

50 Shapes of V

or Why Countries Suffered Unevenly in the
Face of Pandemic

September 2020

Agenda

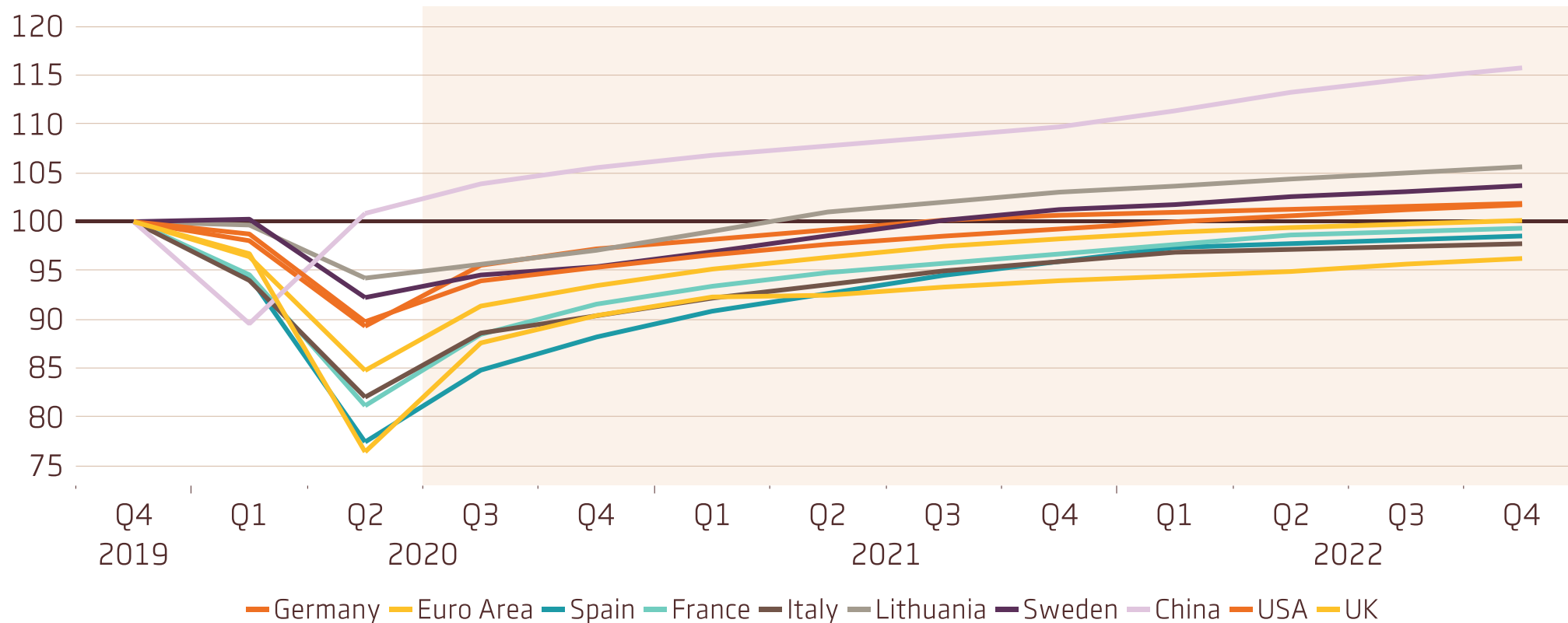
- Shapes of recovery
- Health & Stringency
- Structure of economies
- Stimulus
- What's next?

