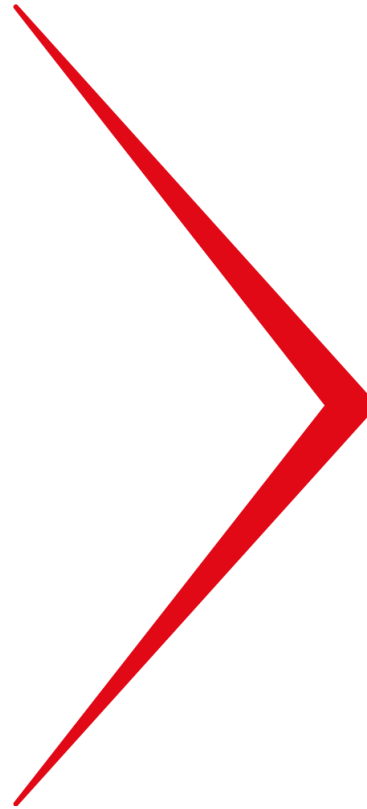


# *Business & Management*



## ***Economic update***

3 JUNE 2020

The webinar will begin shortly...

*Business & Management*  
*60 minute webinar: Economic update*



Dr Steve Davies  
Head of Education, IEA

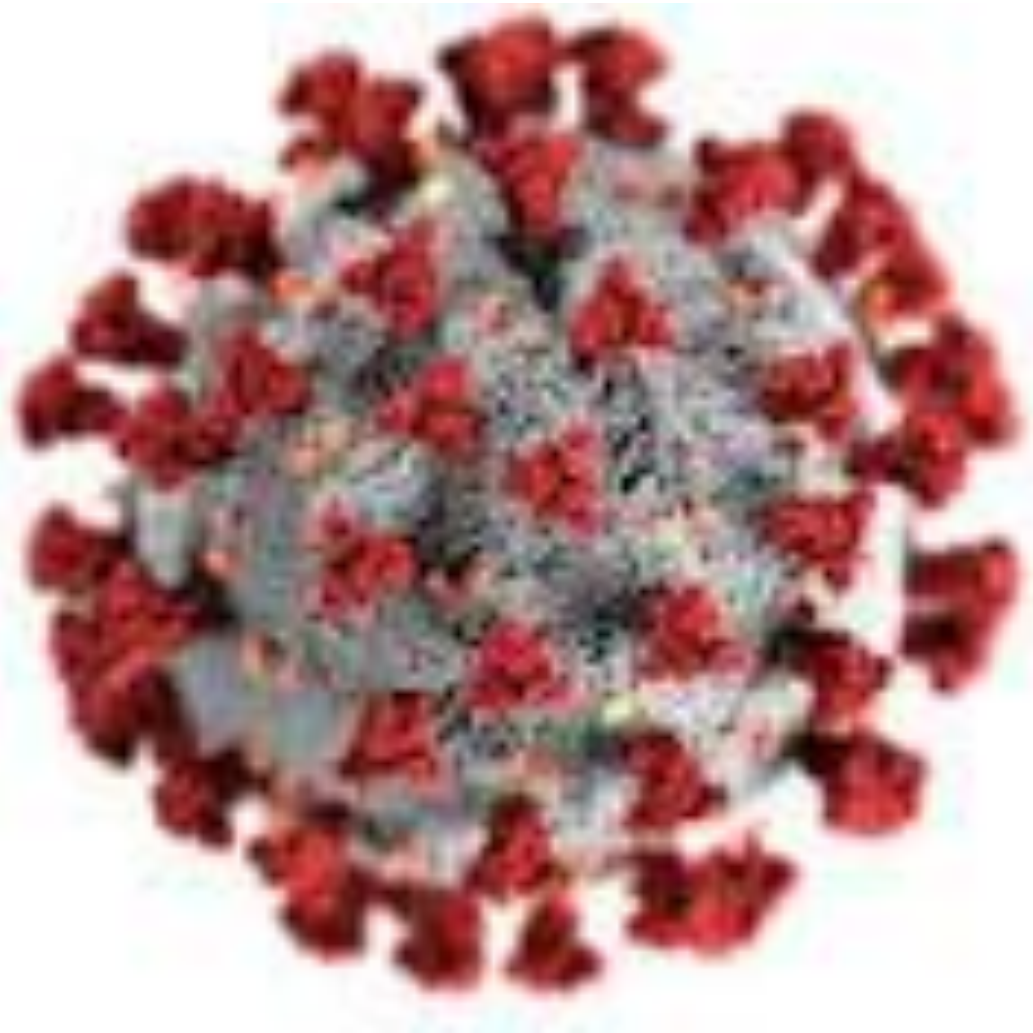
# Economic Outlook 2020

3<sup>rd</sup> June 2020.

