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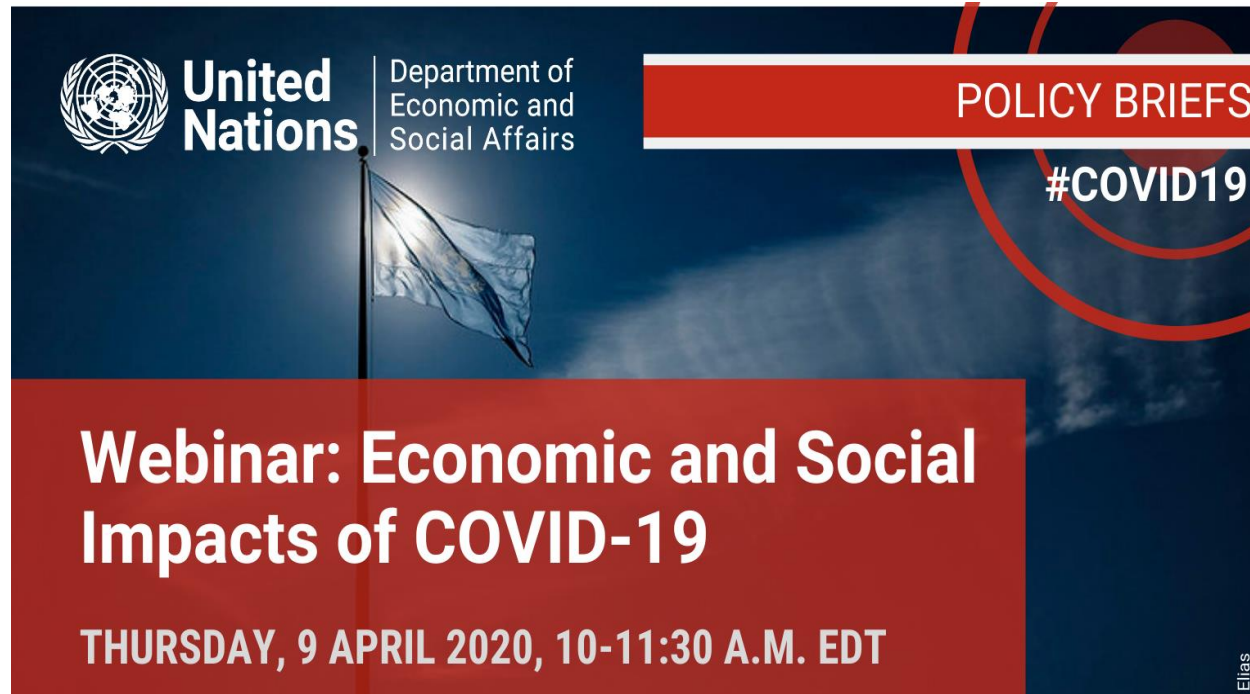
Department of
Economic and
Social Affairs

POLICY BRIEFS

#COVID19

Webinar: Economic and Social Impacts of COVID-19

THURSDAY, 9 APRIL 2020, 10-11:30 A.M. EDT



- **The webinar will start soon.**
- **You can also connect via Facebook Live: <https://www.facebook.com/joinundesa/>**
- **Please, make sure to connect your audio and to keep you microphone muted and camera turned off.**
- **Questions/Comments? – Please, use the chat boxes.**



Participant's Guidance

Webinar will be recorded and link to presentation posted at UN DESA's website. We will be live-tweeting from @SustDev using #UNDESAWebinar.

For those on WebEx:

- Remember to connect your audio.
- Please, maintain your microphone muted and camera off at all times.
- Use chat boxes for questions and comments.

For those on Facebook Live:

- Please, add your questions directly in the comments.



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Agenda

10:00 – 10:10	Welcome remarks by Mr. Elliott Harris, UN Chief Economist and Assistant Secretary-General for Economic Development and agenda review (Moderator)
10:10 – 10:50	UN DESA briefing presentations: <ol style="list-style-type: none">1) The World Economic Situation and Prospects: COVID-19: Disrupting lives, economies and societies: Mr. Hamid Rashid, Chief, Chief of Global Economic Monitoring Branch, Economic Analysis and Policy Division (EAPD)2) Addressing the social crisis through fiscal stimulus plans: Ms. Wenyan Yang, Chief, Global Dialogue for Social Development Branch, Division for Inclusive Social Development (DISD)3) Corona crisis causes turmoil in financial markets: Ms. Shari Spiegel, Chief, Policy Analysis & Development Branch, Financing for Sustainable Development Office.
10:50 – 11:20	Q & A
11:20 – 11:30	Closing Remarks



