



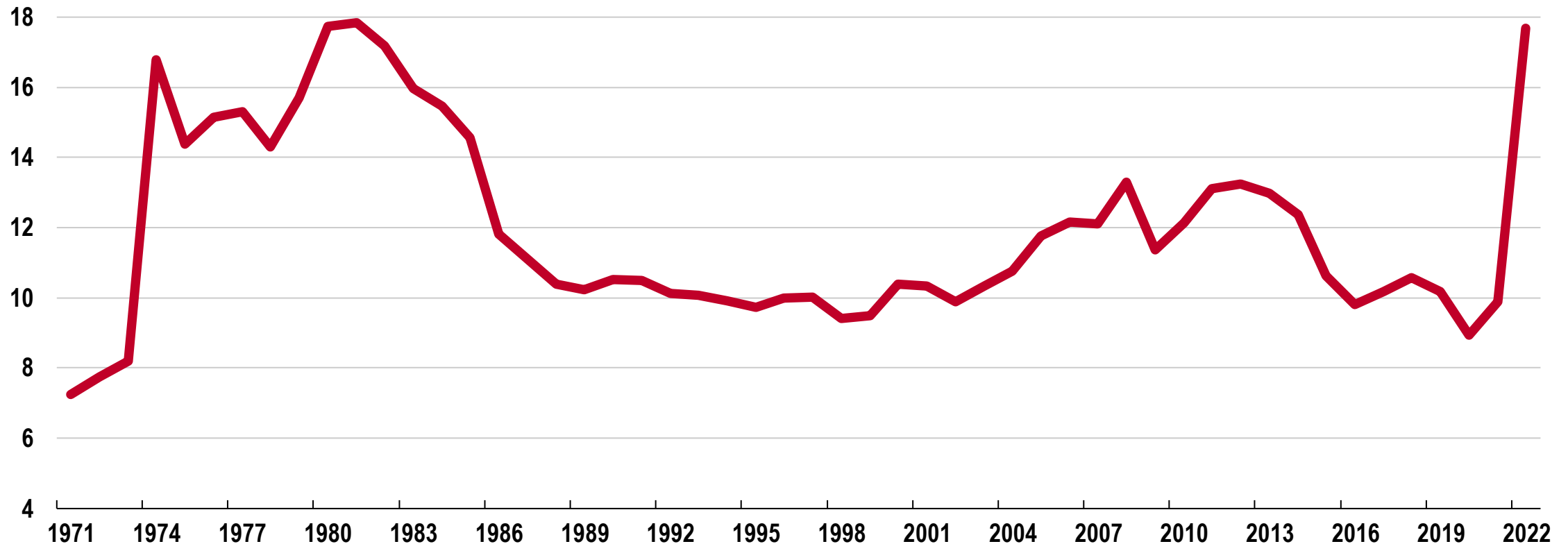
OECD Economic Outlook Confronting the Crisis

22 November 2022

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The world is coping with a large energy price shock

Estimated share of OECD GDP spent on energy end-use
% of GDP



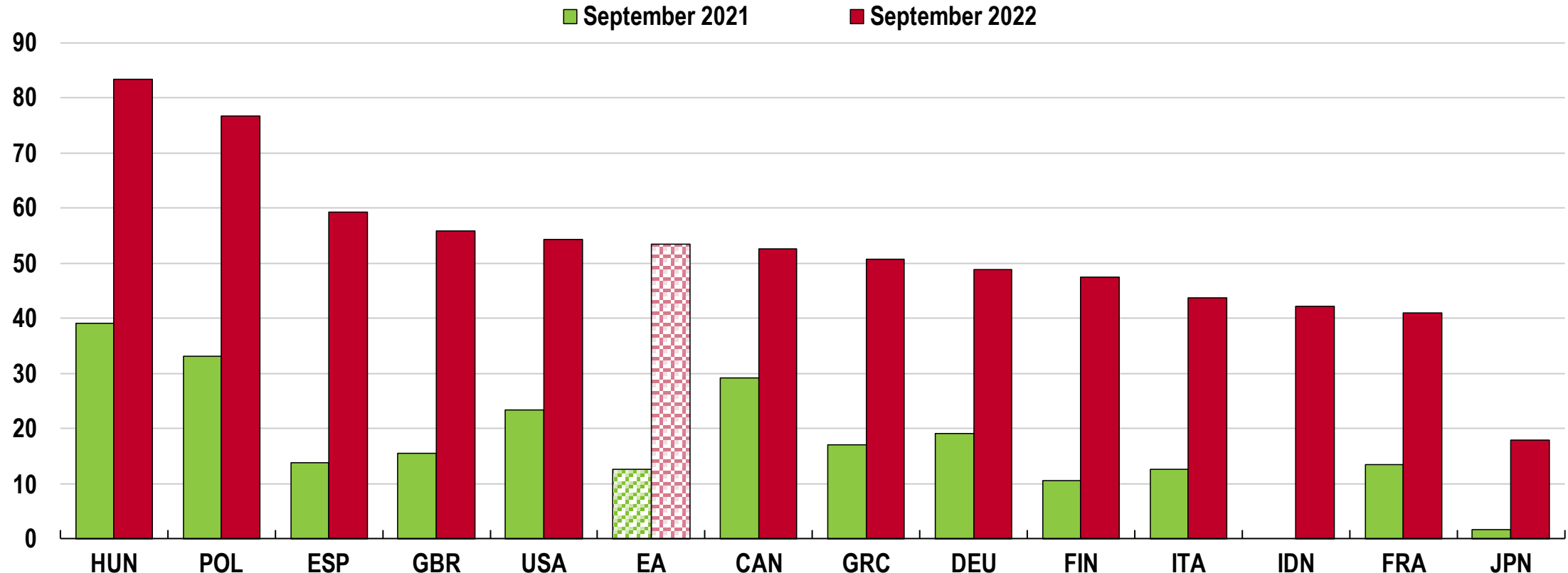
Note: Chart shows estimated energy end-use expenditures on coal, oil, natural gas, electricity. Estimates of the level of energy expenditure, computed as end-use prices in local currency multiplied by volumes consumed, are produced at the country level for 29 OECD countries. GDP shares are then aggregated using moving GDP weights in PPP to get the OECD estimate. End-use prices include taxes. Prices are extended to 2022 using the growth rate of reference prices converted in local currency (average of observed 2022 data compared to 2021): Brent for oil, ICE Newcastle futures for coal, and wholesale prices for electricity and natural gas (available for 25 and 27 OECD countries, respectively). For 2022, the volumes consumed correspond to the average of 2019 and 2021.

Source: IEA; OECD Economic Outlook 112 database; Refinitiv; US Energy Information Administration; Japanese Power; German Federal Network Agency (SMARD); Korea Electric Power Statistics Information System; Canada Independent Electricity System Operator; and OECD calculations.



Inflationary pressures have intensified and become broad-based

Share of items in the inflation basket with price increases above 6%
%



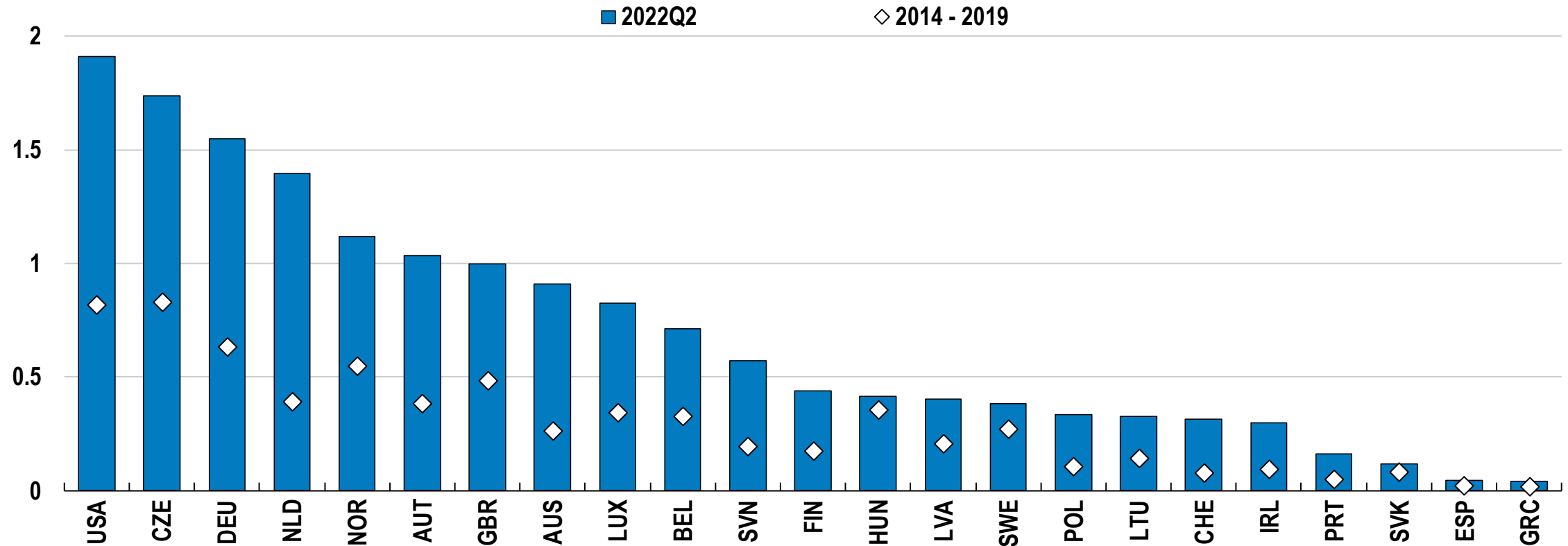
Note: Inflation based on the personal consumption expenditures deflator in the United States, harmonised consumer prices in the euro area, its member countries and the United Kingdom, and national consumer prices elsewhere. The computation uses about 40 sub-indices for Indonesia, 70 for Japan, 150 for Canada, France, Germany, Greece, Italy and Spain, and more than 200 for the remaining countries.

Source: U.S. Bureau of Economic Analysis; Eurostat; Statistics Japan; U.K. Office for National Statistics; Statistics Indonesia; and OECD calculations.



Labour markets remain tight

Vacancies per unemployed



Note: Vacancy per unemployed is the ratio of the number of job vacancies (s.a.) to the unemployed population (s.a.), aged 15 and over, where job vacancy is defined as a paid post that is newly created, unoccupied, or about to become vacant.

