

The Conference Board Economy Watch

Charting the Global Economic Recovery in 2021
February 10, 2021



This month we'll be exploring the following questions:

Key Questions:

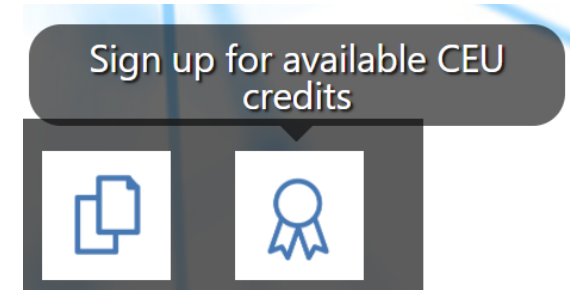
- How quickly will the US economy return to pre-recession output?
- Will Europe's difficult winter hurt its recovery prospects?
- How will the Gulf region fare in 2021?
- Has China's economy already recovered from COVID-19?
- What does all this mean for the global economy broadly?



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Today's Presenters



Klaas de Vries
Economist
The Conference Board



Ilaria Maselli
Senior Economist
The Conference Board



Hiba Itani
Senior Economist
The Conference Board
*Gulf Center for
Economics and
Business Research*



Erik Lundh (Moderator)
Principal Economist
The Conference Board



Audience Poll Questions

US Economic Outlook

US short-term outlook: key assumptions

1. Base Case Scenario

- ✓ New cases of COVID-19 peak in early 1Q21, no widespread lockdowns are implemented
- ✓ COVID-19 vaccinations: rise in 1Q21, broadly available in 2Q21, universally available in 3Q21
- ✓ Dec 2020 stimulus deployed in 1Q21, and \$1.5 tln in additional stimulus deployed in 2Q21 & 3Q21
- ✓ Modest improvement in labor markets & consumption 1Q21, but they rebound sharply in 2Q21 & 3Q21

2. Upside Scenario

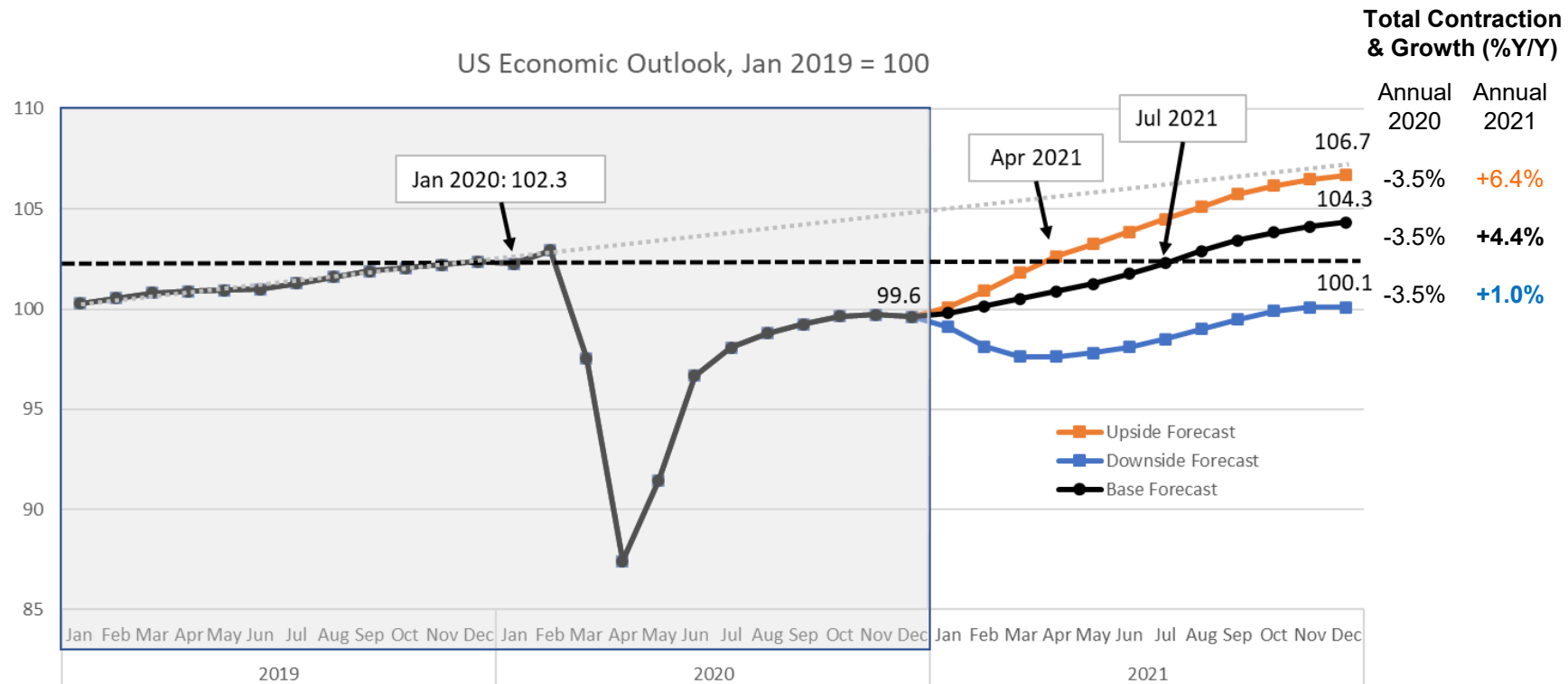
- ✓ New cases of COVID-19 fall dramatically in late 1Q21, social distancing policies loosened
- ✓ COVID-19 vaccinations: broadly available in 1Q21, universally available in 2Q21
- ✓ Dec 2020 stimulus deployed in 1Q21, and \$1.9 tln in additional stimulus deployed in 2Q21 & 3Q21
- ✓ Meaningful improvements in unemployment result in a rebound in consumption in 1Q21

