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Pathways to 2050 and New Global Markets

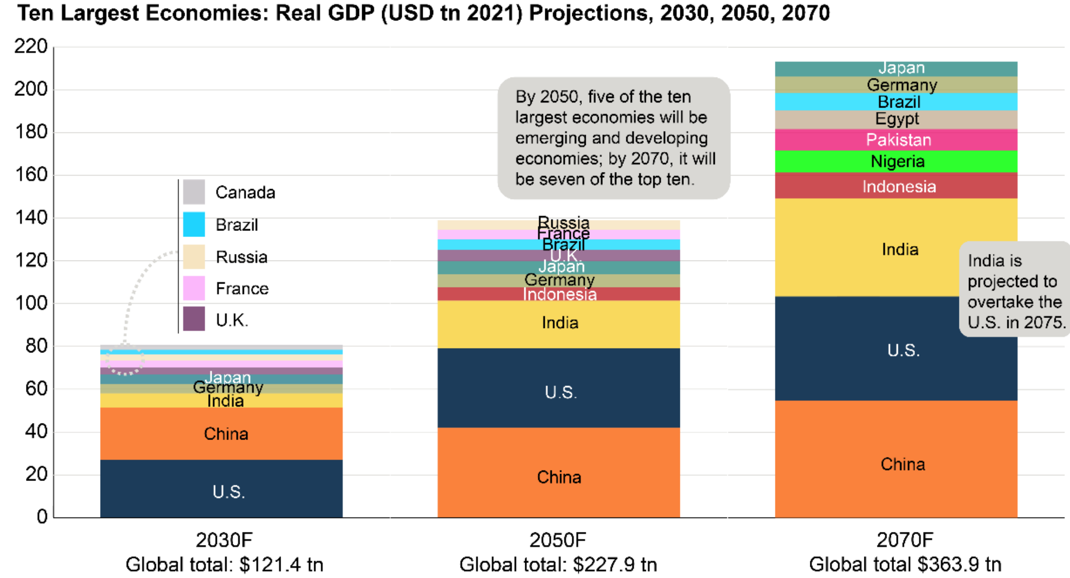
Over the coming three decades, the global economy will experience a precipitous transition from developed to emerging economies led by China, India, and Indonesia. India and a group of smaller, rapidly growing economies will drive global growth.

Highlights:

- Global Real GDP growth is projected to decline gradually over the next fifty years, but growth in emerging economies will considerably outstrip developed economies.
- China is projected to surpass the U.S. as the world's largest economy by 2035, and India could do so by 2075, although China could lose some ground to the U.S. over the next five to ten years.
- In the decades up to 2050, emerging economies with large working-age populations, notably India, Ethiopia, Nigeria, and the Philippines, could drive global growth.
- By 2050, Mexico, Egypt, Saudi Arabia, and Nigeria could be among the 20 largest economies.
- The dynamic landscape of the next decade will offer an opportune window to enter emerging markets, and businesses must harness new technology and avoid certain pitfalls to remain competitive up to 2050.

Global Real GDP growth slowed from an average of 4.1% in the 2000s to 2.1% in the 2010s, and according to projections by Goldman Sachs, the outlook for the next three decades is of gradually diminishing growth due primarily to slower labor force growth. Real GDP is projected to average 4.2% between 2024 and 2029, then receding to 3.6% in the 2030s and 2.9% in the 2040s.

Ten Largest Economies: Real GDP (USD tn 2021) Projections, 2030, 2050, 2070



Source: Goldman Sachs, *The Path to 2075* (June 2023)

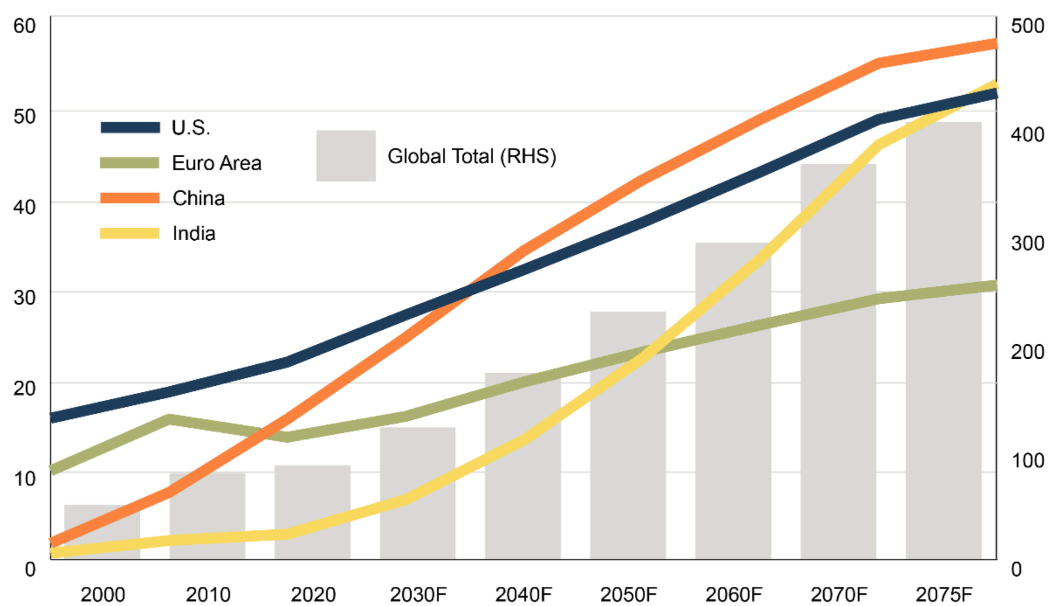
While also projected to decline overall, growth in emerging markets will considerably outstrip developed markets. Emerging markets are projected to grow by 4.5% in 2024-2029 and 6.2% in the 2030s, while developed markets could grow by 2.3% and 2%, respectively.

