

Macroeconomics – Global

Coronavirus and the Economy: Alternative Data Monitor

The unfolding second wave of the pandemic threatens the fragile economic recovery across G-20 economies. Improvement in financial conditions has stalled in the euro area, and is slowing in emerging markets.

SECTOR IN-DEPTH

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Summary

1

Risks to the economy ratchet up amid virus resurgence

New infection rates are rising across 13 of the G-20 economies, with the most rapid increase in advanced economies and Mexico. European countries are continuing to battle a second wave of infections.

2

Restrictive measures will impede the rebound in consumer demand

Renewed social distancing rules and business closures across Europe, although currently not as stringent as the restrictions imposed in Q2, could cause a pullback in consumer spending. Such a retreat would reverse the ongoing recovery in retail sales.

3

Trade and manufacturing recovery is uneven

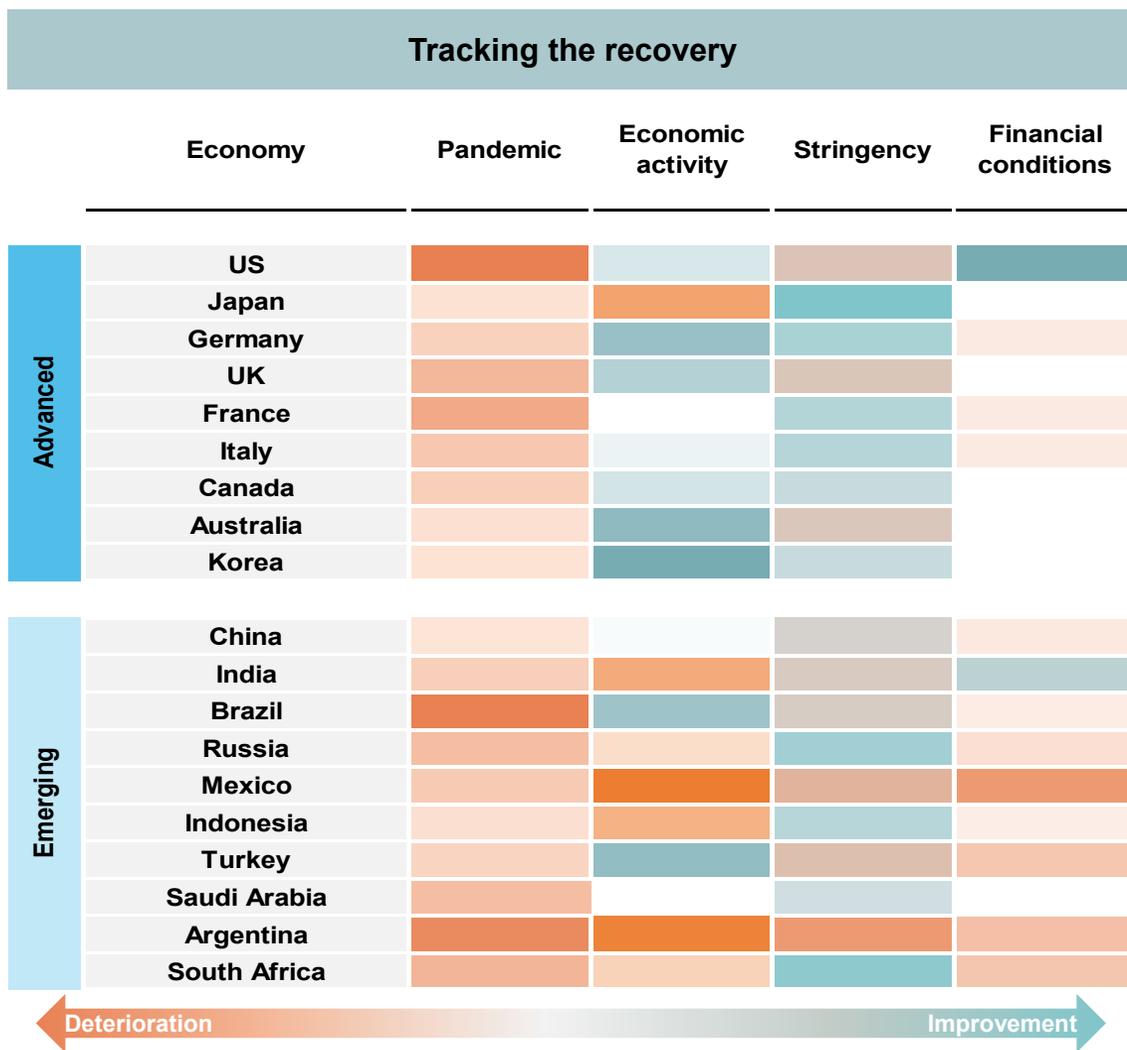
High frequency alternative data suggest that the recovery in trade is uneven and inconsistent across the G-20 economies, matching the picture presented by industrial production data.

4

Risks to financial conditions have recently intensified

Moody's proprietary indices show that the improvement in financial conditions in the euro area has stalled, and the pace of improvement in emerging markets has slowed.

G-20 heatmap



The shading for each country incorporates alternative and traditional data that are presented in detail in the following pages, as well as Moody's analytical judgment
 Source: Moody's Investors Service.

Key Takeaways

- » After a sharp rise in virus infections over the past few weeks, the US now joins Brazil as the countries with the highest number of virus infections, as measured per 100,000 people. New infection rates spike across eight of the nine advanced G-20 countries.
- » Consumer demand is weakening in Japan, while it is recovering in China, the US and Europe. The supply-side recovery in economic activity is advancing inconsistently across the G-20 economies, with Mexico, Japan, Korea and Saudi Arabia remaining below expansion territory.
- » Lockdowns remain the most stringent in Argentina and Mexico. France and Germany, the UK, Spain and Italy have tightened restrictions over the past two weeks.
- » Improvement in financial conditions in the euro area has stalled. Financial conditions continue to recover in emerging markets and have staged a full rebound in the US, but remain challenging in Mexico, Argentina, Turkey and South Africa.

