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# Global Macroeconomic Monthly Update

## Risk Of Double Dip Rises In Q4

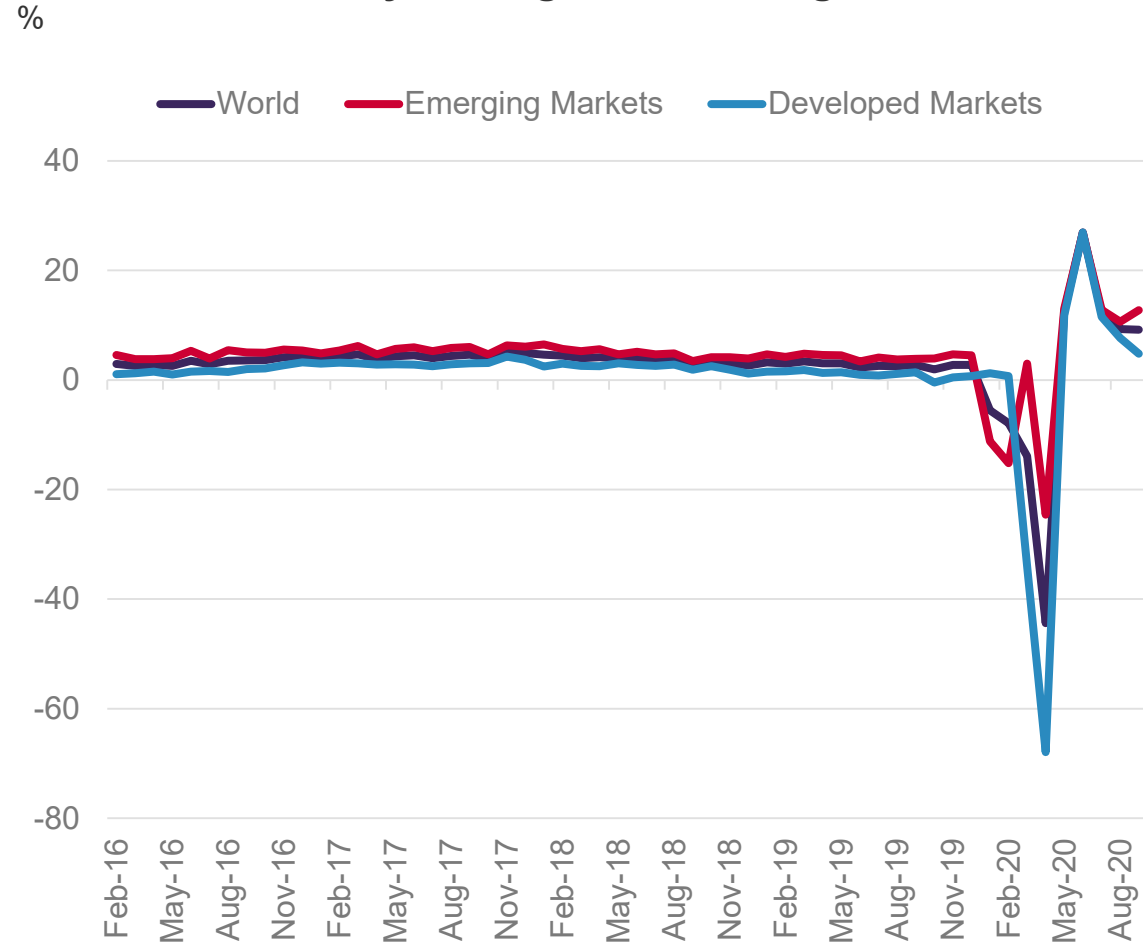
October 2020

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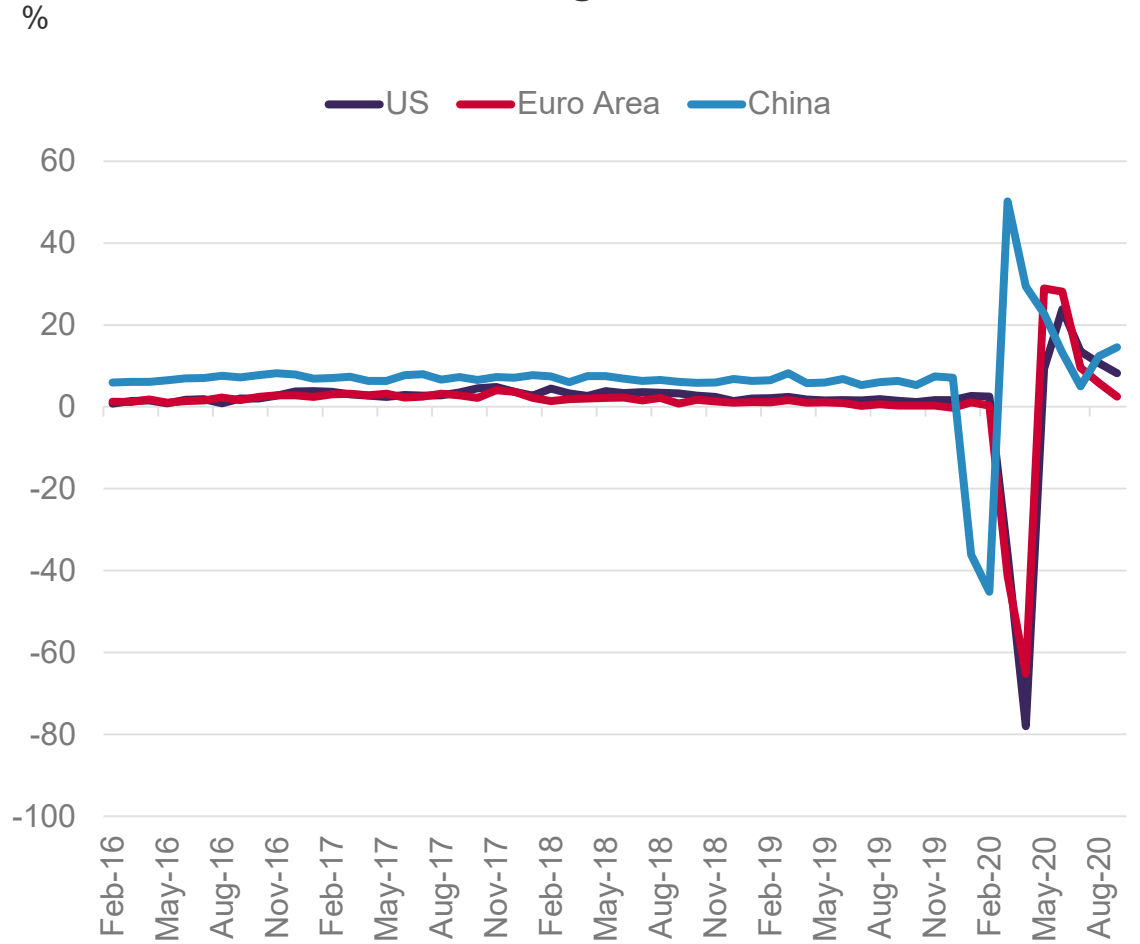
# Global Growth Momentum Hard To Sustain

## GS Current Activity Easing As DMs Drag



Source: Goldman Sachs (GS), Bloomberg, Fitch Solutions

## China Seems To Be Bucking The Trend A Little

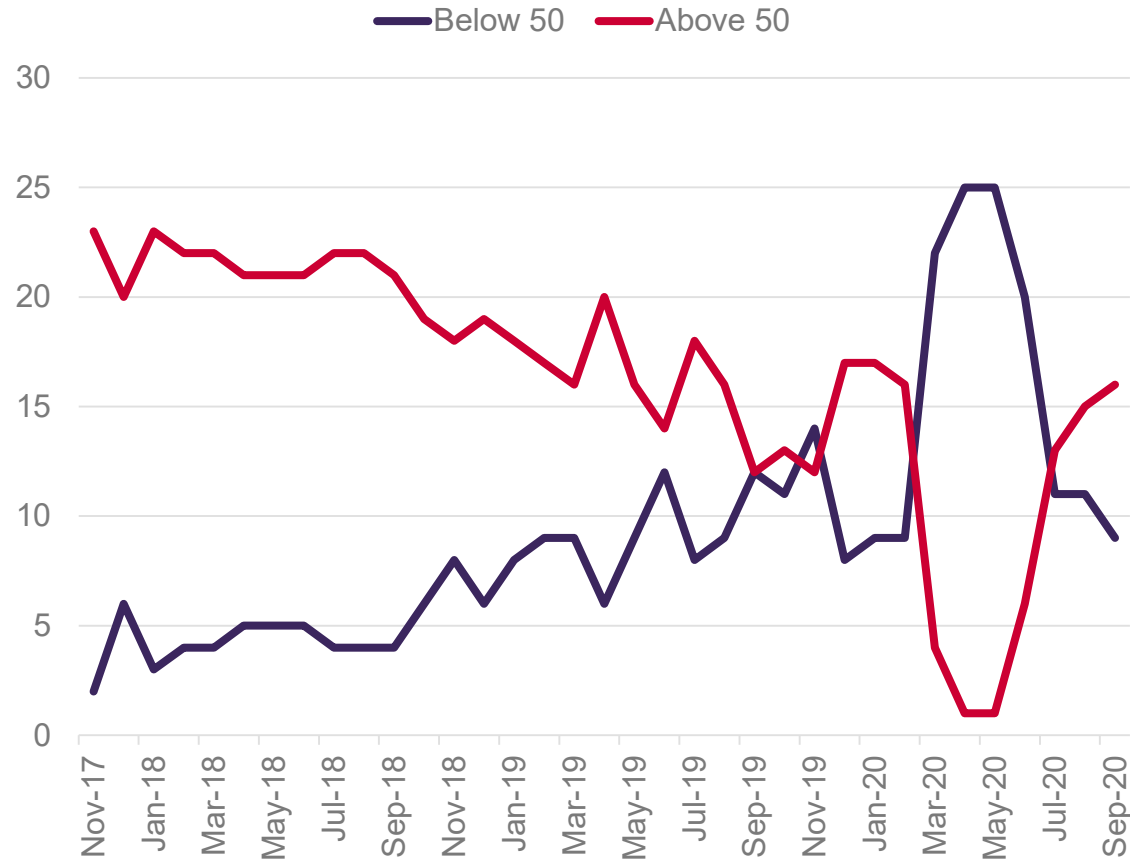


Source: Goldman Sachs (GS), Bloomberg, Fitch Solutions

# More Countries Show PMIs In Expansion, But Europe Lagging

## Increase In Number Of Markets Expanding

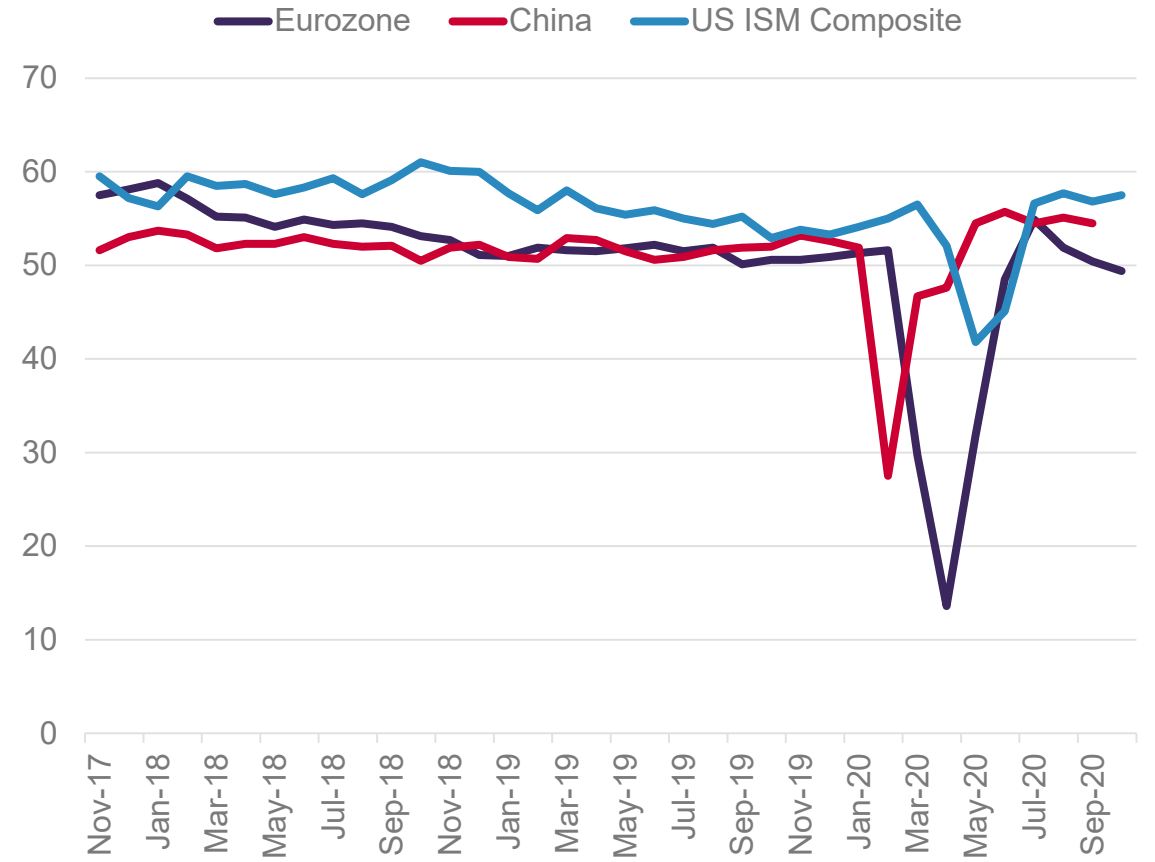
Count Of Select Economies With PMI Above Or Below 50 Level



