

The Conference Board Economy Watch

COVID-19 in Canada and the United Kingdom

September 9, 2020



This month we'll be examining how COVID-19 is impacting the British and Canadian economies:

- What has COVID-19 looked like in the UK and Canada – and how has it impacted business operations in the region?
- How have leaders in these countries responded to the pandemic?
- How have the economies of these two countries been impacted and what kind of recovery is likely?
- How do Canada and the UK fit into the global economy and what risks should business leaders prepare for resulting from these exposures?



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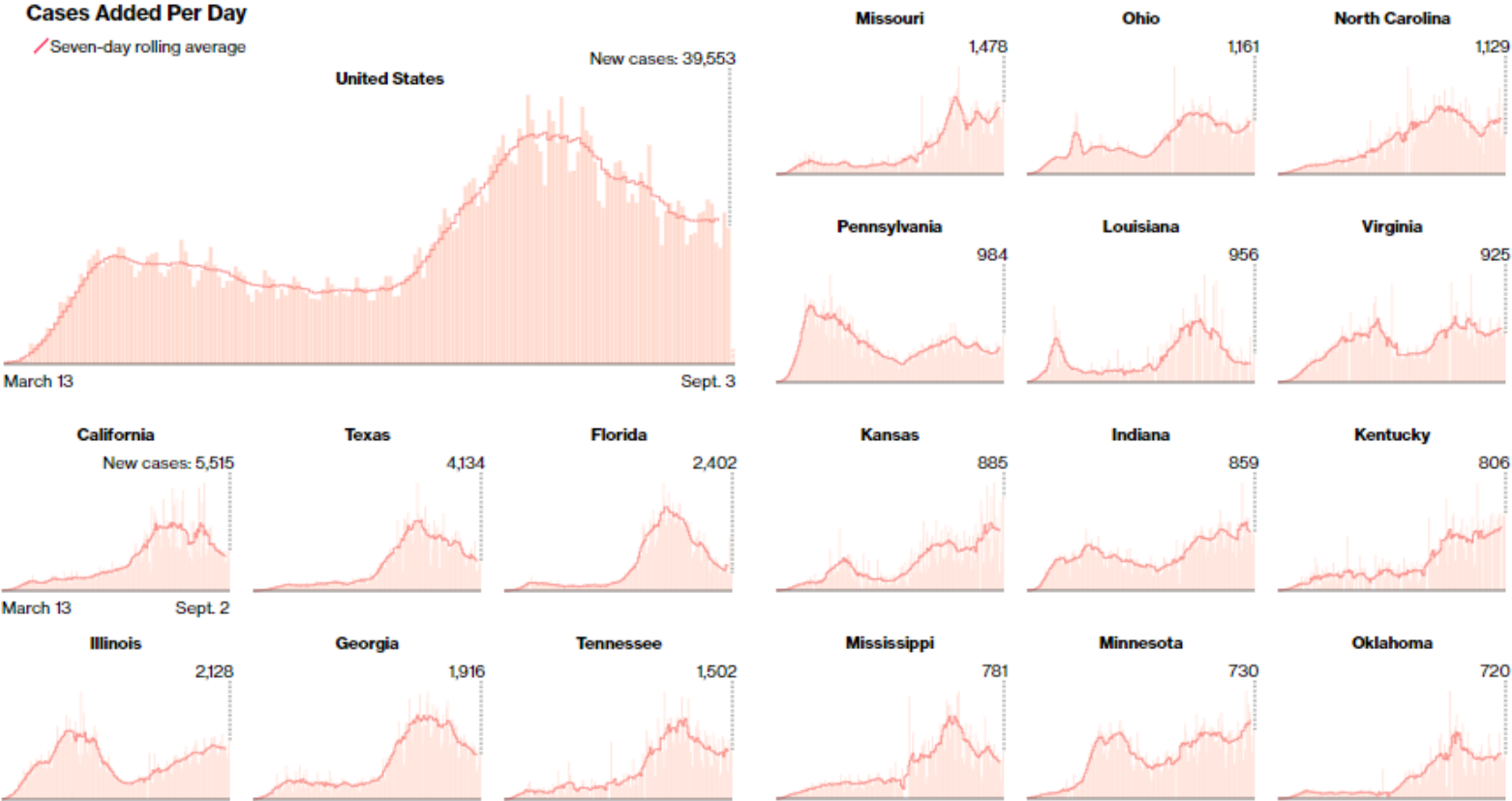


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US Outlook

The summer resurgence of COVID-19 is waning, but progress varies from state to state.