Second wave of the pandemic brings risks to the ongoing economic recovery

Key Takeaways

- » Renewed spike in infection rates across three-quarters of the G-20 countries is prompting new restrictions. France and Germany imposed new nationwide restrictions, while Spain and Italy have re-introduced localized lockdowns, and England is set to start a month-long lockdown on November 5. So far, restrictions are less stringent than those imposed earlier in the year
- » Compared with the previous two weeks, over the past week the US share of new infections across developed countries fell to 43% from 54%. In contrast, the UK, France and Italy accounted for 49% of new infections
- » New infections in China point to the difficulties in containing the virus
- » In emerging markets, India's share of new infections fell to 41%, while Brazil and Russia recorded increased rates
- » Fatality rates continue to decline across all countries

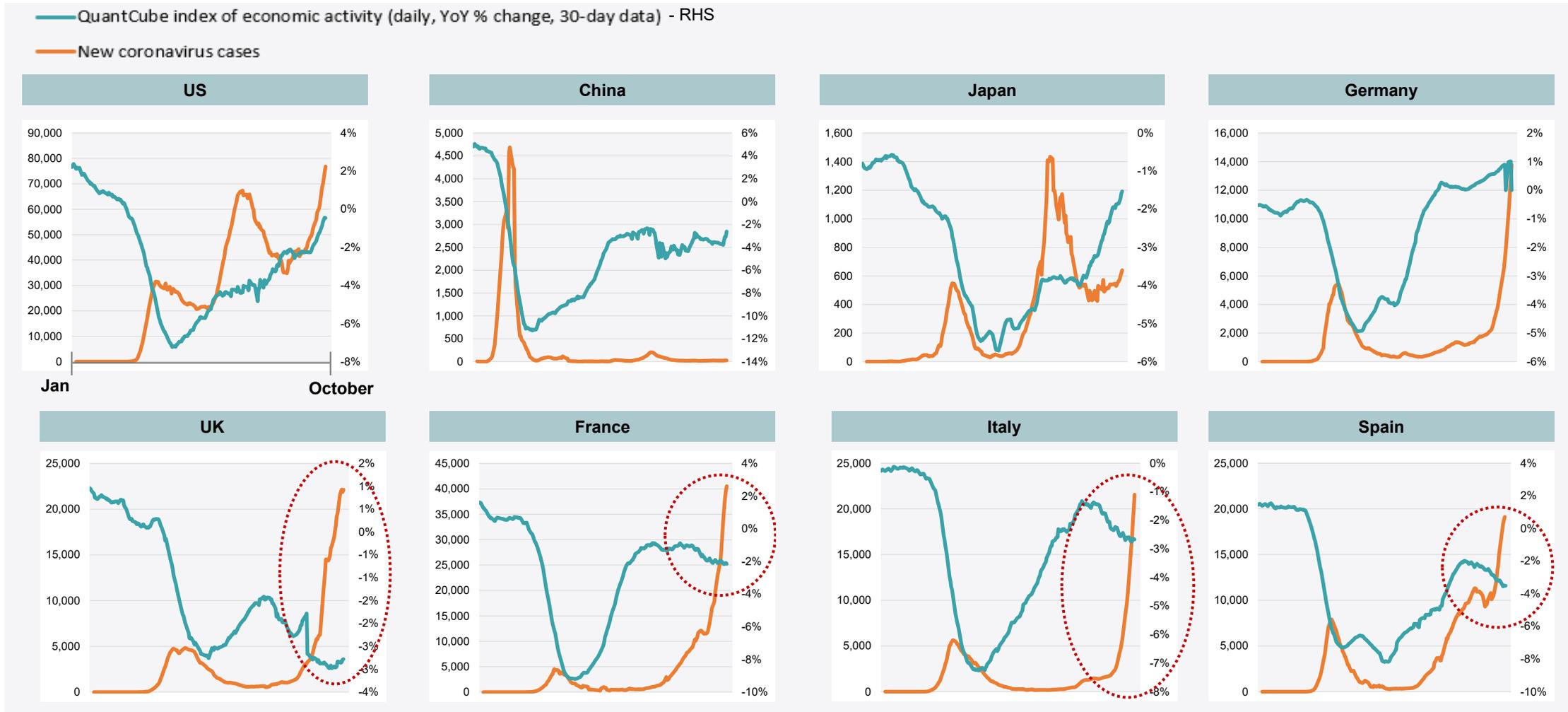
State of the pandemic

Economy	Confirmed cases per 100K persons	New cases		Case-fatality ratio (%) = deaths / confirmed cases	
		Levels	Latest weekly average (% change over previous week)	Latest weekly average (change over previous week)	
Advanced					
US	2,522	73,886	22.5%	2.6%	-0.1%
Japan	75	618	24.4%	1.8%	0.0%
Germany	480	14,103	70.7%	2.1%	-0.4%
UK	1,159	22,266	6.0%	4.9%	-0.8%
France	1,495	39,254	48.9%	2.8%	-0.6%
Italy	748	22,417	77.4%	6.4%	-1.8%
Canada	559	2,917	13.7%	4.4%	-0.3%
Australia	109	14	-15.7%	3.3%	0.0%
Korea	50	110	10.0%	1.8%	0.0%
Emerging					
China	6	28	19.5%	5.4%	0.0%
India	558	44,808	-16.0%	1.5%	0.0%
Brazil	2,522	22,748	14.6%	2.9%	0.0%
Russia	986	16,905	6.9%	1.7%	0.0%
Mexico	680	5,202	7.2%	10.0%	-0.1%
Indonesia	136	3,614	-8.7%	3.4%	0.0%
Turkey	419	2,210	12.2%	2.7%	0.0%
Saudi Arabia	986	386	0.5%	1.5%	0.0%
Argentina	2,293	12,378	-17.0%	2.7%	0.0%
South Africa	1,195	1,505	-10.3%	2.7%	0.0%

Latest confirmed cases data as of October 23. Latest week new cases represent October 23-30 averages; previous week represents October 19-23 averages. Latest case fatality ratio data from the week of October 26-30.

