

What lies ahead: the world economy in 2030

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What lies ahead

Never make forecasts, especially about the future.

What lies ahead

1. On uncertainty
2. The certain
3. The probable
4. The possible
5. Conclusion

1. On uncertainty

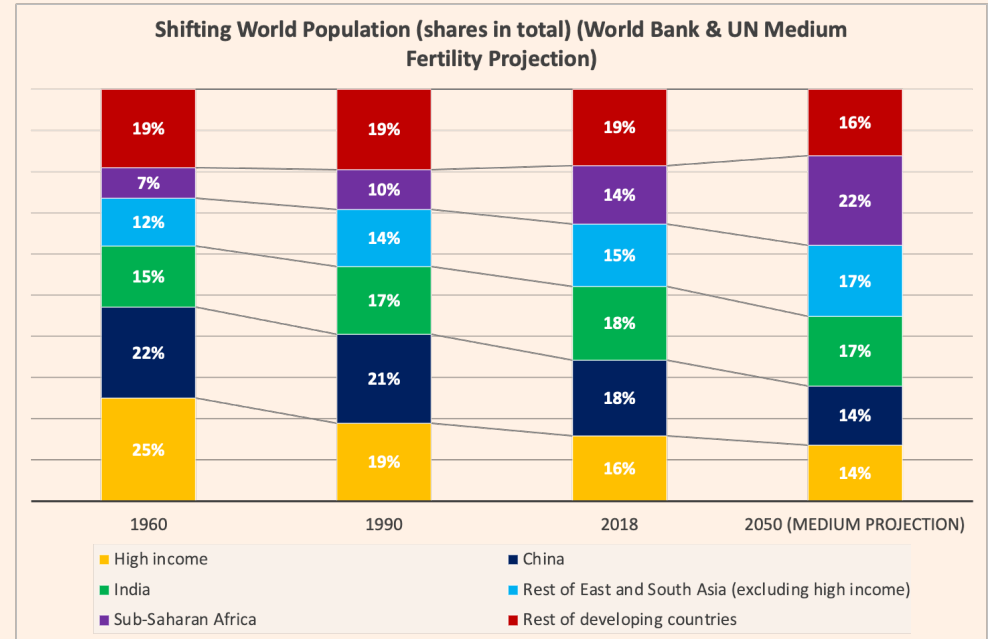
1. In 1980, few thought the Soviet empire would disappear within a decade
2. In 1990, few thought China would be a superpower by 2020
3. In 2000, few thought there would be a global financial crisis within a decade
4. In 2010, few thought a pandemic would cause the next global economic crisis
5. We live in a world of high uncertainty

2. The certain

1. Population
2. Climate
3. Technology

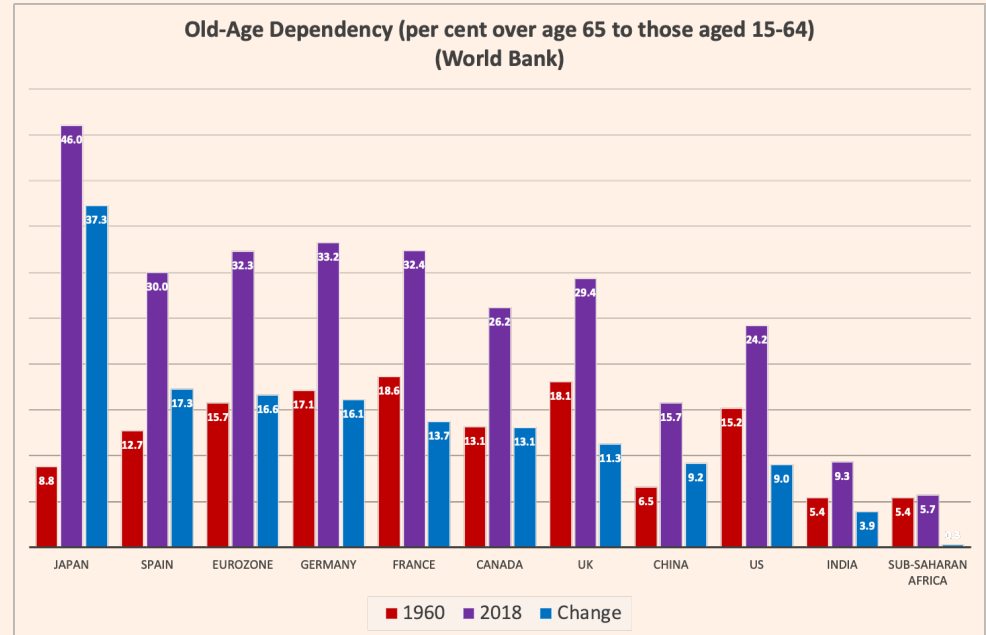
2. The certain: population shift

The population balance of the world is shifting dramatically, away from the high-income countries, especially towards Sub-Saharan Africa.



