

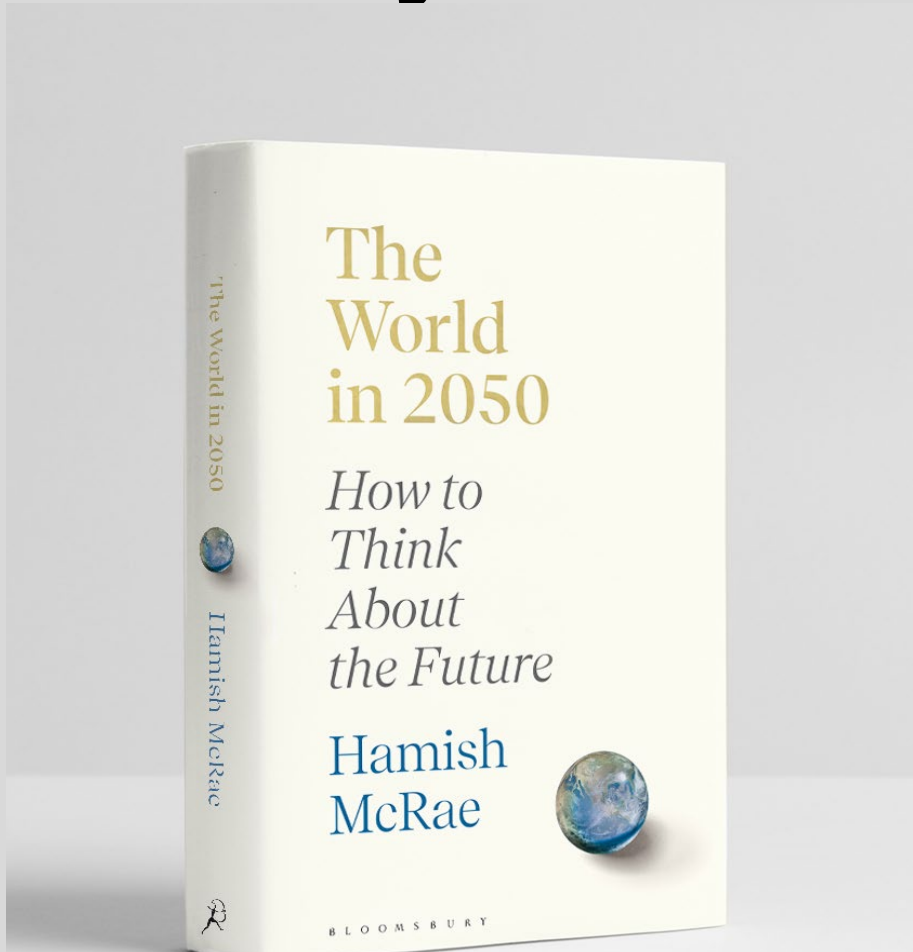
# The World in 2050

*How to Think About the Future*

**Hamish McRae**



# This is a story about a book ...



# **... but it's really about a journey**

**Robert Louis Stevenson**

**“**

**It is better to travel hopefully, than to  
arrive.**

**”**

# **Globalization seemed invincible**

**Kofi Annan**

“

**It has been said that arguing against globalization is like arguing against the laws of gravity.**

”

# **But now it is in reverse, what next?**

**Jack Ma**

“

**We should keep on going along the path of globalization. Globalization is good ... when trade stops, war comes.**

”

# **The structure**

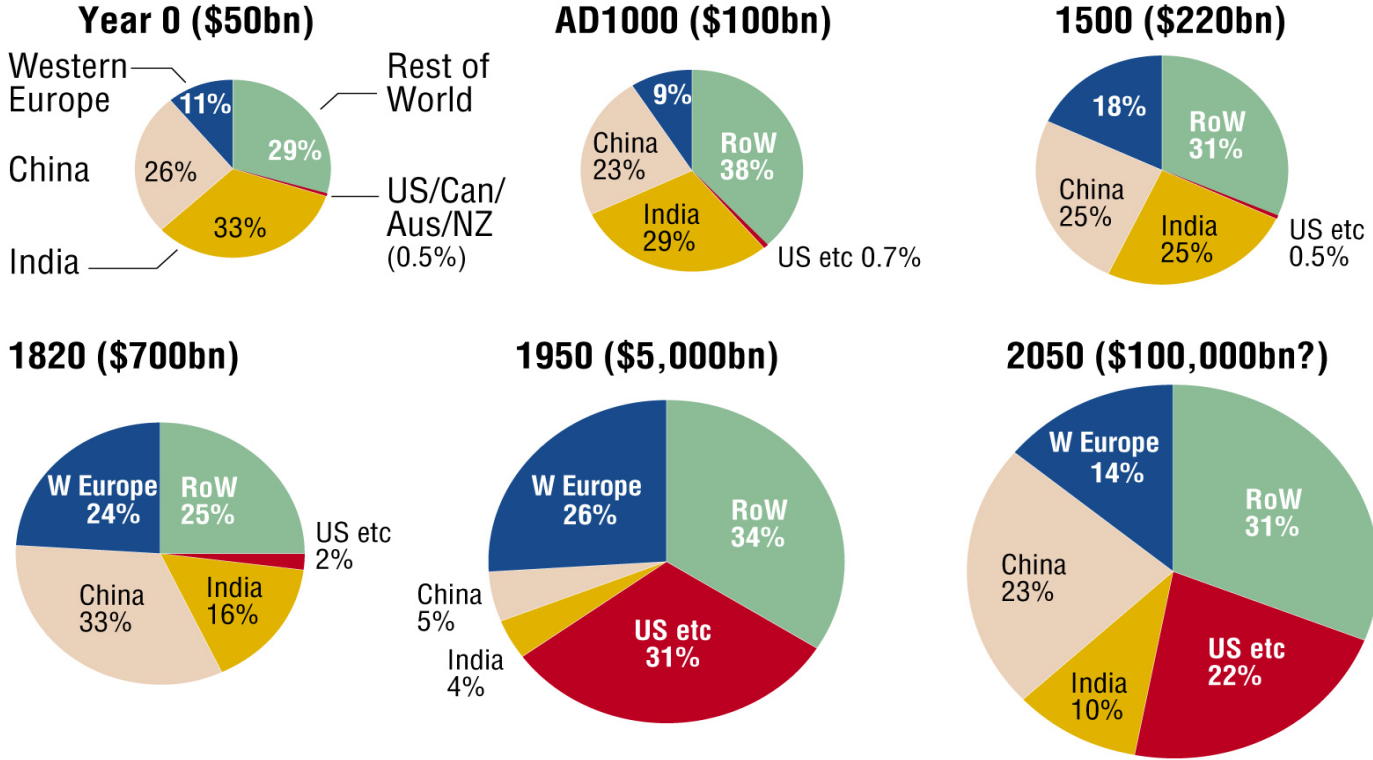
- **A framework for thinking about the future ...**
- **... starting with a look backwards in time**
- **Then some economic forecasts to 2050**
- **Explaining five major forces for change**
- **A conclusion, with the principal risks ...**
- **... to a broadly optimistic outlook**

# **2,000 years of economic history**

- **Pioneering work of Angus Maddison ...**
- **... highlighted domination of China and India**
- **The Industrial Revolution changed everything**
- **But now back to a more balanced relationship ...**
- **... between developed and emerging economies ...**
- **... but with the US retaining its primacy**

# Biggest economies through the ages

Shares of gross world product (with estimated output in 1990 international dollars)

