

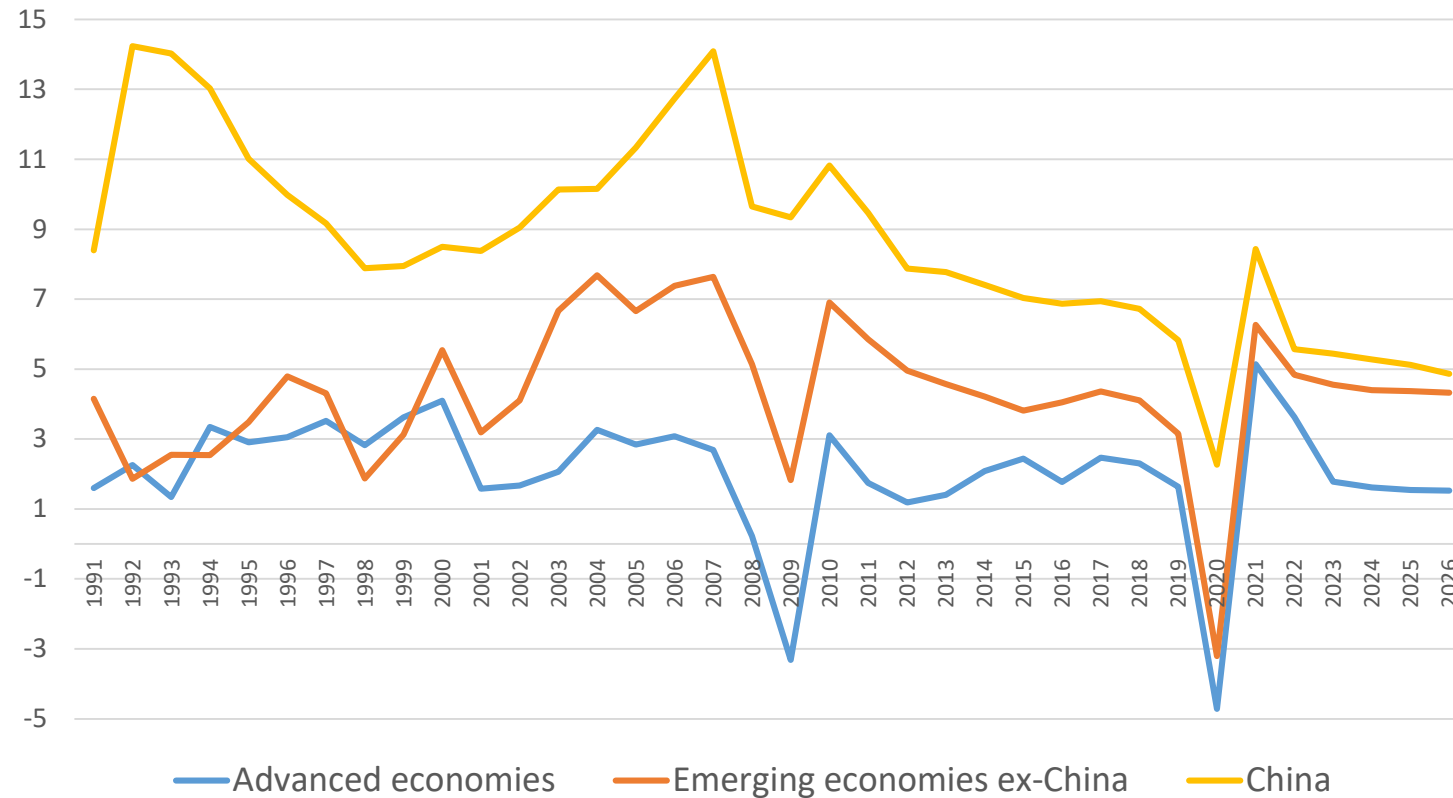
An Uneven Global Rebound Threatens Sustainable Recovery Everywhere

