



International Monetary Fund

January 28, 2021

THE 9th NCAER C. D. DESHMUKH LECTURE 2021

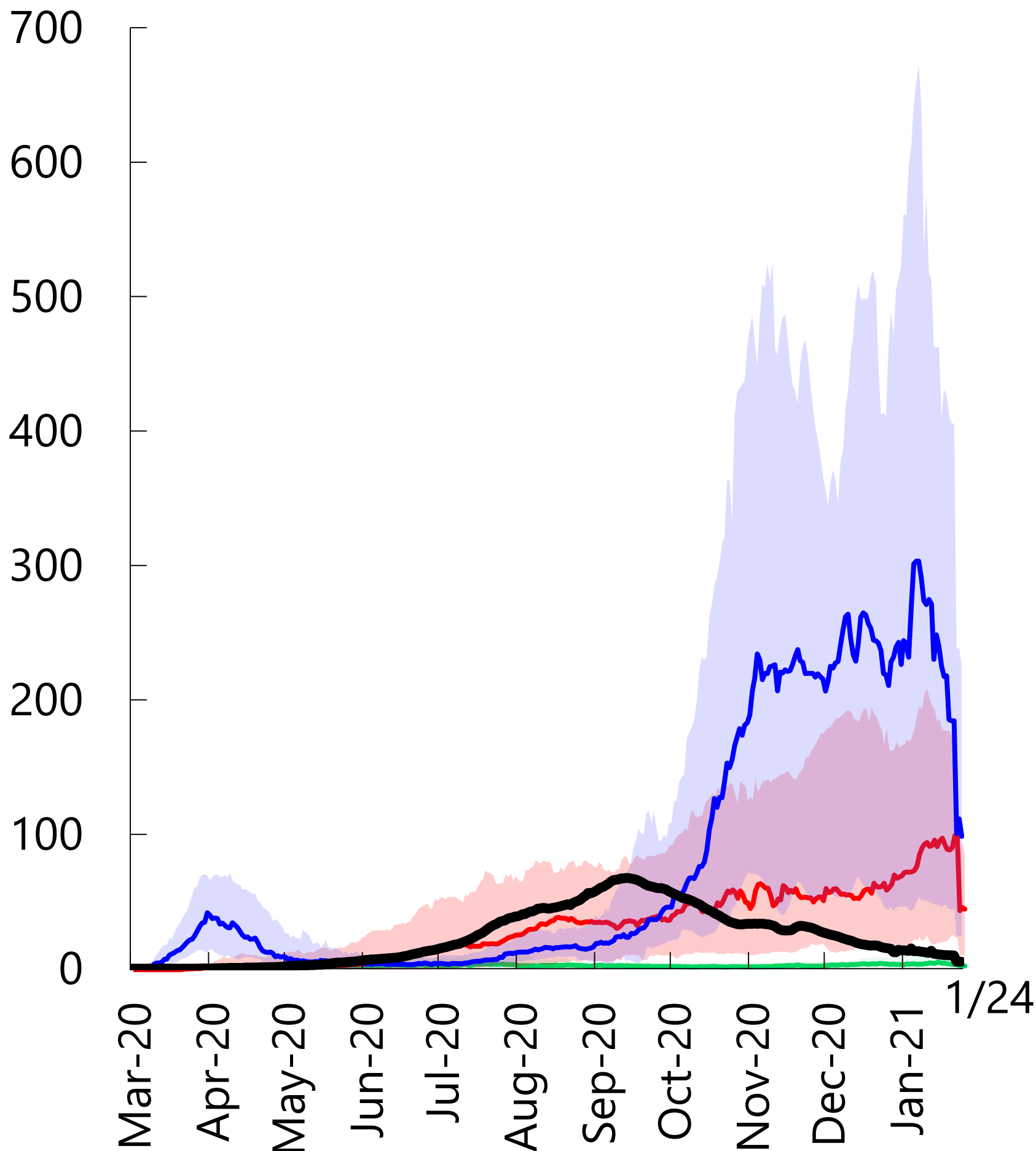
Global Economic Outlook: Averting a Great Divergence

*Gita Gopinath
Chief Economist*

Health: Race between Virus and Vaccines

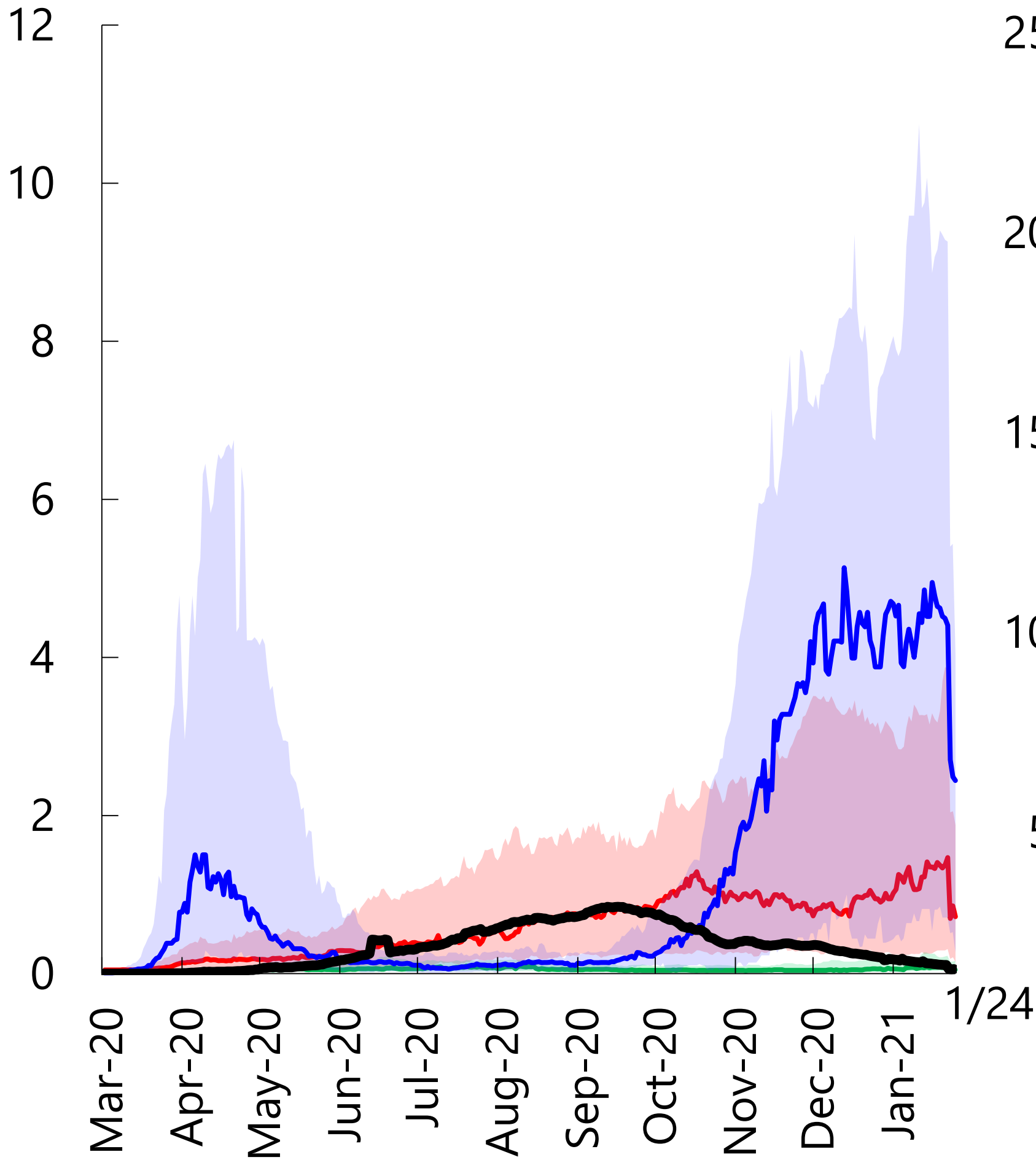
New cases 1/
(per million population)

AEs EMs LICs India

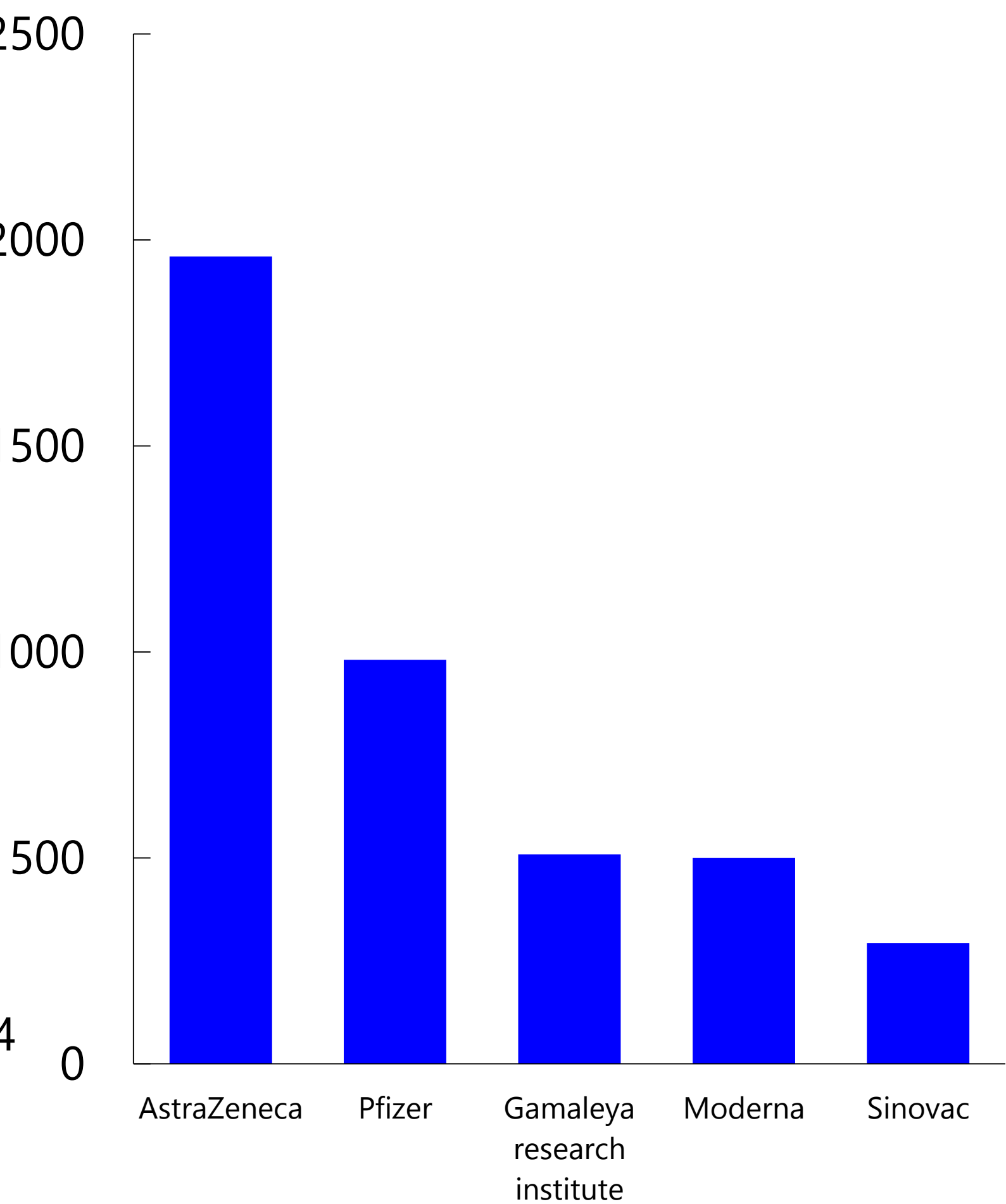


New deaths 1/
(per million population)

AEs EMs LICs India



Vaccine doses, approved and procured 2/
(millions of doses, confirmed agreement only)



Sources Haver Analytics; OxCGRT; Duke Global Health Innovation Center; and IMF staff calculations.

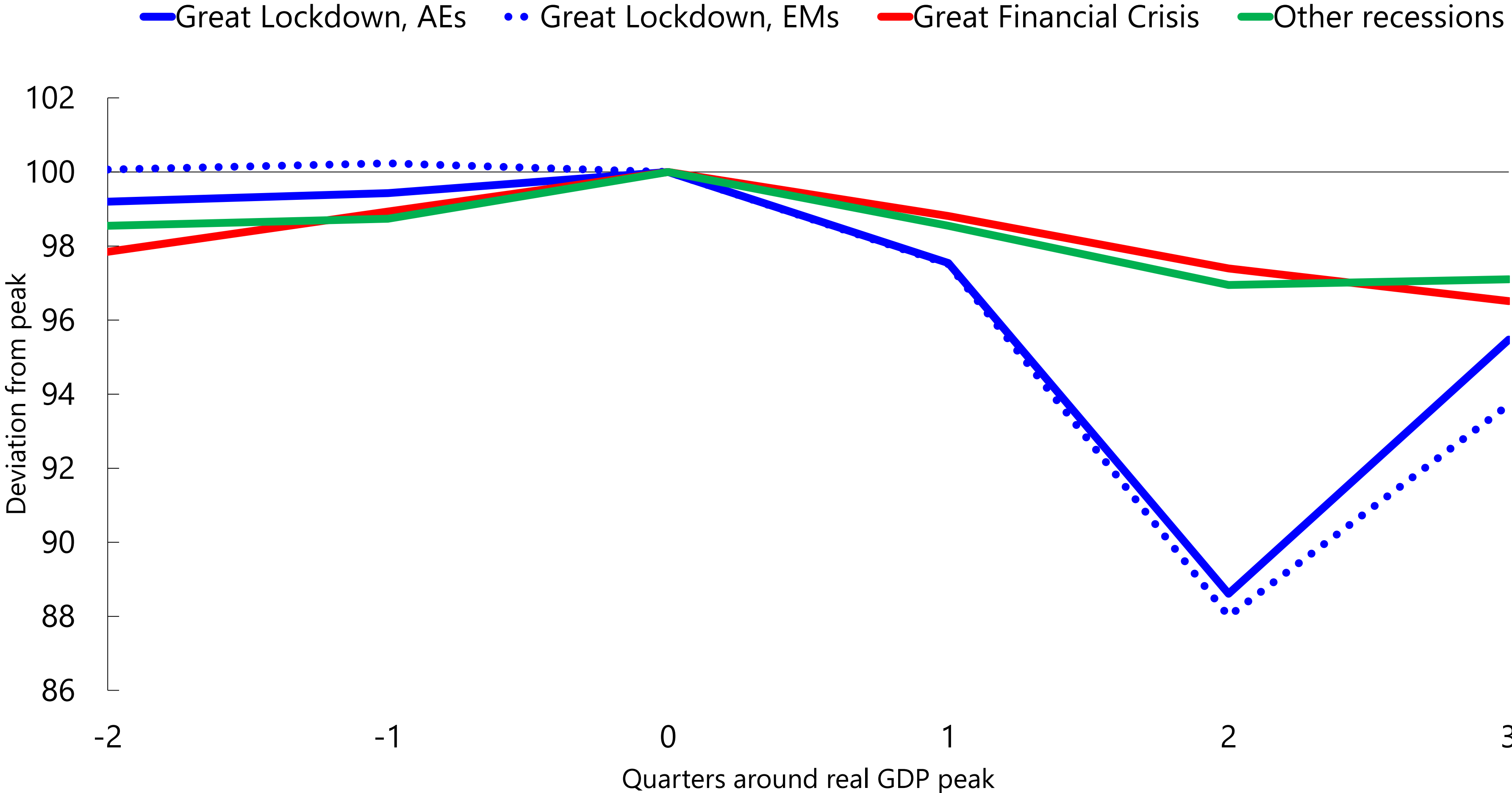
1/ Lines denote median of 7-day moving averages. Shaded areas are interquartile ranges.

2/ Includes only vaccines that have been approved.

