

FINAT
THE ONLINE EUROPEAN
LABEL FORUM 2021

(1st June 2021)
(on line)

RECONNECTING THE LABEL
COMMUNITY BEYOND THE
PANDEMIC

General Economic Assessment

Where are we going ?

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THE STORY SO FAR

A steep recession ...

followed by a sharp recovery

But huge uncertainty

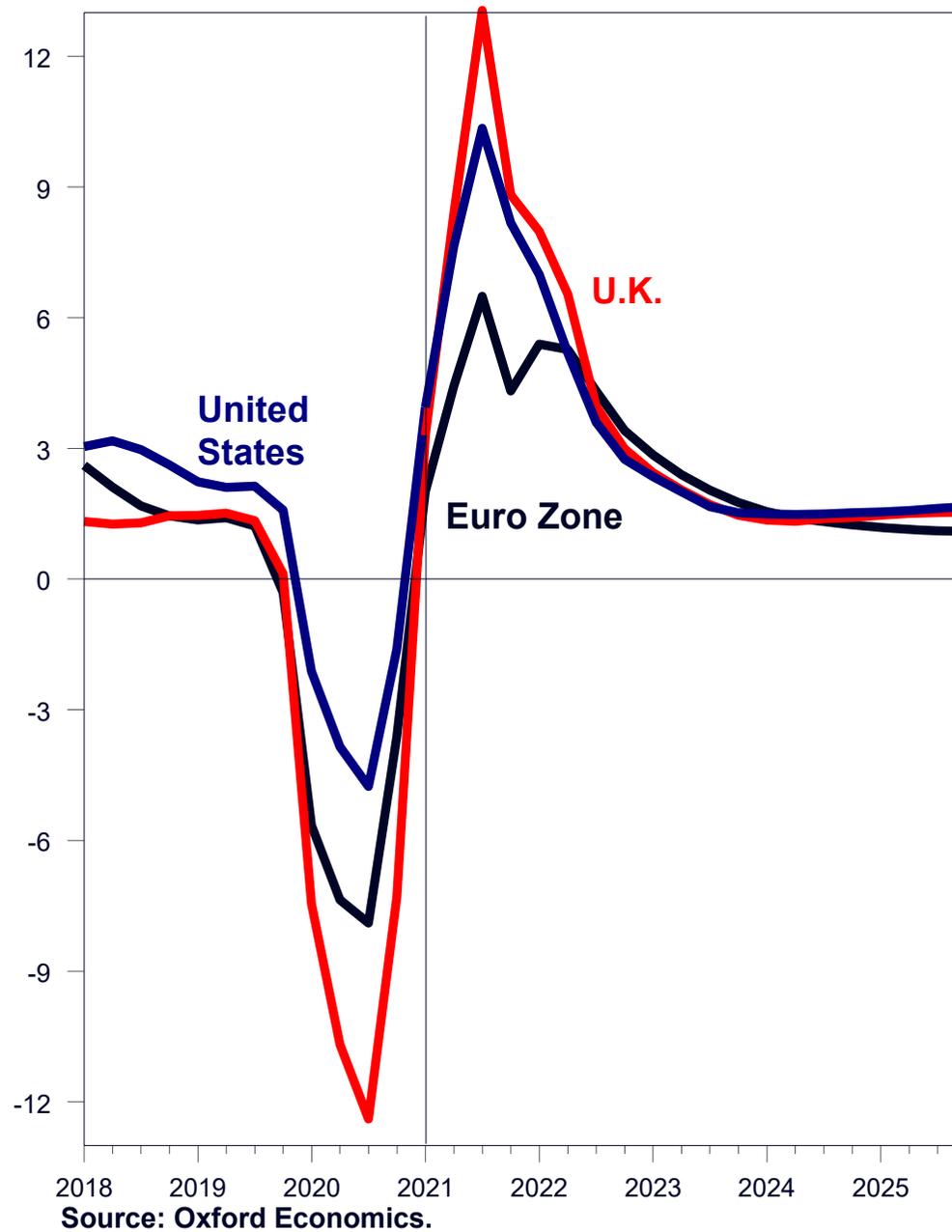
We are in a second (or third) wave

Hence more lockdowns

**However we now have vaccines and the
end may (hopefully) be in sight**

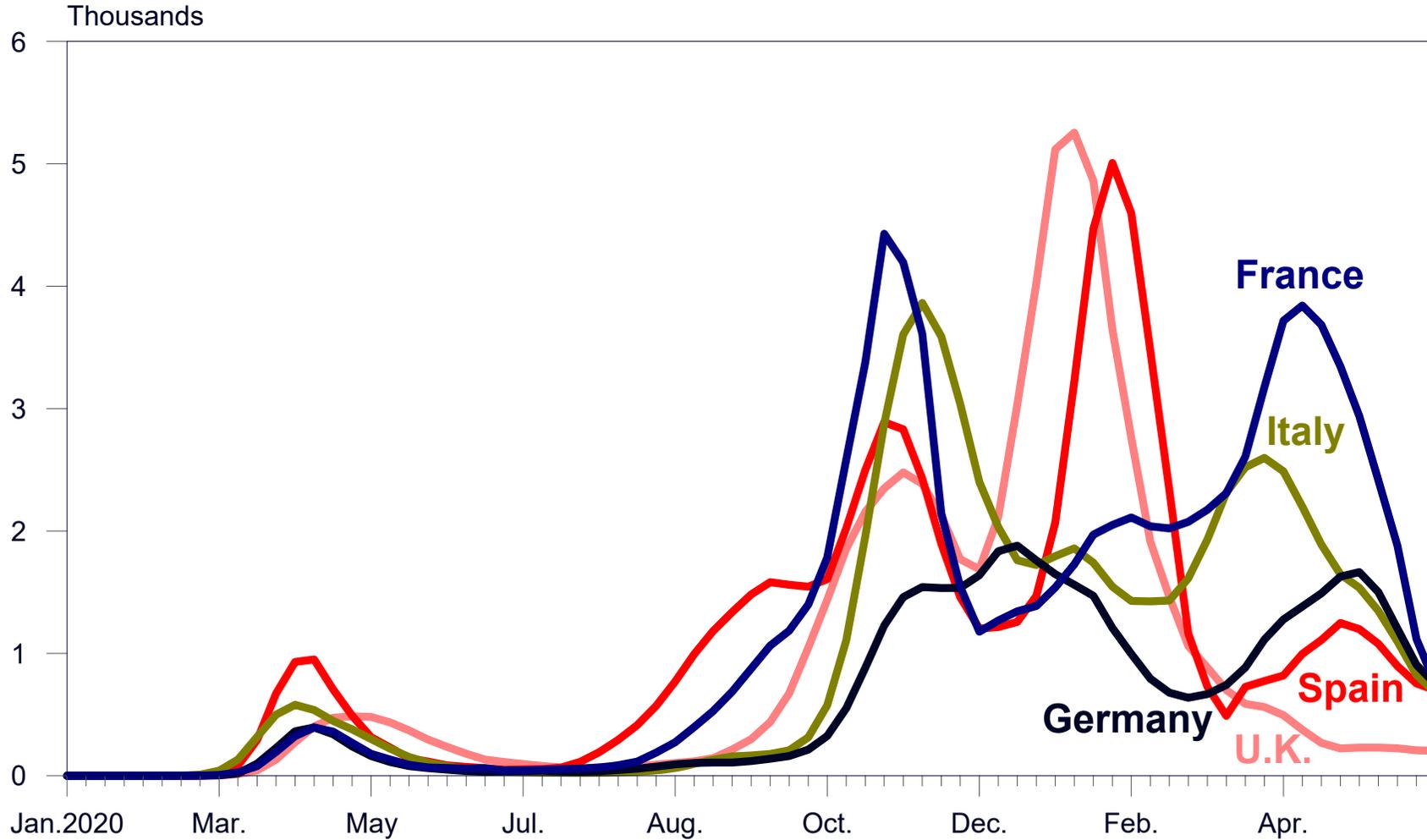
COVID-19 - GDP GROWTH

(% changes from previous year; 3qmvqv)



