



OECD Economic Outlook

A Balancing Act

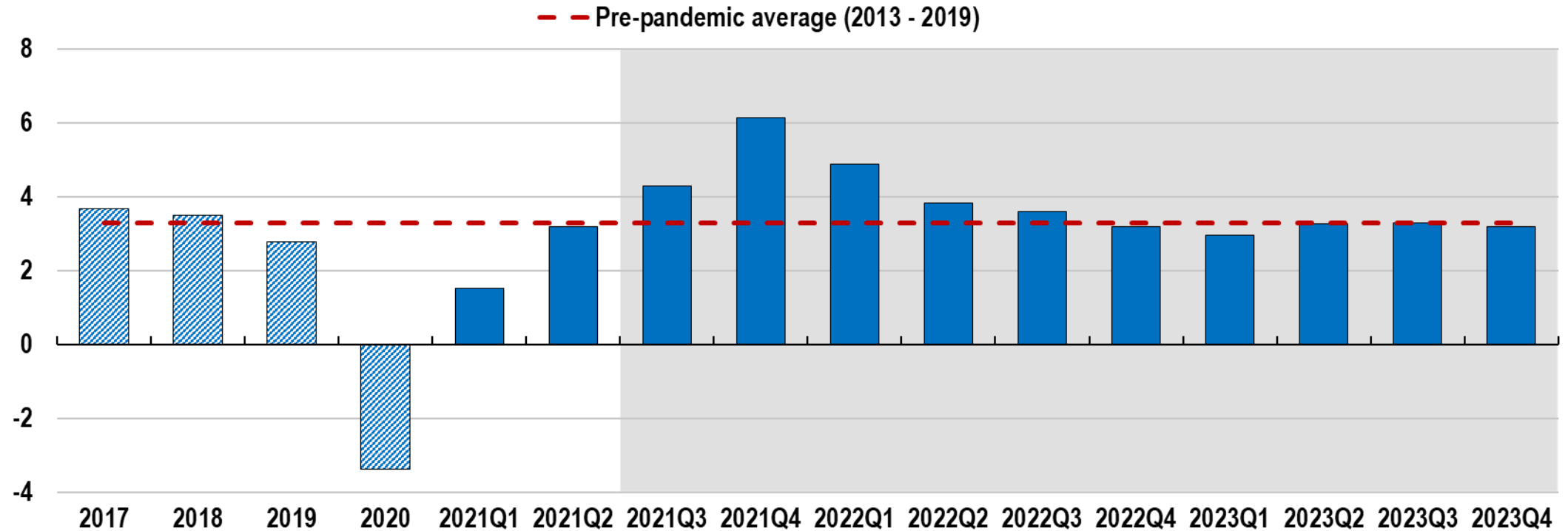
1 December 2021

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OECD Secretary-General and OECD Chief Economist

The rebound is expected to slow, returning growth to pre-crisis rates

World GDP

% change (annualised), quarter on quarter, real



Note: World GDP is aggregated using moving nominal GDP weights at purchasing power parities. Shaded blue columns represent annual growth. Solid blue columns represent annualised quarterly growth rates. The dashed red line represents average annual growth between 2013 and 2019. The projection period is shaded in grey.

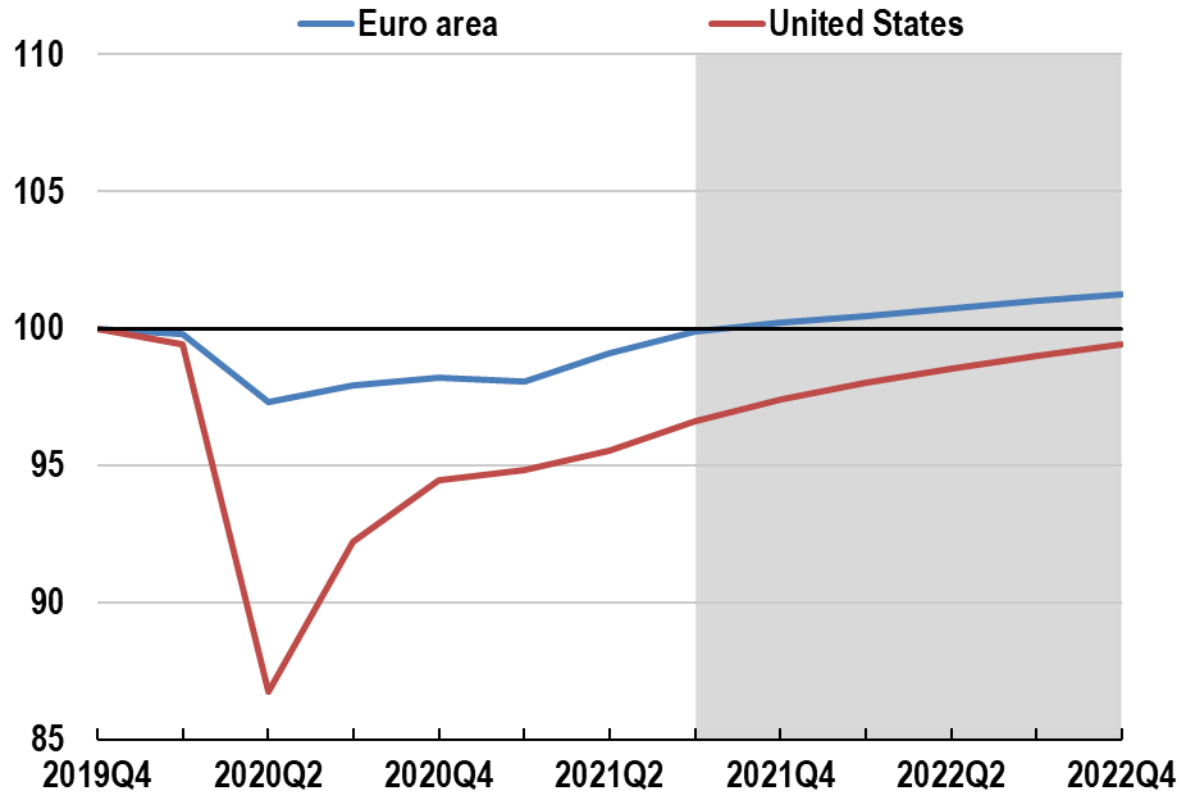
Source: OECD Economic Outlook 110 database; and OECD calculations.



Advanced economies are recovering differently

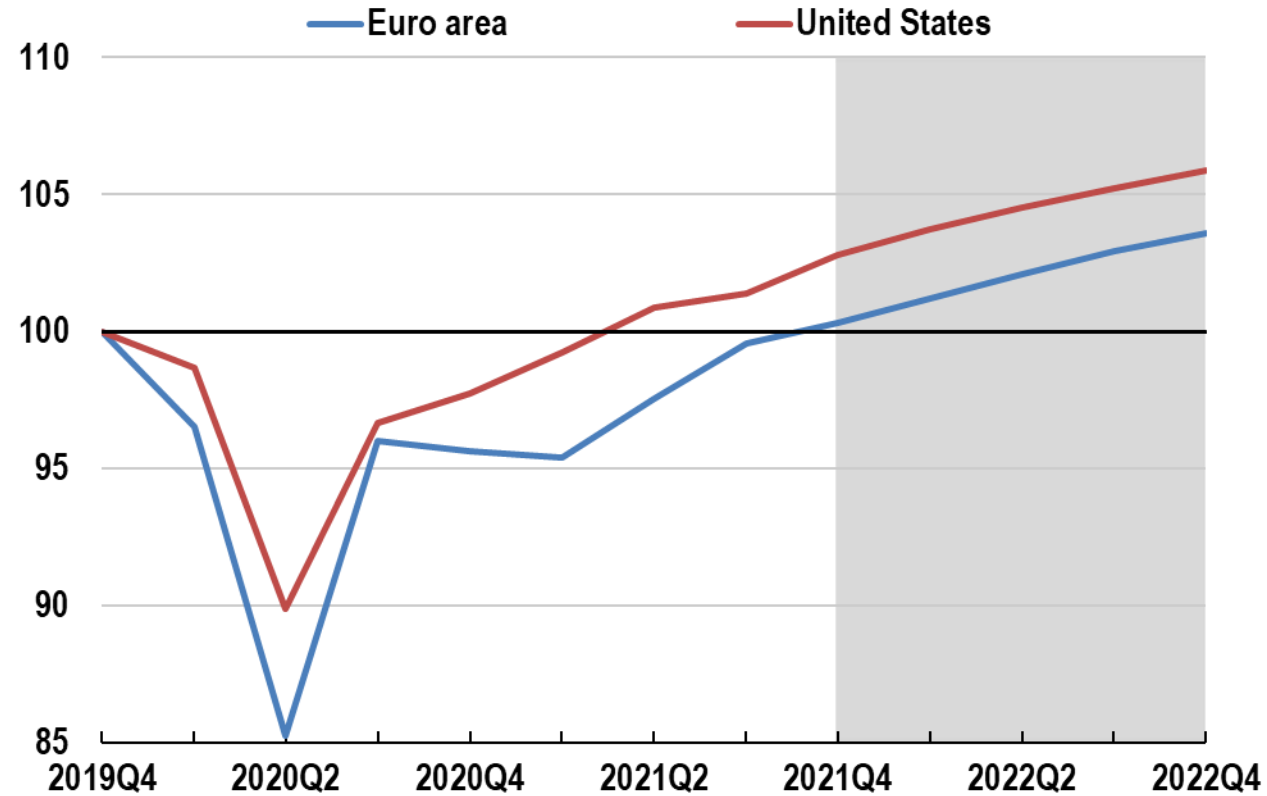
Employment was better protected in the euro area

