

Fighting the fear

How ready are consumers for the recovery?

Economics
Global

- ◆ We present the key charts to track how consumers feel...
- ◆ ...both in terms of virus concerns and job prospects...
- ◆ ...that will shape the consumer recovery across the world

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After a bounce in many key data points in May and June across the world, markets are considering how sustainable the improvement in the data is.

A full recovery is unlikely until consumers feel safe and are willing to visit places with a higher volume of people. We've seen in US states where there has been a resurgence in the number of COVID-19 cases that consumers retreated from bars and restaurants even before restrictions were officially changed. In Australia, a spike in cases in Victoria has caused consumers to retreat in other states too. In Sweden, where there is no lockdown and a still-high number of cases, consumers have been much slower to return to recreational activities than in the likes of Germany, where the number of cases have been pulled down far more. The health situation and the economic situation cannot be disentangled, and recent surveys suggest that consumers are getting more nervous about returning to normality as the number of global cases keeps rising.

Workers will also need to feel comfortable about job prospects to be willing to spend more, and although US labour market data continue to improve, the rise in permanent unemployment and the spread of job losses to other sectors are risks for the second half of the year. In Europe we expect unemployment to keep creeping higher as government support is steadily relaxed. Labour market data (as we outlined in [A difficult job](#), 18 June 2020) will be key to follow in the coming months.

While some parts of the economy are easier to revive such as manufacturing production and goods sales, globally the recovery in recreational activities remains far more muted and there are limited signs (outside of New Zealand where social distancing has been removed) of a recovery back to normal levels. Instead, most of the data point to a level of activity 10-15% below the start of the year in these parts of the economy, with travel still far weaker.

Manufacturing output may have recovered more quickly but could struggle from here. With high levels of inventories and reduced domestic and external demand, the outlook for both trade and industrial data remains subdued. On top of this, although the number of COVID-19 cases in some parts of the world continues to decline and restrictions are being eased, we cannot ignore the fact that the total number of global cases keeps rising.

All in all, while the past couple months of improving data are encouraging, the global economy is not yet out of the woods. After the initial bounce in pent up demand the pace of improvement is set to slow later in 2020 and 2021, leaving many scars and challenges for policy makers.

This is a redacted version of the report published on 08-Jul-20. Please contact your HSBC representative or email AskResearch@hsbc.com for information.

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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1. Mobility data shows how the recovery is uneven across the world

% change from baseline	Residential					Retail & Recreation					Transit Stations					Workplaces				
	8 May	22 May	5 Jun	19 Jun	Latest (3 Jul)	8 May	22 May	5 Jun	19 Jun	Latest (3 Jul)	8 May	22 May	5 Jun	19 Jun	Latest (3 Jul)	8 May	22 May	5 Jun	19 Jun	Latest (3 Jul)
Developed Markets																				
US	18	15	13	9	14	-32	-24	-20	-15	-10	-43	-36	-34	-28	-30	-43	-41	-36	-36	-57
Canada	22	18	15	11	12	-45	-34	-29	-21	-15	-62	-54	-50	-45	-45	-53	-46	-42	-40	-47
UK	30	24	22	19	18	-75	-66	-63	-53	-49	-68	-59	-56	-52	-49	-77	-58	-53	-50	-47
Germany	11	14	9	6	5	-36	-19	-20	-13	-5	-37	-40	-32	-23	-20	-31	-51	-26	-23	-23
France	38	20	13	9	6	-83	-39	-26	-17	-10	-80	-54	-37	-27	-18	-82	-57	-33	-30	-26
Italy	21	14	11	6	4	-60	-38	-28	-16	-14	-58	-46	-40	-31	-29	-45	-36	-32	-28	-27
Spain	27	20	13	9	4	-78	-60	-37	-26	-18	-64	-53	-40	-36	-29	-57	-46	-37	-32	-30
Sweden	8	12	7	10	7	-14	-10	-7	-57	-1	-31	-35	-28	-42	-26	-25	-57	-26	-79	-41
Norway	10	11	6	-1	4	-14	-1	-5	10	6	-33	-36	-27	-9	-22	-32	-49	-21	-24	-38
Japan	16	13	9	9	7	-34	-29	-18	-15	-14	-45	-41	-29	-26	-21	-27	-21	-15	-15	-11
Australia	16	14	10	9	9	-29	-25	-16	-12	-12	-51	-49	-40	-36	-38	-28	-23	-17	-15	-20
New Zealand	24	11	9	7	6	-70	-24	-16	-8	-4	-70	-45	-43	-34	-29	-40	-9	-2	-1	0
City States																				
Hong Kong	13	13	10	8	9	-17	-17	-13	-10	-11	-25	-24	-19	-15	-16	-12	-12	-8	-5	-6
Singapore	48	46	38	31	27	-67	-63	-56	-36	-28	-66	-64	-52	-40	-35	-66	-61	-44	-37	-33
Emerging Markets																				
India	26	21	17	15	16	-79	-72	-62	-57	-57	-56	-48	-39	-38	-39	-52	-42	-34	-34	-33
South Korea	3	3	2	1	2	-5	-7	-6	-6	-8	-1	-4	-2	-3	-5	-1	-2	-2	-1	-1
Indonesia	19	19	15	13	12	-44	-27	-30	-24	-18	-59	-49	-50	-43	-37	-35	-46	-26	-23	-23
Malaysia	28	21	18	12	9	-65	-47	-43	-33	-23	-62	-52	-50	-29	-24	-39	-31	-21	-19	-15
Philippines	36	32	27	27	25	-80	-72	-60	-56	-51	-78	-72	-61	-62	-59	-65	-55	-46	-44	-41
Saudi Arabia	21	17	16	16	11	-63	-44	-45	-48	-28	-82	-77	-70	-69	-59	-35	-26	-19	-18	-11
UAE	21	21	17	16	13	-63	-59	-49	-46	-36	-72	-69	-61	-58	-54	-38	-33	-26	-21	-17
Turkey	19	12	6	5	2	-49	-31	-22	-21	-18	-50	-36	-19	-22	-16	-40	-35	-20	-18	-17
South Africa	29	27	21	20	18	-53	-50	-34	-34	-23	-64	-62	-49	-52	-43	-51	-46	-35	-34	-33
Poland	11	9	8	5	2	-30	-20	-18	-10	-3	-44	-39	-36	-30	-22	-31	-26	-22	-21	-22
Mexico	24	22	21	17	17	-57	-56	-52	-46	-42	-61	-58	-55	-50	-47	-46	-42	-37	-34	-34
Brazil	16	17	15	14	14	-46	-52	-42	-41	-37	-43	-47	-38	-37	-34	-28	-28	-21	-20	-19
Argentina	23	22	20	17	19	-72	-70	-65	-56	-59	-53	-55	-52	-49	-56	-38	-33	-28	-24	-27

Key (Amount of time spent in each location vs baseline levels), inverted for residential

Low

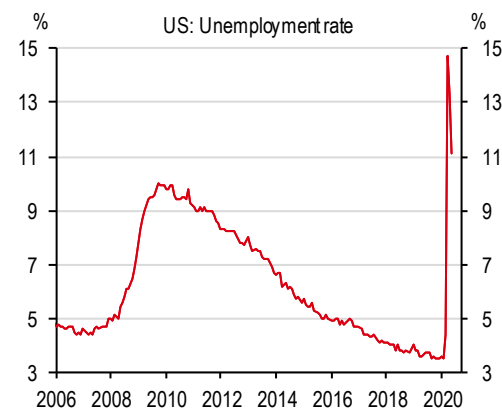


High

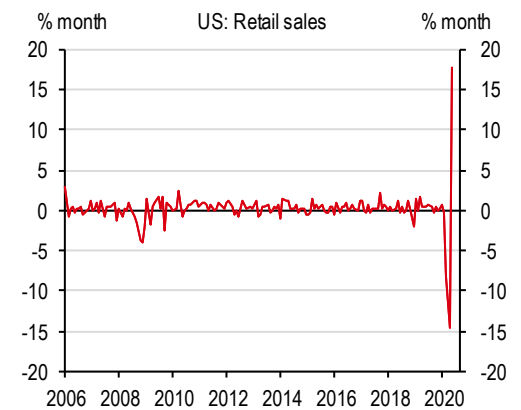
Source: Google LLC "Google COVID-19 Community Mobility Reports," HSBC. Note: Changes for each day are compared to a baseline value for that day of the week: The baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3–Feb 6, 2020. Dates used are 2-week intervals back from latest data. The shading for residential is reversed, as spending more time in residences is a sign that lockdowns are tight. Sweden's 19 June data is heavily distorted due to a public holiday.

Some better data – notably within retail sales – has re-ignited discussions of a ‘V’ shaped recovery

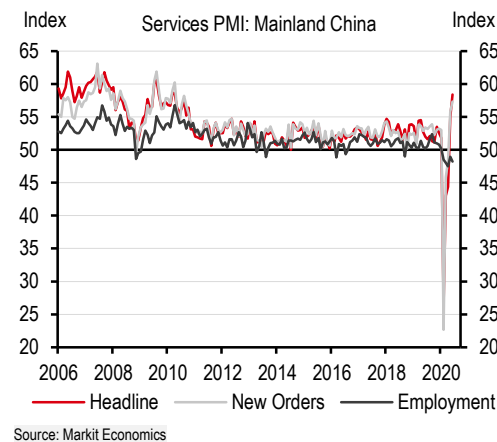
2. The US unemployment rate came down again in June...