The cause of crisis is identical but outcomes vary greatly

Some countries are unlikely to recover in foreseeable future

GDP levels of select countries

2019 Q4=100



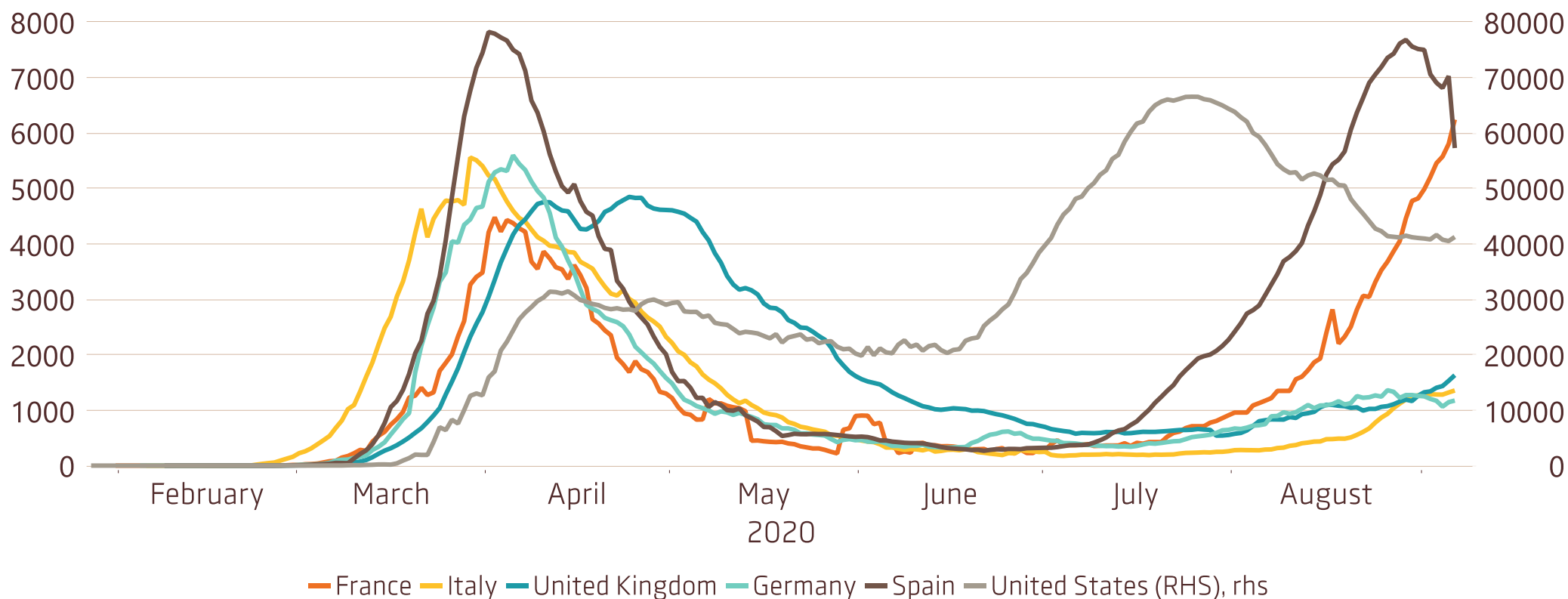
Sources: Swedbank Research & Macrobond

Economic success depended on health situation a lot

Number of cases, deaths, hospital capacity etc.

