ECONOMIC IMPACTS AND CONSEQUENCES OF THE CORONAVIRUS PANDEMIC

OECD's Data, Analysis, and Recommendations

Aida Caldera Sánchez
Economic Counsellor to the OECD Chief Economist
12 May 2020
Overview

- Impact of Covid-19 on economic activity: Containment measures to flatten the epidemic curve are necessary but tough on the economy
- Policies to deal with Covid-19: Reactions have been large in magnitude and scope
- Exit strategy should be coordinated: Evolving policy measures will be necessary
How is Covid-19 affecting economies?
Limitations on movements & activities vary across countries

Percent of countries with confinement and lockdowns

0 least stringent – 5 most stringent

Level 5: Nation-wide lockdown with very limited exceptions

Level 4: Nation-wide lockdown with many exceptions

Level 3: Restrictions in many areas or population groups, with broad exceptions

Level 2: Broad areas or population groups are locked-down

Level 1: Heavy restrictions on movement and activities in limited areas

Level 0: None

Activity and consumption have dropped drastically

Note: LHS: The last data point is for April 2020. RHS: Monthly household consumption is used for the United States. The last data point is February 2020 for the euro area and March 2020 for China and the United States. Source: Refinitiv; Markit; OECD database and OECD calculations.
Service sectors are facing acute economic pain

Percent change in the number of scheduled flights departing from selected countries for each week in 2020 compared to the same week in 2019

Note: Week compared with equivalent week in previous year. For example, the figures calculate the percentage change, year on year, between Monday 6 January 2019 and Monday 7 January 2020.

Source: Schedules Analyser.
The Covid-19 pandemic is having a significant impact on the economy

Potential initial impact of partial or complete shutdowns on activity are sizeable

% GDP, constant prices

GDP has already fallen significantly in 2020

Quarter-on-quarter percent change in GDP in 2020Q1

Note: LHS: The sectoral data are on an ISIC rev. 4 basis in all countries apart from Korea and Brazil, where national data are used. RHS: 2020Q1 GDP estimates are seasonally adjusted and refer to flash estimates subject to revisions. Sources: OECD Annual National Accounts; OECD Trade in Value-Added database; Statistics Korea; Brazilian Institute of Geography and Statistics; OECD Economic Outlook database; Eurostat; and OECD calculations, Evaluating the initial impact of Covid-19 containment measures on economic activity, OECD (2020).
Financial markets under strain

Outstanding amount of non-financial corporate bonds

<table>
<thead>
<tr>
<th>Region</th>
<th>Dec 2008</th>
<th>Dec 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>6.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Advanced</td>
<td>10.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Emerging</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>US</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Europe</td>
<td>6.0</td>
<td>2.9</td>
</tr>
<tr>
<td>China</td>
<td>1.9</td>
<td>1.9</td>
</tr>
</tbody>
</table>

Changes in investment grades of corporate bonds

- BBB 50.9%
- A 40.6%
- AA 7.7%
- AAA 0.73%

Note: LHS: Total outstanding amount of corporate bonds issued by non-financial companies and outstanding amount due within the subsequent 3 years in 2019 USD. Source: OECD (2020) Corporate Bond Market Trends, Emerging Risks and Monetary Policy.
Emerging markets hit by multiple shocks

Note: LHS: Cumulative non-resident portfolio flows to emerging markets since event start date (t for GFC=9/8/2008; for TT=5/17/2013; for China sell-off=7/26/2015; for COVID=1/21/2020). RHS: Estimates refer to percent changes in commodity prices between April and January 2020 for all series except for Crude oil that refers to percent changes between May and January 2020. Source: Daily capital flows tracker, IIF. ©2020 Institute of International Finance, Inc. All rights reserved; Refinitiv and OECD Main Economic Indicators Database.
Policy actions to mitigate the impact of the pandemic
Prompt and massive support to contain the shock

**People**
- Extra spending on the healthcare sector (e.g., mass testing, PIT/SSC cuts for health workers, VAT exemptions/cuts for medicines/equipment)
- Income support measures (e.g., expansion of short-time working schemes, paid sick leave and unemployment benefits)

