



# *Rethinking policy for a changing world*

**Global Parliamentary Meeting**

**25 February 2020**

**Laurence Boone**

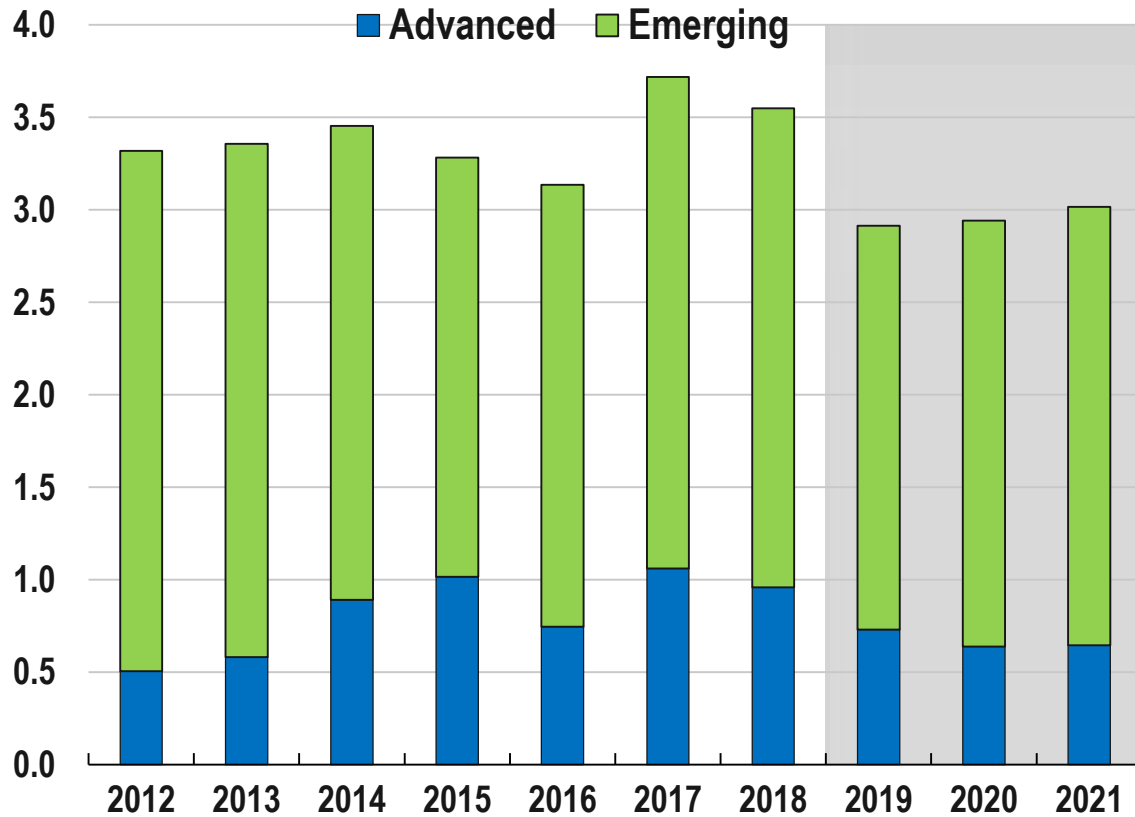
**Chief Economist**



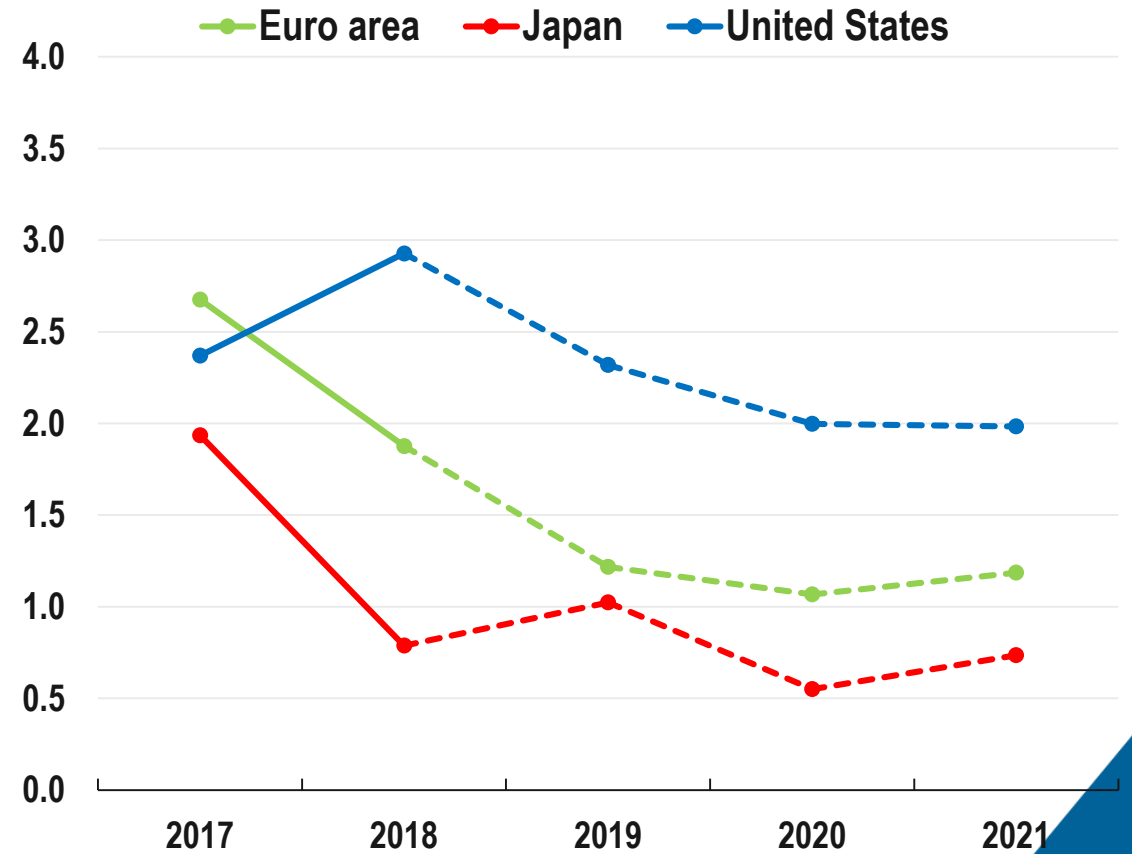
# Growth is projected to remain sluggish