Source: Bloomberg, Fitch Solutions

## Europe Composite PMIs Diverging Lower

Index

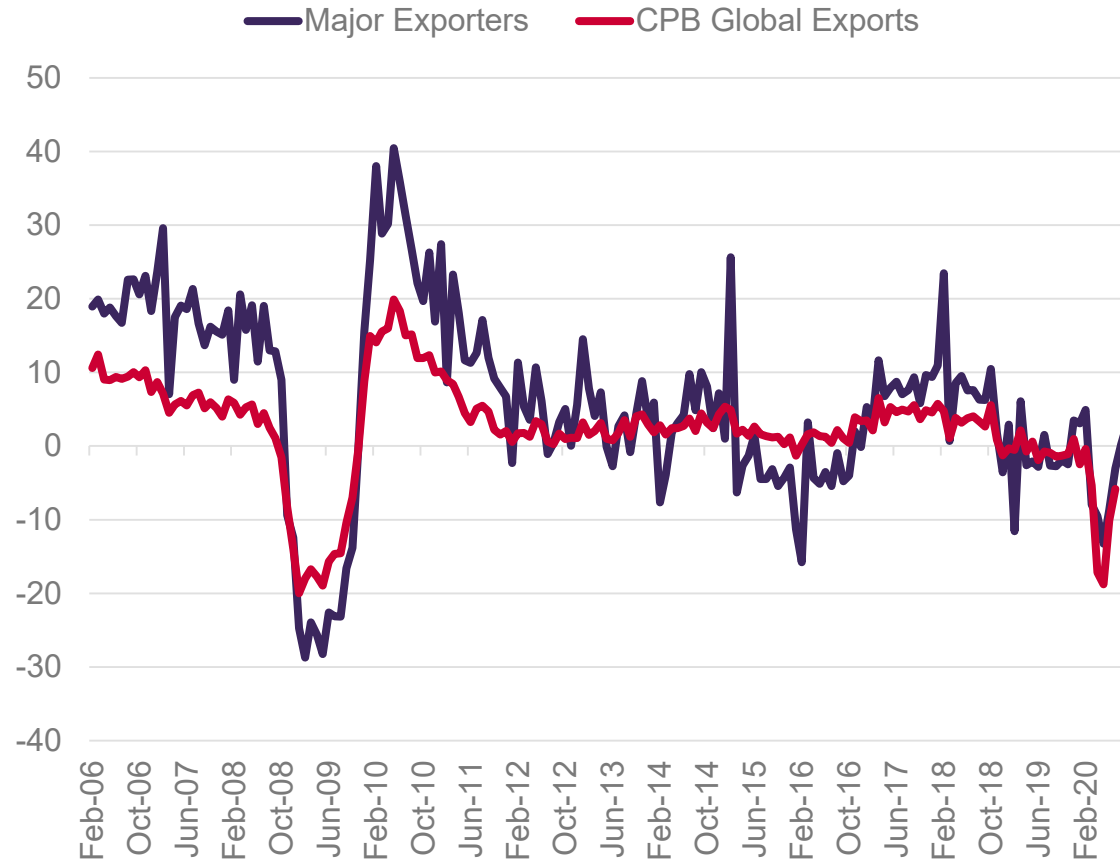


Source: Bloomberg, Fitch Solutions

# Global Trade Starting To Recover

## Major Exporters\* Show Recovery In Export Growth

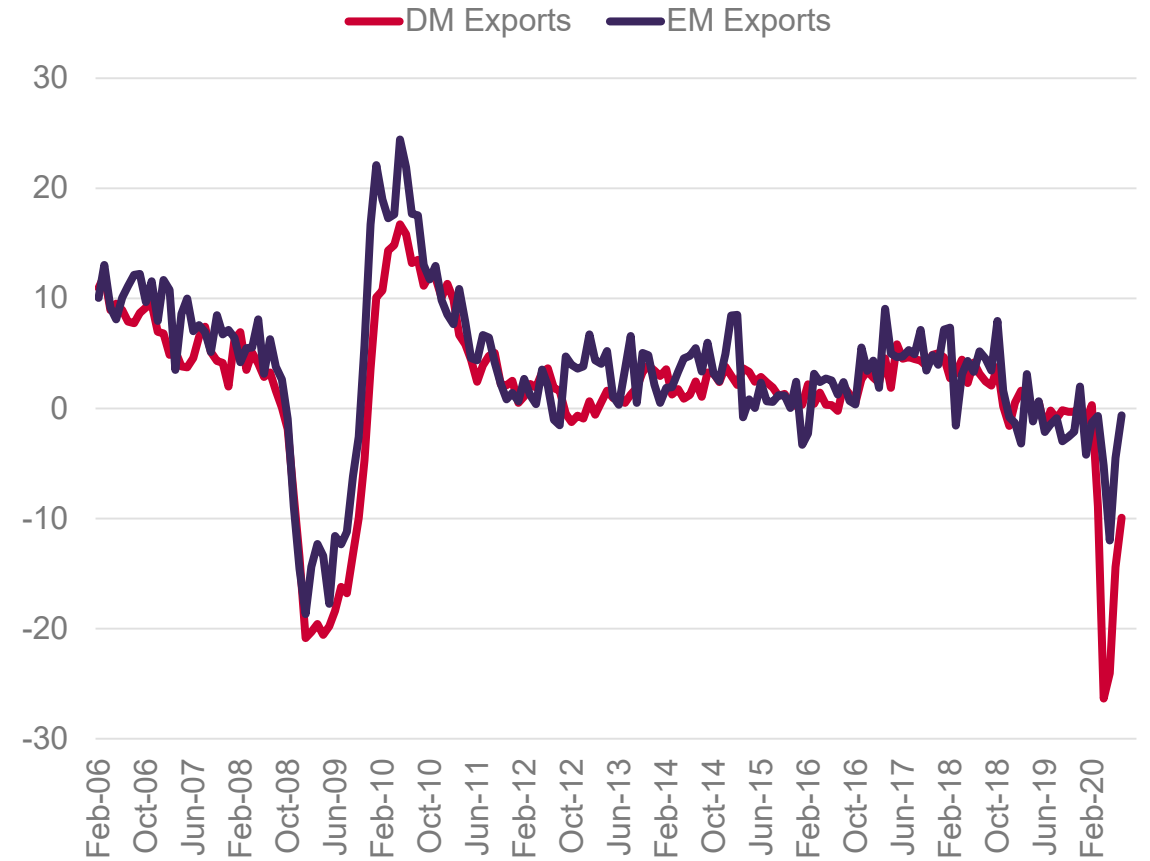
Index, % y-o-y



\*Weighted average export growth. Source: CPB (Volume), Bloomberg, Fitch Solutions

