

FOCUSECONOMICS

CORONAVIRUS WEEKLY UPDATE

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Contributors

ARNE POHLMAN
Chief Economist

ANGELA BOUZANIS
Lead Economist

NICOLAS J. AGUILAR
Economist

HANNA ANDERSSON
Economist

MASSIMO BASSETTI
Economist

STEVEN BURKE
Economist

JAVIER COLATO
Economist

OLGA COSCODAN
Economist

RICARD TORNÉ
Head of Data Analysis

WILLIAM O'CONNELL
Editor

EDWARD GARDNER
Economist

LINDSEY ICE
Economist

JAN LAMMERSEN
Economist

OLIVER REYNOLDS
Economist

ALMANAS STANAPEDIS
Economist

STEPHEN VOGADO
Economist

THOMAS FENGE
Head of Data Solutions

JOSÉ DANIEL MARÍN
Data Scientist

FREDERICO T. ABREU
Junior Data Analyst

JOAN ARGILAGÓS
Data Analyst

LAURA AZLOR
Junior Data Analyst

DAVID CATALÁN
Junior Data Analyst

MOHAMMED ESSABAOUNI
Junior Data Analyst

STÉPHANIE HOBEICHE
Junior Data Analyst

MAR LOBATO
Junior Data Analyst

YULIANNA VALENCIA
Junior Data Analyst

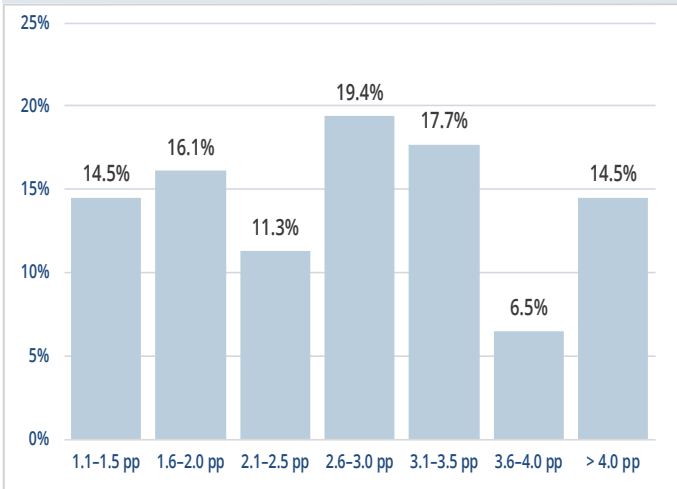
SARA VALVERDE
Junior Data Analyst

BENCE VÁRADI
Junior Data Scientist

Economic outlook downgraded further, with the Covid-19 impact seen dragging into next year

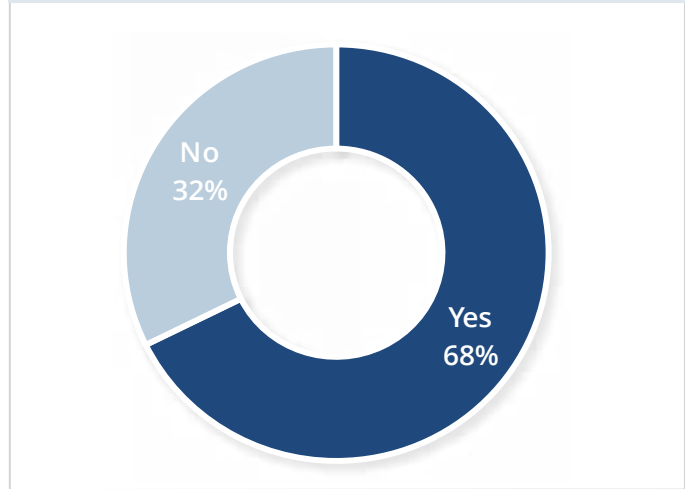
- Economists have once again downgraded their forecasts for the global economy, as ever more countries imposed strict measures to contain the Covid-19 pandemic. According to a 30–31 March survey of 62 panelists, a large majority see a hit to the global economy of greater than two percentage points this year, with close to 40% seeing a reduction of greater than three percentage points. More than two-thirds of panelists now see the negative impact of Covid-19 dragging into 2021, up from 56% in last week’s report.
- Most economists continue to see a global recession lasting for two quarters. However, risks are clearly skewed to the downside given uncertainty over the duration of worldwide containment measures and the effectiveness of stimulus packages, and a significant minority of analysts are expecting a longer recession. Relative to last week’s report, panelists have grown more downbeat regarding the shape of the recovery, with only a quarter now predicting a sudden rebound in activity (referred to as a V-shaped recovery).
- While unprecedented fiscal and monetary stimulus will cushion the economic blow, most economists judged it insufficient to completely avoid lasting economic damage. Even though a period of above-potential growth should ensue once shutdowns are lifted, not all lost output is likely to be recouped.
- Most panelists do not see the coronavirus-induced downturn morphing into a broader financial crisis, thanks to huge stimulus measures and better-capitalized banks compared to the Global Financial Crisis. However, some economists continued to highlight high corporate and government debt levels as key risk factors which could trigger a broader crisis.

