



# COVID-19 Global Economic Impact

July 2, 2020

TFG Economics

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# Introduction

At The Freedonia Group, we are actively monitoring company and industry reports on how the COVID-19 outbreak is affecting demand, investment, and industry consolidation.

We released our first set of 2020 world economic forecasts on **February 6, 2020**. Since then, the unfolding scope of the crisis has, needless to say, required frequent reassessment of the marketplace. The table below summarizes the evolution of our forecasts over the last five months.

Real GDP Forecasts: % Change for 2019-2020 as of:						
	February 6, 2020	March 19, 2020	March 27, 2020	April 17, 2020	May 8, 2020	July 2, 2020
<b>World</b>	<b>3.1 %</b>	<b>1.4 %</b>	<b>0.0 %</b>	<b>-2.7 %</b>	<b>-3.3 %</b>	<b>-4.9 %</b>
North America	1.8 %	-0.2 %	-1.2 %	-4.8 %	-4.9 %	-7.1 %
United States	1.9 %	-0.2 %	-1.0 %	-4.8 %	-4.8 %	-7.0 %
Central & South America	1.8 %	0.8 %	-0.5 %	-3.5 %	-4.3 %	-7.7 %
Brazil	2.2 %	1.0 %	-0.7 %	-3.2 %	-3.5 %	-7.1 %
Western Europe	1.2 %	-0.4 %	-2.6 %	-5.9 %	-6.7 %	-9.0 %
Eastern Europe	2.4 %	1.2 %	0.1 %	-4.2 %	-4.5 %	-6.6 %
Sub-Saharan Africa	3.2 %	2.0 %	0.1 %	-2.7 %	-3.3 %	-3.6 %
Mideast & North Africa	2.6 %	0.8 %	-0.4 %	-2.7 %	-4.0 %	-6.2 %
Asia/Pacific	4.7 %	2.8 %	1.6 %	-0.5 %	-1.1 %	-1.9 %
China	5.5 %	2.6 %	2.4 %	0.3 %	0.3 %	0.2 %
India	6.3 %	4.7 %	2.8 %	0.4 %	-1.4 %	-3.2 %

The following slide deck presents our most recent revised world economic forecasts as of **July 2, 2020**.

# Global GDP Forecast Comparison

## Global GDP (% real annual growth)

	Revised Forecasts July 2, 2020						Forecasts February 6, 2020					
	% annual growth rates					CAGR	% annual growth rates					CAGR
	2020	2021	2022	2023	2024	19-24	2020	2021	2022	2023	2024	19-24
<b>WORLD</b>	<b>-4.9</b>	<b>5.0</b>	<b>3.8</b>	<b>3.5</b>	<b>3.3</b>	<b>2.1</b>	<b>3.1</b>	<b>3.5</b>	<b>3.5</b>	<b>3.4</b>	<b>3.4</b>	<b>3.4</b>
North America	-7.1	3.8	2.6	2.2	2.2	0.6	1.8	1.8	1.9	1.9	2.0	1.9
United States	-7.0	3.8	2.6	2.2	2.3	0.7	1.9	1.8	1.9	1.8	2.0	1.9
Central & South America	-7.7	3.7	3.1	2.9	2.6	0.9	1.8	2.4	2.6	2.6	2.6	2.4
Brazil	-7.1	3.2	3.0	2.7	2.5	0.8	2.2	2.2	2.4	2.3	2.3	2.3
Western Europe	-9.0	5.6	2.3	1.8	1.4	0.3	1.2	1.4	1.4	1.4	1.3	1.3
Eastern Europe	-6.6	3.7	2.5	2.4	2.1	0.8	2.4	2.3	2.2	2.2	2.0	2.2
Sub-Saharan Africa	-3.6	3.4	3.9	3.7	3.6	2.2	3.2	3.6	3.8	3.9	4.0	3.7
Mideast & North Africa	-6.2	3.4	3.6	3.4	3.2	1.4	2.6	2.9	3.1	3.2	3.1	3.0
Asia/Pacific	-1.9	6.1	5.1	4.8	4.6	3.7	4.7	5.2	5.1	4.8	4.7	4.9
China	0.2	7.1	5.6	5.3	5.0	4.6	5.5	6.0	5.7	5.2	5.0	5.5
India	-3.2	7.2	6.1	6.0	6.1	4.4	6.3	6.7	6.9	6.6	6.4	6.6

# Summary

The coronavirus pandemic is on pace to trigger a global economic recession in 2020. Global GDP has been revised from 3.1% growth to a 4.9% contraction:

- The decline in global real GDP will be much steeper than during the 2009 financial crisis. No region is expected to enjoy economic growth in 2020.
- Although economic activity is anticipated to rebound in 2021 and will grow more quickly than previously anticipated, global real GDP will not surpass the 2019 level until 2022 and most of the output lost in 2020 from the effects of the pandemic will not be recaptured in future years.
- Small and medium enterprises – as well as manufacturing, transport, hospitality, tourism, energy, and auto sectors – are all expected to be particularly hard hit.
- In the longer term, changes in behavior and reworked processes aimed at reducing transmission of infections will lower productivity and result in a slight reduction of potential GDP growth.

The length and depth of the economic downturn triggered by the pandemic is very uncertain and depends on a number of factors:

- how long social distancing restrictions are imposed
- possible acceleration of transmission once stay-at-home restrictions are relaxed
- development and deployment of reliable testing for antibodies to the coronavirus
- ability of affected businesses to remain solvent while revenues are negligible

# Recent Developments

- By the end of June, global COVID-19 cases had surpassed 10 million, with more than 500,000 deaths. While rates of new infections in Western Europe have been muted, other regions appear to have accelerating disease spread.
- Daily incidence in the US roughly doubled during the last three weeks in June to more than 40,000, exceeding all other countries.
- Brazil has the second largest number of new COVID-19 cases per day with more than 33,000. Other countries in the Western Hemisphere – including Chile, Colombia, Mexico, and Peru – have also been reporting high levels of daily incidence.
- A number of countries in Southwestern Asia – Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia – are among those with the highest incidence per capita.