EUROMONITOR INTERNATIONAL

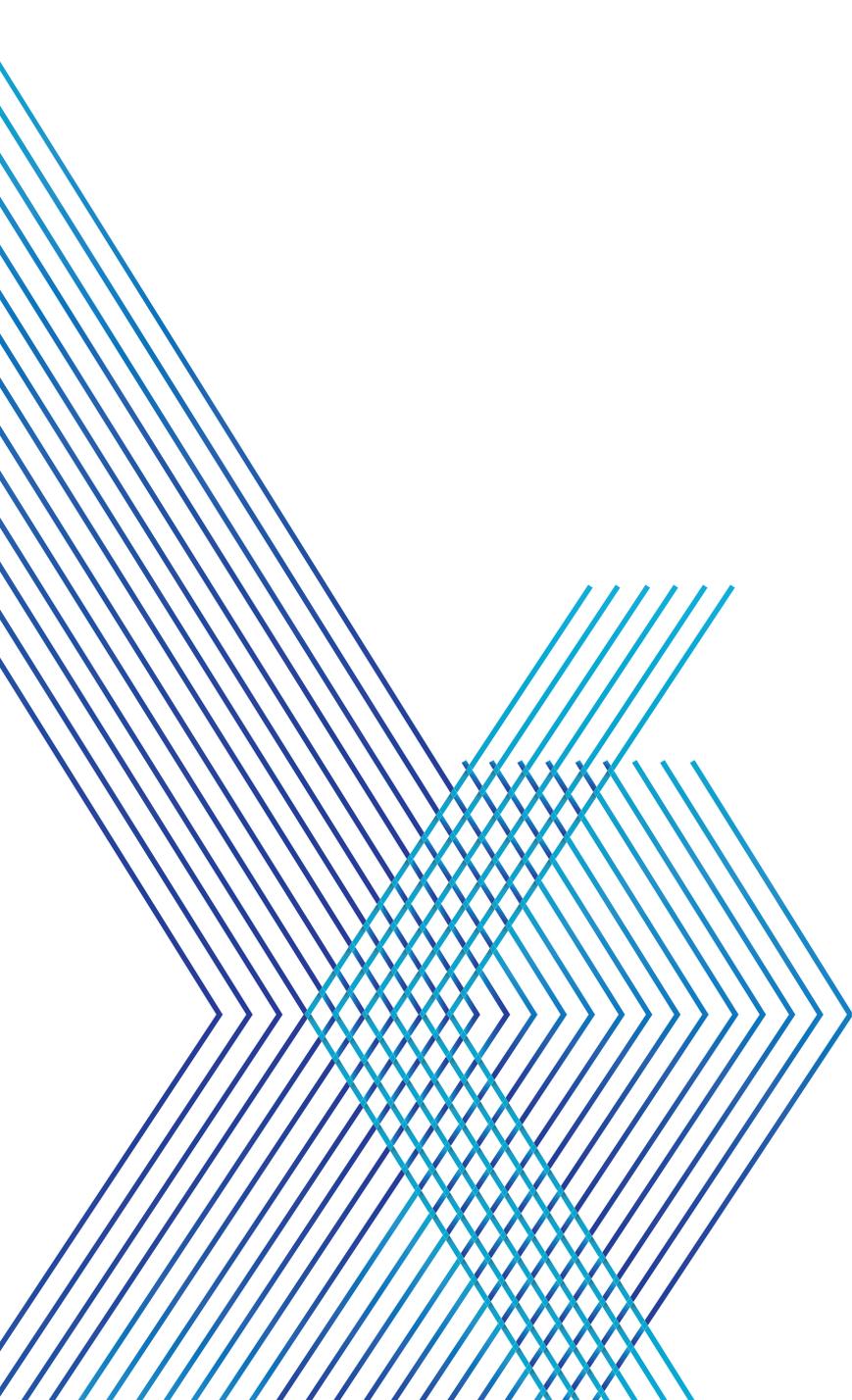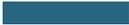# Global Economic Forecasts

Q3 2020

The is an extract of the full 'Global Economic Forecasts: Q3 2020' report.

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The data included in this document is accurate according to Passport, Euromonitor International's market research database, at time of forecast closing date: August 17th 2020

INTRODUCTION

Euromonitor International Analytics offers precise answers to vital business questions in an increasingly fast-paced and uncertain world. Our Macro Model provides regularly updated forecasts and "what-if" scenarios for core macroeconomic variables, including GDP, growth and unemployment. Its global scope ensures our macro forecasts and scenarios reflect the economically inter-connected world in which we live.

The Global Economic Forecasts report focuses on quarterly macro changes for the world's key economies and what these mean to our view of the likely, optimistic and pessimistic scenarios for the global economy. Ultimately, we help businesses stay ahead of risks and opportunities as they emerge on a macroeconomic basis.

