



How long is the road to recovery?

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Key messages

1

An economic recovery is underway, but remains fragile, bumpy, and will be incomplete

2

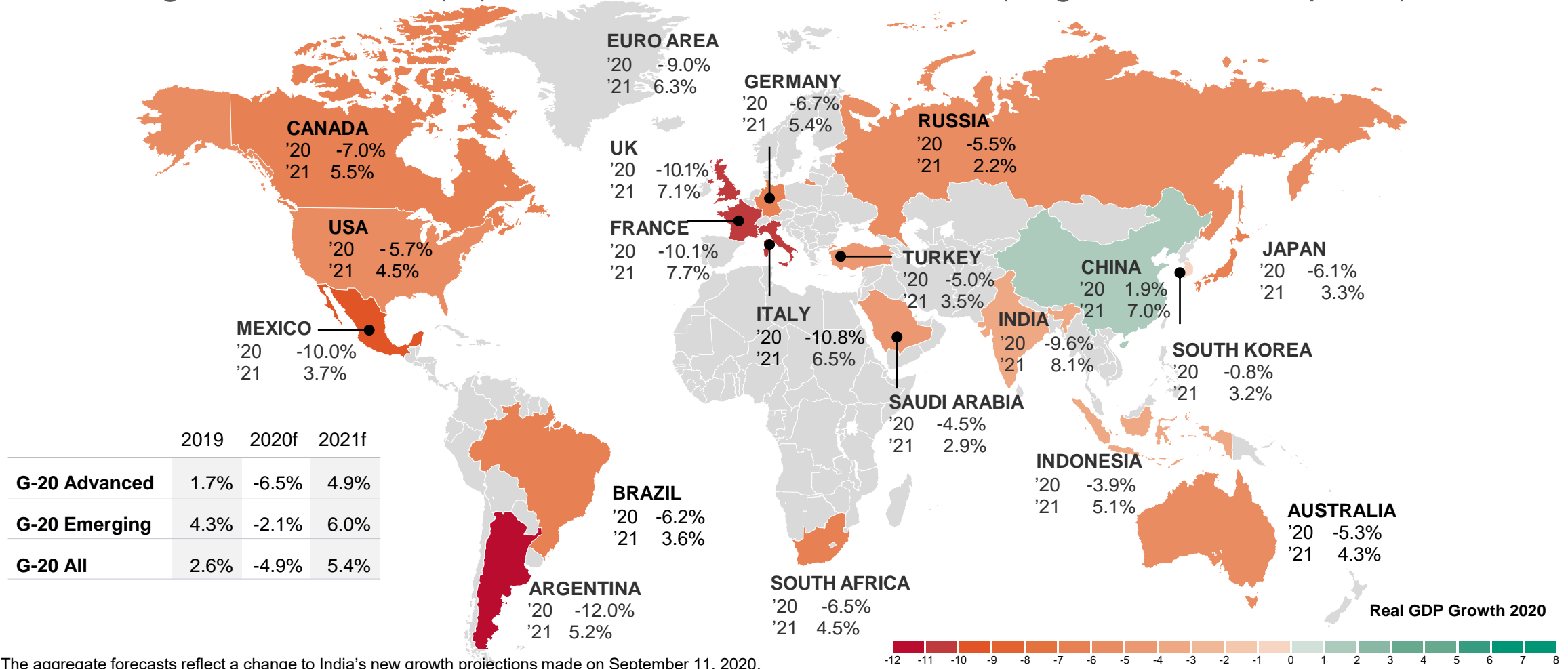
The pace of the recovery will vary across countries and sectors

3

Default levels remain in line with previous crises

Global macroeconomic outlook for 2020-21

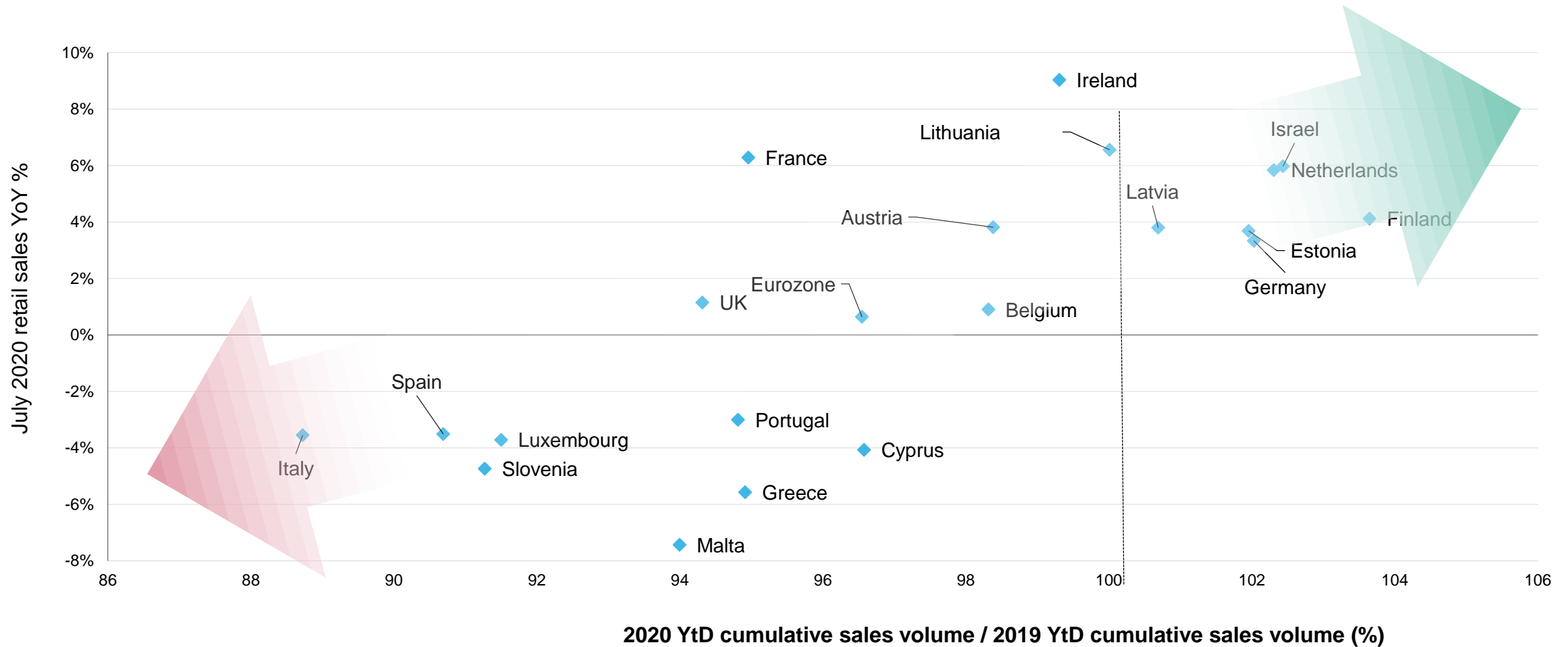
Real GDP growth forecasts (%) for G20 economies in 2020-21 (August 25, 2020 Update)*