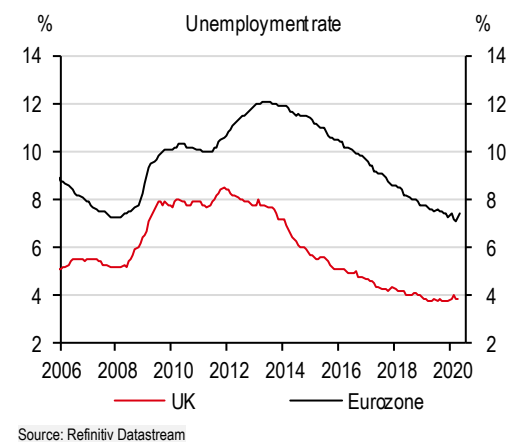
3. ...and retail sales rebounded strongly in May



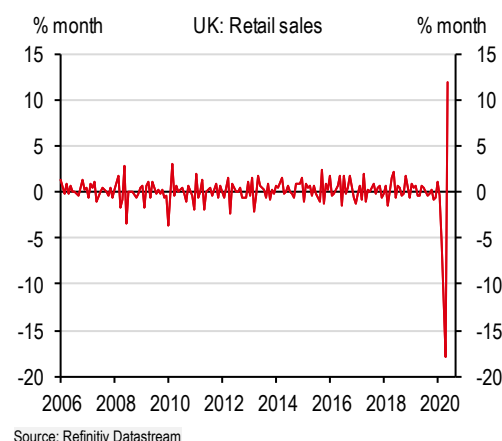
4. China's Caixin services PMI picked up sharply in June...



5. ...and at least for now, Europe's labour markets are holding up



6. UK retail sales rebounded in May...



7. ...and German retail sales also picked up sharply, now up y-o-y



How safe do consumers feel in returning to 'normal'?

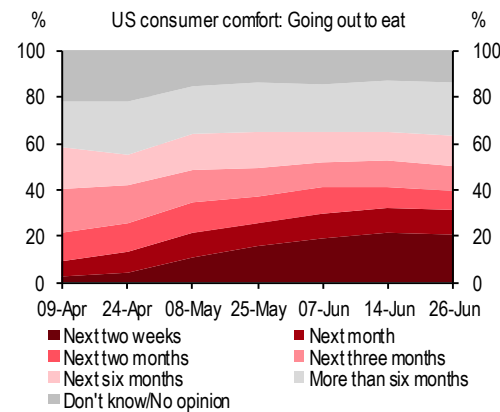
8. Most US consumers don't feel safe doing a wide range of activities...

% share of US adults that feel comfortable:	30 April	15 May	29 May	5 June	11 June	26 June	3 July
Going out to eat	18	23	31	35	41	37	35
Going on vacation	18	23	29	32	36	33	33
Going to a shopping mall	17	23	26	31	35	29	31
Going to a museum	15	19	25	29	30	26	25
Going to the movies	12	16	21	22	23	22	20
Going to the gym	12	13	18	21	22	21	18
Going to an amusement park	12	14	17	20	24	19	17
Going to a concert	10	12	16	17	21	18	15
Travelling abroad	8	10	12	13	13	13	10



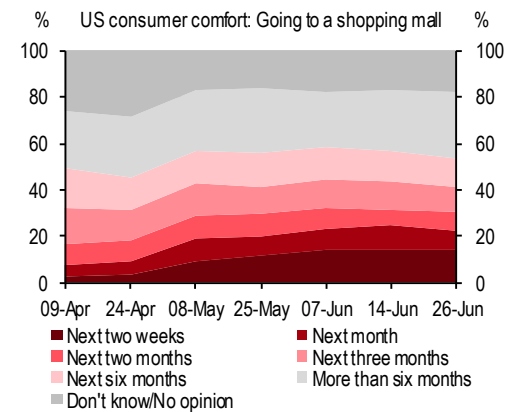
Source: Morning Consult, HSBC. Note: Survey date shown is the end date.

9. ...and confidence is rolling over in regards to going out to eat...



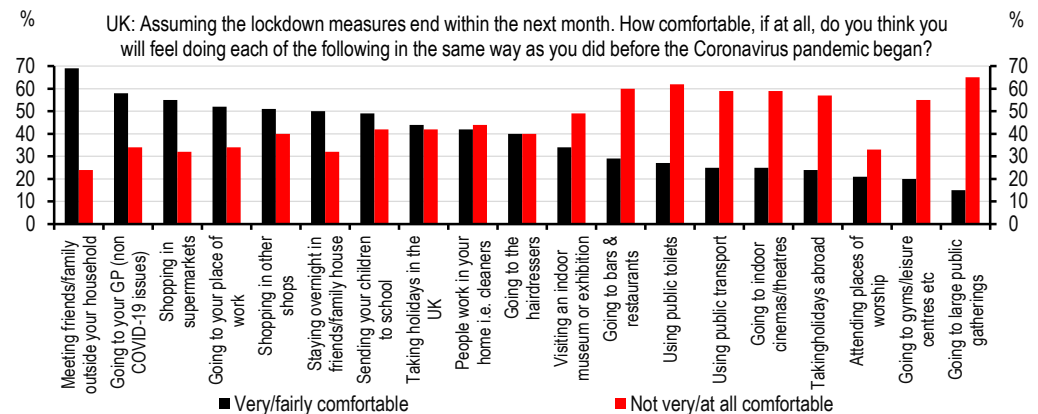
Source: Morning Consult, HSBC. Note: Chart shows when consumers would feel comfortable doing each activity.

10. ...or visiting a crowded shopping mall



Source: Morning Consult, HSBC. Note: Chart shows when consumers would feel comfortable doing each activity.

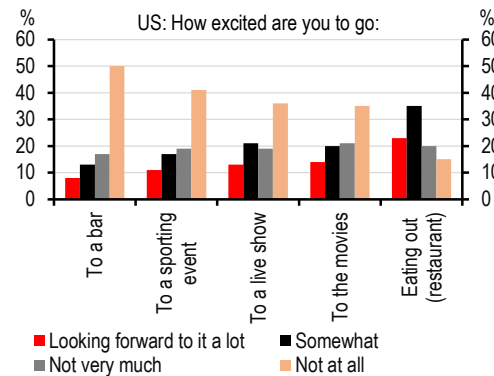
11. UK consumers feel comfortable doing some things, but are reserved about others



Source: Ipsos Mori. Note: Survey from 1 July 2020.

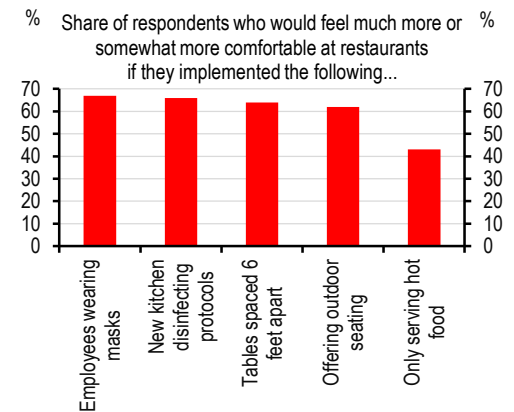
Various uncertainties will hold back the recovery

12. Even once lockdowns are over, the allure of many events may have been lost



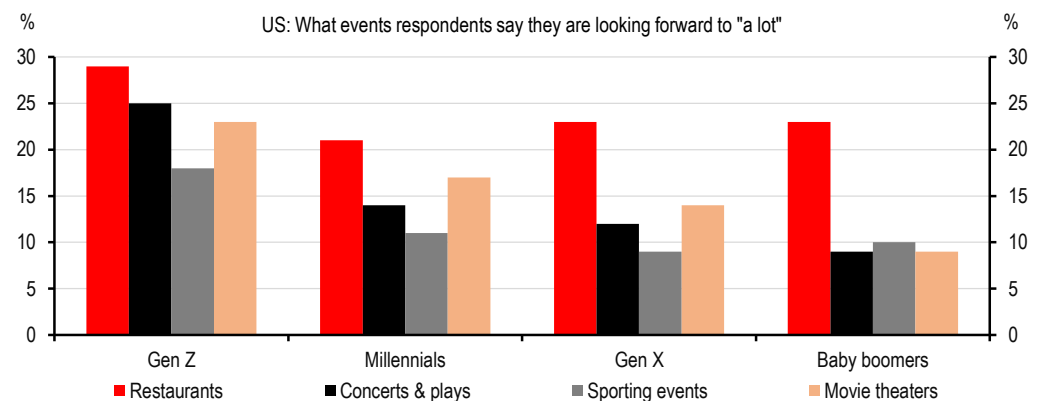
Source: Morning Consult, Bloomberg. Data from 2,200 U.S. adults surveyed June 26-28, 2020. Note: Survey is based on when lockdown restrictions are eased

13. Consumers want a different type of experience for now



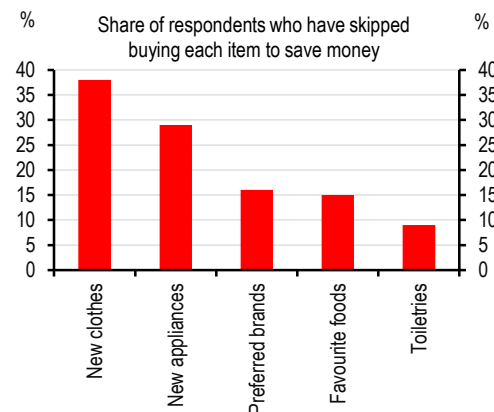
Source: Morning Consult, Bloomberg. Data from 2,200 U.S. adults surveyed June 26-28, 2020.

14. Young people are more willing to go back out than older generations, but can they afford it?



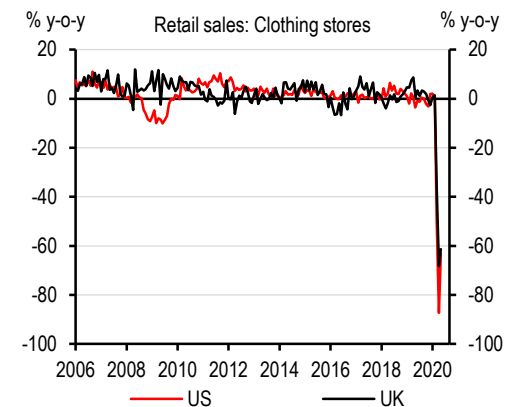
Source: Morning Consult, Bloomberg. Data from 2,200 U.S. adults surveyed June 26-28, 2020.

