



# Global Economic Prospects: *Pandemic and Crisis*

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July 2020



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## Three Points

- 1** **Short-term implications of COVID-19.** *Deepest and most synchronized global recession since WW II. First EMDE recession on record. Risks are tilted to the downside.*
- 2** **Long-term implications of COVID-19.** *Weaker potential output, investment, and productivity over the long term.*
- 3** **Policy priorities.** *Addressing the immediate health crisis; Pursuing reforms to reignite growth; Enhancing debt and investment transparency; Coordinating policies globally.*

<sup>2</sup> \* **EMDEs = Emerging Market and Developing Economies**

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## Growth Forecasts

### *Plunge in Activity; First EMDE Recession*

	GDP growth (Percent)				Change from January 2020	
	2012-18	2019e	2020f	2021f	2020	2021
<b>World</b>	2.8	2.4	-5.2	4.2	-7.7	1.6
<b>Advanced economies</b>	1.9	1.6	-7.0	3.9	-8.4	2.4
<b>EMDEs</b>	4.5	3.5	-2.5	4.6	-6.6	0.3
East Asia and Pacific	6.7	5.9	0.5	6.6	-5.2	1.0
Europe and Central Asia	2.8	2.2	-4.7	3.6	-7.3	0.7
Latin America and the Caribbean	1.5	0.8	-7.2	2.8	-9.0	0.4
Middle East and North Africa	2.7	-0.2	-4.2	2.3	-6.6	-0.4
South Asia	6.7	4.7	-2.7	2.8	-8.2	-3.1
Sub-Saharan Africa	3.3	2.2	-2.8	3.1	-5.8	0.0

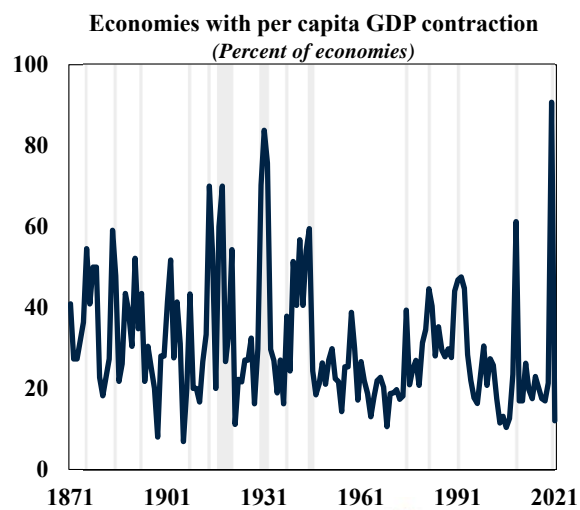
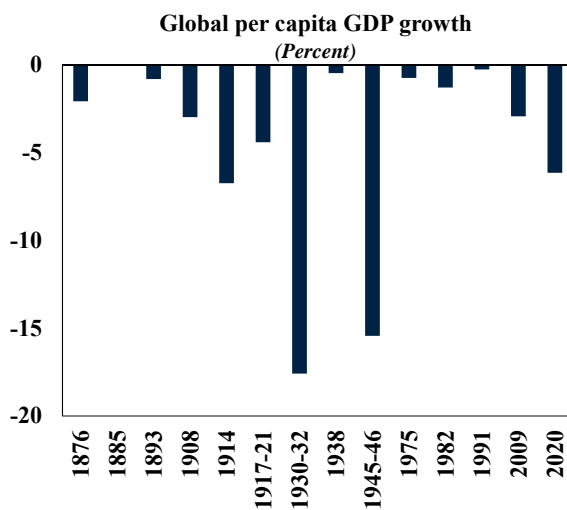
3 Source: World Bank.  
Note: e and f refer to estimates and forecasts, respectively.