3. Downside Scenario

- ✓ New cases of COVID-19 rise in 1Q21, vaccine-resistant mutations result in a 'third wave' by 4Q21
- ✓ Lengthy distribution of COVID-19 vaccine / ineffective against new strains of virus
- ✓ Dec 2020 stimulus deployed in 1Q21, and \$600 bln in additional stimulus deployed in 2Q21 & 3Q21
- ✓ Unemployment deteriorates and consumption contracts in 1H21 and again in 4Q21
- ✓ Large equity market correction occurs in 2021, hurting consumer and business confidence



Three scenarios possible in the US outlook, but the base case (black) points to a gradually accelerating recovery



Source: The Conference Board, BEA



Following a lull in the recovery over the winter (4Q20 & 1Q21), the economy should reaccelerate in 2Q21

	2020						2021						2019	2020	2021
	I Q*	II Q*	1st half	III Q*	IV Q	2nd half	I Q	II Q	1st half	III Q	IV Q	2nd half			
Real GDP	-5.0	-31.4	-18.2	33.4	4.0	18.7	2.0	4.7	3.3	6.4	4.8	5.6	2.2	-3.5	4.4
Real consumer spending	-6.9	-33.2	-20.0	41.0	2.5	21.8	3.6	5.0	4.3	6.9	5.1	6.0	2.4	-3.9	5.2
Residential investment	19.0	-35.5	-8.3	63.0	33.5	48.3	8.0	10.0	9.0	8.0	5.0	6.5	-1.7	5.9	14.5
Nonresidential investment	-6.7	-27.2	-16.9	22.9	13.8	18.3	5.4	6.1	5.8	6.5	5.6	6.0	2.9	-4.0	6.8
Inventory change (bln '09\$)	-80.9	-287.0	-184.0	-3.7	44.6	20.5	0.0	5.0	2.5	16.0	16.0	16.0	48.5	-81.8	100.0
Total gov't spending	1.3	2.5	1.9	-4.8	-1.2	-3.0	0.0	1.0	0.5	1.7	2.7	2.2	2.3	1.1	-0.1
Exports	-9.5	-64.4	-36.9	59.6	22.0	40.8	3.0	5.1	4.1	7.1	5.1	6.1	-0.1	-13.0	5.7
Imports	-15.0	-54.1	-34.5	93.0	29.5	61.3	5.6	5.1	5.3	5.6	4.6	5.1	1.1	-9.3	11.7
Unemployment rate	3.8	13.1	8.4	8.8	6.8	7.8	6.2	5.9	6.1	5.4	5.0	5.2	3.7	8.1	5.8
CPI inflation	1.2	-3.5	-1.2	5.2	2.2	3.7	2.5	2.2	2.3	2.0	2.0	2.0	1.8	1.3	2.2

Source: The Conference Board, BEA



European Economic Outlook

UK outlook: The composition of growth will change as the economy adapts to the double shock

- Disruptions and price changes may lead consumers to substitute within product categories and brands. Spending on services will continue to suffer during the first half of 2021
- Since the Brexit Referendum in 2016, investment has suffered. New certainty and accelerating digital transformation may give a new boost to investment
- The export of services are likely to suffer even more than export of goods. This will likely widen the UK's current account deficit with the EU
- British total exports of goods amounted to GBP 373 billion in 2019, with 46% of those directed to the EU. It is reasonable to expect disruptions. The need to simplify the process probably will lead some companies to restructure their supply chains to comply with rules of origin, and to avoid tariffs and quotas



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Both the COVID-19 and Brexit shocks are expected to weigh on the course of the next decade

Scenario 1: FALL APART

Referenda for independence take place in Northern Ireland and Scotland

The pandemic generates social tensions

Unclear political effect on the EU

Scenario 2: RESILIENT BRITAIN

The UK loosens its European ties and strengthens its global dimension.

