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World Economic Outlook for 2020 and 2021

ABSTRACT

The Covid-19 pandemic has now led to a severe economic crisis worldwide. This article briefly presents the IMF's first growth forecasts for 2020 and 2021, as well as the economic policy measures that should be urgently implemented to support the recovery.

The coronavirus crisis is creating serious consequences for economic activity worldwide. A large number of countries are currently confronted with a complex crisis, which includes a health shock, disruption of the domestic economy, a slump in foreign demand, capital flow reversals, and a collapse in commodity prices. According to the latest IMF World Economic Outlook,¹ global output is estimated to have grown by 2.9% in 2019, but is projected to sharply decline

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¹ *IMF World Economic Outlook Update June 2020*, <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>.

Table 1
Overview of World Economic Outlook Projections (%)

	2018	2019	2020 ^a	2021 ^a
World output	3.6	2.9	-4.9	5.4
<i>Advanced economies</i>	2.2	1.7	-8.0	4.8
US	2.9	2.3	-8.0	4.5
Euro area	1.9	1.3	-10.2	6.0
Germany	1.5	0.6	-7.8	5.4
France	1.7	1.5	-12.5	7.3
Italy	0.8	0.3	-12.8	6.3
Spain	2.4	2.0	-12.8	6.3
Japan	0.3	0.7	-5.8	2.4
UK	1.3	1.4	-10.2	6.3
Canada	2.0	1.7	-8.4	4.9
Other advanced economies	2.6	1.7	-4.8	4.2
<i>Emerging market and developing economies</i>	4.5	3.7	-3.0	5.9
Emerging and developing Asia	6.3	5.5	-0.8	7.4
China	6.7	6.1	1.0	8.2
India	6.1	4.2	-4.5	6.0
ASEAN5 ^b	5.3	4.9	-2.0	6.2
Emerging and developing Europe	3.2	2.1	-5.8	4.3
Russia	2.5	1.3	-6.6	4.1
Latin America and the Caribbean	1.1	0.1	-9.4	3.7
Brazil	1.3	1.1	-9.1	3.6
Mexico	2.1	-0.3	-10.5	3.3
Middle East and Central Asia	1.8	1.0	-4.7	3.3
Saudi Arabia	2.4	0.3	-6.8	3.1
Sub-Saharan Africa	3.3	3.1	-3.2	3.4
Nigeria	1.9	2.2	-5.4	2.6
South Africa	0.8	0.2	-8.0	3.5

Note: ^a Projections. ^b Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries. ^c Indonesia, Malaysia, Philippines, Thailand, and Vietnam.

Source: IMF.

by 4.9% in 2020, much worse than during the 2008–09 financial crisis.² It is highly uncertain, but under the rather cautious assumption that the Covid-19 pandemic will die down in the second half of 2020 and containment measures can be gradually relaxed, the global economy is forecast to grow by 5.4% in 2021, when economic activity can be normalized with political support (Table 1).

Growth in the group of advanced economies is anticipated to be – 8.0% in 2020. Most economies in this group are expected to contract this year, including the United States (– 8.0%), Japan (– 5.8%), the UK (– 10.2%), Germany (– 7.8%), France (– 12.5%), Italy (– 12.8%), and Spain (– 12.8%). Overall, in the group of emerging and developing countries, economies are expected to shrink by 3.0% in 2020: yet without China, the growth rate for the same group appears to reach – 5.8%. Other regions are also expected to experience a sharp slowdown or serious contraction in economic activity: Latin America (– 9.4%), emerging and developing Europe (– 5.8%), the Middle East and Central Asia (– 4.7%), and Sub-Saharan Africa (– 3.2%).³

The IMF argues that effective policies are urgently necessary to prevent the possibility of worse outcomes, and also that the measures required to reduce further infection and protect life should be seen an important investment in long-term human and economic health. As the negative economic impact is acute in many sectors (incl. not only key industries but also SMEs in general, retail, tourism, transportation, etc.) policymakers need to take targeted fiscal, monetary, and financial market measures to support affected households and businesses in their own country. And internationally, close and synchronized multilateral cooperation is essential for better overcoming the impact of the pandemic, including to help financially constrained countries facing “twin” health and financial shocks and to channel aid to countries with weak healthcare systems.

² In 2009 the growth rate of world output amounted to – 0.7% (see <https://www.imf.org/external/pubs/ft/weo/2011/02/weodata/index.aspx>).

³ Following the dramatic decline in oil prices since the beginning of the year, near-term prospects for oil-exporting countries in the Middle East and Central Asia have also deteriorated significantly.