

The multi-speed recovery

The “K” shaped bounce in charts

Economics
Global

- ◆ As more economic data point to a rebound in Q3...
- ◆ ...the recovery is far from broad-based...
- ◆ ...as many sectors, countries and people are missing out

The economy is either recovering quickly or it's not recovering at all, depending on who you ask. Those with non-furloughed jobs, able to work from home and who own assets may sense recovery, but those who have lost their jobs or who fear unemployment and those who live in a country with a rising number of COVID-19 cases may tell a different story.

And that is the story of the recovery so far – patchy. If you want a letter, a 'K' shape is probably best, with some things coming back quickly and others not really at all. The number of scheduled flights across the world is still 50% lower than a year ago, despite a good headline print in August. Employment is still more than 7% lower in the US than in February and even in mainland China total retail sales are lower than they were this time last year.

The economic impact of this crisis is falling on the most vulnerable. In emerging markets, the hit to incomes has been greater than in most developed economies, while in the US, 5% of people are reporting not having enough to eat while 24% of low-income renters are very worried about making their payments.

At the same time we see the stock market close to all-time highs, house prices soaring in many parts of the world and retail sales climbing. GDP prints in Q3 are likely to look like impressive rebounds from the Q2 collapses, but they may come at a time when unemployment is rising in some places, many businesses are at risk of bankruptcy and COVID-19 related risks are still increasing in many parts of the world.

There is also a clear sectoral divide. The global manufacturing and services PMI have been pretty much identical in the past two months, but after a much deeper fall in services activity, the fact that the rebound hasn't been stronger does not bode well. Consumer spending on goods has held up, but lags on services, with more than 60% of recreation firms in the US reporting a large negative impact on their business.

But while this sort of 'recovery' may look good in the monthly activity data or the GDP prints, concerns around the future are growing. Jobless numbers are only likely to increase. Income inequality is also rising. This will only serve to widen political divides and make the economy more vulnerable to further shocks.

Policy will have to respond. We've seen a few announcements in recent weeks of packages to support the recovery – and it's likely that more will follow. Without them, the scarring from this crisis will only get deeper and the divide between the relative winners and losers will only widen.

This is a redacted version of the report published on 7-Sep-20. Please contact your HSBC representative or email AskResearch@hsbc.com for information.

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Disclosures & Disclaimer

This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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Cases per million, 1 week moving average (Economies with >50k total cases)

Low number High number

2. In most parts of the world consumers are returning (slowly) to retail and recreation spaces, but transit and workplaces remain relatively empty

% change from baseline	Retail & Recreation							Transit Stations							Workplaces						
	7 Jun	21 Jun	5 Jul	19 Jul	2 Aug	16 Aug	Latest (30 Aug)	7 Jun	21 Jun	5 Jul	19 Jul	2 Aug	16 Aug	Latest (30 Aug)	7 Jun	21 Jun	5 Jul	19 Jul	2 Aug	16 Aug	Latest (30 Aug)
Developed Markets																					
US	-19	-14	-14	-15	-14	-15	-14	-33	-28	-28	-28	-28	-29	-29	-30	-29	-36	-31	-31	-31	-30
Canada	-27	-19	-14	-13	-11	-11	-8	-48	-43	-42	-42	-41	-40	-37	-34	-30	-36	-31	-34	-31	-30
UK	-63	-53	-47	-35	-28	-21	-12	-54	-50	-46	-41	-38	-39	-35	-47	-41	-39	-36	-38	-37	-35
Germany	-23	-12	-6	-4	-3	-5	-1	-29	-20	-18	-17	-17	-17	-16	-26	-13	-15	-17	-24	-24	-20
France	-28	-18	-11	-7	-7	-7	-5	-37	-26	-18	-17	-14	-18	-16	-27	-18	-18	-31	-27	-40	-29
Italy	-28	-17	-12	-8	-7	-5	-2	-38	-29	-25	-20	-20	-19	-25	-33	-21	-20	-18	-20	-41	-28
Spain	-41	-27	-17	-18	-18	-17	-16	-42	-35	-29	-29	-32	-36	-39	-32	-25	-22	-21	-23	-32	-29
Sweden	-5	-11	2	2	6	-3	2	-24	-25	-26	-22	-23	-18	-16	-17	-31	-30	-43	-43	-27	-20
Norway	-12	8	10	11	5	1	0	-26	-12	-18	-18	-18	-15	-17	-25	-17	-29	-44	-43	-28	-20
Japan	-18	-11	-12	-12	-13	-1	-10	-29	-24	-22	-23	-23	-32	-24	-13	-12	-10	-11	-11	-43	-12
Australia	-19	-15	-13	-13	-17	-22	-19	-42	-39	-39	-42	-42	-46	-43	-18	-14	-18	-20	-16	-21	-19
New Zealand	-20	-12	-9	-3	-5	-21	-24	-44	-36	-32	-30	-25	-42	-49	-14	0	-1	-10	1	-12	-15
City States																					
Hong Kong	-17	-11	-11	-28	-42	-34	-26	-22	-16	-19	-30	-39	-33	-27	-7	-3	-12	-18	-32	-28	-21
Singapore	-58	-48	-30	-28	-23	-22	-19	-55	-47	-37	-36	-35	-34	-29	-45	-36	-30	-28	-32	-29	-21
Emerging Markets																					
India	-64	-59	-58	-61	-57	-51	-42	-40	-39	-40	-43	-39	-39	-36	-31	-30	-31	-32	-32	-31	-28
South Korea	-5	-4	-5	-6	-5	-1	-19	-4	-4	-6	-8	-9	-7	-25	-3	-1	-2	-3	-8	-12	-12
Indonesia	-29	-23	-18	-18	-18	-14	-7	-49	-41	-36	-37	-33	-31	-34	-27	-19	-20	-17	-27	-18	-17
Malaysia	-44	-32	-24	-23	-21	-20	-12	-48	-28	-23	-27	-18	-30	-25	-23	-20	-17	-14	-30	-13	-15
Philippines	-62	-53	-50	-49	-50	-55	-43	-60	-57	-58	-58	-59	-65	-58	-41	-37	-37	-37	-41	-40	-38
Saudi Arabia	-37	-38	-21	-23	-20	-20	-17	-62	-61	-52	-51	-51	-49	-49	-28	-26	-22	-21	-40	-22	-22
UAE	-40	-38	-29	-27	-20	-23	-19	-53	-52	-48	-47	-46	-43	-42	-29	-24	-21	-20	-37	-19	-19
Turkey	-29	-25	-17	-16	-18	-14	-11	-24	-24	-14	-14	-10	-9	-12	-17	-15	-12	-15	-35	-18	-17
Russia	-19	-11	-5	-3	-3	1	9	-21	-10	-6	-3	-3	0	3	-21	-18	-23	-21	-22	-22	-21
Poland	-13	-9	0	5	6	5	17	-30	-27	-17	-14	-11	-13	-13	-12	-12	-13	-16	-20	-28	-17
Mexico	-51	-45	-42	-38	-36	-32	-26	-53	-49	-46	-44	-43	-40	-39	-32	-27	-28	-28	-29	-27	-26
Brazil	-46	-43	-41	-38	-34	-29	-18	-42	-39	-37	-34	-32	-29	-26	-19	-16	-16	-15	-13	-12	-9
Argentina	-68	-62	-62	-57	-55	-50	-50	-54	-52	-57	-53	-51	-47	-50	-26	-27	-26	-24	-23	-21	-23