## EM Export Volumes Recovering But DM Still Lagging

% y-o-y

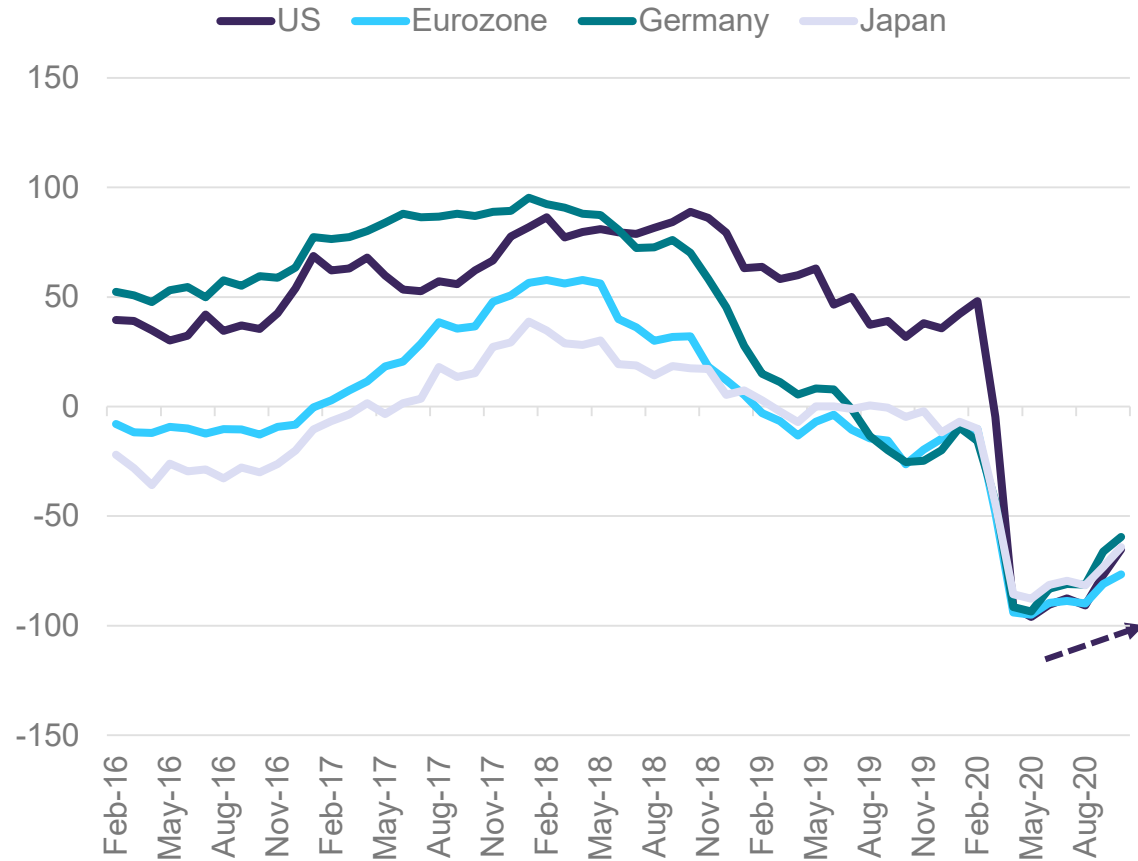


Source: CPB (Volume), Fitch Solutions

# Current Expectations Improving While Future Outlook Weakens

## Current Expectations Picking Up

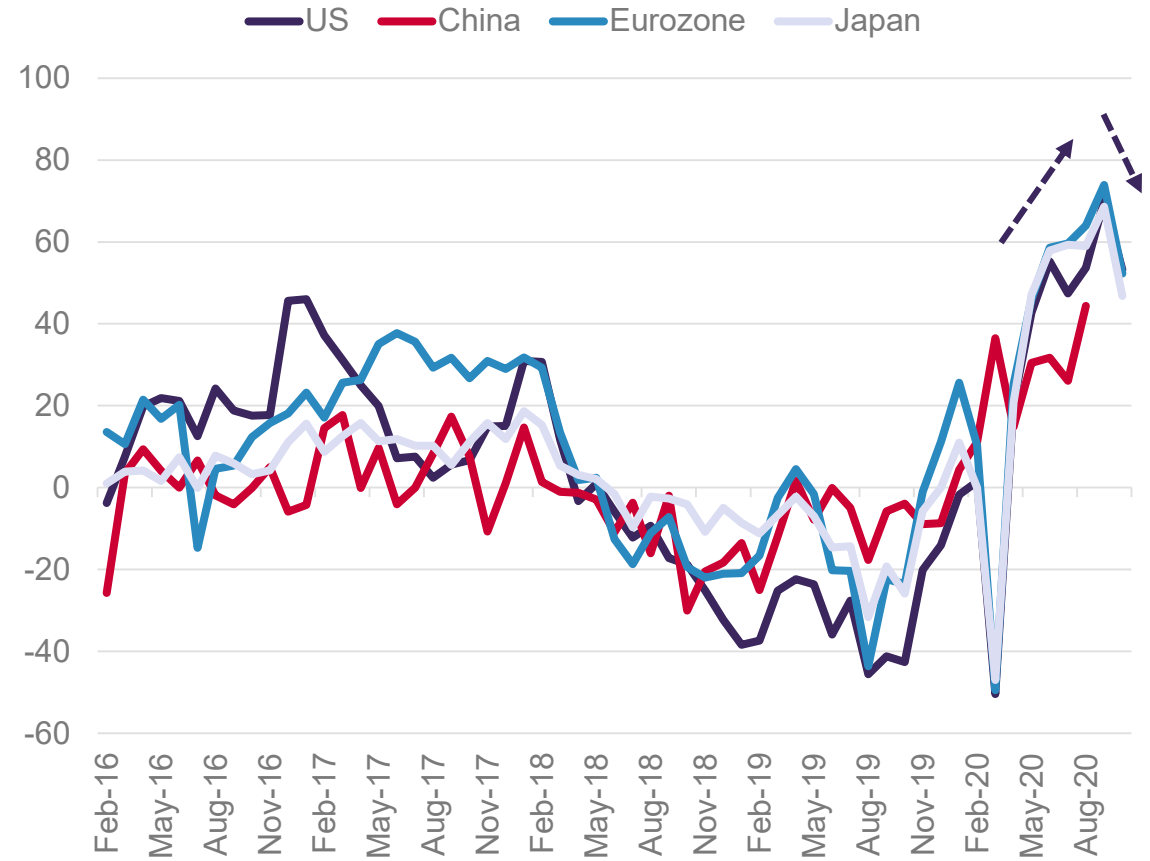
Zew Index



Source: Zew, Bloomberg, Fitch Solutions

## Future Expectations Turning Lower

Zew Index

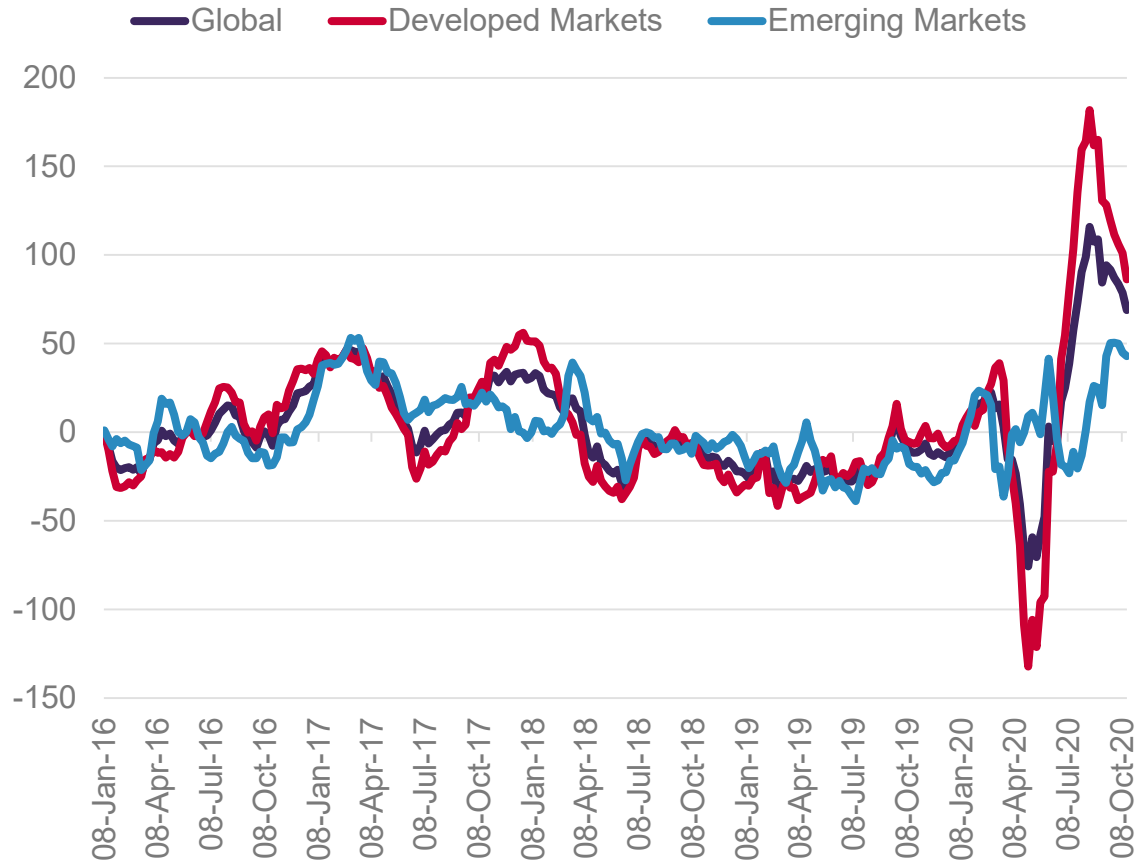


Source: Zew, Bloomberg, Fitch Solutions

# Data Surprises Still Positive, But Much Less So Than Before

## Large Shift In Positive Surprise In DMs

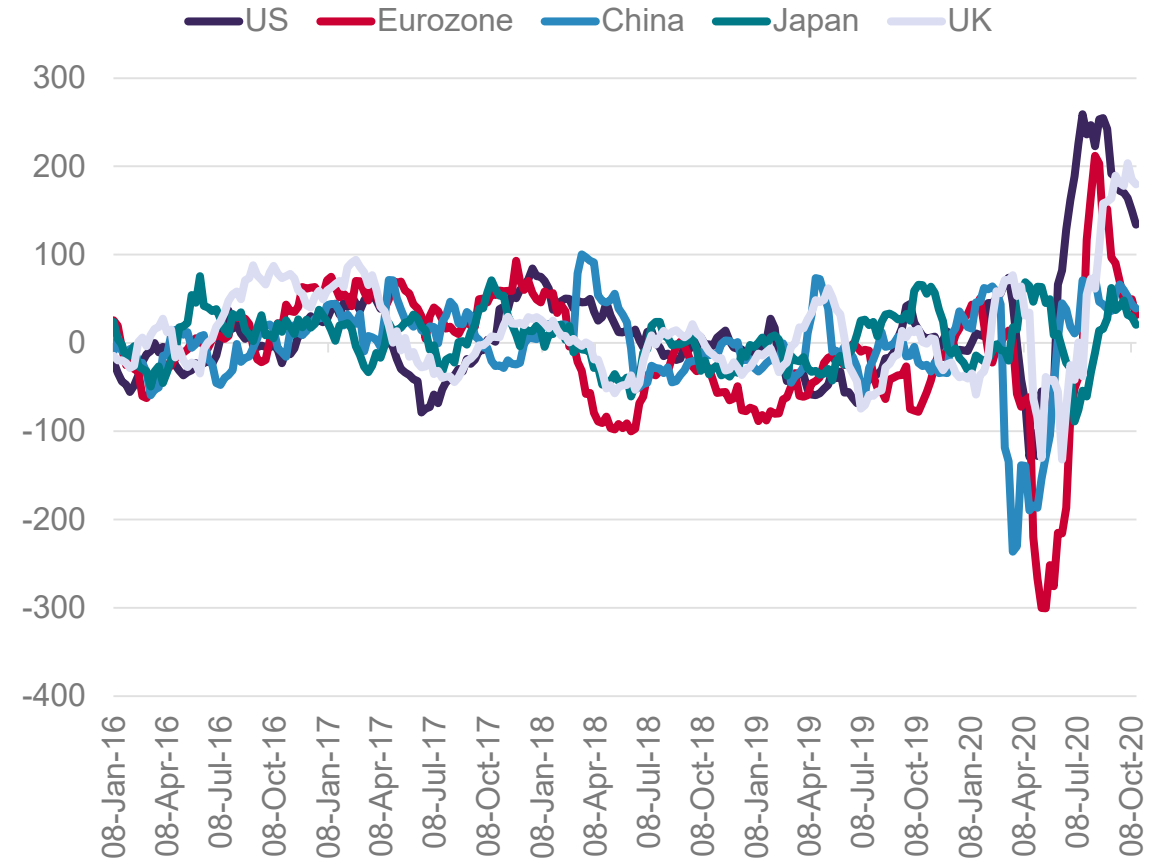
Citi Surprise Index



Source: Citi, Bloomberg, Fitch Solutions

## Eurozone And Japanese Surprises Easing

Citi Surprise Index



Source: Citi, Bloomberg, Fitch Solutions



# Multiple Vaccine Approvals Expected By H121, But Risks Until Then

## Leading Candidates Progress To Phase III

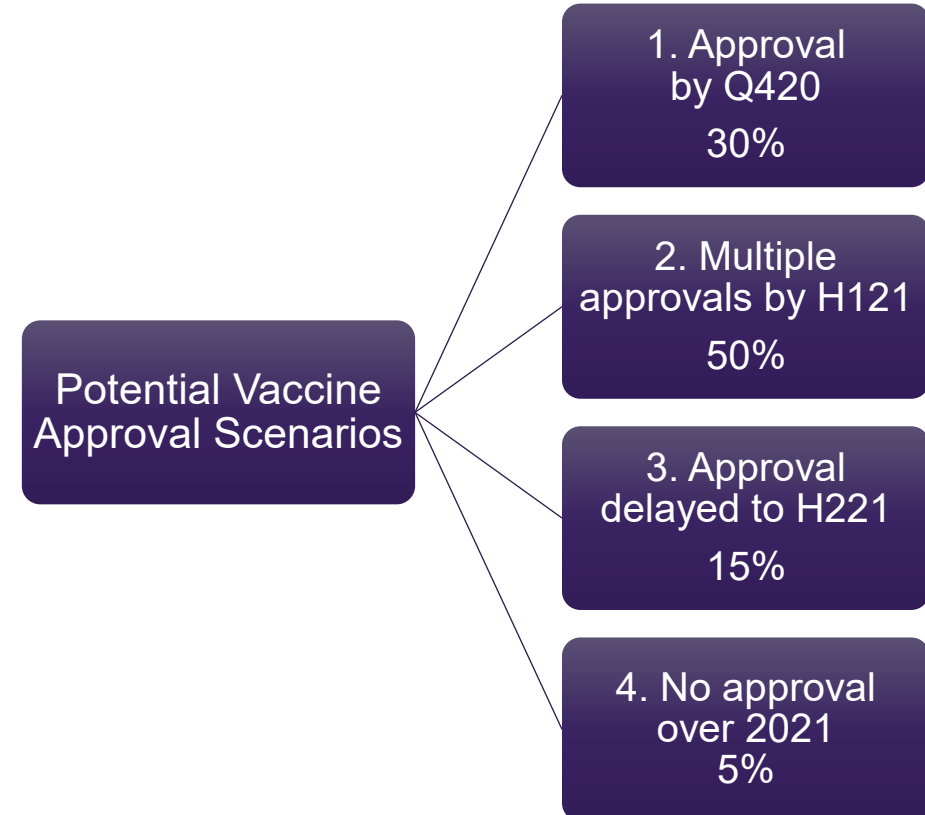
Potential Covid-19 Vaccine Timeline

Company	Candidate Name	Q120	Q220	Q320	Q420	H1 2021	Latest Updates
OXFORD AstraZeneca	AZD1222		Phase I/II	Phase II/III			Delay due to case of transverse myelitis in vaccine arm, hold ended 23/10. EMA rolling review.
	Candidate		Phase I/II	Phase III			Expects to complete trials and bring to market by end of 2020. Emergency use approval.
	CoronaVAC		Phase I/II	Phase III			Emergency use approval granted in China 28/8. Trial results expected by year end.
	mRNA-1273		Phase I	Phase II/III			Enrollment slowed due to lack of diversity. Potentially interim data in November.
FOSUN PHARMA BIONTECH	BNT162		Phase I/II	Phase III			Interim data available end Nov in best case scenario. Trial expanded = delay. EMA rolling review.
	Ad5-nCoV		Phase I/II	Phase III			Weakest early-stage results but with one dose. Approved for use in military.
	Gam-COVID-Vac		Phase I/II	Phase III			Approved before starting Phase III. Early-stage results were credible.
	JNJ784		Phase I/II	Phase III			Slow start but has initiated 60,000 participant phase III. Phase III pause due to SAE 13/10/20.
	NVX-CoV2373		Phase I	Phase II	Phase III		Strong early-stage results with proven tech. Nonparallel trials slowed progress to Phase III.
	INO-4800		Phase I	Phase II/III			FDA partial hold on Phase III trial, earliest restart end Oct.

Red = FDA hold on trial. Source: Bloomberg Intelligence, Fitch Solutions

## Approved Vaccine Expected By H121

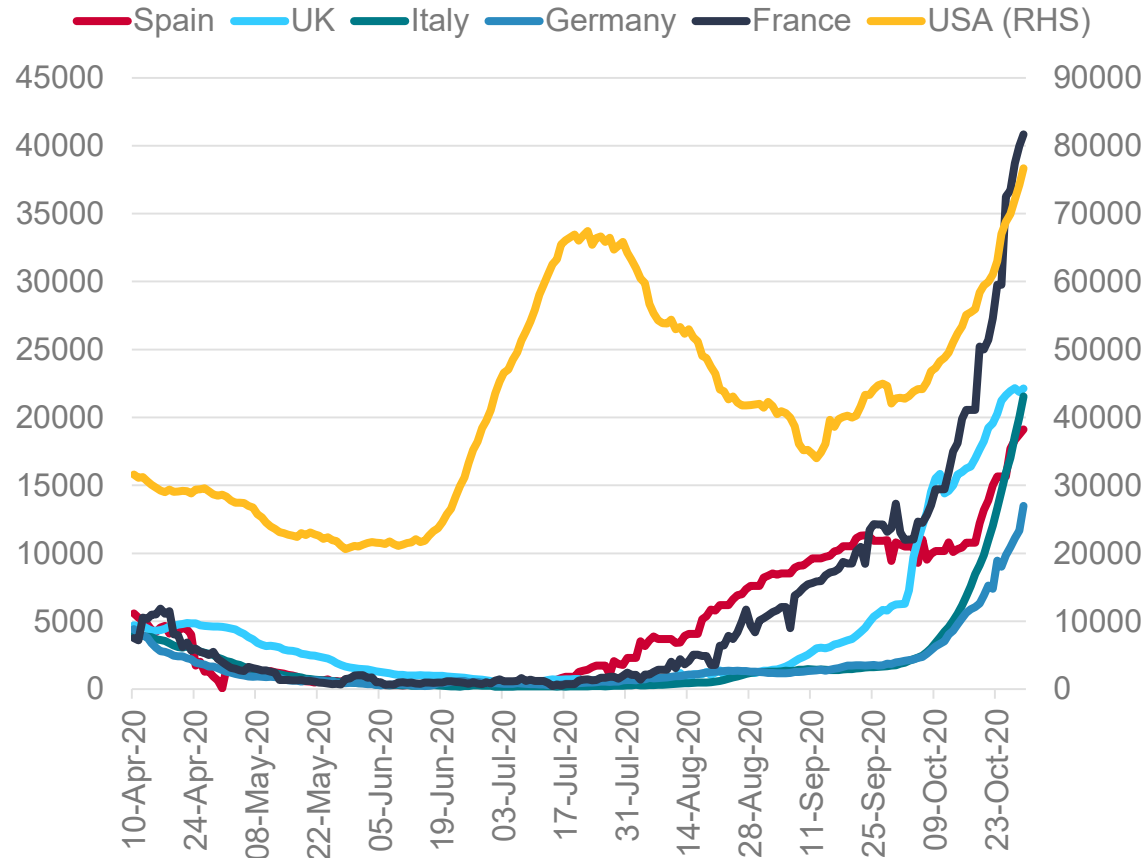
Fitch Solutions Vaccine Approval Scenarios



