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QUO VADIS 2021

30 MARCH 2021

GLOBAL ECONOMIC OUTLOOK
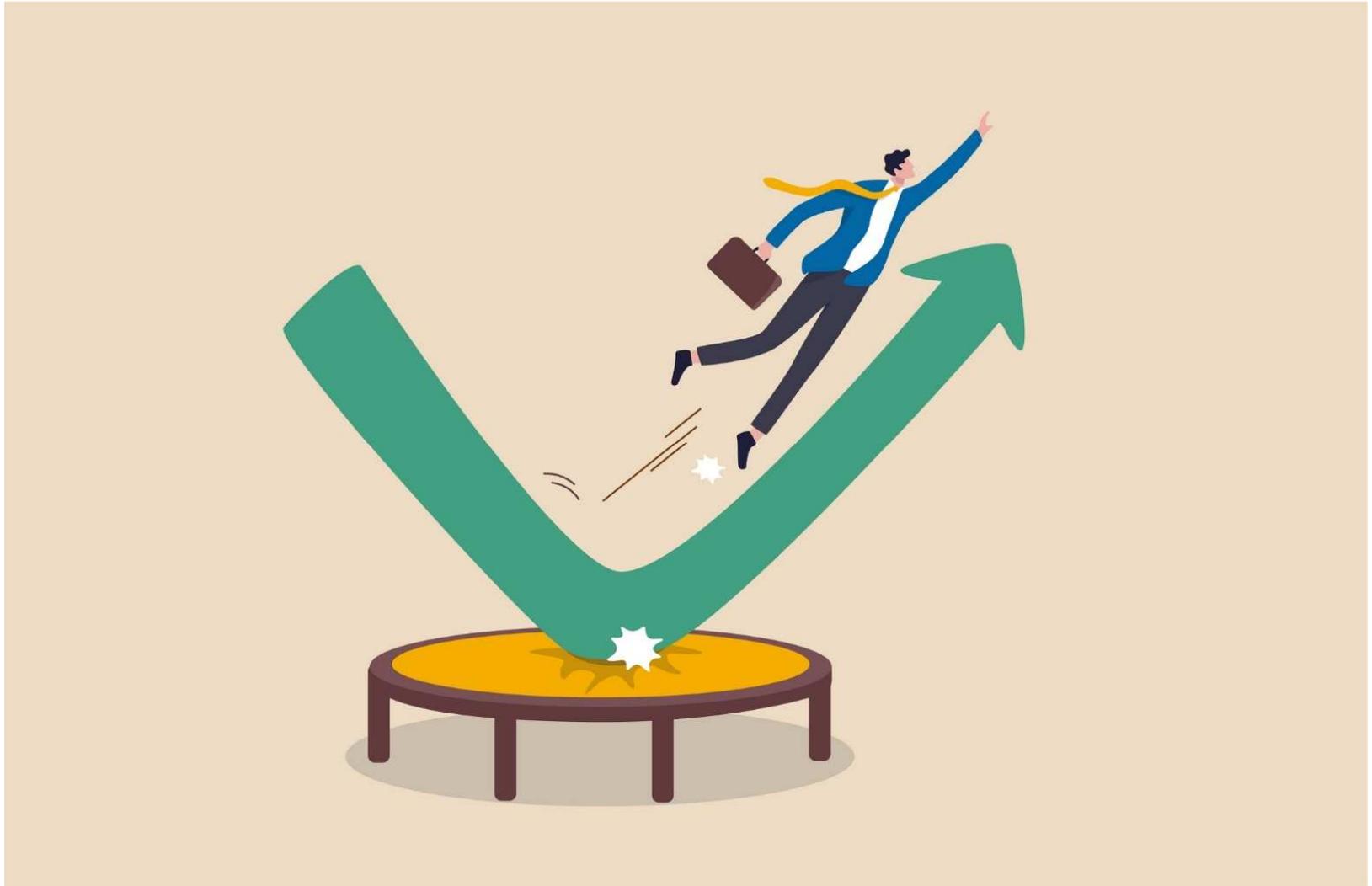
A REBOUND LIKE NO OTHER

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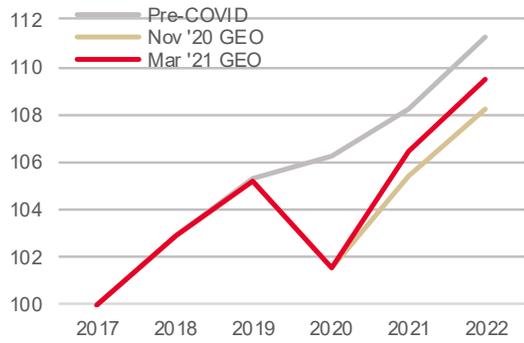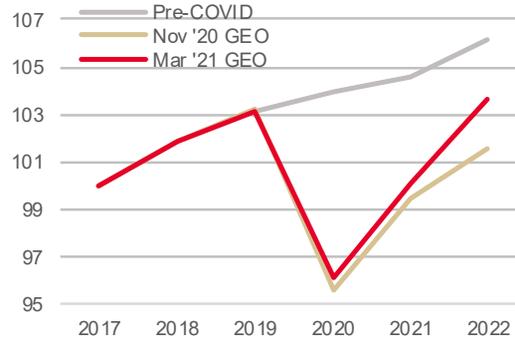
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SOCIETE
GENERALE
GROUP

Source: iStock

1

BRIGHTER GROWTH MOMENTUM AND OUTLOOK

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THE NUMBERS: A LESS WEAK PAST AND A STRONGER FUTURE

SG GDP path forecasts US (index 2017=100)

Pre-COVID
Nov '20 GEO
Mar '21 GEO

SG GDP path forecasts euro area (index 2017=100)

Pre-COVID
Nov '20 GEO
Mar '21 GEO

SG GDP path forecasts China (index 2017=100)

Pre-COVID
Mar '21 GEO
Nov '20 GEO
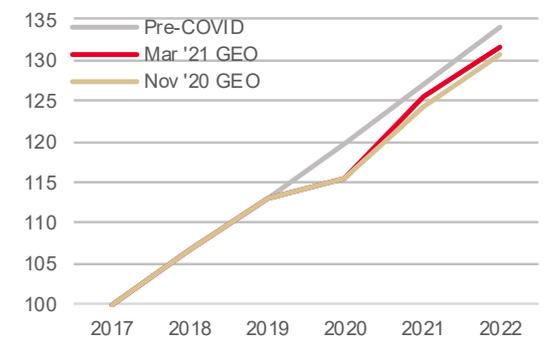
Source: SG Cross Asset Research/Economics

