HOW THE PANDEMIC IS GOING IN THE WORLD ECONOMY:
FIRST HALF OF 2020

Oscar Ugarteche\textsuperscript{1}, Jorge Zavaleta\textsuperscript{2}, OBELA

The first half of 2020 is possibly the worst semester since economic statistics have been published. It is worse than the first half of 1930 and we do not have the statistics of the first half of 1872. It is much worse than the first half of 2009 or the last half of 2008. GDP fell at double digit annualized rates at the end of the first semester in most advanced countries. The GDP of the European Union (EU), collapsed 14.4\% compared to the second quarter of 2019 and North America 10.8\% (Canada, Mexico and the United States). Overall the EU lost about 11 years of production due to containment and health measures. Countries such as Italy, Portugal, France, Spain, England and Belgium lost between two to three decades of growth. The United States lost 6 years of production, at levels of the second quarter of 2014 and Mexico 10 years at the level of the third quarter of 2010.

The most affected was Italy. The country's GDP grew at an average annual rate of 1.5\% from 1990 to mid-2008. After the financial crisis, it began to decline by an average of 0.5\% per quarter. The unemployment of the economy by covid-19 meant the loss of a sixth of its production, so, together with its low growth, it was close to the level of 1993. During the second quarter of 2020 Italy lost 27 years of production.

Portugal and Spain grew by 2-3\% per year from 1990 to 2008. However, unlike Italy, their economies began to recover in 2014. During the first months of 2020, the GDP exceeded the values

---

\textsuperscript{1} Senior Researcher”C”, IIEc-UNAM, Conacyt SNI III, Coordinator of obela.org  
\textsuperscript{2} Faculty of Economics, UNAM, member of obela.org
before the financial crisis. Unemployment in the economy led to a fall of one-sixth and one-fifth of output, respectively. Portugal lost 21 years of production and Spain 18. In France and England growth from 1990 to 2008 was 2-2.5%. The financial crisis did not have the same impact as in Italy, Portugal and Spain; the decline was short. In 2009 they started their recovery, the growth rate was constant until the beginning of 2020. The measures for the pandemic caused them to lose a fifth of their production. France lost 18 years and England 16.

Unlike Europe, the United States lost a tenth of its production. Since 1990 it has maintained a constant growth rate of 2.5%, which has fallen back by six years. Although the fall in production was not as precipitous as in other countries, it is the worst fall since 1929. The explanation for the smaller fall is that unlike the European Union, it did not apply total containment. As expected, at the same time it is the country with the most deaths (as of August 17) about 173,187 people. Similarly, the unemployment rate was 13%, the highest recorded since October 2009. In March the rate was 4.4%, in May the rate shot up to 14.7%. The rate is going down, since in July it was 10.2% with a slight tendency to increase in the second wave of infections.

The Latin American countries with the largest drop in production were Peru and Mexico, while Brazil fell less. ECLAC reported that industrial production in April fell 14.1% in Chile, 15.1% in Brazil, 20.1% in Colombia, 26.4% in Argentina, 29.3% in Mexico and 40.5% in Peru. The smaller fall in Brazilian GDP, as in the United States, is due to the lack of containment imposed by the pandemic with the adverse consequences on mortality that has 108,054 deaths from the virus (17.8.2020), second in the world after the United States and followed by Mexico. For almost all Latin American economies that are structurally in deficit, the economic collapse has been reflected in a fall in imports, which is greater than the fall in exports. The contraction in output and employment generated a surplus, as
families and companies bought less and therefore countries imported less. Overall, food sales and lower imports boosted the positive balance of economies.

Argentina, maintains deficits in trade with Brazil, its main partner. Exports to the Carioca country fell by 31.9% from January to July, while imports fell by only 25.8%. Quarantine measures caused the loss of 11 years of production for Argentina. On the other hand, the Asian economies seem to be the least affected and with a faster response capacity due to their internal links, whether inside the country or in the region. The Asian countries seem to be recovering from a V-shaped crisis while those in Europe, North and South America are going through a U-shaped crisis or perhaps even one with a slower recovery and not reaching the original pre-Covid-19 level. This will have future implications for global economic leadership.