EUROMONITOR INTERNATIONAL

Global Economic Forecasts

Q2 2020

The is an extract of the full 'Global Economic Forecasts: Q2 2020' report.

The data included in this document is accurate according to Passport, Euromonitor International's market research database, at time of forecast closing date: May 5th 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.

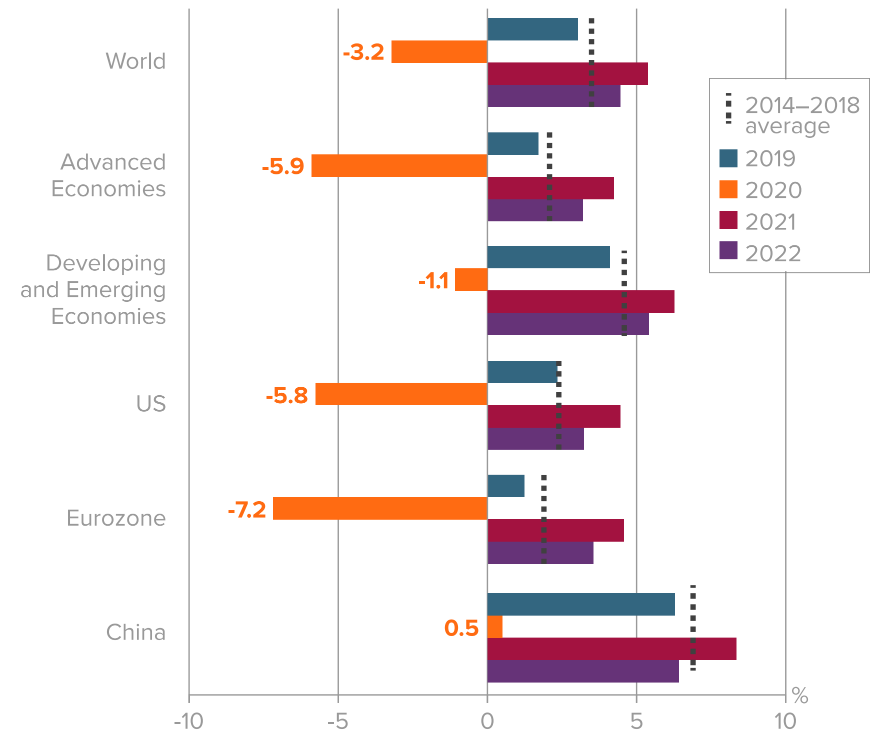
As of May 2020, Euromonitor International has further downgraded the baseline global real GDP growth forecast for 2020 to a range of -4.0% to -1.5%, compared to a 2.6–3.4% growth forecast in the last pre-COVID-19 pandemic forecast.

Advanced economies are expected to be the hardest hit in this recession, with their economic activity contracting by around 6% in 2020. This reflects the strong spread of the pandemic in these economies, and the willingness of these countries to engage in costly social distancing measures to reduce infection and death rates.

Emerging and developing economies are also likely to be badly hit with output contracting by around 1% in 2020, due to both social distancing measures and stronger financial and trade spillover effects.

The baseline forecast reflects the combined adverse effects of COVID-19 social distancing restrictions, supply disruptions, significant tightening of financial conditions, a spike in private sector uncertainty, falling household disposable incomes and sharp drops in global trade and commodity prices.

Global Real GDP Growth Baseline Forecast



Source: Euromonitor International Macro Model

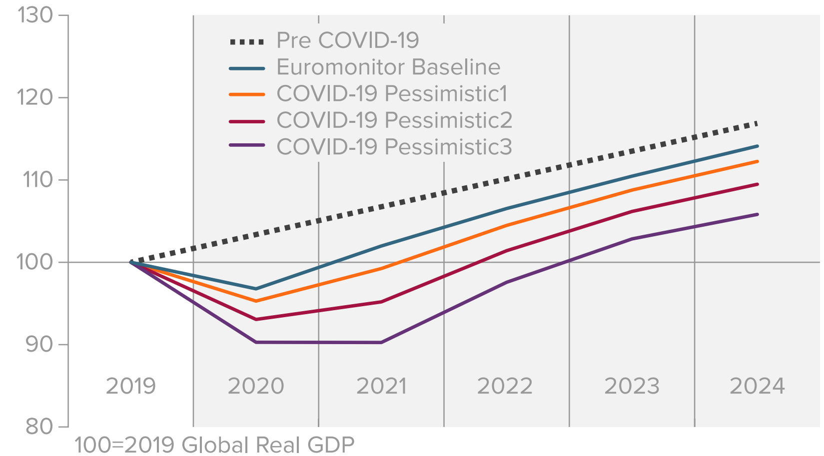
Social distancing restrictions have led to large declines in business revenues, employment and wages, with each month of strict quarantine / lockdown estimated to cause a 25–45% decline in economic activity relative to normal. The baseline forecasts assume that the strict social distancing measures successfully contain the pandemic. This would allow for a gradual relaxation of the quarantine / lockdown restrictions imposed in many countries in the second half of 2020.

