



International Monetary Fund

October 23, 2020

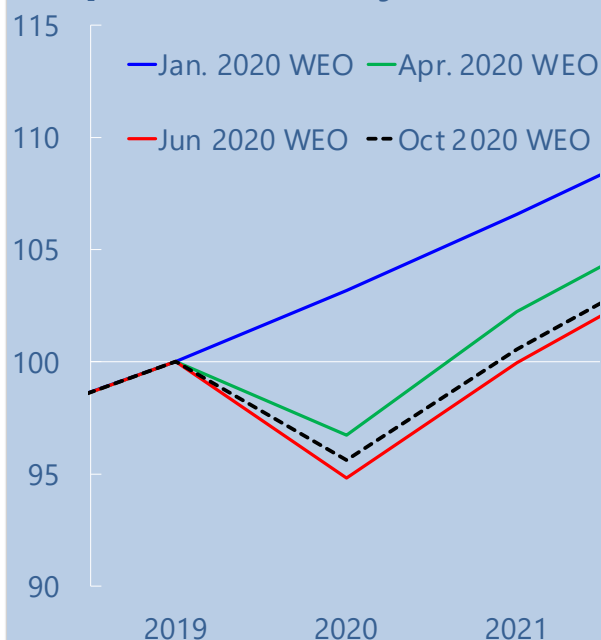
Global Outlook and Emerging Market Policies

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Economic Counsellor

Outcomes less dire but long, uneven and uncertain ascent ahead

Output

Smaller contraction in 2020, partial recovery in 2021



Risks

Pervasive Uncertainty

- Further severe waves of pandemic
- Financial conditions could tighten e.g. if medical solutions are delayed
- Trade, technology, geopolitical tensions could escalate
- Prolonged decline in activity leads to scarring
- Upside risk in more advanced therapies, faster vaccine production, greater policy support

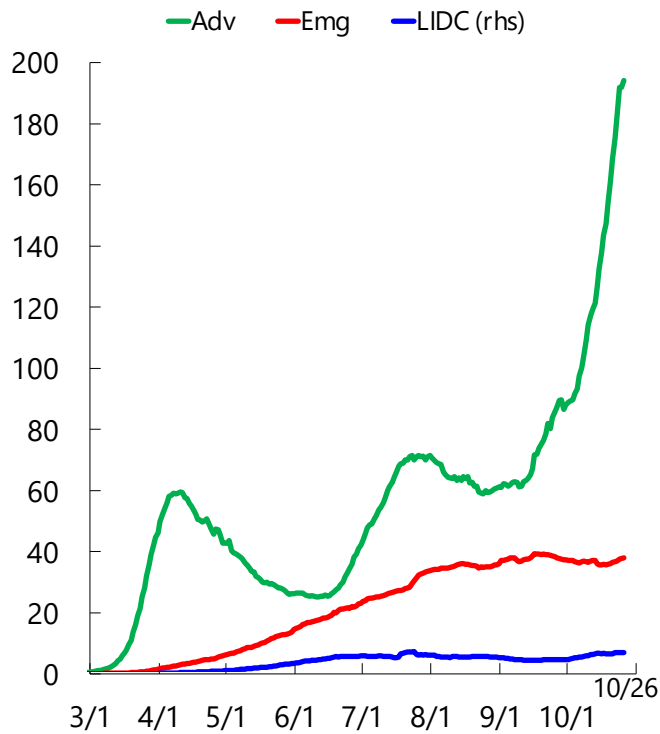
Policies

Ensure a sustained recovery

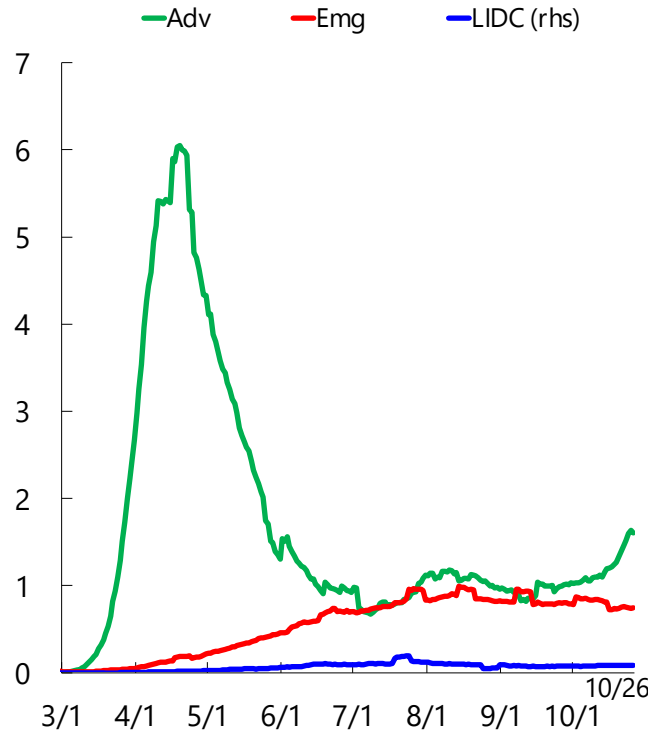
- Support health systems
- Unwind support only after activity picks up durably. Gradually shift to support reallocation of resources.
- Ensure soundness of financial system
- Foster inclusive, green recovery
- Plan for medium term debt sustainability
- International support needed for vulnerable countries. Defuse trade and technology tensions.

Rising COVID-19 cases in EMs, Second Waves, Reopening stalls

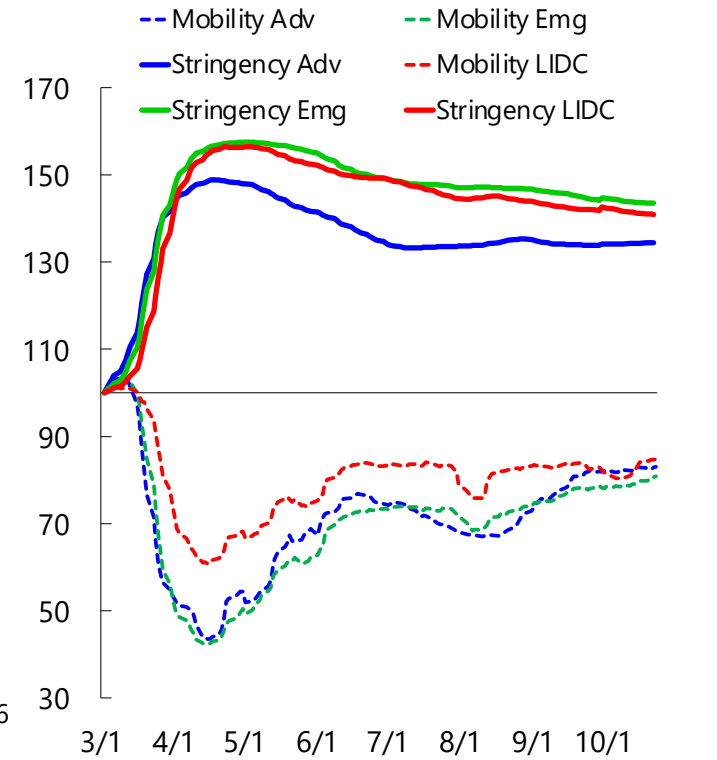
New cases
(per million population)



New deaths
(per million population)



Strictness of containment policy and mobility
(index; March 1 = 100; 7 day moving average)

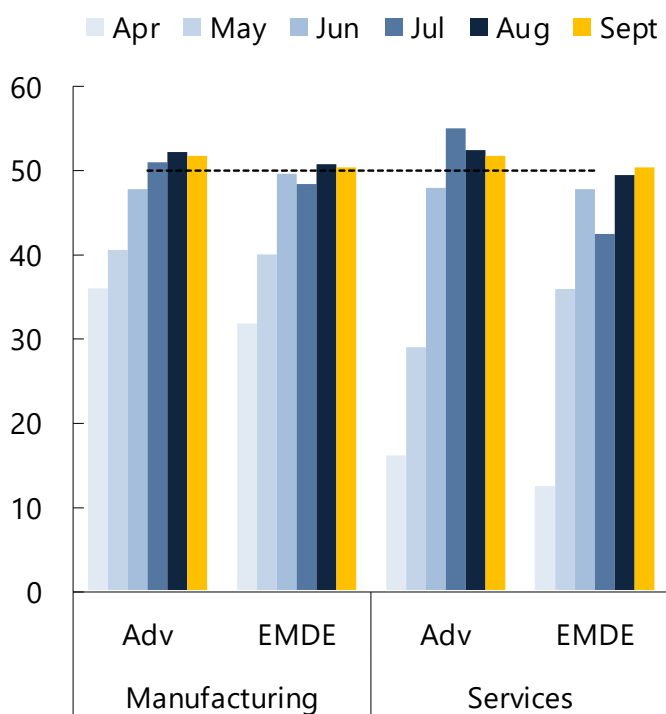


Sources: Ourworldindata Organization; OxCGRT; and IMF staff calculations.

