

Introduction

At The Freedonia Group we are actively monitoring company and industry reports on how the COVID-19 outbreak is impacting demand, investment, and industry consolidation.

We developed our most recent world economic forecasts **on February 6, 2020**. Since then the unfolding scope of the crisis has, needless to say, required a reassessment of the marketplace.

The following slide deck presents new insights as of **March 19, 2020**.

At the global level, we believe the reduction in GDP growth in 2020 will be significant. While the rate of economic growth in 2021 will be stronger than we had previously anticipated, most of the output lost in 2020 from the effects of the pandemic will not be recaptured in future years. The severity of the losses will vary across geographic regions, but no region will be spared.

Global GDP Forecast Comparison

| | Global GDP (% real annual growth) | | | | | | | | | | | |
|------------------------------------|-----------------------------------|------|------|------|------|----------------------------|------|------|------|------|------|-------|
| | Revised Forecasts March 19, 2020 | | | | | Forecasts February 6, 2020 | | | | | | |
| | annual growth rates | | | | | annual growth rates | | CAGR | | | | |
| | 2020 | 2021 | 2022 | 2023 | 2024 | 19-24 | 2020 | 2021 | 2022 | 2023 | 2024 | 19-24 |
| WORLD | 1.4 | 1.8 | 2.4 | 3.4 | 3.3 | 3.8 | 2.5 | 3.5 | 3.5 | 3.4 | 3.4 | 3.4 |
| North America | -0.2 | 1.5 | 1.9 | 1.9 | 2.3 | 1.4 | 1.8 | 1.8 | 1.9 | 1.8 | 2.0 | 1.9 |
| United States | -0.2 | 1.6 | 1.8 | 1.8 | 1.8 | 1.4 | 1.8 | 1.8 | 1.9 | 1.8 | 2.0 | 1.9 |
| Central & South America | 8.8 | 2.6 | 2.7 | 2.6 | 2.8 | 2.3 | 1.8 | 2.4 | 2.6 | 2.8 | 2.8 | 2.4 |
| Brazil | 1.0 | 2.3 | 2.8 | 2.3 | 2.3 | 2.1 | 2.2 | 2.3 | 2.4 | 2.3 | 2.3 | 2.3 |
| Western Europe | -0.4 | 1.7 | 1.4 | 1.4 | 1.4 | 1.1 | 1.2 | 1.4 | 1.4 | 1.4 | 1.3 | 1.3 |
| Eastern Europe | 1.2 | 2.2 | 2.1 | 2.2 | 2.3 | 2.8 | 2.4 | 2.3 | 2.2 | 2.2 | 2.0 | 2.2 |
| Sub-Saharan Africa | 2.0 | 3.3 | 4.8 | 3.9 | 3.9 | 3.4 | 3.2 | 3.6 | 3.5 | 3.8 | 4.0 | 3.7 |
| Mideast & North Africa | 8.8 | 2.9 | 3.1 | 3.2 | 3.1 | 2.8 | 2.8 | 2.8 | 3.1 | 3.2 | 3.1 | 3.0 |
| Asia/Pacific | 2.8 | 5.5 | 4.9 | 4.8 | 4.7 | 4.5 | 4.7 | 5.2 | 5.1 | 4.8 | 4.7 | 4.9 |
| China | 2.6 | 6.6 | 5.5 | 5.2 | 5.0 | 5.0 | 5.5 | 6.0 | 5.7 | 5.2 | 5.0 | 5.5 |
| India | 4.7 | 6.5 | 6.5 | 6.6 | 6.4 | 6.1 | 6.3 | 6.7 | 6.9 | 6.6 | 6.4 | 6.6 |

Summary

- The coronavirus pandemic is on pace to trigger a global economic recession in 2020. Global growth has been revised from 3.1% to 1.4%:
 - The effects of the virus are expected to depress global growth in 2020 to be 2.5%, the threshold for a global recession, representing the slowest rate since the 2009 financial crisis.
 - Small and medium enterprises, as well as manufacturing, transport, hospitality, energy, and auto sectors, are all expected to be particularly hard hit.
 - Emerging economies where healthcare systems are underdeveloped and population density is high are at the highest risk of economic collapse.
- The coronavirus may trigger a prolonged economic downturn, with the following potentially amplifying the economic damage caused by the coronavirus and further reducing economic growth:
 - deterioration of asset prices
 - weaker aggregate demand
 - heightened debt distress
 - worsening personal incomes
- A combination of fiscal and monetary policy will be critical to preventing global economic meltdown. The degrees to which policy responses vary by country will determine the extent of localized damage.

Economic Impacts

- The global economy will be affected by both supply and demand channels:
 - Illness, quarantines, and negative consumer and business sentiment will limit spending, suppress global demand, and curdle financial markets.
 - Idle factories, disruption to supply chains, lack of available workers, and the closure of borders are expected to create supply bottlenecks.
- Manufacturing and service sectors are expected to be heavily impacted:
 - Recent data show that total value added of industrial enterprises in China declined by 13.5% during the first two months of 2020.
 - The World Trade and Tourism Council forecasts a decline in international arrivals of up to 25% in 2020, placing millions of service jobs at risk.
- The hit to global income is currently expected to be between \$1 trillion and \$2 trillion, with a \$220 billion hit to developing economies (excluding China):
 - Oil-exporting countries, commodity exporters, countries with strong dependencies on international trade and supply chains in Asia, and the European Union are all expected to be particularly hard hit.