

Langetermijngevolgen van de coronacrisis

Vrijdag 25 maart 2022

13:00 – 14.30

WEBINAR

Koen De Leus, BNP Paribas Fortis
Hans Dewachter, KBC

COVID VERSUS PAST CRISES.

2022

Koen De Leus

BRUSSELS

25/03/2022



BNP PARIBAS
FORTIS

The bank for a changing world



BNP PARIBAS
FORTIS

PART 1

THE GREAT RECOVERY

**SCARRING:
IS THIS TIME DIFFERENT ?**



CHAPTER 1

Scarring

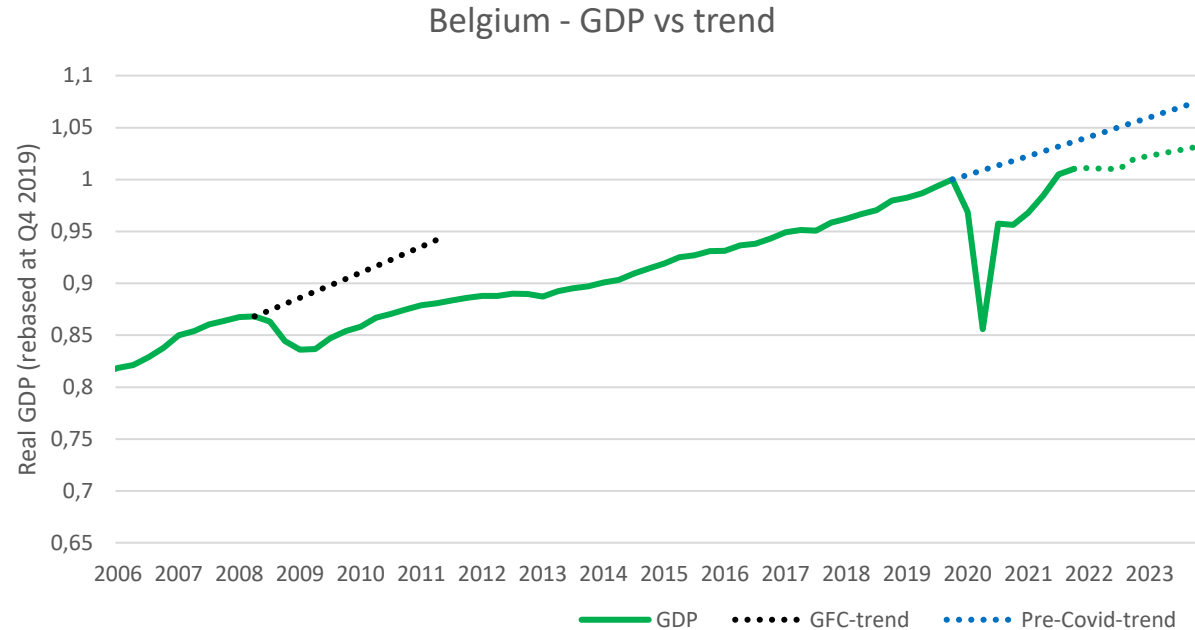


TRACKING THE RECOVERY



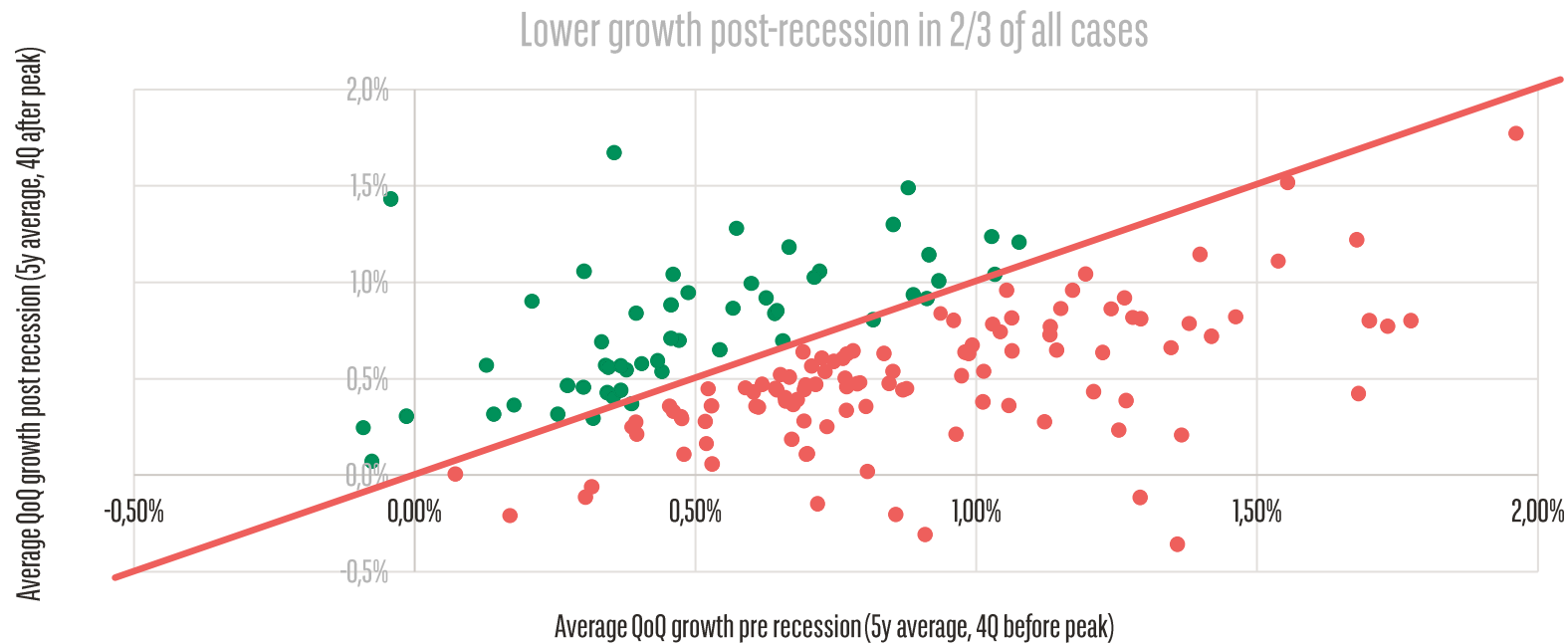


TRADITIONAL BUSINESS CYCLE VIEW **VERSUS** SCARRING




















PRE VS POST GROWTH





RECESSIONS BY TYPE

Type of recessions	Change in debt to gdp	Length of recessions (quarters)	GDP level vs peak after ...			Change in long term QoQ% after vs before recession
			4Q	8Q	12Q	
 Banking crisis	 Either	3,6	0,98	1,00	1,02	-0,21%
 Sign. Asset price correction	 Either	3,4	0,98	1,00	1,02	-0,35%
 Banking crisis + correction	 Either	3,8	0,98	0,99	1,00	-0,28%
 All	 Down	2,5	1,01	1,05	1,08	-0,21%
 All	 Up 0%-10%	3,4	0,99	1,01	1,04	0,01%
 All	 Up 10%-20%	2,8	1,00	1,03	1,05	0,10%
 All	 Up ≥ 20%	3,0	1,00	1,02	1,04	-0,12%
Covid pandemic - Belgium	 Up 10%-20%	2,0	0,96	1,01	1,02	-0,1% ?

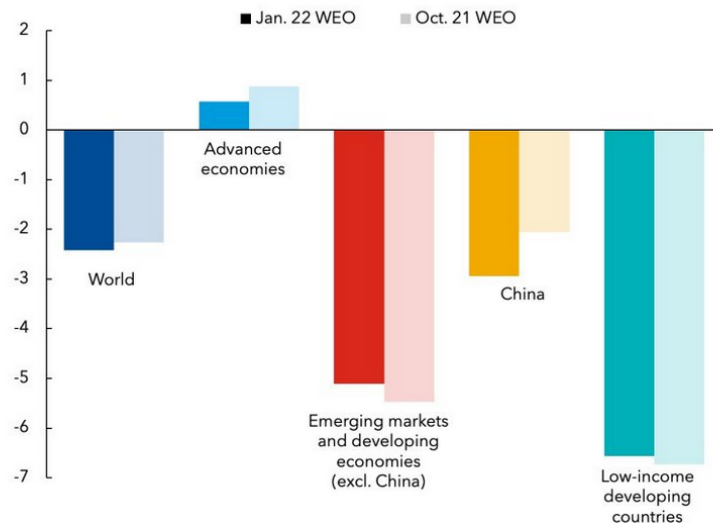


CERTAINLY MORE LIMITED DUE TO **POLICY INTERVENTION**

Divergent recoveries persist

Medium-term output losses for emerging markets and developing economies are likely to be large.

(percent deviation from pre-crisis trend)



Sources: IMF, World Economic Outlook; and IMF staff calculations.

Note: Bars show the difference in real output four years after the crisis and anticipated output for the same period prior to the crisis for the indicated regional group.

IMF

Note: Calculated as difference between real GDP in the four years after the crisis and the forecasted level prior to the crisis