What will be the negative impact of Covid-19 on 2020 global growth in percentage points?



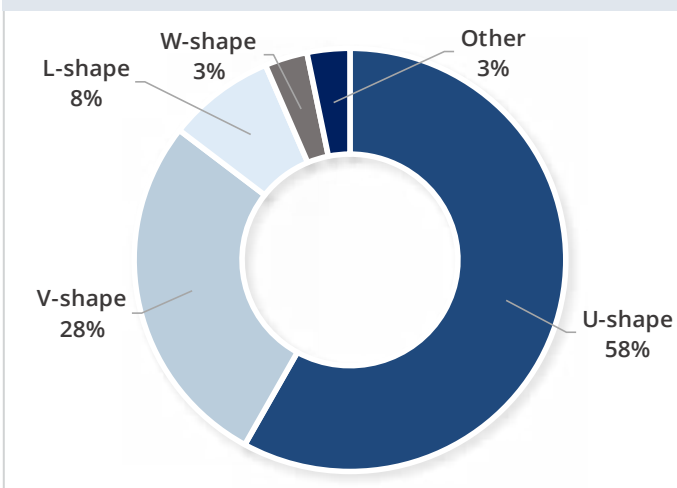
Note: Total responses in %.

Will Covid-19 negatively affect the global economy beyond 2020?



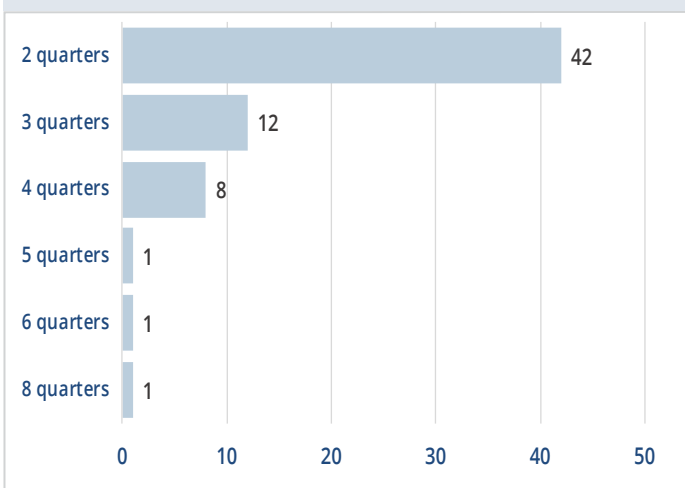
Note: Total responses in %.

What will be the shape of the global economic recovery?