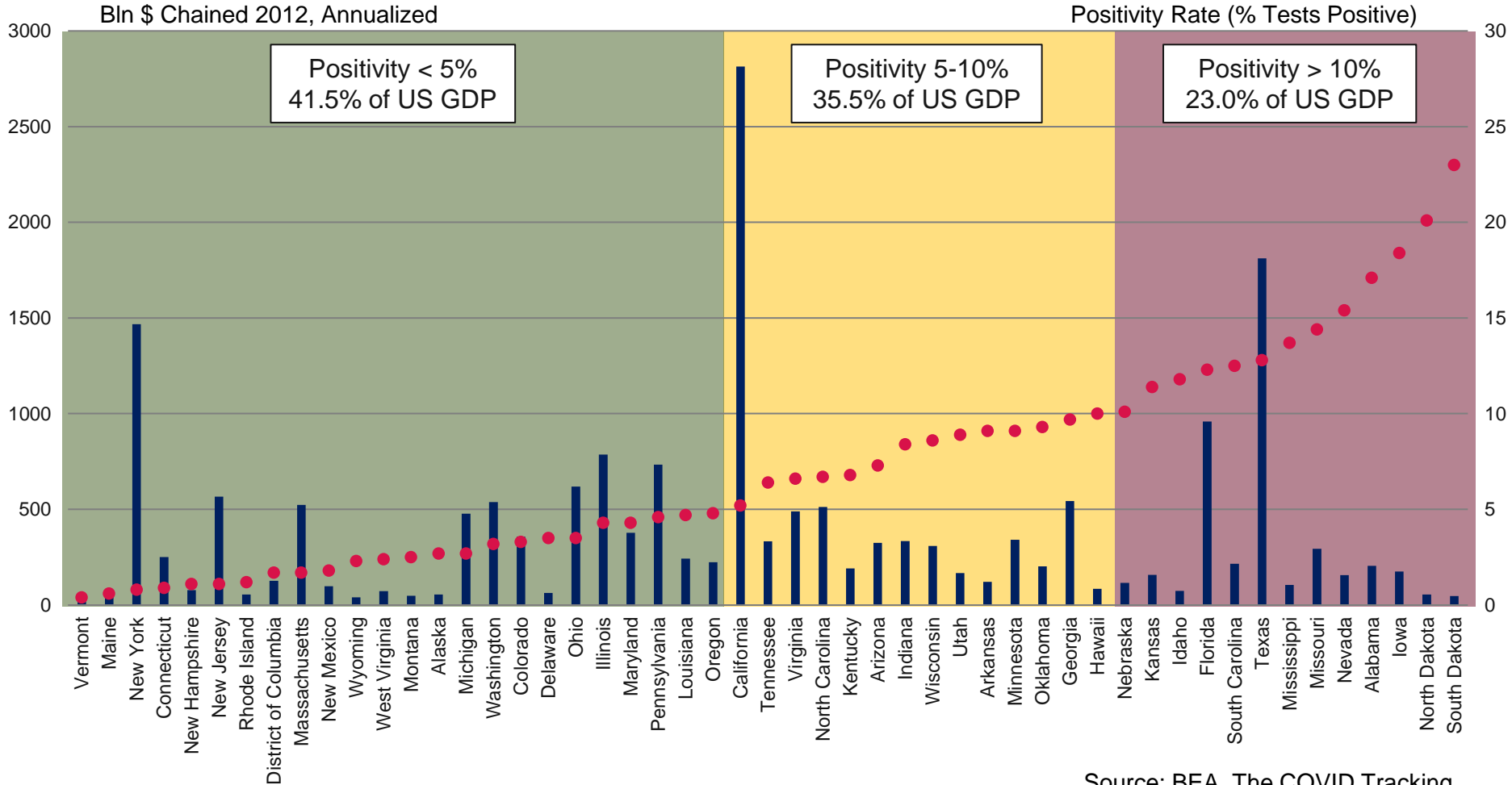
Source: Bloomberg



Geographic Dispersion: Gross Domestic Product & Risk

WHO Reopening Recommendation: Below 5% Positivity for 14 Days

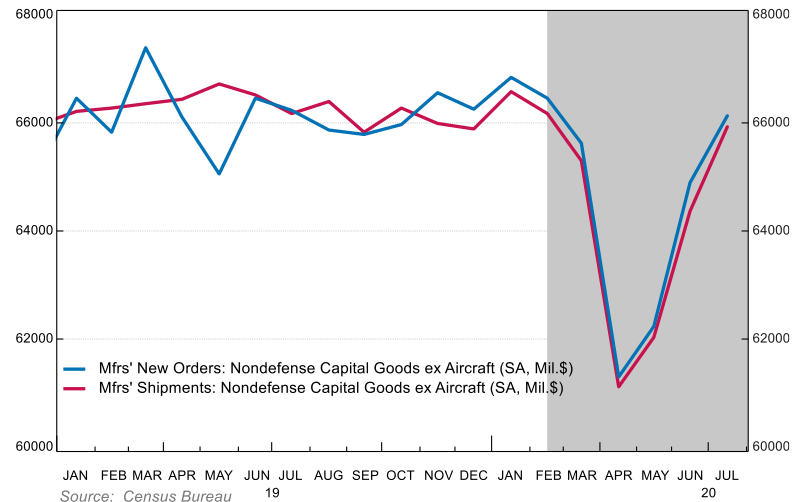
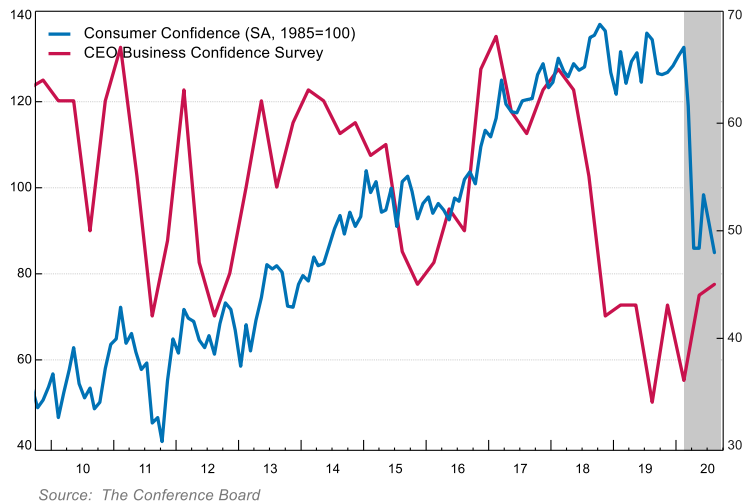
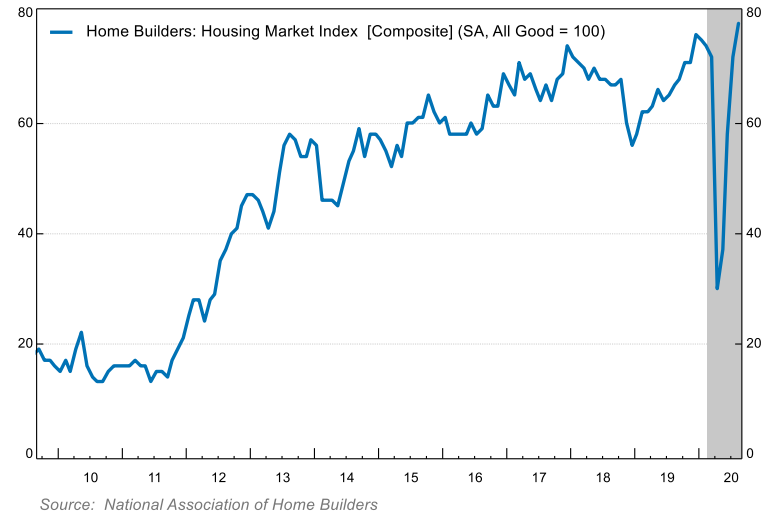
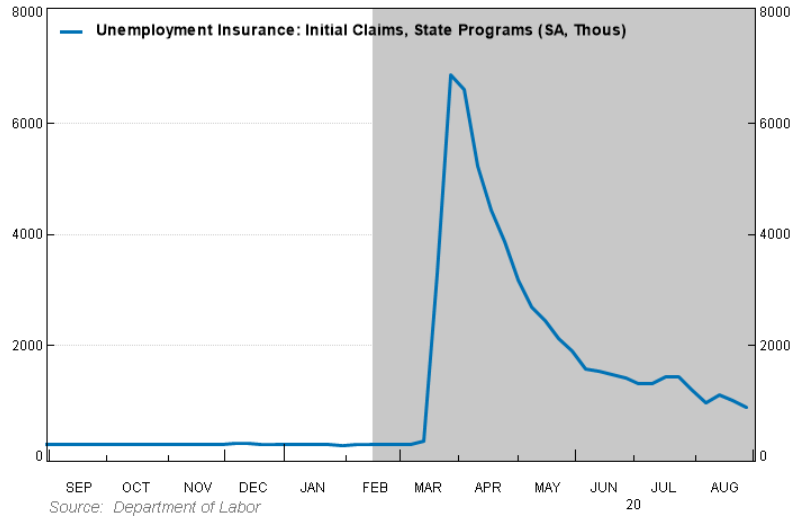
4Q2019 Gross State Product & Current COVID-19 Positivity Rate



