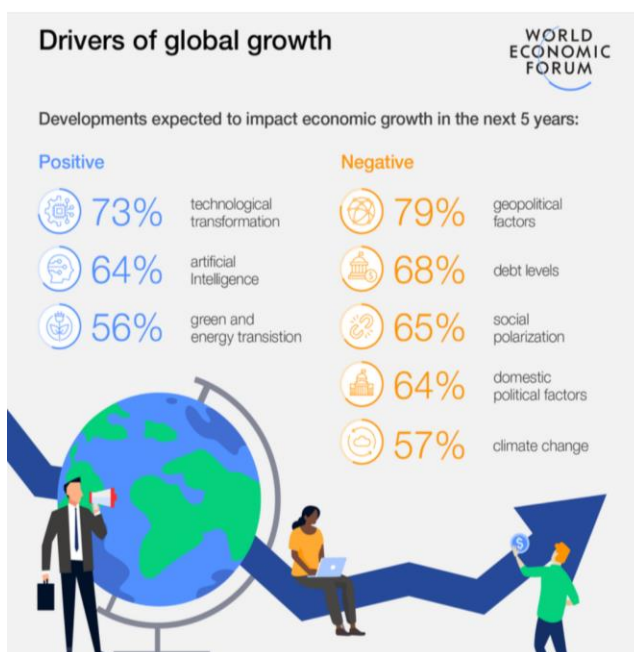


Chief Economists Outlook

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Introduction:

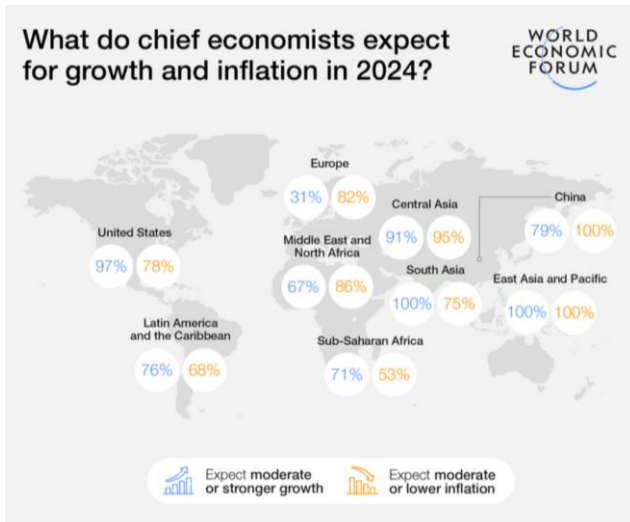
The Chief Economists Outlook for May 2024, published by the World Economic Forum, offers a comprehensive analysis of the current economic environment based on consultations and surveys with prominent chief economists from the public and private sectors. This quarterly briefing delves into the emerging contours of the global economy, highlighting key policy development research and insights to guide policymakers and business leaders in navigating the challenges posed by geo economic and geopolitical events. The report underscores the importance of understanding the evolving economic landscape and outlines priorities for action to address the complex issues impacting growth, inflation, and long-term prospects. Through a collaborative process, the report aims to provide valuable perspectives on policy priorities and strategic responses to foster economic resilience and sustainability in the face of ongoing uncertainties.



Key Findings:

Cautious Optimism: The May 2024 Chief Economists Outlook report reveals a mood of cautious optimism among chief economists regarding the global economy. Despite ongoing uncertainty, signs of improvement are noted, with a sharp decrease in the share of chief economists expecting global conditions to weaken this year, from 56% in January to 17%. Geopolitical volatility and domestic politics are identified as sources of economic instability, while rapid technological advances, particularly artificial intelligence (AI), are viewed positively. Regionally, growth outlooks have become more optimistic, especially in the US and Asia, with expectations for moderate to strong growth. Inflation expectations are converging towards a moderate outlook, driven by global supply chain conditions and labor market concerns. The report underscores the challenges faced by businesses and policymakers in navigating complexity and tensions between political and economic dynamics.

Policy Priorities for Growth: The report emphasizes the significance of innovation, infrastructure development, education, and skills enhancement as effective policy levers for boosting growth in the next five years. Chief economists highlight the importance of striking a balance between the quantity



and quality of growth, with a focus on the character and composition of economic activity. It also addresses the critical need for policymakers to focus on implementing structural reforms and finding the fiscal space to balance resource allocation effectively. By addressing misallocation of capital and labor, productivity growth could potentially increase by 50%. Additionally, tailored policy approaches can help reverse anaemic growth trends, as suggested by the World Bank.

Global Challenges: The Chief Economists Outlook underscores the increasing complexity

and uncertainty characterizing the global economic landscape, driven by international conflicts, technological shifts, and tight financial conditions. Decision-makers in government and business face heightened volatility, reshaping economic activity in profound ways. As nearly eight in 10 chief economists anticipate growing complexity as a challenge in 2024, it is crucial for stakeholders to navigate these uncertainties with strategic foresight and adaptive responses to ensure economic resilience and sustainability.



Impact of Developments: The Chief Economists Outlook highlights the significant impact of global developments on economic growth over the next five years. Technology emerges as a key driver, with respondents overwhelmingly viewing technological transformation and AI positively, particularly in high-income economies. However, there are divided views on the impact of technology in low-income economies, indicating the need for tailored strategies to leverage technological advancements for sustainable growth across different economic contexts.

Policy Recommendations:

1) Focus on Innovation, Infrastructure, and Education: Prioritize policies that support innovation ecosystems, infrastructure development, and education and skills enhancement to drive growth in both high- and low-income economies.

2) Enhance Access to Finance: Improve access to finance, particularly in low-income economies, to stimulate economic growth and attract foreign direct investment.

3) Address Geopolitical and Domestic Political Factors: Mitigate the negative impact of geopolitical tensions and domestic political uncertainties on economic decision-making by fostering stability and predictability in these areas.

4) Promote Environmental and Industrial Policies: Develop policies that align with environmental sustainability goals and support the growth of industries driving innovation, such as low-carbon energy and digital communications.

5) Adopt Strategic Business Strategies: Encourage businesses to adjust supply chain strategies, enhance internal efficiency, invest in innovation and human capital, and exercise caution in capital allocation to navigate low growth and heightened volatility effectively.

Conclusion

In conclusion, the Chief Economists Outlook provides valuable insights into the key policy levers and challenges shaping the global economic landscape. The report underscores the importance of prioritizing innovation, infrastructure development, and education to drive sustainable growth over the next five years. It highlights the critical role of technology in high-income economies while emphasizing the need for tailored strategies to leverage technological advancements in low-income economies. By addressing misallocation of resources, navigating global challenges, and promoting a balanced approach to growth, policymakers and business leaders can foster economic resilience and unlock long-term progress in an increasingly complex and uncertain environment.

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