

The Impact of the Coronavirus on the Outlook for the Global Economy and the GCC

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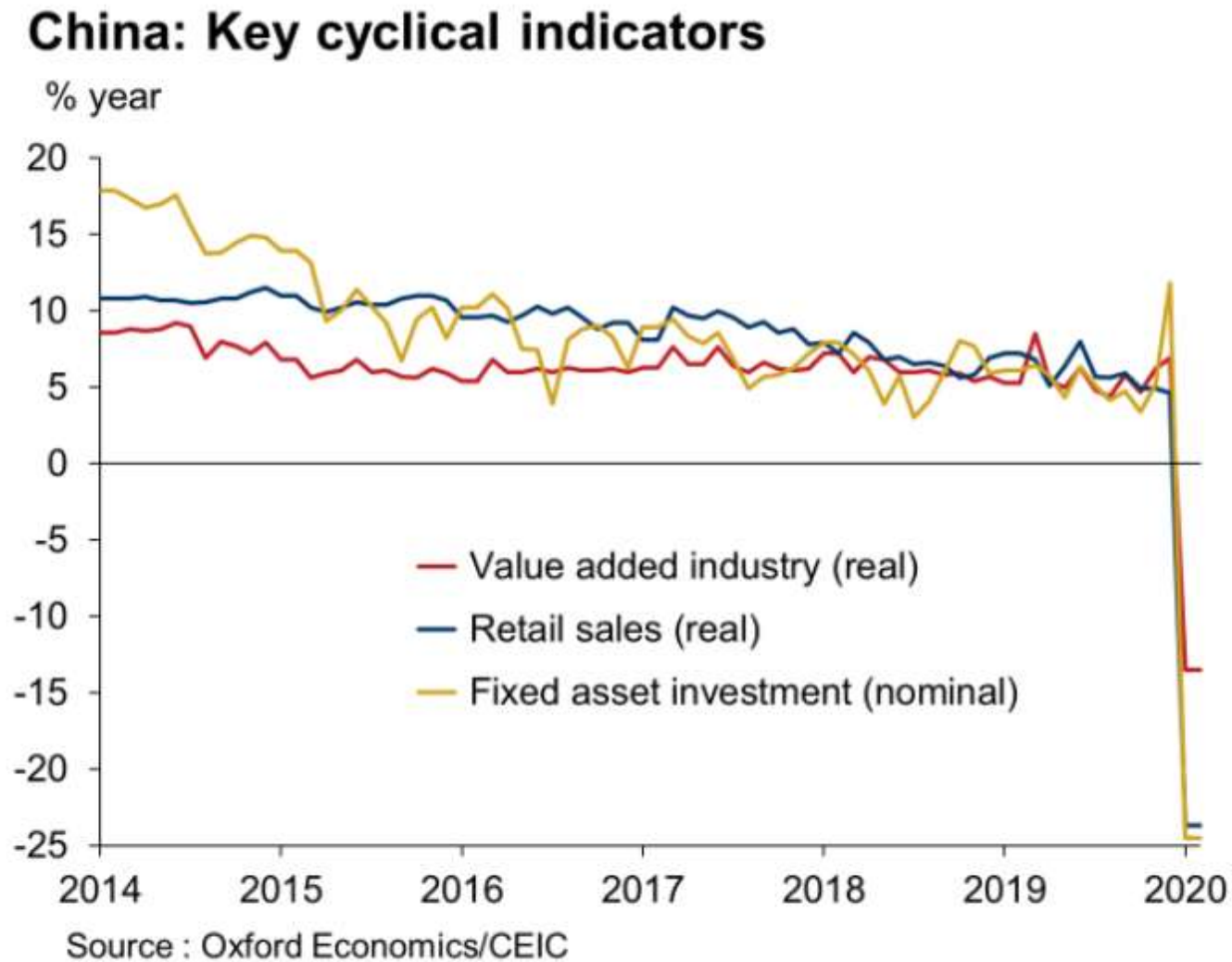
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Outline of presentation

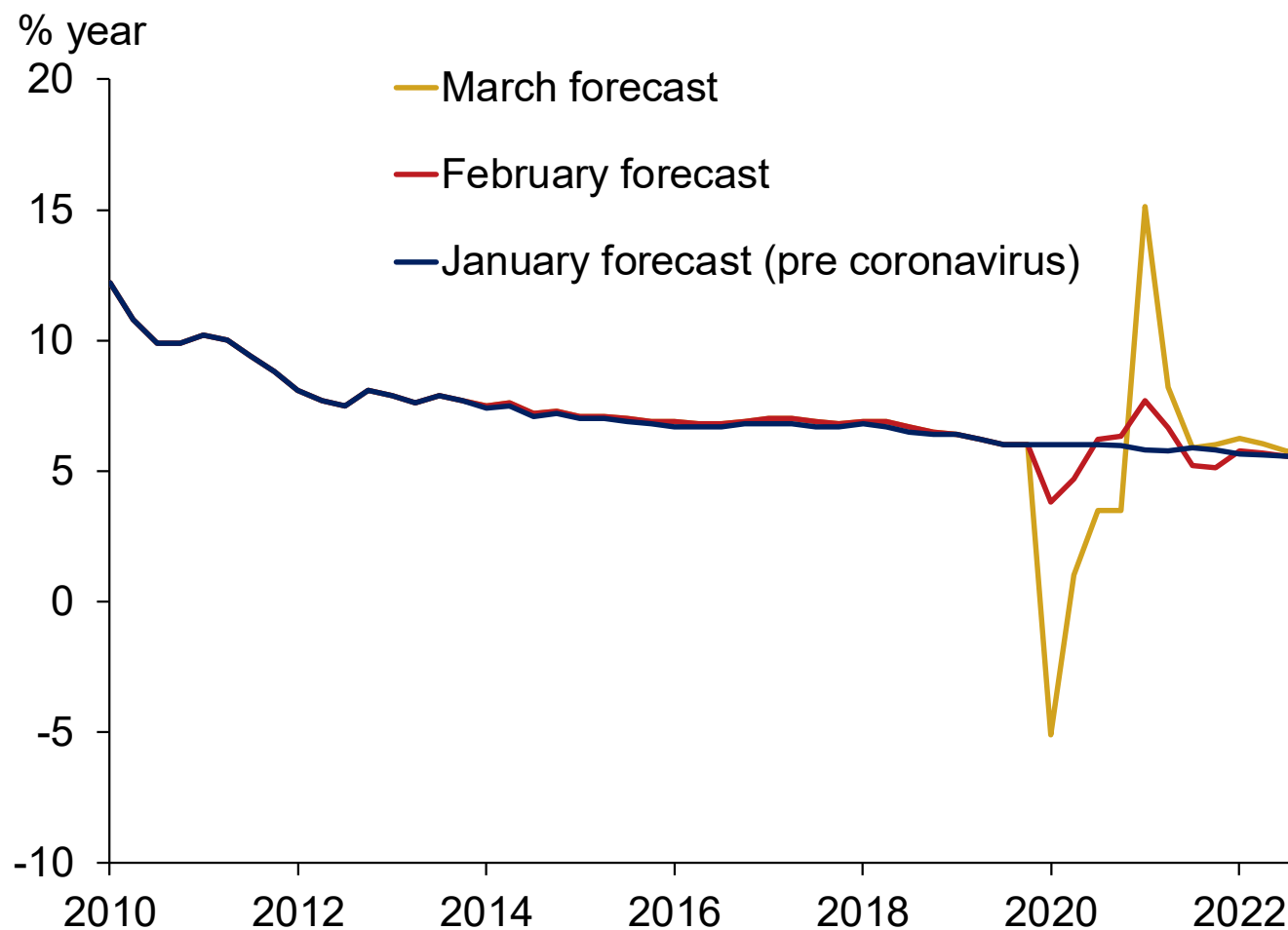
- **H1 will be a contraction of staggering proportions**
- But we expect Q3 to mark the start of the recovery
- The risks

Lockdown took a massive toll on Chinese activity...



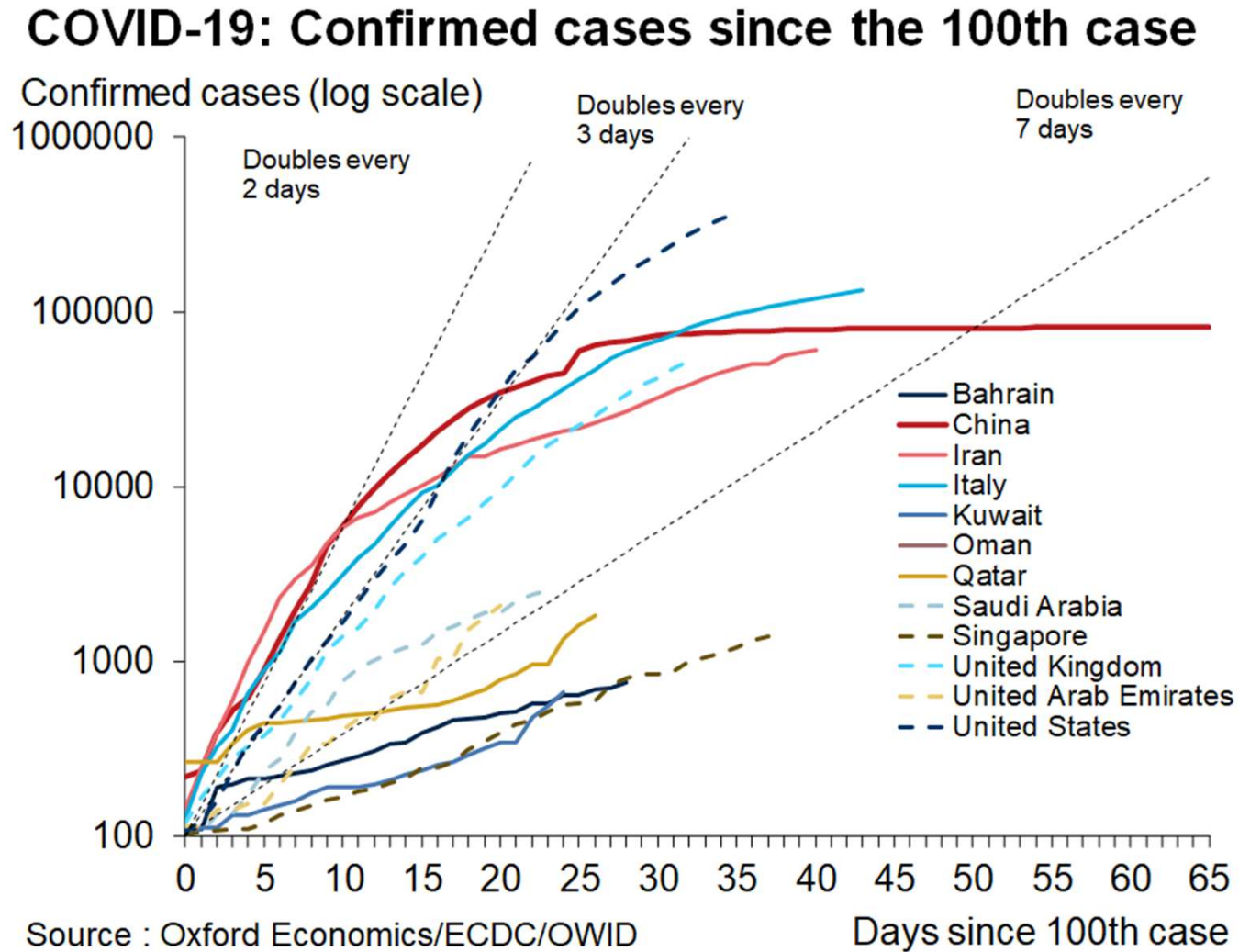
Major contraction in Q1 followed by a big Q2 bounce