* The aggregate forecasts reflect a change to India's new growth projections made on September 11, 2020.
Source: Moody's Investors Service

Impact has been varied across countries

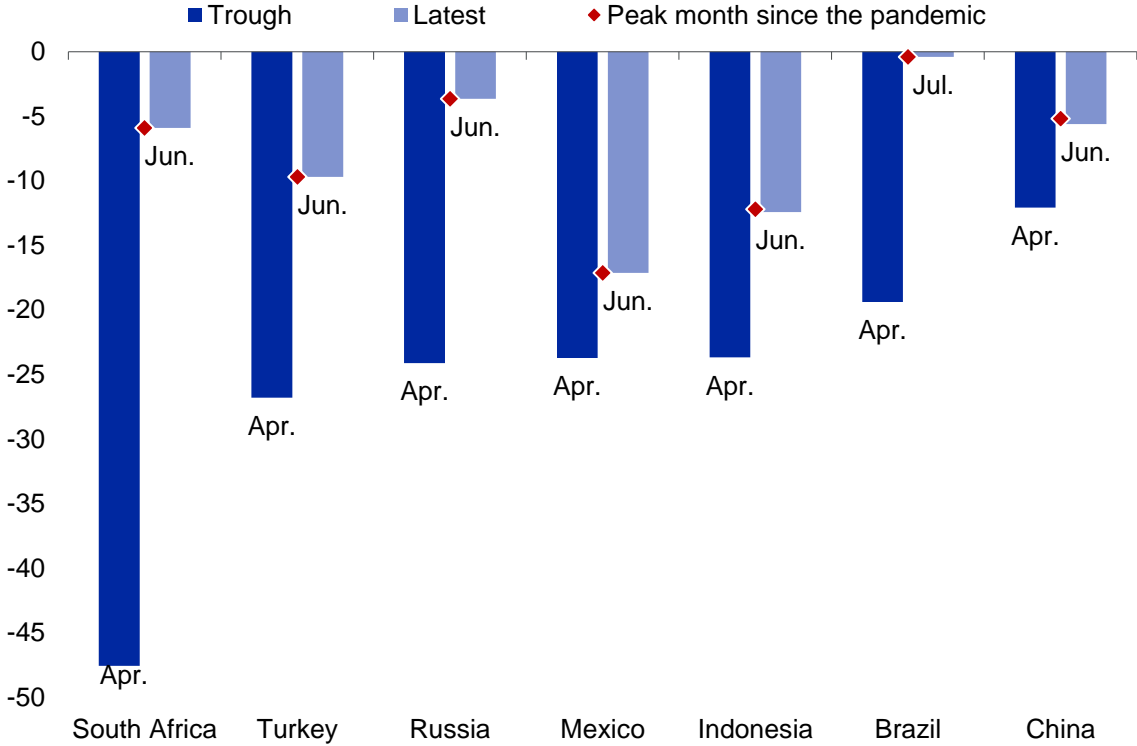
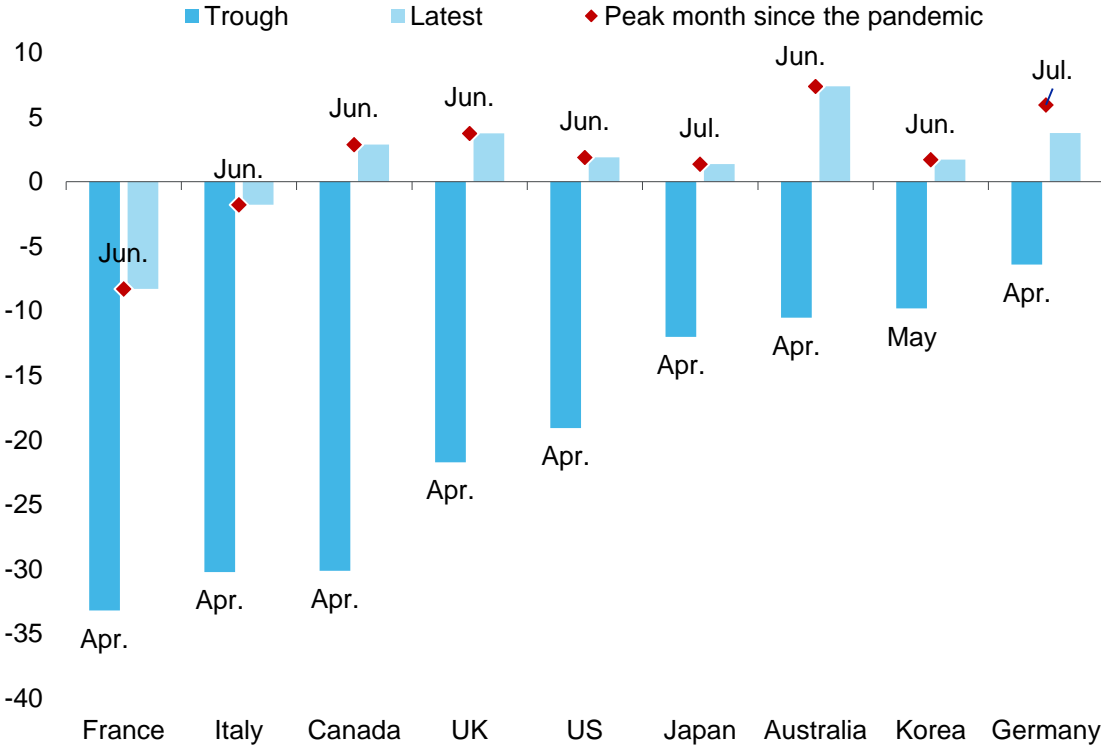
Difference in intensity stems from severity of lockdowns and fear of contagion



Sources: Haver Analytics and Moody's Investors Service

Advanced economies have been seeing a quick demand-side rebound owing to strong fiscal support to households

