

Employment in Sweden: aiming high

Category: Sweden,Uncategorized

written by oecdecoscope | June 29, 2023



by Hyunjeong Hwang, OECD Economics Department



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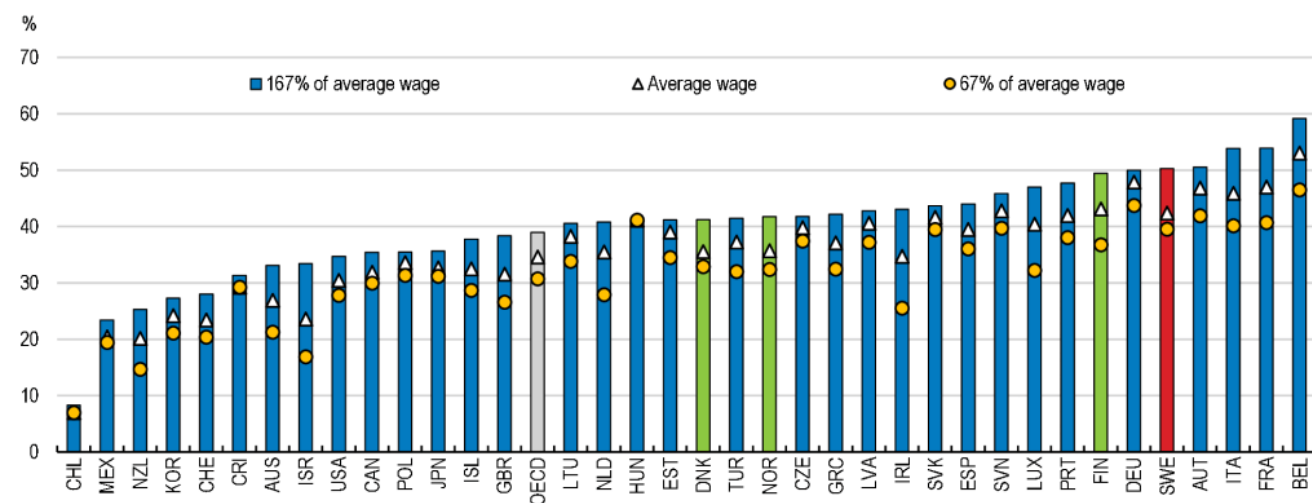
Long-term unemployment, notably among the foreign-born, remains a significant challenge. With lower educational attainment and lower Swedish language skills than natives, foreign-born people may struggle to get a job in a labour market characterised by a compressed wage distribution that demands high skills and productivity. Additionally, foreign-born women often face strong gender and family norms. Re-skilling and activation policies are key for these groups. A recent reform of the Public Employment Service, introducing a purchaser-provider model with outcome-based payments for employment services could help, but needs to be carefully monitored and calibrated to align providers' incentives with the objectives of the reform and to secure sufficient competition. Carefully reviewing social assistance with the aim to strengthen work incentives while ensuring decent living standards for people in need could also help.

Taxes on work are high, particularly among above-average income earners in Sweden (Figure 1). The top personal income tax rate is among the highest in the OECD and it applies from a low threshold. As a result, a relatively large share of taxpayers faces the top marginal tax rate. Meanwhile, tax rates on dividends and capital gains are relatively low. The

large difference between taxes on labour income and capital income creates incentives for high-wage earners to reclassify their income as capital income in order to minimise their tax obligations. Furthermore, housing taxation is both low and regressive. Shifting taxation away from labour and towards property and capital income would thus help create a more balanced and equitable tax structure, promoting labour supply and inclusive growth while preserving fiscal sustainability.

Figure 1. The labour tax wedge is high, especially among above-average earners

Tax wedge for a single person without children, by earnings level, 2022



Source: OECD Taxing wages.

Lengthening working lives as life expectancy increases is essential to strengthen public finances and to ensure sufficient pension income. Reforms in the 1990s made Sweden's pension system the envy of countries around the world, with in-built sustainability and incentives to lengthen working lives, and many policies have been put in place since to extend working lives. However, recent reforms to boost basic pensions and to introduce a new tax-funded income pension supplement go in the direction of reducing incentives to remain in work for many older workers and weaken the long-term sustainability of the system. The stated purpose of these changes was "to ensure a reasonable standard of living for pensioners who receive a low level of earnings-related pensions". However, on average, Swedish pensioners are relatively well-off compared internationally and compared to younger generations in Sweden. Sweden should therefore change

direction by holding back the uprating of tax-funded pensions for some time to come.

Relaxing strict rent controls, which would improve labour mobility and increase the supply of rental dwellings, should be considered. Waiting times for rental housing can stretch from years to decades in major cities in Sweden, perpetuating the scarcity of rental options. This pushes those with limited queuing time and limited means to buy housing, particularly youth and immigrants, into overcrowded housing, sublet or black markets with significantly higher rents. Greater flexibility in rental housing would facilitate the matching of skills with job vacancies and boost productivity by more efficiently allocating talent to where it is most needed.

Further reading:

OECD Economic Survey of Sweden (2023), OECD Economic Surveys: Sweden 2023, OECD Publishing, Paris.