Employment, index, 2019Q4 = 100



While GDP fell less in the US

GDP, index, 2019Q4 = 100

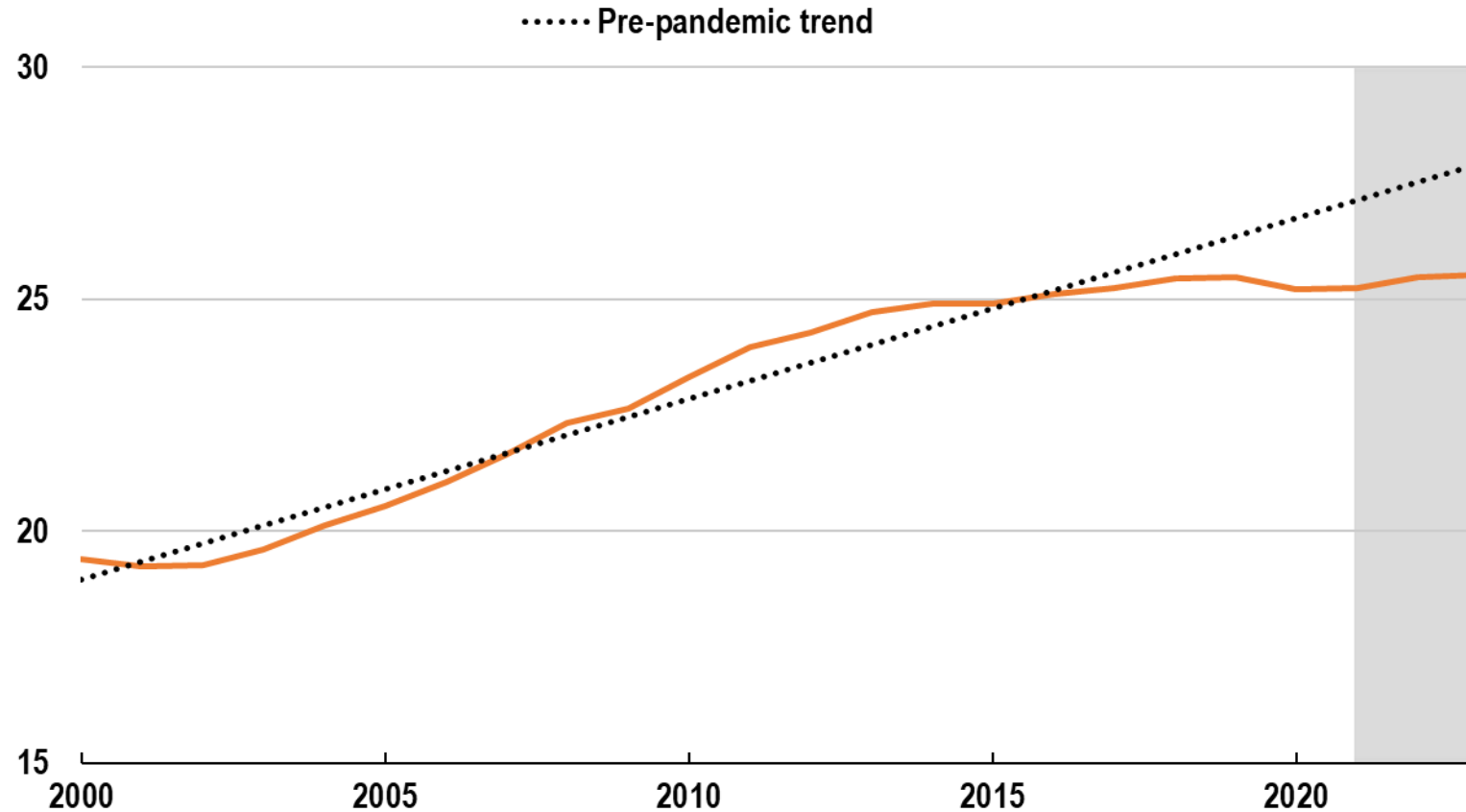


Note: The projection period is shaded in grey.
Source: OECD Economic Outlook 110 database; and OECD calculations.



The pandemic has further slowed the catch-up of emerging markets

Emerging-market economy real GDP per capita
As a % of advanced economy real GDP per capita



Note: Real GDP at purchasing power parity, population-weighted average. Emerging-market economies does not include China. It includes the OECD economies Chile, Colombia, Costa Rica, Mexico and Turkey, as well as Argentina, Brazil, Bulgaria, India, Indonesia, Romania, Russia, Saudi Arabia and South Africa. Advanced economies include all OECD member countries except the five countries previously mentioned. The pre-pandemic trend is based on the period 2000-2019.
Source: OECD Economic Outlook 110 database; and OECD calculations.



Real GDP growth projections

G20 economies, % change, year-on-year

	2021	2022	2023		2021	2022	2023
World	5.6	4.5	3.2	G20	5.9	4.7	3.3
Australia	3.8	4.1	3.0	Argentina	8.0	2.5	2.3
Canada	4.8	3.9	2.8	Brazil	5.0	1.4	2.1
Euro area	5.2	4.3	2.5	China	8.1	5.1	5.1
Germany	2.9	4.1	2.4	India*	9.4	8.1	5.5
France	6.8	4.2	2.1	Indonesia	3.3	5.2	5.1
Italy	6.3	4.6	2.6	Mexico	5.9	3.3	2.5
Spain	4.5	5.5	3.8	Russia	4.3	2.7	1.3
Japan	1.8	3.4	1.1	Saudi Arabia	2.9	5.0	3.0
Korea	4.0	3.0	2.7	South Africa	5.2	1.9	1.6
United Kingdom	6.9	4.7	2.1	Turkey	9.0	3.3	3.9
United States	5.6	3.7	2.4				

Note: *India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20. World and G20 aggregates use moving nominal GDP weights at purchasing power parities. Source: OECD Economic Outlook 110 database.