Retail sales, % change relative to December 2019

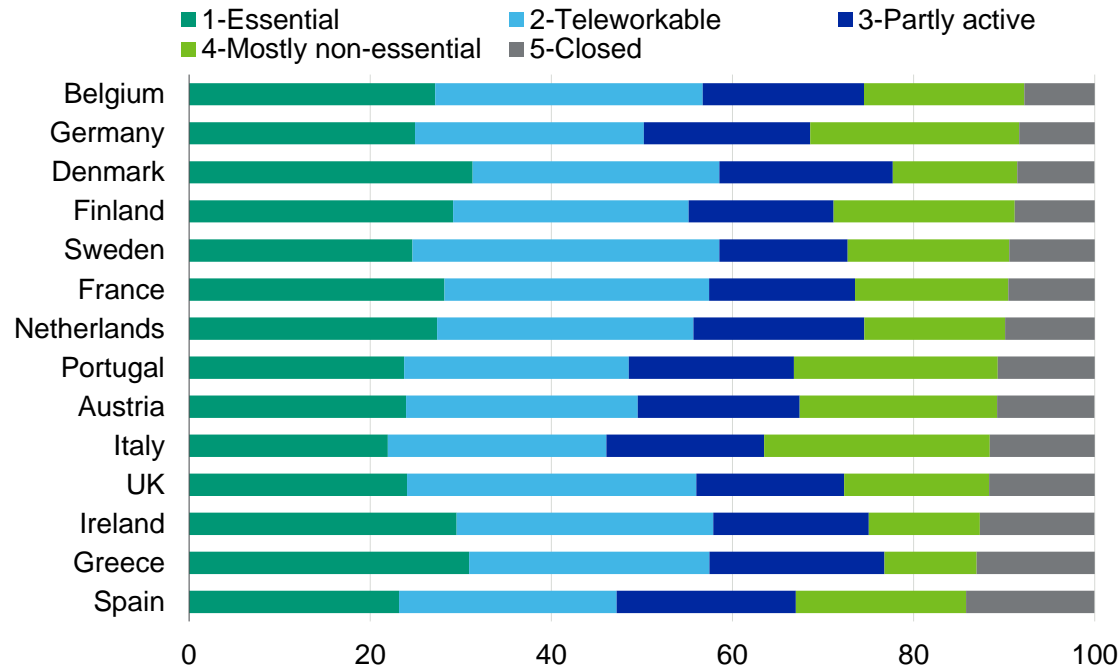


Sources: Moody's Investors Service and Haver Analytics

The crisis and the recovery will deepen inequalities

Jobs most suitable for work-from-home are among the better paid

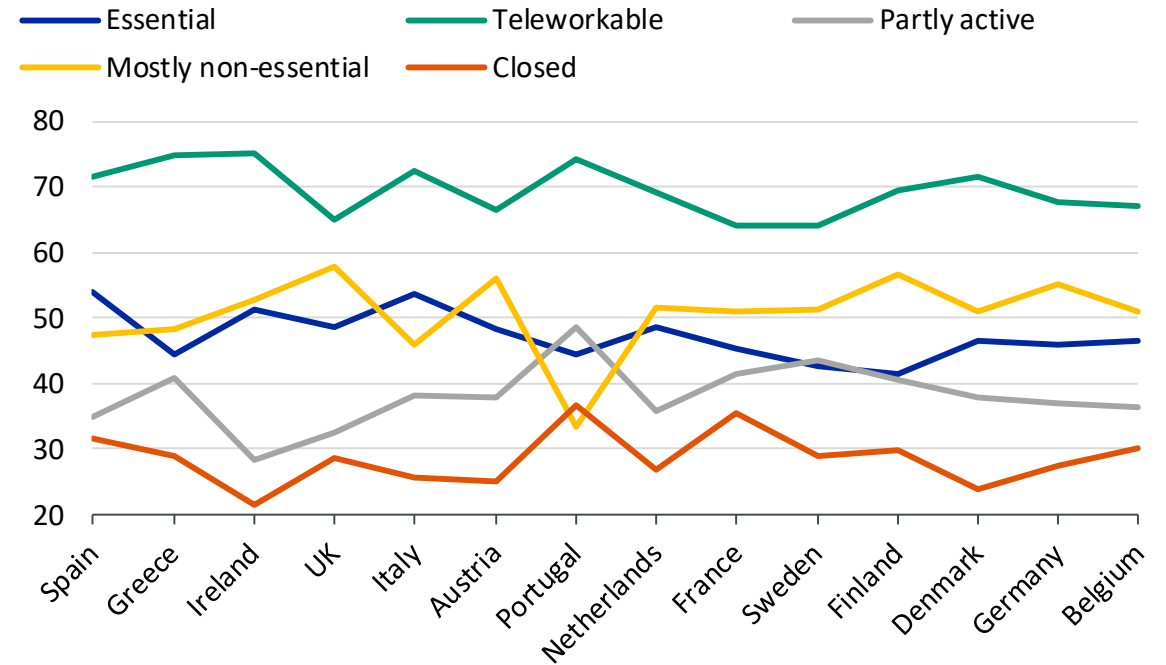
Employment structure differs across European countries



Source: European Commission; For details of sector-level classification, see [The COVID confinement measures and EU labour markets](#)

Relative wage position by job category, based on COVID-19 disruption

Average wage percentile of jobs

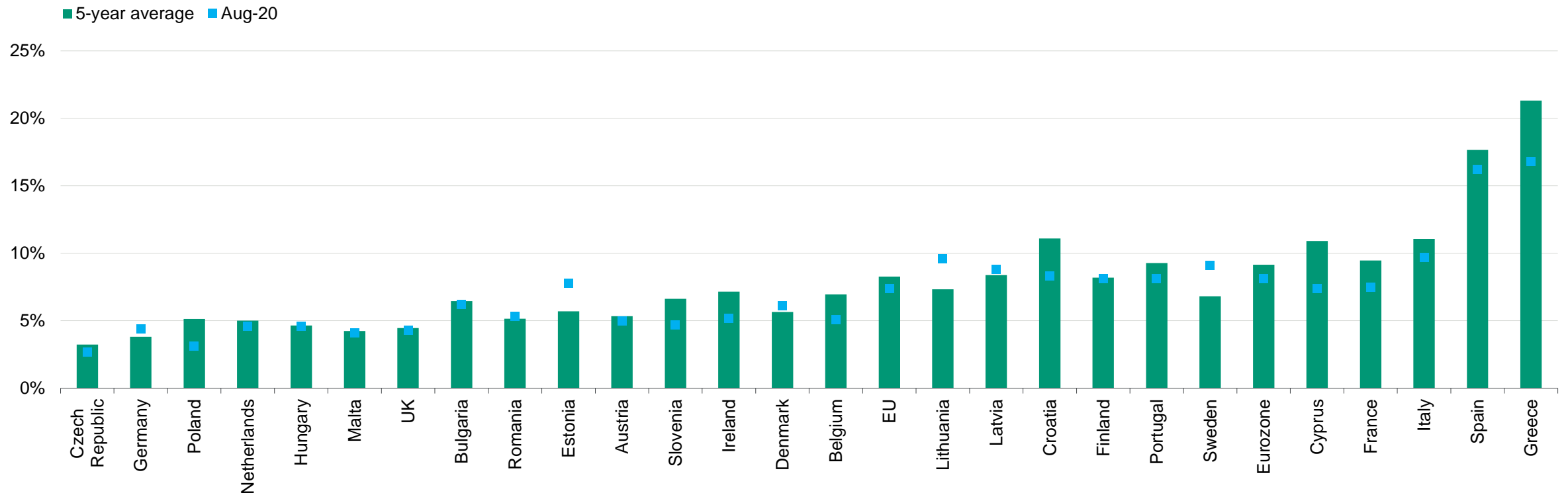


Source: European Commission; For details of sector-level classification, see [The COVID confinement measures and EU labour markets](#)

Unemployment has just started to rise

Offset so far by government support schemes, now retreating

Unemployment rate remains around the five-year average in most EU countries (% active pop)