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## COVID-19 Global Recession

### *Deepest Since WWII; Most Synchronized on Record*



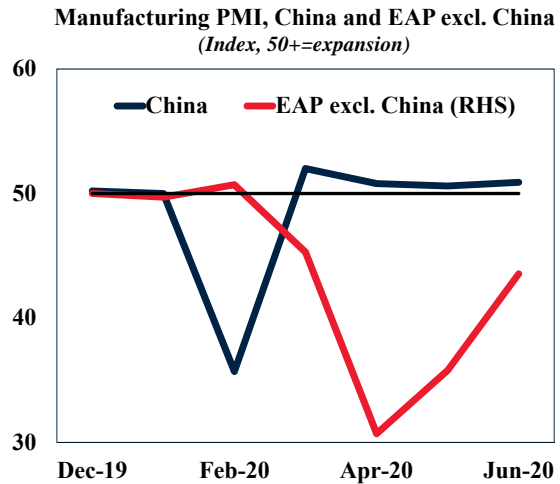
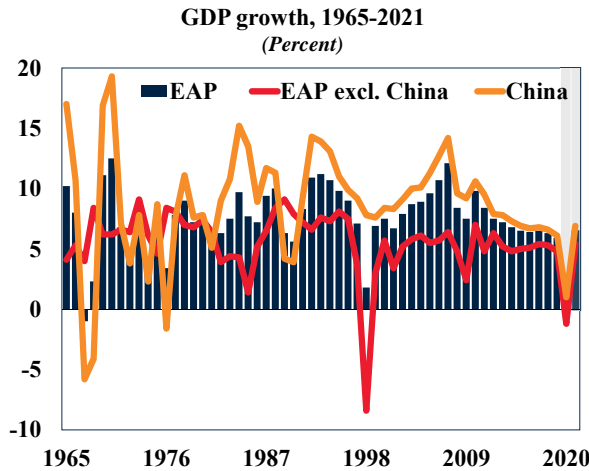
4 Source: Bolt et al. (2018); Kose, Sugawara, and Terrones (2019, 2020); World Bank.  
Note: Data for 2020-21 are forecasts. Left Panel. For multi-year episodes, the cumulative contraction is shown. The per capita growth contraction in 1885 was less than -0.1 percent. Right Panel. Figure shows the proportion of economies in recession, defined as an annual contraction in per capita GDP. Sample includes 183 economies, though the sample size varies significantly by year. Shaded areas refer to global recessions.



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## Growth Prospects in EMDEs in East Asia and Pacific

### *Much Weaker Outcomes in 2020, Improving Activity in 2021*



Source: Haver Analytics; World Bank.

Note: Data in shaded areas are forecasts. Aggregate growth rates are calculated using GDP weights at 2010 prices and market exchange rates. Right Panel. Reading below 50 indicate contraction in economic activity. Horizontal line indicates expansionary threshold. EAP excl. China is a weighted average of Indonesia, Malaysia, Myanmar, Thailand, Philippines, and Vietnam. Last observation is June 2020.

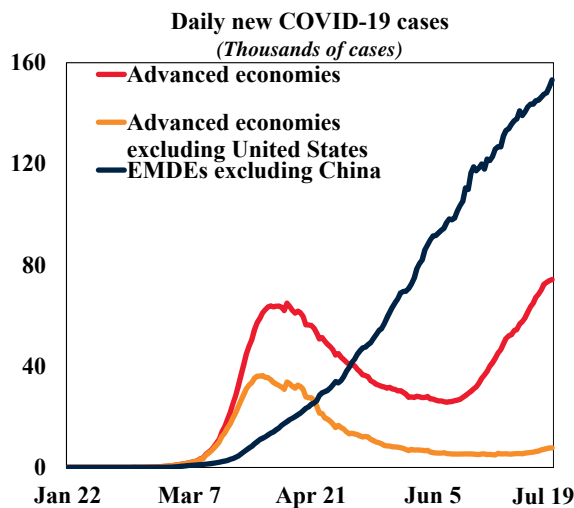


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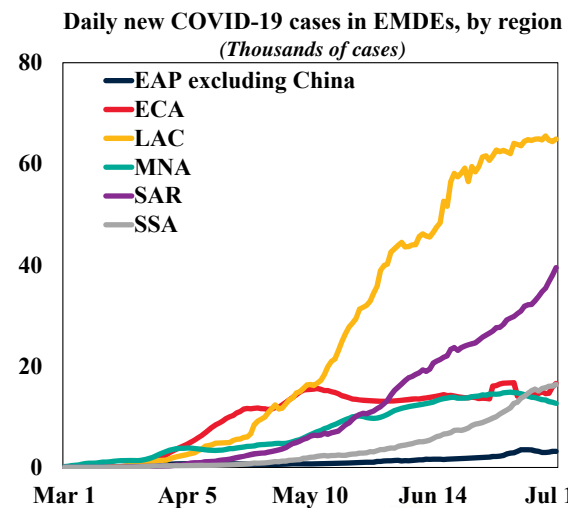
## Spread of COVID-19

### *Rising in EMDEs*



Source: Johns Hopkins University, World Bank.