How Climate Policies Shape Borrowing Costs and Investment through the Banking Channel

Category: Climate,Uncategorized
written by oecdecoscope | June 29, 2023



More stringent climate policies means that firms' environmental performance affects their costs of debt as (sophisticated) investors price transition risks

The OECD Energy Support Measures Tracker: Looking back to move ahead

Category: Energy, Uncategorized

written by oecdecoscope | June 29, 2023



By Cassandra Castle, Assia Elgouacem, Giuliana Sarcina, Enes Sunel, and Jonas Teusch

In the past few years, the global economy has experienced two major crises: the COVID-19 pandemic and Russia's war of aggression against Ukraine. The recovery from the pandemic and the war have both amplified tensions in the energy sector and

provoked a surge in energy prices.

The fiscal response to the energy crisis has been large, especially in Europe

The 2023 OECD Energy Support Measures Tracker, released on 6 June 2023, shows that in 2022, support measures in response to higher energy prices had a gross fiscal cost of 0.7% of GDP in the median OECD economy, rising to over 2.5% of GDP in some European countries (Figure 1). By way of comparison, these costs exceed what the median OECD country spends on unemployment benefits and are about half of the expenditure on family and child benefits. Comparable levels of fiscal support are foreseen for 2023 in the OECD as a whole. However, the actual cost of support will heavily depend on the evolution of energy prices.

The 2023 OECD Energy Support Measures Tracker provides comprehensive data and information on energy-crisis related fiscal support measures

Documenting the measures governments have implemented to face the energy price shock and being able to compare them across countries, remains critical to improving support policies and building resilience against future crises. The 2023 Tracker systematically catalogues support measures in place from February 2021 to May 2023 in 41 countries – 35 OECD countries and 6 non-OECD economies (Brazil, Bulgaria, Croatia, India, Romania and South Africa).[1] The data have been collected and processed by OECD country, fiscal and energy policy experts and validated by national administrations.

The dataset provides granular information to comprehensively characterise individual support measures. These include start and end dates, gross fiscal costs, type of support and delivery mechanism, main beneficiaries of the measures (indicating whether vulnerable households or firms from specific sectors are targeted, and, where applicable, summary

information on the differentiation of support between beneficiaries) and the impacted energy carriers (such as diesel, gasoline, electricity, natural gas). The sheer number and diversity of the measures makes classification challenging.

The 2023 Tracker classifies more than 550 support measures into two main categories: (1) price measures (e.g. reduced energy taxes and energy price caps), estimated to cost USD 422 billion in 2022-23; and (2) income measures (e.g. transfers and tax credits to consumers), estimated to total USD 383 billion in 2022-23. Within income measures, a distinction is made between measures that reduce the average price of energy in consumers' energy bills and measures that are unrelated to the level of energy consumption (Figure 2).

The measures – which were implemented swiftly amidst uncertainty, political economy constraints, and a focus on administrative simplicity – affect the behaviour of firms and people in different and significant ways, and may contribute to or detract from important longer-term policy objectives. Income support can maintain incentives to save energy whereas price measures weaken them, propping up demand for fossil fuels and effectively acting as a negative carbon price. Among income measures, those that are unrelated to the level of energy consumption tend better to preserve incentives for energy efficiency improvements than those that reduce the average price in the energy bill paid by consumers.

Measures were rarely targeted and increased the incentive to consume fossil fuels

Untargeted support measures make up the majority of the estimated total cost of support in 2022-23 (Figure 3). Among these, energy price support measures account for over 50% of total spending and carry substantial non-fiscal implications. While price support measures are straightforward to design and often politically popular, they weaken incentives to save

energy and are rarely targeted (over 92% of energy price support measures are untargeted), meaning that they tend to disproportionately support better-off households.

A clear taxonomy of measures and data can enable the design of better energy support policies when they are needed

Energy prices are receding, but possible renewed tensions in energy markets due to geopolitical developments and bottlenecks along the energy transition may result in higher energy price volatility in the future. Preparing government policy for possible new energy price spikes requires data and information on how support measures affect the behaviour of households and firms, their impact on public finances and their unintended consequences. The OECD Tracker is a resource for policymakers to do just that.

Interactive dashboard: Energy measures 2022/23

More information

OECD (2023), 2023 OECD Energy Support Measures Tracker, OECD database

OECD (2023), "Aiming Better: Government Support for Households and Firms During the Energy Crisis", *OECD Economic Policy Papers No. 32*, OECD Publishing: Paris, <https://doi.org/10.1787/839e3ae1-en>

[1] The government of Iceland has not taken any energy support measures. The Tracker also includes information on another five countries, for which it was either not possible to quantify the gross fiscal cost of the energy support measures (Argentina, China, Hungary and Indonesia) or these were deemed to have no impact on budget deficits, as is the case of

measures providing credit and equity support (Switzerland).

See also: 2026 OECD Energy Support Measures Tracker **and accompanying blog: Crude Awakening: Why energy shocks demand more than quick fixes.**

The sharp rise in energy prices linked to the Middle East conflict is reviving a familiar policy dilemma. When energy costs jump sharply, governments come under pressure to shield households and firms. As of March 2026, governments across the OECD have acted swiftly to shield households and firms from rising fuel costs.

América Latina: Estabilidad fiscal y equidad, un camino compartido hacia el progreso.