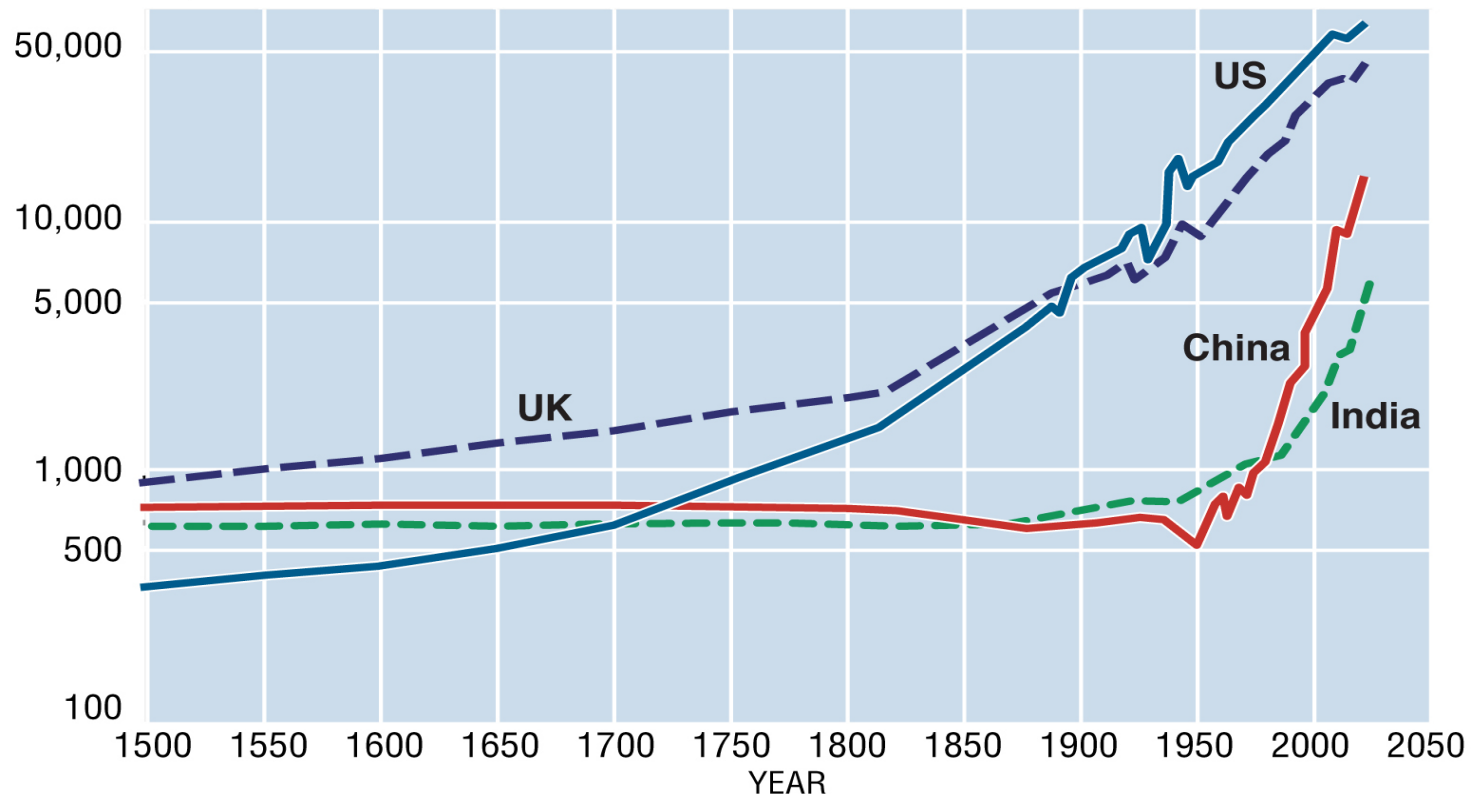


Size of pie is for visual effect: not really to scale

Sources: Angus Maddison, OECD; HSBC World in 2050

# GDP per capita, from 1500

\$ (2020 dollars, exchange rates at purchasing power parity, log scale)

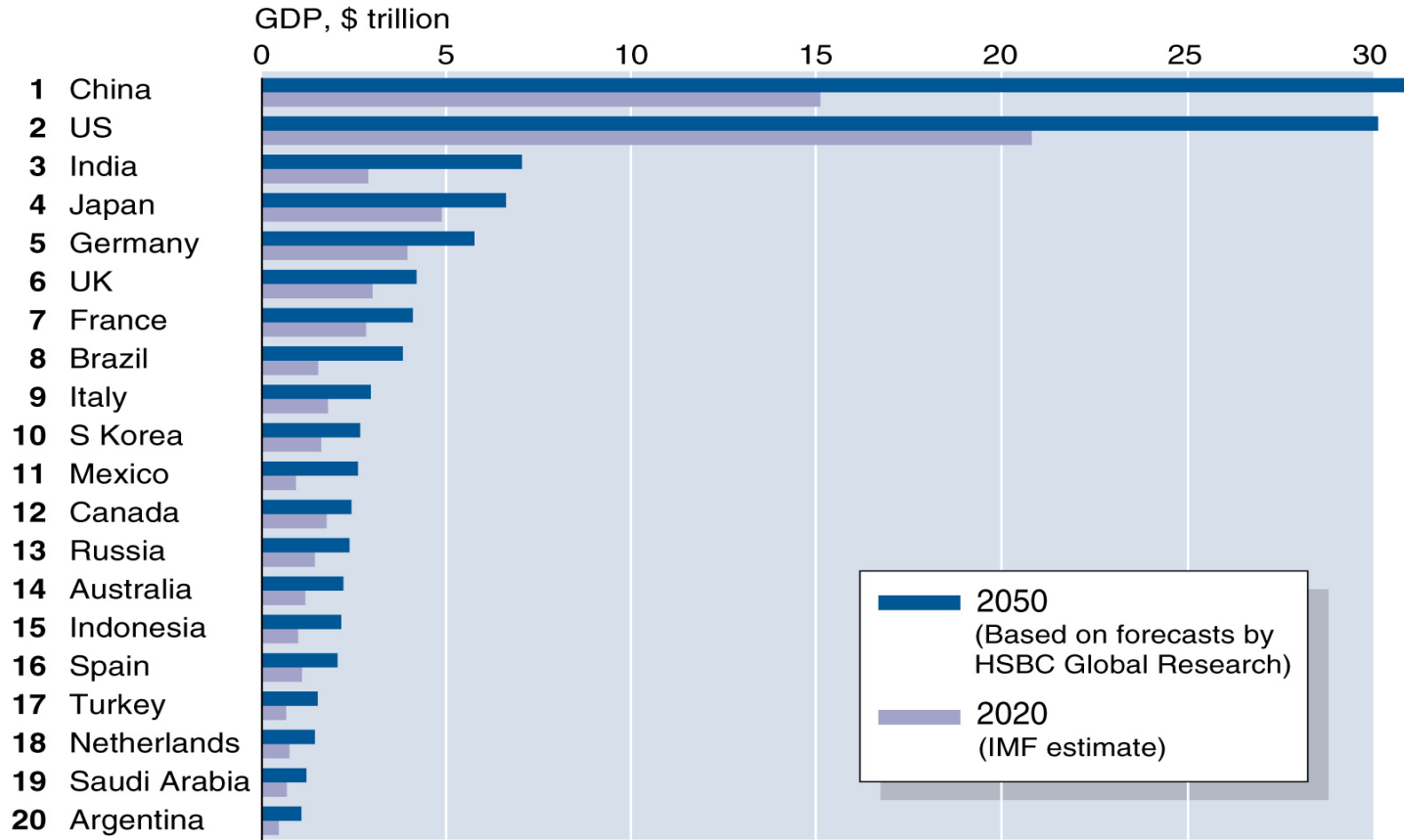


Sources: Angus Maddison, OECD, World Bank

# **Then came the BRICS revolution**

- **Goldman Sachs identified the scale of the shift**
- **So now there's an annual BRICS summit ...**
- **... a BRICS Development Bank ... etc**
- **But the model was flawed ...**
- **... and others have done it better**
- **Here is HSBC's take on this**

