

# Injecting hope

Some happier charts to end an awful year

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Economics - Global

- ◆ After a year of bad news...
- ◆ ...vaccine breakthroughs and some better economic data...
- ◆ ...give some room for optimism as we head into 2021

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By almost any metric you could choose, 2020 has been an awful year. COVID-19 has caused untold heartache for families and businesses all over the world, with millions of lives affected by the pandemic, the sharpest contraction in global GDP ever recorded and the sharpest ever rises in unemployment.

But, thanks to the amazing progress made by scientists across the globe, there is an end in sight. The UK is set to start vaccinating its population this week, while approvals for the other three leading global vaccines are set to be granted soon in many other parts of the world. While it may take a little while to protect the whole world, owing to the distributional issues surrounding the vaccines, there is finally some clear light at the end of a very dark tunnel.

And that cheer should be seen in some of the economic data in the coming year too. A rebound in the global services sector is likely through 2021, helping to improve job prospects, and although levels of activity may not get back to previous levels quickly, the final leg of the recovery can get underway.

While it may not be the same everywhere, the good news on the economics front isn't just reserved for 2021. Despite lockdowns weighing on the service sector data in Europe in November, the impact of these restrictions has been much smaller than in the spring. The industrial sector, meanwhile, is booming – the global manufacturing PMI is just shy of a ten-year high, and it's not just consumer goods: investment goods, too, have shown remarkable resilience.

Some parts of the world have gotten on top of COVID-19 too, and are seeing a better recovery. The consumer sector in mainland China is showing more robust growth (even if the growth rate is still slower than pre-pandemic), India's number of new daily cases has collapsed and activity data have turned a lot more promising, and we've had to upgrade our forecasts in Brazil on the back of better data in recent months.

Where COVID-19 has been beaten, activity is returning to normal. In Taiwan, New Zealand and parts of Australia revellers are packing into music festivals, sporting events and planes, giving a sense of what the rest of the world could see in 2021.

Of course, it's not all rosy – there are near-term risks in Europe and the US from high levels of COVID-19 cases, there may be some scarring of the economies into 2021 and labour market weakness may constrain a rebound. But, for the first time in a long time, the news flow is more positive than negative, and that is something to cheer after the most arduous of years.

*This is a redacted version of the report published on 07-Dec-20. Please contact your HSBC representative or email [AskResearch@hsbc.com](mailto:AskResearch@hsbc.com) for information.*

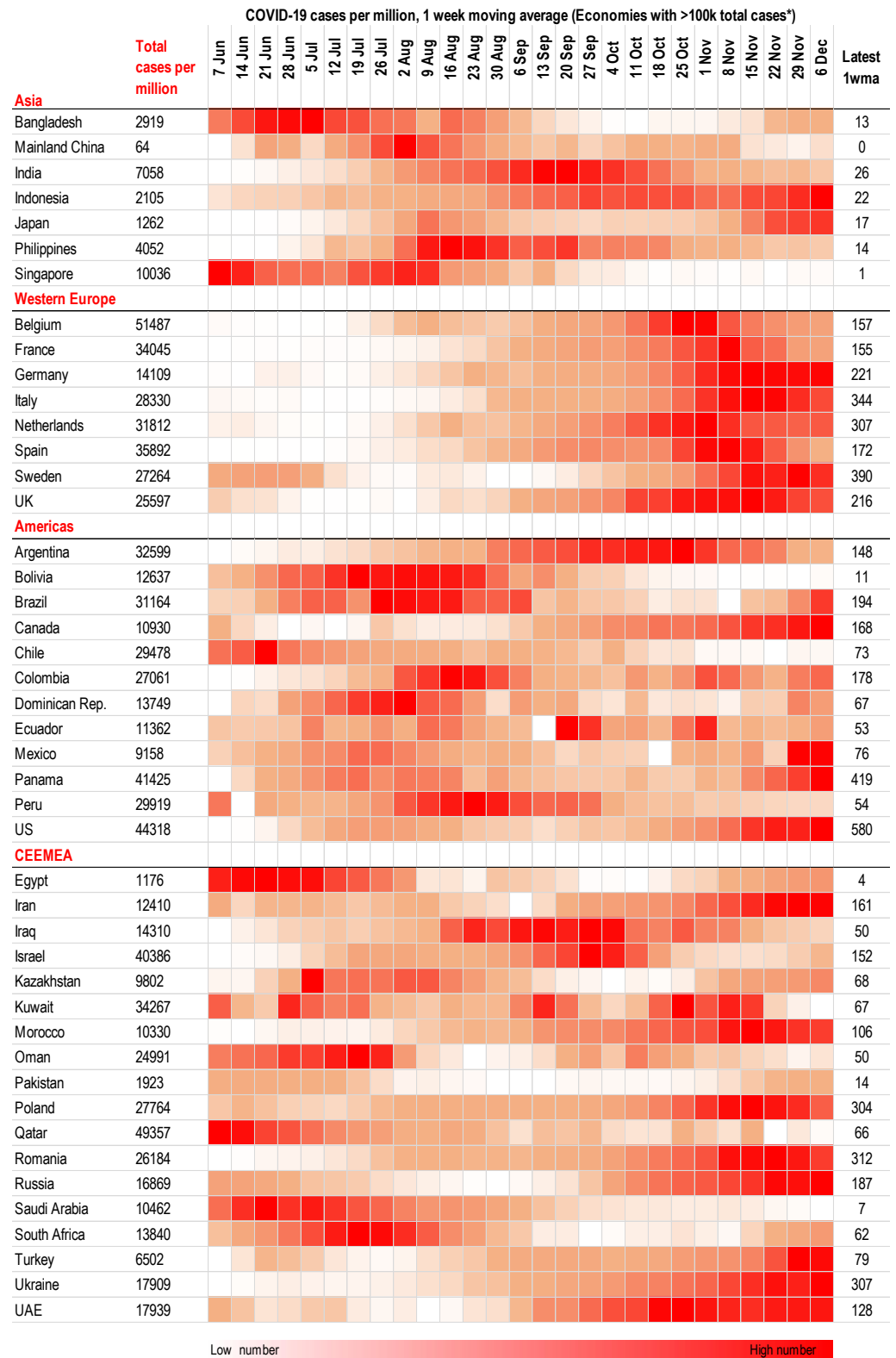
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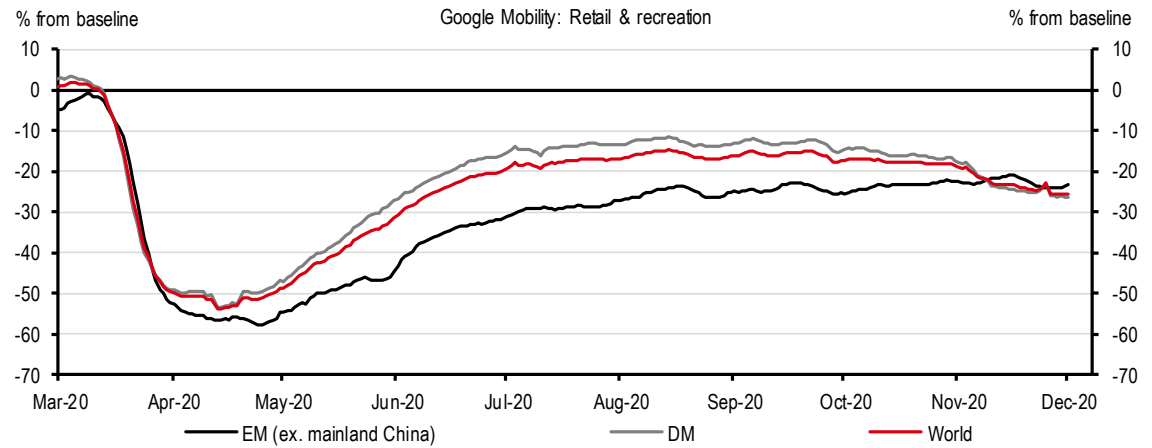
## 1. COVID-19 cases may be rising in some parts of the world, but they are falling in many



