

The Road to Recovery **Coronavirus economic impact****IMF downgrades forecasts and warns of challenges to recovery**

Vaccines as economic policy, Biden administration failing on Omicron, critical chip shortages at US companies



The IMF predicts that gross domestic product growth would slow from 5.9 per cent in 2021 to 4.4 per cent this year, before weakening further in 2023 to just 3.8 per cent © REUTERS

Darren Dodd JANUARY 27 2022

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Good evening

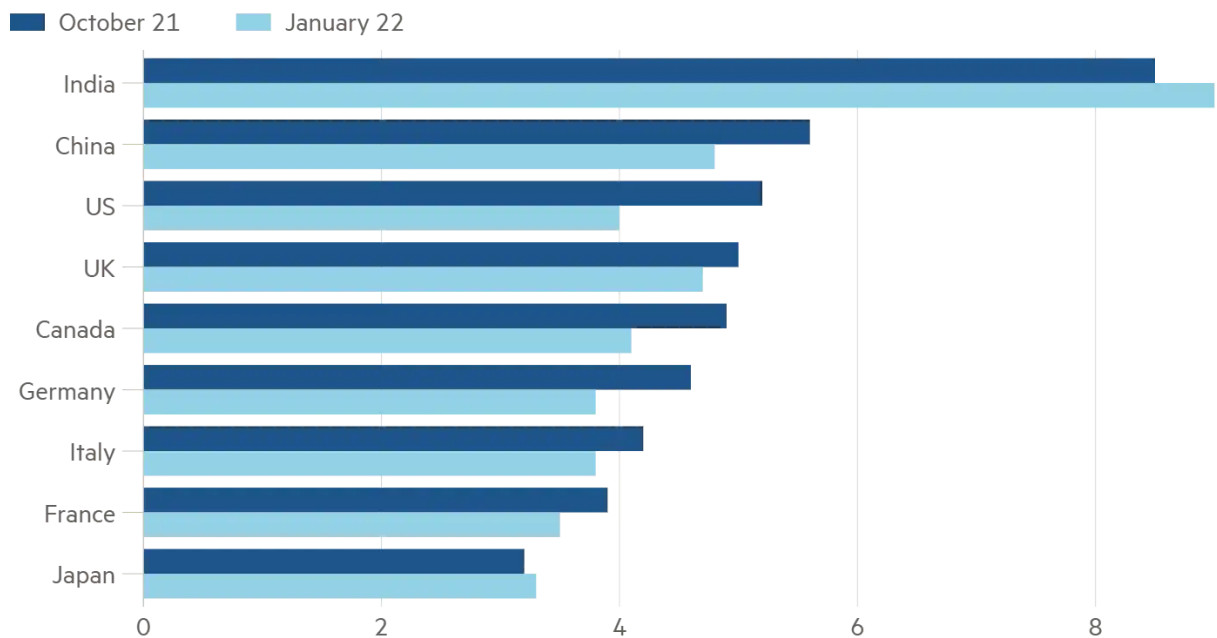
“Multiple challenges” stand in the path of [global economic recovery](#), according to the IMF, which warned of lower growth and higher inflation in an update to its [World Economic Outlook](#).

The fund downgraded its forecasts for gross domestic product growth, which it said would slow from 5.9 per cent in 2021 to 4.4 per cent this year, before weakening further in 2023 to just 3.8 per cent. And that's without the potentially harmful effects of geopolitical crises such as the situation in Ukraine.

But far more important than the IMF's forecasts are the assumptions on which they are based, writes chief economics commentator [Martin Wolf](#).

Downgrades in growth forecasts for most large economies since October

Economic growth in 2022 (%)



Source: IMF
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As well as assuming that inflation will eventually subside, the fund also presupposes that the pandemic will be brought under control globally by the end of this year, implying successful vaccination in most countries, and that existing shots will remain effective. Aside from these risks to the downside, the “normal” to which we may return is not the old one, he adds.