Recovery underway but signs of setbacks

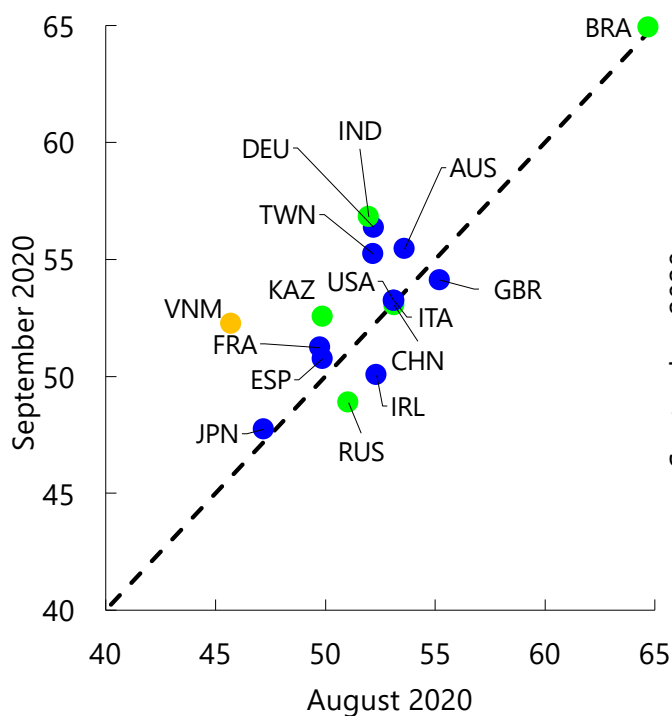
PMIs

(median; index; >50 = expansion; sa)



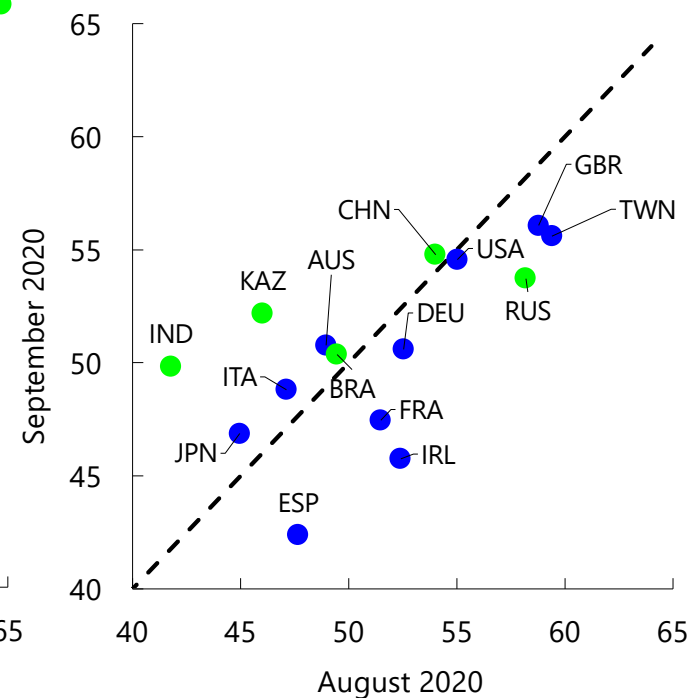
PMI manufacturing

(index; >50 = expansion; sa)



PMI service

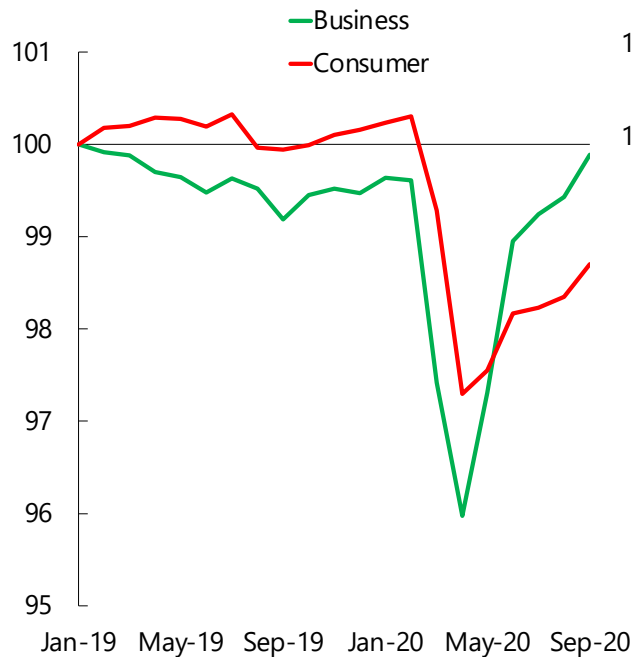
(index; >50 = expansion; sa)



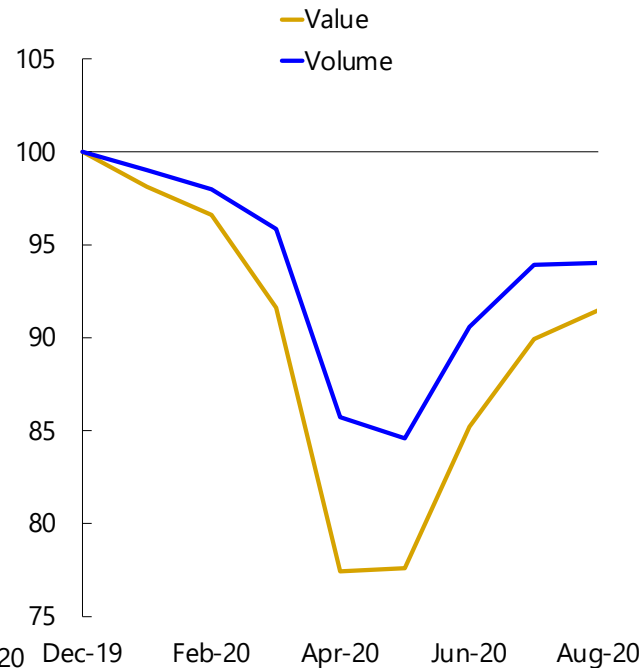
Sources: IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; and IMF staff calculations.

Uneven recovery of sentiments and trade

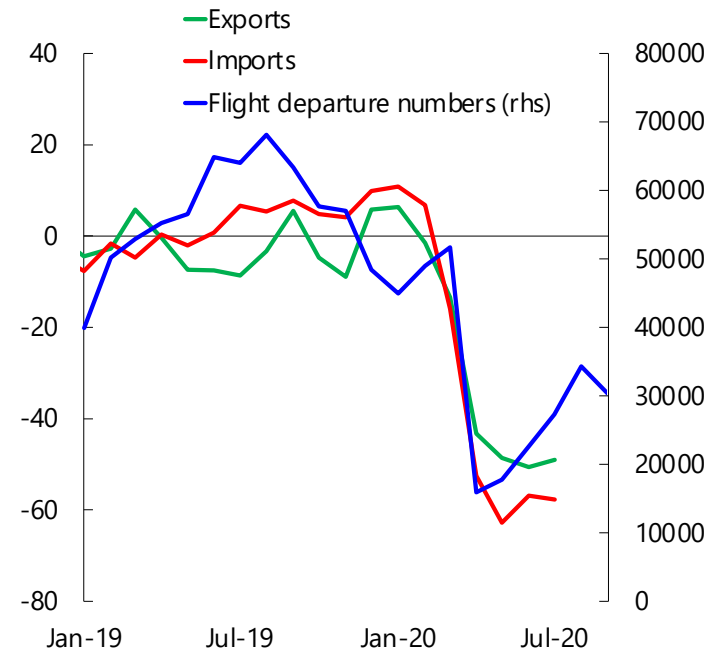
Global business and consumer sentiments 1/
(index; Jan 2019 = 100)



World: Merchandise imports 2/
(index; Dec 2019 = 100)



World: Service trade and international flight departure
(y/y; unless otherwise noted)



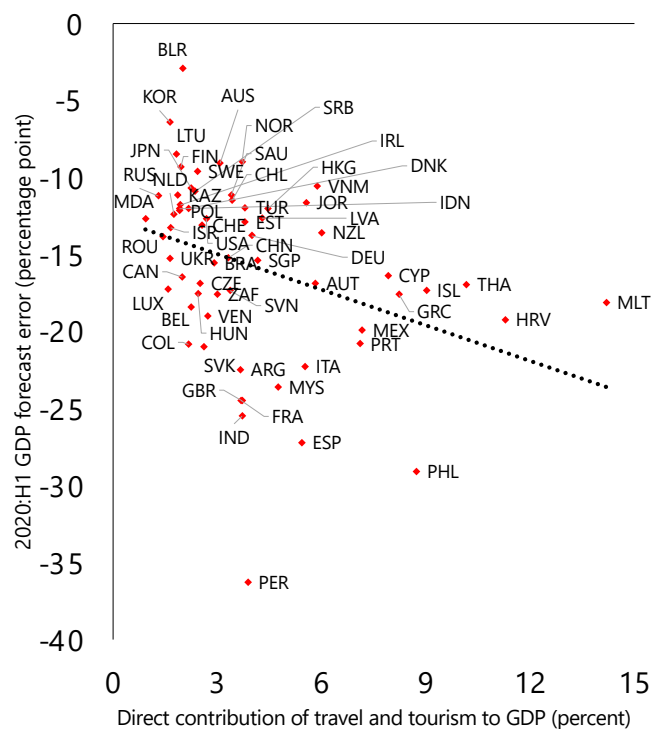
Sources: CPB World Trade Monitor; national authorities; Flightradar24; Haver Analytics; IMF, *World Economic Outlook*; IMF staff calculations.