Source: ECDC. Note: Each economy is highlighted to show momentum across its own data.

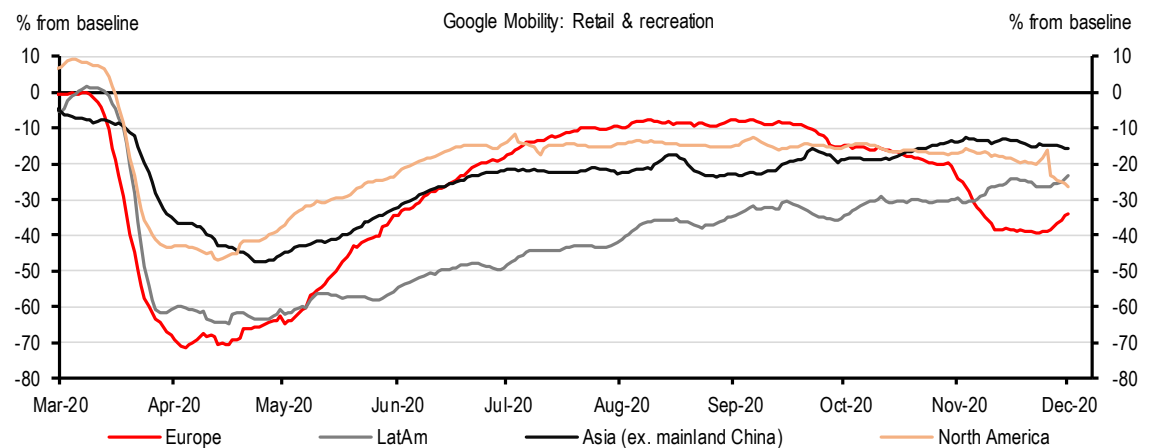
## The recovery continues in Asia, but has paused in Europe and the US

