

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

POST PANDEMIC POLICY CHALLENGES AT THE ELB

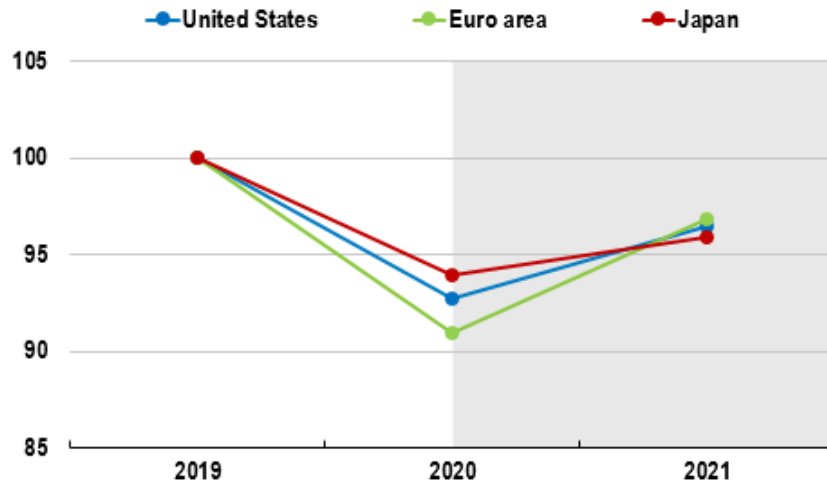
Economic Policy Symposium, Jackson Hole

28 August 2020

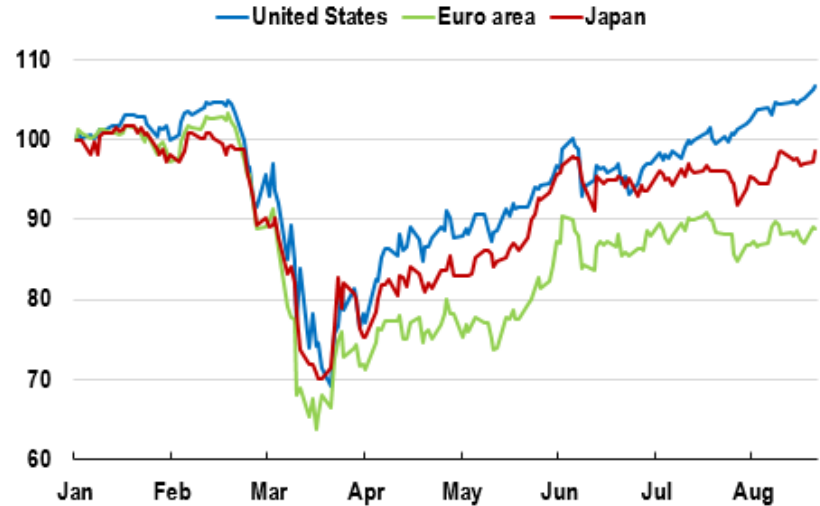