Real GDP (index 4Q19=100)
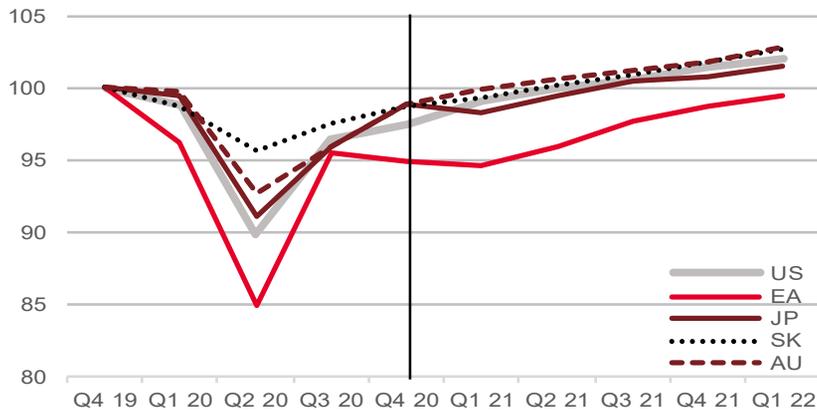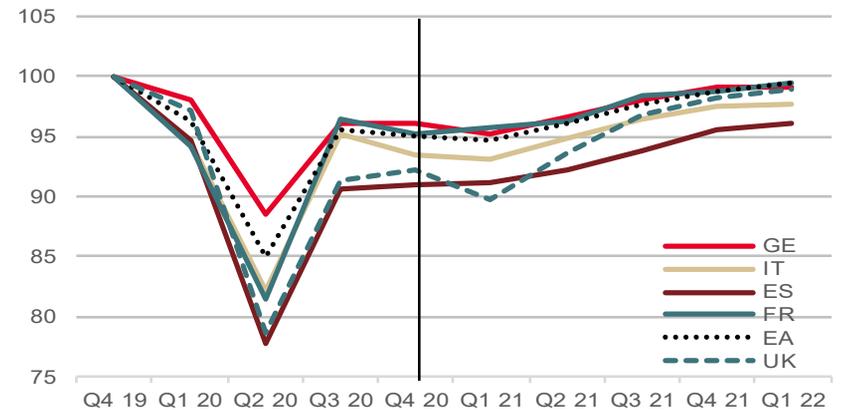
US
EA
JP
SK
AU

Real GDP (index 4Q19=100)

GE
IT
ES
FR
EA
UK

Source: SG Cross Asset Research/Economics

Number of quarters to reach pre-recession GDP

	Great Recession	COVID-19 Recession
United States	14	6
Euro area	27*	10 to 11
Japan	22	6 to 7
Germany	12	8 to 9
France	12	10 to 11
UK	21	12
Australia	2	5
South Korea	4	6

* 14Q to within 0.6%

|	SG				Consensus		IMF	
	2021	*P**	**2022**	*P**	**2021**	**2022**	**2021**	**2022**
World (Mkt FX weights)	5.3	*5.0*	3.8	*3.4*	--	--	--	--
World (PPP weights)	5.3	*5.1*	4.1	*3.6*	--	--	5.5	4.2
US	4.9	*3.9*	2.8	*2.6*	4.7	3.6	5.1	2.5
Euro area	4.1	*4.1*	3.6	*2.1*	4.4	4.1	4.2	3.6
Germany (nsa)	2.9	*3.0*	4.0	*3.4*	3.5	3.8	3.5	3.1
France	5.9	*6.7*	3.2	*1.3*	5.5	3.6	5.5	4.1
Italy	4.5	*4.8*	3.0	*1.5*	4.3	3.9	3.0	3.6
Spain	5.3	*4.8*	5.0	*2.1*	5.7	5.7	5.9	4.7
Slovakia	4.5	*2.9*	4.4	*5.9*	4.5	4.5	6.9	4.8
UK	5.2	*5.1*	5.7	*3.8*	4.2	5.6	4.5	5.0
Switzerland	2.6	*2.7*	2.8	*2.6*	3.0	3.0	3.6	2.1
China	8.5	*7.8*	5.0	*5.0*	8.4	5.5	8.1	5.6
Japan	3.5	*4.4*	2.8	*1.9*	2.3	2.3	3.1	2.4
Australia	4.2	*3.5*	3.3	*4.0*	3.7	3.1	3.0	2.8
South Korea	2.9	*2.9*	2.7	*2.7*	3.4	3.0	2.9	3.1
Taiwan	4.3	*3.3*	2.6	*2.8*	4.2	2.9	3.2	2.1
India*	9.5	*7.1*	6.3	*4.2*	11.1	6.1	11.5	6.8
Indonesia	4.5	*5.4*	5.1	*4.8*	4.5	5.5	6.1	5.3
Brazil	3.6	*3.7*	1.9	*1.8*	3.3	2.5	3.6	2.6
Mexico	5.0	*4.8*	2.5	*2.5*	4.0	2.9	4.3	2.5
Chile	8.3	*5.0*	3.7	*2.7*	5.3	3.4	4.5	3.2
Colombia	6.4	*5.2*	3.1	*3.1*	5.1	3.9	4.0	3.7
Russia	3.0	*2.7*	2.3	*2.0*	2.9	2.5	1.8	1.6
Czech Republic	2.6	*3.0*	3.9	*4.6*	3.5	4.7	3.5	2.6