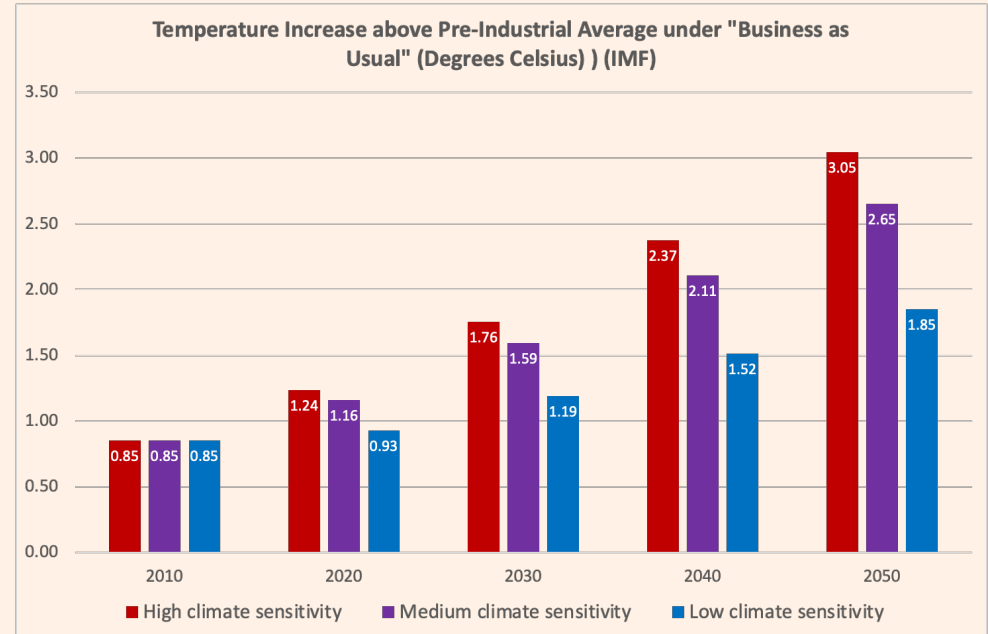
2. The certain: population ageing

The world's rich countries are old and getting older, very quickly. The same is happening to China. Sub-Saharan Africa will remain very young.