Category: Latin America,Uncategorized
written by oecdecoscope | June 29, 2023



Jens Arnold, Aida Caldera, Priscilla Fialho, Paula Garda, Alberto González Pandiella, Michael Koelle, Alessandro Maravalle, Adolfo Rodríguez-Vargas and Elena Vidal, Departamento de Economía, OCDE

Después de dos años con altos crecimientos, mejores de lo esperado, América Latina está volviendo a la senda de bajo

crecimiento que tenía antes de la COVID-19. Para 2023 se espera una fuerte ralentización económica, mayor que en el resto del mundo. Esto se debe a una demanda externa que pierde dinamismo y un consumo doméstico golpeado por la pérdida del poder adquisitivo de los hogares, como consecuencia de elevadas tasas de inflación y del endurecimiento de las condiciones financieras entre otros. Mientras que las economías OCDE crecerán un 1.4% en promedio en 2023, el PIB de los siete países de América Latina aumentará un 1.5%. Para 2024 se prevé una mejora, las economías de América Latina repuntarán ligeramente hasta un 1.7% en promedio, por encima del crecimiento promedio de las economías de la OCDE (Cuadro 1), si bien este crecimiento no será suficiente para lograr la convergencia en PIB per cápita con la OCDE. Por otro lado, la inflación se ha ido moderando gradualmente en la mayoría de los países después de alcanzar niveles históricos, gracias a la rápida y fuerte subida de las tasas de política monetaria y menores precios globales de combustibles y alimentos.

Este panorama, ya de sí poco alentador, está acompañado de una elevada incertidumbre y de riesgos domésticos y externos inusualmente altos. Un crecimiento mundial menor de lo previsto, especialmente en Estados Unidos y en China, acompañados de una inflación más persistente de lo esperado que implique una política monetaria más restrictiva en el mundo y en la región, representan claros riesgos a la baja. Aunque los buenos niveles de liquidez y capitalización en el sector bancario permitieron que las recientes turbulencias internacionales tuvieran un impacto mínimo en los países de la región, el endurecimiento de las condiciones financieras a nivel global, junto con los signos de inestabilidad en el sector bancario internacional, podrían causar salidas de capitales y un repunte de la aversión al riesgo, junto a volatilidad de los tipos de cambio y del coste de financiación. En términos domésticos, la frecuencia de eventos climáticos severos se ha incrementado debido al cambio climático. Lo mismo sucede con las tensiones sociales que

fueron exacerbadas por la pandemia y con las recientes presiones inflacionarias.

A pesar de estas dificultades, un futuro próspero y equitativo en América Latina es posible. Navegar los riesgos en el horizonte requiere fortalecer las cuentas públicas al tiempo que se atienden las crecientes demandas sociales y se mejora el crecimiento de una forma duradera.

Cuadro 1. Perspectivas económicas de los países de América Latina

	2021	2022	2023	2024		2021	2022	2023	2024
PIB variación, %					Inflación, %				
 Argentina	10.4	5.2	-1.6	1.1	 Argentina	48.0	72.4	106.9	88.3
 Brasil	5.3	3.0	1.7	1.2	 Brasil	8.3	9.3	5.6	4.7
 Chile	11.9	2.5	-0.1	1.9	 Chile	4.5	11.6	8.1	4.1
 Colombia	11.0	7.3	1.5	1.8	 Colombia	3.5	10.2	11.8	6.1
 Costa Rica	7.8	4.3	2.8	3.0	 Costa Rica	1.7	8.3	2.4	3.0
 México	4.7	3.1	2.6	2.1	 México	5.7	7.9	5.9	3.7
 Perú	13.3	2.7	1.7	2.9	 Perú	4.0	7.9	6.9	3.4
ALC-7	7.1	3.7	1.5	1.7	ALC-6 (excl. Argentina)	4.6	9.2	6.8	4.2
OCDE	5.7	3.1	1.4	1.4	OCDE	3.8	9.4	6.6	4.3
Mundo	6.1	3.3	2.7	2.9					

Nota: América Latina (ALC) es la media ponderada por PIB a paridad de poderes de compra de los 7 países en la tabla para el PIB; y la media simple de los países incluidos en el cuadro para la inflación.

Fuente: OCDE Perspectivas Económicas No. 113, junio de 2023.

Fortalecer las cuentas públicas y proteger a los más vulnerables

La situación fiscal permanece frágil en la región. Si bien los déficits fiscales disminuyeron en 2022, la deuda pública sigue históricamente elevada y la carga de intereses ha aumentado, siendo ésta muy sensible al endurecimiento de las condiciones

de financiación globales. Todo ello junto con un crecimiento débil plantea riesgos para la sostenibilidad fiscal. Proseguir la consolidación fiscal es crucial para restaurar la confianza de los mercados y reducir los costes del servicio de la deuda a la vez que se enfatiza el gasto social para apoyar a los pobres y hacer frente a las necesidades crecientes en educación, sanidad y protección social. Alcanzar estos objetivos requerirá la movilización de ingresos de manera progresiva, favorable al crecimiento y equitativa. Los programas de transferencias de apoyo social en un contexto de alta inflación deben ser temporales y focalizados hacia los más vulnerables y reducir los incentivos a la informalidad.

