

DEMOCRACY AND PANDEMIC



13 — 15.11.25

Fondazione Giorgio Cini, Venezia



FISCAL AFFAIRS

Economic and Fiscal Impact of Pandemics: With a Special Focus on COVID-19

**Democracy and Pandemics
SYMPOSIUM**

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(Presented by Mitali Das)

Fiscal Affairs Department

International Monetary Fund

The presentation was prepared by Mitali Das, Maëlle Hélène Pierre-Denis, Saraf Nawar and Mona Wang.

Presentation Preview

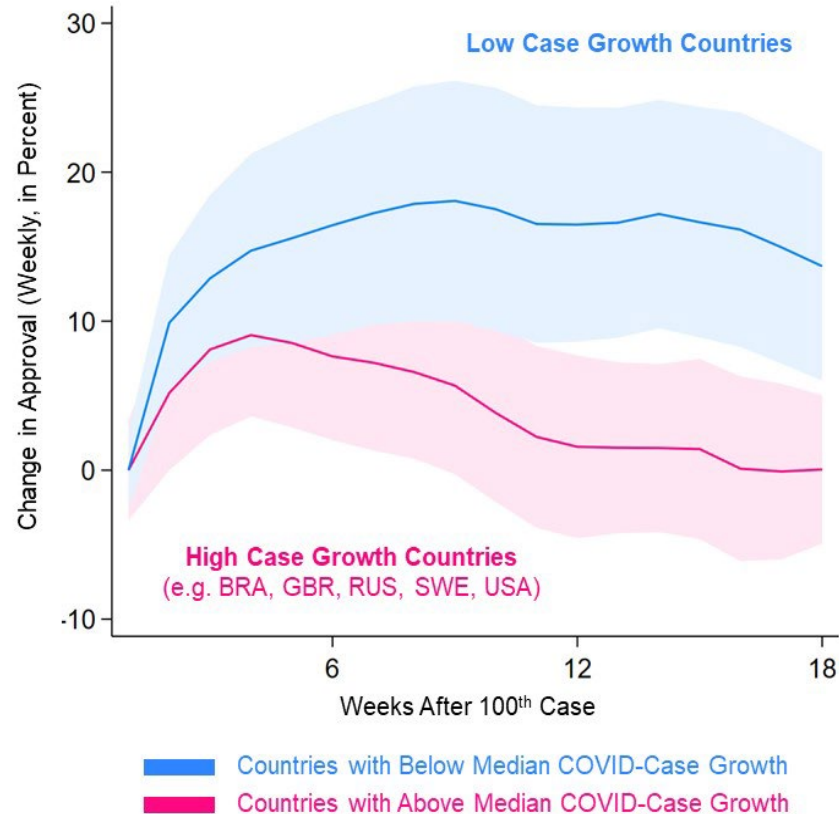
- Pandemics and the Fragility of Democracies
- Preparedness versus Reality
- A Unique Role for Fiscal Policy
- Public Finance: Stress and Fortuitous Conditions
- Enduring Legacies

The Long Shadow of Governance

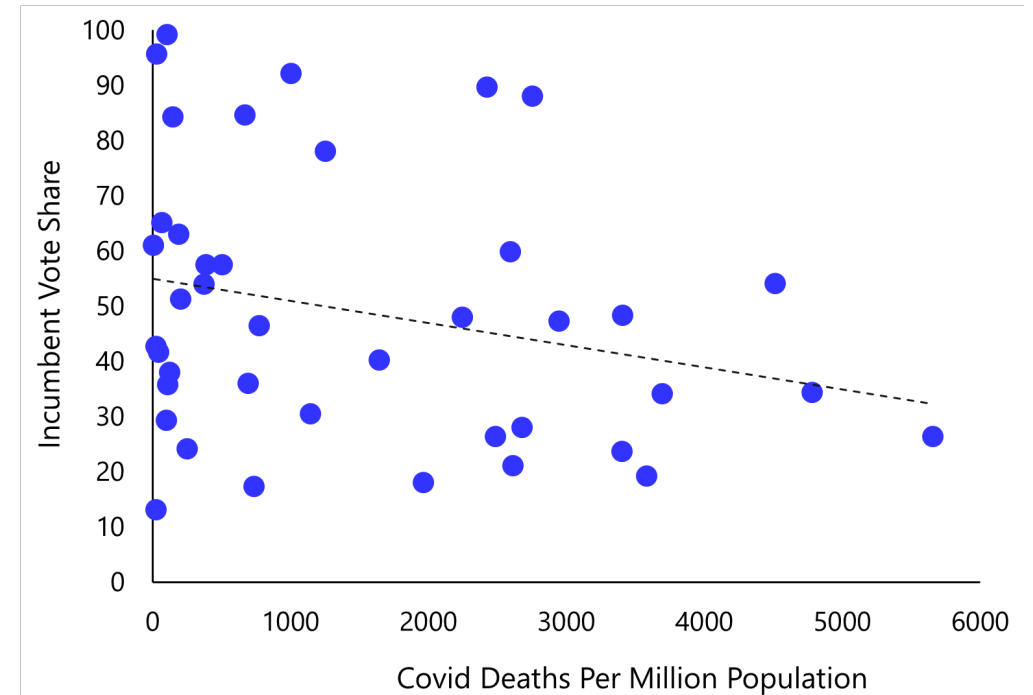


Political Consequences of the COVID-19 Pandemic

Cumulative COVID-19 Deaths and Government Approval Ratings (weeks after 100th case; percent change)



Cumulative Covid-19 Deaths and 2024 Elections Incumbent Vote Share (per capita deaths and percent of vote share)

