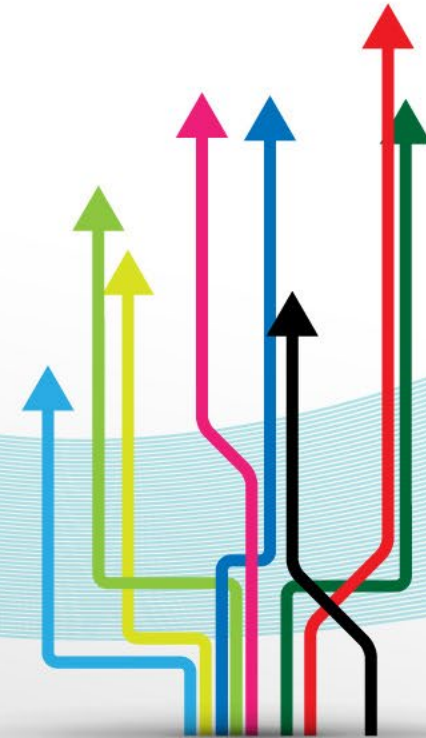


OECD INTERIM ECONOMIC OUTLOOK, 21 SEPTEMBER 2021

KEEPING THE RECOVERY ON TRACK

Mathias Cormann and Laurence Boone
OECD Secretary-General and OECD Chief Economist



Overview

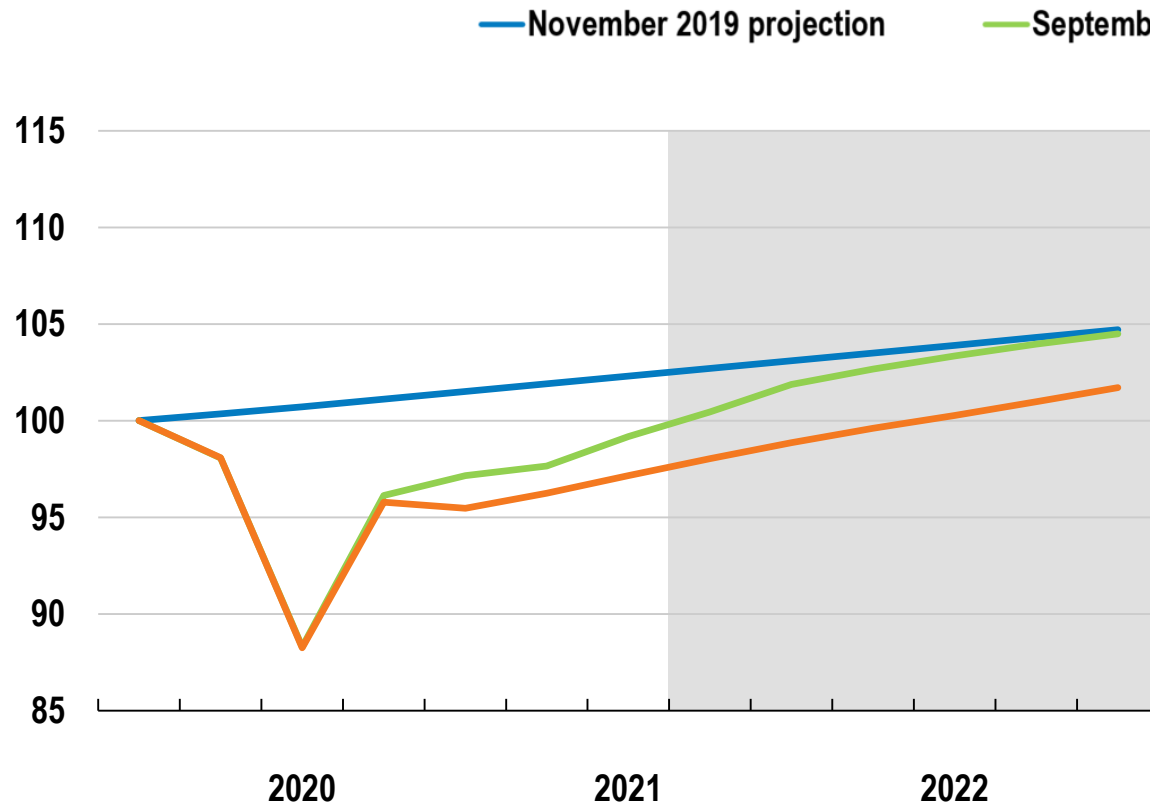
- A **strong global recovery is underway**, but it is **too uneven**: some countries are still struggling and **many people** remain **out of work**
- **Vaccination rates vary substantially** around the world, limiting the ability of some countries to fully reopen and increasing tensions in global trade and supply chains
- **Demand** for some goods has **surged, pushing up inflation**. This is being **compounded by** tensions in **supply chains, shortages in some sectors** and **higher shipping** and **commodity prices**



The global recovery is strong, yet uneven

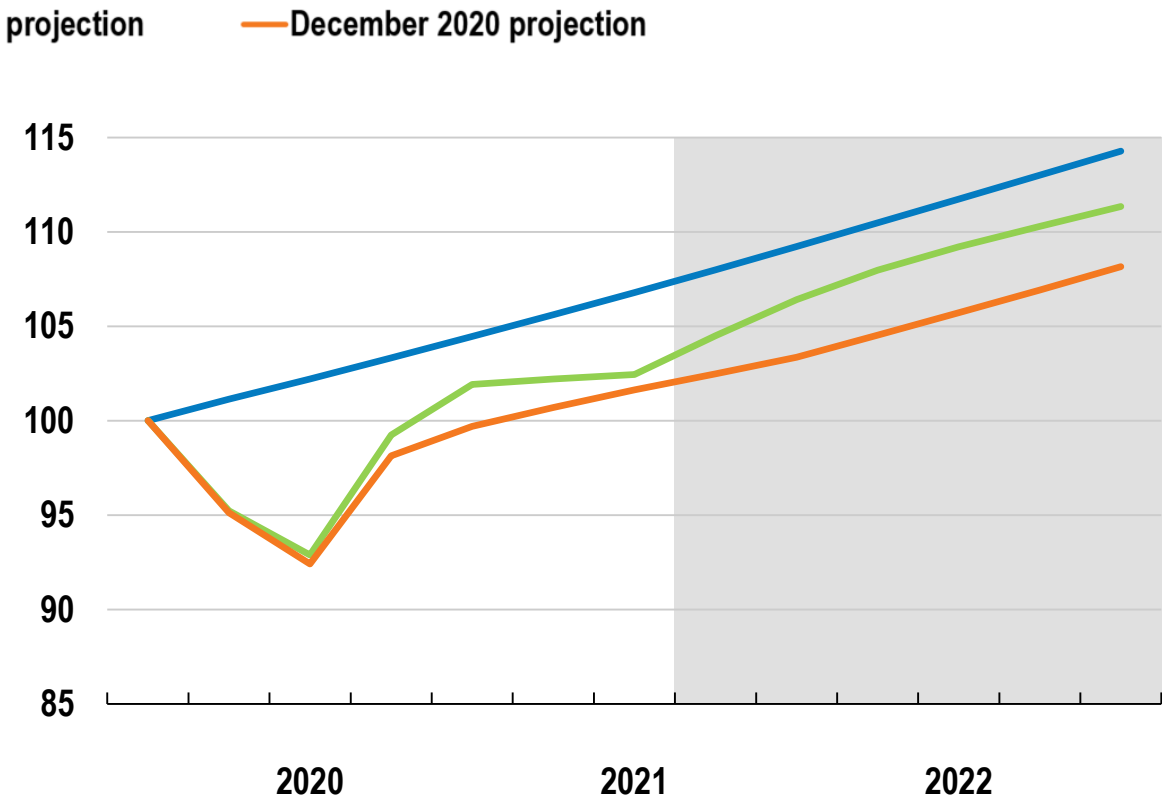
GDP: G20 advanced economies

Index 2019Q4=100



GDP: G20 emerging market economies

Index 2019Q4=100



Real GDP growth projections

% change, year-on-year

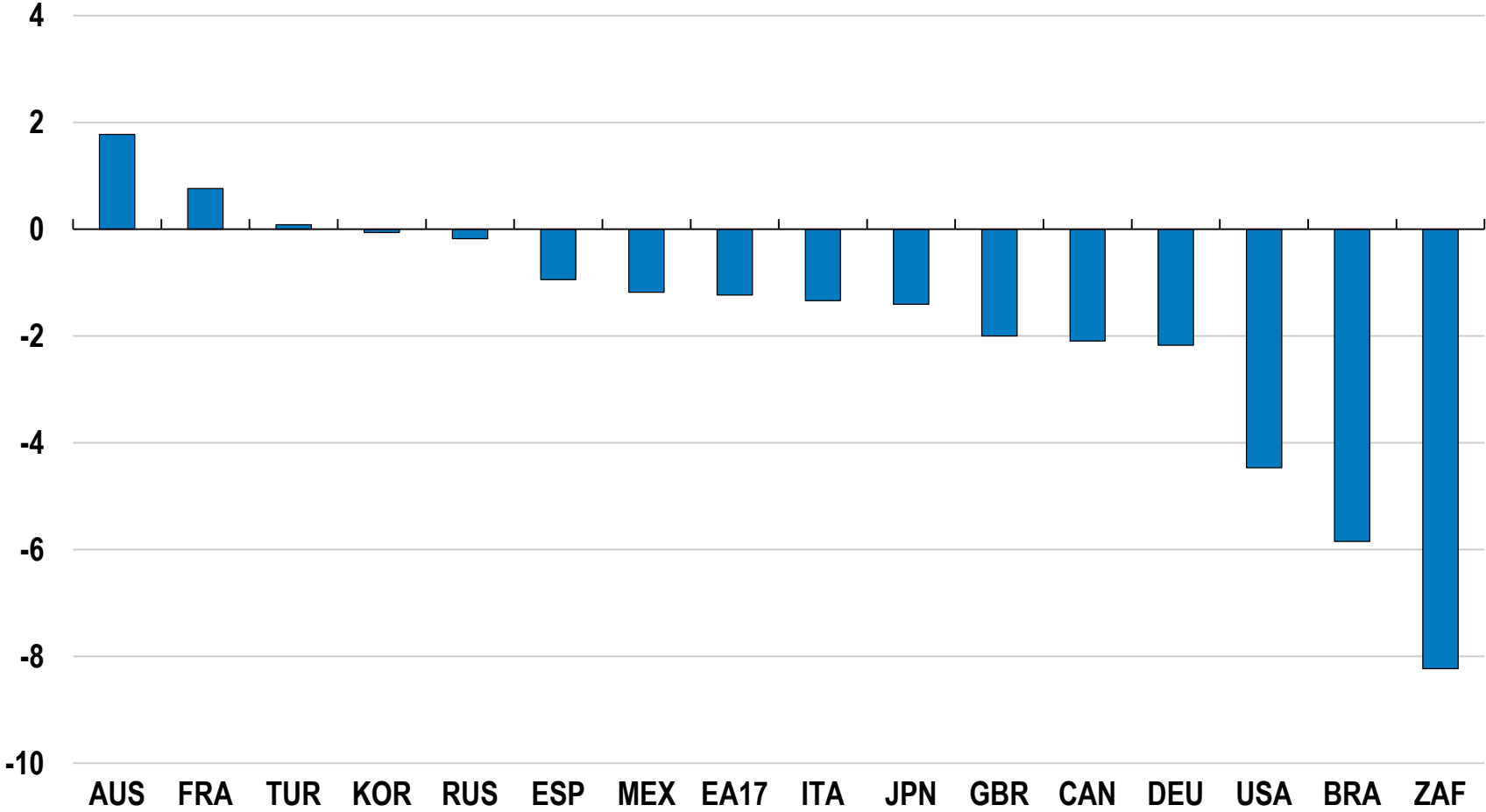
	2020	2021	2022		2020	2021	2022
World	-3.4	5.7	4.5	G20	-3.1	6.1	4.8
Australia	-2.5	4.0	3.3	Argentina	-9.9	7.6	1.9
Canada	-5.3	5.4	4.1	Brazil	-4.4	5.2	2.3
Euro area	-6.5	5.3	4.6	China	2.3	8.5	5.8
Germany	-4.9	2.9	4.6	India*	-7.3	9.7	7.9
France	-8.0	6.3	4.0	Indonesia	-2.1	3.7	4.9
Italy	-8.9	5.9	4.1	Mexico	-8.3	6.3	3.4
Spain	-10.8	6.8	6.6	Russia	-2.5	2.7	3.4
Japan	-4.6	2.5	2.1	Saudi Arabia	-4.1	2.3	4.8
Korea	-0.9	4.0	2.9	South Africa	-7.0	4.6	2.5
United Kingdom	-9.8	6.7	5.2	Turkey	1.8	8.4	3.1
United States	-3.4	6.0	3.9				