**Laurence Boone
OECD Chief Economist**

Monetary and fiscal policies to the rescue

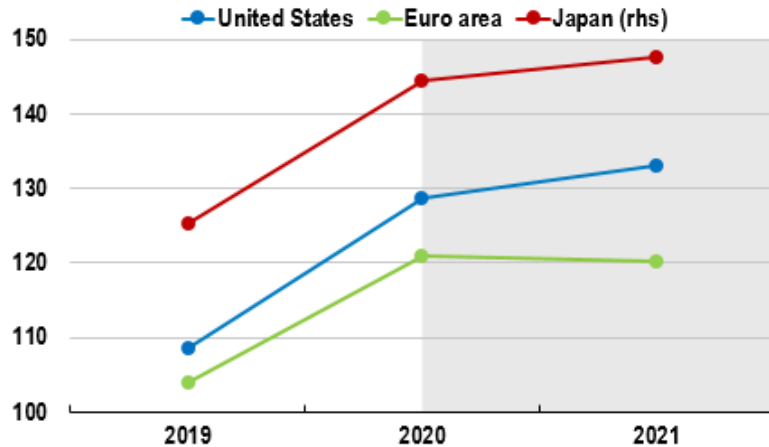
GDP, index 2019=100



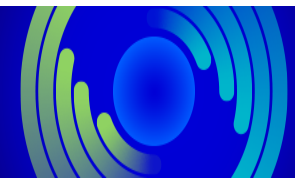
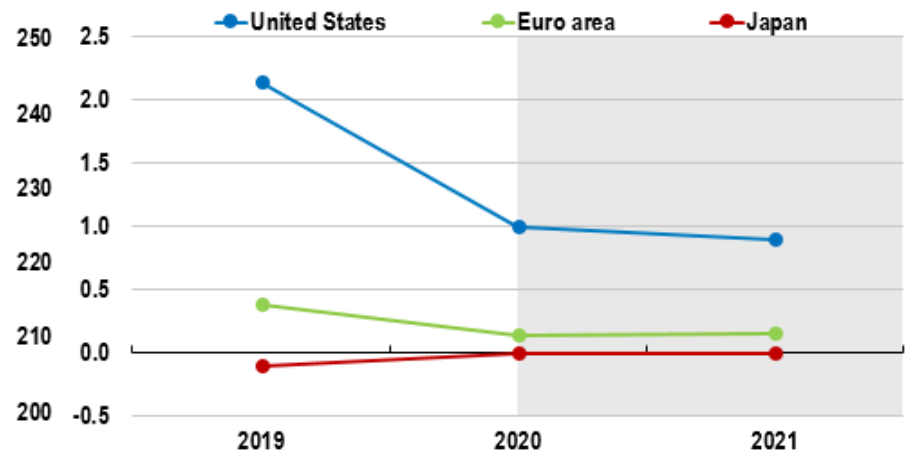
Equity prices, index 1Jan2020=100