WESTERN EUROPE - COVID-19 CASES

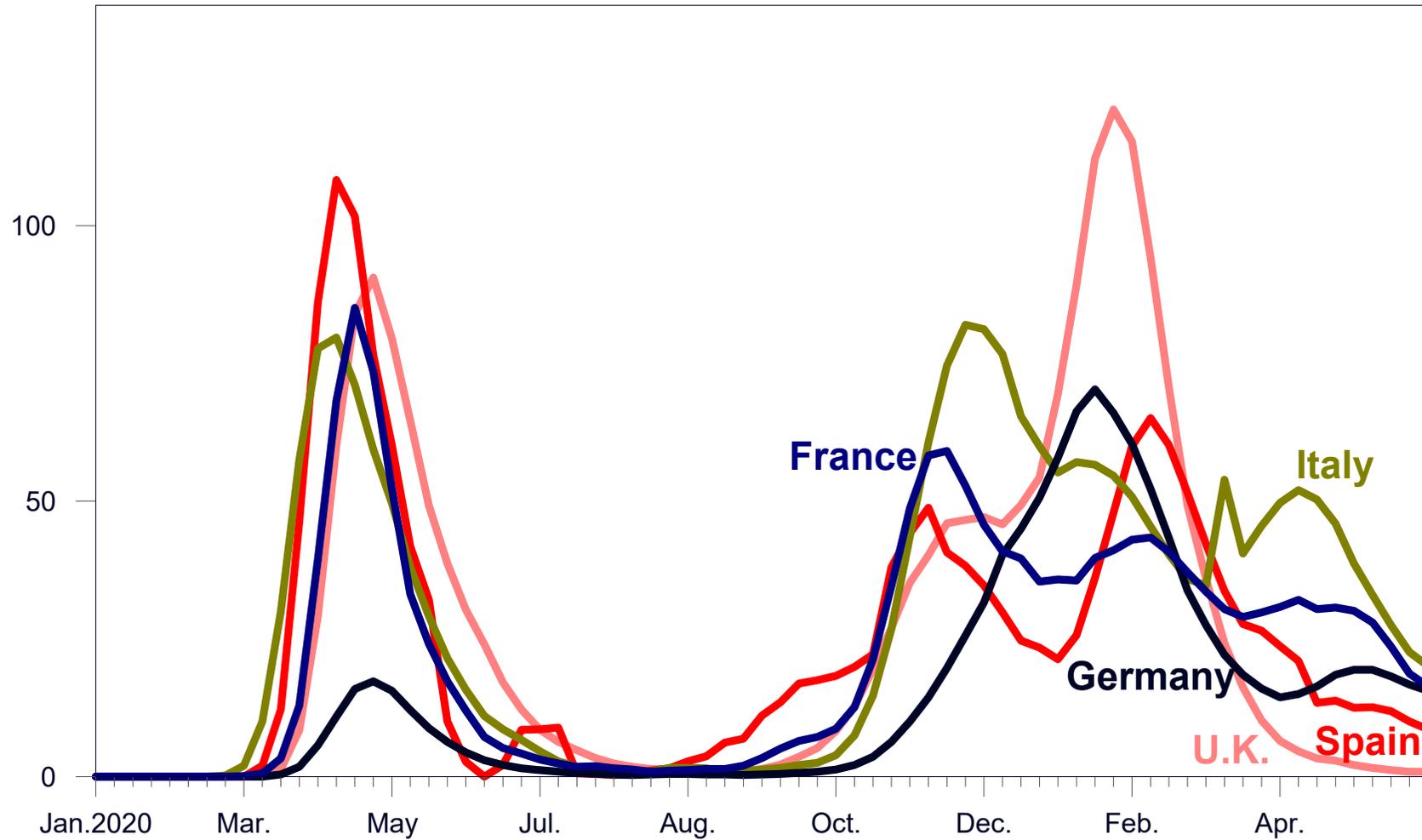
(new cases per million; weekly totals; three weeks mov. aver.)



Source: European Centre for Disease Prevention and Control.

WESTERN EUROPE - COVID-19 DEATHS

(deaths per million; three weeks moving averages)



Source: European Centre for Disease Prevention and Control.

COVID-19 GROWTH RATES

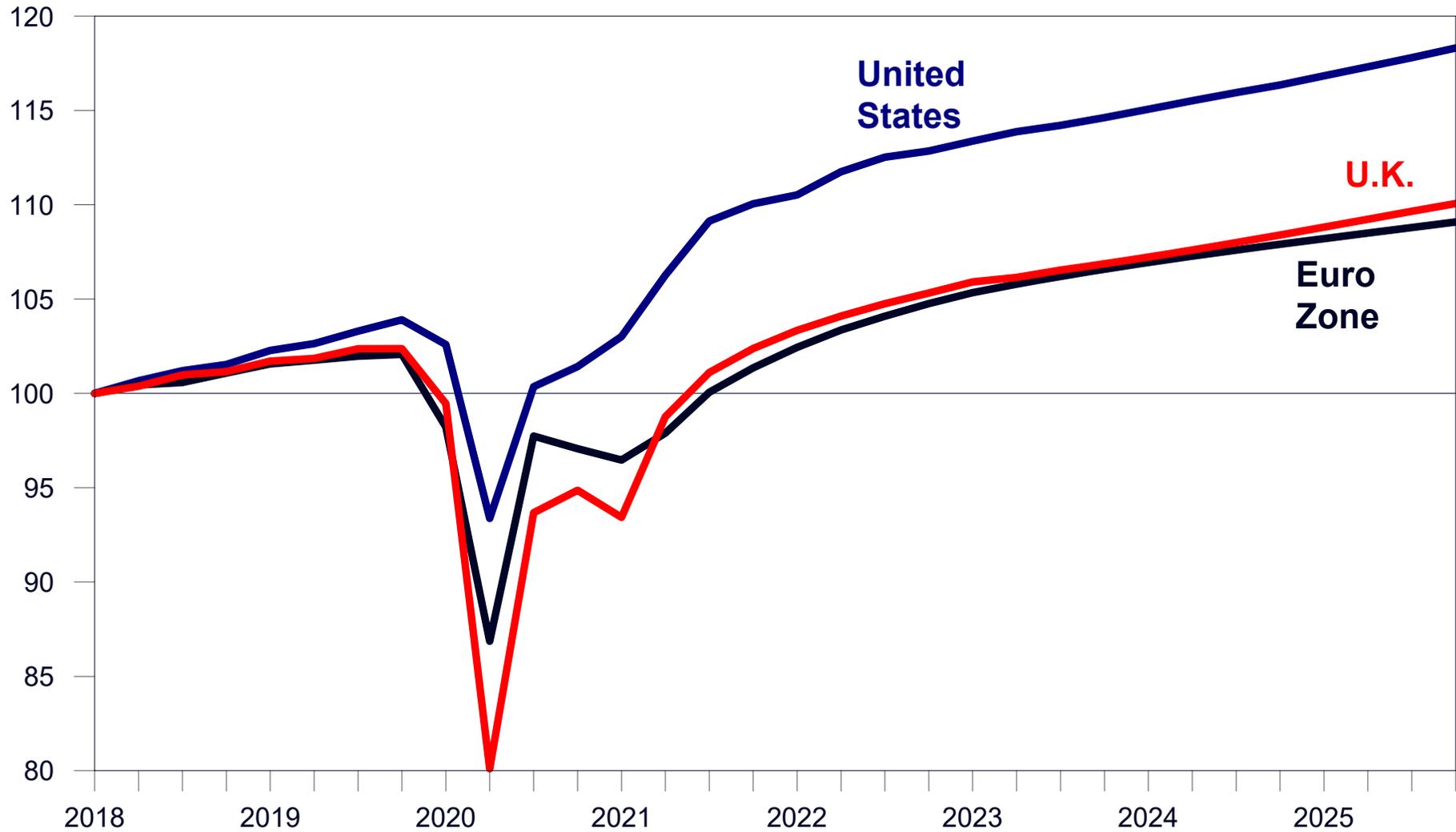
(GDP; percentage changes)

	2020	2021	2022	2023	2024	2025
United States	-3.5	7.7	4.5	1.9	1.5	1.6
U.K.	-9.8	7.5	5.5	1.9	1.4	1.5
Eurozone	-6.7	4.2	4.8	2.2	1.4	1.1
China	2.3	8.9	5.5	5	4.8	4.7

Source: Oxford Economics.