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 database.



Employment is still below pre-pandemic levels in most countries

% difference between 2019Q4 and 2021Q2



Note: Total employment ages 15-74, national labour force survey definition. Data for the EA17, France and Italy in 2021Q2 are estimates based on the growth of total employment in the national accounts. EA17 refers to the 17 euro area countries that are members of the OECD.
Source: OECD Economic Outlook database; OECD Short-Term Labour Market Statistics; Statistics South Africa; and OECD calculations.

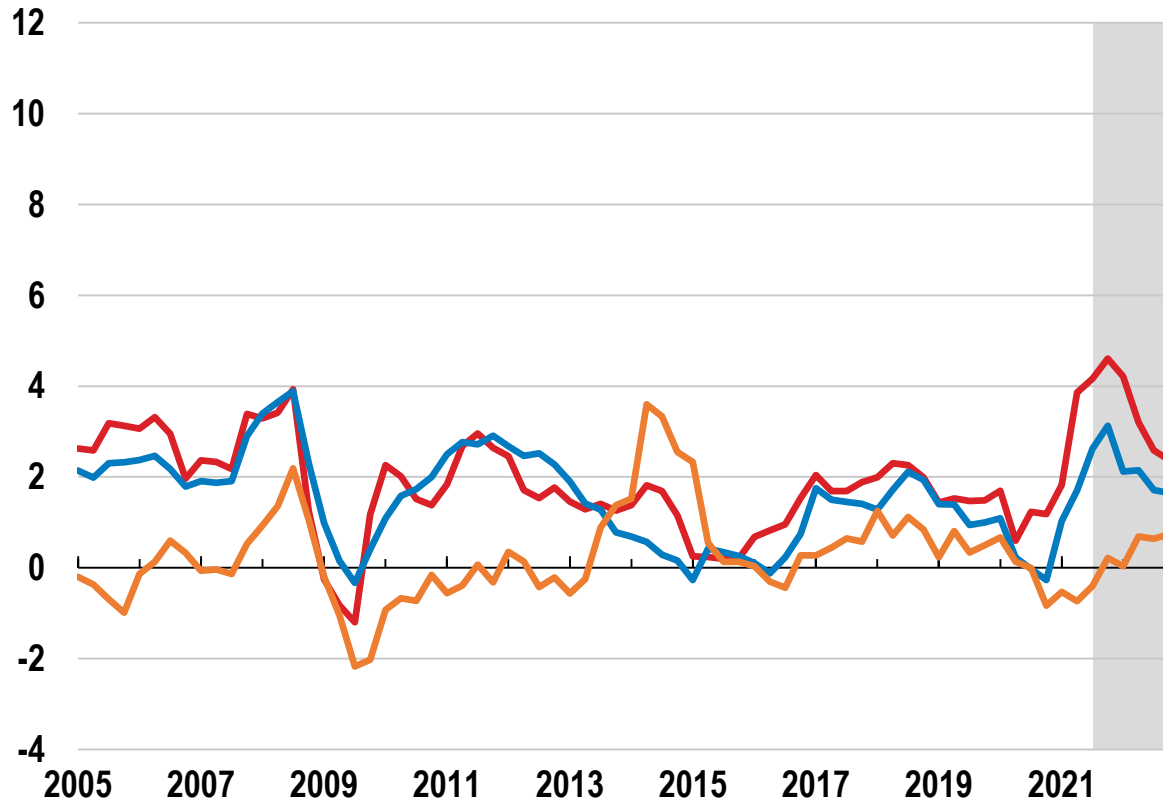


Inflation is projected to moderate, but less so in some EMEs

Advanced economies

%

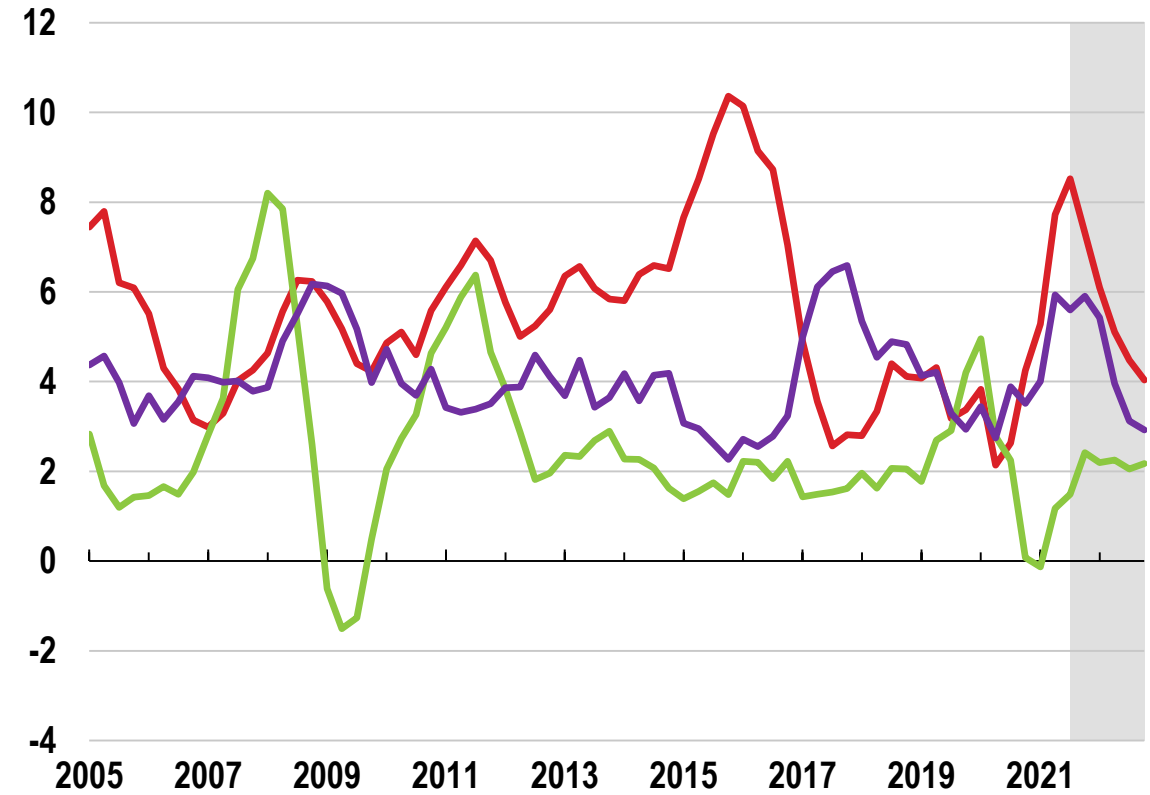
— USA — Euro area — JPN



Emerging-market economies

%

— BRA — CHN — MEX



Note: LHS: Shows the personal consumption expenditure deflator for the United States; the overall harmonised consumer price index for the euro area; and the overall consumer price index for Japan. Euro area refers to the 17 euro area countries that are members of the OECD.

Source: OECD Economic Outlook database; and OECD calculations.



CPI inflation projections

% change year-on-year, colours indicate the direction of revisions since the June 2021 Economic Outlook

	2020	2021	2022		2020	2021	2022
G20	2.7	3.7	3.9				
Australia	0.9	2.3	1.8		40.4	47.0	48.3
Canada	0.7	3.1	2.8		3.2	7.2	4.9
Euro area	0.3	2.1	1.9		2.5	1.2	2.2
Germany	0.4	2.9	2.1		6.2	5.9	5.5
France	0.5	1.9	1.4		1.9	2.2	2.9
Italy	-0.1	1.6	1.6		3.4	5.4	3.8
Spain	-0.3	2.4	1.9		3.4	6.1	5.5
Japan	0.0	-0.4	0.5		3.4	2.9	1.4
Korea	0.5	2.2	1.8		3.3	4.2	4.4
United Kingdom	0.9	2.3	3.1		12.3	17.8	15.7
United States	1.2	3.6	3.1				
				Argentina			
				Brazil			
				China			
				India*			
				Indonesia			
				Mexico			
				Russia			
				Saudi Arabia			
				South Africa			
				Turkey			

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. Difference in percentage points, based on rounded figures. There is no comparison available for Saudi Arabia: the June 2021 Economic Outlook did not include projections for inflation.

Source: OECD Economic Outlook database.