Sources: IMF World Economic Outlook, BNP Paribas

SCARRING



HIGH DEBT



HIGH UNEMPLOYMENT



HIGH DEFAULT RATES



LOW CAPITAL OUTLAY



ZOMBIE FIRMS



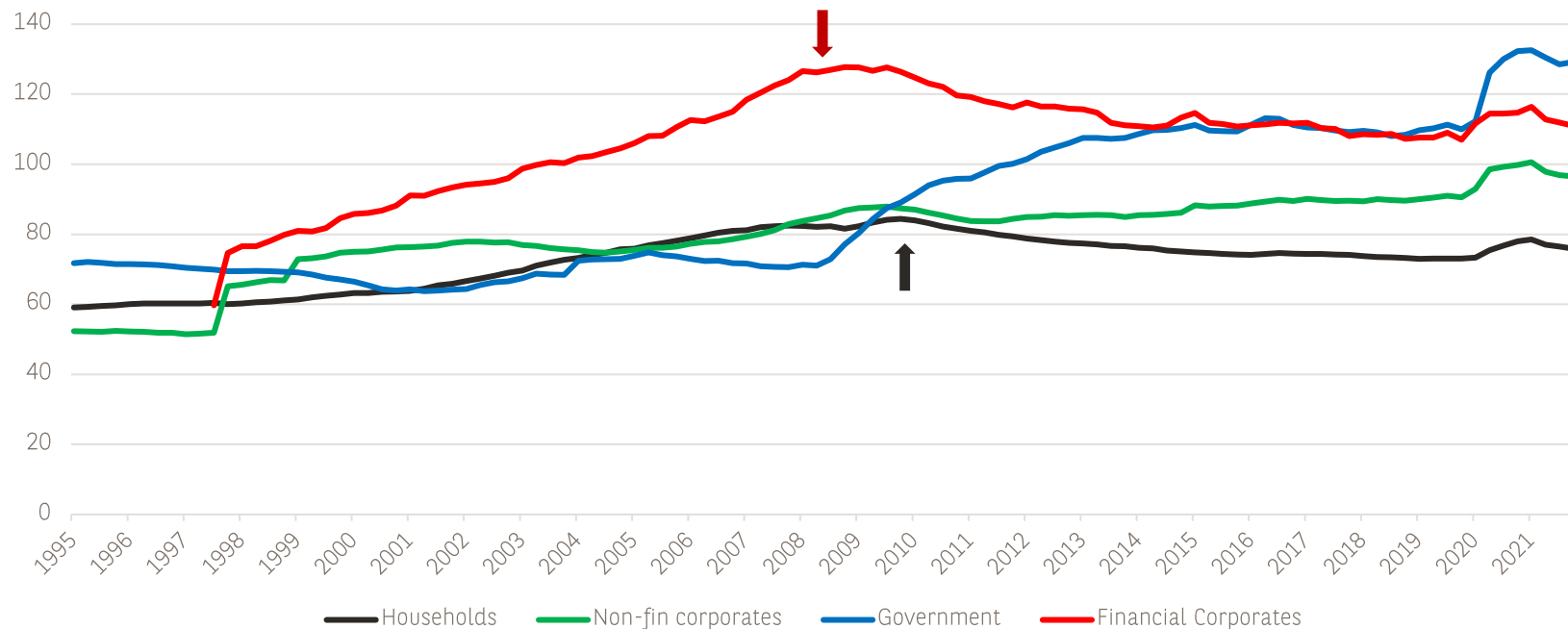
HIGH DEBT



SCARRING 1: INCREASE DEBT FINANCIAL CORPORATES AND HOUSEHOLD RELATIVELY LIMITED



Global debt - mature markets

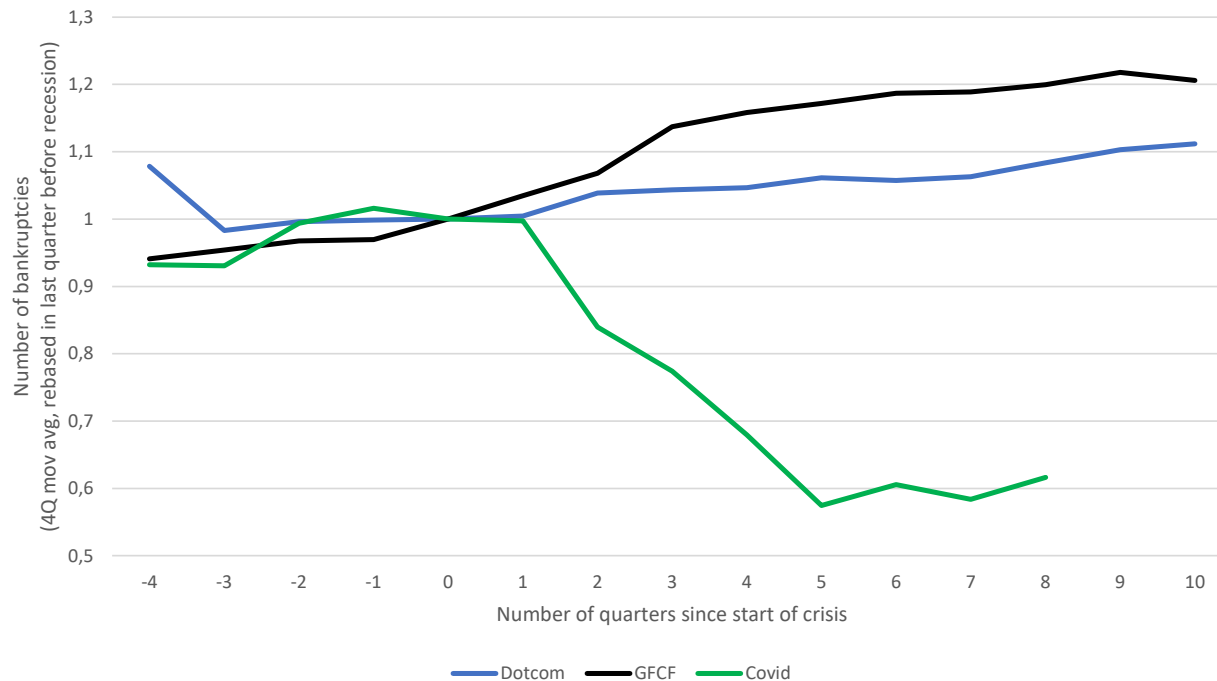




SCARRING 2: CORPORATE DEFAULTS



Bankruptcies in Belgium for last three recessions



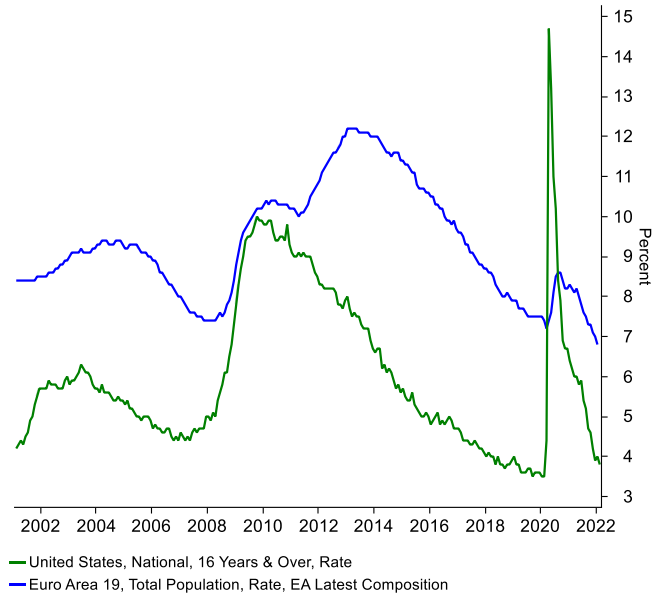


SCARRING 3: UNEMPLOYMENT

SAVING JOBS VERSUS SAVING INCOME

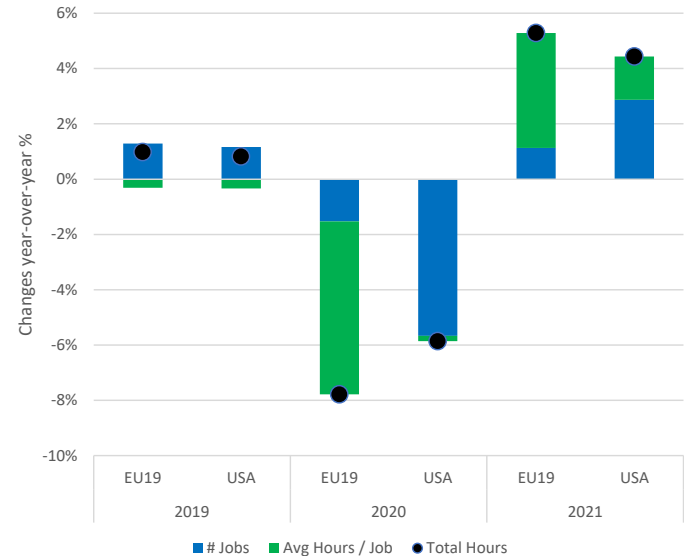


Unemployment rate: USA vs EZ



Source: BNPP Fortis, Macrobond

Changes in labourmarket: US vs EU19



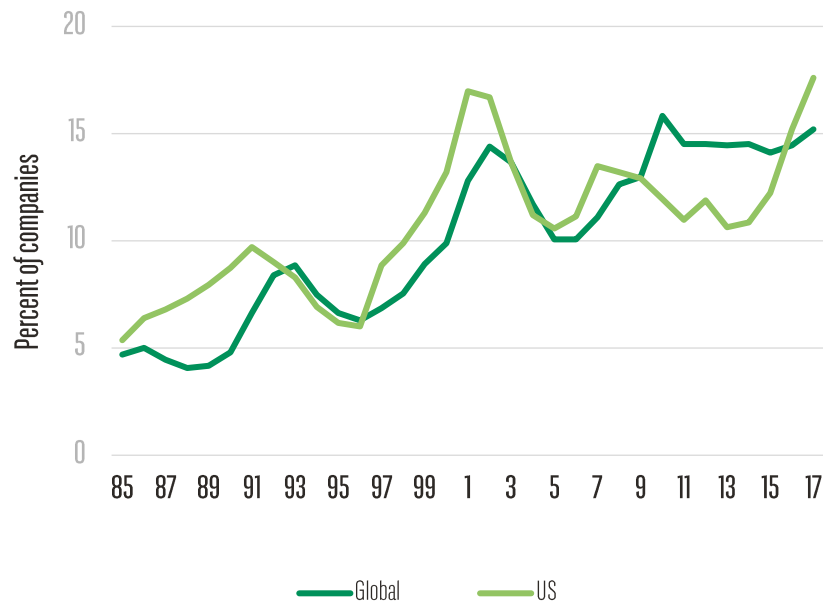
Sources: BNP Paribas Fortis, Macrobond;



SCARRING 4: ZOMBIE COMPANIES

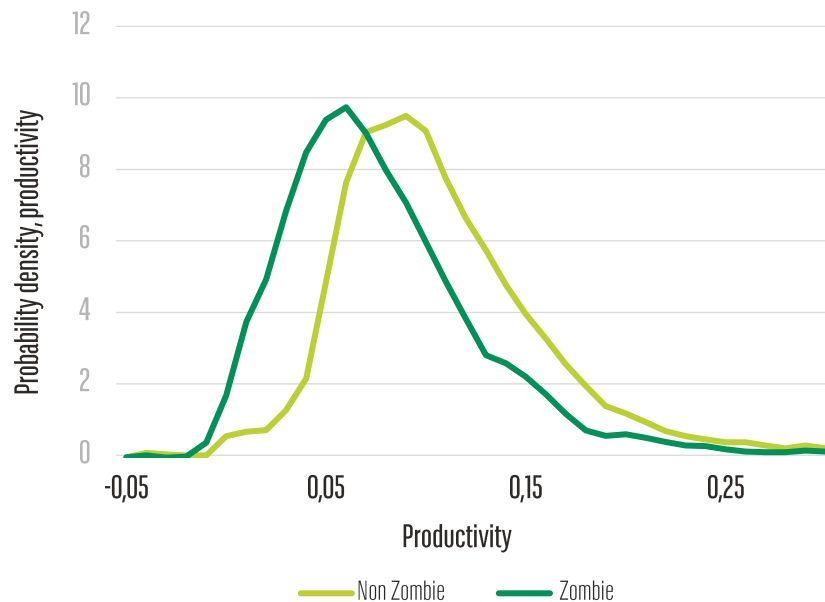


Rise of the Zombies before COVID



Source: BIS estimates, Listed companies only

Zombies are less productive



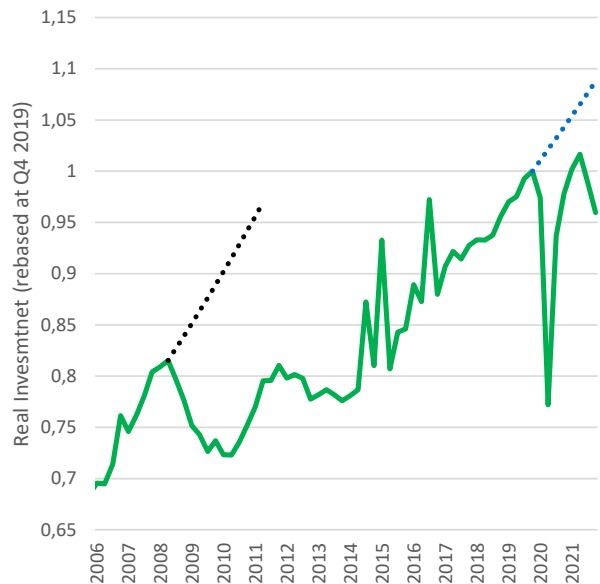
Sources: BIS estimates, Listed companies only



