HOW DAMAGING IS THE FALL-OUT FROM THE CRISIS FOR THE REAL ECONOMY

David Turner, OECD

Belgian Financial Forum and SUERF Colloquium

Ten years after the start of the crisis: contours of a new normal
14 September 2018
Care is needed in assessing cost of GFC

OECD GDP per capita vs Linear trend

Source: May 2018 OECD Economic Outlook

.. vs shorter trend in potential per capita
Much of the fall in tfp growth was pre-crisis

The fall in capital per worker is mostly post-crisis
Evidence of unemployment hysteresis is weaker than before

Following early 1990s downturn

Following GFC

Both scatter plots compare the peak change in the unemployment rate from the initial year (1985 or 2007) on the horizontal axis with the change in the estimated equilibrium unemployment over the entire period (1985-95 or 2007-17) on the vertical axis.
Conclusions

- Care needed in assessing costs of GFC

- Productivity slowdown
  - pre-crisis: mostly tfp
  - post-crisis: mostly capital

- Much of capital weakness explained by accelerator => hysteresis-like effect

- Labour market effects in many countries scratches rather than scars


EXTRA SLIDES
TFP growth fell in most countries, 2000-07

Change in contribution of tfp to trend productivity growth (% pts pa)

Number of countries

- less than -1
- -1 to -3/4
- -3/4 to -1/2
- -1/2 to -1/4
- -1/4 to 0
- 0 to 1/4
- 1/4 to 1/2
- 1/2 to 3/4
- 3/4 to 1
- 1+
TFP growth remained low in 2007-15
Capital deepening increased in as many countries as it fell over 2000-07

Change in contribution of capital per worker to trend productivity growth (% pts pa)
Capital deepening decreased in most OECD countries over 2007-15

The chart shows the change in contribution of capital per worker to trend productivity growth (% pts pa) over the periods 2000-07 and 2007-15. The x-axis represents the change in contribution, while the y-axis shows the number of countries. The bars indicate the number of countries for each change range.