

The Conference Board Economy Watch

COVID-19 in Asia - The Impact on India and China

June 10, 2020



This month we'll be examining how COVID-19 is impacting the US, Indian and Chinese economies:

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



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Today's Presenters



Erik Lundh
(Moderator)
Senior Economist
The Conference Board



Ataman Ozyildirim,
Ph.D.
Senior Director,
Economic Research,
Global Research Chair
The Conference Board

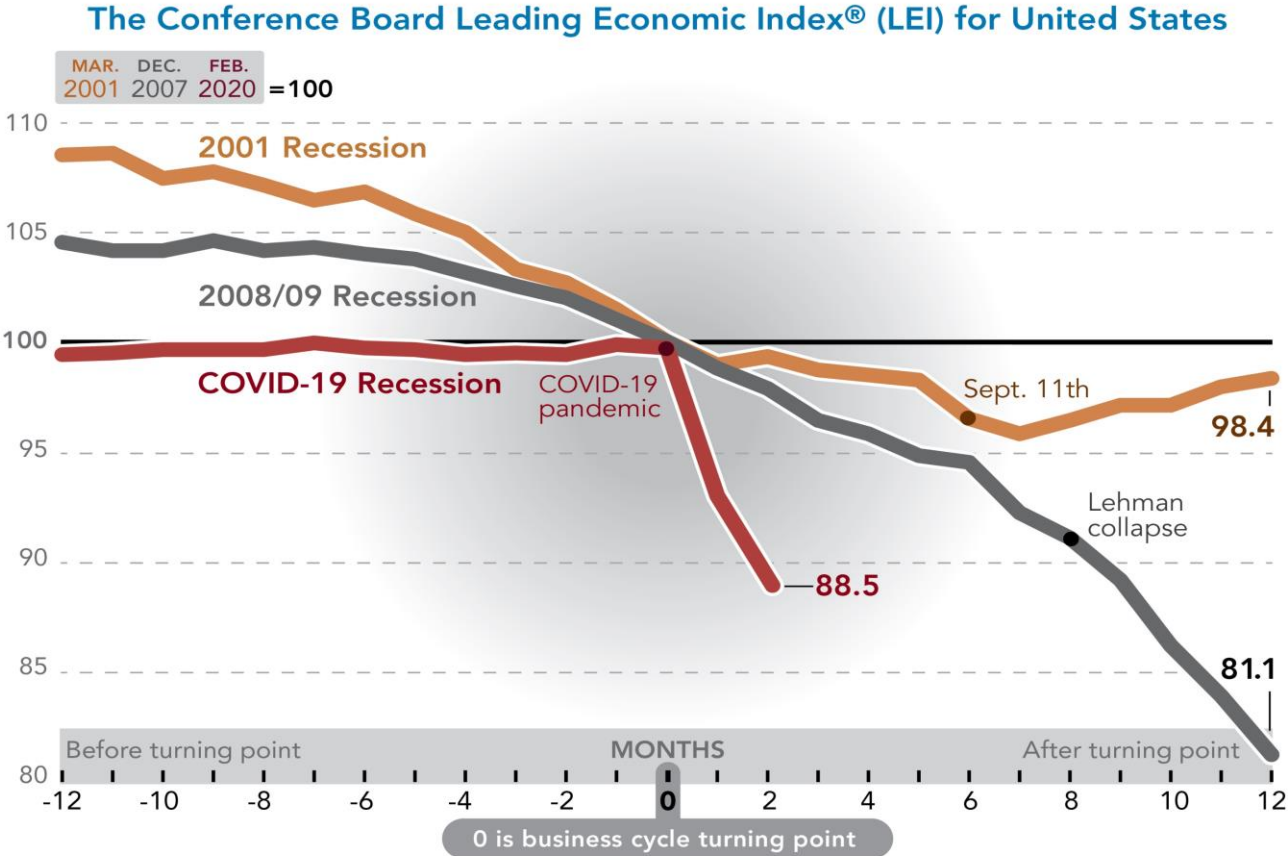


Abdul Erumban
Senior Research
Fellow
The Conference Board
Assistant Professor,
Economics
University of Groningen



US Outlook

LEI points to a deep recession with no sign of fast rebound

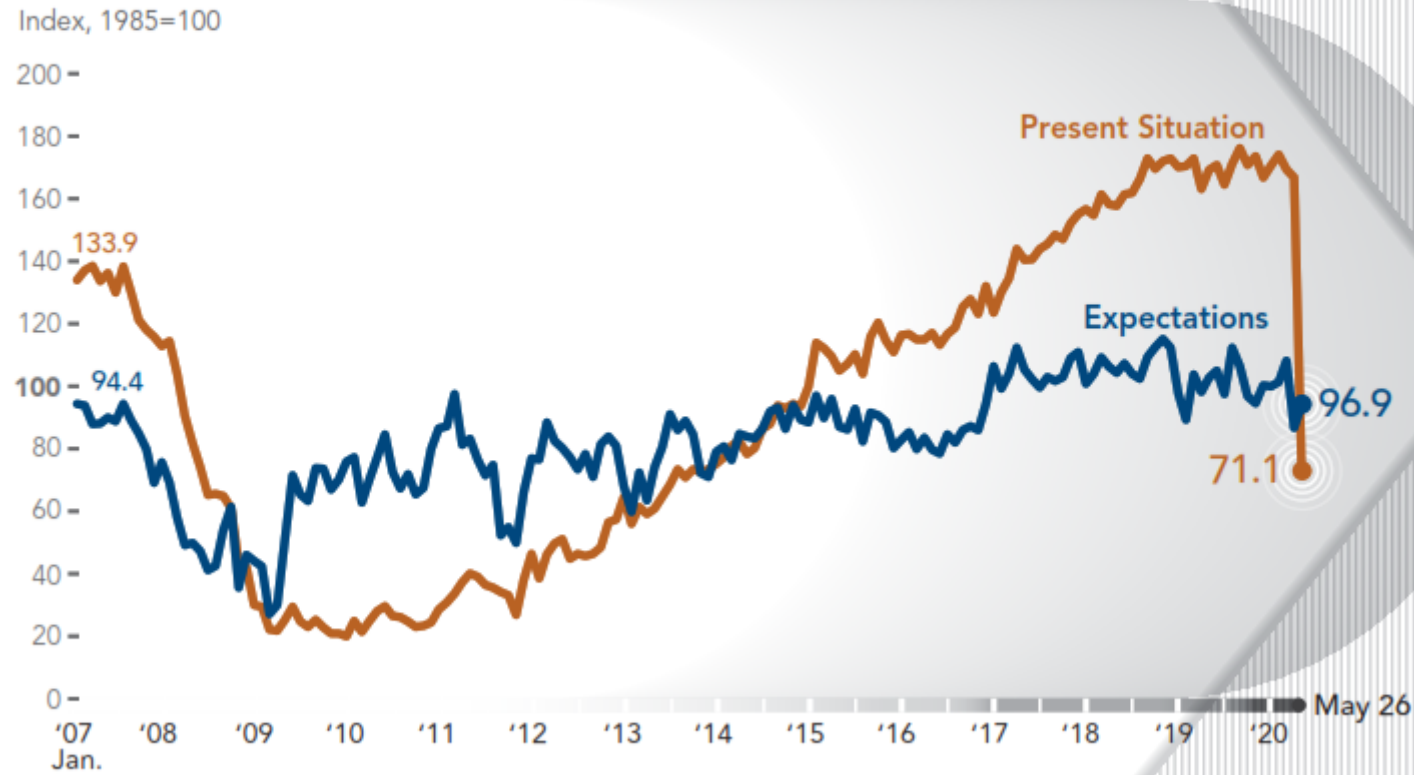


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 Source: The Conference Board/Haver Analytics