China GDP



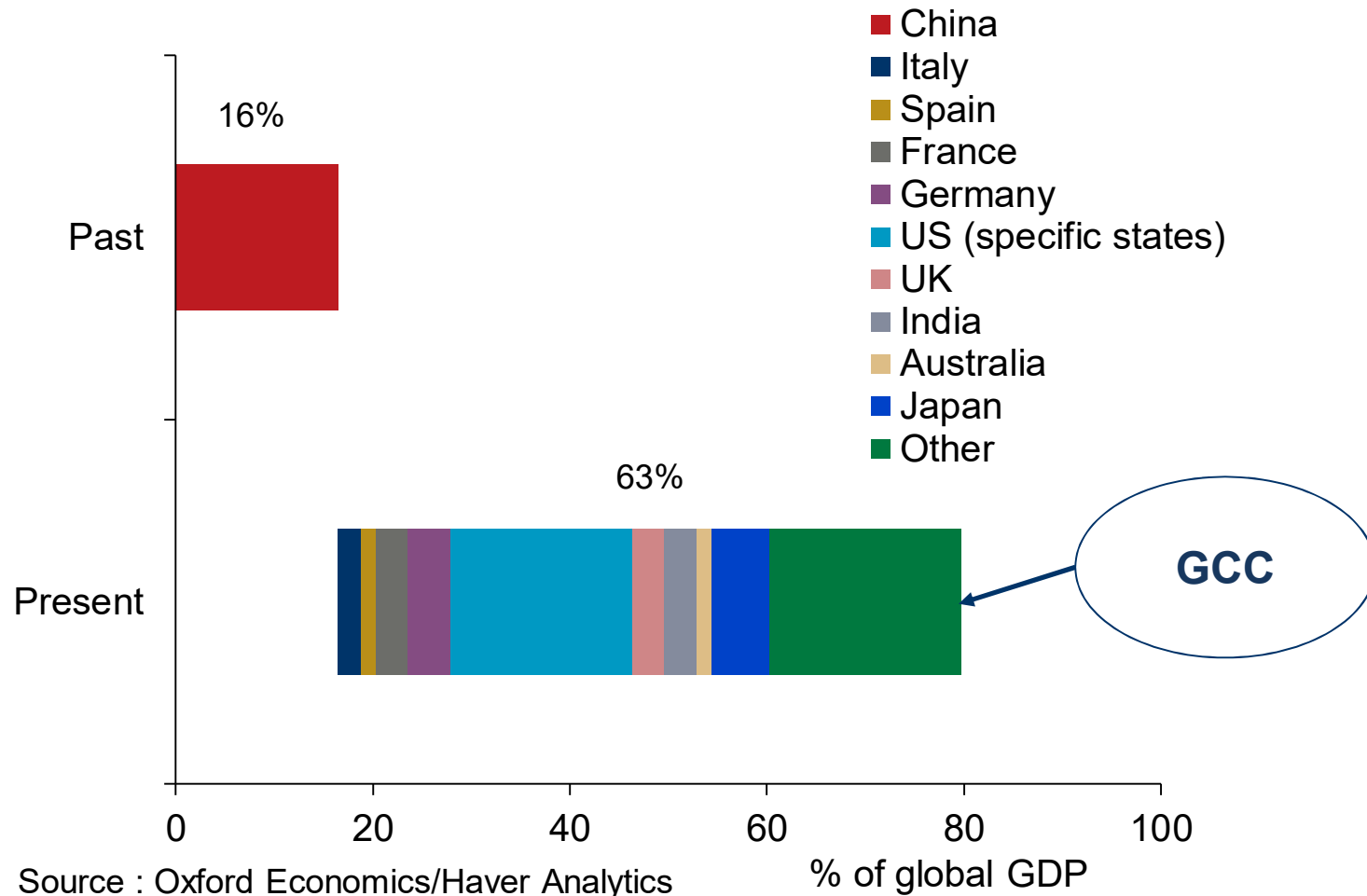
Source : Oxford Economics/Haver Analytics

