

Forecasting the world in 2024

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Panel

Alec Russell, foreign editor, Financial Times

Brooke Masters, US financial editor, Financial Times

Chris Giles, economics commentator, Financial Times

George Parker, political editor, Financial Times

Elaine Moore, deputy head of Lex, Financial Times

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ALEC RUSSELL
FOREIGN EDITOR
FINANCIAL TIMES



CHRIS GILES
ECONOMICS
COMMENTATOR
FINANCIAL TIMES



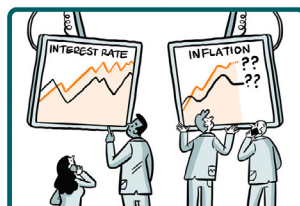
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US FINANCIAL EDITOR
FINANCIAL TIMES



ELAINE MOORE
DEPUTY HEAD OF LEX
FINANCIAL TIMES



GEORGE PARKER
POLITICAL EDITOR
FINANCIAL TIMES



UNCERTAINTY AROUND INFLATION MEANS THAT RATES ARE LIKELY TO STAY HIGH FOR LONGER



THE CHINESE ECONOMY WILL CONTINUE TO STRUGGLE, DUE TO PROBLEMS IN THE HOUSING MARKET, EXPORT DIFFICULTIES AND TRADE TENSIONS WITH THE USA



UKRAINE & RUSSIA APPEAR TO HAVE REACHED A STALEMATE, AND THERE'S A GROWING TENSION AROUND THE PROVISION OF MILITARY & FINANCIAL SUPPORT FROM THE WEST



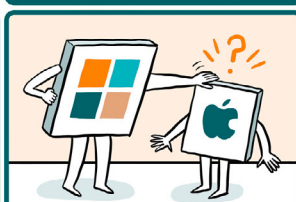
AI WILL MOVE FROM FREE TOOLS THE PUBLIC CAN PLAY WITH, TO PRACTICAL TOOLS THAT COMPANIES WILL PAY TO USE IN EVERYDAY TASKS



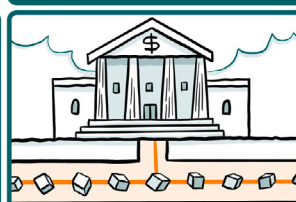
THE LABOUR PARTY ARE LIKELY TO WIN THE UK ELECTION, BUT THEY WILL NEED A BIGGER SWING THAN TONY BLAIR WON WITH IN 1997 TO GET A LANDSLIDE MAJORITY



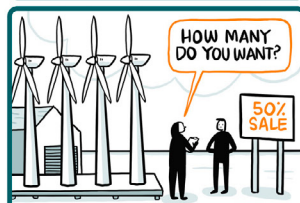
WE'RE LOOKING AT A POTENTIAL EXPANSION OF THE EU. WILL A LABOUR GOVERNMENT BE IN A POSITION TO REBUILD RELATIONSHIPS?



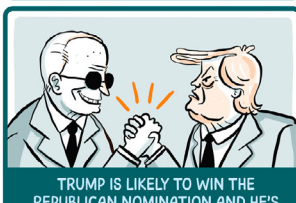
IN THE TECH WORLD, WE MAY SEE MICROSOFT (DUE TO IT'S EARLY INVESTMENTS IN AI) OVER TAKE APPLE AS THE WORLDS BIGGEST COMPANY



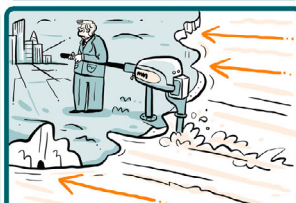
ALTHOUGH CRYPTO SEEMS TO HAVE STUMBLER, UNDERLYING CRYPTO TECHNOLOGY IS LIKELY TO BE EMBRACED BY MAINSTREAM BANKING



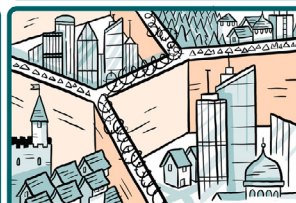
CLIMATE MITIGATION IS EXPENSIVE, BUT THE GOOD NEWS IS THAT CLIMATE TECHNOLOGY PRICES ARE DROPPING FASTER THAN EXPECTED



TRUMP IS LIKELY TO WIN THE REPUBLICAN NOMINATION AND HE'S LOOKING MORE POPULAR IN SWING STATES THAN EXPECTED. THE PRESIDENCY WILL COME DOWN TO WHO CAN MOTIVATE THE MOST PEOPLE TO GET OUT AND VOTE



IF TRUMP WINS, IT IS POSSIBLE HE WILL DISTANCE HIMSELF FURTHER FROM EUROPE



GLOBAL FRAGMENTATION WILL CONTINUE TO WEAKEN THE GLOBAL ECONOMY. WE'RE LOOKING AT SMALLER, MORE RESILIENT, ECONOMIC BLOCKS

At this FT Forums event, panel members discussed their predictions for 2024 and identified the trends that will shape the macroeconomic and business landscape.

