The ISA Global Economic and Risk Outlook

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Agenda and Objectives

Today's Agenda

- Introduction
- The Economy Today
- The Near-Term Outlook
- A Changing Population
- Rising Political Risk
- Rapid Technological Change
- A Changing Environment
- The Long-Term Outlook
- How to Prepare For Change

Today's Objectives

- Determine the health and direction of the global economy
- Forecast the near-term and long-term outlook for the economy
- Analyze the macro trends that will impact the global economy
- Help you to prepare for the trends and developments that will transform the global economy

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Michael Weidokal

- Executive Director
  - ISA (International Strategic Analysis)
- Author
  - Latest Book: “The Coming Decline: A World Without Economic Growth”
  - Frequent articles in publications around the world
- Speaker
  - Keynote speaker in over 30 countries
  - Webinars to businesses and organizations around the world
- Coach / Trainer
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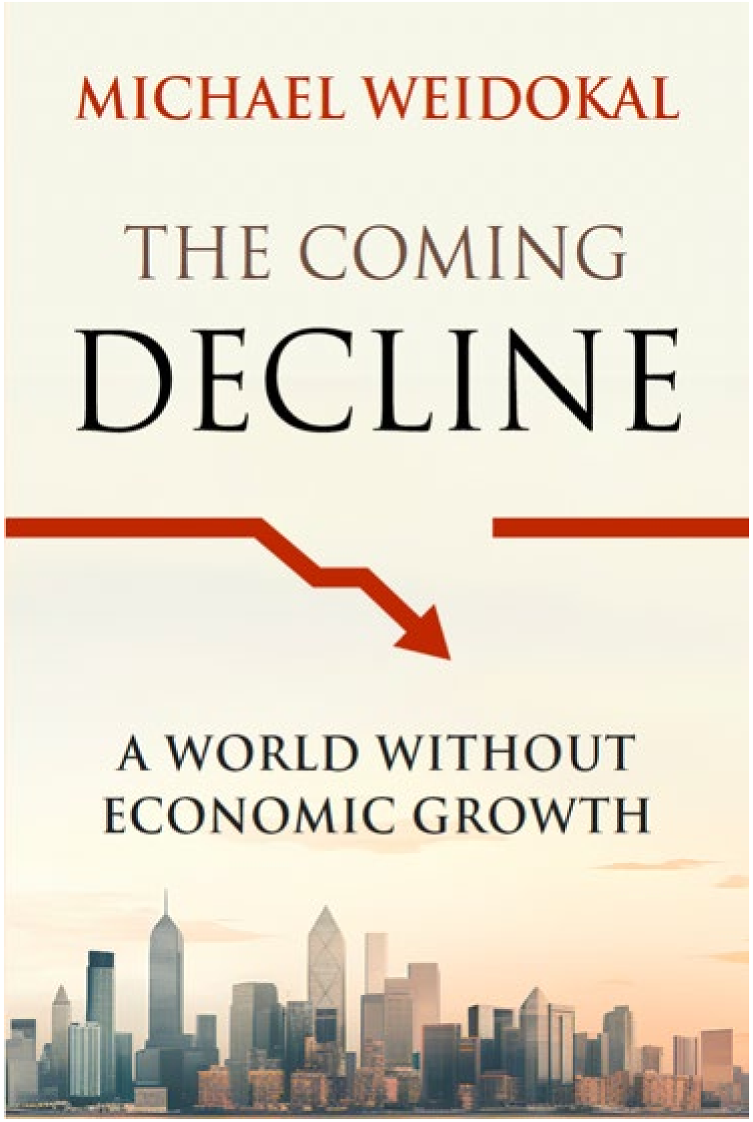
How You Can Utilize Michael Weidokal

- As a keynote speaker
- As an online speaker in a webinar
- As a coach or trainer
- On a retainer service

The New Book from Michael Weidokal:
“The Coming Decline: A World Without Economic Growth”



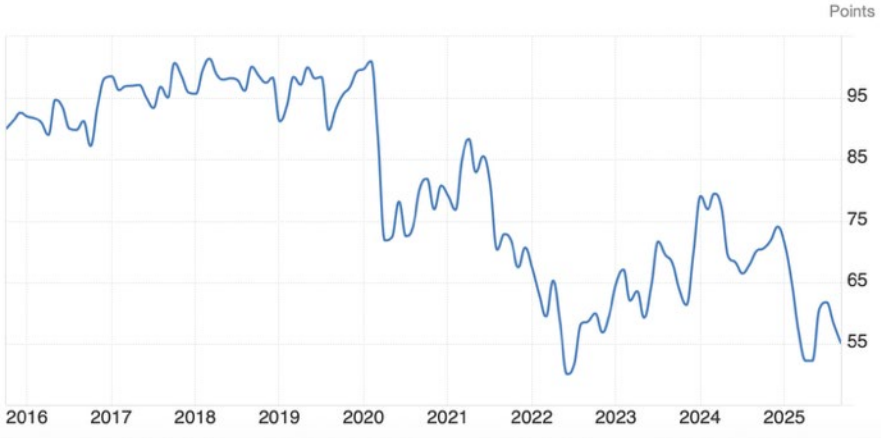
The Coming Decline

- The world is facing a future in which economic growth is no longer assured.
- Growth has been trending downwards in many of the world’s largest economies for decades.
- Our modern world is based on the premise of continued economic growth.

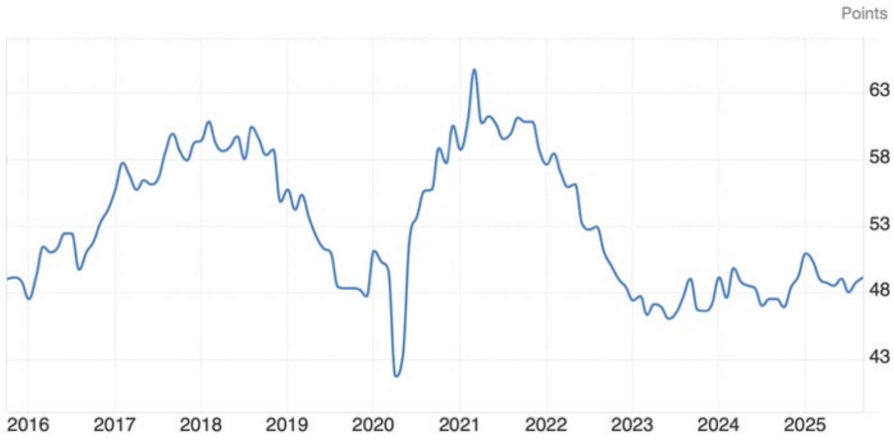
The Global Economy Today

Flagging Confidence in the Economy

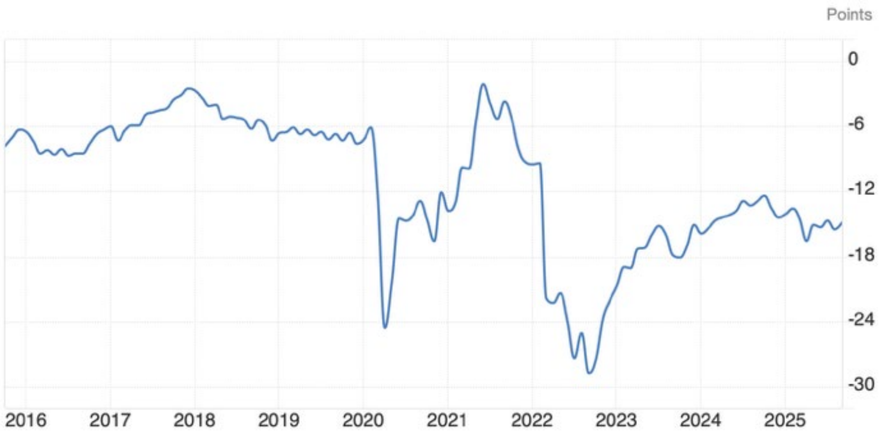
US Consumer Confidence



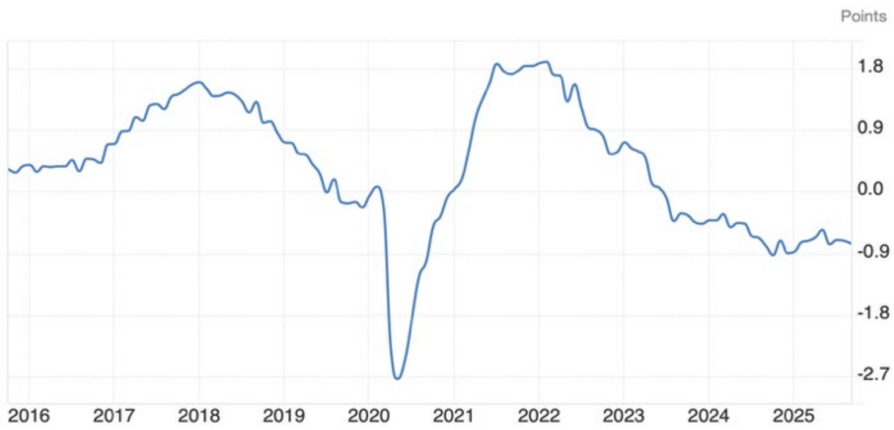
US Business Confidence



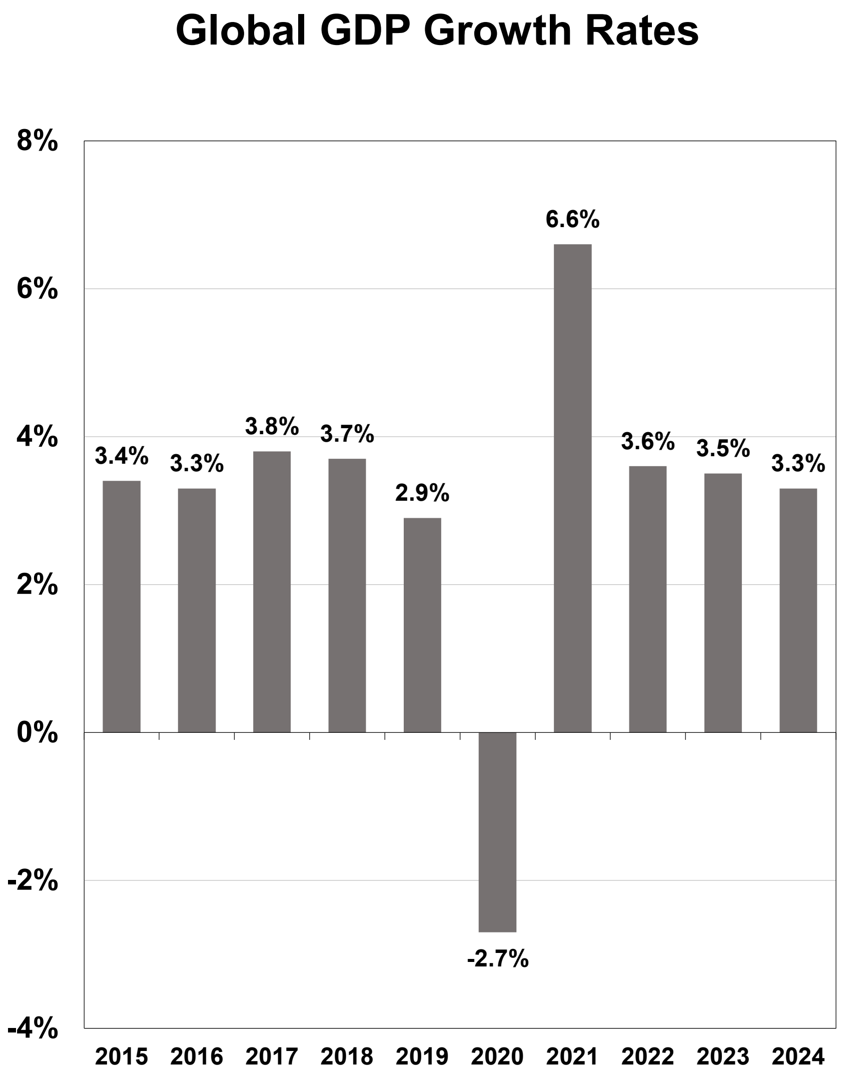
Europe Consumer Confidence



Europe Business Confidence



The State of the Global Economy



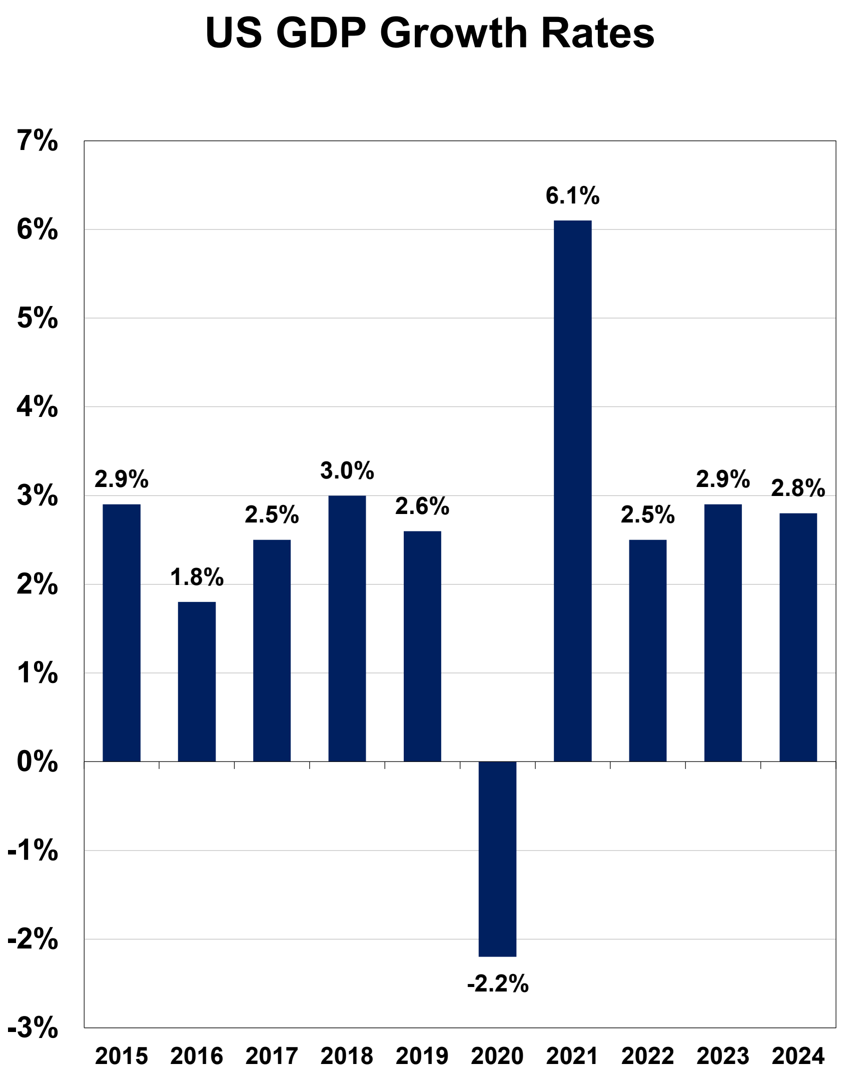
Key Points

The global economy has bounced back from the Covid-19 pandemic, but this recovery has been uneven.

Growth has been concentrated in a small number of countries, which many key economies slumping badly.

The economy managed to return to pre-Covid levels of growth in recent years.

The State of the US Economy



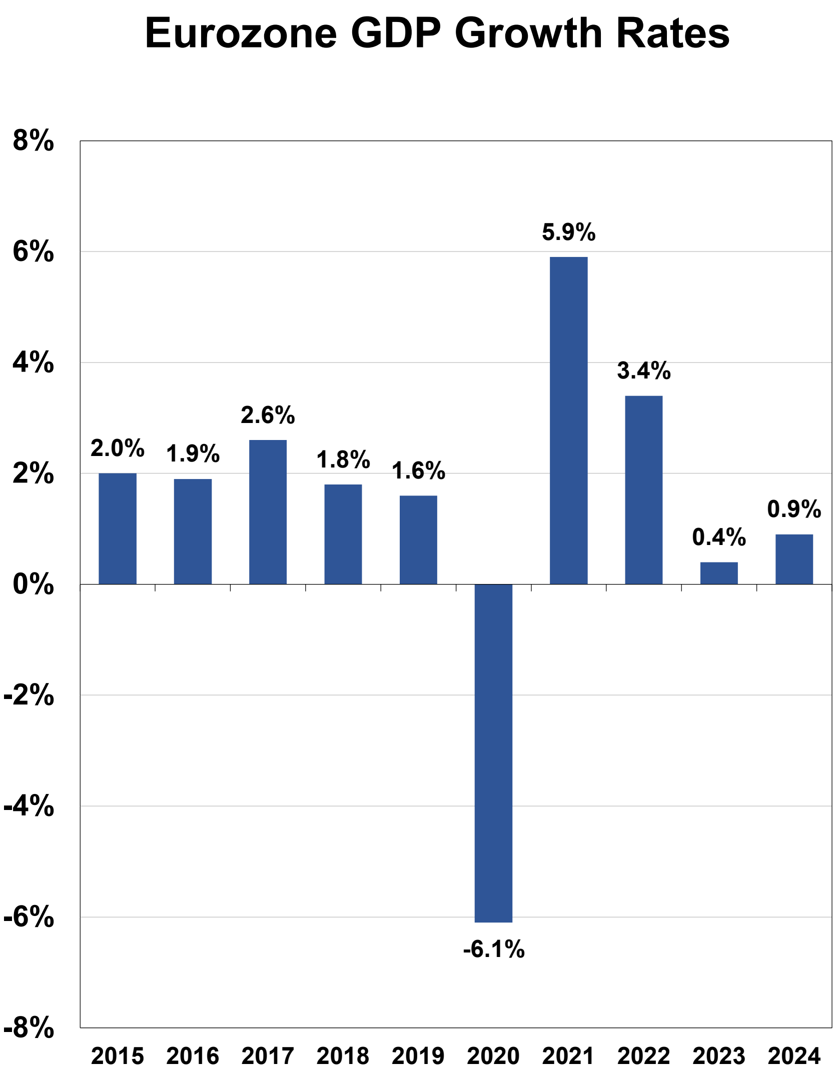
Key Points

The US economy has outperformed all other large developed economies over the past 15 years.

