

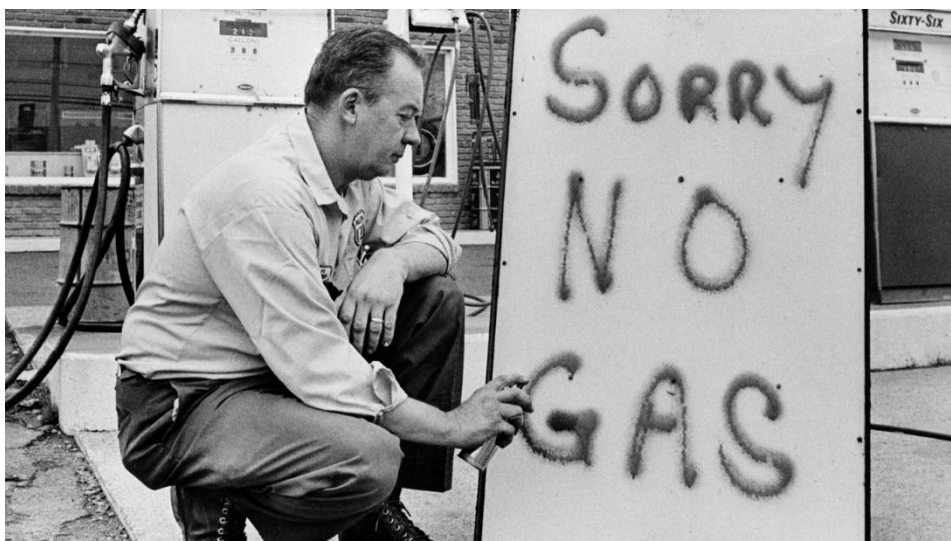
Cambridge Judge Business School

The Macroeconomic Consequences of Covid-19

@KamiarMohaddes



This time really is different!

