

Dear All

2021 is done, we are now into 2022. We have learnt a lot through the crisis in 2021 and 2020. I am putting down my own learnings of the year and what I see ahead.

1. Let's start with the economy. Most economists got their forecast wrong. Everyone expected the big economies to suffer. Surprisingly, most economies bounced back even though the recovery was uneven. If we go back to the last crisis – the global financial crisis, that GFC hit advanced economies more than emerging economies. America was at 105 Index if 2007 was 100, Eurozone was virtually at 100, no growth over five years, India and China were slightly off the prediction and were at 130 plus index. Japan was below the 2007 index and Brazil matched the forecast of 120 index. The covid crisis has been different. All the advanced countries got their act right on stimulus, on vaccination, Central banks stepped in to buy government debt and hence the recovery has been strong on most advanced countries. US, China and Japan will meet longer term 2024 forecasts now. India and others will fall short. The output from advanced economies is expected to be 1 % off vs the original forecast. This has led to strong equity market performance.
2. The winners on the stock market have been spectacular. The big winners in 2021 are: Apple at a market cap of \$2.9 Trillion, that number will make it the fourth or fifth largest economy in the world. Apple stock grew 123% in the last 12 months. Microsoft came next at \$ 2.5 Trillion and a 110 % growth in market cap. Alphabet was No 3 at \$ 1.9 Trillion and a 108 % growth. Tesla was fourth at \$ 1.1 Trillion and a 1311 % growth and Amazon was fifth at \$ 1.7 Trillion and a 85 % growth. The Home Depot came in at no 10 with a market cap of \$433 billion and a growth of 82 %. This list is a combination of technology, home shopping and home DIY (Do It Yourself). In every case, the value from digital unlock is the key here. I think most legacy businesses consistently underestimate even the small things they can do on digital. I would urge all of us to go digital in every interaction, in every process.
3. Who were the big losers on the stock market? This is a unique list of regulatory plus challenged businesses. The No 1 loser was Alibaba, who ended at \$ 322 billion market cap, a drop of 43 %. Second was ATT at a market cap of \$ 176 billion, with a drop of 38 %, third was Ping An, with a drop of 41 %, ending at \$138 billion, fourth was Royal Shell with a market cap of \$ 157 billion and a drop of 32 %, and fifth was Boeing at \$118 billion and a drop of 35 % and seventh was Citigroup at \$ 120 billion and a drop of 31 %. This list is clearly about regulatory as far as Chinese companies go, however big Oil and big finance have got hit. Boeing is explainable as people don't see the airline business growing back to original levels fast.
4. The great resignation is an outcome of what the average employee has gone through. There has been rethinking of choices and many low playing jobs with little upside are seeing a huge churn as people leave for better conditions in jobs. In a recent Microsoft survey, 41 % of employees said that they are looking for a new job, the same number was 61 % in India. Most employees want to work from home at least half the week. They want flexibility in timings and location. Employees are more productive when they are trusted and have autonomy. Employees need to have higher self - disclosure levels when they work from home. A one size of trust does not fit everyone at the workplace, there will be shades of trust in terms of whom you trust and why. Managers will need to rethink how they will appraise people who are working from home, things for people coming to office will not change in appraisals. Managers must watch – out in favoring an inner circle that comes to office and an outer circle that wfh. Managers need to understand how to communicate with remote workers, how many touch points are needed and when. Too much touch points and you are breathing down peoples' necks, too little touch points and you have abdicated your responsibility as a leader.

5. I think we will see newer waves of variants. Omicron is not the last. The only safeguard is to be vaccinated, to wear a mask at all times and to use a sanitizer regularly through the day. The health industry and the workers have been the real champions of the last 24 months. The new vaccine was developed in 20 % of the time it normally takes to develop a new vaccine, health workers worked tirelessly through the two years to keep people safe. We owe them a lot and we will lean on them even in the coming year. Testing will become a regular feature with every strain of virus now.
6. Sustainability is growing onto a significant theme. I think there has been a lot of talk around it over the years and young people have rightly condemned the politicians for big talk and little action. The issue is that this is a global problem and I believe this is as much a rich countries problem as that of a poor country. The rich countries work is not over as yet. The challenge is that a world recovering from covid does not have the finances to invest in green initiatives. Stock markets will start rewarding the green companies first before governments and society do so.
7. The financial services sector is the world's largest sector at \$ 23 trillion. The real big battle will be in currencies over the next few years, 2022 will be a watershed year. In 1902, the reserve currencies were _ The Pound sterling (60%), French Franc (20%), Deutsche Mark (16 %) and others were about 5 %. In 2022, the reserve currencies look very different- The US Dollar at 60 %, the Euro at 21% , The Japanese Yen at 6% and the Pound Sterling at 5%. Expect the Renminbi and crypto currencies to knock that this year. Central banks will have a love hate relationship with cryptocurrencies. Finance as we know it will change significantly.
8. Mental health and career counselling will be big for employees. Paradoxically employees will not trust their bosses to tell them the truth or careers and the employee will not want to confide in the boss. HR managers and business leaders will have a difficult time understanding their employees in 2022.
9. Trust will continue to be a key word in every sphere of life in 2022. For a start, every newspaper and magazine will offer a fact check app and will provide details of what's true and what's not. The boundary line between fact and fiction will blur. A few years ago, a movie script read like "50 % of this is true, 50 % of this is fiction, it is up to you to decide what's true and what's fiction " Consumers of news will face the same problem in 2022 to a greater degree.
10. Most sporting activity will be back to normal, and spectators will flock their favorite arenas to watch their favorite teams and sportsmen. This part of services will be big.

Enjoy, feedback welcome as always

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