Debt levels, annual

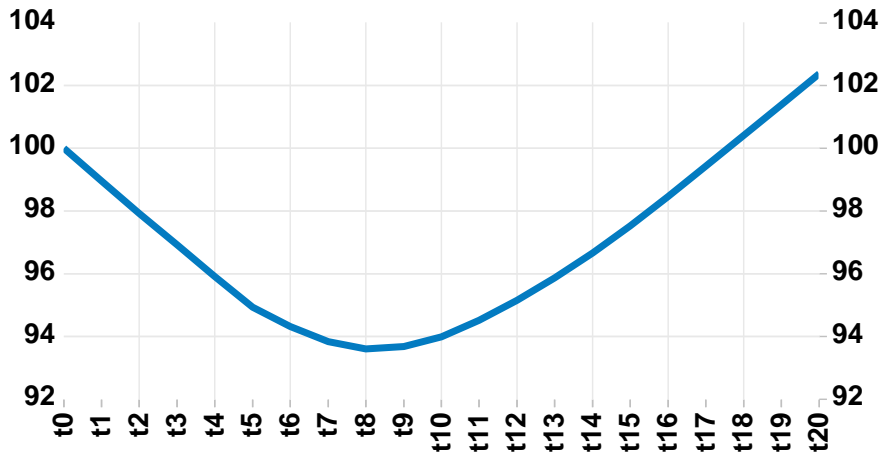


Long-term interest rates, % annual

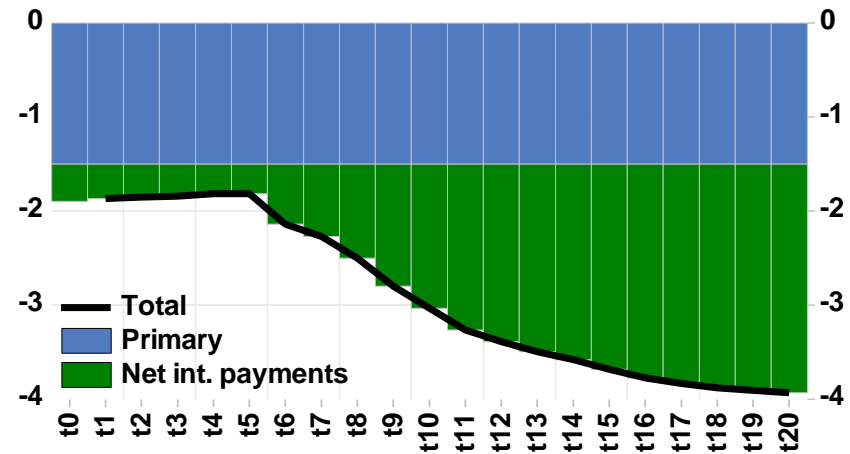


Challenges to monetary policy

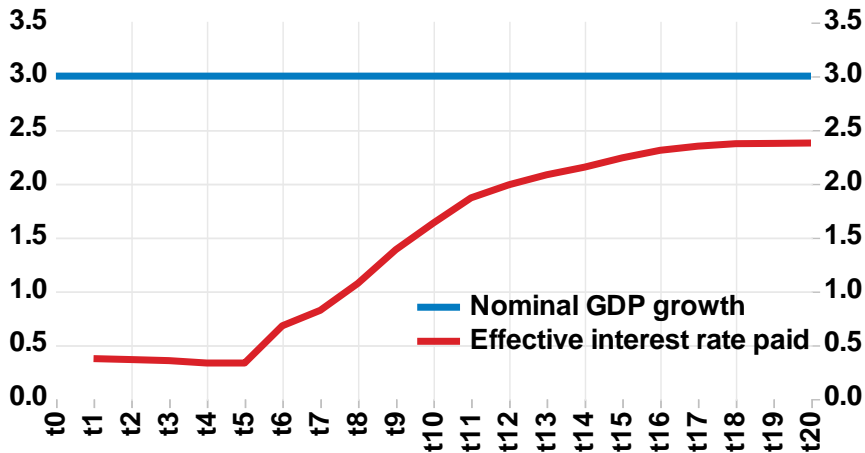
Gross debt, % of GDP



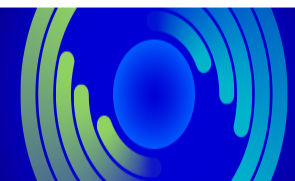
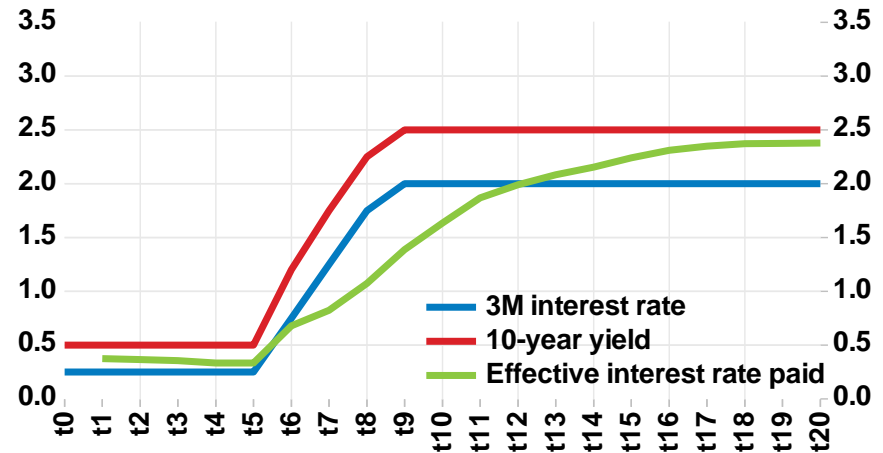
Budget balance, % of GDP