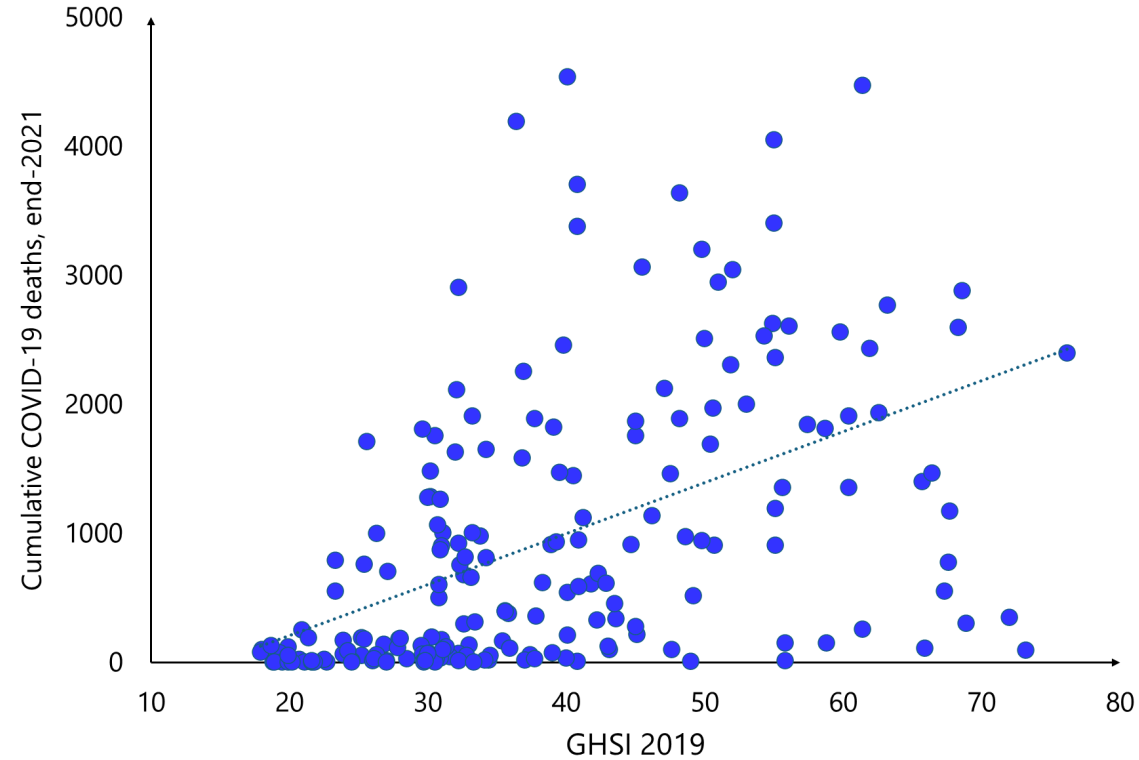


Sources. LHS: Herrera, Konradt, Ordonez and Trebesch (2020) "Corona politics: The cost of mismanaging pandemics", *Covid Economics*, September 2020; RHS: World Health Organization, and IMF Staff Estimates.

Notes. Incumbents are defined as national heads of states in office in 2020 who ran for re-election in 2024.

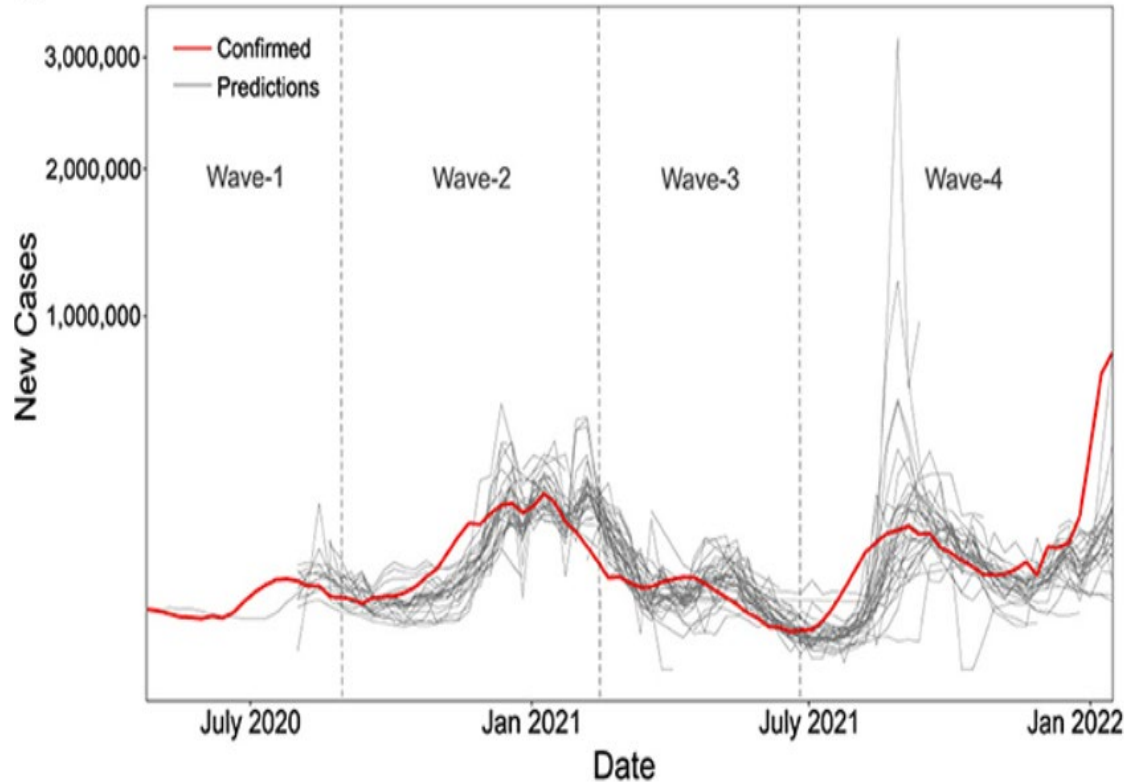
The Limits of Preparedness

Global Health Security Index (GHSI) and Cumulative Covid-19 Deaths *(cumulative deaths from 2020 to end 2021 per million population)*

