



COVID-19 Global Economic Impact

October 15, 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 required frequent reassessment of the marketplace. The table below summarizes the evolution of our forecasts over the last six 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 27, 2020	September 24, 2020
World	3.1 %	1.4 %	0.0 %	-2.7 %	-3.3 %	-4.9 %	-4.9 %
North America	1.8 %	-0.2 %	-1.2 %	-4.8 %	-4.9 %	-7.1 %	-6.6 %
United States	1.9 %	-0.2 %	-1.0 %	-4.8 %	-4.8 %	-7.0 %	-6.3 %
Central & South America	1.8 %	0.8 %	-0.5 %	-3.5 %	-4.3 %	-7.7 %	-7.9 %
Brazil	2.2 %	1.0 %	-0.7 %	-3.2 %	-3.5 %	-7.1 %	-6.5 %
Western Europe	1.2 %	-0.4 %	-2.6 %	-5.9 %	-6.7 %	-9.0 %	-8.7 %
Eastern Europe	2.4 %	1.2 %	0.1 %	-4.2 %	-4.5 %	-6.6 %	-5.6 %
Sub-Saharan Africa	3.2 %	2.0 %	0.1 %	-2.7 %	-3.3 %	-3.6 %	-3.8 %
Mideast & North Africa	2.6 %	0.8 %	-0.4 %	-2.7 %	-4.0 %	-6.2 %	-6.3 %
Asia/Pacific	4.7 %	2.8 %	1.6 %	-0.5 %	-1.1 %	-1.9 %	-2.2 %
China	5.5 %	2.6 %	2.4 %	0.3 %	0.3 %	0.2 %	1.5 %
India	6.3 %	4.7 %	2.8 %	0.4 %	-1.4 %	-3.2 %	-7.8 %

The following slide deck presents our most recent revised world economic forecasts as of **October 13, 2020**.

Global GDP Forecast Comparison

Global GDP (% real annual growth)

Revised Forecasts September 24, 2020

	% annual growth rates					CAGR
	2020	2021	2022	2023	2024	19-24
WORLD	-4.9	5.2	3.9	3.6	3.3	2.1
North America	-6.6	3.3	2.4	2.1	2.0	0.6
United States	-6.3	3.2	2.4	2.1	2.0	0.6
Central & South America	-7.9	4.0	3.0	3.0	2.7	0.8
Brazil	-6.5	3.4	2.5	2.7	2.4	0.8
Western Europe	-8.7	5.5	2.7	2.0	1.3	0.4
Eastern Europe	-5.6	3.8	2.9	2.7	2.2	1.1
Sub-Saharan Africa	-3.8	3.1	4.1	3.7	3.7	2.1
Mideast & North Africa	-6.3	3.4	3.6	3.4	3.2	1.4
Asia/Pacific	-2.2	6.6	5.1	4.9	4.6	3.7
China	1.5	8.0	5.5	5.2	5.0	5.0
India	-7.8	7.8	6.2	6.1	6.2	3.5

Forecasts February 6, 2020

	% annual growth rates					CAGR
	2020	2021	2022	2023	2024	19-24
WORLD	3.1	3.5	3.5	3.4	3.4	3.4
North America	1.8	1.8	1.9	1.9	2.0	1.9
United States	1.9	1.8	1.9	1.8	2.0	1.9
Central & South America	1.8	2.4	2.6	2.6	2.6	2.4
Brazil	2.2	2.2	2.4	2.3	2.3	2.3
Western Europe	1.2	1.4	1.4	1.4	1.3	1.3
Eastern Europe	2.4	2.3	2.2	2.2	2.0	2.2
Sub-Saharan Africa	3.2	3.6	3.8	3.9	4.0	3.7
Mideast & North Africa	2.6	2.9	3.1	3.2	3.1	3.0
Asia/Pacific	4.7	5.2	5.1	4.8	4.7	4.9
China	5.5	6.0	5.7	5.2	5.0	5.5
India	6.3	6.7	6.9	6.6	6.4	6.6

