

Recovery prospects

Italy central bank warns on job rollout

Chief says patchiness of international effort poses large economic threat

MILES JOHNSON — ROME

The uneven pace at which countries are vaccinating their populations against Covid-19 is the single greatest threat to a global economic recovery, Italy's central bank governor has said ahead of a G20 summit hosted by the country this week.

Ignazio Visco, who will co-host the virtual G20 meeting of finance ministers and central bank governors on Wednesday with Daniele Franco, economy minister, warned that a patchy international vaccine rollout could result in sharply different recoveries for developed and developing nations.

"The main instrument we have at the moment is neither monetary nor fiscal, it is vaccinations," he said.

Visco praised co-operation between governments in the pandemic response thus far, but said multilateral measures would be critical to ensuring an evenly distributed global recovery.

He defended the scale of Europe's economic response to the pandemic in comparison with the US, pointing out that significant stimulus had been provided by national governments alongside the EU's €750bn post-pandemic recovery fund, Next Generation EU.

"The Next Generation EU plan has a completely different nature [to the US stimulus] because, while smaller in size,

it will be mostly made of infrastructure investments," he said.

"This choice is also due to the fact, usually neglected by many commentators, that very large relief packages have been implemented in Europe, and are still operating, at the level of national governments."

The G20 meeting this week comes as the pace of the US's vaccination push has increased compared with the EU's. Economists have forecast that the US will grow faster than European economies this year.

Visco said progress in the EU's vaccination programme meant that the bloc would not be left behind by the US. However, reducing this risk for developing economies was a priority.

"The G20 is aware of the serious difficulties facing the most vulnerable countries and is committed to offer not a sterile solidarity . . . but concrete help to ensure these countries have the necessary resources to respond to the crisis and can then get back on track."

This would include discussing extending beyond June the debt service suspension initiative, which provides temporary relief from debt repayments for 73 eligible poor countries.

Visco said allocation of special drawing rights would "provide unconditional liquidity to low-income countries, helping them deal with the liquidity problems originated by the pandemic". It was "crucial to ensure that the new available resources go to those who really need them and not, for example, to repay past debts".