## Real GDP growth *Percent, year-on-year*

### World



### Advanced economies



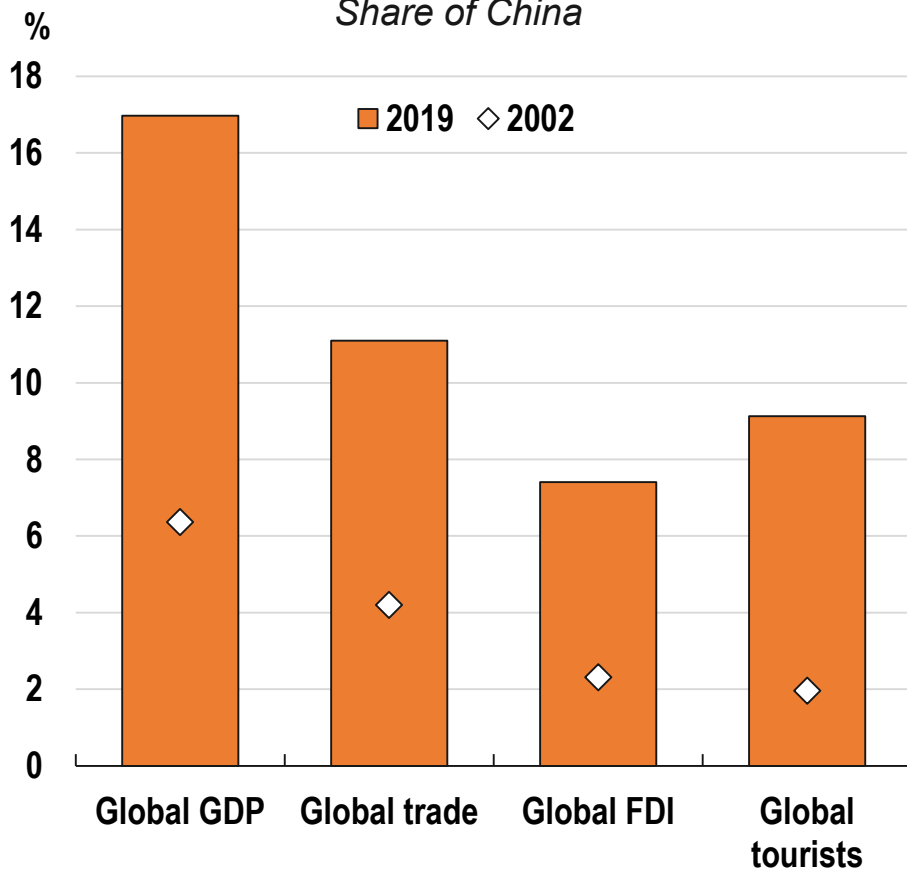
Note: LHS: Calculated using PPP weights. RHS: Dotted lines represent the projection period.  
Source: OECD Economic Outlook 106 database; and OECD calculations.



# Growth stabilisation disrupted by Coronavirus

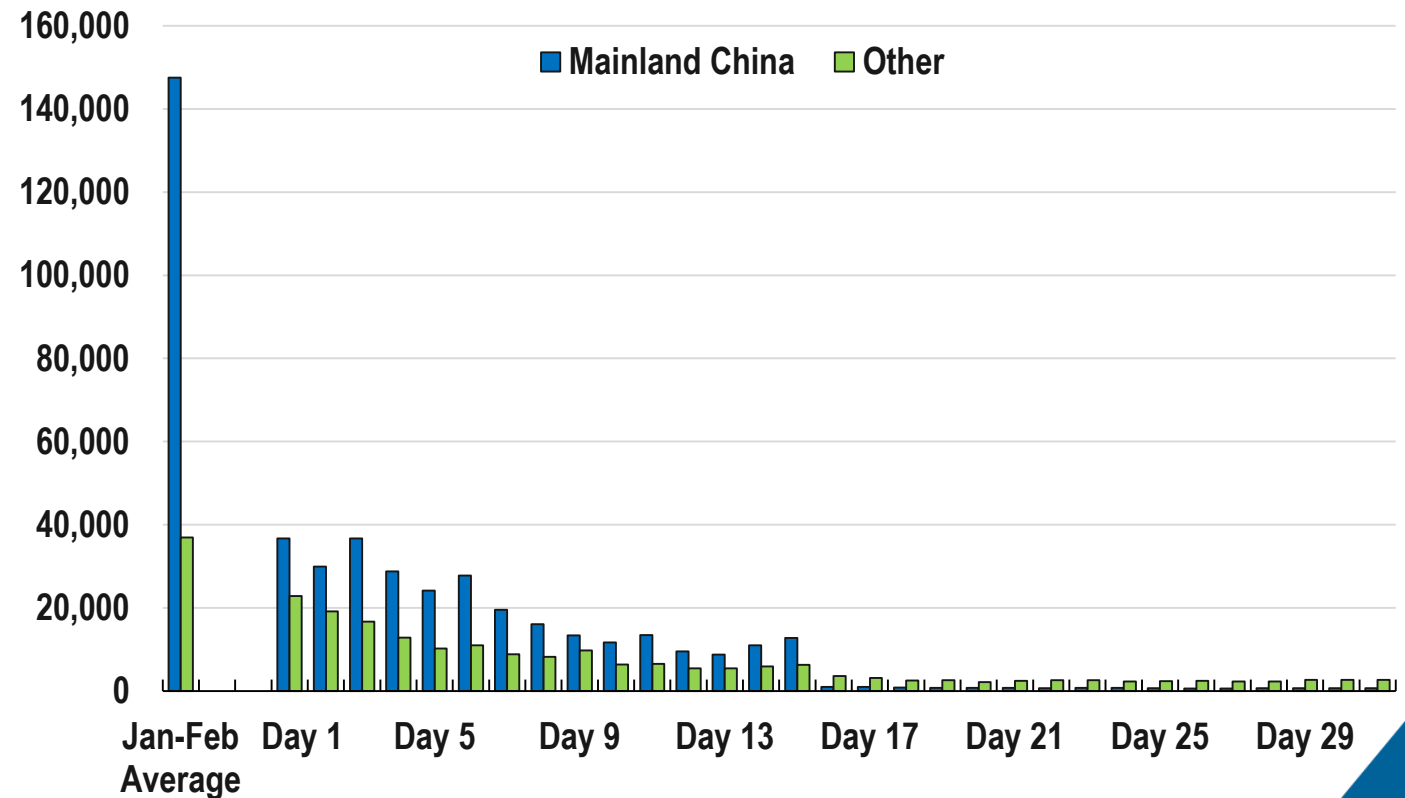
## China is more integrated in the global economy