# What Did We Expect?

- The effects of formal Brexit on 31<sup>st</sup> January – probably a strong bounceback as uncertainty ended.
- Continuing speculation about the nature of the deal with the EU.
- Clouds gathering over world economy but not likely to burst before year end – just.
- “The best laid plans of mice and men....”

Instead



# Historical Context for Covid-19 Pandemic.

- About the 9<sup>th</sup> pandemic in the last 120 years. Regular events.
- Not as serious medically as 1918 – 19 but worse than 1968 - 69 or 1957- 58. Much worse than 2009-10.
- Economic impact much greater than in e.g. 1968 – 69. Partly because of different response but also because of changes to how the economy works - these make a pandemic much more damaging.

# What Has Happened?

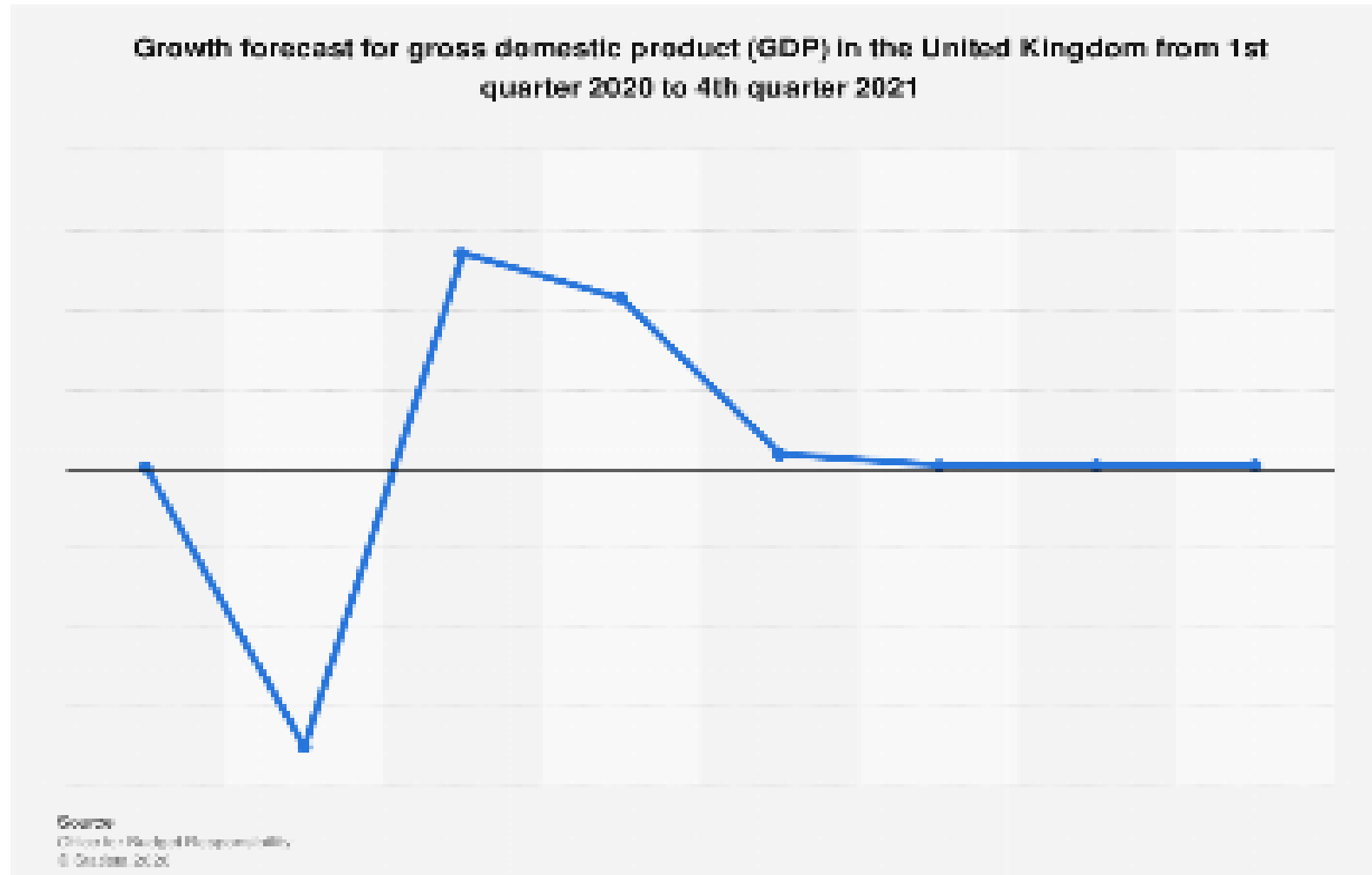
- NOT a demand driven slowdown but a supply side one.
- Financial panic – fall in demand – hit to supply – recession.
- Pandemic – hit to supply – fall in demand – recession.
- What we are seeing now is historically much more common – the norm before 1800 (harvest failure, natural disasters, epidemics).
- The hit partly caused by government response – economy put into suspension by lockdown.
- But emerging that actually the epidemic itself and people's response has done most of the damage – affects future prospects.

