



Transcript of IMF podcast:

## [Gita Gopinath on Latest Outlook: Recovery Gaps Persist](#)

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Bruce Edwards:

When it comes to bouncing back from a major shock like the pandemic, richer countries tend to have an advantage.

Gita Gopinath:

And unfortunately, that is also what we are seeing right now. If you look at our projections, while we expect emerging markets and developing economies to have substantial scarring into the next several years, for advanced economies, we are projecting that they will return to their pre-pandemic paths by next year.

Bruce Edwards:

Welcome to this podcast produced by the International Monetary Fund. Today, we look at the latest World Economic Outlook with the woman who brings it all together.

Gita Gopinath:

Hi, I'm Gita Gopinath. I'm the Chief Economist of the International Monetary Fund.

Bruce Edwards:

So while this forecast for advanced economies looks pretty encouraging thanks to vaccines and the fiscal support that governments have been providing through this pandemic, what is the outlook for countries that have very little access to both of those things, vaccines and support?

Gita Gopinath:

We are concerned about a dangerous divergence and prospects across advanced economies and many emerging markets and developing economies. One reason for that divergence is the much more limited access to vaccinations, especially in low-income countries. Around 96% of the population in low-income countries remain unvaccinated while over 60% of advanced economies are fully vaccinated and some have started giving booster shots. So there is what we call this great vaccine divide, and that is one major issue that needs to be addressed.

Gita Gopinath:

A second source of the divergence is the different levels of policy support. Even during the peak of the pandemic last year and this year, advanced economies have been able to provide a lot more in terms of spending support, revenue support, to their people, while for emerging markets and developing economies that support has been much more constrained because they have just less fiscal space. Also what you're seeing now is that it is, in the case of emerging and developing economies, that we are seeing the exit from accommodative policies come faster. Now be it raising monetary policy interest rates or cutting back on expenditures, that is happening more rapidly in many developing countries. This is again another source of the divergence.

Bruce Edwards:

So that the gap that existed before the pandemic persists, and in fact, this outlook suggests advanced economies getting stronger will likely raise inflation and interest rates, which would make things even worse for low-income countries and emerging markets. How do you support the recovery without widening that gap even further?

Gita Gopinath:

First and foremost, a lot more multilateral action is needed to end this vaccine divide. It is important to vaccinate at least 40% of the population in every country by the end of this year and 70% by the middle of next year. Now that will require countries to deliver on their dose donation pledges. It will also require vaccine manufacturers and high-income nations to coordinate and ensure that more deliveries go to COVAX, which is the organization that provides vaccines to a lot of low-income countries. So to prioritize deliveries to COVAX in the near term is another very important step. It's also important to remove restrictions on trade that are preventing the free flow of finished vaccines and inputs. This is what you absolutely need to do in the near term.

Gita Gopinath:

On the financial side, it's important to be able to have accommodative financial conditions in the world so that developing countries continue to be able to access financial markets at reasonable terms. This will also require very careful action by the major central banks around the world, like the US Federal Reserve to make sure that they very carefully communicate what their actions are going to be, what is likely to happen in the next few months so that there are no policy accidents because that will be very costly to developing countries.

Bruce Edwards:

I should add here that the WEO has some analytical chapters, one of which is on inflation that was published last week, and the importance of clear communications when it comes to inflation expectations. We have a separate podcast with an author of that chapter, and I would direct people there to learn more about inflation forecasts. Now, so the needs of advanced economies are often very different from those of emerging markets and low-income countries. Is there anything about your growing up in India or your student days in Delhi, perhaps, that you feel has given you a bit of an edge in terms of dealing with the dynamics between those groups of countries, as we navigate our way through this pandemic?

Gita Gopinath:

Countries around the world differ greatly in terms of their structural characteristics, in terms of their policy making institutions, in terms of their ability to rebound from setbacks, and we're seeing this in this crisis too. Indeed, the fact that I grew up in India certainly gave me, a much closer, I guess, viewership of the problems that developing countries and emerging markets can face.

Gita Gopinath:

I also did some work back in the day on emerging market business cycles, where I call the cycle is the trend, which is basically this phenomenon that if you look at shocks that hit emerging markets and they go into recessions, unfortunately it turns out that they never fully recover back

to pre-pandemic projected paths and there are much more persistent effects. On the other hand for advanced economies, when they go into recessions, they do tend to come back to the pre-shock projections. Unfortunately, that is also what we are seeing right now. If you look at our projections, while we expect emerging markets and developing economies to have substantial scarring into the next several years, for advanced economies we are projecting that they will return to their pre-pandemic paths by next year.