Daily increase in Covid-19 cases

Seven-day moving average

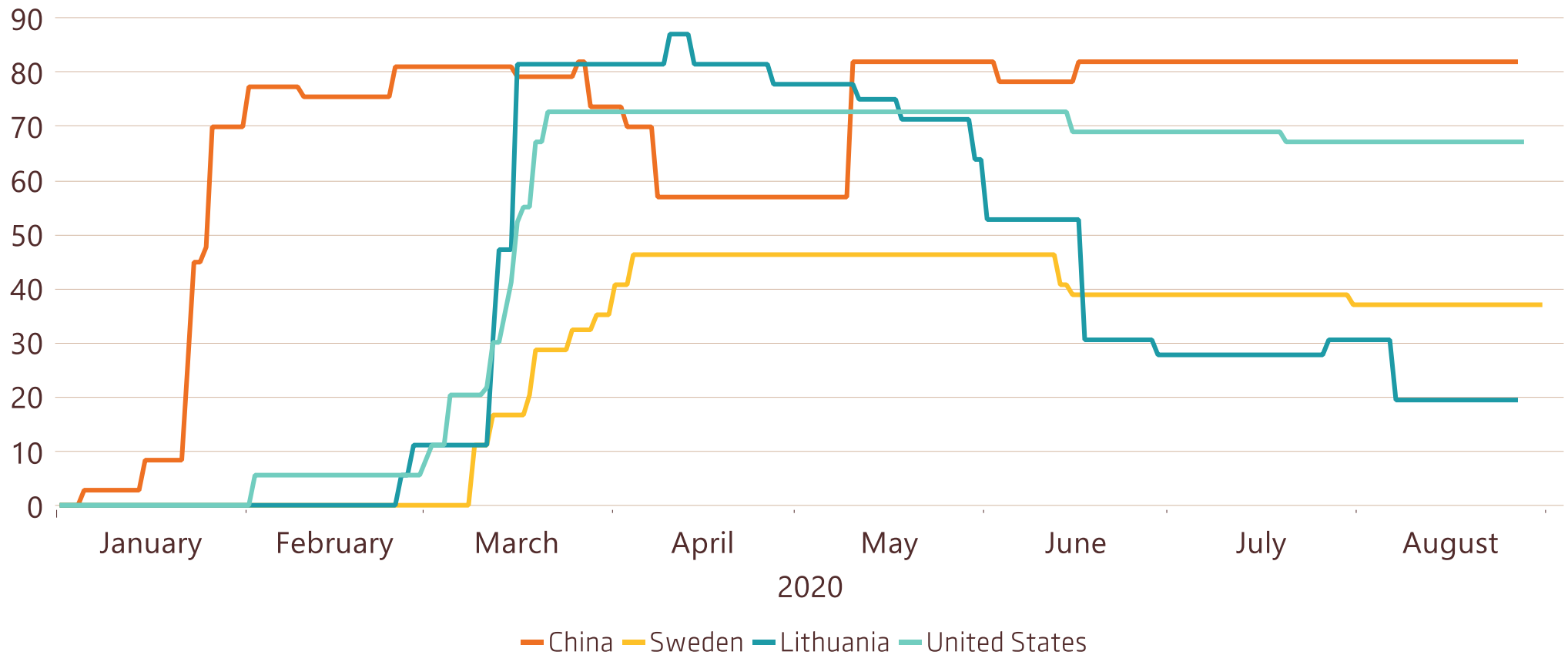


Sources: Swedbank Research & Macrobond

Different strategies in tackling the pandemic

Clear winner strategy is unclear to this day

COVID-19, Stringency Index



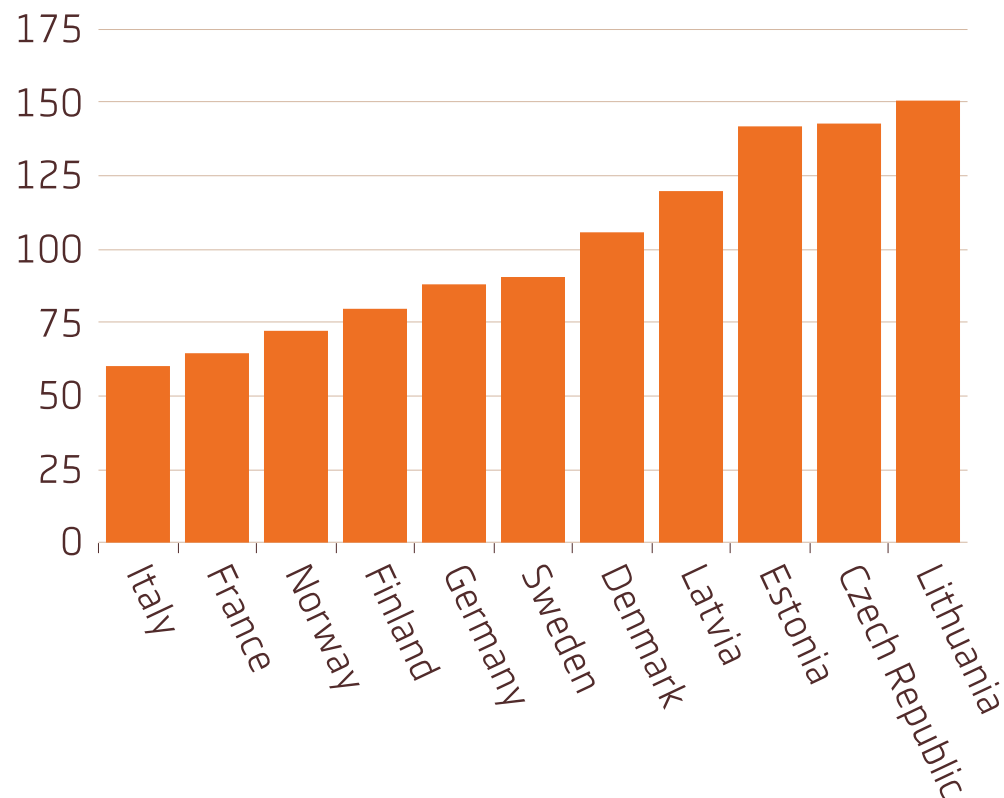