There is substantial uncertainty about the effectiveness and length of COVID-19-related social distancing restrictions, how the pandemic will play out, financial stability and the ability of governments to contain the negative effects of lower disposable income and higher uncertainty on private sector spending.

To account for all this uncertainty, we assign a 38–48% probability to our baseline forecast. The remaining probabilities are assigned to three COVID-19 pessimistic scenarios.

Our baseline forecast for the global economy is a mixed V and L shaped recession at annual frequency: a partial rebound in output relative to the pre-recession forecast in 2021–2022 but leaving global output 2–3% below the pre-recession trend over a five-year horizon. Our pessimistic scenarios imply an L-shaped recession relative to the pre-recession forecast over a five-year horizon, with bigger long-term declines in economic activity.

Global Real GDP Index, Baseline and Alternative Scenarios



Source: Euromonitor International Macro Model

INTRODUCTION TO OUR COVID-19 SCENARIOS

	BASELINE FORECAST	COVID-19 PESSIMISTIC 1	COVID-19 PESSIMISTIC 2	COVID-19 PESSIMISTIC 3
2020 Global GDP growth	[-4%, -1.5%]	[-6%, -4%]	[-8%, -6%]	[-11.5%, -8%]
2021 Global GDP growth	[3.5%, 7%]	[2.5%, 5.5%]	[0.5%, 3.5%]	[-2.5%, 2.5%]
Probability	38–48%	25–35%	15–25%	5–10%
ASSUMPTIONS				
Global infection rate	1–10%	5–25%	15–35%	20–50%
Mortality rate	0.3–1.3%	0.5–1.5%	1.0–3.0%	1.5–3.5%
COVID-19 social distancing restrictions	1–3 quarters	2–4 quarters	3–5 quarters	3–7 quarters
Business and consumer confidence indices fall to	10–40th percentile of historical values	10–30th percentile of historical values	1–20th percentile of historical values	1–10th percentile of historical values
Global stock prices	Down by 15–30% relative to pre COVID-19 forecast. Rebound by 0–30% in H2 2020	Down by 10–30% relative to baseline	Down by 25–45% relative to baseline	Down by 40–70% relative to baseline
Private sector and emerging markets borrowing risk premia	2–9 percentage points above pre COVID-19 forecast	Rise by 1–4 percentage points above baseline forecast	Rise by 2–7 percentage points above baseline forecast	Rise by 3–10 percentage points above baseline forecast

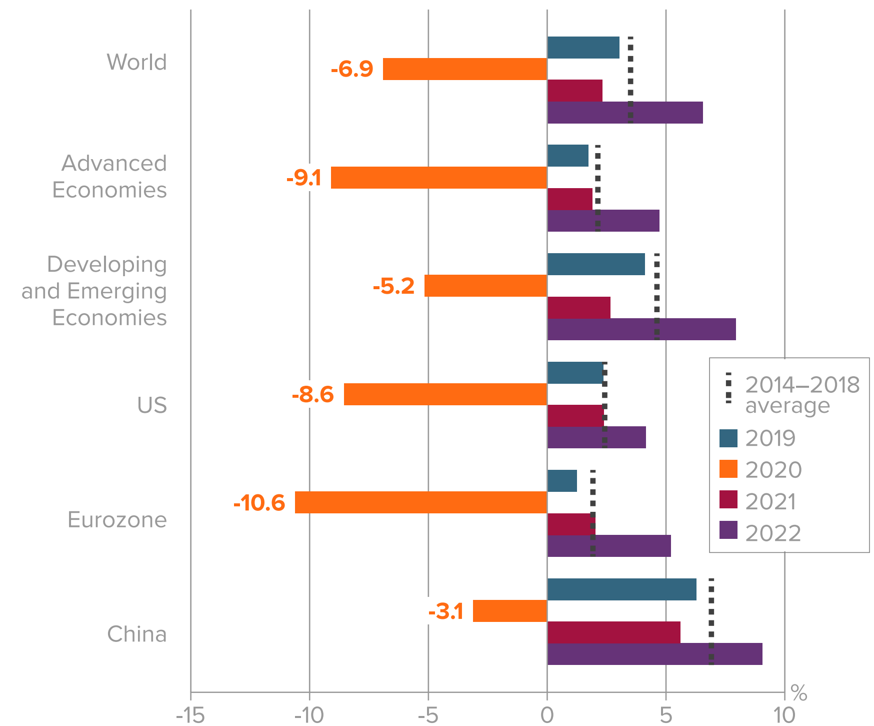
COVID-19 Pessimistic 2 Scenario, the Main Downside Risk Forecast

The main downside risk is the COVID-19 Pessimistic 2 scenario, due to the combined probability and economic impact. In this scenario, the COVID-19 pandemic is deadlier and harder to control than expected, causing significant social distancing restrictions to extend into the second half of 2020 or early 2021. This causes more substantial supply disruptions, liquidity problems for businesses and households and a more severe decline in private sector confidence.

Financial market conditions also tighten considerably more than in the baseline forecast. As a result, global economic activity contracts by 6% to 8% in 2020. The recovery is much weaker than in the baseline forecast, with global real GDP growth of 0.5% to 3.5% in 2021.