COVID-19 has long been not just a China problem

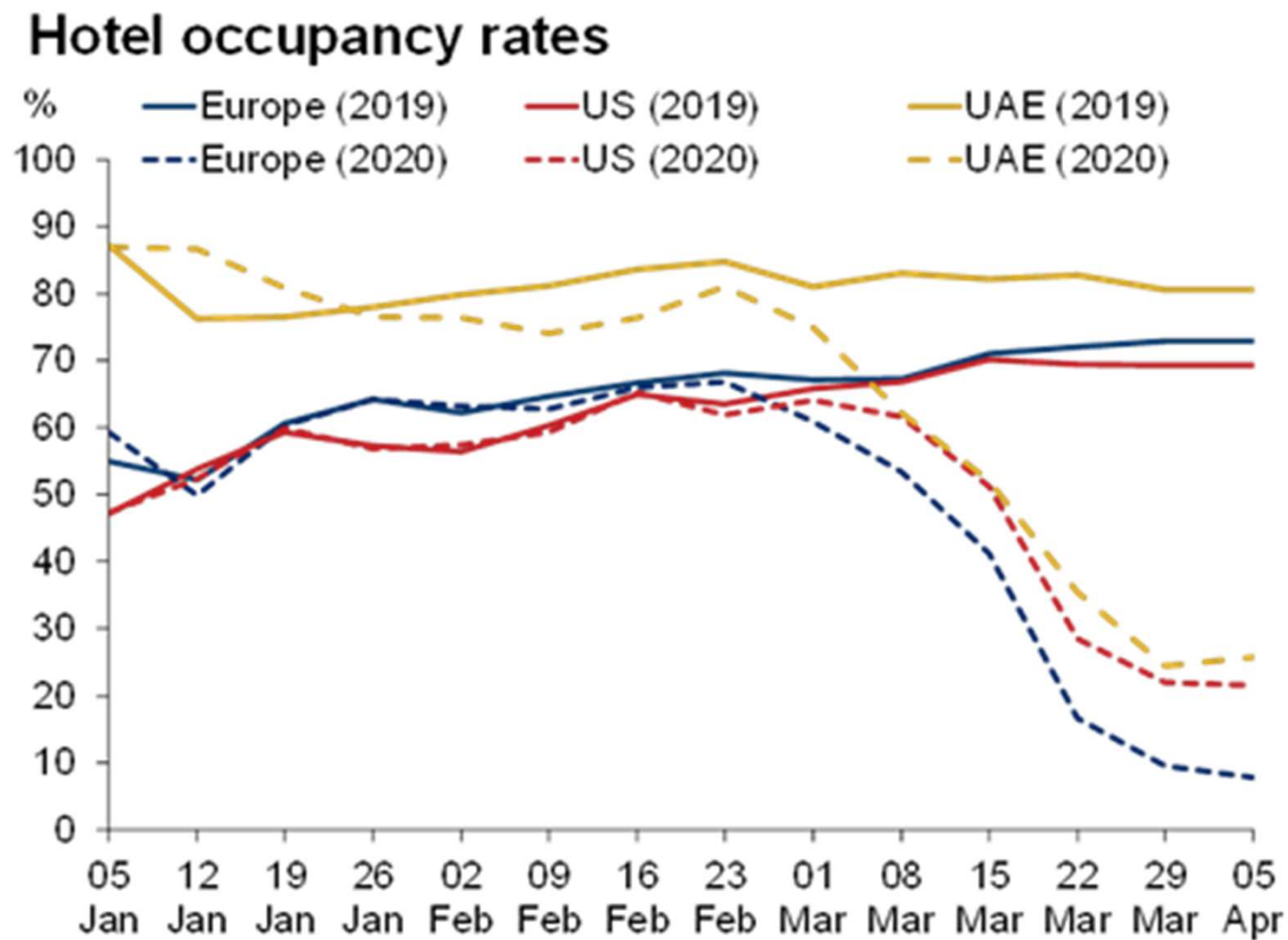


While most of the rest of the world is in lockdown

Global lockdowns



Overseas travel grinding to a halt

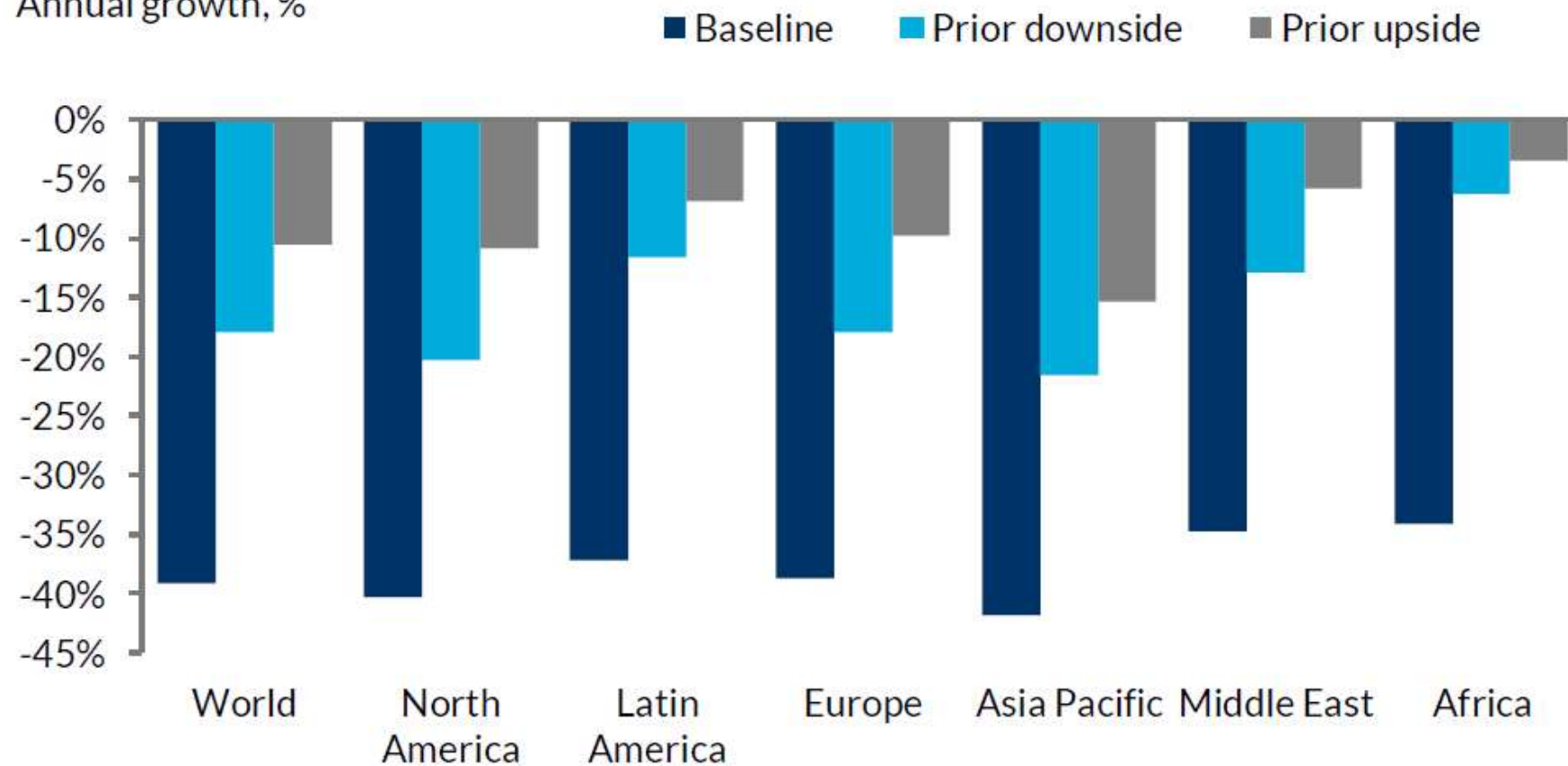


Source : Oxford Economics/STR

Global inbound travel to decline sharply

