

# Economy Watch

The Global Economic Outlook, Part 2: The Long-Term Outlook

November 10, 2021



# Some of the critical questions and issues we will be answering today

- What is The Conference Board's long-term forecast for the global economy?
- What factors are impacting growth prospects in Europe, China, the Gulf, and the US?
- How will COVID-19 impact economic growth in the years ahead?
- What are the primary risks to the global economy over the coming decade?



# Today's Speakers



**Klaas de Vries**  
Economist  
**The Conference Board**



**Yuan Gao**  
Senior Economist, China  
Center for Economics and  
Business  
**The Conference Board**



**Ataman Ozyildirim**  
Senior Director, Economics  
**The Conference Board**



**Erik Lundh (Moderator)**  
Principal Economist  
**The Conference Board**

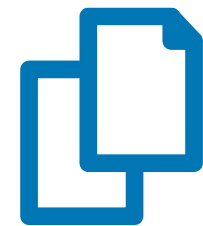
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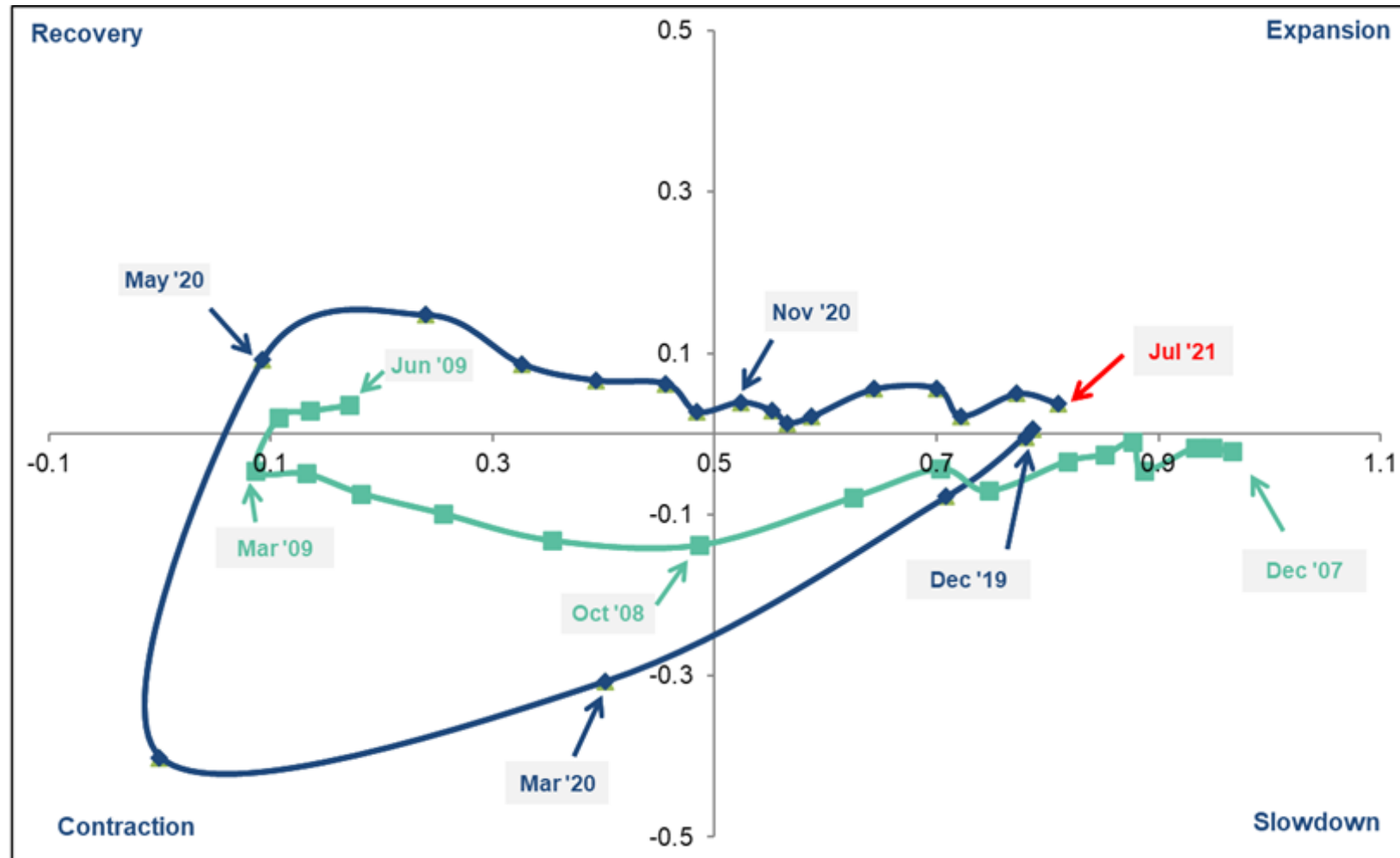
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# Audience Poll Question

# Global Outlook

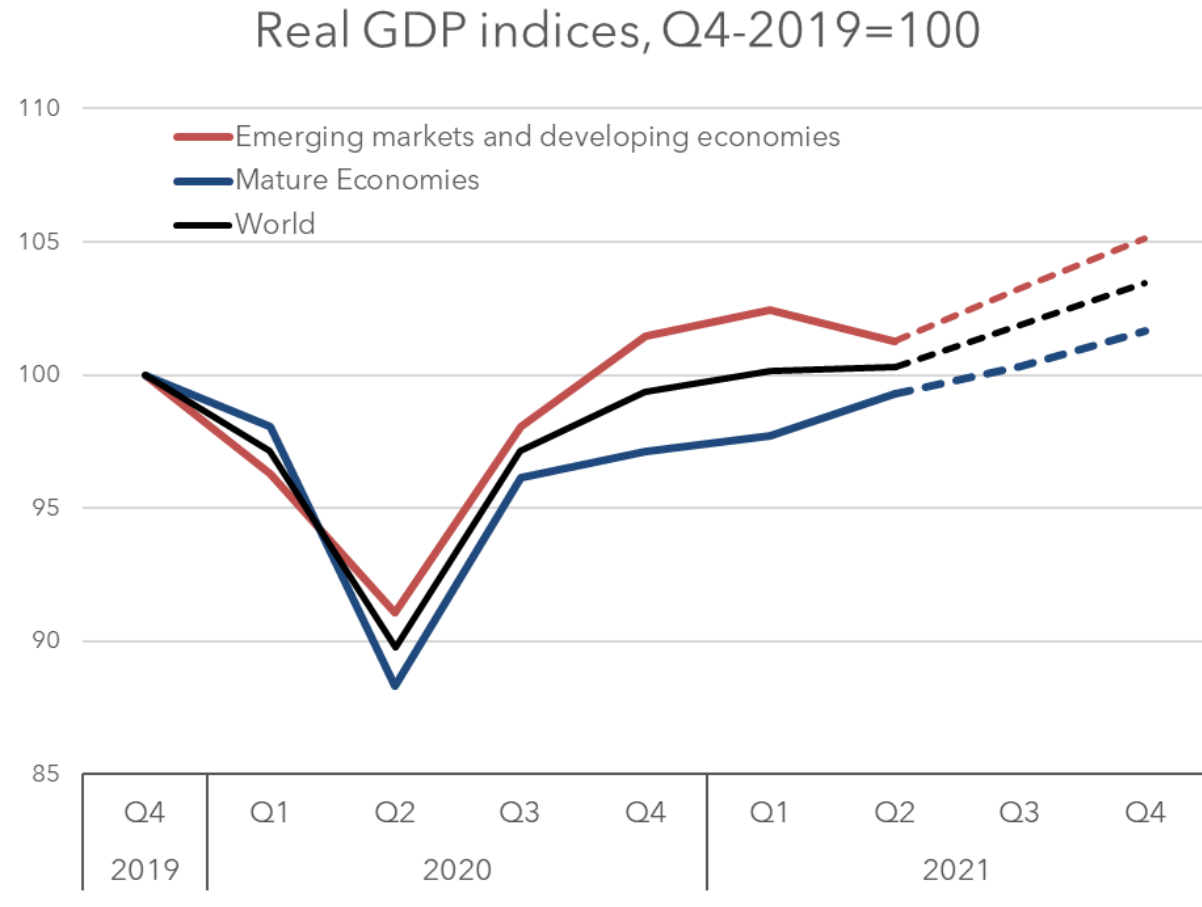
# Where we are: Global Economy has come full circle



Source: Global business cycle tracker, analysis by The Conference Board



# Where we are: While the emergence of the Delta variant slowed the recovery process, all regions surpassed prepandemic levels in 2021