Interest rate and GDP growth, %

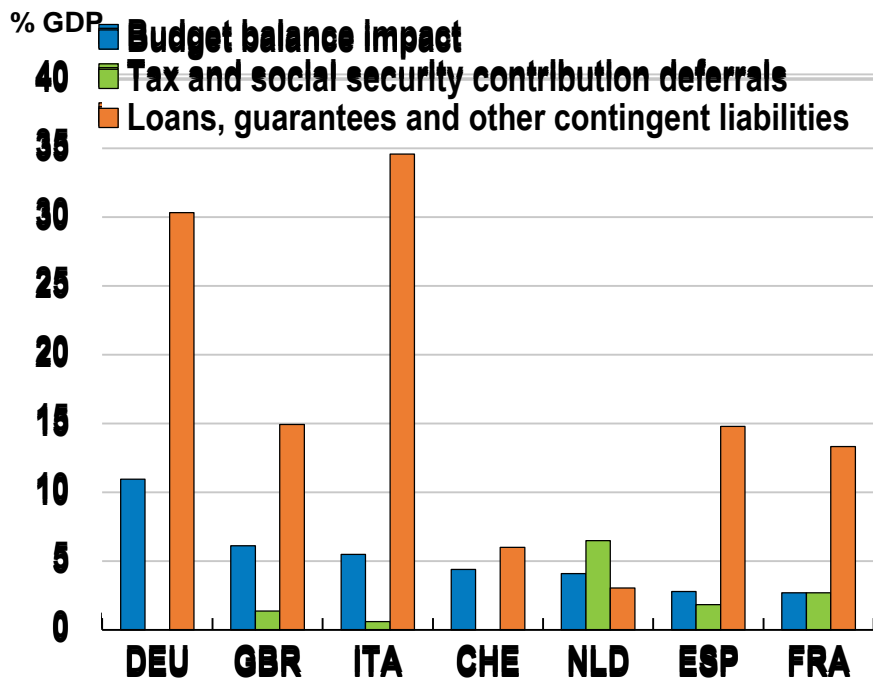


Interest rates, %



The issue of perceived fiscal space

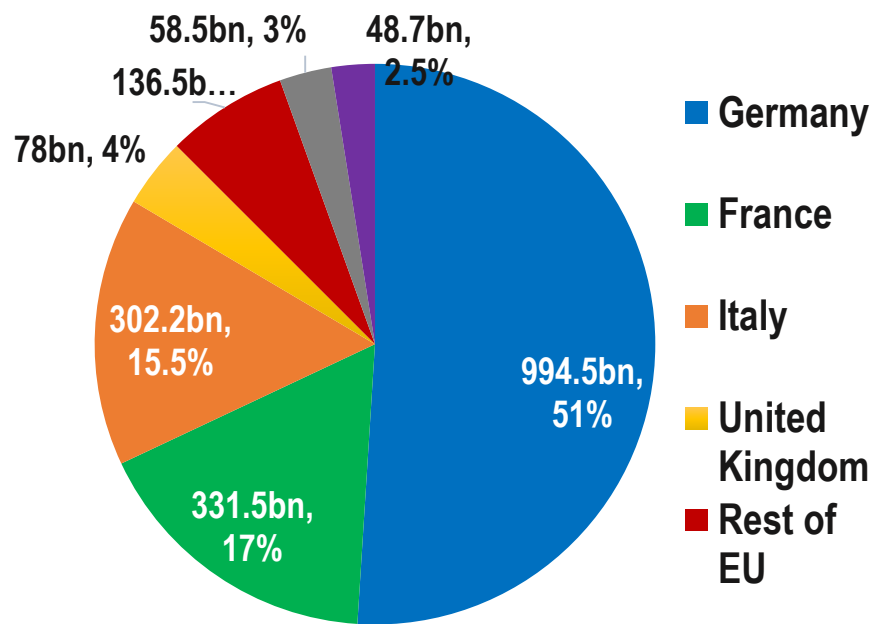
Official estimates of financial help to the economy



