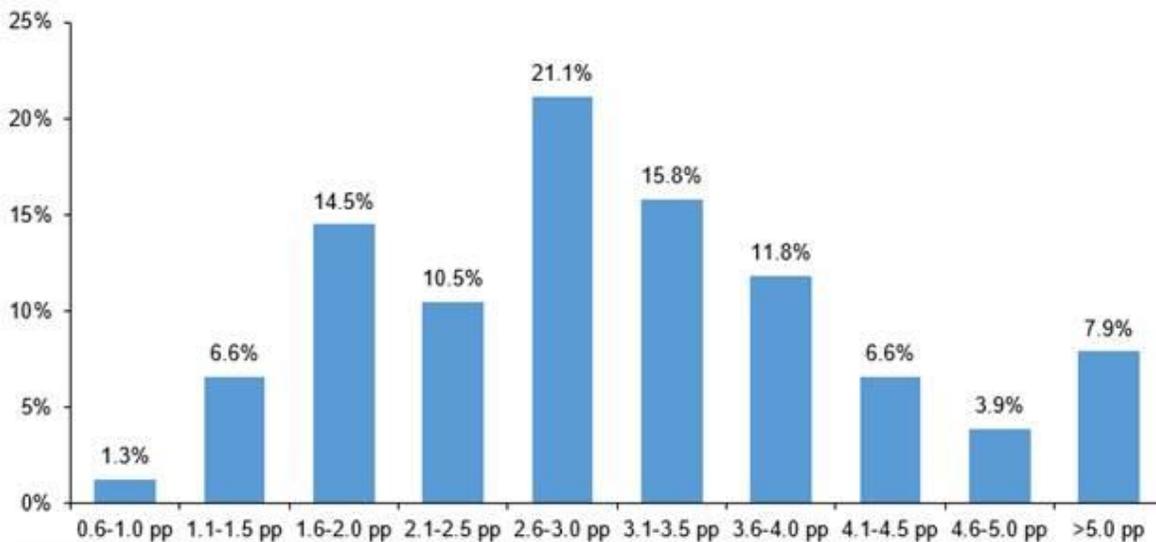


Covid-19 note

Thursday 9 April 2020

The global recession is increasingly expected to be longer, and more severe, increasing the risk to the downside. South Africa is in line for further credit rating downgrades, with its GDP outlook deteriorating substantially too

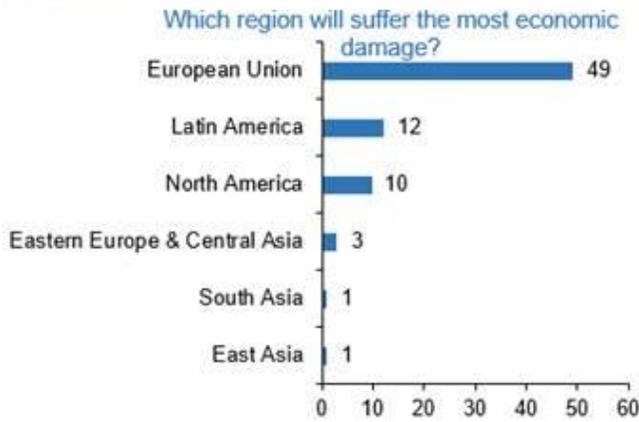
What will be the negative impact of Covid-19 on 2020 global growth in percentage points?



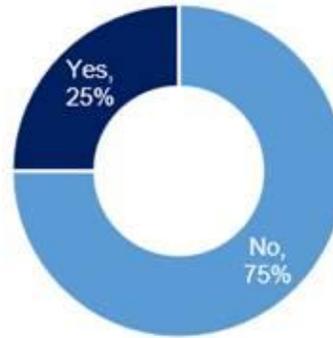
Source: Focus Economics Consensus Forecast panelists total responses

Note: Total responses in %

Which region will suffer the most economic damage? And will the coronavirus-induced slump morph into a broader financial crisis?



Will the coronavirus-induced slump morph into a broader financial crisis?