Economic activity: Q3 surprised strongly on upside; Q4 backsliding

Real GDP 1/

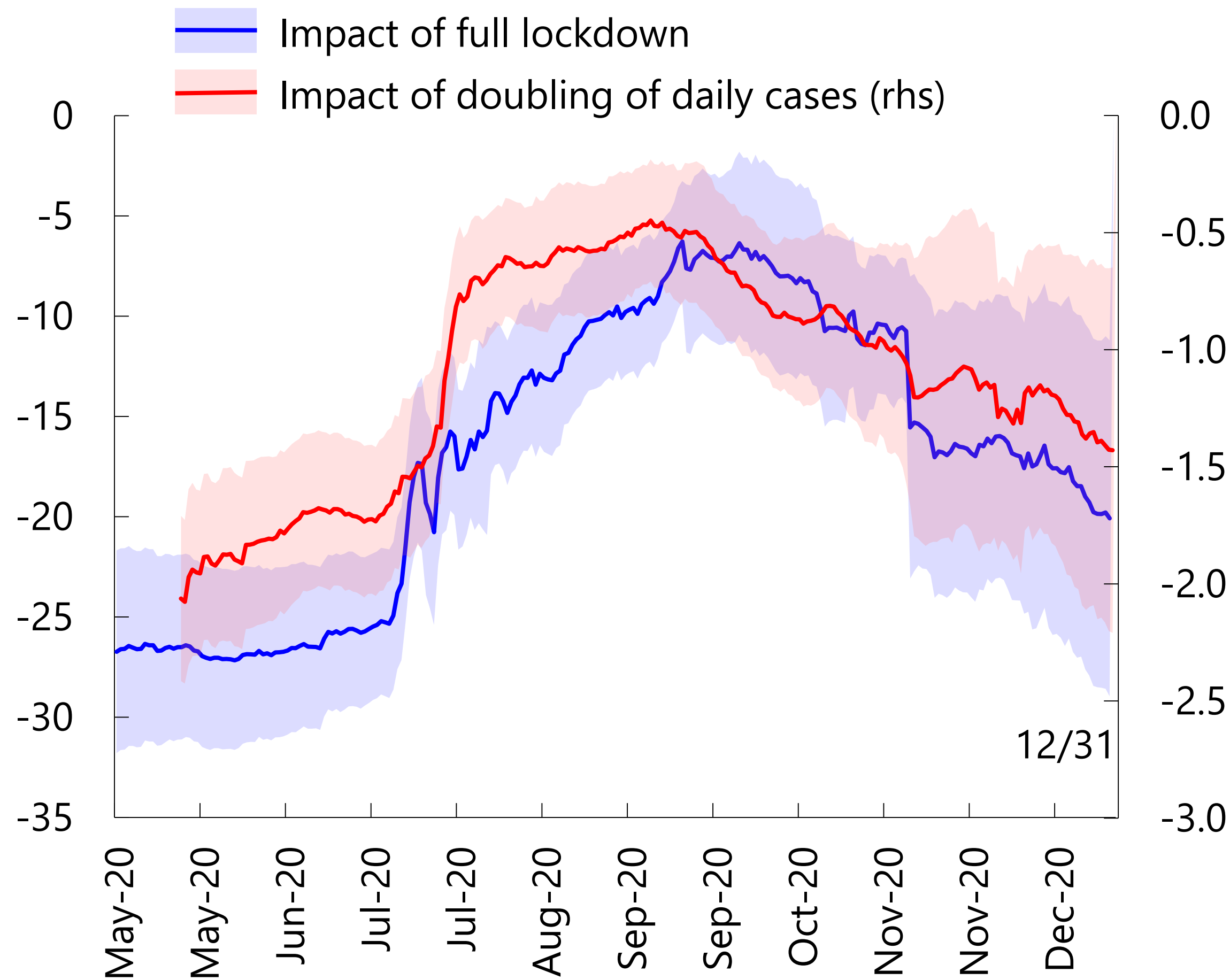
(index; pre-recession peak = 100)



Sources: IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; and IMF staff calculations.
1/ Lines denote averages.

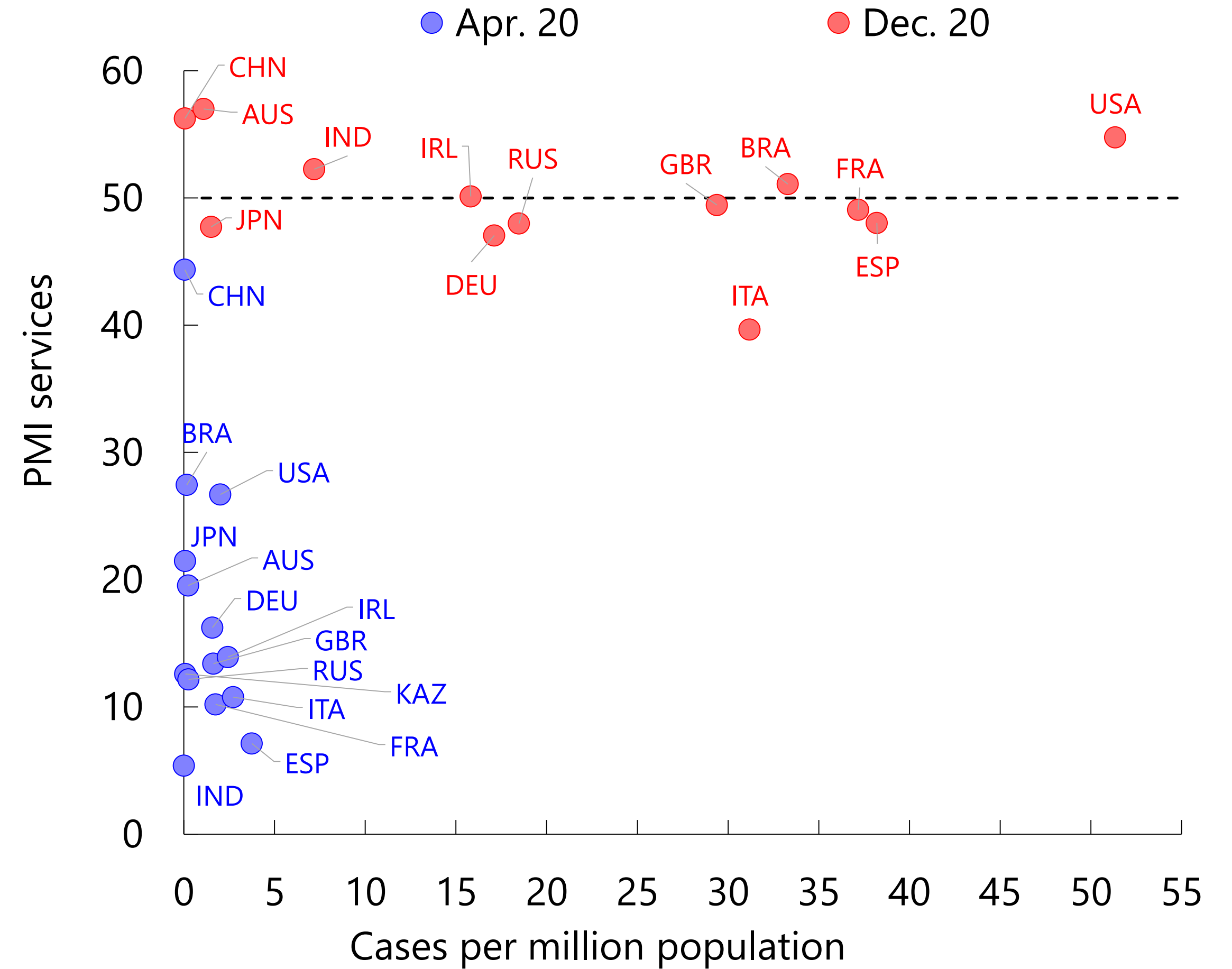
Targeted lockdowns and economies adapting to social distancing

Sensitivity of mobility to cases and lockdowns 1/ (coefficient)



PMI services

(index; >50 = expansion)



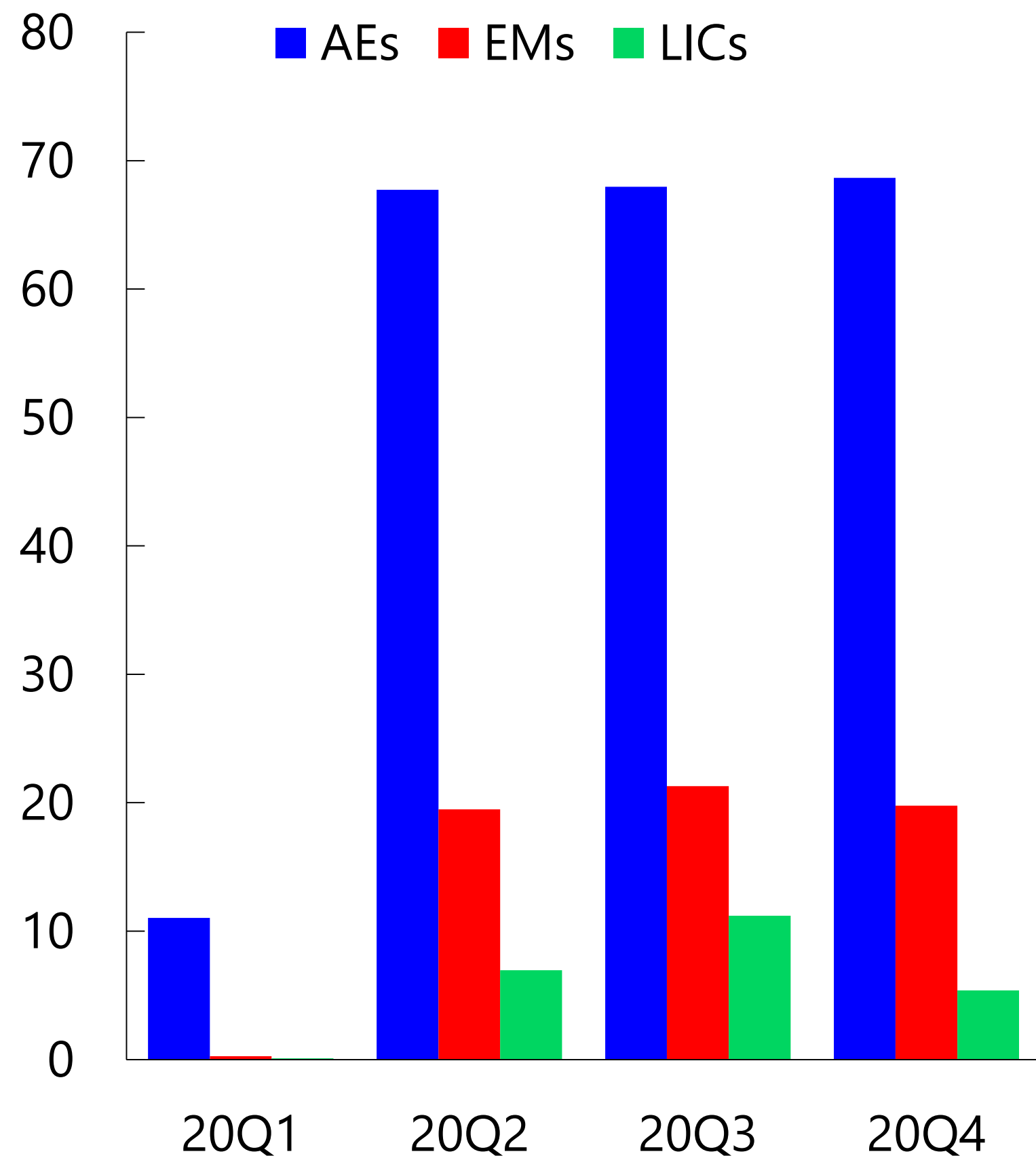
Sources: Haver Analytics; OxCGRT; Google, *COVID-19 Community Mobility Data*; Duke Global Health Innovation Center; Global Advisor; and IMF staff calculations.

1/ Lines denote median of 7-day moving averages. Shaded areas are interquartile ranges. A full lockdown includes all "containment and closure" measures in the OxCGRT. The regression sample includes 128 countries.

Lifelines to households and firms supported the rebound

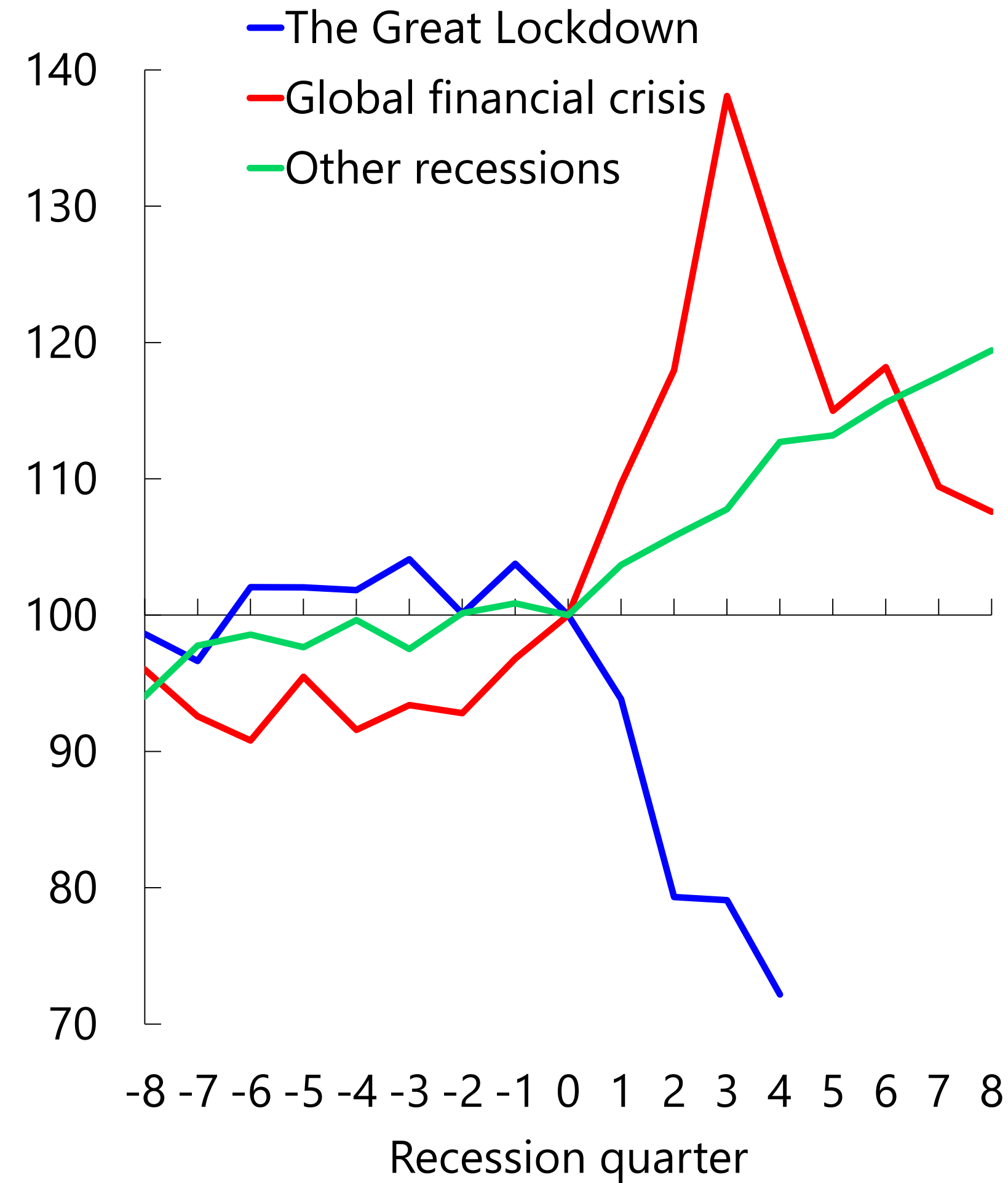
Income support

(share of countries in each income group with higher than 50% replacement income support; percent)



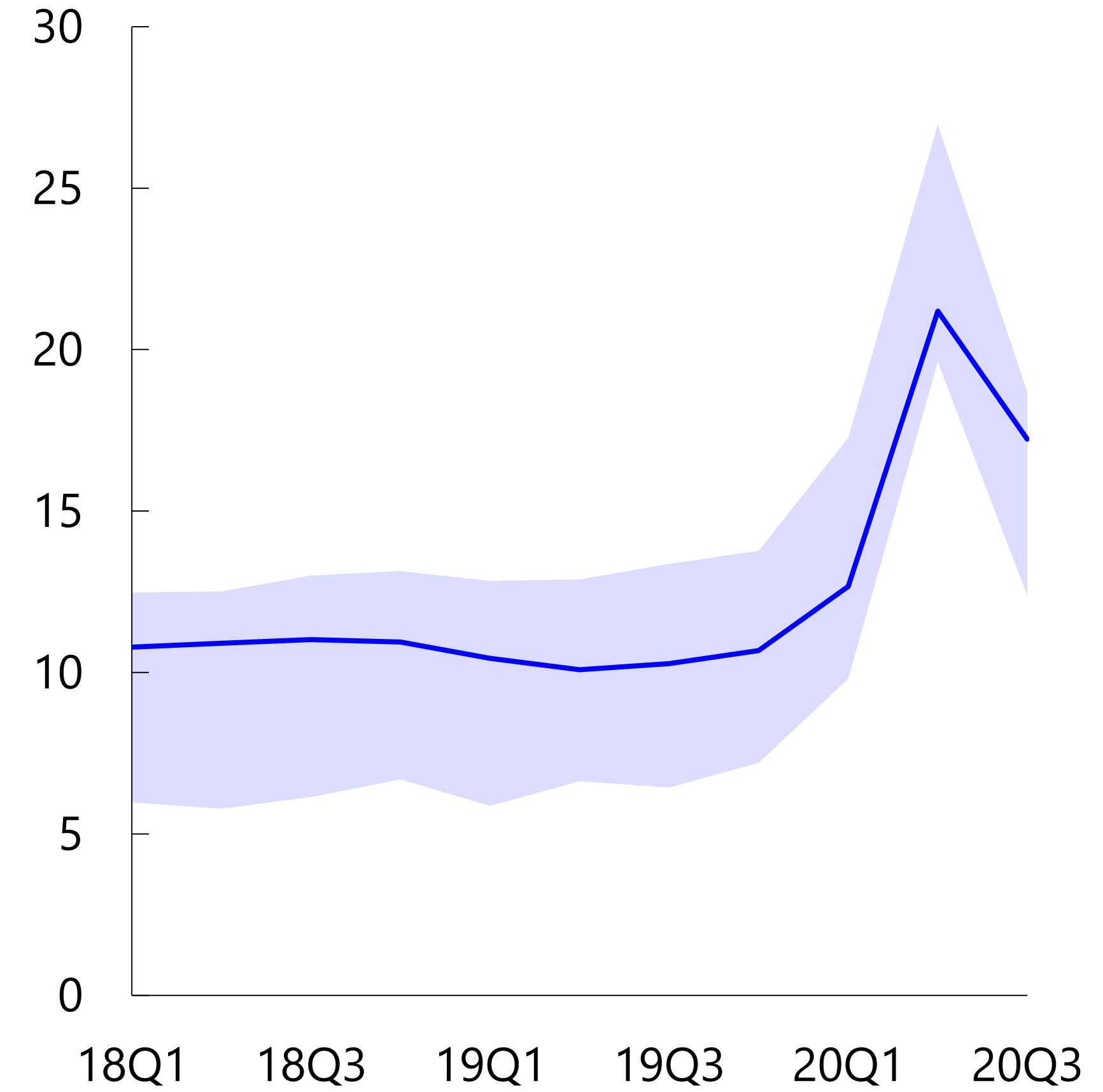
Bankruptcies

(index; last pre-recession quarter=100)