15. Many consumers have skipped buying clothes to save money...



Source: Morning Consult, Bloomberg. Data from 2,200 U.S. adults surveyed June 26-28, 2020

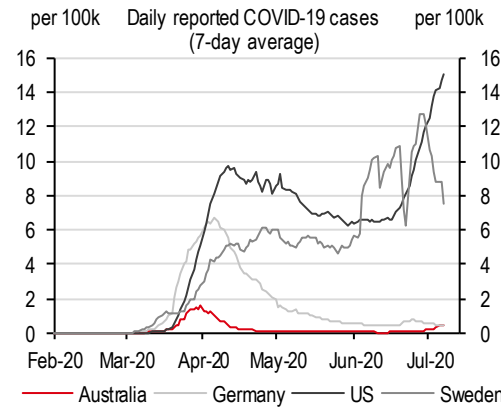
16. ...meaning it could be a slow road back for clothing sales



Source: Refinitiv Datastream. Note: Data is in value terms. UK data is available in volume terms but is not markedly different.

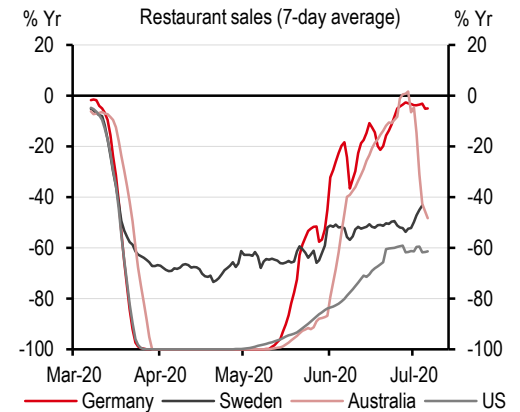
Consumers won't feel truly safe until the virus is no longer a threat

17. Cases are still rising in many places – such as Sweden...



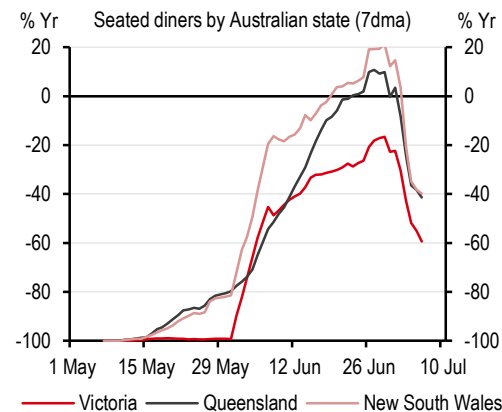
Source: ECDC, HSBC

18. ...and the spike in Victoria has seen Australia's restaurant sales collapse...



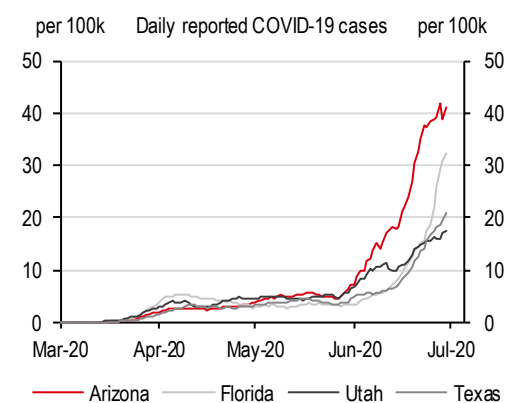
Source: Opentable (Germany, Australia & US), Caspeco (Sweden), HSBC

19. ...even in states that haven't had the same surge in the number of cases



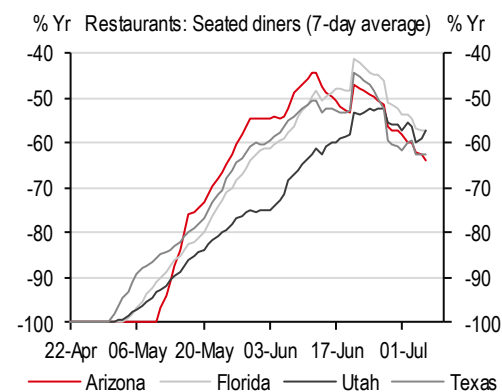
Source: Opentable, HSBC.

20. The number of cases has spiked in the US sun belt...



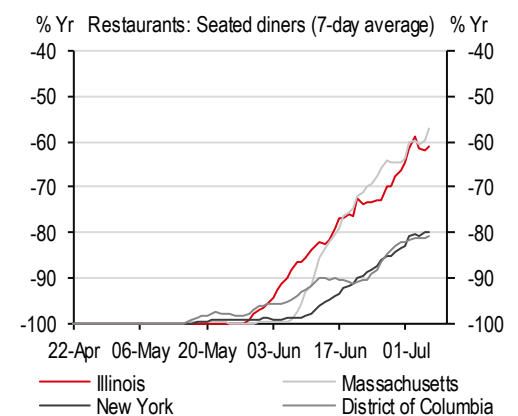
Source: Opportunity Insights, The COVID Tracking Project, HSBC

21. ...and consumers were pulling back even before restrictions were tightened...



Source: Opentable, HSBC.

22. ...but there's a (very) steady recovery in states where cases are coming down



Source: Opentable, HSBC.

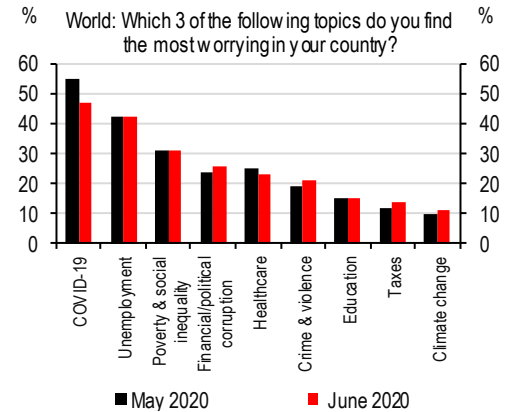
Worries about employment and investment could weigh on the next stage of the rebound

23. Consumers are still wary of crowded places...



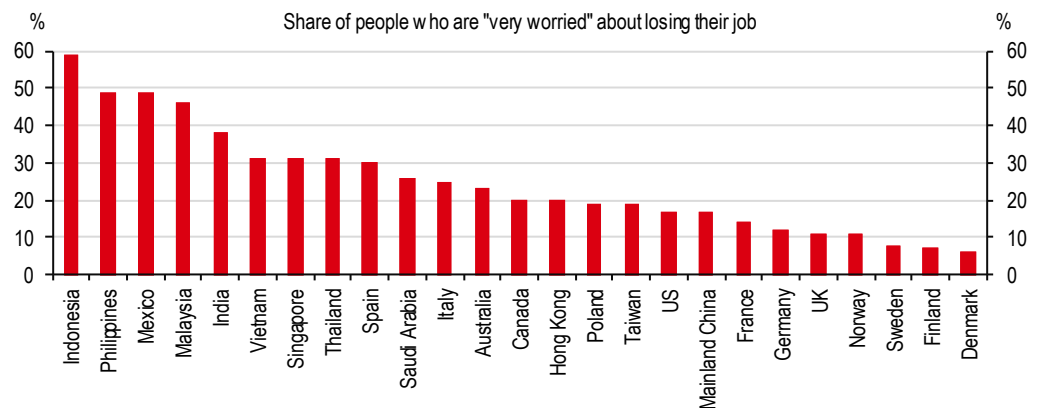
Source: YouGov, HSBC

24. ...and unemployment is close to COVID-19 as a concern for many



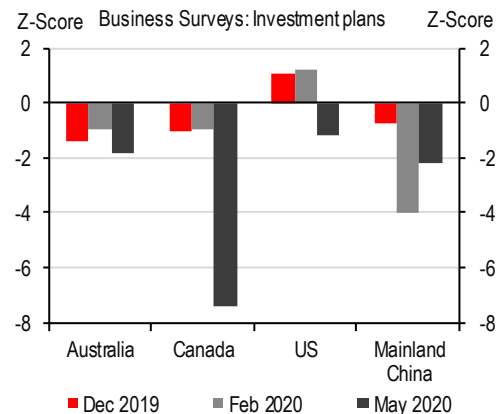
Source: Ipsos Mori: What Worries the World – June 2020. Note: Concerns that have > 10% of respondents as of June 2020

25. Many people are worried about losing their job...



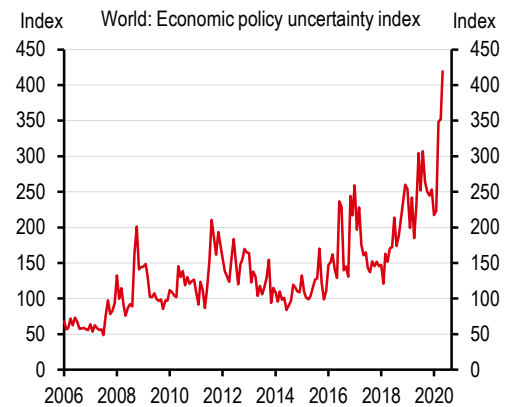
Source: YouGov, HSBC. Note: This refers only to those people with jobs

26. ...or businesses are nervous about future investment....



Source: HSBC, Refinitiv Datastream. Note: Z-scores since 2012 taken to normalise across economies. US series is the NFIB survey: percent reporting now is a good time to expand. Australia series is the ANZ Roy Morgan survey: percent reporting next 12 months is a good time to invest. Canada series is the CFIB survey: percent planning capital expenditures in at least one of the stated areas in the next 3-4 months. Mainland China series is the CKGSB Investment Index.

