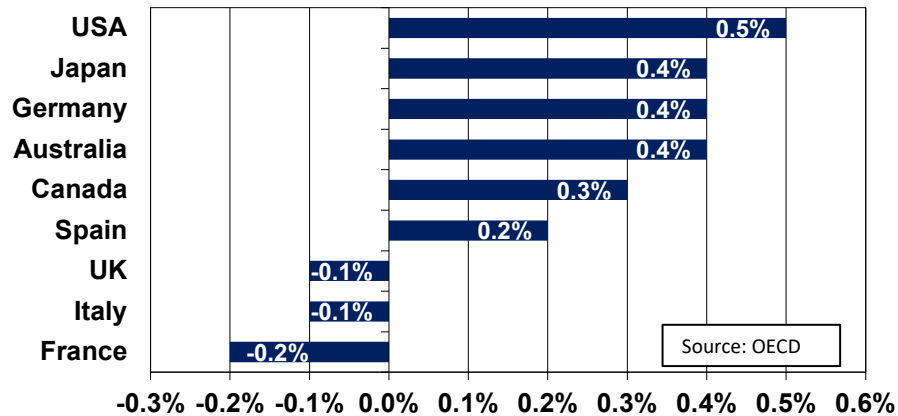
**Change in Working-Age Population (2024-2027)**



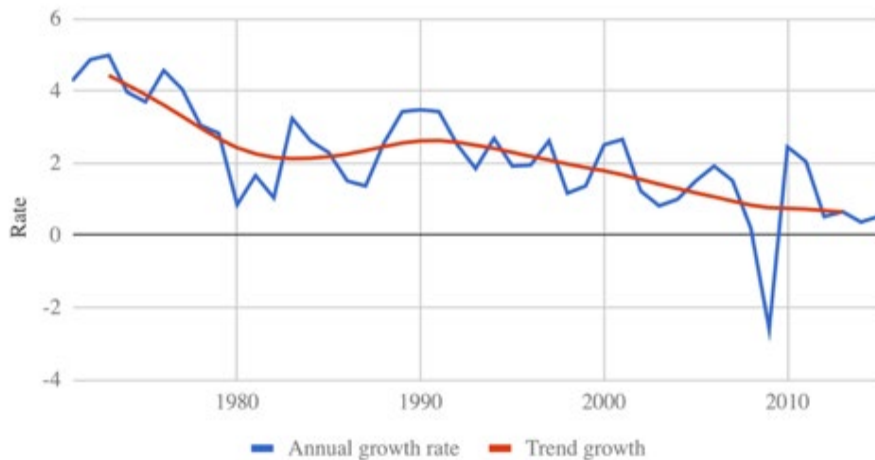
- Working-age population growth has slowed dramatically.
- Working-age populations in many Asian and European countries are already shrinking.
- This is accelerating the move to automation to offset labor shortages.

# Productivity Growth and the Impact of Technology

**Average Annual Productivity Growth  
(2008-2022)**



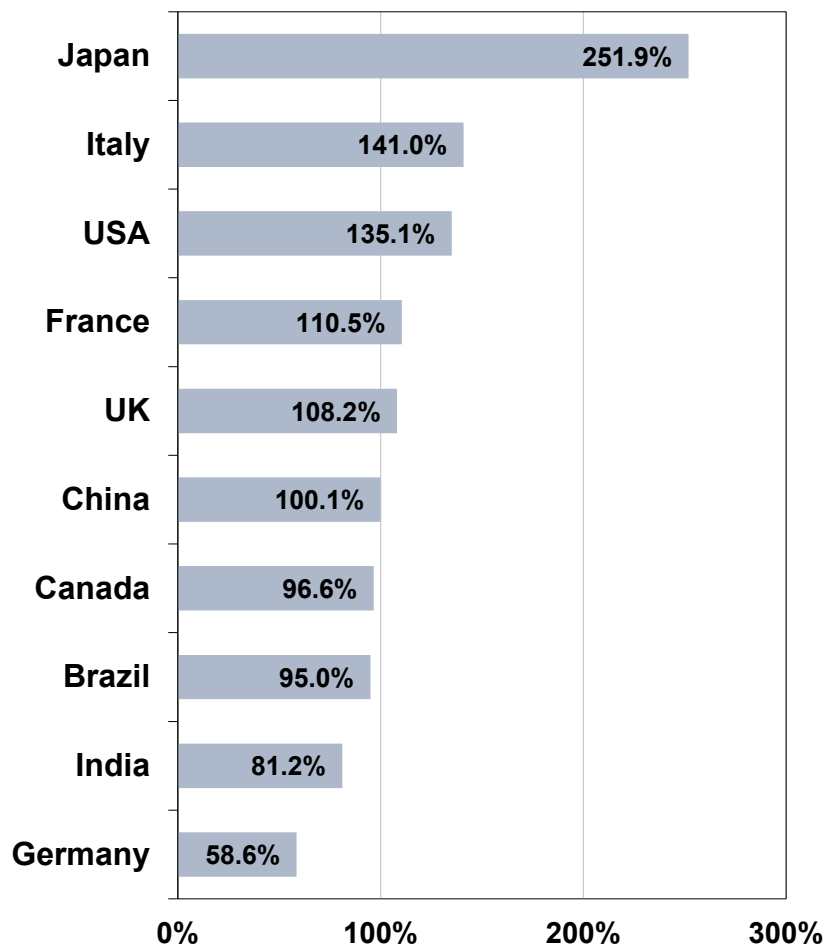
**Germany Productivity Growth**



- Productivity growth has fallen to its lowest levels in modern history.
- The impact of AI and other new technologies may begin to be felt over the near-term.
- Countries and industries with low productivity growth will struggle to expand over the near-term.

