



### Overview

- The COVID-19 outbreak, now officially a global pandemic, is severely affecting global economic activity.
- Stock market valuations and commodity prices have declined precipitously despite aggressive monetary easing.
- Incoming data show that China’s economic activity contracted sharply in February as a result of the outbreak, and other regions started being severely impacted in March.

### Chart of the Month

- Since late February, there have been substantially more new confirmed cases of the coronavirus originating outside China than within it.
- The number of confirmed coronavirus cases has stabilized at just over 80,000 in China, but continues to rise sharply in the rest of the world, approaching 900,000 by the end of March.
- Nearly every country in the world has reported domestic coronavirus cases. The countries with the largest number of active confirmed cases are the United States, Italy, Spain, Germany, France, and Iran.
- Countries have imposed wide-ranging measures to slow the spread of the coronavirus, ease the pressure on the health care system, and buy time for widespread testing to be rolled out so that chains of transmission can be broken.
- Containment measures include restrictions on domestic and international movement, school and retail closures, and bans on public gatherings.
- Policymakers have provided substantial stimulus as the economy has slowed. Central banks have aggressively cut policy rates and provided liquidity to financial markets. Fiscal policy stimulus measures are being announced and implemented in a growing number of countries.

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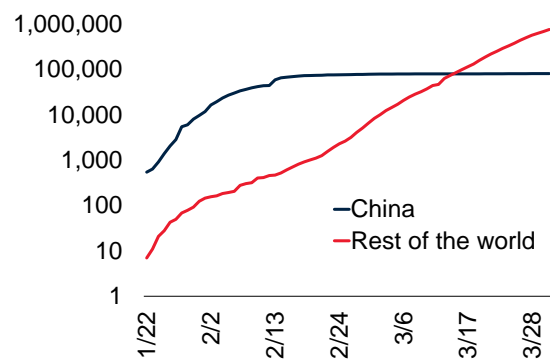
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### Confirmed coronavirus cases

Confirmed cases (log scale)



Source: Johns Hopkins University, World Bank.  
A. Last observation is March 31, 2020.

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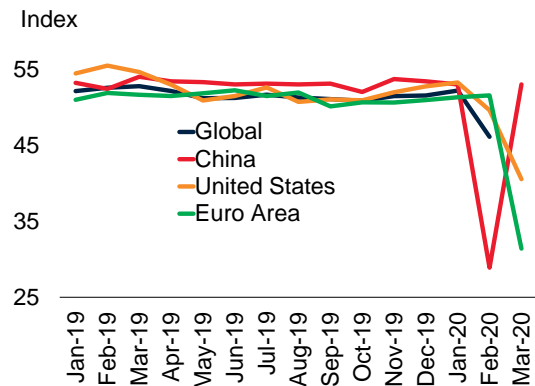
## Monthly Highlights

**Global growth: major disruptions.** The WHO has upgraded the designation of COVID-19 to a global pandemic, its highest category of outbreak. Global growth is facing major headwinds from disruptions in economic activity to stem the spread of the virus and a sharp rise in risk aversion that began in late February. Incoming data suggest that the scale of economic disruption is exceptionally severe. The global composite PMI fell by 6.1 points to 46.1 in February. This was the steepest single-month decline since October 2001, and brought the index to its lowest level since the 2009 global recession (Figure 1.A). The primary cause of the decline was the composite PMI for China, which plummeted from 51.9 to a record low of 27.5. In March, the index for China rebounded while composite PMIs for the Euro Area and the United States dropped sharply.

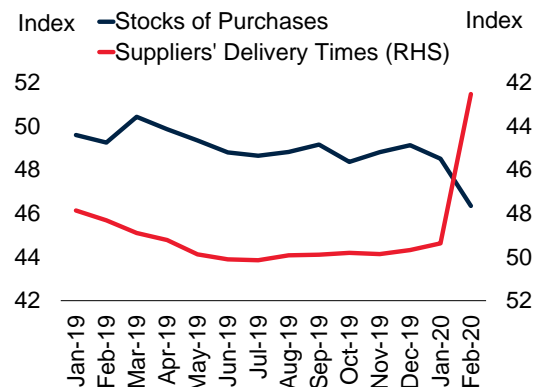
**Global trade: major disruption in international travel and supply chains.** Ports in China and around the world have experienced sharp declines in activity. PMI sub-indexes are pointing to impending problems with supply chains: manufacturers' stocks of purchases fell in February, while suppliers' delivery times rose sharply (Figure 1.B). A lack of inputs has already led to production cuts outside of China in some sectors, notably automobiles and electronics. The global spread of the virus has sharply curtailed global tourism and travel, amid travel restrictions and risk aversion of consumers globally. Daily passenger traffic in China fell more than 80 percent in February (y/y), and average daily visitor arrivals to Hong Kong were down 99 percent in the first few weeks of February (y/y).

