

## Press release

### The role of global trade in a sustainable recovery

#### Triodos Investment Management publishes Investment Outlooks Q4 2021

**Zeist, 30 September 2021 – Triodos Investment Management today published its Q4 2021 Investment Outlooks for advanced and emerging markets.**

Trade has been crucial in driving the post-pandemic rebound, both for advanced and emerging economies. Global trade has been playing a critical role in mitigating the impact of the pandemic by ensuring the supply of food, supporting government policies to provide medical instruments and vaccines. Of course, some bilateral trade agreements regarding vaccination distribution could have been more equitable, particularly in the case of low-income countries.

The consumption-driven recovery has allowed global trade to stage a vigorous recovery, surpassing its pre-pandemic level and reaching new record highs. This has certainly prevented more severe economic scarring, but by returning to the old hyper-globalised status quo resilience and sustainability have again been left out of the equation.

“Policy makers should take back control of trade, instead of leaving it to multinationals to decide the rules of the game. Reaching the world’s 2030 Sustainable Development Goals (SDGs) requires finding the right balance between localisation and more extensive global cooperation”, says Joeri de Wilde, Investment Strategist at Triodos IM.

#### **Developed Markets Outlook**

The first signs of a slowdown in the remarkable pace of the global economic recovery have emerged. Still, a slow but steady normalisation in advanced economies implies a continuation of above-trend economic activity expansion. Vaccination progress and steadily fading supply constraints will allow for the further release of both household and corporate pent-up demand, which is still considerable due to elevated savings rates and depleted inventories.

The largest part of the warp-speed recovery may lie behind us, but for the remainder of the year we still expect above-trend global growth. Advanced economies that haven’t yet reached pre-pandemic GDP level will do so this year (Japan) or in the course of 2022 (eurozone, UK). The US has already gotten back to pre-pandemic levels.

In our base scenario, which assumes a near to complete removal of COVID-19 restrictions in advanced economies in the final quarter of 2021, we expect global annual economic growth rates of 5.9% in 2021 and 4.5% in 2022. In our alternative scenario, where household savings rates stay elevated for longer than we expect due to prolonged virus-related uncertainty, and where persistently high inflation dents real disposable income, we expect global annual economic growth rates of 5.4% in 2021 and 3.8% 2022.

Based on our fundamental approach, we maintain our cautious asset allocation stance in advanced economies and remain underweight in equities and neutral in bonds. We do not think that the current elevated valuations properly reflect underlying fundamentals and assume central banks can’t keep financial assets inflated. We prefer high-quality names, as margin pressures are building, and negative earnings surprises are lurking. The possibility of a sudden sharp rise in interest rates resulting from rising inflation expectations also makes us cautious.

#### **Emerging Markets Outlook**

We expect economic growth in emerging markets to pick up somewhat in the coming quarters, with the gradual increase in vaccinations, and global demand providing a boost to emerging market export growth. But the rebound will remain mixed. Vaccination rates in some low-income countries are still worrisome, below 3 percent in several African countries, while those countries more integrated to global trade will benefit the most.

“Booster shots are now being planned in some countries, but there is still a shocking imbalance in the distribution of vaccines. Nonetheless, the rebound in the global economy continues, albeit at a slightly slower pace, still lifting consumption and trade in many emerging and developing countries”, says Maritza Cabezas Ludena, Investment Strategist at Triodos IM.

Given the fiscal constraints that countries are facing, it seems likely that trade will continue to be a driver of economic activity. But for trade to be sustainable, it needs to be rebuilt reintegrating critical issues more consistently, such as poverty reduction, labour rights and climate change on the back of increasing global cooperation, instead of further fragmenting through disperse trade blocs or strategies limited to competition through low wages. In this quarterly outlook, we present a few examples where trade makes or could make a difference.

### **Downloads**

The Advanced Markets Outlook Q4 2021 and Emerging Markets Outlook Q4 2021 are available for [download](#) on the website of Triodos Investment Management.

### **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.

-----

*For further information, please contact:*

*Sandra Bergsteijn, Triodos Investment Management*

*Telefoon: +31 (0)30 694 2422 / +31 (0)6 2189 6433*

*E-mail: [sandra.bergsteijn@triodos.nl](mailto:sandra.bergsteijn@triodos.nl)*

*[www.triodos-im.com](http://www.triodos-im.com)*