

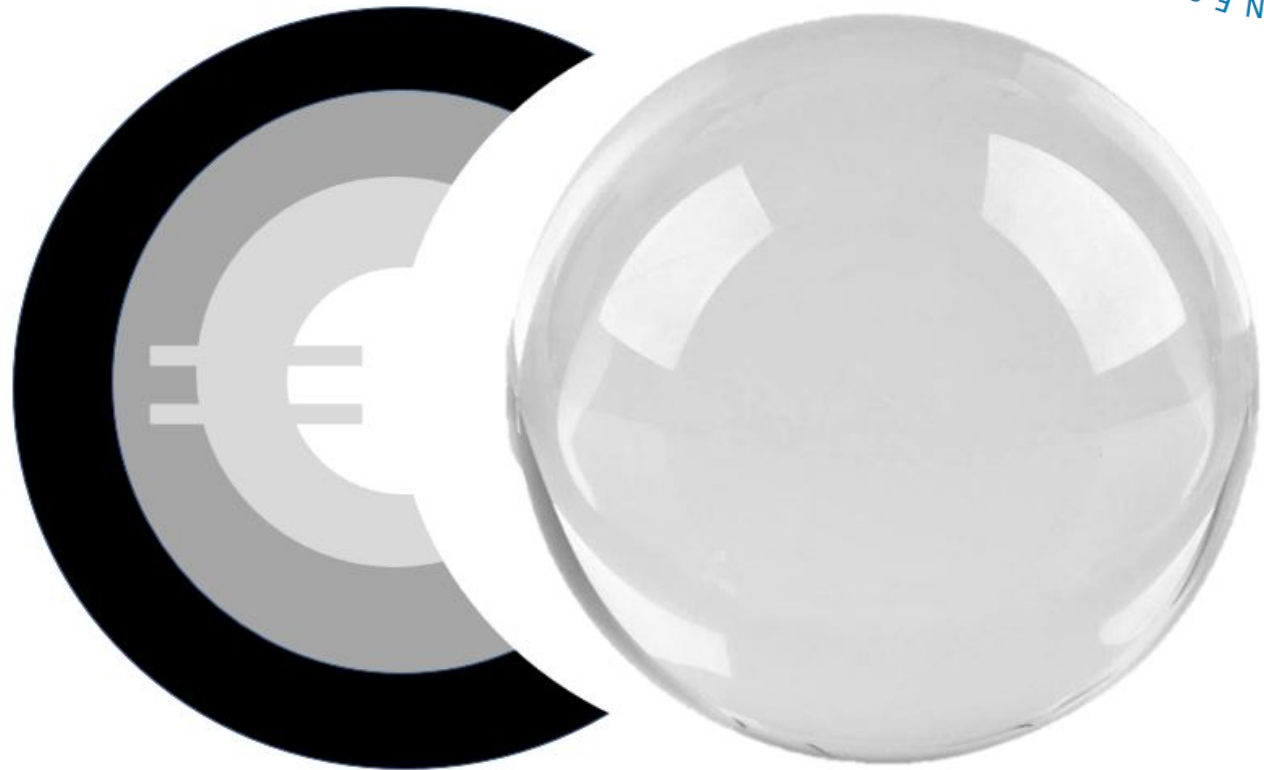
THE ECONOMY IN UNCHARTED TERRITORY

HAN DE JONG

CRYSTAL CLEAR ECONOMICS

15 OCTOBER 2020

CRYSTAL CLEAR ECONOMICS