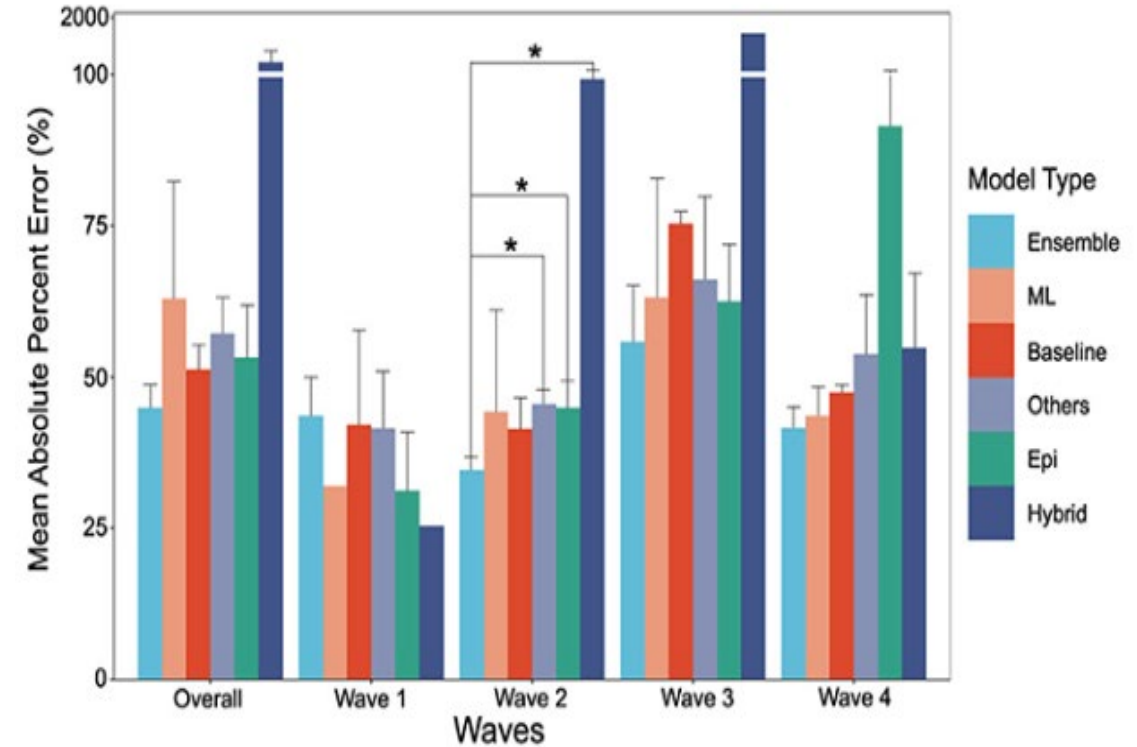


United States COVID-19 Cases: Forecasts vs Actuals

CDC case count, actuals and forecasts from different COVID-19 models (*raw number*)



Mean Absolute Percent Error, by Wave and Model (*percent*)

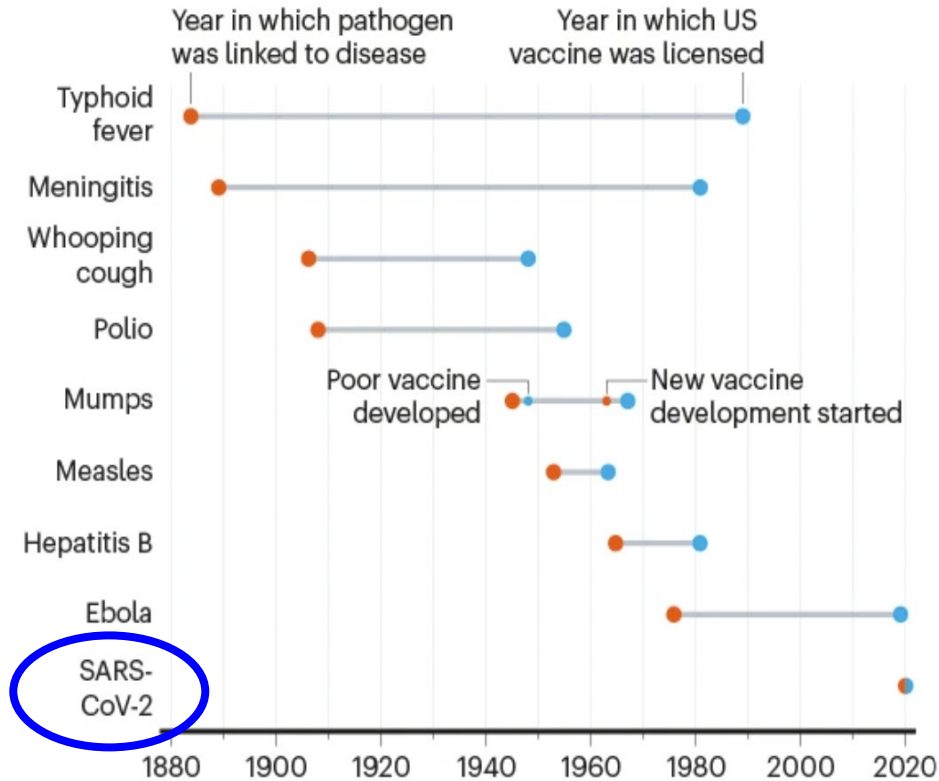


Source. Chharia et al. (2024), "Accuracy of US CDC COVID-19 forecasting models", *Frontiers of Public Health*, 12:1359368.

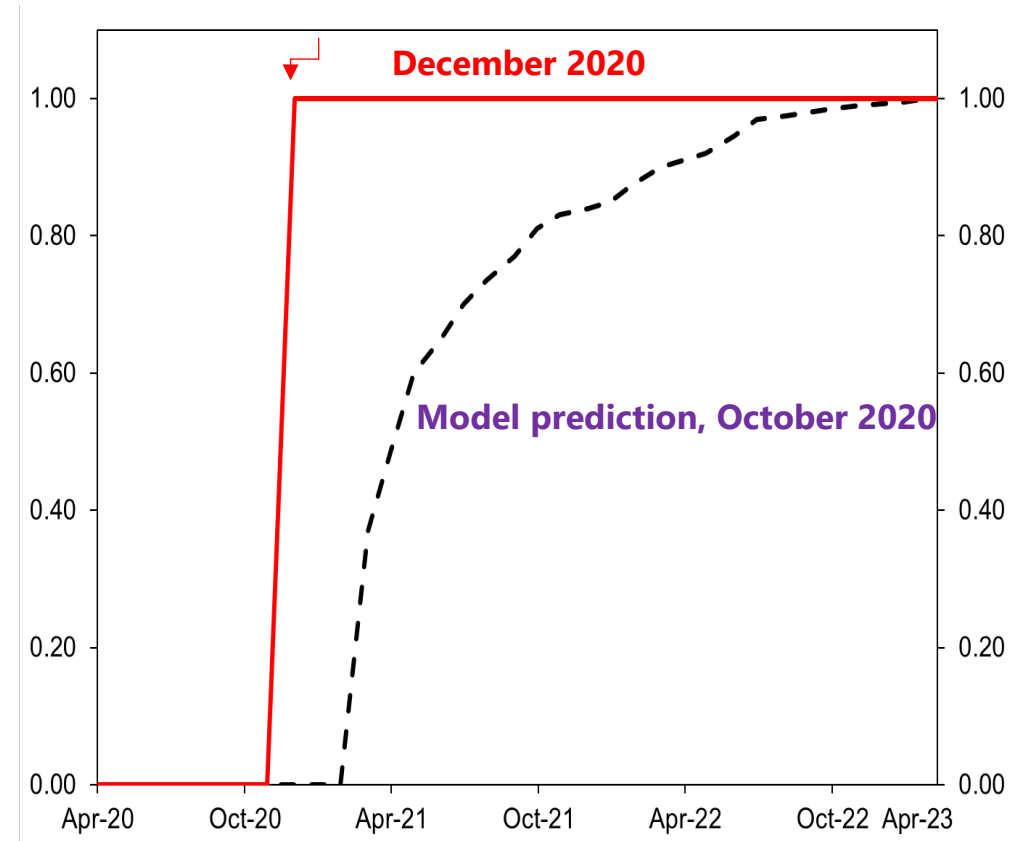
Notes. LHS: Actual case counts in red, predicted counts are shown in gray with each trace representing a different CDC COVID-19 forecasting model. RHS: Shows non-parametric Kruskal-Wallis test results under which only Wave II (marked with *) are statistically significant. CDC ensemble models aggregate predictions from multiple, independently developed models to create a single, more robust forecast; CDC hybrid models combine different modeling approaches or data types into a new, single, heterogeneous model.