### 2. The recovery has stalled a bit, driven by weakness in the developed world...



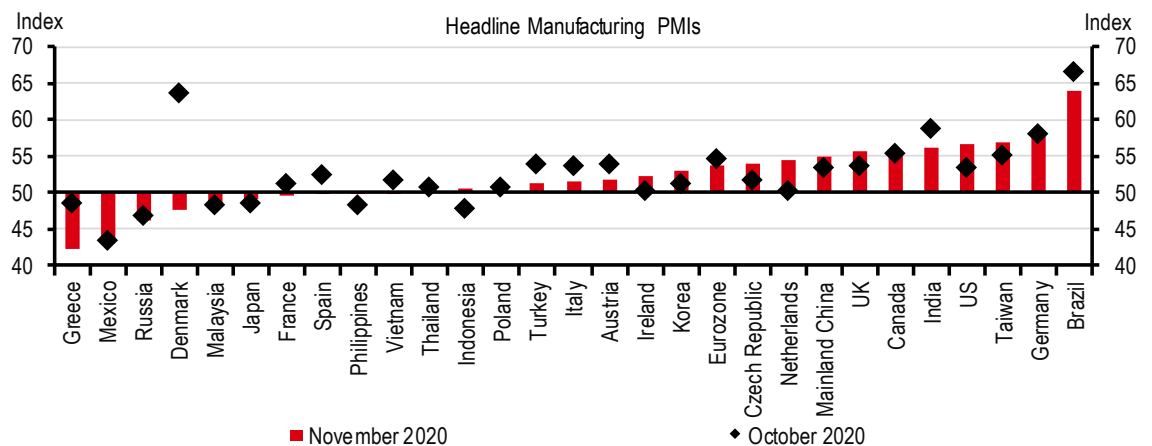
Source: Google Mobility Reports

### 3. ...mostly in Europe, although momentum has improved as some restrictions ease



Source: Google Mobility Reports

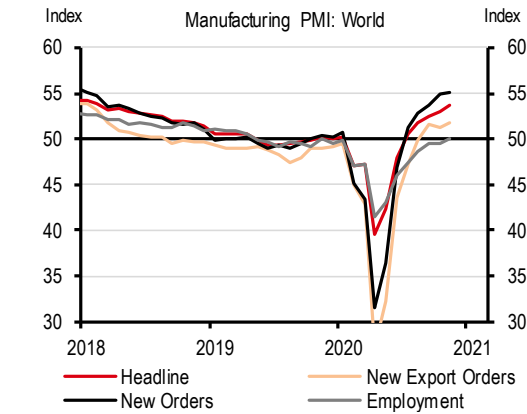
### 4. Manufacturing PMIs are picking up in much of the world



Source: IHS Markit

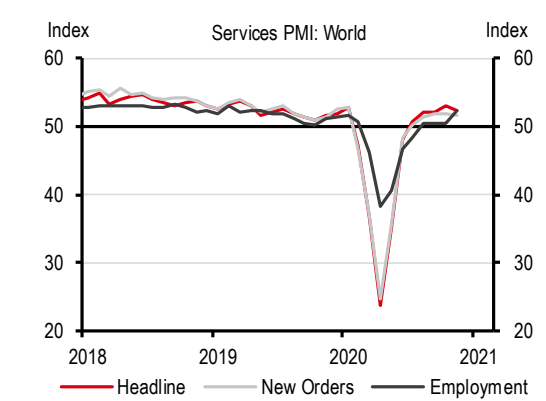
## Some global data are looking up

### 5. The global manufacturing PMI is close to decade highs



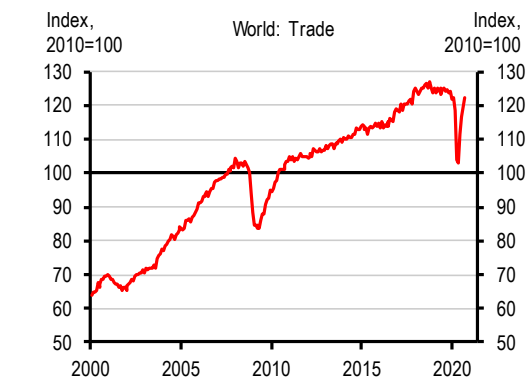
Source: IHS Markit

### 6. Away from Europe, services PMIs are better, but the global number edged down in November



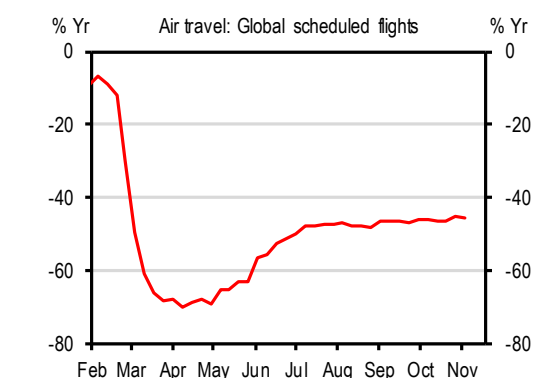
Source: IHS Markit

### 7. Global trade is rebounding strongly...



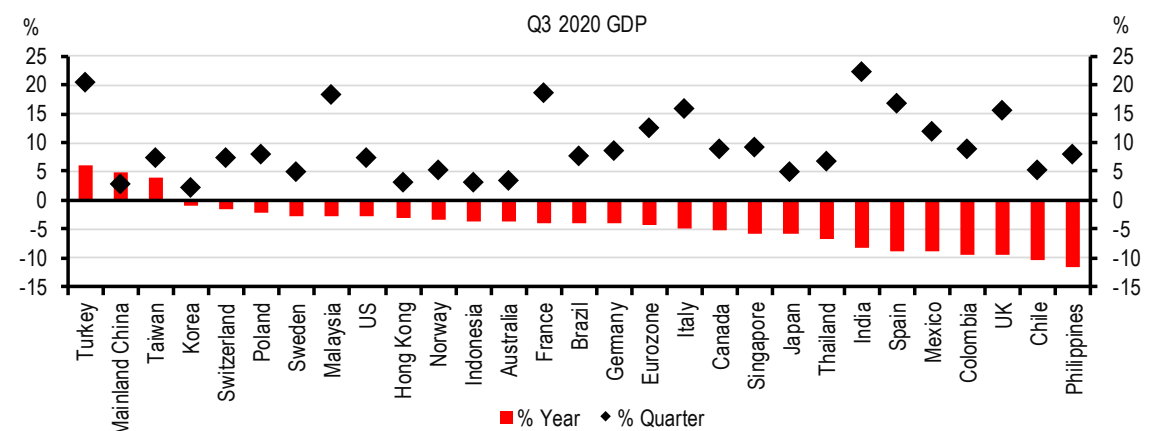
Source: CPB Netherlands Bureau for Economic Policy Analysis