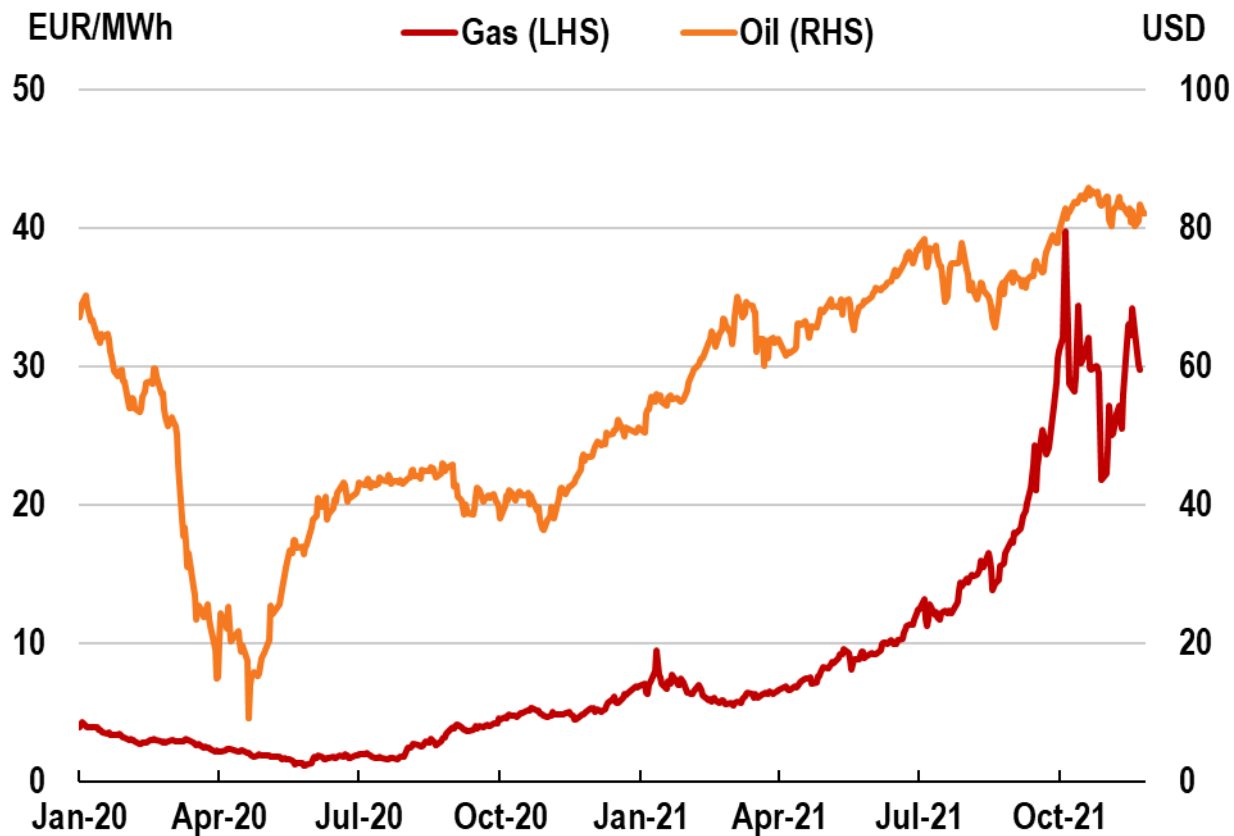


Risks remain elevated



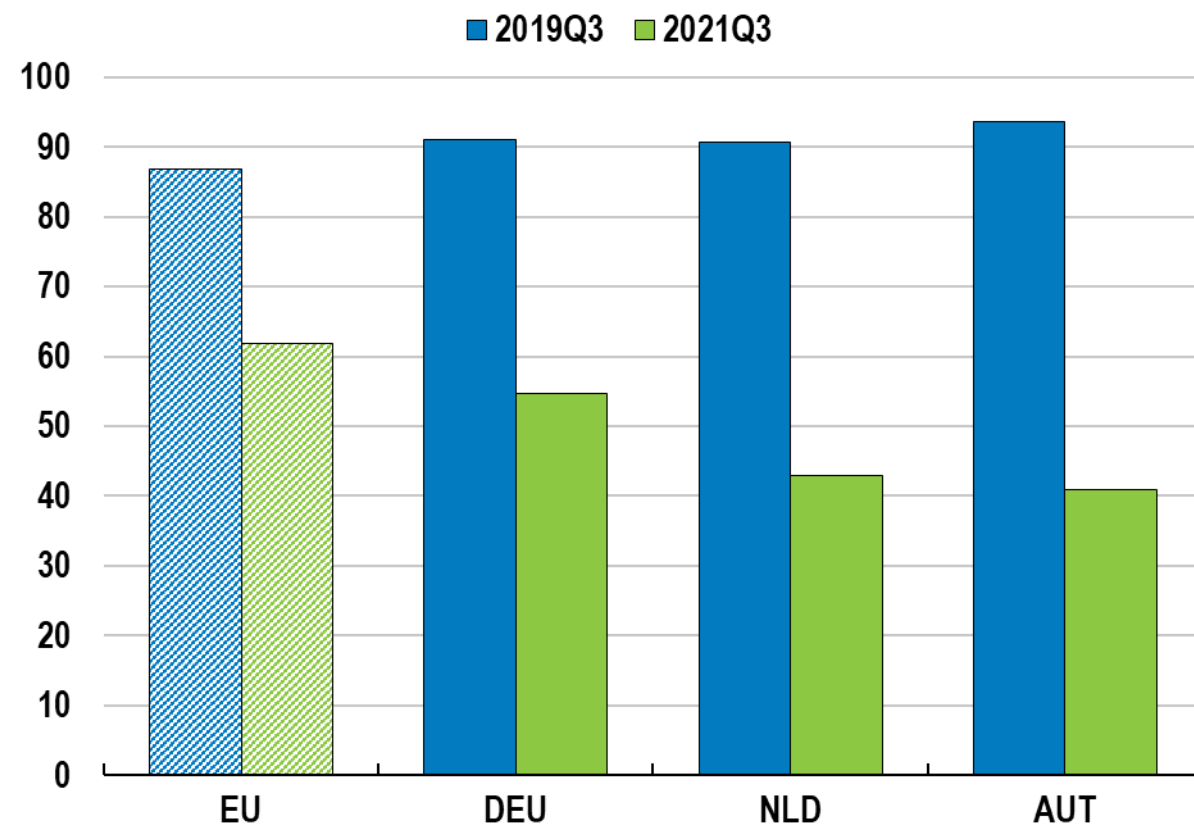
Energy market imbalances could persist

Energy prices have surged



Gas storage levels are low in Europe

% of storage capacity



Note: Shows the evolution of the TTF (Title Transfer Facility) spot natural gas price in EUR/MWh and Brent oil prices in USD.
Source: Powernext; Refinitiv; and OECD calculations.

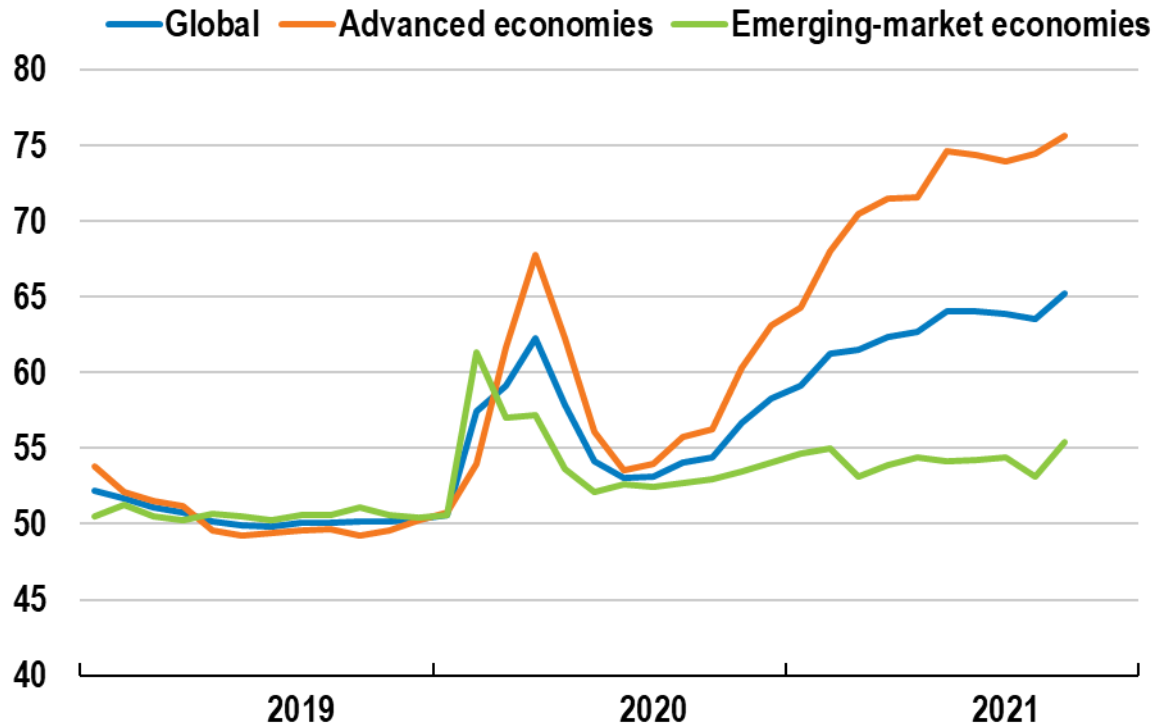
Note: Shows the percentage of working gas volume in storage. Calculated as average daily storage level per quarter.
Source: Aggregated Gas Storage Inventory, Gas Infrastructure Europe; and OECD calculations.



Supply is struggling to keep up with demand

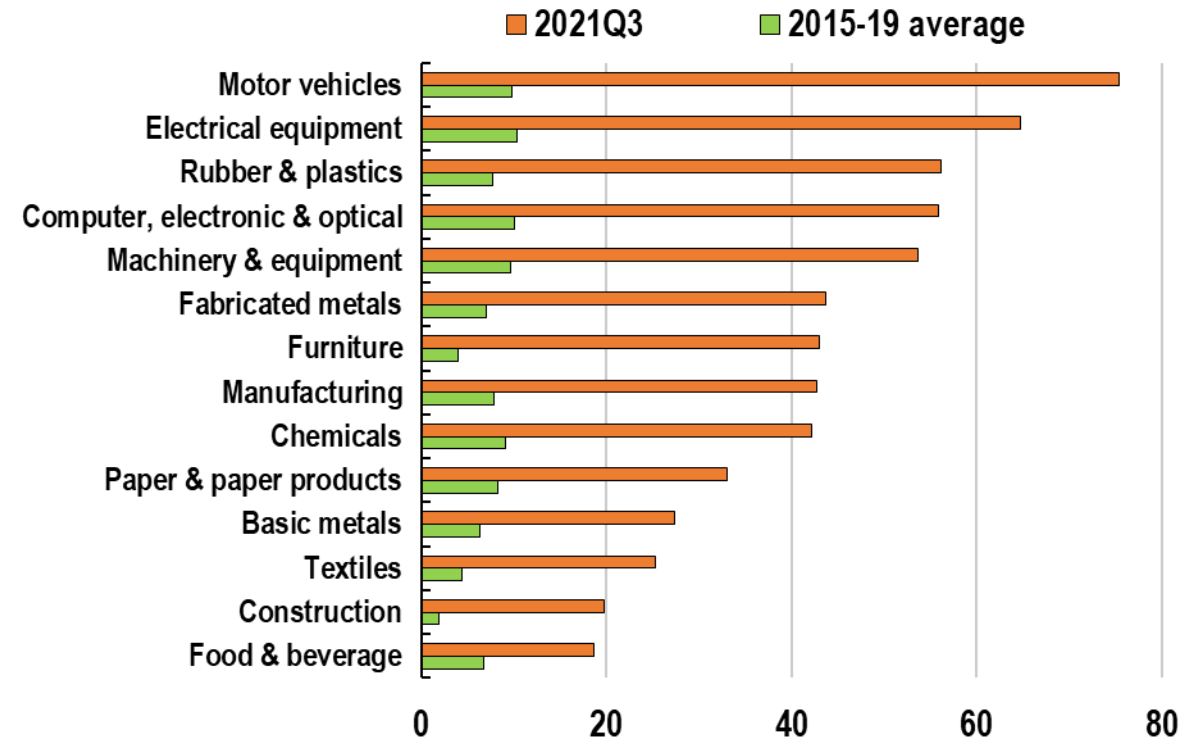
Input delivery times in manufacturing have increased

%, proportion of respondents reporting that delivery times increased



Material and equipment shortages are limiting production

% of euro area firms with production constraints from material and equipment shortages, s.a.



Note: Based on Manufacturing PMI, and defined as 100 minus the proportion of PMI survey respondents reporting that delivery times have stayed the same or become faster.
Source: Markit; and OECD calculations.

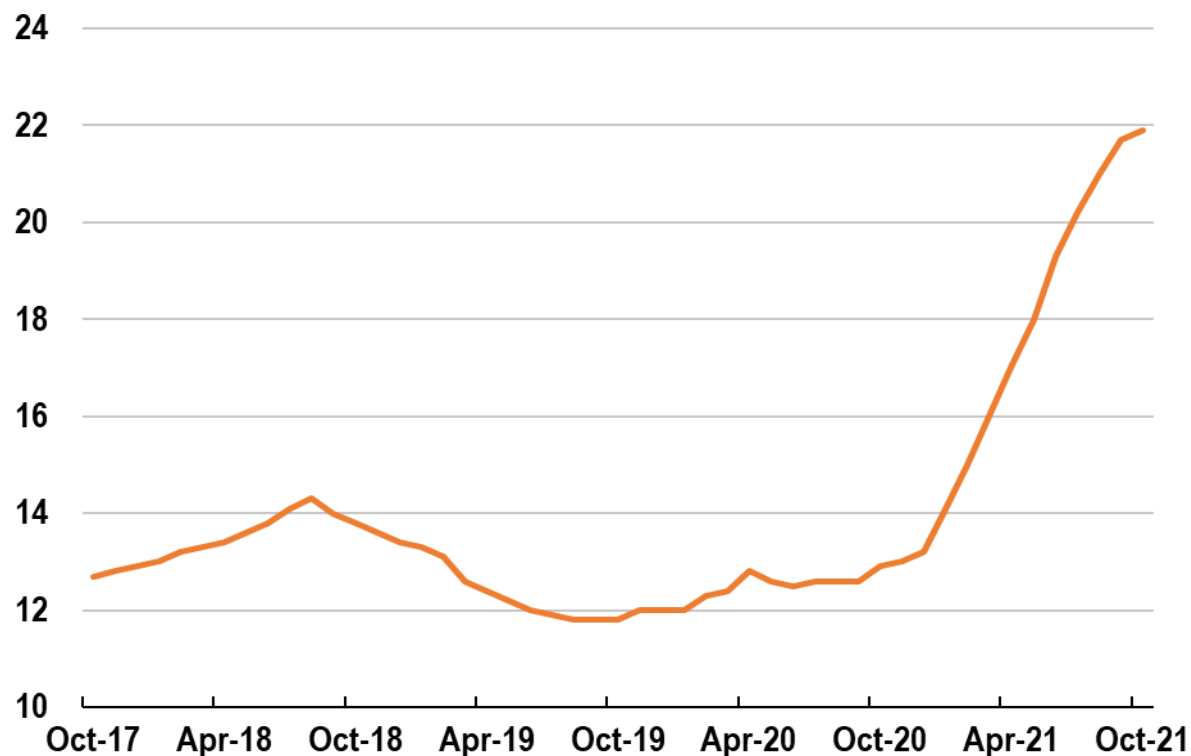
Source: European Commission Business and Consumer Survey; and OECD calculations.