Regulatory freedom spurs innovation and growth

Aggressive trade policy

EU-UK relations suffer

Scenario 3: MUDDLE THOROUGH

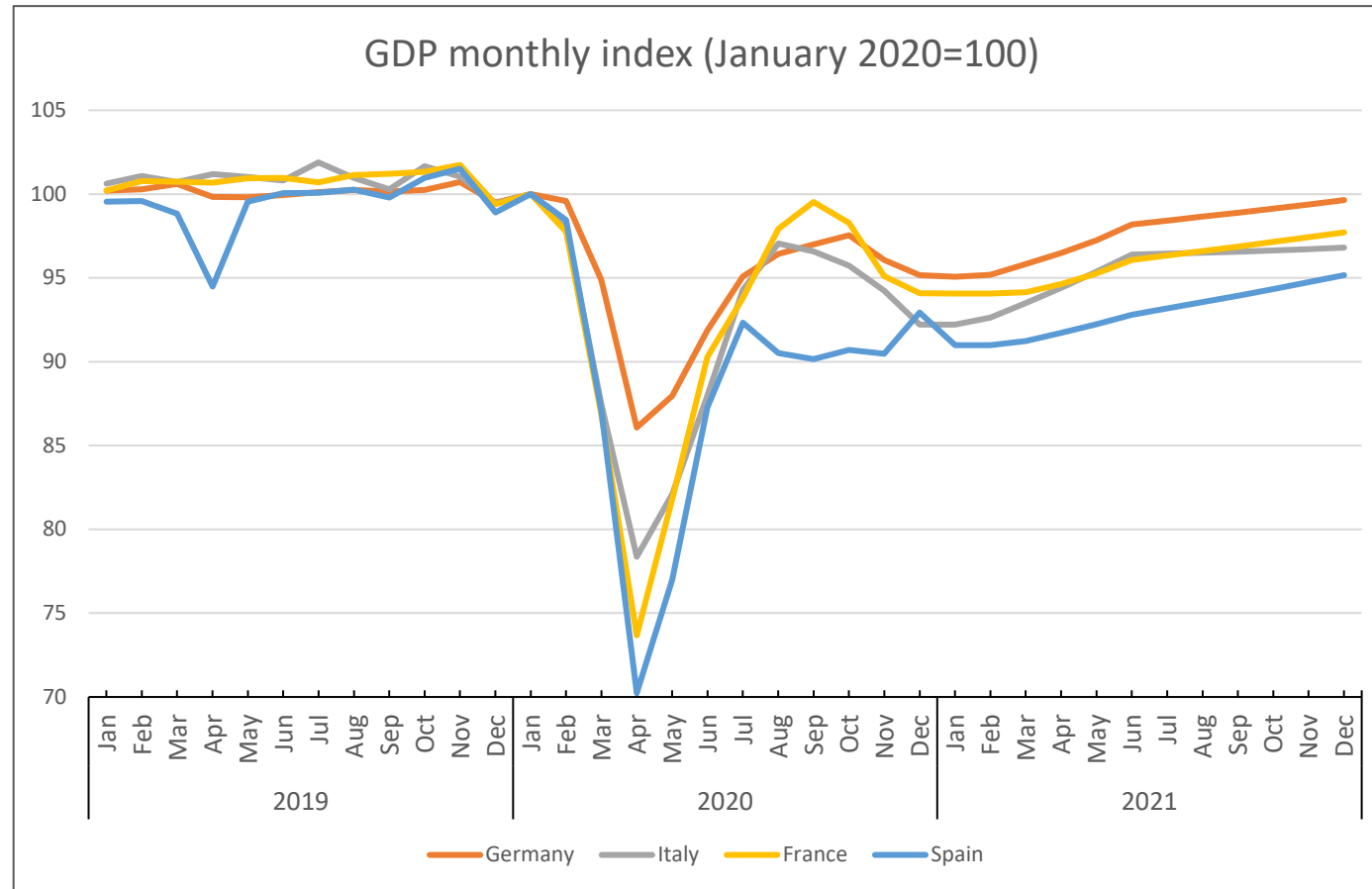
The UK realises it became a rule-taker

Existing competitive sectors, together with a weak Pound, allow output growth to remain positive but at survival rates

Policy fails to drive change



At the current pace, only Germany will return to pre-pandemic output levels by the end of 2021



Source: The Conference Board

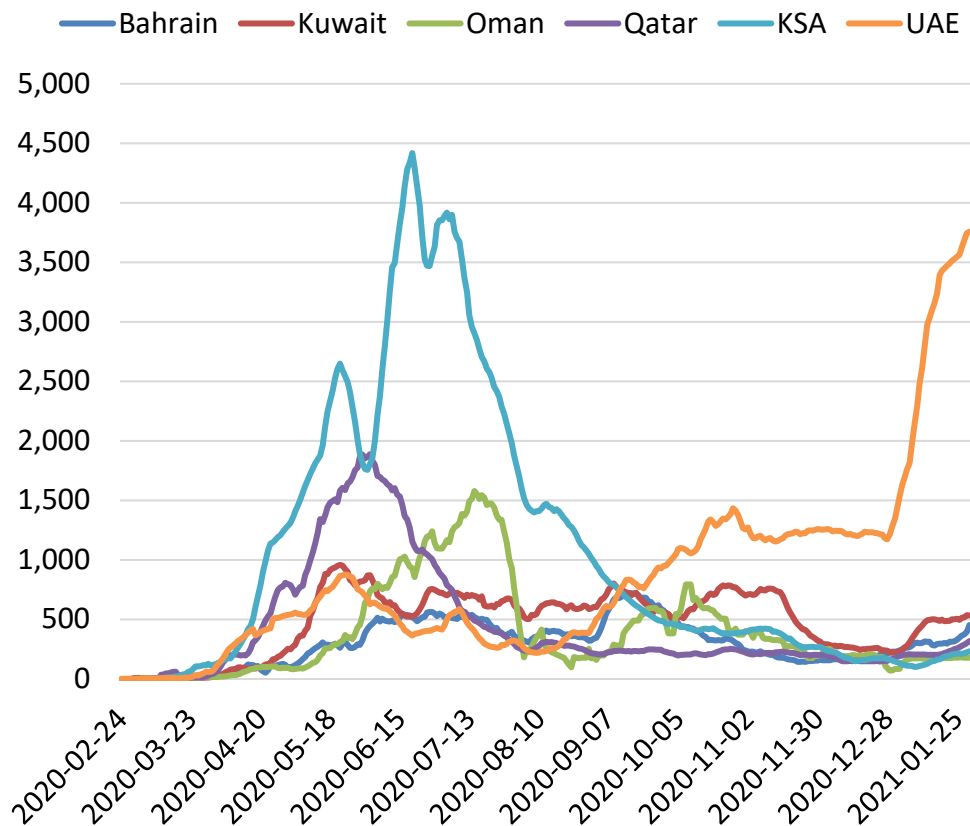
- For Q1 we expect activity to be similar to Q4 of 2020. We expect a rebound in Q2
- Vaccine approval increased optimism in Q4 but now slow vaccine rollout is weakening confidence
- Most European economies will not return to their pre-recession output levels until 2022. We are close to the pessimistic scenario we outlined in October



