

Omicron could slow economic growth

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Just as it was recovering from the body blow of the Covid-19 pandemic, the global economy has taken yet another hit from the Omicron variant of the virus, which has led to a raft of new travel restrictions.

The newly variant is spreading rapidly worldwide could make the situation worse and exacerbate labor shortages and supply chain snarls, the World Bank warned. In its latest Global Economic Prospects report, the Washington-based development lender cut its forecast for world economic growth this year to 4.1 per cent after the 5.5 per cent rebound last year.

The forecasts for growth last year and this year were both 0.2 per cent lower than estimates released in June.

However, the bank warned, "Various downside risks cloud the outlook, including simultaneous Omicron-driven economic disruptions, further supply bottlenecks (and) a de-anchoring of inflation expectations," the report said. That could further reduce global growth this year to as low as 3.4 per cent, a drop of 0.7 percentage points.

World Bank President David Malpass worries about the "huge toll" the pandemic is inflicting on people in poor countries, which could have ramifications for the future. "We're seeing troubling reversals in poverty, nutrition and health. The reversal and education or scope from schools' closures will have a permanent impact," he told reporters. "I'm very worried about the permanent scar on development."

Ayhan Kose, head of bank's forecast unit, told AFP the Omicron strain is causing fewer restrictions than the initial outbreak, which means the overall impact could be more benign. However, he cautioned, "If it stays around much longer, and cases remain elevated and continue pressuring health systems, under that scenario, the global growth will be lower."