

Vaccines flow, rebound slows

The key charts from the start of 2021

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- ◆ The COVID-19 situation may be improving, thanks to vaccines...
- ◆ ...but in most of the world 2021 started on the back foot...
- ◆ ...while financial markets have seen some sharp moves in very risky assets

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On the data front, 2021 has started with a bit of a wobble, most notably in mainland China where all of the PMI data (from both Caixin and NBS) suggest that the recovery lost momentum at the start of the year as a result of restrictions being put in place to stem the spread of new infections around the New Year holiday. The US jobs data were also weak in January – the pick-up in payrolls offset less than a quarter of the drop seen in December and total employment has only risen 0.2% since October. Although across the world, the number of COVID-19 cases has rolled over in some of the worst-affected countries from a month ago, restrictions in place are hurting economic activity.

The good news is that, in aggregate, the global number of new COVID-19 cases is slowing. Despite risks around new variants of the disease, vaccine rollouts are accelerating with more candidates being approved for use and new vaccines showing promising data in trials. The light at the end of the tunnel is becoming slightly more visible, even if the pace of movement toward it has slowed.

There's also some better news on the activity front in India, where COVID-19 cases have fallen sharply and PMI data point to a faster pace of recovery. In the US, aside from the employment numbers, the January PMIs paint a rosier picture than we can see in much of the world and the progress made on vaccine rollout bodes well for the recovery.

Inflationary pressures continue to build – shipping costs have shot up, food and oil prices are high and firms are feeling all of this in terms of input costs, but we still expect this to be temporary. All of this together is still an environment for loose policy in the year to come, on both the monetary and fiscal fronts.

As the global economy recovers in 2021, making sure that the recovery is more equal will be crucial in terms of making the recovery more sustainable. Job losses have fallen disproportionately on those on the lowest incomes with the lowest savings levels. Vaccine rollouts are likely to be slowest in the poorest countries in the world, meaning a delayed rebound in economic activity. Asset prices have soared, meaning those who aren't on the property ladder or invested in the stock market may find it even harder to do so in the future.

Financial markets have been gripped by the sharp swings in many risk assets in recent weeks, be it within the stock market, cryptocurrencies or digital assets: someone paid USD100k for a video of a basketball dunk in late January (according to @nba_topshot via Twitter). Whether these are one-off events, signs of bubbles, or a broader shift in demand towards high-risk assets will be interesting to watch.

This is a redacted version of a report by the same title published on 09-Feb-21. The charts below are a selection of the charts in the full note. Please contact your HSBC representative or email AskResearch@hsbc.com for more information.

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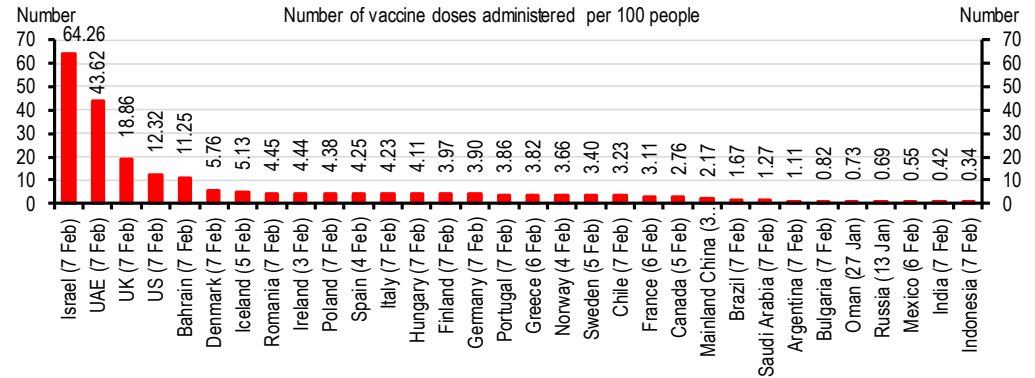
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Vaccine rollouts: picking up pace and more countries start

