

Structural Drivers of Inflation: Implications for the Global Economy and Industries

July 2024

Table of Contents

EXECUTIVE SUMMARY

Why read this report?

Key findings

INTRODUCTION

Inflationary pressures across countries ease, but remain above long-term average

Structural drivers of inflation are forecast to become more visible over the medium term

Identifying structural drivers of inflation

DEMOGRAPHIC CHANGES

Shrinking labour pool to impact labour supply, productivity and wages

Tight labour markets to create persistent cost pressures, leading to higher inflation

Companies will need to attract elderly workers and improve skills to ease worker shortages

Case study: Toyota aims to retain older workers for longer

Case study: Raytheon and NY Creates collaborate to improve workers' skills

GLOBALISATION RESET

Globalisation reset can cause inflationary pressures by eliminating efficiency gains

Global trade restructuring can shrink supplier pool, yet final effects remain uncertain

Performance of China's manufacturing sector will determine global price trends

Production diversification to cause higher cost pressures as productivity growth slows

Companies will need to balance growth and cost discipline to succeed

Case study: Siemens to invest in a new Singapore factory to boost resilience and innovation

Case study: Tesla builds a new Gigafactory in Mexico seeking to cut costs and nearshore

DECARBONISATION

Decarbonisation efforts can intensify supply-side inflationary pressures

Decarbonisation would largely impact industries with high energy consumption

Investments in green electricity and targeted policies can help to ease inflationary effects

Case study: ArcelorMittal to build two hydrogen-powered steel plants

DIGITISATION

AI and digital revolutions can add to inflation through higher electricity and metals prices

ICT services can increase competition for green electricity and lead to higher prices

AI revolution to drive higher demand of copper

Focus on operational efficiency can help to ease external shocks

HIGHER DEBT

High debt levels can make higher inflation more tolerable

Looser fiscal policies and rising inflation can lead to higher interest rates for longer

Cost discipline and value for consumers can help navigate through higher interest rates

CONCLUSION

Structural drivers of inflation: How to win

Evolution of structural drivers of inflation

Questions we are asking

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