Sources: University of Oxford, Johns Hopkins University and Moody's Investors Service

Health concerns and renewed lockdowns dampen economic activity



Latest data is as of October 30.

Sources: QuantCube, Haver Analytics, Oxford University and Moody's Investors Service

Economic performance will depend on the ability to resolve the public health crisis



Sources: QuantCube, Haver Analytics and Moody's Investors Service

Restrictive measures will stall demand rebound

Key Takeaways

- » Latest retail sales data for Japan point to the damaging impact of renewed lockdowns on consumer spending. Retail sales plummeted by 8.7% year-over-year in September, following a spike in infections in early August and implementation of localized restrictions
- » In contrast, household demand in China continued to improve, with retail sales posting 3.3% growth in September as demand continued to catch up with the supply-side recovery
- » Mobility data suggest time spent at home has increased, while retail and recreation visits as well as public transport usage have decreased across all developed economies apart from Korea
- » Withdrawal of fiscal support to households could dampen the recent consumption rebound

Demand-side recovery										
Economy	Google COVID-19 Community Mobility Report (% change in visits/time spent relative to baseline period of Jan 3-Feb 6, 2020)				Apple Mobility Report (Index Jan-13-20=100)			Retail sales (yoy %)		
	Grocery & pharmacy	Parks	Retail & recreation	Time spent at home	Workplaces	Driving	Transit (public)	June	July	August / September
Advanced										
US	-8%	10%	-17%	9%	-30%	111	52	4%	3%	2%
Japan	-3%	-21%	-11%	6%	-10%	122	121	-1%	-3%	-2% / -9%
Germany	0%	25%	-16%	8%	-24%	106	114	4%	5%	6%
UK	-6%	19%	-28%	12%	-35%	107	75	-2%	1%	3% / 5%
France	-4%	15%	-21%	10%	-33%	107	120	3%	1%	
Italy	1%	-7%	-20%	8%	-20%	79	56	-3%	-10%	1%
Canada	-5%	41%	-22%	12%	-31%	106	47	3%	3%	
Australia	4%	0%	-14%	9%	-21%	92	50	9%	12%	7%
Korea	10%	29%	-9%	0%	1%	60		5%	4%	7% / 9%
Emerging										
China								-2%	-1%	1% / 3.3%
India	18%	-38%	-28%	11%	-27%	109				
Brazil	20%	-17%	-19%	8%	-2%	98	73	1%	5%	6%
Russia	0%	-6%	-13%	4%	-18%	116		-7%	-2%	-3%
Mexico	-6%	-36%	-32%	13%	-25%	83	55	-17%	-12%	
Indonesia	-1%	-14%	-18%	9%	-23%	84		-17%	-12%	-9% / -7%
Turkey	22%	26%	-20%	5%	-14%	133		7%	10%	
Saudi Arabia	-7%	-11%	-21%	7%	-17%	80				
Argentina	-8%	-67%	-48%	15%	-18%	60				
South Africa	10%	-22%	-8%	10%	-20%	93		-7%	-9%	-4%

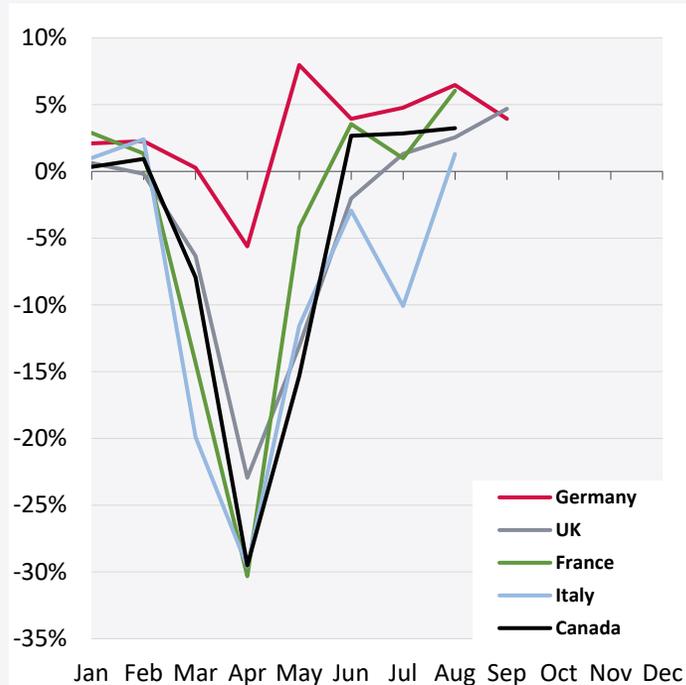
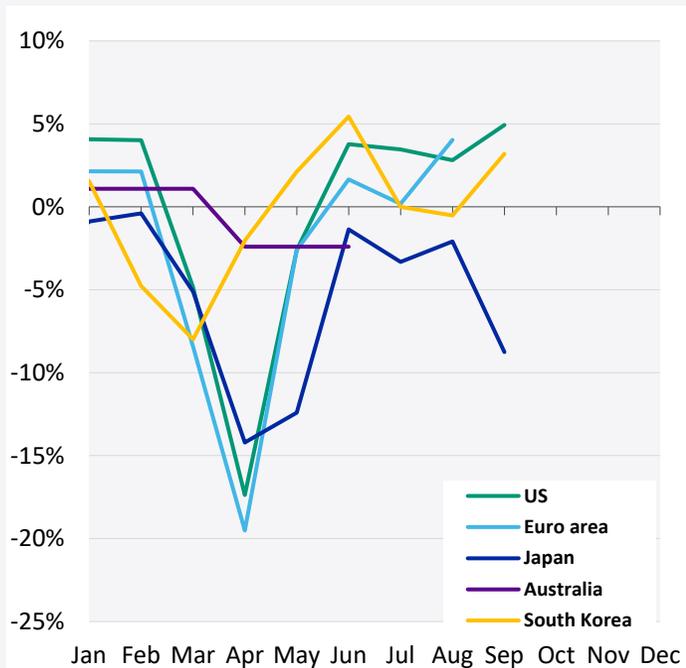
Latest mobility data is as of October 23.
Sources: Haver Analytics and Moody's Investors Service

