



OECD Interim Economic Outlook

Paying the Price of War

26 September 2022

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Energy prices are high and volatile

Gas

Dutch TTF, EUR/MWh



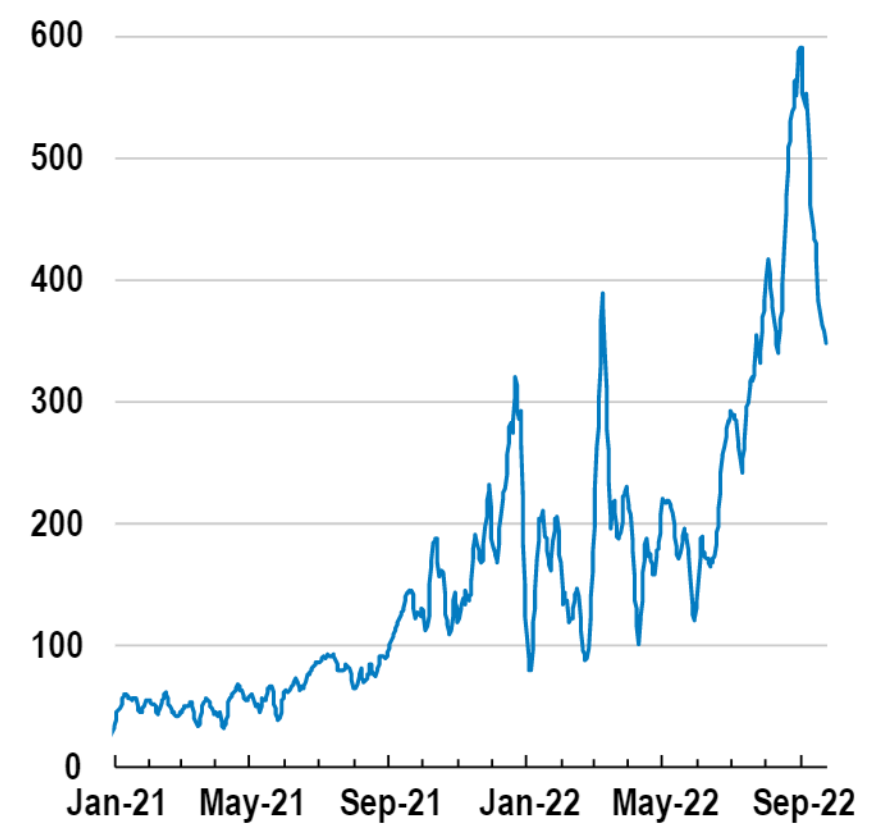
Coal

Newcastle (FOB), USD/Mt



Electricity

Germany, EUR/MWh



Note: Shows the evolution of TTF Neutral Gas Price for Europe. Latest data 21 September 2022.

Source: Refinitiv; and OECD calculations.

Note: Shows weekly prices for Newcastle FOB 6000kcal/kg NAR. Newcastle refers to Newcastle, Australia. Latest data 16 September 2022.

Source: IHS Markit; Argus.

Note: Running 7-day average of average daily day-ahead wholesale electricity prices. Latest data 23 September 2022.

Source: ENTSO-E; IEA Real-Time Electricity Tracker.



Affordability is threatening food security

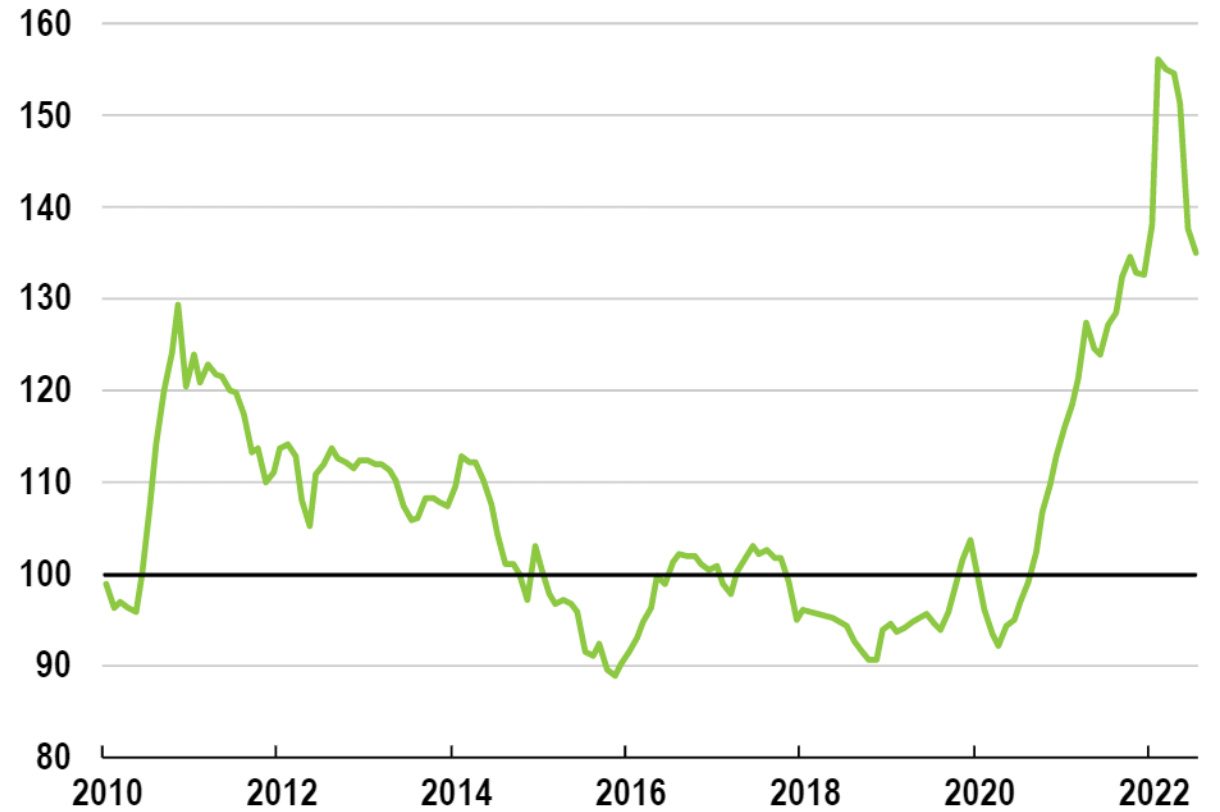
Fertiliser price

USD/metric tonne



Food price index

100 = 2014-2016 average



Note: Fertiliser price refers to the Di-ammonium Phosphate (DAP) price.
Source: World Bank.

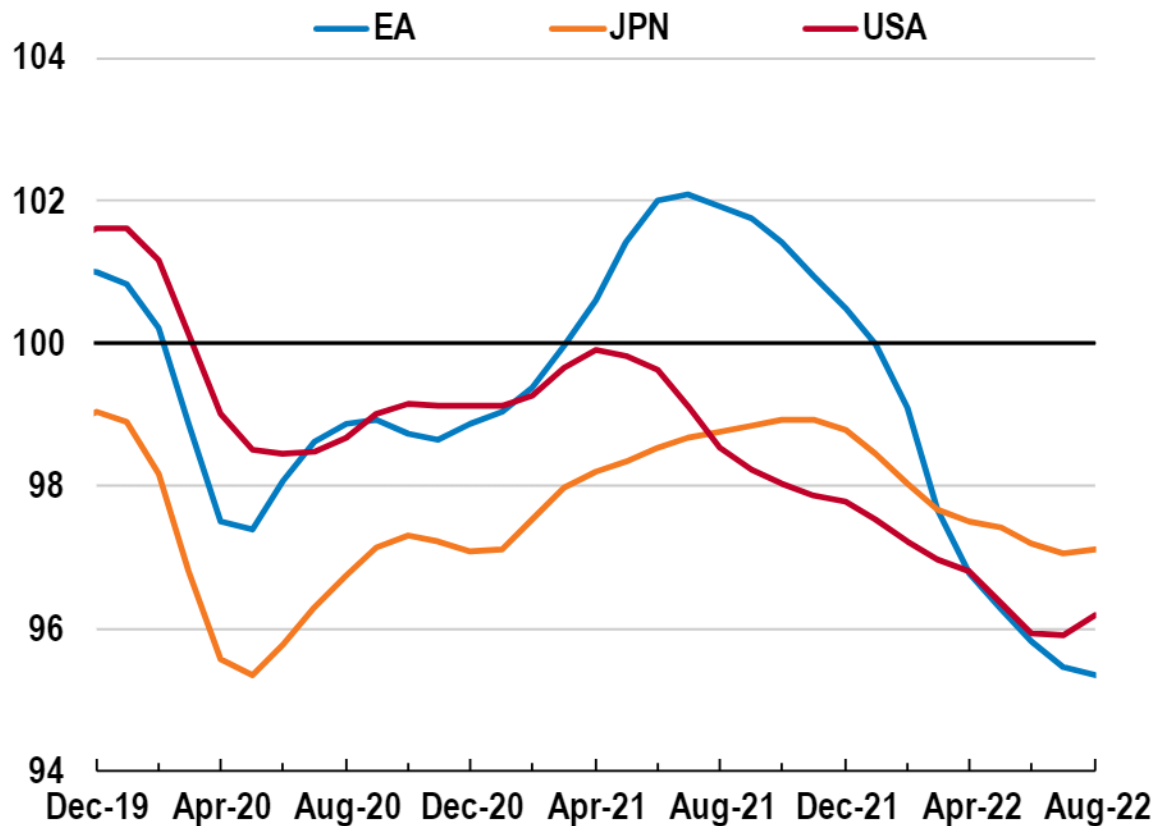
Note: Food price index consists of the average of meat, dairy, cereals, vegetable oils and sugar price indices, weighted with the average export shares of each of the groups for 2014-2016. Prices in real terms.
Source: FAO.