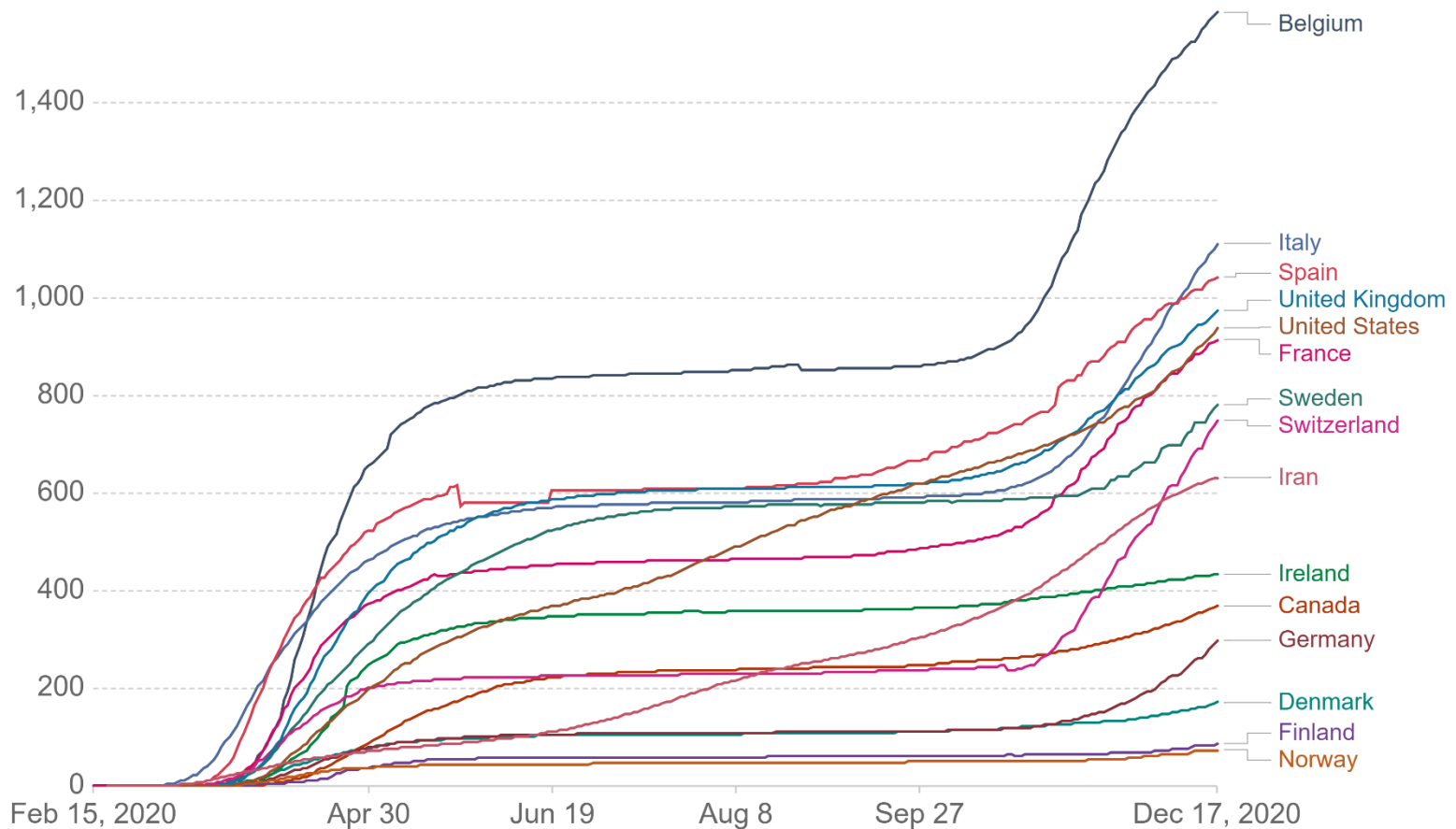


Flattening the epi-curve

Cumulative confirmed COVID-19 deaths per million people

Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.

