GLOBAL MACROECONOMICS / RESEARCH

Global Macroeconomics in the 2030s:

Structural Forces, Regional Outlooks, and Scenarios

2.2%

GLOBAL POTENTIAL GROWTH

2022–2030 · World Bank

102%

GLOBAL GOVERNMENT DEBT

2031 · IMF projection

2.8%

CHINA POTENTIAL GROWTH

2031–2040 · without major reforms



2000–2010 2011–2021 2022–2030

GLOBAL POTENTIAL GROWTH / WORLD BANK

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1. Executive Summary

1. **The world enters the 2030s with a lower speed limit.** The World Bank estimates that global potential growth will fall to about 2.2% a year over 2022–2030, a three-decade low. It was 2.6% in 2011–2021 and 3.5% in 2000–2010. The IMF's April 2026 *World Economic Outlook* has global growth settling at about 3.1–3.2% a year over the medium term on a purchasing-power-parity (PPP) basis, below the 2000–2019 average of 3.7%. At market exchange rates, the IMF projects world growth of about 2.4% in 2031.
2. **Artificial intelligence is the decisive swing factor.** The World Bank's June 2026 *Global Economic Prospects* says that even if AI falls short of the hype, it would still lift productivity above the weak 2020s average. Managed well, it would push global growth in the 2030s above the 2000s average and make the decade "the world's most prosperous since the 1970s."
3. **Public debt is at levels last seen after the Second World War.** Global gross government debt was about 94% of world GDP in 2025. The IMF projects it at 100% by 2029 and about 102% by 2031. In a severe but plausible "debt-at-risk" scenario, it reaches about 117% within three years. Debt is the central macro constraint of the decade.
4. **The era of ultra-low interest rates is over.** Between February and September 2026, the average G7 10-year government bond yield rose by more than one percentage point, to its highest level in nearly two decades. The IMF attributes the rise to an oil-price shock, persistent inflation, strong investment demand, higher growth expectations linked to AI, and, above all, fiscal fundamentals.
5. **Demographics are a slow but relentless headwind.** About 28% of the world's population lives in the 63 countries whose populations have already peaked, including China, Germany, Japan and Russia. Labour-force growth is shifting to South Asia and, above all, Sub-Saharan Africa.
6. **China's deceleration is structural.** IMF staff project Chinese potential growth of about 3.8% in 2025–2030 and about 2.8% in 2031–2040 without major reforms. With them, it holds at about 4.3% over 2025–2040.
7. **Fragmentation is part of the baseline.** The 2025 tariff shock, the 2026 conflict-driven energy shock and pressure on economic institutions define a decade of frequent supply shocks, volatile inflation and politicised economic policy.

Bottom line: the 2030s will be a "higher-for-longer, lower-for-longer" decade. Real interest rates, debt and inflation volatility will be higher than before, and trend growth in most advanced economies and in China will be lower. AI-driven productivity is the principal upside, and a fiscal-financial accident is the principal downside. Because the payoff from AI investment is so uncertain, the range of possible outcomes is unusually wide.

2. Starting Conditions on the Eve of the 2030s

2.1 A dense cluster of shocks

- The World Bank describes the period since 2019 as "one of the densest clusters of global shocks since the 1970s." Nearly one in two developing economies has failed to narrow its income gap with the richest economies since 2019, and the Bank warns that the 2020s "might already be lost."
- In April 2025, the tariff shock and the uncertainty around it led the IMF to cut its 2025 global growth forecast by 0.5 percentage points, to 2.8%. The forecast was revised up later as economies adapted.

- In April 2026, in a *World Economic Outlook* titled "Global Economy in the Shadow of War," the IMF projected global growth of 3.1% in 2026 and 3.2% in 2027. Without the war-related shock, growth would have been revised up. Global headline inflation was projected to rise to 4.4% in 2026 before easing to 3.7% in 2027.
- In the same report's adverse scenario, with larger and longer-lasting energy-price increases, global growth in 2026 falls to 2.5% and inflation rises to 5.4%. In a severe scenario with damage to energy infrastructure in the conflict region, growth falls to about 2% and inflation rises just above 6% by 2027.

2.2 Why these shocks shape the 2030s

1. **Scarring.** Lost investment, interrupted schooling and corporate distress lower an economy's future productive capacity, not just its current output. The World Bank links pandemic-era losses in human capital directly to lower potential growth.
2. **Expectations.** Repeated supply shocks teach firms, workers and investors to expect volatile inflation, which makes central banking harder.
3. **Fiscal space.** Every shock was met with fiscal support, so governments enter the 2030s with less room to absorb the next one.

3. The Baseline Growth Picture

3.1 The global speed limit

The World Bank defines potential growth as the maximum rate an economy can sustain over the medium term at full employment and full capacity without generating inflation.

