Outlook 2024

Jester strategy

2024. Another year of 'predictable surprises'?

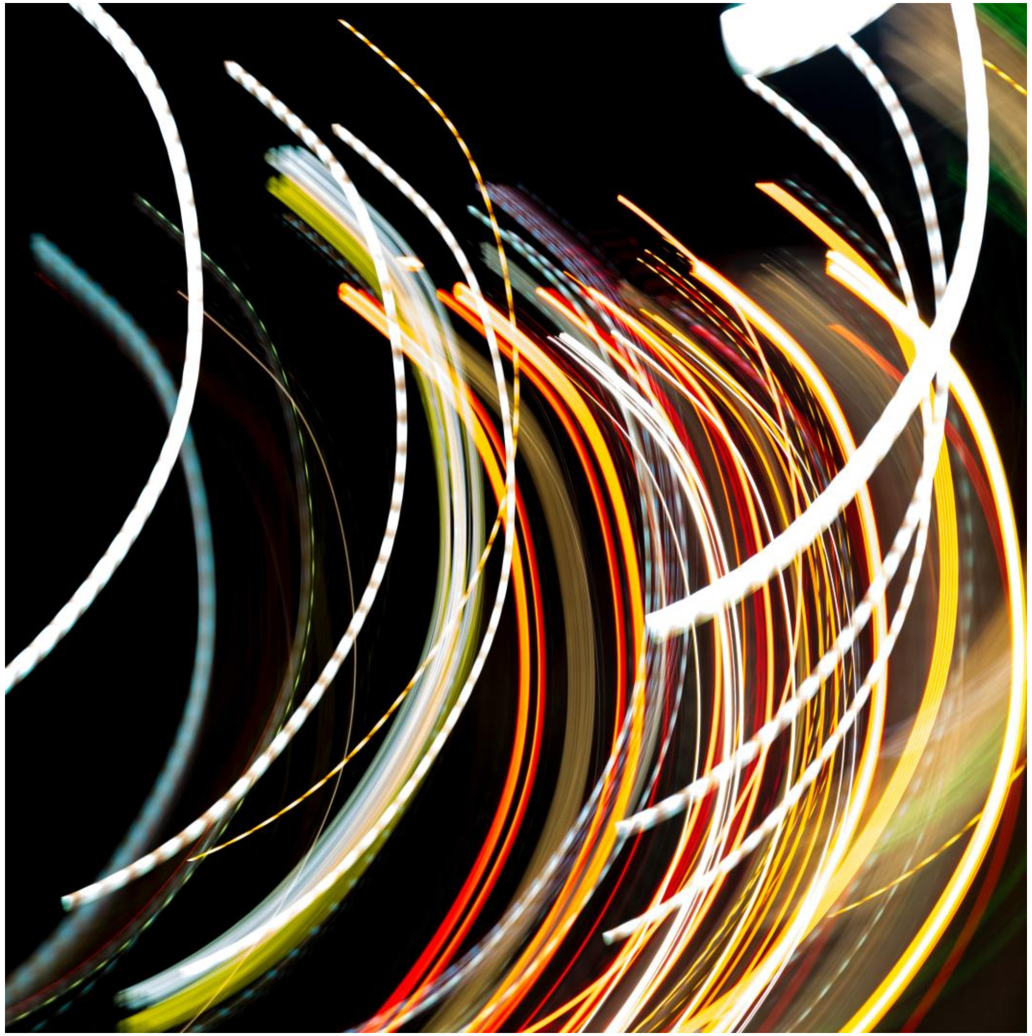
2023 would be year of precarious recovery, a year of muddling through. Economies would grow moderately as covid would no longer be a pressing issue, the world would come to terms with the effects of the war in Ukraine, leading to resource and energy prices (and inflation) stabilizing and supply chains recovering.

By and large, this eventuated. Although, in the Netherlands we're in a 'technical recession', many of last year's predictions weren't that far off the mark.

At the same time, we faced some (unpleasant) 'surprises'. Violence and suffering have flared up in Israel and Palestine. Closer to home, and of a different order, the Dutch cabinet collapsed. And in the subsequent elections traditional parties received a beating from new, mostly right-wing, parties. Renewed violence in the Middle East and a Dutch cabinet not making it to the finish line can hardly be regarded as actual surprises. Neither can the electoral success of populist parties. They all fit underlying trends that have been observable for years. They can therefore be regarded as 'predictable surprises'.

Just like in 2023 we have made an overview of interesting predictions and trends that various experts and publications list these weeks. How these will play out, how these will influence each other, we unfortunately do not know. There is still no magic crystal ball in our offices in Amersfoort, the Netherlands, and since recently, Perth, Australia. What we do know is that 2024 has plenty of potential to 'surprise'. Who knows, a year from now we'll see Trump gear up once again to move into the White House. It's equally plausible we might see him in an orange jumpsuit.

