

WORLD BIOECONOMY FORUM

(Ruka, 10 September 2020)

SESSION 2 - GLOBAL LEADERS AND FINANCIAL WORLD

**The Global Economic
Outlook**

Not Good !

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THE STORY SO FAR

A huge recession ...

and now a sharp recovery

With huge (downside) uncertainty

what if we have a second wave ?

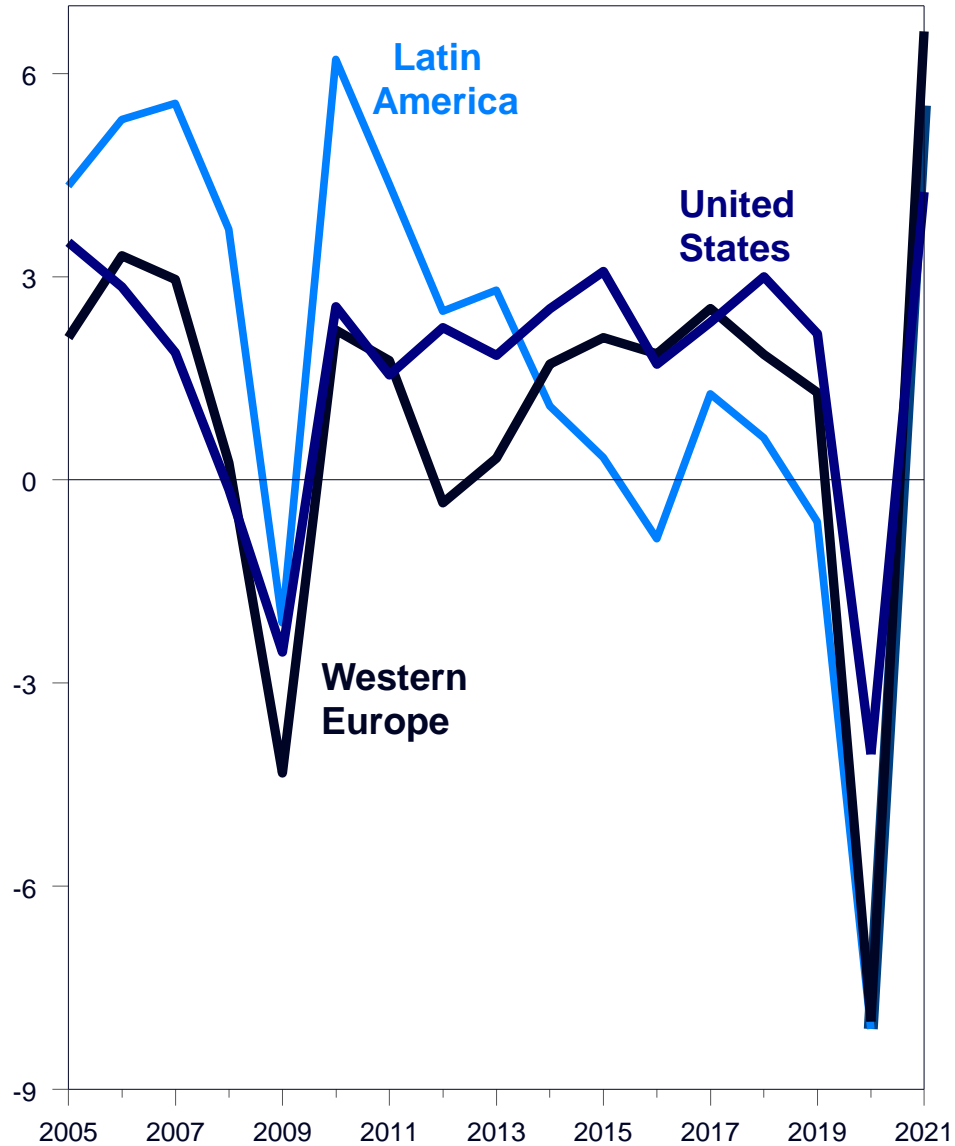
**from a V-shape profile
to a U-shape profile**

And what if we do not find a vaccine ?

from V and U to an L-shape profile !

THE FINANCIAL AND THE COVID RECESSIONS

(GDP; per cent changes)



Source: Oxford Economics.

COVID-19 GROWTH RATES

(GDP; percentage changes)

	2020	2021	2020	2021
	Central scenario		2nd wave scen.	