# Second And Third Waves Emerging, Flu Season Could Amplify Risks

## DMs, We Have A Problem

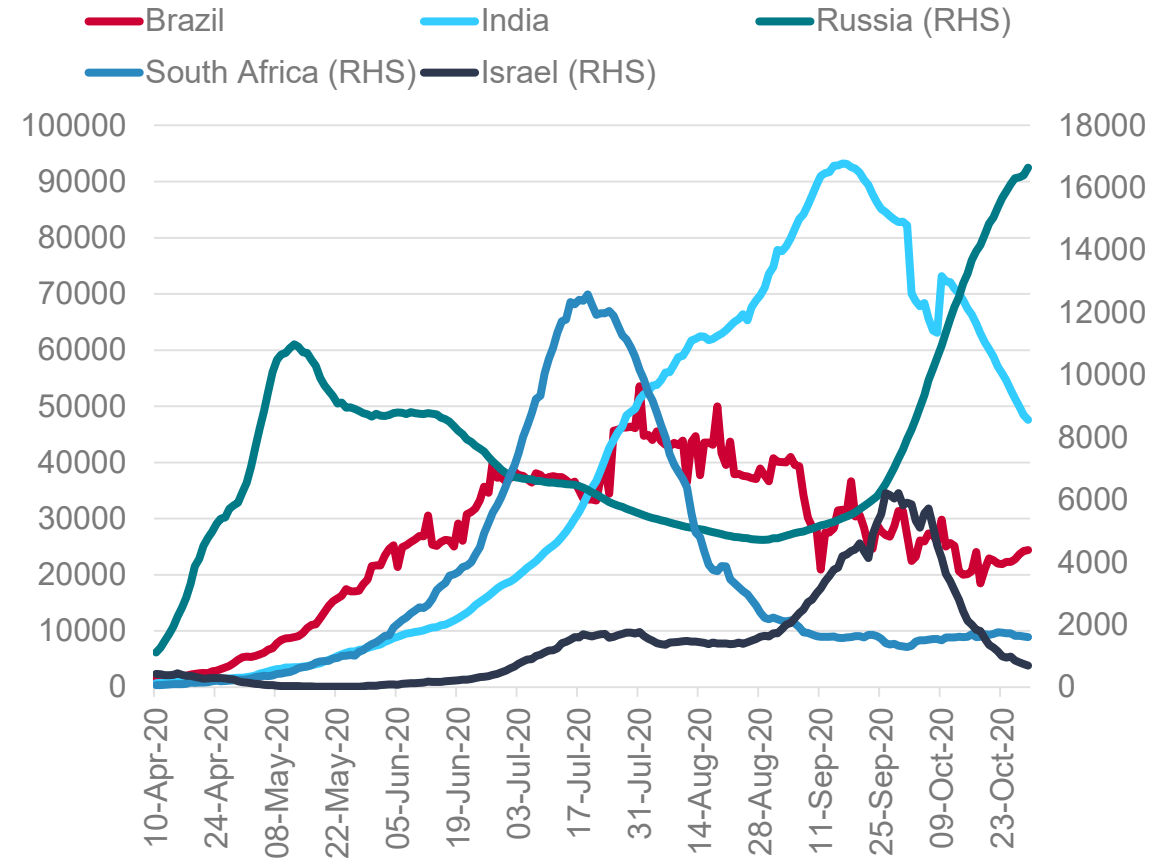
New Covid-19 Cases Seven-Day Average



Source: Bloomberg, Fitch Solutions

## EMs Less Of A Problem, But Russia Sees Risks

New Covid-19 Cases Seven-Day Average

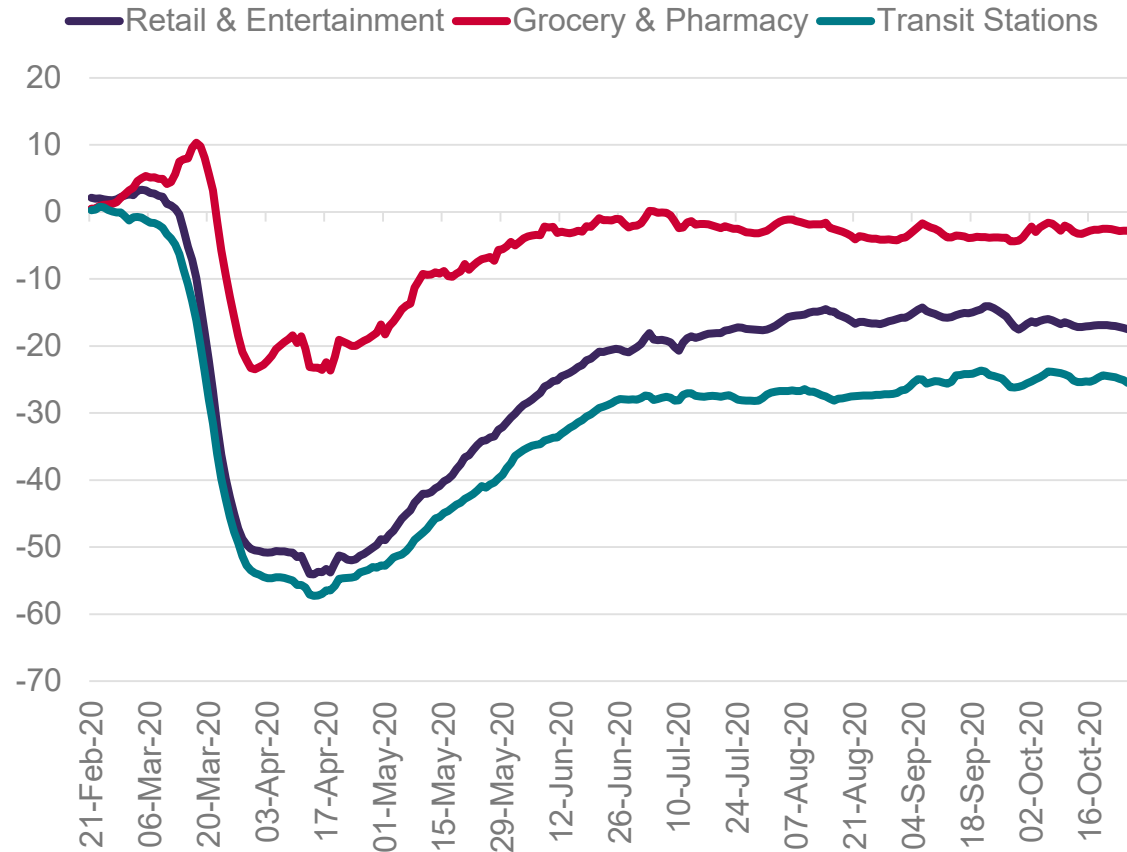


Source: Bloomberg, Fitch Solutions

# As Second Waves Hit, Mobility Starts To Falter In DMs

## Mobility Patterns Struggling To Fully Normalise

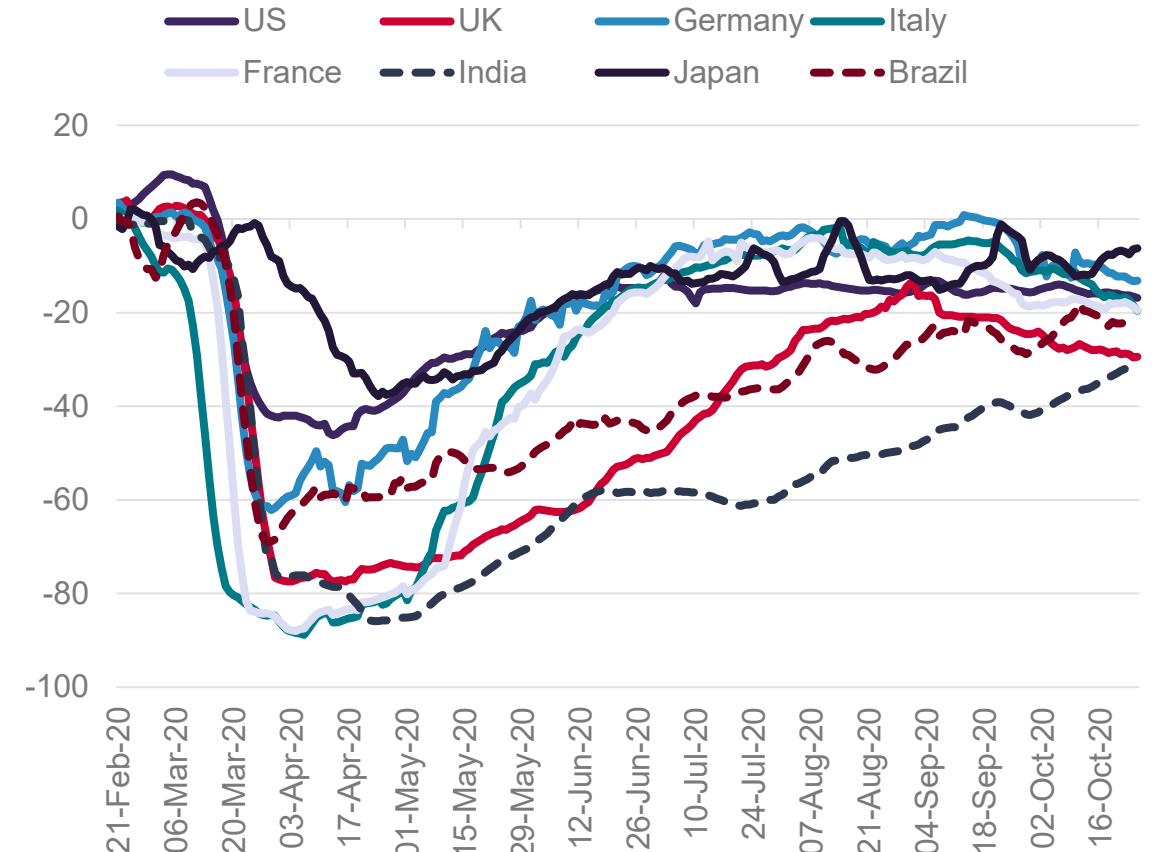
Google Mobility Patterns\*, Seven-Day Moving Average (% from baseline)



\* Weighted average for the US, Japan, France, Germany, the UK, Italy, India and Brazil.  
Source: Google, Fitch Solutions

## DM Retail & Entertainment Activities Tapering Off Again

Google Mobility Patterns For Retail, Seven-Day Moving Average (% from baseline)