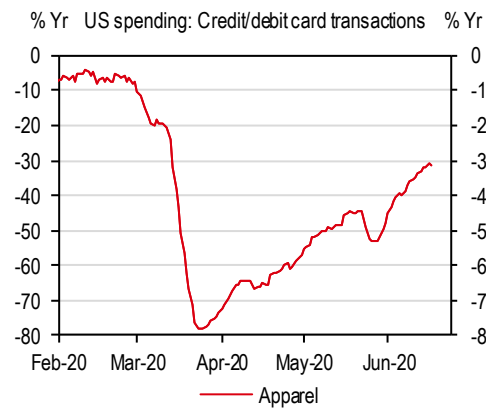
27. ...with uncertainty levels at record highs



Source: policyuncertainty.com, HSBC

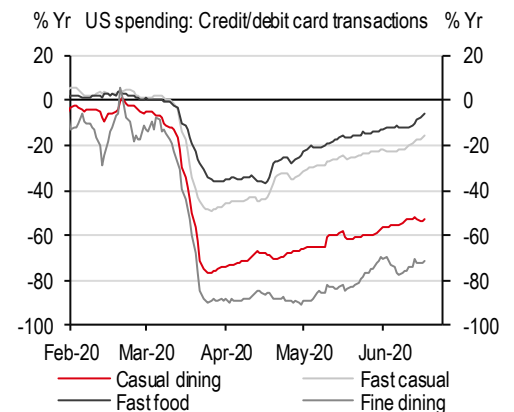
The recovery: steady upturn in the US so far, but the spike in cases in some states creates risks to the recovery

28. Consumer spending keeps picking up, but slowly in some categories



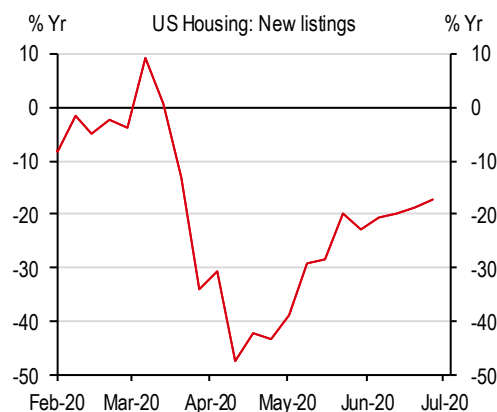
Source: 1010DATA, HSBC. Note: % y-o-y change in credit/debit card transactions

29. Fast-food dining is nearly back to normal levels...



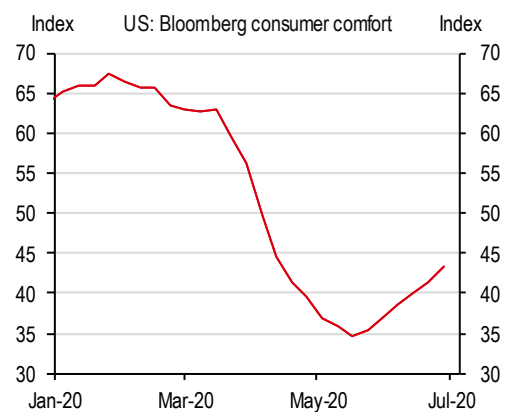
Source: 1010DATA, HSBC

30. ...homes are going back on the market...



Source: Realtor.com, HSBC

31. ...and consumers are starting to feel a little happier



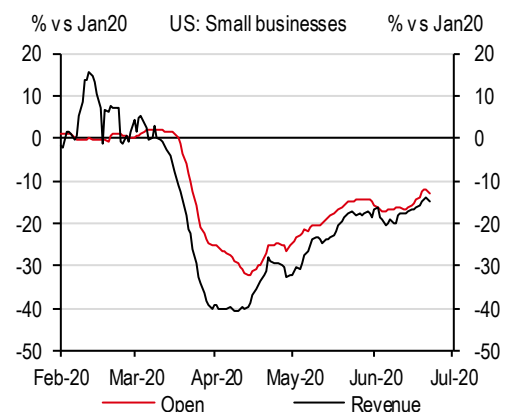
Source: Bloomberg, HSBC

32. With renewed virus concerns, the weekly economic index ticked down...



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

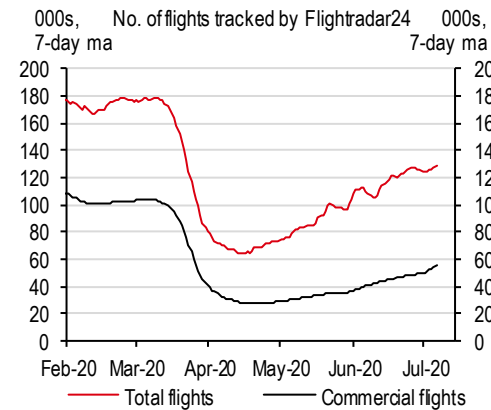
33. ...and the number of small businesses open has stopped rising



Source: Opportunity Insights, Womply, HSBC

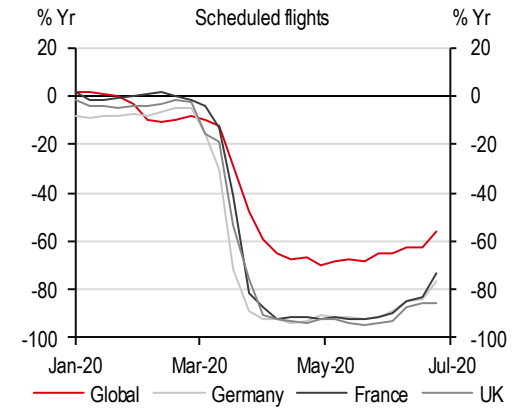
Tourism data could be the last to come back to normal levels...

34. Globally, commercial flights are steadily returning...



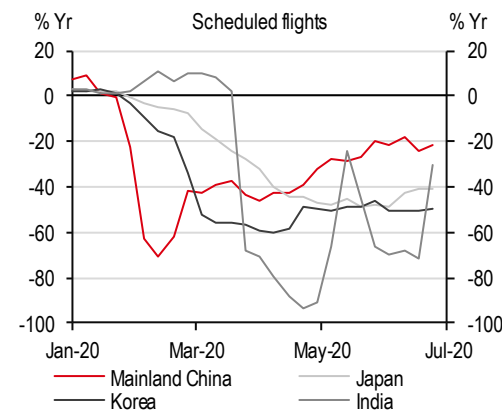
Source: Flightradar24, HSBC. Note: Global flights

35. ...but Europe's summer tourist season could look quite different



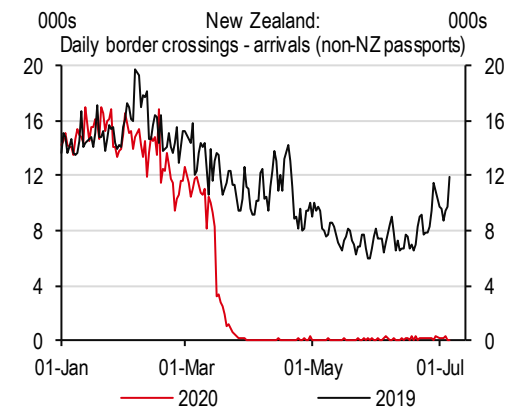
Source: OAG Schedules Analyser, HSBC

36. In Asia flights are coming back more quickly...



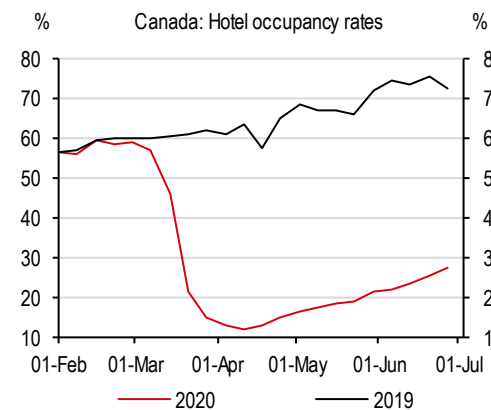
Source: OAG Schedules Analyser, HSBC

37. ...but until borders open tourist arrivals will remain minimal



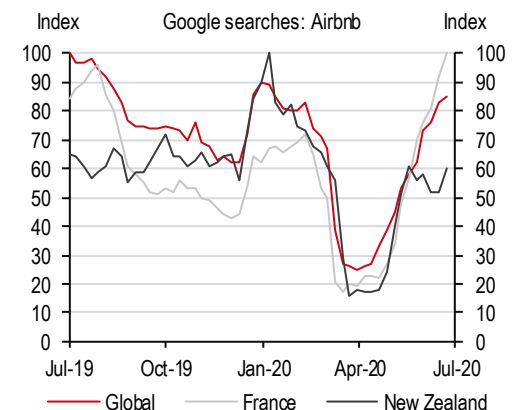
Source: Statistics New Zealand, New Zealand Customs Service, HSBC

38. As summer comes in Canada, hotels would hope to be busier than they are...



Source: STR, HSBC

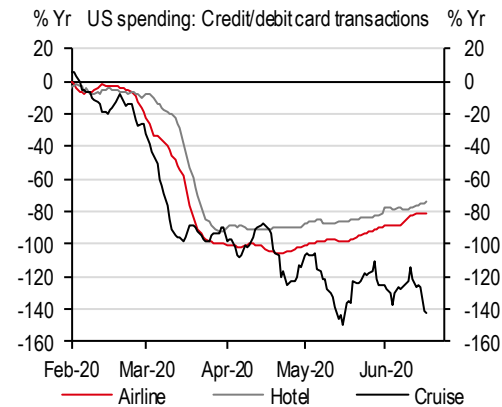
39. ...and some consumers may opt for private accommodation rather than hotels



Source: Google Trends, HSBC. Note: Index where 100 = max searches for the term in that region over time.

