



Ten Global Megatrends

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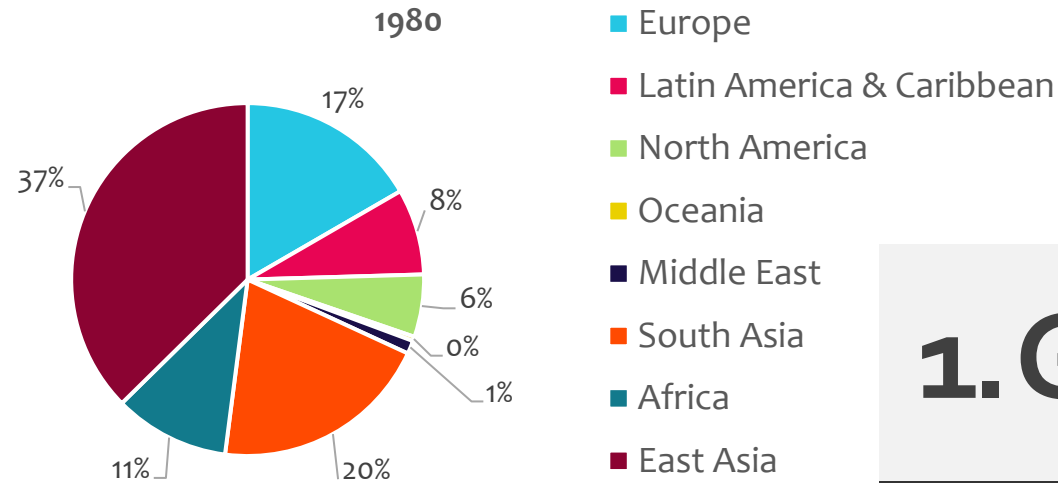


- Most countries and regions are increasingly influenced by similar, if not the same, long-term megatrends
- These megatrends, when combined with certain key domestic factors (like the quality and effectiveness of domestic institutions, governance, infrastructure, business climate as well as political leadership), are expected to be the key determinants of economies worldwide
- This presentation highlights ten global megatrends that are critical to the long-term prospects of emerging market economies