Share of China



## 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

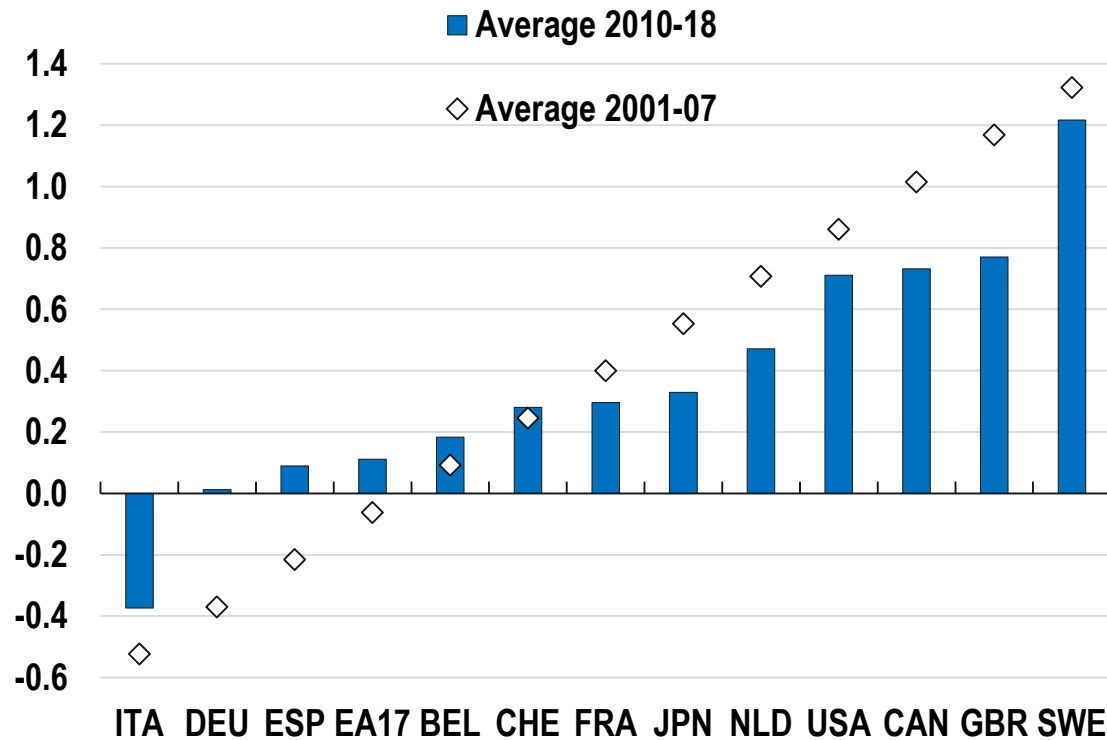


Note: LHS: Estimates for global tourists are based on 2017 instead of 2019; estimates for global FDI are based on 2005/2018 instead of 2002/2019..  
Source: OECD Economic Outlook database; OECD Global FDI in figures (2019); immigration Department, Hong Kong, China; and OECD calculations.