**Firms**
- Reductions in tax and social security contributions (e.g., enhanced tax loss provisions for firms)
- Delays and deferrals to taxes, SSCs and other compulsory payments
- Support to workers and employers in SMEs (e.g., reduction of working hours)

**Macro policy**
- State loan guarantees for private borrowers
- Asset purchases (e.g., government bonds and private securities)
- Liquidity support measures (e.g., standard lending facilities)
- Lending support measures (e.g., reserve requirement reductions)
- Prudential regulation to support bank lending (e.g., favorable NLP treatment)
- Cuts in interest rates
Unprecedented government financial support

Official estimates of financial help to the economy

- Budget balance impact
- Tax and social security contribution deferrals
- Loans, guarantees and other contingent liabilities

% GDP

Note: Shows official estimates, when available, of financial help included in emergency packages announced by governments in response to the COVID19 crisis, as of 11 May. In many cases, they are highly uncertain due to an unknown duration of the crisis and take-up of various programmes by the private sector, and may not be comparable across countries. For country-specific notes, see the Annex.
Wide-ranging monetary policy responses

Central bank total assets

% GDP

2007  2012  2019  Last

Federal Reserve  ECB  Bank of Japan

Note: The last observation is expressed as percent of GDP in 2019.
Source: OECD Economic Outlook database and OECD calculations.
A new reality?

**Revisiting globalisation**
- Local production in strategic/essential goods and services
- Supply chains will diversify to manage risk
- Travel changed

**Accelerating the digital transition**
- Faster automation of jobs
- Rise in teleworking
- Greater online learning
- Greater online commerce
- Increased need for digital infrastructure and tools for all communities and households
- Dawn of cashless society

**Increased preference for public goods**
- Increased willingness to implement green measures
- Resilient health systems
- Revisiting job quality for essential workers

**Re-engineering cities**
- Changes to local spatial planning
- Rethinking cultural and sporting events
Key messages

• The spread of the virus is having a massive impact on the global economy worse than the Global Financial Crisis

• Governments are taking unprecedented measures to support people, businesses and the economy

• Joint government action is needed on multiple fronts including to ramp up the production of medical equipment and supplies to ensure that affordable vaccines and treatments are widely and swiftly available
What are countries doing to contain the COVID-19?

**Containment measures**
- Quarantine/confineement
- Travel bans/restrictions
- Closure of schools/universities
- Cancellation of public events / closure of public places

**Support measures**
- Health
- Fiscal (with a focus on people and firms)
- Monetary policy and macro-prudential regulation

OECD Work in response: Published

- Evaluating the initial impact of containment measures on activity | Policy Brief | 14 April 2020
- Covid-19 and Inter-governmental Fiscal Relations | Policy Brief | 21 April 2020
- Coronavirus: the world economy at risk, OECD Interim Economic Outlook | Report | 2 March 2020
- Country Policy response tracker Data visualization, updated daily
- Europe must act now to prepare the aftermath of the pandemic crisis | Blog post | 6 April 2020
- Coronavirus: The world economy in freefall | Presentation | 10 April 2020
- The European economy before and after the pandemic Presentation | 24 April 2020
- The global outlook: recent developments and perspectives | Presentation | 24 April 2020
- Coronavirus: The global economic impacts of COVID-19 | Presentation | 27 April 2020
OECD Work in response: Upcoming

• OECD Economic Outlook | 10 June
• How countries are trying to maintain employment in the current crisis: the example of Germany | mid-May

• COVID-19: A compounded and unprecedented shock for Latin America | mid May
• Corporate sector vulnerabilities during the Covid-19 outbreak: Assessment and policy responses | mid May

• Debt management in EMEs – What are the options? | mid June
• Impact of containment on economic activity and consumption | June
• Will South-East Asia ever be the same? | second half of June
• The job market recovery in the US – will it be faster this time? | second half of June
• Europe must act now to deal with the health and economic emergency and prepare the aftermath of the pandemic crisis | tbd
• Disruptions in automotive industry value chains in Central and Eastern Europe: implications for productivity and growth | tbd
Thank you

Find out more about our work at:

- [https://oecd.org/coronavirus](https://oecd.org/coronavirus)
- [https://twitter.com/oecdeconomy](https://twitter.com/oecdeconomy)
- [eco.contact@oecd.org](mailto:eco.contact@oecd.org)
- [https://oecdecoscope.blog/](https://oecdecoscope.blog/)
Annex
Real time daily data suggest activity collapses after lockdown

Google search index, 100 = 23Feb2020

- **Restaurants**
- **Hotels & Accommodations**

**ITA**

**USA**

**FRA**

**JPN**

Note: Solid vertical lines represent approximated national lockdown announcements or tightened recommendations to stay home and dashed vertical lines represent the lifting of some restrictions. Google trends categories are harmonised across countries and languages. The figures show weekly changes in google search volumes since 23 February 2020. Data as of 3 May 2020. Source: Google Trends; OECD Covid-19 Policy tracker and OECD calculations.
### Policy responses in the US, Europe and China: What more could be done?

<table>
<thead>
<tr>
<th>United States</th>
<th>Europe</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promote worker attachment, including short-term compensation schemes (workshare) that are relatively under-utilised</td>
<td>Coordinate healthcare capacity and health exit strategies</td>
<td>Focus firm support more on job retention given that wages are a major fixed cost</td>
</tr>
<tr>
<td>Ensure liquidity and work with creditors to prevent widespread bankruptcy</td>
<td>Provide stronger fiscal response, ideally with some degree of debt mutualisation</td>
<td>Provide emergency funding to small firms to avoid large-scale bankruptcies</td>
</tr>
<tr>
<td>Provide additional support to states under greatest budgetary pressure to avoid an unhelpful tightening</td>
<td>Reform other aspects of the European fiscal framework and better coordinate national fiscal policies</td>
<td>Reduce out-of-pocket healthcare payments</td>
</tr>
</tbody>
</table>
Country-specific notes for government financial support

DEU: State loans and credit guarantees include EUR 100 bn (2.9% of GDP) for recapitalisation of larger companies and important start-ups by an economic stabilisation fund and an extension of the limit on available credit guarantees by the state-owned development bank KfW of EUR 357 bn (10.4% of GDP). On 6th April, another immediate loan scheme for SMEs via KfW was announced, but at the moment there is no official estimate of its size. The estimate of the volume of announced tax deferrals is not available. Estimate includes direct and off-budget support measures by Länder and local authorities.

GBR: Welfare measures with direct budget impact include the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme. Their size will depend on the take-up and duration, the number used (GBP 14.7bn; 0.7% of GDP) is based on the Resolution Foundation estimates, it assumes 3.5 million people using the schemes for 3 months. Contingent liabilities include over GBP 330 billion (14.9% of GDP) of state loans and guarantees for struggling businesses, through the Coronavirus Corporate Financing Facility (CCFF) and the Coronavirus Business Interruption Loan Scheme (CBILS).

FRA: Credit guarantees are assumed to apply to EUR 300 billion of bank loans. The French government is currently debating on adopting measure to recapitalise private firms in distress worth EUR 20 bln, that has not been included.

ITA: State loans and credit guarantees include the expected multiplication effect on the credit market. Extra liquidity will be provided by the moratorium on debt repayment and debt interest payments until end-September on an approximated volume of firm loans of EUR 220 bn; the moratorium on mortgage payments for vulnerable households. Estimates for these measures are not available. The Italian government is currently discussing a further fiscal stimulus of EUR 55 bn (3.0% of 2019 GDP), that has not been included.

ESP: The wage support and welfare measure are estimated at EUR 5 bn for one month; if the crisis lasts longer, spending will be higher. Measures to support credit consist of EUR 104 bn in state guarantee, and includes EUR 80 bn of private capital.

USA: Tax referral represent the fiscal cost incurred in 2020 as estimated by the Joint Committee on Taxation (JCT).

KOR: In addition to the number shown, measures with direct budget impact include WON 9.1 trillion (0.5% of GDP) emergency relief payment for low-income households which will be budget neutral (financed by cuts of other budget items). Contingent liabilities include WON 48.5 trillion (2.5% of GDP) used to create funds aimed at stabilising financial markets (corporate bond market stabilisation fund, short-term monetary market stabilisation fund, stock market stabilisation fund and a primary collateralised bond obligations scheme).