In Q3 2020, global economic activity levels remain significantly below normal, despite the relaxation of the strictest Coronavirus (COVID-19) pandemic social distancing measures. Under the baseline / most likely scenario, the global economy is headed for the worst global recession since the great depression of the 1930s, with global output set to contract by 3–6% in 2020.
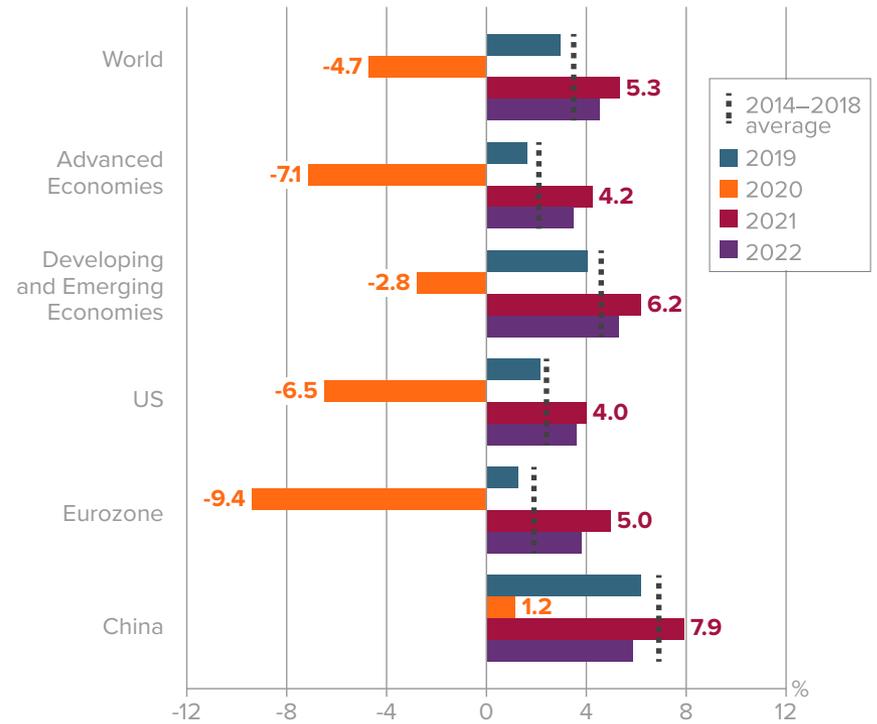
A relatively strong expected recovery in 2021, with growth of 3.5–7%, would still leave global output in 2021 around 5.5% below pre-COVID-19 forecasts. Even in 2022, we expect global output in the baseline / most likely scenario to be around 4.5% below the pre-COVID-19 forecast.

The 2020 global GDP growth baseline forecast has been downgraded by 1.5 percentage points compared to the May forecast, with a 1.2 percentage point downgrade for advanced economies and a 1.7 percentage point downgrade for developing economies. This mainly reflects the worse than expected economic effects of the pandemic in Western Europe, India and Latin America (which emerged during the summer as a new major centre of the pandemic).

The pandemic has worsened in developing economies, leading to greater than expected hits to economic activity in countries with big informal sectors and less scope for social distancing.

The August forecast also assumes more persistent social distancing effects in H2 2020, and more adverse effects on the productivity of businesses as they make adjustments to reduce COVID-19 infection risks (e.g. more resources devoted to hygiene and social distancing measures).

Global Real GDP Growth Baseline Forecast

Legend:
- 2014–2018 average
- 2019
- 2020
- 2021
- 2022

World: -4.7, 5.3
Advanced Economies: -7.1, 4.2
Developing and Emerging Economies: -2.8, 6.2
US: -6.5, 4.0
Eurozone: -9.4, 5.0
China: 1.2, 7.9

Source: Euromonitor International Macro Model

The level of uncertainty facing the global economy remains unprecedented, related to risks of further COVID-19 pandemic waves and possible delays in the production and wide distribution of a vaccine or treatment . The baseline forecast is only assigned a 41–51% probability, with the remainder going to more adverse COVID-19 pessimistic scenarios.

In the August global economic outlook, we have made a comprehensive revision of the COVID-19 pessimistic scenarios, based on more information and understanding about possible COVID-19 pandemic effects and risks since March 2020.

Recent shifts in the dynamics of the pandemic, especially in the US and Europe, raise concerns of a major second pandemic wave. The COVID-19 Pessimistic1 scenario is now the main global second wave scenario, featuring a much slower global recovery in 2021 compared to the baseline forecast. The baseline forecasts assume that a vaccine is available for widespread distribution around mid-2021. This is based on an unprecedented epidemiologic research effort with several promising candidates.

Global Real GDP Index, Baseline and Alternative Scenarios

- ···· Pre COVID-19
- Euromonitor Baseline
- COVID-19 Pessimistic1
- COVID-19 Pessimistic2
- COVID-19 Pessimistic3

100=2019 Global Real GDP
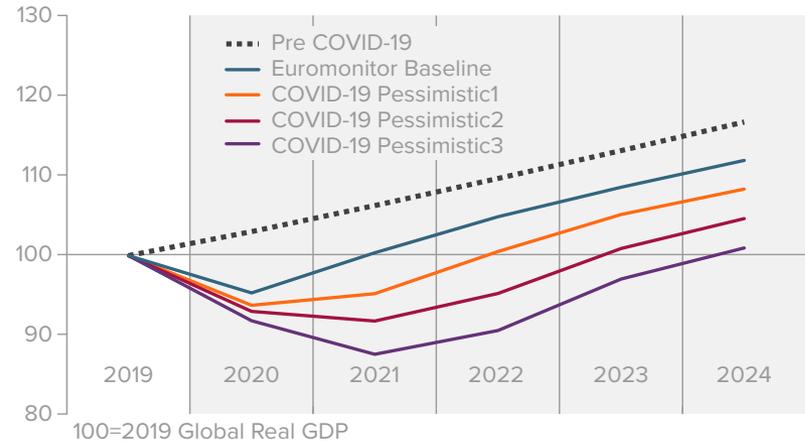
However, the previous fastest vaccine development took around 4 years. Complications in vaccine development and deployment could cause further risks to the baseline outlook, also captured by our pessimistic scenarios.

Our COVID-19 pessimistic 2 and 3 scenarios have now been revised to account for risks of a more delayed roll-out of an effective COVID-19 vaccine or treatment in 2022–2023.

