



**RESEARCH**

# **World Economic Outlook**

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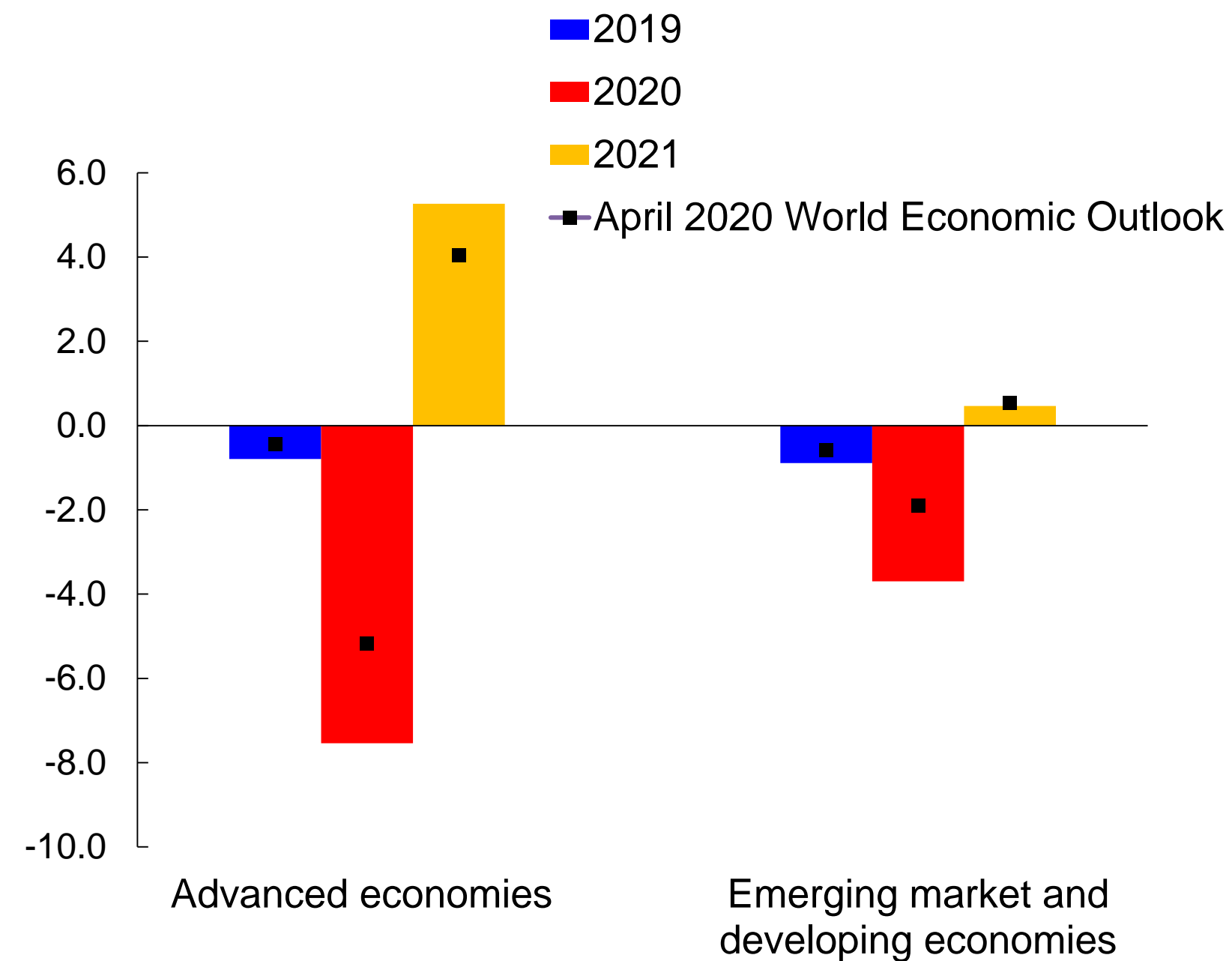
# Recent developments

- Contraction in the 2<sup>nd</sup> quarter of 2020 slightly less severe than expected
- Signs of a strong pickup in activity in the 3<sup>rd</sup> quarter....but recovery still partial
- Improvements in most advanced economies (but still deep recessions)
- Some emerging economies (eg India) experiencing very severe contractions
- In China instead the economy has recovered more strongly
- Financial markets have remained optimistic.....
- ....But caseloads are rising worldwide, with a strong second wave in Europe

