

+ Greater divergence - social, economic, (geo)political, and generational - will characterise our world in 2021. Technology deployed to sustainable ends and as an economic stimulant is a reason for optimism. Investment flowing towards renewables and projects safeguarding natural capital could be a win-win for the environment and employment.

+ **2021 will be a year of increasing divergence:** (1) in **economic growth** (K shaped: some countries and industries up, others down). (2) in **expectations** (up for the 'winners' from the pandemic, down for the 'losers'). (3) **between rich and poor**. (4) between **the real and the financial economies** (battered vs. exuberant). (5) between **small business** (struggling) and **big business** (benefitting from COVID). (6) **between the older generation** (protected) and **the young generation** (exposed and feeling let down). (7) **between high-income countries** (rescued by policy) and **emerging ones** (hit disproportionately hard). The main surprises and shocks of 2021 will emerge from these fault lines that crystallise the regressive nature of the COVID crisis.

+ **Two structural reasons for optimism in 2021:** (1) the realisation that heading towards a zero-carbon economy supports economic growth rather than the opposite and (2) the hope that technology will at last increase productivity. **The pandemic will be remembered as a great accelerant** unleashing a wave of innovation and digitisation at a speed unthinkable at the start of 2020. Things like telemedicine and drone delivery previously anticipated in a few years happened overnight, while a large majority of SMEs started to take digitisation seriously. Could the productivity growth expected (in vain) for years finally be just around the corner?

+ The shock inflicted by COVID has been violent, with long-term scars likely in several industries, like hospitality, transportation, arts and entertainment. This said, thanks to massive monetary and fiscal support, **the economic situation is not as bad as feared only a few months ago**. In 2020, global GDP contracted by 'just' 4.2% (5.5% in OECD countries) and is forecast to increase in 2021 by around 4.2% (a third of which accounted for by China), with a return to **pre-pandemic output level in 2022**. The vaccine is boosting confidence, suggesting that an explosion of pent-up demand spurred by the unwinding of excess savings might occur in Q2 or Q3.

+ **Pent-up consumption will boost the recovery but is not a miracle cure for the long term.** A one-off, it doesn't address the fundamental problem worsened by the pandemic: inequality. COVID has caused it to rise within countries and between nations, erasing 10 years of progress. Many households won't be able to recoup their losses of jobs and incomes - a particular concern for the 600m people employed globally in the hospitality and retail industries plus the 2bn who work informally, with little or no social protection. This situation, combined with the rise of the "precariat" (when a job doesn't provide an adequate and stable income) **constitutes a major drag on growth and poses a risk to social stability**.

+ In 2021, **natural capital will become a prominent investment theme**. The reasons are twofold. (1) COVID has made us

aware of the importance of nature, highlighting how critical it is for our mental and physical health. Thus, the wellbeing of our planet and our own individual wellbeing are seen as two sides of the same coin - investing in the former yields benefits for the latter. (2) Contrary to what is widely assumed, **valuing natural capital** and investing accordingly in it (as in the circular bio-economy) **generates jobs and growth**. One example to prove the point: managing our forests sustainably could generate 30m jobs and create \$2.3tr worth of potential business by 2030. No surprise that nature-based investment funds and other opportunities are proliferating!

+ Remarkably, 2020 was a year when a trading position in "alternative energy" would have yielded more than 400% and in which solar and wind accounted for 100% of the increase in global energy demand, versus 34% in 2019. **The love story between the investment world and renewables can but continue to flourish**. In addition to the social pressure behind the innumerable commitments to net 0, there is a strong economic rationale: fossil fuels are by nature inflationary (cheapest reserves are exploited first, and then exploration becomes increasingly expensive - despite technological progress) whereas renewables are by nature deflationary (no exploration - only capex in infrastructure that generates economies of scale, leading in turn to a fall in capital investment costs). A significant example: over the past ten years, solar electricity costs have fallen by 80%. Beyond doubt: **time favours renewables**.

+ Five diverse issues (in no particular order) set to dominate 2021: (1) The **"One World, Two Systems"** configuration and how the economic and geopolitical outlooks will be affected by the growing rivalry between the US and China; (2) The **COVID crisis morphing into a financial crisis** due to the sharp rise in non-performing loans - for many firms and households a credit crunch is coming; (3) Rising food prices exacerbating **food insecurity** (in the US: more than 1 in 5 households) and **food crises** (famine conditions currently exist in more than 20 countries); (4) Great hopes pinned on Biden's presidency that fail to take into account how **constrained his capacity to govern will be**; (5) **The rising wave of youth, employee and investor activism**, that will continue to disrupt our consumption models and the way to do business.

+ As soon as the dark winter of COVID is behind us, **almost anything that evokes doing things IRL** - In Real Life - **will 'explode'**. Cyberspace will continue to thrive because it generates efficiencies, but we are social animals who can't wait to go back to what popular culture dubs the 'meat-space'. In the early months of the recovery, **features of the "roaring 20s" will emerge**. With this in mind, we'll convene our community as soon as we possibly can, starting in Chamonix (on skis: nature favours the blooming of ideas), continuing in Paris and then in Washington DC. Watch this space and join us at one of the events.

+ **The techlash is gaining traction**, as evidenced by recent developments in China, the US, Europe and India. The backlash is coming not only from regulators and politicians but also from employees and users.