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Article

World Economy Summer 2020 - Historic contraction of the world economy

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KIEL INSTITUTE **ECONOMIC OUTLOOK**

World Economy
Summer 2020

Finalized June, 17 2020



No. 67 (2020|Q2)

*Klaus-Jürgen Gern, Philipp Hauber,
Stefan Kooths, and Ulrich Stolzenburg*

Forecasting Center

HISTORIC CONTRACTION OF THE WORLD ECONOMY

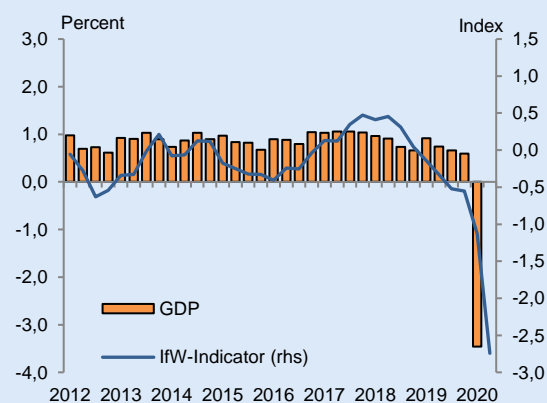
Klaus-Jürgen Gern, Philipp Hauber, Stefan Kooths, and Ulrich Stolzenburg

As a result of the Covid-19 pandemic, global economic activity is expected to have fallen by almost 10 percent in the first half of 2020. However, the low point seems to have been passed by now, and in China the economy has even already made up a considerable part of the production slump of January and February. How quickly and decisively the global economy will recover depends not least on the epidemiological developments and on how policymakers change their epidemic policy measures in response. Assuming that the development of the pandemic allows a sustained broad-based easing of containment policies, and thanks to massive support from monetary and fiscal policy, output is expected to rebound in the second half of this year. Although the low point in global production was probably reached already in April, the current year will probably see a decline of GDP (measured on the basis of purchasing power parities) by 3.8 percent, by far the sharpest contraction in the past 70 years. For 2021 we expect production to rise by 6.2 percent. The level of global production will, however, remain well below the path we expected at the beginning of the year for some time to come, due to the loss of income incurred in the course of the corona crisis and subdued investment as a result of reduced sales expectations and a diminished corporate equity base. We have drastically lowered our 2020 forecast by 5.6 percentage points compared with our regular spring forecast published in early March, but we have revised upwards by 0.3 percentage points with respect to the interim forecast presented in mid-May as incoming data suggest a slightly less negative outlook for advanced economies.

Global economic activity has fallen dramatically as a result of the Covid-19 pandemic. In the first quarter of 2020, global economic activity is estimated to have contracted by 3.5 percent compared with the previous quarter, with a particularly severe decline of production in China, where strong measures to contain the coronavirus were implemented first. GDP in Europe and the US also fell sharply, although domestic epidemic policy measures affected production only in the course of March. The full extent of the economic downturn will only become apparent worldwide in the activity indicators for the second quarter. This is also indicated by the IfW-Indicator for global economic activity, which continued to fall sharply and fell below its level at the low point of the Great Recession (Figure 1). We expect global production to decline by around 7 percent in the second quarter.

The fall of output correlates with the stringency and duration of containment policies. In an attempt to break the wave of infection, governments have reacted with numerous measures designed to reduce social interaction. Regulations vary from country to country in terms of timing of introduction, stringency and duration, and most countries have started to ease the measures in recent weeks (Figure 2). While stringency

Figure 1:
World economic activity, 2012–2020



Quarterly data, seasonally adjusted. Indicator is based on business expectations in 42 economies. GDP: price adjusted, change over previous quarter, 46 countries, weighted by purchasing power parities.

Source: OECD, Main Economic Indicators; national sources; Kiel Institute calculations.

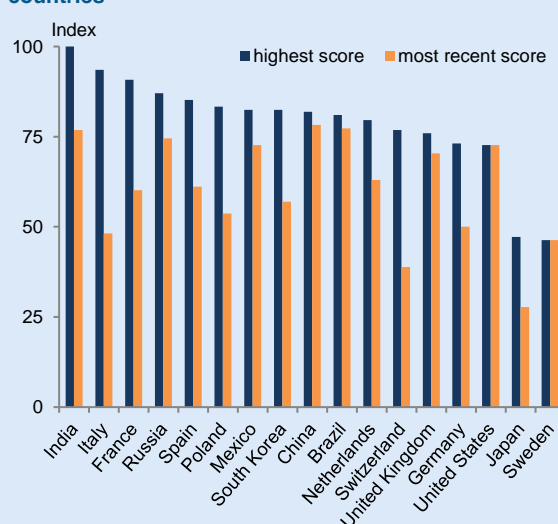
correlates with the steepness of the fall of production, external trade and “voluntary” changes of behavior in the face of the pandemic are other important factors affecting economic activity.

The economic slump in advanced economies is of historic dimensions.

Already in the first quarter, overall economic activity in advanced economies fell considerably at a rate of 1.9 percent, with the decline in GDP particularly severe in France, Italy and Spain. Indicators for production and demand in April and May point to a further drastic decline in economic activity in the second quarter. In the euro zone, output is likely to fall by 13 percent, in the UK, the contraction could even be in the order of 20 percent. For the United States, we anticipate a 12 percent drop in GDP. However, leading indicators suggest the economic recovery is already underway. Yet, The crisis is associated with a drastic drop in employment. While the extensive use of short-time working programs has so far prevented a substantial rise in unemployment in many advanced economies, there are large-scale redundancies where such programs do not exist, including in the United States, where more than 40 million workers have registered for unemployment since mid-March. However, a surprising decline in the US unemployment rate – from a record 14.7 percent in April to a still historically high level of 13.3 percent in May – indicates that a large part of the jobs may return as soon as containment measures are lifted.

Figure 2:

Stringency of Covid-19 containment measures in selected countries



A score of 100 corresponds to maximal stringency. Most recent score is from mid-June.

Source: Oxford COVID-19 Government Response Tracker, Blavatnik School of Government.

While the Chinese economy has already started to recover, in many other emerging economies the economy has probably not yet bottomed out as Covid-19 is still spreading.

The Chinese government began gradually lifting restrictions on production and mobility already in the course of February and economic activity picked up noticeably in the following weeks, with industrial production in April and May already above the previous year's level again. However, other indicators of economic activity, such as retail sales and domestic traffic, are still far from their pre-crisis levels, and not least due to the lack of demand from the rest of the world, the overall economic recovery recently seems to have slowed down considerably. In the other emerging economies, however, often draconian containment measures have so far not been successful in controlling the spread of the virus. Nevertheless, economic restrictions have generally been eased as well, as a sustained lockdown is socially and economically not feasible. In a number of emerging economies, the situation is complicated by a flight to safety of investors on international capital markets and the need for adjustment due to lower commodity revenues.

The economic slump has led to a collapse of the oil price and prompted oil producers to cut production drastically.