Inbound travel by region, 2020

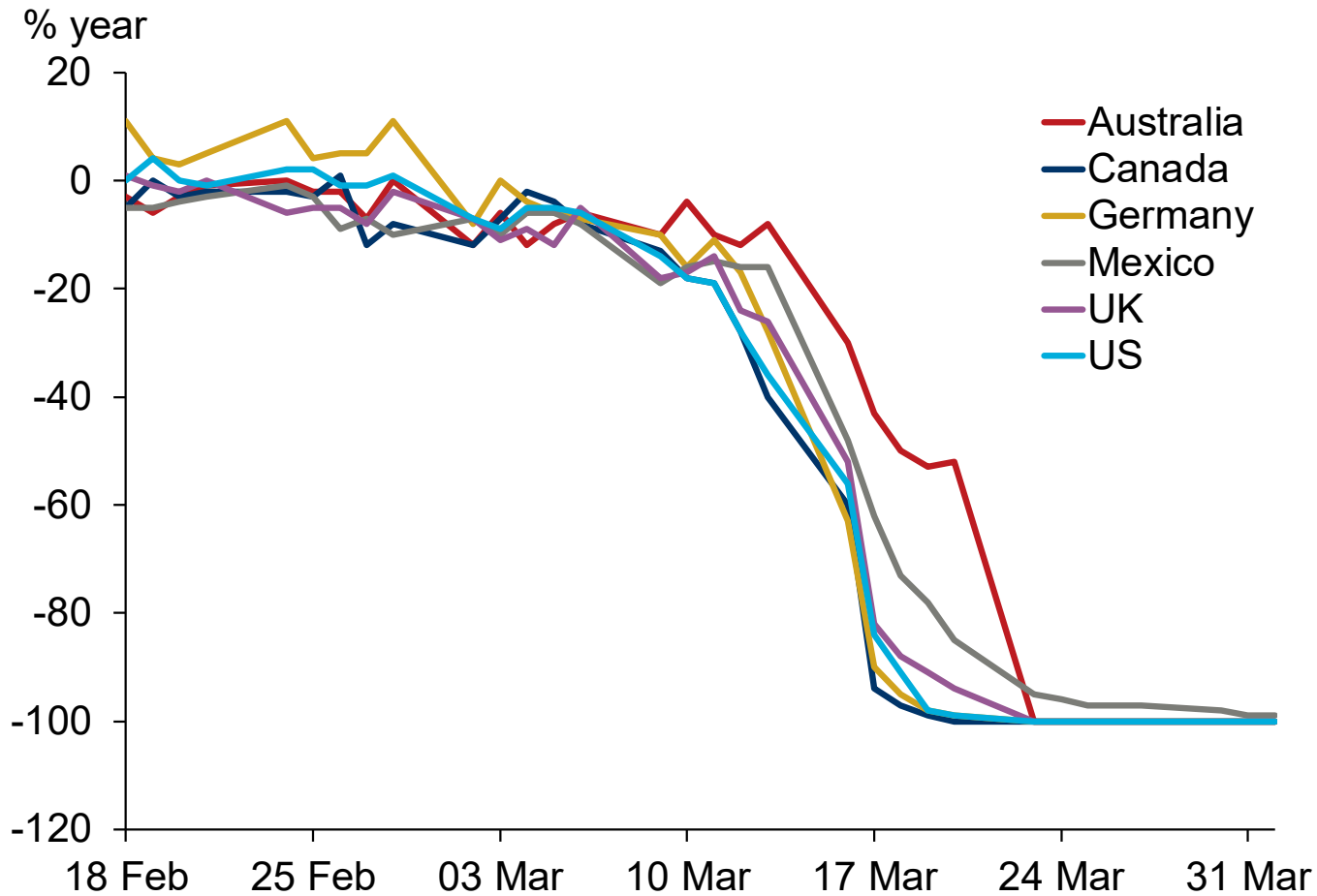
Annual growth, %



Source: TourismEconomics

But domestic activity hamstrung too

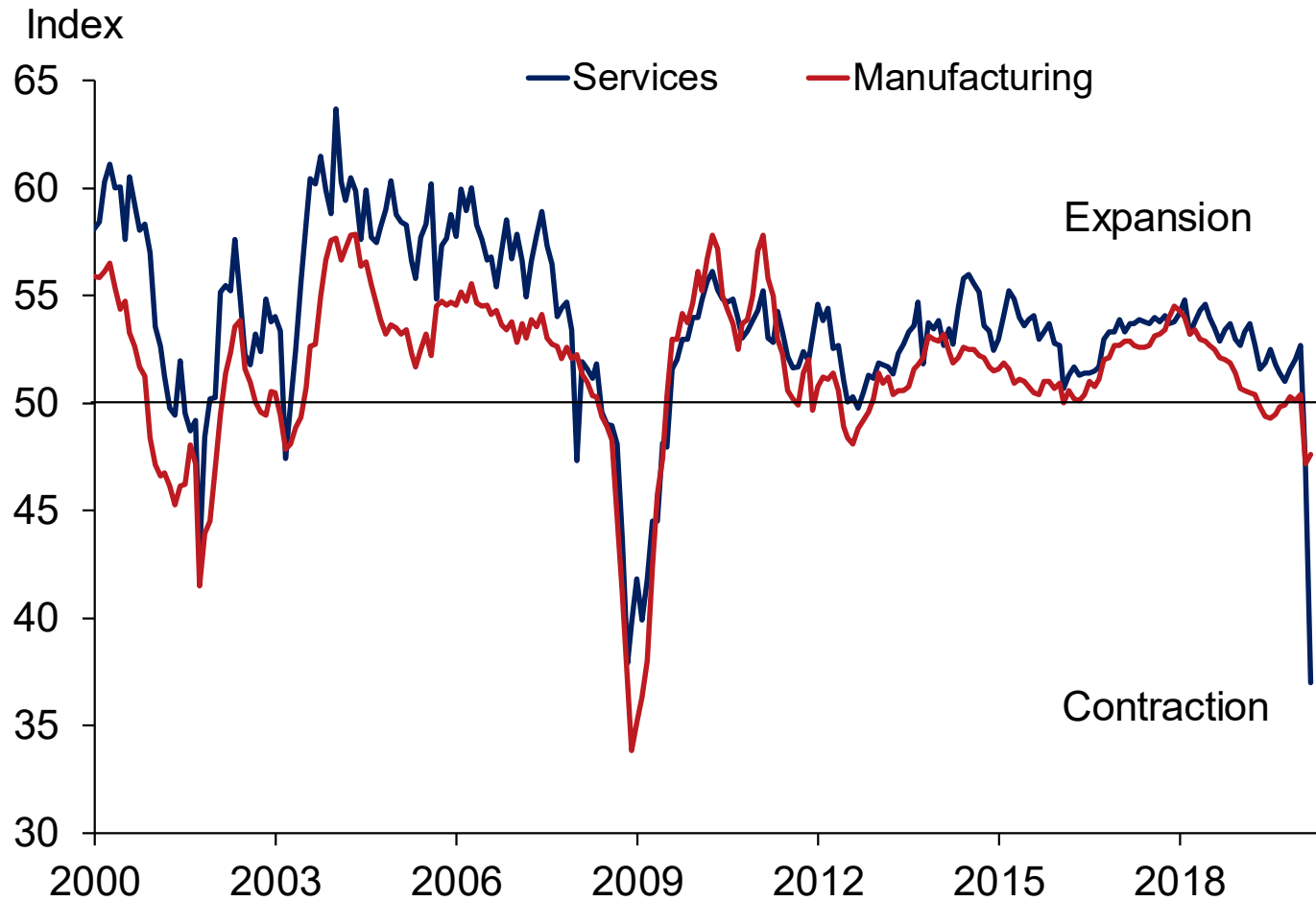
Opentable: Restaurant bookings



Source : Oxford Economics/Haver Analytics

Slump far more service sector driven...

