

# Threats and opportunities

**T**o mark the 10th anniversary of *Impact*, I am taking a look at five present threats and five opportunities for the next 10 years. Several real and present dangers are influencing the world around us:

## 1 Inflation and the cost-of-living crisis

The combination of higher food, energy and mortgage or rental costs will hit the lowest paid disproportionately hard and could cause social unrest beyond the public sector strikes that have been a feature of post-pandemic life. Businesses will need to increase salaries by at least 5% or to the extent that they can pass on wage inflation alongside higher raw material, freight and energy costs to their end users. Those with real pricing power will succeed, others will fall by the wayside.

## 2 From energy crisis to energy independence

Today's energy crisis is likely to impact Europe and the euro negatively over the next two to five years, but will also create opportunity. In contrast to the US, which is self-sufficient in energy, Europe has to import most of its energy requirements and, as commodities are priced in dollars, it suffers the double whammy of higher euro costs (now for the first time around dollar parity) and importing inflation into an already recession-hit environment.

## 3 High interest rates are here to stay

The market expects rates to stay above 3.25% after 2024, which will hit corporates and any leveraged asset classes.

## 4 Supply chain fragmentation and deglobalisation

Advanced economies have persistently under-invested as a share of gross domestic product, reflecting a need for large future capital outlays to catch up.

## 5 Conflict in Ukraine and China

The spectre of conflict creates risks, opportunities, and questions about the ethics of investing.

Against this macroeconomic and geopolitical instability, innovation and creativity offer future growth and opportunity.



## 1 Augmented reality and extended reality

These platforms of the future have not reached critical mass yet. There has been significant investment by Meta, Apple *et al*, but the metaverse remains five to 10 years away. There is no obvious 'killer app', but business-to-business applications are beginning to emerge.

## 2 Accelerating artificial intelligence (AI)

AI technology is reaching into wider areas of life. Its ability to generate 'creative' output has reached commercialisation stage with big implications for the creative industries, writers, animators and photographers.

## 3 Autonomous vehicles

Regulation may be slowing down deployment in the west, but China is full steam ahead with autonomous vehicles, with long-haul freight, buses and taxis prime candidates. What does this mean for future productivity, car ownership, and pollution?

## 4 Quantum computing

This is solving in seconds problems that would take a standard computer hundreds of years to solve, and addressing a large number of solutions at once to consolidate the 'best' one. There are implications for drug discovery, weather forecasts, financial modelling, material discovery and cyber security.

## 5 Healthcare innovation

Personalised healthcare is about to reach widespread adoption, with gut microbiome, continuous monitoring of heart rate variability to glucose, personalised drugs, computer vision (CT and MRI scans), treatments derived from computational advances (data and process), and psychedelic treatment commercialisation.

Present threats and weaknesses create future opportunities and strengths that will drive long-term sustainable growth.

Throughout history, mankind's instinct for survival and ingenuity in the face of near-destruction has led to reinvention and progress. Necessity is truly the mother of invention. Never underestimate *homo sapiens*, Latin for 'wise human'.