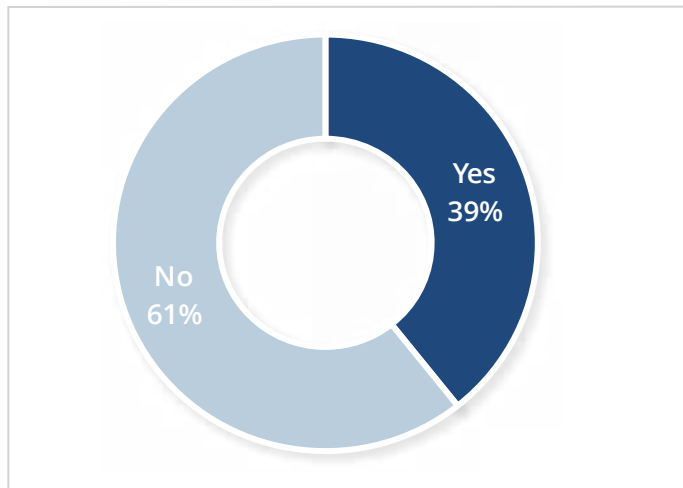
Note: Total responses in %.

For how many quarters will the recession last?



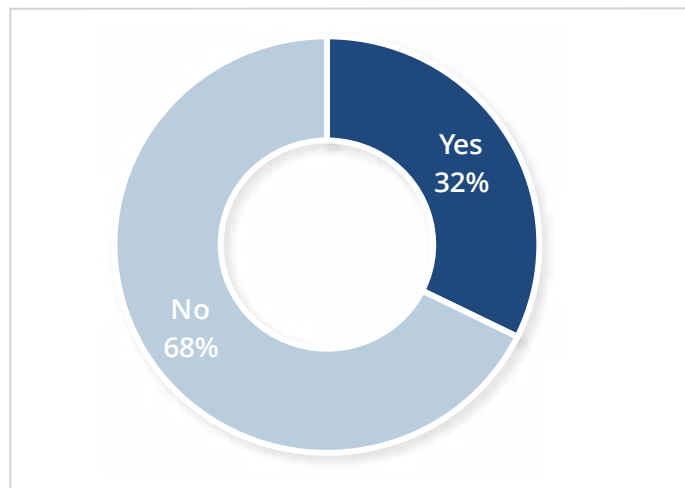
Note: Number of times mentioned by panelists.

Are current stimulus measures enough to avoid lasting economic damage?



Note: Total responses in %.

Will the coronavirus-induced slump morph into a broader financial crisis?



Note: Total responses in %.

Insight from our panelists

“Financial sectors in developed economies look more resilient than before the global financial crisis, and macroeconomic policy is heavily engaged in supporting the real economy and sheltering the financial sector. However, there is a substantial risk of financial stress developing in emerging economies heavily dependent on capital inflows and/or revenues from commodity exports.”

Klaus-Jürgen Gern, senior economist at the Kiel Institute for the World Economy

“The first [stimulus] packages are enough for damage control and to provide the first line of defense. We can expect more (mainly from the fiscal side) to re-ignite the engine of the economies.”

Peter Virovacz, senior economist at ING

“Since the Covid-19 is a non-economic, non-financial recession trigger, there are no moral hazard issues at play. Global authorities will act without constraint.”

Luis Suzigan, senior advisor at LCA Consultores

“The loss of economic activity will not be regained, nor will the loss of incomes that large numbers of people/companies face globally. Not all countries have put in place measures to support these individuals (and particularly SMEs), while even when countries have put in place measures, many of these measures are not sufficient to reach all individuals or companies.”

Annabel Bishop, chief economist at Investec Ltd

“Reduced credit worthiness/higher leverage of enterprises/governments across the globe has every ingredient to morph into a bigger financial crisis.”

Sunil K Sinha, principal economist at India Ratings and Research

“Drastic decrease in asset quality brought on by economic difficulties caused by the Covid-19 pandemic will likely result in stress in the financial sector. Unless a coordinated response is mounted by central banks around the world to backstop a significant portion of these loans and securities, a crisis in a number of economies around the world could lead to contagion.”

Darren Tay, senior country risk analyst at Fitch Solutions

“[In order to support their economies, governments should] find ways to start resuming operations without risking higher cases. For example more testing and supplying medical equipment. This is preferable to issuing even more fiscal stimulus that will not realistically materialize until Q3 at the earliest if not 2021. In the EU, better coordination among member states, including issuing common bonds to narrow the spread.”