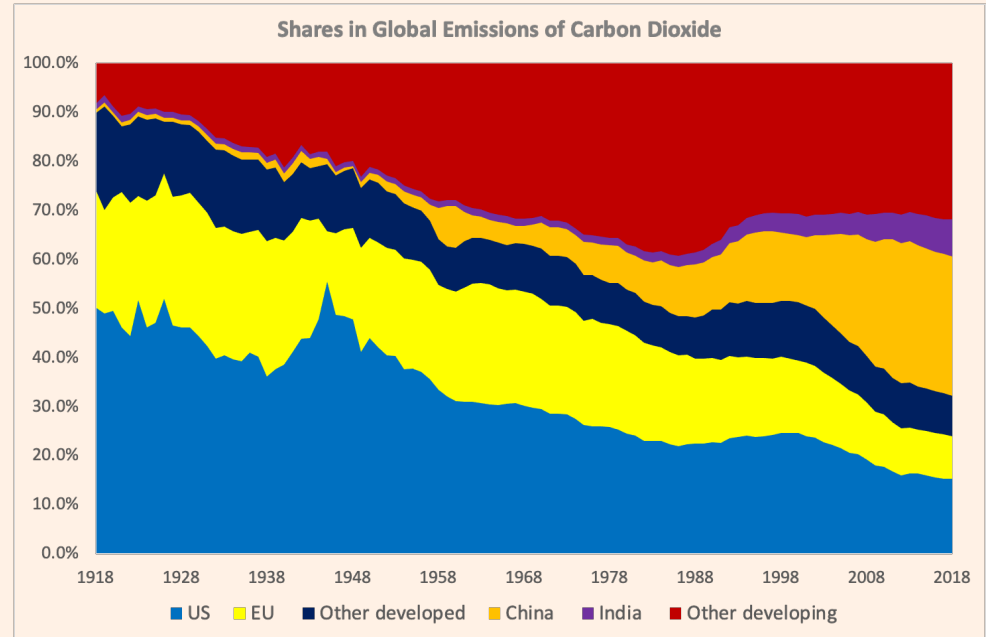
2. The certain: warming

Without a big and early transformation in the trend on emissions, warming will continue over the next decade. In all likelihood, we will pass the 1.5°C increase over the pre-industrial average in 2030 or shortly thereafter.



2. The certain: warming

Controlling emissions will require close co-operation with emerging and developing economies.



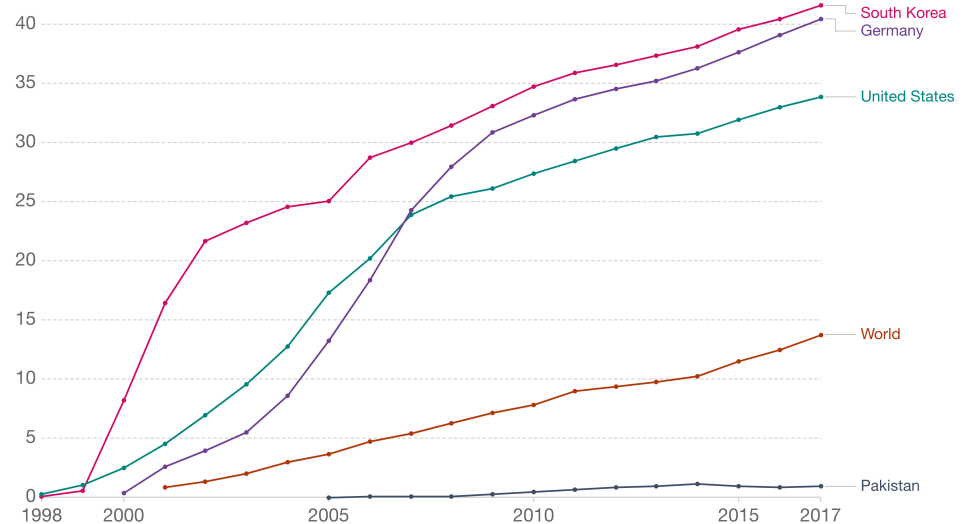
2. The certain: technology

Broadband penetration will continue to rise, transforming everything, as artificial intelligence will also improve

Broadband subscriptions per 100 people, 1998 to 2017

Broadband subscriptions refer to fixed subscriptions to high-speed access to the public Internet (a TCP/IP connection), at downstream speeds equal to, or greater than, 256 kbit/s.

Our World
in Data



Source: World Bank
Note: For more details on the definition see the sources tab.

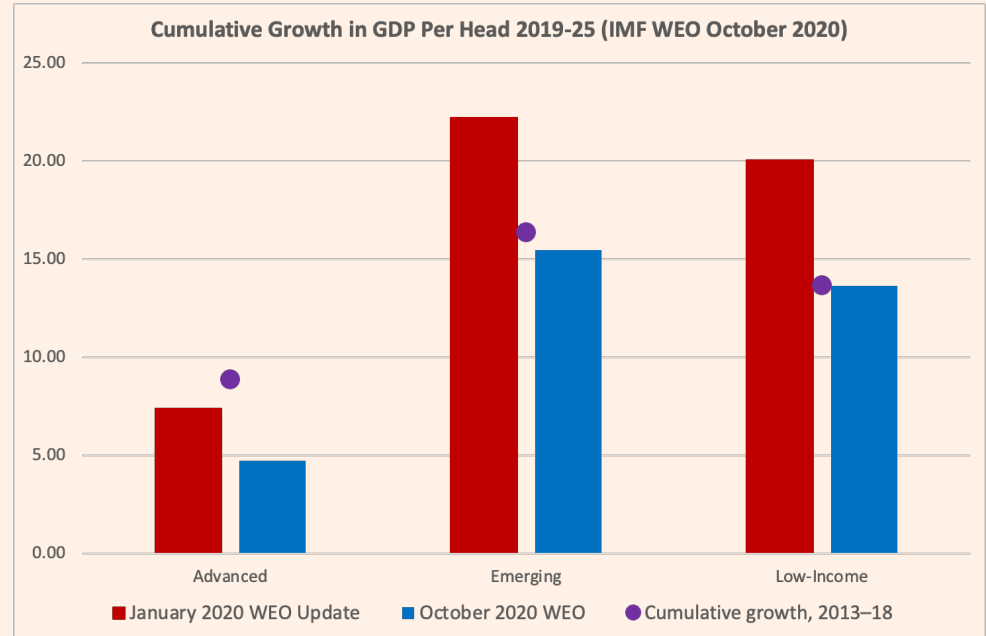
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3. The probable