Period	Global potential growth	Developing-economy potential growth
2000–2010	about 3.5%	about 6%
2011–2021	about 2.6%	about 5%
2022–2030 (projected)	about 2.2%	about 4%

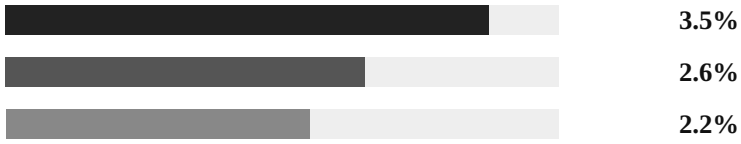
Source: World Bank, Falling Long-Term Growth Prospects (2023). These figures use market-exchange-rate weights, so they sit below IMF PPP-based headline figures.

The drivers of the slowdown are:

- total factor productivity (efficiency gains not explained by more labour or capital) growing at its slowest pace since 2000;
- investment growth over 2022–2024 running at about half the average of the previous two decades;
- slower growth of the global labour force as populations age;
- lasting human-capital losses from the pandemic.

The same study finds that if every country repeated its own best ten-year record of reform, most of the slowdown would be reversed. The low baseline is the cost of mediocre policy, not a fixed fate.

Global potential growth



Source: World Bank, Falling Long-Term Growth Prospects (2023).

3.2 IMF medium-term projections by region

Economy or group	Average 2008–2017	Projection for 2031
United States	1.6%	1.8%
European Union	0.9%	1.4%
Emerging and Developing Asia	7.2%	4.5%
Emerging and Developing Europe	2.3%	2.3%
Latin America and the Caribbean	2.0%	2.6%
Middle East and North Africa	3.7%	3.6%
Emerging market and middle-income economies	5.0%	3.8%
Low-income developing countries	5.4%	5.2%
World (market exchange rates)	2.4%	2.4%

Source: IMF, World Economic Outlook, April 2026, Statistical Table A1.

3.3 What the table says

- **Emerging Asia's deceleration is the defining feature.** The fall from above 7% to about 4.5% mostly reflects China's maturation. Emerging Asia is such a large share of world output that this single shift pulls global growth down.
- **Advanced economies are stuck at 1.5–2%.** The United States stays the fastest-growing large advanced economy, thanks to population growth (including immigration) and a deep technology sector.
- **Low-income countries post relatively high headline growth,** but from very low income levels and with rapid population growth. Growth per person is far weaker than the headline figures suggest.
- **Convergence is slowing.** The old pattern in which emerging markets steadily close the income gap with rich countries is much weaker in the 2030s than it was in the 2000s.

EXHIBIT 01 / GROWTH

The global speed limit

Potential growth and the regional medium-term outlook

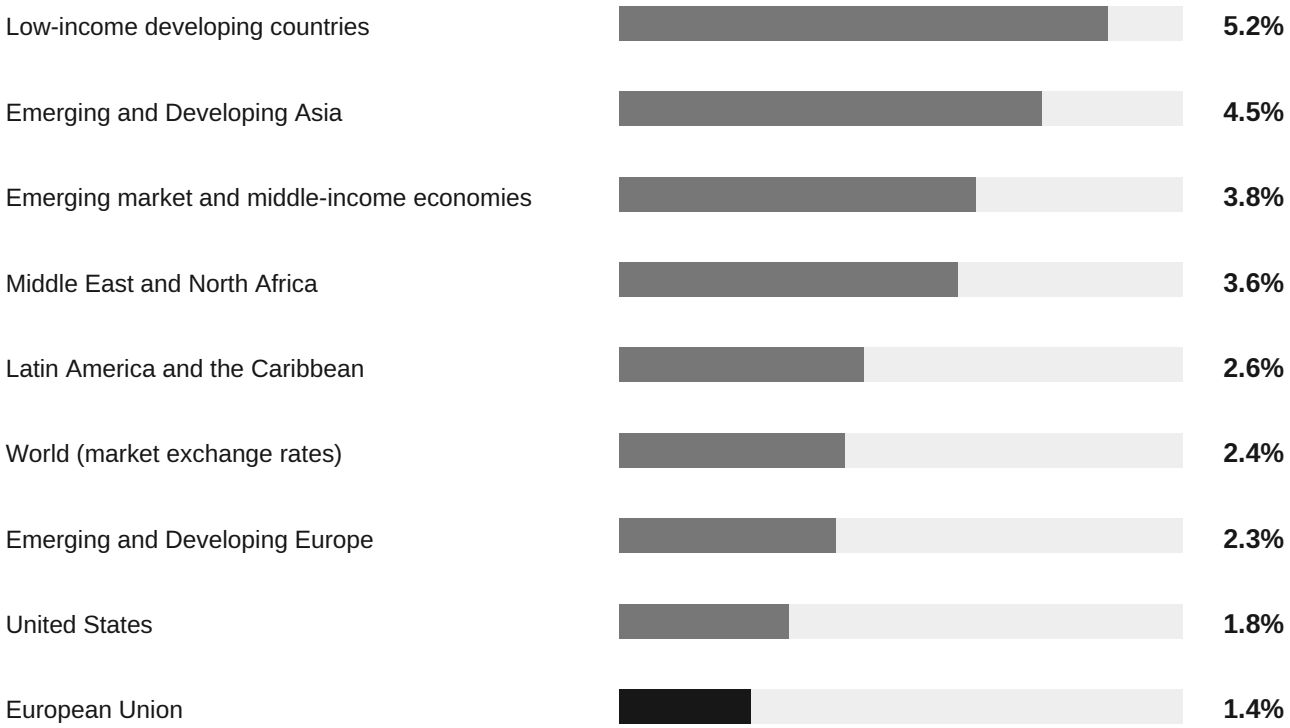
Global potential growth

World Bank · annual growth (%)



Regional growth in 2031

IMF · annual growth, projection (%)



Sources: World Bank (2023); IMF, World Economic Outlook, April 2026, Table A1.