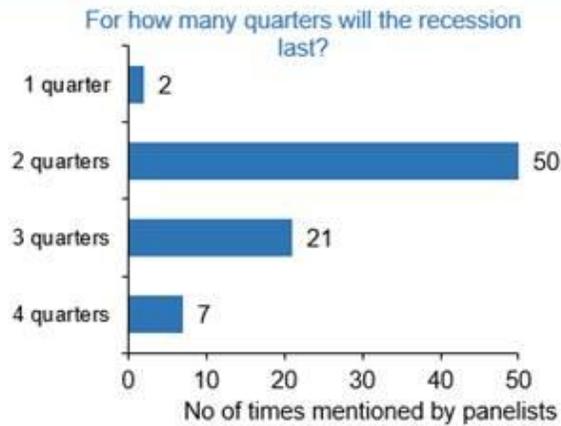
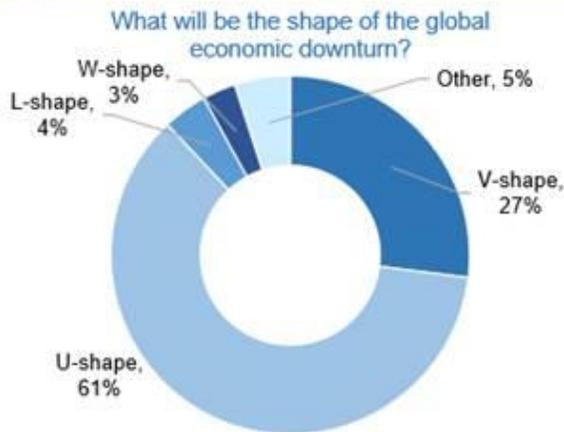


Source: Focus Economics Consensus Forecast panelists total responses

Note: Number of times mentioned by panelists

Note: Total responses in %

What will be the shape of the global economic downturn? And how many quarters will the recession last?



Source: Focus Economics Consensus Forecast panelists total responses

Note: Total responses in %

Note: Number of times mentioned by panelists

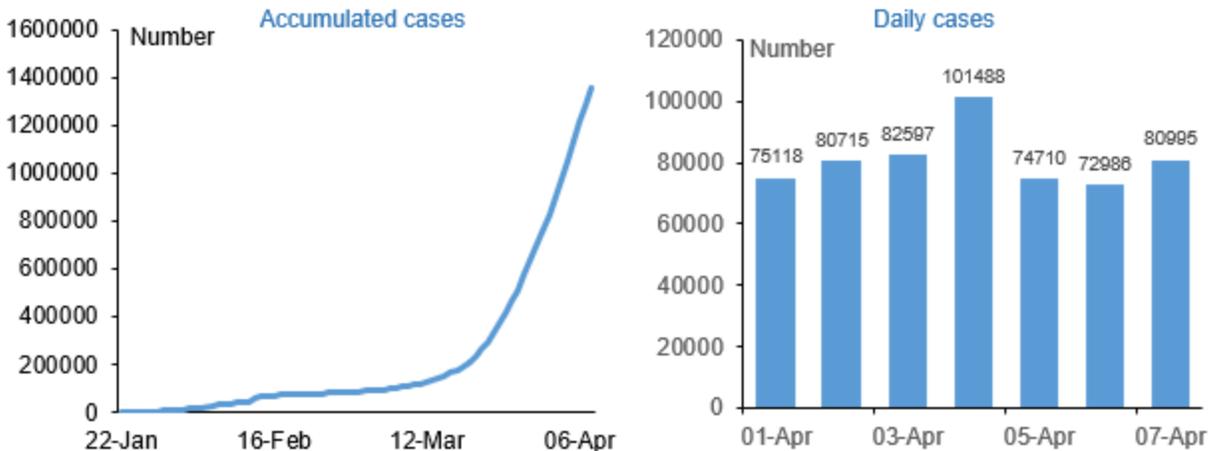
Economic Growth (GDP, ann. var. %)								
	Q1.20	Q2.20	Q3.20	Q4.20	Q1.21	Q2.21	Q3.21	Q4.21
Argentina	-2.5	-5.8	-4.2	-2.4	0.0	4.9	3.3	2.7
Brazil	0.3	-4.2	-2.0	-0.4	1.2	5.6	4.4	2.9
Chile	-0.7	-5.3	-2.5	1.9	1.4	5.8	2.7	2.6
China	-3.9	2.1	4.9	5.7	12.1	8.0	5.8	4.9
France	-1.3	-7.6	-4.3	-2.9	-0.2	7.2	4.1	3.2
Germany	-1.7	-8.5	-5.4	-3.7	-0.6	7.9	4.4	3.1
Italy	-3.7	-10.2	-6.2	-4.5	0.1	7.7	3.7	2.5
Japan	-1.8	-4.1	-3.5	-1.3	0.0	2.9	2.8	2.3
Korea	0.7	-0.8	-0.1	0.0	2.2	3.5	3.3	3.1
Mexico	-1.9	-7.2	-4.9	-3.0	-1.1	4.9	3.7	2.4
Russia	1.4	-2.9	-2.5	-1.1	0.0	3.4	2.7	2.3
Spain	-1.0	-8.6	-5.0	-3.9	-0.8	8.1	4.7	4.0
United Kingdom	-0.8	-7.3	-4.5	-2.6	0.1	7.2	4.5	3.0
United States	0.7	-5.5	-3.4	-2.1	-0.2	6.8	4.6	3.3