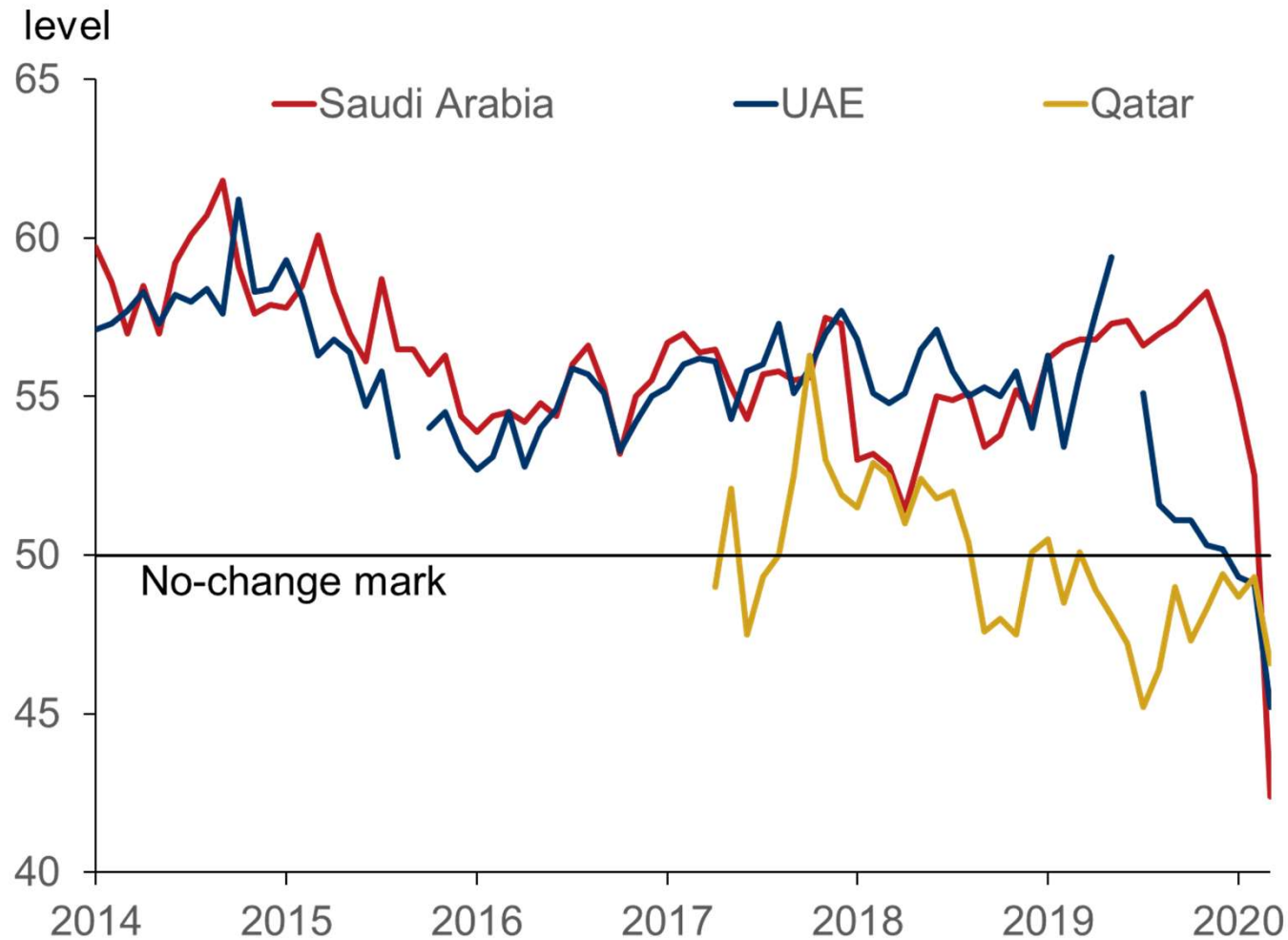
World: PMIs



Source : Oxford Economics/IHS Markit

...and hitting home in the GCC

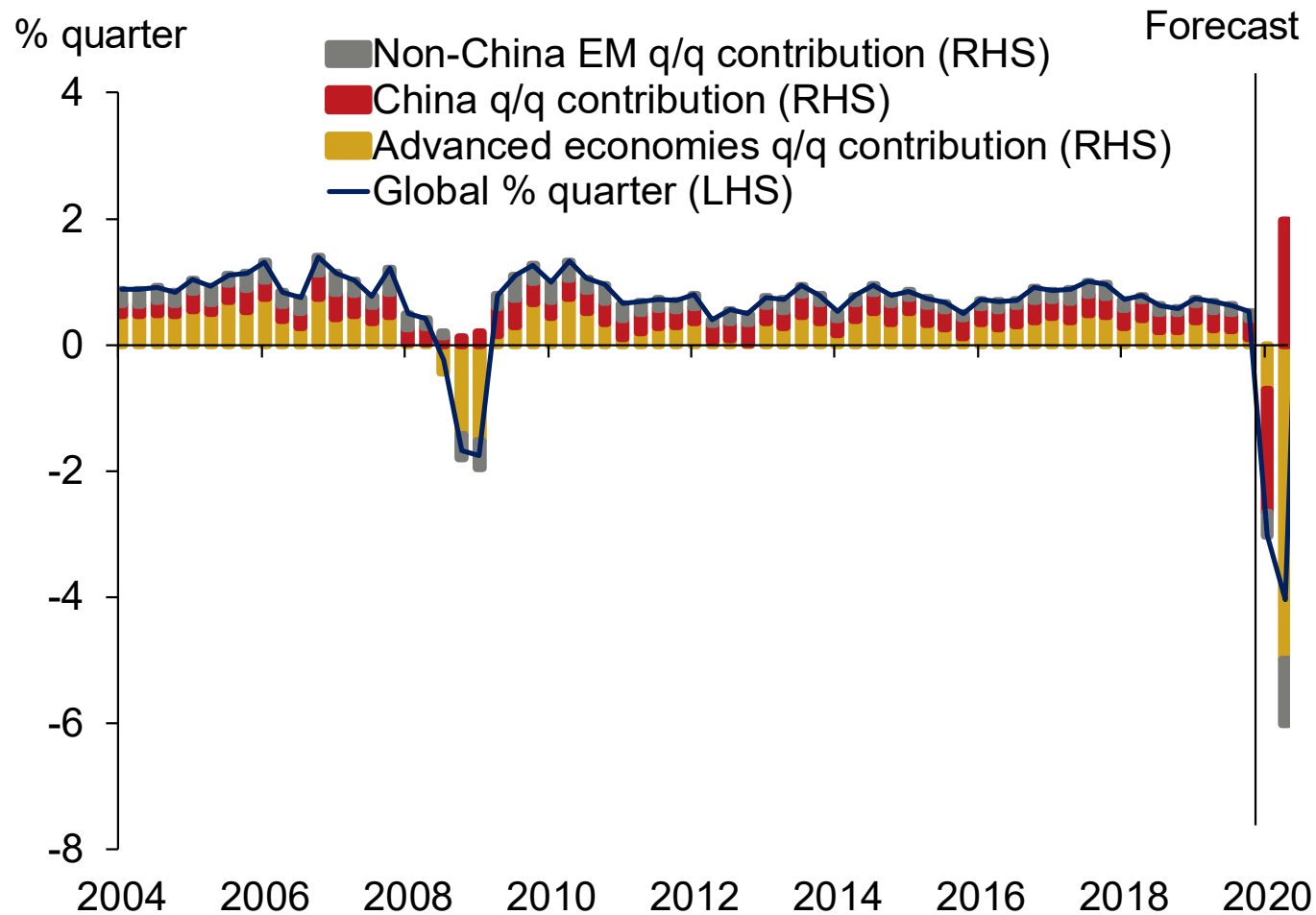
GCC: Purchasing managers' index



Source : Oxford Economics/IHS Markit

H1 drop in activity far bigger than GFC contraction

World: GDP



Source : Oxford Economics/Haver Analytics

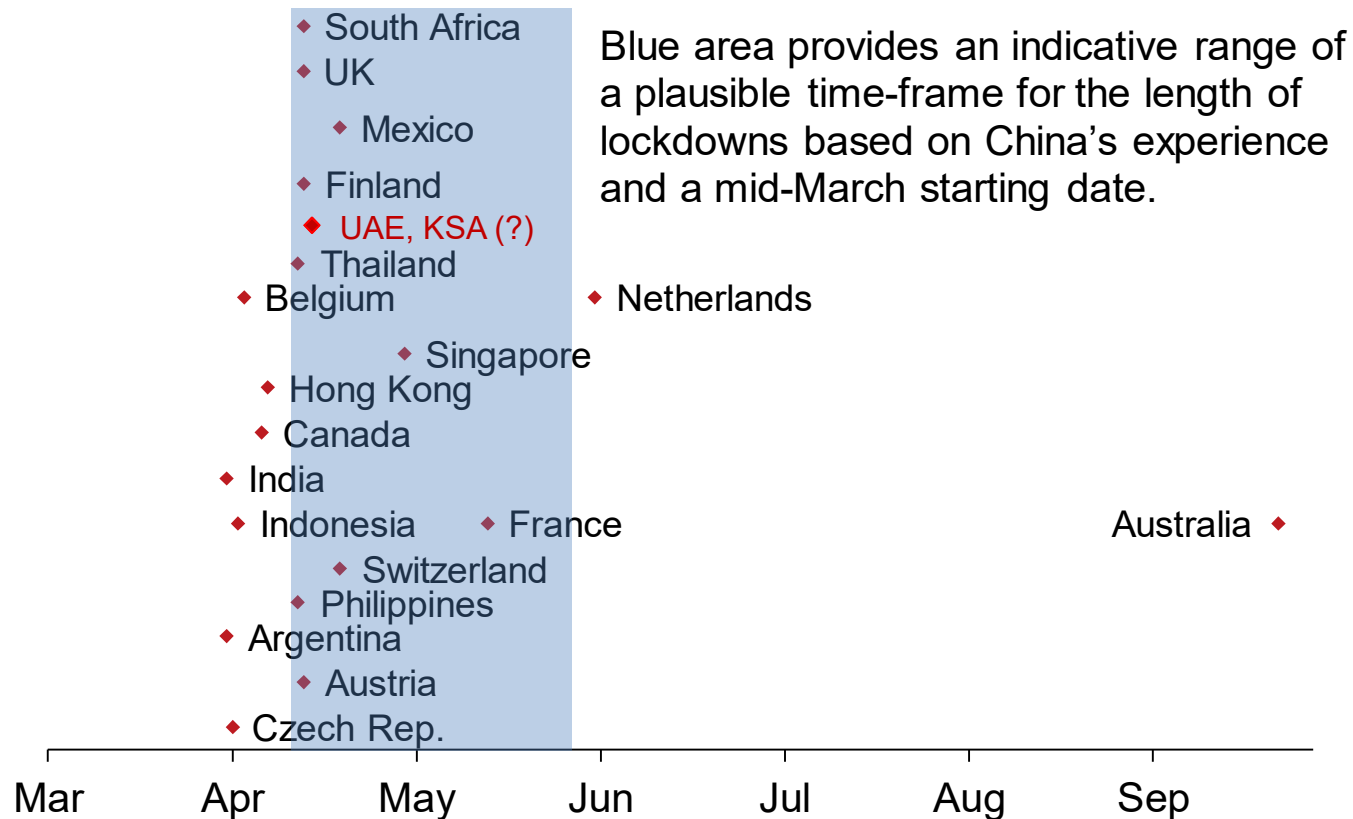
Outline of presentation

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- **But we expect Q3 to mark the start of the recovery**
- The risks

Lockdowns likely to end or be loosened well before Q3

Global: Lockdowns

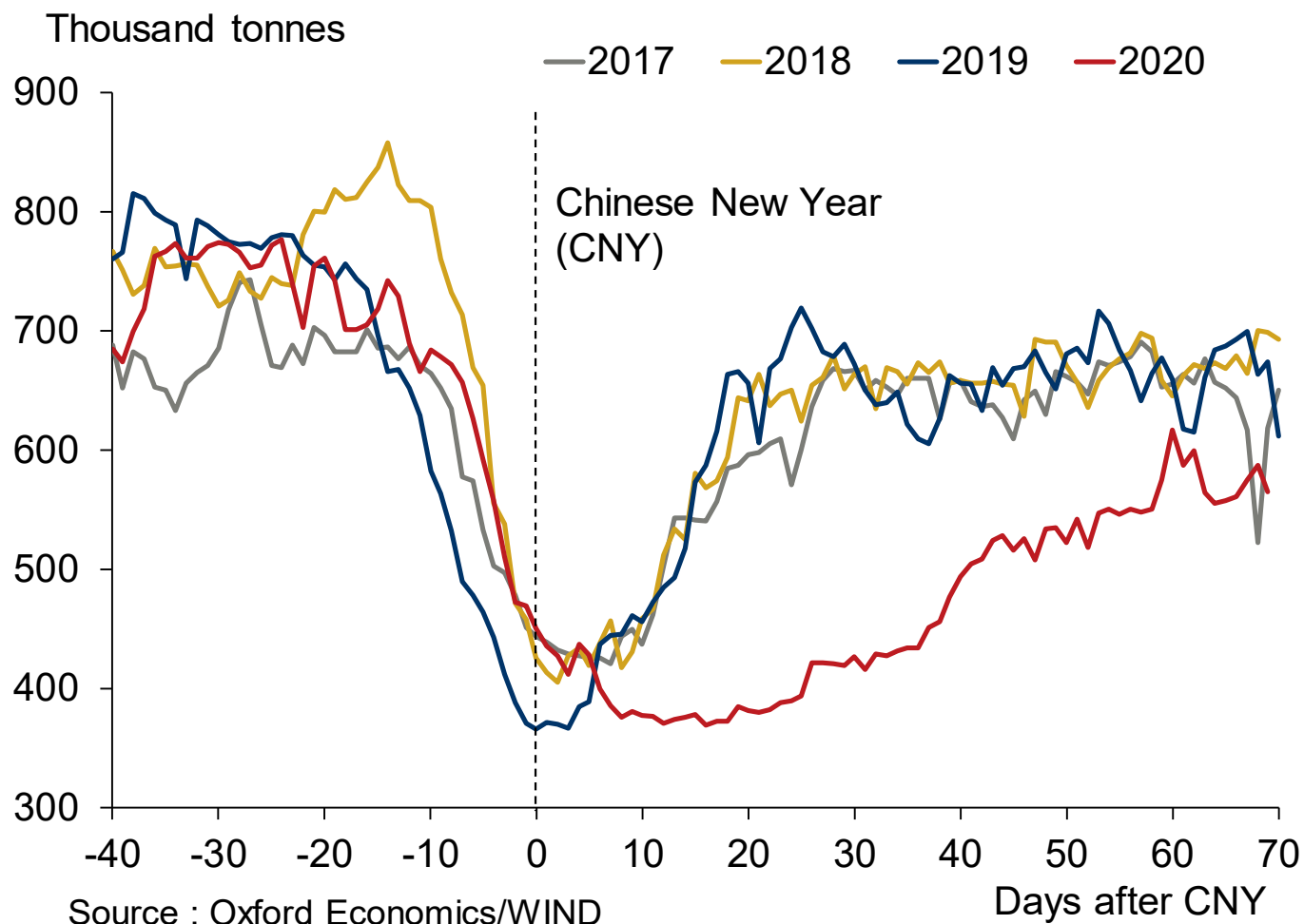
Date at which governments have indicated lockdowns are likely to end or be reviewed



