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Overview: Outlook darkens as coronavirus spreads

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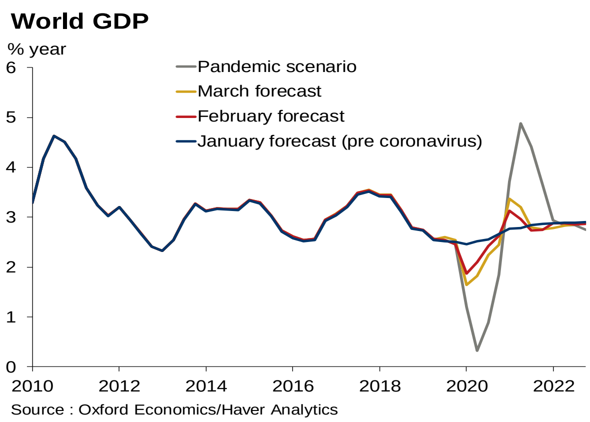
The spread of the coronavirus has led us to cut our 2020 world GDP growth forecast further, from 2.3% to 2.0%…

- **What began as a supply shock in China has morphed into something much more serious. The effects of financial market weakness and the disruption to daily life around the world will trigger lower consumer spending and investment on top of the disruptions to the global supply chain. We now expect global GDP growth to slow to 2.0% this year from 2.6% in 2019, before picking up to 3.0% in 2021. But a global pandemic would lead to a far bigger slowdown this year.**
- China seems to have made progress in containing the spread of the coronavirus, but the slow return to business as normal has prompted us to cut year-on-year GDP growth in Q1 from 3.8% to 2.3%, the weakest in decades. But we expect a healthy growth rebound in Q2 which will also provide Asian economies with a lift.
- It is isolation policies not infection rates that determine the economic impact. Outbreaks around the world are leading authorities to announce a growing list of measures to curb the virus spread. At a global level any Q2 rebound will thus be small at best. We expect investment in the advanced economies as a whole to contract on a year-on-year basis in Q2 for the first time since the global financial crisis, while annual household spending growth may slow to its lowest since the eurozone crisis.
- Our baseline assumes that the global economy will return to business as usual in Q3 and that some catch-up will result in robust H2 GDP growth. Combined with favourable base effects in early-2021, this is expected to result in world GDP growth averaging about 3% in 2021.
- Since January, we have cut our 2020 global GDP growth forecast by a hefty 0.5pp. But larger revisions may be required if the disruption triggered by shutdowns and other responses to coronavirus proves longer than we assume currently or if more draconian actions are needed in the event of a global pandemic. Our scenarios suggest that the latter could push the global economy into a deep recession.

…but a global pandemic, which we assume is avoided, would trigger a deep global recession



Lower growth in China and knock-on effects elsewhere mean we now expect global GDP growth to slump to 1.9% in Q1 and just 2.0% in 2020 overall, down from 2.6% last year.

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