Introduction

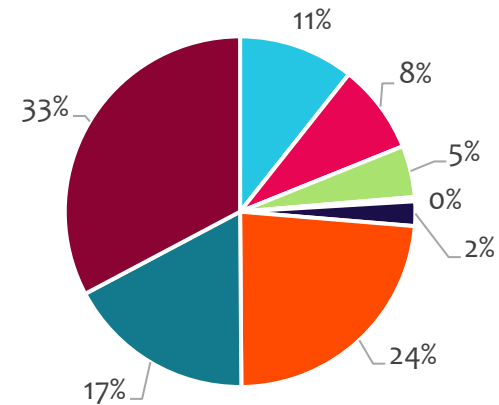
Share of World Population



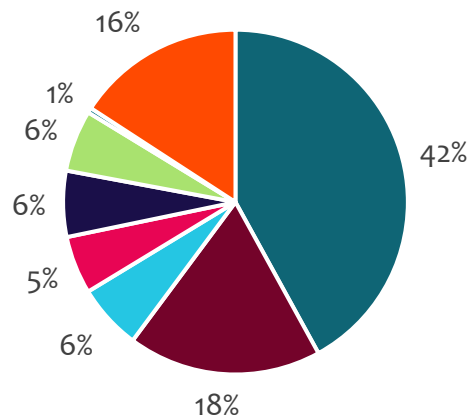
1. Global Population Trends

Coming Peaking of Global Population except for Africa

2021

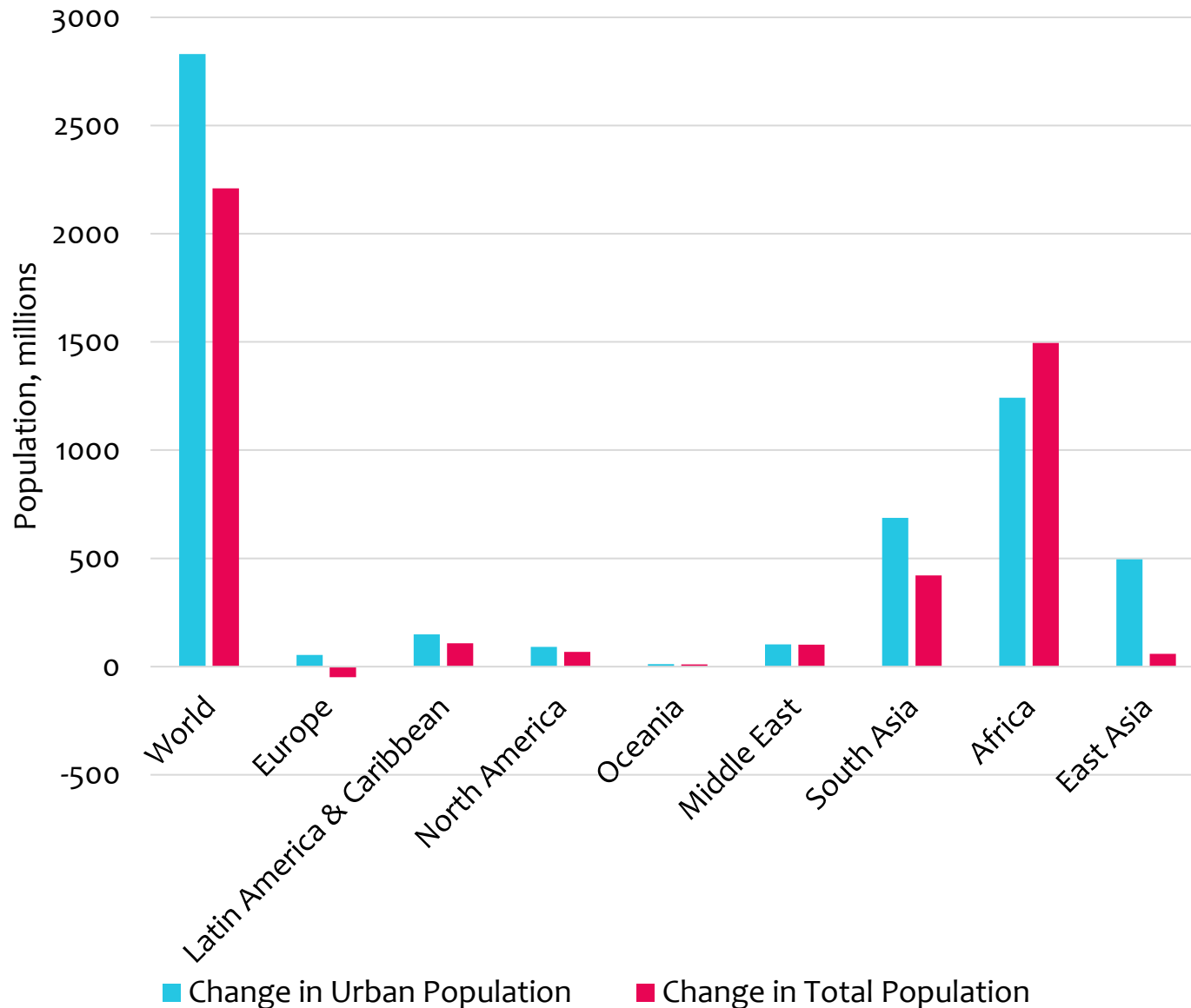


2100



- Forecasts predict global population to peak in 2064 at 9.63 billion
 - 27% percent of total will be 65 years or older by 2100
 - 19% percent younger than 20 years by 2100
 - By 2050 the total fertility rate in as many as 151 countries will be below the replacement level (2.1); by year 2100 the number of such countries would rise to 183
- Many countries will see a dramatic decline in population. Africa will be the only region still with a growing and young population