The US' recent growth has been driven by the US' high level of competitiveness and its high-growth sectors.

Furthermore, immigration has been a strong catalyst for growth in the US in recent years.

The State of the Eurozone Economy



Key Points

The Eurozone economy has struggled to generate much growth in recent years.

Growth in the Eurozone has been concentrated in southern and central Europe since the pandemic.

The Eurozone has suffered from a decline in competitiveness and a reliance upon slow-growth industries.

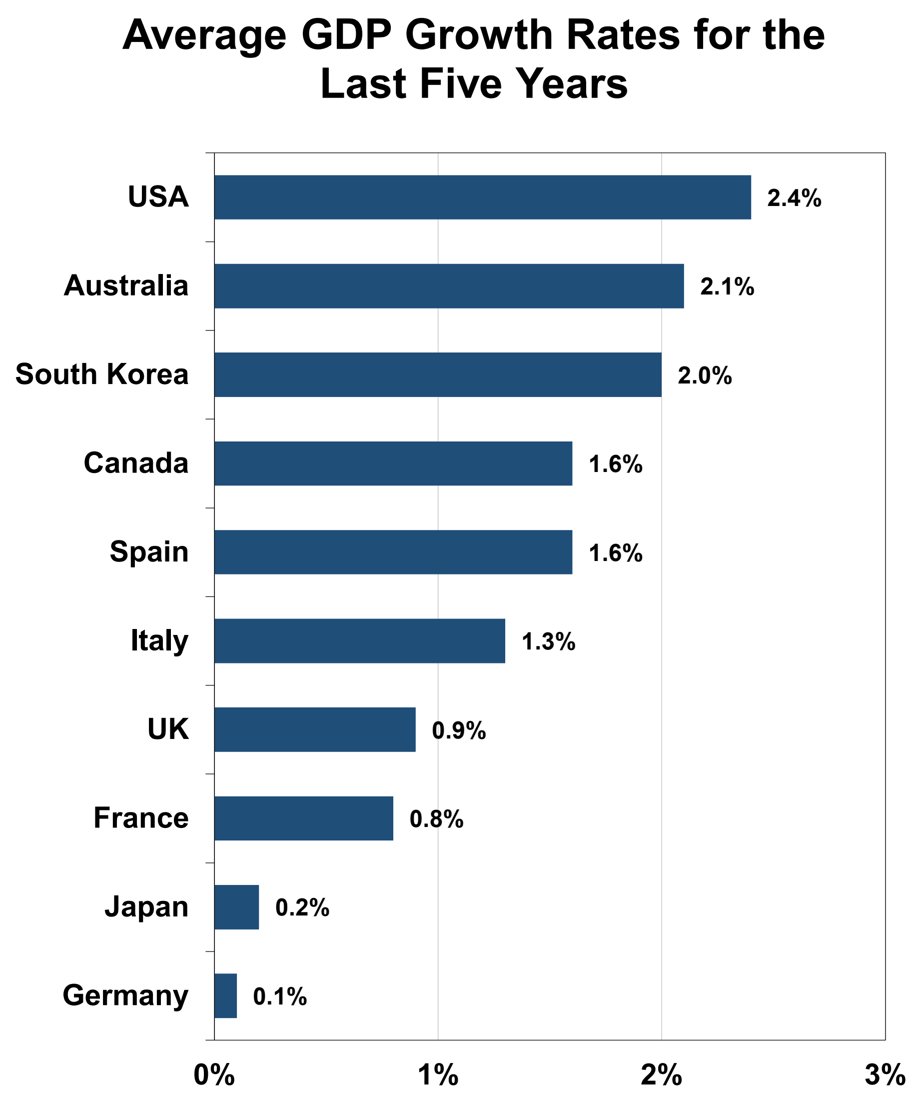
The State of Developed Economies

Key Points

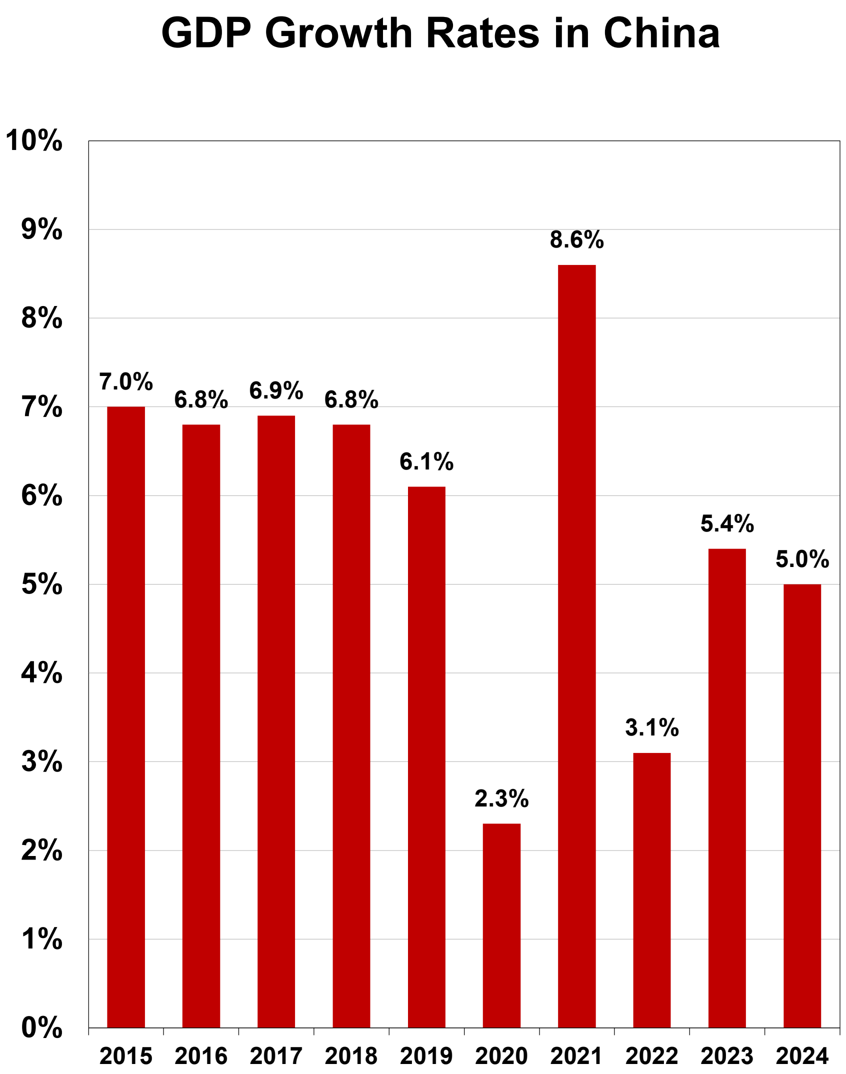
Economic growth rates in developed economies have been below those of the previous decades.

Economies with strong high-tech or commodity sectors have outperformed their peers.

Most major European economies and Japan have struggled to generate much growth over the past ten years.



The State of the Chinese Economy



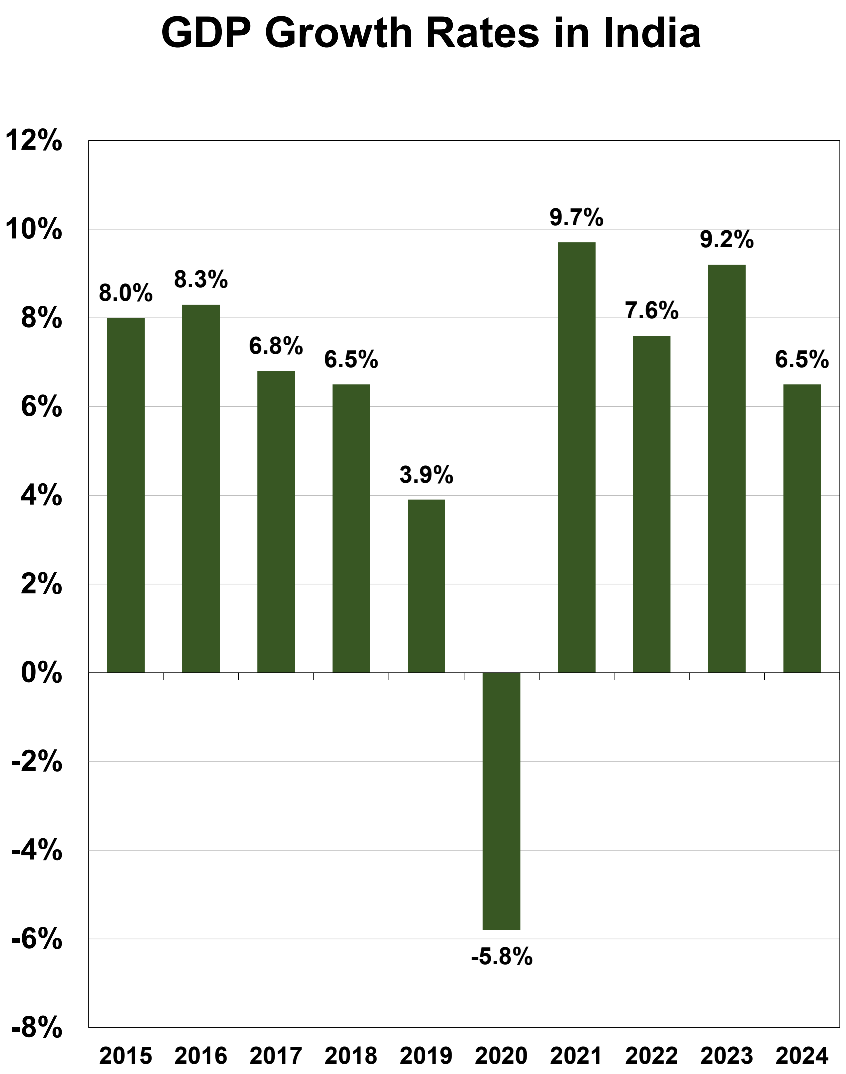
Key Points

The days of 10% economic growth (or even 7% growth) in China are over.

Economic growth in China was 5.0% in 2024, with growth being boosted by new economic stimulus measures.

Domestic market weakness, coupled with rising trade tensions, have lowered China's growth ceiling.

The State of the Indian Economy



Key Points

India's economy performed better in recent years, but has been relatively volatile.

India's economy is highly unlikely to be able to ever reach the 10% growth that China did in the past.

India's role in the global economy will continue to increase as its economy grows larger.

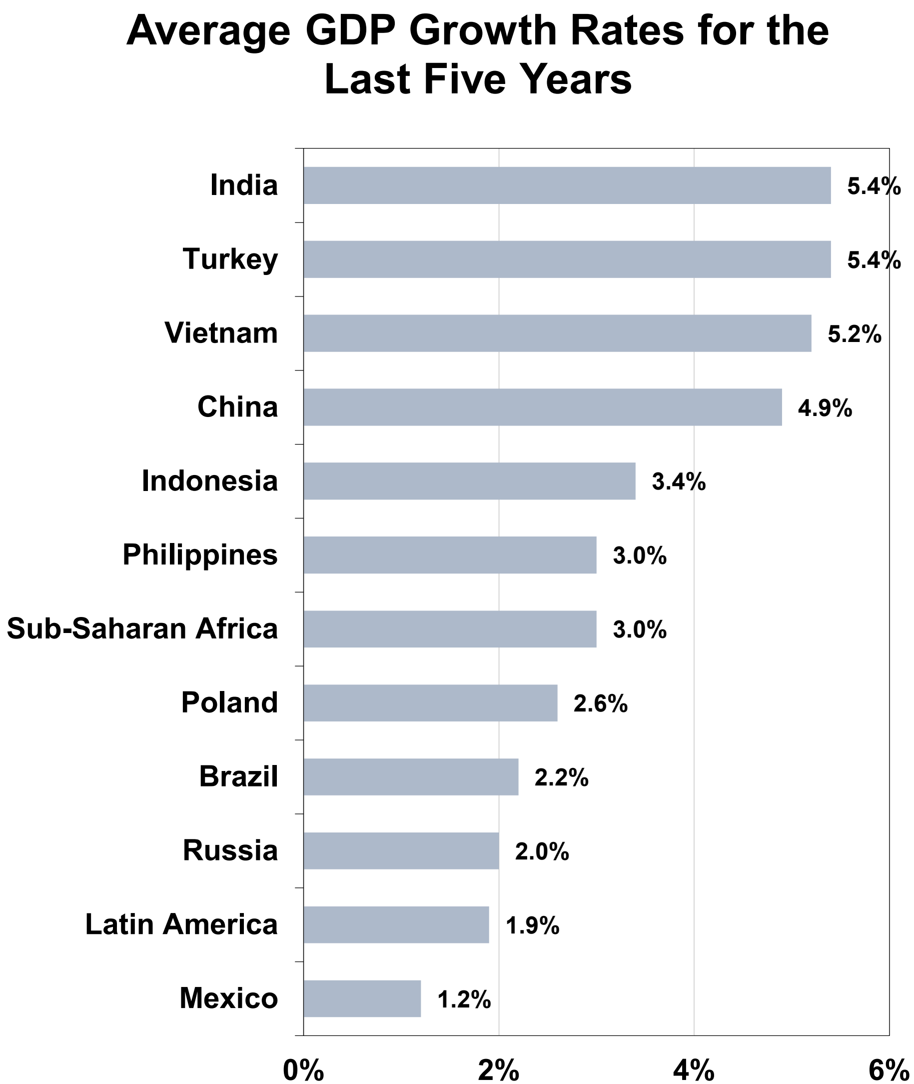
The State of Emerging Economies

Key Points

Asian emerging markets have been one of the key drivers of global economic growth in the 21st century.

Southeast Asia is home to many of the world's fastest-growing economies.

Other regions have struggled to keep up with Asia in recent years.



Where Has the Growth Come From?

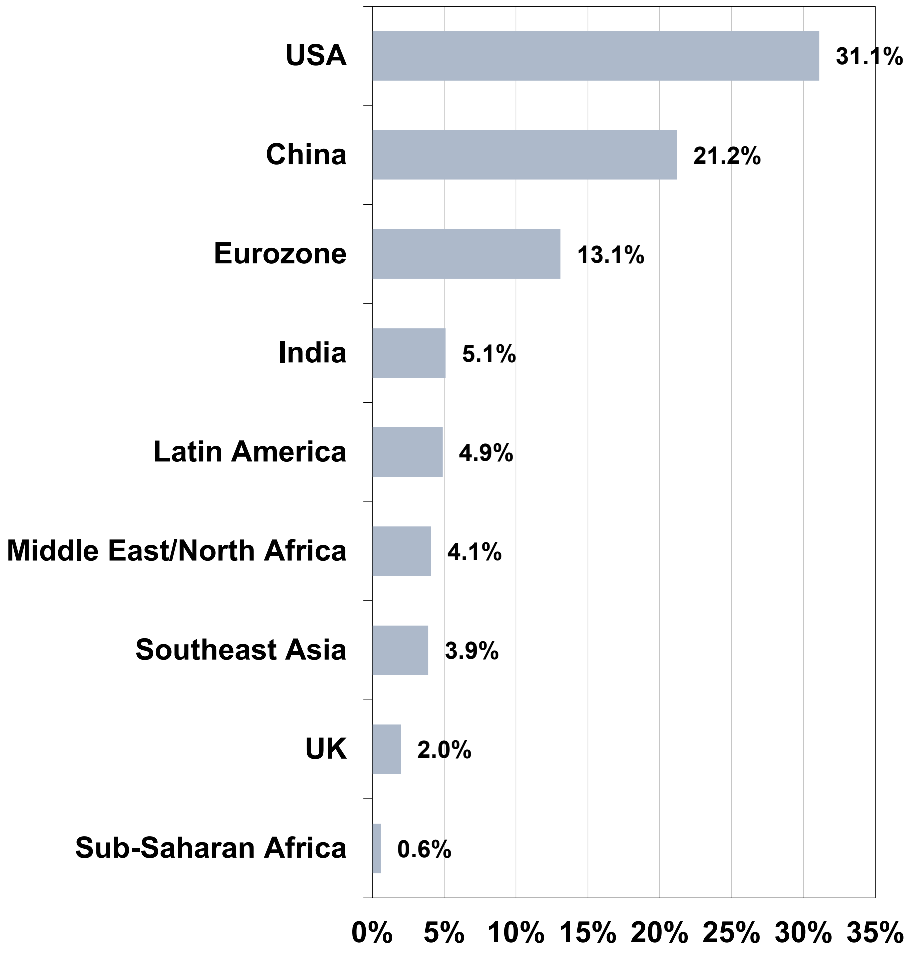
Key Points

The United States has contributed more than 30% of global economic growth over the past ten years.

Developed and emerging economies have contributed an equal amount to global growth during this period.

South Asia, Latin America, Africa and the Middle East have contributed less than 16% of global economic growth.

Contribution to Global Economic Growth Over the Past Ten Years



Where Has the Growth Come From by Sector?