Gulf Economic Outlook

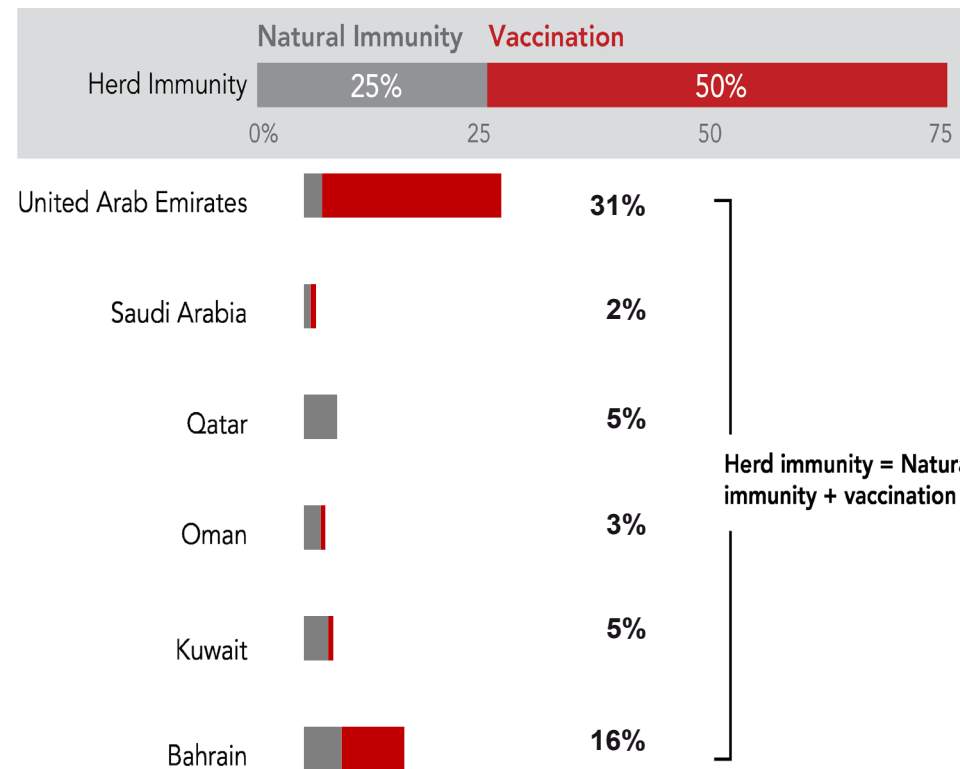
UAE hit by a stronger second wave despite leading the vaccine race globally and regionally

Daily New COVID-19 cases



Source: Our World in Data

Vaccine Equation

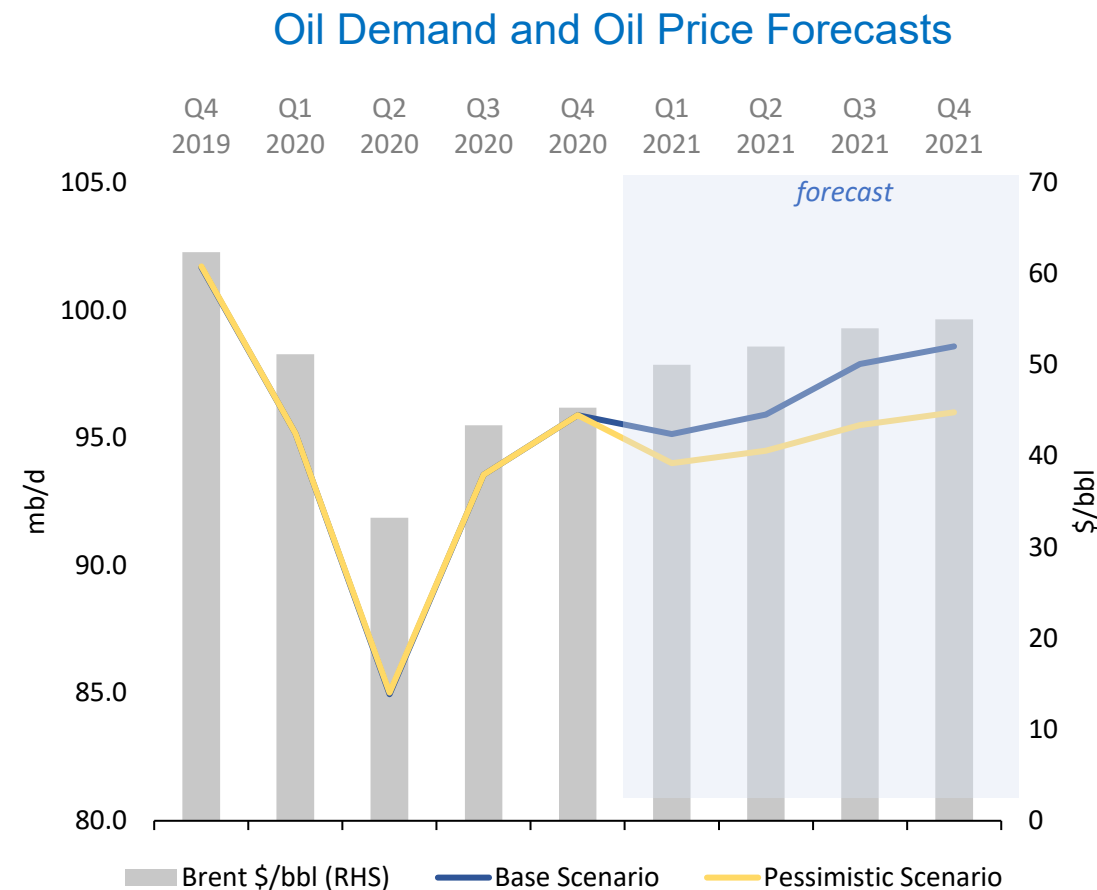
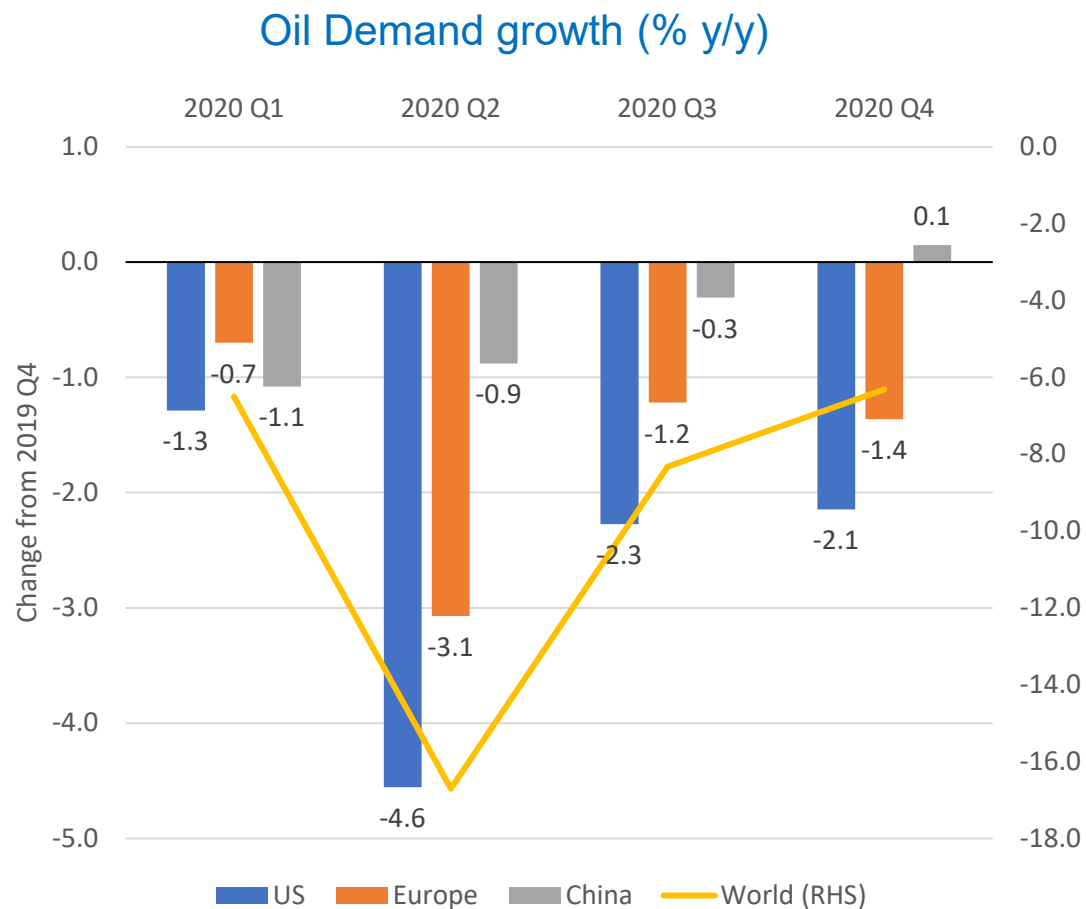