We assign a 15–25% probability to the COVID-19 Pessimistic 2 scenario.

Global Real GDP Growth COVID-19 Pessimistic 2 Forecast



Source: Euromonitor International Macro Model

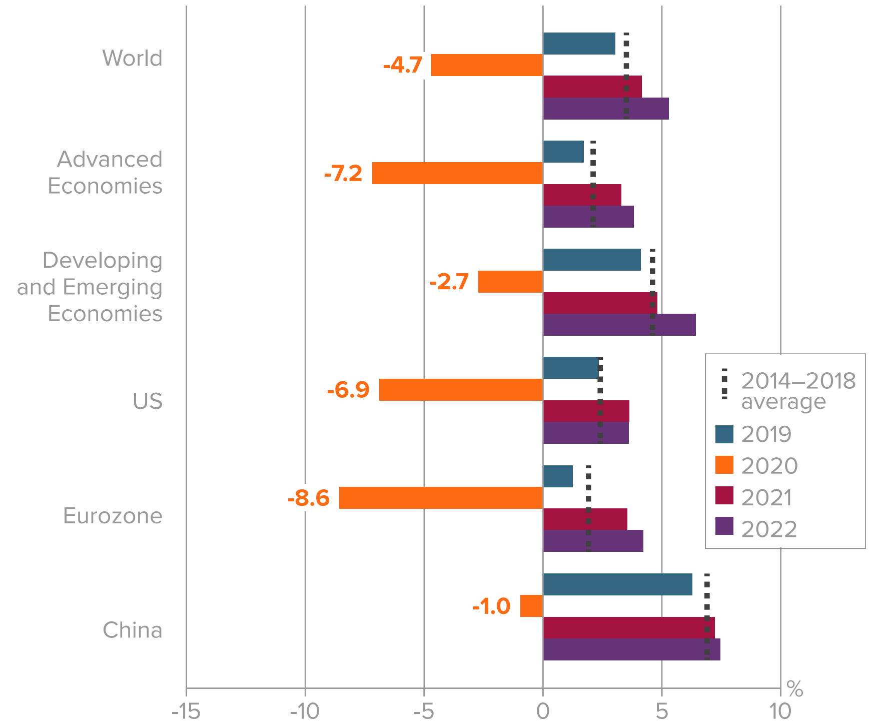
COVID-19 Pessimistic 1 Scenario, A Moderately More Pessimistic Forecast

The COVID-19 Pessimistic 1 scenario represents a moderate negative deviation from the baseline forecast. It serves as an alternative to the baseline for decision makers who are more risk averse or pessimistic than consensus views.

Significant social distancing restrictions last somewhat longer and financial conditions are moderately tighter than in the baseline. Global real GDP growth in 2020 is -6% to -4%, while the recovery is weaker in 2021, with output growth of 2.5%–5.5%.

We assign this scenario a 25–35% probability.

Global Real GDP Growth COVID-19 Pessimistic 1 Forecast



Source: Euromonitor International Macro Model

COVID-19 Pessimistic 3 Scenario, A Worst Case Forecast

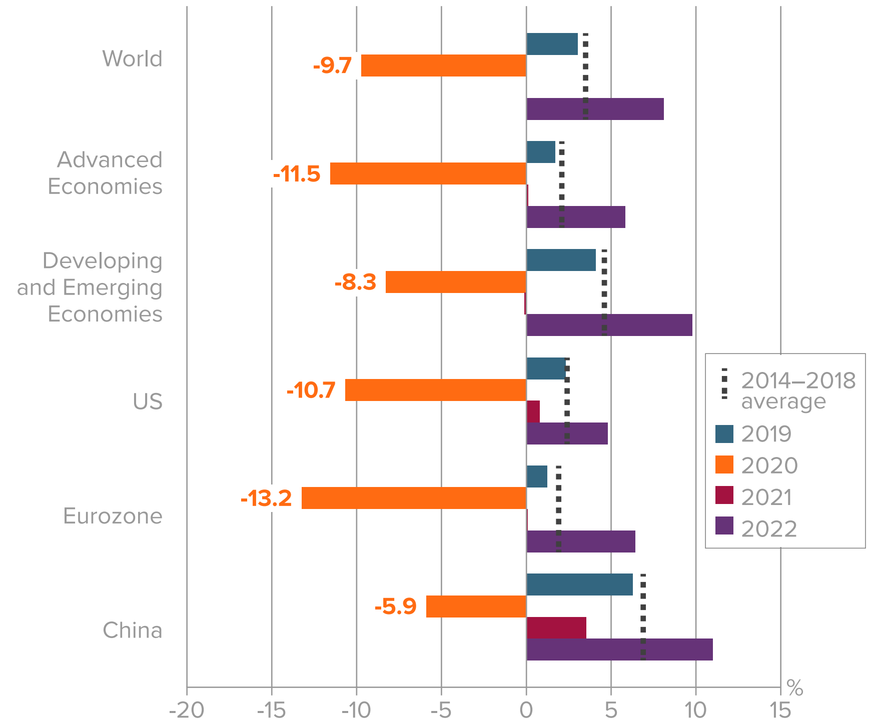
The COVID-19 Pessimistic 3 scenario represents a worst case global economic crisis on top of the epidemiological crisis. In this scenario, the pandemic is much deadlier and longer lasting than expected with significant social distancing measures ongoing into 2021.