Note: EAP, ECA, LAC, MNA, SAR, and SSA refer to, respectively, East Asia and Pacific, Europe and Central Asia, Latin America and the Caribbean, Middle East and North Africa, South Asia, and Sub-Saharan Africa. Figure shows 7-day moving average of cases by date of case reporting. Sample includes 50 advanced economies (including two cruise ships) and 170 EMDEs excluding China, consisting of 17 EAP (excluding China), 24 ECA, 51 LAC, 20 MNA, 8 SAR, and 50 SSA. Last observation is July 19, 2020.



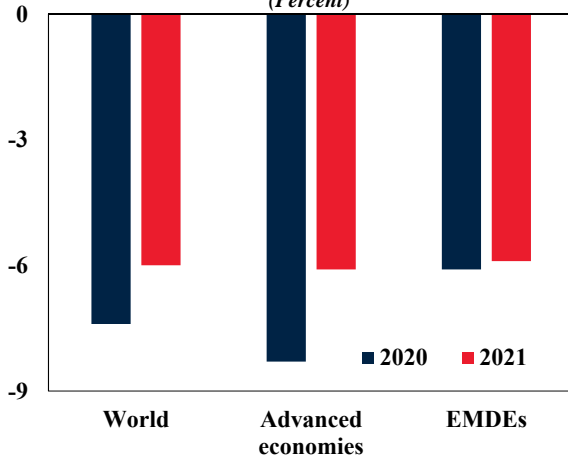
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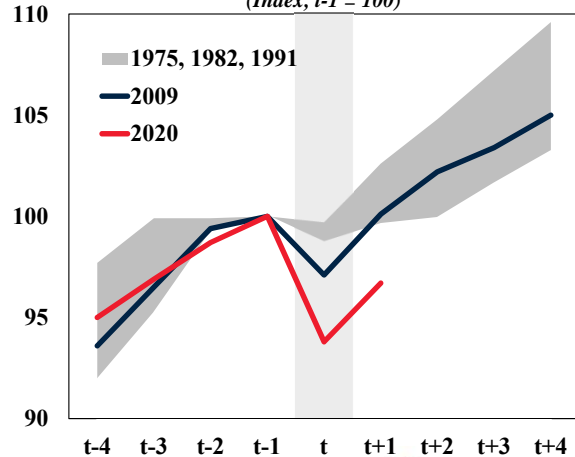
## Global Output

*Large Losses; No Return to Pre-COVID Trend in Sight*

Level of output relative to January 2020 projections  
(Percent)



Per capita GDP during global recessions  
(Index, t-1 = 100)



Source: Kose, Sugawara, and Terrones (2019, 2020); World Bank.

Left Panel. Figure shows the percent difference between the level of output in the January and June 2020 editions of *Global Economic Prospects*. Right Panel. Year "t" denotes the year of global recessions (shaded in light gray). The darker shaded area refers to the range of the three global recessions—1975, 1982, and 1991—with available data. The variable is an index number equal to 100 one year before year "t" (i.e., t-1 = 100).

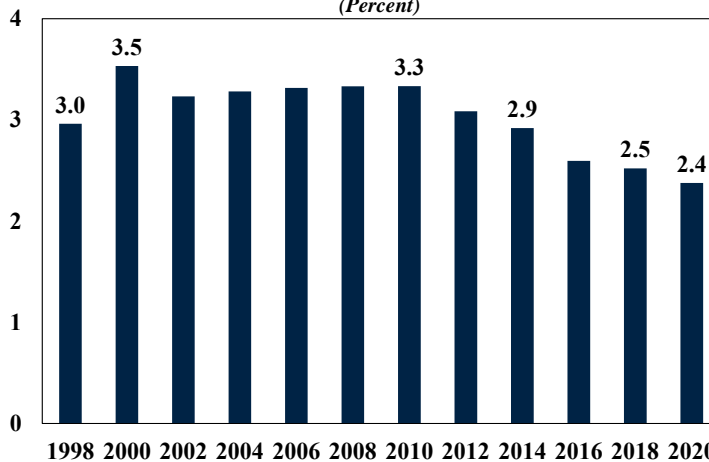


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## Long-Term Global Growth Forecasts

*Prolonged Period of Downgrades*

Ten-year-ahead global growth forecasts  
(Percent)



Source: Consensus Economics, World Bank.

