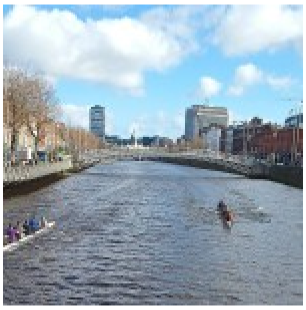
Boosting health spending efficiency in Ireland

Category: Uncategorized
written by oecdecoscope | March 10, 2023



To ensure equal access to quality healthcare services, Ireland should increase health spending efficiency via the delivery of more integrated and patient-centric healthcare, while making the most of cost-saving opportunities offered by enhanced digitalisation.

Laying the foundations for strong, sustainable growth in Finland

Category: Finland
written by oecdecoscope | March 10, 2023

After a large drop in the first half of 2020, Finland regained its pre-COVID-19 GDP level by mid-2021. Policies to support incomes during and after the pandemic contributed to the powerful economic rebound. However, Russia’s war of aggression against Ukraine has boosted inflation, slashing household spending power and consumer confidence.

The Slovenian economy is bouncing back

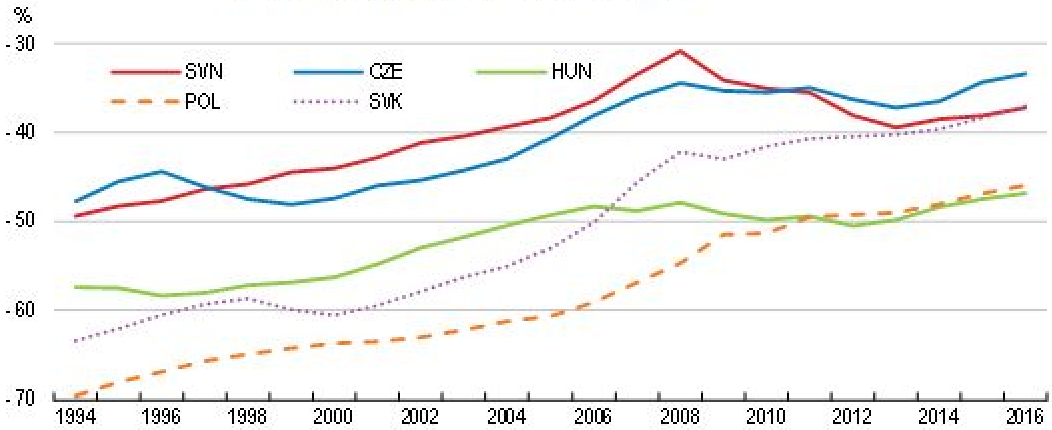
Category: Slovenia,Uncategorized
written by oecdecoscope | March 10, 2023
by Rory O’Farrell, Slovenia Desk, OECD Economics Department

Slovenia would do well if its economy performed as well as its ski-jumpers. In 2015, Slovenian Peter Prevc became the first ski-jumper in history to jump 250 metres. As impressive has been his ability to land successfully, being among the few jumpers to receive a perfect 20 points for style. While the Slovenian economy has been successful in bounding forward, it has taken hard falls in the past, and a lack of resilience means it has taken a long time to recover.

Prior to the international crisis, the bounding Slovenian economy converged with advanced OECD economies, before suffering a double hard landing with the onset of the international financial crisis and a subsequent domestic banking crisis. However, thanks to recent structural reforms, business restructuring, supportive monetary conditions and improved export markets, Slovenia is leaping forward again. GDP growth is accelerating and broadening, unemployment is down, and both consumer confidence and the trade balance are reaching record highs. The government may need to step in early with tighter fiscal policy to ensure a controlled landing.

Convergence in GDP per capita has faltered, unlike other countries in the region

Gap to the upper half of OECD countries[1]



1. Percentage gap with respect to the weighted average using population weights of the highest 17 OECD countries in terms of GDP per capita (in constant 2010 PPPs).
Source: OECD, National Accounts and Productivity Databases.

However, unlike its agile youthful ski-jumpers, Slovenia is not breaking any records in terms of productivity. Indeed, its growth has lagged that of regional peers. Labour productivity is low compared to the OECD average, in part due to large numbers of workers employed in relatively low-productivity small firms, and this has yet to show a strong improvement. Productivity gains were also held back by low investment, as the crisis-afflicted banking sector was unable to lend to domestic firms, and Slovenia has been less succcesful in attracting foreign direct investment than other countries in the region. In addition, a lack of competitive pressure, due to heavy regulation and ineffective competition policies and enforcement, has inhibited Slovenian firms from developing the efficiency needed to drive productivity forward.

The nimbleness of the Slovenian economy is also being reduced by a rapidly ageing population. Older workers with obsolete skills have tended to take early retirement rather than retrain, and a poor reallocation of labour is leading to labour shortages. In the past such shortages were filled by training young Slovenians, but a shrinking youth population means this is no longer possible. In addition, public spending pressures due to ageing (in terms of health and pensions) are mounting.

However, with an improving economy Slovenia is in a good position to move ahead with reforms that will boost long-term growth. As with any ambitious endeavour, occasional mishaps are inevitable. The just released OECD Economic Survey of Slovenia highlights the need to maintain a fiscal cushion to soften future landings as well as the reforms needed to create a more agile economy to sustain incomes and well-being.