Consumer assessment of present situation dropped off dramatically, but hope that economy will open up soon

The Conference Board Consumer Confidence Index®
Present Situation versus Expectations



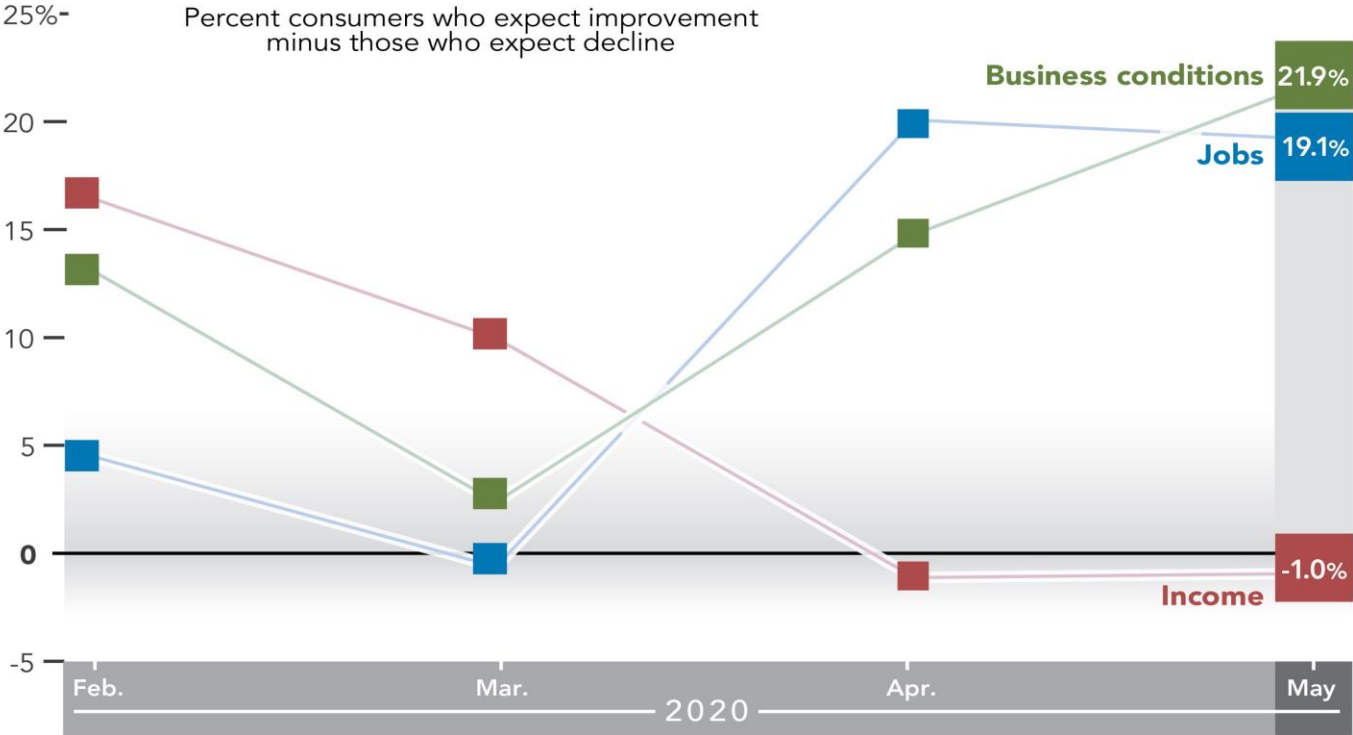
Source: The Conference Board Consumer Confidence Survey®, May 2020

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Reopening of economy stabilizes consumer confidence but concern remains about income

Consumer expectations for business conditions, jobs, and income



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 Source: The Conference Board **Consumer Confidence Index**®, May 2020



Slight improvement in job picture: 2.5 million jobs added back in May, but still 20 million jobs down from February

Chart 1. Unemployment rate, seasonally adjusted, May 2018 – May 2020

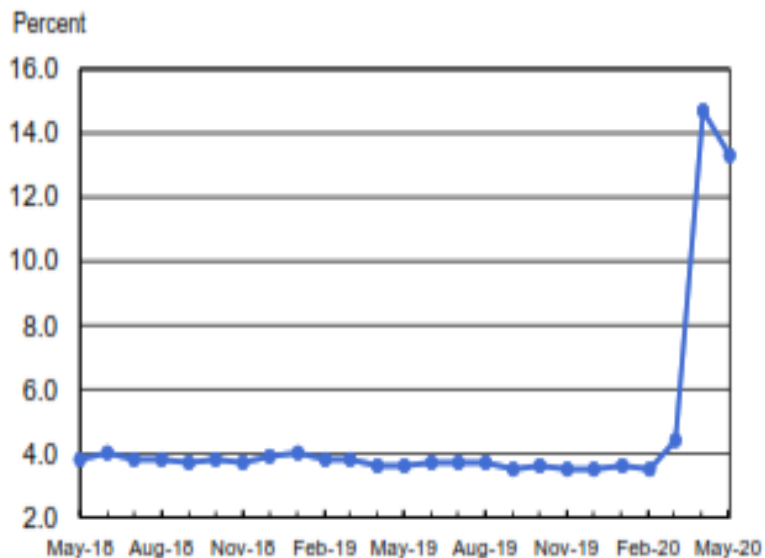
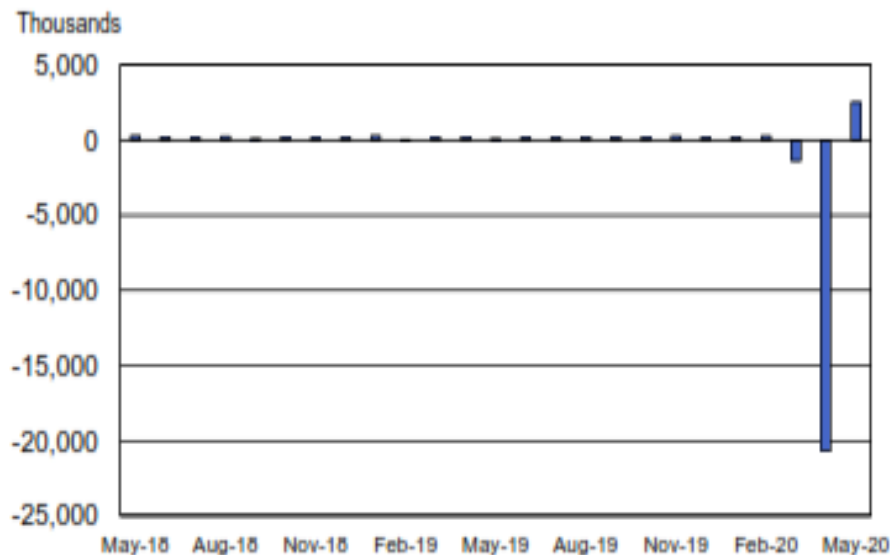


Chart 2. Nonfarm payroll employment over-the-month change, seasonally adjusted, May 2018 – May 2020