United States	-4.1	4.3	-4.6	-6.2
Western Europe	-8.0	6.6	-8.6	-3.7
Latin America	-8.1	5.5	-9.1	-2.3
China	2.5	7.9	1.5	-1.6

Cases are rising again in Spain and France

Seven-day rolling average of new cases (per million)



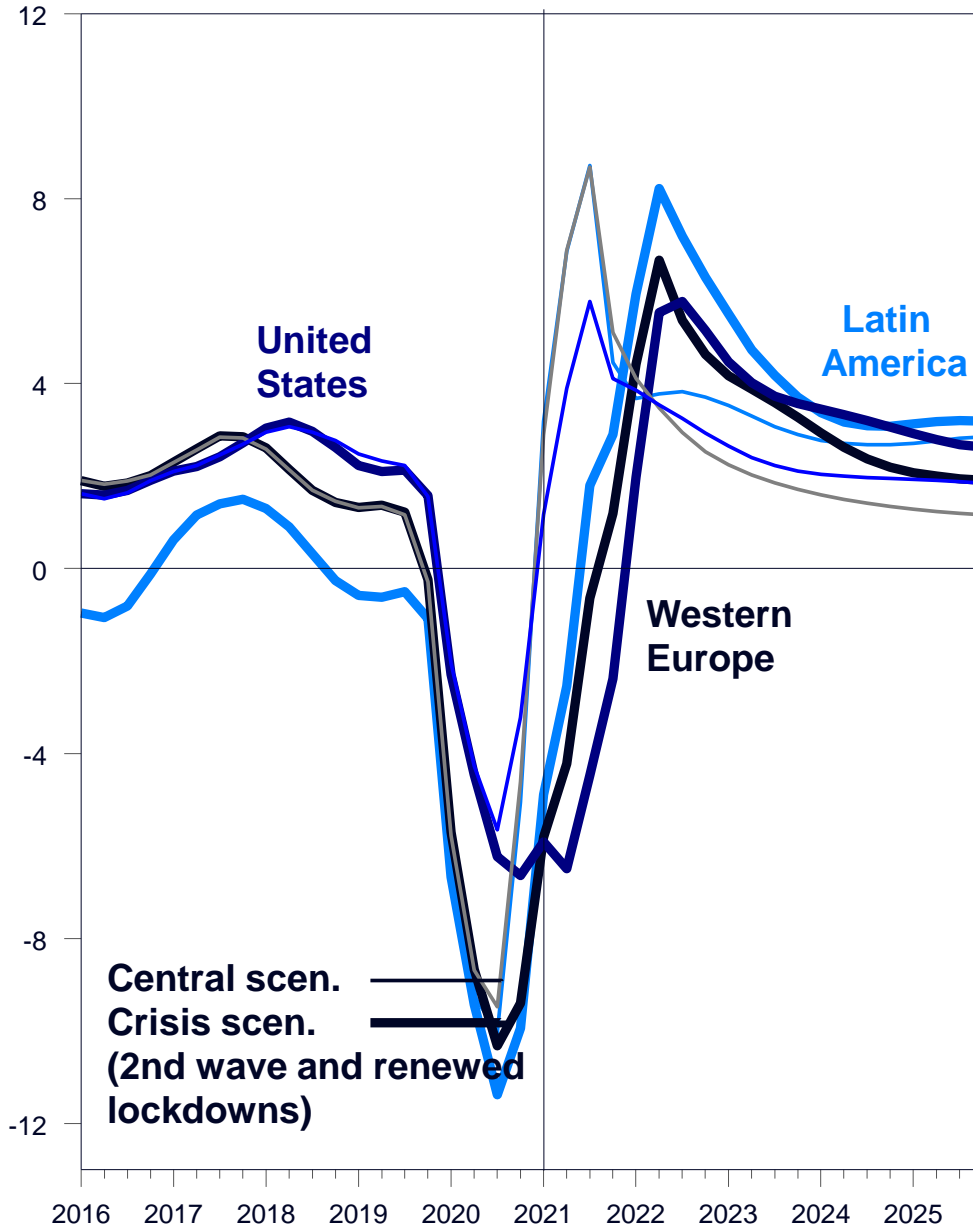
Source: Financial Times analysis of data from the European Centre for Disease Prevention and Control and the Spanish Ministry of Health
Data updated August 26 2020 5.49pm BST. Interactive version: [ft.com/covid19](https://www.ft.com/covid19)

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GDP GROWTH - CRISIS SCENARIO

(August 2020 forecasts)

(per cent changes; 3 qtrs. mv. avrgs.)



Source: Oxford Economics.

SOME ECONOMIC CONSEQUENCES

Less longer-run growth ?

Certainly

**... if only because of the lower
growth of international trade**

Higher indebtedness ?

Probably

... hence renewed austerity ?

Dangers for the Eurozone ?

