

## EXECUTIVE SUMMARY

The COVID-19 pandemic is inflicting high and rising human costs worldwide. Protecting lives and allowing health care systems to cope have required isolation, lockdowns, and widespread closures to slow the spread of the virus. The health crisis is therefore having a severe impact on economic activity. As a result of the pandemic, the global economy is projected to contract sharply by –3 percent in 2020, much worse than during the 2008–09 financial crisis (Table 1.1). In a baseline scenario, which assumes that the pandemic fades in the second half of 2020 and containment efforts can be gradually unwound, the global economy is projected to grow by 5.8 percent in 2021 as economic activity normalizes, helped by policy support.

There is extreme uncertainty around the global growth forecast. The economic fallout depends on factors that interact in ways that are hard to predict, including the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, the repercussions of the dramatic tightening in global financial market conditions, shifts in spending patterns, behavioral changes (such as people avoiding shopping malls and public transportation), confidence effects, and volatile commodity prices. Many countries face a multi-layered crisis comprising a health shock, domestic economic disruptions, plummeting external demand, capital flow reversals, and a collapse in commodity prices. Risks of a worse outcome predominate.

Effective policies are essential to forestall worse outcomes. Necessary measures to reduce contagion and protect lives will take a short-term toll on economic activity but should also be seen as an important investment in long-term human and economic health. The immediate priority is to contain the fallout from the COVID-19 outbreak, especially by increasing health care expenditures to strengthen the capacity and resources of the health care sector while adopting measures that reduce contagion. Economic policies will also need to cushion the impact of the decline in activity on people, firms, and the financial system; reduce persistent scarring effects from

the unavoidable severe slowdown; and ensure that the economic recovery can begin quickly once the pandemic fades.

Because the economic fallout reflects particularly acute shocks in specific sectors, policymakers will need to implement substantial targeted fiscal, monetary, and financial market measures to support affected households and businesses. Such actions will help maintain economic relationships throughout the shutdown and are essential to enable activity to gradually normalize once the pandemic abates and containment measures are lifted. The fiscal response in affected countries has been swift and sizable in many advanced economies (such as Australia, France, Germany, Italy, Japan, Spain, the United Kingdom, and the United States). Many emerging market and developing economies (such as China, Indonesia, and South Africa) have also begun providing or announcing significant fiscal support to heavily impacted sectors and workers. Fiscal measures will need to be scaled up if the stoppages to economic activity are persistent, or the pickup in activity as restrictions are lifted is too weak. Economies facing financing constraints to combat the pandemic and its effects may require external support. Broad-based fiscal stimulus can preempt a steeper decline in confidence, lift aggregate demand, and avert an even deeper downturn. But it would most likely be more effective once the outbreak fades and people are able to move about freely.

The significant actions of large central banks in recent weeks include monetary stimulus and liquidity facilities to reduce systemic stress. These actions have supported confidence and contribute to limiting the amplification of the shock, thus ensuring that the economy is better placed to recover. The synchronized actions can magnify their impact on individual economies and will also help generate the space for emerging market and developing economies to use monetary policy to respond to domestic cyclical conditions. Supervisors should also encourage banks to renegotiate loans to distressed households and firms

while maintaining a transparent assessment of credit risk.

Strong multilateral cooperation is essential to overcome the effects of the pandemic, including to help financially constrained countries facing twin health and funding shocks, and for channeling aid to countries with weak health care systems. Countries

urgently need to work together to slow the spread of the virus and to develop a vaccine and therapies to counter the disease. Until such medical interventions become available, no country is safe from the pandemic (including a recurrence after the initial wave subsides) as long as transmission occurs elsewhere.