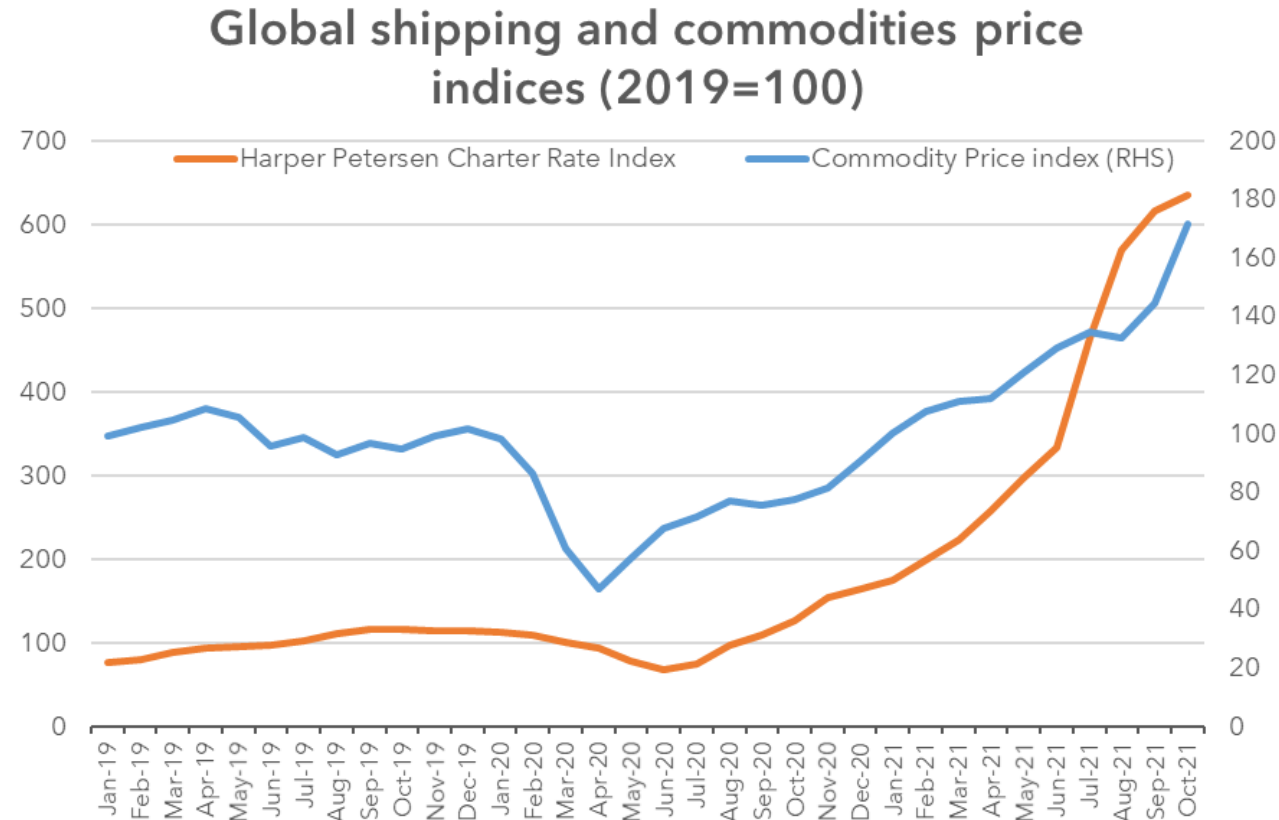


Note: Data from 2021 Q3 are partly actual and partly forecast from The Conference Board.  
 Source: The Conference Board Global Economic Outlook.





# Where we are: Supply-chain bottlenecks are disrupting the recovery and fueling inflation



Source: The Conference Board calculations based on data from HWWI (commodity price index) and Harper Peterson.



# Where we are: Labor market recovery lags the overall output recovery

**Count and share of economies back or above prepandemic (i.e. 2019) levels of GDP, GDP per capita and employment**

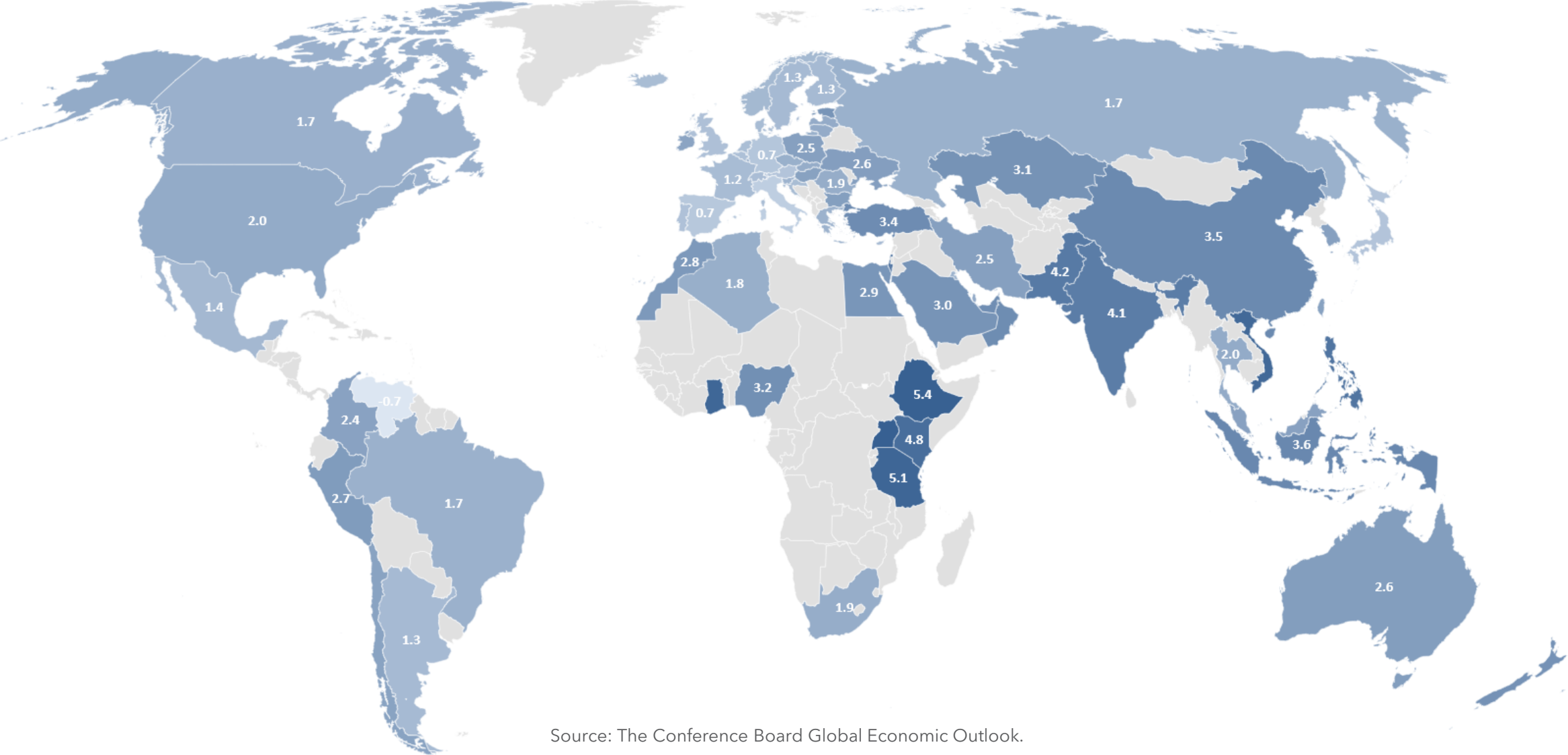
	GDP		GDP per capita		Employment**	
	Count	GDP share*	Count	GDP share*	Count	GDP share*
<b>2020</b>	12	27%	9	24%	18	8%
<b>2021</b>	33	46%	25	31%	12	7%
<b>2022</b>	21	23%	20	32%	23	48%
<b>2023</b>	6	2%	9	5%	6	2%
<b>2024***</b>	5	3%	14	7%	18	33%

Notes: The Conference Board Global Economic Outlook covers 77 countries; \*Global GDP share in international dollars in 2020; \*\*Employment refers to total hours worked; \*\*\*2024 or beyond.

Source: The Conference Board Global Economic Outlook.



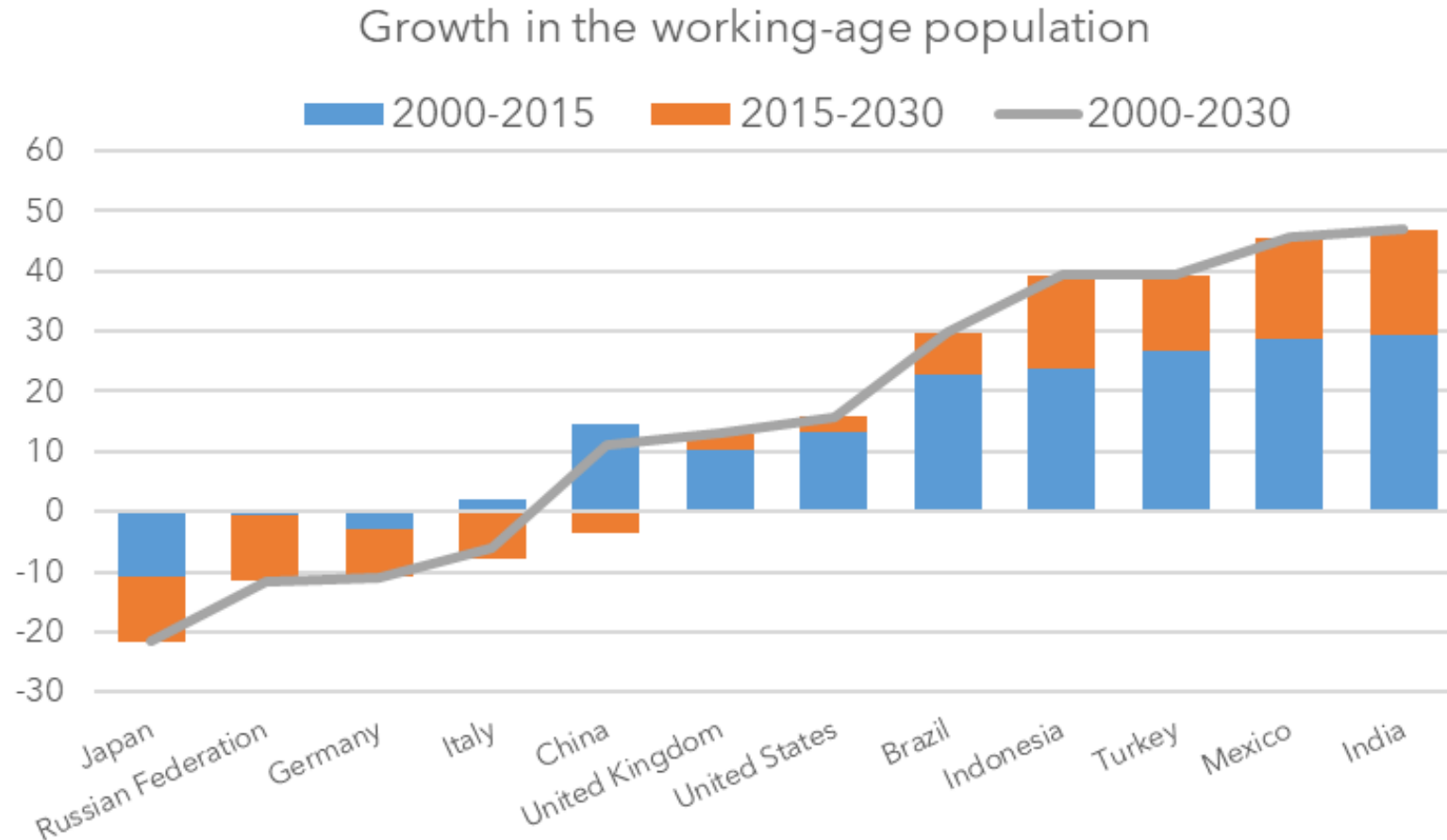
# Where we are going: Trend GDP growth, 2022-2031 (average annual % change)