Fomentar la participación laboral de las mujeres: clave para impulsar el crecimiento inclusivo

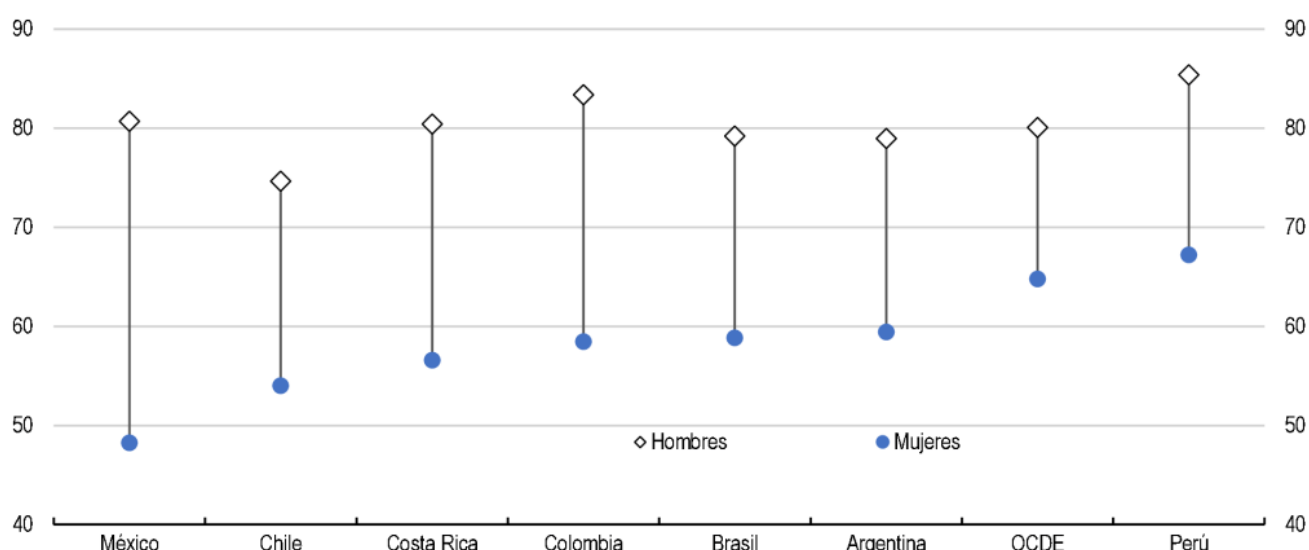
Para impulsar el crecimiento potencial y reducir las desigualdades en América Latina será clave una agenda de reformas para mejorar el acceso y la calidad de la educación, incrementar la competencia y reducir las brechas de infraestructura (transporte y digital). Pero también incrementar la participación laboral de las mujeres será un ingrediente prioritario. La brecha en las tasas de participación femenina en el mercado laboral respecto a los hombres es grande, mayor que el promedio de la OCDE (Gráfico 1). Además, cuando las mujeres trabajan tienen más probabilidades de tener trabajos informales con peores condiciones laborales, reduciendo sus salarios. Cerrar estas desigualdades de género impulsarían muy significativamente el crecimiento en la región de una forma equitativa. No solo se incrementaría el número de personas en la fuerza laboral, sino que también se impulsaría la productividad, al mejorar la adecuación entre trabajadores y empleos. A su vez, el mayor crecimiento económico también tendría un impacto fiscal positivo, ayudando en el reto de fortalecer las cuentas públicas.

¿Como hacerlo? Promover el acceso a la educación inicial, que

a pesar del progreso reciente es insuficiente en la mayoría de los países de América Latina, es clave para aumentar la participación laboral de las mujeres. La tasa de participación escolar de los niños menores de 6 años es a menudo más baja en los hogares de menores ingresos, donde las necesidades de cuidado impiden que las madres participen en el mercado laboral. Deben incrementarse la oferta de plazas en las guarderías y subsidios para los hogares con menos recursos. Estas distorsiones de género en el mercado laboral están también estrechamente relacionadas con las desigualdades en la formación de las mujeres. Por tanto, es crucial seguir invirtiendo en educación básica accesible y de calidad. Finalmente, es necesario promover campañas de sensibilización y educación para combatir estereotipos de género tan arraigados en los países de América Latina.

Gráfico 1. La brecha de género en participación laboral en los países de Latinoamérica está muy por encima del promedio de la OCDE

Participación laboral, población 15-64 años de edad, por sexo, 2021



Fuente : OCDE, base de datos de estadísticas de población activa; y Perú: INEI.

Más información:

OECD Economic Outlook, junio 2023– Reporte completo en inglés con las proyecciones macroeconómicas, los principales desafíos estructurales e información detallada por país.

Perspectivas económicas de la OCDE para países de América Latina, junio 2023.