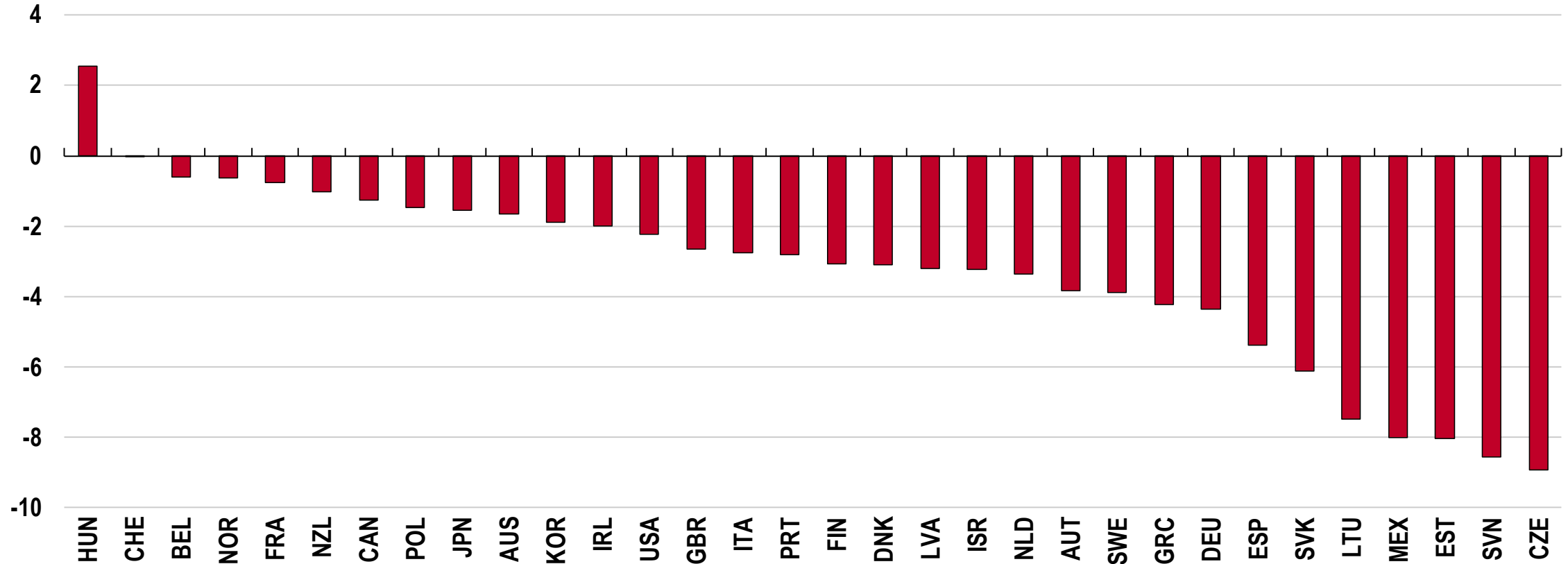
Source: OECD Economic Outlook 112 database; Eurostat; OECD, Labour Force Statistics; and OECD calculations.



Real wages have fallen in most economies

Real compensation per worker

2022Q3, y-o-y % change



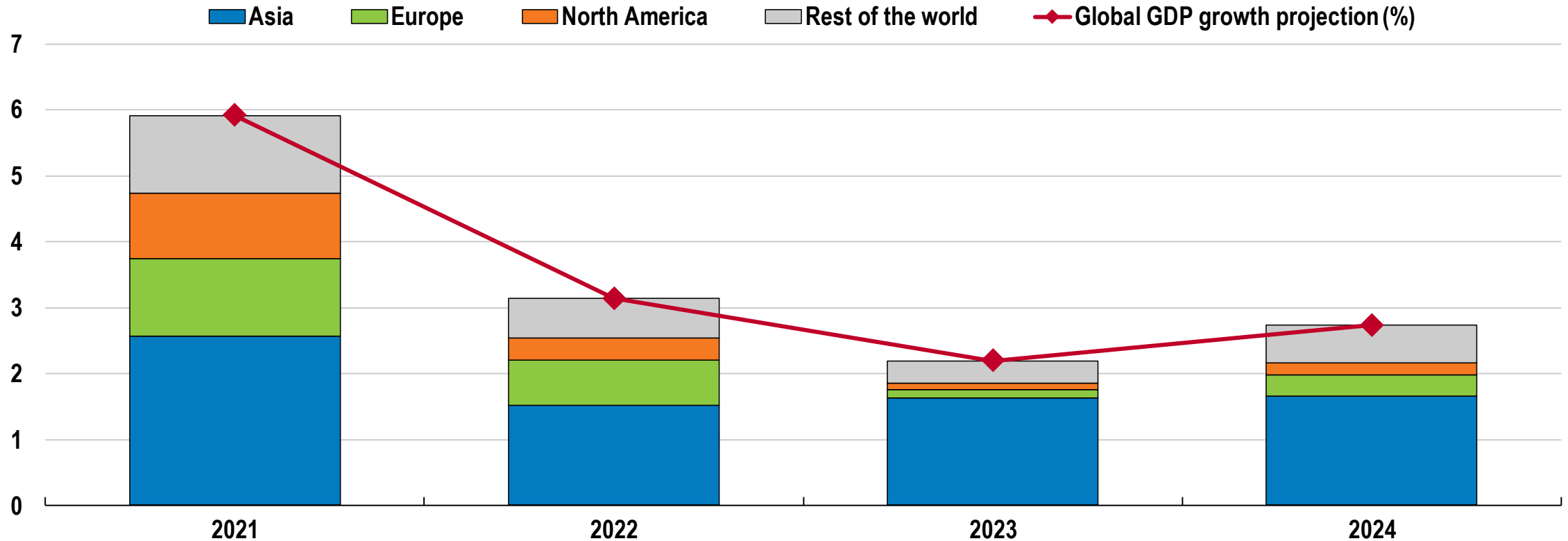
Note: Compensation per employee, total economy, deflated using the personal consumption expenditures deflator.
Source: OECD Economic Outlook 112 database; and OECD calculations.



Global growth is projected to slow

Contributions to global growth

ppts



Note: Asia comprises China, India, Indonesia, the Dynamic Asian Economies and OECD Asia-Pacific countries. Europe refers to OECD Europe countries. Rest of the world includes among others Latin America which comprises Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico and Peru. Contributions calculated moving PPP shares of global GDP.

Source: OECD Economic Outlook 112 database; and OECD calculations.



Real GDP growth projections

G20 economies, %

▲ upward revision, by 0.3pp or more

■ no change or smaller than 0.3pp

▼ downward revision, by 0.3pp or more

		2022	2023	2024		2022	2023	2024	
World	■	3.1	▼ 2.2	2.7	G20	■	3.0	▼ 2.2	2.7
Australia	■	4.0	▼ 1.9	1.6	Argentina	▲	4.4	▼ 0.5	1.8
Canada	▼	3.2	▼ 1.0	1.3	Brazil	▲	2.8	■ 1.2	1.4
Euro area	▲	3.3	▼ 0.5	1.4	China	▼	3.3	▼ 4.6	4.1
Germany	■	1.8	▼ -0.3	1.5	India	▼	6.6	▼ 5.7	6.9
France	■	2.6	▼ 0.6	1.2	Indonesia	▲	5.3	■ 4.7	5.1
Italy	▲	3.7	▼ 0.2	1.0	Mexico	▲	2.5	▼ 1.6	2.1
Spain	▲	4.7	▼ 1.3	1.7	Russia	▲	-3.9	▼ -5.6	-0.2
Japan	■	1.6	■ 1.8	0.9	Saudi Arabia	▲	9.8	▼ 5.0	3.5
Korea	■	2.7	▼ 1.8	1.9	South Africa	■	1.7	■ 1.1	1.6
United Kingdom	▲	4.4	▼ -0.4	0.2	Türkiye	▲	5.3	■ 3.0	3.4
United States	▼	1.8	▼ 0.5	1.0					

Note: Revisions relative to the June 2022 Economic Outlook. 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.

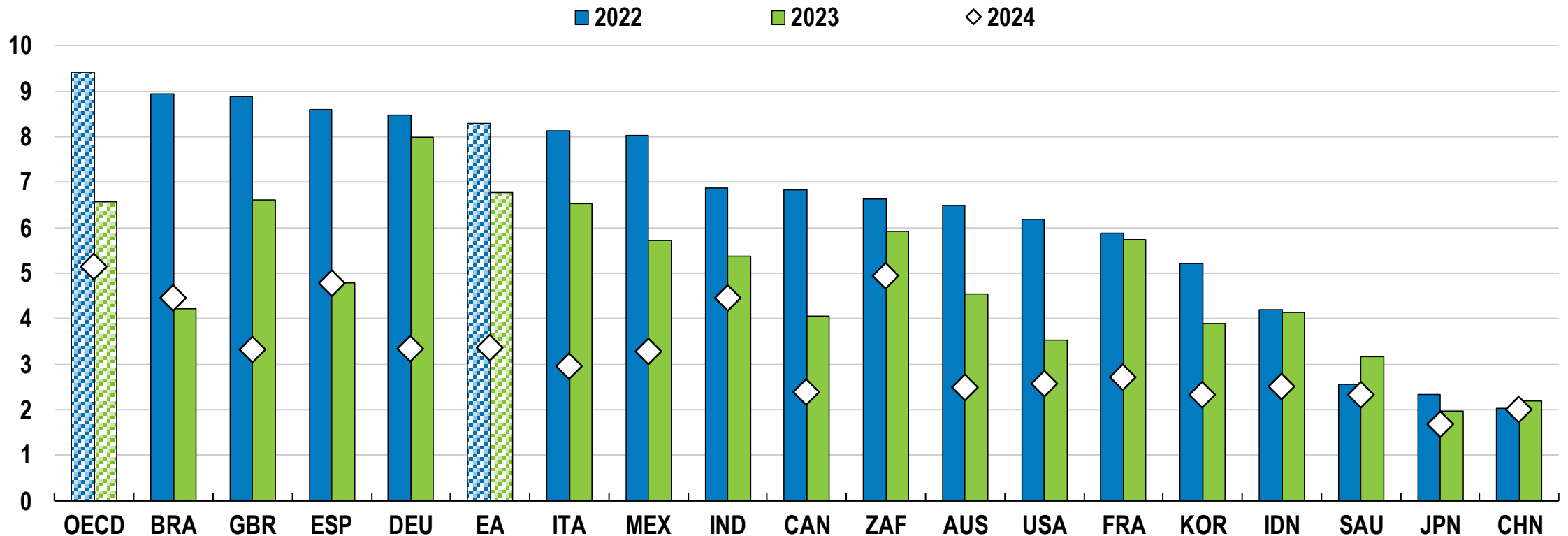
Source: OECD Economic Outlook 112 database; and OECD calculations.