The link between managing the pandemic and boosting the economy, or as Martin puts it, the idea that “vaccines are as much an economic policy as a health policy”, is also the subject of today's [Economists Exchange](#), our series featuring conversations between FT commentators and leading economists on recovery from the pandemic.

Economics editor Chris Giles notes that two years on, there is still no consensus on how to combine effective disease control with economic success. China's zero-Covid strategy for example stands in stark contrast to the approach of most advanced economies to maximise vaccination and then learn to live with the disease.

Cambridge university's [Flavio Toxvaerd](#) tells Chris that simplistic arguments of "health versus wealth" and the lack of rigorous cost-benefit analysis in public policy have led to missteps such as the UK's Eat Out to Help Out initiative. Thinking like an economist would perhaps have involved just sending hard-hit hospitality businesses a cheque or insisting the scheme was takeaway only, rather than encouraging people to mingle, he says.

Prof Toxvaerd uses the metaphor of a patient undergoing chemotherapy to hit back at those who focus on the damage wrought by lockdowns.

"You can say that chemotherapy is bringing terrible side-effects to a patient relative to a healthy individual but that's, of course, not the right comparison," he argues. The comparison is, what would the patient be going through in the absence of treatment?"

Latest news

- Denmark became the latest European country after the UK, Ireland and the Netherlands, to [ease pandemic restrictions](#) despite a high number of cases
- The US trade deficit in goods [passed \\$100bn](#) for the first time
- UK [Covid infections](#) fell for the second week in a row

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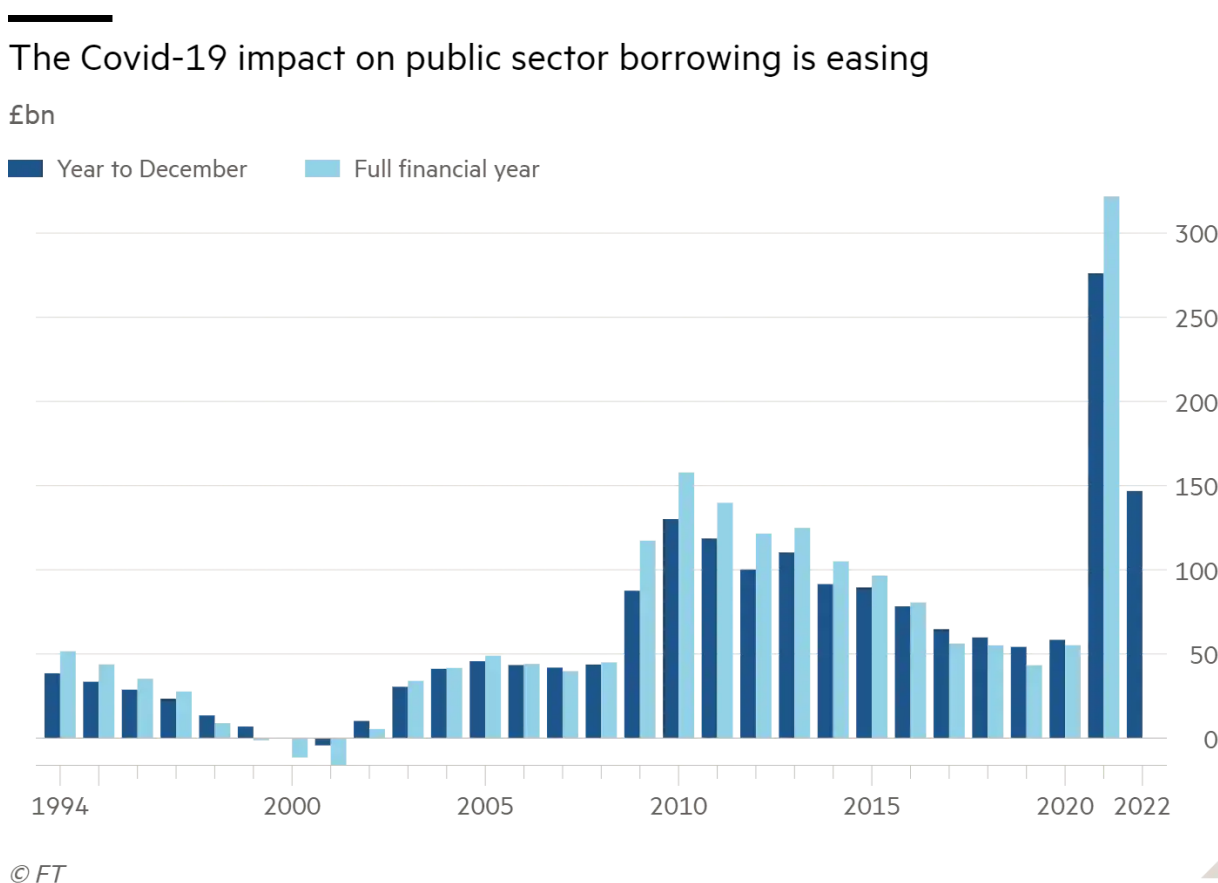
Need to know: the economy