Israel still leads the global vaccine rollout, but others are picking up

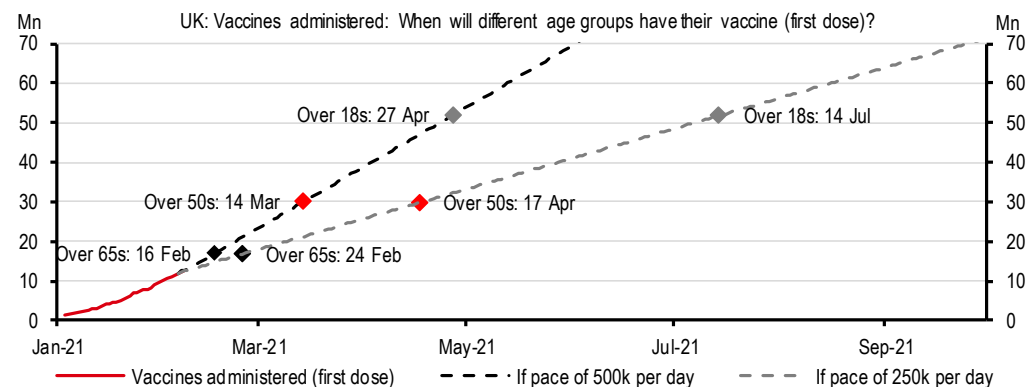
1. Israel and UAE lead the way on vaccine rollout, UK and US top the major economies



Source: Our World in Data. Note: Dates shown correspond with the latest data available. This includes first doses and second doses, so it does not mean that the given share of the population have been vaccinated fully

The pace of rollout in the UK and US has set the benchmark for other developed nations – and the pace will matter a lot in terms of when key benchmarks will be hit

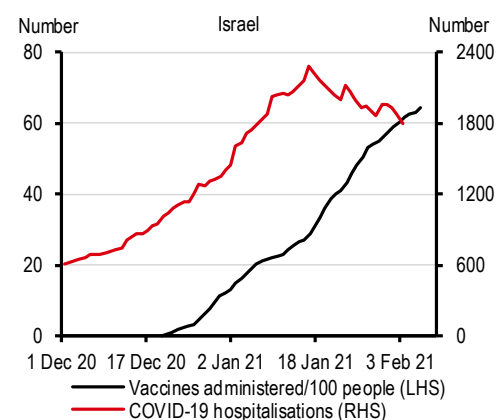
2. The pace of rollouts matters in terms of hitting key thresholds to loosen restrictions



Source: Our World in Data, HSBC. Note: Based on first dosage pace only – second doses will be administered on top of this so will require additional capacity. This is only indicative to show how things could progress at different rollout speeds and is not a HSBC forecast. Rollout speed may be affected by supply and other logistical issues.

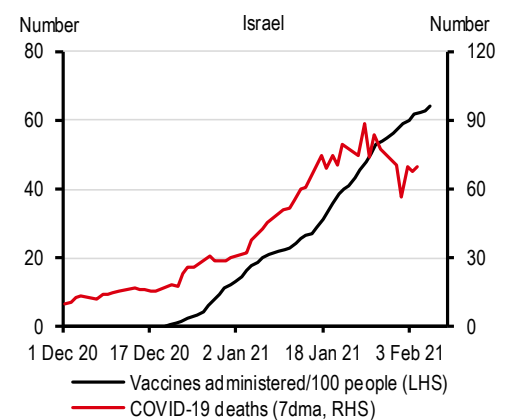
Early signs in Israel suggest that vaccines are having an effect – the rollover is not just from lockdowns according to a range of locally published studies

