Help vaccinate poor countries or face more new COVID variant shocks, rich economies told

The world's rich nations must help vaccinate the poorest nations or else they will face a continual cycle of economic shocks and restrictions in the face of new variants, the OECD's chief economist has said.

Laurence Boone told Sky News that the **Omicron** variant could cause the OECD (Organisation for Economic Co-operation and Development) to downgrade its outlook for economic growth and inflation, but it is too early to say what damage it could cause.

She said that the variant was a reminder that for the richest countries – a group represented by the OECD – funding vaccinations in the developing world would cost only a fraction of their outlay in the past 18 months yet would bring immeasurable benefits.

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‘We don’t know enough about Omicron yet’

“As long as the global population is not vaccinated, this type of variant can come in and bring restrictions,” she said.

“We G20 countries have spent about $10trn to support our economies in the pandemic – it costs $50bn to bring vaccines to the entire population.

“As long as the world stays as it is, what we’re going to see is countries which are going to have to shut down their economies or will have to close their borders and all the disruption of production chain across the globe.”

Her comments came as she unveiled the OECD’s latest set of economic forecasts.

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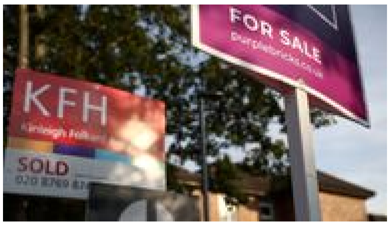

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The figures, which were modelled before news broke of the new variant, see upgrades to economic growth – and **inflation** – for many countries around the world, including the UK.

Britain’s expected growth rate this year, 6.9%, is the strongest of all the G7 leading economies, though it follows the deepest recession among those economies, according to the OECD’s numbers.

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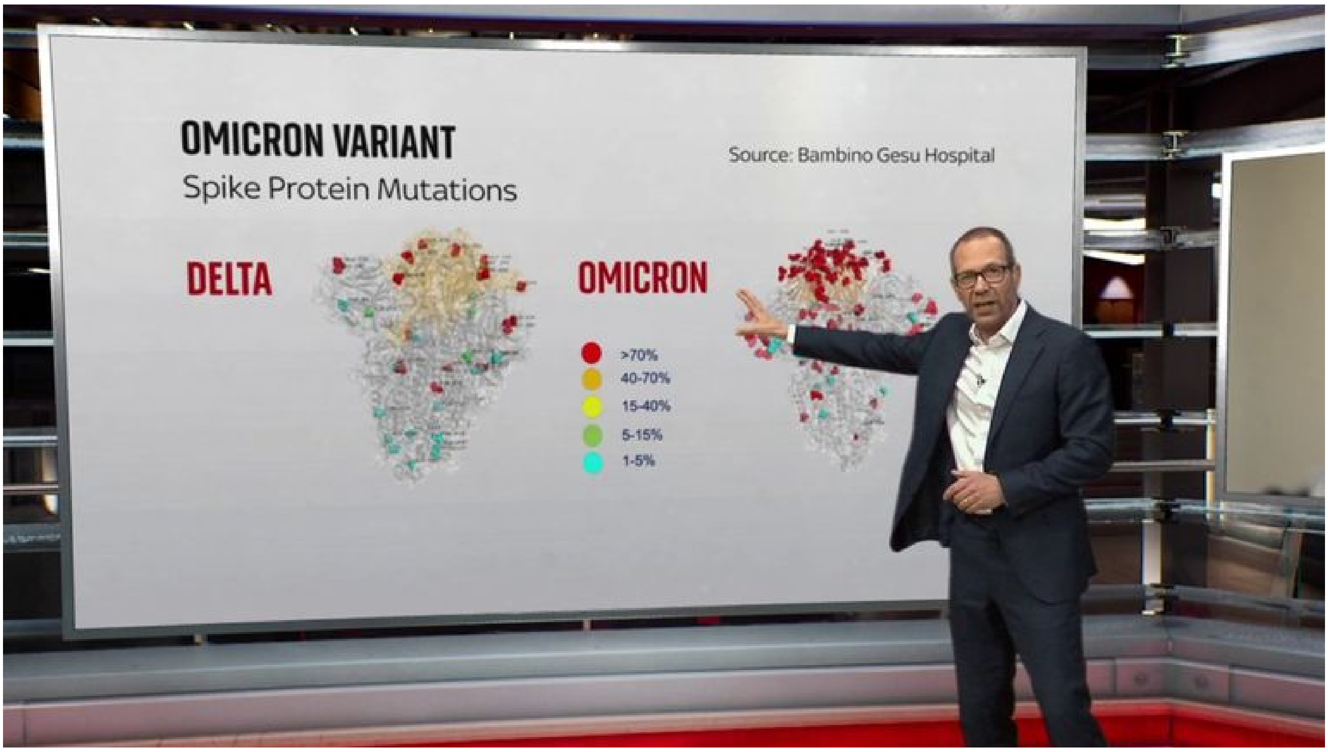

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How are we combatting Omicron?

The economic outlook warned that while the global recovery was progressing, it had lost some momentum and was becoming increasingly "imbalanced", with some parts of the world bouncing back quicker than others.

Much of this divergence was correlated with vaccination status, with lower income countries with low levels of vaccinations struggling economically.

The OECD forecast inflation of 4.4% in the US and UK this year.

It said: "Inflation is on everybody's minds and there is a lot of uncertainty about central banks' reactions…

“In current circumstances, the best thing central banks can do is to wait for supply tensions to diminish and signal they will act if necessary.

“Should supply constraints persist, while GDP and employment continue to grow briskly and fuel broader price increases, higher inflation pressure could last longer, destabilising people’s expectations.

“That would call for action.”

It comes a day after the Federal Reserve, the US central bank, signalled that inflation could prove less “transitory” than it had previously anticipated.

The Bank of England **had been expected** to increase interest rates at this month’s monetary policy committee meeting but the economic uncertainty from the onset of the Omicron variant may change that.