

# Shaping the future

Nine key themes to guide your outlook



# Reshaping economies

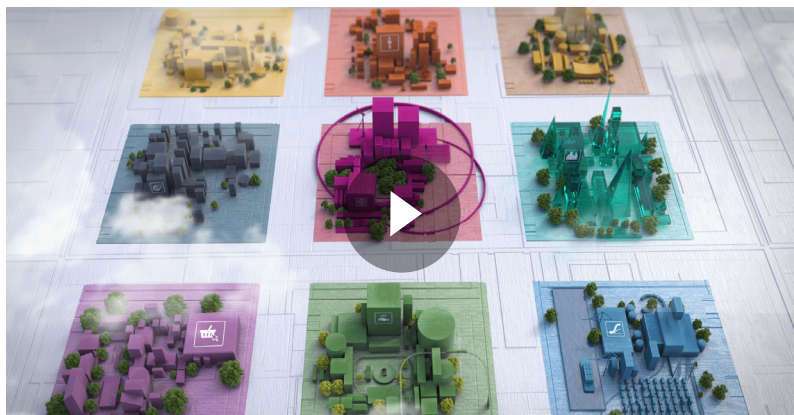
In Global Investment Research, we view today's world of disruptive, complex and rapid change through the lens of nine themes. We expect these long-term trends reshaping economies, markets and societies worldwide to have lasting implications for investment strategies.

They are: Automation; Demographics; Digital Finance; Disruptive Technology; Energy Transition; Future Cities; Future Consumer; Future Transport, and Trade Flows.

These themes inform our coverage across asset classes and regions, and are instrumental in enabling us to help clients spot risks and opportunities.

Please read on for an overview of our thematic approach, and how you can subscribe to our latest insights on trends reshaping economies worldwide.

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[Read "Gamechangers" ›](#)



Our latest report looks at how the nine key themes are shaping global economics



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# Meet the themes

Overviews and key coordinators. Click on the icons to see the latest insights



## Automation

How robotics is reshaping workplaces and economies

- ◆ Helen Fang (Global)
- ◆ Sean McLoughlin (Europe)



## Demographics

What an ageing world means for growth and investment

- ◆ James Pomeroy (Global)
- ◆ Herald van der Linde (Global)



## Digital Finance

How technology is reinventing the way we use and create money

- ◆ Daragh Maher (Global)
- ◆ Neha Agarwala (Emerging Markets)



## Disruptive Technology

The innovations transforming industries worldwide

- ◆ Frank Lee (Global)



## Energy Transition

How businesses and economies are shifting to a net zero future

- ◆ Meike Becker (Global)



## Future Cities

The changing shape of the places we live, work and play

- ◆ Stephen Bramley-Jackson (Global)
- ◆ James Pomeroy (Europe)



## Future Consumer

What's on the mind of the next generation of spenders?

- ◆ Erwan Rambourg (Global)
- ◆ Karen Choi (Asia)
- ◆ Jeremy Fialko (Europe)



## Future Transport

Trends redefining mobility, from electric vehicles to hydrogen hubs

- ◆ Mike Tyndall (Global)
- ◆ Parash Jain (Global)
- ◆ Will Cho (Asia)