Confidence is low and activity is losing momentum

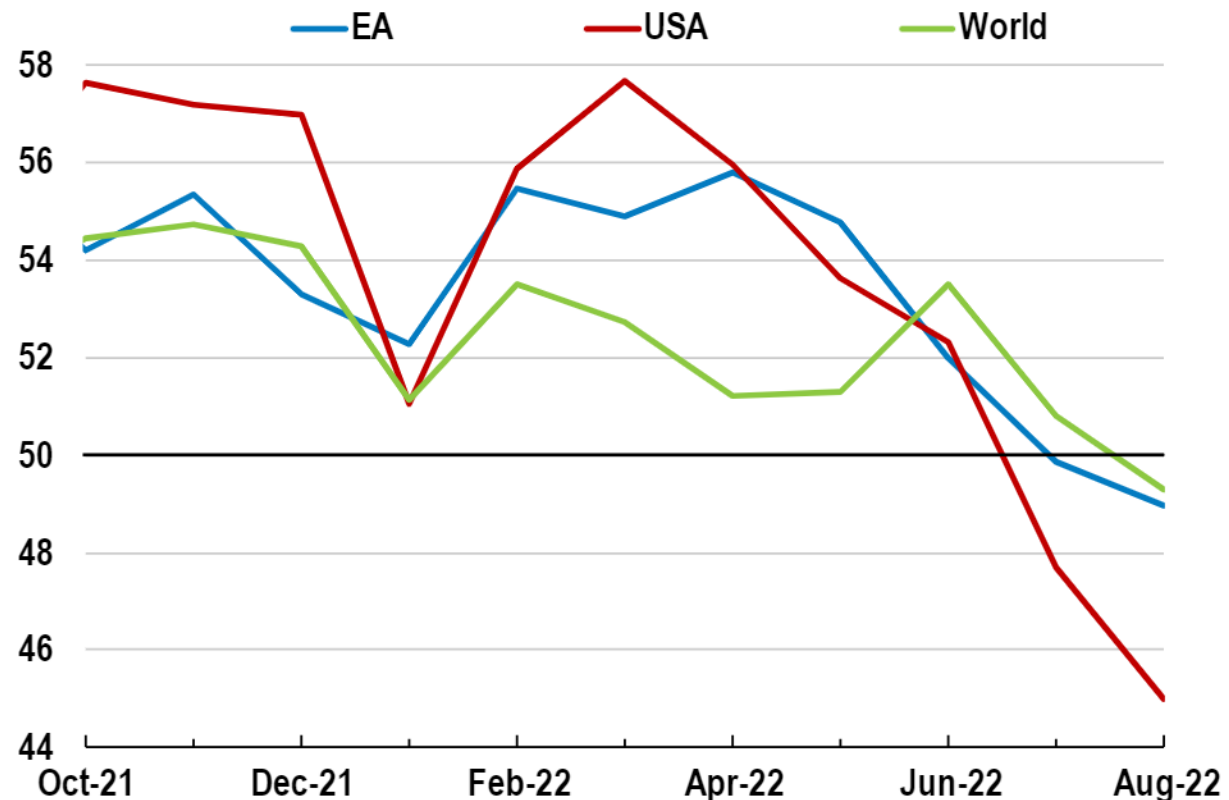
Consumer confidence

Long-term average = 100



Composite output PMI

Values below 50 suggest decreasing activity



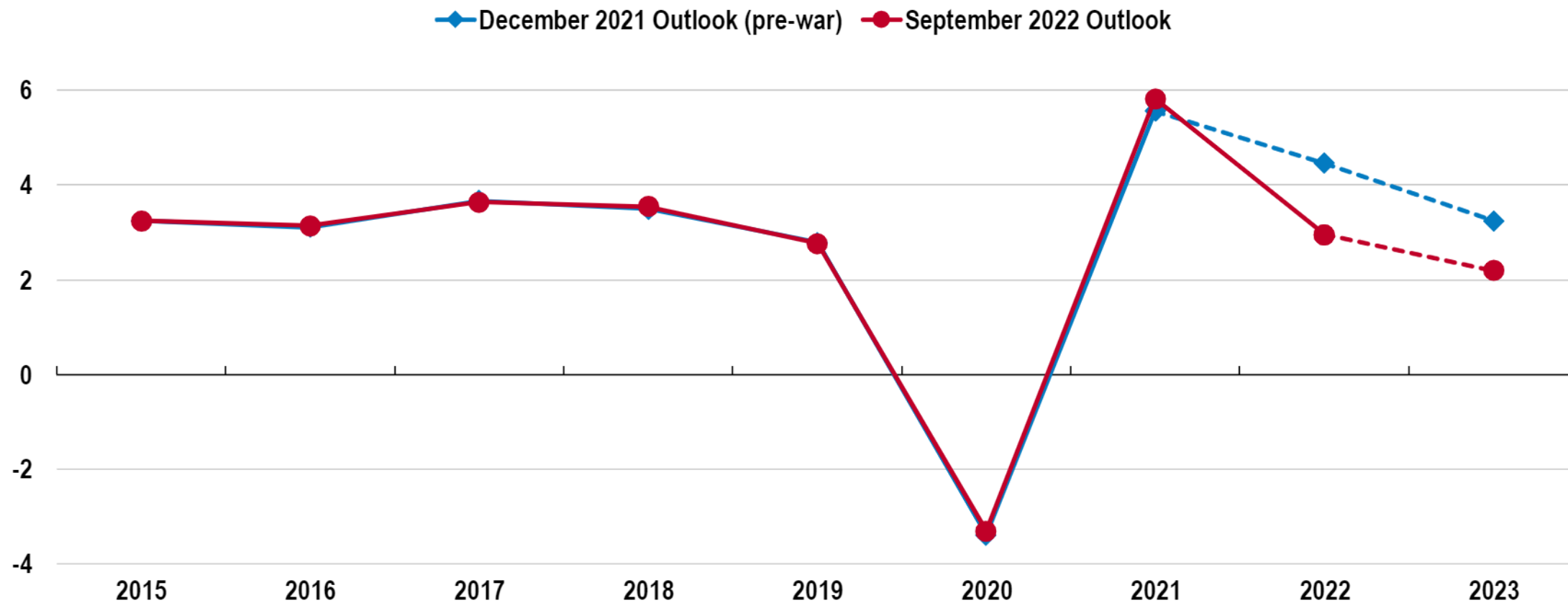
Note: Values below 100 indicate a pessimistic attitude towards future developments in the economy. The long-term is a simple average over the whole period of the series. Data series are amplitude adjusted.
 Source: Business tendency and consumer opinion surveys; OECD Main Economic Indicators database.

Note: The PMI survey output index tracks monthly changes in manufacturing production and service sector output, with a composite index reflecting a GDP-weighted average of the two sectors.
 Source: Markit and Caixin.



The world economy is slowing more than anticipated

GDP growth %



Note: Dotted lines indicate projections.
Source: OECD Economic Outlook database.



