

The Conference Board Economy Watch

The Economic Impact of COVID-19 on Emerging Markets: Turkey & South Africa

August 12, 2020



This month we'll be examining how COVID-19 is impacting the Turkish and South African economies:

- What has COVID-19 looked like in Turkey and South Africa – 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 South Africa and Turkey fit into the global economy and what risks should business leaders prepare for resulting from these exposures?



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Today's Presenters



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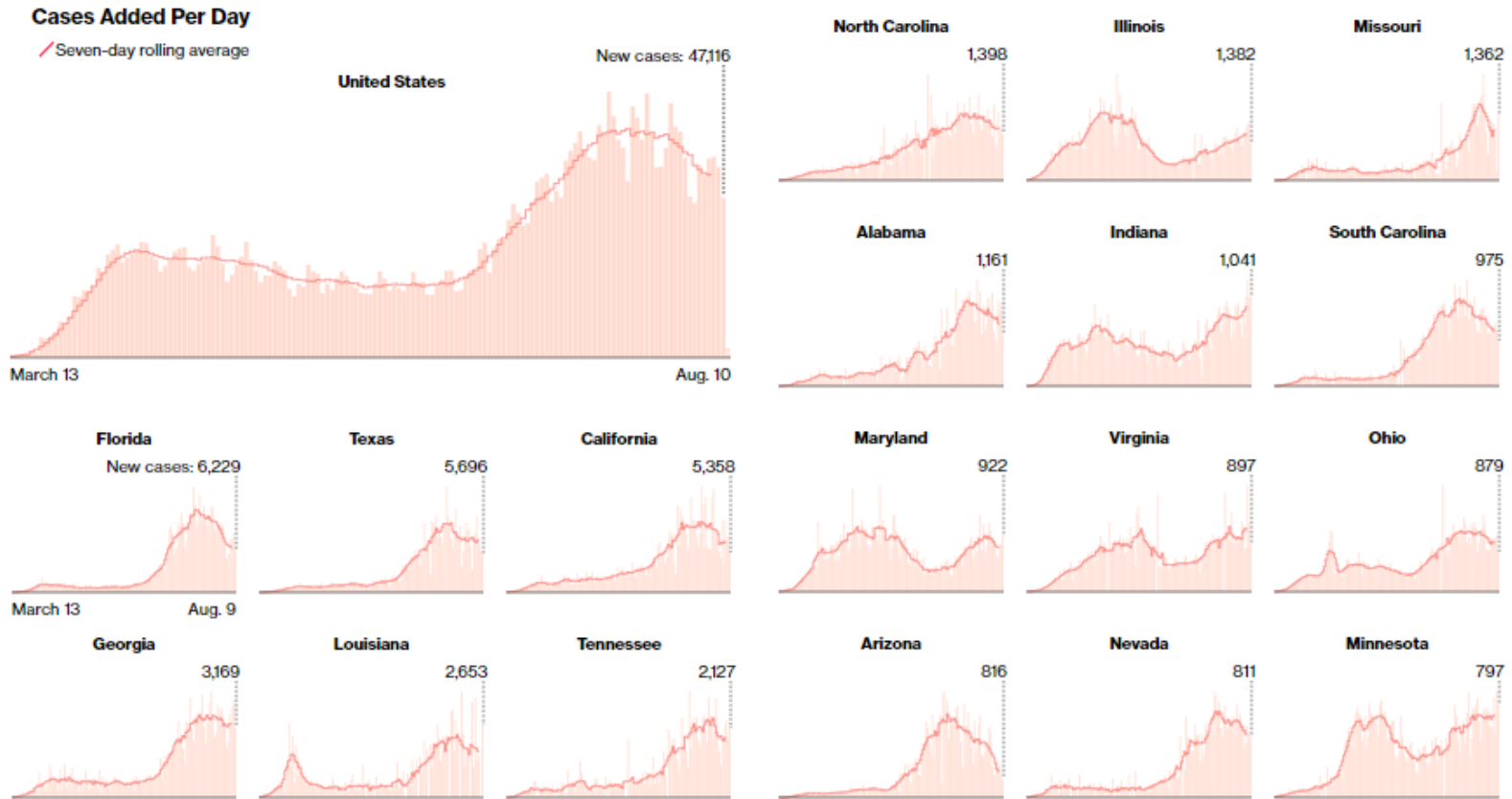


Ataman Ozyildirim
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US Outlook

The United States appears to be making some progress on curtailing the “Summer Resurgence”