COVID-19 Vaccine Development: Beating the Odds

Time between detection of pathogen and licensing a vaccine in the United States (years)



Estimated probability and realized development of the COVID-19 vaccine (probability)



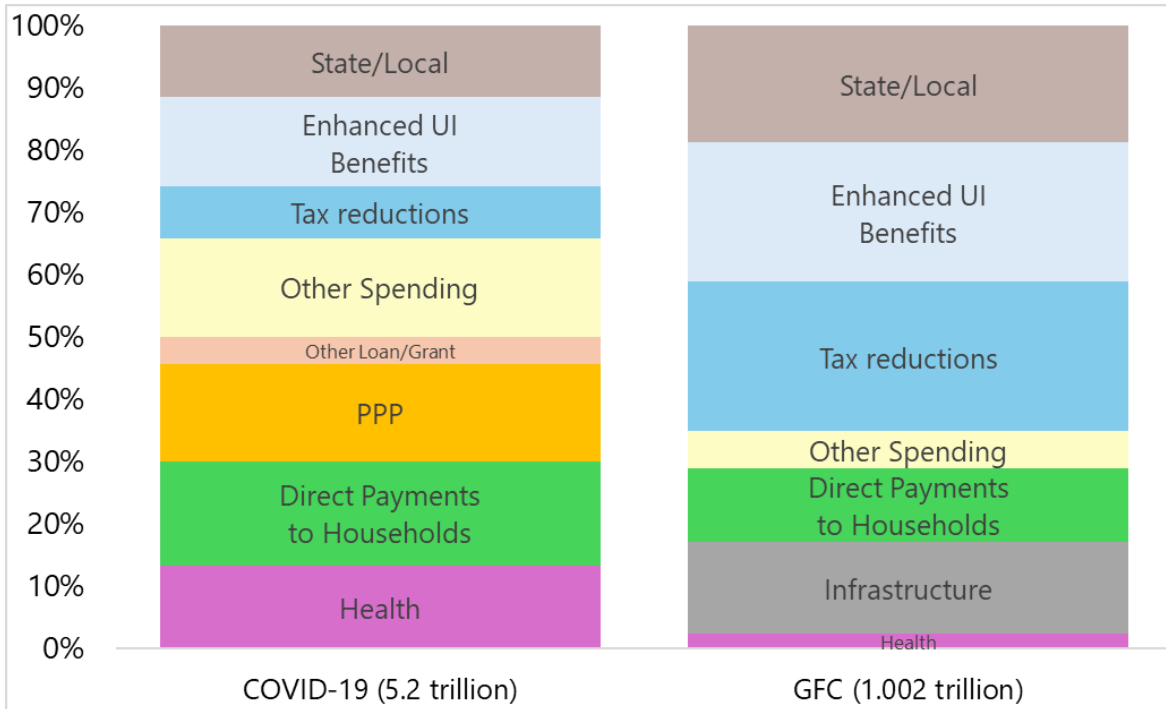
Sources. LHS: Ball (2020), "The lightning-fast quest for COVID vaccines — and what it means for other diseases", *Nature* 589, 18 December 2020. RHS chart: McDonnell et al. (2020), "COVID-19 Vaccine Predictions: Using Mathematical Modelling and Expert Opinions to Estimate Timelines and Probabilities of Success of COVID-19 Vaccine", CDC, Institute for Health Metrics and Evaluation (IHME), Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, and IMF staff calculations.

Notes. Estimated probability forecast for vaccine rollout is based on Monte Carlo simulations model.

