

Heterogeneous Recovery

CEMEX Chief Economist and NABE President

This time is “*truly*” different



Truly exogenous

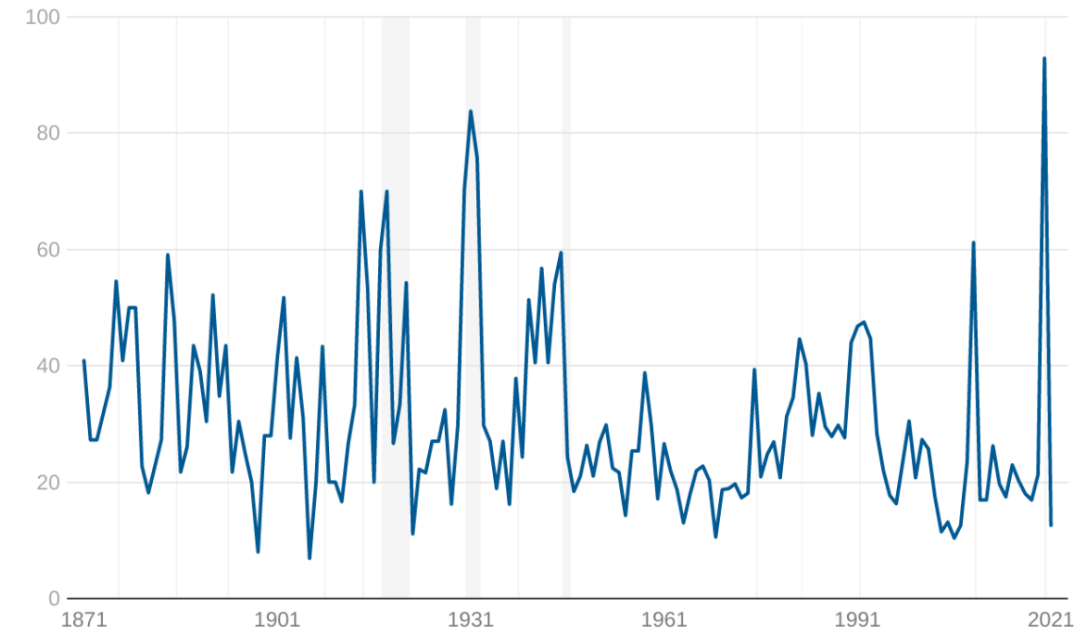


Truly global



Truly uncertain

Share of economies in recession (1871-2021)