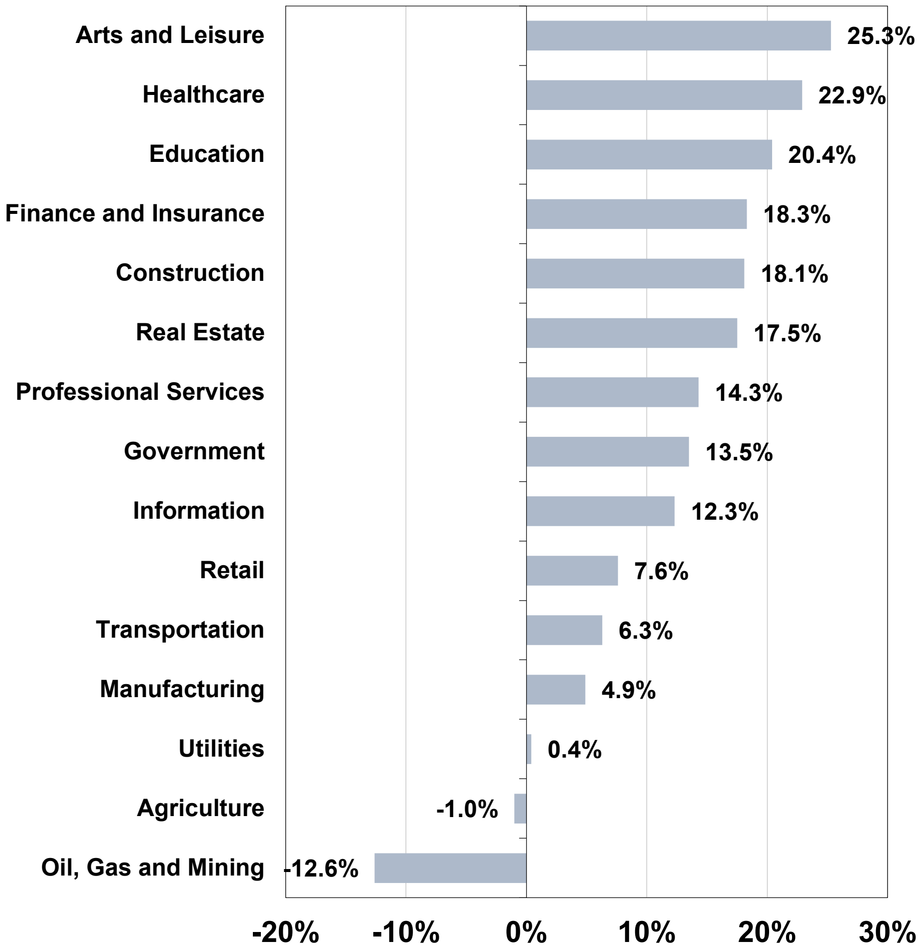
Key Points

The United States economy provides a good overview of which sectors are generating the most growth.

Service sectors have dominated growth in the United States in recent years.

Resource-based sectors of the economy have trended downwards after surging in the wake of the Covid-19 pandemic

Growth by Sector of the United States Economy Since 2022



The Second Trump Administration

Domestic Policy Changes

- Shrinking the Federal Government
- Efforts to take control of the Fed
- Deportation of undocumented migrants
- Deployment of the National Guard

Foreign Policy Changes

- A very active foreign policy, including efforts to end a series of conflicts
- Support for Israel and its Middle East wars
- Calls for the Annexation of Greenland and the Panama Canal (and Canada)

Environmental Policy Changes

- Withdrawal of the US from the Paris Agreement on climate change
- Opening of federal lands for exploitation
- A reduction in support for the development of renewable energy

Trade Policy Changes

- Tariffs on nearly all of the United States' leading trading partners
- A deliberate weakening of the US dollar
- A focus on attracting more foreign investment to the United States

Trump’s Tariffs

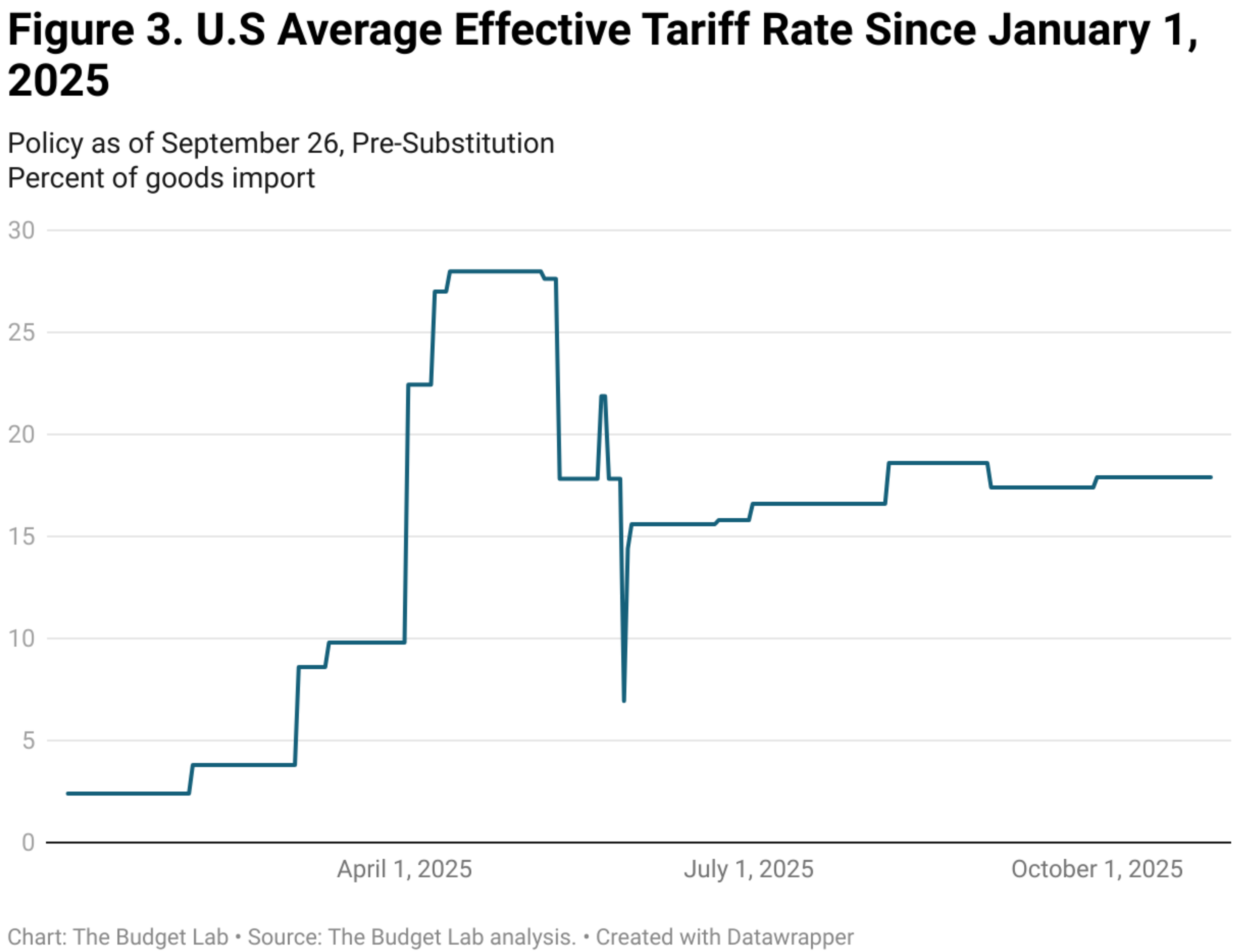
Key Points

The Trump Administration has imposed tariffs on a range of countries and industries.

The lack of clarity and consistency on trade policy weakened business and investor confidence

These moves will accelerate the end of full-scale globalization and the trend towards regionalization.

Trump's Tariffs



Trump's Tariffs

Key Points

The Trump Administration has imposed tariffs on imports most of the US' trading partners, most notably China.

The Trump Administration has also imposed tariffs on steel, aluminum and automotive imports.

These tariffs have led to retaliatory tariffs against US imports in some of these markets.

Why Use Tariffs?

Decoupling: Shift supply chains and reduce reliance on certain countries

Potential impacts
High, persistent

Countries: China

Industries:
Tech, energy, industrial materials, pharma, biotech, aircraft

Rebalancing: Reduce trade deficits and boost domestic production

Potential impacts
Medium, persistent, mixed

Countries: China, EU, Japan, South Korea, Vietnam, India, Mexico, Canada, Brazil

Industries:
Autos, steel, aluminum, agriculture, food, chemicals, consumer electronics, pharma, luxury, defense, energy, oil

Negotiating: Use economic pressure to achieve policy outcomes

Potential impacts
Low, temporary

Countries: China, Mexico, Canada, EU, Japan, Latin America

Industries:
Autos, steel, agriculture, consumer electronics, construction machinery, minerals, defense, energy, semiconductor equipment

Funding: Generate revenue to fund budget priorities

Potential impacts
High, persistent

Countries: May be a broadly applied universal tariff

Industries:
Consumer goods, autos, industrials; price effects and margin pressure across industries

Fears of a Global Trade War

Key Points

There are fears that the Trump Administration's recent tariffs could spark a global trade war.

The US market had been a key driver of economic growth for many of the world's leading economies.

The main fear is that countries will be more aggressive in seeking to boost exports to non-US markets.

Key Data

Geopolitical Risk

Key Geopolitical Flashpoints

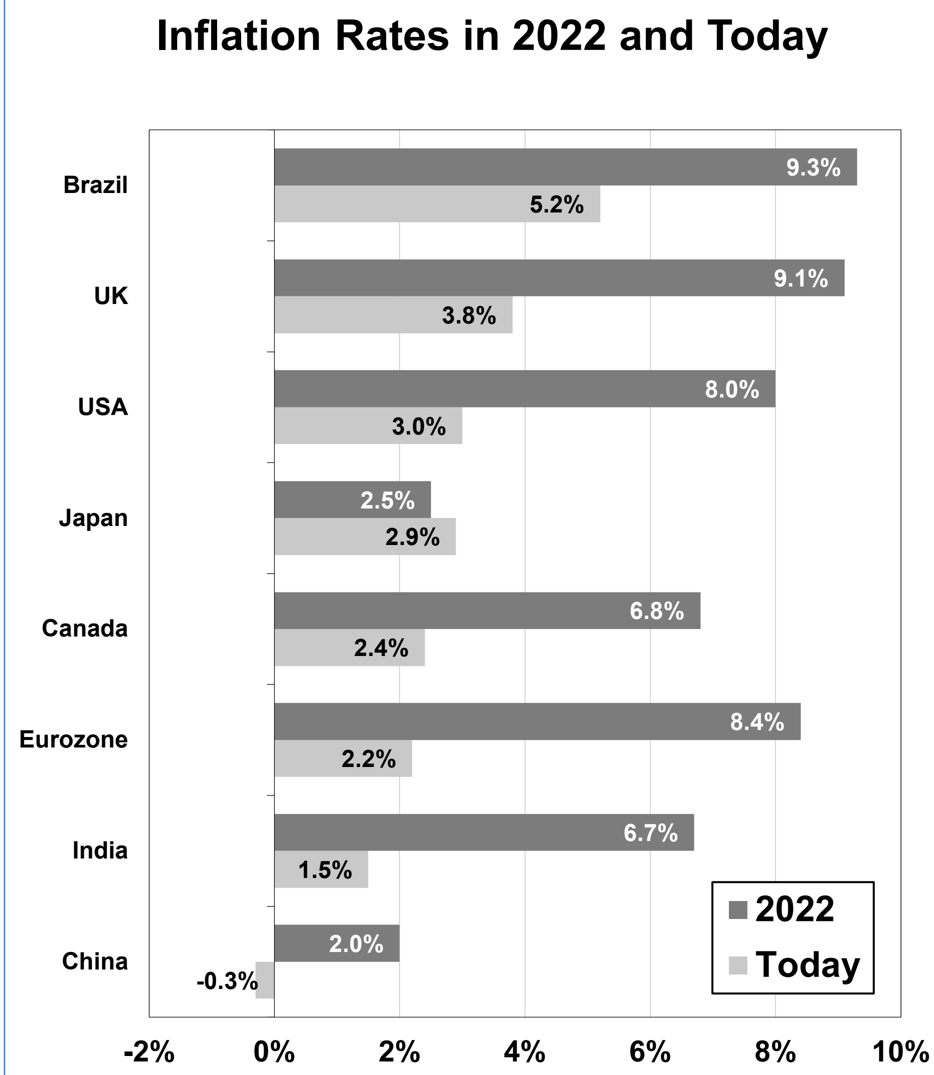
The Threat of Lingering Inflation

Key Points

Inflation rates have receded from their highs that followed the Covid-19 pandemic.

Food and real estate costs have remained relatively-high, keeping living costs too high for comfort.

Deflationary pressures are in place in China and could return in some European economies.



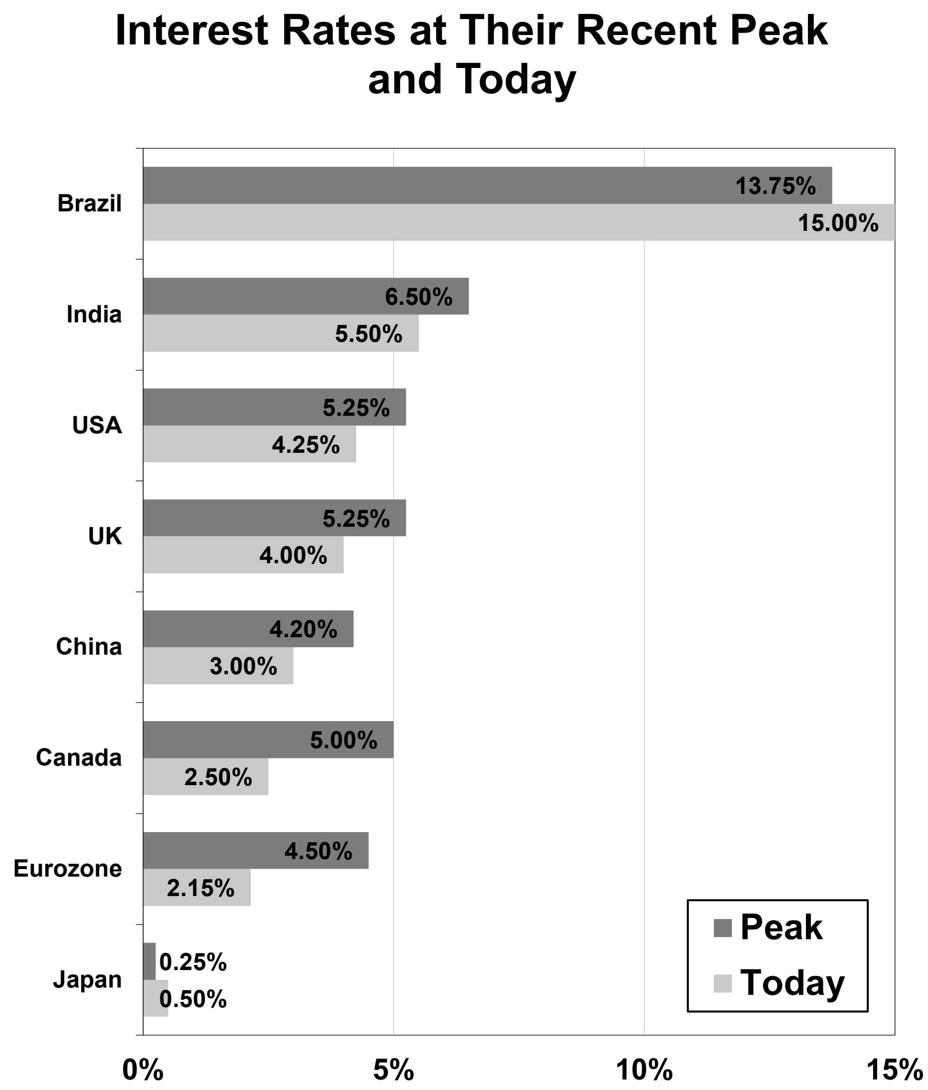
Interest Rates

Key Points

Central bank in most key economies to cut interest rates in 2024.

However, lingering inflationary pressures have slowed the pace of interest rate cuts in 2025.

A new cycle of interest rate cuts began of late, despite inflation remaining above most central banks' targets



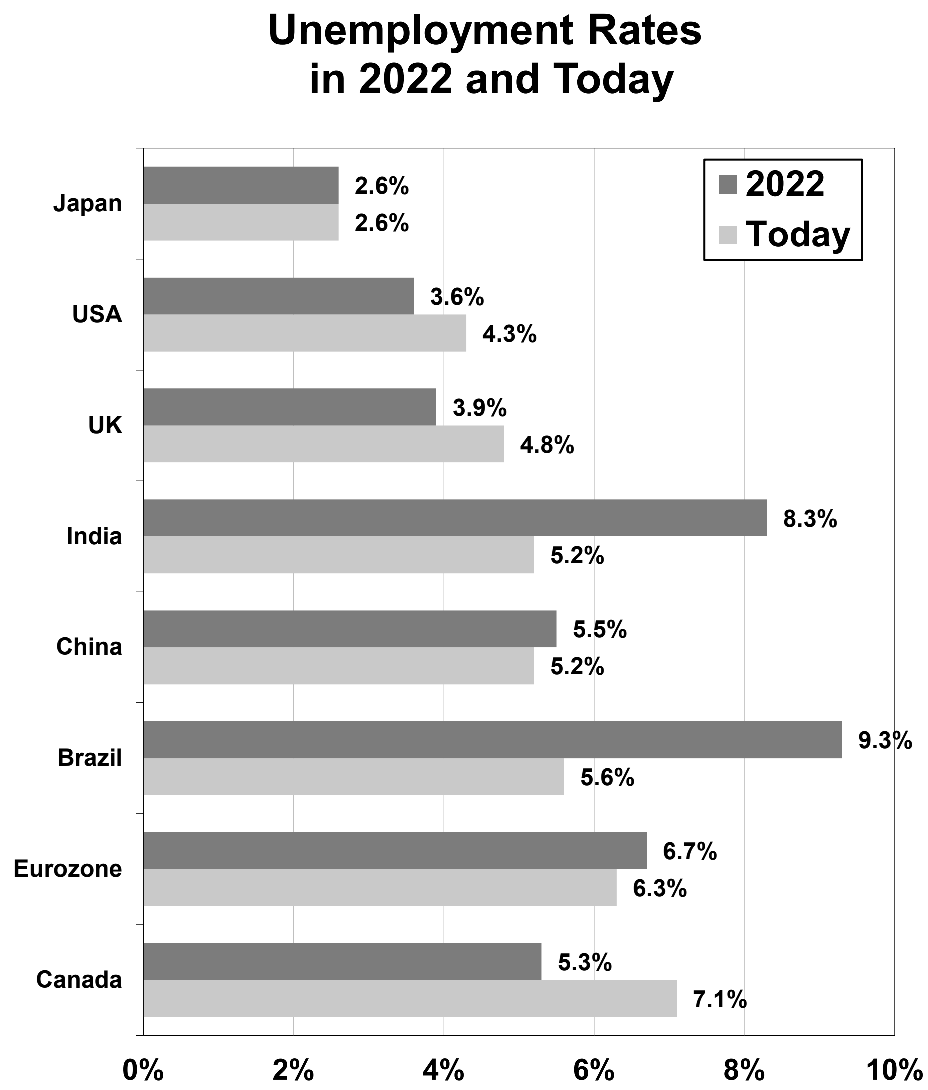
Labor Shortages Persist

Key Points

Labor shortages remain a leading constraint on growth for many leading economies and industries.