Key manufacturing input shortages put pressure on production

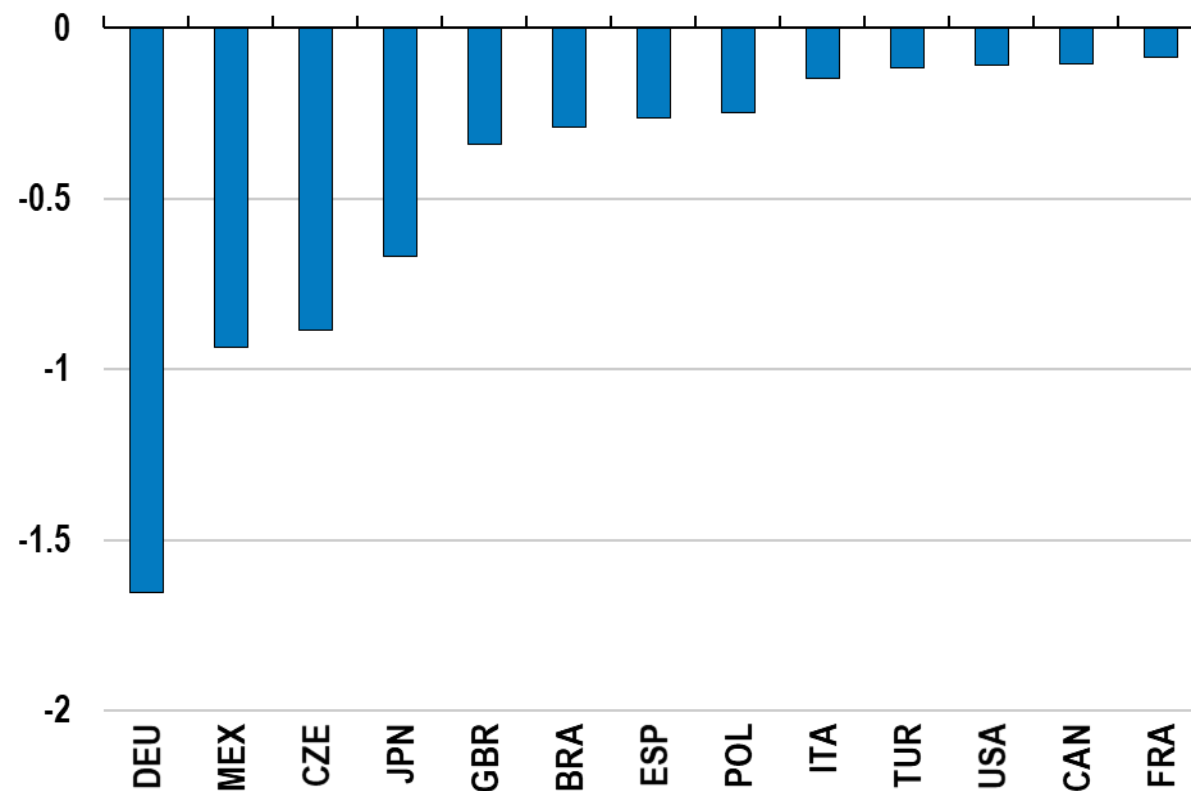
Wait times for the delivery of semi-conductor chips have increased

Weeks, gap between order and delivery of semi-conductor chips



Falling car production has hit GDP

% change in GDP from supply disruptions in the motor vehicle industry in 2021



Note: Shows average semi-conductor chip lead times calculated using reports from five chip distributors. Source: Susquehanna Financial Group LLLP; and OECD calculations.

Note: Shows the implied impact on GDP from the gap between actual motor vehicle production in the first nine months of 2021 and production in a scenario in which new orders (a proxy for demand) follow their actual path in 2021, while suppliers' delivery times are held at their 2020Q4 level. Source: Markit; Eurostat; OECD Structural Analysis database; OECD Trade in Value Added database; and OECD calculations.

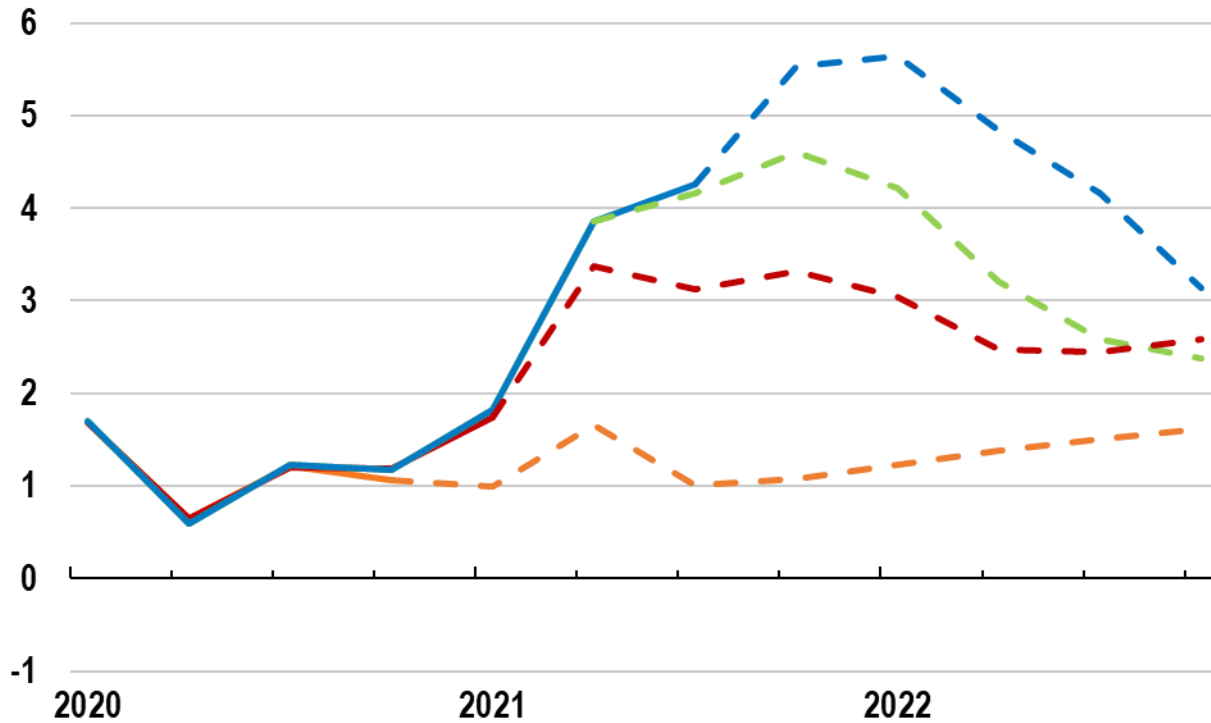


Supply shortages could further prolong elevated inflation

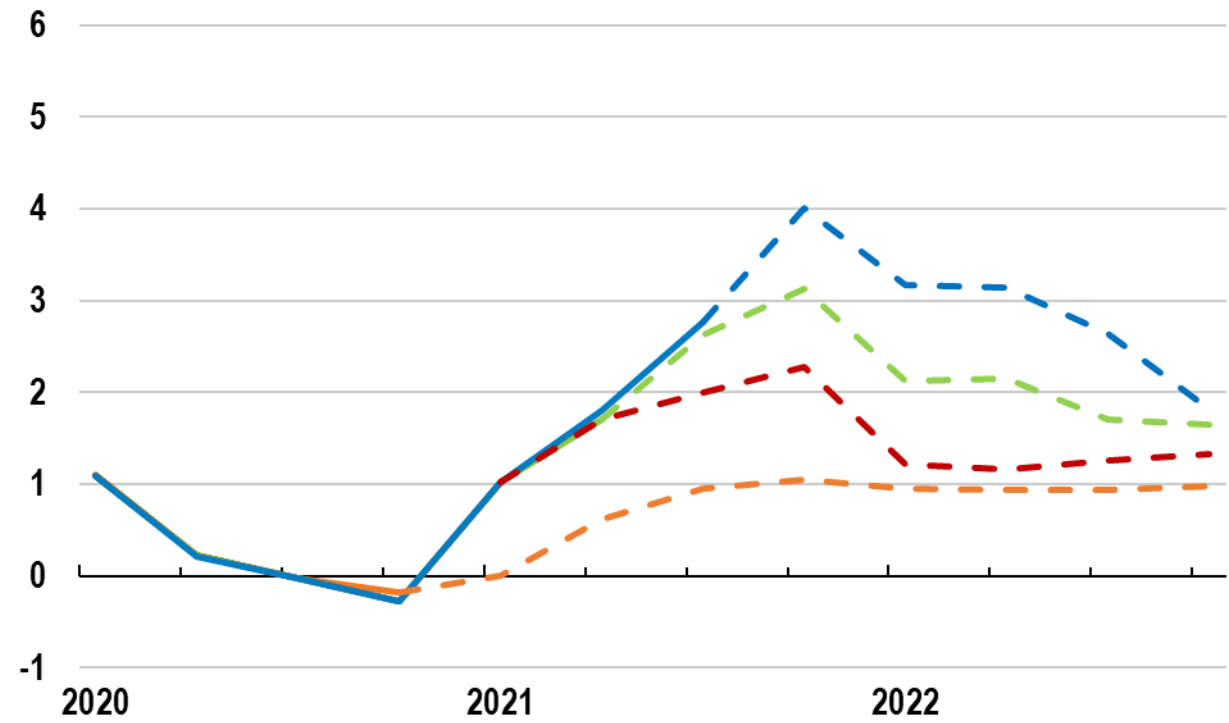
Inflation projections have been repeatedly revised upwards
%, year-on-year

December 2020 May 2021 September 2021 December 2021

United States



Euro area



Note: Dashed lines represent projections for the personal consumption expenditure deflator.