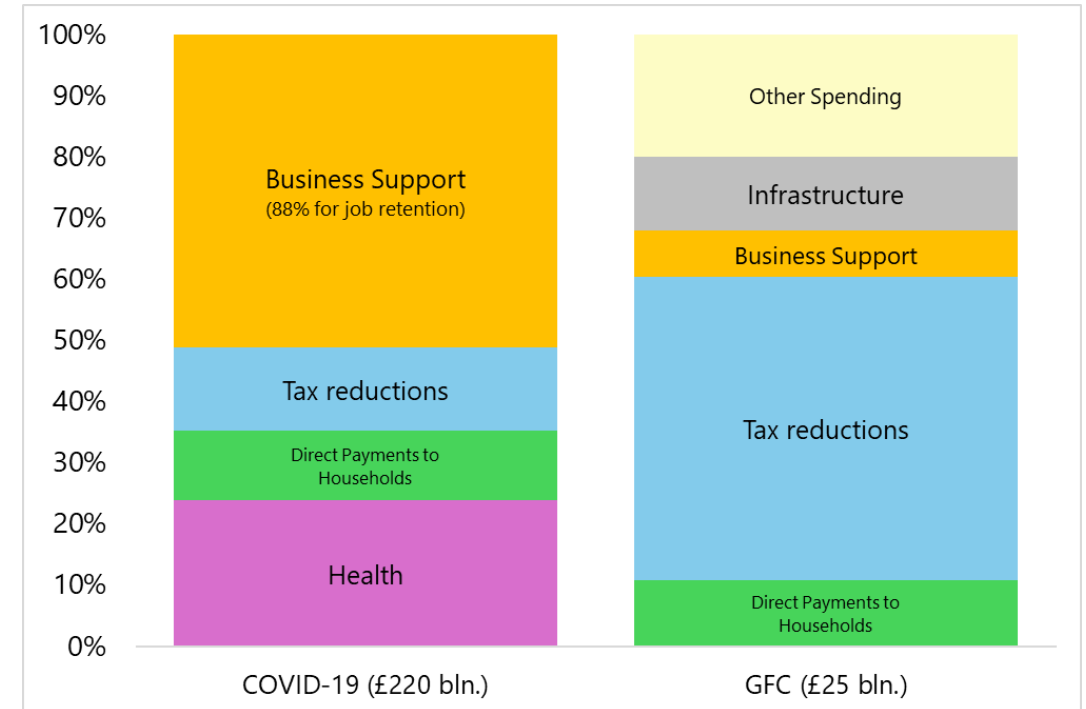
Fiscal Policy during the COVID-19 Pandemic: Support, not Stabilization

Composition of Fiscal Support: Global Financial Crisis and COVID-19 Pandemic *(shares)*

United States



United Kingdom



Sources. For the U.S.: Romer, C. "The Fiscal Policy Response to the Pandemic", *Brookings Papers on Economic Activity*, Spring 2021, Center on Budget and Policy Priorities, Tax Policy Center, Tax Foundation and IMF Staff Calculations. For the U.K.: COVID-19 fiscal spending from HM Treasury (2020) policy costings and Institute for Government (2021), *The Cost of COVID-19* and GFC from HM Treasury, *Pre-Budget Report* (2008) and *Budget* (2009).

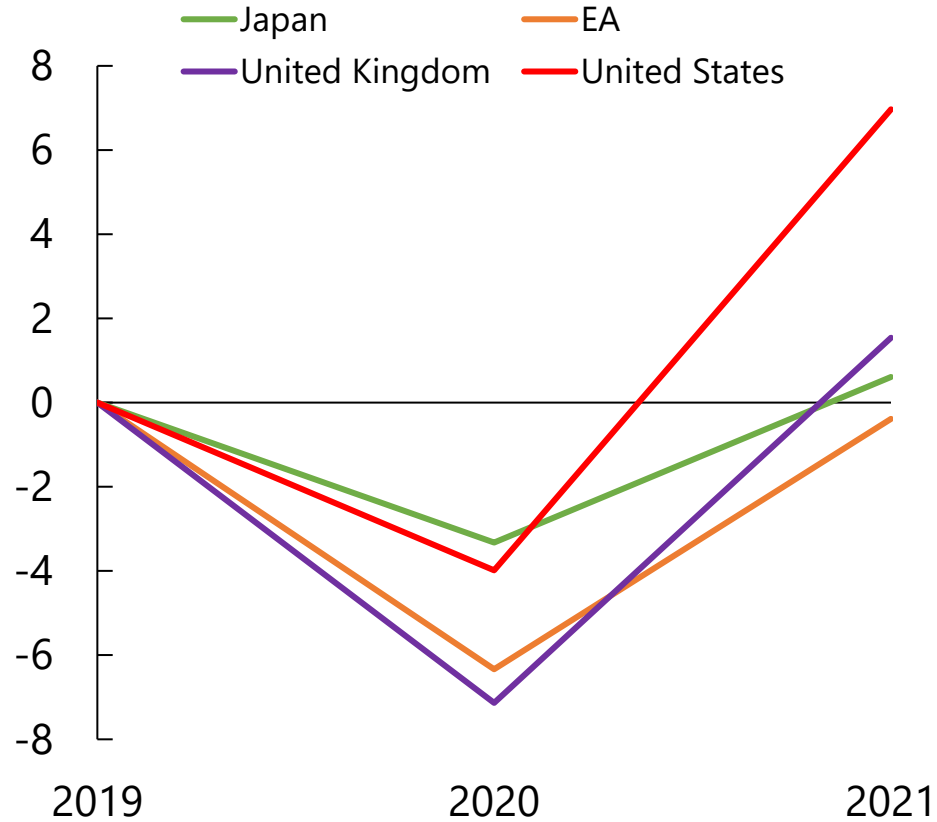
Notes. U.S. COVID-19 fiscal spending includes the CARES Act of 2020, the American Rescue Plan of 2021, the Coronavirus Relief Fund, Coronavirus State and Local Fiscal Recovery Funds, and Medicaid Matching Funds provided in the Families First Act; and GFC comprises the Economic Stimulus Act of 2008 and the American Recovery and Reinvestment Act of 2009, but does not include "Cash for Clunkers", HIRE Act, Worker, Homeownership and Business Act of 2009.

U.K. COVID-19 fiscal spending includes the Coronavirus Job Retention Scheme, Self-Employment Income Support Scheme, Business Support Grants, government-backed loan schemes, Eat Out to Help Out, VAT reduction for hospitality and tourism, Stamp Duty Land Tax holiday, Business Rates Relief, Universal Credit uplift, and additional NHS and public health spending (including "test and trace" and vaccines).