4. Structural Force One: Demographics

4.1 The facts

From the United Nations' *World Population Prospects 2024*:

- World population was 8.2 billion in 2024. It is projected to peak at about 10.3 billion in the mid-2080s and fall slightly to 10.2 billion by 2100.
- The probability that world population peaks within this century is now about 80%, up from about 30% in the 2013 projections, because fertility has fallen faster than expected in several of the most populous countries.
- In 63 countries and areas, with 28% of world population, population peaked before 2024. This group includes China, Germany, Japan and Russia, and its combined population is projected to fall by 14% over the next 30 years.
- In that group, people aged 65 and over will number 409 million by 2027, more than the number of children under 18.
- A further 48 countries, with about 10% of world population, will peak between 2025 and 2054. The remaining 126 countries keep growing through 2054.
- Worldwide, people aged 65 and over will outnumber those under 18 by the late 2070s.
- Africa's population rises from about 1.52 billion in 2024 to about 2.47 billion in 2050, or from 18.6% to 25.6% of the world total. Europe's falls from about 745 million to about 703 million.

4.2 Economic consequences in the 2030s

1. **Shrinking workforces.** In East Asia and most of Europe, the working-age population contracts through the 2030s. Keeping output growing requires faster productivity growth, higher participation (especially by women and older workers), or more immigration.
2. **Fiscal pressure from ageing.** Spending on pensions, health care and long-term care rises automatically and compounds the debt problem described in Section 6.
3. **Two opposing pressures on interest rates.** Societies saving heavily before retirement push rates down. Retirees drawing down savings push rates up. In the 2030s the drawdown phase gains weight in China and Europe, which supports higher neutral interest rates.
4. **Labour scarcity and wages.** Tight labour markets in ageing economies raise labour's share of income, support wage growth and add to inflation pressure. They also strengthen the business case for automation and AI.
5. **The demographic dividend moves.** India's working-age population keeps growing into the 2040s, and Sub-Saharan Africa becomes the world's main source of new workers. Whether this becomes a dividend depends on jobs, education, electricity and infrastructure. Without them, a growing workforce brings unemployment and instability rather than growth.
6. **Migration becomes a macro variable.** Ageing rich economies need workers, young developing regions supply them, and politics in many receiving countries resists. How that tension resolves will largely determine labour supply in the United States, Europe and Japan.

5. Structural Force Two: Productivity, Technology and AI

5.1 The institutional view

The World Bank's June 2026 *Global Economic Prospects* identifies "pockets of opportunity" that could make the 2030s "a golden era for job creation and growth." The first and most visible is rapid AI adoption:

> *Even if it failed to live up to the hype, AI would by most accounts still boost global productivity rates above the paltry average of the 2020s. If managed well, global growth in the 2030s would surpass the average of the 2000s.*

Energy security is the second.

The IMF names "higher expected future growth linked to AI" as one reason long-term bond yields have risen, so markets are already pricing some AI-driven growth. The IMF's October 2025 *World Economic Outlook* also lists "an abrupt repricing of tech stocks" among the main risks to financial stability.

5.2 Transmission channels

Channel	Mechanism	Timing
Investment boom	Huge spending on data centres, semiconductors, power generation and grid upgrades	Under way in the late 2020s and continuing into the 2030s
Task automation	Cheaper cognitive work in software, customer service, legal, accounting and back-office functions	Gradual through the 2030s, fastest in service-heavy economies
Faster innovation	AI speeds up research in drug discovery, materials science and engineering	The largest long-run effect, arriving latest
Labour reallocation	Workers move from automated tasks to new ones, with transitional unemployment	Throughout the 2030s
Market concentration	Gains accrue to the few firms with computing power, data and talent	Ongoing
Energy demand	Data centres add substantial electricity demand	Already visible

5.3 The forces that decide AI's macro footprint

1. **The diffusion lag.** Steam, electricity and computing were general-purpose technologies that took decades to show up in productivity statistics, because firms had to reorganise work around them. In the 1980s it was famously said that "you can see the computer age everywhere but in the productivity statistics." AI spreads faster because it arrives as software, but organisational change remains the bottleneck.

2. **Measurement.** Much of AI's value is delivered free or bundled with other products, which GDP captures poorly. Official productivity data will understate or misattribute part of the gains.
3. **Distribution across countries.** Economies with deep technology sectors, cheap and reliable electricity, skilled workforces and flexible labour markets gain first, led by the United States and parts of East Asia. Developing economies whose comparative advantage lies in automatable services, such as business-process outsourcing, risk losing part of their development path.
4. **Distribution within countries.** Pressure on wages in mid-skill cognitive jobs widens inequality and feeds the populist politics behind trade fragmentation.
5. **Boom-and-bust dynamics.** If AI investment runs ahead of revenue, as railway and telecom investment did in earlier booms, a valuation correction and a collapse in capital spending could cause a recession in the early 2030s even if the long-run gains are real.

