BUSINESSatOECD

Business at OECD (BIAC)

Autumn 2024 Economic Policy Survey

ABOUT *BUSINESS AT OECD* (BIAC)

Established in 1962, *Business at OECD* (BIAC) is the officially recognised institutional business stakeholder at the Organisation for Economic Co-operation and Development (OECD). We stand for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through Business at OECD, national businesses and employers' federations representing over 10 million companies provide perspectives to cutting-educe OECD policy debates that shape market-based economies and impact global governance. Our expertise is enriched by the contributions of a wide range of international sector organizations.

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KEY FINDINGS AND POLICY MESSAGES

In our latest *Autumn 2024 Economic Policy Survey* of leading national business and employer organisations in OECD countries, *Business at OECD* (BIAC) finds that the business sentiment in OECD countries is improving, while growth expectations remain moderate.

Key findings include:

- **The business sentiment in OECD countries is improving**, with 78% of our members characterizing the overall conditions for doing business as 'good', compared to 58.9% earlier this year. However, **economic growth expectations remain moderate**, with persistent concerns about geopolitical tensions which continue to pose a significant downside risk to growth. Inflation is expected to return to target in the coming year. Moreover, **expectations of investment are becoming more heterogeneous,** with many countries recording improvements and a significant minority a deterioration.

- Our members continue to express concerns that **persistent labour market tightness is a top constraint on business activities**. In line with these concerns, almost all of our members highlight the need for **governments to take greater actions to address labour shortages,** with 60.2% and 38% of our members considering this as an 'important' or 'very important' priority for governments to address. In particular, our members indicate that efforts to **increase labour market participation and foster skills development and education** are likely to be the most effective policy levers for boosting economic growth in their countries. These efforts will be increasingly necessary due to **population aging,** which over 80% of our members expect will have a negative impact on economic growth in their countries in the next two years.

- Meanwhile, while the use of Artificial Intelligence (AI) is expected to lead to significant gain for businesses, our members are cautious about the likely short-term impacts, with over 90% of members anticipating that **AI-enabled productivity gains will first become significant after 3 or 5 years.** Our members indicate that businesses continue to face challenges in the adoption of AI solutions due to a **lack of skilled personnel, ethical concerns on the use of AI and the lack of a clear return on investment.**

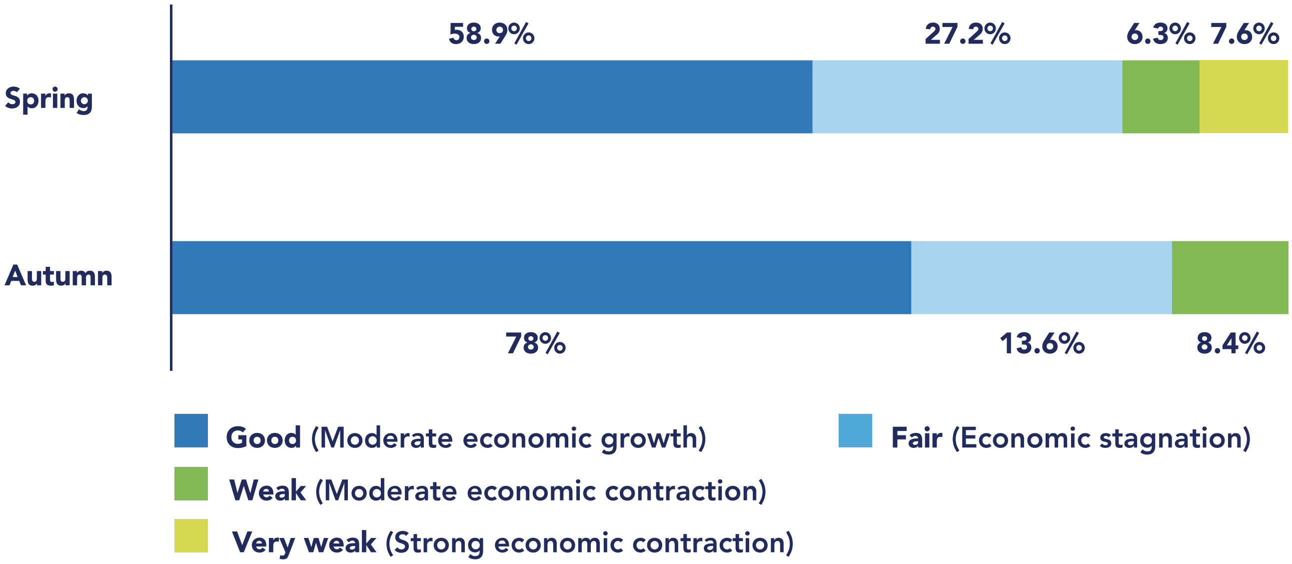
- Finally, in light of the continued increase in trade-restricting measures, **our members look to the OECD to uphold efforts to safeguard open markets.** Over 88% of our members indicate that **the OECD should prioritize international co-operation in the area of trade**, enhancing efforts to reduce trade barriers and restore the conditions for investment. **Significant uncertainties are hampering investment in a growing number of OECD economies,** with an increasing divergence in our members' views on whether business investments will increase over the next year (76% of our members anticipate a 'moderate increase' in business investments, while 18.3% anticipate a 'moderate decrease').

