



# Is this time different?

## Comments on World Bank GEP, June 2020

Global Economic Prospects: Pandemic and Crisis  
June 25, 2020

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# General comments

- Is there a difference between an exogenous lockdown of the economy and an endogenous shock to the economy: a liquidity of solvency crisis?
  - Dynamics
  - Recovery
  - Structural change
- Policy response: unprecedented
- Silver linings?

# Emerging markets' financial markets stabilized fairly quickly – financial resilience or irrational exuberance?

Figure 2  
World Stock Prices

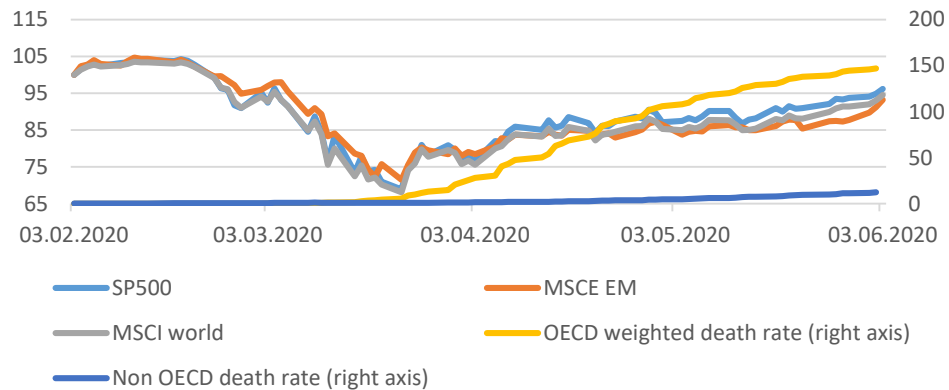


Figure 4  
Relative depreciation of emerging markets currencies: February - June, 2020