Below are the highlights of the discussion.

Setting the economic stage for next year: what can we expect?

“Next year looks rather better than it did a few months ago,” Giles said. Central bankers had been “a bit late to the party” in trying to clamp down on inflation.

The situation now “is that we are seeing some very good news on inflation. German inflation has come in at 2.3 per cent for November, which is very close to the target”.

The discussion is about when rate cuts might come. “Markets are thinking towards the end of spring or early summer on both sides of the Atlantic, maybe in the UK a little later than that.”

Rates are likely to be higher than in recent years. How will corporate America deal with this?

Most companies assume that rates will stay higher for longer and this will affect their decisions, Masters said. “For years now, companies have been taking loan options or selling bonds in order to do share buybacks – and that becomes uneconomic if rates stay higher.”

There is also a group of American business leaders who believe “the market is still being too optimistic” and there may be more rate rises. “In general most companies are still trying to bring down their debt to avoid having to sell new debt under these current rates, because they don’t think it’s going to get better very quickly.”

What are the panel’s predictions for the Chinese economy?

Everyone was pessimistic about the Chinese economy in early autumn “but actually the data has been a little bit better than that”, Giles said. “I don’t think anyone thinks next year is going to be better than this year in China. Not only is there a reckoning happening in its property market but it can’t just grow out of difficulties by exporting more. It’s simply too big these days.”

Exporting globally is difficult, particularly as the relationship between China and the US is so fractious. Giles believes trade tensions will be a big theme. He cited sanctions on Russia as a main cause of these.

What is next for the war in Ukraine?

Russell said he was in Ukraine recently and spoke to people in Kyiv and Kharkiv. He suspects there will be little change over the coming year. “Effectively the front lines have frozen. There are occasional moves in either direction but they’re very, very small. The big issue for Ukraine now is the support of the west, the support of America. But also there are political tensions in Brussels over financial assistance to Ukraine.”

One of the game-changers for Kyiv in the past year has been the use of technology, Russell said. “They have transformed their drone production mainly via small private tech companies.”

What is next for AI and how will it affect the business world?

“We’re still at the peak of the hype cycle [when it comes to AI]” Moore said. “But what is going to happen is we’ve had billions of dollars funnelled into companies like OpenAI. I think in 2024 we will see companies start to pay for some of these AI tools.”

The next year may see a shift towards companies paying for AI assistants, a “personalised AI system that will help you out with everything”, she said. “Instead of generative AI being something you muck around with, or college students writing essays, it will be something we use day to day in a much more practical way.”

Could the Conservatives defy the polls and win the 2024 election in the UK?

The British political system had been “very volatile,” Parker said. Currently, the Conservative party trails Labour by about 20 points. “To put that in context the Labour party has been out of power since 2010, nearly 14 years by the time the election [comes around]. There does seem to be a mood in the UK that it’s time for a change.”

Parker pointed out that for Labour to win an outright majority of only one seat, it will “need an even bigger swing than Tony Blair’s in 1997”. “That’s a big mountain for Labour to climb.”

One possible scenario is that Labour will be the biggest party “but maybe not with the kind of rock-solid majority Keir Starmer is dreaming of.”

What is likely to happen in Scottish politics?

“The Scottish National party has almost defied political gravity. I think they’ve been empowered in the devolved Scottish assembly for about 15 years now,” Parker said. “[it is] normally a rock solid, very disciplined organisation, but recently the wheels have started to come off – [it is possible that] the prospect of Scottish independence is receding.

“If Labour can chip away at SNP dominance in Scotland, that really changes the political arithmetic in Westminster.”

In US politics, Nikki Haley has received a boost. Could this affect Trump’s chances of gaining the Republican nomination?

Haley is trying hard and is “in the game”, Masters said, but “clearly Trump is the favourite by a huge margin. He is running as if he were an incumbent president”.

He is likely to win the Republican nomination and “there have been interesting opinion polls suggesting he’s doing much better than people thought in some of the swing states, which means he honestly could win”.

“In the US, the overall popular vote doesn’t matter. and the fact that he is unpopular with a majority of Americans does not matter. It matters within each state.”