# GDP This Year So Far.

- Q1 a 2% fall – entirely due to sharp contraction in March.
- Fall of 5.8% in March.
- Average of predictions for Q2 is -14% (top end forecast is -24%)
- Average of predictions for year as a whole is -8.6%
- Average of predictions for 2021 is + 6.2%



# Consensus Picture – But (Almost) Certainly Wrong.



# Why – First Reason.

- Things are probably worse than the forecast consensus suggests.
- OBR predicts -35% in first half of 2020.
- Annual decline -13%. Worst since 1690s.
- Rise in unemployment to 10% (up by > 2 million).
- IOW significant hysteresis effects.

# Why – Second Reason. Predicted Euro Outcomes for 2020.

- Italy -9.5%. Spain -9.4%. UK -8.3%. Germany -8.0%
- France -8.2%. Belgium -7.2%. Netherlands -6.8% **Sweden** -6.1%
- Denmark -5.9% **Greece** -9.7.
- Most of the damage not down to lockdown per se or severity of the outbreak but to global effects
- Plus people and firms reacting

Why – Third Reason (Possibly).



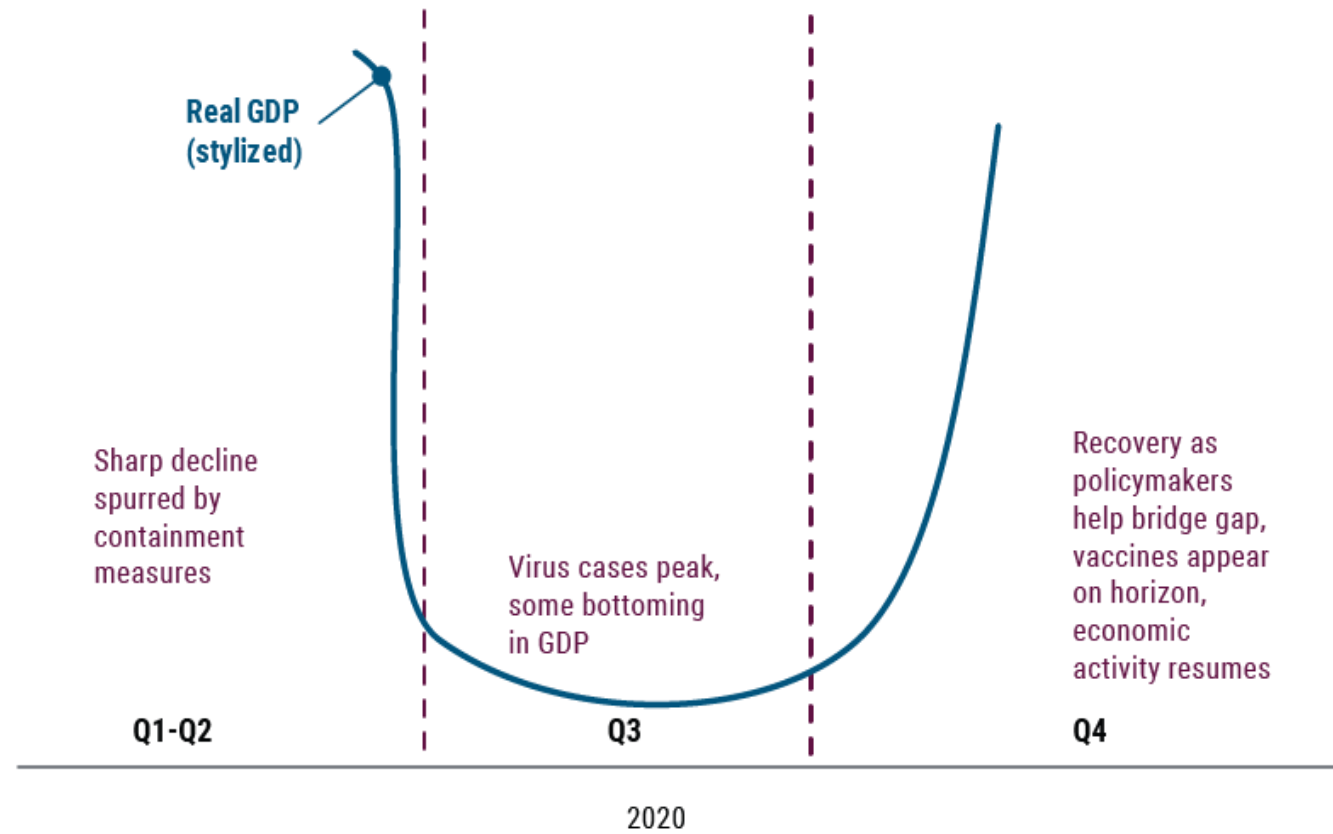
Why – Big Reason.



