

Rough waves

What's happening in the global data as cases rise?

- ◆ As the number of global COVID-19 cases continues to rise...
- ◆ ...a full economic recovery may be delayed further...
- ◆ ...posing risks to the labour market and financial stability

Although some parts of the world are still on the slow path to recovery with movement restrictions continuing to be eased, in many places the number of new COVID-19 cases keeps rising. This will weigh on the economic data – either through continued restrictions, renewed lockdowns or a tightening of border restrictions. Flare-ups in parts of Asia that had previously had the virus under control, such as Vietnam, show that the world needs to keep on its toes. And the initial bounce in activity in May and June could start to soften with an upturn in new cases in any economy.

The number of cases (on a population adjusted basis) is now the highest in the Americas and the Middle East, and although some of the increase in the number of cases is as a result of more tests, the positivity rate of those tests is also highest in these regions. Having seen the rise in the number of cases adversely affect the US data in July (see: *Will the US recovery slow?: The impact of a rise in COVID-19 cases*, 23 July 2020), although nonfarm payrolls still rose by almost 1.8m, we could see a similar impact in parts of the world where cases keep rising. This may be evident in fewer consumers returning to cafes and restaurants as well as continued weakness in the travel sector.

Some parts of consumer spending look to be picking up quickly. Retail sales prints in many parts of the world have started to recover: Norway's are even up 15% y-o-y. But goods consumption is much more likely to benefit from catch-up spending, and ignores the fact that spending on services remains depressed in many parts of the world.

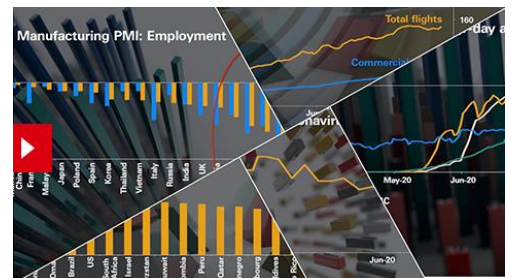
This, of course, creates risks for the labour market. The number of jobs being advertised across the world continues to fall, notably in sectors that aren't directly affected by lockdowns. Firms continue to shed jobs (based on the PMI surveys) and the higher frequency data suggest that it may be a long road back to the same level of employment.

All of this acts as a stark reminder that we cannot separate the health and the economic challenges. Until the virus is broadly under control or there is a widely available vaccine, it may prove difficult for economic activity to return to normal levels.

The longer that the subdued level of activity persists, the greater the chances of even more adverse spill-overs, such as sharp rises in debt levels, corporate defaults or financial market shocks that could further weaken the global economy. So it is still just as important to track the developments in the number of global cases as it is to track the economic data at this time.

This is a redacted version of the report published on 10-Aug-20. Please contact your HSBC representative or email AskResearch@hsbc.com for information.

Economics Global



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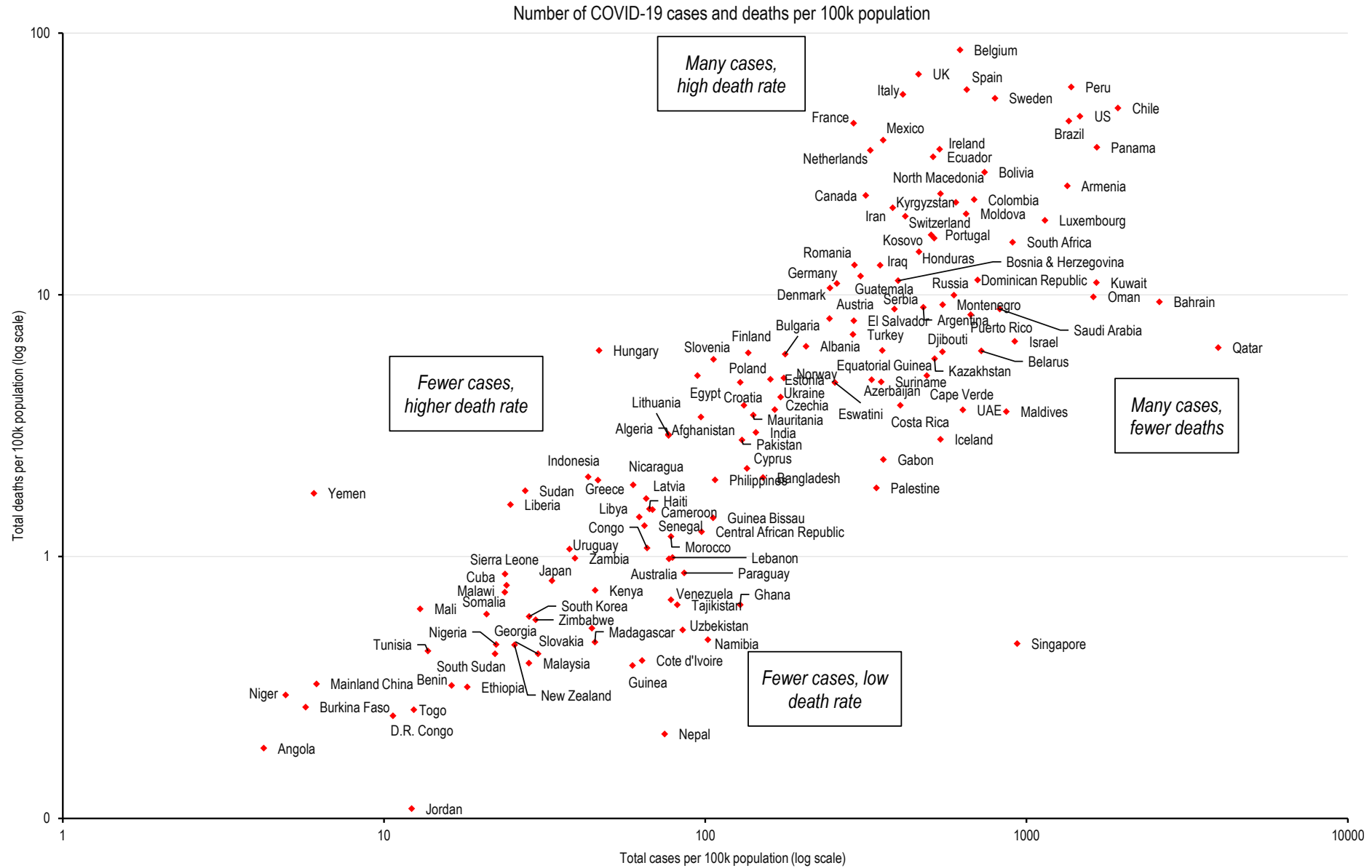
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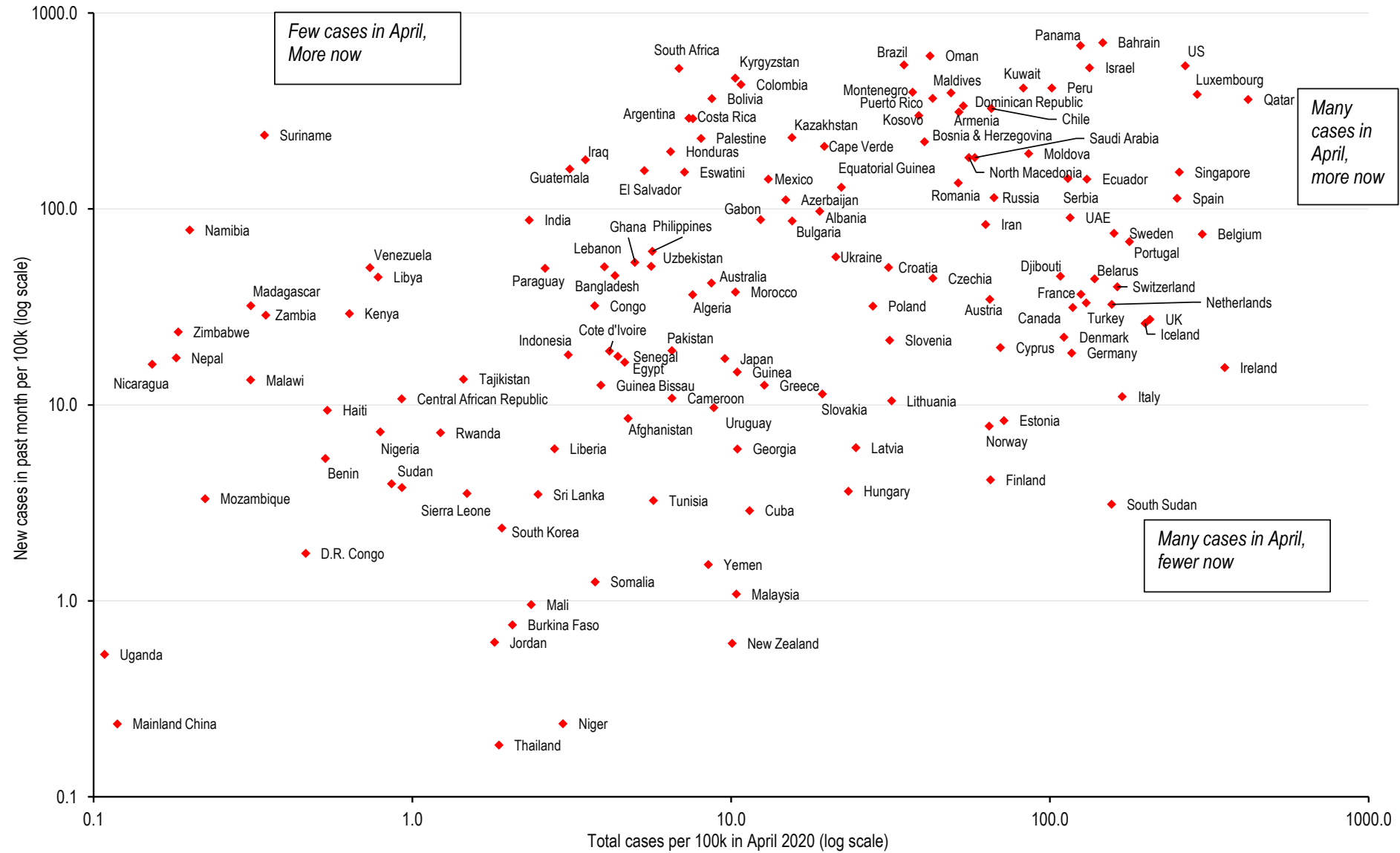
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1. Where are the hotspots? Europe and the Americas have had the most cases per capita so far