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Elliott Carlton Harris

**UN Assistant Secretary-General for Economic
Development and Chief Economist**

- Appointed Assistant Secretary-General for Economic Development and Chief Economist effective 2 April 2018.
- Mr. Harris served as Assistant Secretary-General and Head of the New York Office of the United Nations Environment Programme (UNEP) from 2015. He joined UNEP's Senior Management Team in 2013 as Director of the New York Office and Secretary to the Environment Management Group.
- Prior to joining UNEP, Mr. Harris began his career in the International Monetary Fund (IMF) in 1988, where he worked in the African Department and the Fiscal Affairs Department.



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Hamid Rashid

Chief, Global Economic Monitoring Branch, Economic
Analysis and Policy Division (EAPD)

- Hamid Rashid is the Chief, Global Economic Monitoring at the Department of Economic and Social Affairs (UN-DESA) and the lead author of the UN flagship publication World Economic Situation and Prospects.
- He holds a PhD in economics from Columbia University in New York. Prior to DESA, Dr. Rashid worked for the Government of Bangladesh, the World Bank and UNDP in Dhaka, Washington D.C. and New York.



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The World Economic Situation and Prospects: COVID-19: Disrupting lives, economies and societies

Available at: bit.ly/UNDESACovid



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MONTHLY BRIEFING
ON THE WORLD ECONOMIC SITUATION AND PROSPECTS

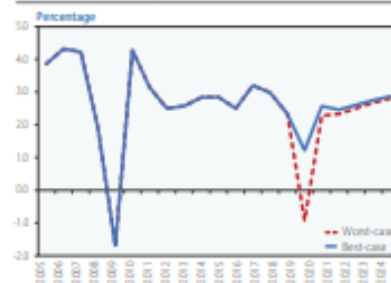
Economic Analysis

No. 136 | 1 April 2020

COVID-19: DISRUPTING LIVES, ECONOMIES AND SOCIETIES

A raging pandemic—unleashed by a highly contagious COVID-19 virus—has triggered unprecedented restrictions not only on the movement of people but also on a range of economic activities, and the declaration of national emergencies in most countries in Europe and North America. Growing demand for urgent healthcare and rising death tolls are straining national healthcare systems. The pandemic is disrupting global supply chains and international trade. With nearly 100 countries closing national borders during the past month, the movement of people and tourism flows have come to a screeching halt. Millions of workers in these countries are facing the bleak prospect of losing their jobs. Governments are considering and rolling out large stimulus packages to avert a sharp downturn of their economies which could potentially plunge the global economy into a deep recession. In the worst-case scenario, the world economy could contract by 0.9 per cent in 2020 (Figure 1). “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,” stressed Under-Secretary-General for Economic and Social Affairs Liu Zhenmin.

Figure 1
World growth outlook for 2020 in the best- and worst-case scenarios, as of late March 2020



Source: UN DESA

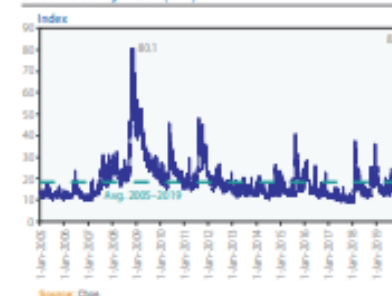
ECONOMIC CONSEQUENCES

Fears of the exponential spread of the virus—and growing uncertainties about the efficacy of various containment measures—have rocked financial markets worldwide, with market volatility surpassing its peak during the global financial crisis (Figure 2) and equity markets and oil prices plunging to multi-year lows.

“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.”

Liu Zhenmin, Under-Secretary-General for Economic and Social Affairs

Figure 2
Cboe Volatility Index (VIX)



Source: Cboe

Large declines in asset prices and high financial market volatility will impact real economic activities via credit and investment channels. Lower equity prices will increase the debt-to-equity ratios of highly leveraged firms, limiting their access to credit and increasing the likelihood of default and bankruptcies. The tightening of credit conditions could force firms to deleverage rapidly, exacerbating a downturn. Banks may be forced to reduce lending, adding to downward pressures in the credit market. As corporate and consumer loan defaults rise, this would also result in a deterioration in bank balance sheets, further constraining banks' ability to extend credit, and increasing the fragility of domestic banking systems.