Detrimental impact of renewed lockdowns on consumer spending

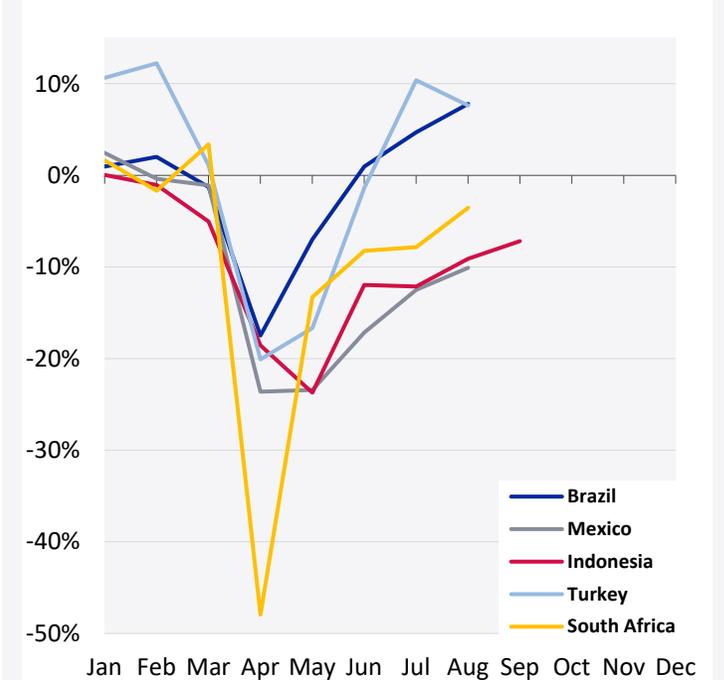
Renewed restrictions due to virus resurgence across Europe could reverse the ongoing recovery in retail sales, driven by pent-up demand

Retail sales volume (Year-over-year % change)

Advanced economies



Emerging markets



Sources: Haver Analytics and Moody's Investors Service

Uneven recovery in trade and manufacturing

Supply-side recovery

Economy	Trade (Index = 100 in Jul 06 2012; yoy %)	Industrial production (yoy %)			PMIs >50 = expansion		
		Change over the past 2 weeks	June	July	August / September	July	August
Advanced							
US	1.3%	-11%	-7%	-6% / -6%	51	53	53
Japan	3.4%	-21%	-15%	-12%	45	47	48
Germany		-14%	-11%	-12%	51	52	56
UK	-1.5%	-16%	-10%	-8%	53	55	54
France	4.8%	-12%	-9%	-7%	52	50	51
Italy	4.4%	-15%	-8%	0%	52	53	53
Canada	7.2%	-12%	-6%		53	55	56
Australia	2.5%	-8%			54	54	55
Korea	-3.4%	-2%	-2%	-2%	47	48	50
Emerging							
China	-0.7%	5%	5%	6% / 7%	53	53	53
India	5.5%	-16%	-11%	-9%	46	52	57
Brazil	1.9%	-13%	-3%	-1%	58	65	65
Russia	1.3%	-8%	-3%	-4%	48	51	49
Mexico	3.6%	-18%	-9%	-8%	40	41	42
Indonesia					47	51	47
Turkey		1%	5%	11%	57	54	53
Saudi Arabia	1.2%				50	49	51
Argentina	3.8%						
South Africa	-8.3%	-16%	-11%	-9%	51	57	58

