

**TACKLING CORONAVIRUS (COVID-19)**  
CONTRIBUTING TO A GLOBAL EFFORT

# OECD Interim Economic Outlook

## *Living with Uncertainty*

16 September 2020

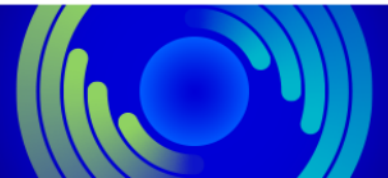
Laurence Boone  
OECD Chief Economist

[Access the data](#)

<http://www.oecd.org/economy/outlook/>

# Key messages

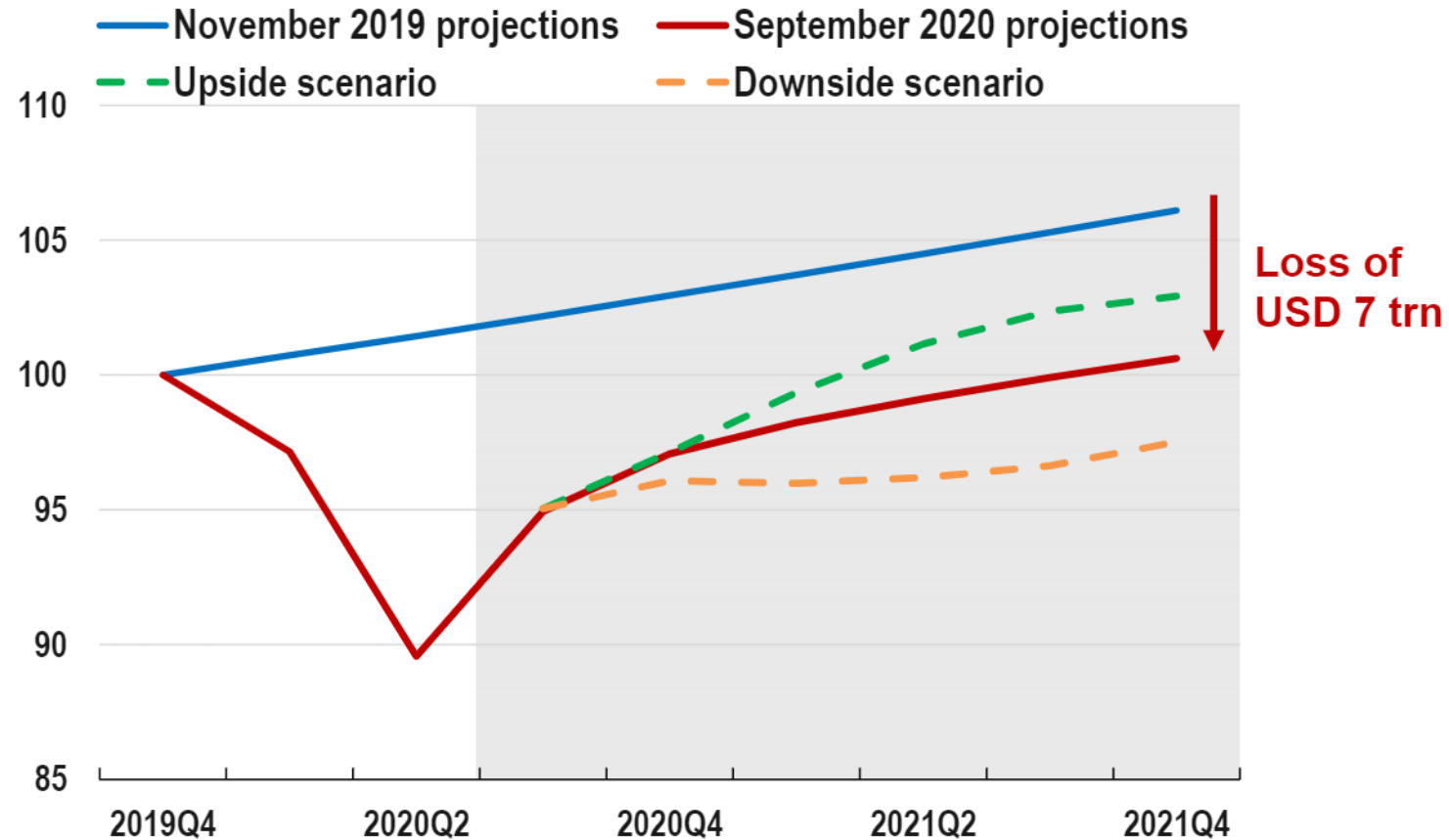
- **Policymakers have reacted and managed to buffer the initial shock well**
- **Activity rebounded as confinement measures started to ease, but momentum appears to be plateauing and confidence remains weak**
- **Policy still matters: to boost confidence policymakers should continue to improve healthcare, maintain fiscal and monetary support and assist people and firms with ongoing changes**
- **Recovery plans are a once in a lifetime opportunity to encourage sustainable, inclusive and green growth**



# An especially uncertain outlook

## Global GDP projections

Constant prices, index 2019Q4 = 100



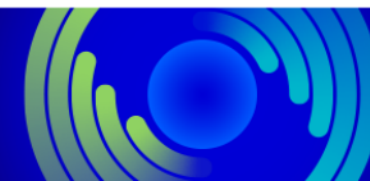
Note: The upside scenario illustrates a situation where consumer and business confidence improves more quickly. This improvement could be due to only mild containment measures being required to control new virus outbreaks or signs that an effective treatment or vaccine could be widely deployed more rapidly than assumed. The downside scenario illustrates a situation where confidence could remain weak for an extended period and uncertainty could deepen due to an intensification of Covid-19 outbreaks or more stringent confinement measures being required to control its spread. These scenarios are based on simulations with the NiGEM global macroeconomic model. The difference between the November 2019 projections and September 2020 projections for the level of GDP in 2021Q4 is expressed in 2015 price levels and weighted on a PPP basis. Source: OECD Economic Outlook database; OECD calculations.