Growing restrictions on the movement of people and 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, they account for more than a quarter of all jobs in these economies. As businesses lose revenue,

The World Economic Situation and Prospects Monthly Briefing is prepared by the Global Economic Monitoring Branch of UN DESA's Economic Analysis and Policy Division. It is published on the first business day of the month. We welcome your feedback and comments. Contact email: reshd12@un.org. The full series is available from: <http://www.bit.ly/wesbrief>



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- Ms. Yang is UN DESA/DISD focal point coordinating support to the UN Commission for Social Development & the preparation of the [World Social Report](#). She also serves as DESA's Principle Focal Point for Gender.
- An economist by training, she started her UN career as a macroeconomic policy analyst.

Wenyan Yang

Chief, Global Dialogue for Social Development Branch, Division for Inclusive Social Development (DISD)



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Addressing the social impacts of the health crisis

Available at: bit.ly/UNDESACovid

COVID-19: Addressing the social crisis through fiscal stimulus plans

The pandemic caused by SARS-CoV-2 is spreading quickly, with 738,000 cases confirmed across the globe and over 35,000 deaths registered as of 30 March 2020 (Johns Hopkins University, Center for Systems Science and Engineering). The number of cases has almost doubled in the last week (from 418,000 cases on 23 March). Many countries have restricted activity and an increasing number are on lockdown.

The health crisis is already evolving into a global financial and economic crisis, with sweeping consequences for economic growth, employment and wages. Preliminary estimates by the ILO suggest significant rises in unemployment—on the order of 13 million, with a high scenario of almost 25 million—losses of labour income of as much as \$3,400 billion and increases in the number of people in working poverty (ILO, 2020).¹ For young people, entering the labour market during the crisis can have damaging (“scarring”) effects on their working careers and long-term wellbeing (see, for instance, European Commission, 2014).

In response to this social and economic crisis, and given the limited space for monetary policy actions, many countries in both developed and developing regions have announced or put in place fiscal stimulus packages.² The amount of allocated spending is modest in many cases, but it exceeds 2 per cent of gross domestic product (GDP) in countries such as Australia, Canada, Chile, Germany, New Zealand, Portugal, the Republic of Korea, Spain, Sweden, the United Kingdom and the United States. Even though details of most stimulus plans are still unclear, the majority contain measures to support businesses, particularly small and medium enterprises, as well as measures to protect individuals and households, with a focus on vulnerable or otherwise disadvantaged groups. Most emergency measures to facilitate access to healthcare fall outside the scope of stimulus plans, but a few of them include measures to address public health gaps.

Summary: The unfolding health crisis poses unprecedented challenges to individuals, families, Governments and to the international community. While containing the pandemic is the most urgent priority, countries are quickly acting to counter its negative impact on employment and poverty, including through fiscal stimulus plans. Whether these plans will protect the most disadvantaged people and households over the long-term depends on their size, duration and on how measures are implemented.

In the aftermath of the 2008 financial and economic crisis, Governments spent about 25 per cent of fiscal stimulus package funds, on average, on discretionary social protection schemes and other labour market and income support measures (Zhang, Thelen and Rao, 2010; Ortiz and others, 2015). In general, countries with larger stimulus packages enjoyed a stronger recovery, both in terms of income and of employment (ILO, 2010; Furceri, 2009). Although the current crisis differs from the 2008 crisis in both its determinants and transmission channels, its projected massive impacts on employment, income, health (including mental health) and overall well-being call for even greater social expenditure.

The measures implemented or announced so far are encouraging. Namely, actions to support businesses include provisions to help them secure employment and wages by, for instance, providing income support to workers who may be temporarily laid off or those whose working hours have been reduced (see Table 1). Regarding measures to protect people, most fiscal stimulus plans offer income support to sick workers and their families by, for instance, extending paid sick leave to self-employed workers or expanding its duration. There is some support for workers who cannot work from home, including help

¹ Estimates should be interpreted with caution, as the incidence and prevalence of the pandemic are spreading rapidly; their negative economic impacts are quickly surpassing early predictions.
² As of 27 March 2020, 100 countries had announced or adopted fiscal stimulus plans.