Measures to contain the Covid-19 pandemic have drastically reduced oil demand and pushed the oil price down to long-term lows. Against this backdrop, the major oil exporters agreed on extensive production cuts in April, and production in the United States was also cut back significantly. The prospect that lower oil output in combination with a progressive recovery of oil consumption will lead to a swift reduction of the currently extremely high inventories has supported a rebound of the oil price in recent weeks to a level of around 40 dollars per barrel of Brent crude by mid-June. We expect prices to continue to rise over the forecast horizon, albeit gradually, to around 50 dollars.

Economic policy is pushing to the limits. In an effort to mitigate the economic consequences of the measures taken to combat the pandemic, fiscal policy in advanced economies is supporting the economy with stimulus packages of unprecedented dimensions, often resulting in general government budget deficits of more than 10 percent of GDP. Central banks reacted with interest rate cuts and a

massive expansion of liquidity. Although the financial environment in emerging economies was difficult due to a massive withdrawal of capital by foreign investors in February and March, key interest rates were also lowered there in recent months, in some cases substantially.

The situation on financial markets has recently calmed down. The massive easing of monetary policy in advanced economies has helped to ease the tensions on international financial markets observed in February and March. Share prices on the major stock markets have rebounded, yield spreads in the euro zone between the government bonds of countries with different credit ratings narrowed again, and the flight of financial investors from emerging markets did not continue, allowing prices of government bonds of Latin American countries and the currencies of many other emerging economies to recover.

OUTLOOK: ONLY PARTIAL RECOVERY DESPITE STRONG INCREASE IN PRODUCTION IN 2021

World output is expected to fall by 3.6 percent in 2020 and to increase by 6.6 percent next year, provided that the development of the pandemic allows a sustained relaxation of containment policies. Our forecast is based on the assumption that the restrictions on economic activity can be progressively relaxed in the coming months and that the situation will largely normalize in the course of 2021. Economic activity is, however, likely to remain subdued for some time to come due to the continuing threat from Covid-19 and the resulting changes in behavior. Nevertheless, thanks to the gradual lifting of containment measures and the massive economic policy support, macroeconomic output should increase strongly in the second half of the year, albeit from a low level, and continue to expand at rates above the longer-term trend in the course of the coming year. Although the low point in global production was probably reached as early as April, the decline of world output (measured at purchasing power parities) in the current year will amount to 3.8 percent, by far the sharpest slump in the past 70 years. For 2021 we expect a strong increase in production of 6.2 percent. However, the loss of income caused by the corona crisis and a subdued propensity to invest due to worsened sales expectations and a reduced equity base will keep the level of global production well below the path we expected at the beginning of the year for a prolonged period of time. Compared with our forecast at the beginning of March, we have lowered our forecast for 2020 drastically by 5.8 percentage points, but we have revised it upwards by 0.3 percentage points compared with the interim forecast published in mid-May, mainly due to a somewhat less gloomy outlook for advanced economies based on the current flow of data. World trade in goods is expected to shrink by 8.4 percent this year in volume terms and grow by 4.6 percent next year.

- **Positive surprise on the labor market signals quicker rebound of the US economy activity than expected last month.** While a hefty drop of US GDP is still forecast for the second quarter of this year, high frequency data and the surprising decline of unemployment in May suggest that the economy has already started to recover. We nevertheless expect GDP on an annual basis to fall by 5.8 percent this year, followed by an increase of 4.2 percent in 2021.
- **Recovery in China continues at a moderate pace.** The strong rebound of activity registered in spring is projected to lose momentum given subdued foreign demand and an incomplete recovery of private consumption as a result of income losses and remaining restrictions in the service sector. GDP is forecast to increase by only 0.3 percent this year and 9 percent next year.
- **Partial recovery follows deep recession in the euro area.** Containment measures have led to the biggest slump in economic activity since the formation of monetary union. The decline in GDP was already 3.6 percent in the first quarter, and a decrease of over 13 percent is expected for the second quarter. However, the economy has already bottomed out and we expect a rebound of activity in the coming months supported by strongly expansionary fiscal and monetary policies. Nevertheless, the pre-crisis level of economic activity will probably not be reached again by the end of next year. We expect output to fall by 8.6 percent in the current year, followed by an increase of 6.9 percent in 2021.

- **The UK is particularly hit by Covid-19 and faces renewed uncertainties with respect to Brexit.** The economic consequences of the lockdown are serious. Nowcast models signal a fall in GDP in the order of 20 percent, following the decline of 2.0 percent in the first quarter. At the same time, the risk of a hard Brexit in the beginning of next year when temporary provisions expire has risen, as negotiations for a new trade deal appear to go nowhere. GDP is forecast to fall by 9.1 percent this year and remain substantially below the pre-crisis level despite an increase of activity by 7.8 percent next year.
- **Covid-19 poses severe stress test for emerging economies.** Economic activity in the emerging economies is strongly affected by the global recession and by domestic measures to contain the pandemic in a context of often poorly developed social systems and a large proportion of the informal sector in many countries. Export revenues have come under pressure also from lower commodity prices, especially in oil-exporting countries, and collapsing tourism, which is expected to remain subdued for some time to come.

Uncertainty about the extent and duration of the economic downturn remains high, including from potential adverse financial feedback loops and resurgent trade policy tensions. Forecast uncertainty is especially high because service sectors are also strongly affected by Covid-19. In the past, services have typically been characterized by relative stability during periods of economic weakness. The timing of the turnaround in production, the strength of the recovery and its sustainability will depend on epidemiological developments and on how policy-makers change their disease policy measures in response. While a second wave of the pandemic would probably not lead to a further collapse in production on the same scale as this spring, it would significantly slow the recovery and dent in particular into next year's production increase. Additional economic headwinds could emerge if doubts about the stability of the financial sector arise as a result of a wave of insolvencies, or if doubts about sovereign solvency return, resulting in progressively rising risk premiums. Finally, risks to global growth stem from lingering trade policy tensions.

Table 1:
Real GDP and consumer prices in selected countries and regions, 2019–2021

	Gross domestic product			Consumer prices		
	2019	2020	2021	2019	2020	2021
United States	2,3	-5,8	4,2	1,8	0,7	1,7
Japan	0,7	-3,3	2,9	0,8	-0,3	0,8
Euro Area	1,3	-8,6	6,9	1,2	0,6	2,1
United Kingdom	1,4	-9,1	7,8	1,8	1,2	2,1
Advanced economies total	1,8	-6,1	5,6	1,5	0,6	1,8
China	6,1	0,3	9,0	2,9	3,7	2,3
Latin America	0,6	-7,2	4,1	8,7	7,8	6,8
India	4,9	-3,5	8,3	3,7	4,8	4,6
East Asia	4,6	-4,4	5,9	2,0	1,1	2,8
Russia	1,3	-6,5	4,5	4,5	3,3	4,0
World economy total	3,0	-3,8	6,2	3,6	3,1	3,6
<i>Addendum:</i>						
World trade volume	-0,4	-8,4	4,6	.	.	.
Oil price (Brent in US\$)	64,4	40,4	46,5	.	.	.
World economy total (weighted according to GDP at market exchange rates)	2,6	-4,7	5,8	2,9	2,3	3,0

Weighted according to GDP at PPP rates. East Asia: Emerging Asia excluding China and India. Shaded: Kiel Institute forecast.

