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# Economic Recovery Pulse check

Third edition - 24<sup>th</sup> of July

# Key storylines



Continued Consumer recovery, though not yet fully there. After a quick rebound, sectors have stabilized at around 80 to 90%. Questions linger around the sustainability of virus containment and the possibility of additional government interventions.



Some sectors nearing pre-crisis levels. But recent decline in Consumer activity is a warning sign of the increasing impact of the Covid 19. Concerns are mounting of a second wave. Dark clouds can be seen on the horizon.



Primary success story of major impacted countries. Has gone beyond recovery and is returning to growth. One exceptions remains in Transportation & Logistics, which continues to reel from the slowdown in trade.



Continued impact. Recovery has stagnated to levels below that Europe.



Still greatly impacted. Consumer activity is slowly recovering but nowhere near pre-crisis levels.

# Methodology | A custom methodology to define BCG Economic Recovery Pulse check

A data-driven index to track activity by sector and country



Countries



Macro-sectors



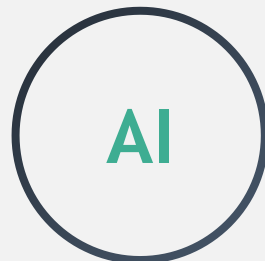
Granularity



Data sources



Data points



Algorithms for index definition



For all other sectors: Cross sector activity

- Aggregation of data sources into refined composite index
  - Sector confidence index
  - Financial index
  - Employment index
  - Consumer activity index
  - Macro economic index
  - Specific data source by sector

Part of BCG Lighthouse a central planning center for COVID-19 response

# How to understand our methodology ?

For each sector, our composite index informs on **gap to recovery** (i.e normal state set to 100)

- Index >100 indicates above normal activity
- Index <100 indicates below normal activity