Note: Dashed lines represent projections for the headline harmonised consumer price index.

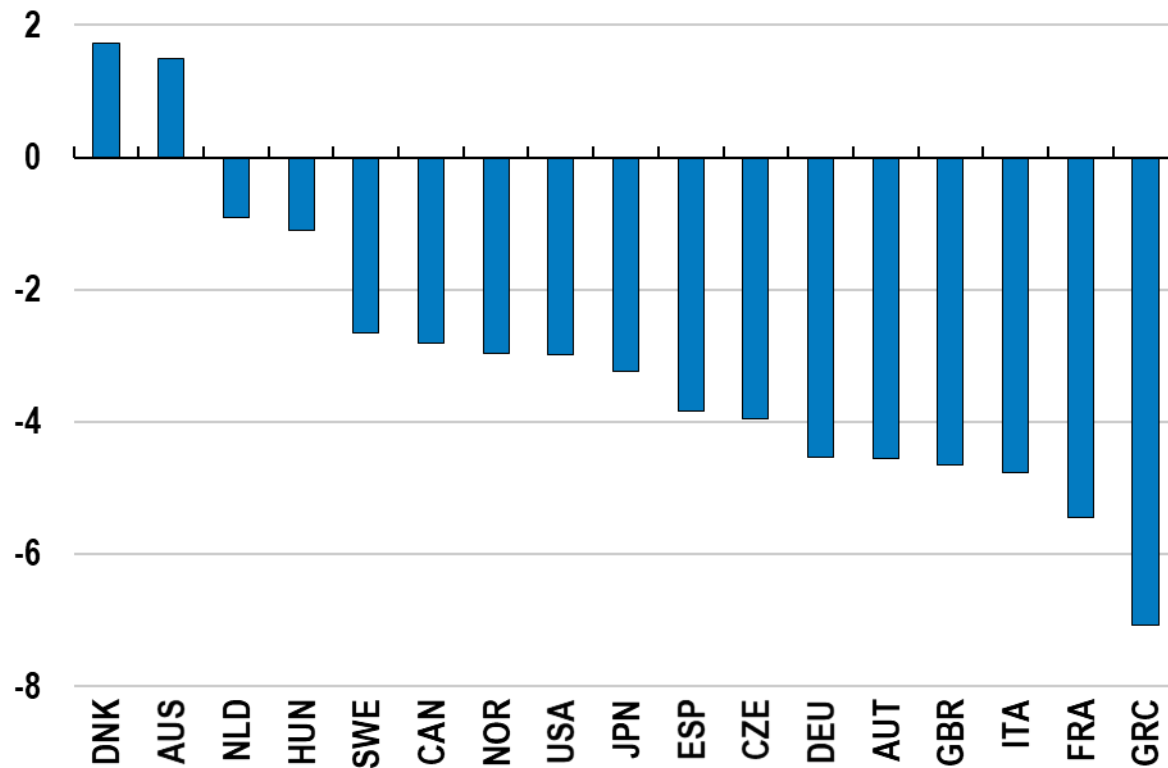
Source: OECD Economic Outlook 110 database; OECD Economic Outlook 109 database; OECD Economic Outlook 108 database; and OECD calculations.



Hours worked have not yet fully recovered, but shortages have emerged

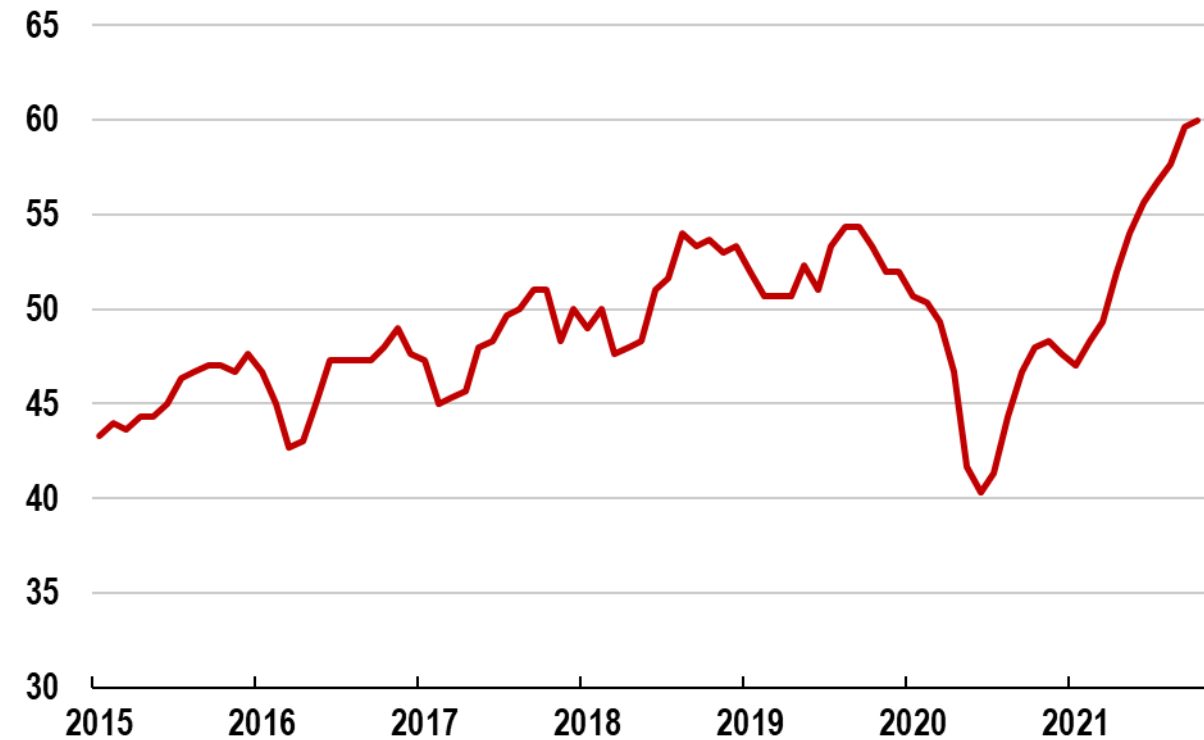
Total hours worked have yet to recover

% change between 2019Q4 and 2021Q2



Small businesses are struggling to find workers

% of small businesses with job openings that received few or no qualified applicants, United States



Source: Bureau of Economic Analysis; Statistics Canada; Australian Bureau of Statistics; Statistics Bureau, Japan; Eurostat; Office for National Statistics; and OECD calculations.

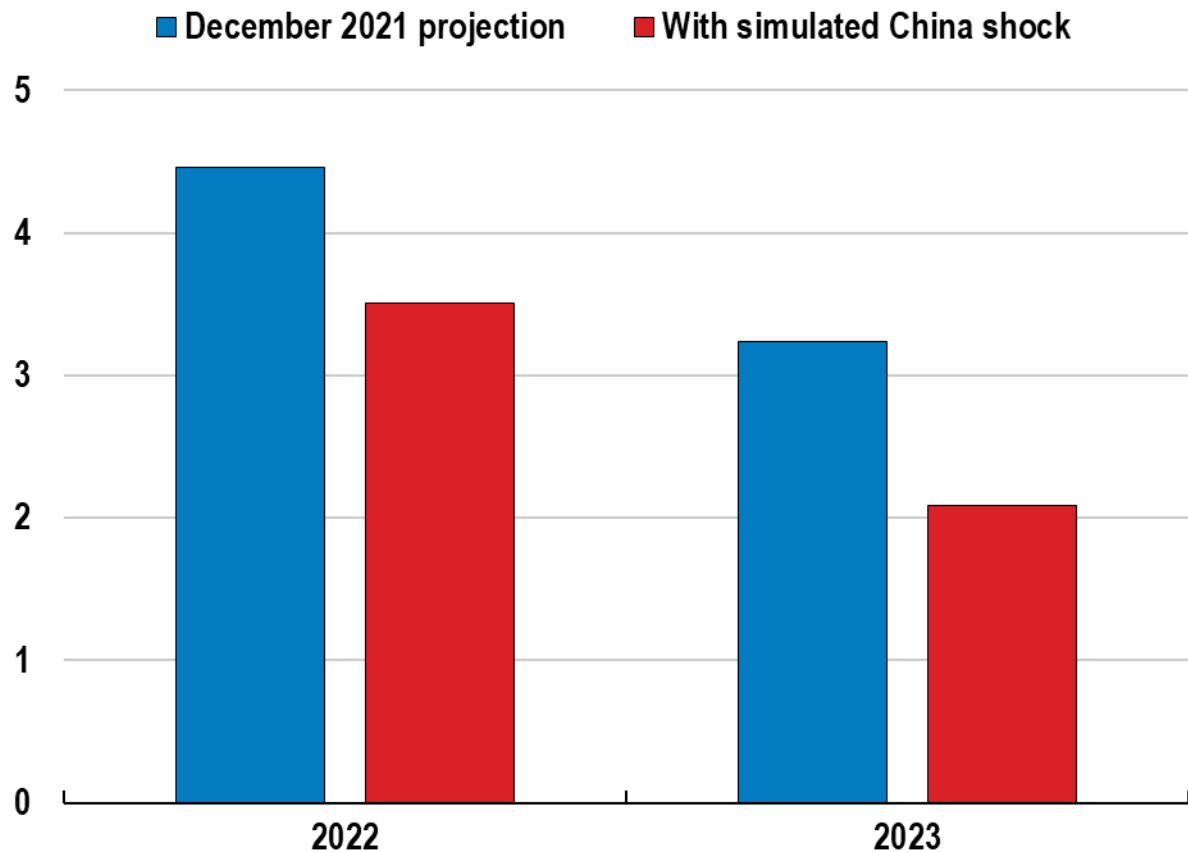
Note: Shows a three-month moving average.
Source: National Federation of Independent Business; and OECD calculations.