Source: Kiel Institute forecast.

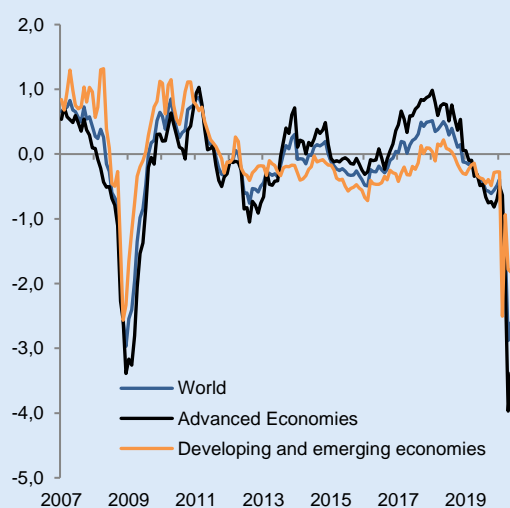
Data annex

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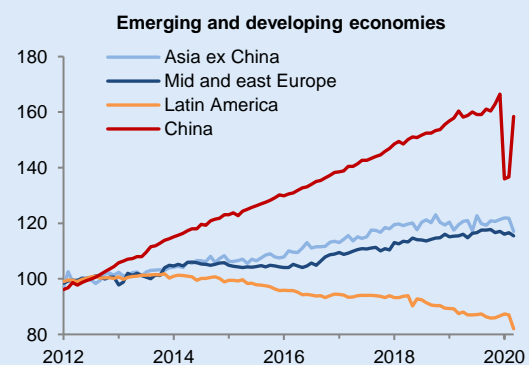
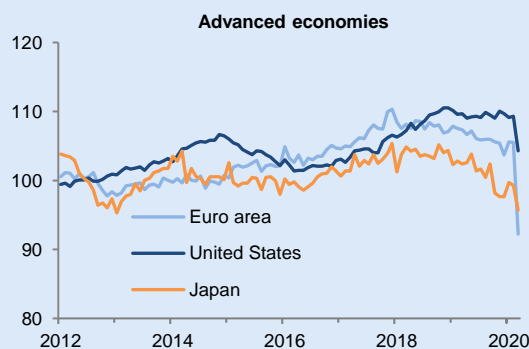
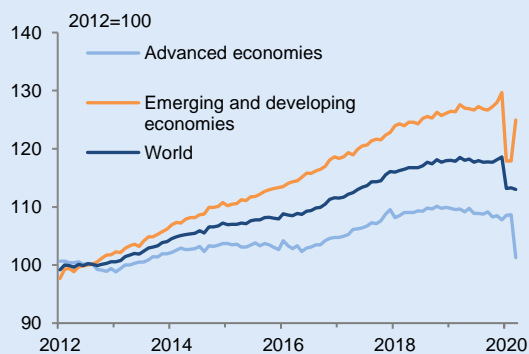
1. World Economy

Figure 1.1:
Business expectations by groups of countries, 2007–2020



Source: OECD, *Main Economic Indicators*; national sources; Kiel Institute calculations.

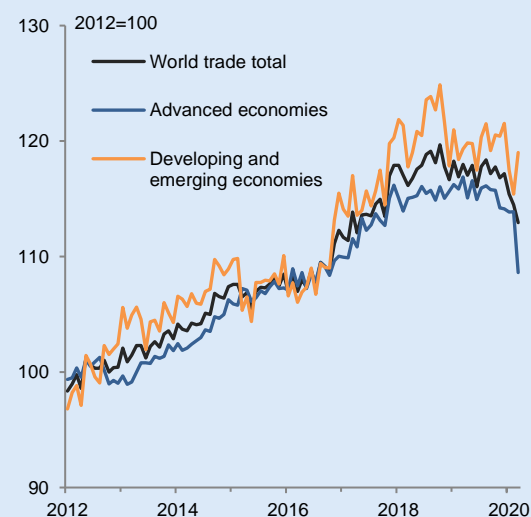
Figure 1.2:
Industrial production by groups of countries and regions, 2012–2020



Monthly data. Last value: March 2020.

Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

Figure 1.3:
World Trade, 2012–2020

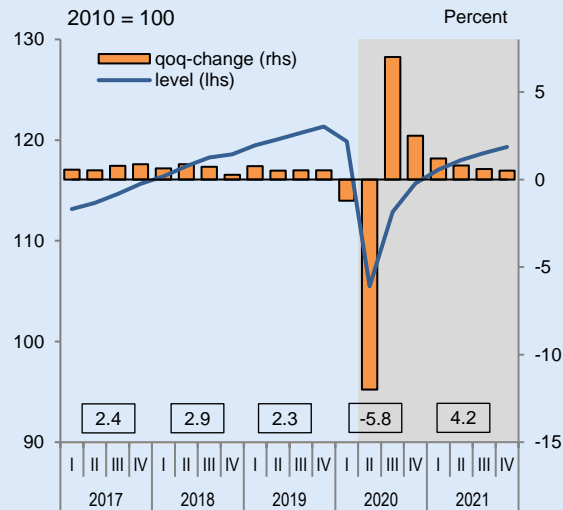


Monthly Data.

Source: CPB, *World Trade Monitor*; Kiel Institute calculations.

2. United States

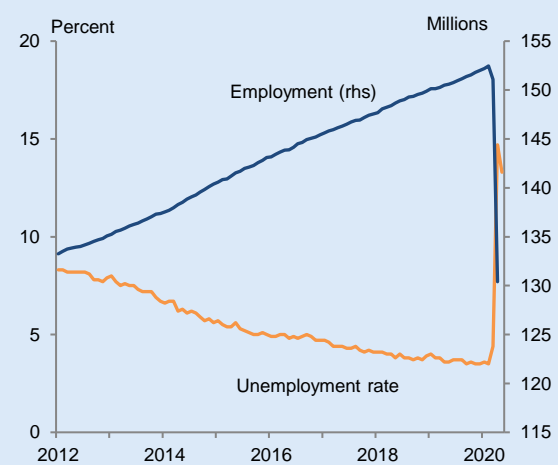
Figure 2.1:
GDP, 2017–2021



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Bureau of Economic Analysis; shaded: Kiel Institute forecast.