# Massive policy support has prevented worse outcomes

## Fiscal Stance, 2019–21

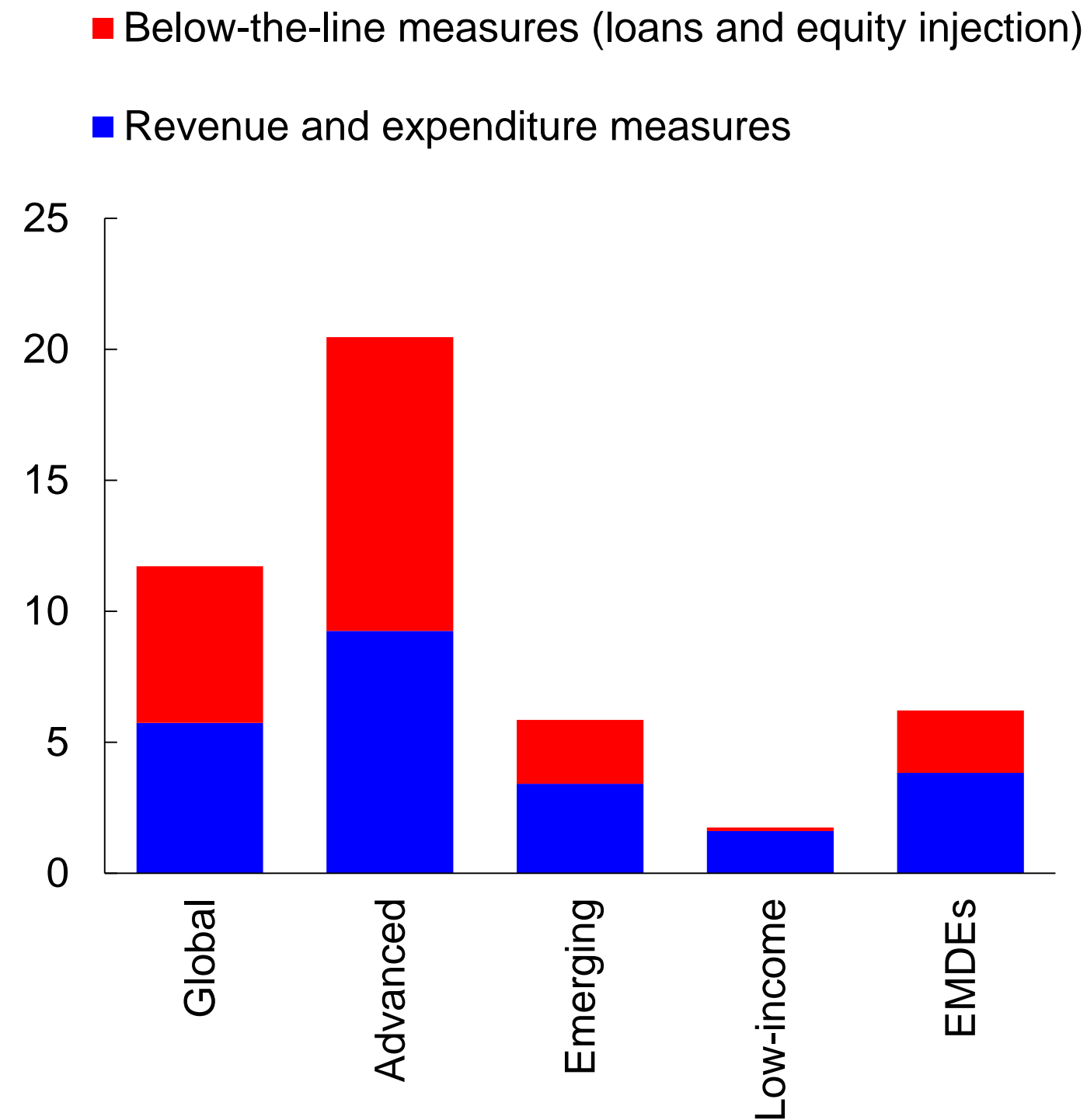
(Change in structural primary fiscal balance, percent of potential GDP)



Source: IMF staff estimates.