The **US Federal Reserve** publishes its latest update on [monetary policy](#) today at 2pm ET/7pm London time, followed by a press conference with Fed chair Jay Powell. The statement will be carefully parsed by investors who have seen stocks whipsaw in recent days on expectations of an increasingly hawkish stance from the central bank. Check [FT.com](#) and our [live blog](#) for the details.

Latest for the UK and Europe

Lower public borrowing than expected means UK chancellor Rishi Sunak has some headroom to help households suffering from the cost of living crisis, including limiting increases in energy bills or even cancelling April's [scheduled tax rise](#).

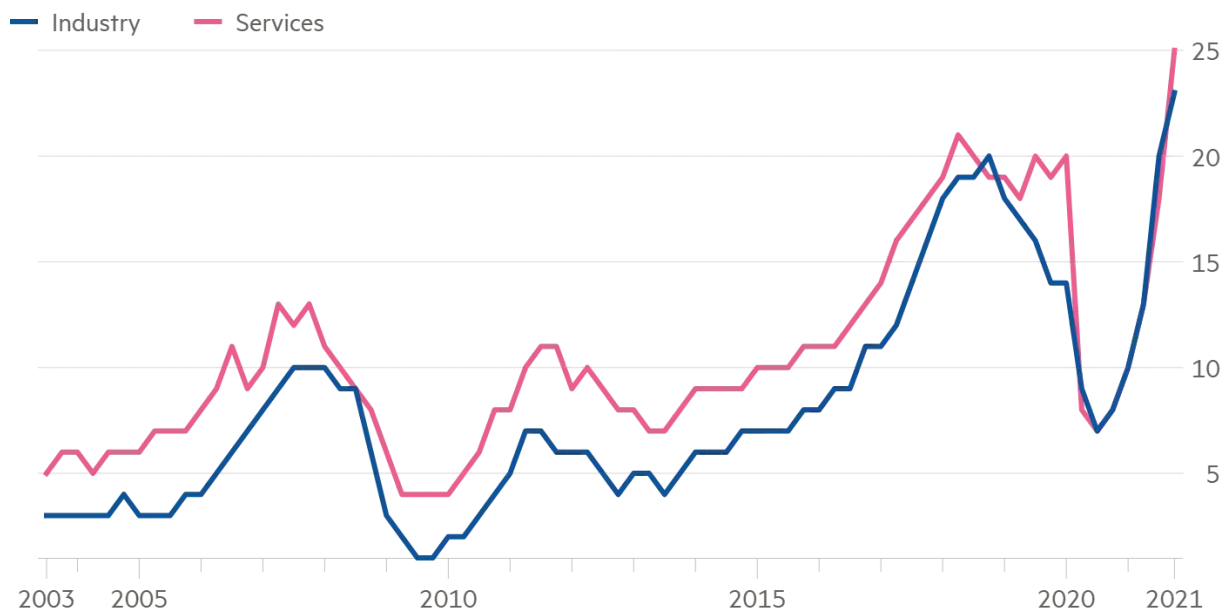
Surging inflation is also a key concern for the country's businesses, which are weighing up how much of their extra costs can be [passed on to customers](#).



