OECD Economic Outlook

Coronavirus: Turning hope into reality

December 1\textsuperscript{st}, 2020

Patrick LENAIN
OECD Assistant Director

http://www.oecd.org/economy/outlook/
OECD Economic Outlook

**Twice yearly full sets** of projections (June & December)
**Twice yearly Interim** projections (March & September)

50 countries – detailed projections + country notes

Coverage of **world** GDP and world trade

Aggregate demand, public budgets, inflation, labour market, potential output, national accounts (**NIPA**).

Alternative **scenarios** with model NIGEM (NIESR)

**Research notes** (mobility, confinement and GDP; confinement and contamination; firm insolvency)

Discussed by OECD **committees** before publication (STEP and Economic Policy Committee).

[www.oecd-ilibrary.org](http://www.oecd-ilibrary.org)
[https://data.oecd.org/](https://data.oecd.org/)
[https://stats.oecd.org/](https://stats.oecd.org/)
[https://oecdecoscope.blog/](https://oecdecoscope.blog/)
Light at the end of the tunnel

1. The outlook is looking brighter with vaccines in sight

2. Risks persist

3. What needs to be done?
1. Light at the end of the tunnel.....

but only after short-term slowdown
We face a temporary slowdown due to renewed outbreaks and new restrictions

Note: LHS: Restrictions refer to general (rather than targeted) restrictions. School closures refer to countries implementing general school closures of some or all levels; stay-at-home requirements refer to countries implementing general requirements to stay at home, in some cases with exceptions (e.g., for daily exercise, grocery shopping, and ‘essential’ trips). For each month, a value of 0 corresponds to no restrictions in place in each country while a value of 0.75 corresponds to 3 weeks of restrictions in place, summed for a total of 45 countries. November average calculated using data up to November 28, 2020 or the latest available date for each country.

Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government; and OECD calculations.
New restrictions are impeding the recovery

Google mobility trends for retail and recreation places
% change from Jan 3 – Feb 6 2020

Note: RHS: The figure shows the 14-day moving average of google retail and recreation mobility (which includes mobility trends for places like restaurants, cafes, shopping centres, theme parks, museums, libraries, and movie theatres). Data are PPP-weighted averages. Data for China are not available.
Source: Google LLC, Google COVID-19 Community Mobility Reports; and OECD calculations.
Recovery projected in 2021-22, but no return to pre-crisis path

Note: The downside scenario assumes that i) consumer confidence declines as prospects for an early deployment of the vaccine recede, reducing household spending; ii) heightened uncertainty and a longer period of weak demand result in the further closure of businesses and the scrapping of capital through 2021; and iii) higher uncertainty and shortfalls in output developments relative to expectations result in weaker risk appetite and repricing in financial markets. All shocks are assumed to fade gradually through 2022. The upside scenario considers the impact of a stronger boost to the confidence of consumers and companies, raising the prospects of a stronger rebound in spending and output. Income losses expressed in 2015 prices and PPPs.

Source: OECD Economic Outlook 106 database; OECD Economic Outlook 108 database; and OECD calculations using the NiGEM macroeconomic model.
# OECD Economic Outlook projections

## Real GDP growth

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>World</strong></td>
<td>-4.2</td>
<td>4.2</td>
<td>3.7</td>
<td>G20</td>
<td>-3.8</td>
<td>4.7</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>-3.8</td>
<td>3.2</td>
<td>3.1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Canada</strong></td>
<td>-5.4</td>
<td>3.5</td>
<td>2.0</td>
<td>Argentina</td>
<td>-12.9</td>
<td>3.7</td>
</tr>
<tr>
<td><strong>Euro area</strong></td>
<td>-7.5</td>
<td>3.6</td>
<td>3.3</td>
<td><strong>Brazil</strong></td>
<td>-6.0</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Germany</strong></td>
<td>-5.5</td>
<td>2.8</td>
<td>3.3</td>
<td><strong>China</strong></td>
<td>1.8</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>France</strong></td>
<td>-9.1</td>
<td>6.0</td>
<td>3.3</td>
<td><strong>India</strong>*</td>
<td>-9.9</td>
<td>7.9</td>
</tr>
<tr>
<td><strong>Italy</strong></td>
<td>-9.1</td>
<td>4.3</td>
<td>3.2</td>
<td><strong>Indonesia</strong></td>
<td>-2.4</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Japan</strong></td>
<td>-5.3</td>
<td>2.3</td>
<td>1.5</td>
<td><strong>Mexico</strong></td>
<td>-9.2</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Korea</strong></td>
<td>-1.1</td>
<td>2.8</td>
<td>3.4</td>
<td><strong>Russia</strong></td>
<td>-4.3</td>
<td>2.8</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>-11.2</td>
<td>4.2</td>
<td>4.1</td>
<td><strong>Saudi Arabia</strong></td>
<td>-5.1</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>United States</strong></td>
<td>-3.7</td>
<td>3.2</td>
<td>3.5</td>
<td><strong>South Africa</strong></td>
<td>-8.1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Note: *Fiscal years starting in April.
Source: OECD Economic Outlook 108 database.
Economic performance will vary significantly