Inflation will remain high in 2023, but will moderate

Inflation projections

G20 economies, %



Note: Inflation projections for Argentina are 92% (2022), 83% (2023) and 60% (2024); for Türkiye are 73.2% (2022), 44.6% (2023) and 42% (2024) and for Russia are 13.9% (2022), 6.7% (2023) and 6.1% (2024). 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 112 database; and OECD calculations.



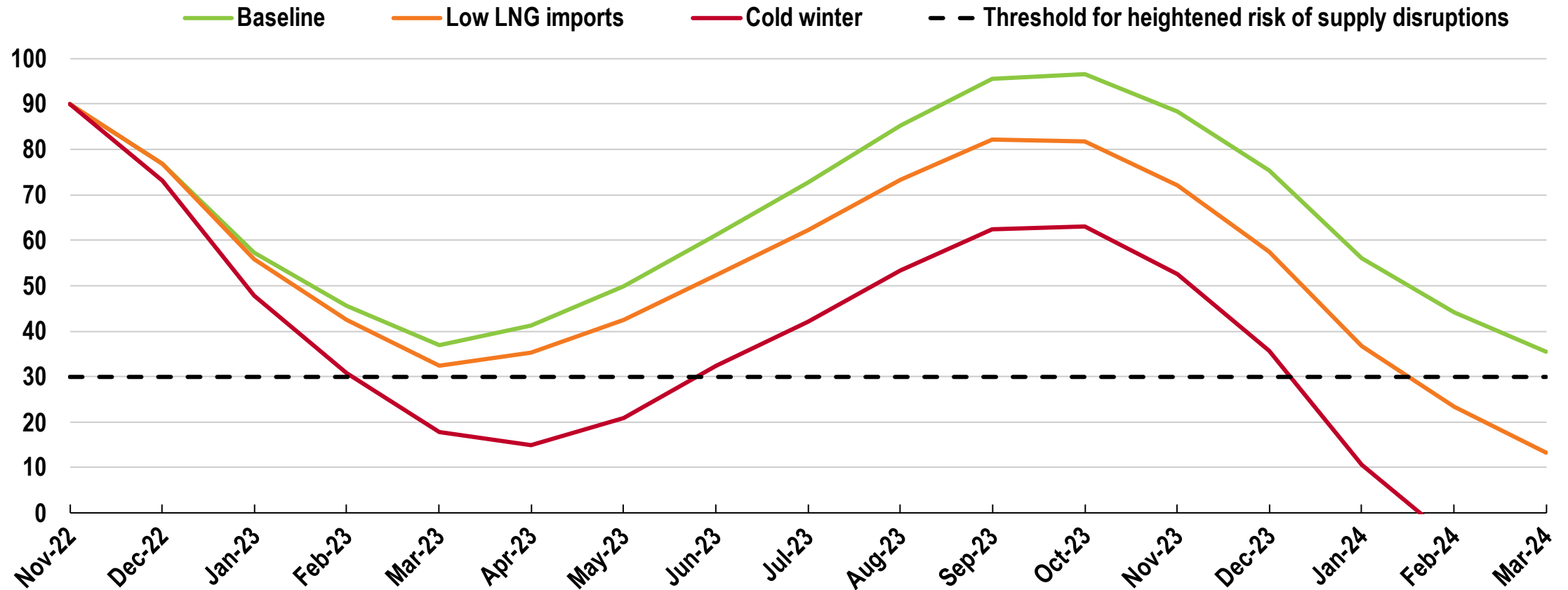
Risks and vulnerabilities



Europe risks energy shortages this winter and next

EU and UK gas storage levels until winter 2023/2024

Stylised scenarios, %



Note: For all scenarios, assuming 90% storage levels at the end of November; no imports from Russia from November 2022 and domestic production at average 2019-2021 levels. In the baseline, we assume "10% reduction" in gas demand relative to the 2017-21 average consumption, imports from other sources at 28 bcm/month, of which 13.5bcm/month from LNG imports. "Cold winter" assumes consumption at the maximum 2017-21 levels, a 10% reduction in gas demand relative to the maximum 2017-2021 levels and imports from other sources, incl. LNG imports, as the baseline. Low LNG imports assumes 12bcm/month of LNG imports starting from 2023 and a 10% reduction in gas demand relative to the 2017-21 average consumption.

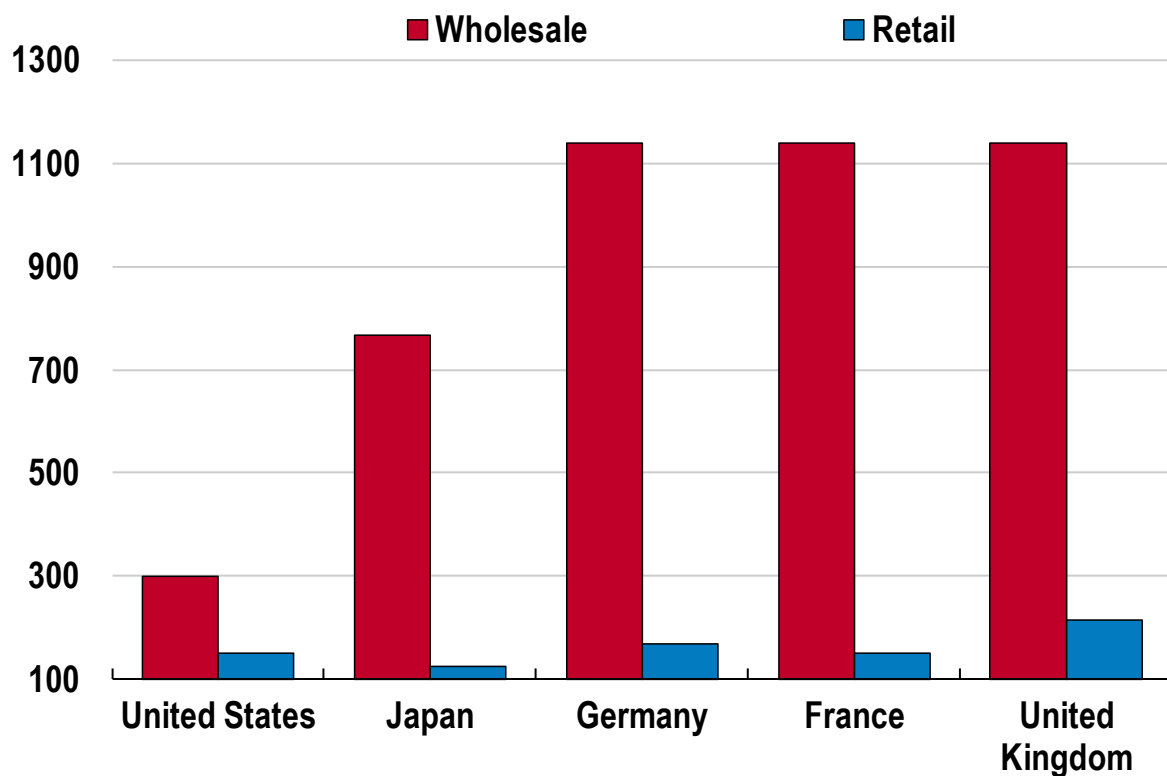
Source: Eurostat; Bruegel; ENTSO-G; IEA; ONS; and OECD calculations.