The growth slowdown is pervasive

Real GDP growth projections

G20 economies, %

▲ upward revision, by 0.3pp or more

■ no change or smaller than 0.3pp

▼ downward revision, by 0.3pp or more

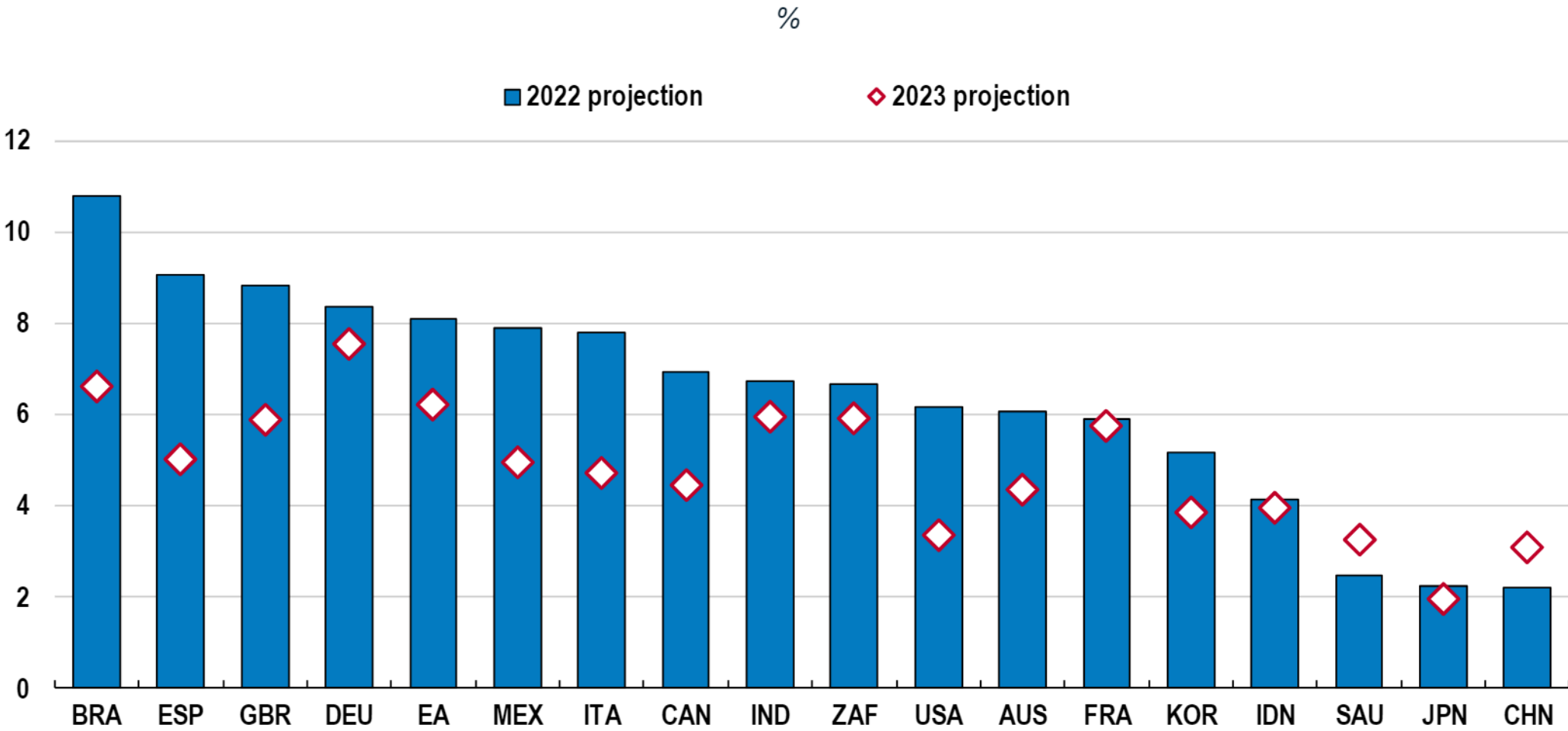
	2021		2022		2023		2021		2022		2023
World	5.8	■	3.0	▼	2.2	G20	6.2	■	2.8	▼	2.2
Australia	4.9	■	4.1	▼	2.0	Argentina	10.4	■	3.6	▼	0.4
Canada	4.5	▼	3.4	▼	1.5	Brazil	4.9	▲	2.5	▼	0.8
Euro area	5.2	▲	3.1	▼	0.3	China	8.1	▼	3.2	■	4.7
Germany	2.6	▼	1.2	▼	-0.7	India	8.7	■	6.9	▼	5.7
France	6.8	■	2.6	▼	0.6	Indonesia	3.7	■	5.0	■	4.8
Italy	6.6	▲	3.4	▼	0.4	Mexico	4.8	■	2.1	▼	1.5
Spain	5.5	▲	4.4	▼	1.5	Russia	4.7	▲	-5.5	▼	-4.5
Japan	1.7	■	1.6	▼	1.4	Saudi Arabia	3.4	▲	9.9	▼	6.0
Korea	4.1	■	2.8	▼	2.2	South Africa	4.9	■	1.7	■	1.1
United Kingdom	7.4	■	3.4	■	0.0	Türkiye	11.0	▲	5.4	■	3.0
United States	5.7	▼	1.5	▼	0.5						

Note: Revisions relative to the June 2022 Economic Outlook. India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20. World and G20 aggregates use moving nominal GDP weights at purchasing power parities.

Source: OECD Economic Outlook database; and OECD calculations.



Inflation will remain high



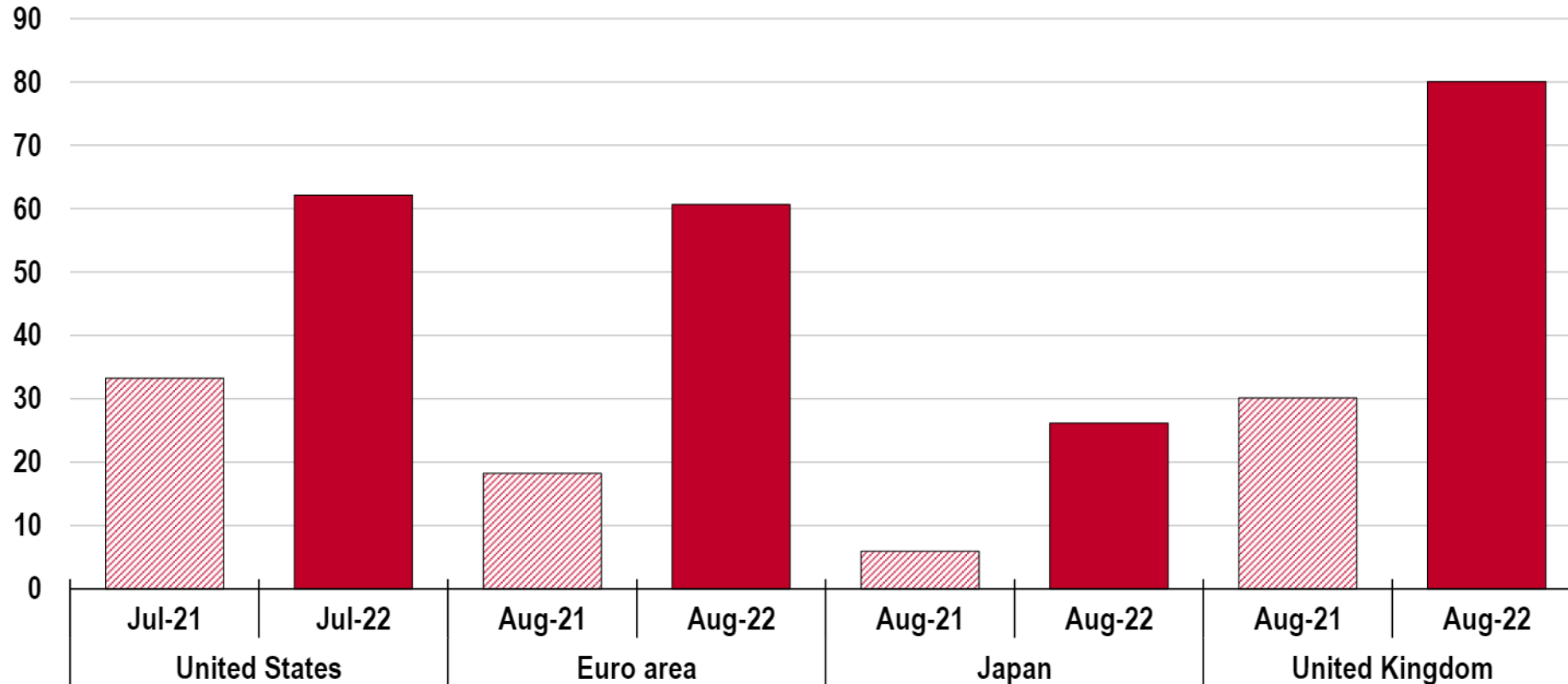
Note: Inflation for Türkiye is projected to be 71.0% in 2022 and 40.8% in 2023. For Argentina, inflation projections are 92.0% in 2022 and 83.0% in 2023. India projections are based on fiscal years, starting in April.
Source: OECD Economic Outlook database; and OECD calculations.



