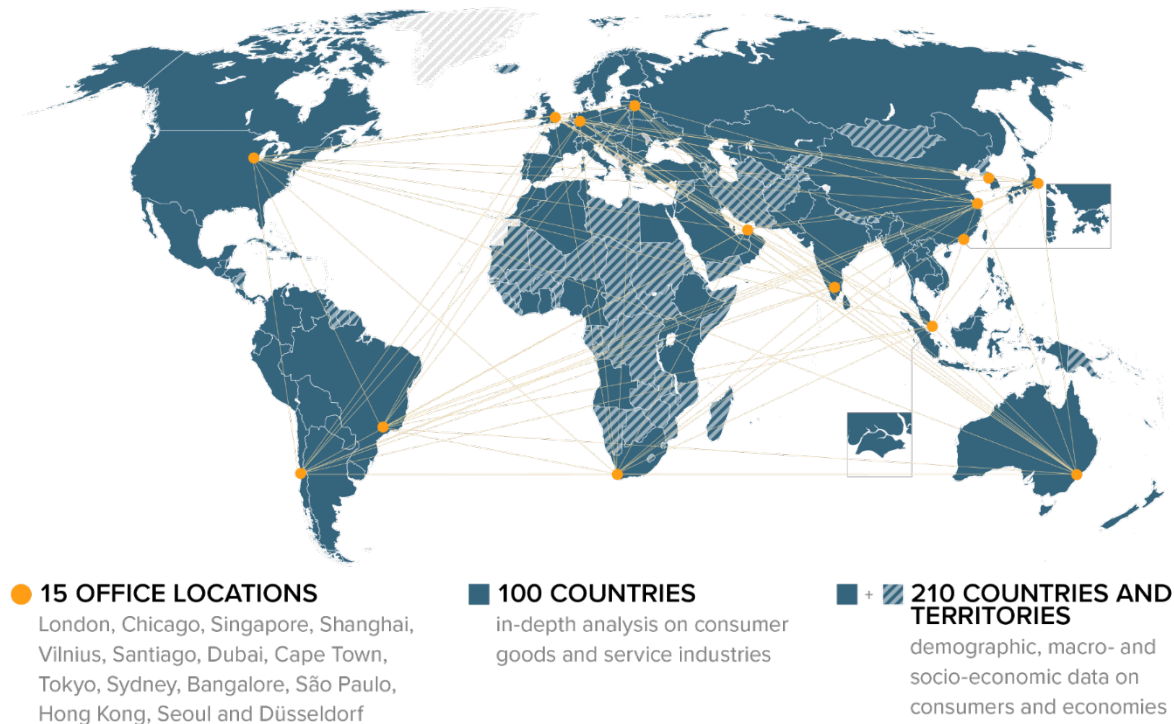


The Implications of COVID-19 for the Global Economy

Daniel Solomon and Giedrius Stalenis

Economies and Consumers

Euromonitor International network and coverage



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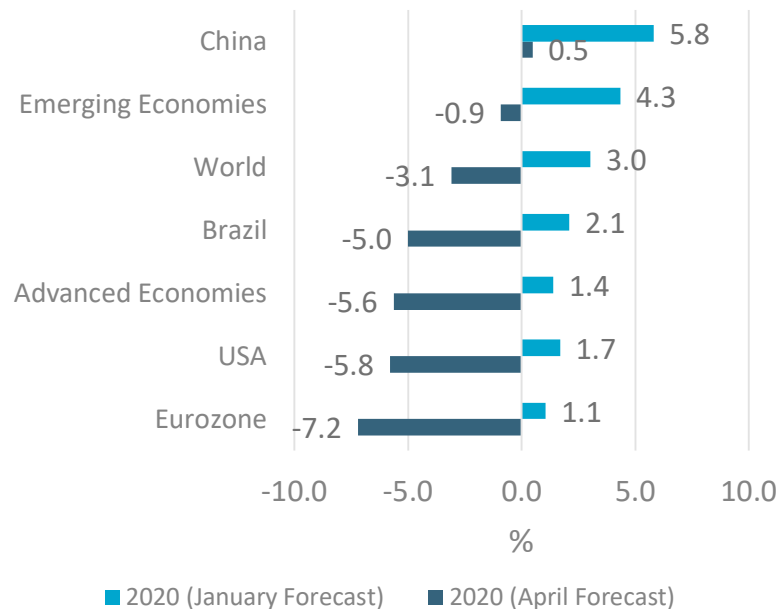
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The global economy and COVID-19: The great lockdown



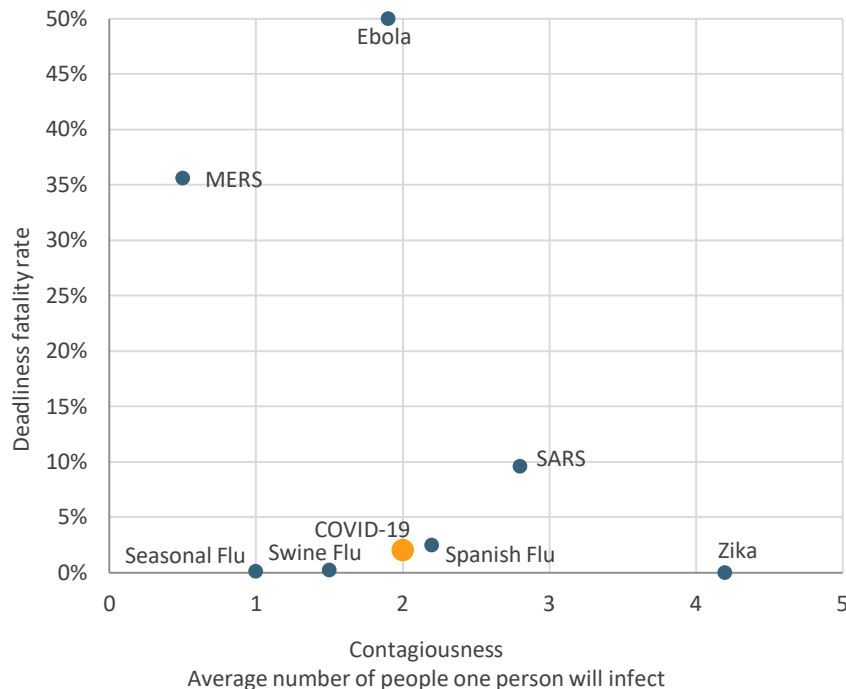
Real GDP Growth Forecasts: 2020



Source: National Statistics, Euromonitor International Macro model

COVID-19 in context of other viruses

Infectious Diseases in Context: 2020



Source: Centers for Disease Control, World Health Org, CIDRAP, studies

Despite lower mortality rates than other recent epidemics, the impact of COVID-19 on the global economy and consumer markets has the potential to be significant for many reasons:

- Geographic spread
- Contagiousness
- Weak global economy
- The impact on China

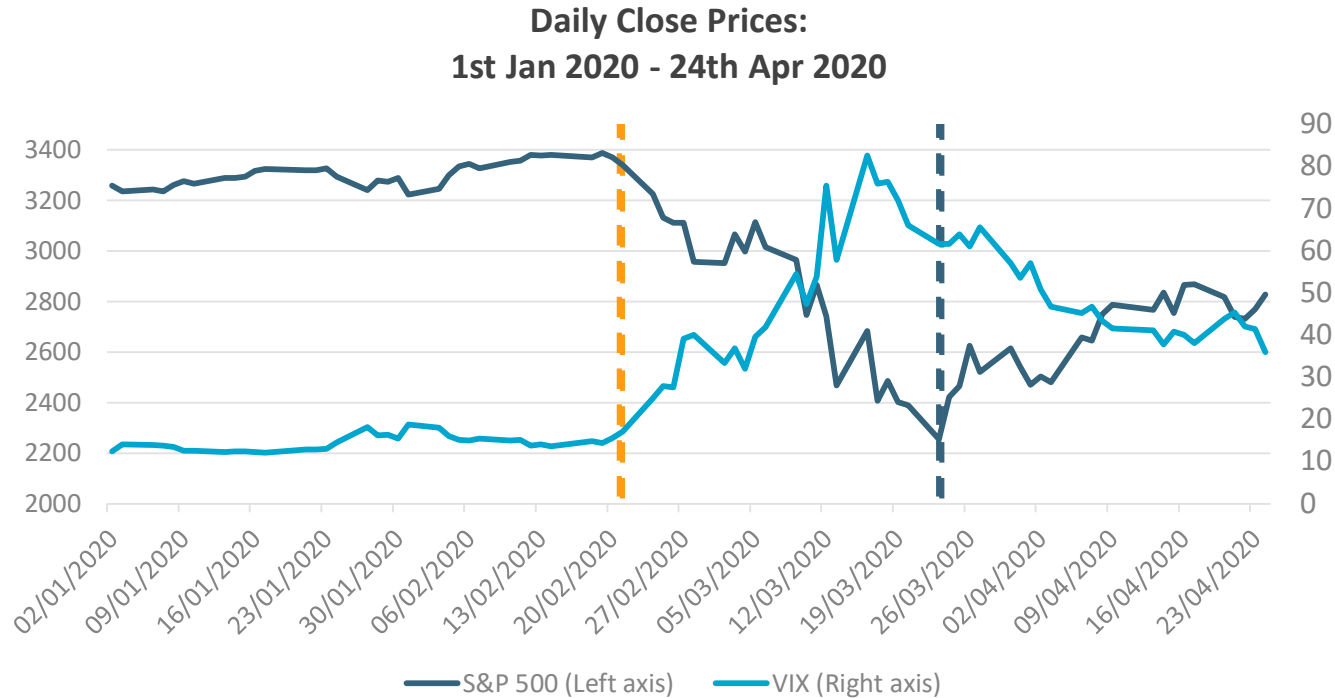
Known unknowns about the virus:

- Seasonality
- Number of unreported cases

Financial markets conditions worsened after COVID-19 entered Italy

The orange dotted line shows 22 February, when COVID-19 cases in Italy started rising rapidly, sending global financial markets into panic.

The blue dotted line marks 26th March, when the US agreed the record 2.2 trillion USD fiscal stimulus program.

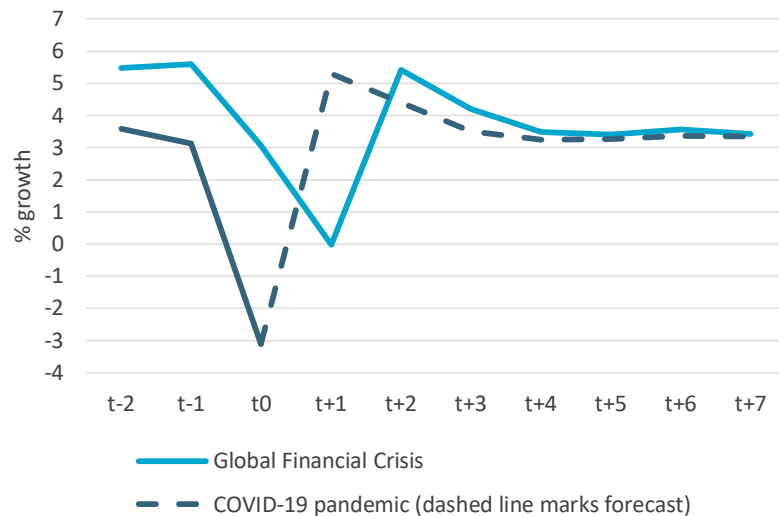


Source: Yahoo! Finance

COVID-19 strikes economies differently than the 2008 financial crisis



Global GDP Growth During Crises: 2006-2015, 2018-2027



Source: Euromonitor International Macro Model, World Bank

Note: t denotes the first year of the crisis. For the Global Financial Crisis, t is 2008, for COVID-19, t is 2020

What we can and cannot learn from previous crises

Learnings include

Uncertainty about future recovery and financial shocks could exacerbate the crisis.

The length of time it takes to recover has an impact on long-term output, productivity and consumer habits.

What is different?

