

A world slump

The IMF forecasts for world output and incomes this year makes predictably poor reading. They foresee a fall of 4.9% in the world economy. It is only that modest because they think the world's second largest economy, China, will perform much better than most, reporting growth of 1% despite its lock down and pandemic damage.

The US with a fall of 8% does considerably better than most of the European countries. Spain and Italy with bad outbreaks suffer the worst, losing a massive 12.8 % of their incomes. France does badly too, at 12.5%. The UK manages minus 10.2%, considerably better than the other large Europeans despite also having a bad attack. Only Germany does better, at minus 7.8%, thanks to a much less severe case of Covid 19 and the high capacity of its mixed public and private health system.

The forecasts for the following year show a struggle to get back to where we started. The IMF expects the world to lose 6% of GDP over the two years, representing two years of missing growth allied to a slow recovery to get us back to where we started.

These figures seem to show that Brexit is not a negative, with the UK better placed than most of the continent. The US usually outperforms, partly because of the excellence of its digital companies and their ambitious growth plans. All now hinges on governments managing the two big problems together. They have to relax enough to restore most economic activity, without allowing a major flare up in the disease. I will return to that difficult balance in a future post.