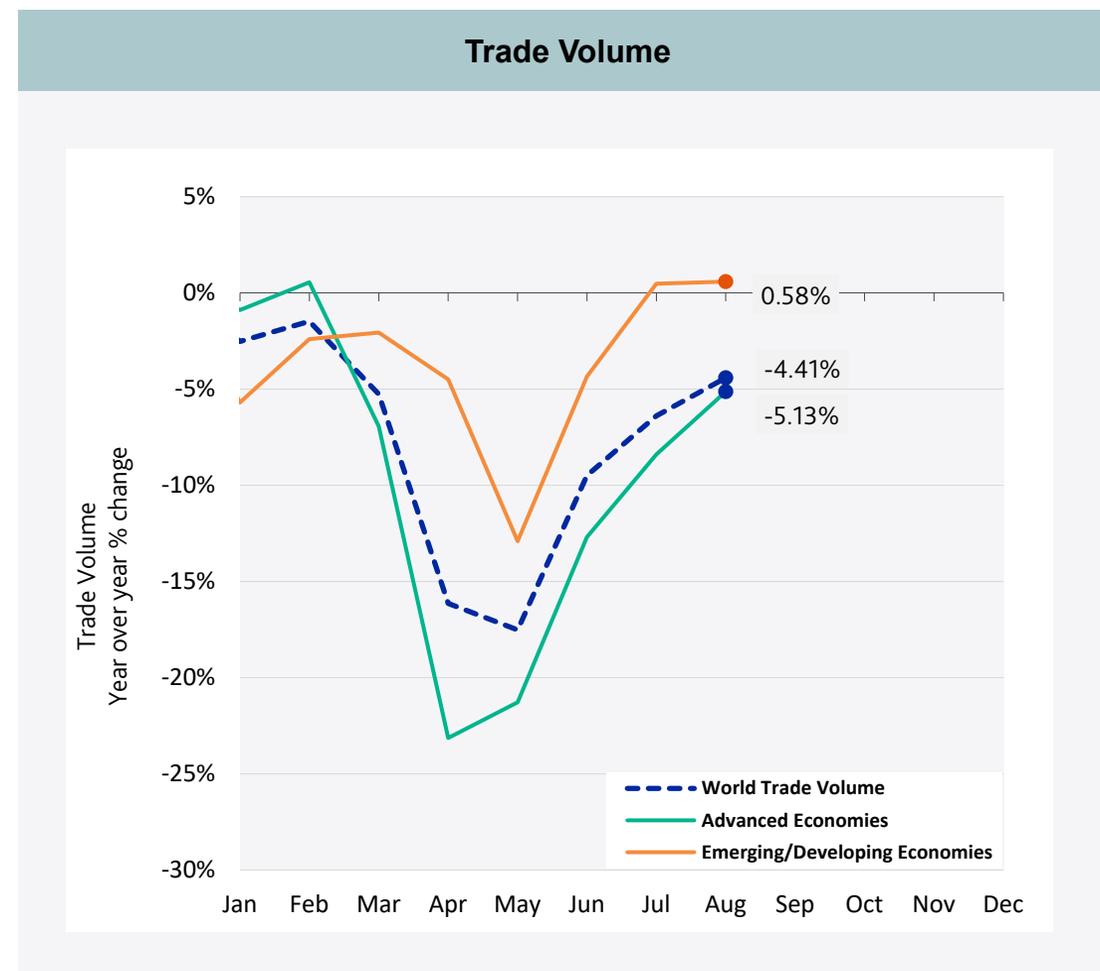
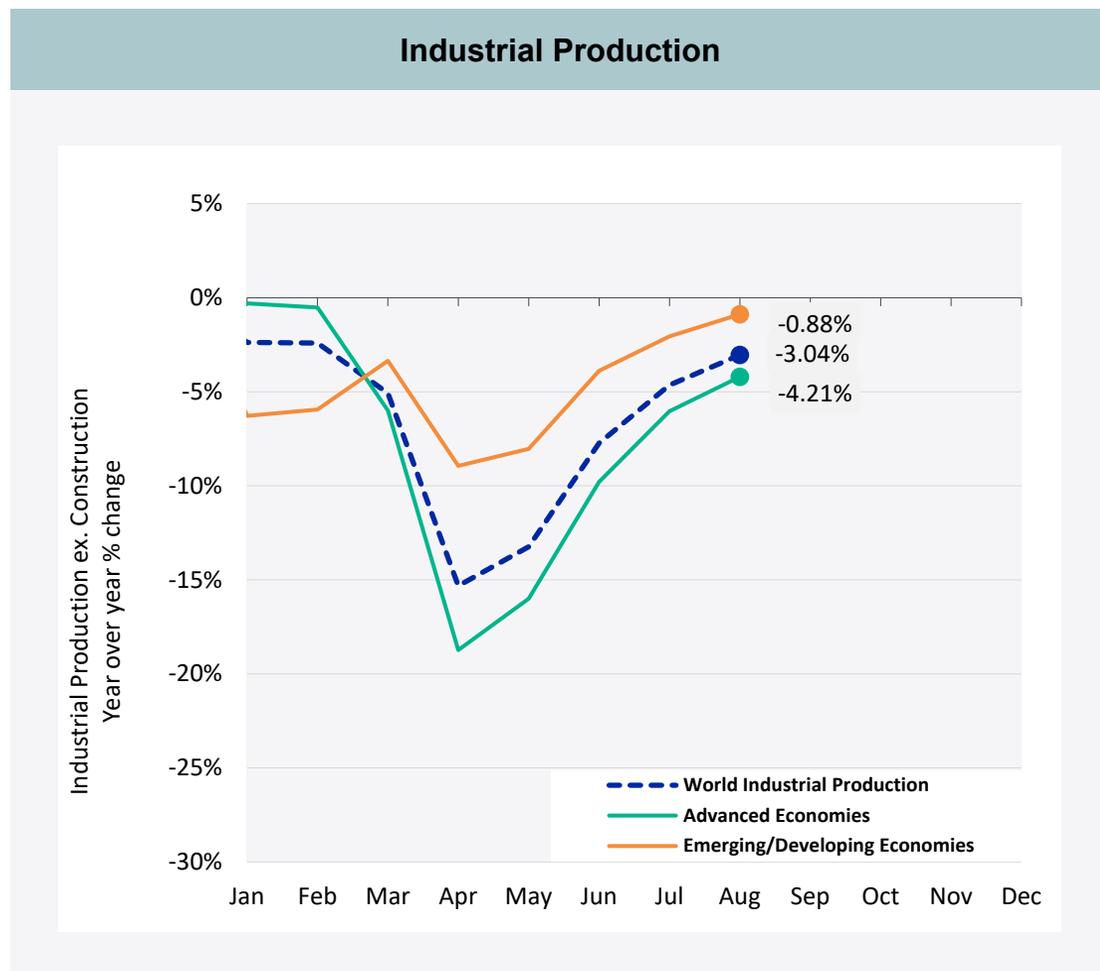
Trade data reflects the QuantCube Trade Index; the latest trade data is as of October 28. Divergence in color coding of PMIs = 50 is due to rounding. The QuantCube International Trade Index tracks the evolution of official external trade numbers in real-time (importations + exportations) by analyzing shipping data from ports located all over the world and taking into account the characteristics of the ships.