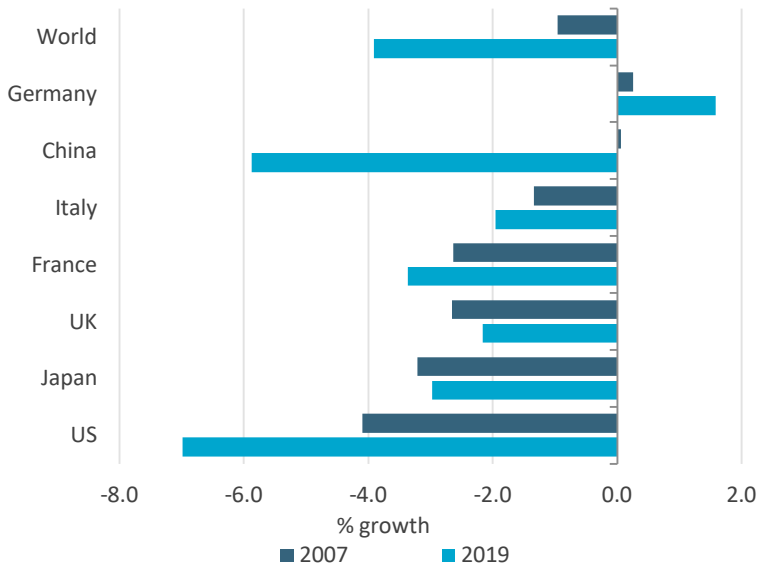
A complete halt in many sectors across countries is unprecedented.

The COVID-19 pandemic crisis is in the real economy and present globally.

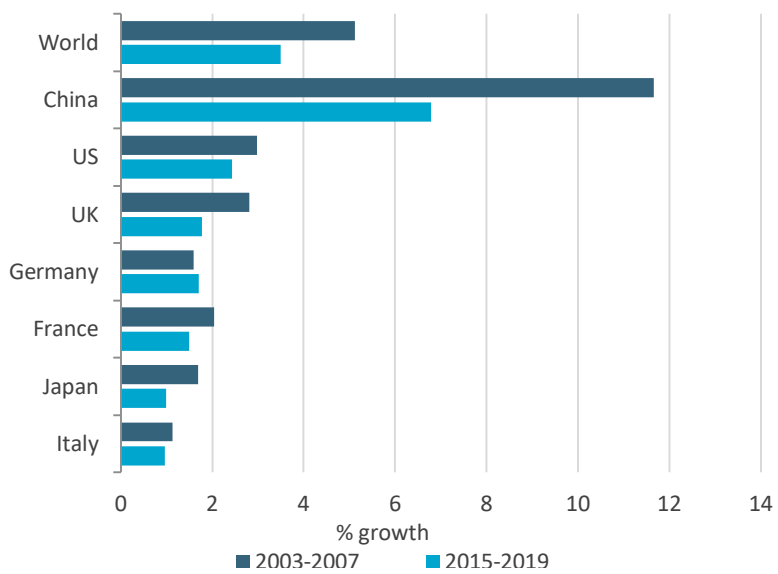
Global economy in a weaker position in 2019 than 2007



**Government Net Lending/Borrowing
2007/2019**



**Average Real GDP Growth
2003-2007/2015-2019**



Source: Euromonitor International from IMF/OECD/Eurostat/national statistics

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Global GDP will contract sharply in 2020

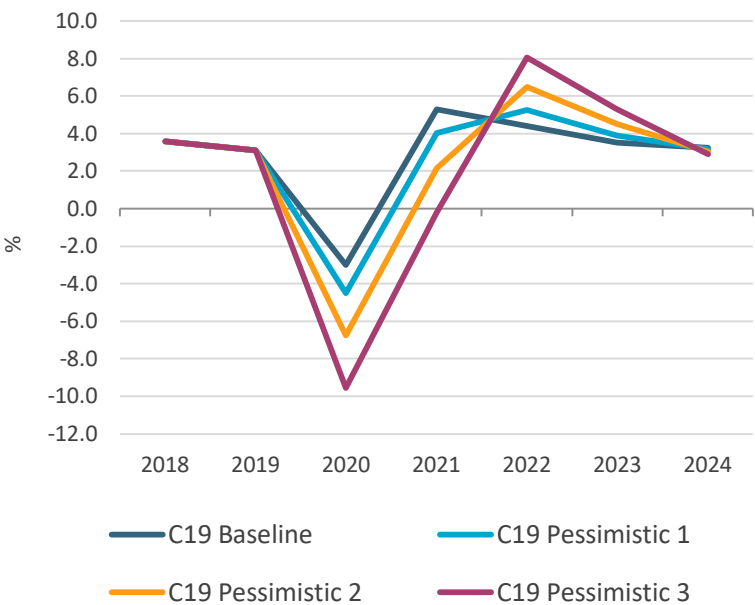
The COVID-19 pandemic has an enormous impact on the global economy.

COVID-19 will severely impact both the supply and demand sides of the economy.

Countries turn to substantial fiscal policies.

Our baseline forecast for global real economic growth in 2020 ranges from -1.5% to -4%, the lowest since the WWII.

Global Real GDP Growth:
2018-2024



Source: Euromonitor International Macro Model

The COVID-19 pandemic impacts both supply and demand

How is demand affected?



- Stockpiling
- Social distancing
- Uncertainty about the future
- Household and business financial constraints

How is supply affected?



- Supply chain disruptions
- Factory closures
- Uncertainty over the length of the restrictions
- Stockpiling by consumers

In our baseline view the pandemic peaks by June-July 2020

The COVID-19 social distancing restrictions gradually removed in 2nd half of 2020