Authors: Marta Rold, Marjolein Kind and Jonathan Perry of the Global Dialogue for Social Development Branch in UN DESA's Division for Inclusive Social Development. For further information, contact undesac@un.org or visit un.org/idea



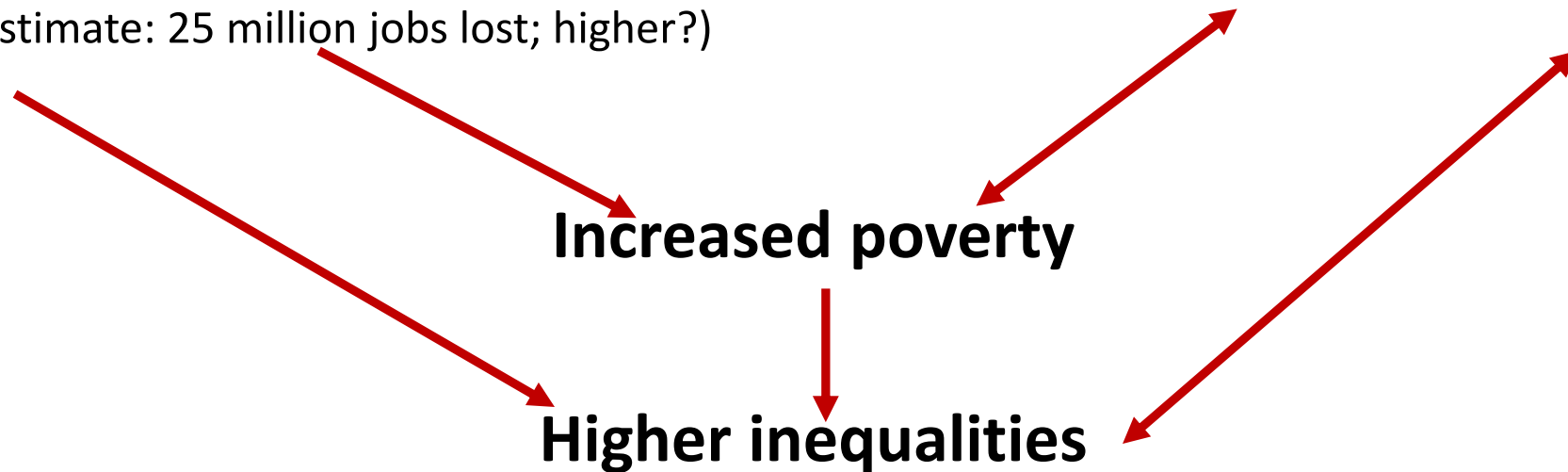
Social impacts of the health crisis

Employment losses

(vicious cycle: >consumption, >employment, >consumption;
ILO prelim. Estimate: 25 million jobs lost; higher?)

Direct burden of disease

(health costs; inability to work)



Impacts on trust in institutions? Social cohesion?



Policy responses

What:

- **Health emergency first** (increasing health budget often requires declaring national emergency)
- **Protecting people and jobs** - *Strengthening support for unemployment or protecting jobs?*
- **Promoting the recovery**

How:

- **Increased social spending**
- **(Including through) Fiscal stimulus plans** - *Limited space for monetary policy measures*



Fiscal stimulus packages – social measures

127 countries have so far announced or put in place fiscal stimulus.

Over 1% of GDP to stimulus in about 80 countries. Over 2% in 60. Over 10% in 9.

New or adapted social protection measures in announced plans:

- *Measures to support businesses (focus on SMEs):* **Securing workers' jobs or expanding support to laid-off workers; training.**
- *Measures to protect individuals and households:* **expanding income support to sick workers; expanding access to unemployment benefits; supporting workers who cannot work from home; targeted benefits or one-off income transfer.**
- *Measures to strengthen public health systems:* **Increasing health spending**



Lessons from 2008 financial and economic crisis

- **25% of funds to discretionary social protection and other income-support measures. Share probably higher this time.**
- **Countries with larger (and earlier) stimulus enjoyed a stronger recovery.**
- **Many Governments phased out fiscal stimulus and moved to fiscal austerity while unemployment was still growing.**
- **How stimulus is implemented matters: *Protecting jobs better than protecting (laid-off) workers. *Expanding existing programmes more effective than creating new (ad-hoc) ones. *Considering groups that are usually not protected.**



Key issues

- **In order to help reduce poverty and inequality, stimulus plans must be in place quickly and be phased out slowly.**
- **Ad-hoc measures address short-term needs. But most of them leave beneficiaries just as vulnerable to future shocks once they are removed.**
- **Comprehensive social protection systems, when in place, play a much durable role as they act as automatic stabilizers.**



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Shari Spiegel

Chief, Policy Analysis & Development Branch,
Financing for Sustainable Development Office

- Ms. Spiegel leads the Financing for Sustainable Development Report (FSDR) of the Inter-agency Task Force on FfD.
- She has extensive private sector experience -- including Principal at NHC, and a Director at Lazard Asset Management. In 1992 she was CEO of Budapest Alapkezelő, which launched the first investment funds in Hungary.
- She also served as Executive Director of IPD, a think-tank at Columbia University and as a consultant to the World Bank.