Subsidies vary significantly across the EU

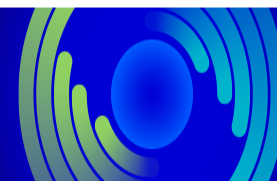
State aid approved by the European Commission during the crisis

Total = 1.95 trillion euros



Note: For country-specific notes, see the Annex. Shows official estimates, when available, of financial help included in emergency packages announced by governments in response to the COVID19 crisis, as of 15 June. 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.

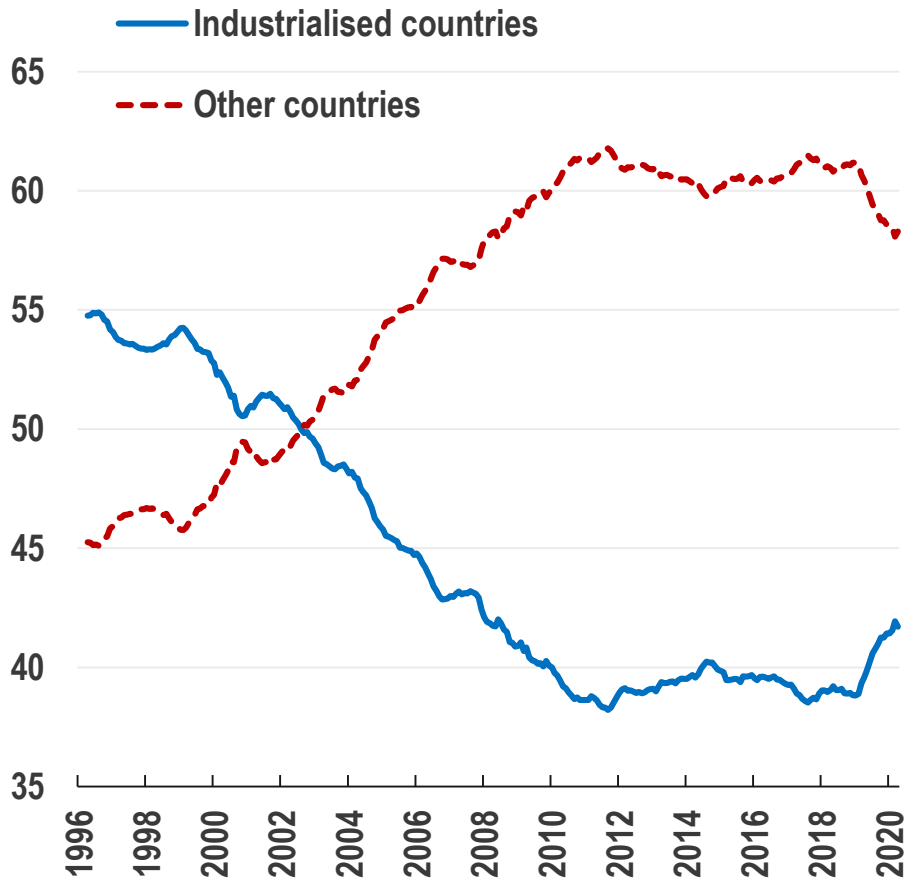
Source: LHS: OECD calculations based on official estimates; RHS: European Commission