**Table 1.1. Overview of the *World Economic Outlook* Projections**  
(Percent change, unless noted otherwise)

	2019	Projections		Difference from January 2020 WEO Update <sup>1</sup>		Difference from October 2019 WEO <sup>1</sup>	
		2020	2021	2020	2021	2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-3.0</b>	<b>5.8</b>	<b>-6.3</b>	<b>2.4</b>	<b>-6.4</b>	<b>2.2</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-6.1</b>	<b>4.5</b>	<b>-7.7</b>	<b>2.9</b>	<b>-7.8</b>	<b>2.9</b>
United States	2.3	-5.9	4.7	-7.9	3.0	-8.0	3.0
Euro Area	1.2	-7.5	4.7	-8.8	3.3	-8.9	3.3
Germany	0.6	-7.0	5.2	-8.1	3.8	-8.2	3.8
France	1.3	-7.2	4.5	-8.5	3.2	-8.5	3.2
Italy	0.3	-9.1	4.8	-9.6	4.1	-9.6	4.0
Spain	2.0	-8.0	4.3	-9.6	2.7	-9.8	2.6
Japan	0.7	-5.2	3.0	-5.9	2.5	-5.7	2.5
United Kingdom	1.4	-6.5	4.0	-7.9	2.5	-7.9	2.5
Canada	1.6	-6.2	4.2	-8.0	2.4	-8.0	2.4
Other Advanced Economies <sup>2</sup>	1.7	-4.6	4.5	-6.5	2.1	-6.6	2.2
<b>Emerging Market and Developing Economies</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.6</b>	<b>-5.4</b>	<b>2.0</b>	<b>-5.6</b>	<b>1.8</b>
Emerging and Developing Asia	5.5	1.0	8.5	-4.8	2.6	-5.0	2.3
China	6.1	1.2	9.2	-4.8	3.4	-4.6	3.3
India <sup>3</sup>	4.2	1.9	7.4	-3.9	0.9	-5.1	0.0
ASEAN-5 <sup>4</sup>	4.8	-0.6	7.8	-5.4	2.7	-5.5	2.6
Emerging and Developing Europe	2.1	-5.2	4.2	-7.8	1.7	-7.7	1.7
Russia	1.3	-5.5	3.5	-7.4	1.5	-7.4	1.5
Latin America and the Caribbean	0.1	-5.2	3.4	-6.8	1.1	-7.0	1.0
Brazil	1.1	-5.3	2.9	-7.5	0.6	-7.3	0.5
Mexico	-0.1	-6.6	3.0	-7.6	1.4	-7.9	1.1
Middle East and Central Asia	1.2	-2.8	4.0	-5.6	0.8	-5.7	0.8
Saudi Arabia	0.3	-2.3	2.9	-4.2	0.7	-4.5	0.7
Sub-Saharan Africa	3.1	-1.6	4.1	-5.1	0.6	-5.2	0.4
Nigeria	2.2	-3.4	2.4	-5.9	-0.1	-5.9	-0.1
South Africa	0.2	-5.8	4.0	-6.6	3.0	-6.9	2.6
<i>Memorandum</i>							
European Union <sup>5</sup>	1.7	-7.1	4.8	-8.7	3.1	-8.8	3.1
Low-Income Developing Countries	5.1	0.4	5.6	-4.7	0.5	-4.7	0.4
Middle East and North Africa	0.3	-3.3	4.2	-5.9	1.2	-6.0	1.2
World Growth Based on Market Exchange Rates	2.4	-4.2	5.4	-6.9	2.6	-6.9	2.6
<b>World Trade Volume (goods and services)</b>	<b>0.9</b>	<b>-11.0</b>	<b>8.4</b>	<b>-13.9</b>	<b>4.7</b>	<b>-14.2</b>	<b>4.6</b>
Imports							
Advanced Economies	1.5	-11.5	7.5	-13.8	4.3	-14.2	4.2
Emerging Market and Developing Economies	-0.8	-8.2	9.1	-12.5	4.0	-12.5	4.0
Exports							
Advanced Economies	1.2	-12.8	7.4	-14.9	4.4	-15.3	4.3
Emerging Market and Developing Economies	0.8	-9.6	11.0	-13.7	6.8	-13.7	6.6
<b>Commodity Prices (US dollars)</b>							
Oil <sup>6</sup>	-10.2	-42.0	6.3	-37.7	11.0	-35.8	10.9
Nonfuel (average based on world commodity import weights)	0.8	-1.1	-0.6	-2.8	-1.2	-2.8	-1.9
<b>Consumer Prices</b>							
Advanced Economies	1.4	0.5	1.5	-1.2	-0.4	-1.3	-0.3
Emerging Market and Developing Economies <sup>7</sup>	5.0	4.6	4.5	0.0	0.0	-0.2	0.0
<b>London Interbank Offered Rate (percent)</b>							
On US Dollar Deposits (six month)	2.3	0.7	0.6	-1.2	-1.3	-1.3	-1.5
On Euro Deposits (three month)	-0.4	-0.4	-0.4	0.0	0.0	0.2	0.2
On Japanese Yen Deposits (six month)	0.0	-0.1	-0.1	0.0	-0.1	0.0	0.1