GDP GROWTH FORECASTS & REVISIONS FROM LAST QUARTER GLOBAL ECONOMIC FORECASTS Q3 2020

ADVANCED ECONOMIES

COUNTRY / REGION	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Advanced Economies	**1.6**	**-7.1**	**4.2**	**3.5**	**1.7**	**-1.2 ▼**	**0.0**
USA	2.2	-6.5	4.0	3.6	1.8	-0.7 ▼	-0.5 ▼
Canada	1.7	-8.0	4.5	3.8	1.9	-2.0 ▼	0.3 ▲
Eurozone	1.3	-9.4	5.0	3.8	1.5	-2.2 ▼	0.4 ▲
Germany	0.6	-6.9	3.5	3.1	1.2	-0.6 ▼	-1.0 ▼
France	1.5	-11.0	5.5	4.4	1.7	-4.3 ▼	1.2 ▲
Italy	0.3	-12.0	6.3	3.8	1.1	-3.0 ▼	1.7 ▲
Spain	2.0	-12.5	6.0	4.6	1.7	-4.5 ▼	1.3 ▲
UK	1.4	-11.0	5.5	4.6	1.8	-4.3 ▼	1.3 ▲
Japan	0.7	-5.8	2.8	1.9	0.7	-0.4 ▼	0.0
South Korea	2.0	-1.2	3.3	3.3	2.3	-0.3 ▼	0.2 ▲

GDP GROWTH FORECASTS & REVISIONS FROM LAST QUARTER GLOBAL ECONOMIC FORECASTS Q3 2020

EMERGING AND DEVELOPING ECONOMIES

COUNTRY / REGION	2019 %	2020 %	2021 %	2022 %	2023−2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Emerging and Developing Economies	**3.7**	**-2.8**	**6.2**	**5.3**	**4.4**	**-1.7** ▼	**-0.1** ▼
China	6.2	1.2	7.9	5.9	4.9	0.6 ▲	-0.4 ▼
India	4.7	-4.2	7.9	7.5	6.2	-6.2 ▼	1.0 ▲
Indonesia	5.0	-1.5	6.0	6.6	5.1	-2.3 ▼	-0.5 ▼
Brazil	1.1	-9.0	3.3	3.4	2.6	-4.0 ▼	0.3 ▲
Mexico	-0.3	-10.5	3.5	3.4	2.4	-3.5 ▼	0.4 ▲
Russia	1.4	-6.7	3.2	2.9	1.7	-0.5 ▼	-0.5 ▼
Turkey	0.9	-5.0	4.5	4.0	3.3	0.0	0.0

INFLATION FORECASTS

| COUNTRY / REGION	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %
Advanced Economies	**1.5**	**0.5** ▼	**1.2** ▼	**1.6** ▼	**1.9**
USA	1.8	0.7 ▼	1.6 ▼	1.8 ▼	2.0
Eurozone	1.2	0.4 ▼	1.1 ▼	1.5 ▼	1.8
Germany	1.4	0.5 ▼	1.5 ▼	1.6 ▼	1.8
UK	1.8	0.8 ▼	1.2 ▼	1.7 ▼	2.0
Japan	0.5	-0.4 ▼	0.0 ▼	0.6 ▼	1.0
Emerging and Developing Economies	**3.4**	**3.7** ▲	**3.6** ▲	**3.3** ▲	**3.2**
China	2.9	2.9 ▲	1.7 ▼	2.3 ▼	2.5
India	7.7	3.9 ▼	4.1 ▼	4.3 ▼	4.4
Brazil	3.7	2.3 ▼	3.0 ▼	3.5 ▼	3.8
Russia	4.5	3.4 ▼	3.8	3.7 ▼	3.8

Note: Orange color indicates inflation below long-term 2023–2027 target. Blue color indicates inflation above long-term 2023–2037 target.

CENTRAL BANK INTEREST RATE FORECASTS

Advanced Economies Interest Rate Forecast

US
Eurozone

0.1
0.0

UK
Japan

0.1
-0.1
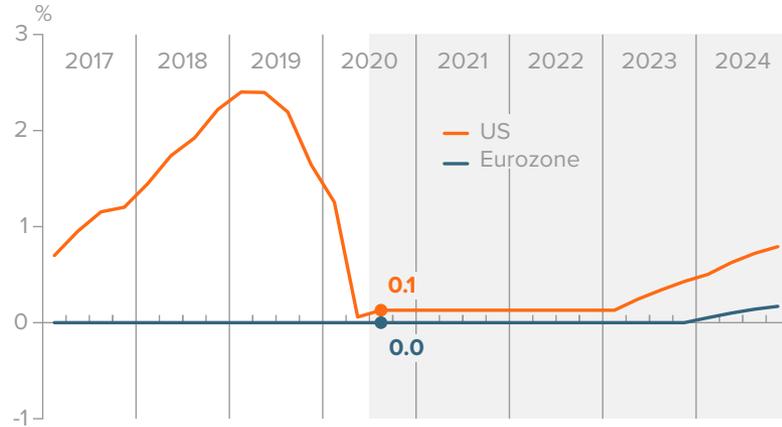
Developing and Emerging Countries Interest Rate Forecast

India
China

4.0
3.8

Brazil
Russia

4.5
2.3
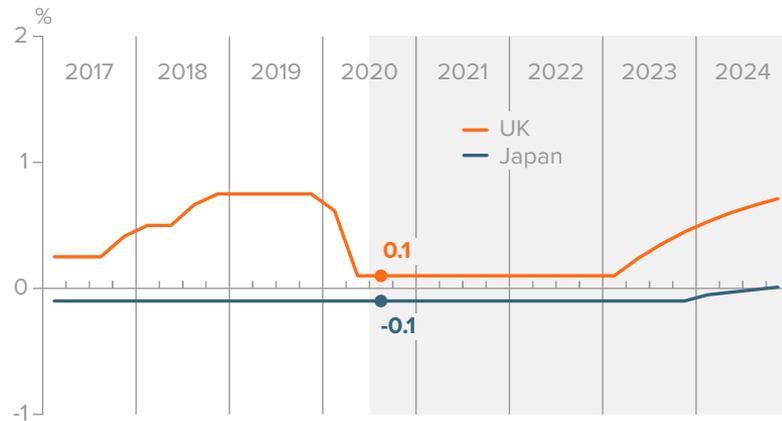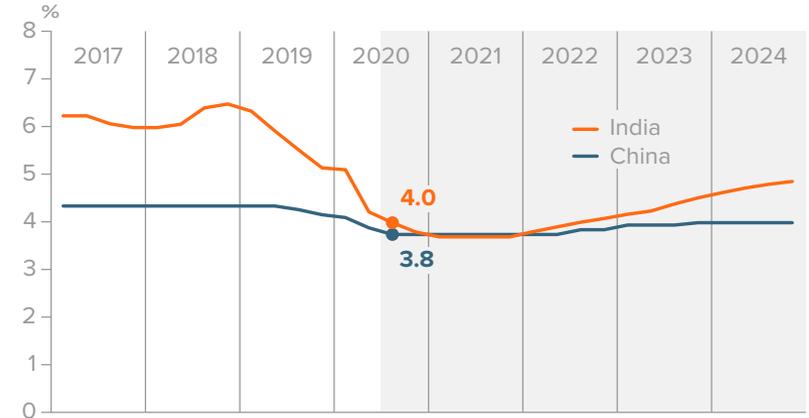
Source: Euromonitor International Macro Model