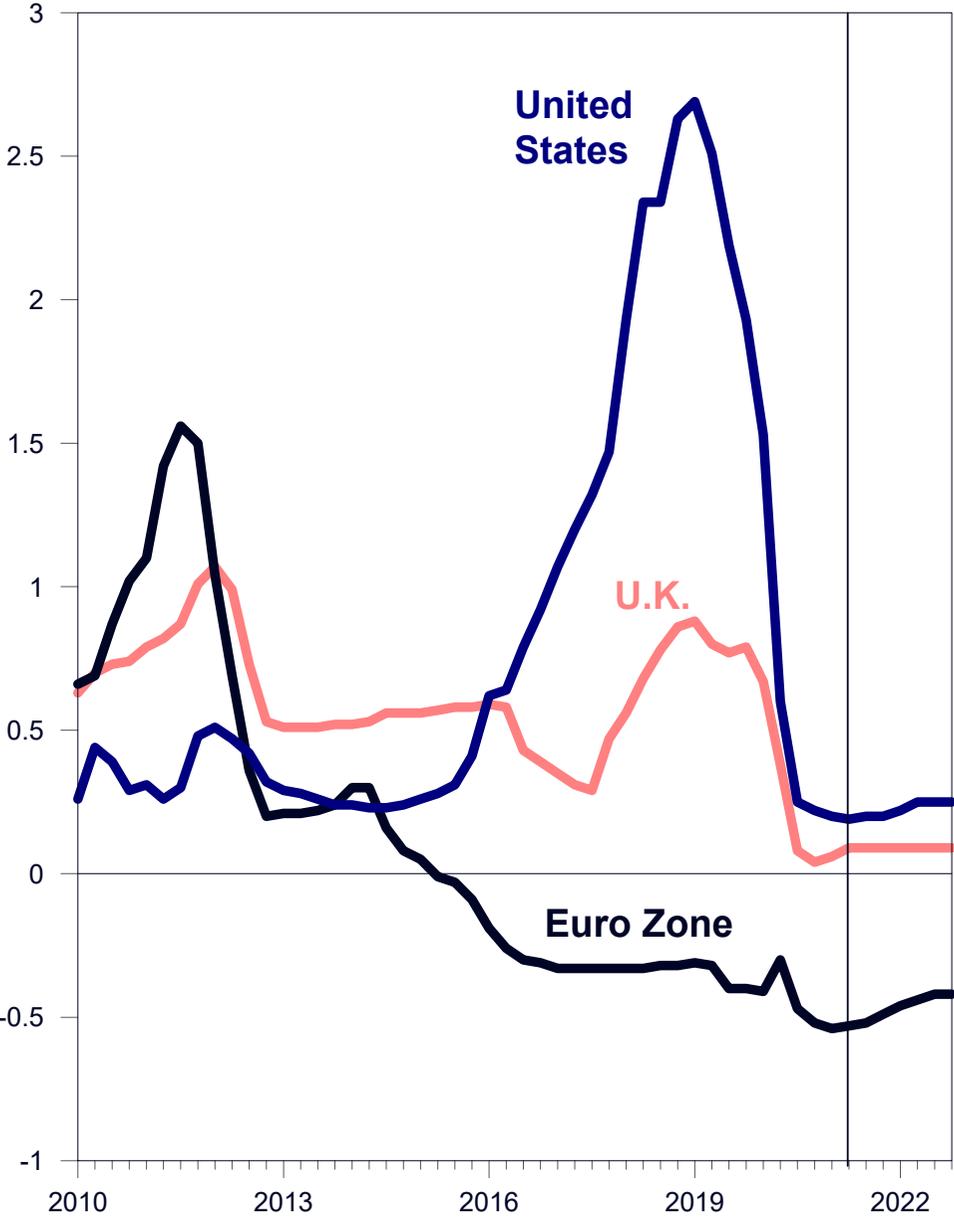
COVID-19 GDP LEVELS

(2018 Q.1 = 100)



Source: Oxford Economics.

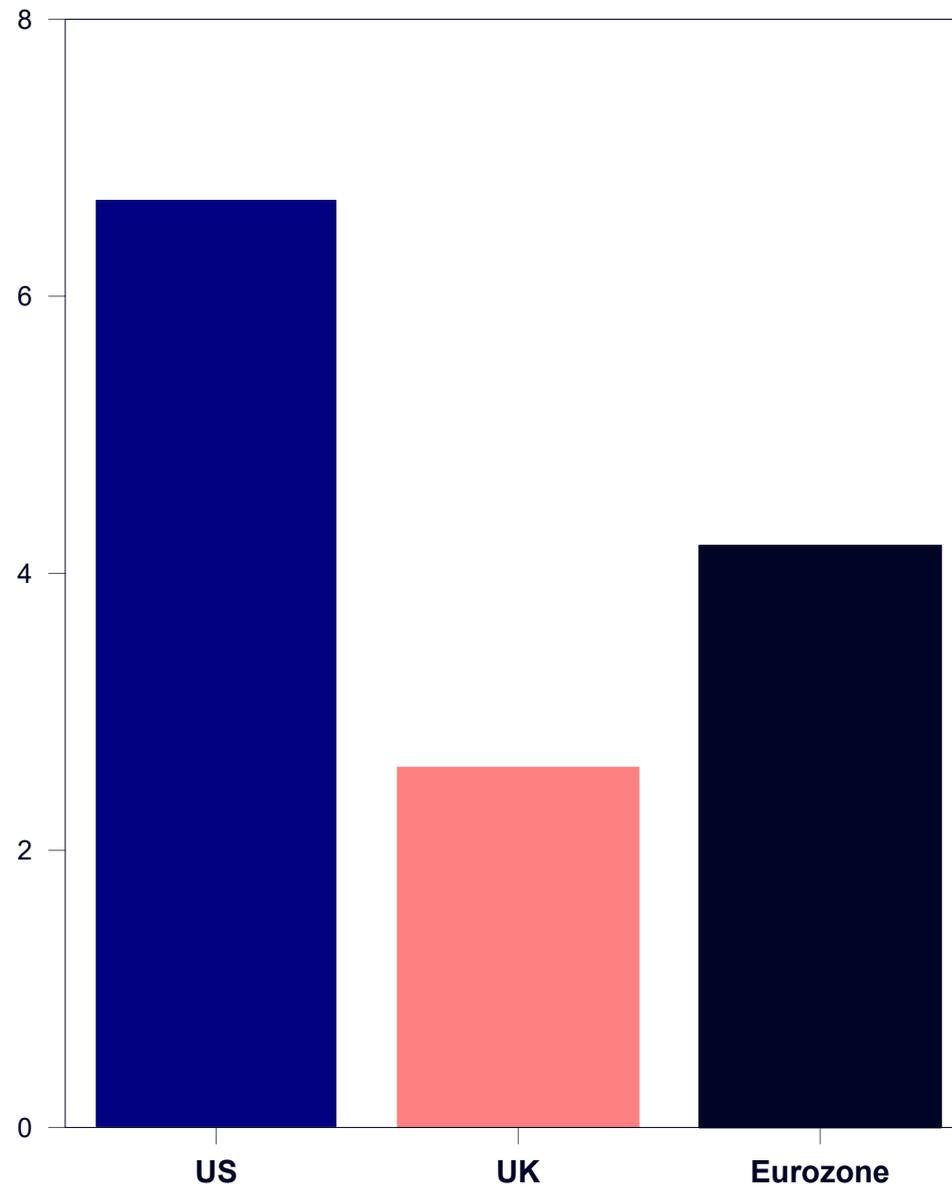
SHORT-TERM INTEREST RATES



Source: Oxford Economics.

FISCAL POLICY IMPACT 2020-2021

(in per cent of GDP)



Source: IMF.

"HARD" BREXIT UK GDP GROWTH

(percentage changes)

	Centr scen.	No Brexit scen.	Differ.
2020	-9.8	-9.8	0
2021	7.5	8.1	-0.6
2022	5.5	5.9	-0.4
2023	1.9	2.2	-0.3

Source: Oxford Economics.

UNCERTAINTIES - 1

Could there be a revival of inflation ?

