

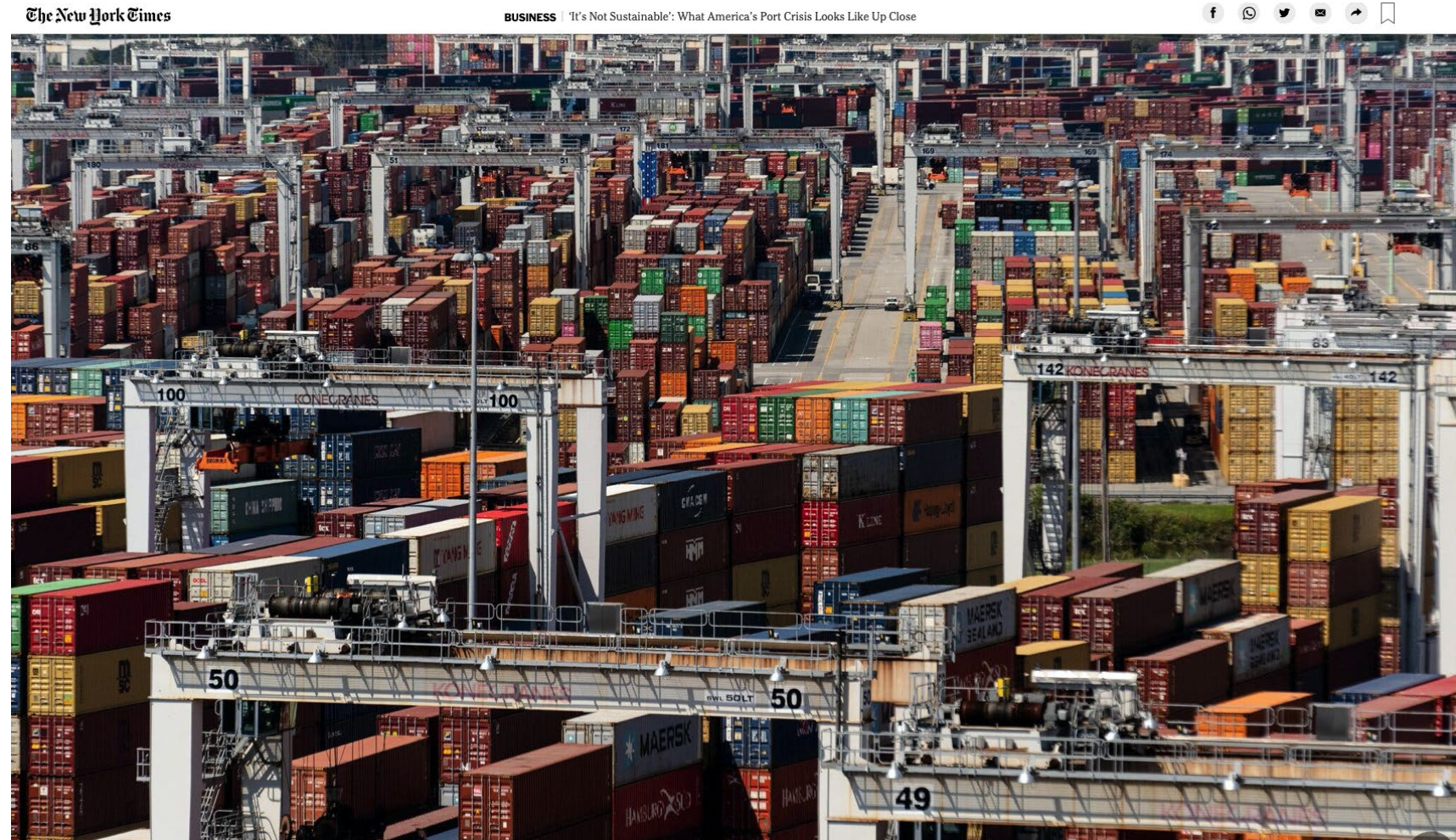
COVID-19 and the Global Economy: economic shocks from new variants

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CEPR (London)

December 2021
Prepared for: MCID omicron webinar

Supply chain chaos

- Earlier economic shocks (pre-COVID)
- The first COVID shocks in early 2020
- The impact of new COVID shocks
- Lasting effects from the earlier shock