Stock markets and confidence levels crash to unprecedented lows and business liquidations extend beyond the sectors most vulnerable to social distancing.

Global economic activity contracts by 8% to 11.5% in 2020, and the economic recession continues in 2021.

We assign this worst case scenario a 5–10% probability.

Global Real GDP Growth COVID-19 Pessimistic 3 Forecast



Source: Euromonitor International Macro Model

GDP GROWTH FORECASTS & REVISIONS FROM LAST QUARTER

ADVANCED ECONOMIES

COUNTRY / REGION	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Advanced Economies	**1.7**	**-5.9**	**4.2**	**3.2**	**1.7**	**-7.3** ▼	**2.8** ▲
USA	2.3	-5.8	4.5	3.2	1.7	-7.5 ▼	2.9 ▲
Canada	1.6	-6.0	4.2	3.0	1.8	-7.6 ▼	2.6 ▲
Eurozone	1.2	-7.2	4.6	3.5	1.4	-8.3 ▼	3.3 ▲
Germany	0.6	-6.3	4.5	4.4	1.3	-7.0 ▼	3.4 ▲
France	1.2	-6.7	4.3	3.1	1.5	-7.8 ▼	3.1 ▲
Italy	0.3	-9.0	4.6	2.8	0.8	-9.4 ▼	4.1 ▲
Spain	2.0	-8.0	4.7	3.2	1.5	-9.5 ▼	3.2 ▲
UK	1.4	-6.7	4.2	3.6	1.7	-7.8 ▼	2.9 ▲
Japan	0.8	-5.4	2.8	1.8	0.7	-6.0 ▼	2.1 ▲
South Korea	2.0	-1.0	3.2	3.0	2.3	-3.0 ▼	1.1 ▲

GDP GROWTH FORECASTS & REVISIONS FROM LAST QUARTER

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	**4.1**	**-1.1**	**6.3**	**5.4**	**4.4**	**-5.3** ▼	**1.8** ▲
China	6.3	0.5	8.3	6.4	4.9	-5.3 ▼	2.7 ▲
India	5.1	2.1	7.0	6.8	6.1	-3.7 ▼	0.6 ▲
Indonesia	5.0	0.8	6.5	6.3	5.0	-4.1 ▼	1.4 ▲
Brazil	1.1	-5.0	3.0	3.7	2.4	-7.1 ▼	0.7 ▲
Mexico	-0.1	-7.0	3.0	3.0	2.4	-7.9 ▼	1.5 ▲
Russia	1.3	-6.2	3.7	2.8	1.6	-7.9 ▼	2.1 ▲
Turkey	0.9	-5.0	4.5	4.0	3.3	-7.5 ▼	1.4 ▲