Find out more:

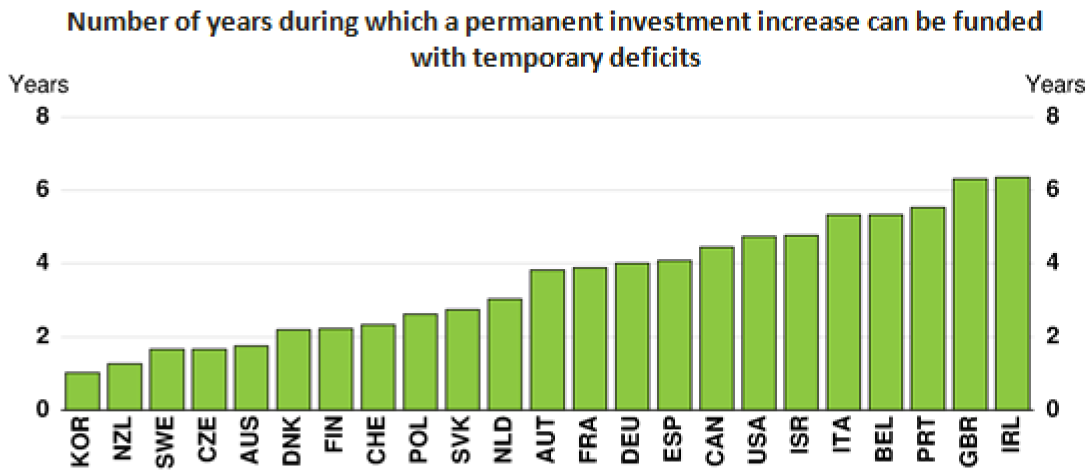
OECD (2017), *OECD Economic Surveys: Slovenia 2017*, OECD Publishing, Paris.

Time to deploy the fiscal levers actively and wisely

Category: fiscal policy,Public finance,Uncategorized
written by oecdecoscope | March 10, 2023
by Catherine L. Mann, OECD Chief Economist, OECD Economics Department

The role of fiscal policy has been at the heart of the policy debate since the financial crisis. With the global economy stuck in a low-growth trap and monetary policy overburdened, it is time to re-assess the use of fiscal policy levers.

Government interest payments have fallen sharply as interest rates have declined to very low levels, freeing up cash. In addition, new OECD estimates show that “fiscal space” – the gap between current government debt and levels at which market access would be compromised – have widened since 2014, as lower interest rates have more than offset headwinds from lower potential growth. This creates a window of opportunity.



Most OECD governments have space to pursue a ½ percent of GDP deficit-financed “fiscal initiative” to support productivity-enhancing measures for 3-4 years without increasing public debt in the medium term. The withdrawal of deficit financing after the initial fiscal initiative and the outcome of higher growth from the initiative are enough to ensure that debt sustainability does not deteriorate, while the low interest rate environment means that stimulus is not crowded out. The benefits are greater if boosting short-term activity helps to avoid high and persistent unemployment, if countries reduce regulatory burdens, and if countries undertake these efforts collectively.

		Contractionary	Mildly contractionary	Broadly neutral	Mildly expansionary	Expansionary
Projected fiscal stance	Contractionary					
	Mildly contractionary		ARG, BRA, COL, CRI, GRC, SVK	BEL	AUS, GBR, IDN, KOR	
	Broadly neutral			CHL, CZE, DNK, ESP, IND, IRL, ISR, JPN, LTU, MEX, NZL, PRT,TUR, SWE, ZAF	AUT, FIN, NLD,FRA, RUS	CHE
	Mildly expansionary	HUN		SVN	CAN, ITA, NOR, POL	DEU, EST, LVA
	Expansionary	ISL			CHN	LUX, USA

OECD recommends more expansionary than planned

OECD recommends less expansionary policy than planned

While it may be easy to relax the fiscal stance, the success of the fiscal initiative to promote growth, enhance long-run potential output, and improve debt sustainability depends on an effective strategy of additional spending or tax reductions to achieve more inclusive and higher growth.

Several major economies are now using the fiscal levers more *actively*, following the consolidation of the years following the crisis. But, some countries – notably in Europe – have yet to seize the opportunity.

However, are countries using the fiscal levers more *wisely?* The evidence of recent years is that many countries have cut the share of spending on investment and education, while increasing the share of taxes that are most harmful to growth and equality. A shift toward a more effective mix is needed.

The OECD is today releasing new research on the mix, size and quality of public investment, including a new dataset on the composition of public spending. Soft investment, such as skills and R&D, together with well-governed public investment in infrastructure, can yield large growth gains. Good institutions enhance the effectiveness of government spending and tax policy.

The policy debate will continue, but now is the time to deploy the fiscal levers actively and wisely !

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OECD (2016), “Using the fiscal levers to escape the low growth trap“, in OECD Economic Outlook, Volume 2016 Issue 2, OECD Publishing, Paris.

Mourougane, A., J. Botev, J-M. Fournier, N. Pain and E. Rusticelli (2016), “Can an increase in public investment sustainably lift economic growth?” OECD Economics Department Working Papers, No. 1351, OECD Publishing, Paris.

Botev, J., J-M. Fournier and A. Mourougane (2016), “A reassessment of fiscal space in OECD countries“, OECD Economics Department Working Papers, No. 1352, OECD Publishing, Paris.