## Top-20 biggest economies in 2050?



# **Five forces for change**

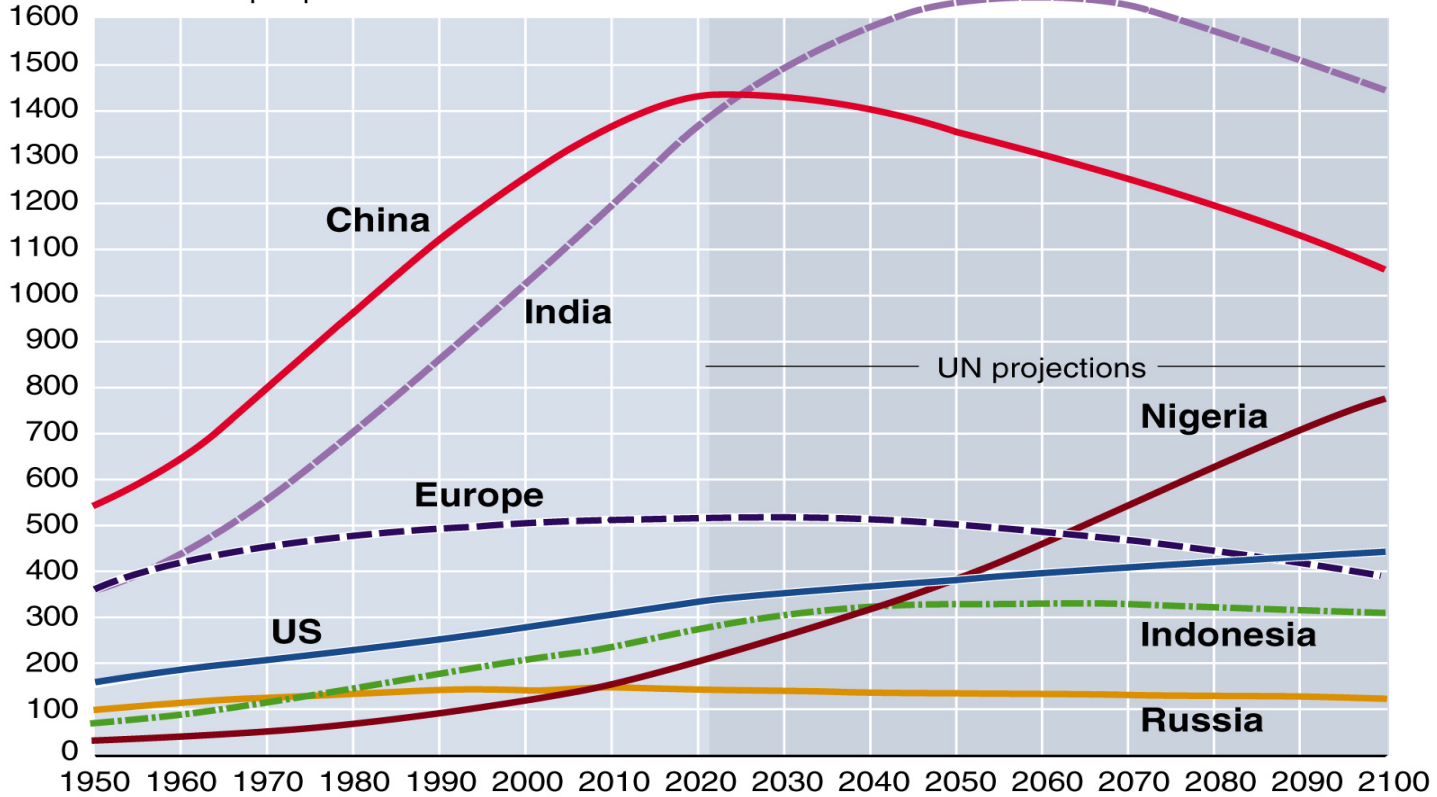
- **Demography – an ageing world and a young one**
- **Resources and the environment – the huge challenge**
- **Trade and finance – globalization changes direction**
- **Technology – races forward**
- **Government and governance – how they will shift**

# **Demography – the shift in power**

- **Falling birth rates lead to ...**
- **... an ageing developed world ...**
- **... and an ageing China**
- **India becomes the most populous nation**
- **Africa is by far the youngest continent**
- **But the developed world does remain wealthy**

