

2021: a year of uncertainty and hope



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CARLO THELEN

An employee of the Luxembourg Chamber of Commerce since 1996, Carlo Thelen has been CEO and director general since 2014. He previously served as chief economist, director of economic affairs and international affairs, and economic advisor. Thelen blogs on social-economic issues:

↳ www.carlothelen.lu

↳ www.cc.lu

The year 2021 will be marked above all by the ongoing uncertainties regarding the evolution of the health crisis. The lockdowns in Europe closing out the year of 2020 will probably not be enough to eliminate covid-19 and its dramatic effects on society and the economy. Will vaccines be able to restore the health situation and a return to our pre-crisis social model? Or should a strategy of 'test-isolate-treat' be more sustainably and systematically applied? Nothing could be less certain.

This crisis is often considered an opportunity to create a new socio-economic model, based on a more flexible way of working, more local consumption, a return to humane, qualitative and sustainable values. However, I do not think that the fundamental laws of the market and the rules of supply and demand will change profoundly. The Luxembourg economy, due to its compact size, will always be looking towards the Greater Region, Europe and the international markets. Of course, our economy must remain competitive and attractive. Our companies must succeed in their post-covid recovery and innovate more quickly to position themselves in relation to the competition. The different sectors of our economy have many challenges to overcome in 2021. For some, these are the same issues as before the crisis, for others, the crisis has presented the need for structural readjustments.

Extracting lessons from this crisis is an essential step to sustainably strengthen our economic fabric and our collective resilience. It is not only about adapting, but above all about identifying new high-value added services (in particular, in health sciences and technologies, a fast-growing sector, while also fighting against the risk of lack of medical resources due to an aging demographic).

Luxembourg's budgetary situation in 2019 helped to foster better resilience compared to its neighbours, allowing keeping public debt under control, despite expenditures on aid and investments. The underlying anti-cyclical policy in the 2021 budget, the continuation of partial unemployment, extending aid to the most affected sectors and the projections of higher levels of public investment are all elements that raise hopes that 2021 will be a year of recovery and of a return to an environment more beneficial to businesses. At the international level, the outcome of the US elections hopefully calls for a return to multilateralism and a positive dynamic in the development of economic and trade relations between the United States, Europe and China. An evolution that would benefit the grand duchy. The uncertainties surrounding the Brexit negotiations in mid-November should not detract from these signs of hope for 2021.