3. Israel's rollout is bearing fruit ...



Source: Our World in Data, Israel Health Ministry

4. ...and deaths have started falling after 6 weeks

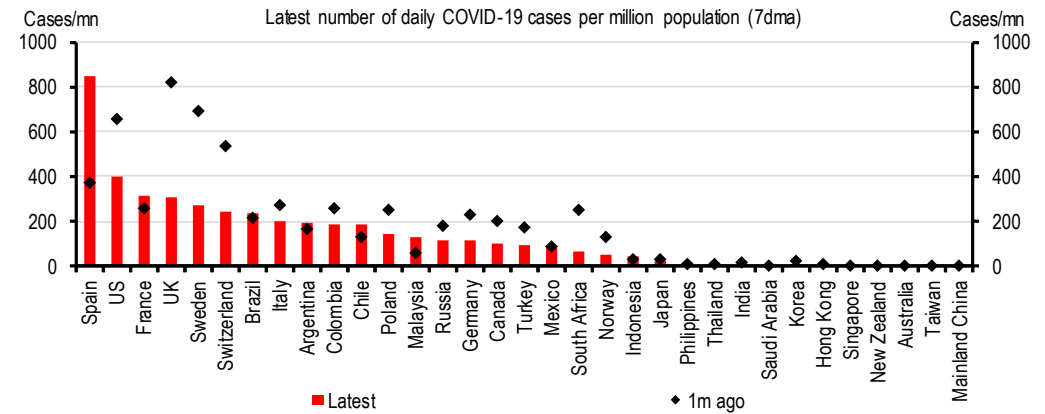


Source: Our World in Data, Israel Health Ministry

Mainland China's low case numbers per capita mask the increase in some regions, sparking more restrictions

The number of new daily COVID-19 cases is coming down

5. While worsening in some places, the number of new cases has dropped in much of the world

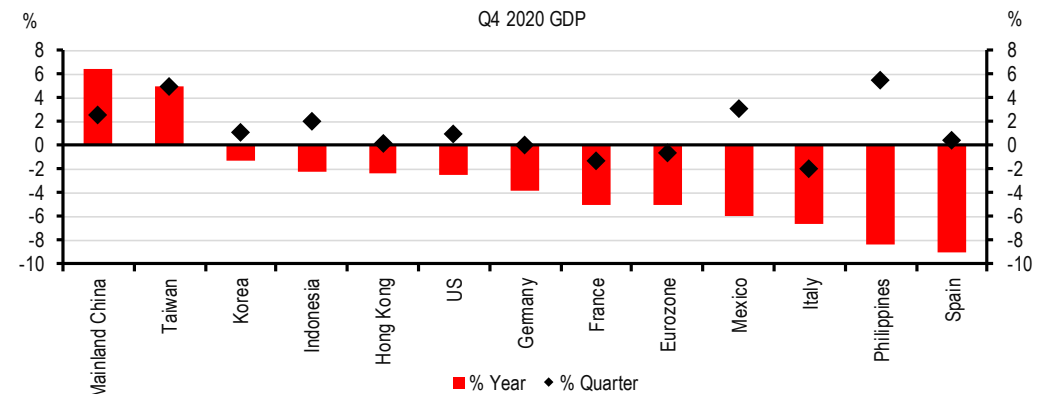


Source: OWID

Activity data for the start of 2020 pose some concerns

The Q4 GDP data show which economies managed to avoid a sharp contraction in 2020

6. Mainland China and Taiwan continue to rebound, as Europe struggled in Q4 ...

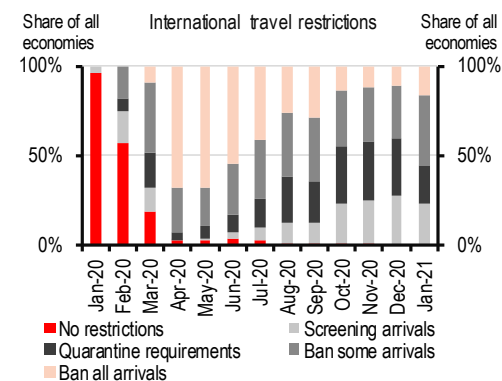


Source: HSBC

Wobbles in Asia and closed borders are a concern

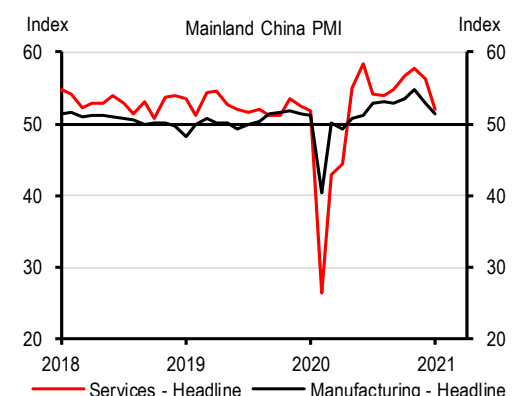
Border restrictions are likely to remain, but trade cooperation has had a good start to the year – with the African free trade deal and positive rhetoric from President Biden

