

Annual Report 2021/22

## Shaping the Transformation: Education, Digitalisation and Sustainability – Key Messages

### ECONOMY: SUPPLY-SIDE BOTTLENECKS DAMPEN GROWTH

- Multiple supply-side bottlenecks are causing disruptions in global value chains and will probably continue to shape global industrial production into 2022.
- Bottlenecks and sharply rising energy prices, as well as pandemic-related restrictions over the winter, are likely to postpone a certain amount of growth into next year.
- The German Council of Economic Experts expects Germany's gross domestic product to rise by 2.7 % this year and by 4.6 % in 2022. For the euro area, it expects growth of 5.2 % and 4.3 % respectively.

### NORMALISING FISCAL AND MONETARY POLICY AFTER THE CORONAVIRUS CRISIS

- The debt ratios of EU member states rose sharply during the coronavirus pandemic. Public finances should be made more sustainable and crisis-resilient again.
- The best way for monetary policy to contribute to sustainable economic growth is by ensuring price stability. Therefore, it should publish a normalisation strategy.
- If the transformation is to be achieved, the framework conditions for private investment should be improved and future-oriented public-sector expenditures should be prioritised.

### CORONAVIRUS CRISIS, INCOME DISTRIBUTION AND OPPORTUNITIES IN EDUCATION

- According to preliminary findings, disposable-income inequality did not increase during the coronavirus crisis due to welfare-state measures, even though marginally employed, low-skilled and self-employed people were particularly negatively affected
- In the labour market, continuing education opportunities should be expanded and stronger incentives for continuing education and for the employment of second earners should be set.
- Substantial and targeted education investment and reforms are needed to offset pandemic-related educational deficits and to promote equal opportunities.

### PRODUCTIVITY: CORONAVIRUS CRISIS AND STRUCTURAL CHANGE

- Unlike in previous recessions, job losses and the number of business closures fell during the coronavirus crisis, leading to a decline in reallocation dynamics. A substantial catch-up effect is currently not anticipated.
- To support structural change, the business environment for start-ups, orderly market exits and labour mobility should be improved.
- A coherent strategy and the setting of priorities, such as steps to secure access to data and technologies, are required in order to unlock the potential of accelerated digitalisation.

### GLOBAL CLIMATE CHANGE MITIGATION: FRAMEWORK AND POSSIBLE COURSES OF ACTION

- Combating climate change is a global challenge. The risks of climate change and the economic opportunities presented by the necessary transformation vary around the world.
- Progress in global cooperation should be promoted through a more equitable sharing of the cost and collaboration on technology. This should significantly strengthen private investment worldwide.
- The formation of a climate club and the signing of investment treaties are key elements of international climate policy. Trade agreements should factor in the interdependencies between trade and the climate. However, the costs and benefits must be weighed up.