GDP
% change between 2019Q4 and 2021Q4, constant prices

Source: OECD Economic Outlook 108 database; and OECD calculations.
2. Risks persist
Upside risk: consumer demand could come back stronger if large accumulated savings are fully used.

Households’ deposits have jumped
% change between Dec-Sep

Note: Households’ deposits refers to deposits by domestic residents in monetary financial institutions. 2020 refers to the percent change between December 2019 and September 2020.

Source: ECB; US Federal Reserve; Bank of Japan; OECD Economic Outlook 107 database; OECD Economic Outlook 108 database; and OECD calculations.
Downside risk: corporate debt at worrying levels

Corporate debt is close to levels reached during the global financial crisis

Outstanding corporate debt, % of GDP

Note: Advanced and emerging economies follow the IMF’s country classification.
Source: Bank for International Settlements; IMF; and OECD calculations.
3. OECD policy recommendation:

Governments should keep up support in health, macro and employment
1. Strengthen public health policies

**Use of contact tracing**

% of respondents indicating that they are not likely to participate in contact tracing

- Not very likely
- Not at all likely

**Take-up of a potential COVID-19 vaccine**

% of respondents agreeing to get vaccinated if a Covid vaccine were available

- Immediately after available
- Within 3 months
- Within 1 year

Note: LHS: Data for India are based on the urban online population. Response to the question, “How likely or not would you be to participate in contact tracing if contacts are traced through an app on your mobile phone”. Comparability across countries is limited due to different survey timing. RHS: Sample: 18,526 online adults aged 16-74 across 15 countries. Online samples in Brazil, China, India, Mexico, and South Africa tend to be more urban, educated, and/or affluent than the general population. Source: YouGov Plc. 2020; and Ipsos survey for the World Economic Forum conducted October 8-13, 2020.
2. Low interest rates increase space for fiscal support

Debt servicing costs are low

Government debt servicing payments, % of nominal GDP

Note: Value of gross government interest payments as a share of nominal GDP.
Source: OECD Economic Outlook 108 database; and OECD calculations.
3. Step up support to dismissed workers and job seekers

Total hours worked
% change from 2019Q4

Note: Latest available month corresponds to August for Italy and the United Kingdom, September for Japan and October for Australia, Canada and the United States. Economy-wide data for hours worked in all economies apart from the United States, which refers to total hours worked by private non-farm employees. For Japan, estimates are based on total employment and average monthly hours worked by employed persons. August estimates for Italy based on firms with more than 500 employees in industry and services. Source: Bureau of Economic Analysis; Statistics Canada; Australian Bureau of Statistics; Statistics Bureau, Japan; Eurostat; Office for National Statistics; and OECD calculations.
Job postings remain depressed in shutdown sectors

Note: Based on online job postings in Australia, Canada, New Zealand, Singapore, the United Kingdom and the United States. The occupational group professional and support services includes professional, scientific and administrative support services. Source: Burning Glass Technologies
U.S. employment in sectors impacted by lockdowns remains depressed

Source: Bureau of Labour Statistics
Important policy priorities

• Keep up with **safe practices**: masks, distances, tests, tracing, and isolation.
• Plan and coordinate widespread **vaccine** distribution.
• Avoid premature withdrawal of **fiscal** support.
• Keep easy **monetary** conditions until the recovery is well underway.
• Target support to **viable** firms, with grants and equity.
• Help SMEs to **digitalize**.
• Targeted support to **job seekers** with job search assistance and training.
Thank you

Patrick.Lenain@oecd.org