

Dear All

There has been a lot of talk about GDP recovery, I've tried to put down all that I have learnt since it impacts all of us and our businesses.

1. The world is seeing second and third waves of Covid. Europe is badly impacted as also Mumbai in India.
2. Most global financial institutions pegged 2021 global GDP growth at 5.3 % in December 2020, and now have revised it to between 6.1 % and 6.9 %. US GDP growth is expected at 6.1 %, China at 8.4 % and emerging markets minus China at 6 %.
3. The revised numbers are a result of more fiscal stimulus and broader vaccination trends.
4. Even though the number looks good, there are many countries who are still below the pre covid level growth rates.
5. Recovery paths are different in different countries and expectedly so depending on the nature of the economy, the split between agriculture, manufacturing, services, exports, imports, reliance on tourism etc. china is the only country that will grow in both 2020 and 2021.
6. This has impacted wages. Per capita income in developing countries (minus China) will drop 22 % in the 2020-2022 period vs before. That's a lot. This means that 90 million people have gone into extreme poverty which is not good.
7. Unemployment is still high. US unemployment is 6.1 %, nearly double vs pre pandemic levels. The most impacted are young people, daily wage earners and women.
8. Fiscal stimulus has gone beyond expectations. China is the only country tightening monetary policy and reducing deficit. US approved a \$ 1.9 Trillion package and is now talking of a \$ 2.3 trillion infrastructure stimulus package. UK, Germany, France, India, Japan and Italy have all provided more stimulus.
9. The funny part of the stimulus packages is that you need globalization to work to deliver. IF US wants to build roads, bridges etc., then it needs steel and many other material from China. If consumption led economies are to grow, the goods will be manufactured in emerging economies. Fiscal stimulus will help bring back cooperation.
10. Most people expect things to turn by mid 2021, by end June, they feel the vaccination plus stimulus will be well on their way by then.

Before Covid, most people predicted the death of the auto industry. They did so basis ride sharing, lower ownership of cars amongst millennials etc. Now surprisingly, the auto industry has been one of the biggest gainers of the pandemic. How things change !!

Feedback welcome

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