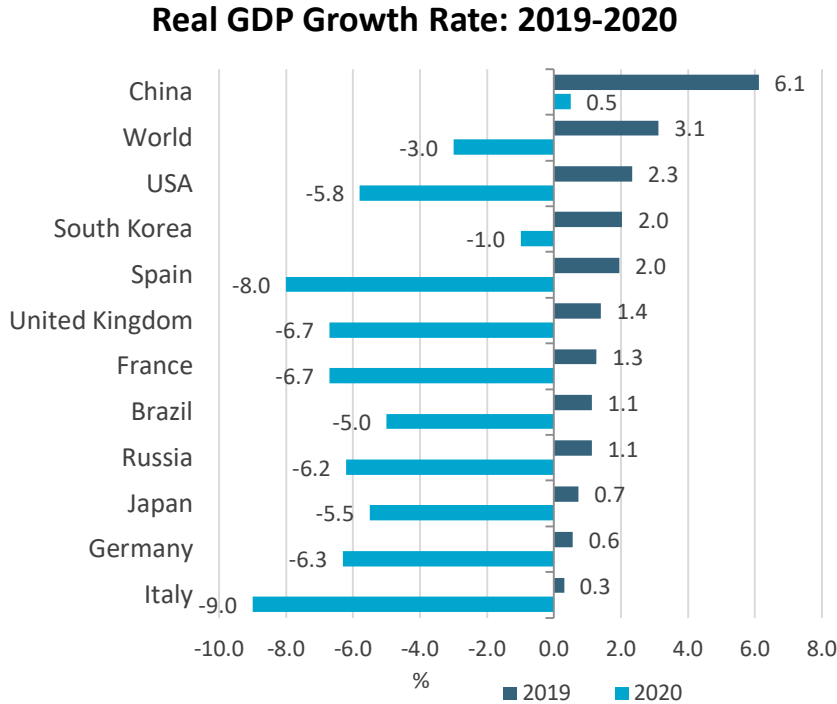
Around 1-10% of the global population gets infected