Información detallada para Argentina | Brasil | Chile | Colombia | Costa Rica | México | Perú

A Long Unwinding Road

Category: Uncategorized

written by oecdecoscope | June 29, 2023



By Clare Lombardelli, OECD Chief Economist

The global economy is turning a corner but faces a long road ahead to attain strong and sustainable growth. Global GDP growth slowed substantially throughout 2022, but several of the factors weighing negatively are now unwinding. Falling energy prices and headline inflation, easing supply bottlenecks and the reopening of China's economy, coupled with strong employment and relatively resilient household finances, all contribute to a projected recovery. Nevertheless, the recovery will be weak by past standards. We project global growth to be 2.7% in 2023, with a modest pick-up to 2.9% in 2024 – both well below the average growth rate in the decade preceding the COVID-19 pandemic.

Real GDP growth projections

% change, year-on-year

	2022	2023	2024		2022	2023	2024
World	3.3%	2.7%	2.9%	OECD	3.0%	1.4%	1.4%
 Australia	3.6%	1.8%	1.4%	 Argentina	5.2%	-1.6%	1.1%
 Canada	3.4%	1.4%	1.4%	 Brazil	3.0%	1.7%	1.2%
 Euro Area	3.5%	0.9%	1.5%	 China	3.0%	5.4%	5.1%
 France	2.5%	0.8%	1.3%	 India	7.2%	6.0%	7.0%
 Germany	1.9%	0.0%	1.3%	 Indonesia	5.3%	4.7%	5.1%
 Italy	3.8%	1.2%	1.0%	 Mexico	3.1%	2.6%	2.1%
 Japan	1.0%	1.3%	1.1%	 Russia	-2.0%	-1.5%	-0.4%
 Korea	2.6%	1.5%	2.1%	 Saudi Arabia	8.8%	2.9%	3.6%
 United Kingdom	4.1%	0.3%	1.0%	 South Africa	2.0%	0.3%	1.0%
 United States	2.1%	1.6%	1.0%	 Türkiye	5.6%	3.6%	3.7%

OECD Economic Outlook, June 2023

Policymakers need to act decisively on macroeconomic and structural policy to deliver stronger and more sustainable growth. This is hard. Core inflation remains too persistent. Debt levels are too high. And potential output is too low.

Monetary policymakers need to navigate a difficult road. Although headline inflation is declining thanks to lower energy prices, core inflation remains stubbornly high, more so than previously expected. Central banks need to maintain restrictive monetary policies until there are clear signs that underlying inflationary pressures are abating. Some economies grappling with stubbornly high core inflation may require additional interest rate increases. However, policymakers must keep a watchful eye, given the uncertainties around the exact impact of the rapid and globally synchronised monetary policy tightening following an extended period of low interest rates. The tightening has already revealed some vulnerabilities in financial markets. Should further financial market stress arise, central banks should deploy financial policy instruments to enhance liquidity and minimise contagion risks. Clear communication will be crucial to avoid confusion about the potential conflict between pursuing price stability and financial stability mandates.

The choices for fiscal policymakers are clearer but no easier to implement given the inherent political sensitivity of policy choices with direct redistributive effects. Fiscal policy played a vital role in supporting the global economy through the shocks of the COVID-19 pandemic and Russia's war in Ukraine. However, in the aftermath, most countries are grappling with higher budget deficits and higher public debt. The burden of debt servicing is increasing and spending pressures related to ageing and the climate transition are building.

As the recovery takes hold, fiscal support should be scaled back and better targeted. Energy price support should be withdrawn as energy prices fall. Vulnerable households inadequately covered by existing social protection systems, will continue to need support, as still high food and energy prices particularly burden the most disadvantaged. Limited resources should be targeted only to those who really need it and to high-priority productivity-enhancing investments, including those driving the green transition and improving labour supply and skills. Gradually unwinding fiscal support will help reduce the burden on monetary policy, strengthen buffers against future crises and prepare for longer-term challenges

Emerging-market economies face challenges from tight global financial conditions: higher debt servicing costs, capital outflows, and reduced credit availability from foreign lenders. Moreover, rising geopolitical tensions and concerns about supply chain security have prompted several countries to implement trade and investment restrictions. Increasingly restrictive trade policies risk curtailing the gains from global trade and harming the development prospects of low-income countries.

Ultimately only ambitious structural policy reforms can sustainably raise long-term economic growth and people's quality of life around the world. Revitalising labour and

product markets; removing barriers to cross-border trade; promoting competition and adapting competition policies to the digital era; and enhancing skill development are essential elements of the structural reform agenda.

Private and public investment is needed in human, tangible and intangible capital to enable people to make the most of their skills and capabilities, and to harness the ever-increasing opportunities from technological transformation. Investment in education and skills is critical to enable people to flourish in the future economy and reap the benefits of increased productivity.

Policymakers need to unwind the impact of a sequence of negative shocks to the global economy and face a complex set of challenges in doing so. They need to calibrate monetary and fiscal policies to curtail inflation and rebuild fiscal buffers without overly reducing growth. Delivering sustainably higher rates of growth will need bold and forward-thinking structural policy reforms allowing us to harness the opportunities of rapid technological advances, demographic shifts, and the climate transition.