1/ Business sentiment in manufacturing consist of AUS, CAN, EUR, GBR, KOR, JPN, SWE, USA, BRA, CHN, CZE, MEX, RUS, POL, THA, TUR, ZAF. Consumer sentiment consist of AUS, EUR, GBR, JPN, NZL, SWE, USA, ARG, BRA, CHN,CZE, IDN, KOR, MEX, POL, THA, TUR, TWN.

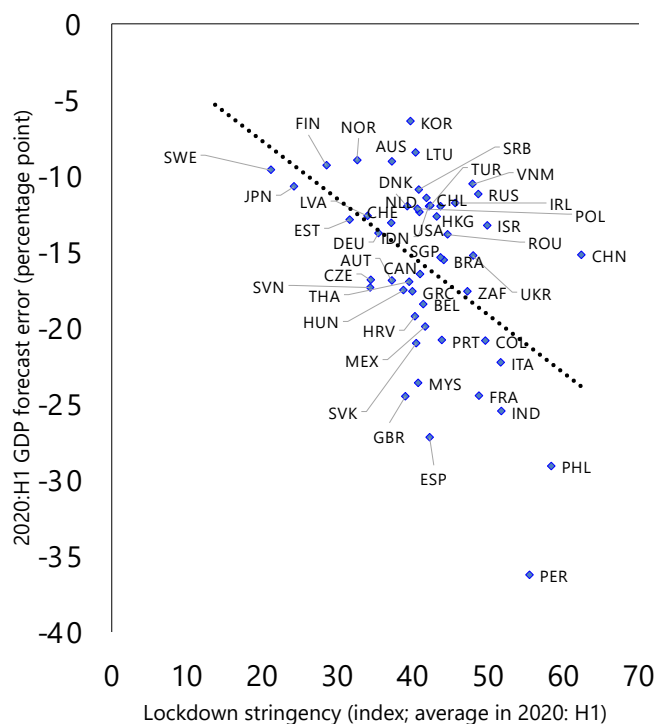
2/ July 2020 data based on CPB; August data in value based on national sources (customs) from reporting countries (resp. 84% of world trade).

Growth outturn affected by lockdown, social distancing and size of tourism sector

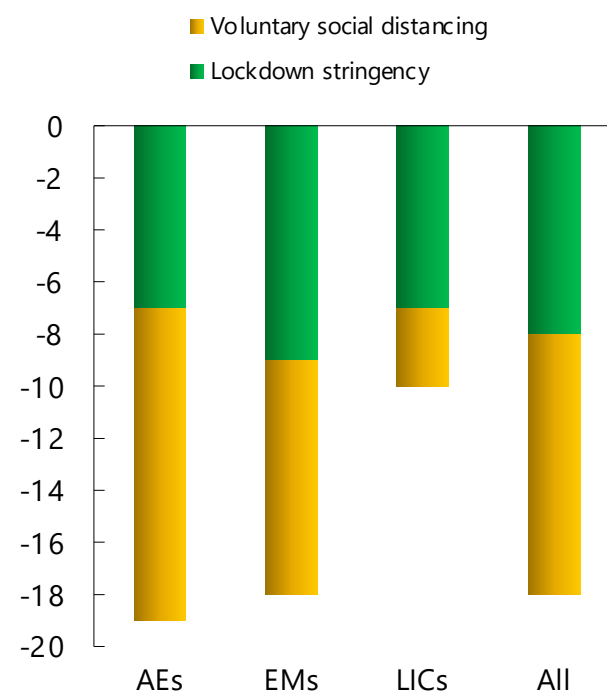
GDP forecast errors in 2020H1 and tourism contribution 1/



GDP forecast errors in 2020H1 and lockdown stringency 1/



Impact on mobility during 90 days after 1st case (percent)

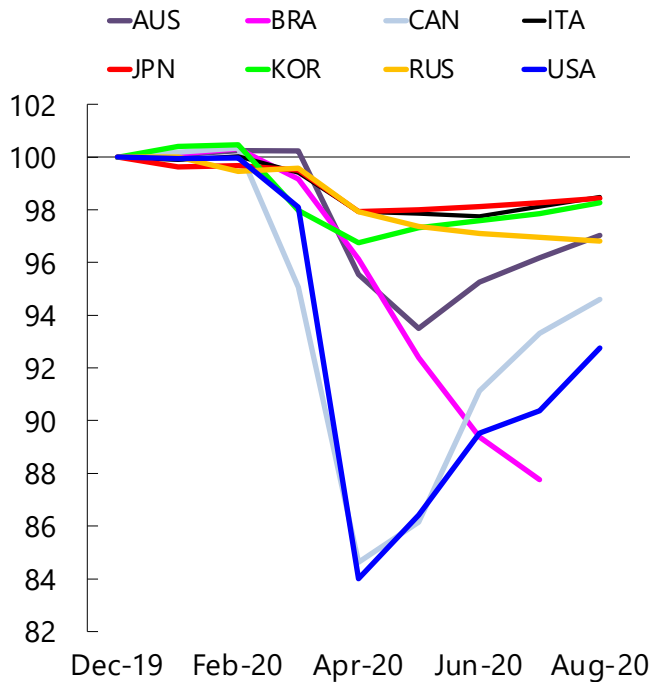


Sources: IMF, *World Economic Outlook*; UNESCO; IMF staff calculations.

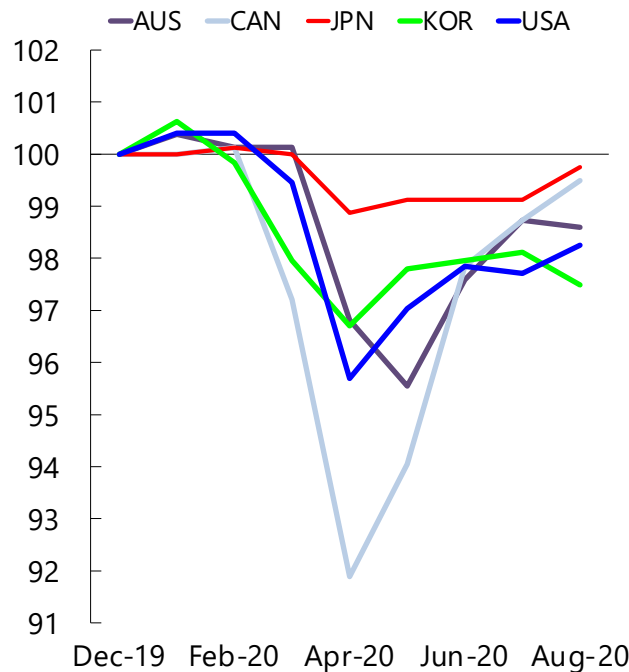
1/ GDP forecast errors are defined as the deviations from January *WEO* projections for the first half of 2020 (2020:H1).

Labor market conditions remain weak

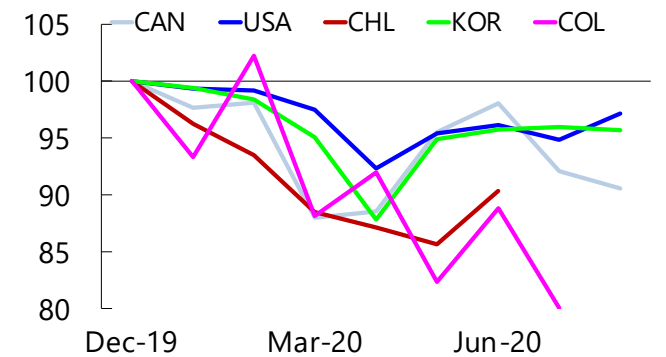
Total employment
(index; Dec. 2019=100)



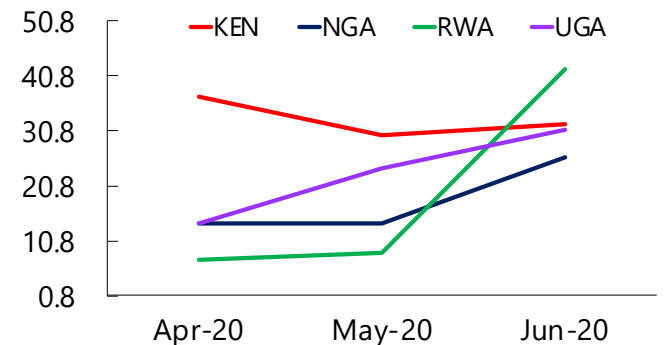
Labor force participation
(index; Dec. 2019=100; 15 to 64 Years; sa)