### 8. ...but the number of global flights is unlikely to revive until we have widespread vaccinations



Source: OAG flights scheduler, HSBC

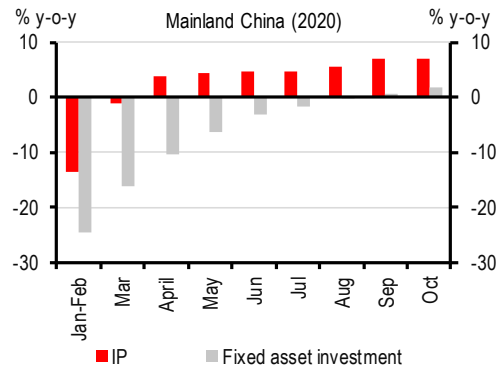
### 9. GDP rebounded across the world in Q3



Source: Refinitiv Datastream

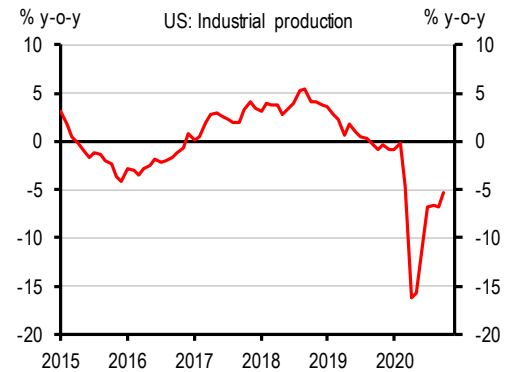
## Manufacturing data look better in most parts of the world

### 10. Mainland China's recovery has picked up pace...



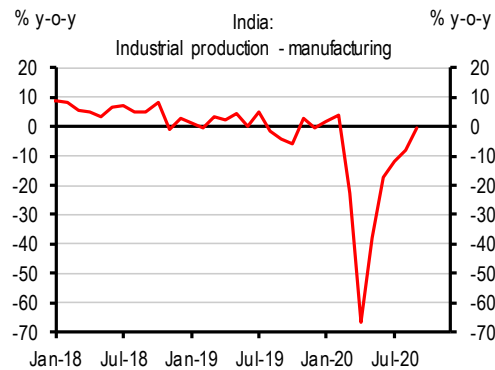
Source: Refinitiv Datastream

### 11. ...and although the annual rate is still negative in the US, production has some momentum



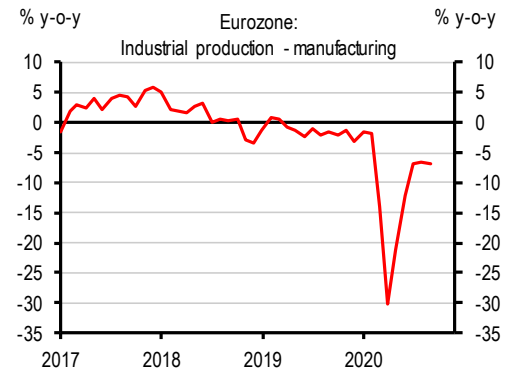
Source: Refinitiv Datastream

### 12. India's manufacturing production is back to the same level as a year ago...



Source: Refinitiv Datastream

### 13. ...but lockdowns have delayed the full recovery in Europe



Source: Refinitiv Datastream

### 14. Mainland China's exports to the world are picking up...



Source: Refinitiv Datastream

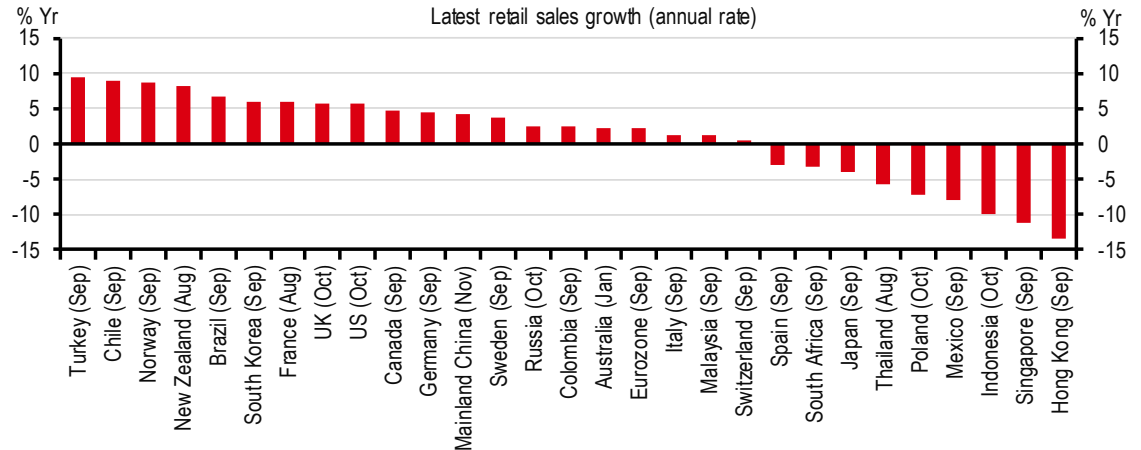
### 15. ...as is the demand for imports



Source: Refinitiv Datastream

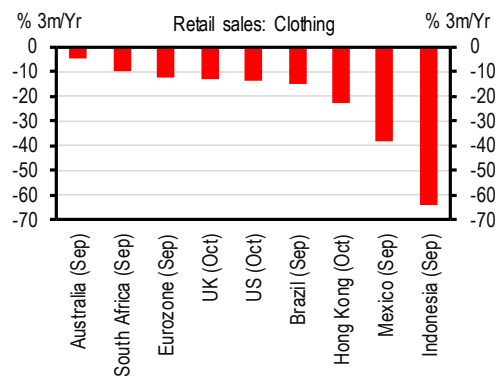
## This has been fuelled by strong goods demand