Energy prices paid by households and firms may increase further

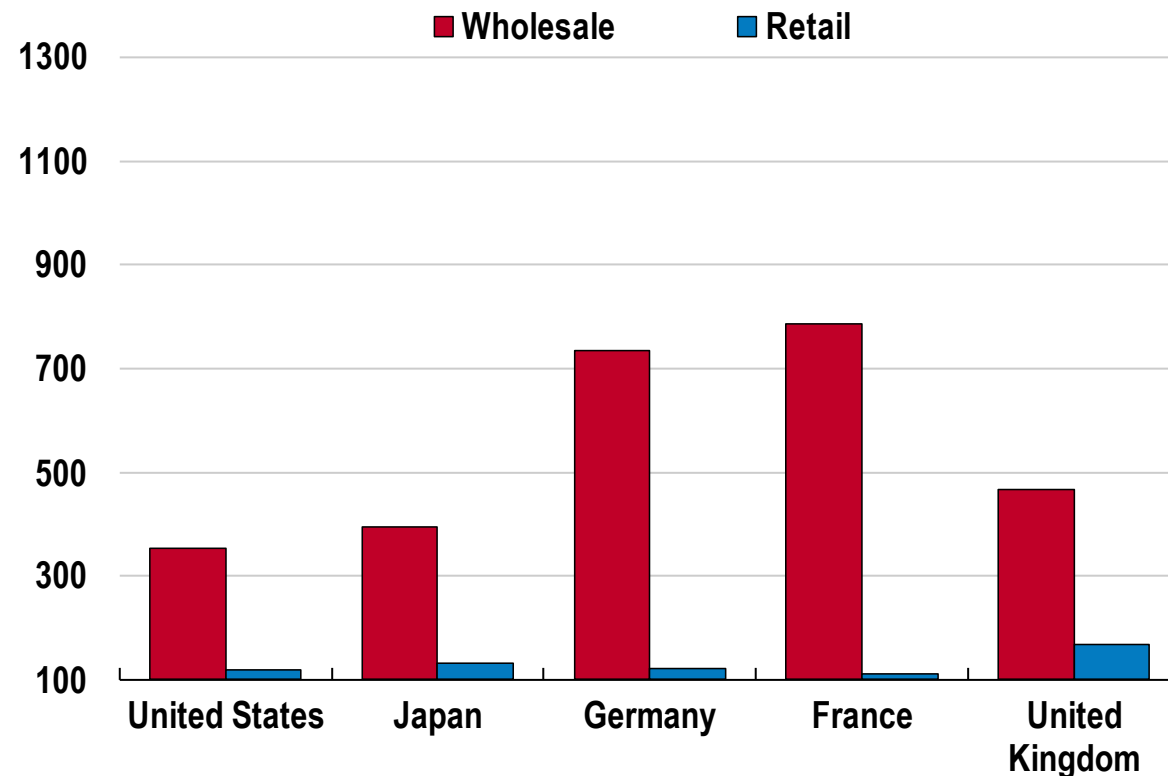
Natural Gas

September 2022, indexed, 100 = March 2021



Electricity

September 2022, indexed, 100 = March 2021

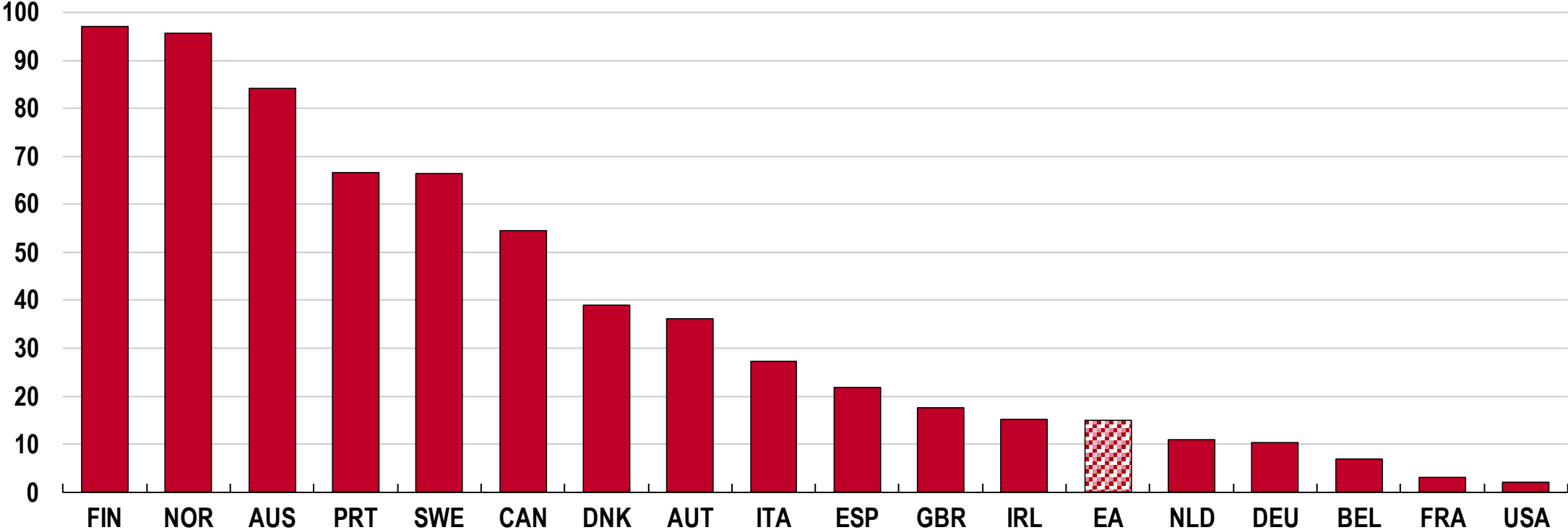


Note: Retail price changes based on the personal consumption expenditures deflator in the United States, harmonised consumer prices in Germany, France and the United Kingdom, and national consumer prices in Japan. Natural gas wholesale prices correspond to the Henry Hub Natural Gas spot price for the United States, to Liquefied Natural Gas price in Asia for Japan, to the Dutch Title Transfer Facility (TTF) for Germany, France and the United Kingdom. Wholesale electricity prices data come from each domestic electricity market. Source: Refinitiv; U.S. Bureau of Economic Analysis; Statistics Japan; Eurostat; U.S. Energy Information Administration; Japanese Power; and OECD calculations.



Households with variable-rate mortgages face rising interest payments

Share of new mortgages issued at an adjustable rate
%, 2022

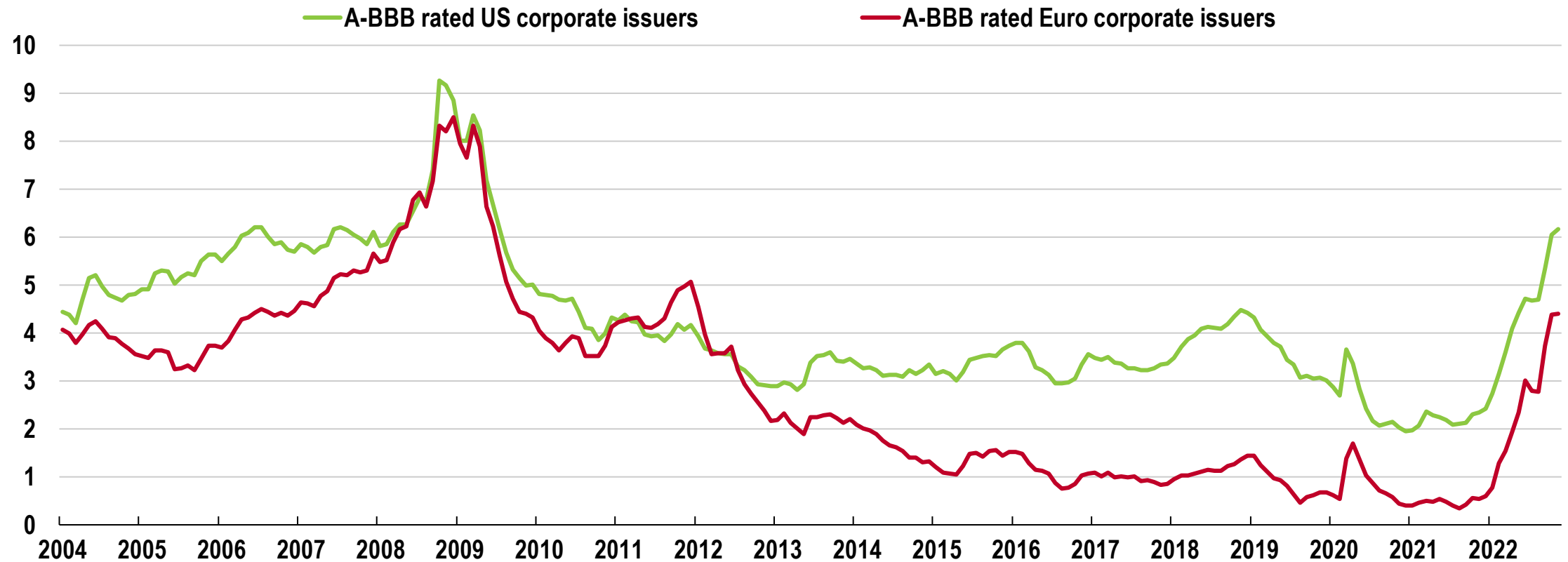


Note: Adjustable-rate mortgage loans are new loans issued at variable rate or with an initial rate fixed for a period of up to 1 year. Bars refer to 2022 or to the latest available data. For the United States, data refer to December 2021.
Source: ECB; Financial Conduct Authority; Japan Ministry of Land, Infrastructure, Transport and Tourism; Norges Bank; Federal Housing Finance Agency; Bank of Canada; and Australian Bureau of Statistics.



Firms are burdened by higher debt service costs

Yields %



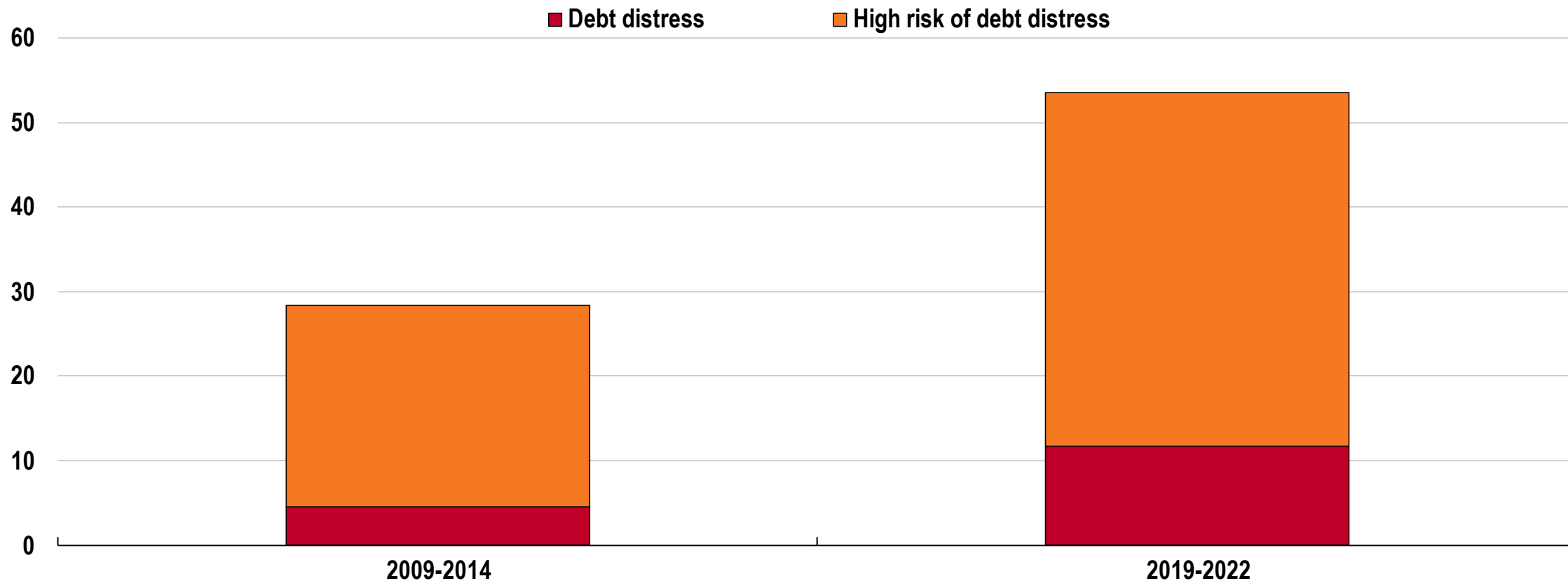
Note: Investment grade rated corporate bond indices include bonds rated from single-A to BBB ratings. Figure shows monthly frequency.
Source: Refinitiv; OECD calculations.