2. Some parts of the world had lots of cases in April – others are only seeing them now

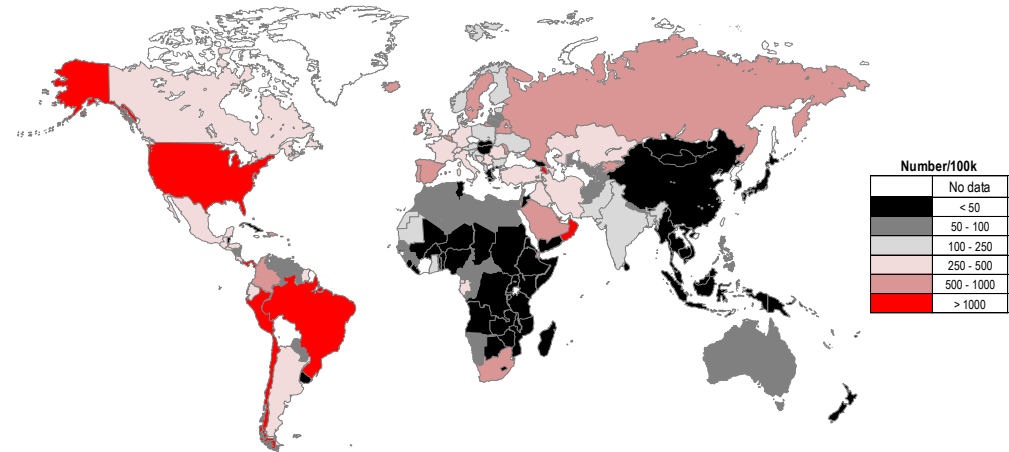
Global number of new COVID-19 cases per 100k population: April 2020 vs past month



Source: ECDC, HSBC

3. Cases per 100k population are highest in the Americas and CEEMEA...

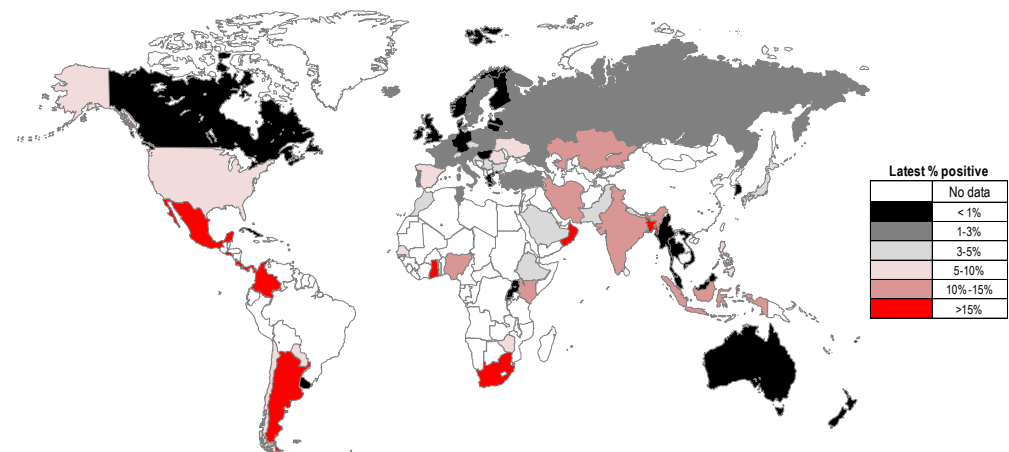
Total COVID-19 cases per 100k population



Source: ECDC, HSBC

4. ...partly due to testing, but with relatively high positive test rates...

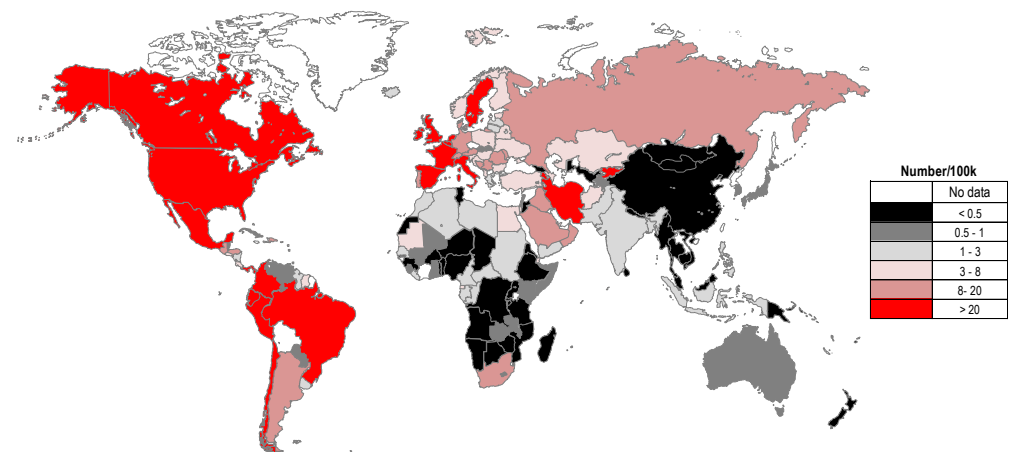
Latest daily COVID-19 positive test rate (%)



Source: OurWorldinData, HSBC

5. ...and high death numbers, these regions have suffered the most

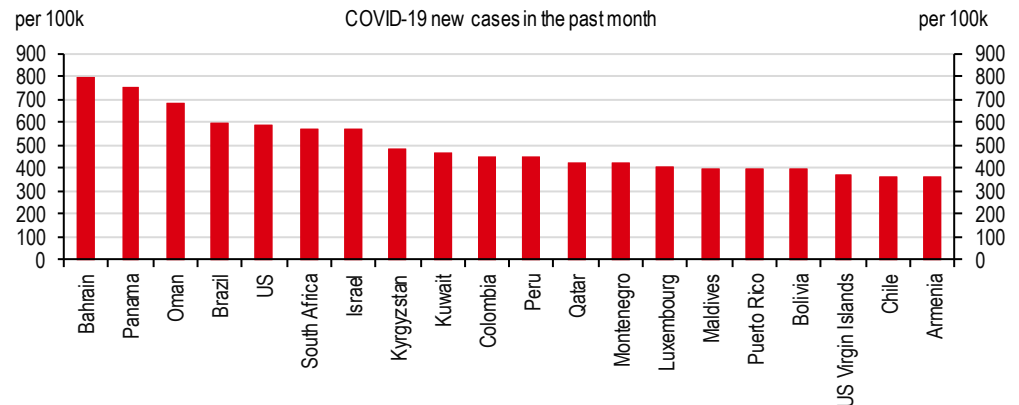
Total COVID-19 deaths per 100k population



Source: ECDC, HSBC

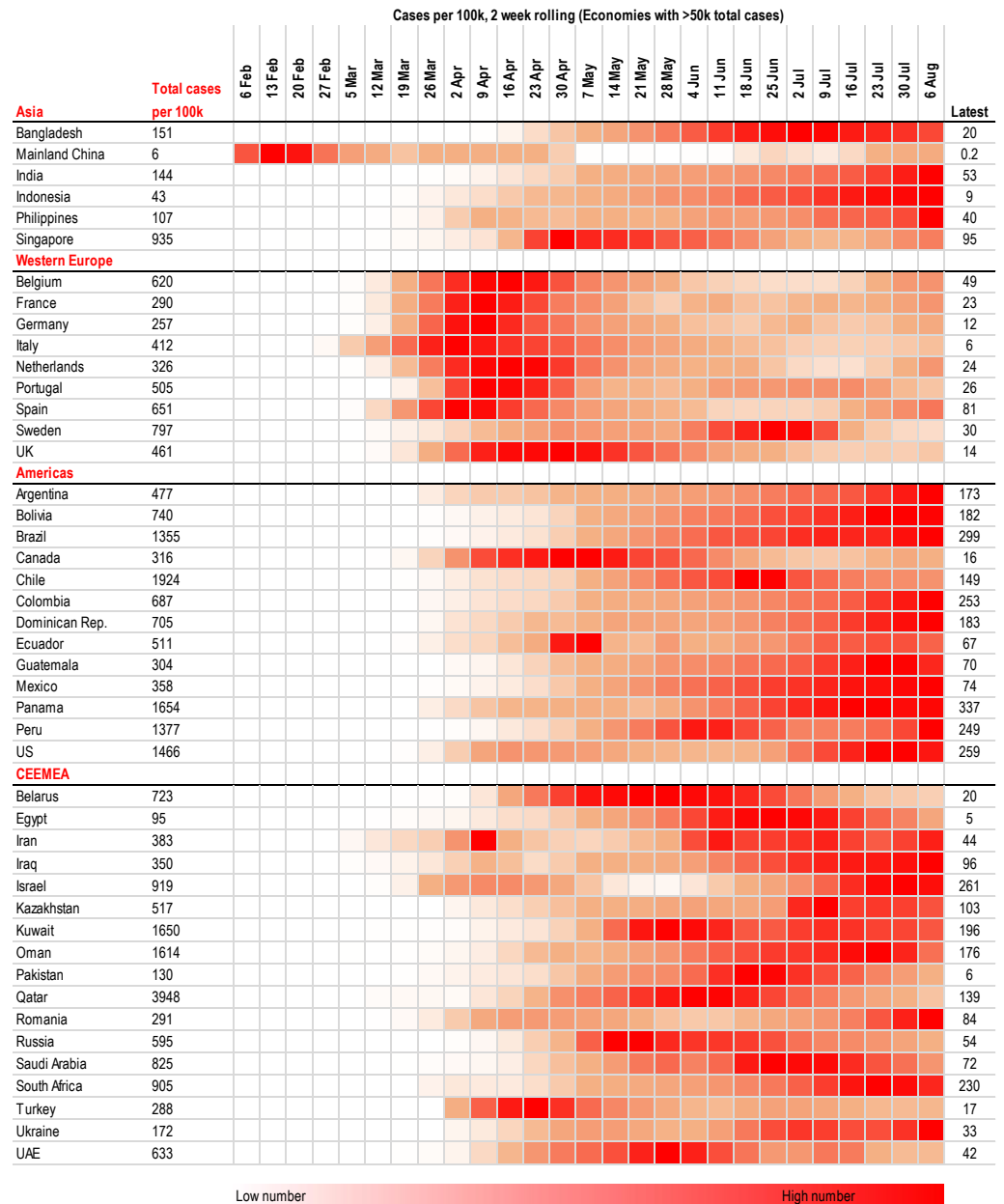
The largest outbreaks will likely drive the biggest economic impact

6. Some smaller economies stand out as having large outbreaks



Source: HSBC, ECDC

7. It's clear where the number of cases is still rising quickly, and where they have started falling



Source: HSBC, ECDC. Note: Latest figure is the latest 2-week period number of cases per 100k of population.