VACCINES AND POLICY LIFT THE OUTLOOK

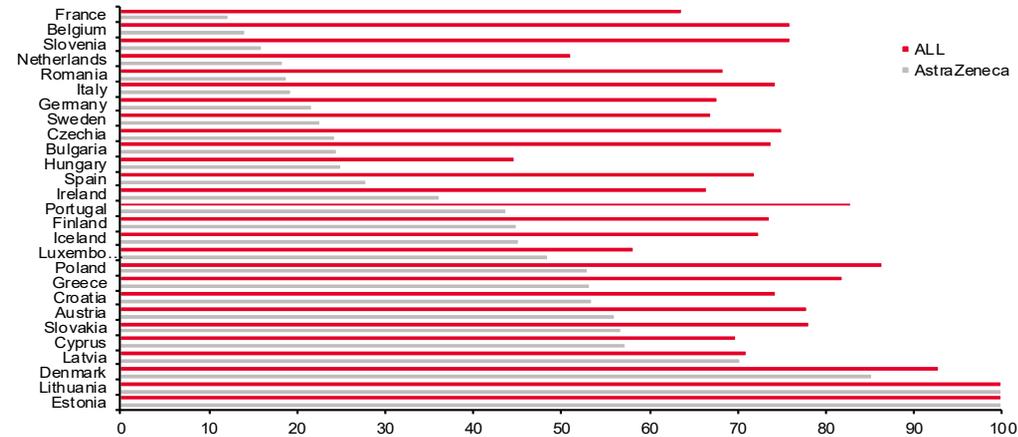**Cumulative COVID-19 vaccination doses administered per 100 people**
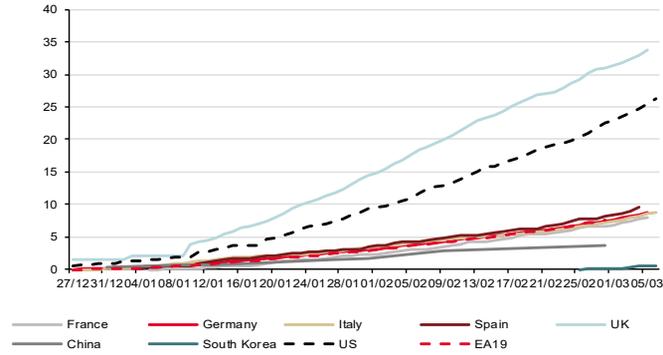
Source: SG Cross Asset Research/Economics

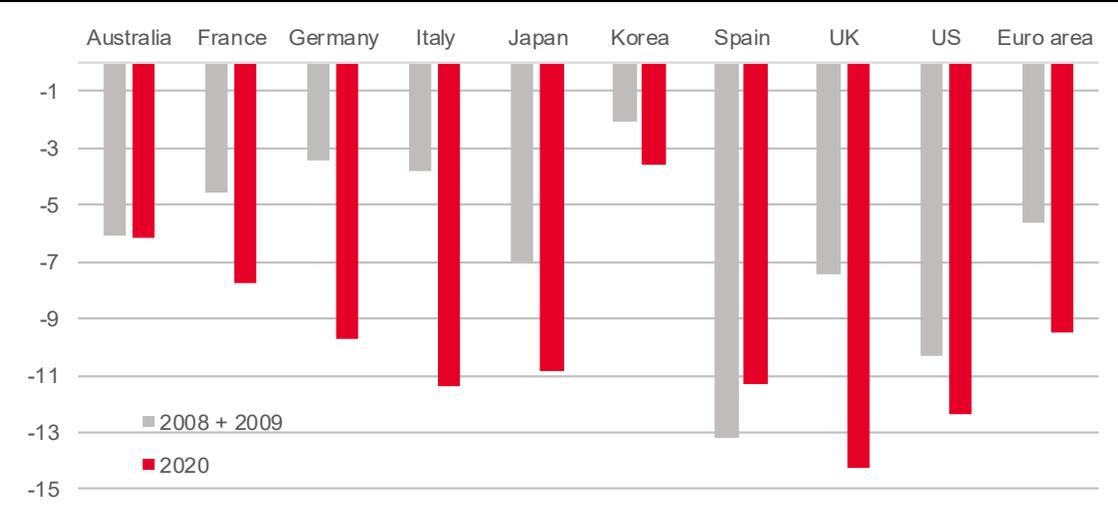**Daily vaccination rate (daily doses administered as % of population)**
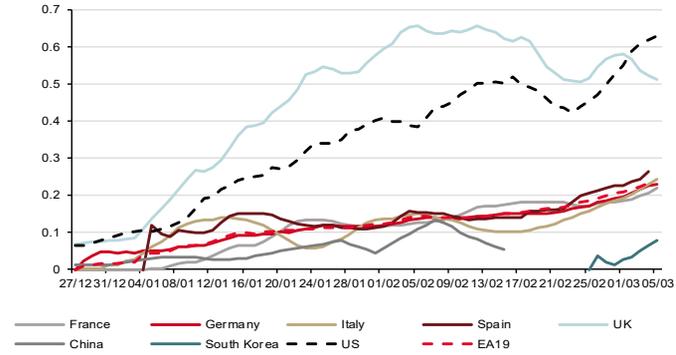
COVID-19 vaccine doses administered as % of doses delivered

Source: ECDC, SG Cross Asset Research/Economics

FISCAL EFFORT HAS BEEN HUGE – BUT EA'S EFFORT LAGS THE US

**Change in general government balances (% of GDP)**

Source: IMF WEO Database Oct 2000, SG Cross Asset Research/Economics

- Public sector deficits have ballooned everywhere, and by more in just 2020 than in 2008 and 2009 combined.

- Euro area deficits have risen less than in the US and several others, despite deeper output loss and greater automatic stabilisers. Suggests smaller fiscal effort.

- The IMF's estimates (Oct 2020) are that the 2.9pp difference in the headline deficit expansion between the US and EA grows to a 3.4pp difference in cyclically-adjusted terms – though the latter comes with huge uncertainty attached.

CONSUMERS ARE DOING THEIR BIT – WHEN ALLOWED

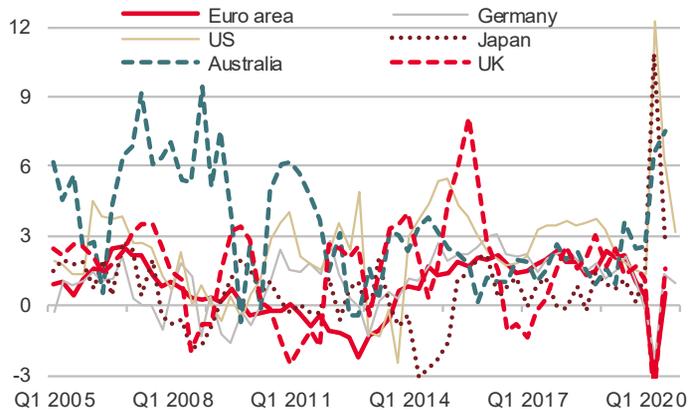**Retail sales in key economies (index 4Q19 = 100)**