Source: The Conference Board Global Economic Outlook.



# Inflation may be structurally higher in the coming decade(s) due to a perfect storm of demographic forces, deglobalization, and an increasingly inward-looking China

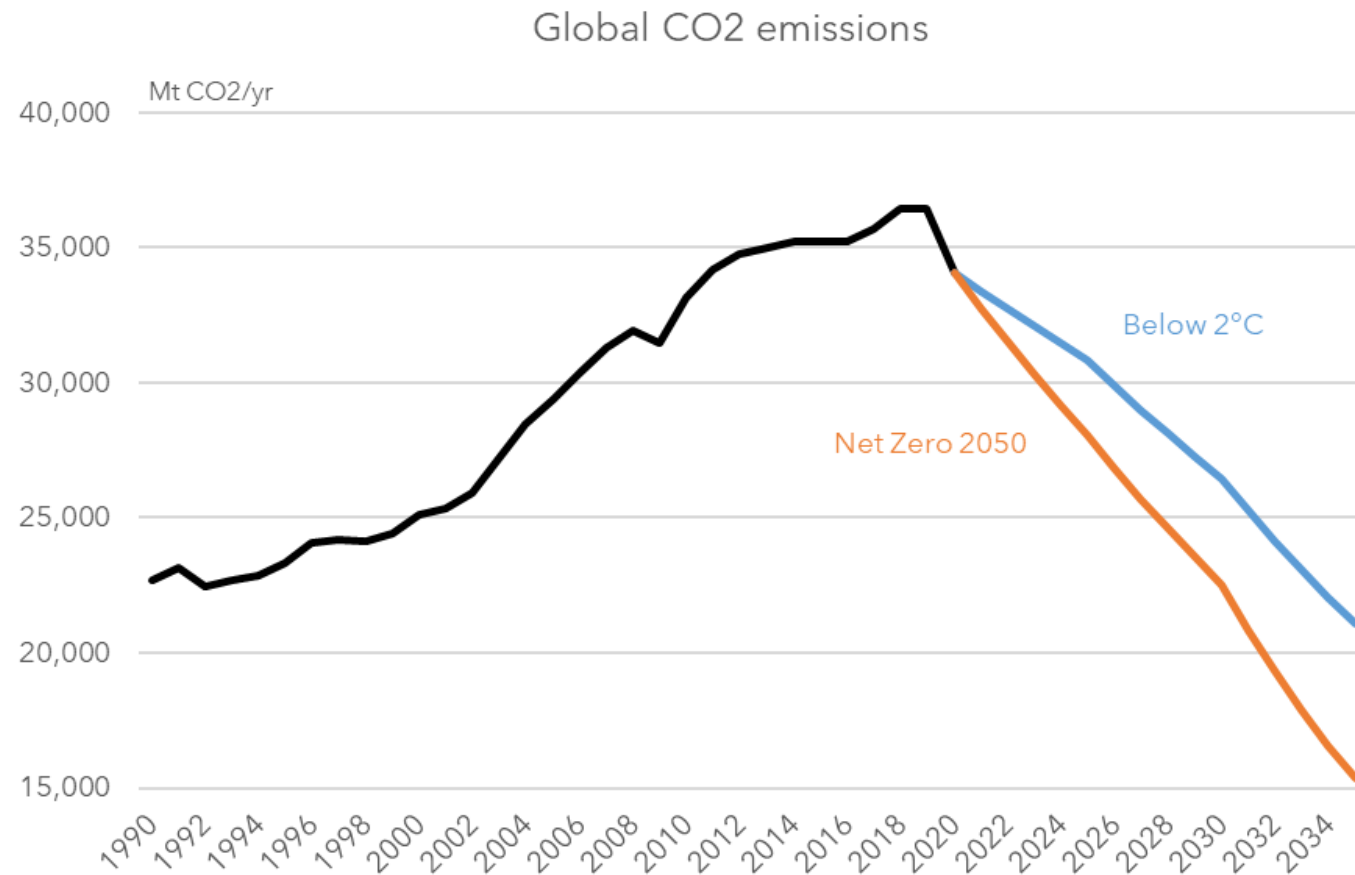


Source: United Nations Population Division, World Population Prospects, the 2019 Revision  
Note Working-age population refers to the population aged 15-64

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# Where we are going: Clean-energy transition and decarbonization policies could lead to further disruptions in the global economy in the years ahead



Source: The Conference Board estimates, historical data based on data from the Global Carbon Project; projections from Central Banks and Supervisors Network for Greening the Financial System (NGFS). © 2021 The Conference Board, Inc.



# Where we are going: A productivity revival could be within reach, especially in mature economies

- A turnaround from a 0.1 percent annual increase in the previous decade (2010–2019) to 0.3–0.4 in the next decade (2022–2031) is possible, even though not all regions may benefit equally.
- Upside surprise in TFP growth is possible because:
  - Widespread diffusion of existing digital technologies
  - Acceleration in digital transformation, more investment in information and communication technologies
  - New technologies, such as AI, machine learning, robotics, 3D printing, etc., being developed and adopted in the next decade; and
  - More investment in automation and innovation

TFP growth (average % change)	Actual	Actual	Trend
	2000-2009	2010-2019	2022-2031
United States	0.4	0.0	0.5
Europe	-0.4	0.1	0.2
<i>Euro Area</i>	-0.6	0.0	0.3
<i>United Kingdom</i>	-0.6	-0.1	-0.2
Japan	-0.7	0.4	0.1
Other Mature	0.3	0.4	0.8
<b>All Mature Economies</b>	<b>-0.1</b>	<b>0.1</b>	<b>0.4</b>
China	0.9	-0.4	0.1
India	0.8	1.8	0.4
Other developing Asian economies	0.6	0.6	0.3
Latin America	-0.3	-0.8	0.0
<i>Brazil</i>	-0.5	-1.2	0.1
<i>Mexico</i>	-0.7	0.6	0.0
Middle East & North Africa	-1.3	-1.3	0.0
<i>Gulf Region</i>	-2.2	-2.4	-0.1
Sub-Saharan Africa	1.8	0.1	0.0
Russia, Central Asia and Southeast Europ	3.2	0.7	1.0
<i>Russia</i>	4.4	0.6	1.1
<i>Turkey</i>	-0.4	0.6	0.7
<b>All emerging and developing economie</b>	<b>0.7</b>	<b>0.0</b>	<b>0.2</b>
<b>World</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>

Source: The Conference Board Global Economic Outlook.



