Pandemic will cause globe $US21 trillion in economic pain

June 25 2020, by James Giggacher

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The global economy could lose up to U.S. $21.8 trillion dollars in 2020

alone due to COVID-19, according to new analysis from the Australian National University (ANU).

The research, led by Professor Warwick McKibbin and Roshen Fernando, has modeled six new scenarios of the impact of the coronavirus on the world economy.

The scenarios range from containing COVID-19 in mid-2020 to ongoing waves of the virus over several years. The researchers have also created an online dashboard to display their results.

Professor McKibbin said even under the best case scenario the global economy will lose up to U.S. $14.7 trillion dollars.

"That's a massive hit, and that loss is based on the worst of COVID-19 being over by mid-2020 but with a smaller second wave in 2021," he said. "Our modeling shows that if the virus isn't contained or if we have ongoing waves, the economic losses will climb quite steeply. The more waves we have the more losses we can expect. By our fourth scenario, which sees two waves of COVID-19 in 2020 and another two in 2021, the loss rises to U.S. $21.8 trillion. There is no doubt that COVID-19 is a significant negative shock to the world economy, and our modeling makes that clear."

The researchers also modeled the total loss to the global economy between 2020 and 2025. Under these scenarios, the initial 2020 impact of COVID-19 has an ongoing "ripple effect" over five years due to sustained declines in economic activity.

Under the worst case scenario, which sees four waves of the virus over two years but only lockdowns in the first year, total losses cumulative over five years for the world equal U.S. $35.3 trillion. At best, with COVID-19 largely contained by mid-2020, the cumulative five-year loss

to the economy is U.S. $17.5 trillion.

Co-author and Ph.D. researcher Roshen Fernando said Australia should also brace for a major economic hit.

"Under our modeling, Russia, the U.S. and China will feel the biggest impact each losing U.S. $2.8, U.S. $2 and U.S. $1.9 trillion respectively. And that's under the best-case scenario of containing the virus by mid-2020," he said. "In comparison, under the same scenario Australia will lose U.S.$117 billion in 2020. And a worse-case scenario of four waves of COVID-19 over two years will see our economy lose U.S. $172 billion. Either way, those are massive losses for an economy and country the size of Australia."

The modeling shows the cumulative losses to Australia's economy between 2020 and 2025 range from U.S. $151.6 billion to U.S. $306.6 billion.

Professor McKibbin said the impact revealed by their modeling shows the world must work together to overcome the long-term damage of the crisis.

"The current experience with the COVID-19 pandemic has revealed deep problems in existing institutions at the supernational level and within countries." Professor McKibbin said. "While policies need to be designed and implemented at the national level, for most foreseeable problems, there needs to be greater cooperation across countries. COVID-19 shows the folly of isolationist politics and policies when the natural world ignores artificial boundaries."

The analysis is published online by the ANU Centre for Applied Macoeconomic Analysis. It also examines other key economic impacts of COVID-19 including the impact on government spending, wage

subsidies and household transfers, country risk assessments and potential mortality and morbidity rates.

More information: McKibbin et al. Global macroeconomic scenarios of the COVID-19 pandemic, (2020). cama.crawford.anu.edu.au/sites … ibbin_fernando_0.pdf

Provided by Australian National University