

# Asia & Pacific economies are projected to rebound from COVID-19

Category:

Australia,China,COVID-19,India,Indonesia,Japan,Korea,Malaysia,  
New Zealand,Thailand,Uncategorized

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by Patrick Lenain and Kosuke Suzuki, OECD Economics Department

While the world is struggling to exit from the coronavirus crisis, the region Asia & Pacific is a notorious exception: many countries in the region have stopped the COVID-19 pandemic after the first wave, and they quickly returned on a path of growth in the second half of 2020 – a rare accomplishment. The OECD projects that the region's recovery will continue in 2021 and 2022 (Table 1).

**Table 1: Strong growth projected in Asia & Pacific**  
(Real GDP growth, % year-on-year)

	2020	2021	2022
Australia	-3.8	3.2	3.1
China	1.8	8.0	4.9
India*	-9.9	7.9	4.8
Indonesia	-2.4	4.0	5.1
Japan	-5.3	2.3	1.5
Korea	-1.1	2.8	3.4
New Zealand	-4.8	2.7	2.6
Dynamic Asia**	-4.6	4.3	4.6
<b>Asia &amp; Pacific</b>	<b>-1.5</b>	<b>5.9</b>	<b>4.1</b>
Rest of world	-5.7	3.2	3.4
<b>World</b>	<b>-4.2</b>	<b>4.2</b>	<b>3.7</b>

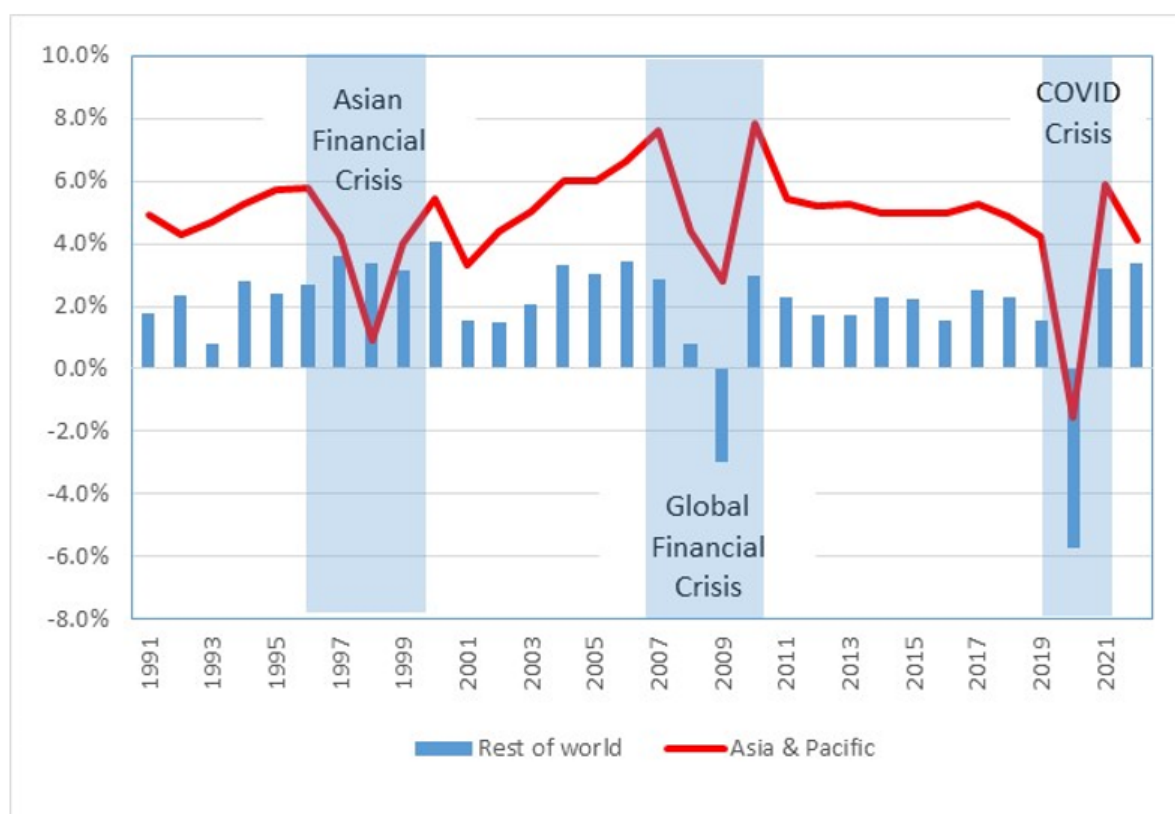
\* Fiscal year starting in April.

\*\* Dynamic Asia includes Chinese Taipei, Hong Kong, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Source: *OECD Economic Outlook*, December 2020.

The region's current resilience is in sharp contrast with the late 1990s, when the Asian Financial Crisis hit it very hard (Figure 1). Governments in the region drew lessons from this experience and were better prepared when the Global Financial Crisis arrived. They were also ready when the coronavirus struck: fiscal space was available, monetary policies were sound, exchange rates were flexible, foreign exchange reserves abundant, bank well capitalised, external indebtedness was low – and health systems had been re-organised.

**Figure 1 – The economic performance of Asia & Pacific has improved**  
(Annual GDP growth in %)



Source: *OECD Economic Outlook*, December 2020.

Strong resilience in the face of crises contributes to long-term growth, especially in poor and emerging countries, as shown by a literature launched by Easterly et al. (1993). Thanks in large part to their growing resilience, the 15 countries and territories of Asia & Pacific doubled their share in world GDP from 19% in the early 1990s to 34% currently. The region has become an economic powerhouse and most likely will gain further ground. The Regional Comprehensive Economic Partnership (RCEP) recently signed will provide another boost to long-term growth, as discussed in the recent OECD Economic Survey of Thailand.

Of course, not all countries of the region have the same resilience. To throw light on this disparity, we use a hierarchical cluster analysis (Ward linkage), a statistical procedure that identifies homogenous groups of observations without making a difference between dependant and independent variables. We identify four groups of countries with common

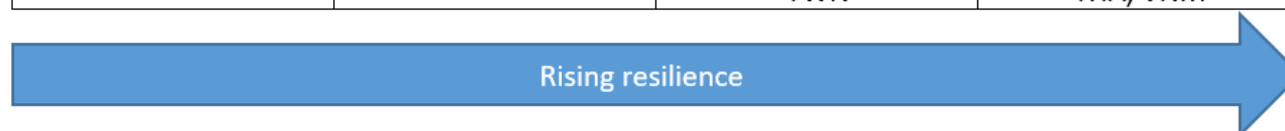
factors for each of the three crises. To group the region's economies, we use the following indicators: 1) the depth of recession, 2) the speed of recovery, and 3) the post-recession scarring of growth. The first two indicators provide a contemporary measure of resilience when faced with a shock, while the third indicator is an ex-post measure of resilience. For the current crisis, we use the number of COVID-19 deaths as a proxy of ex-post resilience, in line with empirical findings that the spread of the coronavirus has damaged economic activity due a combination of government-imposed lockdowns and self-imposed lockdowns (Golsbee and Syverson, 2020).

Our cluster analysis reveals some diversity within the region. The resilience of individual economies has changed rapidly – in both directions (Table 2). Some key findings are:

- Australia has shown great resilience during the first two crises, but fell into a recession with the coronavirus.
- While China and India were resilient in the face of the first two crises, they have lost some ground with the COVID-19 pandemic, especially India.
- Korea and Thailand have seen their resilience improve after each crisis.
- Vietnam has consistently been the most resilient economy in the region.

**Table 2 – Many Asian & Pacific economies are resilient in the face of shocks, though not all**

Asian Financial Crisis (1997-99)			
Sharp recession, slow exit & scarring	Recession, rapid exit & scarring	Mild recession & rapid exit	Muted impact of crisis
IDN, THA	HKG, KOR, MYS, SGP	JPN, NZL, PHL	AUS, CHN, IND, MNG, TWN, VNM
Global Financial Crisis (2008-09)			
Sharp recession & slow exit	Sharp Recession, rapid exit & scarring	Recession & rapid exit	Muted impact of crisis
JPN	HKG, SGP, TWN	KOR, MNG, MYS, NZL, PHL, THA	AUS, CHN, IDN, IND, VNM
COVID-19 Crisis (2020-21)			
Sharp recession, slow exit & scarring	Recession, slow exit & scarring	Recession, slow exit	Recession, swift exit
IDN, IND, PHL	AUS	CHN, HKG, JPN, MYS, TWN	KOR, MNG, NZL SGP, THA, VNM



Source: OECD estimates using a hierarchical cluster analysis procedure (Ward linkage).

Despite this diversity, the region displays overall a strong resilience and is placed to recover rapidly from the COVID-19 crisis, assuming that the pandemic is brought under control and that the large population can be vaccinated soon. If this happens, Asia & Pacific will confirm its new position as a global powerhouse. The return to economic growth should be an opportunity to address socioeconomic problems inherent in several countries, notably high informality and inequality, and make headways on a path of decarbonisation.

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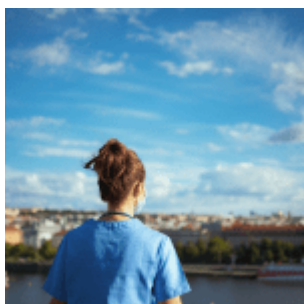
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# Transformar la esperanza en realidad

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por Laurence Boone,  
Economista Jefe de la OCDE

**Por primera vez desde que comenzó la pandemia, hay esperanza en un futuro mejor.** Los avances en las vacunas y los tratamientos han mejorado las expectativas y la incertidumbre ha disminuido. Gracias a una acción sin precedentes de los gobiernos y los bancos centrales, la actividad global se ha recuperado rápidamente en muchos sectores, aunque algunas actividades de servicios siguen estando afectadas por el distanciamiento físico. El colapso del empleo se ha revertido

parcialmente, pero un gran número de personas siguen subempleadas. La mayoría de las empresas han sobrevivido, aunque en muchos casos se han debilitado financieramente. Sin un apoyo masivo por parte de las políticas económicas, la situación económica y social habría sido calamitosa. Se ha evitado lo peor, se ha conservado la mayor parte del tejido económico, que podría reactivarse rápidamente, pero la situación sigue siendo precaria para muchas personas vulnerables, empresas y países.

**El camino que tenemos por delante es más prometedor pero desafiante.** En el momento de redactar este informe, la cifra mundial de muertos se ha elevado a un millón y medio, nuevas oleadas han afectado a muchos países y la primera ola sigue sin cesar en otros. A la espera de que se distribuyan ampliamente vacunas eficaces o que se produzca algún avance importante en los tratamientos, que esperemos suceda en 2021 para la mayoría, la gestión de la pandemia seguirá tensionando la economía. La actividad económica continuará con menos interacciones cara a cara y fronteras parcialmente cerradas durante algunos trimestres más. Algunos sectores recuperarán fuerza, otros estarán estancados. Las economías en desarrollo o emergentes, donde el turismo es importante, seguirán viendo deteriorar su situación y requerirán más ayuda internacional. Las políticas económicas deberán seguir sustentando la actividad con fuerza, más aún ahora que se vislumbra el final de la crisis sanitaria.

