

## India deteriorates further....

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### Key Points:

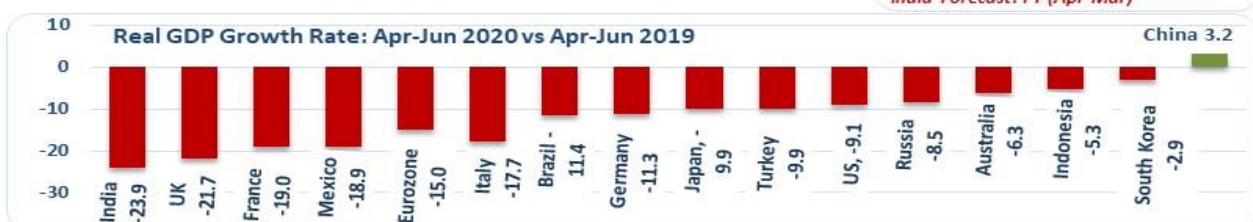
- World outlook remain uncertain
- India deteriorates further
- China GDP impressive
- Difficult growth path for Asia and Pacific region
- Dramatic rise in Europe cases

The global outlook remains volatile with global output in 2020Q2 about 10.0% lower than at the end of 2019. It is expected that the second half of 2020 will reveal a better picture as restrictions slowly loosen up. The improvement in demand, particularly in China, has helped commodity prices to strengthen and trade is expected to show signs of recovery. However, **the world outlook remains considerable uncertain** and forecasts are dependent on assumptions about the spread of the COVID-19 virus and policy developments.

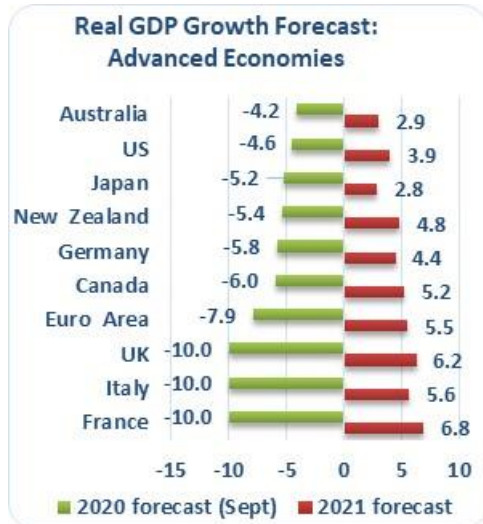
### Real GDP Growth

The economic outlook of emerging market countries is more challenging than in advanced economies. Looking at the accompanying graph, official figures showed that **India's** economy contracted by 23.9% in the April-June quarter. For fiscal year 2019-20, the Indian economy grew at the slowest pace in 11 years at 4.2%. The recovery in India could be slower compared to some of its peers because of a higher infection rate and continued localized restrictions on mobility. Our panel of forecasters expect the country to grow at 7.0% in FY20/21.

In **Indonesia**, the pandemic continues to dampen domestic consumption and investment, leading to a GDP contraction of 5.3% in 2020Q2. The country has not only recorded more deaths from the virus than any other Southeast Asian country, it also has seen by far the most fatalities among medical workers in the region, leading to concerns about the long-term impact on the nation's fragile healthcare system. Our panel forecasted a contraction of 1.9% in 2020 for Indonesia.



The escalating COVID-19 cases threatens the outlook for **Britain's** economy. Growth in consumer spending had slowed sharply this month in comparison with a year ago. According to the Bank of England (BoE), the **UK economy** had been recovering faster in August than had expected, but a resurgence in coronavirus cases could derail this. Our panel forecasted the UK economy to contract by 10.0% this year and expects recovery of 6.2% for 2021.



**Japan's** negative growth mainly reflects the decline in private consumption and exports. Forecasters in Japan expect real GDP to recover to an annual rate of 14.07% in 2020Q3 and 4.54% in the last quarter of 2020. In our latest consensus survey, the panel revised Japan's growth figure to -5.2% (from -4.9%) for 2020.

**China** is the only country that gained impressive recovery since April. Global investors are optimistic about China with inbound foreign direct investment increasing by 18.7% in August versus a year earlier. According to China government, Chinese banks increased lending by 29% from July to August and lending to business was up a notable 119%. The increasing demand for credit reflects the growing confidence of businesses about the state of the Chinese economy.

The Asian Development Bank (ADB) foresees a difficult growth path for the rest of 2020 for most economies in the Asia and Pacific region. ADB said that developing Asia's economy will shrink by 0.7% in 2020. The region is expected to rebound strongly in 2021 with a growth of 6.8%.

Our panel forecasted the **euro area** GDP growth to deteriorate to -7.9% this year and expects a rebound in 2021 of 5.5%. Following a substantial drop in 2020Q1, the euro area real GDP fell by 11.8% in 2020Q2. Although analysts expect a recovery in 2020Q3 for the area, the WHO said that more than half of European countries have reported a *greater-than-10%* increase in cases in the past two weeks.

## Global Trade

With the relaxation of social distancing measures and restrictions on travel and transport in most countries during the second quarter of 2020, it is possible that trade may have recovered somewhat. There is already signs of an increase in global commercial flights (including international air cargo) and container port throughput. International trade is expected to remain below the levels of last year in the second half of 2020.

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