A marked slowdown in China would further dampen global growth

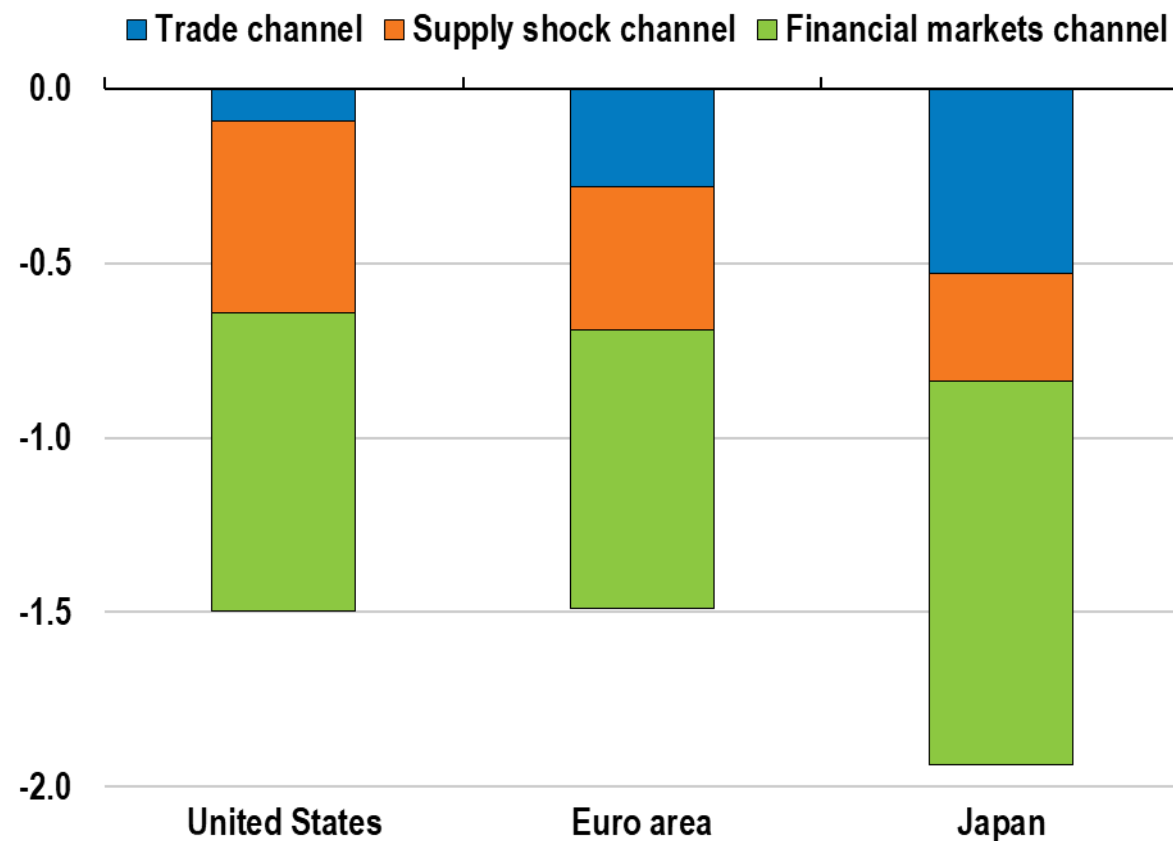
The pace of the global recovery would slow

Global GDP growth, %



The impact would be felt around the world

Simulated % difference from baseline GDP, second year



Note: Simulated impact of a two-year decline of 2 percentage points per annum in domestic demand growth in China, and a rise of 10% in Chinese export prices, an increase of 50 basis points in investment risk premia and decline of 10% in equity prices in all economies. RHS: The blue bars show the contribution from the direct demand-driven slowdown in trade; the orange bars show the additional contribution from adding higher Chinese export prices; the green bars show the contribution from adding higher uncertainty and lower equity prices.

Source: OECD calculations using NiGEM.



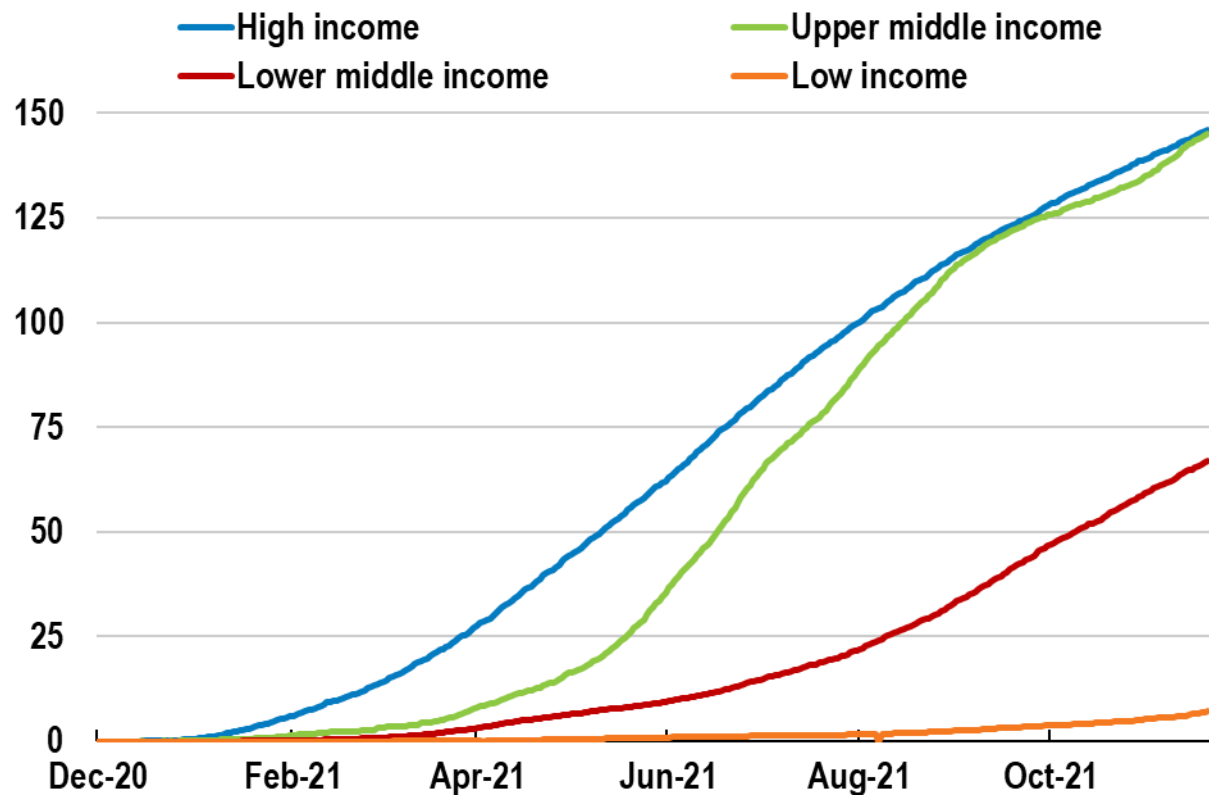
Policies to address imbalances



Get people vaccinated to end the pandemic

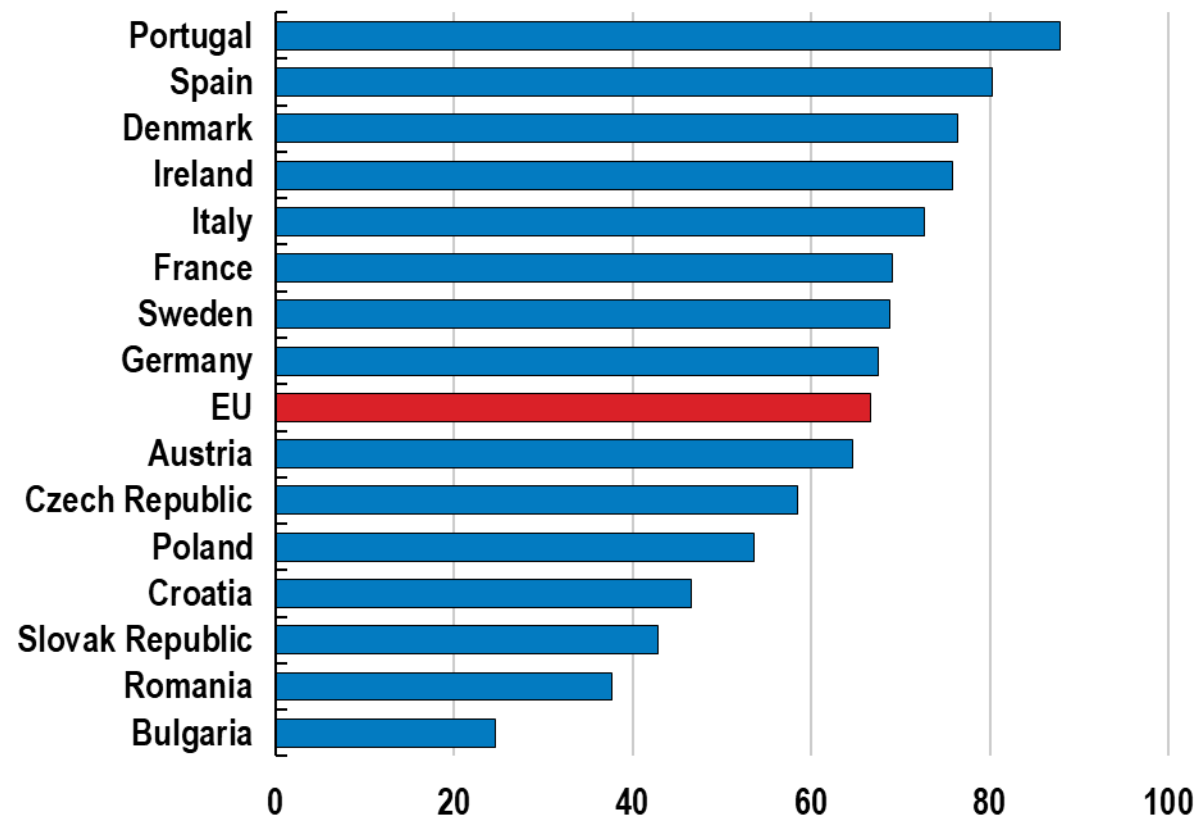
Low-income countries are lagging behind in vaccinations

COVID-19 vaccine doses administered per 100 people



Even within the EU, vaccination rates vary greatly

% of population fully vaccinated



Note: High income, higher middle income, lower middle and low income countries refer to the World Bank standard groupings. All doses, including boosters, are counted individually. As the same person may receive more than one dose, the number of doses can be higher than the number of people in the population. Full vaccination refers to having received all doses prescribed by the vaccination protocol.

