

OECD Interim Economic Outlook

Strengthening the recovery: The need for speed

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Overview

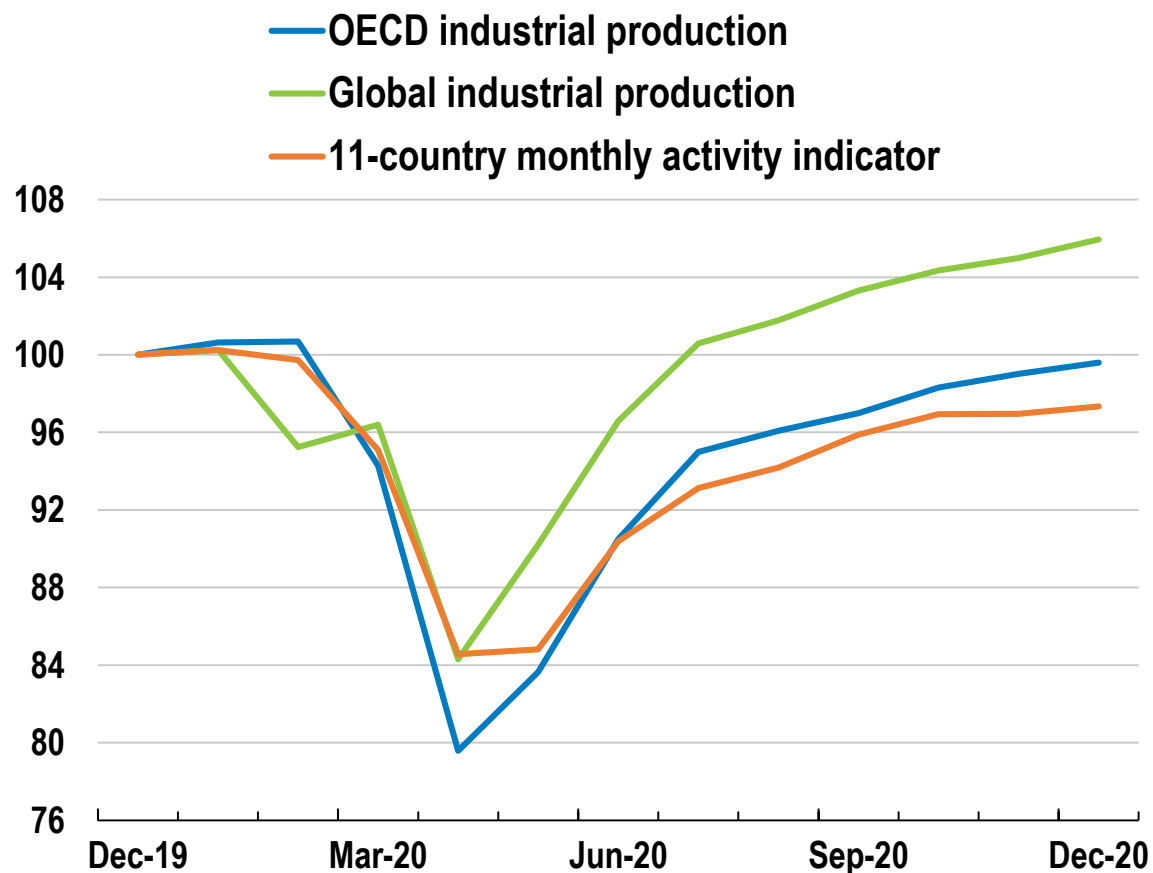
- Global **economic prospects have improved** and we have **revised up our growth projections**
- **Vaccine production** and **roll-out pace, fiscal policy support, public health management** and the size of hard-hit sectors in economies are driving growth and largely explain variation in performance across countries
- Governments **must speed up vaccine production, roll out vaccines globally** and should **adjust fiscal support as the health situation evolves**