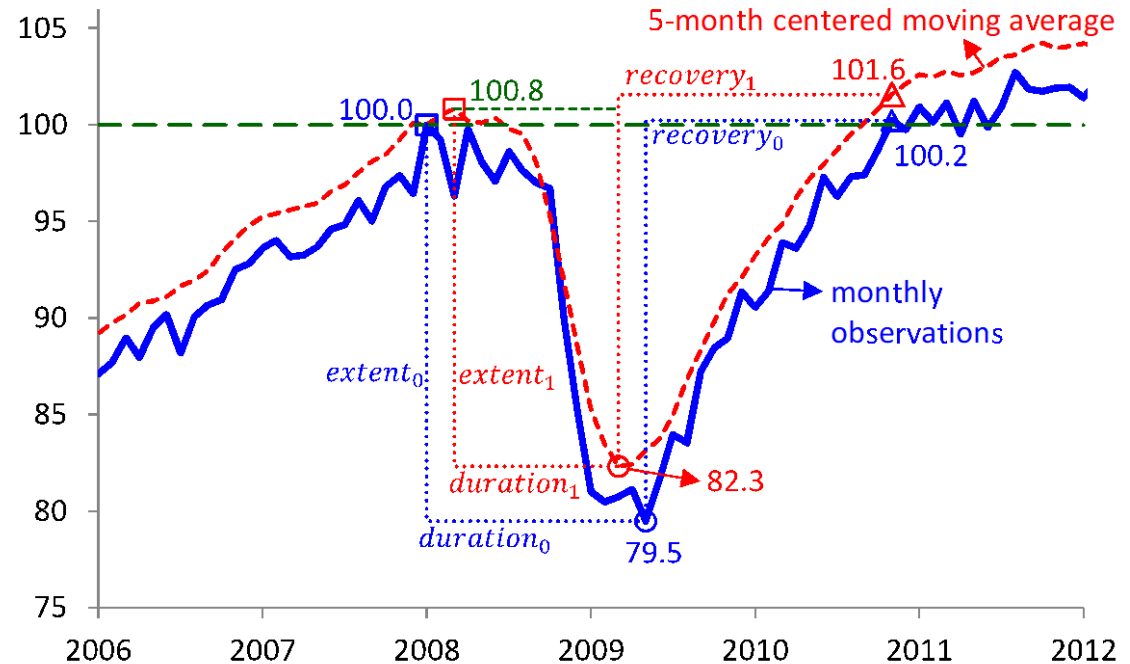
Port of Savannah. Source: NYTimes, 10 October 2021, "It's Not Sustainable': What America's Port Crisis Looks Like Up Close."

Earlier economic shocks (pre-COVID)

The Great Recession

- Trade was a transmission mechanism for demand shocks in the Great Recession
- Supply chains transmitted falling industrial demand across borders
- Supply chains also spread recovery drivers (rising demand) across borders.

Figure 2 The Great Recession; volume of world trade, index (January 2008 = 100)



Source: compiled from CPB WTM gross trade volume; trade is average of export and import volume; square is peak; circle is trough; triangle is recovery.

From “Resilience, Supply Chains and the Great Recession,” Steven Brakman, Charles van Marrewijk, CESifo Working Paper 6505, 2017.

