

Entering the next phase of the Covid-19 pandemic

As countries enter a new phase in the coronavirus crisis, we present our six key views



Source: ING

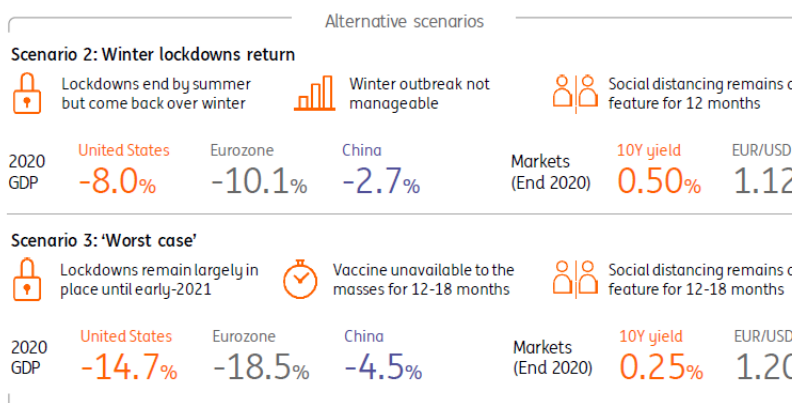
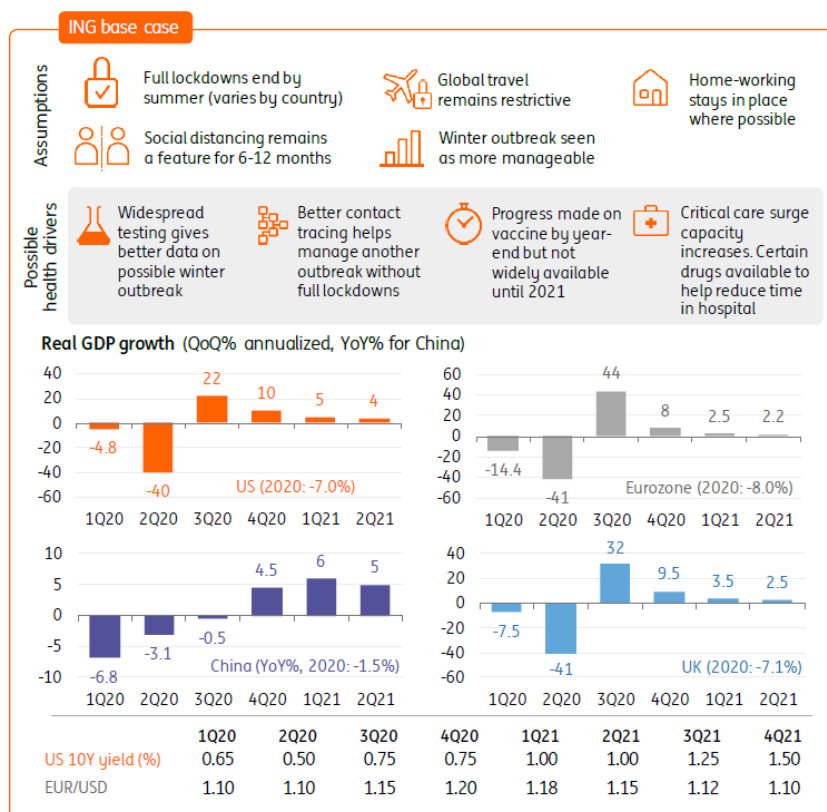
This is still the mother of all fast-moving environments. While the latest economic data paints an even clearer picture of the depth of the crisis across the world, some European countries have already entered the next phase of the Covid-19 pandemic: the gradual easing of lockdown measures. Other countries, including the US, are likely to follow in the coming weeks. This loosening of restrictions is taking somewhat longer than initially expected and is also more gradual. It is too soon to expect a smooth transition back to normal life and a temporary, partial return to lockdown measures cannot be ruled out.

Plans to reopen suggest that the worst of the economic downswing might be behind us. However, available data shows that the damage from the crisis has been even worse than expected. Most Western countries will see the sharpest contractions in their economies since the 1930s. With the latest information, we expect declines of more than 10% in the developed world and have consequently had to revise down our estimates for GDP growth in 2020.

In the traditional alphabet soup of expectations, the recovery will still be U-shaped. However, with the more gradual easing of lockdown measures and much uncertainty about the permanent damage that Covid-19 has inflicted on the global economy, there could be innovative additions to this recipe. Think of a cursive 'r', a capital 'G' or the swoosh of a well-known American athletic shoe

and apparel retailer.

As we enter the next phase of the crisis, the focus will shift from imminent firefighting to structural changes and the nature of the recovery. In this regard, policymakers in the developed world might want to look at possible lessons from the Asian experience. My colleague Rob Carnell [has already done some work for them](#) and you can find his analysis in our Monthly Update. James Knightley and Peter Vanden Houte [have compared the US and eurozone recoveries](#), and to give you a sneak peak, faster does not necessarily mean stronger. And Bert Colijn [shows that Google mobility data](#) gives an almost real time picture of the impact of the lockdown and current easing. Finally, there is a high risk that the recovery [will lead to new divergence in the eurozone](#), which could lead to fresh political tensions and raise questions about the survival of the monetary union. Read about this and much more in our new [Monthly Economic Update](#).



Note: GDP forecasts have been rounded to nearest whole or half number
Source: ING

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