Corona crisis causes turmoil in financial markets

Available at: bit.ly/UNDESACovid



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POLICY BRIEF No59
#COVID19

Corona crisis causes turmoil in financial markets

The COVID-19 pandemic is first and foremost a human crisis. Its most direct impact is on health and human well-being. The medical emergency and the public response to it—most importantly restrictions on movement—have also had a dramatic impact on economic activity, and led to significant job losses.

The global economy is now expected to enter into recession in 2020, following decade-low growth of 2.3 per cent in 2019. Although much of the focus to date has been on those countries that have been hit the hardest by the pandemic, the crisis has reverberated around the world, feeding through to financial markets.

Shocks to the real economy have led to three principal developments on global financial markets: (i) extreme global financial market volatility; (ii) large capital outflows and pressure on many developing countries' foreign exchange rates and reserves; and (iii) a substantial increase in the risk of debt distress in public and private debt. These financial impacts are feeding back into the real economy, increasing the magnitude and duration of the recession.

This policy brief analyses the impact of COVID-19 on the financial sector and puts forward policy recommendations, focusing on how the international community can support countries most in need, in four areas: i) launching a large-scale, coordinated stimulus package that includes a significant increase in access to concessional financing; ii) strengthening the global financial safety net; iii) initiating a debt moratorium; and iv) in the medium-term, building a more sustainable future. These measures should complement other national and international actions to address the health, social and economic impact of the crisis.

FINANCIAL MARKET TURMOIL


Since the scale of the COVID-19 shock became more broadly recognized in early March, global financial markets have witnessed heavy losses and intense volatility not seen since the onset of the 2008 world financial crisis. Financial markets in Asia, Europe and the Americas col-

Summary: This policy brief analyses the impact of COVID-19 on the financial sector and puts forward policy recommendations, focusing on how the international community can support countries most in need, in four areas: i) launching a large-scale, coordinated stimulus package that includes a significant increase in access to concessional financing; ii) strengthening the global financial safety net; iii) initiating a debt moratorium; and iv) in the medium-term, building a more sustainable future. These measures should complement other national and international actions to address the health, social and economic impact of the crisis.

lapsed, with the Dow Jones registering its second-largest percentage drop in history on 16 March (Figure 1).

Valuations have plunged across asset classes, as reflected in widening credit spreads (i.e. the interest cost borrowers pay above a benchmark, such as US Treasuries) on corporate and government bonds. For instance,

Figure 1
Dow Jones Industrial Average, Nikkei 225, FTSE 100, January 2007–March 2020



Source: Wall Street Journal
Note: 1 January 2007 = 100.

Authors: Shant Spiegel, Carolina Kaldewey, and Mario Hualde of the Financing for Sustainable Development Office
For further information, contact undesac@un.org or visit un.org/unesd