SCARRING 5: WEAK CAPITAL SPENDING



Belgium - NFC Investment vs trend

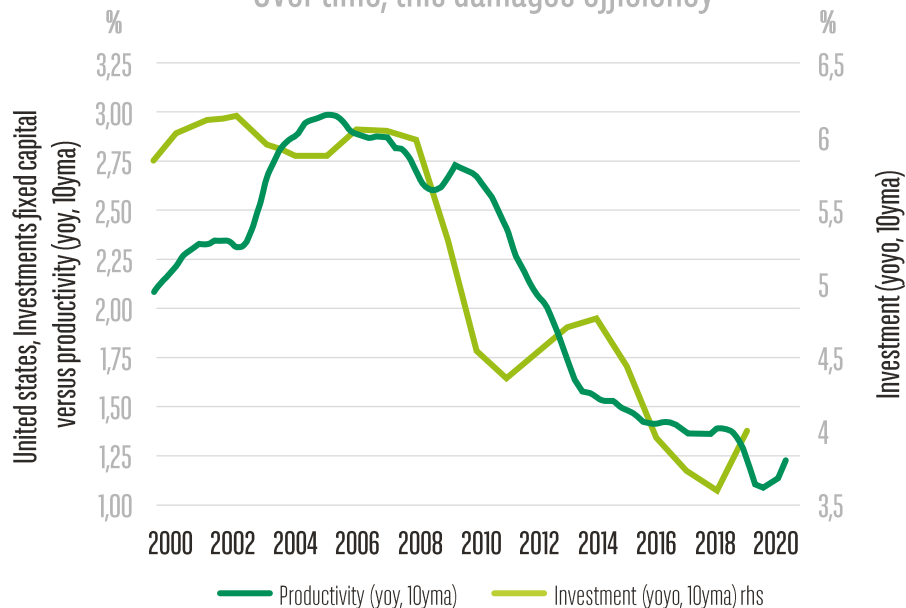


Source: NBB

5 year pre-shock trends are shown

— GFCF-NFC
 Pre-GFC-trend
 Pre-Covid-trend

Over time, this damages efficiency



Source: BEA, TS Lombard; BNP Paribas Fortis, Macrobond



HIGH DEBT

HIGH DEFAULT RATES

HIGH UNEMPLOYMENT

ZOMBIE FIRMS

LOW CAPITAL OUTLAY

GREAT FINANCIAL CRISIS (GFC) VS COVID-19



* ukraine

→ GFC



→ COVID

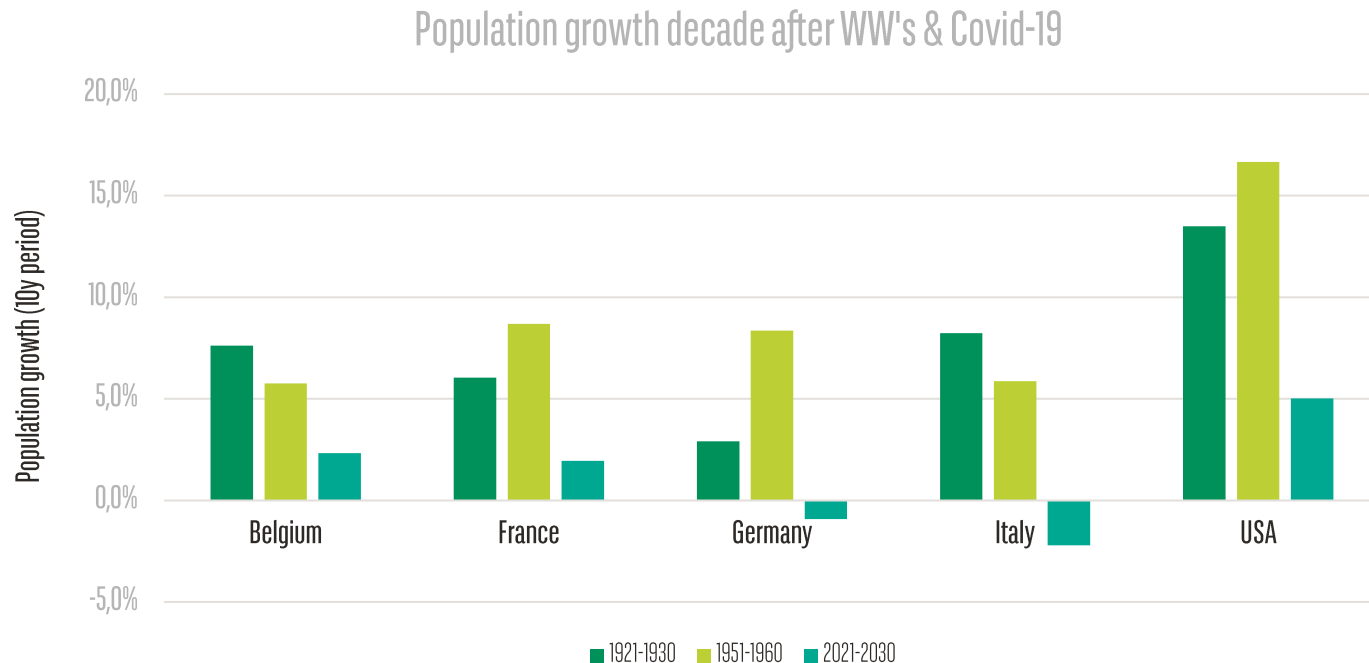
CHAPTER 2

Roaring **like** after world war periods



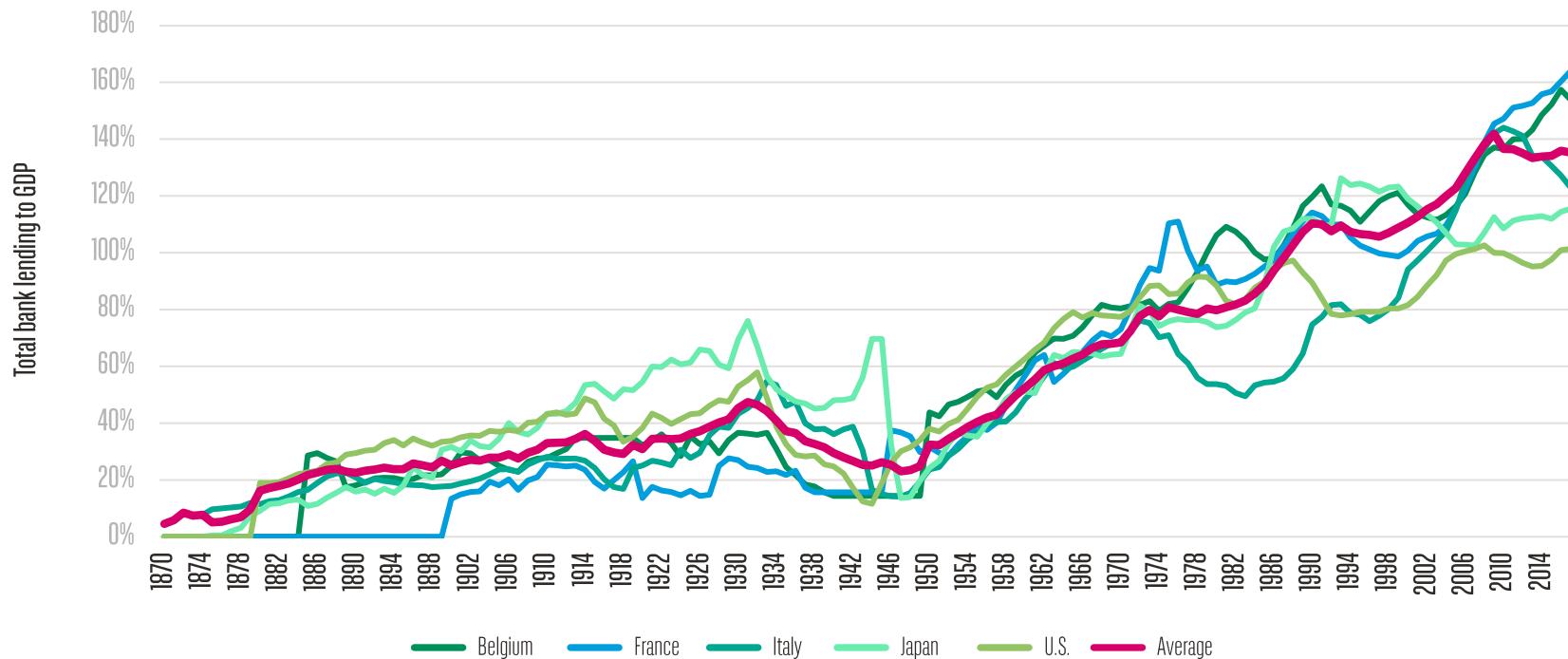


DEMOGRAPHICS: ROARING 20'S VERSUS AGEING 2020'S





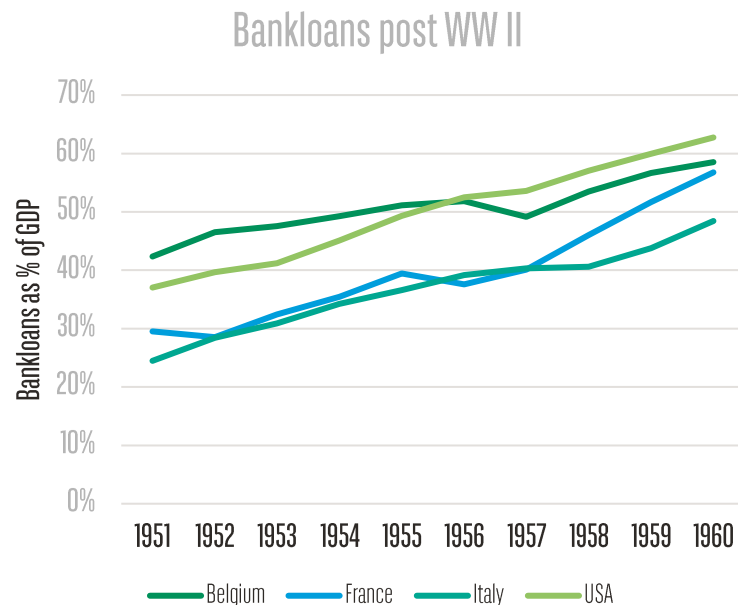
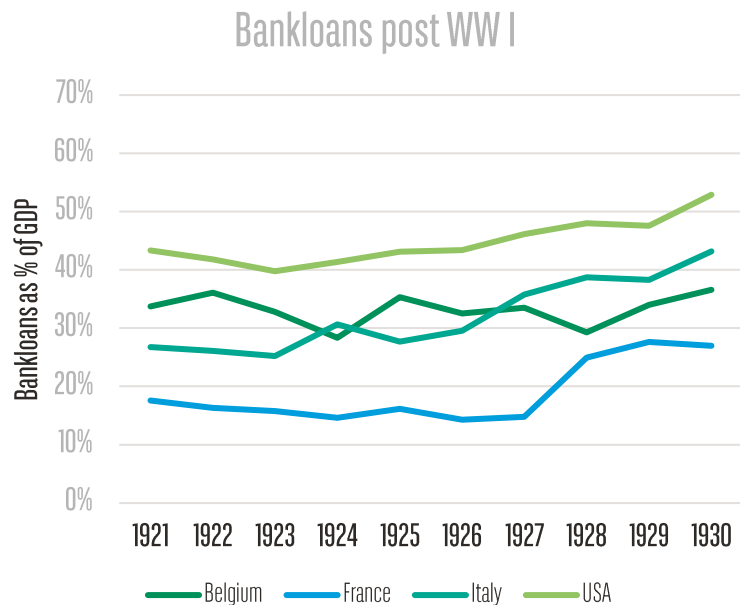
CREDIT BOOM ? GLOBAL BANK LOANS: CLOSE TO ALL TIME HIGH



Sources: Macrobistory database; BNP Paribas Fortis calculations



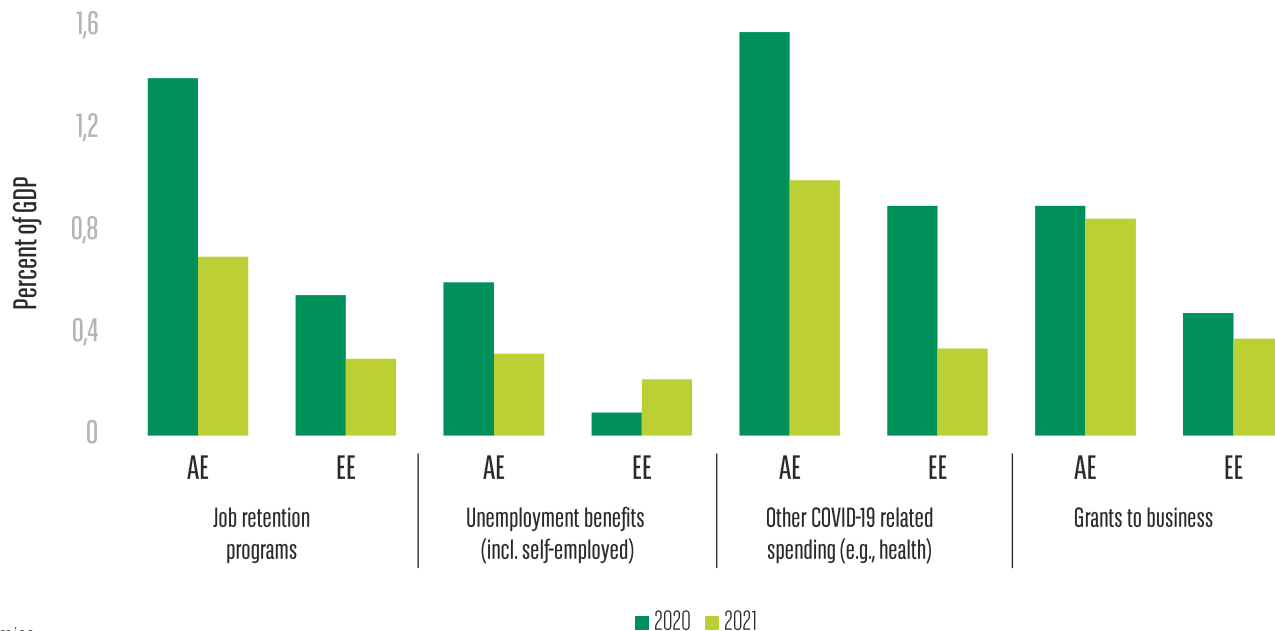
BANK LOANS: CREDIT BOOM 20S AND 50S





NO FISCAL CONSOLIDATION ... YET ?

2021 Planned versus 2020 Implemented



AE = Advanced Economies

EE = Emerging Economies

Sources: IMF, World Economic Outlook; And IMF staff calculations.



NO FISCAL CONSOLIDATION !

Scenarios		Amount per year (% of EZ GDP)	Impact on GDP growth (pp per year)**	Growth scenario(s)***
Scenario A	Observed announcements only; Germany's announced EUR100bn split over four years	0.2	0.1	–
Scenario B	Scenario A + permanent increase in rest of eurozone defence spending from 1.2% of GDP to 2.0%	0.8	0.4	1 – <i>Quick resolution</i>
Scenario C	Scenario B + central EU capacity worth EUR200bn, split over eight years	1.0*	0.5	2 – <i>Baseline scenario</i> 3 – <i>Short-lived intensification</i>
Scenario D	Scenario B + central EU capacity worth EUR200bn, split over two years	1.8*	0.9	4 – <i>Prolonged intensification</i>

* We take the EUR200bn as a proportion of eurozone GDP for simplicity

** Assumes multipliers of 0.5

*** Fiscal scenarios B–D are associated with growth scenarios outlines in Figure #; note that in 2022, we embed only half of the stimulus, assuming disbursements begin in H2

Sources: BNP Paribas



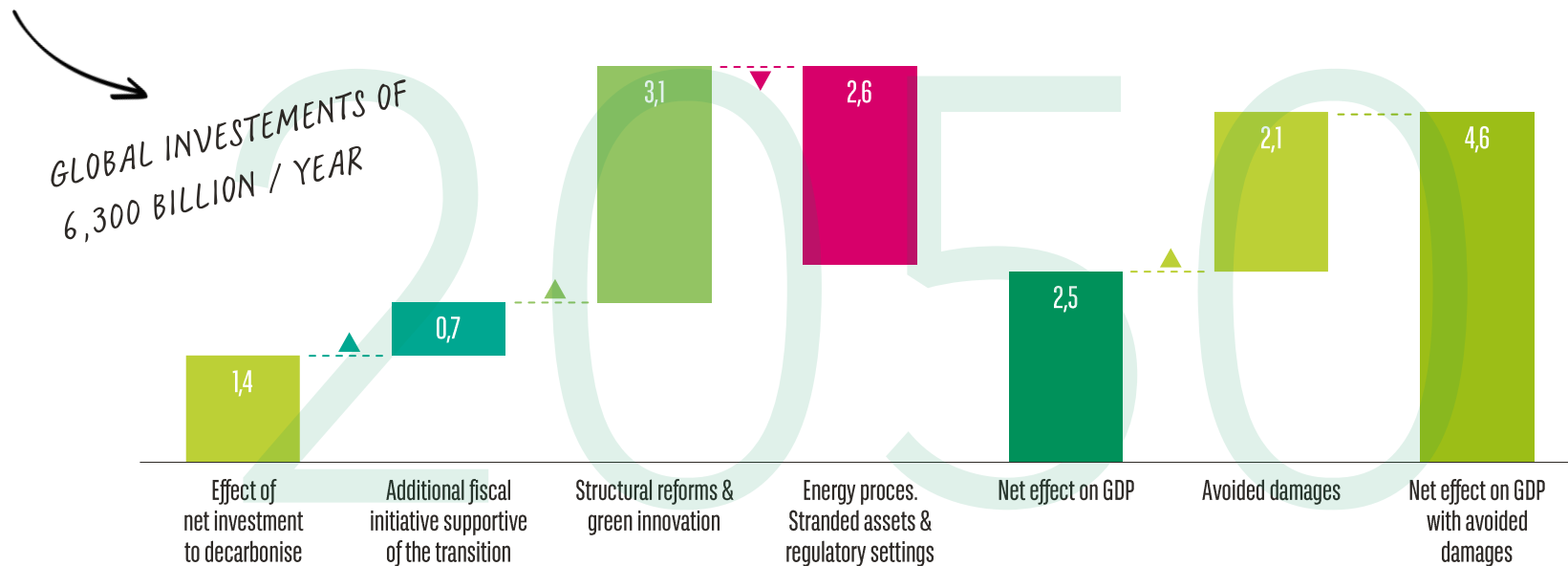
**THE FUTURE IS
FASTER AND
GREENER THAN
YOU THINK**





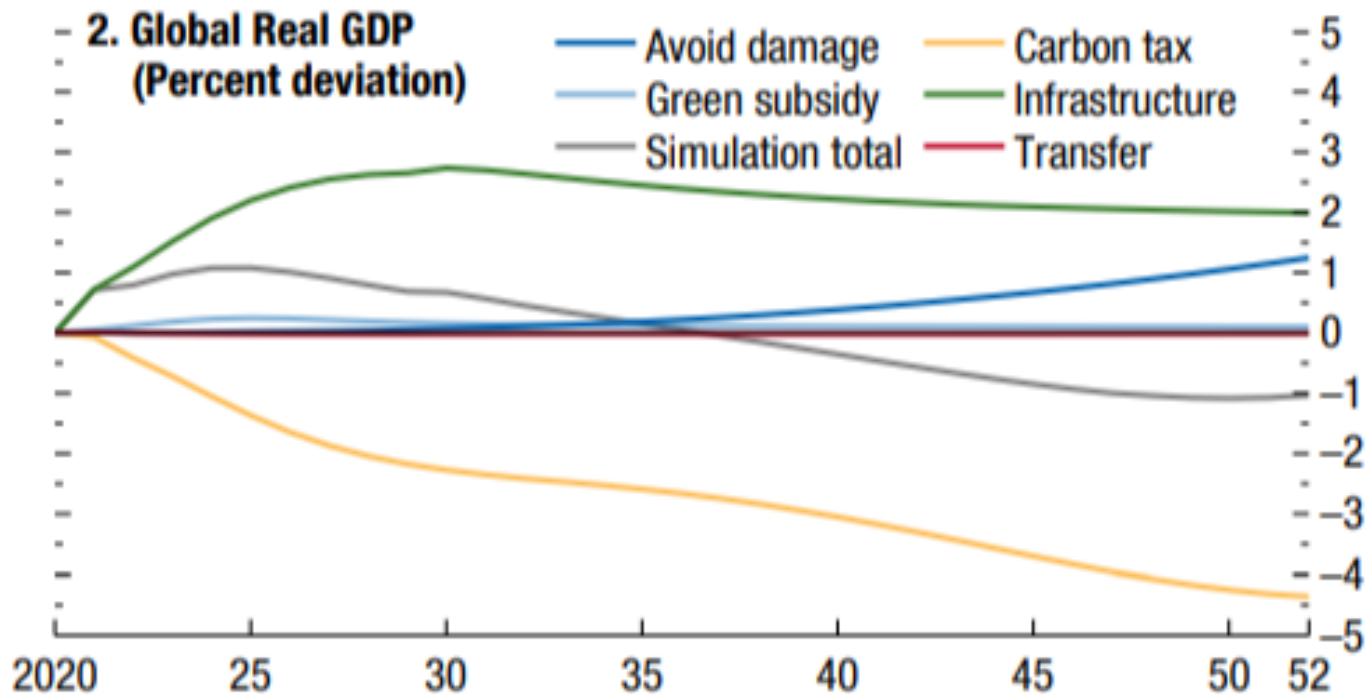
GREEN TRANSITION – SCENARIO 66% 2°C

Change in GDP (%)





GREEN INVESTMENT PUSH COMBINED WITH GRADUAL INCREASED CARBON TAX

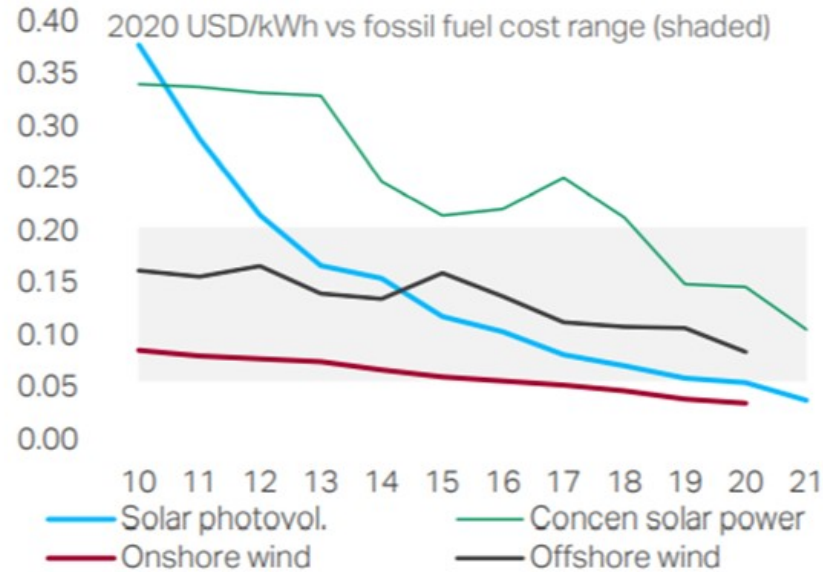


Source: IMF



INCREASED PRODUCTIVITY IN THE LONG RUN ?