Inflation is broad-based

A large share of goods and services show substantial price increases

% of items in the consumer basket with annual inflation over 4%



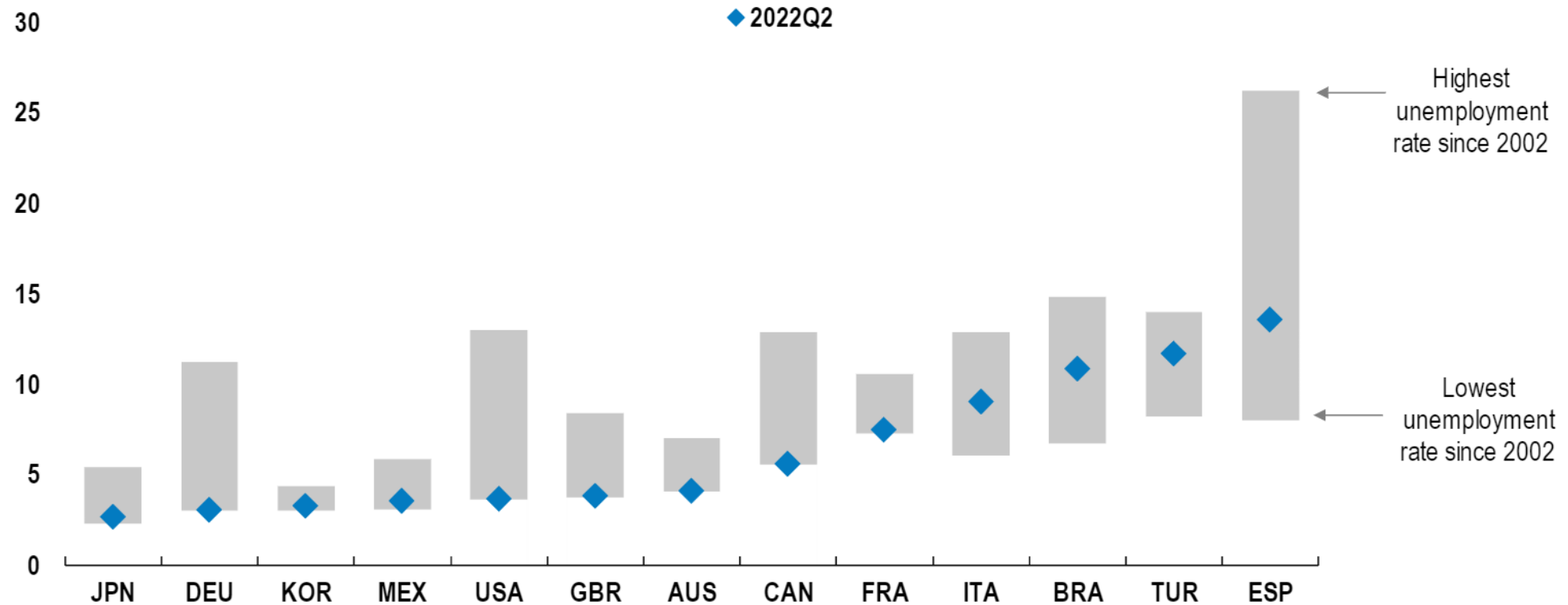
Source: BEA; Eurostat; Statistics Japan; ONS; and OECD calculations.



Labour markets remain tight

Unemployment rates

%



Note: The grey bars represent the range of highest and lowest rates of unemployment between 2002 and 2022Q2 across countries.
Source: OECD Labour Market Statistics; and OECD calculations.



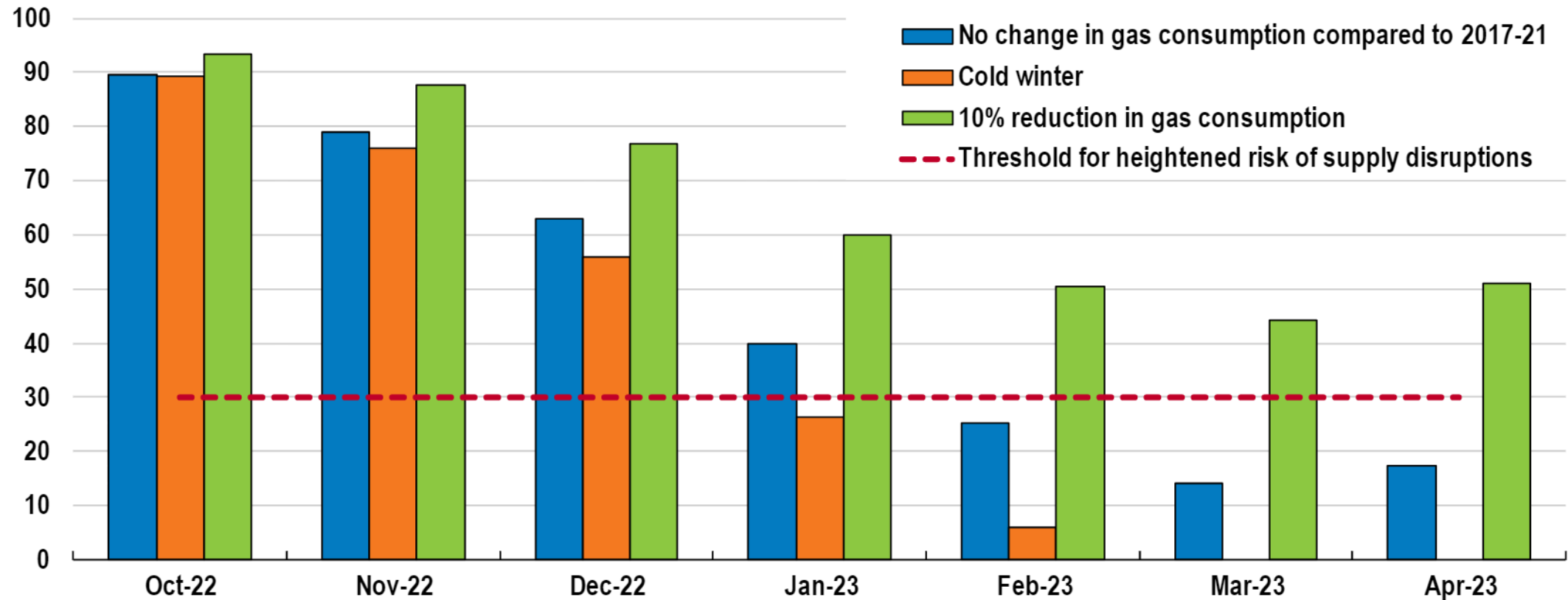
Risks



Gas shortages could arise unless demand is reduced

EU and UK gas storage level development

Stylised scenarios, %



Note: Assuming 90% storage levels at the end of September, no imports from Russia, imports from other sources at 30 bcm/month, and domestic production at average 2019-21 levels. "No change" assumes consumption at the average 2017-21 levels. "Cold winter" assumes consumption at the maximum 2017-21 levels. "10% reduction" is relative to the 2017-21 average consumption.

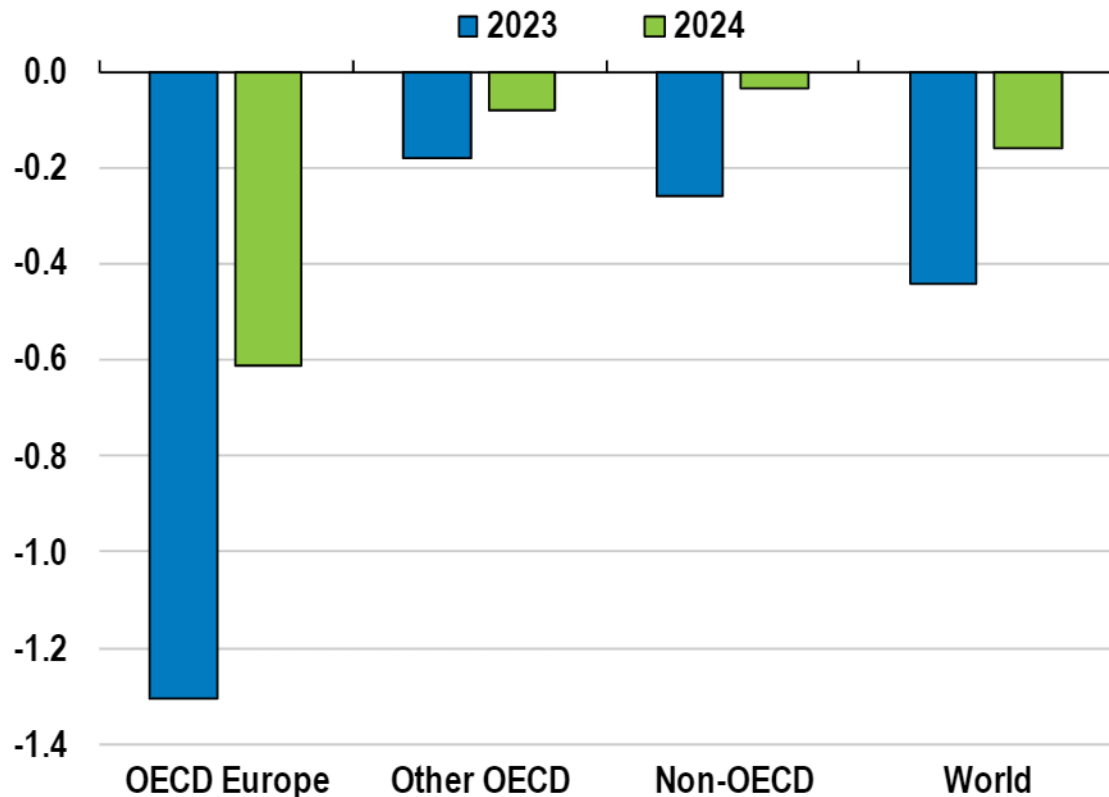
Source: Bruegel; ENTSO-G; Eurostat; GIE; IEA; ONS; and OECD calculations.