In this context, *Business at OECD* looks to the OECD to provide evidence-based policy advice, foster trusted international cooperation, and encourage political leadership to enable businesses to promote sustainable economic growth in 2025 and beyond.

SECTION I: OVERALL ECONOMIC SITUATION

In our latest survey, a majority (78%) of our members indicate that the overall conditions for doing business are 'good', although economic growth expectations remain moderate. There is a continued risk of volatility due to geopolitical events and trade tensions, notably on inflation which is otherwise expected to return to targets. There is also an increasing divergence in our members' views on investment conditions in OECD member economies.

Figure 1: Snapshot view of the current business climate, spring and autumn 2024 surveys

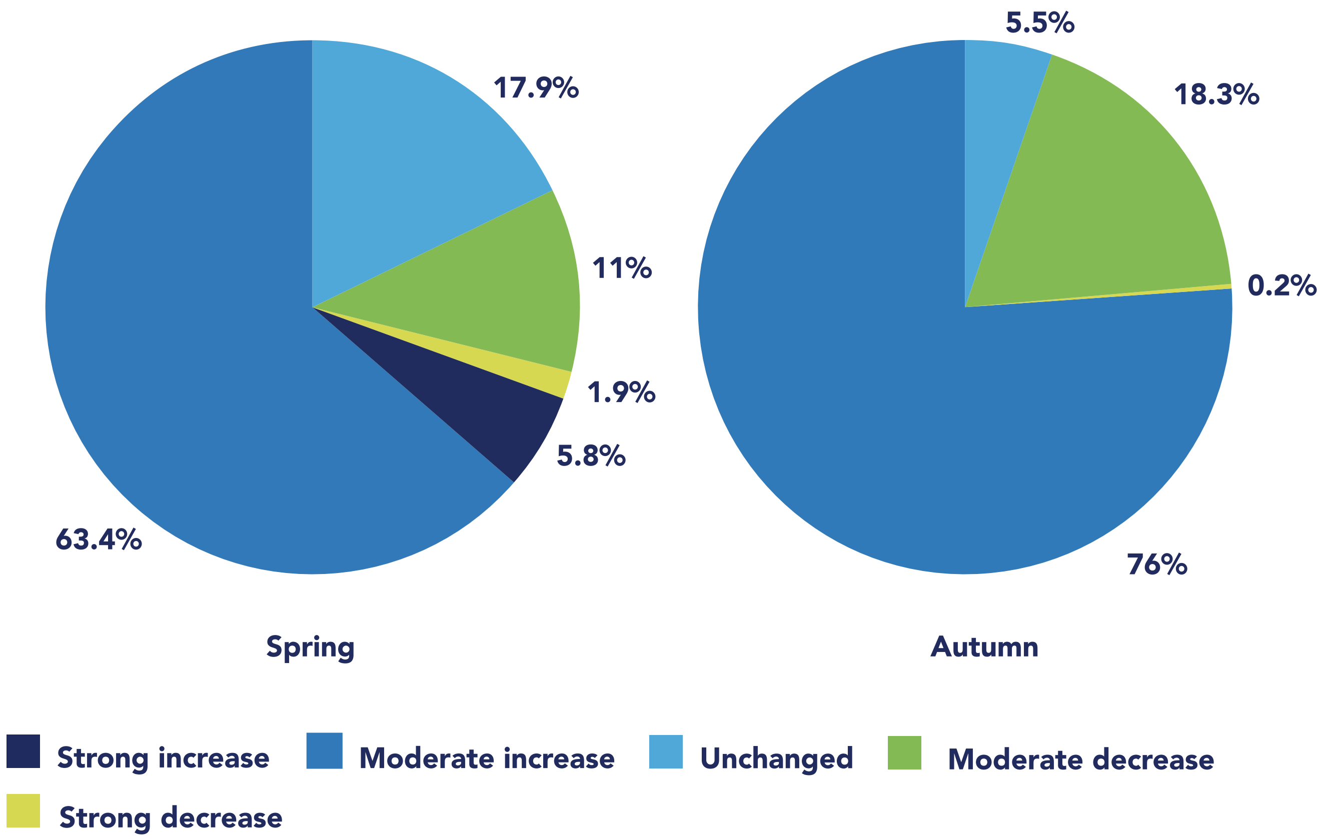


Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

- Our latest survey indicates that the conditions for doing business are improving, with 78% of members characterizing it as 'good' and experiencing moderate economic growth, compared to 58.9% earlier this year.