# Debt's Impact on the Economy in the Next Three Years

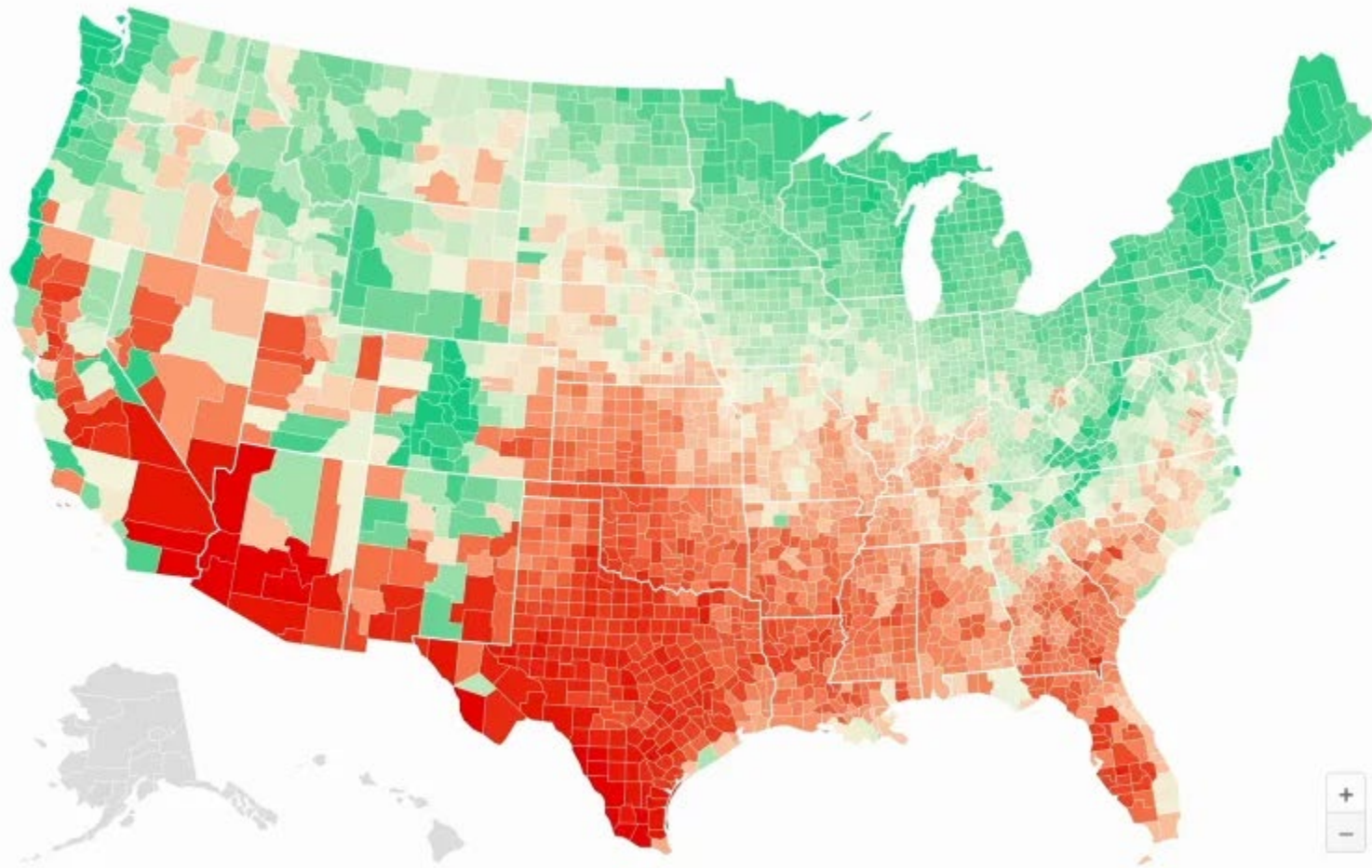
**Forecast Government Debt to GDP Ratio in 2027**



- Higher levels of public debt will result in potential debt crises in struggling economies.
- Dangerously high levels of private sector debt will impact many key sectors of the economy.

# Climate and the Environment in the Next Three Years

## Climate Risk

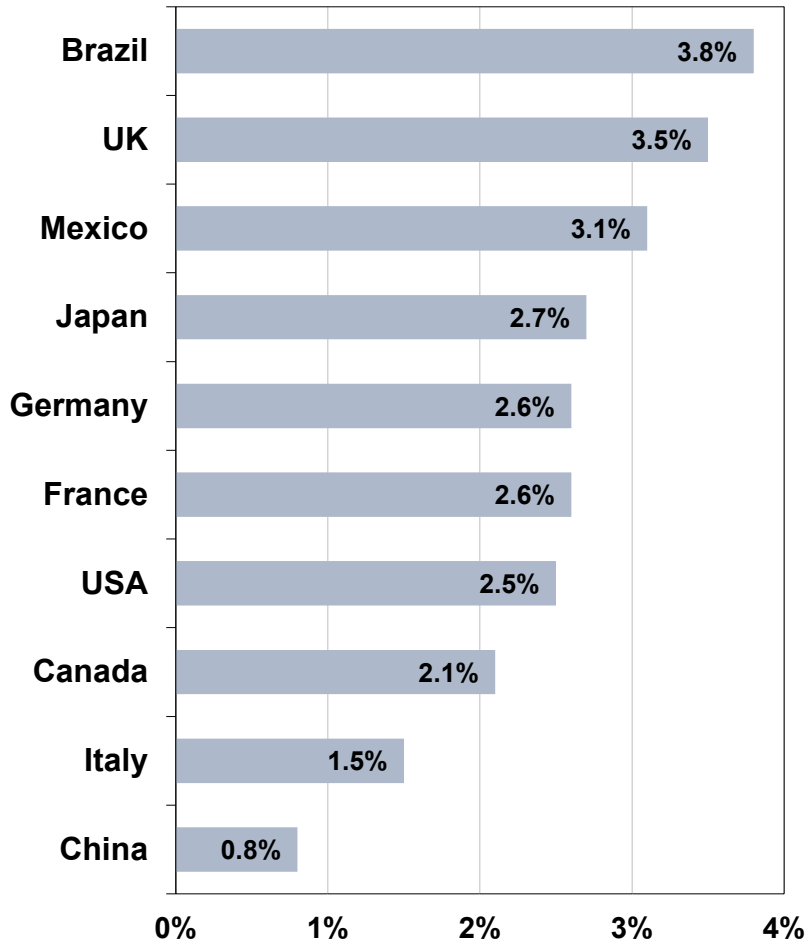


Map: The Reliance School • Source: Rhodium Group • Created with Datawrapper

# Near-Term Opportunities for the US and Global Economy

# Inflationary Pressures Will Ease

## Inflation Rate Forecasts for 2024

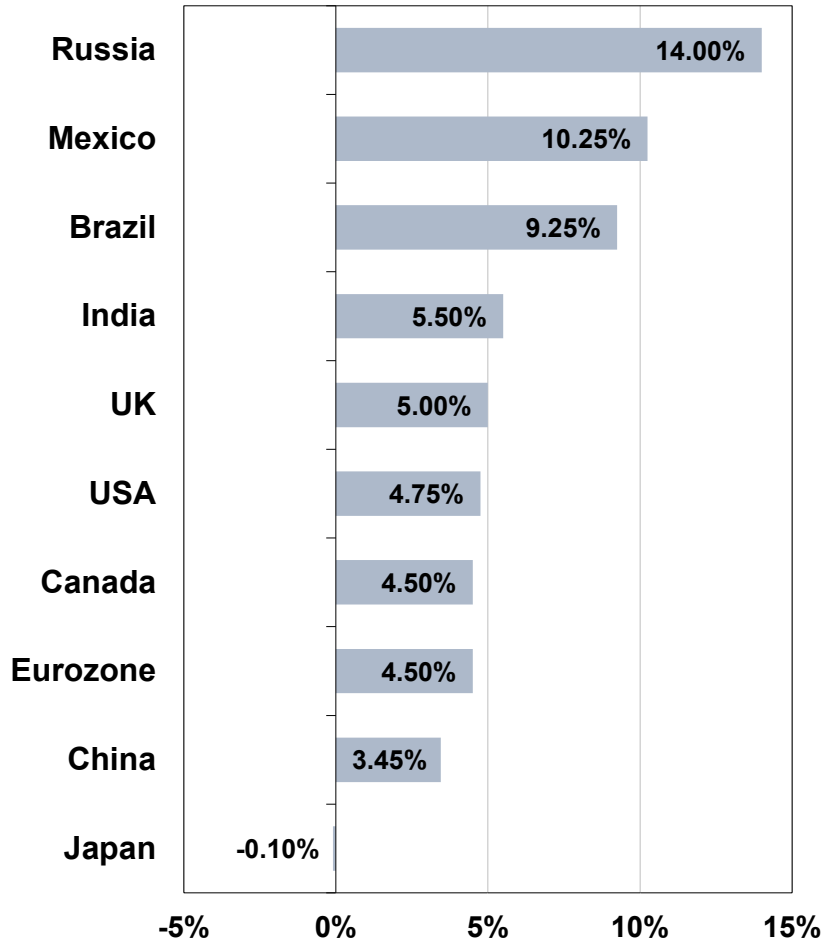


- Inflationary pressures are forecast to ease over the next couple of years.
- Higher commodity prices could keep inflation rates from falling further in some parts of the world.
- Other major economies may once again experience deflationary pressures.