Job creation levels have weakened in most major economies in recent months.

Working-age populations are stagnant or are declining in many of the world's leading economies.



Summary of the Recent Past

Key Points	Details
Uneven Global Recovery	**There have been a few star performers amid many struggling countries and industries.**
Trade Concerns	**The recent tariffs from the Trump Administration have raised fears of a global trade war.**
Inflation/Deflation Concerns	**Despite the sharp fall in inflation, cost-of-living concerns remain high.**

The Near-Term Outlook for the Global Economy

Key Near-Term Economic Factors

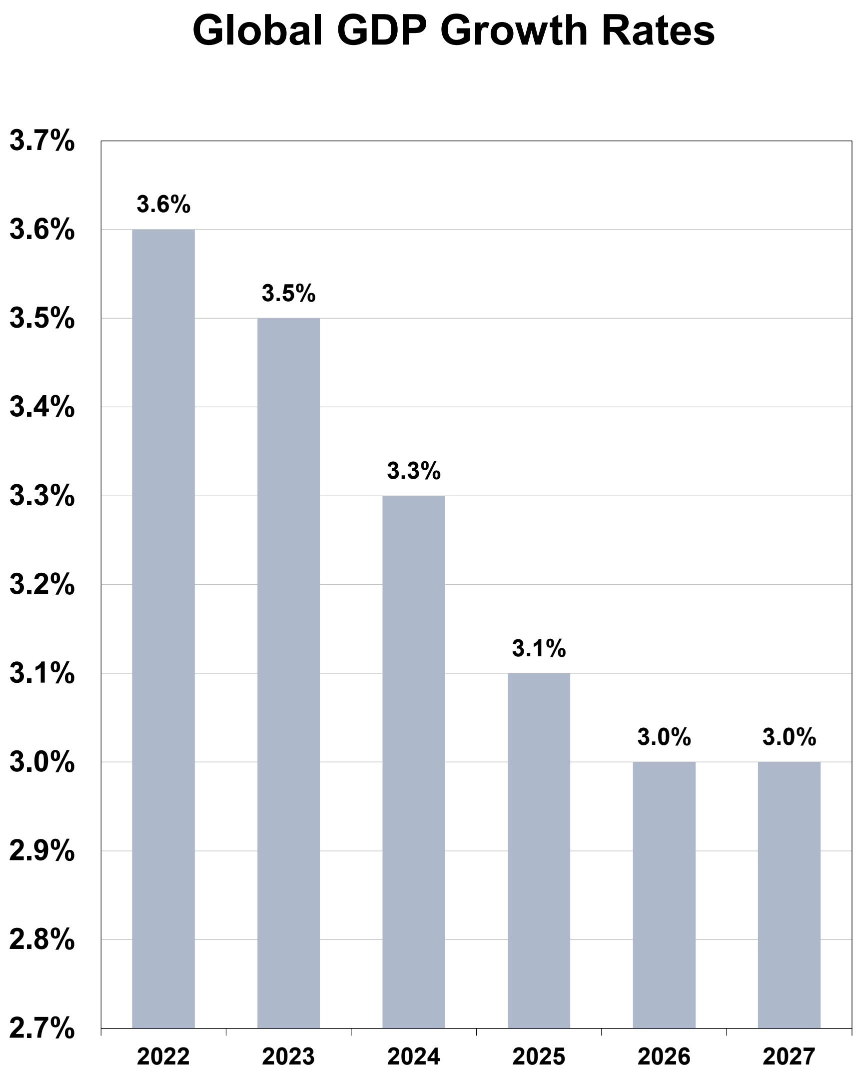
Key Points

Inflation rates are likely to remain sticky over the near-term, but deflation will be a risk for some economies.

Interest rate cuts will be on hold until inflation rates fall to more manageable levels.

Labor shortages will persist amid massive demographic and technological changes to the workforce.

The Near-Term Outlook for the Global Economy



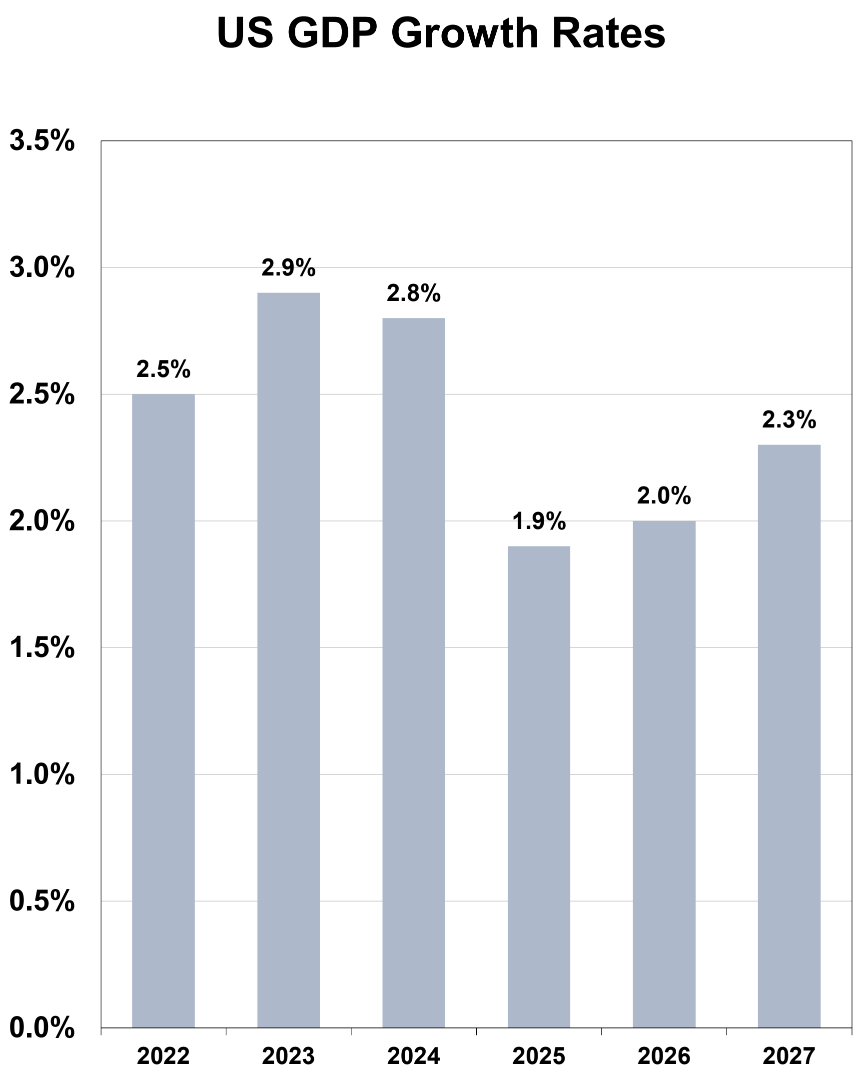
Key Points

Global economic growth is expected to slow over the near-term, due largely to trade uncertainty.

Fears of a global trade war have dampened expectations for the global economy over the near-term.

The potential for a larger-than-expected slowdown will remain in place over the near-term.

The Near-Term Outlook for the US Economy



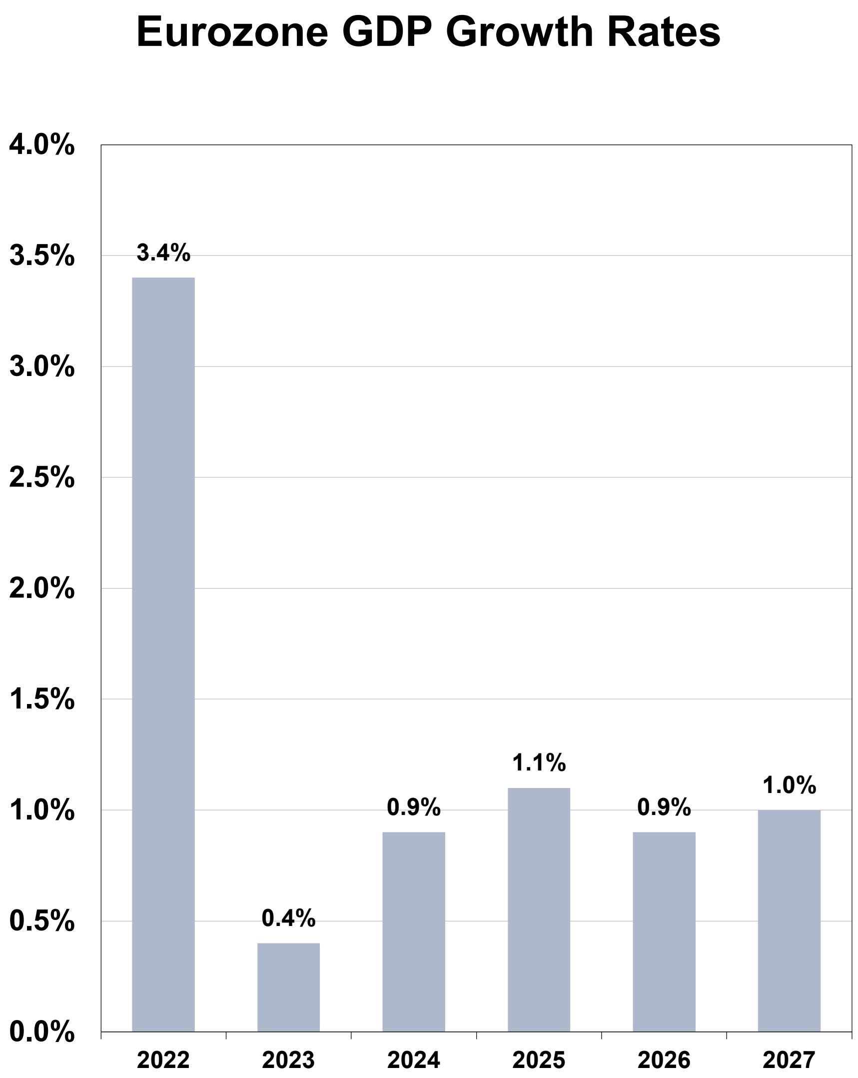
Key Points

Economic growth is expected to slow over the near-term due to falling confidence levels.

The threat of a recession over the near-term has risen due to this uncertainty and falling confidence levels.

A relatively-high level of economic competitiveness will remain in place in the United States.

The Near-Term Outlook for the Eurozone Economy



Key Points

Economic growth in the Eurozone will remain sluggish over the near-term.

Germany and France will both struggle to generate significant growth over the near-term.

Smaller Eurozone economies, and some southern economies, will drive much of the Eurozone's near-term growth.

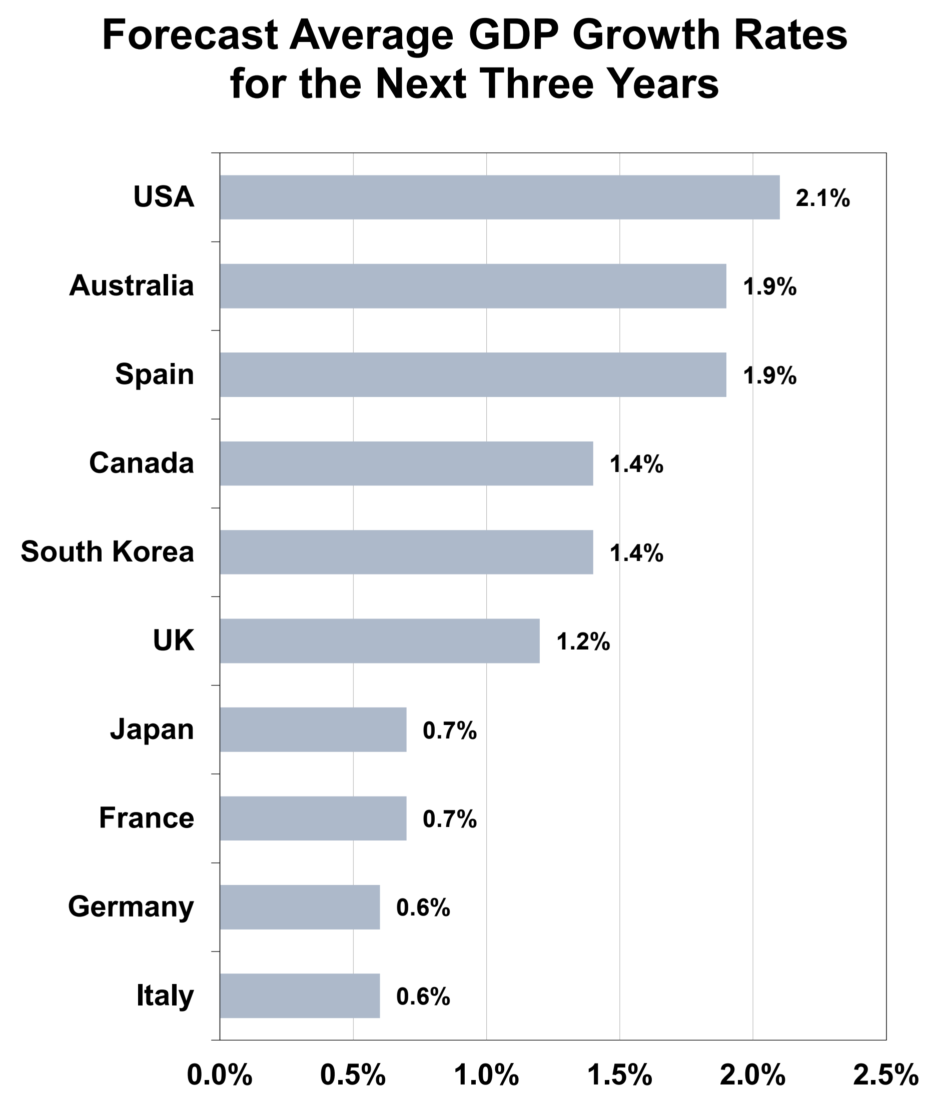
The Near-Term Outlook for Developed Economies

Key Points

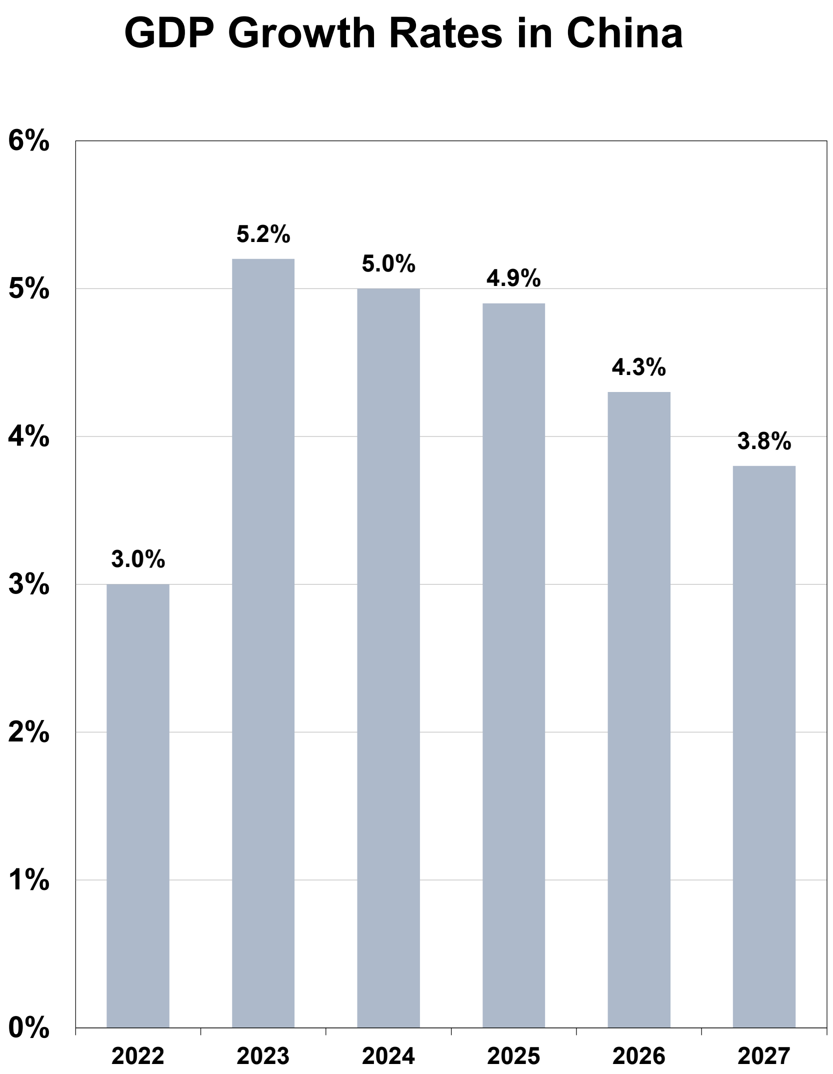
Near-term economic forecasts call for relatively slow growth for all major developed economies.

A large presence in high-growth sectors of the economy will remain key to the success of many leading economies.

A lack of competitiveness will continue to hold down growth in many developed economies.



The Near-Term Outlook for the Chinese Economy



Key Points

Economic growth rates in China are forecast to trend slowly downwards.