**Global financing conditions: record falls in equities and treasury yields.** Global equity markets have fallen sharply as the coronavirus outbreak has accelerated globally, with a wide variety of companies downgrading earnings estimates on falling demand and supply chain disruptions. Only a week after reaching an all-time high, the S&P500 experienced its fastest decline in history, and currently stands about 25 percent below its recent peak (Figure 1.C). Stock markets in other countries have experienced declines of similar magnitude. Flight to safety flows pushed the yield of the benchmark 10-year U.S. Treasury below 1 percent for the first time ever on March 4th, while spreads on higher-risk debt have widened (Figure 2.A). Markets remain highly volatile, with the VIX volatility index tripling in March, on average. Central banks around the world have aggressively eased monetary policy and provided liquidity support to avoid shortages in credit markets. In a pair of emergency meetings, the Federal Reserve cut its policy interest rates to close to zero. It also announced that it would renew purchases of U.S. government debt, as well as short-term corporate debt, mortgage bonds, and that it would help money-market mutual funds raise cash to meet massive redemptions. To

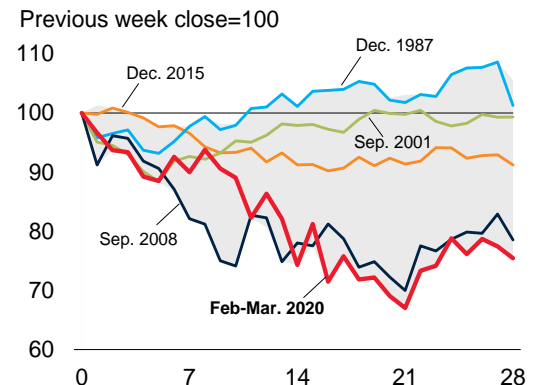
**FIGURE 1.A Composite PMIs for major economies**



**FIGURE 1.B Inventory sub-components of the global manufacturing PMI**



**FIGURE 1.C Latest weekly corrections of S&P 500 Index in historical perspective**



Source: Bloomberg; Haver Analytics; World Bank.

A. Figure shows the composite Purchasing Managers' Index (PMI). PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. Last observation is February 2020 for Global, and March for China, Euro Area, and the United States.

B. Figure shows the global stocks of purchases and the suppliers' delivery times PMI. For the stocks of purchases, PMI readings above 50 indicate expansion in economic activity; the suppliers' delivery times PMI readings above 50 indicate faster deliveries. Last observation is February 2020.

C. Shaded area indicates the range of 17 episodes from 1951 to 2020 when S&P 500 posted the largest weekly losses. Overlapping episodes are excluded. Preceding week closing value =100. Last observation is March 31st.



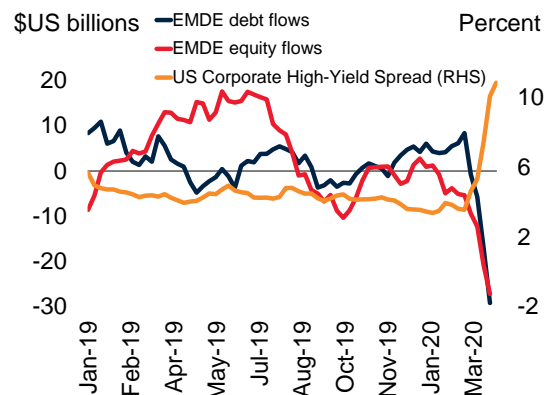
alleviate increased demand for U.S. dollars, the Federal Reserve expanded access to its U.S. dollar liquidity swap arrangements to a larger group of countries, including Brazil, Mexico, and South Korea. Meanwhile, the ECB launched a debt-buying program worth €750 billion.