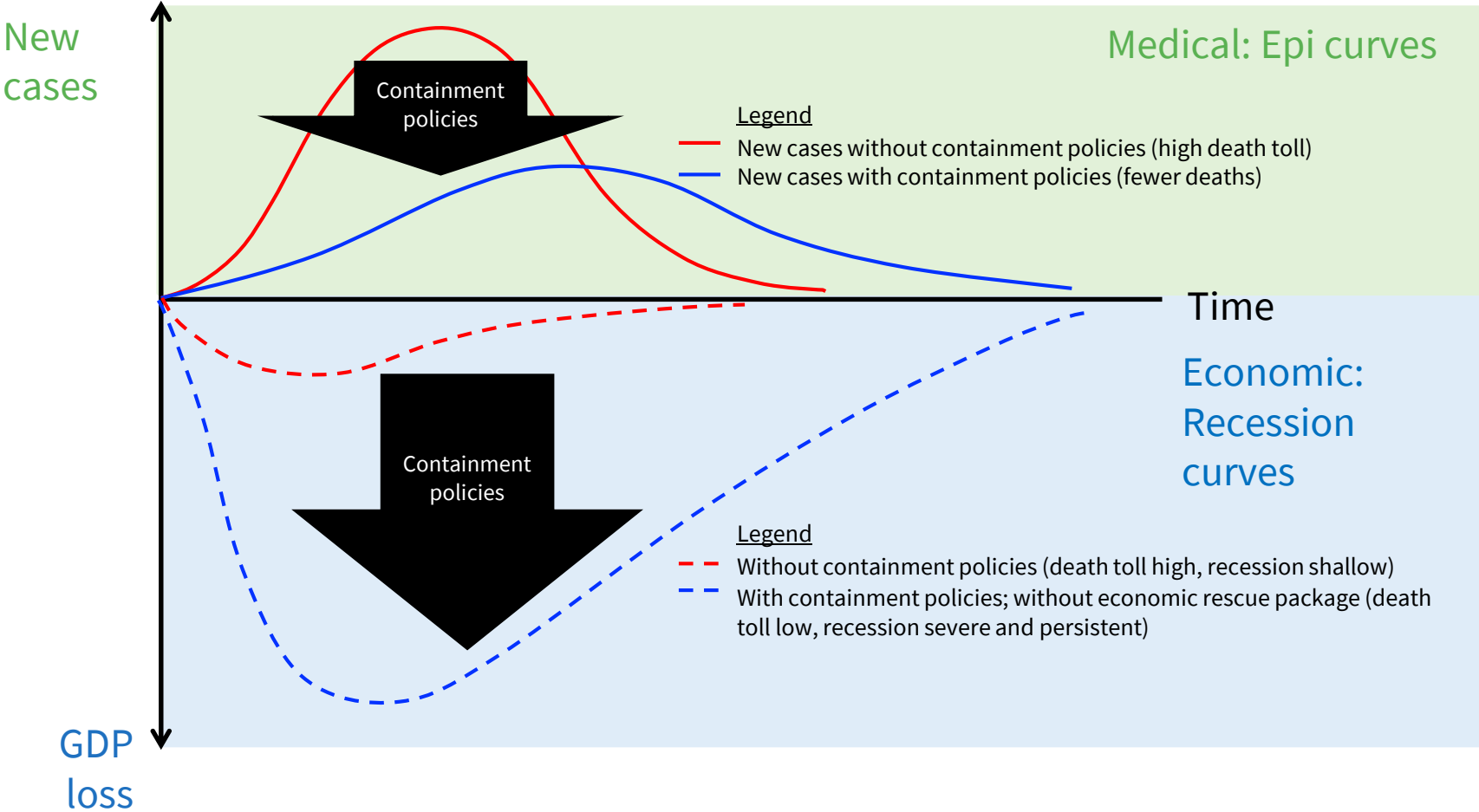
Our World
in Data



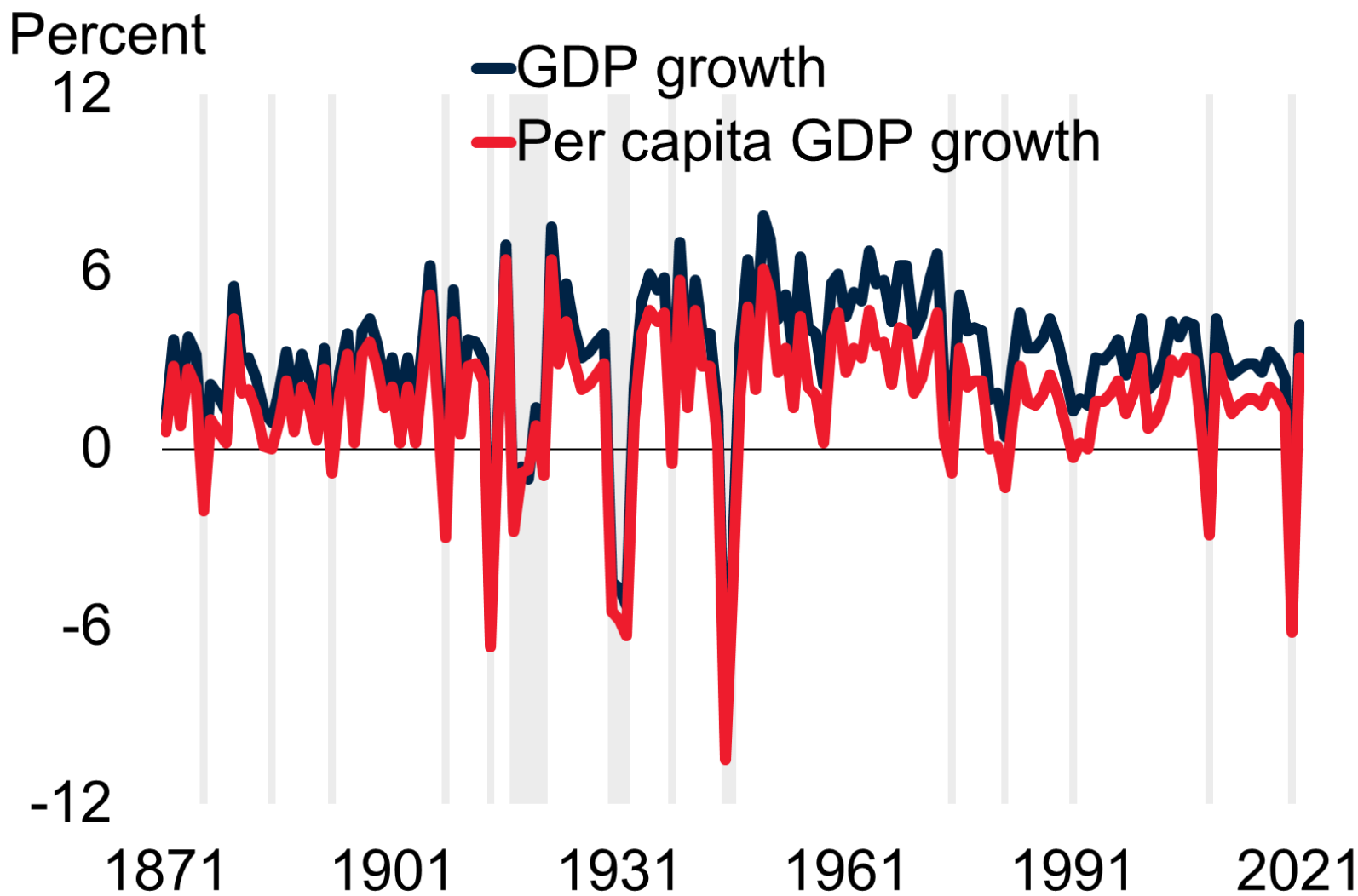
Source: Johns Hopkins University CSSE COVID-19 Data – Last updated 18 December, 06:06 (London time)