# OECD Interim Economic Outlook projections

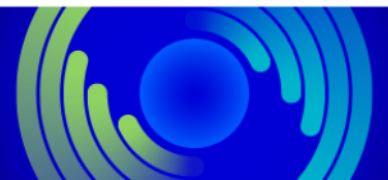
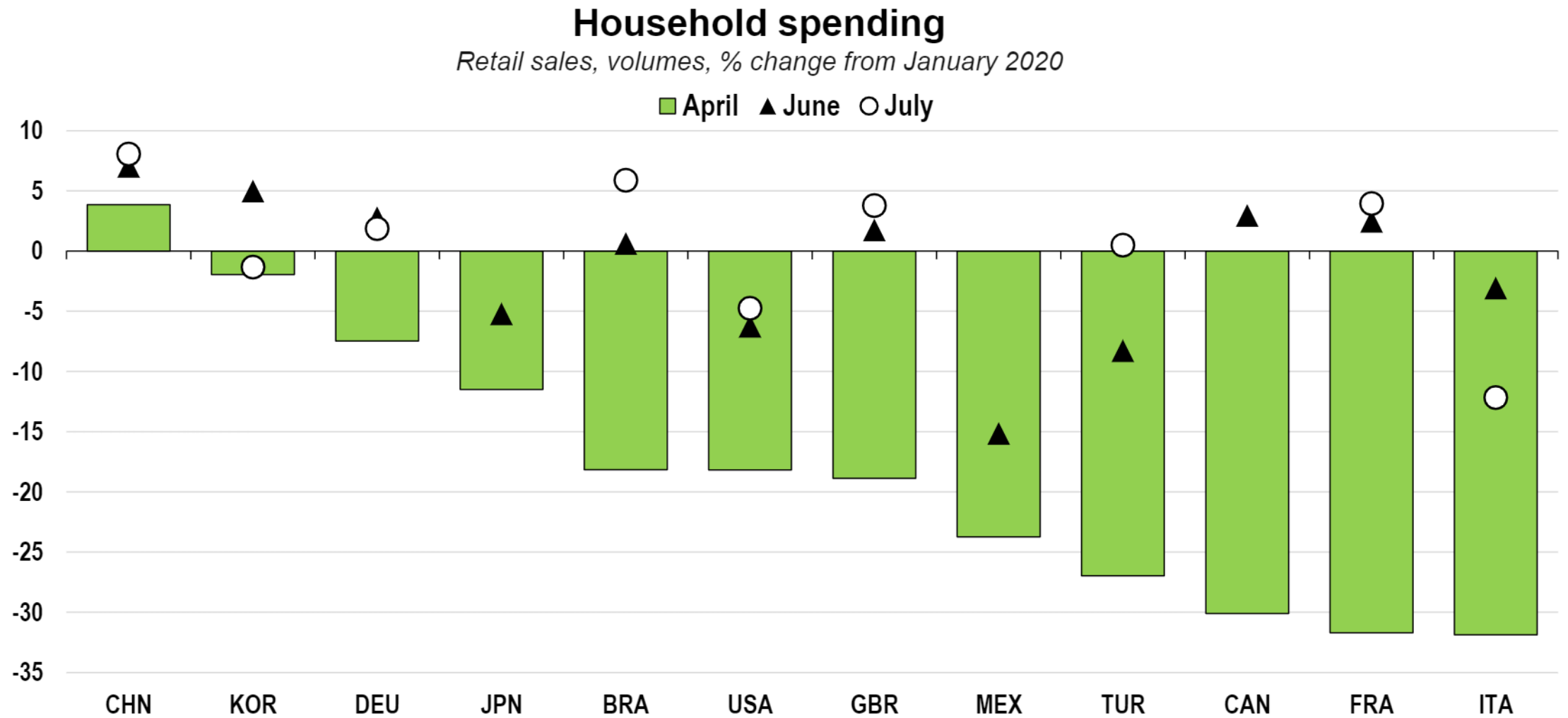
## Real GDP growth

*%, year-on-year*

	2019	2020	2021		2019	2020	2021
<b>World</b>	2.6	-4.5	5.0	<b>G20</b>	2.9	-4.1	5.7
<b>Australia</b>	1.8	-4.1	2.5	<b>Argentina</b>	-2.1	-11.2	3.2
<b>Canada</b>	1.7	-5.8	4.0	<b>Brazil</b>	1.1	-6.5	3.6
<b>Euro area</b>	1.3	-7.9	5.1	<b>China</b>	6.1	1.8	8.0
<b>Germany</b>	0.6	-5.4	4.6	<b>India*</b>	4.2	-10.2	10.7
<b>France</b>	1.5	-9.5	5.8	<b>Indonesia</b>	5.0	-3.3	5.3
<b>Italy</b>	0.3	-10.5	5.4	<b>Mexico</b>	-0.3	-10.2	3.0
<b>Japan</b>	0.7	-5.8	1.5	<b>Russia</b>	1.4	-7.3	5.0
<b>Korea</b>	2.0	-1.0	3.1	<b>Saudi Arabia</b>	0.4	-6.8	3.2
<b>United Kingdom</b>	1.5	-10.1	7.6	<b>South Africa</b>	0.1	-11.5	1.4
<b>United States</b>	2.2	-3.8	4.0	<b>Turkey</b>	0.9	-2.9	3.9



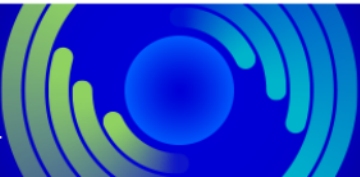
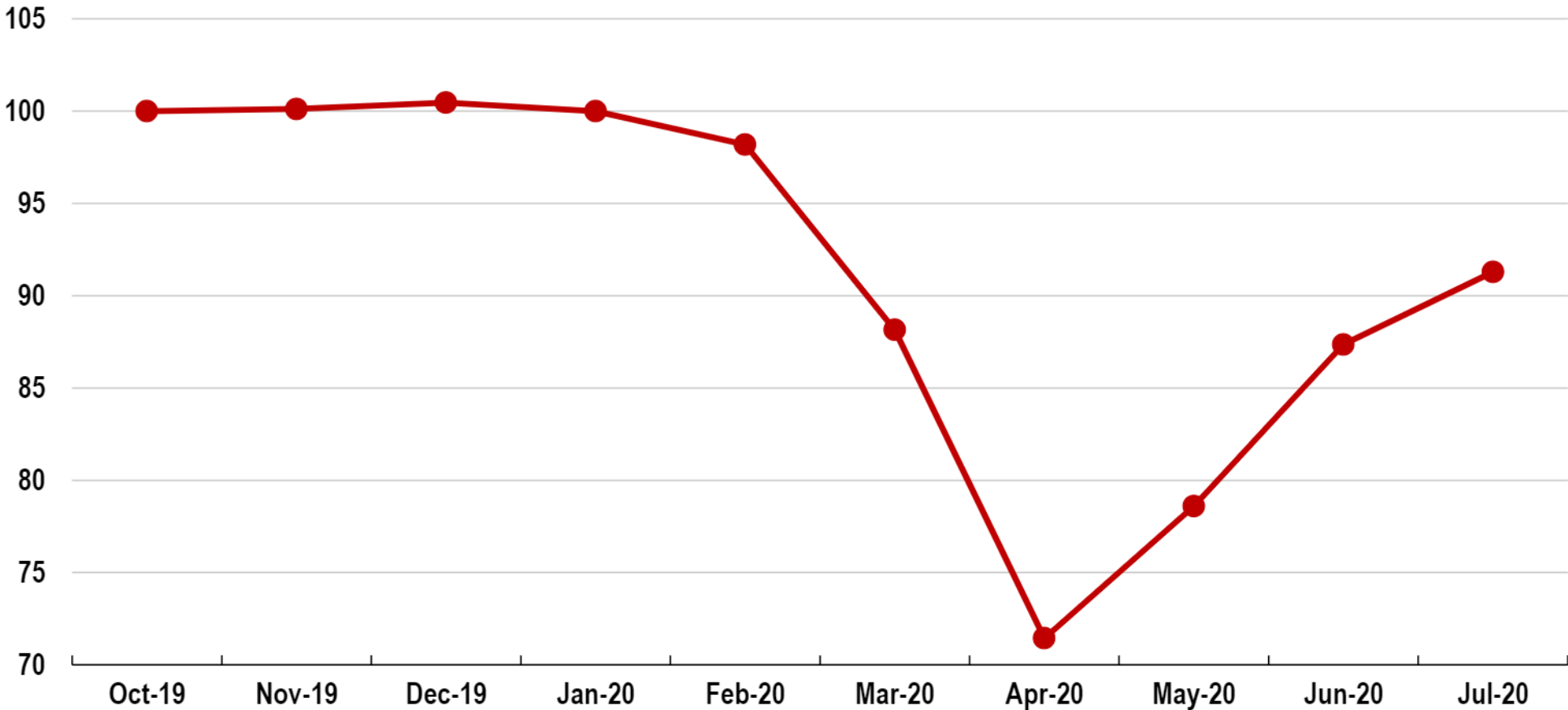
# The recovery in consumption is uneven across countries



