The COVID-19 pandemic and the economic shutdown in advanced economies and other parts of the globe have disrupted billions of lives and are jeopardizing decades of development progress.

This edition of the Global Economic Prospects assesses the impacts of the pandemic and analyzes possible courses and outcomes. It presents clear actions needed by the global community and national policymakers—to limit the harm, recover, and rebuild better and stronger than before.

The report describes a global economy suffering a devastating blow. Our baseline forecast envisions the deepest global recession since World War II. The report also includes an exhaustive analysis of the outlook for emerging market and developing economies, many of which are now fighting on two fronts—containing the domestic outbreak and its consequences while coping with the economic spillovers from the deep recessions in advanced economies.

Looking a layer deeper, the report investigates the depth and breadth of the economic and humanitarian storm. The COVID-19 recession is the first since 1870 to be triggered solely by a pandemic. The speed and depth with which it has struck suggests the possibility of a sluggish recovery that may require policymakers to consider additional interventions. For many emerging market and developing countries, however, effective financial support and mitigation measures are particularly hard to achieve because a substantial share of employment is in informal sectors.

Beyond the staggering economic impacts, the pandemic will also have severe and long-lasting socio-economic impacts that may well weaken long-term growth prospects—the plunge in investment because of elevated uncertainty, the erosion of human capital from the legions of unemployed, and the potential for ruptures of trade and supply linkages.

The World Bank Group is committed to helping alleviate financing breakdowns from the COVID-19 crisis in ways that work toward a more resilient recovery. Some examples include expanding and increasing the coverage of safety net programs, providing trade finance, and supporting the working capital needs of small and medium-sized enterprises. In the broad COVID-19 response for the poorest nations, World Bank Group resources are being scaled up dramatically and debt service payments by official bilateral creditors were suspended on May 1, with comparable treatment expected by commercial creditors.

Yet these steps toward financing and liquidity will not be enough. Even before the pandemic, development for people in the world’s poorest countries was slow to raise their incomes, enhance living standards, or narrow inequality. The pandemic and economic shutdown in advanced economies and elsewhere are hitting the poor and vulnerable the hardest – through illnesses, job and income losses, food supply disruptions, school closures and lower remittance flows.

Thus, policy makers face unprecedented challenges from the health, macroeconomic and social effects of the pandemic. To limit the harm, it is important to secure core public services, maintain a private sector and get money directly to people. This will allow a quicker return to business creation and sustainable development after the pandemic has passed. During this mitigation period, countries should focus on targeted support to households and essential public and private sector services; and remain vigilant to counter potential financial disruptions.

During the recovery period, countries will need to calibrate the withdrawal of public support and should be attentive to broader development challenges. The Global Economic Prospects report discusses the importance of allowing an orderly allocation of new capital toward sectors that are productive in the new post-pandemic structures.
that emerge. To succeed in this, countries will need reforms that allow capital and labor to adjust relatively fast—by speeding the resolution of disputes, reducing regulatory barriers, and reforming the costly subsidies, monopolies and protected state-owned enterprises that have slowed development.

To make future economies more resilient, many countries will need systems that can build and retain more human and physical capital during the recovery—using policies that reflect and encourage the post-pandemic need for new types of jobs, businesses and governance systems.

Emerging market and developing economies are devoting more public resources to critical health care and support for livelihoods during the shutdown, adding to the urgency of their allowing and attracting more private sector investment. This makes the financing and building of productive infrastructure one of the hardest-to-solve development challenges in the post-pandemic recovery.

The transparency of all government financial commitments, debt-like instruments and investments is a key step in creating an attractive investment climate and could make substantial progress this year. Faster advances in digital connectivity are also necessary and should get a vital boost from the pandemic, which heightened the value of teleworking capabilities, digital information, and broad connectivity. Digital financial services are playing a transformative role in allowing new entrants into the economy and making it easier for governments to provide rapidly expandable, needs-based cash transfers.

This edition of the *Global Economic Prospects* describes a grave near-term outlook. The speed and strength of the recovery will depend on the effectiveness of the support programs governments and the international community put in place now; and, critically, on what policymakers do to respond to the new environment. The World Bank Group is committed to seeking much better outcomes for people in emerging market and developing countries, especially the poor. During the crisis, we call on policymakers to act fast and forcefully; our interventions should be no less powerful than the crisis itself.

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