

Projections and Trends

Highlights

Global Economic Scenarios explores the potential architectures of global economic order, drawing from data-driven insights captured through global projections and trends analysis.

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Key Findings



- **Unprecedented demographic change is a certainty across the globe.**
 - Rapidly aging populations are creating economic, labour and social stress points.
 - Migration pressures are likely to continue to grow and the battle to attract skilled talent will intensify.

- **The United States, China and the European Union will remain the largest economies, while India will overtake Japan.**

- Under most scenarios, the United States will remain the largest economy to 2040 and beyond.
- Persistent debt creates fiscal constraints around the world.
- Developing economies would need major institutional and labour reforms and access to technology to match the productivity of advanced economies.



- **Innovation and technology will be at the heart of prosperity, security and social well-being.**
 - Successful socio-economic harnessing of a wave of emerging technologies will determine which countries rise or fall relative to their peers.
 - Change is extremely rapid — often exponential — in today's digital and data-driven world.

- **Geopolitical order is in transition.**

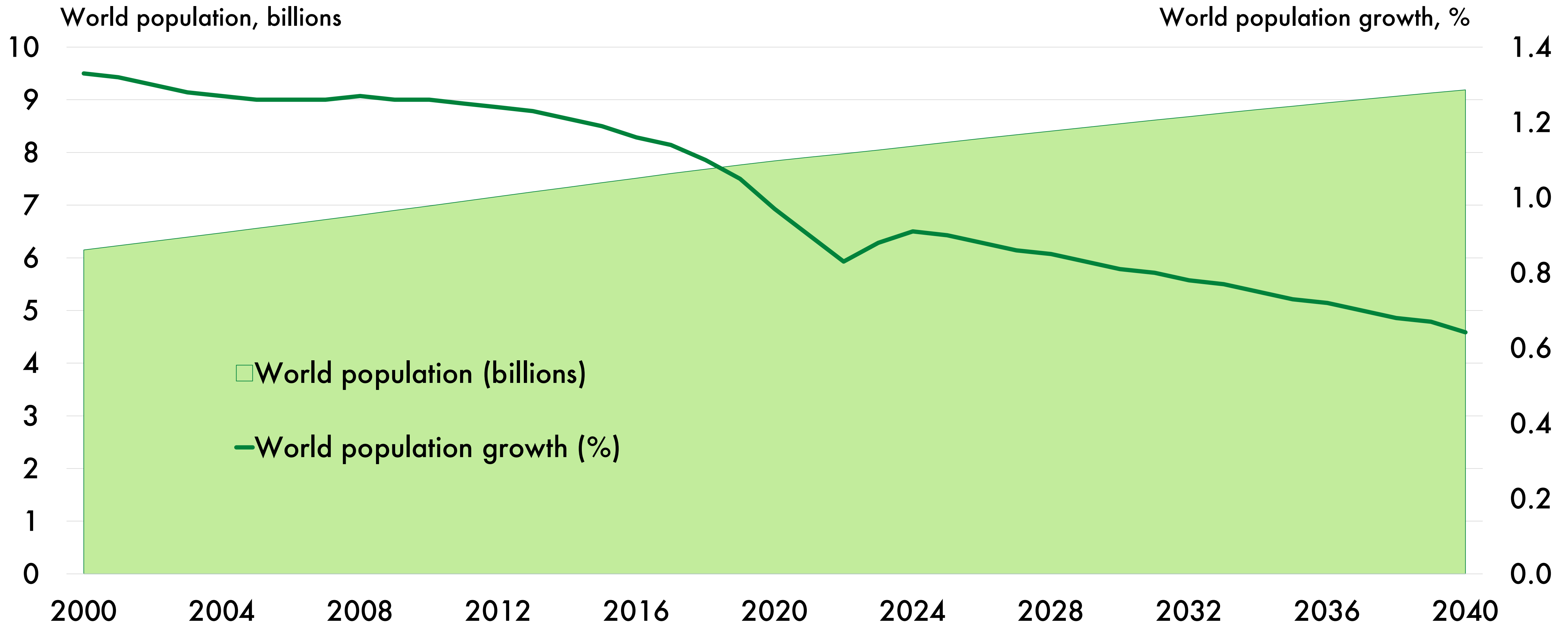
- The neo-liberal economic order no longer frames the entire global system, and the risk of escalating interstate conflict has risen.
- Very different scenarios of emerging order are possible, ranging from reformed or new institutions, to competing blocs, disorder and transformation.