# Investment rebounded but remains subdued

## Production of investment goods

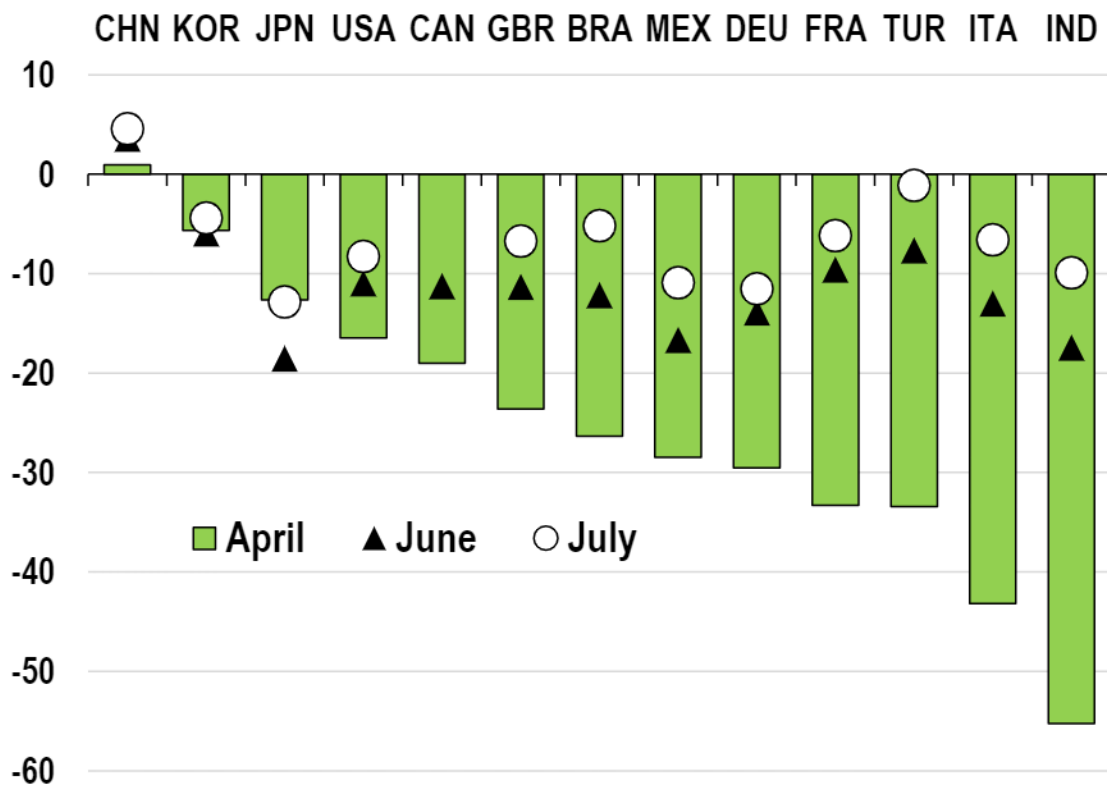
*Advanced economies, January 2020 = 100*