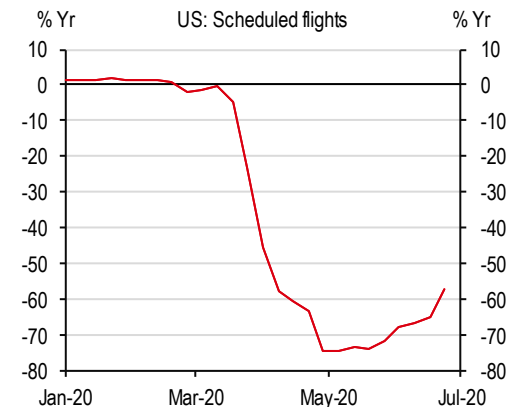
...and in the US, travel data remain a long way from pre-crisis levels

40. No clear pick-up in US consumer spending on hotels yet...



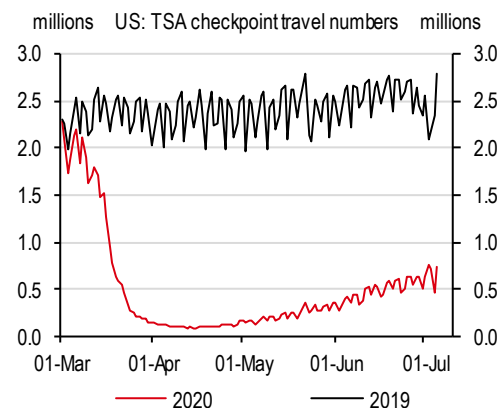
Source: 1010DATA, HSBC. Note: Values can be >-100% because the data takes account of refunds on cancelled future reservations.

41. ...but more flights are starting to run...



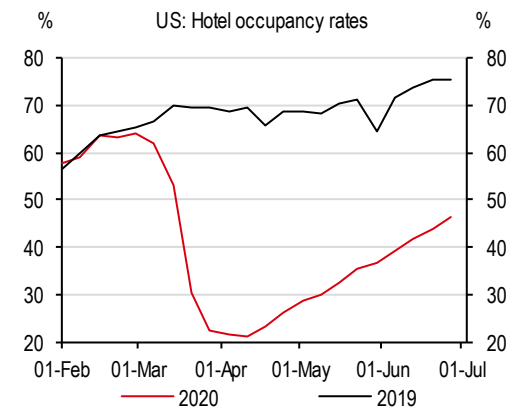
Source: OAG Schedules Analyser, HSBC

42. ...even if they may be mostly empty for now



Source: TSA, HSBC

43. Hotel occupancy rates are still half what they were in 2019



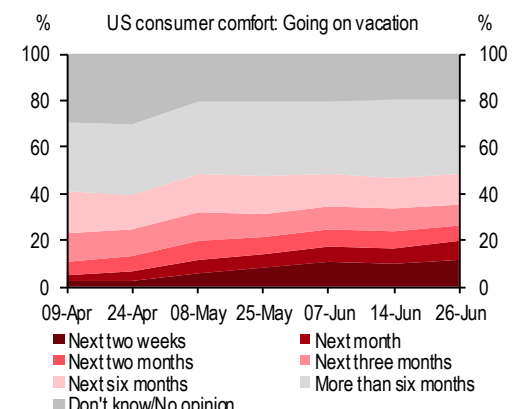
Source: STR, HSBC

44. Total travel and retail spending is still down nearly 20% y-o-y...



Source: 1010DATA, HSBC. Note: % y-o-y change in credit/debit card transactions

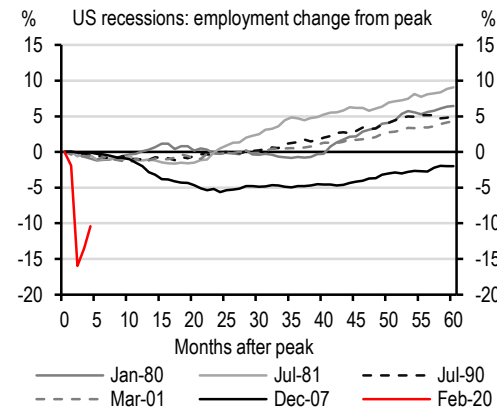
45. ...and consumers are still nervous about foreign travel



Source: Morning Consult, HSBC. Note: Chart shows when consumers would feel comfortable doing each activity.

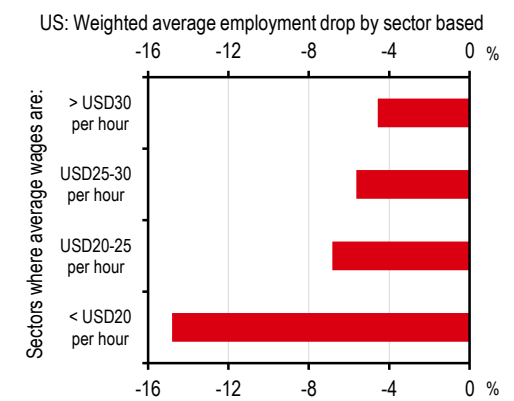
Labour market data point to risks further out

46. The US labour market is steadily recovering...



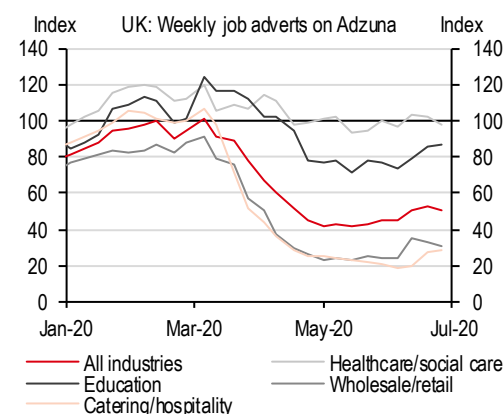
Source: HSBC, Refinitiv Datastream

47. ...but most of the job losses are amongst the lowest-paid sectors



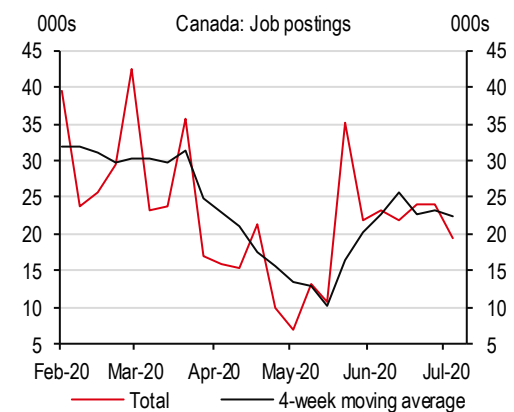
Source: HSBC, Refinitiv Datastream. Note: Change from Feb-Jun 2020

48. Jobs may be coming back, slowly in the UK...



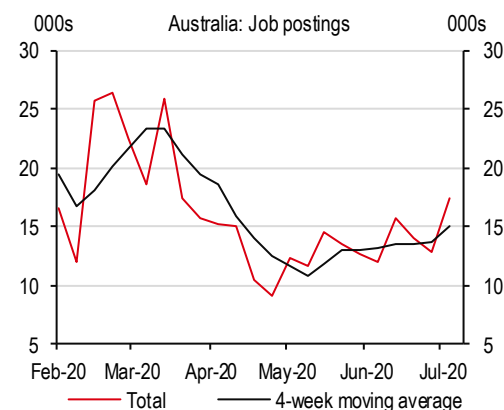
Source: ONS, Adzuna, HSBC. Note: 2019 average = 100

49. ...and in Canada



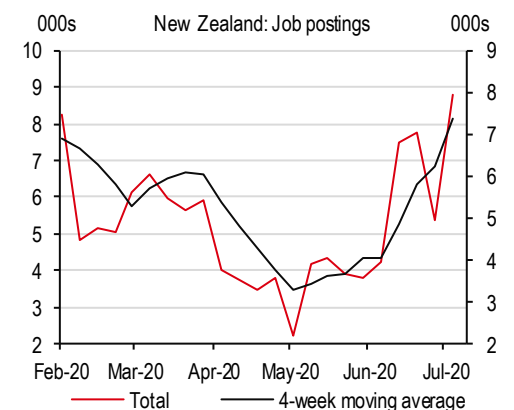
Source: Burning Glass, HSBC

50. A spike in cases in Victoria could dull the Australian recovery in job postings...



Source: Burning Glass, HSBC

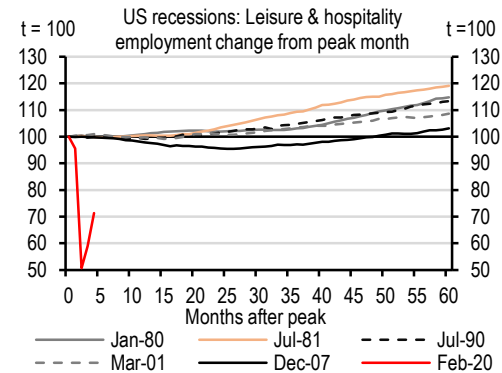
51. ...but New Zealand is coming back strongly



Source: Burning Glass, HSBC

How many jobs will return? And where else could they be lost?