- **Future projections are susceptible to a number of plausible shocks.**
 - Pivotal events such as another pandemic, accelerated climate change impacts or surprise technology advances will continue to shock the global system, presenting risks and opportunities.

World Population Growth Is Dropping Fast

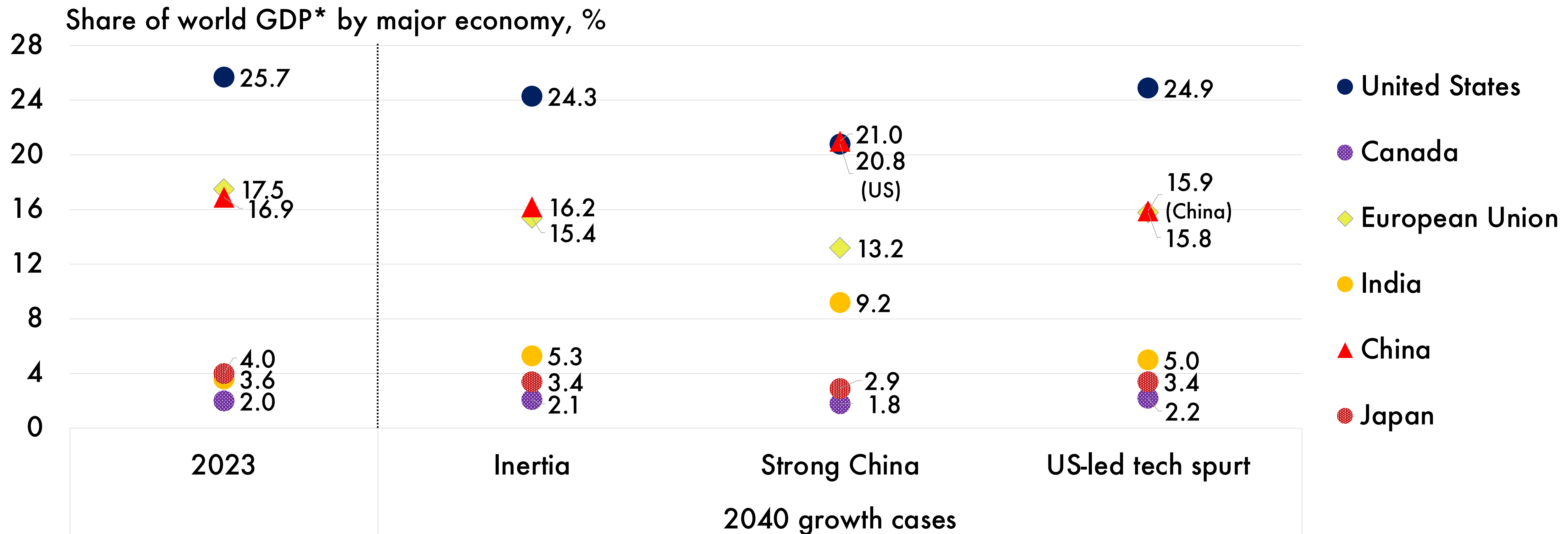
World population growth is slowing down due to falling birth rates. Populations are getting older in every region outside of Africa.



Source: UNCTAD. Data as of 2022.