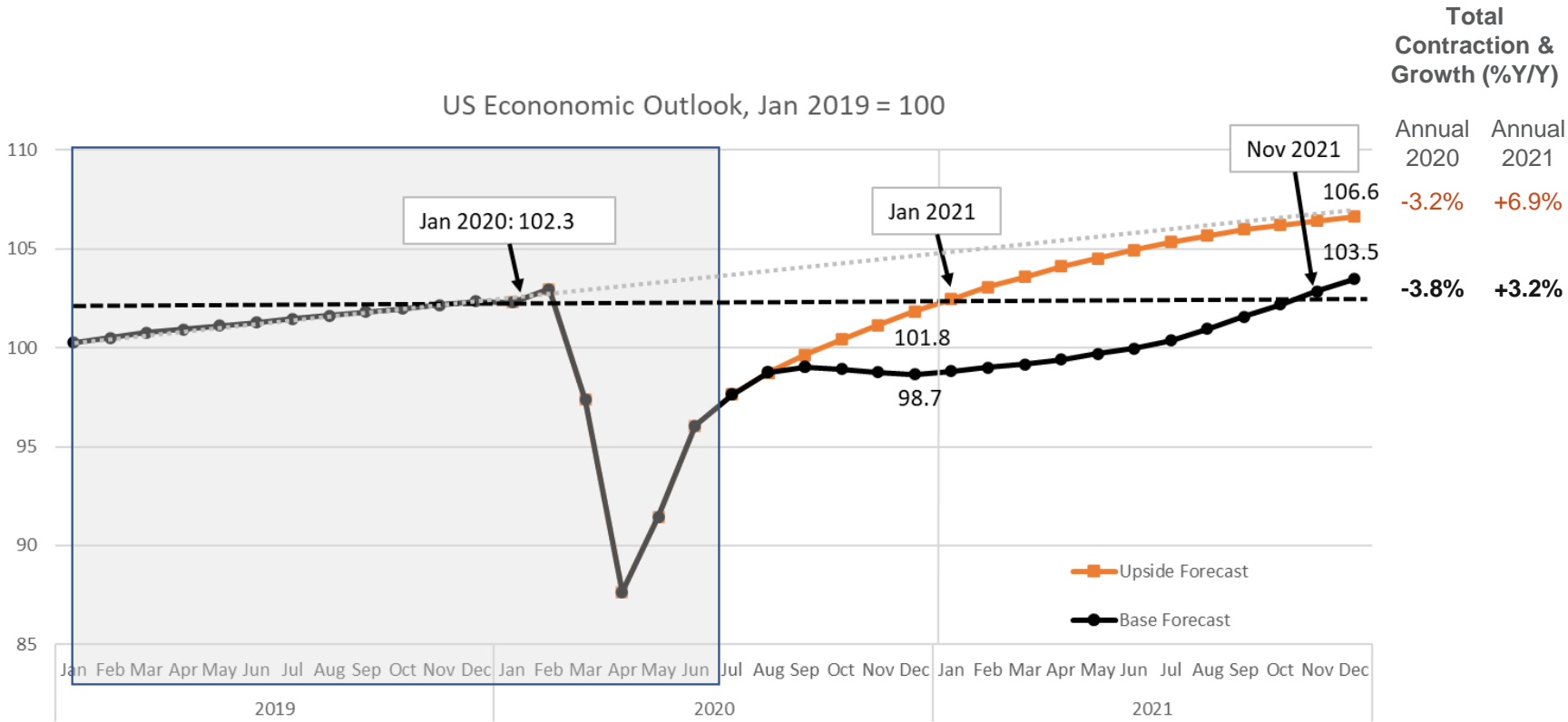
Source: BEA, The COVID Tracking



Green shoots emerging in some parts of the economy, but the recovery is still limited and far from universal



Current base case scenario (black) assumes slowdown in 2nd half of 2020; 'swoosh' scenario (orange) more positive



Source: The Conference Board



Following the record economic contraction in Q2, we expect a rebound in Q3 followed by a soft Q4

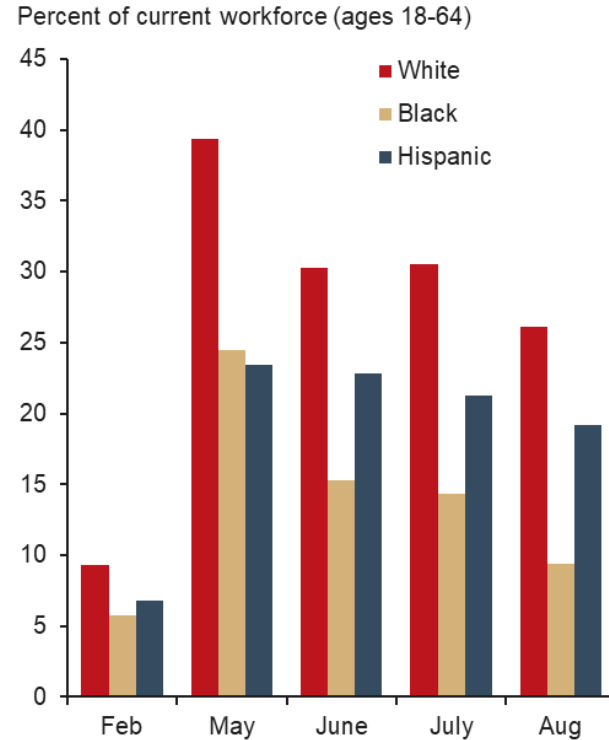
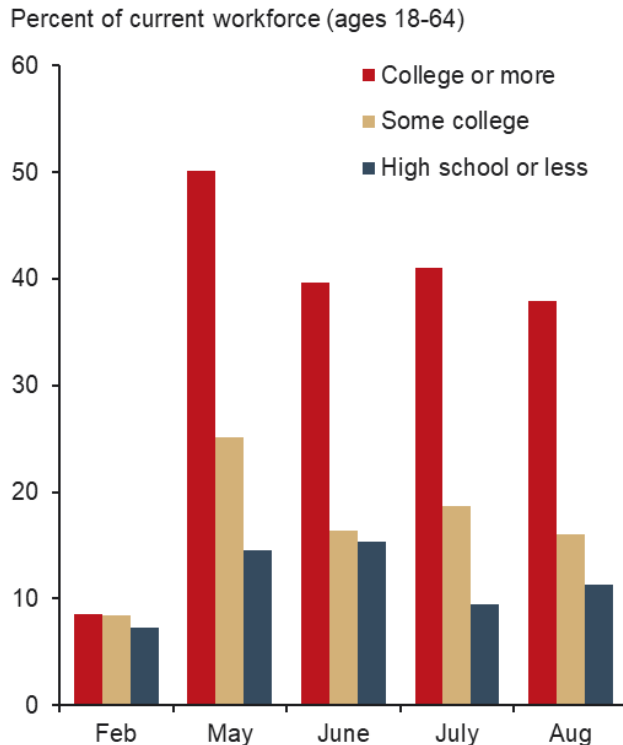
	2018		2019		2020						2021				2019	2020	2021
	1st half	2nd half	1st half	2nd half	I Q*	II Q*	1st half	III Q	IV Q	2nd half	I Q	II Q	1st half	2nd half			
Real GDP	3.2	1.7	2.2	2.5	-5.0	-31.7	-18.3	32.9	1.3	17.1	0.9	2.8	1.8	6.4	2.2	-3.8	3.2
Real consumer spending	2.6	2.1	2.8	2.1	-6.9	-34.1	-20.5	33.2	2.4	17.8	2.0	3.3	2.7	6.8	2.4	-4.8	3.7
Residential investment	-2.5	-5.3	-1.9	5.2	19.0	-37.9	-9.4	33.0	10.0	21.5	6.0	5.0	5.5	4.0	-1.7	1.2	5.5
Nonresidential investment	9.2	3.8	2.1	0.8	-6.7	-26.0	-16.3	6.8	4.7	5.8	2.2	3.0	2.6	5.6	2.9	-5.9	1.9
Inventory change	21.2	85.7	75.6	21.5	-80.9	-286.4	-183.7	90.0	50.0	70.0	15.0	10.0	12.5	31.0	48.5	-56.8	100.0
Total gov't spending	2.2	0.8	3.8	2.3	1.3	2.8	2.0	-4.2	-1.0	-2.6	0.7	1.4	1.1	2.3	2.3	1.2	0.3
Exports	2.3	-1.2	-1.3	2.1	-9.5	-63.2	-36.3	19.0	5.0	12.0	5.0	5.0	5.0	5.0	-0.1	-16.3	-0.6
Unemployment rate	4.0	3.8	3.8	3.6	3.8	13.0	8.4	9.0	8.6	8.8	8.7	8.4	8.6	7.4	3.7	8.6	8.0
CPI inflation	2.7	1.7	2.0	2.1	1.2	-3.5	-1.2	3.0	1.3	2.1	1.3	1.4	1.4	1.4	1.8	0.9	1.2