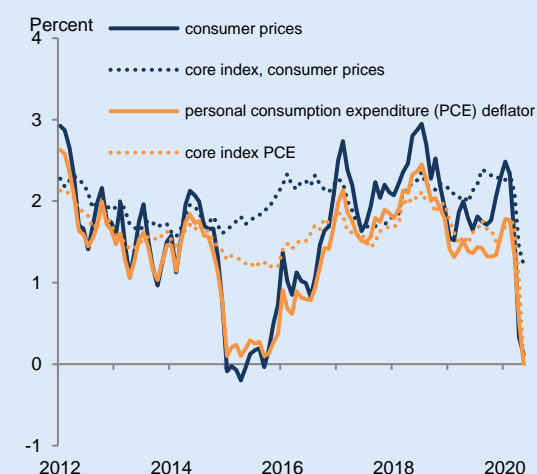
Figure 2.2:
Labor market, 2012–2020



Monthly data; seasonally adjusted.

Source: US Department of Labor, *Employment Situation*.

Figure 2.3:
Consumer prices, 2012–2020



Monthly data; change over previous year. Core index: excluding energy and food.

Source: US Department of Labor, *Consumer Price Index*, Bureau of Economic Analysis.

Table 2.1:
Key indicators United States, 2019–2021

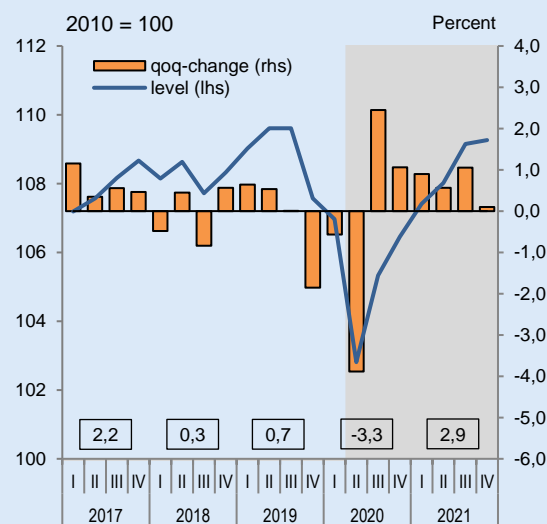
	2019	2020	2021
Gross Domestic Product	2,3	-5,8	4,2
Domestic expenditure	2,4	-6,1	4,5
Private consumption	2,6	-6,8	4,4
Government consumption	2,3	2,4	2,2
Gross fixed capital formation	1,3	-10,2	6,5
Machinery and equipment	1,3	-13,4	7,8
Intellectual property rights	7,5	-2,6	7,9
Structures	-4,3	-16,0	6,0
Residential investment	-1,5	-10,5	3,0
Inventories	0,1	-0,4	0,1
Net exports	-0,1	0,3	-0,2
Exports	0,0	-11,1	5,6
Imports	1,0	-12,2	7,2
Consumer prices	1,8	0,7	1,7
Unemployment rate	3,7	9,3	7,7
Current account balance	-2,3	-2,2	-2,4
Government budget balance	-4,6	-16,6	-9,2

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP. Budget balance: fiscal year.

Source: US Department of Commerce, *National Economic Accounts*; US Department of Labor, *Employment Situation and Consumer Price Index*; US Department of the Treasury, *Monthly Treasury Statement*; Kiel Institute calculations; shaded: Kiel Institute forecast.

3. Japan

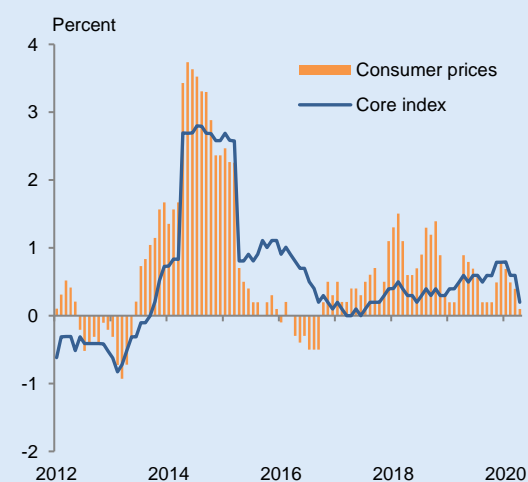
Figure 3.1:
GDP, 2017–2021



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

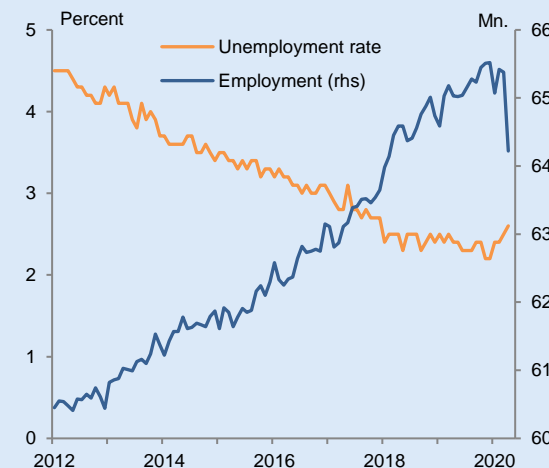
Figure 3.3:
Consumer prices, 2012–2020



Monthly data; change over previous year. Core index: consumer prices excluding energy and fresh food.

Source: Statistics Bureau of Japan.

Figure 3.2:
Labor market, 2012–2020



Monthly data; seasonally adjusted.

Source: Department of Labor.

Table 3.1:
Key indicators Japan, 2018–2021

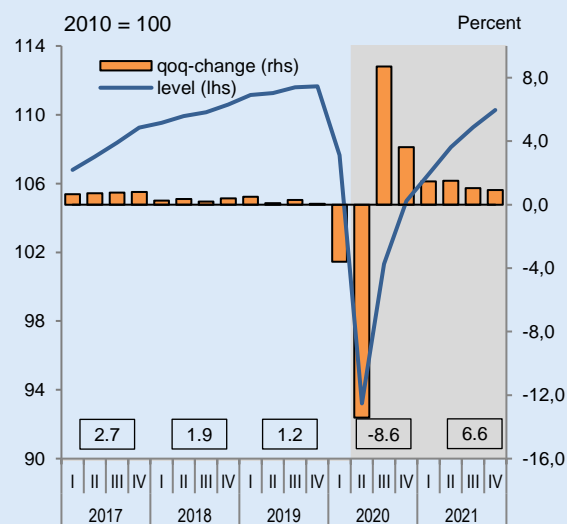
	2018	2019	2020	2021
Gross Domestic Product	0,3	0,7	-3,3	2,9
Domestic expenditure	0,3	0,9	-3,0	2,8
Private consumption	0,0	0,2	-4,1	3,1
Government consumption	0,9	1,9	1,6	0,6
Gross fixed capital formation	0,6	1,3	-3,4	3,9
Enterprises	2,2	0,7	-5,6	2,8
Residential Investment	-6,7	2,0	-8,8	2,3
Public investment	0,3	2,8	6,6	7,9
Change in inventories	0,0	0,1	-0,2	0,0
Net exports	0,0	-0,1	-0,3	1,5
Exports	3,5	-1,6	-9,9	5,6
Imports	3,7	-0,6	-8,2	4,5
Consumer prices	1,0	0,8	-0,3	0,8
Unemployment rate	2,4	2,4	3,1	2,8
Current account balance	3,5	3,6	3,4	3,5
Government budget balance	-2,4	-2,7	-12,0	-6,0

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Cabinet Office, *National Accounts*; OECD, *Main Economic Indicators*; Kiel Institute calculations; shaded: Kiel Institute forecast.

