



Global Economic Growth Forecasts: Impact of COVID-19

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Overview

The unprecedented Coronavirus Disease 19 (COVID-19) pandemic and policy responses have compounded the challenges facing forecasters attempting to estimate the pandemic's global economic impact and challenged policymakers to find the appropriate policy response. Some forecasts indicate the pandemic is negatively affecting economic growth beyond anything experienced in decades. Such estimates see global economic growth being trimmed by 3.0% to 6.0% in 2020, with a partial recovery in 2021, assuming the current crisis can be mitigated and there is not a second wave of infections. Global trade could fall by 18%, depending on the depth and extent of the global downturn, exacting an especially heavy economic toll on developed economies and trade-dependent developing and emerging economies. At present the global economic recovery seems to be caught between countries experiencing a nascent but building recovery and those reimposing quarantines and lockdowns in response to resurgence in diagnosed cases.

Uncertainty about the length and depth of the pandemic's economic effects have fueled perceptions of risk and volatility in financial markets and corporate decisionmaking, although intervention by central banks calmed markets in the second quarter. Policymakers and financial and commodity market participants generally have been hopeful of a global economic recovery starting in the third quarter of 2020, assuming no second wave of infections, based on continued and unprecedented central bank support. For some [observers](#), the central bank support has created a disconnect between financial markets and projected economic prospects. Some forecasts raise the prospects that the pandemic could negatively affect global economic growth more extensively than previously estimated. In a growing number of cases, corporations are postponing investment decisions, laying off workers who previously had been furloughed, and, in some cases, filing for bankruptcy. Uncertainties concerning the effectiveness of public policies intended to contain COVID-19's spread are also adding to market volatility.

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Economic Forecasts

As indicated in **Table 1**, the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), and the World Bank all revised their forecasts downward between late 2019 and mid-2020, reflecting the rapidly deteriorating state of the global economy. In most forecasts, advanced economies are projected to experience the steepest declines in economic growth through the second quarter of 2020. Specifically:

- The IMF lowered its global economic growth forecast between October 2019 and June 2020 from a +3.4% to -4.9%;
- The OECD lowered its forecast from +2.9% in November 2019 to a range of -6.0% to -7.6% in June 2020, depending on COVID-19's trajectory;
- The World Bank lowered its forecast of global growth between January 2020 and June 2020 from +2.9% to -5.2%.

On June 10, 2020, the OECD, released an updated [forecast](#) that projects global economic growth will decline by 6.0% to 7.6% in 2020, depending on whether there is a second wave of infections. The OECD's double-wave scenario projects a global economic contraction of 7.6% in 2020 and a growth rate of 2.8% in 2021, delaying a return to full recovery until 2022. These forecasts reflect the OECD's high level of uncertainty about the course of the global economy over the remainder of 2020 and its conclusion that the pandemic is "a global public health crisis without precedent in living memory." The OECD also concluded the pandemic is fragmenting the global economy through a growing number of trade and investment restrictions and diverging national policy approaches.

Labeling the projected decline in global economic activity as the "Great Lockdown," the IMF released an updated [forecast](#) on June 24, 2020, that concluded the global economy would experience its "worst recession since the Great Depression, surpassing that seen during the global financial crisis a decade ago." (The IMF database indicates that global GDP fell by 0.075% in 2009 during the height of the global financial crisis.) The IMF estimated global economic output could decline by 4.9% in 2020, before growing by 5.4% in 2021; global trade is projected to fall in 2020 by 11.9% and oil prices are projected to fall by 41%.

The June 8 World Bank [forecast](#) estimated that 90% of the world's economies would experience a recession in 2020, a percentage that is greater than that experienced during the Great Depression. The World Bank's baseline estimate indicates that global economic growth could decline by 5.2% in 2020 and only partially recover in 2021, with a 4.2% rate of growth, assuming that the global economy can begin recovering in the second half of 2020. Similar to the OECD and the IMF forecasts, the World Bank argues that the economic impact of the global recession will affect developing and emerging economies that rely on global trade, tourism, or remittances from abroad, as well as those that depend on commodity exports.

According to a June 23 [forecast update](#), the World Trade Organization (WTO) estimated that global trade volumes could fall by 18.5% in 2020 and then recover in 2021. This forecast reflects revisions from the WTO's April 8, 2020 forecast that global trade volumes could decline between 13% and 32% in 2020, as a result of the economic impact of COVID-19.

Among major economies, the European Commission forecast in July that the pandemic is one of several concurrent challenges, including a severe drought that will reduce EU GDP in 2020, with a less vibrant recovery forecast for 2021. Second quarter [data](#) indicate that economic growth in the EU contracted by 11.7% from the first quarter and by 14.1% compared with the same quarter in 2019. Data also indicate that employment among the EU countries fell by 2.6%, or 5.5 million jobs. Similarly, Japan [reported](#) on August 17 that its economy contracted by 7.8% in the second quarter of 2020, compared with the

previous quarter, or an annual a rate of decline of 27.8%. India also [reported](#) a second quarter drop in GDP of 23.9%.

Table I. Major Economic Forecasts, Differing Assessments

Percentage changes at annual rates

	World		Advanced economies		Developing economies		United States	
	2020	2021	2020	2021	2020	2021	2020	2021
International Monetary Fund								
October 2019	3.4%	3.6%	1.7%	1.6%	4.6%	4.8%	2.1%	1.7%
April 2020	-3.0	5.8	-6.1	4.5	-1.0	6.6	-5.9	4.7
June 2020	-4.9	5.4	-8.0	4.8	-3.0	5.9	-8.0	4.5
Organization for Economic Cooperation and Development								
Nov 2019	2.9	3.0	1.6	1.7	4.0	4.0	2.0	2.0
March 2020	2.4	3.3	0.8	1.2	NA	NA	1.9	2.1
June 2020 single-wave	-6.0	5.2	-7.5	4.8	-4.6	5.6	-7.3	4.1
June 2020 double-wave	-7.6	2.8	-9.3	2.2	-6.1	3.2	-8.5	1.9
World Bank								
January 2020	2.5	2.6	1.4	1.5	4.1	4.3	1.8	1.7
June 2020	-5.2	4.2	-7.0	3.9	-2.5	4.6	-6.1	4.0

Source: *World Economic Outlook*, various issues, International Monetary Fund; *OECD Economic Outlook*, various issues, Organization for Economic Cooperation and Development; *Global Economic Prospects*, various issues, World Bank.

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