How we did in 2021

Our Prediction	What Happened	Score
Global economic recovery. As multiple Covid-19 vaccines are distributed this will enable the removal of restrictions and a return to normality. Global economic growth will rebound to 6.4% in 2021.	The initial rollout of Covid-19 vaccines in developed nations was successful and initially enabled the removal of multiple restriction. Global growth was softer than expected recorded at 5.9% as supply constraints and the onset of the Omicron variant reduced potential output.	**3.5/5**
Policy Error is the greatest threat to stability in financial markets this year. Financial markets and business have been supported through the pandemic by the prompt and unprecedented actions of central bankers and policymakers. If ongoing support fails to meet expectations or is withdrawn this will cause severe volatility across financial markets.	Developed market central banks continued to pursue accommodative policy until the final quarter of the year. A policy error may have occurred with the Federal Reserve enabling inflation of 7% in the US by being behind the curve and failing to normalise policy faster. The implications of this error on financial markets and volatility will likely be evident through the first half of 2022.	**3/5**
Digital adoption accelerates. The pandemic led to a multi-year acceleration in digital adoption and this will continue as technology is now an integral part of everyday life. New developments in healthcare technology and artificial intelligence will be at the forefront of the digital transition.	Technological innovations continued to enable economies to operate and be less impacted by ongoing Covid-19 restrictions. The adoption of robotics and artificial intelligence has reduced the impact of labour shortages across multiple industries.	**5/5**
Environmental, social and governance (ESG) factors growing in significance. As economies transition to zero carbon and there is more focus on corporate behaviour ESG will be core to investment decisions. There are significant opportunities for investors in supporting the development of the new green economy.	Investment in the green economy continues to soar. ESG considerations have been propelled to the forefront of corporate decision making and the recent COP-26 summit in Glasgow signified both the ongoing commitment to climate goals and just how much more work needs to be done.	**5/5**

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Search for stable income. As bond yields remain at historic lows with central bank policies designed to hold rates lower for longer; investors in search of real stable income will be driven towards riskier asset classes. Income streams from equities and property will replace traditional bond distributions.	Bond yields fluctuated throughout the year although remain at low levels historically and provide a negative real return with levels of inflation at 30-year highs. Equities attracted record capital inflows and property values appreciated as savers and investors sought out stable real income.	**5/5**
Fiscal programs will be a prominent driver of markets. Economies have been supported by substantial levels of fiscal spending as government programs have limited the full economic impact of the virus. Those countries that continue to support their economies with further spending and innovative programs will outperform peers.	The European Union continued to rollout its recovery fund although the United States has been unable to attain political support for some of the more progressive stimulus programmes. The UK has started to remove stimulus from the economy and local indices has lagged. Fiscal programmes supported economic growth although markets focused predominantly on the impact of the virus and monetary policy.	**3/5**
Emerging markets will outperform. Emerging markets will continue to outperform developed markets in 2021 as growing levels of middle class stimulate consumption and there will be less economic scaring from the pandemic. Emerging markets will further benefit from a weaker US dollar and rising commodity prices.	Emerging markets trailed developed markets as central banks tightened monetary policy to control inflation in contrast to developed central banks weighing on growth. The lack of vaccine supply and restrictions also contributed to lower-than-expected growth rates. Although commodity prices rose significantly in 2021 as demand increased as economies re-opened this failed to support local EM indices.	**2.5/5**
De-globalisation trend continues, development of local champions - The relationship between the US and China will continue to be fractious even with the inauguration of President Biden as China seeks to develop its own local technologies and internal demand. The pandemic illustrated the limitations of global supply chains and the trend of increasing local manufacturing and sourcing will continue.	The US and Chinese relationship remain strained with the US drafting policies focused on preventing further human rights violations against the Uyghur minority while China has implemented a policy of common prosperity. Supply chain issues have impacted the earnings of corporations as local restrictions and shipping delays have led to a lack of stock as more companies shorten their supply chains	**5/5**