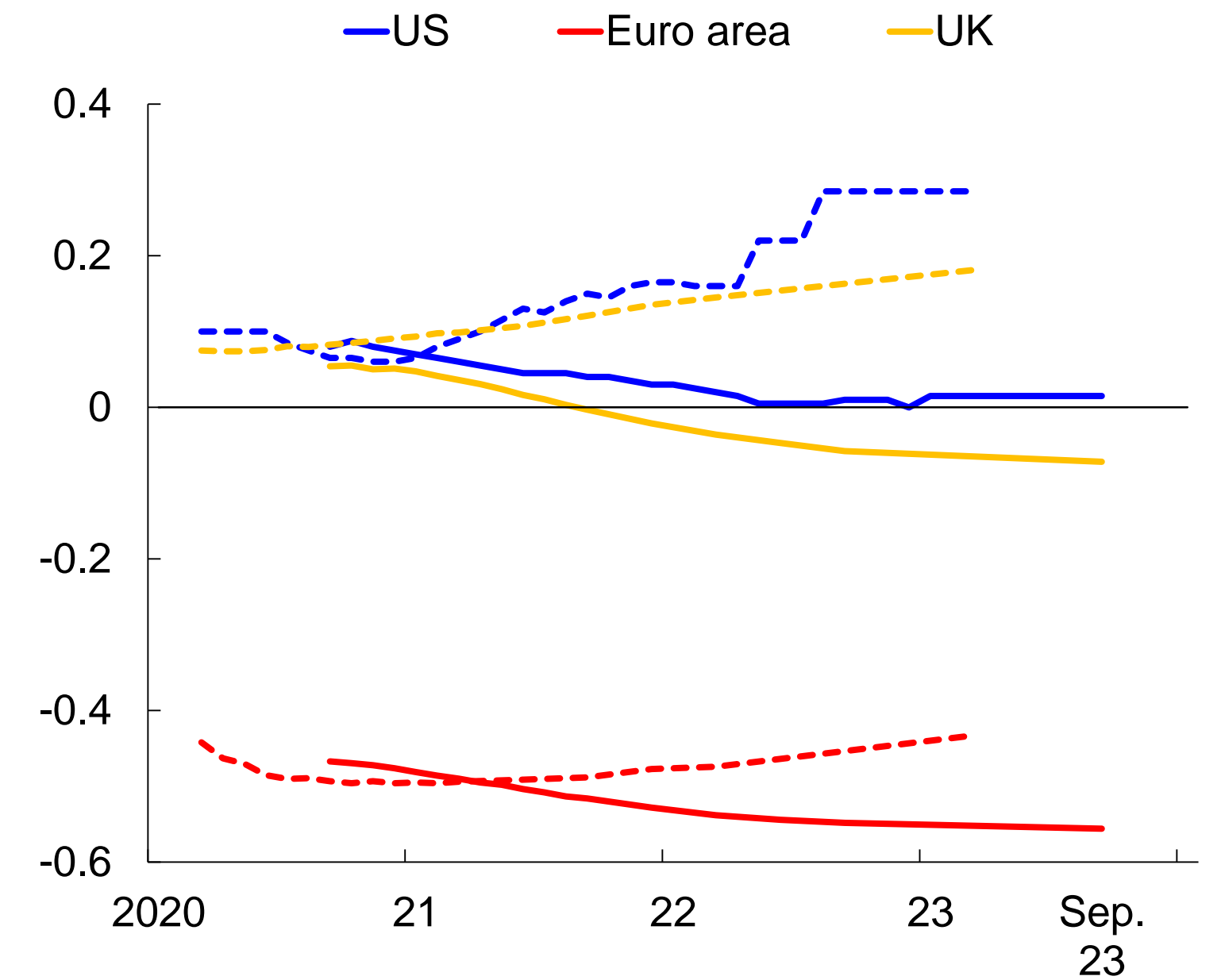
## Announced fiscal measures

(Percent of GDP)



## Policy Rate Expectations

(Percent; dashed lines from April 2020 WEO)



Sources: Bloomberg Finance L.P.; and IMF staff calculations. Note: Expectations are based on the federal funds rate futures for the United States, the sterling overnight interbank average rate for the United Kingdom, and the euro interbank offered forward rate for the euro area; updated September 23, 2020.

# Growth projections: Advanced economies

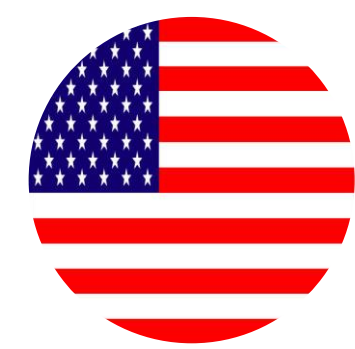
(percent change from a year earlier)



World



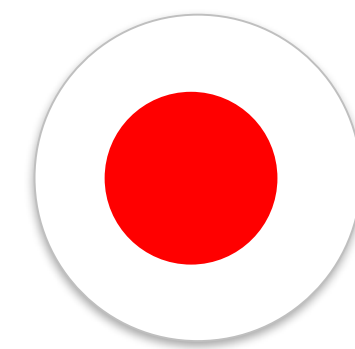
Advanced Economies



U.S.