Unprecedented Stress on Public Finance

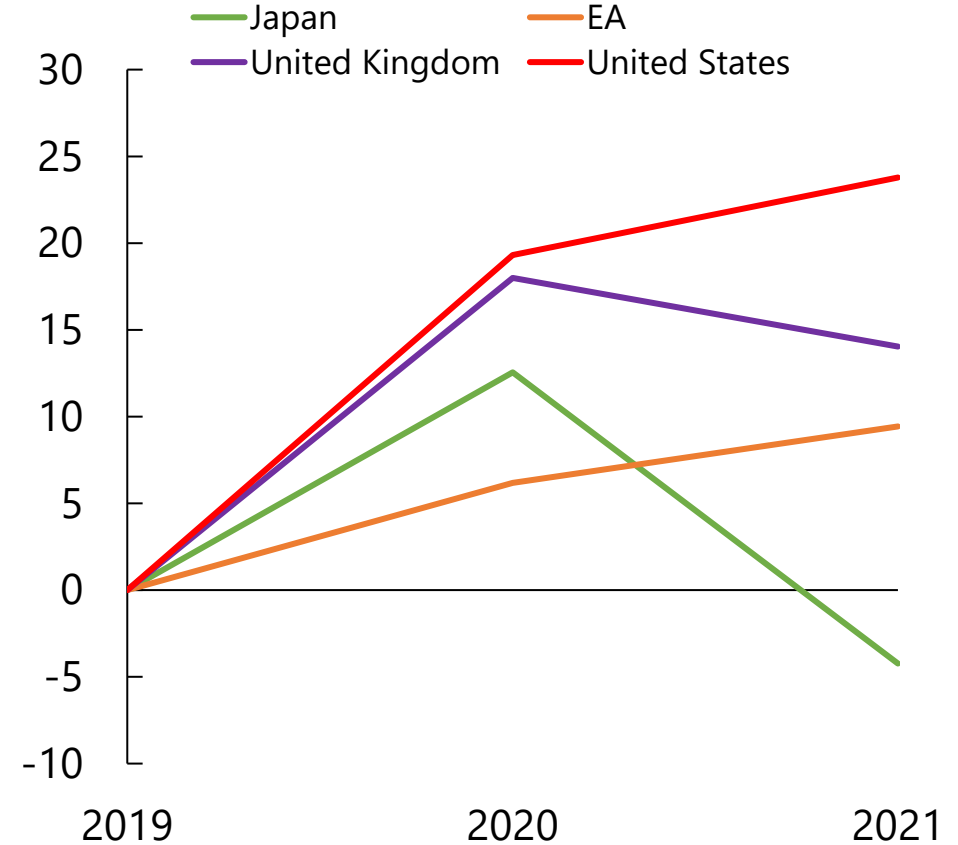
General Government Revenue

(percentage point deviation from Jan. 2020 WEO projection)



General Government Expenditure

(percentage point deviation from Jan. 2020 WEO projection)

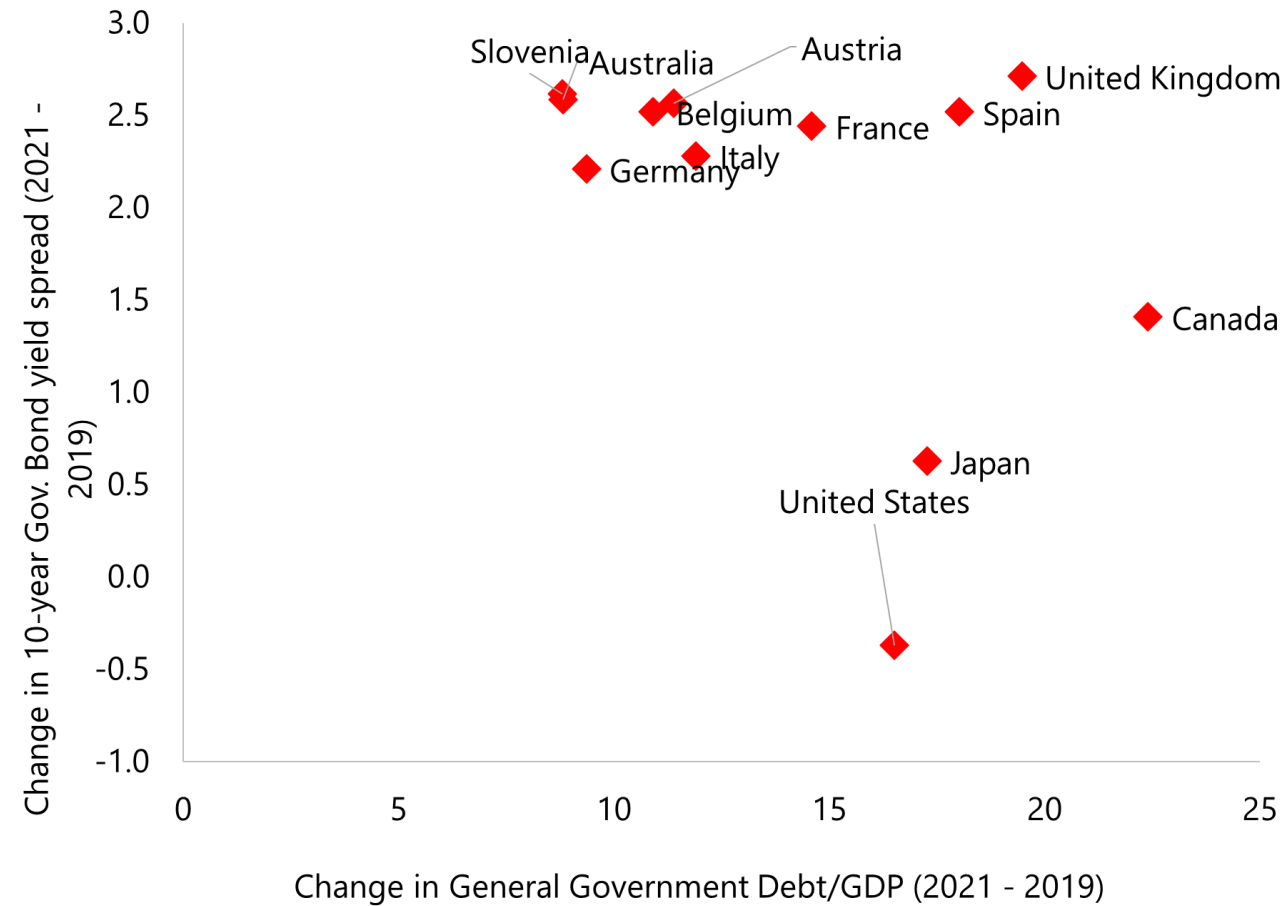


Source. World Economic Outlook databases: January 2020, April 2025.

Notes. The LHS and RHS figures respectively show the percentage point deviation of general government revenues and general government expenditures (from the April 2025 WEO) from its pre-pandemic level (from the January 2020 WEO). The deviation is normalized to zero in 2019.