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Flattening the epi-curve deepens the recession curve



The 4th worst global recession since 1871



Results based on our recent work

A Counterfactual Economic Analysis of Covid-19 Using a Threshold Augmented Multi-Country Model*

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M. Hashem Pesaran^c, Mehdi Raissi^d, and Alessandro Rebucci^e

^a Federal Reserve Bank of Dallas, USA

^b Judge Business School and King's College, University of Cambridge, UK

^c University of Southern California, USA and Trinity College, Cambridge, UK

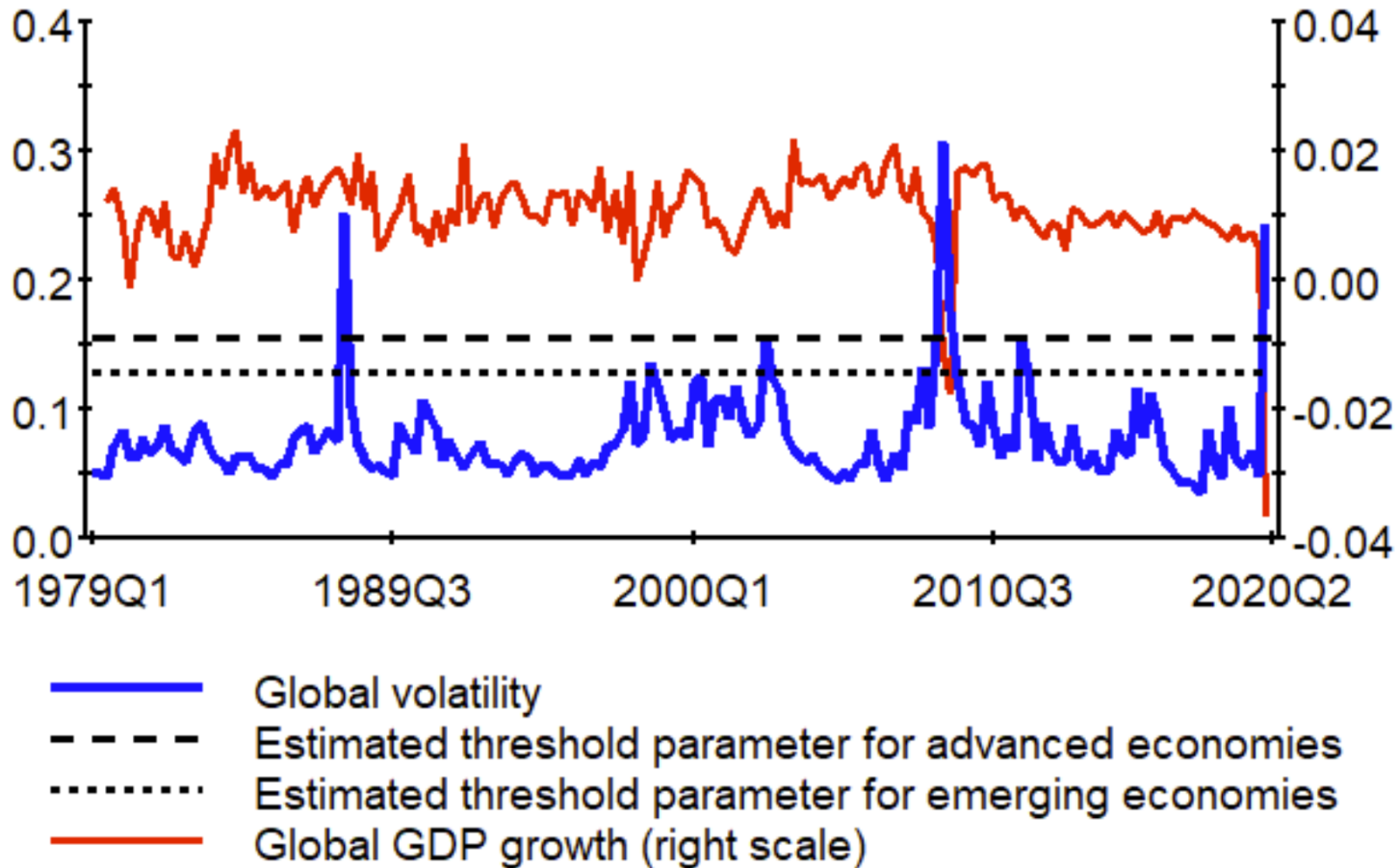
^d International Monetary Fund, Washington DC, USA