Source: The Conference Board



The “K”-shaped recovery: the economic hit and rebound from COVID-19 varies markedly by demographic group

Working-from-Home Share Differs by Education, Ethnicity



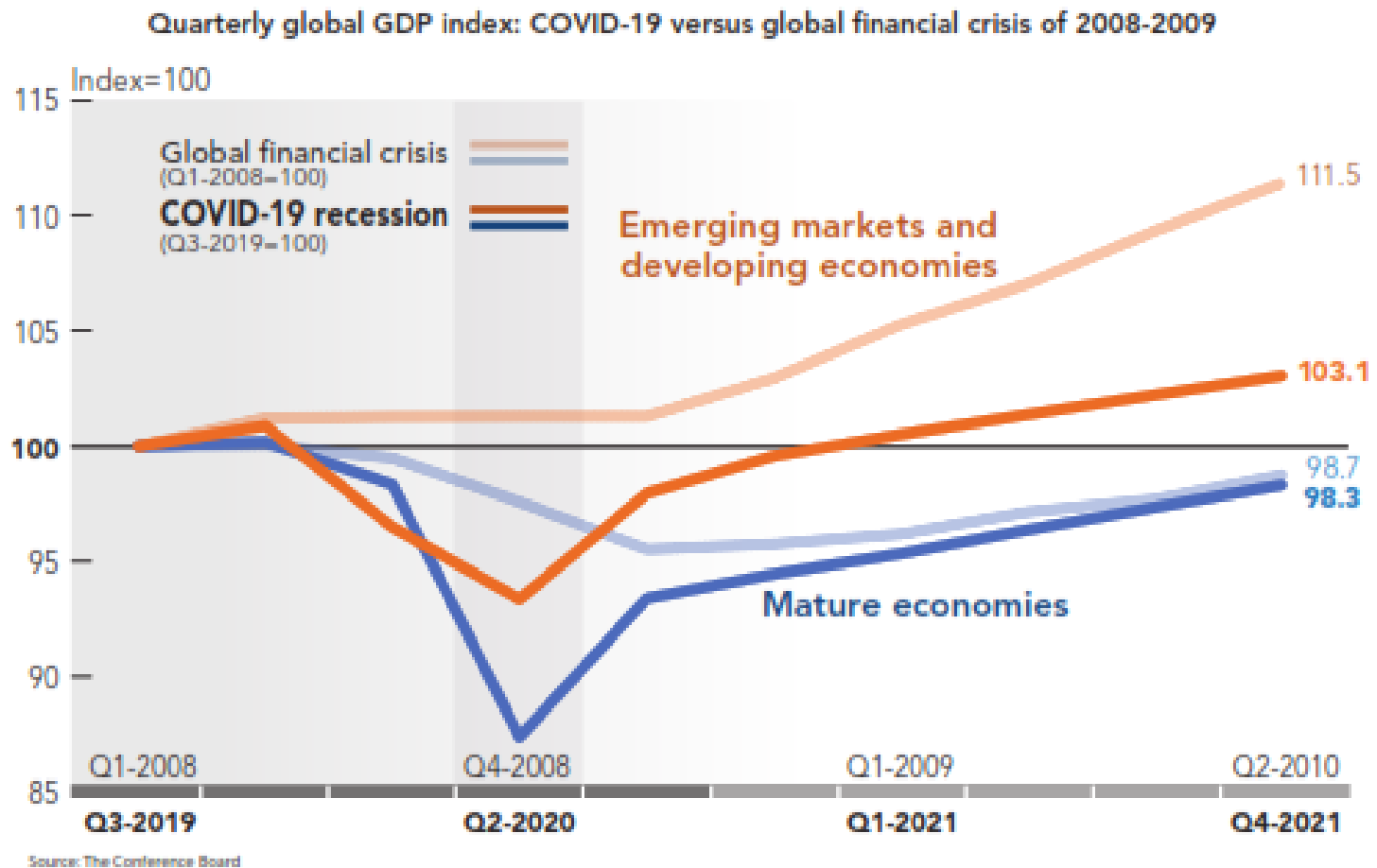
SOURCES: Real-Time Population Survey; Alexander Bick, Adam Blandin and Karel Mertens, "Work from Home After the COVID-19 Outbreak," Federal Reserve Bank of Dallas working paper no. 2017, revised July 2020.

Federal Reserve Bank of Dallas



Global Economic Outlook

The global recovery path will be at least as slow as during the Great Recession; for emerging markets much slower



The three measures used to calculate Global Consumer Confidence Index show pessimism



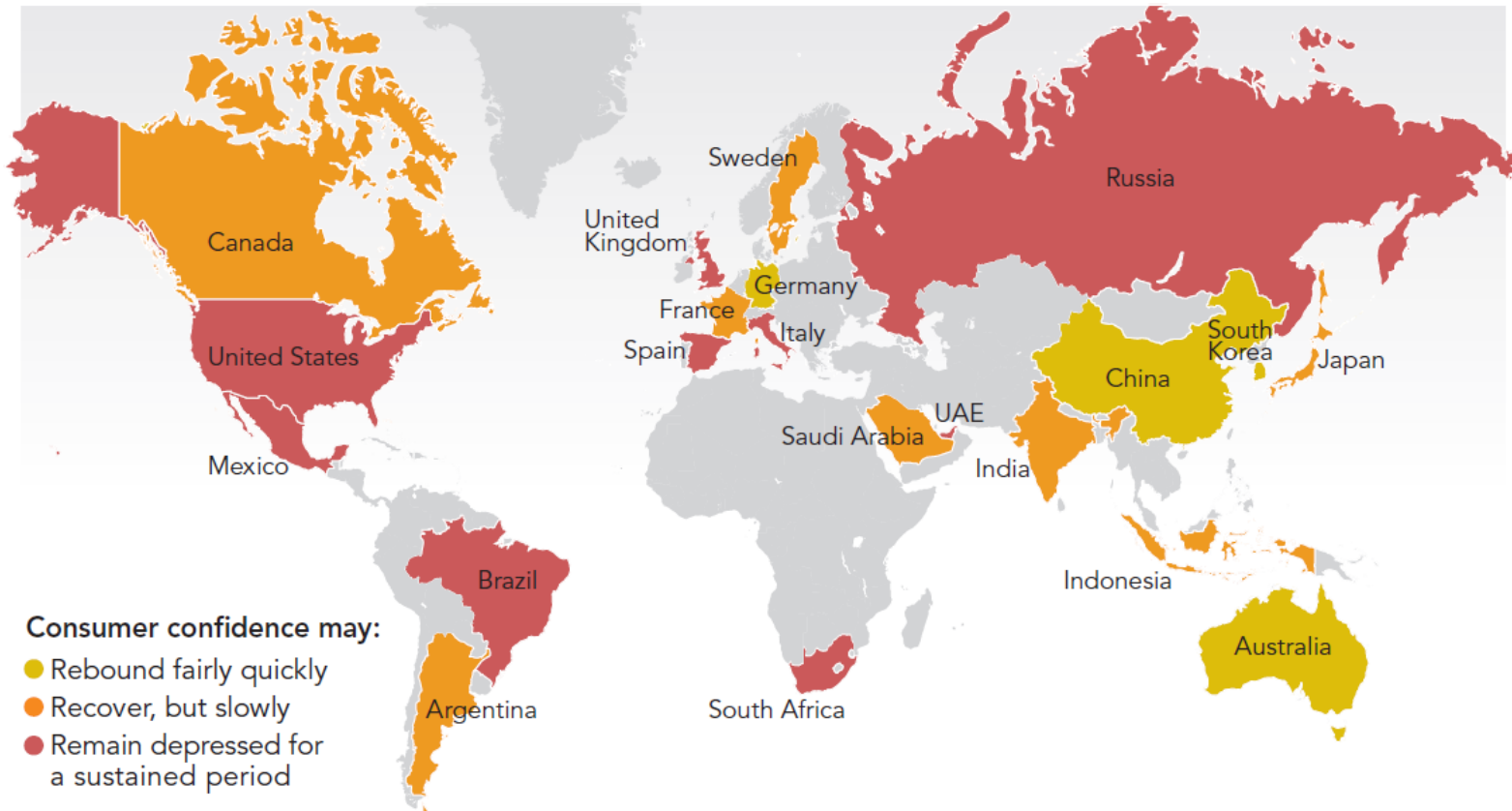
Note: The percentage figure represents the Balance reading for the current quarter, and the figure in parentheses is the change from the prior quarter.