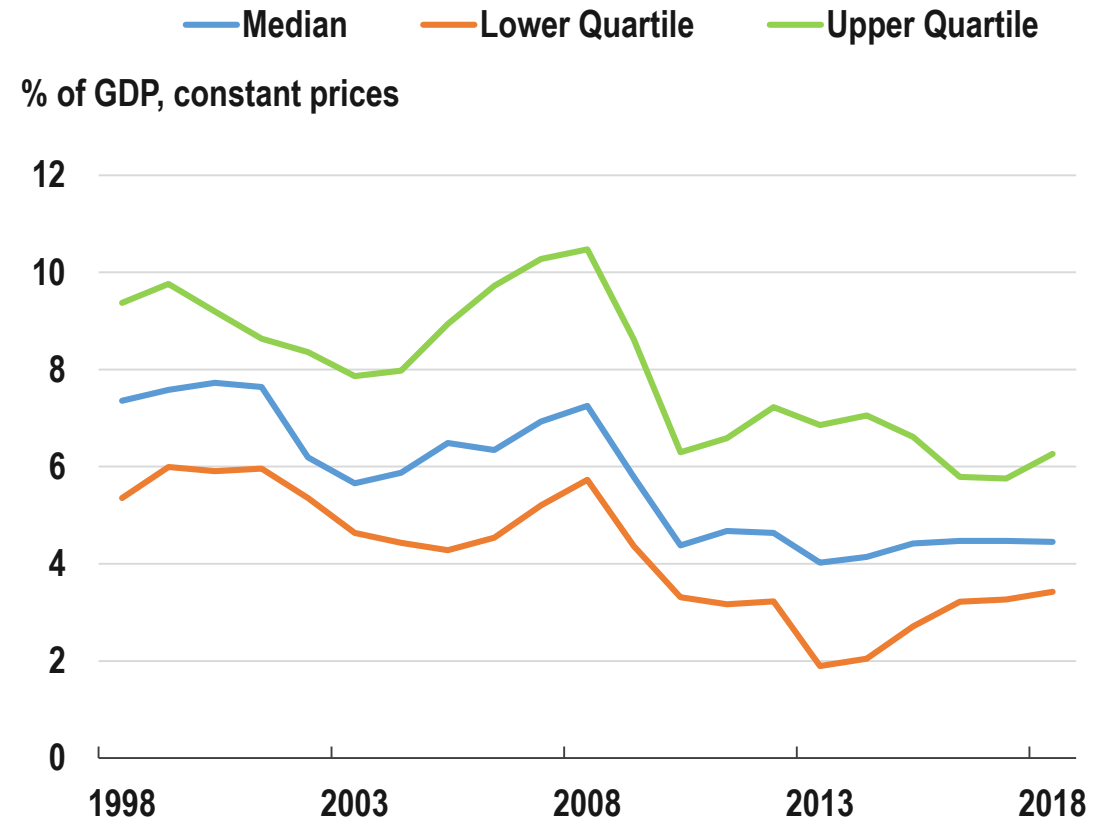


# Challenge 1: Weak investment

**Net public investment**  
% of GDP, current prices



**Net productive investment**  
OECD, % of GDP, constant prices



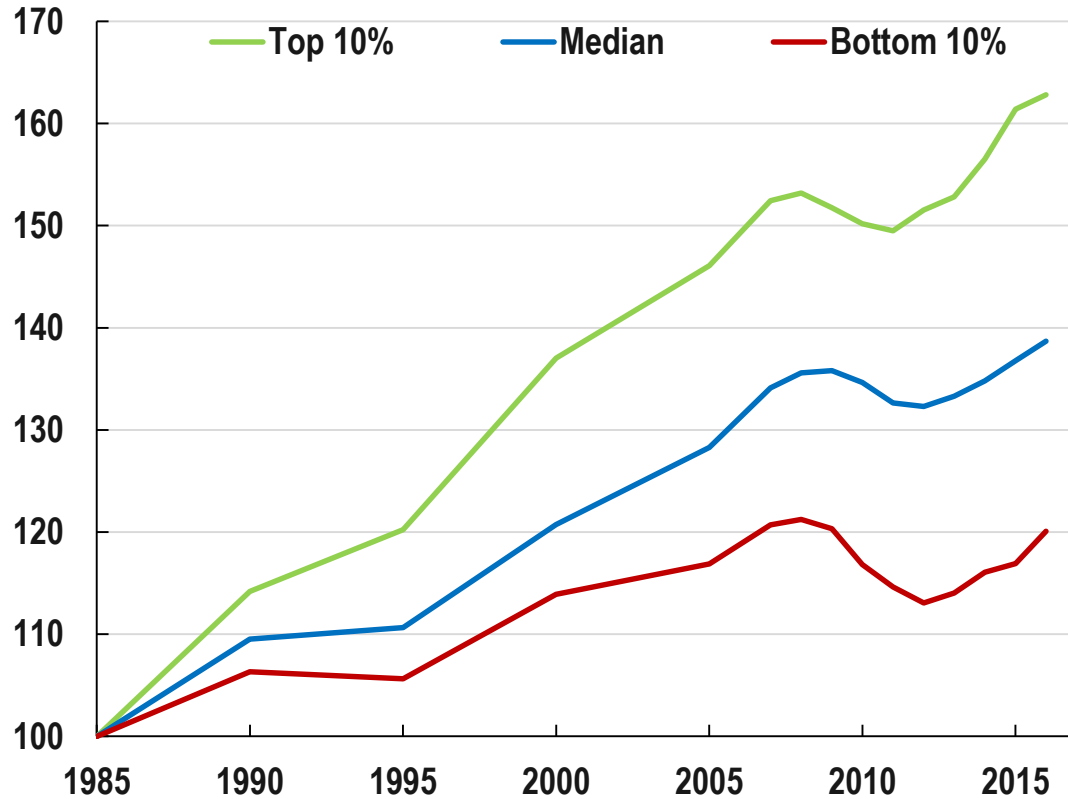
Note: LHS: EA17 is the aggregate for the 17 euro-area member countries that are also members of the OECD. RHS: Productive investment consists of business plus government investment. The return on capital is calculated as the corporate operating surplus less consumption of fixed capital relative to net 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