Mean weekly hours worked per employee
(index; Dec. 2019=100)



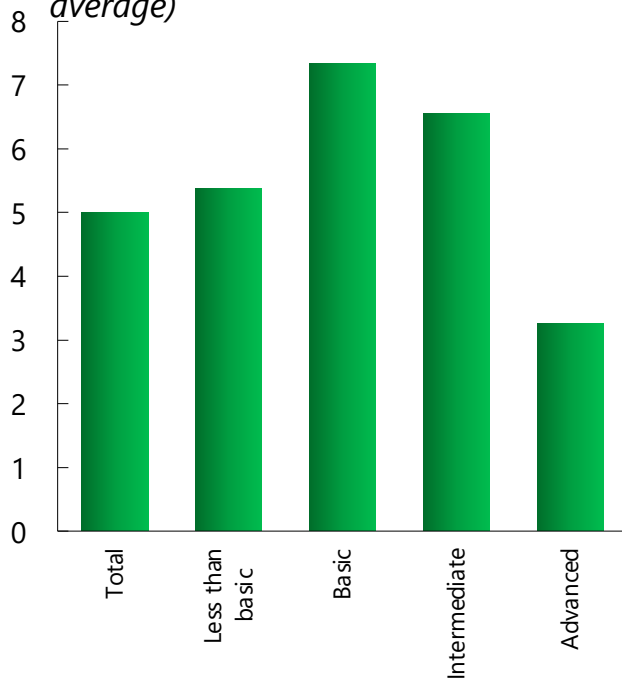
AFR: weekly hours worked per employee
(average hours)



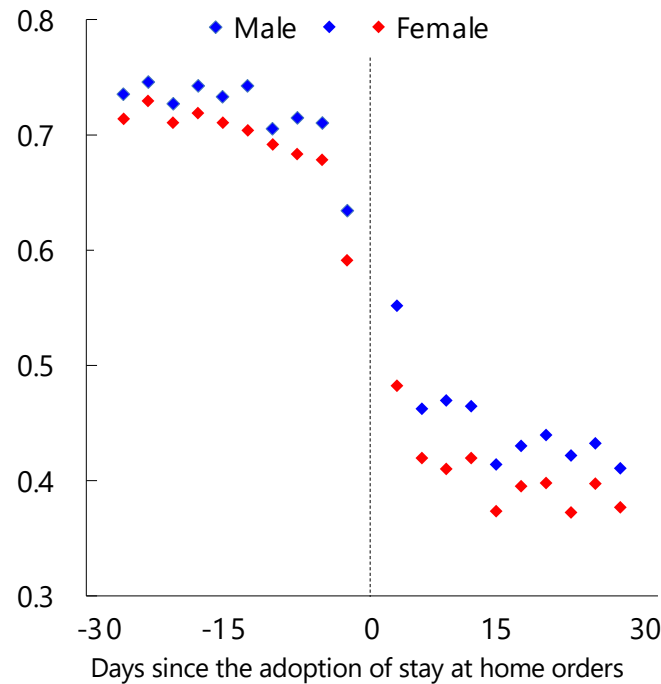
Sources: IMF, Global Data Source; ILO; <https://covid19tracker.Africa>; Haver Analytics; and IMF staff calculations.

Low and middle-skilled, and women, more adversely impacted

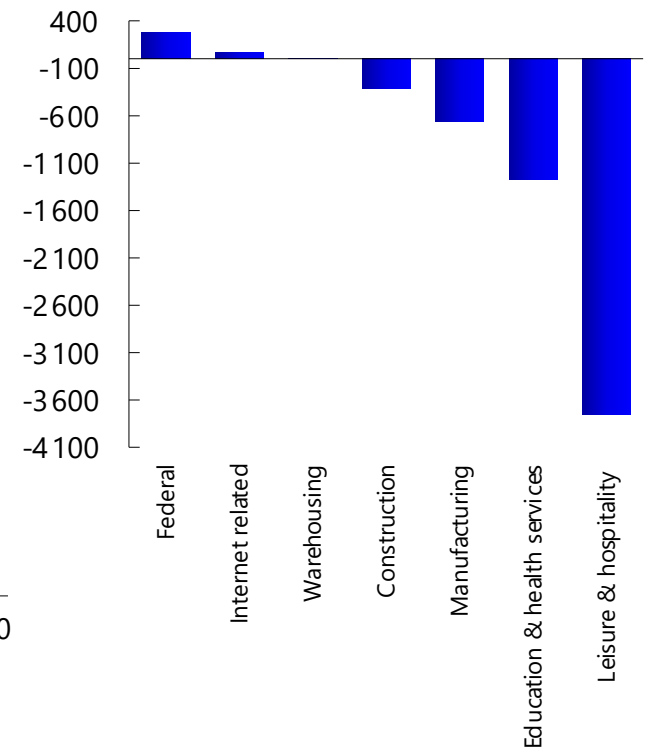
Change in unemployment rate by education 1/
(percentage points, 2020Q2 vs 2019Q4; average)



Impact of stay at home orders 2/
(percent of people moving age 25-44; estimates based on a linear interacted model)



US: Sectoral employment change 3/
(change in thousands; Sep 2020 vs Dec 2019)



Sources: ILO; Vodafone; WEO 2020 Chapter 2 and IMF staff calculations.

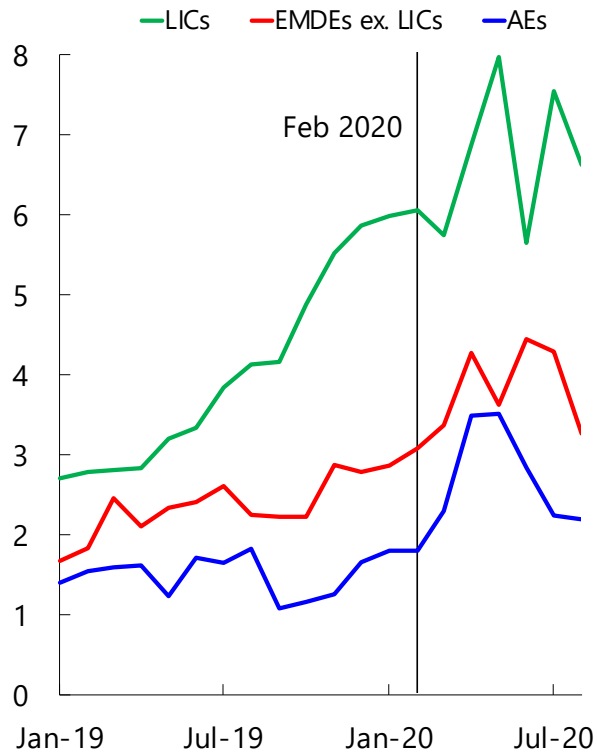
1/ Consist of Canada, Korea, Mexico and United States.

2/ Based on Vodafone data for Italy, Portugal and Spain. Binned scatter plots around the time of stay-at-home orders introduction. The series are residualized with respect to province and day-of-the-week fixed effects.

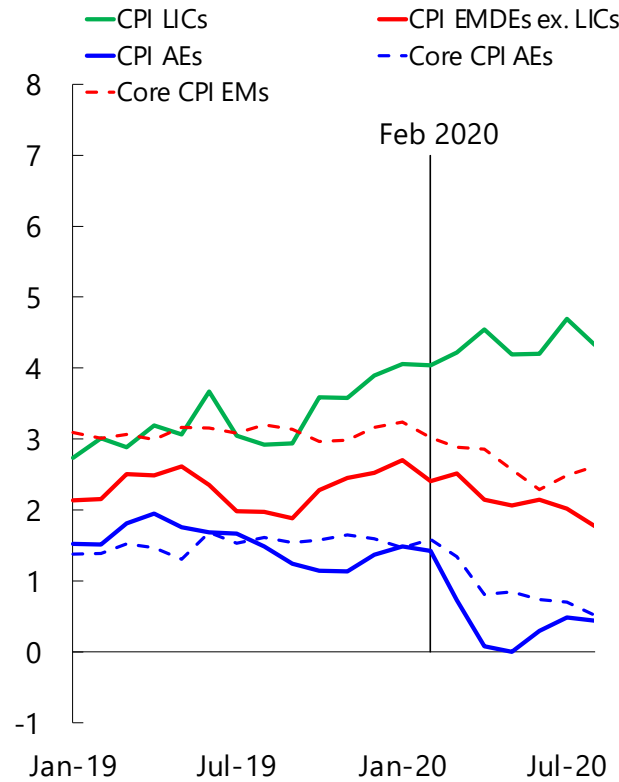
3/ Federal and Internet related is displaying Aug 2020 vs Dec 2019 due to data availability.