- Reduced demand due to cautious consumers and lasting social distancing measures (e.g., lower traffic in stores and reduced capacity in restaurants) suppressed job growth
- Job cuts and furloughs increased anxiety about reduced incomes and stressed household finances
- Government lockdowns to contain the COVID-19 pandemic started a domino effect, causing businesses to close and consumer spending to drop due to fewer spending opportunities. The worsening outlook on jobs and personal finances further curbed spending.



The recovery will depend on containment measures, job losses, and policy response

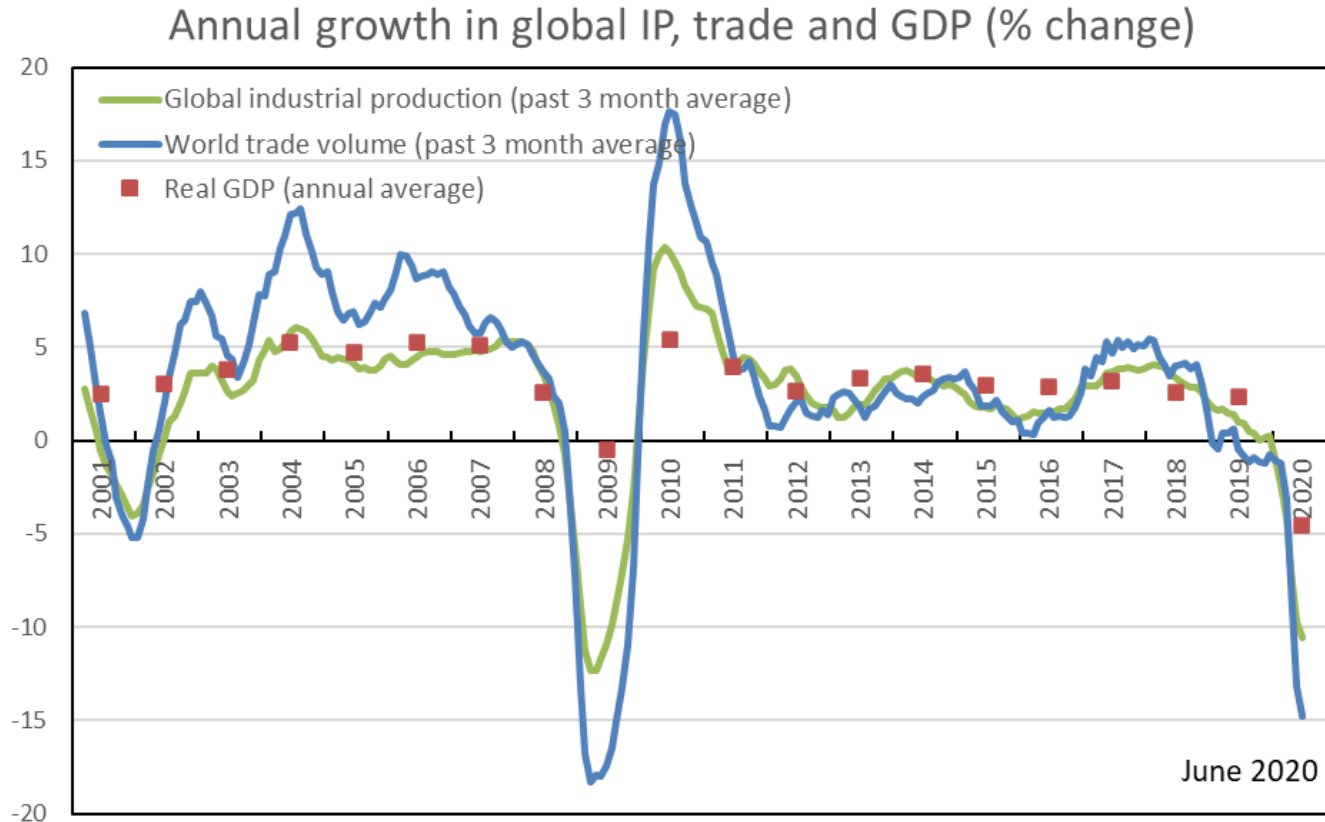
Impact of COVID-19 on consumer confidence around the world



Source: The Conference Board, July 2020



Global trade and production has shown signs of trouble since 2019, but recently strongly worsened