Household saving 1/

(percent of household disposable income)



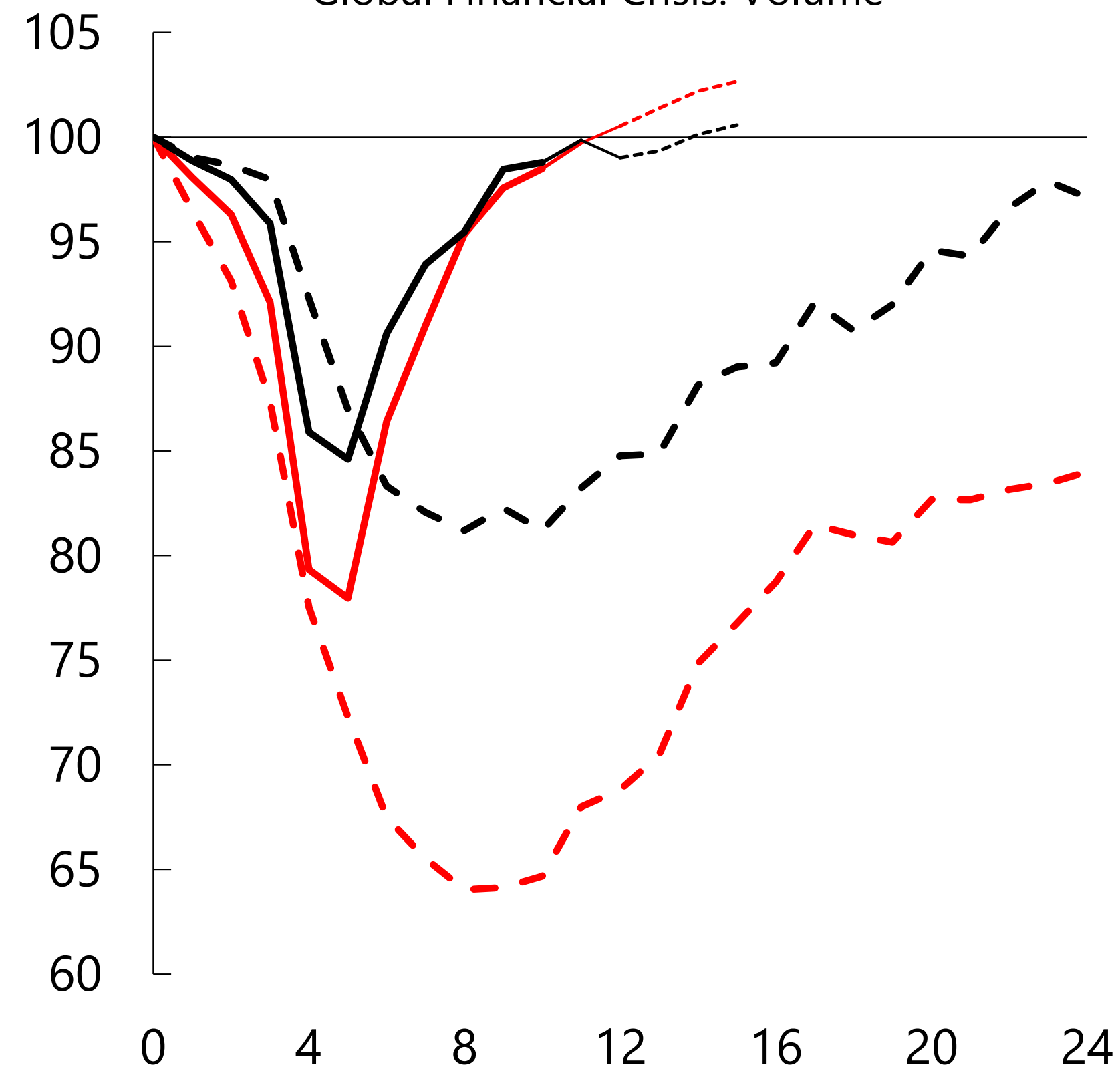
Sources: OxCGRT; CEIC; Haver Analytics; and IMF staff calculations.
1/ Lines denote medians. Shaded area denotes interquartile ranges.

Merchandise trade recovers and financial conditions buoyant

World: merchandise imports 1/

(index; Jul 2008=100 for GFC; Dec 2019=100 for GL)

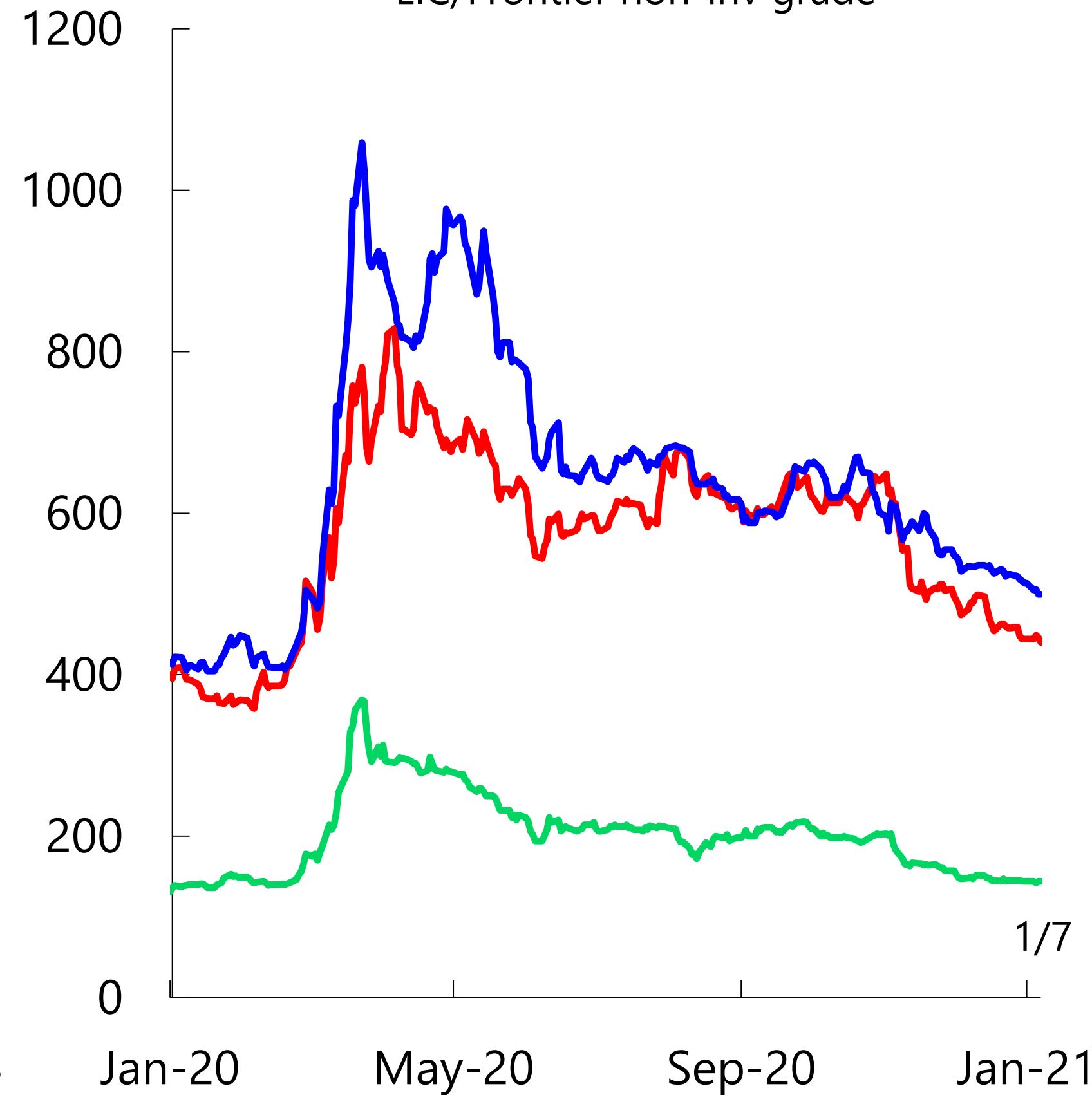
- Great Lockdown: Value
- Great Lockdown: Volume
- Global Financial Crisis: Value
- Global Financial Crisis: Volume



EMBIG spread

(median; basis points)

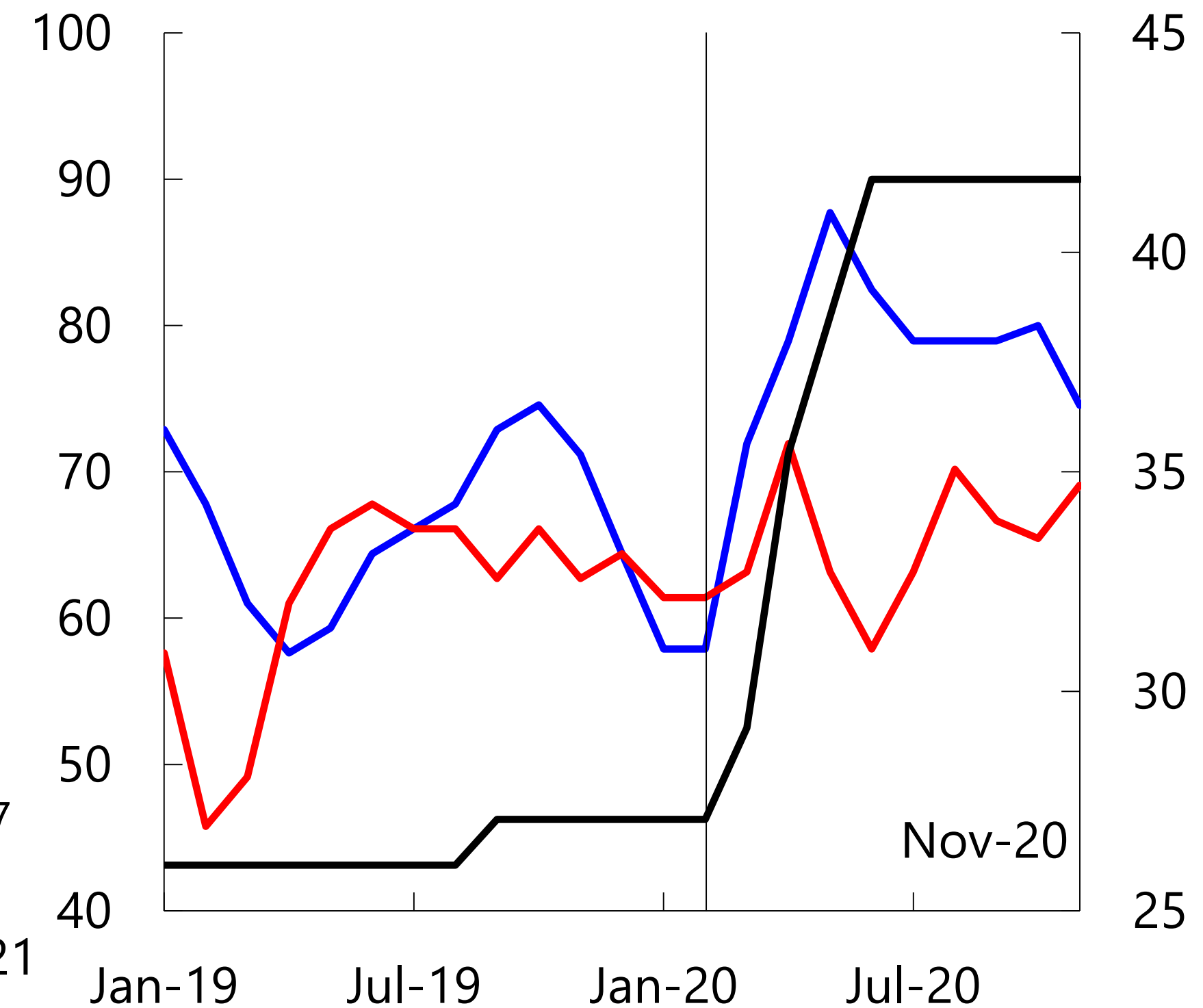
- EM investment grade
- EM non-investment grade
- LIC/Frontier non-inv grade



Inflation and policy space 2/

(percent)

- Share of countries with inflation below target
- Share of countries with one-year ahead inflation exp. below target
- Share of countries with policy rate near ZLB, rhs



Sources: CPB; Bloomberg; IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; Consensus Forecast; and IMF staff calculations.

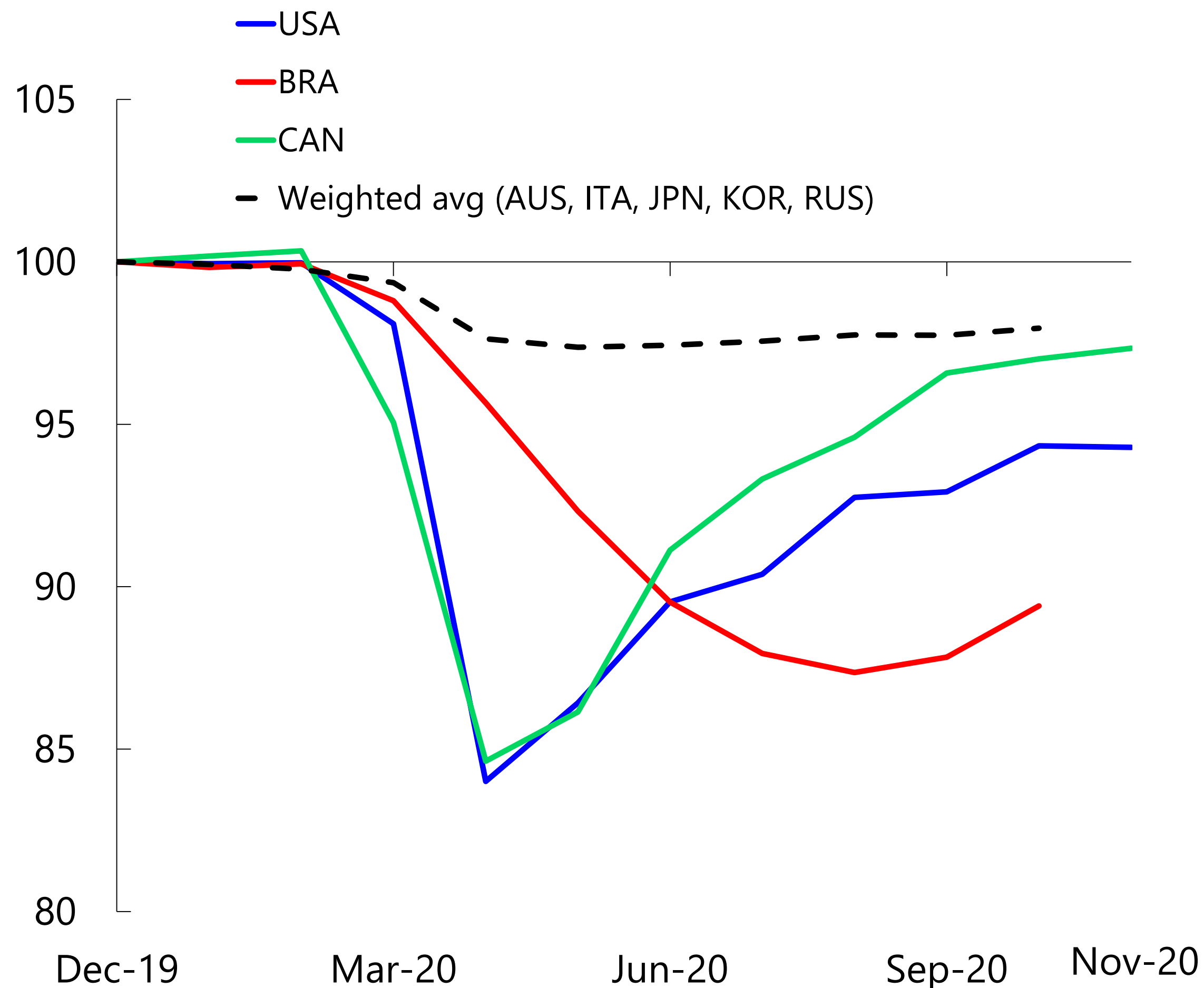
1/ Lighter lines indicate nowcasts.

