

A NEW GLOBAL ECONOMIC ORDER

2023 OUTLOOK FOR WORLD'S
FASTEST GROWING ECONOMIES



Against a background of sharp economic shocks ranging from covid to energy crises, the bigger global picture is one of convergence. A trend decades in the making, the world's fastest growing economies are nearly at the point of catching up to their more developed counterparts. In the coming years, economies like China, India, Vietnam and Indonesia will not only reach economic parity with their regional and global rivals, they will surpass them in size and influence.

Such is their growth potential, the fastest-growing economies already have the ability to shape global investment trends. While they may lack some elements of the infrastructure and established systems that developed economies currently enjoy, they make up for it with entrepreneurialism, innovation and sheer economic dynamism. This is attracting new capital and investment interest from across the world at an accelerating pace, as they reinforce success and embrace the industry-shaping potential of new technologies and novel business practices.

Key factors driving the world's fastest-growing economies

Population growth: While the global population is slowing (halving from 2% to 1% in the past 50 years)¹ those national economies experiencing rapid economic growth also tend to have higher population growth rates as well, compared to developed economies. The notable exception is China, whose population will shrink by 8 million people by 2027. India's, however, will surge by another 75 million during this period.²

Innovation mindset: Another common factor among the world's fastest growing economies is the presence of entrepreneurial spirit and innovative mentality among its respective populations. From China to Africa, there is a willingness to experiment, take risks, embrace new technological innovations from abroad and foster them domestically. Explosive smartphone adoption rates, febrile startup cultures, rapid implementation of automation and AI – these

economies are perfectly placed to leverage emerging technologies and experience 'leapfrogging' development of key industrial sectors.

Growing capital investment and FDI interest: Nothing breeds success like success, and nothing attracts foreign capital like economic growth. In January 2023, global investors bought in spectacularly to stocks and bonds issued in emerging economy markets, pouring in over \$1.1 billion every single day for a week.³ With the world's fastest-growing economies promising markedly higher GDP growth rates, the shift of capital from developed to emerging markets is likely to accelerate. Foreign Direct Investment (FDI) inflows are also on the rise to these economies, as governments around the world look to strengthen their economic ties with the world's rising stars. For example, in the case of Vietnam, FDI inflows have risen from just \$180,000 in 1990 to \$15.7 billion in 2021.⁴



¹Goldman Sachs, The Path to 2075 — Slower Global Growth, But Convergence Remains Intact, 06/12/2022

²Focus Economics, India vs China: What is the long-term outlook for Asia's two behemoths?, 27/06/2023

³Financial Times, Investors pour money into emerging markets at near-record rate, 26/01/2023

⁴RMIT, FDI inflows in Vietnam 2023: Challenges are yet to come, 02/06/2023

Industry Spotlight: Sustainability drives global investments towards advanced tech sectors

Today, companies operate in a business landscape where heightened consumer awareness, the hyper competitiveness of global markets and the looming threat of climate change mean that they must always push for greater sustainability, both economic and environmental. Doing things greener, leaner and fairer is no mere marketing ploy – it's a necessity for survival as governments, regulatory bodies and, increasingly, the average consumer now demand it. Both the public and private sectors of the world's largest economies are directing greater investment flows towards emerging technologies that hold the power to push sustainability gains faster than ever before. Their explosive growth potential, coupled with their ability to decarbonise or otherwise improve the sustainability of whole industrial sectors, make them a magnet for investment flows and strategic partnership proposals. In each case, the world's fastest-growing economies are well suited to leverage these changing investment patterns. Their agility and willingness to move quickly on emerging tech trends could be a critical factor in unlocking their true growth potential.

Renewable energy: The global transition to clean energy i.e.: the decarbonisation of global energy consumption – is the fastest and surest way to reduce carbon emissions at a rate necessary to stave off the worst effects of climate change. Accordingly, global investment in energy transition technologies, including those related to boosting energy efficiency, hit a record \$1.3 trillion in 2022, with \$0.5 trillion invested directly into renewable energy.⁵ However, the International Renewable Energy Agency (IRENA) reports that this is merely one third of what is needed to meet the UN-set climate and development goals for the coming decade. This means that governments the world over will likely continue to boost public investment levels while incentivising private enterprise to do the same.