Maurice Obstfeld

*Panel remarks at the Kansas City Fed Jackson Hole Symposium
August 28, 2021*

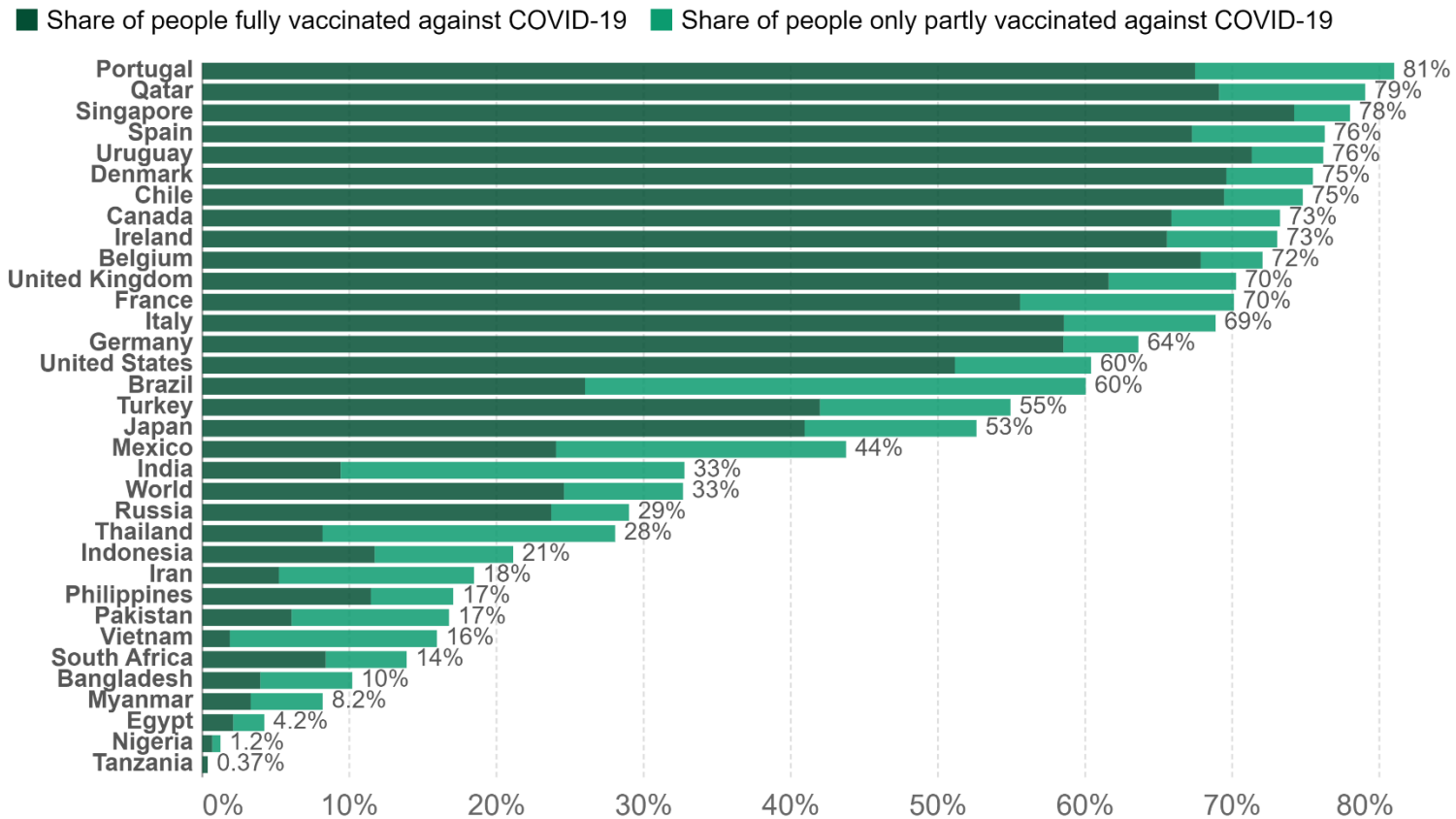
EMDE growth rates were secularly declining even before the pandemic

World Economic Outlook global growth patterns since 1991
(percent per year, April 2021 projections after 2020)



Uneven vaccine access and fiscal space will magnify the unevenness of the global rebound