Euro Area



Japan



U.K.



Canada



Korea



Other  
Advanced  
Asia

**2020**

**-4.4**

**-5.8**

**-4.3**

**-8.3**

**-5.3**

**-9.8**

**-7.1**

**-1.9**

**-3.5**

Revision from  
June 2020

0.8

2.3

3.7

1.9

0.5

0.4

1.3

0.2

1.5

**2021**

**5.2**

**3.9**

**3.1**

**5.2**

**2.3**

**5.9**

**5.2**

**2.9**

**3.5**

Revision from  
June 2020

-0.2

-0.9

-1.4

-0.8

-0.1

-0.4

0.3

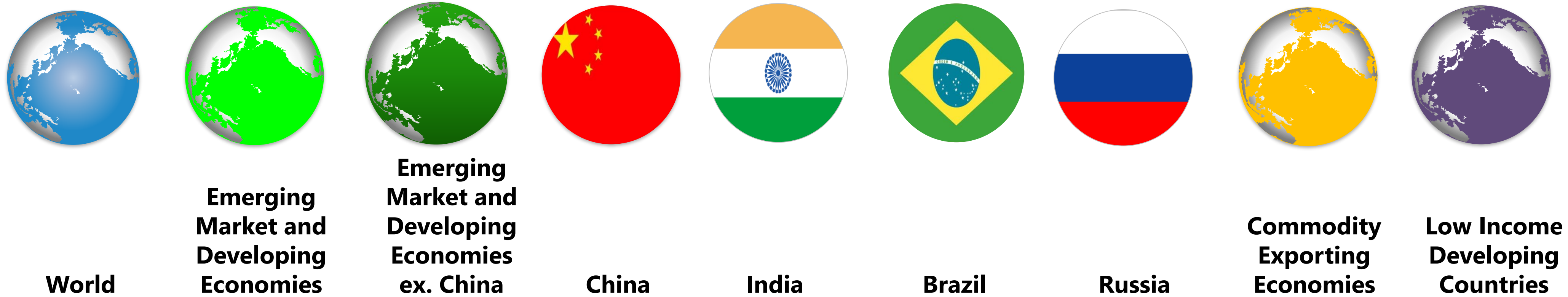
-0.1

-0.6

Source: IMF, *World Economic Outlook*, October 2020.

# Growth projections: Emerging markets and LIDCs

(percent change from a year earlier)



**2020**

**-4.4**

**-3.3**

**-5.7**

**1.9**

**-10.3**

**-5.8**

**-4.1**

**-5.1**

**-1.2**

Revision from June 2020

0.8

-0.2

-0.7

0.9

-5.8

3.3

2.5

0.8

-0.2

**2021**

**5.2**

**6.0**

**5.0**

**8.2**

**8.8**

**2.8**

**2.8**

**3.9**

**4.9**

Revision from June 2020

-0.2

0.2

0.3

0.0

2.8

-0.8

-1.3

-0.5

-0.3

Source: IMF, *World Economic Outlook*, October 2020.