Source : Oxford Economics/Haver Analytics

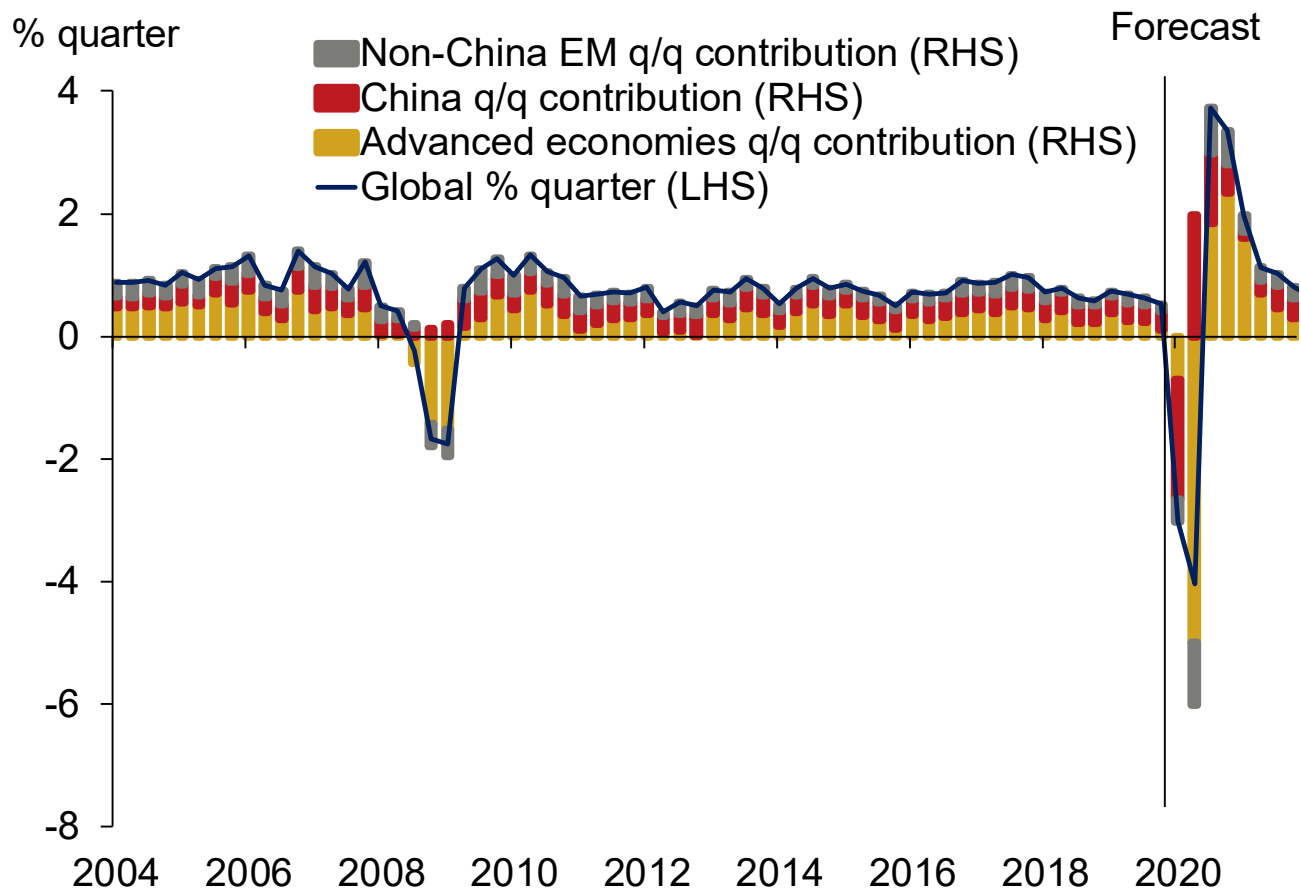
China is returning to normal

China: Coal consumption of 6 power producers



We are expecting a big initial bounce

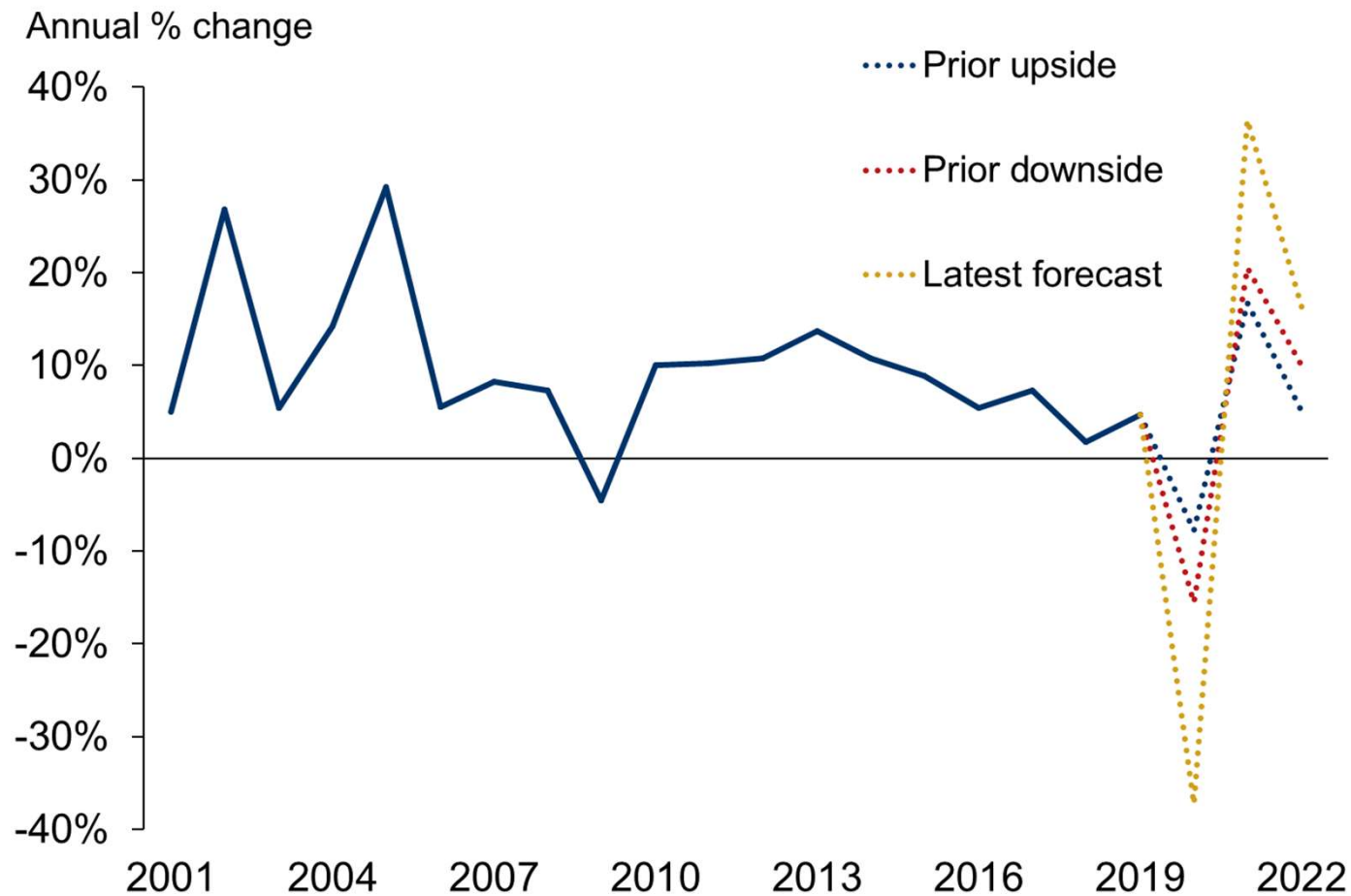
World: GDP



Source : Oxford Economics/Haver Analytics

UAE inbound visitors to rebound strongly in 2021

UAE: Tourist Arrivals

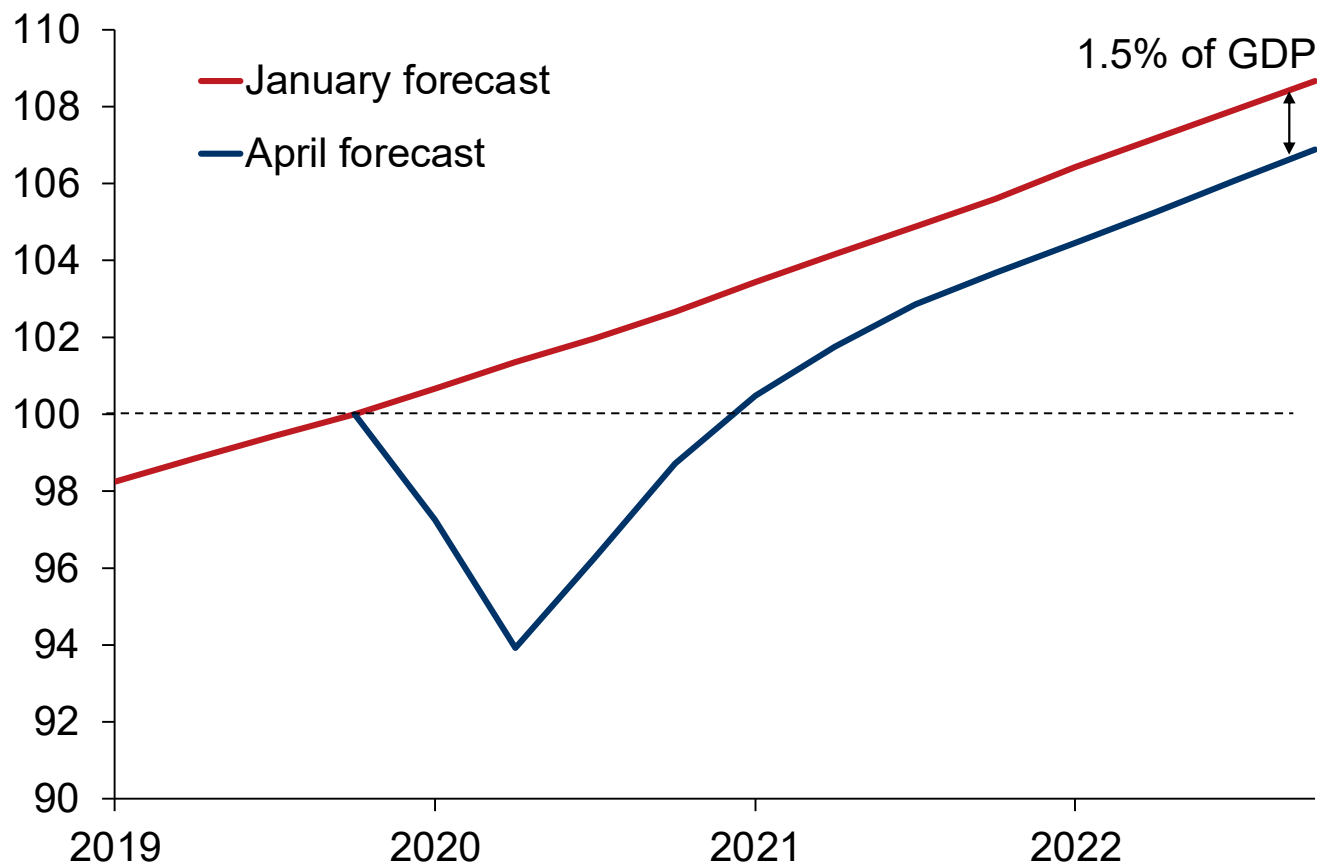


Source: Tourism Economics

But output remains below the pre-crisis path

Global GDP

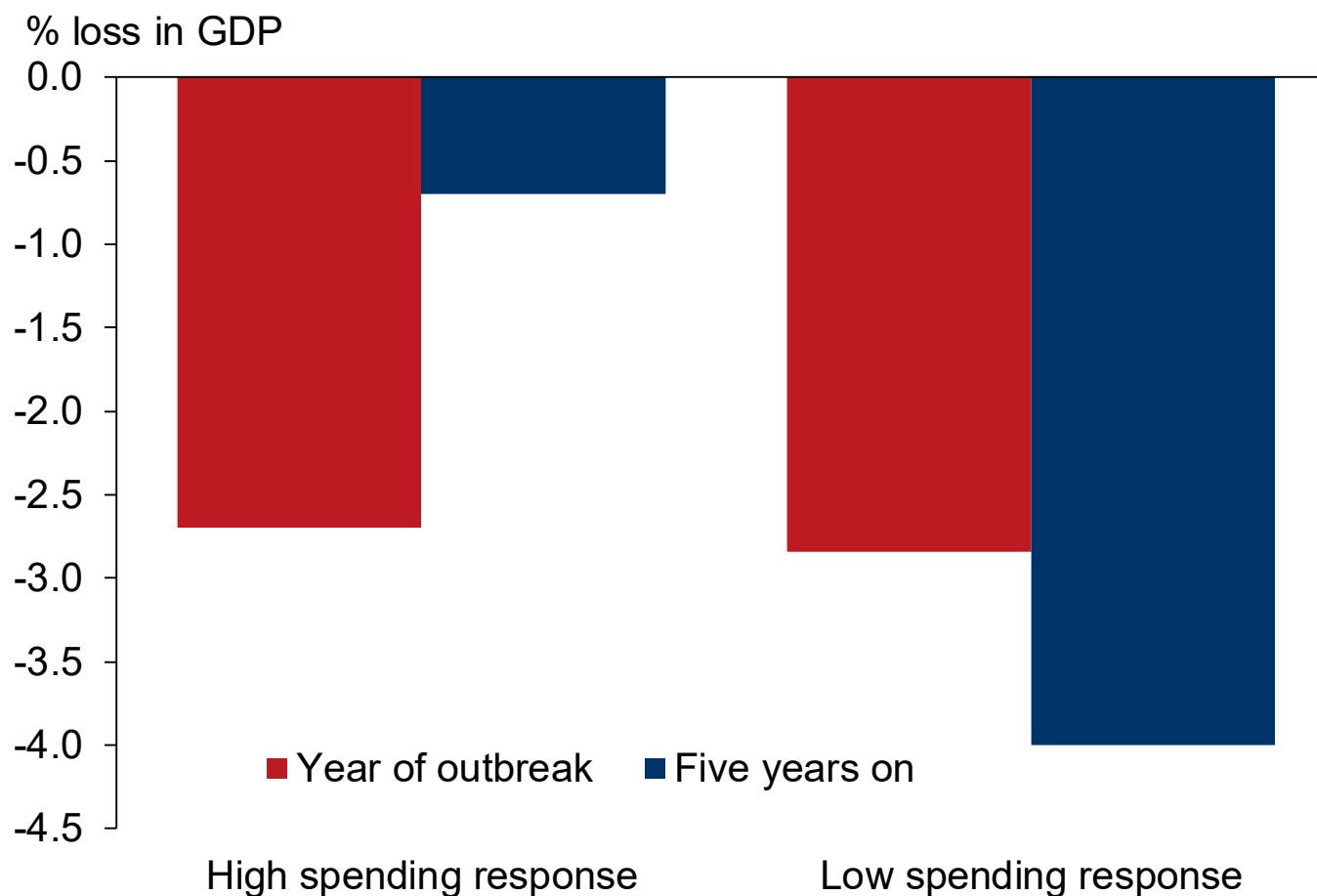
Q4 2019 = 100



Source : Oxford Economics/Haver Analytics

Policy response will influence medium-term fallout

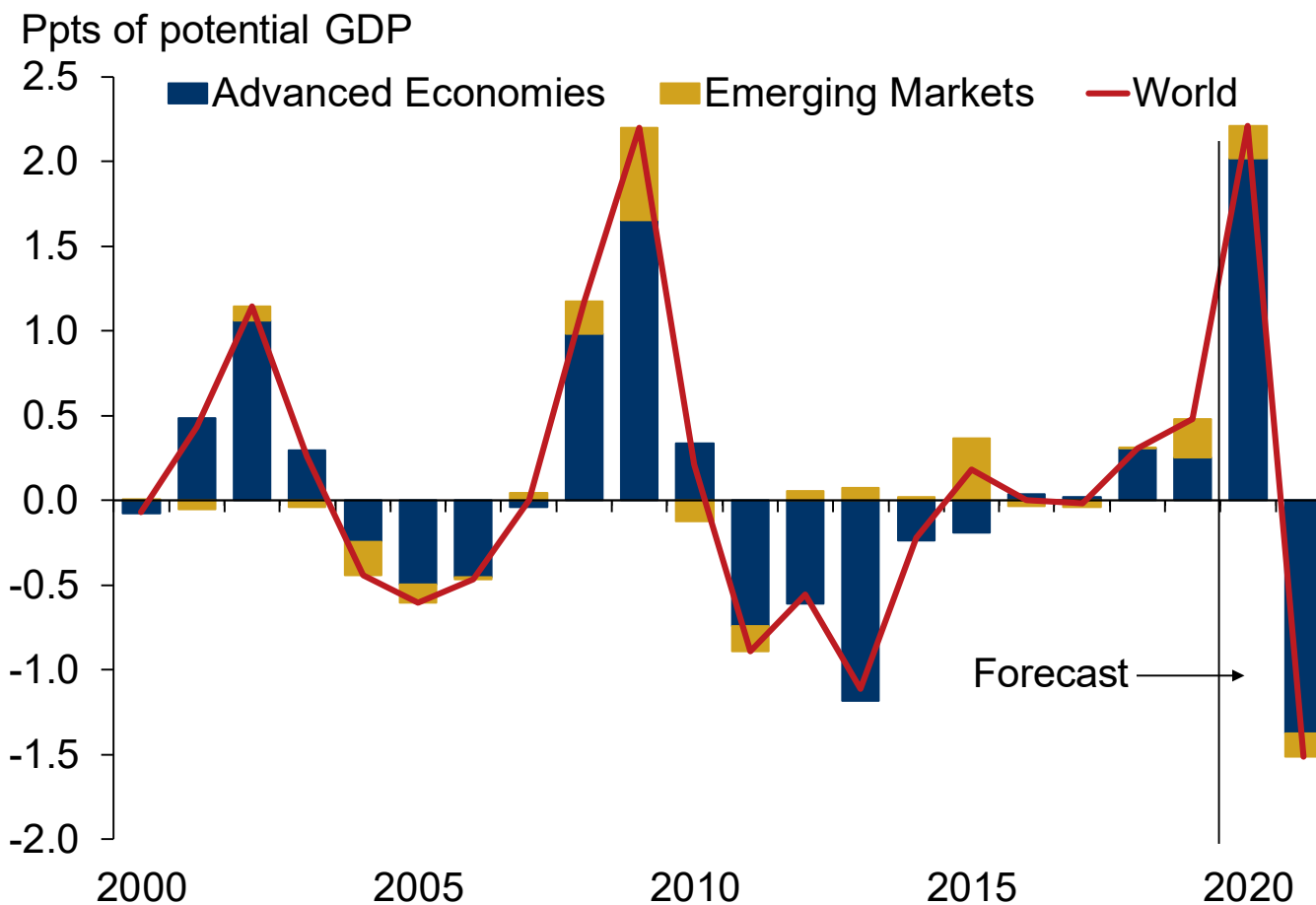
Effect of policy responses to epidemics/pandemics



Source : Ma, Rogers and Zhou (2020)

Fiscal response has been large, but design crucial too

Global: Fiscal impulse

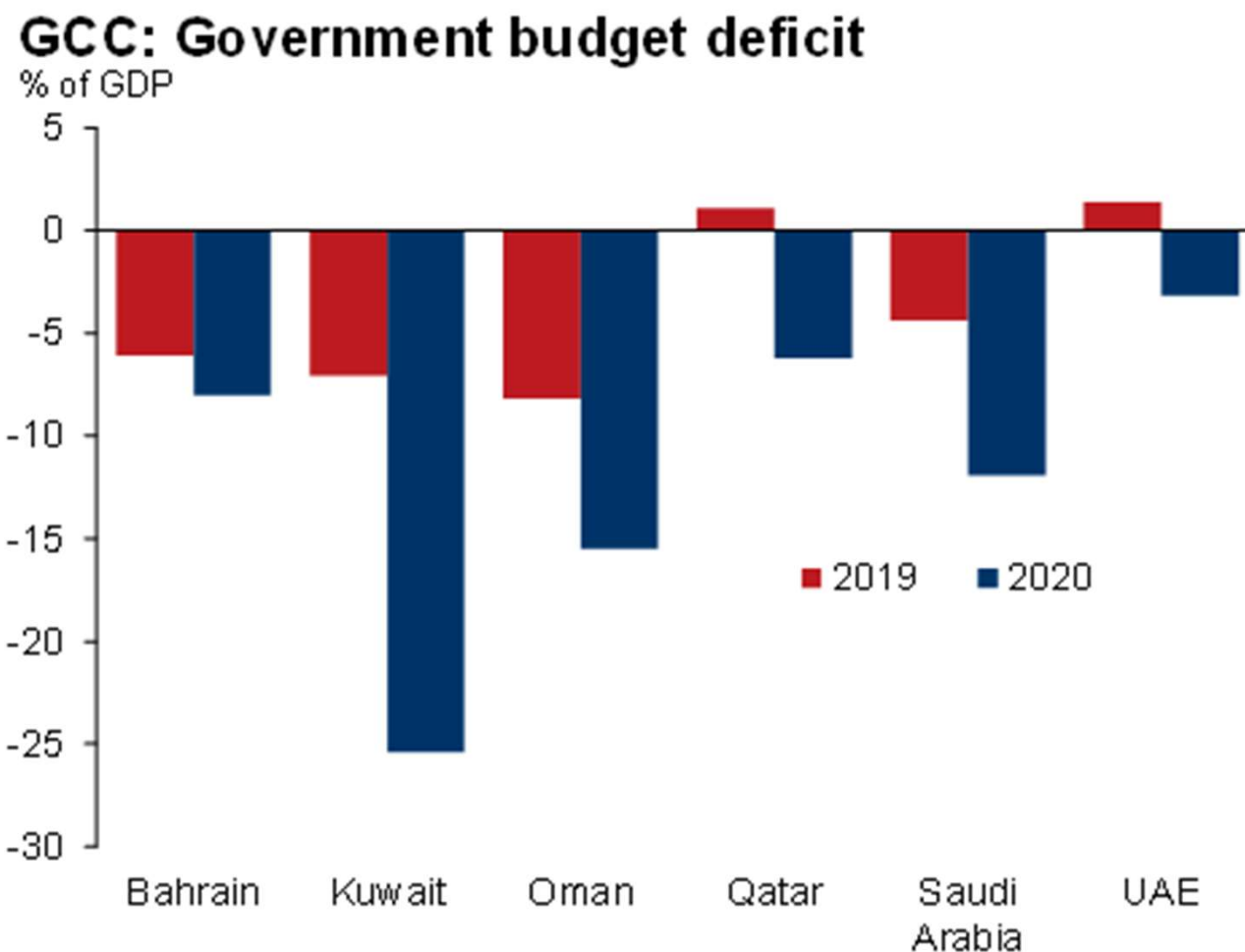


Source : Oxford Economics/Haver Analytics