^e Johns Hopkins University Carey Business School, CEPR and NBER

September 17, 2020

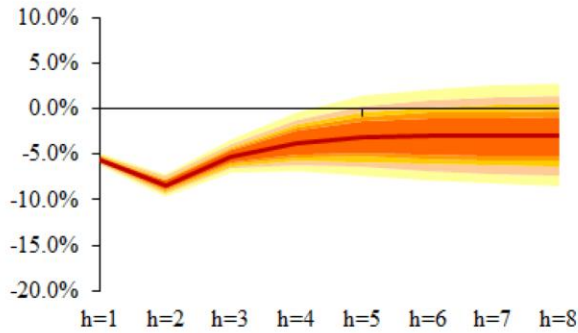
Threshold effects: Global volatility and growth

Figure 1 Global volatility and GDP growth, 1979Q1-2020Q1



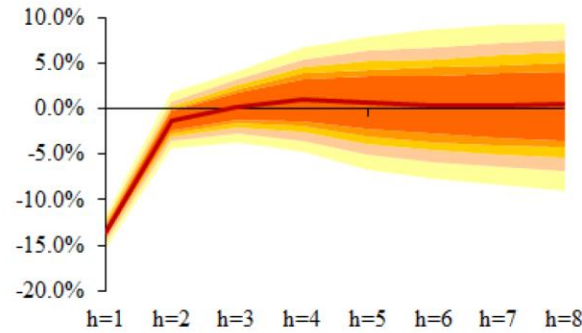
The impact of Covid-19 on economic activity

World



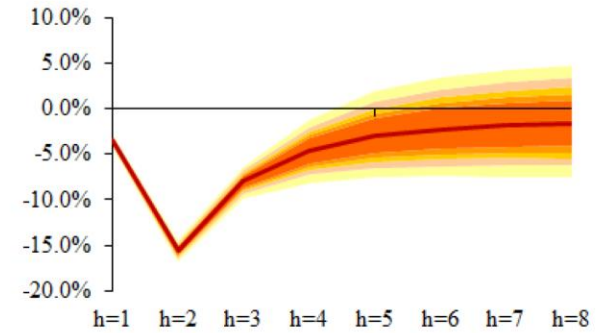
90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

China



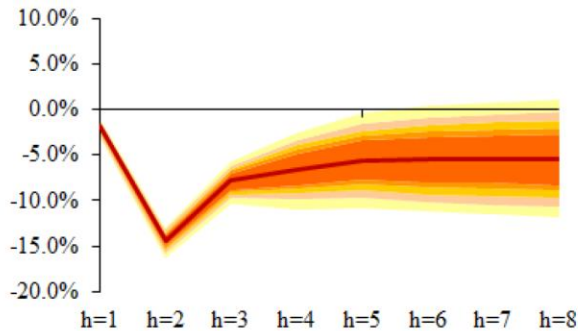
90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