Key (Amount of time spent in each location vs baseline levels for Jan/Feb 2020)

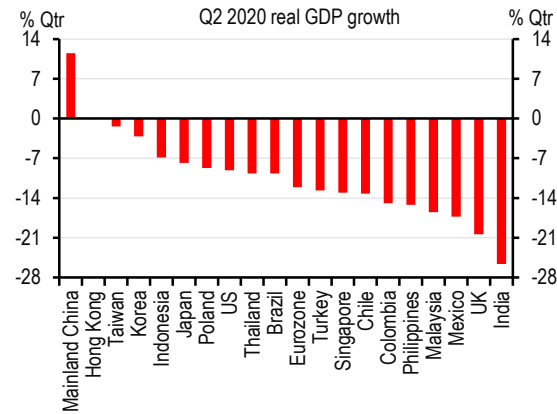
Low

High

Source: Google LLC "Google COVID-19 Community Mobility Reports," HSBC. Note: Changes for each day are compared to a baseline value for that day of the week: The baseline is the median value, for the corresponding day of the week, during the 5-week period 3 January–6 February 2020. Dates used are two-week intervals back from latest data.

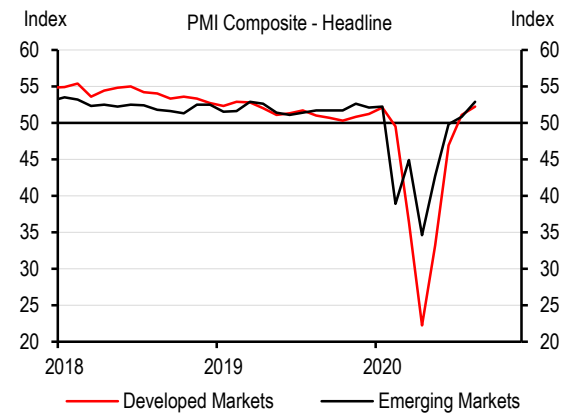
EM vs DM – lockdowns hurt more in emerging markets

3. We saw very sharp contractions in most emerging markets in Q2...



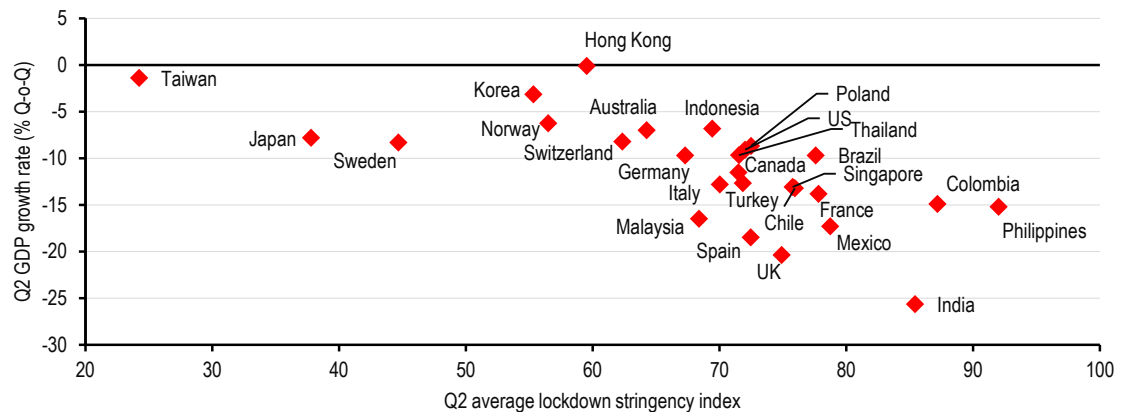
Source: Refinitiv Datastream. Note: EM economies plus major DM shown.

4. ...although EM PMIs have recovered, mainly due to mainland China

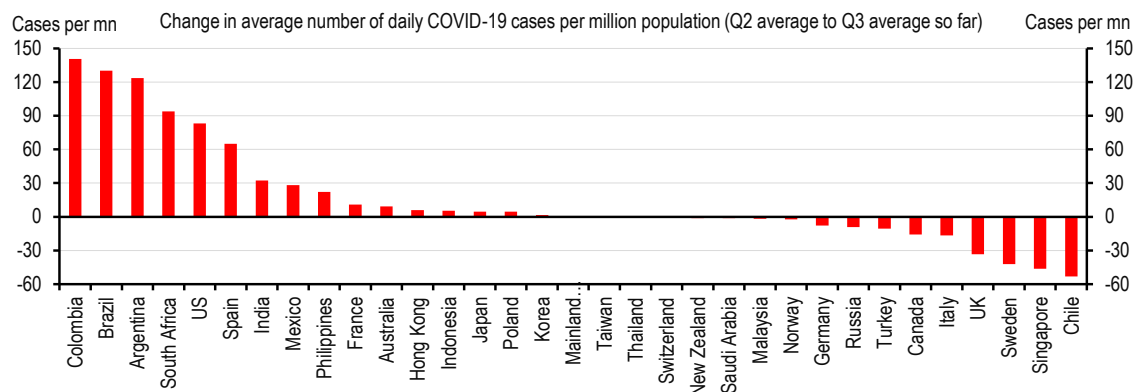


Source: Markit Economics

5. Lockdowns had a clear impact on Q2 GDP



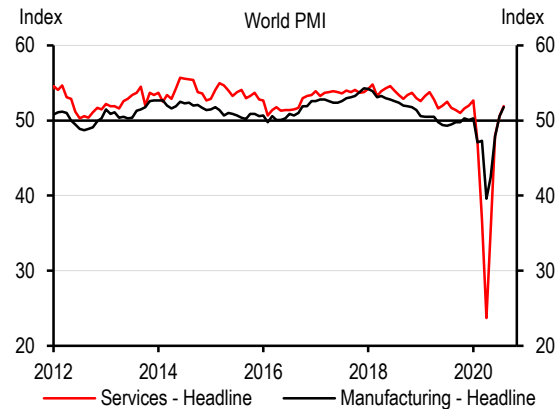
6. The development of COVID-19 cases could weigh on more emerging markets than developed in Q3



Source: ECDC, HSBC

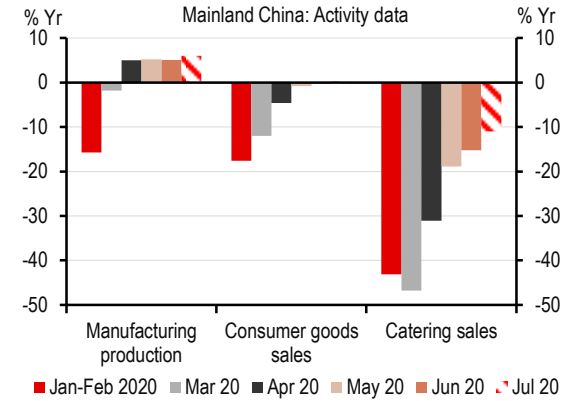
Manufacturing is faring better than services