# Population projections

Millions of people

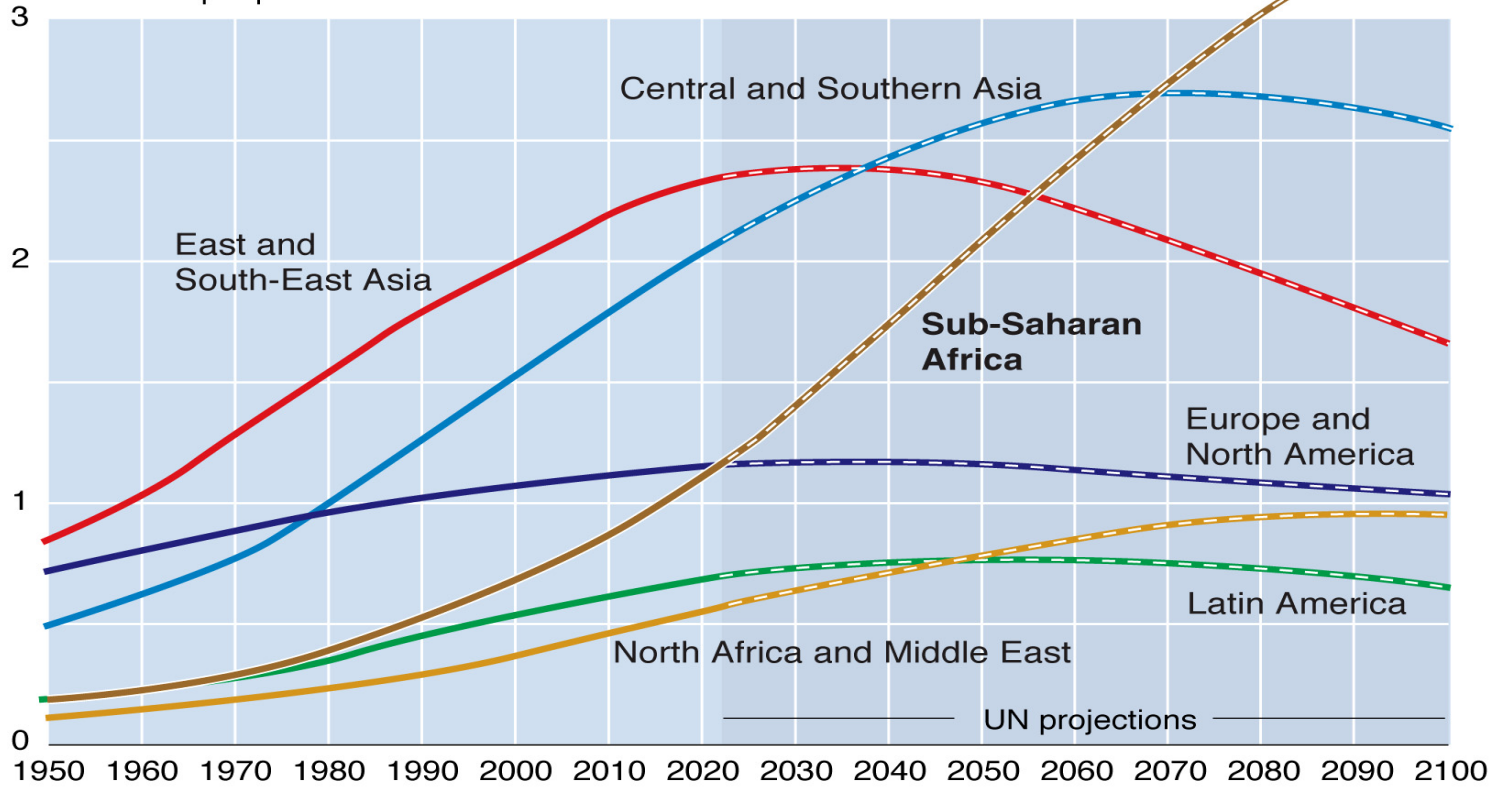


\*combined nations of the current EU27 + UK

Sources: United Nations, Eurostat

# Projected populations by region

Billions of people



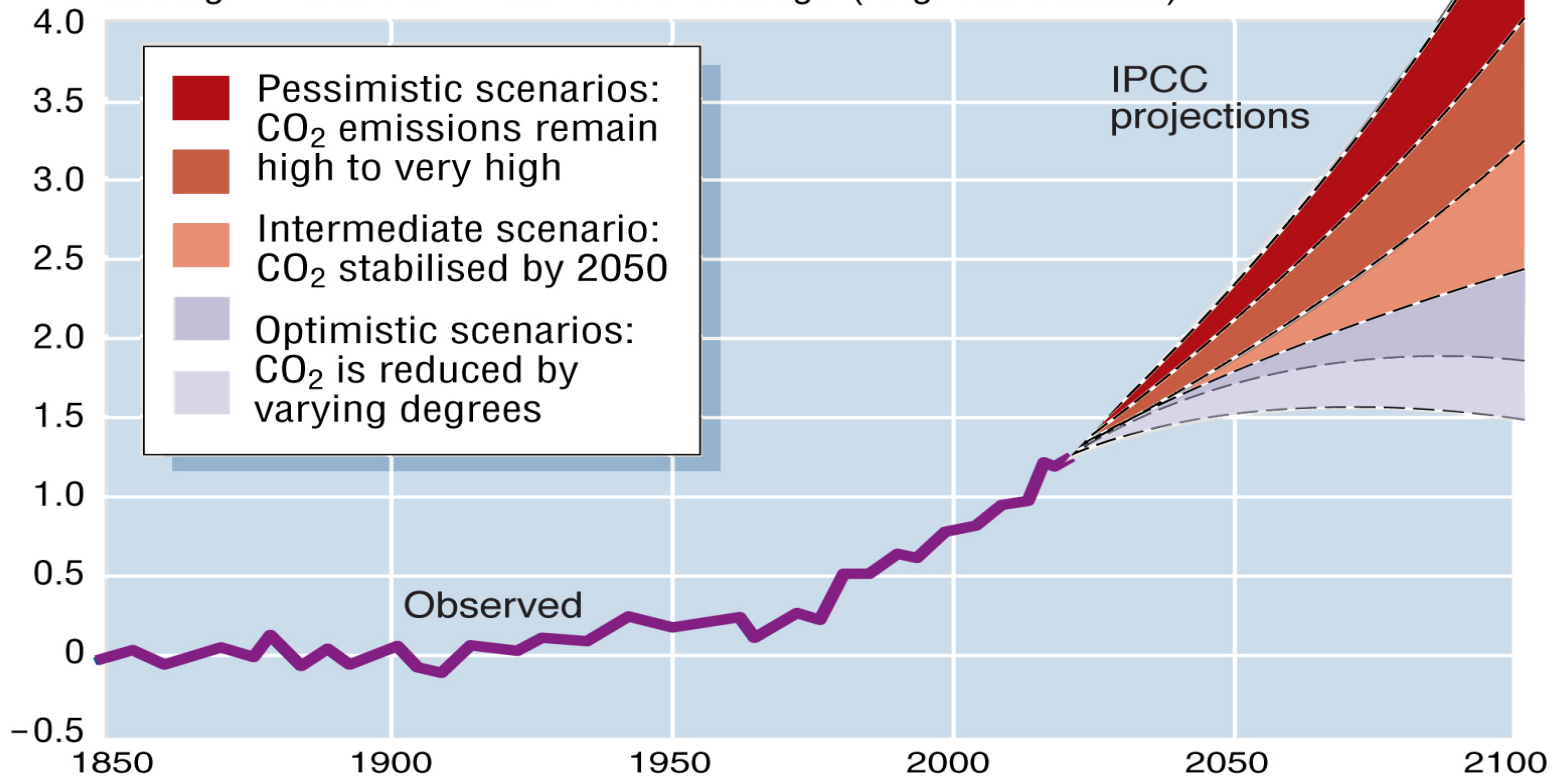
Source: United Nations

# **The environmental challenges**

- **Many environmental issues, but one huge one**
- **What we (reasonably) can be sure of**
- **Technology moving very fast ...**
- **... but politics moving more slowly**
- **What if incremental advances are not enough?**

# Global surface temperature

Change relative to 1850–1900 average (degrees Celsius)