Source: CPB World Trade Monitor, The Conference Board Global Economic Outlook



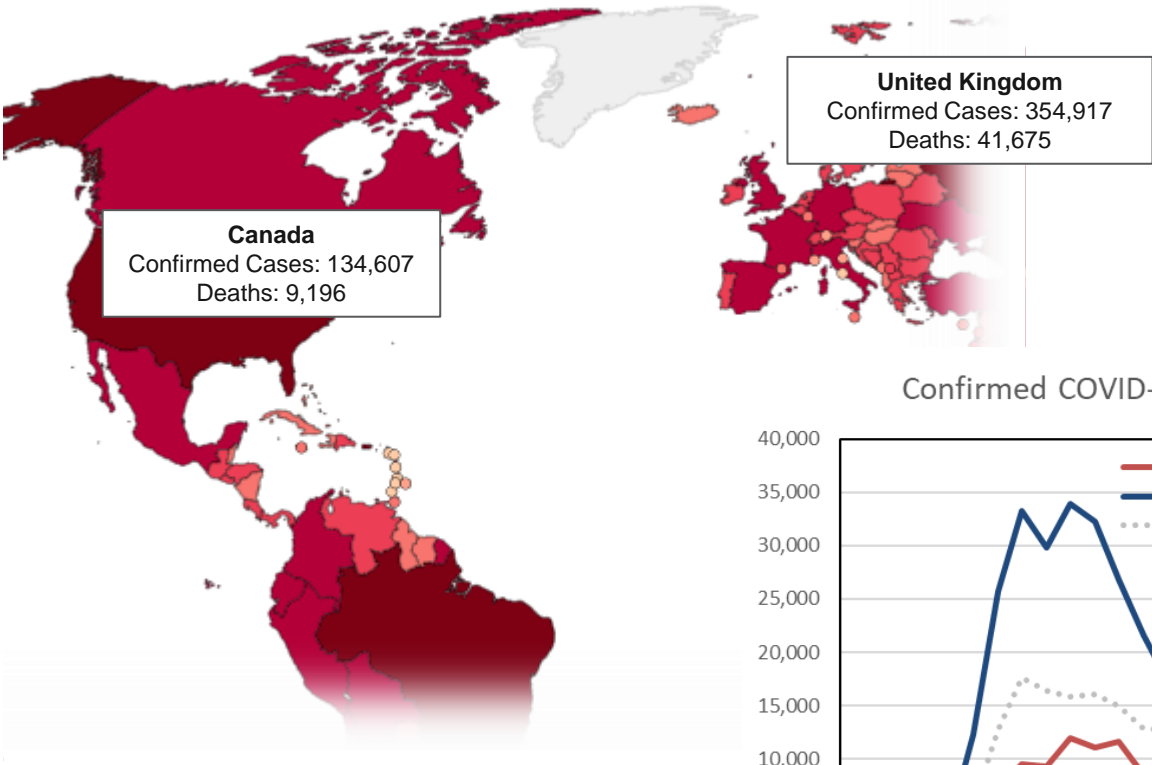
The global growth outlook for 2025

- What we know is that despite high unemployment, the underlying growth of the workforce will remain slow
- Secular stagnation caused by weak demographics, low demand and negative interest rates is a bigger risk than ever
- Deglobalisation in trade, FDI and capital flows reduce economies of scale
- Domestified supply chains create large growth risks even if it makes national economies more resilient
- Climate change can be an even bigger curse or an opportunity
- Digital transformation and productivity can provide an upside, especially if linked with investment in education, sustainability
- Inequality problems could worsen without public and private action
- Effective fiscal and monetary reform is politically challenging

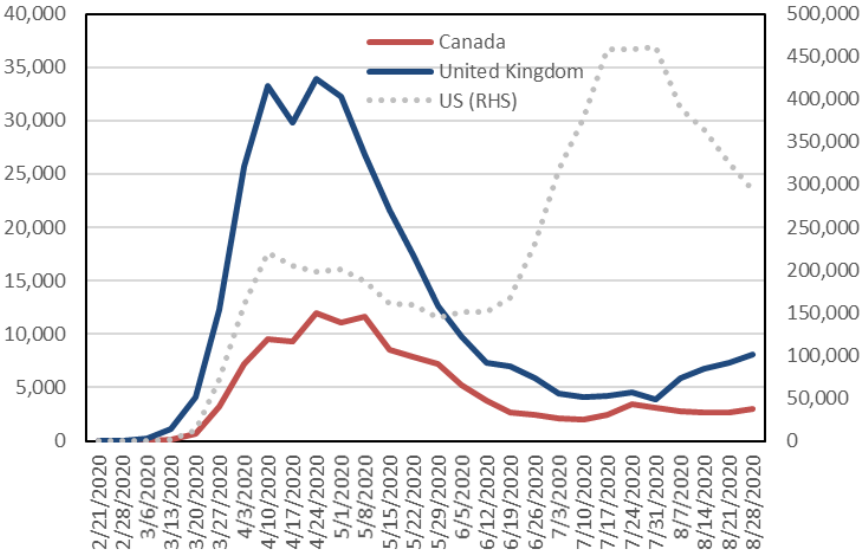


The United Kingdom & Canada

Every nation's experience with the pandemic is unique – what has COVID-19 looked like in the UK & Canada?



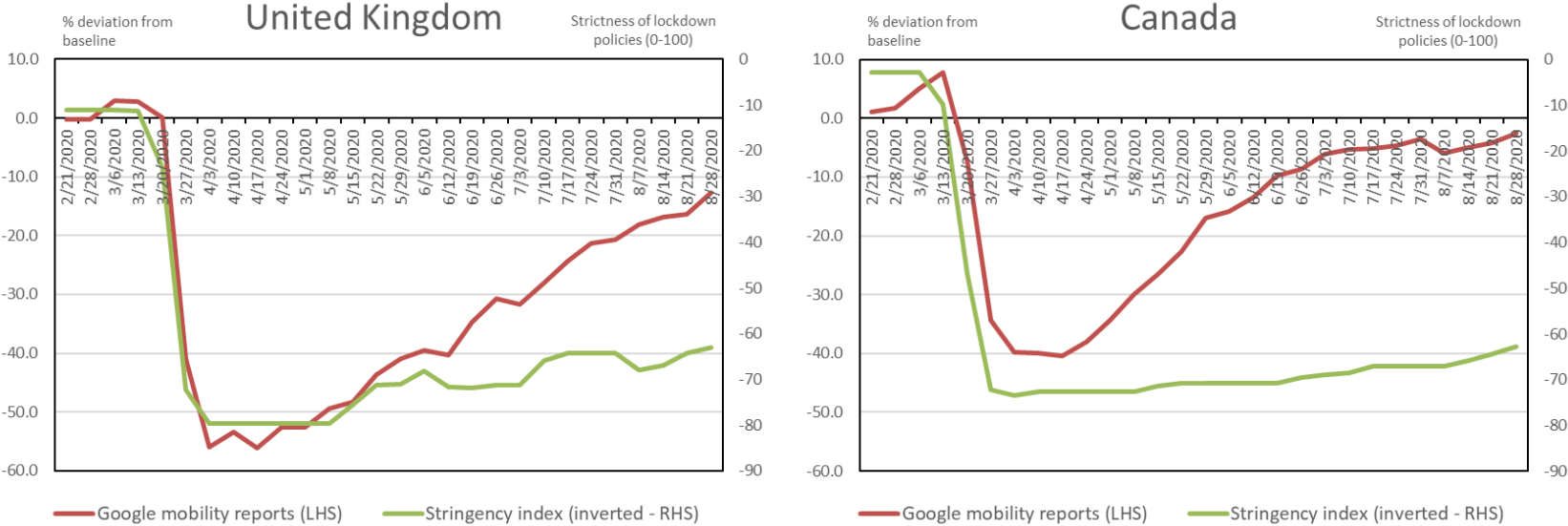
Confirmed COVID-19 cases (weekly sum)



Sources: The Conference Board calculations using Oxford COVID-19 Government Response Tracker, Bloomberg



Both Canada and the UK embraced strong anti-COVID policy measures, but Canadian mobility is recovering faster