8. Mobility data show how the recovery is uneven across the world, with workplaces and public transport still being avoided

% change from baseline	Retail & Recreation							Transit Stations							Workplaces						
	10 May	24 May	7 Jun	21 Jun	5 Jul	19 Jul	Latest (2 Aug)	10 May	24 May	7 Jun	21 Jun	5 Jul	19 Jul	Latest (2 Aug)	10 May	24 May	7 Jun	21 Jun	5 Jul	19 Jul	Latest (2 Aug)
Developed Markets																					
US	-30	-24	-19	-14	-14	-15	-14	-41	-37	-33	-28	-28	-28	-28	-39	-36	-30	-29	-36	-31	-31
Canada	-43	-34	-27	-19	-14	-13	-11	-60	-53	-48	-43	-42	-42	-41	-47	-45	-34	-30	-36	-31	-34
UK	-73	-66	-63	-53	-47	-35	-28	-64	-57	-54	-50	-46	-41	-38	-61	-53	-47	-41	-39	-36	-38
Germany	-37	-27	-23	-12	-6	-4	-3	-35	-34	-29	-20	-18	-17	-17	-22	-32	-26	-13	-15	-17	-24
France	-74	-44	-28	-18	-11	-7	-7	-72	-49	-37	-26	-18	-17	-14	-56	-41	-27	-18	-18	-31	-27
Italy	-62	-39	-28	-17	-12	-8	-7	-57	-44	-38	-29	-25	-20	-20	-42	-31	-33	-21	-20	-18	-20
Spain	-79	-61	-41	-27	-17	-18	-18	-64	-52	-42	-35	-29	-29	-32	-55	-42	-32	-25	-22	-21	-23
Sweden	-15	-12	-5	-11	2	2	6	-31	-32	-24	-25	-26	-22	-23	-20	-31	-17	-31	-30	-43	-43
Norway	-18	-16	-12	8	10	11	5	-33	-30	-26	-12	-18	-18	-18	-28	-32	-25	-17	-29	-44	-43
Japan	-33	-28	-18	-11	-12	-12	-13	-57	-42	-29	-24	-22	-23	-23	-45	-20	-13	-12	-10	-11	-11
Australia	-31	-26	-19	-15	-13	-13	-17	-52	-49	-42	-39	-39	-42	-42	-30	-24	-18	-14	-18	-20	-16
New Zealand	-75	-28	-20	-12	-9	-3	-5	-69	-44	-44	-36	-32	-30	-25	-38	-10	-14	0	-1	-10	1
City States																					
Hong Kong	-18	-18	-17	-11	-11	-28	-42	-26	-23	-22	-16	-19	-30	-39	-10	-9	-7	-3	-12	-18	-32
Singapore	-65	-63	-58	-48	-30	-28	-23	-67	-63	-55	-47	-37	-36	-35	-64	-58	-45	-36	-30	-28	-32
Emerging Markets																					
India	-80	-73	-64	-59	-58	-61	-57	-58	-49	-40	-39	-40	-43	-39	-51	-40	-31	-30	-31	-32	-32
South Korea	-3	-5	-5	-4	-5	-6	-5	-7	-5	-4	-4	-6	-8	-9	-13	-3	-3	-1	-2	-3	-8
Indonesia	-43	-32	-29	-23	-18	-18	-18	-60	-50	-49	-41	-36	-37	-33	-34	-38	-27	-19	-20	-17	-27
Malaysia	-66	-52	-44	-32	-24	-23	-21	-63	-51	-48	-28	-23	-27	-18	-42	-33	-23	-20	-17	-14	-30
Philippines	-80	-72	-62	-53	-50	-49	-50	-77	-70	-60	-57	-58	-58	-59	-61	-52	-41	-37	-37	-37	-41
Saudi Arabia	-58	-59	-37	-38	-21	-23	-20	-77	-78	-62	-61	-52	-51	-51	-43	-52	-28	-26	-22	-21	-40
UAE	-53	-53	-40	-38	-29	-27	-20	-64	-64	-53	-52	-48	-47	-46	-41	-47	-29	-24	-21	-20	-37
Turkey	-60	-60	-29	-25	-17	-16	-18	-60	-61	-24	-24	-14	-14	-10	-45	-53	-17	-15	-12	-15	-35
South Africa	-51	-51	-33	-35	-24	-34	-23	-62	-62	-50	-55	-46	-53	-47	-44	-40	-27	-32	-25	-29	-29
Poland	-35	-23	-13	-9	0	5	6	-44	-40	-30	-27	-17	-14	-11	-26	-20	-12	-12	-13	-16	-20
Mexico	-56	-55	-51	-45	-42	-38	-36	-60	-57	-53	-49	-46	-44	-43	-41	-38	-32	-27	-28	-28	-29
Brazil	-50	-54	-46	-43	-41	-38	-34	-46	-49	-42	-39	-37	-34	-32	-25	-26	-19	-16	-16	-15	-13
Argentina	-76	-71	-68	-62	-62	-57	-55	-57	-55	-54	-52	-57	-53	-51	-38	-31	-26	-27	-26	-24	-23

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

Low

High

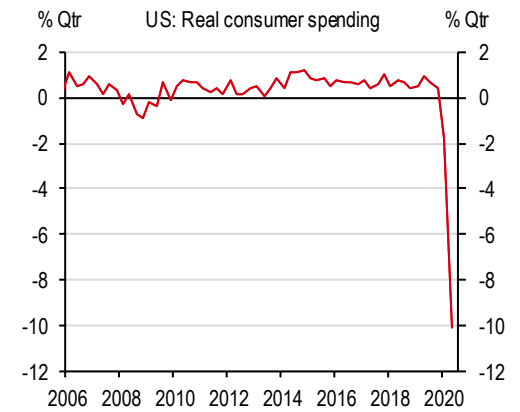
Source: Google LLC "Google COVID-19 Community Mobility Reports," HSBC. Note: Changes for each day are compared to a baseline value for that day of the week: The baseline is the median value, for the corresponding day of the week, during the 5-week period 3 January–6 February 2020. Dates used are two-week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

Consumer spending: Are consumers getting back out?

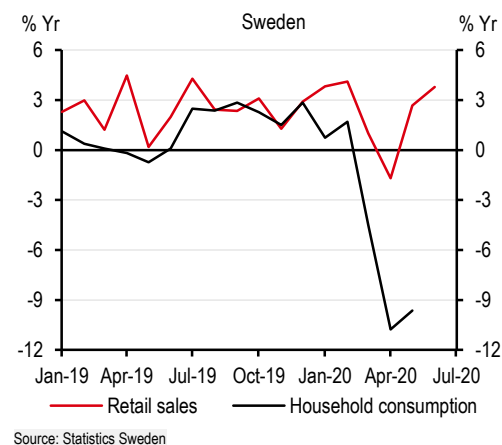
9. US consumer spending is slowly recovering...



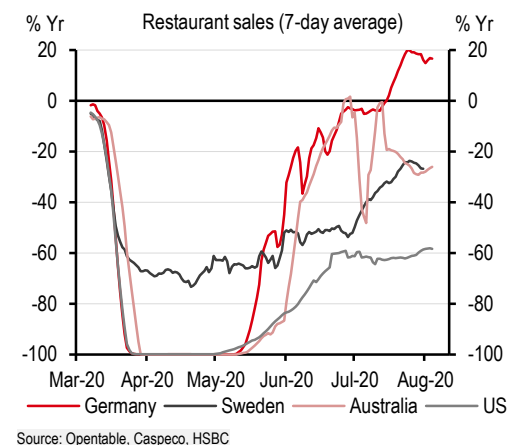
10. ...after a sharp drop in Q2



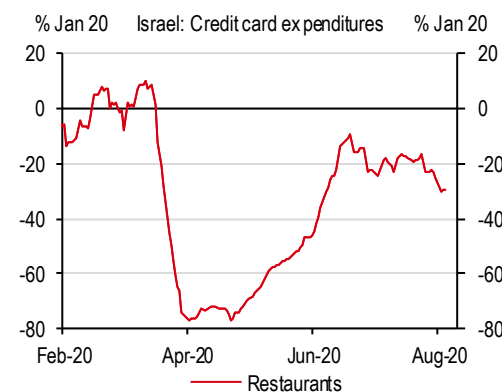
11. In Sweden, retail sales have recovered much more quickly than total consumption



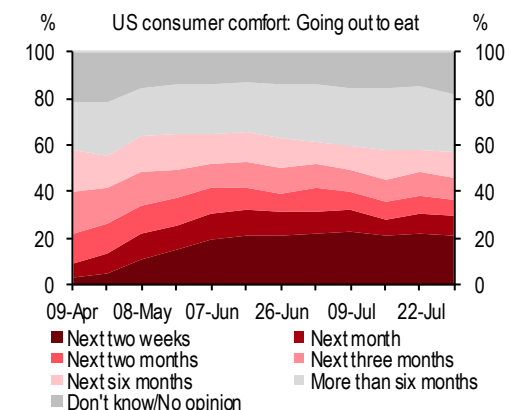
12. Restaurant sales continue to look better in countries where the virus has been controlled