2024 might be marked by structural trends that can play out or accelerate the coming year, but also by (one-off?) events that take a 'surprising' turn. How exactly? Well, we're sure we can explain that clearly and precisely with 20/20 hindsight in one year from now. Until then, don't be caught out! Let our Outlook 2024 inspire you to think about what the coming year might hold in store. For instance, develop some contingency scenarios for some of our 'wild cards' so you won't be caught off guard in 2024!



We wish you a healthy and successful 2024! You have been forewarned!

Retrospective: **Outlook 2023**

Outlook 2023: which predictions were accurate?

What was on point?

In terms of (geo)politics, peace did indeed prove elusive in Ukraine. Yet, in terms of broader implications, its effects on gas prices seem to have been more minimal, with prices returning to pre-invasion levels even. And support for aid to Ukraine indeed seems to be fragmenting in both the EU and the US. As predicted, strategic autonomy has become a cornerstone of many nations' economic policies across the globe. China's economy did recover but slowly and still accompanied by plenty of potential risks and bubbles that might burst in the (near) future. As predicted, China did tighten its control over Hongkong; its actions towards Taiwan were limited to mainly miliary drills and rhetoric. As forecast, tensions flared in the Middle East but not (directly) between Israel and Iran, however.

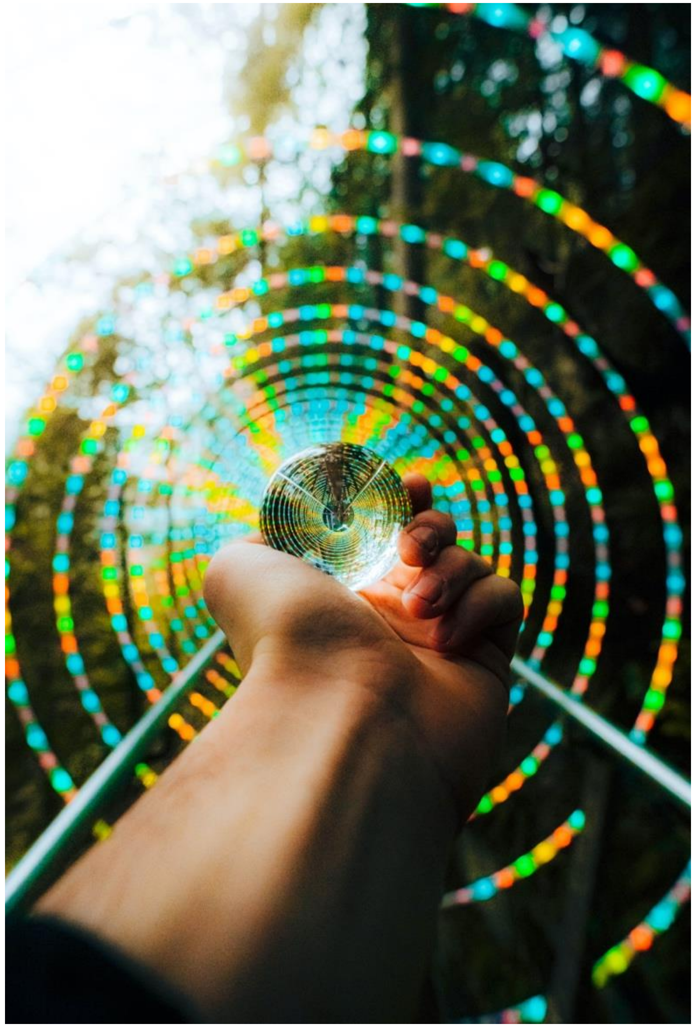
2023 was indeed a year of moderate economic growth. In the eurozone, that growth did not even eventuate, there's a (minor, 'technical') recession. Large supply chain issues were by and large over. And inflation did decrease. In the Netherlands, the housing market did initially cool down, as forecast, yet prices seem to be on their way up once again from Q2 onwards. Concerning the Dutch labor market, the forecast was on point. There is still scarcity, but unemployment is rising slightly. Whereas the US office space market is in a rut, the Dutch one is slowly recovering and growing.

When it comes to societal trends, the forecast was a mixed bag. Inflation did make consumers more budget conscious and consume less. However, whether they are more prone to consume less or (re)use circular products due to lifestyle choices, is hard to say. In the Netherlands, the anti-establishment parties did indeed win big in elections, as predicted. Drawing conclusions regarding working from home is more difficult, as the reliability of data on is debated. The same goes for social media usage. Membership of Twitter/X is down but that might have more to do with other factors.

When it comes to tech, the US did indeed pose further restrictions on high tech exports to China and has also put pressure on companies from allied countries to do the same. Yet, it has not significantly alienated allies, as Japan and the Netherlands are still firmly within the US camp. As predicted, AI has become more mainstream, from students using it to write their homework assignments to 'AI guided' vacuums. But whether labor scarcity was an important driver for it, that might not necessarily be the case.

