

DBS Macro Insights

Pandemic's costs and remedies

Taimur Baig, Chief Economist

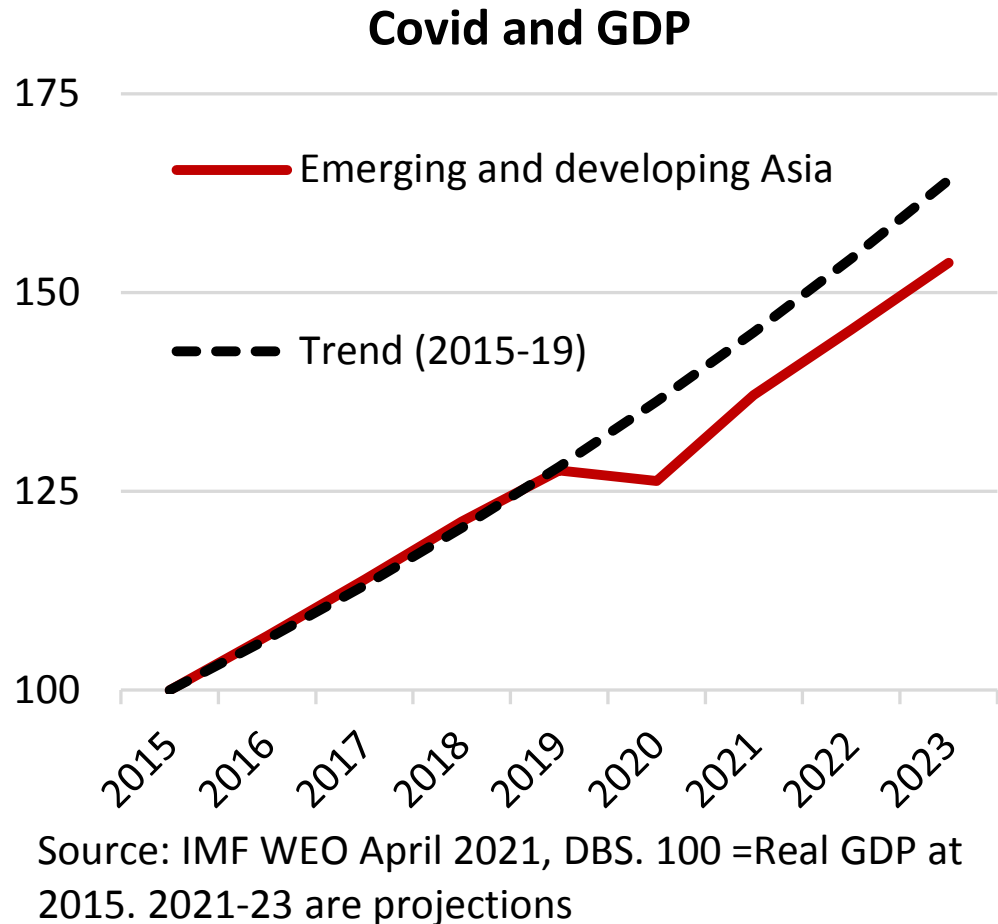
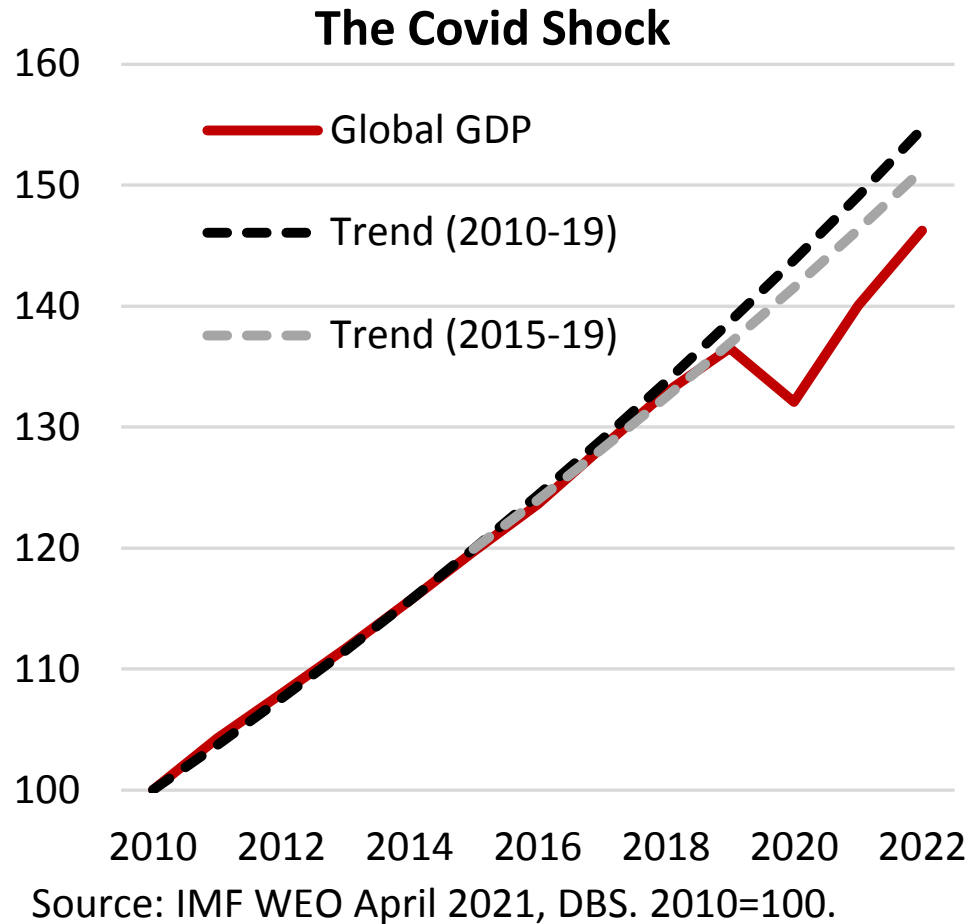
Economics and Strategy, DBS Group Research