More information:

Editorial from the **OECD Economic Outlook**, June 2023

[Clare Lombardelli's Twitter](#)

[Clare Lombardelli's LinkedIn](#)

La route est encore longue

Category: Uncategorized

written by oecdecoscope | June 29, 2023



Clare Lombardelli, Cheffe économiste de l'OCDE

L'économie mondiale a amorcé un tournant, mais la route est encore longue pour parvenir à une croissance forte et durable. La croissance du PIB mondial a sensiblement ralenti tout au long de 2022, mais plusieurs des facteurs qui la brident encore commencent à s'estomper. Le recul des prix de l'énergie et de l'inflation globale, l'atténuation des perturbations de l'offre et la réouverture de l'économie chinoise sont autant de facteurs qui, conjugués à la vigueur de l'emploi et à la relative résilience des finances des ménages, contribuent à la reprise prévue. Celle-ci sera néanmoins timide par rapport aux rebonds observés dans le passé. D'après nos projections, la croissance mondiale s'établira à 2.7 % en 2023, avant de se redresser légèrement pour atteindre 2.9 % en 2024, soit bien en deçà du taux de croissance moyen enregistré durant la décennie qui a précédé la pandémie de COVID-19.

Projections de croissance du PIB réel

% de variation, en glissement annuel

	2022	2023	2024		2022	2023	2024
Monde	3.3%	2.7%	2.9%	OCDE	3.0%	1.4%	1.4%
 Australie	3.6%	1.8%	1.4%	 Argentine	5.2%	-1.6%	1.1%
 Canada	3.4%	1.4%	1.4%	 Brésil	3.0%	1.7%	1.2%
 Euro (zone)	3.5%	0.9%	1.5%	 Chine	3.0%	5.4%	5.1%
 France	2.5%	0.8%	1.3%	 Inde	7.2%	6.0%	7.0%
 Allemagne	1.9%	0.0%	1.3%	 Indonésie	5.3%	4.7%	5.1%
 Italie	3.8%	1.2%	1.0%	 Mexique	3.1%	2.6%	2.1%
 Japon	1.0%	1.3%	1.1%	 Russie	-2.0%	-1.5%	-0.4%
 Corée	2.6%	1.5%	2.1%	 Arabie Saoudite	8.8%	2.9%	3.6%
 Royaume-Uni	4.1%	0.3%	1.0%	 Afrique du Sud	2.0%	0.3%	1.0%
 États-Unis	2.1%	1.6%	1.0%	 Türkiye	5.6%	3.6%	3.7%

Perspectives économiques de l'OCDE, juin 2023.

Les décideurs publics doivent agir avec détermination sur les leviers macroéconomiques et structurels pour asseoir une croissance plus forte et plus durable. La tâche est ardue : l'inflation sous-jacente est trop persistante, les niveaux d'endettement sont trop élevés et la production potentielle est trop faible.

Les autorités monétaires doivent négocier un virage délicat. Malgré la décrue de l'inflation globale due au recul des prix de l'énergie, l'inflation sous-jacente reste obstinément forte, en tout cas plus élevée qu'on ne l'avait anticipé. Les politiques monétaires doivent rester restrictives tant qu'aucun signe d'atténuation des tensions inflationnistes sous-jacentes ne sera clairement confirmé. De nouveaux relèvements des taux d'intérêt pourraient être nécessaires dans certaines économies en proie à une inflation sous-jacente résolument élevée. Les autorités doivent toutefois rester vigilantes compte tenu des conséquences incertaines du resserrement monétaire rapide et synchronisé opéré à l'échelle mondiale après une longue période de faibles taux d'intérêt. Ce changement de cap a déjà mis au jour certaines vulnérabilités sur les marchés financiers. Si les tensions devaient s'accroître, les banques centrales devraient

mobiliser divers instruments de politique financière pour accroître la liquidité et réduire autant que possible les risques de contagion. Elles devront à tout prix communiquer clairement pour éviter toute confusion quant au conflit potentiel entre le double mandat de stabilité des prix et de stabilité financière.

Les choix qui s'imposent aux autorités budgétaires sont plus évidents, mais pas plus faciles à mettre en œuvre, les décisions qui ont des effets redistributifs directs étant toujours politiquement sensibles. La politique budgétaire a joué un rôle essentiel en soutenant l'économie mondiale face aux chocs provoqués par la pandémie de COVID-19 et la guerre menée par la Russie en Ukraine. Cependant, la plupart des pays sont aujourd'hui aux prises avec des déficits budgétaires plus amples et un endettement public en hausse. La charge du service de la dette s'alourdit tandis que les tensions sur les dépenses liées au vieillissement démographique et à la transition climatique s'accroissent.

Alors que la reprise va s'installer, il faudra réduire et mieux cibler les mesures de soutien budgétaire. Les aides liées aux prix de l'énergie devraient être démantelées à mesure que ceux-ci diminueront. Les ménages vulnérables, dont la protection sociale est actuellement insuffisante, continueront d'avoir besoin d'aide, le niveau toujours élevé des prix de l'alimentation et de l'énergie pesant particulièrement sur les plus défavorisés. Les ressources disponibles, limitées, devraient être consacrées à celles et ceux qui en ont réellement besoin, ainsi qu'aux investissements hautement prioritaires propices aux gains de productivité, notamment ceux qui favorisent la transition écologique et améliorent l'offre de main-d'œuvre et les compétences. La suppression progressive des aides budgétaires permettra de moins solliciter les instruments de politique monétaire, de renforcer les marges de manœuvre pour affronter les crises futures, et de se préparer à faire face aux enjeux

à plus long terme.

