



(PHOTO: WILLY KURNIAWAN/REUTERS/NEWSCOM)

# The Great Lockdown: Worst Economic Downturn Since the Great Depression

APRIL 14, 2020

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[عربي](#), [中文](#), [Español](#), [Français](#), [日本語](#), [Português](#), [Русский](#)

The world has changed dramatically in the three months since our last update of the *World Economic Outlook* in January. A rare disaster, a coronavirus pandemic, has resulted in a tragically large number of human lives being lost. As countries implement necessary quarantines and social distancing practices to contain the pandemic, the world has been put in a Great Lockdown. The magnitude and speed of collapse

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# April World Economic Outlook projects global growth in 2020 to fall to -3 percent.

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This is a crisis like no other, and there is substantial uncertainty about its impact on people's lives and livelihoods. A lot depends on the epidemiology of the virus, the effectiveness of containment measures, and the development of therapeutics and vaccines, all of which are hard to predict. In addition, many countries now face multiple crises—a health crisis, a financial crisis, and a collapse in commodity prices, which interact in complex ways. Policymakers are providing unprecedented support to households, firms, and financial markets, and, while this is crucial for a strong recovery, there is considerable uncertainty about what the economic landscape will look like when we emerge from this lockdown.

Under the assumption that the pandemic and required containment peaks in the second quarter for most countries in the world, and recedes in the second half of this year, in the April *World Economic Outlook* we project global growth in 2020 to fall to -3 percent. This is a downgrade of 6.3 percentage points from January 2020, a major revision over a very short period. This makes the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis.

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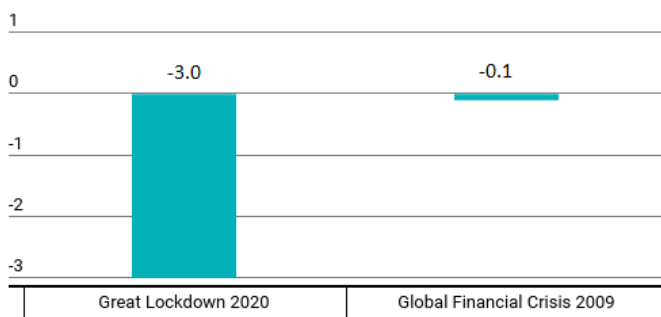
## About the Blog

IMFBlog is a forum for the views of the International Monetary Fund (IMF) staff and officials on pressing economic and policy issues of the day.

The views expressed are those of the author(s)



(real GDP growth, year-on-year percent change)

Source: IMF, *World Economic Outlook*.IMF and its  
Executive  
Board.

## INTERNATIONAL MONETARY FUND

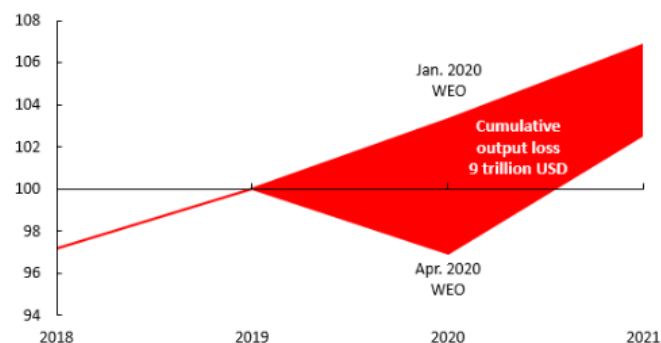
Assuming the pandemic fades in the second half of 2020 and that policy actions taken around the world are effective in preventing widespread firm bankruptcies, extended job losses, and system-wide financial strains, we project global growth in 2021 to rebound to 5.8 percent.

This recovery in 2021 is only partial as the level of economic activity is projected to remain below the level we had projected for 2021, before the virus hit. The cumulative loss to global GDP over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars, greater than the economies of Japan and Germany, combined.

**Output losses**

The cumulative output loss over 2020 and 2021 from the pandemic crisis could be around 9 trillion dollars.

(global real GDP level, index)

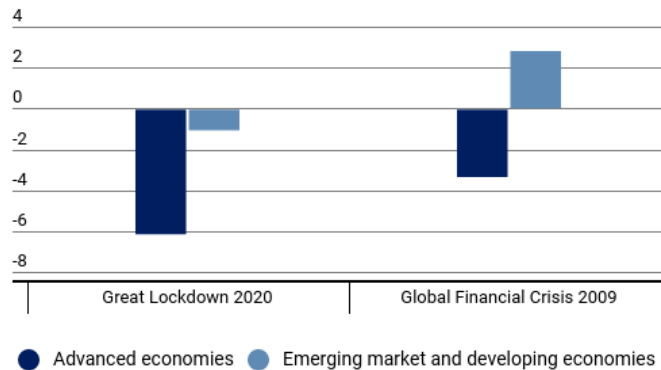
Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

developing economies face additional challenges with unprecedented reversals in capital flows as global risk appetite wanes, and currency pressures, while coping with weaker health systems, and more limited fiscal space to provide support. Moreover, several economies entered this crisis in a vulnerable state with sluggish growth and high debt levels.