Sources: Swedbank Research & Macrobond

Not all corners of economy were hit equally

Countries that depend on tourism or cyclical industries were hit harder

Total exports and imports

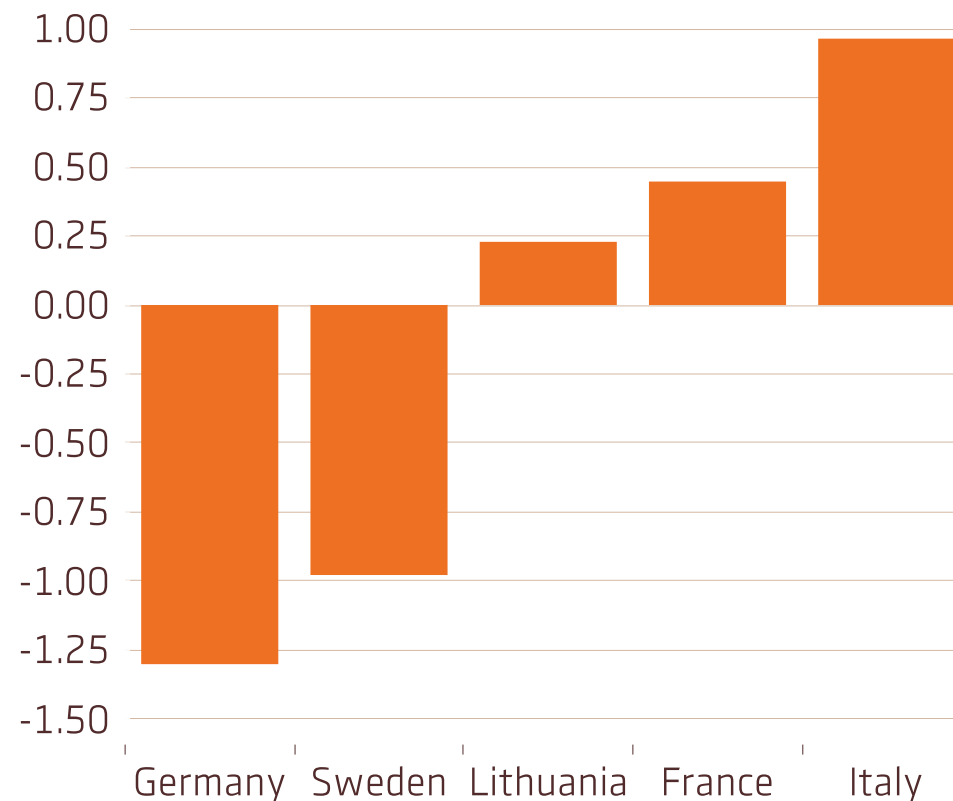
% of GDP, 2018



Sources: Swedbank Research & Macrobond