The mortality rate for the virus averages 0.8% globally

Fiscal policies are effective

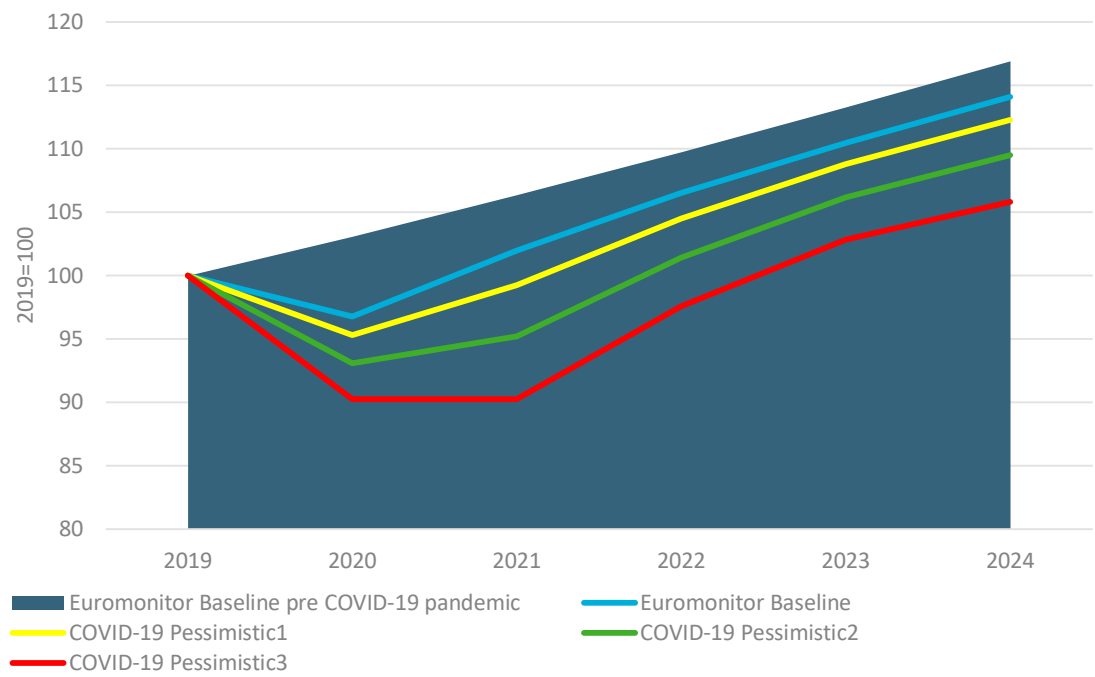
V/L-Shaped recession

38-48% probability



Our view in short

Global Real GDP Index, Baseline and Alternative Scenarios: 2019-2024

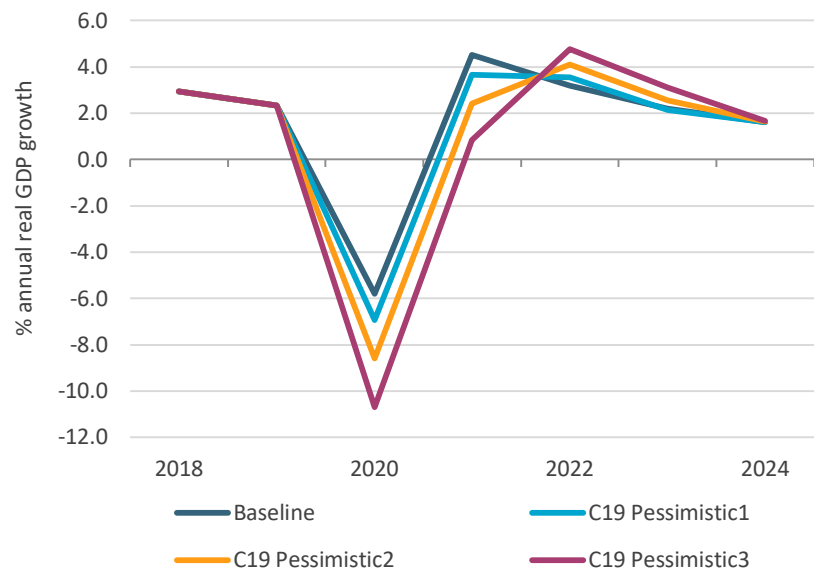


Our view in short

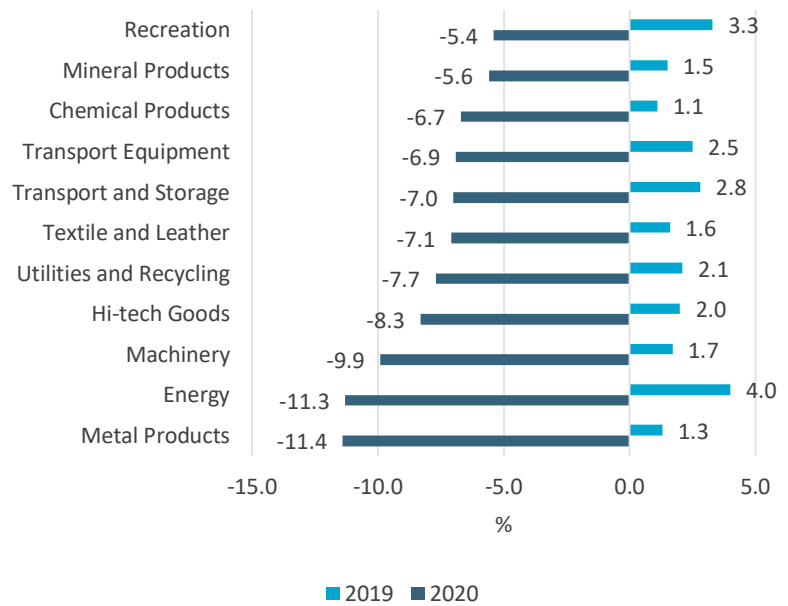
	Probability	Global infection rate	Mortality rate	Social distancing restrictions duration	Stock prices decline by	Private vs Government interest rate spreads rise by	Global real GDP growth in 2020
Baseline	38-48%	1-10%	0.3-1.3%	1-3 quarters	Rebound by 0-30% in H2 2020	2-9 percentage points above pre C19 forecast	[-4%, -1.5%]
C19 Pessimistic1	25-35%	5-25%	0.5-1.5%	2-4 quarters	10-30%	Rise by 1-4 percentage points above baseline	[-6.0%, -4.0%]
C19 Pessimistic2	15-25%	15-35%	1.0-3.0%	3-5 quarters	25-45%	Rise by 2-6 percentage points above baseline	[-8.0%, -6.0%]
C19 Pessimistic3	5-10%	20-50%	1.5-3.5%	3-7 quarters	30-70%	Rise by 3-9 percentage points above baseline	[-11.0%, -8.0%]

US will face the most severe recession since the Great Depression

**US Real GDP Growth Under COVID-19
Scenarios: 2018-2024**



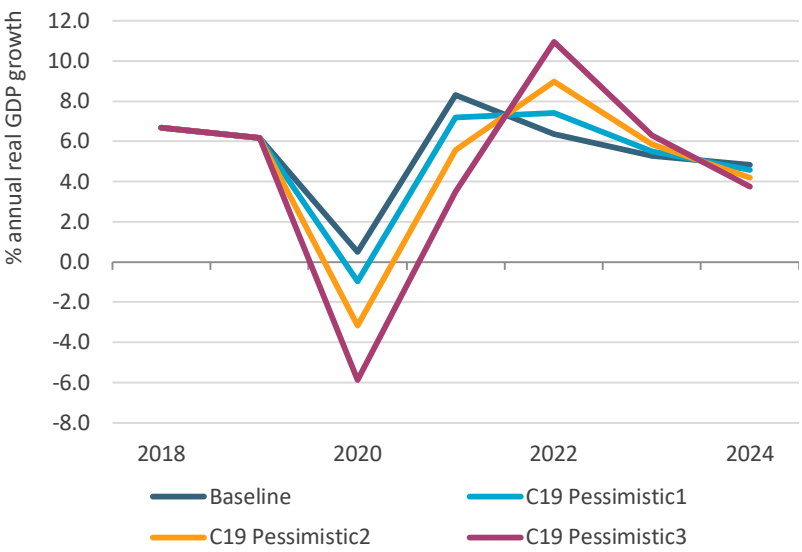
The US B2B Industry Growth 2019-2020



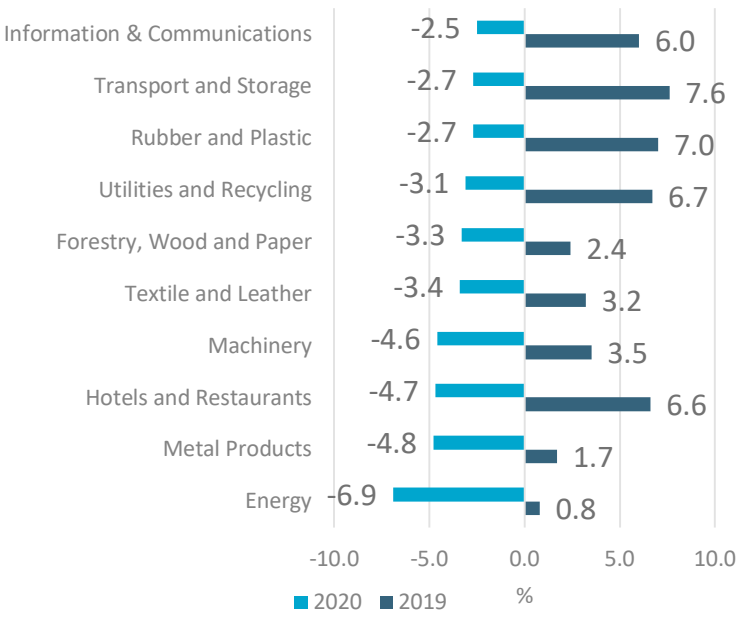
Source: Euromonitor International Macro Model, Euromonitor from trade sources/national statistics

China started lifting COVID-19 restrictions

China Real GDP Growth Under COVID-19 Scenarios: 2018-2024



China's B2B Industry Growth 2019-2020

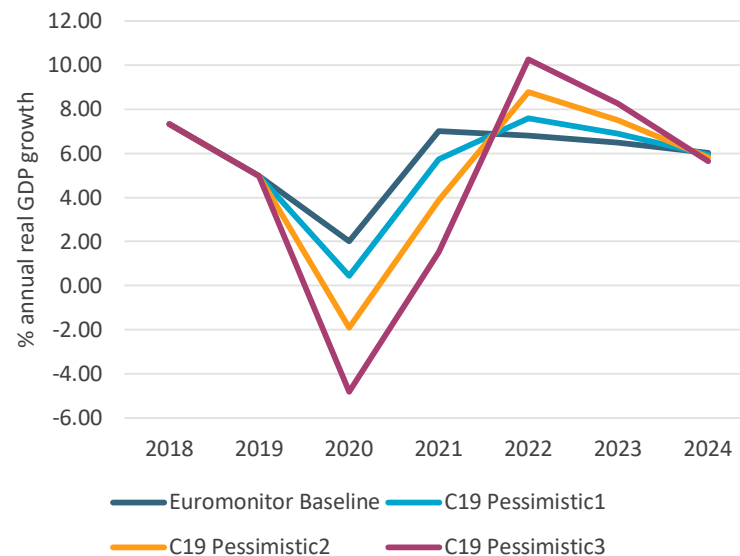


Source: Euromonitor International Macro Model, Euromonitor from trade sources/national statistics

India's real GDP to grow by just 2.0% in 2020

- Real GDP growth will slow down to 2.0% in 2020.
- Main challenge will be balancing India's fiscal gap.
- India may increase its exports post-COVID-19.
- The Indian government has introduced a USD22.6 billion economic stimulus plan.