## Trade Flows

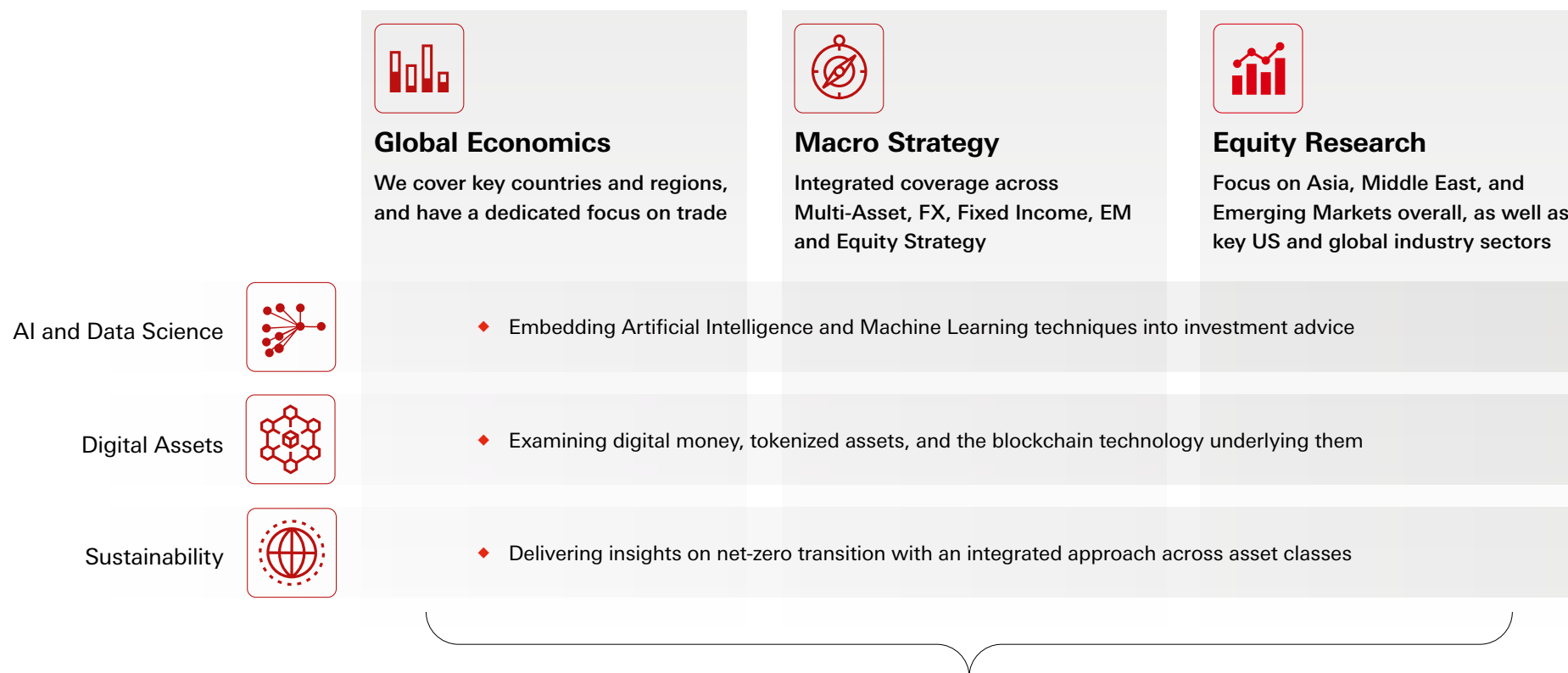
The evolution of supply chains and global commerce

- ◆ Shanella Rajanayagam (Global)



# Global Investment Research

As HSBC's independent research business, our global team is organised under three pillars



## Nine Themes

We focus on nine key themes which are shaping the investment world



# Automation

Automation is, in its broadest sense, the pursuit of increased efficiency. From manufacturing to finance, an ever-growing number of industries are adopting automated technologies, potentially boosting productivity and remodelling workplaces.

Automation can help industries reduce waste and optimise carbon emissions

89%

Of health and healthcare firms expect to be using Artificial Intelligence (AI) by 2025

The emergence of AI models such as ChatGPT could give rise to new business models, with a broader range of tasks being automated

## Watch list

- ♦ Automation has advanced from early mechanisation of production lines to data-driven industrial investment and the recent emergence of new AI models
- ♦ Labour shortages post-pandemic have further incentivised the adoption of automated technologies
- ♦ Demand for higher-quality healthcare is set to drive rapid growth in robot-assisted surgery
- ♦ New trends in robots include “cobots” and human/machine interfaces, making it easier for people to interact with tech
- ♦ Machine vision, enabling robots to see their surroundings, is a key tech to watch
- ♦ What skills will people need in an increasingly automated workplace?