13. In Israel spending on restaurants has dropped as cases have picked up...

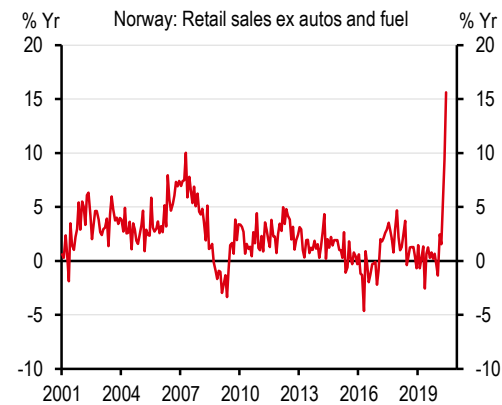


14. ...while in the US confidence about going out to eat has stalled



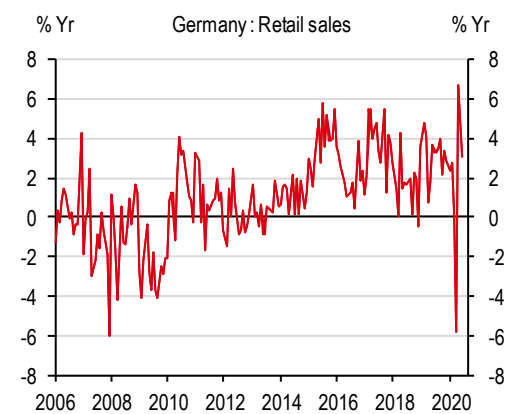
Goods spending has recovered more quickly

15. Norway's retail sales have rebounded quickly...



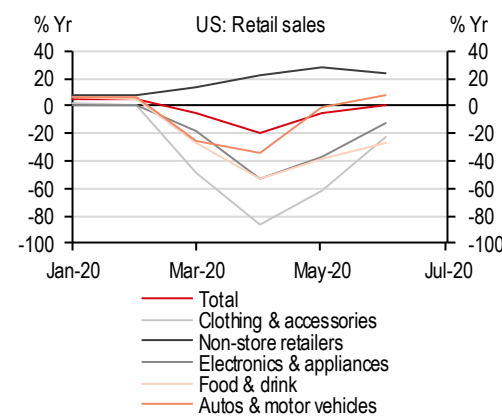
Source: Refinitiv Datastream

16. ...as have many in Europe



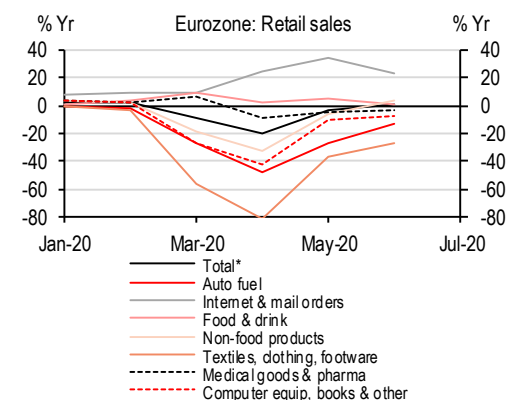
Source: Refinitiv Datastream, HSBC. Note: Excluding car sales

17. The headline print masks what is going on across industries...



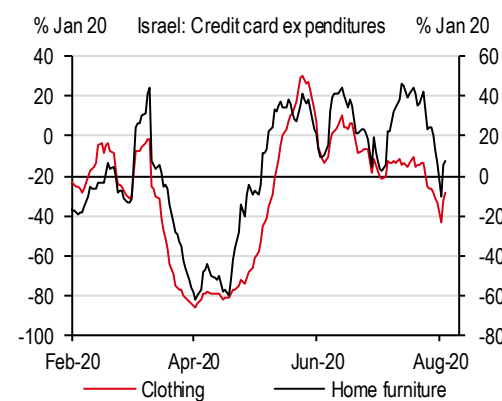
Source: Refinitiv Datastream, HSBC

18. ...with clothing sales hit particularly hard, but recovering



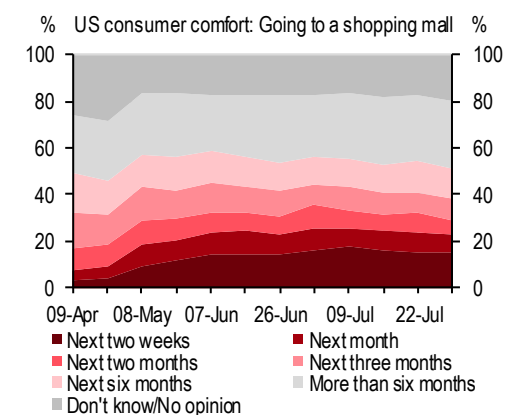
Source: Eurostat, HSBC. Note: *ex autos

19. In Israel, spending on certain goods recovered quickly, but pent-up demand is waning



Source: Bank of Israel, HSBC. Note: 14 January is used as January 2020 baseline.

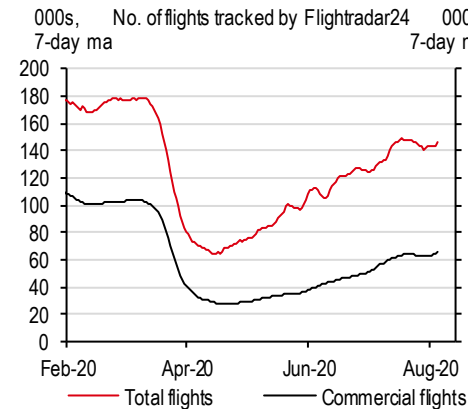
20. Some US consumers are putting off going to the shops for even longer



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

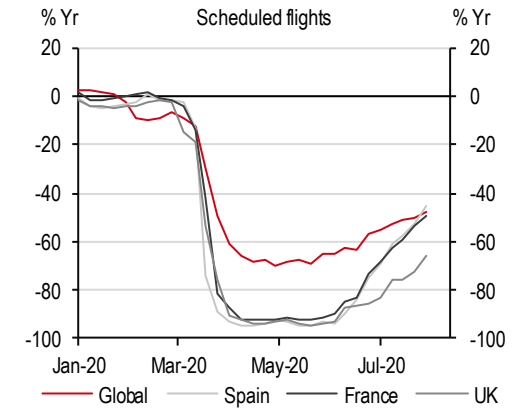
Tourism: Will continue to be held back by spikes in cases

21. Global flight data appear to have slowed their ascent...



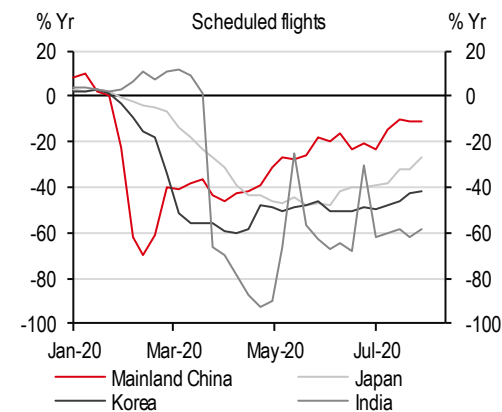
Source: Flightradar24, HSBC. Note: Global flights

22. ...but more flights continue to be scheduled for the European summer



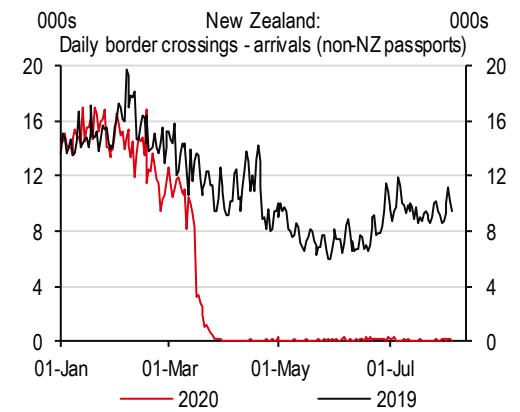
Source: OAG Schedules Analyser, HSBC

23. In Asia, flights have flattened below their usual level...



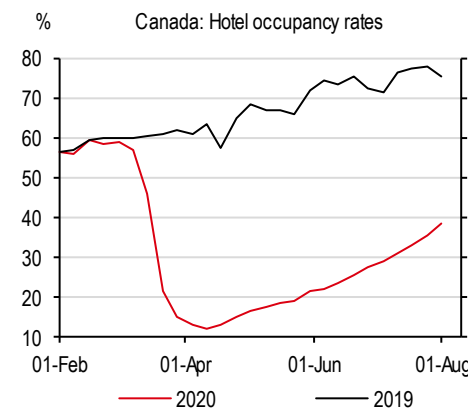
Source: OAG Schedules Analyser, HSBC

24. ...and closed borders could prove a problem even as flights recover



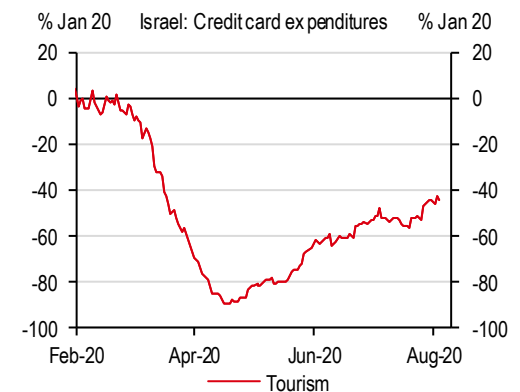
Source: Statistics New Zealand, New Zealand Customs Service, HSBC

25. Hotels are only half as busy as usual at this time of year in Canada...



Source: STR, HSBC

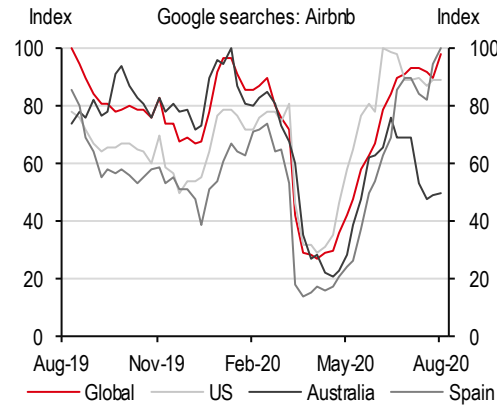
26. ...and consumers in Israel are still spending far less on tourism



Source: Bank of Israel, HSBC. Note: 14 January is used as January 2020 baseline.