Change in population 2021-2060

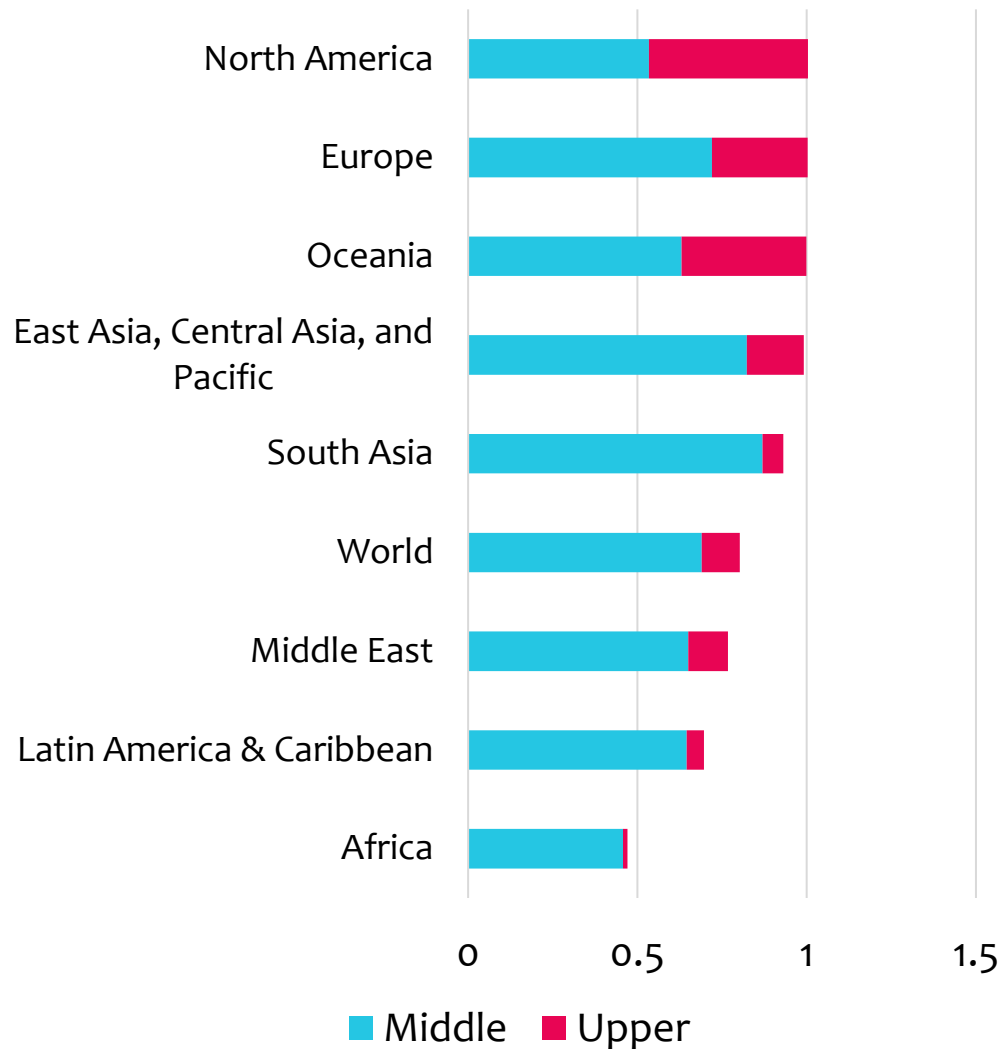


- Most of the world's population (4.36 billion or 56 percent) lives in urban areas.
- Latin America is now the most urbanized region of the world after Europe and North America, followed by the Middle East and East Asia. South Asia and Sub-Saharan Africa are still mostly rural.
