

2022 Year Ahead Outlook

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Q3: We've seen big increases in gasoline, diesel and natural gas prices, are those increases enough to slow the global economy?

We don't think the current energy prices are going to slow down the global economy in a material way, mainly for three reasons.

First, we have a positive demand shock unfolding. After COVID, everyone wants to travel, drive, fly, move around and continue to consume more things, so all of that is going to be supportive of energy prices.

And secondly, remember, we've also had a huge positive policy shock on the fiscal side. Governments have handed over 10 trillion dollars in fiscal stimulus, while on the monetary side, we've seen central banks pushing about 20 trillion plus through the system across the world. This should actually be pretty supportive for the energy complex.

And last but not least, the third reason is that energy as a share of GDP is not that high, at least not that high compared to periods in the past where we've hit crisis like in 2008, or even in '11/'12 where Europe actually had a recession.

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