Source: Focus Economics

- The impact of Covid-19 on the global economy is believed to be worsening, with expectations themselves worsening each week as the hard data, ranging from jobless claims to PMI readings, comes in. A severe impact is now expected on the global economy (a deep recession) and GDP forecasts continue to be downgraded weekly.
- The negative impact on global growth from Covid-19 is now expected to be in excess of 3%, with an ever increasing majority of forecasters believing the recession will be longer than initially thought, and that the impact will still be felt into 2021. The risks are seen to be skewed to the downside, with more seeing a U than a V shaped recovery.
- There remains material "uncertainty over the evolution of the pandemic, the duration of worldwide containment measures and the effectiveness of stimulus packages. ... economic activity ... (is) not ... (expected) to suddenly rebound (referred to as a V-shaped recovery) but will instead stay subdued for longer." (Focus Economics survey of 77 economists globally).
- The EU continues to be expected to suffer "the most economic damage, due to widespread lockdowns hurting an already-weak economy, and the lack of a coordinated fiscal response among member states." Latin America and North America are also of concern "due to weak healthcare systems and a sluggish response to the outbreak respectively."
- Many believe that a wider financial crisis will be avoided due to substantial fiscal and monetary stimuli and other policy measures, with the banking system seen sounder (relatively well capitalised) compared to the global financial crisis (of 2007 to 2008). High and rising debt levels are still identified as a risk however that could intensify the crisis.
- In South Africa relatively high, and currently projected substantial further elevation in government debt levels, with no stabilisation identified, has already resulted in two investment downgrades from Fitch and Moody's, with these rating agencies stating that even further downgrades will occur. The rand has seen additional marked weakness as a result.
- Finance Minister Mboweni is scheduled to hold a briefing at 3pm today on these recent downgrades from Moody's and Fitch, and also on the "recent interventions made by National Treasury to assist in limiting the economic impact of the coronavirus outbreak."