High-frequency indicators suggest a rebound in industrial activity

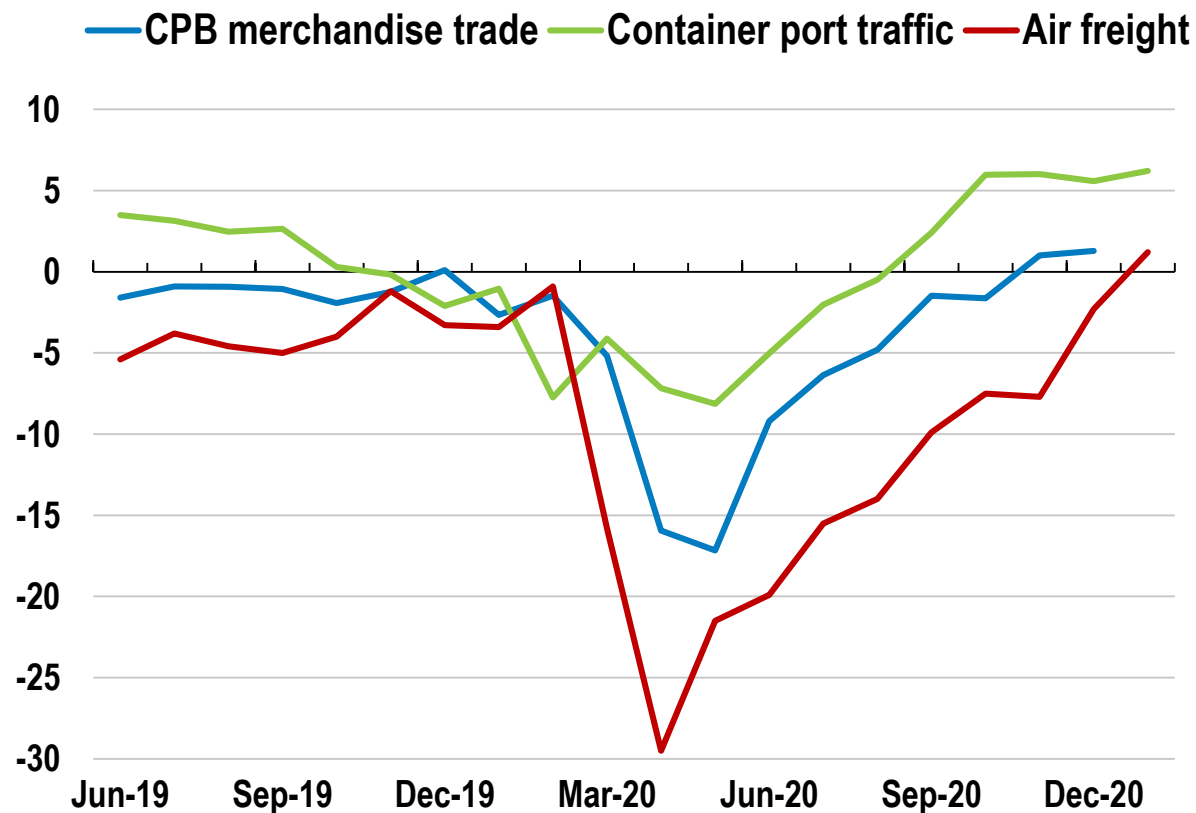
Global activity

Index, December 2019 = 100



Global trade

% change, year-on-year

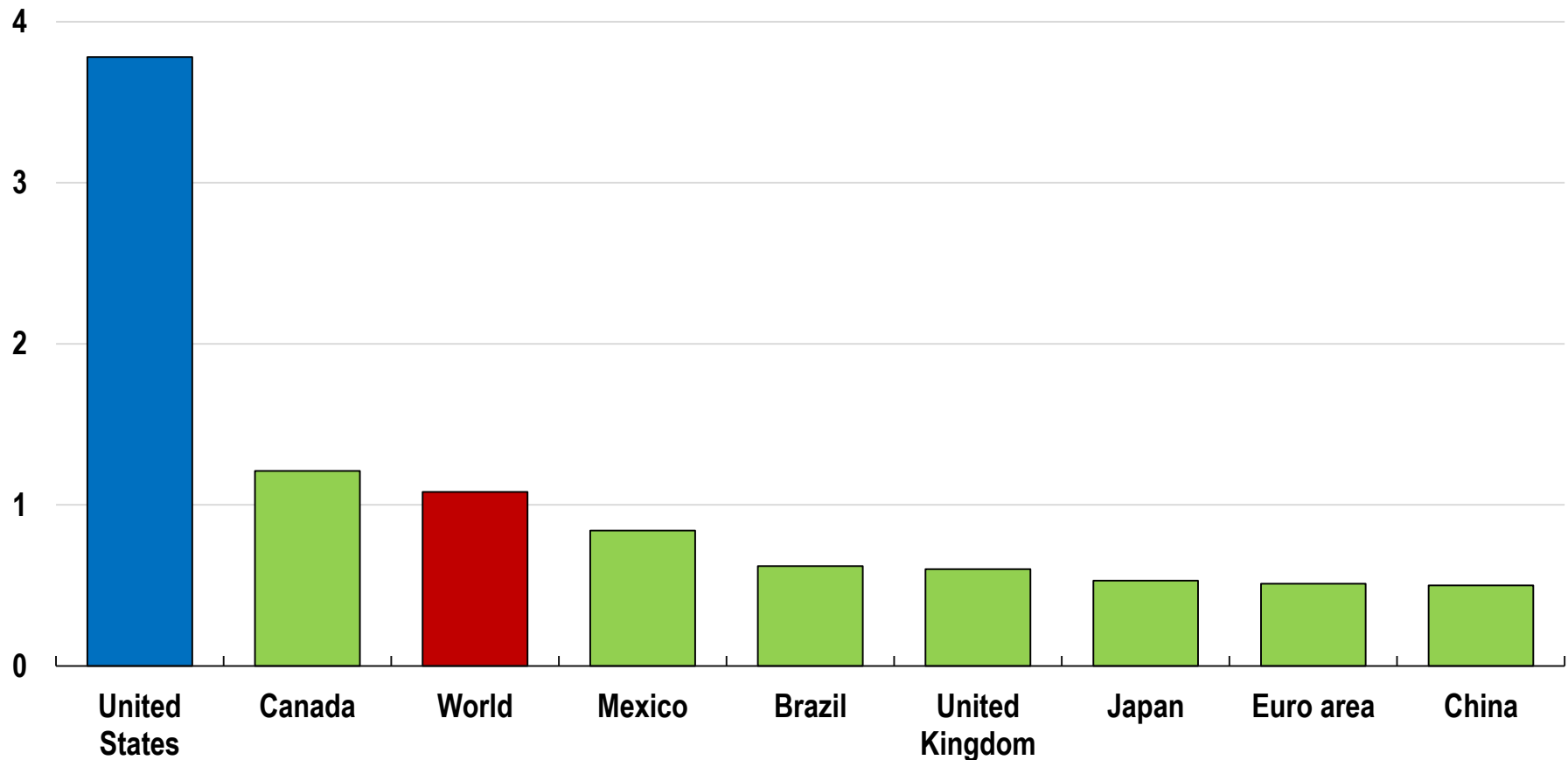


Note: LHS: PPP-weighted aggregates. The 11-country activity indicator uses monthly GDP or economy-wide output data for Argentina, Brazil, Canada, Chile, Colombia, Finland, Japan, Korea, Mexico, Norway and the United Kingdom. RHS: Data are all in volume terms.
 Source: OECD Economic Outlook database; CPB; IATA; RWI/ISL Container Throughput Index; and OECD calculations.



US fiscal stimulus will boost the world economy

GDP impact of the US fiscal stimulus
% difference from baseline in the first full year of the package



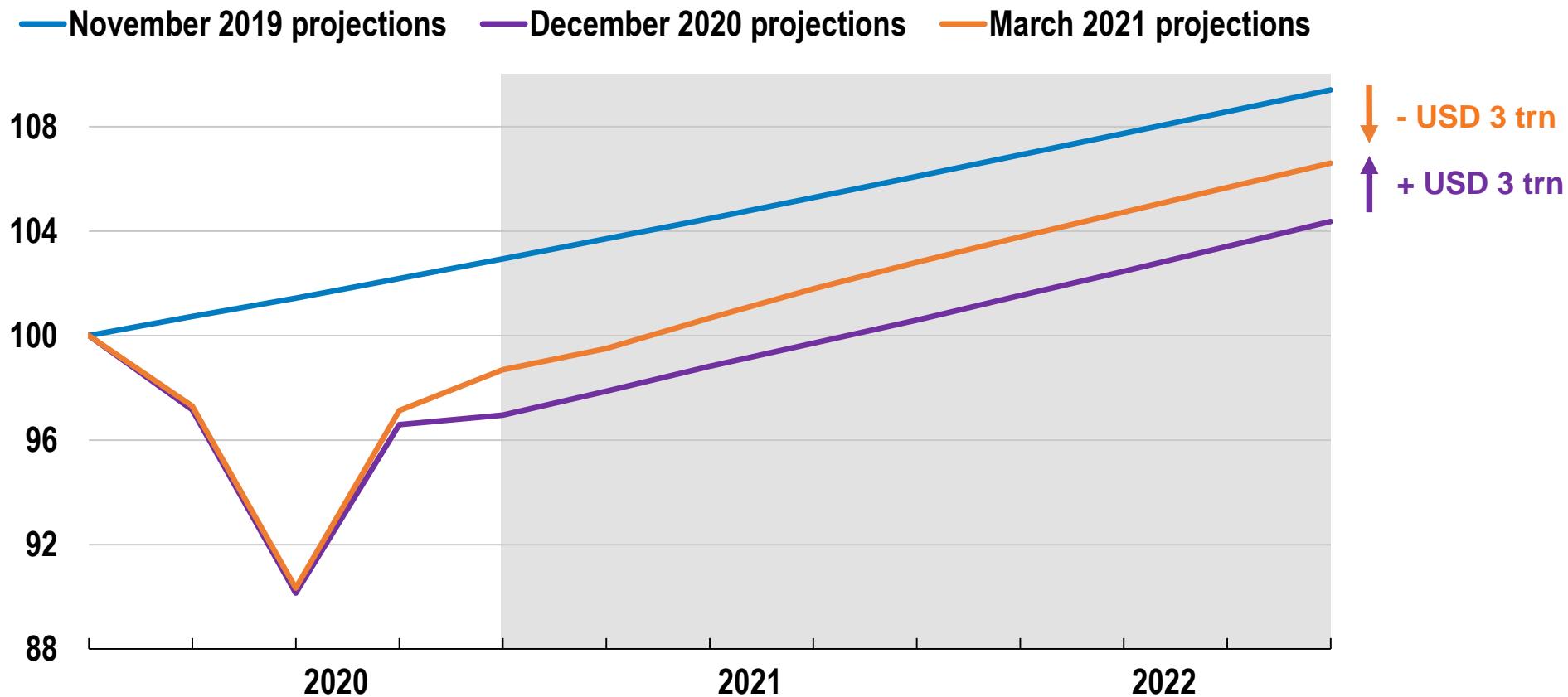
Note: The chart shows the average percentage difference in GDP relative to baseline over the first full year of the package (2021Q2-2022Q1). Simulation of the planned fiscal stimulus in the United States, set out in the American Rescue Plan. The new measures are worth up to USD 1.9 trillion (around 8 ½ per cent of baseline GDP). Measures are assumed to take effect over 2021Q2-2022Q2. Policy interest rates remain unchanged in the United States and other advanced economies until mid-2022, but are endogenous in the emerging-market economies. The GDP impact shown assumes that consumers are relatively sensitive to current income developments and thus immediately benefit from the stimulus package.
Source: OECD calculations using the NiGEM macroeconomic model.



Global economic prospects have improved

World GDP

Index 2019Q4 = 100



OECD Interim Economic Outlook projections

Real GDP growth

% change, year-on-year, colours indicate the direction of revisions since the December 2020 Economic Outlook

■ downward revision, by 0.3pp or more
 ■ no change or smaller than 0.3pp
 ■ upward revision, by 0.3pp or more

	2020	2021	2022		2020	2021	2022
World	-3.4	5.6	4.0	G20	-3.2	6.2	4.1
Australia	-2.5	4.5	3.1	Argentina	-10.5	4.6	2.1
Canada	-5.4	4.7	4.0	Brazil	-4.4	3.7	2.7
Euro area	-6.8	3.9	3.8	China	2.3	7.8	4.9
Germany	-5.3	3.0	3.7	India*	-7.4	12.6	5.4
France	-8.2	5.9	3.8	Indonesia	-2.1	4.9	5.4
Italy	-8.9	4.1	4.0	Mexico	-8.5	4.5	3.0
Spain	-11.0	5.7	4.8	Russia	-3.6	2.7	2.6
Japan	-4.8	2.7	1.8	Saudi Arabia	-4.0	2.6	3.9
Korea	-1.0	3.3	3.1	South Africa	-7.2	3.0	2.0
United Kingdom	-9.9	5.1	4.7	Turkey	1.8	5.9	3.0
United States	-3.5	6.5	4.0				

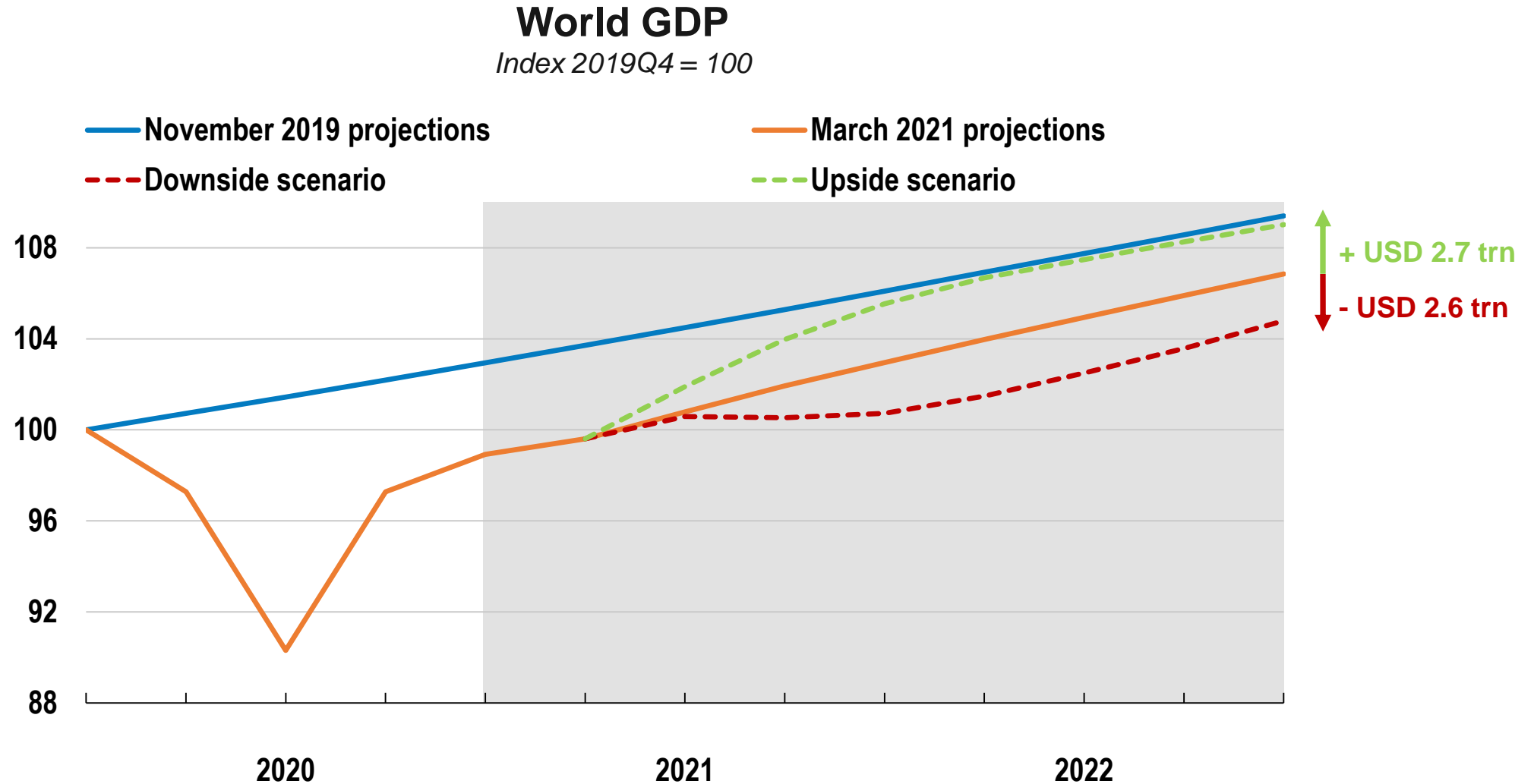
Note: *India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20. World and G20 aggregates use moving nominal GDP weights at purchasing power parities.

