**Macroeconomics and Microeconomics**

**Damage to economies around the world and what impact on our individual businesses?**

A global survey conducted from 28 February to 12 March inclusive reflecting the outlook of thousands of businesses reveals confidence has fallen by 13% to -45, representing a record low in the 11-year history of the research. This period included the spread of COVID-19 to Europe and the US, and saw some of the initial policy responses, mainly from central banks. The major impact on economic activity has not yet begun to be felt.

The Global Economic Conditions Survey (GECS) reveals:

* Global confidence fell to its lowest level on record with big falls in all regions
* The global orders index, which tends to be less volatile than confidence, also fell sharply
* Asia Pacific confidence is the lowest among all regions and the orders balance fell by more than anywhere else in Q1
* The regional index of concern about suppliers going out of business jumped to a record high of 22 in Q1 compared with a long run average of 8

Confidence fell everywhere owing to the global nature of the coronavirus economic shock and, in most cases, sharply and to the lowest since the survey began in 2009.

There are warnings of significantly lower levels of economic output to come in the immediate future. Early data releases, such as US jobless claims and monthly activity surveys in the US, euro-zone and UK point to plunging levels of economic output.

In normal circumstances, economic conditions change little in the space of just a few weeks. But these are not normal circumstances.

Global confidence and orders both fell significantly in the survey but do not convey the true scale of the global economic contraction that is now in progress.

What is abundantly clear is that the global economy is heading into recession as private economic activity collapses, owing to an effective lockdown in many countries – falls in output of over 10% are entirely possible. Emerging market (EM) economies face additional difficulties as a flight to quality among investors triggers capital outflows. For oil exporters, the collapse in oil price will exacerbate the situation by putting pressure on government budgets.

The global policy response has been huge. Central banks have slashed interest rates, launched or massively boosted quantitative easing (QE) and extended cheap funding to the banking system.

Governments are supporting private incomes lost as a result of the crisis: they are making direct payments to households, paying the wages of workers, boosting benefit payments and delaying or foregoing tax receipts. The intention is to provide a ‘bridge of income’ so that when economic conditions improve, a recovery can be fairly quickly established.

The total size of fiscal packages is very substantial, many worth around 10% of GDP (by end-March). It is a measure of the scale of this crisis that concerns are being expressed that more may yet be needed.

The economic damage in coming months will be enormous. But if appropriate policy action is taken, then conditions for recovery will be in place when the Covid-19 health crisis is substantially over.