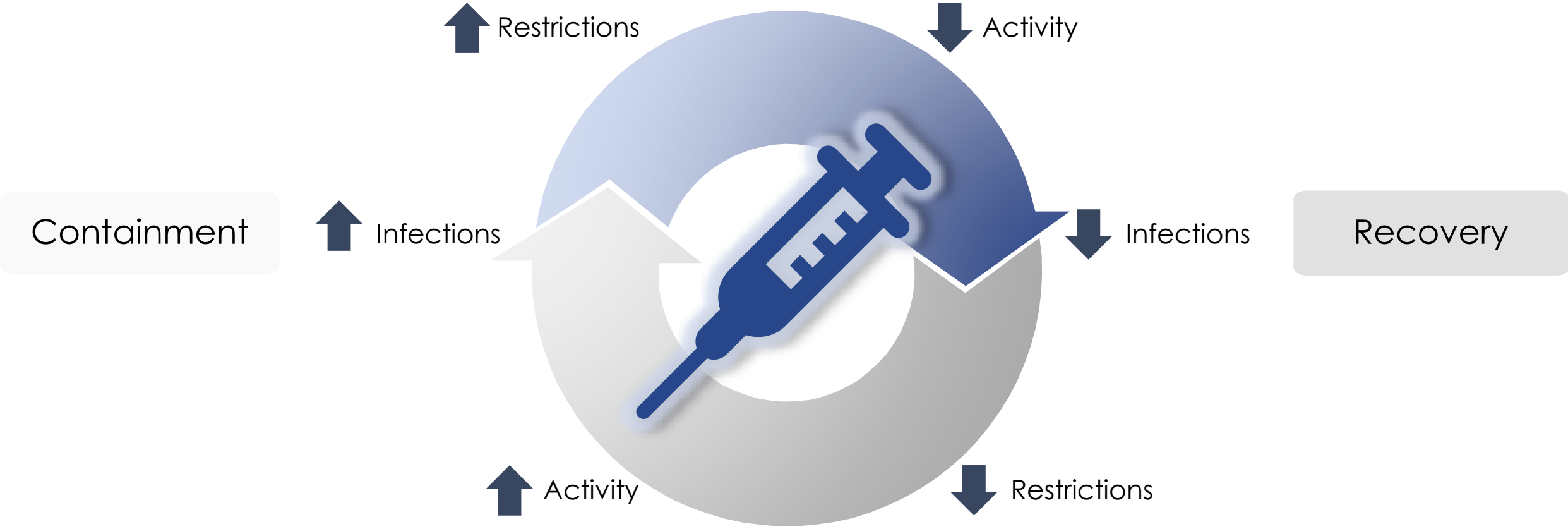


Note: The proportion of economies with an annual contraction in per capita GDP

Self-inflicted recession

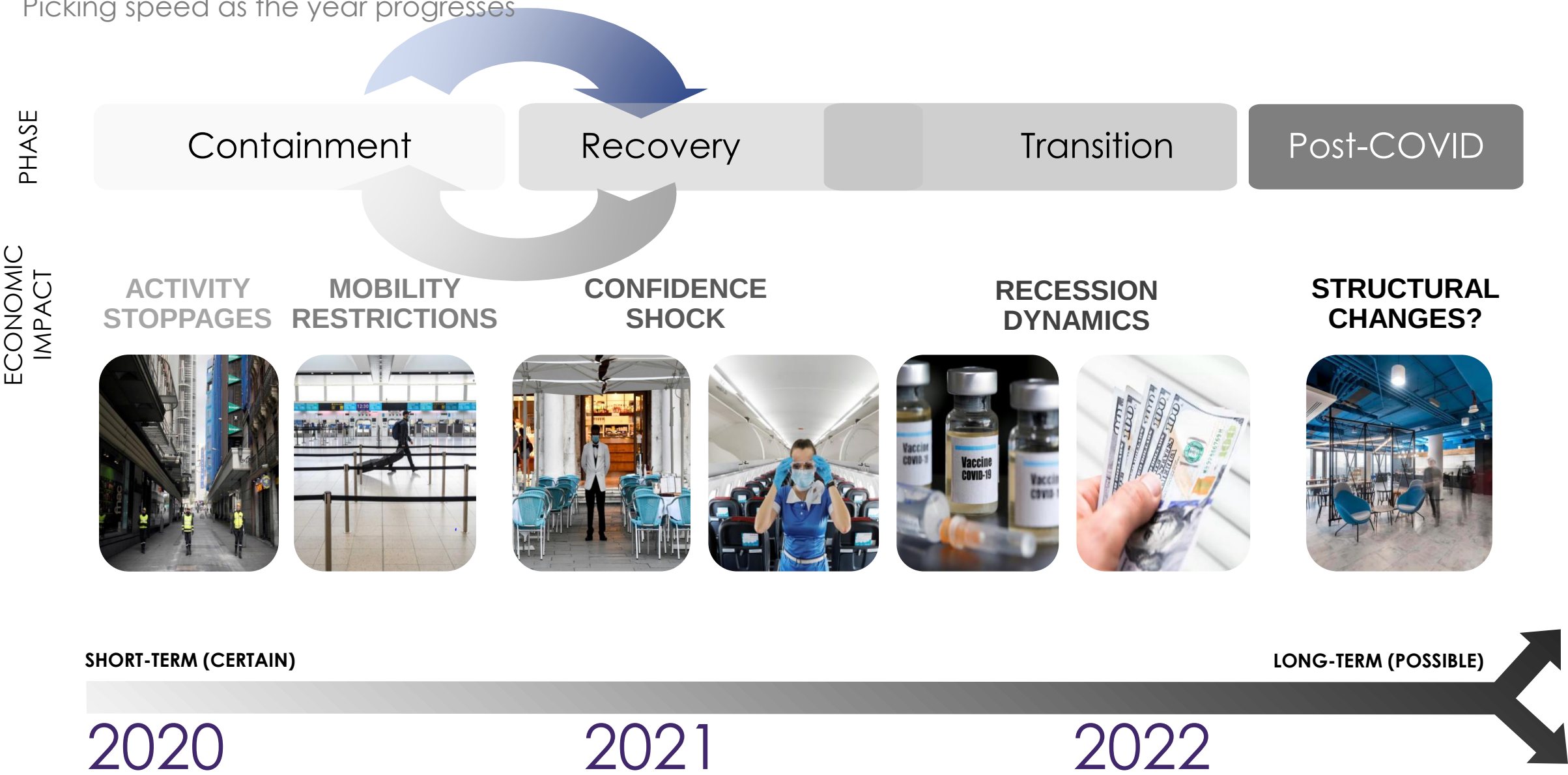
Unprecedented policy action

Breaking the cycle



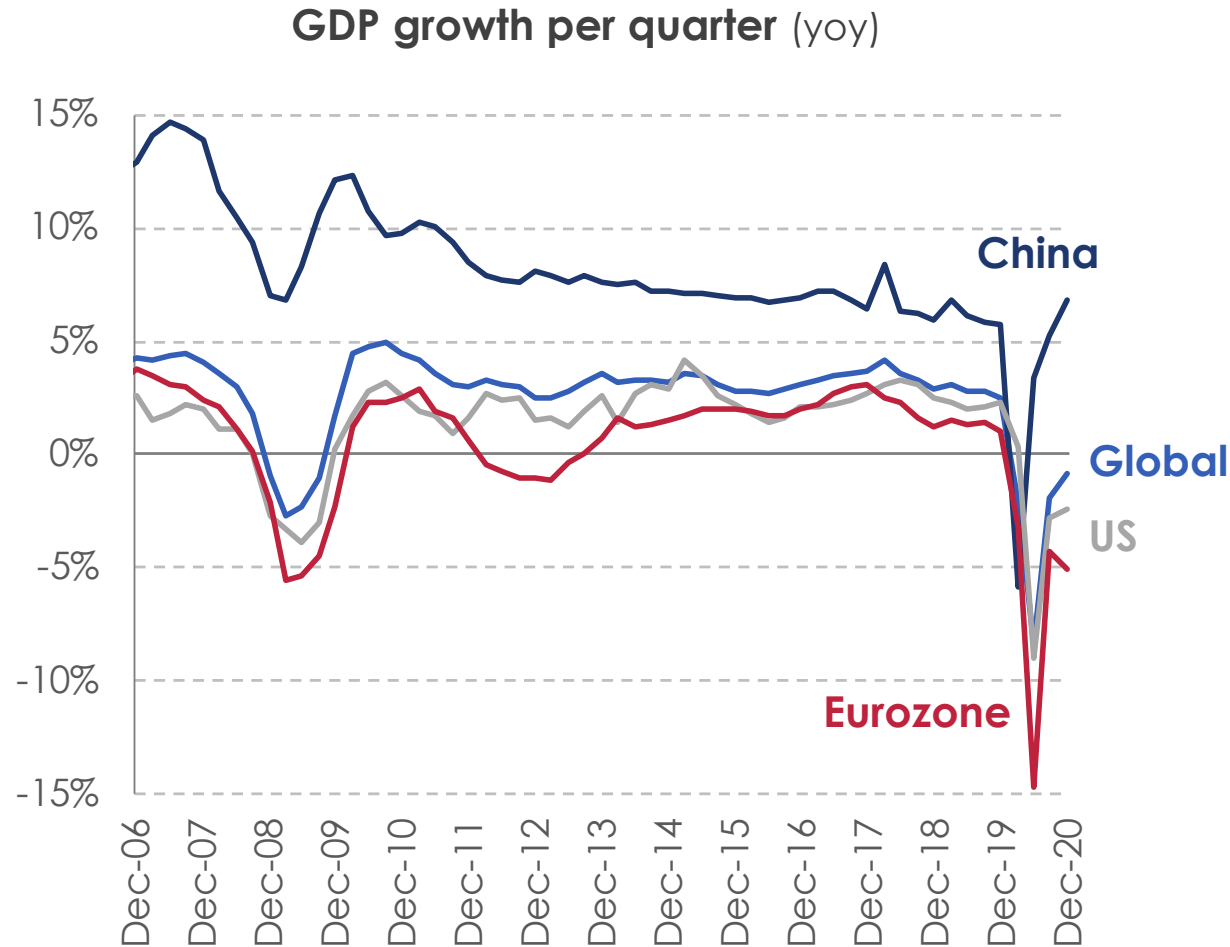
2021, transitioning from contagion to vaccination

Picking speed as the year progresses



Recovery: fast, then slow, why?

From “V”, “L”, “W”... to “K”



K-Recovery: Heterogeneous impact of crisis will determine the strength and shape of the recovery

1. Increase in inequality: higher cost for informal and low educational attainment workers
2. Service “proximity” sectors vs. manufacturing or construction
3. Country/regional and specialization to determine the pace of recovery
4. **Availability of vaccines and speed of vaccination**

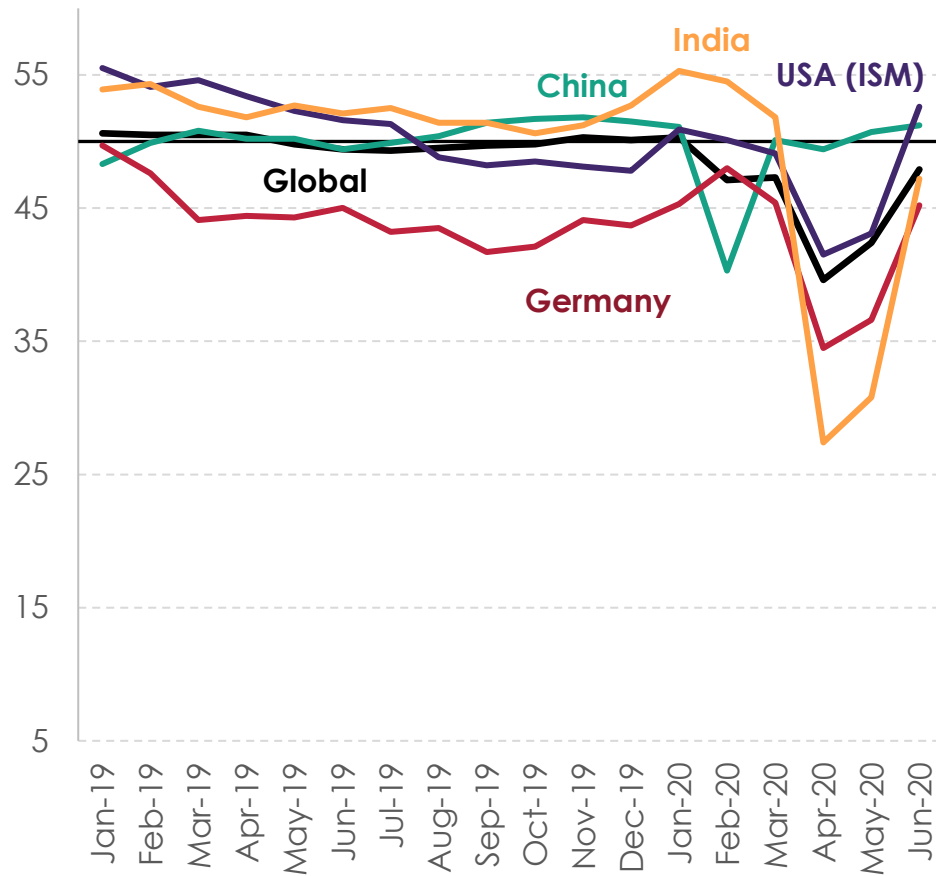
Call for continued policy action

Recovery: fast, then slow, why?