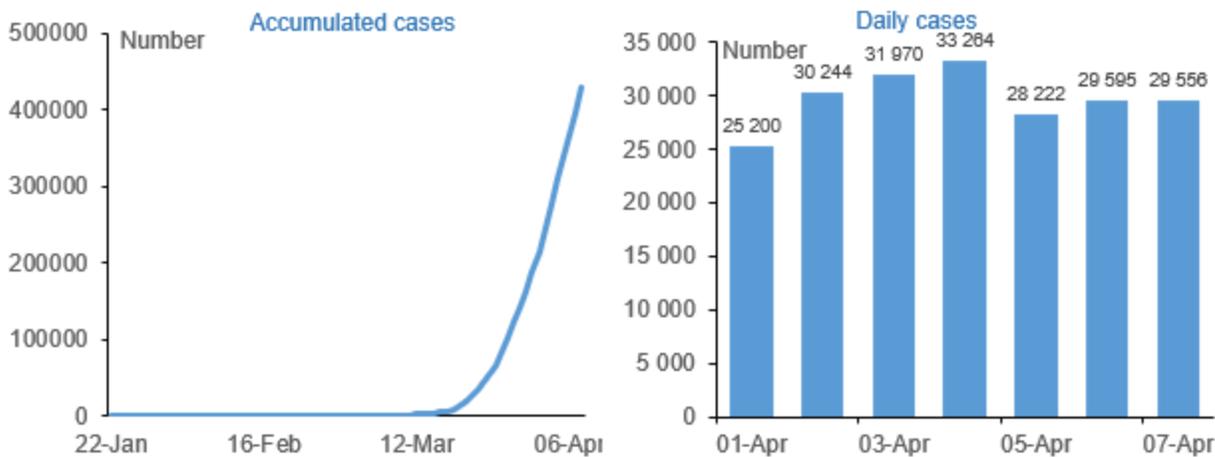
- Market expectations however are that SA will not be able to stabilise its debt projections, and government borrowings as a % of GDP will continue to rise substantially, particularly given the Covid-19 expenditure pressures, and so South Africa's credit ratings will be downgraded further, towards the single B grade category, just above the C grade categories.
- Minister Mboweni may speak today about the need for assistance from multilateral organisations, particularly the IMF and World Bank for bolstering South Africa's health care expenditure, but further access to IMF financing is unlikely (if indeed any at all) as many members in the tri-partite alliance remain firmly opposed to the consequences of such access.

World: accumulated and daily cases



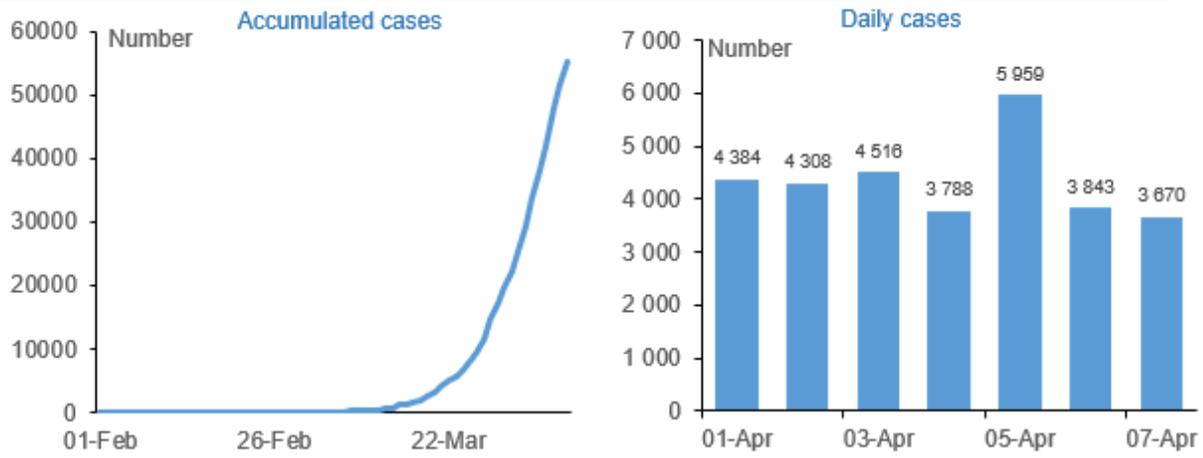
Source: Focus Economics, John Hopkins University