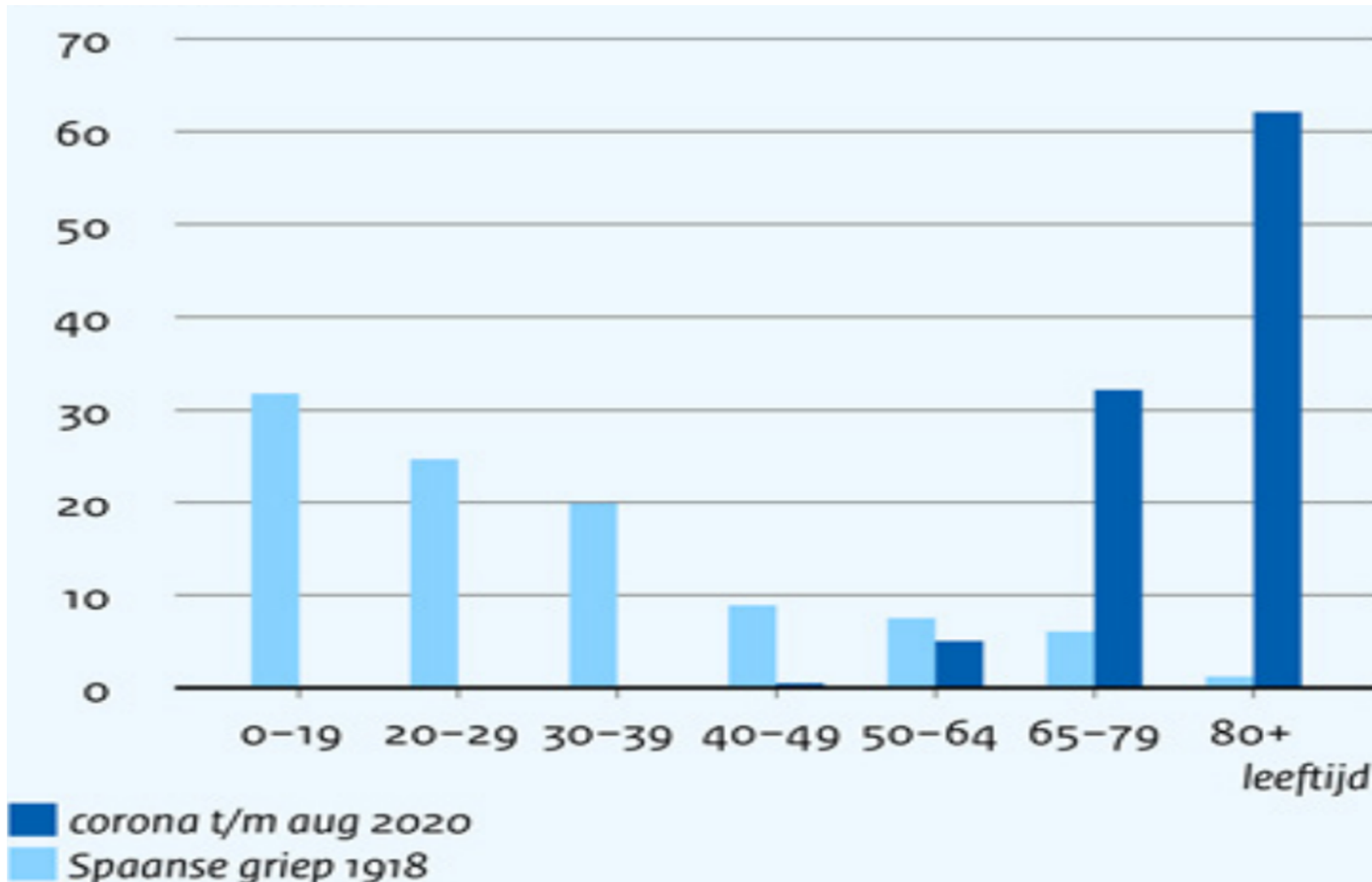
AGENDA

- The virus
- The economic downturn
- The economic policy response
- The economic upturn