- Members' concerns regarding the potential for economic stagnation have also decreased, with only 13.6% of members describing their country's current economy as 'fair', as compared to 27.2% earlier this year. Earlier fears of a strong economic contraction, which 7.6% of our members anticipated earlier this year, have also dissipated.
- The majority of our members anticipate that inflation will stabilise in the coming year. There is a continued risk of volatility due to geopolitical events and trade tensions.

Figure 2: Business investment expectations, spring and autumn 2024 surveys



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

- Our latest survey indicates an increasing divergence in members' views on investment conditions as compared to earlier this year. 76% anticipate a 'moderate increase' in business investment, as compared to 63.4% in the spring, while at the same time, 18.3% anticipate a 'moderate decrease' in business investment, as compared to 11% of members in the spring.

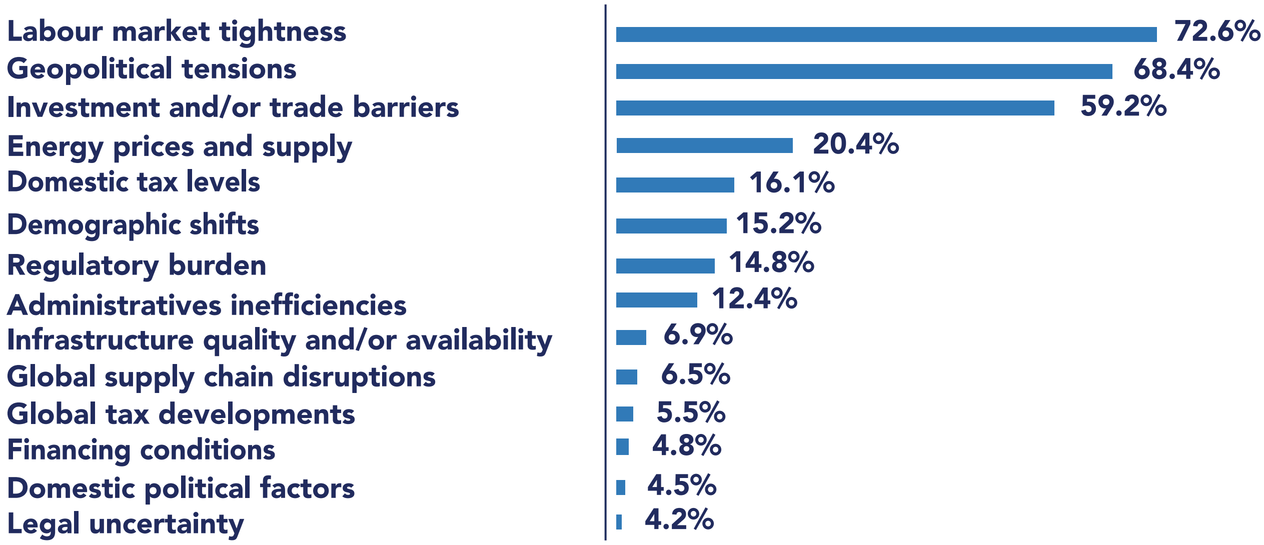
- There is no clear regional pattern in members' views on investment conditions, indicating that investment conditions are diverging across countries and within the same economic region (e.g. within the European Union or Asia-Pacific region).