Possibly

**... hence either austerity in some
countries or Euro breakdown**

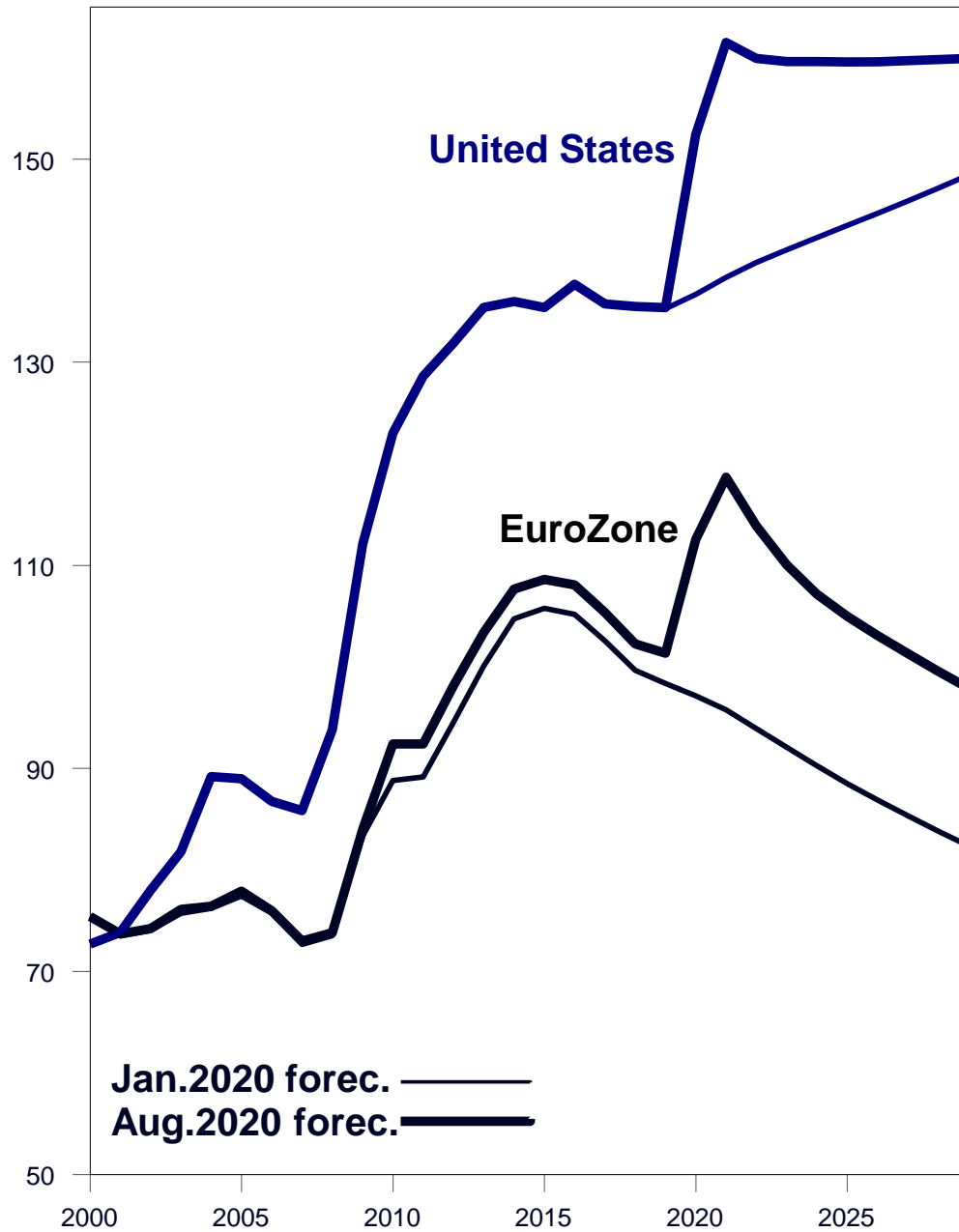
MEDIUM-TERM SCENARIOS

(GDP; average annual percentage changes)

	2020-29 pre-covid Jan. 2020	2020-29 post-covid Aug. 2020
United States	1.8	1.6
Western Europe	1.2	1.1
Latin America	2.4	2.0
China	5.0	4.6
World	2.7	2.5
Memor. item: World trade	3.0	2.5

Source: Oxford Economics.

