



Delta Downer

The economy is booming and stocks are at record highs. But the latest strain of COVID is spooking governments, businesses, and investors as a new wave of infections threatens to crash the party.

The Delta variant accounts for an estimated 83% of all new cases, giving rise to a dramatic uptick in infections.

The après-COVID party is in full swing. Travel is booming. Restaurants are full. Real estate is on a roll. Even used cars are a hot commodity. The U.S. economy grew by a whopping 6.4% in the first quarter, and it's projected to top that rate in the second quarter, putting it above pre-pandemic levels. As if that weren't enough, the Dow Jones Industrial Average (DJIA) recently topped 35,000 and other major stock indexes are hitting all-time highs.

But an uninvited guest has arrived. Her name is Delta, and she's out to ruin the party. The Delta variant of the COVID-19 virus has spread rapidly around the globe. In the U.S. alone, it now accounts for an estimated 83% of new cases. Its high rate of transmission has brought about a new wave of infections across the country. In the two weeks ended July 25, the number of new Covid-19 cases rose by 170%. Hospitalizations were up 58%, and deaths up by 20%. Although the caseload remains well below levels seen earlier in the pandemic, infections have at least doubled in a number of states. In fact, the Delta variant has pushed the seven-day average of new cases above 50,000 for the first time since April.¹

Critical Reaction

The first to react to the Delta wave was, unsurprisingly, Wall Street. Stocks fell sharply on July 19, following the announcement of the latest pandemic stats, with the DJIA tumbling over 700 points, its biggest decline in almost 10 months. Yet prices quickly recovered, and the index has since gone on to post new highs.

More concerning is what effects the upsurge of infections might have on the economy. Even before the rebound in COVID cases, shortages of labor, computer chips, and other goods were holding back a full recovery. A new surge could bring about renewed supply chain delays. The reopening of schools and offices could be postponed or even cancelled. Already, Apple has decided to delay the planned reopening of its sprawling Cupertino campus. Other companies are expected to follow suit.

There is also the possibility that restrictions might be reimposed on dining, entertainment, and travel. Although lockdowns and closures are unlikely, the uptick in cases could translate into a return to enforced social distancing, mask mandates, restrictions on public gatherings, and limits on travel -- all of which could impact consumer confidence and demand.

Is the Party Over?

With 70% of U.S. adults now vaccinated,² no one currently expects a resurgence of cases anywhere near the levels experienced in 2020. And no one expects the economic fallout to approach last year's recession. But the Delta wave is likely to affect different areas differently.

In some southern and Midwestern states, new vaccinations have plateaued, and rates remain stubbornly low. Unless they improve, higher infection and hospitalization rates could derail economic recoveries in those areas.

State restrictions will also play a role. Those states that have been more aggressive in their safety measures may reinstate them. Los Angeles County in California has

already reinstated mask mandates and other restrictions, and several other towns are considering following suit. If infections continue to grow, more restrictions will likely follow.

Delta's long-term impact on the economy will ultimately depend on how widely it spreads. Soaring infection rates could spur the emergence of ever-new variants, which could eventually become more resistant to existing vaccines. That's a sobering thought, but one to keep in mind as Americans plan for an uncertain future.

¹New York Times, [Coronavirus in the U.S.: Latest Map and Case Count](#), July 26, 2021.

²CDC, [COVID Data Tracker](#), August 3, 2021. Represents adults 18 or older that have received at least one dose.