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# Overcoming global turbulence to reawaken economic growth

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## The era of easy economic growth has ended, but policy makers and business leaders can target three areas to increase prosperity in a politically and socially volatile world.

**The era of easy growth is over.** The world economy enjoyed an exceptionally brisk pace of growth over the past 50 years, with corporations and households alike reaping the rewards. But in the next 50 years, global economic growth will slow by almost half, falling from 3.8 percent annually to 2.1 percent.

This slowdown will come against a backdrop of increasing political and social volatility, as consensus frays. First, falls in employment growth driven by demographic aging alone could cause growth to slow by up to 40 percent. Demand remains weak, with investment growth stalled, and consumption growth subject to the rebalancing of key economies. Second, future growth appears concentrated in idea-intensive sectors such as information and communications technology. These sectors already account for 41 percent of profits, despite constituting only 22 percent of global revenue. And finally, consensus is fraying at the seams, strained by growing inequality in a time of increased security concerns and migration. Political volatility has increased: the average tenure of a Group of Twenty political leader is at a record low.

### Three opportunities to increase prosperity

Our McKinsey Global Institute report, *Turbulence ahead: Renewing consensus amidst greater volatility*, identifies three areas policy makers and business leaders can target to increase prosperity:

1. **Demand.** In an era of near-zero interest rates, all leaders must go beyond their traditional role. Fiscal policy must explore new infrastructure- and social-financing models, monetary policy may need more unorthodox ideas in an era of negative interest rates, and

microeconomic policy makers must continue to assess regulatory barriers to growth. Private-sector leaders can also adopt new mind-sets and strategies to find opportunities for productive investment.

2. **Productivity.** Digitization could contribute more than $4 trillion by 2025, at a conservative estimate. Expansion of global flows could spur further growth: if all countries had matched the top quartile of connected countries over the past decade, global GDP today would be $10 trillion, or 13 percent higher. The Internet of Things could usher in the next wave of technology-driven productivity growth.

3. **Inclusion.** To realize the benefits of broader-based economic growth and halt growing inequality, all leaders must help boost labor-market participation and smooth social costs that are a by-product of growth. For example, equalizing labor-market participation by women could add up to 26 percent to global GDP by 2025.

In this lower-growth, higher-volatility environment, public- and private-sector leaders must adapt to the rules of the new game. In particular, CEOs can help their organizations and society by refocusing on strategy, keeping up with change, and serving as role models for responsible capitalism. A turbulent political and economic path lies ahead as the world adjusts to this new normal. At the same time, however, the turbulence provides an opportunity for leaders to regain their credibility, fix a system that has left too many on the sidelines, and reawaken global economic growth. □

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