Ecologically speaking, 2023 saw a record global growth in renewable energy, as predicted. The Hydrogen Council even reported that the number of announced hydrogen projects has risen 35% compared to 2022. And although statistics are lacking at the moment, green reporting and standardization thereof is one the rise (although only mandatory in the EU per 2024 and still voluntary in many other places), making greenwashing increasingly difficult.

In terms of demographics, (refugee) migration did indeed increase in the Netherlands, as well as the EU. Air travel has also recovered, even more so than predicted. In some cases (depending on country and air line company) even surpassing 2019 levels. Business travel is also on the rise once again. The housing market in the Netherlands did start off with a glimmer of hope for those wishing for price drops but prices have once again been on the rise after Q2.



Outlook 2023: what did not happen as forecast?

Where were the predictions off?

Using climate change arguments to defend protectionist economic measures did not make many headlines in 2023, especially as the EU's CBAM measures only went into effect in October. Trade restrictions, especially in the tech space, were mostly implemented for geopolitical reasons. On the climate front some progress was in fact made in Dubai (COP28), even going as far as consent on the transition away from fossil fuels, yet it contained many loopholes and lacks enforceable targets and actions. Although a flare up of tensions in the Middle East was foreseen, the terrorist attacks on Israel and the country's retaliation on Hamas in the Gaza strip were not predicted.

Although predictions foretold of moderate economic growth, the EU has in fact witnessed a (mild) recession. And instead of lower interest rates, these, so far, have remained steady during most of the second half of 2023. The Dutch housing market did cool during Q1 but from onwards Q2 house prices were once again on the rise even with fewer transactions.

The predictions regarding social trends were fairly accurate, although, except for the lower number of Twitter/X users, it is hard to speak of a decoupling of people from social media.

In terms of technology, 2023 was not so much a year in which 'big tech' swooped up smaller, struggling tech companies. On the contrary, Q2 even marked an 18-quarter tech M&A low. Whereas cyber security seems to be firmly high on the agenda of companies, this might not necessarily be the case for consumers and their IoT appliances. AI, and especially the widespread application of it with apps like ChatGPT, perhaps went more quickly than anticipated.

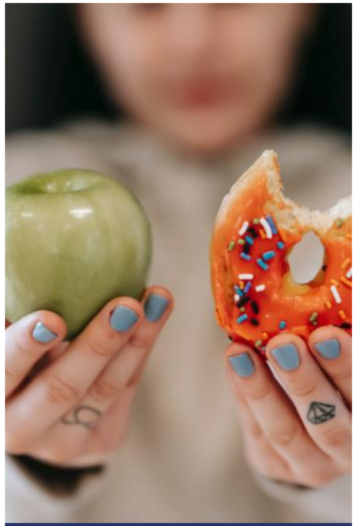
It is hard to argue whether 'green hushing' has been an issue in 2023. Companies not communicating about or reporting on their sustainability initiatives because they are fearful of public backlash against inaccurate claims or being perceived as insincere, is almost by definition, hard to measure.

All in all, the forecasters were pretty accurate about 2023. Let's see in a year from now whether that also holds for 2024.

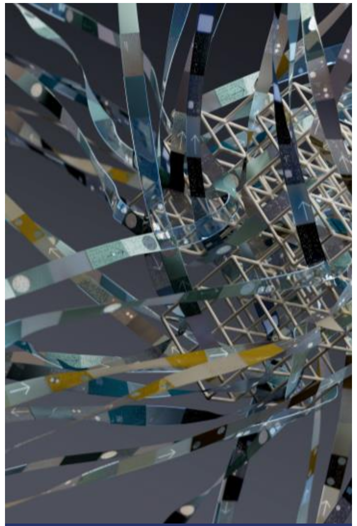
What’s in store for 2024?

Politics

Economy

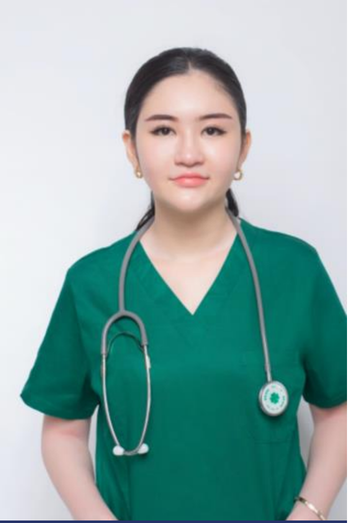


Society



Technology

Ecology



Demography

As every year, the predictions, the trends and developments, of several renowned sources have been thematically listed using the PESTED-dimensions.

New for this year are the ‘**wild cards**’. Potentially disruptive events that *might* come to pass this year. Events that, in case they do occur, some will claim they were surprised by. In our opinion, these wildcards are plausible enough to consider, especially as some fit a structural underlying trend or uncertainty. Are you ready for these wild cards?