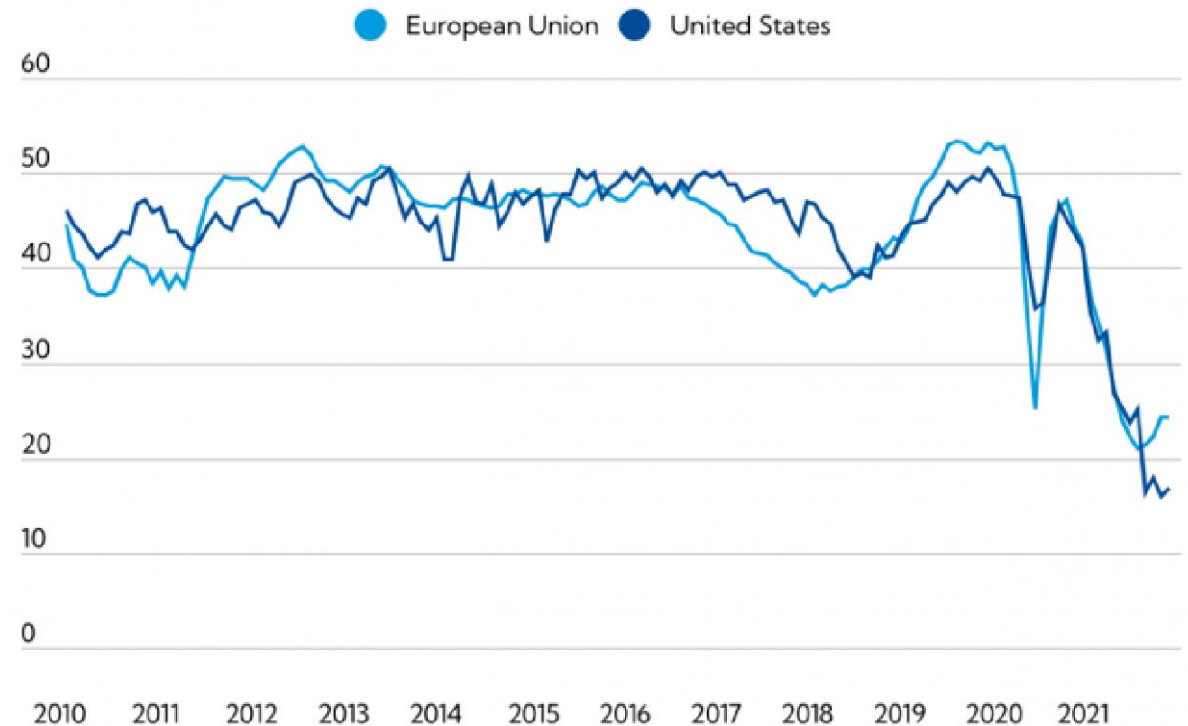
The first COVID shock in early 2020: aka The Great Supply Chain Shock

- Port closures and border closures
- Factory shut downs for critical components
- Delayed delivery times for critical components
- Lasting disruption to global logistics networks.

In recent weeks, the shutdown of a giant container terminal off the Chinese city of Ningbo has added to delays. [Vietnam](#), a hub for the apparel industry, was locked down for several months in the face of a harrowing outbreak of Covid. Diminished cargo leaving Asia should provide respite to clogged ports in the United States, but Mr. Lynch dismisses that line.

“Six or seven weeks later, the ships come in all at once,” Mr. Lynch said. “That doesn’t help.” NYTimes, October 2021.

Backlogs and bottlenecks: supply chain turmoil
Suppliers' delivery times in the US and EU have slowed considerably — a lower index reflects longer delivery times.
(Manufacturing PMI, suppliers' delivery times)



Sources: IHS Markit.

Note: PMI=Purchasing Managers' Index. Readings above 50 indicate faster delivery times, readings at 50 signal no change, and readings below 50 indicate slower.