From 2024 to 2050, the U.S., Japan, and Germany are projected to grow by an average of less than 2%. Growth in China could slow from 4% in 2024-2029 to 2.5% in the 2030s and fall below 2% in the 2040s.

India's economy could grow by almost 6% in 2024-2029 and 4.6% in the 2030s. By 2050, India's Real GDP could surpass the Euro Area, and by 2075, it may catch up with the U.S.

Measured in Real GDP, Goldman Sachs projects the U.S. to still be the world's largest economy in 2030 at USD 27 trillion, compared to China's USD 24.5 trillion. But China could overtake the U.S. by around 2035 and stay ahead through 2075.

Real GDP Projections (USD tn 2021), 2000-2070



Source: Goldman Sachs, *The Path to 2075* (June 2023). Note: Euro Area includes 20 European Union (EU) countries that have adopted the euro as currency.

There is some doubt, however, when (and even if) China will overtake the U.S. In October 2024, the International Monetary Fund (IMF) released a forecast for the U.S. economy to reach USD 35.46 trillion in 2029, with China further back at USD 25.49 trillion, partly due to a sluggish post-COVID-19 rebound.

Shifting demographic fortunes: China and India

Given the prolonged slowdown in its property sector from 2020, China's long-term growth prospects are less certain than in previous years. The country still has tremendous growth potential, especially in developing its services sector and in promoting private consumption and investment.

Demographic changes pose a long-term growth risk. China had 209.78 million people aged over 65 in 2022, or 14.9% of the population, and this is expected to reach 520 million by 2050, or 37.8% of the total.

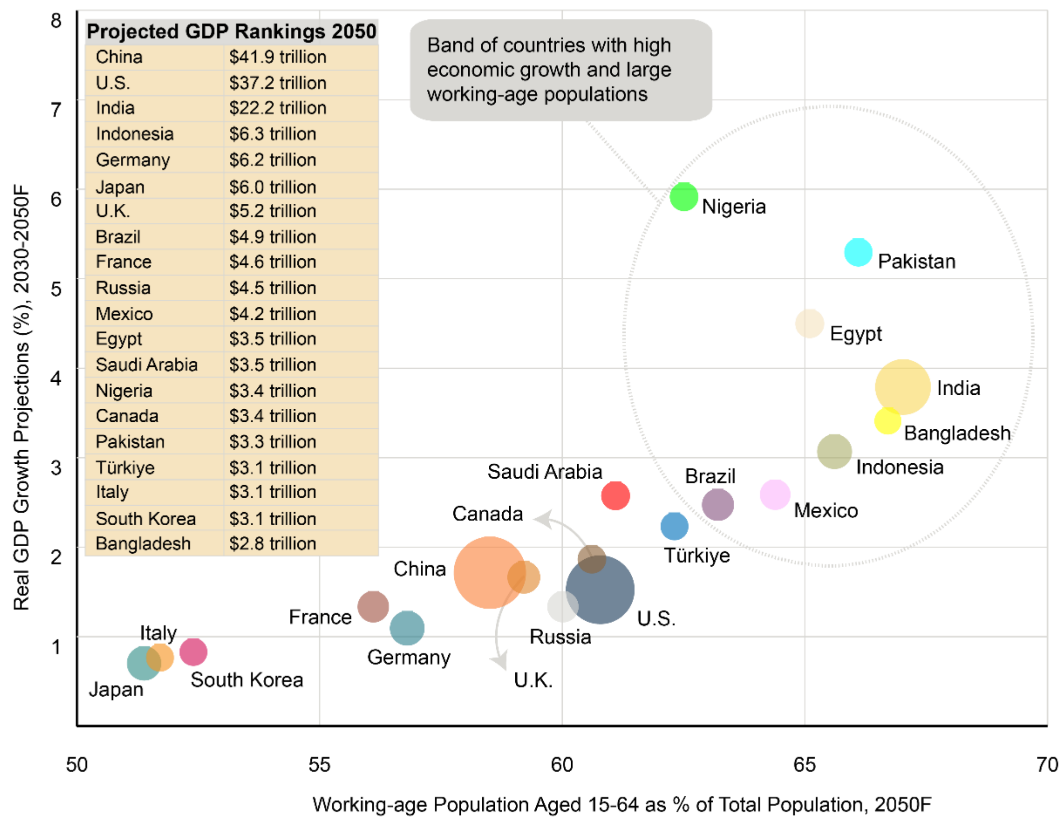
According to the UN Population Division, in 2050, the working-age population (i.e., those aged 15-64 as a percentage of the total population) will be 58.5% in China and 67% in India. Based on current forecasts, there could be 1.17 billion people of working age in India in 2050, compared to 770 million in China.