**La economía mundial cobrará impulso en los próximos dos años, con el PIB mundial llegando a niveles pre-pandemia a finales de 2021.** Después de una fuerte disminución este año, se prevé que el PIB mundial aumente justo por encima del  $4\frac{1}{4}$  por ciento en 2021 y un  $3\frac{3}{4}$  por ciento en 2022. El progreso científico, los avances farmacéuticos, rastreos y aislamientos más efectivos y ajustes en el comportamiento de las personas y las empresas ayudarán a mantener el virus bajo control, lo que permitirá eliminar progresivamente las restricciones a la

movilidad. Es importante destacar que las políticas de apoyo a los empleos y las empresas, vigentes desde el comienzo de la pandemia, permitirán una recuperación más rápida cuando se levanten las restricciones. Junto con la reducción de la incertidumbre, estas mejoras deberían fomentar el uso de los ahorros acumulados para alentar el consumo y la inversión. El apoyo fiscal excepcional proporcionado a lo largo de 2020, y que seguirá siendo necesario, dará buenos resultados. El repunte será más fuerte y más rápido a medida que se reabren más actividades, lo que limitará la pérdida de ingresos ocasionada por la crisis.

**Proyectamos que la recuperación será desigual entre países, lo que podría conducir a cambios duraderos en la economía mundial.** Es probable que los países y regiones con sistemas eficaces de testeo, rastreo y aislamiento, donde la vacunación se implementará rápidamente, tengan un desempeño relativamente bueno, aunque la debilidad general de la demanda mundial los frenará. Se proyecta que China, que comenzó a recuperarse antes, crecerá con fuerza, representando más de un tercio del crecimiento económico mundial en 2021. Las economías de la OCDE se recuperarán, creciendo al 3,3% en 2021, pero recuperándose solo parcialmente de la profunda recesión de 2020. La contribución de Europa y América del Norte al crecimiento mundial seguirá siendo menor que su peso en la economía mundial.

**Las perspectivas siguen siendo excepcionalmente inciertas, con riesgos tanto al alza como a la baja.** Del lado positivo, campañas de vacunación eficientes y una mejor cooperación entre países podrían acelerar la distribución de la vacuna en todo el mundo. Por el contrario, el resurgimiento actual del virus en muchos lugares nos recuerda que los gobiernos pueden verse obligados nuevamente a endurecer las restricciones a la actividad económica, especialmente si la distribución de vacunas efectivas avanza lentamente. Y la confianza se vería afectada si la distribución de la vacuna o los efectos

secundarios resultaran decepcionantes. El impacto en la economía podría ser grave, lo que a su vez aumentaría el riesgo de crisis financieras para deudas soberanas y empresas frágiles, con efectos secundarios globales.

**A pesar de la enorme ayuda proporcionada por las políticas económicas, e incluso en un escenario optimista, la pandemia habrá dañado el tejido socioeconómico de los países de todo el mundo.** Se prevé que la producción se mantenga alrededor de un 5% por debajo de las expectativas previas a la crisis en muchos países en 2022, lo que aumentará la posibilidad de que la pandemia haya causado costos permanentes y sustanciales. Los más vulnerables seguirán sufriendo de manera desproporcionada. Las empresas más pequeñas tienen más probabilidades de quebrar. Muchos trabajadores con salarios bajos han perdido sus trabajos y, en el mejor de los casos, solo están protegidos por el seguro de desempleo, con escasas perspectivas de encontrar nuevos trabajos pronto. Las personas que viven en la pobreza y, que por lo general están peor resguardadas por las redes de seguridad social, han visto cómo su situación se deteriora aún más. Los niños y jóvenes de entornos menos favorables y los trabajadores adultos menos calificados, en particular, han tenido dificultades para aprender y trabajar desde casa, con daños potencialmente duraderos.

**Los gobiernos tendrán que seguir utilizando sus medidas activamente, con una mejor focalización para ayudar a los más afectados por la pandemia.** El hecho de que se vislumbren las vacunas sugiere que este no es el momento de reducir el apoyo, como se hizo, demasiado pronto, después de la crisis financiera global. Sino que confirma que las políticas sanitarias y económicas deben ir de la mano. Las medidas de salud pública deben incrementarse para limitar el impacto de rebrotes y las restricciones asociadas. También es fundamental que los responsables de la formulación de políticas económicas garanticen un apoyo fiscal continuo para mantener en pie los

sectores, las empresas y los puestos de trabajo asociados. Las lecciones de los últimos nueve meses muestran que proceder de tal manera fue y sigue siendo apropiado. Las políticas monetaria y fiscal deberán seguir trabajando vigorosamente en la misma dirección, al menos mientras la crisis sanitaria amenace actividades económicas y empleos que de otro modo serían viables.

**El aumento del activismo de las políticas económicas no tiene por qué originar preocupación si tiene como misión lograr un crecimiento mayor y más justo.** El amplio apoyo fiscal está llevando los niveles de deuda pública a niveles récord, pero el costo de la deuda se encuentra en mínimos históricos. Una característica notable de las perspectivas es la ausencia de correlación entre el alcance del apoyo fiscal y el desempeño económico resultante, lo que sugiere que no todas las medidas se han utilizado de manera apropiada. El apoyo monetario y fiscal en marcha no tiene precedentes y no se puede desperdiciar. Debe canalizarse hacia un crecimiento económico mejor y más fuerte. Hay al menos tres prioridades. Primero, invertir en bienes y servicios esenciales como educación, salud, infraestructura física y digital. En segundo lugar, acciones decisivas para revertir de forma duradera el aumento de la pobreza y la desigualdad de ingresos. En tercer lugar, cooperación internacional: el mundo no puede resolver una crisis global mediante acciones individuales y encerradas en sí mismas.

**Redirigir el gasto público hacia bienes y servicios esenciales indicaría que los gobiernos han aprendido lecciones de la crisis.** La necesidad de una mayor resiliencia debería impulsar la inversión pública y privada en salud, educación e infraestructura. La resiliencia de los sistemas sanitarios no depende solo de la distribución de la vacuna y del número de camas en unidades de cuidados intensivos, sino también de medidas de prevención y el acceso asequible a la atención médica para todos. Incrementar la resiliencia también requiere

invertir en habilidades, garantizar mejores resultados en educación y en el mercado laboral y, en última instancia, un crecimiento y un bienestar más elevados. Se debe comenzar por más recursos y mejor orientados para los primeros años de educación, personal educativo mejor remunerado y capacitado, así como apoyo a la formación continua, especialmente para los grupos vulnerables, incluidos los padres en dificultades. Con demasiada frecuencia, las crisis anteriores han dado como resultado una menor inversión y brechas de infraestructura duraderas, incluso en el área digital y en el de la energía descarbonizada. Esto necesita cambiar.

**Deberá intensificarse el apoyo a los más vulnerables, especialmente los niños, los jóvenes y los menos calificados, quienes no han sido totalmente resguardados de la crisis.** Los sistemas educativos pueden mejorar en muchos países, aprovechando las lecciones extraídas de la crisis. Los gobiernos deben invertir para garantizar que todos los hogares, profesores y alumnos puedan acceder a banda ancha de buena calidad y estén equipados para la educación digital, especialmente aquellos en entornos desfavorecidos. La crisis ha mostrado la urgencia de mejorar las habilidades digitales. También ha revelado deficiencias en los sistemas de apoyo social. La política fiscal debería estar mejor dirigida a los grupos vulnerables fuera del sistema de bienestar habitual y que no son elegibles para la ayuda adicional proporcionada hasta ahora. Esto beneficiaría tanto a los grupos vulnerables como a la sociedad en su conjunto.

**Finalmente, la cooperación internacional se ha debilitado en los últimos años, justo cuando se necesita más que nunca.** La crisis financiera “global” fue principalmente una crisis de algunas economías avanzadas, pero desencadenó una respuesta cooperativa sin precedentes. La pandemia es la primera crisis totalmente global desde la Segunda Guerra Mundial: las respuestas nacionales han sido masivas, pero con fronteras cerradas y poca cooperación. El proteccionismo y el cierre de

fronteras no son la respuesta: impiden la distribución de bienes esenciales en todo el mundo y penalizan a las economías que dependen de su participación en las cadenas de valor globales. Esto debe revertirse. Debe organizarse una producción y distribución amplia, rápida y generosa de vacunas y tratamientos médicos eficaces para todos los países. Los foros multilaterales deben reforzar sus actuaciones sobre la transparencia de la deuda y moratorias cuando sean necesarias, mientras que los supervisores deben prestar mucha atención al endeudamiento de las empresas. El mundo debe evitar que la crisis sanitaria y económica se convierta también en financiera.

Esperemos que la respuesta a la pregunta de cómo será el mundo posterior al Covid-19 sea: “quizás casi lo mismo, pero un poco mejor”.



Editorial de las Perspectivas Económicas de la OCDE

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# Transformando esperança em realidade

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Español | English | Français



Laurence Boone,  
Economista-Chefe da OCDE

**Pela primeira vez desde o início da pandemia, agora há esperança de um futuro melhor.** O progresso com vacinas e tratamento aumentou as expectativas e a incerteza diminuiu. Graças à ação sem precedentes dos governos e dos bancos centrais, a atividade global se recuperou rapidamente em muitos setores, embora algumas atividades de serviços continuem prejudicadas pelo distanciamento físico. O colapso do emprego foi parcialmente revertido, mas um grande número de pessoas continua subempregado. A maioria das empresas sobreviveu, embora financeiramente enfraquecida em muitos casos. Sem um apoio político massivo, a situação econômica e social teria sido calamitosa. O pior foi evitado, a maior parte do tecido econômico foi preservado e pode se recuperar rapidamente, mas a situação continua precária para muitas pessoas, empresas e países vulneráveis.

**O caminho à frente é mais brilhante, mas desafiador.** No momento em que este relatório foi escrito, o número global de mortes subiu para 1,5 milhão, ondas subsequentes atingiram muitos países e a primeira onda continua forte em outros. Enquanto se espera por vacinas eficazes a serem amplamente distribuídas ou algum avanço no tratamento, esperançosamente no curso de 2021 para a maioria das pessoas, a gestão da pandemia ainda imporá limites à economia. A atividade econômica continuará com menos interações físicas e fronteiras parcialmente fechadas por mais alguns trimestres. Alguns

setores vão recuperar força, outros ficarão paralisados. As economias em desenvolvimento ou emergentes onde o turismo é importante continuarão a ver sua situação se deteriorar e exigirão mais ajuda internacional. As políticas deverão continuar a sustentar com vigor a atividade econômica, tanto mais que o fim da crise da saúde está próximo.

**A economia global vai ganhar impulso ao longo dos próximos dois anos, com o PIB global em níveis pré-pandemia ao final de 2021.** Após um acentuado declínio este ano, o PIB global deve crescer ao redor de  $4\frac{1}{4}\%$  em 2021, e mais um  $3\frac{3}{4}$  por cento em 2022. O progresso científico, os avanços farmacêuticos, o rastreamento e o isolamento mais eficazes e os ajustes no comportamento das pessoas e empresas ajudarão a manter o vírus sob controle, permitindo que as restrições à mobilidade sejam eliminadas progressivamente. É importante ressaltar que as políticas de apoio a empregos e empresas, em vigor desde o início da pandemia, permitirão uma recuperação mais rápida quando as restrições forem suspensas. Junto com a redução da incerteza, essas melhorias devem estimular o uso da poupança acumulada para fomentar o consumo e o investimento. O alívio fiscal fornecido ao longo de 2020 foi excepcional e necessário, e dará frutos. A recuperação será mais forte e mais rápida, à medida que mais e mais atividades forem reabertas, limitando a perda de renda causada pela crise.

**Projetamos que a recuperação será desigual entre os países, potencialmente levando a mudanças duradouras na economia mundial.** Os países e regiões com sistemas eficazes de teste, rastreamento e isolamento, e aqueles onde a vacina será implantada rapidamente, provavelmente terão um desempenho relativamente bom, embora a fraqueza geral da demanda global os atalhe. A China, que começou a se recuperar mais cedo, deve crescer fortemente, respondendo por mais de um terço do crescimento econômico mundial em 2021. As economias da OCDE vão se recuperar, crescendo 3,3% em 2021, mas se recuperando apenas parcialmente da profunda recessão de 2020. A

contribuição da Europa e da América do Norte para o crescimento global será menor do que o seu peso na economia global.