# Interest Rates Will Fall (Eventually)

**Forecast Interest Rates  
(End 2024)**

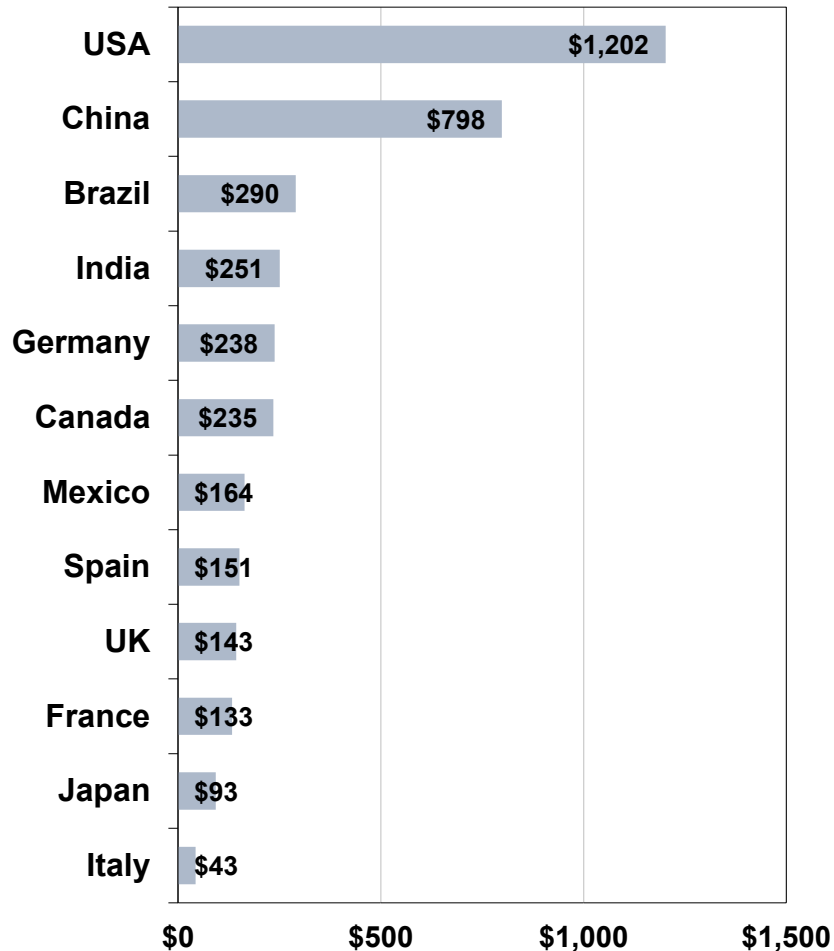


- Initial interest rates cuts are likely before the end of 2024.
- The pace of these cuts will be determined by inflation and the overall health of the economy.
- The impact of the recent spike in interest rates will linger for many years.



# The Impact of Reshoring, Near-Shoring and Localization

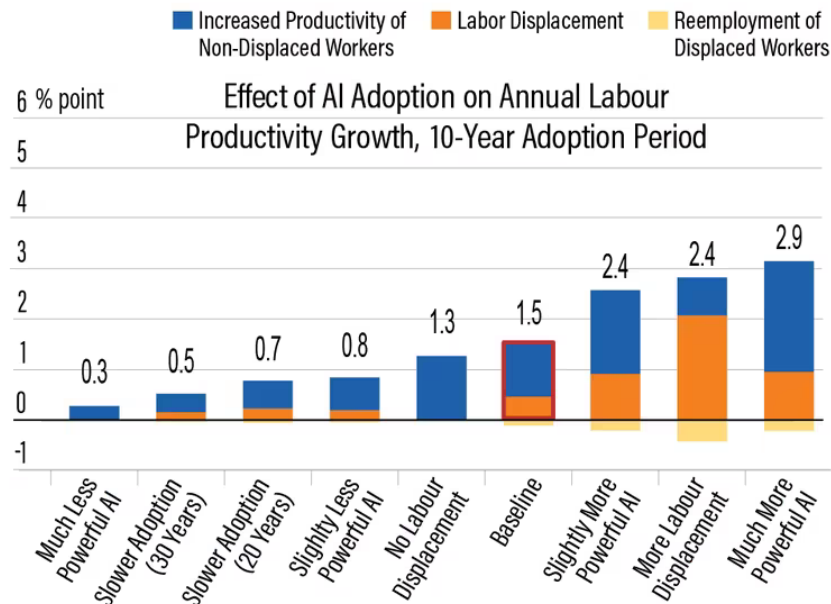
Foreign Direct Investment Inflows  
Since 2018 (Bil. USD)



- The United States has seen a surge in foreign investment in recent years.
- In contrast, foreign investment in China declined in 2023.
- Labor shortages and infrastructure will be constraints on reshoring over the near-term.

# Productivity Growth and the Impact of Technology

## GENERATIVE AI COULD BOOST US LABOUR PRODUCTIVITY BY 1.5PP



Source: Goldman Sachs Global Investment Research

- Productivity growth has fallen to its lowest levels in modern history.
- The impact of AI and other new technologies may begin to be felt over the near-term.
- Countries and industries with low productivity growth will struggle to expand over the near-term.

# The Impact of Other New Technologies and Processes

## Technologies

- Artificial Intelligence
- 6G
- 3D Printing
- Genomics
- Green Energy
- Quantum Computing
- Blockchain
- Internet of Things
- Robotics
- Early Disease Detection

# How to Succeed in the World of the Next Three Years

## How to Mitigate Risk

- Understand how technological changes will transform the economy and your industry.
- Identify the main near-term risks to your business.
- Protect your business from sudden changes in the economy, politics, etc..

## How to Take Advantage of Opportunities

- Identify the markets that will provide your business with the best opportunities for growth in the near-term.
- Invest in high-growth markets and industries.
- Accumulate the resources needed to grow when opportunities arise.