# Where we are going: Enhancing qualitative or intangible sources of growth won't be enough to offset a weakening global economic trend growth rate

Contribution of factor inputs, input quality and efficiency changes to Global GDP growth (average annual % change)



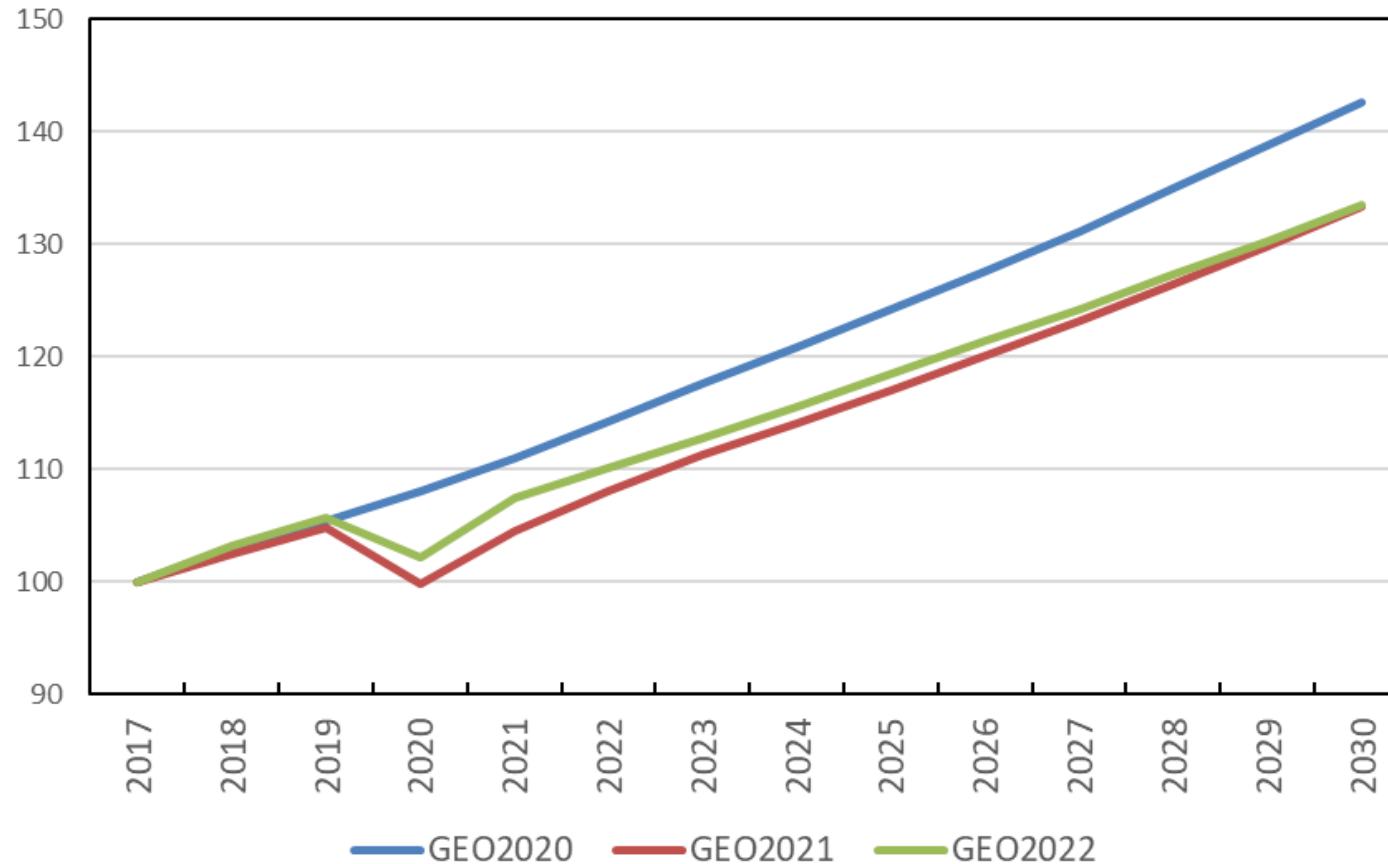
	<b>GDP Growth</b>	Quantitative Growth	Capital Quantity	Labor Quantity	Qualitative Growth	Capital Quality	Labor Quality	Total Factor Productivity
2000-2009	<b>3.4</b>	2.2	1.9	0.3	1.2	0.6	0.4	0.2
2010-2019	<b>3.3</b>	2.5	2.1	0.4	0.7	0.3	0.3	0.1
2020-2021	<b>0.8</b>	0.9	1.5	-0.7	-0.1	0.1	0.4	-0.6
2022-2026	<b>2.5</b>	1.5	1.4	0.1	1.0	0.4	0.3	0.3
2027-2031	<b>2.4</b>	1.5	1.5	0.0	0.9	0.3	0.2	0.4

Source: The Conference Board Global Economic Outlook



# Where we could have been, had the pandemic not occurred: Global economy rebounded quickly, but the pandemic left a permanent scar on the long-term level of output

WORLD: Real GDP (index, 2017=100)



No full 'catch-up' to pre-pandemic trajectory

Source: The Conference Board Global Economic Outlook





# The Conference Board Global Economic Outlook: From Pandemic Downturn to Growth Revival

<i>Real GDP (average annual % change)</i>	Actual	Actual	Estimate	Trend	Trend
	2000- 2009	2010- 2019	2020- 2021	2022- 2026	2027- 2031
United States	1.9	2.2	1.2	2.1	1.8
Europe	1.7	1.7	-0.8	1.2	1.1
<i>Euro Area</i>	1.4	1.3	-1.1	1.0	0.9
<i>United Kingdom</i>	1.6	2.0	-1.3	1.1	0.9
Japan	0.4	1.2	-1.1	0.8	0.8
Other Mature	3.6	3.1	1.5	2.5	2.4
<b>All Mature Economies</b>	<b>1.8</b>	<b>2.0</b>	<b>0.2</b>	<b>1.7</b>	<b>1.5</b>
China	8.9	6.3	3.6	3.7	3.3
India	6.8	7.2	0.2	4.0	4.1
Other developing Asian economies	4.9	5.1	0.1	3.5	3.7
Latin America	2.8	1.7	-0.5	1.6	1.7
<i>Brazil</i>	3.4	1.4	0.4	1.7	1.7
<i>Mexico</i>	1.4	2.7	-1.2	1.4	1.4
Middle East & North Africa	4.6	3.1	0.6	2.6	2.9
<i>Gulf Region</i>	4.4	3.5	-1.2	2.9	2.9
Sub-Saharan Africa	5.7	4.0	1.3	3.4	3.8
Russia, Central Asia and Southeast Europe	5.0	3.1	2.0	2.4	2.4
<i>Russia</i>	5.4	2.0	0.8	1.6	1.8
<i>Turkey</i>	3.9	5.8	5.3	3.6	3.1
<b>All emerging and developing economies</b>	<b>5.7</b>	<b>4.7</b>	<b>1.5</b>	<b>3.2</b>	<b>3.2</b>
<b>World</b>	<b>3.4</b>	<b>3.3</b>	<b>0.9</b>	<b>2.5</b>	<b>2.4</b>
<i>Addendum:</i>					
China (Official)	10.3	7.7	5.3	5.4	4.8

Note: China's GDP growth rates are based on alternative series, 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.



# US Outlook

# US economic growth should remain above-trend in 2022 and 2023

## THE CONFERENCE BOARD US ECONOMIC OUTLOOK, 2020-2021-2022-2023 Percentage Change, Seasonally Adjusted Annual Rates\*

	2020				2021				2022				2020	2021	2022	2023
	I Q*	II Q*	III Q*	IV Q*	I Q*	II Q*	III Q*	IV Q	I Q	II Q	III Q	IV Q				
Real GDP	-5.1	-31.2	33.8	4.5	6.3	6.7	2.0	5.0	2.6	3.5	3.2	3.0	-3.4	5.5	3.5	2.9
Real disposable income	3.1	48.5	-16.6	-8.3	54.7	-30.2	-5.6	0.0	1.0	1.5	1.0	1.0	6.2	2.0	-2.3	1.0
Real consumer spending	-6.9	-33.4	41.4	3.4	11.4	12.0	1.6	3.5	2.4	3.3	2.7	2.2	-3.8	7.9	3.3	2.7
Residential investment	20.3	-30.8	60.0	34.4	13.3	-11.7	-7.7	1.0	2.0	3.0	2.5	2.0	6.8	9.1	-0.1	1.5
Nonresidential investment	-8.1	-30.3	18.7	12.5	12.9	9.2	1.8	4.6	5.0	5.2	4.8	4.9	-5.3	7.5	4.8	4.4
Inventory change (bln chn '12\$)	-30	-253	25	89	-88	-169	-78	25	50	60	70	80	-42	-77	65	40
Total gov't spending	3.7	3.9	-2.1	-0.5	4.2	-2.0	0.8	2.0	2.5	3.0	3.8	4.1	2.5	0.8	2.3	4.2
Exports	-16.3	-59.9	54.5	22.5	-2.9	7.6	-2.5	2.0	2.0	6.1	5.1	4.0	-13.6	3.7	3.0	4.4
Imports	-13.1	-53.1	89.2	31.3	9.3	7.1	6.1	5.0	6.0	6.0	5.0	4.0	-8.9	13.4	5.7	4.1
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.9	5.1	4.5	4.2	4.1	3.9	3.7	8.1	5.4	4.0	3.5
PCE Inflation (%Y/Y)	1.7	0.6	1.2	1.2	1.8	3.9	4.3	4.5	4.0	3.2	2.8	2.5	1.2	3.6	3.1	2.0
Core PCE Inflation (%Y/Y)	1.8	1.0	1.5	1.4	1.7	3.4	3.6	3.9	3.7	2.8	2.6	2.4	1.4	3.1	2.9	1.8