- By 2060 global urban population is projected to rise to 7.25 billion (72 percent of total). As much as 78.6 percent of this increase in global urban population will occur in sub-Saharan Africa, South Asia, and East Asia

2. Urbanization

A Fast-Urbanizing world as Asia and Africa catch up with others

Share of middle- and upper-class population in 2060

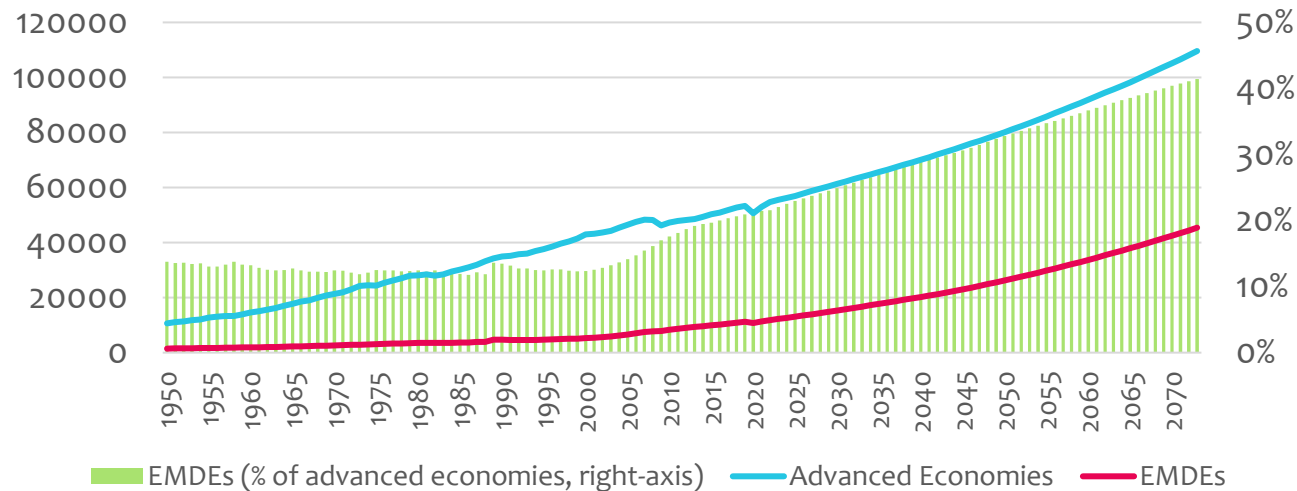
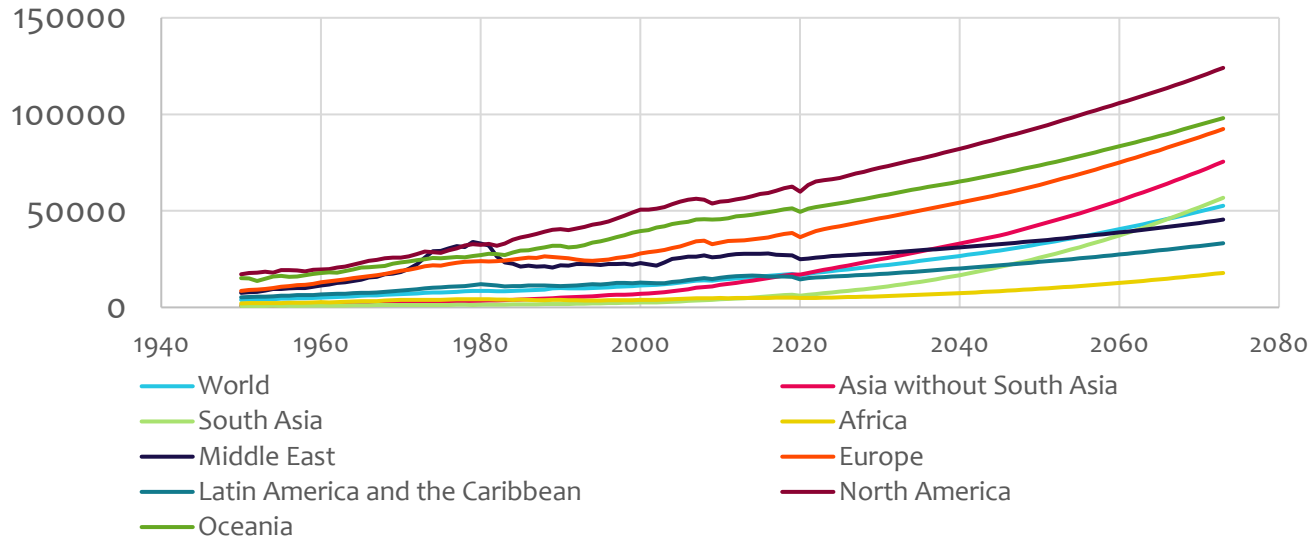