4. Euro Area

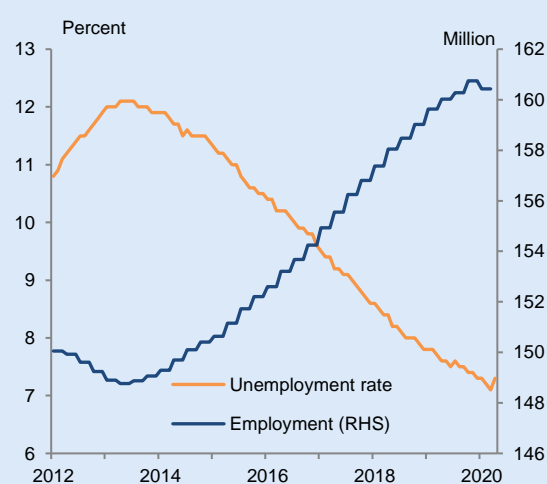
Figure 4.1:
GDP, 2017–2020



Quarterly data, price, seasonally and calendar adjusted, qoq-change. Annual data: price adjusted, annual rate of change (boxes).

Source: Federal Statistical Office, *Fachserie 18, Series 1.3*; shaded: Kiel Institute forecast.

Figure 4.2:
Labor market, 2012–2020



Monthly data; seasonally adjusted.

Source: Eurostat, *Labor Statistics*; ECB, *Monthly Bulletin*.

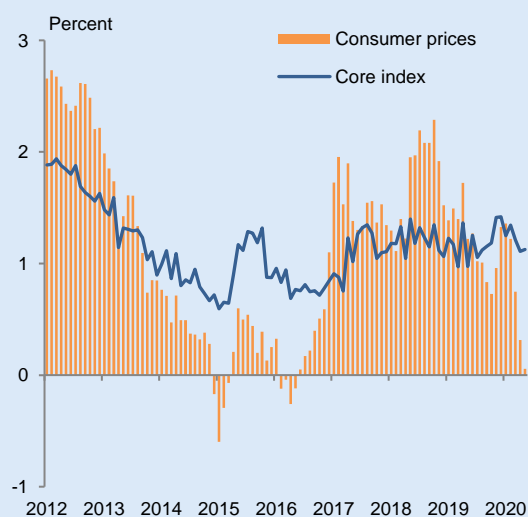
Table 4.1:
Key indicators Euro Area, 2018–2021

	2018	2019	2020	2021
Gross Domestic Product	1,9	1,2	-8,6	6,6
Domestic expenditure	1,6	1,9	-6,5	6,2
Private consumption	1,4	1,3	-8,9	7,2
Government consumption	1,1	1,8	2,0	1,2
Gross fixed capital formation	2,3	5,8	-10,0	8,7
Inventories	0,1	-0,5	0,2	0,1
Net exports	0,3	-0,6	-2,6	0,5
Exports	3,5	2,5	-11,7	9,3
Imports	3,0	4,0	-7,4	8,4
Consumer prices	1,7	1,2	0,5	2,1
Unemployment rate	8,1	7,5	10,1	9,6
Current account balance	3,1	2,8	2,1	2,3
Government budget balance	-0,5	-0,6	-9,8	-5,0

GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force, percent. Current account balance, government budget balance: percent of nominal GDP.

Source: Eurostat, *National Accounts*; Kiel Institute calculations; shaded: Kiel Institute forecast.

Figure 4.3:
Consumer prices, 2012–2020

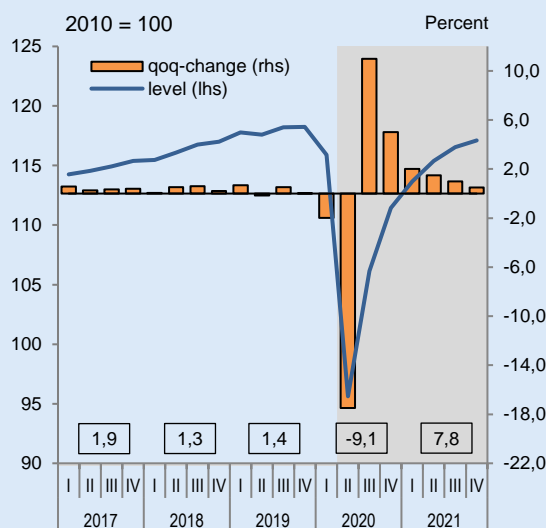


Monthly data; y-o-y change. Core index: HICP without energy and unprocessed food.

Source: Eurostat, *Price Statistics*.

5. United Kingdom

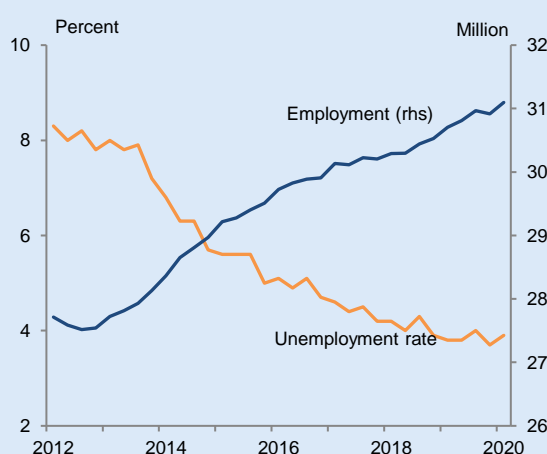
Figure 5.1:
GDP, 2017–2021



Quarterly data, price, seasonally and calendar adjusted, qoq-change; annual rate of change (boxes).

Source: Cabinet office, *National Accounts*; shaded: Kiel Institute forecast.

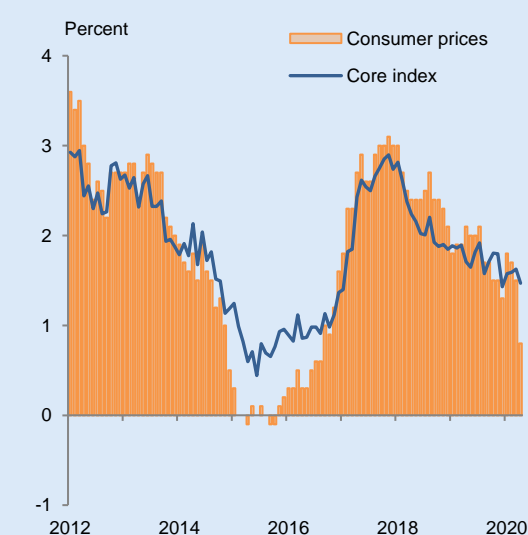
Figure 5.2:
Labor market, 2012–2020



Quarterly data, seasonally adjusted.