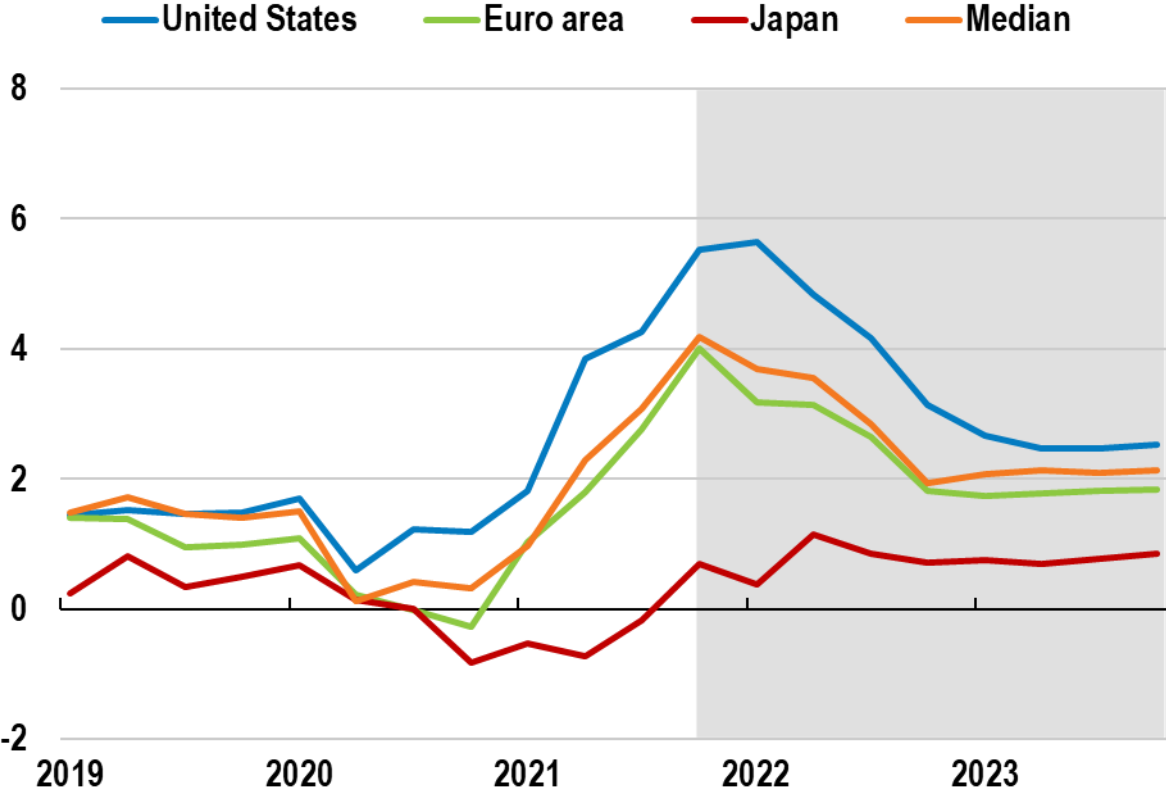
Source: Our World in Data (accessed on 23 November); and OECD calculations.



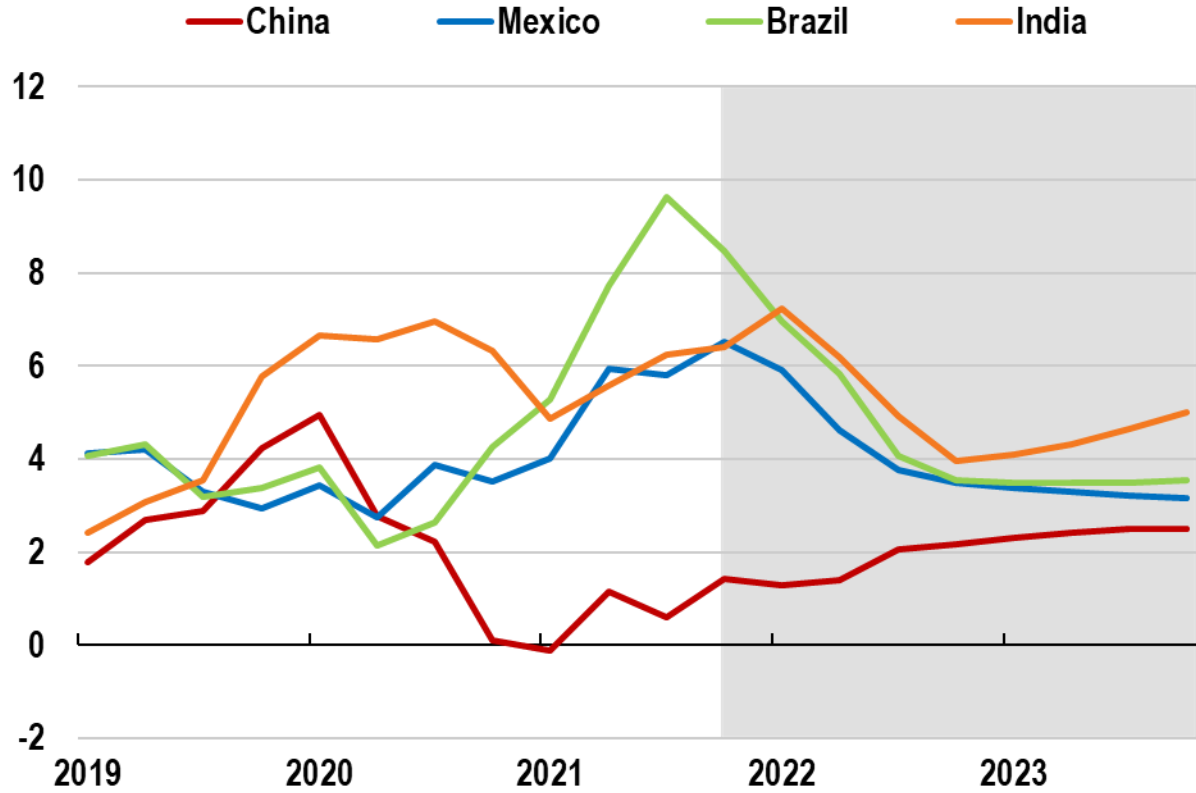
Address supply shortages to reduce inflation

Inflation
%, year-on-year

Advanced economies



Emerging-market economies



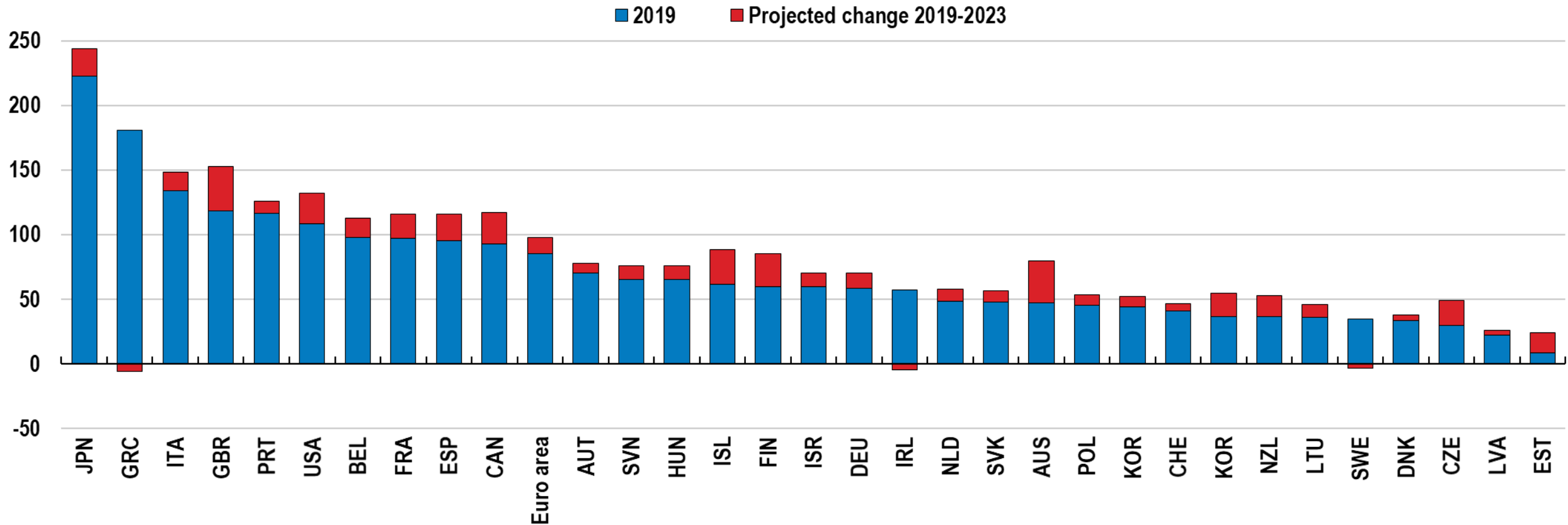
Note: Shows the overall harmonised consumer price index for the euro area; the personal consumption expenditure deflator for the United States; and the overall consumer price index for the remaining countries. The median includes OECD countries except Chile, Colombia, Costa Rica, Mexico and Turkey.
Source: OECD Economic Outlook 110 database; and OECD calculations.