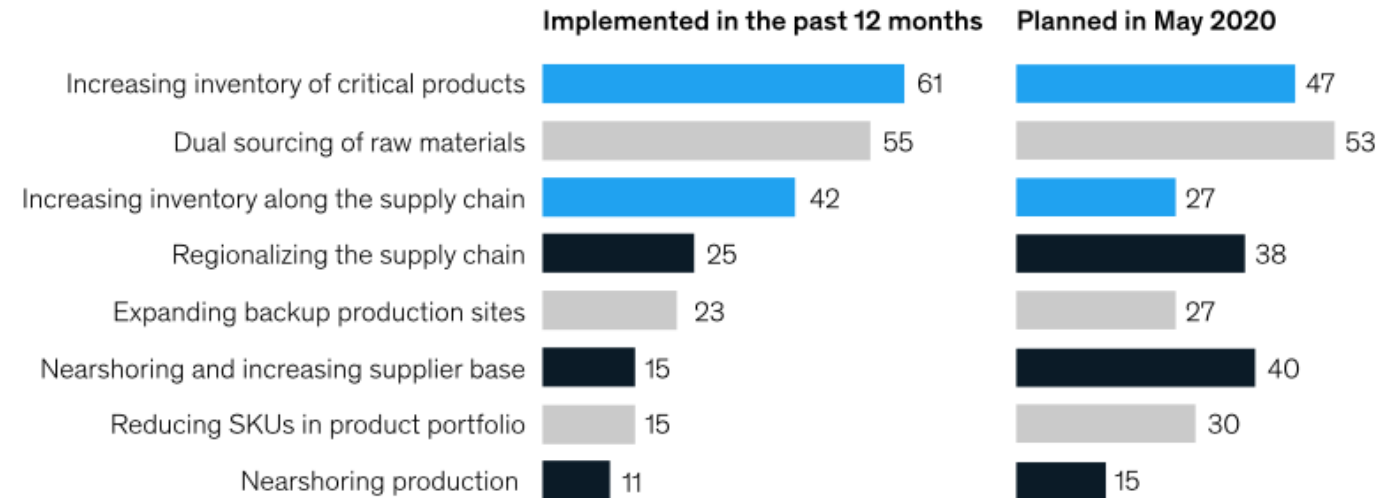
The first COVID shock in early 2020

- Firms have been responding by building inventories
- Expanded inventory buildups are placing further stress on supply chains
- Delayed delivery times for critical components
- Lasting disruption to global logistics networks. Containers are in the wrong places, and port clearing times are bad and getting worse

Companies originally planned to increase nearshoring of suppliers to boost supply-chain resilience—but wound up increasing inventory.

Planned and implemented actions, % of respondents

■ Actions related to nearshoring ■ Actions related to inventory ■ Other



Source: McKinsey survey of global supply-chain leaders (May 4–June 16, 2021, n = 71)

McKinsey
& Company

From: “How COVID-19 is reshaping supply chains,”
McKinsey & Co, Nov 2021.

The Impact of further COVID shocks

THE STRAITS TIMES

BUSINESS

Wall Street clobbered as crude plunges, coronavirus crisis deepens



A trader works on the floor of the New York Stock Exchange, on March 9, 2020. PHOTO: REUTERS

UPDATED MAR 10, 2020, 1:14 PM



NEW YORK (REUTERS) - Wall Street suffered its biggest one-day loss since the 2008 financial crisis on Monday (March 9) and recession worries loomed large as [tumbling oil prices](#) and ongoing [coronavirus](#) fears prompted investor panic on the anniversary of the United States stock market's longest-ever bull run.

March 2020

THE STRAITS TIMES

BUSINESS

Dow ends 2.5% lower as new Covid-19 variant causes year's worst drop



A trader works on the floor of the New York Stock Exchange in New York, on Nov 26, 2021. PHOTO: REUTERS

UPDATED NOV 27, 2021, 5:21 AM



NEW YORK (AFP) - [The new Covid-19 variant](#) that has prompted travel restrictions worldwide caused Wall Street to plunge in Friday's (Nov 26) holiday shortened session, with the Dow seeing its worst loss of the year.

November 2021

The Impact of further COVID shocks

.DJI • INDEX

Dow Jones Industrial Average

35,719.43 ↑ 80.80% +15,962.58 5Y

Dec 7, 5:05:06 PM UTC-5 · INDEXDJX · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



From: Google Finance

The Impact of further COVID-19 shocks: employment recovery continues despite Delta

NEWS RELEASE
BUREAU OF LABOR STATISTICS
U. S. D E P A R T M E N T O F L A B O R



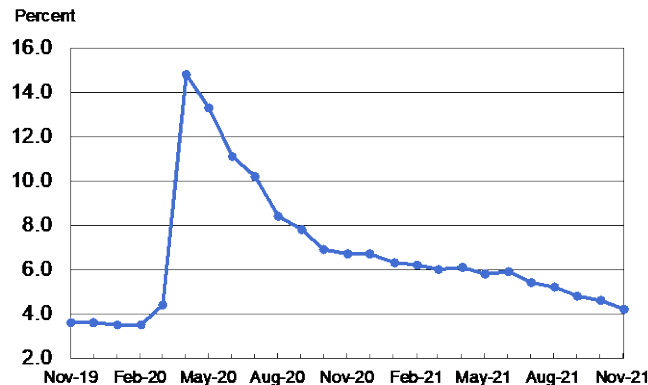
Transmission of material in this news release is embargoed until
8:30 a.m. (ET) Friday, December 3, 2021

