Rethinking policy for a changing world

Global Parliamentary Meeting
25 February 2020

Laurence Boone
Chief Economist
Growth is projected to remain sluggish

Real GDP growth
Percent, year-on-year

World

Advanced economies

Note: LHS: Calculated using PPP weights. RHS: Dotted lines represent the projection period.
Source: OECD Economic Outlook 106 database; and OECD calculations.
Growth stabilisation disrupted by Coronavirus

China is more integrated in the global economy

Share of China


Source: OECD Economic Outlook database; OECD Global FDI in figures (2019); immigration Department, Hong Kong, China; and OECD calculations.

Hong Kong visitor arrivals

Number of daily non-resident arrivals in Hong Kong, Jan-Feb average over 2017-19 and daily Jan 24-Feb 23 2020


Source: OECD Economic Outlook database; OECD Global FDI in figures (2019); immigration Department, Hong Kong, China; and OECD calculations.
Challenge 1: Weak investment

Net public investment
% of GDP, current prices

- Average 2010-18
- Average 2001-07

Net productive investment
OECD, % of GDP, constant prices

- Median
- Lower Quartile
- Upper Quartile

Note: LHS: EA17 is the aggregate for the 17 euro-area member countries that are also members of the OECD. RHS: Productive investment consists of business plus government investment. The return on capital is calculated as the corporate operating surplus less consumption of fixed capital relative to net fixed assets where available for net produced assets otherwise. Source: OECD 106 database; and OECD calculations. OECD (2019); National Account Statistics database.
Challenge 2: Inequality of income and opportunities

Income inequality has been rising globally

Real disposable income growth
Average for 17 OECD countries, 1985=100

- Top 10%
- Median
- Bottom 10%


650 600 550 500 450 400 350 300

Mean score

Bottom quarter
Top quarter

Income inequality feeds into educational success
Mean performance in reading, by national quarter of socio-economic status

Note: LHS: Unweighted average for 17 countries for which long-term data are available: Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, New Zealand, Sweden and United States. RHS: China refers to the four PISA-participating provinces/municipalities: Beijing, Shanghai, Jiangsu and Zhejiang. OECD-36.

Source: OECD calculations from OECD Income Distribution Database; WID.world database (2019); OECD, PISA 2018 Database, Table II.B1.2.3.
Challenge 3: The energy transition

Climate change impacts keep rising while mitigation initiatives are limited

Current policies imply unsustainable investment paths

Global annual energy investment, USD billion

Note: LHS: Recorded events have caused at least one fatality and/or produced normalised losses ≥ US$ 100k, 300k, 1m, or 3m depending on the affected country's income group. Carbon pricing initiatives include carbon taxes and ETS implemented at the national or regional level. RHS: USD billion expressed at 2018 prices. Consistent with Paris Agreement refers to the scenario that fully aligns with the Paris Agreement temperature targets and meets objectives related to universal energy access and cleaner air.

Source: Munich Re NatCatService; World Bank; IEA World Energy Outlook 2019.
Challenge 4: Competition in the digital age

Business dynamism has been trending down, especially in the digital sectors
Solid lines – digital intensive sectors, dotted lines – other sectors

The yearly number of M&A has increased rapidly, especially in digital services
Number of M&As per year

Note: LHS: The figure reports average within-country-industry trends of job reallocation, entry and exit rates for the period 1998-2015 in a sample of 15 mostly OECD countries. Each point represents cumulative change in percentage points since 1998. The figures are based on the year coefficients of regressions within country-sector, with and without interaction with a dummy capturing digital intensity of the sector. The dependent variables are alternatively job reallocation rates of incumbents, entry rates or exit rates.
Source: Calvino, F. and C. Criscuolo (2019); Bajgar, Criscuolo and Timmis, 2019, forthcoming.
Challenge 5: Ageing

Estimated life expectancy at age 65

Years

1980 2015 2060

Japan
France
Australia
Canada
Italy
Korea
United Kingdom
United States
Germany
Mexico
Brazil
Argentina
Turkey
China
Russia
Saudi Arabia
India
South Africa
Indonesia

Challenge 5: Ageing

Ageing will weigh on living standards

Working-age population contribution to GDP per capita growth between 2018 and 2030
By country, % per annum

Working-age population contribution to GDP per capita growth between 2030 and 2060
By country, % per annum

THANK YOU