Euro Area



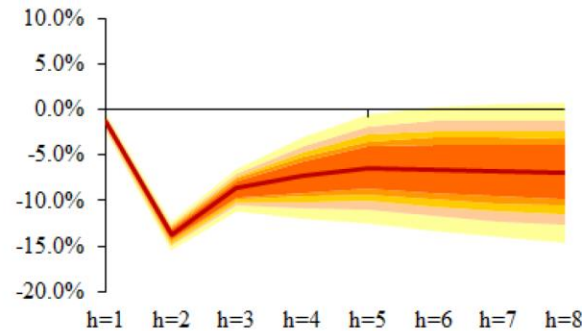
90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

United Kingdom



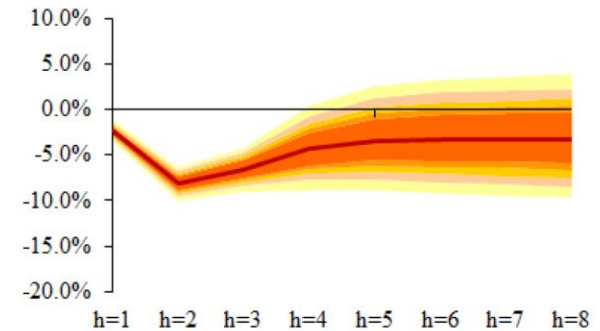
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United States



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

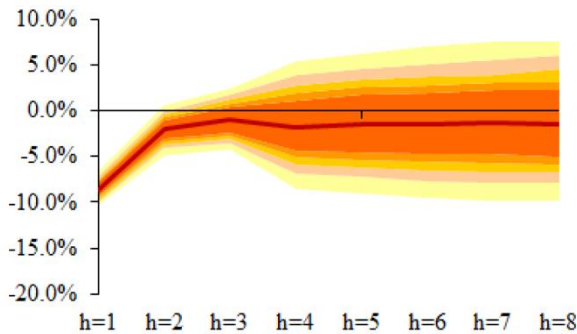
Advanced Asia Pacific



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

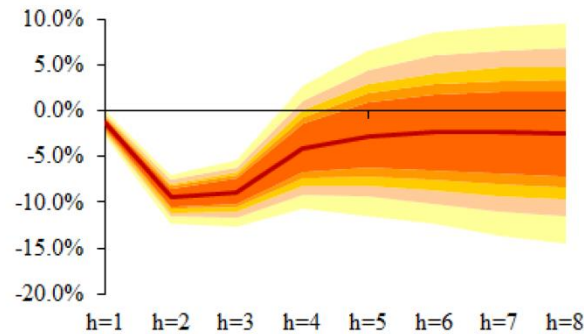
The impact of Covid-19 on economic activity

Emerging Asia excl. China



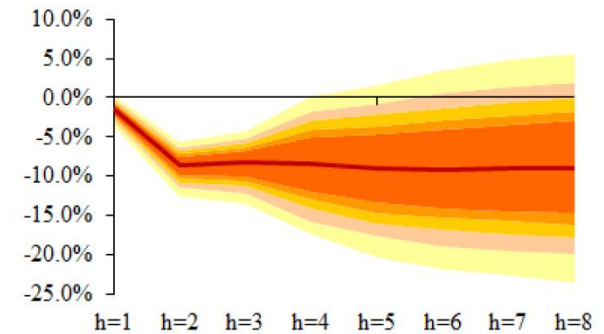
90% bounds 80% bounds 70% bounds
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Latin America



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

Other Emerging Economies



90% bounds 80% bounds 70% bounds
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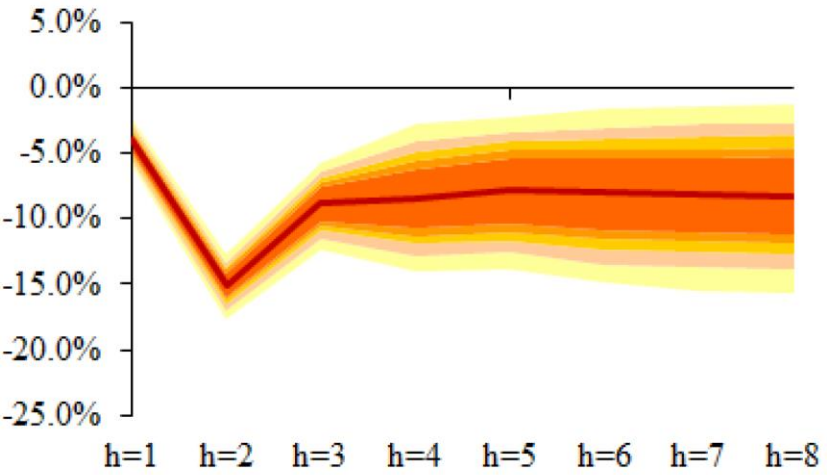
China: from silent streets to packed pools?