The risks remain elevated

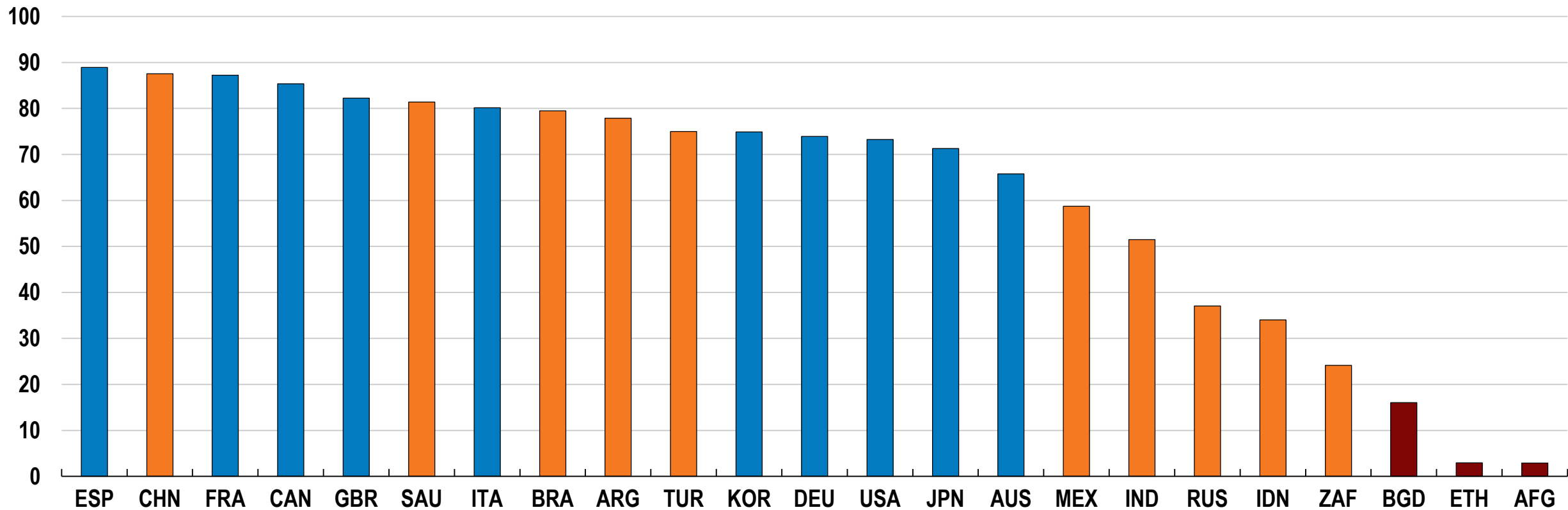


Uneven progress in vaccination is putting the recovery at risk

Vaccination rates reflect different strengths and challenges

At least one vaccine dose, % of national population aged 12 and above

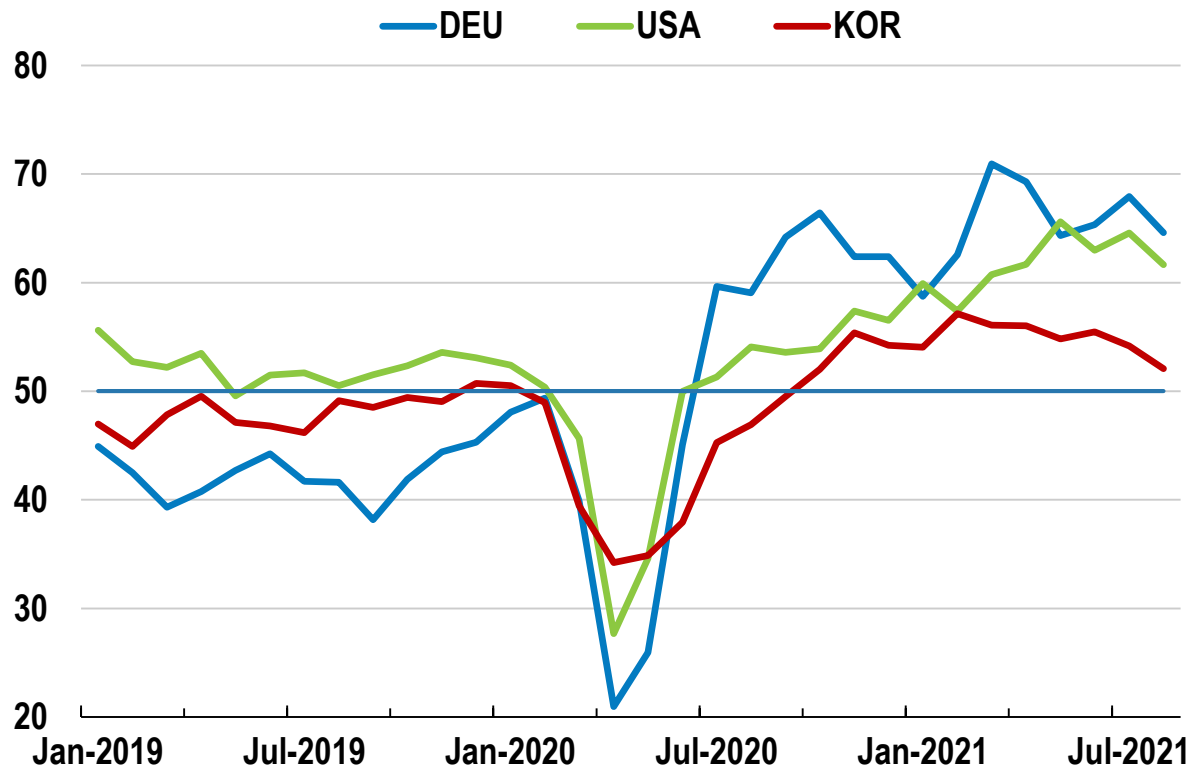
■ Advanced economies ■ Emerging market economies ■ Low-income countries



There are tensions in global supply chains

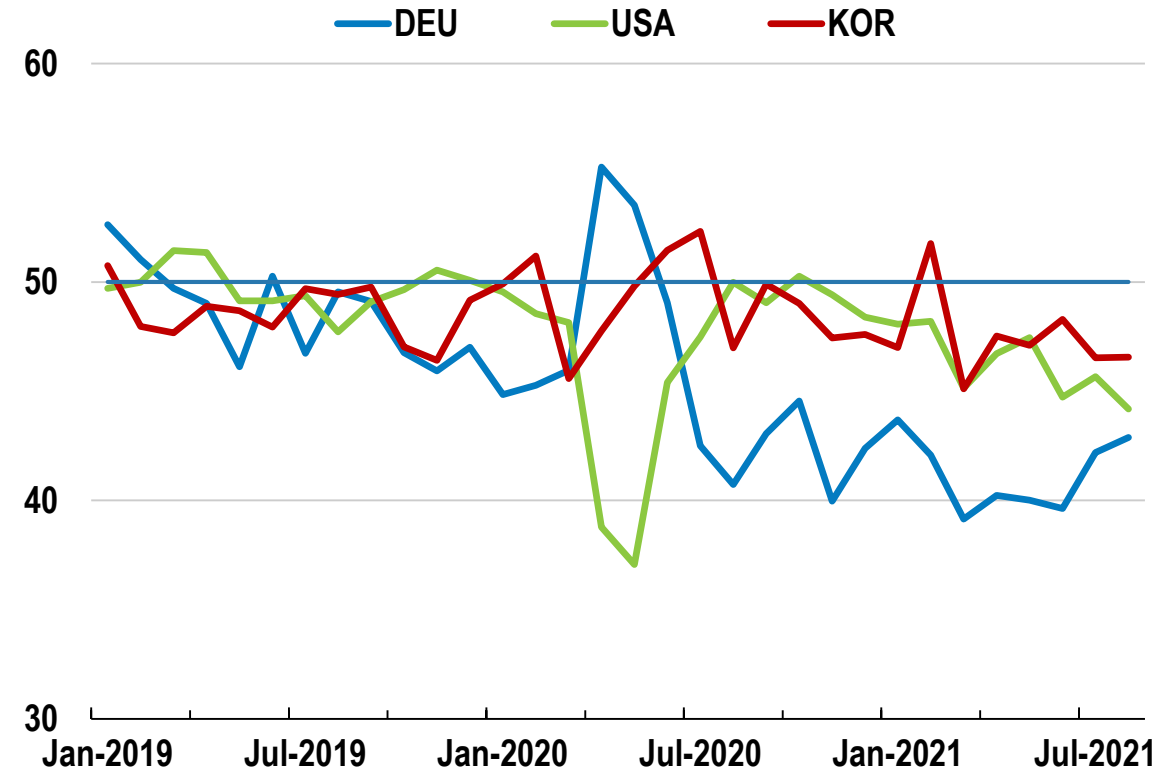
Orders are increasing

Manufacturing sector, PMI,
above 50: increasing



While inventories are declining

Manufacturing sector, PMI,
below 50: declining



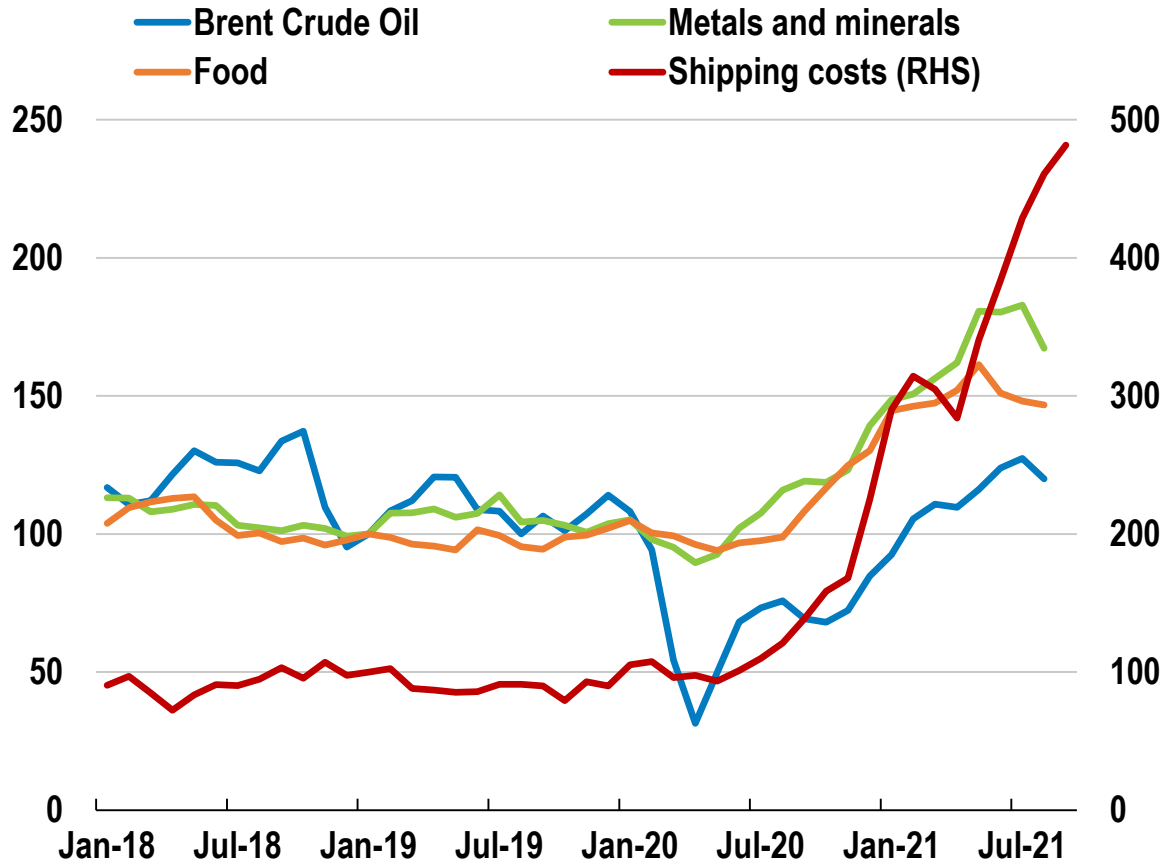
Note: A number above 50 indicates an increase from the previous month; a number below 50 indicates a decrease.
Source: IHS Markit.



