

Executive Summary

The World Economic Forum has released its second Global Growth@Risk Report ahead of its upcoming Annual Meeting of the New Champions in Tianjin. This year, the report, published by the Global Risk Network in collaboration with PricewaterhouseCoopers, highlights three emerging trends that will influence growth prospects for business globally in the short to long term: the emergence of fast-growing economies along with their large populations and rising middle classes; the increase in demand and competition for the inputs necessary to sustain continued economic growth, including financial and human capital, energy, and commodities; and the growing importance of innovation and new technologies as solutions to managing these trends and mitigating related risks. In compiling this report, the Global Risk Network consulted leading experts and academia as well as company CEOs, asking them how they felt about the current economic climate and future prospects for growth, and identify what they saw as the main threats to the growth of their business. The key findings from their responses are:

- Global growth forecasts reflect a shift of economic power to high growth, highly populated economies and wealthy oil producing nations
- Emerging market growth appears less susceptible to a slowdown in the US but low-income countries face risks from inflation in the form of loss of domestic market growth, wage increase pressures, and greater societal and political instability
- Central banks and regulatory institutions are facing a policy paradox: trying to restore confidence while managing both recessionary and inflationary pressures
- Uncertainty abounds about further losses from the financial crisis and the extent to which it will impact the real economy, both in the US and globally
- Financial regulation must avoid placing further pressure on the financial system through high compliance costs and decreased competitiveness and innovation
- Sovereign wealth funds, private equity and financial institutions of high-growth markets are significant sources of capital but may face regulatory barriers or even economic nationalism
- Population growth and the economic shift to middle-income economies, are giving rise to a rapidly growing global middle class. While their spending power will drive growth, governments and business need to create ways to make this coming boom in consumption sustainable
- Innovation and technology are drivers of growth for businesses and economies but require significant investment and support to develop the human and financial capital