JPN: The total recent fiscal package to cope with downside risks, including those related to the COVID19 crisis is JPY 108 trillion, including around JPY 40 trillion of public spending and around JPY 68 trillion of state loans and guarantees. The size of the fiscal package announced on April 7 might increase by an additional JPY 8.9 trillion, not included. Estimates of tax deferral measure are not available.

SWE: The volume of tax deferrals depends on takeup; they can range from SEK 47 billion (0.9% of GDP) used here if the takeup is similar to the Global Financial Crisis, up to SEK 335 billion (6.7% of GDP) with maximum takeup.

CHE: The estimate includes the costs of extended/relaxed unemployment benefits of CHF 600 million per month, the numbers shown assume three months of the extended policy being in place. Measures also include tax deferrals as part of the second CHF 32bn support package, but these have not been quantified.

AUS: The package includes States and Territories direct support measures estimated at AUD 11.5 bn (0.6% of GDP). Tax deferrals have been announced, but not quantified.

NLD: Estimates of tax deferral measure are not available.
SUPPORTING WORKERS, FAMILIES AND FIRMS: EMPLOYMENT AND SOCIAL POLICY RESPONSES TO COVID-19 IN OECD COUNTRIES

Monika Queisser
Senior Counsellor and Head of the Social Policy Division
OECD, Directorate for Employment, Labour and Social Affairs
12 May 2020

@OECD_Social
Labour markets are already taking the toll…

In the United States…

Initial unemployment benefit claims in the United States
April 2007 to early May 2020

Over 30 million new UI claims in the 7 weeks of lockdowns

Peak during the global financial crisis

Source: US Department of Labor
Labour markets are already taking the toll...

In the United States...

Initial unemployment benefit claims in the United States
April 2007 to early May 2020

Over 30 million new UI claims in the 7 weeks of lockdowns

Peak during the global financial crisis

Source: US Department of Labor

... as in many other countries:

Canada: 2.13 million new claims in first 2 weeks of March, equivalent to total for 2018-19
Norway: In the first 3 months more than 2x claims as in the entire 2019
United Kingdom: Claims 10 times higher than in normal times
Labour markets are already taking the toll...

In the United States...

Initial unemployment benefit claims in the United States
April 2007 to early May 2020

Peak during the global financial crisis

Over 30 million new UI claims in the 7 weeks of lockdowns

… as in many other countries:

Canada: 2.13 million new claims in first 2 weeks of March, equivalent to total for 2018-19

Norway: In the first 3 months more than 2x claims as in the entire 2019

United Kingdom: Claims 10 times higher than in normal times

Short-time work schemes:

France: 911,000 company claims of chômage partiel for 11.7 million workers: ½ of private sector employees

Germany: 751,000 new company claims for Kurzarbeit in March, for 10.1 million workers; (20x the largest increase during the GFC);

Italy: 8 million employees, 28.5% of the labour force
In some European countries, short-time work has (so far) prevented a massive rise in unemployment.

Source: OECD provisional estimates using various national official sources.
Covid-19 as the “Great Leveller”?  

Employment in Canada, 2000-20

Thousands employed in the
Professional, scientific, and technical service industry
Accommodation and food services industry

It’s rather the “Great Revealer”

- No one is immune to the virus
- But some workers clearly have more “economic immunity” than others

Women are one at-risk group, both at work and at home

Distribution of employment in accommodation and food and beverage services, by sex, 2018

Most pressing issues for women

- clear threats to many female-dominated industries, at least in the short-term, –the longer-term impact on the gender distribution of job loss is hard to predict.
- Women are heavily over-represented among many essential service workers.
- And women areshouldering the bulk of additional unpaid work at home.
- Lockdown situations exacerbate risks of violence, exploitation, abuse or harassment against women

Note: Data refer to women’s share of employment in ISIC Rev 4. category 55 (Accommodation) and 56 (Food and beverage services)
Source: OECD calculations based on data from ILO ILOSTAT, https://ilostat.ilo.org/data/
Many children are also particularly vulnerable to the crisis

Percentage of 15-year-olds who have a desk and a quiet place to study in their home, by PISA economic, social and cultural status index (ESCS), 2018

Note: Countries are ranked according to availability of desks and study spaces. In countries marked with an *, the difference between low and high socio-economic status children is statistically significant at p<0.05.

