

Will the COVID-19 pandemic be a start of a global depression?

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"The Ideal Storm: The Global Economy in the Greater Recession"

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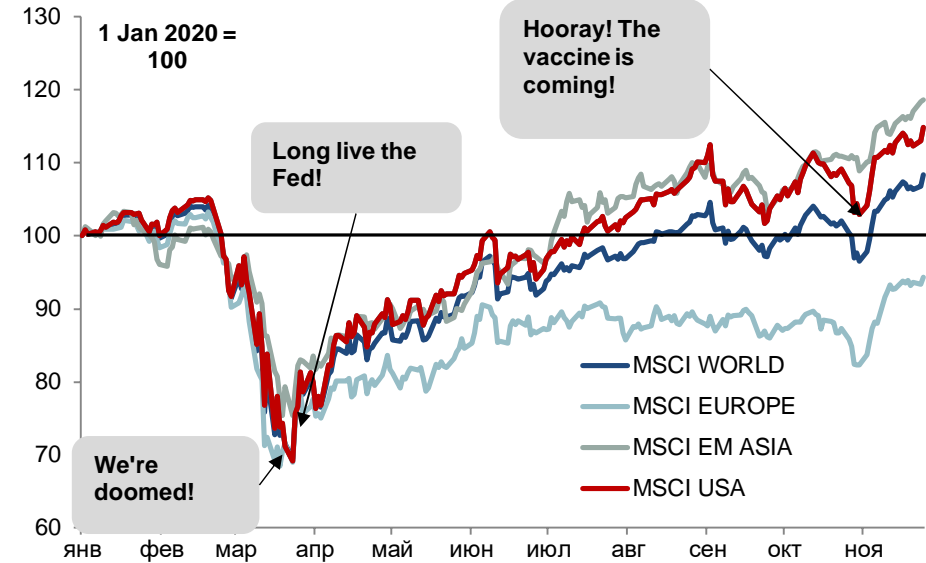
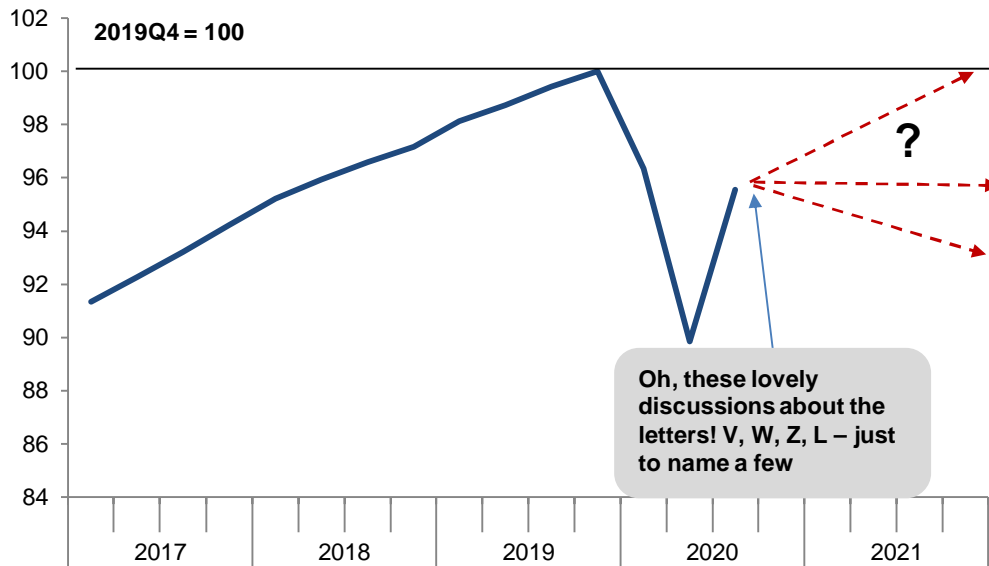