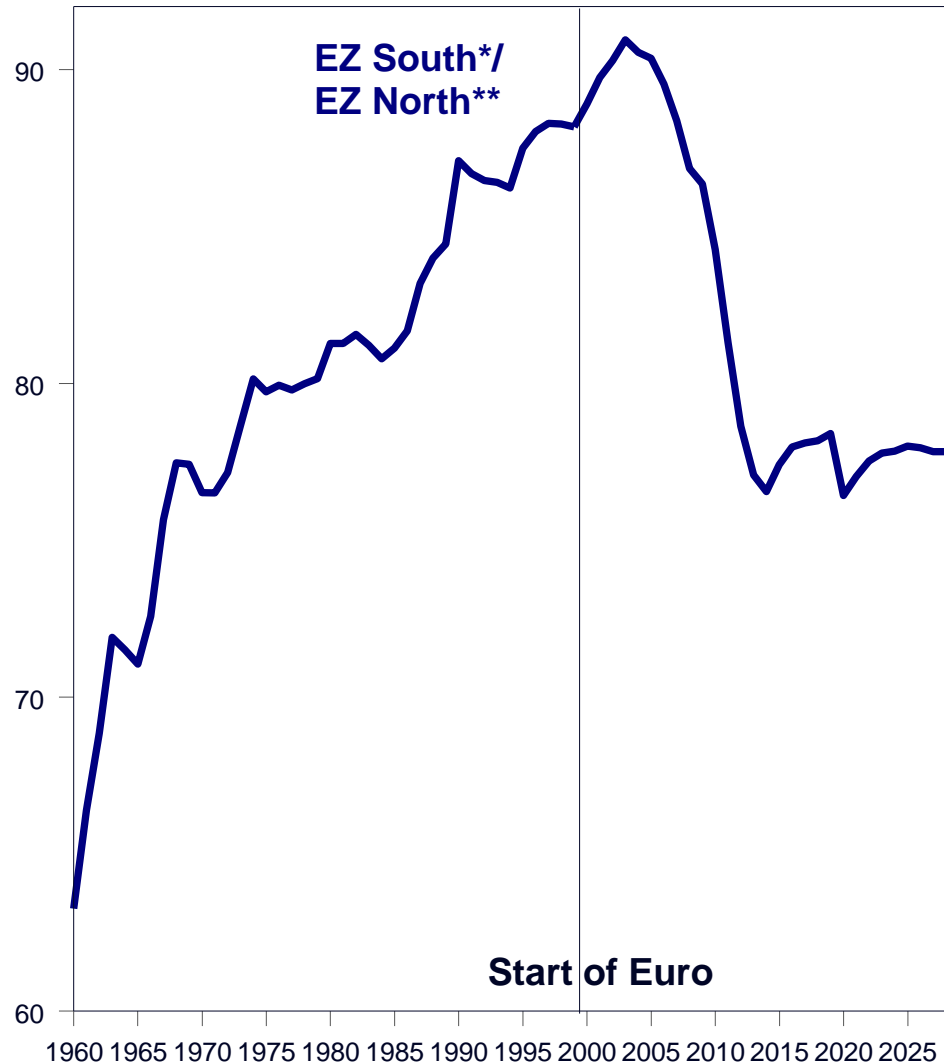
PUBLIC DEBT/GDP RATIOS



Source: Oxford Economics.