**As perspectivas continuam a ser excepcionalmente incertas, com riscos no sentido da alta e da baixa.** Entre os riscos ascendentes destacam-se campanhas de vacinação eficientes e uma melhor cooperação entre os países, que podem acelerar a distribuição da vacina em todo o mundo. Por outro lado, o atual ressurgimento do vírus em muitos lugares nos lembra que os governos podem ser forçados novamente a apertar as restrições à atividade econômica, especialmente se a distribuição de vacinas eficazes progredir lentamente. A confiança seria prejudicada se a distribuição da vacina ou os possíveis efeitos secundários se mostrassem decepcionantes. O impacto sobre a economia pode ser severo, por sua vez aumentando o risco de turbulência financeira para soberanos e empresas frágeis, com possíveis repercussões globais.

**Apesar do enorme curativo que as políticas estão aplicando à economia, e mesmo em um cenário positivo, a pandemia terá danificado o tecido socioeconômico de países em todo o mundo.** A produção deverá permanecer uns 5% abaixo das expectativas pré-crise em muitos países em 2022, implicando custos permanentes substanciais da pandemia. Os mais vulneráveis continuarão a sofrer desproporcionalmente. As empresas pequenas e os empreendedores têm maior probabilidade de encerrar suas atividades. Muitos trabalhadores de baixa renda perderam seus empregos e são cobertos apenas pelas políticas assistenciais, na melhor das hipóteses, com poucas perspectivas de encontrar novos empregos em breve. As pessoas que vivem na pobreza, muitas vezes pouco protegidas pelas redes de seguridade social, viram sua situação piorar ainda mais. Crianças e jovens de origens menos privilegiados e trabalhadores adultos menos qualificados muitas vezes não conseguiram aprender a trabalhar a partir de casa, com danos potencialmente duradouros.

**Os governos terão que continuar usando seus instrumentos de maneira ativa, com melhor direcionamento para ajudar aos mais atingidos pela pandemia.** O fato de que as vacinas estão à vista sugere que este não é o momento de reduzir o apoio, como foi feito muito cedo após a crise financeira global. Em vez disso, as políticas econômicas e de saúde devem trabalhar de mãos dadas. As medidas de saúde pública devem ser redobradas para limitar o impacto de novos surtos do vírus e das restrições associadas. Também é crucial que as políticas garantam um apoio fiscal contínuo para manter ativos os setores, as empresas e os empregos associados. As lições dos últimos nove meses mostram que essa ação política foi e continua sendo apropriada. As políticas monetária e fiscal precisarão continuar trabalhando vigorosamente na mesma direção, pelo menos enquanto a crise da saúde ameaçar atividades econômicas e empregos que seriam viáveis em circunstâncias normais.

**O ativismo político mais intenso não deve ser fonte de preocupação, se implantado para proporcionar um crescimento mais forte e mais justo.** O forte apoio fiscal está empurrando a dívida pública para níveis muito elevados, mas o custo da dívida está em níveis muito baixos. Uma característica marcante das perspectivas é a ausência de correlação entre o tamanho do apoio fiscal e o desempenho econômico resultante, sugerindo que nem todas as medidas foram aplicadas com sabedoria. O apoio monetário e fiscal sem precedentes não pode ser desperdiçado; deve ser canalizado para um crescimento econômico mais forte e melhor. Existem pelo menos três prioridades para os formuladores de políticas. Primeiro, investir em bens e serviços essenciais, como educação, saúde, infraestrutura física e digital. Em segundo lugar, ações decisivas para reverter de forma duradoura o aumento da pobreza e da desigualdade de renda. Terceiro, cooperação internacional: o mundo não pode resolver uma crise global por meio de ações individuais e introvertidas.

**Um redirecionamento dos gastos públicos para bens e serviços essenciais daria um sinal de que os governos aprenderam lições com a crise.** A necessidade de aumentar a resiliência deve impulsionar o investimento público e privado em saúde, educação e infraestrutura. Melhor resiliência em saúde não é apenas questão de distribuição de vacinas e de leitos em unidades de terapia intensiva, mas também implica medidas de prevenção e a disponibilidade de cuidados médicos para todos a preços acessíveis. O reforço da resiliência também envolve investir nas competências das pessoas, garantindo melhores resultados na educação e no mercado de trabalho e, em última instância, um maior crescimento e bem-estar. Este caminho começa com recursos maiores e mais bem direcionados para os primeiros anos da educação, com um corpo docente e administrativo mais capacitado e melhor remunerado, bem como uma melhor formação contínua, especialmente para grupos vulneráveis, incluindo mães e pais em dificuldades. Muitas vezes, as crises anteriores resultaram em menores investimentos e em lacunas duradouras na infraestrutura, inclusive em energia digital e descarbonizada. Isso precisa mudar.

**O apoio aos mais vulneráveis, especialmente crianças, jovens e menos qualificados, que não foram plenamente protegidos do impacto da crise, terá de se intensificar.** Os sistemas de educação podem melhorar em muitos países, aproveitando as lições tiradas da crise. Os governos devem investir para garantir que todas as famílias, professores e alunos tenham acesso à banda larga de boa qualidade e estejam equipados para educação digital, especialmente para aqueles em situações desfavorecidas. A crise mostrou a urgência de aprimorar as habilidades digitais. Também revelou deficiências nos sistemas de proteção social. A política fiscal deve ser mais bem direcionada aos grupos vulneráveis fora do sistema de seguridade social normal que não foram elegíveis para a ajuda adicional fornecida até agora, para seu próprio benefício e o benefício da sociedade como um todo.

**Finalmente, a cooperação internacional vacilou nos últimos anos, exatamente quando foi mais necessária do que nunca.** A crise financeira “global” foi principalmente uma crise de algumas economias avançadas, mas desencadeou uma resposta cooperativa sem precedentes. A pandemia é a primeira crise totalmente global desde a Segunda Guerra Mundial: ela foi enfrentada com respostas nacionais massivas, mas com fronteiras fechadas e pouca cooperação. O protecionismo e o fechamento de fronteiras não são a resposta: eles impedem a distribuição de bens essenciais no mundo inteiro e penalizam as economias que dependem da participação em cadeias de valor globais para alcançar maiores níveis de renda. Isso deve ser revertido. A produção e distribuição ampla, rápida e generosa de tratamentos médicos e vacinas eficazes deve ser organizada para todos os países. Os fóruns multilaterais devem redobrar seus esforços com respeito à transparência da dívida e uma moratória de dívida quando necessário, enquanto a supervisão financeira precisa prestar muita atenção ao endividamento das empresas. O mundo deve evitar que esta crise econômica e de saúde também se transforme numa crise financeira.

Quando questionados sobre como será o mundo pós-Covid-19, esperamos que a resposta seja: “talvez basicamente o mesmo, mas um pouco melhor”.

<http://www.oecd.org/economy/retrato-economico-do-brasil/>

<http://www.oecd.org/economy/retrato-economico-portugal/>

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## **Faire de l'espoir une réalité**

Category: COVID-19, Economic outlook, Posts in French  
written by oecdecoscope | December 1, 2020



Aussi disponible en Español | English | Português



par Laurence Boone,  
Cheffe économiste de l'OCDE

**Pour la première fois depuis le début de la pandémie, l'espoir d'un avenir plus prometteur s'offre à nous.** Avec les progrès relatifs aux vaccins et aux traitements, les perspectives se sont éclaircies et l'incertitude a reculé. L'intervention sans précédent des États et des banques centrales a permis à l'activité mondiale de se redresser rapidement dans de nombreux secteurs, même si la distanciation physique dans certaines activités de services reste un frein. L'effondrement de l'emploi s'est en partie inversé, mais le sous-emploi reste important. La plupart des entreprises ont survécu, même si un certain nombre sont affaiblies sur le plan financier. Sans une intervention publique de très grande ampleur, la situation économique et sociale aurait été catastrophique. Le pire a été évité, le tissu économique a été préservé en grande partie et pourrait se régénérer rapidement, mais la situation de nombre de personnes, d'entreprises et de pays vulnérables reste précaire.

**L'horizon s'est éclairci, mais des difficultés demeurent.** À l'heure où nous écrivons, le nombre de décès dans le monde atteint 1 ½ million, et de nombreux pays sont touchés par une seconde vague alors que d'autres ne sont même pas encore sortis de la première. En attendant la distribution à grande échelle d'un vaccin efficace ou des avancées thérapeutiques – espérons-le, courant 2021 – la gestion de la pandémie continuera de mettre l'économie à rude épreuve. L'activité

restera contrainte par des mesures de distanciation physique et la fermeture partielle des frontières pendant quelques trimestres encore. Certains secteurs reprendront de la vigueur, d'autres resteront au point mort. Dans les économies de marché en développement ou émergentes, où le tourisme joue un rôle important, la situation continuera de se détériorer, et elles auront besoin d'une aide internationale accrue. Le soutien public massif à l'économie ne doit pas s'interrompre, d'autant moins que la sortie de la crise sanitaire est en vue.

**Le redressement de l'économie mondiale va s'accélérer au cours des deux prochaines années, le PIB mondial retrouvant fin 2021 son niveau pré pandémie.** Après un net recul en 2020, le PIB mondial devrait ainsi progresser d'environ  $4 \frac{1}{4}$  pour cent en 2021, puis de  $3 \frac{3}{4}$  pour cent en 2022. Les progrès scientifiques, les avancées pharmaceutiques, un dispositif de traçage et d'isolement plus efficace et le fait que les citoyens et les entreprises aient adapté leurs comportements à la situation contribueront à la maîtrise de la pandémie, autorisant une levée progressive des restrictions à la mobilité. Surtout, les mesures de soutien à l'emploi et aux entreprises, en place depuis le début de la pandémie, favoriseront une accélération du rebond économique une fois les restrictions levées. Ajoutées au recul de l'incertitude, ces améliorations devraient favoriser la consommation et l'investissement, mobilisant l'épargne accumulée. Les mesures de soutien budgétaire exceptionnelles instaurées tout au long de 2020 – et qui seront nécessaires au delà – porteront largement leurs fruits. Le rebond gagnera en force et en rapidité à mesure qu'un nombre croissant d'activités redémarreront, limitant ainsi les pertes de revenus agrégées dues à la crise.

**Selon nos projections, la reprise ne sera pas homogène dans tous les pays, ce qui pourrait modifier durablement l'économie mondiale.** Les pays et les régions dotés de systèmes efficaces

de dépistage, de traçage et d'isolement, où la vaccination sera mise en œuvre rapidement, devraient s'en sortir relativement bien malgré l'effet de freinage provoqué par la faiblesse générale de la demande mondiale. En Chine, où le redressement a commencé plus tôt, la croissance devrait être forte et représenter plus du tiers de la croissance économique mondiale en 2021. Les économies de l'OCDE rebondiront, avec un taux de croissance de 3.3 % en 2021, mais ne regagneront qu'en partie le terrain perdu lors de la profonde récession de 2020. La contribution de l'Europe et de l'Amérique du Nord à la croissance mondiale restera moins importante que leur poids dans l'économie mondiale.

**Les perspectives demeurent exceptionnellement incertaines, marquées par des risques de révision à la hausse comme à la baisse.** Dans le scénario favorable, des campagnes de vaccination efficaces et une meilleure coopération entre les pays pourraient accélérer la distribution du vaccin à l'échelle mondiale. À l'inverse, la résurgence actuelle de l'épidémie en de nombreux points du globe nous rappelle que les États pourraient se voir à nouveau contraints de durcir les restrictions à l'activité économique, notamment si la distribution de vaccins efficaces prend du temps. La confiance serait sérieusement ébranlée en cas de déception concernant la distribution des vaccins ou leurs effets secondaires. Les dommages pour l'économie pourraient être graves, ce qui accentuerait les risques de turbulences financières en provenance d'États ou d'entreprises fragiles, avec des retombées internationales.