Tourism services balance

% of GDP



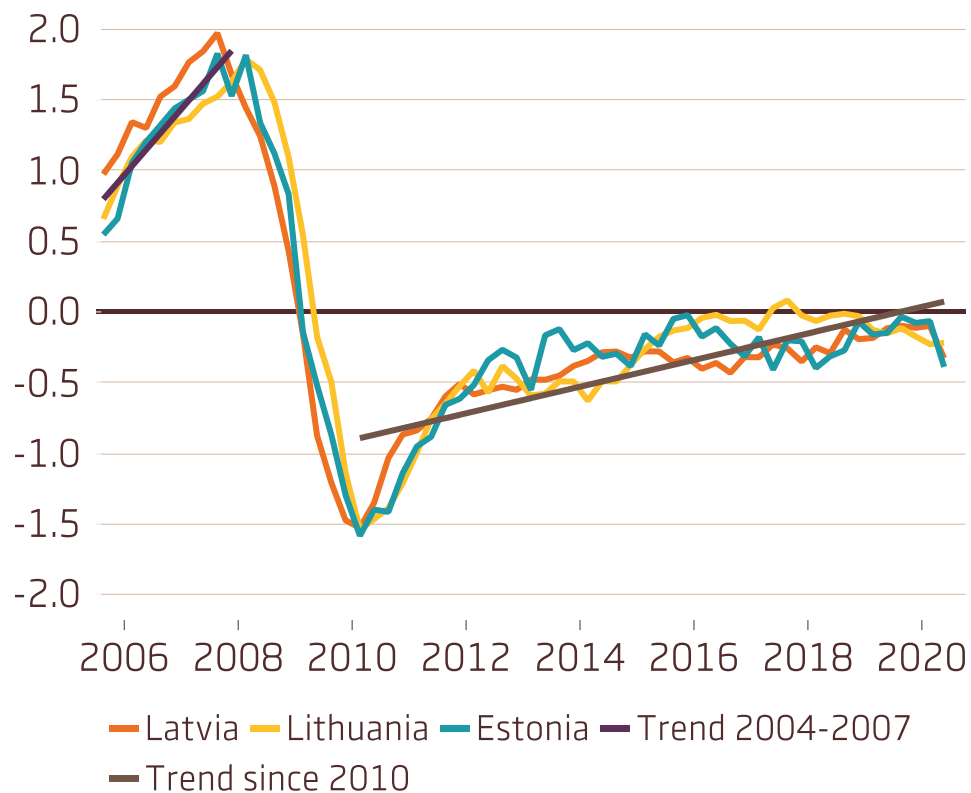
Sources: Swedbank Research & Macrobond

The state of economy before the pandemic mattered

Leverage exacerbates economic shocks

Economy Heat Index

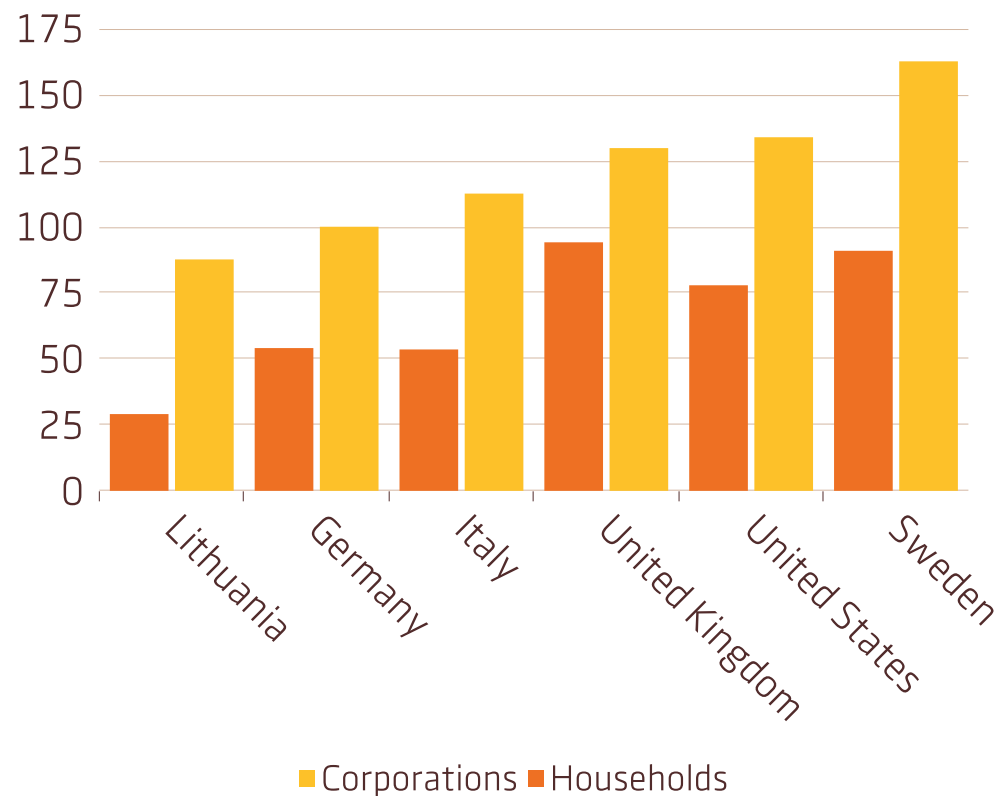
Average of underlying indicators z-scores