Sources: Haver Analytics and Moody's Investors Service.

Key Takeaways

- » Latest data for China suggest the rebound in industrial activity accelerated, while trade activity remained subdued
- » The rebound in industrial production across advanced economies stalled, although the pick-up in trade activity mirrored the ongoing recovery in retail sales for France, Italy, Australia and Canada, driven by pent-up demand
- » High frequency trade data for the UK and Korea weakened, pointing to fragile and uneven recovery momentum, prone to reversals
- » Recent trade advances in emerging markets are susceptible to unsupportive external conditions due to a demand slump in advanced economies, as well as slower demand recovery in China

Rapid initial rebound is giving way to slower recovery pace

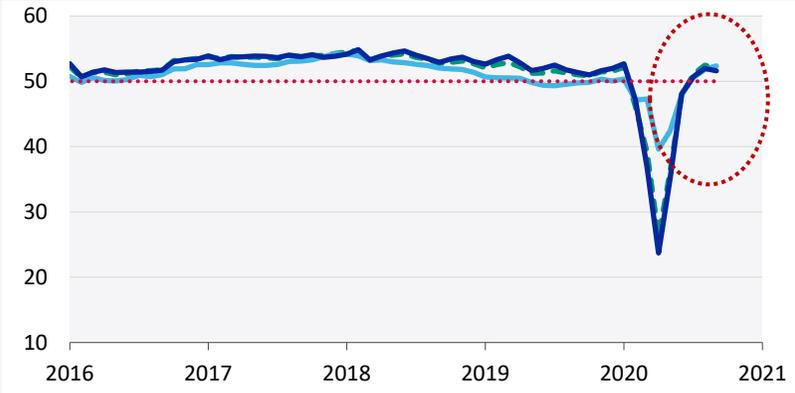


Latest data is as of August 2020.
Sources: Haver Analytics and Moody's Investors Service

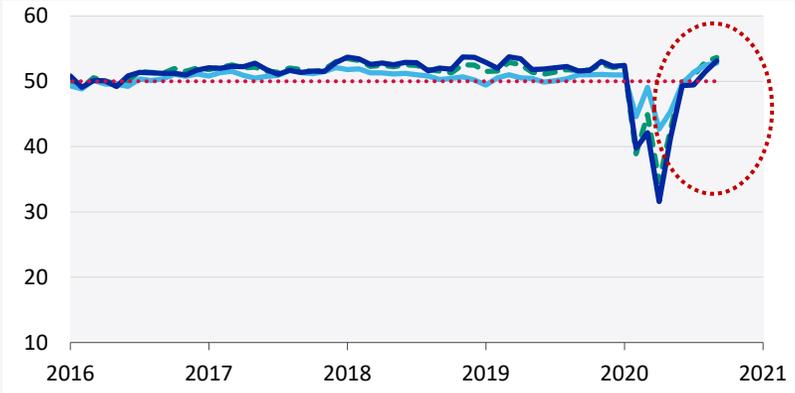
Services PMIs are lagging manufacturing PMIs globally

--- Composite PMI (All Industry)
--- Manufacturing
--- Service
--- 50+ = Expansion | 50- = Contraction

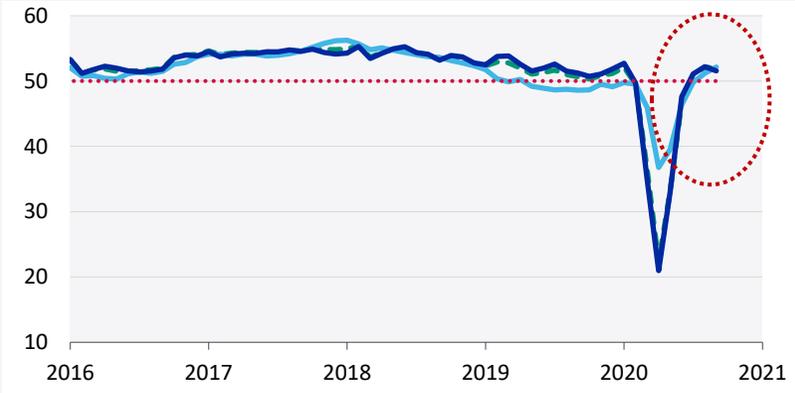
Global PMI



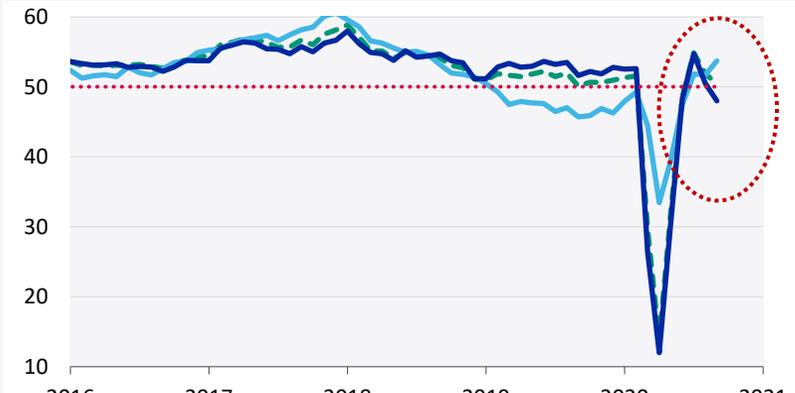
Emerging Market PMI



Developed Market PMI



Euro Area PMI



Latest data is as of September 2020.
 Sources: Haver Analytics and Moody's Investors Service

European countries begin re-introducing lockdowns because of health concerns

Key Takeaways

- » Some advanced economies are imposing new localized restrictions as they battle a second wave of virus infections
- » Difficulties in containing the pandemic increase uncertainty and weigh on financial markets, slowing down improvements in financial conditions
- » However, ample liquidity resulting from policy support has kept financial market conditions across the US close to historical averages