Chart 20: Tech has slashed cost of renewables



Source: [International Renewable Energy Agency \(IRENA\)](#)



DIGITALISATION: GREAT PROGRESS VERSUS GREAT DIVIDE

COULD PRODUCTIVITY GROWTH
ACCELERATE AFTER
THE COVID-19 CRISIS?

Unleashed/broad-based
(eg, high consumption and investment growth)

DEMAND GROWTH

Constrained
(eg, broad income loss, deleveraging)

1.3

1. Stagflation
US post-oil shock,
1973-83

3.1

2. Age of renewed economic progress
Europe and US post-world war II,
1939-73

3. "Lost decade" or depression
Japan post-real-estate bubble burst,
1992-2002

0.7

Low progress
(eg, sclerotic markets, slow innovation)

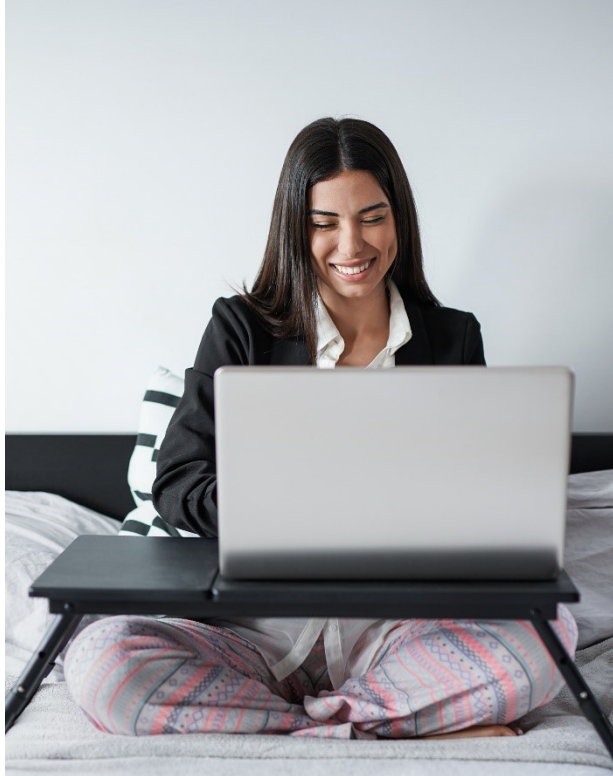
4. Low growth and/or great divide
US post-global financial crisis,
2007-19

1.0

Acceleration of innovation and dynamism
(eg, digitization, automation, new business models)

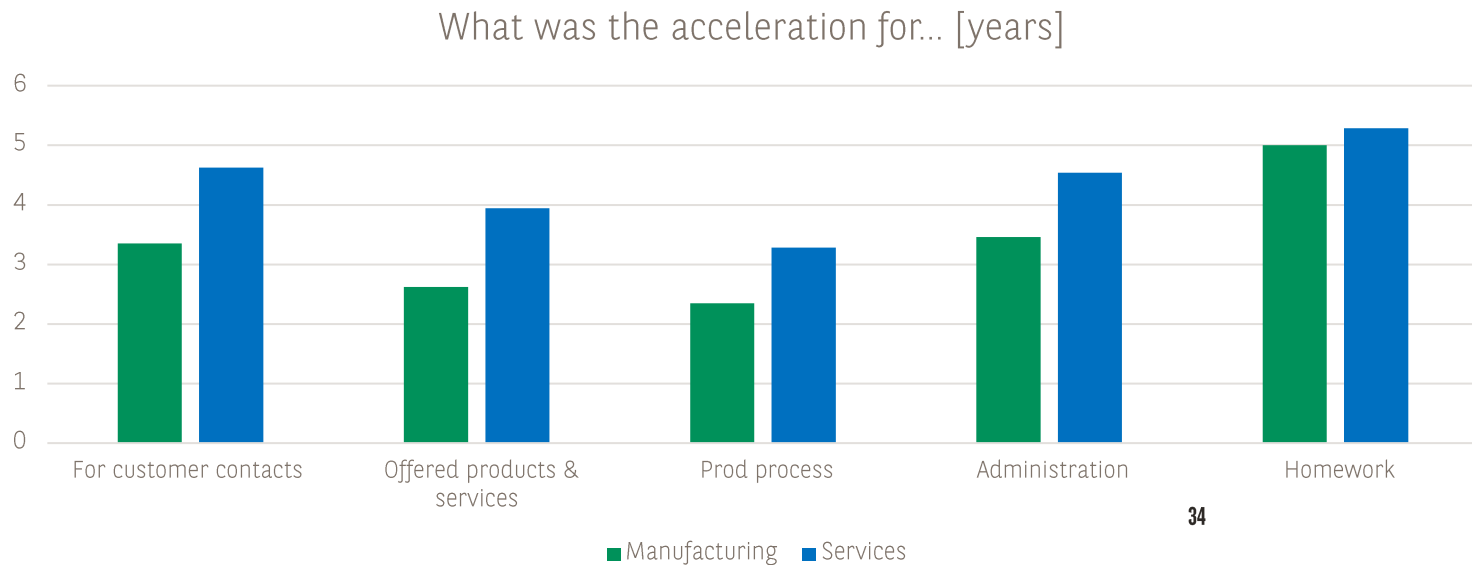
POTENTIAL SUPPLY GROWTH

DIGITALISATION: ACCELERATION





BIGGER STEP FORWARD FOR SERVICES





WW'S VS COVID-19

Booming?

Post WW

Post Covid



..... Population boom



..... Credit boom



..... Infra/investment boom



..... Productivity boom





OVERVIEW TABLE

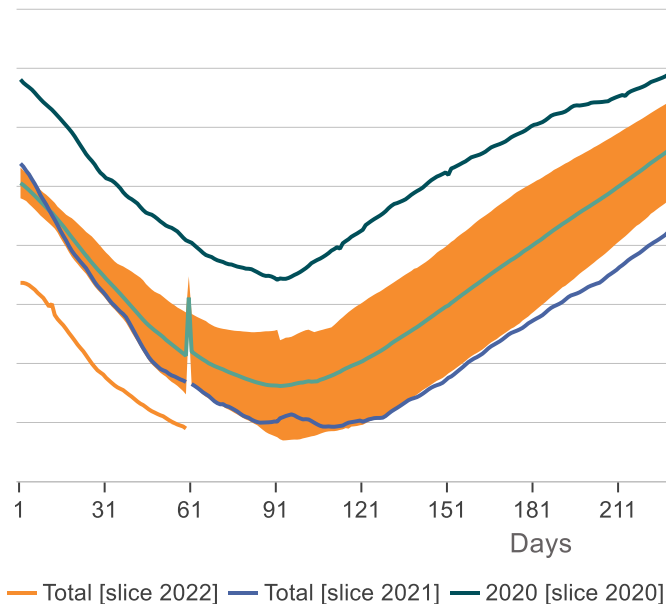
	Category	WOI	WOII	GFCF	Covid
SCARRING	DEBT (LEVEL)	Low	Low	High	High
	UNEMPLOYMENT (INCREASE)	High	High	High	Low
	ZOMBIE FIRMS (%)	NA	NA	High	High
	DEFAULTS (%)	NA	NA	High	Low
	CAPITAL SPENDING (LEVEL)	High	High	Low	Medium
BOOST	DEBT (INCREASE)	High	High	Low	High
	CAPITAL SPENDING (INCREASE)	High	High	Low	High
	PRODUCTIVITY GROWTH	High	High	Low	?
	POPULATION (INCREASE)	High	High	Medium	Medium
	GROWTH DELTA POST CRISIS*	1,07%	2,40%	-1,07%	?

Source: BNPPF

* Average annual growth 5y pre- vs 5y post crisis



Natural gas stock levels



How Russia's invasion of Ukraine may play out

Initial cruise missile strikes on military sites, airfields and troop depots in Kyiv, Kharkiv and Dnipro. Alongside artillery shelling along line of control in eastern Ukraine



* Crimea is annexed by Russia but this is not recognised by the international community

Source: FT research

© FT

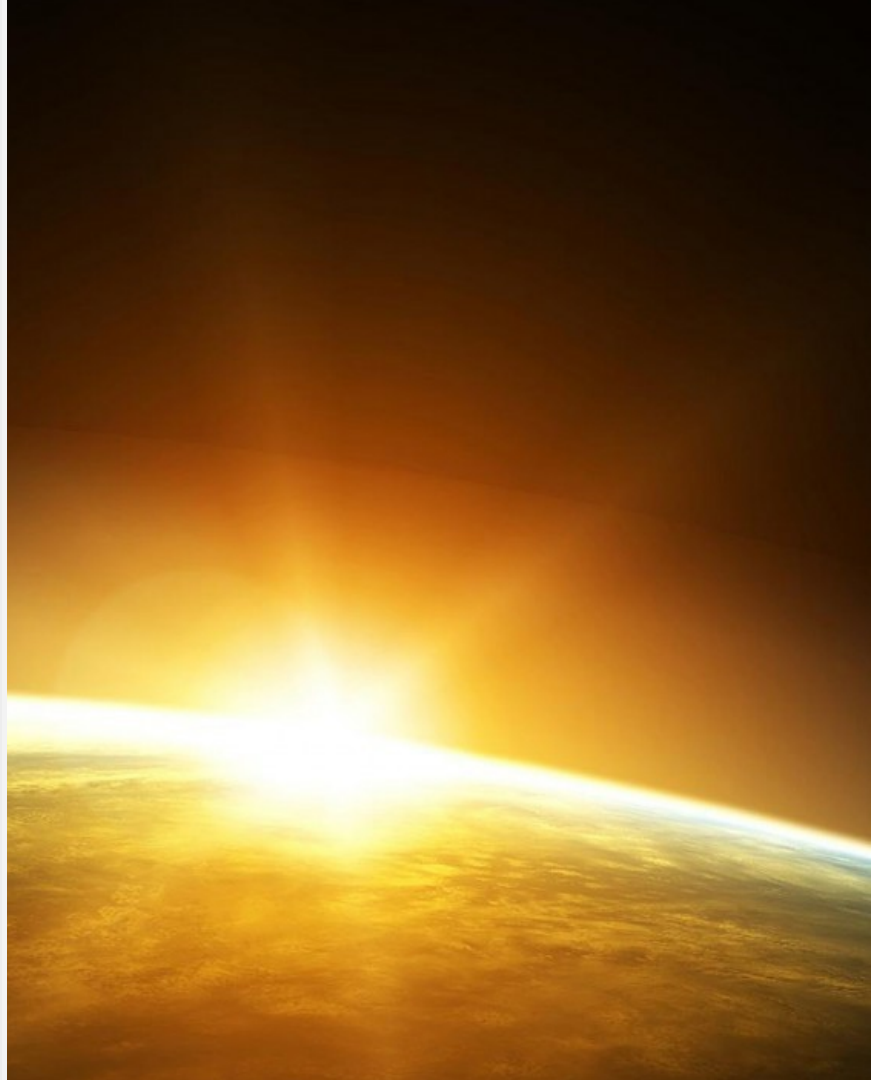
MACROBOND



BNP PARIBAS
FORTIS

PART 2

ENTERING A NEW ERA





*"Uniting Ukraine, steeling the EU, rearming Germany,
breaking Swiss neutrality, bankrupting the oligarchs,
pushing Sweden and Finland to NATO, cracking the
efficacy of Russian state propaganda...
Putin really is some kind of genius,
he's just playing for the wrong team..."*

(FT comments, 01 March)



1

"It is a new world"

Chancellor Olaf Scholz

RTO # 45081

Regional TRADE ASSESSMENT

Supply chain disruption:
economical versus
political logic



CHINA VERSUS THE WEST





5G Innovation

umec

Supply chain disruption: economical versus political logic

Stagflation: A risk, ~~not a probability~~

2





FORECASTS

	Date	Consensus	1. Quick Res BNPP	2. Base case BNPP	3. Briefly worse BNPP	4. Worse, for longer BNPP
US	2022	3,7	4,0	3,7 (-0,4)	3,2	2,4
	2023	2,5	2,6	2,5 (+0,1)	2,7	2,8
China	2022	5,1	4,9	4,9 (0,0)	4,9	4,6
	2023	5,2	5,5	5,5 (0,0)	5,5	5,4
Eurozone	2022	3,9	3,5	2,8 (-0,8)	2,0	0,7
	2023	2,5	3,0	2,7 (+0,2)	3,0	3,3
Belgium	2022	3,1	3,1	2,1 (-1,0)	1,4	0,8
	2023	1,9	1,8	1,3 (-0,5)	1,4	1,6

* CPI for US/CHINA, HICP for EUROZONE/BELGIUM

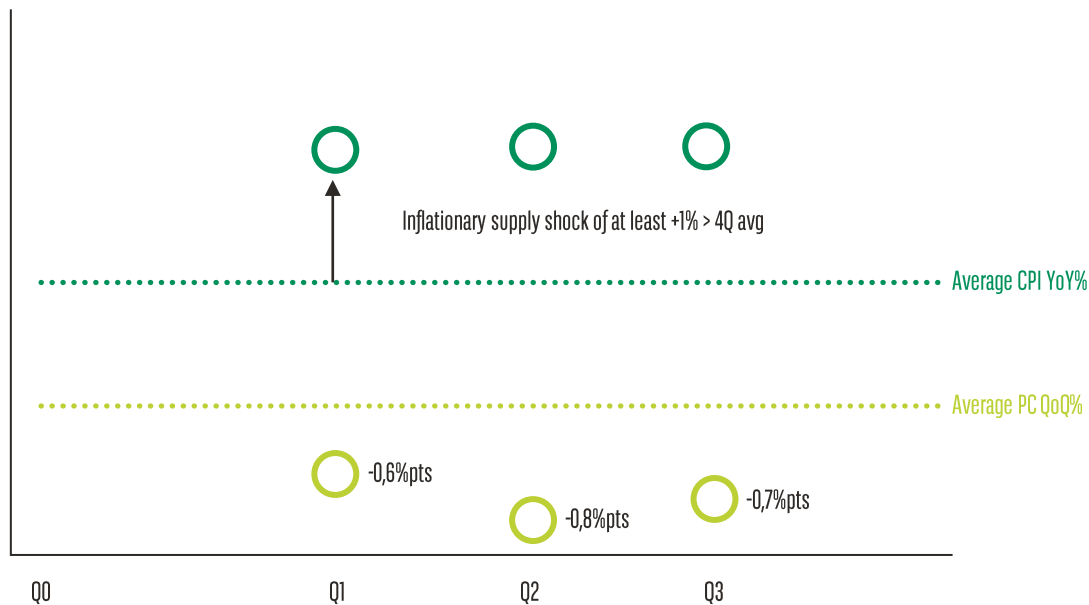
Sources: BNP Paribas, Focus-economics



DEPENDANCIES FROM RUSSIA & UKRAINE

Sector	Grain producers (1)	Auto makers (2)	Construction supplies (3)	Food importers	Fuel importers
Where	Brazil, India, US	Central Europe, S. Korea, Japan	Central Europe, Turkey, GCC	Egypt, Turkey, EU, Japan	EU, Turkey, China
Relevant exports from Russia	Fertilizers (urea, ammonium nitrate, potash, potassium)	Palladium, neon gas, steel, copper	Wood, steel, iron	Wheat, sunflower oil	Oil, gas, other by-products
Relevance (% share of global)	20-45%	20-30% (palladium, neon); 5-7%	5-10%	18% (wheat), 80% (sunflower oil)	9% (oil), 15% (natural gas)