Sources: Swedbank Research & Macrobond

Private debt

% of GDP



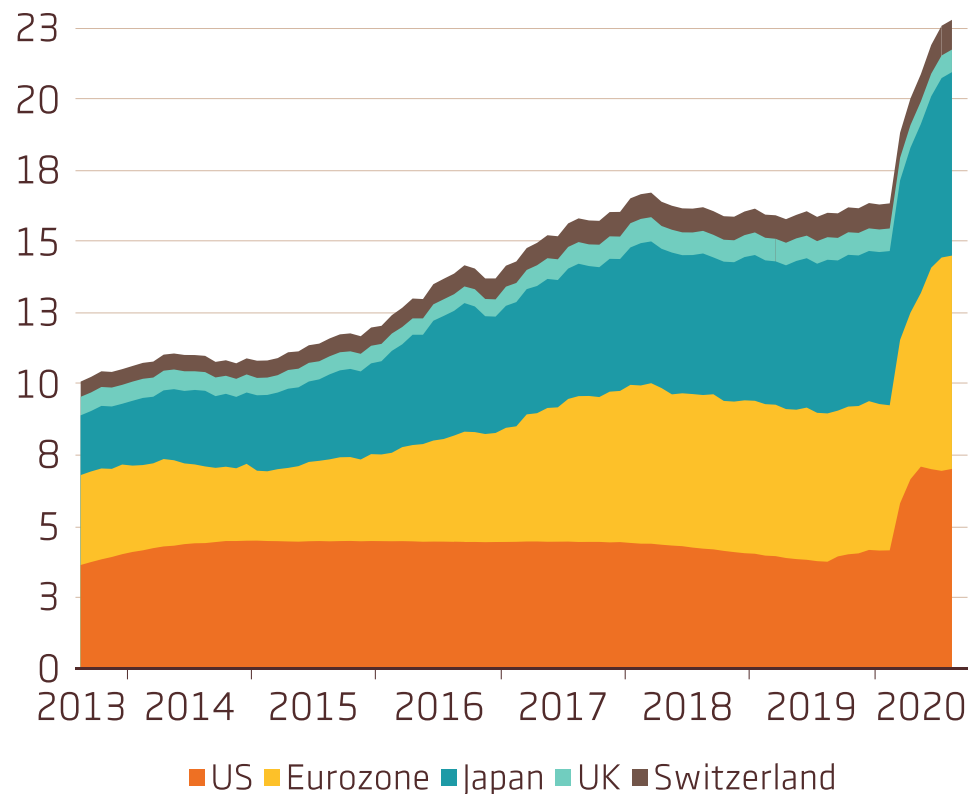
Sources: Swedbank Research & Macrobond

Central banks enacted unprecedented stimulus

And managed to stop financial crisis from happening

Central bank assets

USD, bn



Sources: Swedbank Research & Macrobond

Euribor, 6 month

%



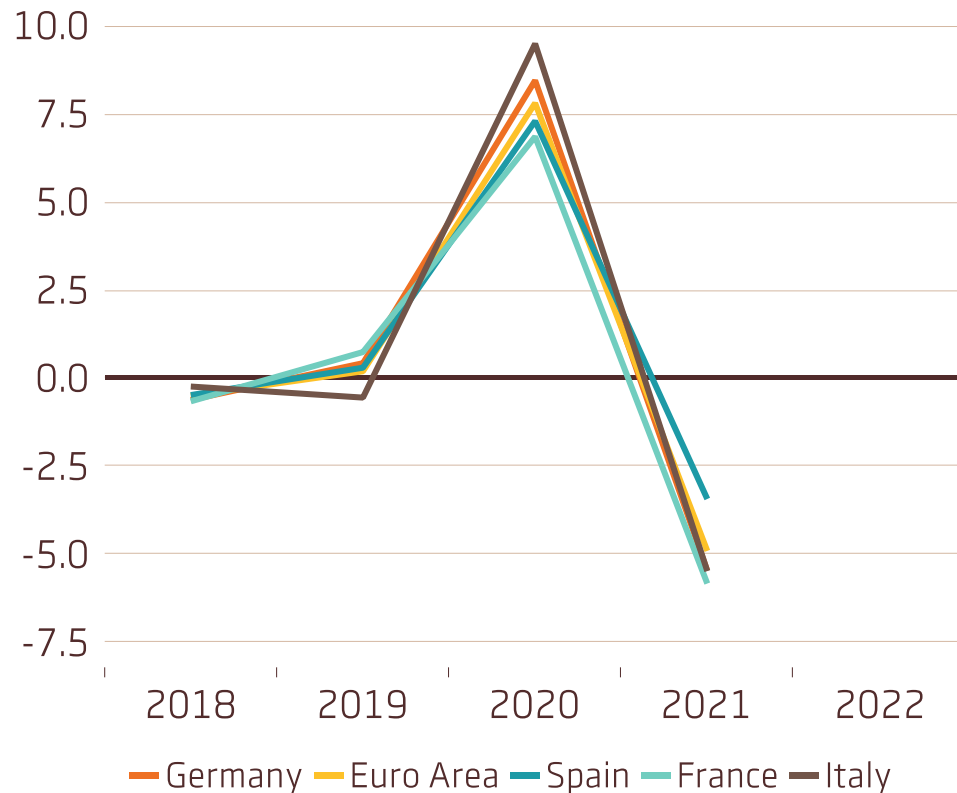
Sources: Swedbank Research & Macrobond

Fiscal policy is finally playing an active role

Different levels of fiscal firepower will mean that growth trends will continue diverging