Growth will fall below 4% per year in the coming years.

Domestic market weakness will lead to a greater push for export competitiveness.

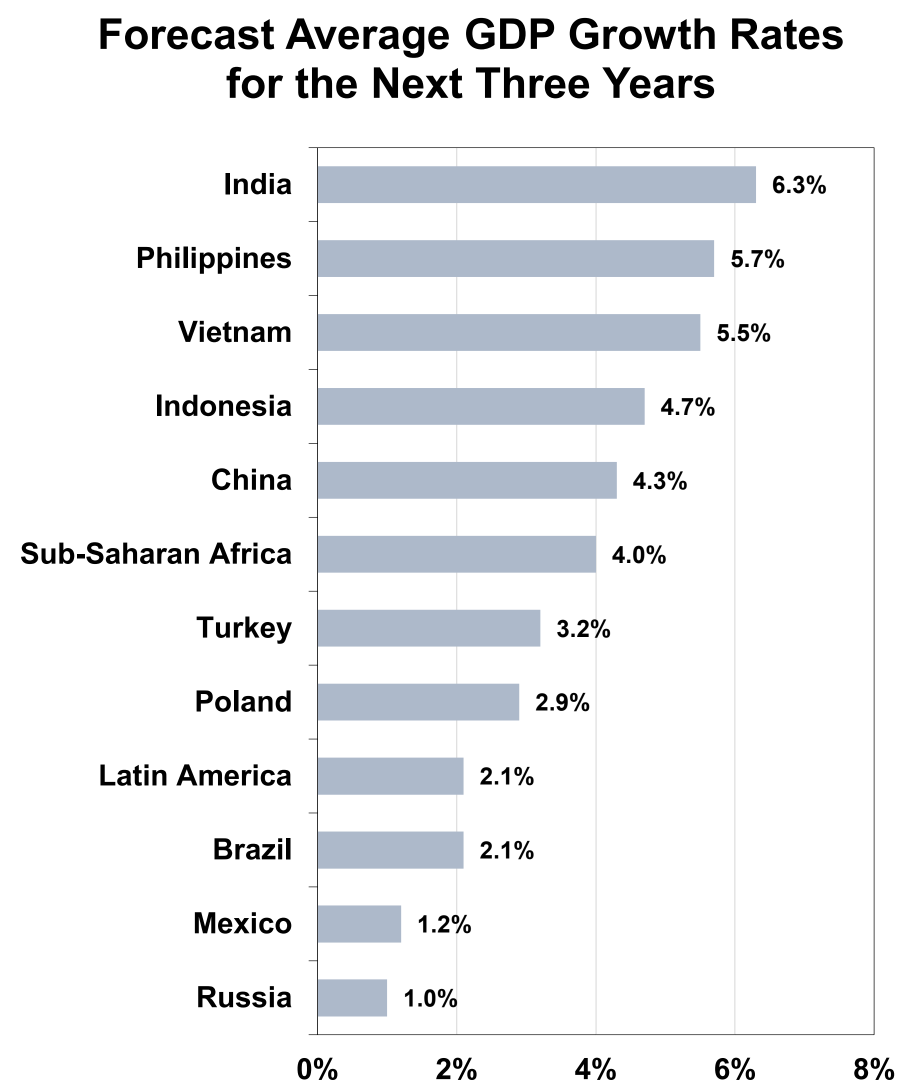
The Near-Term Outlook for Emerging Economies

Key Points

Asian emerging markets will remain the fastest-growing economies in the world.

Indian growth will remain above 6% per year, but China's growth will fall around 4% per year.

Sub-Saharan Africa and Latin America will both record higher growth rates than in previous years.



Near-Term Growth Come From by Sector

Key Points

Technology is leading to the creation of a range of new industries that are driving global economic growth.

Some traditional industries, such as energy and healthcare, will continue to play a major role.

Investing in these growth industries is the key to success for a country or a business.

Near-Term Growth Sectors

- **Artificial Intelligence**
- **Quantum Computing**
- **E-Commerce**
- **Healthcare and Medicine**
- **Energy**
- **Defense**
- **Automation and Robotics**
- **Infrastructure**

Near-Term Growth Come From by Country/Region

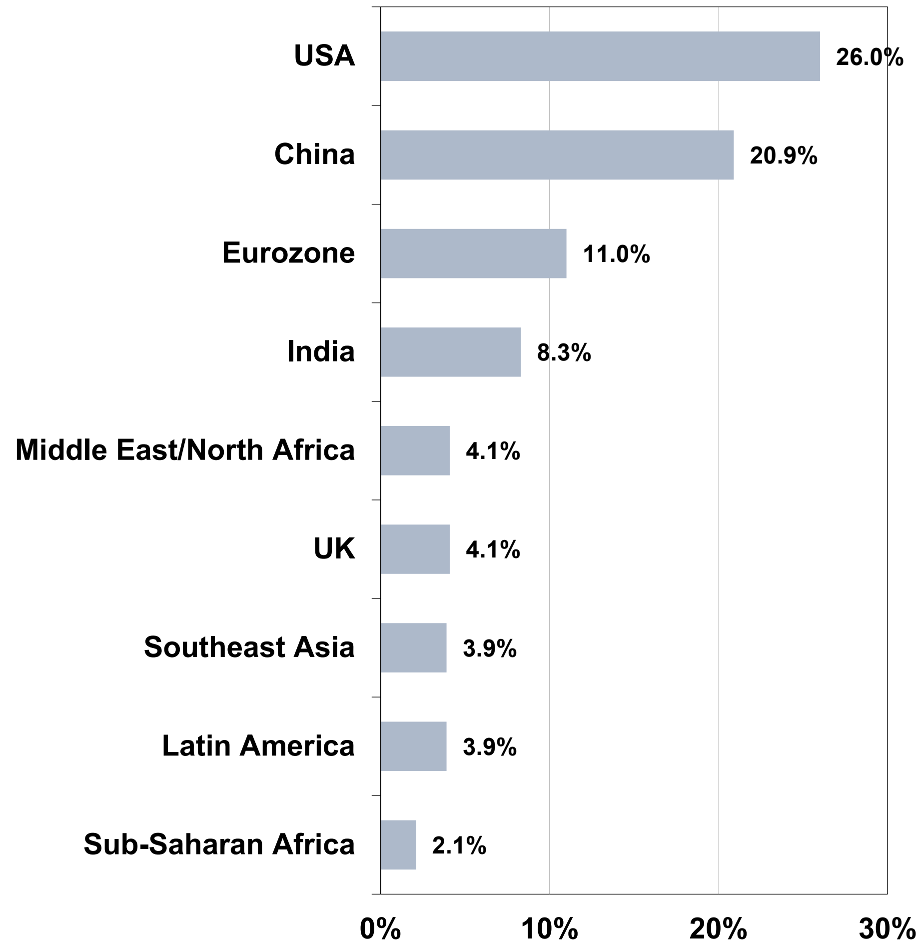
Key Points

The United States' contribution to near-term economic growth will fall due to the impact of recent tariffs.

Asian emerging markets will account for nearly 40% of additional global economic output during this period.

Some regions, such as Africa, will slowly generate a greater share of global economic growth.

Contribution to Global Economic Growth Over the Next Three Years



Geopolitical Risk

Key Geopolitical Flashpoints Over the Next Three Years

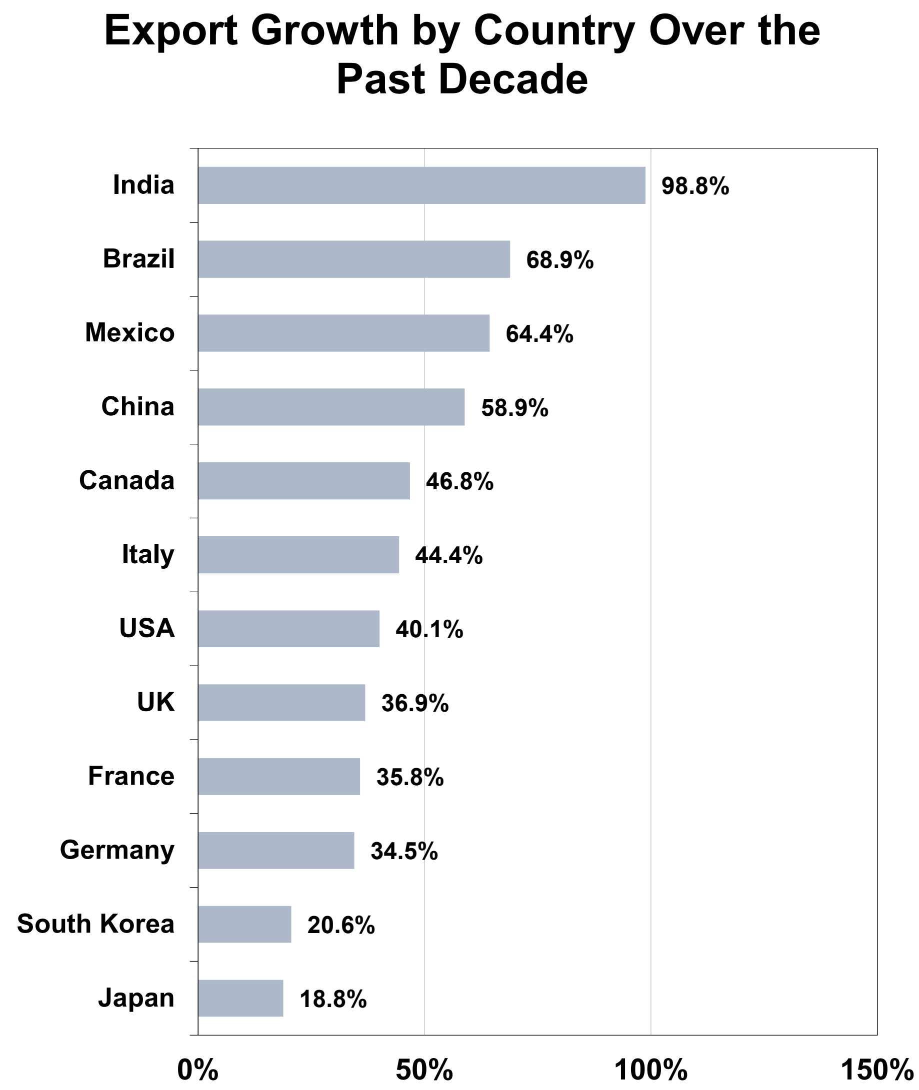
The Near-Term Outlook for Global Trade

Key Points

There is a great deal of uncertainty at the moment due to fears of a global trade war.

US tariffs could disrupt not only US-based trade, but other major trading relationships as well.

The United States' recent economic success has been driven by the strength of its domestic market.



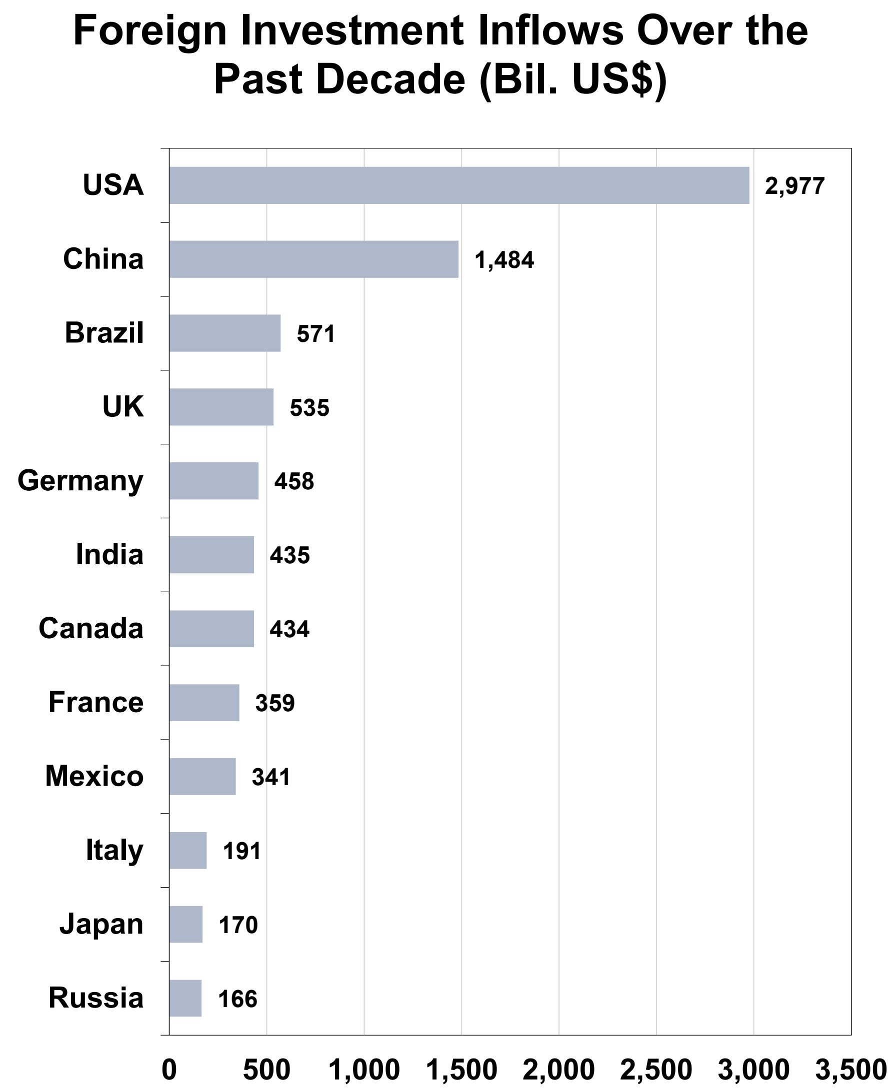
The Near-Term Outlook for Foreign Investment

Key Points

The US and China will remain the leading recipients of foreign investment, but FDI in China has fallen.

Protectionism will drive foreign investment to those countries with sizeable domestic markets.

A large share of foreign investment will also continue to go to smaller, specialized economic hubs.



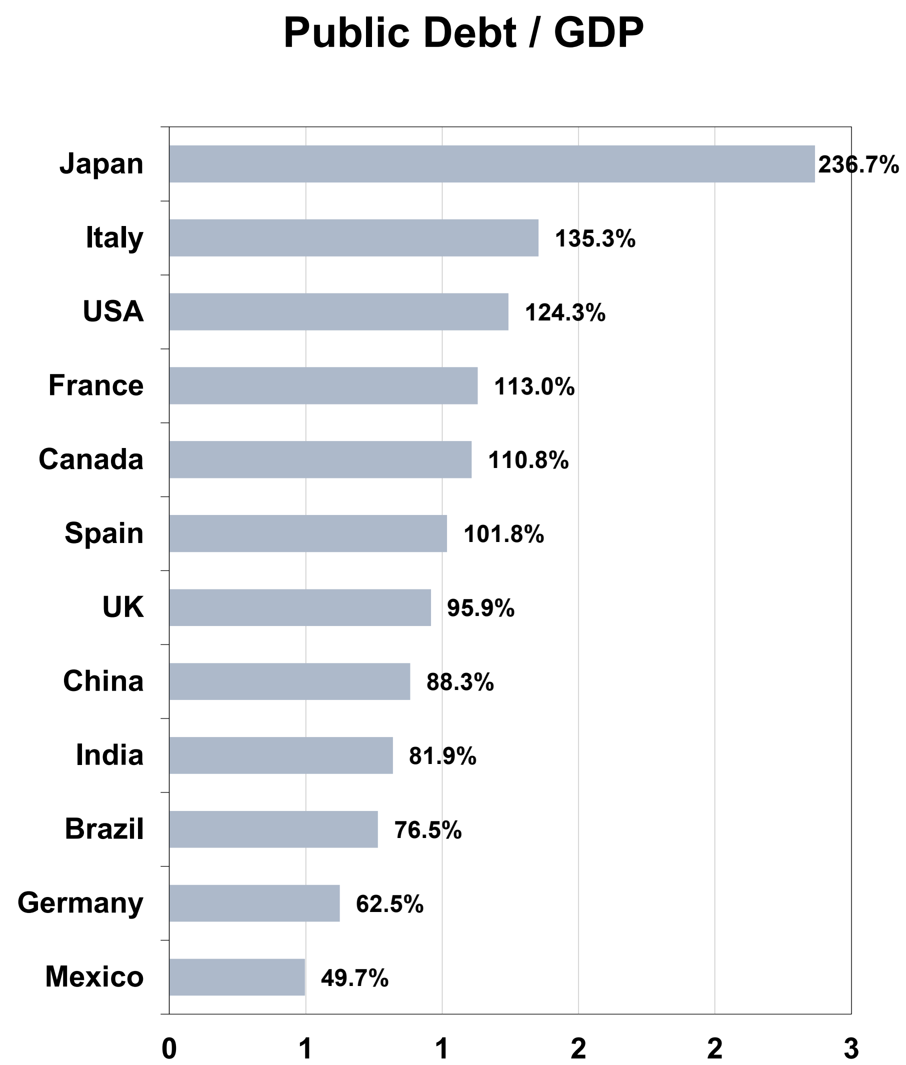
The Growing Fears About Debt

Key Points

Debt levels have risen in nearly all of the world's leading economies since the Covid-19 pandemic

Government expenditures, particularly on programs for retired people, are driving public spending increases

This debt is only sustainable without major spending cuts for as long as the economy continues to grow.



Summary of the Near-Term Outlook

Key Points	Details
A Gradual Global Slowdown	Global economic growth will gradually trend downwards over the near-term.
Risk Levels Will Remain High	The threat of a global trade war has dramatically raised economic risk levels.
Growth Will Be Uneven	Economic growth will continue to be driven by a few countries and industries.

