

2019, between unease and hope

Unease, surely, is the word that best captures the collective mood of the past few years. 2019 has been no exception, although as economists we have continued to record generally positive macroeconomic indicators. To understand why unease appears to be becoming the defining mood of our times, the so-called *zeitgeist*, we have to look beyond the main macroeconomic figures. Behind them lies a more complex reality that is proving difficult for us economists to tie down. I am referring to phenomena such as technological change, the crisis in which economic policy is currently immersed and the political crisis.

If we look at the trend in the major macroeconomic figures, we note that economic activity continues to grow. Nevertheless, over the course of the year it has slowed down more than expected, especially in several European and emerging countries. Thus, the year as a whole will end up closing with growth of 2.9%. This is a relatively low figure and around half a percentage point lower than our predictions a year ago, although it is unlikely to go down in history.

However, the impact that technological change is having on society and business surely will go down in history. In 2019, for example, it has been particularly felt in the automotive sector. At the beginning of the year, it appeared to us economists that the sector was going through a temporary rough patch due to a tightening of the environmental regulations. However, with the passage of time it has become apparent that the crisis is deeper and longer-lasting than initially thought, and that is occurring against a backdrop of the difficulties experienced across much of the sector in responding to the challenge of technological change.

Technological change and digitisation have been revolutionising various sectors for some years now. However, the automotive sector is special, because of its size and because its development has played a fundamental role in defining the modern era. Beyond the sector's importance and historical symbolism, the experience it has endured in 2019 serves to remind us that, in order to tackle the technological revolution that is taking place, companies must do more than simply incorporate the latest technological advances into their products to improve their performance or their customers' experience. The magnitude of the technological change that is taking place is such that it is forcing businesses to rethink their entire business model.

In the case of the car, for instance, some companies that to date only produced cars are now considering whether, in addition to improving their innovation policy, they need to expand their range to include other products in order to remain competitive. Such an expansion might include scooters or electric motorbikes, or even a move into the services that are being developed around mobility. There are many doors that are opening, and the implications of choosing each one are quite different. It seems clear that

resting on one's laurels is not an option, and yet not all companies are in the same position to tackle the challenge that lies ahead of them. All this leads to unease, among workers both in the automotive sector and in other sectors that have not yet been revolutionised but feel the pressure drawing ever closer.

As if this were not enough, adding to the unease in 2019 is the fact that the economic policy instruments that have traditionally been used to revive the economy are running out of ammunition. Indeed, during the year it has become evident that neither monetary policy nor fiscal policy have much scope to act decisively in the event of a downturn. The need to find ways to have some margin to act, and to do so in an effective and sustainable manner, is particularly acute in the euro area.

In this context, the pressure on political action is increasing, and the elections taking place in developed countries are becoming increasingly tense because there is an awareness of just how important the results could be. And yet, in most cases the result ends up being a source of unease. Just when broad social consensus is needed to implement far-reaching measures in order to address the challenges posed by technological change and the ageing of the population, polarisation increases. This ends up translating into more fragile governments, often with more extreme positions. It is not surprising that in 2019 the political uncertainty indices have once again spiked in most countries.

And yet, there is reason for hope. The experience of the sectors that are being revolutionised by technological change can serve as a warning to all workers to prepare ourselves. It may also kick companies into designing more flexible structures that allow them to gradually steer their efforts towards areas with the greatest potential, while also providing a boost for their innovation strategies.

In terms of economic policy, it should be noted that the new president of the ECB has already announced that she will conduct a thorough review of the objectives and instruments of monetary policy. Above all, in the political sphere, we can feel reassured that most developed countries have the best system for coping with the challenges we face - a mature and consolidated liberal democracy. It may not be the fastest system in times of disruptive change like the present, when the political debate runs deep and there can be a sense of paralysis. However, the speed with which other countries with authoritarian systems take decisions should not lead us to doubt. We have to be patient and, above all, maintain a more empathetic and constructive attitude. That way, in the medium term, the consensus we will end up generating will be much more robust than that which any other system could achieve. **We have no shortage of reasons to hope.**

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