2/ ZLB threshold at 0.5 percent.

Labor market vulnerability remains

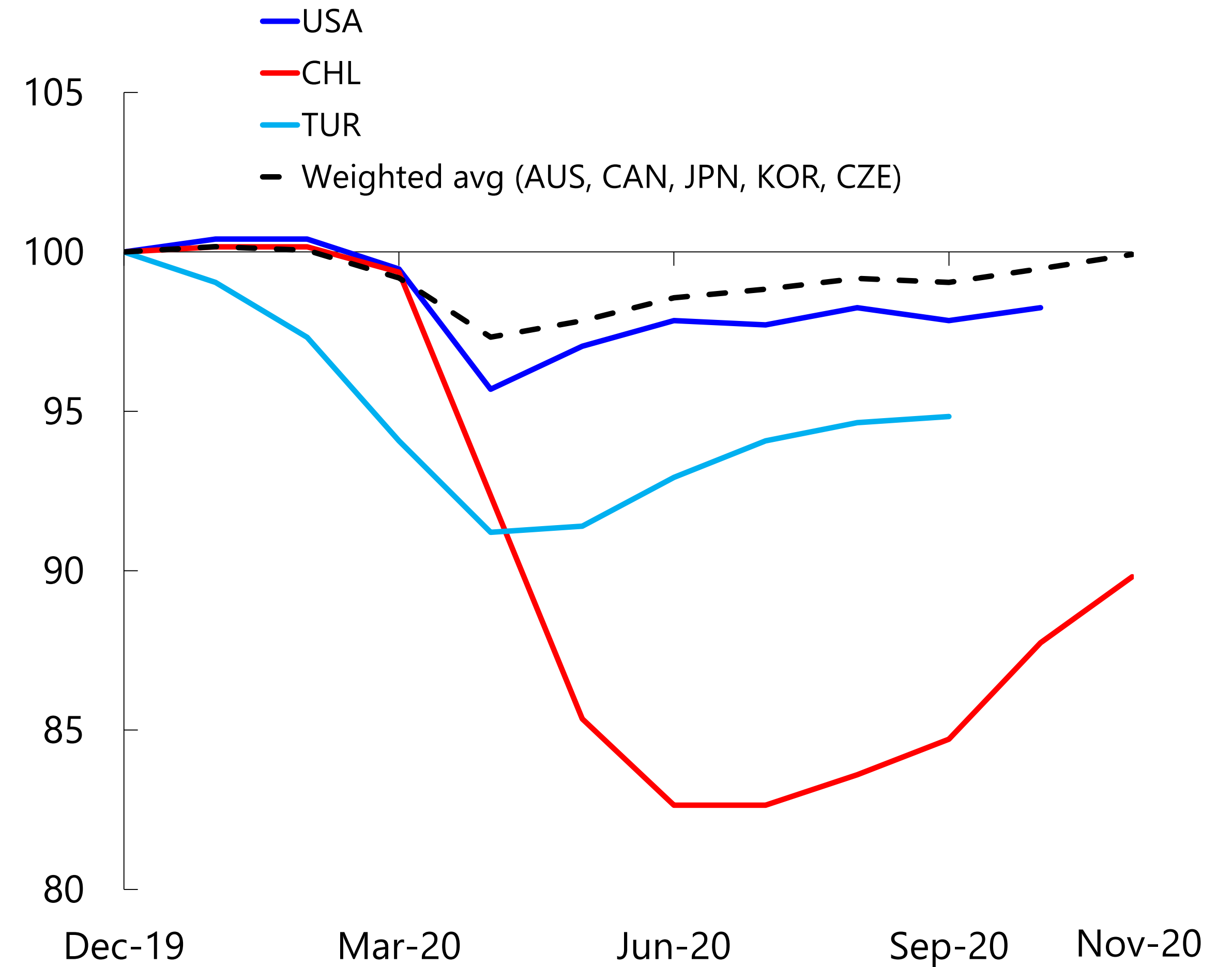
Total employment

(index; Dec. 2019=100)



Labor force participation

(index; Dec. 2019=100; 15 to 64 Years; sa)



Sources: IMF, *Global Data Source*; Haver Analytics; and IMF staff calculations.

Note: Based on countries with available seasonally adjusted monthly series. Latest data point is November 2020.

WEO baseline assumptions

Disruptions to activity

- Possibility of lockdowns before vaccines become widely available
- Broad vaccine availability in AEs and some EMs in the summer of 2021 and across most countries by the second half of 2022

Financial conditions and policy support

- Financial conditions to remain at current levels for AEs while gradually improving for EMDEs
- Additional fiscal policy support boosts activity in some countries, but most are expected to experience lower deficits in 2021

Commodity prices

- Oil prices are expected to rise in 2021 just over 20 percent from the low base for 2020, but will still remain below their average for 2019

WEO Projections

Growth projections: Advanced economies

(percent change from a year earlier)



World



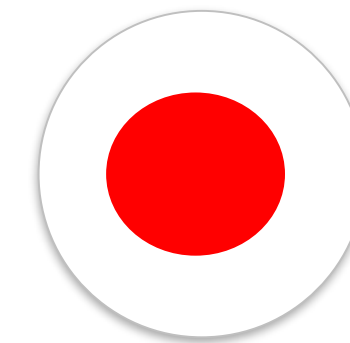
Advanced Economies



U.S.



Euro Area



Japan



U.K.



Canada



Other
Advanced
Asia

2020

-3.5

-4.9

-3.4

-7.2

-5.1

-10.0

-5.5

-1.5

Revision from
Oct. 2020

0.9

0.9

0.9

1.1

0.2

-0.2

1.6

1.4

2021

5.5

4.3

5.1

4.2

3.1

4.5

3.6

3.6

Revision from
Oct. 2020

0.3

0.4

2.0

-1.0

0.8

-1.4

-1.6

0.3

2022

4.2

3.1

2.5

3.6

2.4

5.0

4.1

2.9

Revision from
Oct. 2020

0.0

0.2

-0.4

0.5

0.7

1.8

0.7

0.1

Source: IMF, *World Economic Outlook* January 2021.

Growth projections: Emerging markets and LIDCs

(percent change from a year earlier)



World

Emerging
Market and
Developing
Economies

China

India

Brazil

Russia

Commodity
Exporting
Economies

Low Income
Developing
Countries

2020

-3.5

-2.4

2.3

-8.0

-4.5

-3.6

-4.4

-0.8

Revision from
Oct. 2020

0.9

0.9

0.4

2.3

1.3

0.5

0.7

0.4

2021

5.5

6.3

8.1

11.5

3.6

3.0

3.8

5.1

Revision from
Oct. 2020

0.3

0.3

-0.1

2.7

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0.2

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2022

4.2

5.0

5.6

6.8

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Revision from
Oct. 2020

0.0

-0.1

-0.2

-1.2

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0.4

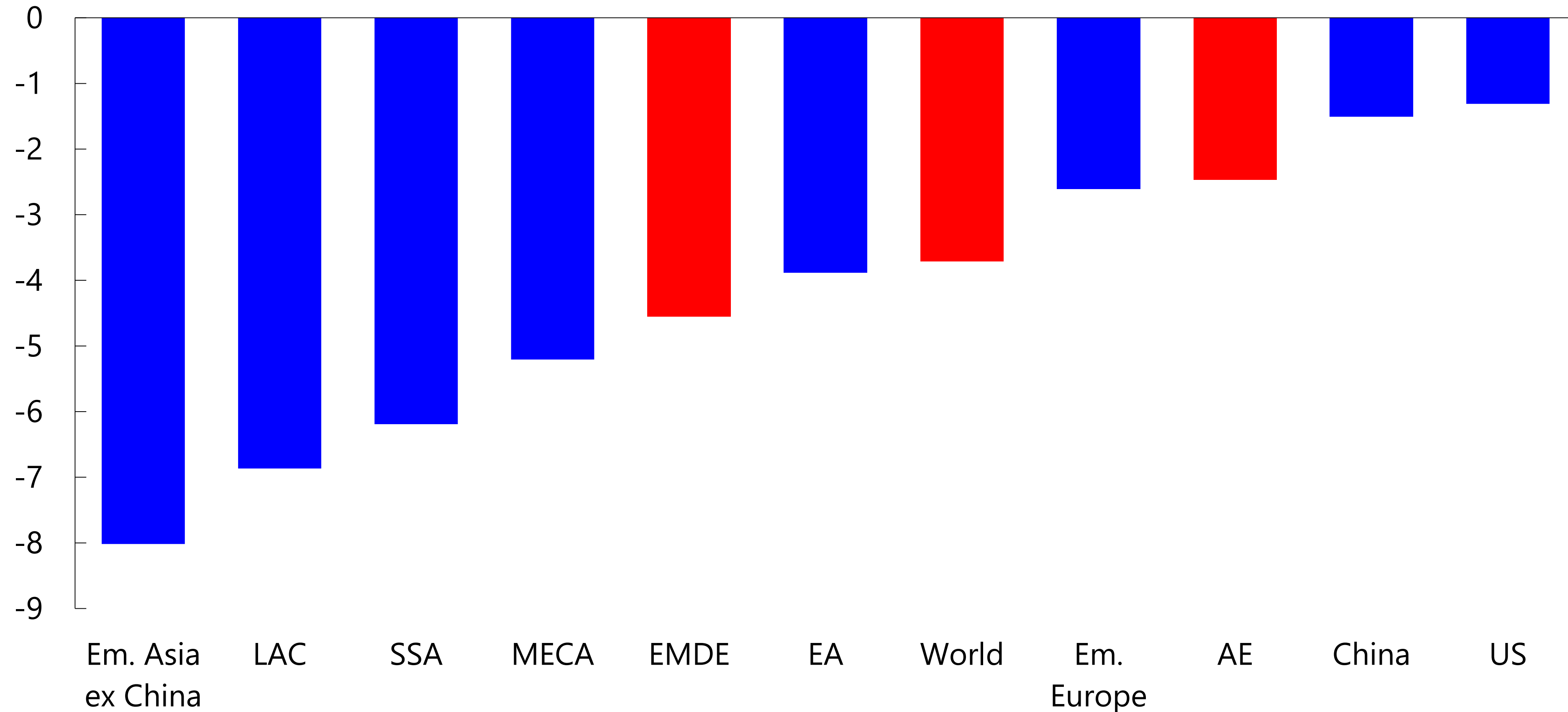
0.0

Source: IMF, *World Economic Outlook* January 2021.

Divergent recoveries

GDP losses relative to pre-COVID by region 1/

(current projected 2022 level relative to pre-COVID forecast; percent difference)



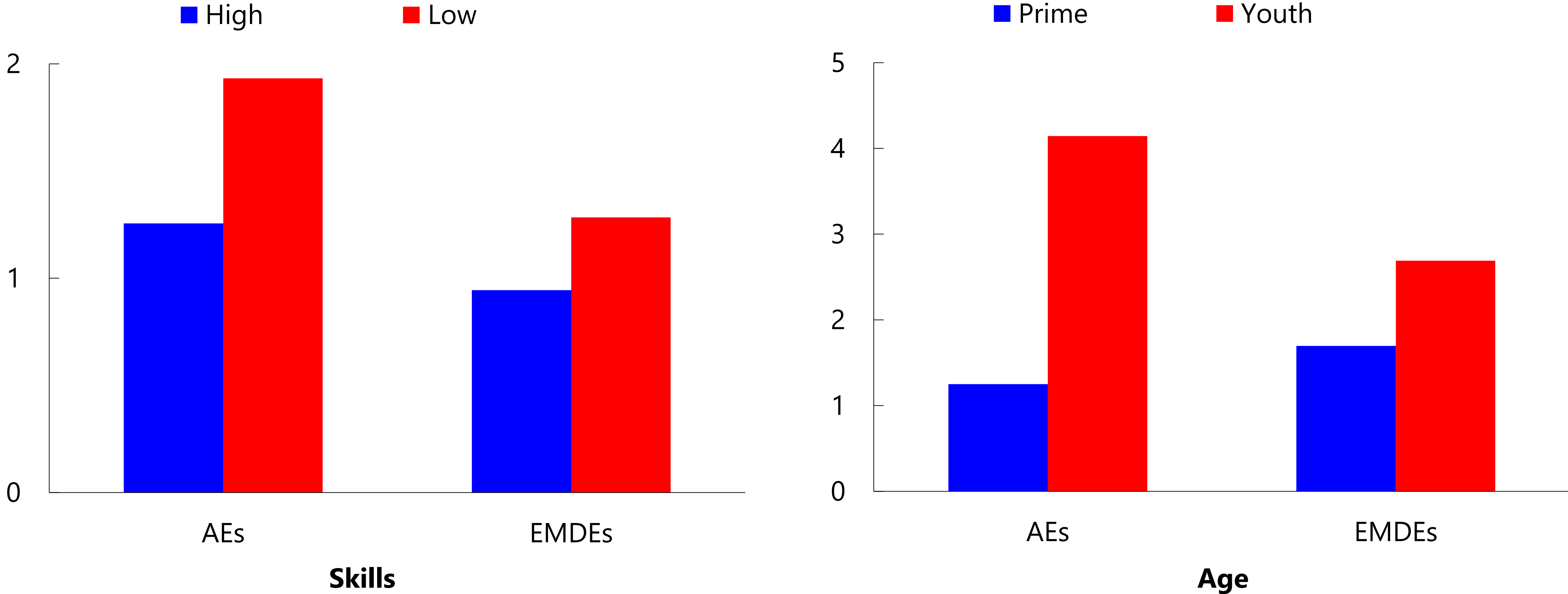
Sources: IMF, *World Economic Outlook*; and IMF staff calculations.

1/ AE = advanced economies; Em. Asia ex China = emerging and developing Asia ex. China; Em. Eur. = emerging and developing Europe; EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; MECA = Middle East and Central Asia; SSA = sub-Saharan Africa.

Within-country divergence

Change in unemployment rates across economic groups 1/

(percentage points)



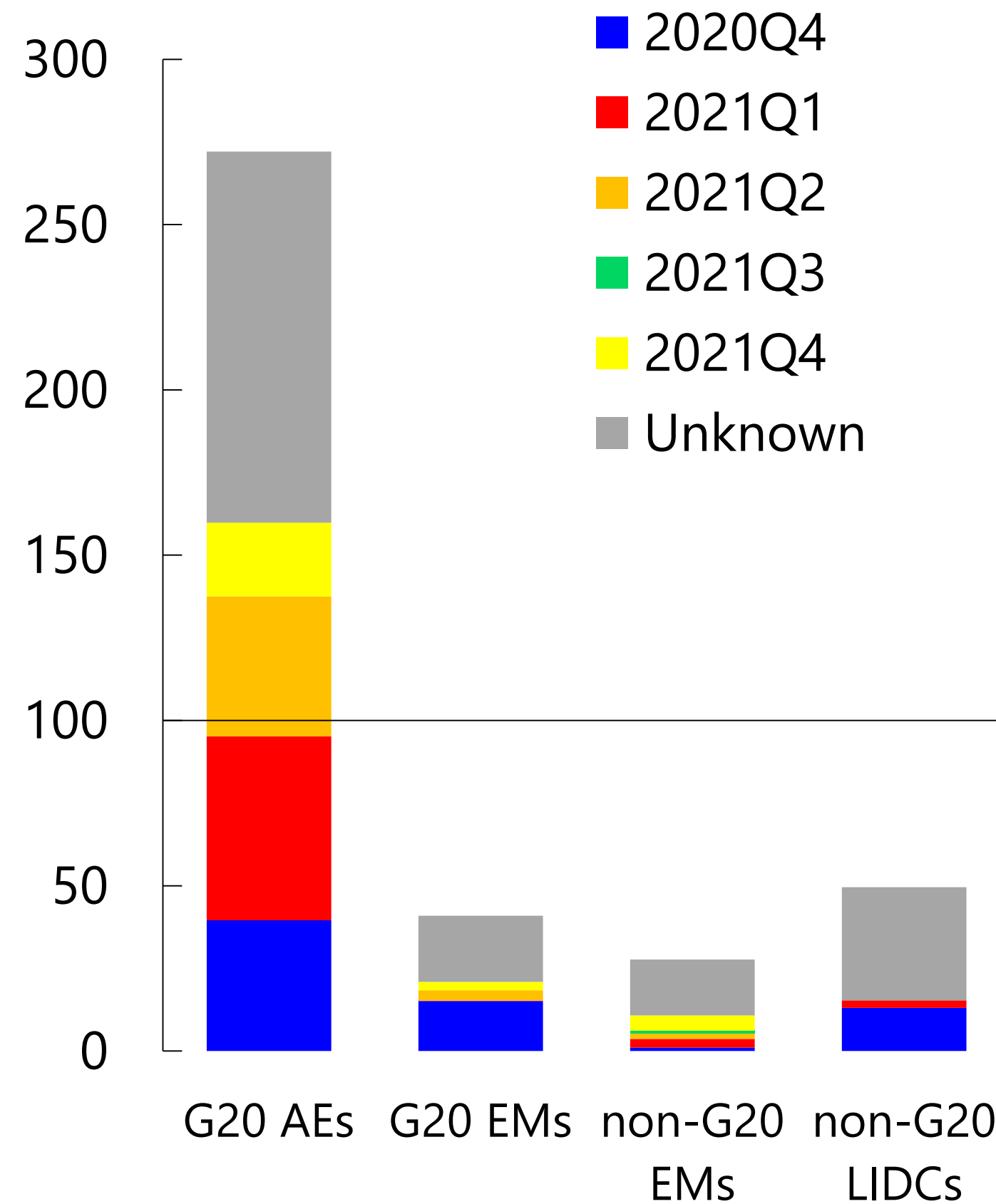
Sources: ILO; and IMF staff calculations.