Macro Trend #1

A Changing Population

Key Population Trends

Key Trends

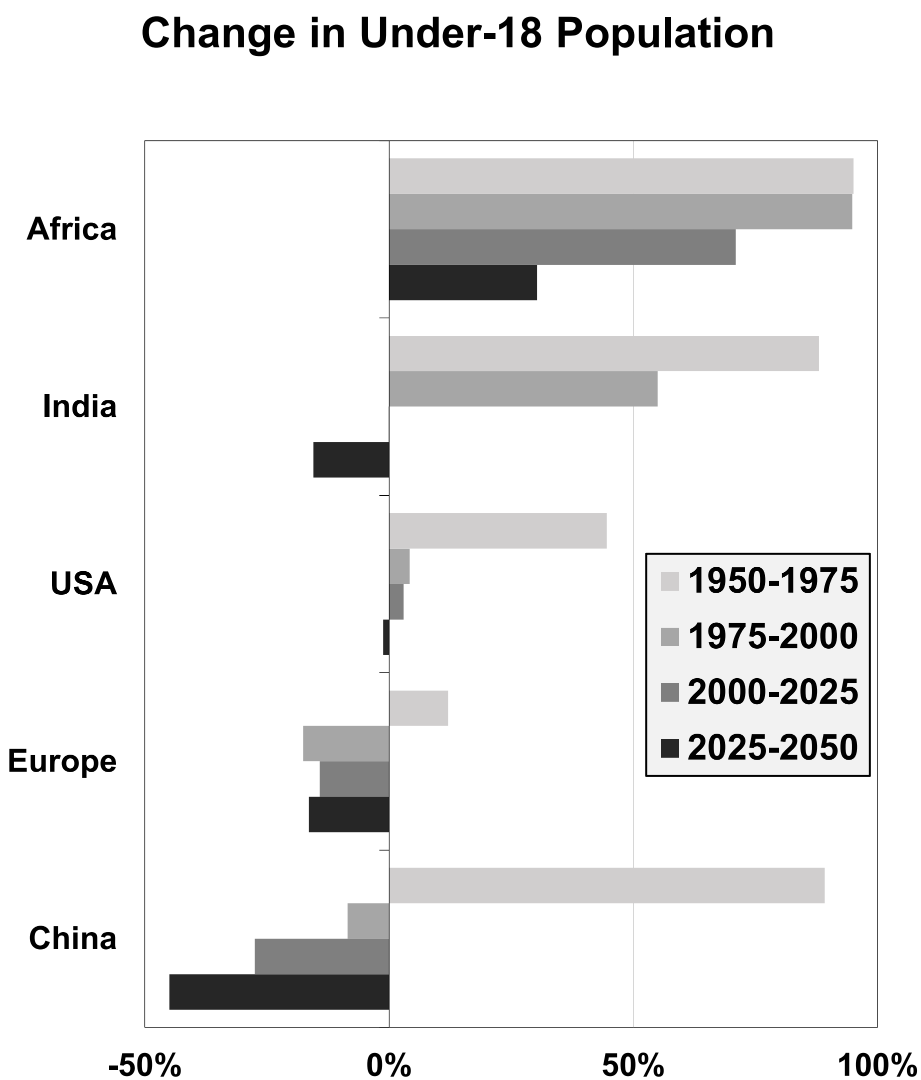
Birth rates continue to decline at a dramatic pace.

The world’s working-age population is stagnating, or declining.

The share of the population over the age of 65 is rising fast.

Labor shortages, and customer shortages, will worsen.

The Shrinking Youth Population



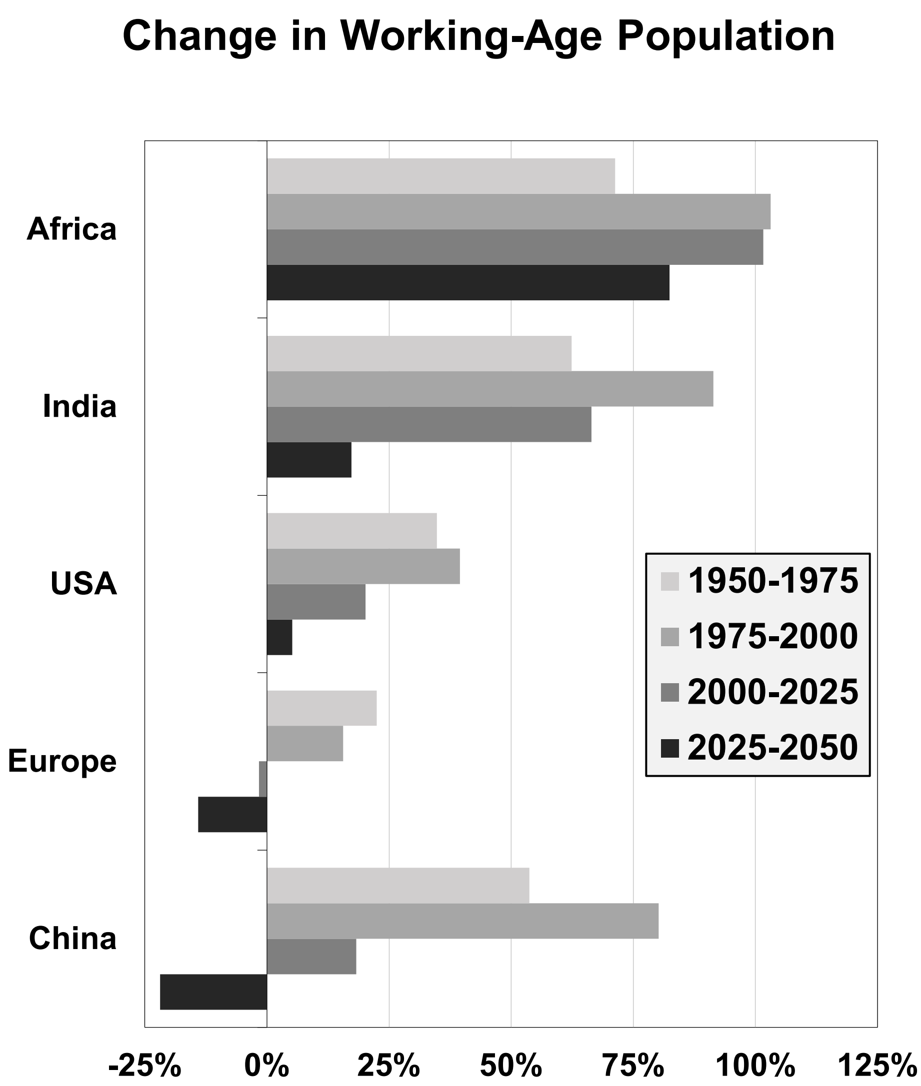
Key Points

Birth rates remain extremely low in many parts of East Asia and Europe.

Birth rates have fallen dramatically in most other areas of the world in recent years.

The youth population, outside of Africa and the Middle East, will decline sharply in the coming decades.

The Working-Age Population is No Longer Growing



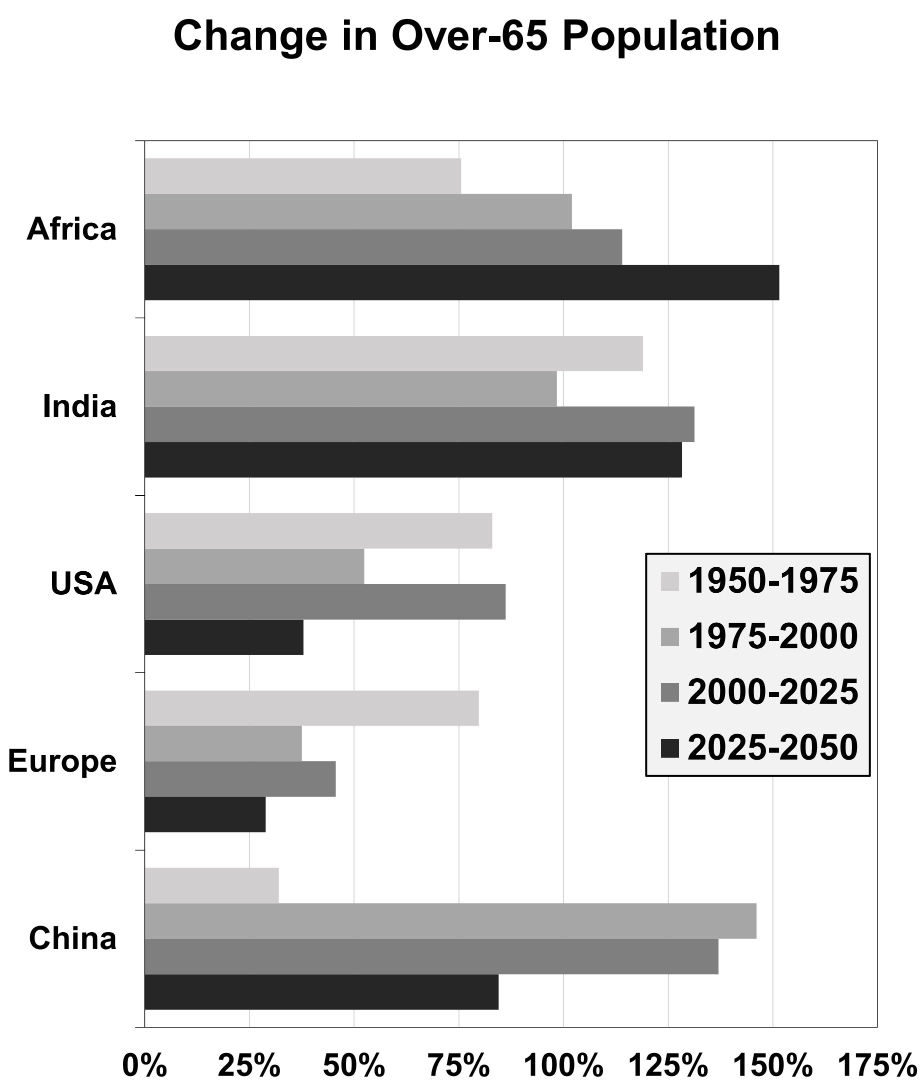
Key Points

Working-age populations are stagnating, or declining, in most of the world's leading economies.

Most of the growth in the global working-age population will come from Africa.

Extending the productive share of people's lives could become necessary to sustain the economy.

The Growing Over-65 Population



Key Points

The number of people over the age of 65 will double from 800 million today to 1.6 billion in 2050.

In most of the world, these 1.6 billion people will be "unproductive" members of society.

Government finances will come under increasing strain due to public spending on programs for over-65s.

Changing Population Characteristics

Key Points

In many major economies, the characteristics of their populations are changing rapidly.

These changes have brought labor and new ideas, but in many cases, societal and political strains.

If current trends continue, these changes will become even more pronounced in the future.

A World That Looks and Thinks Differently

Key Points

Changing priorities and lifestyles will have a major impact on the global economy.

Consumption preferences have dramatically impacted many industries.

Working preferences have also changed, presenting many challenges to businesses.

What This Means for the Economy

Key Points	Details
Demographic Decline	Falling birth rates mean that demographic decline will continue.
An Older Population	The average age of the global population will continue to rise.
Different Priorities	Priorities in terms of society, career and consumption are changing the economy.

Opportunities and Threats

Opportunities	Threats
Products and services aimed at older consumers	Shrinking markets and labor forces
New ideas and innovation	Government finances
Less stress on many resources	A more segmented market

Macro Trend #2

Rising Levels of Political Risk

Key Political Trends

Key Trends

More support for far-right or far-left policies

A fragmentation of politics into single-interest groups

Rising levels of geopolitical risk

A move towards localization and reshoring

Rising Levels of Extremism

Key Points

On the far-right, anti-immigration and socially-conservative positions have boosted support for right-wing parties.

On the far-left, identity politics and socially-liberal positions play a larger role among left-wing parties.

In most democracies, the political center has shrunk in terms of support and influence.

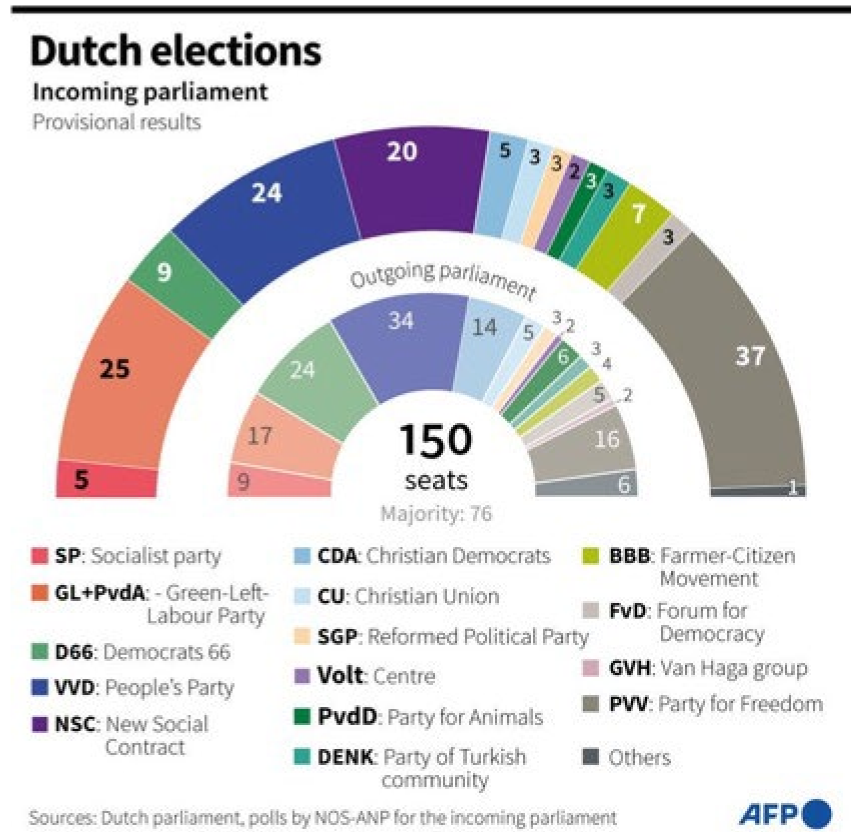
Rising Levels of Political Fragmentation

Key Points

In parliamentary systems, forming and maintaining coalition governments is increasingly difficult.

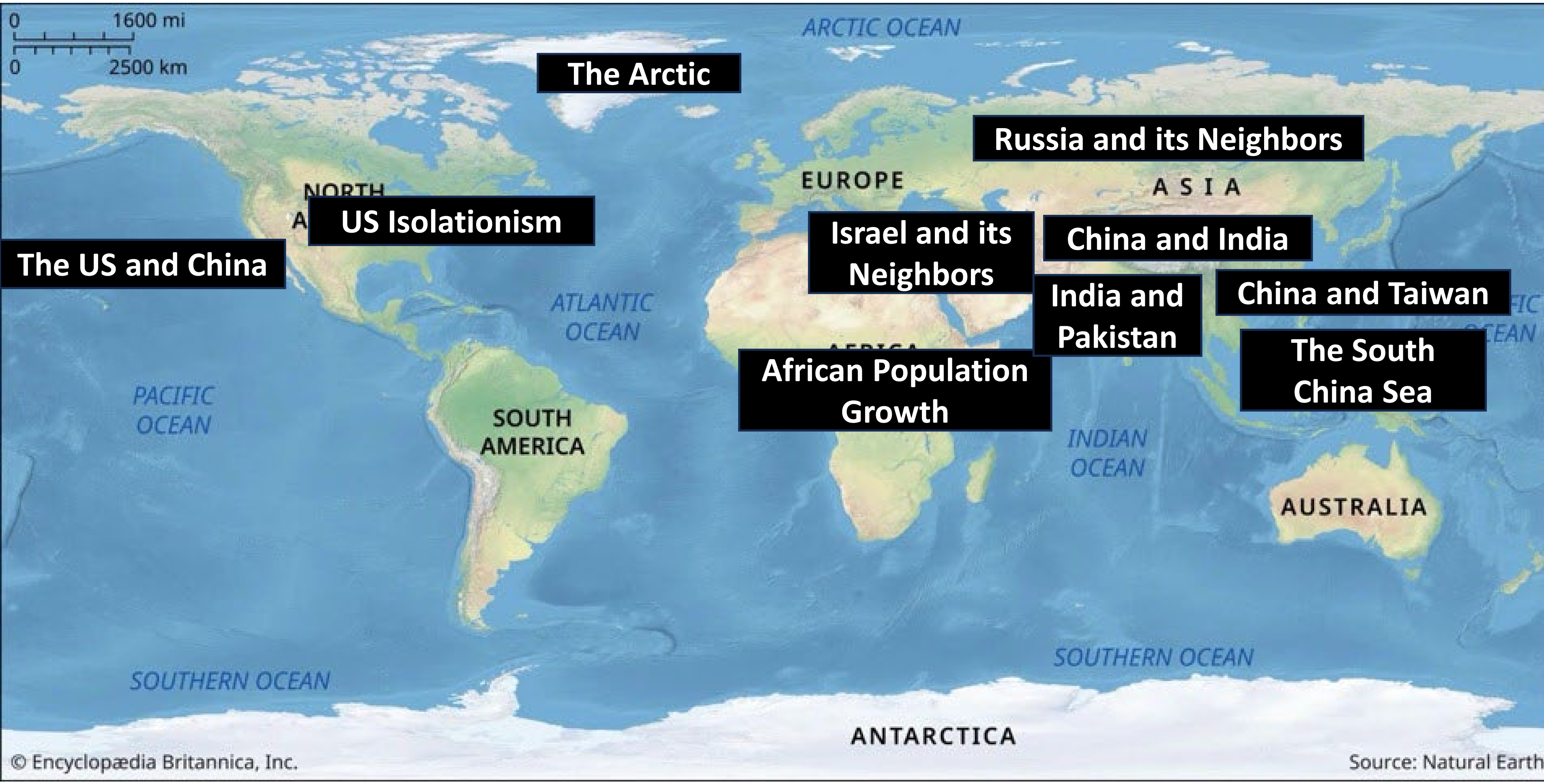
In presidential systems, a wide range of views and positions are crammed behind a single party or candidate.

Such fragmentation could lead to a further loss of confidence in democracy.



Geopolitical Risk

The Ten Most-Dangerous Long-Term Geopolitical Flashpoints



Localization and Reshoring

Key Points

The era of globalization is coming to an end.