Source: Euromonitor International Macro Model

COVID-19 SCENARIOS SUMMARY

	BASELINE FORECAST	COVID-19 PESSIMISTIC 1	COVID-19 PESSIMISTIC 2	COVID-19 PESSIMISTIC 3
2020 Global GDP growth	[-6%, -3%]	[-7.5%, -5.5%]	[-8.5%, -6%]	[-10%, -7%]
2021 Global GDP growth	[3.5%, 7%]	[0%, 3%]	[-3%, 0%]	[-6.5%, -3%]
Probability	41–51%	25–35%	15–25%	2–6%
ASSUMPTIONS				
Global infection rate	1–15%	5–25%	10–35%	10–40%
Infection mortality rate	0.3–1.3%	0.3–1.3%	0.5–2%	0.5–2%
COVID-19 social distancing effects	2–4 quarters	4–6 quarters	7–10 quarters	8–12 quarters
Number of COVID-19 waves	1 main global pandemic infection wave in 2020 with possible local 2nd waves.	2 or 3 global pandemic infection waves over 2020–2021.	2 to 4 global pandemic waves in 2020–2021.	3 to 5 global pandemic waves in 2020–2022.
Business and consumer confidence indices fall to	10–40th percentile of historical values	5–25th percentile of historical values	1–15th percentile of historical values	1–5th percentile of historical values
Global stock prices	Down by 0–30% relative to pre C19 forecast.	Down by 10–40%	Down by 40–60% relative to baseline	Down by 50–80% relative to baseline
Risky borrowing rates relative to safest government bond	2–9 percentage points above pre C19 forecast	Relative to baseline	Rise by 2–8 percentage points above baseline	Rise by 4–10 percentage points

COVID-19 Pessimistic 1 scenario: Highest probability downside risk scenario

The COVID-19 Pessimistic1 scenario accounts for a major second global pandemic wave in 2020, followed by a possible third wave in 2021.
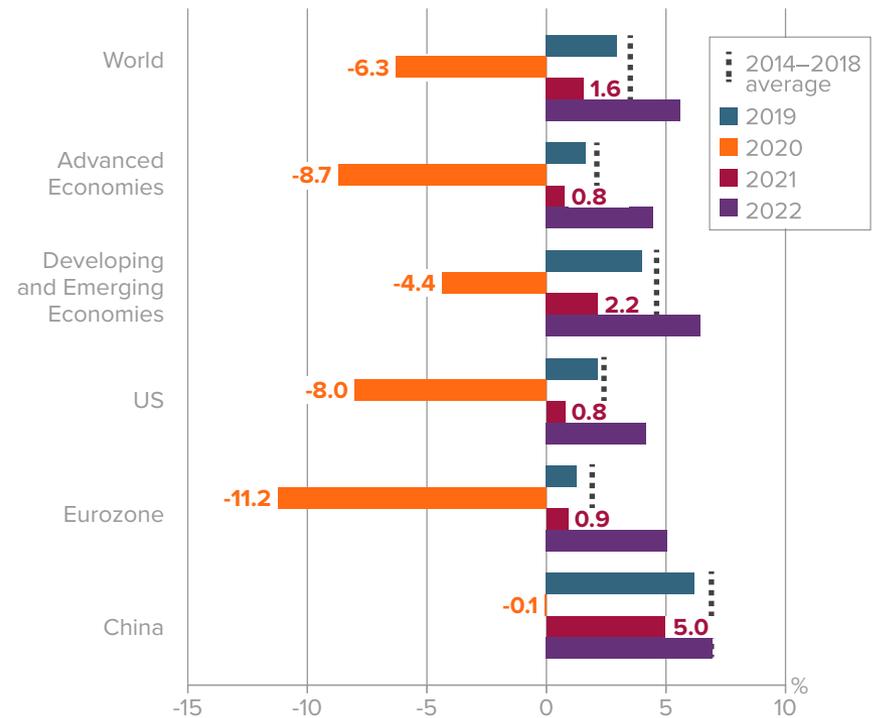
An effective vaccine or treatment for COVID19 is available around the middle of 2021, though widespread distribution may take 1–2 quarters. As a result, significant social distancing effects may continue through most of 2021.

Longer lasting social distancing effects cause larger drops in consumption, business revenues, employment and wages relative to the baseline forecast. The rise in business closure rates in high social contact sectors is significantly higher than in the baseline forecast, amplified by worsening credit conditions.

2020 global GDP growth in this scenario ranges from -7.5% to -5.5%. Due to the intense second wave, the economic recovery is much weaker than in the baseline forecast, with global output growth in 2021 of 0–3%.

Estimated probability: 25–35% over a one-year horizon.

Global Real GDP Growth COVID-19 Pessimistic 1 Forecast

Legend:
- 2014–2018 average
- 2019
- 2020
- 2021
- 2022

World: -6.3 (2020), 1.6 (2021)
Advanced Economies: -8.7 (2020), 0.8 (2021)
Developing and Emerging Economies: -4.4 (2020), 2.2 (2021)
US: -8.0 (2020), 0.8 (2021)
Eurozone: -11.2 (2020), 0.9 (2021)
China: -0.1 (2020), 5.0 (2021)

Source: Euromonitor International Macro Model

COVID-19 Pessimistic 2 scenario: Top downside risk scenario

This is our main global downside risk scenario in terms of the combination of probability and impact on economic activity.

