

Press Release

Triodos Investment Management publishes Global Investment Outlook 2023: Resilience in times of polycrisis

Driebergen, 30 November 2022 – Triodos Investment Management (Triodos IM) has published its Global Investment Outlook for 2023. This year’s outlook is dominated by the multitude of crises the global economy is currently facing: from the war in Ukraine to the collapse of entire ecosystems. In this light, Triodos IMs investment strategists have formulated potential solutions to transform our economic system towards one that is more resilient.

“The current global situation can best be described as a polycrisis”, said Hans Stegeman, Chief Investment Strategist at Triodos IM. “We’re seeing multiple, long-term crises simultaneously culminating into a moment of systemic risk. Each one is complicating the solution of the others. Our ecosystems are on the brink of collapse, our economic system is stressed, and our socio-political relations are under severe pressure. The consequences are increasing uncertainty, lack of progress on the sustainable development agenda and an unstable economy.”

For their 2023 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 focused on the transformations that are needed to get out of the polycrisis and build a more resilient and sustainable economy that delivers wellbeing for all.

Developed Markets Outlook

The developed markets outlook for 2023 is bleak. The multitude of crises have exposed the weaknesses of our economic system, culminating in record-high inflation across advanced economies. Though inflation is set to fall, there will be no early relief. This means that a slowdown of global growth slowdown is inevitable, spurred by recessions in most major advanced economies. The breadth and depth of the slowdown will be determined largely by the stickiness of inflation and the need for further monetary policy tightening. Either way, inequality is bound to rise, while the ongoing transgressions of our planetary boundaries ask for immediate policy action. This requires an integrated policy approach that steers towards a more resilient system: one supporting an equitable society with healthy ecological conditions.

“The fairy tale of never-ending monetary stimulus has been shattered into pieces”, said Investment Strategist Joeri de Wilde. “In 2023, investors will have to face reality without monetary sedation. This absence will evidently be felt through heightened market volatility, as we foresee another challenging year with elevated macro risks.”

Emerging Markets Outlook

Emerging markets will continue to slow down in 2023 with below-trend growth. Inflation will be peaking in many of them, but it will generally remain above central bank targets. And because the global economy is likely to avoid a recession, it is time to build the conditions for a broad-based resilience if we want to prevent yet another unprecedented global crisis. After two global shocks with severe adverse spill overs and recurring natural disasters, emerging markets are facing a challenging landscape. And yet, some countries are weathering the storm better than others. Not all countries have been equally affected and some have even had a strong rebound. But when countries do

rebound, many are not sufficiently resilient or prepared to endure future shocks or reduce the impact that a rebound may have on the environment.

Investment Strategist Maritza Cabezas Ludena: “China and India, for instance, have been fast to rebound from two global shocks on the back of their higher savings rates compared to the deficit countries, but there are other concerns, including political divisions and security challenges which make them less resilient despite their buffers.”

Long-term Outlook: resilient investing in transitions

According to Triodos IMs investment strategists, five transitions are needed to get out of the polycrisis: a food transition, a resources transition, an energy transition, a social transition, and a wellbeing transition. Although they can be seen as separate transitions, they are also interconnected and must be achieved in combination. An energy transition is not possible if it is not inclusive and if we don't make the use of resources more sustainable. A wellbeing transition is not possible if it is done by increasing global production, thus harming ecosystems.

“For all these transitions, three choices must be made”, said Hans Stegeman. “What should be phased out, what needs to be converted to contribute to a transition and what needs to be built up. These choices must also be made by investors to get a transition going: it is not only about directing capital to new technologies and helping companies to transition. It is also about taking capital away from stranded assets. And the sooner that happens, the faster a transition will take place.”

The Global Investment Outlook 2023 is available [on the Triodos IM website](#).

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 2022: EUR 5.7 billion.

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