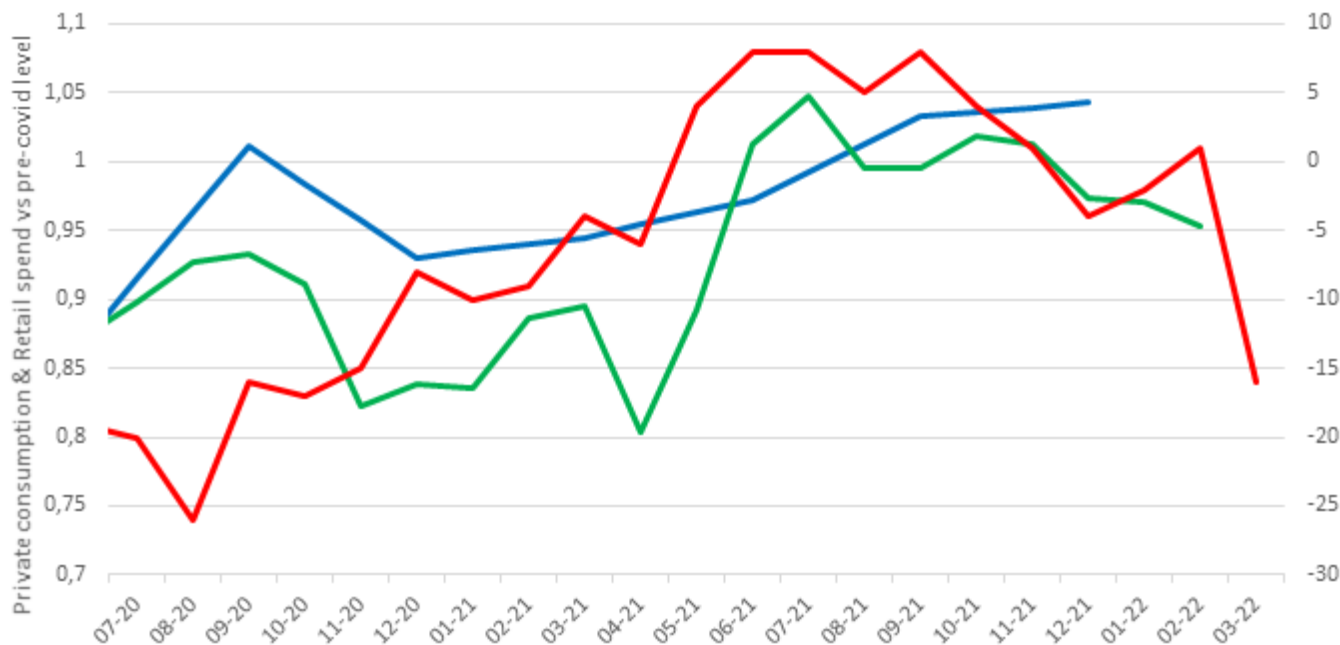
INFLATION & CONSUMPTION





BETTER QUARTERS AHEAD?

Belgian consumption: tough ride ahead



Source: BNPPF, NBB

Private consumption: quarterly > 3-month moving average

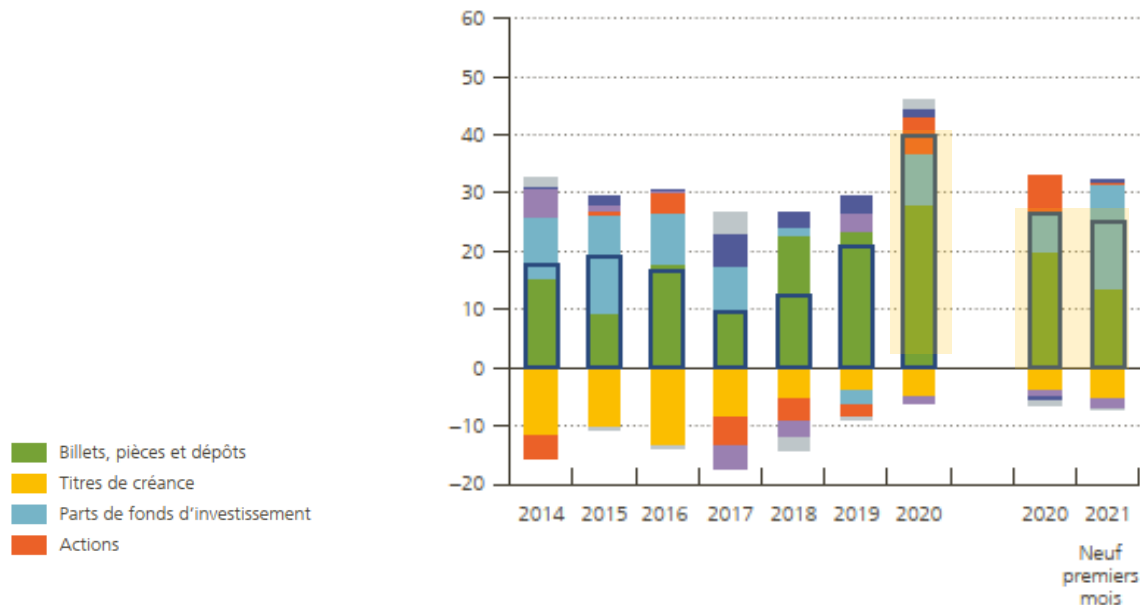
Retail spend: 3-week moving average, averaged over given month

— Private consumption — Retail spend — Consumer confidence (rhs)



SAVINGS ADEQUATE BUFFER AGAINST INFLATION SHOCK ?

Nouveaux actifs financiers des ménages
(milliards d'euros)



Source : BNB.

1 Cette rubrique inclut les droits nets des ménages sur les réserves techniques d'assurance, sur les fonds de pension et sur les réserves de garanties standard.

2 Dans le volet gauche du graphique, cette rubrique comprend, dans la mesure où ils sont recensés, les crédits commerciaux et divers actifs sur les administrations publiques et sur les institutions financières. Dans le volet droit du graphique, cette rubrique reprend en outre les billets, pièces et dépôts, ainsi que les produits d'assurance qui ne relèvent pas de la branche 23.



CONCLUSION

1. Scarring
2. Roaring 20s
3. A new world

STAND
VAN
ZAKEN



Listen to our podcasts via <https://www.bnpparibasfortis.com/nl/podcasts>
or Spotify / Apple podcast / Google podcast

THANK YOU

Visit our economic blog at <https://www.bnpparibasfortis.com/nl/blogs/blog-chief-economist>



BNP PARIBAS
FORTIS



ON FAIT
LE POINT



The bank for a changing world



BELANGRIJK BERICHT

De divisie Private Banking van BNP Paribas Fortis nv, met maatschappelijke zetel gevestigd te Warandeborg 3, 1000 Brussel, RPR Brussel, BTW BE 0403.199.702 ("BNP Paribas Fortis Private Banking")*, is verantwoordelijk voor het opstellen en verspreiden van dit document. Dit document is een marketing communicatie en wordt U uitsluitend verstrekt in het kader van een specifieke beleggingsdienst. Dit document vormt geen prospectus als bedoeld in de op het aanbieden of toelaten tot de handel van financiële instrumenten toepasselijke regels en bevat geen beleggingsadvies en kan niet worden opgevat als onderzoek op beleggingsgebied. De informatie in dit document is niet verkregen conform de wettelijke en reglementaire vereisten die het uitbrengen van objectief en onafhankelijk onderzoek op beleggingsgebied beoogt te waarborgen en BNP Paribas Fortis Private Banking is dan ook niet onderworpen is aan het verbod tot handelen voorafgaand aan de verspreiding van dit document.

Informatie betreffende beleggingen kan op ieder ogenblik onderhevig zijn aan wijzigingen zonder verdere notificatie. Informatie met betrekking tot resultaten behaald in het verleden, gesimuleerde resultaten uit het verleden en voorspellingen kunnen, onder geen beding, opgevat worden als een betrouwbare indicator van toekomstige resultaten. Hoewel BNP Paribas Fortis Private Banking redelijke maatregelen heeft genomen om ervoor te zorgen dat de informatie opgenomen in dit document juist, duidelijk en niet misleidend is, aanvaardt noch BNP Paribas Fortis Private Banking, noch de aan haar gelieerde vennootschappen, directeuren, adviseurs of werknemers, enige aansprakelijkheid voor enige onjuiste, onvolledige of ontbrekende informatie of voor enige directe of indirecte schade, verliezen, kosten, vorderingen, aansprakelijkheden of andere uitgaven die op enigerlei wijze voortvloeien uit het gebruik van of het zich beroepen op de in dit document vermelde informatie, tenzij in geval van opzet of grote nalatigheid. Een beslissing om te beleggen dient niet uitsluitend te worden gebaseerd op dit document en dient slechts te worden genomen na een zorgvuldige analyse van uw portefeuille alsmede na het inwinnen van alle nodige informatie en/of adviezen van professionele adviseurs (met inbegrip van fiscale adviseurs).

BNP Paribas Fortis heeft een beleid vastgelegd teneinde belangenconflicten te voorkomen en te vermijden. Persoonlijke beleggingstransacties van personen betrokken bij de redactie van dit document in het algemeen zijn onderworpen aan monitoring. Verder geldt specifiek het verbod om in financiële instrumenten of emittenten te beleggen waarover zij rapporteren. Deze personen ontvingen specifieke instructies voor het geval dat ze over voorkennis beschikken.

(*) BNP Paribas Fortis nv staat als kredietinstelling naar Belgisch recht onder het prudentieel toezicht van de Nationale Bank van België en de controle inzake beleggers- en consumentenbescherming van de Autoriteit van Financiële Diensten en Markten (FSMA). BNP Paribas Fortis nv is ingeschreven als verzekeringsagent onder FSMA nr. 25879 A en treedt op als tussenpersoon van AG Insurance NV.

Belangenconflicten

Belangenconflicten kunnen bestaan in hoofde van BNP Paribas Fortis nv en de met haar verbonden vennootschappen op datum van het opstellen van dit document. In dit verband werden bijzondere gedragsregels en interne procedures uitgewerkt. Deze gedragscodes en de bekendmakingen in verband met mogelijke belangenconflicten in hoofde van BNP Paribas Fortis nv en de met haar verbonden vennootschappen zijn beschikbaar op <http://disclosures.bnpparibasfortis.com> en, wat de BNP Paribas Group betreft, op <https://wealthmanagement.bnpparibas/en/conflict-of-interest.html>. U kan deze informatie eveneens bekomen via uw contactpersoon.

Certificering van de analist

De personen die vermeld staan als auteurs van de teksten waar individuele aandelen worden besproken, bevestigen dat:

1. alle opinies die vermeld zijn in deze teksten een nauwkeurige weergave vormen van de persoonlijke opinie van de auteurs over het onderwerp financiële instrumenten en emittenten; en
2. geen enkel deel van hun bezoldiging rechtstreeks of onrechtstreeks verband hield, houdt of zal houden met de specifieke aanbevelingen of opinies die in deze teksten worden gegeven.

THANK YOU



BNP PARIBAS
FORTIS



The bank for a changing world



BNP PARIBAS

FORTIS

#PositiveBanking

Langetermijngevolgen van de coronacrisis

Vrijdag 25 maart 2022

13:00 – 14.30

WEBINAR

Langetermijngevolgen van de coronacrisis

Een macro-economische vergelijking van de Covid-crisis met vorige crisissen.

Hans Dewachter
Chief Economist, KBC Group NV
Group Economics and Markets (GEM) – KBC Economics

Financial Forum 25 March 2022

Overview

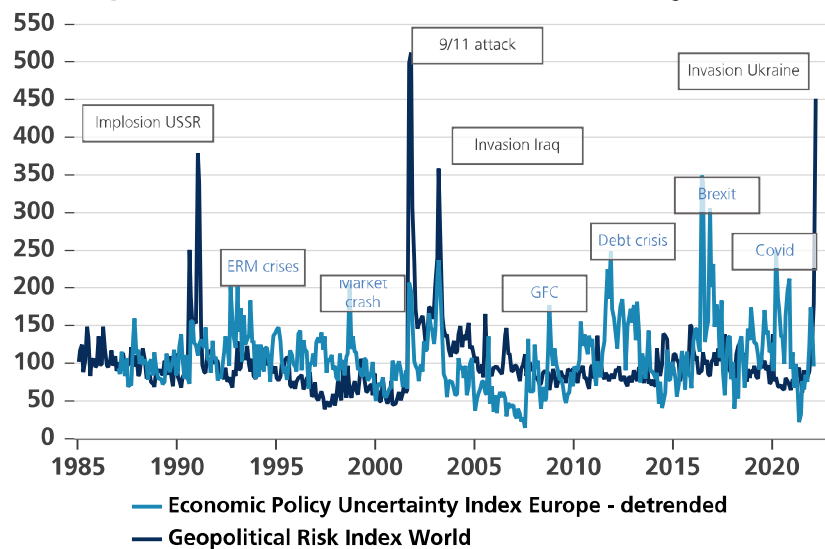
Different economic crises: some implications and lessons learned

- *Each time (crisis) is different* – starting positions, shocks, macroeconomic policy responses and recoveries
- Implications and lessons learned
 - *Shifts in the macroeconomic policy mix* helped bridging the recent crisis but (possibly) reduce the remaining macroeconomic policy space
 - *Limited level-scarring* during Covid crisis but longer-run growth implications still unclear
 - *Globalisation at risk?* Derisking, (de-)globalising, decoupling ...