**India Real GDP Growth Under COVID-19
Scenarios: 2018-2024**

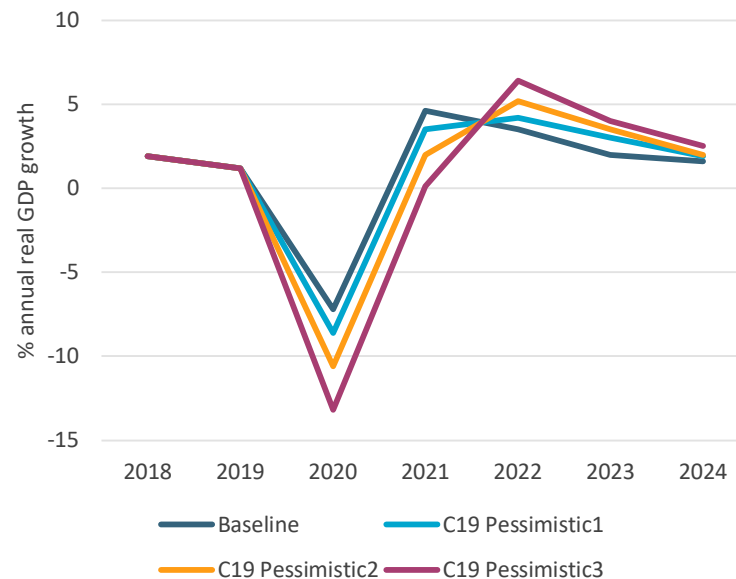


Source: Euromonitor International Macro Model

Eurozone among the worst hit regions in the world

- Before the pandemic, long-term growth was already mediocre.
- The Eurozone is one of the worst hit regions globally.
- Italy is expected to contract by 9.0% in 2020 in real terms, Spain by 8.0% and France by 6.7%.
- Long-term debt concerns as countries try to boost economies.
- The Eurozone will likely contract 7.2% in 2020 with significant downside risk.

Eurozone Real GDP Growth Under COVID-19 Scenarios: 2018-2024

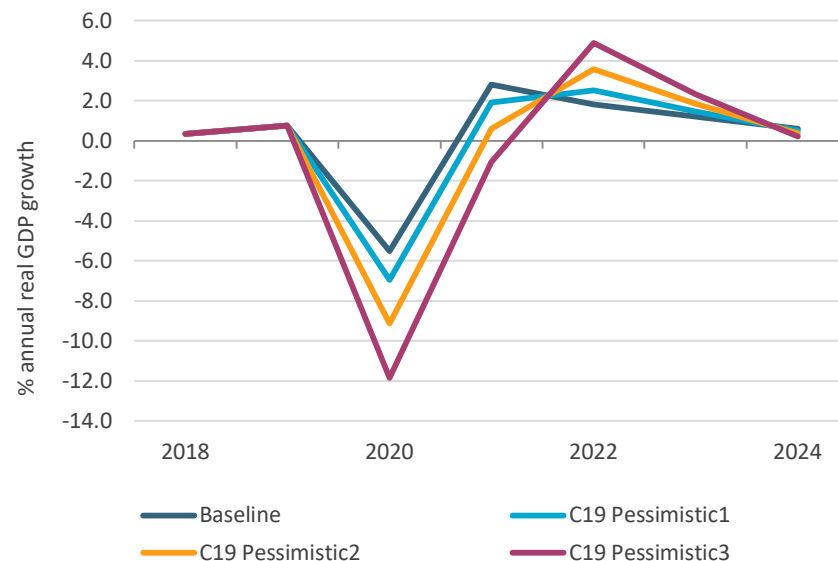


Source: Euromonitor International Macro Model

Japanese economy to contract, with Tokyo Olympics postponed

- Japan economy was in weak position before the pandemic.
- The economic slowdown prompted the government to announce an approximately USD1 trillion fiscal stimulus package, which is around 21.0% of the country's GDP.
- On 24 March, Japan decided to postpone the Tokyo Olympics until 2021.
- In our baseline, the Japanese economy contracts by 5.5% in 2020 and recovers to see 2.8% growth in 2021, with significant downside risks remaining.

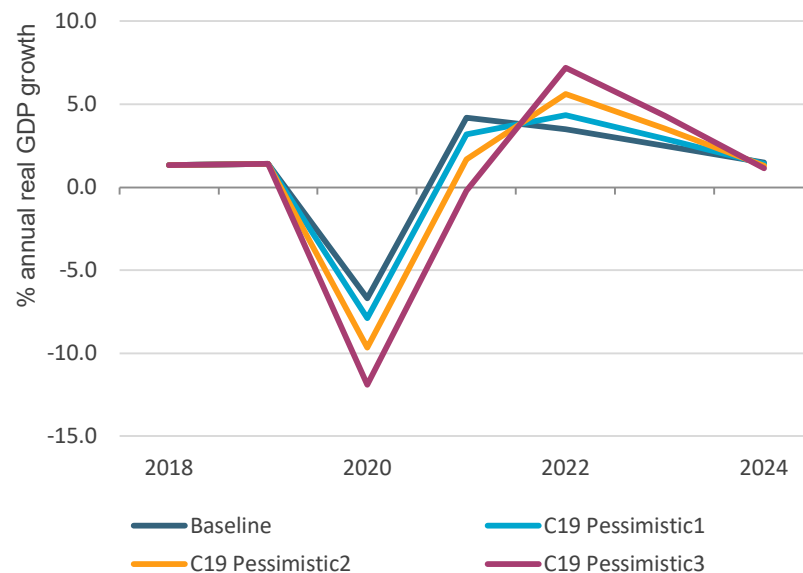
**Japan Real GDP Growth Under COVID-19
Scenarios: 2018-2024**