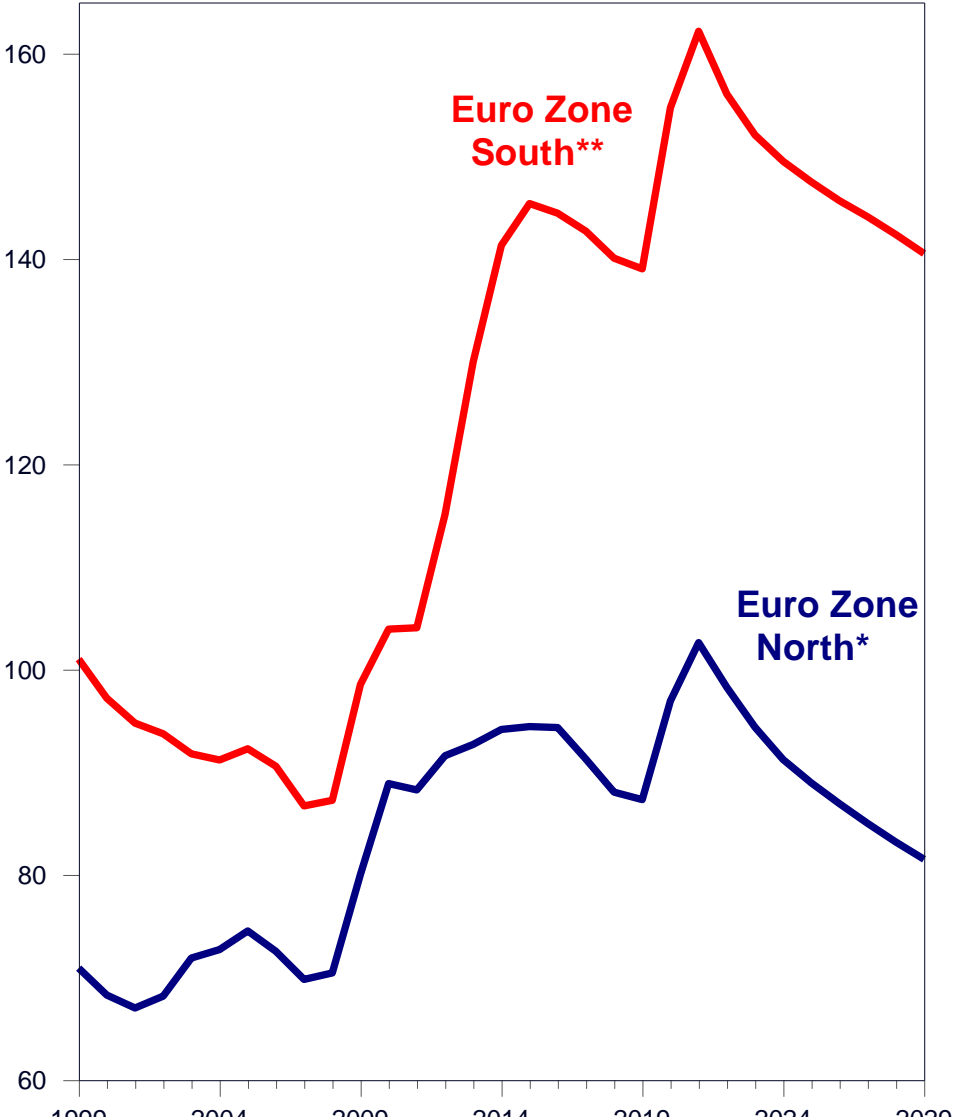
EURO ZONE INCOME DIFFERENTIALS

(GDP per capita in purchasing power parity)



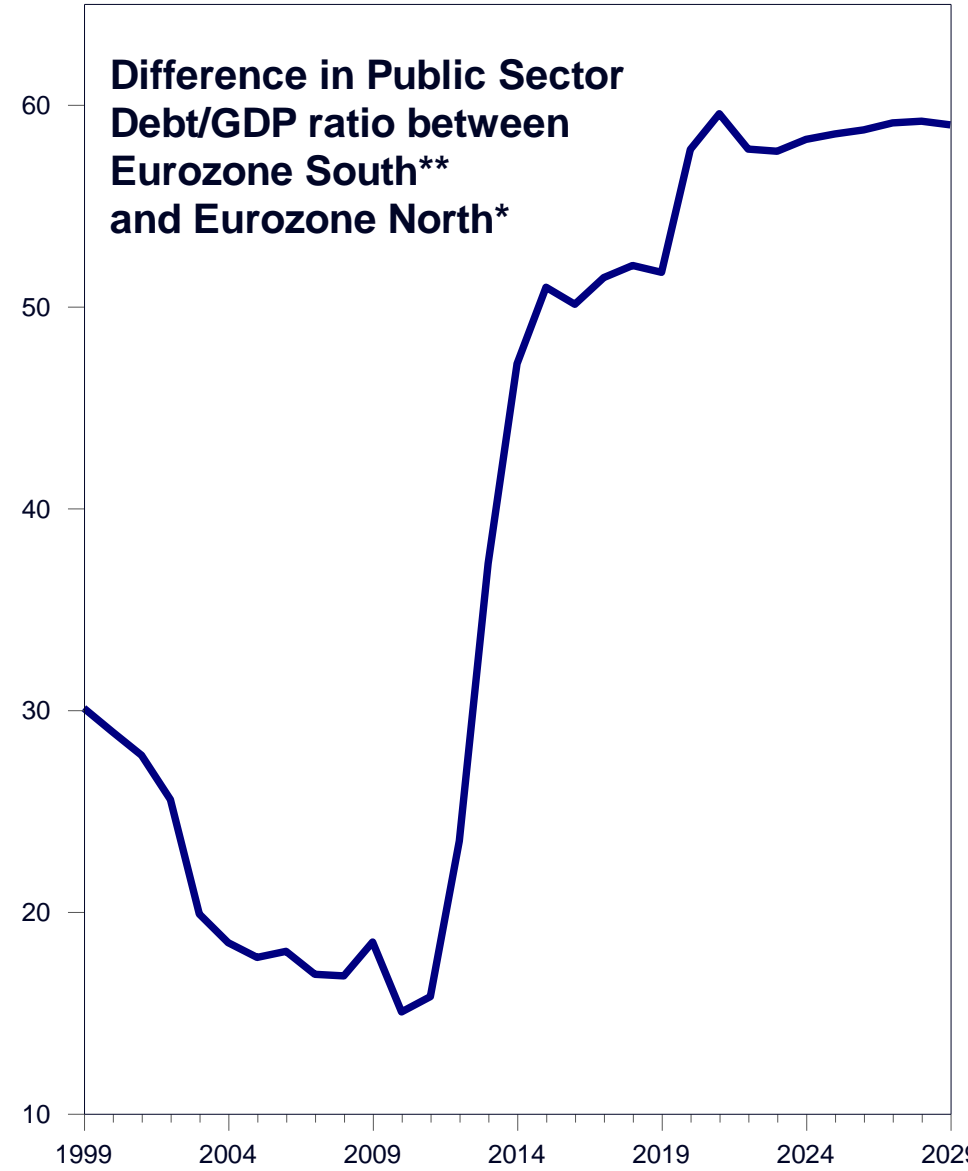
* Italy, Spain, Greece, Port. **Germany, France, Benelux, Austria, Finl.
Sources: Maddison, Conference Board, Oxford Economics.