Confidential

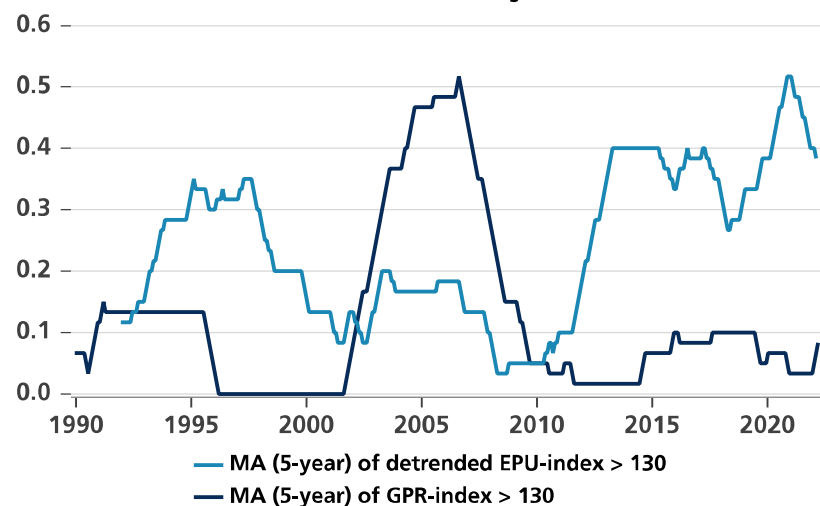
Yet another crisis – geopolitical and economic uncertainty intensifying and reaching high levels

Geopolitical and economic uncertainty indices



Source: KBC Economics based on Economic Policy Uncertainty

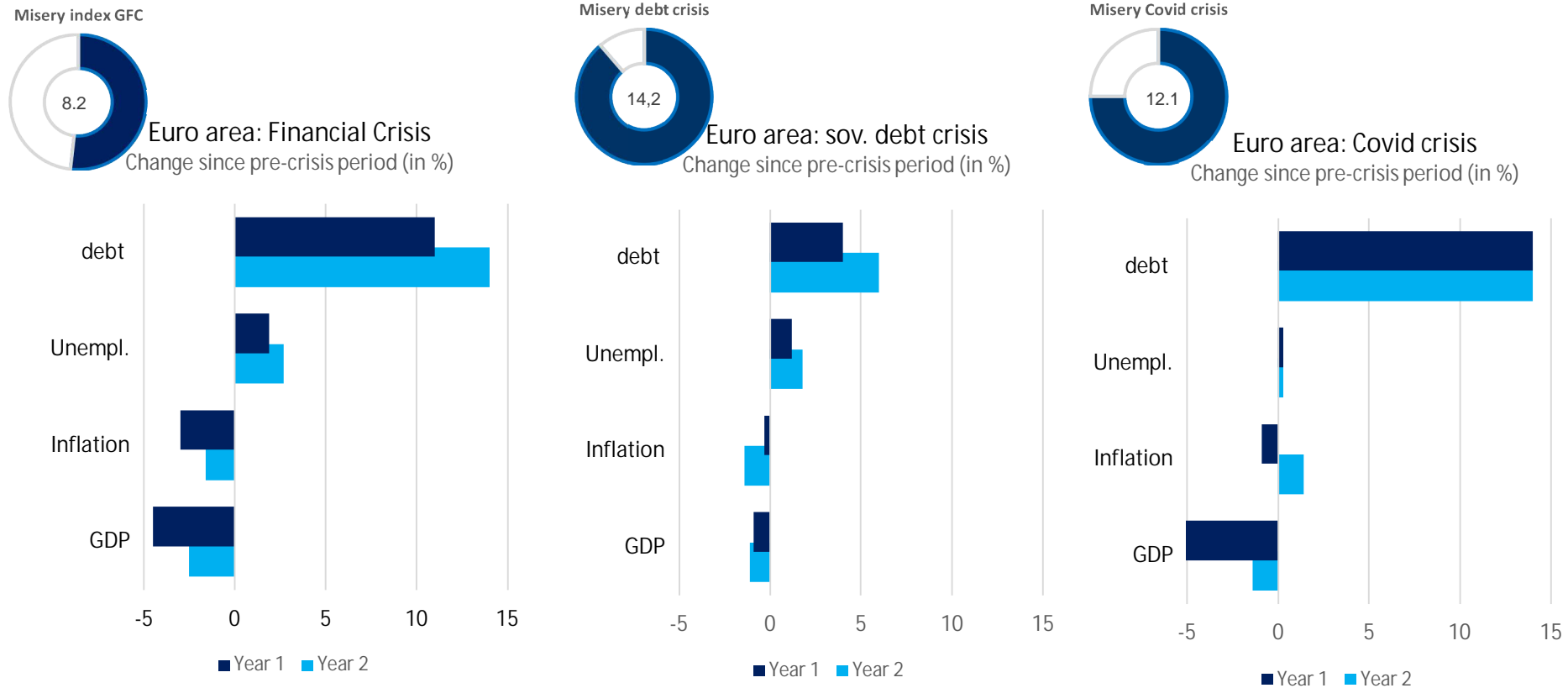
Frequency of intense geopolitical and economic uncertainty



Source: KBC Economics based on Economic Policy Uncertainty

Confidential

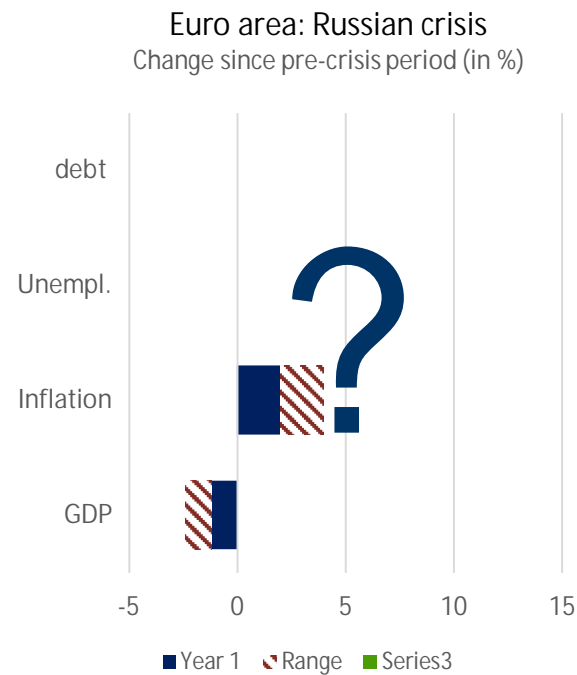
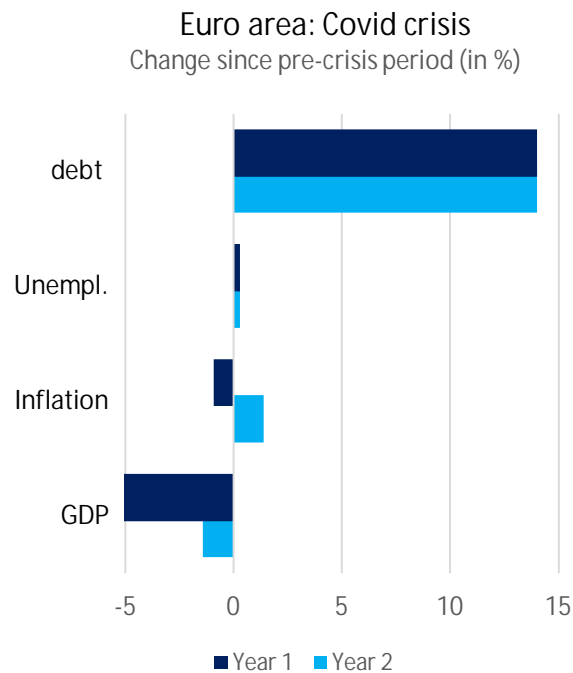
Each time (crisis) is different – different starting positions, shocks, macro responses and different recoveries



Figures depict the change in positions relative to the pre-crisis levels one and two years into the crisis. Changes are in percentage points or pp GDP (debt)

Confidential

Each time (crisis) is different – different starting positions, shocks, macro responses and different recoveries

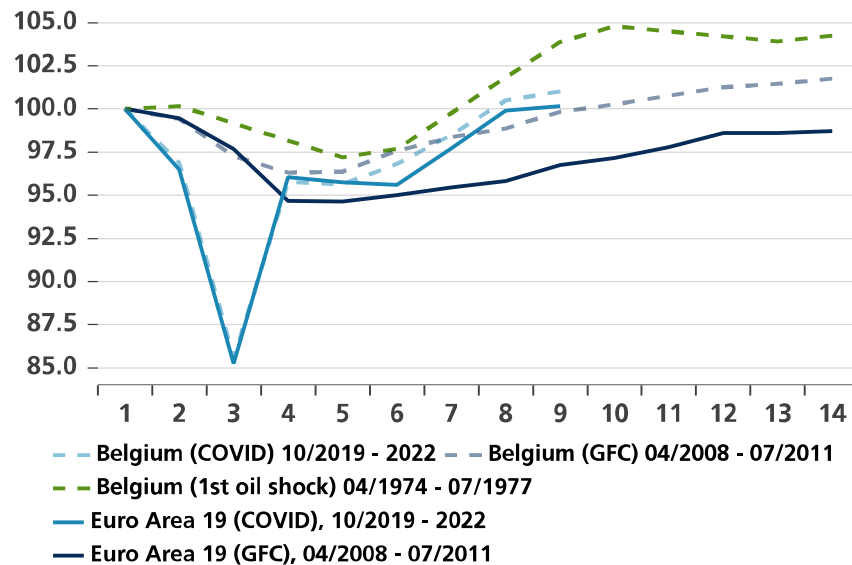


Figures depict the change in positions relative to the pre-crisis levels one and two years into the crisis. Changes are in percentage points or pp GDP (debt)

Confidential

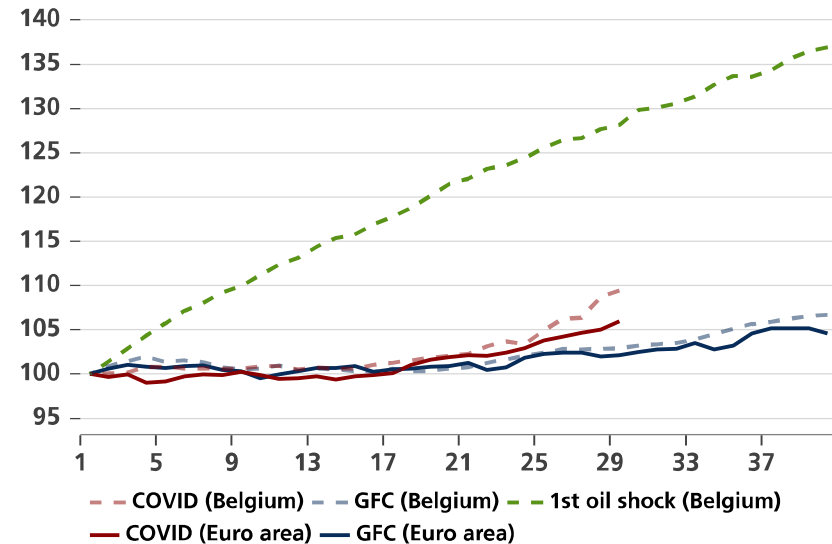
Each time (crisis) is different – different starting positions, shocks, macro responses and different recoveries

Real GDP evolution in 3 different crises



Source: KBC Economics based on OECD

CPI evolution in 3 different crises



Source: KBC Economics based on NBB, Eurostat

Overview

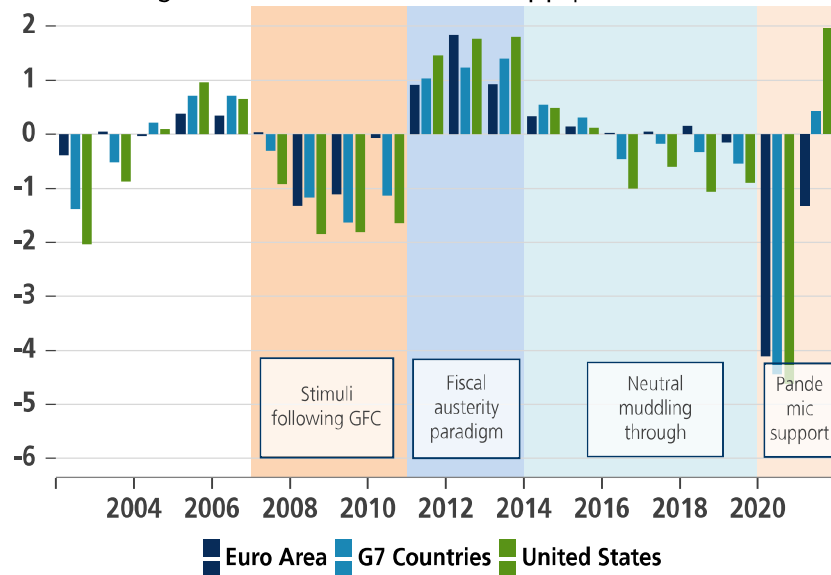
Different economic crises: some implications and lessons learned

- *Each time (crisis) is different* – starting positions, shocks, macroeconomic policy responses and recoveries
- Implications and lessons learned
 - *Shifts in the macroeconomic policy mix* helped bridging the recent crisis but (possibly) reduce the remaining macroeconomic policy space
 - *Limited level-scarring* during Covid crisis but longer-run growth implications still unclear
 - *Globalisation at risk?* Derisking, (de-)globalising, decoupling ...

Implications and lessons learned – economic crises induced major shifts in policy paradigms and coordination...

Changing fiscal paradigms after each crisis

change in structural balance (in pp potential GDP)



Source: KBC Economics based on IMF



Trichet 6 Nov. 2008 [...] underline **the need for fiscal policy to focus on medium-term sustainability and thereby build confidence.**

Trichet 6 Oct. 2011 ...with financial market uncertainty remaining high, all **governments need to take decisive and frontloaded action to bolster public confidence**



Draghi 4 Oct. 2012 [...] euro area countries are progressing with consolidation. It **is crucial that efforts are maintained to restore sound fiscal positions,**

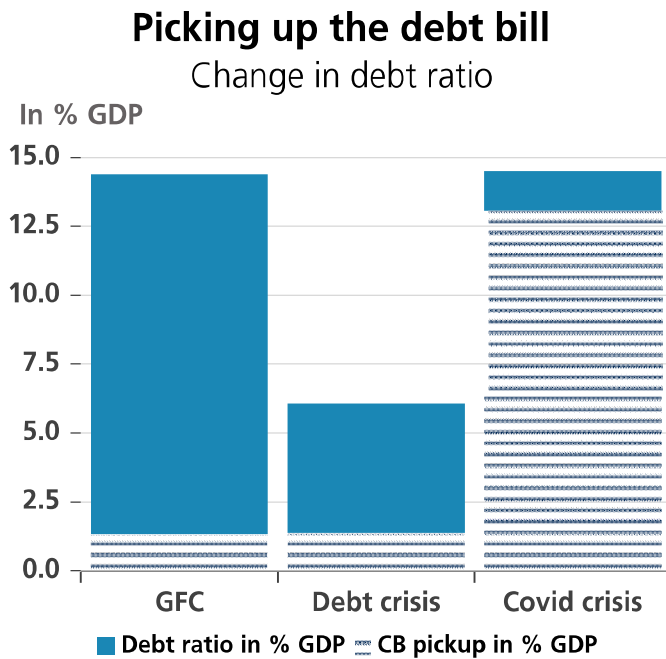
Draghi 10 March 2016 Fiscal policies should **support the economic recovery, while remaining in compliance with the fiscal rules** [...] all countries should strive for a more **growth-friendly composition of fiscal policies.**



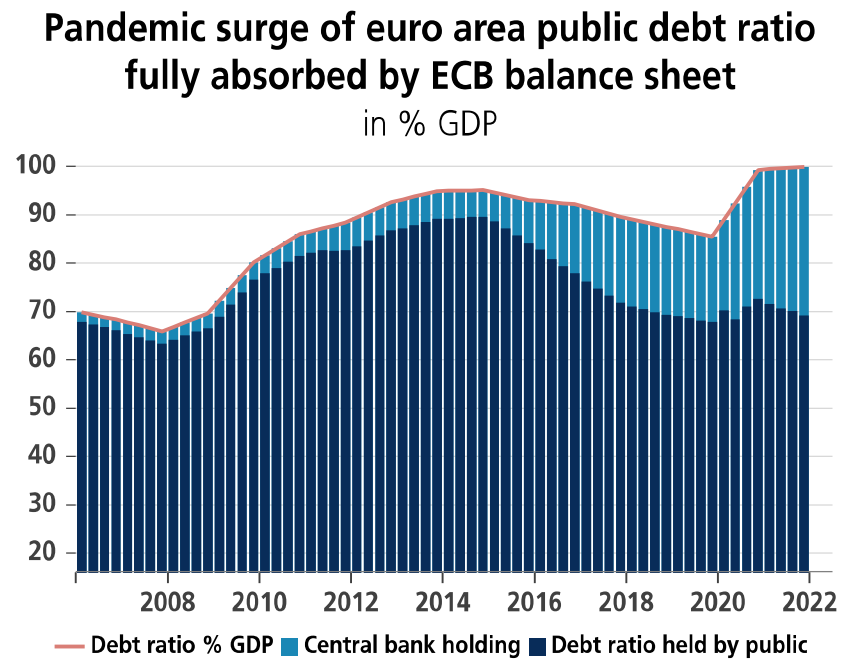
Lagarde 4 June 2020 Regarding fiscal policies, an **ambitious and coordinated fiscal stance remains critical,** [...] We therefore strongly welcome the European Commission's proposal for a recovery plan.