5.4 Energy: the hidden constraint on AI

The International Energy Agency's *Energy and AI* report (2025) projects that data-centre electricity consumption will more than double by 2030. In the 2030s, the pace of AI-driven growth will therefore depend on how fast generation capacity, transmission lines and grid connections can be built. That is why the World Bank pairs AI with energy security. Countries with cheap, abundant and reliable power, whether from renewables with storage, nuclear, hydro or natural gas, hold a structural advantage.

6. Structural Force Three: Public Debt, Interest Rates and Fiscal Limits

6.1 The numbers

From the IMF *Fiscal Monitor* (October 2024 and April 2026) and related IMF analysis:

- Global public debt passed US$100 trillion in 2024.
- Global gross government debt was about **93.9% of GDP in 2025**, nearly 2 percentage points higher than in 2024.
- On current policies it reaches **100% of GDP in 2029**, one year earlier than projected in April 2025, and about **102% by 2031**. That level was last seen just after the Second World War.
- The global fiscal deficit was about 5% of GDP in 2025.
- In the IMF's debt-at-risk framework, a severe but plausible tail outcome puts debt at about **117% of GDP** three years ahead, roughly 20 percentage points above the central projection.
- Countries where debt is not projected to stabilise account for more than half of global debt and about two-thirds of world GDP. The United States and China drive much of the increase.
- Debt forecasts have a systematic optimism bias. Debt three years ahead has, on average, come in **6 percentage points of GDP above** projections.
- "Unidentified" debt, from contingent liabilities, losses at state-owned enterprises and similar sources, has historically added 1–1.5% of GDP a year, and far more during financial stress.

Global gross government debt (% of GDP)



Source: IMF, Fiscal Monitor, April 2026. Figures as stated in Section 6.1.

6.2 The interest-rate regime shift

The IMF's October 2026 analysis finds that:

- When debt is already high, rising policy rates do more damage to deficits and debt.
- High debt makes market interest rates more sensitive to fiscal news. In the United States, long-term forward rates have become more responsive to projected government debt.
- The average G7 10-year yield rose by more than one percentage point between February and September 2026, to its highest level in nearly two decades.

6.3 Why debt defines the decade

In the 2010s, interest rates on government debt generally sat below nominal growth. Governments could run moderate deficits while debt ratios held steady or drifted down. The 2030s are different:

1. **Interest costs crowd out other spending.** As debt rolls over at higher rates, interest payments rise and compete with defence, pensions, health care, climate investment and AI-related public goods.
2. **Spending pressures build together.** Ageing, defence (NATO members agreed at the 2025 Hague summit to a target of 5% of GDP for defence and related spending by 2035), climate adaptation, industrial policy and debt service all push in the same direction.
3. **Fiscal dominance.** Governments are tempted to press central banks to hold rates down or absorb debt, putting price stability below debt sustainability. The IMF's warning about "pressure on the independence of key economic institutions" belongs here.
4. **Bond-market discipline.** Episodes in which investors demand higher yields because of fiscal concerns, such as the 2022 UK gilt crisis, recur in advanced economies.
5. **Stress in emerging and frontier markets.** Higher global rates and a stronger dollar in periods of stress make refinancing harder for poorer sovereigns. Demand for restructuring through the G20 Common Framework and its successors stays high.

6.4 Where real interest rates settle

The forces pushing the neutral real interest rate up in the 2030s are:

- heavy public borrowing;
- large investment needs in AI, energy, defence and climate;
- deglobalisation, which shrinks global pools of saving;
- ageing societies beginning to draw down their savings.

EXHIBIT 02 / STRUCTURAL FORCES

Demography and fiscal limits

Population shifts and rising public debt

Africa and Europe

Population (billions)



Global gross government debt

Share of world GDP (%)



Sources: United Nations, World Population Prospects 2024; IMF, Fiscal Monitor, April 2026.

The forces holding it down are weak trend growth, durable demand for safe assets and persistently high saving in some ageing economies. The balance of these forces, together with the 2026 bond-market moves, points to real rates in the 2030s **materially above the 2010s, though well below the 1980s**.

7. Structural Force Four: Geoeconomic Fragmentation and Trade

7.1 The evidence to date

- The IMF names "prolonged uncertainty, more protectionism, and labor supply shocks" as key downside risks.
- The 2025 tariff escalation caused the largest single downward revision to the global forecast in recent years.
- Over the 2020s, export controls on advanced semiconductors, investment screening, friend-shoring, subsidy races (the US Inflation Reduction Act and CHIPS Act, and the EU's responses) and sanctions regimes all became routine instruments of policy.
- IMF staff analysis (*Geoeconomic Fragmentation and the Future of Multilateralism*, 2023) estimates that the long-run cost of severe trade fragmentation could reach about 7% of global GDP.

