

The chance of a global downturn is growing

Published: January 13, 2026, 2:13 am

There is nothing like fear to spook markets. And the closer fear is to home the bigger the spook potential.

That's why Coronavirus has now [got to the stock market](#). When it was far off China, and relatively remote South Korea it was one thing. Now it's in Italy it's another, altogether.

The result? As I write some parts of the stock market are down 10% or so. The parts relate to tourism, to Italy in particular, but Europe more generally. People, whether rationally or not, think other people will be deciding not to travel any time soon. And the result is the beginning of an economic wobble. All downturns happen because of such things. This might just be the start of the long awaited next global downturn for which we are well overdue. But if (and I stress the if) it is, it's not the cause of it.

The reason why concern about tourism is not the cause of the next global downturn should be obvious. Tourism is important, but not that important unless you're an airline shifting people to their destinations, or are the destination location. The reality is that tourism will still happen: people (here at least) will simply stay at home, but will still go on holiday. That's bad news for the tourist destinations but good news for the UK. This is not enough to create a downturn in itself then, I suggest.

The downturn, if it happens, comes for much more fundamental reasons. And that is that unless things change very rapidly it is not just tourists who will not be travelling; it will be goods that will not be moving. The prospects of that happening seem to me to be growing, even if the outbreak gets not much worse than it is now. That is because stocks of Chinese products are already running out in some sectors and new ones are either not being made, or are not getting out. And in an interrelated, globalised world, where maybe 25% of all products that we rely on are made in China, and the components for many more (including essential supplies, such as some drugs) originate there this is the real cause for economic concern. What amazes me is that markets have not already really reacted to this, as if such fundamental things as good moving are of no consequence to financial markets until it impacts on someone's holiday plans.

I am not saying that Coronavirus will cause the next global downturn. I am saying that it is looking increasingly likely that it will.

And if it does it will be something much more significant than that: this will be the biggest challenge globalisation will have seen to date. If that happens we're heading for a transition to a new type of global economic relationship faster than anyone has expected.

What was that saying about living in interesting times?