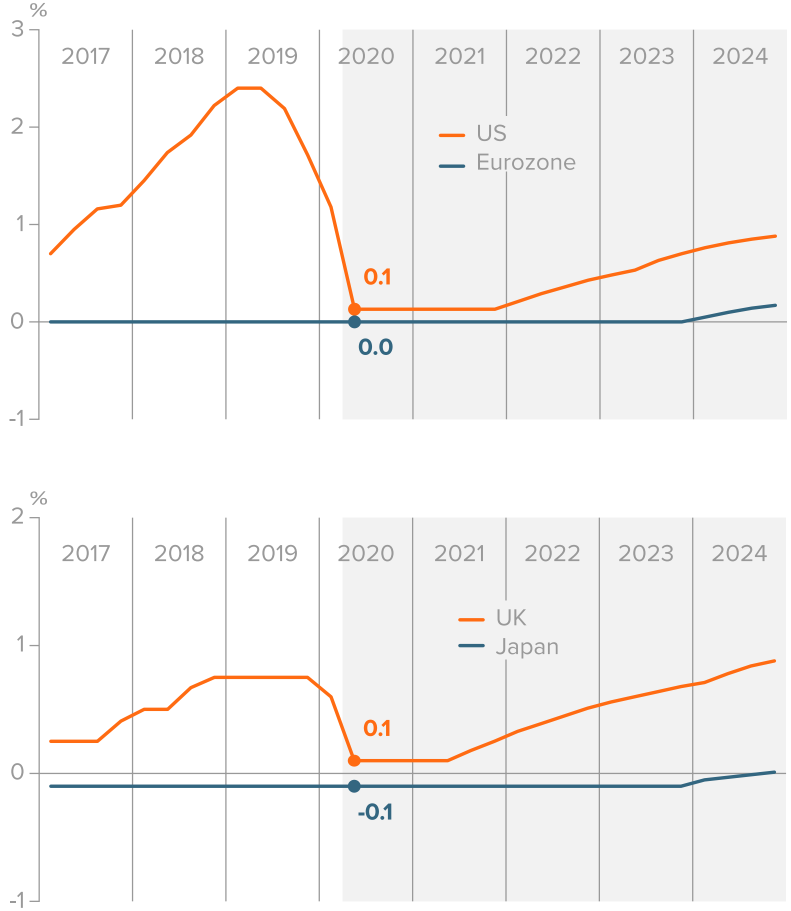
INFLATION FORECASTS

COUNTRY / REGION	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %
Advanced Economies	**1.5**	**1.1** ▼	**1.4** ▼	**1.8** ▼	**1.9**
USA	1.8	1.1 ▼	1.7 ▼	2.0	2.0
Eurozone	1.3	0.9 ▼	1.3 ▼	1.6 ▼	1.7
Germany	1.4	0.8 ▼	1.3 ▼	1.6 ▼	1.8
UK	1.8	1.2 ▼	1.7 ▼	2.0	2.0
Japan	0.5	0.0	0.4 ▼	0.7 ▼	1.0
Emerging and Developing Economies	**2.8**	**4.4** ▲	**3.8** ▲	**3.3** ▲	**3.2**
China	2.9	3.5 ▲	2.2 ▼	2.4 ▼	2.5
India	3.7	4.5 ▲	4.4	4.4	4.4
Brazil	3.7	3.7 ▼	3.8	3.8	3.8
Russia	4.5	3.4 ▼	3.8	3.8	3.8

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

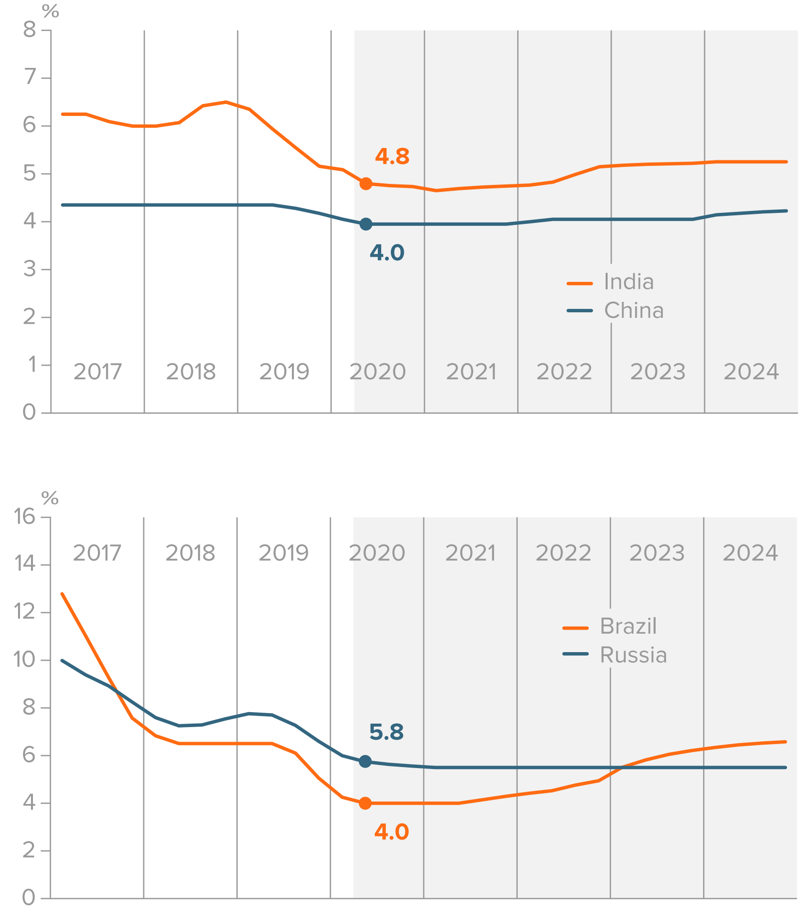
CENTRAL BANK INTEREST RATE FORECASTS

Advanced Economies Interest Rate Forecast



Source: Euromonitor International Macro Model

Developing and Emerging Countries Interest Rate 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	2.3	-5.8	4.5	3.2	1.7	-7.5 ▼	2.9 ▲
Inflation	1.8	1.1	1.7	2.0	2.0	-1.0 ▼	-0.3 ▼
Federal Funds Rate	2.2	0.4	0.1	0.3	2.4	-1.2 ▼	-1.5 ▼

General outlook

The US economy is now expected to contract by 5% to 7% in 2020 due to the effects of the COVID-19 pandemic, followed by 3.2–5.2% growth rebound in 2021. We assign this baseline forecast a 38–48% probability, with the remainder of probability assigned to more pessimistic scenarios.

COVID-19 has hit the US hard at the end of Q1 and during Q2. Deaths exceeded 80,000 by mid-May and are likely to exceed 100,000 by end of 2020 in our baseline forecast, with a roughly equal probability on more pessimistic scenarios with 300,000–900,000 deaths by end of 2020.

Almost all US states issued stay at home orders in April, equivalent to lockdowns. These lockdowns have been relaxed in several US states during May, but recovery from the lockdowns is likely to be gradual due to a mix of ongoing partial social distancing restrictions and many consumers' reluctance to use certain services due to fear of infection.