3. Middle and Consumer Classes

RAPID RISE OF THE MIDDLE CLASS—COMING DOMINANCE OF CONSUMER CLASSES

- In 2022 a majority of world population would be either middle class or higher, as defined by World Bank (income p.c. > \$1,036)
- By 2060, 80 percent of world population will be either middle-class or upper income (4 billion more people would join this group, almost exclusively in the EMDEs)
- In addition to North America, Europe, and Oceania, East Asia too will have almost all its population in the ranks of middle-class and upper income (measured by current international standards)
- Africa is a major exception to the anticipated prosperity and will still have lots of poor even in 2060

GDP per capita PPP [2018\$]

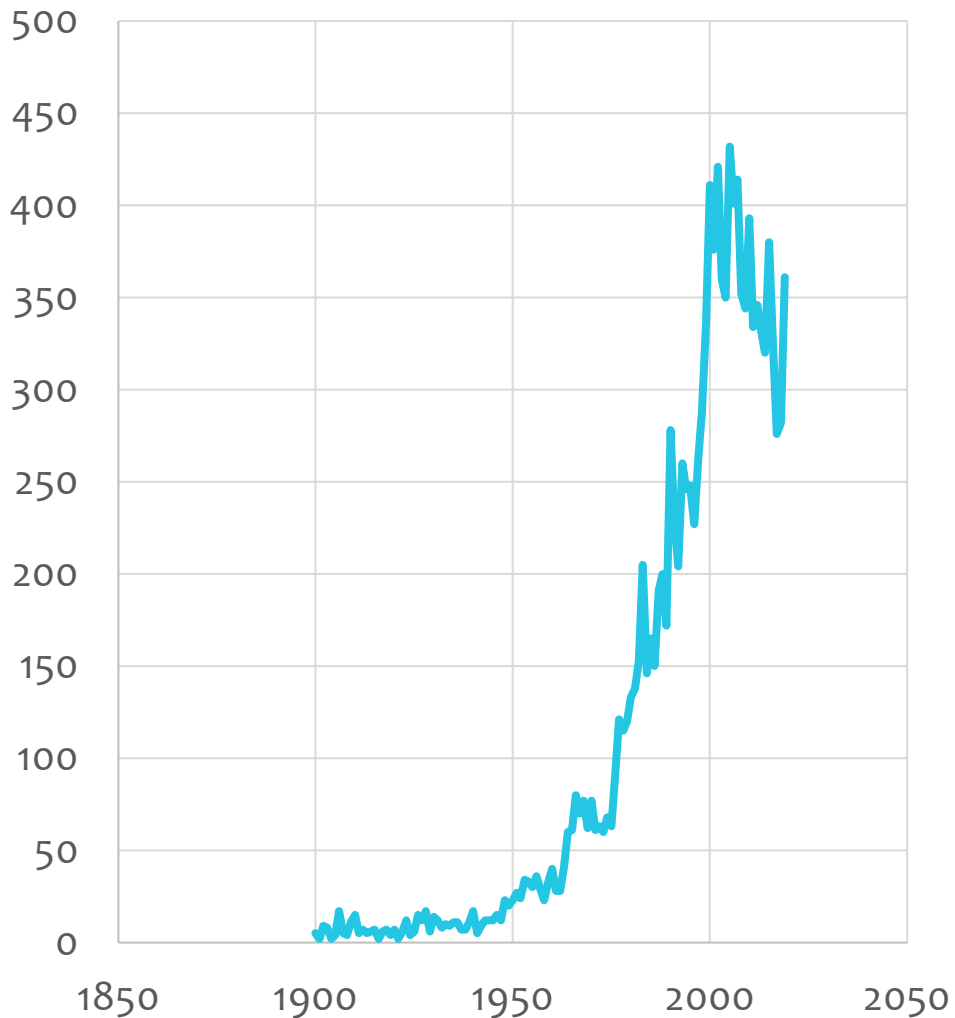


- Inter-country inequalities have been gradually decreasing in recent decades due to higher per capita GDP growth of EMDEs relative to AEs
- Most EMDEs by 2060 will continue to converge with the AEs and combined with their slowing population growth rates, their per capita incomes will continue to catch up with wealthier countries
- Although inter-country inequities become less pronounced, intra-country inequality has been rising since the 1980s (in EMDEs and AEs) and has worsened since the pandemic

4. Inequality & Inequities

Decreasing inter-country inequalities vs increasing intra-country inequalities

Number of disasters (EMDAT 2020)