7.2 The shape of fragmentation in the 2030s

1. **Rerouting rather than retreat.** Global trade is being rewired, not collapsing. "Connector" economies such as Vietnam, Mexico, India, Morocco, Poland and the Gulf states gain market share by sitting between the rival blocs.
2. **Trade split by category of good.** Strategic goods (chips, batteries, critical minerals, pharmaceutical inputs and defence-related goods) move under managed trade, while ordinary consumer goods and services stay more open.
3. **Efficiency costs.** Duplicated supply chains raise costs and add to structural inflation.
4. **Growth in services trade.** Digitally delivered services such as software, design, finance and remote professional work keep expanding even as goods trade fragments. AI both widens this channel, by enabling remote work, and narrows it, by automating some of these services.
5. **Permanent industrial policy.** Subsidies for strategic sectors become standard. They raise fiscal costs and the risk of misallocation, and they speed up investment in clean energy and semiconductors.

7.3 China's external surplus as a friction point

IMF staff project China's current-account surplus at 3.3% of GDP in 2025. Strong exports are supported by a real depreciation of the exchange rate that comes from China's low inflation relative to its trading partners. If weak Chinese domestic demand keeps generating export surpluses into the 2030s, trade friction will intensify, not only with the United States but also with Europe, Latin America and other emerging economies.

8. Structural Force Five: Energy Security, Energy Transition and Climate

8.1 Energy security

The World Bank identifies energy security as a central opportunity of the 2030s. The 2026 conflict-related energy shock shows the downside: in the IMF's severe scenario, global inflation rises above 6%. Governments in the 2030s treat energy policy as national-security policy, favouring domestic or allied supply, diversified routes and strategic reserves.

8.2 The energy transition

- **Clean energy as security.** Solar, wind, batteries and nuclear reduce dependence on imported fossil fuels, so even governments indifferent to climate goals have strong reasons to invest.
- **Critical minerals.** Demand for lithium, nickel, cobalt, copper, graphite and rare earths keeps rising. Refining capacity is concentrated, largely in China, which gives it strategic leverage. Producers such as Chile, Peru, the Democratic Republic of Congo, Indonesia and Australia benefit if they avoid the resource curse.
- **Cost deflation.** The steep fall in solar and battery costs over the 2010s and 2020s puts cheap clean power within reach of many developing economies, provided financing costs fall. High interest rates hit capital-intensive renewables especially hard.
- **Petro-economies diverge.** Low-cost, diversifying Gulf producers prosper. High-cost, undiversified producers face structural revenue decline as oil demand plateaus.

8.3 Physical climate risk

More frequent extreme weather (heatwaves, floods, droughts and storms) becomes a recurring macroeconomic shock in the 2030s. It shows up as:

- volatile food prices and therefore inflation, especially in low-income countries;
- damage to infrastructure and housing, rising insurance premiums and retreat from some insurance markets;
- lower productivity in outdoor work under extreme heat in South Asia, the Middle East and Sub-Saharan Africa;
- fiscal costs of adaptation and disaster relief that add to public debt.

9. Regional and Country Outlooks

9.1 United States

Baseline: growth of about 1.8% in 2031 (IMF), with public debt on a steadily rising path. The United States and China together drive much of the rise in global debt.

Strengths:

- the world's deepest AI and technology ecosystem, venture capital market and research university system;
- net energy-exporter status;

- the most favourable demographics among advanced economies, sustained by immigration;
- the dollar's reserve-currency status, which lowers borrowing costs.

Vulnerabilities:

- large structural deficits and rising interest costs;
- policy uncertainty over trade, immigration and institutional independence;
- high equity valuations concentrated in technology and AI;
- political polarisation that blocks fiscal consolidation.

Outlook for the 2030s: the United States is where an AI-led productivity surge shows up first. It is also where a fiscal or bond-market confrontation would cause the largest global spillovers. Its range of outcomes is the widest of any major economy.

9.2 China

Baseline (IMF Working Paper WP/24/238):

- potential growth fell from a peak of about 10% in 2006 to about 5% in 2022;
- without major reforms, it falls to about 3.8% in 2025–2030 and about 2.8% in 2031–2040;
- with reforms that raise productivity and shift growth toward consumption, it holds at about 4.3% over 2025–2040.

Near-term (IMF 2025 Article IV):

- growth of 5.0% in 2025 and 4.5% in 2026;
- inflation near 0% in 2025 and 0.8% in 2026, signalling persistent deflationary pressure;
- a prolonged property-sector adjustment, strained local-government finances and weak consumer confidence;
- structural problems: slowing productivity, an ageing population, high debt and falling returns on investment;
- a higher statutory retirement age to support labour supply;
- an estimated GDP gain of about 2.5 percentage points by 2030 if three policy priorities advance.

The central question for the 2030s is whether China rebalances toward household consumption, through a stronger social safety net, reform of the household-registration (hukou) system and a larger household share of income, or keeps leaning on investment and export-led manufacturing.

- **Rebalancing** brings somewhat slower but more sustainable growth, less trade friction and more Chinese demand for the rest of the world's goods.
- **Continued supply-side emphasis** brings entrenched domestic deflation, large export surpluses, sharper trade conflict and low-price exports that squeeze manufacturing worldwide.