Different Growth Cases Will Determine Relative Economic Size in the Global Economy

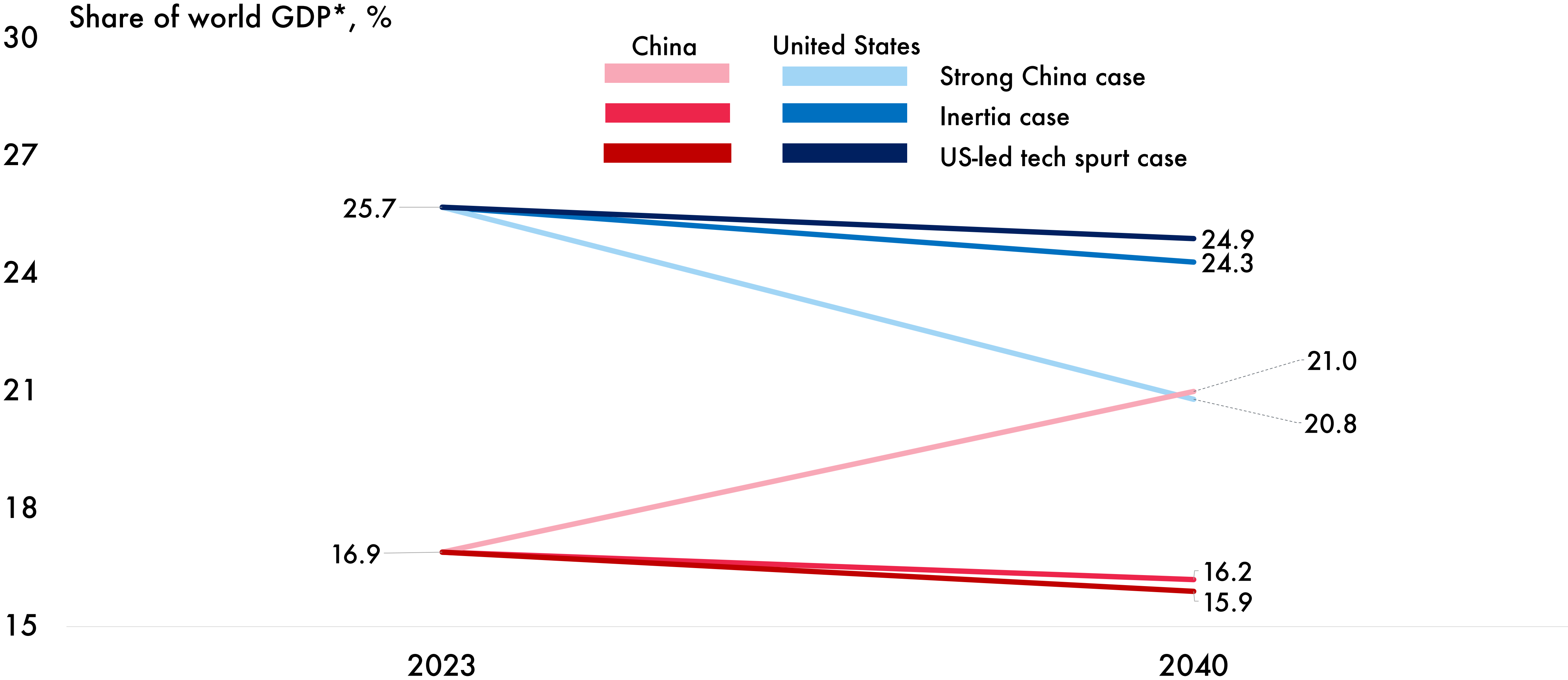
In each case, share of world GDP for the United States, the European Union and Japan shrinks by 2040, whereas India's share is expected to rise. China's share varies.



*Using market exchange rates (MER). Source: IMF World Economic Outlook (WEO), October 2023; CIGI staff calculations.

Superpower Competition

It is unlikely that China could surpass the size of the US economy in the next 15 years.