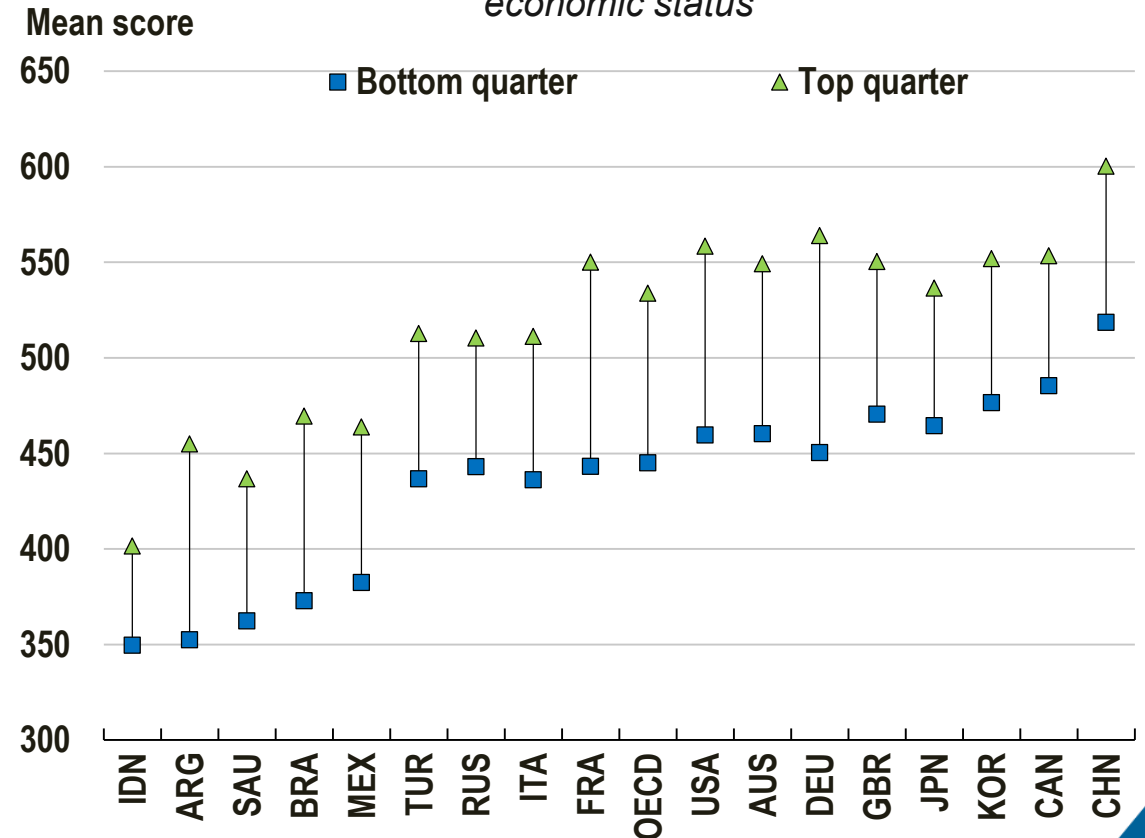
## Income inequality has been rising globally

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



## Income inequality feeds into educational success

*Mean performance in reading, by national quarter of socio-economic status*

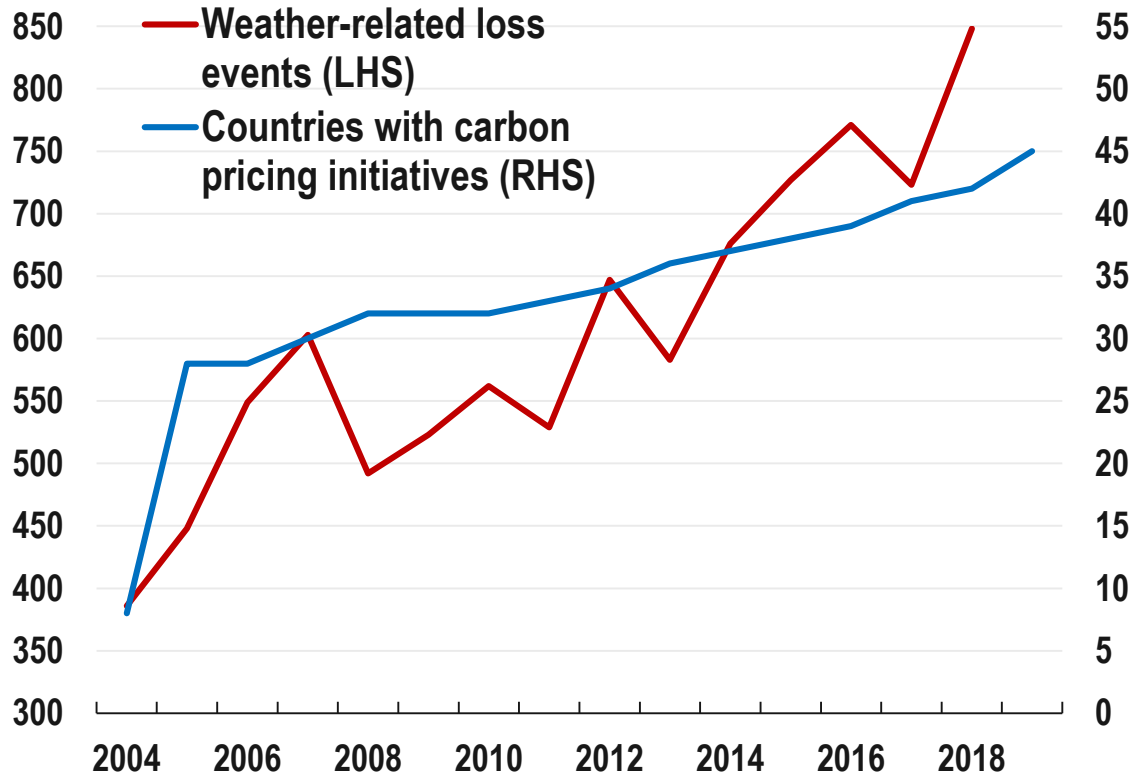


Note: LHS: Unweighted average for 17 countries for which long-term data are available: Canada, Germany, Denmark, Finland, France, United Kingdom, Greece, Israel, Italy, Japan, Luxembourg, Mexico, Netherlands, Norway, New Zealand, Sweden and United States. RHS: : China refers to the four PISA-participating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