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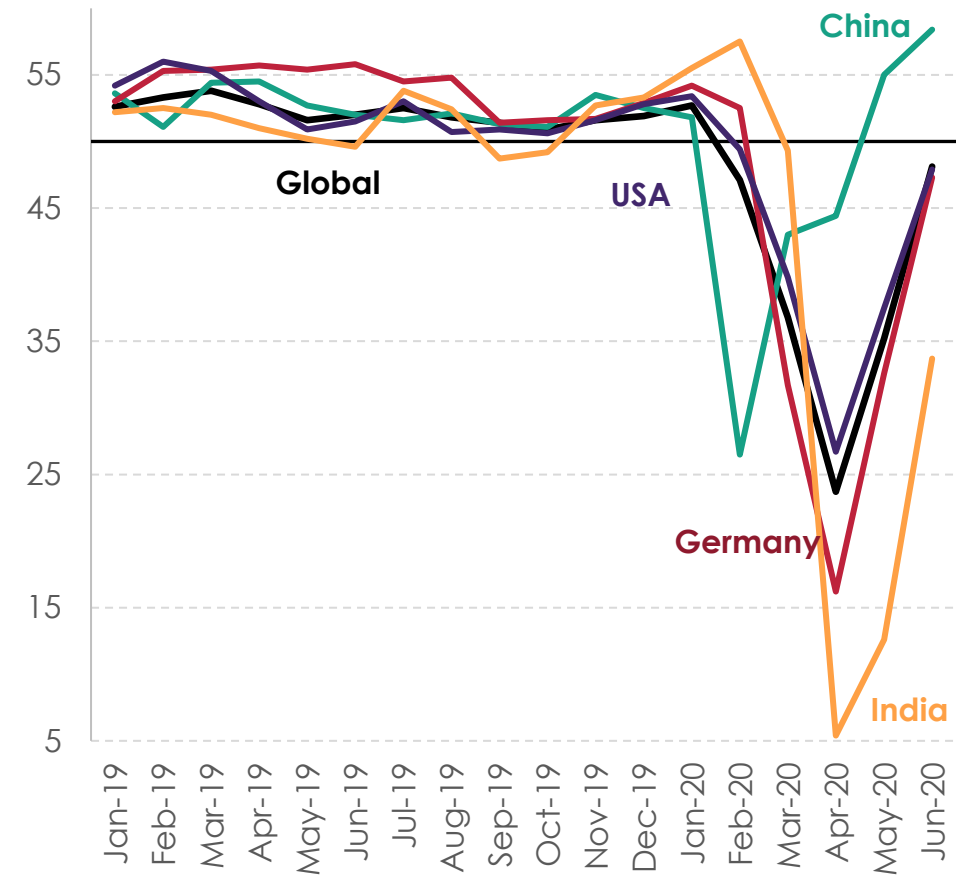
Purchasing Managers' Index - Manufacturing

(Index, threshold = 50)



Purchasing Managers' Index - Services

(Index, threshold = 50)