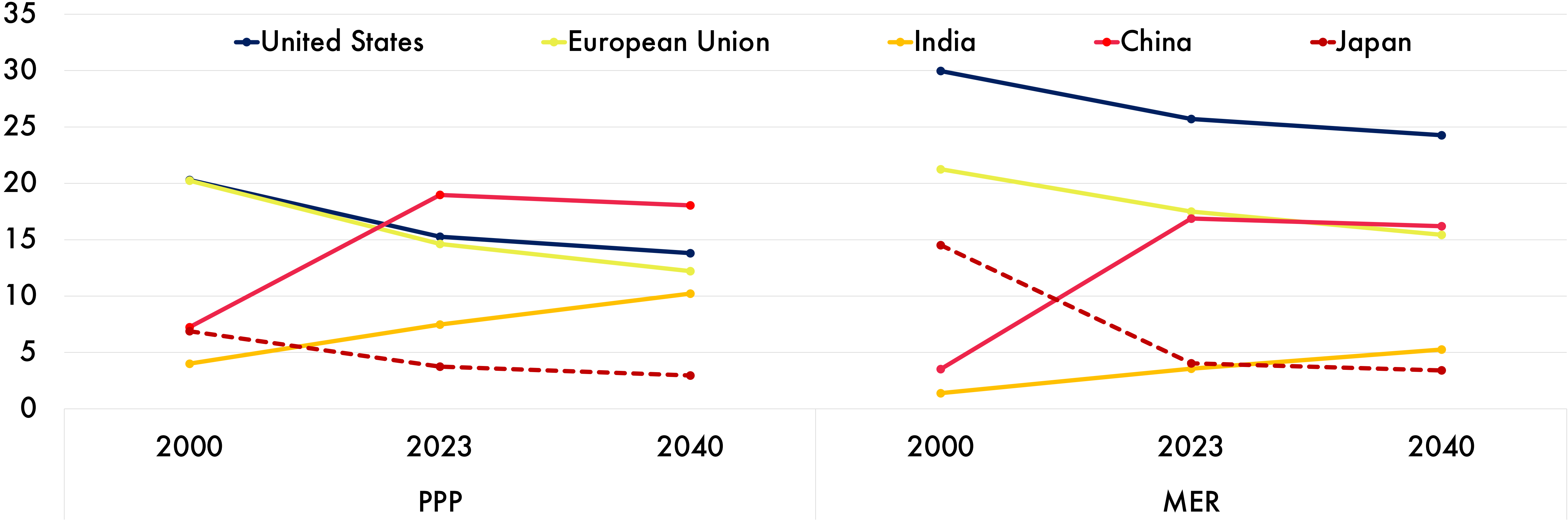


*Using MER. Source: IMF WEO, October 2023; CIGI staff calculations.

Weights in the World Economy Look Much Different with Purchasing Power Parity (PPP)

Using PPP, China is already the largest economy. Although it is useful for comparing living standards, PPP is subject to measurement error and does not represent a country's actual economy weight.