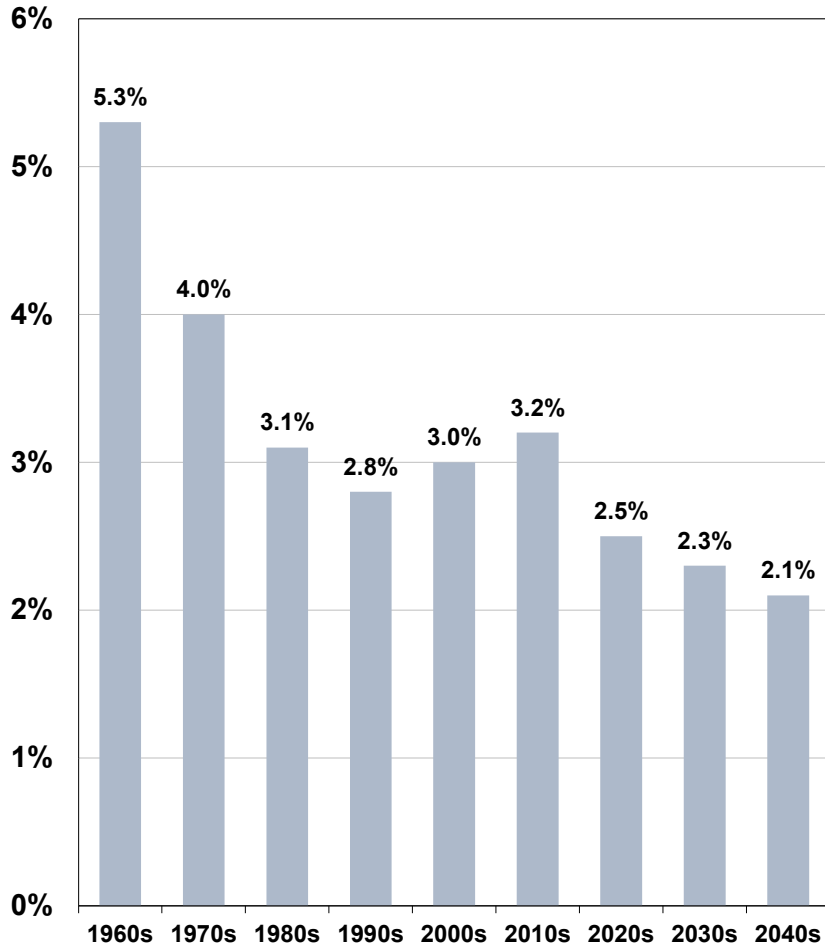
# The Long-Term Outlook

# The Outlook for the Next 20 Years

- Generating economic growth will grow more challenging over the long-term.
- Demographic decline will accelerate in nearly all major economies, while environmental risk will increase.
- The fragmentation into a multi-polar world is likely to lead to higher levels of economic and political tension.
- Technological and productivity breakthroughs will be the primary driver of economic growth over the long-term.

# The 20-Year Forecast for the Global Economy

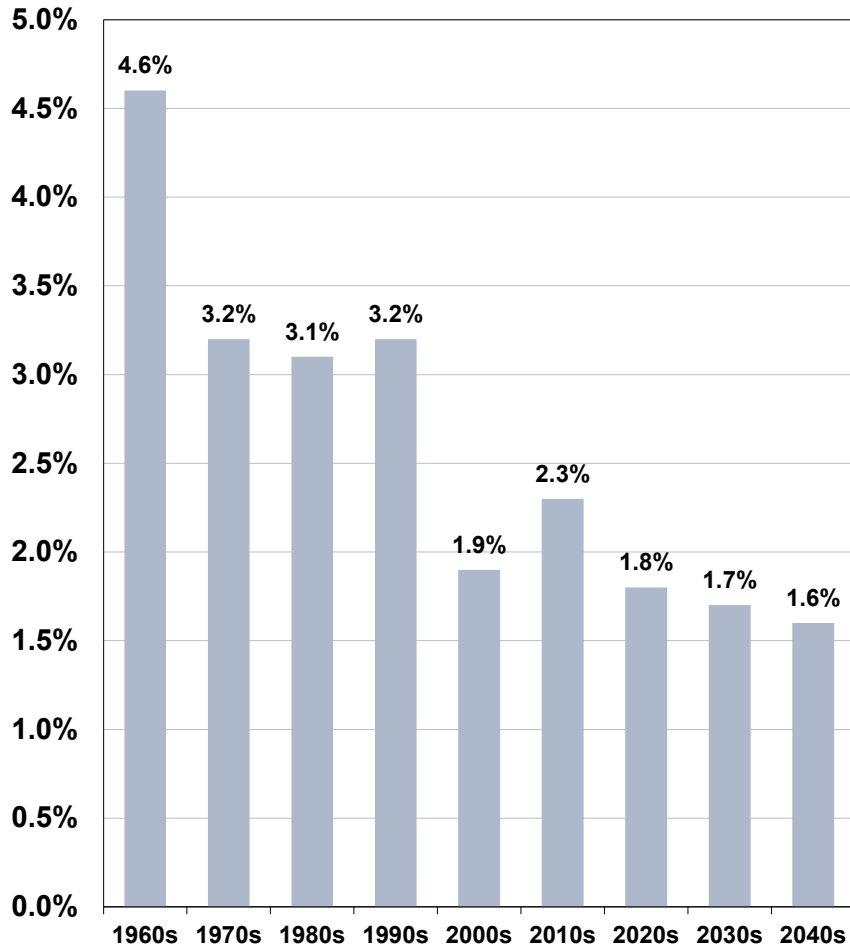
**Average Annual Global GDP Growth  
by Decade**



- Global economic growth has held remarkably steady over the past 40 years.
- Global growth is forecast to trend downwards over the next 20 years.
- Demographic decline and lower trade and investment growth will result in lower rates of economic growth.

# The 20-Year Forecast for the US Economy

**Average Annual GDP Growth in the United States**

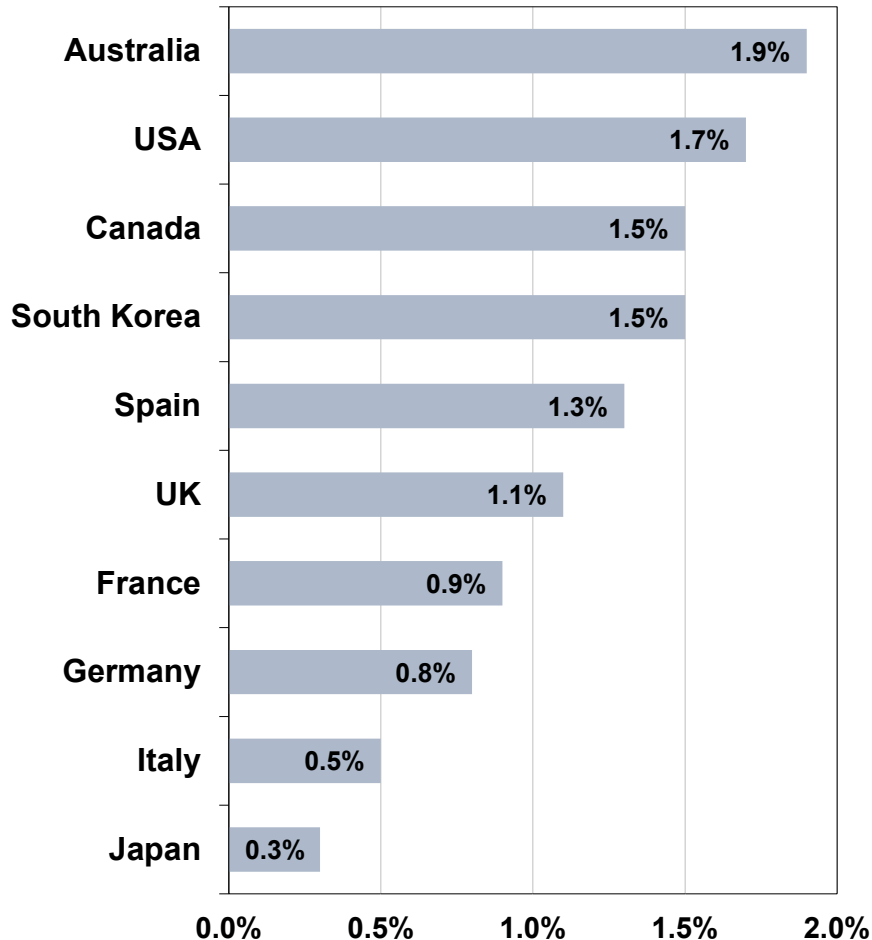


- The US economy has gone through three stages of growth levels since 1950.
- Economic growth rates are forecast to hover below 2% in the coming decades.
- Major increases in productivity will be needed to generate higher rates of economic growth.