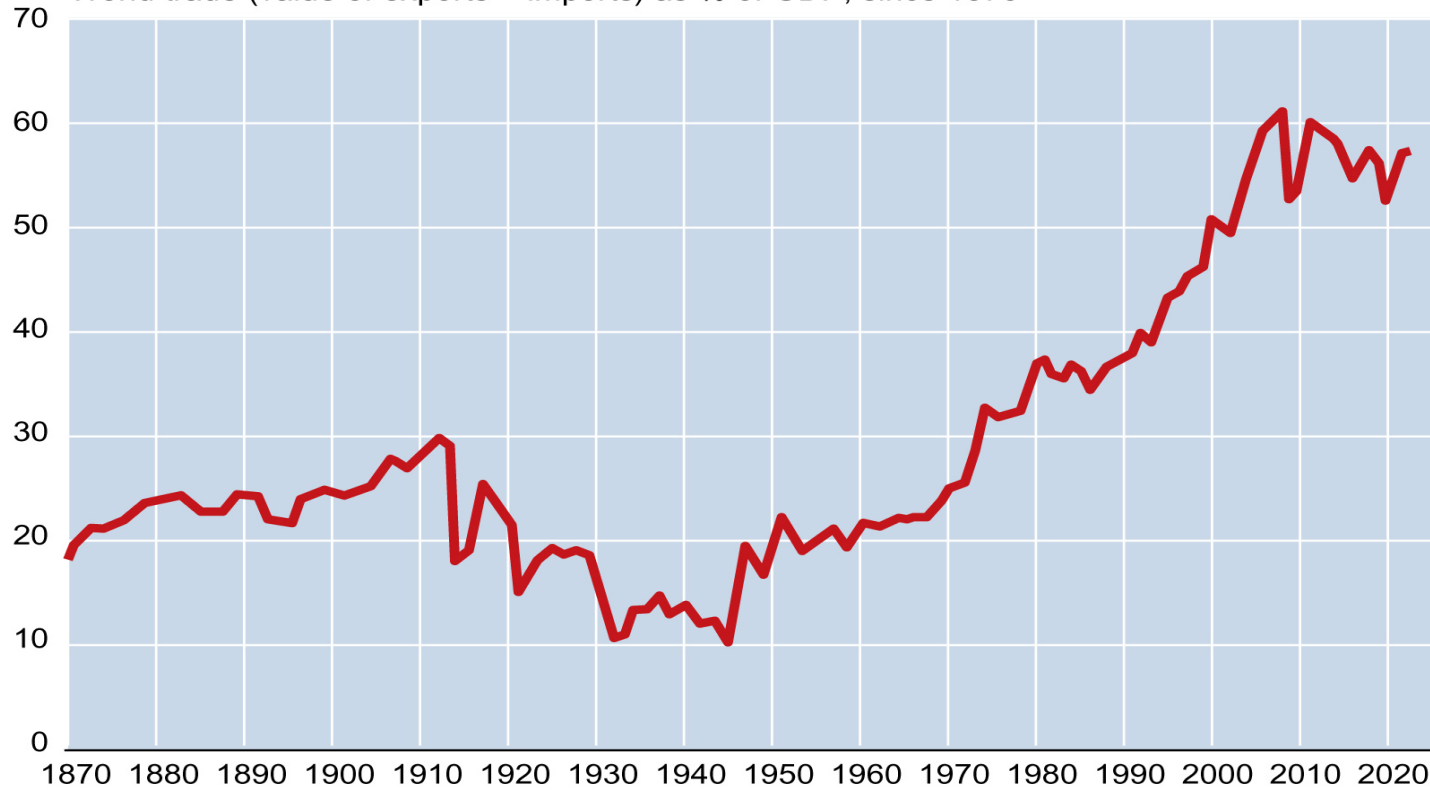
Source: IPCC report, August 2021

# **Trade and finance ... what next?**

- **Has globalization peaked or will it change its nature?**
- **Actually it peaked about a decade ago ...**
- **... so does this change the nature of competition?**
- **Will we move to a two-bloc world: China vs the US?**
- **Will fiat currencies hold off the challenges?**
- **What about other structural shifts in finance?**

## Has globalization peaked?

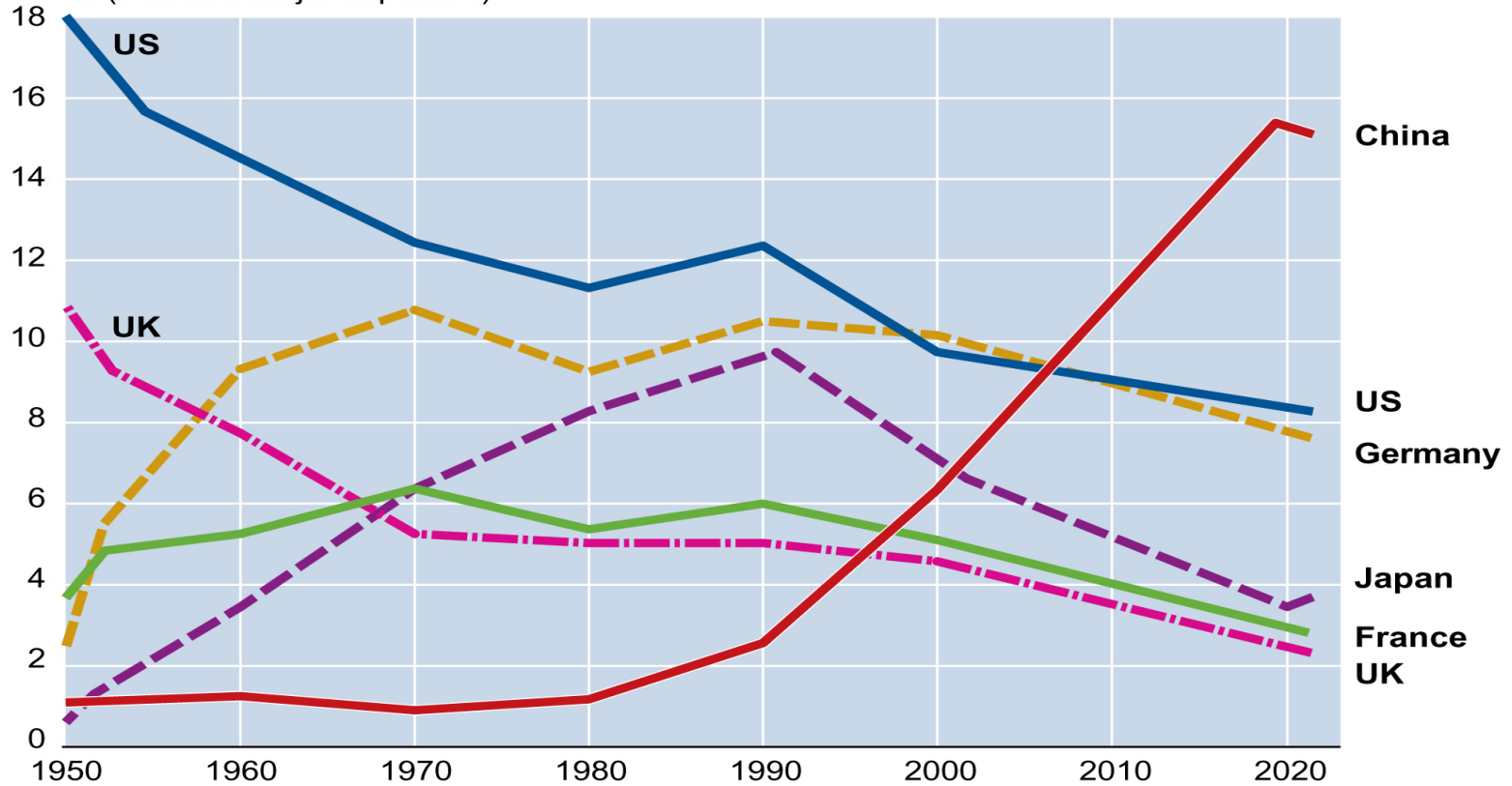
World trade (value of exports + imports) as % of GDP, since 1870



Sources: WTO, UNCTAD

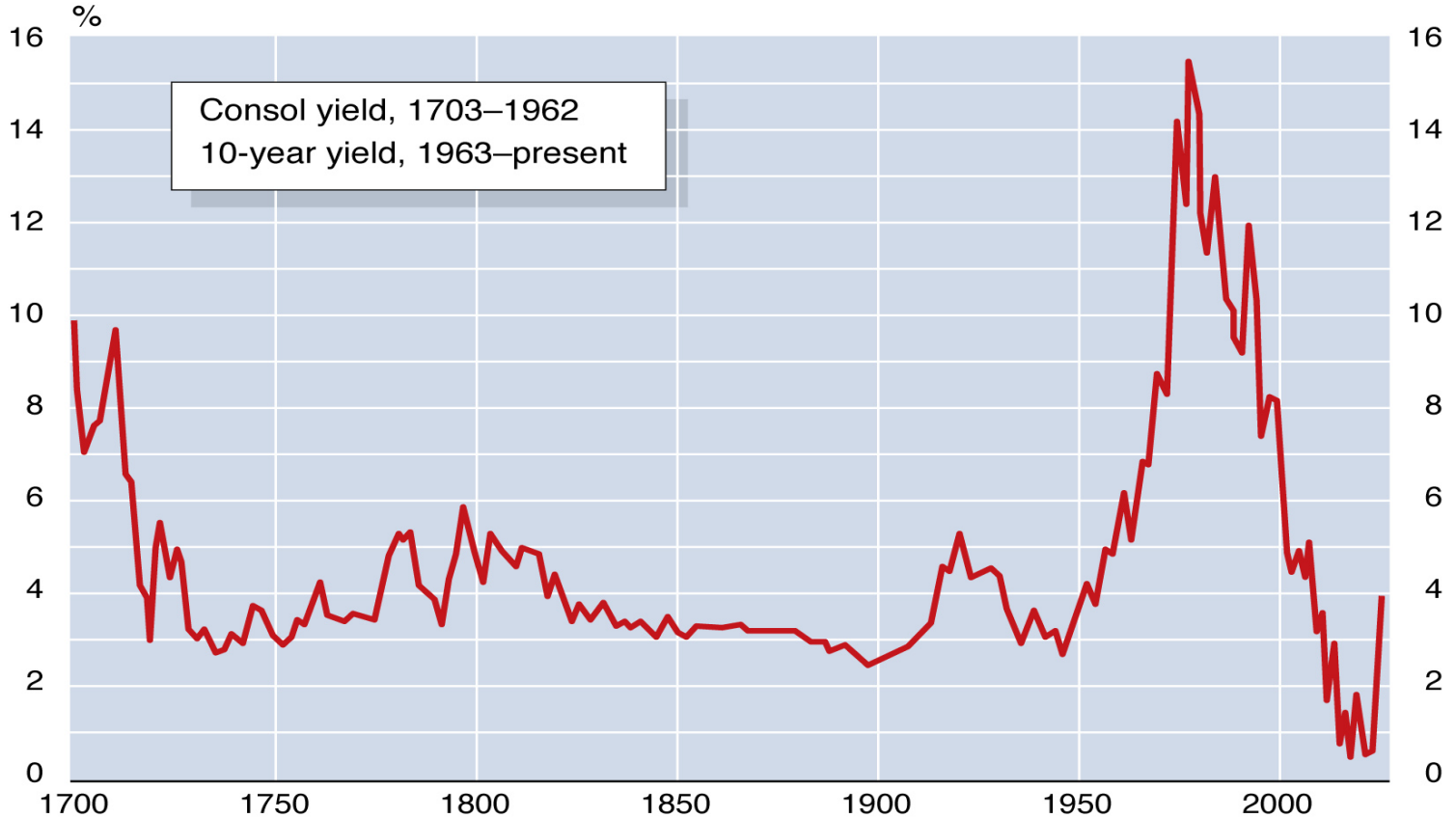
# Share of global goods exports, 1950—2021

