

Summary of Lunch Session: Fiscal Policy Responses to Supply Shocks

The lunch session focused on fiscal policy responses to supply shocks, featuring insights from Mitali Das from the IMF's Fiscal Department. The discussion likely explored how countries, particularly emerging markets, can design effective fiscal policies to address economic challenges posed by supply-side disruptions. Key points include:

1. Fiscal Policy Strategies
 - Importance of targeted fiscal responses during economic shocks
 - Need for flexible fiscal frameworks that can adapt to unexpected disruptions
 - Balancing fiscal consolidation with protecting vulnerable populations
2. Supply Shock Characteristics
 - Analyzing different types of supply shocks (pandemic, geopolitical, resource-related)
 - Understanding how supply shocks differ from traditional economic disruptions
 - Identifying structural vulnerabilities in economic systems
3. Emerging Market Challenges
 - Limited fiscal space for robust policy responses
 - Constraints in public investment and economic recovery
 - Need for improved sovereign wealth fund designs
4. Policy Recommendations
 - Develop transparent fiscal rules
 - Create automatic stabilization mechanisms
 - Design flexible sovereign wealth funds
 - Protect critical capital investments during downturns
 - Implement targeted social protection transfers
5. Future Economic Resilience
 - Building more adaptable economic policy frameworks
 - Improving shock absorption capabilities
 - Enhancing cross-country economic cooperation

Mitali Das delivered the main presentation. Here are **key quotes** reflecting her insights:

On emerging markets and trend shocks:

“Emerging markets don't have fluctuations around some known trend like advanced economies. Rather, the trend itself is volatile... they then move around this new trend until the next shock hits.”

On pandemic impacts:

“When the COVID-19 pandemic did hit, it exposed massive structural weaknesses... and these output losses were as big as they ever were.”

On consumption anomalies:

“Consumption fell more than output... This does not happen in recessions... This is a very significant anomaly.”

"The Global Economy in the Age of Supply Shocks and Trade Disruptions:
Implications for Monetary Policy" - **Summaries**

On sovereign wealth funds:

“In countries where you do have [sovereign wealth funds] or are considering them... they were underutilized or not deployed to the extent possible for various reasons.”

On advanced vs emerging markets:

“In emerging markets, this is not just a delayed recovery; this is a permanent hit to output.”

- End -