

OECD: a sustainable national growth requires structural changes

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The Secretary-General of the Organization for Economic Co-operation and Development (OECD), Angel Gurría, during the presentation of the latest global economic survey, OECD Economic Outlook 2018, emphasized the need for structural reforms to be made by the OECD countries to achieve a sustainable growth as monetary and fiscal policy instruments are starting to exhaust their potential. In terms of reforms, the OECD countries have seen some stagnation over recent years compared to other economies such as India, Brazil and Argentina where the structural changes have been consistently implemented. It is expected that India and China will provide 50% of global economic growth over the next two years.

Therefore, the OECD encourages the countries not to stop at their achievements and use the favourable momentum in the national economies for sustainable and inclusive development by investing in education, skills development and digital infrastructure to boost productivity growth and reduce inequalities, and reduce the level of external debt and create fiscal “buffers” or reserves.

“The OECD Global Economic Outlook allows us to objectively assess the situation globally and ascertain Latvia’s position on the map of the global economy. It will help Latvia to better implement its economic policy and the already launched structural reforms that are so crucial for ensuring a sustainable economic growth and competitiveness. In order to raise the level of the competitiveness of the Latvian economy, we must continue to work on stimulating exports and investments, increasing productivity and human capital development,” emphasizes Arvils Ašeradens, Deputy Prime Minister and Minister of Economics.

On May 30, 2018, the OECD presented the latest global economic survey, OECD Economic Outlook 2018, where OECD experts pointed out that after a few years break, the global economy has achieved significant growth rates, returning to pre-crisis levels and, according to OECD forecasts, reaching 4%.

According to the OECD forecasts, Latvia is still expected to have the highest GDP growth rate in the Baltic States in 2018-2019 — 4.1% this year and 3.6% in 2019 respectively. By comparison, the GDP growth in Estonia this year is expected to be 3.7% and 3.2% in 2019, while in Lithuania - 3.3% in 2018 and 2.9% in 2019.

In the analysis of the development of the global economy, the OECD has stated that the level of investment and global trade has increased. It was also concluded that the main reason for growth was not the increase in productivity growth or structural changes, but rather supportive monetary policy and the implementation of expansive fiscal policies, as well as rapid growth of the labour market, reaching the lowest level of unemployment since the 1980s, while maintaining a grounded wage growth rate.

At the same time, the OECD has pointed out several global risks in the coming years: the rapid rise in oil prices, the growing tension in foreign trade as a result of imposed restrictions and fluctuations in financial markets, as the rising interest rates will create additional challenges for countries, households and high-debt businesses.

The OECD Economic Outlook 2018 and other materials are available on the [OECD website](#).

As you know, also on November 28, 2017 when presenting the global economy survey “OECD Economic Outlook 2017” [OECD already predicted that Latvia would have the highest GDP growth rate among the Baltic States in 2017-2019.](#)

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