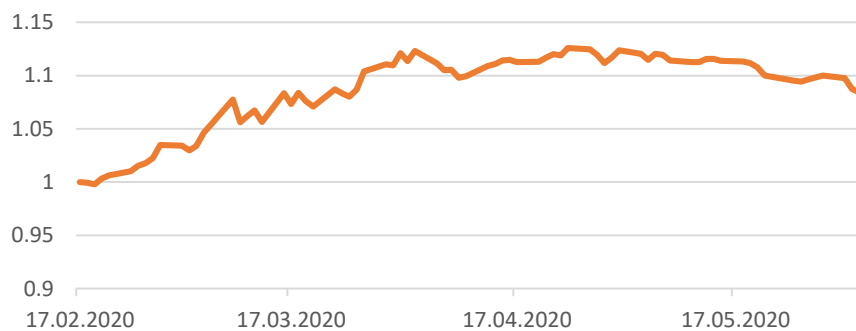
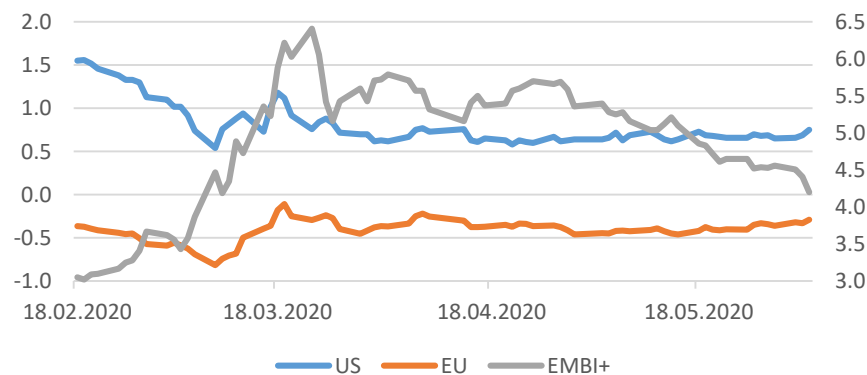
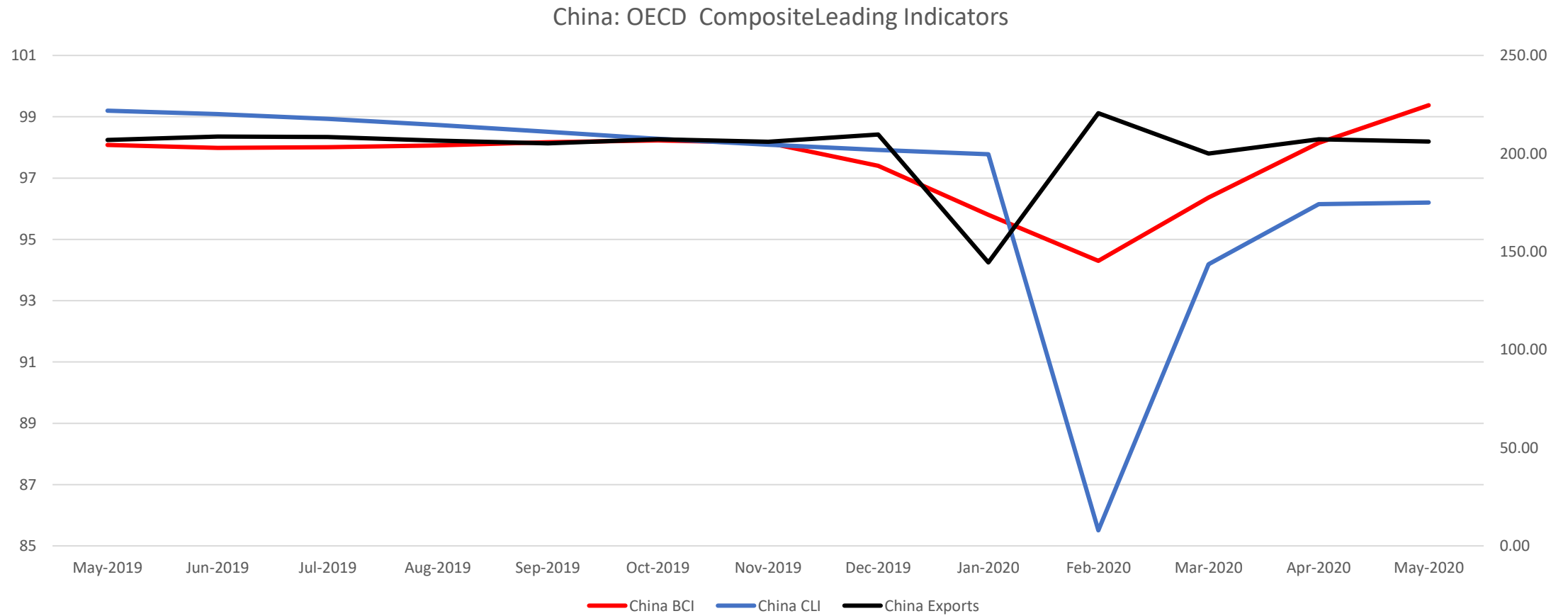


Figure 5  
10 Year Bond Yields



Source: Esteves and Sussman, 2020.

# What we can learn from China?



# Unprecedented fiscal support can be used to provide growth enhancing opportunities

- Green New Deal
  - moving forward investments in renewable energies and sustainability
- Human capital formation:
  - Take advantage of experience with remote learning
  - Investment in ICT infrastructure
  - Make quality education accessible
- Productivity enhancements
  - Tele-working and conferencing
  - Robotics? AI?
- Public health
  - Technologies: Home testing and tracking – low cost solutions for future epidemics
  - Spending: strengthening health care systems

# Vulnerabilities

- Protectionism
- Banking systems
- Tourism – mainly short term but not recoverable

# Finance and development

- Interest rate normalization deferred
  - Increase attractiveness of investing in EMDE
- Green New Deal investments will benefit LIC's
  - Improve technologies and lower costs for energy generation



Thank You