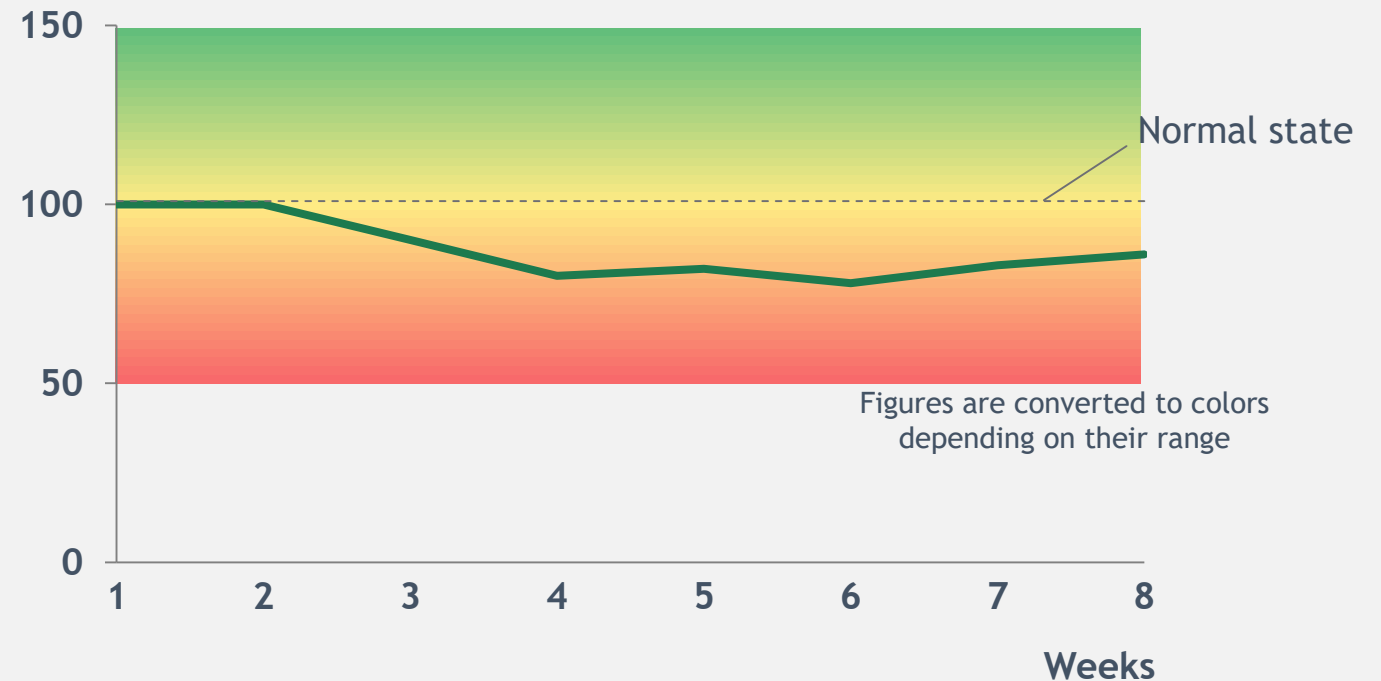
*Normal state corresponds to activity*

- *One year ago for Cross Sector Activity<sup>1</sup>*



## Illustration of the Cross Sector Activity

Cross Sector Activity



1. Activity today and at normal state are computed with an 4-week exponential smoothing

# Exhibit 1 | Despite a quick rebound, Europe and USA remain strongly impacted and China is close to a full recovery

## Economic Recovery Pulse check on July 12<sup>th</sup>, 2020

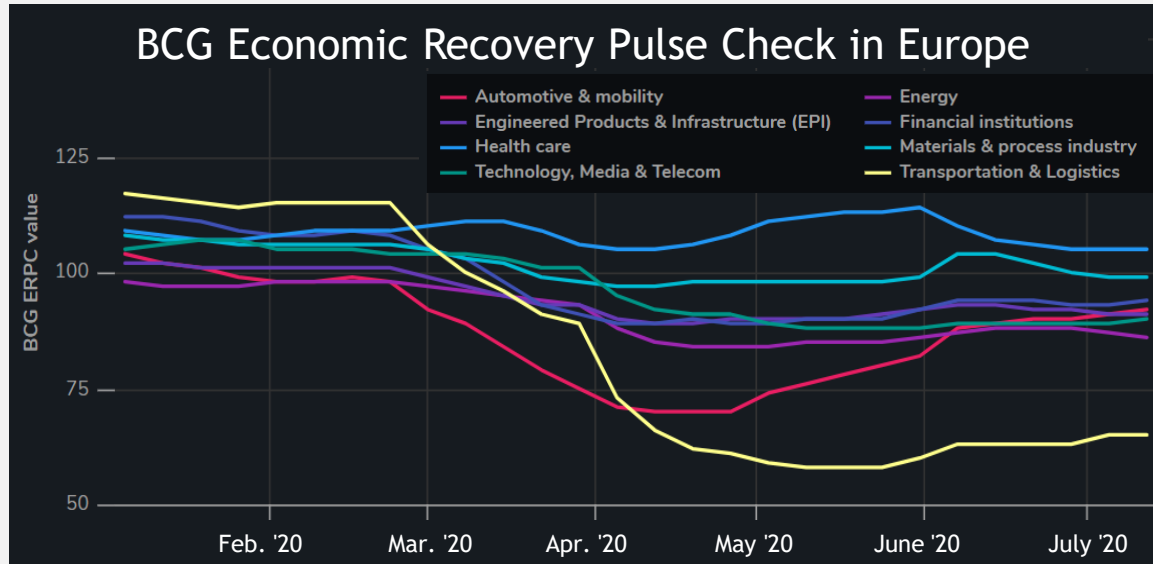
	Average	USA	Europe	FR	DE	IT	SP	UK	JP	BR	CN
Engineered Products & Infrastructure <sup>1</sup>	95 ↘	100 ↘	90 ↘	80 ↗	90 →	95 ↘	95 ↘	95 ↘	85 ↗	85 →	100 →
Materials & process industry <sup>2</sup>	100 →	100 ↘	100 ↘	100 ↘	100 ↘	100 ↘	100 ↘	100 ↘	90 →	95 ↘	100 ↗
Energy	85 ↗	85 ↗	85 ↗	85 ↗	90 ↗	80 ↗	85 ↗	85 ↗	85 ↗	90 ↘	
Automotive & mobility	95 ↘	95 ↘	90 ↘	95 ↘	95 ↘	90 ↘	90 ↘	80 ↗	85 ↗	85 ↗	100 ↗
Transportation & Logistics	80 ↗	85 ↗	<75 ↗	<75 ↗	<75 ↗	<75 ↗	<75 ↗	<75 ↗	<75 ↗	85 ↗	90 ↗
Financial Institutions	100 ↗	100 ↘	95 ↗	95 →	90 ↗	95 →	95 ↗	95 ↗	95 →	85 ↗	105 ↗
Technology, Media & Telecom	100 →	105 →	90 ↗	90 ↗	90 ↗	95 ↗	85 ↗	85 ↗	95 ↗	95 ↗	100 ↗
Health <sup>3</sup>	105 ↘	105 ↘	105 ↘	110 ↘	105 ↘	110 ↘	100 ↗	100 →	85 ↗	100 ↘	100 ↗
Retail & consumer goods	90	85	90	95	95	90	90	<75	90	85	

