

Coronavirus economic impact

Countries set to pay economic price for failing to control Covid

Nations with fresh infections and slower vaccination face weaker recovery, research suggests



A paramedic receives a vaccine in Johannesburg, South Africa. The slow rollout of vaccine programmes in many emerging economies will hold back their recovery from the pandemic, according to the Brookings-FT tracking index © AP

Chris Giles in London 3 HOURS AGO

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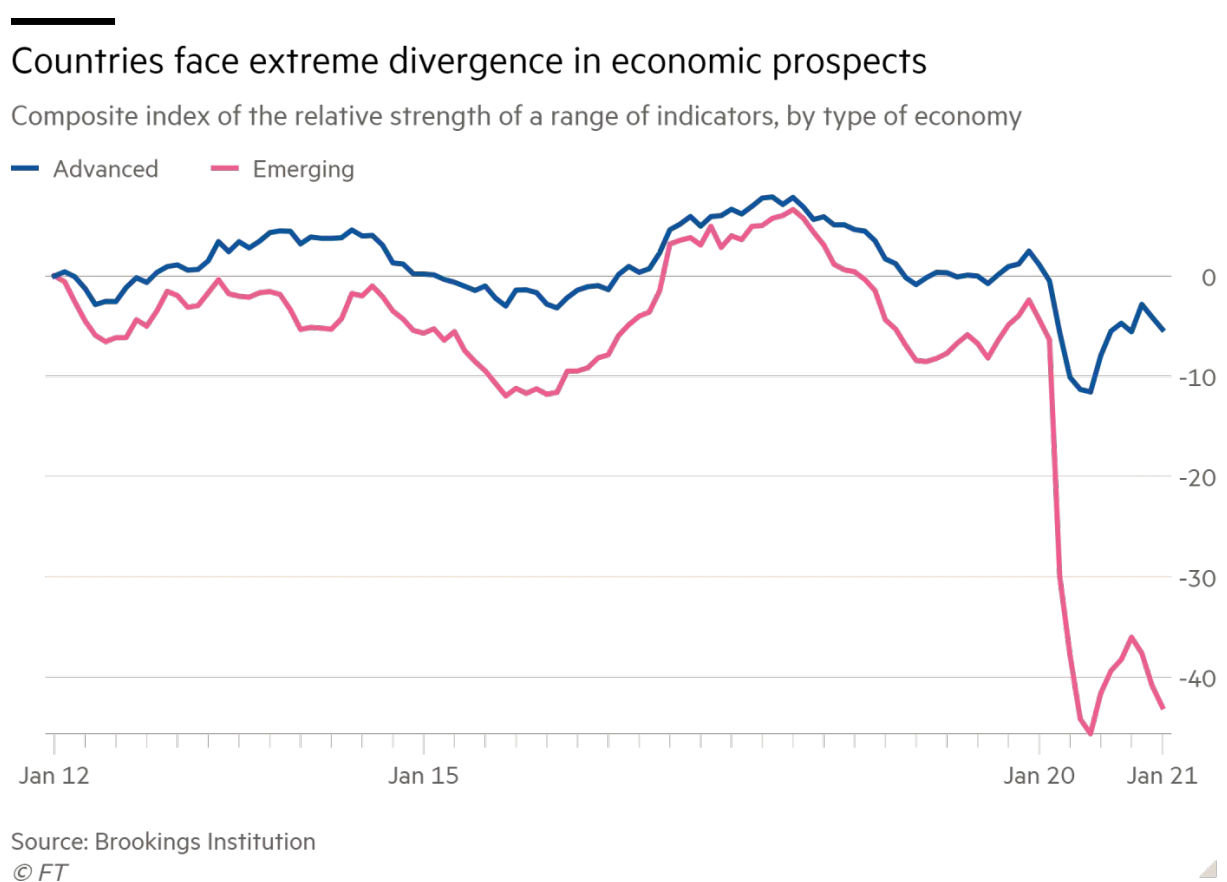


The likelihood of a co-ordinated global economic rebound from the coronavirus pandemic has diminished as slower vaccination rollouts and a fresh wave of infections in some countries result in “sharply divergent growth prospects”, according to exclusive research for the Financial Times.

The main driver of economic success in 2021 is likely to be the ability to control the virus, according to the [Brookings-FT tracking index](#), which forecasts that advanced economies will outperform emerging markets in growth, financial indicators and investor confidence in the coming months.

The index comes as finance ministers and central bankers prepare for the latest virtual meetings of the IMF and World Bank this week. The diverging economic outlook will add tension to the [already fraught](#) global battles over vaccine production and distribution.

“The world economy faces sharply divergent growth prospects across various regions, as prospects of a uniform swift snapback from a dismal 2020 have become clouded,” said Professor Eswar Prasad of the Brookings Institution.



The Brookings-FT Tracking Index for the Global Economic Recovery (Tiger) compares indicators of real activity, financial markets and confidence with their historical averages for the global economy and for individual countries, capturing the extent to which data in the current period is normal.