Wuhan Maya Beach Water Park, 16-17th of August 2020

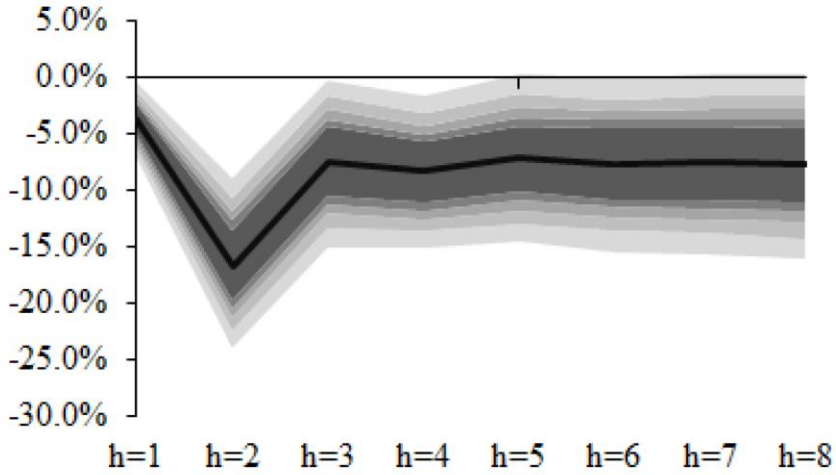
Nobody Can Escape the Economic Effects of Covid-19

Growth shocks in all countries incl. Sweden



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

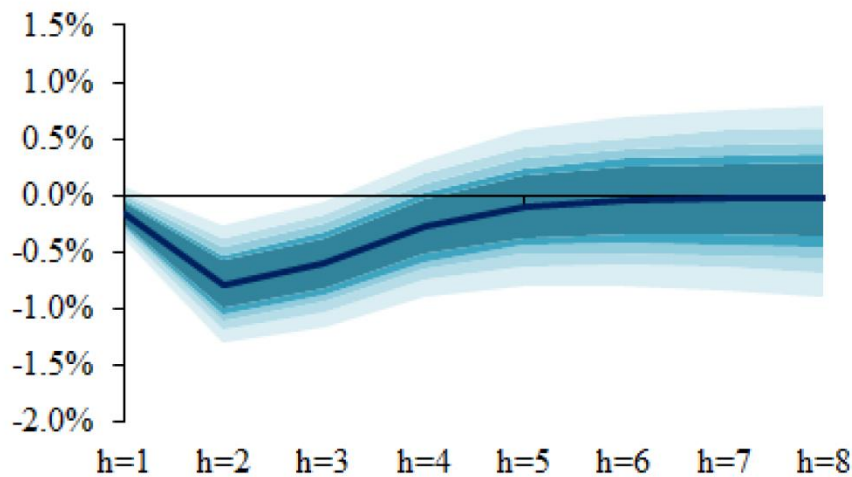
Growth shocks in all countries excl. Sweden



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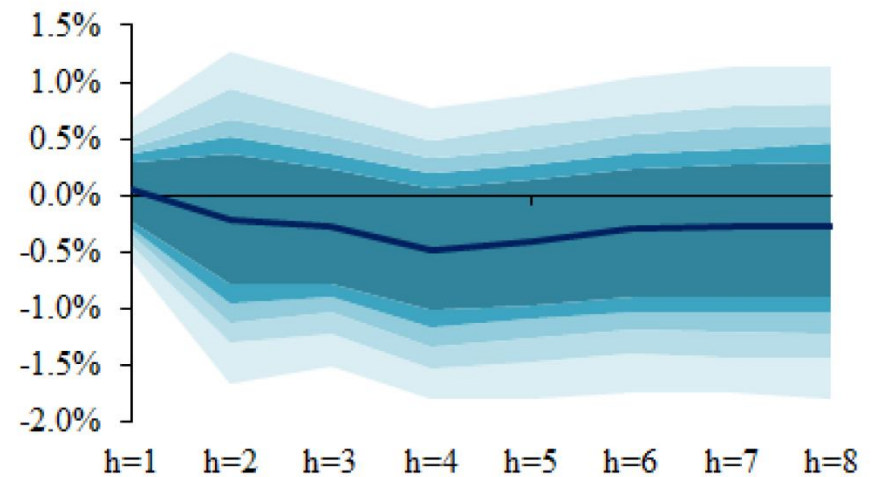
The impact of Covid-19 on long-term interest rates