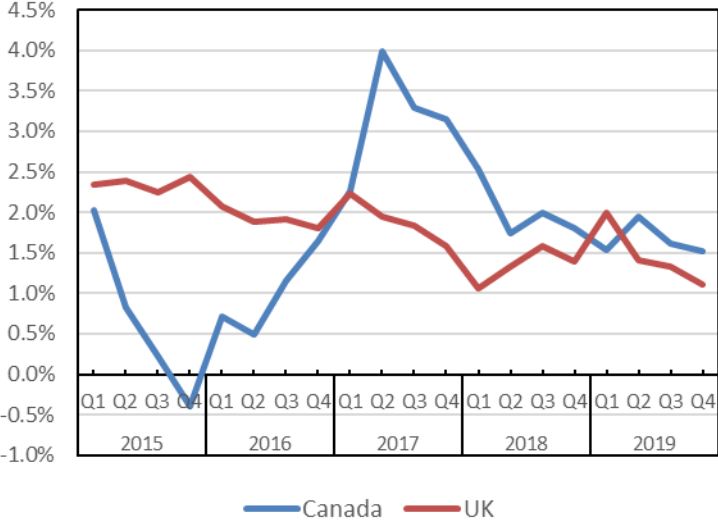


Note: Weekly averages; Google mobility data simple average of retail & recreation and grocery & pharma used.
 Source: The Conference Board calculations using Oxford COVID-19 Government Response Tracker and Google mobility data



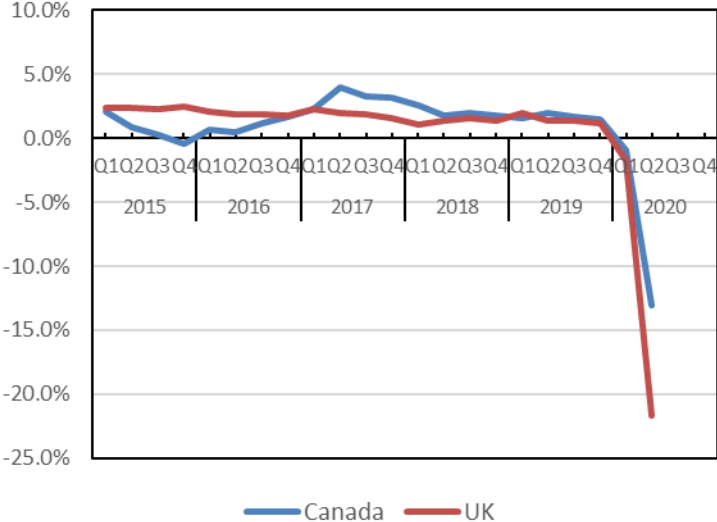
The pandemic has hit the UK economy harder than in Canada

GDP growth (year over year % change)



Source: Haver analytics

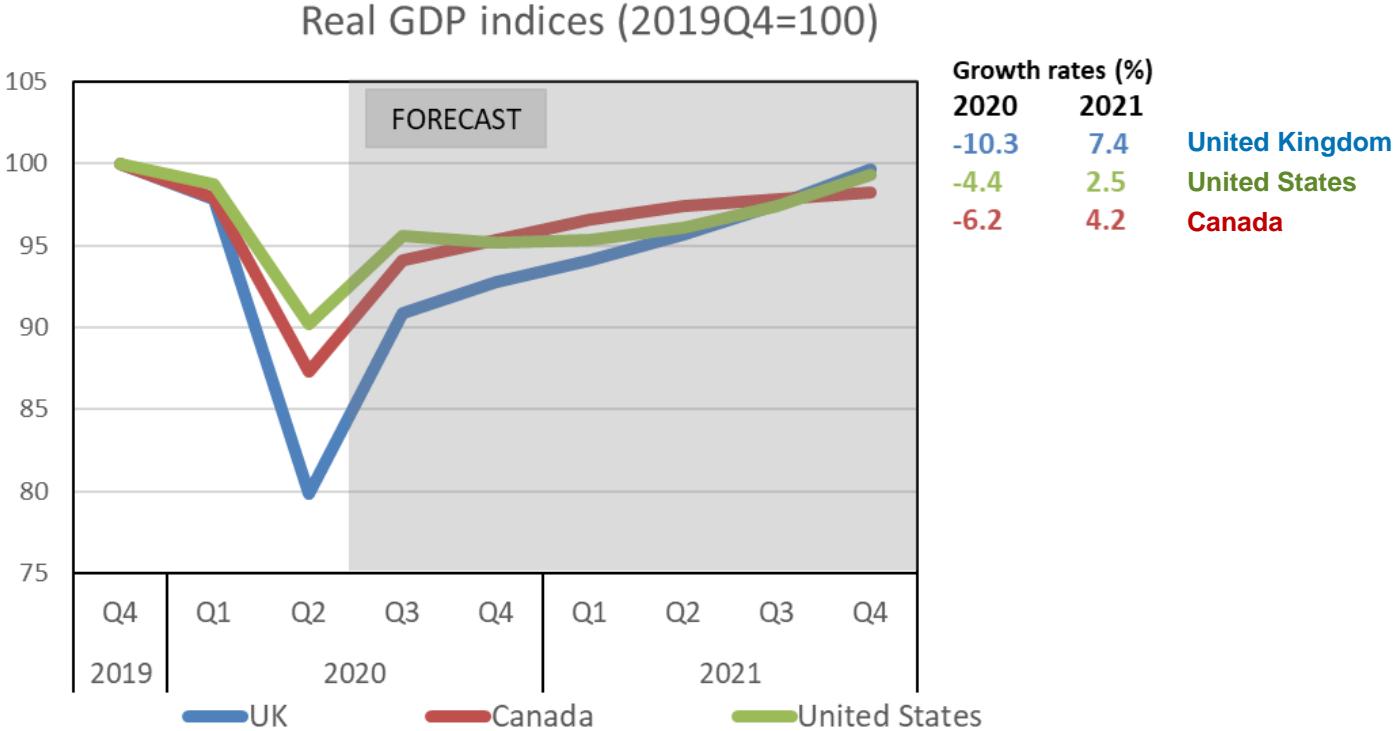
GDP growth (year over year % change)



Source: Haver analytics



Despite varying paths, it will likely take the UK and Canada more than a year and a half to return to pre-crisis levels