Fiscal impulse

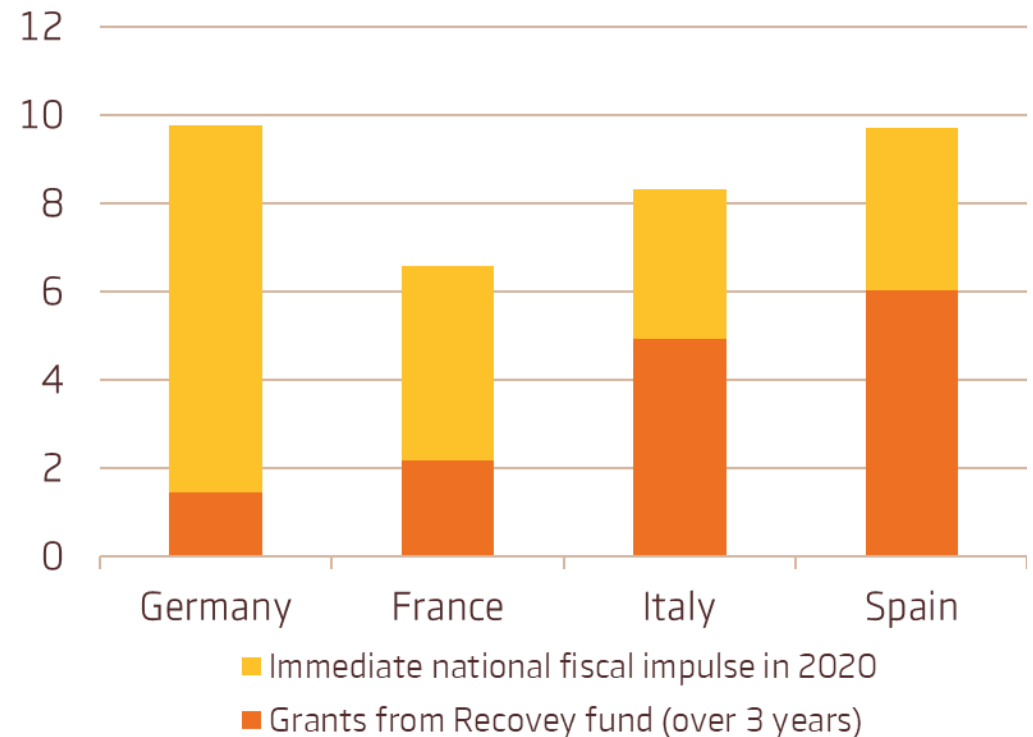
pp change in budget balance



Sources: Swedbank Research & Macrobond

Forthcoming fiscal stimulus

% of 2019 GDP



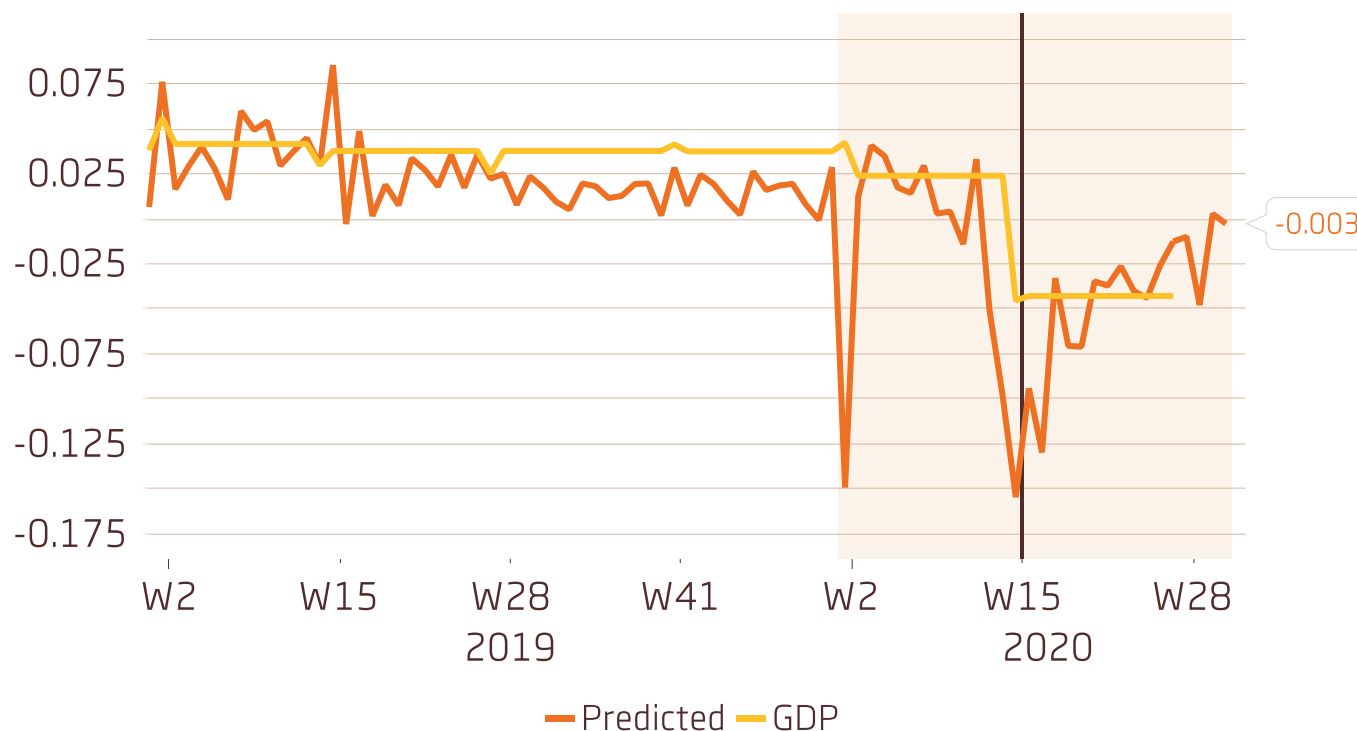
Source: Swedbank Research

What's next?

Most countries are on a path to recovery but they are in for a bumpy ride

Lithuania: Actual and predicted GDP growth

diff ln



- Virus control
- Treatment
- Monetary and fiscal stimulus
- Trade situation
- Brexit
- Political cycle

Sources: Swedbank Research & Macrobond
Model uses Swedbank card and cash volumes, credit portfolio data as well as official unemployment and electricity consumption