Share of people vaccinated against COVID-19, Aug 23, 2021

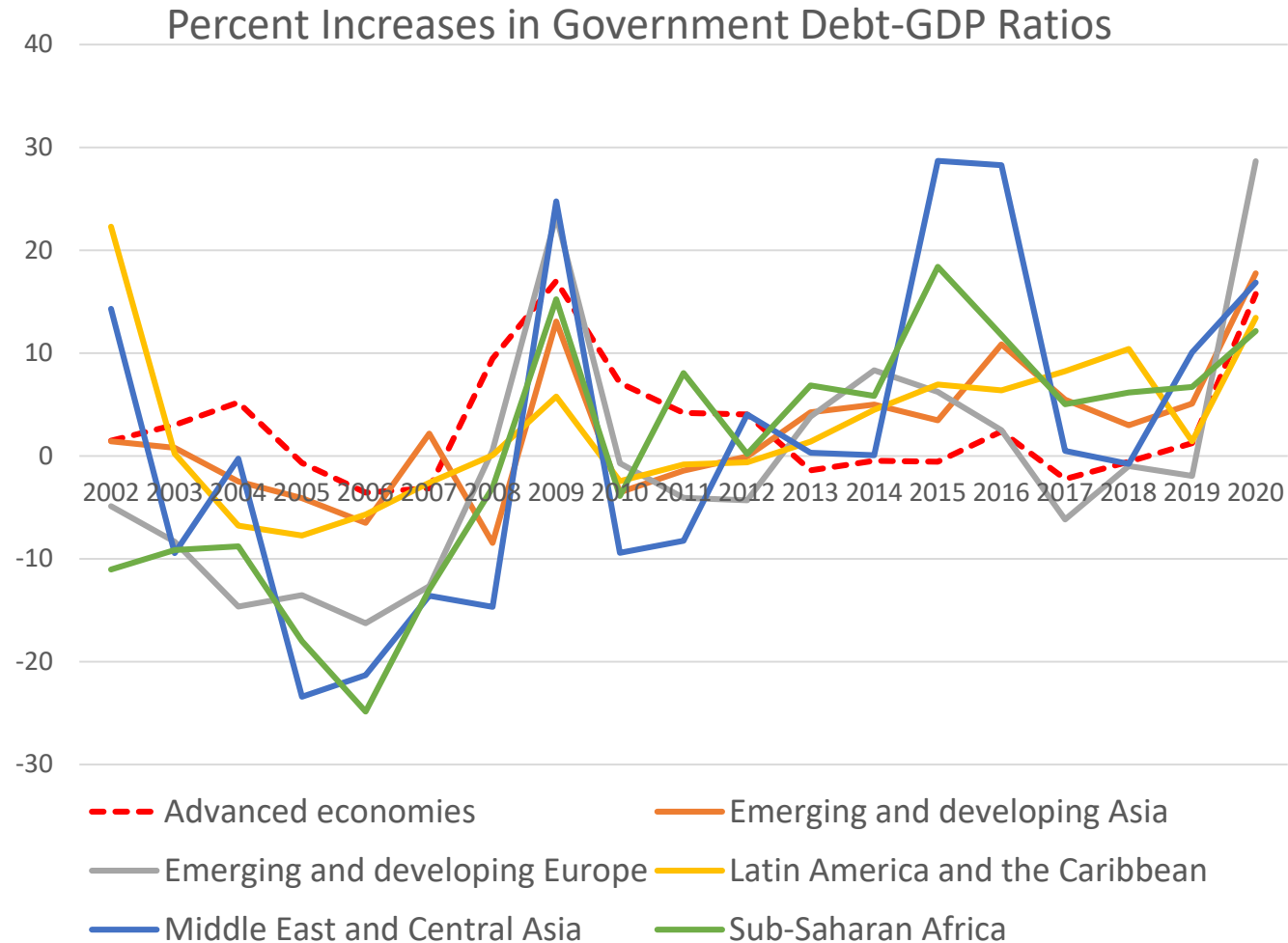


Source: Official data collated by Our World in Data. This data is only available for countries which report the breakdown of doses administered by first and second doses in absolute numbers.
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The pandemic has already stretched EMDE finances – scarring could worsen this over time

