

## Japan Recorded Biggest Decline since 1955....

27 August 2020

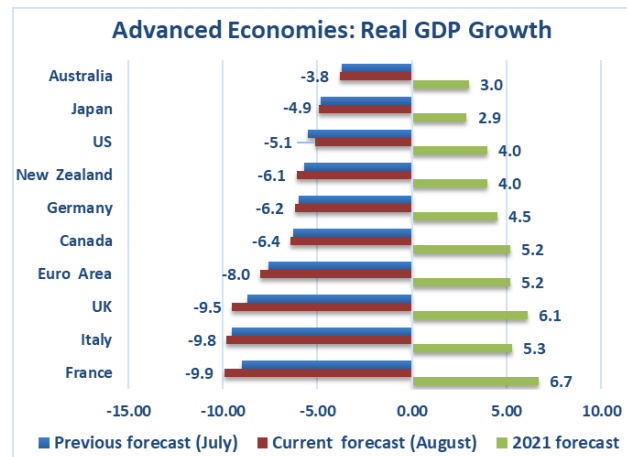
IIZE Gouws: EDI, Head of Economics

### Key Points:

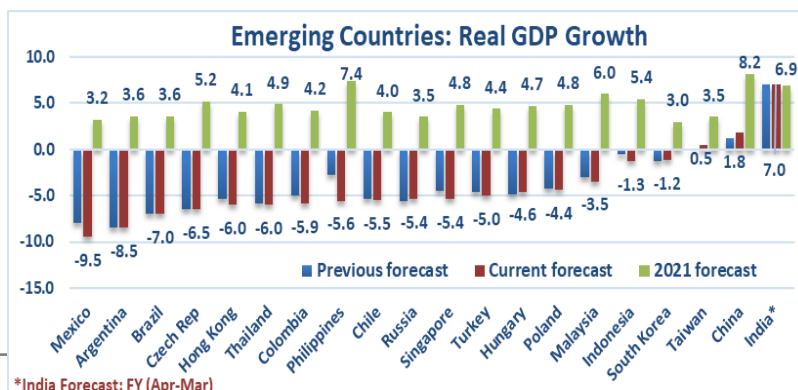
- Further deterioration forecasted
- Worst 2<sup>nd</sup> quarter for US and UK
- Mexico contraction surpassed Argentina
- Colombia lead in unemployment
- Light in the tunnel

### Comparison and Outlook for Advanced and Emerging Economies

In our July consensus survey, real GDP growth of most advanced economies was expected to deteriorate further (*compared to our June forecast*), except for Australia and New Zealand. In the latest August forecast, our panel of forecasters expects the **situation to worsen, except for the United States (US)**, with an estimated growth of -5.10% compared to -5.5% in the previous July forecast. The US experienced its worst second quarter 2020 GDP contraction of 32.9% (*annualized rate*) in 75 years. On the other hand, most analysts foresee the world's biggest economy to rebound in the second half of 2020.



In the second quarter, **Japan's real GDP fell 7.8%** from the previous quarter or at an annualized rate of 27.8%, the biggest decline since records began in 1955. The decline varied by category and on the positive side, government investment increased 1.2% in the second quarter. Our panel forecasted a contraction of 4.9% for 2020, recovering to an estimated growth of 2.9% in 2021. The **United Kingdom (UK)** government figures also showed a record contraction of 20.4% from the first to the second quarter or at an annualized rate of 59.9%. Not only was this the worst decline in British history, it was also the worst decline in Europe. By comparison, 2<sup>nd</sup> quarter official figures showed that real GDP fell at an annualized rate of 55.8% in Spain, 41.0% in Italy, 44.8% in France, and 34.7% in Germany.



\*India Forecast: FY (Apr-Mar)

In our latest consensus survey, **Mexico surpassed Argentina** to take the number one spot with a contraction in real GDP of 9.5%. According to official figures from Mexico's national

statistics agency, real GDP fell 17.3% in the second quarter from the previous three months in seasonally adjusted terms, the sharpest drop so far on record. It contracted by 18.9% from a year earlier. China, the world's largest manufacturer, saw a strong second quarter rebound of its economy but the results were highly mixed with a range of sectors still struggling.

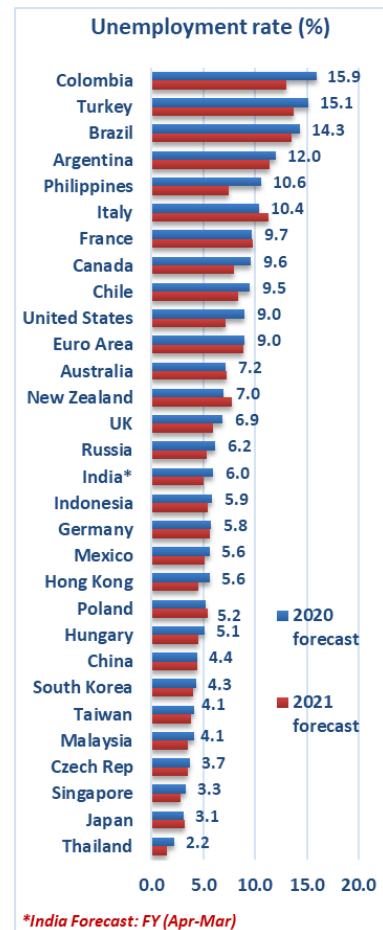
### Jobs and Poverty

The pandemic has been brutal for businesses around the world and fundamental changes in working patterns and lifestyles are having a big impact on certain sectors of most economies. Considerable downside risks remain, including **high unemployment levels** and the resulting damage to consumer spending. In most cases, consumer spending has fallen by much more than household incomes. According to a new World Employment and Social Outlook (WESO) report, almost half a billion people are working fewer paid hours than they would like or lack adequate access to paid work. In addition, the WESO shows that unemployment is projected to increase by around 2.5 million in 2020. Unemployment will remain high into 2021.

### Some good news...

According to the WHO, a number of vaccines are now in the final stage of clinical trials and hopes are high that it will have multiple successful candidates that are both safe and effective. The WHO said that in order to be able to secure enough doses to roll out the vaccines, the next step for the partnership is for countries to make binding commitments in support of the COVAX Facility. As of 24 August 2020, 172 countries are now engaging with the COVAX Global Vaccines Facility, which has both the largest and most diverse COVID-19 vaccine portfolio in the world. The goal of the mechanism is to deliver at least two billion doses of safe, effective vaccines by the end of 2021. As governments invest trillions into economic stimulus, the COVAX Facility offers a huge return on investment.

***“There is light at the end of the tunnel and together we can do it”*** (Quoted by WHO).



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Ilze Gouws: Cell: +27 (0) 82 7823 750  
 E-mail: [i.gouws@exchange-data.com](mailto:i.gouws@exchange-data.com)