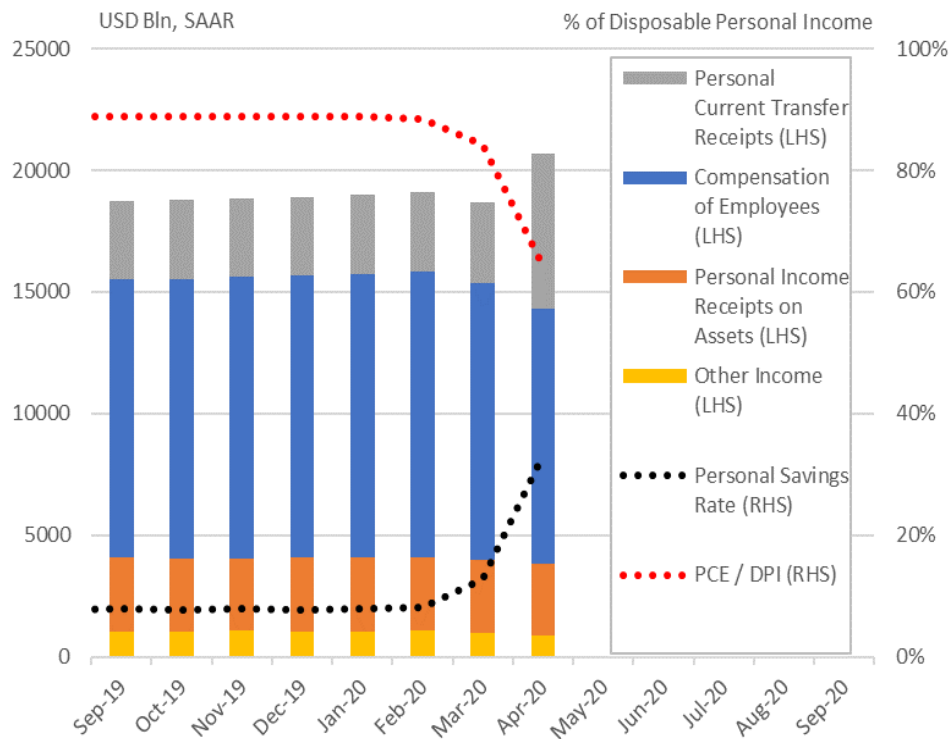


Source: Bureau of Labor Statistics, June 2020



A spike in government benefits and drop in consumer spending leads to a historically high savings rate in April

Personal Income & Personal Savings Rate



Source: The Conference Board, Bureau of Economic Analysis

1. Personal Income jumps 10%!

- ✓ COVID-19 lockdown results in a 7.7 contraction in employee compensation in April
- ✓ However, Personal Current Transfer Receipts (government social benefits) rise 87% due to US stimulus measures
- ✓ The results is a 10 rise in Personal Income

2. Personal Consumption declines 13.6%!

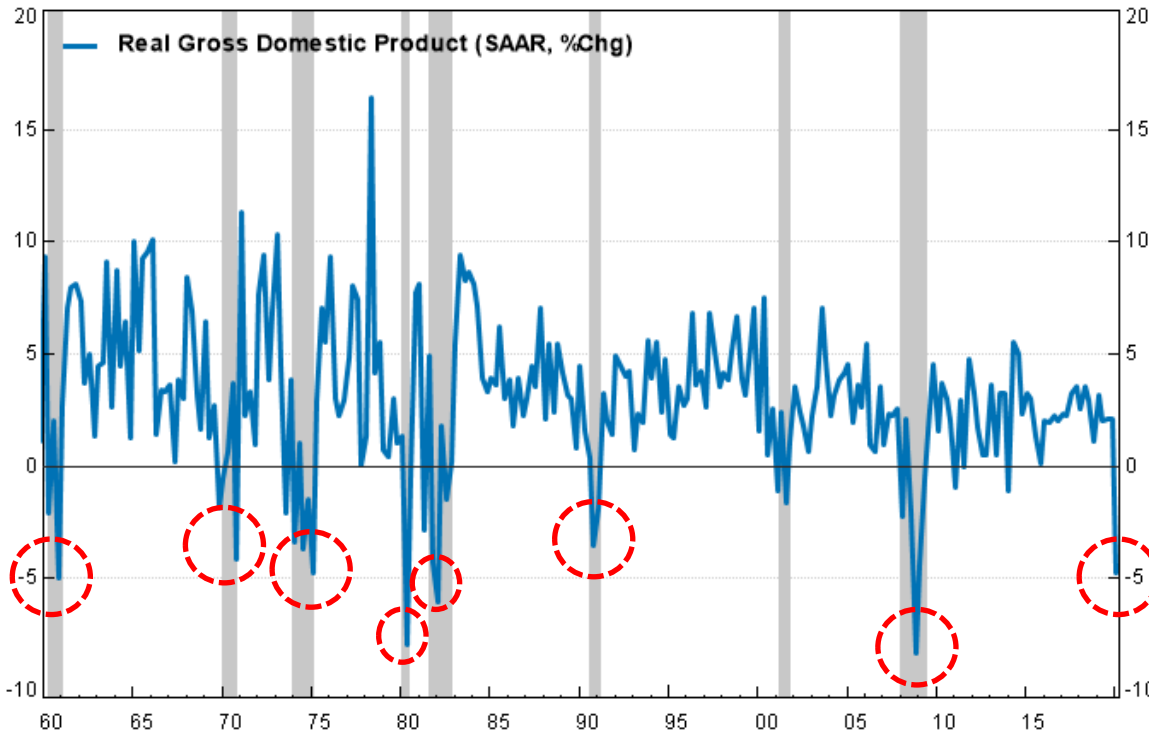
- ✓ Anxious consumers refrain from spending in April, resulting in a 13.6% drop in Personal Consumption Expenditures
- ✓ Durable Goods -17.3%, Non-Durable Goods -16.2% and Services -12.2%

3. Personal Savings spikes to 33%!

- ✓ This spike and income and drop in spending results in a historically high savings rate of 33%, vs. 12.7% in March and 8.2% in February
- ✓ We expect this rate of normalize over the coming months as government benefits decline and consumer spending improves



Q1-GDP decline is not unprecedented, but how much deeper can we go?