% (selected major exporters)



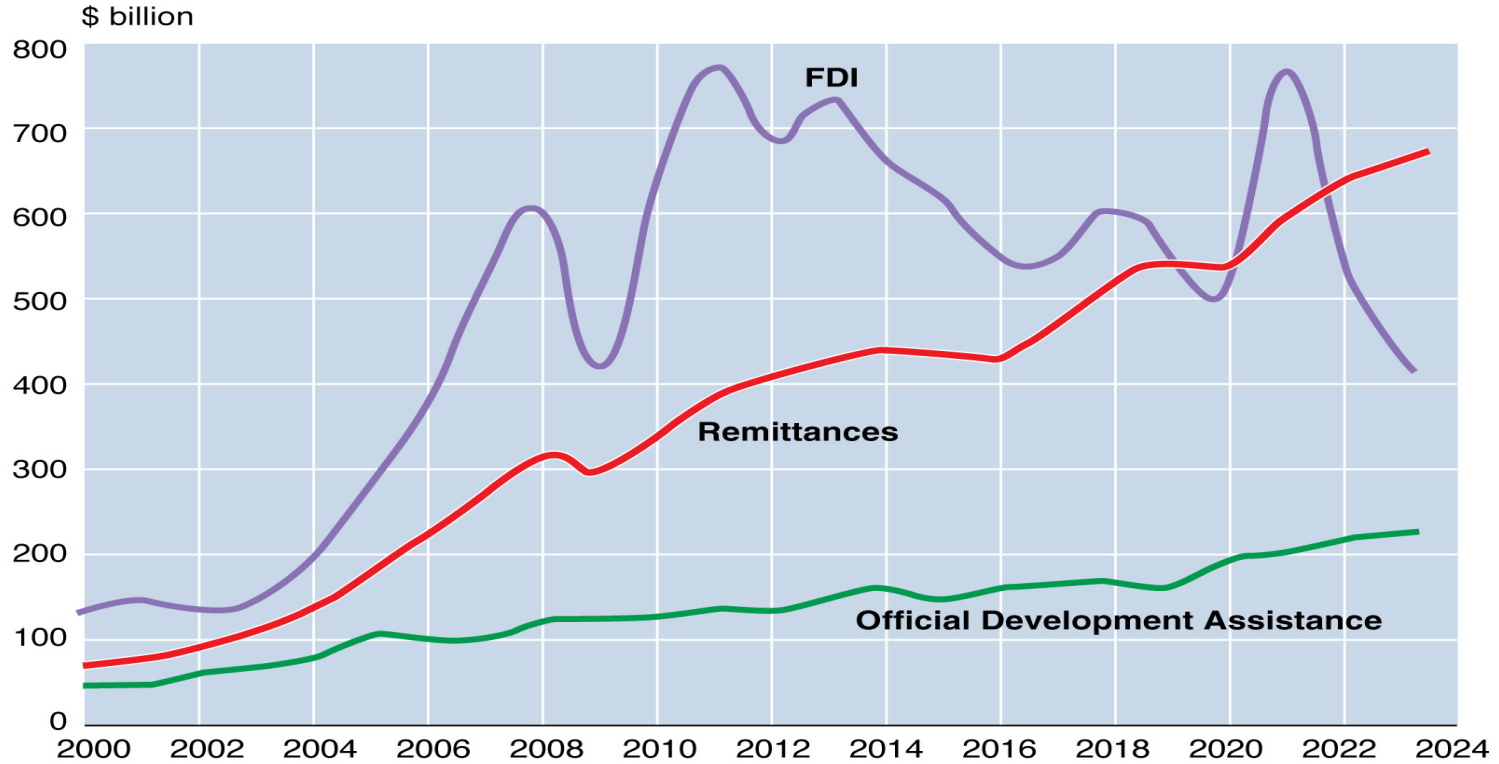
Sources: WTO, UNCTAD

# UK long-run government bond yield, since 1700



Sources: Capital Economics, Bank of England

## Flow of funds to low- and middle-income countries

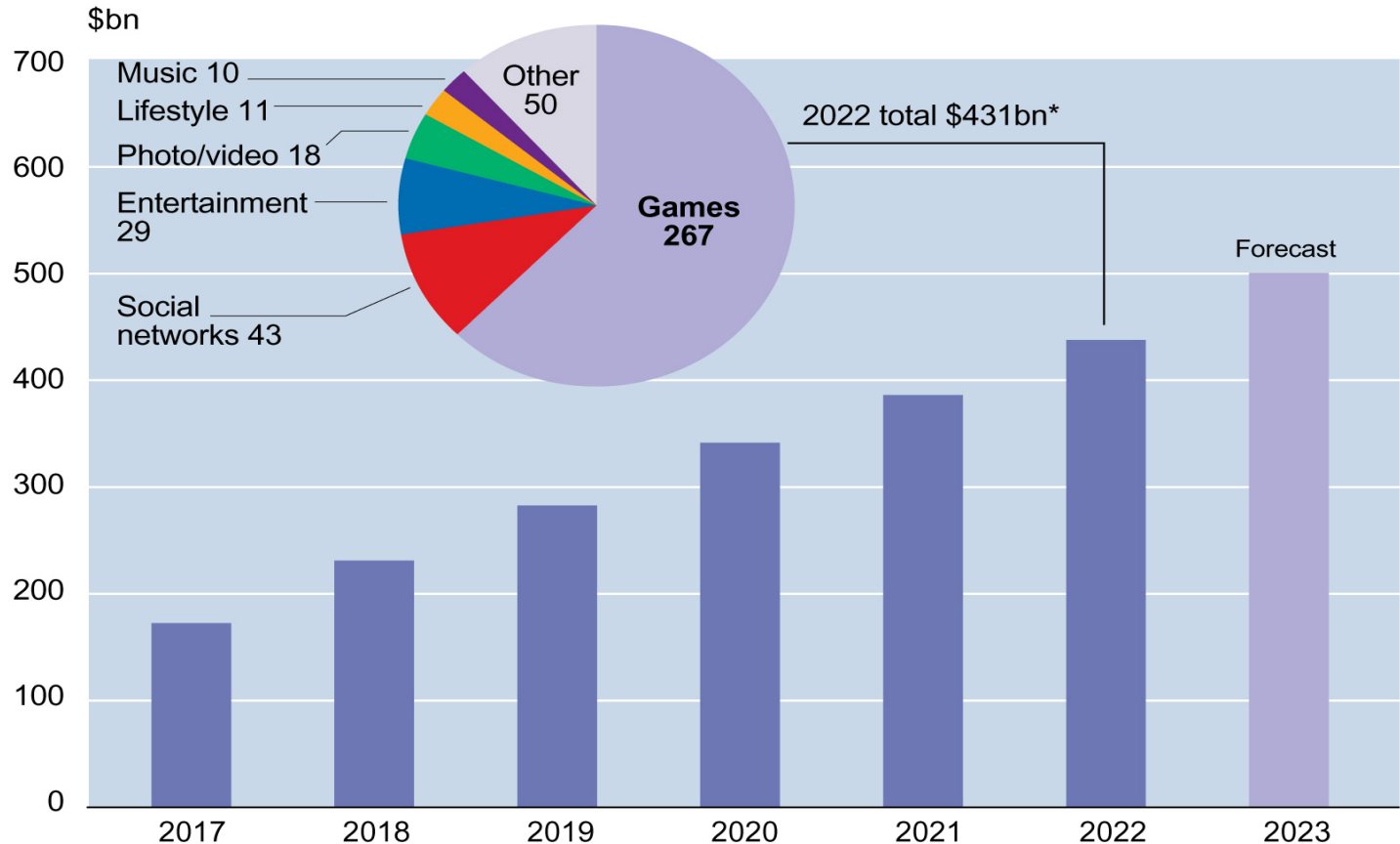


Sources: World Bank, OECD

# **Technology races forward**

- **Incremental advances drive catch-up growth ...**
- **... while technological leaps drive frontier growth**
- **Manufacturing technology is brilliant ...**
- **... but technology has lagged in service industries**
- **Generative AI is the Holy Grail for services ...**
- **... and an even bigger revolution than the iPhone**