US: accumulated and daily cases



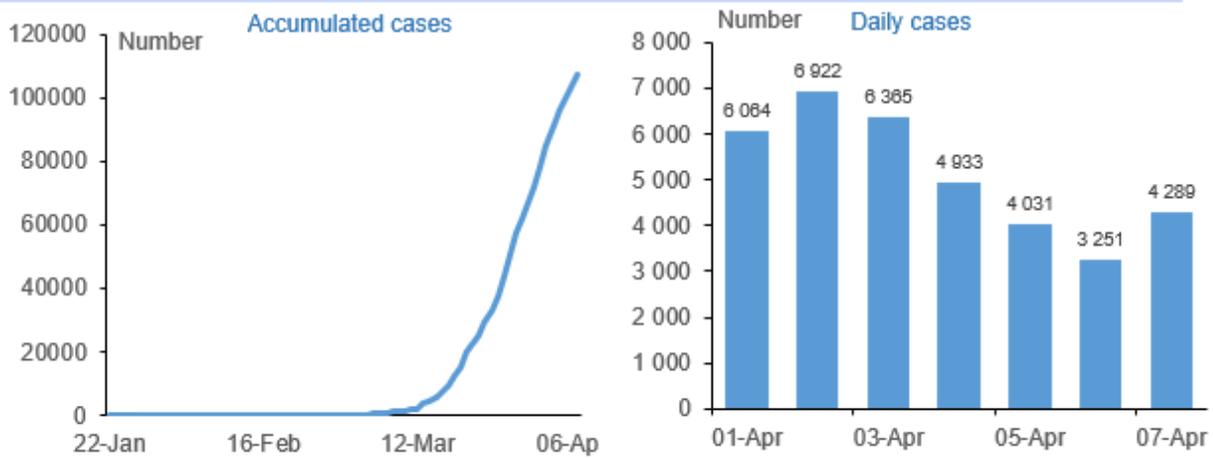
Source: Focus Economics, John Hopkins University

UK: accumulated and daily cases



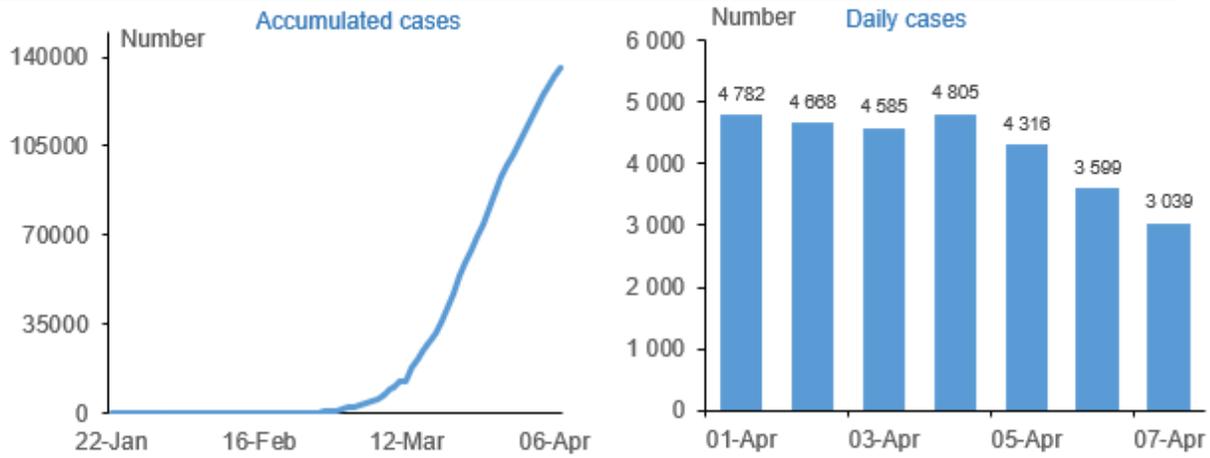
Source: Focus Economics, John Hopkins University