Further energy disruptions could hit growth and raise inflation

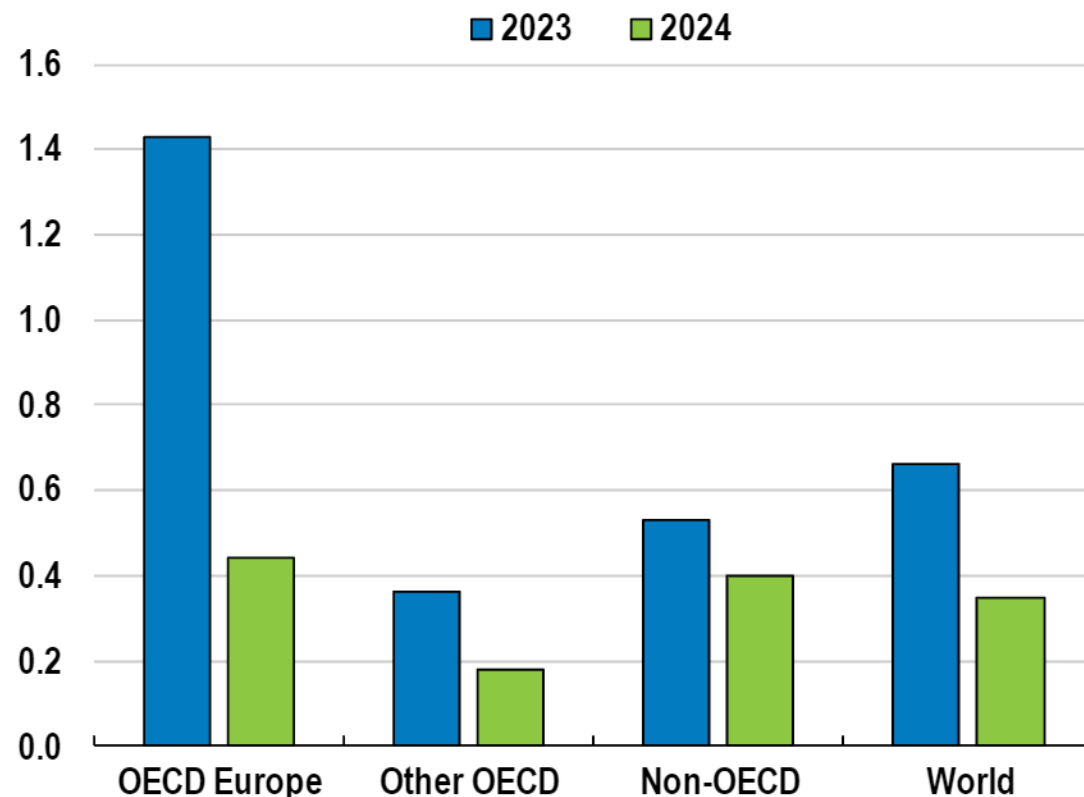
Impact on GDP growth

% pts difference from baseline



Impact on inflation

% pts difference from baseline



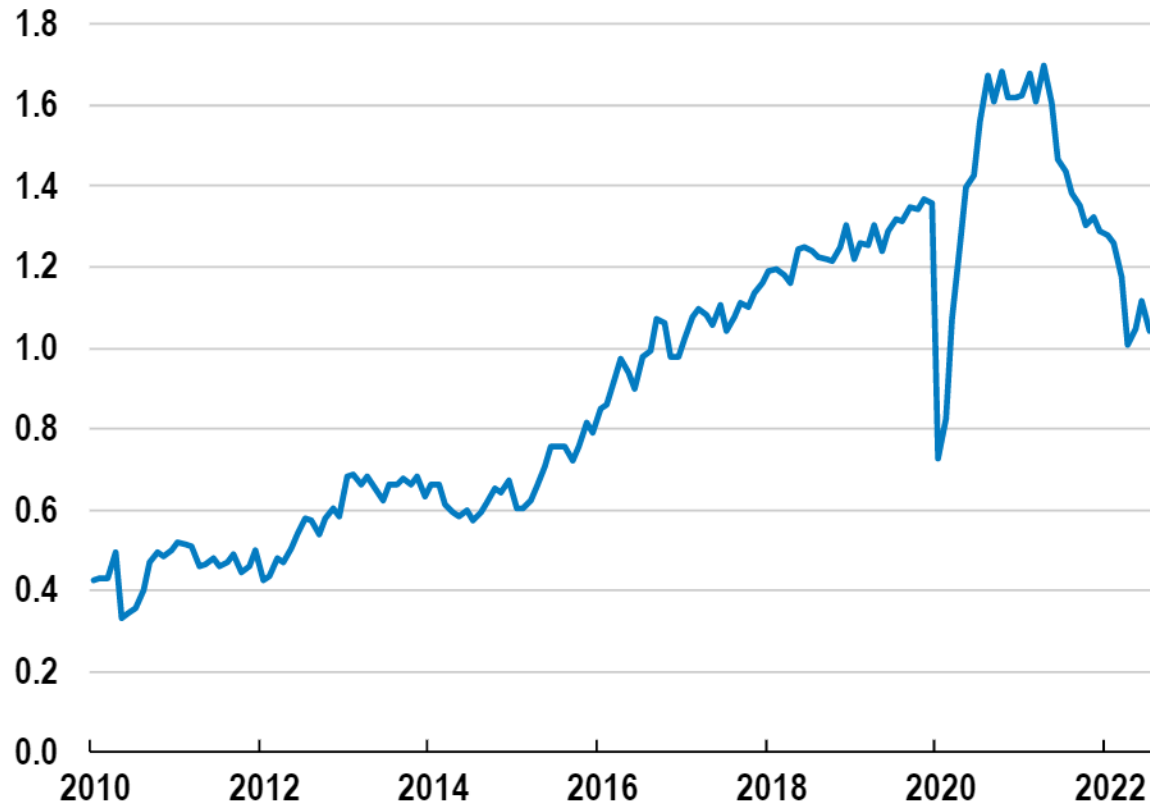
Note: Illustrative scenario of the impact of gas shortages in Europe following the end of imports of gas from Russia. The scenario assumes global gas, oil and fertiliser prices to rise by 50%, 10% and 25% respectively. Greater uncertainty has been modelled as an ex-ante increase of 1 percentage point increase in the household saving rate and a 1 percentage rise in the user cost of capital. A temporary period of enforced rationing in industry use is modelled by a 3% reduction in potential output in all EU economies (and the United Kingdom).
Source: OECD calculations using the NiGEM macroeconomic model.



China's economy is facing headwinds

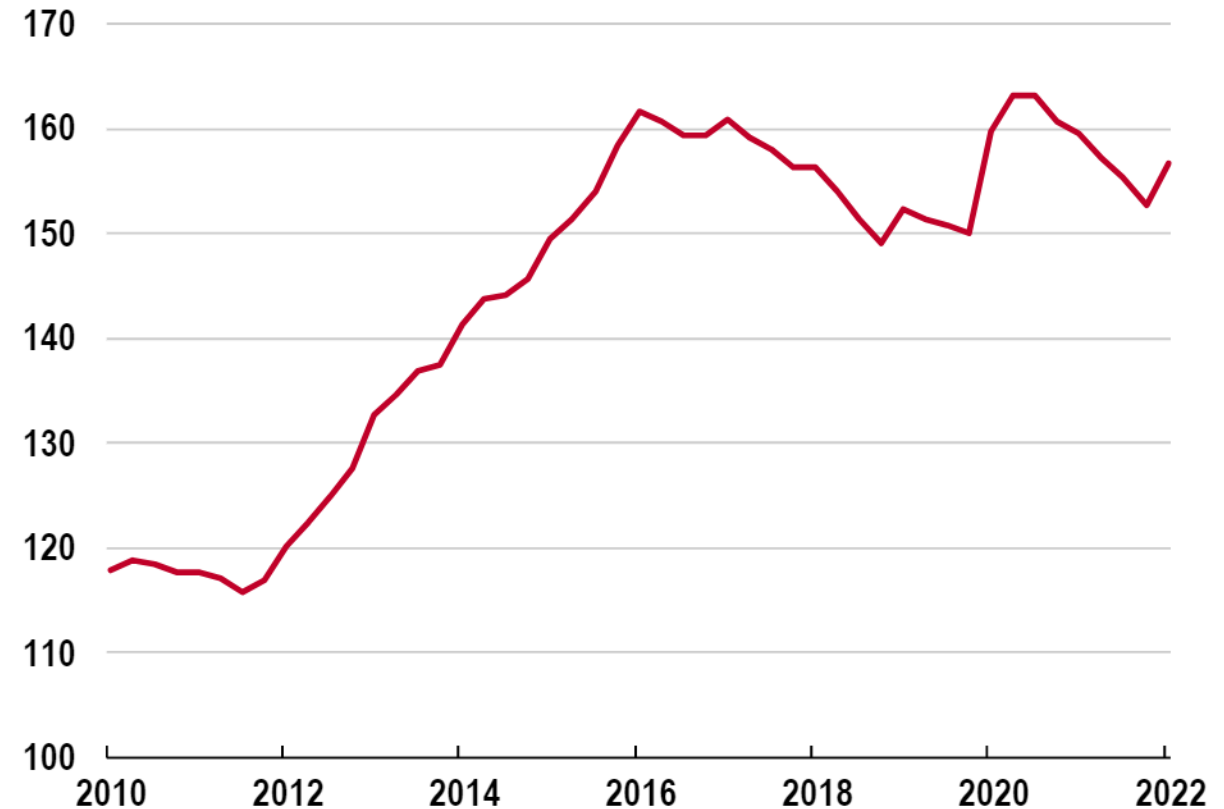
Total housing sales

RMB trillions



Corporate debt

% of GDP



Note: The series has been seasonally adjusted by OECD.
Source: National Bureau of Statistics of China; OECD calculations.

