News Release

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Global Economy Enters 2022 in Strong Health after Surprisingly Swift Pandemic Recovery—But New and Pre-Existing Conditions Cloud the Long-Term Prognosis

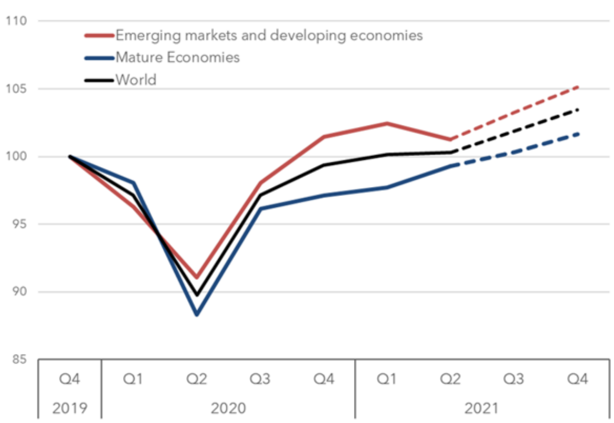
New York, November 3, 2021... The global economy is set for another year of above-potential recovery growth in 2022, after expanding by a robust 5.1% in 2021. **Global Economic Outlook 2022: From Pandemic Downturn to Growth Revival**, a series of reports released today by **The Conference Board**, tracks the future of this historically rapid resurgence for the years ahead including 2022–2031 GDP projections for key economies across Asia, Europe, the Americas, the Gulf Region, and beyond.

"Despite the depth of the recession in the first half of 2020—and the unexpected setbacks of the Delta variant in 2021—the global economy has recovered rapidly from the pandemic shock compared to past recessions," said **Dana M Peterson, Chief Economist of The Conference Board**. "Massive fiscal and monetary stimulus in major economies around the world—which built a bridge to economic reopening enabled by the rapid development of effective vaccines—likely prevented the recession from devolving into a long period of lackluster economic growth."

Indeed, global GDP—which contracted by an unprecedented 3.3% in 2020—is calculated to have recovered all of its losses by Q1 2021. By the end of 2022, 66 out of 77 key economies, representing 96% of global GDP, should be at or above pre-pandemic output levels, though labor market and income recovery will lag somewhat.

"Now the hard work begins for businesses and policymakers," added Peterson. "Lessons learned in resilience and surviving disruption during the pandemic will become increasingly relevant in the decade ahead, amid a new mix of challenges—including some trends catalyzed by the pandemic and others that predated it. Also, an evolution in the ways that we consume and work, including developments like telehealth and remote work, can potentially increase the productive capacity of the global economy and promote growth."

Real GDP indices, Q4-2019=100



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

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*
2020	12	27%	9	24%	18	8%
2021	33	46%	25	31%	12	7%
2022	21	23%	20	32%	23	48%
2023	6	2%	9	5%	6	2%
2024* **	5	3%	14	7%	18	33%

Notes: The Conference Board GEO 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.

The Decade Ahead: Momentum in 2022 Gives Way to Harder-Won Growth Beyond

Pent-up demand for consumer spending and business investment should help the global economy grow strongly in the year ahead—with The Conference Board currently projecting **3.9% global growth in 2022**. Beyond this horizon, slower trend growth is expected as the era of rapid capital accumulation and working-age population growth comes to an end across mature economies and in China. Annual global growth is projected to **average 2.5% in the years**

2022-2026—down from 3.3% across the decade 2010–2019—before ticking down further to **2.4% in 2027–2031**. Emerging and developing economies are expected to contribute to roughly 70% of the growth rate over the next decade and mature economies the other 30%—similar to their respective shares in 2010–2019.

“Challenges ahead include the potential of higher financing costs, heightened financial market volatility, inflation risks driven by rebounding growth and supply-chain bottlenecks, and ongoing labor shortages,” **said Klaas de Vries, Economist at The Conference Board**. “In this environment, harnessing the benefits from digital transformation strategies and upskilling workforces, should drive productivity growth through innovation and efficiency gains.”

Added **Ataman Ozyildirim**, **Senior Director, Economics**: “The challenge for most businesses in the decade ahead will be to implement growth strategies based on innovation and efficiency gains during a period of renewed labor shortages and tightening of monetary policy by major central banks in response to substantial inflation risks, which will impact costs of accessing capital. Business need to focus on both tangible and intangible investments to drive sustainable growth strategies.”

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

	GDP Growth	Quantitative Growth	Capital Quantity	Labor Quantity	Qualitative Growth	Capital Quality	Labor Quality	Total Factor Productivity
2010-2019	**3.3**	2.5	2.1	0.4	0.7	0.3	0.3	0.1
2020-2021	**0.8**	0.9	1.5	-0.7	-0.1	0.1	0.4	-0.6
2022-2026	**2.5**	1.5	1.4	0.1	1.0	0.4	0.3	0.3
2027-2031	**2.4**	1.5	1.5	0.0	0.9	0.3	0.2	0.4

Source: The Conference Board Global Economic Outlook.