Global Construction Expenditures Forecast Comparison

Global Construction Expenditures (% real annual growth)

Revised Forecasts October 8, 2020

	% annual growth rates					CAGR
	2020	2021	2022	2023	2024	19-24
WORLD	-4.4	5.0	3.5	3.1	3.0	2.0
North America	-5.0	1.8	1.8	1.5	1.3	0.3
United States	-3.0	1.2	1.5	1.4	1.4	0.5
Central & South America	-8.4	4.4	3.6	3.0	2.7	0.9
Brazil	-7.2	4.2	3.4	2.9	2.6	1.1
Western Europe	-6.4	3.9	2.1	1.3	1.1	0.4
Eastern Europe	-3.1	3.2	1.7	1.7	1.9	1.1
Sub-Saharan Africa	-5.8	6.0	4.7	4.7	4.5	2.7
Mideast & North Africa	-6.8	5.0	3.7	3.4	3.2	1.6
Asia/Pacific	-3.3	6.0	4.2	3.8	3.7	2.8
China	-2.3	6.6	3.9	3.4	3.4	2.9
India	-9.1	7.7	7.4	6.9	6.5	3.7

Forecasts February 6, 2020

	% annual growth rates					CAGR
	2020	2021	2022	2023	2024	19-24
WORLD	2.4	3.1	3.5	3.5	3.4	3.2
North America	-0.2	1.6	1.8	2.0	1.5	1.3
United States	-0.6	1.2	1.8	2.0	2.0	1.3
Central & South America	2.0	2.8	3.1	3.0	3.0	2.8
Brazil	2.5	3.1	3.2	3.2	3.2	3.0
Western Europe	1.1	1.4	1.4	1.5	1.4	1.4
Eastern Europe	2.3	2.1	2.2	2.1	2.2	2.2
Sub-Saharan Africa	4.4	4.5	4.7	4.7	4.6	4.6
Mideast & North Africa	1.6	3.0	3.5	3.5	3.5	3.0
Asia/Pacific	3.3	3.8	4.3	4.1	4.1	3.9
China	2.3	3.0	3.9	3.6	3.5	3.3
India	7.4	7.1	6.9	7.0	7.0	7.1

Summary

The coronavirus pandemic sparked a global economic recession in 2020. The forecast for global GDP has been revised from 3.1% growth (projected in February) to a 4.9% contraction (as of the end of September):

- 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, though China is expected to post a 1.5% gain, as the country was the first to recover from shutdown and has a strong manufacturing base.
- Most countries suffered severe economic contractions in the second quarter of 2020 as lockdowns were implemented to reduce transmission of the coronavirus. Economic activity appears to have rebounded somewhat in the third quarter, but the pace of recovery will moderate in the final quarter of 2020.
- Global real GDP in 2021 will be slightly below the 2019 level; most of the output lost in 2020 from the effects of the pandemic will not be recaptured in future years.

Construction expenditures are forecast to contract less severely than overall GDP, declining 4.4% in 2020:

- In the US, residential building construction has held up well despite the pandemic. Single-family construction in areas with lower population density has done well.
- Changes to the outlooks for industries such as tourism and foodservice will result in revised plans for nonresidential building construction or renovations.
- Globally, nonbuilding construction is expected to see a less steep decline in 2020 than building construction, supported by public spending as part of economic stimulus packages.

Recent Developments

- A number of countries in Europe have been dealing with a resurgence in daily incidence of infection, including France, Russia, Spain, and the United Kingdom.
- On September 28, French finance minister Bruno Le Maire introduced the government's 2021 budget, calling for €42 billion in economic stimulus to be released by the end of 2021.
- Israel instituted more restrictive protocols on social interaction as COVID-19 incidence rose in early September. Infections appear to have peaked in early October, with daily incidence falling by half over the next two weeks.
- The number of identified COVID-19 cases in India has surpassed 7 million, but daily incidence has been falling since reaching a peak in mid-September.