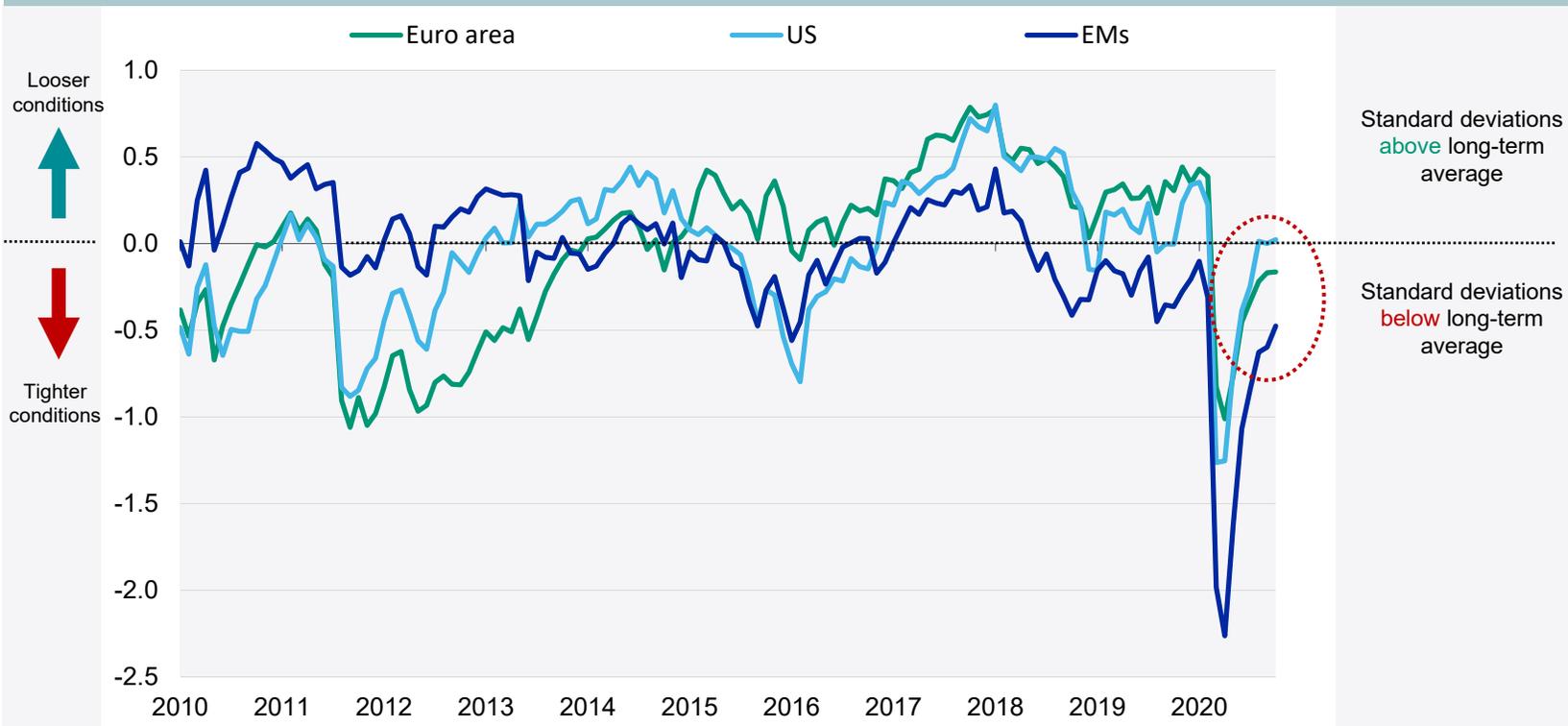
Policy response						Financial conditions		
Economy	Announced policy measures % GDP	Oxford policy index Level	Oxford stringency index			Moody's FCI		
			Level	(change from peak)	(change over the past week)	August	September	October (preliminary)
Advanced								
US	13.9	63	66	-6	0	0.0	0.0	0.0
Japan	42.2	75	35	-12	0			
Germany	8.3	38	47	-30	0	-0.2	-0.2	-0.2
UK	6.1	100	66	-14	6			
France	5.6	50	50	-38	6	-0.2	-0.2	-0.2
Italy	4.6	75	50	-44	0	-0.2	-0.2	-0.2
Canada	9.8	75	55	-19	0			
Australia	7.0	75	65	-14	-3			
Korea	3.8	50	55	-27	0			
Emerging								
China	4.1	38	62	-20	0	-0.3	-0.3	-0.2
India	6.2	50	64	-36	0	-0.3	-0.1	0.0
Brazil	8.1	50	63	-18	0	-0.1	-0.1	-0.1
Russia	3.4	38	45	-42	0	-0.4	-0.4	-0.3
Mexico	0.7	75	72	-11	0	-1.5	-1.5	-1.4
Indonesia	4.4	38	50	-30	0	0.0	-0.4	-0.1
Turkey	5.0	88	68	-8	0	-1.0	-0.7	-0.7
Saudi Arabia	3.4	63	57	-37	0			
Argentina	4.7	75	80	-20	-3	-1.3	-1.0	-0.8
South Africa	10.0	75	39	-49	0	-0.9	-0.8	-0.7

Announced and implemented policy measures differ greatly across countries, are not directly comparable, and their economic effects will differ depending on the measures implemented; latest IMF/WB policy measures data is as of August 11 for all countries except South Africa, dated September 11. The Oxford COVID-19 Government Response Stringency Index reports a number between 0 to 100 to reflect the level of stringency of government actions during lockdowns. The Oxford COVID-19 Government Response Economic Support Index tracks direct income support and debt relief across countries; latest data is as of October of 23-29. FCI data for October is preliminary.

