



Data Watch: Tracking the Economic Disruption of Covid-19

Steven Wieting

Chief Investment Strategist & Chief Economist
+1-212-559-0499
steven.wieting@citi.com

Malcolm Spittler

Global Strategy
+1-212-559-8651
Malcolm.d.spittler@citi.com

Melvin Lou

Cecilia Chen
Shan Gnanendran
Joseph Kaplan

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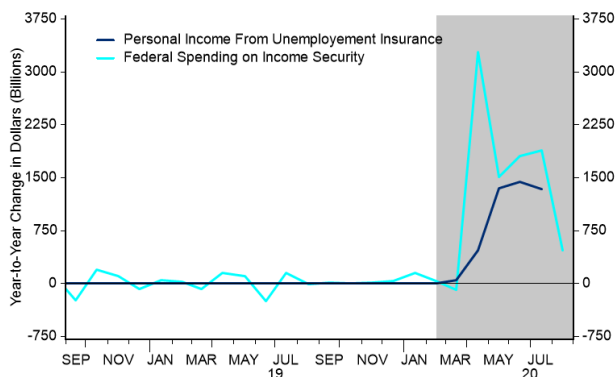
- The retail sector has adapted to Covid-19 with impressive speed, showing the economies resilience to dramatic changes. The severe one time shock is likely behind us, but now so too is the matching rebound.
- Our forecast of +25% for 3Q GDP being roughly in line with the Fed’s real time tracker. However, this was largely a result of the “reopening” and surge in sales in May and June, the starting point for the quarter.
- Retail spending has held up in the US despite the end of expanded unemployment support. Unexpectedly the US now is experiencing a major retreat in fiscal support after the influx of money in the Spring and Summer.
- Industrial production has lagged behind the gains in consumer goods purchases. We see further inventory declines heading into 2021. While this restrains the near-term pace of growth, it suggests a stronger rebound later.
- The center of the Covid-19 pandemic has moved beyond the US, we are seeing its growth in India and a second wave of cases in Europe.
- Rebound in job postings has been strongest in the US, perhaps because of larger early job losses during the shutdown.
- Despite signs of a second wave arriving in Europe, and the probability that something similar will happen in the US it is likely that the economic and market impacts will be much more muted than from the first wave.

Figure 1: Where does consumption go next now that it has fully rebounded



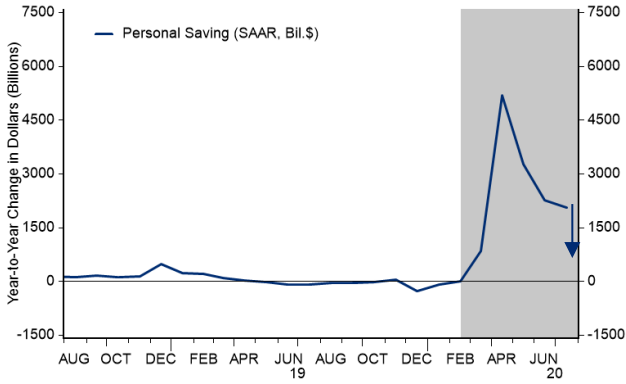
Source: Haver as of September 16, 2020.

Figure 2: In July and August, retail sales added to record highs reached in June. Federal transfer payments collapsed with the end of Federal supplements to state payments.



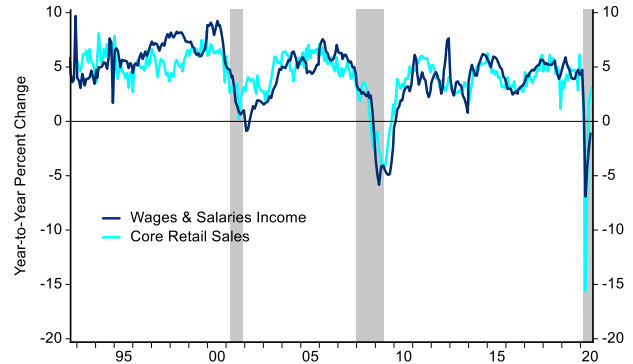
Note: Shaded region is recession. Source: Haver as of September 16, 2020

Figure 3: The \$1.4T annualized drop in transfer payments will offset most of the remaining increase in savings



Note: Shaded region is recession. Source: Haver as of September 16, 2020

Figure 4: Transfers Helped Retail Sales Recover even as earned income languished and savings grew