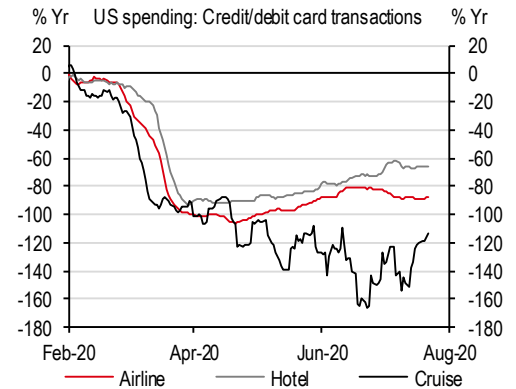
US travel data are stalling a bit

27. Interest in private accommodation is high...



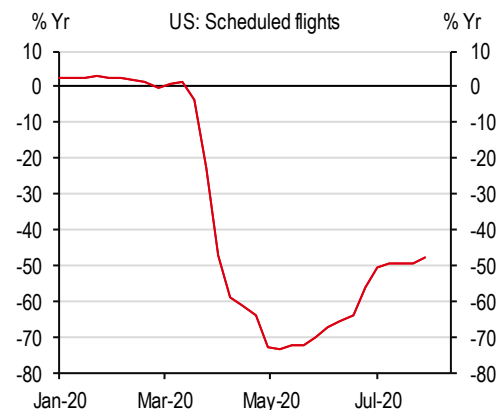
Source: Google Trends, HSBC. Note: Index where 100 = max searches for the term in that region over time.

28. ...which could crowd out consumer spending on hotels



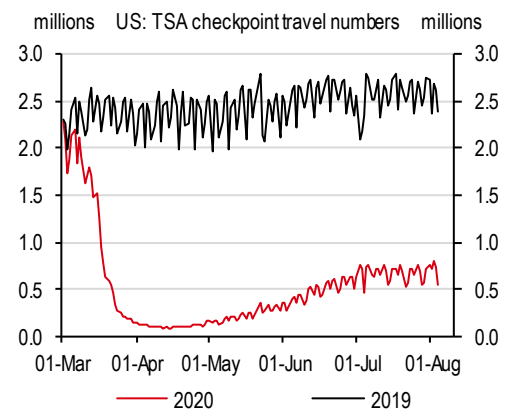
Source: 1010DATA, HSBC. Note: Values can be >-100% because the data take account of refunds on cancelled future reservations.

29. The number of available flights has stalled...



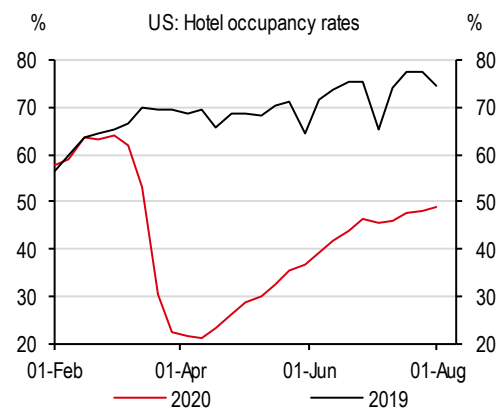
Source: OAG Schedules Analyser, HSBC

30. ...and the number of flyers in the US has stopped increasing since early July



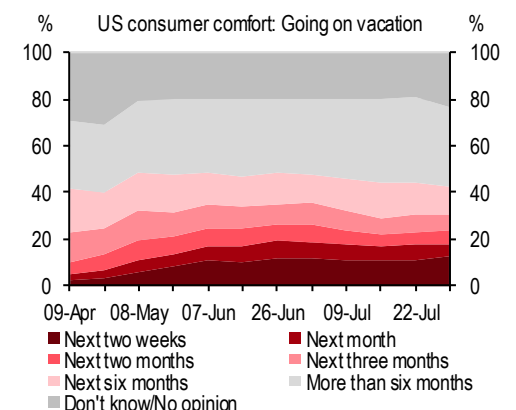
Source: TSA, HSBC

31. The improvement in hotel occupancy has slowed ...



Source: STR, HSBC

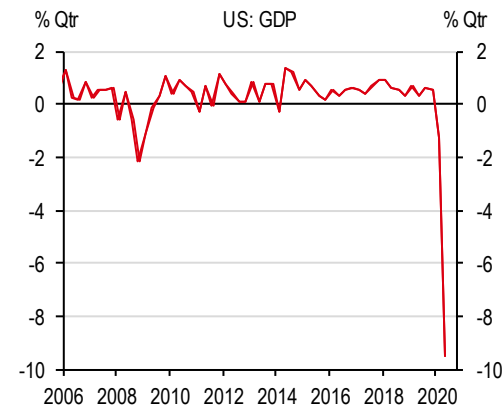
32. ...and many still fear going on holiday



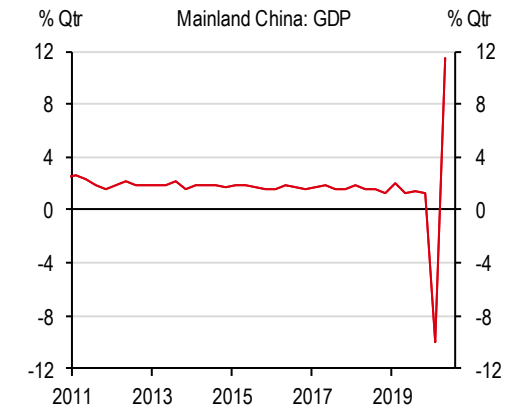
Source: Morning Consult, HSBC. Note: Chart shows when consumers would feel comfortable doing each activity.

Q2 GDP data: Very weak so far

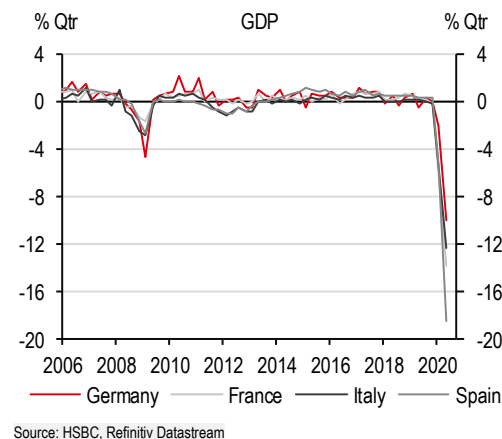
33. Q2 is set to be the trough in activity for most...



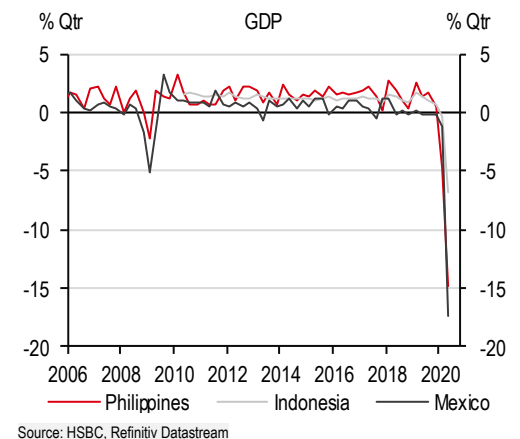
34. ...while China is already past the worst



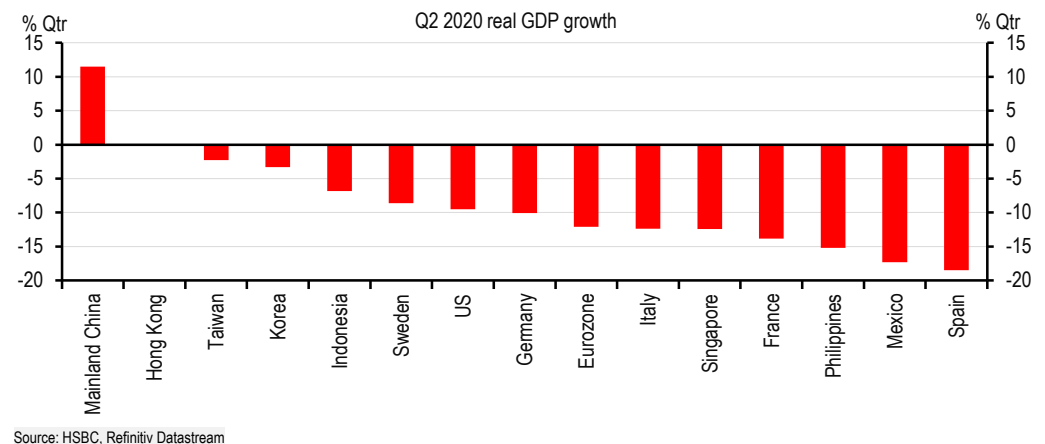
35. In Europe, the slump in GDP intensified in Q2...



36. ...and this was the case in Asia and Latin America too

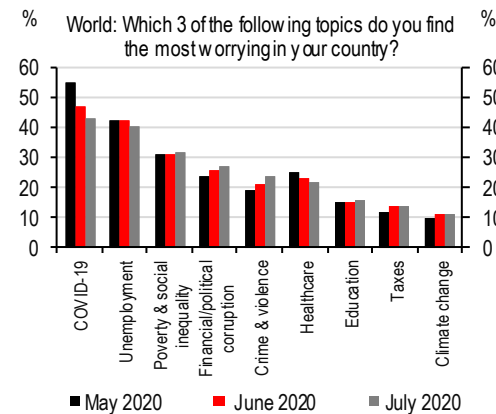


37. The decline in Q2 was widespread, with emerging markets (and Spain) faring worst on the released data so far



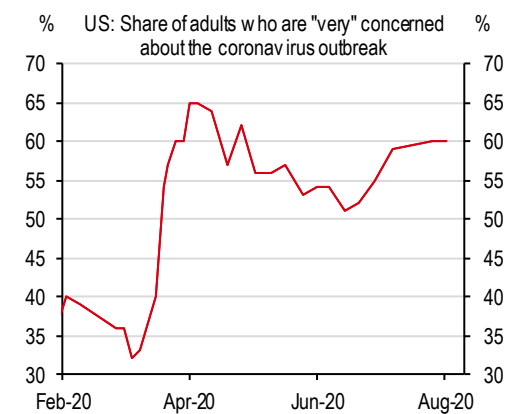
Consumer fear: Nervousness will continue to delay the recovery

38. Globally COVID-19 remains the greatest worry, but the concern is moderating



Source: Ipsos Mori: What Worries the World – July 2020. Note: The nine greatest concerns are shown.