Trend from now through Q3    ↘: down    →: flat    ↗: up

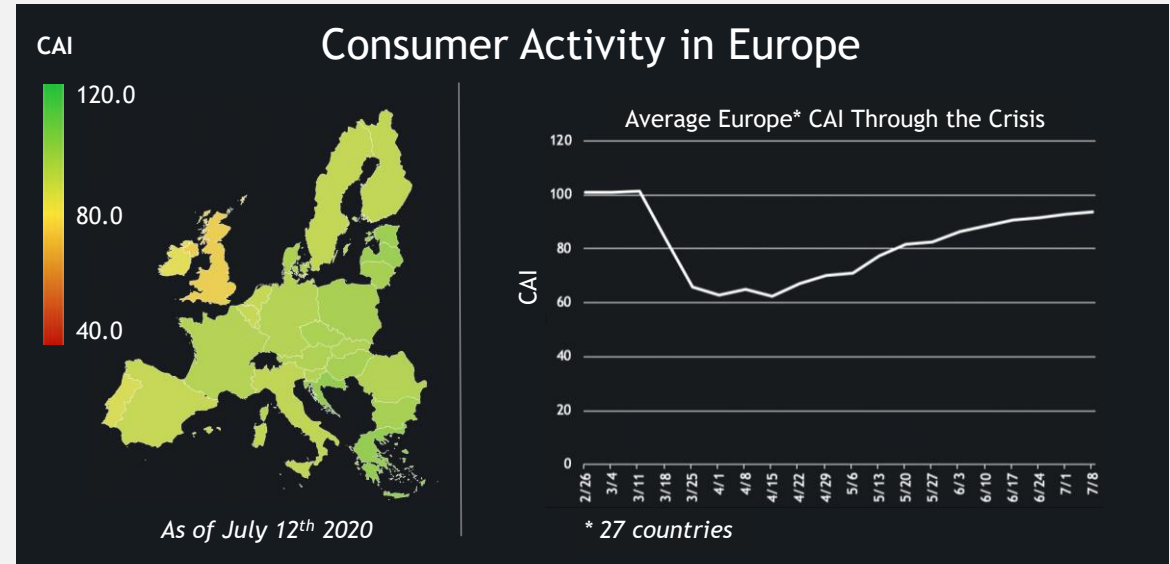
1. Aerospace & Defense, Infrastructure, Machinery & Industrial Automation 2. Chemicals, Metals and mining, Building Materials, Forest Products, Paper and Packaging  
 3. Medical Tech, Biopharma, Consumer Health (excluding Hospitals)



# Exhibit 2 | Recovery continuing in Consumer and Automotive, while stalling in other sectors

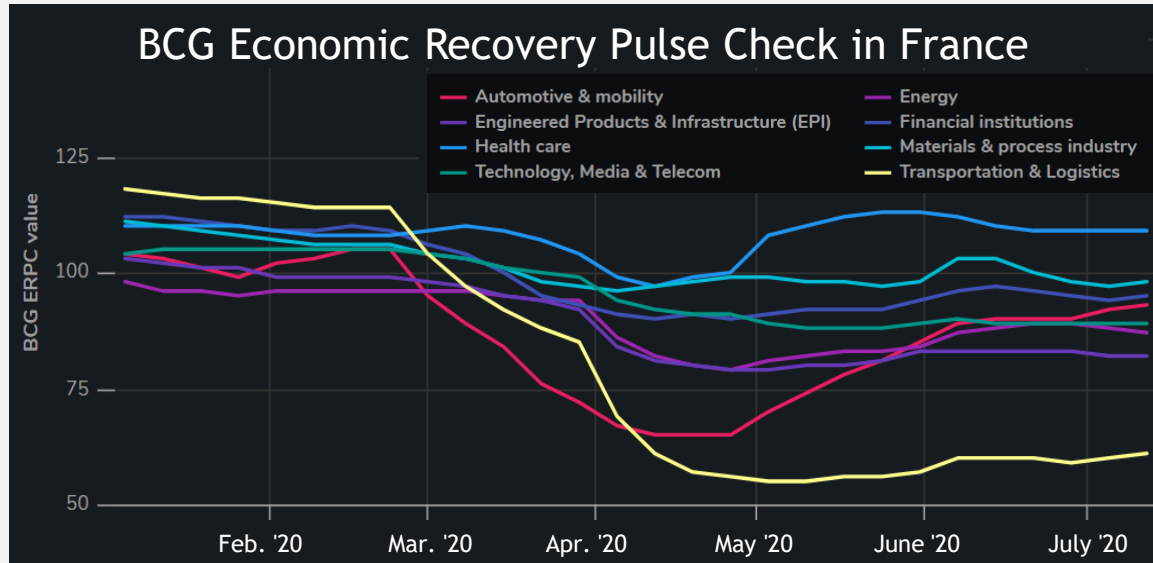


- **Automotive** sector have particularly suffered from lockdown (-95% new car sales in April 2020 in Italy & Spain) but has had steady recovery since May. Germany and France are recovering better (sales made outside Europe and specific gov. recovery plan).
- **Transportation & Logistics** sector was highly hit with diminution of international imports and exports. It remains the most impacted.
- **Financial sector** carries uncertainty of other sectors and will suffer more with longer term impact (provisions to anticipate default and credit loss)
- **Health Care** sector was the sector with most positive impact during the Covid period (rebound of self-medication and Covid treatment)