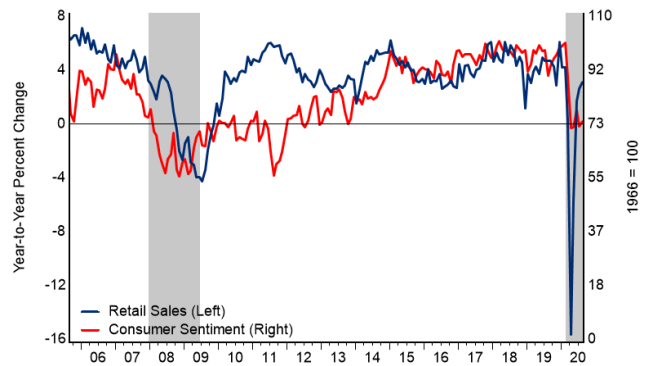
Source: Haver as of September 16, 2020.

Figure 5: US Industrial Production Has Lagged Retail Sales, and Suggests Further “Catch Up” In Time



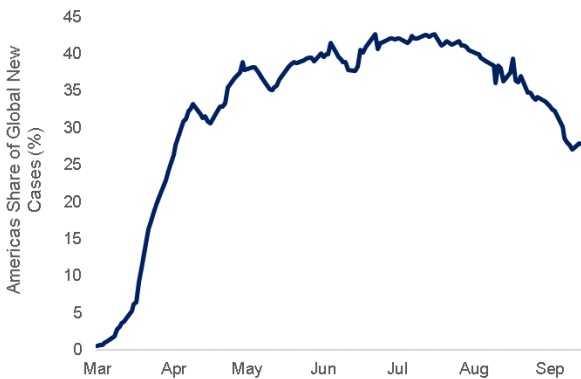
Source: Haver as of September 16, 2020

Figure 6: US Consumer Sentiment Weaker



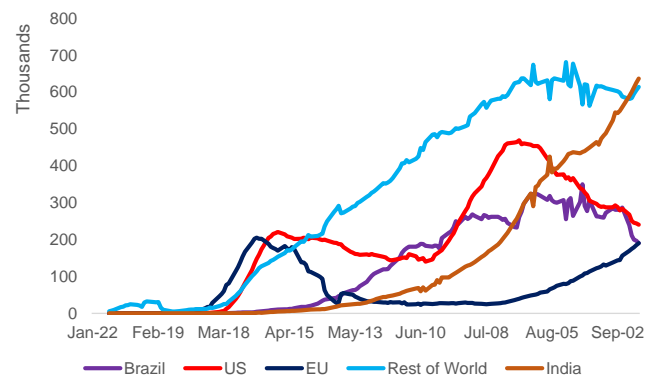
Shaded areas are recessions. Source: Haver as of September 16, 2020

Figure 7: Meanwhile the US is no longer the center of the Coronavirus Pandemic



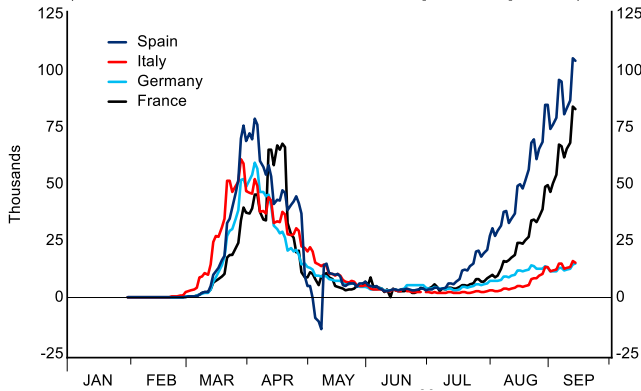
Source: Haver as of September 16, 2020

Figure 8: New Cases in India are Now the Fastest Growing While a Worrying Second Wave is Gaining Speed in Europe



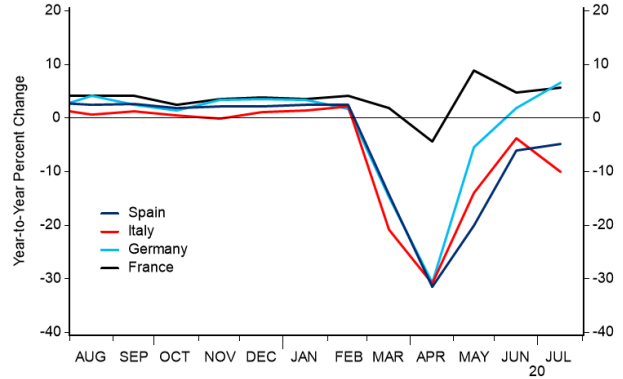
Source: Haver as of September 16, 2020.