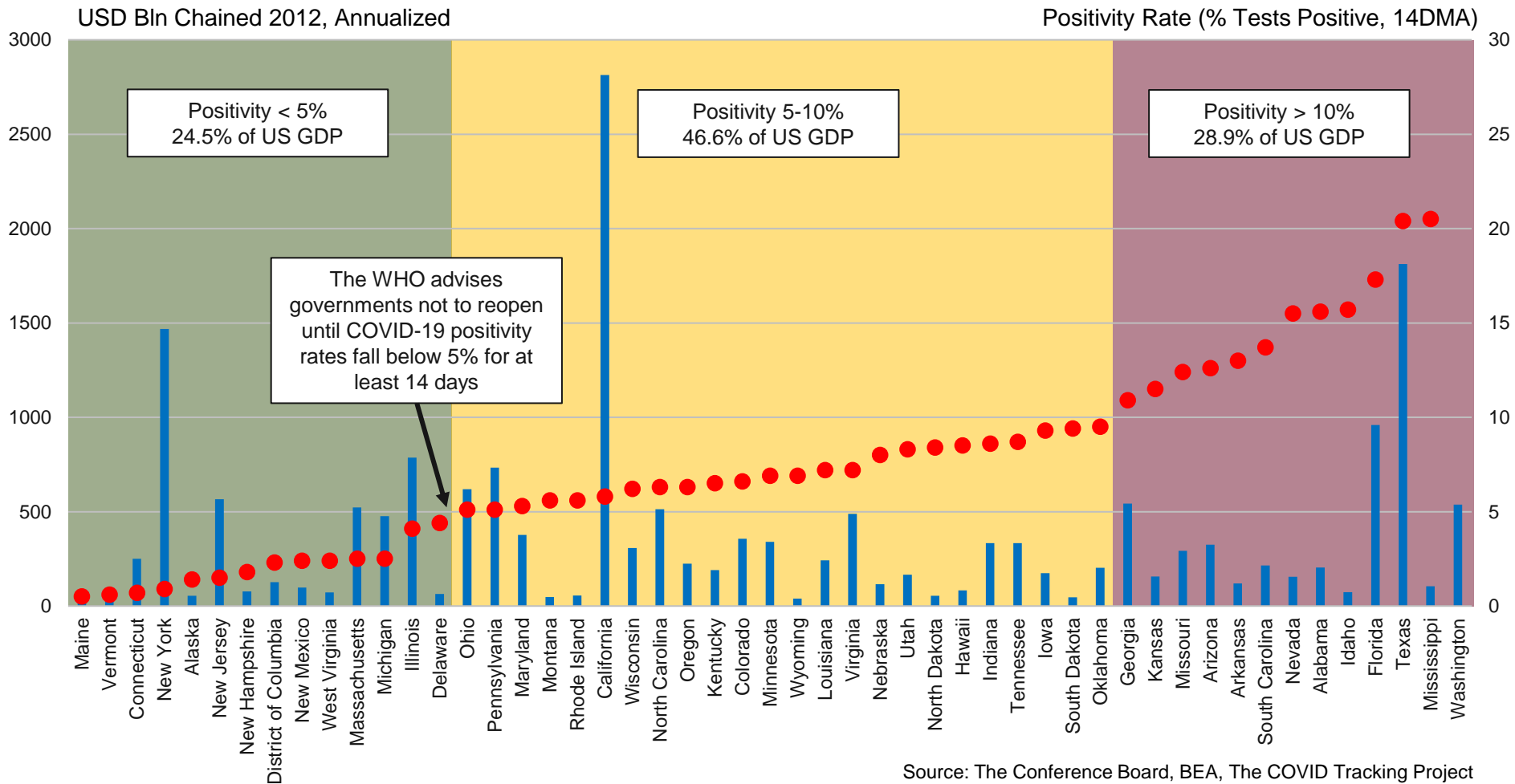


Source: Bloomberg

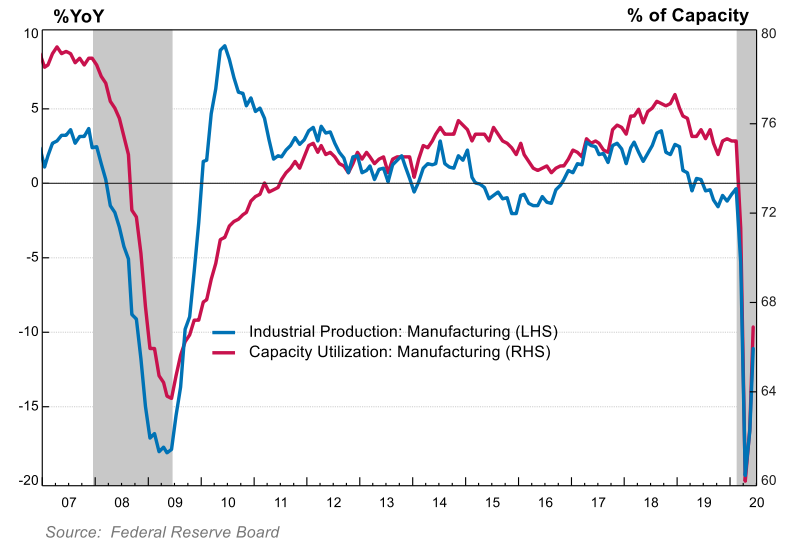
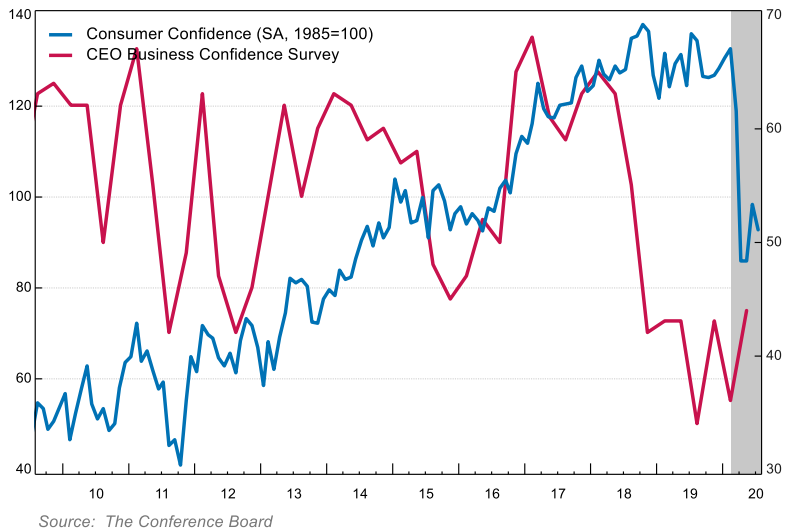
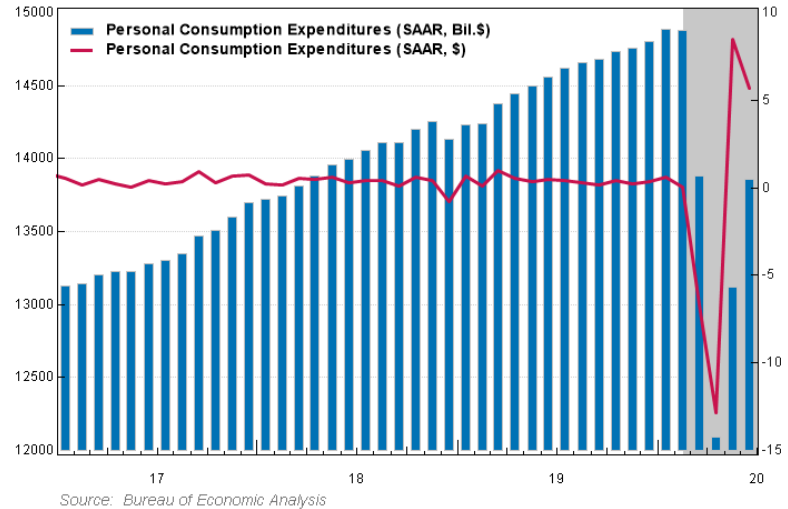
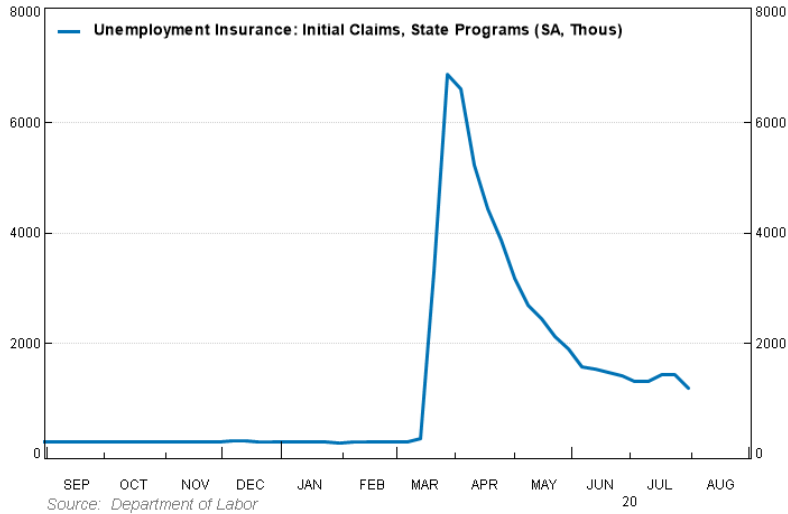


Yet, US economy is not out of the woods with 75% of the economy under pandemic risk