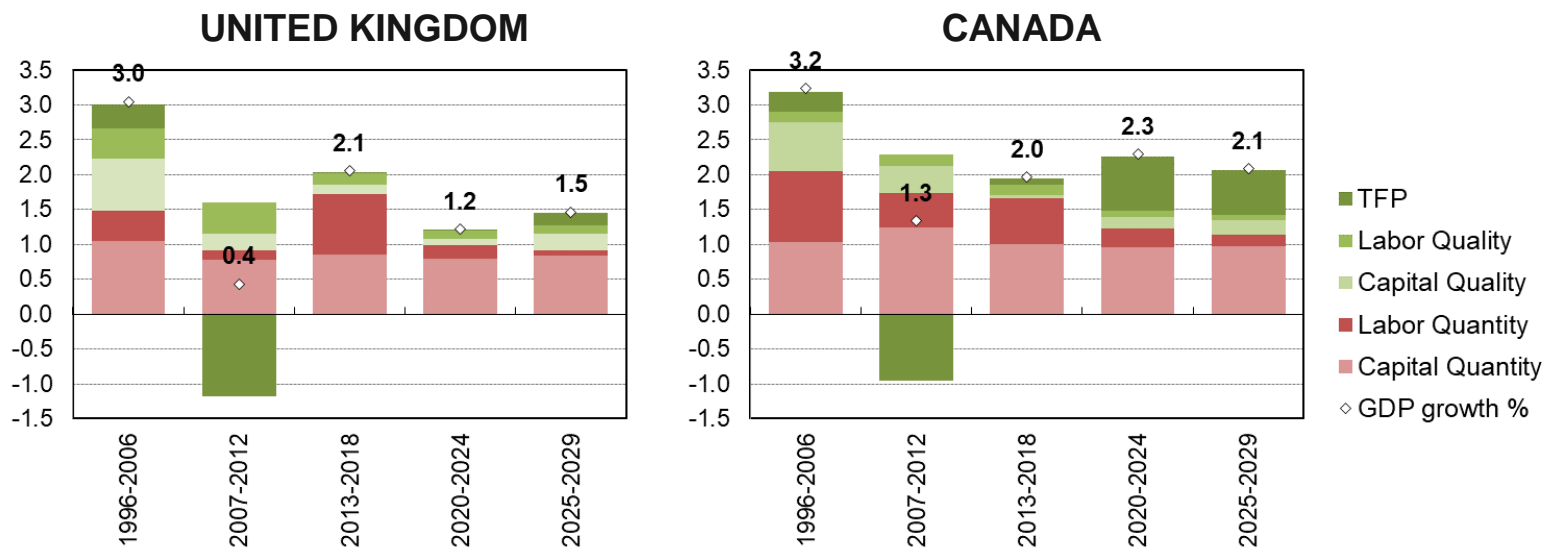


Source: The Conference Board Global Economic Outlook, interim September update



Potential medium-term GDP growth estimated higher for Canada, due largely to stronger productivity growth

Contribution of factor inputs, input quality and efficiency changes to GDP growth (% change)

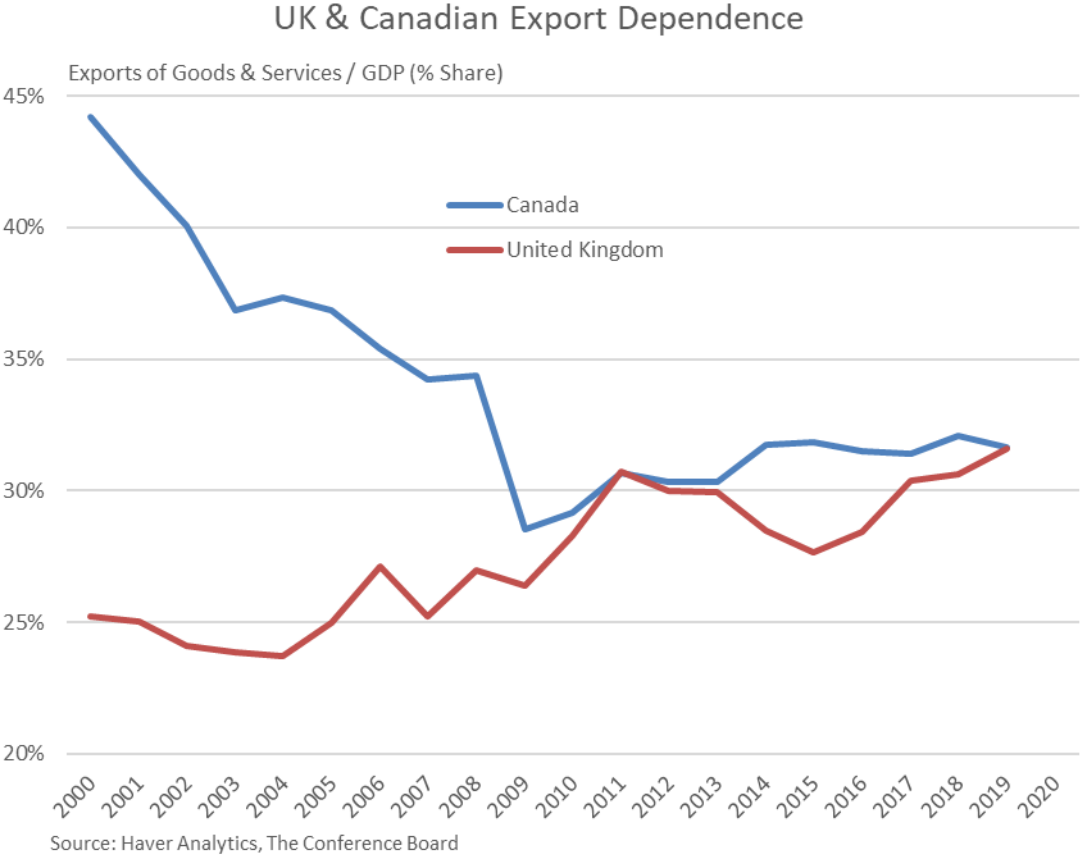


Notes: The components that make up GDP growth are presented as log changes, which means they will not add up to GDP growth which is shown as percentage change

Source: The Conference Board Global Economic Outlook 2020



How will weakness in the global economy impact the United Kingdom & Canada?



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- Three short quarterly videos delivering the latest economic insights on the U.S., Europe and Emerging Markets.
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- An *overview of The Conference Board's monthly indicators* including the *Consumer Confidence Index[®]*, *The Conference Board Leading Economic Index[®]* for the U.S. and the U.S. economic forecast



Next Economy Watch Webcast: The Impact of COVID-19 on the German and French Economies

October 14, 2020 @ 11am EST

Click [here](#) to register for this webcast or [here](#) for the entire 2020 Economy Watch series

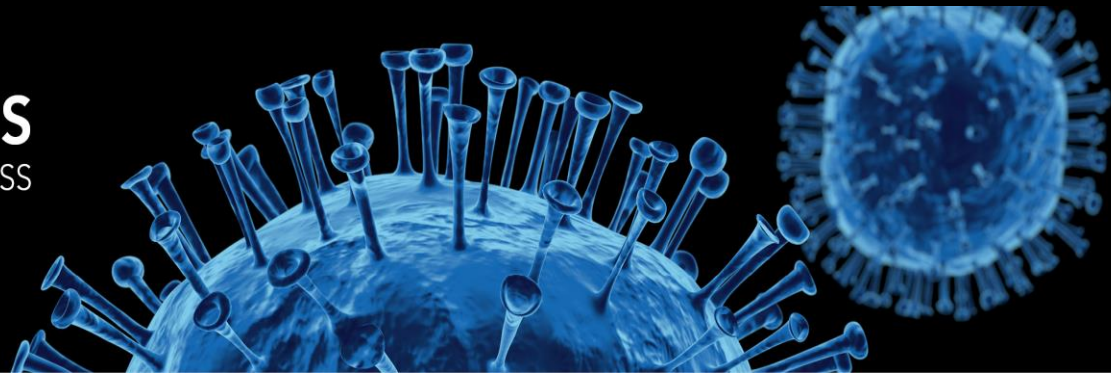
Hosted By:



Erik Lundh
(Moderator)
Senior Economist
The Conference Board

In the coming months Economy Watch will focus on the impact that COVID-19 is having on various countries and regions around the world - including India & China, Brazil & Mexico, France & Germany, Turkey & South Africa, Gulf region, and Canada & UK





Want to hear more about this topic and how the spread of COVID-19 will impact business and the global economy?

The Conference Board has gathered insights and learnings from our thought leaders and member network which we hope will be helpful as you formulate, implement and manage your own crisis response.

Explore all of these resources on our website at <https://www.conference-board.org/COVID-19>.





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