

## HIGHLIGHTS from Box 1.1: How Deep Will the COVID-19 Recession Be?

### Key Points

- *The COVID-19 global recession is projected to be the deepest since World War II, with the largest fraction of economies experiencing declines in per capita output since 1870.*
- *Output of emerging market and developing economies (EMDEs) is expected to contract in 2020 for the first time in at least sixty years.*
- *Global growth forecasts have been revised down more steeply and rapidly during the COVID-19 recession than in any other recession since at least 1990.*
- *Since further downgrades may be in store as forecasters absorb new information about the pandemic evolution, additional policy support measures may be needed in the coming months.*

**Deepest global recession since World War II.** The global economy has experienced 14 global recessions since 1870: in 1876, 1885, 1893, 1908, 1914, 1917-21, 1930-32, 1938, 1945-46, 1975, 1982, 1991, 2009, and 2020 (Figure 1.A). Current projections suggest that the COVID-19 recession will involve a decline in global per capita GDP by 6.2 percent, making it the deepest global recession since 1945-46, and more than twice as deep as the recession associated with the global financial crisis.

**Highest synchronization of national recessions since 1870.** Current forecasts suggest that, in 2020, the highest share of economies will experience contractions in annual per capita GDP since 1870. The share of economies in recession will be more than 90 percent, even higher than the proportion of about 85 percent of countries in recession at the height of the Great Depression of 1930-32 (Figure 1.B).

**First output contraction in EMDEs since 1960.** In EMDEs, per capita output growth will decline by 3.6 percent. EMDEs will also mark their first output contraction, by 2.5 percent, in at least the past sixty years. Current projections indicate that all regions will experience sharp growth downturns, and five out of six regions are projected to fall into outright recession. Advanced economies are expected to experience a 7 percent drop in output.

**Sharpest contraction in multiple indicators in six decades.** In 2020, many indicators of global activity are expected to register the sharpest contractions in six decades (Figures 1.C and 1.D). Most notably, the COVID-19 shock has led to a near sudden stop in a large swath of services. Global trade and oil consumption will likely see record drops this year.

**Fastest and steepest downgrades in growth forecasts.** The COVID-19 recession has seen by far the fastest and steepest downgrades in global growth forecasts among all the global recessions for which the consensus forecast data are available (Figure 1.E). The speed and magnitude of growth forecast downgrades have also been unprecedented in both advanced economies and EMDEs, even compared to those during the 2009 global recession.

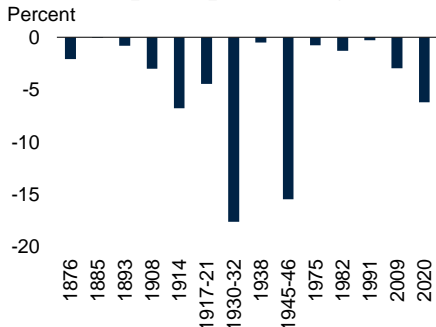
**Heightened uncertainty surrounding growth forecasts.** The COVID-19 recession has seen a record increase in uncertainty surrounding global growth forecasts, measured by the dispersion of individual forecasts, since April (Figure 1.F). If the future trajectory of forecasts follows the typical pattern and worldwide uncertainty remains elevated, there may well be further downgrades in global growth in coming months. As such, further policy measures to support activity, in addition to the large-scale initiatives already introduced, may be needed in the coming months.

# Global Economic Prospects

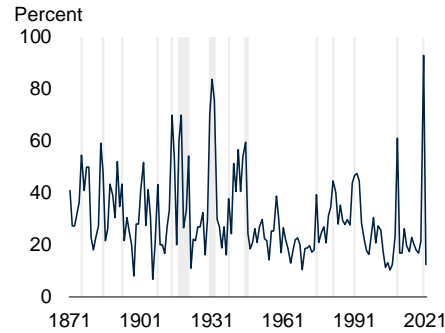
## Figure 1. The COVID-19 recession and global growth

Since 1870, the global economy has experienced 14 global recessions. The COVID-19 global recession will be the fourth deepest during this period and the most severe since the end of World War II. It is expected to involve per capita output contractions in an unprecedentedly high share of countries and the sharpest deterioration in multiple measures of economic activity. The COVID-19 recession has seen the fastest and steepest downgrades in growth projections. Uncertainty around global growth forecasts has increased sharply as the health crisis has intensified over the past three months.

