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Boom and gloom

The coming global economic boom could have a sting in the tail

Supply shortages are acute in America

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THE GLOBAL economy is entering unfamiliar territory. After a decade of worries about inadequate demand and spending power in the aftermath of the global financial crisis, signs of insufficient supply are now emerging. A lack of goods, services and people means that red-hot demand is increasingly met slowly or not at all. There are already signs that supply bottlenecks may lead to nasty surprises which could upset the post-pandemic recovery. Nowhere are shortages more acute than in America, where a boom is under way. Consumer spending is growing by over 10% at an annual rate, as people put to work the \$2trn-plus of extra savings accumulated in the past year. More stimulus is still being doled out.

The boom is creating two kinds of bottleneck. The first relates to supply chains. There are shortages of everything from timber to semiconductors. The cost of shipping goods from China to America has tripled. Companies have not reported supplier delays this severe in decades. In the past year many firms have cut their investment in logistics. Lockdowns have left some container ships stranded. Companies are trying to go from 0 to 60 and it shows.

The second kind of bottleneck is in labour markets. In April America created only 266,000 jobs, many fewer than the 1m or more that had been expected. Yet job vacancies are at all-time highs, and so firms are struggling to fill positions. Economists argue over whether generous unemployment benefits are giving people a reason not to look for work. It also takes time for people to move from dying industries to growing ones.