En raison du durcissement des conditions financières à l'échelle mondiale, les économies de marché émergentes traversent des difficultés, notamment un alourdissement du service de la dette, des sorties de capitaux ou une réduction de l'offre de crédit des prêteurs étrangers. Par ailleurs, la montée des tensions géopolitiques et les préoccupations grandissantes concernant la sécurité des chaînes d'approvisionnement ont incité plusieurs pays à prendre des mesures limitant les échanges et l'investissement. Des politiques commerciales de plus en plus restrictives risquent de réduire les gains tirés du commerce mondial et de compromettre les perspectives de développement des pays à faible revenu.

En définitive, seules des réformes structurelles ambitieuses peuvent améliorer durablement la croissance économique à long terme et la qualité de vie des populations partout dans le monde. Tout train de réformes structurelles doit impérativement viser à redynamiser les marchés du travail et des produits, à lever les obstacles aux échanges internationaux, à favoriser la concurrence et à adapter les politiques en la matière à l'ère numérique, ainsi qu'à renforcer les compétences.

Des investissements privés et publics dans le capital humain et les actifs matériels et immatériels seront indispensables pour permettre aux individus d'utiliser au mieux leurs compétences et aptitudes, et tirer parti des perspectives toujours plus nombreuses offertes par la transformation technologique. Il est primordial d'investir dans l'éducation et les compétences afin que chacun puisse s'épanouir dans l'économie future et récolter les fruits d'une productivité accrue.

Les décideurs publics vont devoir estomper les effets induits par une succession de chocs négatifs sur l'économie mondiale,

et affronter pour cela une série de défis complexes. Il leur faut notamment ajuster les politiques monétaires et budgétaires de façon à réduire l'inflation et à reconstituer des marges de manœuvre budgétaires sans trop freiner la croissance. Pour améliorer durablement les taux de croissance, ils ne pourront se dispenser de mener des réformes structurelles audacieuses et novatrices qui nous permettront de mettre à profit les perspectives ouvertes par les progrès technologiques rapides, les évolutions démographiques et la transition climatique.

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By Tim Bulman and Timo Leidecke, OECD Economics Department

Greece has rebounded from the COVID crisis. The tourists enjoying the beaches, restaurants and museums across Greece over the summer and as late as November are among the more visible signs of this rebound. Their numbers and spending approached the historical pre-COVID peak of 2019.

There are signs across Greece that the recovery has been much broader and deeper than a wave of post-lockdown holiday-makers. The ancient port of Piraeus is vibrant with record

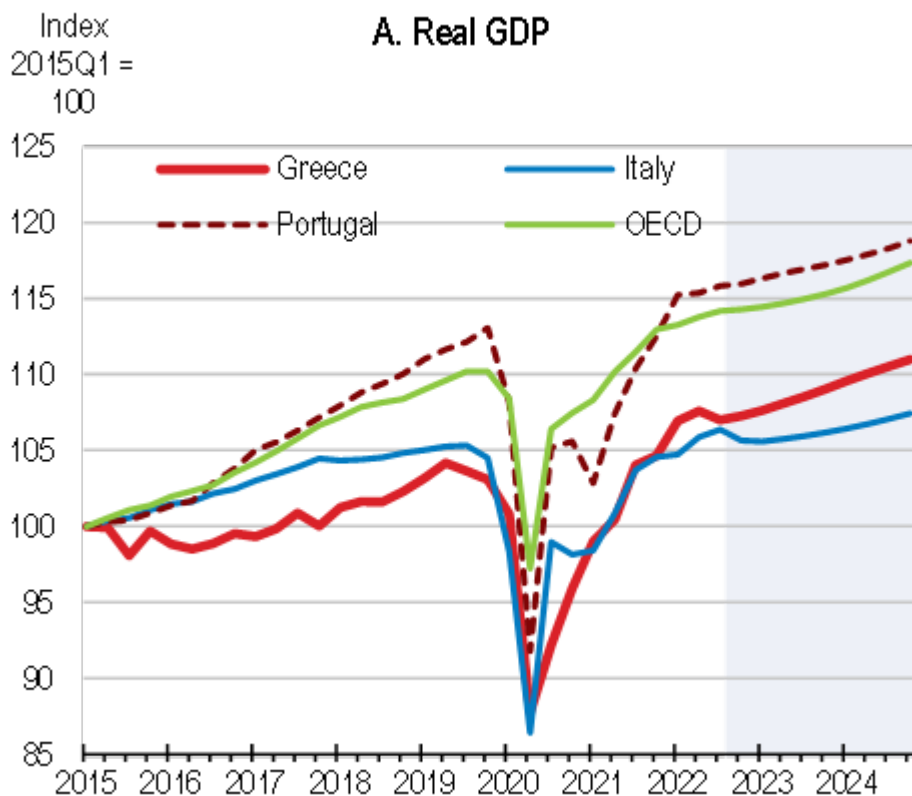
levels of activity and construction as wharves are extended and new cargo handling facilities are added. In the offices surrounding it, shipping agencies and fleet owners have been working long hours to help the global economy navigate the shifting demands and logistical complexities of the COVID crisis.