At the end of March, the US government adopted a USD2.2 trillion fiscal stimulus package, around 10% of GDP. The measures combine direct cash transfers to households, subsidised loans to businesses hit by the pandemic effects and a big expansion in unemployment insurance payments. In the baseline forecast, these measures are sufficient to smooth out most of the additional effects of declining household and business incomes on private sector demand.

San Diego, CA, USA

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	6.3	0.5	8.3	6.4	4.9	-5.3 ▼	2.7 ▲
Inflation	2.9	3.5	2.2	2.4	2.5	0.7 ▲	-0.3 ▼
Central Bank Policy Rate	4.3	4.0	4.0	4.0	4.2	-0.2 ▼	-0.2 ▼

General outlook

The Chinese economy contracted sharply in the beginning of 2020, due to the COVID-19 outbreak, but it is now showing signs of recovery. Output growth in the baseline forecast is expected to range from -1.1% to 1.7% in 2020, followed by a 6.6% to 9.6% rebound in 2021. However, this baseline forecast is assigned just a 38–48% probability at this stage with other adverse scenarios getting the remaining probability.

Output is estimated to have declined by 6.8% in Q1. Manufacturing and construction sector output declined by 9.6%, while services sector activity contracted by 5.2% year-on-year. Nominal retail sales fell by 19% year-on-year (around 24% contraction in real terms).

Consumption per capita declined by 12.5% year-on-year in Q1 2020. Fixed assets investment contracted by 16.1% year-on-year in Q1 2020. Construction activity contracted by 17.5% year-on-year, while accommodation and restaurants activity declined by 35.3% year-on-year. Increasing government spending and a rise in sectors such as IT services countered these contractions, preventing a worse decline in output.

Preliminary Q2 data show some improvement in economic activity. Nominal retail sales in April were down 7.5% year-on-year, compared to 15.8% year-on-year decline in March. Industrial production is now 3.9% higher than one year ago (still below the normal trend year-on-year growth of 4.5–5.5%).

Hangzhou, China

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	5.0	2.1	7.0	6.8	6.1	-3.7 ▼	0.6 ▲
Inflation	3.3	4.5	4.4	4.4	4.4	0.5 ▲	0.1 ▲
Central Bank Rate	5.7	4.8	4.7	4.9	5.2	-0.2 ▼	-0.2 ▼

General outlook

India's economy is expected to grow by 2.1% in 2020, this is 3.7 percentage points lower than expected before the COVID-19 crisis in Q1. Though compared to other big countries, India's economy will likely maintain positive growth in 2020, which is expected to accelerate in 2021 to 7%.

In Q4 2019 India's slowing economic growth was expected to boost due to increasing consumption, but in Q1 2020 real consumption decreased by 2%. Despite government financial support and tax exemption, this trend is expected to remain in Q2 2020 with a 3% decrease.

The government budget deficit was expected to rise to 3.5% in 2020 before the pandemic, however the government economic stimulus plan to cope with the COVID-19 crisis increased government expenditure by 31% in Q2 2020. It is expected that this could more than double the country's fiscal deficit to 7.9%.

Despite the recovery in Q1, India's exports are expected to decrease by 3% in Q2 2020, even though iron ore and pharmaceuticals exports were growing after the national lockdown. Imports are expected to reach their highest growth in the last three years and increase by 8% in Q2 2020.

Sirsa, Haryana, India

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP Growth	0.8	-5.4	2.8	1.8	0.7	-6.1 ▼	2.1 ▲
Inflation	0.5	0.0	0.4	0.7	1.0	-1.0 ▼	-0.5 ▼
BoJ Policy Rate	-0.1	-0.1	-0.1	-0.1	0.2	0.0	0.0

General outlook

The Japanese economy will likely contract by 4.4% to 6.8% in 2020. The country was one of the first to be hit by the COVID-19 pandemic as the disease reached Japan in January 2020. On top of that, the US and China, Japan's biggest trading partners in 2019, were both significantly affected by the lockdowns designed to curb the spread of the virus.

The state of emergency continues to be extended in parts of the country which allows local governments to deal with the virus: request people to stay at home, close public spaces and build hospitals if required. The state of emergency was in place until the 31st May, but could be extended if needed. On the 24th of March, Japan postponed the Tokyo Olympics until 2021. This is the first time ever that the Olympic Games have been postponed.

The announced fiscal stimulus already amounts to around 21.1% of Japan's 2019 GDP and is likely be increased. The biggest part of the fiscal stimulus (around 16.0%) is aimed at safeguarding individuals and businesses which were directly affected by the COVID-19 pandemic. The main measures are direct cash handouts, deferral of tax payments and social security contributions as well as government-backed loans to provide immediate liquidity.

On the monetary side, the Bank of Japan increased its purchases of Japanese government bonds, exchange traded funds and real estate funds back in March 2020. In April, the central bank raised its upper limit on corporate debt holdings to USD186 billion.

Shibuya City, Tokyo, Japan

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.2	-7.2	4.6	3.5	1.4	-8.3 ▼	3.3 ▲
Inflation	1.3	0.9	1.3	1.6	1.7	-0.4 ▼	-0.2 ▼
ECB Refinancing Rate	0.0	0.0	0.0	0.0	0.4	0.0	0.0

General outlook

Following the outbreak of the COVID-19 pandemic, the Eurozone has been one of the worst affected regions, with Spain, Italy and France suffering from some of the highest COVID-19 death rates so far. Most Eurozone governments implemented strict economic lockdowns in March–April 2020, with partial relaxation of these measures starting in May. Each month of lockdown is estimated to cut economic activity by 25–45% below normal levels, based on national statistics offices' estimates.