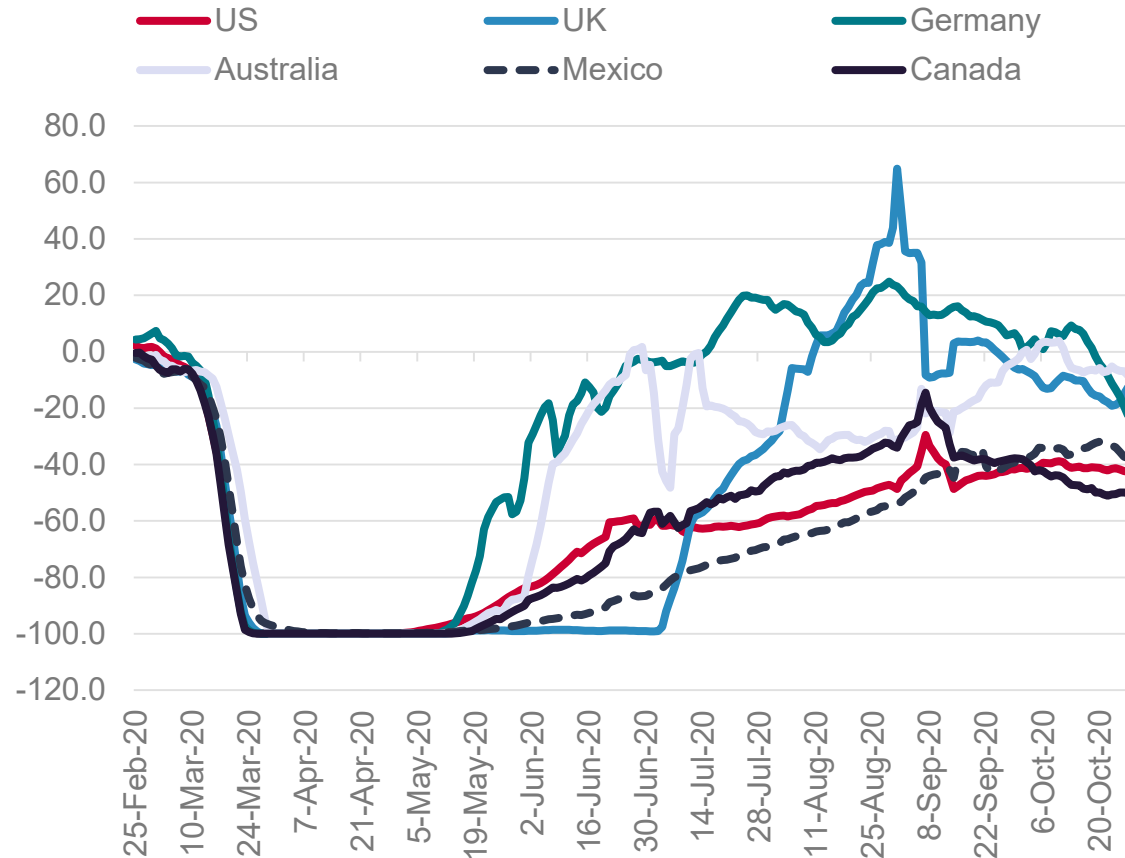


Source: Google, Fitch Solutions

# People Are More Cautious About Eating Out, Weighing On Services

## Global Restaurant Diners Becoming Cautious Again

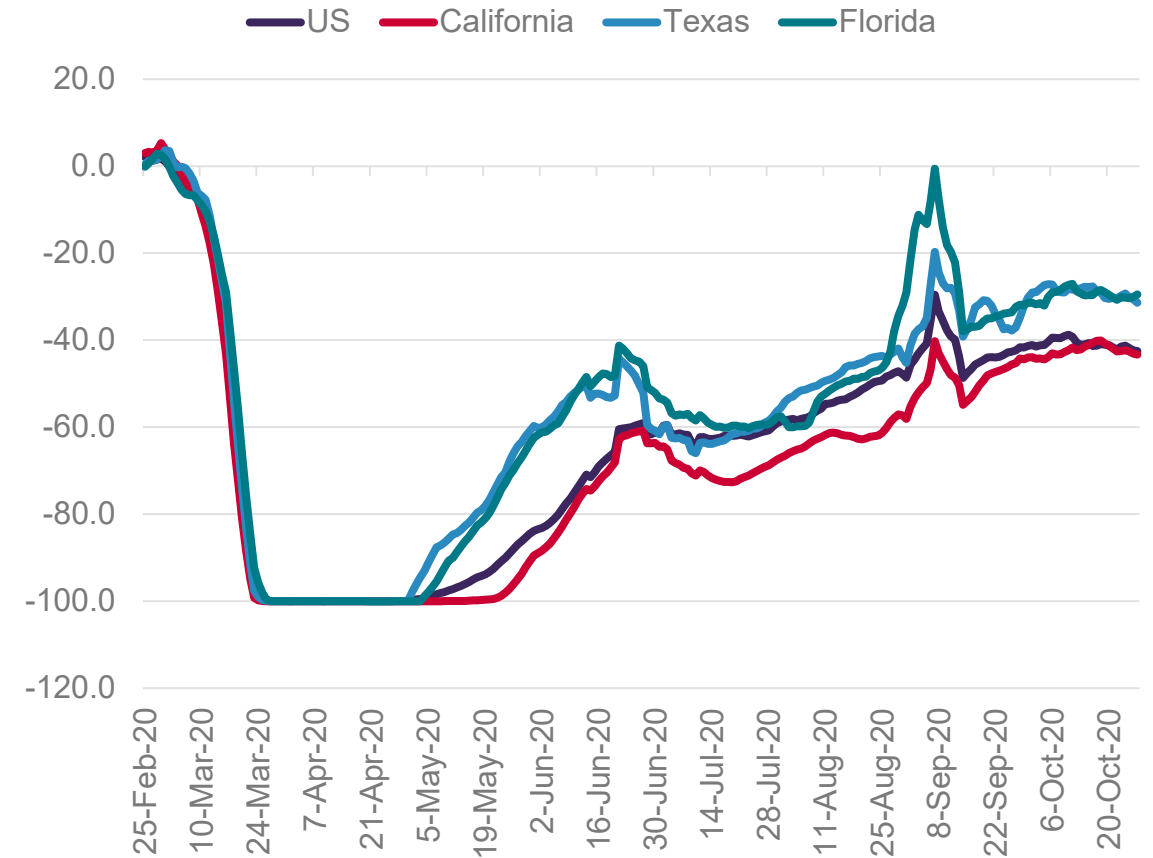
Seated Diners From Online, Phone, & Walk-in Reservations, % chg y-o-y



Source: OpenTable, Bloomberg, Fitch Solutions

## Slow Recovery In US Points To Q4 Challenges

In Seated Diners From Online, Phone, & Walk-in Reservations, % chg y-o-y

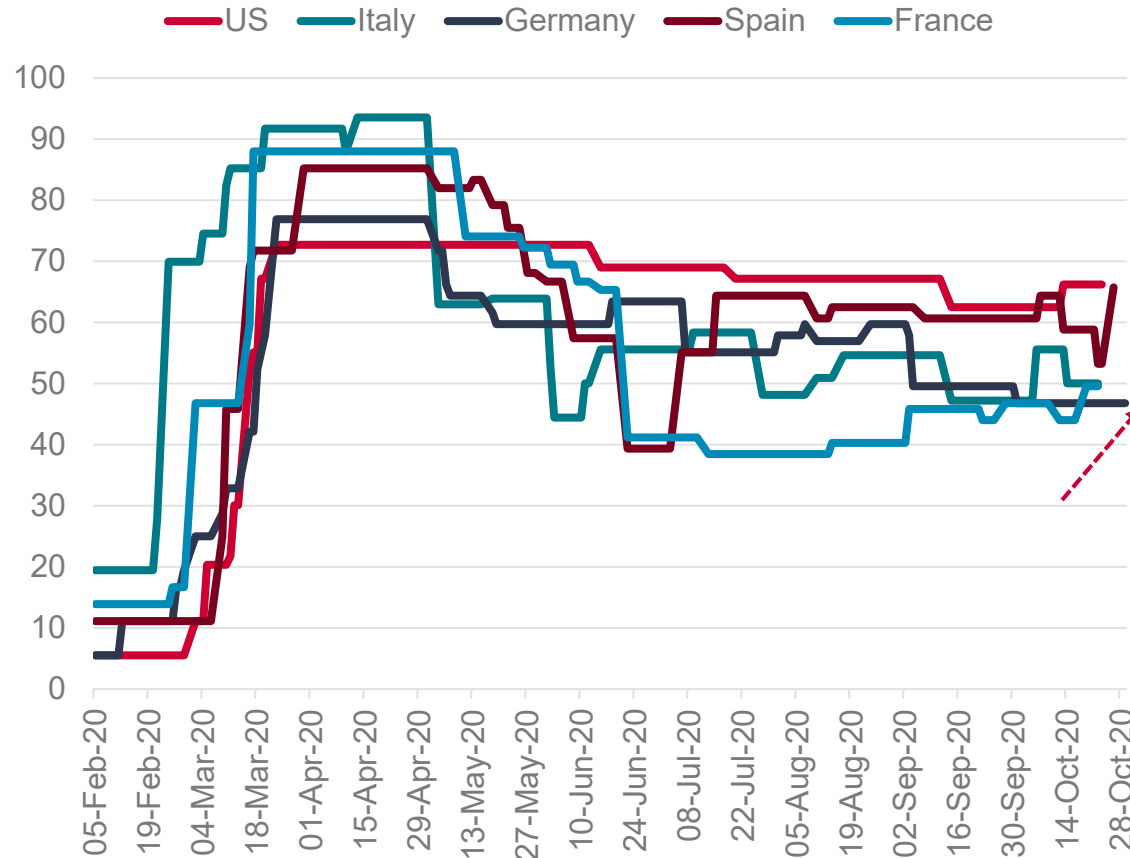


Source: OpenTable, Bloomberg, Fitch Solutions

# Lockdown 2.0: Softer And More Targeted, But Still Painful For Q4

## Europe Most At Risk Of Stronger Lockdowns

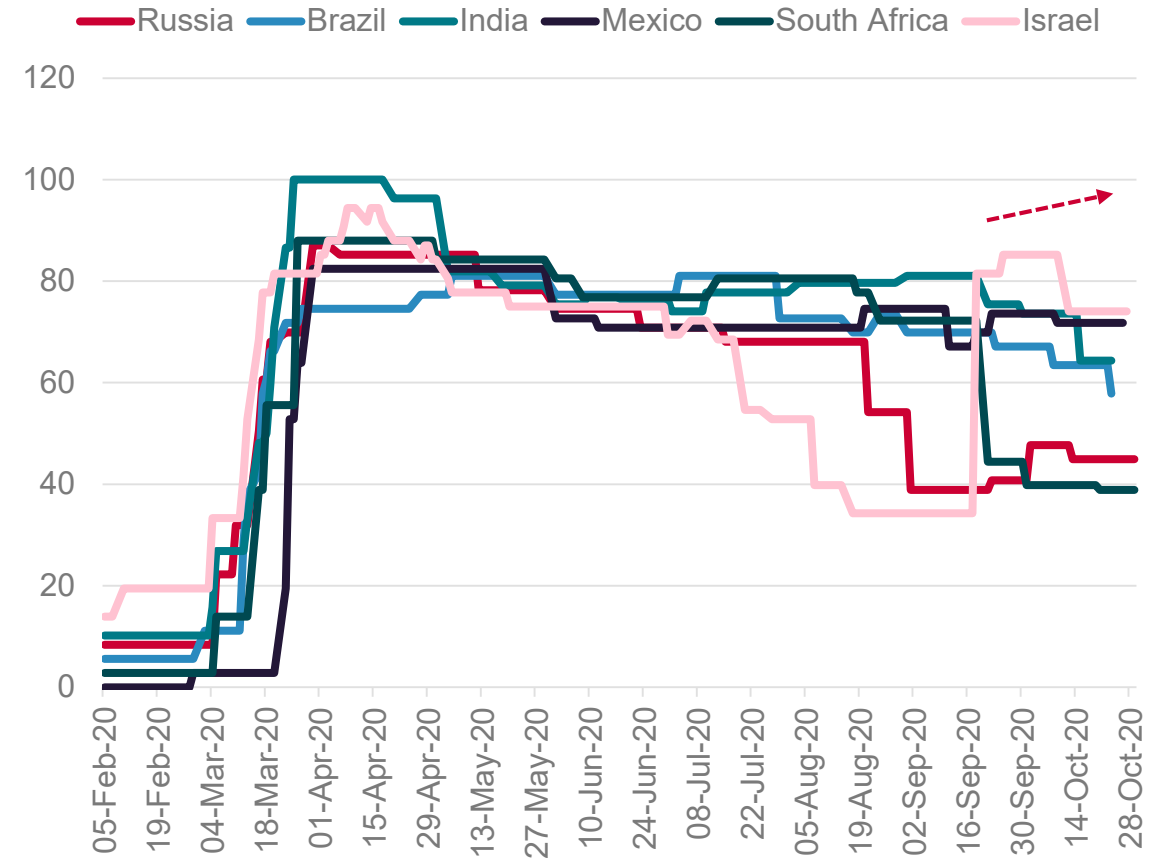
Stringency Index



Source: University of Oxford, Bloomberg, Fitch Solutions

## EMs Could Also Start To Increase Restrictions

Stringency Index



Source: University of Oxford, Bloomberg, Fitch Solutions

# GDP Releases Show A Sharp Rebound In Q3

## Sharp Acceleration In Economic Activity

Real GDP, % y-o-y (unless otherwise stated)

Country	Q220	Q320	Country	Q220	Q320
Vietnam	0.3	2.6	France	-18.9	-4.3
China	3.2	4.9	Spain	-21.5	-8.7
South Korea	-2.7	-1.3	Germany	-11.3	-4.3
Hong Kong	-9.0	-3.4	Italy	-17.9	-4.7
Taiwan	-0.6	3.3	Euro Area	-14.7	-4.3
US q-o-q	-31.4	33.1	Portugal	-16.4	-5.8
US	-9.0	-2.9	Belgium	-13.9	-5.2