**En dépit du formidable soutien d'urgence apporté par les pouvoirs publics, et même dans un scénario favorable, la pandémie aura mis à mal le tissu socio économique partout dans le monde.** Dans de nombreuses économies, la production devrait rester, en 2022, inférieure de 5 % aux prévisions d'avant la crise, faisant craindre que le coût élevé de la pandémie ne s'inscrive dans la durée. Les plus vulnérables continueront

d'être éprouvés de façon disproportionnée. Les petites entreprises et les petits entrepreneurs ont plus de risques de devoir cesser leur activité. De nombreux travailleurs à bas salaire qui ont perdu leur emploi et bénéficient seulement, au mieux, de l'assurance chômage, pourront avoir des difficultés à trouver rapidement un nouvel emploi. Les personnes vivant dans la pauvreté, qui sont généralement moins bien couvertes par les filets de protection sociale, ont vu leur situation se dégrader encore. Les enfants et les jeunes issus de milieux défavorisés comme les travailleurs adultes peu qualifiés, ont eu plus de mal à télétravailler ou étudier de la maison, ce qui pourrait leur être durablement préjudiciable.

**Les gouvernements devront continuer de mobiliser activement les instruments de politique économique, en ciblant plus précisément ceux qui ont le plus souffert de la pandémie.** Le moment est d'autant moins venu de réduire le soutien – comme on l'a fait trop tôt après la crise financière mondiale – que des vaccins sont en vue. Au contraire, c'est la confirmation que politiques sanitaires et politiques économiques doivent aller de pair. Il faut mettre les bouchées doubles en termes de santé publique pour limiter les effets d'éventuelles résurgences du virus, avec les restrictions qui en découlent. Il est tout aussi essentiel de poursuivre les aides budgétaires octroyées pour maintenir en vie les secteurs et les entreprises touchés et les emplois correspondants. Les neuf derniers mois ont montré que des politiques publiques de cette ampleur étaient, et restent, appropriées. Les autorités monétaires et budgétaires vont devoir continuer d'agir avec détermination dans la même direction, du moins tant que la crise sanitaire menacera des activités et des emplois qui seraient sans cela viables.

**Il n'y a pas lieu de craindre des interventions de politique économique actives, dès lors qu'elles vont dans le sens d'une croissance plus soutenue et plus équitable.** Le soutien budgétaire massif qui a été déployé augmente fortement la

dette, mais le coût de la dette n'a jamais été aussi bas. Ceci dit, l'absence frappante de corrélation entre l'ampleur des mesures de soutien et les performances économiques qui en découlent, suggèrent que ces mesures n'ont pas toutes été utilisées à bon escient. Or, ce soutien monétaire et budgétaire sans équivalent ne peut être gaspillé ; il doit au contraire servir à financer une croissance économique meilleure et plus soutenue. Il y a au moins trois priorités. Premièrement, investir dans les biens et services essentiels comme l'éducation, la santé et les infrastructures physiques et numériques. Deuxièmement, prendre des mesures décisives pour inverser durablement la progression de la pauvreté et des inégalités de revenus. Troisièmement, intensifier la coopération internationale, car le monde ne peut pas répondre à une crise planétaire par des mesures nationales et le repli sur soi.

**Une réorientation des dépenses publiques vers les biens et services essentiels montrerait que les gouvernements ont tiré les leçons de la crise.** La nécessité d'une résilience accrue devrait être le moteur de l'investissement public et privé dans la santé, l'éducation et les infrastructures. L'amélioration de la résilience sanitaire ne dépend pas uniquement de la distribution de vaccins et du nombre de lits dans les unités de soins intensifs, mais concerne aussi la prévention et l'accès de tous à des soins de santé abordables. Une meilleure résilience passe aussi par des investissements dans les compétences, garants d'une amélioration de l'éducation et des débouchés professionnels, et, in fine, d'une augmentation tendancielle de la croissance et du bien être. Pour cela, il faudra tout d'abord accroître et mieux cibler les ressources consacrées aux premières années de l'éducation, à la revalorisation salariale et à la formation des enseignants, ainsi qu'à une meilleure aide à la formation continue, en particulier pour les catégories vulnérables dont les parents en difficulté. Les crises antérieures ont trop souvent abouti à un recul de l'investissement, notamment dans

les infrastructures, y compris dans le numérique et les énergies décarbonées. Cela doit changer.

**Il est impératif d'amplifier le soutien apporté aux plus vulnérables, notamment les enfants, les jeunes et les personnes peu qualifiées, qui n'ont pas été pleinement protégés de la crise.** Les systèmes éducatifs peuvent être améliorés dans de nombreux pays, en mettant à profit les leçons de la crise. Les pouvoirs publics doivent investir pour que tous les ménages, enseignants et élèves ou étudiants aient accès à une connexion haut débit de qualité et disposent du matériel nécessaire à l'enseignement numérique, notamment en milieu défavorisé. La crise a montré qu'il était urgent d'améliorer les compétences numériques. Elle a aussi révélé les lacunes des systèmes d'aide sociale. La politique budgétaire devrait être mieux ciblée sur les catégories vulnérables qui sont exclues du système de protection sociale traditionnel et qui n'ont pas pu prétendre aux aides supplémentaires octroyées à ce jour, pour leur propre bien et pour celui de la collectivité dans son ensemble.

**Enfin, la coopération internationale a régressé ces dernières années, alors même qu'elle était plus nécessaire que jamais.** La crise financière « mondiale » avait principalement touché un petit nombre d'économies avancées, mais avait suscité une réponse collective sans précédent. La pandémie est la première crise véritablement planétaire depuis la Seconde guerre mondiale : or, cette fois-ci, la réponse a pris la forme d'interventions massives nationales, mais aussi de fermetures de frontières, avec un bien faible degré de coopération. Le protectionnisme et la fermeture des frontières ne sont pas une bonne réponse : ils empêchent la circulation des biens essentiels partout dans le monde et pénalisent les économies dont le rattrapage dépend de leur participation aux chaînes de valeur mondiales. Cette tendance doit être inversée. La production et distribution à grande échelle, rapides et généreuses, de traitements et de vaccins efficaces doivent

être organisées pour tous les pays. Les enceintes multilatérales doivent renforcer leur action en faveur de la transparence de la dette et d'un moratoire, si nécessaire, et les autorités de supervision doivent suivre de très près l'endettement des entreprises. Le monde doit éviter que la crise sanitaire et économique ne se mue en plus en une crise financière.

Quant à savoir à quoi ressemblera le monde de l'après COVID, espérons qu'il sera « peut être globalement le même, mais un peu meilleur ».



Éditorial des Perspectives économiques de l'OCDE

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# Clean energy investment could be a key driver of economic recovery in Europe

Category: COVID-19, investment, Uncategorized  
written by oecdecoscope | December 1, 2020



by Laszlo Varro, Chief Economist, International Energy Agency

***The IEA Chief Economist on energy investment in the COVID-19 recovery:***

The economy is in a deep recession. Weak demand and excess capacity weigh down corporate investment; skyrocketing unemployment cuts consumption and threatens social stability. Policymakers respond by debt-funded public investment into clean energy projects that not only successfully stimulates the economy but furthers long-term strategic objectives for an energy transition. The year is not 2020 but 1935, the clean energy projects are the large hydro plants in the Tennessee Valley and the French Alps, and the energy transition is moving the countryside from the petroleum lamp to electric light.

It is interesting to note in the context of the discussions on a Green New Deal that are unfolding in several countries today, that the most iconic achievements of the original New Deal era were actually clean energy projects. This was decades before the emergence of climate concerns, but the energy sector can absorb capital investment rapidly and trigger spillovers into both construction and manufacturing, two sectors that were both hard hit then and today.

Europe has a chance to repeat this historic progress with the implementation of the recently-announced increase in climate ambition. Previous policies under implementation and technology change already put Europe on a declining CO<sub>2</sub> emissions path. However, the recently enhanced target of “at least 55% reduction by 2030” represents a step change in

ambition. Compared to the trajectory determined by previously-stated policies and national emission plans, the new ambition that puts Europe on track for full decarbonisation requires an additional over 400 million tons emission reduction. In a single decade, Europe will need to eliminate the equivalent of the combined fossil fuel use of France and Belgium, on top of the already meaningful clean energy policies under implementation.

The pandemic reduced emissions, but mostly for the wrong reason, of depressing economic activity. The social and behaviour changes it brought have only a minor energy impact: some people work from home instead of commuting, others drive instead of using public transport. Faster and larger emission reductions will require an unprecedented investment effort. But, the potential rewards are sizeable: as the recent IEA Special Report on a Sustainable Recovery pointed out, a three-year focused clean energy investment push at a global level can lead to 4.5% higher GDP level and create an additional 9 million jobs by the end of the investment drive. This would represent a substantial contribution to the post virus recovery. Europe would represent around 10% of the global green job creation with around 900 thousand additional jobs. Due to labour costs and technology characteristics, clean energy development in Europe tends to be capital intensive and relies on skilled, well compensated jobs. There are significant differences in the labour intensity of various low carbon options, with building retrofits and rooftop solar having a higher than average employment effect. It is appropriate to integrate considerations on labour market impacts into clean energy investment policy design.

For a timely deep decarbonisation, investment in the energy system does not simply need to recover to the 2019 level, as that investment was insufficient for the energy transition objective, but to go significantly beyond. In the IEA Sustainable Development Scenario which is broadly consistent

with the new, stringent climate ambition, average energy investment in the 2020s in the European energy system will have to more than double. The increase – from the current depressed level – is around 1% of EU GDP. One reason why this could have a measurable positive macroeconomic impact is that Europe is a very large oil and gas importer. In a high carbon trajectory the oil and gas industry would invest over 60 billion USD annually into projects outside Europe that serve European demand. If this is replaced by wind turbines or building retrofit projects domestically, Europe will need to move to a structurally higher energy investment/GDP ratio.

Investment would have to be transformative. It is not possible to have a “copy-paste” replacement of fossil fuels. A credible decarbonisation pathway will have to involve a step change improving energy efficiency, into renewable energies and investment for new infrastructures. The efficiency ambition is equivalent to retrofitting a Berlin in every three months.

Moreover, as the most successful clean energy technologies like wind and solar generate electricity, massive investments are needed to electrify transport and other energy use. This includes households spending to buy electric cars as well as utility and public investment in charging infrastructures. This will need to be managed carefully: Europe is a powerhouse of internal combustion engine manufacturing but there is currently no European company among the top 5 battery manufacturers. Overall benefits would improve further if a viable and competitive battery manufacturing value chain can be developed in Europe.

For renewables to reach the required volumes, investment in the most mature and scalable wind and solar will have to increase by 60%, but other technologies like bioenergy and nuclear power will also need to play a role. While there will be imported solar panels, Europe has strong industrial capabilities in most clean energy technologies. Recent technological progress allow renewables to provide energy on a

larger scale and they are more technology intensive. They require specialized technical skills Europe can provide, especially in the case of wind turbines and modern grid solutions, Europe is a significant exporter. Retrofitting buildings also require better skills to be efficient, and can be a sizeable source of emission reductions.