# Manufacturing and trade have been hit hard

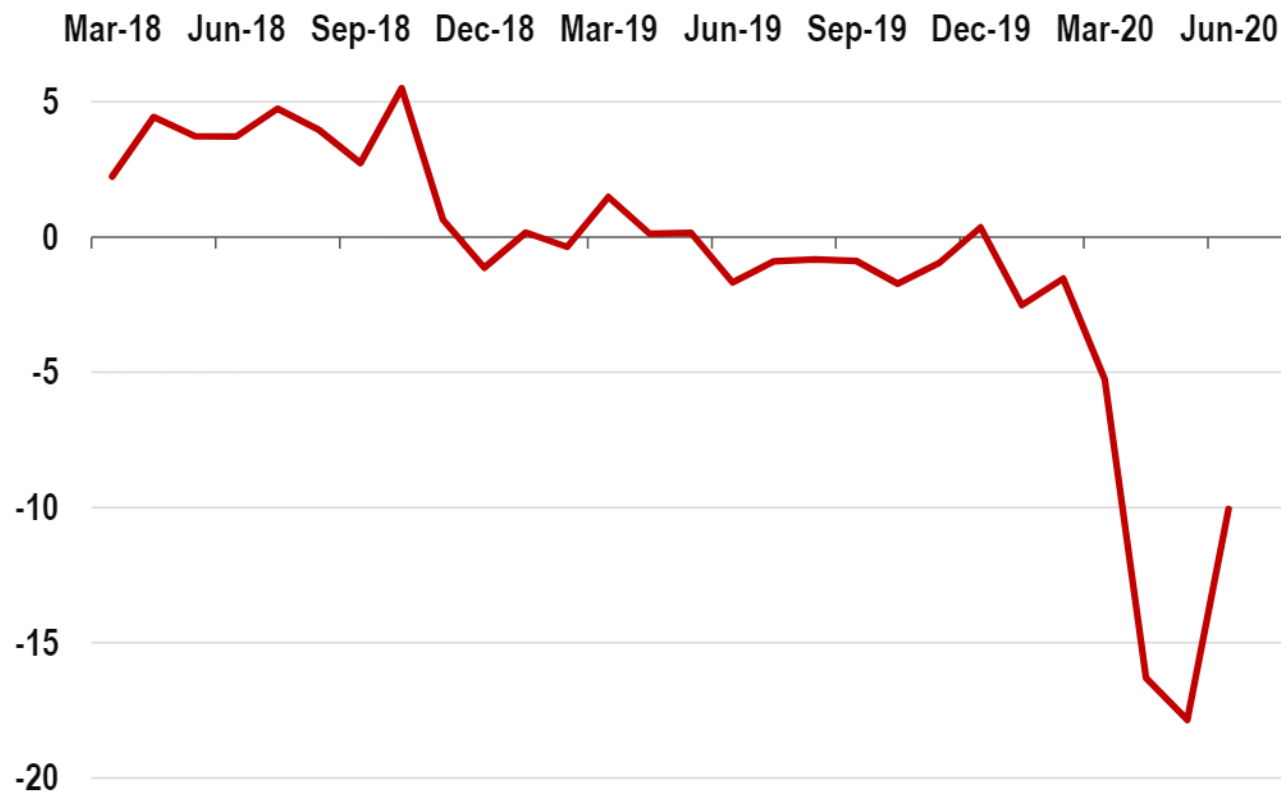
## Industrial production

% change from January 2020



## Global merchandise trade

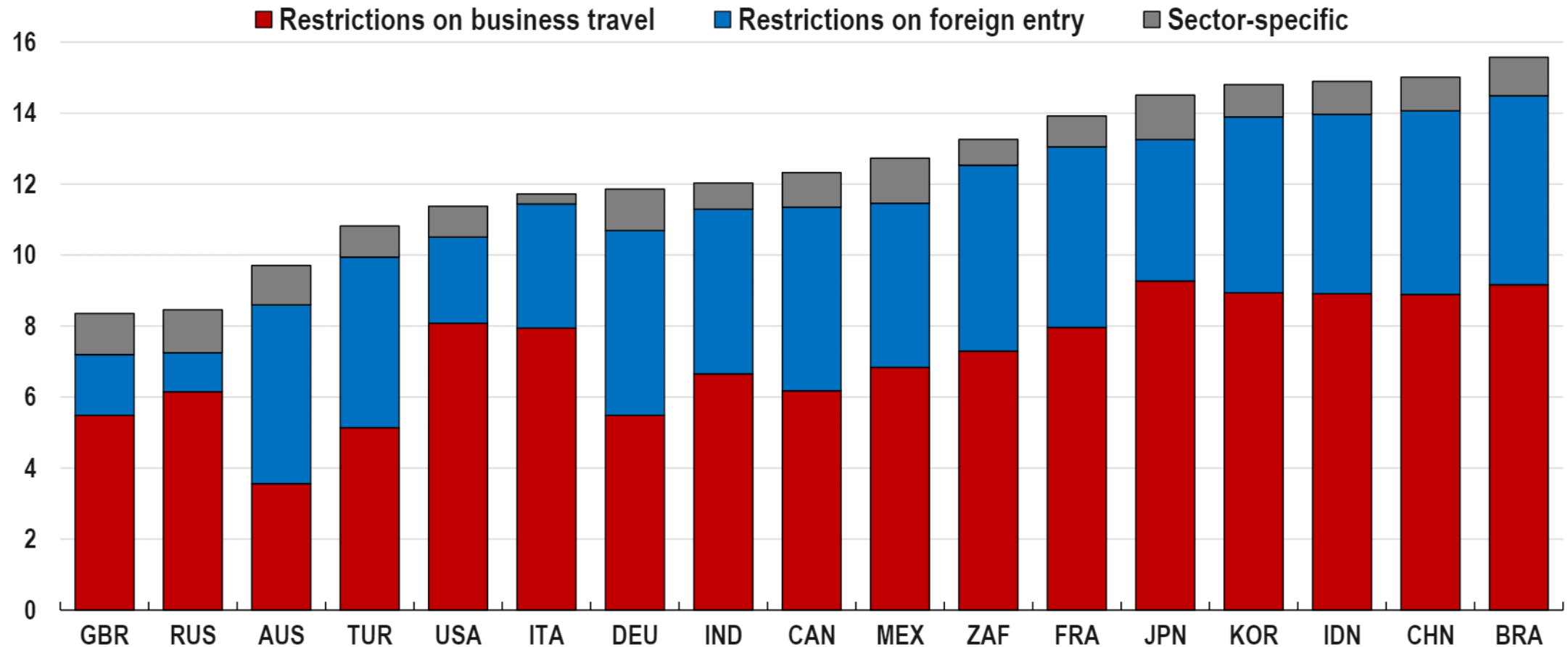
% change, year-on-year



# Restrictions are putting further pressure on trade

## Travel restrictions could increase service-trade costs

*Illustrative cost impact of closing borders to passengers, % of export values*



Note: Illustrative scenario where all countries close borders to passengers but allow freight trade. Sector-specific costs include the difficulty around temporary licensing or residency requirements; costs associated with restrictions on foreign entry include measures on air transport that are not related to the movement of people i.e. restrictions on foreign entry and closures of airports; costs associated with restrictions on business travel include the time and cost to deliver visas and the time for customs clearance.  
 Source: Benz, S., F. Gonzales and A. Mourougane (2020), "The impact of COVID-19 international travel restrictions on services-trade costs", OECD Trade Policy Papers, No. 237, OECD Publishing, Paris.