Input prices have been pushing up inflation

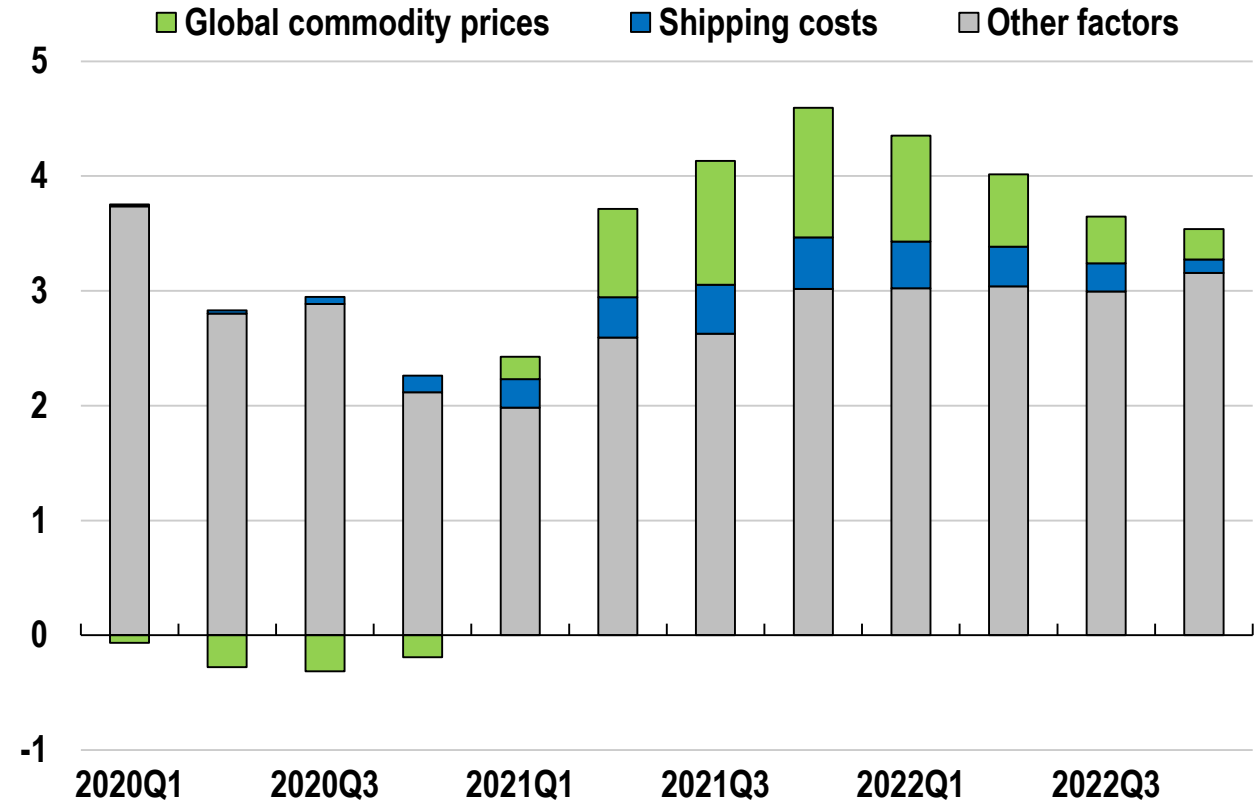
Commodity and shipping prices have increased