Germany: accumulated and daily cases



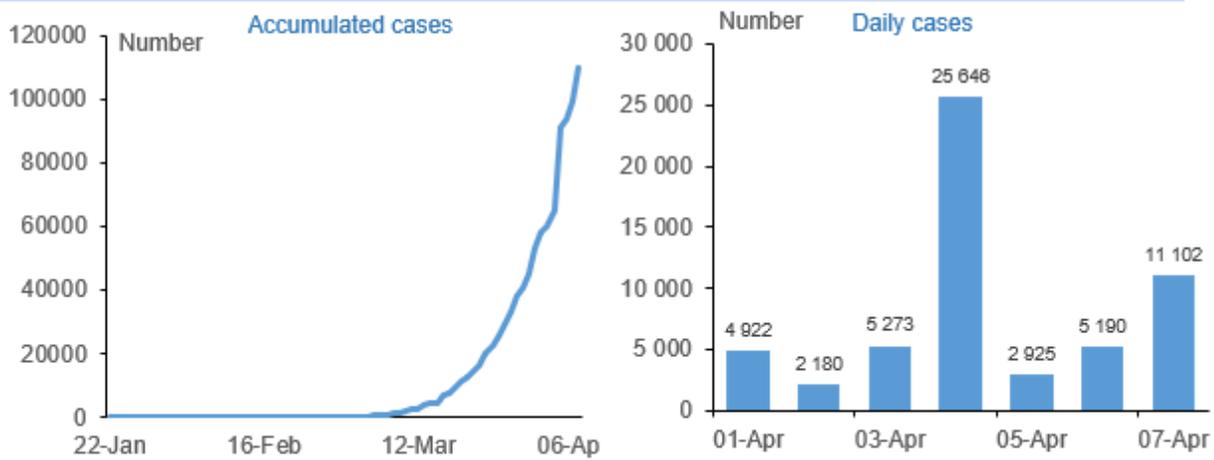
Source: Focus Economics, John Hopkins University

Italy: accumulated and daily cases



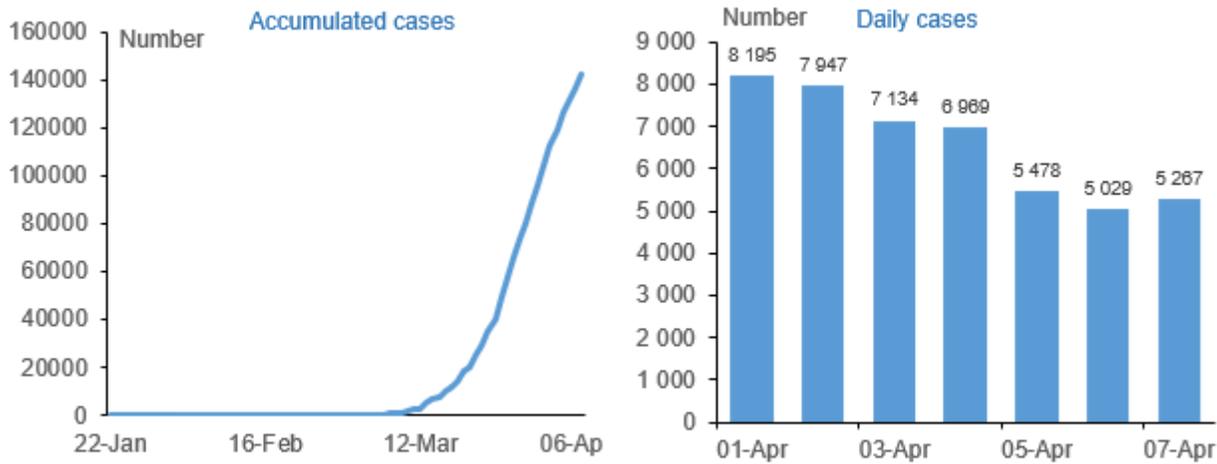
Source: Focus Economics, John Hopkins University