# A 'Second Wave'?

- A dispersed epidemic has a different pattern to a geographically limited one – waves rather than an inverted V. Second is the big one.
- A pandemic has several phases. We are just leaving phase 1.
- Second phase is the 'smoldering' one – what happens.
- Leads to third phase – a devastating second wave of outbreaks.
- Now governments everywhere trying to stop that – TTI is crucial.
- Problem is these measures hit supply and demand.
- Many will need to be in place for at least a year from now.

# So What Outlook?



Except longer – not just a couple of quarters.

# Effects?

- Unpredictable geopolitical ones.
- Maybe a financial crisis due to private debt.
- But predictable economic effects on UK and other economies.
- Mixed. Not new but existing trends accelerated. For example.



# Home Working.



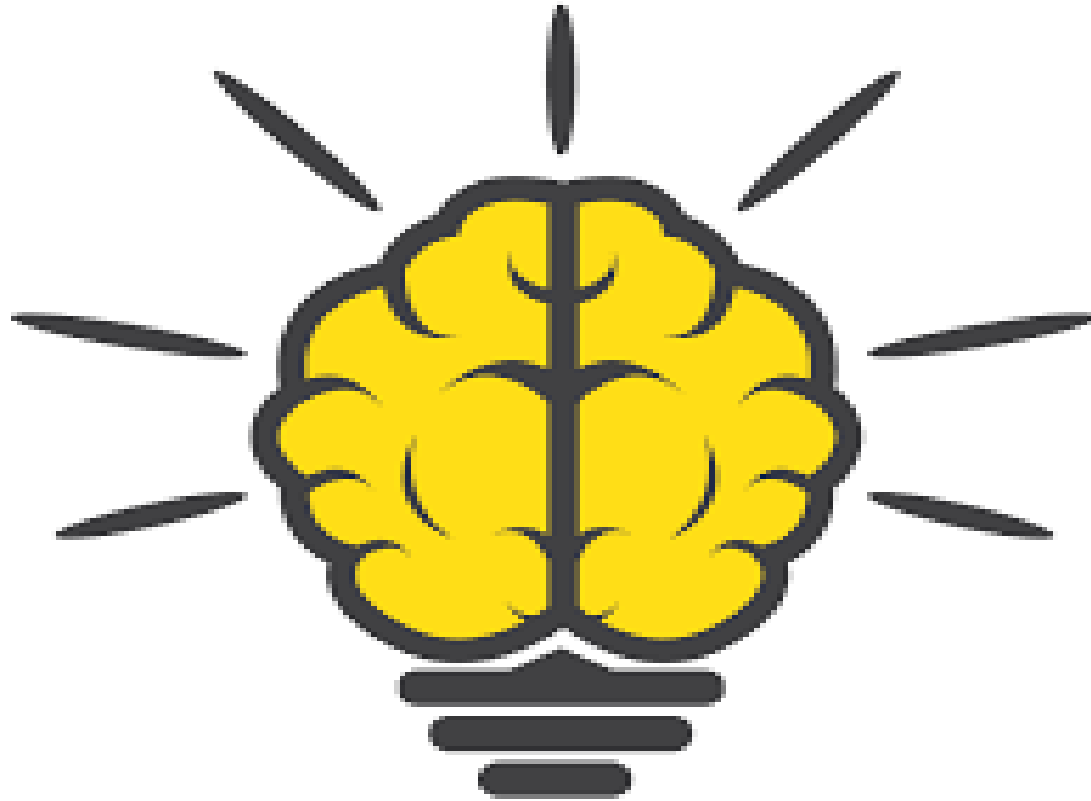
# Retail Changes.



Not a Good Prospect?



But Also



# *Business & Management Webinars and events – [icaew.com/bamevents](https://icaew.com/bamevents)*

## 60 minute webinars – 10.00am

*Better people management*  
8 July

*Strategic thinking for senior professionals*  
30 September

*Leading resilient teams*  
7 October

*Practical Excel tips*  
7 December

## 20 minute webinars – 12.30pm

*Simple techniques to improve communication*  
22 June

*The net present value of happiness*  
23 September

*Common online frauds and how to avoid them*  
14 October

## Event – 9.00am

*Navigating 'office politics' positively*  
5 November

# *Business & Management*

***THANK YOU FOR ATTENDING***

Contact the Business & Management Faculty

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