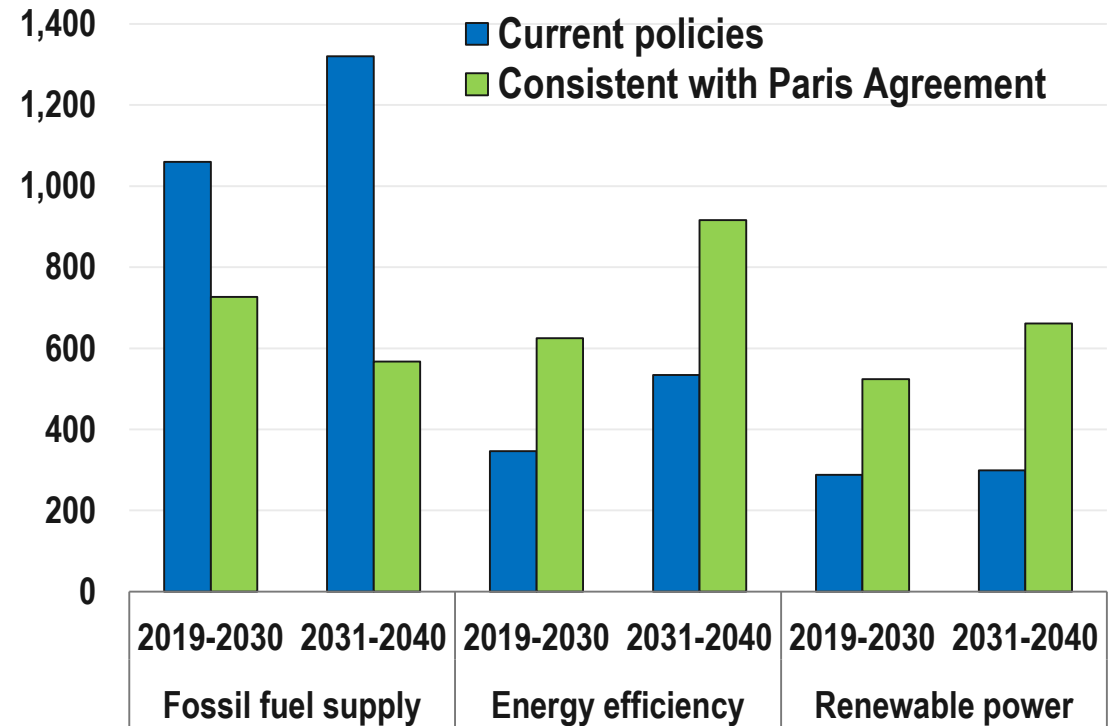
# Challenge 3: The energy transition

## 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  $\geq$  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.

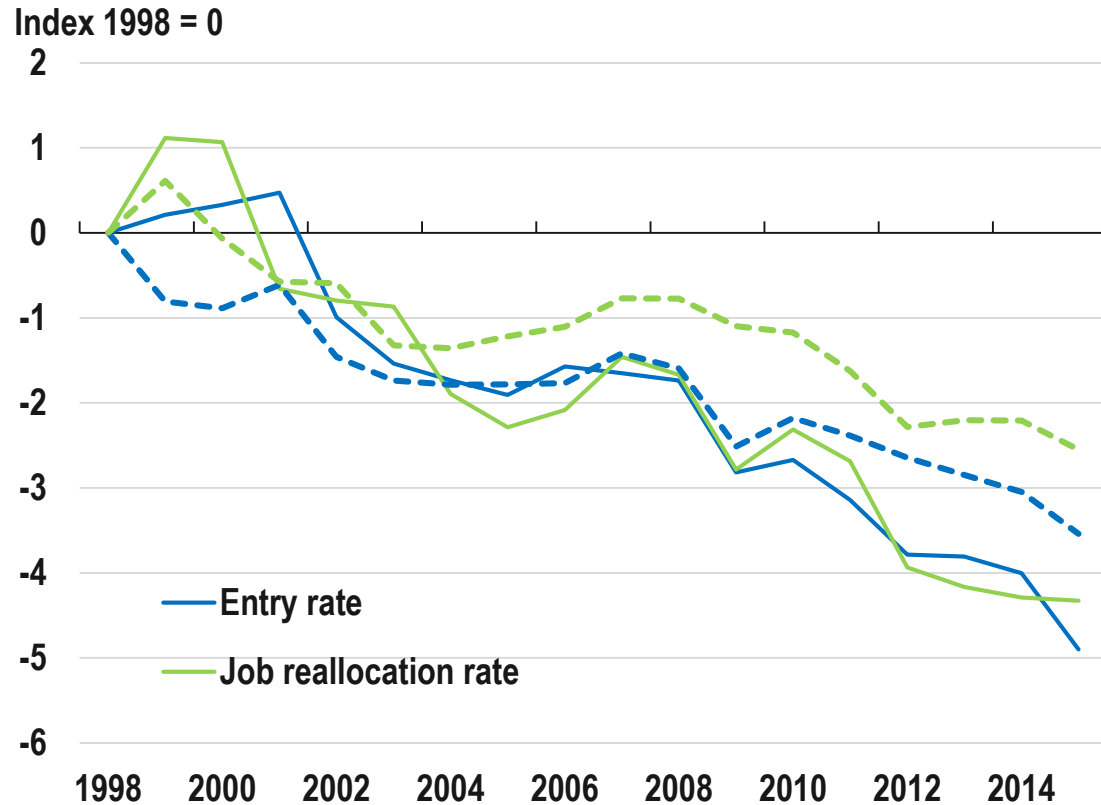
Source: Munich Re NatCatService; World Bank; IEA World Energy Outlook 2019.



