

Press Release

Triodos Investment Management publishes Global Investment Outlook 2022

Zeist, 30 November 2021 – Triodos Investment Management today published its Global Investment Outlook for 2022. According to Triodos IM’s investment strategists, 2022 will centre around trust. Trust in policymakers, trust in markets, and trust in each other. With the previously spectacular economic recovery in advanced economies taking a more normal shape, short and longer-term issues will come into full focus and collide. In emerging markets, the post-pandemic economic rebound is set to continue in 2022, but with great divergence between countries.

“As we enter the new year, supply constraints and longer-than-expected elevated inflation will test the longevity of ultra-loose monetary policies and financial market bubbles”, said Hans Stegeman, Chief Investment Strategist at Triodos Investment Management. “Growing social unrest will challenge government’s COVID-19 policies, asking for plans to address the increase in inequality and huge public debt levels. At the same time, the ongoing global warming in the wake of COP26 will pressure authorities to finally translate climate commitments into decisive policy action.”

For their 2022 Investment Outlook, Triodos IM’s investments strategy team developed three different scenarios for both advanced economies and emerging markets: a base scenario, which represents the most likely outcome, alongside a more upbeat and a more downbeat scenario. In their longer-term outlook beyond the next year, they draw an economic picture based on the need to build a more sustainable and inclusive economy that delivers wellbeing for all. Such an economy requires a profound transformation of our current system with trust being an essential element.

Developed Markets Outlook

While the economic recovery in advanced economies has been rather spectacular over the past year, it is now gradually shifting to a more normal pace. This also means that short and longer-term issues that were out of focus for a while are now becoming more pressing again and will in some cases collide. Economic and inflation dynamics will force investors to abandon their belief in perpetual monetary stimulus. This change in sentiment is likely to lead to a reversion of the upward trend in financial markets of the past few years. Triodos IM therefore maintains a cautious allocation stance.

“Since last summer, support schemes have ended or gradually been scaled down, and this process will continue into 2022”, said Joeri de Wilde, Investment Strategist at Triodos IM. “Deficits will consequently fall, implying that fiscal impulses will not contribute to economic growth anymore. Still, the further release of pent-up demand from households and companies is likely to lead to another year of above-potential economic growth.”

Emerging Markets Outlook

The COVID crisis has caused a fearsome economic slump in emerging markets, and we are now in the rebound. However, the outlook for emerging markets remains highly uncertain. Triodos IM expects emerging markets and developing countries (excluding China) to reach their pre-pandemic GDP levels no earlier than 2024. In the long-term, the growth potential of emerging economies continues trending down. In this challenging environment, trust and collaboration between governments, institutions, investors, and households will be essential to build more resilient economies.

“The post-pandemic economic rebound is set to continue in 2022”, said Maritza Cabezas Ludena, Investment Strategist at Triodos IM. “Although our base scenario shows emerging economies slowly recovering to pre-pandemic levels, there is no improvement in inequality in the near-term, while the energy transition still falls short of what is needed in emerging markets.”

Long-term Outlook: Transformation, Returns and Trust

Looking at the longer term and beyond 2022, Triodos IM sees a need for an economy that is more sustainable and more inclusive. This implies a transformation, rather than incremental change or just post-pandemic recovery. Economic transformations usually result in more turbulence and sectoral shifts and can also cause (temporary) lower economic activity on a macroeconomic level. Trust is important to let transformations succeed: higher-trust societies weather turbulence far better than societies where people have less trust in others and governments.

An environment of transformation obviously has implications for investors. Investing in transformation offers plenty of possibilities but returns are likely to become more volatile (although not necessarily lower). Most importantly, transformational investing requires a longer-term horizon and the willingness to put impact first.

About Triodos Investment Management

Triodos Investment Management connects a broad range of investors who want to make their money work for lasting, positive change with innovative entrepreneurs and sustainable businesses doing just that. In doing so, we serve as a catalyst in sectors that are key in the transition to a world that is fairer, more sustainable and humane.

We have built up in-depth knowledge throughout our 25 years of impact investing in sectors such as Energy & Climate, Inclusive Finance and Sustainable Food & Agriculture. We also invest in listed companies that materially contribute to the transition toward a sustainable society. Assets under management as per end of June 2021: EUR 6.1 billion.

Triodos Investment Management is a globally active impact investor and a wholly owned subsidiary of Triodos Bank NV.