4Q19 Gross State Product & Current COVID-19 Positivity Rate

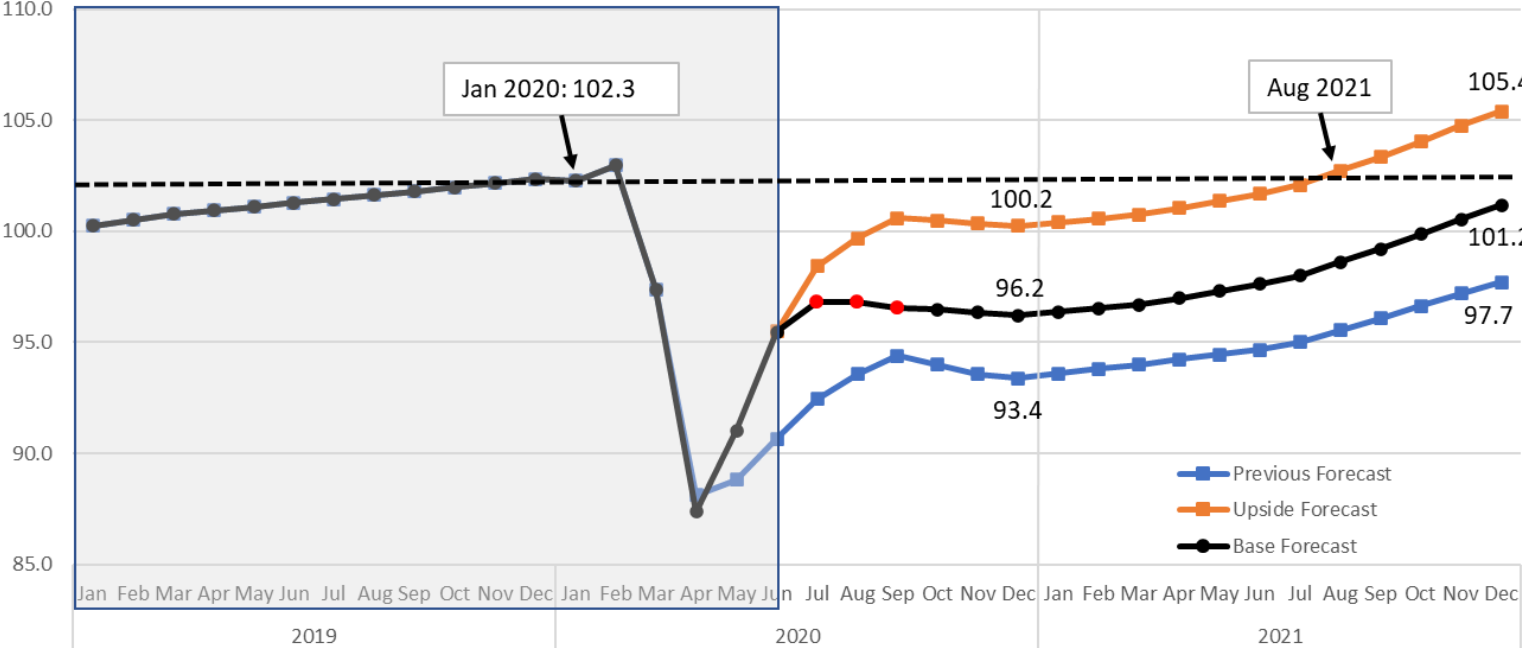


A mixed bag economic indicators point to lack of sustained recovery momentum



Current base case scenario, vs. previous forecast (more pessimistic) and (more optimistic) 'swoosh' scenario

US Economic Outlook, Jan 2019 = 100



Total Contraction & Growth (%Y/Y)	
Annual 2020	Annual 2021
-3.3%	+4.4%
-4.9%	+2.0%
-7.0%	+1.0%

Source: The Conference Board



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

	2018		2019				2020						2018	2019	2020	2021
	1st half	2nd half	1st half	III Q*	IV Q*	2nd half	I Q*	II Q*	1st half	III Q	IV Q	2nd half				
Real GDP	3.2	1.7	2.2	2.6	2.4	2.5	-5.0	-32.9	-18.9	26.1	-1.6	12.3	3.0	2.2	-4.9	2.0
Real consumer spending	2.6	2.1	2.8	2.7	1.6	2.1	-6.9	-34.6	-20.7	27.8	-0.5	13.7	2.7	2.4	-5.6	2.6
Residential investment	-2.5	-5.3	-1.9	4.6	5.8	5.2	19.0	-38.7	-9.9	8.0	1.0	4.5	-0.6	-1.7	-2.2	0.7
Nonresidential investment	9.2	3.8	2.1	1.9	-0.3	0.8	-6.7	-27.0	-16.9	-8.9	0.6	-4.1	6.9	2.9	-8.2	-0.7
Inventory change	21.2	85.7	75.6	44.0	-1.1	21.5	-80.9	-315.5	-198.2	102.0	50.0	76.0	53.5	48.5	-61.1	100.0
Total gov't spending	2.2	0.8	3.8	2.1	2.4	2.3	1.3	2.7	2.0	-3.8	0.0	-1.9	1.8	2.3	1.3	1.0
Exports	2.3	-1.2	-1.3	0.8	3.4	2.1	-9.5	-64.1	-36.8	25.0	5.0	15.0	3.0	-0.1	-16.2	-0.1
Unemployment rate	4.0	3.8	3.8	3.6	3.5	3.6	3.8	13.0	8.4	10.4	11.0	10.7	3.9	3.7	9.6	10.2
CPI inflation	2.7	1.7	2.0	1.8	2.4	2.1	1.2	-3.5	-1.2	3.0	1.3	2.1	2.4	1.8	0.9	1.2