52. How many leisure jobs will come back?



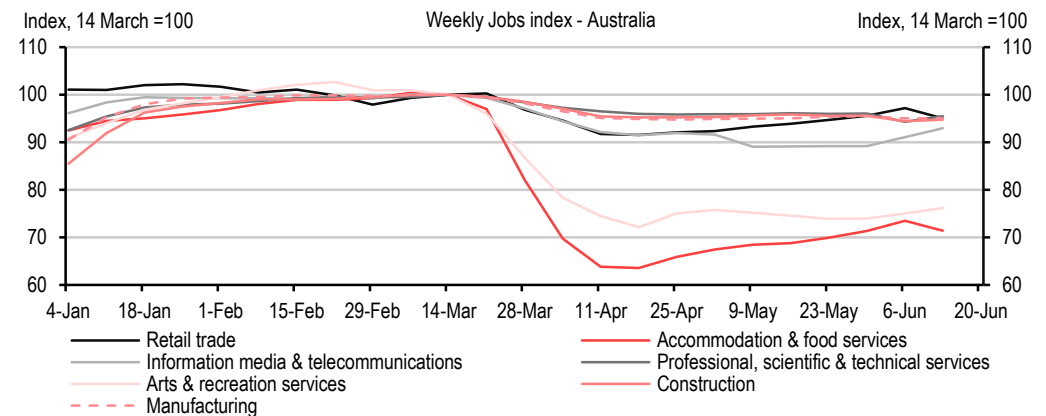
Source: HSBC, Refinitiv Datastream

53. Especially as the number of permanently unemployed keeps rising



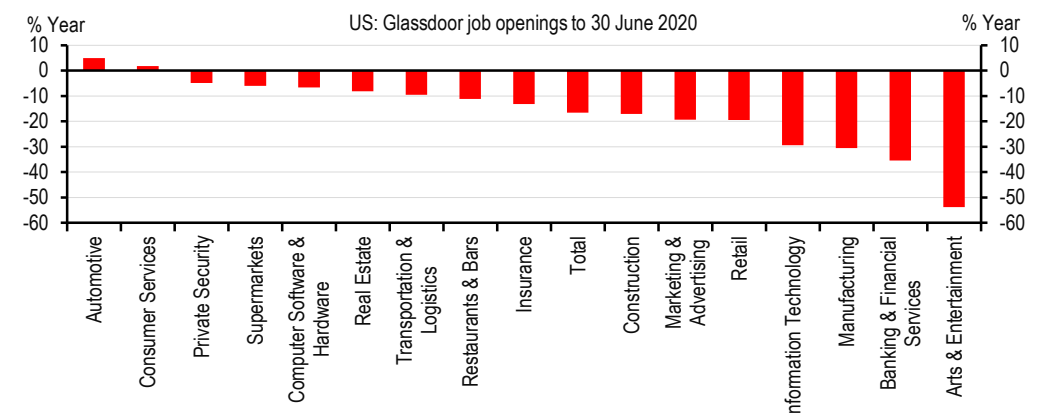
Source: HSBC, Refinitiv Datastream

54. Australia's employment data show how other sectors can be affected by the recession



Source: ABS

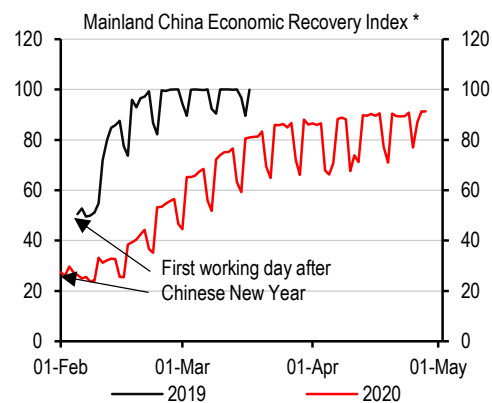
55. US job openings show how widely labour market weakness has spread



Source: Glassdoor Job Market Report, 30 June 2020

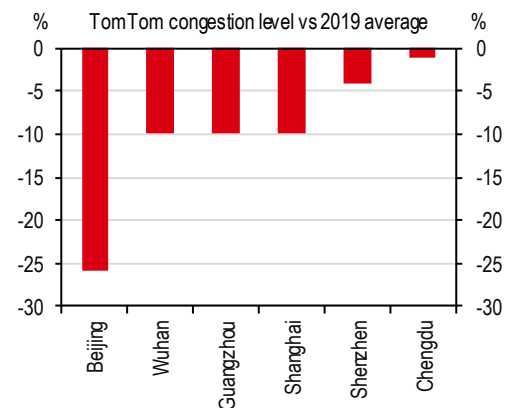
Mainland China's recovery is not complete, but some more promising signs...

56. Mainland China's data flattened out below 'normal' levels...



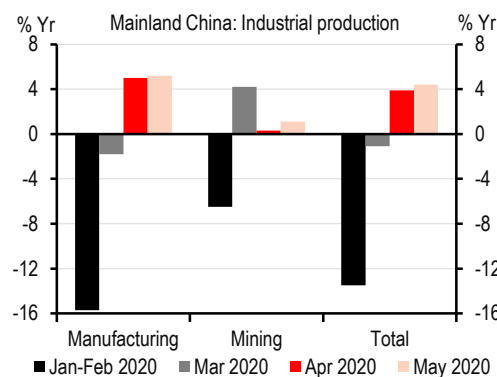
Source: HSBC, Bloomberg. Note: *activity relative to normalised level. Note: data ends at the end of April 2020, but gives a sense of likely trajectories elsewhere

57. ... and traffic data in major cities remain muted, even if less so than before



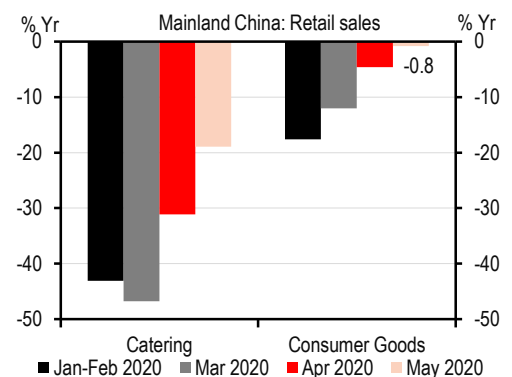
Source: TomTom Traffic Index, HSBC. Note: To strip out working day effects, we have used data for 12:00pm Saturday 4 July. This is compared to the 2019 average for that day and time.

58. Industrial data have recovered quickly...



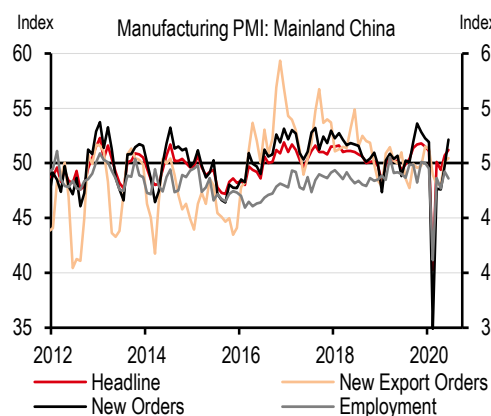
Source: HSBC, Refinitiv Datastream

59. ...but some elements of consumer spending have been slower to return



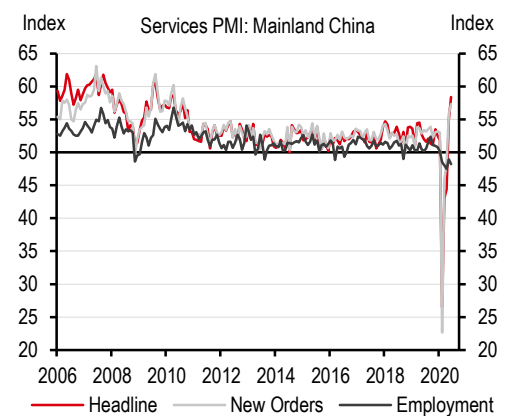
Source: HSBC, Refinitiv Datastream

60. China's Caixin manufacturing PMI is back above 50...



Source: Markit Economics, Refinitiv Datastream, HSBC

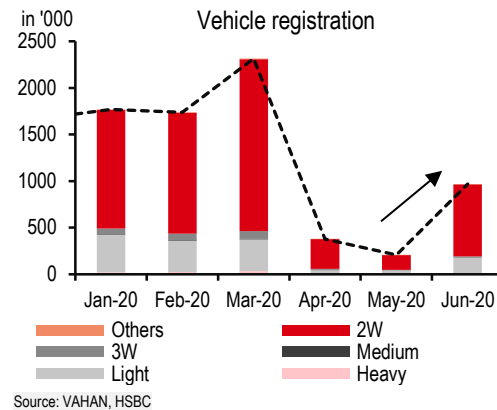
61. ...and the Caixin services PMIs spiked in June



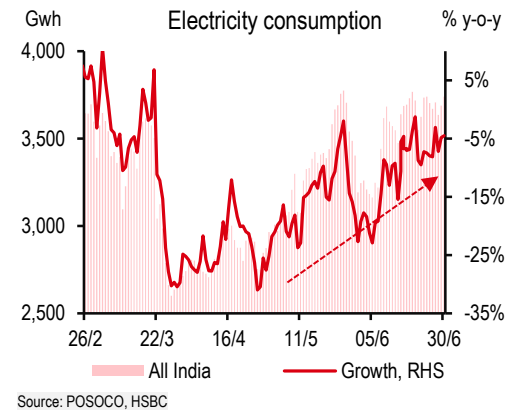
Source: Markit Economics, Refinitiv Datastream, HSBC

India's situation is improving, but not quickly enough

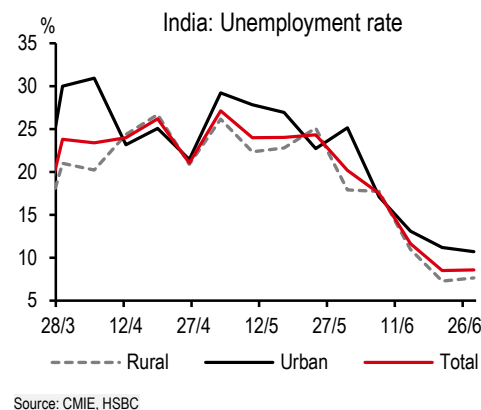
62. 2-wheeler registrations climbed higher recently, perhaps benefitting from social distancing norms



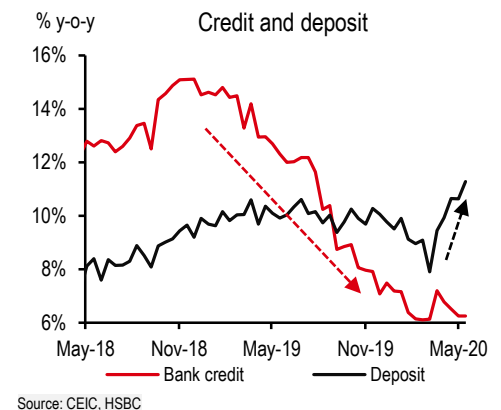
63. Electricity consumption is close to pre-lockdown levels