Source: IMF staff.

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during February 17–March 16, 2020. Economies are listed on the basis of economic size. The aggregated quarterly data are seasonally adjusted. WEO = *World Economic Outlook*.

<sup>1</sup>Difference based on rounded figures for the current, January 2020 WEO Update, and October 2019 WEO forecasts.

<sup>2</sup>Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

<sup>3</sup>For India, data and forecasts are presented on a fiscal year basis, and GDP from 2011 onward is based on GDP at market prices with fiscal year 2011/12 as a base year.

**Table 1.1 (continued)**  
(Percent change, unless noted otherwise)

	Year over Year				Q4 over Q4 <sup>8</sup>			
	2018	2019	Projections		2018	2019	Projections	
			2020	2021			2020	2021
<b>World Output</b>	<b>3.6</b>	<b>2.9</b>	<b>-3.0</b>	<b>5.8</b>	<b>3.3</b>	<b>2.7</b>	<b>-1.4</b>	<b>4.9</b>
<b>Advanced Economies</b>	<b>2.2</b>	<b>1.7</b>	<b>-6.1</b>	<b>4.5</b>	<b>1.8</b>	<b>1.5</b>	<b>-5.2</b>	<b>4.4</b>
United States	2.9	2.3	-5.9	4.7	2.5	2.3	-5.4	4.9
Euro Area	1.9	1.2	-7.5	4.7	1.2	1.0	-5.9	3.6
Germany	1.5	0.6	-7.0	5.2	0.6	0.5	-5.2	3.6
France	1.7	1.3	-7.2	4.5	1.2	0.9	-5.0	2.7
Italy	0.8	0.3	-9.1	4.8	0.0	0.1	-7.2	3.9
Spain	2.4	2.0	-8.0	4.3	2.1	1.8	-7.0	3.7
Japan	0.3	0.7	-5.2	3.0	-0.2	-0.7	-3.2	3.4
United Kingdom	1.3	1.4	-6.5	4.0	1.4	1.1	-5.3	3.8
Canada	2.0	1.6	-6.2	4.2	1.8	1.5	-5.4	4.0
Other Advanced Economies <sup>2</sup>	2.6	1.7	-4.6	4.5	2.3	2.0	-4.6	5.5
<b>Emerging Market and Developing Economies</b>	<b>4.5</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.6</b>	<b>4.5</b>	<b>3.7</b>	<b>1.6</b>	<b>5.2</b>
Emerging and Developing Asia	6.3	5.5	1.0	8.5	6.1	4.7	4.8	5.0
China	6.7	6.1	1.2	9.2	6.6	6.0	4.9	5.1
India <sup>3</sup>	6.1	4.2	1.9	7.4	5.8	2.0	7.4	4.0
ASEAN-5 <sup>4</sup>	5.3	4.8	-0.6	7.8	5.1	4.5	1.1	6.0
Emerging and Developing Europe	3.2	2.1	-5.2	4.2	...	...	...	...
Russia	2.5	1.3	-5.5	3.5	2.9	2.3	-6.5	5.4
Latin America and the Caribbean	1.1	0.1	-5.2	3.4	0.2	-0.1	-5.6	4.8
Brazil	1.3	1.1	-5.3	2.9	1.3	1.7	-5.8	3.6
Mexico	2.1	-0.1	-6.6	3.0	1.5	-0.4	-7.4	5.7
Middle East and Central Asia	1.8	1.2	-2.8	4.0	...	...	...	...
Saudi Arabia	2.4	0.3	-2.3	2.9	4.3	-0.3	-0.5	1.3
Sub-Saharan Africa	3.3	3.1	-1.6	4.1	...	...	...	...
Nigeria	1.9	2.2	-3.4	2.4	...	...	...	...