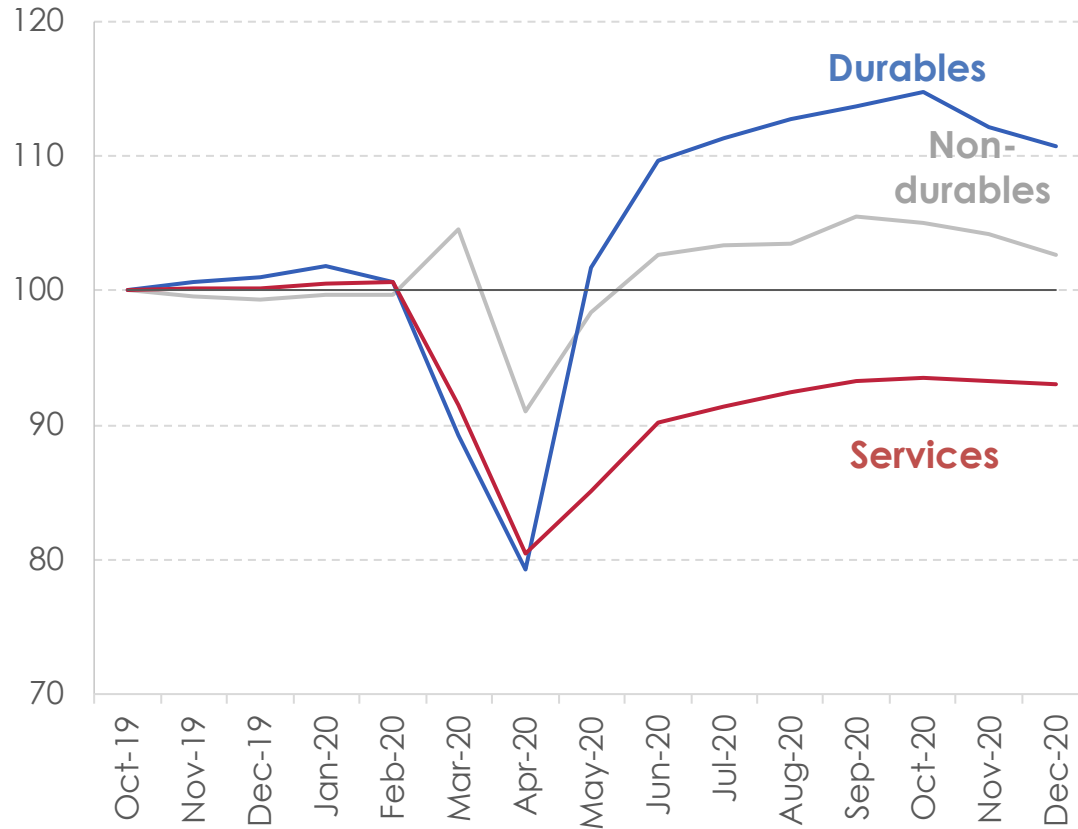


Unprecedented contraction with a sharp rebound

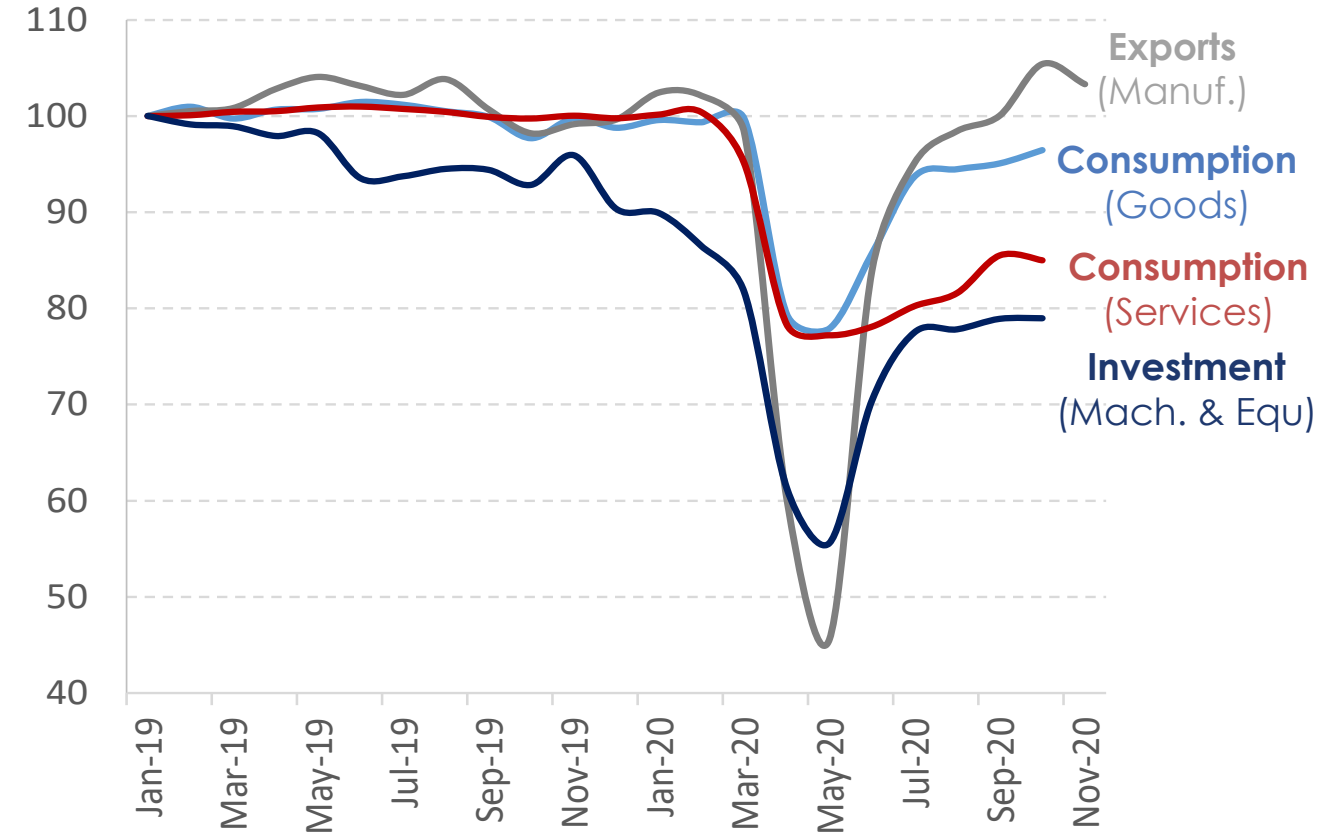
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US Private Consumption (Oct-19=100)



Mexico: Aggregate Demand (Jan-19=100)



Reasons to be optimistic



The vaccine is a reality

High efficacy rate.
Tail-risks reduced.



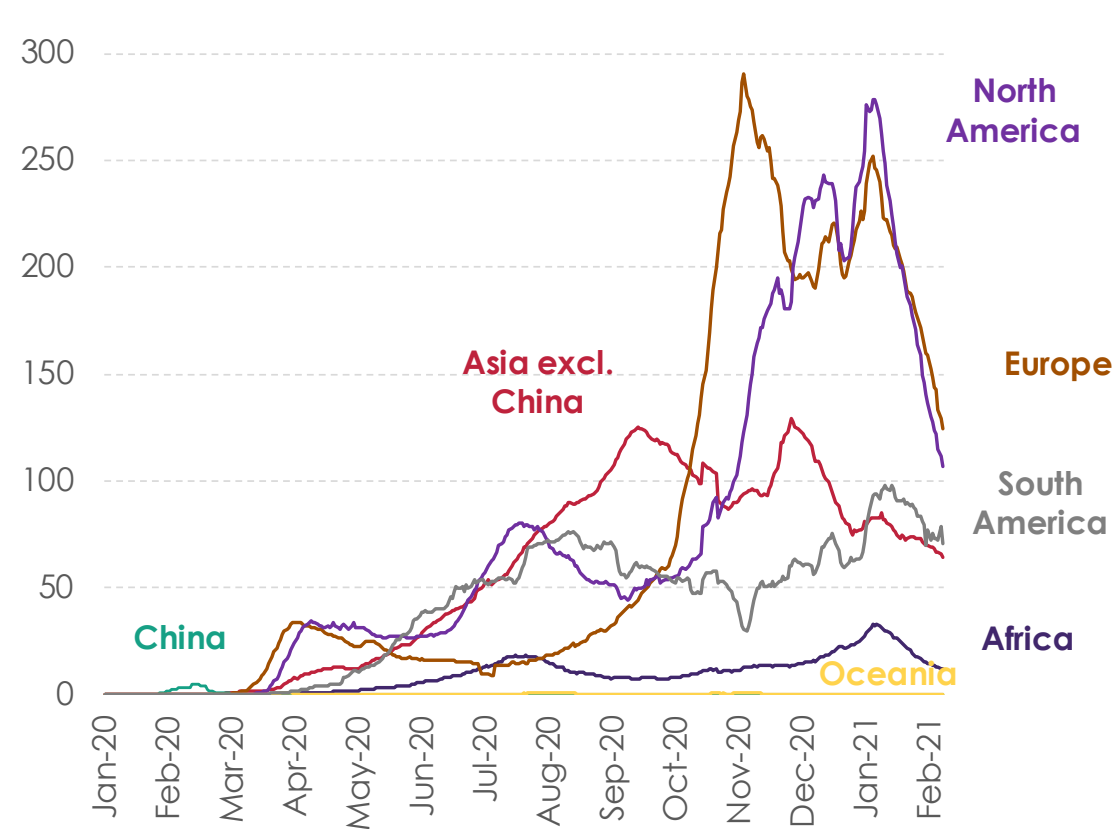
COVID death rate declining

Hospital systems still under stress, but less so than in the spring

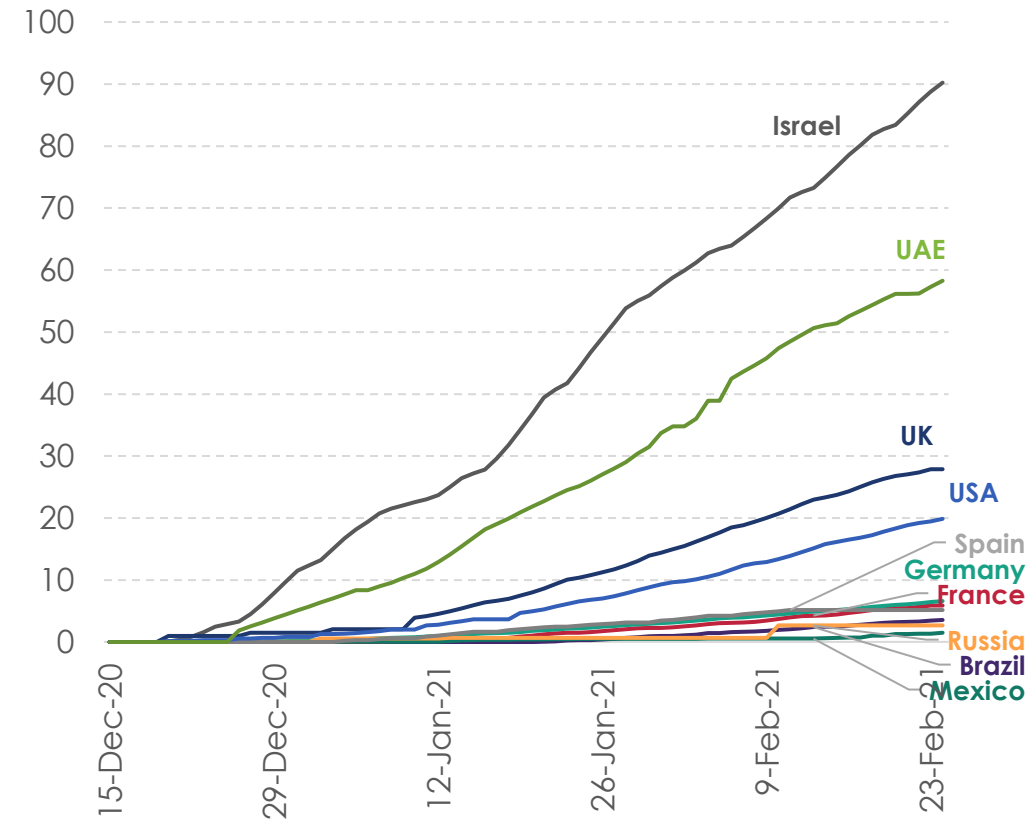
COVID-19: Diminishing impact as year progresses

Cases on downward trend in past four weeks, encouraging hopes of the world turning a corner

Daily COVID-19 Cases per Region (Thousands, 7-day average)



Vaccinations by Country (Selected, Doses per 100 persons)



Intermittent containment policies, **but restrictions less harsh** than in the previous waves

Reasons to be optimistic



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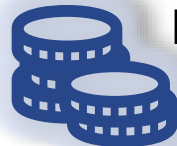
High efficacy rate. Wide and quick distribution is expected.