Difference in percentage points, based on rounded figures.

Source: OECD Economic Outlook database.



Vaccine production and deployment play a key role in the recovery



Note: In the upside scenario, faster progress in deploying effective vaccines around the world and a wide take-up amongst the eligible population enhances the pace at which containment measures can be relaxed, providing a stronger boost to the confidence of consumers and companies. In the downside scenario, the speed of vaccine production and deployment is not fast enough to reduce the transmission of the virus fully, especially if there is a wider emergence of new mutations that require modifications to current vaccines, confidence remains weak for longer, and spending slows, with restrictions on mobility being tightened again during the latter half of 2021. The November 2019 OECD Economic Outlook projections are extended into 2022 using the November 2019 estimates of the potential output growth rate for each economy in 2021.

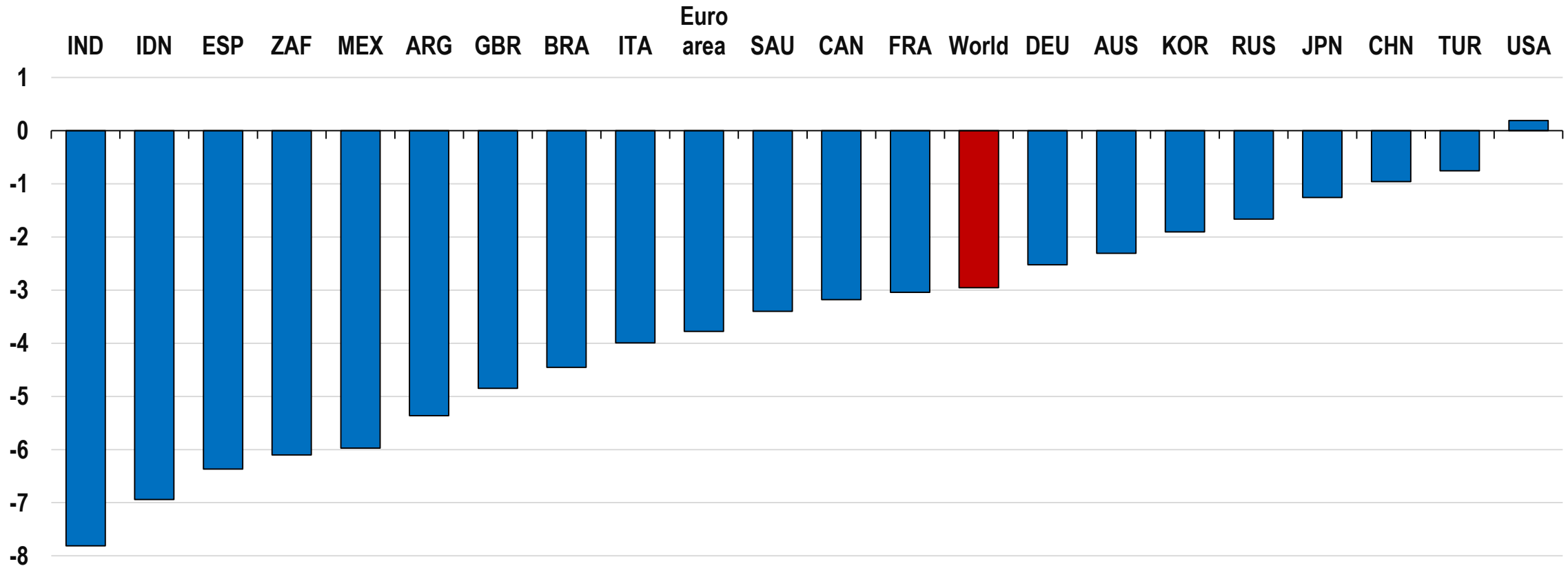
Source: OECD Economic Outlook 106 database; OECD Economic Outlook database; and OECD calculations using the NiGEM macroeconomic model.