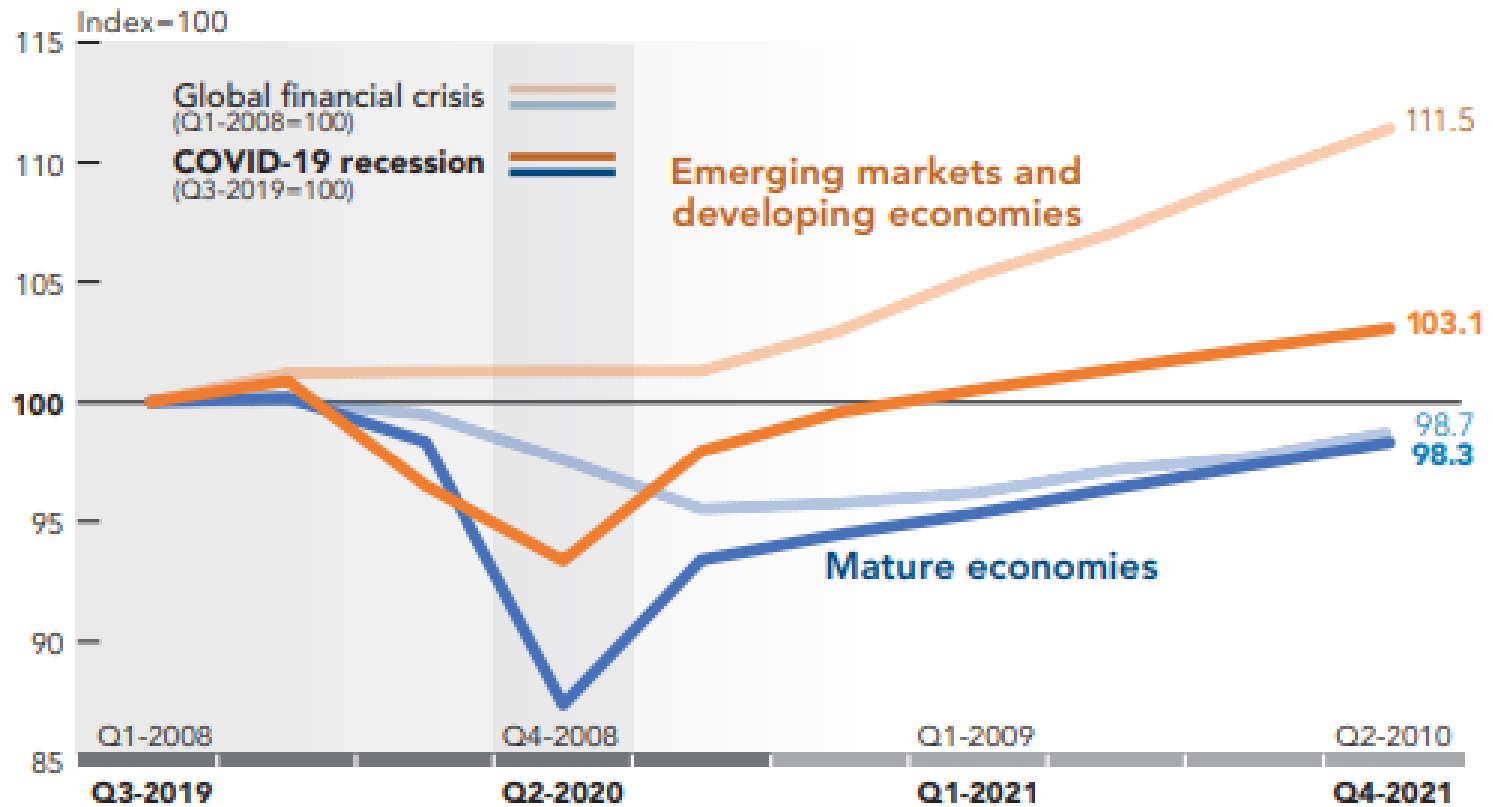
Source: The Conference Board



Global Economic Outlook

COVID-19 recession shows different recovery path than global financial crisis

Quarterly global GDP index: COVID-19 versus global financial crisis of 2008-2009

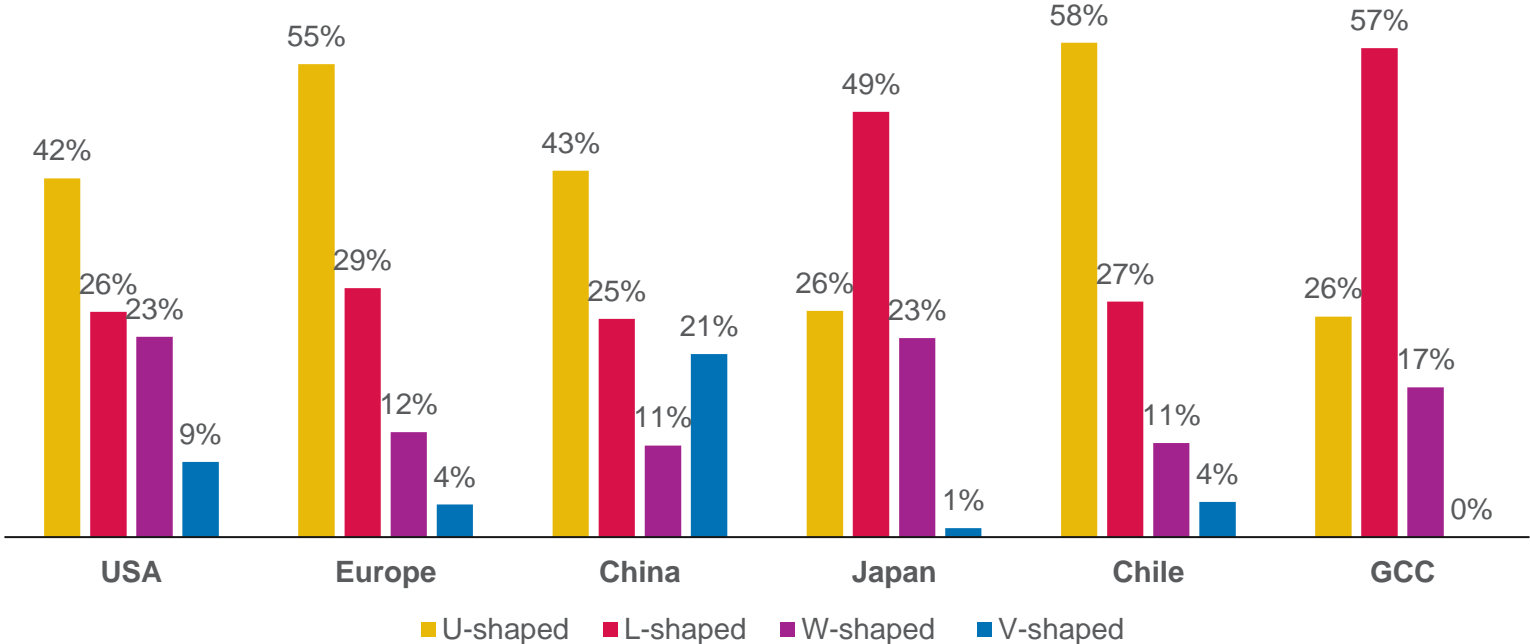


Source: The Conference Board



Majority of CEOs worldwide expect a prolonged U-shaped recovery

Based on my current knowledge, I expect the post COVID-19 recovery scenario for my home economy to be:



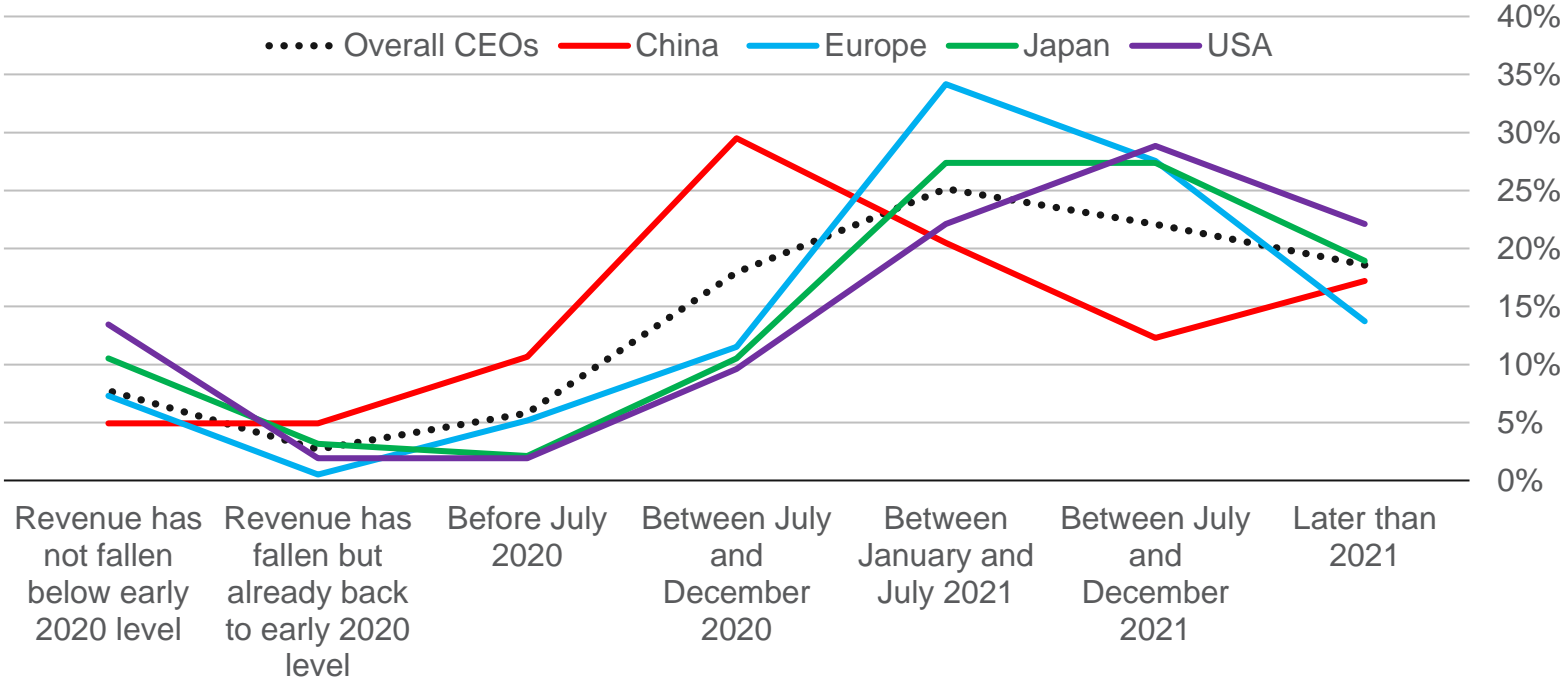
Source: The Conference Board, C-Suite Challenge, COVID-19 special edition

Note: The global survey had over 1300 C-Suite respondents. Responses for collected through mid-June.



CEOs in China are the most optimistic about the return to pre-pandemic revenue levels

When do you expect your company's revenue to be back to early 2020 levels?