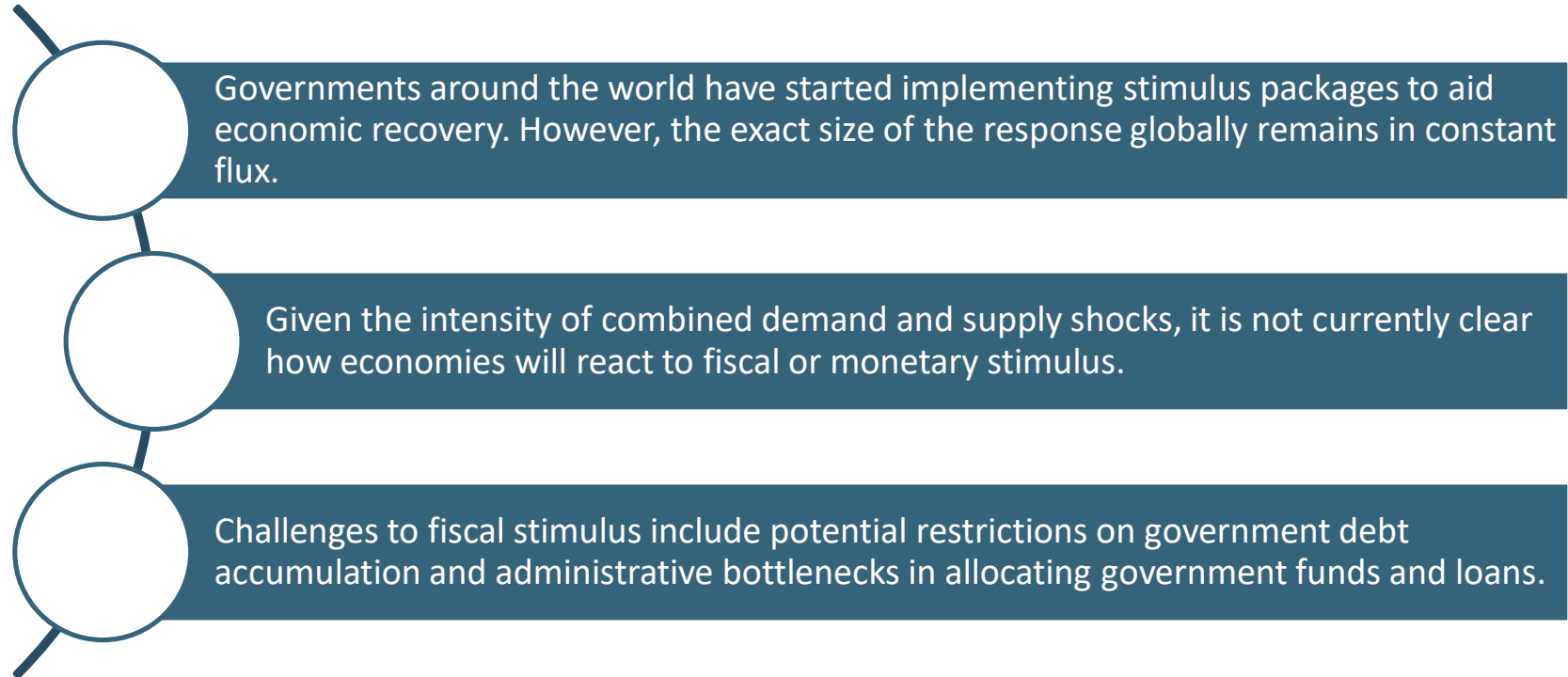
The UK economy is hit significantly but downside risks are large

- A nation-wide lockdown since 23rd March.
- Monthly retail fell by 6.0% in March 2020.
- Continuing Brexit negotiations raise risks.
- We expected the UK economy to contract by 6.7% in 2020.

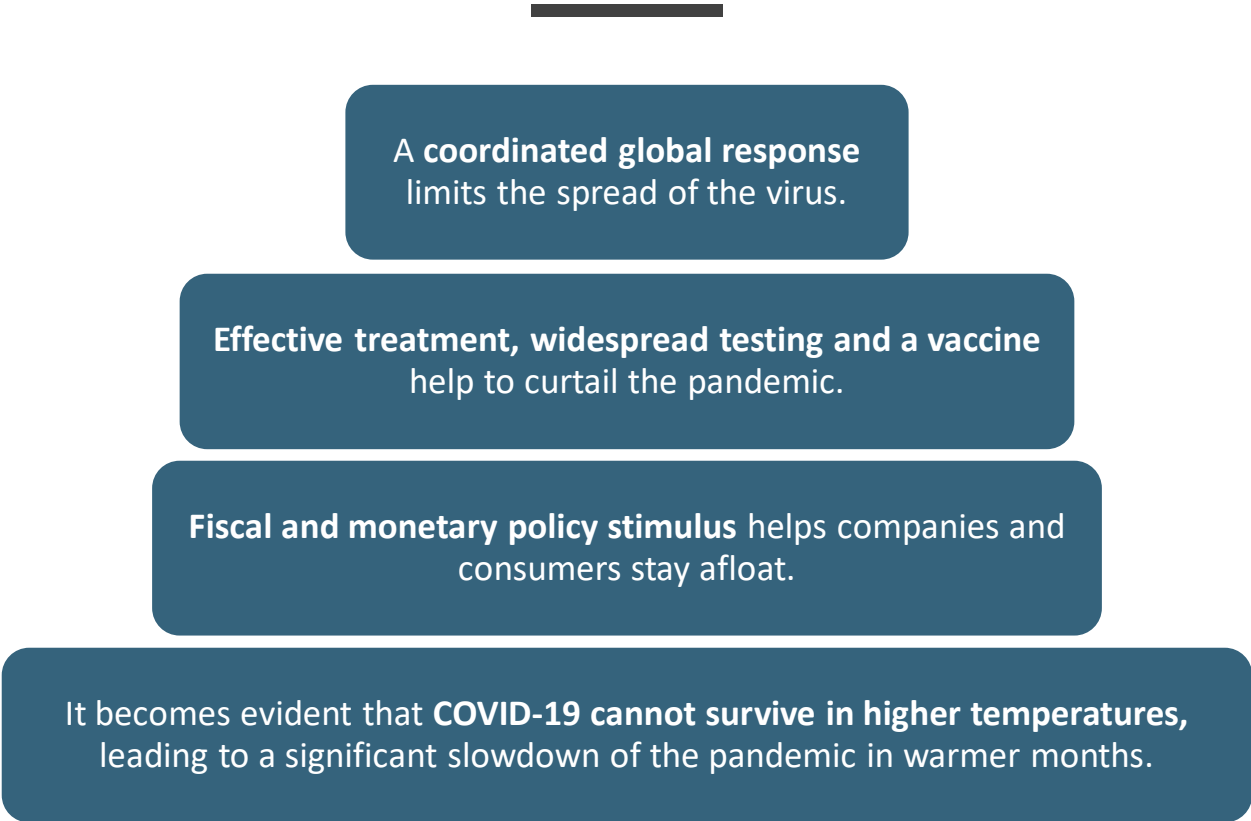
The UK Real GDP Growth Under COVID-19 Scenarios: 2018-2024



