

Leaders

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Delta and the world economy

# How the pandemic became stagflationary

As the virus has changed, so has its relationship to the economy

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IT HAS BEEN a summer of unpleasant surprises for the world economy. America, Europe and China are growing more slowly than investors had hoped. Consumer prices are rising uncomfortably fast, especially in America. Even in the euro area, used to tepid inflation, prices in August were 3% higher than a year earlier, the most in a decade. Economies are troubled by shortages of parts and labour, slow and expensive shipping and the bewildering variation of lockdown measures.



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virus battering growth, as waves of infection caused a sudden stop in activity, and prices moderated or even fell. Delta, by contrast, looks like a stagflationary force that is sapping growth less dramatically but firing up inflation.

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Delta is weighing on consumer spending in the rich world but not causing a collapse. In countries with lots of vaccine, cases are no longer doing as much to stop consumers from moving around. Europe's service sector has reopened amid its Delta wave.