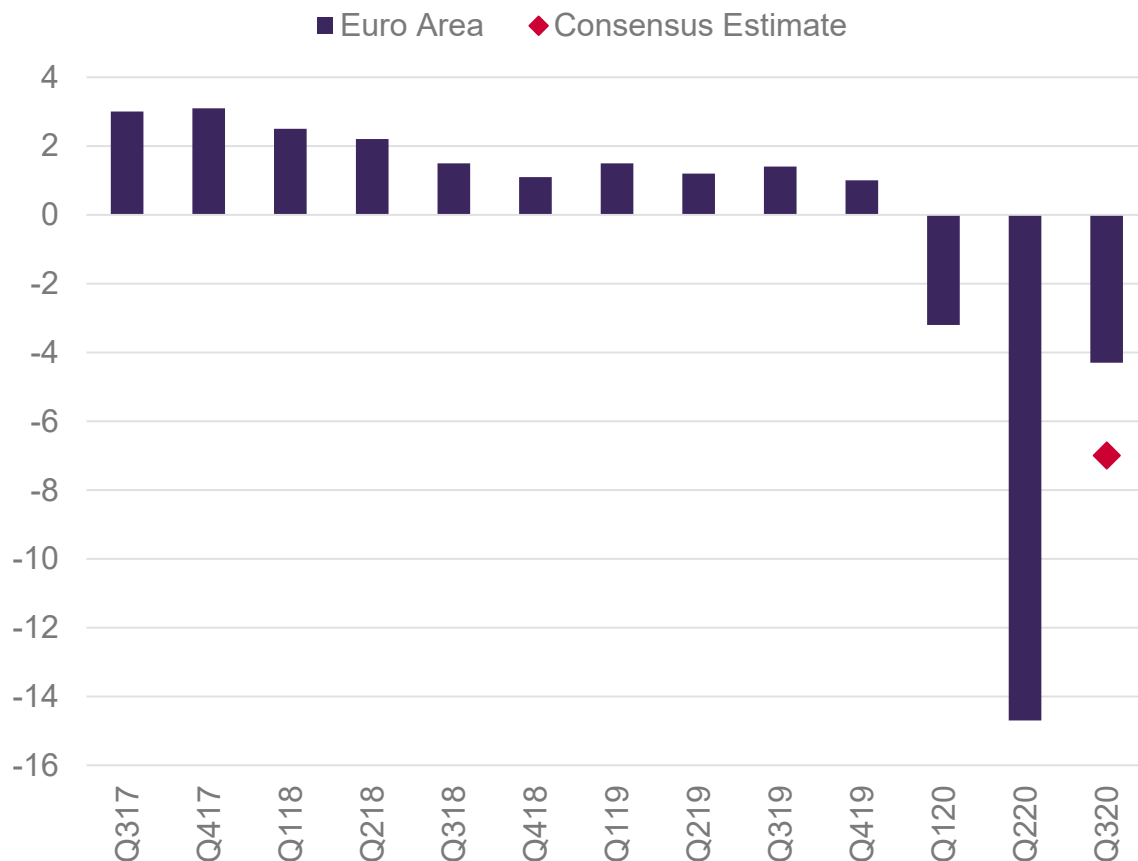
Source: Fitch Solutions

- Q3 GDP releases have, in general, surprised to the upside across developed markets.
- Growth in the US, France, Germany, Spain and Italy surprised to the upside, which bodes well for growth in 2020.
- However, these strong out-turns are being overshadowed by concerns over the trajectory for growth in the fourth quarter.
- In the US, the combination of rising cases and election uncertainty could dampen sentiment and growth.
- In Europe, a sharp rise in the number of cases has resulted in multiple lockdowns, which will weigh on growth, although they are not as strict as those implemented earlier this year.

# European Growth Outperforms, But Lockdowns To Weigh In Q4

## Large Upside Surprise To Euro Area Growth

% chg y-o-y



Source: Bloomberg, Fitch Solutions

## Second Lockdowns Will Be A Problem

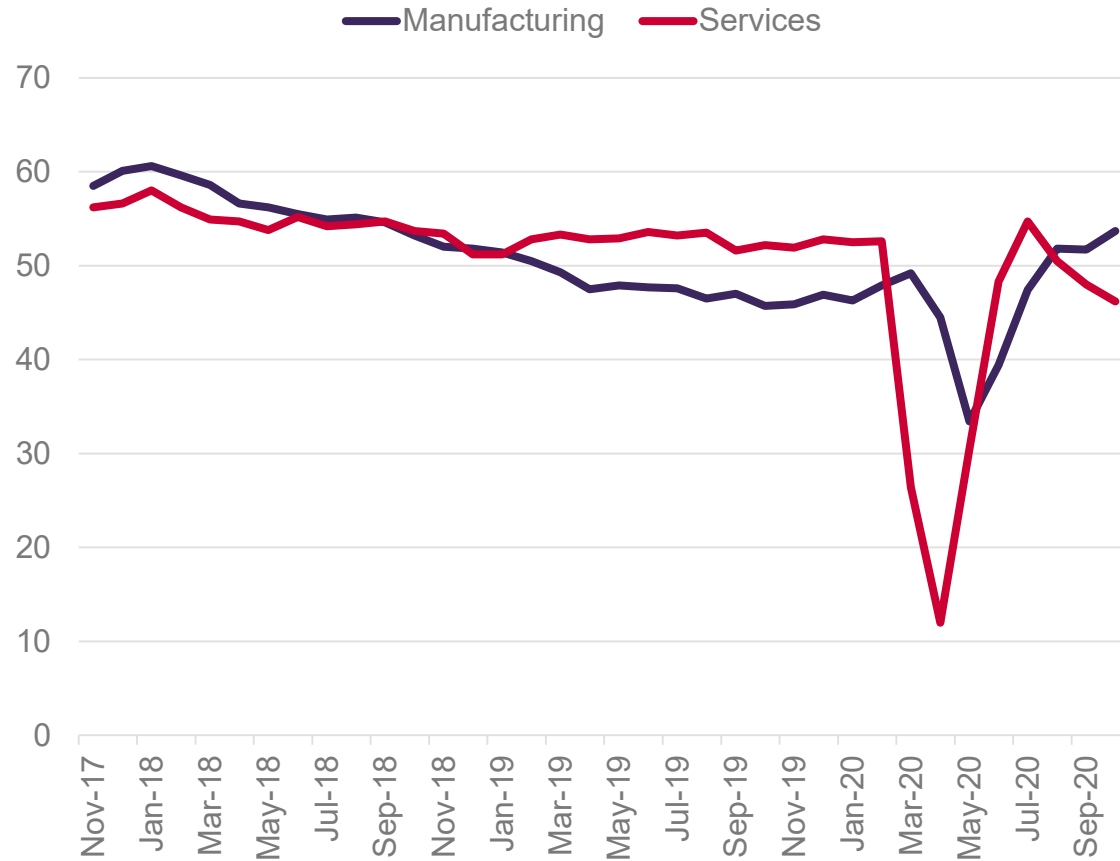
Country	Status	Intensity Relative To April/May	Duration (m.)	Impact Relative To April/May
Czech Republic	Lockdown	Equivalent	1.5	Medium
France	Lockdown	Medium	2	Medium
Germany	Partial Lockdown	Low	1	Low
Spain	At Risk of Lockdown/ Local Lockdowns	Low	NA	Medium
Italy	At Risk of Lockdown	Low	1	Medium