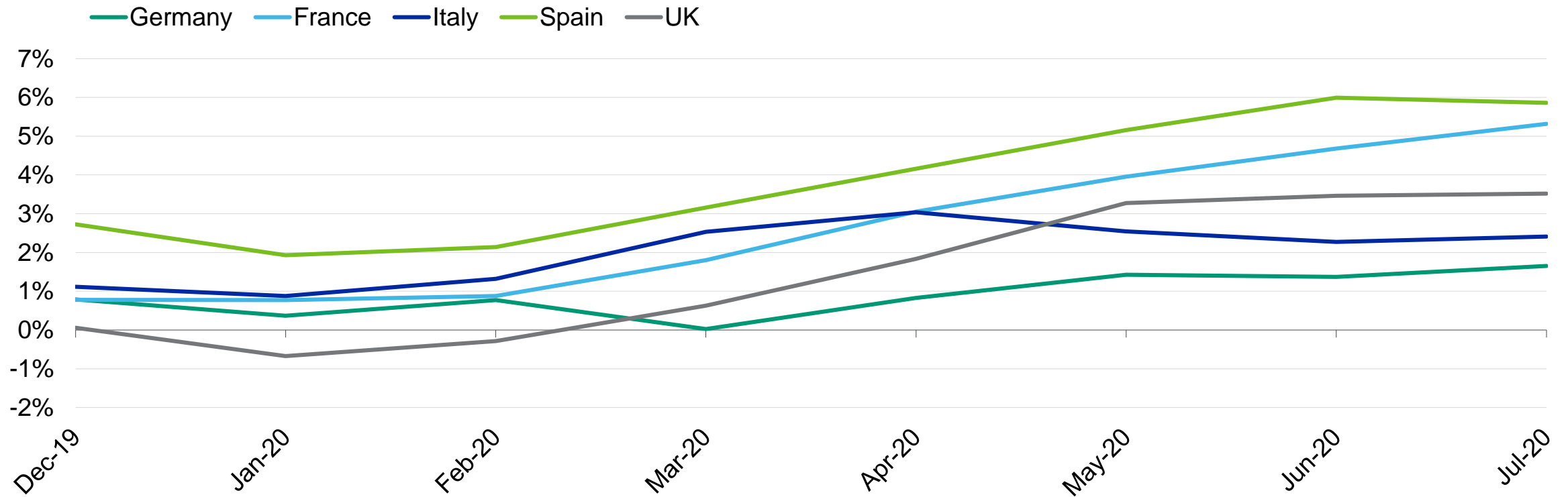


The latest available data for UK, Estonia and Hungary are for July 2020.
Sources: Haver Analytics and Moody's Investors Service

Households have yet to spend their lockdown savings

More normal spending and saving patterns are emerging

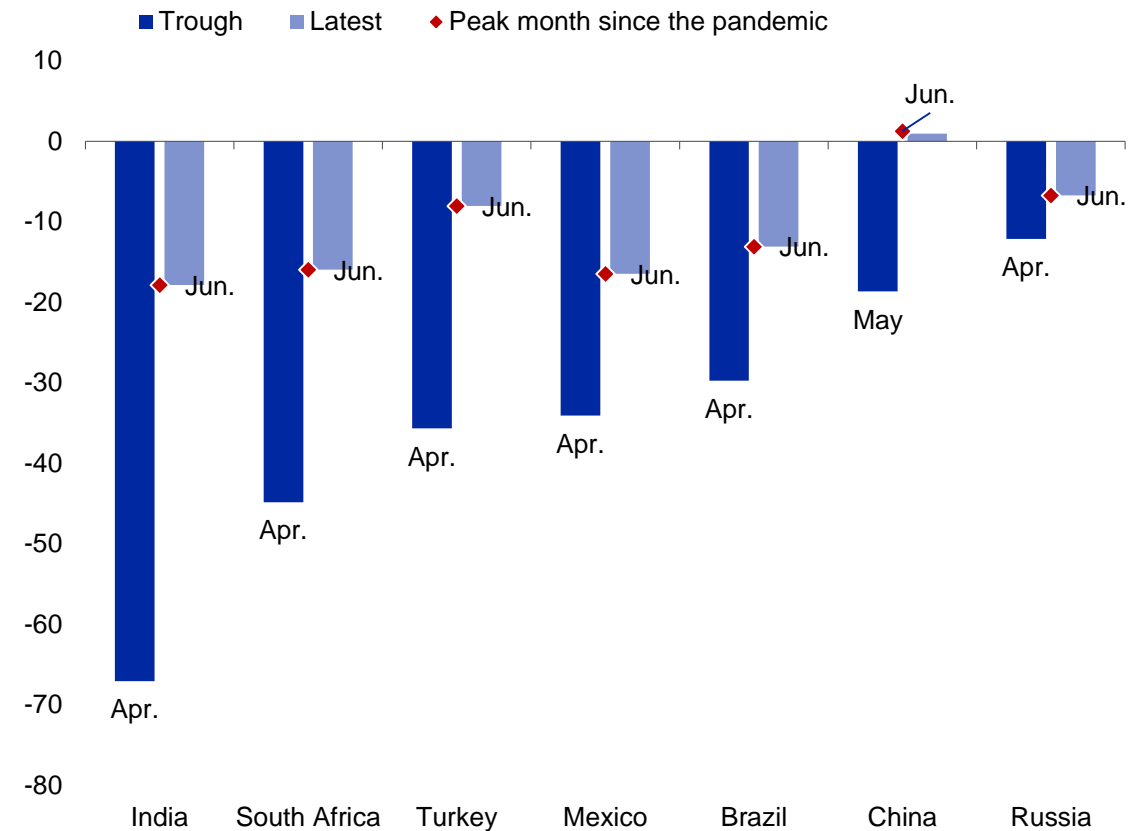
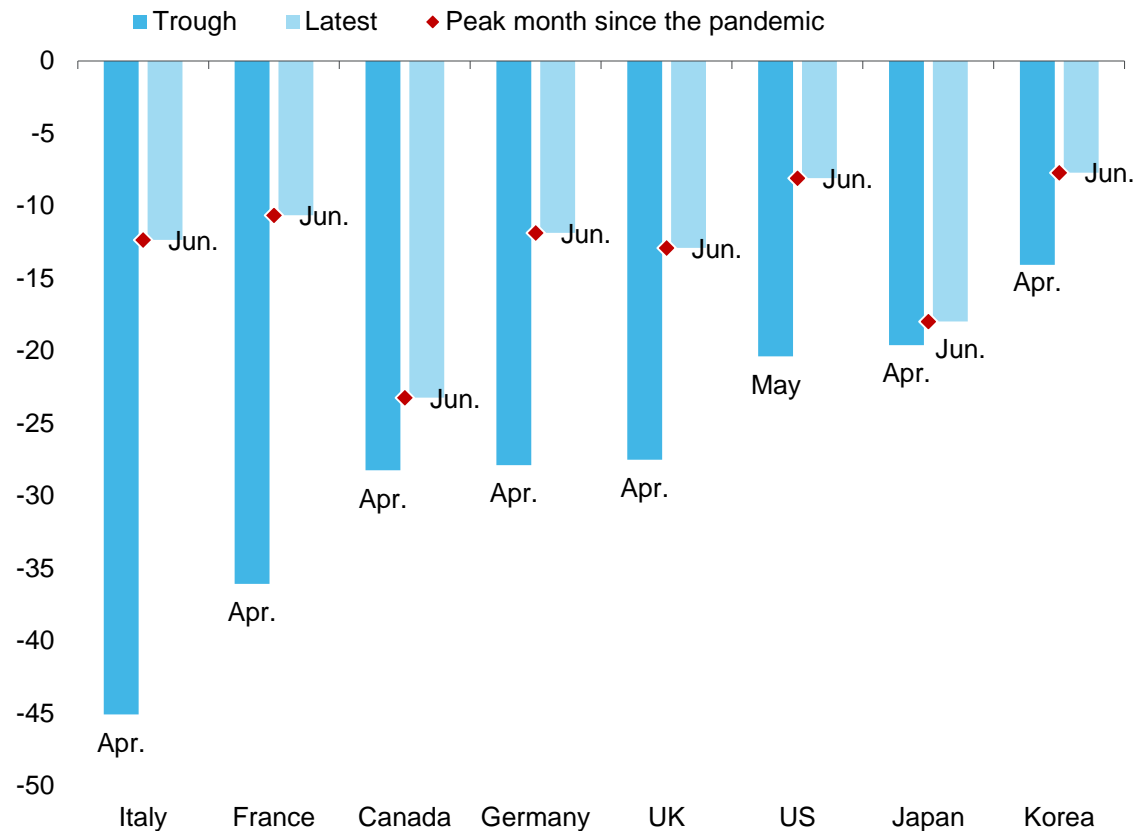
Excess deposits above cumulative savings trend (per country, in %)



