



Reasons for Optimism in the New Year

To BCG's network around the world,

Welcome to 2022. I hope you had a relaxing holiday and have been able to stay healthy as COVID-19 rages around the world. Christoph concluded our Weekly Briefs last year by discussing the [challenges that CEOs are seeing](#) in the year ahead. I want to start '22 by building from there and sharing why—despite the headlines—I'm feeling optimistic overall for business in the year ahead. Let's consider the outlook from two key perspectives.

From Pandemic to Endemic

The highly transmissible Omicron variant is causing enormous stress right now. But new studies are reinforcing encouraging news that first came out of South Africa: Omicron is less dangerous than the earlier major variants; for the healthy and vaccinated, hospitalization rates are extremely low; and even for the unvaccinated, Omicron poses far less risk to the lungs than Alpha or Delta.

This wave may still be weeks away from its peak in many parts of the world, but as it subsides, the net result will be that a high percentage of the global population will have developed immunity. Omicron will stress the health systems in many regions enormously in the near term, but it's likely to have a relatively short run. That, along with continued vaccinations and new medicines like Pfizer's Paxlovid, should make it harder for a future variant to take hold and do as much damage.

In fact, Omicron could be the wave that shifts us from pandemic to endemic. There will be future variants, of course, but to be more dangerous they would need to be more transmissible than Omicron, at least as harmful as Delta, and/or able to evade

multiple layers of immunity. That's a downside scenario that businesses and societies need to prepare for. But it is more likely that the next variants will not meet that threshold, instead becoming more like the flu as we cope with the challenges of living with the virus for the long run.

The Global Economy

Despite lingering concerns about inflation, supply chain disruptions, and labor shortages, I believe the outlook on balance is quite positive.

Whether I look at the Business Roundtable's CEO Economic Outlook Index or the OECD Business Confidence Index, I'm seeing that business confidence is at 20-year highs. Views on capital spending, as well as hiring objectives, are ambitious. We hear a lot about the threat of inflation, but much of that concern comes from comparing today with where we were a year ago. There's still an underlying risk of a wage-price spiral, but there's a greater likelihood that by the second half of the year inflation levels will be moderating and we'll have worked through most of the supply chain challenges. Job openings in the US have already plateaued in recent months—an encouraging sign, for sure.

More important than any of this: consumer balance sheets are in a strong place, with [demand likely to hold up](#) even as government stimulus tapers down.

Philipp Carlsson-Szlezak, BCG's chief economist, [told us last year](#) that while technology is the fuel for productivity growth, a tight labor market can often be the spark. Today, we have both in place, which creates the potential for substantial productivity improvements. There's a massive digital transformation underway across the economy, while the US is essentially back to full employment and Europe is poised to get there—a stark contrast to the eight to ten years it took to return to full employment after the financial crisis of 2008-2009.

The risks from inflation remain, of course, and the labor shortage will continue to put pressure on wages. But overall, the economic outlook is strong once we get past the short-term difficulties of the Omicron wave.

What Should Business Leaders Focus On?

First, with the challenges from labor markets, supply chains, and virus variants still a part of reality, [leaders need to focus](#) more than ever on adaptiveness, productivity, and the digital transformation of their organizations.

Second, leaders need to take action in the next 12 to 24 months to match the big climate commitments they've recently made. This is essential not just because it's their societal responsibility but as a means to secure value creation for the years ahead. (More on this next week.)

Finally, the role of business in society has never been more important—with respect to climate, first and foremost, but also in our work to help navigate the tensions from two years of pandemic, including contributing to vaccination efforts across the globe. We can play a powerful part in bridging deep political divisions and making progress on longstanding issues, such as the urgent need in the US to address diversity and equity issues. We have a responsibility to ensure that we are leading with empathy and living up to our purpose to drive long-term value creation both for shareholders and for society.

So I enter 2022 with concerns about some of the unknowns about the pandemic and aware of the short-term pressures, but with underlying optimism for business and for the opportunity we have to make a difference. We look forward to engaging with many of you over the course of this year as we try to make this happen.

One other item I'm eager to share: I was so pleased to see that in *Forbes* [The Imagination Machine](#), written by my colleague Martin Reeves and his co-author Jack Fuller, was ranked as the #2 business book of 2021! It's a great read—and in a world of opportunity and rapid change, imagination is worth a lot.

Until next week,

A handwritten signature in dark ink, appearing to read "Rich", with a stylized flourish at the end.

Rich Lesser
Global Chair

Further Reading



Priorities for the C-Suite in 2022

CEOs heading into the new year face complex disruptions—climate change, rapid advances in technology, and the ongoing pandemic, to name a few. Where should they focus? BCG experts share their thoughts on an agenda for the year ahead.

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Despite Their Gloomy Mood, Consumers Are Surprisingly Strong

COVID and inflation have driven consumer confidence levels to dismal lows, but there's encouraging news behind the headlines.

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Watch Your Language

In this episode of the podcast series “The So What,” Ashley Grice, CEO of purpose consultancy BCG BrightHouse, explains how leaders can use language more effectively and what to do when their words are misunderstood.

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