Source: Fitch Solutions

# Lockdowns To Exacerbate Weak Services Prints

## Services Driving European PMI Back Into Contraction

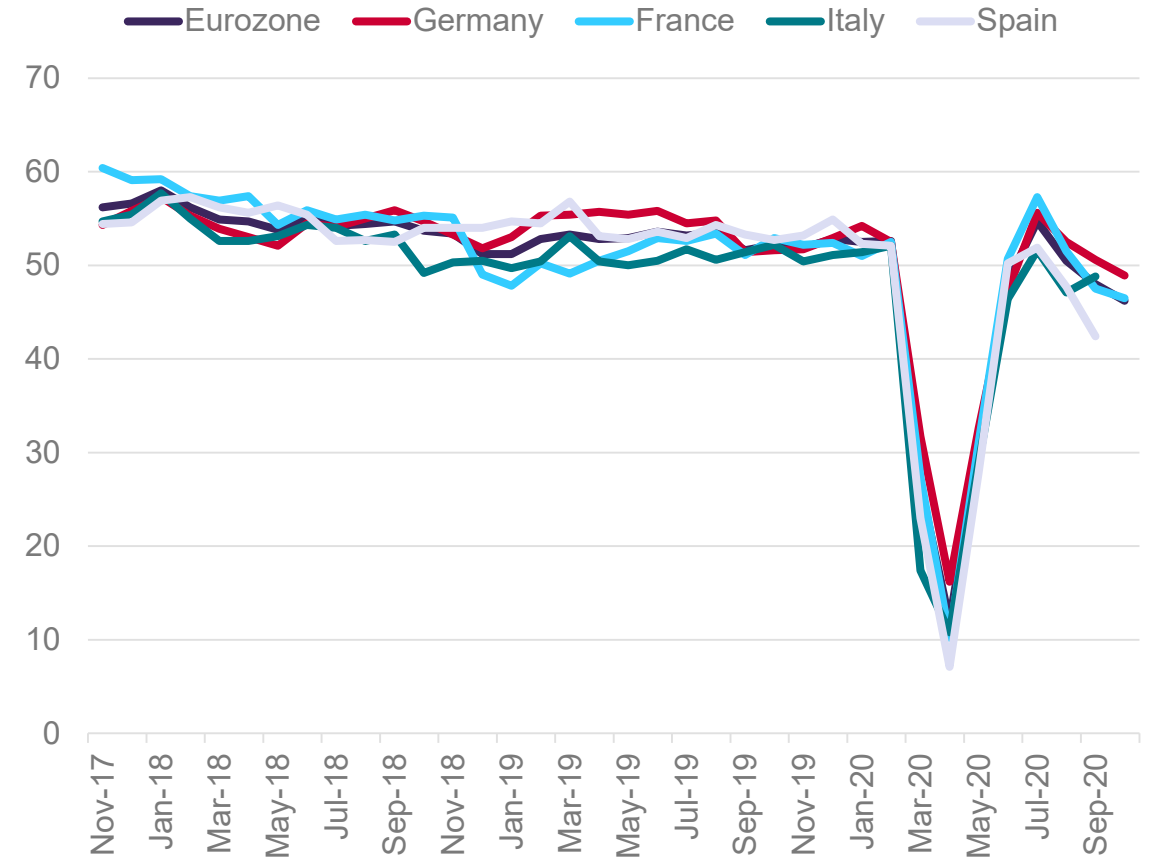
PMI Sub-Indices



Source: Bloomberg, Fitch Solutions

## Second Waves And Rising Restrictions Weigh On Services

PMI Service Sub-Index

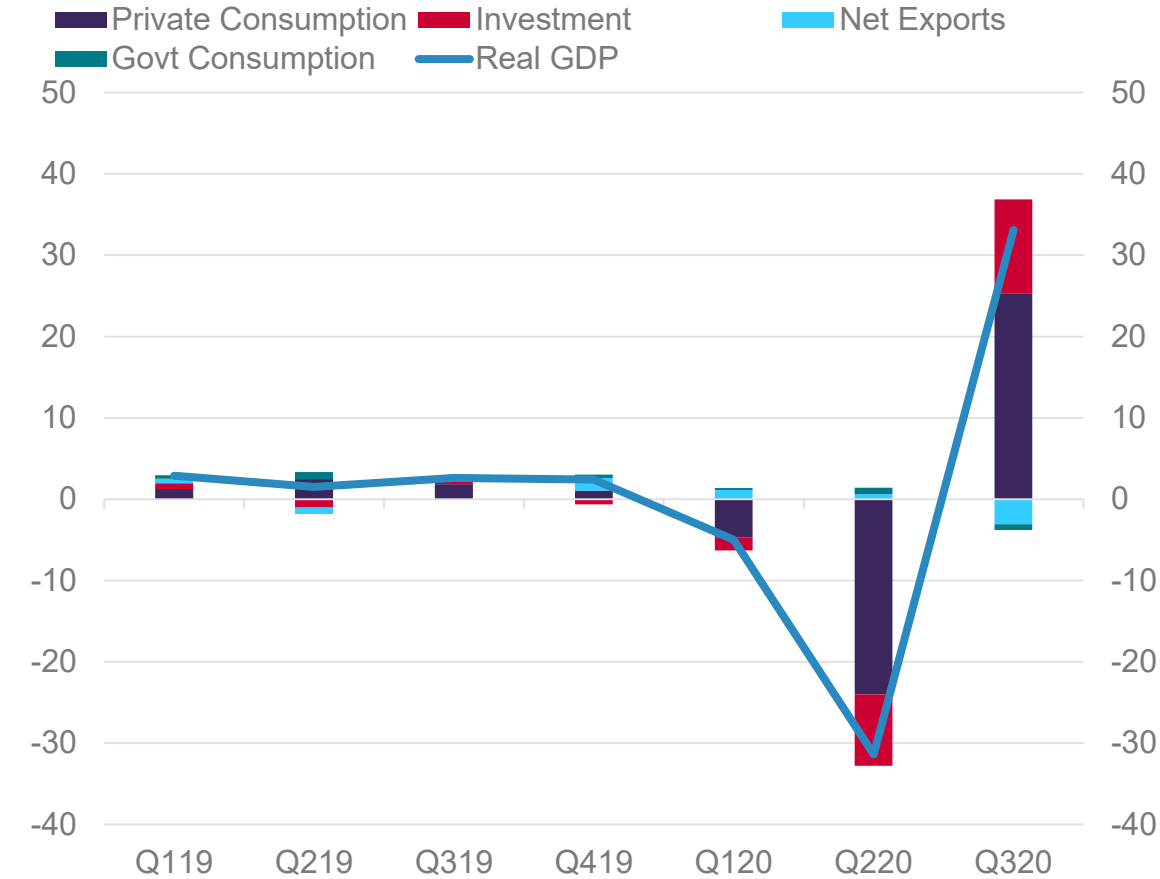


Source: Bloomberg, Fitch Solutions



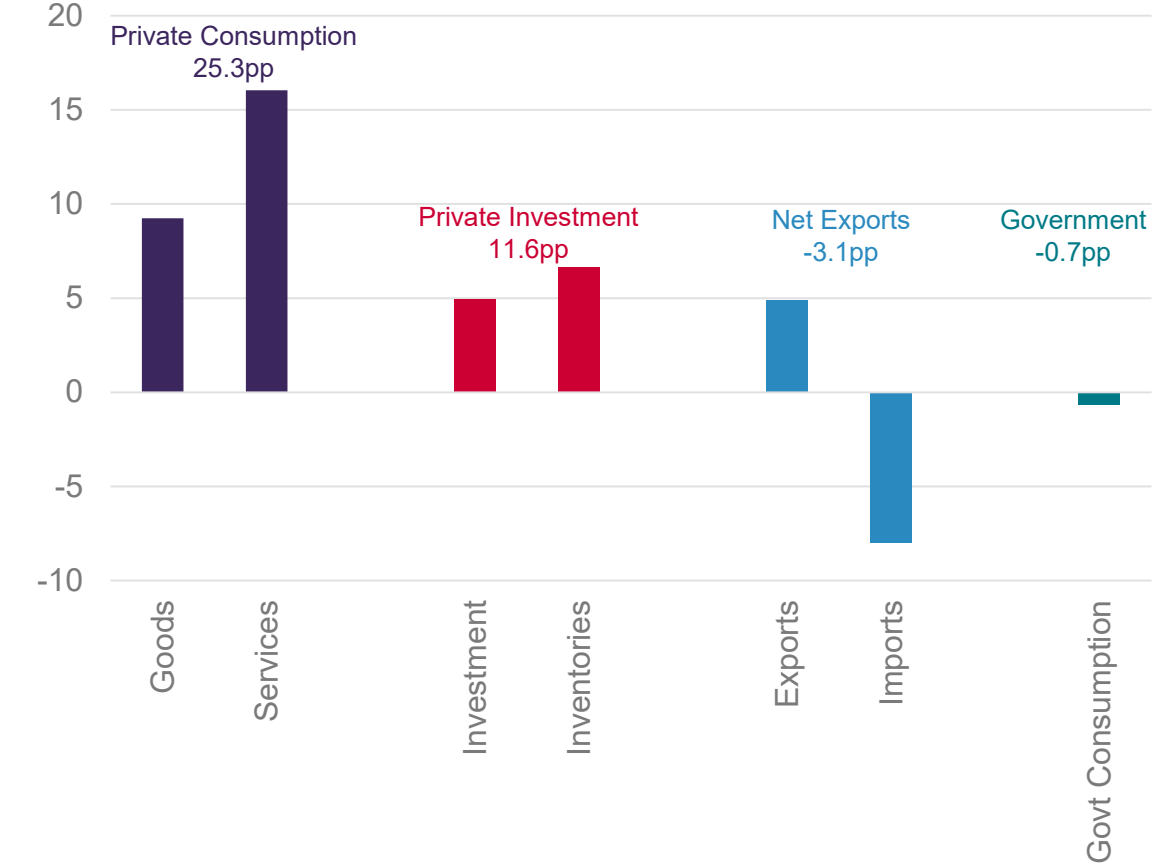
# US Activity Bouncing Back In Q3 Led By Consumption And Investment

## GDP Roars Back, But Still 3.5% Below Pre-Crisis Level



Source: Bloomberg, Fitch Solutions

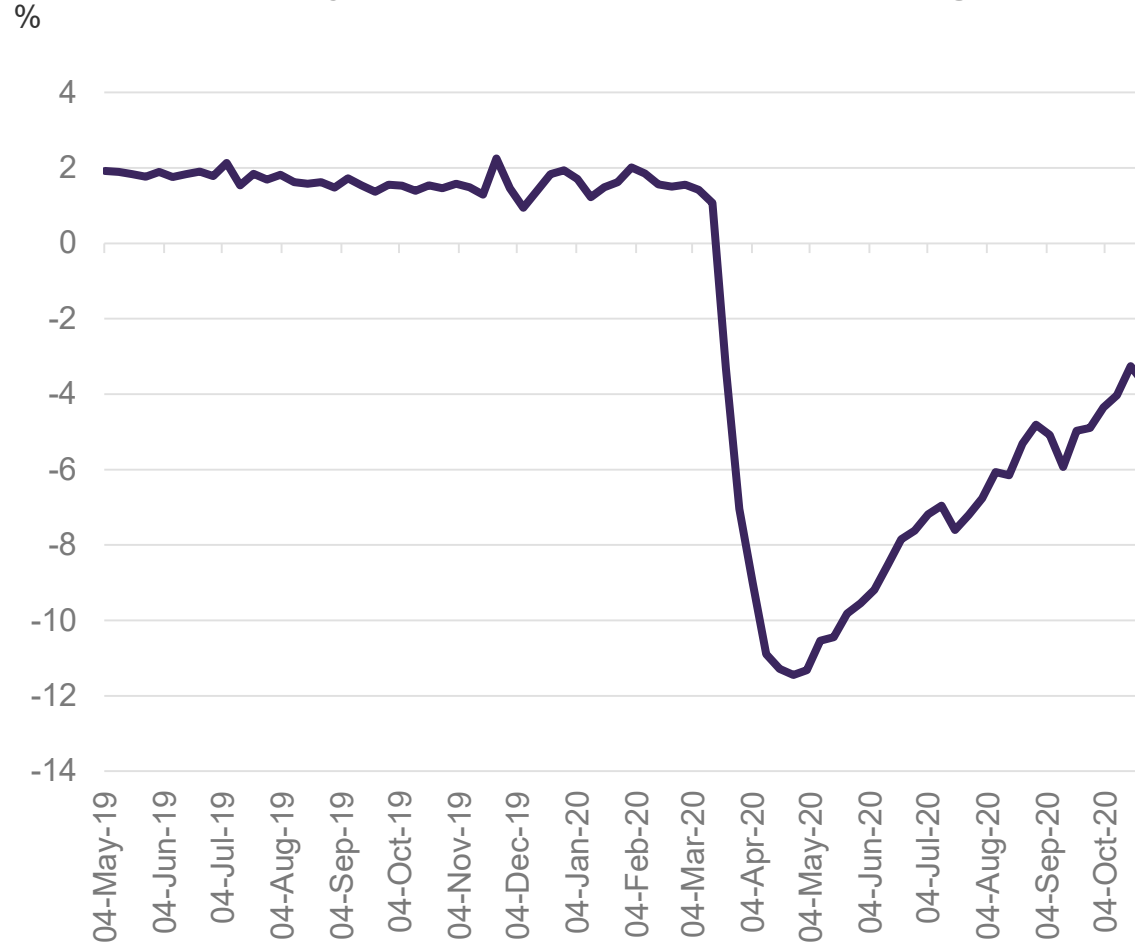
## Contribution By Sub-component Shows Services Pop



Source: BEA, Fitch Solutions

# High Frequency US Data Strong, But Q4 Will See A Slowdown

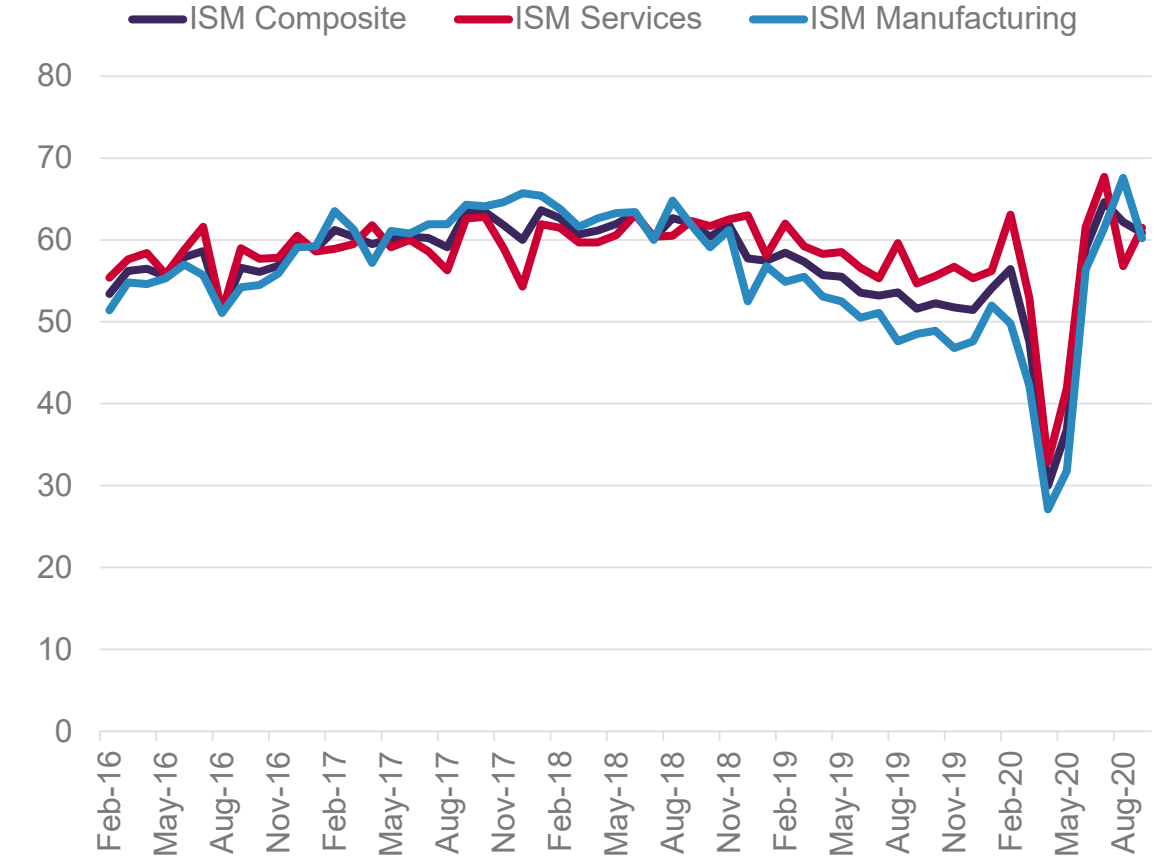
## NY Fed's Weekly Economic Index Still Trending Up



Source: Bloomberg, Fitch Solutions

## New Orders Still Robust, But Have Peaked

New Order Sub-component of PMI



Source: Bloomberg, Fitch Solutions

# Cautious Position On A Biden Victory; Disputed US Election Risks

## We Are More Cautious Than Other Forecasters

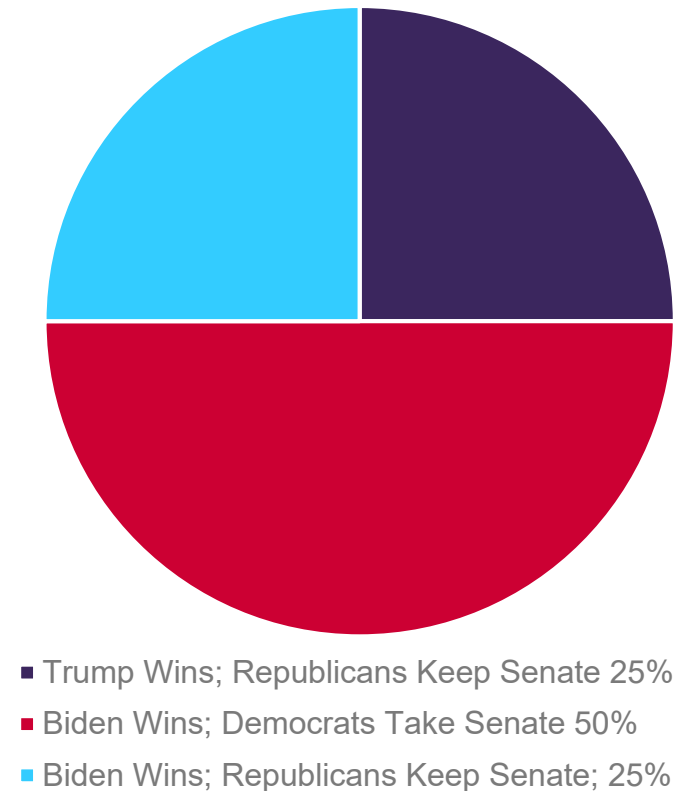
Selected Forecasters & Assigned Probability Of Biden Victory

Forecaster	Leader
The Economist	Biden, 95%
FiveThirtyEight	Biden, 89%
Fitch Solutions	Biden, 75%
PredictIt	Biden, 60%