Many low-income countries are at high risk of debt distress

Debt distress in low-income countries

% of low-income countries, average over period



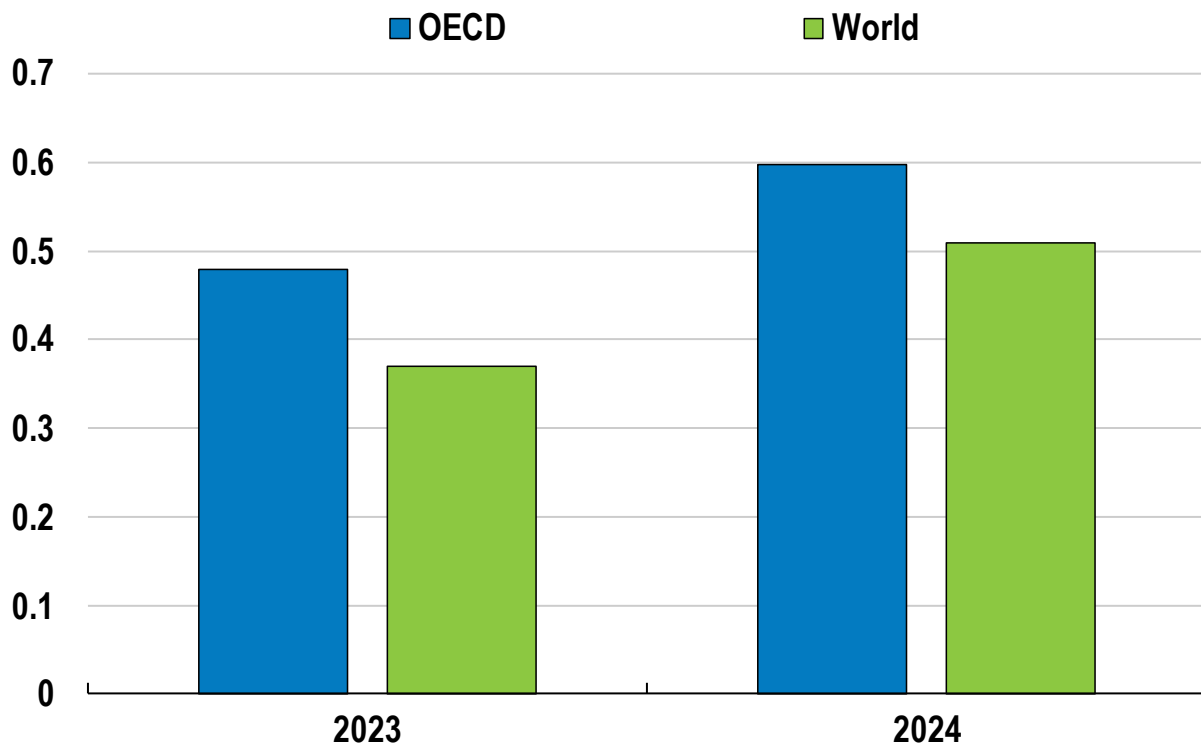
Note: Chart shows low-income countries at high risk of debt distress and in debt distress as a share of low-income countries that are part of World Bank's Debt Service Suspension Initiative (DSSI) and with debt sustainability analyses (DSAs) from the World Bank and IMF. As of March 31, 2022. Source: LIC DSA database.



An end to the war would reduce uncertainty and boost confidence

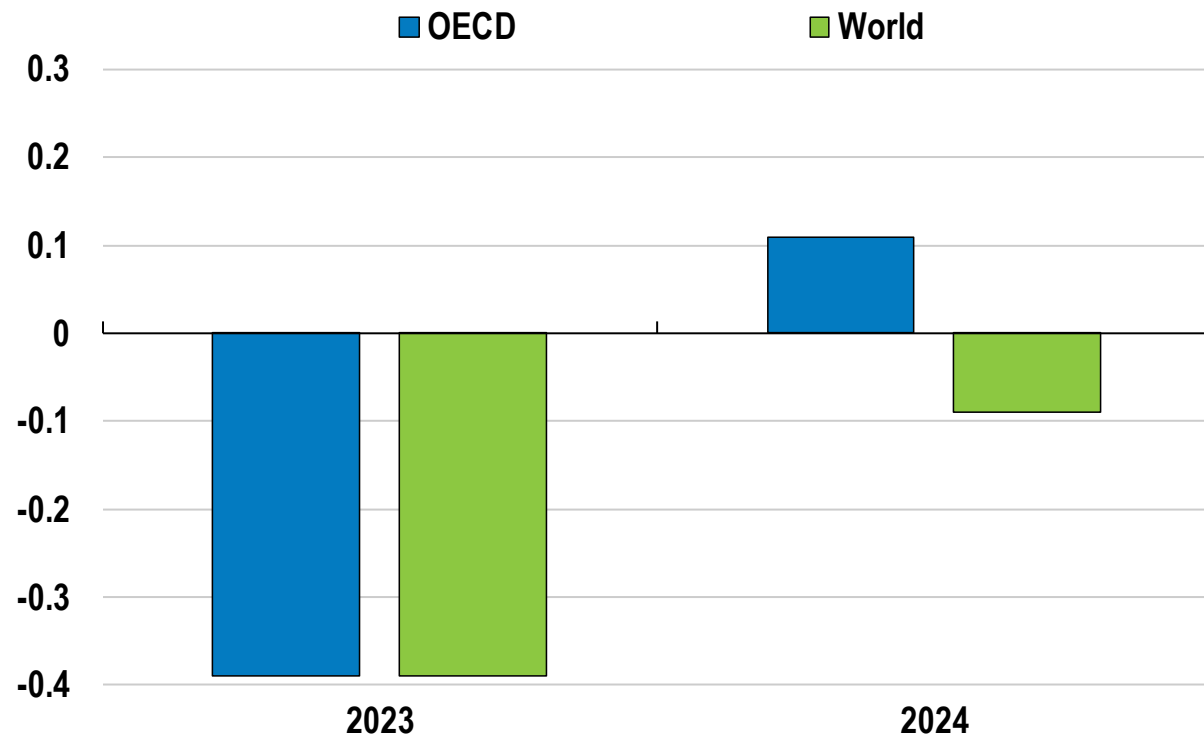
GDP growth

ppts difference from baseline



Consumer price inflation

ppts difference from baseline



Note: Illustrative scenario with a 100 basis point reduction in global investment risk premia, a 10% decline in global oil prices and a 5% decline in global food prices.
Source: OECD calculations using the NiGEM macroeconomic model.



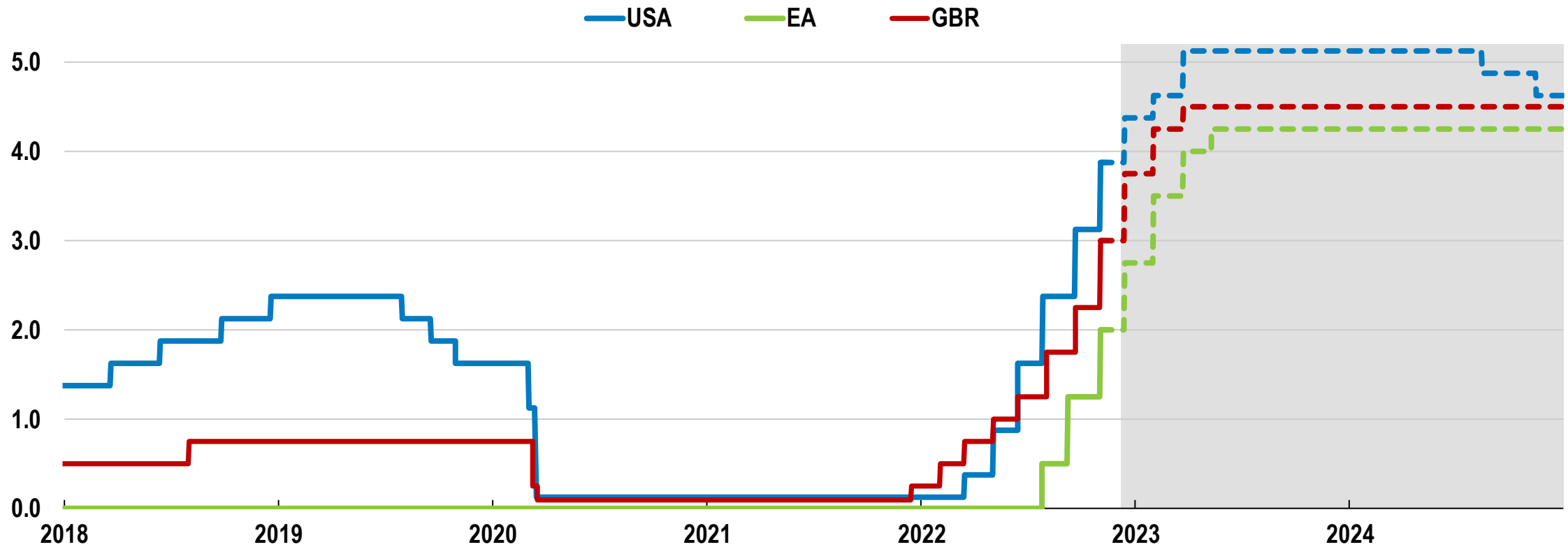
Policies



Monetary policy should continue to tighten

Policy rates

%

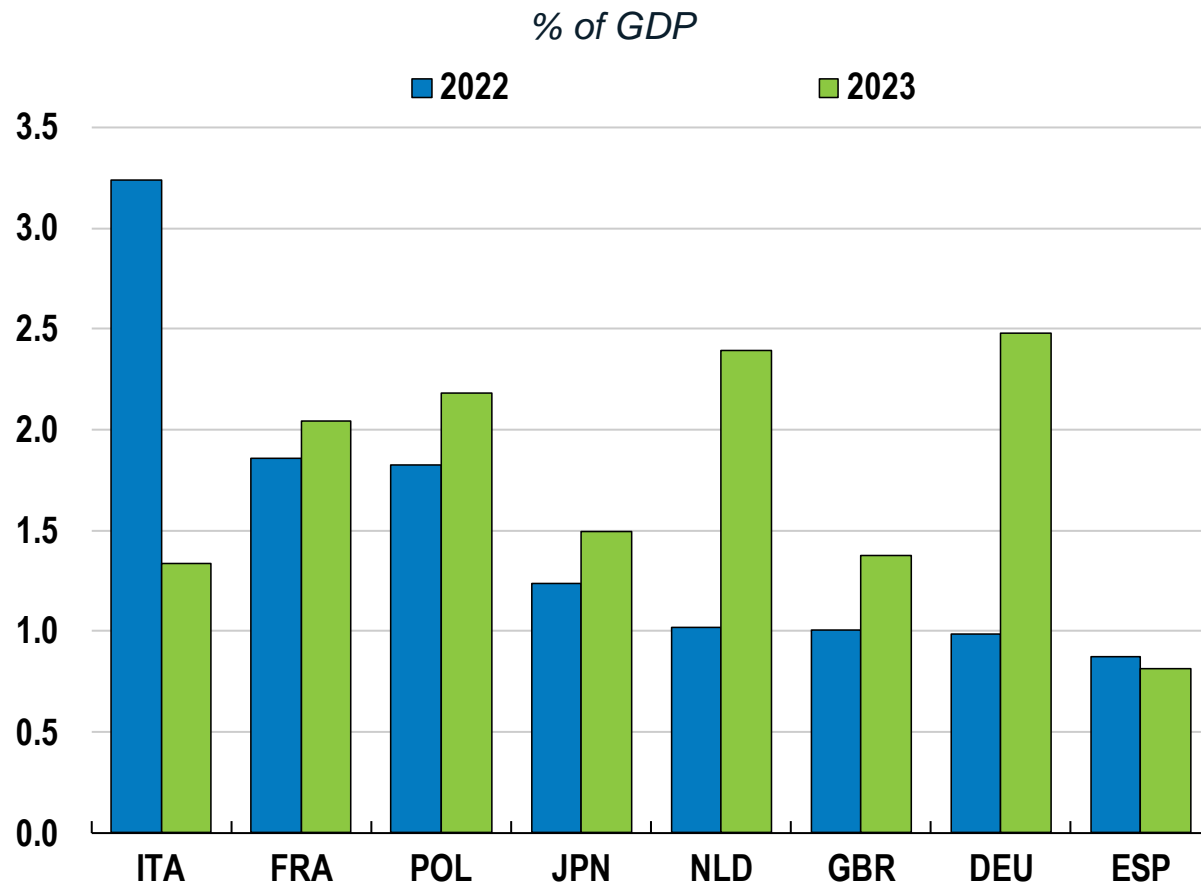


Note: For the United States, the policy rate is the midpoint of the target range set by the Federal Reserve. For the euro area, it is the main refinancing operations rate. Dashed lines and grey area indicate projections.
Source: Refinitiv; OECD Economic Outlook 112 database.