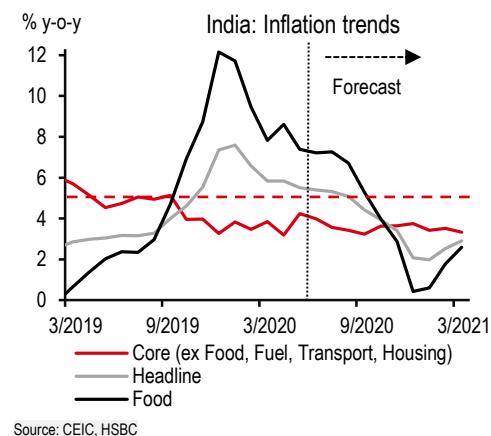
64. Unemployment has eased considerably, and more so in rural areas



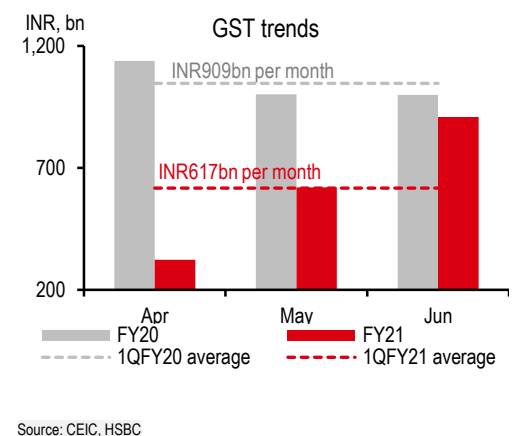
65. ...but risk aversion at banks has led to falling credit growth



66. Inflation is likely to settle at sub-4% levels in 2H20

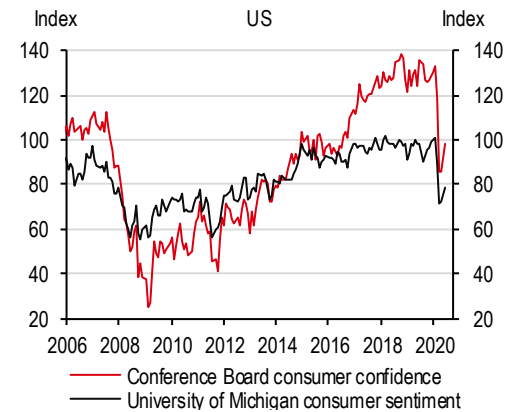


67. GST revenue in 1QFY21 came in 40% lower than a year ago



Consumer surveys point to a very mild recovery in confidence

68. US consumer confidence is off the bottom...



69. ...and we've seen more marked improvements in the eurozone...



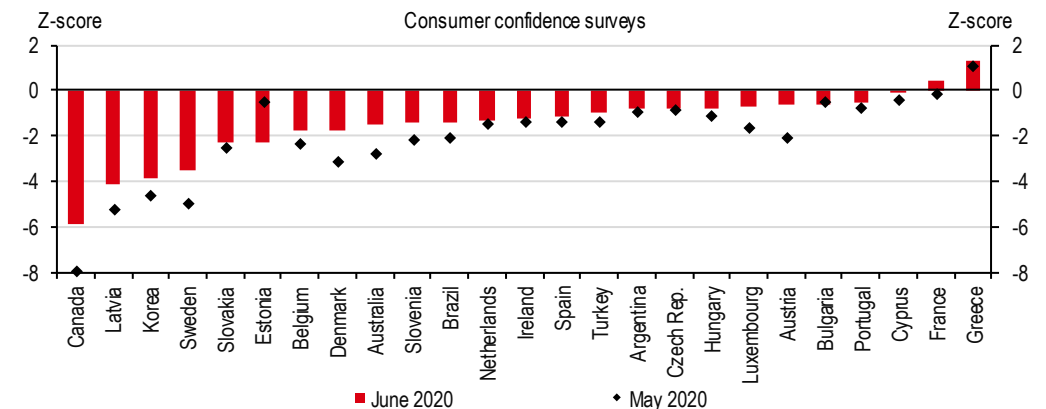
70. ...but not in the UK...



71. ...or Japan

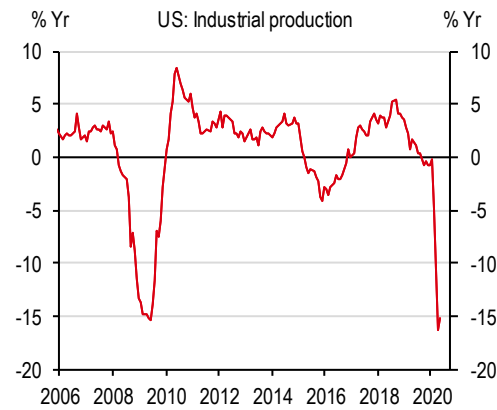


72. Consumer sentiment is steadily recovering across the world, but remains depressed

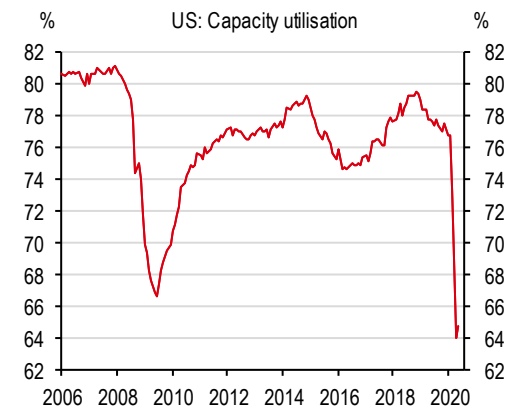


Manufacturing data: hasn't fallen as badly but may face headwinds from global demand and elevated stock levels

73. US industrial production remained depressed in May...



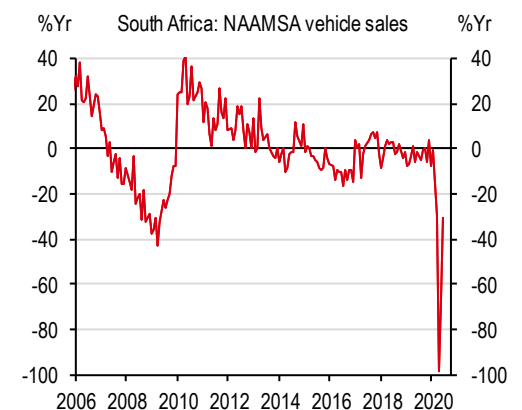
74. ...as the US continued to use a very small share of its productive capacity



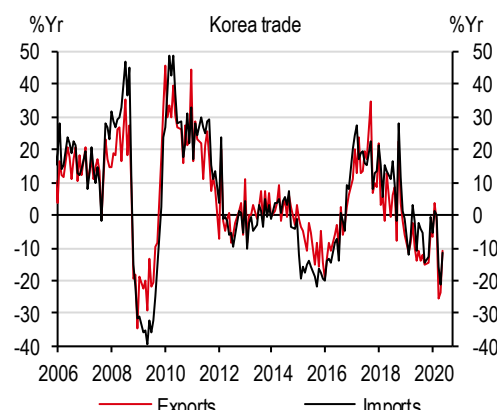
75. Mainland China's production data has recovered relatively quickly...



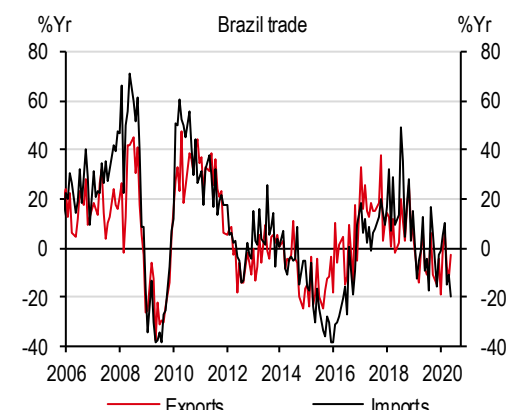
76. ...while vehicle sales in South Africa have bounced off the bottom



77. Korea's trade data have suffered from the sharp drop in global demand...



78. ...and in Brazil, too



Business surveys: Look like 'V's due to the nature of surveys

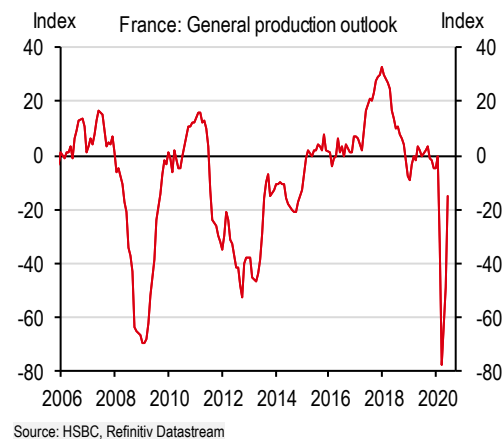
79. The Philly Fed index has recovered to more 'normal' levels...