# The 20-Year Forecast for Developed Economies

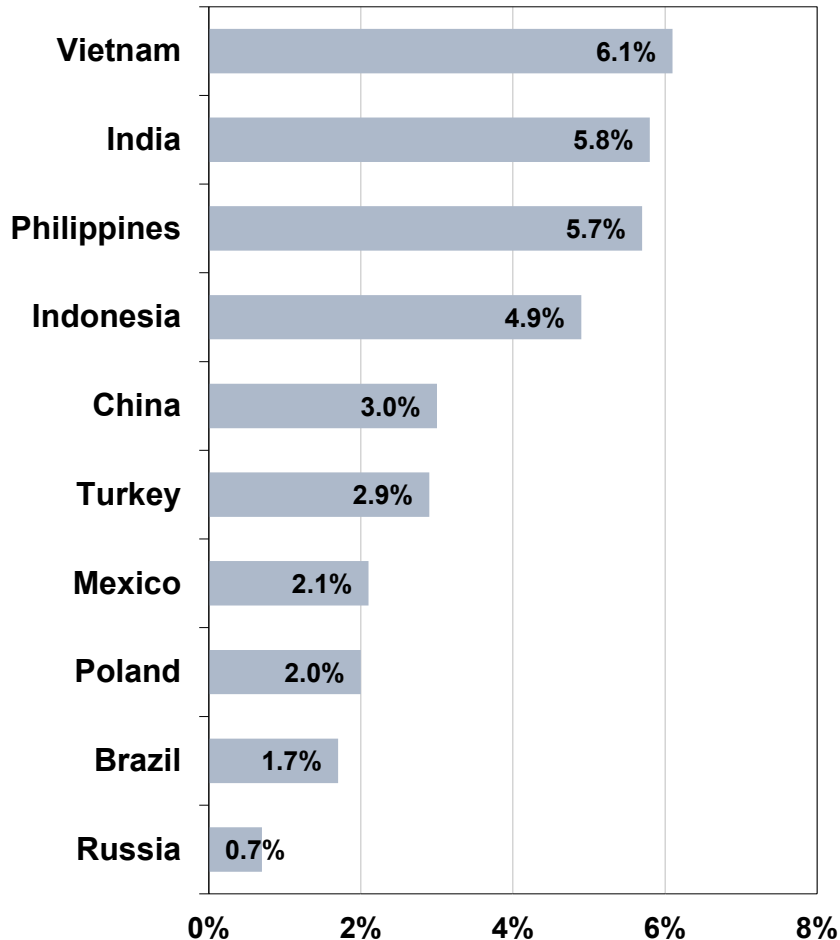
**Average Annual GDP Growth  
(2024-2044)**



- All major developed economies are forecast to average less than 2% growth over the long-term.
- This slower growth will place great strains on public finances.
- Only a turnaround in productivity can boost long-term growth.

# The 20-Year Forecast for Emerging Markets

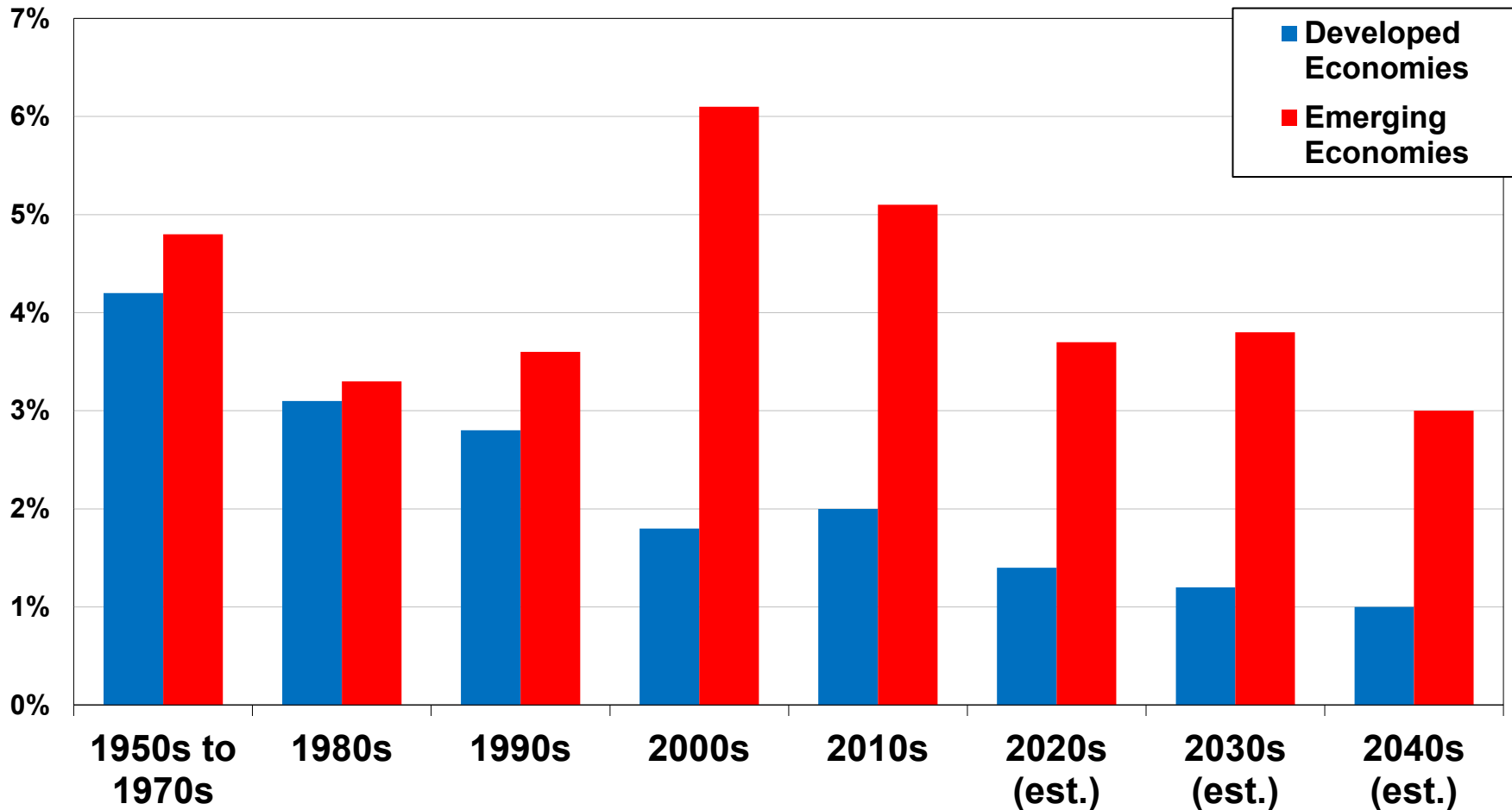
**Average Annual GDP Growth  
(2024-2044)**



- Asia will continue to generate more growth than any other region in the coming decades.
- Chinese economic growth will slow sharply in the coming decades.
- Africa's population will grow by one billion new people by the year 2050.

# Developed vs. Emerging Economies

**Average Annual GDP Growth Rates by Decade**  
(Developed vs. Emerging Economies)



Source: IMF and ISA

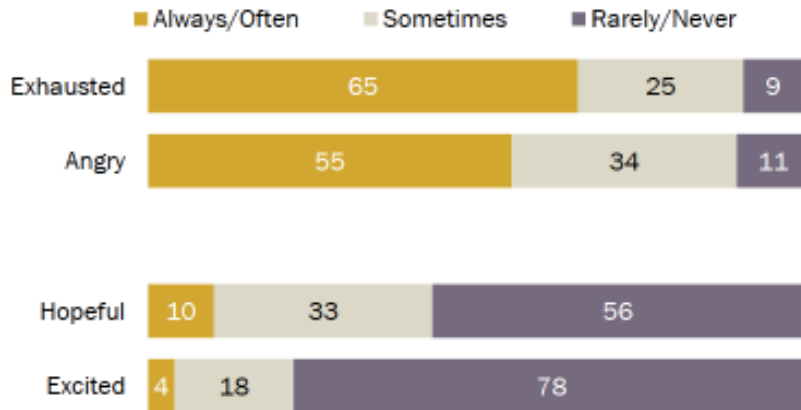
# Long-Term Risks to the US and Global Economy



# Internal Political Risk Over the Long-Term

## How Americans feel when they think about politics

% who \_\_\_\_ feel each of the following when thinking about politics these days



Note: No answer responses not shown.