**EMDE financing conditions: large capital outflows amid flight to safety.** EMDE assets have been under significant pressure. Capital outflows from EMDEs exceed the worst period of the global financial crisis. Spreads on sovereign and corporate bonds have risen as a result, and most EMDEs have experienced drastic falls in domestic stock market indexes and currency values (Figure 2.B). Stock markets in the largest EMDEs have fallen by about a quarter, on average, since the start of the year. While equity markets in China fell as the outbreak spread in the country, they have since recovered in response to a slowing pace of new infections and a variety of policy support measures. EMDE currencies have depreciated, with the Brazilian real, the Mexican Peso, the South African rand, and the Russian ruble having depreciated by about 20 percent relative to the U.S. dollar so far this year. Markets expect central banks to provide significant additional monetary easing in the near term.

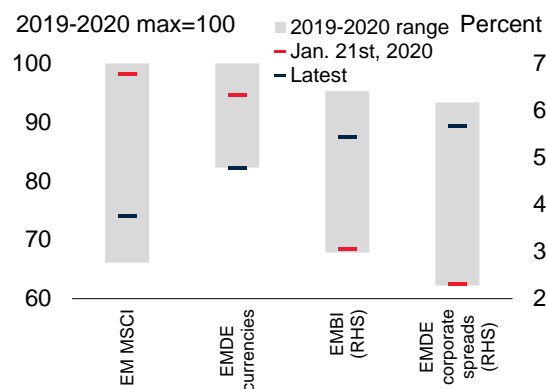
**Commodity markets: falling prices.** Oil prices have fallen more than 60 percent since January 20th (the date human-to-human transmission of coronavirus was first publicly confirmed), with WTI, the U.S. benchmark, dropping to around \$20/bbl in mid-March. Containment measures taken to control the outbreak have resulted in a sharp decline in travel and therefore oil demand. Expectations for the decline in oil demand in 2020 are highly uncertain, but are expected to be very large. The International Energy Agency recently announced that the peak fall in oil demand this year could be as much as 20 million barrels per day, or 20 percent of global consumption. The fall in oil prices has been exacerbated by the collapse of the production agreement between OPEC and its partners, including Russia. This could potentially result in an increase in supply of around 3 million barrels per day (3 percent), with Saudi Arabia announcing its intention to increase production to its full capacity of more than 12 million barrels per day. Industrial metals prices have also declined, with significant falls for copper and zinc (around -25 percent). Agricultural prices have been less affected, with the price of the three main grains down by 6 to 11 percent.

**China: sharp virus-related slowdown.** Incoming data confirm that the coronavirus has taken a heavy toll on the economy, with retail sales down more than 20 percent in February (year to date), and fixed asset investment down 24.5 percent (y/y). Daily data show signs of activity gradually resuming but remaining well below typical levels. More than 95 percent of large and medium enterprises and over 70 percent of small industrial enterprises have reportedly resumed operation, though not necessarily at full

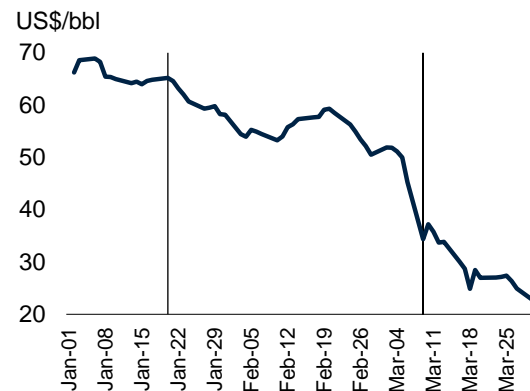
**FIGURE 2.A U.S. high-yield bond spread and EMDE portfolio flows**



**FIGURE 2.B Cumulative decline in financial indicators across EMDEs**



**FIGURE 2.C Brent oil price**



Source: Bloomberg; Haver Analytics; Institute of International Finance; World Bank.  
A. Debt and equity flows represent 12-week cumulative flows. Last observation is March 31st.  
B. EM= Emerging Markets. EMBI= Emerging Market Bond Index. The EM corporate spread reflects the Credit Suisse Emerging Market Corporate Bond Index. Last observation is March 27th.  
C. Figure shows the Brent crude oil price. Vertical lines denote January 20, 2020 and March 9, 2020. Last observation is March 30, 2020.