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# Demographics

The world's population is seeing the fastest changes in history, with ageing populations, lower birth rates and smaller households set to play a key role in determining the pace and shape of global demand growth for a range of goods and services.

## 0.78 children/woman

South Korea's fertility rate in 2022, suggesting its population could more than halve by 2050

It is plausible that Europe's population could fall 40% by the end of the century

## 2040s

As birth rates decline, we now assume the world's population will peak in the late 2040s

### Watch list

- ◆ The balance of population pyramids across most economies isn't conducive for faster growth
- ◆ They have either too many older people relative to workers, or fast population growth that may make finding enough jobs tricky
- ◆ Demographics can drive other structural changes in consumption and investment patterns
- ◆ Birth rates data are key – how many babies are born each year will shape the population outlook
- ◆ Policies including retirement ages, pension systems and migration can help societies manage the impact of demographic shifts
- ◆ Some countries opt for policies intended to boost birth rates: will these prove effective?



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# Digital Finance

As digital payments keep on rising, we seek to understand how digital entrants and new technologies disrupt, complement and enhance existing business models in financial services.

## USD10bn

Estimated revenue of Sub-Saharan mobile money operators by 2030

By reducing frictional costs and widening access, digital finance supports financial inclusion and economic development

## 86%

Of central banks are actively researching the potential for CBDCs, a 2021 Bank of International Settlements survey found

### Watch list

- ◆ This theme covers Payments, CreditTech, InsurTech, WealthTech, as well as Digital banks, distribution and insurers
- ◆ Digital finance increases financial inclusion, facilitates consumption, and delivers better outcomes through increased competition across the value chain
- ◆ Whether Central Bank Digital Currencies (CBDC) come to fruition will be a key question
- ◆ A growing proportion of financial transactions completed digitally creates opportunities for cross-selling and up-selling complementary products and services
- ◆ Could cheaper, more efficient payment systems impact inflation rates?



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# Disruptive Technology

Technology is disrupting business models around the world, helping companies to make huge leaps forward. We help investors understand what to watch out for and how to view tech changes using our HSBC Disruption Framework.

## USD1bn

Global annual venture capital investment in quantum computing in 2021

A new generation of Low Earth Orbit satellites promises to support economic development by enabling communications and connectivity

## 38%

Increase in total number of cyberattacks in 2022

### Watch list

- Recent investment inflows have put a spotlight on the metaverse and quantum computing
- Both have the potential to fundamentally transform economies and societies over the coming decade: but could older techs also retain their power to disrupt?
- Generative artificial intelligence could give rise to new business models and radically change workplaces
- Smart farming techniques have the potential to make the world's food supply more reliable and sustainable
- Industries including healthcare, real estate and retail are already building applications in the virtual world of the metaverse
- As companies compete to launch new constellations of small satellites, who will win the next space race?



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# Energy Transition

Energy Transition is about figuring out how to continue to power and fuel all of our activities – from industry and transport, to heating and lighting homes – with a lower carbon footprint.

## >USD1trn

Global investment in the energy transition in 2022; China contributed 50% of the total

In some 'solved' areas, such as renewables, we know how to decarbonise – but need the right economics for deployment at scale ...

... in 'unsolved' areas, such as some agricultural and industrial processes, technological innovation will be key

### Watch list

- ◆ Global renewables capacity is set to triple by 2030: annual solar capacity additions could soon exceed 500GW
- ◆ What could a busy election cycle mean for European and US policies to encourage investment in renewables and hydrogen?
- ◆ Many countries are looking to expand production of transition minerals such as lithium, which is vital for making EV batteries
- ◆ The EU saw a record 41.4GW solar PV installations in 2022 (up 50% y-o-y), led by Germany and Spain
- ◆ Could innovations in areas such as biotechnology support the transition – by, for example, allowing more efficient fertiliser use?



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# Future Cities

The pandemic has changed the way we think about urbanisation, raising challenges in well-being, mobility, infrastructure, housing and work practices – all of which require careful consideration, planning and embodiment in our future cities.