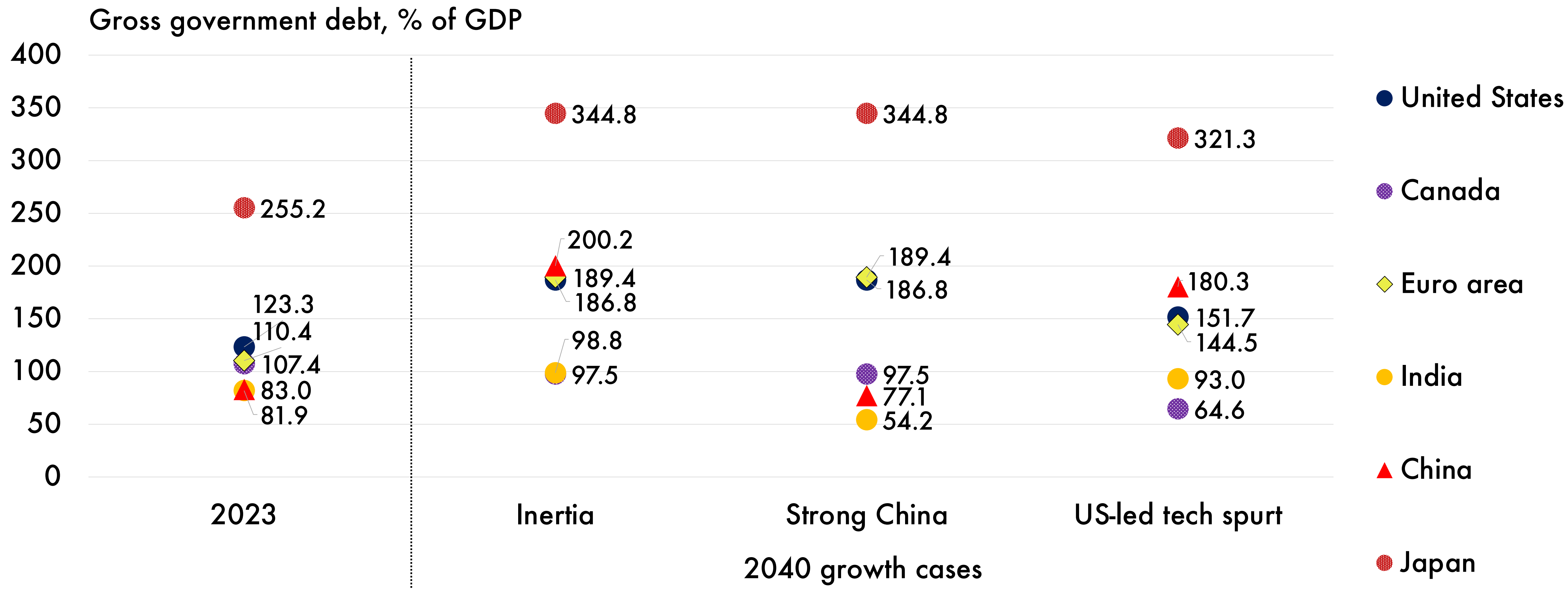
Share of world GDP* (%), PPP vs. MER



*Projected values represent our inertia growth case. Source: IMF WEO, October 2023; CIGI staff calculations.

Government Debt Will Remain Persistently High

Debt stocks rose significantly over the past two decades. Interest rates are likely to remain higher than in the 2010s and many countries will struggle to manage deficits.

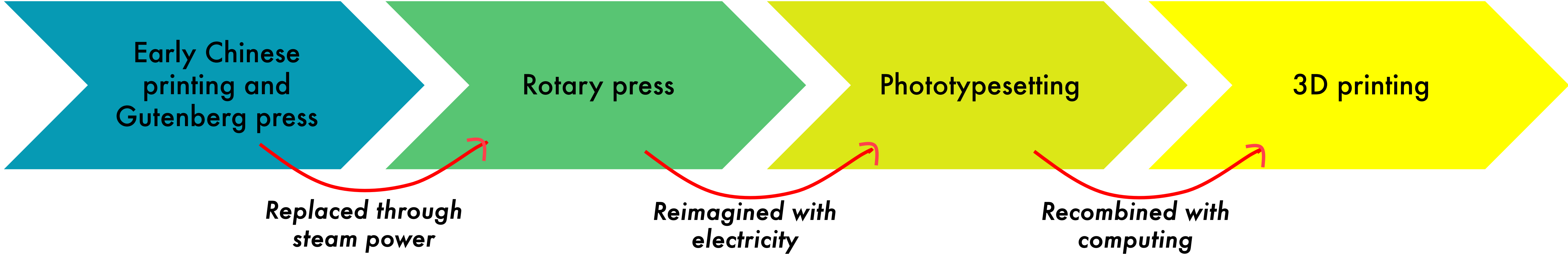


Source: IMF WEO, October 2023; CIGI staff calculations.

How Can Technology Transformation Occur?

Technologies transform society through creative destruction and intertwine to create new economic possibilities, which will play a big part in determining economic growth and state capacity in all scenarios.

From early printing to 3D printing...



Uncertainty Is Intrinsic to the Future

Unpredictable yet highly plausible events come as surprises since they cannot be forecasted with precision.