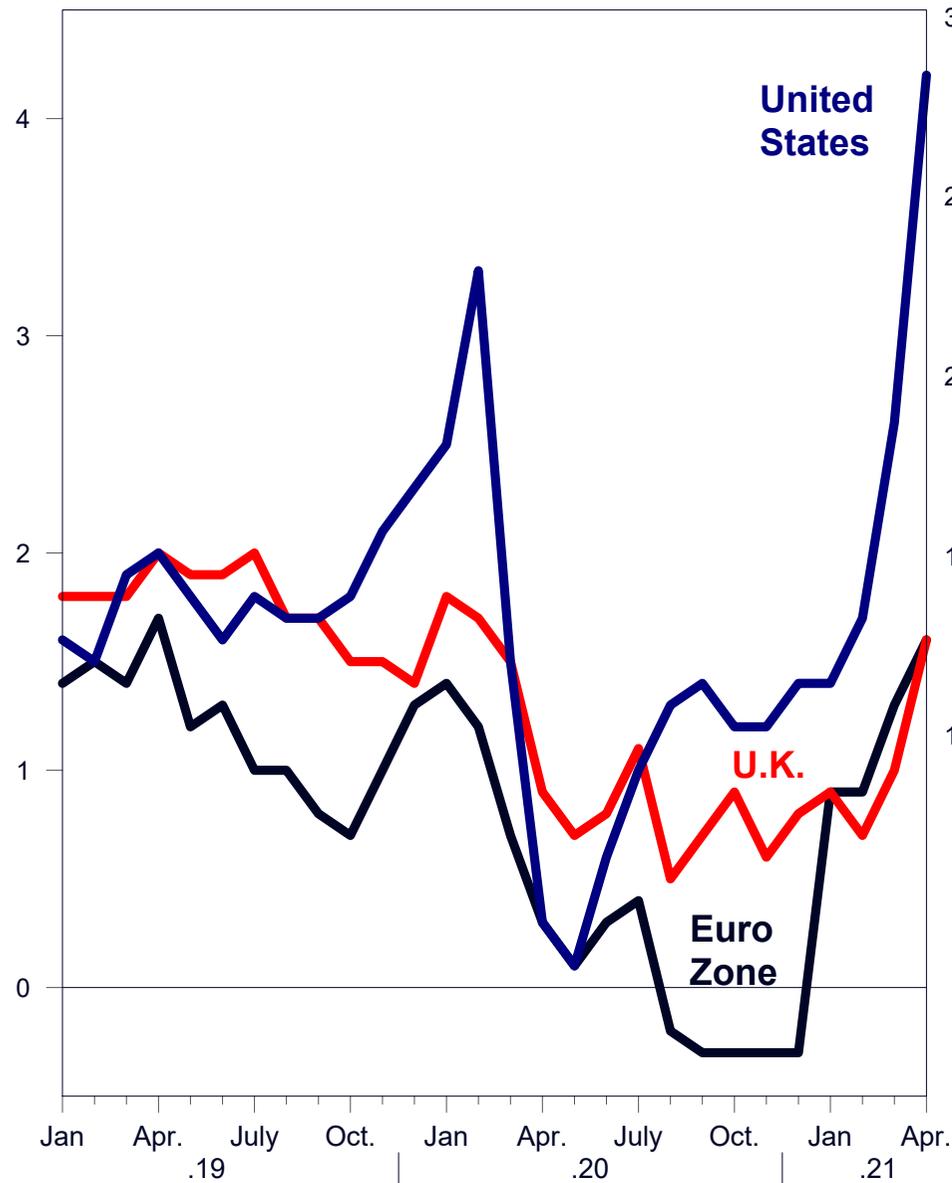
**Not impossible
(but unlikely)**

Could there be a stock market crash ?

Not impossible

CONSUMER PRICES

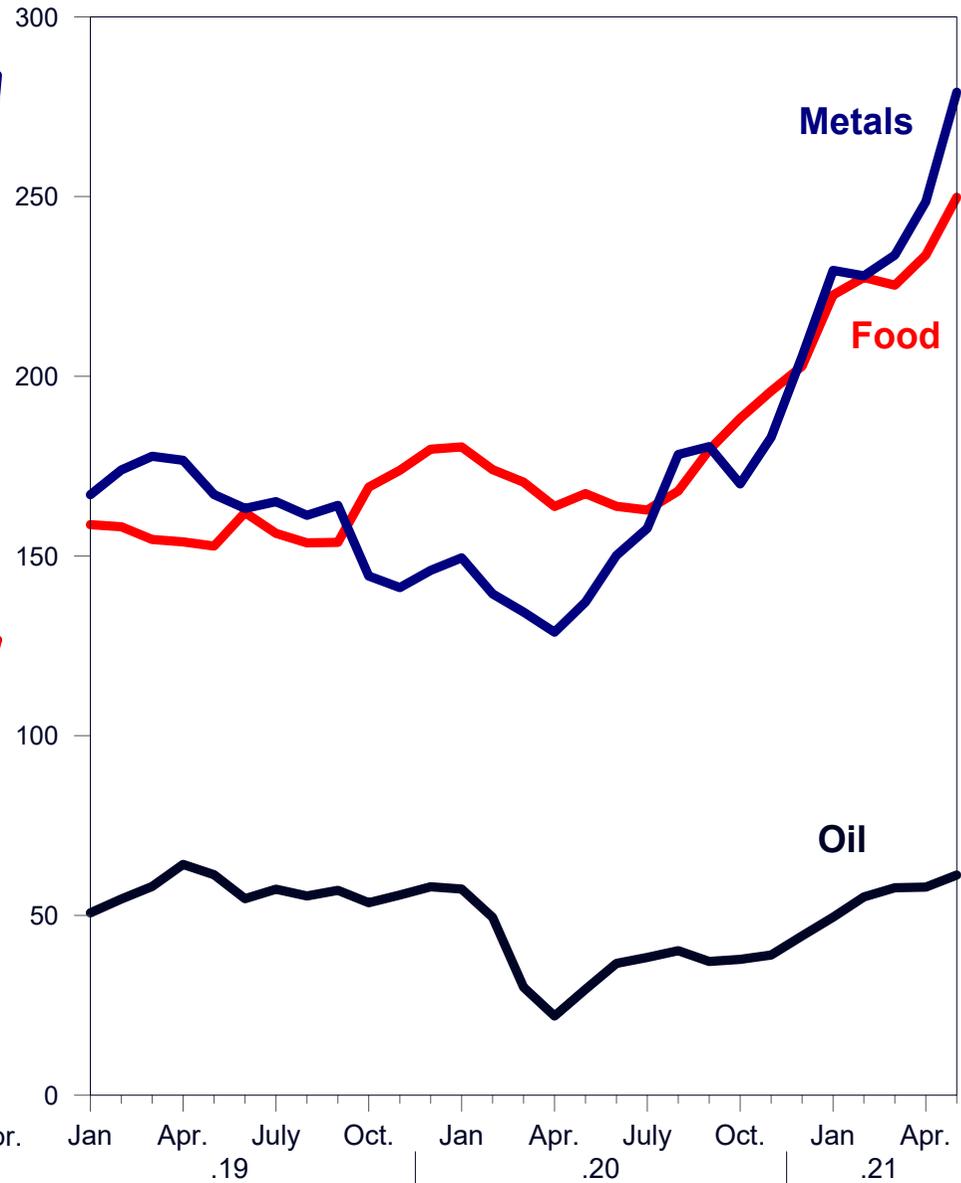
(per cent changes)



Source: Haver Analytics.