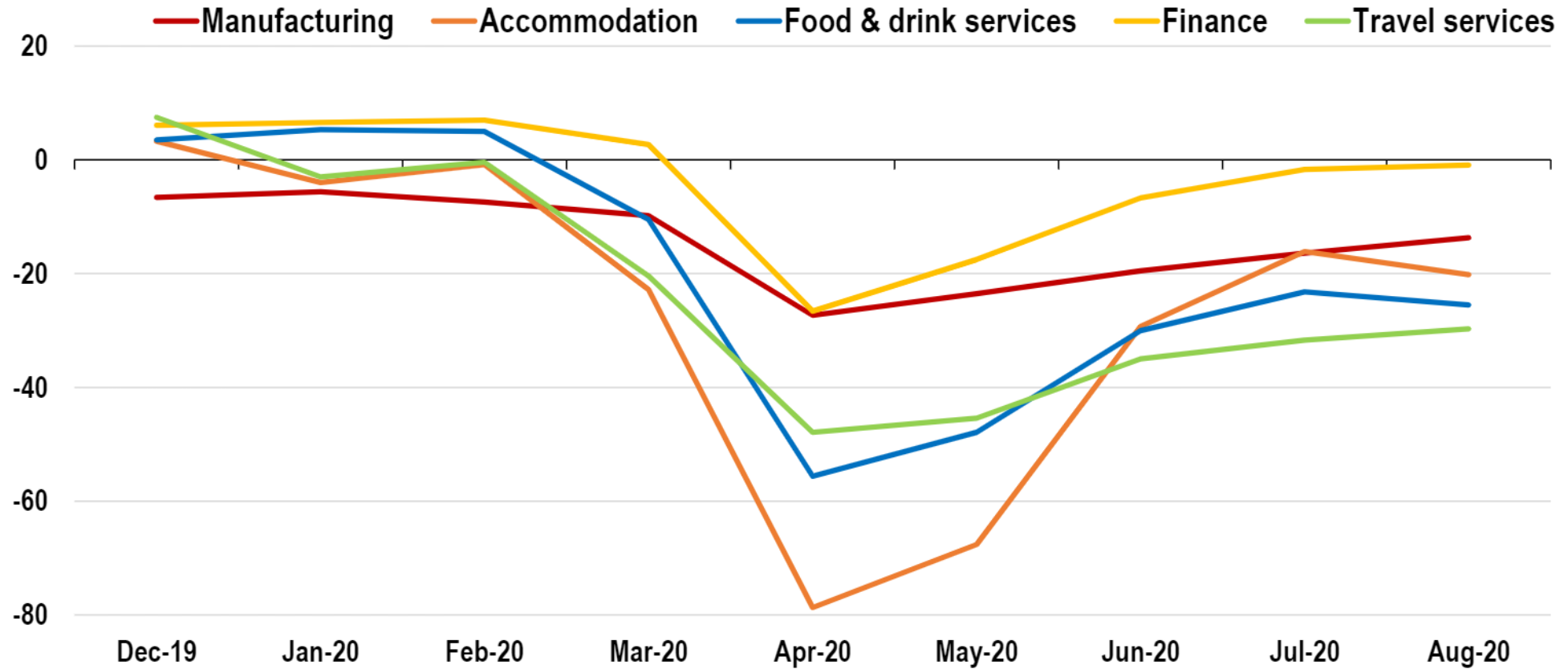




# Employment prospects are dire

## Euro area employment expectations

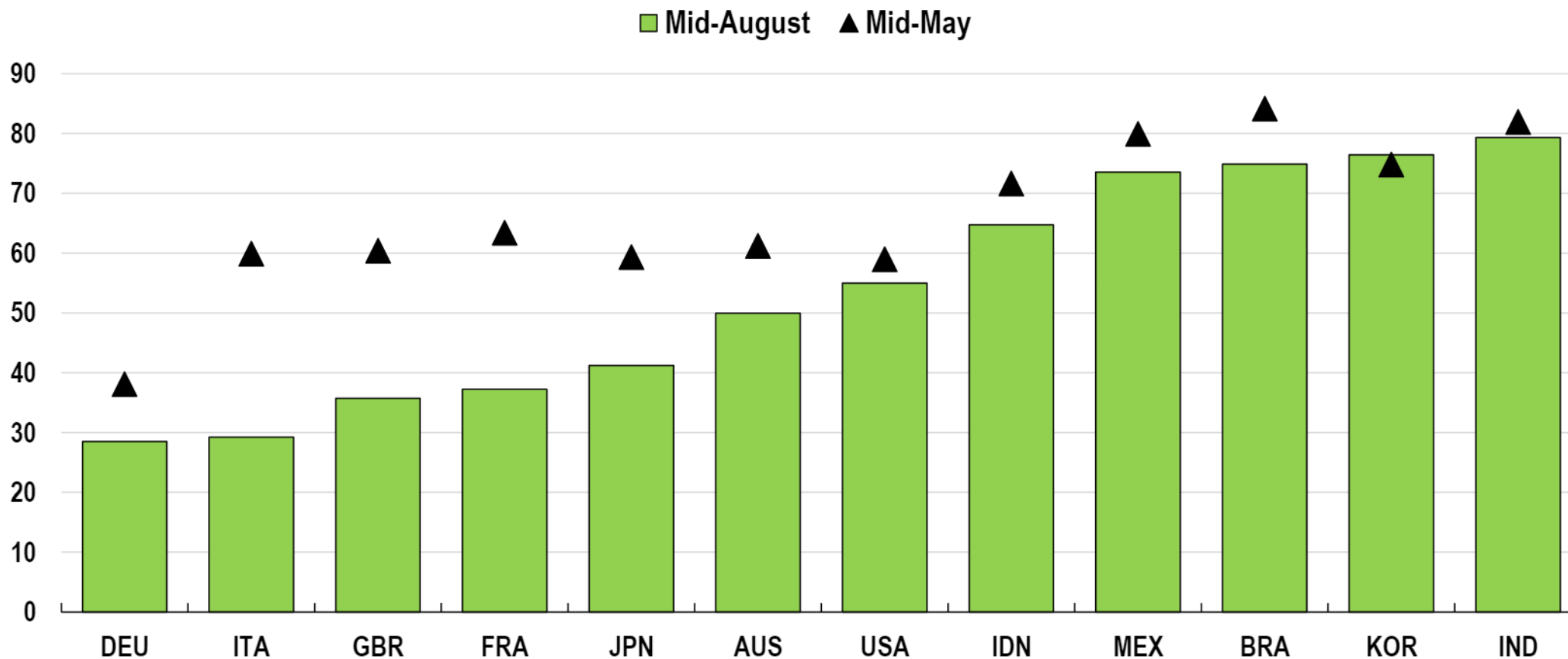
*Next three months, balance of firms*



# Confidence is key for the recovery

## Many people are still avoiding going out

*% of respondents reporting that they are “avoiding going out in general” to protect themselves or others from Covid-19*



Note: Comparability across countries is limited due to the different timing of surveys dating from 15 to 29 May and 20 to 27 August 2020 and to different sample sizes. India is representative of the urban online population. Survey question states “thinking about the last 7 days, how often have you ‘avoided going out in general’ to protect yourself or other from Covid-19?, please exclude any measures that you have already taken for reasons other than Covid-19”. Answers included in the calculation are “always” and “frequently”. Source: Jones, S., Imperial College London Big Data Analytical Unit and YouGov Plc. 2020; and OECD calculations.

# Policy can make a difference

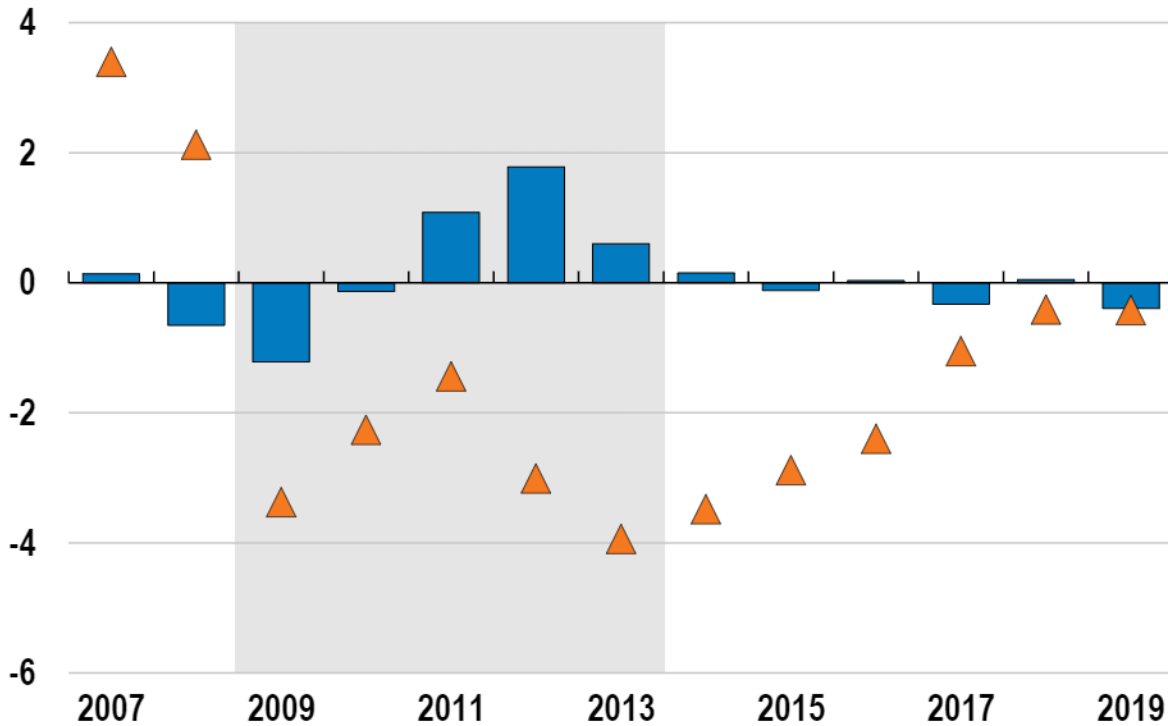


# 1. Do not repeat the fiscal mistakes of the last crisis

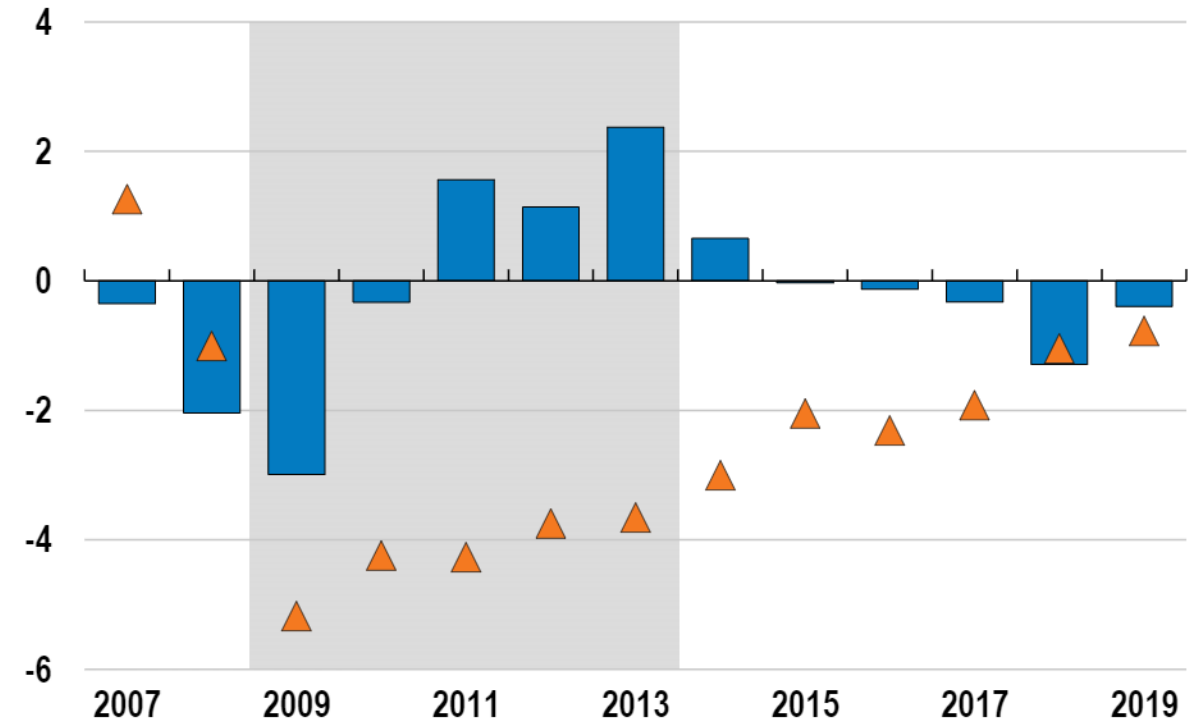
## Change in the fiscal stance

■ Annual change in the underlying govt. balance excl. net interest paid (% points)    ▲ Difference between GDP and trend (% of trend GDP)