## c.1bn

Expected increase in the world's urban population by 2035, led by emerging markets

The nature of cities may change in the west, with more remote work: in emerging markets, we expect cities to continue to grow quickly

## >USD700bn

Planned investment in smart city developments in the GCC economies

### Watch list

- ◆ Today, roughly 4.2bn people live in cities across the world, and this is set to rise to 5.2bn by 2030 and 6.7bn by 2050, says the UN. The vast majority of this increase will be in emerging markets
- ◆ Countries in the Gulf Cooperation Council are among those trialling 'smart' urban developments with low-carbon design and materials, greener public transport, automated services and high-speed communication links
- ◆ In developed markets, a shift towards remote working has seen smaller urban areas growing in popularity at the expense of big cities, with major implications for real estate and housing
- ◆ Whether adapting existing infrastructure or building new, future cities call for significant investment – how will this be funded?



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# Future Consumer

A new generation is redefining the future of consumption. As female and Asian consumers play an increasingly vital role, trends such as sustainable and virtual consumption are set to rise further.

1bn

New middle-income consumers expected by 2040, led by emerging markets

We focus our consumer research on four 'C's: Chinese, Channels, Consolidation and Conscience

c.123m

Visitors from mainland China to the "divine 9" Asian destinations in 2025 (HSBC estimate)

## Watch list

- ◆ A growing middle class is set to propel consumer incomes much higher, especially in the emerging world
- ◆ Spending on leisure, transport and health is likely to rise the most in the years to come, and we expect consumers to increasingly prioritise sustainable choices
- ◆ How resilient will Chinese consumer spending prove to be?
- ◆ Which businesses are well placed amid higher inflation and concerns about the cost of living?
- ◆ How will consumer firms establish themselves and make profits in the virtual world of the metaverse?
- ◆ Our regular proprietary surveys track evolving consumer tastes in markets including mainland China, the UK and the US



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# Future Transport

Traditional car manufacturers, new electric vehicle (EV) players, technology companies and mobility providers are all competing for future transport and mobility revenue streams, while also negotiating complex regulation and decarbonisation challenges.

## 37%

of global CO<sub>2</sub> emissions from end-use sectors came from transport in 2021, which relies on fossil fuels more than any other sector

'Bubble rafts' to cut hull friction are among the innovative techs being explored to reduce shipping carbon emissions

## 2.5m

Chinese-made electric vehicles booked for export in 2022

### Watch list

- ◆ HSBC views transport as the "second frontier" of decarbonisation and suggests pathways across cars, trucks, shipping and aviation can reduce transport emissions 81% by 2050
- ◆ Passenger battery electric vehicles (BEVs) are increasingly mainstream in many markets: mainland China accounts for >60% global EV sales
- ◆ Traditional auto manufacturers and new entrants are vying for market share: it is unclear who the ultimate winners will be
- ◆ Green methanol and ammonia are among potential alternative fuels in shipping, while sustainable aviation fuel is key to reducing air transport emissions
- ◆ Who will recycle used EV batteries?



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# Trade Flows

Global trade has faced many challenges in recent years – from supply chain disruption, to rising protectionism – but remains essential to many economies worldwide. We track key trends as trade evolves and reconfigures.

c.-0.7%

Annual contraction in global trade in 2023

Mexico overtook China to become the US's top import market in 2023

3,000

Protectionist measures implemented worldwide in 2023, according to Global Trade Alert

## Watch list

- ◆ The COVID-19 pandemic disrupted global supply chains: could other unforeseen risks emerge?
- ◆ A drive to boost supply chain resilience has encouraged companies and policymakers to seek to re-shore production ...
- ◆ ... but this will likely be a gradual process, unfurling over a number of years
- ◆ Post-pandemic, consumers in many economies prioritised spending on services over goods: will this trend continue?
- ◆ A busy election cycle has the potential to lead to changes in trade policy
- ◆ While the pace of striking global trade deals has slowed, some economies – including the UK – are seeking to conclude new agreements



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