COMMODITY PRICES

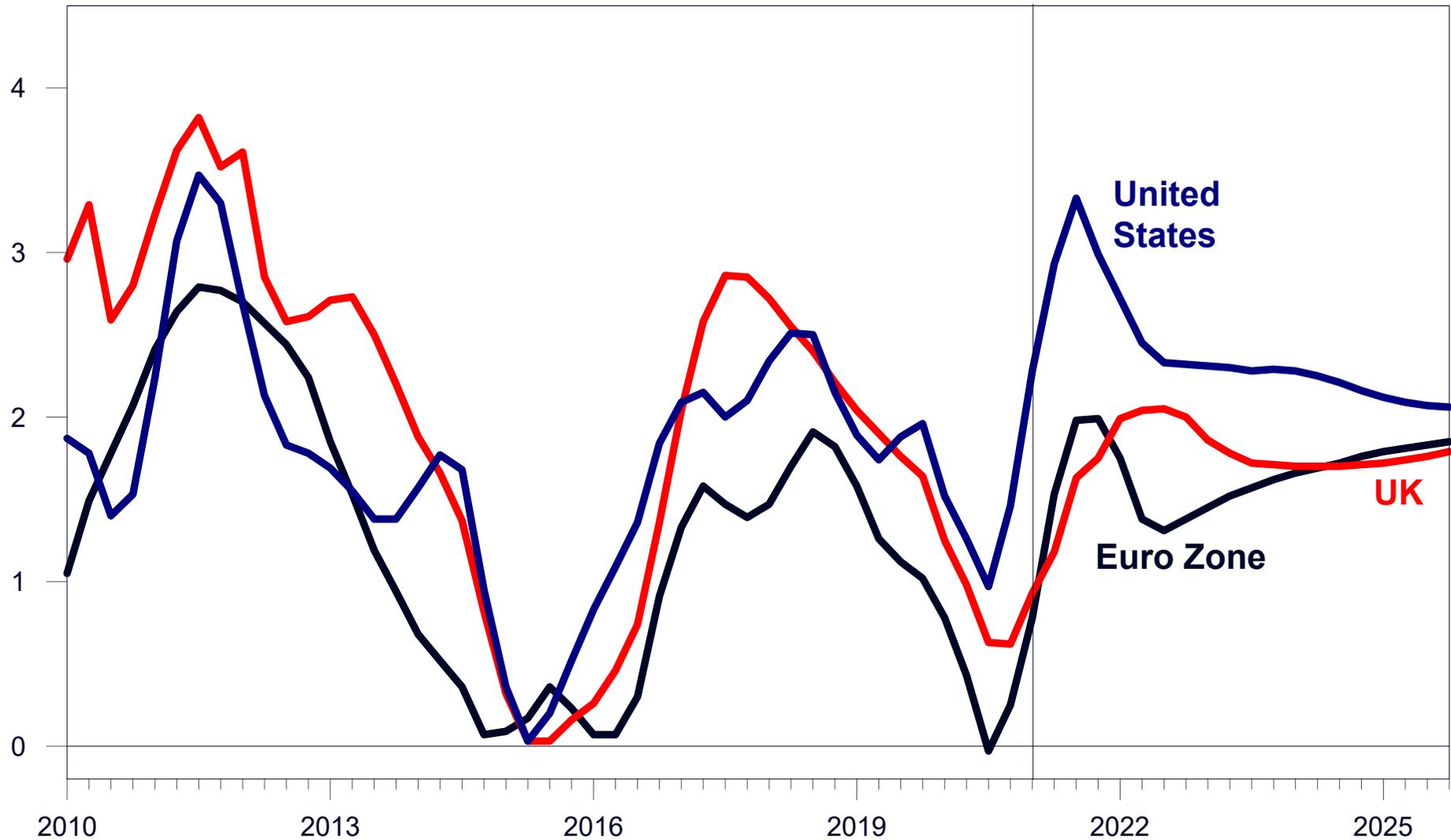
(2015=100)



Source: The Economist.

CONSUMER PRICE INFLATION

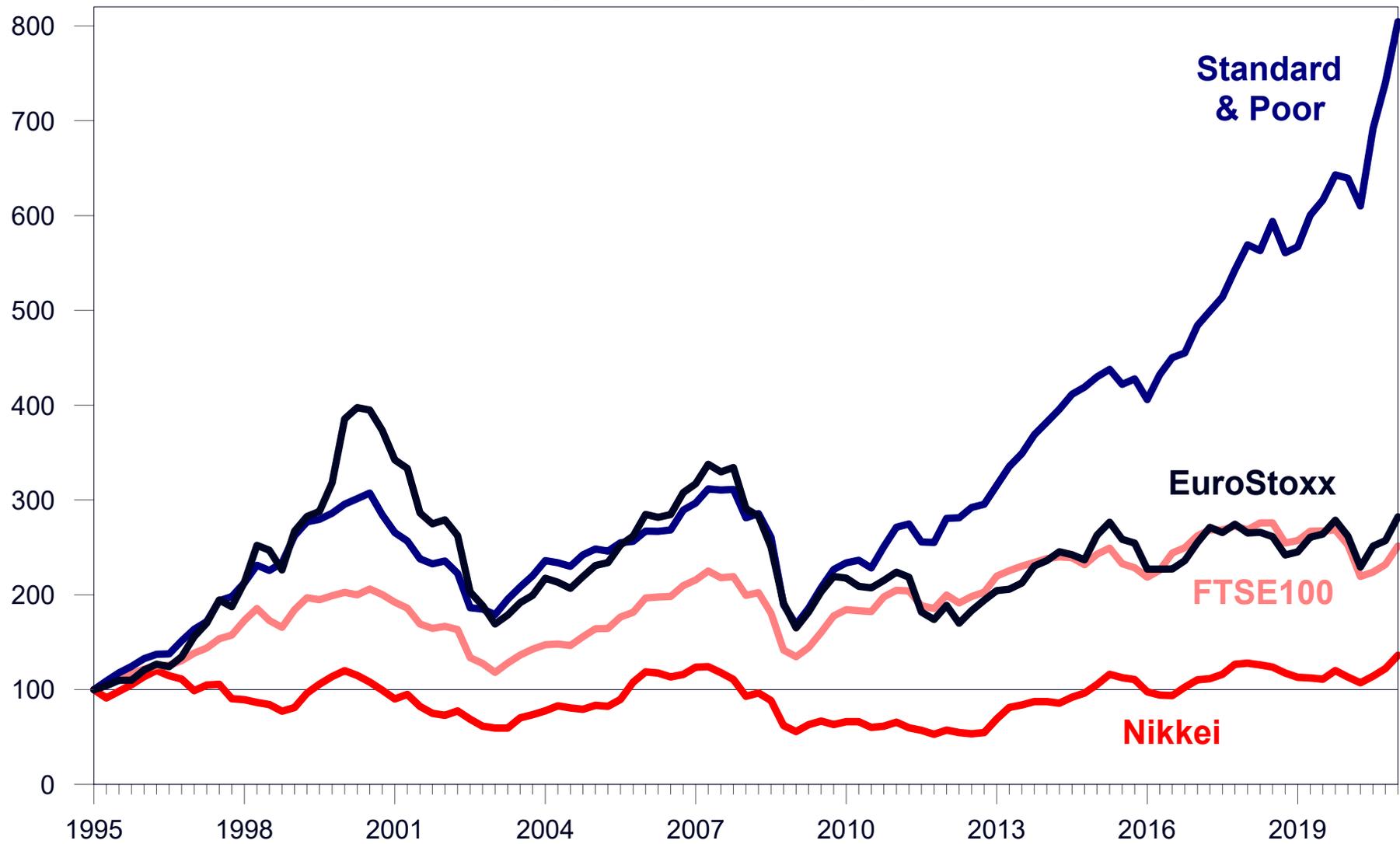
(per cent changes from previous year; 3 quarter mov. aver.)



Source: Oxford Economics.