- The significant rise in members' anticipating a 'moderate decrease' in business investment signals that the global soft patch in manufacturing is continuing and consumer demand trails the recovery in disposable incomes.

SECTION II: MAIN CHALLENGES & OPPORTUNITIES FOR BUSINESS COMPETITIVENESS

Our latest survey reflects persistent concerns among our members about the structural conditions for improving business competitiveness. Labour market tightness continues to be a concern for businesses in most OECD economies, as many employers continue to struggle with labour shortages. Geopolitical tensions and trade barriers continue to undermine business confidence and investment. When asked to identify potential levers for boosting growth, members overwhelmingly point to the need for increasing labour market participation, boosting education and skills development and alleviating barriers to trade. Our members are also cautious about the expected potential growth and productivity gains from the adoption of AI solutions.

Figure 3: Most significant constraints on business activity at present, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

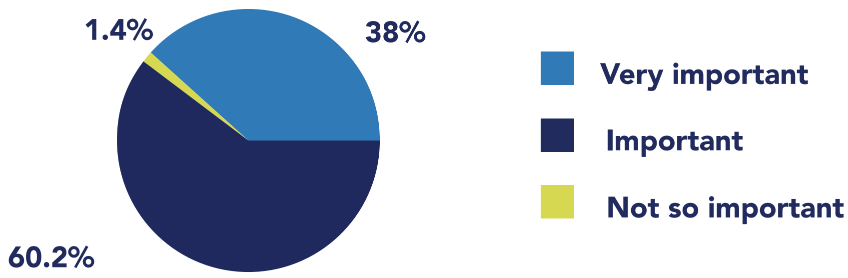
- Our latest survey indicates that labour market tightness continues to be one of the most significant constraints for businesses. When surveyed regarding the prevalence of labour shortages in their country, over 98% of our members consider this an ‘important’ or ‘very important’ issue for governments to address (60.2% and 38% respectively).

- Geopolitical tensions and investment and/or trade barriers are also perceived as being the most significant constraints on business activity in OECD countries.

- To a lesser extent, energy prices and supply, domestic tax levels, demographic shifts, regulatory burdens and administrative inefficiencies are also perceived as significant constraints on business activity.

When surveyed regarding the prevalence of labour shortages in their country, over 98% of our members consider this an 'important' or 'very important' issue for governments to address (60.2% and 38% respectively).