# Significant risks of more severe outcomes

## ***On the upside, the recession could turn out to be less severe if:***

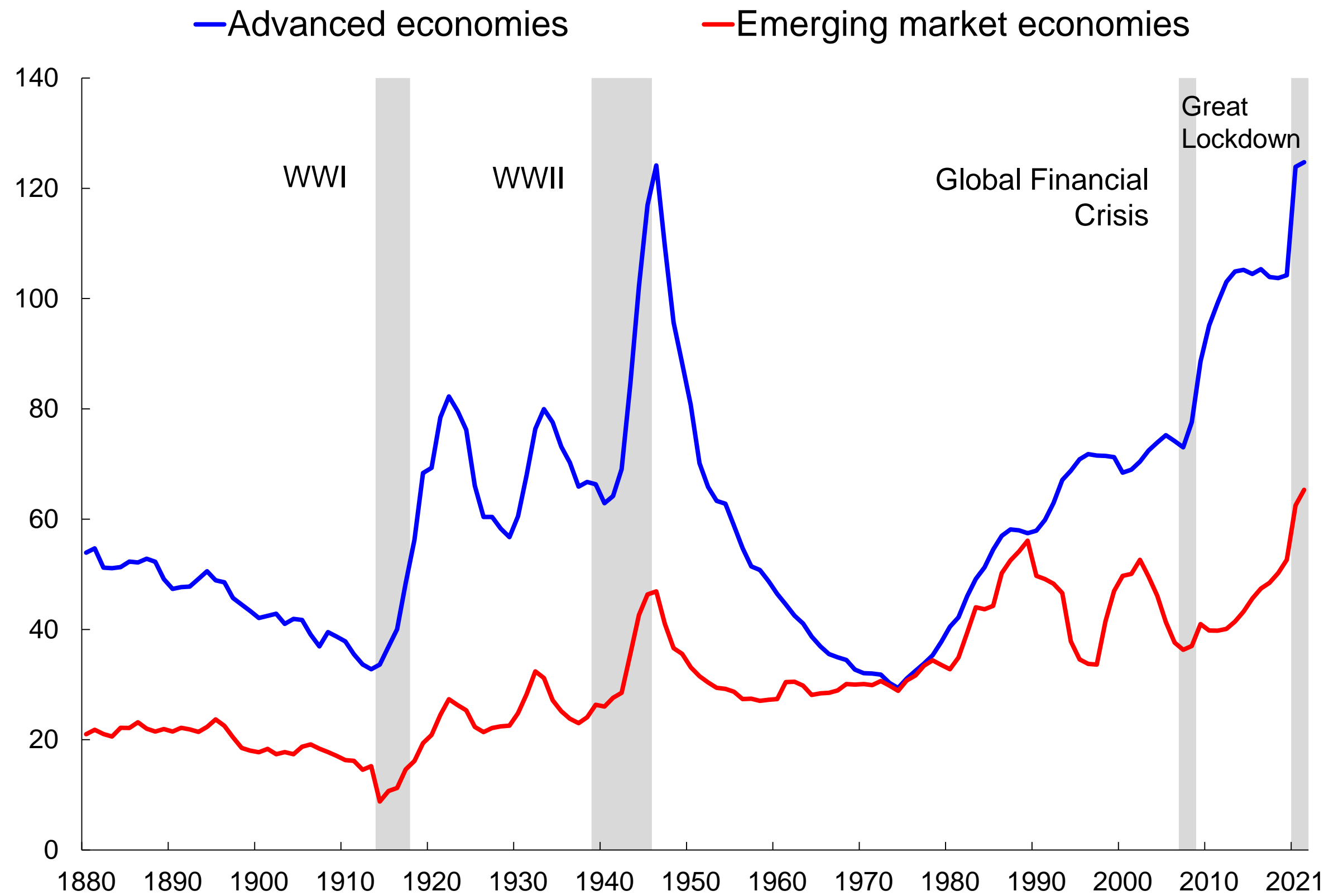
- There are extensions of fiscal countermeasures
- Faster productivity growth is engendered by changes in production, distribution, and payment systems
- Advances in therapies allow better management of infection, or a safe, effective vaccine is produced and distributed at the needed scale

## ***Downside risks, however, remain significant:***

- Recurring outbreaks
- Cross-border spillovers from weaker external demand
- Premature withdrawal of policy support or poor targeting of measures exacerbating misallocation
- Tightening financial conditions, liquidity shortfalls and insolvencies
- Intensifying unrest, geopolitical tensions, and trade policy uncertainty and technology frictions
- Weather-related natural disasters, which have increased in intensity and frequency