Note: As of October 28-30. Source: Fitch Solutions

## Rising Potential For A Blue Sweep

Breakdown Of Outcomes By Probability

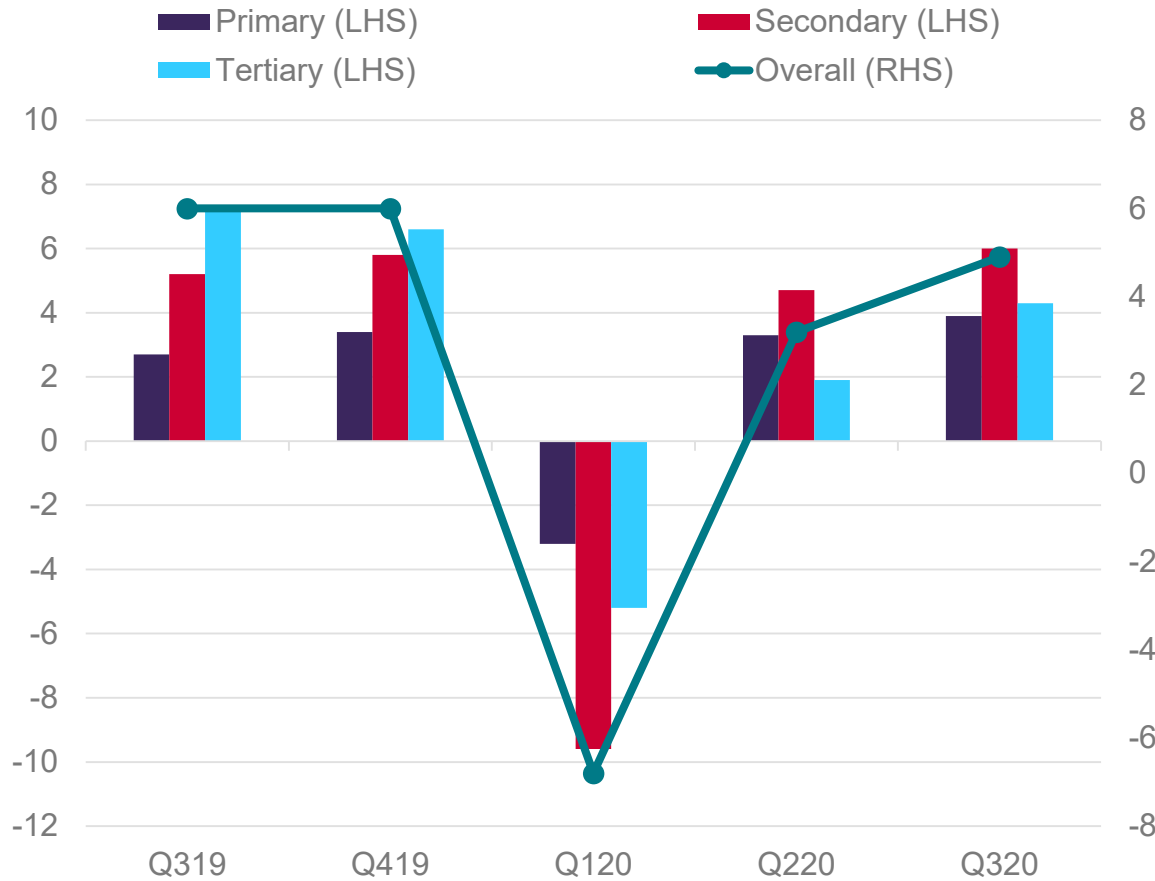


Source: Fitch Solutions

# China's V-Shaped Recovery Intact With Q320 GDP At 4.9%

## Services Making A Comeback

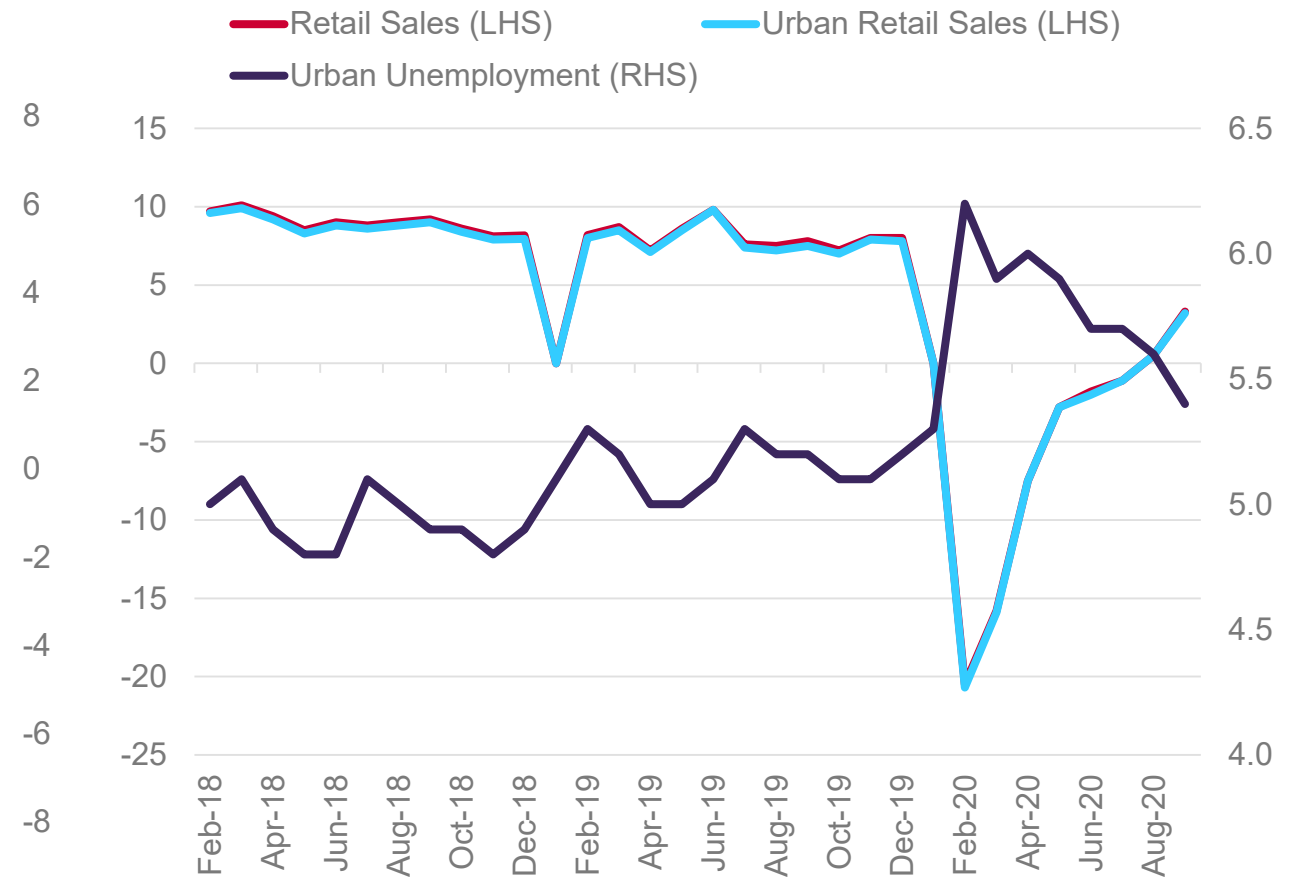
Real GDP, % chg y-o-y



Source: Wind, Fitch Solutions

## Decreasing Unemployment To Drive Retail Recovery

Urban Unemployment Rate, % & Retail Sales, % chg y-o-y

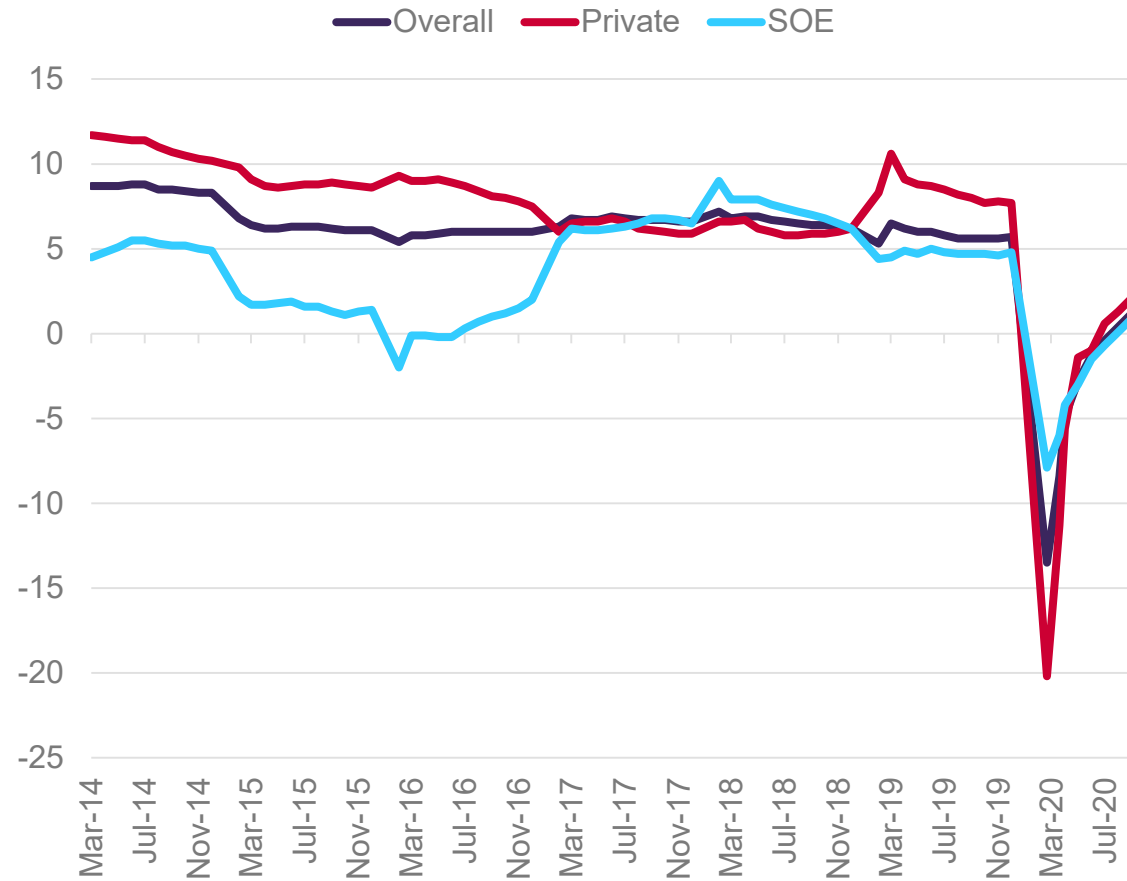


Source: Wind, Fitch Solutions

# China's Industrial Sector Doing Lots Of The Heavy Lifting

## Cumulative Growth In Industrial Production Picking Up

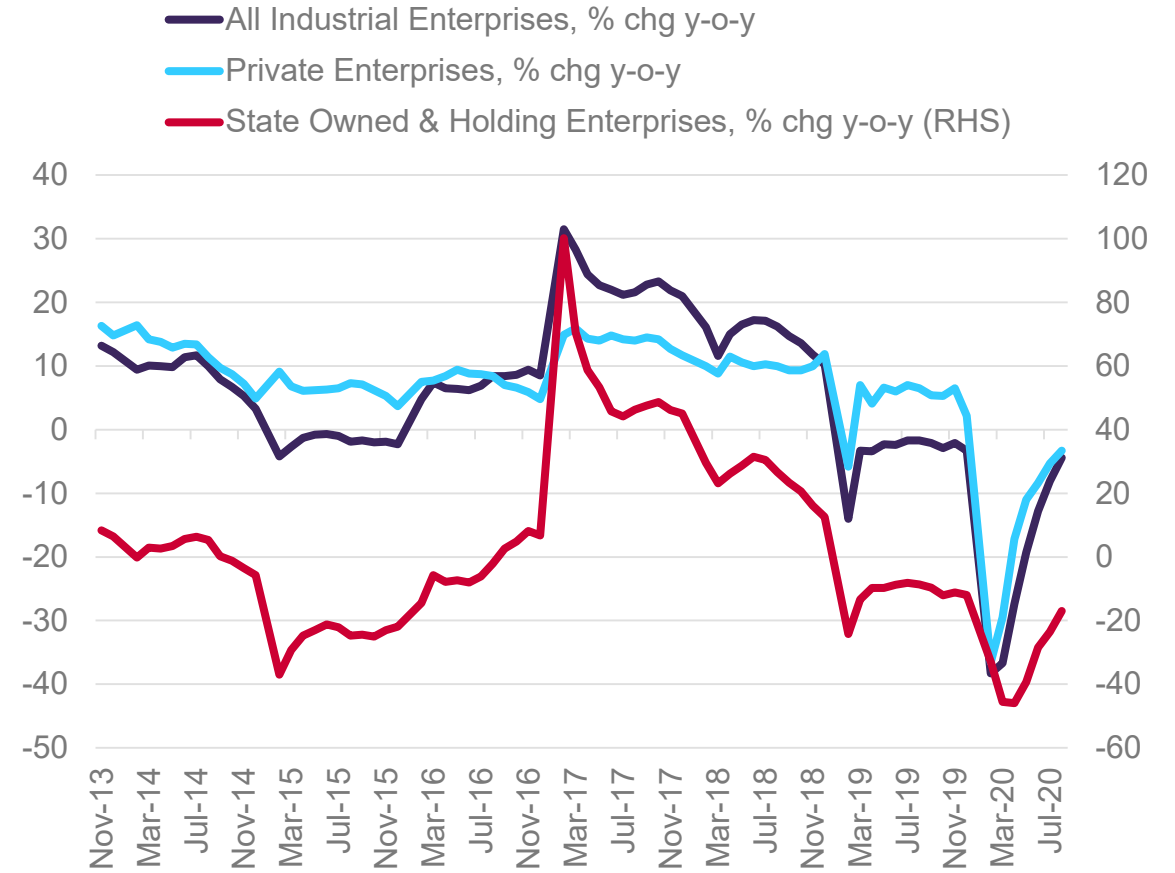
% y-o-y



Source: NBS, Wind, Fitch Solutions

## Cumulative Growth In Industrial Profits Also Ticking Up

Urban Unemployment Rate, % & Retail Sales, % chg y-o-y



Source: NBS, Wind, Fitch Solutions

# Key Risks To Watch



Source: Fitch Solutions

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