Source: Office for National Statistics, *Economy*.

Figure 5.3:
Consumer prices, 2012–2020



Monthly data, change over previous year. Core rate: consumer prices excluding energy and fresh food.

Source: Office for National Statistics, *Economy*.

Table 5.1:
Key indicators United Kingdom, 2018–2021

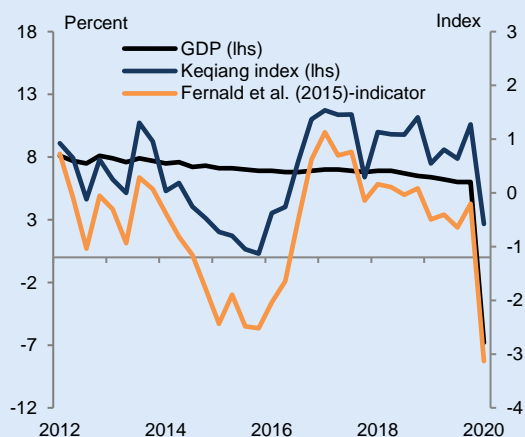
	2018	2019	2020	2021
Gross Domestic Product	1,3	1,4	-9,1	7,8
Domestic expenditure	1,2	1,6	-8,4	6,9
Private consumption	1,6	1,1	-10,5	7,9
Government consumption	0,4	3,5	4,8	2,4
Gross fixed investment	-0,2	0,6	-18,0	6,0
Inventories	0,3	0,2	-0,5	0,3
Net exports	-0,2	0,0	0,0	0,1
Exports	1,2	4,8	-18,0	13,0
Imports	2,0	4,6	-17,5	12,0
Consumer prices	2,5	1,8	1,2	2,1
Unemployment rate	4,1	3,8	5,0	4,8
Current account balance	-3,9	-3,8	-3,6	-3,5
Government budget balance	-2,2	-2,1	-14,0	-6,5

Percent. GDP: volumes, change over previous year, percent. Net exports, inventories: contribution to growth, percentage points. Unemployment rate: unemployed in relation to labor force. Current account balance, government budget balance: percent of nominal GDP.

Source: Office for National Statistics, *Economy*; shaded: Kiel Institute forecast.

6. China

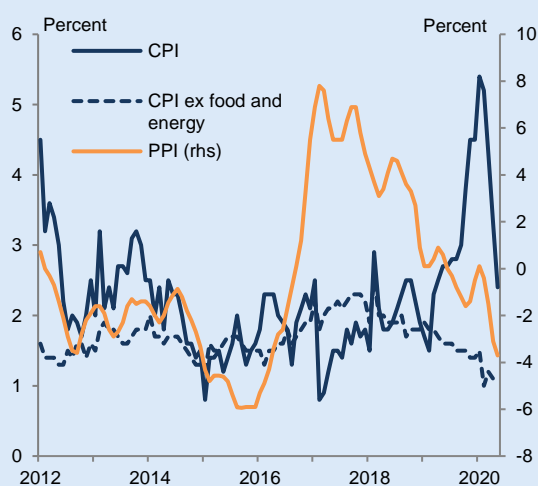
Figure 6.1:
GDP, 2012–2020



Quarterly data. GDP: year-on-year percentage change; Keqiang-index: arithmetic mean of the year-on-year growth rates of bank lending, electricity consumption and freight cargo; Fernald et al. (2015)-indicator: first principal component of the year-on-year growth rates of electricity production, railway cargo, retail sales and raw material prices (see Fernald et al. (2015). *Is China Fudging its Figures? Evidence from Trading Partner Data*. Federal Reserve Bank of San Francisco, Working Paper 2015-12).

Source: National Bureau of Statistics; People's Bank of China; Kiel Institute calculations.

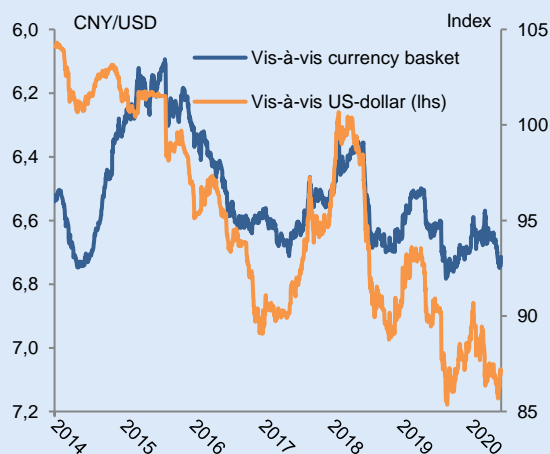
Figure 6.2:
Inflation, 2012–2020



Monthly data; y-o-y growth rate. Core index: CPI excluding food and energy.

Source: National Bureau of Statistics.

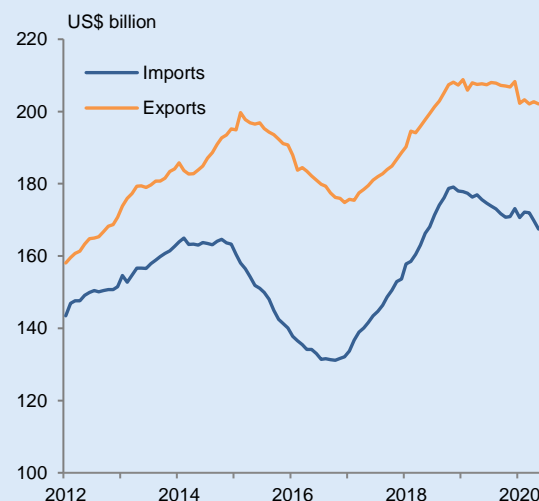
Figure 6.3:
Exchange rates, 2014–2020



Daily data.

Source: Thomson Reuters; China Foreign Exchange Trade System; Kiel Institute calculations.