Sources: Haver Analytics and Moody's Investors Service

Supply-side recovery will continue if the demand pick-up is sustained

Industrial production, % change relative to December 2019

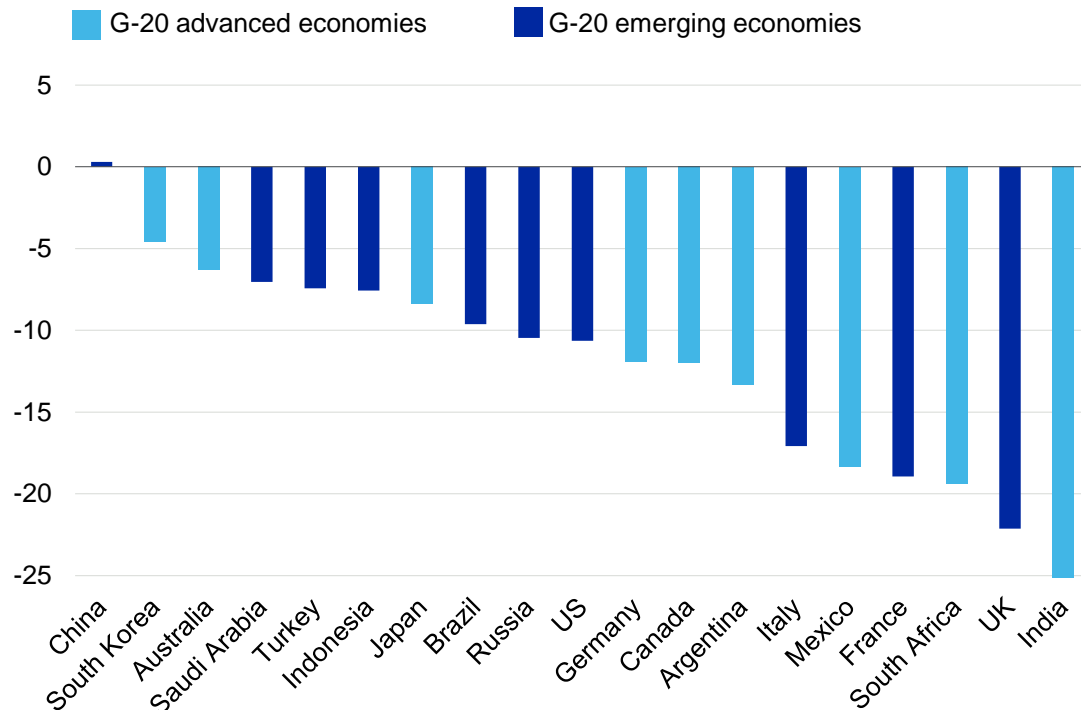


Sources: Moody's Investors Service and Haver Analytics

Level of output will barely reach the pre-coronavirus level in many economies by end-2021

Projected declines in GDP levels, H1 2020

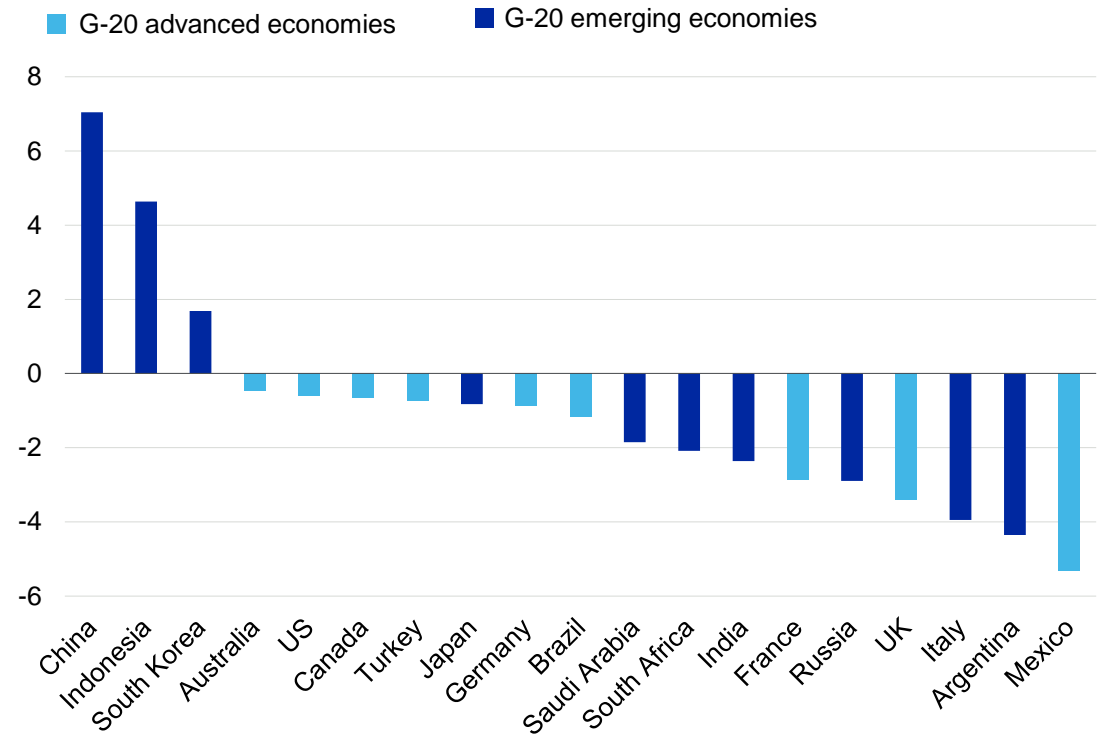
(Percentage point difference, first half of 2020 comp. to end-2019)