Confidential

Implications and lessons learned – a major shift in policy paradigms also visible on central banks' balance sheets ...



Source: KBC Economics based on DG ECFIN, ECB, Eurostat



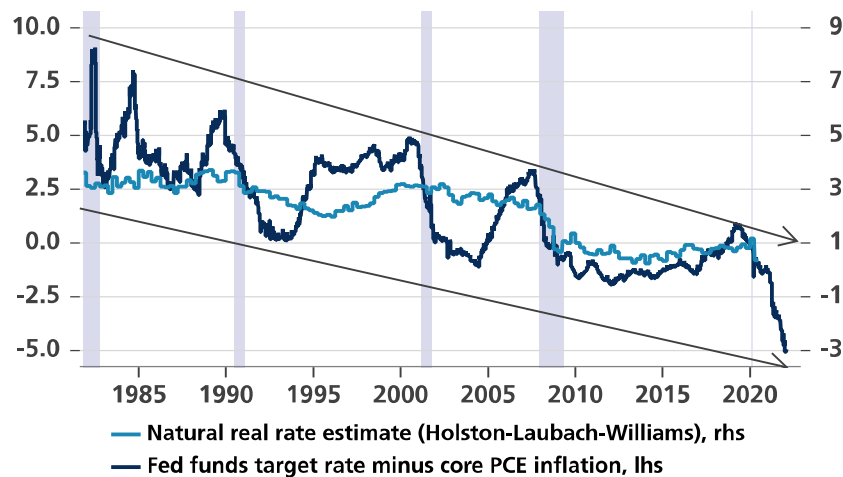
Source: KBC Economics based on DG ECFIN, ECB, Eurostat

Confidential

Implications and lessons learned – monetary policy targets drifting away from π^* , r^* and r towards $r - g$?

Real Fed policy rate in a declining band

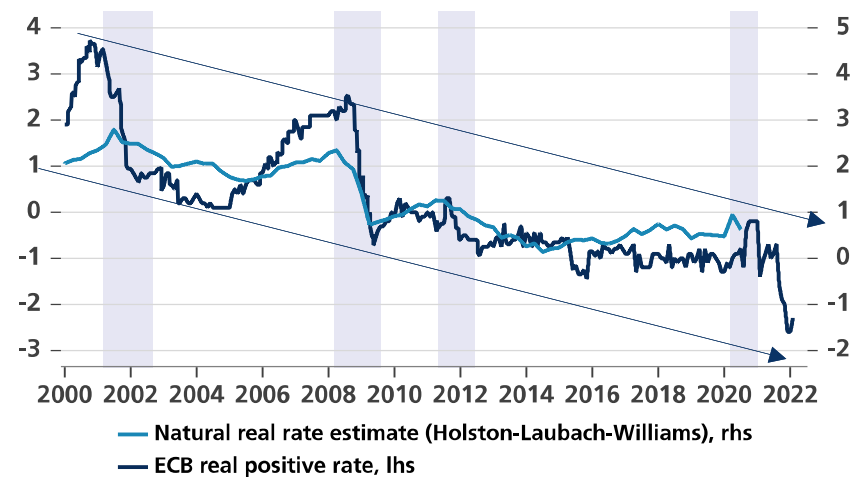
in %, shaded areas correspond to NBER recessions



Source: KBC Economics based on Fed, BEA, Federal Reserve Bank of New York

Real ECB policy rate in a declining band

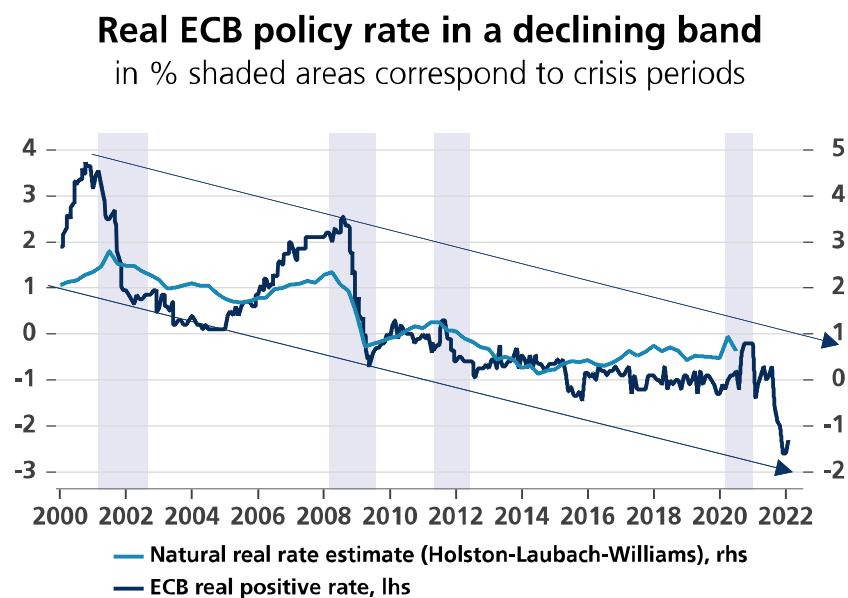
in % shaded areas correspond to crisis periods



Source: KBC Economics based on Fed, BEA, Federal Reserve Bank of New York, ECB, OECD

Confidential

Implications and lessons learned – decreasing effectiveness of standard monetary policy in stabilising the economy?



Source: KBC Economics based on Fed, BEA, Federal Reserve Bank of New York, ECB, OECD

Do standard monetary policy tools still '*get in all the cracks*'?

Effective lower bound rendering policy rate asymmetrically effective?

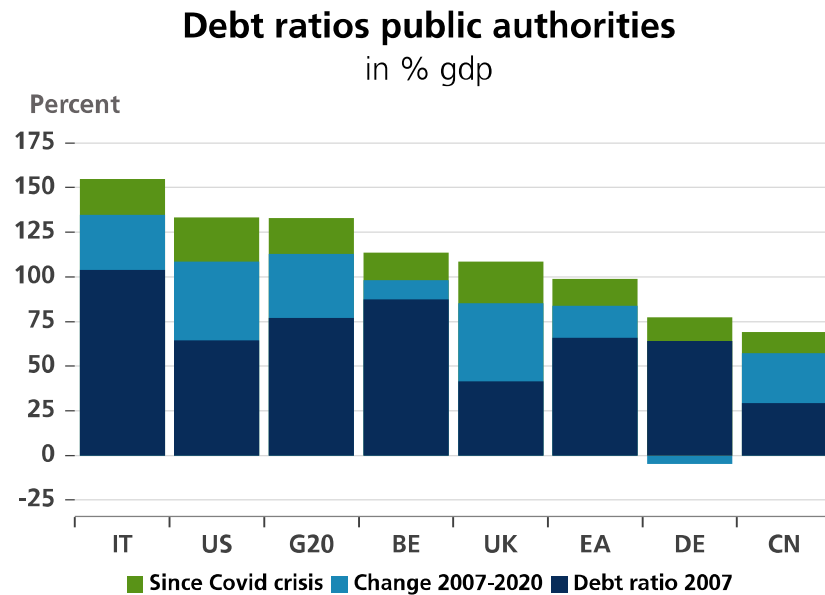
Macroeconomic reversal rate?

Financial stability risks?

Adverse distributional side effects?

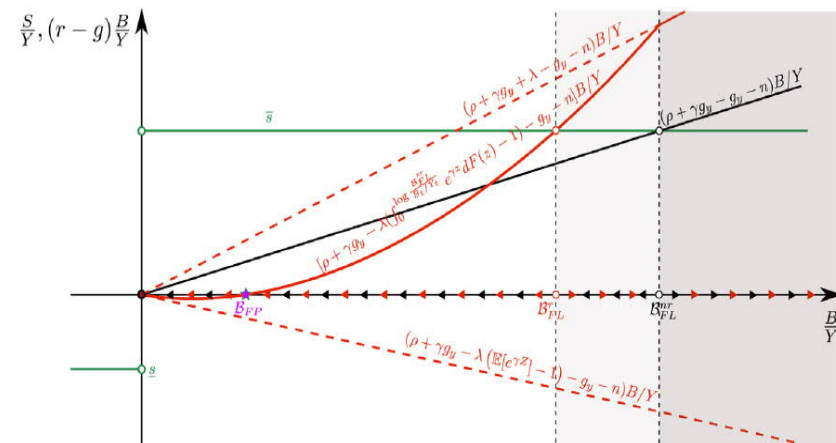
Confidential

Implications and lessons learned – macro policy shifts come at the price of increased vulnerability despite favourable conditions



Source: KBC Economics based on IMF

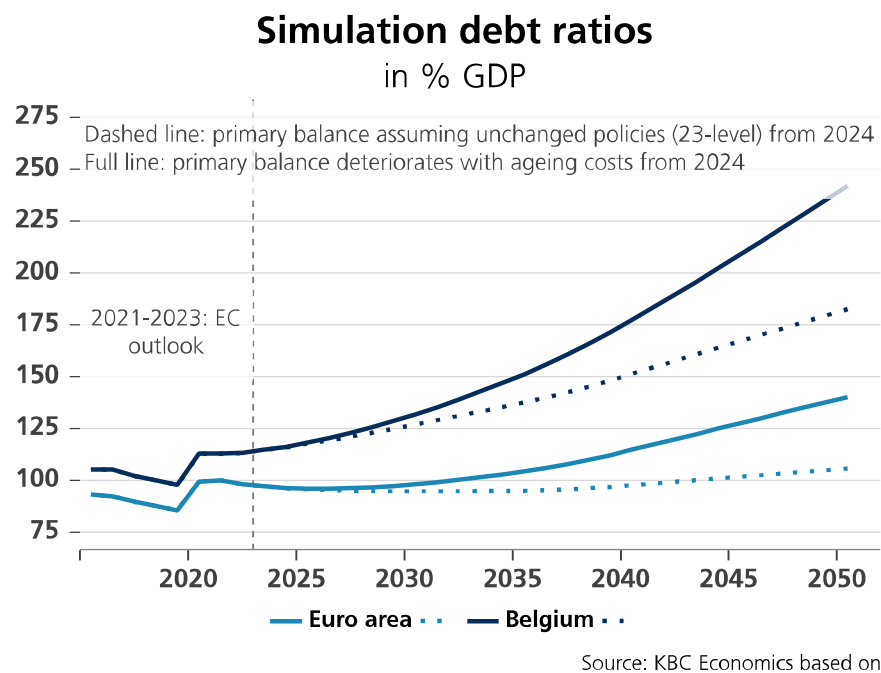
Stock versus flows in evaluating debt sustainability



Source: N. R. Mehrotra and D. Sergeyev (2021) Debt sustainability in a low interest rate world, Journal of Monetary Economics, vol 124

Confidential

Implications and lessons learned – ... exactly at times we might structurally need additional fiscal space



Structural challenges going forward

Climate change and transition towards more sustainable economies

Demographics and ageing

Crisis-related strategic repositioning

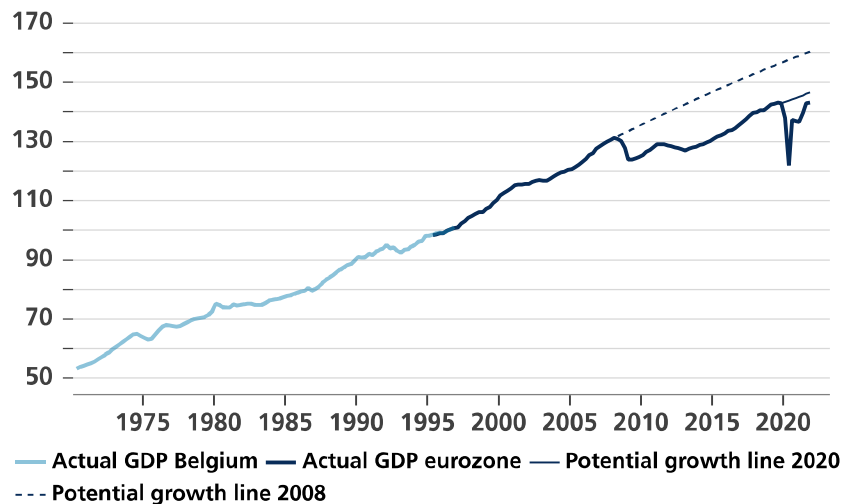
Overview

Different economic crises: some implications and lessons learned

- *Each time (crisis) is different* – starting positions, shocks, macroeconomic policy responses and recoveries
- Implications and lessons learned
 - *Shifts in the macroeconomic policy mix* helped bridging the recent crisis but (possibly) reduce the remaining macroeconomic policy space
 - *Limited level-scarring* during Covid crisis but longer-run growth implications still unclear
 - *Globalisation at risk?* Derisking, (de-)globalising, decoupling ...