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COVID death rate declining

Hard-won experience and reduced strain in hospitals may explain the falling case fatality

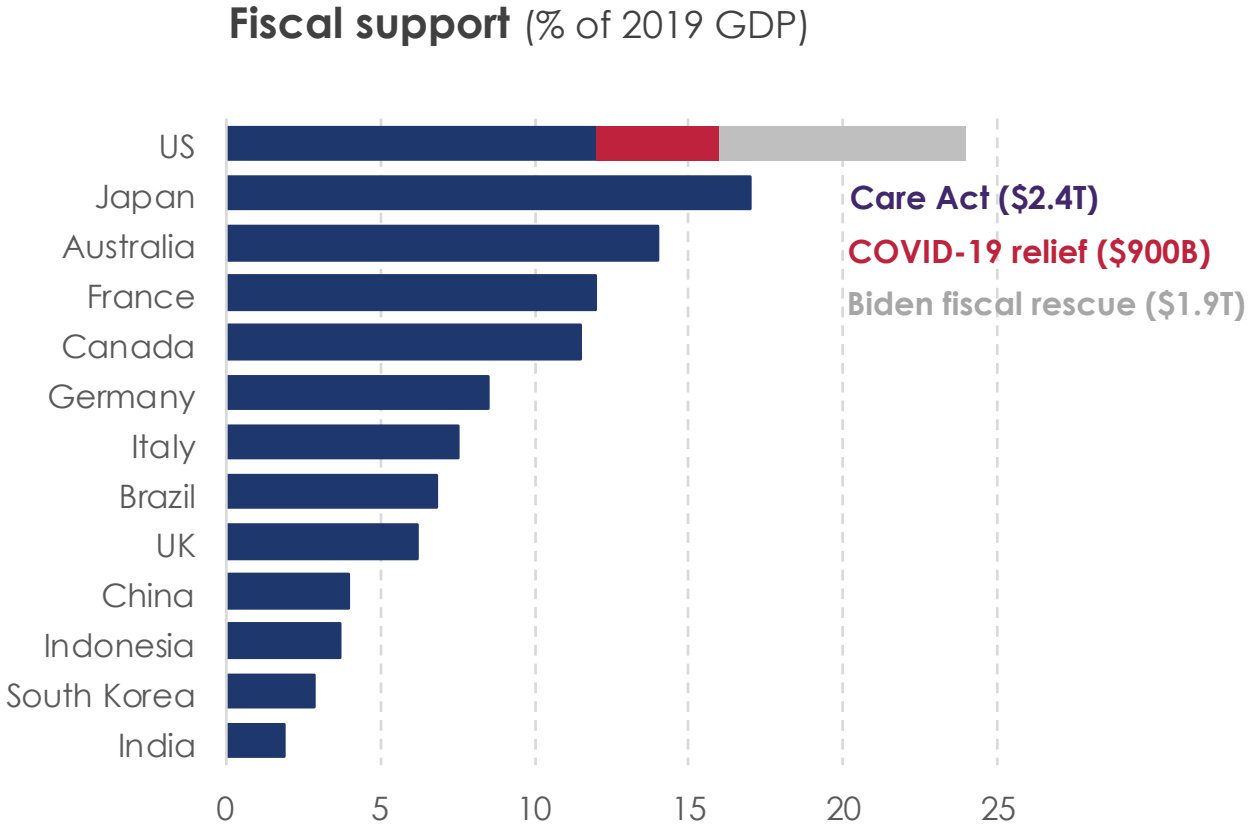


Extraordinary monetary and fiscal impulse to continue

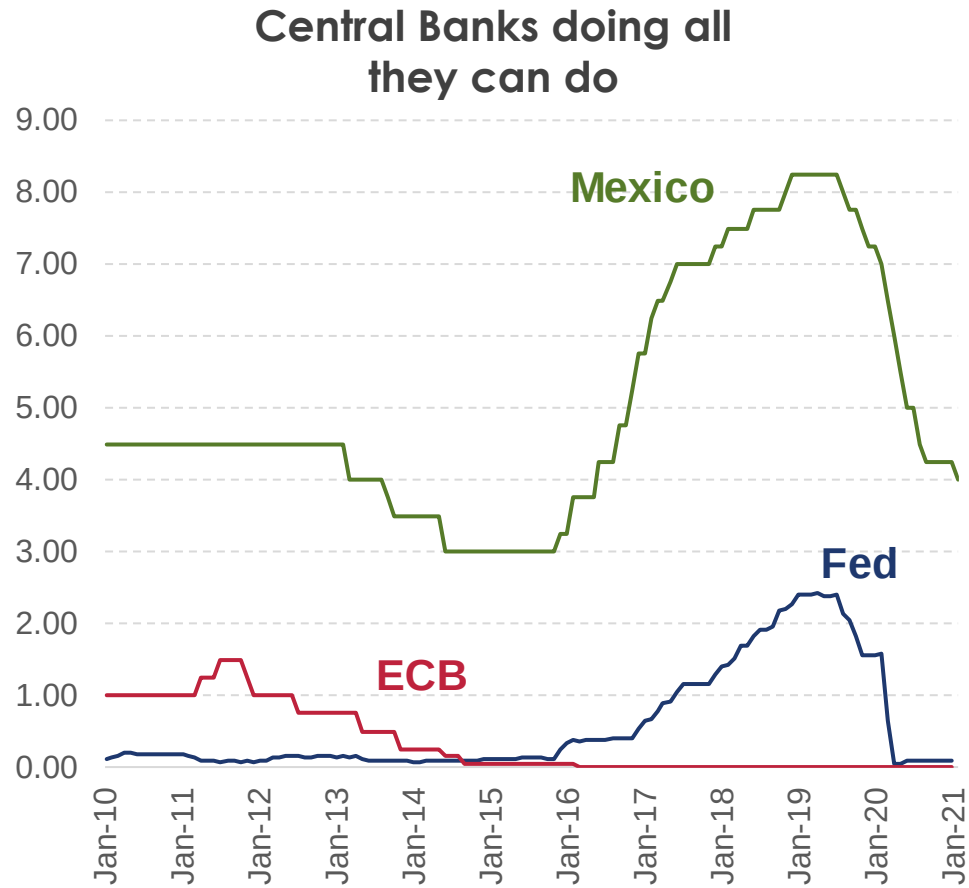
Unprecedented policy action to continue

Reasons to be optimistic

Extraordinary monetary and fiscal impulse to continue



Unprecedented fiscal expansion



Excess liquidity in the system supporting financial assets and credit conditions

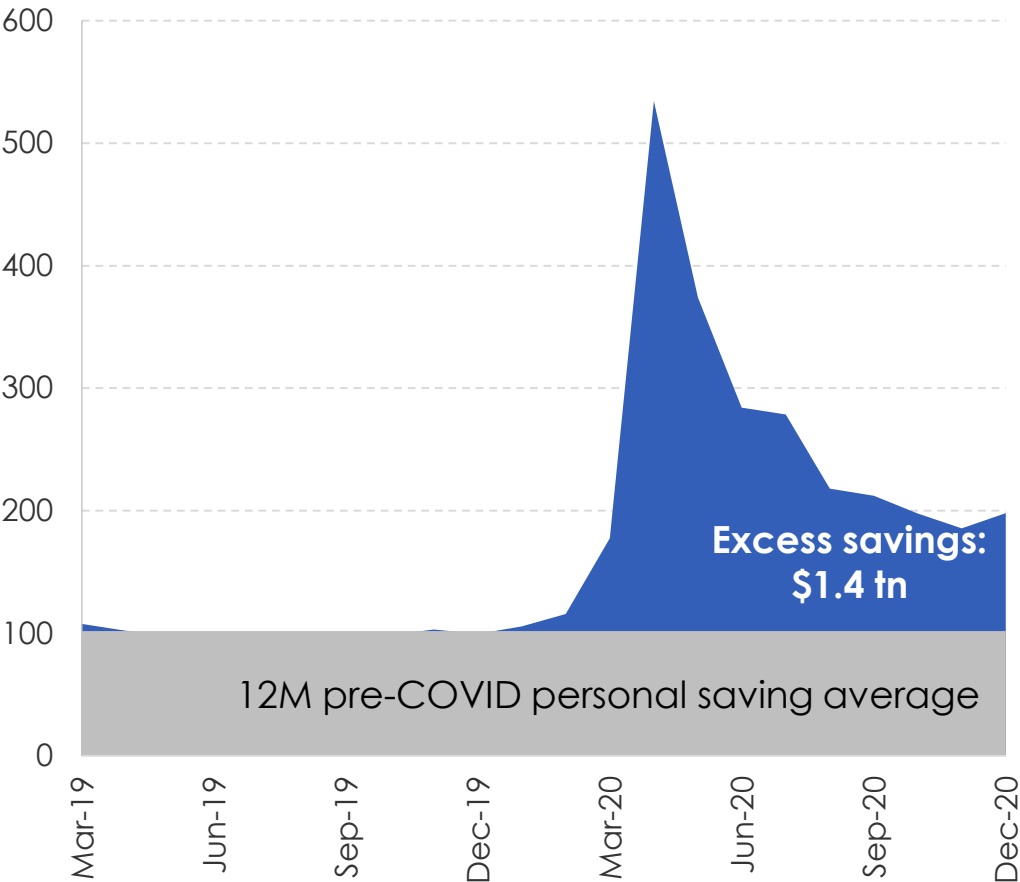
Reasons to be optimistic

Households retain excess savings. “Forced” savings?

Euro Area Consumer Propensity to Save (Standardized)



US Personal Saving (Bill. \$ SAAR/12)



Combination of higher income (subsidies, remittances) and limited spending (mobility restrictions, precautionary)
Room for consumption boom once uncertainty wanes

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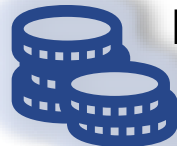
No excesses in “Main St.”

Non-financial corporates and households' finances in good shape



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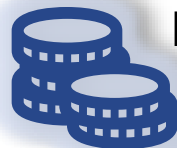