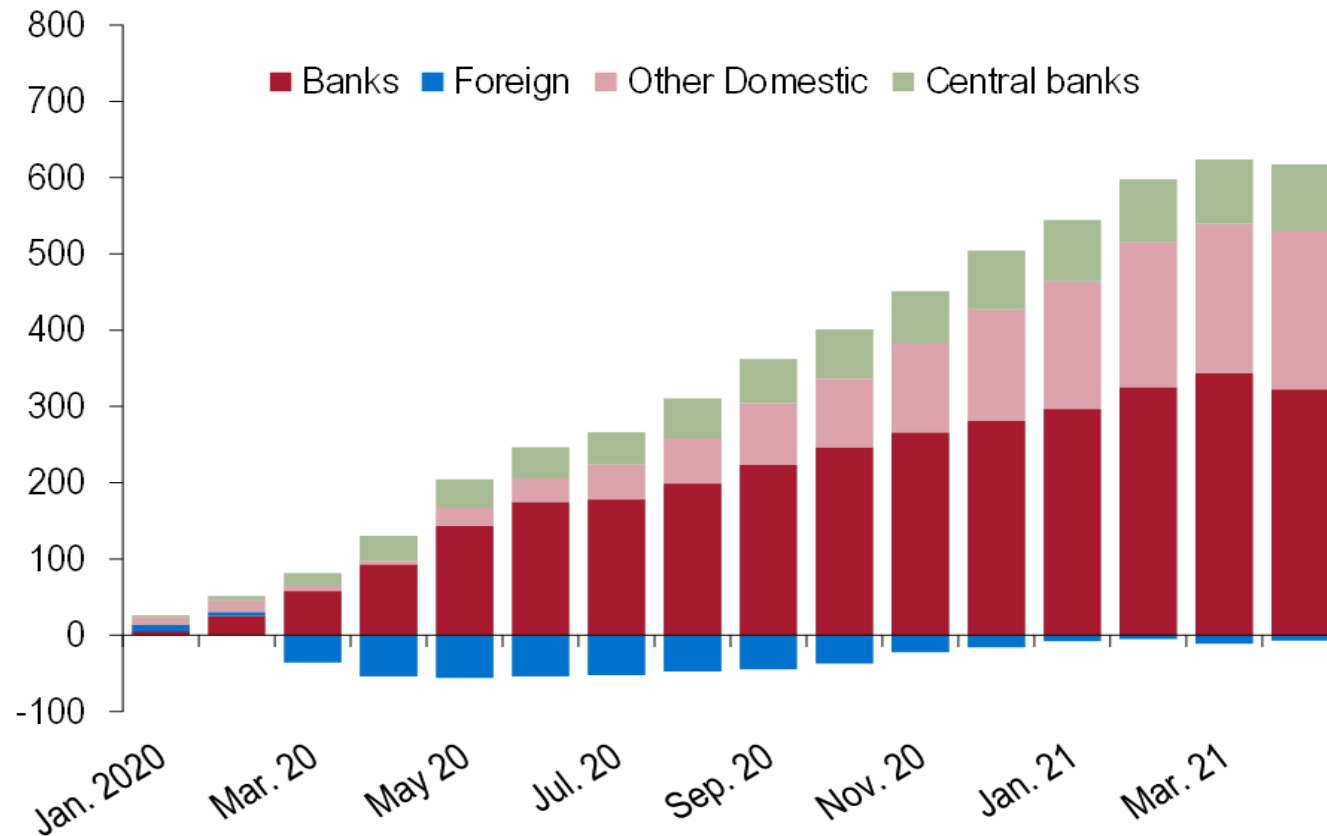
- Fiscal support of economies
- Health expenditures
- Revenues have fallen even as a share of GDP
- Much government debt resides in banking systems

Percent increases in debt-GDP ratios are comparable to those of advanced economies