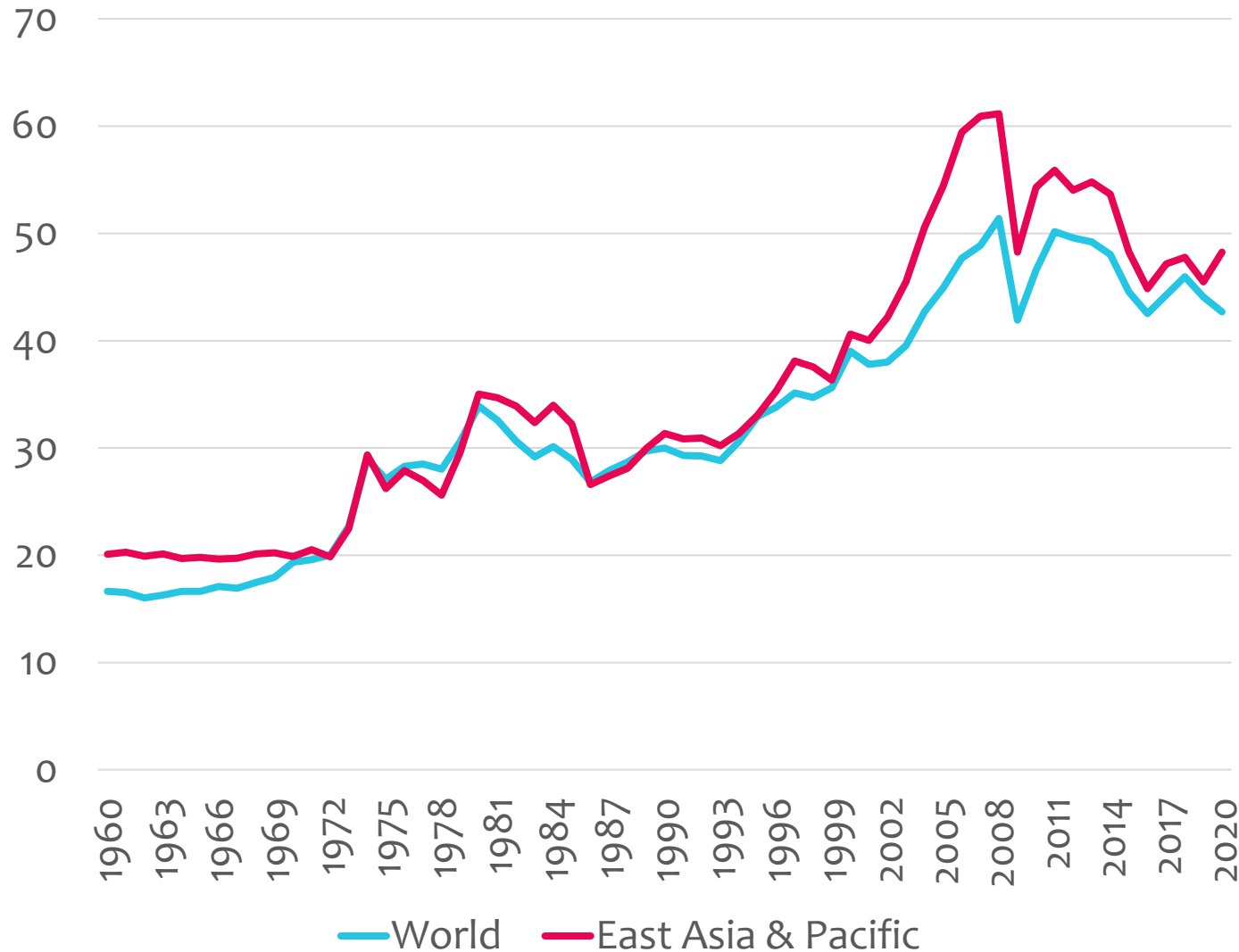


5. Climate Change

The time to act is now...locally, nationally, and globally

- The 6th IPCC report has warned that the planet is on a trajectory to warm by 1.5 degree Celsius by 2040 (almost every human being is likely to be adversely affected by more frequent extreme weather events)
- Of the top-10 countries ranked highest on the Global Climate Risk Index 2021, 1 three are in Asia, five in SSA, and two in LAC
- A rise in global temperature of 2 degree Celsius is projected to lead to a rise in sea levels of 50 to 100 centimeters, directly impacting between 190 and 480 million
- Ongoing changes in climate could have a major adverse impact on agriculture and food production as well as rural employment

Merchandise trade (% of GDP)

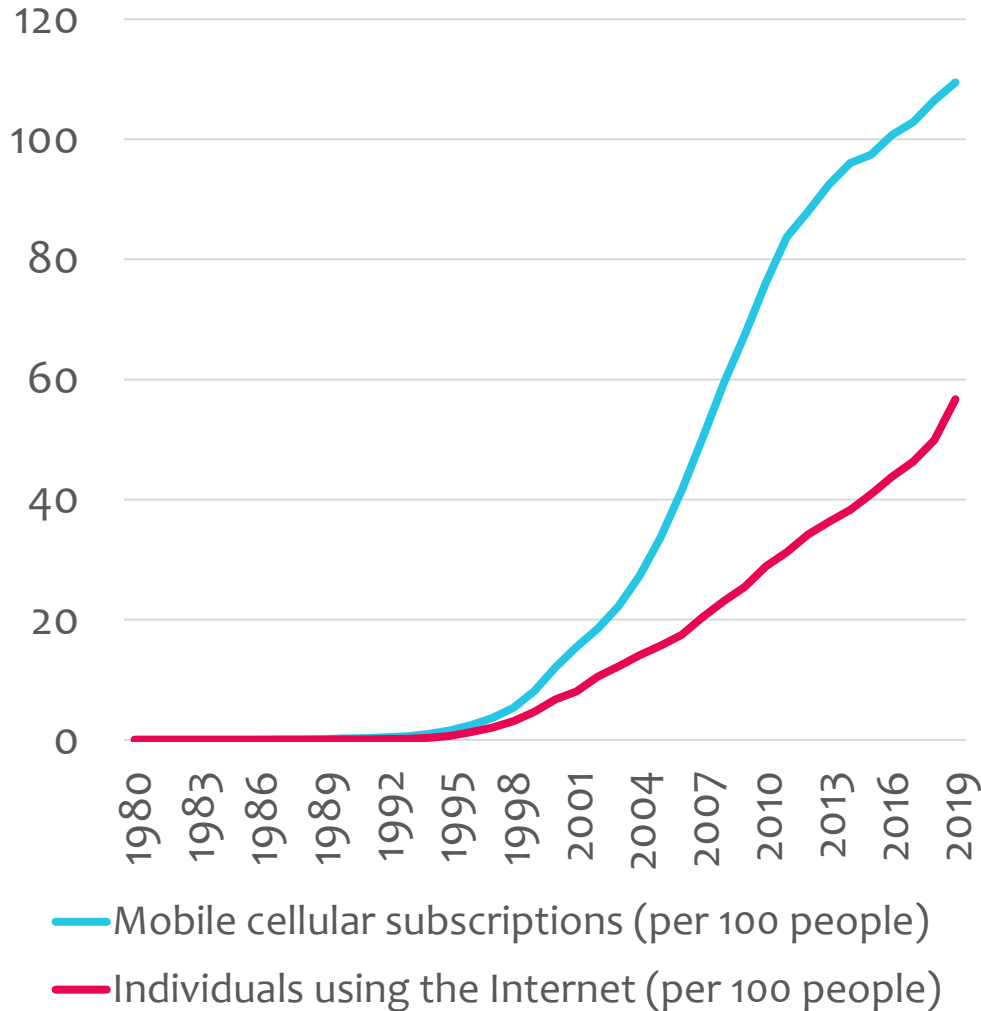


- Merchandise trade as a share of world GDP rose from 17% in 1960 to 44% in 2019
- Increased globalization of trade, investment, and capital flows, led to higher global growth rates, and benefited most countries and consumers as well as led to major reductions in poverty worldwide
- Recently, there has been a backlash against globalization, particularly in many G7 countries

6. International Trade

International trade and changes in value chains: A less globalized world?