Source: The Conference Board

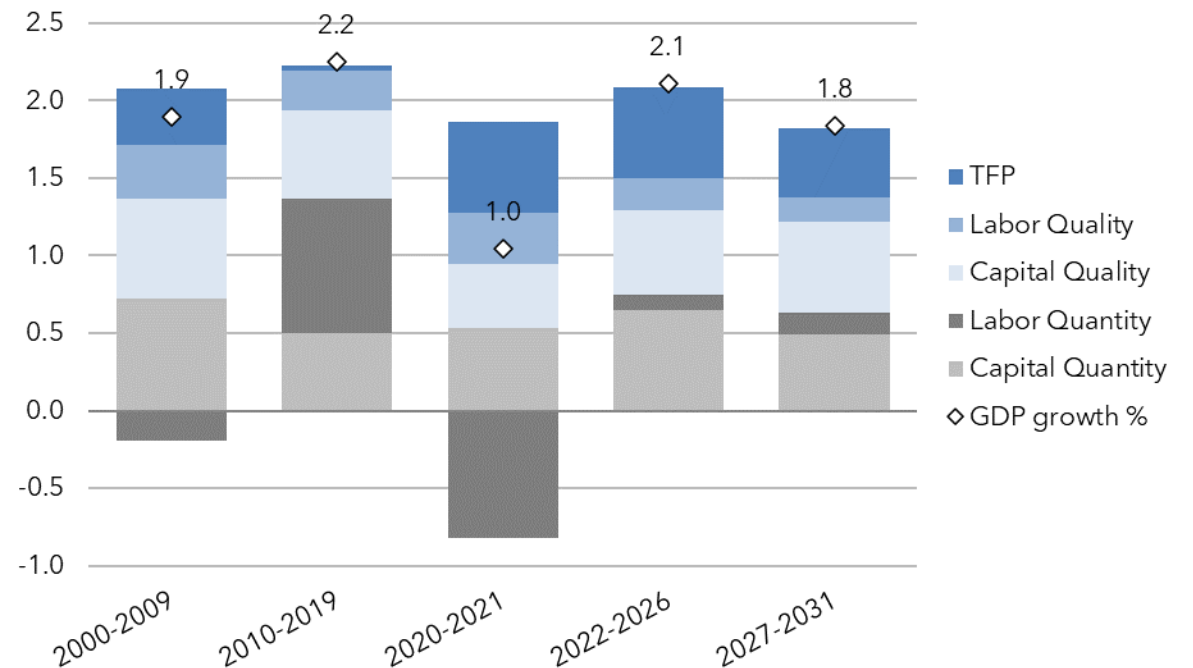
\*Units: Quarterly growth rates are QoQ SAAR unless otherwise noted.  
Annual growth rates are year-over-year unless otherwise noted



# US economic growth potential will moderate over the coming decade

- Looking further into the future, The Conference Board forecasts US GDP growth potential will expand at an average rate of 2.1 percent (year-over-year) between 2022 to 2026.
- During this period, we expect labor factor inputs to contribute 0.3 percentage points, capital to contribute 1.2 percentage points, and TFP to contribute 0.6 percentage points. This large TFP contribution (compared to the previous decade when it was zero percentage points) is due, in large part, to the rapid acceleration in digital transformation amid the pandemic.
- Over the long term, The Conference Board forecasts US GDP growth potential will moderate to an average of 1.8 percent from 2027 to 2031. Despite the moderation, US economic growth potential remains much higher than its peers.

**Contribution of factor inputs, input quality and efficiency changes to GDP growth (average annual % change)**



Source: The Conference Board Global Economic Outlook (October 2021)

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# Major upside and downside risks to US growth over the coming decade

## Risks and Upsides

## Why it Matters

### COVID-19 variants

- The Delta variant shows that the COVID-19 virus can evolve into a new, more dangerous strain. Future mutations run the risk of new waves of infections that could disrupt the US economy.

### Inflation

- If high inflation proves persistent, it could result in much more aggressive monetary tightening, higher interest rates, and less investment over the coming decade.

### Fiscal policy

+/- Our forecast assumes that a \$1 trillion infrastructure bill will be passed in 2021 with investment distributed over the coming decade. If this fails to happen, there is downside risk to our forecast. However, if a large social policy and climate investment package is passed, there is upside risk to our forecast.

### Labor markets

- Until the next recession, employers may need to expect persistent labor shortages and wage growth, especially for blue-collar and manual services workers.

### Deglobalization & trade tensions

- Prior to the pandemic, trade tensions between the US and key trading partners resulted in higher tariffs and import prices. If this trend resumes, the threat to global, and US, economic growth could intensify.

### Geopolitical tensions

- Heightened tensions between the US and other economies, including China, Russia, and others, have the potential to cascade into acute geopolitical and economic disruptions.

### Climate change

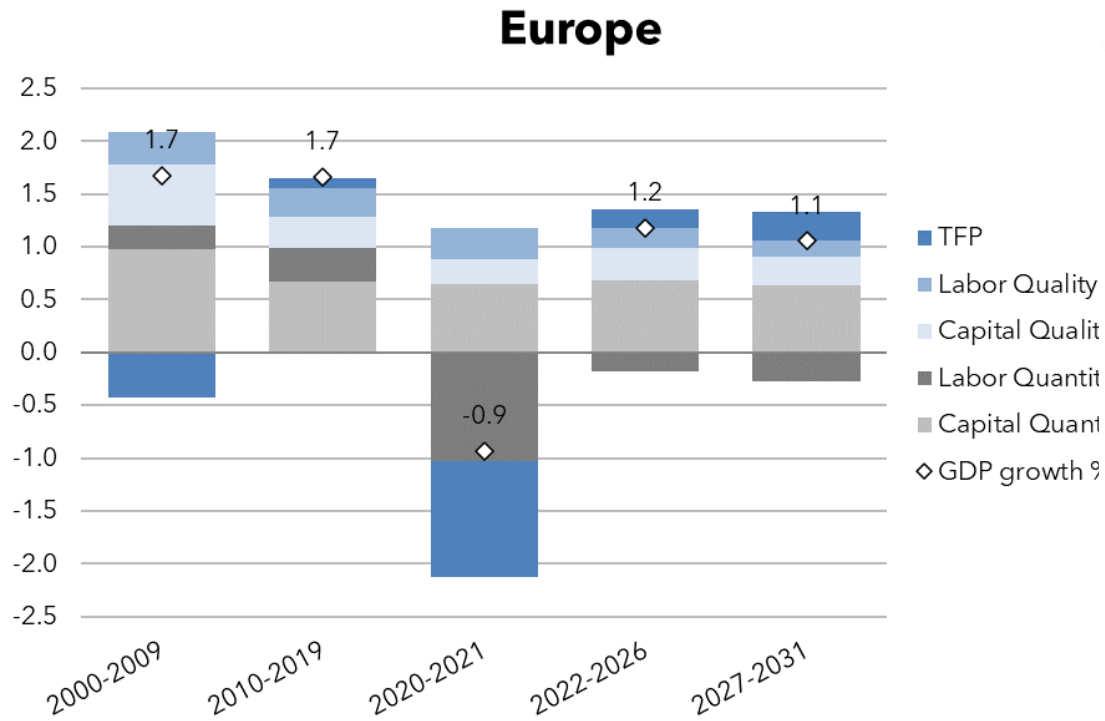
- Acceleration in extreme weather events has the potential to disrupt economic activity over the coming decade. Simultaneously, the transition to a more sustainable economy may introduce elevated transition costs and limit growth.



# European Outlook

# For stronger trend growth: Look East

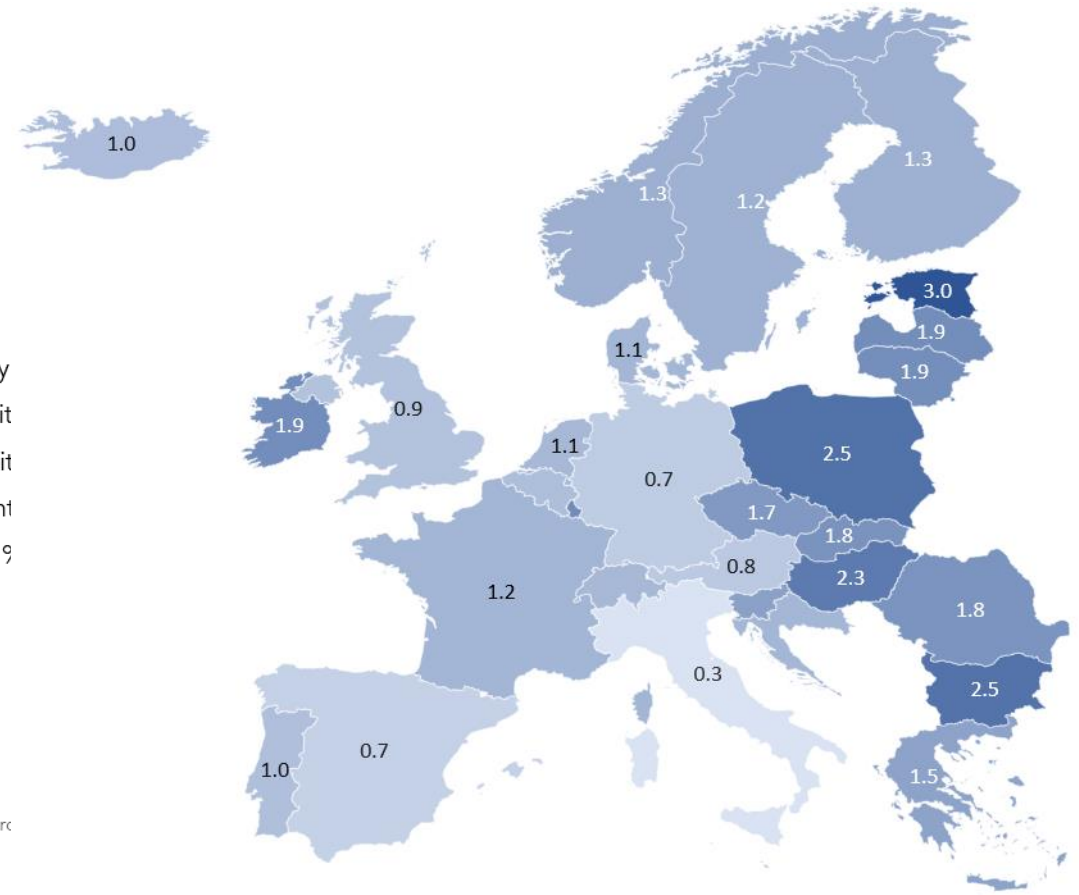
**Contribution of factor inputs, input quality and efficiency changes to GDP growth (average annual % change)**