Carlos Casanova, Asia Pacific economist at Coface

“Further internationally coordinated fiscal stimulus would help mitigate the shock. Wage replacement measures used in some countries could be taken up more broadly by the hardest-hit economies.”

Gregory Daco, chief US economist at Oxford Economics

“Governments must focus closely on improving testing capacities and frequency to minimize the overall risks. It is imperative for international organizations such as the WHO and the IMF to assume a proactive role in ensuring that the pandemic does not end up weighing asymmetrically on developing and emerging economies with limited resources.”

Shahana Mukherjee, economist at Moody's Analytics

Contributing institutions

ACRA Europe, Actinver, Analytica, Andes Investments, Banca Intesa Belgrade, Banco de Bogota, Banco Fator, Banco Supervielle, Banesco Banco Universal, BCP, BCS Global Markets, BDO UniBank, BFA, CaixaBank, Capital Economics, CER, Citadele bank, Coface, Confederation of Indian Industry, CSOB, DIW Berlin, DZ Bank, E2 Economia, Ecolatina, Econométrica, EconViews, Fitch Solutions, Gemines, German Economic Institute (IW), Halyk Finance, IHS Vienna, India Ratings and Research, ING, Institute for Economic Research Kyiv, Investec Ltd, Kasikorn Research, Kiel Institute for the World Economy, KOF Swiss Economic Institute, LCA Consultores, Le Fort Economía y Finanzas, Make UK, Moody's Analytics, National Bank of Greece, National Institute of Economic Research of R. Moldova, Oxford Economics, Polinomics, Prometeia, Raiffeisen Bank International, Scotiabank, Seido, Sieberana Research, Swedbank, UBB, Ve Por Más, Zürcher Kantonalbank.

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ECONOMIC FORECASTS FOR KEY INDICATORS IN 131 COUNTRIES IN 12 REGIONS

MAJOR ECONOMIES & SWITZERLAND G7 countries (United States, Canada, Japan, United Kingdom, Euro area, France, Germany & Italy), Switzerland and overview of the BRIC countries

EURO AREA Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia and Spain

NORDIC ECONOMIES Denmark, Finland, Iceland, Norway and Sweden

CENTRAL & EASTERN EUROPE Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

CIS PLUS COUNTRIES Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

SOUTH-EASTERN EUROPE Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Greece, Kosovo, Montenegro, North Macedonia, Romania, Serbia and Turkey

EAST & SOUTH ASIA Bangladesh, China, Hong Kong, India, Korea, Mongolia, Pakistan, Sri Lanka, Taiwan, Australia and New Zealand

ASEAN ECONOMIES Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, Australia and New Zealand

LATIN AMERICA Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela

CENTRAL AMERICA & THE CARIBBEAN Belize, Costa Rica, Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Nicaragua, Panama, Puerto Rico and Trinidad and Tobago

MIDDLE EAST & NORTH AFRICA Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates and Yemen

SUB-SAHARAN AFRICA Angola, Botswana, Cameroon, Côte d'Ivoire, DR Congo, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, Rwanda, Senegal, South Africa, Tanzania, Uganda, Zambia and Zimbabwe

REAL SECTOR GDP per capita, Economic Growth, Consumption, Investment, Industrial Production, Unemployment Rate, Fiscal Balance and Public Debt

MONETARY & FINANCIAL SECTOR Money, Inflation Rate, Policy Interest Rate and Exchange Rate

EXTERNAL SECTOR Current Account, Trade Balance, Exports, Imports, International Reserves and External Debt

PRICE FORECASTS FOR 34 COMMODITIES IN 4 MAIN GROUPS

ENERGY Brent Crude Oil, WTI Crude Oil, Coking Coal, Gasoil (European market), Gasoline (U.S. benchmark), Natural Gas, Thermal Coal and Uranium

BASE METALS Alumina, Aluminium, Cobalt, Copper, Iron Ore, Lead, Molybdenum, Nickel, Steel (European and U.S. markets), Tin and Zinc

PRECIOUS METALS Gold, Silver, Palladium and Platinum

AGRICULTURAL Cocoa, Coffee, Corn, Cotton, Palm Oil, Soybeans, Rice, Sugar, Wheat and Wool

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