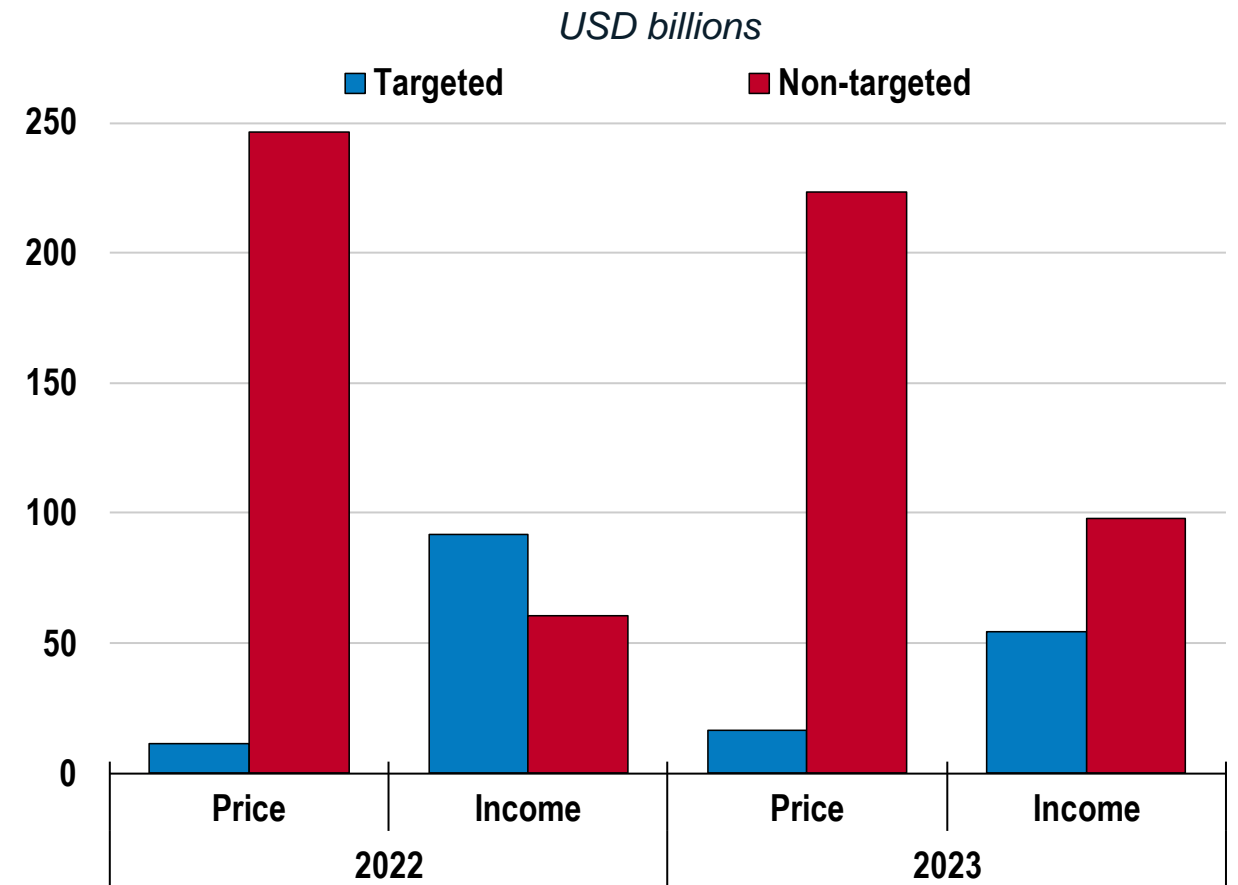


Fiscal sustainability requires more targeted support measures

Cost of energy-related fiscal support in selected economies



Cost of energy-related fiscal support by type of measure



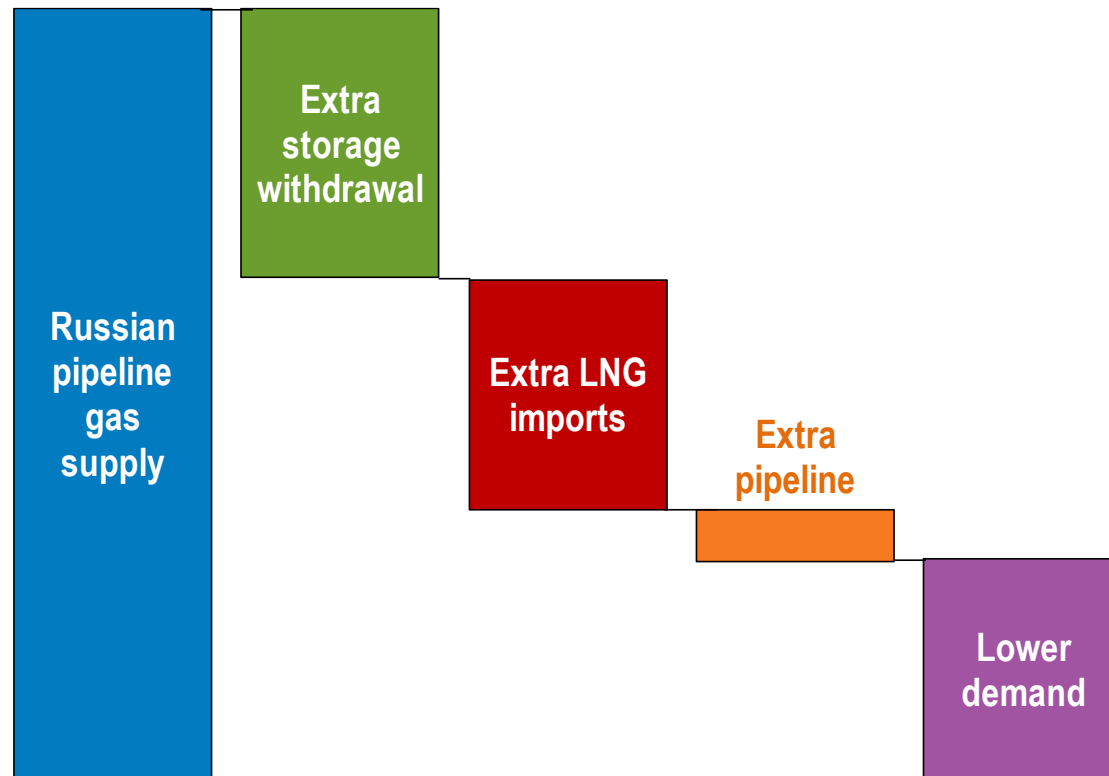
Note: Based on data collected up to 17 November 2022. Support measures are taken in gross terms, i.e., not accounting for the effect of possible accompanying energy-related revenue-increasing measures. Where government plans have been announced but not legislated, they are incorporated if it is deemed clear that they will be implemented in a shape close to that announced. Loans, guarantees, and capital transfers that do not immediately change general government net lending have been excluded. When a given measure spans more than one year, its total fiscal costs are assumed to be uniformly spread across months. Measures with no defined end-date are assumed to stay in place until at least December 2023. Left panel covers 34 OECD countries (all members except Iceland, Lithuania, Switzerland and Türkiye) and 6 non-OECD countries (Brazil, Bulgaria, Croatia, India, Romania and South Africa). Measures classified as income support are those that provide lump-sum transfers to energy consumers to help alleviate energy cost increases. Price support includes all measures that reduce the post-tax energy price. Support classified as targeted is provided to specific groups, such as vulnerable households or businesses. Non-targeted support applies to all consumers with no eligibility conditions. For Canada, Germany, Italy, Japan, the Netherlands, Poland, Spain and the United Kingdom, it has been assumed that some existing measures will be extended into 2023 even though that extension has not been announced yet. Source: OECD calculations based on the OECD Energy Support Measures Tracker and the OECD Economic Outlook 112 database.