7. The global manufacturing and services PMIs are in tandem, despite a deeper drop in services



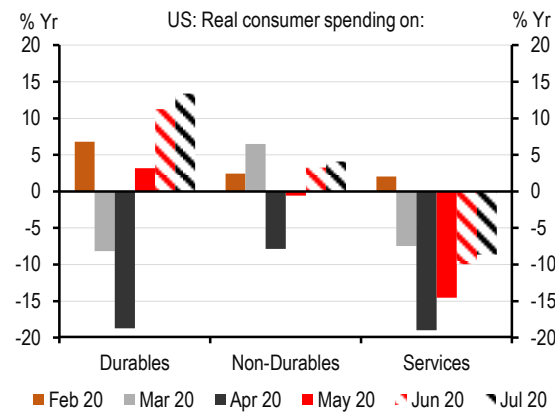
Source: Markit Economics

8. Mainland China's rebound is still manufacturing-heavy



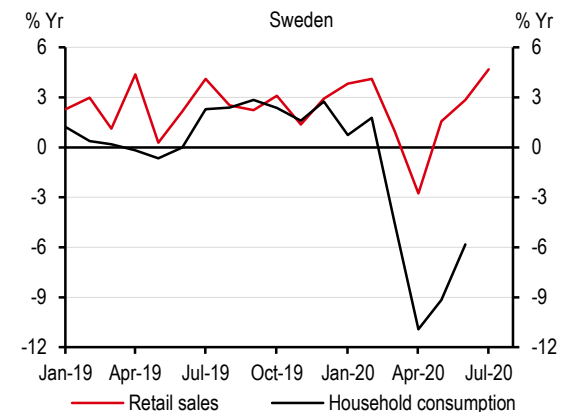
Source: Refinitiv Datastream

9. US consumers have started spending more on goods, but not services...



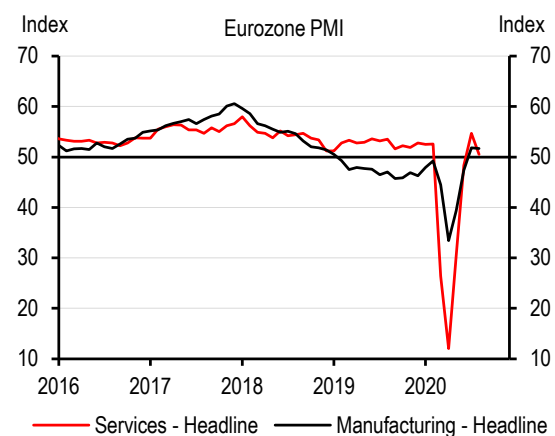
Source: Refinitiv Datastream

10. ...and Swedes have done the same without a lockdown



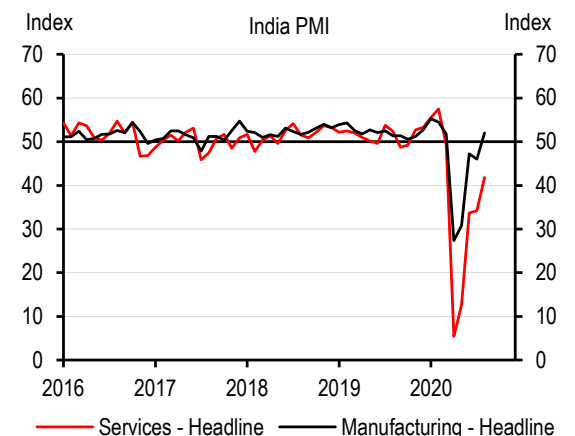
Source: Refinitiv Datastream

11. The eurozone services PMI edged back in August as cases picked up...



Source: Markit Economics

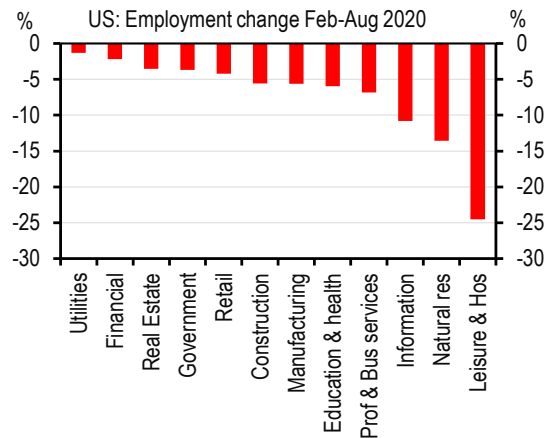
12. ...and in India the difference in recoveries is even starker



Source: Markit Economics

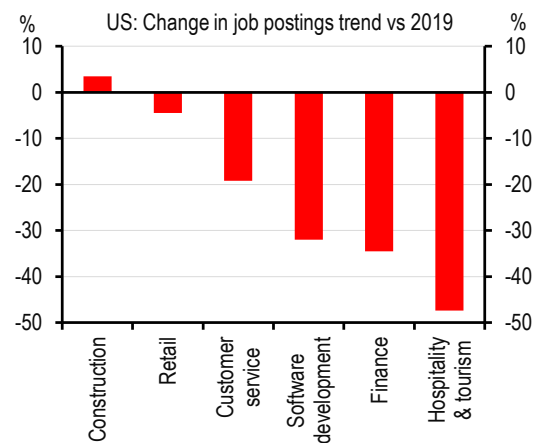
Some sectors are bouncing back, others are not

13. Some sectors are still missing a lot of workers...



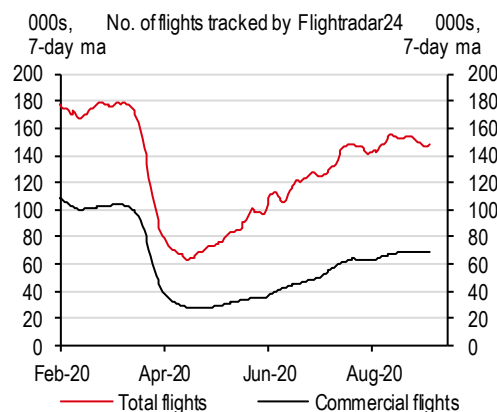
Source: Refinitiv Datastream

14. ...and some sectors aren't hiring



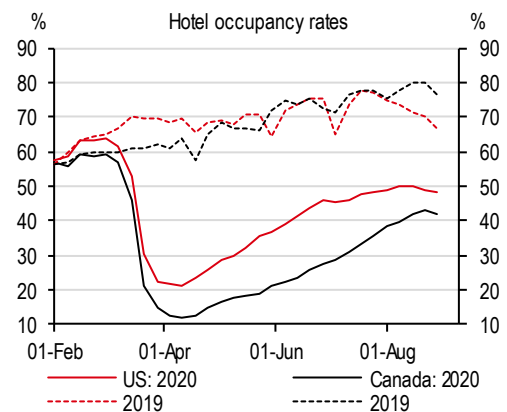
Source: Indeed. Note: Data through to 29 August 2020.