Institute for Energy
and Finance Foundation

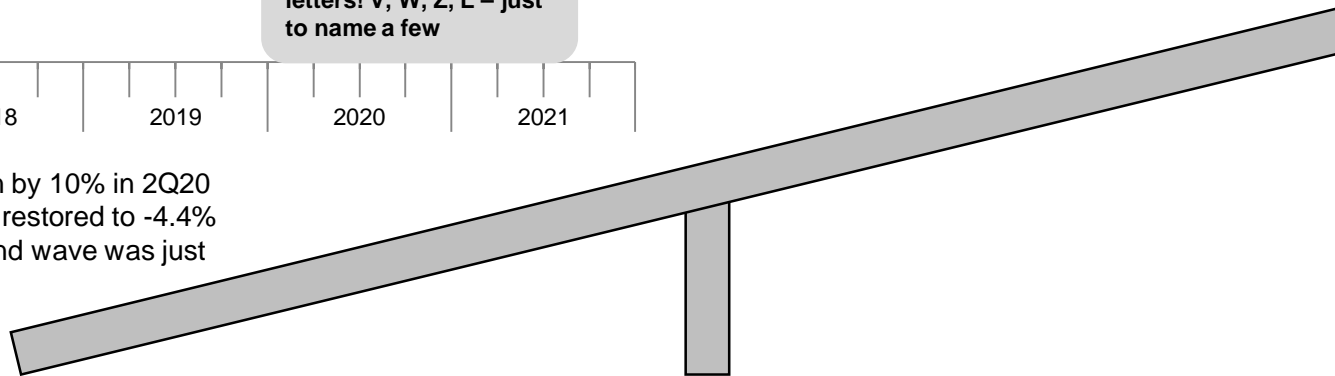
Who will be right eventually? Mr Market or ...

Equity markets performance in 2020

Global GDP, real terms

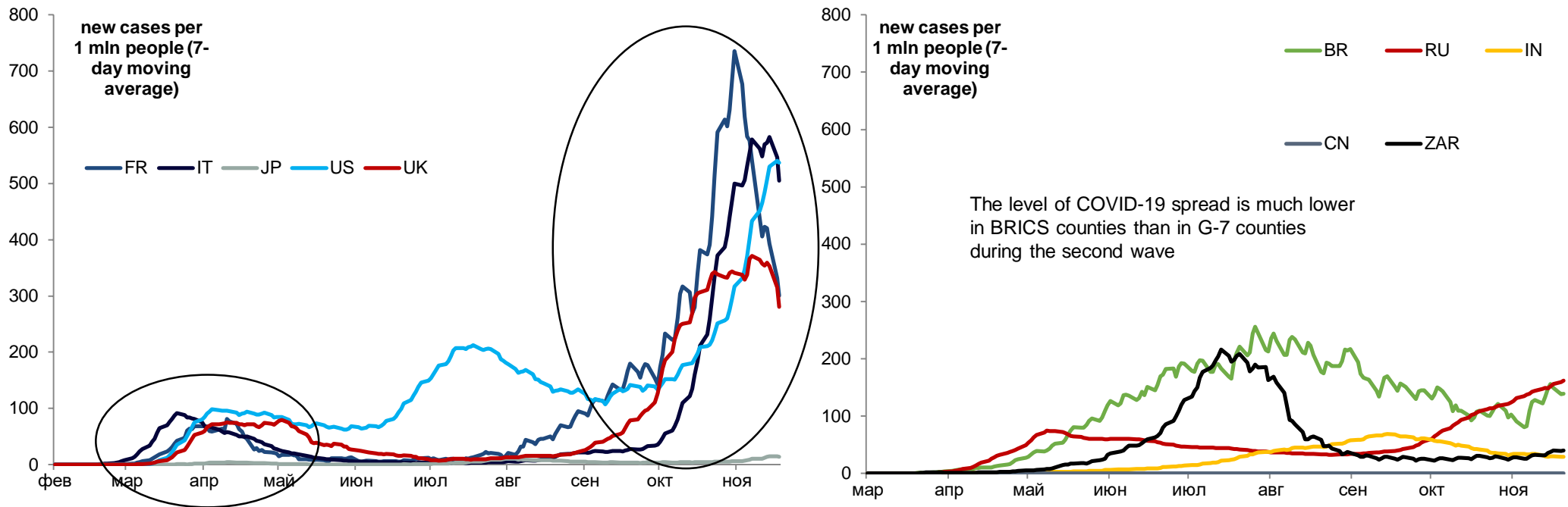


Global GDP was down by 10% in 2Q20 compared to 4Q19. It restored to -4.4% in 3Q20. But the second wave was just coming back then ...