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Strong performance of manufacturing sector



Improving World Trade

Regaining positive growth in 2021

Reasons to remain cautious



COVID infection is not over

Vaccine distribution will take time



No much policy margin if another negative shock

Monetary policy already doing “all they can do”

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Monetary policy already doing "all they can do"

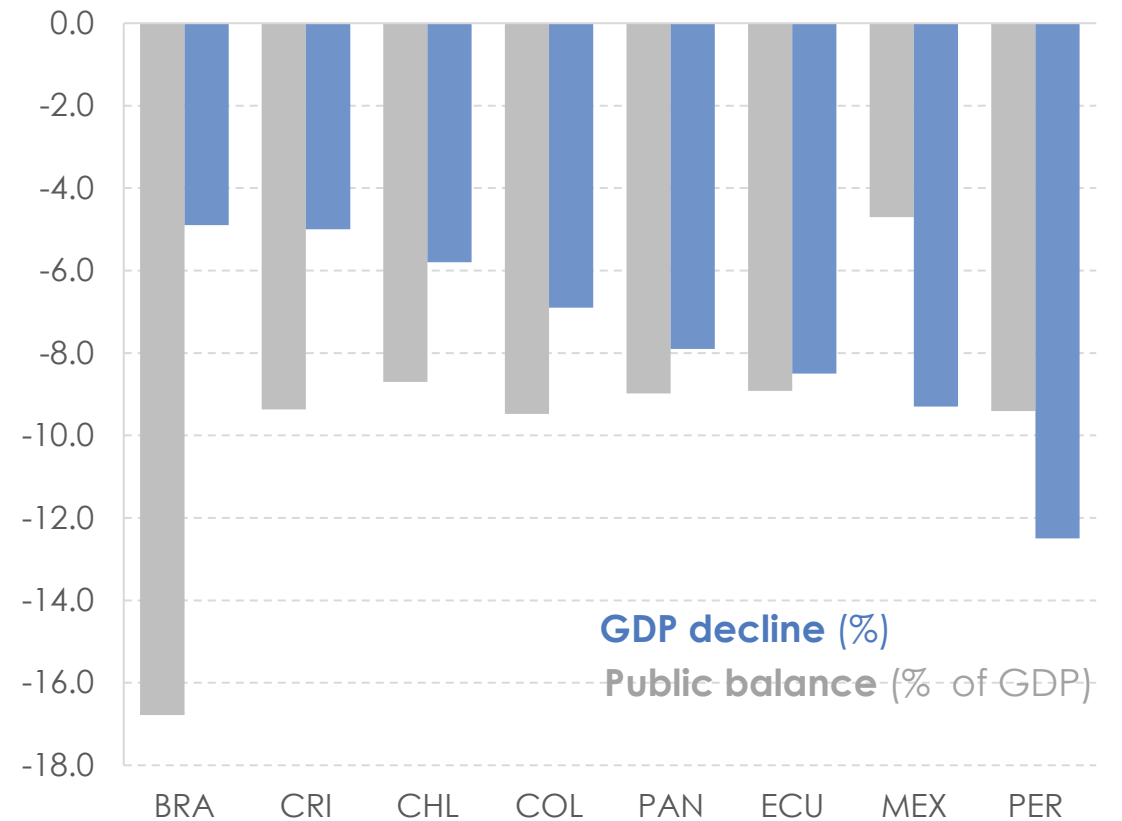


Fiscal sustainability

Once health crisis is contained, emphasis should shift to the sustainability of public finances

Unprecedented jump in debt worldwide due to the extraordinary fiscal support

(Public balance and GDP decline in 2020)



Reasons to remain cautious



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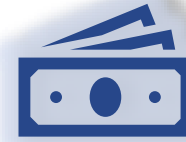
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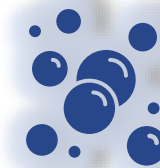
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Inflation

Coming out of hibernation?
(liquidity, high debt, financial repression, deglobalization, role of State in economy, ...)



Financial risks?