Inflation continues to fall in most countries

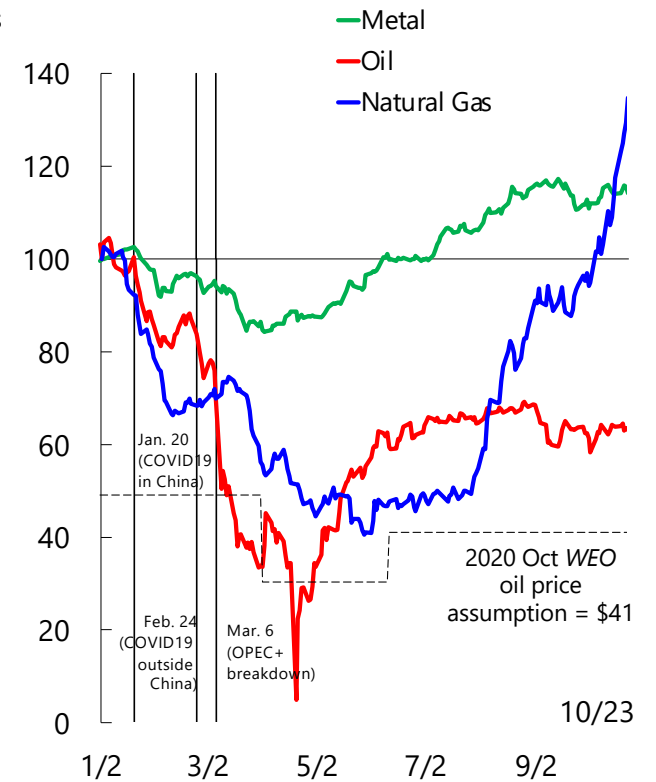
Food price inflation
(percent; yoy; median)



Consumer price inflation
(percent; yoy; median)



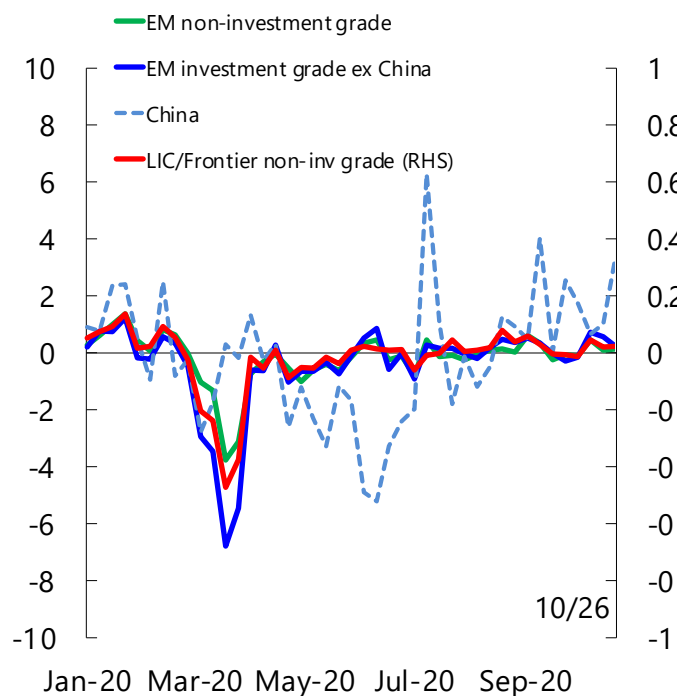
Commodity prices
(Jan 2, 2020 = 100)



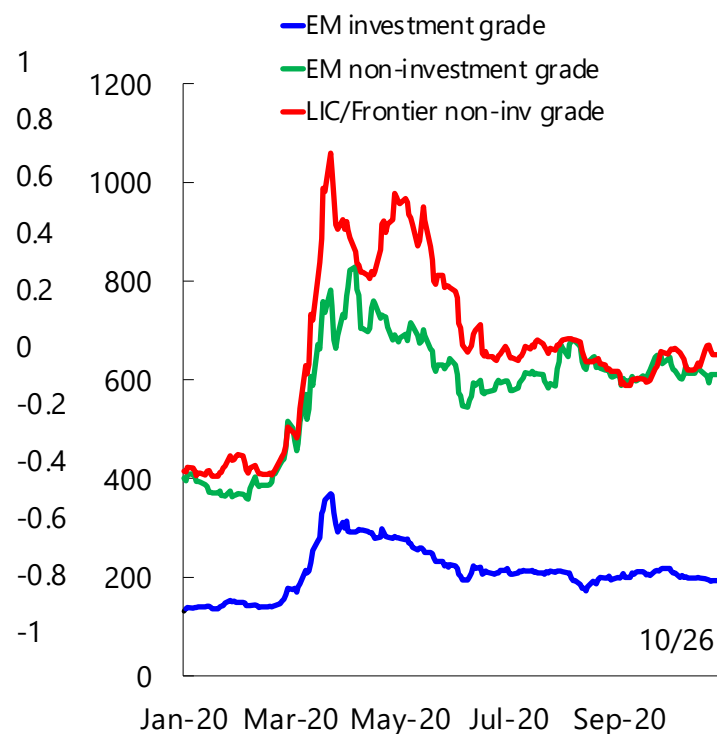
Sources: IMF, *Global Data Source*; IMF *STA CPI Database*; IMF, *Commodity database*; and IMF staff calculations.

Policies eased overall financial conditions with country differentiation

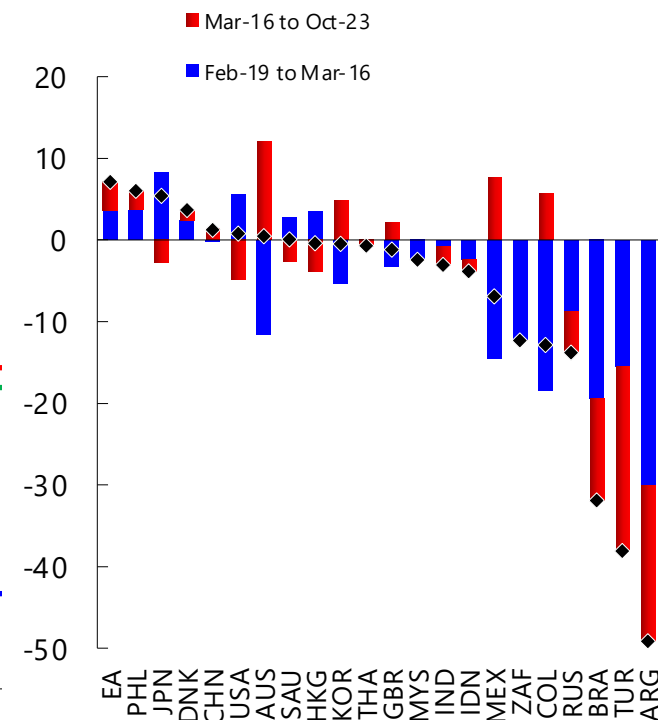
Emerging Markets: Portfolio flows 1/
(US\$ billions; EPFR)



EMBIG spread 2/
(bps; median)



Currency movements
(cumulative NEER in percent)



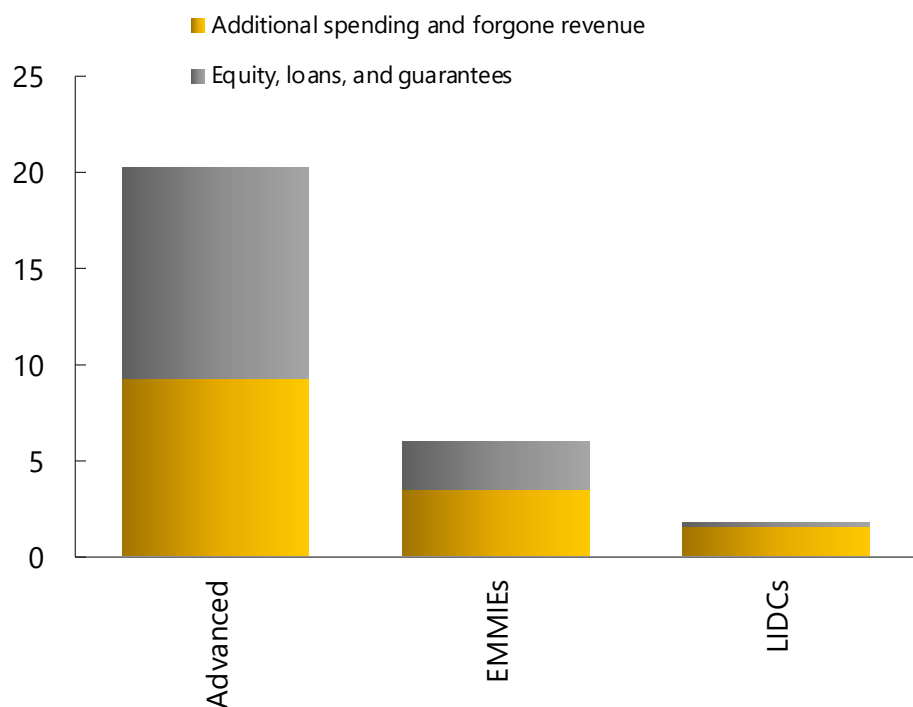
Sources: EPFR; IMF, *Global Data Source*; and IMF staff calculations.