In the COVID-19 Pessimistic2 scenario, there is a more significant second global pandemic wave in 2020 compared to the Pessimistic1 scenario, followed by a third and fourth possible wave in 2021. Large-scale distribution of an effective COVID-19 vaccine or treatment is delayed until 2022–2023, leading to more prolonged social distancing measures.

Longer lasting and deeper social distancing effects in 2021–2022 cause much larger drops in consumption, business revenues, employment and wages compared to the Pessimistic1 scenario. Sharper and prolonged cashflow shortages and worsening credit conditions cause more widespread business closures in many sectors.

Global GDP growth in 2020 ranges from -8.5% to -6% in this scenario. Global output growth in 2021 remains negative, ranging from -3% to 0%, followed by a partial recovery in 2022–2023.

Estimated probability: 15–25% over a one-year horizon.

Global Real GDP Growth COVID-19 Pessimistic 2 Forecast
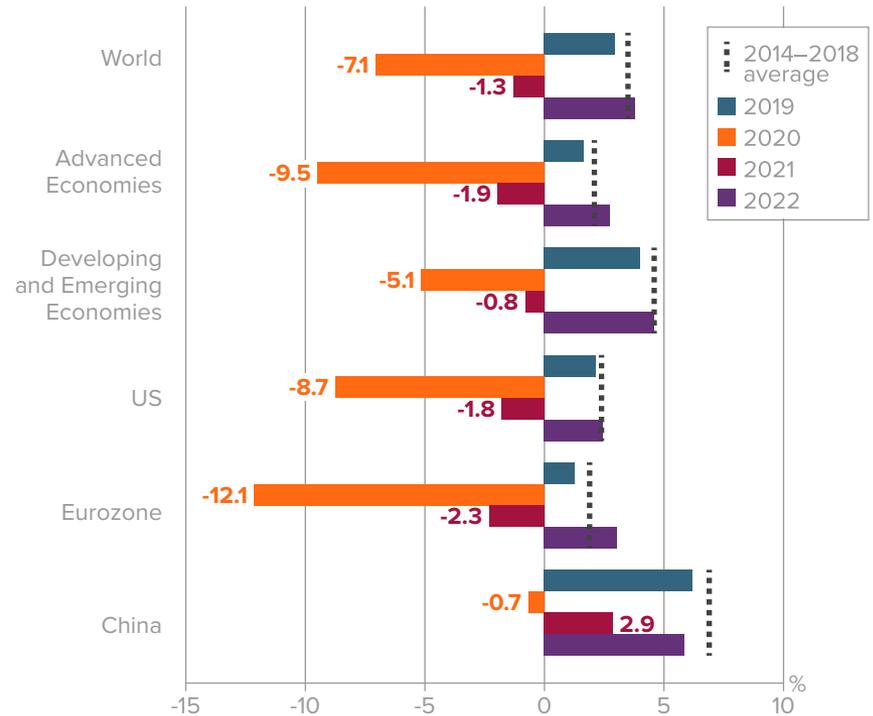
Source: Euromonitor International Macro Model

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	2.2	-6.5	4.0	3.6	1.8	-0.7 ▼	-0.5 ▼
Inflation	1.8	0.7	1.6	1.8	2.0	-0.4 ▼	-0.1 ▼
Federal Funds Rate	2.2	0.4	0.1	0.1	1.1	0.0	0.0

General outlook

In the baseline / most likely forecast, US GDP declines by 5–8% in 2020 and increases by 2.2–5.8% in 2021. The level of US output is only expected to recover to its 2019 level in 2022. This would still be around 4% below the level it would have reached in the pre-COVID-19 forecast, three years after the start of the pandemic. Probability at a one-year horizon: 41–51%.

US GDP declined by 9.5% year-on-year in Q2, according to the first estimate (compared to 0.3% year-on-year growth in Q1), putting it roughly 11–12% below pre-COVID-19 forecasts. The sharp contraction was mainly driven by weak consumer spending, with falling business investment playing a significant but secondary role.

Economic activity rebounded strongly in May–June. Nominal retail sales in July were 5.8% above a year earlier (compared to average year-on-year growth of 3.3% over 2015–2019), suggesting a full recovery in the retail sector. In July, however, COVID-19 cases and deaths in the US started rising again to levels similar to those of April–May. This has caused significant reversals in previous re-openings and the tightening of social distancing restrictions in many US states.

The previous economic recovery momentum slowed down during Q3, with consumer confidence declining again according to some measures, and Google mobility reports showing stable or declining movement in retail and recreation sectors at around 14% below normal towards end of August. The amount of fiscal support provided by higher unemployment benefits introduced in March is also likely to be scaled back substantially due to Republican opposition to extensions at the same level. This is likely to significantly constrain the recovery in consumer spending.

New York City, NY, USA

As a result, we have downgraded the baseline outlook for US GDP growth by around 0.7 percentage point since May, despite the initially strong economic reopening rebound after lockdowns were relaxed.

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	6.2	1.2	7.9	5.9	4.9	0.6 ▲	-0.4 ▼
Inflation	2.9	2.9	1.7	2.3	2.5	-0.7 ▼	-0.5 ▼
Central Bank Policy Rate	4.3	3.9	3.8	3.8	4.0	-0.1 ▼	-0.2 ▼

General outlook

In the most likely / baseline scenario, we expect China's GDP growth to range from -0.3% to 2.7% in 2020, followed by GDP growth of 6.3–9.3% in 2021. Probability at a one-year horizon: 41–51%.

The Chinese economy has rebounded better than expected from the COVID-19 outbreak, based on official statistics. Output in Q2 2020 was around 3% below the pre-COVID-19 forecast level. However, consumer spending, retail sales and service sector activity are still significantly below normal. The economic rebound required a substantial boost to public infrastructure and investment spending, which may not be sustainable beyond the short term.