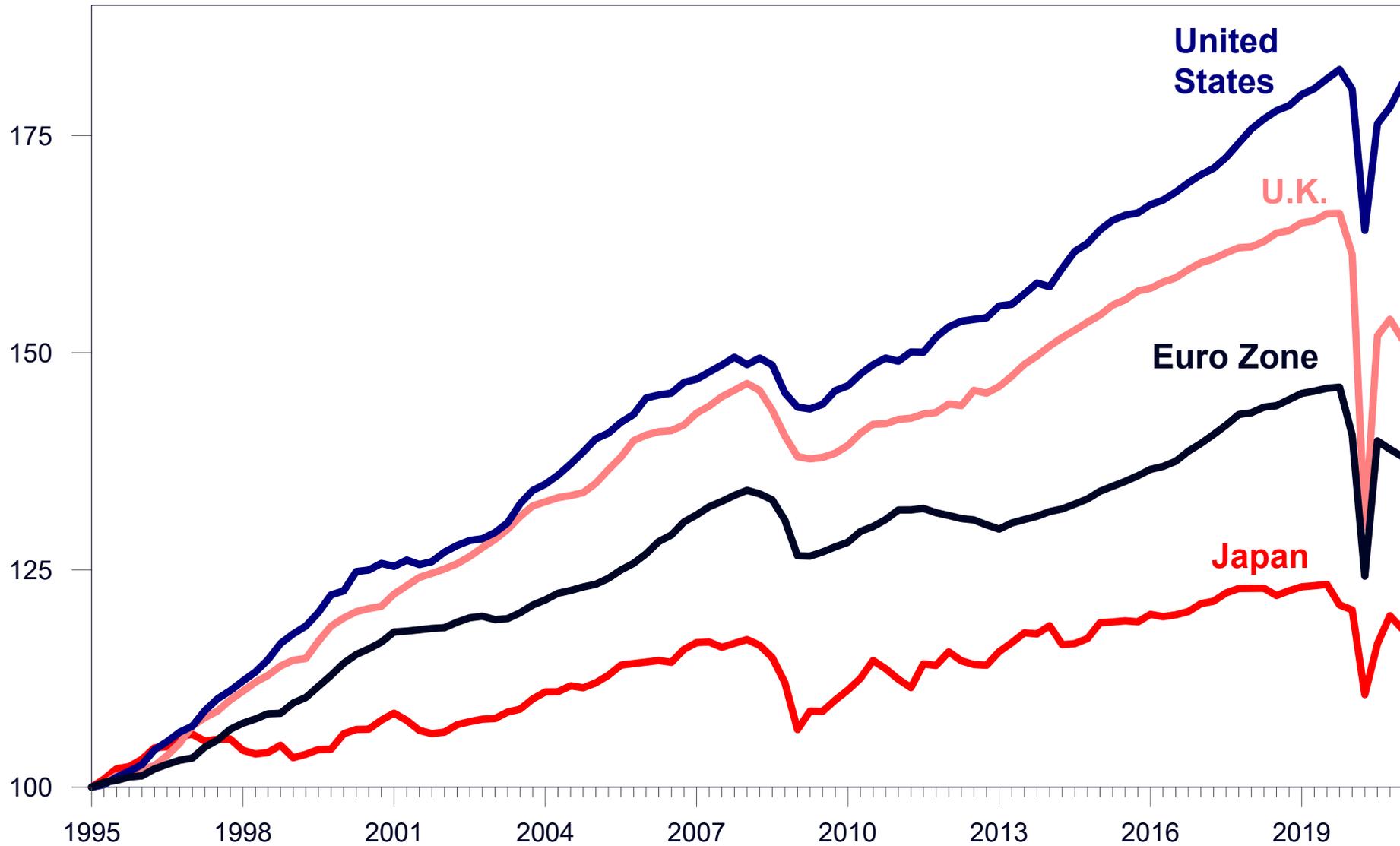
WORLD STOCK MARKETS

(1995 Q1 = 100)



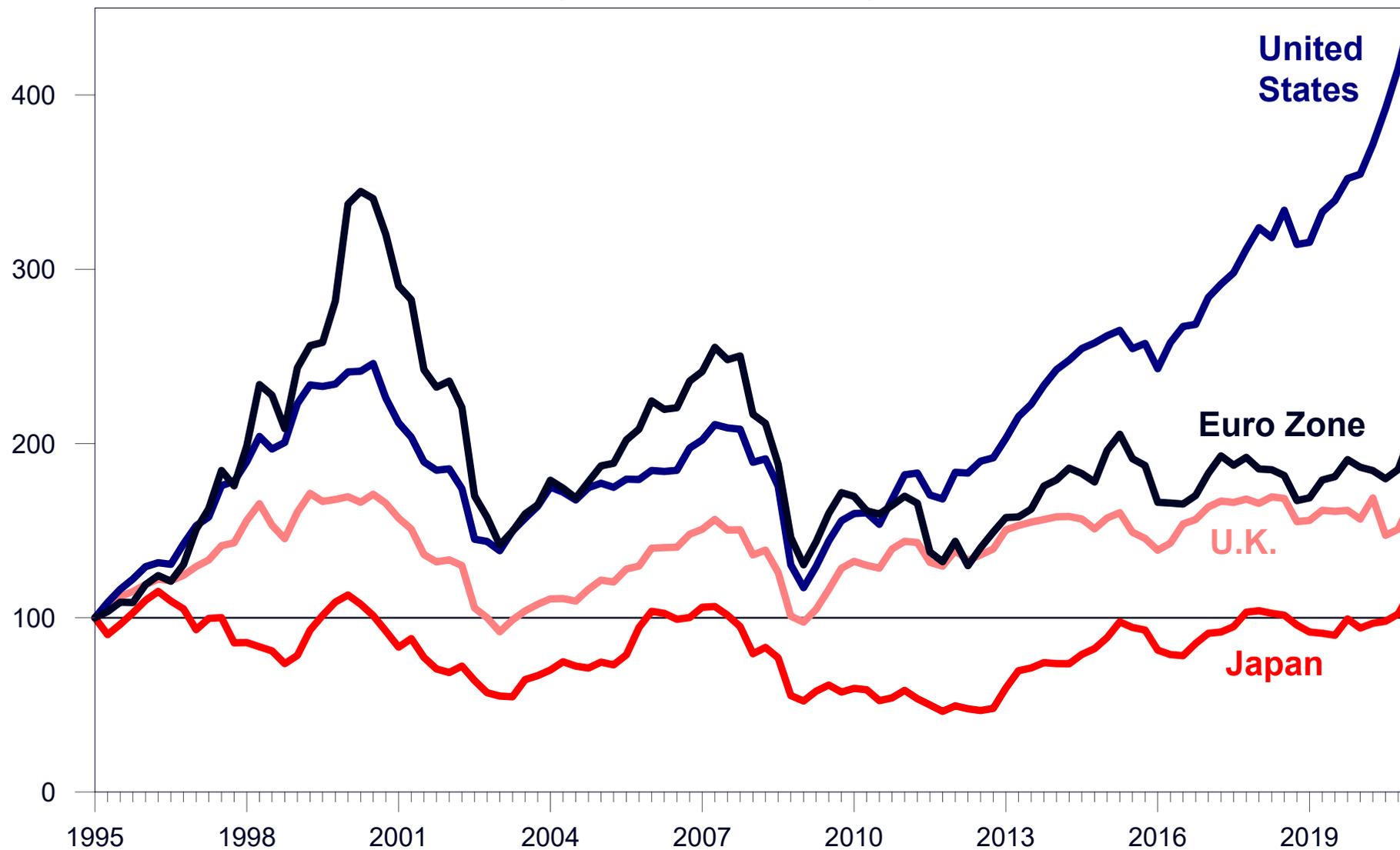
GDP LEVELS

(1995 Q1 = 100)



RATIO STOCK MARKET VALUE/GDP

(1995 Q1 = 100)



UNCERTAINTIES - 2

The forecast recovery assumes that there will be mass vaccination everywhere

What could go wrong ?

Not enough vaccines

Vaccine immunization lasting only for a limited period of time

The appearance of new (and more virulent variants)

PANDEMICS IN HISTORY

- Europe - 1347-1351** **"Black death" - killed at least 1/3 of the population but also, by raising workers power, led to breakdown of feudalism**
- Europe - 17th century** **The century's various plagues reduced population by, perhaps, 10% in Britain, but by 40% in Italy; Europe's economic centre moved from South to North**
- World - 1918-1920** **"Spanish flu" - killed between 50 and 100 million people and, together with WWI, ended the first era of globalization**
- World - 2020- ...** **"Covid-19" - who knows, but there will be long-run consequences**
-

WILL COVID-19 CHANGE THE WORLD ?