Uncertain inflation landscape

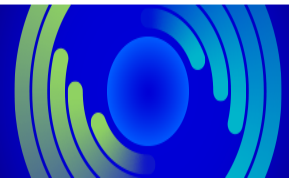
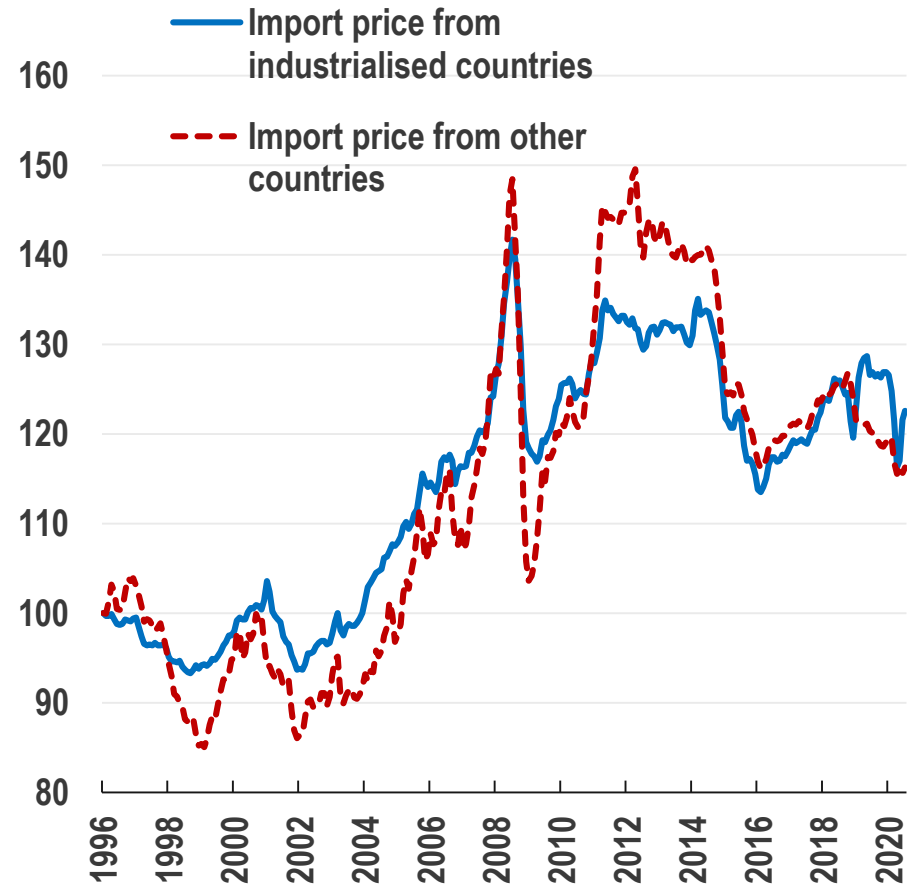
US imports