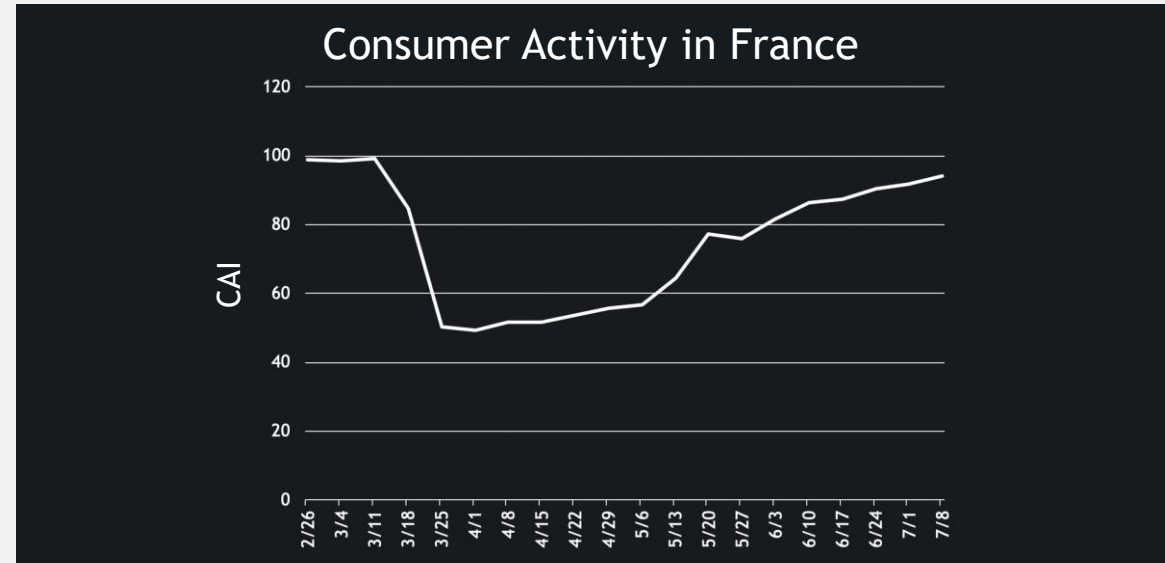


- The CAI recovery continues in Europe
- **Germany** (CAI: 94), **France** (CAI: 94), **Italy** (CAI: 91) and **Spain** (CAI: 90) are pursuing their recovery with residential mobility almost back to pre-COVID levels (only up about 1-4%). However, transit mobility metrics are still far from their normal levels (on average, down about -21.3% vs. pre-COVID levels, despite vacations)
- **The UK** (CAI: 76) and **Ireland** are still lagging, mainly dragged down by:
  - Transit mobility: -44.4% (**UK**) and -33.9% (**Ireland**) vs. pre-crisis baseline
  - Retail mobility: -44.7% (**UK**) and -28.4% (**Ireland**) vs. pre-crisis baseline