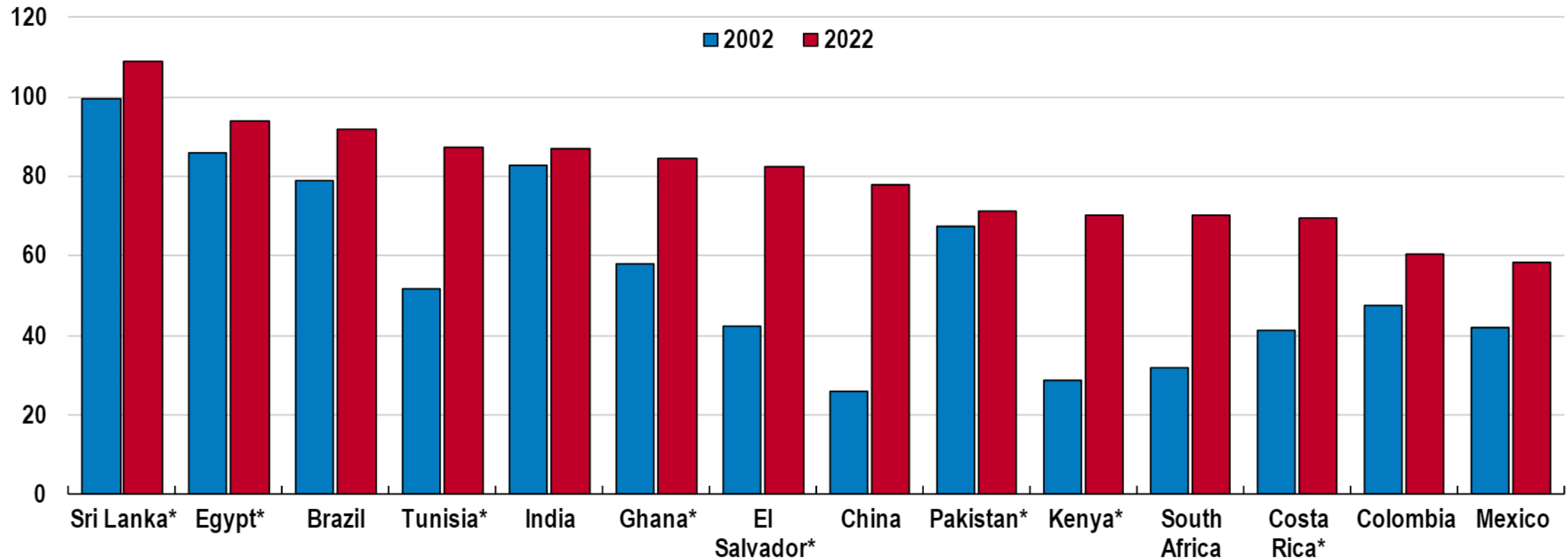
Note: Total credit to the private non-financial corporations (core debt), at market value.
Source: BIS.



Debt has risen markedly in many EMEs

General government debt

% of GDP



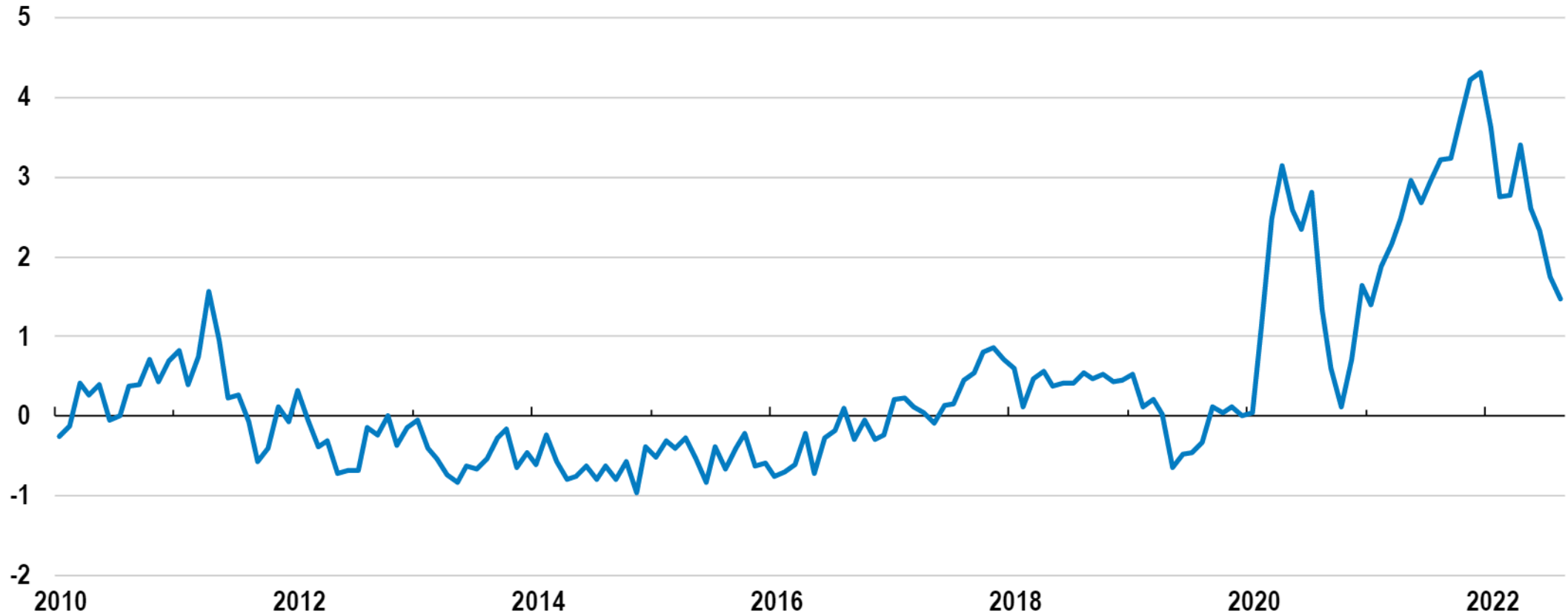
Notes: Data for 2022 are estimates. Countries marked with an asterisk are in talks with the International Monetary Fund (IMF) about receiving support or have agreed on a major support programme since 2019.
Source: IMF.



Supply chains pressures have eased, but still remain significant

NY Fed Global Supply Chain Pressure Index

Standard deviations from average value



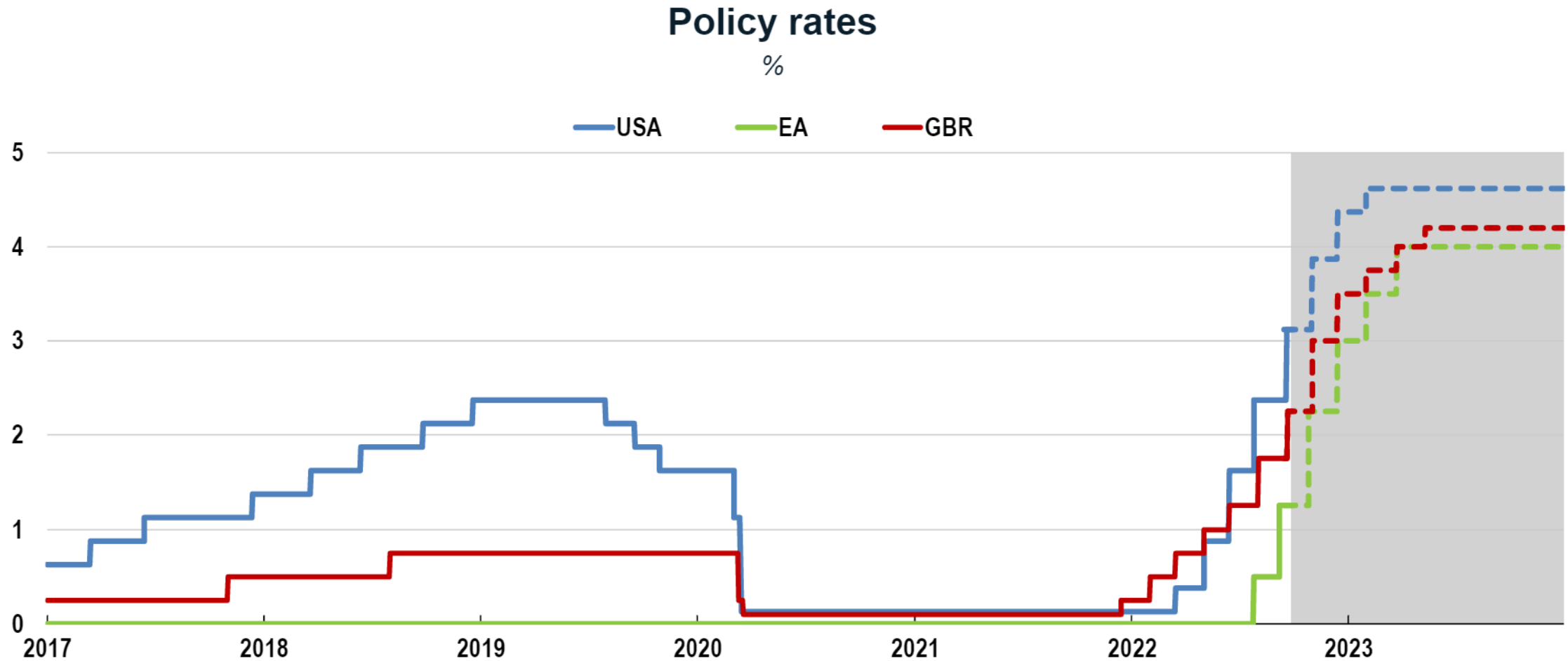
Source: Bureau of Labour Statistics; Harper Petersen Holding GmbH; Baltic Exchange; IHS Markit; Institute for Supply Management; Haver Analytics; Refinitiv. Calculations by the Federal Reserve Bank of New York.