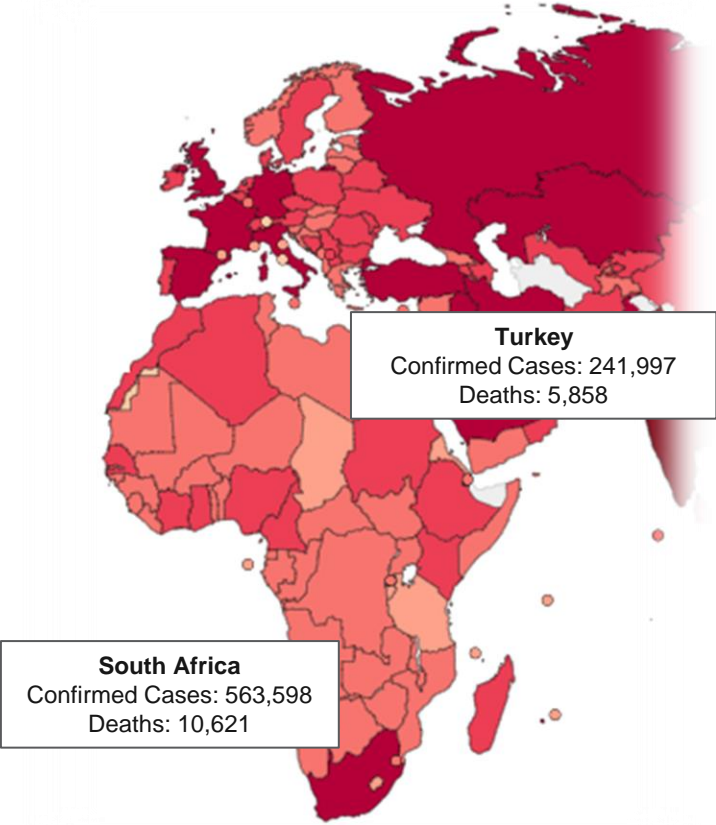


Source: The Conference Board, C-Suite Challenge, COVID-19 special edition

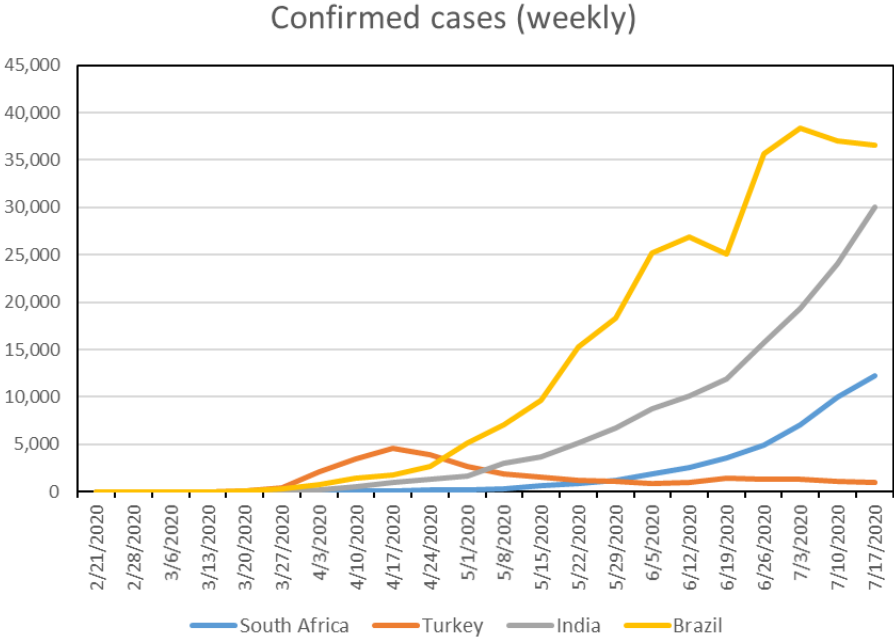


Turkey & South Africa

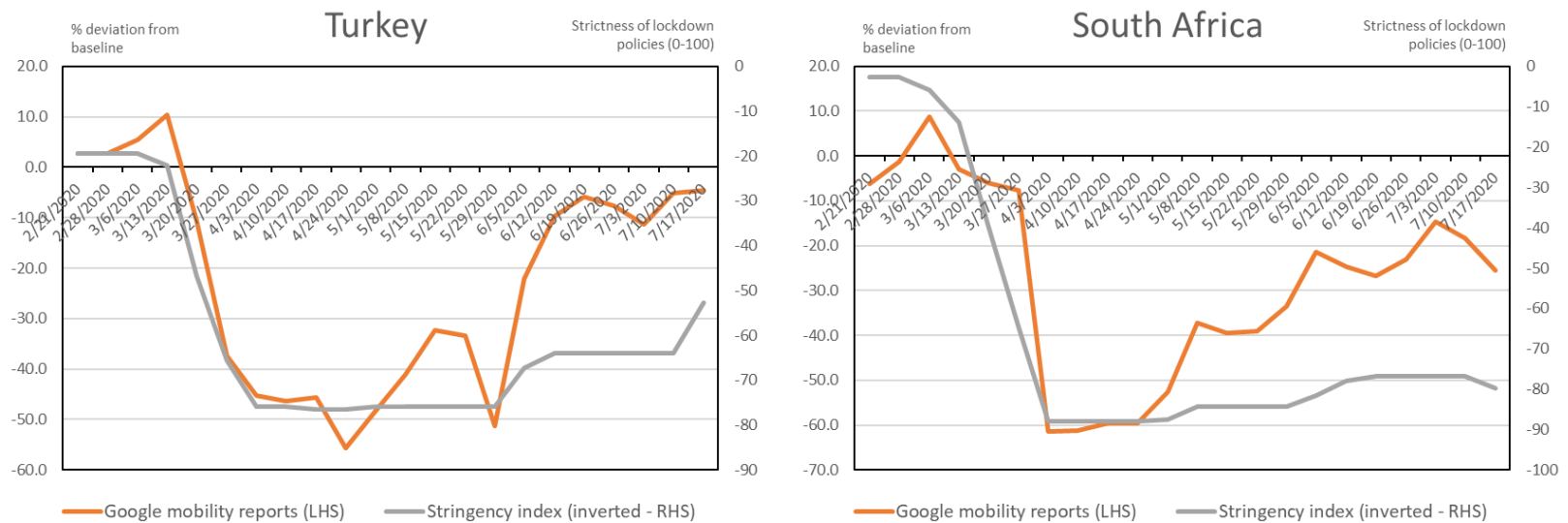
Every nation's experience with the pandemic is unique – what has COVID-19 looked like in South Africa & Turkey?



Source: Bloomberg



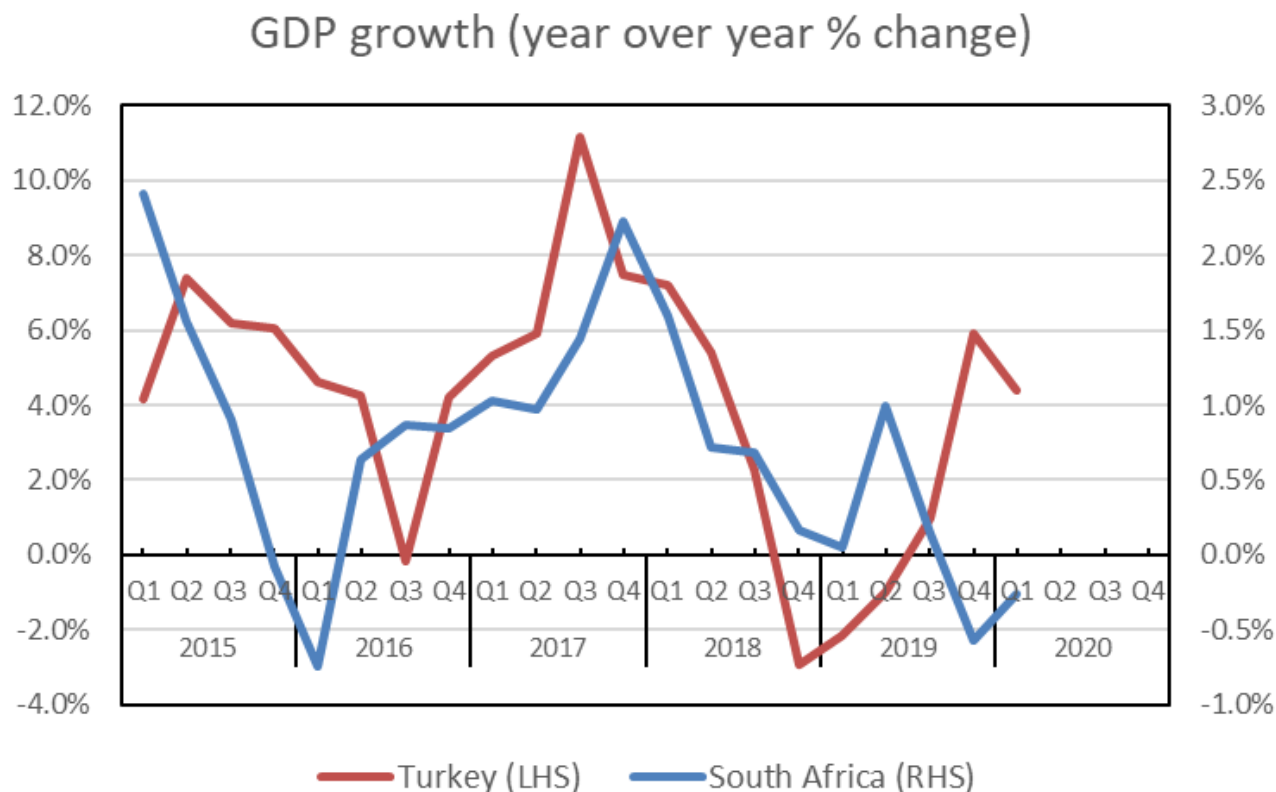
Turkey's lockdown was less strict and targeted to segments of the population and was lifted more quickly than South Africa's



