

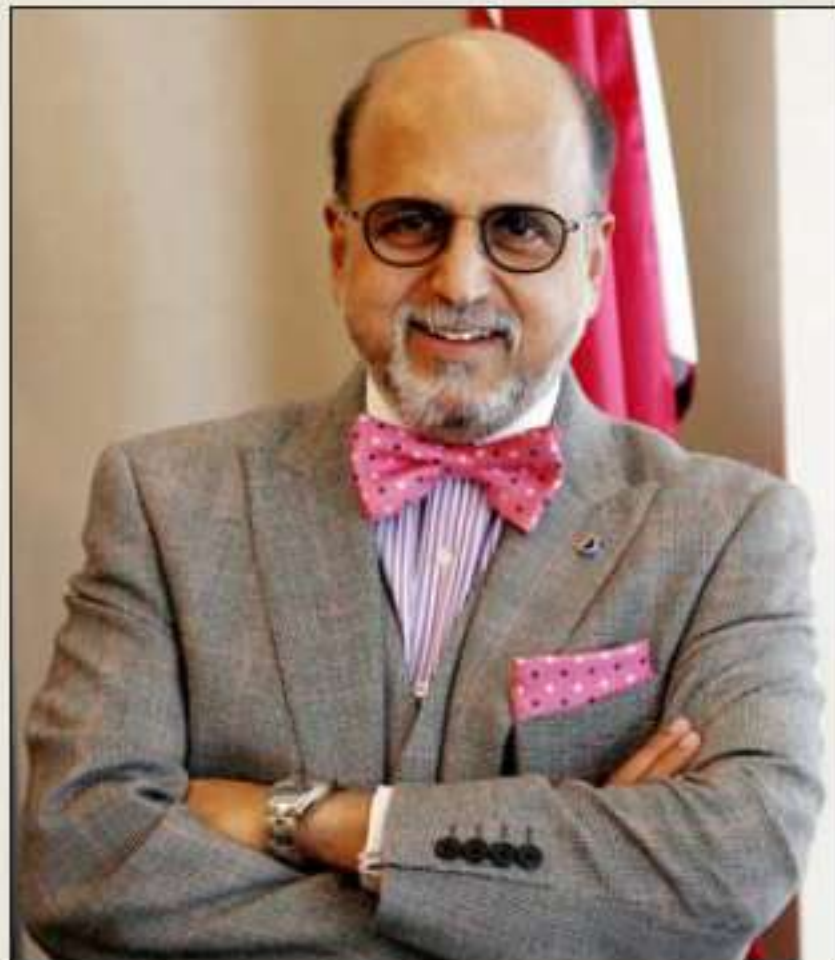


BANKING ON KNOWLEDGE

The impact of second wave of Covid-19 in terms of global economics

By Dr R Seetharaman

Global coronavirus cases exceeded 10mn in the beginning of this week, more than 5mn have recovered. In recent times we are witnessing developments of second wave of Covid-19 across the globe. Amidst this IMF June 2020 has given its global forecast. According to IMF June 2020, global growth is projected at - 4.9% in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The Covid-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4%. Consumption growth, in particular, has been downgraded for most economies, reflecting the larger-than anticipated disruption to domestic activity.



Consumption is projected to strengthen gradually next year, and investment is also expected to firm up, but to remain subdued. Growth in the advanced economy group is projected at - 8.0% in 2020, 1.9 percentage points lower than in the April 2020 WEO. Synchronised

deep downturns are foreseen in the United States (-8.0%); Japan (-5.8%); the United Kingdom (-10.2%). In 2021, the advanced economy growth rate is projected to strengthen to 4.8%. Overall, growth in the group of emerging market and developing economies is forecast at -3.0% in 2020, 2 percentage points below the April 2020 WEO forecast. In China, where the recovery from the sharp contraction in the first quarter is underway, growth is projected at 1.0% in 2020, supported in part by policy stimulus. India's economy is projected to contract by 4.5% following a longer period of lockdown. Brazil projected to contract by 9.1% in 2020. Sharp recessions in Russia (-6.6%) in 2020. South Africa's performance (-8.0%) will be severely affected by the health crisis. In 2021 the growth rate for emerging market and developing economies is projected to strengthen to 5.9%, largely reflecting the rebound forecast for



China. The Middle-east and Central Asia growth for 2020 brought down from (-) 2.8% in IMF April 2020 forecast to (-) 4.7% in IMF June 2020 forecast. For economies struggling to control infection rates, a lengthier lockdown will inflict an additional toll on activity. If the second wave of Covid-19 expands further, persists for a longer time and results in above situation the global growth could witness further slowdown than the above forecast. The recent developments on second wave of Covid-19 are as follows. Cases in the US spiked in March and April and then edged downward in response to social-distancing policies aimed at slowing the transmission of the virus from person to person. But unlike

several countries in Europe and Asia, the United States never experienced a dramatic drop in cases marking the clear end of a first wave. China has reinstated a strict lockdown near Beijing after a small surge in cases. Iran has seen a rapid surge in the numbers of coronavirus cases in recent weeks, sparking fears it might now be facing a second wave of the pandemic. Health authorities in South Korea stated last week it is in the midst of a "second wave" of novel coronavirus infections around Seoul, driven by outbreaks stemming from a holiday in May 2020. They had originally predicted that the second wave would emerge in fall of winter. However, as long as people have close contact with others, they

believe that infections will continue. Israel has entered a second wave of the coronavirus outbreak, the country's health minister stated early this week. According to OECD June 2020, If a second outbreak occurs triggering a return to lockdowns, world economic output is forecast to plummet 7.6% this year, before climbing back 2.8% in 2021. Euro area GDP is expected to plunge by 11½% this year if a second wave breaks out, while GDP in the United States will take a hit of 8.5% and Japan 7.3%. Emerging economies such as Brazil, Russia and South Africa, will plunge by 9.1%, 10%, and 8.2% respectively in case of a double hit scenario. China and India's GDPs will be relatively less affected, with a decrease of 3.7% and 7.3% respectively in case of a double hit. We need to wait and watch how the second wave of Covid-19 impacts global economies.

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