South Africa	0.8	0.2	-5.8	4.0	0.2	-0.6	-7.2	9.6
<i>Memorandum</i>								
European Union <sup>5</sup>	2.3	1.7	-7.1	4.8	1.7	1.4	-5.9	4.2
Low-Income Developing Countries	5.1	5.1	0.4	5.6	...	...	...	...
Middle East and North Africa	1.0	0.3	-3.3	4.2	...	...	...	...
World Growth Based on Market Exchange Rates	3.1	2.4	-4.2	5.4	2.7	2.3	-2.9	4.7
<b>World Trade Volume (goods and services)</b>	<b>3.8</b>	<b>0.9</b>	<b>-11.0</b>	<b>8.4</b>	...	...	...	...
Imports								
Advanced Economies	3.3	1.5	-11.5	7.5	...	...	...	...
Emerging Market and Developing Economies	5.1	-0.8	-8.2	9.1	...	...	...	...
Exports								
Advanced Economies	3.3	1.2	-12.8	7.4	...	...	...	...
Emerging Market and Developing Economies	4.1	0.8	-9.6	11.0	...	...	...	...
<b>Commodity Prices (US dollars)</b>								
Oil <sup>6</sup>	29.4	-10.2	-42.0	6.3	9.5	-6.1	-42.2	12.4
Nonfuel (average based on world commodity import weights)	1.3	0.8	-1.1	-0.6	-2.3	4.9	-3.1	0.9
<b>Consumer Prices</b>								
Advanced Economies	2.0	1.4	0.5	1.5	1.9	1.4	0.3	1.8
Emerging Market and Developing Economies <sup>7</sup>	4.8	5.0	4.6	4.5	4.2	4.9	3.1	4.0
<b>London Interbank Offered Rate (percent)</b>								
On US Dollar Deposits (six month)	2.5	2.3	0.7	0.6	...	...	...	...
On Euro Deposits (three month)	-0.3	-0.4	-0.4	-0.4	...	...	...	...
On Japanese Yen Deposits (six month)	0.0	0.0	-0.1	-0.1	...	...	...	...

<sup>4</sup>Indonesia, Malaysia, Philippines, Thailand, Vietnam.

<sup>5</sup>Beginning with the April 2020 WEO, the United Kingdom is excluded from the European Union group. Difference based on European Union excluding the United Kingdom.

<sup>6</sup>Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$61.39 in 2019; the assumed price, based on futures markets, is \$35.61 in 2020 and \$37.87 in 2021.

<sup>7</sup>Excludes Venezuela. See country-specific note for Venezuela in the "Country Notes" section of the Statistical Appendix.

<sup>8</sup>For World Output, the quarterly estimates and projections account for approximately 90 percent of annual world output at purchasing-power-parity weights. For Emerging Market and Developing Economies, the quarterly estimates and projections account for approximately 80 percent of annual emerging market and developing economies' output at purchasing-power-parity weights.