Mobile cellular subscriptions, and internet users



7. Technological Progress

Potential solutions to the world's evolving challenges

- Technological breakthroughs have the potential to help the world tackle current and future global challenges. Examples of technological progress include:
 - Information technology: every 18 months, technical progress has doubled the speed of microprocessors.
 - Mobile internet: It is estimated that in 2020 some 85 percent of people in the world had access to mobile internet.
 - Automation of work and artificial intelligence: By 2050, computers will be able to perform tasks today typically considered 'human' – such as complex analyses, subtle judgments, and creative problem solving.
 - Green Technologies: Globally, 260 gigawatts of renewable energy capacity were added in 2020. More than 80% of all new electricity capacity added that year was renewables, with solar and wind accounting for 91% of new renewables.

- The pandemic could induce significant and potentially lasting behavioral changes – location of work, use of distance education, e-commerce, etc. – with permanent transformation of work patterns, service delivery, and cities
- The pace of technological change is accelerating, and creating new opportunities in terms of new products and services, leading to the creation of new jobs
- At the same time, many traditional jobs in agriculture, labor intensive manufacturing and even today's services sector (e.g., tedious office work, accounting, health care) will gradually disappear.
- Some people and regions will be left behind. Sub-Saharan Africa would be at particular risk in this transformation of the jobs landscape unless they urgently take steps to remedy shortcomings in two crucial areas: (1) human capital and (2) access to fast internet and computers to all students



8. Future of Work and Jobs

What about those being left behind?

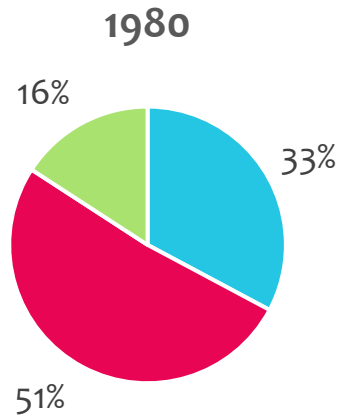
- Global community's response to calls for equitable distribution of vaccines to contain COVID-19 is a prime example of the breakdown of international cooperation and solidarity in times of global crises.
- The effectiveness the global multilateral organizations (the UN system, the EU, NATO, the IMF, World Bank, and IFIs, WHO, WTO, etc.), both individually and as a group, has slowly deteriorated in the past few decades
- There has been a proliferation of multilateral institutions (AIIB, NDB), as legacy organizations (IMF, World Bank, WTO, WHO, UNEP, etc.) have not evolved fast enough to reflect the new distribution of economic power in the world
- China is emphasizing the superiority of its development model (a dominant role for the state) at a time when liberal democracies are struggling
- The COVID-19 pandemic crisis and threats from climate change both represent global phenomenon that demand a global and coordinated response



9. Global Cooperation

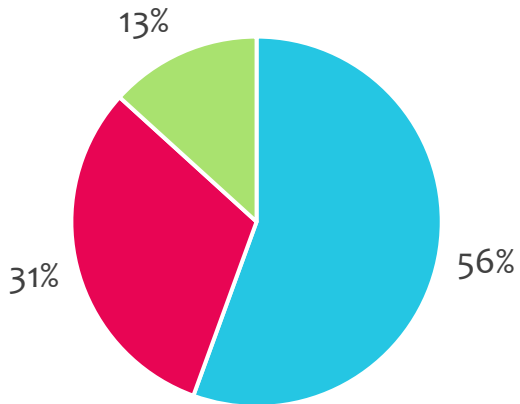
Weakening of global cooperation and solidarity: Retreat towards nationalism?