Unlikely, but some things will change

There will be less globalization

(more reshoring, less international travel)

There will be more digitilization

(less commuting, more work from home)

There could be less growth

(less investment, more unemployment)

There will be more debt both public and private

(yet interest rates will probably remain low)

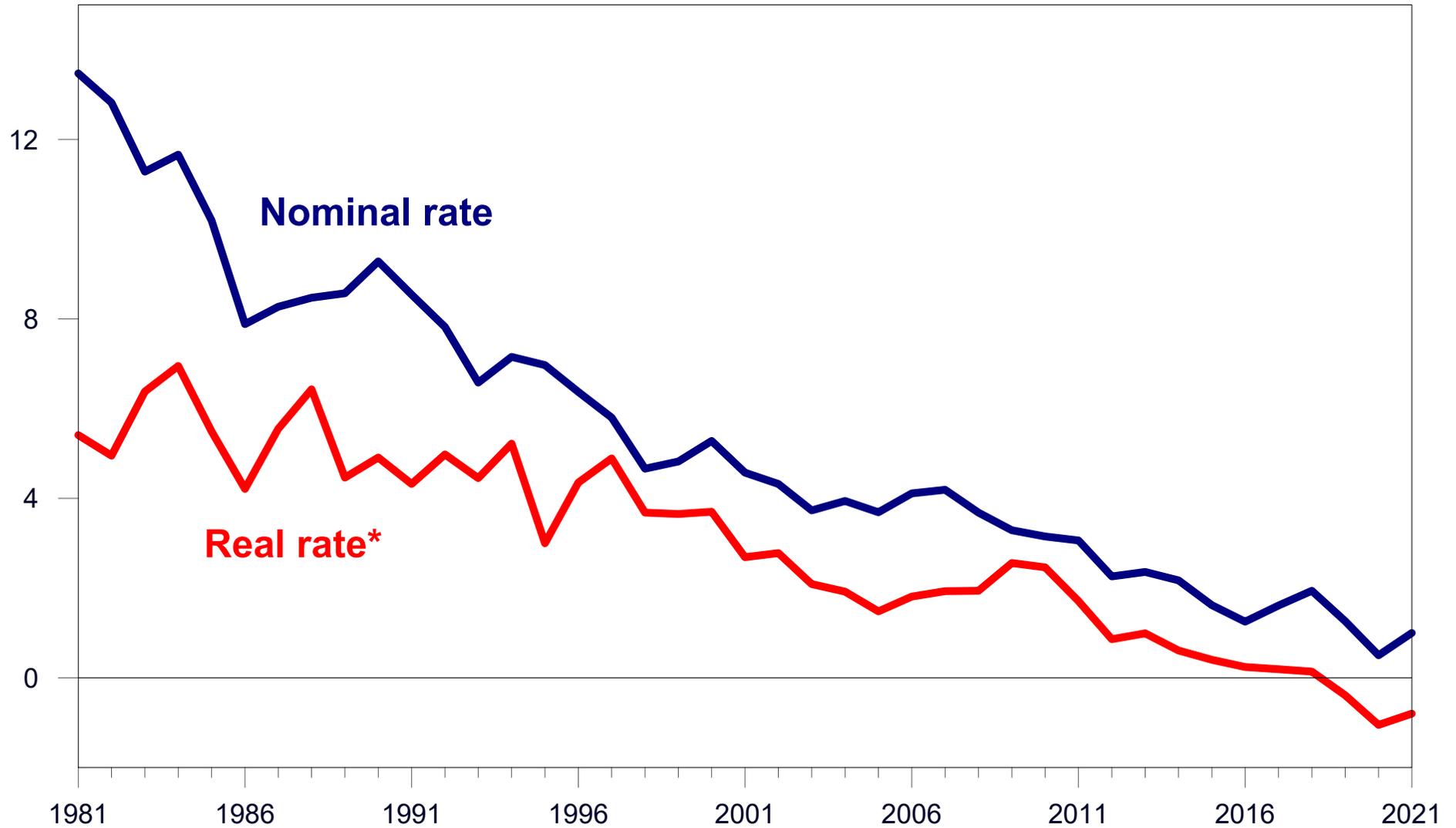
There will be greater income inequality

(hence danger of more populism)

And, perhaps, more will be done to control climate change

LONG-TERM INTEREST RATE

(in United States, Euro Zone, UK and Japan)

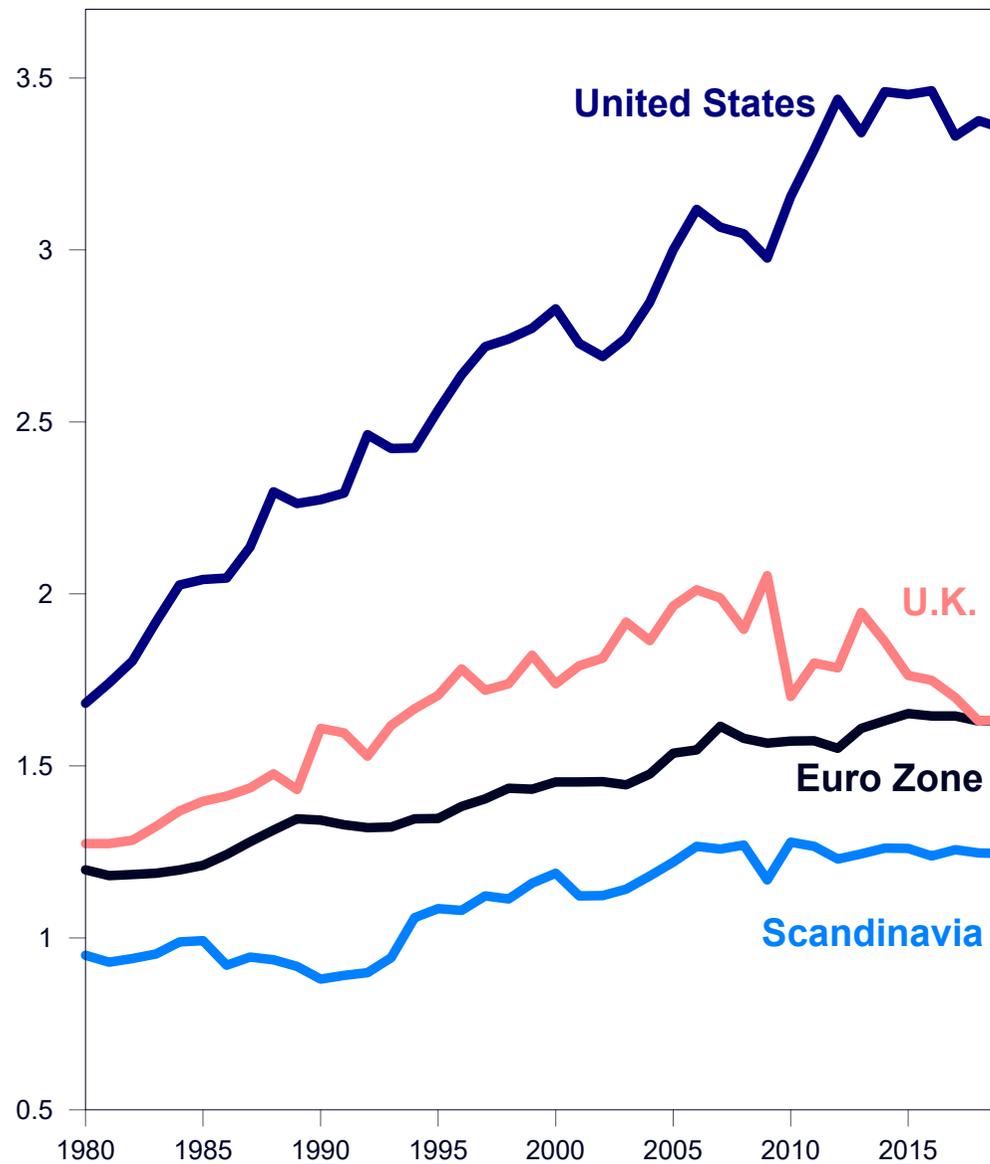


* Nominal rate less growth of GDP deflator.

Source: Oxford Economics.

HOUSEHOLD INCOME INEQUALITY

(ratio of top to bottom 50% deciles; pre-tax)



Source: World Inequality Database.

WILL GOVERNMENTS BECOME GREENER ?

There is an opportunity

**Awareness has risen thanks to lower pollution levels
during the 2020 recession**

And "green" parties are on the ascendancy

But there will also be opposition

Strong urge to revive the economy

**Hence little appetite for new regulations
for new taxation**

WILL THERE BE MORE BABIES ?

With people stuck at home for some two months in the Spring, and perhaps again more recently, could there be a spike in births in 2021 ?