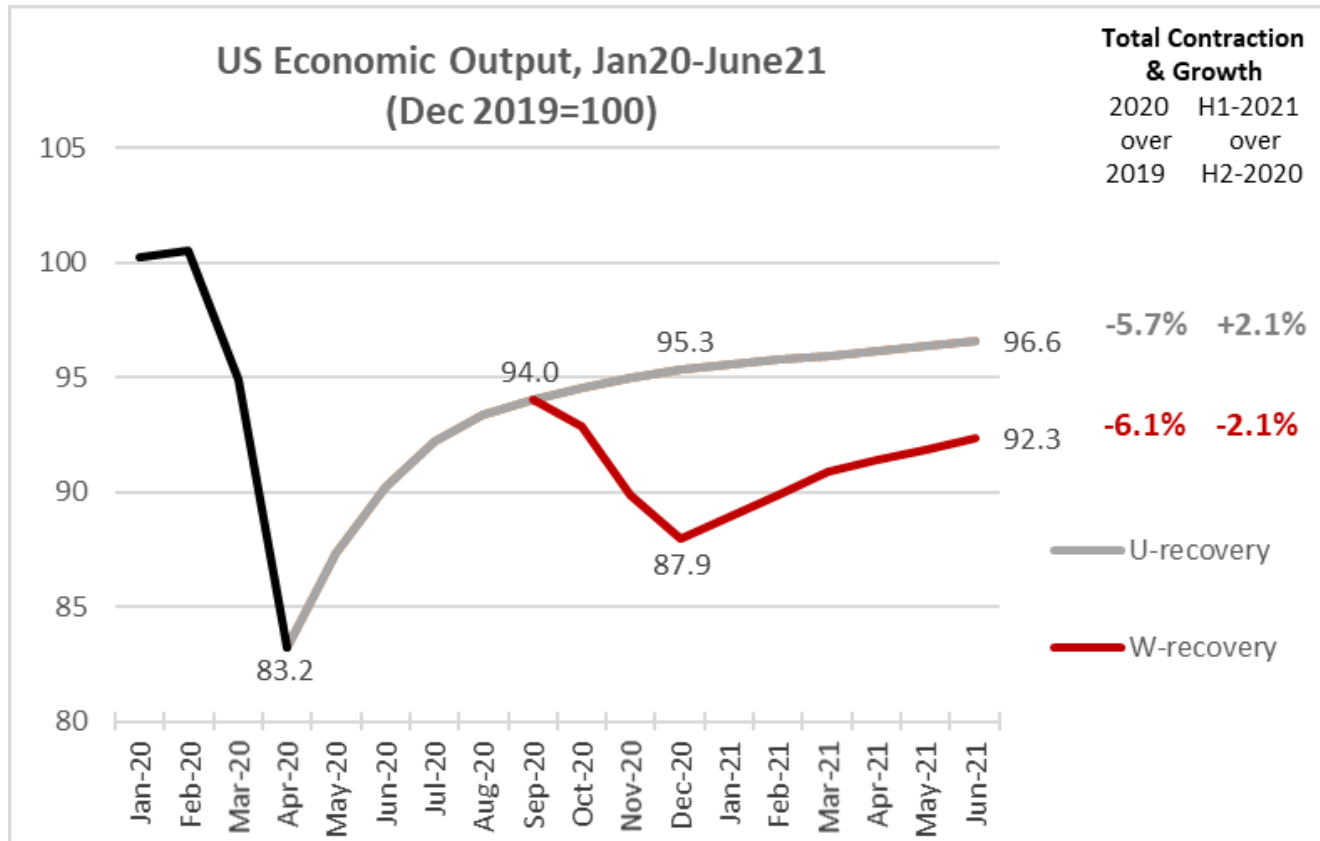
Source: Bureau of Economic Analysis

HISTORICAL TROUGHS

- 2Q20: ???
- 1Q20: -5.0%
- 4Q08: -8.4%
- 4Q90: -3.6%
- 1Q82: -6.1%
- 2Q80: -8.0%
- 1Q75: -4.8%
- 4Q70: -4.2%
- 4Q60: -5.0%



TCB envisions two possible scenarios ahead: *sharp & painful OR painful & prolonged*



US economic contraction deepens, and recovery will be slow – brunt of decline and recovery is on consumption

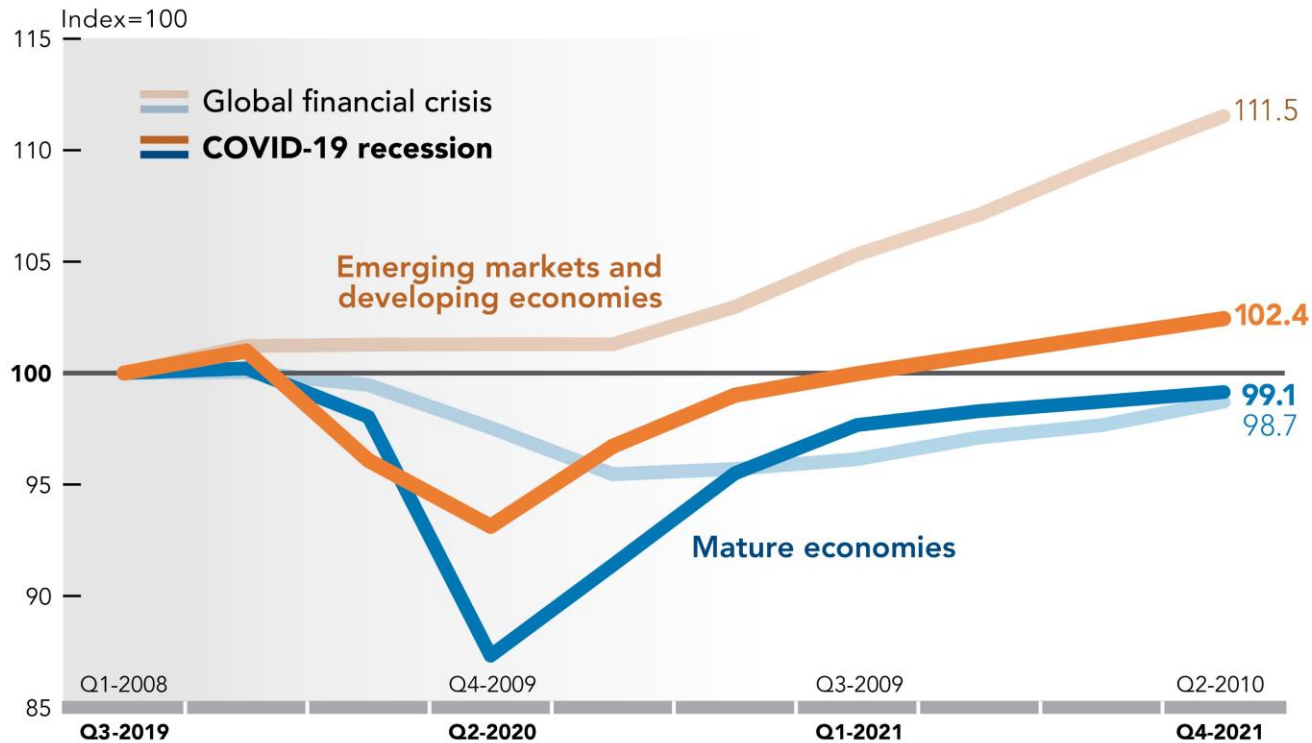
	2018		2019				2020						2018	2019	2020	2021
	1st half	2nd half	1st half	III Q*	IV Q*	2nd half	I Q*	II Q	1st half	III Q	IV Q	2nd half				
Real GDP	3.0	2.0	2.6	2.1	2.1	2.1	-5.0	-39.5	-22.3	32.2	7.8	20.0	2.9	2.3	-5.7	6.1
Real consumer spending	2.8	2.5	2.8	3.1	1.8	2.5	-6.8	-48.6	-27.7	44.2	8.0	26.1	3.0	2.6	-7.7	4.8
Residential investment	-4.5	-4.3	-2.0	4.6	6.5	5.6	18.5	-25.0	-3.3	-5.0	5.0	0.0	-1.5	-1.5	0.1	2.0
Nonresidential investment	8.3	3.5	1.7	-2.3	-2.5	-2.4	-7.9	-20.9	-14.4	1.2	5.1	3.1	6.4	2.1	-6.5	3.1
Inventory change	6.3	90.1	92.7	69.4	13.1	41.3	-67.2	-150.0	-108.6	5.0	24.0	14.5	48.2	67.0	-47.1	100.0
Total gov't spending	2.2	0.8	3.9	1.7	2.5	2.1	0.8	4.0	2.4	4.0	4.0	4.0	1.7	2.3	2.7	4.0
Exports	3.3	-2.4	-0.7	0.9	2.1	1.5	-8.7	-35.1	-21.9	11.1	9.0	10.1	3.0	0.0	-8.0	6.9
Unemployment rate	4.0	3.8	3.8	3.6	3.5	3.6	3.8	16.0	9.9	13.6	10.8	12.2	3.9	3.7	11.1	10.8
CPI inflation	2.7	1.7	2.0	1.8	2.4	2.1	1.2	-2.0	-0.4	0.0	1.0	0.5	2.4	1.8	0.8	0.7



