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Global Recovery Tracker: Long and Bumpy Road to Recovery

Opinion | An Hodgson, Senior Income and Expenditure Manager

The Coronavirus (COVID-19) pandemic has triggered the most severe global recession in nearly a century. Businesses are operating in a world of anxieties and uncertainties, not knowing what will be the new normal or when output and consumer spending will rebound to pre-crisis levels. In this context, Euromonitor International has developed the Global Recovery Tracker and Recovery Index to help businesses track and predict when activity in key markets will recover to plan their strategy accordingly.

As of Q3 2020, all of the 48 countries covered by Euromonitor's Recovery Index are expected to have recorded improved recovery index scores compared to the previous quarter when many countries were under strict lockdowns.

- Euromonitor's Recovery Index score for China is estimated to have reached 102.4 in Q3 2020, compared to 98.8 recorded in Q2 (an index score of 100 indicates a full recovery to the pre-pandemic level of 2019).
- China represents an important leading signal for the speed and trajectory of the global economy and so it is encouraging to see China's

economic recovery amid persisting challenges from the COVID-19 pandemic. According to official statistics, real GDP in Q3 2020 rose 4.9% over the same period of the previous year, well ahead of the 3.1% year-on-year growth recorded in Q2.

Long and Bumpy Road to Recovery Elsewhere

China's recovery will benefit the global economy at large – for example, Germany's automotive industry is enjoying resurgent car sales in China. Yet, prospects for real GDP to return to pre-pandemic levels before mid-2021 remain distant for most countries due to a further wave of COVID-19 infections, risks of further lockdowns, closed borders, and high indebtedness.

- In Q3 2020, consumer spending is estimated to have remained below the pre-pandemic levels in most countries (with China being a notable exception). On one hand, lockdown measures have restricted what consumers can spend their money on due to air travel suspended, restaurants and shops being shut or subject to measures to prevent the spread of COVID-19. Equally, the economic fallout of the pandemic

CONCLUSION

Key country insights



The road to recovery for Brazil is long and vulnerable to a second wave of COVID-19 infections.



China is the first major economy to see its real output, labour market and consumer spending recover fully.



Employment is expected to fall through to Q1 2021, with adverse impact on household incomes and consumer spending in Germany.



Italy's real GDP is estimated to have shrunk 10.2% year-on-year in Q3 2020, following a 16.5% year-on-year decline in Q2.



Consumer sentiment in Japan remains well below its historical average and people still hold back their spending and avoid crowded places.



US output and consumption rose in Q3 over the previous quarter, boosted by higher consumer spending during the Labour Day holiday.



The "Eat Out to Help Out" scheme did not seem to have a lasting impact in boosting consumer confidence and reviving consumer spending.

has meant consumers are less inclined to spend, with many fearing job losses and expecting their household income to fall in the coming months.

- As the pandemic and its economic fallout have generated headwinds for overall consumer spending, retail sales – the purchase of goods for direct consumption – have experienced some tailwinds. As consumers shy away from spending categories such as travel, hotels and catering, and leisure and recreation due to COVID-19 restrictions and health concerns, they are shifting some of their spendings to goods from services. So, instead of eating and drinking out, for example, people are buying food and beverages for consumption at home. In Q3 2020, real retail sales are estimated to have recovered to pre-pandemic levels in 22 out of the 48 countries covered by Euromonitor's Recovery Index.

Outlook

The global economic outlook is mixed, with 20 out of the 48 countries covered by Euromonitor's Recovery Index expected to see their economy rebound to 2019 levels in Q4 2021. The speed and nature of the recovery across major economies will very much depend on the course of the global pandemic. The recovery seems to be stabilizing or even reversing in Q4 as many countries are entering a second or even third pandemic wave.

The outlook could be worsened by the economic impact that further

lockdowns might have on the labor market, household incomes, and consumer confidence. Countries with an aging population are also likely to take longer to recover, as they are more exposed to health risks while their government finances are already constrained.

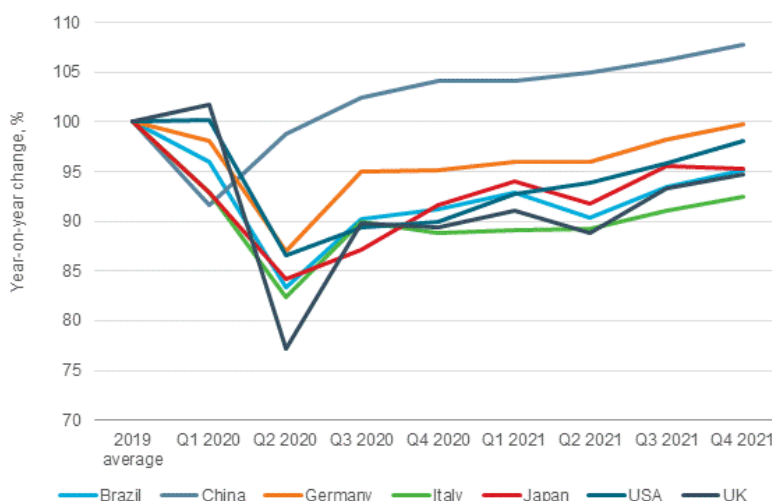
Factors that can improve the outlook include effective containment measures and reliable national healthcare systems (which allow for economies to restart and open up again), government support to employers and workers (to help cushion the fall in consumer confidence), and a greater focus on equality that underpins a solid and sustainable recovery.

Euromonitor Recovery Index

Euromonitor's Recovery Index is a composite index that provides a quick overview of economic and consumer activity and helps businesses predict recovery in consumer demand in 48 major economies. The index takes into consideration total GDP and factors that determine consumer spend – employment, consumer spending, retail sales, and consumer confidence. Index scores measure the change relative to the average per quarter for 2019. A score of 100 and over indicates a full recovery in which economic output, labor market, and consumer spending all return to/exceed 2019 levels.

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Recovery Index in Selected Economies Q1 2020 – Q4 2021



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Outlook for Consumer Health: Coronavirus Accelerates Demand for Immunity and Holistic Wellness



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