

Pandemic's global impact could reach \$8.8tr: ADB

ISLAMABAD: The Asian Development Bank on Friday forecast that the global economy could suffer between \$5.8 trillion and \$8.8tr in losses, equivalent to 6.4 per cent to 9.7pc of global GDP, as a result of the novel coronavirus pandemic.

The new analysis shows the global cost has changed within a month since situation is rapidly evolving, as the last analysis of the 'Asian Development Outlook' in the previous month had estimated Covid-19's global cost to range from \$2tr to \$4.1tr.

The new report 'Updated Assessment of the Potential Economic Impact of Covid-19' finds that economic losses in Asia and the Pacific could range from \$1.7tr under a short containment scenario of three months to \$2.5tr under a long containment scenario of six months, with the region accounting for about 30pc of the overall decline in global output. China could suffer losses between \$1.1tr and \$1.6tr.

In its analysis, the report says the Covid-19 impact under the long containment scenario is large, thus policy makers should aim for quick containment at all cost. Without policy response, output losses could reach \$8.8 trillion, job losses 242 million, and forgone labour income \$1.8tr, and these will be difficult to recoup.

According to the analysis, the possibility of a financial crisis cannot be discounted if the pandemic could not be contained in time to prevent large defaults and bankruptcies.

This would further exacerbate the crisis and possibly cause permanent economic scarring - through forcing the closure of businesses, pushing people out of the labor force, and other associated widespread scarring effects such as a sharp fall in household health and education spending, delayed human capital development, and discouraged entrepreneurship.

Governments around the world have been quick in responding to the impacts of the pandemic, implementing measures such as fiscal and monetary easing, increased health spending, and direct support to cover losses in incomes and revenues.

Sustained efforts from governments focused on these measures could soften Covid-19's economic impact by as much as 30pc to 40pc, according to the report. This could reduce global economic losses due to the pandemic to between \$4.1tr and \$5.4tr, the report projects.

This new analysis presents a broad picture of the very significant potential economic impact of Covid-19," said ADB Chief Economist Yasuyuki Sawada.

"It also highlights the important role policy interventions can play to help mitigate damage to economies. These findings can provide governments with a relevant policy

guide as they develop and implement measures to contain and suppress the pandemic, and lessen its impacts on their economies and people.”

The analysis, which uses a Global Trade Analysis Project-computable general equilibrium model, covers 96 outbreak-affected economies with over 4 million Covid-19 cases.

In addition to shocks to tourism, consumption, investment, and trade and production linkages covered in the last month’s estimates, the new report includes transmission channels such as the increase in trade costs affecting mobility, tourism, and other industries; supply-side disruptions that adversely affect output and investment; and government policy responses that mitigate the effects of Covid-19’s global economic impact.

Under the short and long containment scenarios, the report notes that border closures, travel restrictions, and lockdowns that outbreak-affected economies implemented to arrest the spread of Covid-19 will likely cut global trade by \$1.7tr to \$2.6tr.

Global employment decline will be between 158m and 242m jobs, with Asia and the Pacific comprising 70pc of total employment losses. Labour income around the world will decline by \$1.2tr to \$1.8tr – 30pc of which will be felt by economies in the region, or between \$359 billion and \$550bn.

Apart from increasing health spending and strengthening health systems, strong income and employment protection are essential to avoid a more difficult and prolonged economic recovery.

Governments should manage supply chain disruptions; support and deepen e-commerce and logistics for the delivery of goods and services; and fund temporary social protection measures, unemployment subsidies, and the distribution of essential commodities - particularly food - to prevent sharper falls in consumption, the report said.