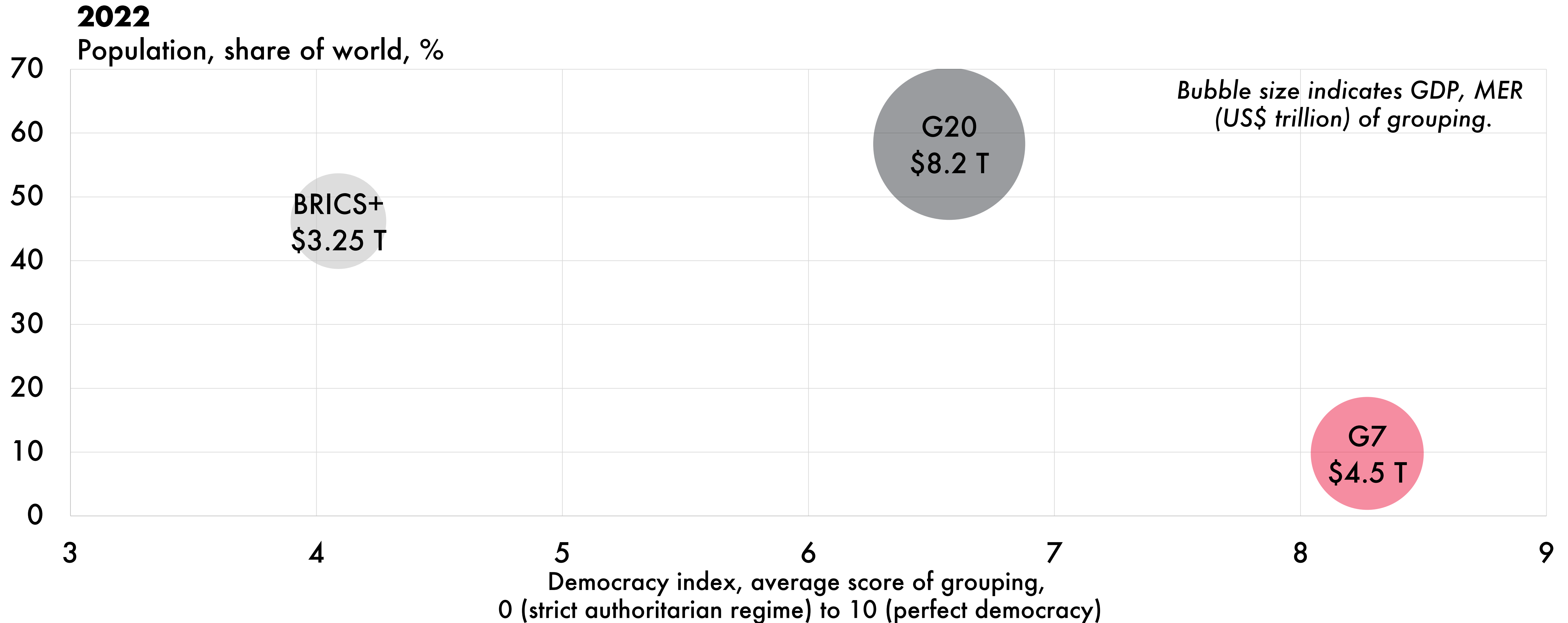
Examples of current pivotal factors include:

The current path of an additional 1.5°C of global warming this decade.	Armed conflicts that are spreading and compounding.	Critical infrastructure that is vulnerable to cyberattacks .
The degree of protectionism in global supply chains impacting economic growth.	Global AI risks that are rising in a vacuum of effective governance.	Increasing inequality within countries that threatens prosperity and democracy.
Migration flows that may force governments to manage unforeseen socio-economic implications.	Misinformation, disinformation and fake news that are altering realities and foundations for international cooperation.	Countless other uncertainties have the potential to alter economic conditions and state capacities.

Similarly, COVID-19 has proven **global pandemics** are possible in our lifetime and able to bring all global systems to a halt. These factors are a major source of uncertainty for future projections, presenting both risks and opportunities.

There Is Growing Divergence in Governance Models

Discontent with existing rules-based international order is fraying multilateralism. Geopolitical fragmentation is fuelling tensions between democratic and authoritarian models.



Source: IMF WEO, October 2022; Democracy Index (2022) from the Economist Intelligence Unit.

Uncertain Trajectories for Global Economic Order

The multipolar world can take many forms. Future work will explore the dynamics that may shape the economic landscape of global order in the medium term.