Financial valuations are running well ahead of real-side prospects

Reasons to remain cautious



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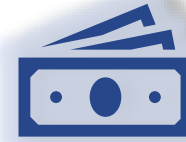
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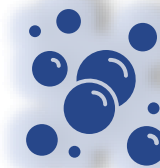
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Scars from the crisis

Employment and labor participation still below pre-COVID levels and some business remain vulnerable

Asynchronous rebound post 2020 collapse

Growth dispersion increasing

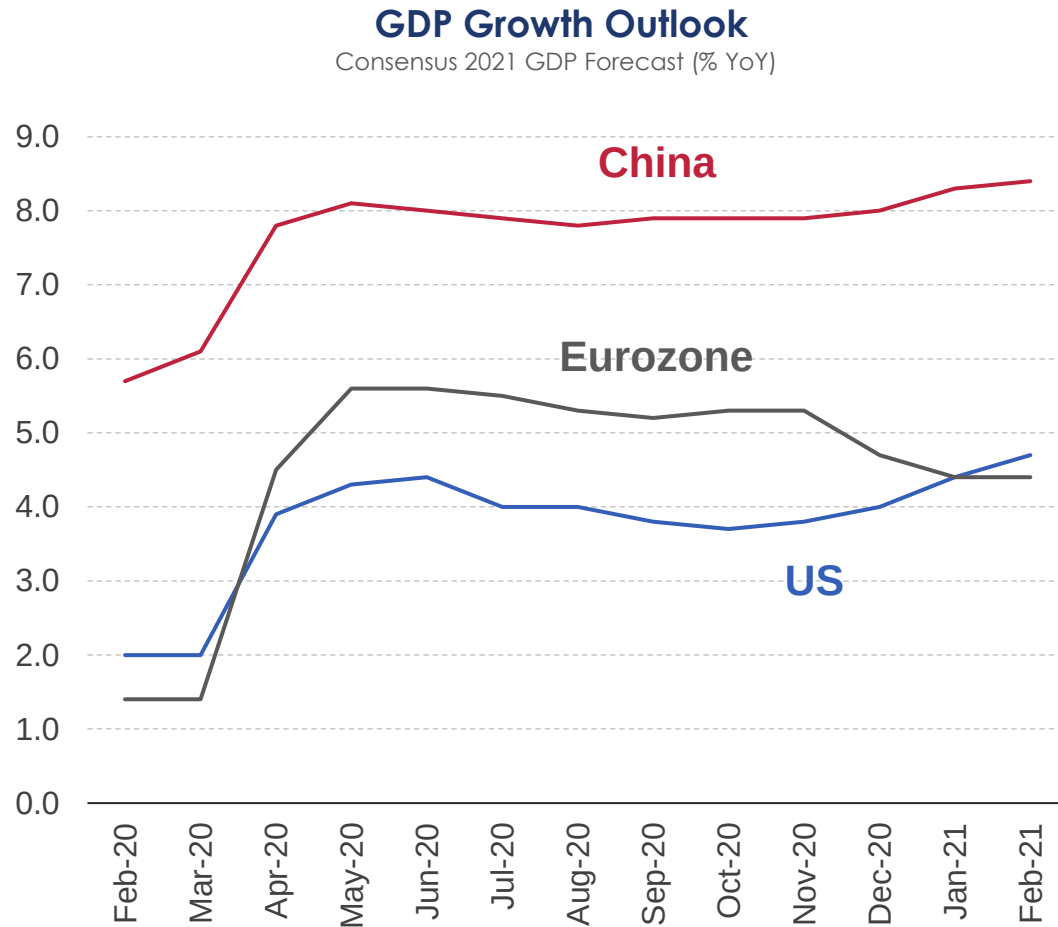
GDP Growth Forecast, Selected Countries (YoY, %)

	2019	2020	2021	2021 vs. 2019 level (%)
World Output	2.5	-4.0	4.9	0.7
Major Economies				
United States	2.3	-3.5	4.4	0.7
Mexico	-0.1	-9.0	3.5	-5.8
China	6.1	2.3	8.3	10.8
India	4.2	-10.0	10.3	-0.7
Brazil	1.1	-4.7	3.5	-1.4
Eurozone	1.3	-7.3	4.4	-3.2
Germany	0.6	-5.0	4.5	-0.7
France	1.5	-8.3	6.1	-2.7
Spain	2.0	-12.0	5.5	-7.2
United Kingdom	1.5	-10.7	4.3	-6.9
Asia Pacific	4.0	-1.4	6.3	4.8
Latin America ex-Venezuela	0.6	-7.2	4.2	-3.3

- **Asynchronous rebound**
 - » Asia-Pacific experience a mild recession
 - » US quicker to recover of DM countries
 - » Europe and LatAm lagging
- **High growth rates, but from very low base**
(2020 was the worst year in recorded history)
- **Speed of recovery depends on each country specialization**

Asynchronous rebound post 2020 collapse

Growth dispersion increasing

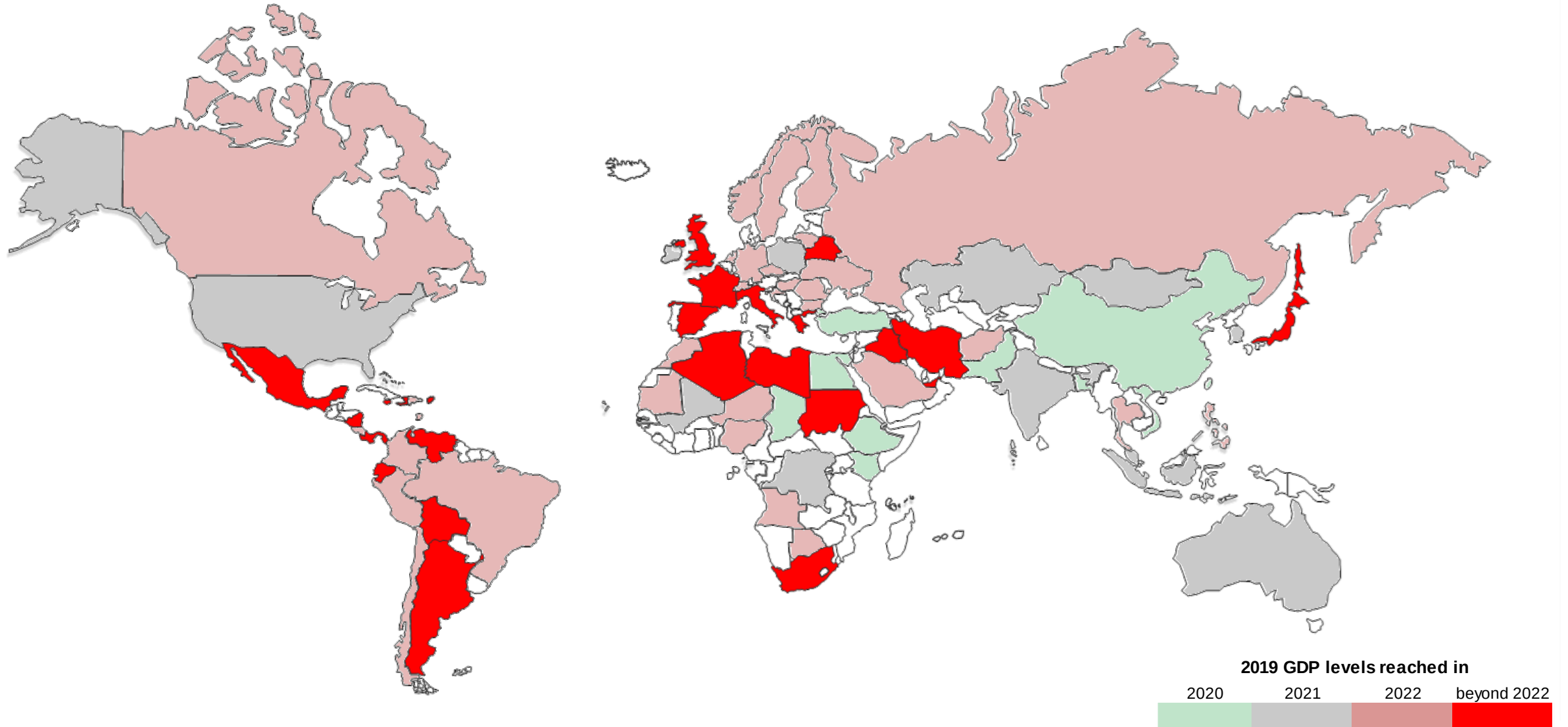


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- **Pandemia still affecting outlook**
- **Expansionary fiscal and monetary policies helped sustain growth in 2020 and will propel growth in 2021**