Bruce Edwards:

You touched upon this earlier, but you did propose a plan back in May to vaccinate 40% of the world population before the end of this year. How is that progressing and to what degree is the success or the failure of that plan tied into this latest world outlook?

Gita Gopinath:

There has certainly been progress on important fronts. We had seven actions that we laid out in the plan in May. One of those actions required funding COVAX, so they can get to at least 30% coverage for low-income countries and that funding has since been made available. We also asked for financing to ensure against downside risks, which is to have about an additional million doses in the event that you have a much more virulent variant like the Delta variant that has finally come up, and that has also been met.

Gita Gopinath:

The problem is that we are not seeing enough speed with which deliveries happen to low-income countries. So, at least in the very near term, it's therefore very important for these countries that have surplus vaccines to donate them to COVAX and through that to the low income countries. One of the actions that we had proposed was that about billion doses is pledged for this year from countries that have surplus vaccines, and we believe they still should be able to do that. They have pledged about 500 million doses for this year, and now that still is short of what is needed and another 500 million doses would be needed. But again, even with those 500 million doses that have been pledged, only around 20% of that have been delivered overall in terms of pledges. And so there is a lot more action needed there, so I think that's where there has been insufficient action. Another area where there has been very little progress is on all the non-vaccine parts of the fight against COVID when it comes to testing, therapeutics, diagnostics, genomic surveillance, and there, there remains around a \$20 billion grant financing gap that needs to be filled.

Bruce Edwards:

What is your view on booster shots? Do you think the policies that promote booster shots in advanced economies risk compromising, or at least delaying perhaps, the global recovery?

Gita Gopinath:

The need for booster shots of course has to be determined by the scientific experts. What is definitely the case is that at least in the near term, which means before the end of this year, the decision to give booster shots certainly restricts the amount of doses that are then available for the rest of the world. That poses a constraint, but again, I think it is still possible to get that 40% target by the end of this year even with the new policies on boosters.

Bruce Edwards:

You talked about the various aspects of the recovery from the pandemic with vaccine distribution at its very core, but the other crisis of course, is climate, climate change, which cannot be fixed with a vaccine. To what extent is the push for greener climate policies, and I'm thinking here in the energy sector in particular, further complicating the recovery? We're seeing shortages now and rising prices in many countries.

Gita Gopinath:

Firstly, when you look at the source of the problems in terms of the shortages, the pandemic plays an important role, but there are also weather-related shocks. For instance in the UK, the fact that the wind farms haven't been able to produce enough power is because of a weather shock. You have a drought in Brazil that has affected hydro-power generation. Weather shocks are also the source of a lot of problems and therefore it's absolutely essential for countries to do a lot more to make the transition happen to a greener economy, to make sure that greenhouse gas emissions come down far more significantly than anything that's been projected at this point in time.

Gita Gopinath:

On the other hand, yes, there is also the piece about the transition, and you see that, for instance, when countries are moving towards more renewable forms of energy. But there are still deficits in the infrastructure. It's still the case that we don't have good storage technology for renewables, and that is also posing a problem. That needs to be addressed urgently to make sure that there is greater innovations, greater investments, public investment, and private investment in new forms of storage technologies so that we can have a much more robust source of power from renewables.

Bruce Edwards:

Just to conclude, if you don't mind me asking, being Chief Economist for the Fund is an all-consuming job in the best of times, I'm sure, but this crisis has been going nonstop for more than 18 months now. How do you avoid being swallowed up by it by the workload? How do you escape the madness?

Gita Gopinath:

I guess I'm somebody who actually gets a lot of inspiration, a lot of energy from being in a difficult situation and having to think about major economic issues, and how it should be addressed. And the novelty of this particular crisis has meant that many of the usual playbooks had to be thrown out and we had to start from scratch- how we were going to do forecasting and what kinds of policy actions would be needed. I am also, I will confess, I am a workaholic, so overall I actually think of this as I've been incredibly lucky to have had this opportunity to be engaged in this work at the Fund with my phenomenal colleagues.

Bruce Edwards:

So, bring-it-on, is your answer.

Gita Gopinath:

(laughter) Unfortunately from my family's perspective, they do worry that I have too much of this bring-it-on attitude.

Bruce Edwards:

Gita Gopinath, IMF Chief Economist and Head of the Research Department. Thanks so much for taking the time, some of that precious time to talk to us about the latest World Economic Outlook published earlier today.

Gita Gopinath:

Thank you so much, Bruce. Thanks for doing this.

Bruce Edwards:

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Bruce Edwards:

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