

Quick View: The IMF World Economic Outlook

April 14, 2020

The IMF's spring *World Economic Outlook* added to the drumbeat of sour economic news. In a preview, Managing Director Kristalina Georgieva said, "We anticipate the worst economic fallout since the Great Depression." Meanwhile, talk in Europe and the US continues about ways to gradually reopen for business in the coming weeks. Should this occur, the IMF's assumption of the economic damage being concentrated in 1H20 would hold.

2020: "High and rising human costs worldwide"

The IMF's World Economic Outlook came out today wth a grim assessment: Global economic activity in 2020 is forecast to contract by 3.0%—by far the worst performance since the 1930s. (Output in the depths of Global Financial Crisis declined by 0.1% in 2009.)

- The contraction in advanced economies is expected to be particularly sharp in Italy, Spain, and across the Euro Area (see chart next page). The worst-hit advanced economy will be Greece (-10.0%). Australia will experience its first recession in three decades (-6.7%).
- The only major economies expected to grow in 2020 are emerging markets: Vietnam (2.7%), Egypt (2.0%), India (1.9%), China (1.2%), Philippines (0.6%), and Indonesia (0.5%).
- The IMF notes that 9 of 10 member countries in 2020 will experience drops in income on a per capita basis (a crude measure of social impact), with some of the hardest-hit economies being EU, Mexico, South Africa, and Canada.

2021: "Economic activity normalizes"

The IMF assumes that pandemic containment efforts can be gradually unwound in 2H20 enabling the global economy to grow 5.8% in 2021—with appropriate policy support. While the bounce back is expected to be vigorous, the IMF does not expect the global economy to recover to 2019 levels of activity until 2022. It adds that the economic scars of insolvency and unemployment are lasting.

Caveat: "Severe Risks of a Worse Outcome"

The IMF Outlook is roughly in line with other recent global macro forecasts by Wells Fargo (-2.7%) and Oxford Economics (-2.8%) but not as pessimistic as some other forecasts.

The IMF notes that many factors are hard to predict, creating additional risks to its outlook on the downside. These uncertainties include

- the course of the pandemic
- the intensity and efficacy of containment efforts, supply chain disruptions
- financial market conditions
- shifts in spending patterns
- confidence effects
- commodity prices. ►

Policy priorities: “Limiting the impact of the health shock”

The health shock has created a social and economic shocks which threaten to turn into financial shocks in a number of countries, especially emerging markets. To mitigate this, the IMF recommends a number of common-sense policies, including:

- boosting resources dedicated to health systems
- shielding people and firms affected by the lockdowns (including those in the informal sector or not covered by pre-existing government programs);
- providing liquidity and credit guarantees and facilitating loan restructuring;
- expanding digital channels for disbursing resources quickly. ■

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF, *World Economic Outlook*, April 2020