39. ...while in the US the share of those very concerned has picked up since June



Source: Morning Consult, HSBC

40. Many are still uncomfortable returning to 'normal' activities

feel comfortable:	30 April	15 May	29 May	5 June	11 June	26 June	3 July	9 July	16 July	22 July	2 August
Going out to eat	18	23	31	35	41	37	35	36	36	36	34
Going on vacation	18	23	29	32	36	33	33	30	30	30	29
Going to a shopping mall	17	23	26	31	35	29	31	31	30	30	29
Going to a museum	15	19	25	29	30	26	25	25	24	24	26
Going to the movies	12	16	21	22	23	22	20	21	19	20	20
Going to the gym	12	13	18	21	22	21	18	20	18	19	18
Going to an amusement park	12	14	17	20	24	19	17	17	17	19	19
Going to a concert	10	12	16	17	21	18	15	15	14	14	16
Travelling abroad	8	10	12	13	13	13	10	14	11	13	13

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

High Low

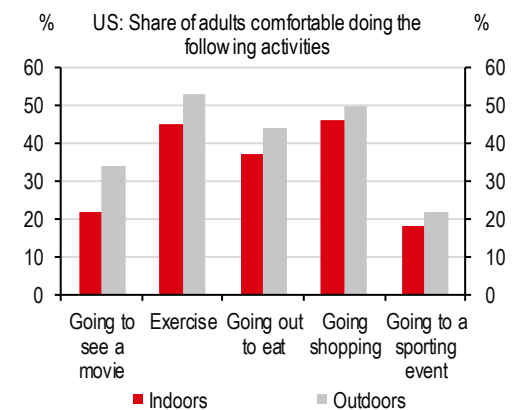
Source: Morning Consult, HSBC. Note: Comfortable is the sum of "Very comfortable" and "Somewhat comfortable".

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



Source: YouGov, HSBC

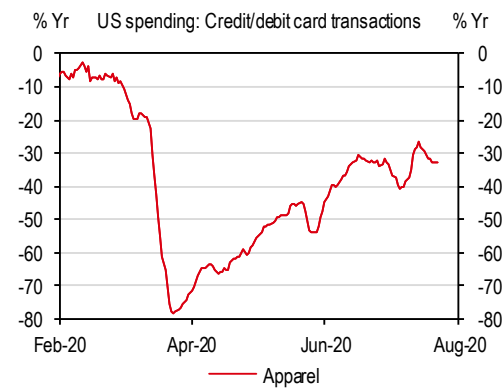
42. ...and feel more comfortable outdoors than in



Source: Morning Consult, HSBC. Note: Survey from 14-16 July 2020. Comfortable is the sum of "Very comfortable" and "Somewhat comfortable".

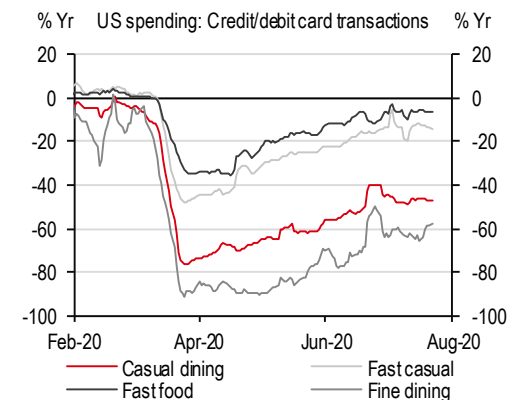
US recovery: High frequency data suggest a stalling due to more cases

43. Credit card spending growth has started flat-lining....



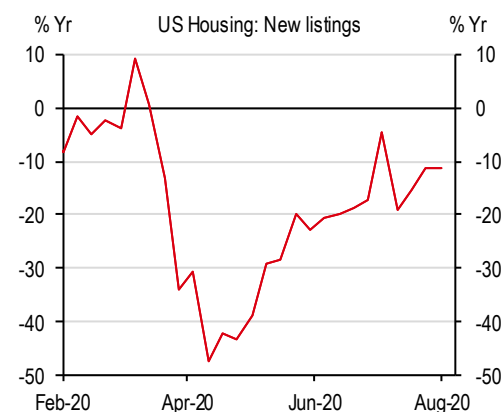
Source: 1010DATA, HSBC.

44. ...as the spike in cases means fewer people going out to eat



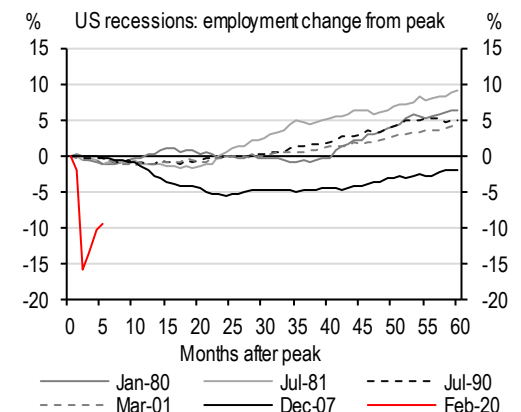
Source: 1010DATA, HSBC

45. The housing market is slowly improving...



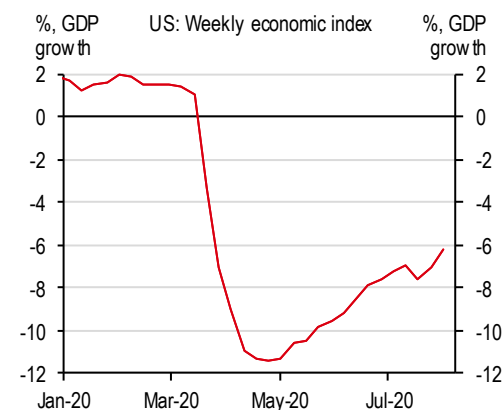
Source: Realtor.com, HSBC

46. ...while the labour market remains weak



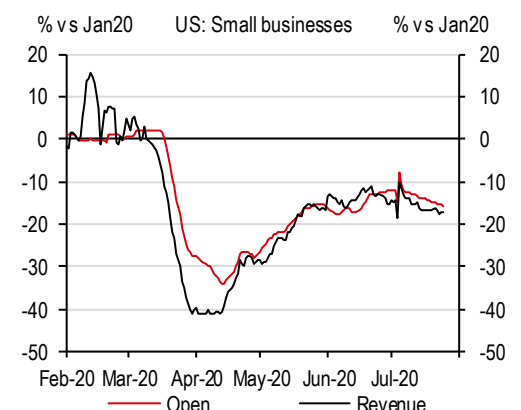
Source: Refinitiv Datastream, HSBC

47. There is still some sign of a broader recovery...



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

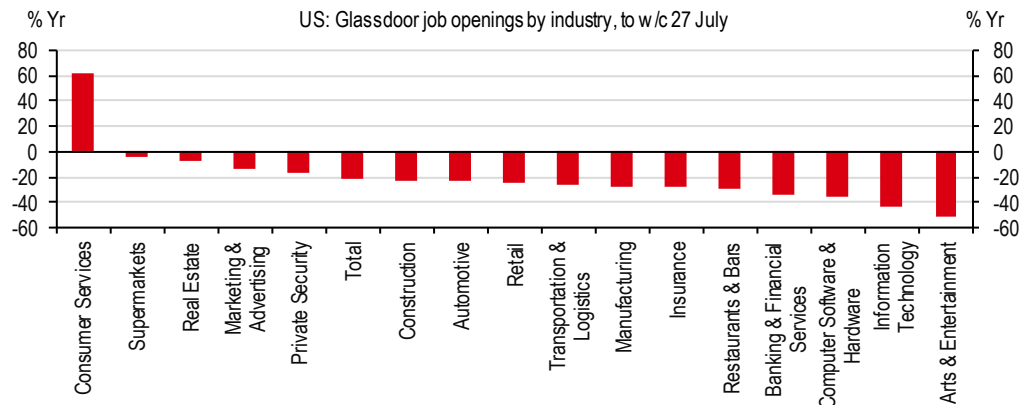
48. ...although renewed restrictions mean the outlook for small business remains bleak



Source: Opportunity Insights, Womply, HSBC

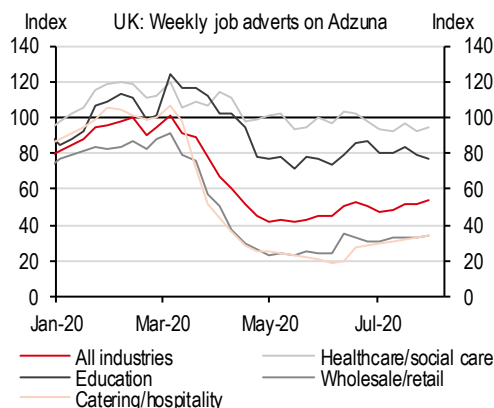
Labour market: Job openings could pose a risk

49. In the US, job openings are down in most sectors, but coming back in consumer services



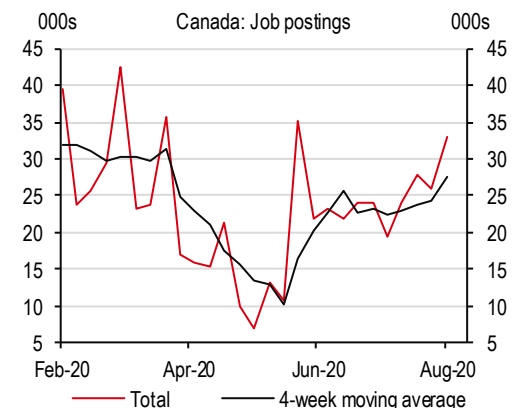
Source: Glassdoor Job Market Report, July 2020

50. Job adverts aren't picking up quickly in the UK...



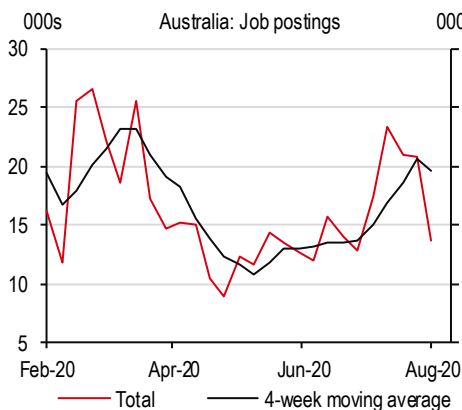
Source: ONS, Adzuna, HSBC. Note: 2019 average = 100

