

2021, a year of change

«It's tough to make predictions, especially about the future». So said a worldly wise man, Yogi Berra (others believe it was Niels Bohr, but frankly, it sounds to us more like Berra). He was, and still is, absolutely right, especially at times like the present when the degree of uncertainty is unprecedented. But right now, when making forecasts is particularly complex and risky, is when it makes complete sense. In this article we will try to justify why 2021 is going to be a very different to 2020 and in what ways this difference is going to materialise.

To start with, the return to growth

When we talk about growth in 2021, one of the key points of the year, we can assume with conviction that such a recovery will take place. This is the result of two factors that we consider to be practically guaranteed: (i) in several periods of 2020 the economies of all countries have halted to an extreme degree, and we trust that in 2021 this will not be repeated, and (ii) stimulus measures have been introduced in most states, including highly ambitious ones in many places (Europe, the US and Brazil, in particular).

But just how much growth will there be? Here we enter more uncertain territory. We establish the figure essentially on the basis of two premises. The first is that the pandemic will be less disruptive than it has been in 2020 (more on this later), but that the economic consequences will vary considerably by country. The second is that the bigger the stimulus, the greater the recovery (this claim is not as simple as it may seem, since the composition and timing of the stimulus packages vary from country to country).

The figures we obtain broadly suggest global growth of 5.5% in 2021 (compared to the -4.1% we estimate for 2020), with China in advanced stages of the recovery (+2.0% in 2020 and +8.3% in 2021), the US emerging from recession at a reasonable rate (-3.6% in 2020 and +4.1% in 2021) and the euro area, unfortunately, recovering only part of the lost ground (+4.3% in 2021 *versus* -7.4% in 2020). In this context, we anticipate growth of 6.0% for Spain (-11.4% in 2020) and 4.9% for Portugal (-8.3% in 2020).

What about the risks? There is no shortage of them, and they have a clearly downside bias. New waves of the virus are possible; economic policy mistakes (such as prematurely relaxing efforts to alleviate the shock in the short term) cannot be ruled out; the strange complacency that seems to surround the financial markets could lead to a phase of greater sensitivity to macrofinancial risks; or, finally, the political situation, which is sensitive in many areas, could generate negative surprises.

However, besides growth, 2021 will also be different in several key ways which lay the path for much of our future world.

Bringing the COVID-19 pandemic under control

We believe that the fight against the pandemic is likely to turn a decisive corner in 2021. In line with the opinion of many epidemiologists, we do not expect this shift to come in the form of a single «magic bullet» that eliminates the virus. While we are confident that several vaccines will be deployed during the course of 2021, we align with those who expect their effectiveness to be high, but not total. We also share the view that there could be potential production and distribution difficulties in achieving the high rate of vaccination that guarantees the long-awaited herd immunity. That said, we have no doubt that it will be possible to vaccinate risk groups and essential workers, such as those in healthcare. In fact, we are confident that it will be possible to achieve this during the first half of the year. In short, the vaccine will be a key ingredient of the cocktail of measures that will allow us to turn the tide of the pandemic, but it will not be the only one.

What are the other ingredients? We foresee them including the ability to conduct rapid tests at a low cost and on a mass scale, advances in therapies to treat the illness, and more efficient coordination of the various elements that make up national health systems.

The new mobility

More activity means more mobility. Will we see pre-pandemic levels be restored? Not likely. Firstly, activity in 2021 will still be lower than it was at the end of 2019. Moreover, the final level of mobility is likely to be lower on quite a permanent basis. The main reason for this is the consolidation of teleworking which, according to our own estimates, could eliminate around 7% of commutes to large cities.

Moreover, there will be a qualitative change in mobility. There is a lot of concern about the loss of public transport's share in the mobility mix. This is a justified concern, since according to a Boston Consulting Group survey conducted in the EU, China and the

US, when a vaccine is available or the virus is contained, only half of those interviewed who stopped using public transport say they will go back to using it again. A more promising trend will be the continued growth of electric cars (both fully electric and hybrid variants), a segment which surpassed that of diesel in Europe for the first time in September.