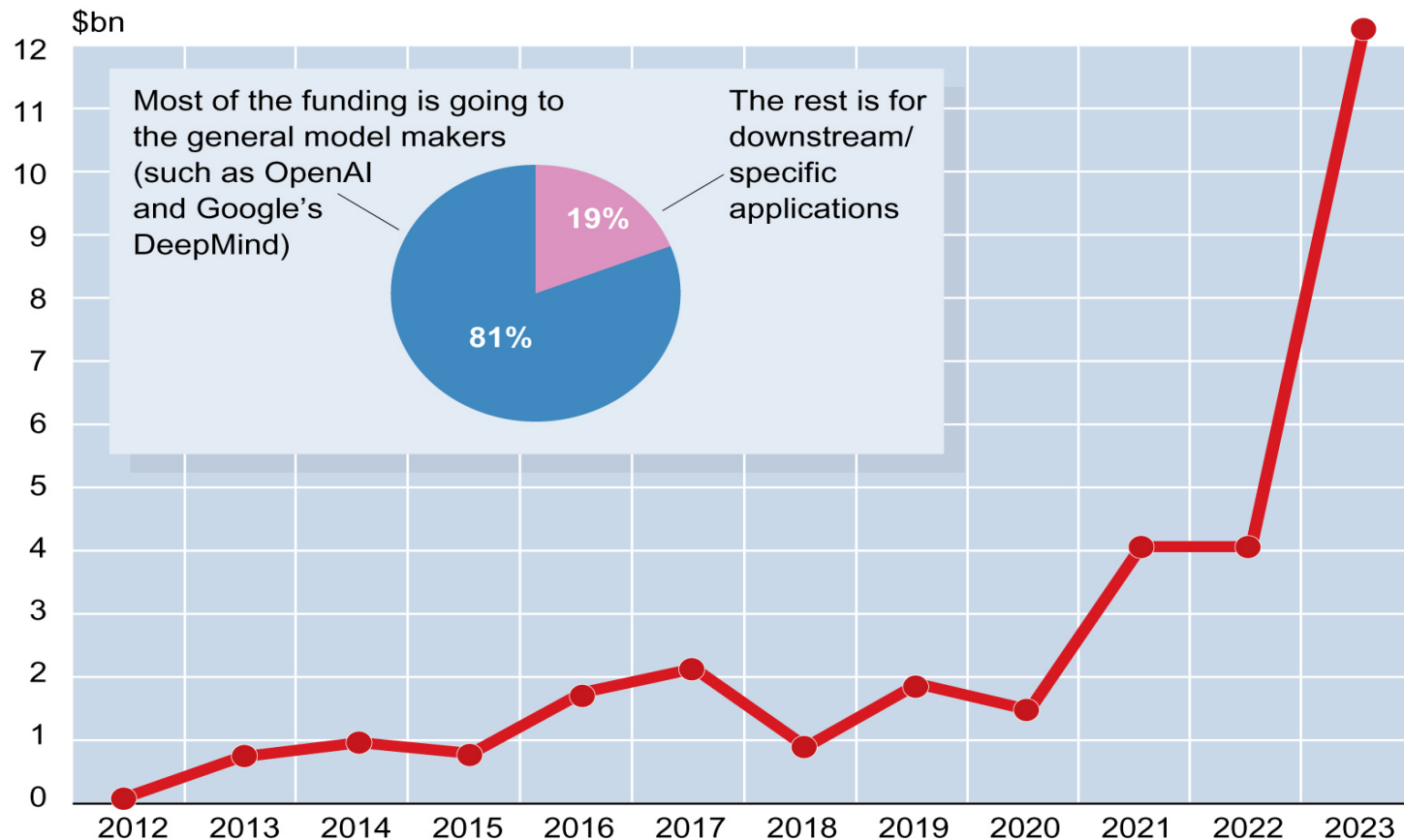
# Global app revenues



\*Revenue generated worldwide from app sales and advertising, by type of app

Source: Statista Digital Market Insights

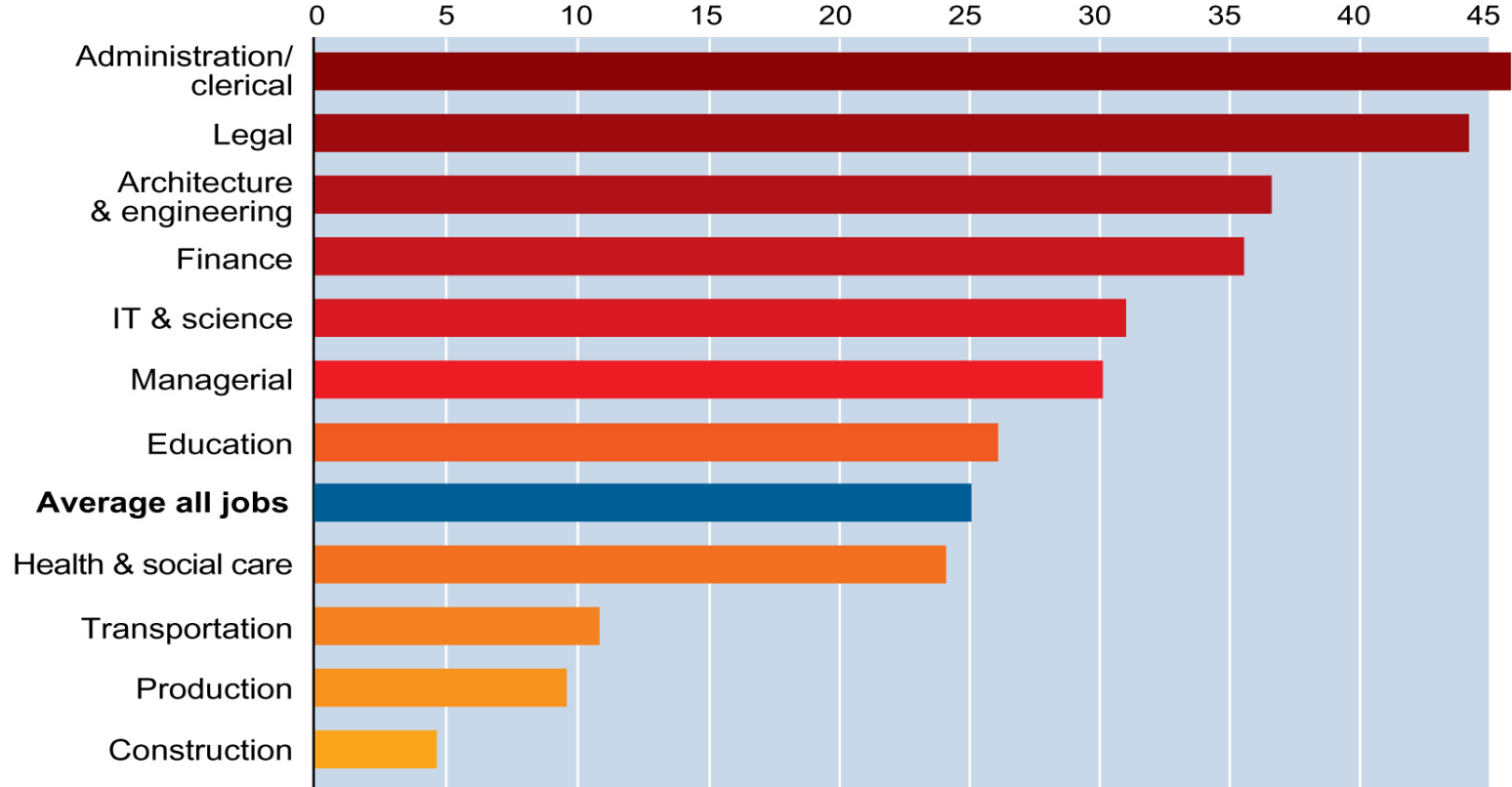
# Startup funding for generative AI



Source: Dealroom/Chartpack

# Jobs at risk from AI

% of workers likely to be affected by AI-driven automation

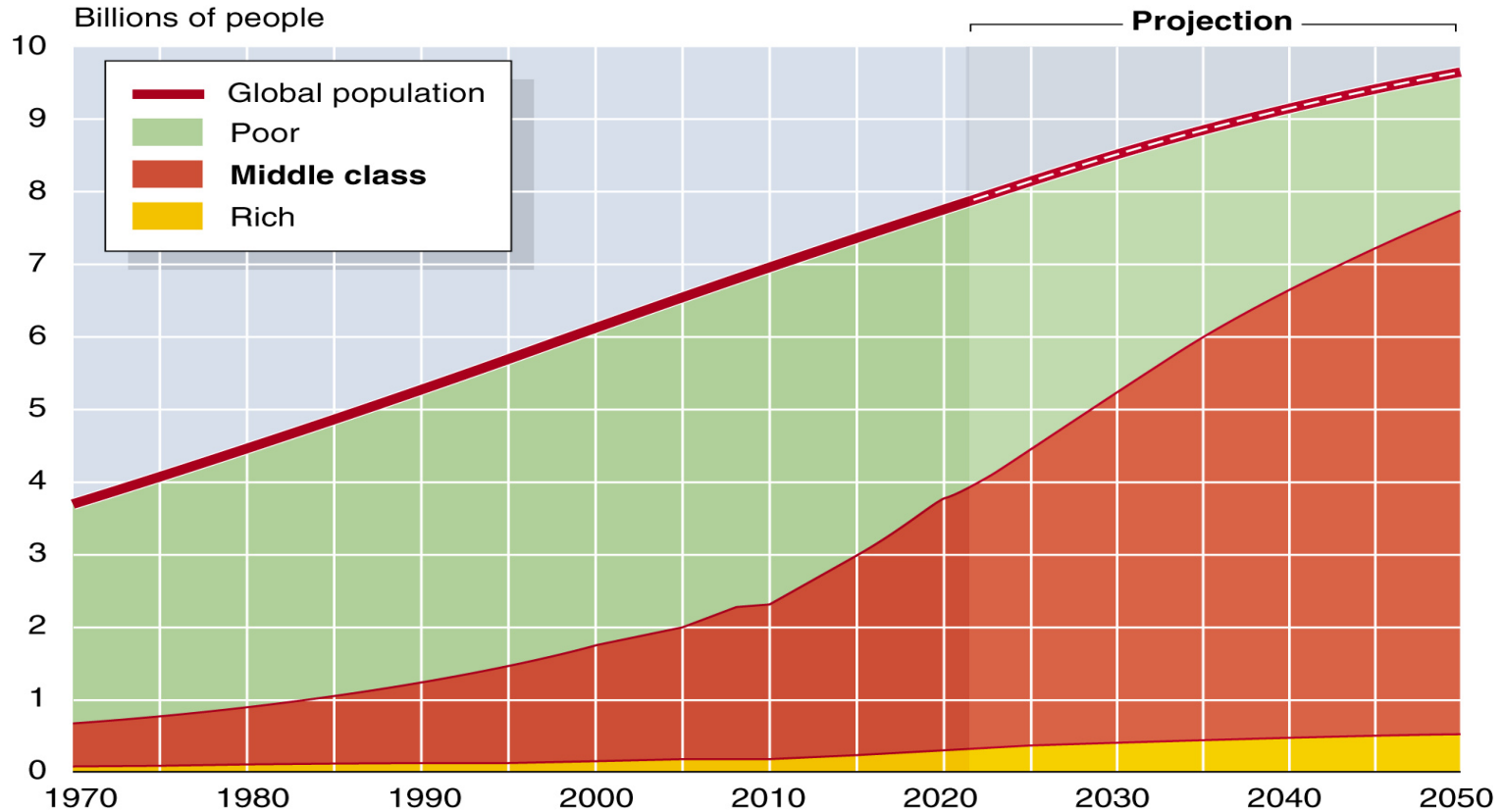


Source: Goldman Sachs Global Investment Research

# **Governance – democracy will win**

- **Crisis of confidence globally in democracy ...**
- **... and Ukraine has sharpened the divide**
- **Have the fissures in our societies really widened?**
- **People are becoming better educated ...**
- **... better informed, healthier, living longer lives ...**
- **... leading to a world dominated by the middle class**

# Rise of the global middle class



# **Where are the risks?**

- **The US political system fails to hold together**
- **The US, China and India mismanage their relationship**
- **Russia implodes and gravely damages itself and its neighbours**
- **Sub-Saharan Africa is mired in poverty**
- **Religious conflict breaks out**
- **Environmental degradation becomes irreversible**
- **The world is struck by further pandemics**
- **The Middle East becomes truly unstable**
- **The information revolution becomes malign**
- **We lose our faith in democracy**

# **The (mostly) positive judgements**

- **A middle-class world will be a safer, more secure world**
- **The US becomes calmer and more self-confident ...**
- **... as the leader of the Anglosphere**
- **Europe moves successfully towards a core and a periphery**
- **China turns from aggression to co-operation**
- **India seizes its prize as a clear number three economy**
- **Africa – youthful, vibrant, chaotic – becomes more important**
- **Globalization successfully transitions to trade in services**
- **Technology comes to the rescue in many fields**
- **We have a more harmonious relationship with our planet**

# **The world now: a magic moment**

Barack Obama

“

**If you had to choose a moment in history to be born, and you did not know ahead of time who you would be – you didn't know whether you were going to be born into a wealthy family or a poor family, what country you'd be born in, whether you were going to be a man or a woman – if you had to choose blindly what moment you'd want to be born, you'd choose now.**

”

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