7. Border restrictions are as tight as ever at the start of 2021



Source: University of Oxford, HSBC. Note: Data is at the 15th of each month. Total number of reporting economies varies slightly each month

8. Mainland China's recovery may have taken a breather in January due to some tighter restrictions

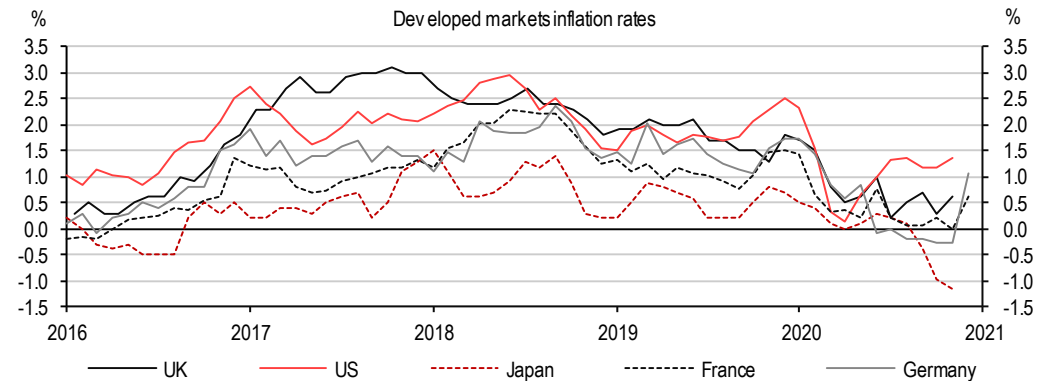


Source: IHS Markit

Inflationary pressures are still high

Despite talk of reflation, developed market inflation is well below central bank targets in all major economies

9. Inflation in developed markets is starting from a low base in 2021...

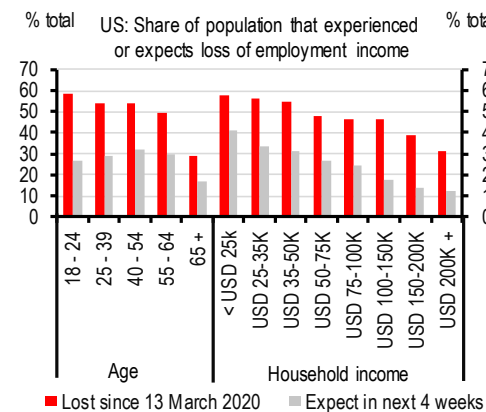


Source: Refinitiv Datastream

The inequality problem has only become worse in the past year

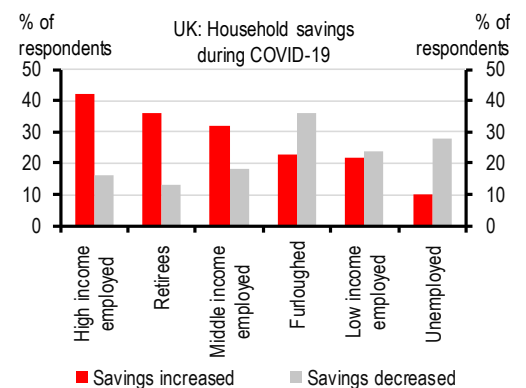
The pandemic has widened out income divides that were already there – meaning those with low levels of savings may be chasing higher levels of risk

10. The poor and young have been hit hardest by the pandemic induced recession...



Source: US Census Bureau Household Pulse. Note: Survey to 18 January 2021

11. ... and have not been able to save, whereas high-income households have



Source: Bank of England

Disclosure appendix

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