GDP growth increased to 3.2% year-on-year in Q2 2020, after a 6.8% year-on-year contraction in Q1. In the first half of 2020, the year-on-year output decline was 1.6%, industrial production fell 1.3% year-on-year and the services production index contracted by 6.1% year-on-year. Per capita real consumer spending declined by 9.3% year-on-year in the first half of the year.

The differences between these growth rates emphasise that the pandemic had a much stronger impact on services and consumer spending, compared to manufacturing, leading to a two-track recovery from the pandemic.

Hong Kong, China

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	4.7	-4.2	7.9	7.5	6.2	-6.2 ▼	1.0 ▲
Inflation	7.7	3.9	4.1	4.3	4.4	-0.7 ▼	-0.3 ▼
Central Bank Rate	5.7	4.3	3.7	4.0	4.9	-0.6 ▼	-1.0 ▼

General outlook

The number of COVID-19 cases in India became the third highest in the world in August 2020, and real GDP is predicted to decline during 2020, compared to the positive forecast in Q2. India's economy is expected to contract by 3.7–5.1% in 2020 and then rebound with growth of 5.7–9.1% in 2021.

Preliminary Q3 data show a significant increase in trade activity. Real exports were down by 33% in Q2 2020, due to trade restrictions and lower global demand, while in Q3 they are expected to increase by 67% and reach pre-COVID-19 levels.

Slowing demand continues to reduce price growth. In Q2 2020, annual price growth was around 5.2% year-on-year, while in Q3 it is expected to reach approximately 2.6% year-on-year, which is just within the Reserve Bank of India's 2–6% target.

After a series of interest rates cuts and support for expansionary monetary policy, the Reserve Bank of India decided to stop cuts and keep the base interest rate at 4%. The decision was made as a result of consumers and businesses saving money rather than increasing consumption by borrowing.

Bangalore, Karnataka, India

JAPAN

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	0.7	-5.8	2.8	1.9	0.7	-0.4 ▼	0.0
Inflation	0.5	-0.4	0.0	0.6	1.0	-0.5 ▼	-0.4 ▼
BoJ Policy Rate	-0.1	-0.1	-0.1	-0.1	0.2	0.0	0.0

General outlook

The Japanese economy is predicted to contract between 5.2% and 6.6% in 2020. Under our baseline scenario, the economic recovery will begin in 2021, when the country's economy will see real growth of between 1.2% and 4.0%.

In Q3 2020, we have downgraded Japan's outlook, increasing the real GDP contraction in 2020 by approximately 0.4 percentage points. The main reason for the deteriorating outlook is a second wave of infections in the country, which started in mid-July. Currently, the rise of infections is slowing down, making the current outlook for the economy stable. Nevertheless, downside risks remain which are considered in our alternative scenarios.

Japan's economy shrank by 7.8% in real and seasonally adjusted terms in Q2 2020. This contraction was worse than the 7.1% drop in Q1 2009 — the worst quarter during the Global Financial Crisis of 2009 for the Japanese economy.

Significant fiscal stimulus is the only factor supporting the economy. The Japanese government is implementing 21.1% of 2019 GDP fiscal stimulus aimed at safeguarding businesses and individuals in the economy. The aim is to limit the damage to the economy, so that once the social distancing effects subside, the economy can quickly reopen. Nevertheless, the massive fiscal stimulus will weigh heavily on already weak government finances in the country.

Shikano-cho, Tottori City, Japan

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.3	-9.4	5.0	3.8	1.4	-2.2 ▼	0.4 ▲
Inflation	1.3	0.4	1.1	1.5	1.8	-0.5 ▼	-0.2 ▼
ECB Refinancing Rate	0.0	0.0	0.0	0.0	0.4	0.0	0.0

General outlook

In the baseline / most likely forecast, Eurozone GDP declines by 8–11% in 2020, followed by 3.5–7% growth in 2021. Probability at one-year horizon: 41–51%.

The Eurozone economy seemed to be recovering better than expected in some sectors during May–June 2020, with retail sales volumes roughly back to normal levels in June. However,

this came after a 15% year-on-year decline in Eurozone GDP in Q2. Furthermore, COVID-19 outbreaks worsened in July and August, with the number of new cases per day approaching that at the end of April.

Measures such as mandatory mask-wearing in indoor spaces have been imposed in many Eurozone countries. Lockdowns have been re-introduced in some highly affected cities, and travel restrictions have also increased. Further steps are likely to include more restrictions on leisure and hospitality services (e.g. reduced working hours) and more local lockdowns.

European leaders are desperate to avoid another round of complete lockdowns, as seen in March. Nevertheless, risks of a more severe second wave scenario, with more extensive restrictions and partial lockdowns, are a cause for concern as of the end of Q3.

At the end of July 2020, EU leaders approved a joint EU COVID-19 economic recovery plan. The deal would see the EU collectively raise EUR750 billion over a few years on debt markets and distribute EUR390 billion in grants and the remainder in loans to member states, in proportion to population and the magnitude of the adverse impact of COVID-19 on the economy. The transfers and spending from this package are unlikely to filter out into the EU economy before 2021, with the fiscal stimulus being distributed over several years.

Madrid, Spain

The European Commission estimates that the package will boost EU output by around 2% by 2024, ranging from a 1% boost for higher income countries, such as Germany, to 4% in higher debt and lower income countries, such as Italy. There is substantial uncertainty as to how the package funds will be distributed, at what speed and how they will be spent. Implementation of this package has in part already been factored into previous forecasts.

Therefore, we have cautiously added another 0.3–0.6 percentage points higher annual GDP growth to 2021–2024 forecasts for the worst hit Eurozone economies, following the announcement of the package.

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.4	-11.0	5.5	4.6	1.8	-4.3 ▼	1.3 ▲
Inflation	1.8	0.8	1.2	1.7	2.0	-0.4 ▼	-0.5 ▼
Bank Rate	0.8	0.2	0.1	0.1	0.9	0.0	-0.1 ▼

General outlook

The UK economy is predicted to contract by 10.6–11.6% in real terms in 2020 (much deeper than the 4.2% contraction in the 2009 recession). Under the baseline scenario, the economy will start to recover in 2021, with real GDP growing by 4.1–6.6%.