Source: Moody's Investors Service

Projected output difference in end-2021

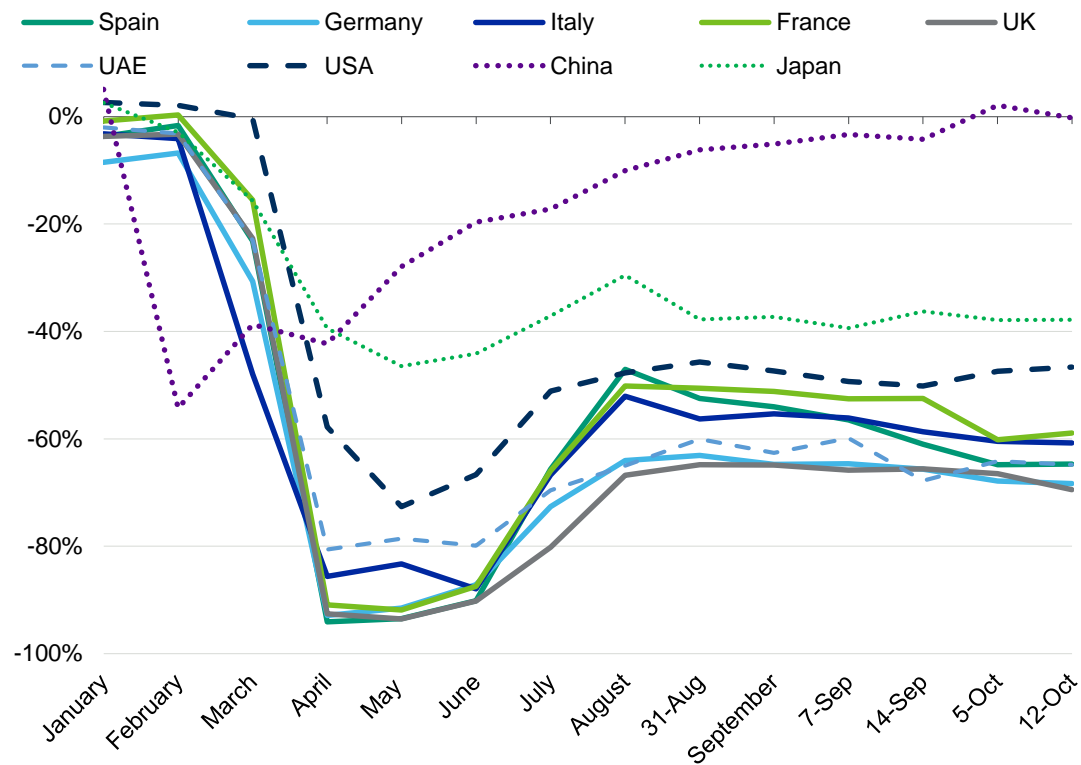
(Percentage point difference, end-2021 compared to end-2019)