Figure 6.4:
Exports and imports, 2012–2020

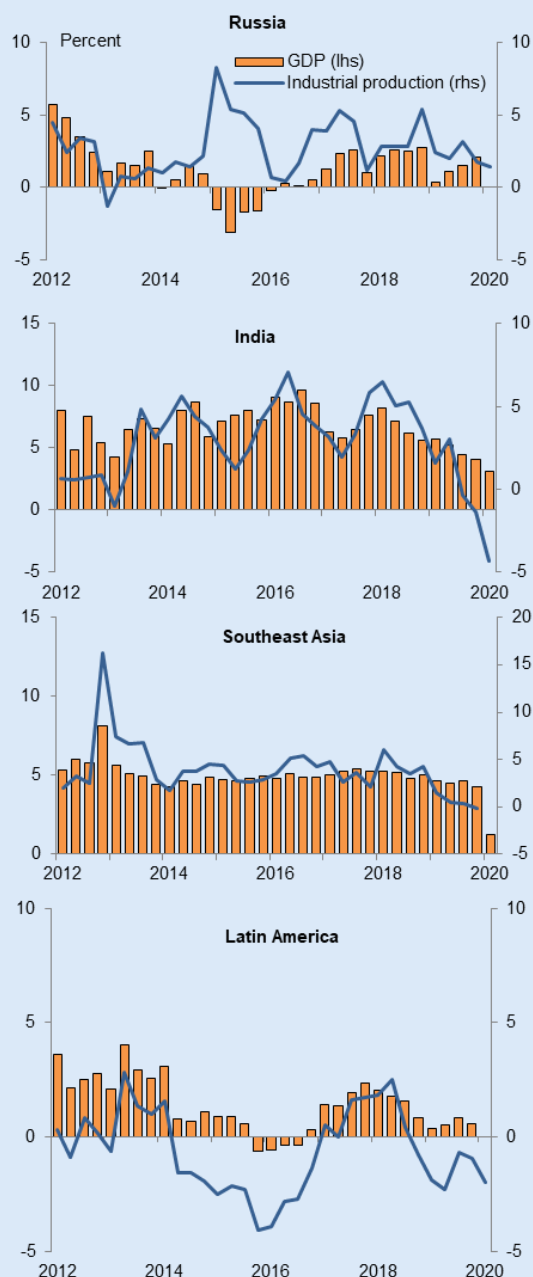


Monthly data, 12-month moving average.

Source: General Administration of Customs; own calculations.

7. Emerging Economies

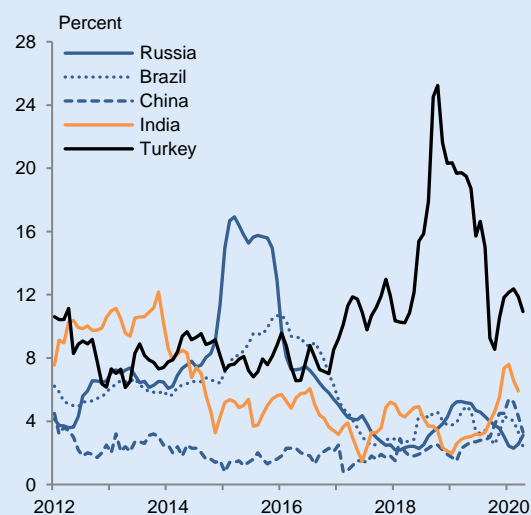
Figure 7.1:
GDP and industrial production in emerging economies
2012–2020



Quarterly data; volumes; seasonally adjusted; change over previous year; Southeast Asia: GDP-weighted average of Indonesia, Thailand, Malaysia and the Philippines; Latin America: GDP-weighted average of Argentina, Brazil, Chile, Colombia, Mexico and Peru.

Source: IMF, *International Financial Statistics*; national statistical offices; Kiel Institute calculations.

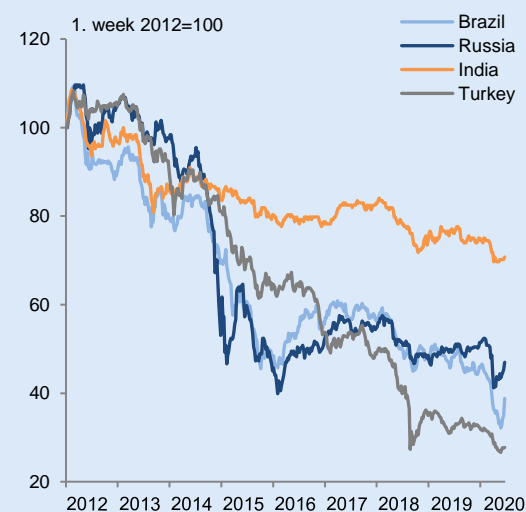
Figure 7.2:
Consumer prices, 2012–2020



Monthly data; change over previous year.

Source: Federal State Statistics Service, *Russia*; IBGE, *Brazil*; National Bureau of Statistics, *China*; Labour Bureau, *India*.

Figure 7.3:
US-dollar exchange rates, 2012–2020



Weekly data. Last observation: June 8, 2020

Quelle: Thomson Reuters Datastream

8. Forecast summary

Table 8.1:
Key assumptions, 2019–2021

	2019				2020				2021			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Key interest rate												
United States	2,25	2,25	1,75	1,50	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Japan	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10	-0,10
Euro area	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Exchange rates												
US-dollar/euro	1,14	1,12	1,11	1,11	1,10	1,10	1,14	1,14	1,14	1,14	1,14	1,14
Yen/US-dollar	110,2	109,9	107,3	108,7	108,8	108,0	108,0	108,0	108,0	108,0	108,0	108,0
Oil price (Brent, US-dollar)	63,20	68,90	61,90	63,40	50,5	29,0	40,1	41,8	43,6	45,4	47,4	49,4
HWI-Index indust. commodities	123,6	126,4	126,2	120,6	119,1	109,6	112,9	113,4	114,1	114,8	115,5	116,2

Key interest rate: Fed Funds Rate (United States); overnight rate (Japan); main refinancing operations (euro area).

Source: HWI, *Commodity Price Index*; IMF, *International Financial Statistics*; Federal Reserve Bank, *Intended Federal Funds Rate*; ECB, *Monthly Bulletin*; shaded: Kiel Institute forecast or assumption.

Table 8.2:
Real gross domestic product, consumer prices and unemployment rate in advanced economies, 2019–2021

	Weights	Real GDP			Consumer prices			Unemployment rate		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
European Union	34,8	1,5	-8,0	6,4	1,4	0,9	2,3	7,0	9,5	9,0
Euro area	28,1	1,3	-8,6	6,6	1,2	0,6	2,1	7,5	10,1	9,6
Sweden	1,0	1,3	-4,1	4,3	1,7	1,2	1,7	6,8	8,5	8,4
Poland	2,3	4,1	-4,3	5,0	2,1	3,0	3,5	3,3	5,0	4,5
United Kingdom	5,5	1,4	-9,1	7,8	1,8	1,2	2,1	3,8	5,0	4,8
Switzerland	1,0	0,9	-6,8	5,9	0,4	-0,5	0,9	4,5	5,2	4,8
Norway	0,7	1,2	-6,9	5,2	2,2	1,1	2,0	3,4	4,0	3,7
United States	37,9	2,3	-5,8	4,2	1,8	0,7	1,7	3,7	9,3	7,7
Canada	3,4	1,6	-6,7	5,5	1,6	0,6	1,8	5,6	8,8	6,4
Japan	10,2	0,7	-3,3	2,9	0,8	-0,3	0,8	2,4	3,1	2,8

Based on GDP at prices and exchange rates of 2018 in percent. Change over previous year in percent. European Union and Norway: Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2018.

Source: Eurostat, *VGR*; OECD, *Main Economic Indicators*; IMF *World Economic Outlook Database*; Statistics Canada, *Canadian Economic Account*; shaded: Kiel Institute forecast.