Policies



Monetary policy should continue to tighten in most advanced economies

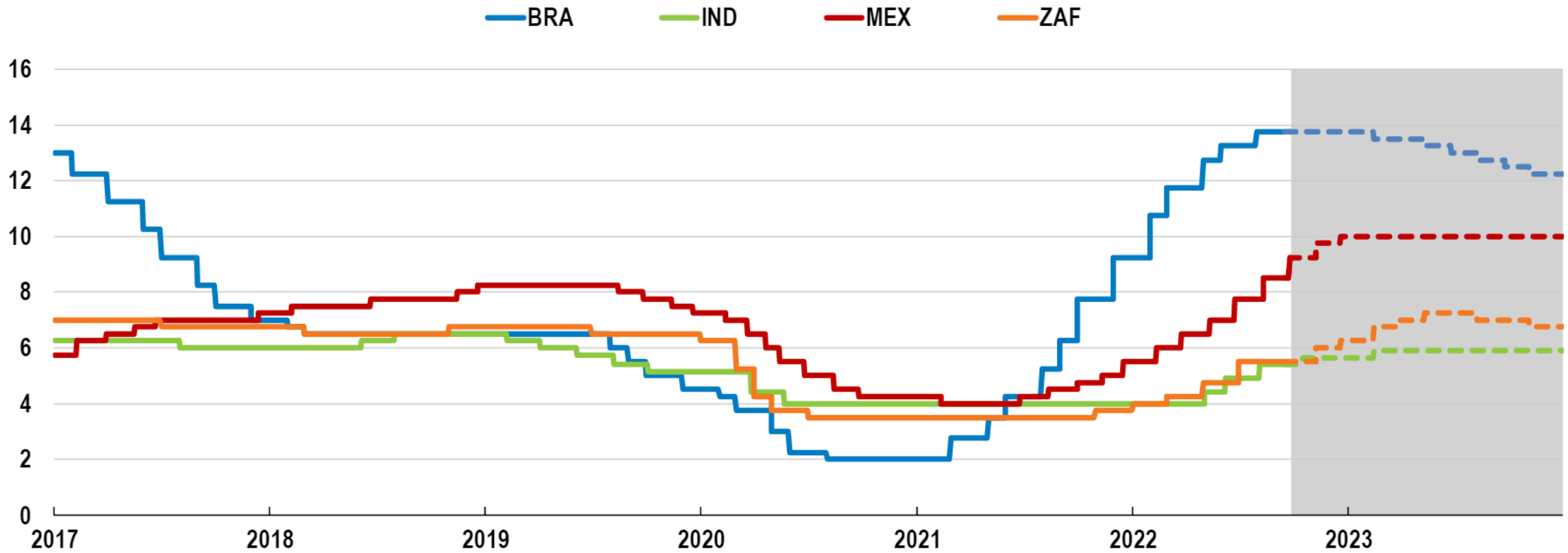


Note: For the United States, the policy rate is the midpoint of the target range set by the Federal Reserve. For the Euro Area, it is the main refinancing operations rate. Dashed lines and grey area indicate projections.
Source: Refinitiv; OECD Economic Outlook database.



EMEs have little room for monetary policy easing

Policy rates
%



Note: Dashed lines and grey area indicate projections.
Source: Refinitiv; OECD Economic Outlook database.