The "Second Wave" is already there ...

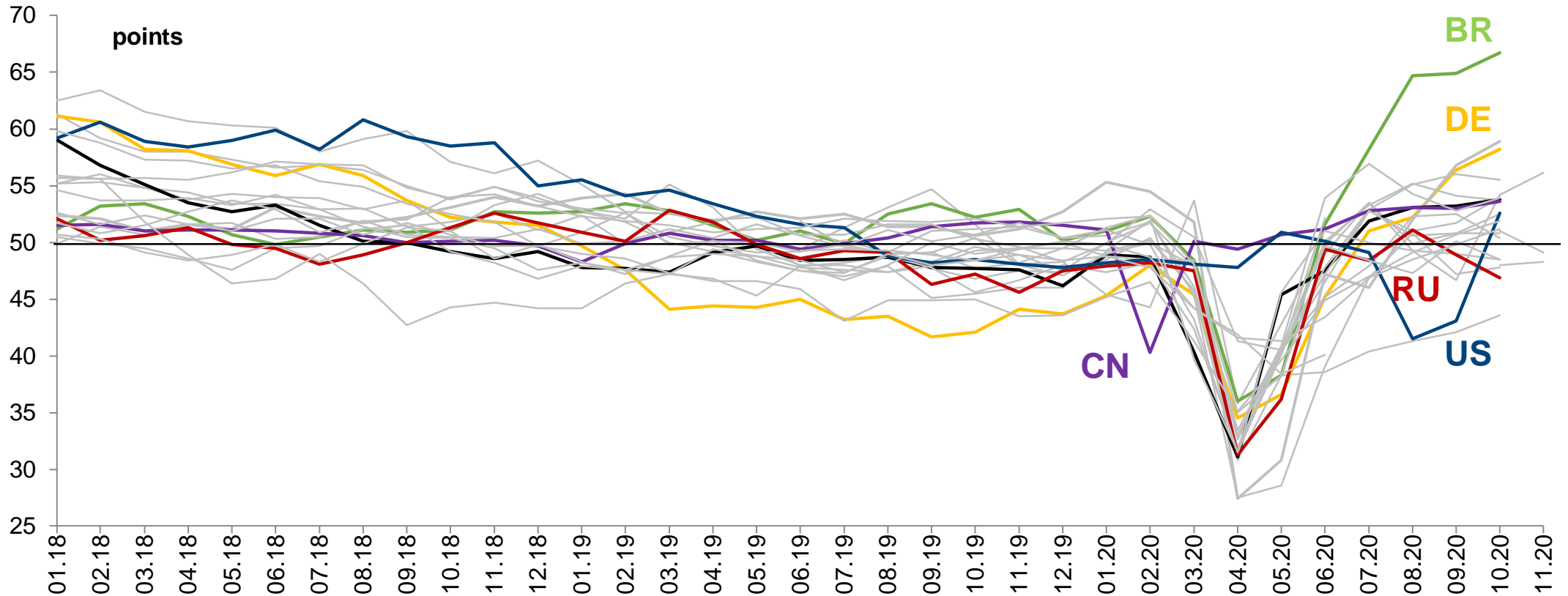
Daily new COVID-19 confirmed cases in G-7 countries and BRICS



- ▶ The second wave of COVID-19 has started in major economies in August-September. Based on confirmed cases, the spread of COVID-19 is larger than was in spring.
- ▶ The spread of the pandemic is lower in BRICS countries based on new cases data adjusted for population size. Does it reflect different levels of testing? Or does it mean that the worst is yet to come?

But maybe the recession is over?