The current macro financial environment is a major opportunity for both private and public investment. Most low carbon technologies like wind turbines or electric cars demand a significant initial investment but are then cheaper or even free to operate and save fuel costs. As a result, the ultralow interest rate environment improves their competitiveness. IEA analysis suggests the majority of the investment can be mobilized from the private sector. A wind park with a credible long-term contract is to a certain extent a financial substitute of a long-term bond and is made attractive by negative bond yields. Direct government investment could complement, investing in new infrastructure like hydrogen pipelines and technologies with unusual risk profiles like nuclear. The EU Recovery Fund and national budget funding can thereby appropriately complement private investment.

However to reap the full benefits of the macro-economic environment, non-market barriers to clean energy investment need to be lifted. Despite improving technology and falling costs, the growth of clean energy in Europe flattened in recent years below its historical peak. Complicated and lengthy licencing procedures are a constant complaint from investors. Scale and speed matters. In the Sustainable Development Scenario trajectory, by 2030 Europe will have to build 140 GW more renewable capacity than what the current renewable policies would deliver. This is 20000 wind turbines and the equivalent of a 100000 football fields covered by solar panels. As the current electricity network is not suited to integrate this new energy inflow, and additional 400 billion euros of network investment will be needed over the

decade, both to a physical backbone and also into digitalization to the grid. The experience with priority interconnection projects is that even if the money is in the bank, it is not easy to spend it on the electricity network. What is needed is a bottom-up effort to streamline and accelerate such investment regulatory framework.

During the Great Depression, Keynes famously recommended for governments to pay people to dig holes and pay other people to fill them up. We can do even better, by paying people to put the foundations of wind turbines and electric car chargers into those holes. In order to put the energy system on a low-carbon trajectory consistent with the scientific consensus, clean energy investment has to scale up. With an appropriate policy design, this can lead to substantial positive macroeconomic spillovers, helping the recovery of the European economy. The time is now.

**Further reading:** Global Energy Review 2020: The impacts of the Covid-19 crisis on global energy demand and CO2 emissions

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# Five priorities to help rejuvenate Greece's labour market after the COVID-19 crisis

Category: COVID-19,Greece,Uncategorized  
written by oecdecoscope | December 1, 2020



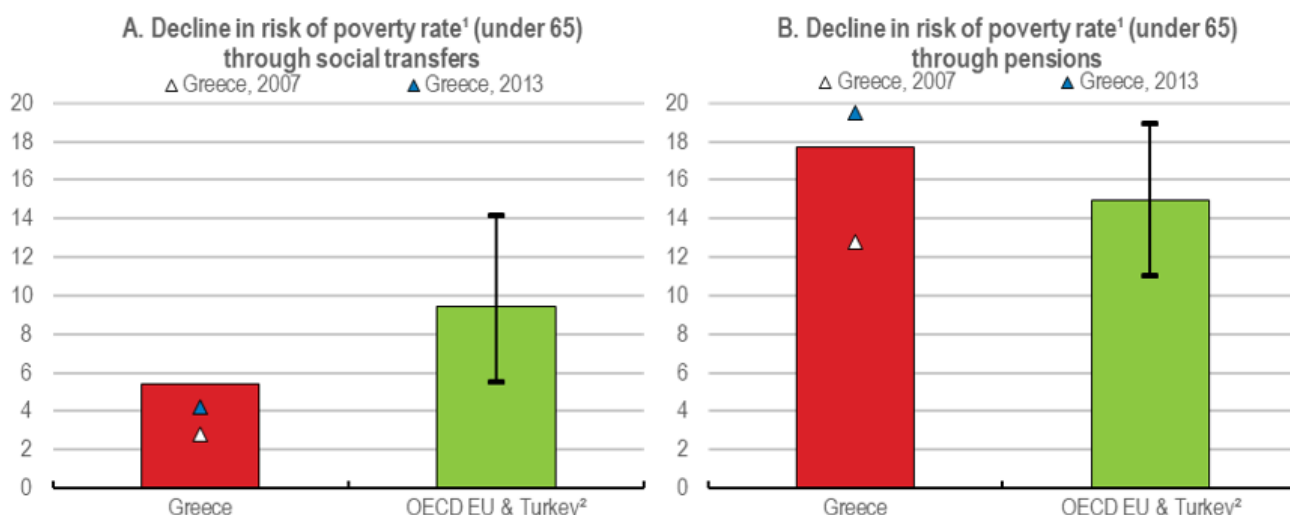
by Tim Bulman, Greece Desk, OECD Economics Department

Across the globe, the COVID-19 crisis has hit workers with temporary contracts and those working in tourism and consumer-related services particularly hard. These groups make up large shares of Greece's workforce, and tourism's strong growth in recent years.

Greece's government is currently planning how the European Recovery and Resilience Facility will help overcome the COVID-19 shock and move the economy to a path of sustained and stronger growth. To support Greece's workers through the COVID-19 crisis and to set the labour force for a stronger recovery, the OECD's new Working Paper on 'Rejuvenating Greece's labour market to generate more and higher-quality jobs' highlights five policy priorities:

**1. Strengthen the social safety net's protection for low-income households** (Figure 1). Reforms to Greece's social protection in recent years helped reduce poverty prior to the COVID-19 crisis but important coverage gaps remain. Further raising the value of Guaranteed Minimum Income transfers while tapering transfers to ensure that work pays would help protect households from income losses. Responsive and efficient administrative processes are vital for vulnerable households to access this support when they need it.

Figure 1. Pensions rather than targeted social protection support poor households in Greece



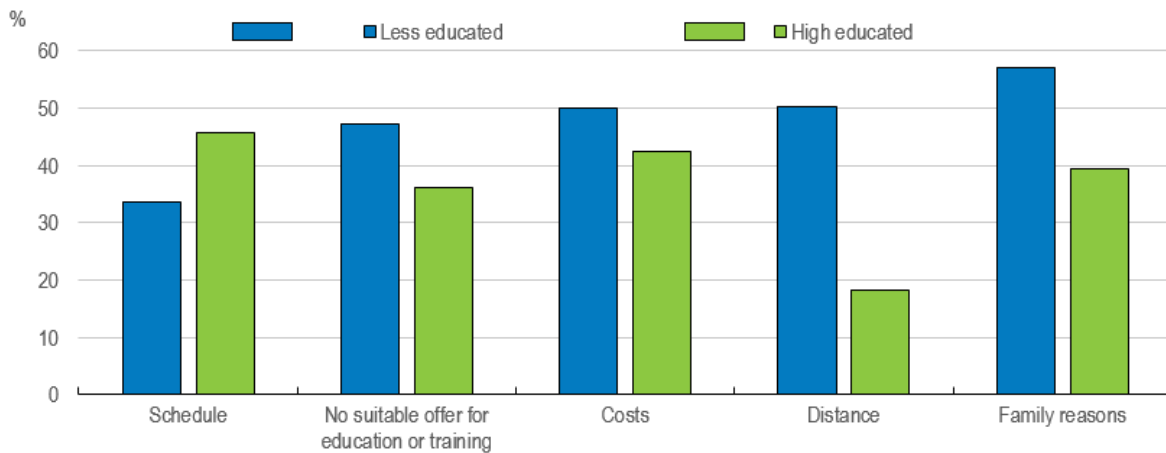
1. Change in the percent of the population under 65 with incomes below 50 % of median income after accounting for social transfers (Panel A) and pensions (Panel B), adjusted for household size.

2. European countries that are OECD members plus Turkey.

Source: OECD calculations based on Eurostat data.

**2. Better support caregivers.** Around the world, the COVID-19 crisis has disrupted schools and workplaces, and added to the pressures on family caregivers. In Greece, comparatively few young children are enrolled in early childhood education and care, while support to care for elderly relatives is limited. This can make the barriers to working or to engaging in adult education and training insurmountable (Figure 2), contributing to low employment rates among women in Greece.

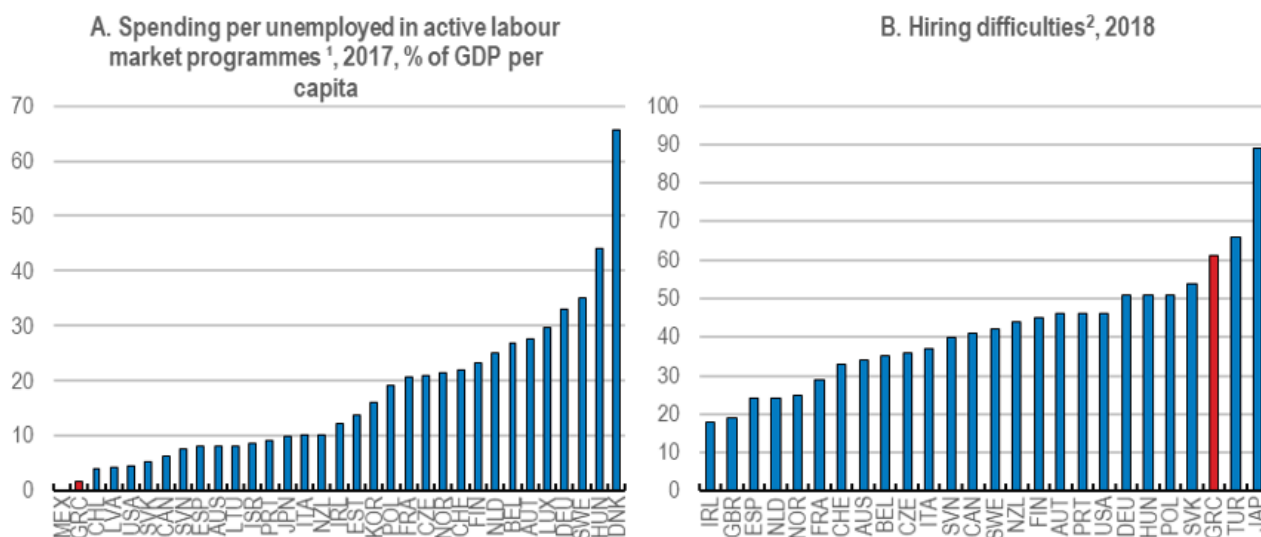
Figure 2. Family obligations are an important obstacle to participating in education and training  
% of the population aged 25-64, 2019



Note: Low educational attainment refers to below upper secondary education (ISCED 0-2) and high refers to tertiary education (ISCED 5-8).  
Source: Eurostat.

**3. Improve access to active labour market policies for job search, training and work experience.** This will improve employment prospects and help employers find the skills they need (Figure 3). Greece has been boosting the capacity of its public employment services, but they play a smaller role in Greece's labour market than in other OECD countries and suffer a legacy of under investment. Leveraging private sector providers to complement the public employment services would allow Greece to swiftly boost its capacity to support jobseekers to find lasting jobs.

Figure 3. Raising spending on active labour market policies would help employers find workers with the needed skills



1. Benefit administration programmes are not included for Greece.

2. % of employers reporting difficulty in filling jobs.

Source: OECD Labour Market Programmes database; OECD Economic Outlook database; and OECD (2019), Getting Skills Right: Future-Ready Adult Learning Systems, <https://doi.org/10.1787/9789264311756-en>.

**4. Dramatically expand access to adult education and reskilling programmes.** This would help prepare Greece's workers for new career opportunities, and ensure workers are ready for the coming opportunities and disruption from digitalisation. Historically, participation in lifelong learning has been low in Greece, and much of the workforce's skills need upgrading to employers' modern needs. Deep downturns such as the COVID-19 crisis are the best time to invest in adult education. Greece can do this by financing access to courses, encouraging universities to provide courses for adults that develop professional skills, and by certifying the quality and contents of private providers' courses.