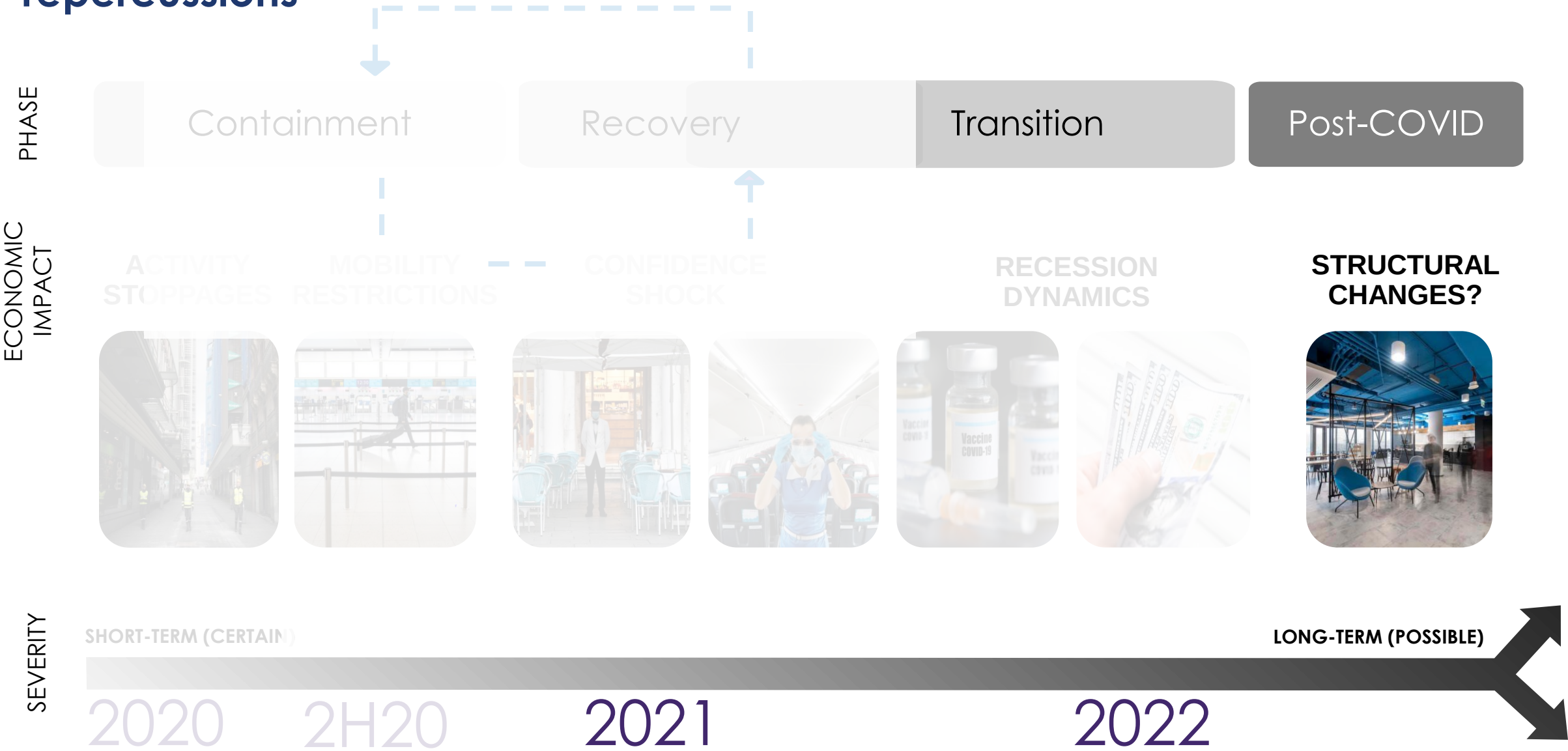
Recovering pre-COVID levels at different rates

Heterogeneous recovery

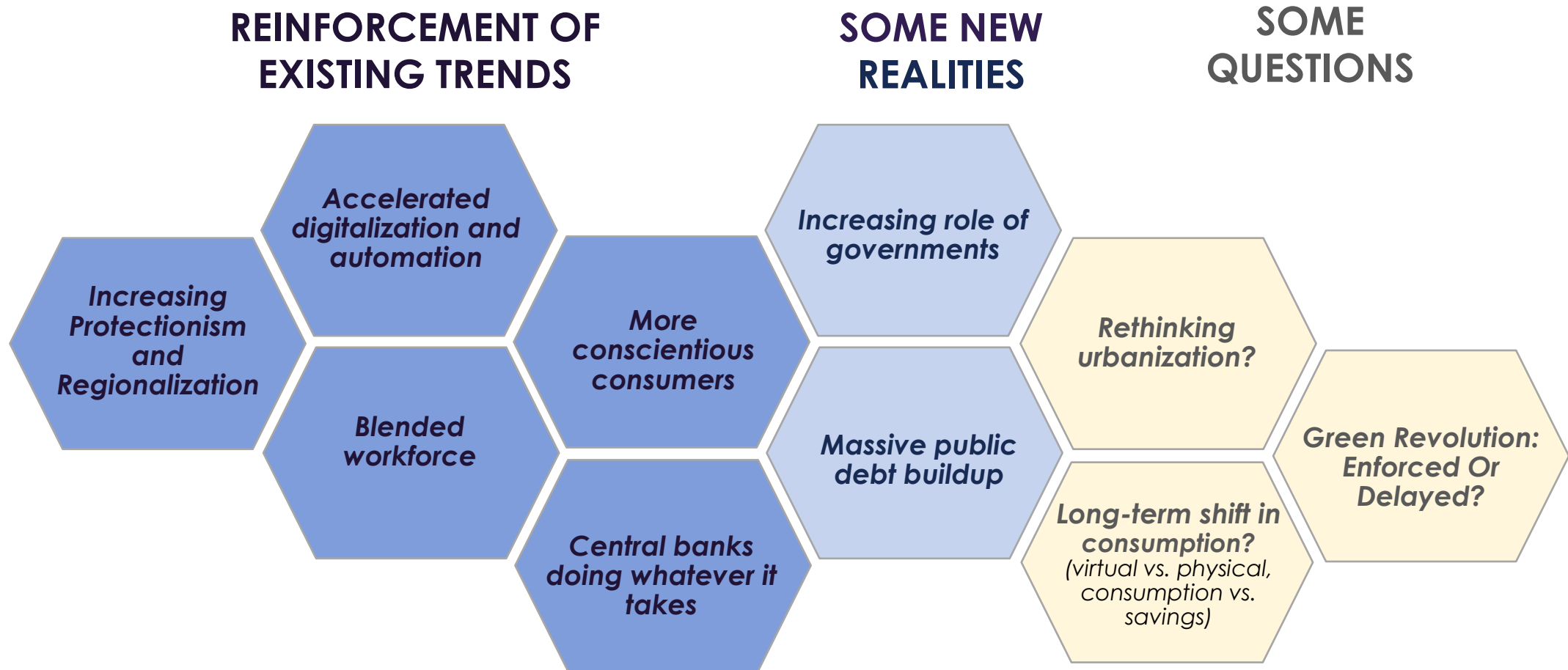
Recovering loss GDP may take some time in some countries



Pandemic: strong impact in the short term, with possible long-term repercussions



How will the post-COVID world be?



In sum,

Heterogenous recovery, high growth from low base

Recovery to gather speed as immunization rate increases. EM lagging



K-recovery: countries, sectors, availability of vaccines, income, ...

Heterogeneous impact of crisis will determine the strength and shape of the recovery

Monetary and fiscal policies to continue supporting activity

Contributing to the K-shaped recovery. Little regard for impacts on future dynamics (debt, markets, ...)



Heterogeneous Recovery

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