Legend: USA (nominal), Euro area (real), Australia (nominal), UK (real), Japan (nominal)
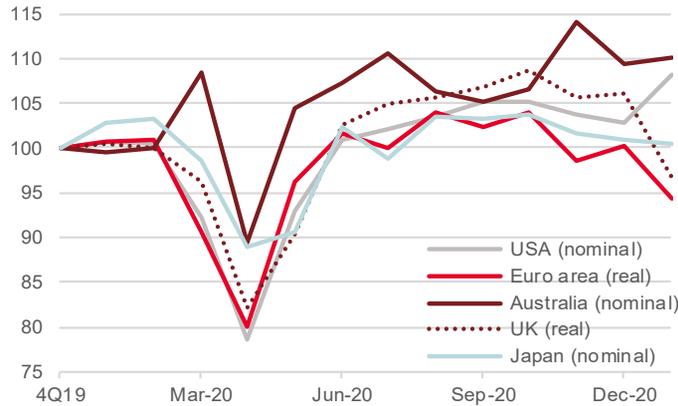
Source: SG Cross Asset Research/Economics

Retail sales across euro area countries (index 4Q19 = 100)

Legend: Germany (real), France (real), Euro area (real), Spain (real), Italy (nominal)

Source: SG Cross Asset Research/Economics
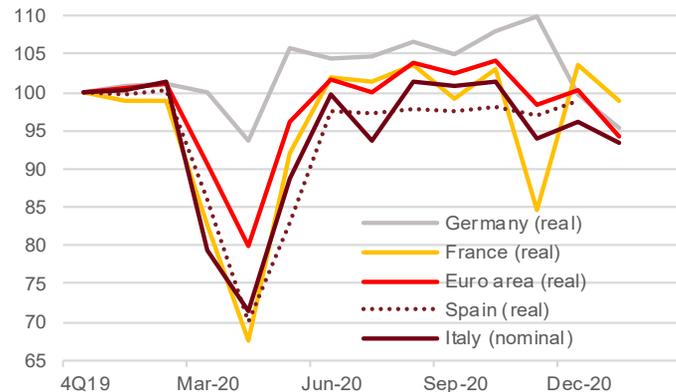
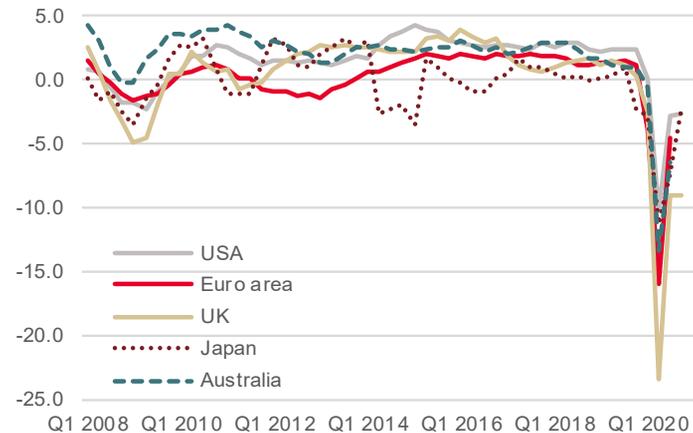**Real personal disposable income (% yoy)**

Legend: Euro area, Germany, US, Japan, Australia, UK

Source: National sources, Refinitiv, SG Cross Asset Research/Economics

Real household expenditure (% yoy, 3Q MA)

Legend: USA, Euro area, UK, Japan, Australia
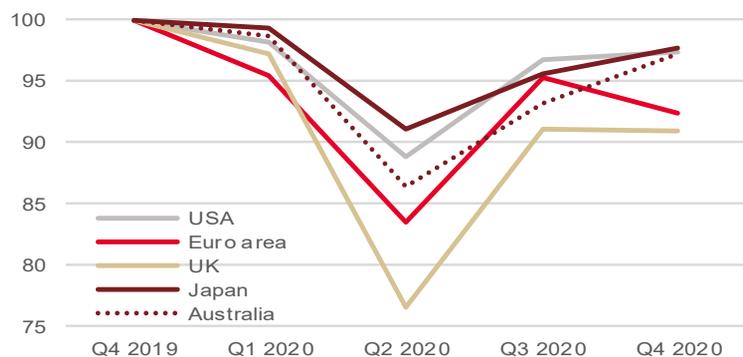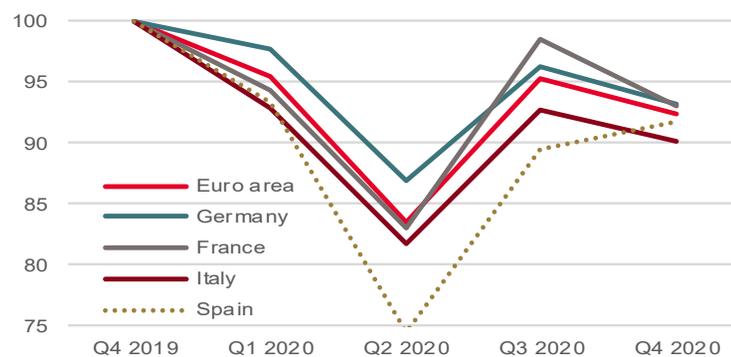
Source: National sources, Refinitiv, SG Cross Asset Research/Economics

BUT IT WAS STILL A VERY UNUSUAL CONSUMPTION-DRIVEN RECESSION

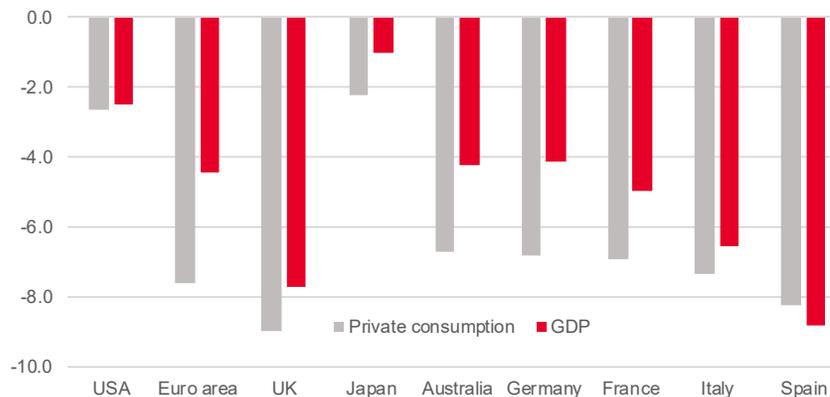**Real private consumption expenditure (index 4Q19=100)**