# Exhibit 3 | Strong recovery in Consumer and Automotive, flat in other sectors

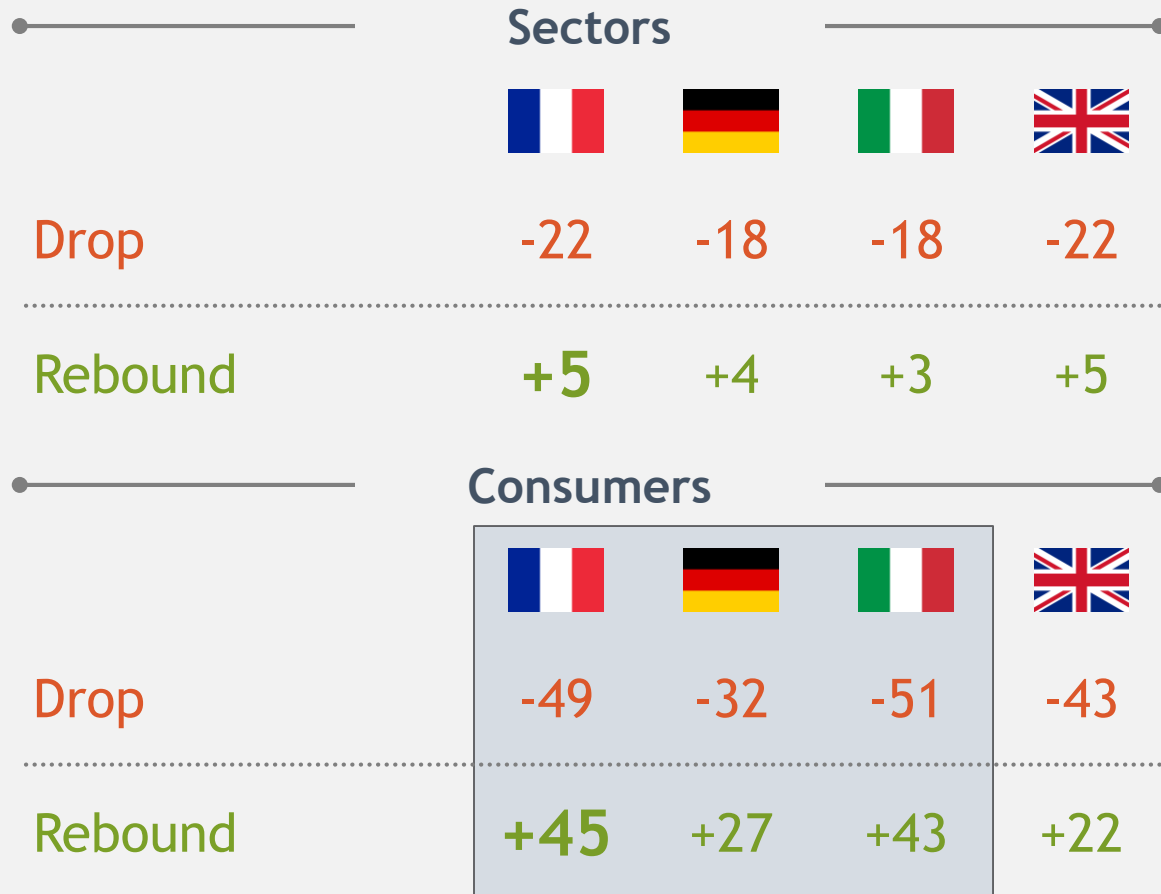


- **Automotive** sector have particularly suffered from lockdown. Auto rebounded quickly and while other sectors have flattened out, Auto has remained on an upward trend
- **Transportation & Logistics** sector was highly hit with diminution of international imports and exports. After some recovery, the sector has stayed mostly flat
- **Financial sector** carries uncertainty of other sectors and will suffer more with longer term impact (provisions to anticipate default and credit loss).



- As of July 8<sup>th</sup>, France's CAI has had one of the strongest recoveries in Europe (CAI: 94)
- Compared to pre-crisis levels, some indicators have basically recovered...
  - **Grocery mobility**: +3.3%
  - **Retail mobility**: -8.0%
  - **Residential mobility**: +3.6%
- ... while **transit mobility** is still lagging a bit at -15.6% vs. pre-COVID levels

# Rebound of economic activity in Europe



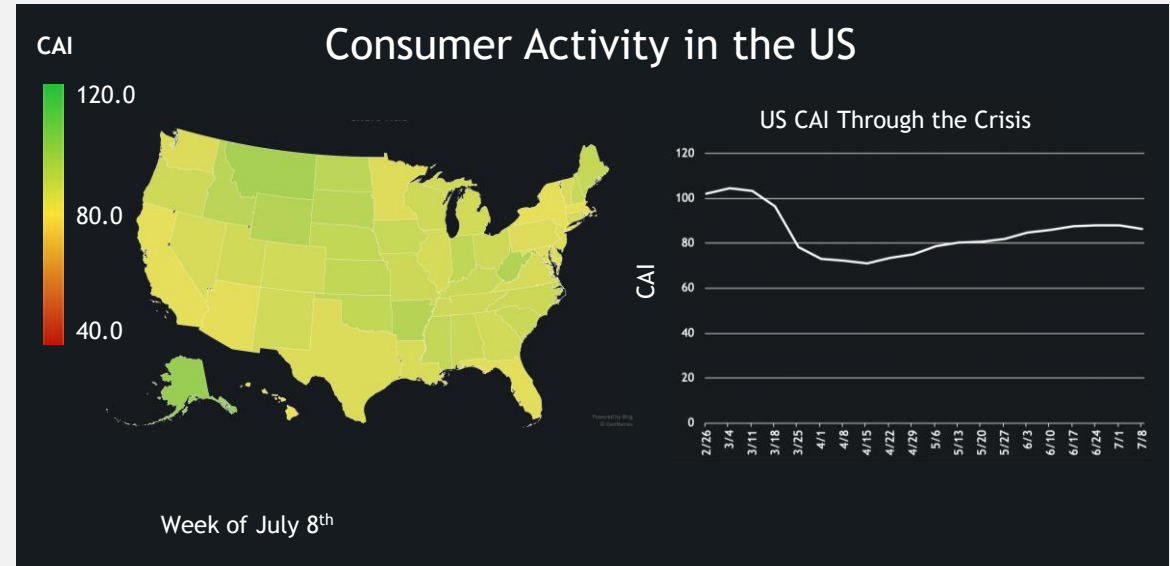
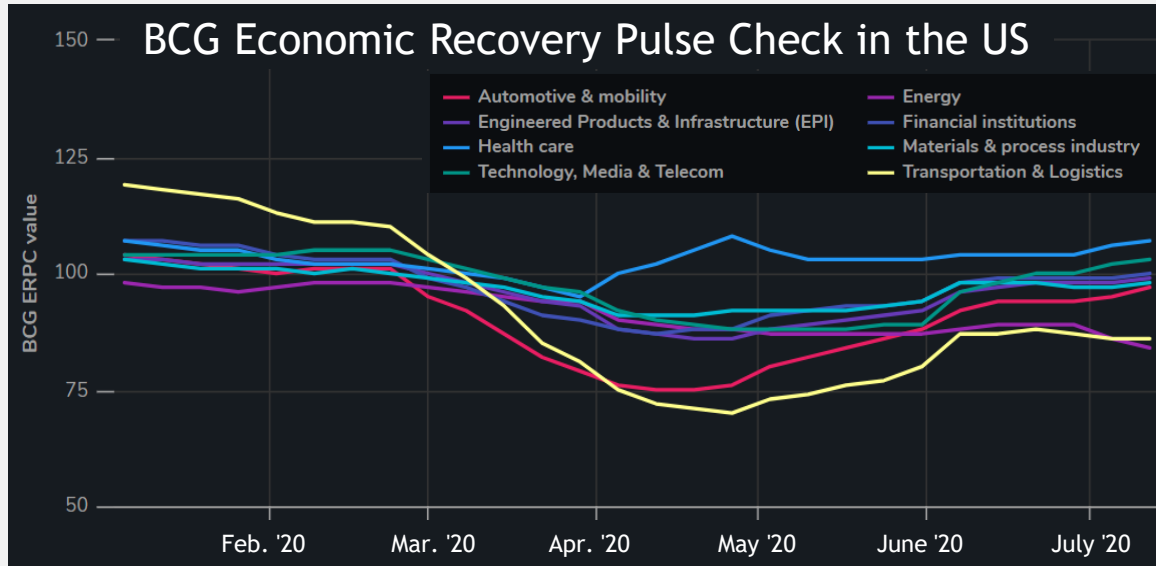
Strong Consumer recovery in Continental Europe