Index, January 2019=100



Temporarily boosting inflation

Projected contribution to annual G20 CPI inflation, % pts

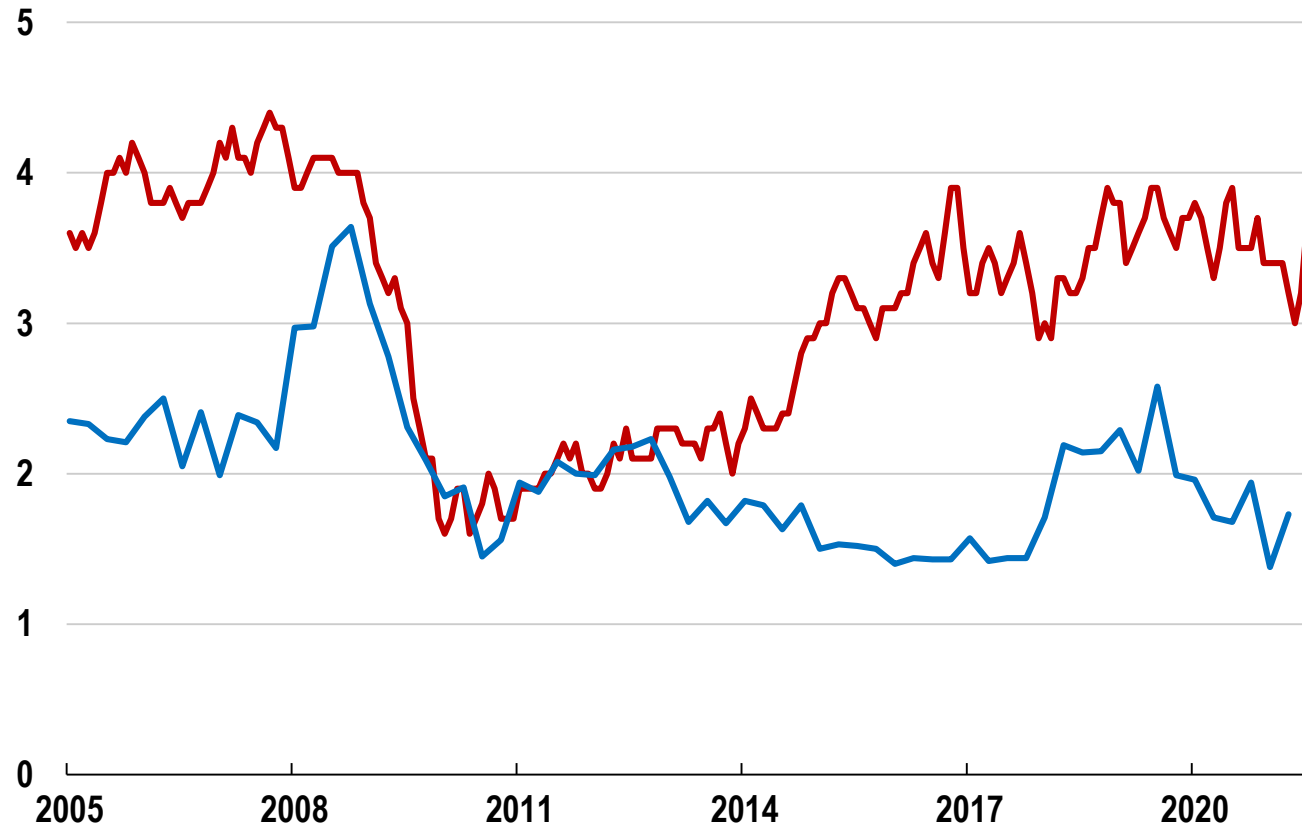


Labour market pressures are concentrated in some sectors

Aggregate wage growth remains moderate

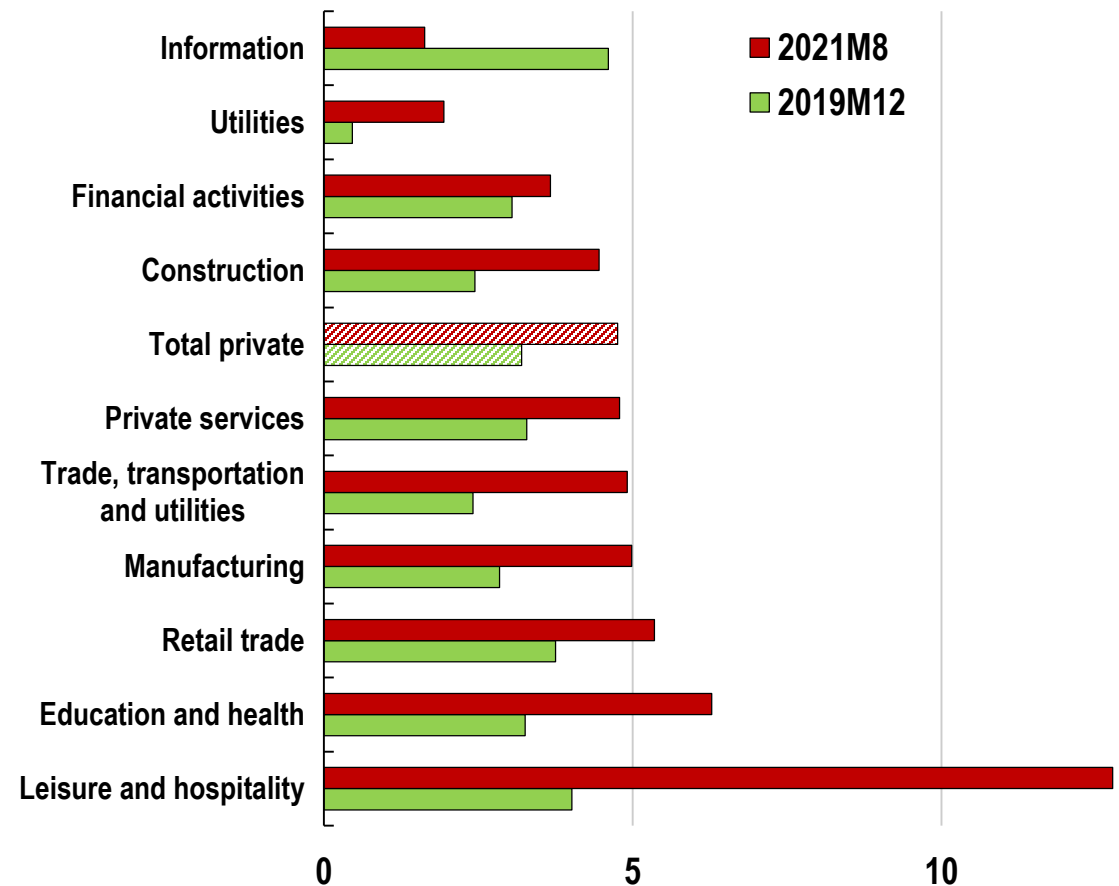
%, year-on-year

— USA — Euro area

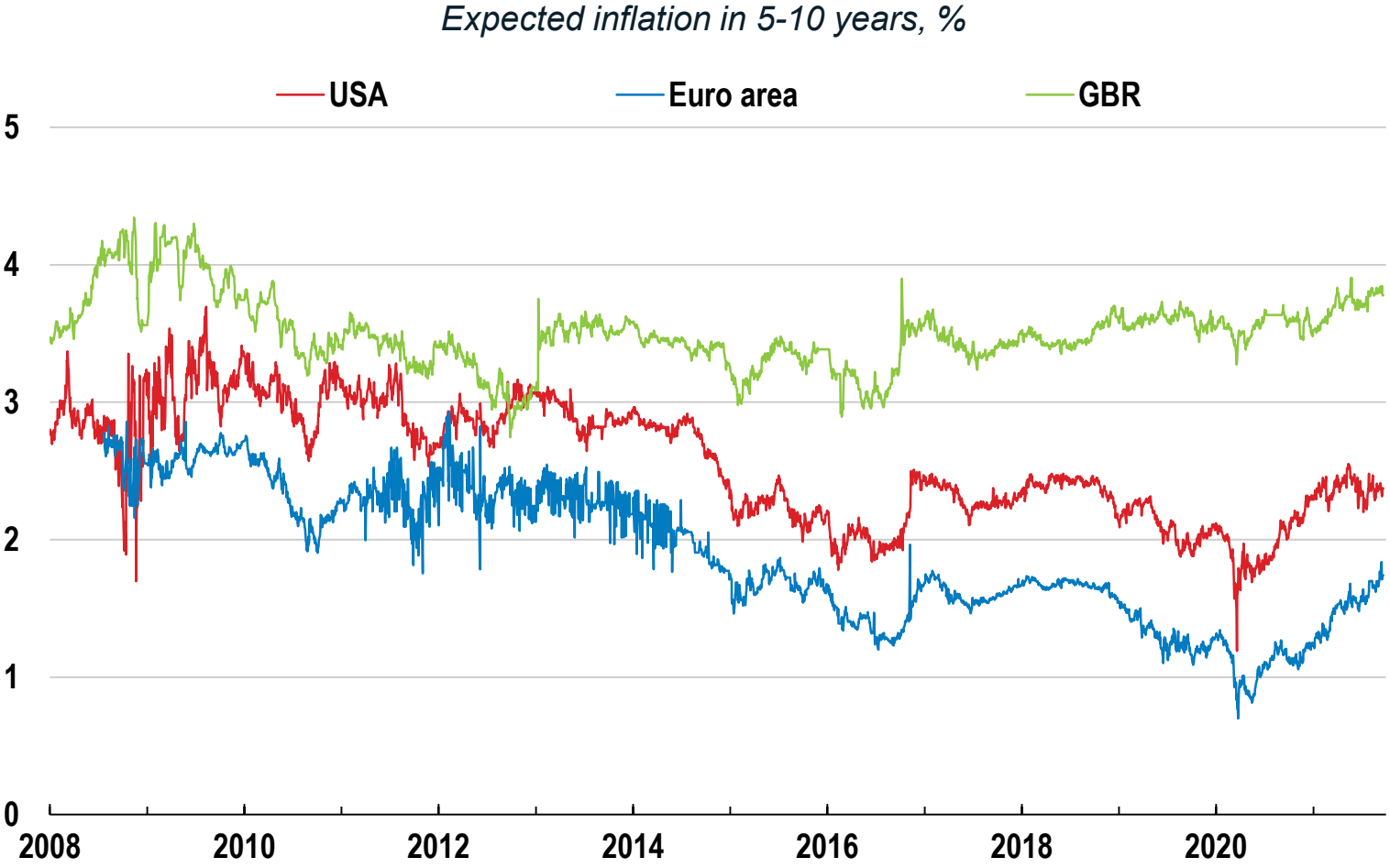


Shortages are emerging in some sectors

Growth in average US hourly earnings, %, year-on-year



Financial market inflation expectations remain contained



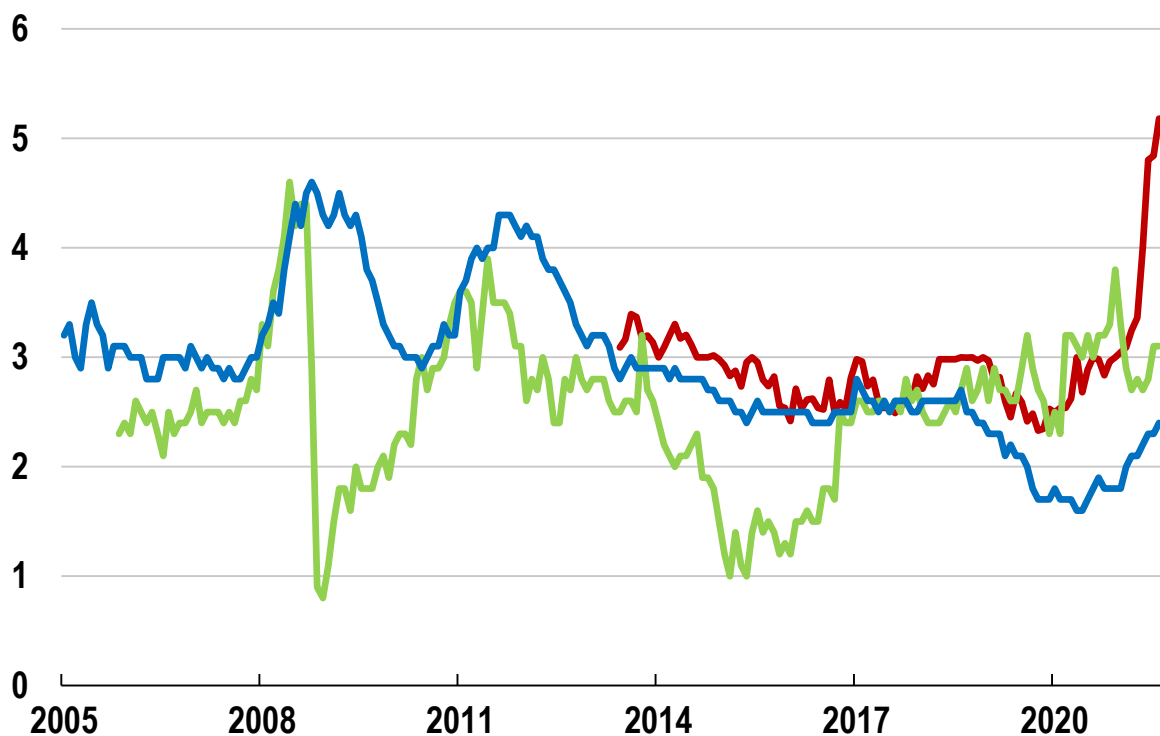
Note: Financial market inflation expectations are derived from inflation swaps.
Source: Refinitiv; and OECD calculations.