Sources: Oxford COVID-19 Government Response Tracker, Haver Analytics, IMF Policy Tracker, EC & ILLS, World Bank, IMF GDP and Moody's Investors Service.

Risks to financial stability have recently intensified, but ample liquidity supports financial markets

US, euro area and emerging markets FCI*



*See slides 16 for details on the FCI. Latest data as of October (preliminary).
Source: Moody's Investors Service

Key Takeaways

- » October FCI data suggest that improvement in financial conditions has stalled across the euro area, while it continues in emerging markets at a slower pace. Financial conditions in the US remain at historical averages
- » The swift and well-orchestrated response from global policymakers to suppress systemic market turmoil from the pandemic has lifted financial market conditions across the US, the euro area and emerging markets from a trough in April
- » Nevertheless, the risks to financial stability recently have intensified, driven by a widespread second wave of infections, renewed lockdowns, and concerns about a prolonged stagnation in consumer demand and potentially premature removal of policy support

Appendix: Moody's Financial Conditions Indicators

FCI components in detail and weights

US			
Broad Component	Individual Component	Definition	Weight
Credit Spreads	Interest Rate Spread	10-Year Treasury Bond Less Fed Funds Rate, pp	2.5%
	Term Premium	10-Year Treasury Note Less 3-Month T-Bill, pp	3%
	Risk Premium	Investment Grade Yield Less-10-Year Treasury Note, pp	8%
	IG—BB+ Spread	15-Year BB+ Less Investment Grade, pp	6%
	AAA—BBB Spread	10-Year BBB Less 10-Year AAA, pp	9%
	BBB—10-Year Treasury Spread	10-Year BBB Less 10-Year Treasury Note, pp	9.5%
Equity Markets	Equity Volatility	Monthly Volatility of Daily Stock Returns, %	7%
	S&P 500	S&P 500 Index Relative to 24-Month Moving Average, ratio	9%
	S&P 500	S&P 500, month-over-month % change	3%
	Market Capitalization	Equity Market Cap/GDP, year-over-year % change	7.5%
Macro Fundamentals	Velocity of Money	Velocity of Money, ratio	3%
	Purchasing Managers' Index (PMI)	ISM Manufacturing: PMI Composite Index	6%
	Business Barometer	MNI-Chicago Report: Business Barometer Index	6%
	Consumer Expectations	Consumer Expectations, 1985=100	7.5%
Debt Quantities	Commercial Paper (CP)	CP Outstanding, real, year-over-year % change	6.5%
	Consumer Credit	Consumer Credit Outstanding, real, year-over-year % change	3%
	Commercial & Industry Bank Credit	Bank Credit: C&I loans, real, year-over-year % change	2%
	Real Estate Bank Credit	Bank Credit: Real Estate Loans, R _{real} , year-over-year % change	1.5%

Euro area		
Broad component	Individual component	Weight
Bond Markets	Euro area: 10-yr government bond yield (%); Euro area: 2-yr government bond yield (%), pp	7.0%
	Merrill Lynch euro area high-yield bond yields over 10-yr government bond yields	9.0%
Equity Markets	Stoxx 50 volatility index (VSTOXX)	9.0%
	Eurostoxx total return index, relative to 24m moving average	10.5%
	Eurostoxx total return index, mom % change	3.5%
Macro Fundamentals	Euro market capitalisation/GDP, yoy %	9.0%
	Euro area ZEW economic sentiment, macro expectations for the next six months	3.5%
	Euro area business climate indicator, European Commission	10.0%
	Euro area economic sentiment indicator, European Commission	11.5%
Bank Lending	Euro area consumer confidence indicator, European Commission	10.0%
	Bank lending to households, yoy % change	6.5%
	Bank mortgage lending, yoy % change	7.0%
	Bank lending to nonfinancial companies, yoy % change	3.5%

Emerging markets

Broad Components	Individual Components	Component Weights
Bond Markets	Term premium	26%
	Risk premium	
	EMBI sovereign bond spreads	
Equity Markets	Stock prices, mom% change	20%
	Stock prices, mo24mma% change	
	Stock market volatility	
Macro Fundamentals	REER	34%
	PMIs	
	Manuf./business/industry expectations/confidence	
	Business conditions/eco Barometer/eco Sentiment	
	Economic conditions/barometer/sentiment	
Money and Portfolio Flows	Policy uncertainty	
	Broad money, mo12m% change	20%
	Velocity of money, mo12m change	
	Net portfolio flows	

Source: Moody's Investors Service.

Moody's related publications

Outlook

- » [Global Macro Outlook 2020-21 \(August 2020 Update\): Economic recovery remains tenuous as pandemic fears persist](#), August 2020

Sector research

- » [Macroeconomics – Global: Coronavirus and the Economy](#), October 2020
- » [Coronavirus –Europe: COVID Recovery Monitor, Europe: October 2020](#), October 2020
- » [Macroeconomics – US: Delay in fiscal support is negative for the economy and consumer-facing sectors](#), August 2020
- » [Global Trade Monitor: August 2020](#), August 2020
- » [Macroeconomics – Global: Coronavirus and the Economy: Alternative Data Monitor \(Slides\)](#), August 2020
- » [Coronavirus – US: Virus surge and expiration of federal relief](#), July 2020
- » [Non-Investment Grade Sovereigns - Global: Coronavirus shock triggers sharp economic downturn and intensifies fiscal and external liquidity challenges \(Slides\)](#), July 2020
- » [Emerging Markets – Global: Financial conditions stabilise, but pandemic fallout casts shadow on H2 credit prospects](#), June 2020
- » [Credit Conditions – Global: Coronavirus will shape and accelerate global economic, business and consumption trends](#), June 2020

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