1/ Average changes in unemployment calculated from the normalized time fixed effects from a regression of the variable on country and time fixed effects to account for sample coverage changes. For AEs, the chart shows 2020Q3 relative to 2018-2019 averages. For EMDEs, the chart shows 2020Q2 relative to 2018-2019 averages.

Divergences: Vaccines/Therapies

Vaccine supply coverage

(percent of population; confirmed agreements only)

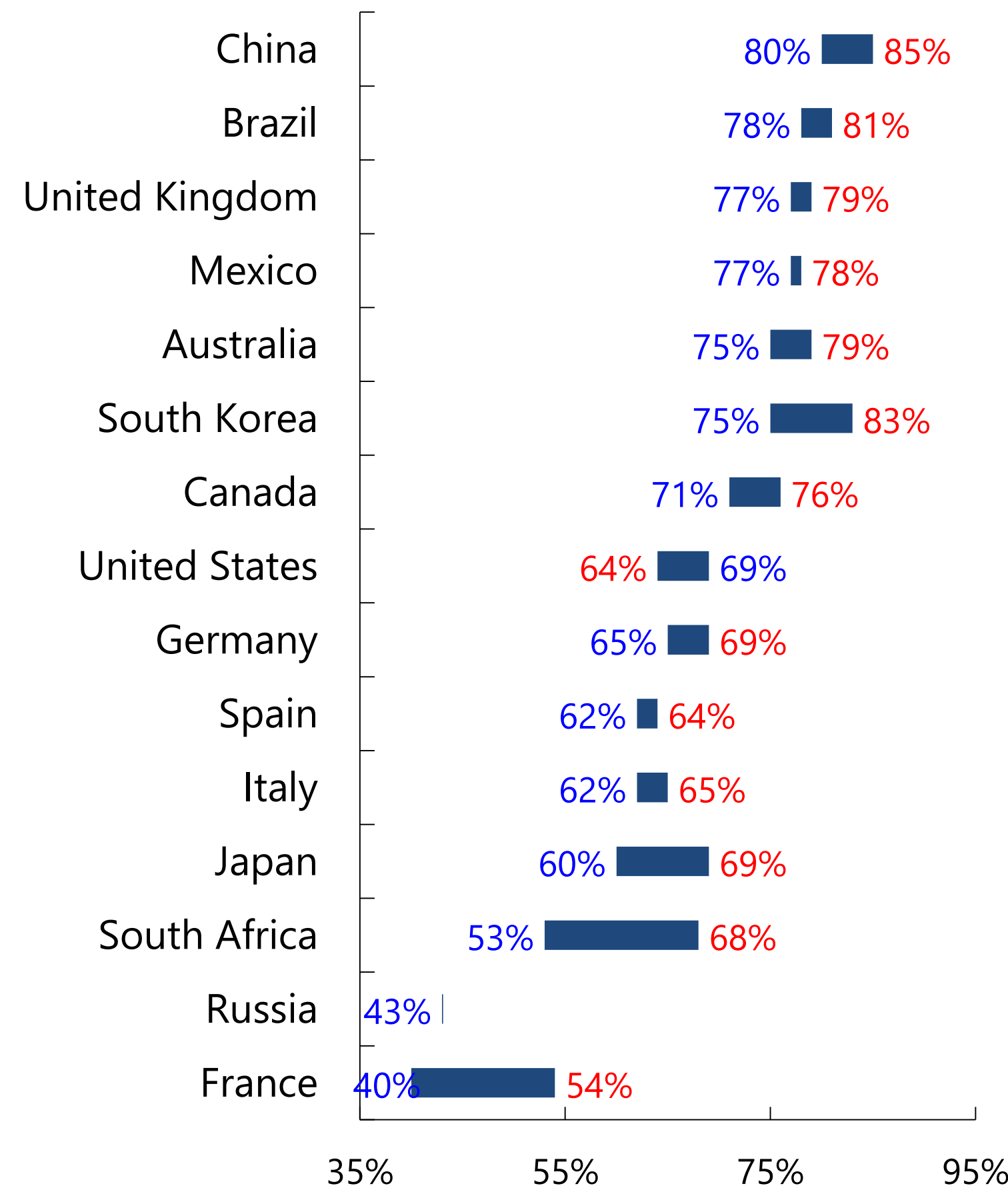


Vaccine demand 1/

(percent)

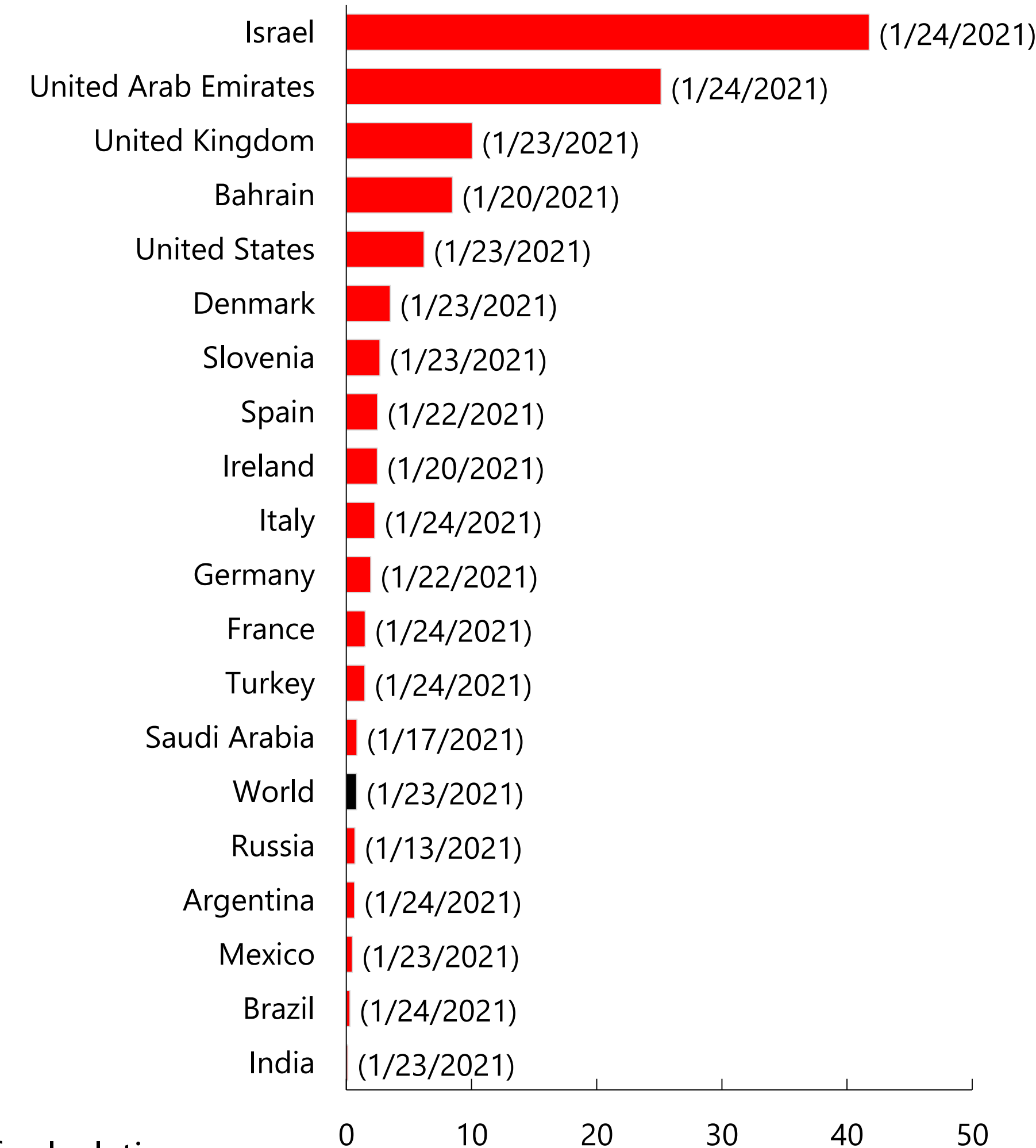
Willingness to get COVID-19 vaccine

December 2020 (blue) | October 2020 (red)



COVID-19 doses administered

(per 100 persons; as of 1/25/2021)



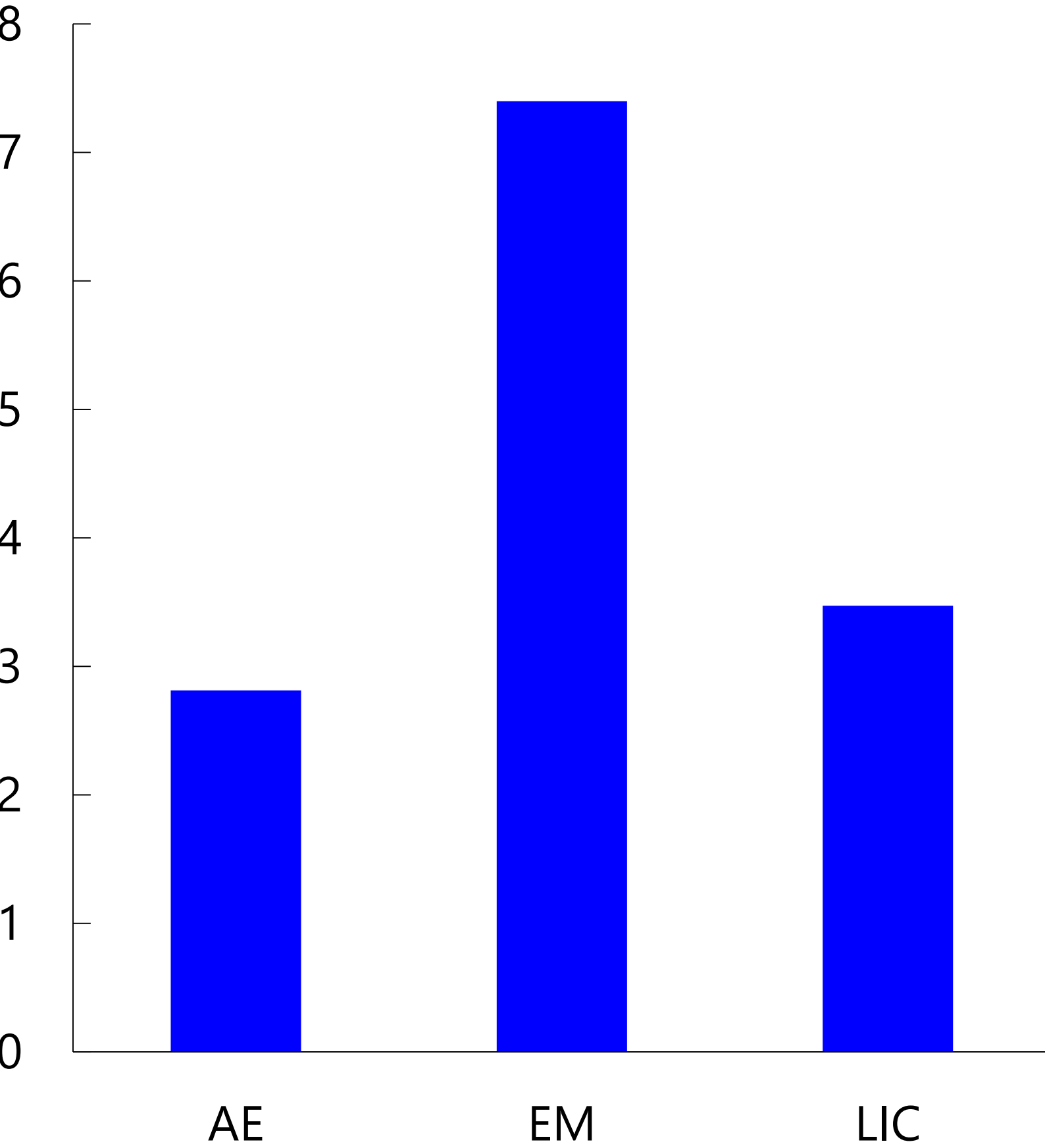
Sources Haver Analytics; OxCGRT; Duke Global Health Innovation Center; Global Advisor; Ipsos; and IMF staff calculations.

1/ Based on 18,526 online adults aged 16-74 across 15 countries.

Divergences: Structural Sources

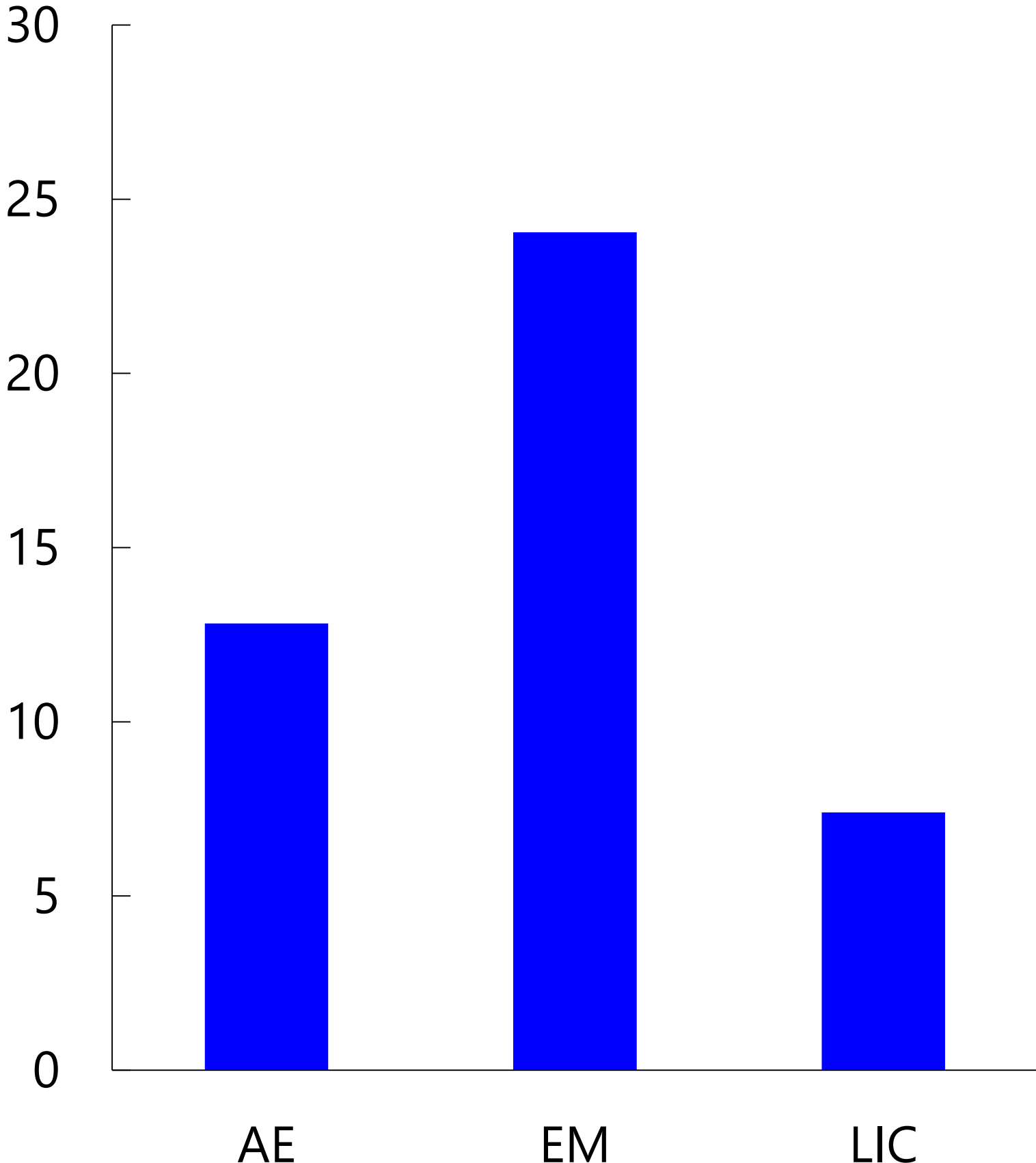
Oil exports

(percent of GDP; average in 2018)