Table 8.3:
Real gross domestic product, consumer prices and unemployment rates in the European Union, 2019–2021

	Weights	Real GDP			Consumer prices			Unemployment rate		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
Germany	24,8	0,6	-7,2	6,3	1,4	0,3	2,9	3,2	4,5	4,9
France	17,4	1,5	-11,0	8,3	1,3	0,9	2,0	8,5	11,0	10,5
Italy	13,1	0,3	-11,6	6,9	0,6	0,3	1,4	10,0	10,9	11,0
Spain	8,9	2,0	-12,4	7,4	0,8	0,2	1,4	14,1	23,0	19,8
Netherlands	5,7	1,8	-4,3	4,5	2,7	1,5	2,6	3,4	4,7	4,6
Belgium	3,4	1,4	-6,8	5,9	1,3	0,6	1,6	5,4	7,4	8,0
Austria	2,9	1,5	-5,8	5,3	1,5	1,3	2,2	4,5	5,9	5,1
Ireland	2,4	5,5	-1,1	4,9	0,9	0,8	1,5	5,0	5,8	6,0
Finland	1,7	0,9	-4,1	3,4	1,1	0,7	1,8	6,7	7,5	7,1
Portugal	1,5	2,2	-6,3	6,0	0,3	0,3	1,4	6,6	8,6	8,1
Greece	1,4	1,9	-6,3	5,9	0,5	0,3	1,4	17,3	18,3	16,3
Slovak Republic	0,7	2,4	-9,2	8,2	2,8	2,3	3,2	5,8	7,4	7,6
Luxembourg	0,4	2,3	-4,3	4,4	1,7	0,9	2,0	5,6	6,5	5,6
Slovenia	0,3	2,4	-7,7	6,3	1,7	0,5	2,2	4,5	5,5	5,5
Latvia	0,3	3,9	-2,7	3,7	2,2	1,6	2,6	6,3	9,1	9,3
Lithuania	0,2	2,2	-4,7	5,3	2,7	1,3	2,6	6,3	9,5	9,0
Estonia	0,2	4,4	-5,2	5,8	2,3	0,8	2,3	4,4	5,9	6,1
Cyprus	0,2	3,2	-6,2	6,4	0,6	-0,1	1,5	7,1	9,6	7,5
Malta	0,1	4,7	-4,4	5,8	1,5	1,1	2,1	3,4	4,0	3,9
Sweden	3,5	1,3	-4,1	4,3	1,7	1,2	1,7	6,8	8,5	8,4
Poland	3,7	4,1	-4,3	5,0	2,1	3,0	3,5	3,3	5,0	4,5
Denmark	2,2	2,2	-5,4	4,3	0,7	0,2	1,0	5,1	6,0	5,4
Czech Republic	1,5	2,4	-6,6	5,0	2,6	2,4	3,1	2,0	3,5	2,9
Romania	1,5	4,2	-2,6	4,3	3,9	3,1	4,0	3,9	5,1	5,1
Hungary	1,0	4,9	-5,2	5,4	3,4	3,0	4,0	3,5	5,5	4,5
Bulgaria	0,4	3,7	-3,9	5,8	2,4	1,9	3,0	4,2	6,8	6,2
Croatia	0,4	3,0	-7,4	9,5	0,8	0,3	1,4	6,7	9,0	8,0
European Union	100,0	1,5	-8,0	6,4	1,4	0,9	2,3	7,0	9,5	9,0
<i>Addendum:</i>										
European Union 15	89,5	1,3	-8,4	6,5	1,2	0,5	2,0	8,0	10,6	10,1
Accession countries	9,0	4,3	-5,9	6,3	2,5	2,6	3,4	3,8	5,6	5,2
Euro Area	85,7	1,3	-8,6	6,6	1,2	0,6	2,1	7,5	10,1	9,6
Euro Area without Germany	60,9	1,6	-9,3	6,8	1,1	0,6	1,8	9,0	12,0	11,2

Based on GDP at prices and exchange rates of 2018 in percent. Change over previous year in percent. Harmonized Index of Consumer Prices (HICP). Standardized unemployment rate in percent (ILO); country groups weighted according to the size of the labor force in 2018. Accession countries since 2004.

Source: Eurostat, *National Accounts*; shaded: Kiel Institute forecast.

Table 8.4:
Real gross domestic product and consumer prices in selected emerging market economies, 2018–2021

	Weights	Real GDP		Consumer prices	
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		2018	2019	2020	2021	2018	2019	2020	2021
Indonesia	6,0	5,2	5,0	-2,8	5,5	3,3	2,8	2,7	3,5
Thailand	2,2	4,1	2,4	-7,5	5,0	1,1	0,7	-1,8	1,5
Malaysia	1,7	4,7	4,3	-3,9	6,5	1,0	0,7	-1,7	1,5
Philippines	1,6	6,3	6,1	-6,4	7,8	5,2	2,5	2,3	3,2
Total	11,6	5,1	4,6	-4,4	5,9	2,8	2,0	1,1	2,8
China	43,8	6,6	6,1	0,3	9,0	2,1	2,9	3,7	2,3
India	18,2	6,1	4,9	-3,5	8,3	3,4	3,7	4,8	4,6
Asia total	73,5	6,2	5,5	-1,4	8,3	2,6	3,0	3,6	3,0
Brazil	5,5	1,3	1,1	-7,9	3,9	3,7	3,7	3,1	3,0
Mexico	4,2	2,2	-0,3	-7,0	3,6	4,9	3,6	2,6	2,9
Argentina	1,4	-2,5	-2,2	-8,8	5,3	34,3	53,5	50,0	40,0
Colombia	1,3	2,5	3,3	-5,3	4,4	3,2	3,5	3,3	3,1
Venezuela	0,5	-3,0	-30,0	-15,0	-5,0	-	-	-	-
Chile	0,8	4,0	1,0	-5,3	4,0	2,7	2,3	3,3	3,0
Peru	0,8	4,0	2,2	-6,1	4,7	1,3	2,1	2,1	2,5
Latin America total	14,5	1,6	0,6	-7,2	4,1	7,0	8,7	7,8	6,8
Russia	7,0	2,2	1,3	-6,5	4,5	3,7	4,5	3,3	4,0
Turkey	3,8	2,8	0,2	-6,0	7,7	16,3	15,2	11,0	12,0
South Africa	1,3	0,8	0,4	-7,0	5,5	4,1	4,3	4,0	5,0
Total	100,0	5,1	4,3	-2,8	7,4	3,8	4,4	4,5	4,0

In percent. Weights: According to 2018 GDP at purchasing power parities. GDP: price adjusted; changes compared to the previous year. Consumer prices: changes compared to the previous year. Asia total, Latin America total: based on listed countries.

Source: IMF, *International Financial Statistics*; OECD, *Main Economic Indicators*; national statistics; Kiel Institute calculations; shaded: Kiel Institute forecast.