Ten Seconds Into The Future 2020 07

A detailed discussion is too long to fit in the margin, so without justification or validation, here are some forecasts.

During the COVID lockdowns, schools have been shut and are struggling to reopen. This cohort of students face disruptions to their education which could lead to a future shortage of skilled labour. Labour costs may rise. The wage gap between skilled and unskilled labour will widen. Artificial Intelligence may be drafted to mitigate the shortage.

Liquid public markets ability to ignore poor fundamentals will encourage more companies to go public. The IPO market will be revived, share buybacks will slow and market capitalisation rise.

SMEs face credit discrimination as bond markets shrug off difficult times while bank credit gets rationed. Banks may find it good business to securitize SME loans and convert a credit business into a fee business. This will reduce the efficacy of interest rates as a monetary policy tool.

Supply chains will seek robustness over disruptions arising from natural disasters and geopolitics. There will be a frictional cost to efficiency.

The most important force of history is likely going to be the China US rivalry. However, just as 1400 years ago when Judaism and Christianity were wrong-footed by a new entrant, Islam, the future may be dominated by a player yet to emerge.

ESG and Impact investing are gaining momentum and will become mainstream. There will be some confusion and evolution before a common framework is accepted. In the transition investment returns could face frictional costs.

Population growth will take a hit due to social distancing. Developed countries already face ageing populations but developing countries may now join them. There will be implications for demographics and long term economic growth.