The pandemic may have long-lasting effects in many countries

2021Q4 GDP projections

% difference from pre-pandemic projections for 2021Q4



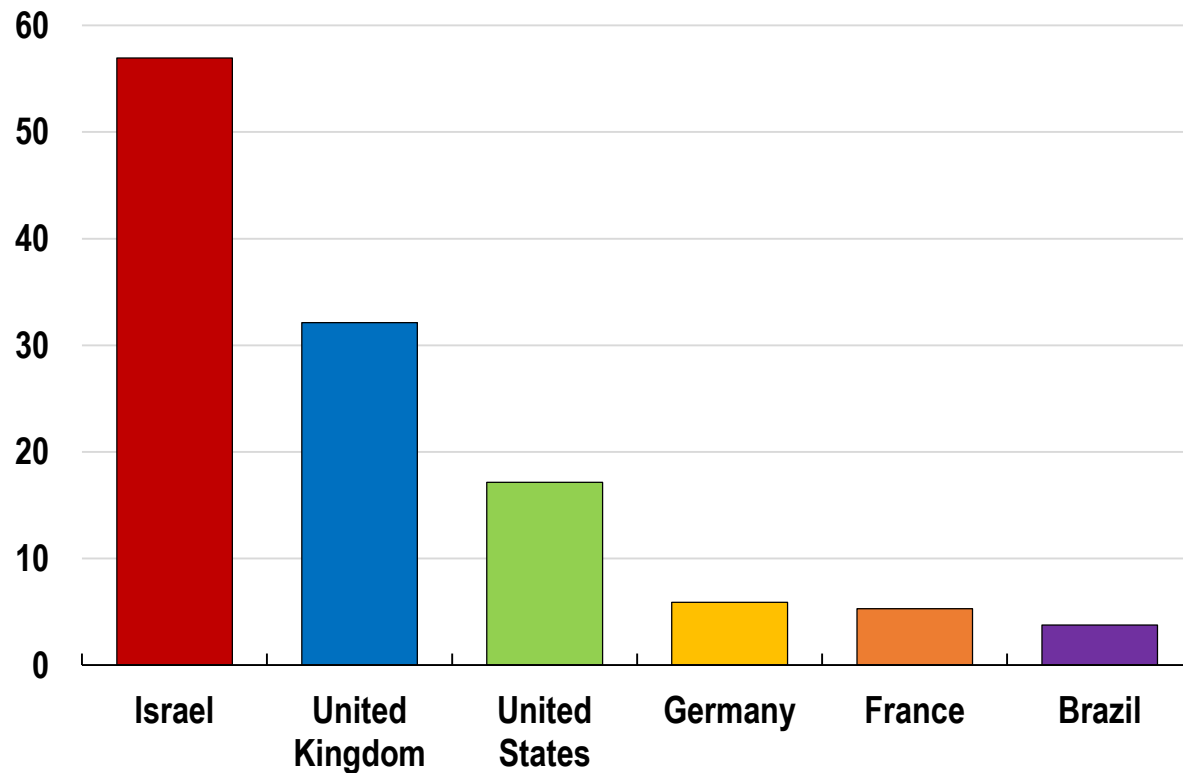
Risks: Governments are going too slowly



Slow vaccination risks holding back the recovery in many countries

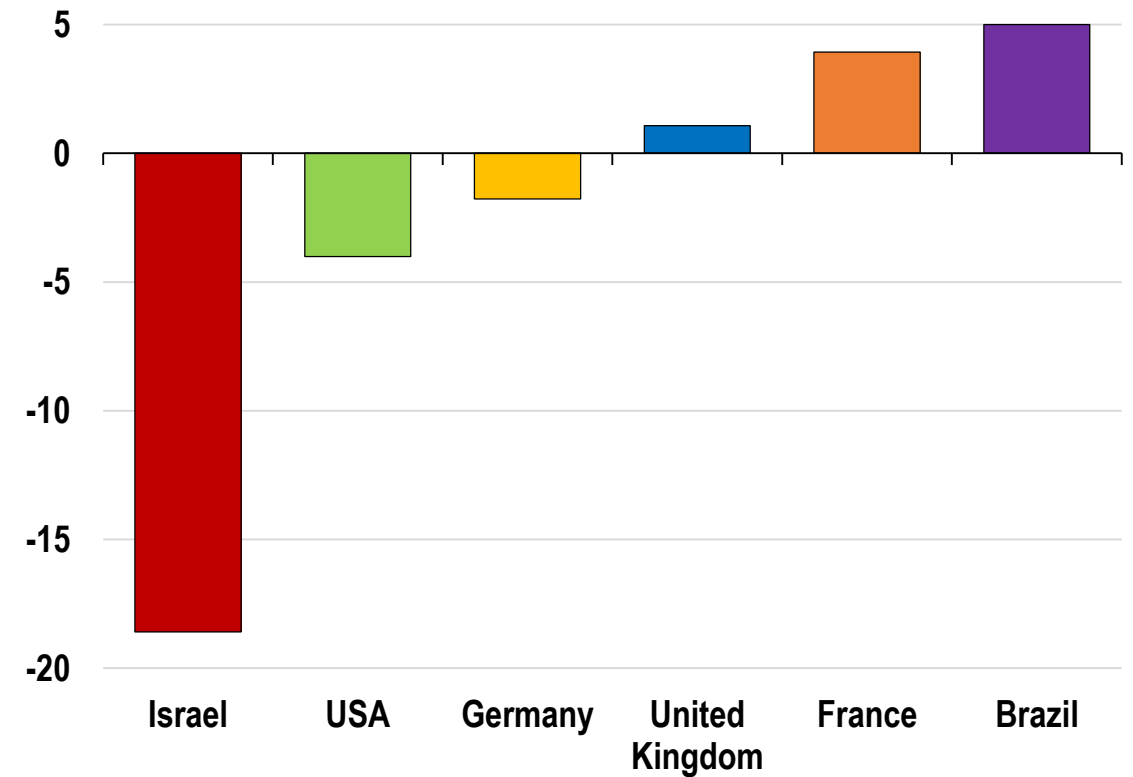
COVID-19 vaccinations

% of the population that received at least one dose



Restrictions' stringency index

Change in stringency index between Jan and Feb-Mar 2021



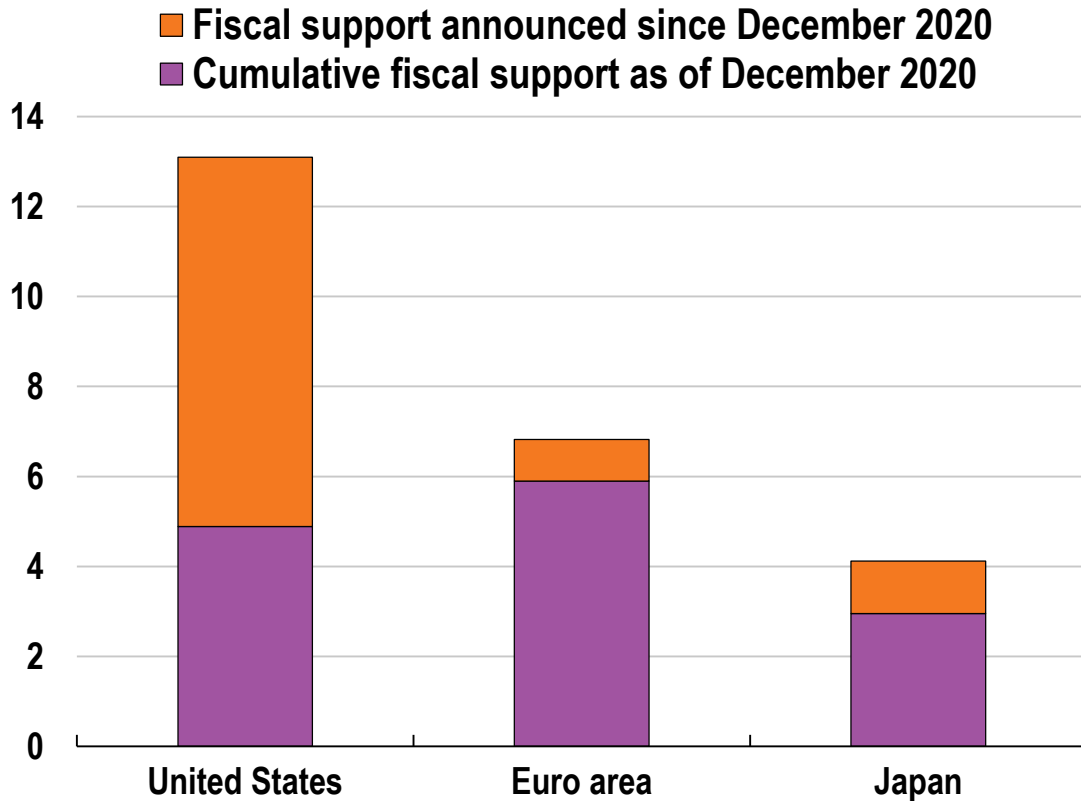
Note: LHS: The chart shows the percent of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses. Data as of 5-6 March 2021. RHS: The Confinement Stringency Index is a composite measure based on 9 response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest response). The chart shows the difference in the average stringency index in January and the average in February and the first week of March. Data accessed on 8 March 2021. Source: Our World in Data; Oxford COVID-19 Government Response Tracker, Blavatnik School of Government; and OECD calculations.



Differences in fiscal policy and health management are affecting output

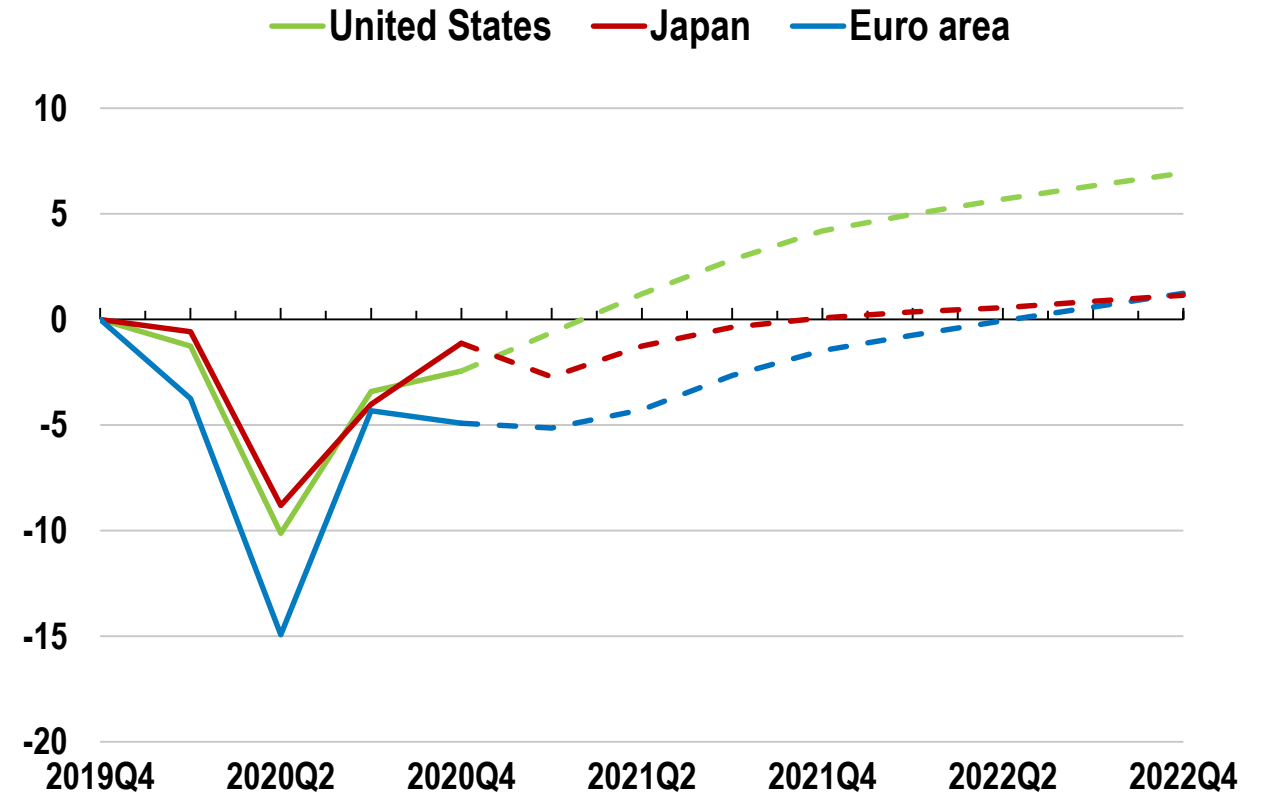
The amount of fiscal support varies between countries

% points of GDP



Output is diverging

% difference in real GDP from pre-pandemic levels, dashed lines represent forecasts



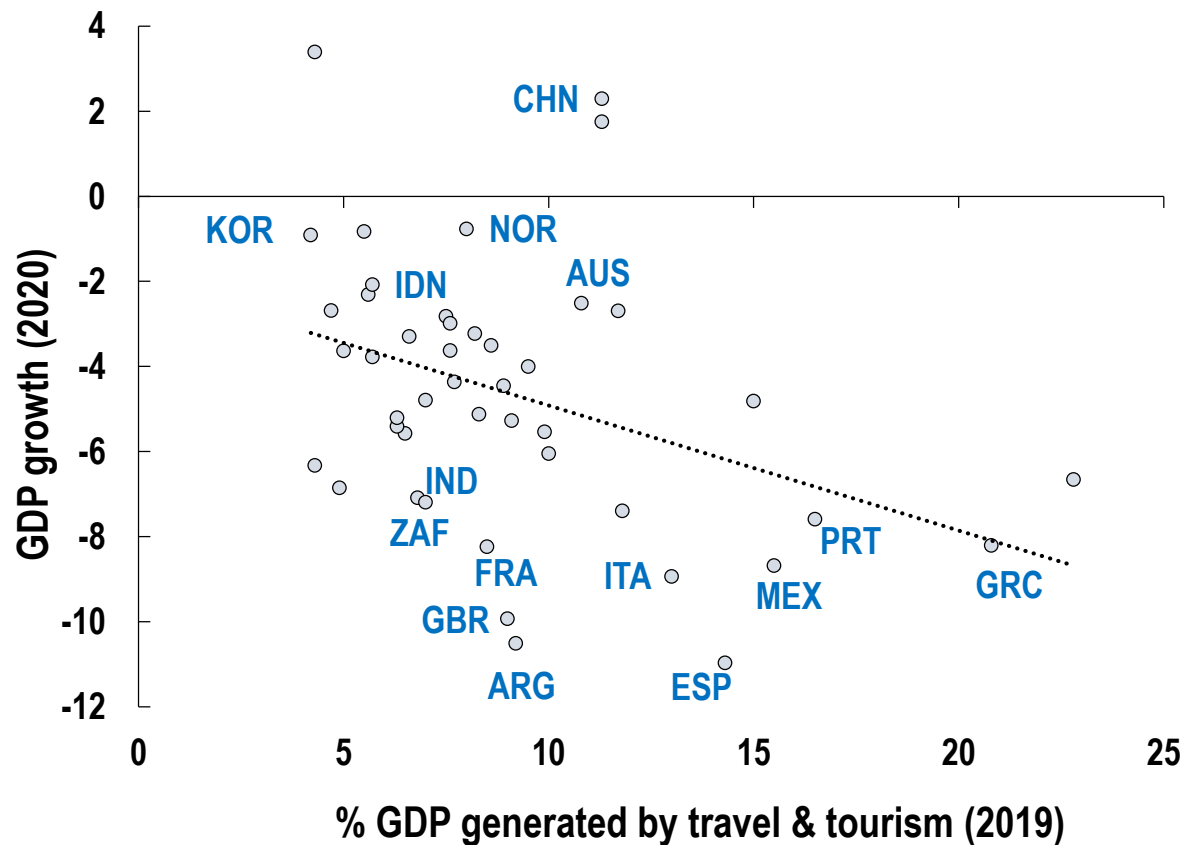
Note: LHS: Calculations are based on December 2020 projections. Cumulative fiscal support is measured as the cumulative change in net government lending as share of GDP between 2019 and 2021. Fiscal support announced since December is measured as share of 2020 GDP OECD Economic Outlook. RHS: % difference in real GDP since the fourth quarter of 2019.