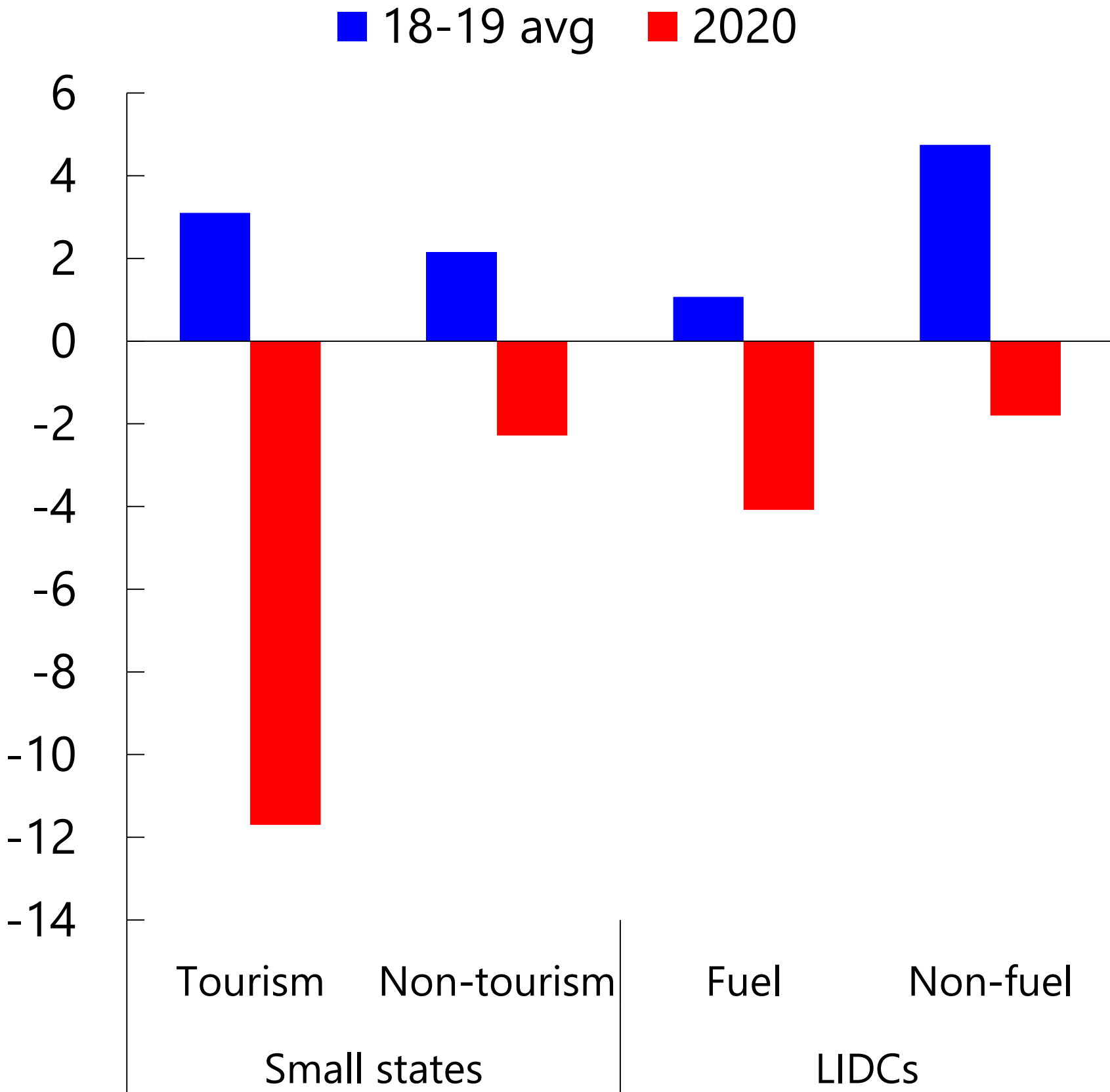
Tourism receipts

(percent of GDP; average in 2018)



GDP growth

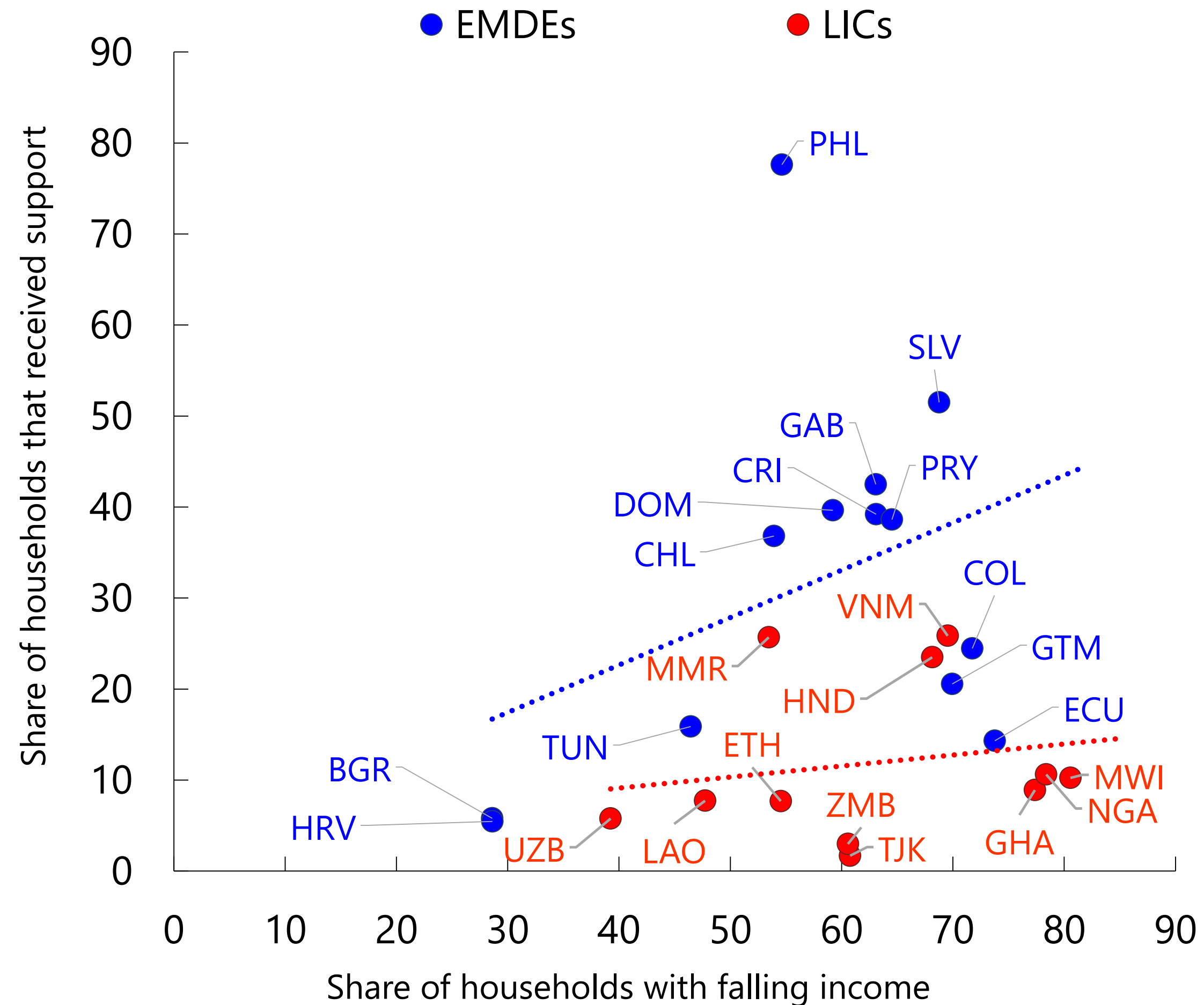
(percent; median)



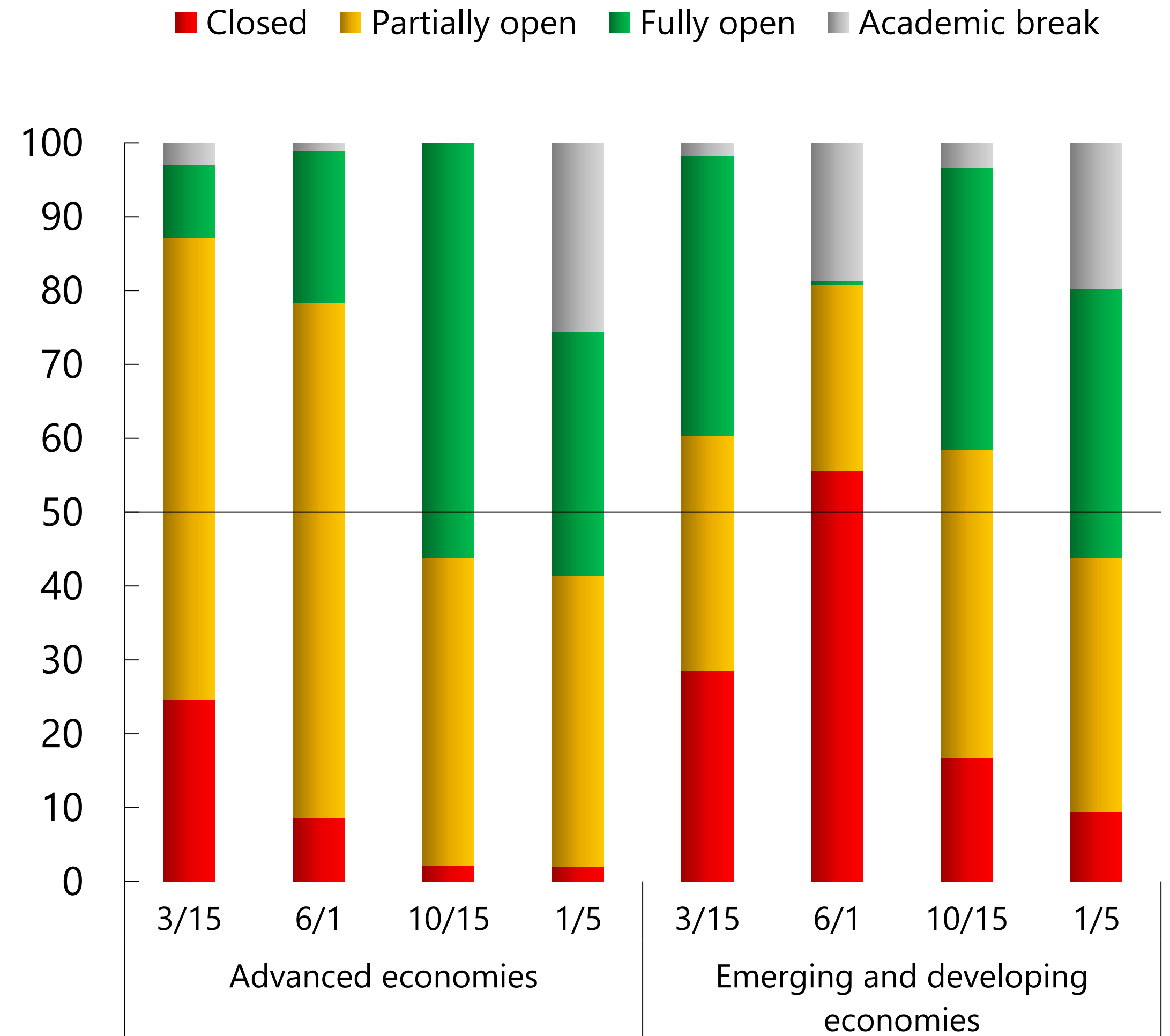
Sources: IMF, *World Economic Outlook*; the World Bank; UNESCO; and IMF staff calculations.

Divergences: Income support, Education

Share of households with falling income and share of households that received support
(percent)



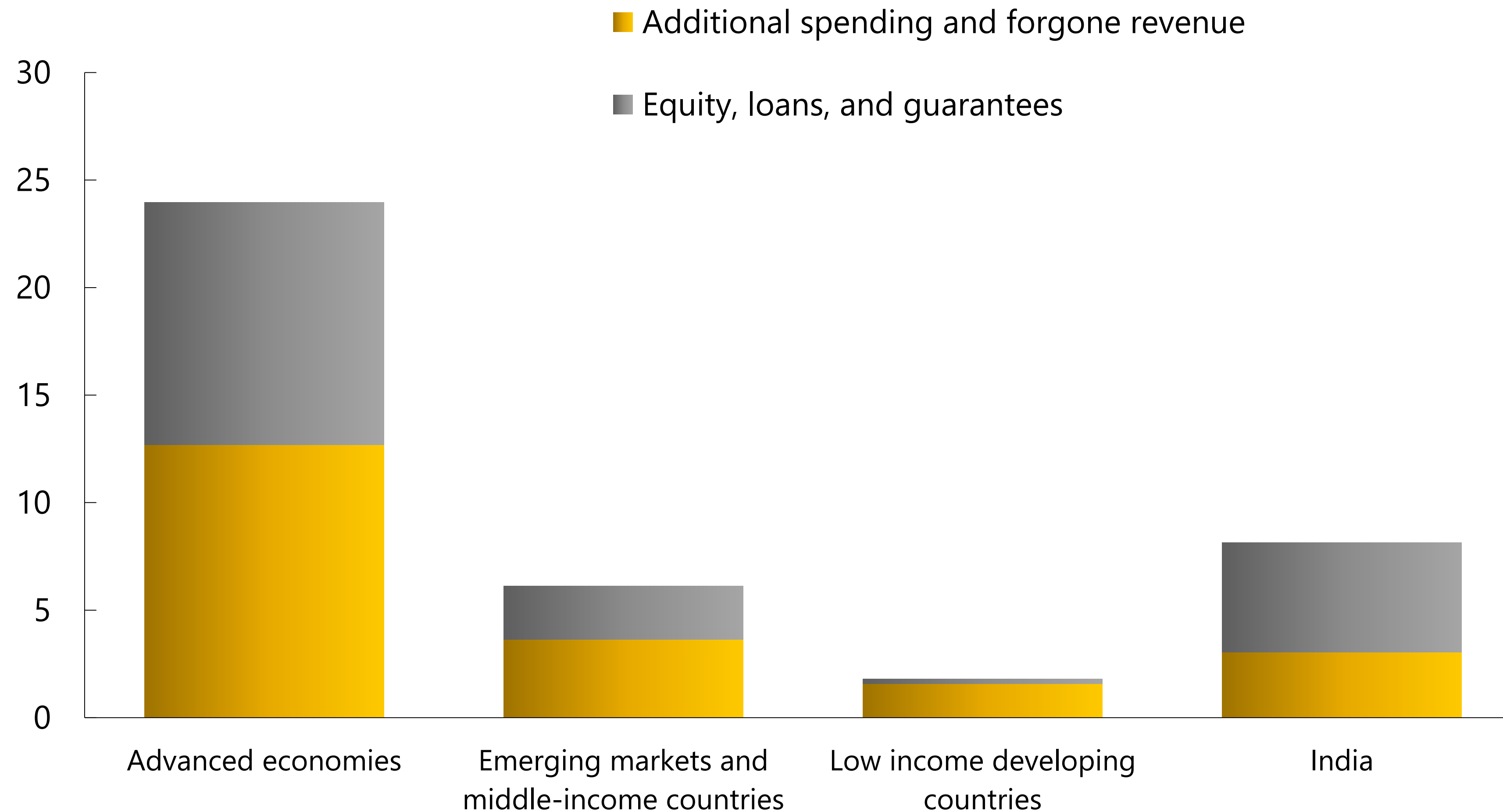
School closures and enrollment
(percent of students)



