

2022 Year Ahead Outlook

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Q2: What are the key upside and downside risks to your growth forecast in 2022?

The biggest upside risk in the year ahead is COVID. It's COVID being contained in a really effective way. We think that COVID will remain a modest headwind going forward, as we don't get complete vaccinations, as new strains come around, and so there'll always be a little bit of a headwind out there. But the more we can get the virus under control, the more likely we are to have a normalized economy.

And that means a more healthy balance with more people going back to work, more spending and services. So that's the big upside risk in the year ahead.

The big downside risk in my mind is inflation. We've all gotten used to very low inflation in recent decades. You really have to go back to the 1970's to remember serious inflation. But we're now in an environment where we could get a mini version of the 1970's.

If inflation comes back down to say, two and a half percent or so, which is a comfortable level for the Fed, it's not a big deal. But if inflation sticks at higher levels, then you have a very different Federal Reserve. And for the first time in decades, you'll have a Fed that is battling inflation. And you can't fight inflation without hurting the economy. And so I think that we should be keeping a close eye on this. Hope that inflation fades enough, so that the Fed doesn't get tough.

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