What is going to make this election incredibly hard to forecast are two issues, Masters said. First, voting rules have been tightened since 2020. Second, we need to consider “the wildcard of abortion”. “In seven elections now, including some very conservative states, whenever abortion rights have been on the ballot, the liberal side has won.” Abortion referenda on the ballots could bring people to the polls and tip the balance.

Will AI affect elections and voting?

Social media companies will be “bracing for a huge wave of potential misinformation or disinformation that will be super-charged by AI,” Moore said.

Due to a lack of regulation on the use of AI-generated content for campaigning or advertising, it is likely that there will be a lot of AI content and it will be difficult to track.

“The other thing that’s different this time is that we have Elon Musk running Twitter.” Musk is vocal about allowing free speech so he might not rein in content in the way other platforms have.

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In the US, has the Middle East crisis revealed a generational split in the Democratic electoral base?

"I'm not sure it's purely a generational base but it is there. It is definitely a split," Masters said. "Traditionally Israel has drawn a lot of support from Democratic politicians. On the other hand the progressive wing of the Democratic party has been very sympathetic to the Palestinians for a long time. And certainly younger voters are more progressive on this issue."

This is a difficult time for Biden, she said, as he wants to support Israel against terrorism but there is also "a whole wing of his party that is very unhappy about what is happening to people during Israel's response".

What are your views on the big investment themes for 2024 in public and private markets?

"I think the days of companies investing billions and billions of dollars into AI startups might have been done," Moore said.

A lot depended on interest rates and tech stocks in particular have had a good few weeks. "I think Microsoft might overtake Apple to become the biggest company. It has come out so far ahead of the other companies in AI because of its OpenAI investment, it has set a precedent.

"It has been a good year for climate tech start-ups. Next year we might have more IPOs if interest rates stay where they are or go down. I think there'll be more investment in start-ups. And I think it's going to be a good year for tech stocks."

Masters said: "With higher interest rates the flow of venture funding and mid-stage ventures is harder to come by. Lots of companies will have to look to the public markets to get funding. "I do think there is a good chance, as long as the market stabilises and interest rates stay where they are, that we will start to see more IPOs."

"The immediate question is, when is the first cut in rates," Giles said. "That's what markets will be focused on [for the first half of the year]. All we know at the moment is that our previous thinking on this is probably wrong." Before interest rates went up, the neutral rate of interest came down fast to quite low levels – "in cash nominal terms about 2 per cent. But now we think it's higher than that but we really don't know".

The US elections will have a bearing on this as well, Giles said. "It seems very unlikely that whoever wins the 2024 election is suddenly going to become fiscally prudent. That might well have a bearing on where interest rates need to end up over the medium term as well."

What would a Trump presidency mean for Wall Street?

"What was interesting about Trump is he ran as a populist but largely – apart from some hot button issues – governed as a fairly traditional Republican," Masters said. A Trump presidency may bring "a deregulatory agenda which would be welcomed by some businesses".

"The banks like the idea of having a Republican [in power] again, because then perhaps they wouldn't have their capital requirements come down and supervision will be weakened. There will certainly be a redo of many SEC rules that have upset the industry, so all of that makes people somewhat optimistic."

On the other hand, Masters said, Trump's approach was unpredictable and no one knows how he will govern. His attitude to immigration could cause friction with business, for example.

How would Trump's re-election affect the rest of the world?

From a UK point of view Labour was hoping to be in power roughly at the same time as the US elections in 2024, Parker said. "The alignment of ideology and personnel will be difficult. There will be a very difficult relationship for Starmer to manage if Trump gets in."

There are huge implications for Ukraine, Russell said, as Trump had indicated he would be interested in a settlement deal with Russia.

Across Europe, Ukraine is the big issue, Parker agreed. "If the Americans start to pull back, there is a feeling that Europe will be forced to pull together. Unless other European countries step into the void left by the Americans, it's game over for the war in Ukraine."

Trump's election would affect the US economy "and this will have other reverberations around the world," Giles said. Tax cuts are likely with another Trump administration, he said. "Unlike in 2016-20 where markets didn't care how large the US budget deficit might get, they are not going to look away as much."

"There might be some blowback and you might see a really difficult relationship between a Trump administration and the Federal Reserve."

Is the German economy likely to have a recession?

"I'm a bit of an obsessive about the word recession," Giles said. "I don't like it used when countries are basically stagnating, even if they have two quarters of negative growth." The German economy may have a difficult time "but it won't be what we classically see as a recession".