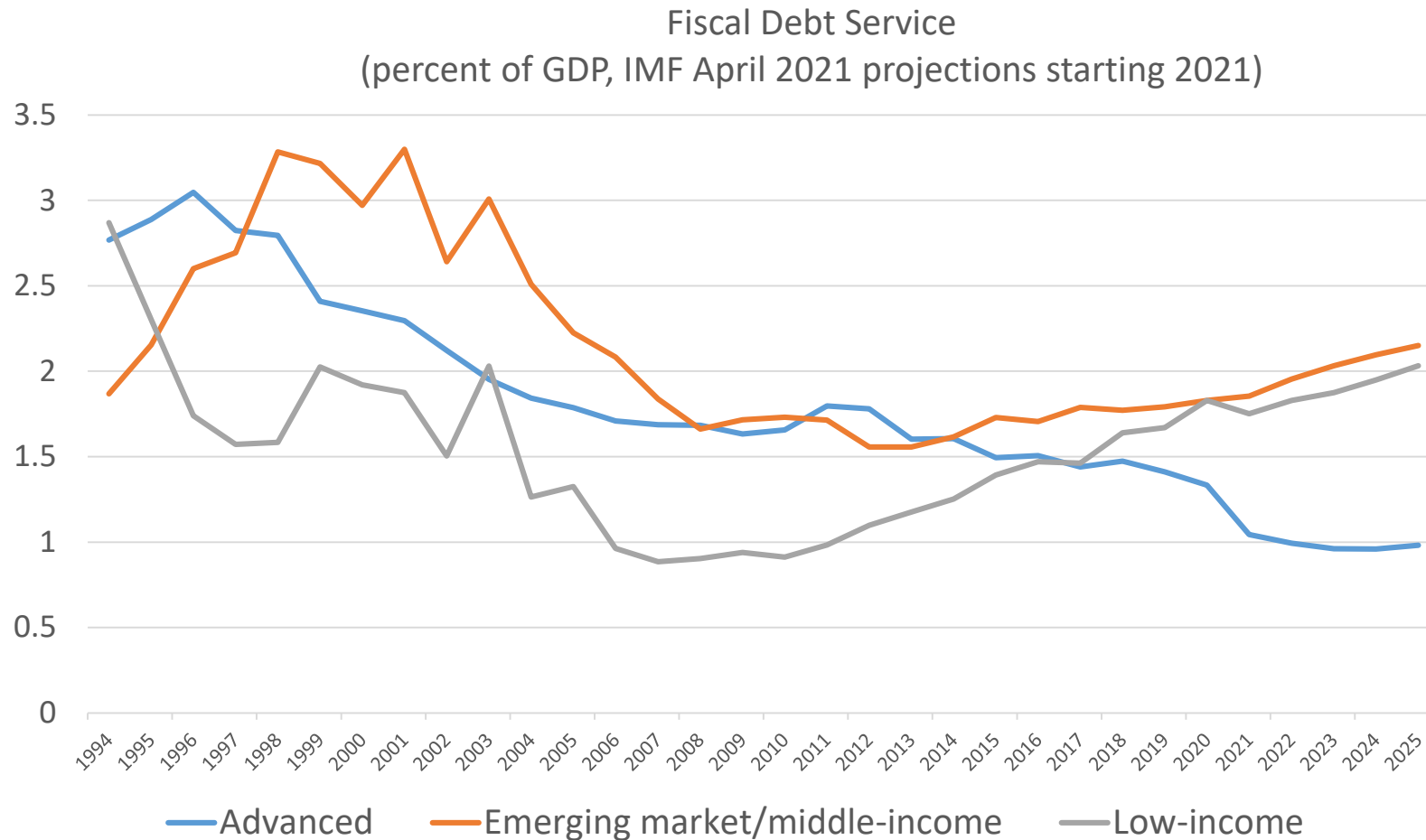
A sovereign-bank “doom loop” could emerge in a capital-flow sudden stop

Domestic Sovereign Bond Holdings
(USD billions, cumulative change)