France: accumulated and daily cases



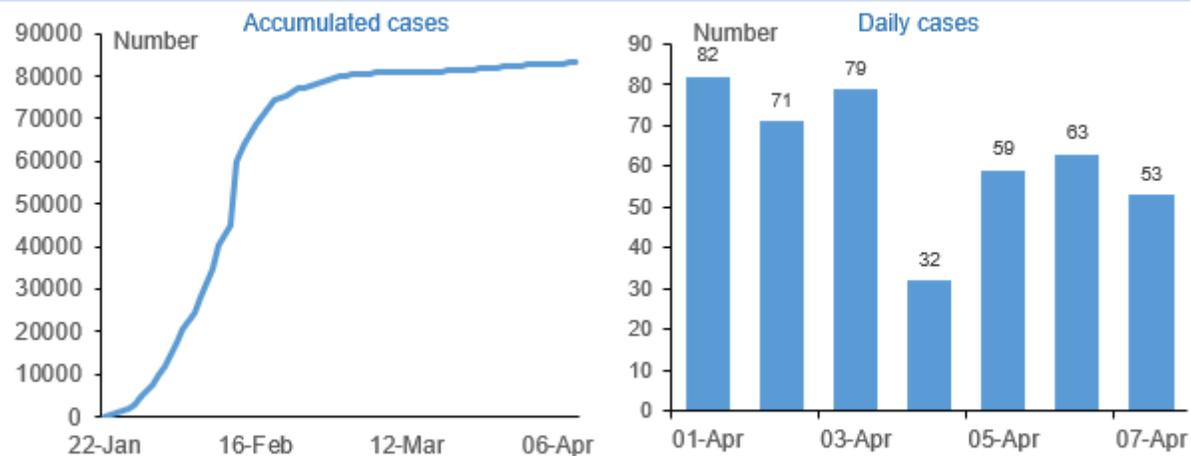
Source: Focus Economics, John Hopkins University

Spain: accumulated and daily cases



Source: Focus Economics, John Hopkins University

China: accumulated and daily cases



Source: Focus Economics, John Hopkins University

- Global economic activity is expected to contract over most of this year, with a deep recession likely. Economic shutdowns have occurred in large parts of the world to different degrees, and while China is restarting its economy, other key economies remain hamstrung by travel restrictions, and are seeing particularly weak economic activity.
- The UK is expected to see each quarter of its GDP contract this year, while the consensus for the US is for four quarters of contraction in its GDP from Q2.20 to Q1.21, and five quarters of GDP contraction for Germany running to Q1.21. China in contrast is only expected to have seen one quarter of contraction, in Q1.20.
- In the US, "(t)he recession in H1 is now forecast to be much deeper than a week ago, as more states adopt stringent containment measures." "Policies include stay-at-home orders, the closure of non-essential businesses and limits to public gatherings, but vary depending on the state." For the last week of March 6.6million people alone filed jobless claims.
- For South Africa, its 21 day lockdown with individuals confined to their homes except to purchase food, medicine and other essentials and with only essential services operating, the current 21 economic shutdown is expected to cause GDP growth to contract by around -15% qoq in Q2.20, and by about -2.7% y/y this year.

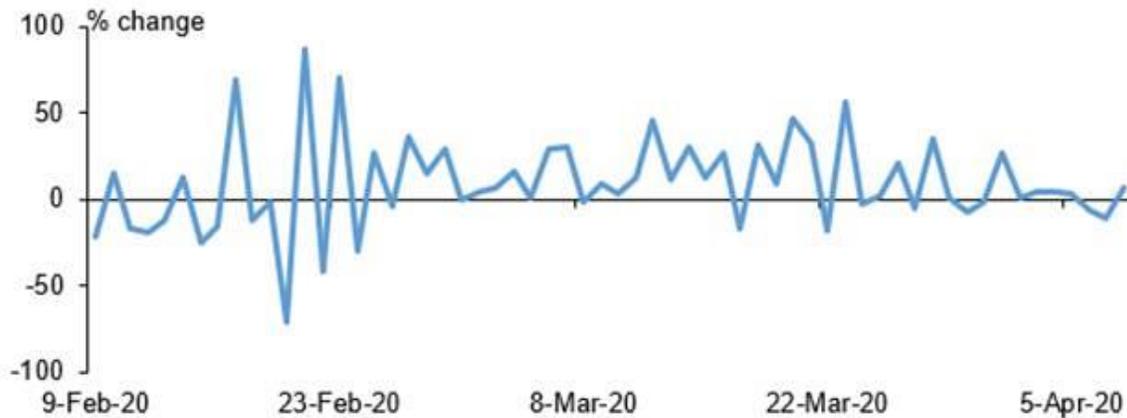
- Around a month's lockdown in South Africa is likely to see around a contraction of an estimated 3% y/y for the year. An extension of the current lockdown will see a greater impact, another month of the same level of restrictions will likely pull SA's GDP contraction towards 6% y/y for the year.
- An extension of the current lockdown, for another 21 days or more is not necessarily expected, nor indeed if the lockdown is extended will it necessarily be for this suggested time. Another likelihood, and perhaps a greater likelihood, is that some limited forms of opening up of the domestic economy will occur in some sectors.
- Opening up the economy in part, providing ventilation to sectors, is possibly the option which may occur in South Africa (with perhaps some small extension first of the current lockdown), particularly for large value add sectors to the economy that provide substantial employment, but with substantial additional health and safety measures in the face of Covid-19.
- China is managing to restart its economy with strict health and safety measures, and Asia is expected to lead the global growth recovery. Portfolio flows are also expected to recover in the second half of the year prompted by the substantial QE particularly in the US. The rand is likely to strengthen in H2.20 from current heavily oversold levels.
- The balance in the trade-off between the health risks and the social-economic consequences of when and how to restart the economy, will also depend on social support measures put in place for the population that have not been earning incomes, as the risk of heightened civil unrest will grow on a prolonged shut down without wide income support measures.