Global Economic Outlook

The recovery path will be at least as slow as during the Great Recession, and for emerging markets even slower

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



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Source: The Conference Board



Global economic shock precedes longer lasting impact on most emerging markets and developing economies

- The outlook for many emerging markets and developing economies has deteriorated since Q2
- Potential impact of COVID-19 may hit economies during H2 of 2020
- Global demand shock has longer lasting effects as most advanced economies are showing deep contraction
- Domestic growth challenged as middle classes are challenged on confidence, jobs and incomes
- Decline in commodity prices, especially crude oil, jeopardizes budgets of countries heavily reliant on commodity exports
- Large devaluations may create instability, potential inflationary risks and limited room for monetary and fiscal maneuver
- Investors have withdrawn funds at an unprecedented scale, putting additional pressure on currencies
- Decline in tourism, hurting markets around the world



The Conference Board Global Economic Outlook, GDP growth (percent change), 2018-2021

	2018	2019	2020	2021
United States*	3.0	2.5	-7.2	6.1
Europe	2.2	1.6	-6.8	7.5
<i>Euro Area</i>	1.9	1.2	-7.3	7.6
<i>United Kingdom</i>	1.3	1.4	-7.4	7.1
Japan*	0.5	0.9	-8.4	3.3
Other Mature Economies	2.7	1.8	-3.2	3.2
All Mature Economies	2.4	1.9	-6.6	6.0
<hr/>				
China*	2.2	3.0	-2.8	7.6
India	6.8	5.3	-2.7	8.1
Other developing Asian economies	5.1	4.5	-1.5	3.1
Latin America	0.6	-0.2	-5.6	1.7
<i>Brazil</i>	1.3	1.1	-3.2	2.2
<i>Mexico</i>	2.1	-0.1	-8.5	1.7
Middle East & North Africa	1.5	0.3	-3.2	2.0
<i>Gulf Region</i>	2.1	0.9	-5.9	2.2
Sub-Saharan Africa	3.0	2.9	-4.2	4.2
Russia, Central Asia and SE Europe	2.8	1.5	-4.8	3.1
<i>Russia</i>	2.5	1.3	-5.2	3.2
<i>Turkey</i>	2.9	0.9	-4.3	2.9
All emerging and developing economies	3.0	2.6	-3.3	5.1
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World	2.7	2.3	-4.8	5.5
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Note: GDP growth for select countries with significant ICT production and trade (China, US and Japan) are revised upward to reflect ICT price declines.

*Europe includes all current European Union 28 members as well as Switzerland, Iceland and Norway.

**Other mature economies are Australia, Canada, Israel, Hong Kong, South Korea, New Zealand, Singapore, and Taiwan.

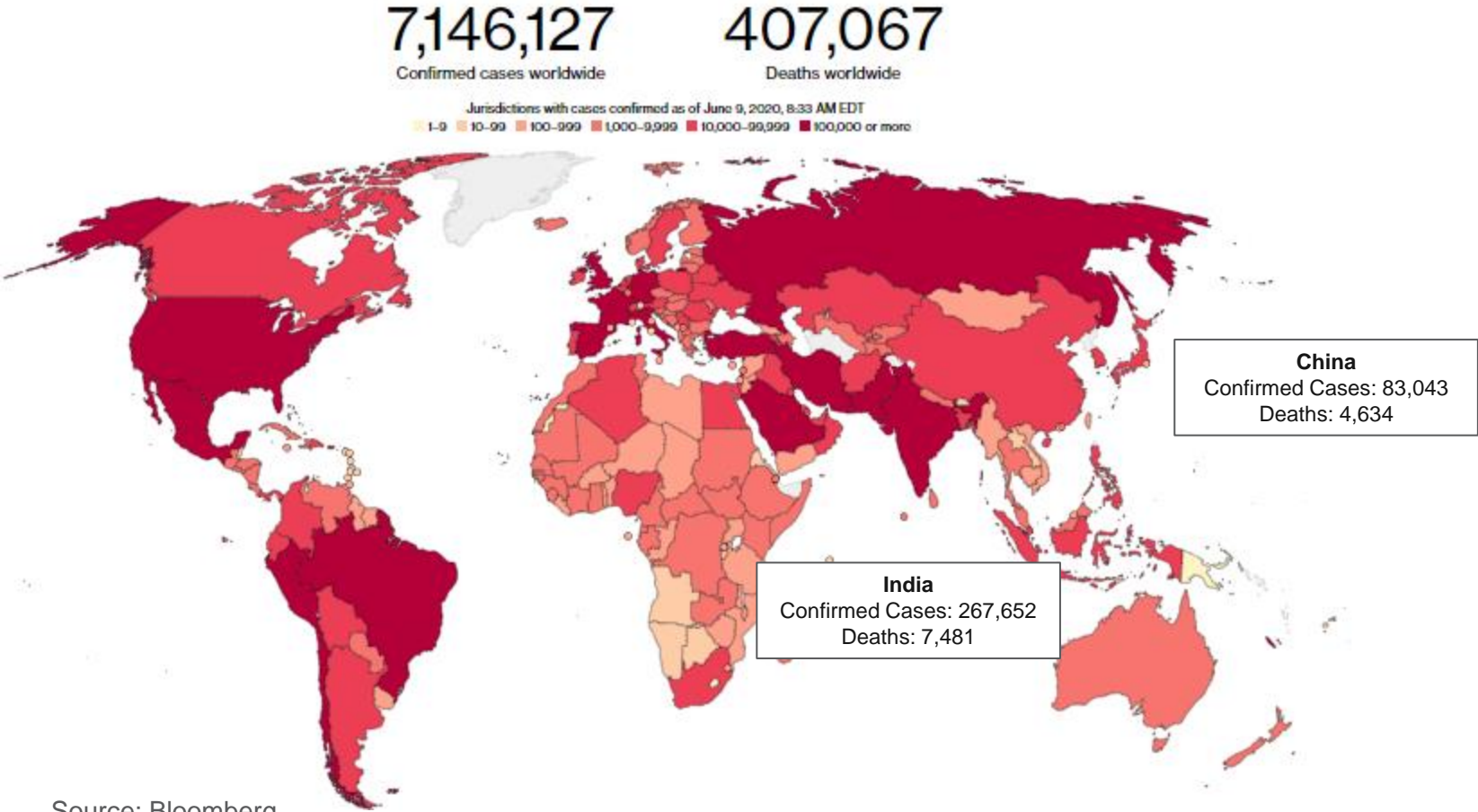
***Russia, Central Asia, and Southeast Europe include projections for Russia, Kazakhstan, Turkmenistan, Uzbekistan, Belarus, and Turkey.

Source: The Conference Board Global Economic Outlook 2020, May 2020 update.



