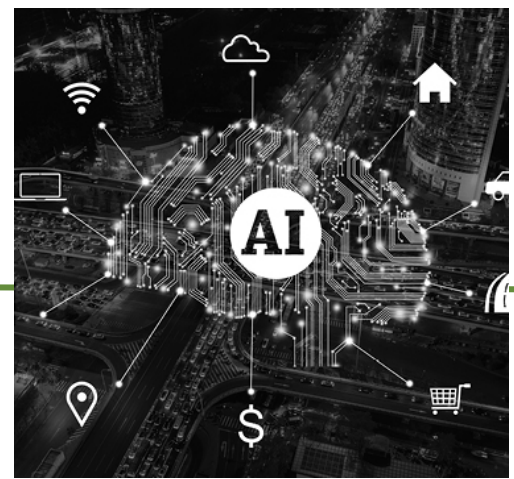


MARKET SIGHT LINES



Outlook 2022 Spotlight #2: Pandemic: A Changed World

By Michael O'Keeffe, *Chief Investment Officer*

Last week my team and I published our [Stifel Outlook 2022 report](#) and [video](#), and this week I hosted a related [client webinar](#) with Stifel's Chief Washington Policy Strategist, Brian Gardner. As mentioned in last week's Sight|Lines, we titled the report "Balancing Acts," as we're seeing balancing acts all around: The Federal Reserve is taking a more hawkish stance to rein in inflation without threatening recovery; governments are balancing omicron-related guidance with its economic and human costs; and both businesses and individuals are balancing continuing pandemic-motivated practices or returning to routines from before the pandemic.

In this week's Sight|Lines, we spotlight another topic from our 2022 Outlook report: *In the Wake of the Pandemic: A Changed World*.

A New Kind of Normal

We've all experienced how COVID-19 has impacted our economic and social lives. Two years into the pandemic, we must ask ourselves: What is "normal," and how might the economy change going forward? Traditional metrics like employment and GDP have recovered, returning to what many would view as normal: The U.S. economy is larger than in 2019, and the unemployment rate has fallen below the 20-year average. But just as "prewar" and "postwar" delineate eras, this pandemic will likely mark a shift to a new kind of normal.

A More Digital World

Our report dives into the idea that we're in a more digital world. Here are some examples we review in our report:

- *E-commerce* accelerated greatly as a result of the pandemic. Going forward, we expect traditional brick-and-mortar retailers to further digitize their customers' online shopping experience, reinforcing these consumers' use of e-commerce.
- *Telehealth* is here to stay. While doctors transitioned to virtual visits out of necessity in the pandemic, we see patient adoption continuing for many types of wellness visits, but moderating for those that are high-impact.
- *Online Learning* also proved helpful and efficient over the last couple of years, with over 90% of students globally being remote at the pandemic's peak. Going forward, we see increased online or hybrid learning for tutoring, higher education, professional development, and new trade skills.
- *Virtual Reality* has gone mainstream, with the pandemic motivating shifts in events like concerts, museum visits, online gaming, and esports. We see augmented reality greatly influencing entertainment, social engagement, and businesses going forward.

Industries Disrupted

In our report, we also review how the pandemic has affected some other key areas:

- *Labor Markets* have evolved, which is important as the size and productivity of the labor force drive long-term economic growth. With COVID-19, the labor force participation rate declined, much the result of people needing to care for at-home children, and some early retirements. While the participation rate has recovered, it remains below the pre-pandemic level.
- *Supply Chains* are becoming more local. Business leaders have had to reassess and better understand supply chain vulnerabilities to their businesses. In the decades before the pandemic, supply chains went offshore as globalization took hold. Going forward, we expect businesses to re-shore, diversify, or localize their supply chains.
- *Semiconductors* have been tagged the “new oil” in our 2022 Outlook report, as the shift to an ever more digital world means semiconductors are needed in all kinds of places, powering everything from cars to cell phones to washing machines. Semiconductors also serve as a backbone for artificial intelligence, data centers, and wireless networks. We believe this industry’s future growth outlook is positive.
- *Hospitality* is expected to recover but change. We see leisure travel accelerating, with people retiring and millennials, for example, prioritizing travel experience. Business travel recovery is likely to be more uneven. During the pandemic, businesses embraced virtual meetings as effective and efficient. I have a real, personal example. Before the pandemic, I would attend an annual meeting with a client in California (I live in New Jersey), and given flight schedules this would often be a three-day trip with a two-night hotel stay. In the pandemic, the client held a virtual meeting, which was quite effective. They’ve decided to keep the virtual format. For me, this means a previously three-day trip is now a few hours on my computer. Quite a change.

Conclusion

The pandemic has changed our lives and how we do business. Some of these changes were temporary, but other changes appear more permanent, with many potentially improving our lives significantly going forward. We invite you to check out the [Stifel Outlook 2022: Balancing Acts report](#), [video](#), and [webinar replay](#) to learn more on this and other topics.

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