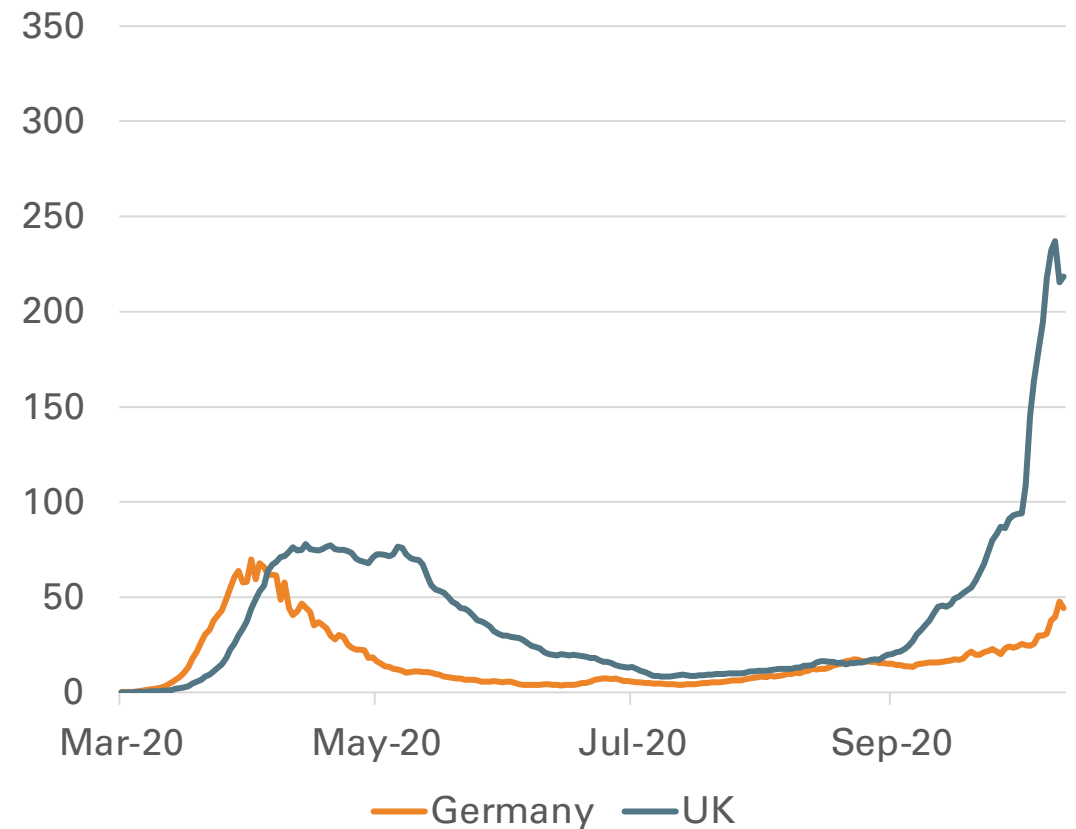
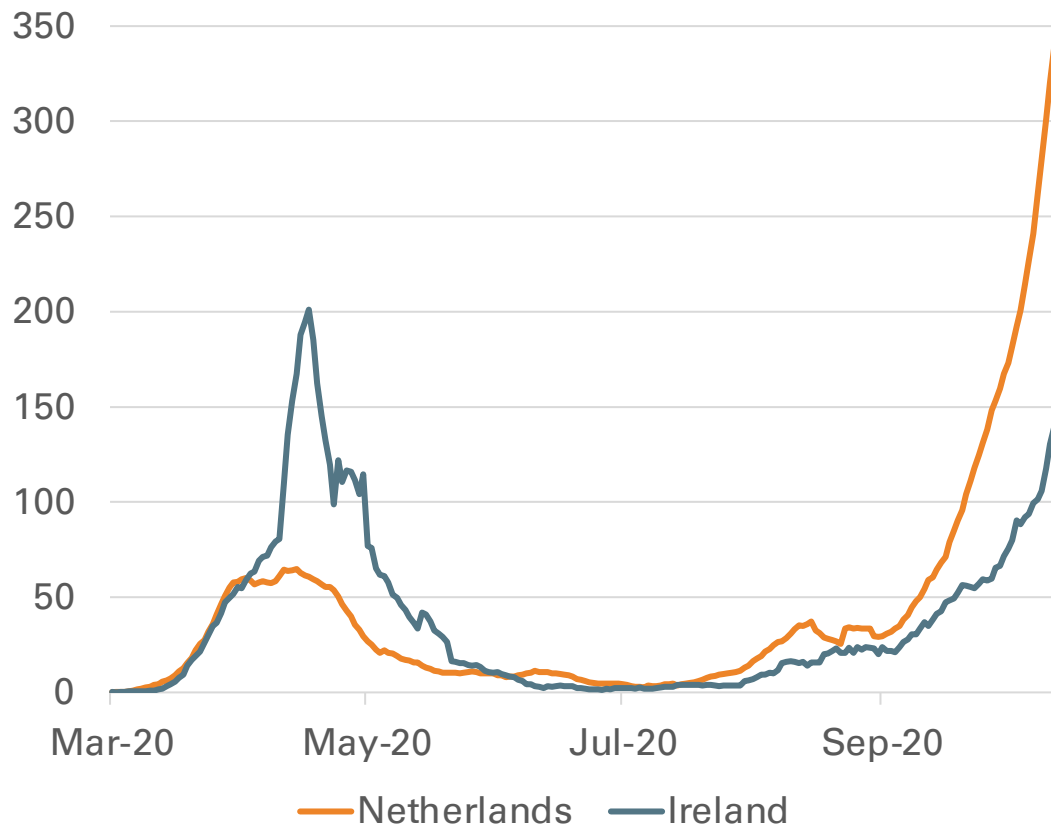