In the latest six-monthly figures, data for emerging economies remain far worse than has been usual since the index was first produced in 2012, while advanced economies' performance has improved alongside the recovery in financial markets.

Last week the IMF and the UN warned that poorer countries hit by the economic and healthcare effects of the pandemic risked facing a debt crisis unless more ambitious action was taken by multilateral institutions and the world's richest economies.

Prasad said that economic success was dependent on countries getting their health and economic policies right.

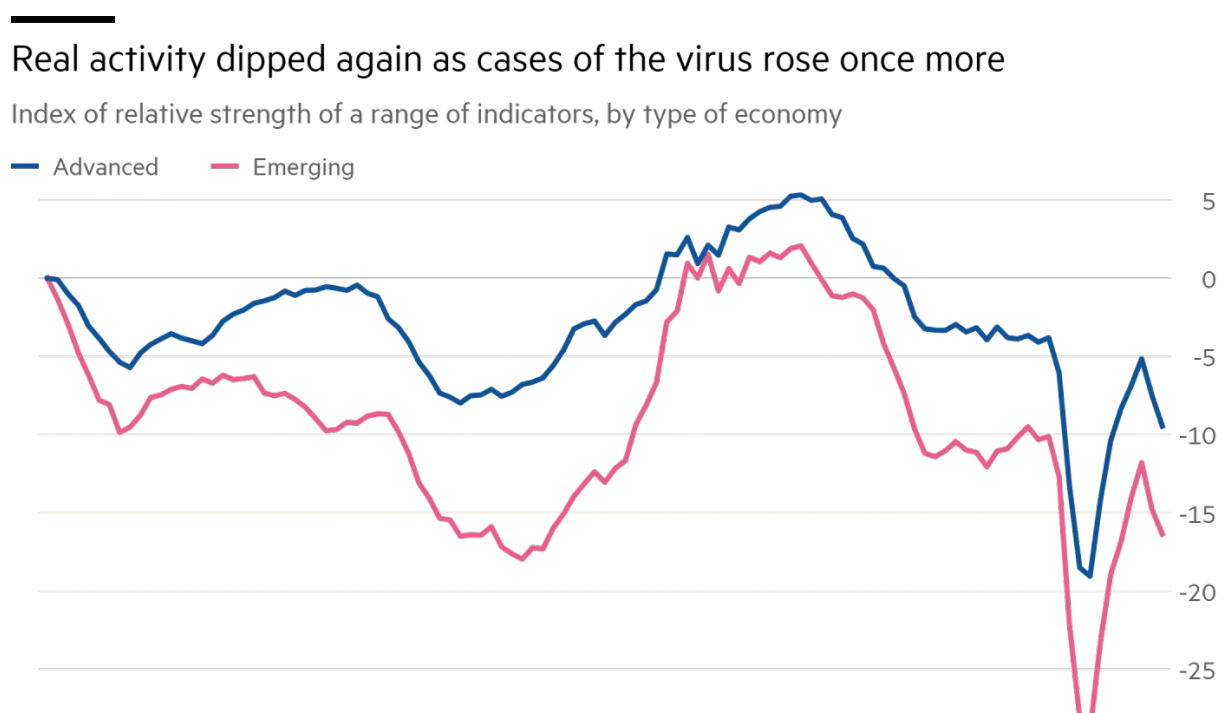
“The recipe for a strong and durable recovery remains the same as it has over the past year — resolute measures to control the virus coupled with balanced monetary and fiscal stimulus, with an emphasis on policies that support demand as well as improve productivity,” he added.

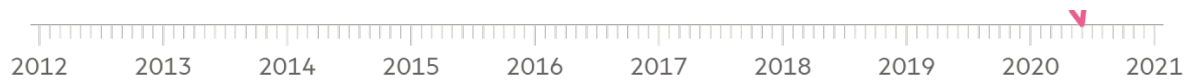
The US and China, the world’s two largest economies, are leading the global recovery, the index shows, but with different policy mixes. US growth is poised for a record year with output forecast to top pre-pandemic levels on the back of Joe Biden’s fiscal stimulus, which has put substantial financial firepower in the hands of most American households.

China’s economy has remained resilient with few outbreaks of coronavirus and the government is turning its attention to longer-term ambitions to boost consumption and the services sector.

But in Europe and much of Latin America, growth prospects are weak and IMF forecasts set to be published this week are likely to show their output has little prospect of reaching pre-pandemic levels until 2022.

Industrial production and trade has held up well across the world since the early months of the pandemic last year, though problems persist in consumer-facing services industries which are still widely affected by restrictions to control the spread of the pandemic.





Source: Brookings Institution

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“Indecisive policies are affecting consumer and business confidence in the weaker economies, adding to economic strains,” Prasad said.

With the dollar and US bond yields rising, economists fear that emerging economies with significant foreign currency exposure will struggle to service their debts.

IMF members will this week discuss efforts by the G20 group of leading economies [to relieve these debt burdens](#), along with efforts to develop a more durable Covid-19 vaccine supply and how best the global economy can recover from the crisis.

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