### Euro area



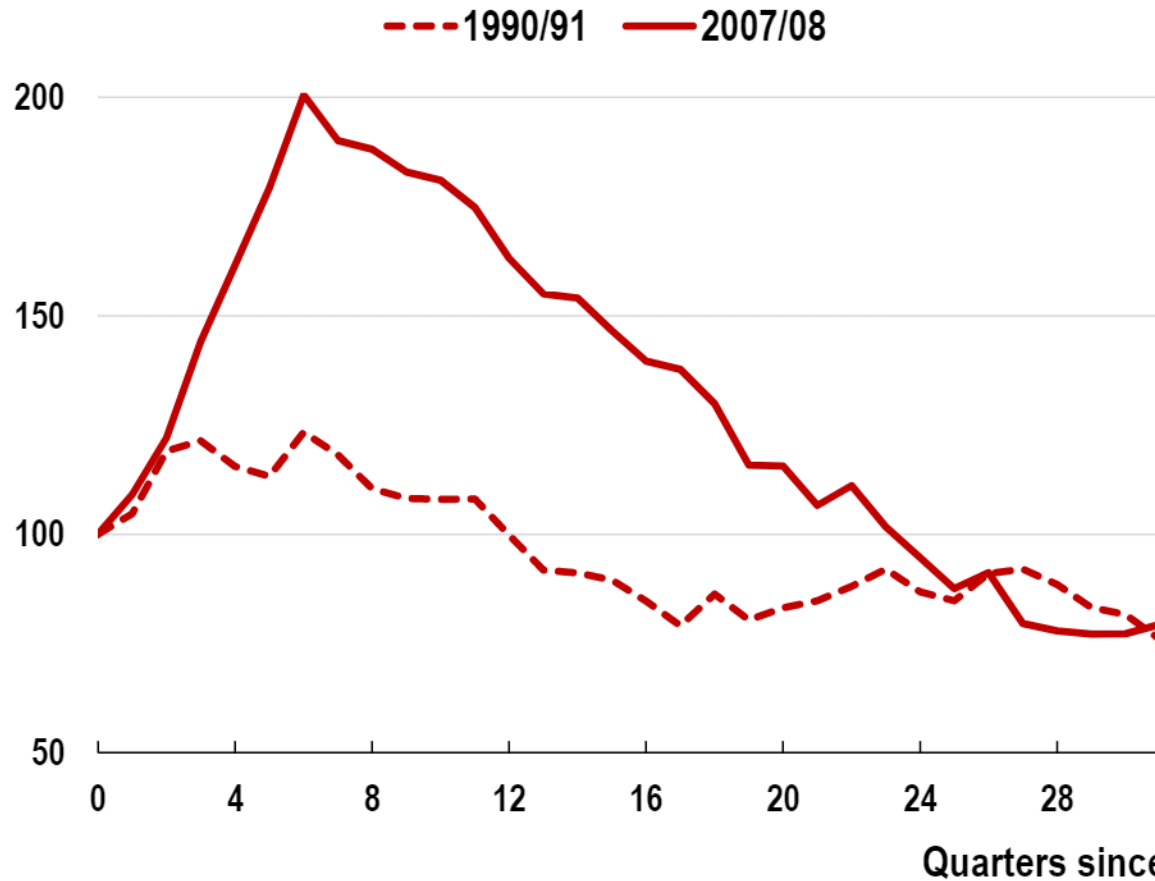
### United States



## 2. Limit bankruptcies and unemployment

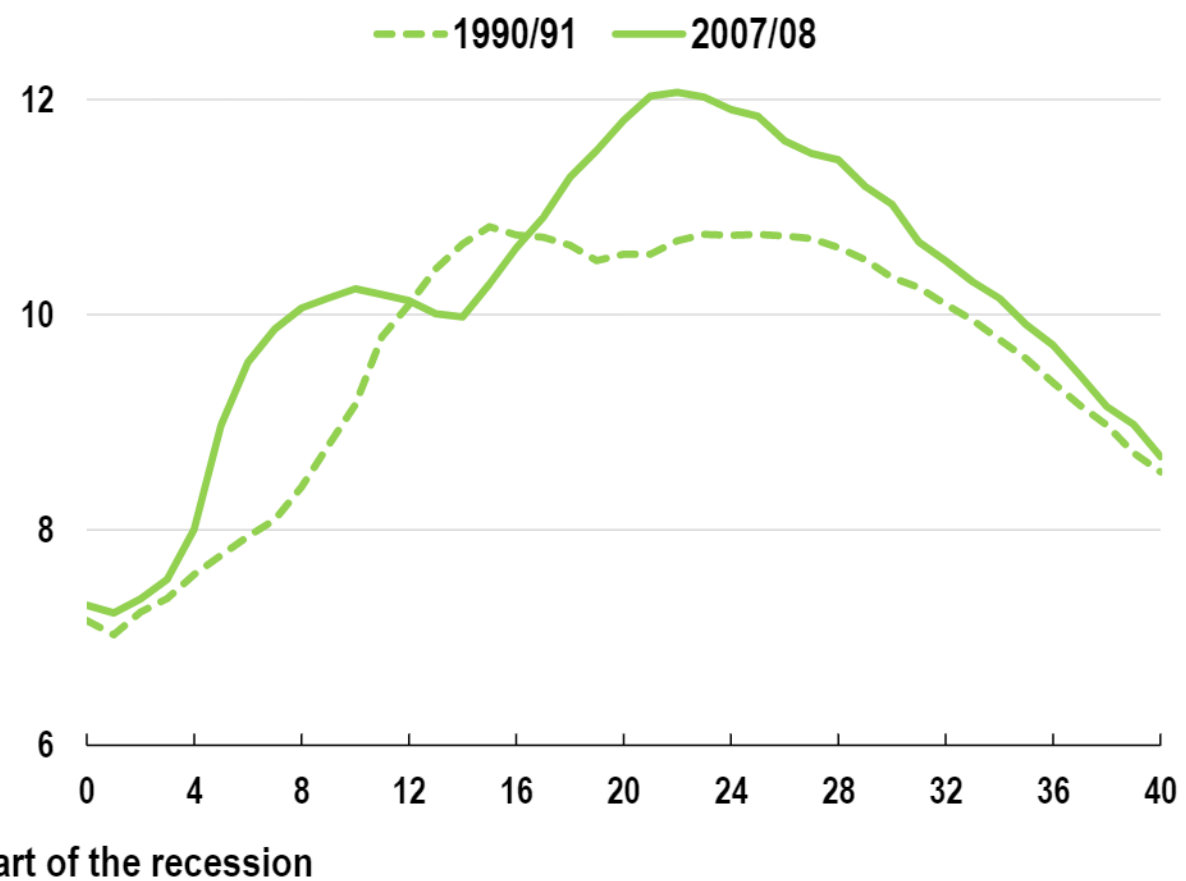
### US business bankruptcy filings

Index=100 at the quarter preceding the recession