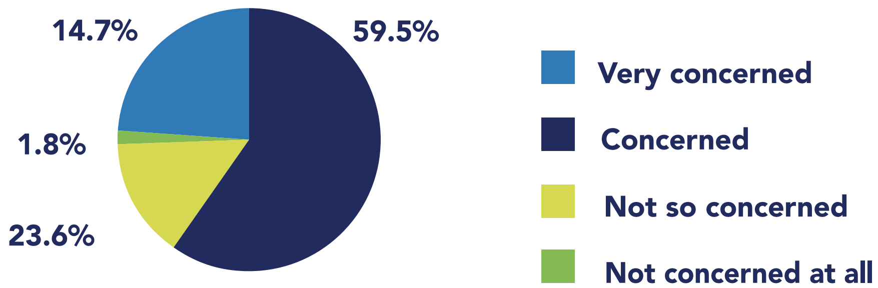
Figure 4: Priority for governments to address labour shortages, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

In our latest survey, we also asked members whether demographics and ageing populations are expected to constrain economic growth in the next 2 years. Over 80% of members expressed some level of concern, with 23.6% 'very concerned' and 59.5% 'concerned'.

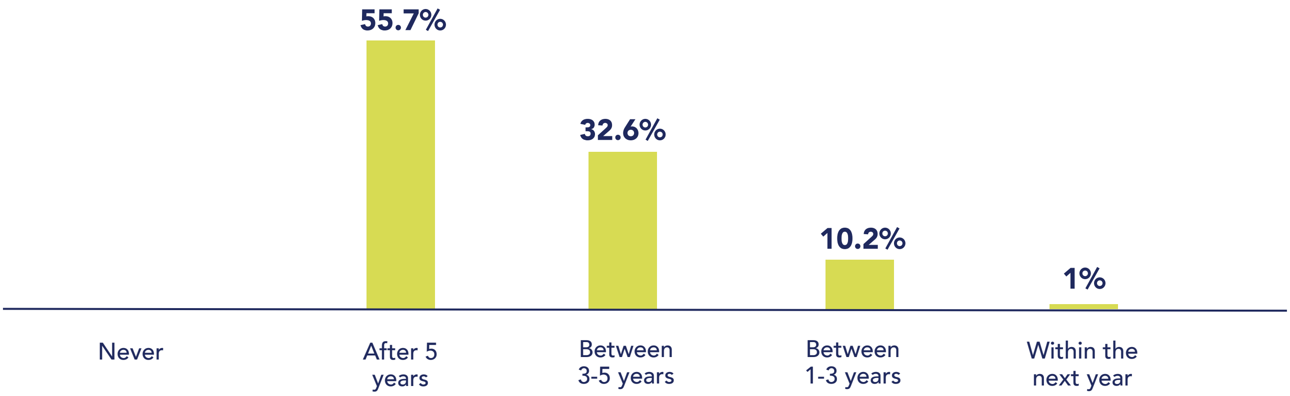
Figure 5: Level of concern for the impact of demographic change on economic growth in the next 2 years, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

The use of AI is expected to lead to significant gains in productivity and economic growth. In our latest survey, we asked members to indicate, considering the pace of AI adoption to date, when such AI-enabled productivity benefits would become significant. Over 90% of members anticipate AI-enabled productivity gains will first become significant after 3 or 5 years, and only 1% expect these gains to be tangible in the next year.

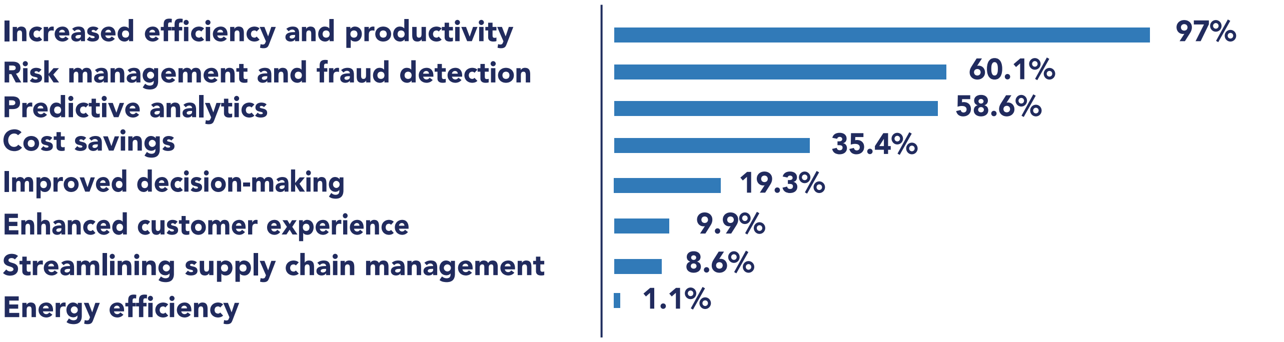
Figure 6: Expected horizon for AI-enabled productivity gains, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Our members were also asked to indicate what some of the benefits and potential challenges associated with AI adoption would be.