**5. Reducing social contribution rates** while aligning effective income tax rates across different employment types would reduce both the cost of employing workers and the incentives to work semi-formally. Greece's high labour income tax and social contribution wedge create high employment costs and reduce the return from working. The government is cutting some tax and social contribution rates. Large differences in tax rates depending on the legal form of employment can encourage

self-employment. The self-employed are generally less productive and more at risk from income shocks, such as the shock from the COVID-19 crisis. Aligning tax rates across employment types would reduce the incentive to be self-employed. It would boost the tax base, and so support revenues.

The Working Paper discusses how Greece can pursue these priorities. The Paper accompanies the 2020 Economic Survey of Greece , launched in July 2020. The Survey estimated that pursuing these priorities would boost incomes by 5% by 2030 and by more over the following years. Along with other reforms outlined in the Survey, these five priorities can contribute to Greece reversing the COVID-19 shock and moving to stronger and sustained recovery.

**For more details see:**

Bulman, T. (2020), “Rejuvenating Greece’s labour market to generate more and higher-quality jobs”, *OECD Economics Department Working Papers*, No. 1622, OECD Publishing, Paris, <https://doi.org/10.1787/8ea5033a-en>.

2020 OECD Economic Survey of Greece

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**Why are some U.S. cities successful, while others are not? Past lessons for the**

# post COVID-19 era

Category: COVID-19, United States

written by oecdecoscope | December 1, 2020



By Fozan Fareed, Patrick Lenain and Douglas Sutherland<sup>1</sup>



The COVID-19 pandemic has triggered severe recessions around the world. Beyond this short-term impact, long-lasting changes are also likely to happen. After past shocks, such as the global financial crisis, some industries have remained depressed for a long time, while others got back on their feet and returned to growth quickly, as shown by the evidence from the United States. Similarly, past shocks have hit large cities: some have been quick to recover, but others have struggled for many years, with severe social consequences. Drawing lessons from past shocks is useful as cities plan their own recovery from the pandemic – see also OECD (2020a).

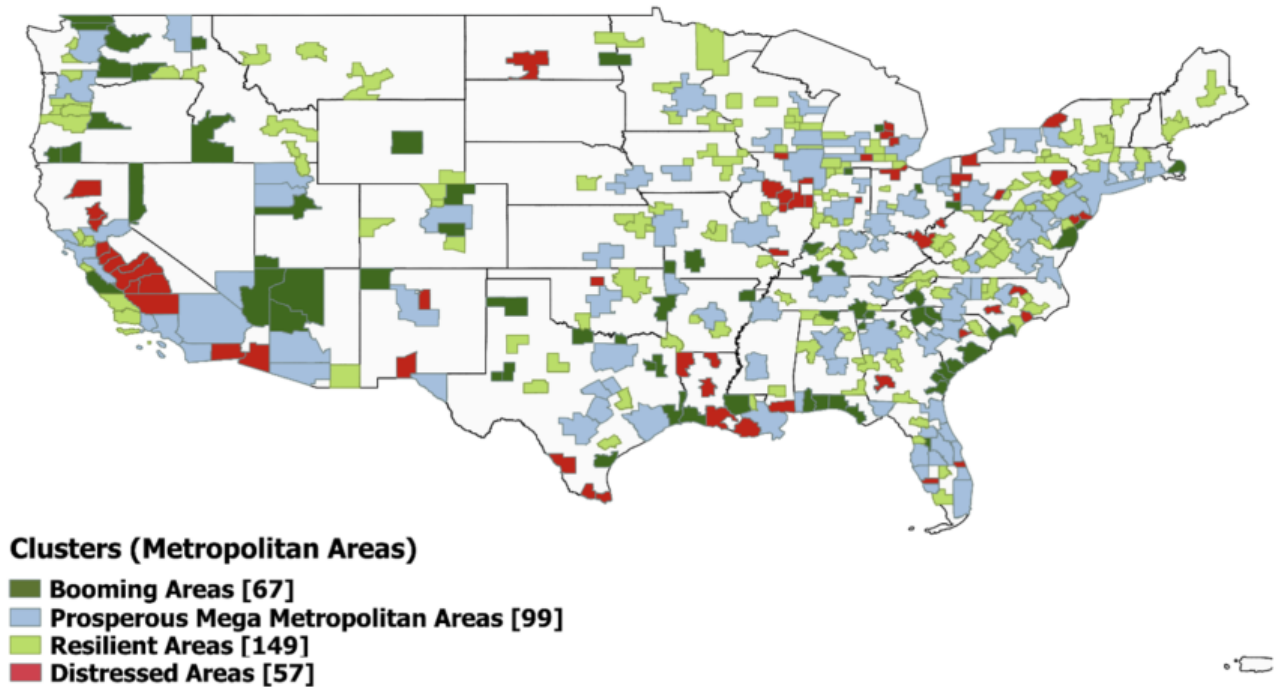
Our research investigated why some cities have adapted to shocks, while others have struggled (Azzopardi et al., forthcoming). We built a dataset covering the 372 metropolitan areas and took advantage of the new Job-to-Job flow statistics

compiled by the U.S. Census Bureau, which tracks all job moves. We used a machine-learning algorithm<sup>2</sup> to classify the metropolitan areas in statistically distinct clusters. Preliminary results were included in the 2020 OECD Economic Survey of the United States.

Four categories of cities were identified: booming areas (67), prosperous mega metropolitan areas (99), resilient areas (149), and distressed metropolitan areas (57). This classification was obtained by focusing on indicators such as the job-to-job mobility rate, unemployment rate, income growth, population increase and GDP growth rate. The results show that prosperous cities are predominantly located in the West and the South of the United States (Figure 1). The main features of their success have revolved around embracing digital technologies, adopting local regulations friendly to job mobility and business creation, avoiding strict rules on land-use and housing market, and improving the wellbeing of the city's population<sup>3</sup>. These results highlight that cities adopting well-targeted policies can accelerate the return to growth after a shock.

## Figure 1: Booming metropolitan areas are mostly in the West and South

Results of the clustering analysis conducted on metropolitan areas (2017)



Source: OECD staff calculations

- Booming metropolitan areas: These 67 metropolitan areas, home to about 7% of urban population, have enjoyed very fast growth of GDP per capita. They have often found success thanks to fast-growing industries, notably technology clusters – Midland, Austin, and Colorado Springs are examples. Other cities have found prosperity by becoming retirement destinations – most obviously cities in Florida (The Villages, Pensacola area, Panama City). They have become magnets for people looking for good jobs, high quality of life and comparatively low cost of living. For example, in 2017, about 305,000 workers were attracted by cities in Texas, many having decided to leave California and Louisiana. About 260,000 workers left states such as Georgia and New York and moved to Florida.
- Prosperous mega metropolitan areas: This cluster is the largest one: it includes 99 metropolitan areas and about three quarters of the U.S. urban population resides here. These are very large cities, with an average

population size of 2 million, which can take advantage of agglomeration externalities. This category includes some of the largest U.S. metropolitan areas such as New York, Los Angeles, Chicago, Dallas, Houston, Washington DC and Miami. They have stayed buoyant in the face of shocks and have benefited from low unemployment rates, average job mobility rate, and a high income per capita as compared to other clusters. However, rising inequality is a challenge here, and their future will depend on improving housing affordability and transportation.

- Resilient metropolitan areas: 149 metropolitan areas are part of this cluster and account for about 11% of the urban population. This cluster is mainly composed of relatively smaller areas such as Lewiston, ID-WA, Great Falls, MT, Columbus, IN and Kokomo, IN. Neither booming nor in distress, these areas are generally classified by relatively low job mobility. However, they have a comparatively higher income per capita growth rate, and a number of these areas seem to be on an upward trajectory. The average population size of this group is the lowest among all clusters.
- Distressed metropolitan areas: Home to 6% of the total urban population, these 57 metropolitan areas are characterized by a low job mobility rate, high unemployment rate, and low GDP and income per capita growth rates. This group includes many trailing cities and old industrial areas. They can be found in North Dakota (Bismarck), Illinois (Bloomington, Champaign-Urbana) and Southern California (El Centro). Metropolitan areas in central California are also in this cluster. Many of these distressed cities are located in states that are characterized by strict rules on occupational licensing, which has been found in recent OECD work as hindering labour mobility

(Hermansen, 2019) and productivity growth (Bambalaite, Nicoletti and Rueden, 2020). In 2017, more than one-quarter million job-to-job moves went out of California to other states. The highest number of these jobs went to Texas (about 33,000) followed by Arizona (about 25,000) and Washington (about 24,000). Another major reason behind these moves seems to be the high cost of living and the high housing prices in some of these metropolitan areas.

**Table 1: Characteristics of metropolitan area clusters**

<b>Clusters (metropolitan areas)</b>	<b>Main characteristics</b>	<b>Average J2J mobility (in % of employ- ment)</b>	<b>Average GDP growth (2016-17 annual rate, %)</b>	<b>Average unemployment rate (2016-17, %)</b>	<b>Average income per capita (US\$, 2017)</b>
Booming areas	Very high mobility, net job gainers, high GDP growth	7.0	3.1	4.5	44,301
Prosperous mega areas	Average mobility, high income per capita, low unemployment, very highly populated	5.8	2.0	4.1	50,843
Resilient areas	Low mobility, high income growth, low unemployment	5.6	1.5	4.1	44,076
Distressed areas	Low mobility, lowest income growth, high unemployment, strict occupational licensing	5.4	-0.2	6.5	40,952
All		5.9	1.7	4.5	45,619

*Source: OECD analysis based on data from BEA, BLS and Census Bureau*

Diverging trends between cities create social challenges because new jobs are being created in places far away from the places where old jobs are lost. Moving from job to job is essential for workers to avoid spells of joblessness, remain productive and benefit from higher earnings (Haltiwanger et al., 2018; Hermansen, 2019). However, the U.S. population has become less mobile: the share of the population moving each year has fallen from around 20% in the 1970s to under 10% more recently, with moves across state and metropolitan boundaries or moves to look for work also having been reduced.

Therefore, in order to address the economic and social challenges that the ongoing COVID-19 pandemic has brought to

the fore, cities need to act now to avoid long periods of economic downturn. With drastic changes happening in the urban ecosystem, it has become more important than ever to focus on housing and land zoning rules, and other restrictions to mobility, notably occupational licensing. With a major reallocation coming up<sup>4</sup>, cities that address these regulatory barriers would be in a better position to benefit from new opportunities and attract businesses and talents looking for a new home.

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# Ensuring a strong, inclusive and sustainable recovery from the COVID-19 crisis in Israel

Category: COVID-19, Israel

written by oecdecoscope | December 1, 2020



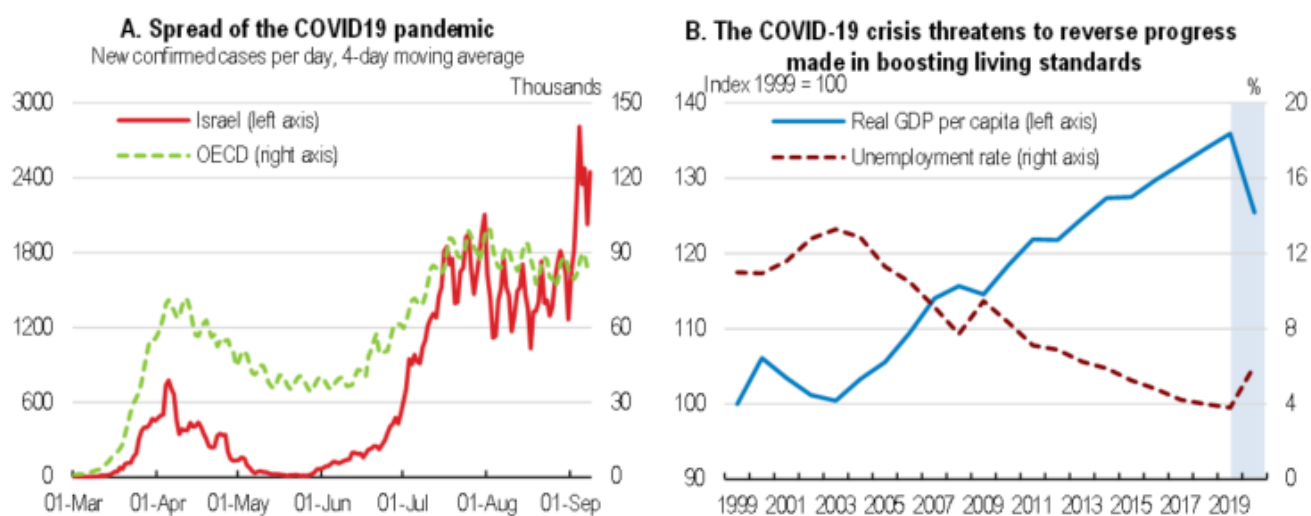
by Gabriel Machlica and Oliver Röhn, Economics Department

The coronavirus pandemic has interrupted Israel's progress in boosting standards of living. Before the pandemic, Israel enjoyed strong employment growth and living standards had risen close to the OECD average. To contain the spread of the pandemic, the government reacted swiftly and introduced stringent confinement measures in March and April. The government and financial authorities deployed emergency measures quickly to support households' and firms' incomes and liquidity. After the economy had largely reopened, a second outbreak has given way to a renewed lockdown in September (Figure 1, Panel A).

