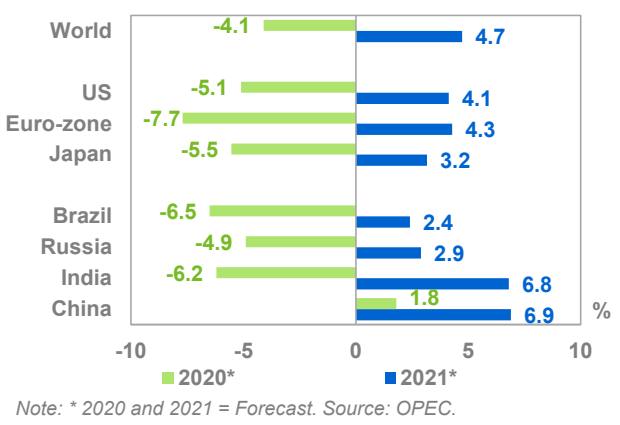
Assessment of the global economy in 2020 and 2021

The **global economy** has witnessed unprecedented upheaval in 2020. After a tentative pick-up at the start of the year, the emergence of the COVID-19 pandemic led to broad-based economic dislocation across the world and in all sectors. The lockdown measures implemented brought the global economy to an almost stand-still between mid-March and mid-May. This is reflected in the sharp decline in global economic activities, which in 1H20 heavily impacted the energy market, with huge demand drops and crude oil prices hitting historical lows in April. Since mid-May, lockdown measures have gradually eased. Curbed demand and forced 1H20 savings, in combination with exceptional fiscal and monetary stimulus, are now supporting a strong 2H20 global economic recovery, although this will not compensate for the large decline in 1H20.

Graph 1: GDP growth forecast for 2020–21



*Note: * 2020 and 2021 = Forecast. Source: OPEC.*

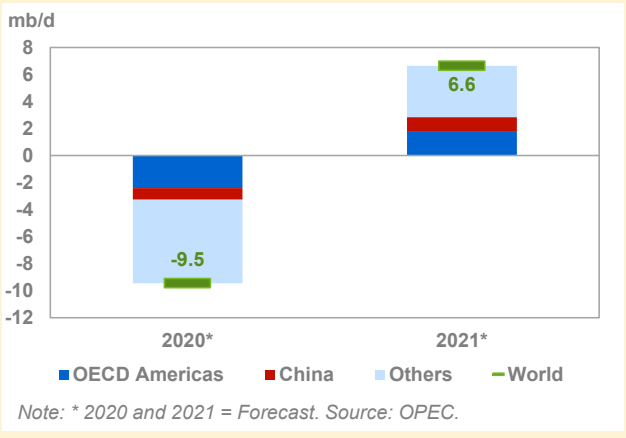
As a result, 2020 global GDP is forecast to decline by 4.1%. China is expected to be the only major economy showing positive growth this year, although the recovery in the US and Euro-zone appears to be gaining traction. This momentum is forecast to carry over into 2021, when global growth is forecast to reach 4.7%. Given the ongoing global economic challenges, the oil sector recovery, supported by the efforts of OPEC and non-OPEC oil-producing nations participating in the Declaration of Cooperation (DoC) to stabilise the market, is vital in fuelling global economic developments.

While the forecast considers no further deterioration of the COVID-19 situation, a lasting solution to the pandemic – natural end or a vaccine – will provide upside to the current forecast. Major risks that could dampen the current growth forecast include high-debt levels, ongoing geopolitical risks, trade-related challenges, and a hard Brexit.

In terms of a geographical breakdown, the **OECD** group of countries' saw an unprecedented 9.8% q-o-q drop in 2Q20, following a 1.8% q-o-q GDP decline in 1Q20. Since lockdown measures eased, however, a recovery has become visible. Labour market improvements and a recovery in consumption suggest the US economy may suffer less than others in the OECD, despite the large number of infections. The US GDP is forecast to contract by 5.1% in 2020, followed by growth of 4.1% in 2021. The Euro-zone's economy is gaining some momentum, but it is still forecast to contract by 7.7% in 2020, before an expansion of 4.3% in 2021. Japan is forecast to contract by 5.5% in 2020, but the 2021 rebound is anticipated to gain less traction than others in the OECD, with growth at 3.2%.

In the **emerging economies**, China has managed to minimise the impact of COVID-19, leading to expected growth of 1.8% in 2020 and 6.9% in 2021. India's economy has been significantly impacted, not only by lockdown measures, but the continuing uncertainty amid the rise of COVID-19 infections. India's GDP is forecast to decline by 6.2% in 2020 but recover to 6.8% growth in 2021. Brazil's 2020 GDP growth is forecast to decline by 6.5% and grow mildly by 2.4% in 2021, impacted by ongoing domestic challenges and external trade. Russia's economy is forecast to decline by 4.9% in 2020, but then benefit from the oil market recovery with expected growth of 2.9% in 2021. The effect of the COVID-19 outbreak on economic growth has significantly impacted oil demand growth in1H20. This has led to a projected global oil demand decline of 9.5 mb/d for 2020, followed by growth of 6.6 mb/d in 2021. The non-OPEC supply is expected to decline by 2.7 mb/d in 2020, while growth of 1.0 mb/d is anticipated for 2021. The impact of COVID-19 related developments on an already fragile global economic conditions remain challenging and will require coordinated global policy action from all market participants, including the efforts undertaken by OPEC and non-OPEC oil producers participating in the DoC.

Graph 2: World oil demand growth in 2020–21



*Note: * 2020 and 2021 = Forecast. Source: OPEC.*