Smart infrastructure: Realising the promise of true smart cities always seems to be slightly beyond our collective reach, but the ideal of a wholly interconnected, hyper-efficient urban environment is slowly becoming a reality as leading global cities exhibit smart infrastructure breakthroughs, prompting further experimentation and investment. Recent market analysis suggests that the global smart cities market will grow to \$2.5 trillion by 2026,⁶ rising to \$7 trillion by 2030. More broadly, direct digital transformation (DX) investments are expected to total \$6.8 trillion for the period of 2020-2023. This points towards a tidal shift in investment flows as companies, cities and whole nations look to future-proof their infrastructure.

Digital assets (fintech): A new global economy needs a new way of handling money. Despite routine scandals and rampant instability attached to several prominent cryptocurrencies, the underlying concepts of blockchain, tokenisation and the broader use of digital assets continue to hold the attention of major investment firms, fintech startups and even mainstream banks. PwC believes that blockchain alone will boost global GDP by \$1.76 trillion before the end 2030,⁷ citing its ability to completely overhaul industries as varied as healthcare, education and, of course, global finance itself.

Food and Biotech: Food and water security are among the greatest concerns of many of the world's fastest-growing economies. Many are vulnerable to the impact of climate change, such as Bangladesh, Pakistan and Egypt. Others are already highly dependent on food imports and unsustainable desalination techniques, such as the majority of the GCC nations. Innovations in food and biotech, ranging from vertical farming to smart irrigation and microorganism-based waste management, are the key to providing sufficient food, water and healthcare for all. In 2021, biotech public company revenues surged from \$160.2 billion to hit \$216.7 billion.⁸ Though covid vaccines and antivirals were a significant factor in creating this jump, it demonstrates what the sector is capable of when satisfying urgent global needs.

⁵IRENA, Global landscape of renewable energy finance 2023, February 2023

⁶GlobalNewsWire, Global Smart Cities Market to Reach \$2.5 Trillion by 2026, 22/02/2022

⁷PwC, Blockchain technologies could boost the global economy US\$1.76 trillion by 2030 through raising levels of tracking, tracing and trust, 13/10/2020

⁸EY, Beyond Borders 2022: Following robust growth and historic levels of investment, the biotech industry faces

Country Spotlight: The Rising Stars of the New Global Economy

As governments, business leaders and everyday consumers seek out new and better solutions to our world's shared challenges, the global economic shift towards more sustainable forms of economic growth is already in motion. This leaves the world's fastest-growing economies in the perfect position to embrace tech-based industrial change, fuelling their already impressive growth for the coming decades. The following by-country spotlight sections outline the current strengths, weaknesses and areas of rapid growth potential for some of the world's fastest-growing economies.

China: The Economic Miracle

Current GDP (\$Billion): 18,821

GDP Growth rate (2022-2024): 4.4%

Predicted 2050 GDP Growth rate: 3.5%

Main strengths: Vast domestic market, global manufacturing hub, strong government support of industry, expanding R&D/innovation capabilities, advanced infrastructure in cities.

Potential weaknesses: Ongoing trade tensions with US, dependent on key technology imports, shrinking population.

Key industries for investment: Clean/renewable energy, automotive, pharma and healthcare.

Overview: Creating the economic behemoth that is modern China was no easy undertaking, but today it stands poised to overtake the US as the world's largest economy. With an unparalleled domestic market that is growing richer and more discerning, a first-class industrial base, unmatched global supply chains and logistical muscle, China is already playing heavily to its strengths as the 'factory of the world'. However, China knows that the era of 'stack it high and sell it cheap' is coming to an end, and is

gearing up for a new kind of growth that favours quality over quantity. The next phase of its economic development will be based on rapid expansion of R&D capabilities and tech-based innovation – helped by the pioneering spirit of Chinese tech firms demonstrated by the likes of Alibaba, Tencent and Baidu. This shift can already be seen in China's growing dominance of global renewable energy investments, its rapid development of electric and autonomous vehicles, and its new focus on home-grown innovation to reduce its reliance on foreign tech transfers.

India: The King in Waiting

Current GDP (\$Billion): 3,700

GDP Growth rate (2022-2024): 6.5%

Predicted 2050 GDP Growth rate: 5%

Main strengths: Vast domestic market, deep talent pool in key skill areas, entrepreneurial population, innovation mindset.

Potential weaknesses: Excessive red tape, historical underdevelopment of infrastructure, protectionist trade policies.

Key industries for investment: high-tech manufacturing, consumer technologies, biotech.

