

Six Top-of-Mind Issues

There are six issues that pose current and future challenges and opportunities.



Persistent Inflation, Restrictive Macro Policy, Lower Growth

We are seeing unprecedented rate hikes by central banks, sticky inflation, contemporaneous declines in equity and bond markets, and banking stresses in the US. Inflation is expected to ease only gradually in developed markets but will remain elevated in the near term relative to the past decade. Therefore, macroeconomic policy needs to remain restrictive. Lower growth and the risk of stagflation remain. These factors create a more challenging environment with increasing costs and market volatility.



Sustainability and Climate Change

Addressing the challenges to decarbonisation requires the collective efforts of governments, businesses, and societies. Governments are stepping up adoption of various policy tools, such as mandates and phase outs, trade restrictions, and carbon pricing, as well as incentives to encourage accelerated decarbonisation across industries. It is important for organisations to prepare for an operating environment where environmental externalities need to be internalised.



Geopolitical Events and Decoupling in a Post-COVID World

The world is becoming more fragmented. Government actions could well lead to the decoupling of intertwined supply chains and value-generating ecosystems which are the cornerstones of globalisation, in order to ameliorate vulnerabilities premised on national security and strategic competition considerations. Where the world heads will hinge on factors such as the US-China relationship and the Russia-Ukraine conflict. What is clear is that decoupling will drive up inflation and business costs.



Cyber Risks

Cybersecurity breaches have grown exponentially, with the accelerated adoption of digital technologies during the pandemic, and the shifting focus and evolving techniques of malicious actors. More are falling victim to cybercrimes such as data breaches, phishing, and ransomware attacks. Advances in technologies like 5G connectivity, Artificial Intelligence, and Web 3.0 will only amplify this trend. Cyber resilience is now part of a company's licence to operate. It is essential to the sustainability of businesses and enables business resilience.



Foreign Investment Regimes

The trade and investment regulatory environment has become more complex. Governments are tightening trade and investment restrictions to protect national assets and critical industries. A fragmented world will be a poorer one. Trade restrictions will lead to global output losses, which will be felt most acutely by emerging markets and developing economies. Both will experience reduced investment and lower productivity gains as the transfer of better technologies and know-how from advanced economies may be curtailed.



Industry 4.0 and Workforce 4.0

While Industry 4.0 has boosted economic productivity, it has also led to social challenges such as job displacements and rising inequality. There is a growing demand for highly skilled workers, and greater displacement of workers whose jobs have been replaced by automation, and may be affected by generative Artificial Intelligence. The result is a job market with a hollowing out of the middle. This has led to growing concerns among middle skilled workers who are worried about job security. We must guard against fractured societies and fraying social compacts to ensure that there is sustainable and inclusive growth.

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