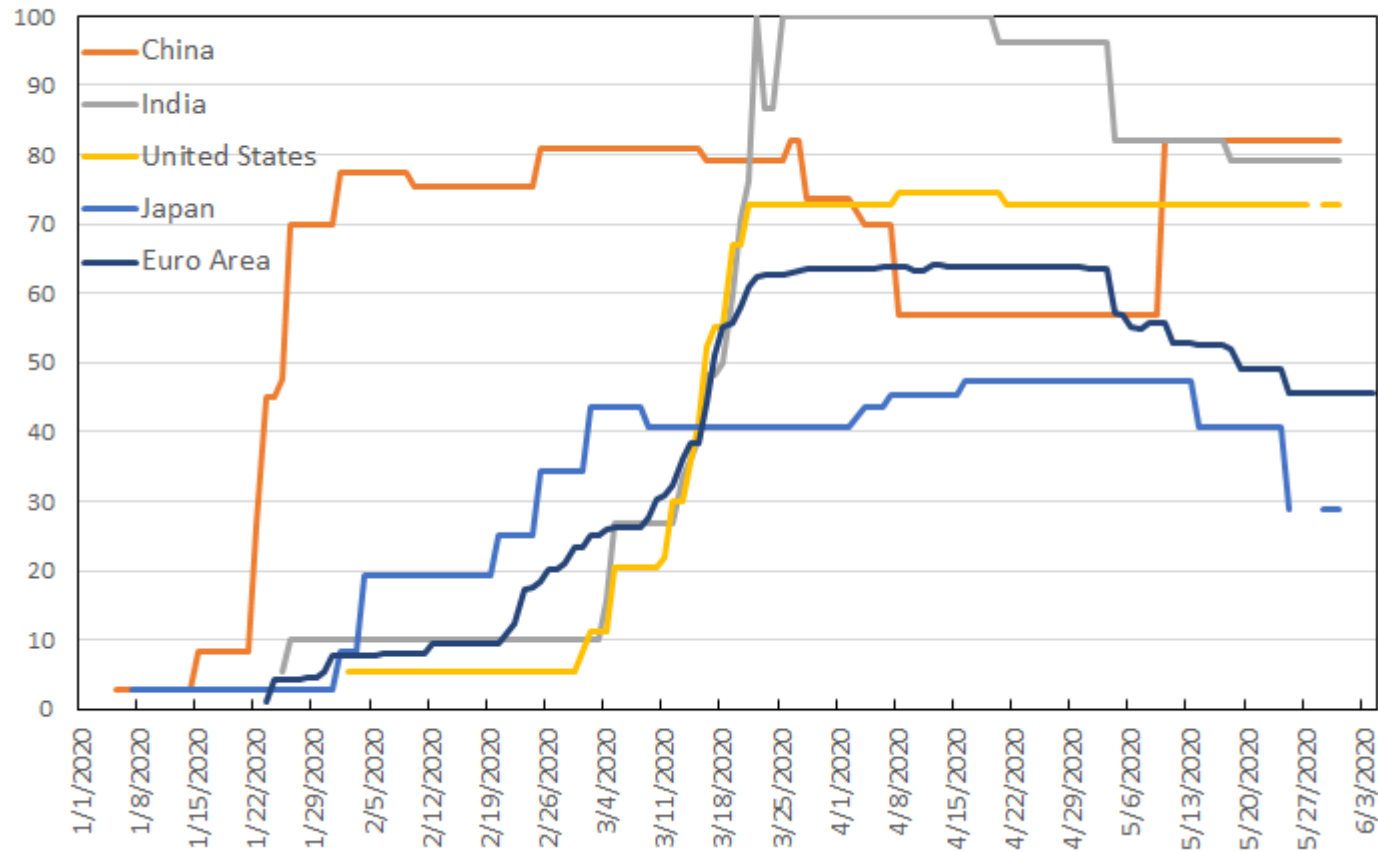
China & India

Every nation's experience with the pandemic has been unique – what has COVID-19 looked like in China & India?



China & India embraced lockdowns to fight the pandemic. What did they look like and how have they evolved?

Government response stringency index

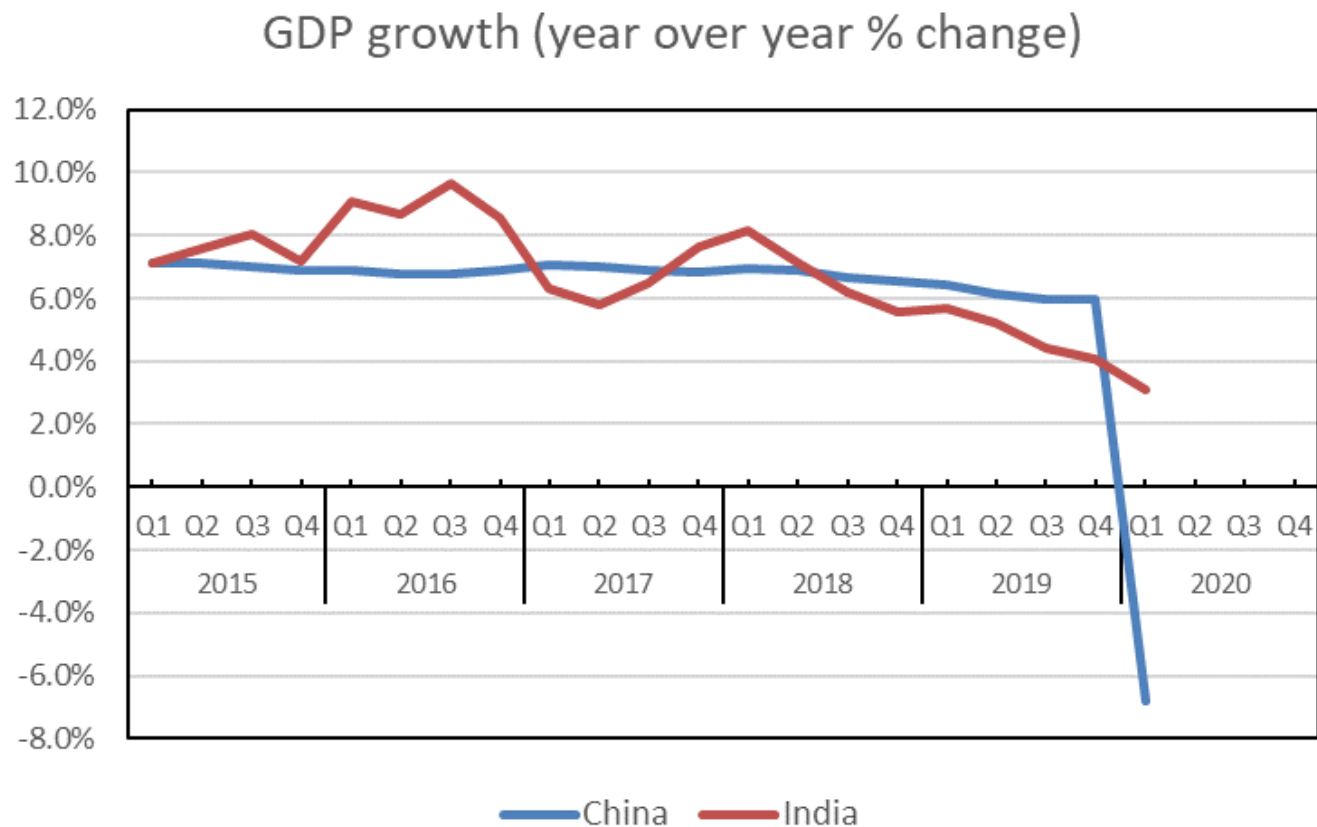


Notes: Government response stringency aggregated using nominal GDP in US dollar PPP terms.

Source: The Conference Board calculations using the Oxford COVID-19 Government Response Tracker.



What kind of economic impact has COVID-19 had on India and China is the short-term?