1/ All available emerging and LIC countries in EPFR.

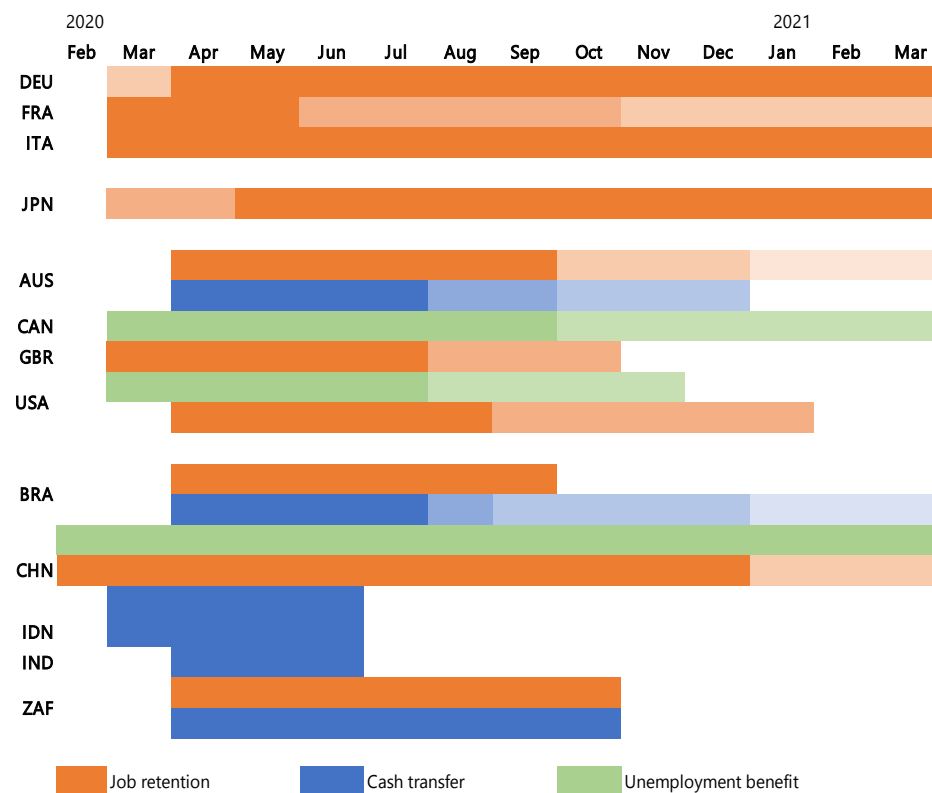
2/ EM investment grade: China, India, Indonesia, Malaysia, Chile, Mexico, Hungary, Poland, and Russia. EM non-investment grade: Brazil, Argentina, Turkey, Egypt, South Africa. LIC/ Frontier non-investment grade: Nigeria, Zambia, Ghana, Kenya, and Vietnam.

Fiscal support put a floor on contraction but in some countries fading out of income support could halt the nascent recovery

Announced fiscal measures
(percent of GDP)



Duration of income support measures by country 1/
(months)



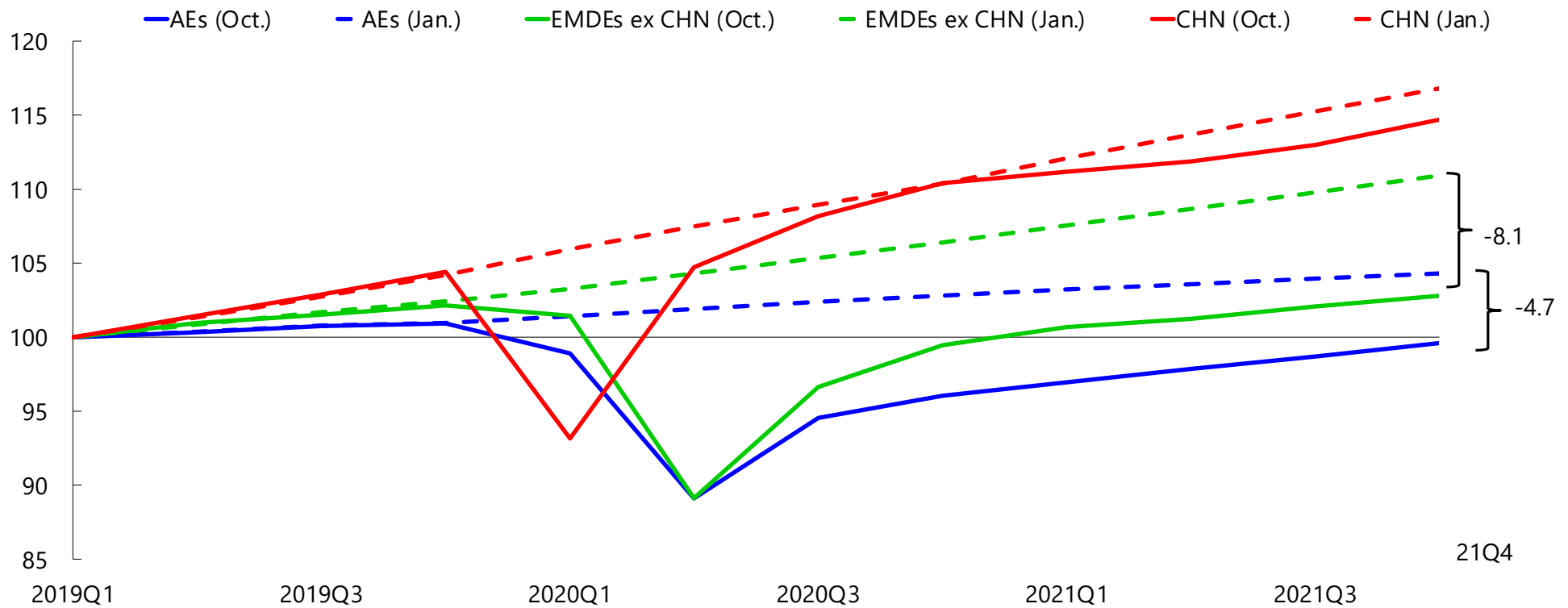
Sources: IMF, *Fiscal Monitor*; and IMF staff calculations.

1/ Cash transfer includes economic support payment, income supplement, food and electricity subsidies, social and distress grants, and emergency aid programs to households.

Partial recovery, Growing Divergence

Real GDP forecast, 2019-2021

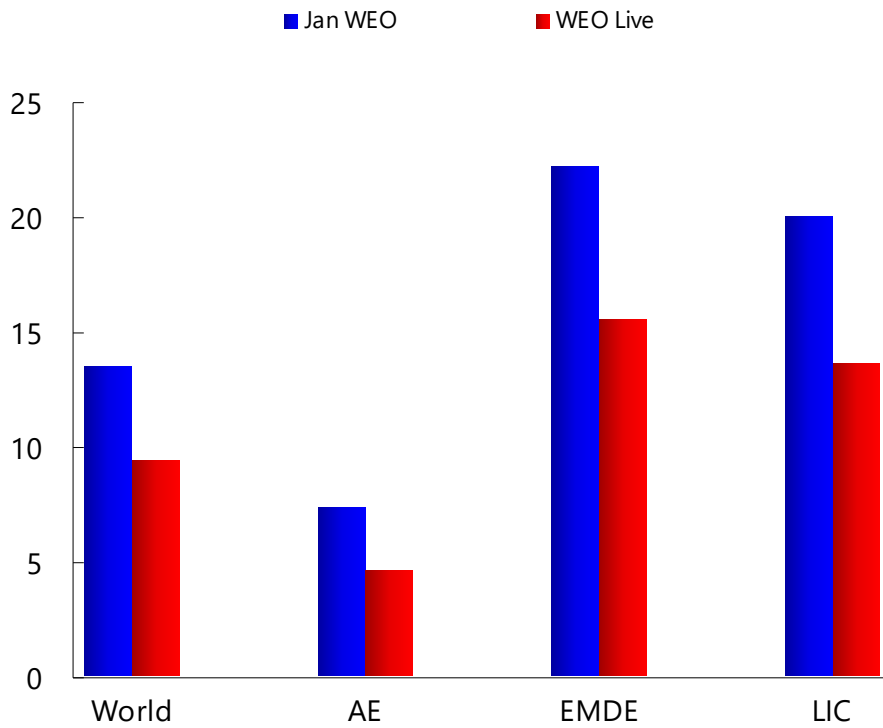
(index; 2019Q1=100)