15. Flight numbers are still depressed...



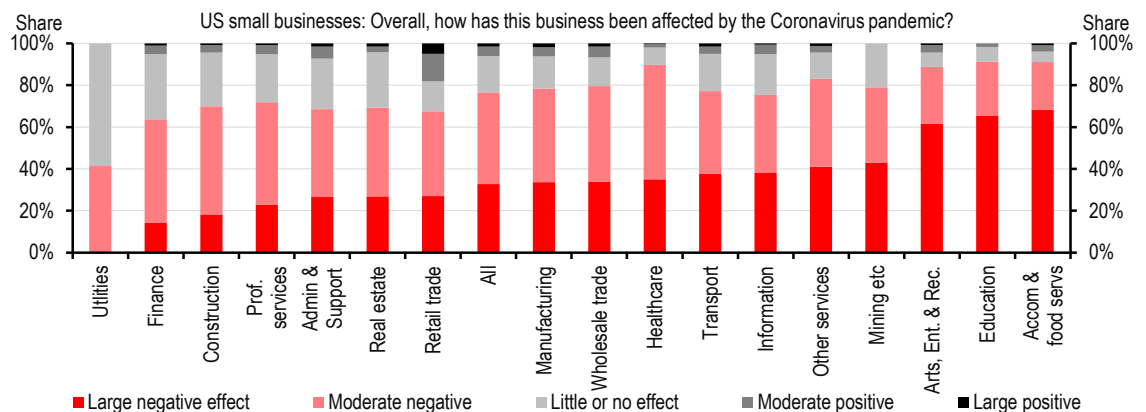
Source: Flightradar24, HSBC. Note: Global flights

16. ...and hotel bookings aren't much better



Source: STR, HSBC

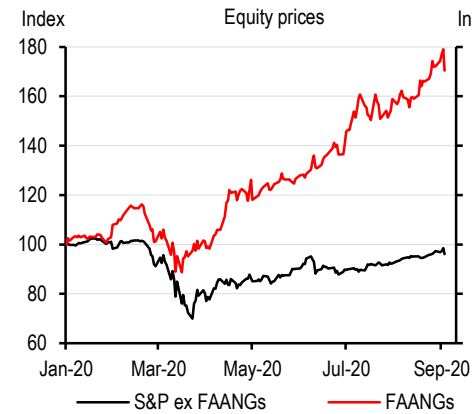
17. The divergence in impact across sectors is clear to see



Source: US Census Bureau, Small Business Pulse Survey. Note: Data to 29 August.

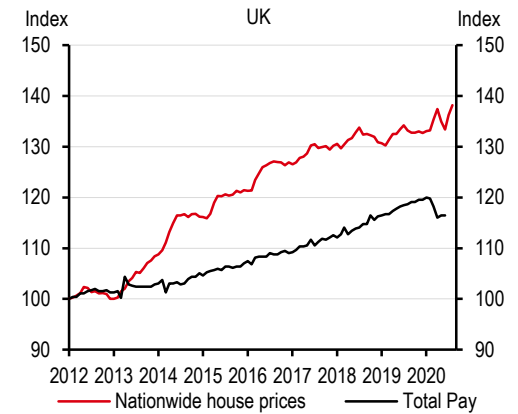
Some people aren't seeing a recovery

18. If you own parts of the stock market, there's a clear recovery...



Source: Refinitiv Datastream

19. ...or if you own a home



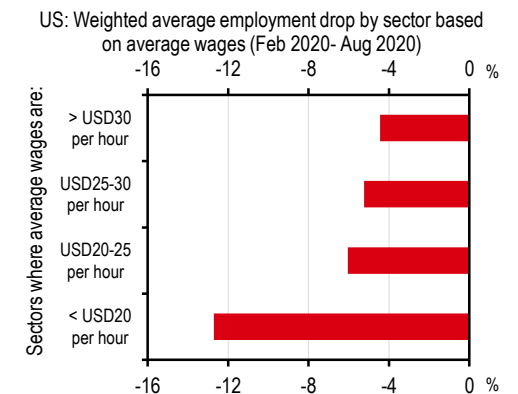
Source: Refinitiv Datastream

20. More US job losses are becoming permanent...



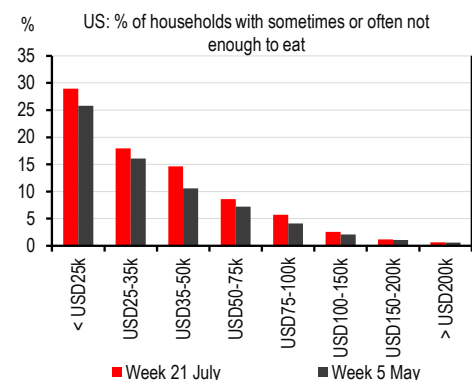
Source: Refinitiv Datastream

21. ...and it's low-paid jobs that are still down a lot



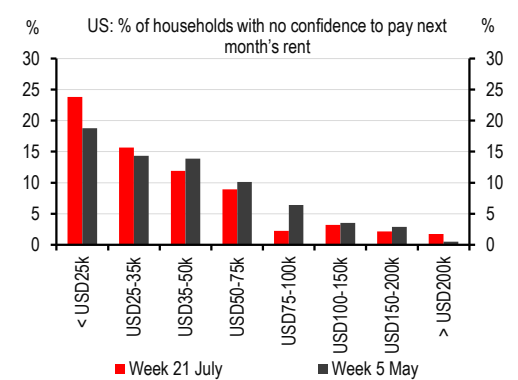
Source: Refinitiv Datastream

22. Food poverty is high, and up, in the US...



Source: US Census Bureau Household Pulse survey. Note: Latest survey is to 21 July

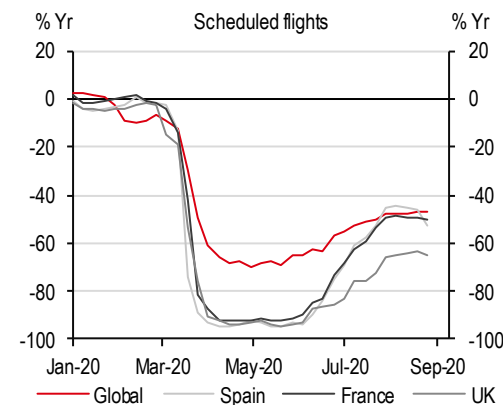
23. ...and many don't feel comfortable with their ability to pay rent



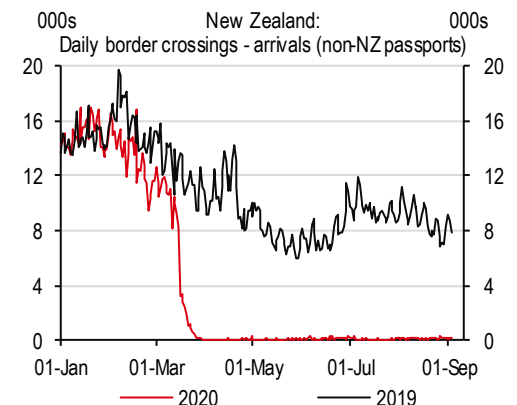
Source: US Census Bureau Household Pulse survey. Note: Latest survey is to 21 July

Tourism: Economies or jobs that rely on tourism aren't seeing a recovery

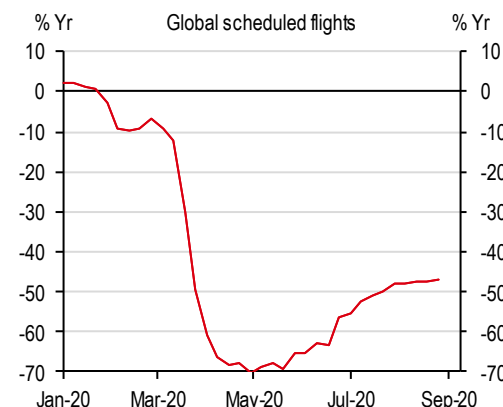
24. The slow recovery in global flight data has flat-lined...