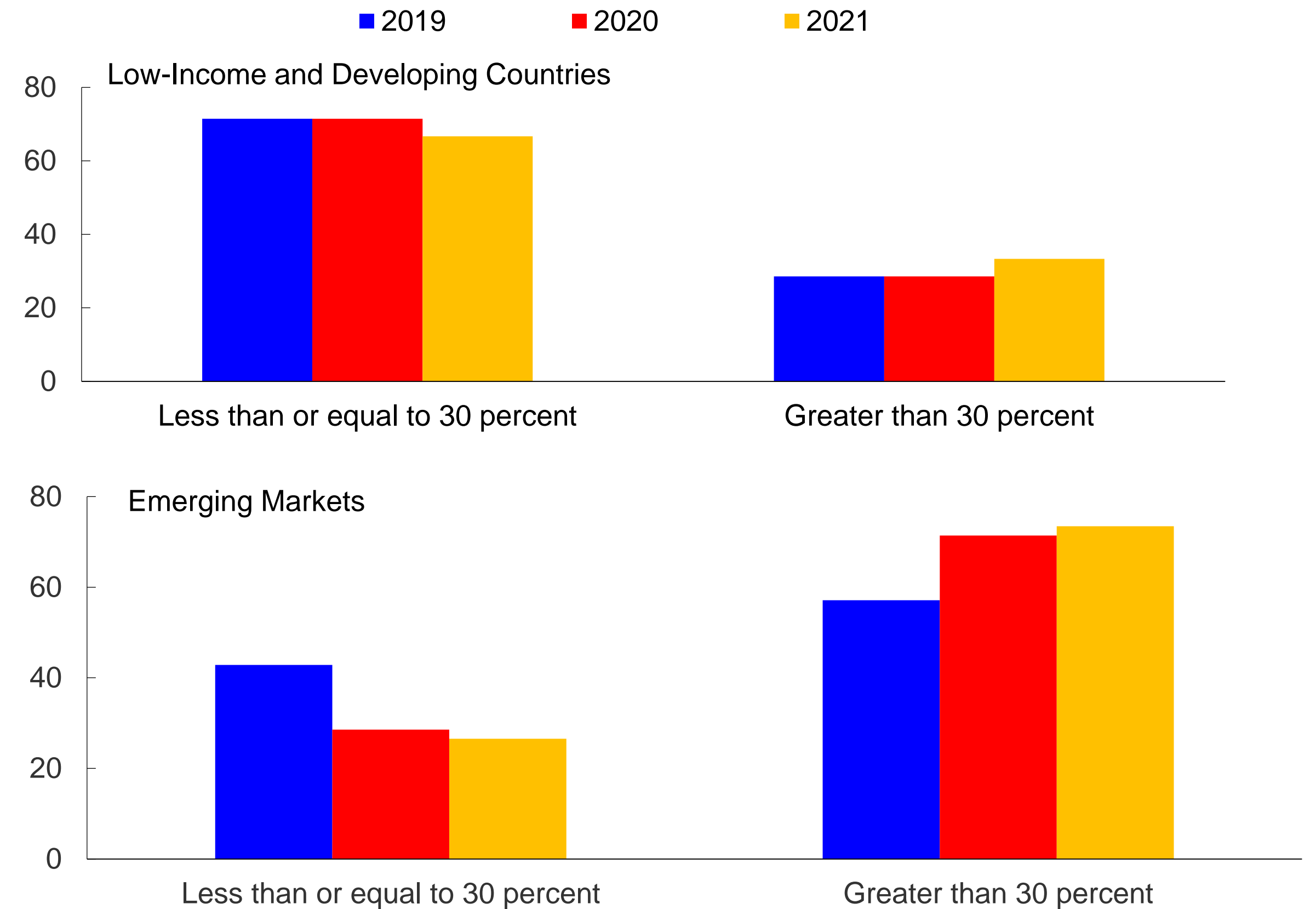
# Challenges to debt sustainability

**Historical Patterns of General Government Debt**  
(Percent of GDP)



Source: IMF, Historical Public Debt Database; IMF, World Economic Outlook Database; Maddison Database Project; and IMF staff calculations.

**Ratio of Public Debt Service Costs to Government Tax Revenue**  
(Share of countries in group, percent)



Source: IMF staff estimates.

Note: Shares by country groups are calculated based on countries where data is available.

# Policy priorities: near term

## *Enhance multilateral cooperation*

- **Support health care systems, including funding for vaccine**
- **Provide financial support for constrained countries**

## *National level policies*

- **Limit the damage where pandemic is accelerating.** Targeted measures to cushion income losses, complemented with broad monetary, financial regulatory, and fiscal responses.
- **Support the recovery where reopening is underway.** Calibrate unwinding of crisis response measures, facilitate resource reallocation to growing sectors, and provide stimulus as possible.
- **Create room to accommodate elevated spending on crisis countermeasures**
- **Seize opportunities to make recovery more equal and green**



# Policies to address medium-term challenges

## *Effective multilateral cooperation*

- **Address trade and technology tensions, protect critical supply chains**
- **Collectively implement climate change mitigation commitments**

## *National level policies*

- **Counteract slowing productivity growth.** Repair balance sheets; dispose of distressed debt; reduce barriers to entry and labor market rigidities; ensure small firms can compete on a level playing field.
- **Make gains more equitable.** Strengthen social assistance and insurance; invest to boost re-employment prospects for displaced workers.
- **Facilitate new growth opportunities, including to speed the transition to a low-carbon economy**
- **Boost human capital accumulation**