Fiscal stimulus a challenge with restrictions on expenditure



What could alleviate the economic effects of the pandemic?



A coordinated global response
limits the spread of the virus.

Effective treatment, widespread testing and a vaccine
help to curtail the pandemic.

Fiscal and monetary policy stimulus helps companies and
consumers stay afloat.

It becomes evident that **COVID-19 cannot survive in higher temperatures**,
leading to a significant slowdown of the pandemic in warmer months.

What could exacerbate the economic impact of the pandemic?

Declining consumption and investment. Greater mismatch between private sector cashflow problems and government fiscal/credit support programmes

Current short-term travel bans grow out into **long-term protectionist.**

Rising default rates and borrowing costs/risk premia trigger a financial crisis.

The pandemic lasts longer and infects more people, it spreads to emerging markets.

Longer pandemic and private sector cashflow problems reduced cause bigger long-term capital and output declines

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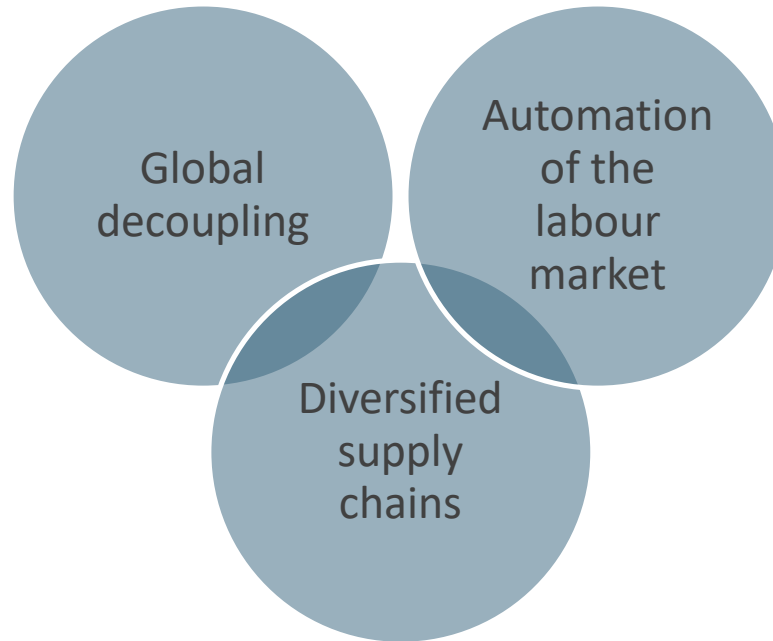
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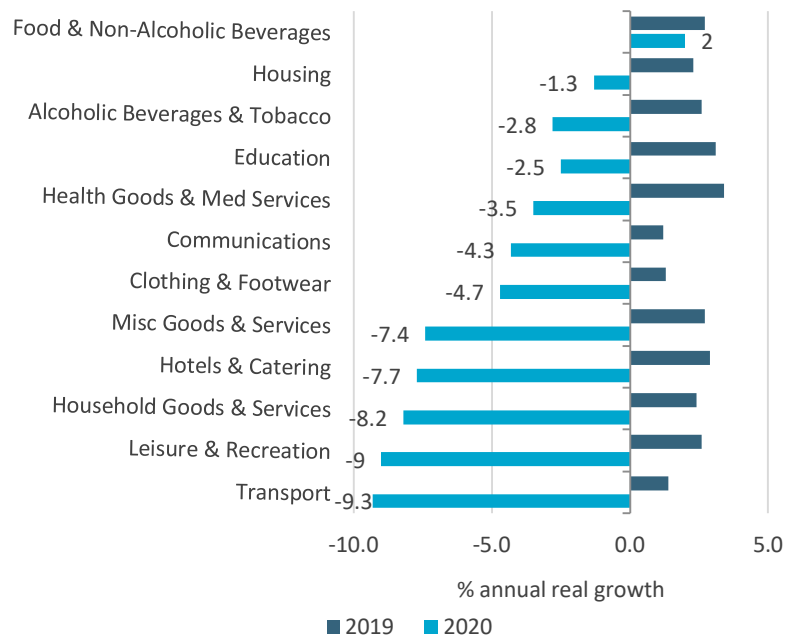
COVID-19 pandemic could leave long-term impact on economies



Long-lasting change in consumer attitudes and behaviour

- Global consumer expenditure is set to decline by 4.3% in real terms year-on-year in 2020.
- The COVID-19 pandemic will bring about lasting changes in consumer attitudes and behaviour.
- Long-term increase in precautionary savings, falling consumption rates, increasing frugality.
- Older consumers will have to resort to online grocery shopping.
- COVID-19 will be a catalyst for a permanent shift to a cashless world.

Global Consumer Expenditure Growth by Category



Source: Euromonitor International from national statistics

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Key takeaways

COVID-19 will bring the global economy to a deep recession but the exact magnitude of it will depend on the length of COVID-19 restrictions

Countries are turning to significant fiscal stimulus to stabilise the economic downturn

COVID-19 highlights need for more robust government and business planning

The COVID-19 pandemic is likely to leave a lasting impact in the global economic structure and consumer behavior

Thank You

Daniel Solomon, PhD, Senior Economist

✉ daniel.solomon@euromonitor.com

giedrius.stalenis@euromonitor.com

Giedrius Stalenis, Consultant

✉ giedrius.stalenis@euromonitor.com