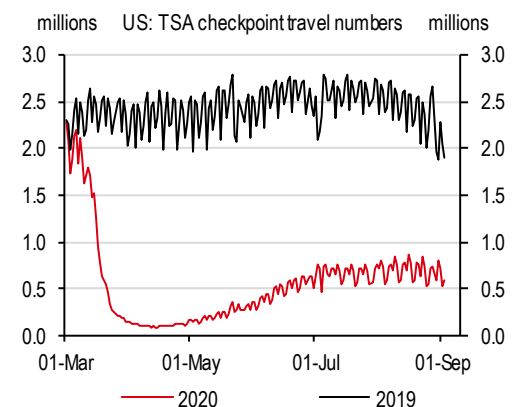
25. ...and travel data will remain below normal levels while borders stay closed



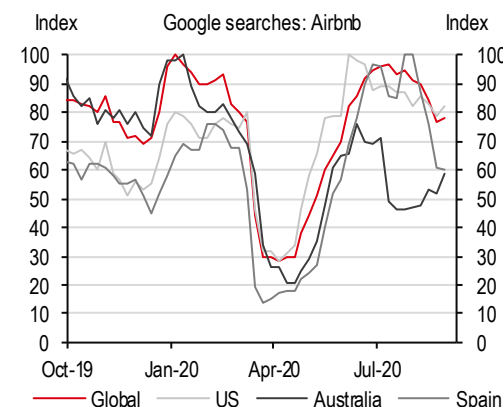
26. More flights are gradually being scheduled in the US...



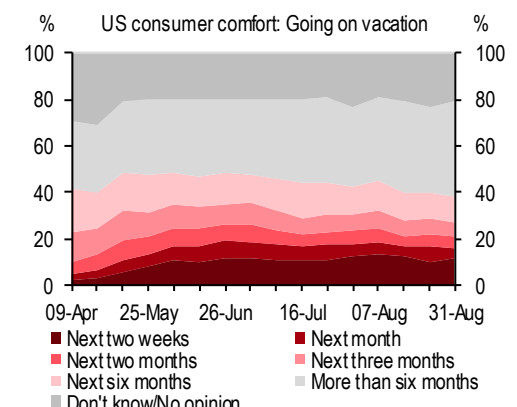
27. ...but this hasn't attracted more flyers to come on-board



28. Interest in private accommodation appears to have peaked

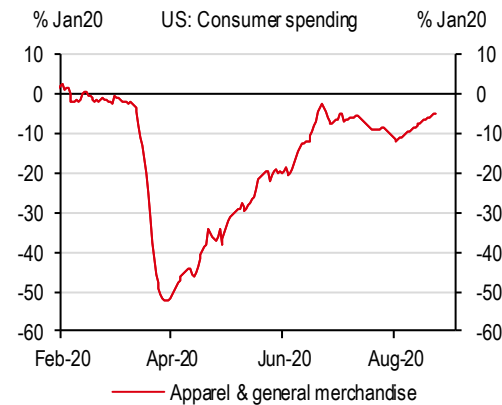


29. Many US consumers won't be going on holiday any time soon



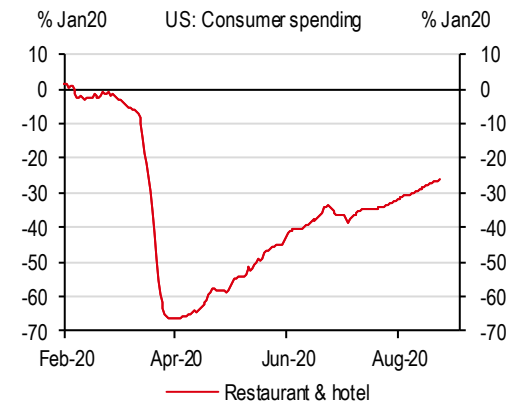
US recovery: Steady but unspectacular

30. Goods spending has recovered close to normal levels...



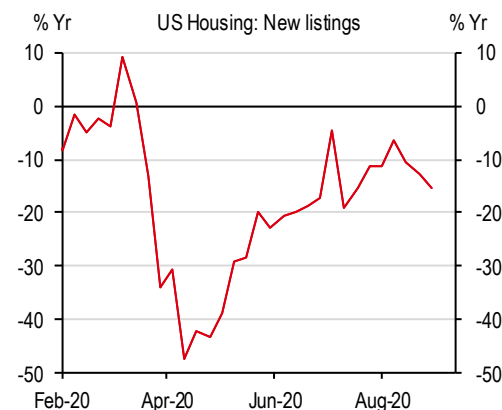
Source: Opportunity Insights, Affinity Solutions, HSBC. Note: Spending by consumers compared to January 2020.

31. ...while spending on services remains some way off



Source: Opportunity Insights, Affinity Solutions, HSBC. Note: Spending by consumers compared to January 2020.

32. The housing market has recovered more quickly than others...



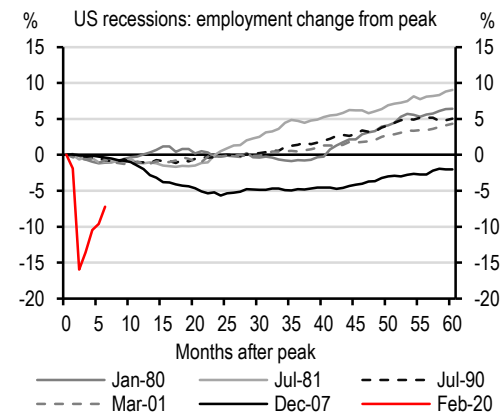
Source: Realtor.com, HSBC

33. ...and broadly the recovery appears to be getting underway...



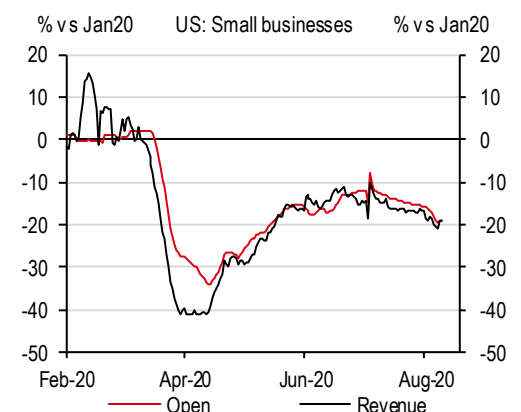
Source: Federal Reserve Bank of New York, Authors' calculations based on data from Haver Analytics, Redbook Research, Rasmussen Reports, the American Association of Railroads, and Booth Financial Consulting

34. ...while job losses are slowly being recovered...