Politics

November US Elections

Let's start with the big one. November 5th, Americans will head to the ballot box to elect a new president, their House representative, and (for 1/3 of them) their senator. In the latest polls (Dec. 2023), Trump has a small lead over Biden. Polls this far out are far from accurate in predicting the actual results. Yet, even with all his litigation pending, it would be foolish to discount a Trump victory. In case he wins, experts expect a reaction on the markets in anticipation of a more protectionist economic policy and more isolationist yet confrontational foreign policies. In case he loses, one cannot rule out another period of challenging the election results and potential violence surrounding that.

Other noteworthy elections

This year, half of the world's population can head to the ballot boxes. Let's look at some of them. The **European Parliament** elections are in June. Many expect a shift to the right, as right-wing (often populist) parties are on the rise throughout the continent. Although many do not expect those parties to be part of a governing majority, a shift to the right is expected nonetheless. Somewhere in 2024, the **Brits** will head to the voting booths. Labour is currently leading the polls. Will Sunak be able to close the gap? In the Spring, general elections will take place in **India**. Modi's BJP is expected to win. Inter-communal violence before and after the elections are to be expected. Midyear, **South Africans** will vote. The ANC's popularity is at an all-time low. What happens if they lose?

The globe's major flashpoints

Israel will take control of **Gaza**, especially as it will struggle to find a civilian partner to its liking. It will face insurgency there as well as from Lebanon and in the West-Bank. Israel will become more politically isolated, yet in a US election year it will still enjoy American backing. Iran is expected to keep Hamas in check to avoid regional spillover, but with so many flashpoints in the region, further escalation can't be ruled out.

The war in **Ukraine** will drag on. With both US and EU aid increasingly uncertain, it is questionable whether Ukraine can mount offensives, potentially giving Putin confidence that a war of attrition can produce results. In turn, giving him a better bargaining position if talks are initiated at some point.

The outcomes of the January **Taiwanese** elections might prompt **Chinese** retaliation, such as trade restrictions or some sort of military coercion. The risks of shipping and economic disruptions increases. A Chinese invasion is deemed unlikely, however (be aware that this of course has been said about Ukraine as well). Still, business fears will speed up supply chain diversification away from Taiwan and China to Japan, India, and Southeast Asia. Fear of Chinese retaliation will fuel the US-China rivalry in the region further and speed up the South China Sea arms race where countries in the region will increase their defense spending and enter of fortify alliances to counter China.

New Dutch cabinet (?)

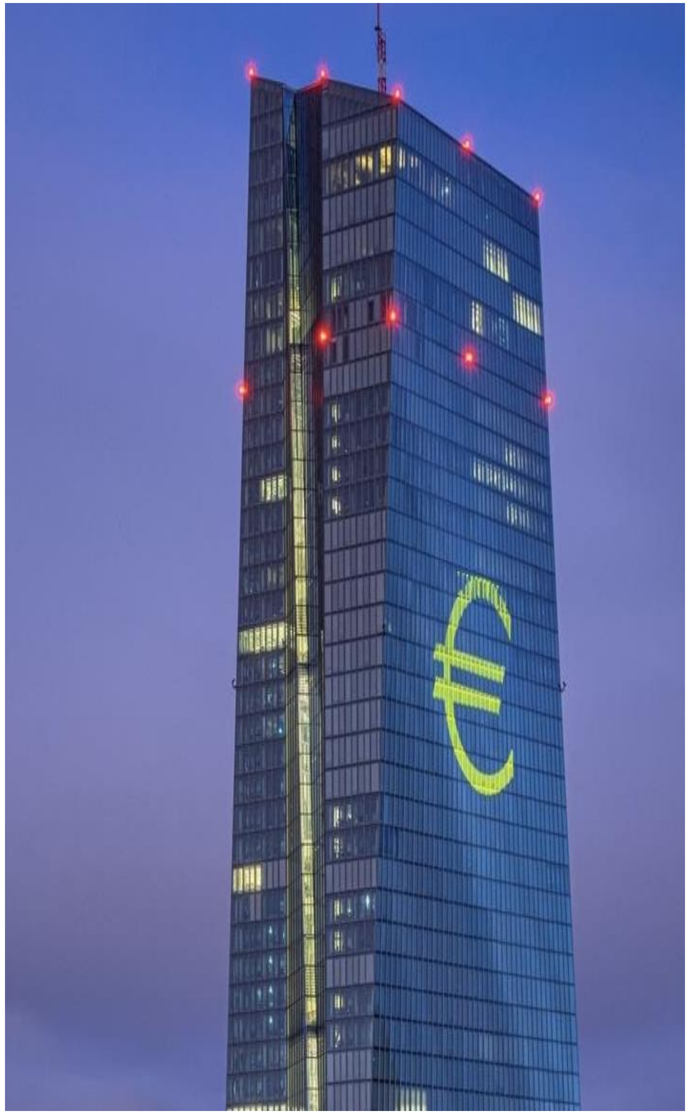
The victorious parties of the November 2023 elections are exploring the possibilities for a coalition as we speak. The last coalition took 299 days to form. Will they form a new cabinet more swiftly this time around? And what will their new policies be? Whatever the case, ABN Amro expects climate change/emissions reduction policies to be delayed or even downgraded as a shift to the right is expected.