Legend: USA, Euro area, UK, Japan, Australia

Source: SG Cross Asset Research/Economics

Real private consumption expenditure (index 4Q19=100)

Legend: Euro area, Germany, France, Italy, Spain

Private consumption and GDP gap from pre-crisis level (% change)

Legend: Private consumption, GDP

USA, Euro area, UK, Japan, Australia, Germany, France, Italy, Spain

Source: National sources, Refinitiv, SG Cross Asset Research/Economics * 3Q20 data (4Q20 not available)
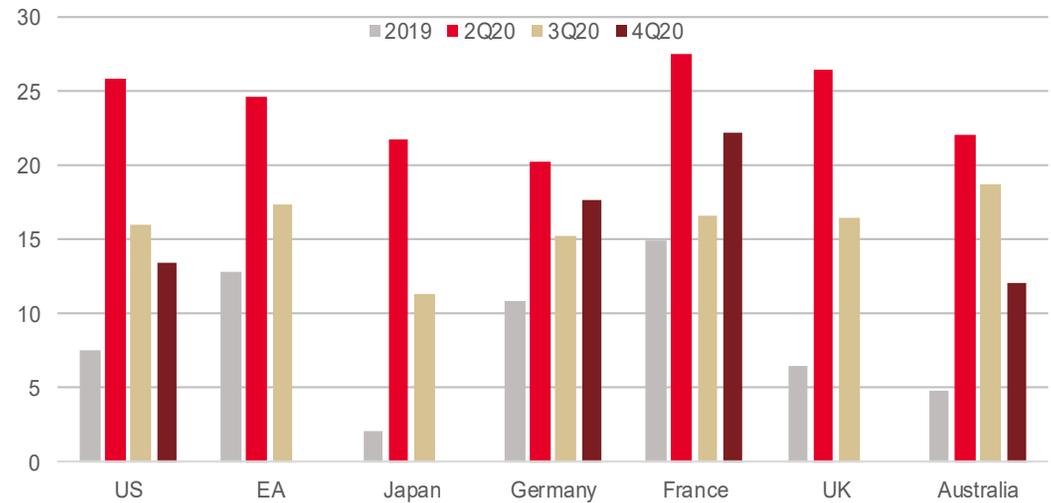
THE KEY ROLE OF PENT-UP CONSUMPTION DEMAND

Excess household savings since the start of the COVID-19 crisis

	Absolute (local currency)	% of annual GDP
USA	1.9tr	8.6
Japan*	27tr	5
Euro area*	380bn	3.5
Germany	110bn	3.3
France	94bn	4.1
UK	174bn	7.7
Australia	190bn	9.7

* up to 3Q only

Source: SG Cross Asset Research/Economics

Household savings rates (% of disposable income)

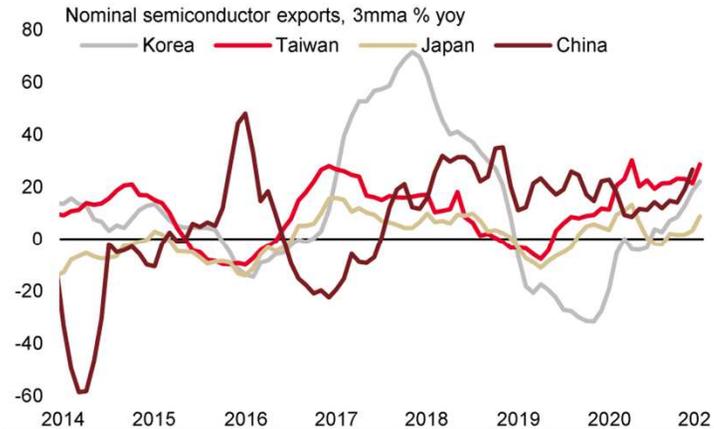Source: SG Cross Asset Research/Economics

Investment in machinery & equipment and intellectual property (shares in real GDP in %)

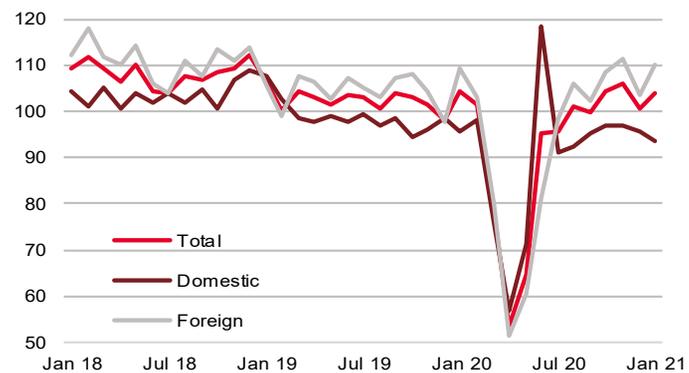Source: SG Cross Asset Research/Economics

Semiconductor exports

Nominal semiconductor exports, 3mma % yoy

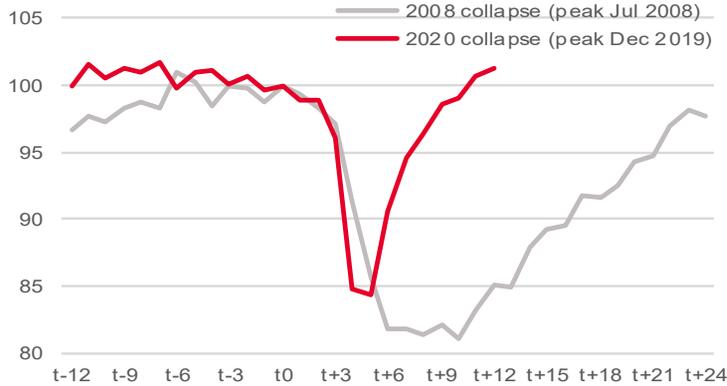**US durable goods orders (nominal, s.a.)**
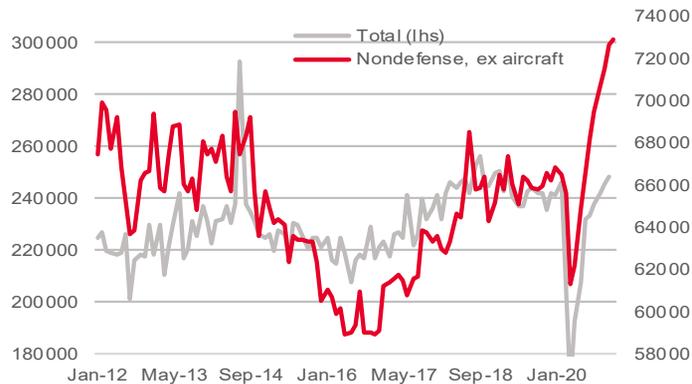
Source: SG Cross Asset Research/Economics