Source: OECD (2020) Combatting COVID-19’s effect on children

Most pressing issues for children

- Worldwide, 188 countries have imposed school closures, affecting more than 1.5 billion children and youth
- Remote education is helping many children – but some children do not have the right tools/environment to learn from home.
- Potential increase in child maltreatment
- Children in foster care, in detention & in homeless families are highly vulnerable
- Globally, 117 million children at risk of missing measles vaccines
Containing the epidemic while minimising its economic effects (1/2)
Containing the epidemic while minimising its economic effects (1/2)

Reducing workers’ exposure to Covid-19

- Relaxing existing legislation or introduce new options for telework.
- Assisting SMEs to develop teleworking capacity, including in cooperation with tech companies.
- Increasing health and safety requirements.
Containing the epidemic while minimising its economic effects (1/2)

Reducing workers’ exposure to Covid-19

- Relaxing existing legislation or introduce new options for telework.
- Assisting SMEs to develop teleworking capacity, including in cooperation with tech companies.
- Increasing health and safety requirements.

Income support to sick or quarantined workers

- Extending coverage and duration notably for non-standard workers and include quarantine.
- Reimbursing employers if they provide paid sick leave to quarantined workers.
- Adapting sickness certification requirements
Containing the epidemic while minimising its economic effects (1/2)

**Reducing workers’ exposure to Covid-19**
- Relaxing existing legislation or introduce new options for telework.
- Assisting SMEs to develop teleworking capacity, including in cooperation with tech companies.
- Increasing health and safety requirements.

**Income support to sick or quarantined workers**
- Extending coverage and duration notably for non-standard workers and include quarantine.
- Reimbursing employers if they provide paid sick leave to quarantined workers.
- Adapting sickness certification requirements

**Helping dealing with unforeseen care needs**
- Alternative care arrangements and financial support.
- Financial subsidies to employers who provide workers with paid leave.
- Adapting telework requirements to workers’ caring responsibilities.
Containing the epidemic while minimising its economic effects (2/2)
Containing the epidemic while minimising its economic effects (2/2)

**Short-time work schemes to preserve jobs**

- Introducing, extending or temporarily relaxing access requirements.
- Simplifying procedures and provide easy access to online information.
- Promoting the uptake of online training.
Containing the epidemic while minimising its economic effects (2/2)

**Short-time work schemes to preserve jobs**

- Introducing, extending or temporarily relaxing access requirements.
- Simplifying procedures and provide easy access to online information.
- Promoting the uptake of online training.

**Income support to workers losing their jobs or self-employment income**

- Extending access to unemployment benefits, including to non-standard workers.
- Helping workers stay in their homes.
Containing the epidemic while minimising its economic effects (2/2)

- Short-time work schemes to preserve jobs
  - Introducing, extending or temporarily relaxing access requirements.
  - Simplifying procedures and provide easy access to online information.
  - Promoting the uptake of online training.

- Income support to workers losing their jobs or self-employment income
  - Extending access to unemployment benefits, including to non-standard workers.
  - Helping workers stay in their homes.

- Financial support to firms affected by a drop in demand
  - Deferring tax and social contribution payments.
  - Setting up financial facilities to temporarily support companies’ liquidity.
Combatting COVID-19’s effect on women and children
Combatting COVID-19’s effect on women and children

Policy responses for women

• Use gender impact assessment processes and tools in emergency management, and gender budgeting for response and stimulus packages
• Ensure women are well covered by more general emergency measures to support workers and families
• Make sure supports for victims of domestic violence are not sacrificed in the crisis
• Reinforce efforts to ensure women’s voices are well heard in decision making processes
Combatting COVID-19’s effect on women and children

**Policy responses for women**

- Use gender impact assessment processes and tools in emergency management, and gender budgeting for response and stimulus packages
- Ensure women are well covered by more general emergency measures to support workers and families
- Make sure supports for victims of domestic violence are not sacrificed in the crisis
- Reinforce efforts to ensure women’s voices are well heard in decision making processes