Source: The Conference Board

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Global oil demand recovery stalled by second wave of COVID-19 cases but China continues to lead oil consumption

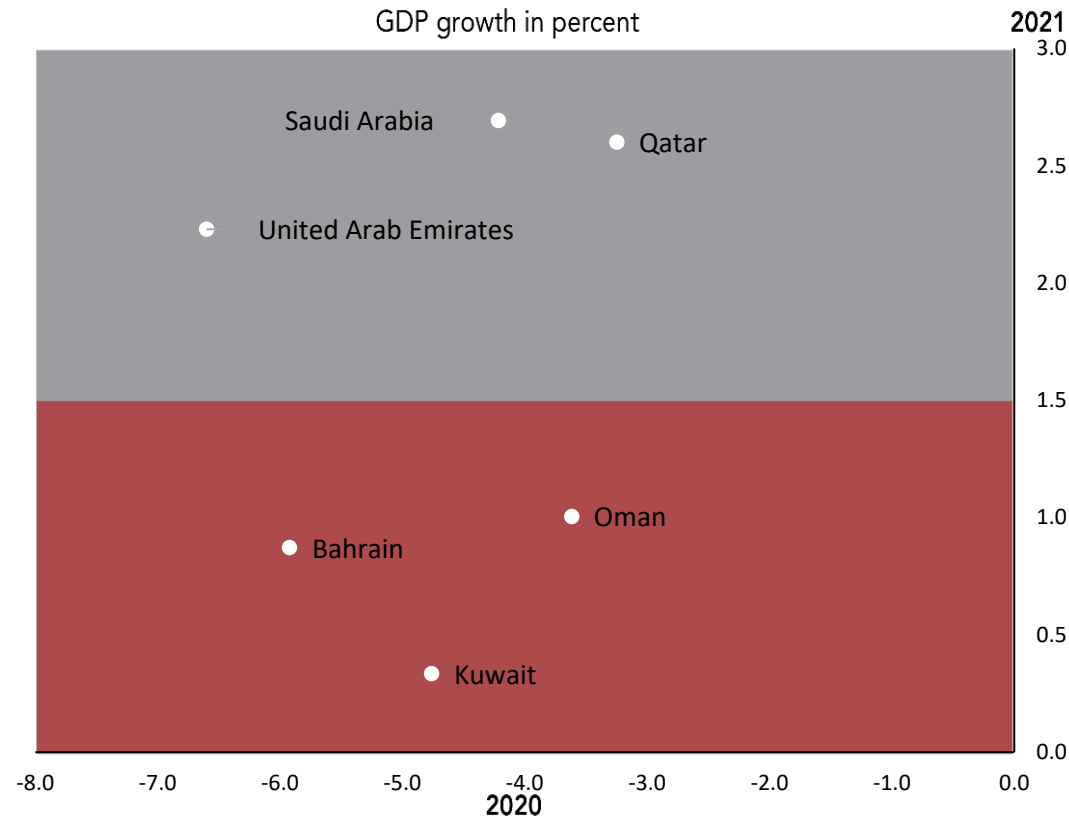


Source: historical data from EIA, forecast from The Conference Board



The non-oil recovery imperative to growth for the Gulf region

Split recovery within the Gulf economies



Source: The Conference Board