Wild card

Trump victory

A Trump victory would set the stage for a new period of trade disputes, geopolitical binkmanship, alliances under pressure, and other policies that would create uncertainty in markets, board rooms, and government offices across the globe. Are you prepared for this eventuality?

Economy



Another sluggish year

Most experts expect inflation to continue to fall/normalize, unemployment to rise (decreasing wage pressure) as demand weakens, and central banks to gradually cut some interest rates, especially by summer. Some warn that the new 'normal' of these rates might be at a higher level than in previous times. Trade and industry are expected to bottom out early 2024, but the rest of the year won't be marked by a sharp rebound.

Global GDP is expected to grow sluggishly and moderately, ranging from a 2.7% according to the OECD, to a 2.9% according to the IMF. Forecasts for the **US's** GDP growth range between 0.5% (ING) to 1.8% (ABN Amro). The **EU** is expected to pick up some steam during the year. Albeit, very little. Projections range from a 0.4% annual GDP growth according to ABN Amro, to 1.3% according to the European Commission. Especially Germany's (in)ability to balance its budget will be something to look at. If Germany falls into a (deeper) recession, so too will the rest of the continent. **The Netherlands** follows this sluggish economic growth trend, with ING expecting a 0.7% growth and ABN a 1.1%.

China facing headwinds once again

Most sources expect China's economy to continue to face headwinds, leading to a GDP growth of only 4-5% as it seeks macroeconomic rebalancing, especially in face of its faltering real estate and construction sectors. The West seeking to 'derisk' and 'decouple' by shifting towards (production in) other countries only adds to this; as do the delayed effects of the monetary tightening over the past few years. If growth falls below 4%, monetary and fiscal stimuli to spur consumption (and not investment) are expected. Slow Chinese growth will impact other emerging (commodity-dependent) economies as well, but not dramatically.

Revamped tourism forced to reinvent itself

With the specter of covid no longer looming large, tourism is back on track. New records are hit as prices rise due to post-covid wanderlust. Even leading some governments to adopt policies against overtourism. However, as climate change effects (such as unbearable summer heat and dangerous wildfires) will increase, the sector will need to adjust their offerings and shift away from summer.

Metals outperform cheaper commodities

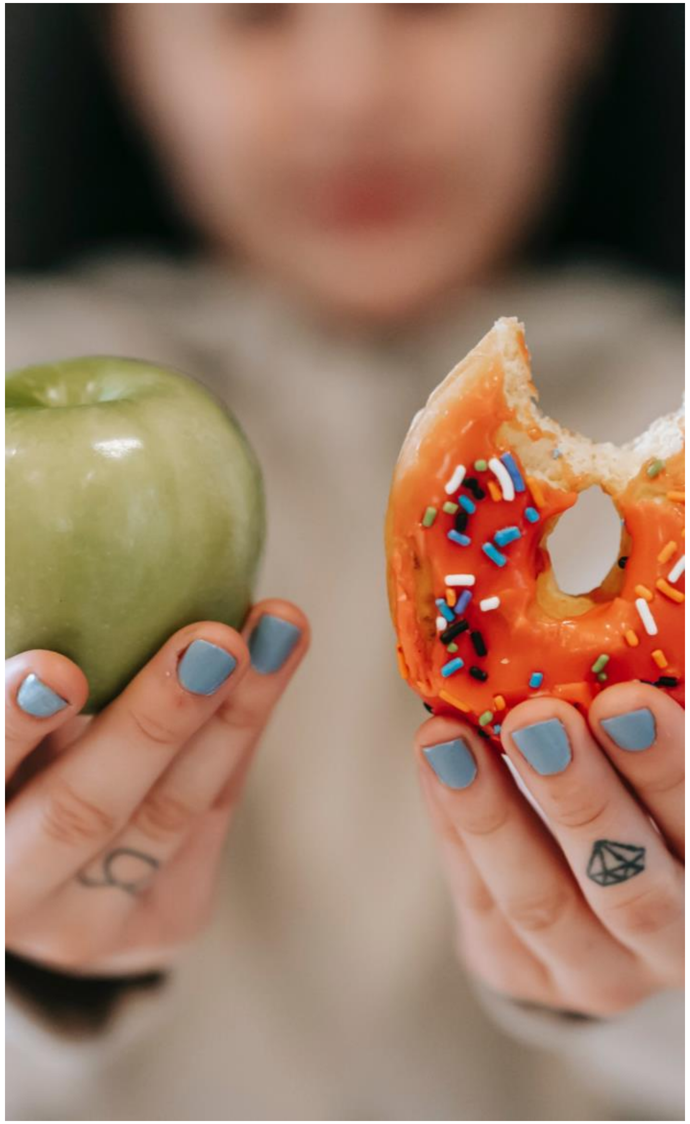
The Economist predicts that most metals (except for nickel, zinc, and possibly lithium) will increase in price. Gold will be a safe haven for investors, copper will be in hot demand due to the rising demand for batteries and electric cables, and aluminum will benefit from Asian construction and carmakers. The US and EU will invest in mines (globally) to chip away at China's dominance in critical/rare earth metals. The increased demand for metals and minerals will further fuel (exploration for) deep sea mining.