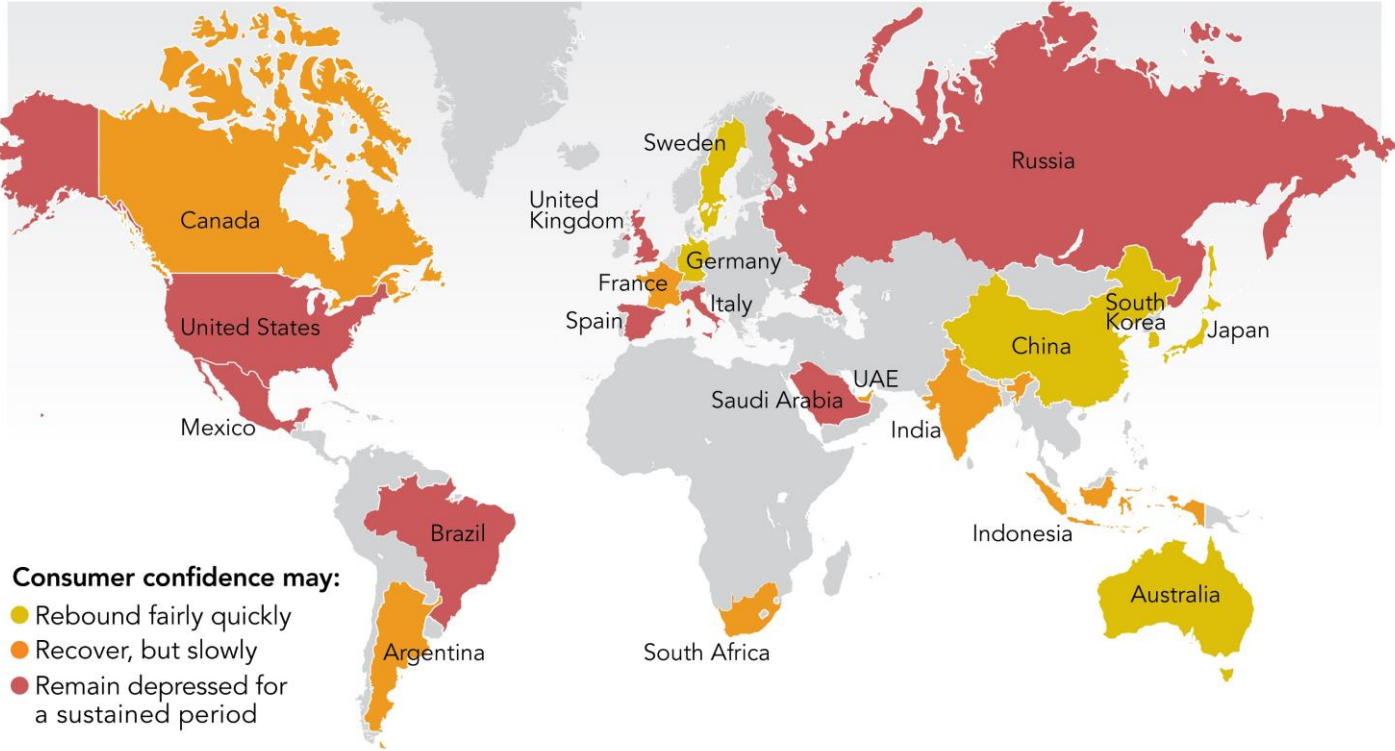


Source: Haver analytics



Consumer confidence: How are consumers in China and India grappling with COVID-19?

Impact of COVID-19 on consumer confidence around the world, according to experts at The Conference Board