As a result we now expect the Eurozone economy to contract by 6.3% to 8.5% in 2020, followed by a 3.3–5.5% growth rebound in 2021. We assign this baseline forecast a 38–48% probability, with remaining probabilities assigned to downside risks.

The COVID-19 recession reflects a mix of direct supply / demand shocks (social distancing restrictions, lower labour supply due to disease, breakdowns in some supply chains), business liquidity shock, private sector uncertainty shock, and risk premia shocks in financial markets.

Consumer spending is likely to contract even more than GDP due to both social distancing restrictions and adverse effects of falling household incomes and rising uncertainty on consumption. Cashflow problems and high uncertainty are likely to cause a large drop in business investment.

Genoa, Italy

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.3	-6.7	4.2	3.6	1.7	-7.8 ▼	2.9 ▲
Inflation	1.8	1.2	1.7	2.0	2.0	-0.5 ▼	-0.2 ▼
Bank Rate	0.8	0.2	0.2	0.4	1.0	-0.6 ▼	-0.6 ▼

General outlook

The UK economy is expected to decline by 5.9–7.7% in 2020 and is expected to rebound by 3.1–5.0% in 2021. Western Europe is one of the hardest hit regions globally. The UK is directly hit as the number of COVID-19 cases is one of the highest in the world, and it is also affected through its trading with the EU which remains under the lockdown.

On top of the worst economic shock since the WWII, the country is also facing an additional source of uncertainty: Brexit. The UK is in the transition period until the end of 2020 but afterwards it faces a significant risk of leaving the EU single market without a trade deal if negotiations do not start showing significant progress or if the transition period is not extended.

The UK started plans of reopening the economy and relaxing social distancing restrictions. However, the elimination of restrictions will be gradual and dependent on ongoing pandemic developments. On top of that, given the large presence of COVID-19 cases and high rise in jobless claims, consumers are likely to remain cautious for a considerable period of time. According to the Office of National Statistics, jobless claims increased by more than 860,000 to more than 2 million in April.

The UK is implementing an enormous fiscal and monetary stimulus in the form of business loans and guarantees of them, tax deferrals, subsidising salaries of furloughed employees and substantially lowering interest rates. In total, the government has announced stimulus amounting to over a fifth of 2019 GDP value.

Belfast, Ireland, UK

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	1.3	-6.2	3.7	1.4	1.5	-7.9 ▼	2.1 ▲
Inflation	4.5	3.4	3.8	3.8	3.8	-0.4 ▼	0.0
Bank Rate	7.3	5.7	5.5	5.5	5.5	-0.2 ▼	-0.4 ▼

General outlook

Russian economic activity is expected to decline by 4.3–8.7% in 2020. The economy faces significant uncertainty about its recovery too, given significant shocks in the energy markets (particularly an extreme drop in oil prices) and the still-developing COVID-19 pandemic in the country.

In May 2020, Russia had the second largest number of COVID-19 cases behind the US.

To contain the virus, Russia closed its borders with China and European countries back in December 2019. On 30 March 2020, the Russian government implemented a quarantine strategy in Moscow during which non-essential businesses remained closed and people were urged to stay at home.

Russia is implementing a 3.0% of GDP fiscal stimulus package aimed at supporting the economy throughout the closure. The package subsidises unemployment benefits, pays sick leave for quarantined people and supports businesses by providing tax referrals and forgivable loans.

The Central Bank of Russia cut its key policy interest rate by 50 basis points to 5.5%. Additionally, the Central Bank, through its lending facility, is providing loans to SMEs.

Saint Petersburg, Russia

INDICATOR	2019 %	2020 %	2021 %	2022 %	2023–2027 AVERAGE (F) %	2020 FORECAST REVISION % Percentage points	2021 FORECAST REVISION % Percentage points
Real GDP growth	5.0	-5.0	3.0	3.7	2.6	-7.1 ▼	0.7 ▲
Inflation	3.3	3.7	3.8	3.8	3.8	-0.1 ▼	0.0
Interest Rate	5.7	4.1	4.1	4.7	6.5	-0.8 ▼	-1.2 ▼

General outlook

With extreme uncertainty in both the domestic and global outlooks related to the outbreak of pandemic, our baseline real GDP growth forecasts have been severely downgraded. We expect real GDP to decline by 7.5% to 3.3% in 2020, with growth of 0–5% in 2021. This baseline forecast is assigned 38–48% probability.

Brazil is on the verge of recession, barely maintaining economic growth and is now facing an enormous threat from the COVID-19 pandemic. The country is largely affected by COVID-19 with more than 170.000 cases and more than 10.000 deaths. The outbreak has forced cities to shut down under quarantine, threatening to jeopardise the frail economic recovery.