Source: Survey of U.S. adults conducted July 10-16, 2023.

"Americans' Dismal Views of the Nation's Politics"

PEW RESEARCH CENTER

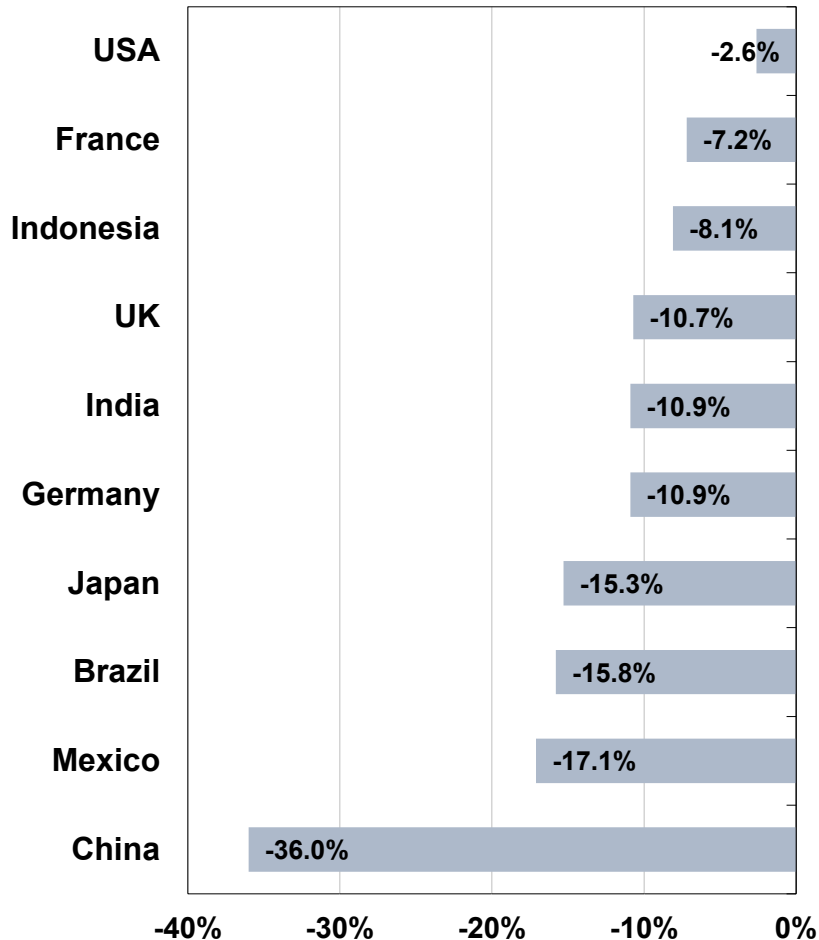
- It remains to be seen if politics will return to the center or become increasingly polarized.
- Political fragmentation appears likely to continue in the years ahead.
- Authoritarian regimes will be in power in many key economies.

# Geopolitical Flashpoints in the Next 20 Years



# Long-Term Change in Youth Populations

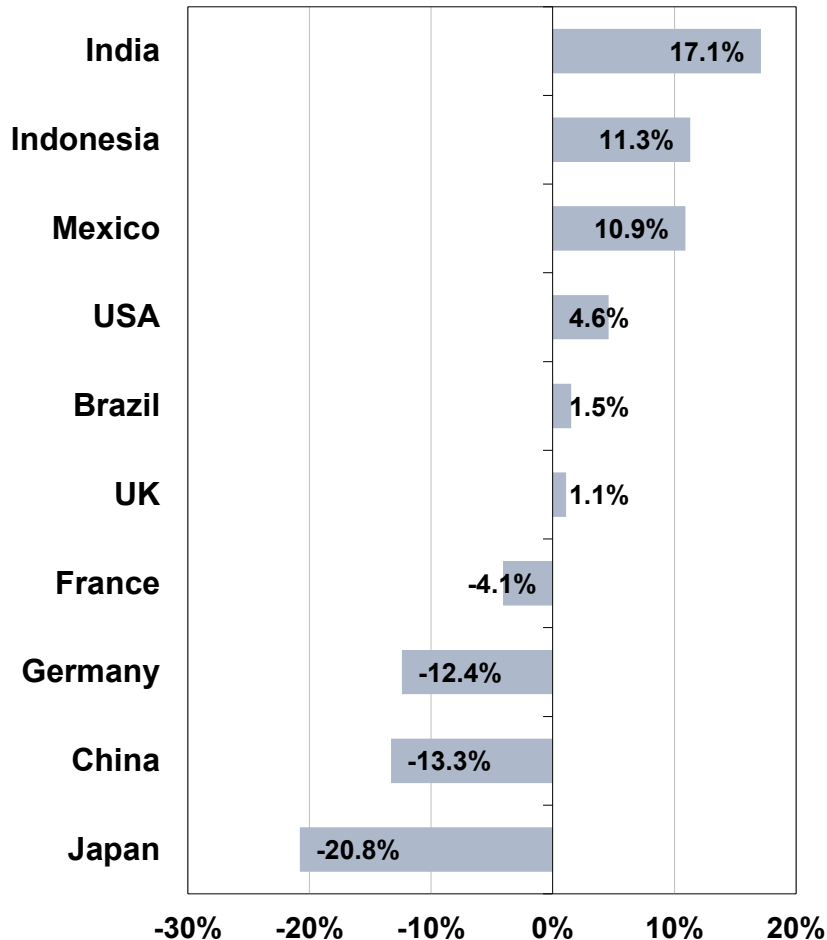
Change in Under-18 Population in the Next 20 Years



- The number of people under the age of 18 will decline in every major economy.
- Businesses focused on the youth market face a massive long-term challenge.
- The US will suffer the smallest decline, whereas China's youth market will shrink dramatically.