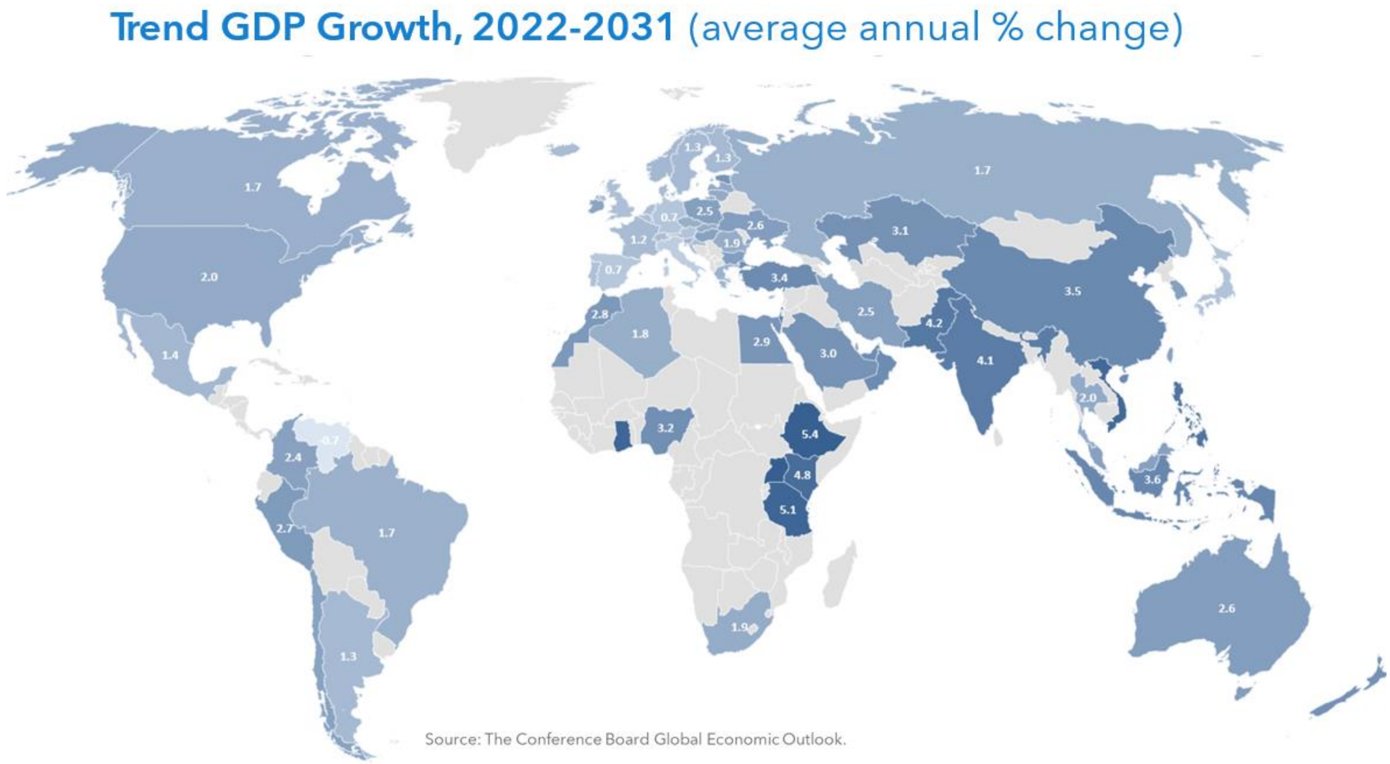
Among the critical long-term trends driving this forecast:

- **A decline in quantitative growth drivers as populations age worldwide.** The global economy in recent decades has been boosted to a large extent by *quantitative*, or tangible, growth factors—most notably, rapid industrialization in large emerging economies that brought surging numbers of new workers and capital into the world economy. As the **overall global population ages rapidly**—and China turns to less capital-intensive service sectors—these easy drivers of growth will be harder to find in the 2020s.

- **Qualitative growth drivers won’t be enough to fill the gap—but a productivity revival may surprise on the upside.** Over the next decade, *qualitative* factors, or intangible drivers—such as higher productivity, new technologies, and improved education and upskilling—will become increasingly predominant drivers of global growth. While not enough to replace the contributions of the quantitative growth drivers that dominated the 2010s, a productivity revival may be within reach**,** especially in wealthy advanced markets. **Across these mature economies, total factor productivity (TFP) is likely to rise by 0.4% on average annually over 2022–2031**, **after remaining stagnant over the past 20 years.** (TFP refers to the productivity of all inputs taken together and captures the role of efficiency and innovation in growing output.) This may be a surprising legacy of COVID-19, as the pandemic helped accelerate the diffusion of new technologies for work and consumption. The full productive potential of AI, ICT (information and communication technology), robotics, 3D printing, and more may finally be realized in the years to come.