1. Covid-19 hangover
2. Rising China
3. Debt overhang
4. Low interest rates
5. “Real” de-globalisation
6. “Virtual” globalisation
7. Active government

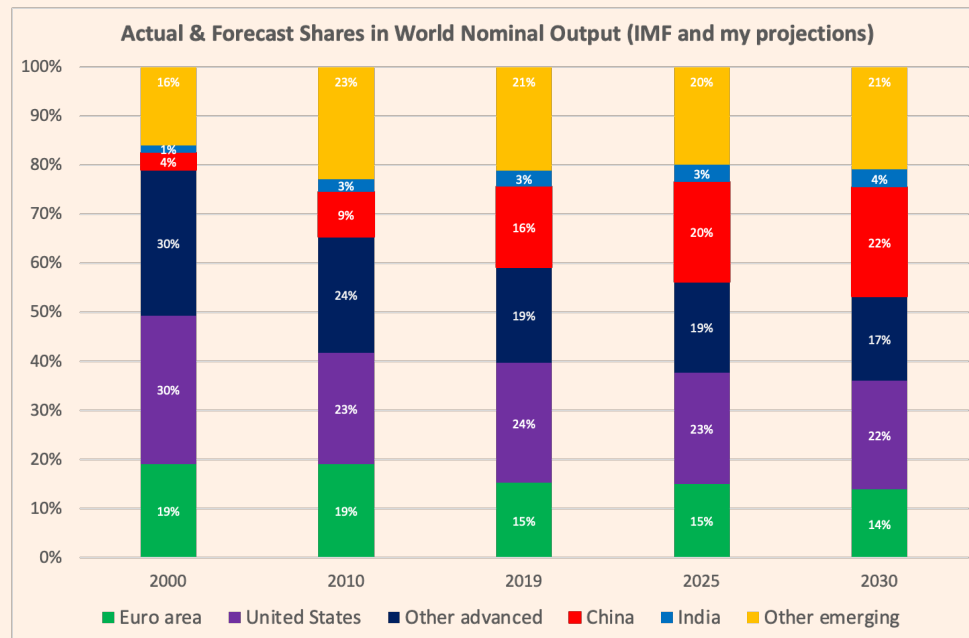
3. The probable: Covid-19 hangover

The pandemic is likely to have a long-term effect on output per head, well beyond the middle of this decade



3. The probable: China's rise

China's economy is very likely to be as large as that of the US, even at market exchange rates, by 2030, though still smaller than that of all high-income democracies together.

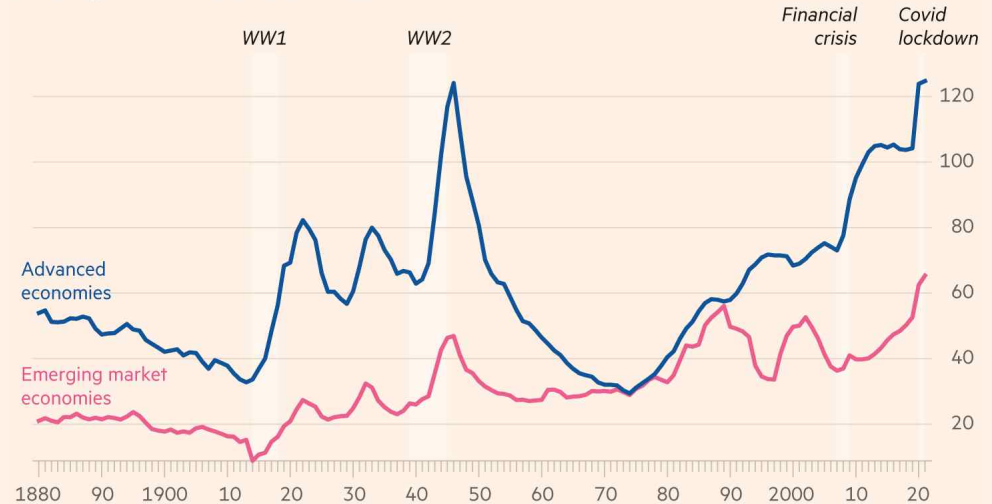


3. The probable: lasting debt overhang

Public sector debt has reached very high levels in many countries. This will last.