**16. Retail sales growth has been remarkably strong in much of the world as consumers switch from services**



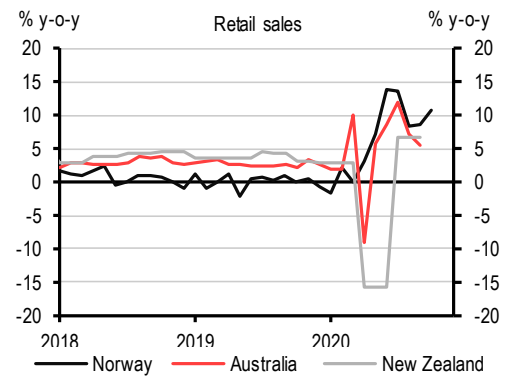
Source: Refinitiv Datastream

**17. But clothing sales remain weak...**



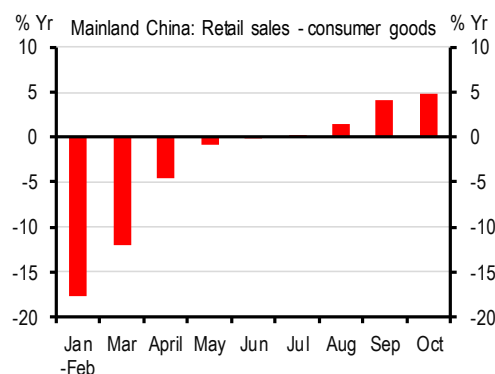
Source: Refinitiv Datastream

**18. ...while some parts of the world have seen very strong growth**



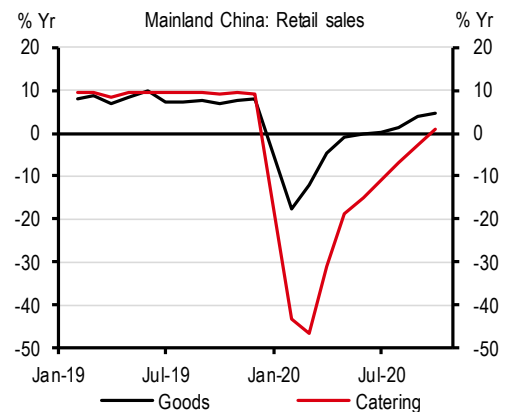
Source: Refinitiv Datastream

**19. In mainland China, the recovery in retail sales has picked up momentum...**



Source: Refinitiv Datastream

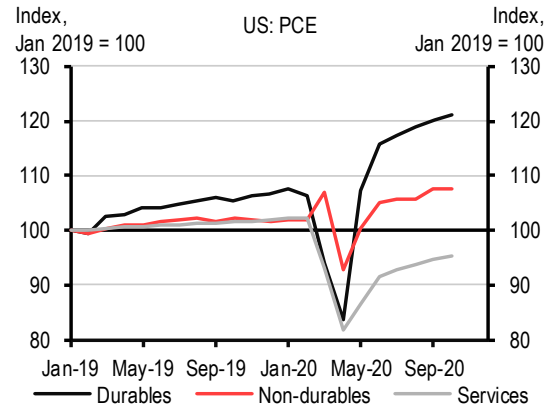
**20. ...and although growth rates are low versus 2019, more categories are picking up**