Household inflation expectations are higher but remain contained

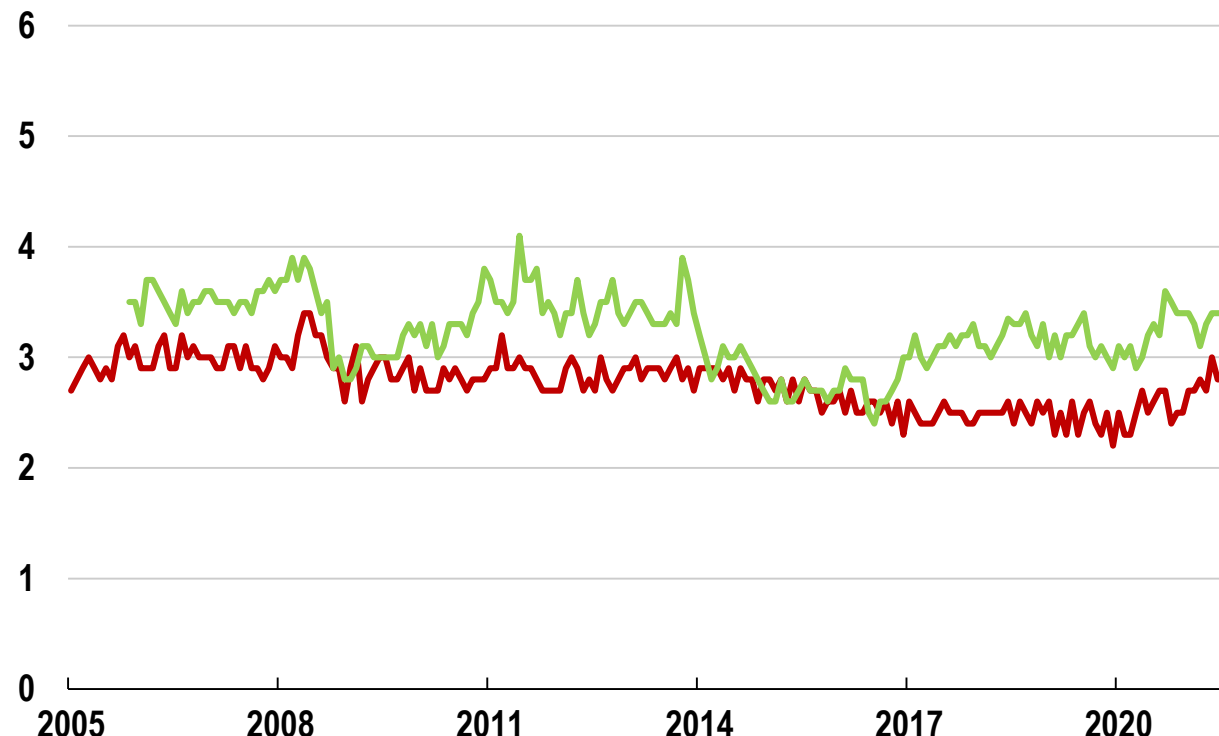
In 1 year, %

— USA — GBR — KOR



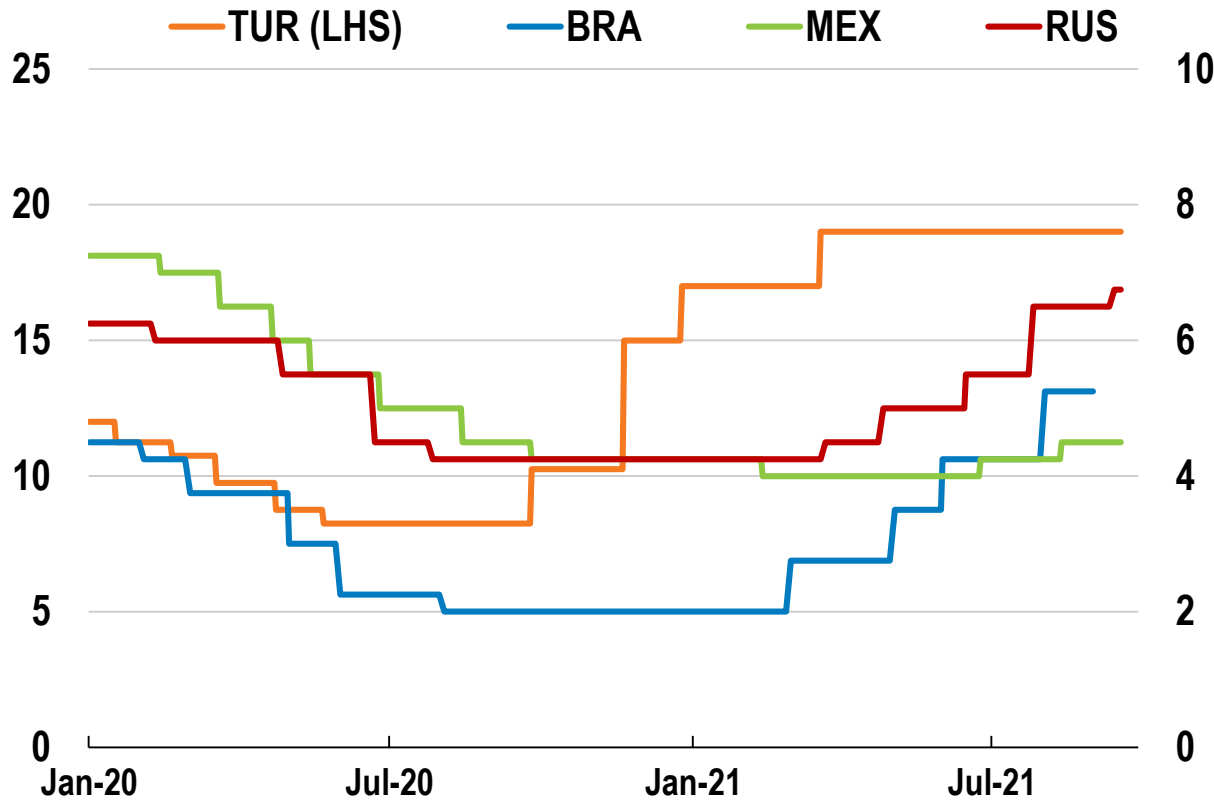
In 5-10 years, %

— USA — GBR



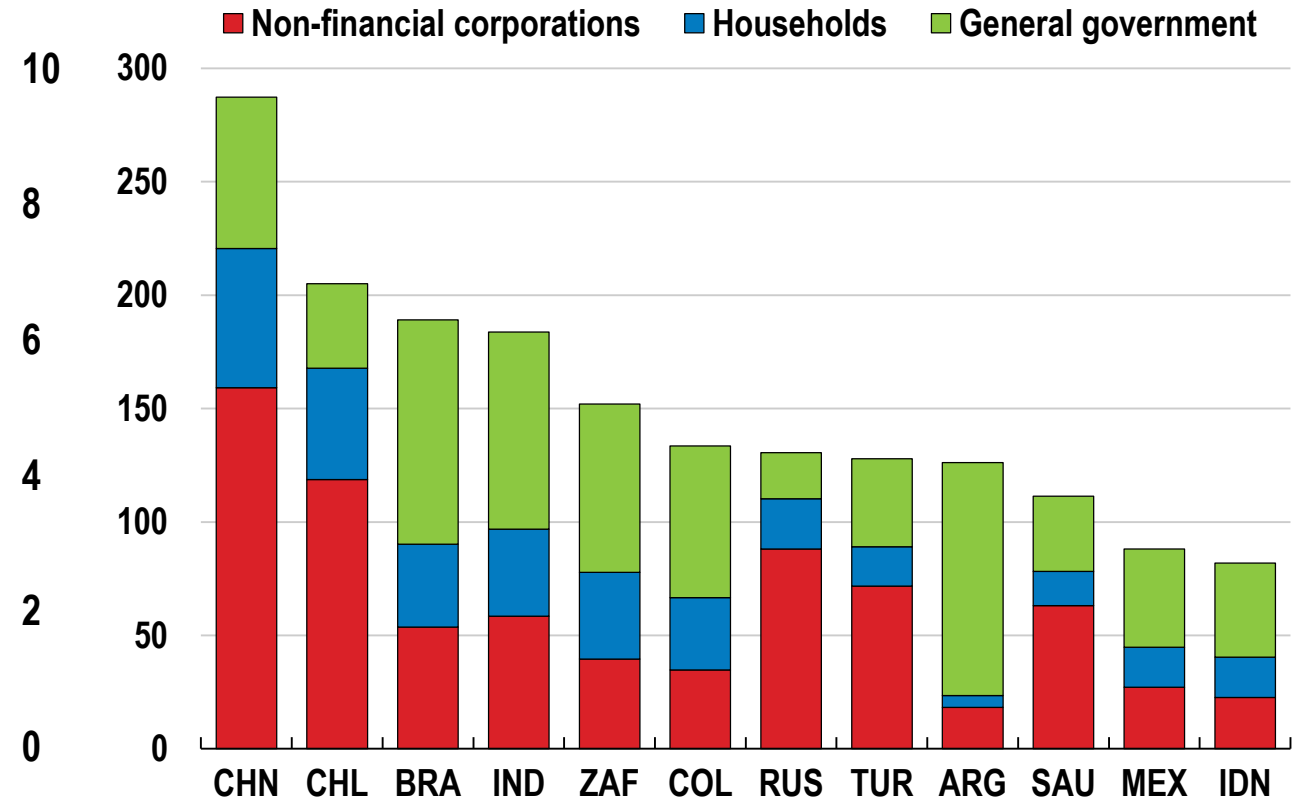
The recovery is vulnerable in many EMEs

Some central banks have already increased policy rates
%



Debt levels are high in many countries

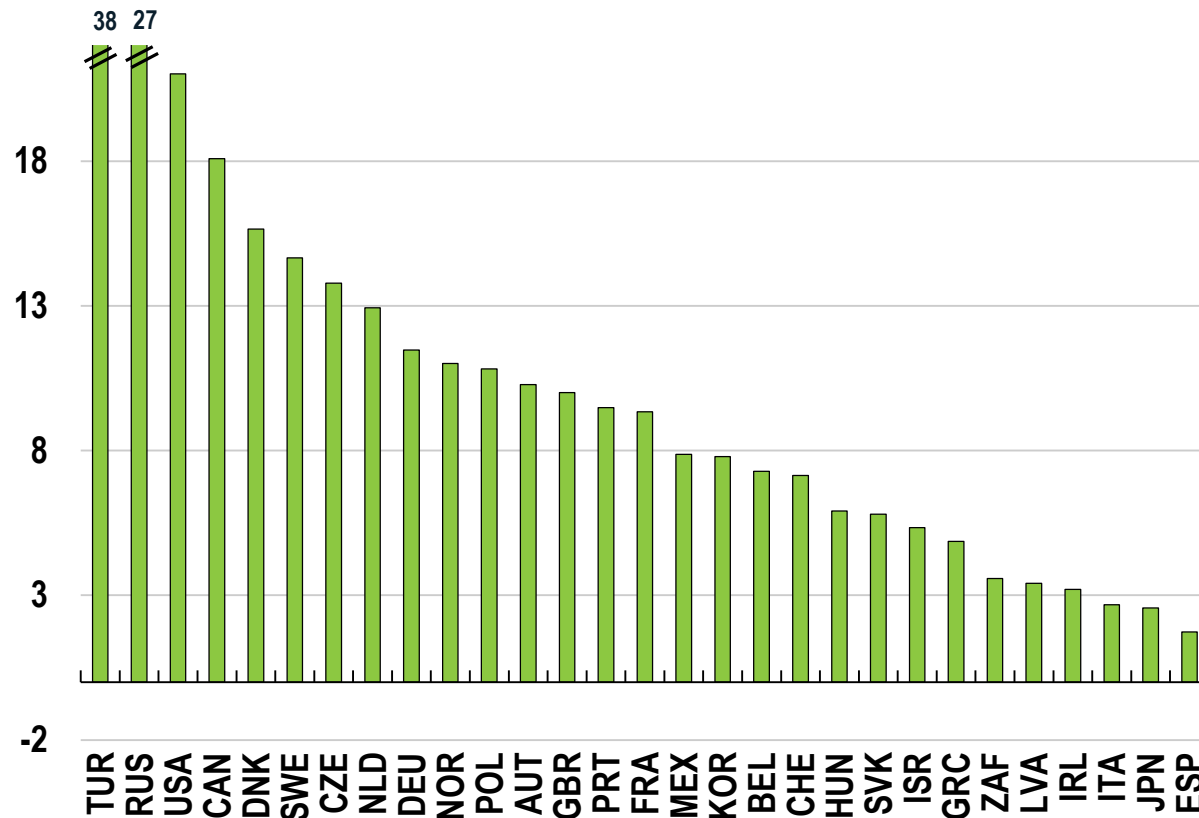
Debt by sector, % of GDP, 2021Q1



Rapid house price increases risk putting more pressure on inflation

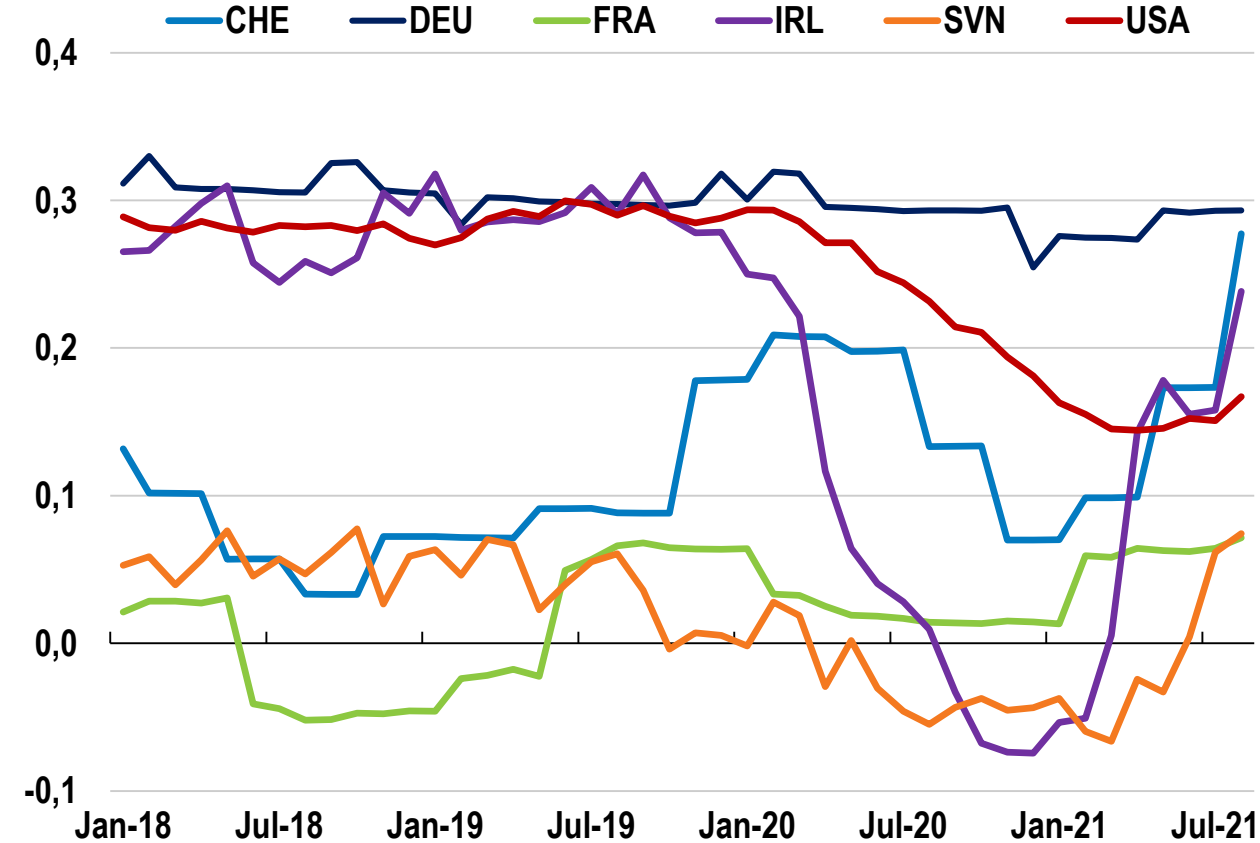
House prices have increased rapidly during the pandemic

% change between 2019Q4 and 2021Q2 or latest available



Contribution of rents to CPI inflation

% pts



Note: LHS: Figure shows nominal house prices. For USA, FRA, CAN, BRA, data refer to 2021Q2; data for other countries refer to 2021Q1. RHS: The chart shows the contribution of actual housing rents to annual inflation.