China stays a technological leader in electric vehicles, batteries, solar, shipbuilding and segments of AI. A slower China is not a weak China: its industrial scale will set global prices in many sectors throughout the 2030s.

China: potential growth



Source: IMF Working Paper WP/24/238. Figures as stated in Section 9.2.

9.3 European Union and the Euro Area

Baseline: EU growth of about 1.4% in 2031 (IMF).

Structural context:

- The 2024 Draghi report on European competitiveness calls for €750–800 billion a year of additional investment, about 4.4–4.7% of EU GDP, to close the productivity and technology gap.
- Defence spending is rising sharply under the 2025 NATO commitments.
- Germany has loosened its fiscal rules to allow large infrastructure and defence spending.

Outlook for the 2030s:

- Europe faces an ageing workforce, high energy costs relative to the United States and a smaller technology sector.
- Its upside levers are integration of the capital markets union, common EU borrowing for defence and strategic goals, and fast adoption of AI developed elsewhere. Europe need not lead frontier AI to benefit from deploying it.
- Southern European and French debt levels are a recurring source of risk in a high-rate world.
- Europe's role as a regulatory superpower in AI, data and climate shapes global standards even as its share of world output shrinks.

9.4 Japan

Context:

- Japan has the oldest population of any major economy and over a decade of population decline.
- Its gross government debt, well above 200% of GDP, is the highest among advanced economies.
- In the mid-2020s Japan escaped decades of deflation, and the Bank of Japan began normalising its policy rate.

Outlook for the 2030s:

- The return of moderate inflation and positive interest rates is the biggest change in Japan's macroeconomic regime in a generation. Higher rates raise interest costs on the enormous debt stock, but because the debt is mostly held at home, the risk of crisis is contained.
- Labour shortages speed up automation, robotics and AI adoption, making Japan the leading laboratory for how an ageing society uses technology to sustain living standards.
- Large net foreign assets support national income even when domestic growth is weak.

EXHIBIT 03 / REGIONAL OUTLOOK

China’s structural transition

Potential growth paths and the importance of reform

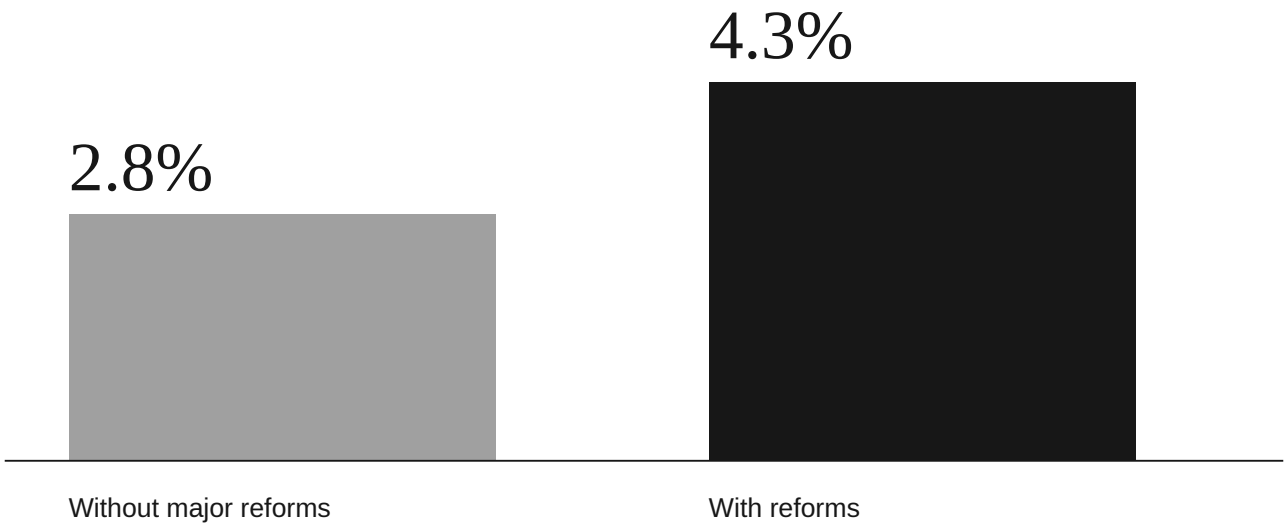
China: potential growth

Annual growth (%)



Reform and the growth outlook

Potential growth · 2031–2040 without reforms vs. 2025–2040 with reforms



Source: IMF Working Paper WP/24/238, China’s Path to Sustainable and Balanced Growth.

9.5 India

Context:

- India has been the fastest-growing major economy, at about 6–7% a year in the mid-2020s.
- IMF projections have India overtaking Japan and then Germany before the end of the 2020s, becoming the third-largest economy at market exchange rates.
- India's working-age population keeps growing into the 2040s.

Outlook for the 2030s:

- India is one of the two largest contributors to global growth and overtakes China in incremental contribution during the decade.
- Its opportunities are manufacturing relocating from China as firms diversify supply chains, digital public infrastructure (identity and payments systems) and services exports.
- Its constraints are creating jobs for a huge young workforce, raising low female labour-force participation, closing education and skills gaps, reforming land and labour regulation, and coping with climate exposure (heat, water stress and monsoon variability).
- AI cuts both ways for India's services-export model. It threatens to automate the IT and business-process outsourcing work that powered India's rise, and it offers India the chance to become a major centre for building and deploying AI.