The baseline scenario for the UK economy assumes no global second wave of the COVID-19 pandemic and a Free Trade Agreement (FTA) with the EU being reached by the end of 2020. The UK economy has considerable downside risks coming from rises in infection rates and a potential No-Deal Brexit at the end of 2020. A No-Deal Brexit could considerably prolong the economic downturn.

We have lowered UK real GDP 2020 forecast by 4.3 percentage points in Q3 2020. This comes as labour markets are hit hard compared to other countries in Western Europe and due to an increasing probability of a No-Deal Brexit as negotiations remain at a standstill. Therefore, we have raised the probability of a No-Deal Brexit by 15 percentage points in Q3 2020 from 35% to 50%.

The UK economy fell by 20.2% in Q2 2020 compared to Q1 2020 in real terms. That is the worst contraction on record. However, during the summer the COVID-19 infection rates were relatively under control which allowed the government to slowly reopen the economy and improve the business sentiment.

Under the baseline scenario, the UK economy will take until 2023 to reach the 2019 level of GDP in real terms.

Brighton, England, UK

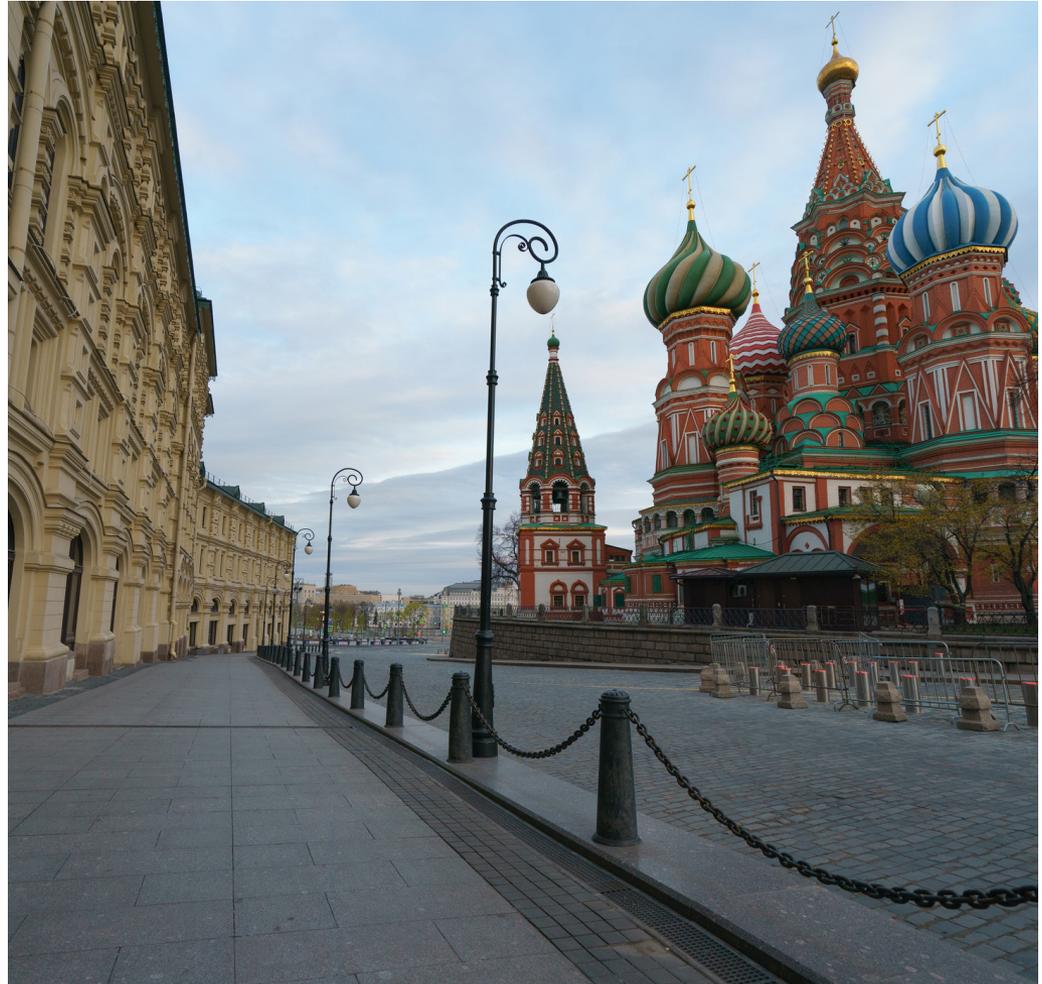| INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.4	-6.7	3.2	2.9	1.7	-0.5 ▼	-0.5 ▼
Inflation	4.5	3.4	3.8	3.7	3.8	0.0	0.1 ▲
Bank Rate	7.3	5.2	4.5	5.0	5.5	-0.6 ▼	-1.0 ▼

General outlook

In the baseline forecast scenario, Russian GDP is expected to decline by 5.8–7.9% in 2020. Russia's economy would start its recovery in 2021 and grow by 3.2%. The economy would take until 2023 to reach 2019 level of output.

The Russian economy contracted by 8.5% year-on-year in Q2 2020. After a sharp contraction in Q2, the Q3 outlook shows signs of improvement. The COVID-19 infection curve is flattening in the country, allowing consumer and business confidence indicators to slowly recover from their historic lows in Q2.

The Central Bank of Russia cut its key interest rate by another 25 basis points in July 2020, to spur economic activity. As a result of the central bank's actions, inflation in the country is on the rise: annual inflation increased from 3.0% in May to 3.8% in July. The rise in inflation is likely to limit further actions from the central bank.

On the fiscal side, the government is implementing a fiscal stimulus package valued at 3.4% of GDP. The fiscal stimulus is mainly aimed at increasing unemployment benefits, as well as supporting small and medium sized enterprises with subsidised interest rates and tax payment deferrals.