GCC support has been smaller and narrower...

Fiscal support measures	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	Korea	Thailand	Singapore	UK
Direct fiscal measures										
Extra government spending	✗	✗	↓	✗	↓	✗	✓	✗	✗	✓
Extra welfare spending to support households	✓	✗	✗	✗	✗	✗	✓	✓	✓	✓
Tax/social security contribution reductions	✗	✗	✗	✗	✗	✗	✓	✓	✗	✗
Tax and business rate holidays	✓	✗	✓	✓	✓	✗	✗	✗	✓	✓
Reduction in utility bills, service fees, late payment charges, etc	✓	✓	✓	✓	✓	✓	✓	✓	✓	✗
Guarantees and indirect support (including loans from central bank)										
Government (guarantees for) loans to businesses	✓	✓	✓	✓	✓	✓	✓	✗	✓	✓
Payment of wages	✓	✗	✗	✗	✗	✗	✗	✗	✓	✓
Direct fiscal measures (% of GDP)	26.6%	1.3%	-	0.5%	0.8%	1.4%	1.7%	3.2%	5.9%	3.2%
Guarantees and indirect support (% of GDP)	1.4%	?	23.3%	12.4%	1.9%	3.6%	5.7%	-	5.1%	17%+
Total government support (% of GDP)	28.0%	1.3%	23.3%	12.9%	2.7%	5.0%	7.4%	3.2%	11%	20%+