August 24, 2021

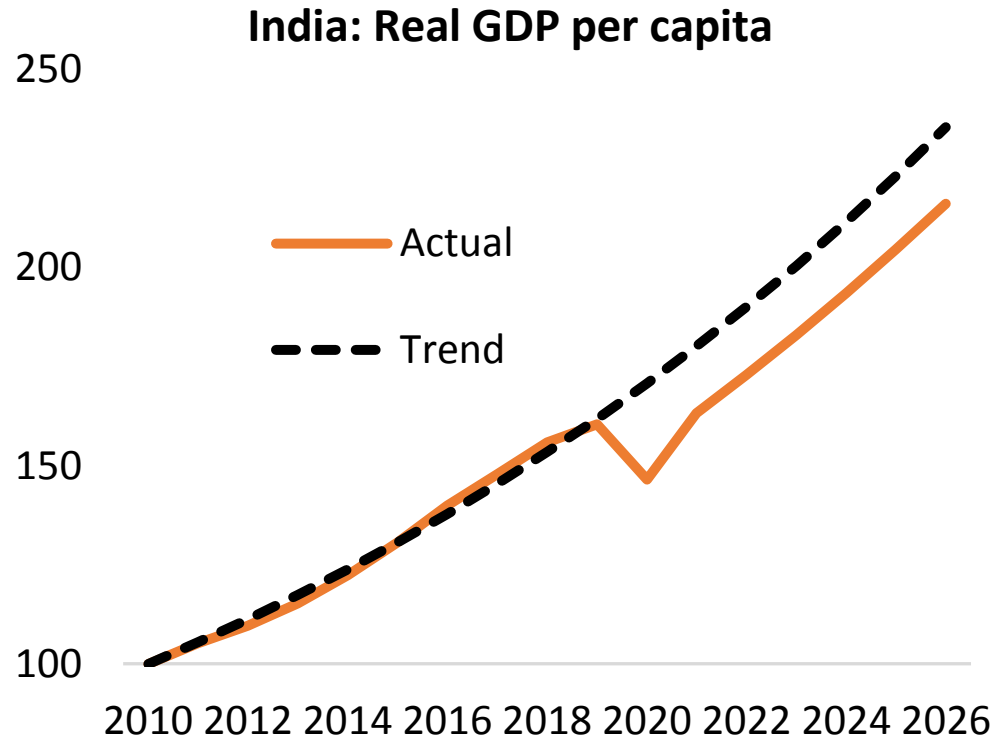
Counting the costs; thinking through remedies