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



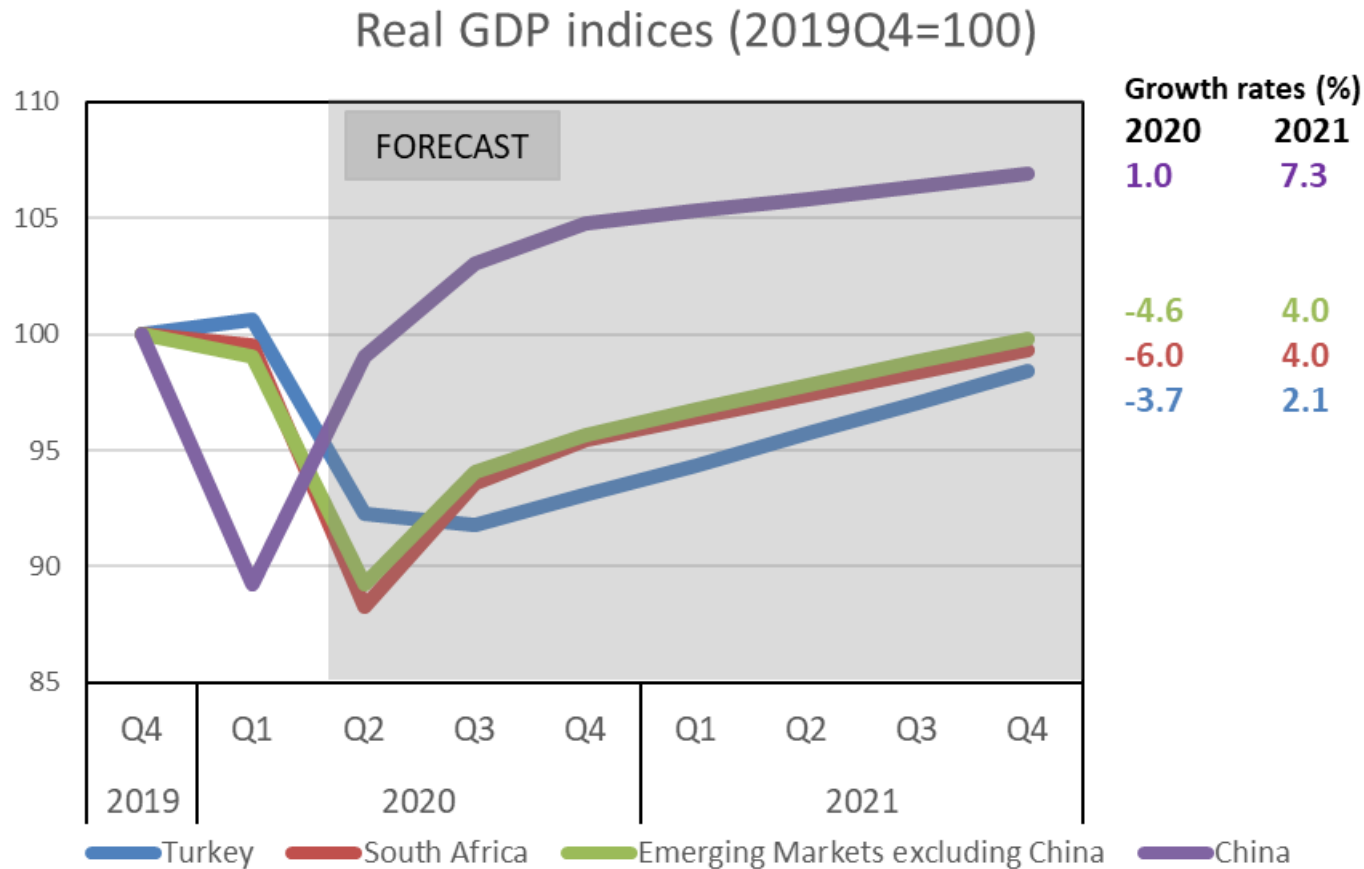
Turkey was recovering towards the end of 2019, while the South African economy was slowing prior to the pandemic



Source: Haver analytics



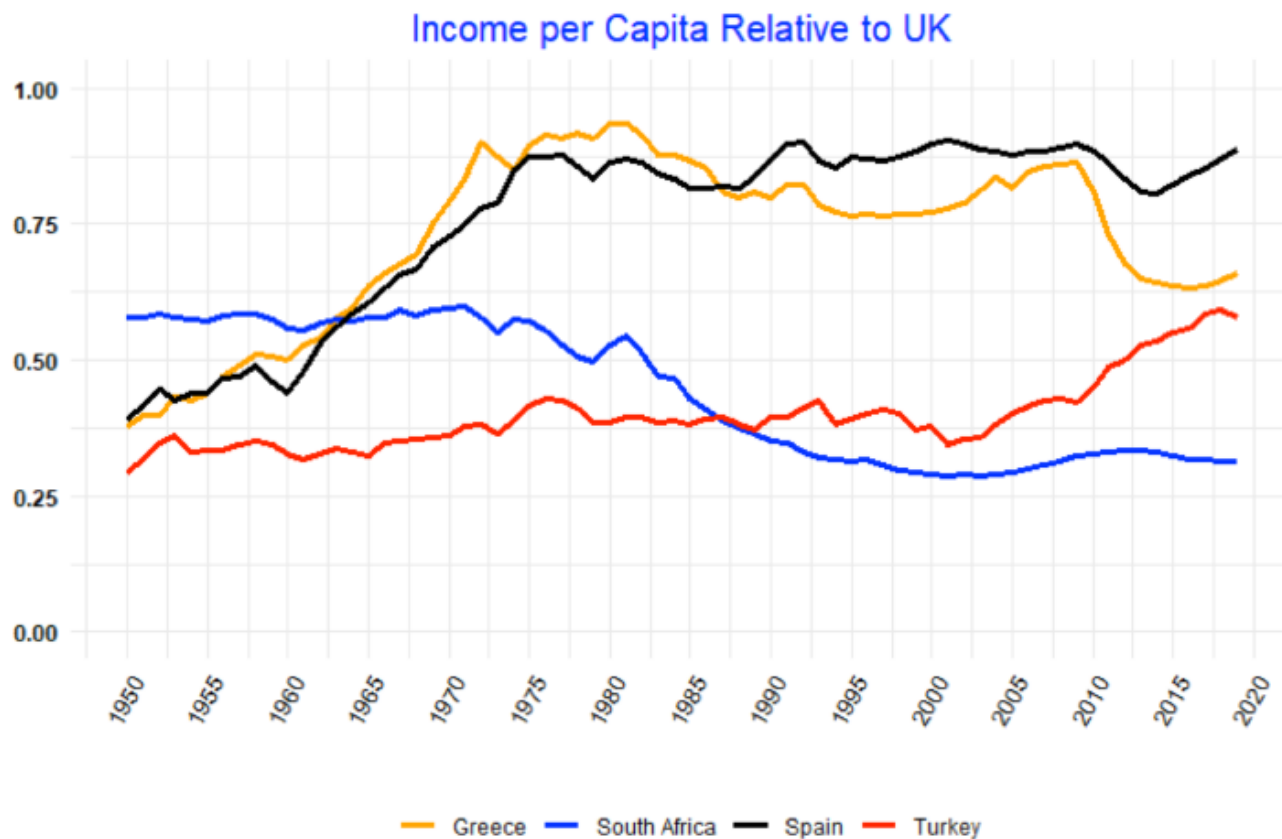
Turkey's post-pandemic recovery path may be slower than South Africa's



Source: The Conference Board Global Economic Outlook, July 2020 update



How will COVID-19 impact economic development and incomes in the long term?