USDL-21-2075

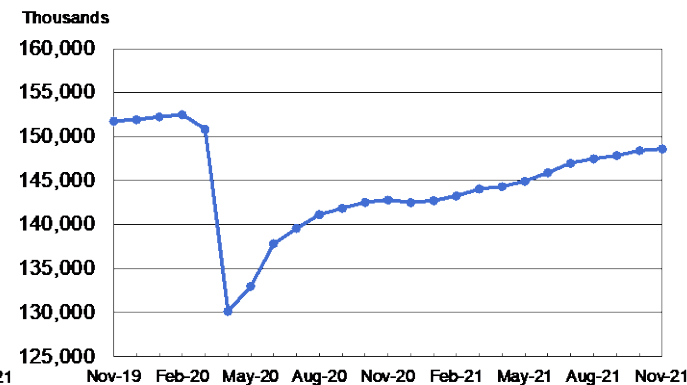
THE EMPLOYMENT SITUATION — NOVEMBER 2021

Total **nonfarm payroll employment** rose by 210,000 in November, and the **unemployment rate** fell by 0.4 percentage point to 4.2 percent, the U.S. Bureau of Labor Statistics reported today. Notable job gains occurred in professional and business services, transportation and warehousing, construction, and manufacturing. Employment in retail trade declined over the month.

**Chart 1. Unemployment rate, seasonally adjusted,
November 2019 – November 2021**



**Chart 2. Nonfarm payroll employment, seasonally adjusted,
November 2019 – November 2021**



The Impact of further COVID shocks

- The supply chain is already disrupted, and firms anticipate further disruption. We see this in changes in inventory vs diversified production strategies.
- Travel disruption and on/off local measures will continue to disrupt services (food, travel and tourism, education), with knock on effects on employment.
- What will matter is unexpected shocks than require stronger lockdowns than what are anticipated.
- What will also matter is lack of clarity regarding policy (lockdowns, port closures, travel restrictions, etc) as this means continued uncertainty.
- Other ongoing shocks (like Brexit) may make economic cost of COVID-19 measures worse.

British Grocery Stores Are Stocking Empty Shelves with Cardboard Cutouts of Food

UK supermarket Tesco claims it has nothing to do with supply chain issues.

By Jelisa Castrodale | October 25, 2021



Source: foodandwine.com, October 2021.



Introduction

17:00- 17.10

Prof. Dr. Carmen Faso, MCID Co-Chair

Prof. Dr. med. Nicola Low (Moderator)



Speaker presentation

17:15- Dr. Emma Hodcroft, Institute of Social and Preventive Medicine, UniBern

“What is Omicron and how do we identify it?”

17: 30- Prof. Dr. Volker Thiel, Institute for Virology and Immunology, Vetsuisse, UniBern

“How is Omicron different from other variants?”

17:45- PD Dr. Christian Althaus, Institute of Social and Preventive Medicine, UniBern

“How well does Omicron spread compared to other variants?”

18:00- Prof. Dr. med. Annelies Wilder-Smith, Institute of Social and Preventive Medicine, UniBern

“What does Omicron mean for international travel?”

18:15- Prof. Dr. Joseph Francois, World Trade Institute, UniBern

“Why and how does Omicron cause an international economic shock?”

Panel discussion

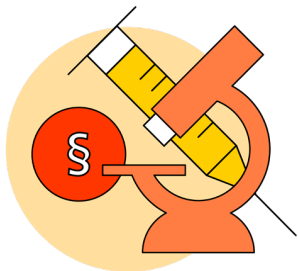
Including the speakers above, together with:

Prof. Dr. Dr. Claus Beisbart

Institute of Philosophy, UniBern

PD Dr. med. Manuela Funke-Chambour

Department for Biomedical Research, Inselspital



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