Figure 9: Spain and France have surpassed previous high weekly new case growth rates the Second Wave hits



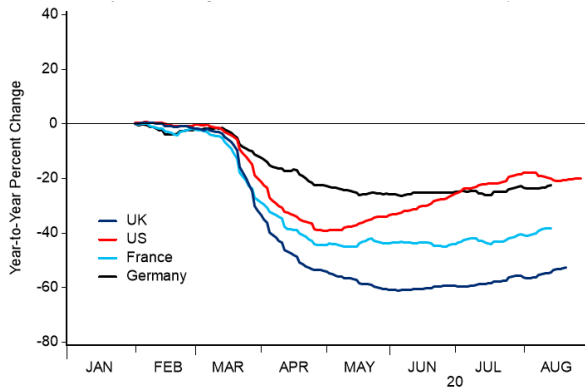
Source: Haver as of September 16, 2020

Figure 10: Retail Sales in Germany and France have Rebounded While Italy and Spain Continue to Flounder



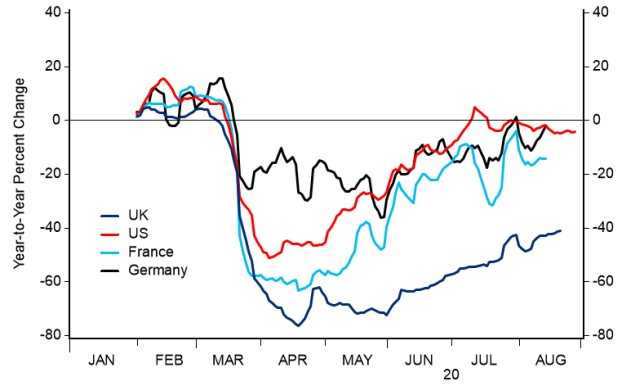
Source: Haver as of September 16, 2020

Figure 11: US Leads in Total Indeed Job Postings Recovery But Has Slowed lately



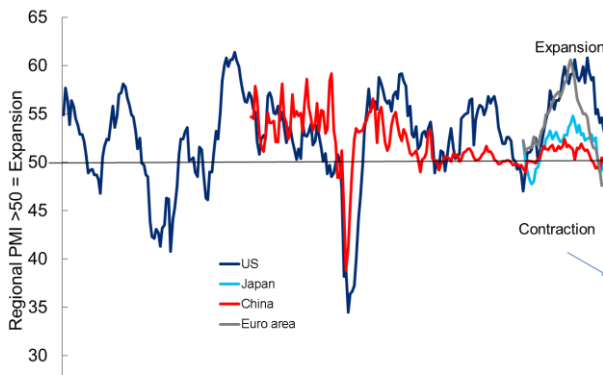
Source: Haver as of September 16, 2020

Figure 12: New Job Postings Have Come Further Back to Normal, Except in the UK where they Are still down 40%



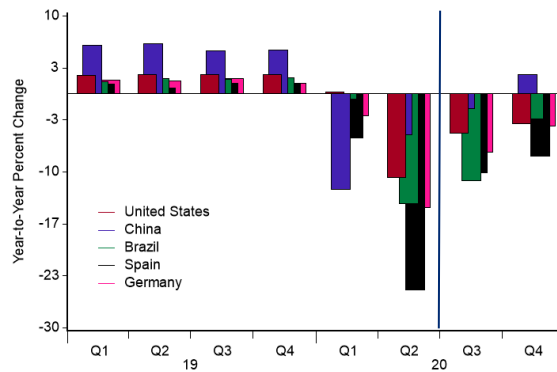
Source: Haver as of September 16, 2020

Figure 13: US Has Seen the Largest Bounce in PMIs, While Japan Still is Signaling Contraction



Source: Haver as of September 16, 2020.

Figure 14: Oxford Economics Projections of Real Consumer Spending Show a Wide Spread from Positive Growth in China to nearly double digit contraction in Spain Still at Yearend



Source: Haver as of September 16, 2020. Note: All forecasts are expressions of opinion and are subject to change without notice and are not intended to be guarantees of future events

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