In its place, a move towards regionalization is growing.

The biggest challenges to localization and reshoring are labor shortages and infrastructure deficiencies.

Potential Beneficiaries of Reshoring

- **United States**
- **Mexico**
- **Spain and Portugal**
- **Morocco**
- **Southeast Europe**
- **India**
- **Vietnam**
- **Indonesia**
- **Thailand**

What This Means for the Economy

Key Points	Details
A Serious Threat to the Economy	Political and geopolitical risk will remain one of the biggest threats to the global economy.
Domestic Political Risk is Rising	Internal politics threaten to destabilize many of the world's leading economies.
The Threat of Great Power Conflict	The threat of a conflict involving two or more great powers will remain high in the coming years.

Opportunities and Threats

Opportunities	Threats
Re-shoring, near-shoring and friend-shoring	Political instability and unrest
Competitive advantages based on stability	Conflicts between major powers
Competition could spur innovation	An end of globalization

Macro Trend #3

Rapid Technological Change

Key Technological Trends

Key Trends

Faster Technological Change

The World Moves Online

The Spread of Artificial Intelligence

The Need for Higher Productivity Growth Rates

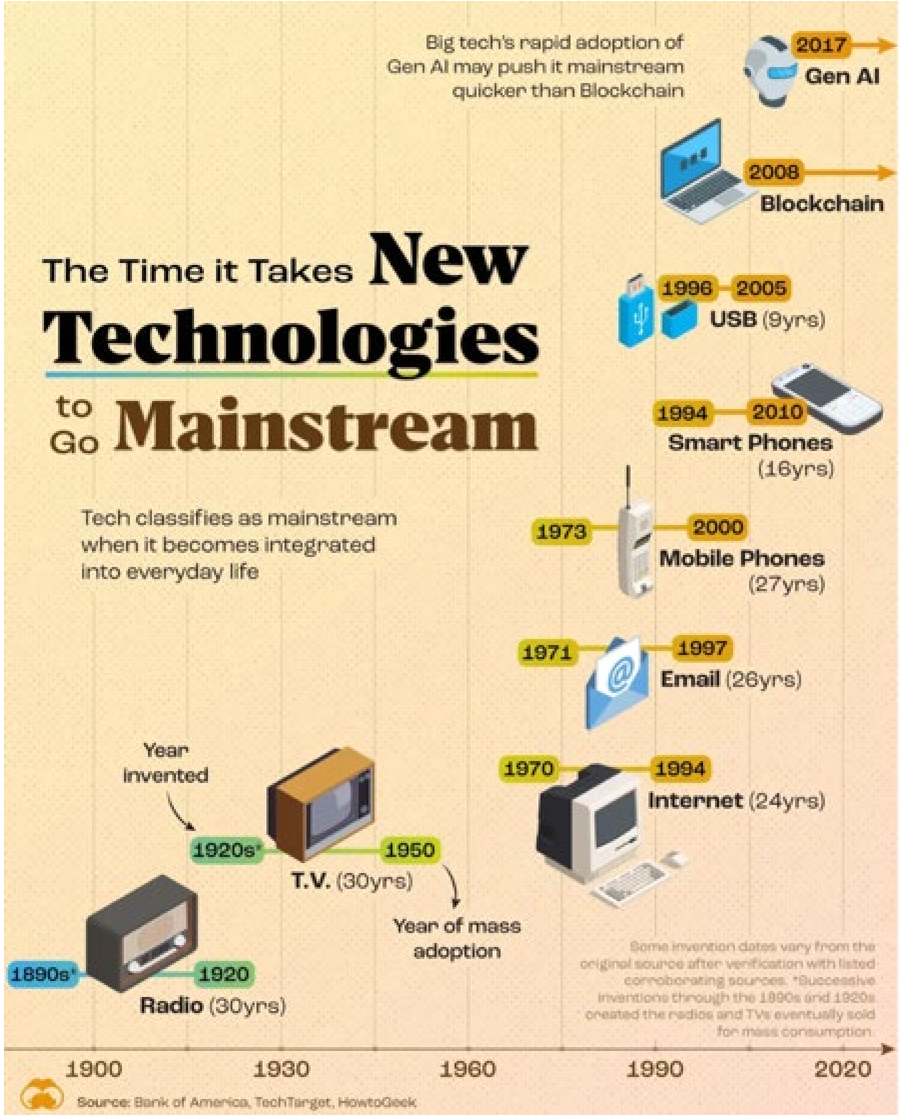
Faster Technological Change

Key Points

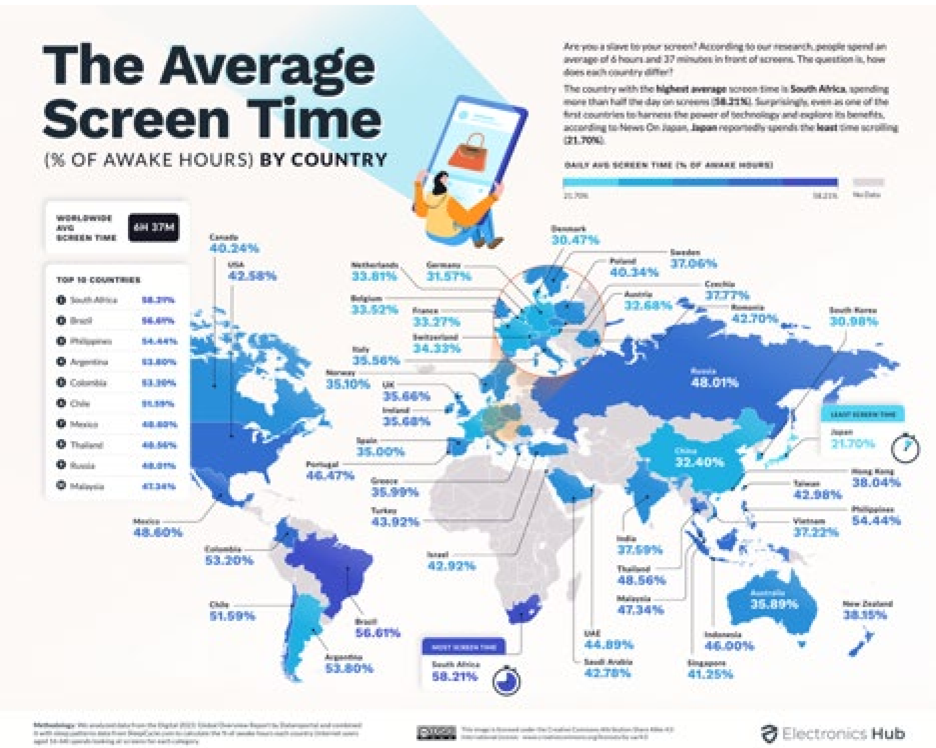
The pace of technological change is faster now than at any time in human history.

Many businesses and industries are struggling to keep up with the pace of technological change.

Technological change in the future may no longer be driven by humans.



The World Moves Online



Key Points

The average person now spends nearly seven hours per day online.

The global e-commerce market is now worth more than $6 trillion.

The online world is quickly becoming a parallel reality for a large share of the global population.

The Spread of Artificial Intelligence

Key Points

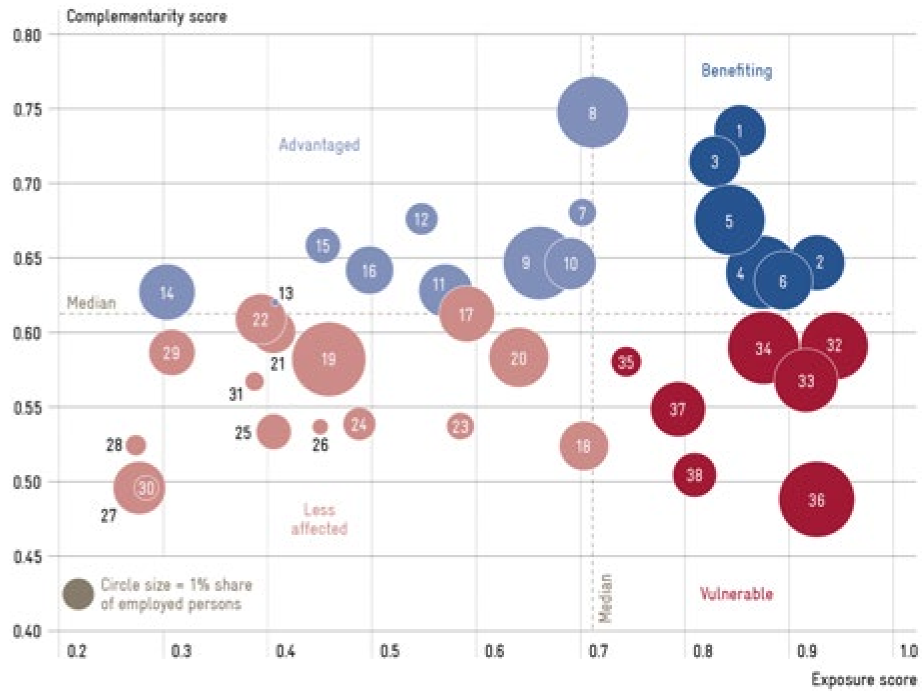
AI has the potential to be one of the most influential technological changes in the history of the world.

AI is slowly, but surely, transforming the workplace in many key sectors of the economy.

AI agents are expected to be the next ”big thing” in AI and have the potential to drive productivity growth.

AI has an impact in many (work) areas

Various occupational groups are affected by the potential applications of AI. Managing directors, teachers, doctors and related healthcare staff in particular are likely to benefit from the technologies in terms of increased productivity. Office workers, on the other hand, could find the technology competing with them.



Benefiting: 1. Managing directors 2. Commercial managers 3. Production managers 4. Scientists, engineers 5. Teachers 6. Social scientists, lawyers

Advantaged: 7. Hotel and catering managers 8. Doctors and allied health professionals (academic) 9. Engineering professionals 10. Legal social care professionals (non-academic) 11. Care workers 12. Security staff 13. Foresters, fishermen 14. Construction workers 15. Electricians 16. Drivers, mobile plant operators

Less affected: 17. Health care assistants 18. Customer-facing workers 19. Personal service workers 20. Sales staff 21. Skilled agricultural workers 22. Metal workers, mechanics 23. Precision craftsmen 24. Food processors 25. Machine operators 26. Assembly workers 27. Cleaning staff 28. Unskilled agricultural workers 29. Unskilled construction workers 30. Unskilled food processing workers 31. Waste management workers

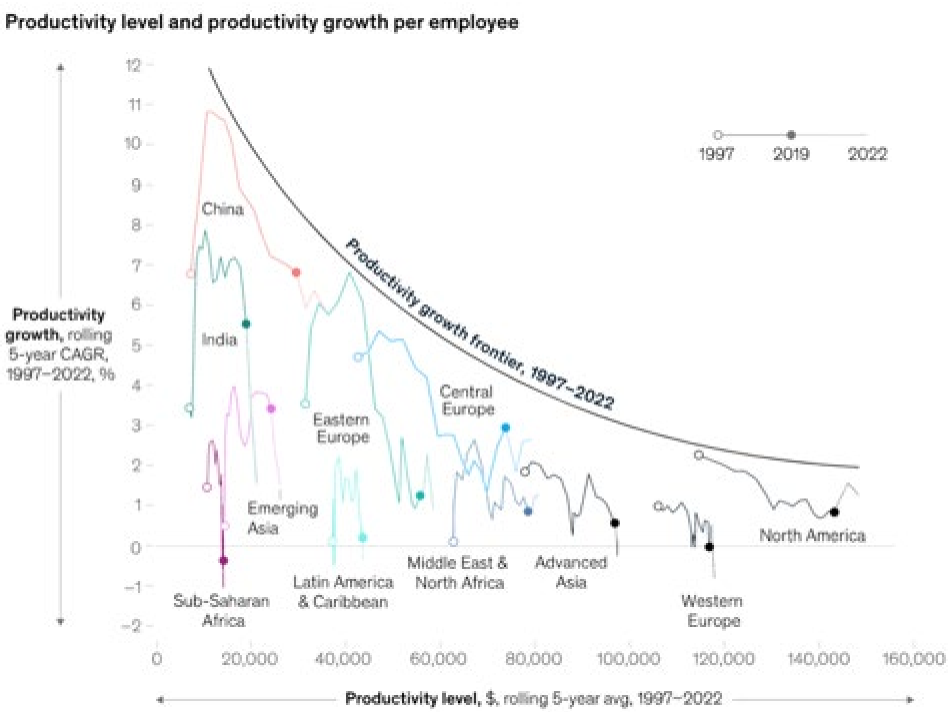
Vulnerable: 32. Business economists (academic) 33. ICT technicians (academic) 34. Business economists (non-academic) 35. ICT technicians (non-academic) 36. General office staff 37. Finance office staff 38. Specialized office staff

Source: FSO (2023), own calculations

Figure: Avenir Suisse

The Need for Higher Productivity

Productivity Growth Trends



Key Points

Productivity growth has been trending downwards in most developed economies for at least 50 years.

Without higher levels of productivity growth, the global economy will inevitably grow at a slower pace.

Technological changes such as AI and automation have the potential to drive an increase in productivity growth.

What This Means for the Economy

Key Points	Details
Tech Industries Drive Growth	Technology industries are a leading driver of global economic growth.
The Risk of Being Left Behind	Countries, industries and businesses that are not present in the technological revolution risk falling further behind.
The Productivity Question	The global economy cannot grow faster in the future without higher rates of productivity.

Opportunities and Threats

Opportunities	Threats
Higher rates of productivity growth	The threat of being left behind
The ability to produce more with less	Major disruptions to the labor force
New growth industries and businesses	Technology takes over

Macro Trend #4

A Changing Environment

Key Environmental Trends

Key Trends

A Changing Climate

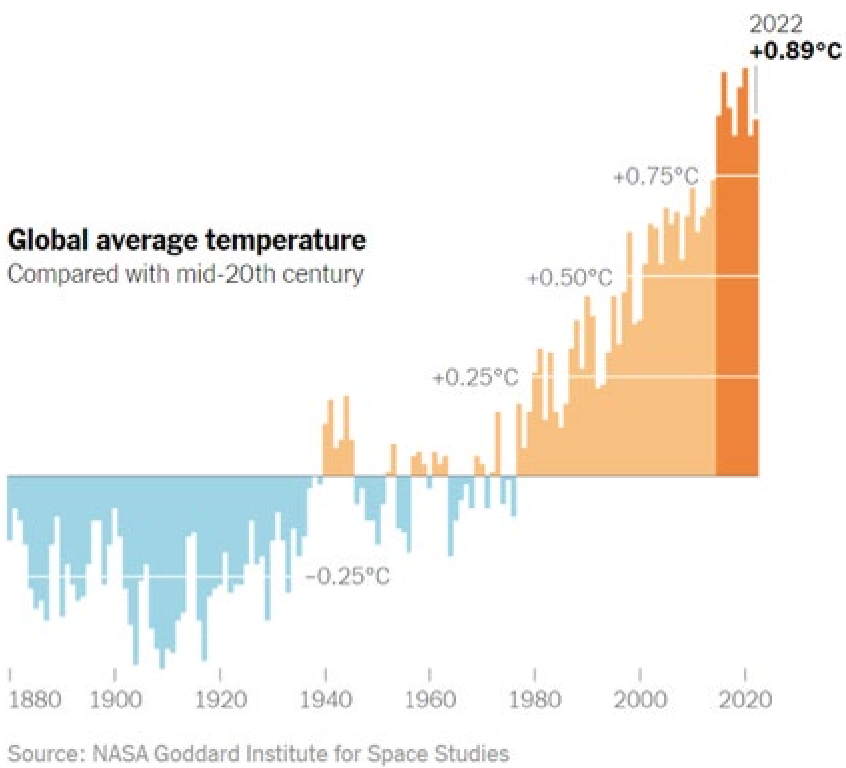
Rising Natural Disaster Risk

A Focus on Sustainability

The Need for More Energy

A Changing Climate

Average Global Temperatures



Key Points

Average global temperatures have continued to trend upwards in recent years.

Natural disasters have become more severe (and costly) as temperatures trend upwards.

Climate change is impacting many regions that are expected to generate significant economic growth.