Divergences: Policy support

Announced Fiscal Measures

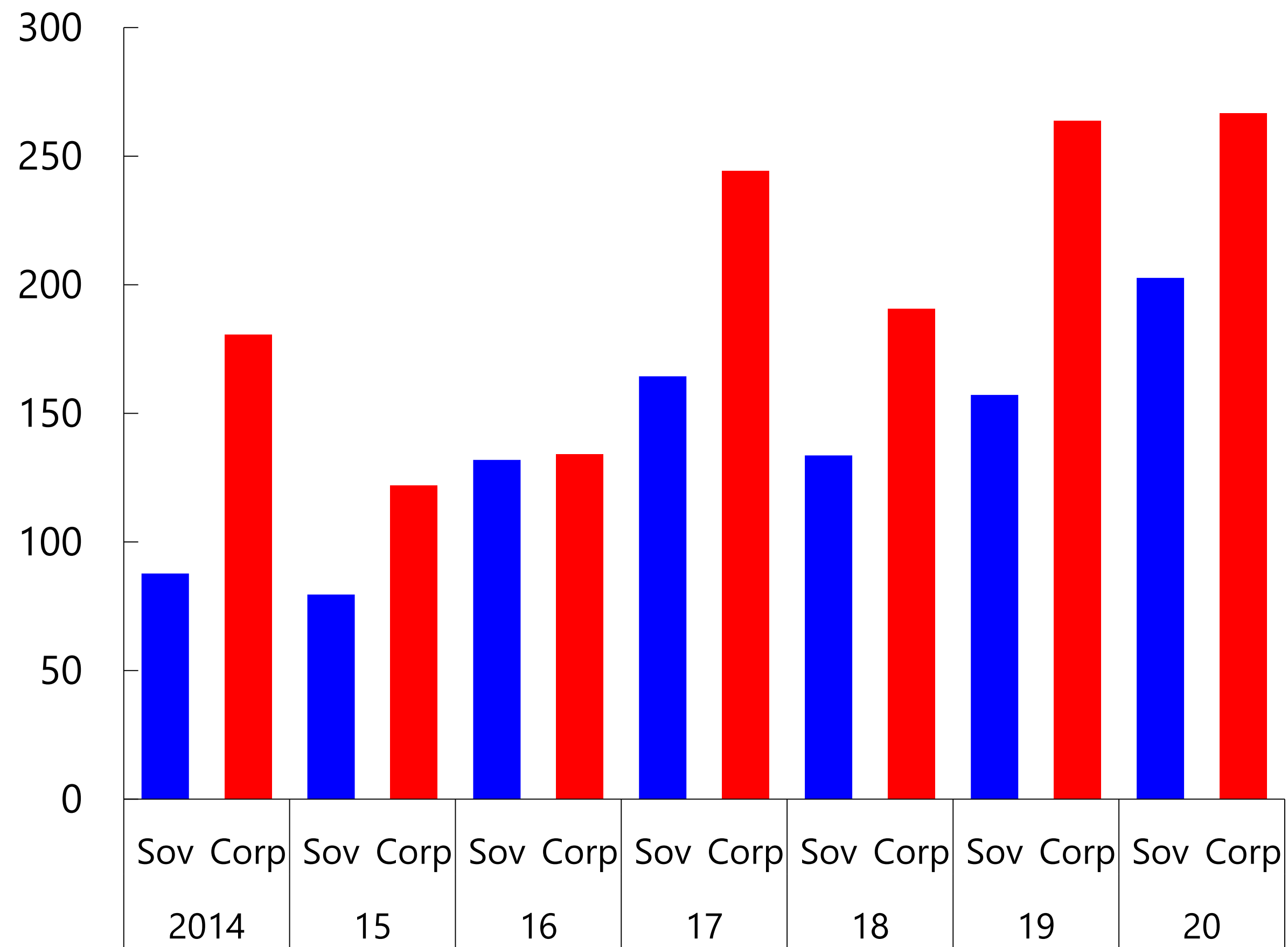
(percent of GDP; as of Dec 2020)



Robust Demand for EM Assets

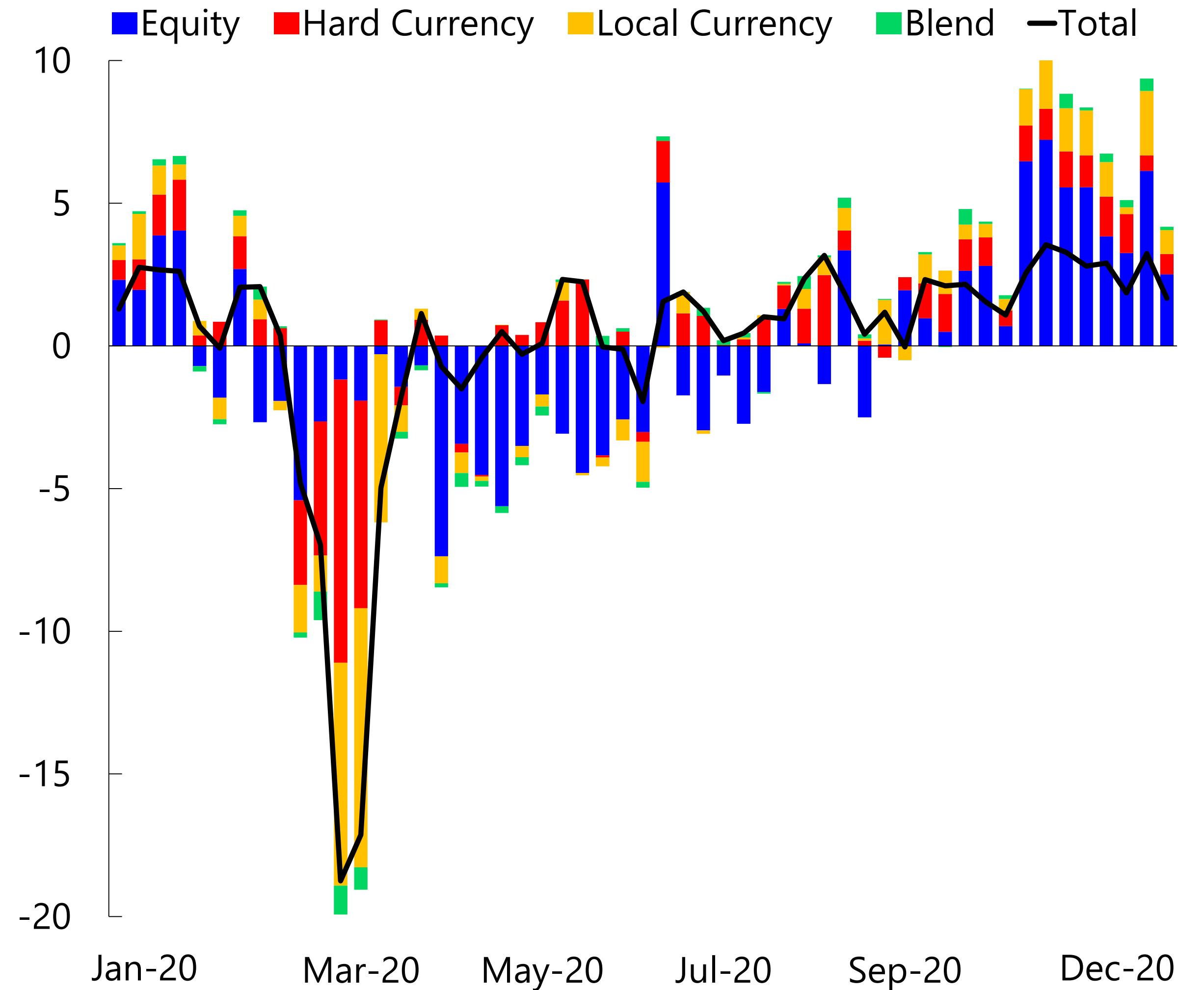
EM sovereign and corporate debt issuance

(USD billions; international hard currency issuance)



Flows to emerging market mutual funds and ETFs

(billions USD, weekly)

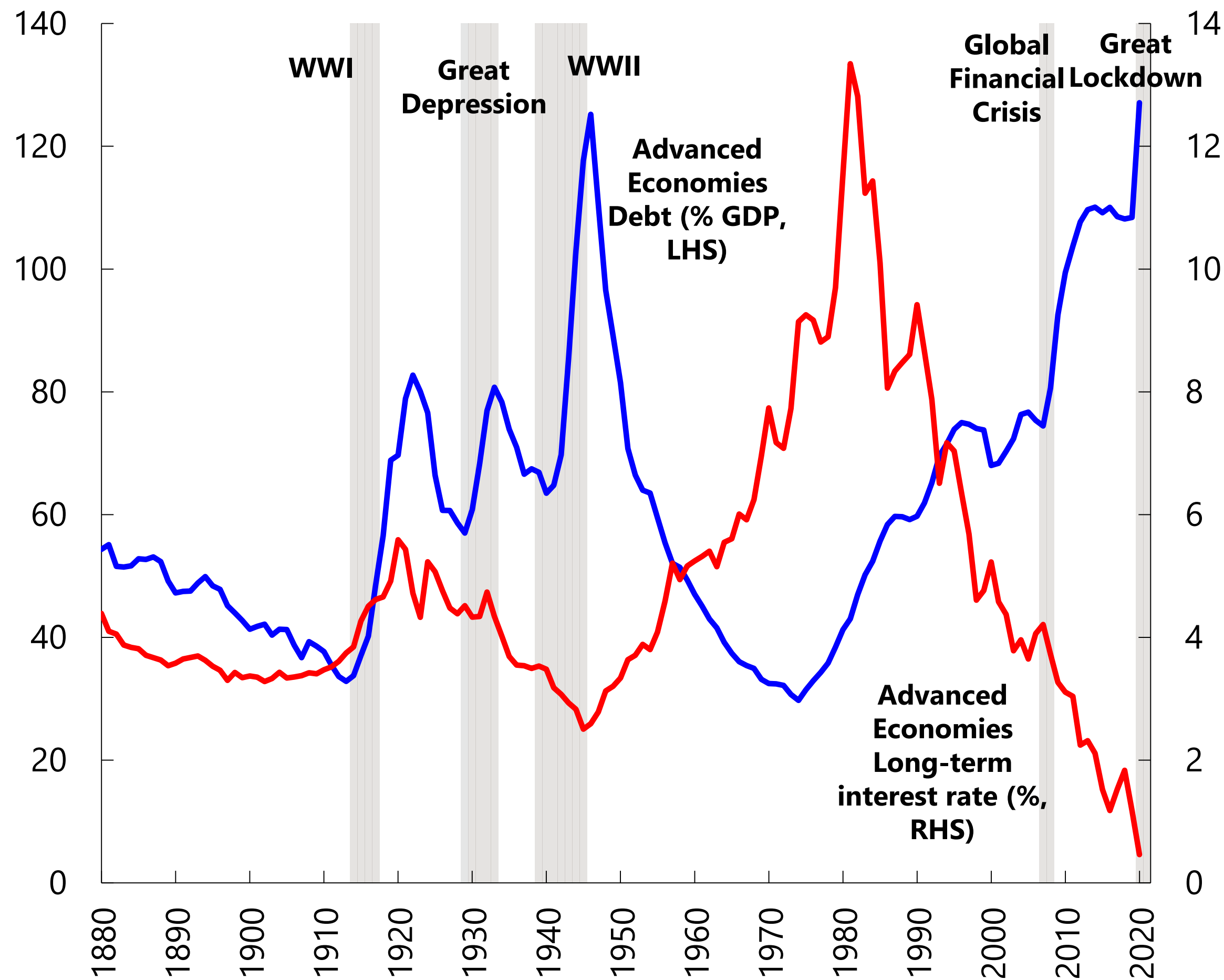


Source: Bondradar; Haver Analytics; and IMF Staff Calculations.

Supportive Borrowing Conditions

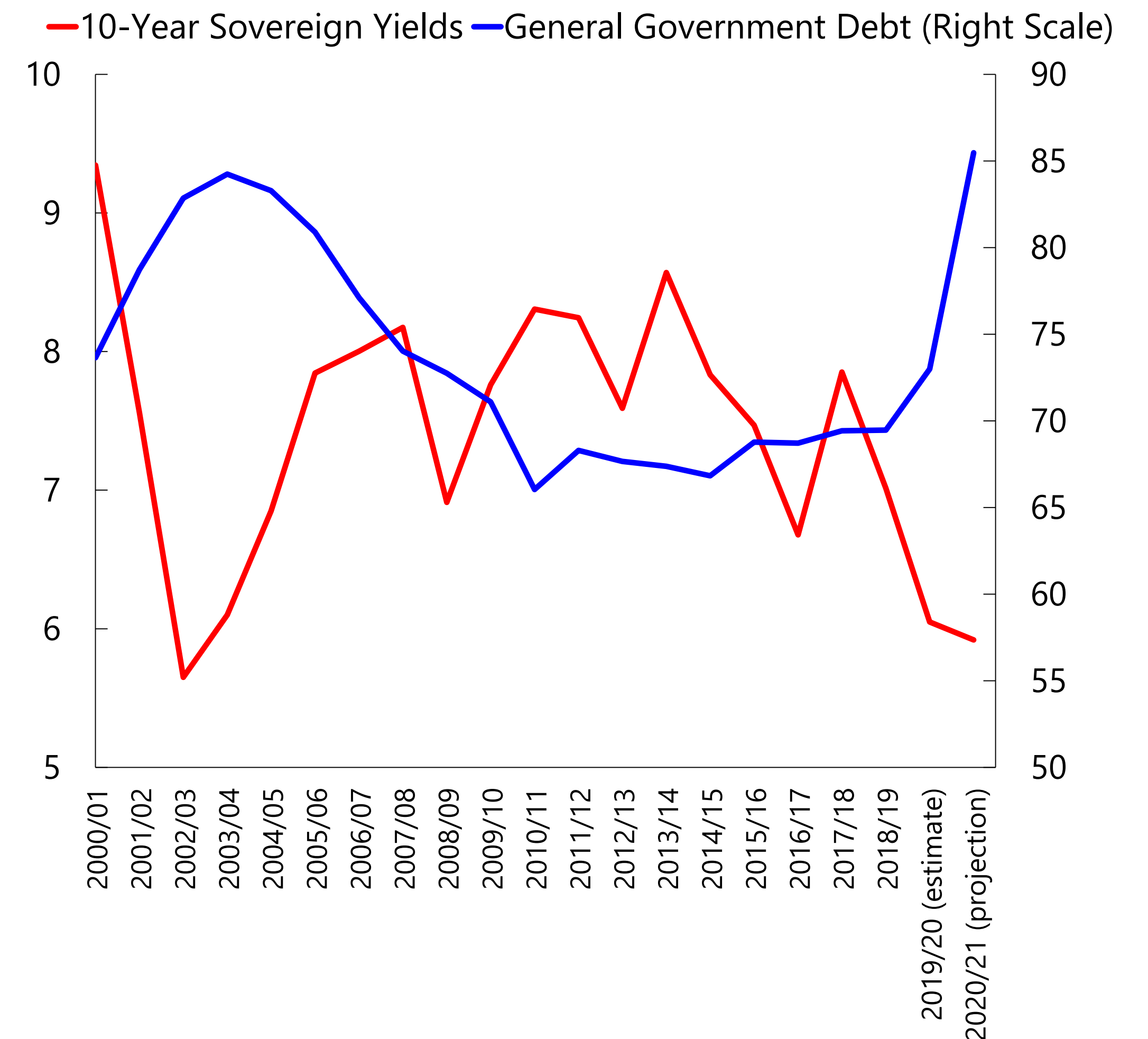
Public debt and bond yields in historical perspective

(yields in percent; public debt in percent of GDP)



India: Bond Yields and General Government Debt

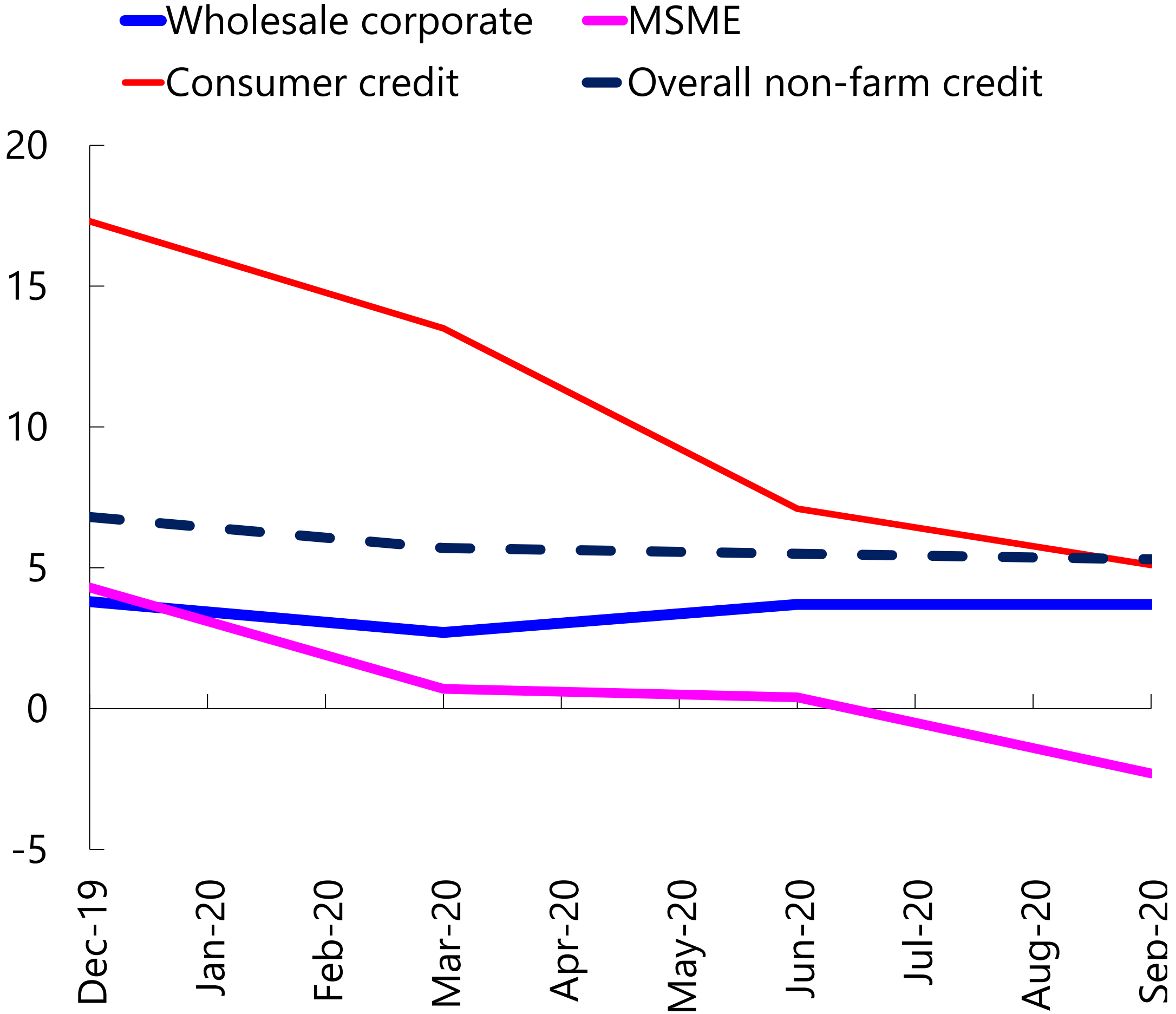
(yield in percent, general government debt in percent of GDP)