PUBLIC SECTOR DEBT/GDP RATIOS



* Germ., France, Benelux, Aust., Finl. ** Italy, Spain, Greece, Portug.
Source: Oxford Economics.

EUROZONE DIFFERENCES IN PUBLIC SECTOR DEBT



* Germ., France, Benelux, Aust., Finl. ** Italy, Spain, Greece, Portug.

PANDEMICS IN HISTORY

Ancient World	"Great Athens Plague" (430 BC) and "Cyprian Plague" (3rd cent. AD) - led to the permanent declines of Athens and Rome
Europe - 1347-1351	"Black death" - killed between 1/3 and 2/3 of population and, by raising workers power, led to breakdown of feudalism
World - 1918-1920	"Spanish flu" - killed between 50 and 100 million people and, together with WWI, ended the first era of globalization
World - 2020- ...	"Covid-19" - who knows, but there will be long-run consequences (for instance, less economic growth)

WILL COVID-19 CHANGE THE WORLD ?

Unlikely, but some things will change

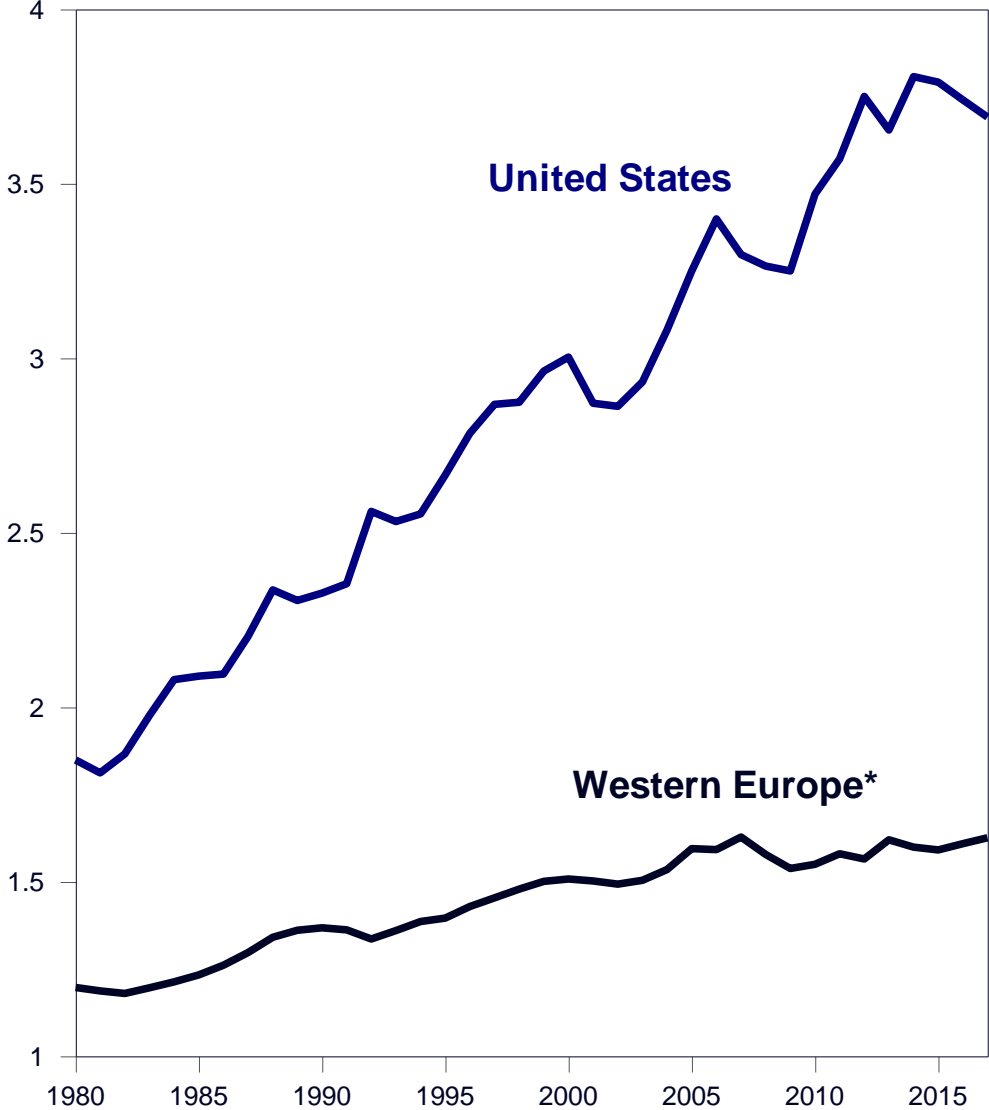
**For the worse: more protectionism
greater income inequality
danger of more populism**