Source: OECD Economic Outlook database; national sources, and OECD calculations.

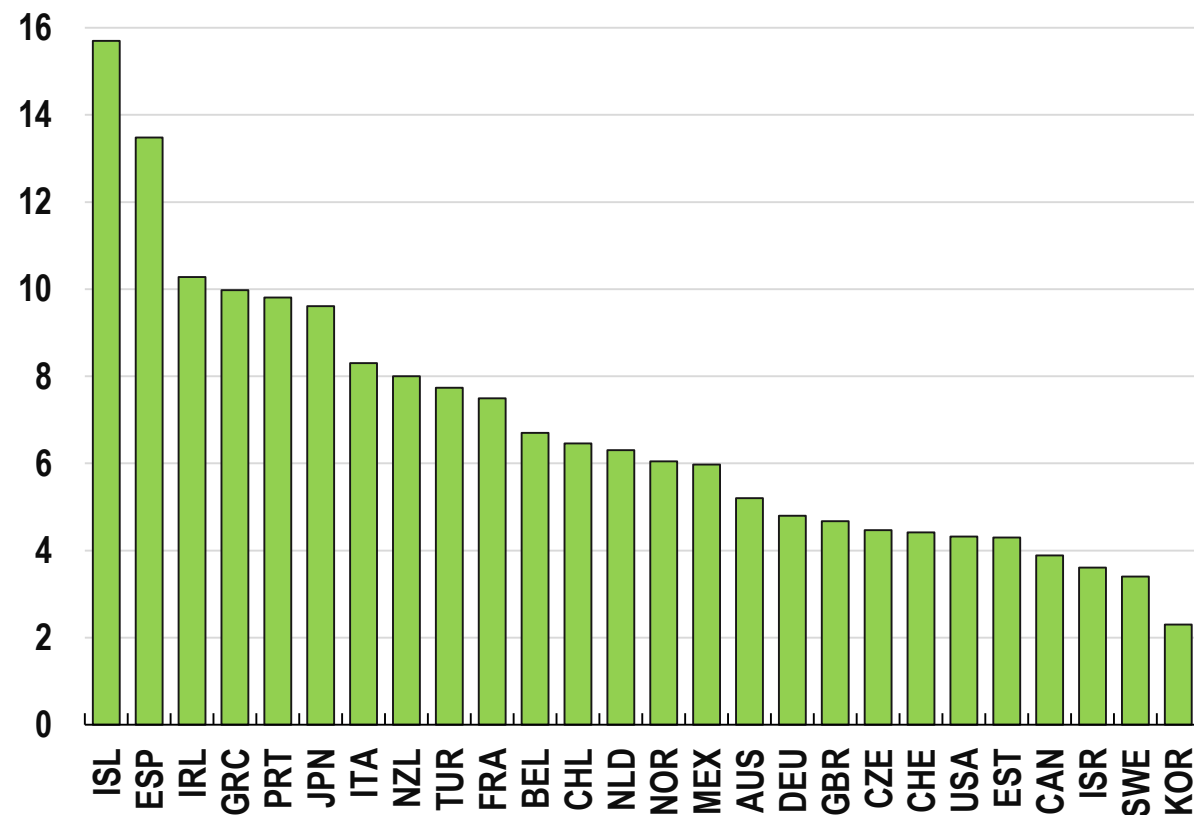


The travel and tourism sectors are being hit hard

Countries with larger travel and tourism sectors had steeper declines in GDP



Employment in tourism *% of total employment*



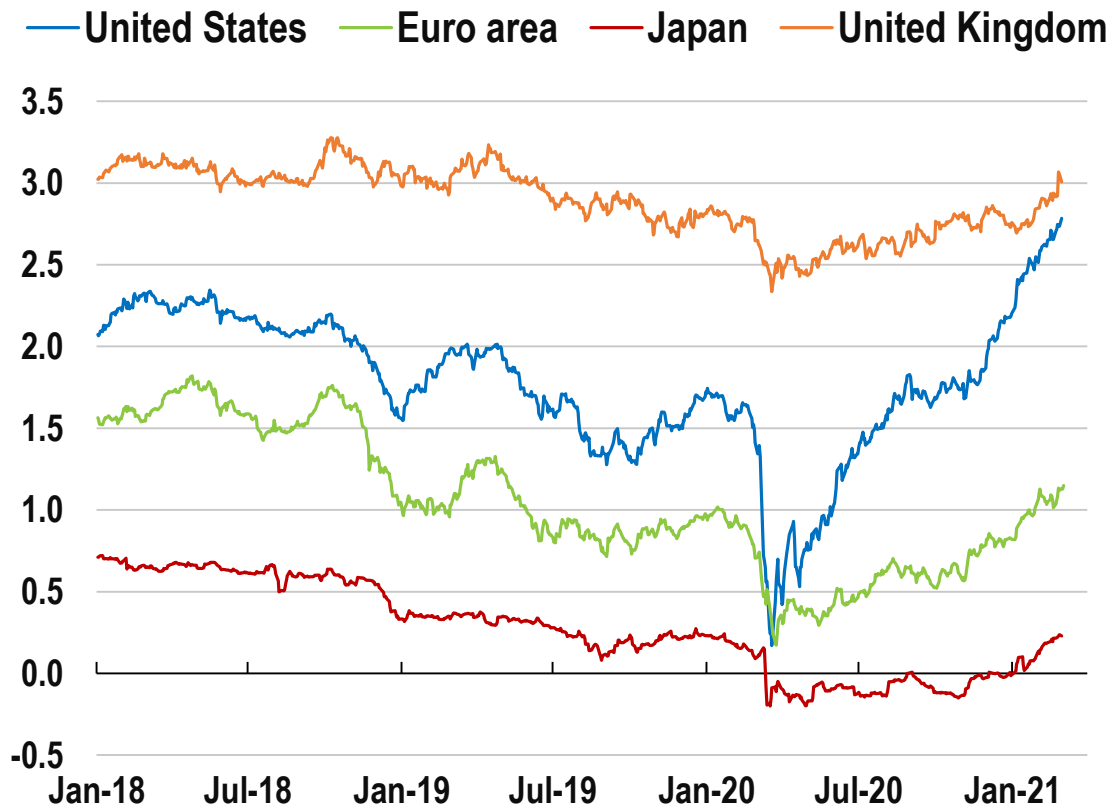
Note: LHS: Real GDP. Includes 45 OECD and G20 economies. Where GDP is not available for 2020, the March OECD Interim Economic Outlook projections are shown for G20 countries, and the December OECD Economic Outlook projections are shown for non-G20 countries. RHS: 2018 or latest available.
Source: OECD Economic Outlook database; OECD Economic Outlook 108 database; OECD Tourism Statistics (Database); and OECD calculations.