Source: The Conference Board Global Economic Outlook (October 2021)

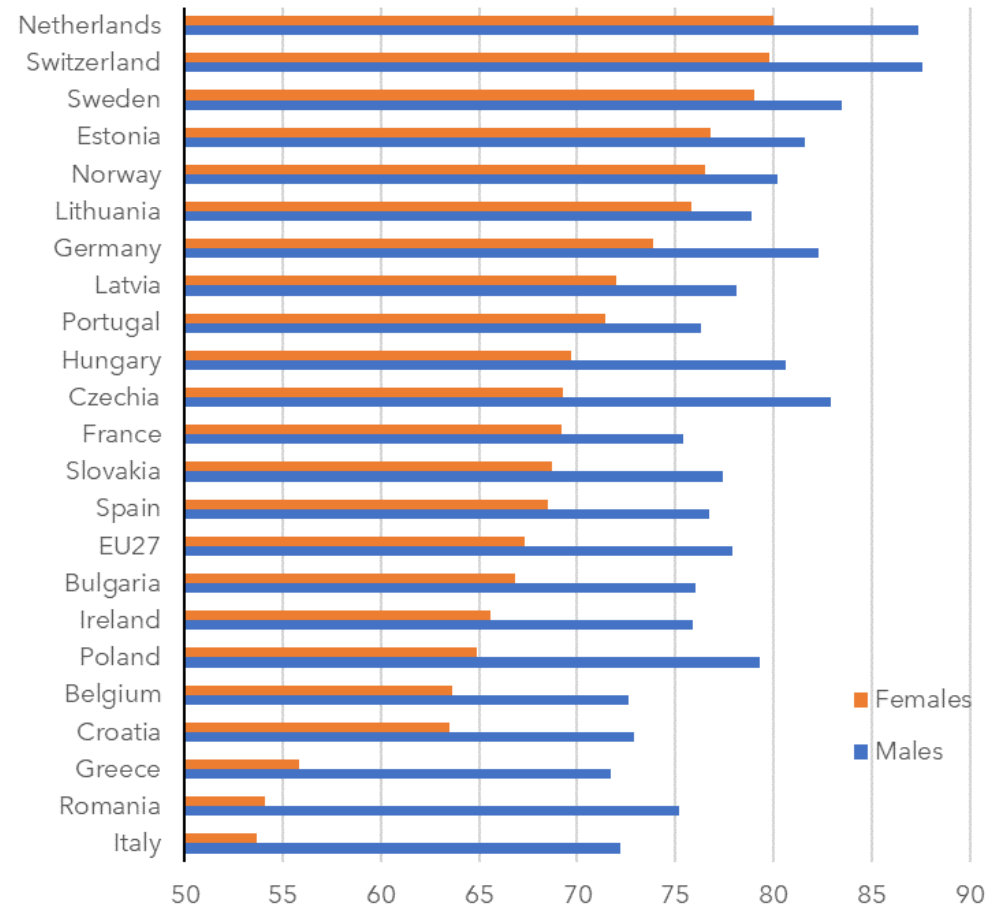
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**Trend GDP Growth Rates**  
average annual % change, 2022-2031



# Further increases in participation rates could offset some of the weakening in trend growth

Labor Force Participation (% of 15-64, Q1 2021)

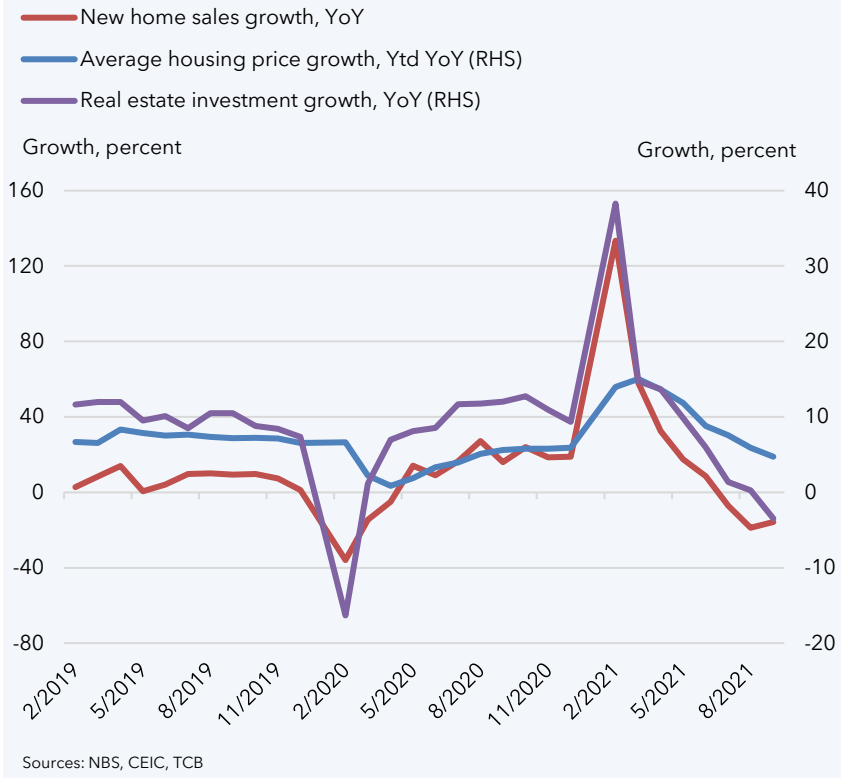




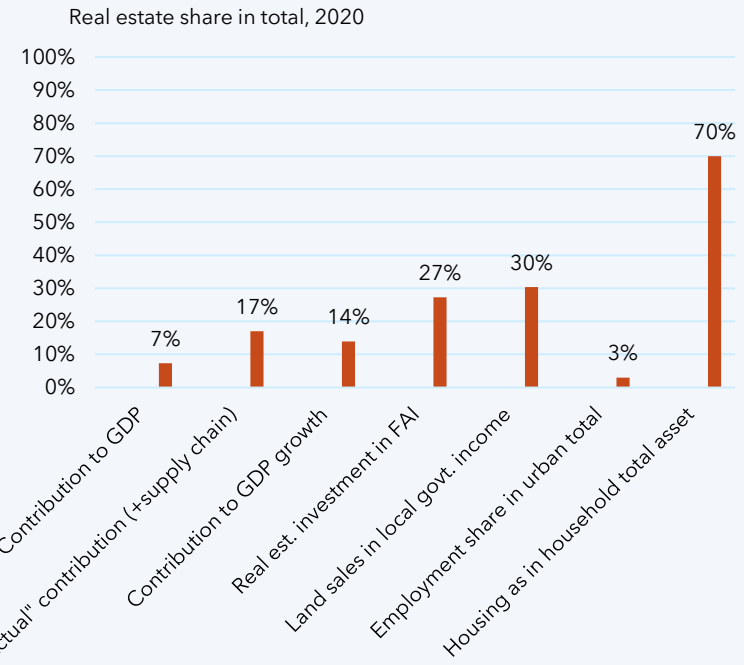
# China Outlook

# China's tax trial for property owners will restrain price expectation and deter new home sales

## New home sales have slumped; a trial of property tax could drag household confidence further



## How important is the real estate sector for China's economic growth?

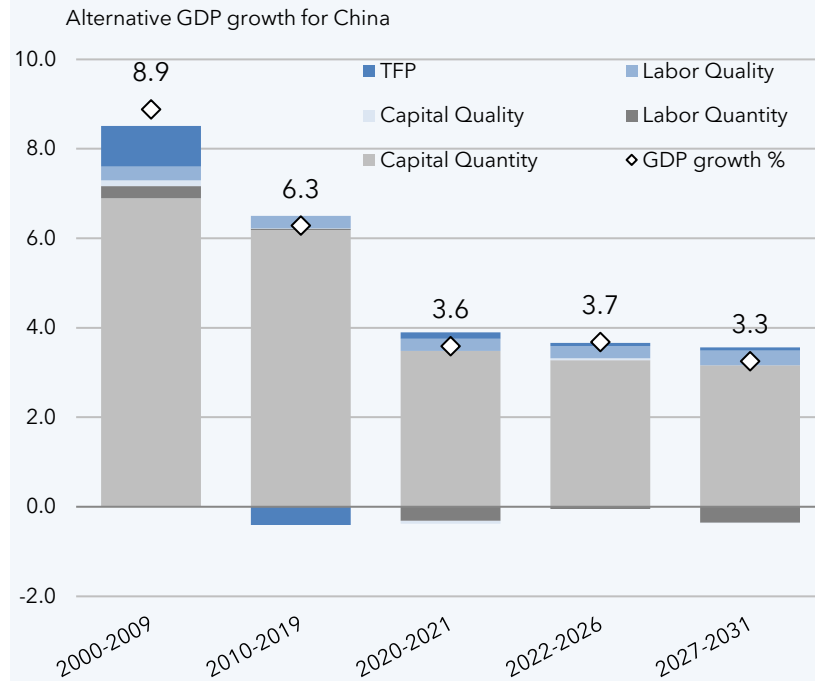


Source: the ratio of housing asset in total household assets comes from "中国家庭财富指数调查报告 2020"; other ratios estimated by Ren Zeping