Up to 2050 and beyond, the weight of global GDP will shift eastwards towards Asia. In 2050, China, India, and Indonesia will be among the world's five largest economies. With sustained population growth and the implementation of the appropriate policies and institutions, Mexico, Egypt, Saudi Arabia, and Nigeria could feature in the top 15. (By 2075, Nigeria could be the world's fifth-largest economy, while Pakistan and Egypt could feature in the top ten and the Philippines in the top 15).

Emerging markets will drive economic growth up to 2050. Benefiting from young and large working-age populations and growing domestic demand and output, India, Ethiopia, Nigeria, the Philippines, Pakistan, and Egypt could be the world's fastest-growing economies in the decades up to 2050, with average annual growth rates above 4%.

In 2050, Ethiopia, the Philippines, Pakistan, Bangladesh, Indonesia, and India will all have working-age populations above 65%, compared to 58.5% in China and 60.8% in the U.S.

The 20 Largest Economies in 2050: Real GDP, Growth Projections, and Working-Age Populations



Source: Goldman Sachs, *The Path to 2075* (June 2023), World Bank Population Estimates and Projections. Size of bubble: Real GDP 2050F (USD tn 2021).

Success factors and pitfalls to 2050

The world is changing rapidly, and today's CEOs must consider the following critical success factors and pitfalls as they prepare for 2050.

Success factors:

1. **An active and established presence in emerging economies:** Businesses must gravitate toward these economies, which will increasingly be global centers of growth, investment, and markets. Good business opportunities will still be found in Beijing and Singapore, but increasingly also in Manila, Ho Chi Minh City, and Lagos.

2. **Utilize the current window of opportunity to act early:** If businesses are not yet well established in market economies, the dynamic landscape of the next 5-10 years will offer an opportune window to enter these markets and gain a foothold. Emerging economies are currently undergoing fundamental economic reforms and improvements in government regulation of their private economies, with some more advanced along this process than others.

3. **Embrace supply chain technology and automation:** Smart supply chains are becoming the new normal in 2024, and the capabilities of new technology, such as generative AI, data analytics, automation, machine learning, the Internet of Things (IoT), and blockchain, are radically transforming supply chain management. Businesses must fully embrace new technology and especially prioritize efficient data management. Automation technology will be widely used by 2050, and leaders must lay these foundations now to remain competitive.

Pitfalls:

1. **Protectionism:** Harnessing new technology for supply chain management will be critical in the context of the increased risk of protectionism in global trade, partly due to the ongoing occurrence of populist nationalism in countries worldwide. The COVID-19 pandemic caused international supply chain disruptions and an increased focus on onshoring and supply chain resilience. Populism could exacerbate these disruptions, leading to inflation risks, food and goods shortages, and social unrest.

2. **Climate:** The world will likely continue to be severely affected by climate shifts and extreme weather. By 2050, water and food scarcity will be a critical challenge worldwide, and around 31% of global GDP (about $70 trillion) could be exposed to high water stress. Food security is already at risk and will likely be a more severe crisis in 2050. These risks could cause social unrest worldwide and harm business and trade. Businesses must anticipate the needs and stresses and, where possible, provide innovative solutions to the market.

3. **Resisting change and disruption:** CEOs and business leaders must consider to what extent their business should embrace or resist change. In recent years, large multinational firms have come under pressure from smaller, more agile competitors that were able to cut out intermediaries and bring buyers and sellers together directly via digital platforms. Innovation will remain the key factor that differentiates competitiveness, and CEOs must consider the tools and resources needed to stay innovative over the long term.

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