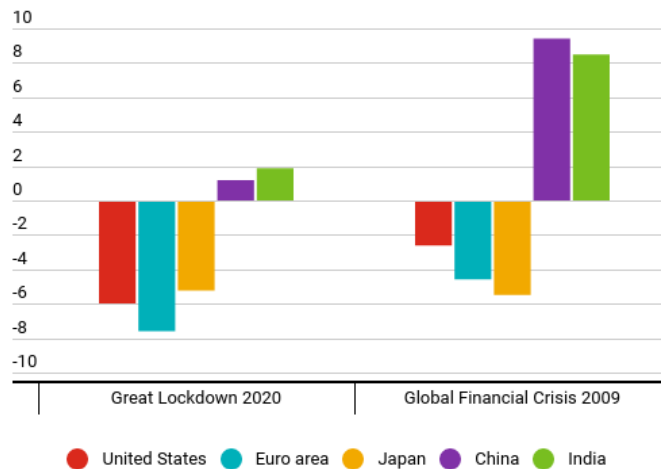
For the first time since the Great Depression both advanced economies and emerging market and developing economies are in recession. For this year, growth in advanced economies is projected at -6.1 percent. Emerging market and developing economies with normal growth levels well above advanced economies are also projected to have negative growth rates of -1.0 percent in 2020, and -2.2 percent if you exclude China. Income per capita is projected to shrink for over 170 countries. Both advanced economies and emerging market and developing economies are expected to partially recover in 2021.

recession. Major economies have also been significantly downgraded.

(real GDP growth, year-on-year percent change)



(real GDP growth, year-on-year percent change)



Source: IMF, *World Economic Outlook*.

Note: For India, data and forecasts are presented on a fiscal year basis, with FY2020/2021 starting in April 2020. India's growth is 0.5 percent in 2020 based on the calendar year.

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## Alternative adverse scenarios

What I have described is a baseline scenario but, given the extreme uncertainty around the duration and intensity of the health crisis, we also explore alternative, more adverse scenarios. The pandemic may not recede in the second half of this year, leading to longer durations of containment, worsening financial conditions, and further breakdowns of global supply chains. In such cases, global GDP would fall even further: an additional 3 percent in 2020 if the pandemic is more protracted this year, while, if the pandemic continues into 2021, it may fall next year by an additional 8 percent compared to our baseline scenario.

## Exceptional policy actions



livelihoods. Countries should continue to spend generously on their health systems, perform widespread testing, and refrain from trade restrictions on medical supplies. A global effort must ensure that when therapies and vaccines are developed both rich and poor nations alike have immediate access.

While the economy is shut down, policymakers will need to ensure that people are able to meet their needs and that businesses can pick up once the acute phases of the pandemic pass. The large, timely, and targeted, fiscal, monetary, and financial policies already taken by many policymakers—including credit guarantees, liquidity facilities, loan forbearance, expanded unemployment insurance, enhanced benefits, and tax relief—have been lifelines to households and businesses. This support should continue throughout the containment phase to minimize persistent scars that could emerge from subdued investment and job losses in this severe downturn.

Policymakers must also plan for the recovery. As containment measures come off, policies should shift swiftly to supporting demand, incentivizing firm hiring, and repairing balance sheets in the private and public sector to aid the recovery. Fiscal stimulus that is coordinated across countries with fiscal space will magnify the benefit for all economies. Moratoria on debt repayments and debt restructuring may need to be continued during the recovery phase.

Multilateral cooperation is vital to the health of the global recovery. To support needed spending in developing countries, bilateral creditors and international financial institutions should provide concessional financing, grants, and debt relief. The activation and establishment of swap lines between major central banks has helped ease shortages in international liquidity, and may need to be expanded to more economies. Collaborative effort is needed to ensure that the world does not de-globalize, so the recovery is not damaged by further losses to productivity.

At the International Monetary Fund, we are actively deploying our 1-trillion-dollar lending capacity to support vulnerable countries, including through rapid-disbursing emergency financing and debt service relief to our poorest member countries, and we are calling on official bilateral creditors to do the same.

There are some hopeful signs that this health crisis will end. Countries are succeeding in containing the virus using social-distancing practices,

In the meantime, we face tremendous uncertainty around what comes next. Commensurate with the scale and speed of the crisis, domestic and international policy responses need to be large, rapidly deployed, and speedily recalibrated as new data becomes available. The courageous actions of doctors and nurses need to be matched by policymakers all over the world so we can jointly overcome this crisis.

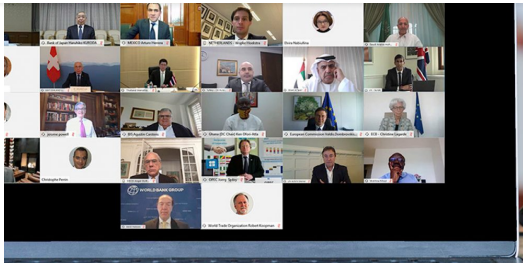
## Latest World Economic Outlook Growth Projections

The COVID-19 pandemic will severely impact growth across all regions.

(real GDP, annual percent change)	2019	PROJECTIONS	
		2020	2021
<b>World Output</b>	<b>2.9</b>	<b>-3.0</b>	<b>5.8</b>
<b>Advanced Economies</b>	<b>1.7</b>	<b>-6.1</b>	<b>4.5</b>
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
<b>Emerging Markets and Developing Economies</b>	<b>3.7</b>	<b>-1.0</b>	<b>6.6</b>
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

Source: IMF, *World Economic Outlook*, April 2020

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