Sovereign debt has reached historic levels

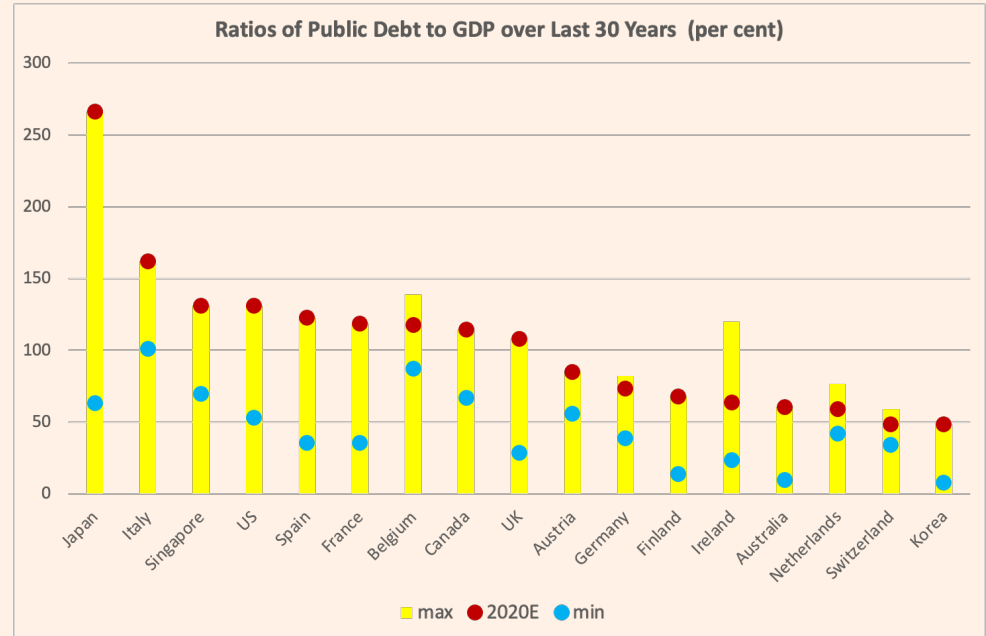
General government debt as a % of GDP



Aggregate series based on constant sample of 25 advanced and 27 emerging economies, weighted by GDP in purchasing power parity terms Source: IMF
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3. The probable: lasting debt overhang

Public sector debt has reached very high levels in many countries. This will last.



3. The probable: low interest rates

Public sector debt has reached very high levels in many countries. But real interest rates are very low.



3. The probable: low interest rates

Public sector debt has reached very high levels in many countries. This will probably last, despite the recent small uptick.

—
Hurrah! Less negative real interest rates indicate economic recovery
Inflation-linked government bond yields (%)



Source: Refinitiv
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3. The probable: de-globalisation

