

Israel's Economic Outlook: A view from Mathias Cormann, OECD Secretary General

Summary article of the AICC(WA)'s Major Networking Lunch- featuring Mathias Cormann, OECD Secretary-General, hosted at the WA Italian Club on 21 July 2022.

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Mathias Cormann is one of Western Australia's most successful political leaders, whose current tenure as Secretary-General of the OECD has coincided with one of the most volatile periods of modern economic history. Mr Cormann took the time to address the AICC(WA), one of only two public speaking engagements during his brief Perth visit.

The focus of Mr Cormann's address was his February 2022 official visit to Israel, where he presented to the Israeli Government's Cabinet on topics including regulatory reduction and productivity improvement. He described his brief as "assisting to make a strong economy even stronger".

Mr Cormann prefaced his remarks by noting it was a period of rapid change to the global economic outlook. He strongly condemned Russia's invasion of Ukraine and its economic impact on OECD countries. He also noted that although this had adversely impacted Israel, the effect has been less severe on Israel than it has been for other Middle Eastern and European nations.

Mr Cormann demonstrated how the Ukrainian war is slowing global economic recovery, albeit that both Australia and Israel have been forecast with minimal change to GDP.



From L to R : Ms Olena Yukhymets, Marketing Manager, Razor Labs, Ms Diane Horwitz, Executive Administration and Events, Australia-Israel Chamber of Commerce (WA), Mr Jarrod Ross, Director Strategic Accounts, Razor Labs, Mr Dean Pike, Partner, PKF Perth, Mr Mathias Cormann, Secretary General, The Organisation for Economic Co-operation and Development, Mr John Cluer, Chief Executive, Australia-Israel Chamber of Commerce (WA), Mr Stefan Helbo, Chief Operating Officer & Head of Sales, Australia-Israel Chamber of Commerce (WA) and Mr David Lucido, Managing Director, Sentient Hubs

Statistical data is also available from the OECD relating to annual inflation projections for 2022. Mr Cormann described his work in advising countries to cushion the inflationary impact on food prices, and the importance of Reserve Banks to build fiscal buffers by containing escalating debt. There was also insightful comment about reducing energy dependency, noting LNG markets are likely to remain tight for a number of years.



Mr Mathias Cormann, Secretary General, The Organisation for Economic Co-operation and Development

Israel's Economic Position

Citing two decades of sustained economic growth, Mr Cormann noted that Israel had joined the OECD in 2010 and that its growth has been more than double that of European countries. The key economic metrics of his presentation were as follows:

- Israel was a Covid leader for vaccinations, but economically impacted similar to most other economies. Recovery is set to continue but downside risks are elevated.
- Israel's public debt as a percentage of GDP continues to track downwards. GDP per capita is tracking upwards.
- Employment gains have been strong and Israel's labour market is tightening.
- Inflation has recently increased above the Bank of Israel 's target range, but remains well below OECD headline rates. Israel has advanced 3 interest rate rises during 2022.
- The high-tech sector is a source of economic strength, accounting for over half of Israel's total exports. The sector also creates a "two-speed economy" for Israel with associated risks.
- Current product market regulations stifle competition and lead to higher prices. There is also room for improved transport to connect people to jobs.
- Israel's educational infrastructure contains gaps in equality of opportunity and learning productivity.
- Global trade remains strong. Since COVID-19 Israel has strongly increased its imports from China.



Mr David Lucido, Managing Director, Sentient Hubs and Mr Mathias Cormann, Secretary General, The Organisation for Economic Co-operation and Development

Some emphasis was placed by Mr Cormann on the portion of Israel's GDP that is reinvested into Research and Development. When asked what Australia could learn from Israel, Mr Cormann responded that both the proportion of R&D investment, and the ability to commercialise research was a key area of focus.

Mr Cormann was asked about environmental sustainability, and responded that the world needs immediate and ambitious action on climate change. He noted that initiatives should not shift emission production across borders, and called for better global coordination. He foresees a role for economies to collaborate on energy supply, and that evolving technology will allow for a longer-term approach.



Mr Jarrod Ross, Director Strategic Accounts, Razor Labs

The topic of taxation of cryptocurrencies was also raised by Mr Ian Love, the AICC’s resident blockchain expert. Mr Cormann spoke passionately about the age of international taxation in the face of globalization and new technology business models. The OECD has responded with policy to promote fairness of tax distribution and spoke of his experience enroute to Australia at the G20 meeting in Bali where the topic of crypto currency taxation was on the agenda. He was confident a global standard will emerge.



From L to R front row: Mr Dick Lester, Non- Executive Chairman, Lester Group Pty Ltd, Professor Lyn Beazley AO FAA FTSE FACE CIE (Aust), Board Member, AICC(WA) & Sir Walter Murdoch Distinguished Professor of Science and, WA Australian of the Year 2015, Mr David Lucido, Managing Director, Sentient Hubs, Mr Mathias Cormann, Secretary General, The Organisation for Economic Co-operation and Development, Emeritus Professor Tracey Horton AO, Non-Executive Chairman, Navitas – back row: Mr Dean Pike, Partner, PKF Perth and Mr Aiden Blechynden, General Manager, Tri-Med Australia

The final question, asked by AICC(WA) Board Member Professor Lyn Beazley, was about Mr Cormann's intended legacy at the OECD. Mr Cormann modestly described his role as a facilitator to bring the best and brightest together. In closing he described his aspiration to give of his best and make a positive difference to the social and economic wellbeing of the 38 Countries who comprise the OECD.