Moscow, Russia

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.1	-9.0	3.3	3.4	2.6	-4.0 ▼	0.3 ▲
Inflation	3.7	2.3	3.0	3.5	3.8	-1.3 ▼	-0.8 ▼
Interest Rate	6.0	3.0	2.6	3.9	6.1	-1.1 ▼	-1.5 ▼

General outlook

With extreme uncertainty in both the domestic and global outlooks related to the outbreak of the pandemic, our baseline real GDP growth forecasts have been downgraded. We expect real GDP to decline by roughly 9.0% in 2020, with growth of 3.3% in 2021. This baseline forecast is assigned a 41–51% probability.

As of the end of August 2020, Brazil has the worst COVID-19 outbreak in the world after the United States. President Bolsonaro, who also tested positive for the virus, continues to downplay the impact of the pandemic. He strongly advocates against any social distancing and lockdown measures, as these restrictions are disrupting frail economic recovery.

Due to the severe spread of the pandemic and unusually high risk of volatility in domestic and global markets, the interest rate has been dramatically reduced once again. However, Central Bank acknowledges that further reductions should be done with extreme caution.

Shrinking economic activity, prolonged uncertainty, reduced demand and rising precautionary savings leave inflation well below the target of 4.0%.

Sao Paulo, Brazil

Summary

We have maintained the same probabilities for the COVID-19 pessimistic 1 and 2 scenarios, while reducing the probability of the COVID-19 pessimistic 3 scenario. These scenarios have now been redefined to better capture a major second wave risk (COVID-19 pessimistic 1) and to capture a delay in vaccine development (COVID-19 pessimistic 2 and 3). As a result, the economic effects of these scenarios are now greater than in the May forecasts, leading to higher Global Risk Index scores.

Lack of progress in Brexit negotiations and the negative effects of the COVID-19 pandemic on UK businesses' preparation for a shift in the trade regime with the EU have increased the probability of both No-Deal Brexit scenarios.

We have reduced the probabilities assigned to the trade war scenario. This reflects the likelihood that the Democratic candidate Joe Biden wins the US presidential election in November 2020. However, it is too early to count on a Biden victory eliminating trade war risks. Even if Biden wins, trade tensions with China could persist due to the worsening of US-China relations.

Legend: ▲ Increasing probability ▼ Decreasing probability ◆ Unchanged probability

Probability, %

- COVID-19 Pessimistic1 (◆, ~30%, GDP Impact ~-3.5)
- No-Deal Brexit (▲, 30%)
- US-China All-Out Trade War (▼, ~22.5%)
- COVID-19 Pessimistic2 (◆, 20%, GDP Impact ~-8.5)
- Disorderly No-Deal Brexit (▲, 20%)
- Eurozone Recession (◆, 10%, GDP Impact ~-2.5)
- COVID-19 Pessimistic3 (▼, ~4%, GDP Impact ~-12.5)
- Global Trade War (▼, ~4%)

X-axis: GDP Impact, % * (from -14 to 0)
Y-axis: Probability, % (0 to 35)

Source: Euromonitor International
* Impact is measured as world GDPchange over 3 years compared tobaseline scenario, in percentage points
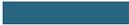
Euromonitor International Global Risk Index, August 2020

Euromonitor International's Global Risk Index provides a convenient summary of the impact and likelihood of different negative global scenarios. This allows you to rank major risks to the global economy and prioritise those that are more significant for business and financial stress-testing.

SCENARIO	GLOBAL RISK INDEX	GLOBAL GDP IMPACT %	PROBABILITY %
COVID-19 Pessimistic2	5.6	-8.3	20.00
COVID-19 Pessimistic1	3.5	-3.5	30.00
COVID-19 Pessimistic3	1.7	-12.5	4.00
China Hard Landing	0.8	-2.3	10.75
Disorderly No-Deal Brexit	0.8	-1.2	20.00
Eurozone Recession	0.8	-2.3	10.00
US-China All-Out Trade War	0.5	-0.6	23.00
No-Deal Brexit	0.3	-0.3	30.00
Global Trade War	0.2	-1.3	4.00

Source: Euromonitor International Macro Model
Note: Global Risk Index ranks scenarios by the expected global GDP impact, calculated as the 3-year cumulative global real GDP impact relative to baseline of the scenario multiplied by its one-year probability, relative to the average global downside risks probability. The Index is based on 58 world's major economies (representing 90% of global GDP at PPP). COVID-19 Pessimistic Scenarios and Brexit Scenarios are mutually exclusive among each other. Other scenarios may overlap.

ABOUT EUROMONITOR INTERNATIONAL

Euromonitor International is a global market research company providing statistics, analysis and reports, as well as breaking news on industries, economies and consumers worldwide. We connect market research to your company goals and annual planning by analysing market context, competitor insight and future trends impacting businesses worldwide. Companies around the world rely on Euromonitor International to develop and expand business opportunities, answer complex questions and influence strategic decision-making.

The Macro Model is an interactive and highly visual dashboard that places the client in the driver's seat. The Macro Model can help your business plan for shifts in economic environments, pressure test strategic plans and track changing forecast expectations over time, enabling your business to examine risks and vulnerabilities of economies in order to support critical decision-making.

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CONTACT DETAILS

Contact us at analytics@euromonitor.com

Aiste Navaityte
Senior Data Analyst,
Economies and
Consumers

Connect via LinkedIn

Aleksej Baksajev, PhD
Data Scientist, Analytics

Connect via LinkedIn

Daniel Solomon, PhD
Senior Economist,
Economies and
Consumers

Connect via LinkedIn

Giedrius Stalenis
Consultant, Economy,
Finance and Trade

Connect via LinkedIn

Marija Aciene
Senior Data Analyst,
Economies and
Consumers

Connect via LinkedIn

Definitions

For further insight, do not hesitate to contact us at analytics@euromonitor.com

» Forecast closing date: August 17, 2020

» All GDP and GDP components growth rates are in real (inflation adjusted) terms unless stated otherwise.

» All annual GDP and GDP component growth rates are for January–December calendar year unless stated otherwise.

» All quarterly GDP and GDP components growth rates are year-on-year unless stated otherwise.