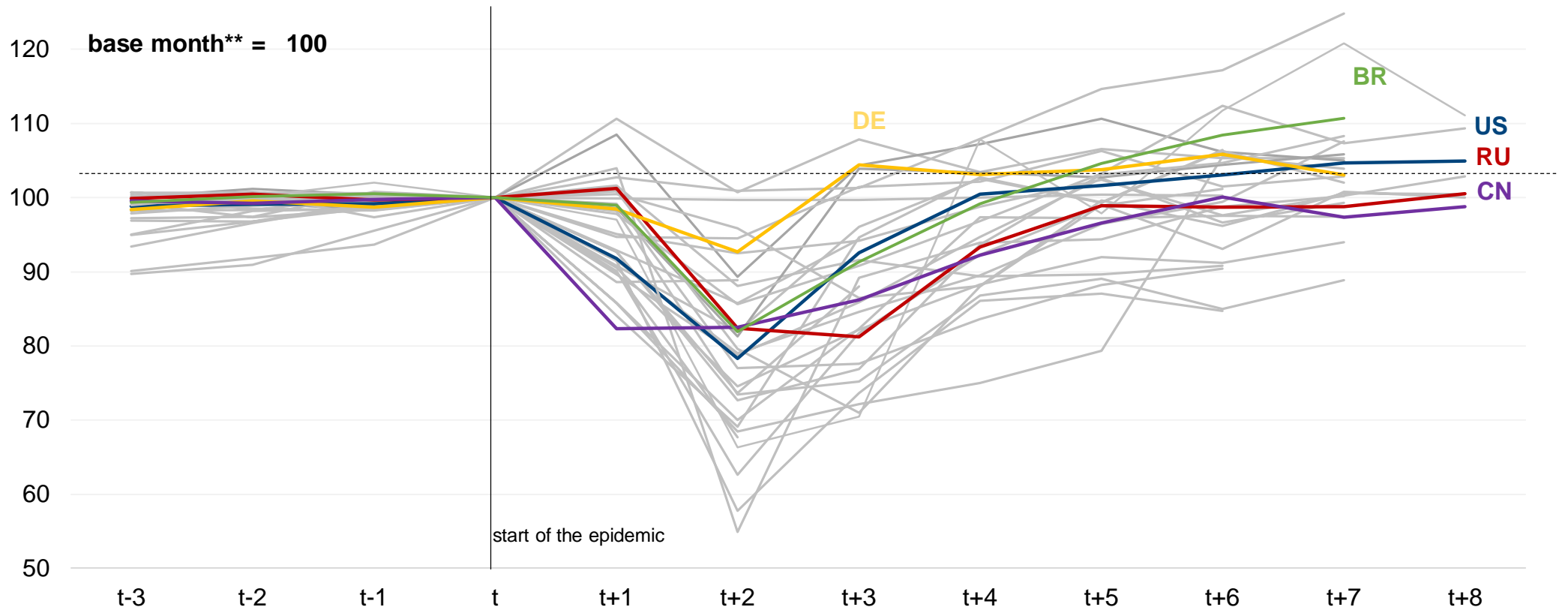
Manufacturing PMI data (>50 means improving conditions according to surveys of business managers)



* The country sample consists of 23 countries where Markit PMI data is available
Source: Thomson Reuters, HSE