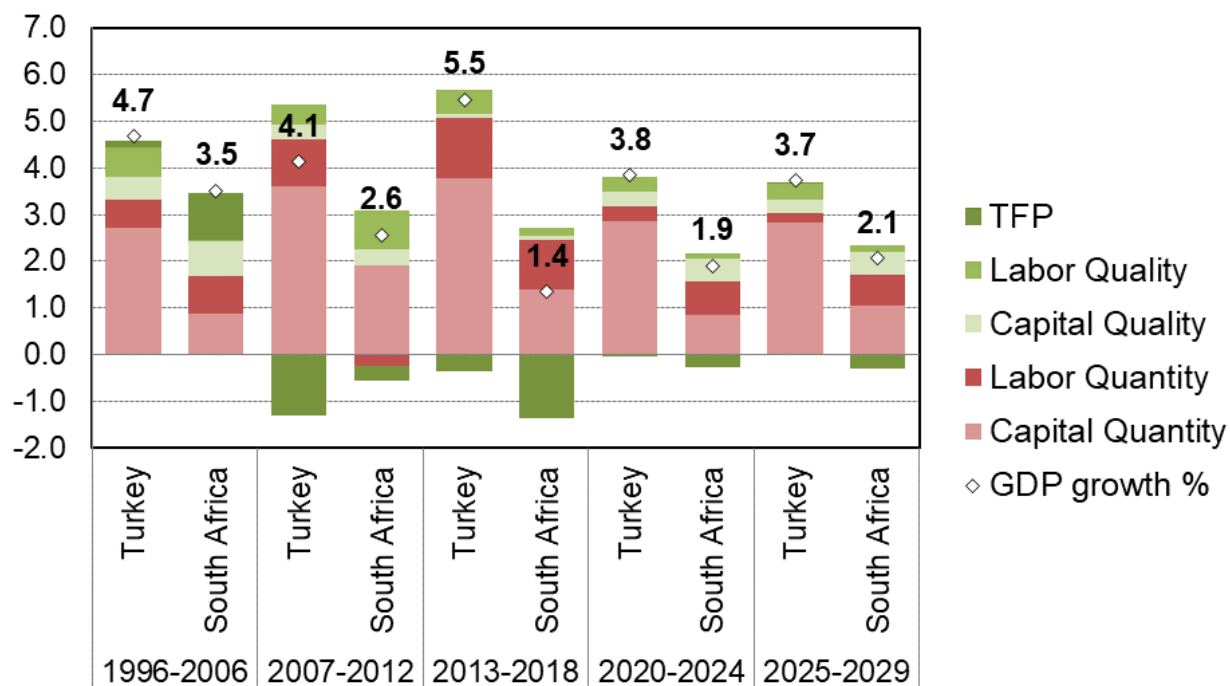


Source: The Conference Board



Potential medium-term GDP growth estimated higher for Turkey, though for both countries a return to fast historical growth rates seems unlikely

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

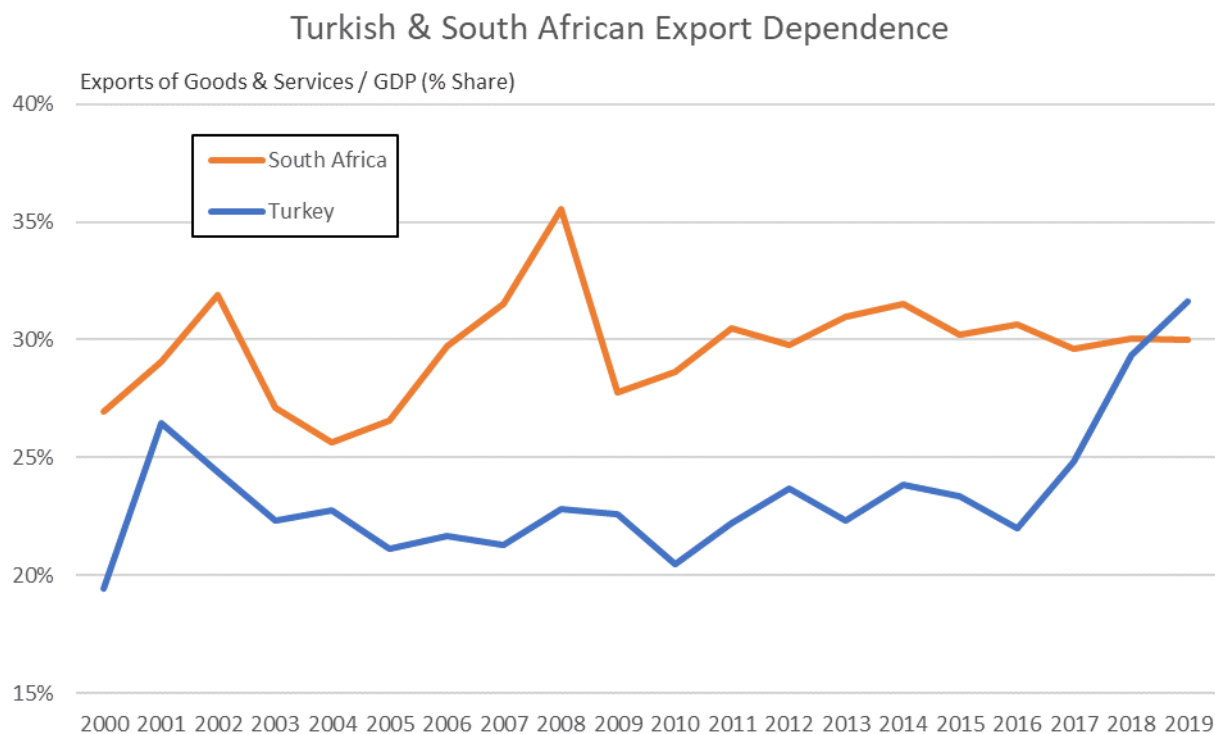


Notes: The components that make up GDP growth are presented as log changes, which means they will not add up to GDP growth which is shown as percentage change

Source: The Conference Board Global Economic Outlook 2020



How will weakness in the global economy impact the South African and Turkish recovery?



Source: Haver Analytics, The Conference Board



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September 9, 2020 @ 11am EST

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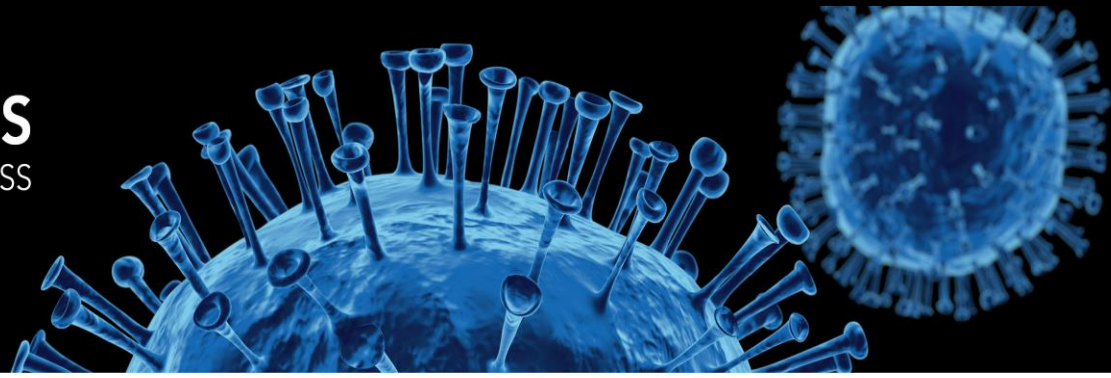


Erik Lundh
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Senior Economist
The Conference Board

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



COVID-19
CORONAVIRUS
IMPLICATIONS FOR BUSINESS



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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