Uneven and bumpy recovery

For tourism or autos, 2019 levels to be restored only by 2024

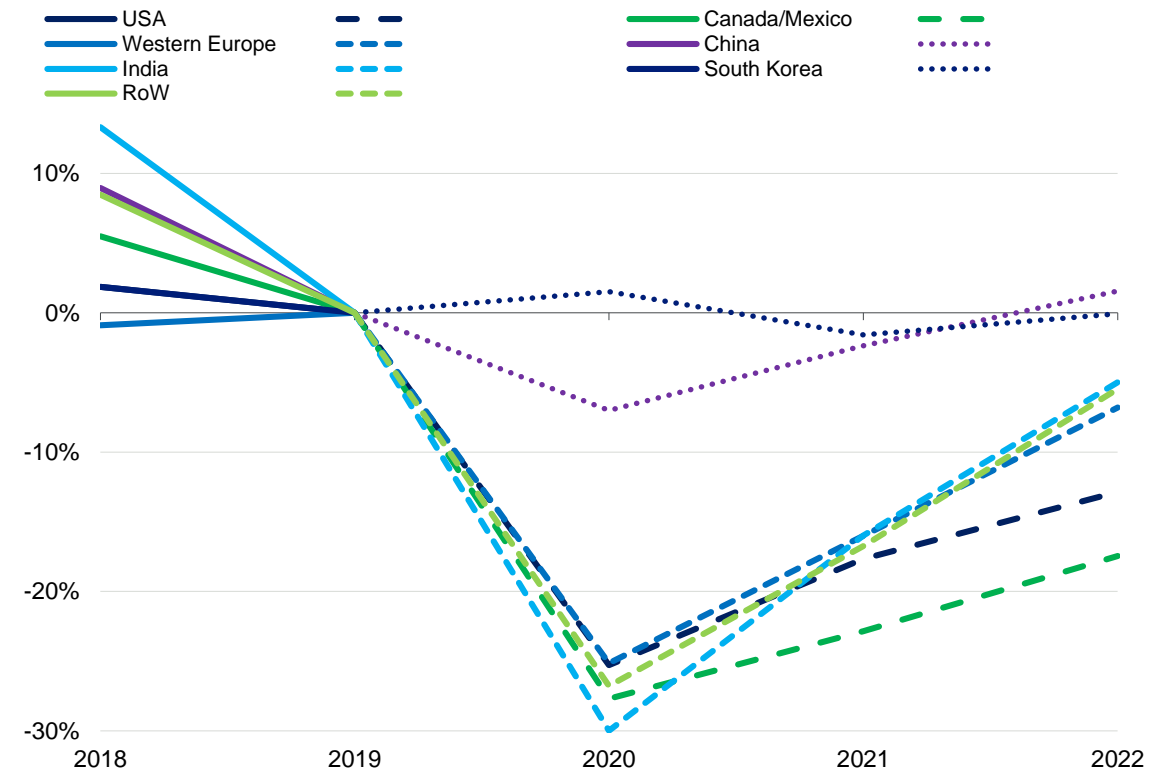
Scheduled flights, YoY% change



Sources: OAG and Moody's Investors Service

Global Auto sales expected to drop by 19% in 2020

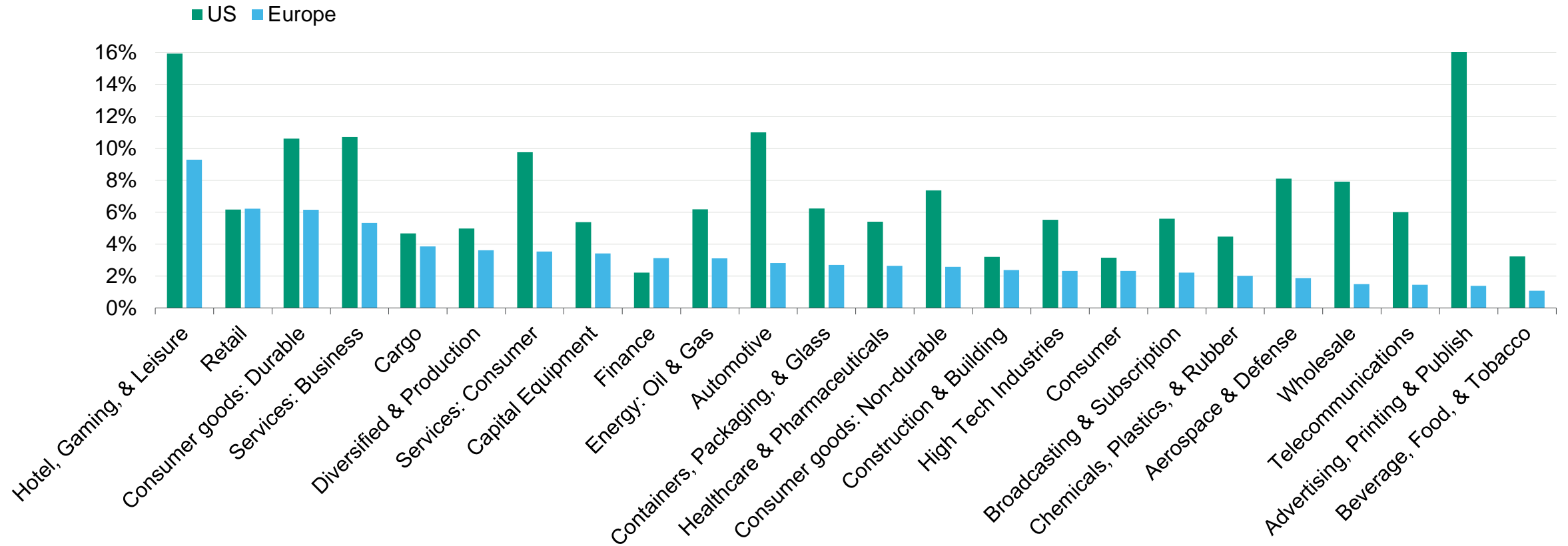
Auto sales indexed to 2019 levels, in number of units, by region (Dotted line: forecasts)



Sources: Moody's Investors Service; [Auto Outlook September 2020](#)

Significant potential clusters of risks

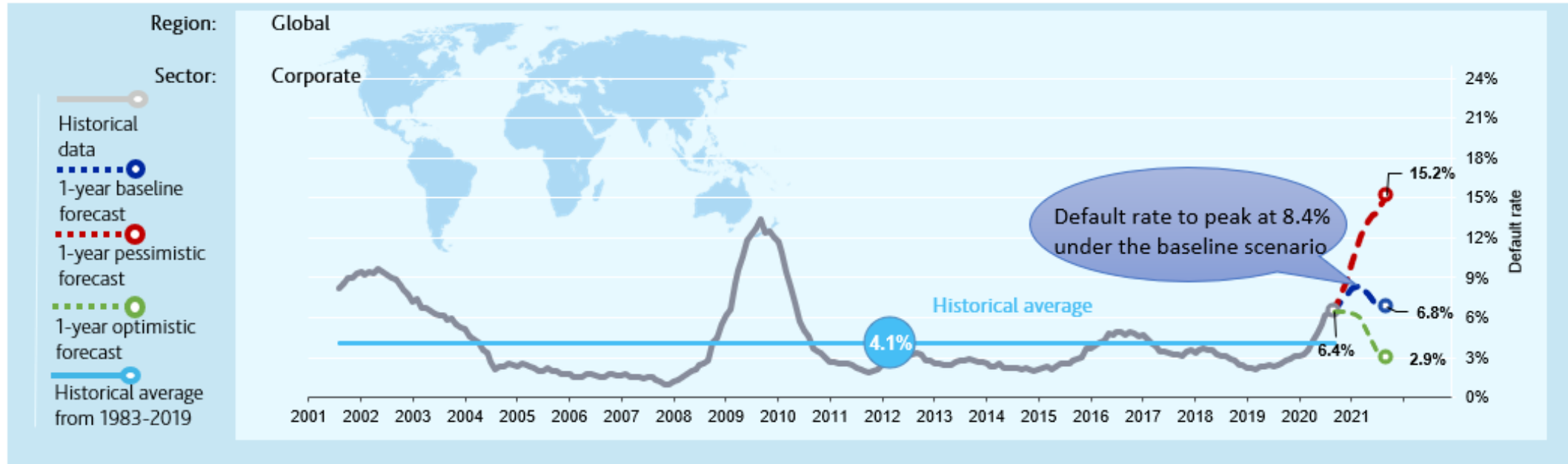
One-year default rate forecast by industry reflects potential impact from crisis



Source: Moody's Investors Service

Corporate default rate is going up

Now well in excess of LT trend; May peak out below previous crises



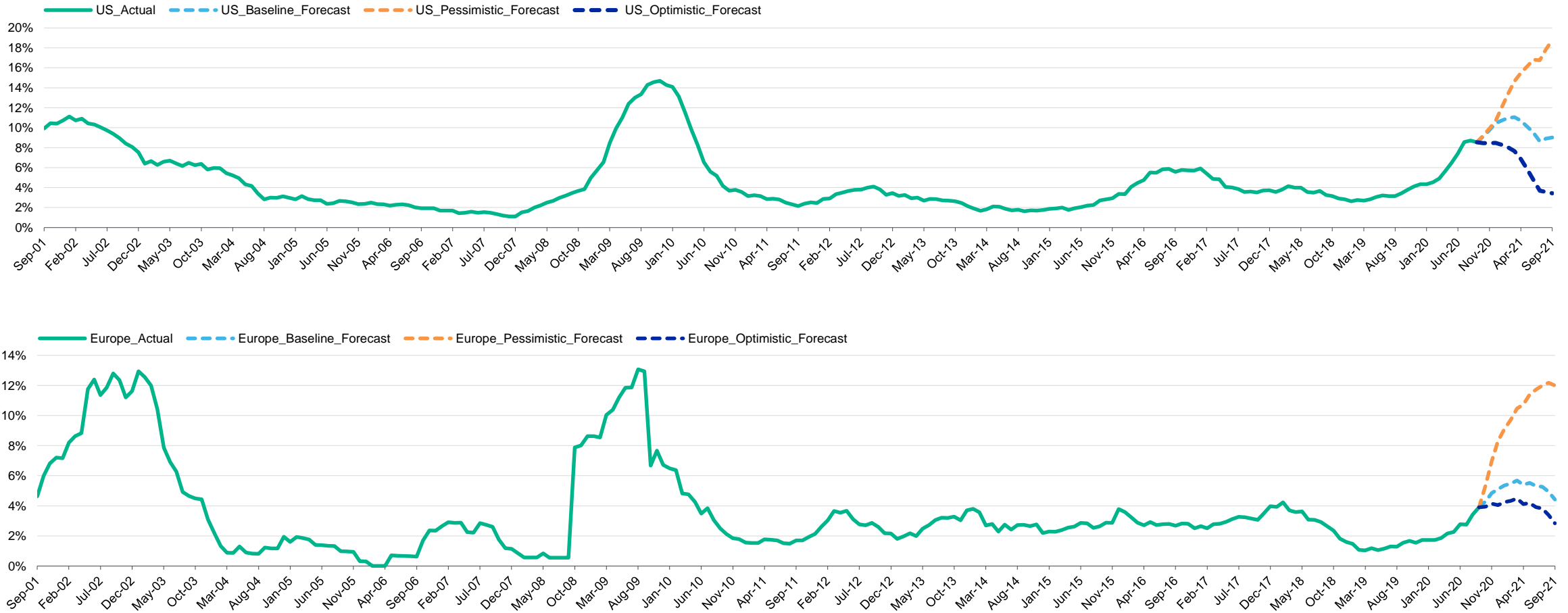
Macroeconomic assumptions	Unemployment rate* (%):				HY spread* (bps):				
	3-month period ending in:	Dec 2020	Mar 2021	Jun 2021	Sep 2021	Dec 2020	Mar 2021	Jun 2021	Sep 2021
Baseline scenario		7.8	7.4	7.1	6.7	523	565	475	484
Pessimistic scenario		9.9	11.2	11.7	12.0	1,229	1,255	994	808
Optimistic scenario		7.6	7.2	6.9	6.5	473	485	386	407