Inflationary pressures remain contained

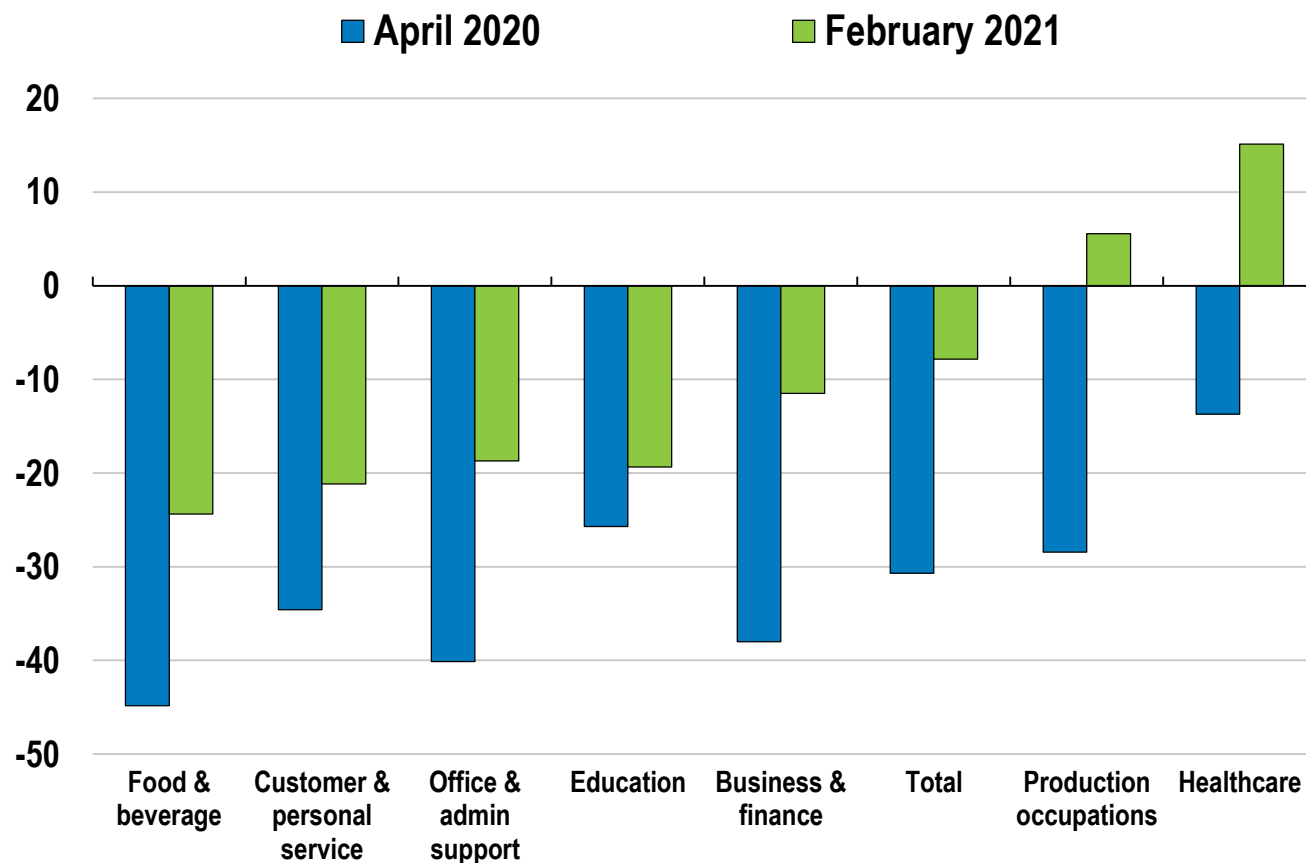
Inflation expectations have risen

% , as implied by bond yield differentials



Jobs are still missing in some sectors

Job postings, % change from pre-pandemic



Note: LHS: Expected inflation implied by the yield differential between 10-year government benchmark bonds and 10-year inflation-indexed bonds. RHS: Each bar shows seasonally-adjusted job postings for the week from 24-30 April 2020 and the week from 21-27 February 2021, compared to the pre-pandemic reference week in early February 2020. The aggregate includes Austria, Australia, Belgium, Canada, Germany, Spain, France, Ireland, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Poland, Switzerland, Sweden, the United Kingdom and the United States. Source: Refinitiv; Factset; Indeed; and OECD calculations.



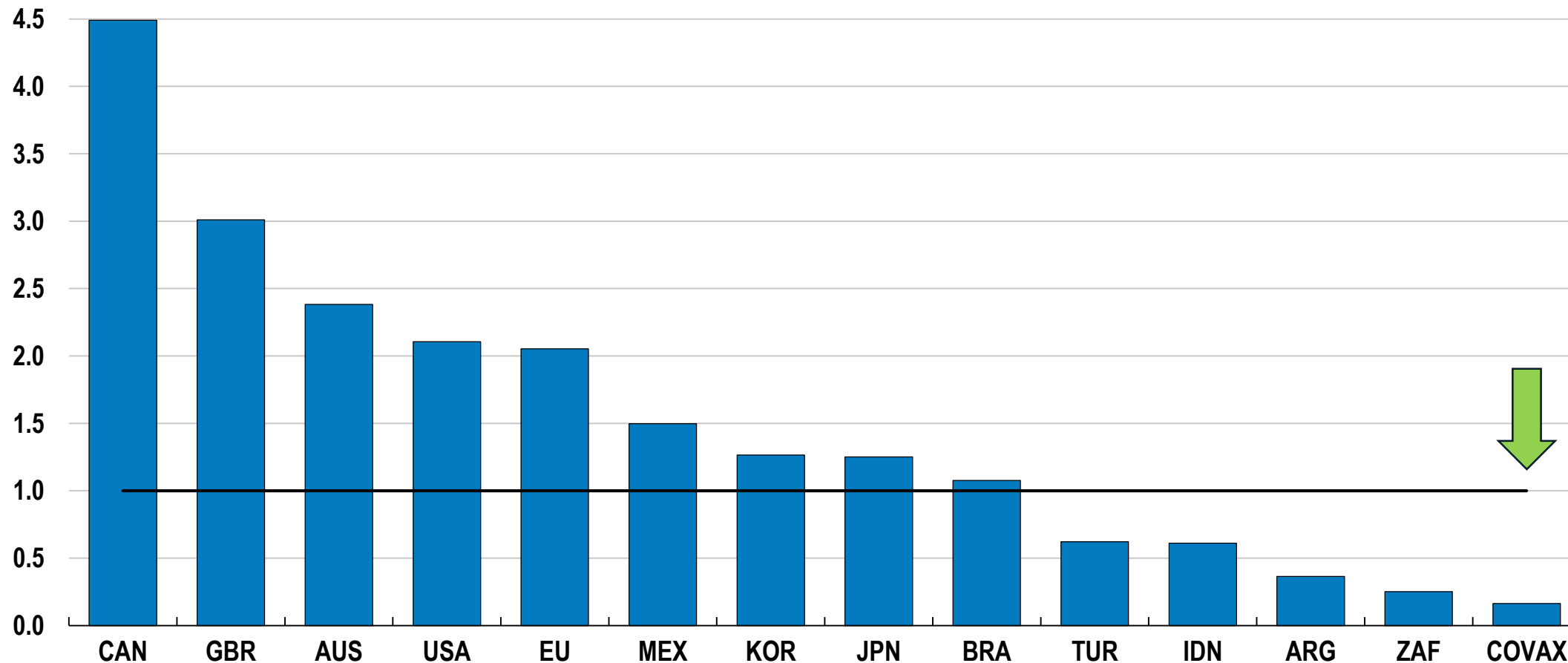
Governments must move faster



Vaccinate faster and everywhere

Very few vaccines are in the pipelines for low-income countries

Number of possible vaccinations per capita assuming two vaccine doses, based on pre-ordered COVID-19 vaccine doses



Note: Assumes that 2 doses of any vaccine are necessary for full initial immunisation. The number of doses secured does not include purchase options and may therefore underestimate the secured number of doses. The number of doses are based on publicly available information; data are likely to be incomplete and more supply agreements may exist than are publicly disclosed. Data for the European Union do not include bilateral contracts between EU member states and manufacturers. The COVAX R&D portfolio contains 1 billion vaccine doses for which COVAX has first right of refusal as a result of R&D partnership deals. The populations of the COVAX-eligible countries represent the global population minus OECD countries and non-OECD countries with national production capability (Brazil, China, India, Russia). Per capita estimations are based on projected population figures from OECD Economic Outlook 108.

Source: UNICEF COVID-19 Vaccine Market Dashboard, accessed 4 March 2021 (<https://www.unicef.org/supply/covid-19-vaccine-market-dashboard>); OECD Economic Outlook 108 database; and OECD calculations.