As in other countries, high uncertainty and the containment measures necessary to limit the spread of the virus have led to a sharp drop in economic activity. The economy is projected to decline by around 6% this year (Figure 1, Panel B). At the height of the crisis, over a million employees were temporarily laid off. Many have returned to work as the

economy reopened. However, the unemployment rate, broadly defined to include workers on unpaid leave and workers who have left the labour force due to the pandemic, remains high at 11%. Moreover, the crisis threatens to aggravate Israel's long-standing challenges of high poverty and wide productivity disparities between its vibrant high-tech sector and lagging sheltered sectors.

**Figure 1. The pandemic is threatening to reverse some of the achievements made over the last decade**



Note: The GDP and unemployment figures for 2020 are forecasts. Unemployment is narrowly defined according to the Labour Force Survey. Source: OECD calculations based on Ourworldindata; and OECD Economic Outlook: Statistics and Projections database.

The new OECD Economic Survey of Israel (2020) identifies measures that can help Israel navigate this crisis. In the short term, the government and financial authorities should continue to provide fiscal, monetary and financial market support to buttress the recovery, boost confidence and avoid widespread bankruptcies. The government has expanded the eligibility to unemployment benefits to workers on unpaid leave and extended benefits until next year. This should be complemented by stepping up active labour market policies, such as retraining and job search support, to help workers transition to new jobs with better prospects.

The Survey identifies priorities to put Israel on a stronger, sustained and inclusive recovery. Introducing ambitious reforms can improve the standard of living of the average

Israeli citizen by some 15% by 2050 and help to reduce the gap in living standards vis-à-vis the upper half of the OECD countries (Figure 2). These measures and reform areas include:

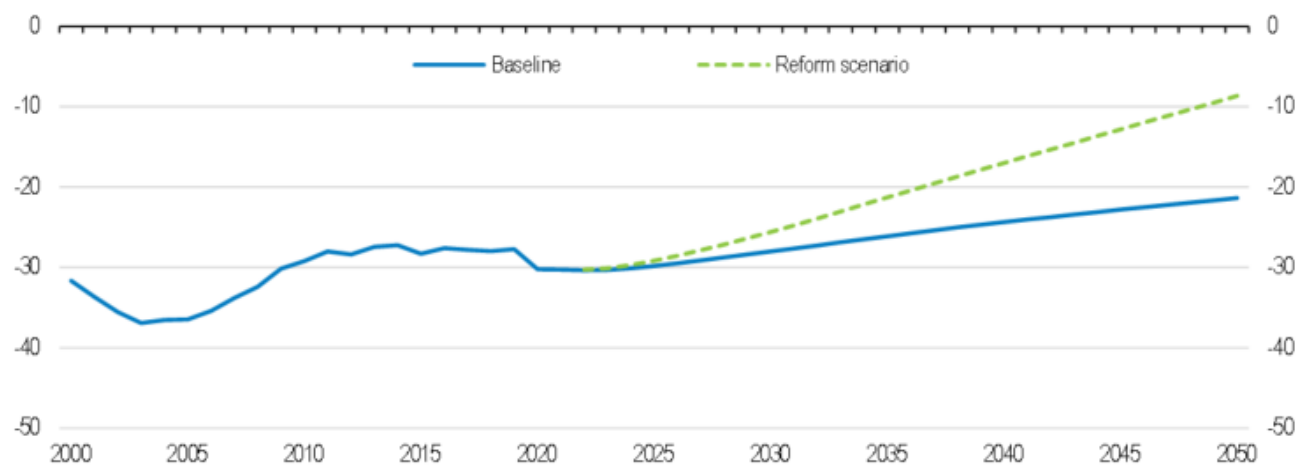
- **Upgrading infrastructure.** Israel's core infrastructure stock is almost a third smaller than in other OECD countries. The availability and quality of public transport is also limited. Boosting public infrastructure investment can lift productivity and connect people to job opportunities.
- **Improving educational outcomes.** The gaps in students' outcomes between Arab-Israeli students and the rest of the population are significant, amounting to 4 years of schooling on average. Reducing gaps will require improving pre-school education, recruiting high-quality teachers, especially in the poor municipalities, and reducing disparities in students' outcomes between different school streams.
- **Strengthening the fiscal framework for local governments.** Poorer municipalities lack resources to finance adequate public services for their residents. This calls for supporting poorer municipalities through higher compensation from wealthier municipalities. Merging municipalities and promoting regional clusters can improve efficiency.
- **Supporting the poor.** Employment among groups with traditionally low labour market attachment has significantly improved. However, the income received from work was not enough to make a substantial dent in poverty, which remains comparatively high. Further expanding Israel's earned income tax credit would support the poor while maintaining strong incentives to work.
- **Simplifying the tax system and reducing economic distortions.** The tax mix is reasonably growth- and employment-friendly with a relatively low tax burden on labour. Nevertheless, ample room exists to simplify the

tax system by abolishing inefficient tax expenditures and broadening tax bases, which would support revenues. The business and property tax system should be reviewed to reduce distortions.

- **Improving environmental outcomes and reducing health risks.** Poor air quality remains a concern for the well-being of Israelis. Introducing congestion charges would reduce traffic flows and air pollution, and can provide additional resources to boost the public transport infrastructure. Pricing fossil fuels according to their carbon content and other pollutants, while protecting the most vulnerable, would further lower carbon emissions, and make renewable energy generation more competitive.

**Figure 2. Convergence in standards of living to the OECD level**

Potential GDP per capita, gap to the upper half of OECD countries



Source: OECD simulations based on OECD Economics Department Long-term Model.

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# Coronavirus: Living with Uncertainty

Category: COVID-19, Economic outlook, Environment, Uncategorized  
written by oecdecoscope | December 1, 2020



by Laurence Boone, OECD Chief Economist

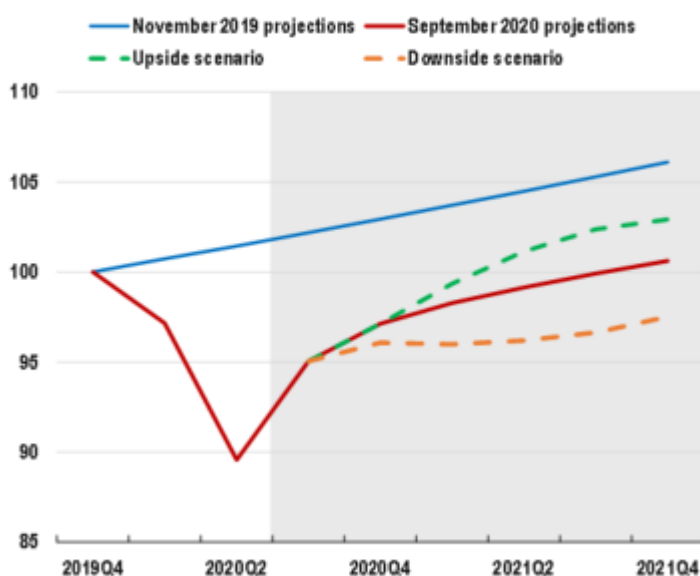
The global economy is facing unprecedented uncertainty as the evolution of the Covid-19 pandemic weighs heavily on the economic outlook. Nine months after the initial outbreak in Wuhan, it is still difficult to predict the path of the virus. Each country has been hit in a different way, and response strategies have varied. There is much we still do not know. Research for a vaccine is ongoing across the globe, but more needs to be done to prepare for mass-scale testing, manufacturing and distribution that will be required. It seems clear today that we will have to live with the virus for some time, with our principal defence being tighter hygiene standards and physical distancing measures.

Amid this unprecedented uncertainty, what we know is that the world will be much poorer than it would have been without the virus. If our central projection of a gradual recovery, after the rebound, materialises, global income will be USD 7 trillion lower by the end of 2021 than what we projected less than a year ago in November 2019. This is roughly equivalent to losing a year's production from France and Germany combined.

The initial economic shock in the first part of 2020 was deep

and profound. In the wake of national confinements, the global economy plunged 7.8% in the second quarter of this year, an unprecedented drop in peace time. The decline would have been harder had governments not put in place a wide safety net for firms and individuals. As economies began to reopen, activities that could operate with physical distancing rebounded strongly. But it would be imprudent to infer from this that the recovery is V-shaped and global income can rapidly return to pre-crisis levels. In some industries a rapid recovery will occur; those linked to digital activity for example, but others will not be able to fully recover for some time. Scheduled flights are still down around 50% on a year ago in September. Entertainment and tourism have been deeply affected. Overall, 13-20% of OECD employment is threatened.

**Figure: Global GDP Projections**  
*Constant prices, index 2019Q4 = 100*



Source: OECD Economic Outlook database; OECD calculations.

Because developments are so varied across countries and uncertainty is so high, we have produced two scenarios around our central projection. On the upside, if businesses and households were to become more confident because a vaccine or treatment is in sight or only mild containment measures were required to contain virus outbreaks, world growth would be

stronger (figure). The loss of global output would be around USD4 trillion by the end of 2021. On the downside, if confidence remains weak because outbreaks were to intensify or stricter containment measures were required, household spending and business investment would weaken and the recovery would slow, and the loss in output would be USD11 trillion.

Even if this crisis is strikingly different from others we have experienced and uncertainty is extremely high, we have seen that policy matters. In the confinement phase of the Covid-19 crisis, policymakers worldwide used a rich policy toolbox. These measures included short-term working schemes, furloughed employment, credit or grants to firms and tax holidays. This is pushing debt up by around 15 percentage points of GDP across the OECD, but was necessary, and will remain so for 2021. Central banks provided liquidity support, and low rates kept debt interest payments at lower levels.

Policy will continue to play an important role in the next phase of the crisis. We learnt from the aftermath of the Global Financial Crisis that tightening fiscal policy prematurely could impart a serious blow to an already weakened economy. Fiscal support will have to continue. We also learnt that policy can only temporarily prevent a rise in bankruptcies and unemployment. Support to firms must evolve to let non-viable firms go and encourage viable ones to grow. Equity instruments could be deployed for large firms, with state support, provided competition is preserved and a clear strategy for exit designed. However, it will require more creativity for SMEs, for example in the form of tax credits, with repayments occurring when firms sustainably return to profit.