Note: * These US rates are three-months averages.

Source: Moody's Investors Service

Significant regional differences

Forecasts still subject to downside risks



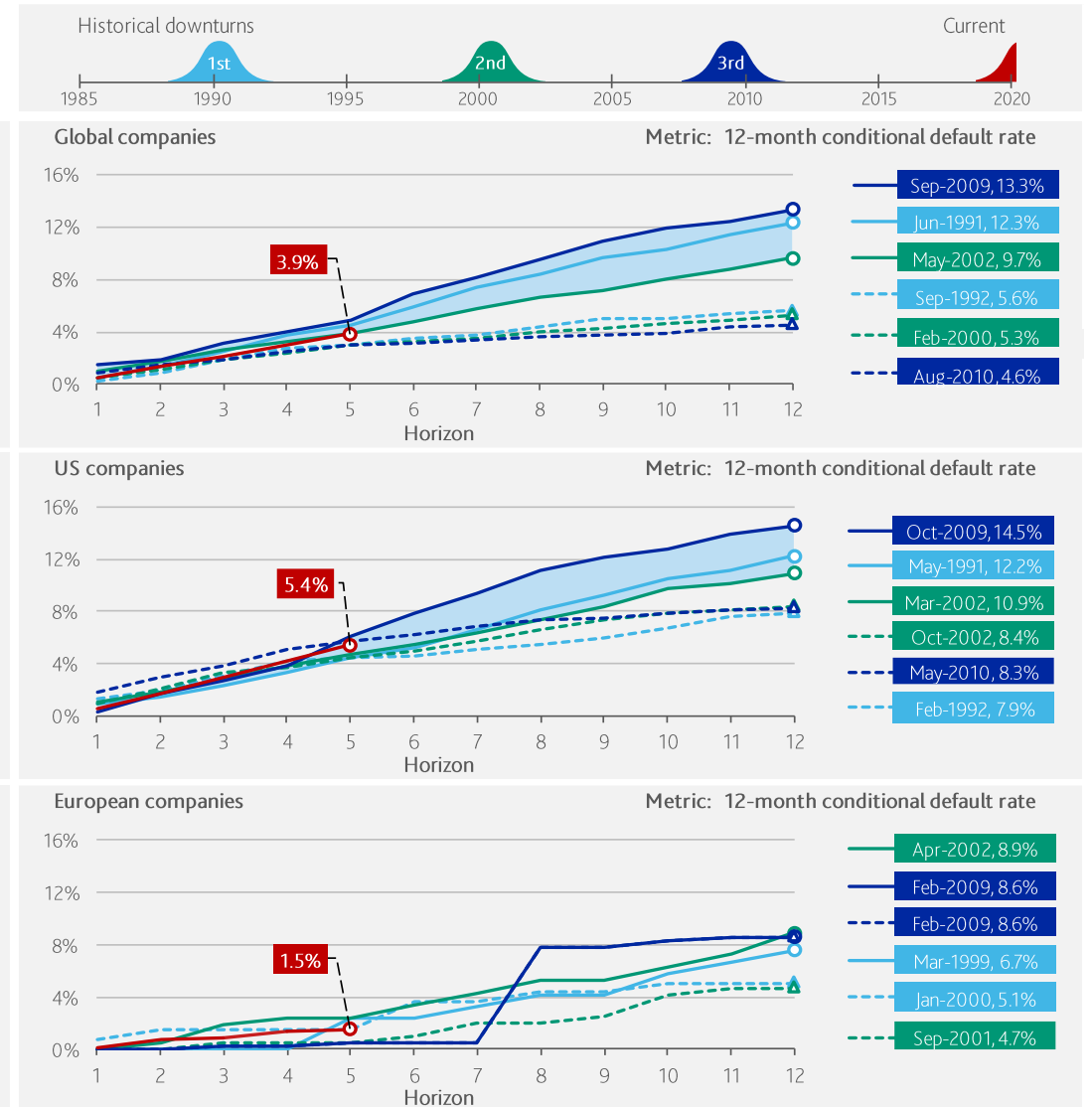
Sources: Moody's Investors Service and IIF

Default trends so far echo past cycles

» Based on the conditional default rate approach, we expect the trailing 12-month SG default rates ending Feb 21 will fall in the following ranges:

- Global: 9.7%-13.3%
- US: 10.9%-14.5%
- Europe: 4.7%-8.9%

Source: MIS, [Past recessions indicate potential paths for default rate](#)



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Questions and Answers

The Road to Recovery

Moody's related publications

- » [Nonfinancial Corporates – Global: Credit focus shifts from liquidity to earnings growth, debt capacity as pandemic persists](#), 7 October 2020
- » [Corporates – Cross Region: Top of Mind: Frequently asked questions about top global sectors](#), 6 October 2020
- » [COVID Recovery Monitor, Europe: September 2020](#), 29 September 2020
- » [Macroeconomics – Global: Coronavirus and the Economy: Alternative Data Monitor](#), 21 September 2020
- » [The State of the European Consumer: September 2020](#) 15 September 2020
- » [Global Macro Outlook 2020-21 \(August 2020 Update\)](#), 25 August 2020
- » [Credit Conditions – Europe: EU recovery plan will benefit tech, telecom, clean transport and green energy sectors](#), 18 August 2020
- » [Credit Conditions – Europe: Post-Covid Europe: More indebted, more social, more tech-reliant](#), 22 July 2020
- » [Lost and postponed consumption during lockdown has a significant impact on GDP](#), 5 May 2020

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