

OECD calls for well-targeted support to the vulnerable as war undermines global recovery

17/03/2022 -

[Watch the live webcast of the press conference](#)

Russia's war against the people of Ukraine is a deeply distressing moment for the world. Thousands of people have been killed with millions fleeing from the war. Beyond the ongoing humanitarian disaster, the economic damage is already being felt worldwide and risks becoming increasingly severe.

In its first assessment of the **[Economic and social impacts and policy implications of the war in Ukraine](#)**, the OECD says Russia's invasion on 24 February 2022 has caused a humanitarian crisis in Ukraine, destroying lives, homes and infrastructure, while throwing the strong global economic recovery from the COVID 19 pandemic into doubt.

Amid the uncertainty, the OECD estimates global economic growth will be more than 1 percentage point lower this year as a result of this conflict, while inflation, already high at the start of the year, could rise by about a further 2.5 percentage points on aggregate across the world.

Already some 3 million people have fled Ukraine with more waves of refugees expected in the weeks ahead. In Europe this is far higher than in wake of the recent Syrian refugee crisis. While most refugee flows have so far been concentrated on neighbouring countries, the OECD calls for greater EU solidarity to manage the challenge.

Commodity prices have risen sharply. Russia and Ukraine together account for about a third of global wheat exports and are important producers of fertilisers and metals used in industry such as nickel and palladium. Disruptions to wheat, maize and fertiliser risk raising hunger and food insecurity across the world. Soaring metals prices could affect a wide range of industries such as aircraft, car and chip manufacturing.

With Russia supplying around 16% of the world's natural gas and 11% of oil, energy prices have jumped alarmingly. Europe in particular is highly dependent on Russian gas and oil. Gas spot prices in Europe are now more than 10 times higher than a year ago while the cost of oil has nearly doubled over the same period. The price shock will hurt households and disrupt the production of goods and services worldwide.

Speaking at the presentation of the Assessment today, OECD Secretary-General Mathias Cormann said: "The commodity supply squeeze resulting from this war, is exacerbating supply chain disruptions brought on by the pandemic, which will likely weigh on consumers and business for some time to come. In terms of the policy and market response, we need to remain cool-headed. We need both sensible near-term and sensible longer-term action.

He added: "The EU relies heavily on Russia for its energy supply. Twenty-seven percent of EU crude oil imports, 41% of its natural gas imports and 47% of solid fuel imports come from Russia. It will take a few years to fully offset this dependency and build energy security in Europe, but action should start now.

"In these extreme circumstances faced by the European energy market, I would strongly encourage an open-minded re-examination of current policy settings, including a reassessment of the most appropriate market structure and design – to ensure energy security and affordability, while remaining on track to meet climate objectives," he said.

OECD Chief Economist and Deputy Secretary-General Laurence Boone said: "Just as the world economy appeared to be emerging from two years of the COVID-19 crisis, a brutal and devastating war has broken out in Europe. We do not yet know how this will fully play out but we do know this will hurt the global recovery and push inflation up even higher.

“We also see that this war has set in train de-globalisation forces that could have profound and unpredictable effects. Government policy has a crucial role to play in re-establishing some of the certainty and security we have lost.”

The OECD says the advanced economies of the Asia-Pacific region and the Americas have weaker trade and investment links with Russia than Europe, and some are important commodity producers, but growth will still be hit by weaker global demand and by the impact of higher prices on household incomes and spending.

In emerging market economies steeper declines are projected for those that are major commodity importers. Higher food and energy prices are expected to push up inflation more than in the advanced economies. The threat of cereal shortages in particular underlines the need to ensure that trade keeps flowing.

The OECD says, faced with such a supply shock, monetary policy should remain focussed on ensuring well-anchored inflation expectations and to intervene if needed to ensure the smooth functioning of financial markets.

Immediate spending priorities for governments include the costs of supporting refugees in Europe while temporary, timely and well-targeted fiscal measures are needed to cushion the immediate impact of the crisis on consumers and businesses.

The OECD says temporary cash transfers targeted to vulnerable consumers can be an efficient way of mitigating the impact of energy prices rises. Other measures are either less well targeted to those in genuine need of support or create counterproductive distortions. As we move beyond the immediate emergency, these measures should be reviewed.

The OECD Assessment estimates that well targeted government fiscal measures of around 0.5 percentage point of GDP could substantially mitigate the economic impact of the crisis without substantially adding to inflation.

The Assessment says the war has underlined the importance of minimising dependence on Russia for key imports, diversifying energy sources, as well as accelerating the transition away from fossil fuels by investing more in renewable energy.

Economic and social impacts and policy implications of the war in Ukraine is available online at <https://www.oecd.org/economic-outlook/>. Media queries should be directed to the OECD [Media Office](#) (tel: +33 1 4524 9700).

Working with over 100 countries, the OECD is a global policy forum that promotes policies to preserve individual liberty and improve the economic and social well-being of people around the world.

Also Available

[La OCDE hace un llamado para apoyar específicamente a las personas vulnerables, al constatar que la guerra está comprometiendo la recuperación mundial.](#)

[Krieg untergräbt die Erholung der Weltwirtschaft – OECD fordert gezielte Unterstützungsmaßnahmen für die Schwächsten](#)