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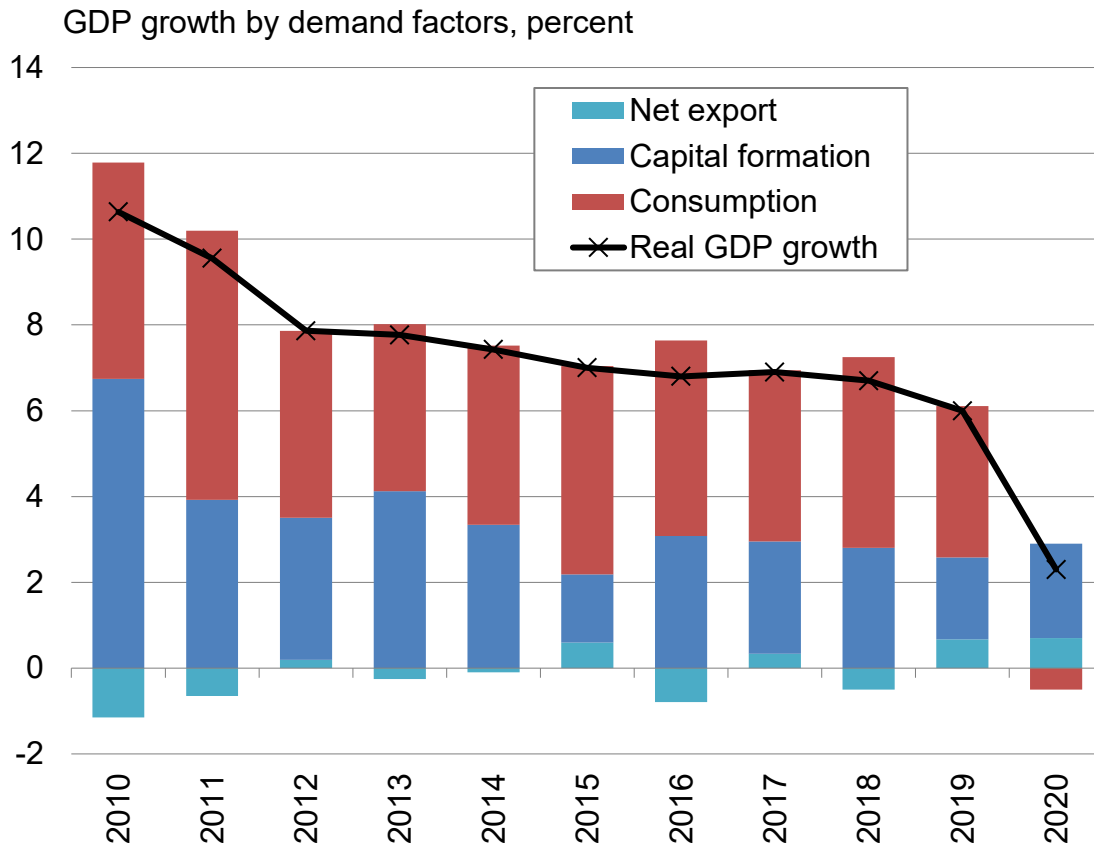
- The Conference Board expects real GDP to contract by 4.7 percent in 2020 and to rebound by 2.4 percent and 3.6 percent, respectively in 2021 and 2022.
- With a subdued 2021 oil demand outlook, the non-oil recovery will be the main contributor to growth in 2021.



China Economic Outlook

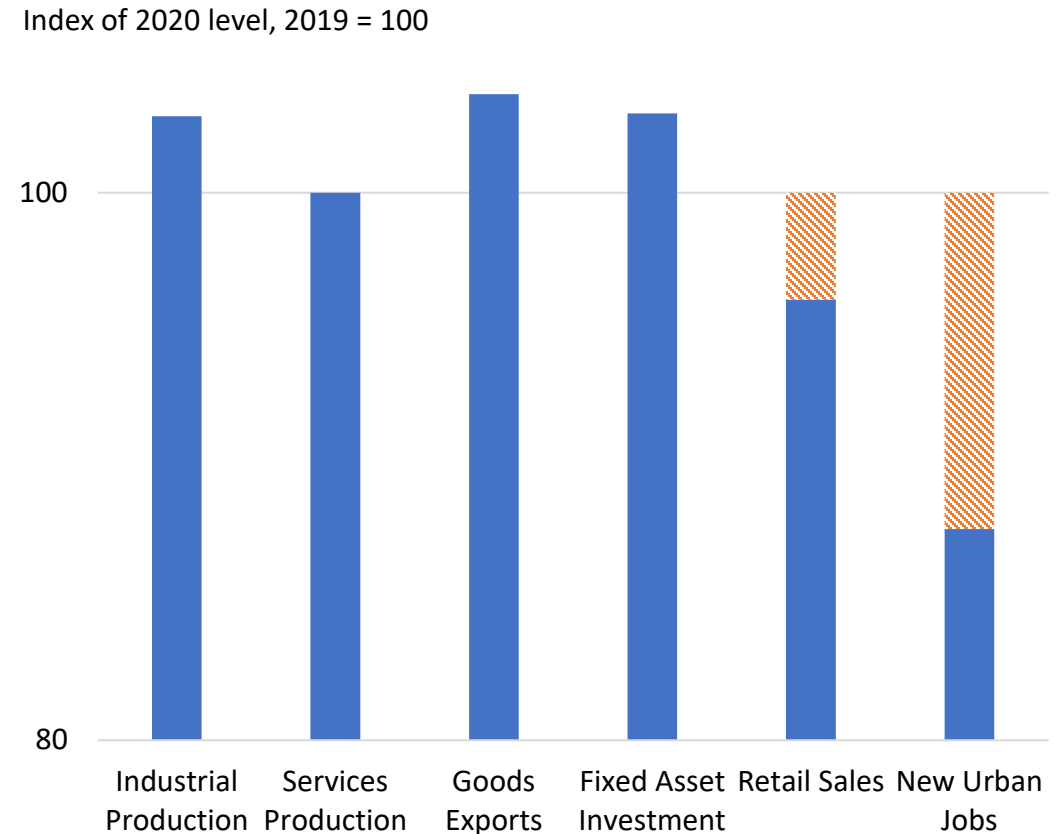
China's economy is recovering quickly, but the rebound has been lopsided