**Policy responses for vulnerable children**

- Strengthen food assistance
- Provide immediate assistance and protection to children in emergency situations
- Mitigate mental health problems due to confinement
- Help parents support their children’s education with specific support to disadvantaged children.
- Protect children in the digital environment
- Step up efforts to combat child poverty
OECD Policy Briefs on the health, social and employment dimensions of COVID-19:

• Flattening the COVID-19 peak: Containment and mitigation policies (oe.cd/il/covid19briefcontain)

• Beyond Containment: Health systems responses to COVID-19 in the OECD (oe.cd/covid19briefhealth)

• Testing for COVID-19: A way to lift confinement restrictions (oe.cd/il/covid19brieftesting)

• Supporting people and companies to deal with the COVID-19 virus: Options for an immediate employment and social-policy response (oe.cd/covid19briefts) + overview policy table with countries’ policy responses (oe.cd/covid19tablesocial)

• Public employment services in the frontline for jobseekers, workers and employers (oe.cd/il/covid19briefPES)

• Women at the core of the fight against COVID-19 crisis (oe.cd/il/covid19briefgender)

• Combatting COVID-19’s effect on children (oe.cd/il/covid19briefchildren)

For more information, please contact: Monika.Queisser@oecd.org

Follow us on Twitter at @OECD_Social www.oecd.org/els and http://www.oecd.org/coronavirus/
Many OECD countries have put in place emergency, temporary housing measures in the wake of COVID-19.

<table>
<thead>
<tr>
<th>Type of measure / support</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For tenants:</strong></td>
<td></td>
</tr>
<tr>
<td>- Prohibit evictions due to missed payments</td>
<td>Australia*, Belgium, France, Ireland, Luxembourg, Netherlands, Spain, UK, US*</td>
</tr>
<tr>
<td>- Deferment of rent payments</td>
<td>Germany, Spain*</td>
</tr>
<tr>
<td>- Temporary reduction or suspension of rent payments for some households</td>
<td>Greece, Portugal*</td>
</tr>
<tr>
<td>- Prohibit rent increases</td>
<td>Ireland, New Zealand, Spain*</td>
</tr>
<tr>
<td>- Reforms to financial support for renters</td>
<td>Ireland (facilitated access); Luxembourg (facilitated access &amp; increased level of benefit)</td>
</tr>
<tr>
<td><strong>For homeowners:</strong></td>
<td></td>
</tr>
<tr>
<td>- Deferment of mortgage payments</td>
<td>Australia*, Belgium, Ireland, Portugal, Slovak Republic, Spain, UK</td>
</tr>
<tr>
<td>- Prohibit foreclosures due to missed payments</td>
<td>US*</td>
</tr>
<tr>
<td><strong>For all households:</strong></td>
<td></td>
</tr>
<tr>
<td>- Deferment of utility payments and/or continued service even if payment missed</td>
<td>Belgium*, Germany, Japan, Korea, Spain, US*</td>
</tr>
<tr>
<td>- Reform to housing subsidy</td>
<td>France (postponement of planned reform)</td>
</tr>
<tr>
<td><strong>For the homeless:</strong></td>
<td></td>
</tr>
<tr>
<td>- Emergency support to provide shelter to the homeless</td>
<td>Canada, France, Ireland*, New Zealand, UK, US*</td>
</tr>
</tbody>
</table>

*Measure applies only to some jurisdictions/cases

For more information: [http://oe.cd/covid19tablesocial](http://oe.cd/covid19tablesocial)
Many countries have already taken bold measures.

Share of OECD countries that have introduced (or announced) new measures or expanded existing ones in response to Covid-19, as of 20 April 2020

- Financial support to firms: 97%
- Income support to people losing job/income: 92%
- Adj. hours of work and short-time schemes: 89%
- Reducing workers' exposure to Covid-19: 72%
- Help with unforeseen care needs: 69%
- Income support to sick workers: 64%
- Helping people stay in their homes: 56%
- Income support to quarantined workers: 44%
- Changes to dismissal regulation: 14%