There is a wide variability of recovery paths

Retail sales, monthly data



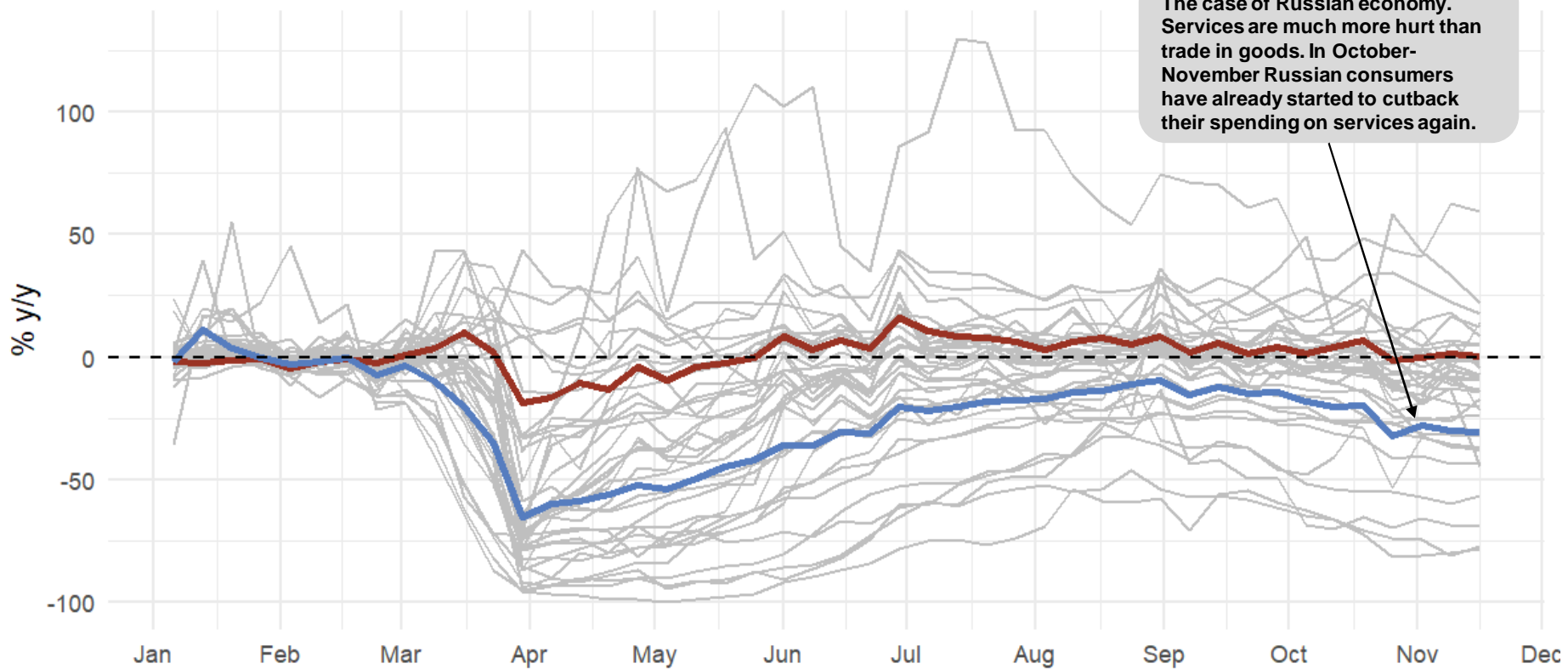
* The country sample consists of 31 countries with population larger than 10 mln people for which monthly retail data is available.

** Base month is a month when number of confirmed cases exceeded 1000. For most countries it's February 2020.

Source: national statistics, Thomson Reuters, HSE

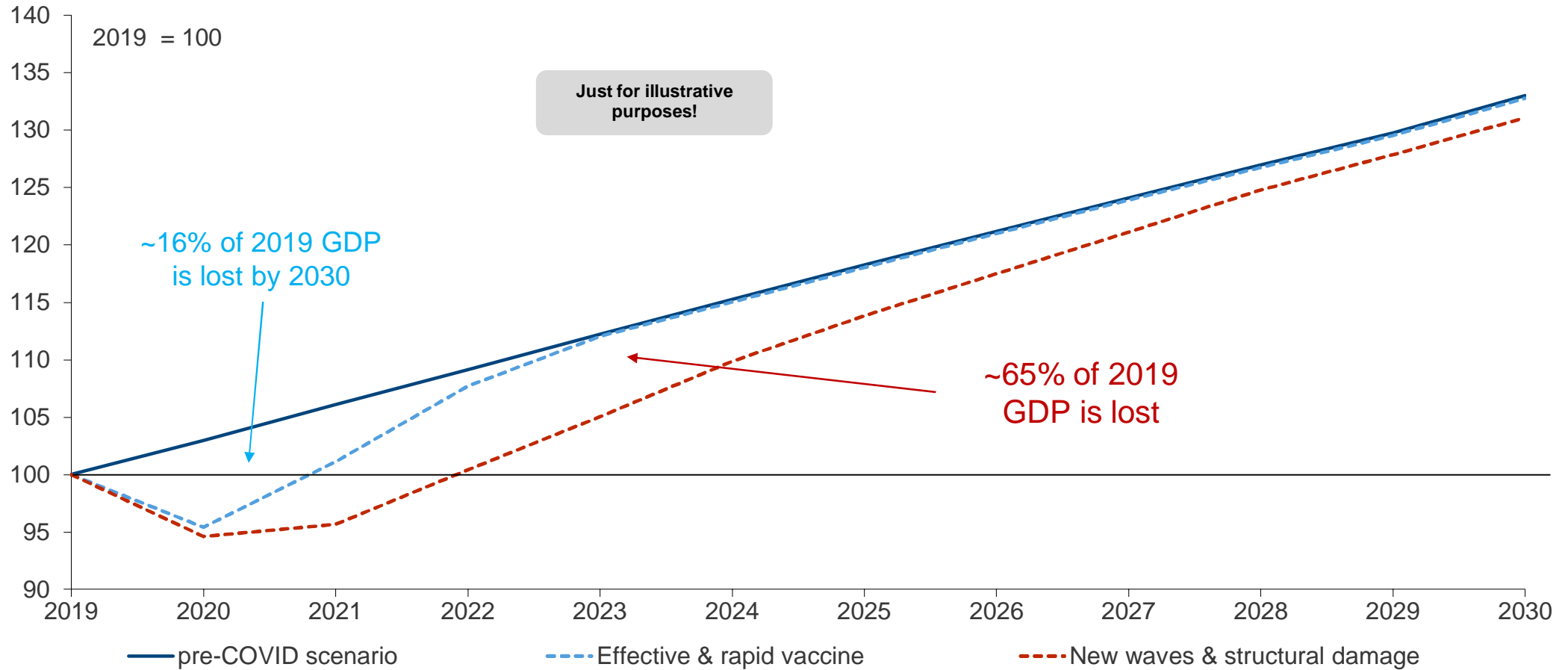
The story is different is for various categories