Global Share of GDP

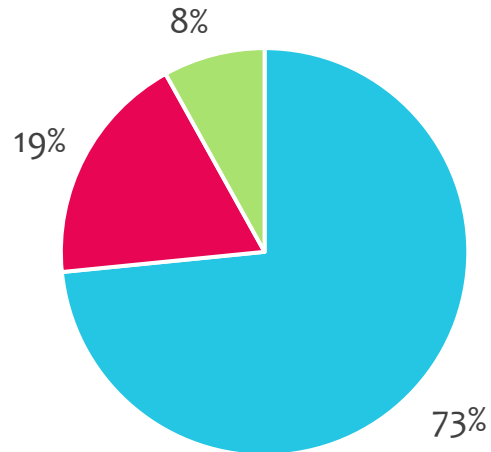


■ Emerging & Developing ■ G7 ■ Rest of the world

2020



2060

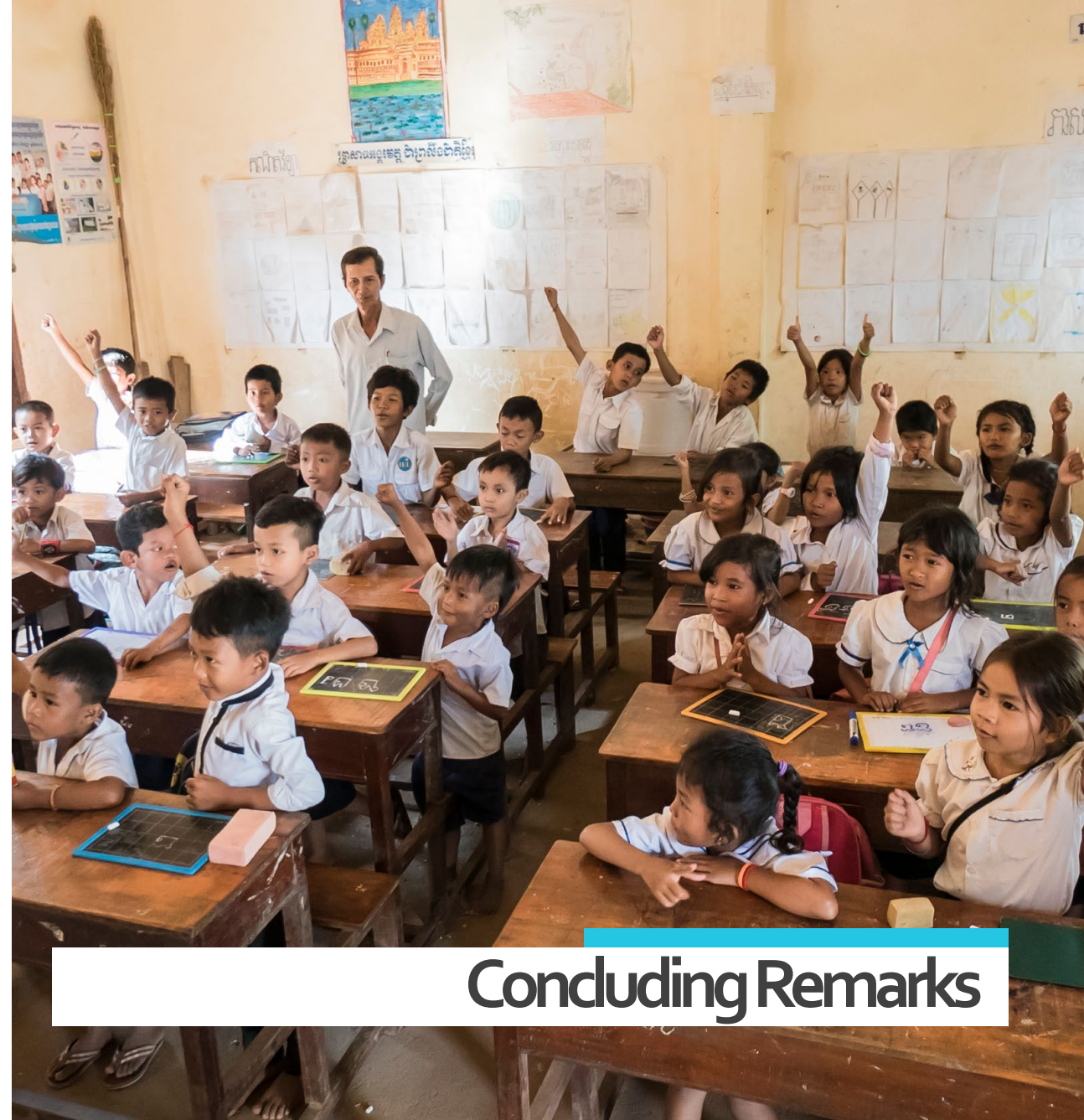


10. Global Economy

Transformation of the global economy: Rise of the emerging economies

- Absolute size of global economy would reach US\$409 trillion (in 2018 prices) in PPP terms and \$276 in market exchange terms, compared to \$128 trillion and \$82 trillion, respectively, in 2020
- Average global per capita income could reach \$41,000 in PPP terms and \$28,700 in market exchange rates, compared to \$16,600 and \$12,200, respectively, today
- The structure of the global economy will see enormous shifts with the center of gravity of the world economy gradually moving to the Indo-Pacific region (East and South Asia).

- The 10 megatrends will have a major — in some cases even decisive—impact on the future evolution of individual economies as well as of the global economy
- These megatrends do not operate in isolation—as if they are vertical cylinders—but operate within the context of other megatrends
- In many cases, they would reinforce each other but sometimes they may offset the impact each would have on an economy or society
- Important to note that there will always be black swan events that cannot be anticipated



Concluding Remarks