# Long-Term Change in Working-Age Populations

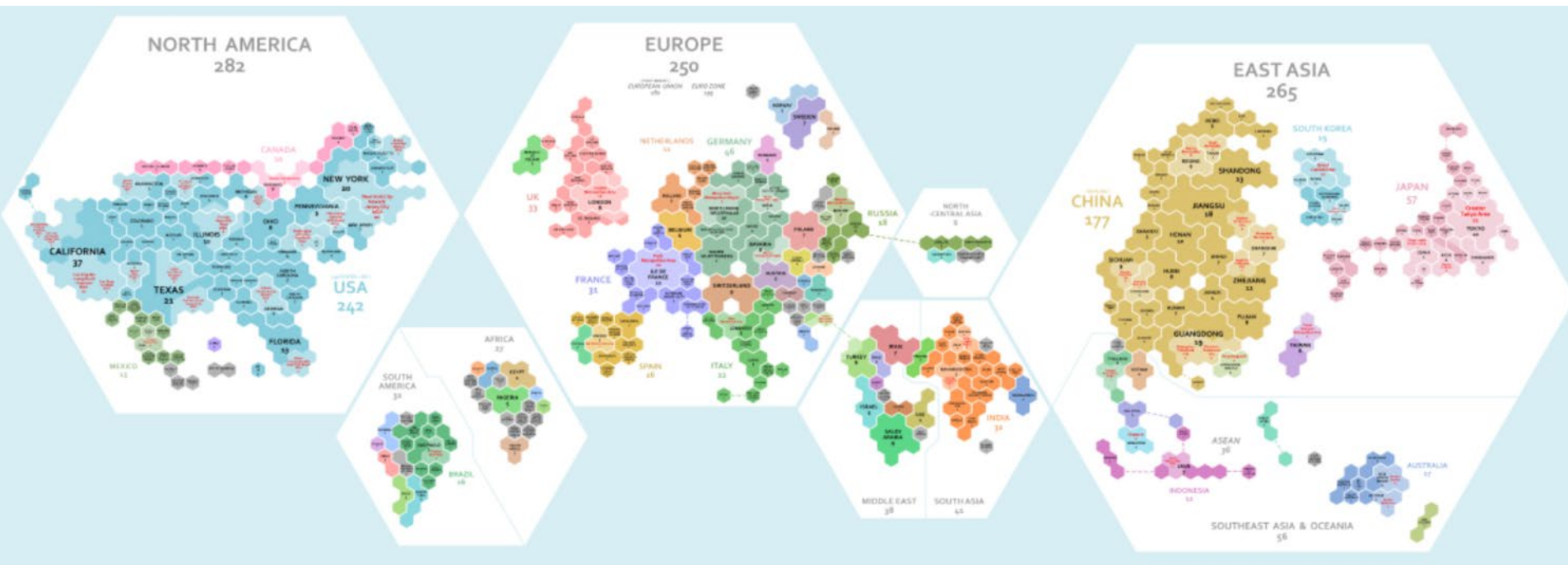
**Change in Working-Age Population in the Next 20 Years**



- Working-age population growth will continue to slow in most major economies.
- This will eliminate a leading driver of our historical economic growth.
- Labor shortages will be partially offset by automation, but markets will shrink.

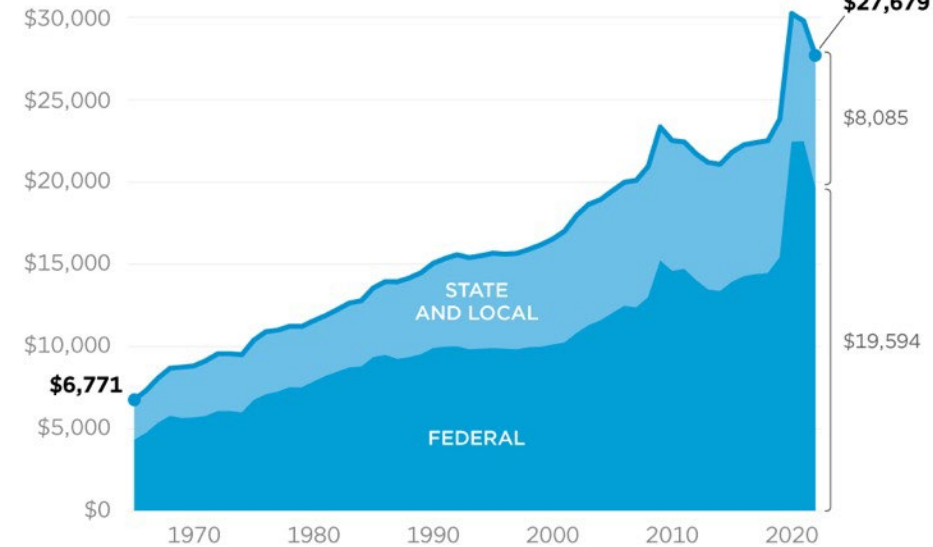


# A Regionalized Global Economy?



# The Threat of Unsustainable Long-Term Debt

GOVERNMENT SPENDING PER CAPITA,  
IN 2023 DOLLARS

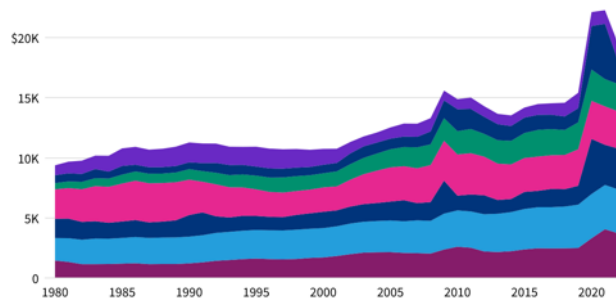


- Per capita government spending has risen by more than 400% since the 1970s.
- Spending on programs for the elderly is taking up a greater share of this spending.
- Unless government revenues increase, this will prove unsustainable.

**Federal spending increased by over 40% during the pandemic before dropping back down in 2022.**

Per capita federal expenditures by source, adjusted for inflation (2022 FY dollars)

■ National defense and support for veterans ■ Standard of living and aid to the disadvantaged  
■ Social Security ■ Medicare ■ Net interest on debt ■ Grants to state and local governments  
■ Other spending

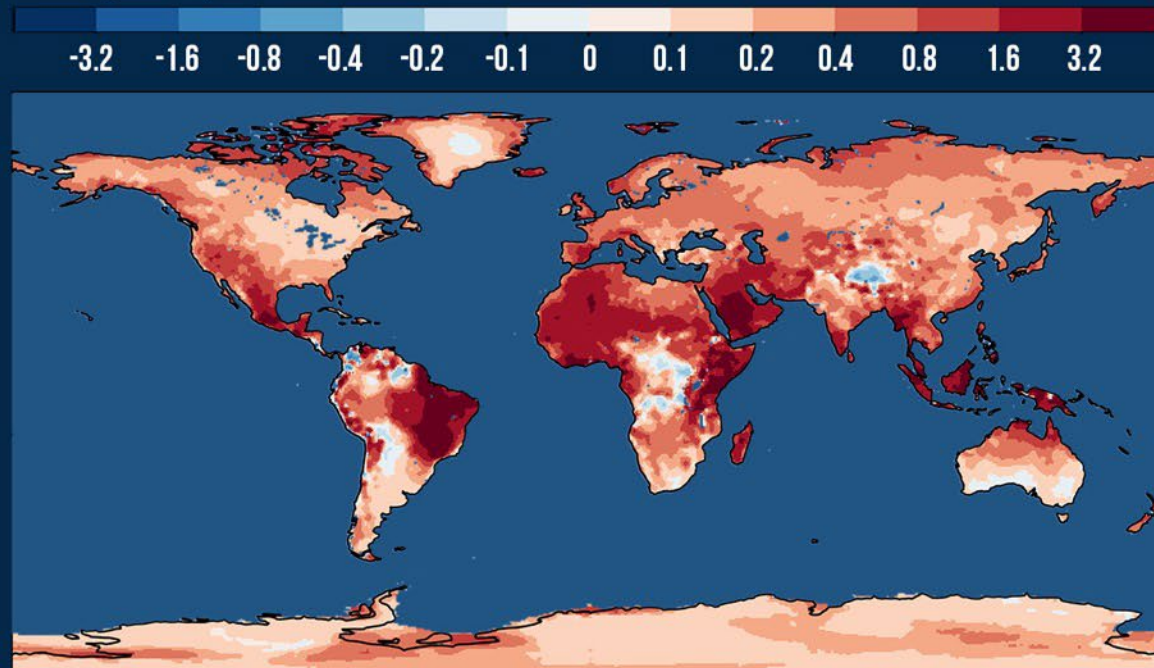


Source: USAFacts aggregation of data from Office of Management and Budget (OMB), the Census Bureau, and the Bureau of Economic Analysis (BEA)

# Climate and the Environment in the Next 20 Years

## 365 DAYS OF CLIMATE CHANGE

Average daily Climate Shift Index



Average daily CSI scores from 10/1/2021 to 9/30/2022.  
Source: 365 Days on a Warming Planet (<https://bit.ly/3FyaYbF>)

CLIMATE  CENTRAL

# Long-Term Opportunities for the US and Global Economy

# The Impact of Other New Technologies and Processes

## Economic Impact

- New technologies and processes are the only way to offset worsening labor shortages.
- They are also the most likely path to higher rates of productivity growth.