Consumer spending by category - Sberbank Index
red - goods, blue - services



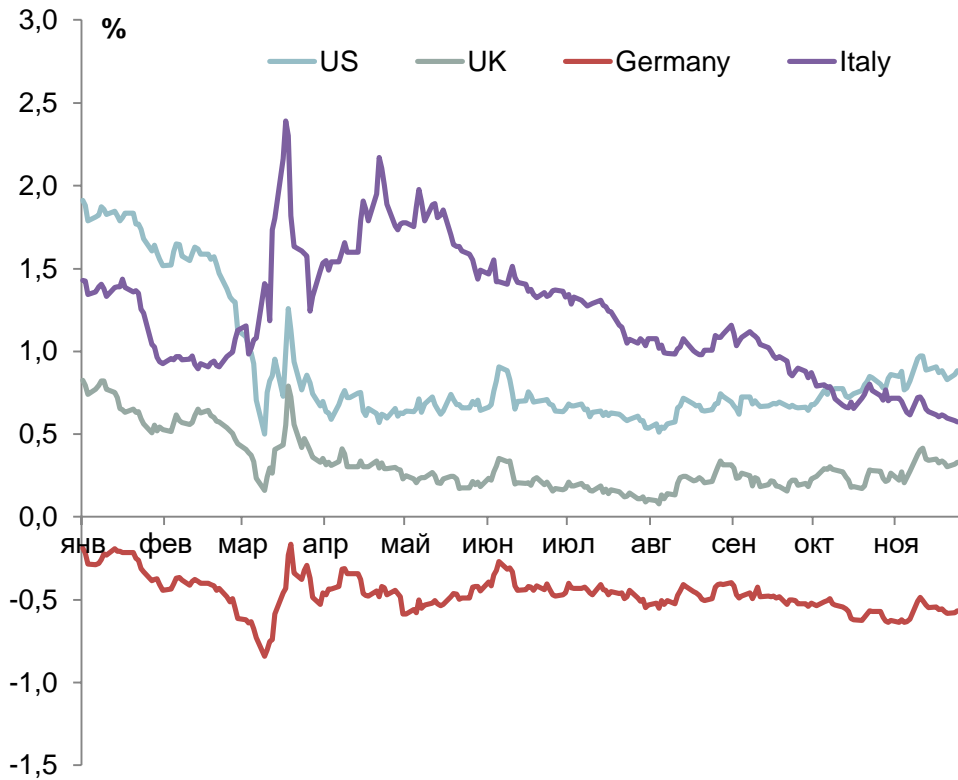
What will the 2020s look like?