### Euro area unemployment rate

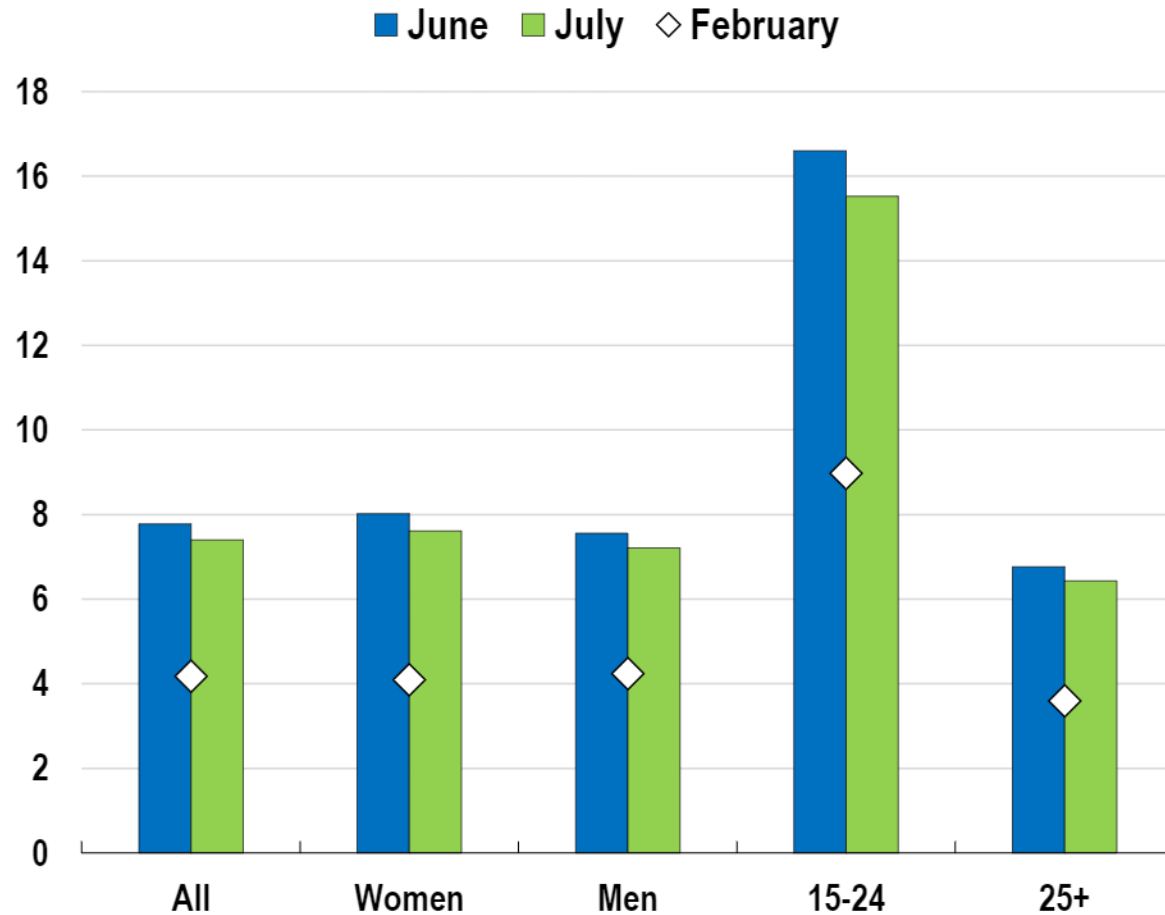
%



# 3. Help people find new jobs

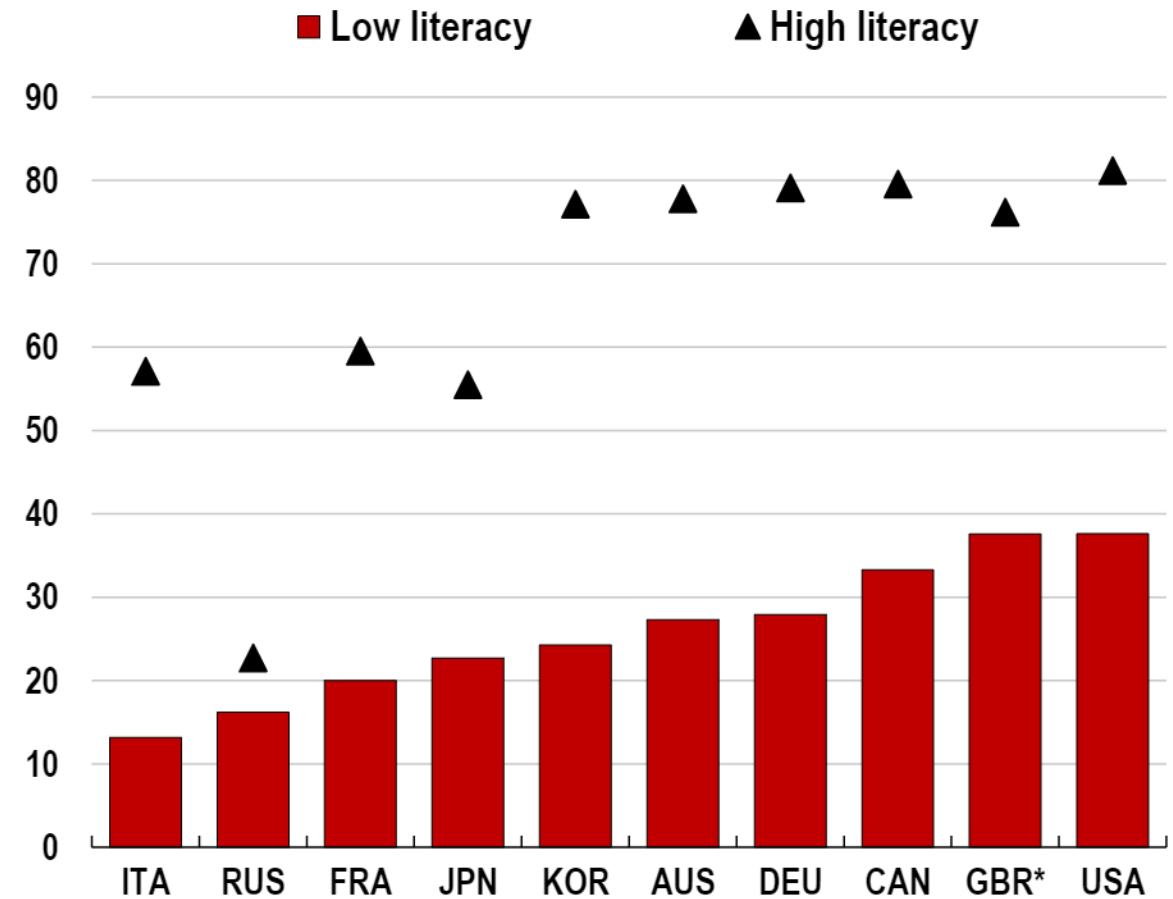
## Unemployment has jumped since February