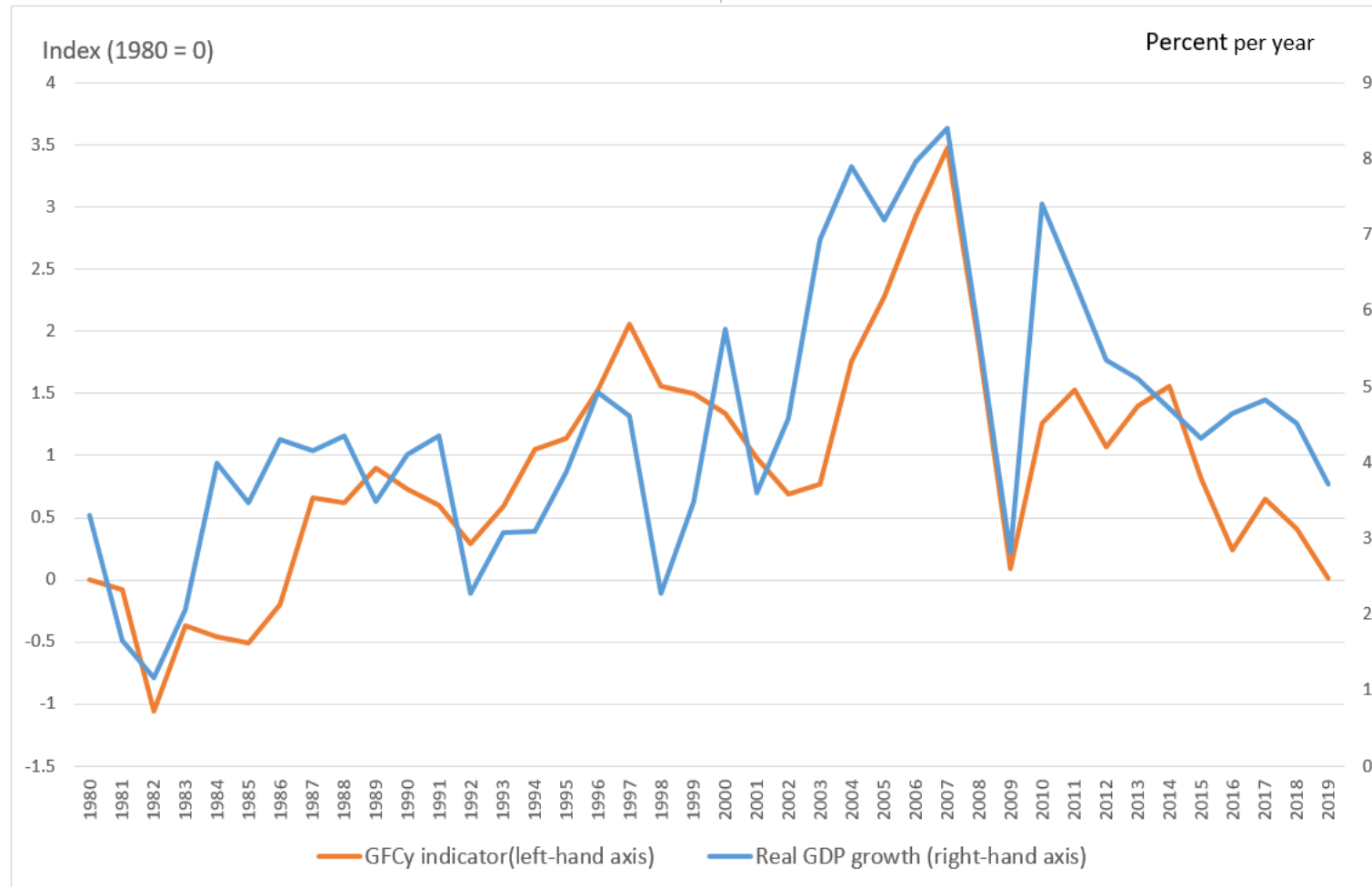
Source: Updated data for 12 EMDEs from IMF, *Global Financial Stability Report*, April 2021, courtesy IMF Money and Capital Markets department.