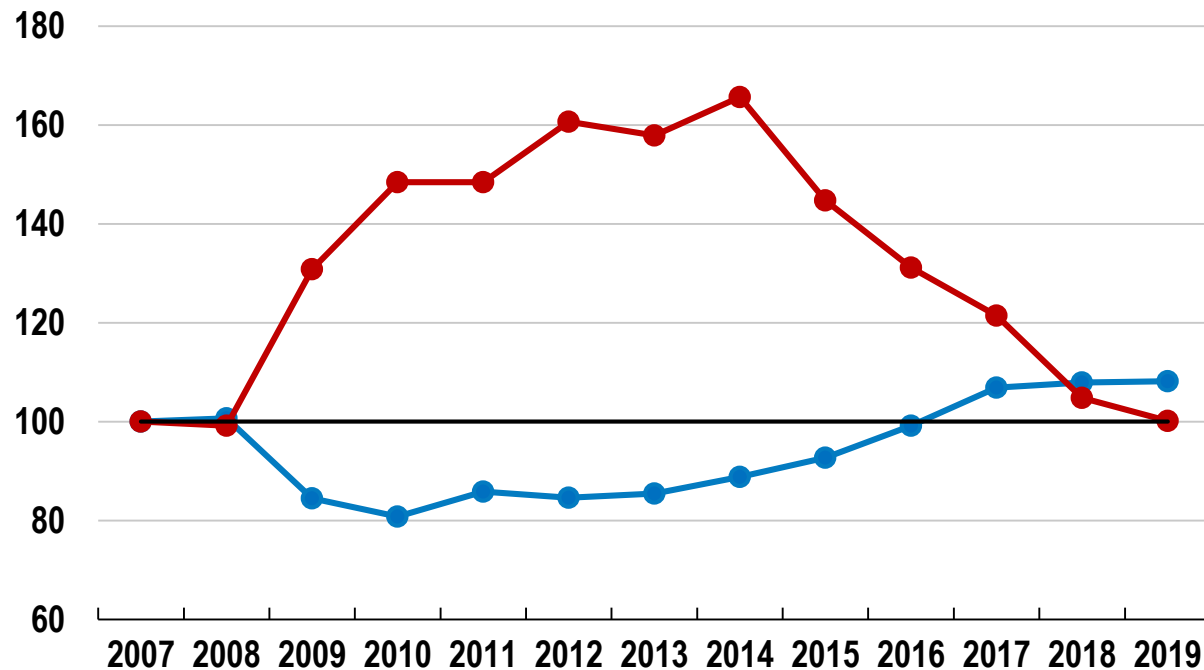


Better target fiscal support to young people

Scarring effects from the 2008 recession

Labour market transitions from studying, index 2007=100

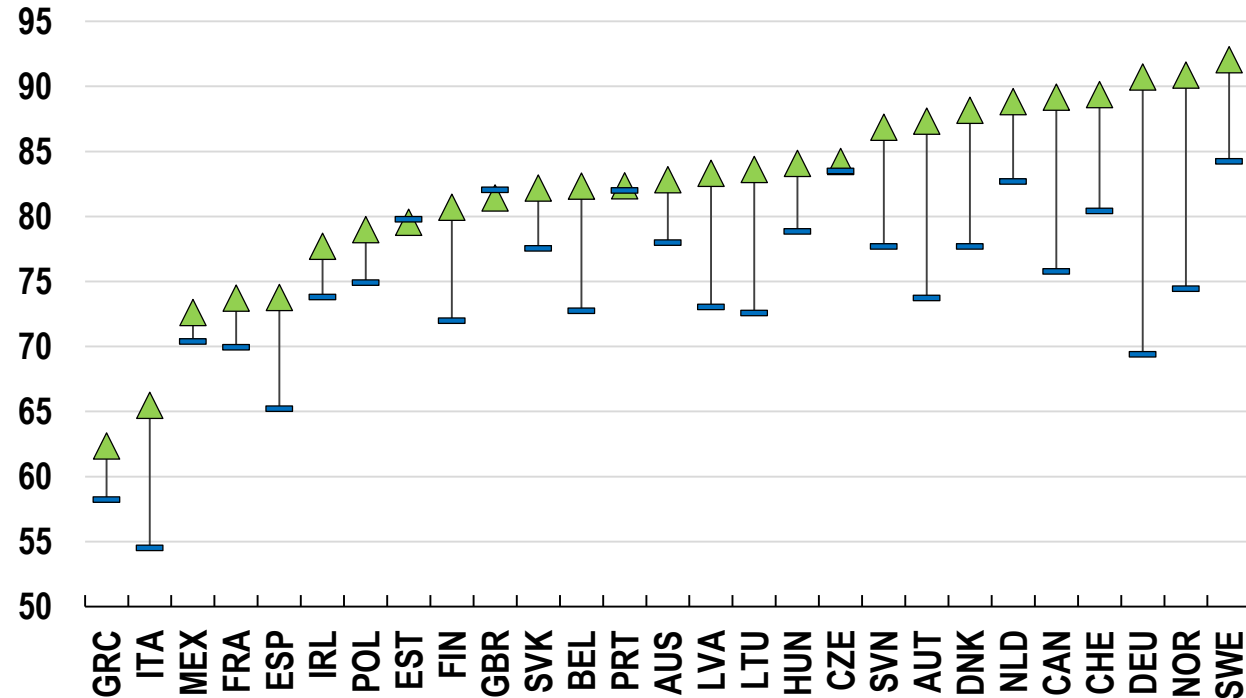
- From study/training to employment
- From study/training to unemployment



Vocational education and training has a positive effect on employment

Employment rates of graduates with upper secondary & post-secondary non-tertiary education, %

- ▲ Vocational education and training
- General education



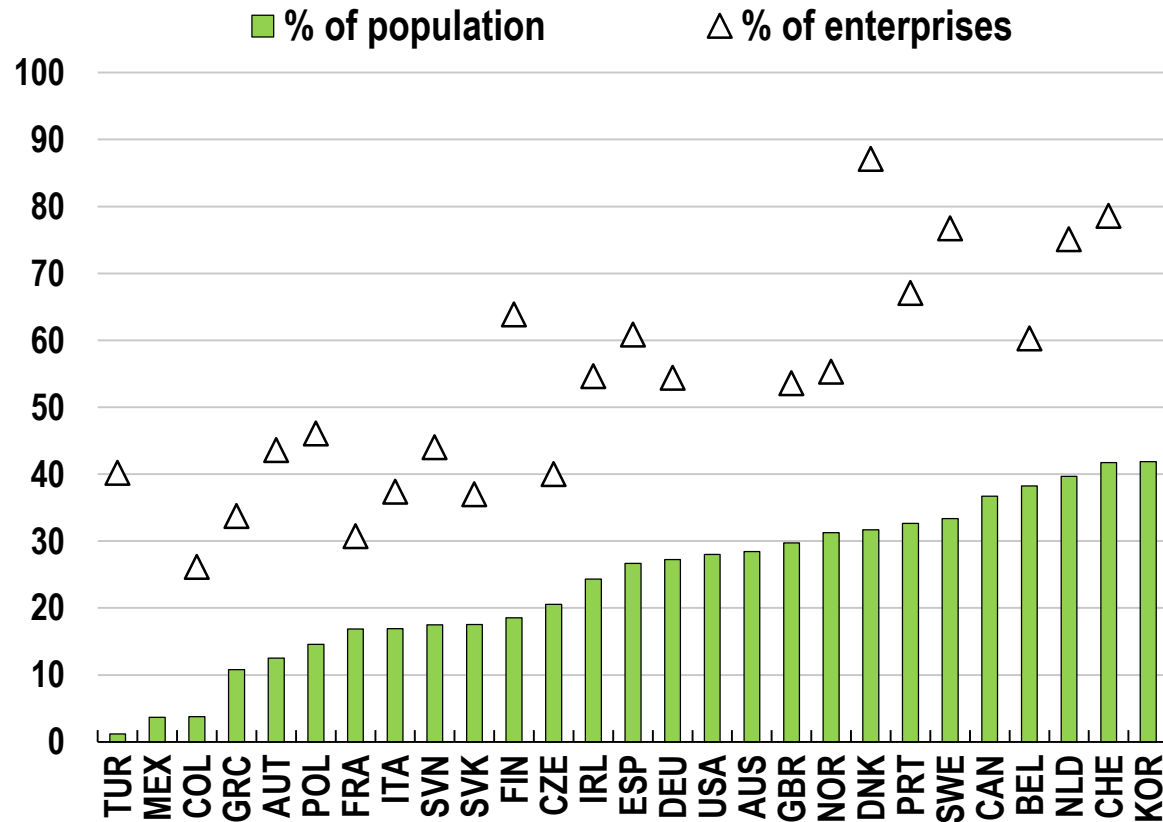
Note: LHS: The transition from study to employment from t to t+1 is computed as a share of the total students/trainers in the period t. The transition from study to unemployment from t to t+1 is computed as a share of the total students/trainers in the period t. The series are computed as unweighted averages across the following OECD-EU countries for which LFS data are available: Austria, Belgium, Czech Republic, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, the Netherlands, Norway (2007 to 2018 only), Poland, Slovakia, Slovenia, Spain and Sweden. RHS: Graduates are defined as individuals with upper secondary and post-secondary non-tertiary education aged 15/16 to 34 who are not enrolled in formal education. Data refer to 2018 for all countries except Australia and Canada (2019). Source: European Union Labour Force Survey, Australian Survey of Education and Work, Canadian Labour Force Survey, OECD Survey of Adult Skills (2017/18); and OECD calculations.



Invest for the digital and green transformations

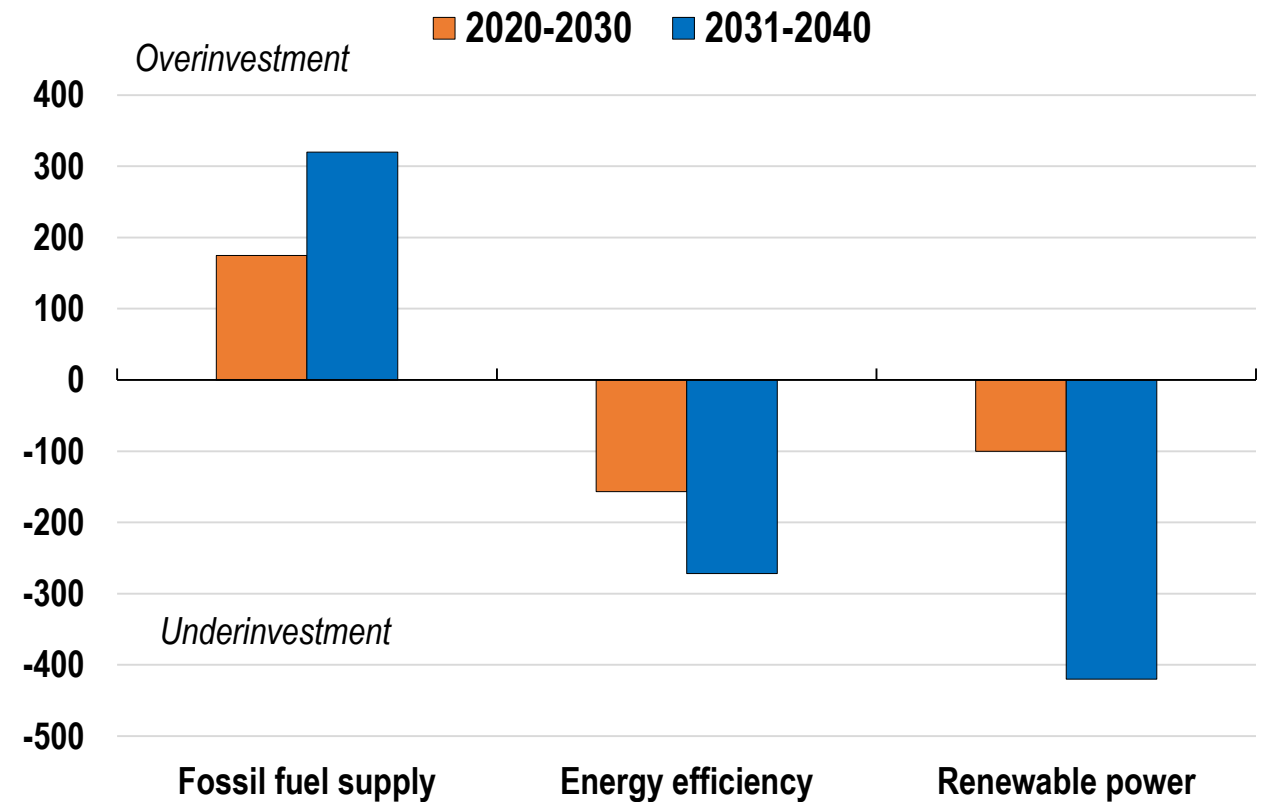
Access to fast broadband is limited in many countries

Percent with broadband connection of at least 30 Mbps, 2019



Current policies imply unsustainable growth paths

Global annual energy investment gaps, USD billion



Note: LHS: Share of inhabitants with fixed broadband subscriptions with a speed of at least 25/30 Mbps and share of enterprises with broadband connections of at least 30 Mbps. Data on the share of inhabitants are preliminary for Switzerland and the United States. Data for enterprises are 2018 for Colombia and 2017 for Switzerland and not available for Australia, Canada, Mexico, Korea and the United States.