Figure 7: Expected benefits associated with the adoption of AI solutions, autumn 2024 survey

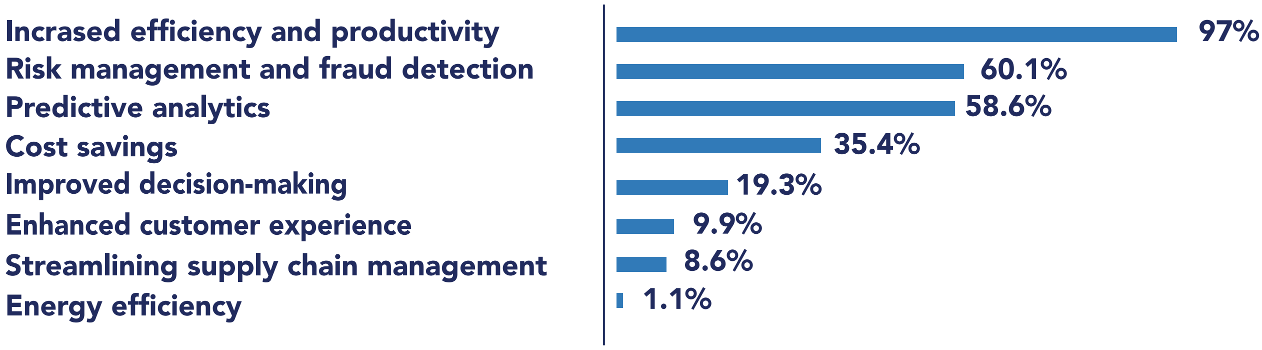


Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

Our survey indicates that members associate AI adoption with increased benefits for efficiency and productivity (97%), though likely first in 3-5 years, as well as improved predictive analytics (58.6%) and risk management and fraud detection (60.1%).

Figure 8: Challenges faced by businesses in the adoption of AI solutions, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