Public finances: correct the past and design the future

The pandemic has pushed up debt levels in most countries

Public debt, % of GDP



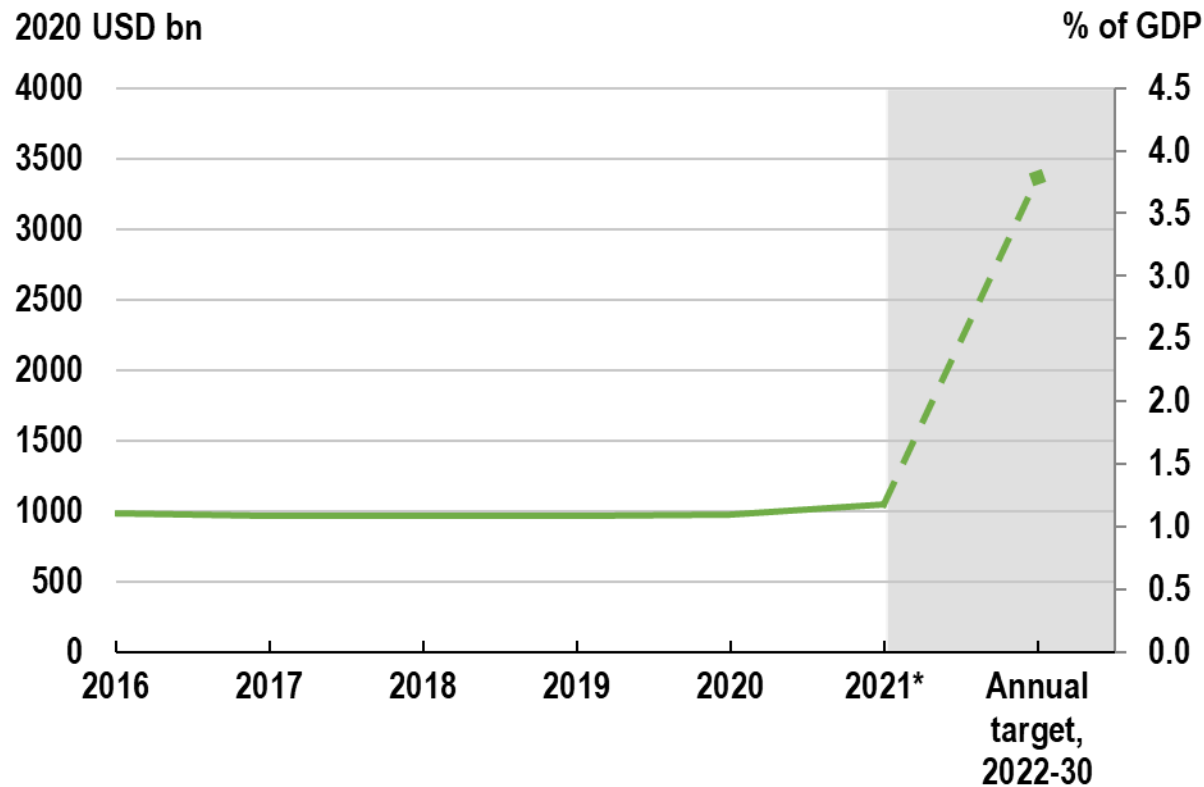
Note: For EU member states, public debt refers to the Maastricht definition; in all remaining countries, public debt refers to gross financial liabilities as defined in the System of National Accounts.

Source: OECD Economic Outlook 110 database; and OECD calculations.



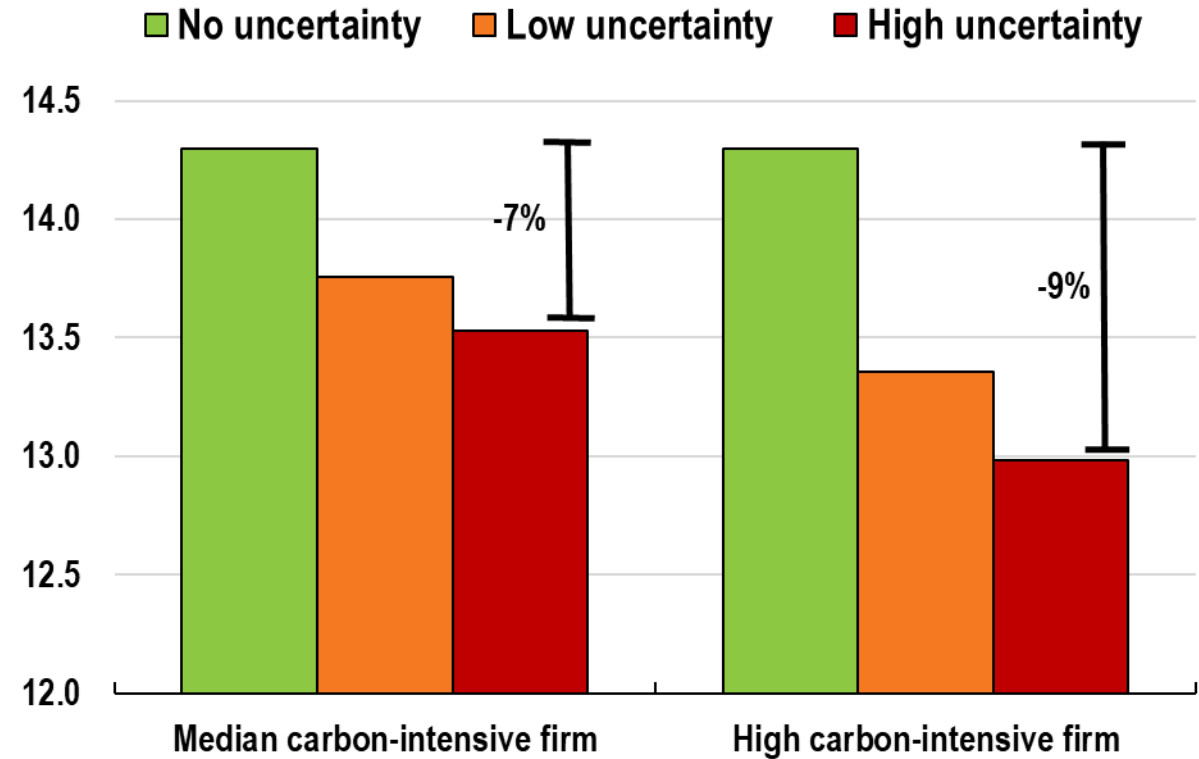
Too much uncertainty risks delaying the energy transition

Green investment needs to be ramped up globally



Climate policy certainty would bolster private sector investment

Investment, USD millions



Note: The 'Annual Target' refers to the Net Zero Goal (NZE) by the International Energy Agency (IEA). The NZE includes the projected level of average annual investment required in order to bring global energy-related CO₂ emissions to net zero by 2050 and limit global temperature rise to 1.5 °C. *IEA estimation.

Source: World Energy Outlook 2021, IEA, OECD Economic Outlook 108 database; and OECD calculations.

Note: Uncertainty refers to a cross-country indicator of Climate Policy Uncertainty (CPU) based on newspaper article counts covering 12 countries between 1990-2018.

Source: Dechezleprêtre, A., T. Kruse, and C. Berestycki (2021). Measuring and Assessing the Effect of Environmental Policy Uncertainty, Economics Department Working Paper, (forthcoming); OECD Distributional information on household income, consumption and saving database (experimental); and OECD calculations.



Key takeaways

- The **recovery has been fast and strong**, but **risks remain elevated**, with a lack of vaccination. **The economic policy priority** is to **get people vaccinated**
- **Large imbalances between countries, within countries** and in the **labour market could persist** for longer than expected. **Supply shortages risk slowing growth** and **prolonging elevated inflation**
- **Central banks** have a **tricky balancing act** to perform, looking through supply shortages but being **ready to act** if price increases broaden and persist. **Clear communication** is **key**
- **Seize the opportunity** for **deep changes** in **health systems, education, plan for the climate transition** and **better manage public debt**



Thank you

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Real GDP growth projections

Non-G20 economies, % change, year-on-year

	2021	2022	2023		2021	2022	2023
Austria	4.1	4.6	2.5	Israel	6.3	4.9	4.0
Belgium	6.1	3.2	1.4	Latvia	4.3	3.6	4.8
Chile	12.0	3.5	2.0	Lithuania	5.1	3.8	3.5
Colombia	9.5	5.5	3.1	Luxembourg	6.5	3.7	3.1
Costa Rica	5.0	3.9	2.9	Netherlands	4.3	3.2	1.8
Czech Republic	2.5	3.0	3.9	New Zealand	4.7	3.9	2.5
Denmark	4.7	2.4	1.7	Norway	4.1	4.6	2.4
Estonia	9.6	4.5	3.8	Poland	5.3	5.2	3.3
Finland	3.5	2.9	1.5	Portugal	4.8	5.8	2.8
Greece	6.7	4.8	2.9	Slovak Republic	3.2	5.0	4.8
Hungary	6.9	5.0	3.0	Slovenia	5.9	5.4	3.2
Iceland	5.0	5.2	4.0	Sweden	4.3	3.4	1.6
Ireland	15.2	5.7	3.9	Switzerland	2.9	3.0	2.1



Inflation projections

G20 economies, % change, year-on-year

	2021	2022	2023		2021	2022	2023
				G20	3.8	4.4	3.8
Australia	2.7	2.7	2.1	Argentina	49.1	44.4	38.3
Canada	3.3	3.3	2.1	Brazil	7.8	5.1	3.5
Euro area	2.4	2.7	1.8	China	0.8	1.7	2.4
Germany	3.1	2.8	2.2	India*	6.4	4.8	4.2
France	2.1	2.3	1.4	Indonesia	1.7	2.8	3.1
Italy	1.8	2.2	1.6	Mexico	5.6	4.4	3.3
Spain	2.9	3.2	1.5	Russia	6.3	5.9	4.4
Japan	-0.2	0.8	0.8	Saudi Arabia	3.1	2.4	2.0
Korea	2.4	2.1	1.5	South Africa	4.4	4.8	4.5
United Kingdom	2.4	4.4	2.4	Turkey	18.7	23.9	21.7
United States	3.9	4.4	2.5				

Note: *India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20.
Source: OECD Economic Outlook 110 database.



Inflation projections

Non-G20 economies, % change, year-on-year

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Austria	2.8	3.0	2.3	Israel	1.5	2.1	1.4
Belgium	2.9	3.3	2.1	Latvia	2.9	4.9	2.7
Chile	4.3	5.4	3.2	Lithuania	3.8	3.2	2.5
Colombia	3.5	4.6	3.3	Luxembourg	3.2	2.9	2.0
Costa Rica	1.6	2.4	2.6	Netherlands	2.4	3.1	1.7
Czech Republic	3.8	6.1	2.3	New Zealand	3.8	3.9	2.7
Denmark	1.8	2.6	2.3	Norway	3.4	2.0	1.4
Estonia	4.1	6.0	3.2	Poland	4.8	6.2	3.5
Finland	1.9	1.9	1.8	Portugal	0.8	1.7	1.1
Greece	0.4	3.1	1.5	Slovak Republic	2.6	4.1	2.5
Hungary	5.0	6.0	4.0	Slovenia	1.7	2.8	3.0
Iceland	4.3	3.5	2.5	Sweden	2.0	2.6	2.1
Ireland	2.1	2.7	1.7	Switzerland	0.6	1.0	0.8