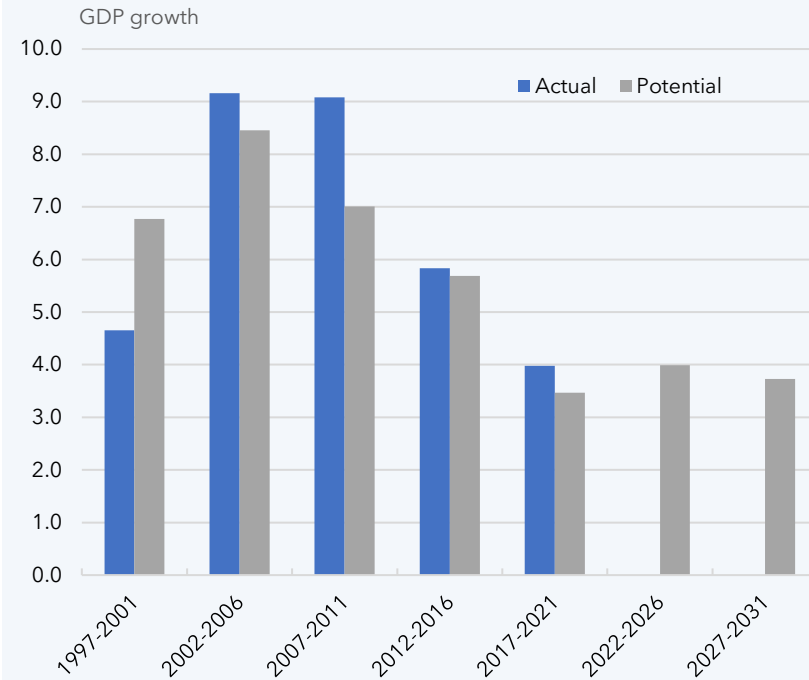
# China's potential growth will be lower, but should be more sustainable

## Aging population and decelerating investment growth drive China's potential growth lower; a rebound in TFP growth is anticipated



Source: The Conference Board Global Economic Outlook (October 2021)

## Will China's output gap stay positive?



Sources: The Conference Board

%

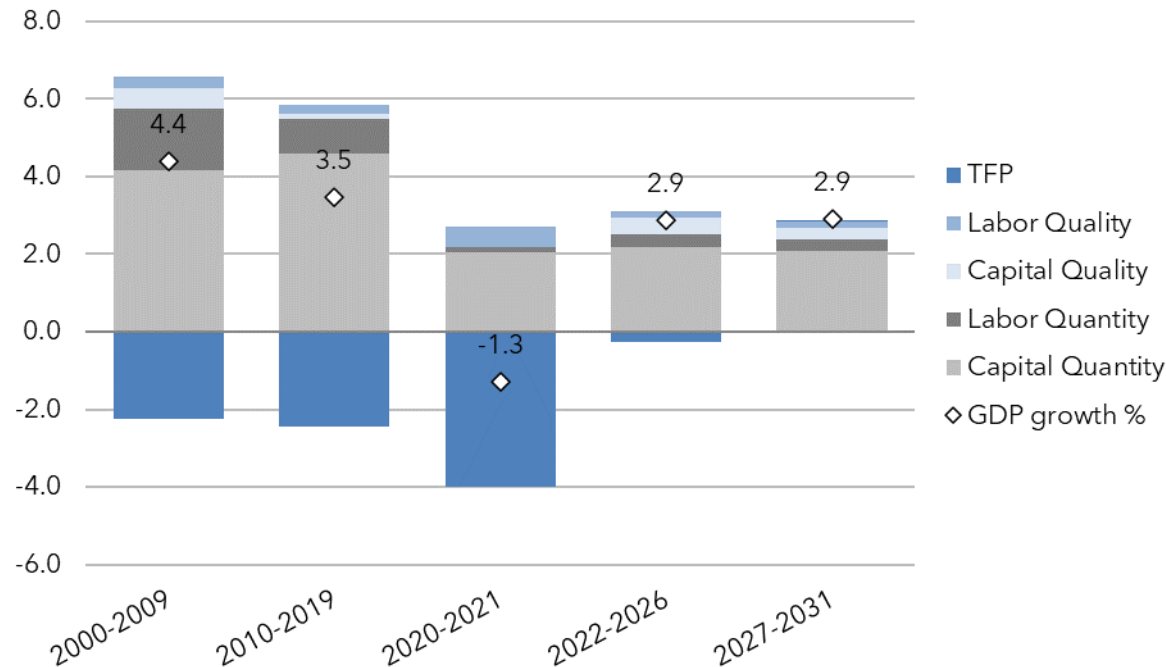


# Gulf Outlook

# Can the Gulf region reach the growth rates needed to support its structural transformation?

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

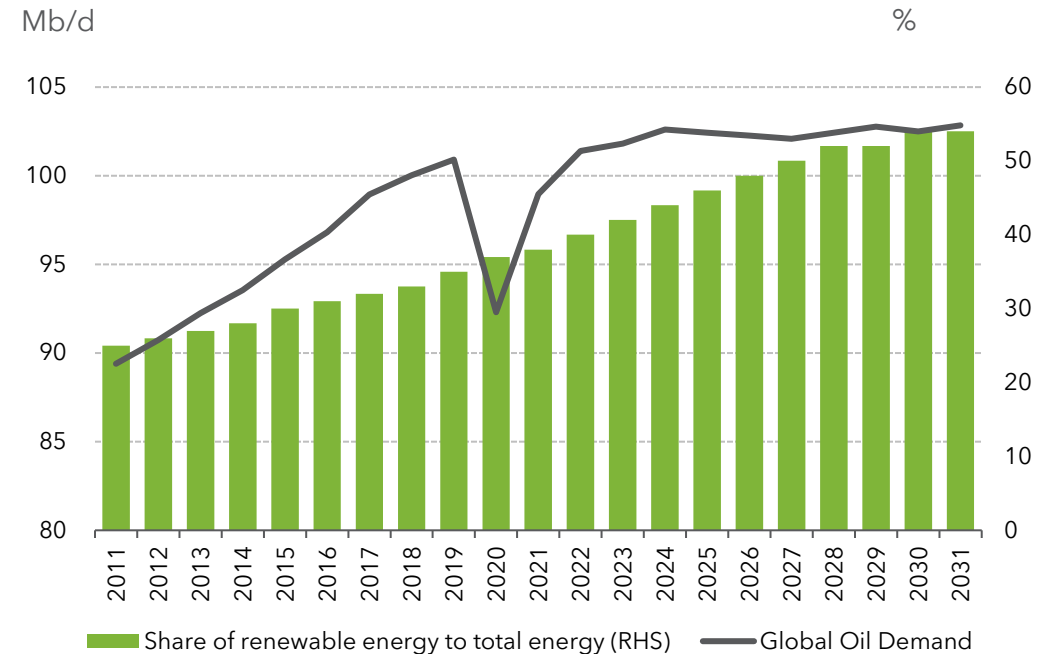
## Gulf Region



Source: The Conference Board Global Economic Outlook (October 2021)

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## Global Oil demand growth plateauing by 2030



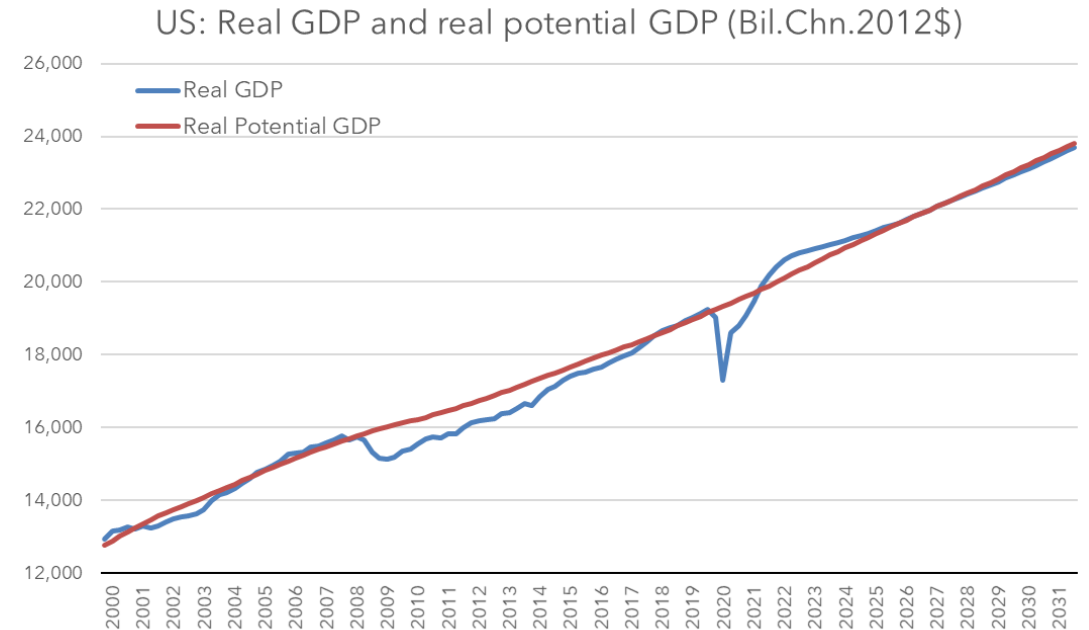
Source: The Conference Board forecasts, EIA and IRENA for historical data



# Appendix

# The projected growth rates in The Conference Board model should be thought of as trend growth rates, which can differ from actual growth rates due to short-term fluctuations

- **Capital input** projections are estimated based on structural factors such as the saving rate, depreciation rate, capital deepening, wage growth, etc.
- **Total factor productivity** (TFP) projections are estimated using structural factors such as corruption, growth in R&D, the Human Development Index, etc.
- **Labor quality** projections are based on projections of educational attainment and average returns to schooling.
- **Labor quantity** projections are based on working-age population growth rates.
- 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).
- Given the amount of slack that built up during the pandemic recession, most economies are expected to run above potential in the coming years.