Investing in energy security is key

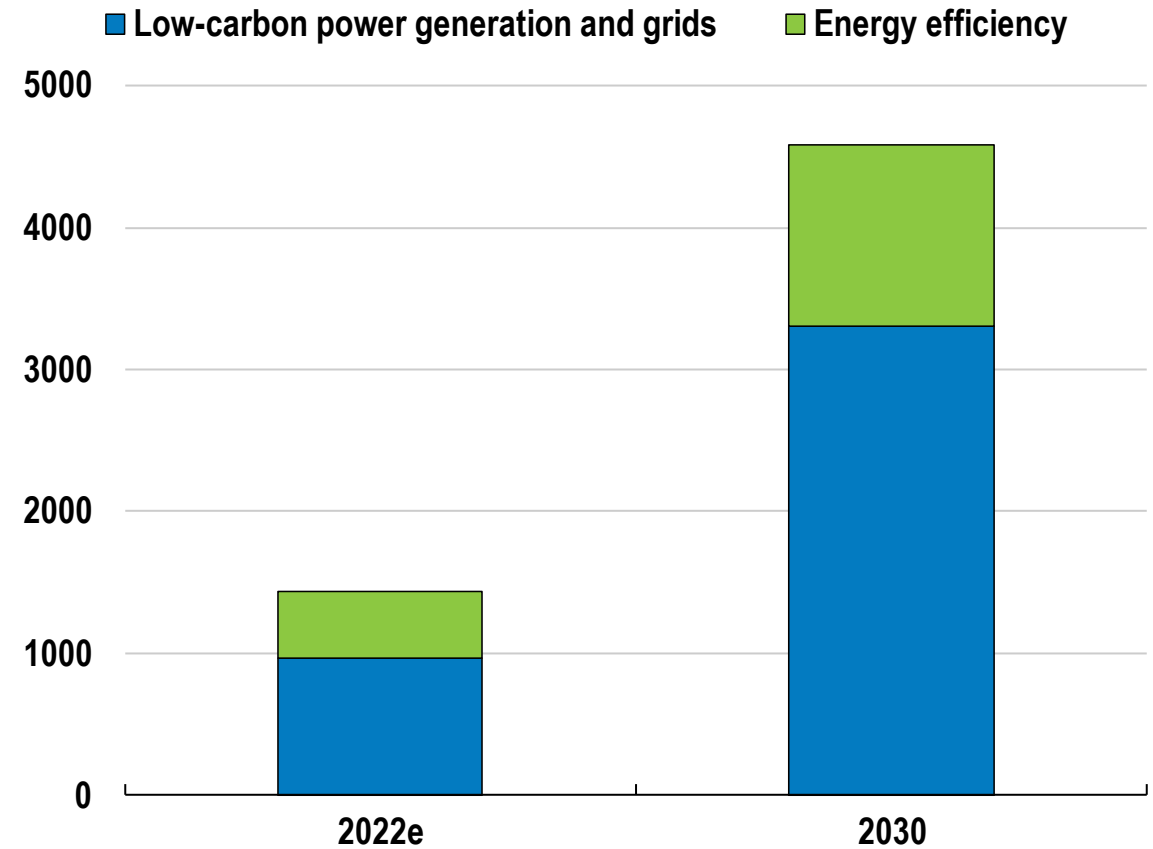
EU & UK options to replace Russian gas supply for winter 2022/23

Compared to winter 2021/22 gas supply



Global annual green energy investment

USD billions, 2021



Note: Figure refers to the 6-month 'winter' gas supply period from 1 October 2022 and 31 March 2023 and considers hypothetical options to replace Russian pipeline gas assuming it went to zero on 1 October 2022. Russian pipeline gas supply is approximately 55bcm.
Source: World Energy Outlook, 2022, IEA.

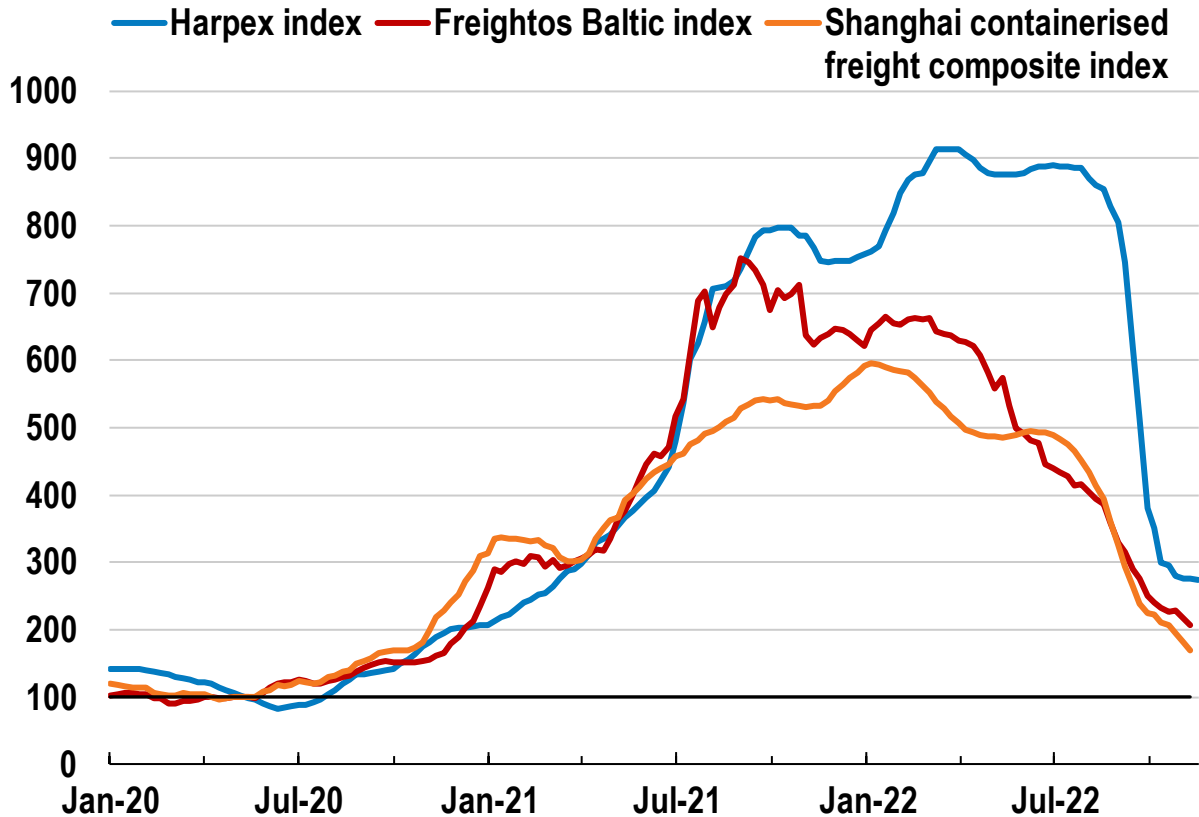
Note: The figures projected for 2030 are based on the Net Zero Scenario (NZE). NZE summarises the spending required to get the global energy sector to net zero by mid-century. The category low-carbon power generation and grids includes electric vehicles, battery storage and low carbon power (hydro, nuclear, wind, solar, geothermal and tidal power), low-carbon fuels and CCUS. Energy efficiency also includes other end uses. 2022e figures are estimations.
Source: IEA; and OECD calculations.