April 2020 United Nations Department of Economic and Social Affairs



Market volatility across markets

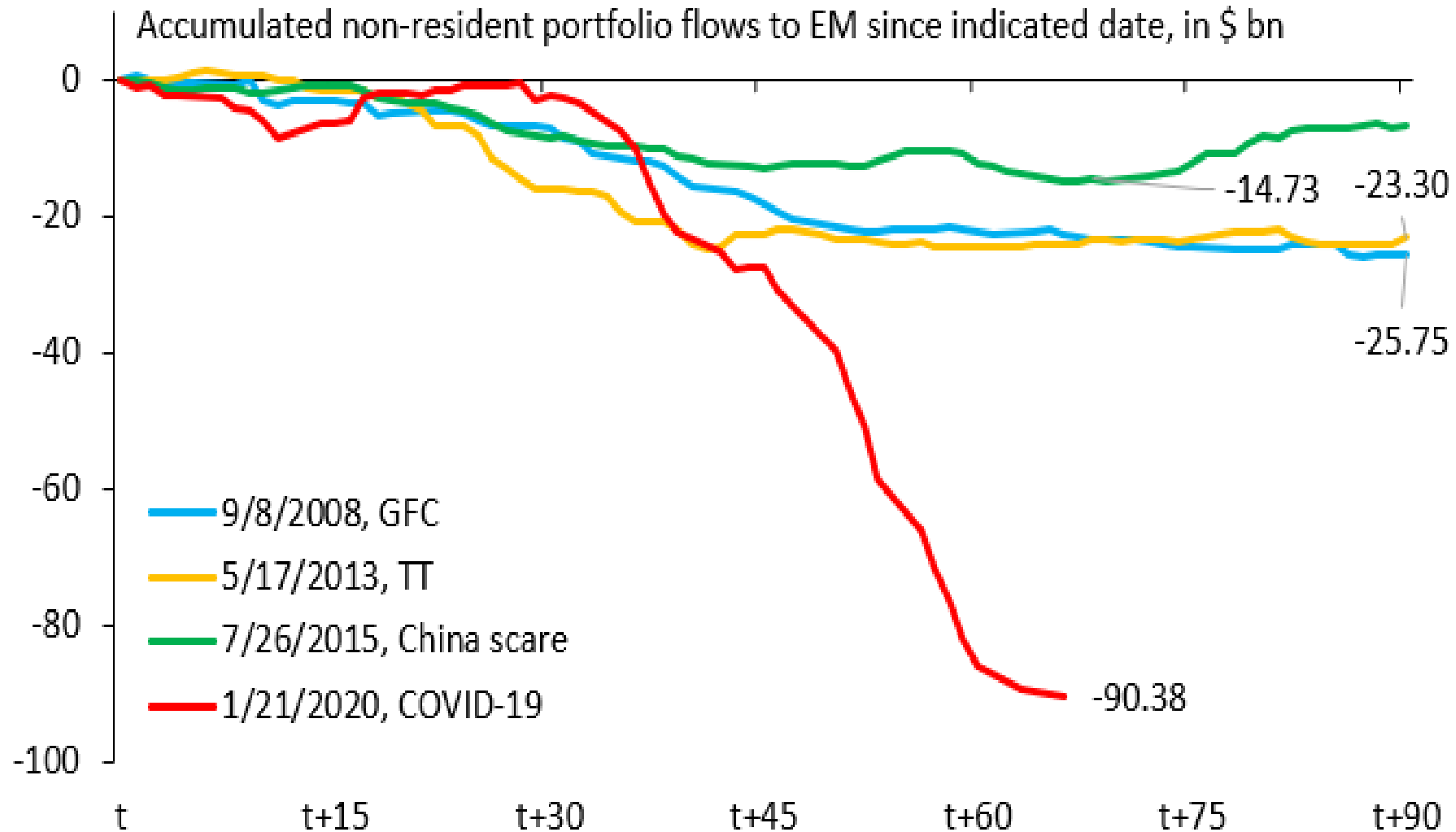


- **COVID-19 is causing investors to flee to safety leading to equity volatility, widening bond spreads, depreciating currencies; setting stage for debt and financial crises**

Source: Wall Street Journal.
Note: 2 January 2007 = 100.



Unprecedented capital outflows





Risk in markets prior to outbreak -- low interest rates led to high borrowing

- leveraged loans doubled since the 2008 crisis, to reach \$1.2 trl
- EM corporate debt/GDP rose by 31 percentage points since 2011
- Stronger commercial banking system
- But... 30% of global financial assets managed by non-bank financial institutions with lower regulation, far surpassing pre-2008-crisis levels

Changes to the financial regulatory system after a crisis tend to focus on preventing a recurrence of past problems, while future shocks may have different causes and transmission channels





Particularly worrisome is the prospect of a new debt crisis

- COVID-19 has enormous fiscal impacts...and
- Exacerbates risks of a debt crisis!
 - *44% of LDCs and other LICs were already at high risk of or in debt distress*
 - *25% of public revenue was used for debt payments in frontier economies*
- Global debt will rise further..
 - *In Africa alone, 6 additional oil-exporters, as well as tourist dependent countries, are at high risk of shocks and debt distress*
 - *Public debt will rise further in response to COVID-19*
 - *Highly-leveraged corporations are vulnerable to shocks – COVID-19 could turn into a protracted crisis*