**For the better: probably less pollution
less international trade
less international travel
less commuting (and more work from home)**

**And there will be more government intervention
(for the better and the worse !)**

HOUSEHOLD INCOME INEQUALITY

(ratio of top to bottom 50% deciles; pre-tax)



* 16 countries (GDP weighted).
Source: World Inequality Database.

WILL GOVERNMENTS BECOME GREENER ?

There is an opportunity

Energy prices will be lower - hence taxation is easier

Awareness will also have risen thanks to lower pollution levels during the 2020 recession

And "green" parties are on the ascendancy

But there will also be opposition

Strong urge to revive the economy

**Hence little appetite for new regulations
for new taxation**

AND WHAT ABOUT THE BIOECONOMY ?

Obviously having a thriving bioeconomy is a very good thing !

It improves public health

It mitigates climate change

It preserves natural resources

And it also helps from a purely macroeconomic point of view

It generates employment

It promotes technical advances

It can improve competitiveness (for a single country)

But it is unlikely to have dramatic macroeconomic effects

It accounts for, perhaps, 10 per cent of GDP

It is growing, but not at a breakneck speed (estimates differ)

WILL THERE BE MORE BABIES ?

With people stuck at home for some two months, could there be a spike in births in Spring 2021 ?

Almost certainly not. In fact, the opposite is more likely

Recessions, uncertainty and insecurity lower fertility

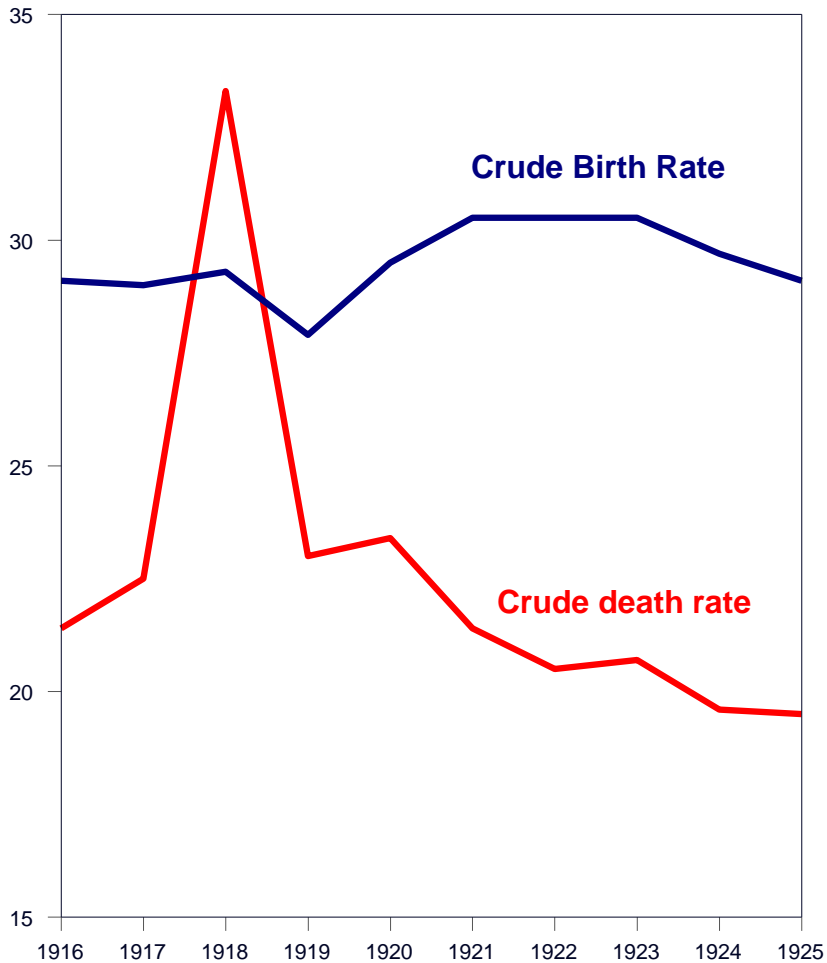
During the 2008-09 Great Recession there was a 9 per cent drop in births in America