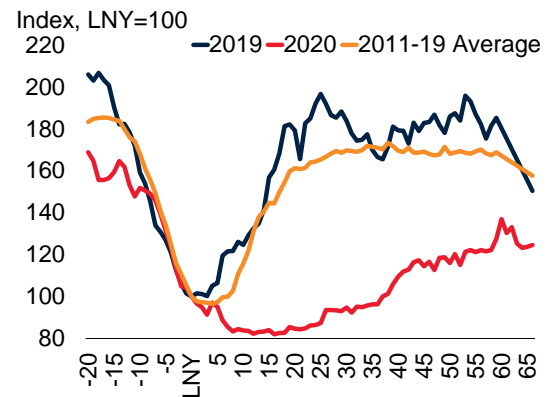
capacity. Coal consumption—a proxy for electricity generation—remains about 20 percent below the usual seasonal average (Figure 3.A). Road congestion is at about 75 percent of normal levels, and daily cinema ticket sales remain near zero. As part of their efforts to mitigate the economic impact of the outbreak, the authorities have eased credit conditions to bolster market confidence, relieve near-term cashflow problems, and avoid bankruptcies that would result in significant increases in unemployment and non-performing loans.

**United States: mass unemployment.** On March 26th, the number of confirmed coronavirus cases in the United States exceeded that of any other country for the first time. More than six million people filed for unemployment insurance in the week ending March 28th, shattering previous historical highs (Figure 3.B). A stimulus bill worth just under 10 percent of GDP will provide cash payments and additional unemployment support to individuals, loan guarantees and other support to corporations, and funding to state and local governments, among other provisions. Until February, before the virus-related disruptions, however, available monthly data pointed to resilient consumption amid weakening trade and investment.

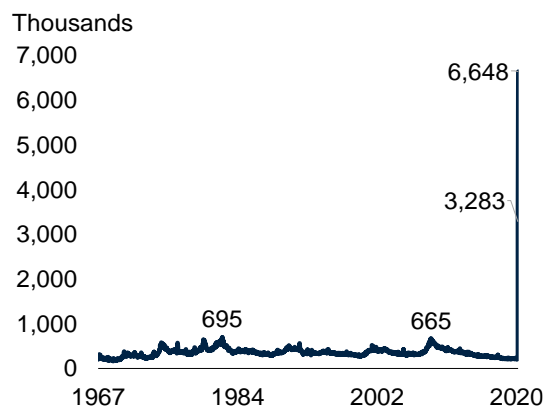
**Euro Area: rapidly spreading outbreaks.** Confirmed coronavirus cases have been rising rapidly in numerous parts of the Euro Area. Italy and Spain both have more than 100,000 confirmed cases, Germany has more than 70,000, and France has more than 50,000. Several governments have instituted nation-wide quarantines, closed schools, and banned public events. Several member countries have announced expansive fiscal support, with Germany alone promising over €500 billion in emergency loans to hard-hit firms. Sentiment indicators for the Euro Area point to severe contraction in March, especially in the services sector (Figure 3.C). The manufacturing sector has thus far been less severely affected by the coronavirus, but the PMI has now been in contraction for 14 consecutive months.

**Japan: multiple headwinds.** The economy has been struggling with a variety of headwinds, including the October 2019 VAT hike, Typhoon Hagibis, spillovers from economic disruptions in China, and a domestic coronavirus outbreak. It has more than 2,000 confirmed cases and has postponed the summer Olympics until 2021 and closed schools to slow the spread of the outbreak. The economy was already struggling earlier in the year, with retail sales and industrial production remaining well below their pre-VAT hike levels. Incoming data point to a precipitous decline in activity in March, especially in services. The services PMI fell more than 24 points to 28.4, its worst monthly decline to its lowest-ever level, while the manufacturing index fell 3 points to 44.8, its lowest level since the global financial crisis.

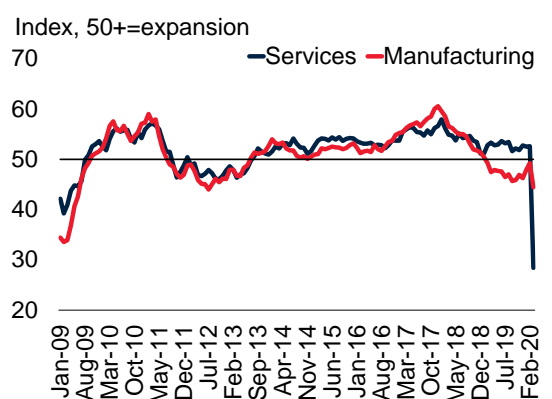
**FIGURE 3.A China: Daily average coal consumption around the Lunar New Year**



**FIGURE 3.B United States: Weekly unemployment insurance claims**



**FIGURE 3.C Euro Area: Purchasing Manager Indexes**



Source: Federal Reserve Bank of St. Louis; Haver Analytics; Wind; World Bank.  
A. LNY=Lunar New Year. Figure shows daily average coal consumption of six major power generation groups.  
B. Figure shows weekly data. Last observation is March 28, 2020.  
C. Figure shows the Euro Area services and manufacturing PMI. PMI readings above 50 indicate expansion in economic activity; readings below 50 indicate contraction. Last observation is March 2020.