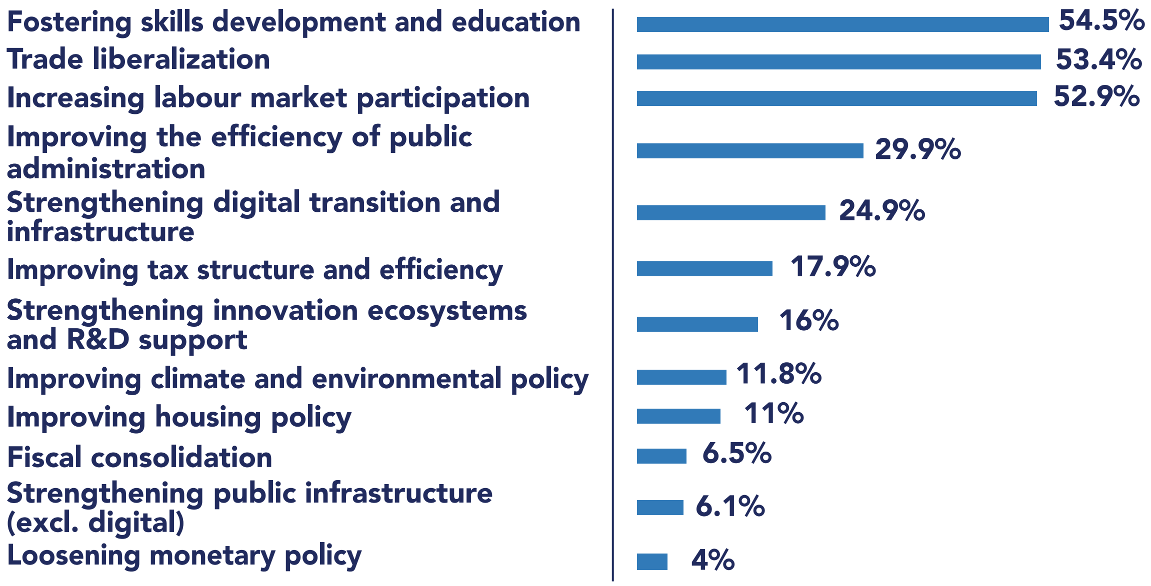
Highlights

Our survey indicates that members anticipate businesses will face challenges in the adoption of AI solutions due to a lack of skilled personnel (87.8%), ethical concerns (53.5%) and the lack of visibility on a return on investment (61%).

SECTION III: KEY POLICIES FOR GROWTH

According to the findings of our latest survey, structural reforms are needed to boost long-term growth and strengthen the business environment in many OECD countries. Our members have particularly highlighted the benefits of increasing labour market participation, fostering skills development and education and maintaining support for trade liberalization as key levers for economic growth.

Figure 9: Key policy levers for economic growth, autumn 2024 survey



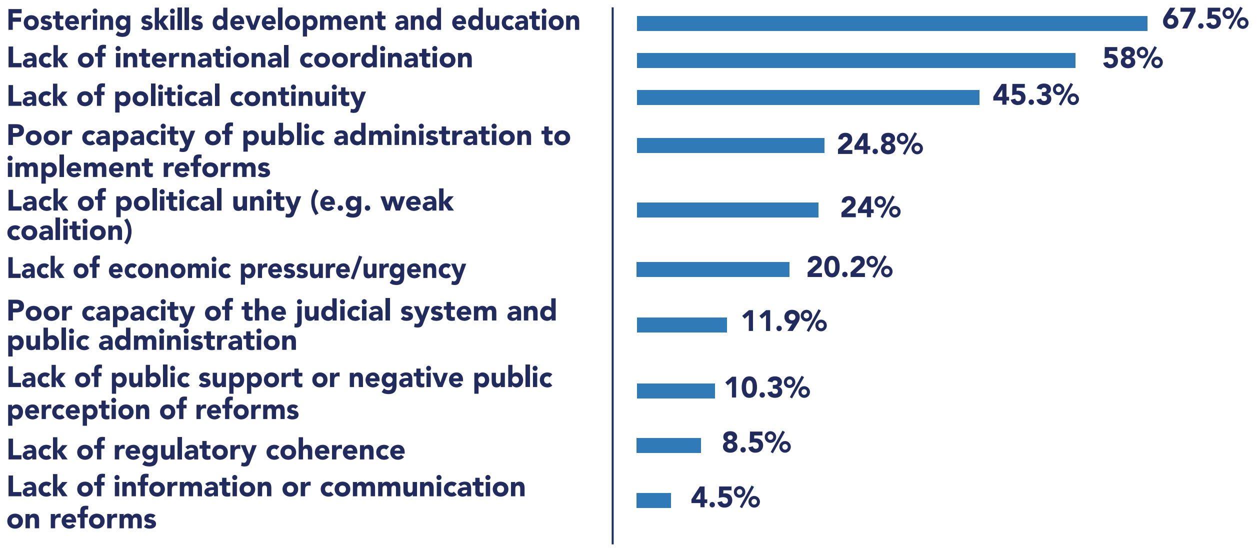
Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

- Our survey indicates that members anticipate that policies to increase labour market participation and foster skills development and education would have the greatest potential for boosting economic growth, at 52.9% and 54.5% respectively.

- In light of increasing trade restrictions, a majority of members (53.4%) also anticipate that greater trade liberalization would raise economic growth and welfare.

