Macro snapshot

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Thursday, June 4 2020
Forecasting is hard, especially when its about the future

V-shaped recovery looks unlikely for the global economy. U-shaped or “checkmark” more likely.

Chart 3
Global Growth Forecasts Deteriorate Since March; Recovery by Mid-2021 Appears Check Mark-Shaped
Index, fourth quarter 2019 = 100

Source: Federal Reserve Bank of Dallas
Canada: L U V recovery?   All of the above

Worth remembering: Any macro recovery story is an aggregation of different micro stories

Chart 2: Industries in the 'I' Group Unlikely to Reach Pre-crisis Activity Level in Near-term

Chart 3: Activity Expected to Recover Gradually for Majority of Industries

Chart 4: A Slice of Industries Are Likely to Get Back to Normal Quickly

7 industries, ~ 10% of GDP

30 industries, ~ 60% of GDP

12 industries, ~ 30% of GDP

Source: TD Economics
US GDPNow estimates for Q2 still worsening...

Fiscal programs are holding up incomes for now, but consumer spending is way down.

Source: Federal Reserve Bank of Atlanta
Are you an optimist or a pessimist?

US initial job claims still rising, but at a lower rate. Total since March 21st now up to 42.6 million.

Source: TradingEconomics.com | U.S. Department of Labor
From March 2020 to June 2020

1. We are all Sweden(s) now
   - From homogeneity to heterogeneity in virus containment strategies
   - Both national and sub-national variation in lockdown / opening (BC v. Ontario)

2. If we open, will they come?
   - As lockdowns are lifted, consumers will decide our economic fate
   - And consumer spending looks like it has changed, maybe fundamentally

3. Double bind: Demand side for some sectors, supply side for others
   - Fractured and disrupted supply chains
   - Business model viability @ 50-90% capacity utilization?
Savings rates rising across advanced economies

Job or income insecurity. Not being allowed to shop. Fear of shopping, even if allowed

US: Personal savings rate

Canada: Household savings rate

SOURCE: TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS
SOURCE: TRADINGECONOMICS.COM | STATISTICS CANADA
Only 14% of consumers say they would resume travel as soon as restrictions are lifted

Passenger confidence key to the post-COVID-19 recovery in air travel

Returning to Travel After Containment Announcement

Source: IATA
Three big macro changes from March to June

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Sorry to say, your business model may be borked…

The world will be different post-COVID 19. Welcome to the “no fun” economy.

• Can these businesses, running at 50-90% capacity, ever turn a profit?
  – Restaurants and bars
  – Cinemas
  – Airlines
  – Cruise ships
  – Training and education
  – Live entertainment

• And what happens to prices?

• Will, e.g. flying, return to a “rich people only” activity as it was long ago?