Source: Refinitiv Datastream, HSBC

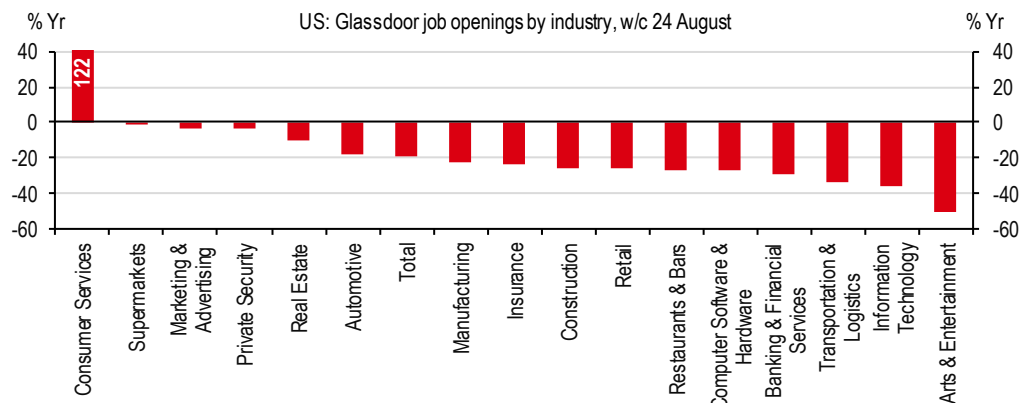
35. ...but small businesses continue to struggle



Source: Opportunity Insights, Womply, HSBC

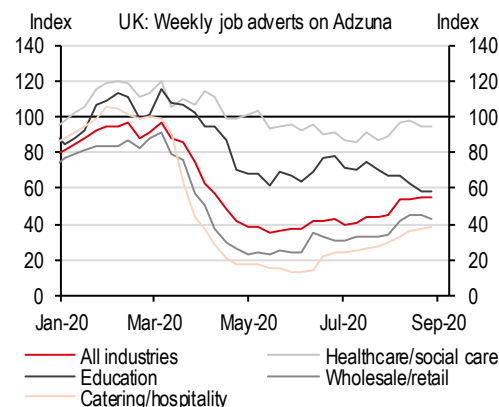
Labour market: Job openings are down a long way, which could limit any recovery

36. In the US, most industries are posting fewer job openings, with the exception of consumer services



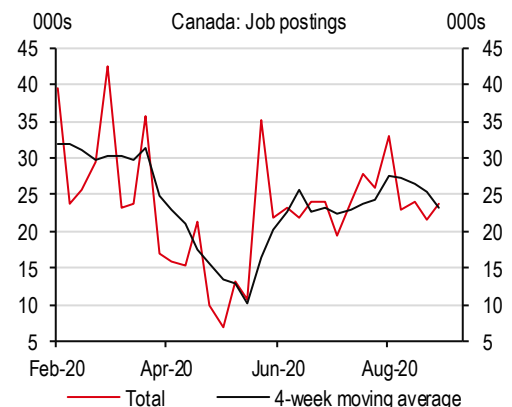
Source: Glassdoor Job Market Report, August 2020

37. Job adverts are slowly recovering in the UK, but remain far below 2019 levels...



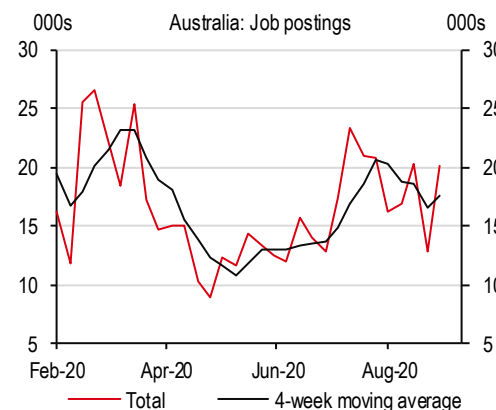
Source: ONS, Adzuna, HSBC. Note: 2019 average = 100

38. ...while in Canada they have flattened off close to normal levels



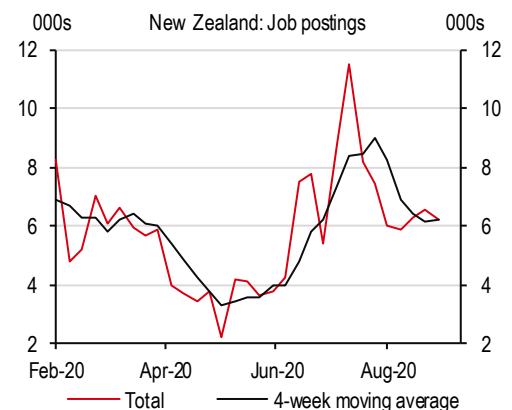
Source: Burning Glass, HSBC

39. In Australia, the initial bounce has moderated slightly...



Source: Burning Glass, HSBC

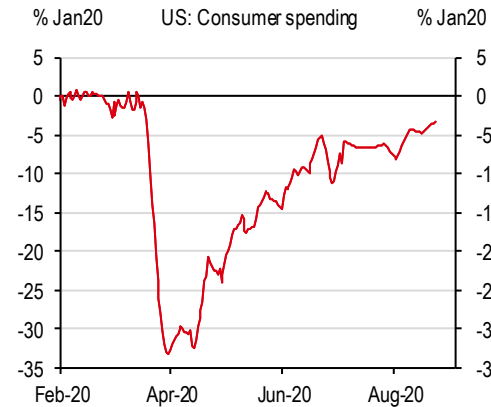
40. ...and to a greater extent in New Zealand too



Source: Burning Glass, HSBC

Consumer spending: Pronounced pick-up in retail sales

41. US consumer spending has stalled close to levels seen earlier this year...



Source: Opportunity Insights, Affinity Solutions, HSBC. Note: Spending by consumers compared to January 2020.

42. ...while Germany's retail sales have edged down but remain up year-on-year...



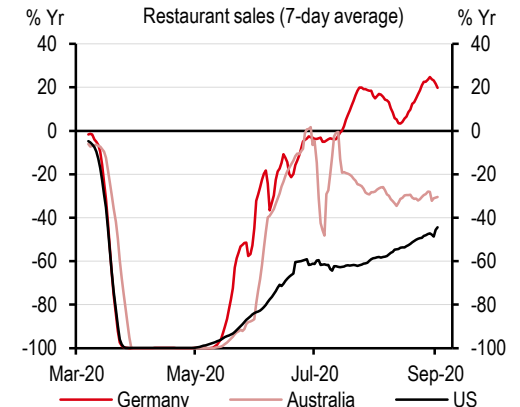
Source: Refinitiv Datastream, HSBC. Note: Excluding car sales

43. ...and the same cannot be said for mainland China, down 1.1% y-o-y in July



Source: Refinitiv Datastream

44. The number of diners in restaurants keeps edging up, apart from in Australia due to Victoria's lockdown



Source: Opentable, HSBC

45. Many US consumers don't yet feel comfortable returning to normal activities, and some appear to have lost confidence in recent weeks

% share of US adults that feel comfortable:	30 Apr	15 May	29 May	05 Jun	11 Jun	26 Jun	03 Jul	09 Jul	16 Jul	22 Jul	02 Aug	07 Aug	17 Aug	23 Aug	31 Aug
Going out to eat	18	23	31	35	41	37	35	36	36	36	34	36	34	31	33
Going on vacation	18	23	29	32	36	33	33	30	30	30	29	30	27	27	28
Going to a shopping mall	17	23	26	31	35	29	31	31	30	30	29	30	28	28	28
Going to a museum	15	19	25	29	30	26	25	25	24	24	26	24	20	19	20
Going to the movies	12	16	21	22	23	22	20	21	19	20	20	19	17	17	18
Going to the gym	12	13	18	21	22	21	18	20	18	19	18	20	17	16	18
Going to an amusement park	12	14	17	20	24	19	17	17	17	19	19	17	16	15	17
Going to a concert	10	12	16	17	21	18	15	15	14	14	16	12	13	13	14
Travelling abroad	8	10	12	13	13	13	10	14	11	13	13	12	11	12	12

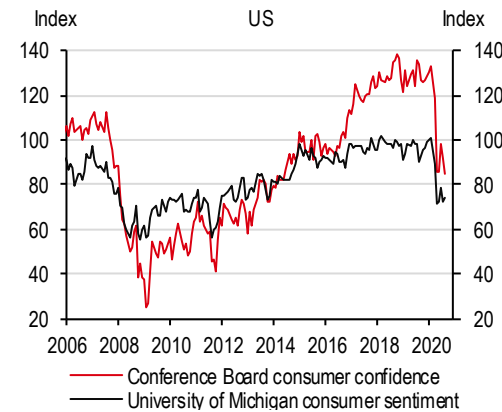
Key (Share of US adults comfortable doing the following activities right now)

High Low

Source: Morning Consult, HSBC. Note: Comfortable is the sum of "Very comfortable" and "Somewhat comfortable".