Trade has stopped growing faster than the world economy

The growth of trade has already fallen sharply relative to world output

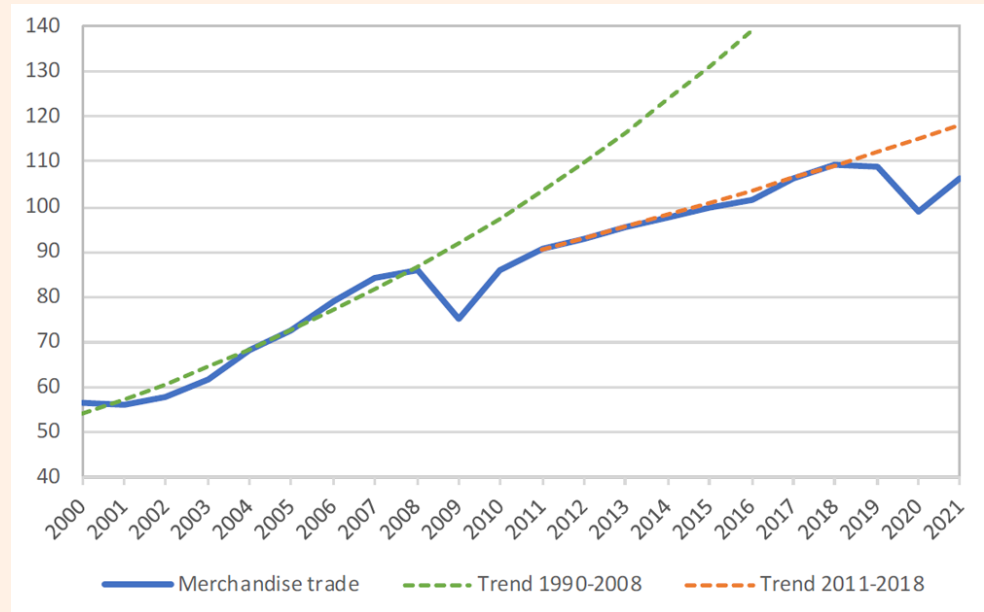
Annual % change, average over previous three years



Source: IMF
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3. The probable: de-globalisation

World trade has suffered a second huge blow.

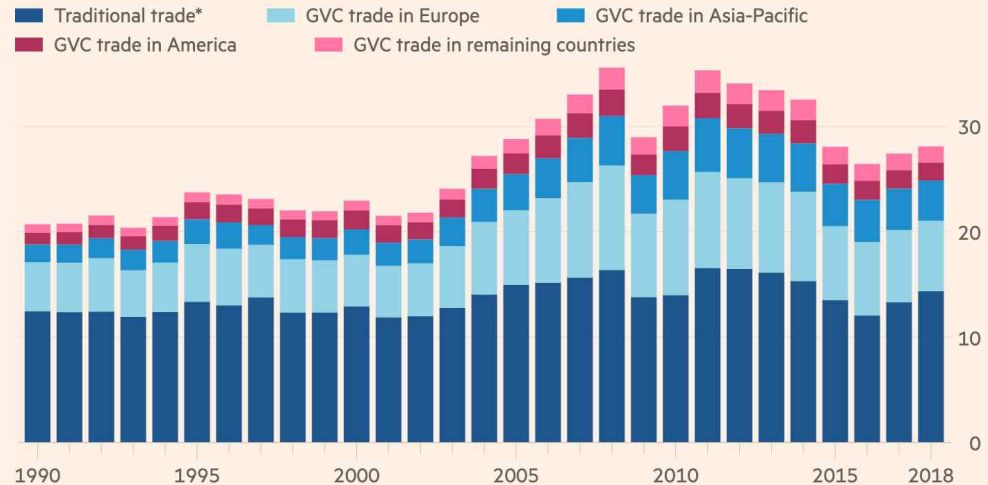


3. The probable: de-globalisation

Integration of global supply chains halted before Covid-19

The rise and fall of trade in global value chains

Trade as a % of global GDP



* Traditional trade includes products entirely produced in one country and consumed in another

Source: OECD

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3. The probable: virtual globalisation

The integration of the world via the internet is (almost) unstoppable



3. The probable: active government

- Reagan said: “The nine most terrifying words in the English language are: ‘I’m from the government and I’m here to help’.”
- Government saved us from the financial crisis
- Now governments are saving us from the pandemic
- So today Reagan’s words sound stupid, don’t they?
- The question is whether government will go away:
 - Its ability to raise more resources will probably be limited
 - But the demand for government action will be enormous
- My guess is: it won’t go away

4. The possible

1. Resurgent growth
2. Inflation upsurge
3. Mega-shocks:
 1. Floods of refugees?
 2. Wars, including nuclear wars?
 3. Mega-terrorism?
 4. Lethal cyber-attacks
 5. Further pandemics?

5. Conclusion

- Thinking ten years ahead is very hard
- Some things seem certain, bar an extraordinary turnaround: demography; climate change; technological upheaval
- Some things seem probable: Covid-19 hangover, rising China, lasting debt overhang, low interest rates, de-globalization, virtual globalization and more active governments
- Some things seem possible: resurgent growth, inflation upsurge, masses of refugees, wars, mega-terrorism, pandemics and political turmoil in the EU, US or China