Note1: Top 4 Europe : France, Germany, UK, Italy Note2: Drop of ERPC/CAI level between mid-February and mid-April. Rebound of ERPC/CAI between mid-April and early-July

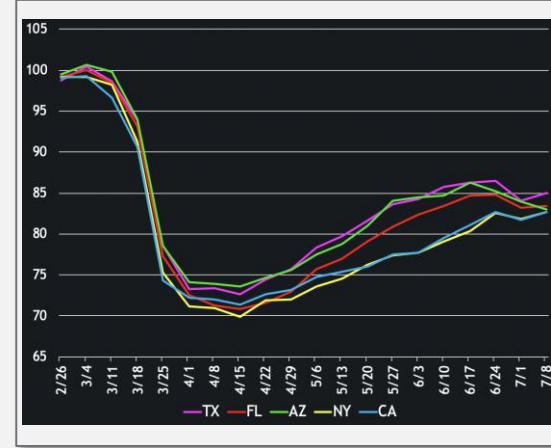




# Exhibit 4 | Recovery in many parts of the economy, but Consumer activity showing early signs of second wave

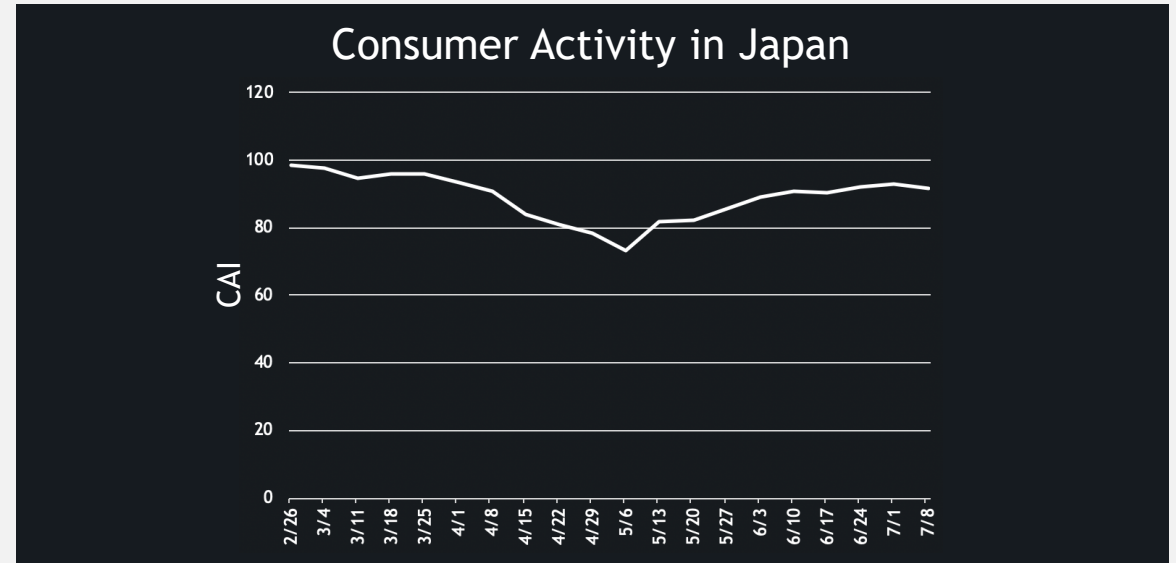
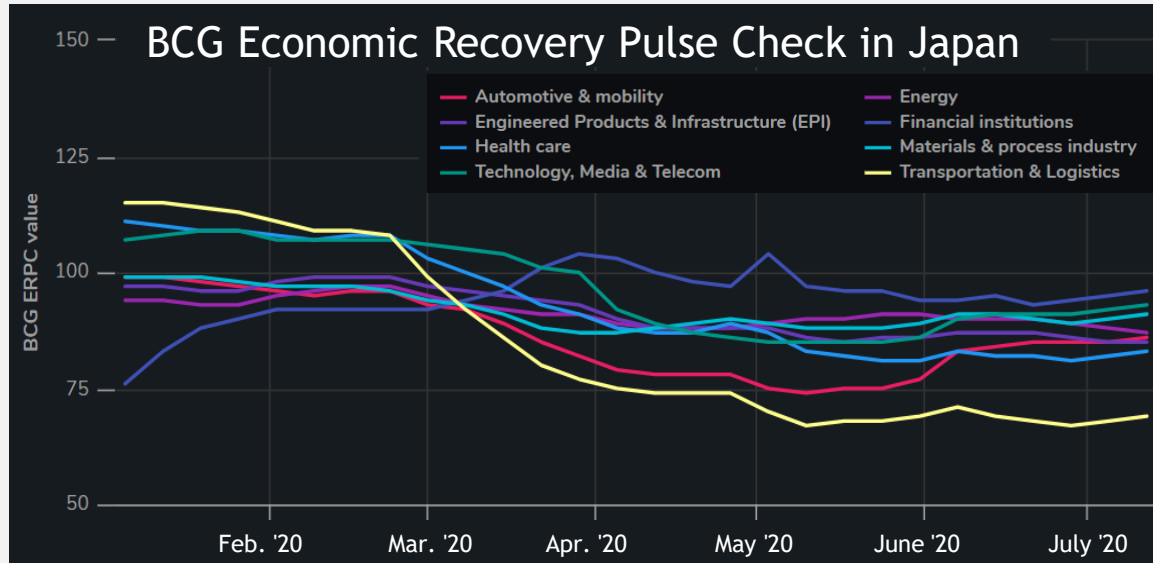