Share of goods by country of origin
in total imports, %



US import price index

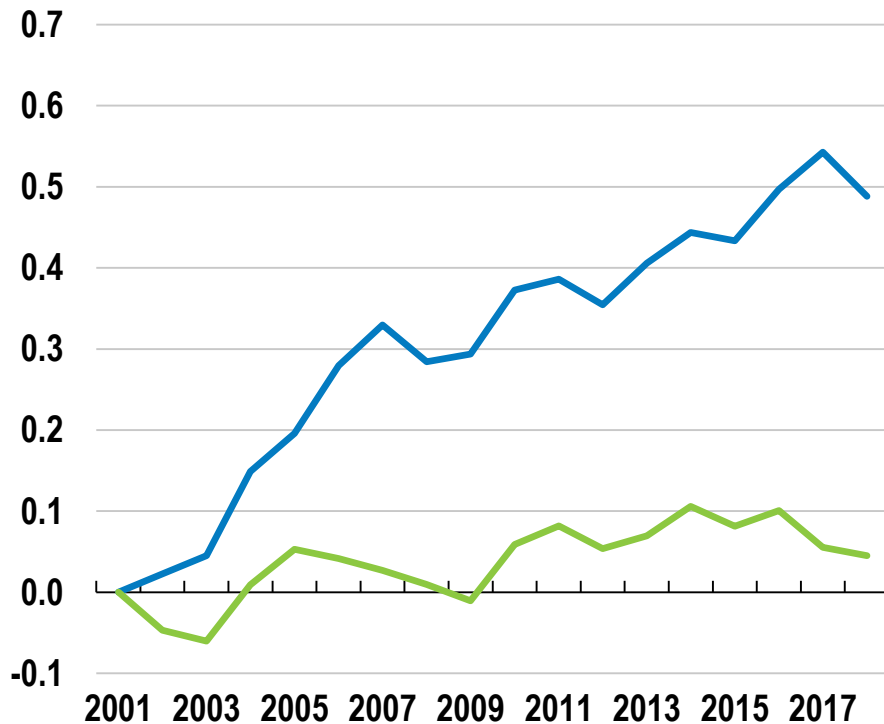
All commodities



If r has limited downside, g needs to go up

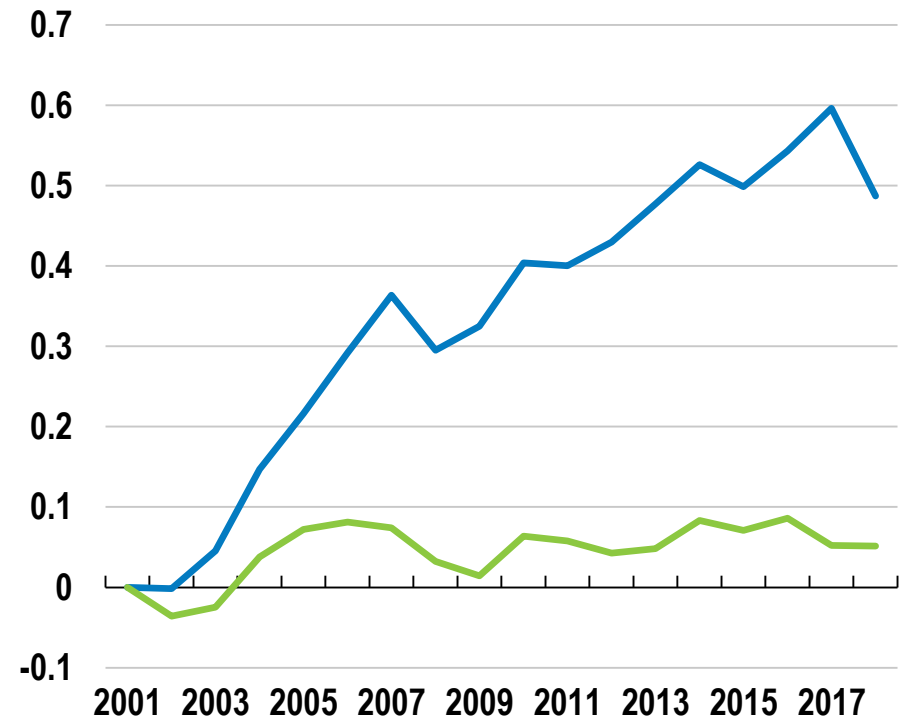
Manufacturing

— Frontier firms (top 5%)



Services

— Laggard firms

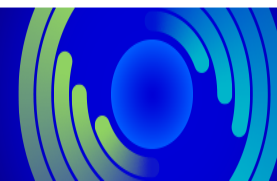


Note: Based on enterprises with minimum 20 employees.

Source: The Orbis database of Bureau van Dijk, updated following the methodology in Andrews, D., C. Criscuolo and P. Gal (2016), "The Best versus the Rest: The Global Productivity Slowdown, Divergence across Firms and the Role of Public Policy", *OECD Productivity Working Papers*, No. 5, OECD Publishing, Paris, <https://doi.org/10.1787/63629cc9-en>.

Mario Draghi, Jackson Hole 2014:

“Without determined structural reforms, aggregate demand measures will quickly run out of steam and may ultimately become less effective. The way back to higher employment, in other words, is a policy mix that combines monetary, fiscal and structural measures”



Sources

[OECD Economic Outlook](#)



[ECOSCOPE blog](#)