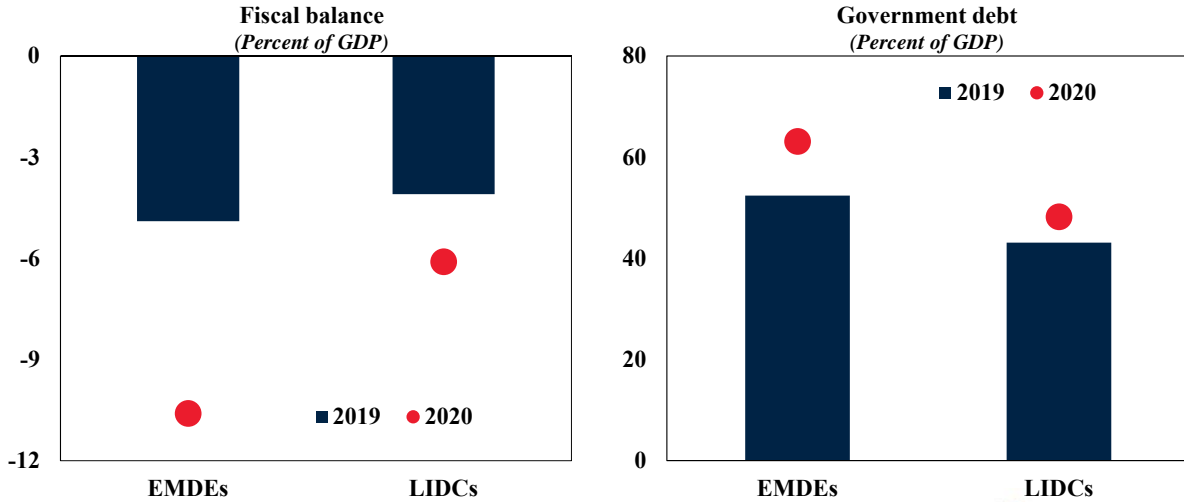
Note: Sample includes 37 countries, consisting of 20 advanced economies and 17 EMDEs, where consensus forecasts and real GDP are consistently available during 1998-2020. Results from the latest available survey in each year are presented. Global growth is computed with real GDP in constant 2010 U.S. dollars as a weight. The horizontal axis refers to the year of consensus forecast surveys.



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## Fiscal Policy in EMDEs

### *Wider Deficits; Higher Government Debt*



9 Source: International Monetary Fund, World Bank.  
 Note: EMDEs do not include low-income developing countries (LIDCs), as defined by the International Monetary Fund.



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## Policy Priorities

### *Focus on the Immediate Challenge but also Start Looking-Forward*

#### Immediate: *Dealing with the health and economic crisis*

- Support healthcare systems
- Aid vulnerable groups and support viable corporates
- Coordinate policies globally to ensure smooth flow of critical goods
- Coordinate policies globally to provide debt relief to poor EMDEs

#### Forward-Looking: *Putting in place policies for sustained long-term growth*

- Improve fiscal and monetary policy frameworks
- Enhance debt and investment transparency
- Design robust financial regulation and bankruptcy procedures
- Undertake reforms to improve flexibility in product and labor markets
- Stimulate investment, improve human capital, support digital technologies, and enhance safety nets
- Strengthen institutions and governance practices
- Coordinate policies globally to address global challenges, including those related to public health and information transparency, global trade and financial system, and climate change

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## Select Publications by Prospects Group

- [Global Economic Prospects](#) – *June 2020*  
(January and June)
- [Commodity Markets Outlook](#) – *April 2020*  
(April and October)
- [Global Monthly](#)
- [A Decade After the Global Recession](#) – *November 2019*
- [Global Waves of Debt](#) – *December 2019*

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Questions & Comments  
*Thank you!*

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