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Strong GDP Rebound Forecast After 2020's Steep Decline

A 4.8% surge in GDP next year will return global GDP to same level seen in 2019.

IC Insights recently released its *October Update* to the 2020 *McClean Report* that included an updated overview of its latest GDP forecasts for 2020 and 2021.

It is clear now, but the primary factor dragging on IC market growth this year is the severe downturn in the global economy due to ramifications associated with the Covid-19 outbreak. Figure 1 shows the severe impact the outbreak has had on the GDP growth rates of major countries/regions. Each country/region is forecast to see a steep decline in its GDP growth rate this year. The forecasted GDP growth rates range from -10.0% in the U.K. to China's positive 2.4%. Among all major countries/regions, only China is expected to register positive GDP growth this year, although its growth rate is down significantly from 6.1% in 2019. China was able to contain Covid-19 in the second quarter of this year and the country's economy has been on the mend since. Worldwide GDP is now forecast to decline 4.5% in 2020 compared to the 2.4% gain in 2019.

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Worldwide GDP Breakdown (2019-2021F)

Country/Region	2019 GDP Growth %	2019 GDP (\$ Trillions)	2019 (% of Total)	2020F GDP Growth %	2020F GDP (\$ Trillions)	2020F (% of Total)	2021F GDP Growth %	2021F GDP (\$ Trillions)	2021F (% of Total)
High Income Countries/Region									
U.S.	2.3%	19.03	21.8%	-4.0%	18.27	21.9%	4.0%	19.00	21.7%
Eurozone	1.1%	13.43	15.4%	-8.0%	12.36	14.8%	5.0%	12.97	14.8%
Japan	1.0%	6.38	7.3%	-5.1%	6.05	7.3%	1.5%	6.15	7.0%
U.K.	1.2%	2.82	3.2%	-10.0%	2.54	3.0%	7.0%	2.72	3.1%
Canada	1.6%	2.03	2.3%	-5.7%	1.91	2.3%	4.1%	1.99	2.3%
Other	1.6%	12.88	14.7%	-4.5%	12.30	14.7%	5.0%	12.92	14.8%
Total High Income	1.6%	56.57	64.7%	-5.5%	53.43	64.0%	4.3%	55.74	63.7%
Developing Countries	3.9%	30.85	35.3%	-2.5%	30.08	36.0%	5.7%	31.79	36.3%
Worldwide Total	2.4%	87.42	100.0%	-4.5%	83.51	100.0%	4.8%	87.54	100.0%
China*	6.1%	13.14	15.0%	2.4%	13.46	16.1%	7.5%	14.46	16.5%
India*	5.0%	2.90	3.3%	-9.0%	2.64	3.2%	8.0%	2.85	3.3%
Brazil*	1.1%	2.25	2.6%	-5.3%	2.13	2.6%	3.5%	2.21	2.5%

*Included in Developing Countries

Source: World Bank, IMF, IC Insights

Figure 1

On a brighter note, recent news of positive preliminary results for a Covid-19 vaccine and its distribution beginning next year has resulted in a much more upbeat outlook for 2021. Each major country/region is expected to rebound and show positive GDP growth next year. IC Insights now forecasts that global GDP growth will register a 4.8% gain in 2021, a huge 9.3-point turnaround from the disastrous rate in 2020. It is worth noting, however, that even with such an upturn, global GDP would reach \$87.54 trillion in 2021, essentially flat with 2019's \$87.42 trillion level.

Some observations made regarding worldwide GDP are shown below.

- Worldwide annual GDP growth has averaged **2.8%** since 1980.
- Currently, worldwide GDP growth of **2.5%** or less is considered by most economists to be indicative of a *global recession*, which puts 2019's 2.4% global growth rate below the threshold. Prior to the late 1990s, when emerging high-growth markets like China and India represented a much smaller share of the worldwide economy, a global recession was typically defined as growth of **2.0%** or less. In general, the global recession threshold has never been a "hard and fast" rule, but the guidelines discussed here are useful for this analysis.
- Worldwide annual GDP growth rarely goes negative. The 2020 global GDP is forecast to show a 4.5% decline. The previous negative worldwide GDP years were 2009 and 1946.
- The global GDP growth rate has rarely gone above 5.0% since an associated surge in oil prices often acts as a strong limiting factor.
- Individual developed country/regional (e.g., the U.S., Germany, Japan, etc.) recessions are typically defined as two or more consecutive quarters of *negative* changes in GDP.

The IC industry has been one of the few industries to weather the Covid-19 storm in 2020. When the outbreak started earlier this year, it was expected that IC sales would fall fast and far. While there was a steep decline, it was temporary. Many IC product segments have been resilient and are forecast to show positive growth (or not as steep as previously expected) this year. The strong GDP growth rates forecast for next year should translate into a very good growth year for IC market as well. IC Insights is fine-tuning its forecasts for all IC product segments for 2021 and beyond, and will release those in its 2021 edition of *The McClean Report*.

Report Details: *The 2020 McClean Report*

Additional details on economic and IC market trends are provided in *The McClean Report—A Complete Analysis and Forecast of the Integrated Circuit Industry*. A subscription to *The McClean Report* includes **free** monthly updates from March through November (including the 180+ page *Mid-Year Update*), and **free** access to subscriber-only webinars throughout the year. An individual-user license to *The McClean Report* is priced at \$4,990 and includes an Internet access password. A multi-user worldwide corporate license is available for \$7,990.

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IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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