



Lessons from the last six months

... And what do these lessons imply about the outlook?

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The consensus misjudged how the recovery would develop

The consensus view on the global economy has fallen apart spectacularly over the last six months. Growth expectations have fallen and inflation forecasts have risen sharply. We draw some lessons from this and look at what they might imply for the outlook.

There are some lessons we can draw from these errors

First, there's no quick fix for dealing with Covid. Second, micro problems can have macro consequences. Third, economists still don't understand inflation particularly well. And fourth, central banks still care more about inflation than anything else.

Those lessons hold important implications for the outlook

These lessons imply a more drawn-out, disrupted recovery than was expected. More generally, supply shocks have become more important to business cycle fluctuations. This could apply in both directions, with implications for inflation and monetary policy.

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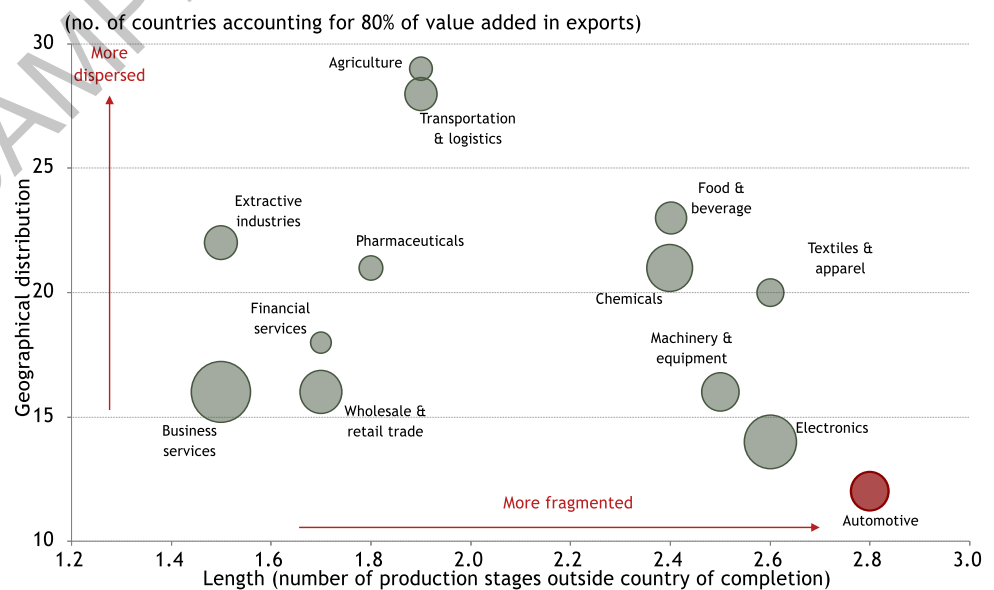
[‘Inflation - is it still transitory?’](#), Economics Weekly 17th Aug 2021

[‘Getting back to work’](#), Economics Weekly 10th August 2021

[‘The end of the semiconductor crisis?’](#), Absolute Insight 11th Oct 2021

[‘Chinese power cuts hit global supply chains’](#), Absolute Insight 28th Sept 2021

Key chart: The complexity of global supply chains by industry



○ Bubble size is proportional to value of gross exports in US\$bn

Source: ASR Ltd. / [UNCTAD](#) / Refinitiv Datastream