

# ECA Research Notes

OFFICE OF THE CHIEF ECONOMIST

EUROPE AND CENTRAL ASIA

Impact of COVID-19

May 2020



Hi Everyone,

As we continue to respond to the challenges of the COVID-19 crisis, we have been working on understanding both the near-term economic impact of the pandemic, as well as its long-term implications. Using high-frequency data such as daily electricity use, emissions or mobility, our analysis suggests that countries that implemented non-pharmaceutical interventions (NPIs) earlier during the pandemic not only achieved better economic outcomes, but also lower cumulative mortality and peak death rates. Our research has important implications for the opening-up process too – check out our recent working paper below.

We are also thinking about how this pandemic will shape the global economy going forward and addressing this issue in a series of ECA Talks. This month, the topic of discussion was the impact on globalization; from trade and global value chains to how economic stimulus can encourage green recovery. If you missed the discussion, you can watch the video below. This month's newsletter also includes a selection of related research and blogs.

Finally, we are welcoming our new Chief Economist, Carmen Reinhart, with an ECA talk on Debt and COVID-19 on June 1st. Don't miss it.

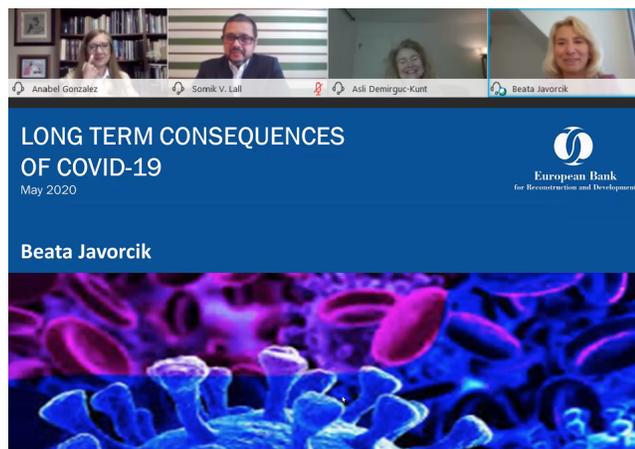
Happy reading!

Asli



Joint EFI-ECA Chief Economist Seminar on NPIs.

## FEATURE STORY



From left to right: Anabel Gonzalez, Somik Lall, Asli Demirgüç-Kunt, and Beata Javorcik.

### Will COVID-19 Reshape the Global Economy?

The COVID-19 crisis could have profound long-term economic consequences. The crisis is likely to have a major impact on globalization and global value chains, and it could bring about a rethinking of the social contract and the role of the state in major economies. In a recent ECA Talk, EBRD Chief Economist Beata Javorcik discussed the potential impact of COVID-19 crisis on trade, cities and green growth.

[Presentation](#) || [Video and Event information](#)

## RELATED RESEARCH

### [The Sooner, the Better: The Early Economic Impact of Non-Pharmaceutical Interventions During the COVID-19 Pandemic](#)

*Asli Demirgüç-Kunt, Michael Lokshin, Iván Torre, Policy Research Working Paper 9257 - May 2020*

Using high-frequency data such as daily electricity consumption, nitrogen dioxide emission, and mobility records, the authors provide estimates of the economic impacts of different types of non-pharmaceutical interventions (NPIs) implemented by countries in Europe and Central Asia. The analysis shows that countries that implemented the NPIs at the early stages of the COVID-19 pandemic appear to have better economic outcomes and lower cumulative mortality.

### [COVID-19 and Trade Policy: Why Turning Inward Won't Work](#)

*Richard Baldwin and Simon Evenett, April 2020*

Should governments react to the health, economic, and trade crises by turning inward? The authors provide an unequivocal answer: No. Turning inward won't help today's fight against COVID-19. National trade barriers in a world of internationalised manufacturing processes will make it harder for every nation to produce vital medical supplies. Insular policies will also fail to foster economic recovery, and they are a threat to the collaborative spirit that the human race will need to defeat this threat.

### [The Potential Impact of COVID-19 on GDP and Trade: A Preliminary Assessment](#)

*Maryla Maliszewska, Aaditya Mattoo, Dominique van der Mensbrugge, Policy Research Working Paper 9211- April 2020*

This study simulates the potential impact of COVID-19 on gross domestic product (GDP) and trade, using a standard global computable general equilibrium model. A baseline global pandemic scenario sees GDP fall by 2 percent below the benchmark for the world, 2.5 percent for developing countries, and 1.8 percent for industrial countries. This exercise conveys the likely extent of impending global economic pain, especially for developing countries and their need for assistance.

### [Cities, Crowding, and the Coronavirus: Predicting Contagion Risk Hotspots](#)

*Gaurav Bhardwaj, Thomas Esch, Somik V. Lall, Mattia Marconcini, Maria Edisa Soppelsa, Sameh Wahba, Working Paper - April 2020*

Non-essential businesses have been closed and social distancing measures are being applied in many countries. Will such measures defeat the virus in dense urban areas? In principal, yes, but poorer residents of crowded neighborhoods will face a great challenge, given their weak infrastructure and limited medical and financial resources. The authors of this study have developed a methodology that identifies hotspots for contagion and vulnerability to help city leaders prioritize resources towards places with the highest exposure and contagion risk.