Advanced Economies



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

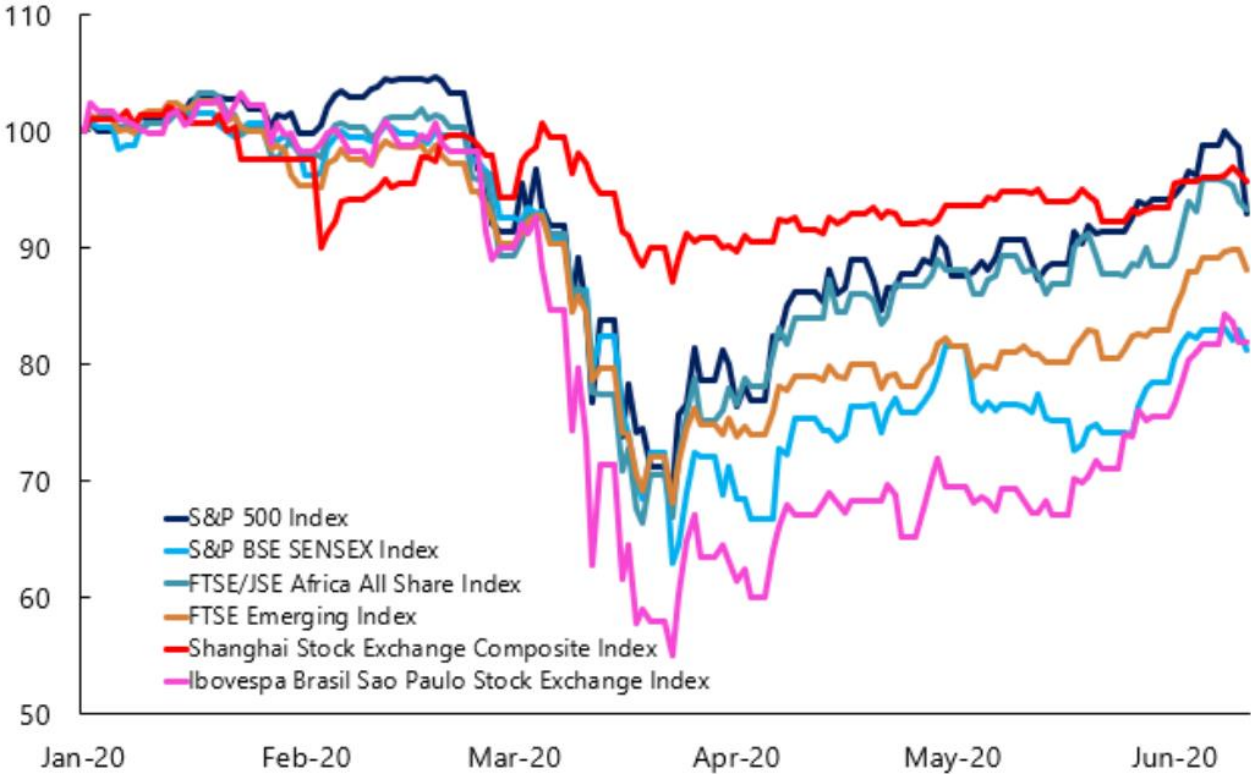
Emerging Economies excl. China



90% bounds 80% bounds 70% bounds
60% bounds 50% bounds median

Divergence of financial markets from the real economy

(equity market index, January 1, 2020 = 100)



Source: Bloomberg; L.P.

Note: Data through June 11, 2020.

Divergence of financial markets from the real economy



Source: Refinitiv • By The New York Times

Bill Gates: the Covid-19 pandemic will be over by the end of 2021





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