Impact of COVID-19 on the Global Economy

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STOCK MARKET

The rally in the stock market is driven primarily by the rally in a few large index constituents

Broad Market Index
(Jan 02, 2020 = 100)

Source: Yahoo! Finance, D&B Analysis
REAL ECONOMY

The real economy is in dire straits. Stay-at-home orders around the world have impacted economic activity significantly in the previous quarter.

Real GDP Growth – Q2 2020 (y-o-y)

<table>
<thead>
<tr>
<th>Country</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>-23.9%</td>
</tr>
<tr>
<td>UK</td>
<td>-21.7%</td>
</tr>
<tr>
<td>France</td>
<td>-19.0%</td>
</tr>
<tr>
<td>European Union</td>
<td>-14.2%</td>
</tr>
<tr>
<td>Canada</td>
<td>-13.5%</td>
</tr>
<tr>
<td>Japan</td>
<td>-10.0%</td>
</tr>
<tr>
<td>USA</td>
<td>-9.1%</td>
</tr>
<tr>
<td>China</td>
<td>3.2%</td>
</tr>
</tbody>
</table>

Source: OECD, MOSPI, D&B Analysis
BUSINESS OPTIMISM

Business Optimism is gradually recovering

Source: IHS Markit, Haver Analytics, D&B Analysis
UNEMPLOYMENT

Unemployment increased around the globe but there are severe country-level differences.

Source: Deutsche Bundesbank, Bureau of Labor Statistics, Haver Analytics, D&B Analysis
In some countries, unemployment is masked by costly Government schemes

DUN & BRADSTREET COUNTRY RISK RATINGS MODEL

D&B Country Risk

1. SHORT-TERM ECONOMIC RISK
2. LONG-TERM ECONOMIC POTENTIAL
3. MARKET POTENTIAL
4. FX RISK
5. TRANSFER RISK
6. BUSINESS REGULATORY ENVIRONMENT
7. BUSINESS CONTINUITY RISK
8. POLITICAL/INSECURITY RISK
9. EXPRIATION/NATIONALISATION RISK

Source: Dun & Bradstreet
DUN & BRADSTREET COUNTRY RISK RATINGS

Upgrades outnumbered downgrades over the last month – 1st time in many months

No. of country risk ratings upgraded and downgraded
DUN & BRADSTREET COUNTRY RISK RATINGS

Nevertheless, the level of risk still remains high for many countries

Note: This map is for illustrative purposes and does not imply the expression of any opinion on the part of the D&B, concerning the legal status of any country or territory or concerning the delimitation of frontiers or boundaries.

Source: Dun & Bradstreet
PAYMENT DELAYS
The no. of companies paying on time is expected to decrease in the coming months

Share of prompt payments (% of all accounts)

<table>
<thead>
<tr>
<th>Country</th>
<th>Mar 2020</th>
<th>Jun 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>77%</td>
<td>75%</td>
</tr>
<tr>
<td>Australia</td>
<td>69%</td>
<td>64%</td>
</tr>
<tr>
<td>Brazil</td>
<td>56%</td>
<td>45%</td>
</tr>
<tr>
<td>Mexico</td>
<td>41%</td>
<td>18%</td>
</tr>
<tr>
<td>India</td>
<td>15%</td>
<td>10%</td>
</tr>
</tbody>
</table>
Dun & Bradstreet’s latest GBI score remains at a record-high, indicating that the outlook for cross-border businesses is at its worst level since the index was introduced in Q3 2014.

Global Business Impact (GBI) score

Source: Dun & Bradstreet
TEN KEY GLOBAL RISKS FOR BUSINESSES

The impacts of the coronavirus pandemic are spread across different types of risks: markets, economic growth and politics. The three non-Covid-19 risks are all political in nature.

- Impact on Sovereign creditworthiness
- Protective trade policies
- Re-establishment of lockdowns
- Deterioration in US-China relations
- Deterioration in global equity valuations
TEN KEY GLOBAL RISKS FOR BUSINESSES

The impacts of the coronavirus pandemic are spread across different types of risks: markets, economic growth and politics. The three non-Covid-19 risks are all political in nature.

- Increase in unemployment
- A new COVID-19 wave in Europe
- Elevated CMBS delinquency rates
- Increase in copper prices in H2
- Political instability in Lebanon

Source: Dun & Bradstreet
WHAT’S NEXT?

The Center for Infectious Disease Research and Policy lists three possible scenarios of how the COVID-19 may progress. However, there is no crystal ball to tell us what the ‘end game’ will be.

Slow Burn – The Good

The first wave of COVID-19 infections is the only wave followed by a “slow burn” of ongoing transmission but without a clear wave pattern.

Peaks and Valleys – The Bad

Smaller waves of outbreak but with lower no. of infections that persist over a one- to two-year period and gradually diminishing sometime in 2021.

Fall Peak – The Worst

The 1st wave is followed by a larger wave in the fall or winter of 2020, and one or more smaller subsequent waves in 2021. Similar to what happened during the 1918 Spanish Flu and 1958 H2N2 Pandemic.

Source: Center for Infectious Disease Research and Policy, WEF
**THE RECOVERY SCENARIOS**

**U-Shaped**
- Growth recovers within a few quarters but leads to some permanent loss of output.
- Pandemic and containment peaks in the 3rd quarter, and recedes in the 2nd half of this year.

**V-Shaped**
- Growth recovers quickly with no/small permanent loss of output.
- Pandemic and containment peaks in the 3rd quarter, and recedes quickly.

**L-Shaped**
- Growth takes several quarters to recover leading to heavy permanent loss of output.
- Deterioration in public health leading to prolonged lockdown.

**W-Shaped**
- Growth recovers very quickly but plunges again leading to some permanent loss of output.
- Easing of lockdown initially boosts activity but growth plunges due to 2nd wave of COVID-19 or ineffective policies to prevent bankruptcies and extended job losses.

Source: Dun & Bradstreet
While most countries are expected to contract this year, a sharp recovery can be expected in 2021.

**Real GDP Growth Forecasts**

- **UK**: 6.3% (2020f), -9.8% (2021f)
- **France**: 5.9% (2020f), -8.7% (2021f)
- **South Africa**: 1.8% (2020f), -7.0% (2021f)
- **US**: 3.2% (2020f), -5.8% (2021f)
- **Brazil**: 2.5% (2020f), -5.7% (2021f)
- **Japan**: 1.3% (2020f), -5.6% (2021f)
- **Germany**: 4.1% (2020f), -5.3% (2021f)
- **India**: 6.7% (2020f), -4.5% (2021f)
- **Russia**: 1.8% (2020f), -4.5% (2021f)
- **China**: 5.6% (2020f), 0.8% (2021f)

Source: Dun & Bradstreet
SUMMARY

– Dun & Bradstreet expects a quick, V-shaped economic rebound in H2 2020

– This will be followed by a slower recovery in 2021

– In most countries, it will take until 2022 until pre-crisis GDP levels are reached again

– Payment delays will increase over the next quarters

– The risk of business failures will also rise

– Monitoring counterparty risk will be crucial to weather the pandemic

Source: Dun & Bradstreet
Thank You!

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Dankjewel
merci
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धन्यवाद