Source: US Congressional Budget Office

**For more details, please refer to our working paper:**  
<https://www.conference-board.org/topics/global-economic-outlook/Global-Growth-Projections-2018>



# The Conference Board Global Economic Outlook 2022

## Projected Real GDP (average annual % change)

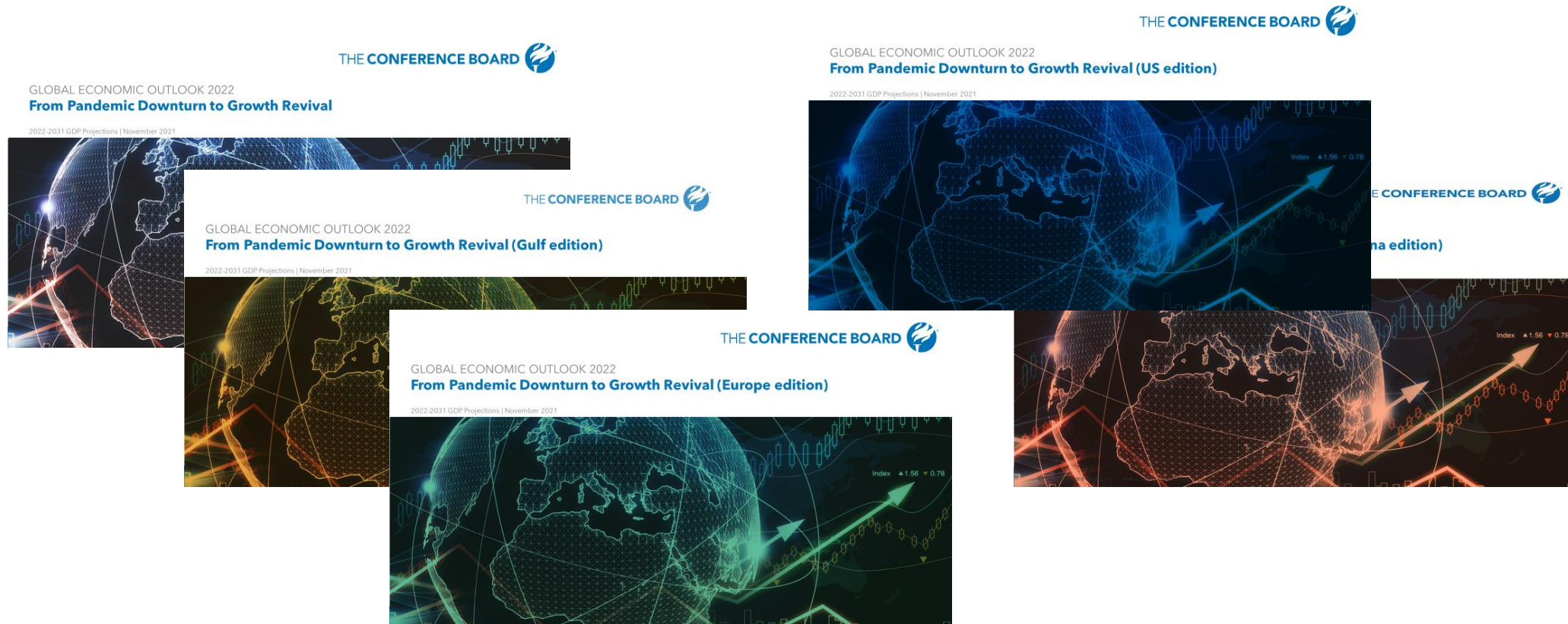
	2022-2026	2027-2031		2022-2026	2027-2031		2022-2026	2027-2031
WORLD	2.5	2.4	EUROPE	1.2	1.1	MIDDLE EAST & NORTH AFRICA	2.6	2.9
EMERGING MARKETS AND DEVELOPING ECONOMIES	3.2	3.2	Bulgaria	2.7	2.4	Algeria	1.5	2.1
MATURE ECONOMIES	1.7	1.5	Croatia	1.1	1.2	Egypt	2.7	3.1
United States	2.1	1.8	Czech Republic	1.8	1.6	Iran	2.1	2.8
Japan	0.8	0.8	Denmark	1.4	1.0	Morocco	2.6	3.0
OTHER MATURE	2.5	2.4	Hungary	2.5	2.3	GULF REGION	2.9	2.9
Australia	2.6	2.6	Iceland	1.3	1.0	Bahrain	2.0	2.3
Canada	1.7	1.7	Norway	1.4	1.3	Kuwait	1.3	1.8
Hong Kong	2.0	2.1	Poland	2.5	2.5	Oman	2.9	3.8
Israel	4.1	4.1	Romania	2.0	1.7	Qatar	1.8	2.3
New Zealand	3.2	3.0	Sweden	1.4	1.2	Saudi Arabia	3.2	2.8
Singapore	3.3	3.5	Switzerland	1.3	1.0	United Arab Emirates	3.0	3.6
South Korea	2.6	2.3	United Kingdom	1.1	0.9	SUB-SAHARAN AFRICA	3.4	3.8
Taiwan	2.4	2.3	EURO AREA	1.0	0.9	Ethiopia	5.4	5.3
EMERGING ASIA	3.7	3.6	Austria	0.9	0.8	Ghana	4.9	5.2
China	3.7	3.3	Belgium	1.0	1.0	Kenya	4.8	4.7
India	4.0	4.1	Cyprus	1.4	1.1	Nigeria	2.9	3.5
OTHER DEVELOPING ASIA	3.5	3.7	Estonia	3.1	2.9	South Africa	1.7	2.0
Pakistan	4.0	4.4	Finland	1.3	1.2	Tanzania	5.0	5.2
Indonesia	3.6	3.5	France	1.2	1.2	Uganda	5.4	5.4
Malaysia	2.2	2.6	Germany	0.8	0.7	LATIN AMERICA	1.6	1.7
Philippines	4.2	4.7	Greece	1.7	1.5	Argentina	1.1	1.4
Thailand	2.0	2.0	Ireland	2.2	2.4	Brazil	1.7	1.7
Vietnam	5.0	5.0	Italy	0.5	0.2	Chile	2.4	2.3
RUSSIA, CENTRAL ASIA AND SOUTHEAST EUROPE	2.5	2.4	Latvia	2.0	1.9	Colombia	2.4	2.4
Kazakhstan	3.0	3.1	Lithuania	2.0	1.9	Mexico	1.4	1.4
Russian Federation	1.6	1.8	Luxembourg	2.1	1.9	Peru	2.7	2.7
Turkey	3.6	3.1	Malta	1.5	1.5	Venezuela	-2.7	1.2
Ukraine	2.4	2.8	Netherlands	1.2	1.1			
			Portugal	1.0	0.9			
			Spain	0.7	0.6			
			Slovak Republic	1.9	1.8			
			Slovenia	1.8	1.4			





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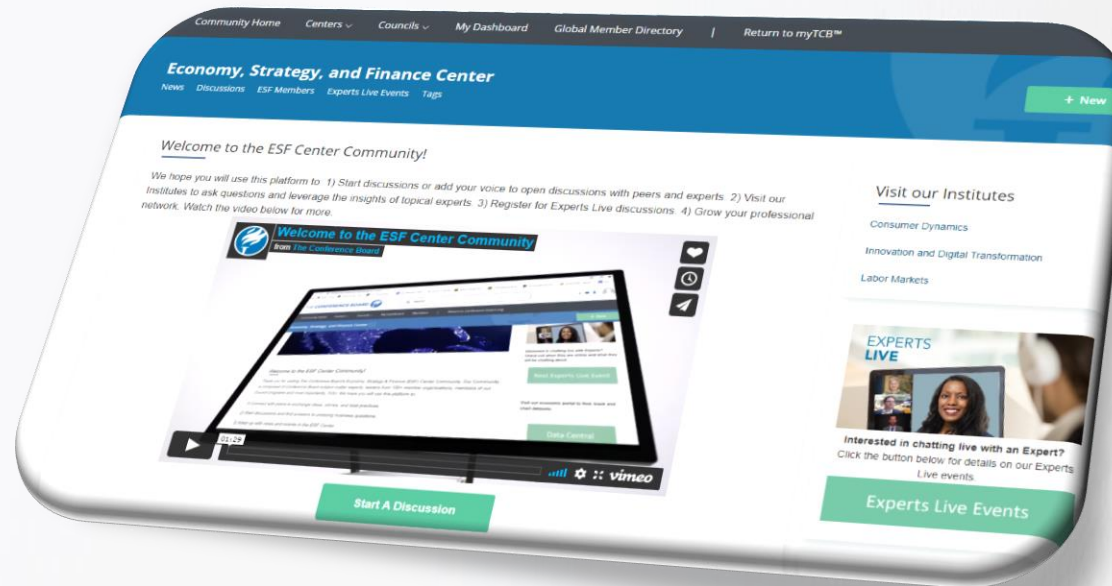
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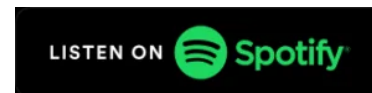


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