- **A further slide toward deglobalization risks acting as a drag on growth and productivity.** Recent data suggest economic globalization—encompassing trade regulations, tariffs, capital account openness, foreign investment, and more—may have peaked in the early 2000s, and entered an accelerated decline in recent years. Brexit, trade wars, and tightened immigration policies all point to stalled momentum for the globalization of markets and competition, which could exacerbate **supply-chain costs** for years to come. As a lagging sign, the share of foreign content in manufacturing production—which soared from 17.3% in 1995 to 26.5% in 2011—had already retreated to 23.5% in 2020.

- **Inflation may be structurally higher in the coming decade(s), due to a perfect storm of demography, deglobalization, and China's inward turn.** While the pandemic set off the current period of inflation concerns, the long-term trends above may coalesce in an extended period of steadily rising prices. Aging populations and slower labor-supply growth puts workers in a position to bargain for **higher wages** while growing the **share of retirees per worker**, which is inflationary by definition. Meanwhile, deglobalization and China's new focus on domestic political retrenchment over rapid growth raises the risk of higher inflation becoming structural globally, as the price stability consumers, markets, and governments assumed over the past generation is eroded.



Regional Growth Trends: Upside Potential in US Productivity, "Long, Soft Fall" in China

Global Economic Outlook 2022 includes detailed growth projections and scenarios through 2031 for 77 major world economies. Among the key projections of **growth potential for mature economies**:

- **The US will average around 2.0% growth in 2022–2031—leading the way among large mature economies.** While topline growth potential is little changed from the past two decades, the contribution of total factor productivity (TFP) and the quality of capital (e.g., high-tech) is set to rise sharply. Spurred by the pandemic, the US economy is best positioned among large mature economies to make major, productivity-enhancing digital investments and innovations over the next decade, particularly in ICT (information and communication technology). Likewise, the likely passage of infrastructure legislation will add physical capital—including broadband networks, roads, ports, and bridges—to US growth.

- **Europe will average around 1.1% growth as a whole in 2022–2031—with 20 out of 31 markets included expected to exceed that average.** Central and Eastern Europe are projected to see the fastest annual growth rates, with four countries exceeding 2%. The acceleration of working-age population decline will sap growth potential across the region, putting further onus on countries to increase lagging labor-force participation rates, especially among women. Nevertheless, Europe's highly productive economies can overcome this demographic drag with business strategies focused on value-creation through innovation.

- **Japan is set to average 0.8% growth in 2022–2031, continuing the stagnation of recent decades.** Japan led the rich world in seeing the impact of aging populations, but had been able to mute the effects through increasing labor force participation and maintaining high productivity. This will become harder through the 2020s, and the growing capital intensity level is unlikely to offset disappointing productivity or bleak outlook for real wages, which have been declining since the 1990s.

- **Other mature economies may buck the slowdown trend through strong qualitative growth factors.** Australia, South Korea, Taiwan, Canada, and Hong Kong are all projected to average around 2% annual growth in 2022-2031, while Singapore and Israel may exceed 3.5%. These relatively small, but highly diversified economies benefit from their strategic role in global value chains, and are among the best positioned to reap the rewards of a tech-driven productivity resurgence.

Among the key projections of **growth potential for emerging and developing economies**:

- **China will average around 3.5% growth in 2022–2031—around half the trend growth rate of 2010s.** China's shrinking labor force and slowdown in capital accumulation will continue its shift to a "long soft fall" growth trajectory in the decade ahead. Still, capital formation will continue to be the lead driver of GDP growth. Moreover, China still maintains sufficient room for "catch-up" growth to outpace other major economies.

- **India will average around 4.1% growth in 2022-2031—maintaining its status among the fastest growing large economies.** While productivity growth drove India's strong performance across the 2010s, that's unlikely to repeat in the decade ahead. Rather, its key advantage will be a youthful population and surging middle class—the UN projects India will surpass China as the most populous country by 2027. This rapidly growing supply of workers should be boosted by recent labor-market reforms to increase hiring.

- **Latin America will average around 1.5% growth in 2022–2031, held back by structural deficiencies exacerbated by the pandemic.** These structural drawbacks include low productivity and weak investment levels—factors that are unlikely to turn around over the next decade in a region that was among the hardest hit by COVID-19. Within Latin America, Peru, Chile, and Colombia have the potential to be positive outliers, averaging 2 to 2.5% growth over the next decade.

- **The Middle East and North Africa will see annual growth close to the global average of 2.5% in 2022–2031.** In the oil-rich Gulf region, economic diversification efforts will be the key growth driver, and have the potential to turn around the negative productivity growth seen in the 2010s. In North Africa, meanwhile, quantitative factors will continue to dominate, with only a limited push from qualitative growth contributions.

- **Sub-Saharan African economies could also present new high-growth potential**. This new potential could be supported by investments in the region, as well as potential for significant consumer spending. Opportunities for growth in the economies of sub-Saharan Africa could come from its young, fast-growing, urbanizing population—in an aging world, the region is unique in the continued boom of its working-age population.

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