### [Building Resilient Health Systems: Experimental Evidence from Sierra Leone and the 2014 Ebola Outbreak](#)

*Darin Christensen, Oeindrila Dube, Johannes Haushofer, Bilal Siddiqi, Maarten Voors, Policy Research Working Paper 9223 - April 2020*

This paper experimentally examines efforts aimed at improving health worker performance in the context of the 2014–15 West African Ebola crisis. The interventions to government-run health clinics done roughly two years before the outbreak in Sierra Leone led to higher reported Ebola cases, as well as lower mortality from the disease during the crisis. The authors suggest that by building trust and confidence in health workers, and improving the perceived quality of care provided by clinics prior to the outbreak, the interventions encouraged patients to report and receive treatment.

### [Strengthening Public Health Systems : Policy Ideas from a Governance Perspective](#)

*Stuti Khemani, Sarang Chaudhary, Thiago Scot, Policy Research Working Paper 9220 - April 2020*

This paper analyzes the results of a survey of public health workers in Bihar, India's poorest state, and how they relate to the recruitment and management of frontline health workers to promote trustworthiness and professionalism. The authors provide some ideas that can immediately be put to work in policy responses to the COVID-19 crisis.

### [Global Behaviors and Perceptions at the Onset of the COVID-19 Pandemic](#)

*Thiemo R. Fetzer et al, NBER Working Paper 27082- May 2020*

This paper presents the results of a large-scale survey covering 58 countries and over 100,000 respondents between late March and early April 2020 to study beliefs and attitudes towards citizens' and governments' responses to the COVID-19 pandemic. The study shows that strong government reactions correct misperceptions, and reduce worries and depression. The authors' findings highlight that policy-makers not only need to consider how their decisions affect the spread of COVID-19, but also how such choices influence the mental health of their population.

## [Firm-level Exposure to Epidemic Diseases: Covid-19, SARS, and H1N1](#)

Tarek Alexander Hassan, Stephan Hollander, Laurence van Lent, Ahmed Tahoun, NBER Working Paper 26971 - April 2020

As Covid-19 spreads globally in the first quarter of 2020, this study shows that firms' primary concerns relate to the collapse of demand, increased uncertainty, and disruption in supply chains. By contrast, financing concerns are mentioned relatively rarely. The authors also find some evidence that firms that have experience with SARS or H1N1 have more positive expectations about their ability to deal with the coronavirus outbreak.

## [Corporate Immunity to the COVID-19 Pandemic](#)

Wenzhi Ding, Ross Levine, Chen Lin, Wensi Xie, NBER Working Paper 27055 - April 2020

Using data on over 6,000 firms across 56 economies during the first quarter of 2020, the authors evaluate the connection between corporate characteristics and stock price reactions to COVID-19 cases. The analysis shows that the pandemic-induced drop in stock prices was milder among firms with stronger pre-2020 finances and less exposure to COVID-19 through global supply chains and customer locations.

## BLOGS

### **Viral protectionism in the time of coronavirus**

Aaditya Mattoo & Michele Ruta, March 27, 2020

The spread of the coronavirus is driving up the prices of medical supplies as production struggles to meet demand. To retain production of essential supplies for domestic consumers, several countries have imposed restrictions on exports of medical products. As the virus advances, export protectionism is likely to infect even more countries.

[Read the blog »](#)

### **COVID-19 through a migration lens: policy responses should be inclusive of migrants**

Dilip Ratha, April 23, 2020

The economic crisis induced by COVID-19 could be long, deep, and pervasive when viewed through a migration lens. Host countries face additional challenges in many sectors, such as health and agriculture, that depend on the availability of migrant workers. Migrants face the risk of contagion and the possible loss of employment and health insurance coverage. What is the impact of COVID-19 on global trends in international economic migration and remittances in 2020 and 2021?

[Read the blog »](#)

### **Thinking ahead: for a sustainable recovery from COVID-19 (Coronavirus)**

Stéphane Hallegatte & Stephen Hammer, March 30, 2020

Across the World Bank Group, efforts are underway to help governments respond to the crisis triggered by COVID-19. The priority today is to support overwhelmed health systems and the millions of workers and business owners who are being hit hard. Thinking ahead, however, the response also offers a significant opportunity to build a more resilient and sustainable future.

[Read the blog »](#)

### **Urban density is not an enemy in the Coronavirus fight: evidence from China**

Wanli Fang & Sameh Wahba, April 20, 2020

Making a link between a city's density and its vulnerability to epidemics may seem like an obvious connection. But it may, in fact, be off the mark. Based on the data from China, the authors present a counter argument.

[Read the blog »](#)

## CALENDAR OF EVENTS

- **June 1, 2020, 10AM EST:** ECA Talk "[Debt and COVID-19](#)" with **Carmen Reinhart**, incoming World Bank Group Chief Economist (effective June 15, 2020) and currently Minos A. Zombanakis Professor of the International Financial System at the Harvard Kennedy School, **Charles W. Calomiris**, Henry Kaufman Professor of Financial Institutions at the Columbia Business School, and **Doerte Doemeland**, Practice Manager of Global Macro and Debt Analytics, Macroeconomics, Trade and Investment Global Practice at the World Bank.

Check [ECA Lectures](#) and [ECA Talks](#) to learn more about our events.

The ECA Research Notes newsletter is produced by the Europe and Central Asia (ECA) Chief Economist's Office. Please send comments, suggestions, and feedback to [ECACEoffice@worldbank.org](mailto:ECACEoffice@worldbank.org).

To learn more about us, click [here](#).

Read the ECA blog, [Eurasian Perspectives](#)

Follow us on [@WorldBankECA](#)  and [@ademirguckunt](#) 