- Overall, **sectors** are not suffering as much as in European countries because lockdown measures were progressive and not generalized to the whole country. For example, **Automotive** sector was less hit than other countries and is recovering quite well (dealers were opened during lockdown as essential goods stores)
- Many sectors have recovery to pre-crisis levels, with notable exceptions in **Transportation & Logistics** and **Energy**
- **Decrease in Consumer activity**, from a looming second wave, isn't showing impacts yet to upstream sectors



- For the first time since early April, the US CAI has declined (July 8th CAI: 86)
- The nationwide index is dragged down by the devastating waves of infections in some southern states. These states had, so far, a much less restrictive approach to the pandemic (e.g. **Arizona, Texas, Florida**)
- e.g. in **Arizona**: **food delivery sales up +167.8% YoY** this week, and **rideshare sales down -73.9% YoY**

# Exhibit 5 | Japan's recovery is stagnating

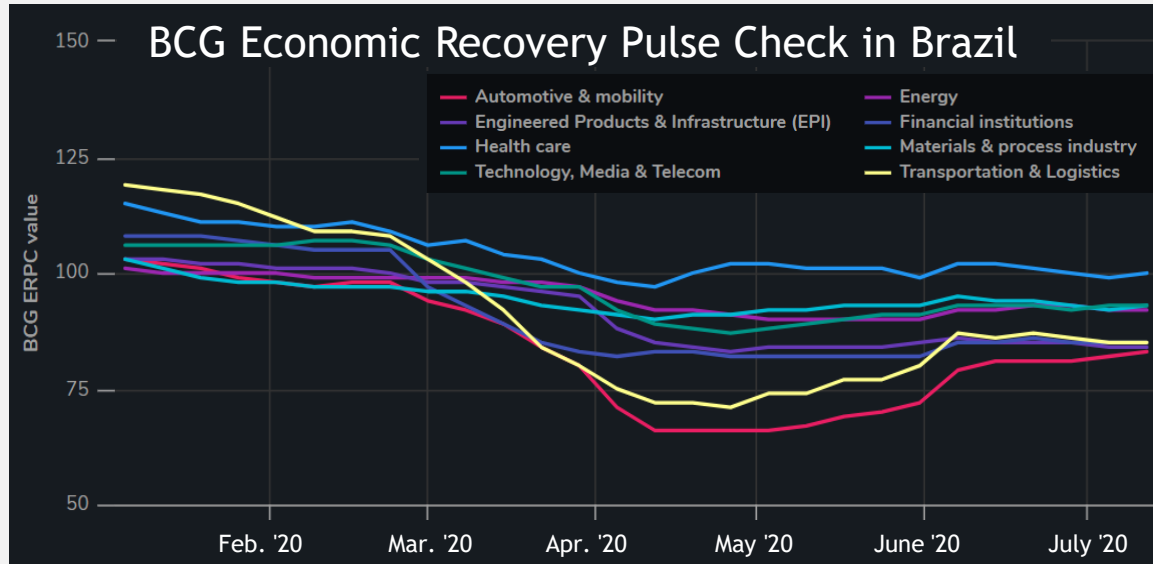


- Japan was prudent in Covid-crisis management to avoid panic. Crisis measures were gradual with no severe lockdown. Activity drop was then more progressive than in other countries
- **Transportation & Logistics** sector was highly hit with diminution of international imports and exports
- Impact on **Energy sector** was limited during the crisis because lockdown measures were limited in Japan and transports were not shut down
- Some sectors, such as **Automotive**, are doing better than but overall there has been little economic improvement over the past month
- Some pickup in recent weeks, across a number of sectors, but it's too early to tell if it's signaling an accelerating recovery