Possible pathways for global economy in longer run

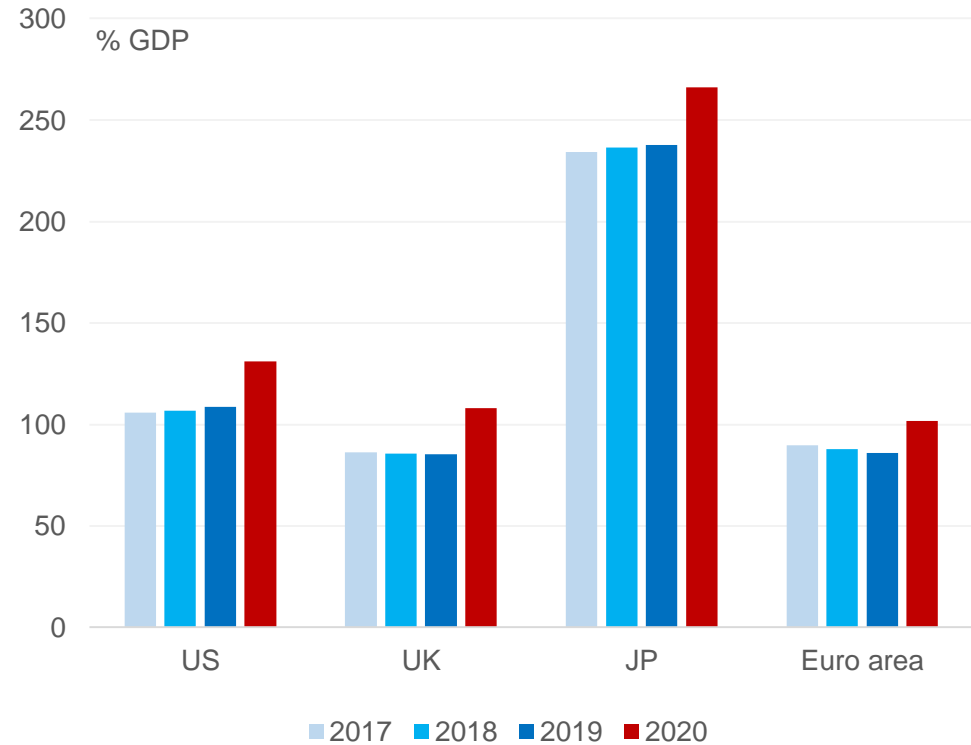


Will be debt overhang the next problem for the economy?