Source: OECD Analytical house price indicators database; OECD Consumer price indices database; and OECD calculations.

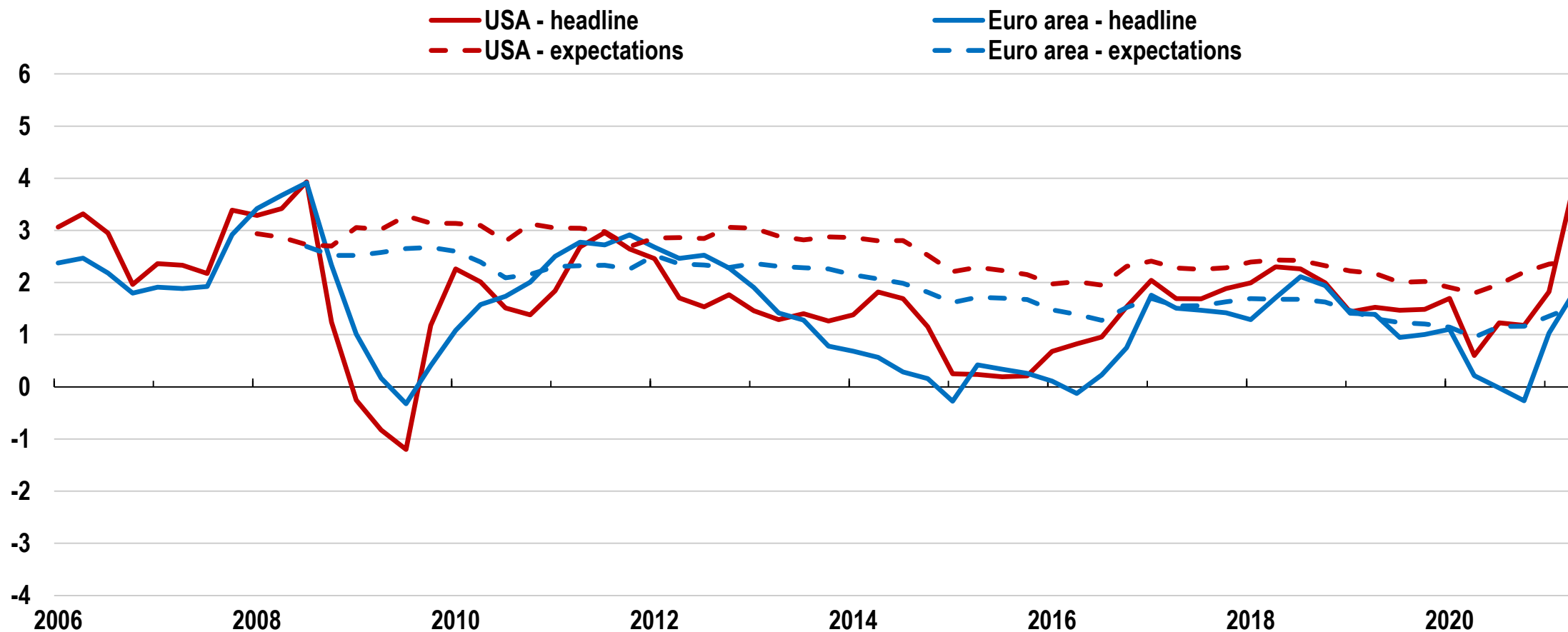


Policies for transition and recovery



Central banks should set out their plans for the recovery

Inflation, %



Note: Headline inflation shows the personal consumption expenditure deflator for the United States and the overall harmonised consumer price index for the euro area. Euro area headline inflation refers to the 17 euro area countries that are members of the OECD. Inflation expectations are based on 5Y5Y inflation swaps, which provide an indication of inflation expectations from 5 to 10 years time.

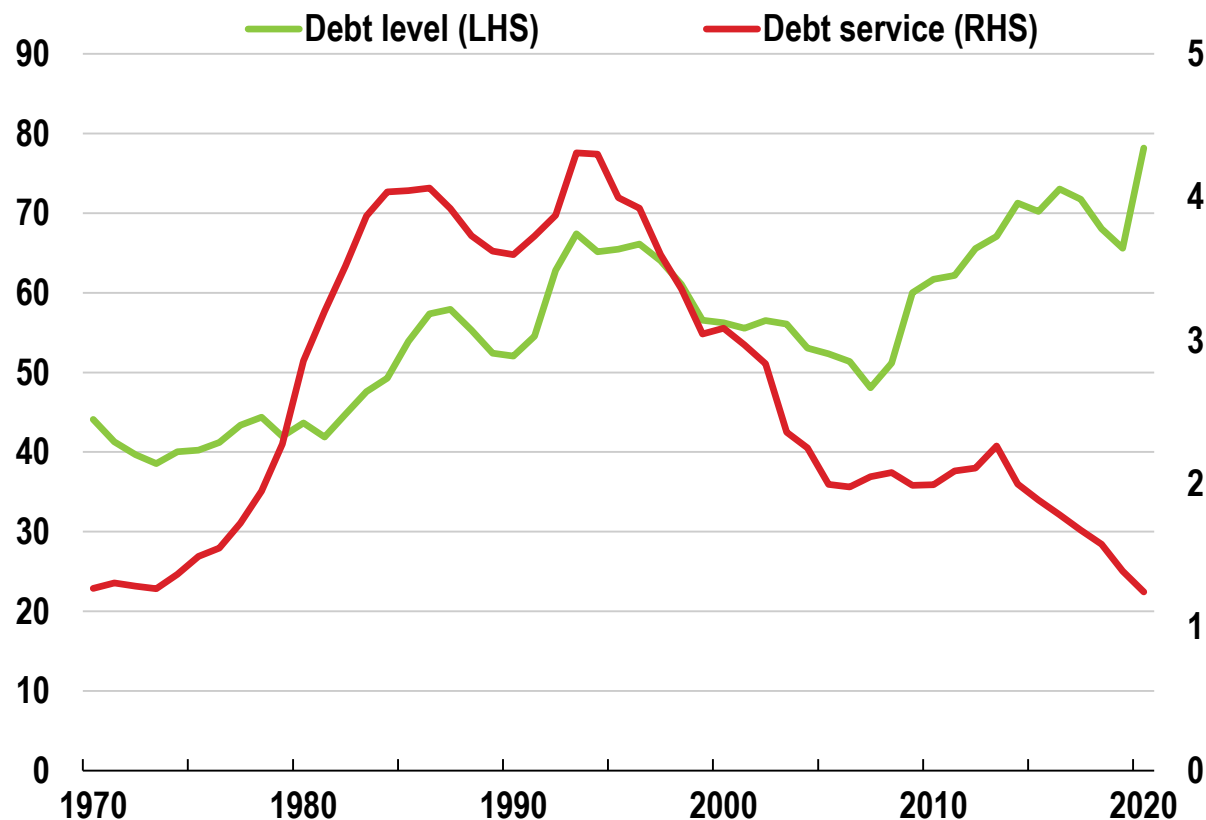
Source: Refinitiv; OECD Economic Outlook database; and OECD calculations.



