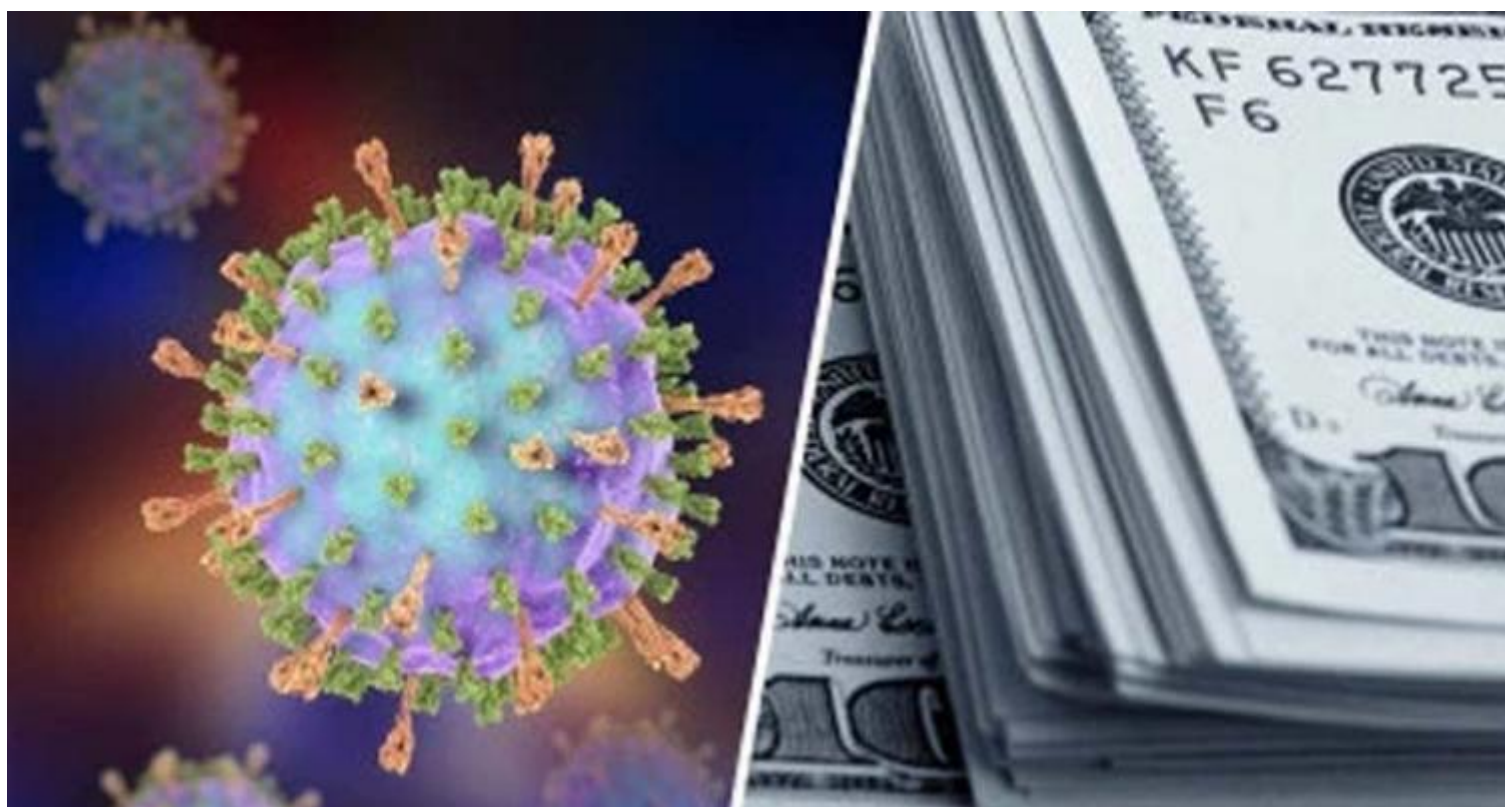


UN says global economy could shrink by 1 percent in 2020 due to COVID-19 pandemic



The global economy could shrink by up to 1 percent in 2020 due to the COVID-19 pandemic and may contract even further if restrictions on economic activities are extended without adequate fiscal responses, according to analysis released this past week by the UN Department of Economic and Social Affairs (UN-DESA).

The UN-DESA briefing finds that millions of workers are at risk of losing their jobs as nearly 100 countries close their national borders. That could translate to a global economic contraction of 0.9 percent by the end of 2020, or even higher if governments fail to provide income support and help boost consumer spending.

According to the forecast, lockdowns in Europe and North America are hitting the service sector hard, particularly industries that involve physical interactions such as retail trade, leisure and hospitality, recreation and transportation services. Collectively, such industries account for more than a quarter of all jobs in these economies.

As businesses lose revenue, unemployment is likely to increase sharply, transforming a supply-side shock to a wider demand-side shock for the economy. The severity of the impact will largely depend on the duration of restrictions on the movement of people and economic activities and on the scale and efficacy of responses by national treasuries.

Against that backdrop, the UN-DESA is joining a chorus of voices across the UN system calling for well-designed fiscal stimulus packages which prioritize health spending and support households most affected by the pandemic.

"Urgent and bold policy measures are needed, not only to contain the pandemic and save lives, but also to protect the most vulnerable in our societies from economic ruin and to sustain economic growth and financial stability," said Liu Zhenmin, UN undersecretary-general for economic and social affairs.

The analysis also warns that the adverse effects of prolonged economic restrictions in developed economies will soon spill over to developing countries via trade and investment channels. A sharp decline in consumer spending in the European Union and the United States will reduce imports of consumer goods from developing countries.

Developing countries, particularly those dependent on tourism and commodity exports, face heightened economic risks. Global manufacturing production could contract significantly, and the plummeting number of travelers is likely to hurt the tourism sector in small island developing states, which employs millions of low-skilled workers.

The UN civil aviation body, the International Civil Aviation Organization, welcomed the commitment by leaders of the G20 major economies, indicating that bold fiscal support was needed to safeguard the global travel industry, in order to aid the global recovery in the coming months.

Meanwhile, the decline in commodity-related revenues and a reversal of capital flows are increasing the likelihood of debt distress for many nations. Governments may be forced to curtail public expenditure at a time when they need to ramp up spending to contain the pandemic and support consumption and investment.

Elliot Harris, UN chief economist and assistant secretary-general for economic development, said the collective goal must be a resilient recovery which puts the planet back on a sustainable track. "We must not lose sight how it is affecting the most vulnerable population and what that means for sustainable development," he noted.

Source: Xinhua

<https://www.radiohc.cu/en/noticias/economia/219189-un-says-global-economy-could-shrink-by-1-percent-in-2020-due-to-covid-19-pandemic>



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