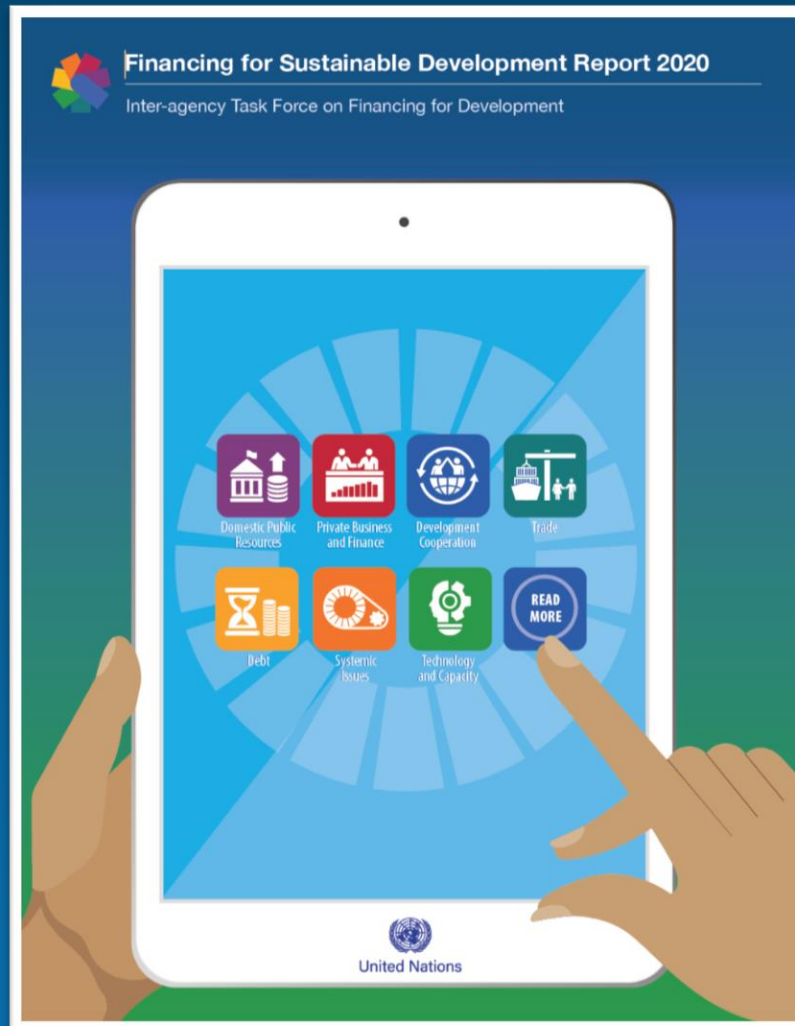
Need immediate and longer-term actions

- **A globally coordinated stimulus package**, including reversing the decline in aid and increased concessional finance.
- **Prevent a debt crisis:**
 - Immediately suspend debt payments from poor countries;
 - Beyond the crisis, reassess debt sustainability/existing mechanisms
- **Stabilize financial markets:**
 - Provide emergency funding; Special Drawing Rights (SDRs); Central bank bilateral swap lines
 - Capital account management
 - In the medium-term, explore regulatory frameworks to limit over-borrowing for non-productive investments, e.g. repaying shareholders.
- **Partnering with the private sector:**
 - In the short term, roll over debt to SMEs and individuals
 - In the medium-term, promote sustainable investment



- Public and private investment in sustainable development including in resilient infrastructure;
- Eliminate trade barriers and restrictions that affect supply chains
- Strengthened social protection systems;
- Crisis prevention, risk reduction and planning;

2020 Financing for Sustainable Development Report (FSDR)



by the Inter-agency Task Force on Financing for Development

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Questions and answers

- If on WebEx: Please, use the Q&A or chat boxes.
- If on Facebook Live: Add your question in the comments.
- Let us know who you are: name, organization and country.



More information

- Check out our COVID-19 response portal: bit.ly/UNDESACovid
- Follow us on social media
 - Twitter: @UNDESA, @SustDev
 - Facebook: www.facebook.com/joinundesasa
www.facebook.com/sustdev



April monthly briefing on the world economy: “COVID-19: disrupting lives, economies and societies”



Policy Brief 58: “Addressing the social crisis through fiscal stimulus plans”



Policy Brief 59: “Corona crisis causes turmoil in financial markets”



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Thank you