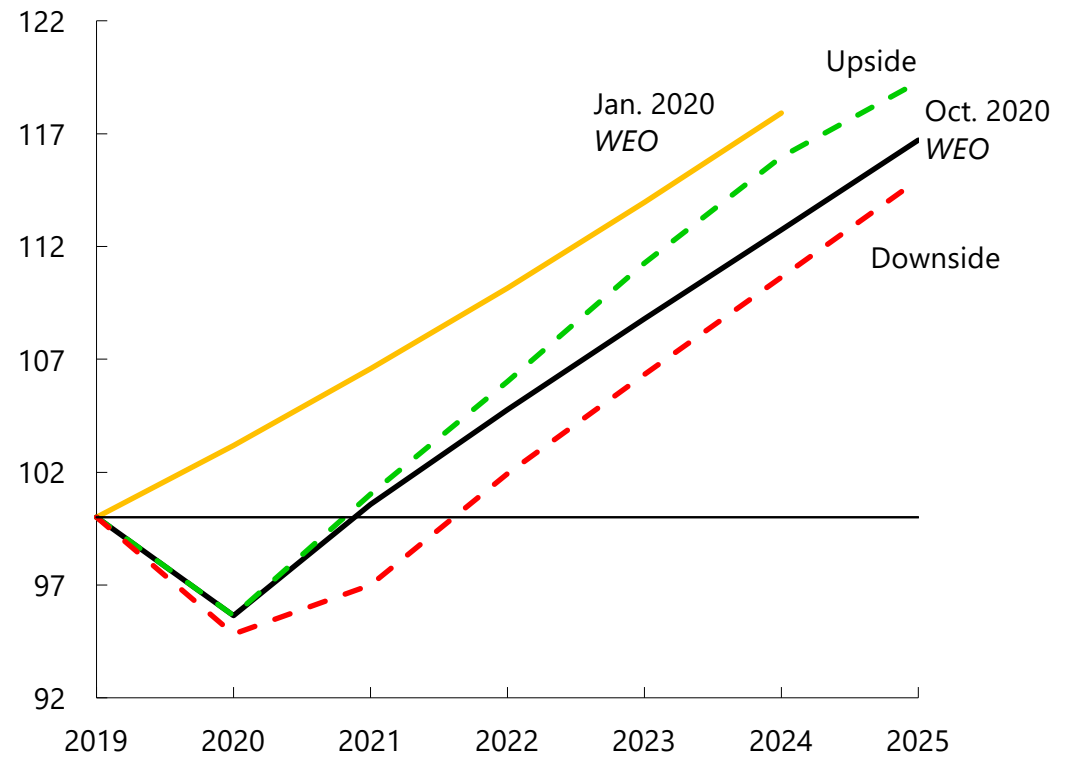
Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

Medium-term growth and alternative scenarios

Per capita GDP, cumulative growth 2019-25
(percent)



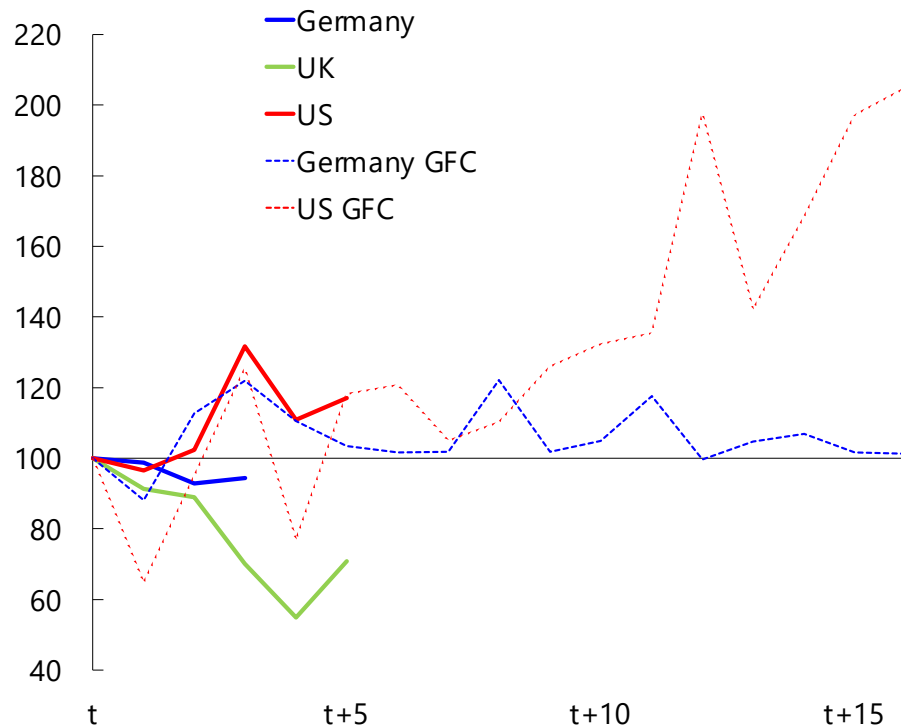
Global: Real GDP path, 2019-2025
(index; 2019 Real GDP normalized to 100)



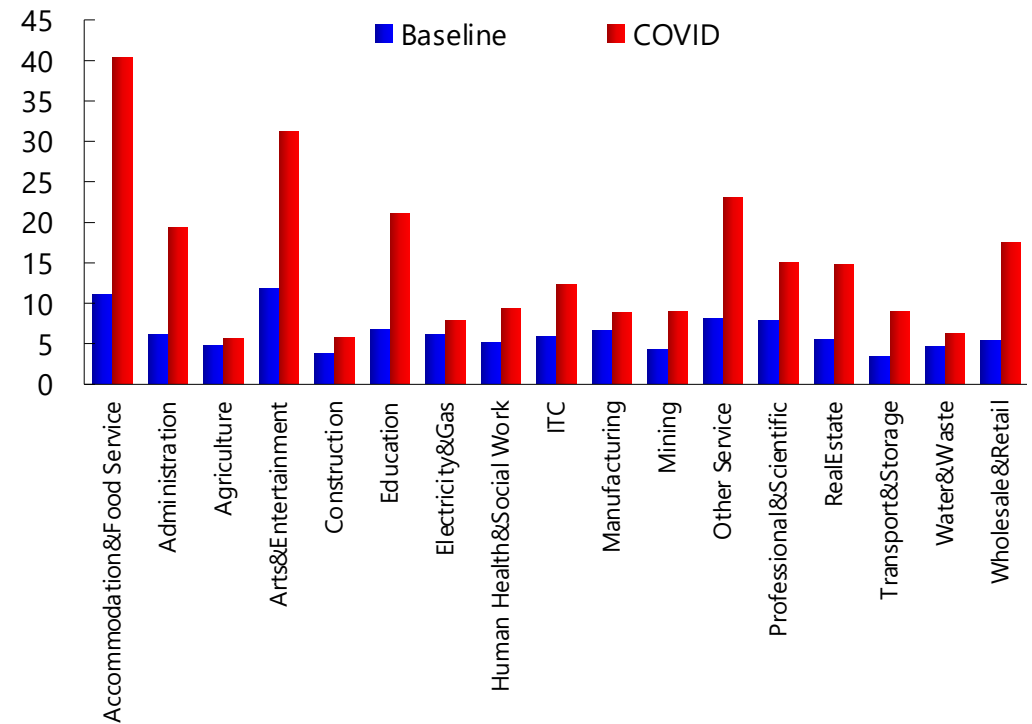
Sources: IMF, *World Economic Outlook*; and IMF staff estimates.

Risk of bankruptcies and jobs-at-risk

Bankruptcy filing 1/
(index; total commercial filings)



SME Job at risk 2/
(percent of private SME)



Sources: American Bankruptcy Institute; United Kingdom Insolvency Service; Germany Federal Statistics Office; CEIC; IMF VE database; and IMF staff calculations.

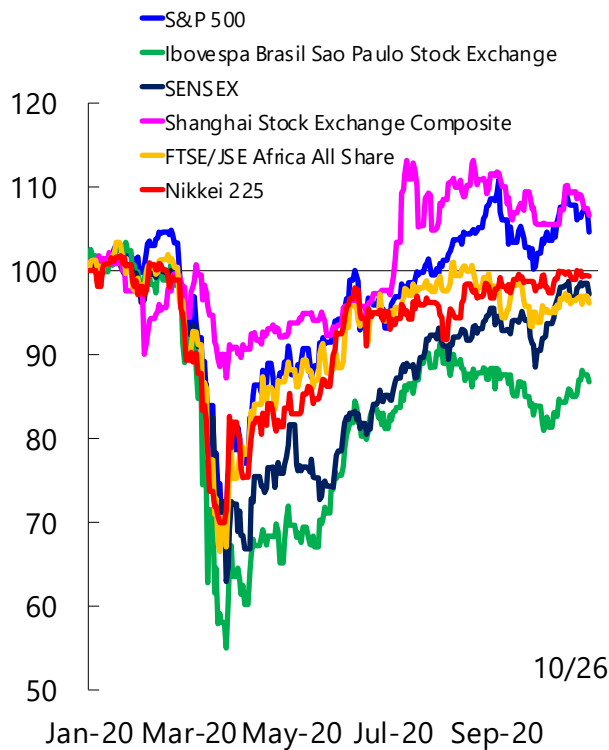
1/ US data only covers Chapter 11 filings.

2/ The share of SME jobs-at-risk are computed using the employment information firms with less than 250 employees from ORBIS database which covers 21 countries that are projected to face negative cash or negative equity at the end of 2020. The projections use the methodology developed by Gourinchas et al (2020).

