Good news #1: High vaccination rates, low death rates

Share of people vaccinated against COVID-19, Oct 3, 2021

Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

- Share of people fully vaccinated against COVID-19
- Share of people only partly vaccinated against COVID-19

Source: Official data collated by Our World in Data. This data is only available for countries which report the breakdown of doses administered by first and second doses in absolute numbers.

Daily new confirmed COVID-19 deaths per million people

Shown is the rolling 7-day average. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.

Source: Johns Hopkins University CSSE COVID-19 Data

CC BY
Good news #2: The economic cost of containing the virus is much lower

Source: Blanchard et Pisani-Ferry (2021)
Good news #3: Strong recovery from 2020Q1 trough

Select a country: United States

Select a country: France

Select a country: Germany

Select a country: Italy

Source: OECD weekly GDP tracker

Pisani-Ferry October 2021
Good news #4: Unemployment close to pre-crisis levels

Unemployment rates, August 2016 to August 2021

Source: OECD
Why? Strong government support to business

Announced liquidity and guarantee measures, March 2020 to June 2021 (% of GDP)

Announced fiscal measures in support of the business sector, March 2020 to June 2021 (% of GDP)

Source: Coeuré report (2021), French Treasury
Why? Strong monetary response

Eurosysten Assets, 2005 to September 2021, millions of euros

10 year bond spread, Italy vs. Germany, 2011-2021

Source: Fred

Source: Investing.com
Draghi’s leveraged plan

- EU grants 4.6% of 2019 GDP
- EU loans 6.8% of GDP
- National borrowing 1.7% of GDP
- Total 13.1% of GDP

6 priorities
1. Digitalisation / innovation / competitiveness
2. Green transition
3. Infrastructure
4. Education
5. Inclusion
6. Health
The policy outlook: Learning from past mistakes

- In 2010 the Eurozone moved prematurely to fiscal adjustment
- Stability pact to remain suspended in 2023
- Discussions ahead on reforming the fiscal framework
- Green deal a potential motive for government borrowing

Italian structural primary balance, 2007-2022

Source: Ameco
Situation has massively improved, but obstacles remain

French company survey, April 2020 to September 2021
And the nature of obstacles has changed

Reasons for production stoppage or decline, if applicable (same survey)
Output is increasingly constrained on the supply side

Main difficulties (same survey)
The outlook

• Economy in a post-traumatic phase
  • Labor market
  • Shortages
  • International trade costs
  • Relative prices
  • Energy
• Major uncertainty as regards potential output
  • Potentially persistent sectoral effects
  • Potentially positive productivity effects
• More acute policy dilemma
  • “Look through” attitude likely to prevail