US political turmoil spillover

A US debt ceiling deal was reached in 2023 but the government funding 'can' is continually kicked down the road. With rebel factions in the Republican party bolstered by ousting the speaker, and with the elections and Trump lawsuits in mind, the uncertain political situation in the US can quickly affect the US and global economy, trade and supply chains, and dollar-denominated markets and goods.

Wild card

Society



Centrism versus populism/extremism

In the Politics section, there's a list of some of the elections coming up this year. Whether it's for the European parliament, the US House or presidency, or the Indonesian general elections, the common theme is that populists, (right-wing/religious) extremists, and authoritarians are on the rise and giving more and more centrist parties a run for their money. The unthinkable might become thinkable in some of these elections, potentially leading to some major domestic policy shifts as well as geopolitical ones.

'Meh-diocrity'

In their Life Trends 2024 Accenture has coined this term to describe how in culture playing the algorithms determines success. Originality hardly factors in anymore. It is all about checking the boxes of the algorithms. A clear example is the sleuth of unoriginal sequels, prequels, and reboots of proven movie or series franchises. And with generative AI, that cycle might reinforce itself even more. Are we heading towards cultural stagnation? Do you dare to break the mold in 2024?

See you at the office (?)

Hybrid working still is big, even some years after the hard-hitting covid lockdowns. The Economist reports that 60% of America's firms allow their employees to work from home. This causes a fifth of American offices to be vacant and even some at prime locations to be converted to residential buildings or datacenters. European employers, although facilitating some working from home, take a more traditional approach and expect more people to return to the office. Leading to a vacancy rate of around 8%. In some cities in the Netherlands, it's already lowered to 4%. How will the uncertain economy impact office space dynamics this year?

Value hackers and the rise of the 'deinfluencer'

With many people worried about their purchasing power, a lot of them will be cautious in their spending habits. Many consumers will try to stretch their wallets through switching to (premium) private label options, reproductions, pay with reward points and credit cards, rent instead of owning, or repair instead of replacing. On social media 'deinfluencers' exposing overpriced or overhyped products will become more popular.

Banning the unhealthy

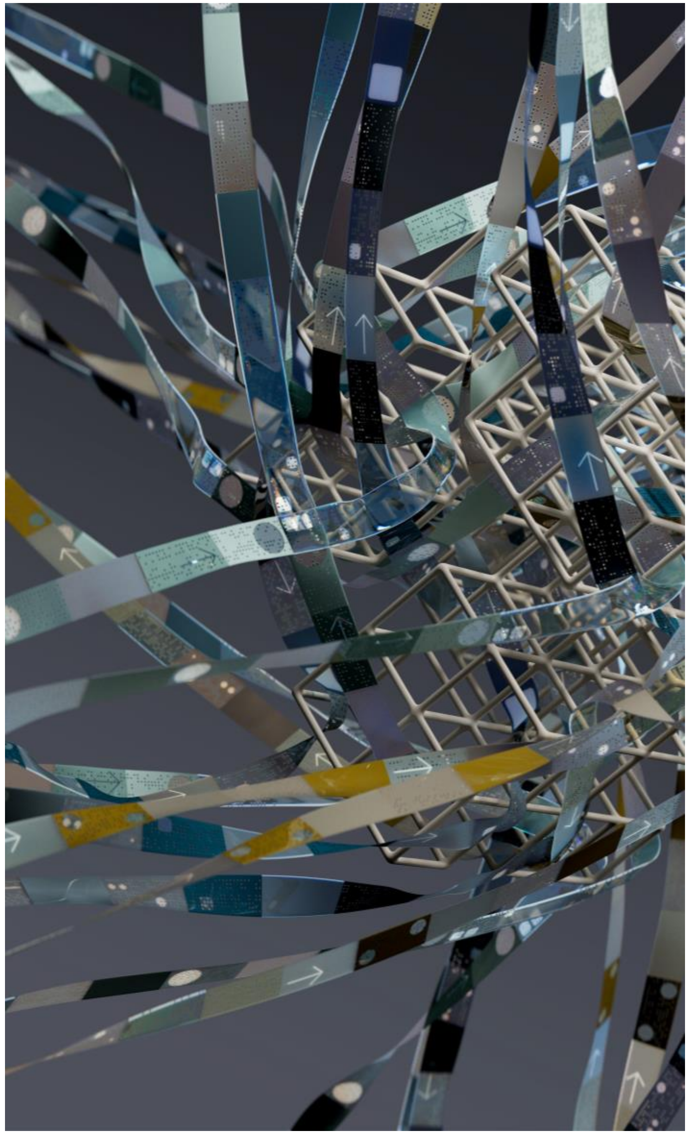
Many food producers have been working on healthier options for years. Yet this year, more action will be seen on the legislative front as well. For instance, Canada might outlaw junk-food ads. Poland will prohibit energy drink sales to minors. Colombia and the Philippines are considering high tariffs on sugary drinks and processed food.