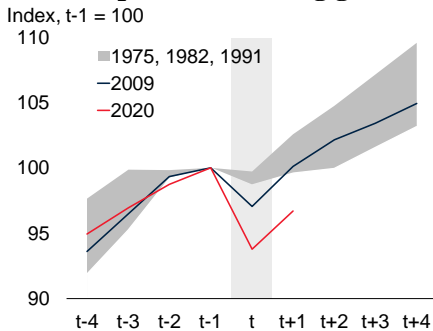
### A. Global per capita GDP growth



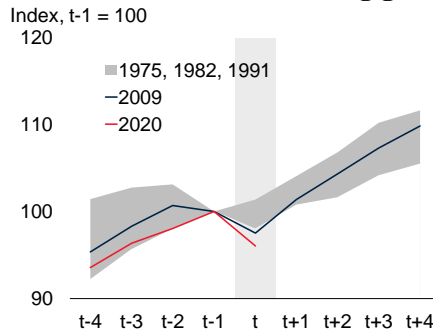
### B. Economies in recession



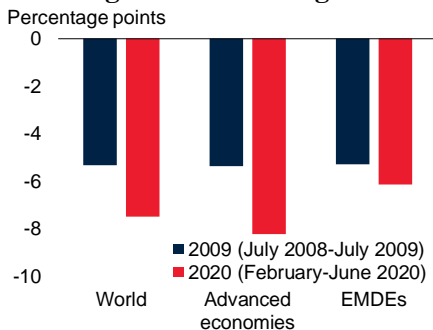
### C. Per capita GDP during global recessions



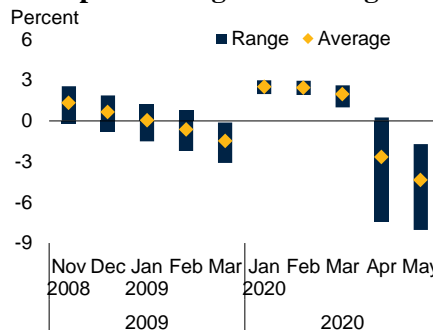
### D. Retail sales volume during global recessions



### E. Changes in consensus growth forecasts



### F. Dispersion of global GDP growth forecasts



Source: Bolt et al. (2018); Consensus Economics; Haver Analytics; Kose, Sugawara, and Terrones (2019, 2020); Organisation for Economic Co-operation and Development; World Bank.

A.B. Data for 2020-21 are forecasts.

A. For multi-year episodes, the cumulative contraction is shown. The per capita growth contraction in 1885 was less than -0.1 percent.

B. Figure shows the proportion of economies in recession, defined as an annual contraction in per capita GDP. Sample includes 183 economies, though the sample size varies significantly by year. Shaded areas refer to global recessions.

C.D. Year “t” denotes the year of global recessions (shaded in light gray). The darker shaded area refers to the range of the three global recessions—1975, 1982, and 1991—with available data. Variables are index numbers equal to 100 one year before year “t” (i.e., t-1 = 100). Retail sales for 2020 are based on data for the first quarter and shown as a year-on-year percent change.

E. Changes in consensus growth forecasts for 2009 and 2020, in percentage points. For 2009, changes represent differences in forecasts between July 2008 and July 2009 (based on the monthly surveys). For 2020, changes represent differences in forecasts between February 18, 2020, and June 1, 2020. Growth is computed each business day as a moving average of the latest revised forecasts.

F. Consensus global growth forecasts for 2009 and 2020 in denoted months. Ranges show the minimum-maximum of growth forecasts.