Overview: India and China are constantly being compared in terms of economic potential, as they both represent the kind of explosive growth that is propelling the world towards a new economic order. On the surface, China seems to have little to worry about, as its economy is roughly six times larger than India's (63.4% of Asia's GDP, versus India's 10.9%) and has consistently outpaced India's GDP growth by 1.5% each year for the past decade. However, this is changing, as India's population is growing steadily, and should overtake China as the world's most populous nation in 2027. Its GDP real growth is projected to overtake China's, hitting 6.5% in the next 1-2 years – a remarkable achievement in today's uncertain economic climate. Showing

⁹Focus Economics, Consensus Forecast, East and South Asia August 2023, China

¹⁰Focus Economics, Consensus Forecast, East and South Asia August 2023, India

¹¹Ibid

¹²Focus Economics, India vs China: What is the long-term outlook for Asia's two behemoths?, 27/06/2023

greater confidence in tech-based innovation and on the world stage, India is primed to create an economic engine that will make it the world's third-largest economy by 2050.

Vietnam: The Bounce-back Phenomenon

Current GDP (\$Billion): 440¹³

GDP Growth rate (2022-2024): 6.5%

Predicted 2050 GDP Growth rate: 5.1%

Main strengths: Low labour costs, growing FDI interest, broadening export customer base

Potential weaknesses: Underdevelopment of infrastructure, slow reform for state-owned enterprises, barriers to accessing land and credit.

Key industries for investment: Consumer electronics, fashion and apparel, heavy industry.

Overview: Vietnam has enjoyed impressive economic gains in the past two decades as it continues to expand its manufacturing base. This is being helped by an influx of international firms keen to relocate and leverage the country's low labour costs, prompting an acceleration of FDI inflows as well as a widening range of export customers for key Vietnamese industries. Vietnam also showed remarkable resilience in bouncing back from the pandemic quickly, and continues to buck the trend of high inflation in Asia, giving it the fiscal space to address several ingrained challenges around overburdensome regulations for accessing loans and purchasing land.¹⁴ With the right policies aimed at liberalising these systems in a responsible manner, Vietnam could quickly unlock the deeper potential of its already strong service sector and nascent heavy industry, making it a regional heavyweight in a short space of time.

Indonesia: The Surprise Sensation

Current GDP (\$Billion): 1,406¹⁵

GDP Growth rate (2022-2024): 5%

Predicted 2050 GDP Growth rate: 4%

Main strengths: Large domestic market, diverse manufacturing sector, extensive natural resources.

Potential weaknesses: Lack of infrastructure, vulnerable to climate change impact.

Key industries for investment: Construction, automotive, education and public healthcare.

Overview: Despite the severe challenges of building a cohesive economy in a nation spread across thousands of islands in one of the more climate-vulnerable regions of the world, Indonesia is beating the odds and growing into a regional contender. The government is busily alleviating poverty, forging ahead with ambitious public infrastructure projects, and introducing a raft of reforms aimed at boosting macroeconomic stability.¹⁶ With its wealth of natural resources and maturing manufacturing base, Indonesia is set to becoming a leading ASEAN high-income economy within the next 20 years.



The rise of Asia, particularly China and India, is the single most important phenomenon transforming the world economy. With sustained high growth rates, these two countries represent the world's fastest-growing large economies and are the major engines of growth in their respective regions.

Manmohan Singh, Former Indian Prime Minister



¹³Focus Economics, Consensus Forecast, ASEAN August 2023, Vietnam

¹⁴Reuters, Vietnam second-quarter GDP growth accelerates, slowdown looms, 29/06/2023

¹⁵Focus Economics, Consensus Forecast, ASEAN August 2023, Indonesia

¹⁶World Bank, Indonesia Growth Seen Moderating in 2023 as Pandemic Rebound Fades, 26/06/2023

Brazil: The Sleeping Giant

Current GDP (\$Billion): 1920

GDP Growth rate (2022-2024): 2.0%

Predicted 2050 GDP Growth rate: 3.1%

Main strengths: Large, young population, vast and diverse natural resources, strong currency reserves and competent fiscal management.

Potential weaknesses: Historic underinvestment in infrastructure, complex tax system.

Key industries for investment: Clean energy, sustainable construction.

Overview: Despite the recent political turmoil and ravages of the pandemic, Brazil is still in better economic shape than many of its regional rivals and peers. Turning back to the left with the re-election of Lula da Silva, Brazil's population are eager to see campaign promises on tax reform and rainforest conservation upheld. If the Leftist Labor Party (PT) and their allies can pull it off, Brazil could be poised to finally fulfil its long-held potential to become a South American economic powerhouse built on sustainable innovation and equitable growth for all.

