

Looking ahead to 2021: what can we expect?

December 2020

Since the outbreak of the Covid-19 pandemic, our team in London has been very fortunate to host a series of panel discussions featuring prominent experts from the worlds of business, politics, the media, medicine and culture. They have helped us understand the constantly changing environment as Covid-19, and the subsequent economic challenges, have wreaked havoc on society and business.

Over recent weeks, we have asked these experts for their views on the key themes that will likely define 2021. We have distilled their views into five trends we believe businesses should be alert to in 2021.

1) COVID will continue to be with us – but government and society will turn to recovery, learning lessons and rebuilding society

The successful roll-out of the Covid-19 vaccine will undoubtedly be critical to enabling greater freedoms and a return to normal life. Experts fear a third wave in January, however, whilst the threat from the virus declines as we progress through the first half of next year, the economic impact will be deeper and longer lasting. A potential public inquiry into the Covid-19 response will lead to an inevitable debate around lessons learned. As a result, the Government will be very keen to look beyond the pandemic and focus on successfully delivering its domestic agenda including 'levelling up', improving public health, making a success of Brexit and showing progress on a green agenda.

2) The economy, and specifically the cost of living, will set the agenda

UK economic growth will continue to be lower than expected. 2020 is set to be the worst year for growth in 300 years. As a result, the OBR expects the economy to be 3.1% smaller in early 2025 than previously predicted. Meanwhile, sectors of the economy heavily impacted by Covid-19, such as hospitality, entertainment and international tourism, will see lower growth compared to pre-virus expectations. And whilst the Government will continue to spend where necessary to support the Covid-stricken economy, the Chancellor has already set in train plans to reduce government departmental spending in the years to come. Tax rises, in some form, are also likely to be needed to balance the books again.

Unemployment is set to peak in 2021 at 7.5% (2.6 million people) which, combined with weak pay growth, will result in a big hit to household incomes. Individuals and families will inevitably have to

tighten their belts, and political attention will turn to falling incomes and worsening job opportunities. The Resolution Foundation predicts that average pay will be £1,200 lower per year in 2025 due to the pandemic. Financial hardship will come to define 2021, despite interventions from Government. Forecasts suggest that by Spring 2021, 22 million people in the UK will be living below the minimum socially accepted standard of living. With 15.2 million people already living in poverty, politicians and think tanks across the political spectrum are calling for a comprehensive anti-poverty strategy to be at the heart of the UK's economic strategy in 2021.

Business will be expected to play a critical role in job creation and investment in the UK. Those companies that have prospered during the pandemic will be expected to use their excess profits positively, investing in employees, stakeholders and tackling inequality in society. Responding to public opinion and pressure, Government may consider windfall taxes and other direct interventions for those who don't 'do the right thing'.

3) Climate issues will become even more prominent for all audiences in 2021 – but the arms race in the run up to COP26 will make this a crowded field

We are witnessing an arms race on environmental commitments from Governments keen to show leadership in this space. Britain has already set ambitious targets to reduce emissions by 68% by 2030, meanwhile Denmark plans to end all North Sea oil and gas exploration. 2020 has seen businesses set big targets and begin to explain their path to delivery. In 2019, only 500 businesses worldwide had a public goal of net zero. By the end of 2020, over 1,500 businesses will have one. As always, actions speak louder than words, and companies will be judged on how successfully they deliver on these commitments next year.

The UK's hosting of COP26 in Glasgow in November presents a unique opportunity for the UK to position itself at the heart of the environmental debate, showcasing its commitment to green issues and green technology such as offshore wind. The Government will look to work with other governments to agree legally binding commitments to reduce carbon emissions. Given the limited bandwidth within Whitehall, businesses will be encouraged to actively contribute to this green agenda, by investing in green technology and jobs to fuel the UK's new 'green economy'.

4) From 'levelling up' to 'breaking up' (the Union) – the debate around our nations, regions and communities will gain momentum

The future of the Union will dominate the political debate in 2021. The SNP is widely expected to win a majority of seats in the Scottish Parliament elections in May, and polling suggests that if they do, 64% of Scottish adults believe the UK Government should allow them to hold another independence referendum within the next five years. Currently, support for Scottish independence has tipped over 50% and continues to grow.

To counter this growing trend, we can expect the Government to double down on their 'levelling up' agenda, prioritising prosperity and fairness for all corners of the UK. The impact of Covid-19 on the public purse means there will be inevitable constraints on regional spending in areas such as transport and R&D. Again, Government will be highly receptive to businesses who help them deliver on this, such as investing in areas outside of London and across the UK.

5) As Brexit & Biden arrive, expect debate around Britain's role in the world and how the country can continue to thrive, and show relevance, internationally

Deal or no deal, given how much has been staked on Brexit, the Government has to make a success of it. In 2021, the Prime Minister will focus on securing new trade deals that bring benefits to people across the UK.

The new US administration is expected to demonstrate an energetic commitment to tackling climate change and promoting international agreements. As Biden takes office on 20th January, the Prime Minister will seek to overcome any Brexit-related scepticism and solidify relations with the US, positioning the UK as playing a leading role in corralling global efforts to tackle climate change and address the rise of China. The Government will look to leverage major diplomatic opportunities to showcase the UK's continuing international significance, post-Brexit, including at the G7 in London.

Teneo Insight webinar – Looking ahead to 2021: what can we expect?

Following a highly successful series of webinars this year, we are delighted to announce that we are bringing together three experts from the world of business, politics and the media on **Friday 22nd January at 2.30pm GMT** to help us look ahead to the key trends that will shape 2021 and the implications for business. To register for this webinar please email Jo.Redstone@teneo.com.

Confirmed guests:

- **Zanny Minton Beddoes**, editor-in-chief of The Economist
- **Tony Danker**, Director General of the CBI
- **Lord William Hague**, Former Foreign Secretary and Teneo Senior Adviser

The webinar will be chaired by **Sir Craig Oliver**, former Director of Communications and Politics at 10 Downing Street and Principal of Teneo's Situations and Politics practice.

From everyone at Teneo, wishing you a restful and safe Christmas and all the best for 2021