In sparkling new office parks and research centres around the northern centre of Thessaloniki, investments have been signed to develop pharmaceutical research and production, and to set-up world-leading software and IT development centres.

Across the country, hundreds of the projects laid out in the Greece 2.0 Recovery and Resilience Plan are already improving the quality of infrastructure and the business environment.

However surging energy and other primary commodity prices, especially since Russia's invasion of Ukraine, have generated strong headwinds that have slowed Greece's economy. The newly-launched 2023 Economic Survey of Greece projects that growth will slow from 5.1% in 2022 to a little over 1% in 2023.

Greece's recovery from the COVID crisis has been strong



Source: OECD Economic Outlook 112 (database), updated; OECD Main Economic Indicators (database); and Eurostat.

How can Greece successfully navigate through these headwinds, and set course for sustained growth and improving living standards? The Economic Survey identifies four priorities for Greece:

1. *Healthy public finances.* Keeping public debt ratios on a downward path is central for Greece achieving investment-grade sovereign debt rating, and with it readier access to less expensive financing for investment. Maintaining a primary budget of 1.5% to 2.0% of GDP would support better debt dynamics. Greece can sustain such surpluses while better supporting activity. On the one hand, it can reallocate funding to spending that best supports growth, such as infrastructure, education and active labour market policies, while limiting other areas such as the overall public payroll costs. On the other, maintaining revenues is also important. Focusing future tax rate changes on expanding the base of taxpayers, limiting tax expenditures and raising compliance, can maintain revenues while reducing the economic weight of

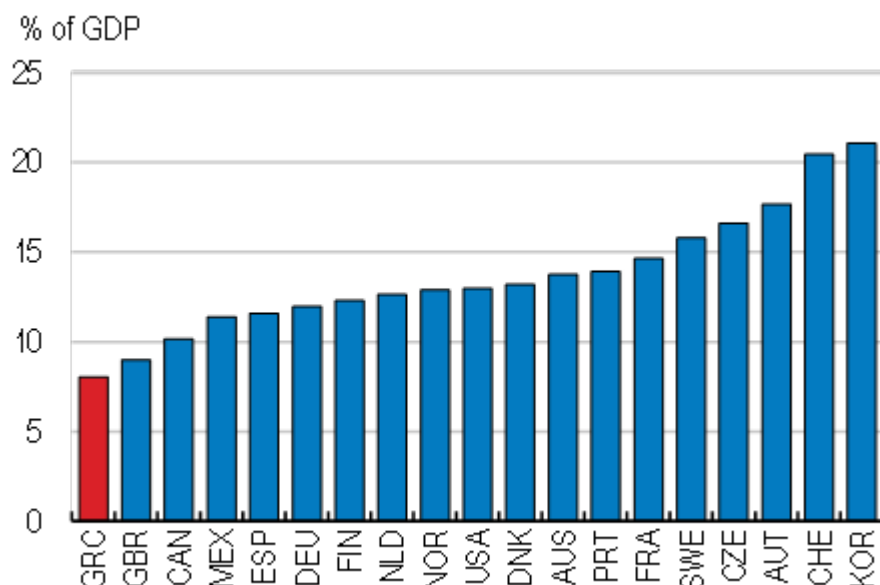
taxes.

2. *Financing for investment.* The Hercules securitisation scheme is helping the main banks clear their backlog of non-performing loans. Much more efforts will be required to rebuild banks' capital bases such that they re-start financing new investment. Developing non-bank financing can help circumnavigate the problems in the banking sector, better support smaller and medium-sized firms' growth, and develop new businesses. Ensuring financial market regulations support transparency and information sharing, can help develop these sources.

3. *A dynamic business environment that stimulates investment.* A decade of reforms and the Greece 2.0 measures are greatly improving Greece's business environment, as recognised by OECD indices and other global ratings. Ensuring these reforms improve outcomes on the ground, and addressing the remaining weaknesses, however, is a marathon. Lower entry barriers, prioritising professional services, and strengthening the Hellenic Competition Commission and other economic regulators to improve competition can raise the dynamism of Greece's markets. Improving the legal system's effectiveness is central for firms in Greece, and fully integrating the justice system in the different measures to review and simplify all administrative processes could help accelerate progress.

Strengthening private investment would support long-term growth

Private business investment, 2021



Source: Calculations based on data from OECD Economic Outlook.

4. *A workforce ready for emerging opportunities.* The post-COVID rebound has lifted the total number of people in work to the highest level since 2010 – and has even led to shortages of skills in sectors ranging from construction to IT. Promoting flexible work arrangements and encouraging young fathers to take up the new paid paternity leave, would activate more women, including in areas where skills are in short supply. The ongoing reforms to the public employment service, particularly to develop mutual obligation requirements centred on tailored personal action plans for the unemployed, can help them enter work. In the longer term, engaging more adults (both young and mature age) in higher-quality re-skilling programmes can ensure that the workforce has the skills to make the most of the opportunities offered by the digital and green transitions.

These measures will help Greece shift from the post-COVID rebound onto a path of sustained growth. This will be key for Greece to address the fundamental longer-term challenge of achieving a net-zero greenhouse gas emission economy and adapting to a changing climate. Priorities to address this challenge will be the topic of a forthcoming ECOSCOPE blog and an Economics Department Working Paper.

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