Situation in numbers (total and new cases in last 24 hours for 8th April)

Reporting regions	Confirmed	Total confirmed new cases	Total Deaths	Total new deaths
Globally	1 353 361	73 639	79 235	6 695
European Region	720 219	33 881	57 369	4 904
Regions of the Americas	417 416	33 174	12 597	1 500
Western Pacific Region	114 667	1 026	3 922	30
Eastern Mediterranean Region	81 993	3 428	4 314	165
South-East Asia Region	10 707	1 575	426	64
African Region	7 647	555	326	32

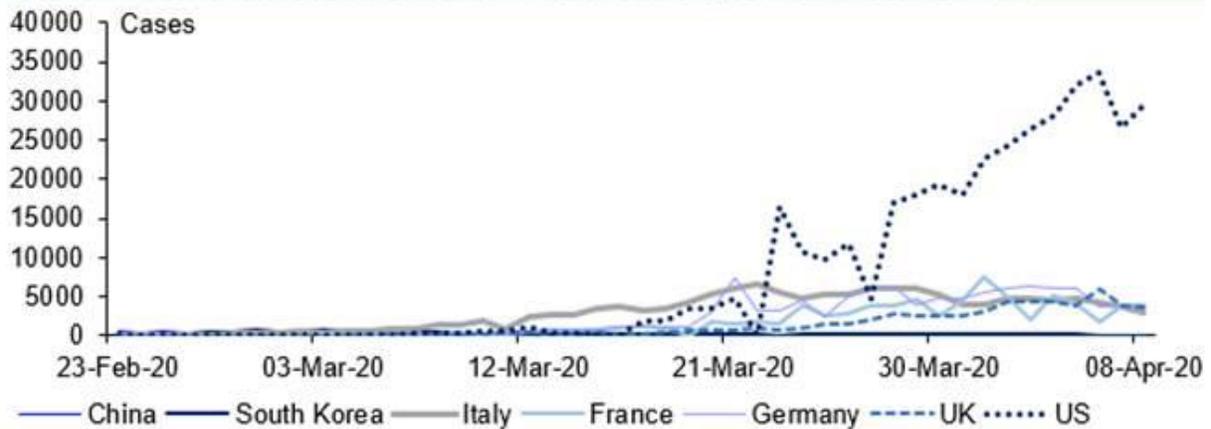
Source: World Health Organization

Daily % change in COVID 19 – new cases globally



Source: World Health Organisation

Growth rate of new cases outside China has slowed and Epidemic curve of COVID-19



Source: World Health Organisation

Countries, areas or territories with COVID-19 cases reported in the last 7 days
(From 02 April 2020, 10:00AM to 08 April 2020, 10:00AM (CET))