## Social Impact

- Recent technological developments have exacerbated social tensions.
- Major improvements in health-related technology could extend the productive lives of the world's population.

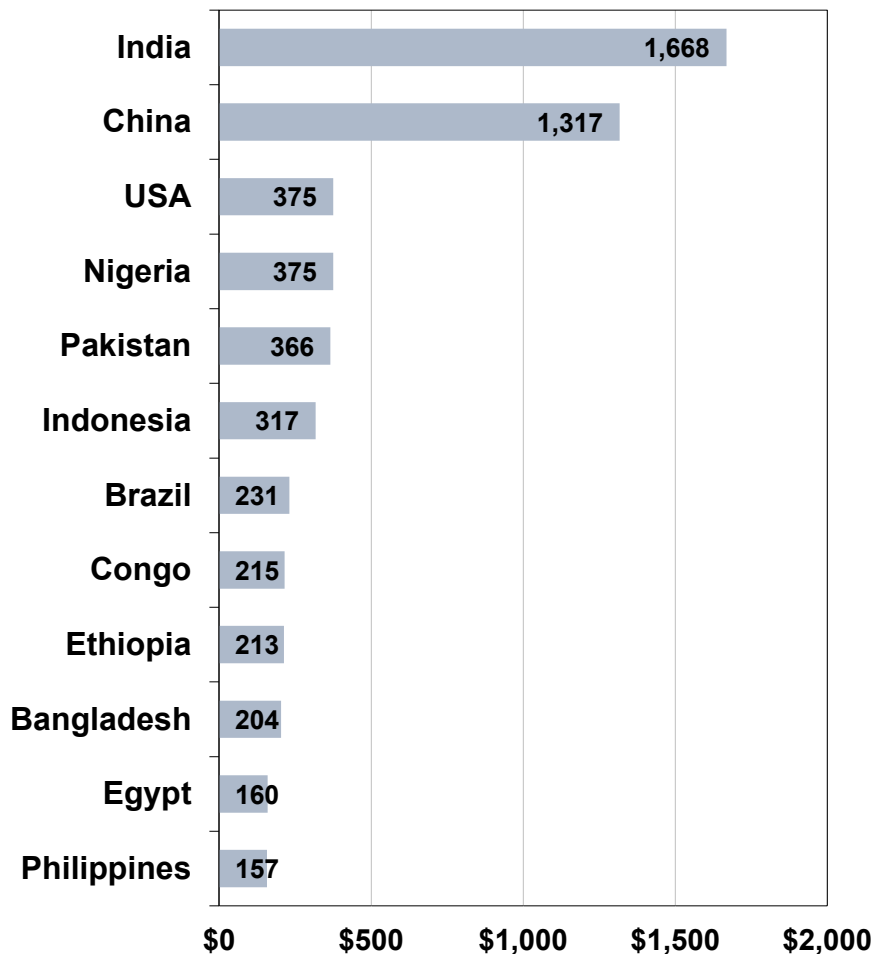
# New Sectors of the Economy



- Technology will lead to the creation and expansion of new sectors of the economy.
- 60% of the jobs today did not exist in 1940.
- Most of our recent economic growth has been generated by sectors and businesses that are relatively young.

# New Markets

**Countries with the Largest Populations in 2050 (millions)**

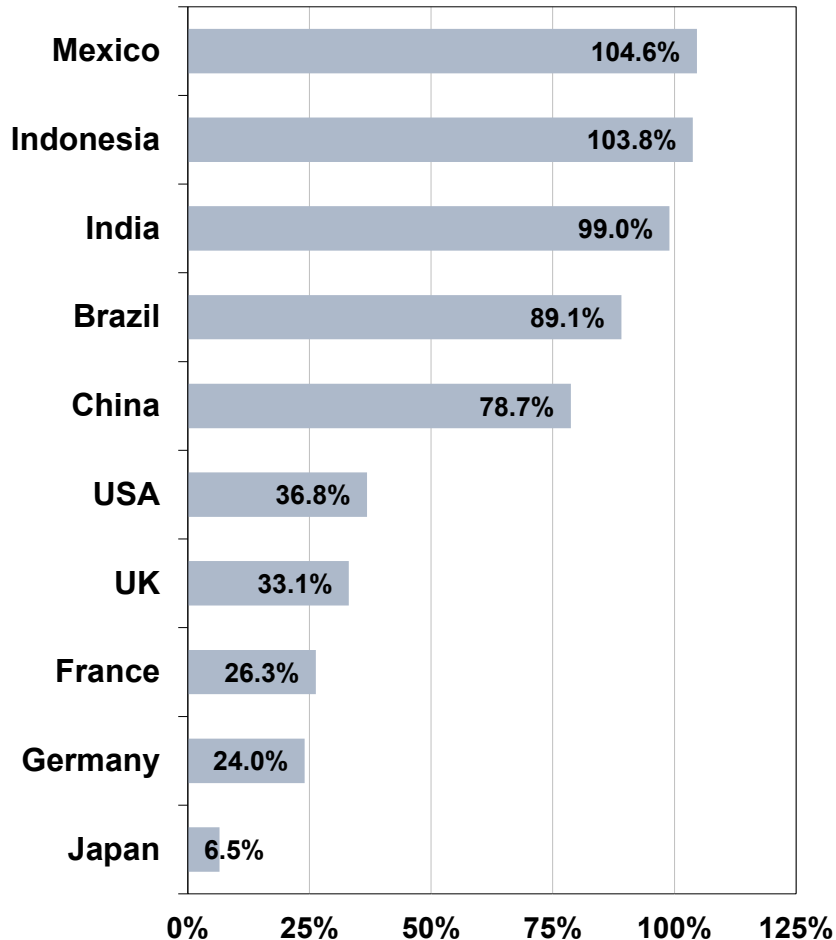


- Many large economies will see their populations stagnate or decline.
- However, population growth in parts of Africa and South Asia will be substantial.
- The US will be the only developed economy among the top-15 countries in terms of population size.



# Long-Term Change in Over-65 Populations

**Change in Over-65 Population in the Next 20 Years**



- The number of people over the age of 65 will rise dramatically around the world in the coming decades.
- This will be the market segment that drives the most economic growth.
- This also poses a major risk to government finances.



# How to Succeed in the World of the Next 20 Years

## How to Mitigate Risk

- Stay ahead of upcoming technological and process changes.
- Diversify your business to avoid over-exposure to declining sectors.
- Educate yourself on upcoming changes to the world and the economy.

## How to Take Advantage of Opportunities

- Identify the best opportunities for long-term growth.
- Prepare your business now for growth opportunities down the road.
- Accumulate the knowledge and resources needed to grow over the long-term.

Thank You For Your Attention



# Contact Information

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