Source: Refinitiv Datastream

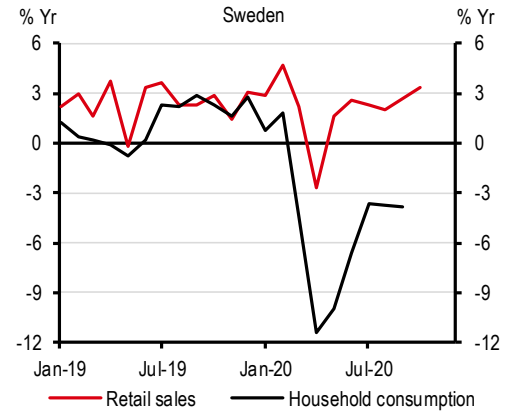
## Services recovery has been slower

### 21. Spending on services has been slow to recover, and will be the area to watch in 2021



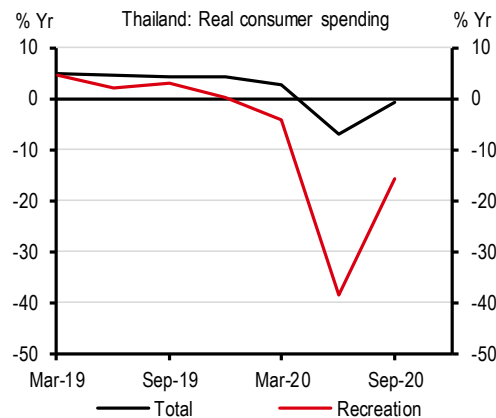
Source: Refinitiv Datastream

### 22. Where we have data, we can see that retail sales aren't a full reflection of spending...



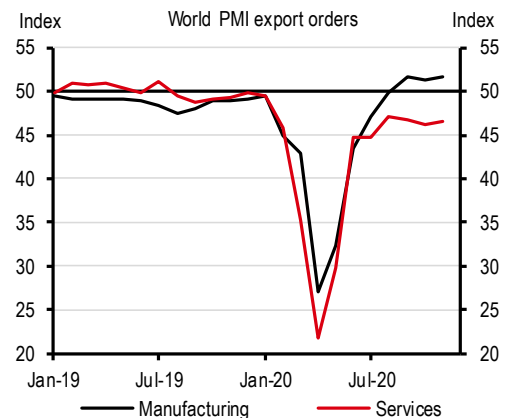
Source: Refinitiv Datastream

### 23. ...and in the emerging world too



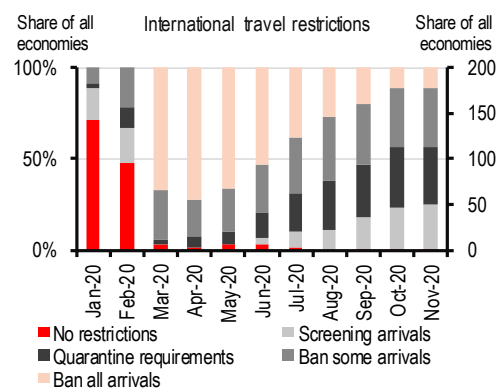
Source: Refinitiv Datastream

### 24. Services trade has remained subdued...



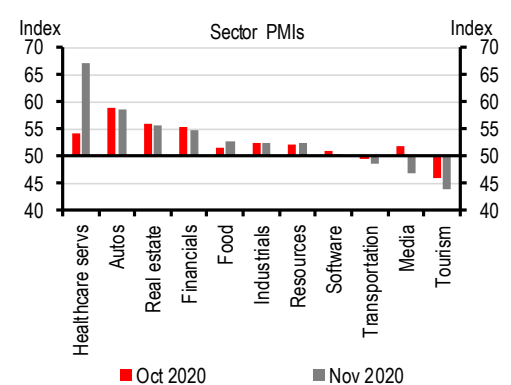
Source: IHS Markit

### 25. ...mainly due to borders being closed



Source: University of Oxford, HSBC. Note: Data is at month end, November as of 16<sup>th</sup> as latest point with full data. Total number of reporting economies varies slightly each month.

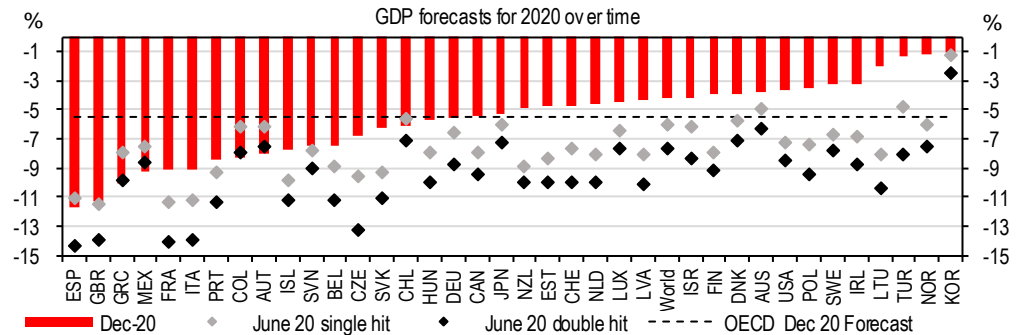
### 26. ...and the tourism PMI suggests the sector continues to struggle



Source: IHS Markit. Note: Data are for the global aggregate.