Consumer surveys: The rebound has cooled

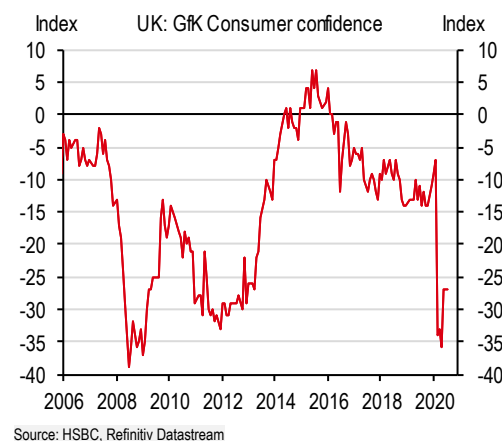
46. Two major US surveys show consumer confidence still under pressure...



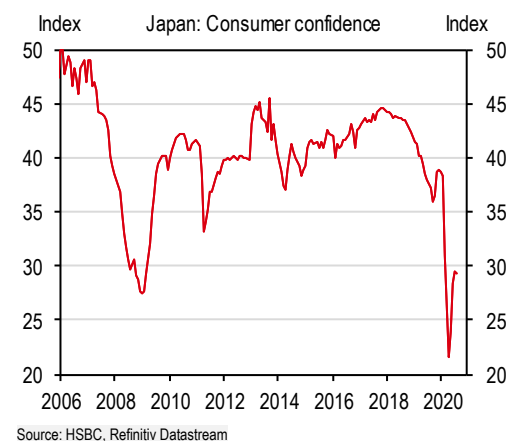
47. ...while in the eurozone there was no notable change in August



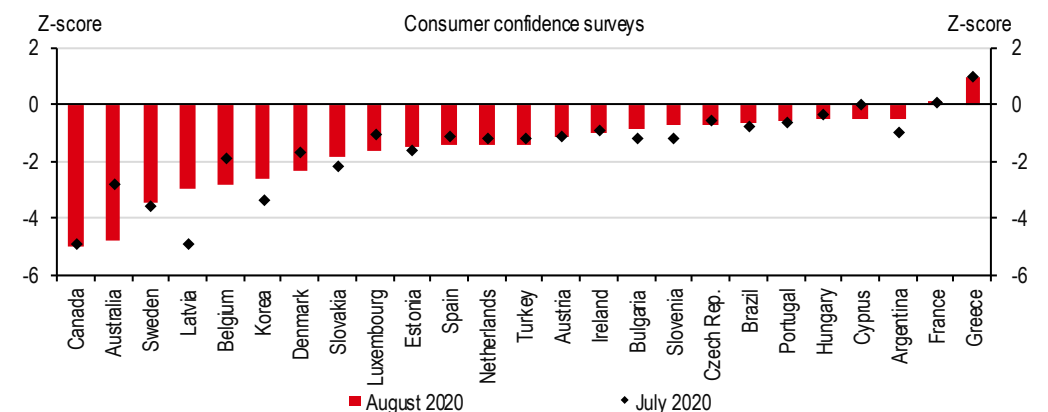
48. Confidence remains depressed in both the UK...



49. ...and in Japan

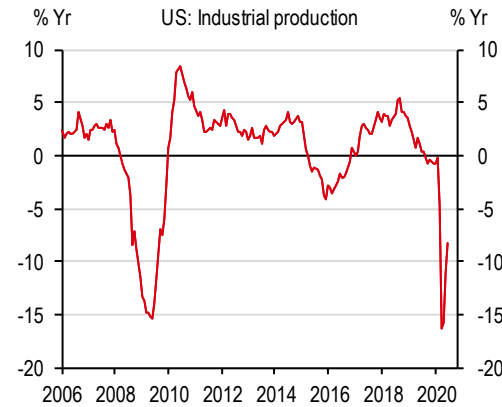


50. Broadly consumer surveys showed no clear direction from July to August, but confidence remained very low

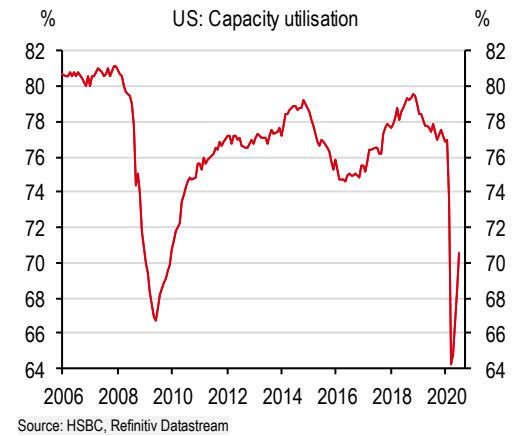


Manufacturing data: Bouncing back steadily

51. US production data continued its recovery in July...



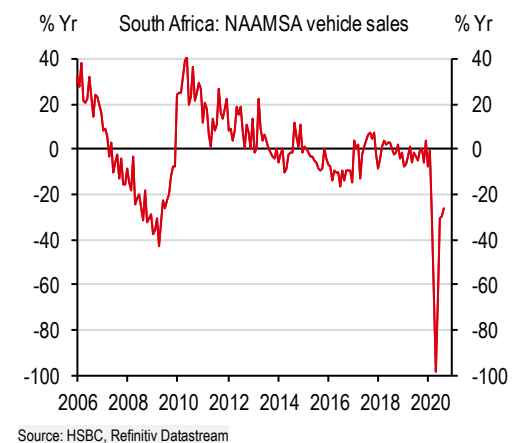
52. ...as factories were using more of their productive capacity



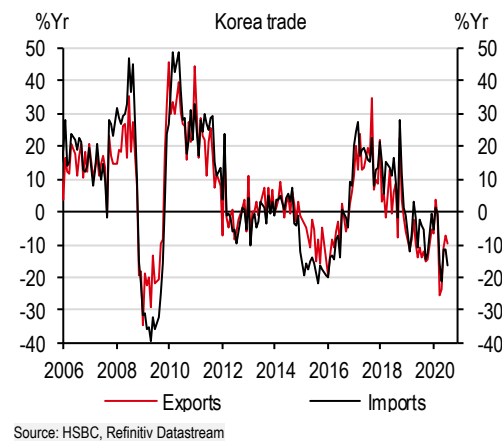
53. The recovery in mainland China has been quicker than most...