9.6 ASEAN and Other Emerging Asia

- Vietnam, Indonesia, Malaysia, Thailand and the Philippines benefit from "China plus one" diversification.
- Indonesia gains from nickel and battery supply chains and from its large domestic market.
- Thailand and several others face early ageing and risk growing old before they grow rich.
- South Korea and Taiwan dominate semiconductors and capture large gains from demand for AI hardware, while carrying concentrated geopolitical risk and the world's lowest fertility rates.

9.7 Middle East and North Africa

Baseline: regional growth of about 3.6% in 2031 (IMF), after a direct hit from the 2026 conflict and energy shock.

Outlook for the 2030s:

- Gulf states (Saudi Arabia, the UAE and Qatar) use oil revenues to diversify into logistics, finance, tourism, AI data centres powered by cheap energy, and sovereign-wealth investment abroad.
- Security conditions largely determine the region's macroeconomic outcomes.
- Non-oil economies such as Egypt, Jordan and Tunisia face heavy debt, high youth unemployment and dependence on food imports.

9.8 Latin America and the Caribbean

Baseline: growth of about 2.6% in 2031 (IMF), modestly above the weak 2008–2017 average of 2.0%.

Outlook for the 2030s:

- Its opportunities are critical minerals (lithium in the Argentina–Bolivia–Chile triangle, copper in Chile and Peru), agriculture and food exports, nearshoring to Mexico, and Brazil's renewable-energy potential.
- Its constraints are chronically low productivity growth, widespread labour informality, infrastructure gaps and political volatility.
- Mexico's trajectory depends on its relationship with the United States and the future of North American trade arrangements.

9.9 Sub-Saharan Africa

Context: Africa will hold about a quarter of world population by 2050 and account for most of the growth in the global working-age population.

Outlook for the 2030s:

- If job creation, electrification, education and infrastructure keep pace, the region has the world's largest potential demographic dividend.
- The African Continental Free Trade Area deepens regional value chains.
- Digital finance, building on the mobile-money model, and AI-enabled services let the region leapfrog legacy systems.
- Its risks are high debt-service burdens after the defaults and restructurings of the 2020s, climate exposure, conflict in the Sahel and elsewhere, and a high cost of capital.
- Growth per person is the decisive measure. Headline growth of 4–5% delivers little when population grows about 2.5% a year.

9.10 Low-Income Developing Countries

The IMF projects growth of about 5.2% in 2031 for low-income developing countries. The World Bank's finding that about half of developing economies have failed to narrow the income gap since 2019 shows the convergence engine sputtering. With aid budgets cut in many donor countries in the mid-2020s, development finance in the 2030s relies more on multilateral development banks, private capital and South–South flows.

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10. Inflation and the Monetary Regime

10.1 From the Great Moderation to a decade of supply shocks

Low, stable inflation in the two decades before the pandemic rested on globalisation, cheap Chinese manufacturing, cheap energy and credible central banks. The 2030s look different:

- **Frequent supply shocks** from wars, energy disruptions, climate events, tariffs and supply-chain rewiring.
- **Upward structural pressures** from ageing-driven labour shortages, the costs of fragmentation, the investment demands of the energy transition and fiscal expansion.
- **Downward structural pressures** from AI-driven cost reductions, deflation exported by Chinese industrial overcapacity and weak demand in ageing societies.

Net result: average inflation in advanced economies is somewhat higher and clearly more volatile than in the 2010s. Central banks keep their roughly 2% targets formally but miss them more often in both directions.

10.2 Central bank independence

The IMF warns explicitly about "erosion of institutions and pressure on the independence of key economic institutions." In a high-debt world, political pressure to hold rates down is intense. Erosion of central bank independence ranks among the most consequential risks of the 2030s. Historically it brings higher inflation, higher risk premia and weaker currencies.

10.3 Central bank balance sheets

After the quantitative easing of the 2010s and 2020s, central banks are shrinking their balance sheets. Any major crisis in the 2030s brings large-scale asset purchases back, and the line between monetary policy and debt management blurs, which is the practical form fiscal dominance takes.

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11. The International Monetary and Financial System

11.1 The dollar

The US dollar remains the dominant reserve, invoicing and funding currency throughout the 2030s. Network effects, the depth and liquidity of US capital markets and the absence of a full substitute keep it there. Around it:

- **Diversification proceeds gradually at the margin.** Central banks have bought more than 1,000 tonnes of gold a year since 2022, and the renminbi and "non-traditional" reserve currencies are slowly gaining share.
- **Sanctions** push some countries to build alternative payment channels.
- **Fiscal credibility** is the key long-run variable. A deterioration erodes the dollar's "exorbitant privilege" slowly rather than suddenly.

11.2 Payments infrastructure

- Central bank digital currencies spread, led by China's e-CNY and several emerging markets.
- Regulated dollar-backed stablecoins extend the dollar's reach rather than reduce it.
- Cross-border systems that bypass correspondent banking grow, including multi-CBDC bridge projects and links between regional fast-payment systems.
- The payments landscape risks splitting into rival blocs, which raises transaction costs.