Wild card

US political violence

There we go again with the US, you might think. The toxic polarization, the dwindling respect for authority, rule of law, and institutions among some (gun wielding) circles, in combination with an election year and Trump's lawsuits can prove a toxic recipe for (massive) political and social violence and unrest. Is your organization ready for the (economic) aftermath?

Technology



Dialogue with technology

With generative AI advancing, people's interaction with technology changes. It has become a two-way (almost human-like) interaction. One in which tech provides solutions to 'I want to…' questions instead of 'I want a…', as Accenture puts it insightfully. AI opens up new ways of working, studying, and researching; providing new avenues for companies to provide new products and services and to find and interact with customers. We have just started the phase of trial and error, as companies will need to adapt to shifting human outlooks on tech and their behavior.

Where's the human agency?

Despite how AI can make interactions with technology feel more personal and simpler, more and more people are actually starting to feel overwhelmed by technology. It has complicated rather than simplified their lives. They feel algorithms dictate what they see, hear, and do. Changes feel too fast to manage. They feel they lack agency. Successful companies will need to work out how their tech, or their use of technology, will strike that balance between the benefits tech can bring and the agency, skills, and time it requires of their customers and/or employees.

Legislation of AI intensifies

The flipsides of generative AI are also numerous. It has shaken up education, triggered new fears of white-collar and cultural sector job losses, and facilitates mis- and disinformation by nefarious parties. Lawsuits are also increasingly fought over copyright and privacy. Just like 2023, governments around the globe will struggle to keep up and legislate for the numerous challenges (generative) AI produces. Will they throw away the child with the bathwater in doing so?

From cyber security to cyber resilience

See the wildcard. Security is all about preventing cyber threats. Resilience is about being able to continue operations in case a cyber threat does seep through. To this end, the ECB will stress-test banks' cyber resilience this year. How resilient are you?

Redesigning global tech supply chains

With (trade) tensions between the West, especially the US, and China rising, as well as fears of the effects of an escalation of the China-Taiwan conflict on complex and vulnerable global tech supply chains, Western companies, as well as even Taiwan's TSMC, are 'derisking'. They are trying to decouple from China and Taiwan and in search of safer havens elsewhere. That also applies the other way around. Faced with hi-tech product and equipment boycotts, China is stimulating domestic production of those. This played out under a Biden administration. Just imagine what a Trump administration would mean.

Rise of the flying car?

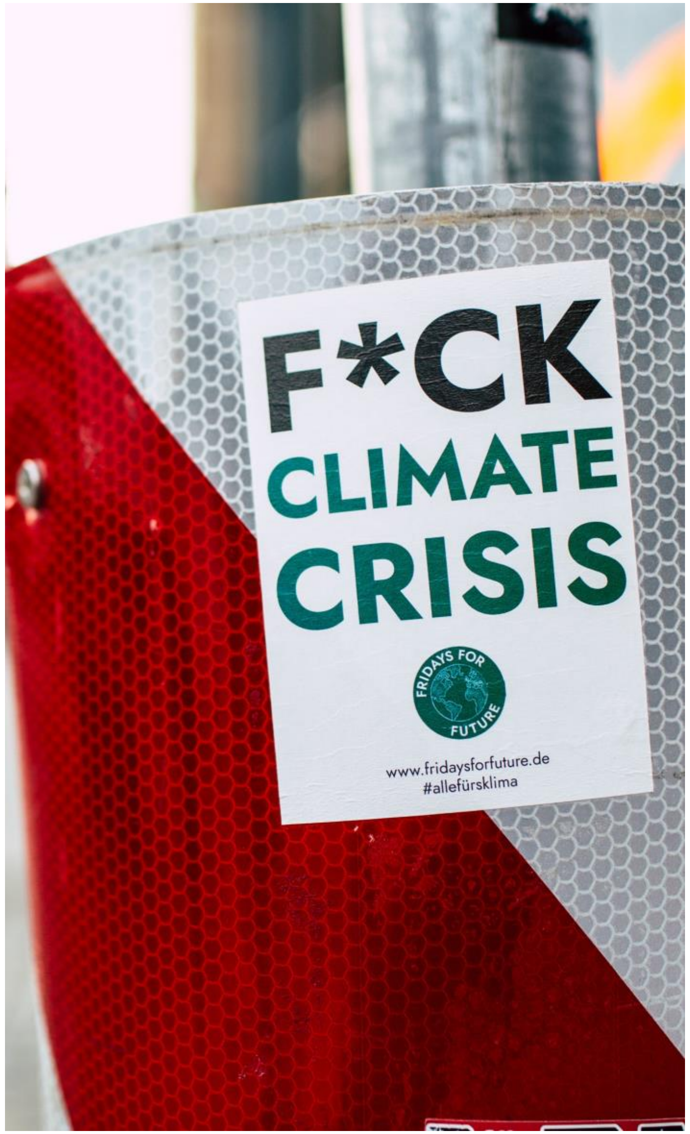
A main staple in many science fiction movie, the flying car, might make a first step towards becoming mainstream as Germany's Volocopter will start with electric vertical takeoff and landing aircraft (eVTOL) services at the Paris Olympics and Paralympics. Could this be the start of a UAM (Urban Air Mobility) revolution?