# Challenge 4: Competition in the digital age

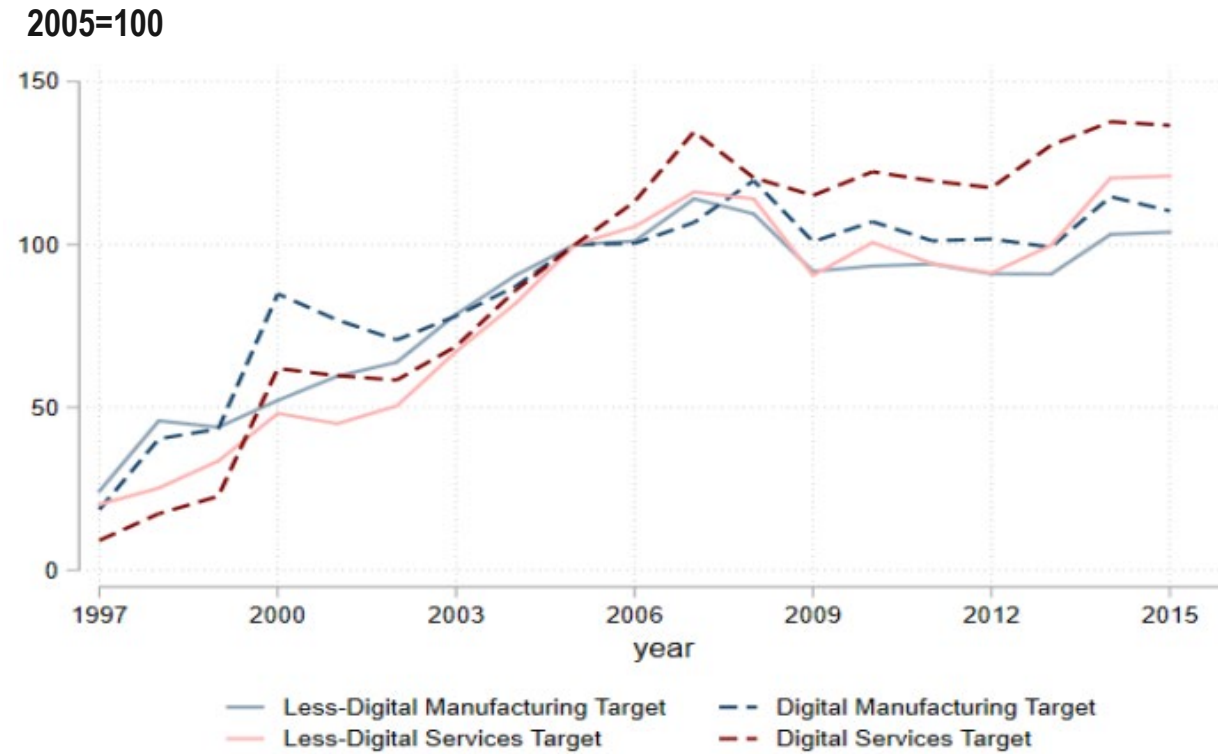
## Business dynamism has been trending down, especially in the digital sectors

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



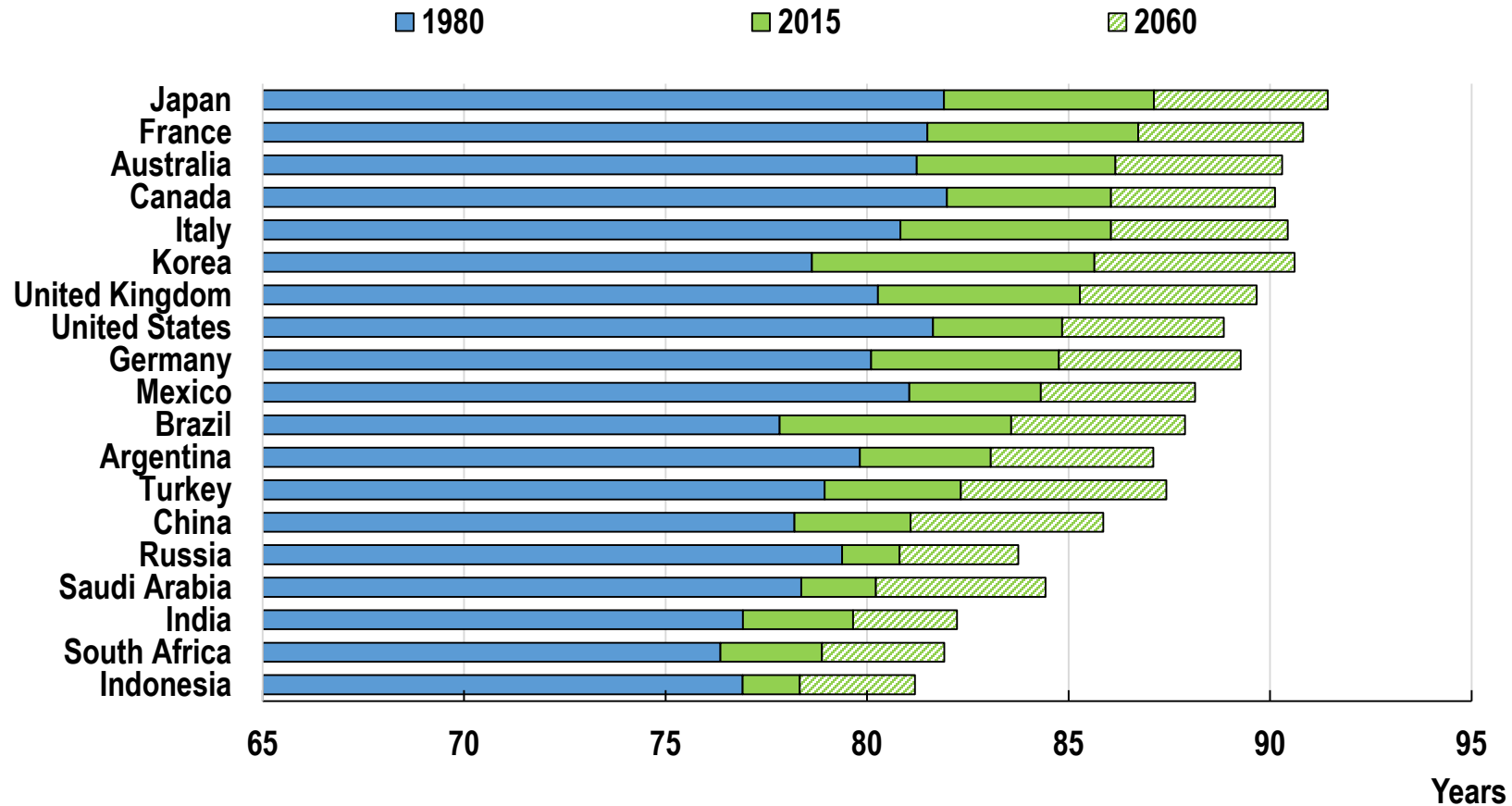
Note: LHS: The figure reports average within-country-industry trends of job reallocation, entry and exit rates for the period 1998-2015 in a sample of 15 mostly OECD countries. Each point represents cumulative change in percentage points since 1998. The figures are based on the year coefficients of regressions 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



Source: National sources; Eurostat Population Projections (2008 revision); UN World Population Prospects, 1950-2050 (The 2008 Revision); United Nations World Population Prospects: The 2017 Revision.