Risk of financial market reversal, geopolitical tension and debt distress

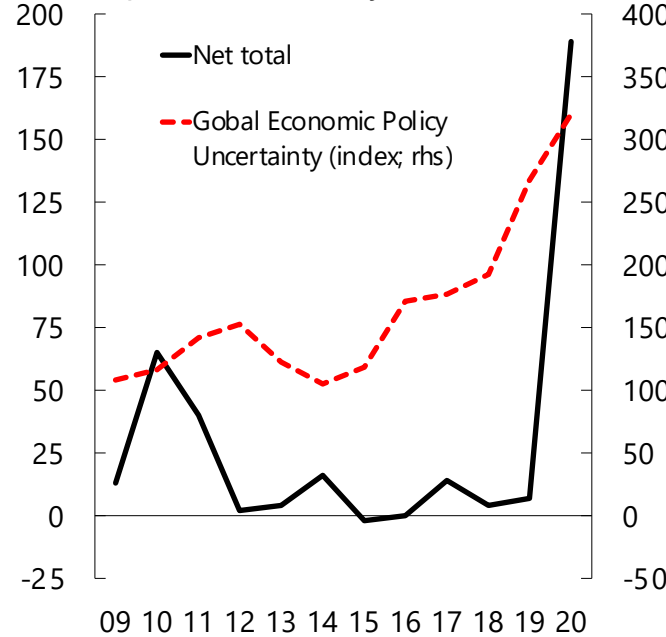
Equity market index

(Jan. 1, 2020=100)



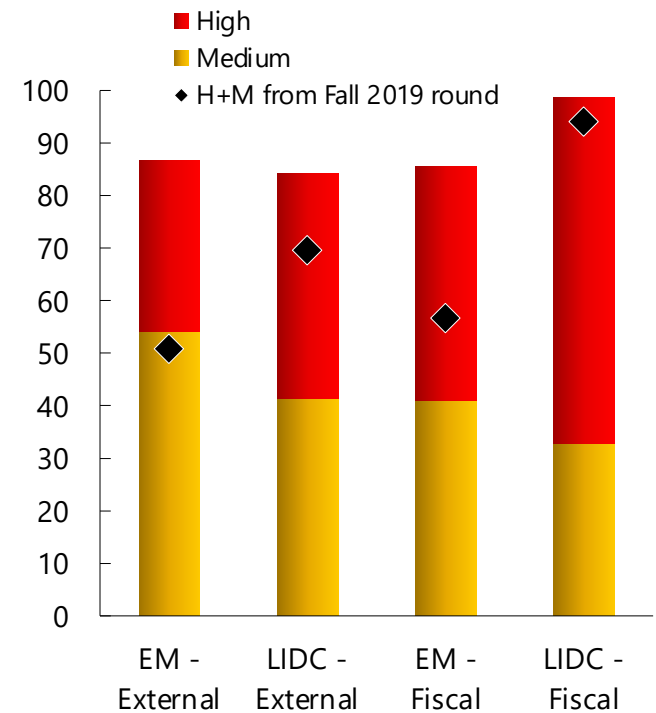
Trade restriction and policy uncertainty

(net; difference between the number of harmful and liberalizing interventions implemented each year)



EM and LIDC: External and fiscal vulnerabilities

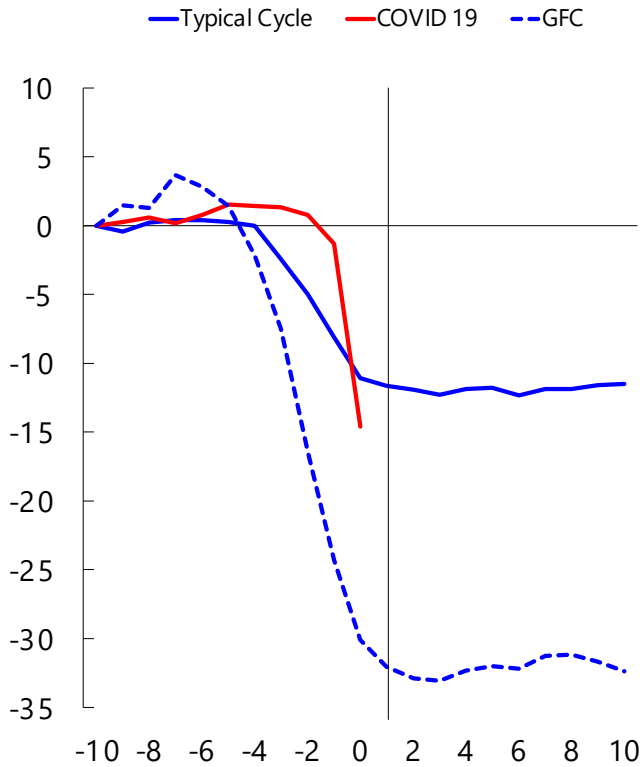
(percent of total countries)



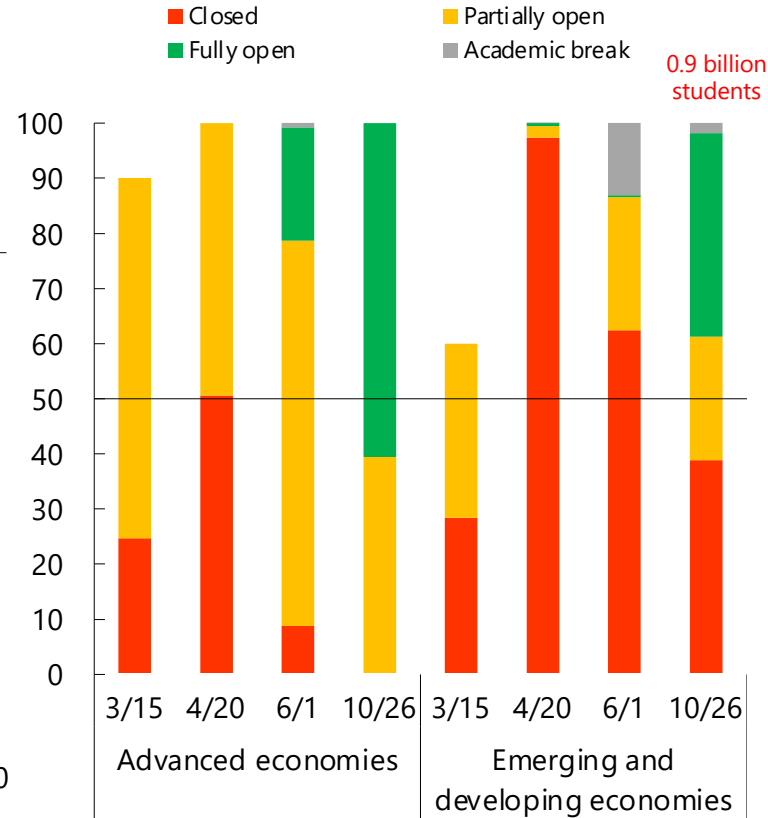
Sources: Bloomberg, L.P.; Global Trade Alert; IMF VE database and IMF staff calculations.

And prolonged weakness in investment and loss of human capital

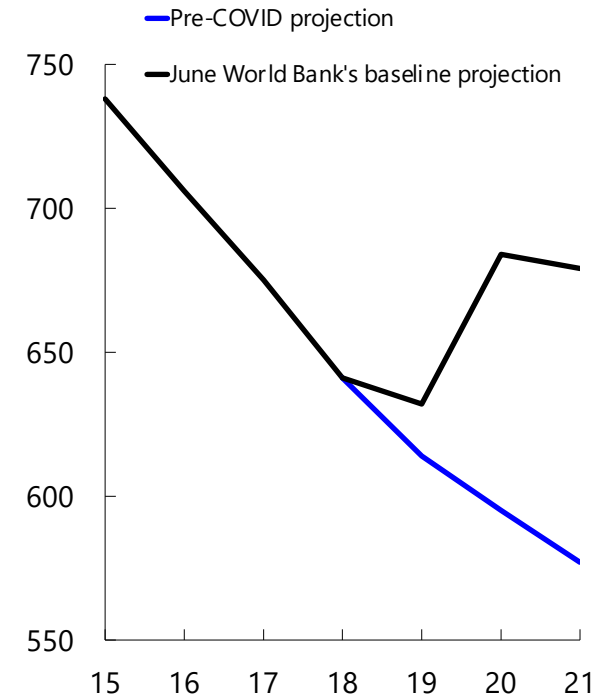
Gross fixed capital formation 1/
(percent deviation from pre-crisis trend)



School closures and enrollment
(percent of students)



The impact of COVID-19 on global extreme poverty 2/
(millions of people in extreme poverty)



Sources: IMF, *World Economic Outlook*; UNESCO; World Bank; IMF staff calculations.
 1/ The typical cycle is based on 170 recession episodes from 1960s to 2006.
 2/ Extreme poverty is measured as the number people living on less than \$1.9 per day.