Pre-Pandemic Financial Sector Stress: India

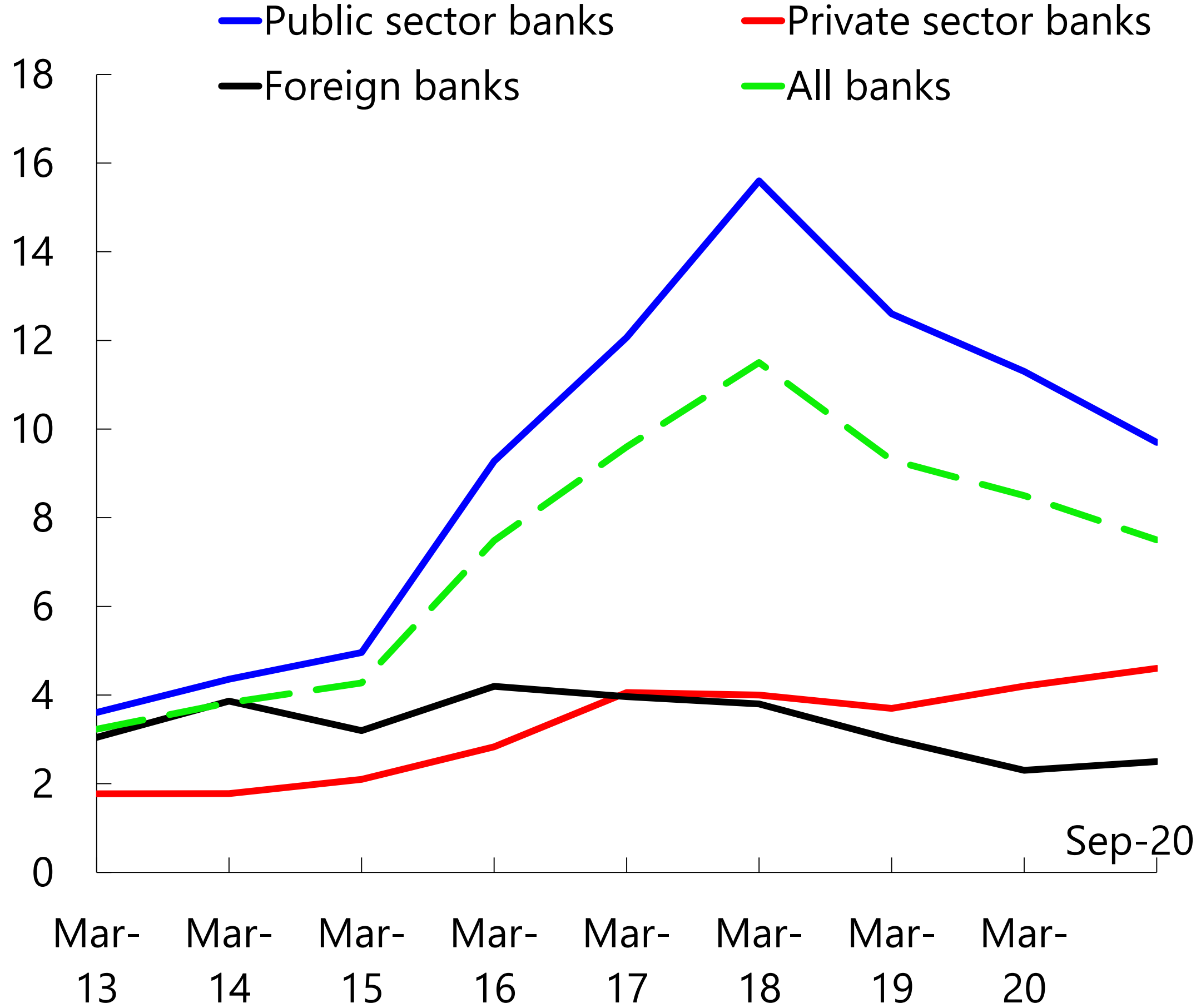
Credit growth

(percent; year on year)



Banks' Nonperforming Assets

(Gross NPA Ratio)

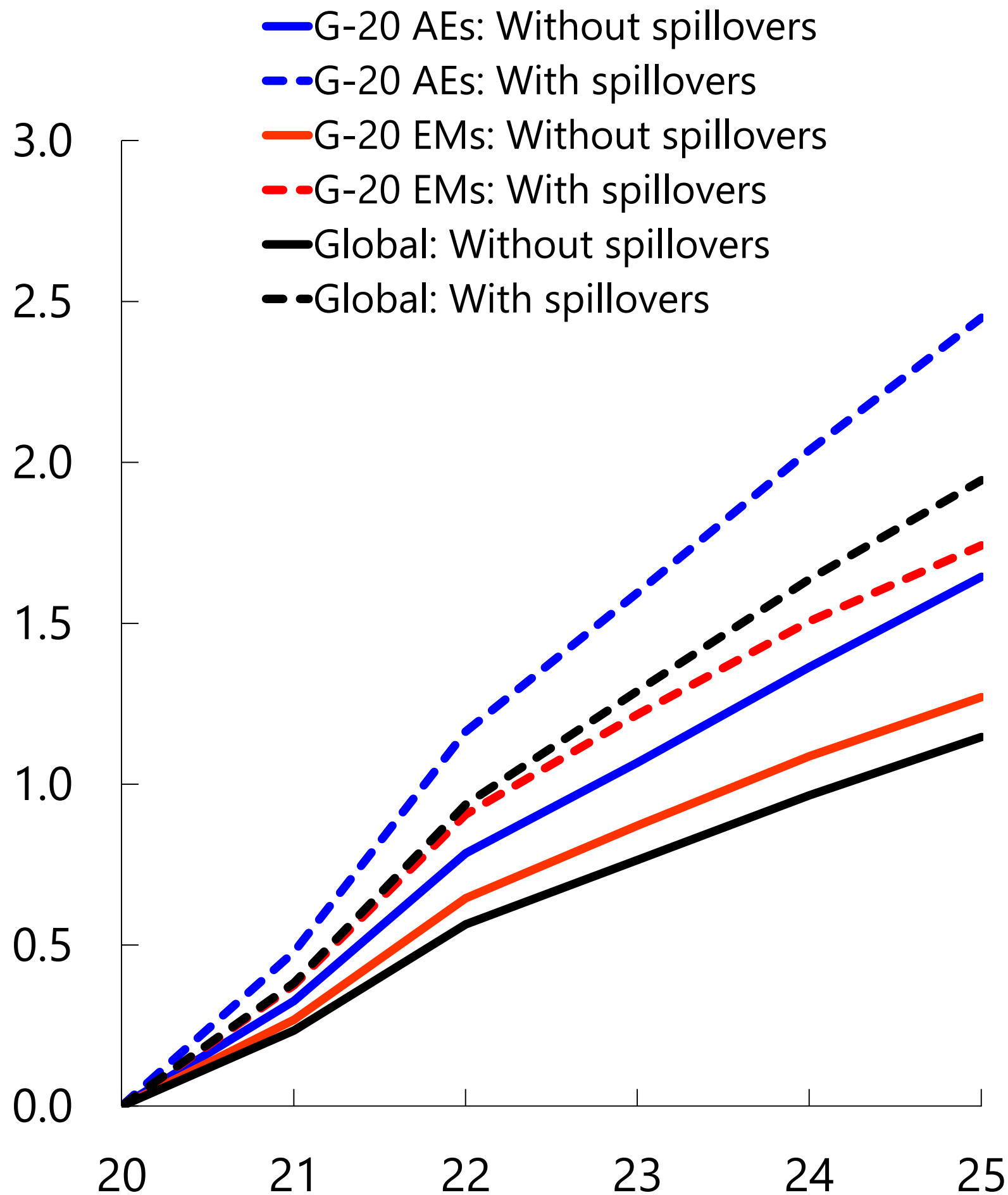


Source: Reserve Bank of India; and IMF Staff Calculations.

Accelerate shift to more inclusive and sustainable growth

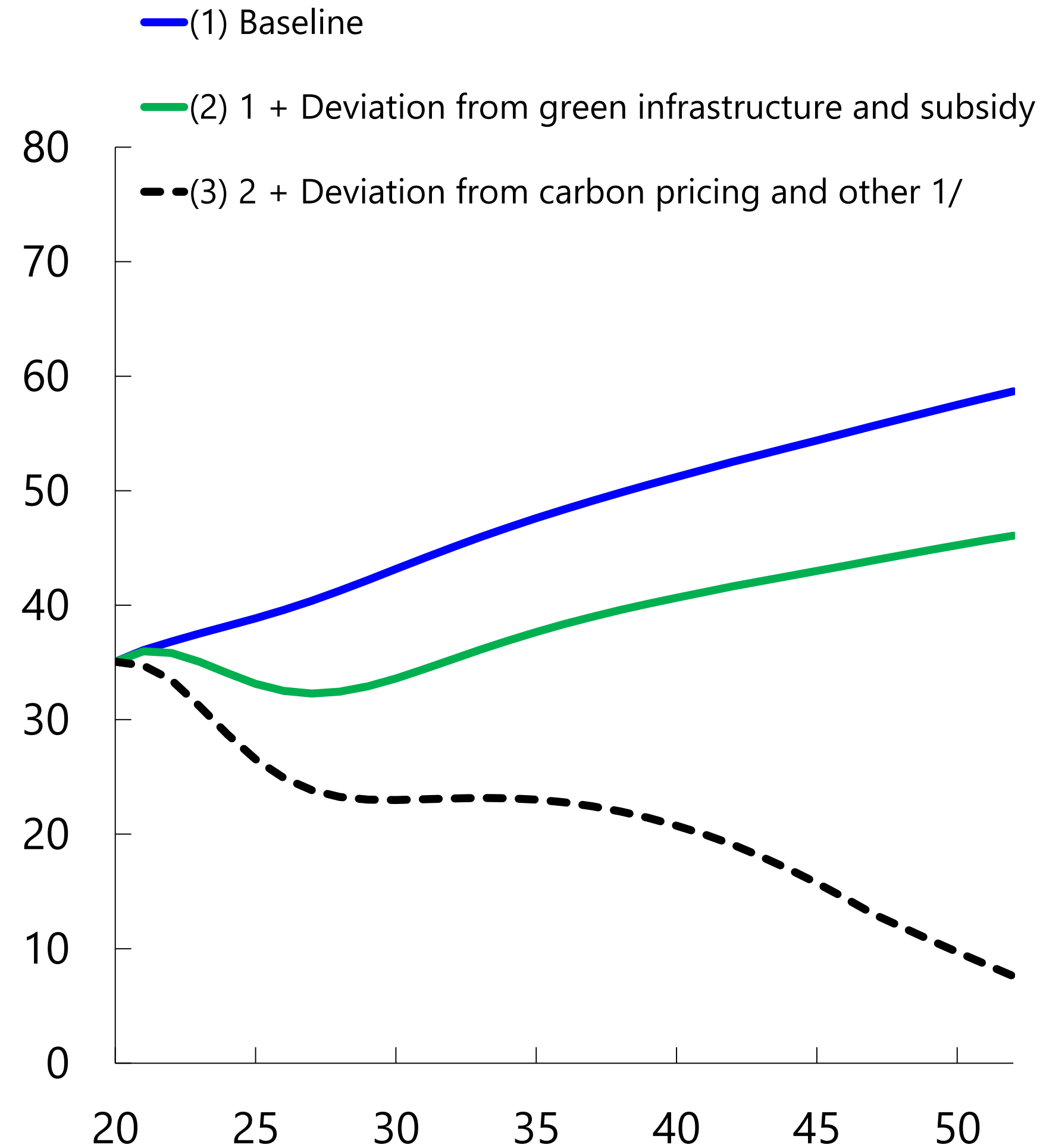
Impact on real GDP from infrastructure investment

(percent deviation from baseline)



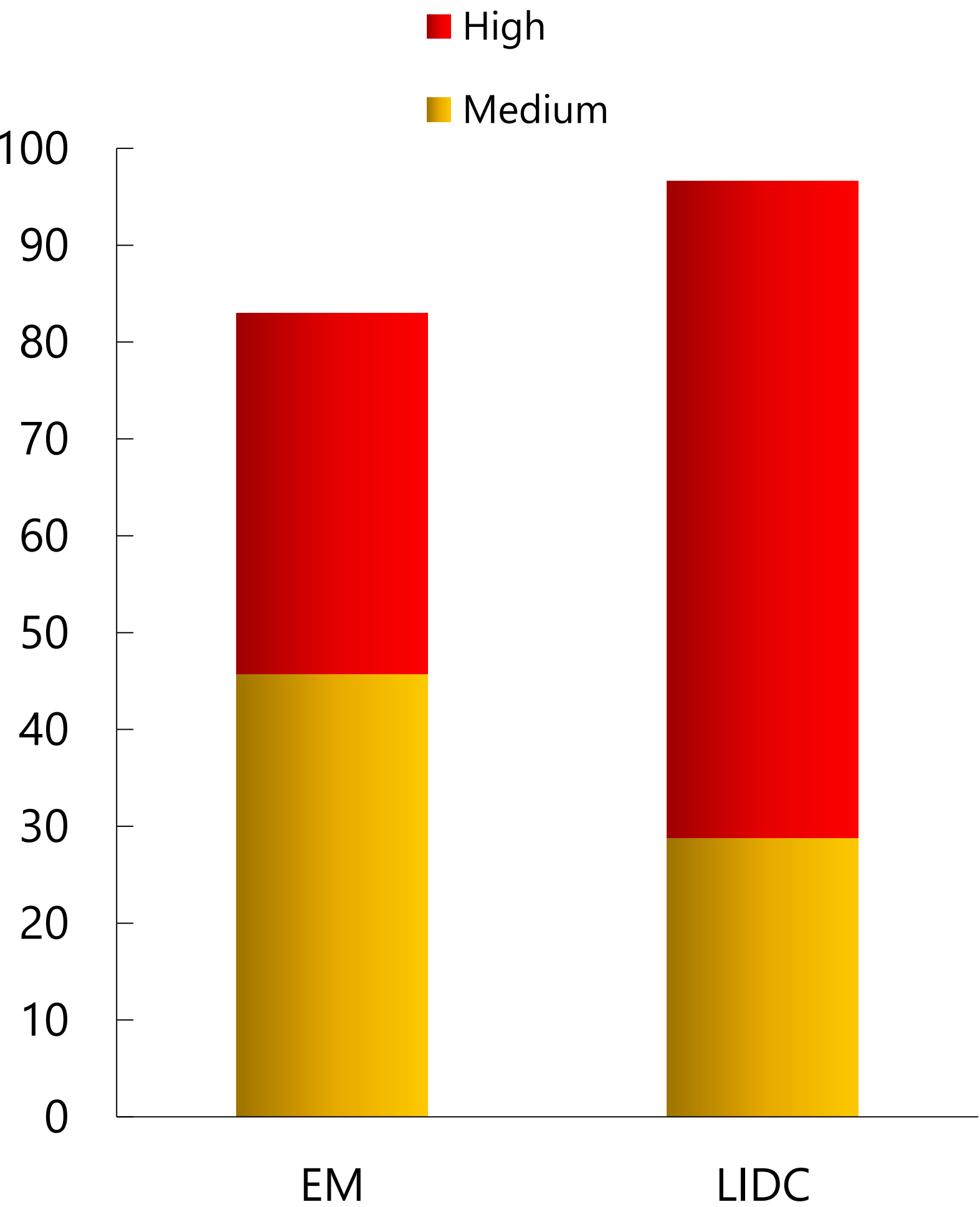
Global CO₂ emissions

(gigatons of CO₂)



EM and LIDC: Fiscal vulnerabilities

(percent of total countries)



Sources: carbonmonitor.org; IMF, *World Economic Outlook*; IMF VE database; and IMF staff calculations.

1/ Other consists of compensatory transfers to households and avoided damages from climate change.