Fiscal management matters for future growth

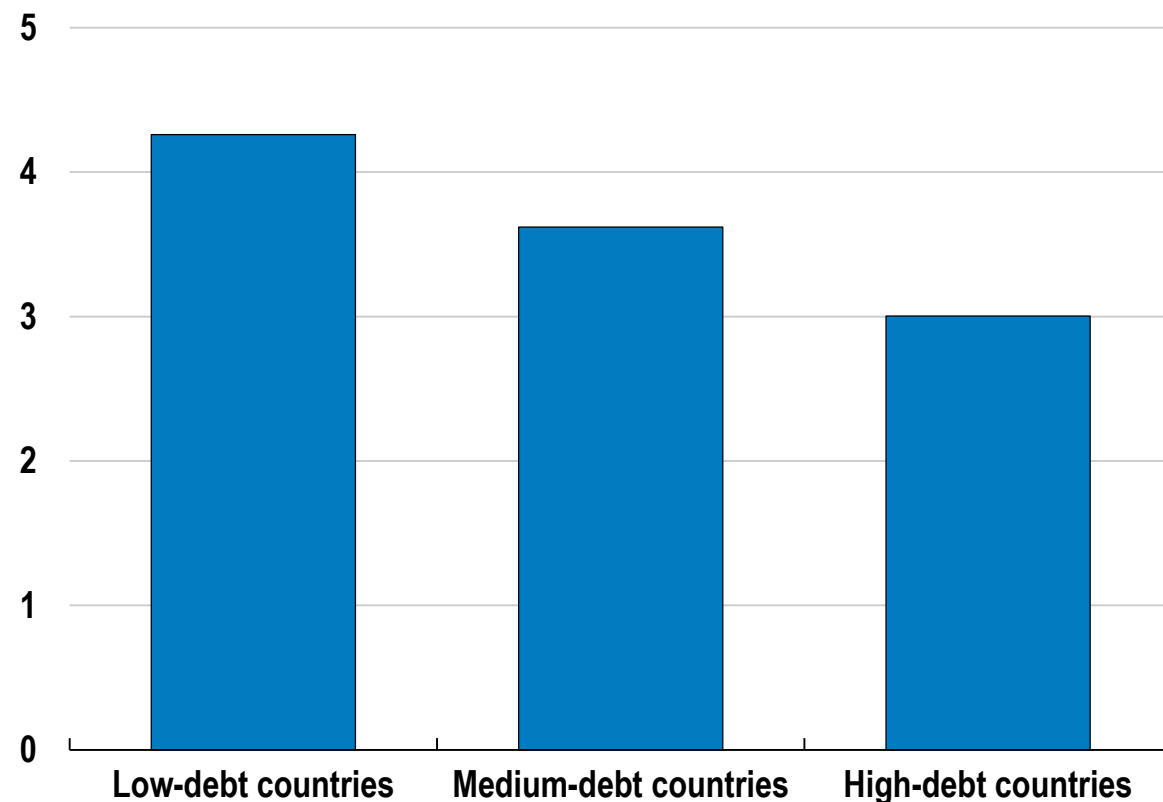
Countries are becoming more indebted, but servicing debt is becoming cheaper

Median OECD country, % of GDP



Countries with high debt have invested less

Government investment in OECD countries, 2015-2020, % of GDP



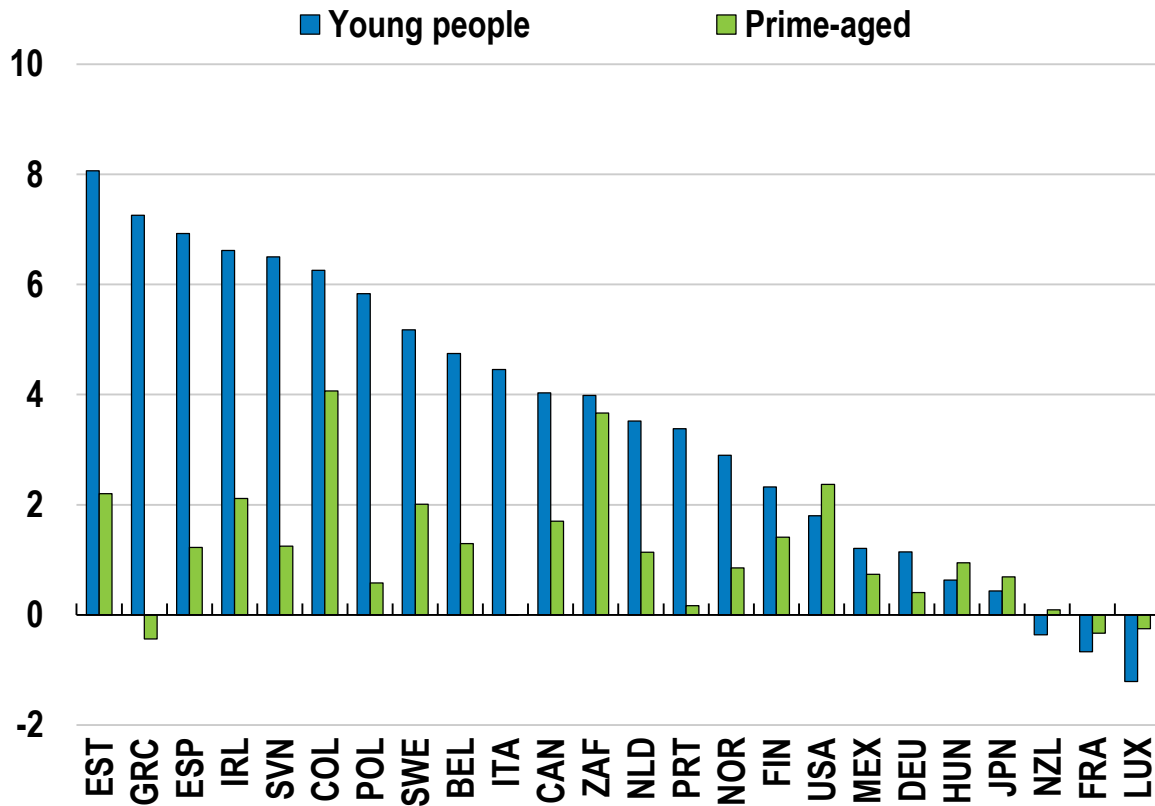
Note: LHS: Debt refers to the OECD definition of general government financial liabilities. Debt service refers to general government gross interest payments. The median is calculated for all OECD countries for which data are available in a given year. RHS: Excludes OECD countries for which data are unavailable (Chile, Colombia, Costa Rica, Mexico, Turkey). Low debt refers to a public debt ratio of less than 50% of GDP; medium debt to 50-100% of GDP, and high debt to more than 100% of GDP. Source: OECD Economic Outlook database; and OECD calculations.



Young people are in need of support

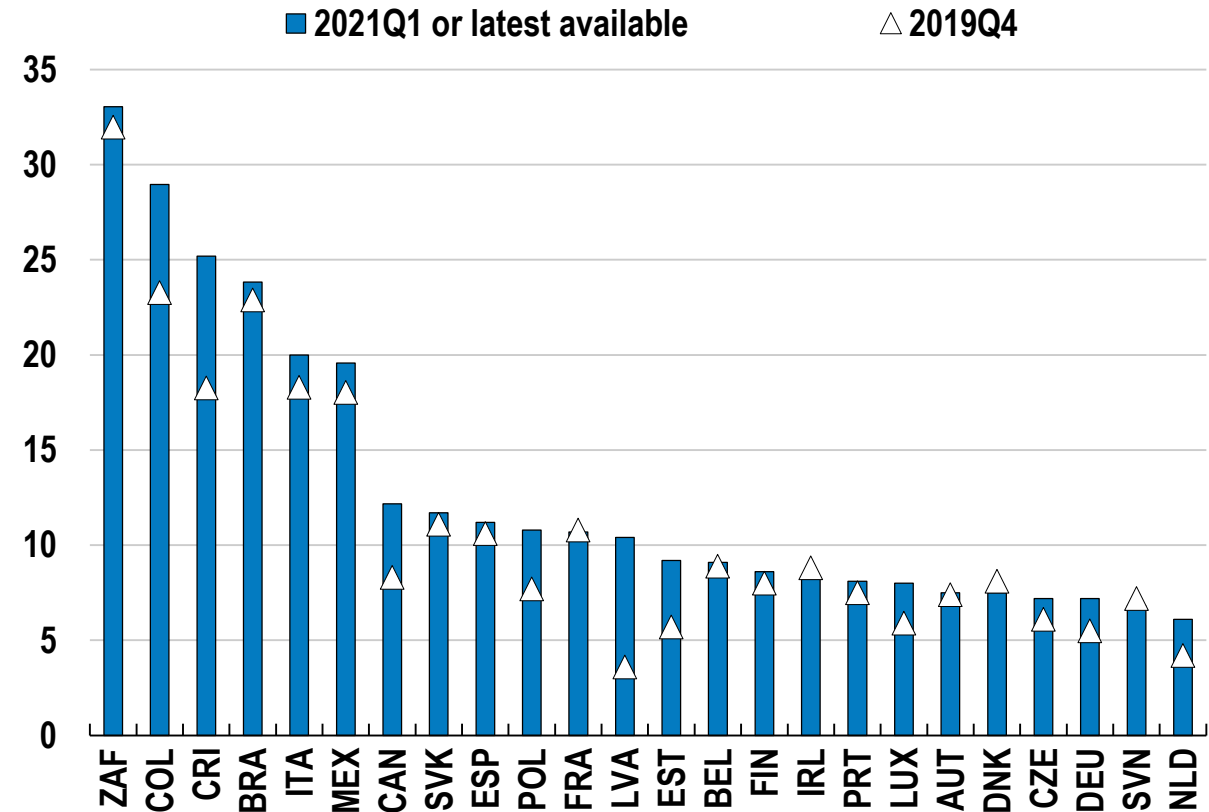
The increase in the unemployment rate was larger for young people

% pt difference between 2019Q4 and 2021Q2 or latest available



The share of young people not in employment, education or training is high

% of young people, 2021Q1 or latest available



Key takeaways

- The **global recovery** has been **extraordinarily fast**, supporting employment growth. However, this recovery is uneven. Governments need to **vaccinate globally** to ensure a more sustained and balanced recovery
- **The speed of the recovery has increased inflationary pressures**, quickly **pushing up prices** to where we expected them to be before the pandemic. Policy makers in advanced economies should continue to monitor these developments
- The world is emerging from the recovery **with higher debt levels**. Policy makers should **build on their good initial crisis management** and ensure **fiscal policy** is focused on **investing to sustainably raise potential growth**



Thank you

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