And during the "Spanish flu", the USA recorded a 13 per cent decline in births (and there was no recession and hardly any contraception then)

SPANISH FLU

SPAIN - BIRTHS AND DEATHS

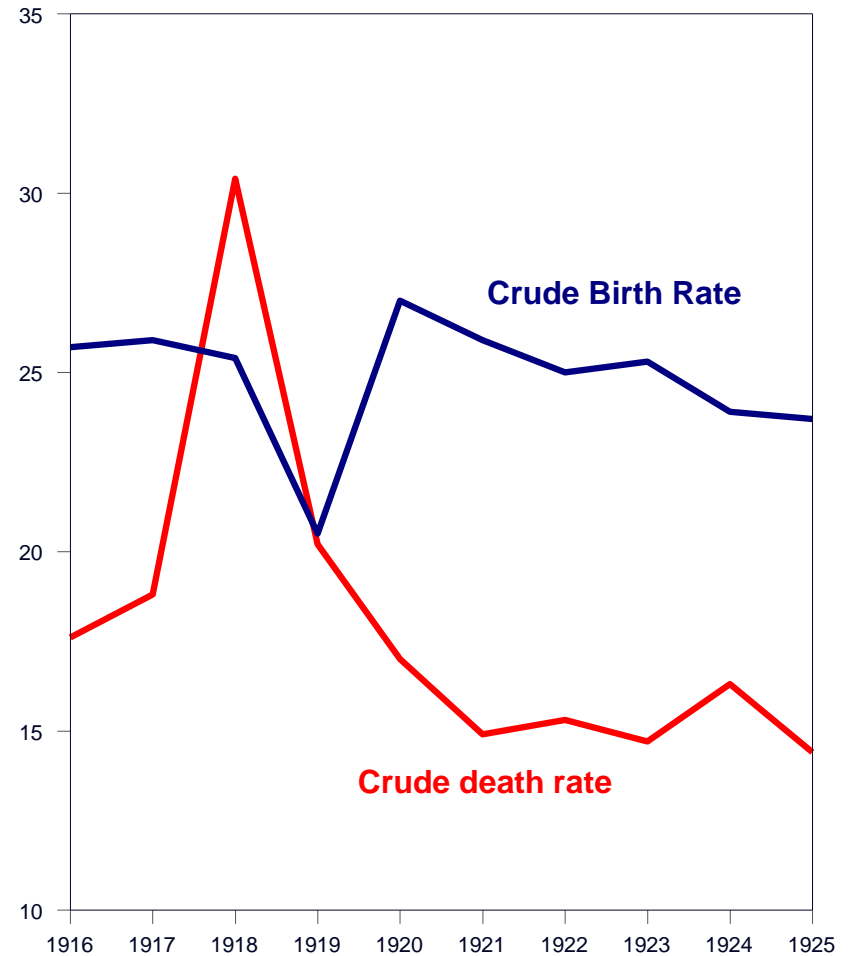
(rates per 1000)



Source: Wikipedia.

FINLAND - BIRTHS AND DEATHS

(rates per 1000)



Source: Wikipedia.

WHY WAS IT CALLED SPANISH FLU ?

The virus may have originated in China, but it was brought to Europe by American troops in 2018

It spread very quickly and thousands of Austrian, British, French, German, Italian soldiers were dying in the trenches

In all these countries military censorship did not allow the press to talk about this lest the enemy might have sensed a new weakness

Spain was not involved in the war and in Spain too thousands were dying. The press was not censored so it spoke openly of the pandemic. Elsewhere in Europe this was reported as a Spanish phenomenon and the name stuck !