Figure 10: Potential obstacles to successful pro-growth reforms, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

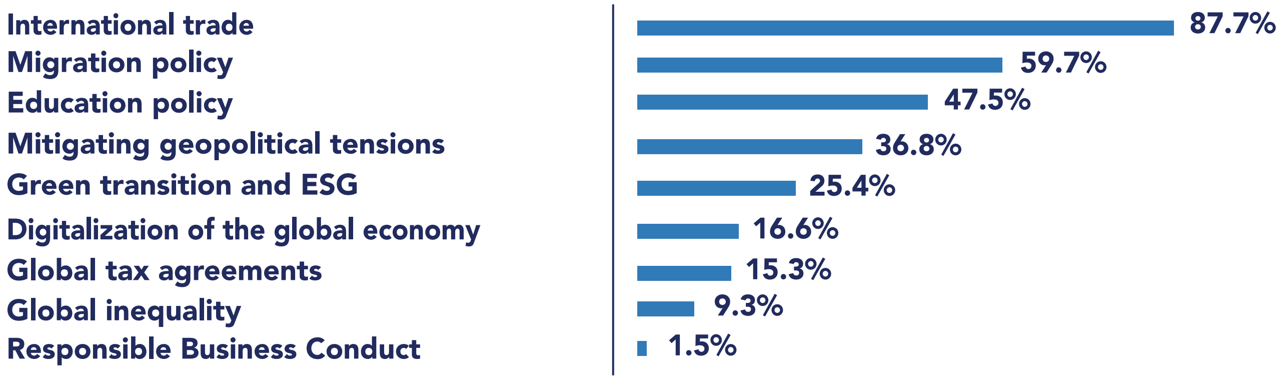
Highlights

- In a year of several major political elections, businesses are concerned that the lack of political will or leadership, international coordination and political continuity are potential major obstacles to structural reforms.
- The poor capacity of public administrations to implement reforms and judicial systems are also key concerns for business.

SECTION IV: KEY AREAS FOR OECD ACTION

Our latest survey reaffirms the vital role of the OECD as a trusted multilateral actor in the global governance architecture. In its international cooperation with partner economies, regions, international organisations and global fora, our members call on the OECD to prioritise efforts to safeguard open markets and enhance international trade.

Figure 11: Priority areas for international cooperation at OECD level, autumn 2024 survey



Source: *Business at OECD* (BIAC) Member Federations (adapted to the GDP weighted average)

Highlights

- In light of increasing trade restricting measures, a majority of our members (87.7%) continue to look to the OECD to work to restore the conditions for trade and investment.
- Given the prevalence of labour market challenges and the demographic transition, our members also call on the OECD to prioritise international co-operation on education policy (47.5%) and migration policy (59.7%).
- International cooperation on global tax agreements, the digitalization of the global economy and the green transition also remain priorities for our members, underscoring the OECD's vital role in the global governance architecture.
- Businesses likewise expect the OECD to continue to leverage its engagement with member countries on reducing global inequalities and responsible business conduct, although to a lesser extent in terms of areas that the OECD should prioritise.

METHODOLOGICAL NOTE

Timeline

Our survey was launched in October 2024 and concluded in early November. This synthesis report was prepared in November 2024. Given the rapid evolution of the economic and geopolitical developments, it cannot be excluded that the different timings of member responses influence aggregate results.

Respondents

36 national business and employer organizations, representing 97% of all OECD countries' GDP, participated in the survey on a voluntary basis. Only one response per organization, and per country, was accepted. Each participating business and employer organization represents thousands of companies across several economic sectors in their respective countries.

In responding to the survey, it was expected that the individual respondents (typically chief economist or senior leadership) would aim for well-balanced and representative responses based on the economic situation in their country.

Confidentiality

In order to encourage respondents to freely put forth their respective views and priorities, it was decided to fully ensure the confidentiality of their responses by only communicating aggregate results (through weighted averages). For the purposes of this synthesis report, the names of participating organizations and their responses have been anonymized.

Survey Structure

The survey was structured into three main parts:

I. Overall economic situation
II. Areas for growth and reform
III. Areas for OECD action

Contact

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