10Y Govt bond yields



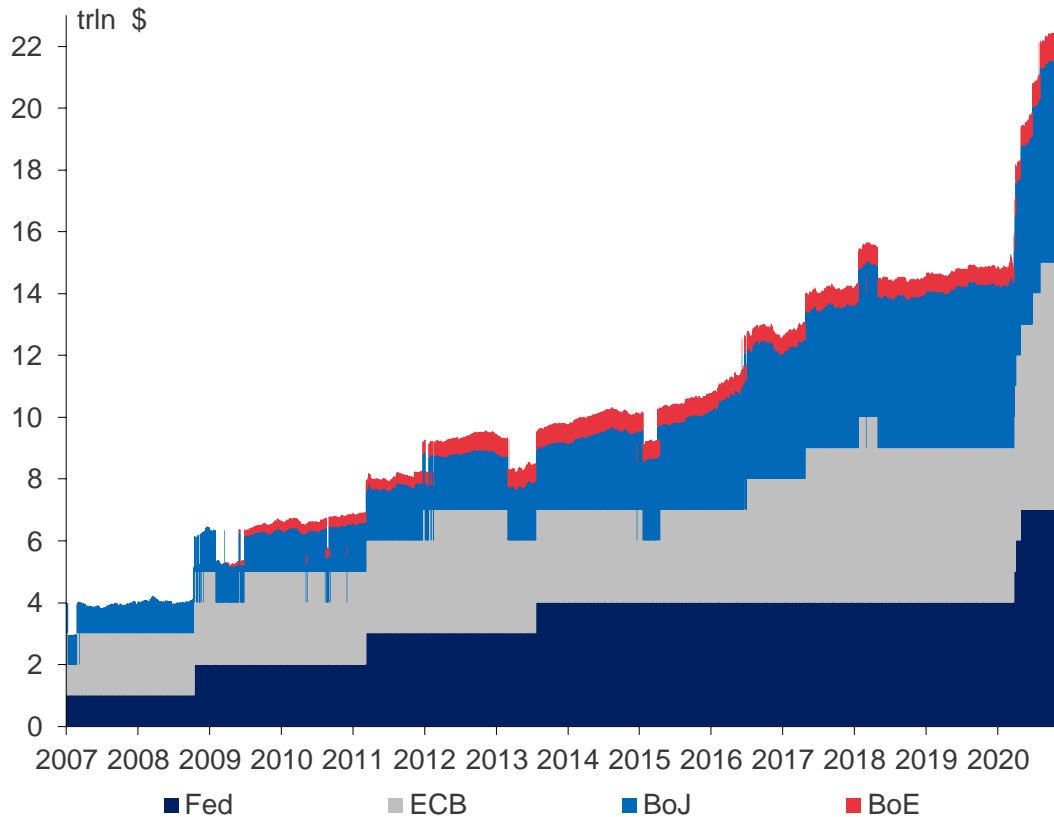
Government Gross Debt, 2017-2020



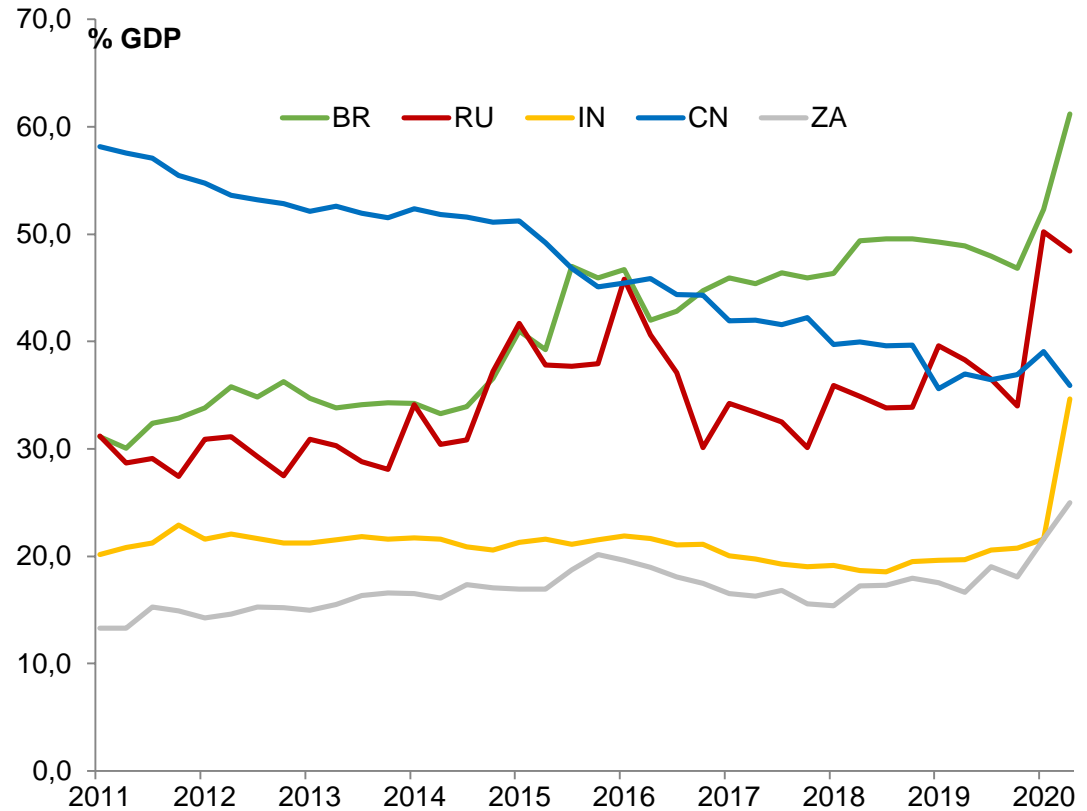
Source: Datastream

Central banks injected massive amount liquidity to support the markets

Major central banks assets



BRICS central banks assets



Source: Datastream, national central banks