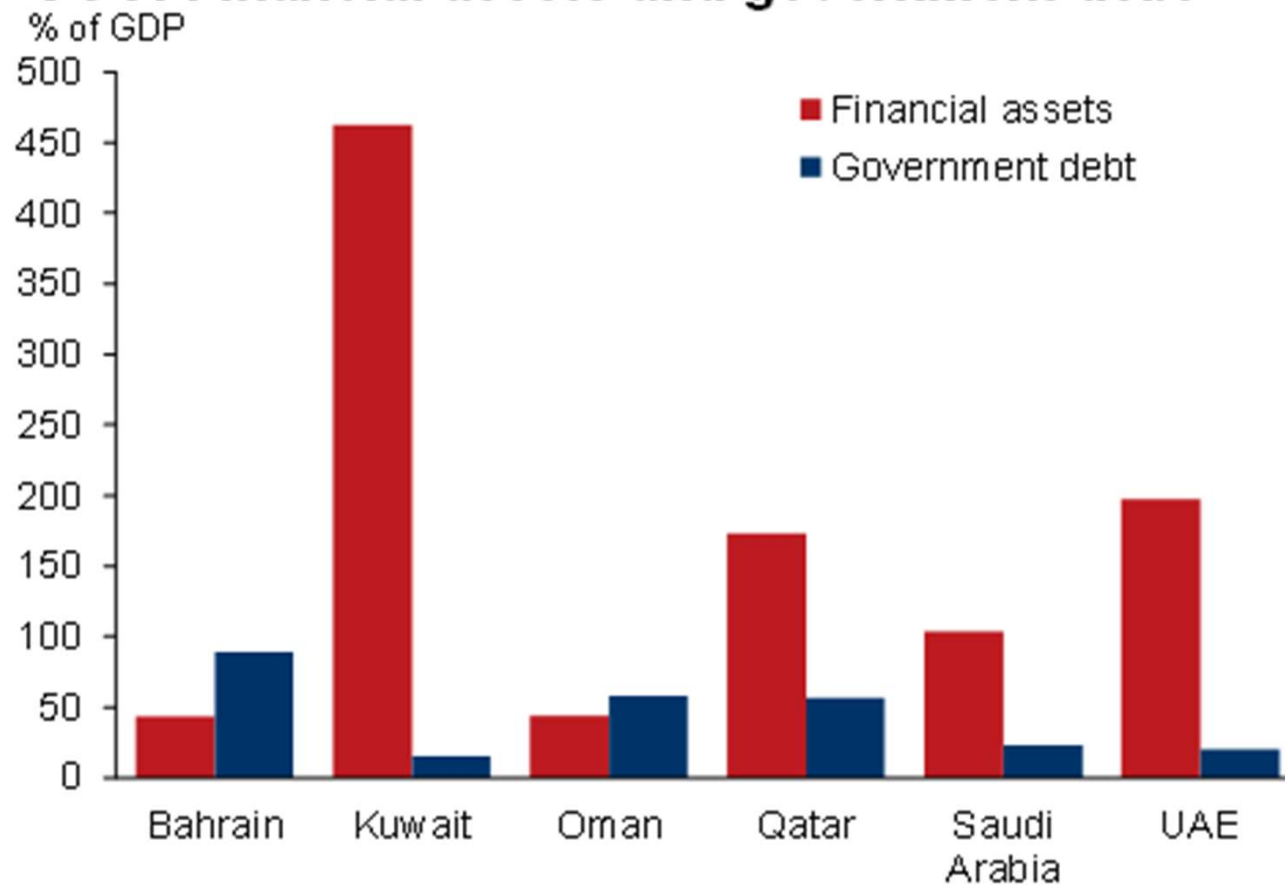
...as governments feel constrained by low oil prices...



Source: Oxford Economics

...but need they be?

GCC: Financial assets and government debt



Source: Oxford Economics/Local authorities/Media reports

Outline of presentation

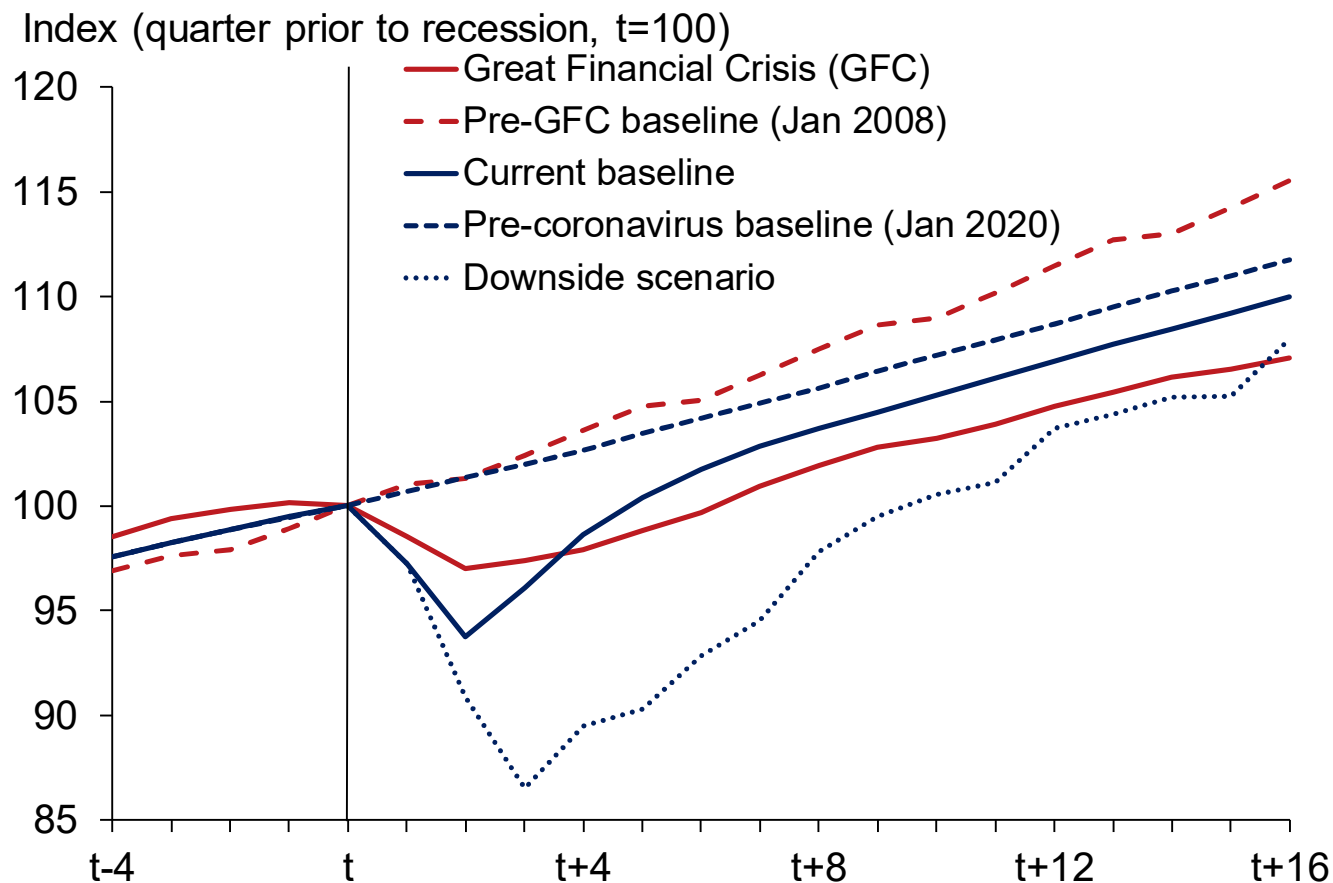
- H1 will be a contraction of staggering proportions
- But we expect Q3 to mark the start of the recovery
- **The risks**

Risks

- Major baseline revision means risk now judged to be evenly balanced.
- In the short term there is a risk of larger and/or longer lockdown disruption on the downside.
- Beyond that there are also two-way risks in terms of the medium term losses from the virus outbreak.

Big MT post GFC losses point to downside risks

Global: comparing the forecast and GFC



Source : Oxford Economics/Haver Analytics

Conclusion

- The H1 slump could be twice as large as the GFC recession. But the nature of the shock points to a sharper rebound as restrictions unwind.
- Prolonged lockdowns or a second wave of stringent lockdowns are a risk.
- But our baseline assumes a gradual lifting of restrictions in Q2.
- The global economy will suffer a medium term hit - the policy response will be a crucial determinant of the size.

Weakest global economy since the crisis

World GDP growth % change on previous year						
	2017	2018	2019	2020	2021	2022
Real GDP						
North America						
United States	2.4	2.9	2.3	-4.1	7.7	1.6
Canada	3.2	2.0	1.6	-6.5	9.2	2.0
Europe						
Eurozone	2.7	1.9	1.2	-5.0	4.6	2.3
Germany	2.8	1.5	0.6	-3.9	4.7	1.4
France	2.4	1.7	1.3	-5.3	4.4	2.5
Italy	1.7	0.7	0.3	-7.6	3.8	2.8
UK	1.9	1.3	1.4	-5.1	6.0	2.5
EU27	2.7	2.0	1.4	-4.8	4.9	2.4
Asia						
Japan	2.2	0.3	0.7	-4.8	3.9	2.1
Emerging Asia, excl Japan	6.2	6.0	5.3	-0.5	8.3	5.6
China	6.9	6.7	6.1	-0.2	9.0	5.8
India	6.6	6.8	5.3	-1.0	8.9	6.8
World	3.3	3.2	2.6	-2.8	5.9	3.4
World 2005 PPPs	3.8	3.5	2.9	-2.4	6.6	3.8
World trade	6.5	4.6	0.2	-6.4	7.9	4.6
Commodity Prices						
Brent Oil (\$/bl)	54.2	71.1	64.4	29.9	35.2	44.9

Unprecedented & broad based revisions

GDP											
	World	Advanced Economies	US	Eurozone	Japan	UK	Emerging Markets	China	Brazil	Russia	India
% year											
2018	3.2	2.2	2.9	1.9	0.3	1.3	4.8	6.7	1.3	2.5	6.8
2019	2.6	1.7	2.3	1.2	0.7	1.4	4.0	6.1	1.1	1.3	5.3
2020	-2.8	-4.5	-4.1	-5.1	-4.8	-5.1	-1.1	-0.2	-2.7	-6.4	-1.0
2021	5.9	6.2	7.7	4.6	3.9	6.0	7.2	9.0	4.3	6.8	8.9
Revisions since January (pre-coronavirus forecast)											
2018	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.3	-0.7
2019	0.0	0.0	0.0	0.0	-0.3	0.1	0.1	0.0	-0.1	0.1	0.2
2020	-5.3	-5.9	-5.9	-6.1	-5.2	-6.2	-5.5	-6.2	-4.9	-8.2	-7.0
2021	3.1	4.5	5.9	3.3	3.1	4.1	2.6	3.2	2.0	5.4	2.0

Questions: Use the question panel on the right

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