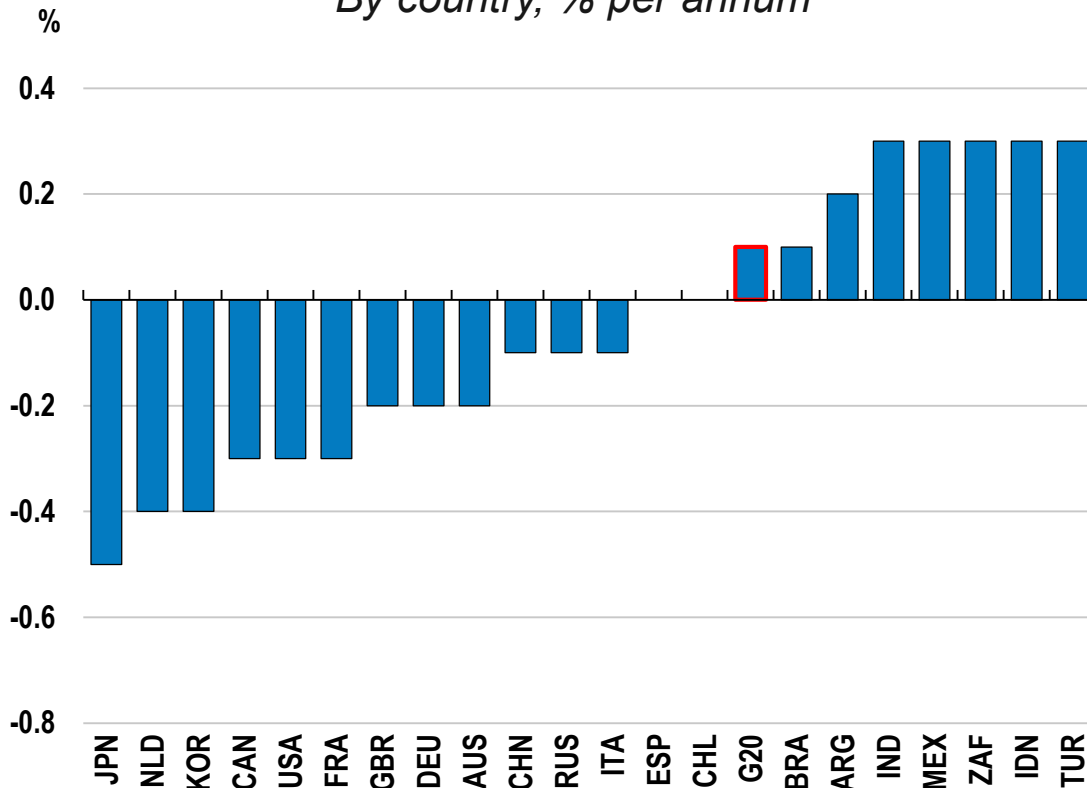




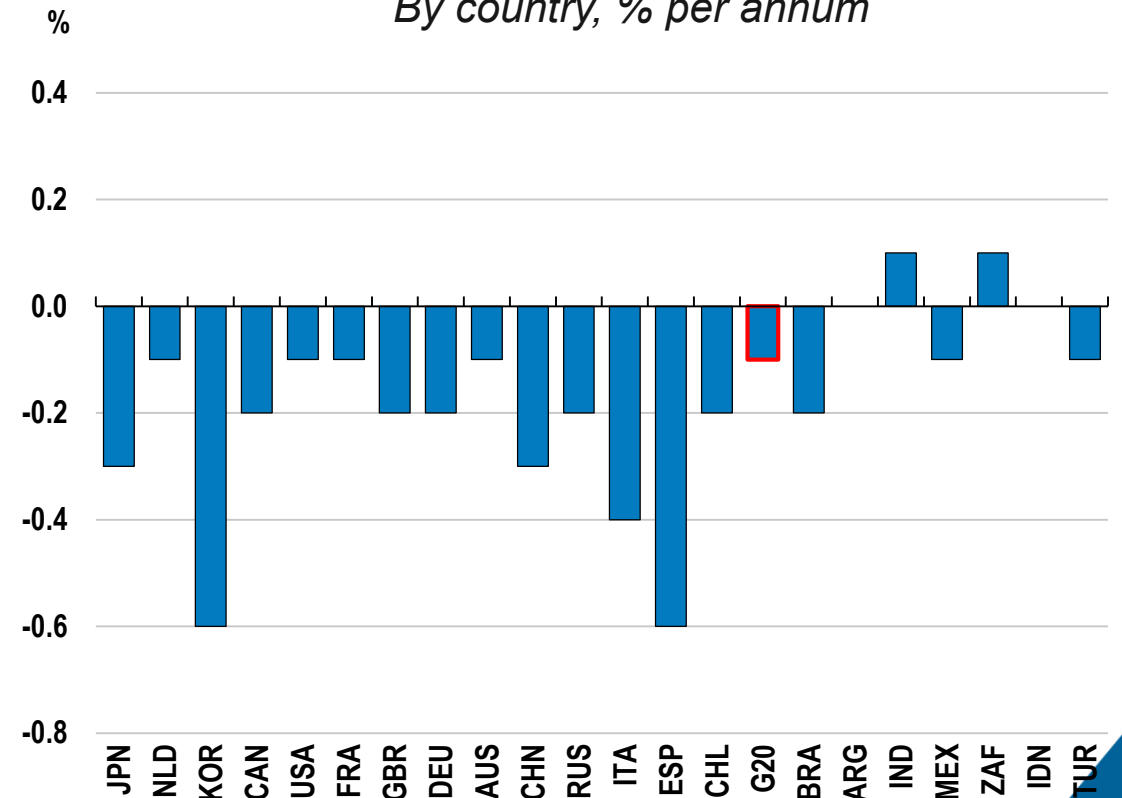
# Challenge 5: Ageing

## 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