Favorable Financing Conditions, enabled by the ELB

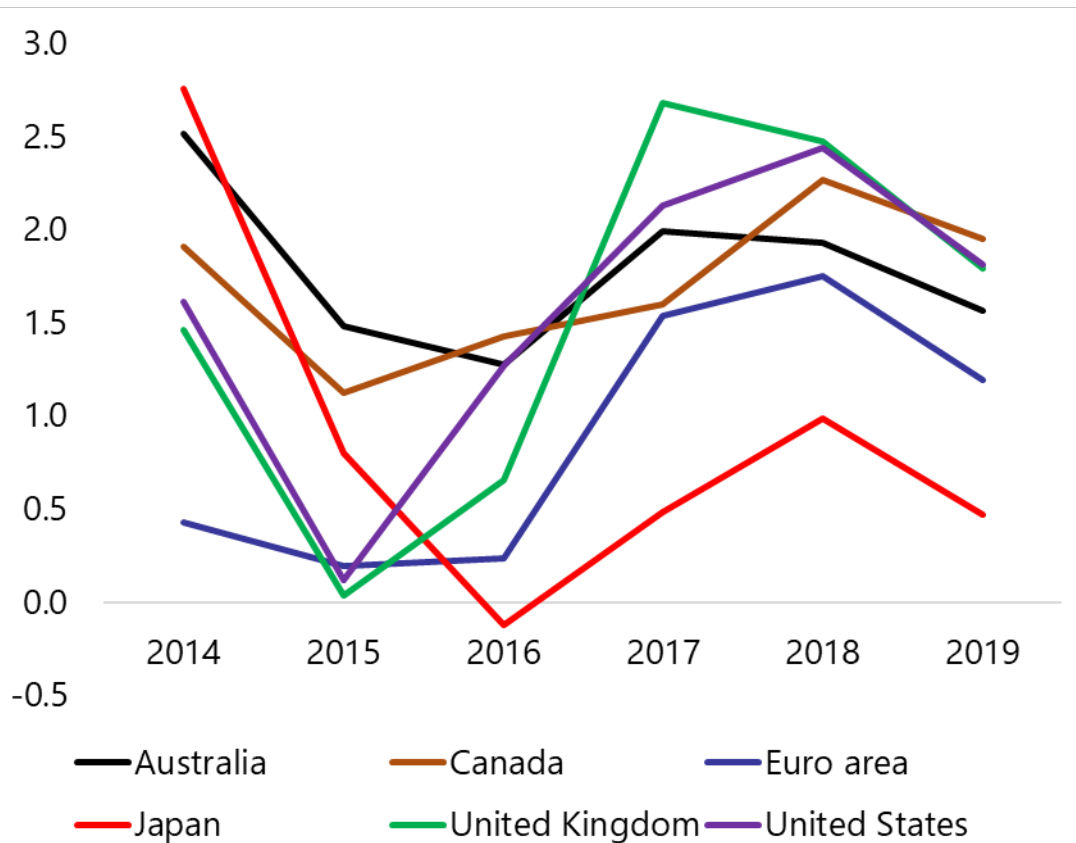
General Government Debt and 10-year Government Bond Yields
(2021 minus 2019; debt/GDP in percent of GDP, yields in percent)



Fortuitous Conditions entering the COVID-19 Pandemic

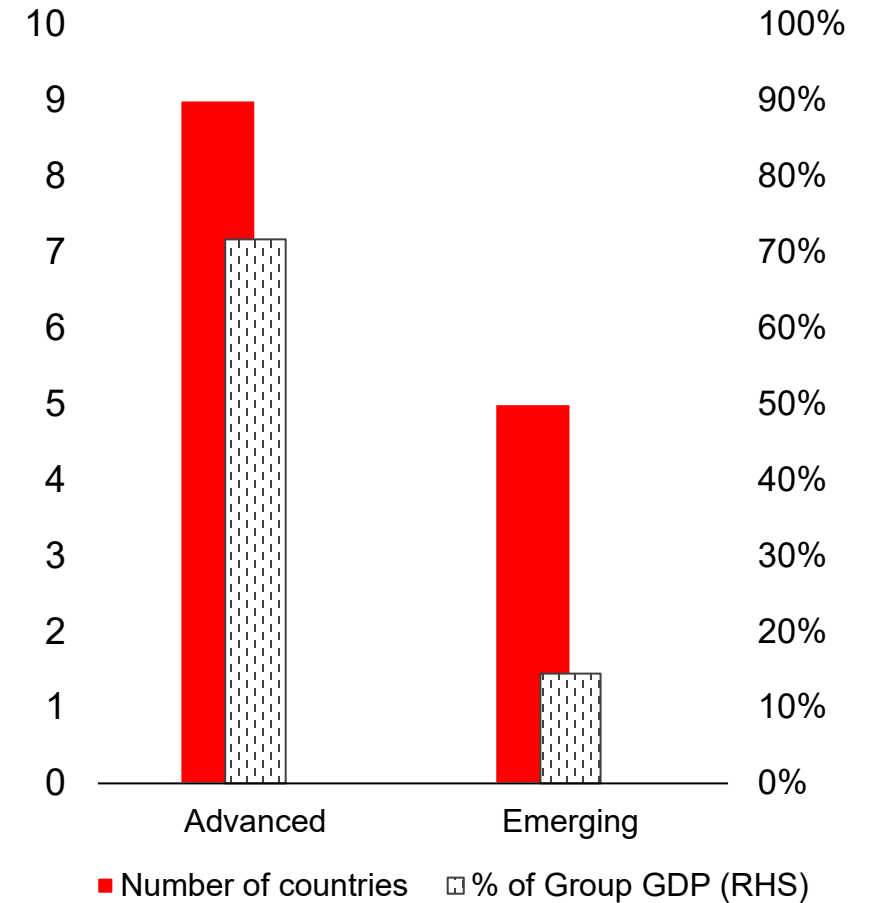
CPI inflation

(2014-2019, y/y, percent)



Policy Rates Under 1%

(December 2019; LHS: number; RHS: percent)



Costs of the Surge in Post-Pandemic Inflation

Inflation difference between the lowest and highest income quintile households (*Euro area; ppt*)

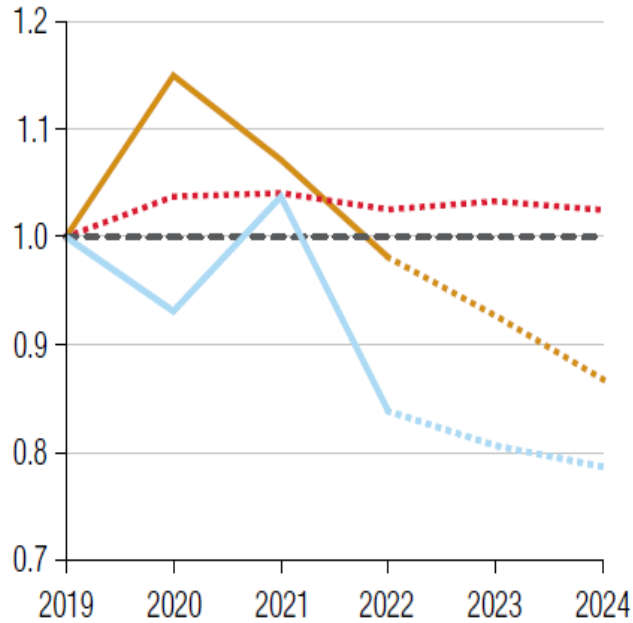


Sources. IMF, WEO; Eurostat Household Budget Survey, ISTAT and ECB calculations.