UAE: The Tech-based Titan

Current GDP (\$Billion): 503

GDP Growth rate (2022-2024): 4.6%

Predicted 2050 GDP Growth rate: 3.8%

Main strengths: Politically and economically stable, vast oil reserves, investor-friendly business landscape.

Potential weaknesses: Small domestic market and talent pool, high reliance on food/commodity imports, vulnerable to climate change impact.

Key industries for investment: Renewable energy, biotechnology, AI/IoT-based tech solutions.

Overview: Though small in size, the UAE is one of the most impactful economic leaders in the GCC and wider Middle East region. Its political and business leaders are firmly committed to radically overhauling the national economy to futureproof it and base its growth on highly advanced, sustainable and efficient technological models. Globally open and welcoming of international collaboration, the UAE is quickly becoming the premier regional hub for tech startups and partnerships to turbo boost the development of world-changing technologies in everything from life sciences to robotics. The UAE is definitely a country to watch for the emergence of new industry-shaping trends and business models.

Saudi Arabia – The Big Spender

Current GDP (\$Billion): 1128

GDP Growth rate (2022-2024): 1.9%

Predicted 2050 GDP Growth rate: 3.3%

Main strengths: Vast oil-based wealth and reserves, strong Public Investment Fund, increasingly diverse economic portfolio at home and abroad.

Potential weaknesses: Vulnerable to oil price shocks, vulnerable to climate change impact.

Key industries for investment: Renewable energy (solar, wind, green hydrogen)

Overview: Despite reaching nearly \$326 billion in oil revenues for 2022, Saudi Arabia's political leadership is under no illusions – the country cannot rely on oil alone to secure its economic future. Rapid diversification efforts have led to vast infrastructure expansion programmes, reignited smart city ambitions and sparked an international spending spree picking up assets as varied and recognisable as Boeing and the Professional Golf Association (PGA). Alongside the industrial buildup of assets, Saudi Arabia is well placed to strengthen its regional leadership in renewable energy capacity and expertise – a necessary transition in preparation for a post-oil world.

¹⁷Reuters, Brazil central bank improves 2023 GDP growth forecast to 2.0%, 29/06/2023

¹⁸Reuters, IMF cuts Saudi Arabia's 2023 GDP growth forecast to 1.9%, 25/07/2023

South Africa – The Sub-Saharan Star

Current GDP (\$Billion): 397

GDP Growth rate (2022-2024): 1.2%

Predicted 2050 GDP Growth rate: 1.9%

Main strengths: Politically stable, strong financial services sector, rich natural resources.

Potential weaknesses: Shallow talent pool, high unemployment, high inequality.

Key industries for investment: Manufacturing, import/export, financial services.

Overview: South Africa maintains one of the most advanced economies on the continent, with extremely sophisticated financial, legal and telecoms industries that give its urban centres a lot of economic punch. It's also one of the world's largest exporters of gold, platinum, and other natural resources that continue to drive national revenues for more ambitious infrastructure plans. Current difficulties with unemployment and energy shortages are putting the pinch on its short-term financial fortunes. However, don't let the lower predicted growth rates fool you, South Africa is still a vibrant economic prospect with plenty of room to accelerate in the coming years.

Nigeria – The Entrepreneurial Genius

Current GDP (\$Billion): 472

GDP Growth rate (2022-2024): 3.1%

Predicted 2050 GDP Growth rate: 3.3%

Main strengths: Largest population and GDP in Africa, low foreign debt levels, rich natural resources, highly entrepreneurial culture.

Potential weaknesses: Dependence on oil revenues, internal instability harming economic development and FDI inflows.

Key industries for investment: Telecoms, smart healthcare, smart agriculture.


Overview: Long viewed as a rising regional power, Nigeria routinely demonstrates the dynamism of emerging African economies. Thanks to a well-established cultural affinity for business development, a new wave of Nigerian entrepreneurialism is sweeping the country as everyday people strive to become business innovators, online content creators and startup success stories leveraging the advantages offered by emerging technologies. Beyond the SME level, technology is poised to revolutionise healthcare and agriculture in Nigeria, two crucial industries that could help boost the country's regional and even global significance.



The opportunities that the new global economy presents are limitless. China's economy has grown rapidly in recent years and is now the world's second-largest economy. This has created tremendous opportunities for entrepreneurs and investors alike.

Jack Ma, co-founder of Alibaba Group





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