Elevated uncertainty and a worsening global economic outlook is forcing Brazil's Central Bank to continuously lower the interest rate, stimulating the economy in unusually large measures. However, this monetary easing is not unlimited and the future scope of it depends on the economic outcome of the COVID-19 pandemic. Uncertainty in the continuation of reforms, as well as falling domestic demand, will dampen inflation.

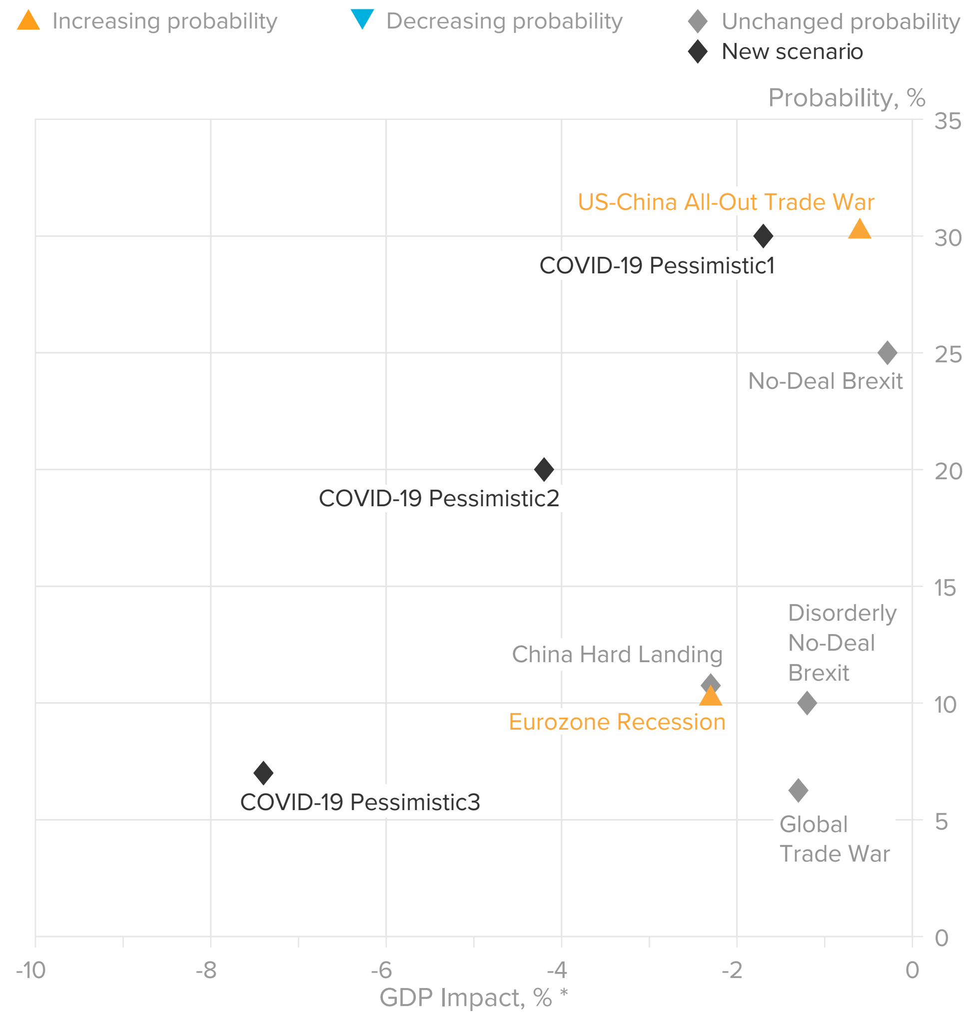
Recife, Pernambuco, Brazil

Summary

COVID-19 has pushed the global baseline forecast into a deep economic recession. Downside risks are now dominated by more pessimistic COVID-19 scenarios reflecting uncertainty about epidemiological assumptions and financial conditions during the COVID-19 recession.

A recession has increased the probability of other risks. The US-China all-out trade war scenario probability has increased due to renewed threats by the US to raise trade tariffs on China, as punishment for China's alleged mishandling of the initial stages of the pandemic.

The Eurozone is the worst hit major region in the pandemic, and this has increased the probability of Eurozone specific adverse financial / sovereign debt market shocks (especially for Italy). This is reflected in the rising likelihood of Eurozone-specific recession shocks, further compounded by the effects of the baseline COVID-19 recession, increasing the overall probably of a Eurozone recession scenario.



Source: Euromonitor International

** Impact is measured as world GDP change over 3 years compared to baseline scenario, in percentage points*

Euromonitor International Global Risk Index, May 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	2.8	-4.2	20.00
COVID-19 Pessimistic3	1.7	-7.4	7.00
COVID-19 Pessimistic1	1.7	-1.7	30.00
China Hard Landing	0.8	-2.3	10.75
Eurozone Recession	0.8	-2.3	10.00
US-China All-Out Trade War	0.6	-0.6	30.00
Disorderly No-Deal Brexit	0.4	-1.2	10.00
No-Deal Brexit	0.3	-0.3	25.00
Global Trade War	0.3	-1.3	6.25

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 1-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).

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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Definitions

» Forecast closing date: May 5, 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.

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