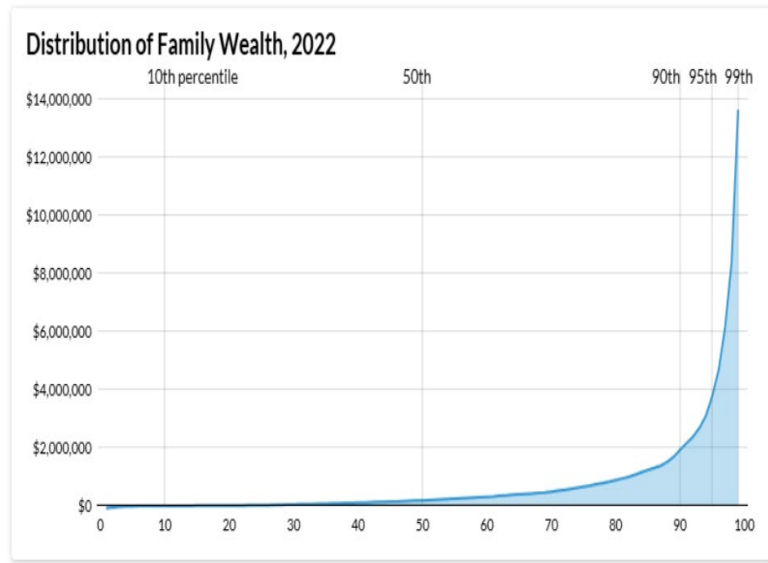
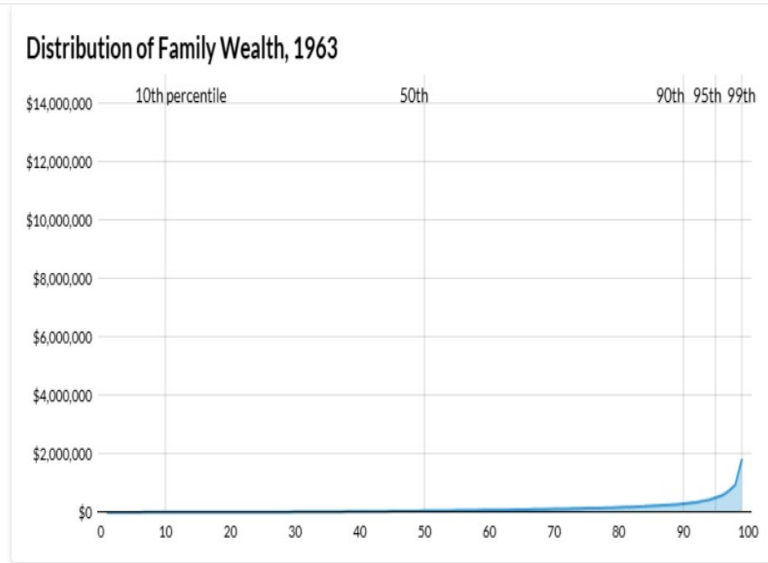
Notes. The figure shows the difference of inflation rates for low-income (first quintile) and high-income households (fifth quintile) calculated based on quintile-specific consumption baskets excluding spending on "rents and owner-occupied housing costs". Weights based on the HBS are updated annually in line with updates to the official HICP weights.

Lasting Legacies of the COVID-19 Pandemic

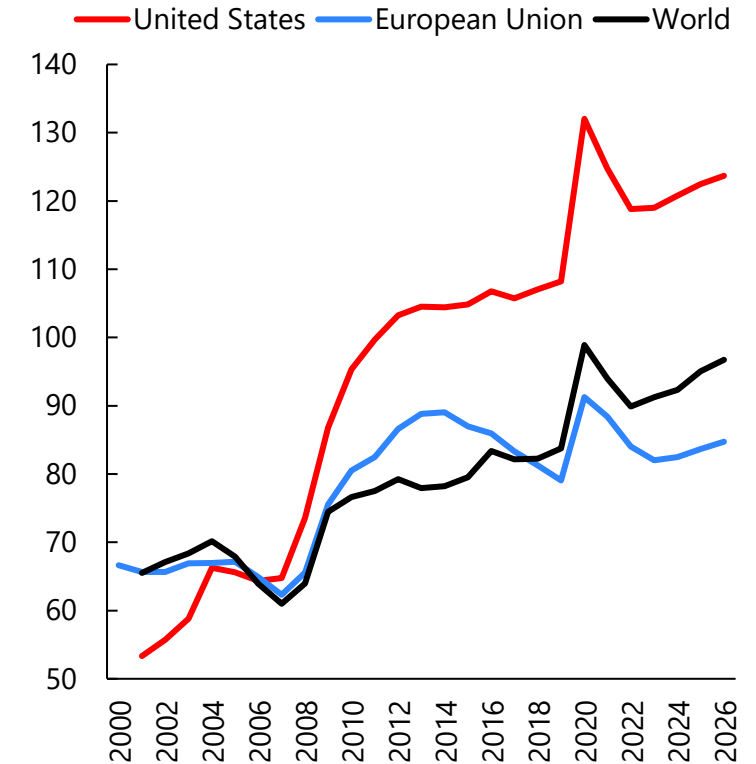
Change in Poverty Rates (2019=1)



US Wealth Inequality (frequency distribution)



General Government Public Debt (percent of GDP)



Sources. World Bank Poverty, Prosperity and Planet Report, Urban Institute, and World Economic Outlook.