An important year for the sustainable economy

This accelerated «greening» of the fleet of overly-polluting vehicles opens the door to the next sphere of change, that of the sustainable economy. 2021 is going to be a year of accelerating trends, but whether or not it will be enough to achieve the long-awaited goal of decarbonisation (by 2050 in the world and by 2060 in China) is open to debate.

In 2020, according to estimates by the International Energy Agency, although global energy demand will have fallen by 5%, electricity produced from renewable energies will have increased by 9%, and this rate will accelerate in 2021. In fact, renewables are on track to become the main source of electricity by 2025 (ending five decades of dominance of coal).

5G, the key technology infrastructure

Decarbonisation will go hand in hand with the digitalisation of society, a trend that should facilitate the partial replacement of flows of people and goods with those of data. The key to this shift towards intangible flows largely depends on an incipient technology, 5G, which offers unprecedented possibilities for connection speeds and device connectivity, all with minimal latency.

This is a critical development, but progress in Europe is slower than desirable. Although multiple projects are being announced, the fact is that in 2020 only 11 EU states had 5G roadmaps and only 20.5% of the 5G radio spectrum had been allocated. 2021 should be different. In Spain, for example, the auction will be held for the 700 MHz spectrum, which is key to the development of 5G and will enable greater infiltration of the network across the country (the challenge is to cover territory, not just population).

Who is in charge? Complexities of a multipolar world

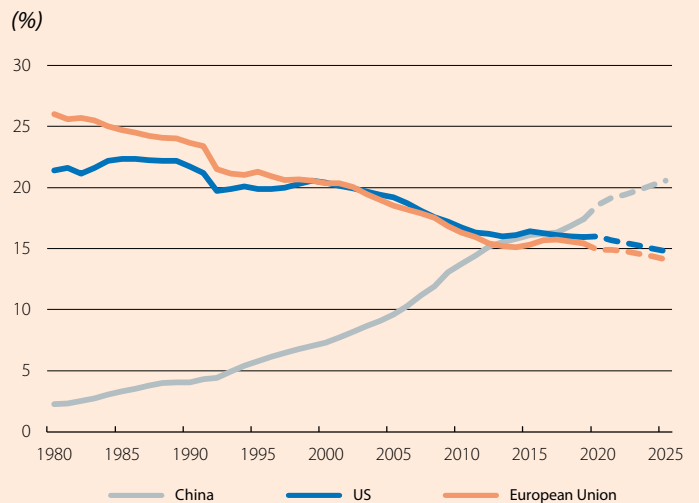
5G is inevitably associated with the US-China technology conflict and, more broadly, with the struggle for global dominance. China is waiting for no one. A few weeks ago, it was announced that a free-trade area will be created in Asia, led by China, which will encompass approximately one-third of the world’s GDP. In this context, the US must decide whether the current hard-line approach is truly benefiting it. It does not look like it. The US is now insinuating the idea of a rapprochement with its traditional partners (that is, the EU) and of rejoining the World Health Organization and the Paris Climate Agreement (we will see whether the domestic political situation will allow them to go much further).

This does not mean that the competitive impulses will not continue, since the tensions between the US and China are unlikely to subside, but they could at least be framed within cooperation schemes that help agreements that reduce the current uncertainty to be reached. The alternative to this new global cooperation would be the acceleration of what we might call the «new global mercantilism», that is, going further down the path towards a more unilateral world based on relations of relative power (and less on global rules and institutions). For the time being, and to put it as prudently as possible, the signs indicate a certain inclination towards the first scenario.

In short, if we are not too mistaken, next year will be radically different from the fateful 2020, with its wake of human losses, economic destruction and social upheaval. In years of change, more than ever, the past can be a deceptive guide to the future, and we must be attentive to the possibilities that present themselves, which should be plentiful.

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Global GDP (PPP)



Source: CaixaBank Research, based on data from the IMF.