Implications and lessons learned – unlike in most recessions, we did not observe much (level-) scarring in the Covid-crisis

Euro Area GDP vs potential growth in GFC crisis and Covid crisis



Source: KBC Economics based on ECB, OECD

Crises, recessions and scarring: probability of occurrence and scarring types (level/growth)

No scarring	Scarring	
29%	Level and/or growth 71%	
29%	Level 40%	Growth 31%

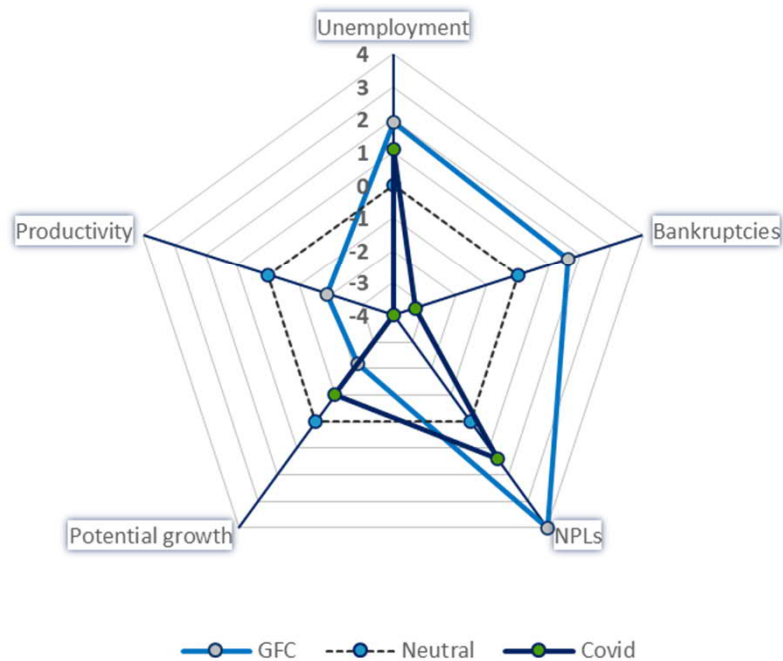
Source: O. Blanchard, E. Cerutti and L. Summers (2015)
Inflation and activity - two explorations and their monetary policy implications NBER WP 21726

Confidential

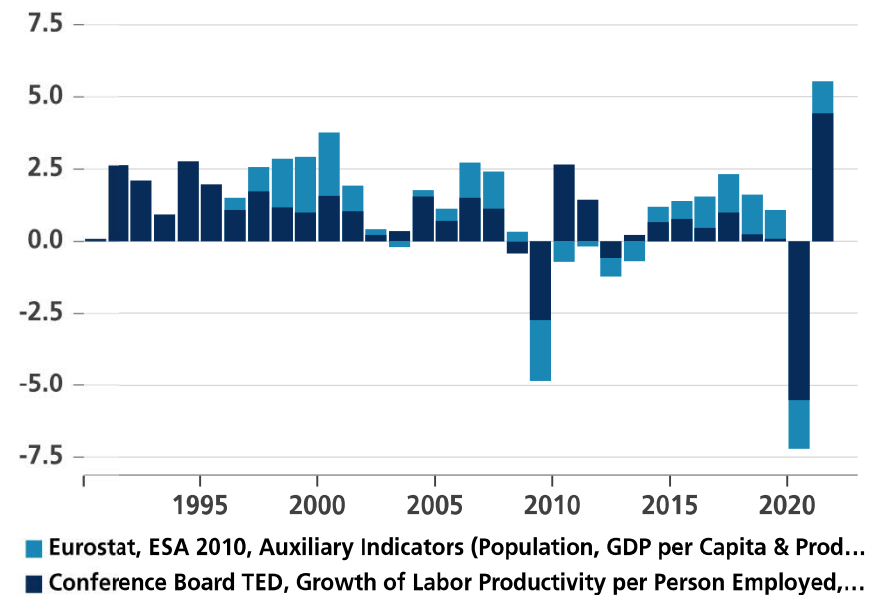
Implications and lessons learned – unlike in most recessions, we did not observe much (level-) scarring in the current crisis

Crisis shocks and scarring of the economy

Z-scores of changes during crisis years

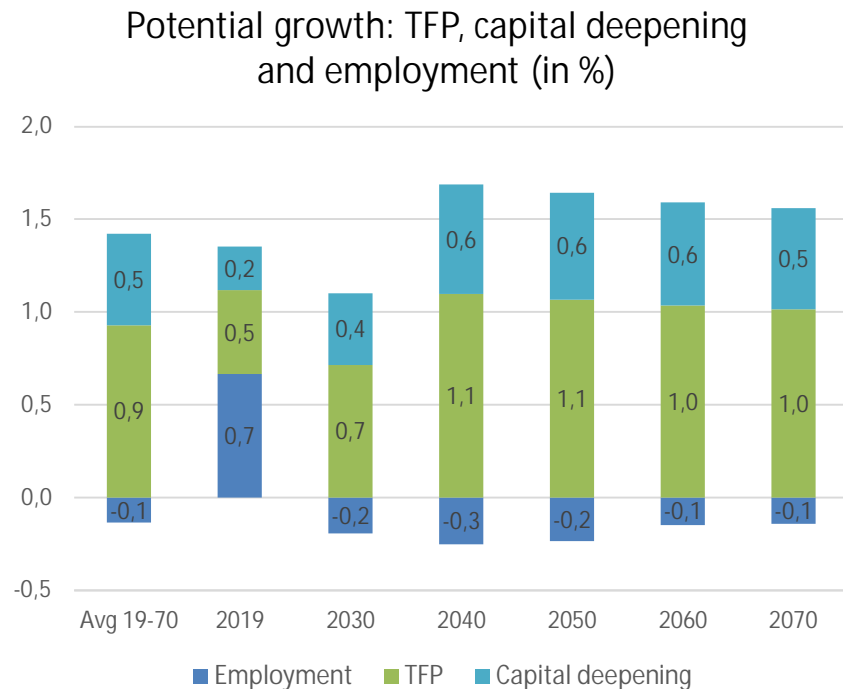


GDP: contributions labour and productivity



Source: KBC Economics based on Eurostat, TCB

Implications and lessons learned – unlike previous crises, we did not observe much (level-) scarring in the current crisis



Source: European Commission (2021) Ageing report

Growth scarring: potential channels?

- **Total factor productivity**

- *Accelerated digitisation* may catalyze productivity gains
- *Zombification* may drain useful resources

- **Capital intensity**

- *Educational gaps* may have long-term impact on human capital (composition)
- *Higher risk aversion and volatility* increase 'value to wait'
- *Restructuring of business processes* and supply chain redesign may impact capital formation and resilience

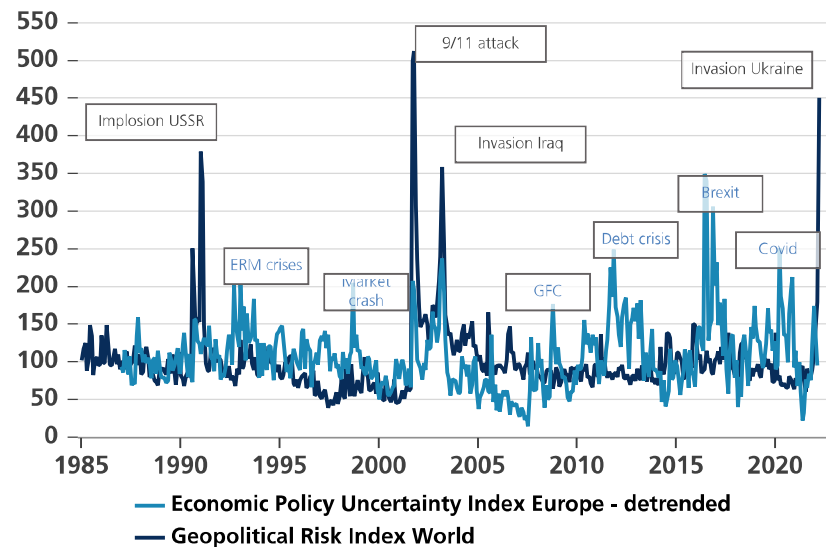
- **Employment**

- *Structural employment--scarring avoided* but ageing forms downside risk –need to increase participation
- Enhanced automation may absorb some of the labour shortages/mismatch

Confidential

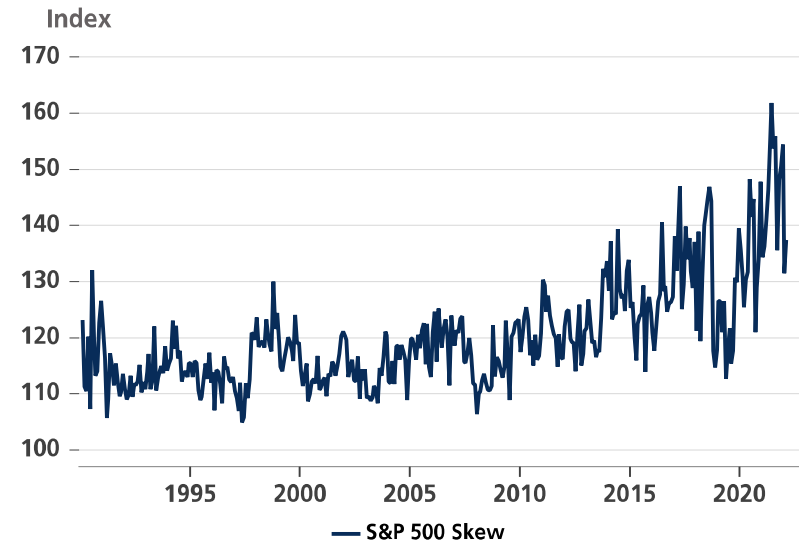
Implications and lessons learned – no obvious signs of economic scarring, but crises seem to affect ‘disaster risk beliefs’ and pricing

Geopolitical and economic uncertainty indices



Source: KBC Economics based on Economic Policy Uncertainty

Stock market skew index



Source: KBC Economics based on CBOE

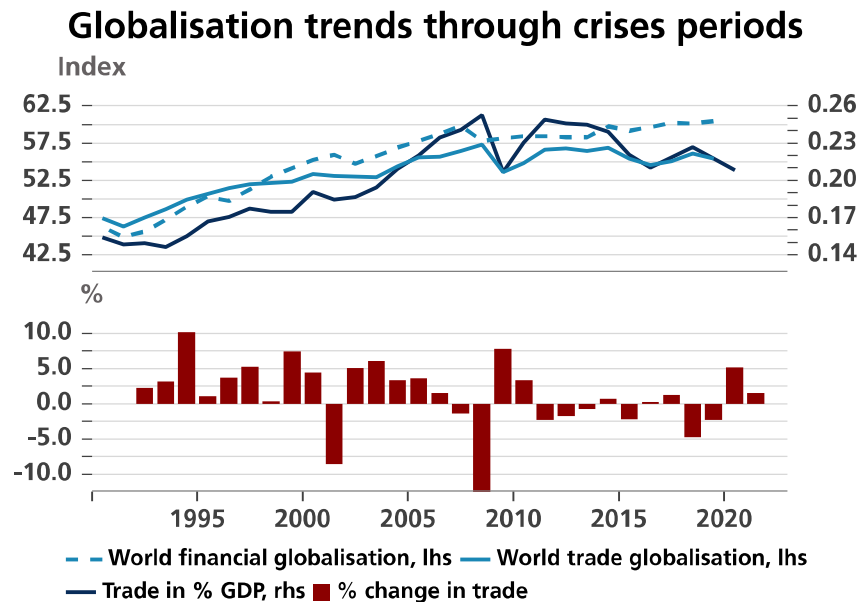
Overview

Different economic crises: some implications and lessons learned

- *Each time (crisis) is different* – starting positions, shocks, macroeconomic policy responses and recoveries
- Implications and lessons learned
 - *Shifts in the macroeconomic policy mix* helped bridging the recent crisis but (possibly) reduce the remaining macroeconomic policy space
 - *Limited level-scarring* during Covid crisis but longer-run growth implications still unclear
 - *Globalisation at risk?* Derisking, (de-)globalising, decoupling ...

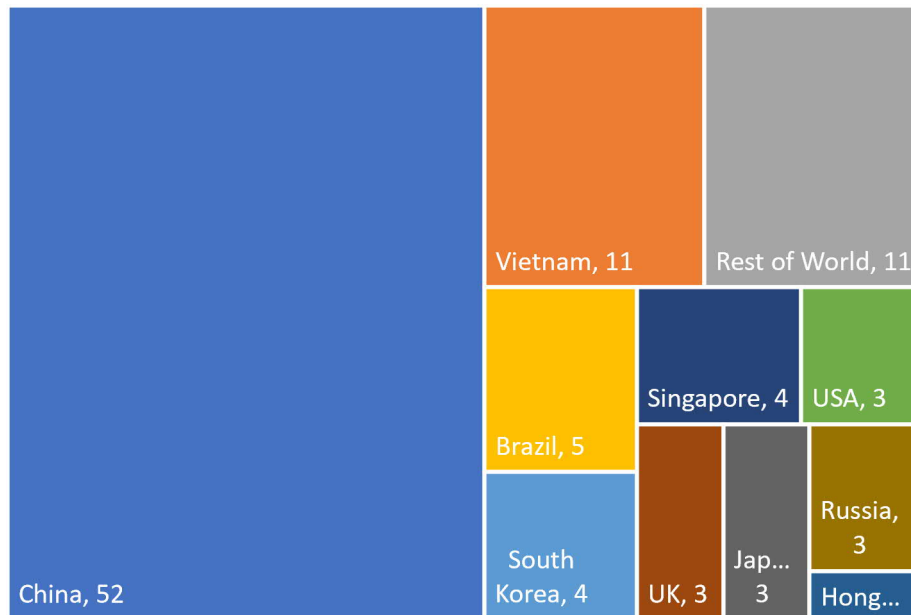
Confidential

Implications and lessons learned – (financial) globalisation acts as catalyst in crisis transmission



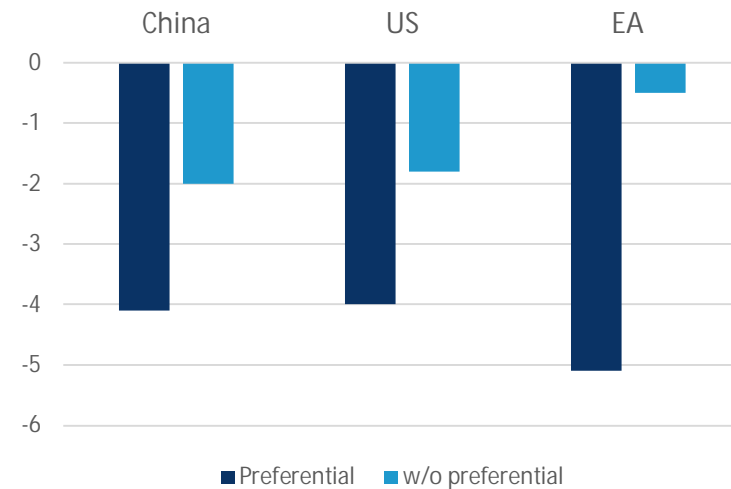
Implications and lessons learned – (de-)globalisation, decoupling and shortening of supply chains....

**EU imports share of import value dependent products
(in %)**



Source: European Commission (2021) Strategic dependencies and capacities, Commission Staff Working Paper

**Impact of technological decoupling -
three block scenario (in % GDP)**



Source: D. Cerdeiro, J. Eugster, R. Mano, D. Muir and S. Peiris (2021) Sizing Up the Effects of Technological Decoupling, IMF WP 21/69

Summary

- Crises have been intensifying over the most recent decades
- But each time (and crisis) is different as crises differ in source (shock), impact, macro-policy responses and economic recovery
- The Covid crisis has been an atypical crisis, generated by a truly exogenous shock and addressed by an unusual (strongly supportive) policy mix, bridging the crisis but generating possibly medium-term vulnerabilities
- Policy responses to the crises as well as structural trends however reduce the remaining policy space and (may) leave economies more vulnerable going forward
- Unlike most previous recessions, the Covid crisis did not lead to substantial level-scarring but structural growth is increasingly dependent on capital deepening and productivity gains.
- Financial and trade globalisation acted as catalysts in the global transmission of crises. Decoupling and de-globalisation may provide some de-risking but carry an (expensive) price tag as well.

Langetermijngevolgen van de coronacrisis

Vrijdag 25 maart 2022

13:00 – 14.30

WEBINAR