New orders for capital goods for German manufacturing firms (volume index, s.a.)
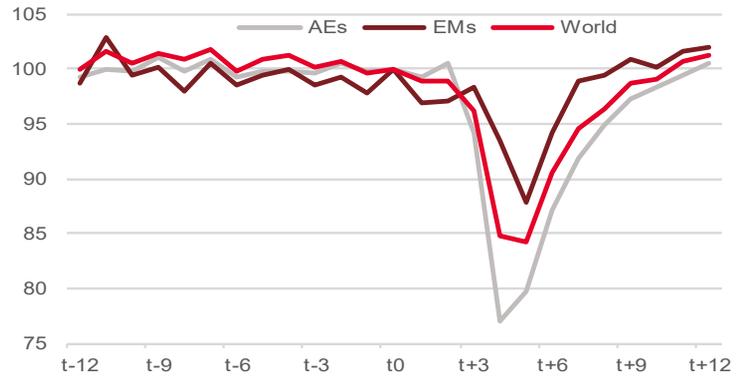
WARP SPEED TRADE RECOVERY COMPLETE –EXPANSION ONGOING

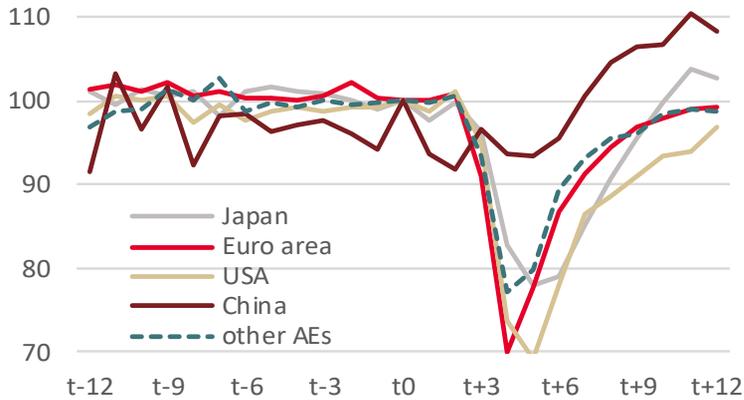**Global trade cycles compared (index pre-crisis-peak = 100)**

Legend:
- 2008 collapse (peak Jul 2008)
- 2020 collapse (peak Dec 2019)

Source: cpb, SG Cross Asset Research/Economics

Real goods exports by country groups (index Dec '19 = 100)

Legend: AEs, EMs, World

Real goods exports by AEs (index pre-crisis-peak = 100)

Legend:
- Japan
- Euro area
- USA
- China
- other AEs

Source: cpb, SG Cross Asset Research/Economics

Real goods exports by EMs (index pre-crisis-peak = 100)

Legend:
- EMs Asia exports
- EM EE/CIS
- China
- EM LatAm
- EM Africa and ME
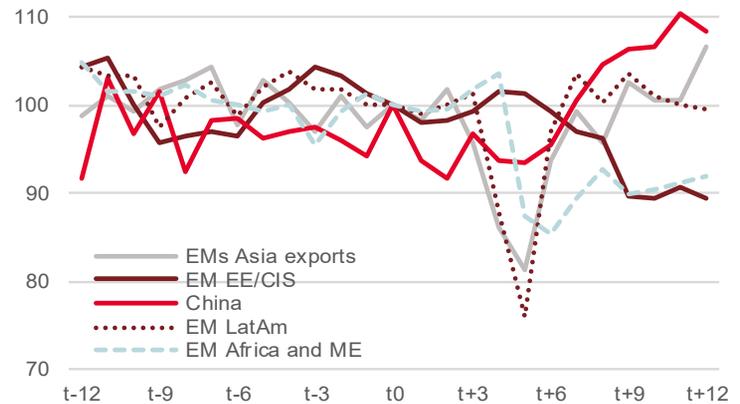
SOLID NEAR-TERM PROSPECTS FOR GOODS TRADE – SERVICES MORIBUND

Manufacturing PMIs – export orders

Legend: USA, EMU, China, Japan
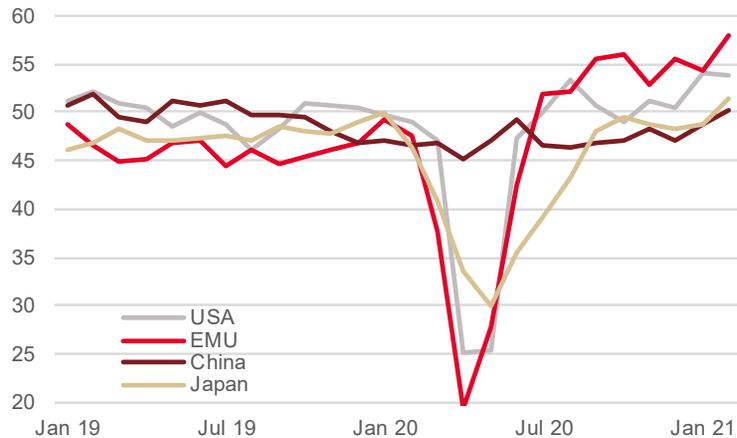
Source: Markit, Refinitiv, SG Cross Asset Research/Economics