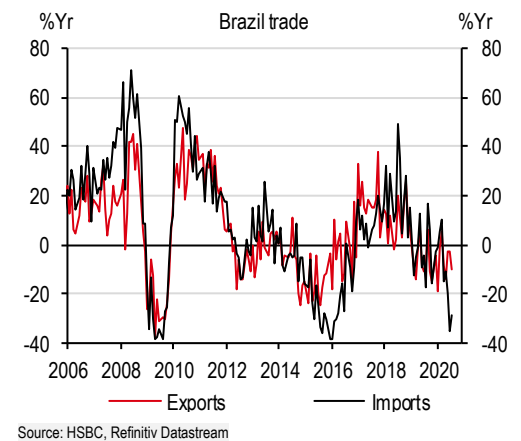
54. ...while vehicle sales in South Africa remain down more than 25% y-o-y



55. Trade data is still under pressure from a sharp drop in global demand...



56. ...hurting economies such as Brazil that are exposed to global trade



Business surveys: Slowly returning to normality

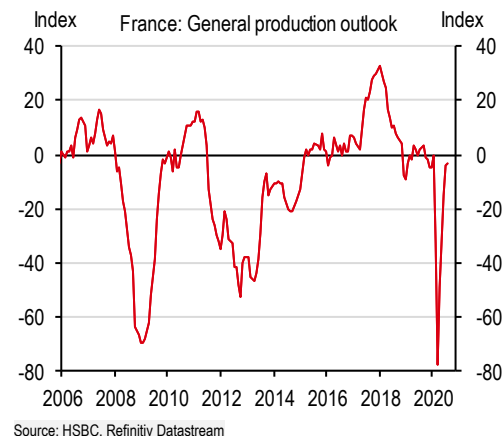
57. The US Philly Fed suggests firms lost some of their earlier confidence in August...



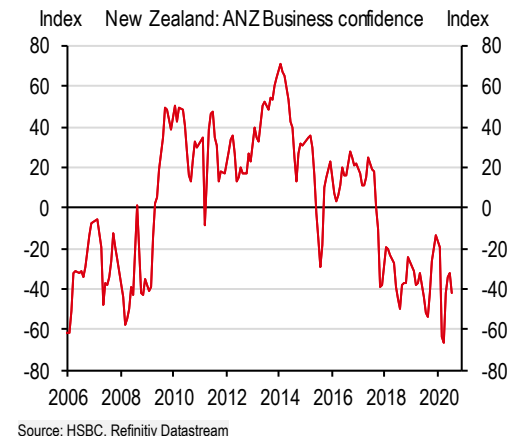
58. ...while the German ifo continued its march higher



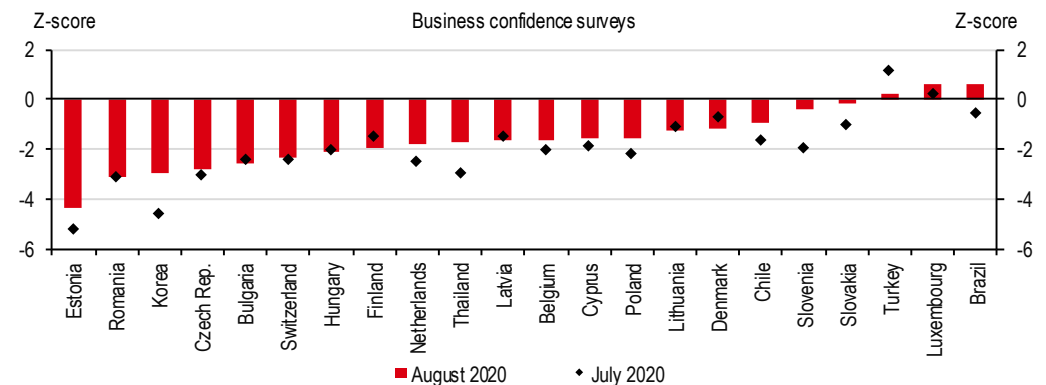
59. France's INSEE survey ticked up towards normal levels



60. Despite an earlier reopening, businesses in New Zealand still see a gloomy outlook



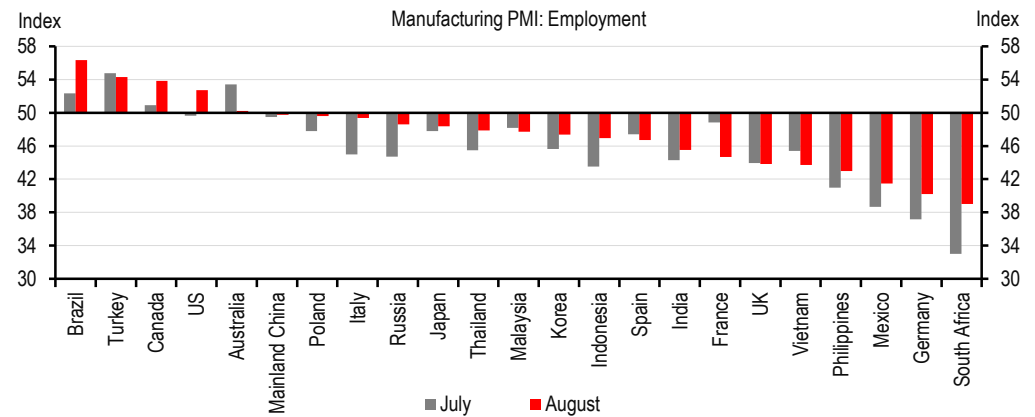
61. Following widespread improvements in July, the direction of business confidence was more mixed in August



Note: The Z-score is calculated using the mean and standard deviation of the data series from January 2012 to March 2020.

PMIs: Slowly recovering but employment still a worry

62. Most firms are still shedding manufacturing jobs



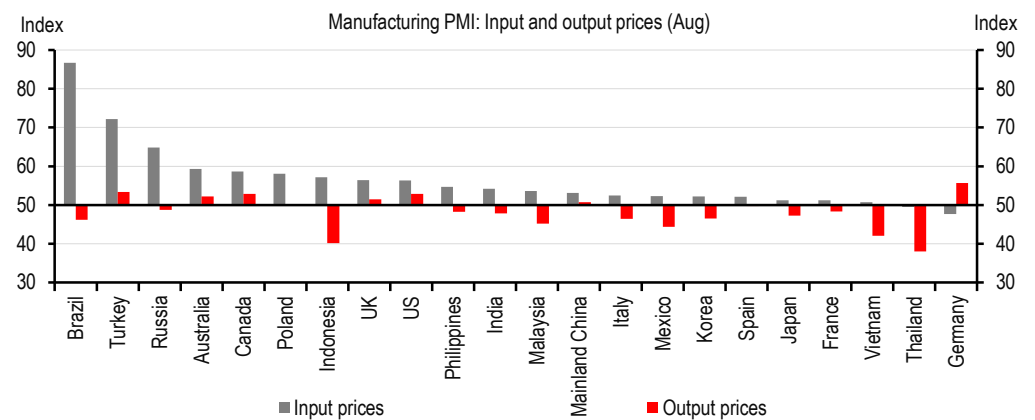
Source: Markit Economics

63. Trade data remain weak in most economies



Source: Markit Economics

64. Input prices are rising more than output prices, suggesting a margin squeeze



Source: Markit Economics

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