51. ...but they look better in Canada



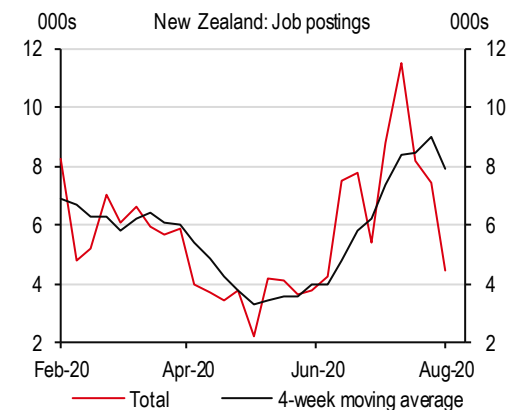
Source: Burning Glass, HSBC

52. Australia's recovery could be blighted by renewed lockdowns...



Source: Burning Glass, HSBC

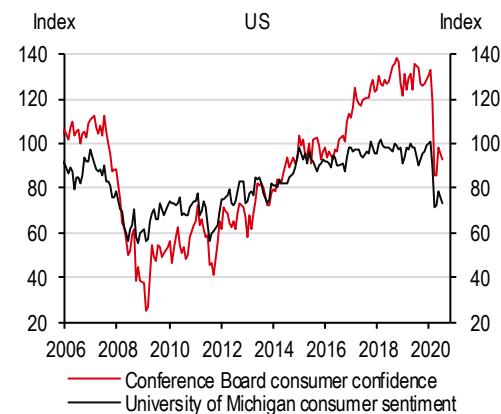
53. ...while New Zealand saw a rise as restrictions were lifted, but this has faded



Source: Burning Glass, HSBC

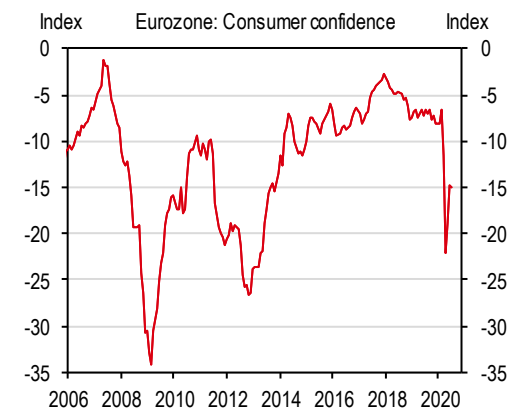
Consumer surveys: Consumers are still wary due to the virus and job risks

54. US consumer confidence ticked lower in July...



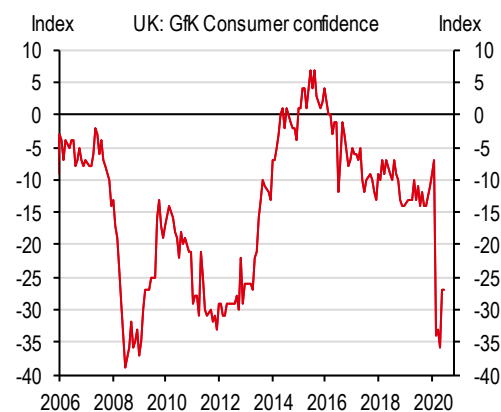
Source: HSBC, Refinitiv Datastream

55. ... while the eurozone index stayed broadly steady...



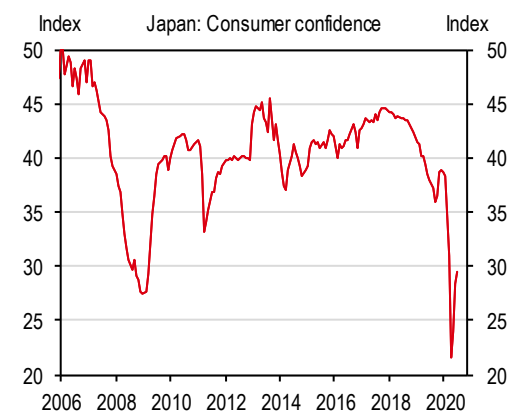
Source: HSBC, Refinitiv Datastream

56. ...as did the UK's...



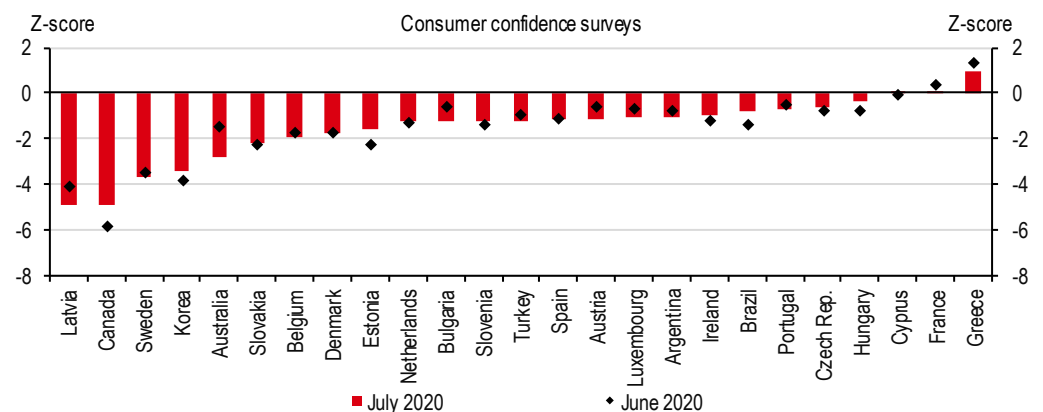
Source: HSBC, Refinitiv Datastream

57. ...but Japan saw another move higher



Source: HSBC, Refinitiv Datastream

58. Broadly the direction of travel was mixed in July, with confidence still at depressed levels for many

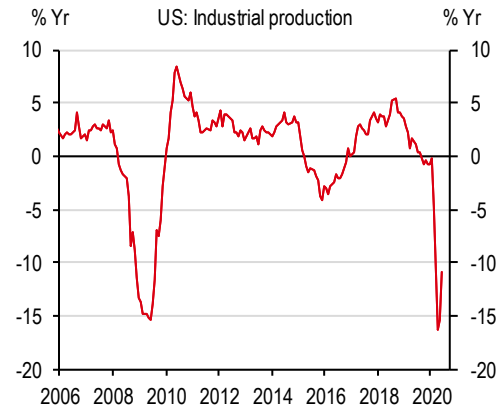


Source: HSBC, Refinitiv Datastream

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

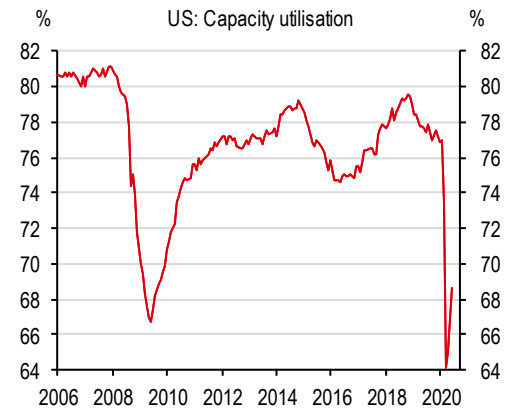
Manufacturing data: Better, but not great

59. US production data showed signs of improvement in June...



Source: HSBC, Refinitiv Datastream

60. ...using more of its productive capacity, but still operating at very low levels



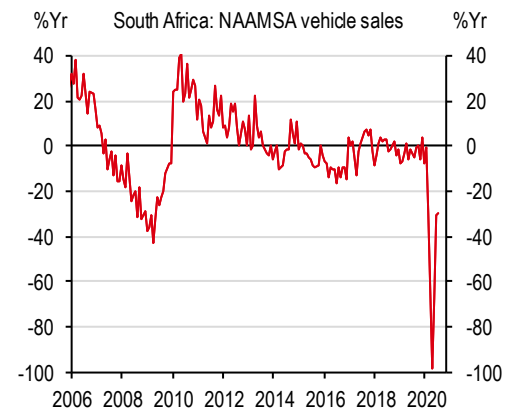
Source: HSBC, Refinitiv Datastream

61. Mainland China's production data have recovered relatively quickly...



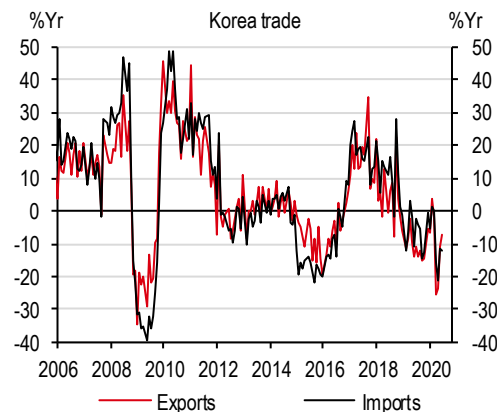
Source: HSBC, Refinitiv Datastream

62. ...while vehicle sales in South Africa have stabilised around -30% y-o-y



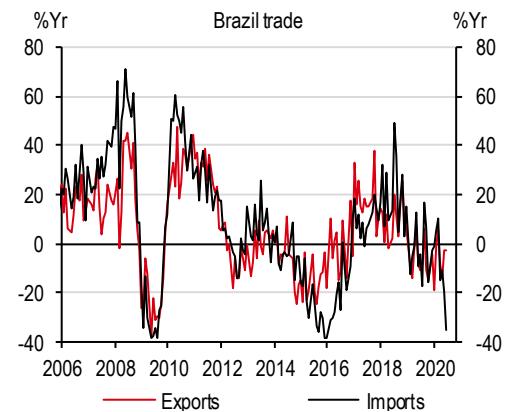
Source: HSBC, Refinitiv Datastream

63. The gradual rebound in Korea's trade data continues...



Source: HSBC, Refinitiv Datastream

64. ...but in Brazil the improvement has been less steady



Source: HSBC, Refinitiv Datastream

Business surveys: Some improvements in the outlook

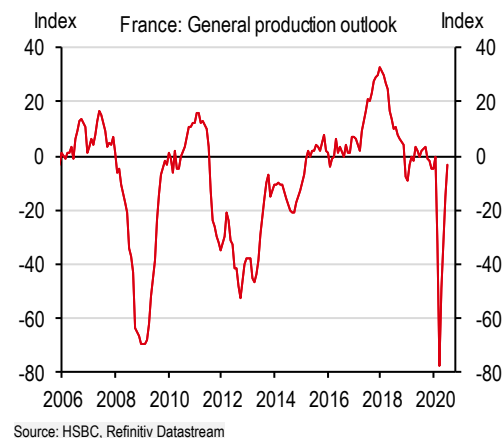
65. The US Philly Fed was the only business survey we looked at that declined in July...