% of labour force, G7 countries, 2020



## Low-skilled adults participate less in training

% of adults involved in adult education or training



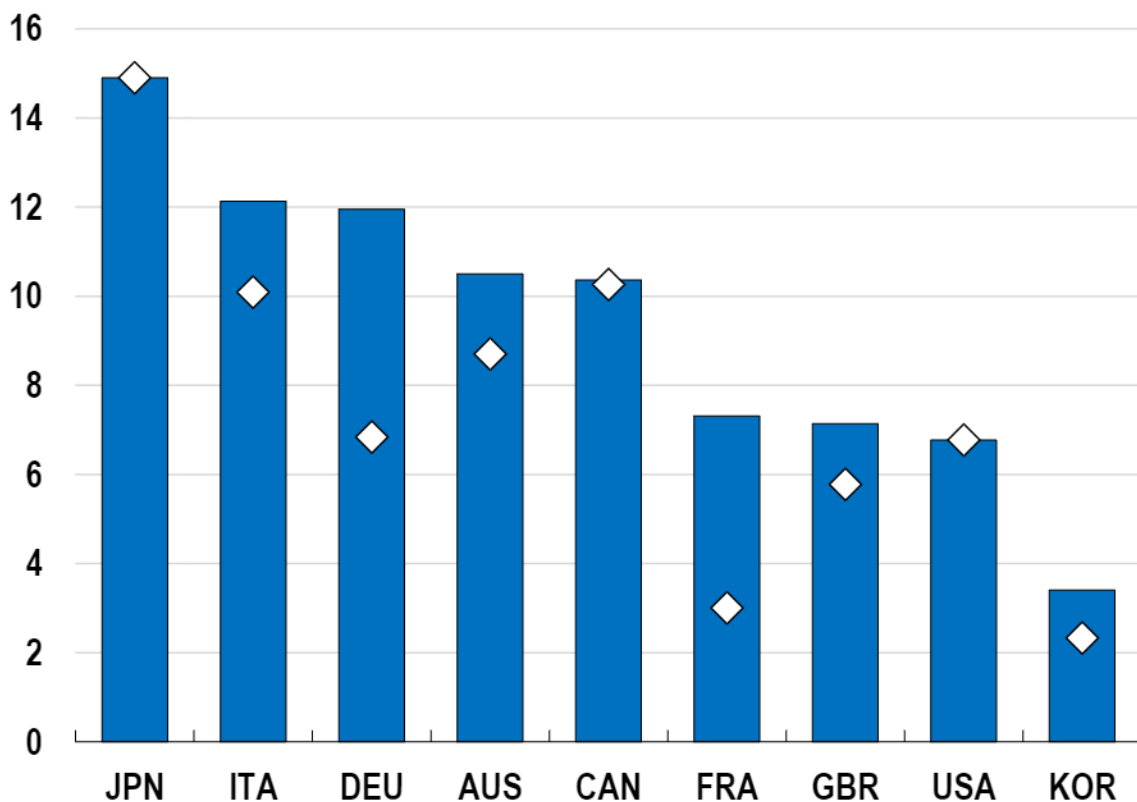
Note: LHS: Figures are estimated values. 25+ refers to ages 25 through 74. RHS: \* GBR is for England only. Low literacy refers to level 1 or below (adults are at most able to read short texts) and high literacy refers to level 4/5, where adults are able to at least perform multiple-step operations to integrate, interpret, or synthesise information from complex or lengthy continuous, non-continuous, mixed, or multiple type texts, as defined in the OECD Survey of Adult Skills (PIAAC). Adults refers to 25-65 year olds. Training refers to both formal and non-formal training. Source: OECD Labour Force Statistics Database; OECD Survey of Adult Skills (PIAAC); and OECD calculations.

# 4. Seize this opportunity for a green recovery

## Fiscal support is strong

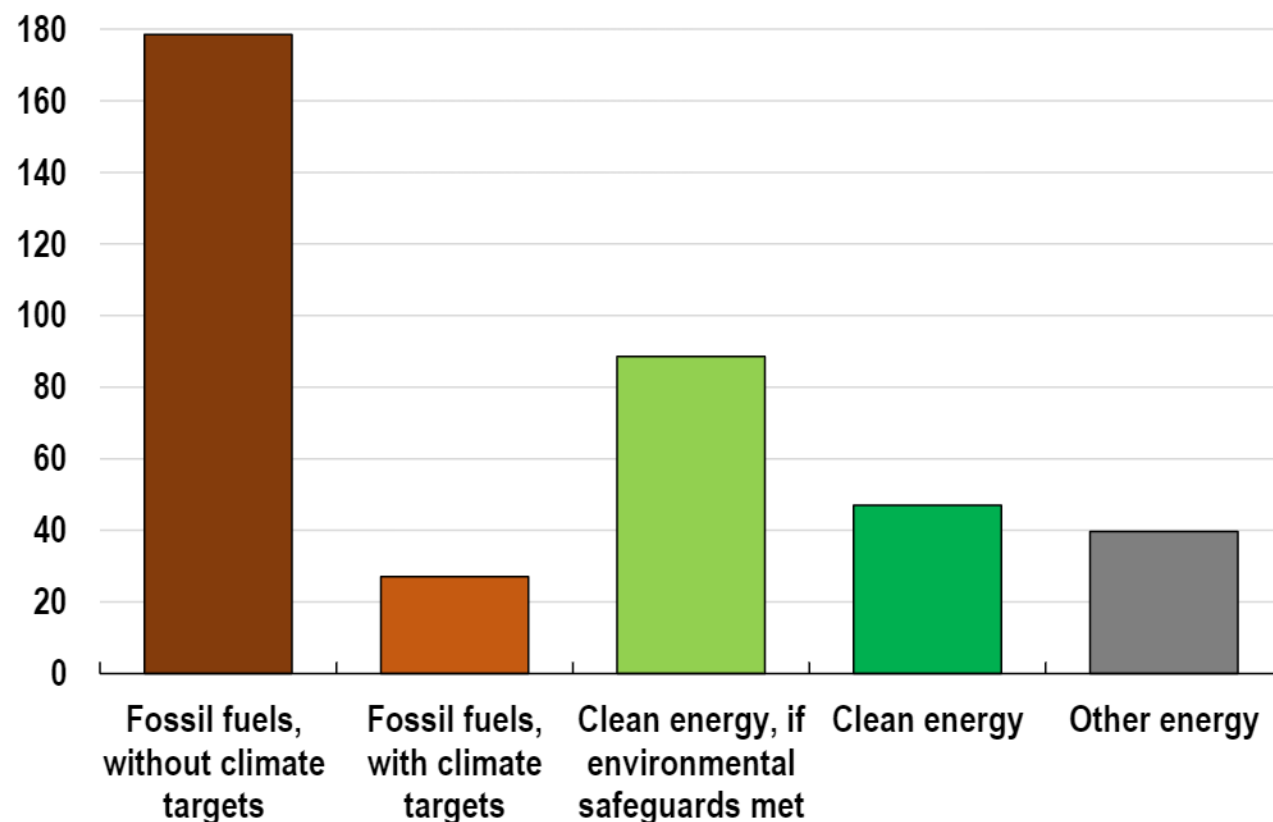
Official estimates of direct measures of fiscal support, % of GDP

■ Since early June    ◇ Before June



## Support could favour the green transition more

Policy support for energy types in recovery packages of G20 countries, USD billion



Note: As of 9 September 2020. LHS: Shows official estimates, when available, of financial help included in emergency packages announced in response to the COVID-19 crisis in selected economies. Estimates are highly uncertain due to the unknown duration of the crisis and take-up of various programmes by the private sector, and may not be fully comparable across countries. Changes since early June reflect new measures and revised costing of measures announced previously. Direct measures include cuts in taxes and social security contributions, income support measures (e.g. short-term wage compensation schemes, support for the self-employed, small firms and vulnerable households), extra public-sector spending (e.g. transfers to lower-level governments and funding to the health sector), transfers to private firms without equity acquisition, funding of state-owned institutions providing loans or guarantees and the early withdrawals of pensions. RHS: Policies that are clean support the production or consumption of energy that is both low-carbon and has negligible impacts on the environment if implemented with appropriate safeguards. Policies that are clean if environmental safeguards are met, support the transition away from fossil fuels, but are unspecific about the implementation of appropriate environmental safeguards i.e. electric vehicles can have a significant impact on the environment if they are powered with coal- or gas-based electricity. Source: OECD calculations based on official estimates; energypolicytracker.org.

# Key takeaways

- **Policymakers reacted swiftly and massively to buffer the 2020 recession**
- **The outlook remains extraordinarily uncertain and dependent on the virus, policies, people's behaviour and ultimately confidence**
- **Policymakers can play an important role in shaping the recovery:**
  - **Keep supporting the economy, do not withdraw fiscal support too early**
  - **Help people find new jobs, target those who most need support**
  - **Seize the opportunity for change, focus on long overdue investment in digitalisation and the environment**