11.3 Financial stability risks

- **Technology and AI valuations:** the abrupt repricing the IMF flags.
- **Private credit and non-bank finance:** a large share of credit now sits outside regulated banks, and its behaviour under stress has not been tested.
- **The sovereign–bank nexus:** rising yields cause losses on banks' holdings of government bonds, as in the 2023 US regional bank episode.
- **Commercial real estate:** office demand has changed structurally since the pandemic.

- **Climate-related financial risk:** insurance gaps and stranded assets.
- **Cyber and AI operational risk:** highly automated, interconnected financial systems are prone to correlated failures.

12. Labour Markets, Inequality and Politics

1. **Labour scarcity meets automation.** In ageing economies, shortages of workers and AI-driven automation arrive together. The benign outcome is technology filling the gaps left by retirees. The disruptive outcome is mid-career workers displaced faster than they can retrain.
2. **Inequality.** AI gains that flow mainly to capital owners and highly skilled workers widen inequality, fuelling political backlash and protectionism.
3. **Populism and policy uncertainty.** These are now permanent features of advanced-economy politics and add a lasting risk premium to economic policy.
4. **Youth employment in the developing world.** Hundreds of millions of young people enter the labour markets of Africa and South Asia. Absorbing them into productive work is one of the decade's largest determinants of global stability.

EXHIBIT 04 / SCENARIOS

Growth and inflation under stress

IMF April 2026 World Economic Outlook · 2026 scenarios

Global growth

Annual growth (%)



Global headline inflation

Annual inflation (%)



>6%

SEVERE SCENARIO

Inflation rises just above 6% by 2027.

Source: IMF, World Economic Outlook, April 2026, Executive Summary.

13. Scenarios for the 2030s

Scenario	Narrative	Growth	Inflation and rates	Likelihood
A. Slow grind (baseline)	AI spreads gradually; fragmentation is managed but persists; debt keeps rising without a crisis; China slows steadily	Near the IMF medium-term path: about 3% PPP, about 2.4% at market rates	Moderate, volatile inflation; real rates clearly above the 2010s	Most likely
B. AI renaissance	AI productivity gains become visible by the early-to-mid 2030s; energy supply expands; growth stabilises debt ratios	At or above the 2000s average, matching the World Bank's upside	Higher real rates driven by investment; inflation contained by productivity	Strong upside
C. Fragmented stagflation	Trade blocs harden; energy and climate shocks recur; central bank independence erodes	Weak, at or below the World Bank's 2.2% speed limit at market rates	High, volatile inflation; high nominal rates	Significant risk
D. Debt reckoning	A bond-market crisis in a major economy, triggered by a correction in technology assets or fiscal slippage, followed by financial repression	Sharp early-decade recession, then a slow recovery	Initial disinflation, then higher inflation if debt is monetised	Tail risk with very high impact

Signposts to watch

Signpost	Points toward
Sustained rise in measured productivity in the United States and other early AI adopters	B
AI revenues keeping pace with AI investment	B; a gap between them points to D
Speed of electricity generation and grid build-out	B if fast; energy-constrained A or C if slow
Long-term government bond yields and term premia	D if they rise rapidly while growth is weak
Central bank independence (appointments and legal changes)	C and D if it erodes
China's household consumption share and export surplus	A or B if China rebalances; C if surpluses persist
Number and breadth of tariff and export-control measures	C
Frequency of energy and food-price shocks	C

Signpost	Points toward
Sovereign spreads and defaults in emerging and frontier markets	D, and stress in developing economies in every scenario
Immigration policy in ageing advanced economies	Labour supply in every scenario

14. Implications

14.1 For policymakers

- **Rebuild fiscal buffers gradually but credibly.** The IMF stresses that much larger adjustments than currently planned are needed to stabilise debt with high confidence.
- **Defend central bank independence.** It is the main protection against the high-inflation-volatility scenarios.
- **Pursue supply-side reform.** The World Bank's finding that repeating each country's best reform decade would reverse most of the slowdown is the most powerful lever governments control.
- **Build energy and grid capacity,** which both energy security and AI-led growth require.
- **Prepare labour markets for AI** through retraining, portable benefits and education reform.
- **Keep trade open,** and confine restrictions to genuine security concerns.

14.2 For investors

- Plan for higher real rates and higher volatility than in the 2010s. Diversifying between stocks and bonds protects less when inflation shocks hit both at once.
- The AI theme combines real long-run value with near-term risks of overvaluation and overbuilding.
- Infrastructure, power generation, grids and critical minerals benefit in most scenarios.
- Geopolitics and fiscal credibility, as much as the business cycle, now drive country risk.

14.3 For firms

- Build supply-chain resilience through redundancy and regional diversification, even at some cost to efficiency.
- Prioritise how fast AI is absorbed into the organisation over how much is spent on AI tools.
- Plan for labour scarcity in ageing markets and for large young workforces in Africa and South Asia.
- Treat the cost and reliability of energy as strategic variables.

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