Investment Outlook 2025

Questions and Answers

Triodos Investment Management

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1. How will a deterioration of the geopolitical situation, namely an expansion of the current wars in Europe and the Middle East adversely affect (and to what extent), the projections that have been exposed in this presentation?

The human impact of the wars in Europe and the Middle East is immense. As these conflicts have expanded, financial markets have experienced volatility, but major markets in the US, Europe and China have generally adopted a wait-and-see approach. A strong US economy, along with substantial monetary easing in many regions, is supporting a resilient yet somewhat muted global expansion, with significant divergences across regions. This forms the basis of our projections. However, with increasing global fragmentation, we are still far from achieving positive change. For more details, we refer to our Investment Outlook 2025 reports.

2. When will FED and ECB be forced back into QE and what will be the effects?

For now, we do not expect the Fed and the ECB to return to QE next year. In general, absent a sudden shock like the COVID pandemic, QE could come back on the table when inflation and inflation expectations stay below the 2% target for a prolonged period, and when interest rates are already lowered significantly and are close to their effective lower bound. Previous experience with QE has shown mixed results in achieving its goal, which is why it would be wise for central bankers to think twice before implementing it in a similar fashion again. QE’s negative side effects - rising house prices and stock markets - increase inequality. Also, the Fed does not incorporate climate criteria in its asset purchases, which would be another negative side effect of a return to QE.

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3. Do you see any ticking time bombs in China related to ageing population and regional finance debts that could cause a serious effect on the Chinese economy and also on the global economy in the coming year(s)? And if so, when do you expect them to go off?

China has opted to invest in innovation and upgrading its manufacturing sector as part of its long-term growth strategy. This indicates a shift towards a productivity-driven economic transformation. Such a strategy will help China prepare for an aging population, as innovation can offset the decline in the workforce. However, there are risks to China's outlook, including the possibility that the right jobs may not be created quickly enough and a negative spiral triggered by US trade tariffs. For more details, we refer to our Investment Outlook 2025 reports.

4. How can we encourage long-term equity investors to finance projects in rural areas of Africa, both new and existing?

Several African countries have been implementing reforms to strengthen their institutions, including the rule of law. These efforts have been made with limited fiscal support due to budgetary constraints, which has slowed the creation of a robust and resilient business environment capable of withstanding external shocks. This is where multilateral, concessional, and private financing can converge to provide critical funding sources—preferably not scattered over time—to countries committed to building a resilient economy. Long-term capital flows will subsequently enrich a continent with a young and savvy population that is mindful of preserving its natural resources.