- Loss of output
- Rise in public debt
- Private sector balance sheet
- Remedies

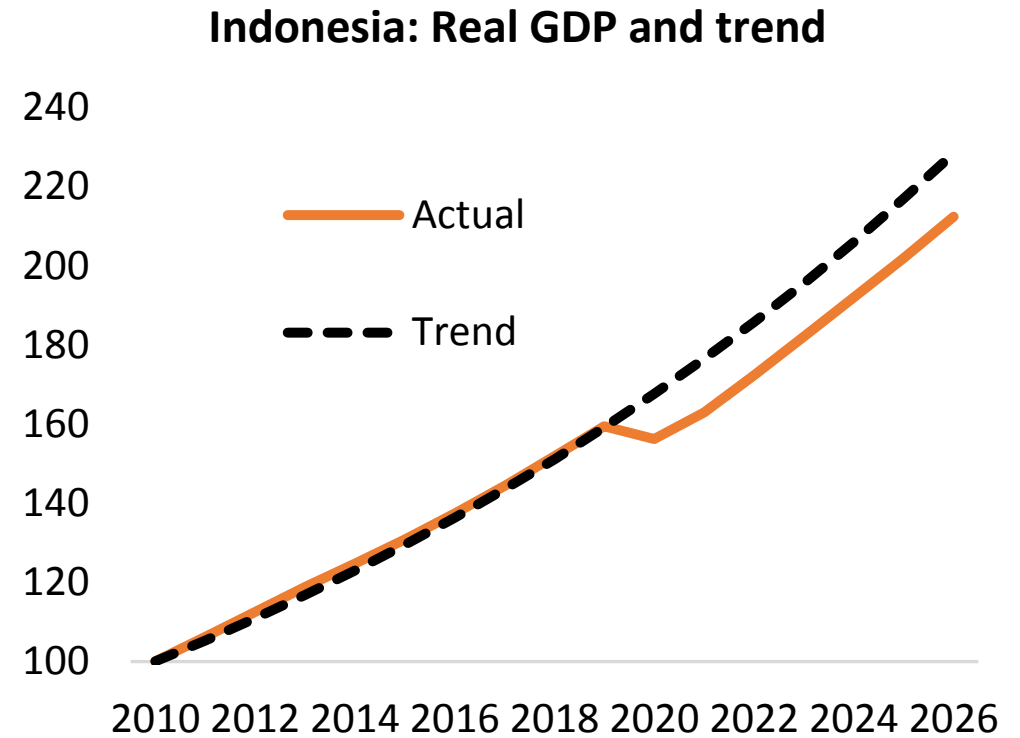
Loss of output



Loss of output

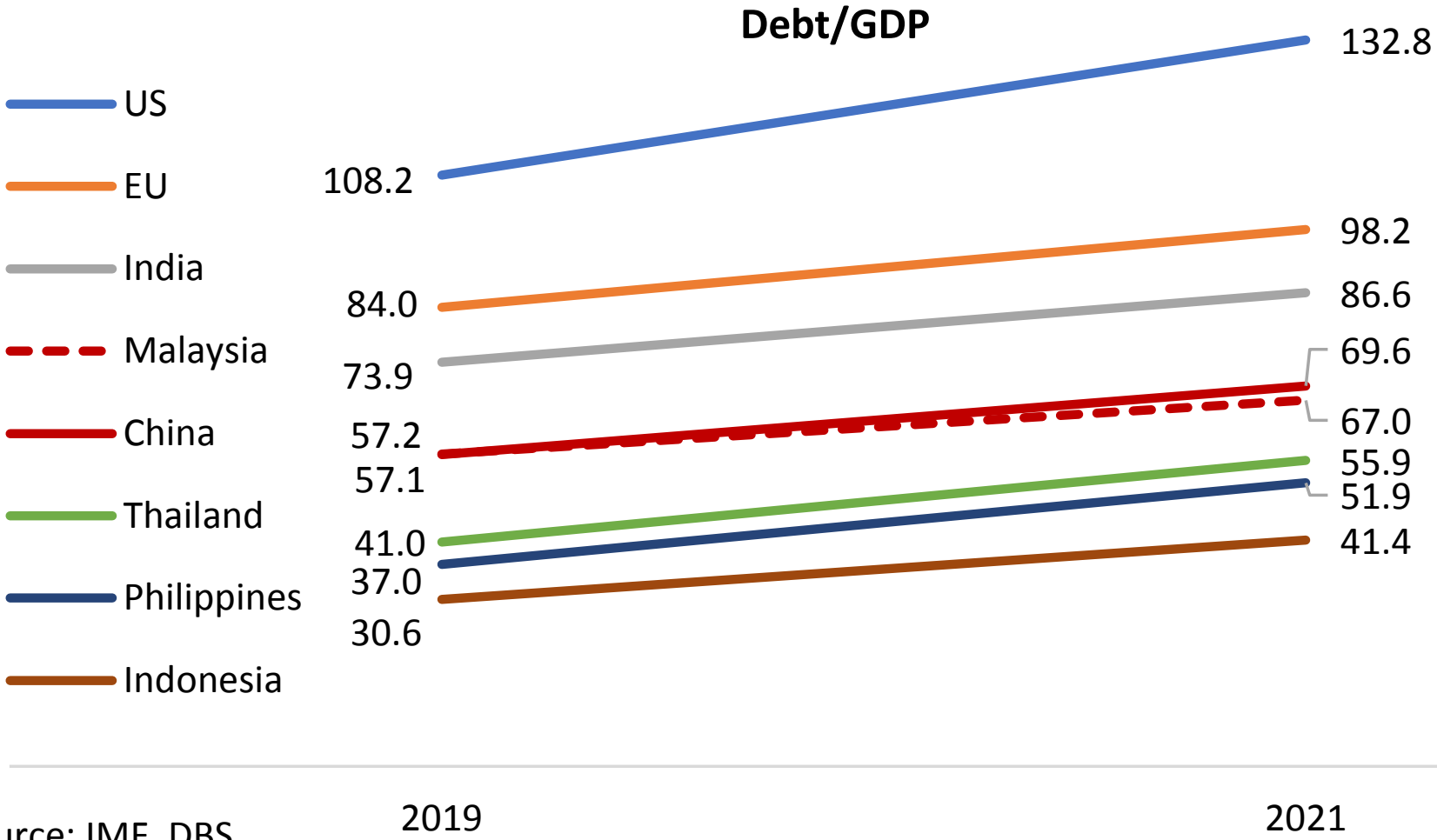


Source: IMF, DBS. Trend based on 2010-19 average growth of 5.5%. Data beyond 2020 are IMF forecasts



Source: IMF, DBS. Trend based on 2010-19 average growth of 5.3%. Data beyond 2020 are IMF forecasts