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[Global Economic Prospects - January 2020](#)

[Global Waves of Debt: Causes and Consequences](#)

[A Decade since the Global Recession: Lessons and Challenges for Emerging and Developing Economies](#)

[Commodity Markets Outlook - October 2019: The Role of Substitution in Commodity Demand](#)

[Global Economic Prospects - June 2019: Heightened Tensions, Subdued Investment](#)

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[Convergence: Five Critical Steps toward Integrating Lagging and Leading Areas in the Middle East and North Africa](#)

[Exploring Universal Basic Income: A Guide to Navigating Concepts, Evidence, and Practices](#)

[Global Financial Development Report 2019/2020: Bank Regulation and Supervision Ten Years after the Global Financial Crisis](#)

## TABLE: Major Data Releases

(Percent change, y/y)

Recent releases: March 1, 2020 - March 31, 2020					
Country	Date	Indicator	Period	Actual	Previous
Indonesia	3/1/20	CPI	FEB	2.7%	2.6%
Australia	3/3/20	GDP	Q4	2.2%	1.8%
South Africa	3/3/20	GDP	Q4	-0.5%	0.1%
Turkey	3/3/20	CPI	FEB	12.2%	11.8%
Brazil	3/4/20	GDP	Q4	1.7%	1.2%
Italy	3/4/20	GDP	Q4	0.1%	0.5%
India	3/5/20	GDP	Q4	4.7%	5.1%
Japan	3/8/20	GDP	Q4	-0.7%	1.7%
Euro Area	3/10/20	GDP	Q4	1.0%	1.3%
United States	3/11/20	CPI	FEB	2.3%	2.5%
India	3/12/20	IP	JAN	2.0%	0.1%
China	3/15/20	IP	JAN	-13.5%	6.9%
United States	3/17/20	IP	FEB	-1.0%	-0.9%
Canada	3/18/20	CPI	FEB	2.3%	2.2%
Japan	3/18/20	CPI	FEB	0.6%	0.8%
South Africa	3/18/20	CPI	FEB	4.4%	4.0%
Netherlands	3/25/20	GDP	Q4	1.6%	1.8%
United Kingdom	3/25/20	CPI	FEB	1.7%	1.8%
Italy	3/31/20	CPI	MAR	0.5%	0.3%
Spain	3/31/20	GDP	Q4	1.8%	1.9%
United Kingdom	3/31/20	GDP	Q4	1.1%	1.3%

(Percent change y/y)

Upcoming releases: April 1, 2020- April 30, 2020				
Country	Date	Indicator	Period	Previous
Spain	4/3/20	IP	FEB	-2.1%
Germany	4/8/20	IP	FEB	-1.4%
Mexico	4/8/20	IP	FEB	-1.6%
Brazil	4/9/20	CPI	MAR	4.2%
India	4/9/20	IP	FEB	2.0%
Italy	4/9/20	IP	MAR	-0.4%
United Kingdom	4/9/20	IP	FEB	-2.9%
France	4/10/20	IP	FEB	-2.8%
United States	4/10/20	CPI	MAR	2.5%
Turkey	4/13/20	IP	FEB	7.8%
France	4/15/20	CPI	MAR	1.6%
Poland	4/15/20	CPI	MAR	4.3%
United States	4/15/20	IP	MAR	-1.0%
China	4/16/20	GDP	Q1	6.0%
Euro Area	4/17/20	CPI	FEB	1.4%
Canada	4/22/20	CPI	MAR	2.2%
South Africa	4/22/20	CPI	MAR	4.5%
Japan	4/23/20	CPI	MAR	0.5%
Singapore	4/24/20	IP	MAR	-1.1%
Australia	4/28/20	CPI	Q1	1.8%
South Korea	4/28/20	IP	MAR	1.1%