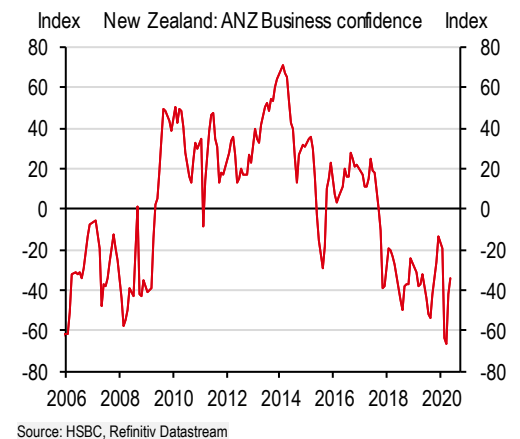
80. ...while the German ifo survey has ticked up but remains low relative to its history



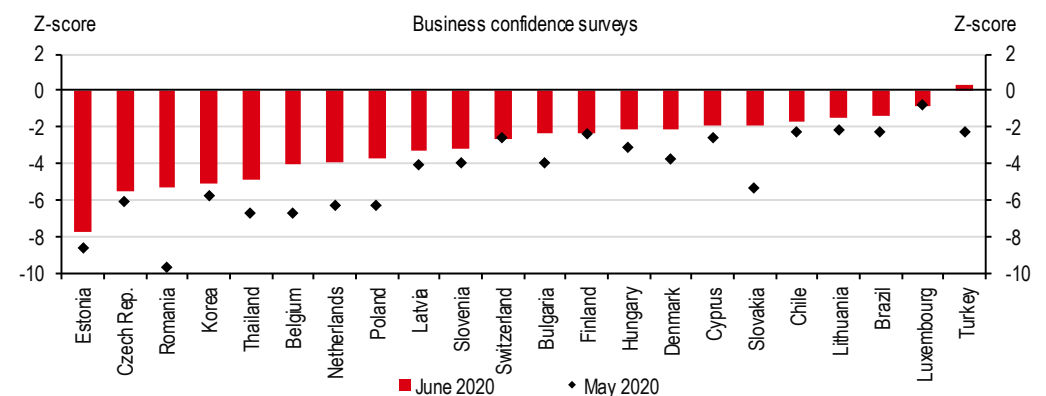
81. The same picture is the case in France, based on the INSEE survey...



82. ...and even in New Zealand, where the economy has re-opened more quickly

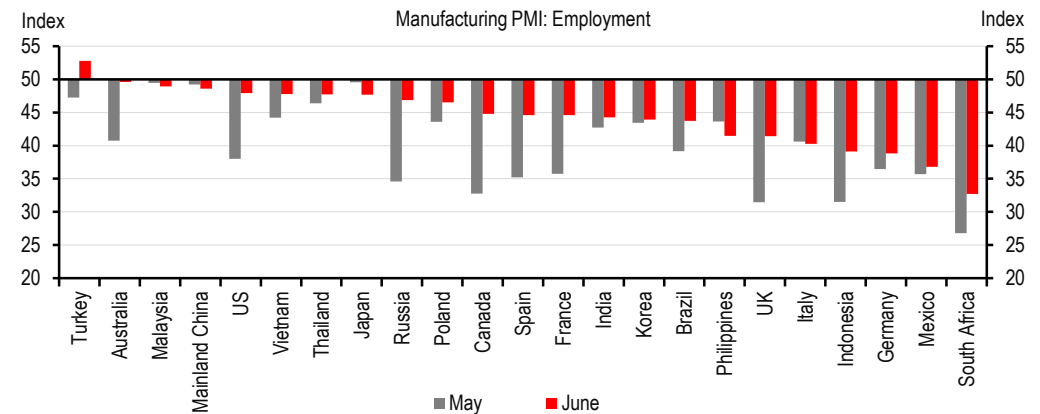


83. Business confidence is growing but still remains low by historical standards



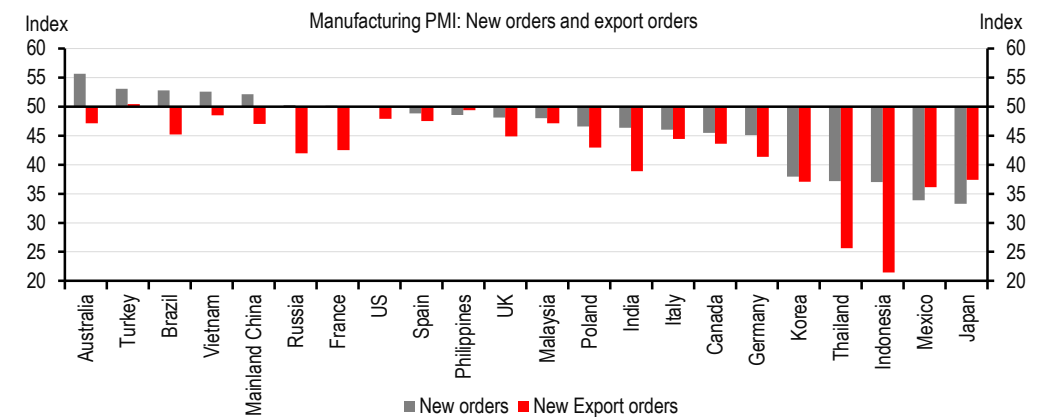
PMIs can help us learn about the shape of the recovery

84. Many firms are still shedding jobs in the manufacturing sector



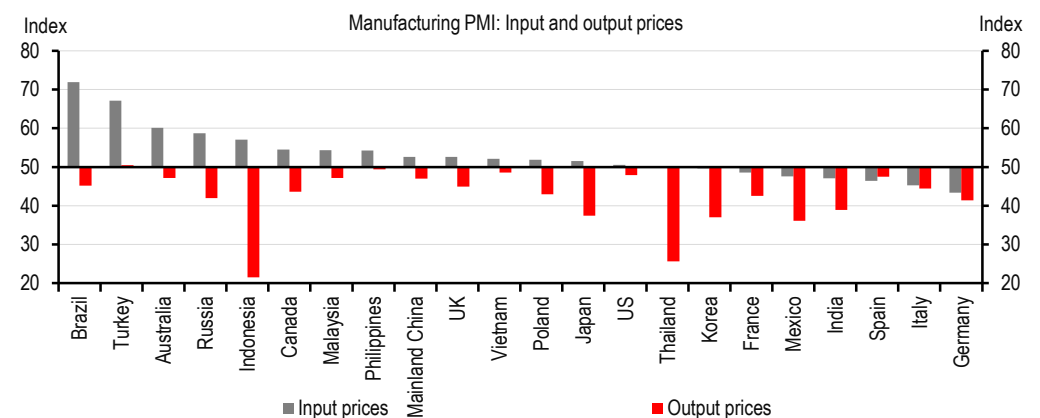
Source: Markit Economics

85. Trade is recovering less quickly than domestic demand based on PMI orders indices



Source: Markit Economics

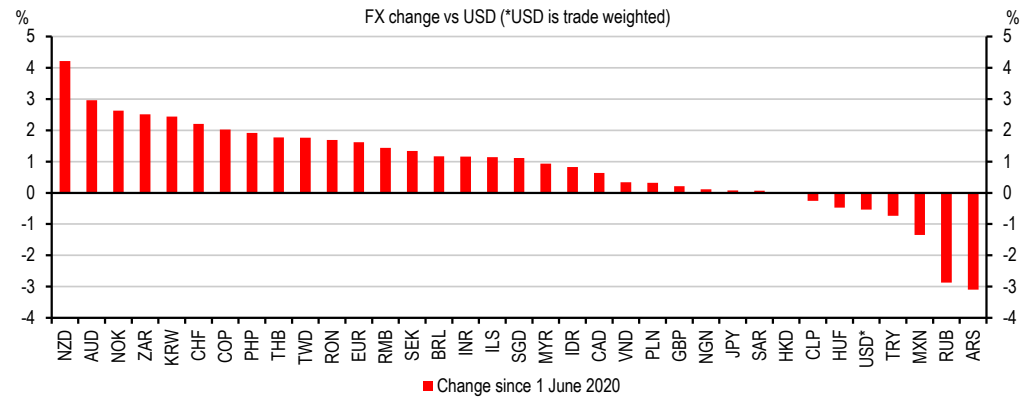
86. Firms are taking higher input prices and not passing them on



Source: Markit Economics

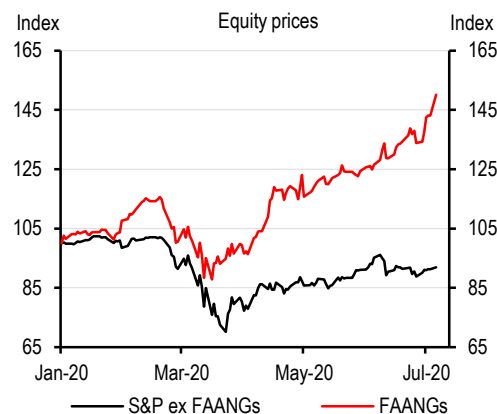
Financial markets: a quiet, but risk-on, month

87. Low-debt developed markets have seen their currencies strengthen



Source: HSBC, Refinitiv Datastream

88. A few companies are doing a lot of the heavy lifting in the equity market



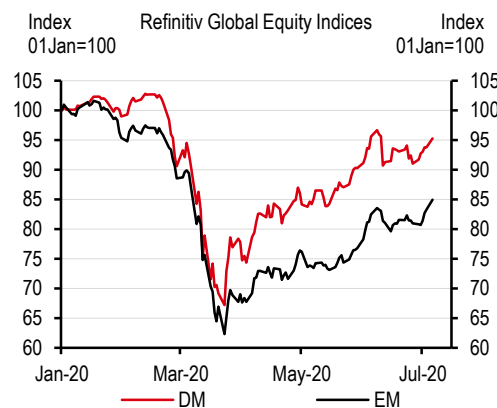
Source: Refinitiv Datastream, HSBC

89. Bond yields have been stable recently



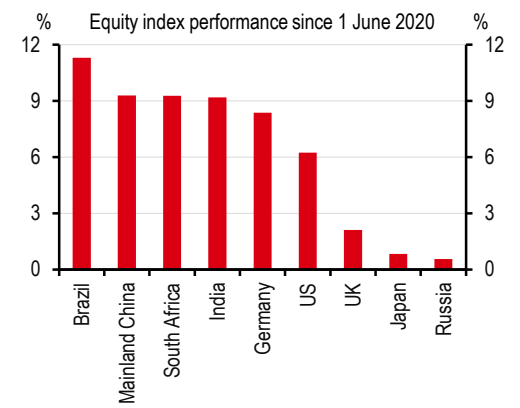
Source: Refinitiv Datastream, HSBC

90. EM equities performed well in June...



Source: Refinitiv Datastream, HSBC

91. ...particularly in Brazil, despite elevated COVID-19 cases



Source: Refinitiv Datastream, HSBC Note: Refinitiv Country 50 equity indices, in local currency

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