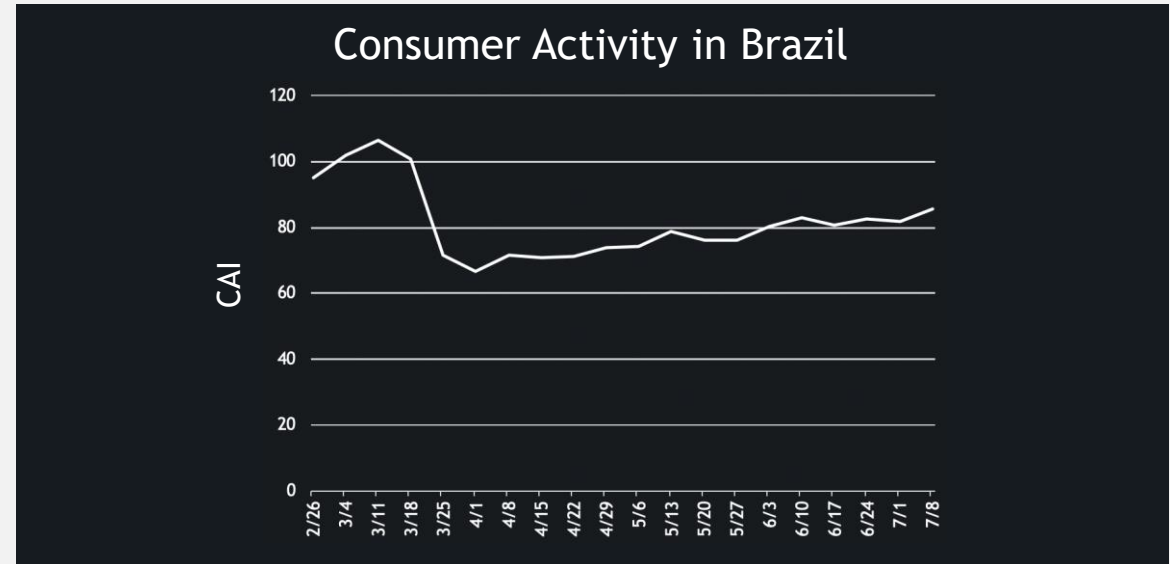
- Japan has managed to keep a strong CAI throughout the early phase of the pandemic, and managed to recover despite the early May dip
- Since then, the country consumer activity has been stagnating in the low 90's (and is at 92 on July 8<sup>th</sup>)
- Compared to pre-crisis levels, some indicators are close to recovery...
  - **Grocery mobility**: -1.6%
  - **Retail mobility**: -13.1%
  - **Residential mobility**: +6.3%
- ... while some others are still weighing on the CAI a bit
  - **Workplace mobility**: -11.4%
  - **Transit mobility**: -23.0%



# Exhibit 6 | Brazil still greatly impacted, with Consumer activity recovering slowly



- Brazil suffers a long impact of the Covid crisis. Drop of activity started with the lockdown in European countries and the US in March 2020
- Brazil is now suffering from the sanitary crisis so recovery is lower than in other countries
- Impact of the Covid crisis is high on all sectors, especially **Automotive** and **Transport and Logistics** due to decrease of international imports and exports
- **Automotive** sector's activity is restarting slowly in June but remains low with -85% new car sales vs last year (in July 2020)



- Brazil consumer activity index remains low (CAI: 85) despite the lift of some of the lockdown and confinement measures, as the country still faces one of the worst outbreaks in the world
- Some mobility indicators are astonishingly close to pre-crisis levels...
  - **Grocery mobility:** +7.0%
  - **Workplace mobility:** -16.0%
  - **Residential mobility:** +12.7%
- ... while some other metrics remains very low and don't contribute positively to the CAI:
  - **Transit mobility:** -35.1%
  - **Retail mobility:** -38.4%

# Definitions

# Consumer Activity Index | Mobility metrics

## Place categories

### Grocery & pharmacy

Mobility trends for places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies.

### Parks

Mobility trends for places like local parks, national parks, public beaches, marinas, dog parks, plazas, and public gardens.

### Transit stations

Mobility trends for places like public transport hubs such as subway, bus, and train stations.

### Retail & recreation

Mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters.

### Residential

Mobility trends for places of residence.

### Workplaces

Mobility trends for places of work.

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