



Three Key Shapers of the Global Economy in 2022

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To say 2021 was a “challenging year” is the mother of all understatement. Like 2020 before it and 2022 to come, the economic and political environment both in the U.S. and across the globe will be heavily impacted by the pandemic; the cost of living and wages; cultural and societal change; and citizens’ relationship with their political systems and institutions.

Looking at the global economy, the trend is towards incremental recovery with each new variant of the coronavirus popping up as a stumbling block. According to the IMF notable challenges will continue, including modest employment growth, rising inflation, food insecurity, human capital accumulation and climate change.¹ With global growth projected at just under 5 percent, advanced economies are expected to fare far better than those of developing nations where vaccine rollout and policy support have languished.

Within this milieu, three key shapers of the global economy in 2022 merit special attention:

Technology. Researchers estimate that “the digital economy is worth \$11.5 trillion globally, nearly 16 percent of global GDP and has grown two and a half times faster than global GDP over the past decade and a half.”² Technology companies have overtaken oil and gas companies as the largest public companies in the world. The dramatic expansion of artificial intelligence, 5G, blockchain, cryptocurrencies and the Internet of Things (IoT) continues unabated.

Automation and digital advances are shifting labor away from low- to middle-level skills to more sophisticated, technical and managerial skills;³ and emerging new technologies are expected to contribute to two-thirds of potential productivity growth over the next decade.⁴ As the demand for semiconductors will remain very high through 2022, large investments are planned by Intel, Samsung, and TSMC.⁵

Finally, thanks to the dissemination and diffusion of technology and digital platforms, along with their accessibility, such as open source, 1.35 million tech start-ups are launched each year—and

¹ <https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021>

² <https://www.brookings.edu/research/trends-in-the-information-technology-sector/>

³ <https://www.brookings.edu/blog/up-front/2020/02/25/technology-and-the-future-of-growth-challenges-of-change/>

⁴ <https://www.brookings.edu/blog/up-front/2020/02/25/technology-and-the-future-of-growth-challenges-of-change/>

⁵ <https://www.forbes.com/sites/danielnewman/2021/10/13/top-10-digital-transformation-trends-for-2022/?sh=7ec0e1dc6330>

not just in advanced countries. Emerging market start-ups in particular are blossoming, with firms such as Nubank (Brazil), mPharma (Ghana), Momo (Vietnam) and Mileus (Czech Republic).⁶

Supply chains. Another key shaper of the global economy in 2022 is supply chains. Tie-ups and shortages of labor and goods have been driving up prices and fueling inflation. Early on in the pandemic the world witnessed a dramatic increase in port and factory closures; however, as things eased and improved—at least in the minds of consumer--pent-up demand surged ahead, resulting in far fewer goods to meet that demand. Even though port congestion is beginning to ease, the outlook is for shipping rates to remain very high as the industry confronts a continual shortage of truckers and port workers. According to Tim Huxley, CEO of Mandarin Shipping, most of the new capacity in the industry will not be ready until 2023 earliest.⁷

Now and in the coming year the major ports of Los Angeles and Long Beach that account for 40% of containerized shipping, along with firms like Walmart, FedEx and UPS will be operating 24/7. Even so the prices of imported goods, especially computer chips, electronic components and finished products--all in high demand—will not decline in 2022 as inflation (the highest in the U.S. in 30 years) will be enduring, not transitory.

Consumerism. For 2022 consumer spending in the wider economy will get stronger, with services set for a strong rebound to exceed 6.2%.⁸ Consumers are demanding more personalized experiences, more digital purchasing (an Amazon-like buying experience), and more trustworthy businesses.

Just how optimistic are consumers? A McKinsey survey of the U.S., Western Europe and China provides reasons to be optimistic for a fast rebound in consumer spending after the pandemic dissipates.⁹ PwC's December 2021 Global Consumer Insights Survey found that consumers are planning to spend more and that when it comes to shopping, price and convenience matter most. Groceries, fashion and health and beauty are consumers' highest priority areas with urban Millennials and those working remotely or hybrid are the most optimistic consumers.

Low-income households, however, will face challenges-- and retirees as well if interest rates remain low. It is interesting to note that vaccinated consumers are the most optimistic about the future (66% vs 41% for the unvaccinated).

Recognizably, a host of other important forces and factors such as energy, infrastructure, climate change, immigration, and populism will play a role in global growth and development in 2022. For the time being one can only hope that there is a light at the end of the tunnel---one that does not illuminate the path to another tunnel.

⁶ <https://get2growth.com/how-many-startups/>

⁷ <https://www.cnbc.com/2021/11/03/supply-chain-bottlenecks-will-take-time-to-resolve-shipping-firm-ceo.html>

⁸ <https://www2.deloitte.com/us/en/insights/economy/us-consumer-spending-after-covid.html>

⁹ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/the-consumer-demand-recovery-and-lasting-effects-of-covid-19>

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