SG Asia real export leading indicator

Legend:
- Asia real exports (%yoy, 3mma)
- SG leading indictor* (6mma, rhs, leading 9m)
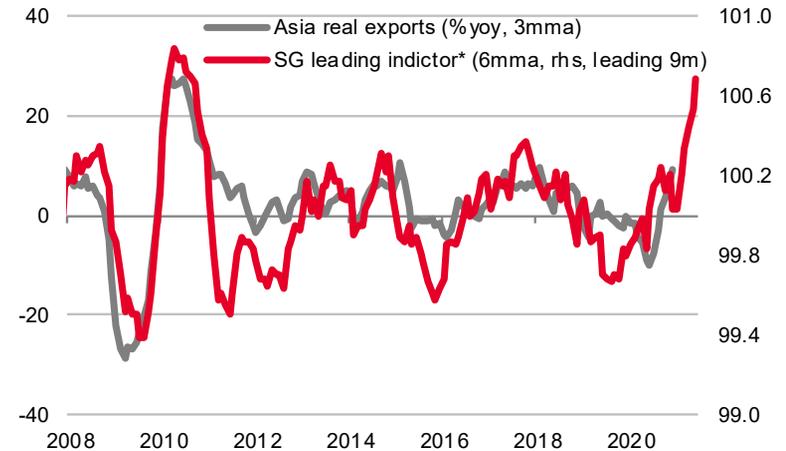
Services exports (s.a., index Dec '18=100)

Legend: USA, Germany, Japan, UK, Australia
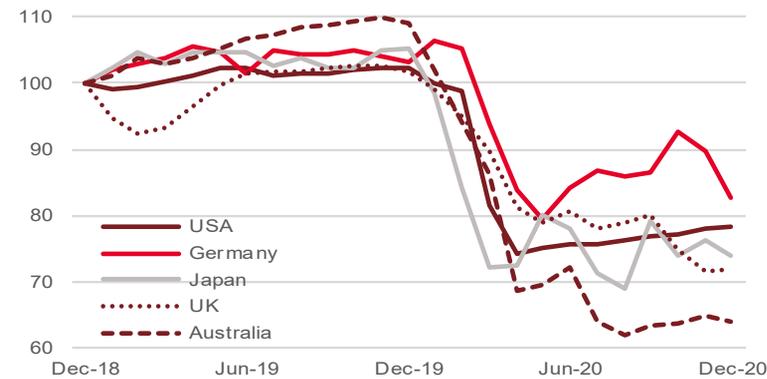
Source: SG Cross Asset Research/Economics

Services imports (s.a., index Dec '18=100)

Legend: USA, Germany, Japan, UK, Australia

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RISK SCENARIOS

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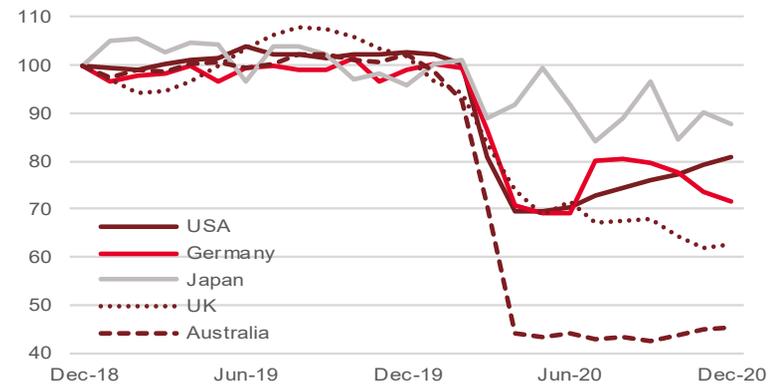
OUR SCENARIO PROBABILITIES HEAVILY SKEWED TO THE UPSIDE (%)

|	Base Case	Upside	Downside
World	59	28	13
North America			
US	55	30	15
Europe			
Euro area	60	30	10
UK	50	35	15
Asia			
China	60	30	10
Japan	60	25	15
Australia	65	25	10
South Korea	60	25	15
Taiwan	70	25	5
India	60	25	15
Indonesia	60	20	20
Latin America			
Brazil	60	20	20
Mexico	60	20	20
Eastern Europe			
Czech Republic	60	25	15
Average	59	28	13
Maximum	70	35	20
Minimum	50	20	5

Source: SG Cross Asset Research/Economics

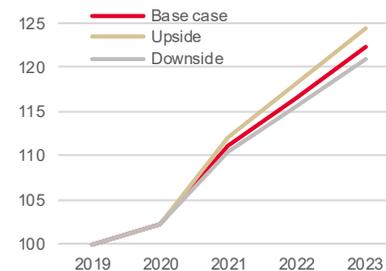# …BUT OUR ALTERNATIVE GROWTH SCENARIOS ARE SYMMETRIC IN AGGREGATE
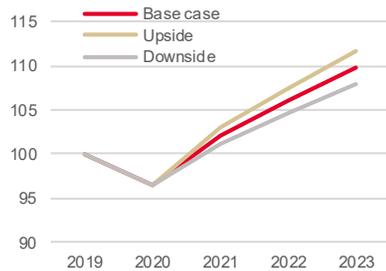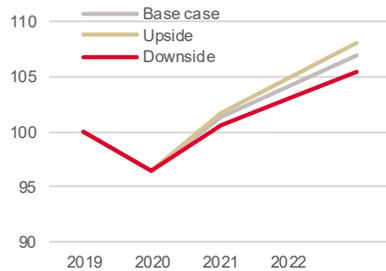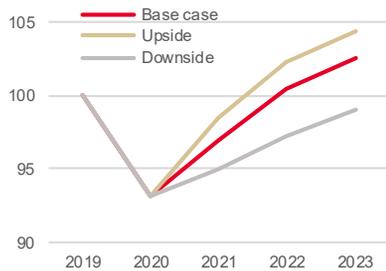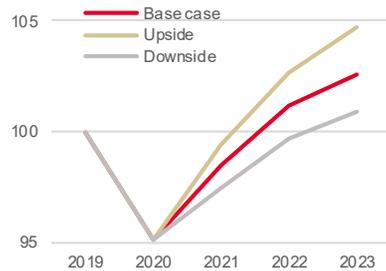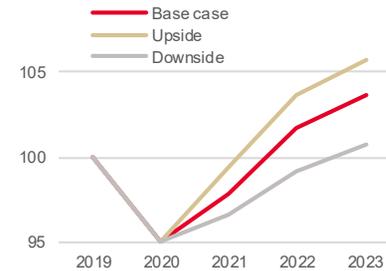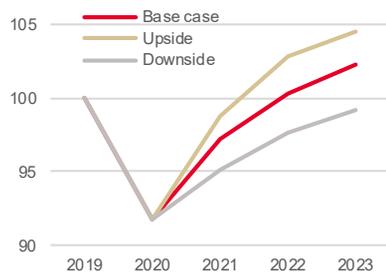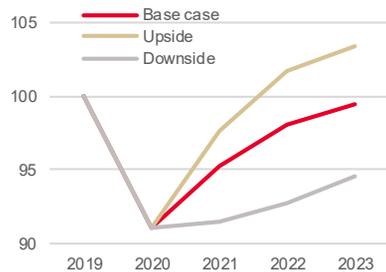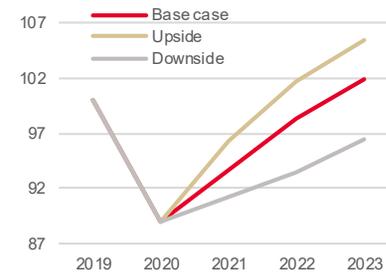
Source: SG Cross Asset Research/Economics