Wild card

Crippling cyber attack

Some companies and infrastructure were hacked or fell victim to ransomware the past few years. Most of this has been isolated; attacks seldomly were systemic. In an ever more connected world, the risk of a cyber attack cripling an entire country, a financial or energy system, for days on end is increasing. Can your organization survive when everything is offline?

Ecology



El Niño wreaking havoc

In 2024, just like 2023, the El Niño climate pattern will impact weather across the globe. Expect higher, perhaps even record, temperatures and more extreme weather events (storms, precipitation, etc.). In addition to the human and ecological toll El Niño can exact, erratic weather can cost the world economy up to $3 trillion according to Economist. For instance, due to lower crop yields in developing economies or logistical disruptions.

Right-wing backsliding and 'greenlash'

With an increasing number of people (read voters, this election year) believing climate-policies are an elite conspiracy against them, populist and more right-wing oriented parties already in power or expected to win elections this year, are expected to walk back on policies and targets regarding emissions reduction, the energy transition, and climate change adaptation. Targets and ambitions might be lowered or set further into the future. (Public) investments might be scaled back. Enforcement of regulation that remains in place might become minimal. With Western countries likely walking back on their climate policies, they will also be less able to convince non-Western and developing countries to make strides towards *their* climate ambitions.

Stricter ESG and climate reporting

Climate reporting is becoming increasingly strict this year. Per 2024 large European (listed) companies need to adhere to the EU's Corporate Sustainability Reporting Directive (CSRD). Also non-EU companies with subsidiaries operating within the EU or listed on EU regulated need to comply. The International Sustainability Standards Board will also roll out two global standards (IFRS S1 and S2)). In the US, however, the SEC removed ESG from its 2024 audit priorities. Will the expected right-wing backslide also affect ESG reporting, or will other stakeholders continue and enforce the announced requirements?

CO2 based, powdered protein

Not a new technology as such but several companies have been working on protein powders made from CO_2 (often using microbes). 2024 might be the year where this tech gains more prominence as Finnish company Solar Foods will commence commercial production and sell it in Singapore (after receiving regulatory approval last year).

Wild card

Major harvest failure

The risk of failed harvests due to draughts or floods increases with climate change and this year we can throw El Niño into that mix. Is your organization prepared for rising prices or unavailability of a critical agricultural product? Or political instability due to record food prices?

Demography

'Decade of deconstruction'

This phrase describes the start of a period in which new, more flexible life paths emerge (globally). Faced with practical limitations (such as an ageing population, different career opportunities, student debt, record housing prices, etc.) as well as changing values and more flexible life outlooks, new generations will carve out different paths in life. Lives in which traditional milestones such as buying a house or getting married are postponed and a more short-term planning horizon is adopted in order to adapt to a more complex and rapidly changing society and economy with all its (new) opportunities and limitations. These new mindsets and patterns will require companies to reconsider their assumptions about customers (and their segmentation) and to cater to new and shifting demands. Tied to this trend is a rapid increase of single-person households across the globe (making up 20.6% of global homes).

Battle for international health care workers intensifies

With nearly one in ten people in the world being 65 years old or more, health care spending also makes up approximately a tenth of global GDP. Greying populations in most developed countries, but in China as well, will drive up demand for health care workers; workers they need to increasingly find abroad as the domestic workforce shrinks. This does not only apply to highly skilled medical academics, such as doctors and surgeons or pharma and health tech researchers, but increasingly nurses as well. Despite an economic slowdown and rising unemployment, dwindling working age populations in many countries will increasingly force them to consider health care reforms as well as increased health care worker immigration. Expect more countries relaxing visa requirements for health care workers to win this battle for talent.

Wild card

Climate refugees

In Europe, the US and Australia, migration has become a socially and politically divisive issue. So far, most migrants had safety (war, prosecution) or economic motives. With extreme weather events increasing, what if in 2024 there is a massive influx of climate refugees to your country?

Sources

We are grateful for the insights and inspiration offered by the following sources.

- The Economist
- Stratfor/RANE Worldview
- Accenture
- Blackrock
- ING
- ABN Amro
- IMF
- European Commission
- Council on Foreign Relations
- Euromonitor International

Jester Strategy is the expert on everything strategy. With our insights, innovative methods and tooling we help organizations to be successful in a rapidly changing world. We do not shy away from making distinct and hard choices for the future.

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Want to know more about **contingency planning** for all those wildcards? Then download our guide 'Prepared for the Worst' through our website.


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