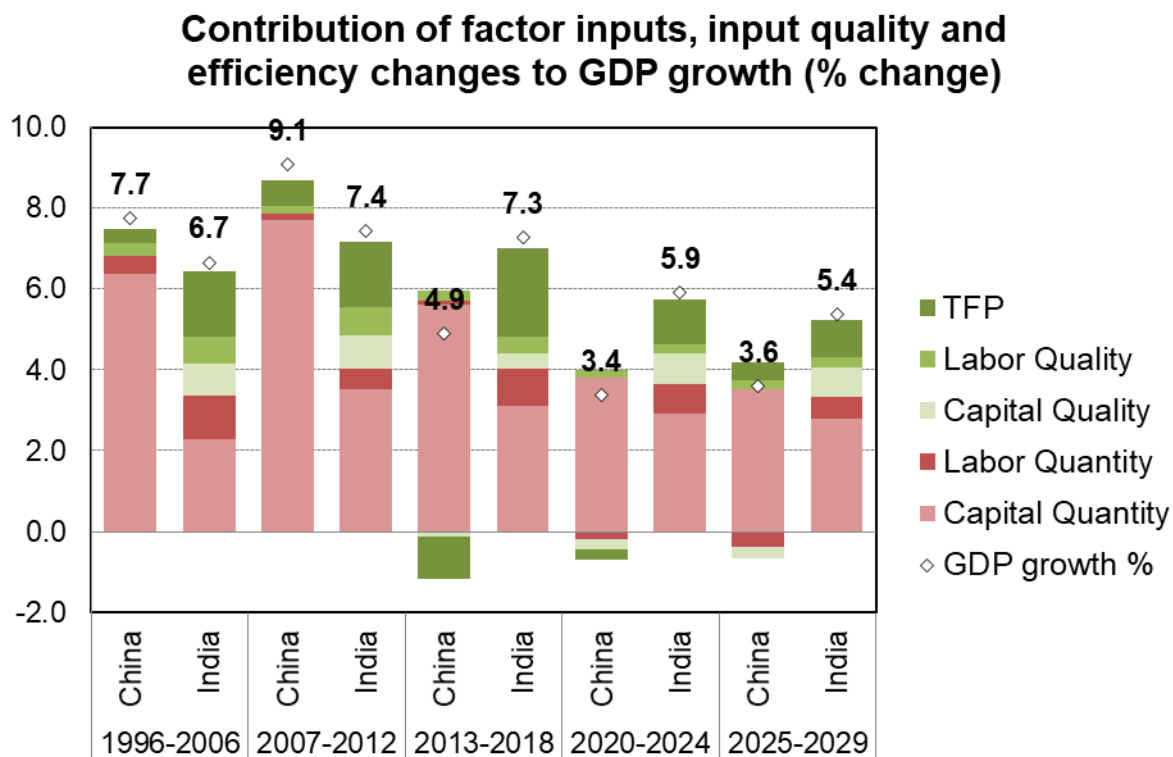
Source: The Conference Board

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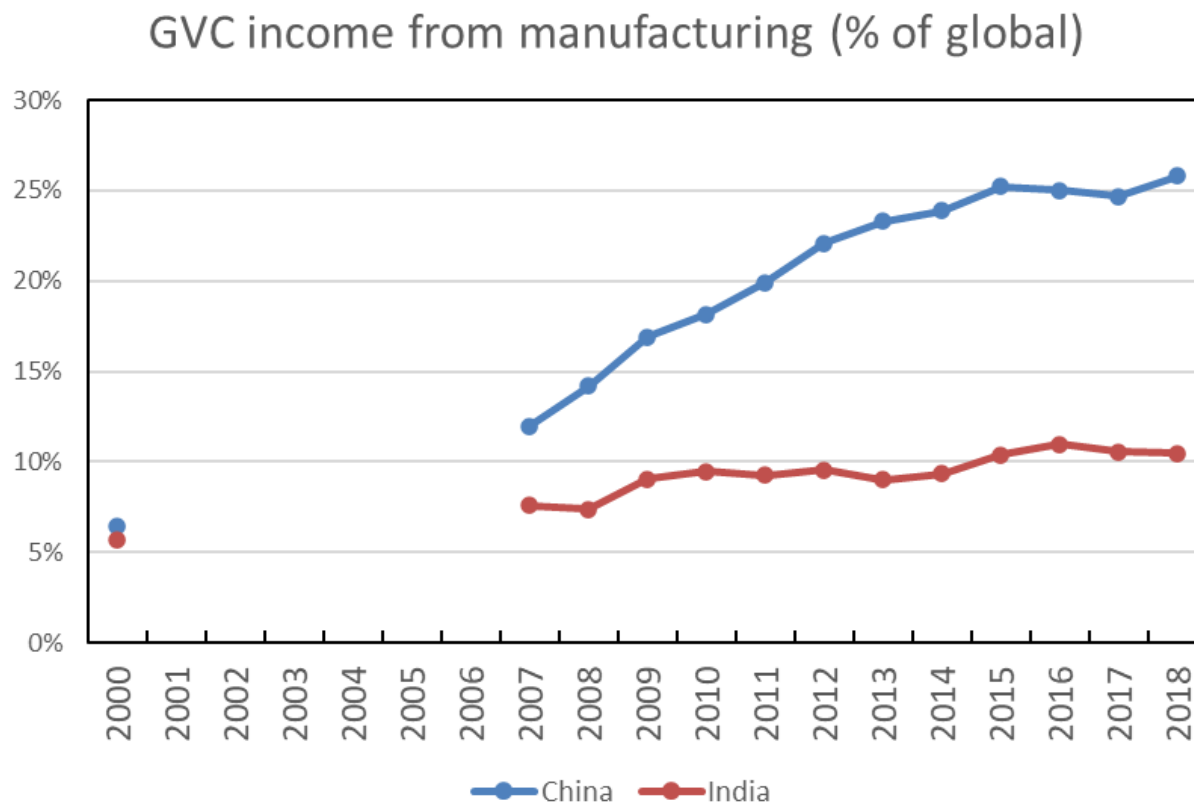
What kind of impact will COVID-19 have on India and China's medium-term growth prospects?



Notes: China alternative GDP growth estimates used; GDP growth is presented as percent change; 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



Global Value Chain disruptions: Will India and China's role in global goods & services production change?

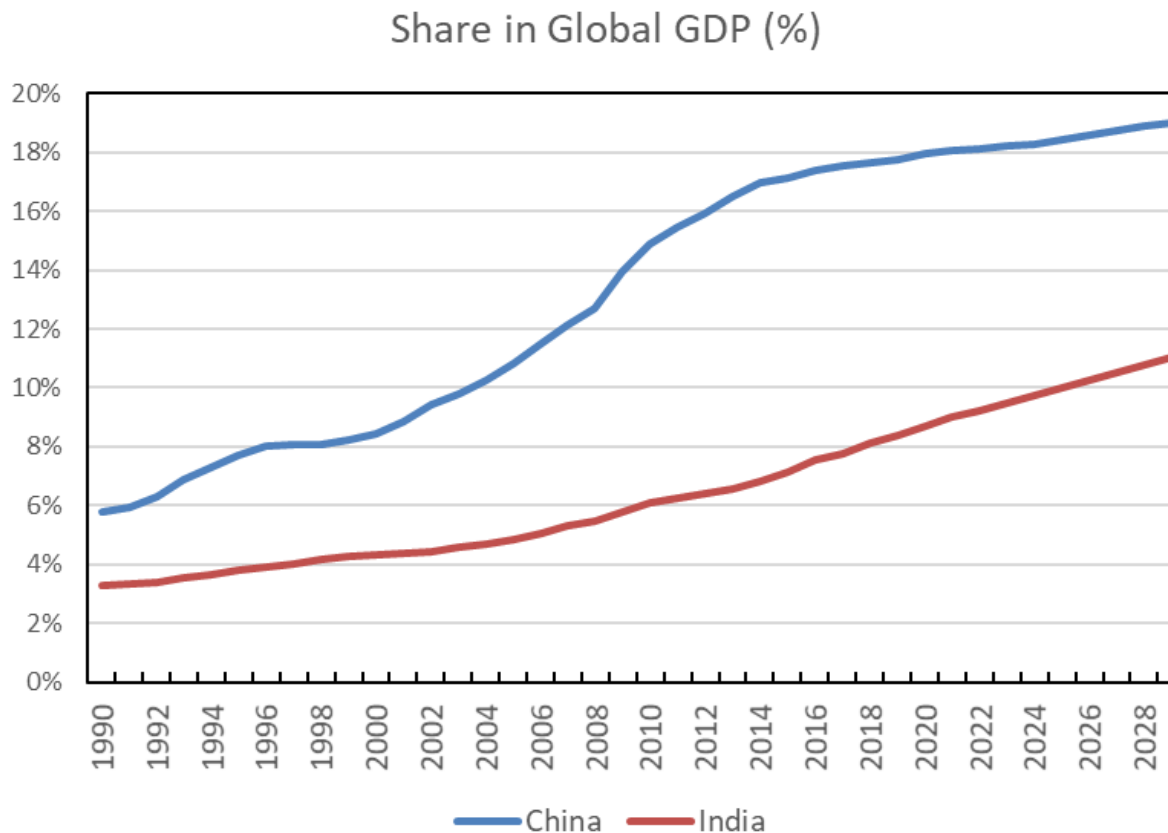


Notes: Global Value Chain (GVC) income measures total income generated through all stages of production of manufactured goods, either in domestic or foreign production value chains.

Source: The Conference Board calculations using Asian Development Bank Multi-Regional Input-Output tables.



How will China & India's economic fortunes impact the global economy more broadly?



Notes: GDP is converted in nominal US PPP dollars using extrapolated 2011 PPPs. Chinese data is based on alternative GDP growth estimates

Source: The Conference Board Global Economic Outlook 2020



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- *Economic View publications* in an accessible chart format on each of these three key regions.
- 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: COVID-19 in Latin America – Brazil and Mexico

July 8, 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





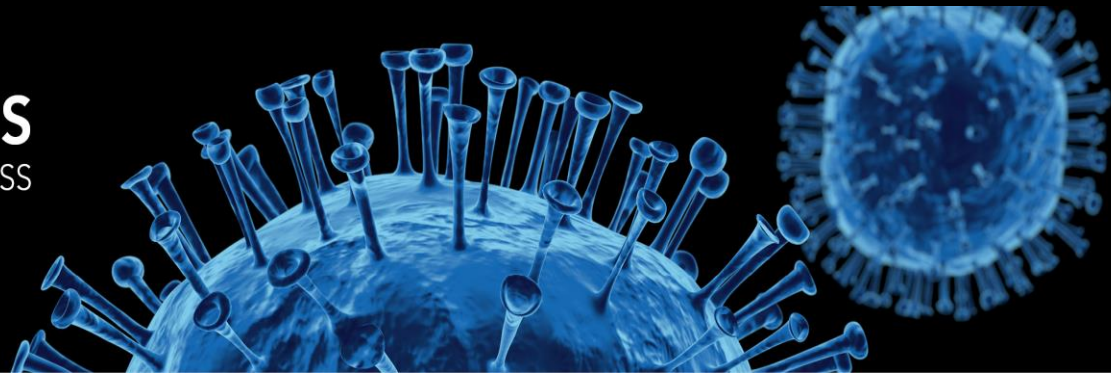
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- [Window On Fiscal Policy During the COVID-19 Crisis](#) (June 24 @ 11am ET)
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COVID-19
CORONAVIRUS
IMPLICATIONS FOR BUSINESS



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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.

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Do you have suggestions for future topics? Please feel free to contact Erik Lundh at: Erik.Lundh@conference-board.org

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