Chinese GDP Growth



Sources: NBS, CEIC, The Conference Board

China's Lopsided Recovery

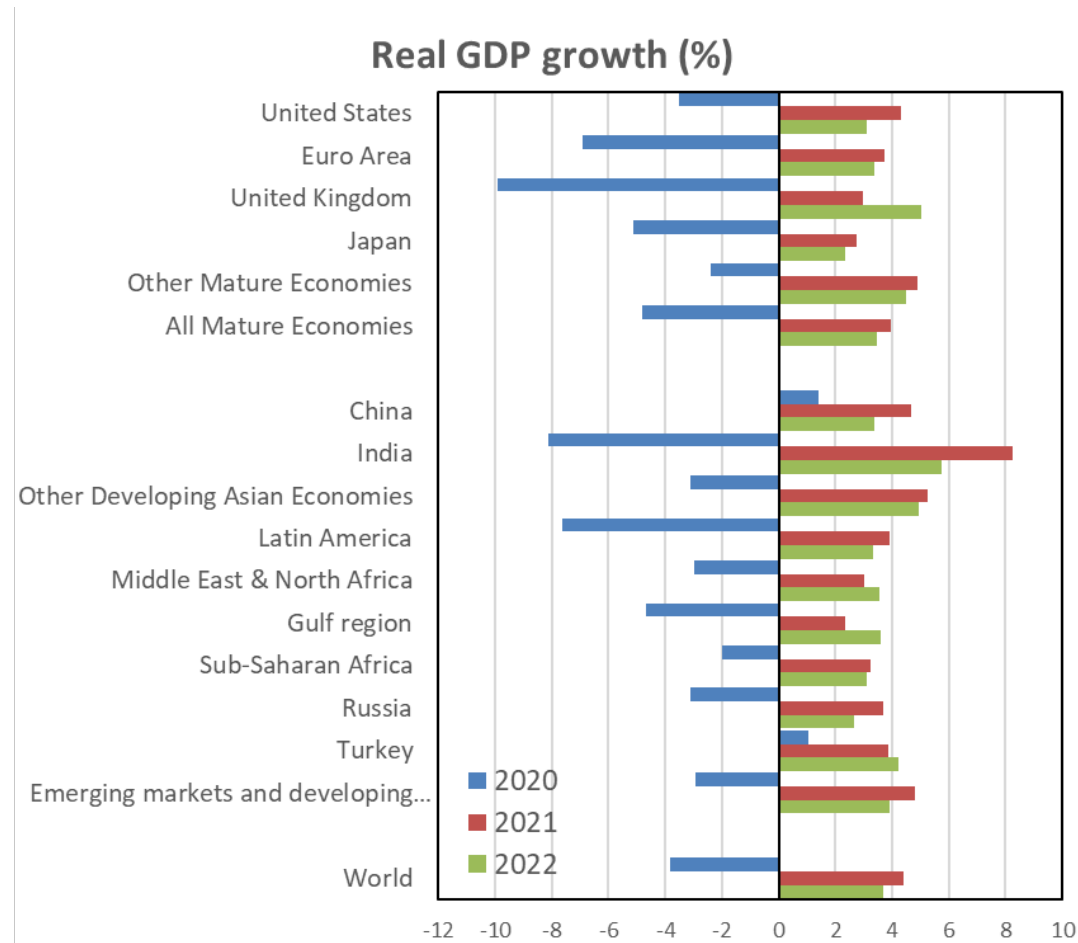


Sources: NBS, CEIC, The Conference Board



Global Economic Outlook

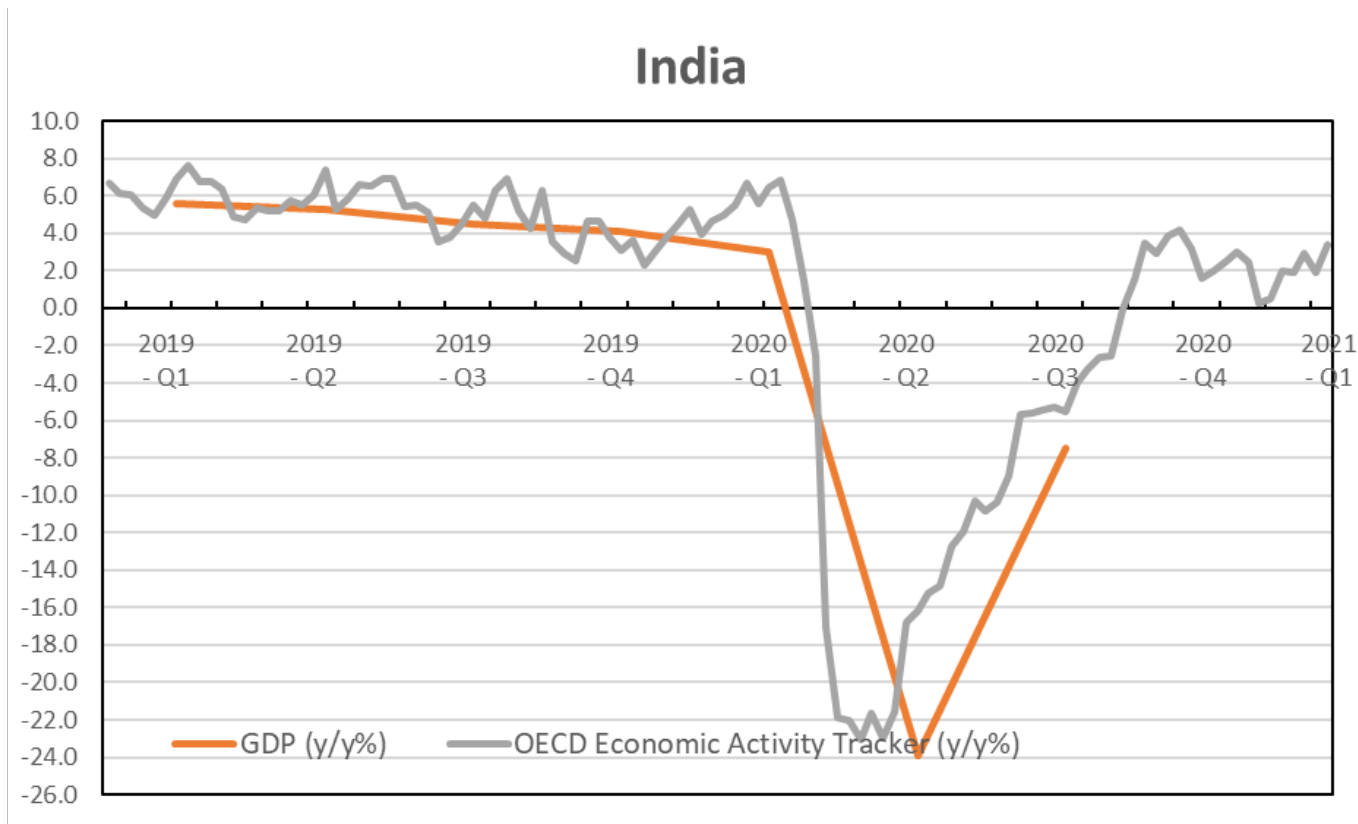
The economic recovery in most economies will extend well beyond this year



Source: [The Conference Board Global Economic Outlook \(February 2021\)](#)



The private sector has rebounded strongly in India



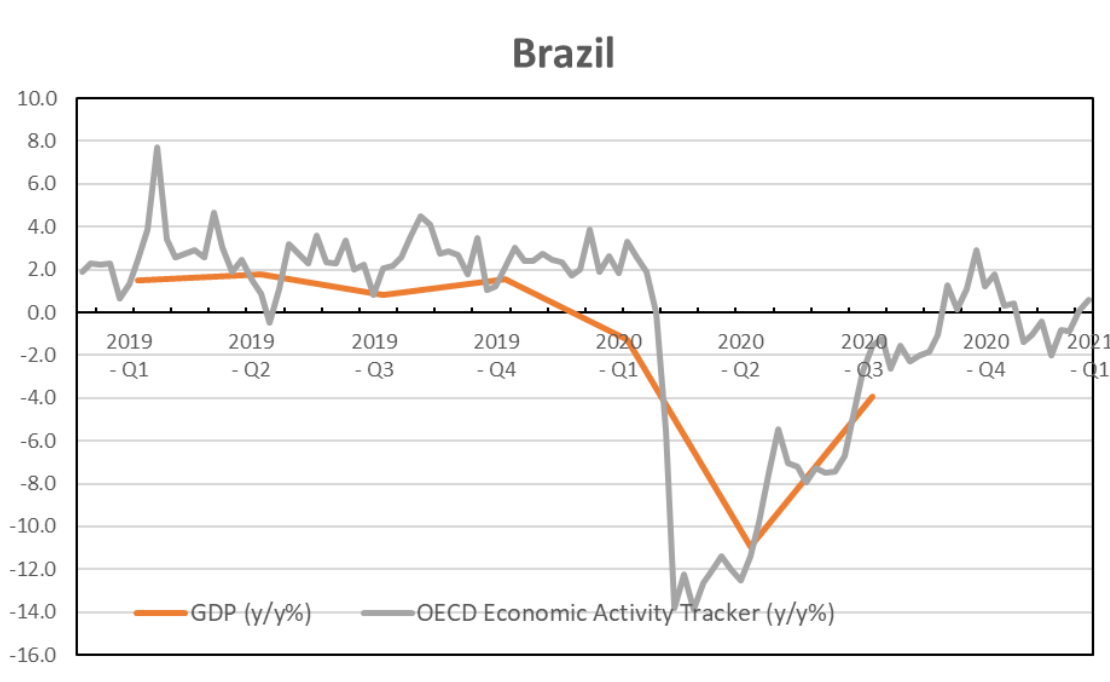
Annual growth in GDP (%)

	2020	2021	2022
CY	-8.1	8.2	5.7
FY	-9.7	10.7	6.0

Sources: Haver Analytics; [The Conference Board Global Economic Outlook \(February 2021\)](#)



Brazil's rebound to date has been stronger than Mexico's



Annual growth in GDP (%)

	2020	2021	2022
Brazil	-4.4	2.8	2.8
Mexico	-8.7	3.7	4.8

Sources: Haver Analytics; [The Conference Board Global Economic Outlook \(February 2021\)](#)





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On February 24 at 12pm ET, join our EVP & Chief Economist, Dana Peterson, as she sits down with economists from the **University of Maryland** and **The Rand Corporation** to discuss the economic impact of the vaccine.



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Neil Moskowitz
Professor of Economics
University of Maryland



Marco Hafner
Senior Economist and
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Dana Peterson
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