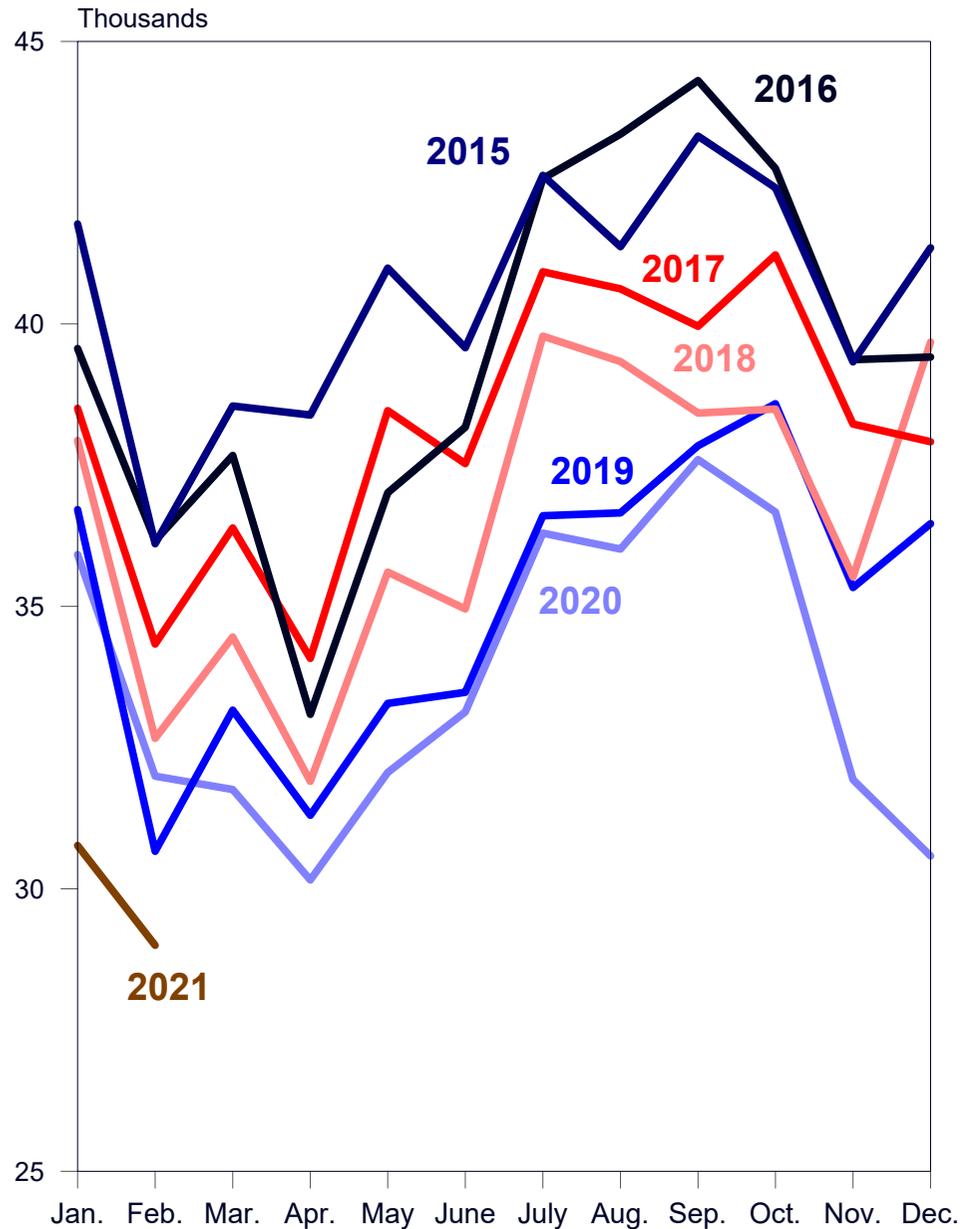
Almost certainly not. In fact, the opposite is more likely

Recessions, uncertainty and insecurity lower fertility

During the "Spanish flu", birth rates flattened out or fell in the US and Europe (there was no recession and hardly any contraception then)

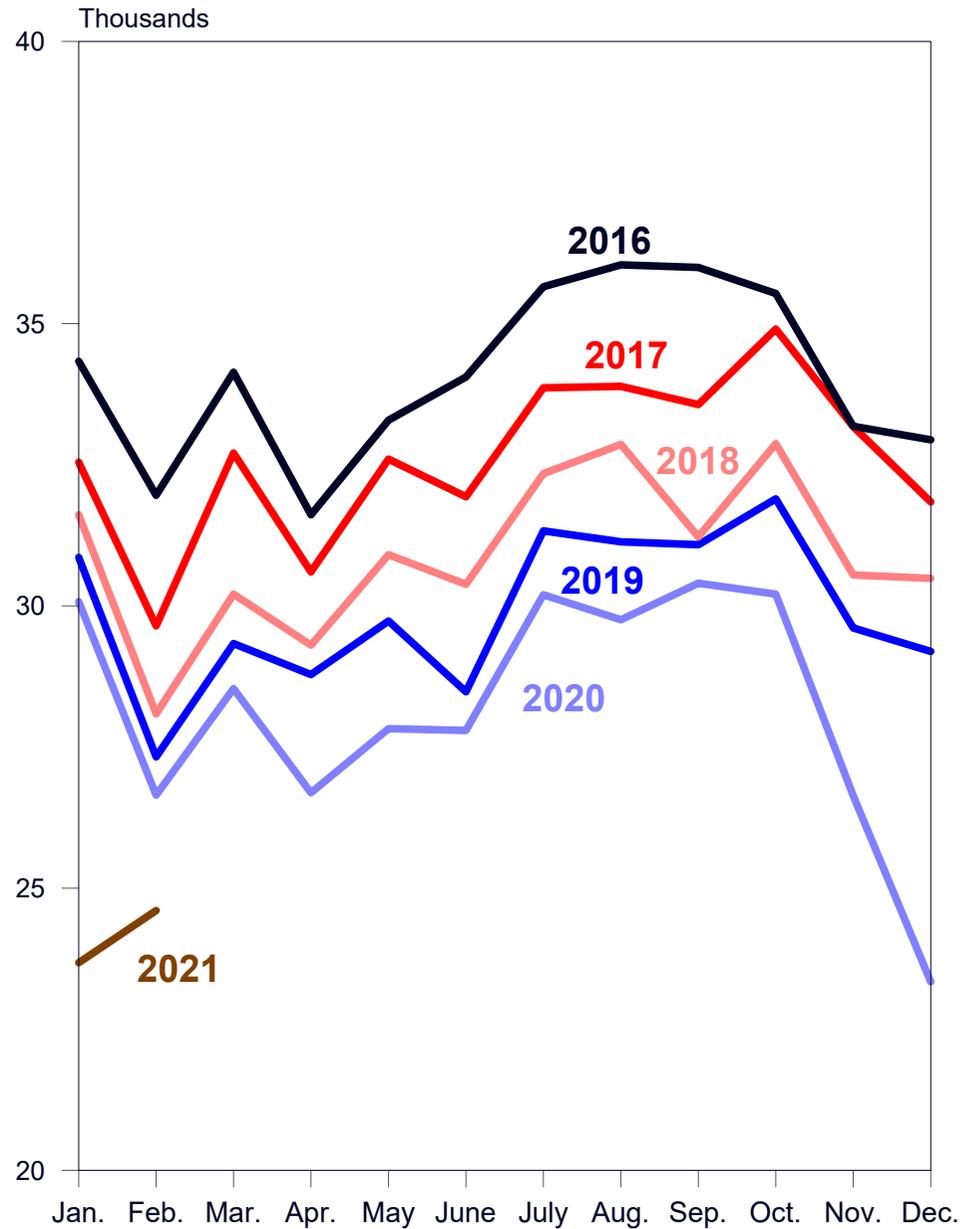
And during the 2008-09 Great Recession there was a 4 per cent drop in birth in America

ITALY MONTHLY BIRTHS



Source: ISTAT.

SPAIN MONTHLY BIRTHS



Source: epdata.

WHY WAS IT CALLED SPANISH FLU ?

The virus may have originated in China, but it was brought to Europe by American troops in 1918

It spread very quickly and thousands of Austrian, British, French, German, Italian soldiers were dying in the trenches

In all these countries military censorship did not allow the press to talk about this lest the enemy might have sensed a new weakness

Spain was not involved in the war and in Spain too thousands were dying. The press was not censored so it spoke openly of the pandemic. Elsewhere in Europe this was reported as a Spanish phenomenon and the name stuck !