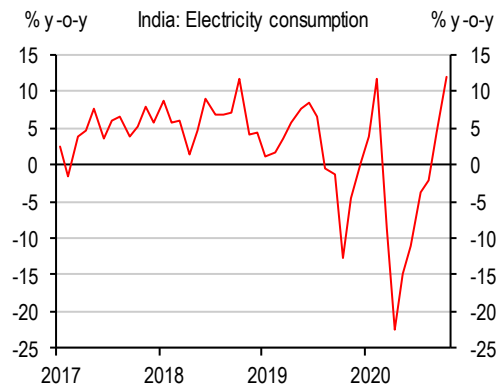
## Forecasts are being upgraded

### 27. The OECD has had to revise up its forecasts for much of the world...



Source: OECD

### 28. ...as some economies, such as India, have seen activity bounce as case numbers drop



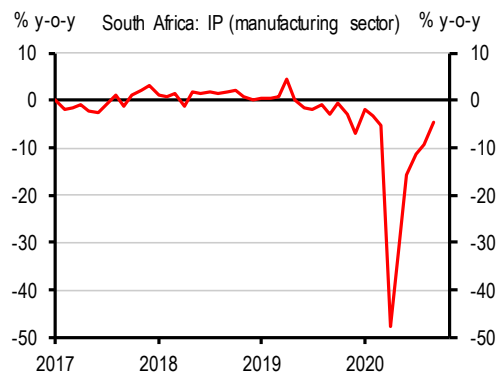
Source: Refinitiv Datastream

### 29. Brazil's rebound has been strong, but there may now be risks from higher case numbers...



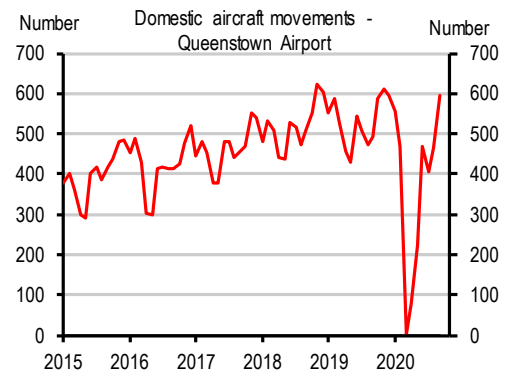
Source: Refinitiv Datastream

### 30. ...and the same applies in South Africa, where Q3 has been strong...



Source: Refinitiv Datastream

### 31. ...and in New Zealand, domestic flights have picked up sharply

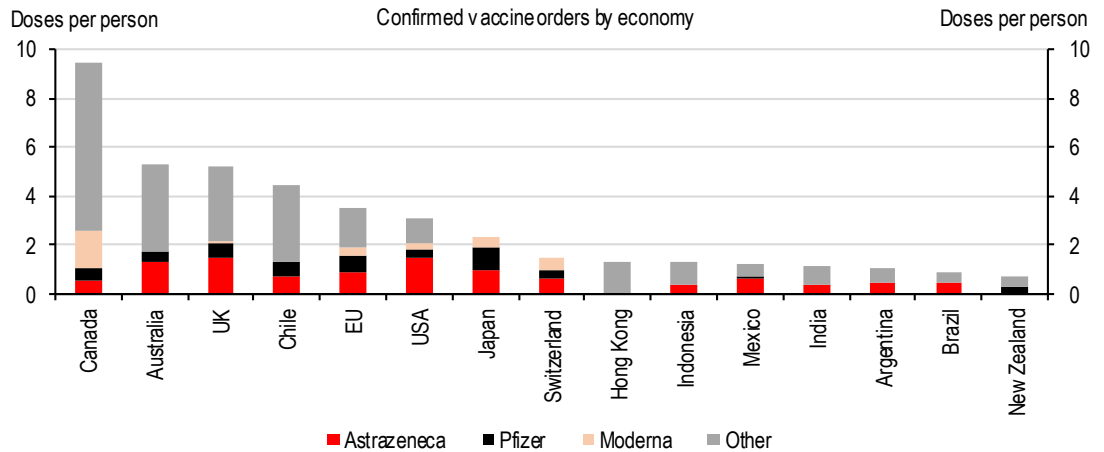


Source: Statistics New Zealand



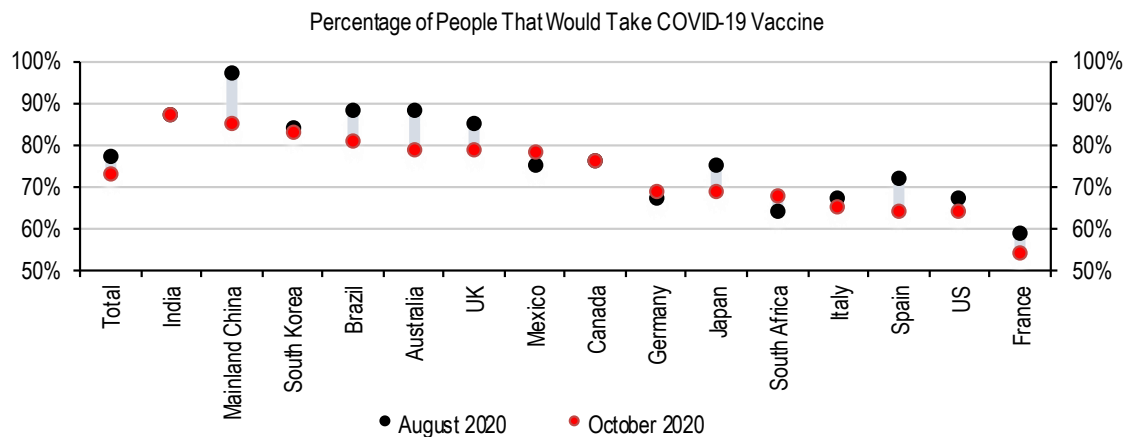
## Vaccine rollouts give hope

**32. Some parts of the world have plenty of vaccines on order, the question is how quickly can they be rolled out?**



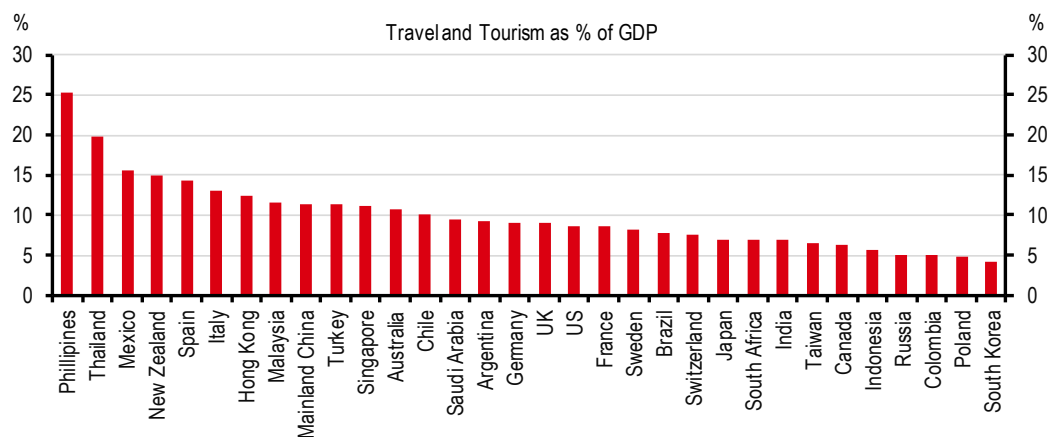
Source: Duke Global Health Innovation Centre, Launch and Scale Speedometer.