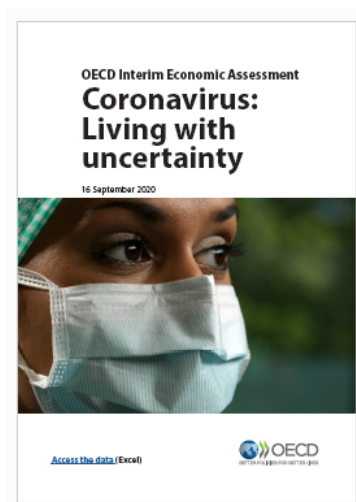
Individuals in vulnerable sectors also need policy support. For sectors where the shock is seen as temporary, short-term working schemes may continue, with more flexibility to allow people to take on new activity. For other sectors, existing schemes to support individuals and firms need to be tailored

to avoid maintaining support to unviable jobs and firms that blocks reallocation necessary for a strong and persistent recovery. Training and job placement should be supported by digital infrastructure and be tailor-made to individuals as a norm. Policymakers need to make an extra-effort to be sure support reaches those who need it most. Furthermore, the first phase of the crisis has shown that barriers to trade can be hugely disruptive for an efficient supply of goods and services. International cooperation must resume to ensure health goods and services can be delivered to all, but also that trade barriers do not rise further putting some firms and activities, and the associated jobs, at risk.

Looking further ahead, there is no way today to predict how people will behave after 18 months of a pandemic, how they will work and undertake leisure activities. We can sketch out how some trends will accelerate though. First, there will be a wider use of teleworking, although the limits of out-of-office work must be taken into consideration. Second, we will see more services move online and increased online retail sales. Third, there will be greater demand, and need, for crisis management preparation, including health, cybersecurity, energy security and protection against natural disasters. Fourth, as the crisis impacts more precarious workers, the essential workers who cannot telework, those living in crowded accommodation, those in poor health, public demand for greater access to essential goods and services including public health and education provision should prevail. Amid a background of public disapproval with the evolution of inequality, policies will need to improve on transparency, increasing competition and reducing collusion, and finding the means for a more efficient delivery of public services.

Policymakers have to aim higher than trying to restore our pre-pandemic living standards: they need to deal with pre-crisis trends that threaten our future and seize the opportunity for change. It is an opportunity to implement

green recovery and a significant shift in the sustainability of our economies. Governments are spending a lot of money in the policy response to the pandemic, but not enough of this is focused on sustainable solutions. Some countries are taking measures, but the effort needs to be bolder. Still, over 50% of policy support for energy in recovery packages is going to 'brown' fossil fuels. As recovery plans will be at the heart of governments budget preparation for 2021, the opportunity to reboot the economy on a stronger, fairer and more sustainable footing should not be wasted.



### Further reading:

OECD Interim Economic Outlook, 16 September, 2020

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# Shocks, risks and global value chains in a COVID-19 world

Category: COVID-19, trade, Uncategorized  
written by oecdecoscope | December 1, 2020

by Frank Van Tongeren, OECD Trade and Agriculture Directorate

In just six short months, the COVID-19 pandemic has swept the globe, leaving but a few island nations untouched. The virus and the measures required to contain it have left in their wake a global economy damaged beyond what was thought possible after the financial crisis over a decade ago. Unemployment in the OECD area increased by an unprecedented 2.9 percentage points in April alone, up from 5.5% the previous month, and the recent OECD Economic Outlook projects that *'five years or more of income growth could be lost in many countries by the end of 2021'*. The pandemic has painfully reminded us of the vulnerability of the global economy to unexpected shocks.

In the early stages of the pandemic, we saw dramatic shortages in the global availability of personal protective equipment and other medical supplies due primarily to surging demand, in some cases exacerbated by trade restricting measures. This raised questions about whether the relative gains and risks from deepening and expanding international specialisation in global value chains (GVCs).

Global value chains organize the cross-border design, production and distribution processes, creating much of what we purchase and consume every day: from food and medicines to smartphones and cars. Some people now wonder whether more localised production of key goods would provide greater security against disruptions that can lead to shortages in supply and uncertainty for consumers and businesses.

## **Modelling the question of reshoring post-COVID**

While we do not have a more 'localised' world at hand that we can use to compare vulnerability to shocks such as the COVID-19 pandemic, we can use economic models to explore such a counterfactual scenario and equip policy makers with information that can help them start to answer these pressing

questions. Recent simulations with a large-scale OECD trade model, METRO, compare two stylised versions of the global economy: the interconnected economies regime captures production fragmentation in GVCs much as we see it today, but also taking into account the changes already resulting from the COVID-19 crisis. These include reductions in supply and productivity of labour, reductions in demand for certain goods and services, and a rise in trade costs related to new customs procedures for goods and restrictions on temporary movement of people in services. In the localised -‘turning inward’- regime, production is more localised and businesses and consumers rely less on foreign suppliers. This illustrative counterfactual world is constructed through a global rise in import tariffs to 25%, combined with national value-added subsidies equivalent to 1 % of GDP on labour and capital, directed to domestic non-services sectors to mimic rescue subsidies that favour local production. It is also assumed that, in the localised regime, firms are more constrained in switching between different sources of products they use, making international supply chains more rigid. Those assumptions create strong incentives to increase domestic production and rely less on international trade and are meant to illustrate a range of potential implications of policies that aim at more localisation.

Starting from these two baseline scenarios for future trade regimes, the models can be exposed to a ‘supply chain shock’ similar to the disruption COVID-19 caused to global supply chains. During the pandemic, disruptions to labour, transport and logistics increased the cost of exporting and importing to a similar extent. The analysis, laid out in *Shocks, risks and global value chains: insights from the OECD METRO model* explores how the interconnected economies and the localised regimes compare in terms of the propagation of, or insulation from such shocks. The ‘supply chain shock’ is simulated with a 10% increase in the costs of bilateral exports and imports between a given region and all other countries. Because a

shock that decreases trade costs by 10% –a big drop in oil prices for instance– would have effects of the same magnitude, but in the opposite direction, both the downside and upside stability in the two regimes can be explored.

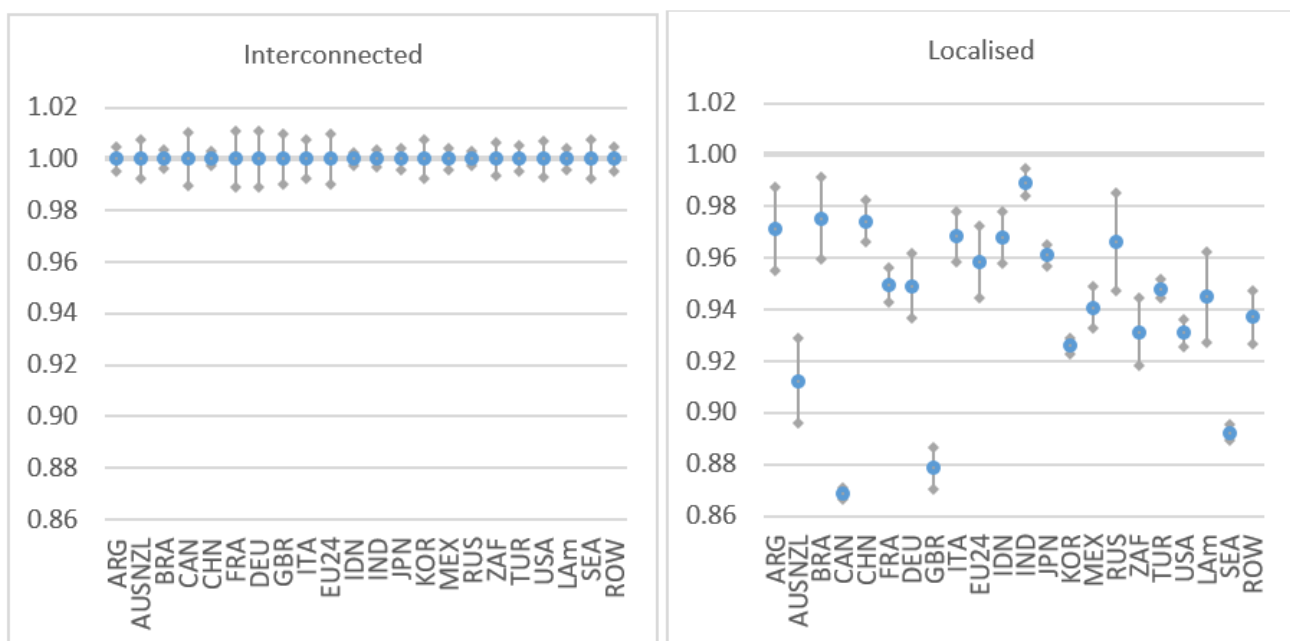
## **Increased localisation leads to GDP losses and makes domestic markets more vulnerable**

Current debates over future trade regimes often focus on a purported trade-off between efficiency and security of supply. This model simulation study allows us to evaluate the two simulated regimes for both. It found that a *localised* regime, where economies are less interconnected via GVCs, has significantly lower levels of economic activity and lower incomes. Increased localisation would thus add further GDP losses to the economic slowdown caused by the COVID-19 pandemic. Furthermore, even with the support and protection offered to domestic producers under a *localised* regime, not all stages of production can be undertaken in the home country, and trade in intermediate inputs and raw materials continues to play an important role in domestic production. In that context, less international diversification of sourcing and sales means that domestic markets have to shoulder more of the adjustments to absorb shocks, and this translates into larger price swings and large changes of production, and ultimately to greater variability of incomes. In this sense, the more localised regime delivers neither greater efficiency nor greater security of supply.

Recent OECD analysis on *The face mask global value chain in the COVID-19 outbreak* offers an concrete illustration. It showed that producing face masks requires a multitude of inputs along the value chain, from non-woven fabric made with polypropylene to specialized machinery for ultra-sonic welding. While the production itself does not require high-tech inputs, localising the production of just this one good

would require high capital investments which would need to be supported during periods when demand shrinks and localized production is not competitive. With current technologies it would therefore be excessively costly for every country to develop production capacity that matches crisis-induced surges in demand and which encompasses the whole value chain from raw materials through distribution for a whole catalogue of essential goods to match any potential crisis-foreseen and otherwise.

**In the *localised* regime, shocks result in lower levels and lower stability of real GDP**



*Note:* All changes in variables are relative to the level of the interconnected regime base scenario, which is set to equal 1. Blue dots show the base in the given regime relative to the interconnected base, and whiskers show average deviations for negative and positive trade cost shocks.

*Source:* OECD METRO database and simulations

More localisation also means more reliance on fewer sources of—and often more expensive—inputs. In this regime, when a disruption occurs somewhere in the supply chain, it is harder, and more costly, to find ready substitutes, giving rise to greater risk of insecurity in supply. This is also the case for sectors that are often seen as strategic: *food, basic pharmaceuticals, motor vehicles and electronics.*

Work on Trade interdependencies in Covid-19 goods further

supports these findings, demonstrating that no single country produces efficiently all the goods it needs to fight COVID-19. Indeed, while the United States and Germany tend to specialise in the production of medical devices, China and Malaysia are most specialised in producing protective garments.

While the argument about GVCs is often posited as one of efficiency versus security, OECD research illustrates that greater localisation fails to achieve either. The localization of production is costly for the most developed countries and virtually impossible for the less developed—while at the same time a localised regime provides less protection from the impact of shocks.

An alternative, more effective and cost-efficient solution to the challenges posed by shortages in some key equipment during demand surges may involve the combination of strategic stocks; upstream agreements with companies for rapid conversion of assembly lines during crises and supportive international trade measures.

If this crisis has taught us anything, it is that viruses, shocks, and economic consequences know no borders, and the one and best option that we have is to meet these challenges together.

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