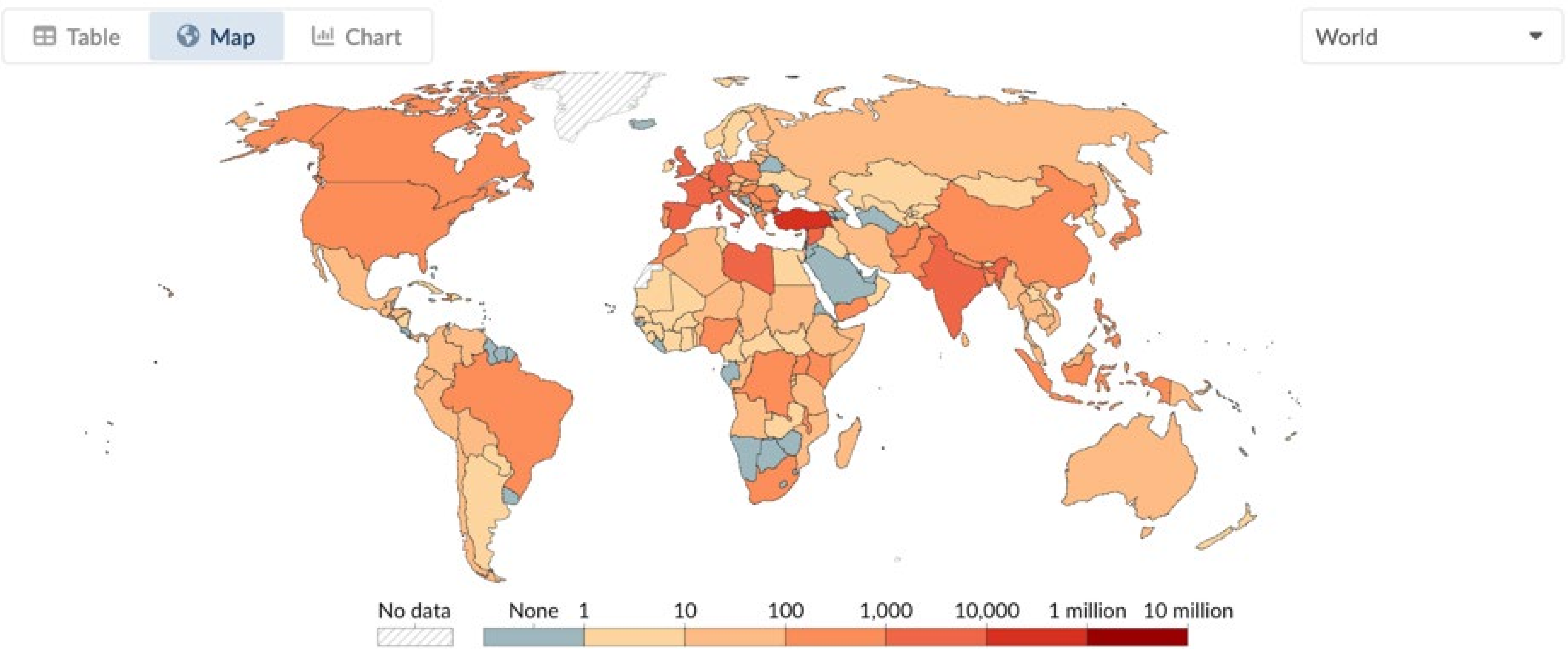
Natural Disaster Risk

Natural Disaster Risks

Decadal average: Annual number of deaths from disasters, 2020

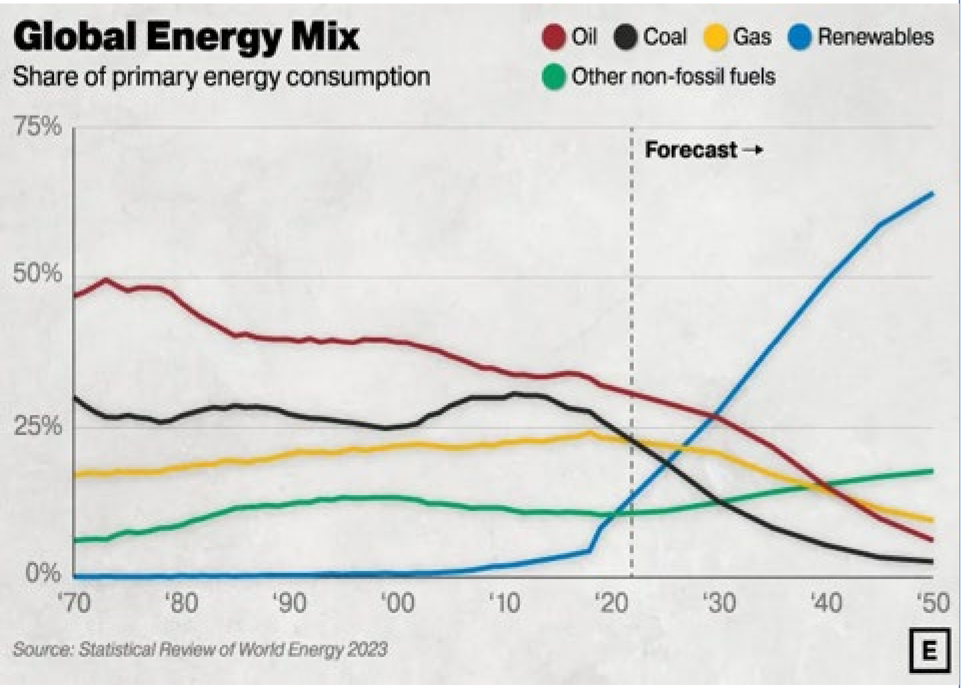
Our World in Data

Disasters include all geophysical, meteorological and climate events including earthquakes, volcanic activity, landslides, drought, wildfires, storms, and flooding. Decadal figures are measured as the annual average over the subsequent ten-year period.



A Focus on Sustainability

Sources of Primary Energy



Key Points

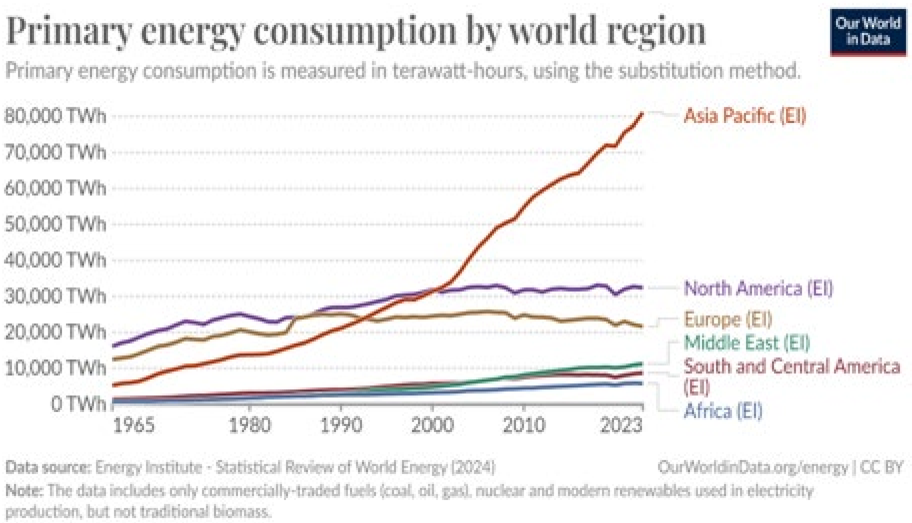
Renewable sources of energy are quickly becoming the leading source of energy in many parts of the world.

This transformation to a renewable-driven world is having a major impact on the global economy.

Economic sectors linked to sustainability are among the fastest-growing sectors in the world.

The Need for More Energy

Energy Consumption by Region



Key Points

Global energy consumption is ten times higher today than in 1924, and 2.4 times larger than in 1974.

Energy consumption in North America and Europe is steady, but it has risen dramatically in Asia in the 21st century.

Energy consumption will rise further due to demand in emerging economies and new sectors of the economy.

What This Means for the Economy

Key Points	Details
Potential Energy Constraints	Demand for energy continues to rise, threatening to usher in energy shortages.
Diverging Competitiveness	Countries with abundant energy resources have gained a competitive advantage.
Higher Human and Economic Costs	Meeting climate-related goals will be challenged by the need to meet energy demand.

Opportunities and Threats

Opportunities	Threats
Competitive advantage for more sustainable regions	Climate and natural disaster risk is rising
Competitive advantage for those with sufficient energy	Energy constraints
A new growth industry	Higher costs

The Long-Term Outlook for the Global Economy

Long-Term Economic Trends

Key Trends

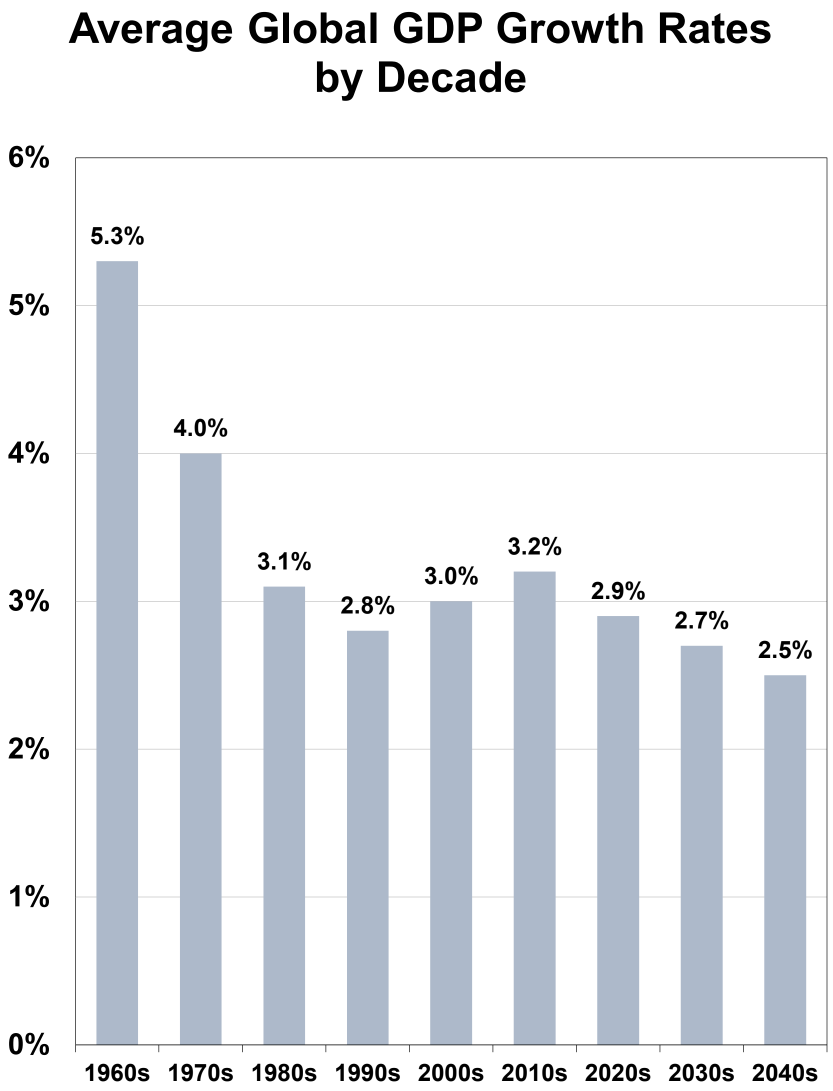
The generation of economic growth will become more challenging due to a range of factors.

Demographic decline poses one of the biggest long-term threats to the global economy.

Environmental, geopolitical and societal threats will have to be overcome in order to improve living standards.

Technological breakthroughs that enhance productivity in a sustainable manner are the key to long-term economic success.

The Long-Term Outlook for the Global Economy



Key Points

Global economic growth has held steady over the past 45 years at around 3% per year.

Much of this growth in the 21st century has come from Asian emerging markets.

Demographic decline and no obvious successors to Asian high-growth economies are a major risk.

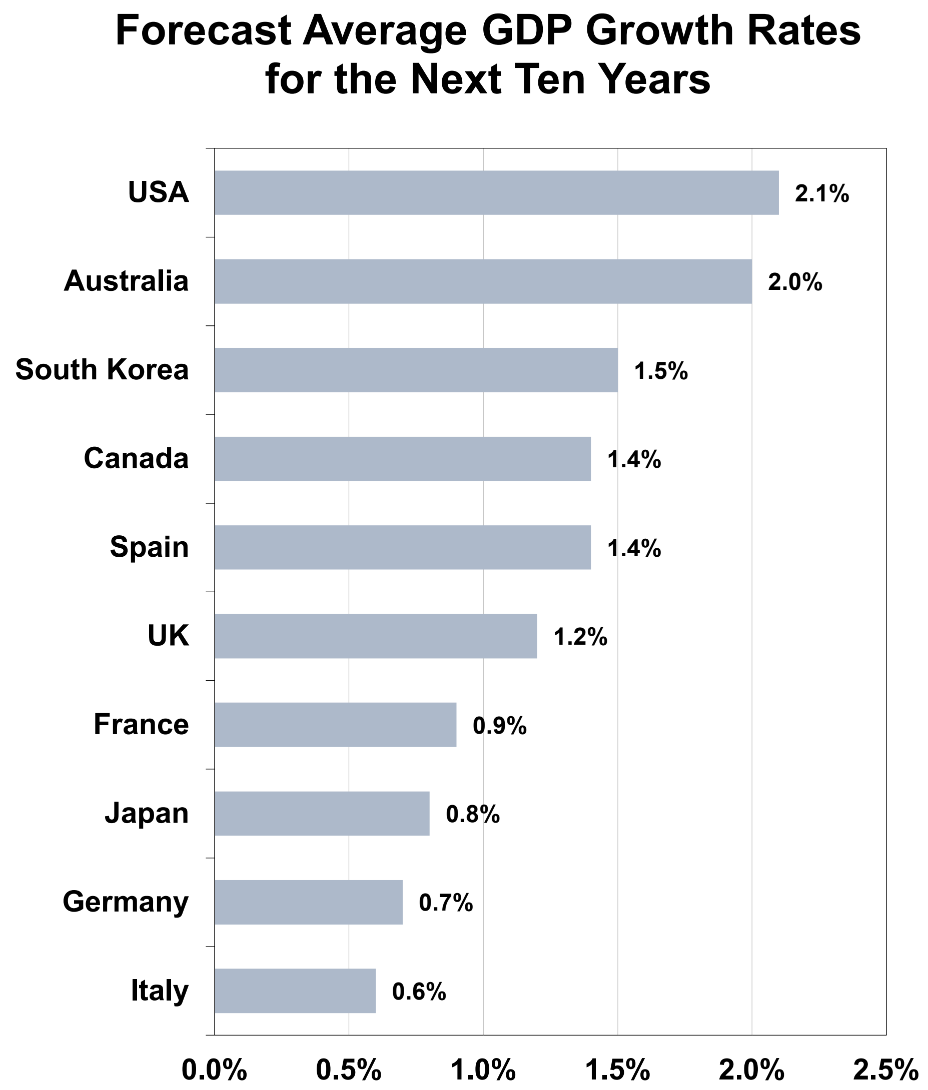
The Long-Term Outlook for Developed Economies

Key Points

"New World" developed economies will continue to grow faster than their peers.

European economies will grow a little faster than in recent years, but their growth ceiling remains low.

Those developed economies with high-tech sectors, or with natural resources, will grow at a faster pace.



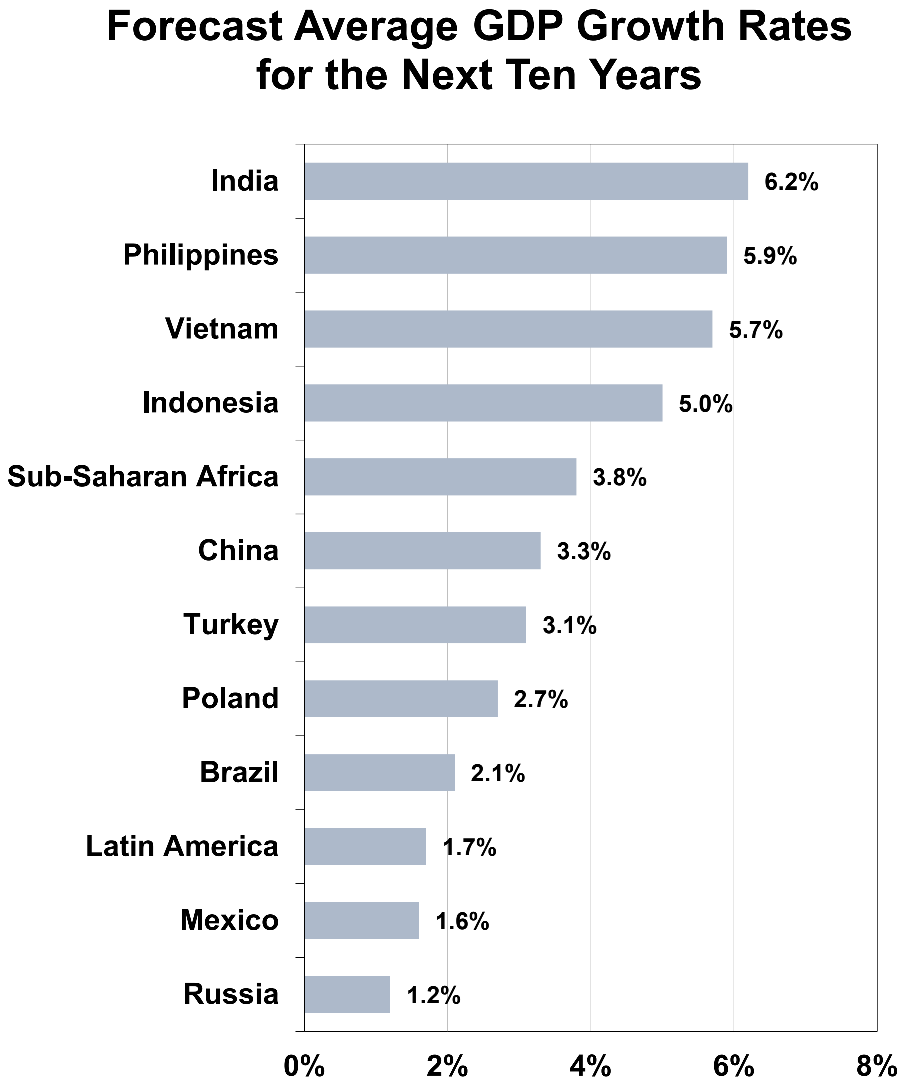
The Long-Term Outlook for Emerging Economies

Key Points

Asian emerging markets will remain the world's fastest-growing large economies.

However, Chinese economic growth will continue to trend downwards over the longer-term.

Elsewhere, emerging growth will be highly uneven over the long-term.



What This Means for the Economy

Key Points	Details
A Focus on Productivity	Improvements in productivity are the best chance for continued global economic growth.
Less Workers and Consumers	The world is facing an increasing shortage of workers, and some sectors will see a shortage of consumers.
New Drivers of Growth	New drivers of growth, both countries and industries, need to emerge to drive long-term global economy growth.

How to Prepare for the Changes Ahead

How to Prepare Your Business to Succeed

Key Points	Details
Identify Opportunities and Risks	Stay abreast of the important economic, political and technological changes that will impact your industry and business.
Accumulate Needed Resources	Have the resources in place to take advantage of opportunities, and to mitigate risks, as they arrive.
Develop Strategies to Succeed in a Challenging World	Work with experts from inside and outside of your business to develop strategies to grow and prosper.

The ISA Global Economic and Risk Outlook

Have the ISA Global Economic and Risk Update Presented to Your Organization or At Your Next Event

- As an in-person speech
- As an online webinar

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- mweidokal@isa-world.com.