**33. As well as distributional challenges, some parts of the world may be unwilling to take the vaccine**



Source: Ipsos Mori

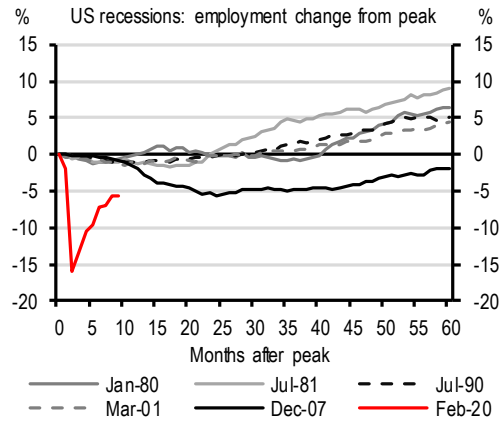
**34. The world's most tourism-dependent economies will be the biggest winners from the vaccine**



Source: World Travel & Tourism Council

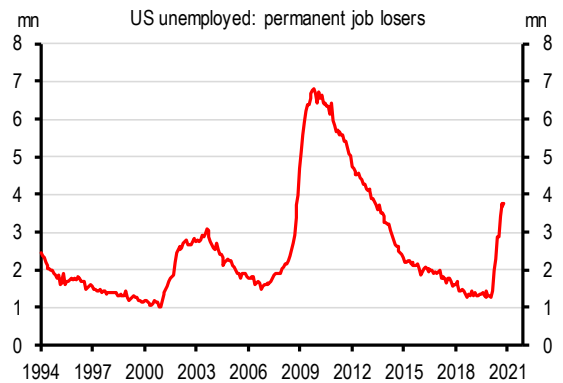
## But we need jobs to hold up to get there

### 35. A stalling of the labour market remains a key risk for 2021...

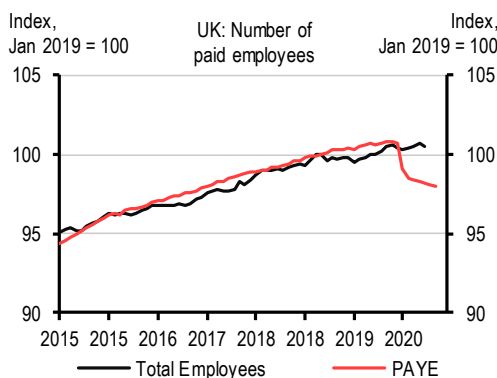


Source: Refinitiv Datastream

### 36. ...or more people being laid off permanently

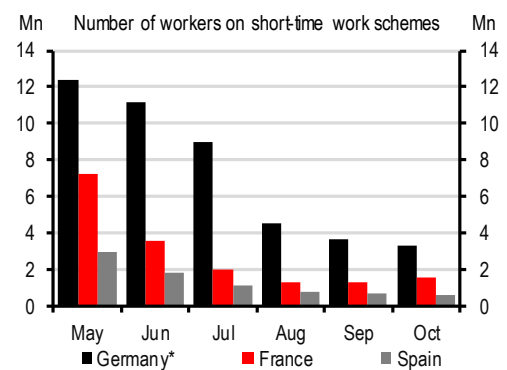


### 37. The UK labour market may weaken into 2021...



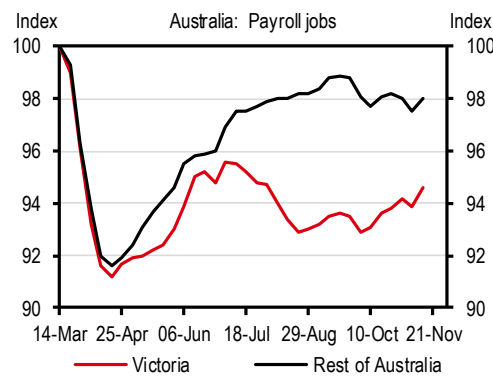
Source: ONS, HSBC. Total employees from ONS Labour Force Survey, PAYE payrolls from HMRC (via ONS).

### 38. ...and in the Eurozone, a large number of people are still in short-term work schemes



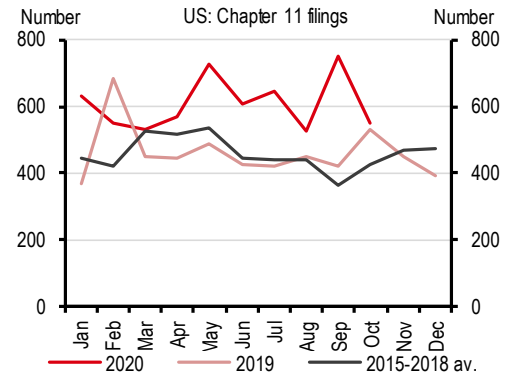
Source: IFO institute, French labour ministry, Ministry of Labour, HSBC. Note: \*Sep and Oct based on IFO estimates

### 39. Jobs may come back as restrictions ease though...



Source: ABS

### 40. ...as long as firms can survive the next few months



Source: American Bankruptcy Institute

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