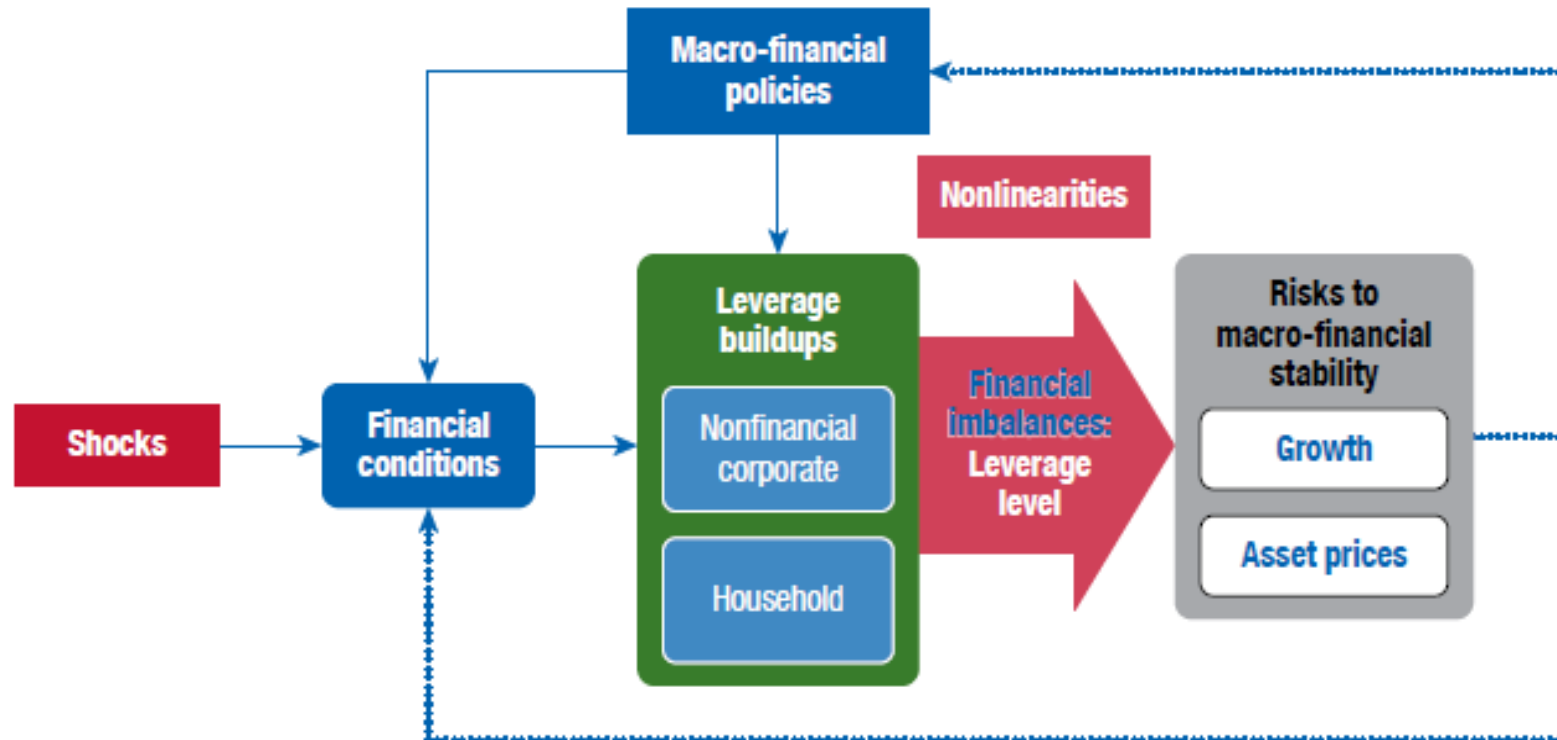
Rise in public debt



Source: IMF, DBS

Private sector balance sheet

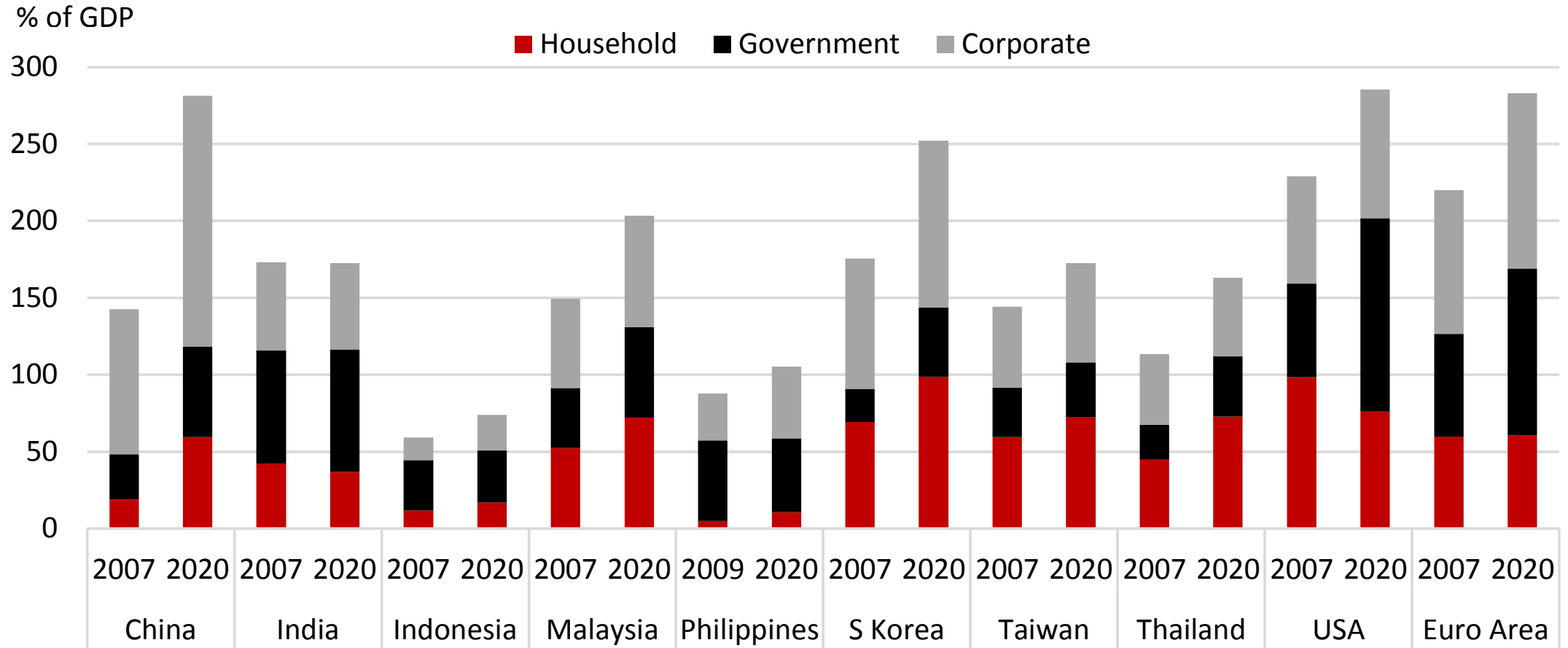
Leverage as an Amplifier of Shocks



Source: IMF staff, based on Adrian and others 2019.

Note: "Nonlinearities" indicates that the impact of financial conditions on macro-financial stability may be amplified in the presence of elevated financial vulnerabilities, such as a high level of leverage.

Private sector balance sheet



Remedies

Recognise the forthcoming decline in y^* , r^* , and u^*

Recognise the limitation of conventional fiscal and monetary policies

Don't give up on globalisation, re-energise multilateralism

Embrace regional pacts, supply chains, and tech platforms

Consider higher taxes on wealth, especially property

Use technology to enhance public sector transfers and spending on growth-critical areas

GENERAL DISCLOSURE/ DISCLAIMER (For Macroeconomics, Currencies, Interest Rates)

The information herein is published by DBS Bank Ltd and PT Bank DBS Indonesia (collectively, the “DBS Group”). It is based on information obtained from sources believed to be reliable, but the Group does not make any representation or warranty, express or implied, as to its accuracy, completeness, timeliness or correctness for any particular purpose. Opinions expressed are subject to change without notice. Any recommendation contained herein does not have regard to the specific investment objectives, financial situation & the particular needs of any specific addressee. The information herein is published for the information of addressees only & is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate legal or financial advice. The Group, or any of its related companies or any individuals connected with the group accepts no liability for any direct, special, indirect, consequential, incidental damages or any other loss or damages of any kind arising from any use of the information herein (including any error, omission or misstatement herein, negligent or otherwise) or further communication thereof, even if the Group or any other person has been advised of the possibility thereof. The information herein is not to be construed as an offer or a solicitation of an offer to buy or sell any securities, futures, options or other financial instruments or to provide any investment advice or services. The Group & its associates, their directors, officers and/or employees may have positions or other interests & may affect transactions in securities mentioned herein & may also perform or seek to perform broking, investment banking & other banking or financial services for these companies. The information herein is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Sources for all charts & tables are CEIC & Bloomberg unless otherwise specified.

DBS Bank Ltd., 12 Marina Blvd, Marina Bay Financial Center Tower 3, Singapore 018982. Tel: 65-6878-8888. Company Registration No. 196800306E. DBS Bank Ltd., Hong Kong Branch, a company incorporated in Singapore with limited liability. 18th Floor, The Center, 99 Queen’s Road Central, Central, Hong Kong.

PT Bank DBS Indonesia, DBS Bank Tower, 33rd floor, Ciputra World 1, Jalan Prof. Dr. Satrio Kav 3-5, Jakarta, 12940, Indonesia. Tel: 62-21-2988-4000. Company Registration No. 09.03.1.64.96422