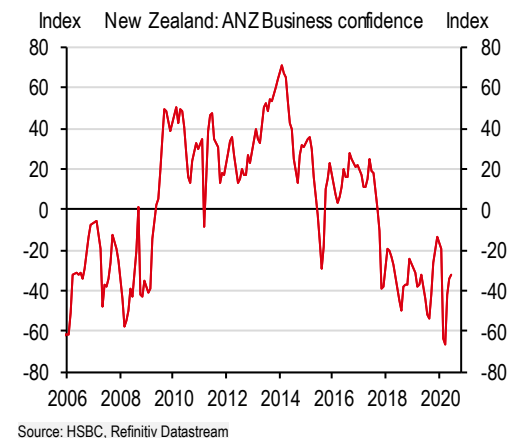
66. ...as the German ifo moved higher again...



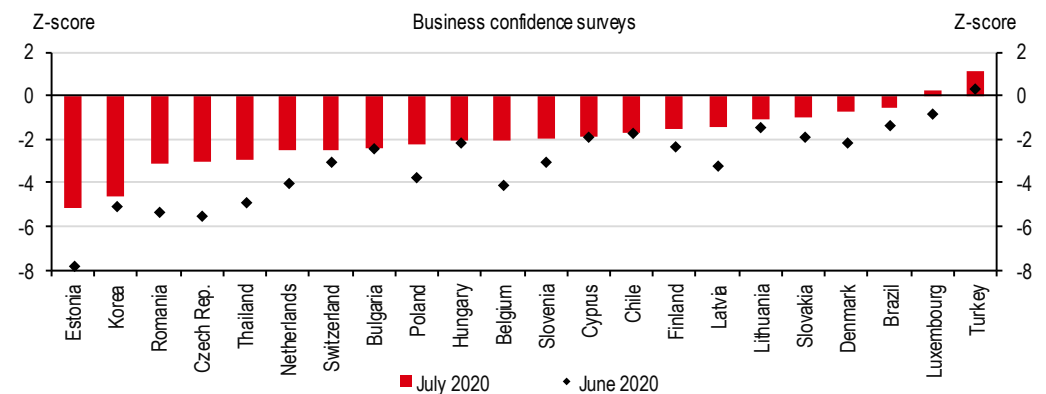
67. ...and France's INSEE survey ticked up to more normal levels...



68. ...while in New Zealand confidence remains low despite a quicker re-opening



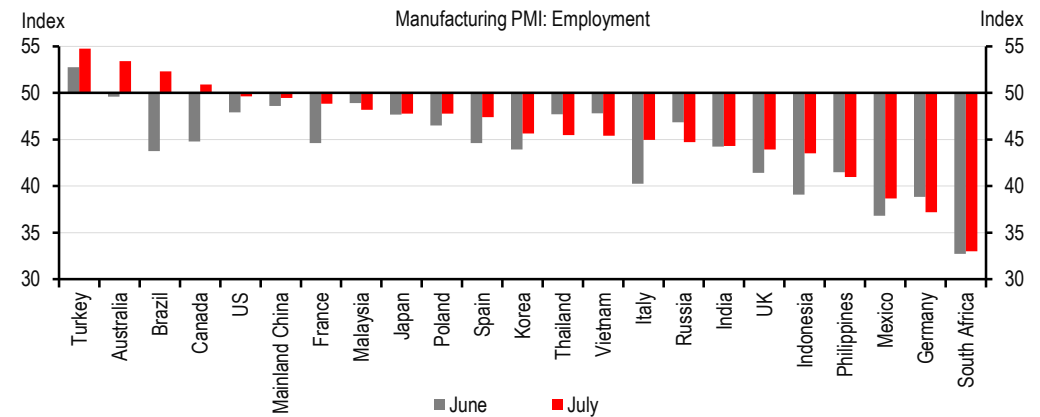
69. The improvement in business confidence was widespread in July



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

PMIs: Employment components very weak

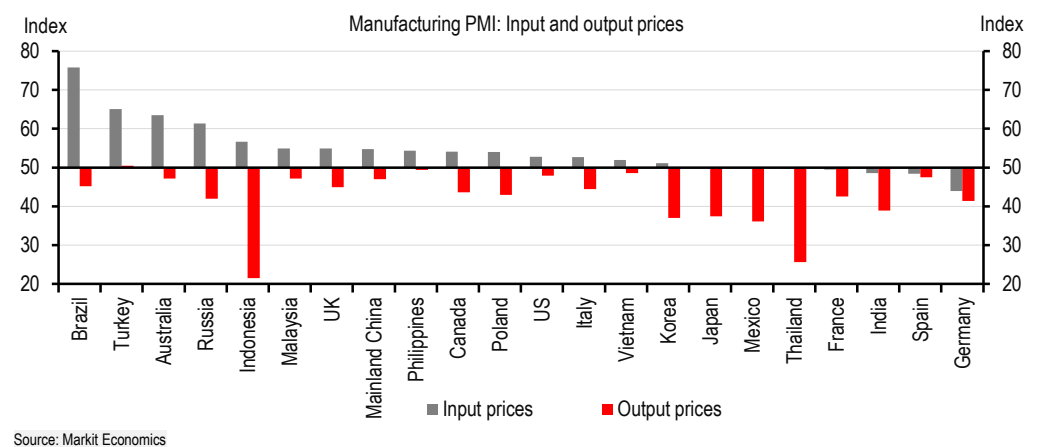
70. Firms are still shedding workers, according to the PMIs



71. Export orders continue to fare worse than domestic ones

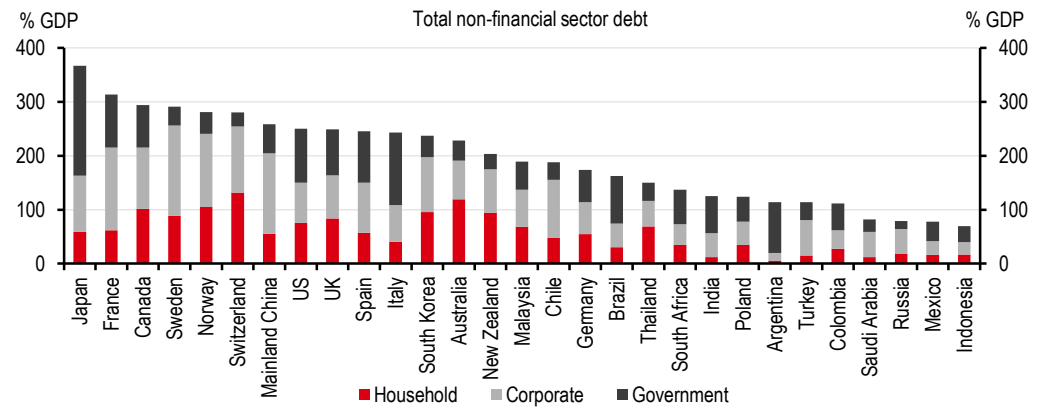


72. Firms appear to be taking a margin squeeze as output prices sink but input costs rise



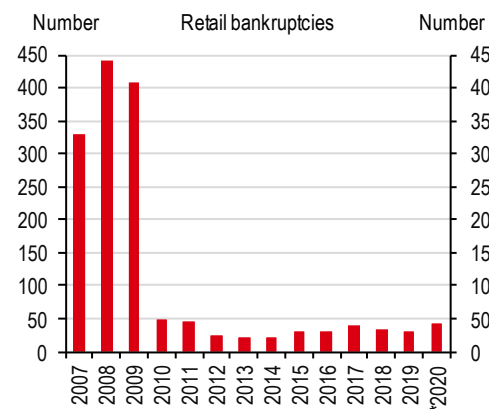
Risks of spill-overs are increasing

73. High levels of debt are only going to get bigger as the crisis progresses



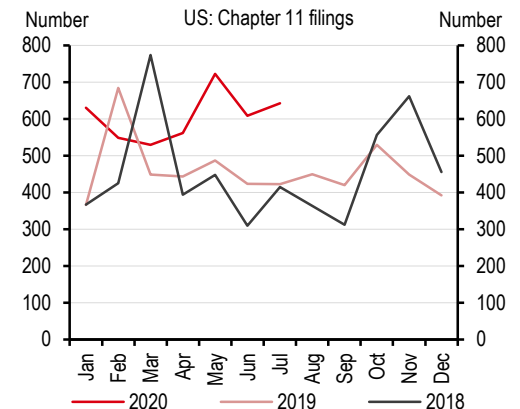
Source: BIS, HSBC

74. Retailers in the US are starting to go bankrupt at a faster pace than usual...



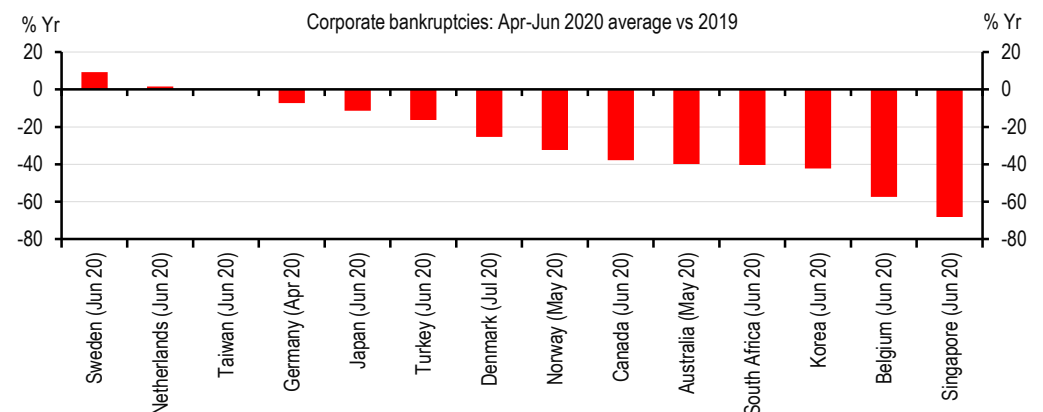
Source: S&P Global Market Intelligence. Note: *2020 is YTD. Data compiled 3 August 2020.

75. ...and the number of Chapter 11 filings is running well above normal levels



Source: Epiq Systems, provided by the American Bankruptcy Institute

76. Across the world, so far, bankruptcies haven't spiralled, likely due to supportive policies



Source: Refinitiv Datastream. Note: Parentheses show the latest data point for each – data is average up to that month since April 2020.

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