German business confidence this month rose for the [first time since last June](#) as supply chain problems eased and companies began to look more optimistically to the future. In Germany and elsewhere across the EU, it's also a good time to be a jobseeker. A buoyant **labour market** with record low unemployment and rising wages is forcing employers to get creative in the [search for talent](#), including deploying eye-catching initiatives such as cash bonuses just for turning up for an interview.

Worker shortages hit record highs

EU companies reporting labour as a factor limiting production (%)



Seasonally adjusted
Source: European Commission
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Global latest

Our latest **Big Read** examines the failures of the US administration to get a grip on the spread of the Omicron variant, which have exposed the [continuing dysfunction](#) in the country's public health institutions. Omicron fears, along with worries about inflation, are also taking their toll on [consumer confidence](#).

The WHO-backed **Covax programme** to ensure poorer countries get their fair share of vaccines is [unable to accept new donations](#) of shots because it has no money left to buy critical accessories such as syringes. About 86 countries continue to have vaccine coverage rates of below 40 per cent.

Asian Americans, the fastest-growing minority in the US, have been hit [disproportionately hard](#) by the pandemic, writes Patti Waldmeir in Chicago. Up to 30 per cent live in intergenerational households and often work in frontline roles in healthcare, restaurants and grocery stores.

Need to know: business

“We are really on the cusp from a behavioural perspective of turning from a pandemic to an endemic,” said Jeff Campbell, chief financial officer at **Amex**, as the company issued its first [long-term revenue forecast](#) since Covid-19 hit. The card company said revenues would grow 18-20 per cent this year, in the mid-teens in 2023, and 10 per cent a year from 2024.

“Fraud in government is rampant. Public estimates sit at just under £30bn a year. There is a complete lack of focus on the cost to society, or indeed the taxpayer.” **Theodore Agnew** writes for the FT on why he [quit his ministerial position](#) over Covid loans. **UK banks** have [pushed back](#) against the criticism.

Shares in industrial giant **GE** fell after the company blamed [shortages of semiconductors](#) and other parts for a drop in revenues in the fourth quarter. A US commerce department report said the surge in demand for chips meant companies were left on average with [just five days' worth of supplies](#).

Microsoft gave a bullish outlook for the current quarter, driven by continuing demand for its [cloud services](#), which enjoyed a 32 per cent jump in revenues in the final quarter of last year and a 37 per cent increase in new bookings. Earnings per share increased by a more than expected 22 per cent to \$2.48.

Low-cost carrier **Wizz Air** said the Omicron variant was driving up losses but expected passenger [demand to bounce back](#) later this year. The London-listed airline reported an operating loss of €213.6m for the final quarter of 2021.

“Normally at the end of January there is a bit of ‘Wahey, thank God we’re paid’” says one UK **pub chief** of his clientele. This weekend however could be a bit more lucrative than usual for the nation’s boozers: it’s the first for a long time [without any Covid restrictions . . .](#)

The World of Work

Is it time to put an end to **working from home**? For her latest [Working It podcast](#), Isabel Berwick talks to Camilla Cavendish and Pilita Clark — who have both written columns on hybrid work that have gone viral — and gets them to respond to readers’ comments. Have a listen and let us know what you think!

One company at least is betting big on the long-term return to the office. **Citi** is spending £100m on a three-year project to [revamp its landmark tower](#) in London’s Canary Wharf.

Covid cases and vaccinations

Total global cases: **355.0m**

Total doses given: **9.9bn**

Get the latest worldwide picture with our [vaccine tracker](#)

And finally

Bored with beach holidays? Browse our collection of beautiful [sporting adventures](#), from skiing across the Dolomites in a single day to a cross-channel Caribbean swim and a Kenyan safari marathon.



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