Keeping markets open will help restore growth

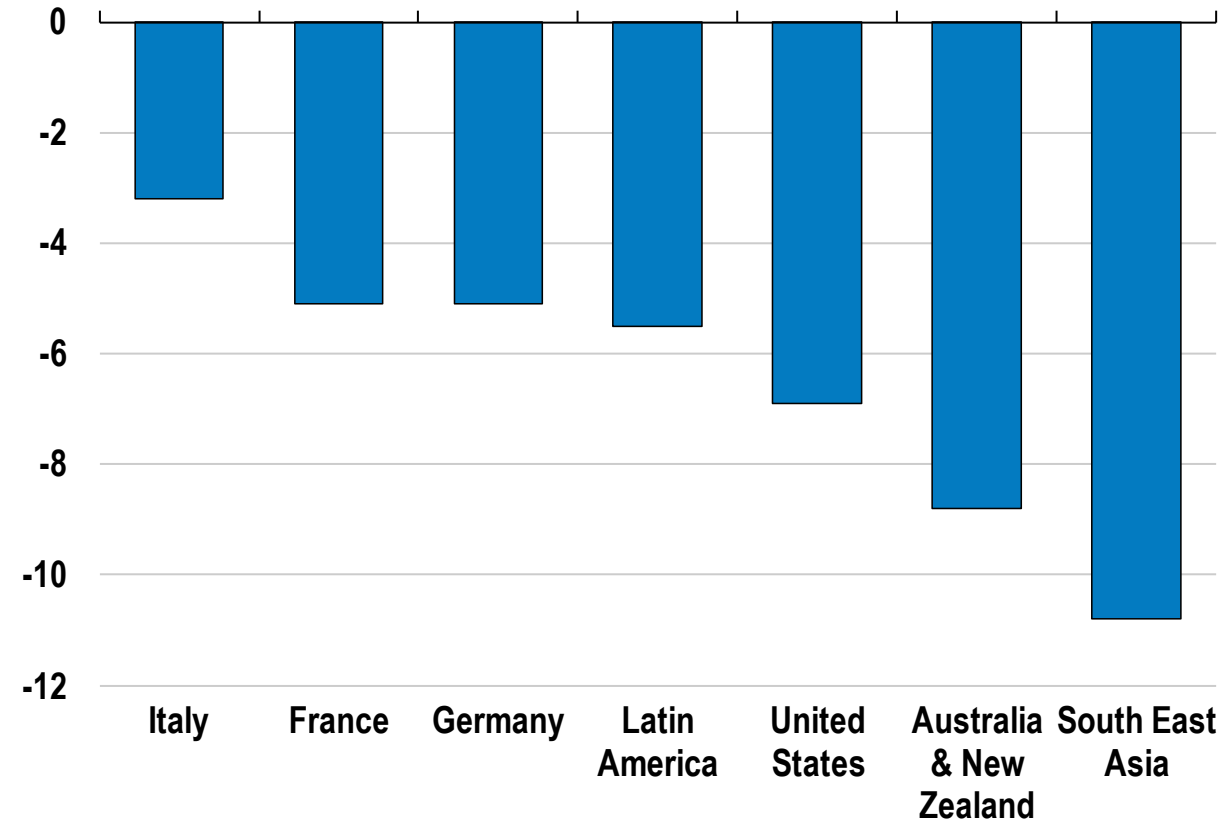
Shipping costs have been decreasing

Indexed, 100 = May 2020



Output loss with increased trade restrictions

Stylised long-term % change of real GDP



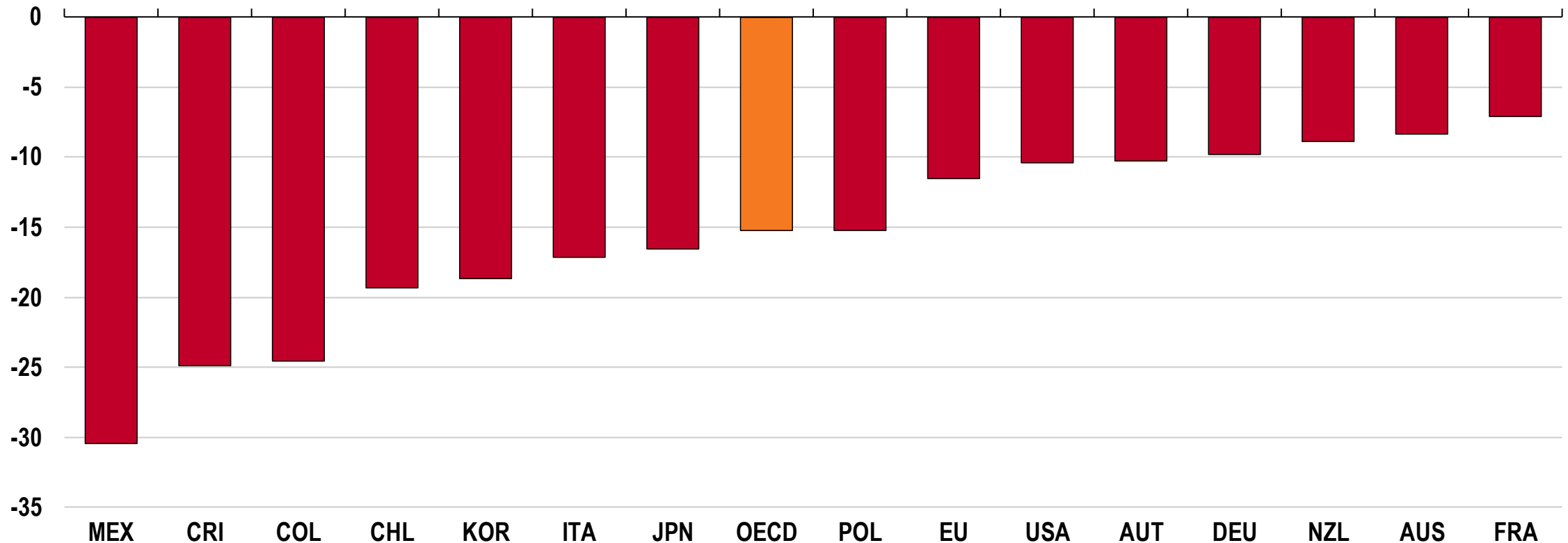
Source: Refinitiv; and OECD calculations.

Note: Chart shows the decrease of real GDP when shifting from an interconnected regime (definition: standard GVC production fragmentation) to a localised regime (assumptions: global rise in import tariffs on all traded products to 25%, national value-added subsidies of 1% of GDP directed to labour and capital in domestic non-services sectors and more constrained switching between different sources of inputs). South East Asia includes Brunei Darussalam, Cambodia, Malaysia, Philippines, Singapore, Thailand and Viet Nam. Latin America includes Chile, Colombia, Peru and Costa Rica. Source: Global value chains: Efficiency and risks in the context of COVID-19, 2021, OECD.

Decreasing gender gaps will boost potential growth

Difference between female and male employment rates

Latest available data, ppts



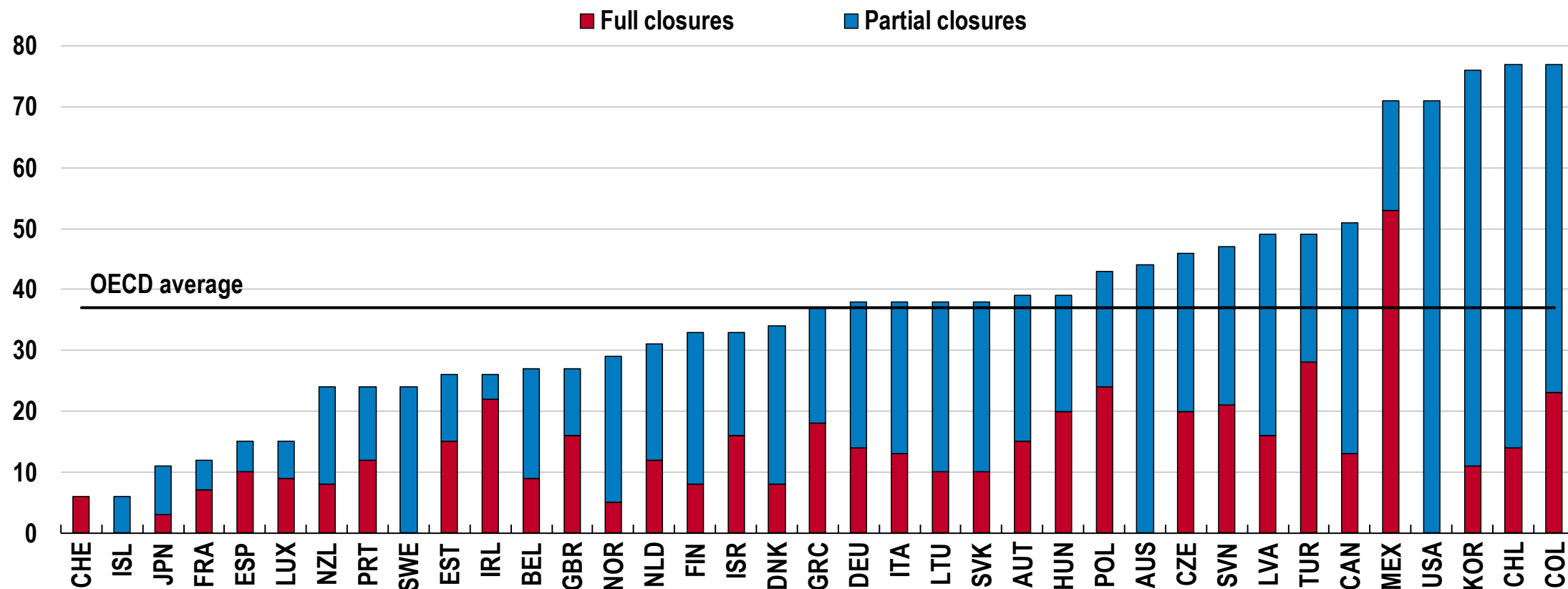
Note: Figure shows the difference between seasonally adjusted employment rates of females and males aged 15 and over. Data up to 2022Q3.
Source: OECD Short-term Labour Statistics; and OECD calculations.



Investing in skills will mitigate the long-term costs of the pandemic

Duration of school closures between March 2020 and October 2021

Count of weeks



Note: Full school closures refer to situations where all schools were closed nation-wide due to COVID-19. Partial school closures refer to school closures in some regions or for some grades, or with reduced in-person instruction. Total closures are defined as the simple unweighted sum of these two aggregates.
Source: UNESCO.



Summing up

- **Monetary policy should continue to tighten** to fight inflation
- **Fiscal policy support needs to be better targeted** to ensure fiscal sustainability
- Managing the energy crisis and ensuring energy security requires:
 - **Energy savings and supply diversification**, especially in the short term
 - Accelerated **investments in clean technologies and energy efficiency**
- Structural policies to prioritise:
 - **Keep international trade open**
 - **Boost female labour market participation**
 - **Invest in skills** to minimise the long-term costs of the pandemic



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Real GDP growth projections

Non-G20 economies, %

▲ upward revision, by 0.3pp or more

■ no change or smaller than 0.3pp

▼ downward revision, by 0.3pp or more

		2022	2023	2024		2022	2023	2024	
Austria	▲	4.5	▼ 0.1	1.2	Israel	▲	6.3	▼ 2.8	3.4
Belgium	▲	2.9	▼ 0.5	1.1	Latvia	▼	2.3	▼ -0.2	2.3
Chile	▲	1.9	▼ -0.5	2.6	Lithuania	▲	2.5	■ 1.6	2.0
Colombia	▲	8.1	▼ 1.2	1.7	Luxembourg	▼	1.7	▼ 1.5	2.1
Costa Rica	▲	4.3	▼ 2.3	3.7	Netherlands	▲	4.3	▼ 0.8	1.1
Czech Republic	▲	2.4	▼ -0.1	2.4	New Zealand	▼	2.1	▼ 1.0	1.2
Denmark	■	3.1	▼ 0.1	1.1	Norway	▼	2.5	▼ 1.8	1.6
Estonia	▼	0.8	▼ 0.5	3.2	Poland	■	4.5	▼ 0.9	2.4
Finland	▲	2.2	▼ -0.3	1.1	Portugal	▲	6.7	▼ 1.0	1.2
Greece	▲	6.7	▼ 1.6	1.6	Slovak Republic	▼	1.6	▼ 0.5	2.1
Hungary	▲	6.0	▼ 1.5	2.1	Slovenia	▲	5.0	▼ 0.5	2.0
Iceland	▲	6.4	▼ 2.5	2.3	Sweden	▲	2.9	▼ -0.6	1.9
Ireland	▲	10.1	▲ 3.8	3.3	Switzerland	▼	2.1	▼ 0.6	1.4

Source: OECD Economic Outlook 112 database; OECD calculations.



Inflation projections

G20 economies, %

	2022	2023	2024		2022	2023	2024
OECD	9.4	6.6	5.1	G20	8.1	6.0	5.4
Australia	6.5	4.5	2.5	Argentina	92.0	83.0	60.0
Canada	6.8	4.1	2.4	Brazil	8.9	4.2	4.5
Euro area	8.3	6.8	3.4	China	2.0	2.2	2.0
Germany	8.5	8.0	3.3	India	6.8	5.0	4.3
France	5.9	5.7	2.7	Indonesia	4.2	4.1	2.5
Italy	8.1	6.5	3.0	Mexico	8.0	5.7	3.3
Spain	8.6	4.8	4.8	Russia	13.9	6.7	6.1
Japan	2.3	2.0	1.7	Saudi Arabia	2.6	3.2	2.3
Korea	5.2	3.9	2.3	South Africa	6.6	5.9	4.9
United Kingdom	8.9	6.6	3.3	Türkiye	73.2	44.6	42.1
United States	6.2	3.5	2.6				

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 112 database; OECD calculations.



Inflation projections

Non-G20 economies, %

	2022	2023	2024		2022	2023	2024
Austria	8.5	6.7	3.6	Israel	4.3	3.3	2.2
Belgium	9.9	6.6	4.1	Latvia	17.0	10.7	5.0
Chile	11.6	6.9	3.5	Lithuania	18.8	11.9	4.0
Colombia	10.2	9.5	4.8	Luxembourg	8.2	4.0	3.2
Costa Rica	8.8	6.9	4.2	Netherlands	12.2	8.5	4.2
Czech Republic	15.2	9.9	4.1	New Zealand	7.3	5.2	3.2
Denmark	7.8	5.5	2.8	Norway	5.7	4.5	3.2
Estonia	20.2	10.8	2.8	Poland	14.2	10.8	6.6
Finland	7.0	5.3	3.1	Portugal	8.3	6.6	2.4
Greece	9.7	4.3	2.3	Slovak Republic	12.0	15.5	5.1
Hungary	13.5	12.7	5.2	Slovenia	9.2	7.5	4.4
Iceland	8.3	5.5	2.9	Sweden	8.3	7.0	2.3
Ireland	8.4	7.2	2.9	Switzerland	2.9	2.5	1.5

Source: OECD Economic Outlook 112 database; OECD calculations.