RHS: USD billion expressed at 2019 prices. The gaps are expressed as the difference between the sustainable and stated policies scenarios. The sustainable development scenario sees a surge in clean energy policies and investment to put the energy system on track to achieve sustainable energy objectives, including the Paris Agreement, energy access, and air quality goals. The stated policies scenario reflects all of today's announced policy intentions and targets, insofar as they are backed up by detailed measures for their realisation and an assumption that the pandemic is brought under control in 2021.

Source: OECD Broadband Portal, OECD ICT Access and Usage by Businesses Database, OECD Economic Outlook database; IEA World Energy Outlook 2020; and OECD calculations.



Summary

- We need a **faster roll out of vaccines across the globe** to ensure a widespread recovery
- **Fiscal policy** needs to be **better targeted**:
 - **Support** workers in hard-hit sectors and young people
 - **Adjust fiscal recovery plan support** in line with the health situation and needs of the economy when it re-opens
- **Pave the way forward** for a better future: **reduce digital and green investment gaps**



Thank you

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 <https://oecd.org/coronavirus>

 <https://twitter.com/oecdeconomy>

 eco.contact@oecd.org

 <https://oecdecoscope.blog/>



Resources

Covid policy tracker: <https://oe.cd/policy-tracker>

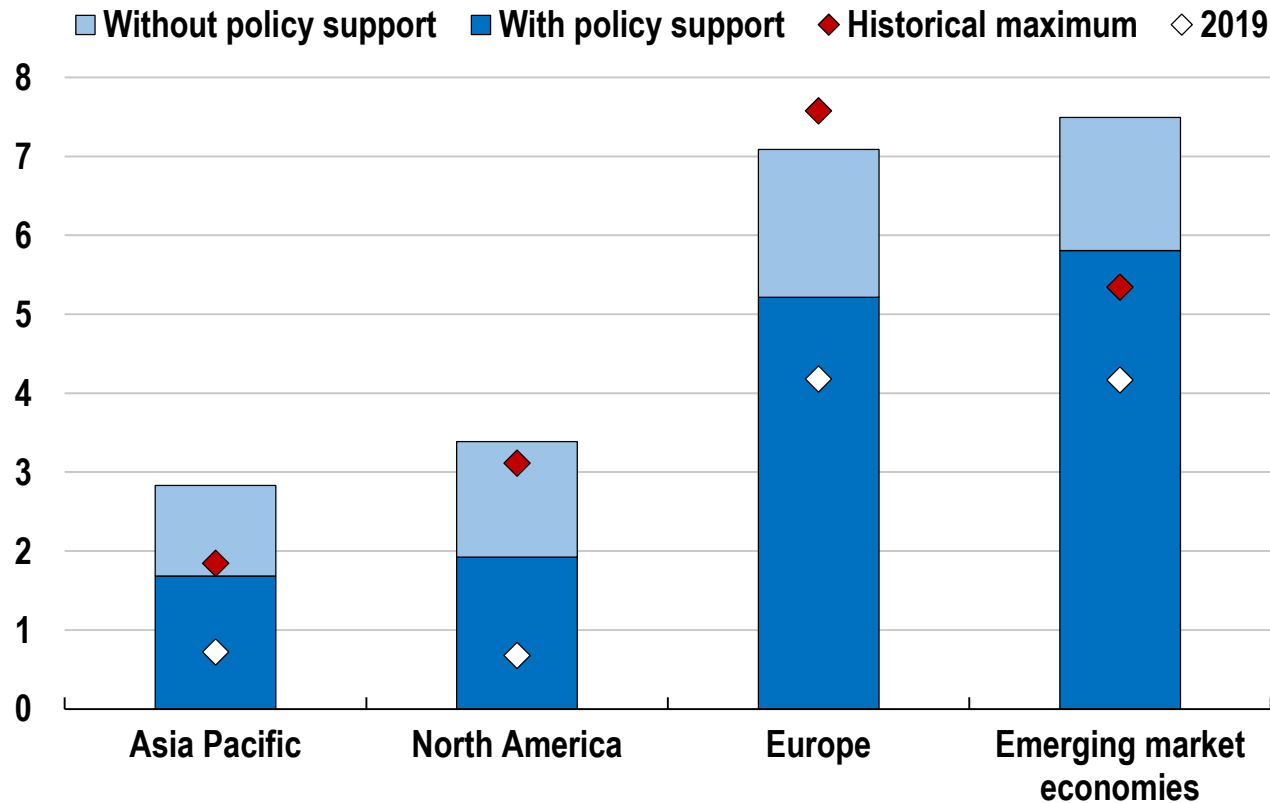
Figures and data from the presentation: <http://www.oecd.org/fr/economie/perspectives/OECD-interim-economic-outlook-presentation-data-march-2021.xlsx>



Reduce the financial fragilities of SMEs through non-debt financing

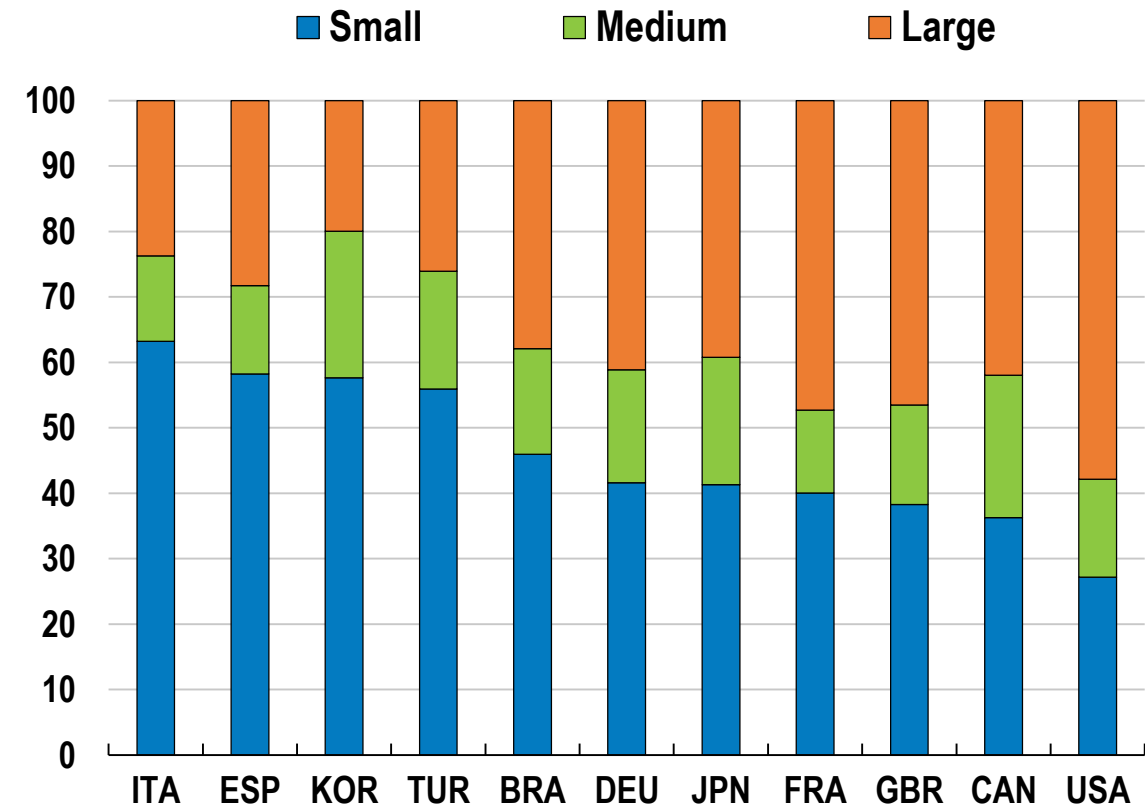
Non-performing loans are on the rise

% of total bank loans



SMEs are a major source of employment

% of employment, business economy



Note: LHS: Maximum non-performing loan ratios during the GFC or the European sovereign debt crisis as of the end of 2019, and projected non-performing loan ratios for banks calculated under the double-hit scenario in the OECD June 2020 Economic Outlook. RHS: 2018 for France, Germany and Italy, 2017 for Spain, Turkey and the United Kingdom, 2016 for Canada, 2015 for Korea and the United States, 2014 for Brazil. Percent of persons employed, for Canada, Japan, Korea and the United States, percent of employees. Employment in business economy sectors (ISIC Rev. 4 05-82), except financial and insurance activities (64-66).

Source: OECD (2020), "COVID-19 crisis and banking system resilience, Non-performing loans, potential capital impact, and policy implications", using data from IMF Financial Soundness Indicators Database, BIS Credit to the non-financial sector database, OECD National Account Database, Refinitiv; OECD SDBS Structural Business Statistics database; and OECD calculations.