Projected fiscal debt service trends diverge between advanced economies and EMDEs



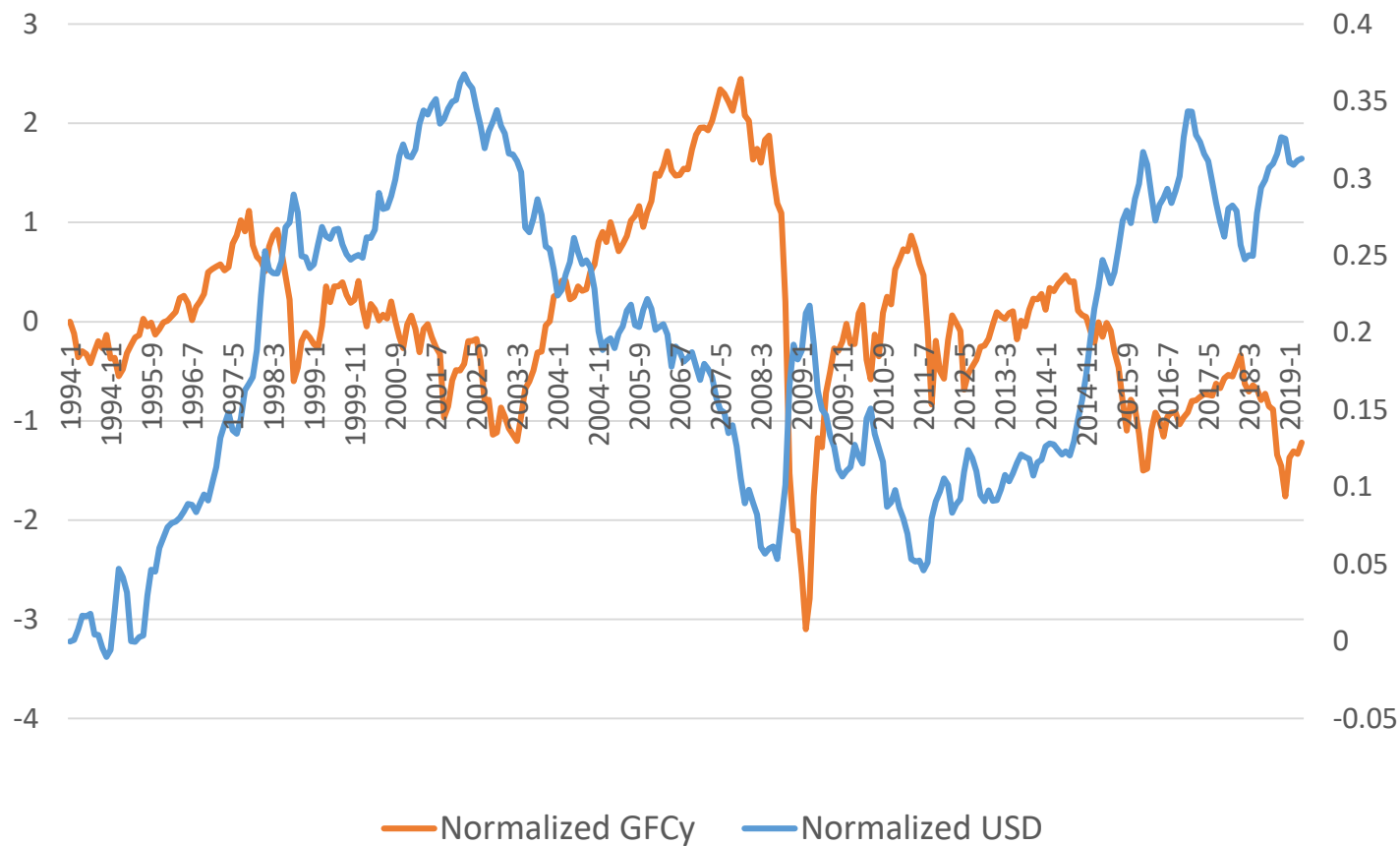
The global financial cycle is a potent factor

Miranda-Agrippino and Rey (2020) GFCy versus Real GDP Growth in EMDEs
(GFCy left axis, growth right axis)



It is tightly linked to the dollar's exchange rate

GFCy versus BIS Broad Nominal USD Index
(GFCy left axis, USD right axis)



What do we expect? What do we need to do?

- Rises in AE (especially US) inflation and interest rates (especially if abrupt) will stress EMDE public finances, possibly lead to crises.
- Dollar appreciation will be a potent transmission channel.
- Need more AE support of EMDE vaccination and other health initiatives.
- Need an upgrade in the sovereign restructuring framework.
- Global health should be a near- and long-term macro priority.