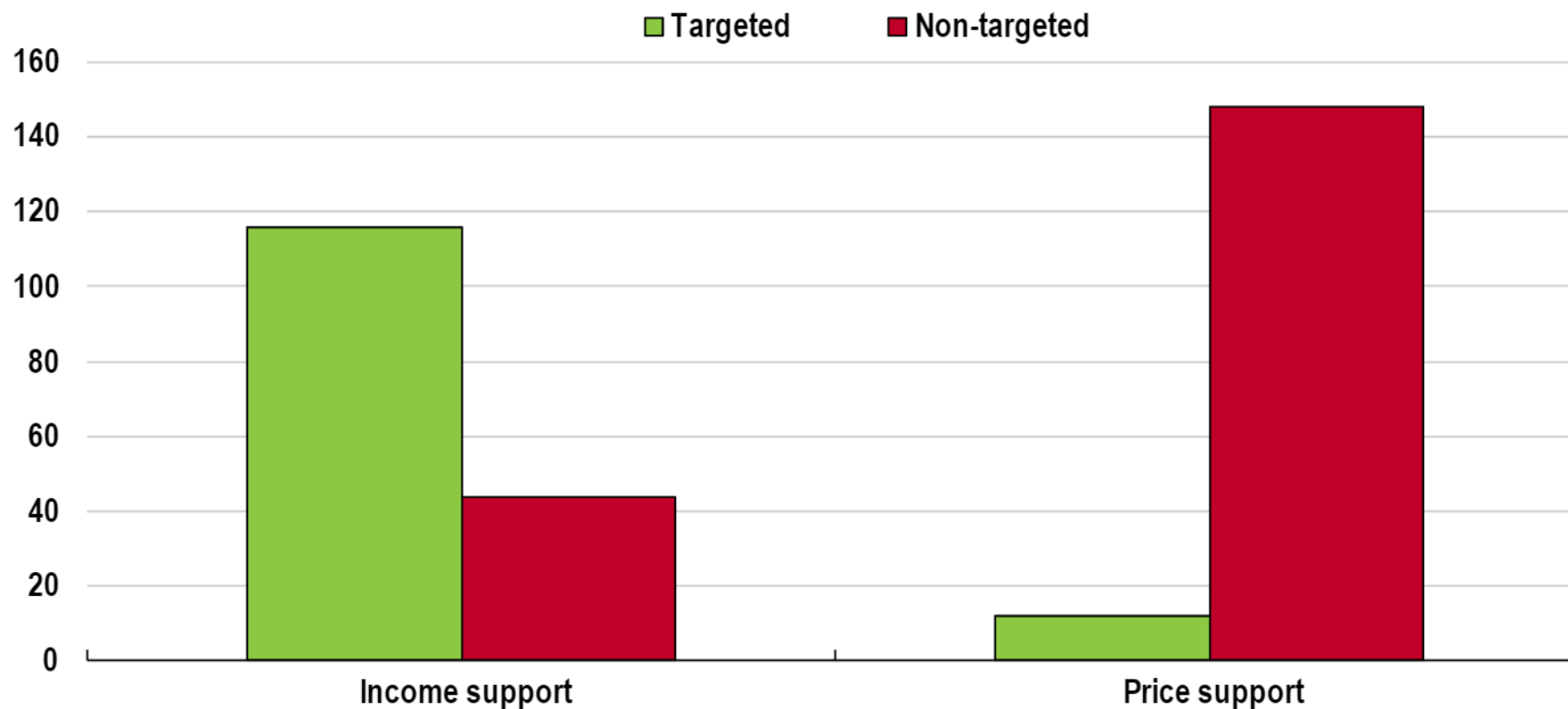


Fiscal policy support should be targeted and temporary

Policies adopted in response to recent energy price increases

Oct 2021 – Dec 2022

USD billions



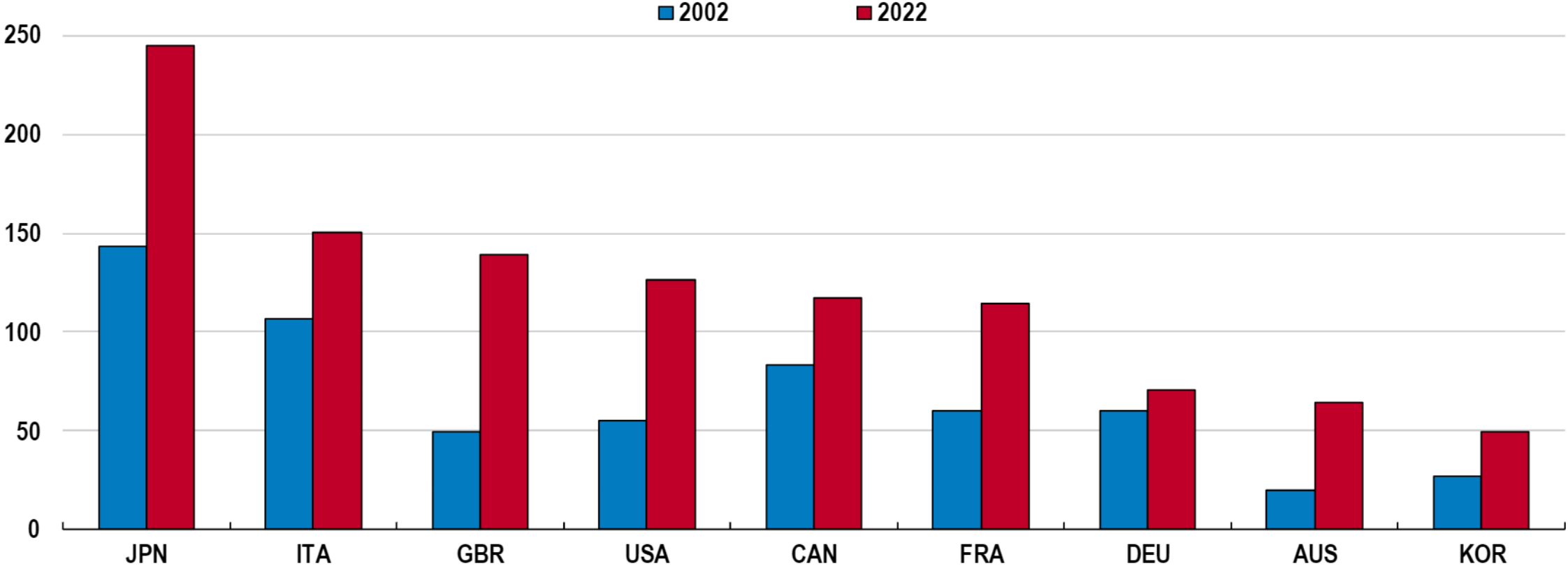
Note: Figure covers 35 economies, of which 32 are OECD economies (except Iceland, Lithuania, Luxembourg, Mexico, Switzerland and Türkiye) and 3 non-OECD economies (Bulgaria, India and South Africa). Measures classified as income support are those that provide lump-sum transfers to energy consumers to help alleviate energy cost increases. Price support includes all measures that reduce the post-tax energy price. Support classified as targeted is provided to specific groups, such as vulnerable households or businesses. Non-targeted support applies to all consumers with no eligibility conditions. Where government plans have been announced but not legislated, they are incorporated if it is deemed clear that they will be implemented in a shape close to that announced. Loans, guarantees, and capital transfers that do not immediately change general government net lending were excluded. Refers to measures that have or will be incurred between October 2021 and December 2022. Data as of September 2022. Source: OECD Economics Department Country Desks.



Further persistent fiscal stimulus should be avoided

Public debt levels

% of GDP



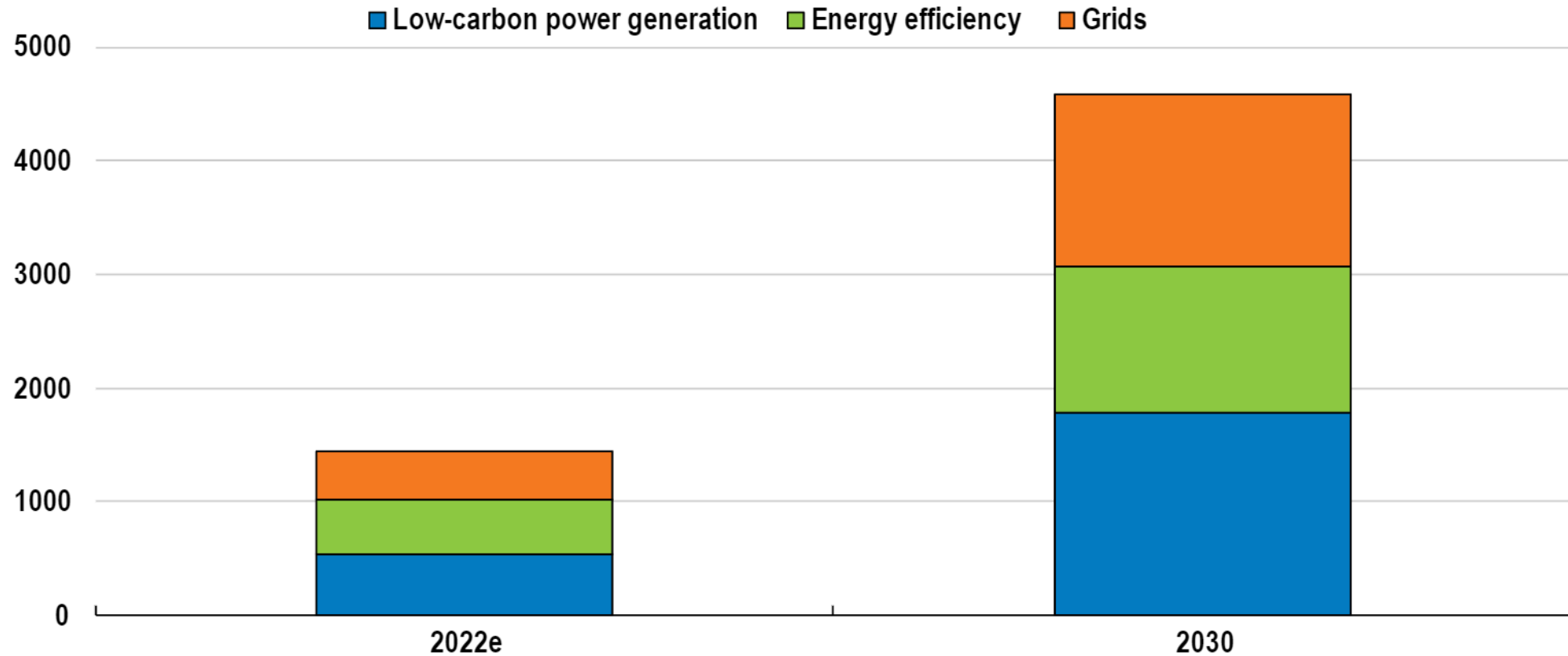
Note: Data for 2022 projected. Public debt refers to the Maastricht definition of general government debt in the case of EU members and to the OECD definition of general government gross financial liabilities in all other cases.
Source: OECD Economic Outlook database.



Investing in the green transition is key for energy security

Global annual green energy investment

Billion USD, 2021



Note: The figures projected for 2030 are based on the Net Zero Scenario (NZE). NZE summarises the spending required to get the global energy sector to net zero emissions by mid-century. The category Grids includes electric vehicles and battery storage. Energy efficiency also includes other end uses. Low-carbon includes both low-carbon power, fuels and CCUS. Low carbon power includes hydro, nuclear, wind, solar, geothermal and tidal power. 2022e figures are estimates of total investment. Source: IEA; and OECD calculations.



Summing up

- **Continue to tighten monetary policy** to fight inflation.
- Fiscal support packages should be **targeted and fiscally sustainable**.
- Managing the energy crisis requires:
 - Securing **alternative energy supplies** and **encouraging demand reductions**
 - **Reinforcing emergency policies** in case of further disruptions
 - Supporting the **most vulnerable** through **targeted fiscal support**
- To ensure energy security and meet global climate goals, accelerate **investments in clean technologies and energy efficiency**.



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Inflation projections

%

	2021	2022	2023		2021	2022	2023
G20	3.8	8.2	6.6				
Australia	2.8	6.1	4.4	Argentina	50.9	92.0	83.0
Canada	3.4	6.9	4.5	Brazil	8.3	10.8	6.6
Euro area	2.6	8.1	6.2	China	0.8	2.2	3.1
Germany	3.2	8.4	7.5	India	5.5	6.7	5.9
France	2.1	5.9	5.8	Indonesia	1.6	4.1	3.9
Italy	1.9	7.8	4.7	Mexico	5.7	7.9	4.9
Spain	3.0	9.1	5.0	Russia	6.7	13.9	6.8
Japan	-0.2	2.2	2.0	Saudi Arabia	3.1	2.5	3.2
Korea	2.5	5.2	3.9	South Africa	4.6	6.7	5.9
United Kingdom	2.6	8.8	5.9	Türkiye	19.6	71.0	40.8
United States	3.9	6.2	3.4				

Note: India projections are based on fiscal years, starting in April. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right. Spain is a permanent invitee to the G20.
Source: OECD Economic Outlook database; OECD calculations.