3

INFLATION BUCKING LIKE A BRONCO IN 2021, BUT NOT BOLTING

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THE LIST OF UPSIDE RISKS IS LONG

PMI composite output prices (Diffusion Index, s.a.)
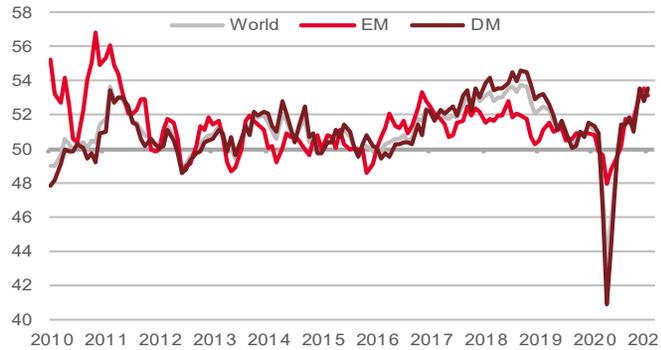
Source: Markit, Refinitiv, SG Cross Asset Research/Economics

World PMI price indices (Diffusion Index, s.a.)

Source: Markit, Refinitiv, SG Cross Asset Research/Economics
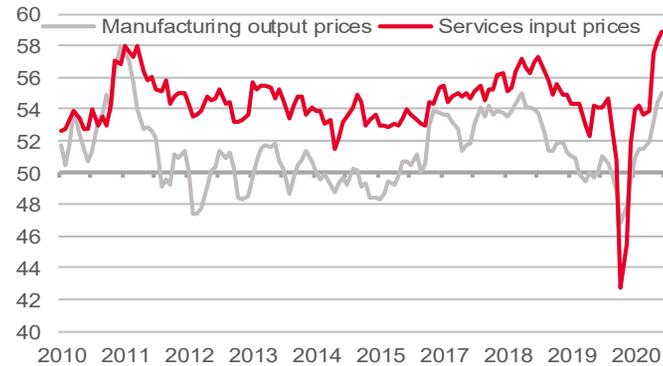
UN FAO world food price index

Source: FAO, Bloomberg, SG Cross Asset Research/Economics

OECD house price index (% yoy)

Source: OECD, SG Cross Asset Research/Economics

LOWFLATION FOR YEARS (%)

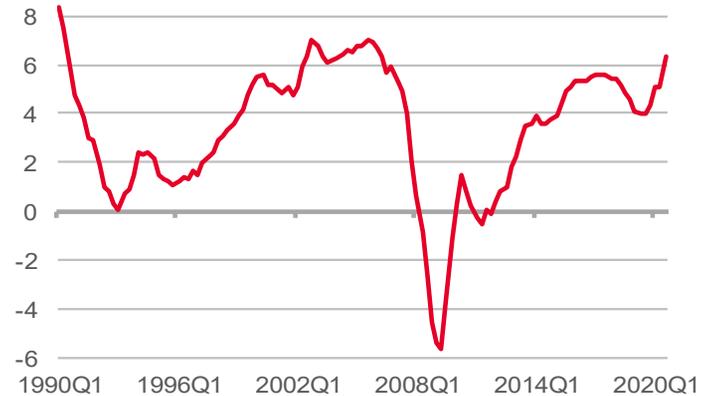|	CPI						
	2019	2020	2021f	2022f	2023f	2024f	2025f
World (Mkt FX weights)	2.9	2.2	2.3	2.2	2.5	2.5	2.5
World (PPP weights)	3.6	3.2	2.9	2.8	3.0	2.9	2.9
Developed countries (PPP)	1.4	0.7	1.5	1.5	1.7	1.8	1.8
Emerging countries (PPP)	5.3	5.0	4.0	3.7	3.9	3.7	3.7
North America							
US	1.8	1.2	2.0	1.9	2.1	2.1	2.2
Europe							
Euro area	1.2	0.3	1.7	1.1	1.1	1.5	1.5
Germany (nsa)	-	-	-	-	-	-	-
Germany	1.3	0.4	2.4	1.1	1.3	1.7	1.7
France	1.3	0.5	1.5	1.0	1.1	1.4	1.5
Italy	0.7	-0.2	1.2	0.9	0.7	1.1	1.2
Spain	0.8	-0.3	1.3	0.9	0.9	1.4	1.6
Slovakia	2.8	2.0	1.6	2.0	2.3	2.4	2.0
UK	1.8	0.9	1.5	1.9	2.0	2.1	2.1
Switzerland	0.4	-0.7	0.0	0.4	0.7	0.9	0.9
Asia							
China	2.9	2.5	0.7	1.6	2.2	1.8	1.8
Japan	0.5	0.0	0.2	1.2	1.3	1.2	1.0
Australia	1.6	0.9	1.8	1.6	2.0	2.2	2.2
South Korea	0.4	0.5	1.2	1.3	1.4	1.5	1.5
Taiwan	0.8	-0.2	1.4	1.5	1.5	1.6	1.0
India	3.7	6.3	4.5	4.1	4.4	4.3	4.4
Indonesia	2.8	2.0	2.3	2.8	3.0	3.0	3.3
Latin America							
Brazil	3.7	3.2	5.5	3.7	3.5	3.5	3.6
Mexico	3.6	3.4	3.7	3.1	3.2	3.2	3.2
Chile	2.3	3.0	3.7	2.9	3.1	3.2	3.2
Colombia	3.5	2.5	2.5	3.4	3.1	3.2	3.3
Russia & Eastern Europe							
Russia	4.2	3.7	4.5	3.9	4.0	4.0	3.8
Czech Republic	2.8	3.2	1.8	1.9	2.1	2.0	2.0

Source: National sources, SG Cross Asset Research/Economics

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