NL: DEATHS AS % OF TOTAL BY AGE GROUP

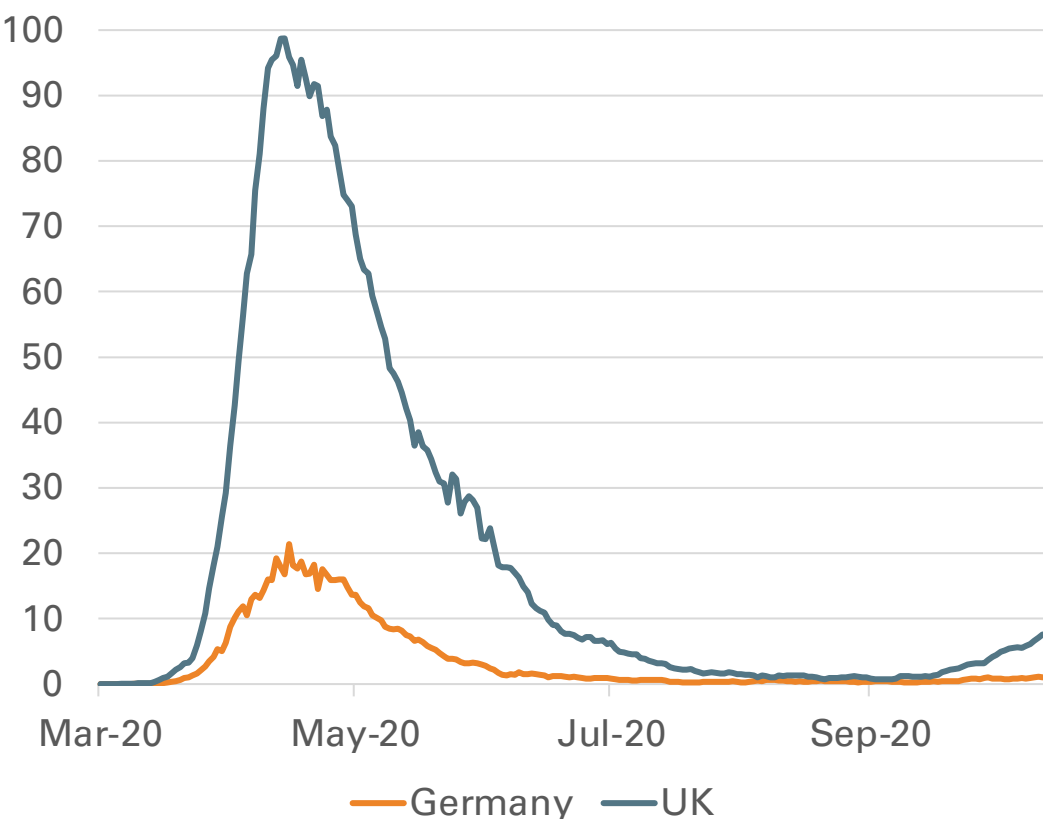
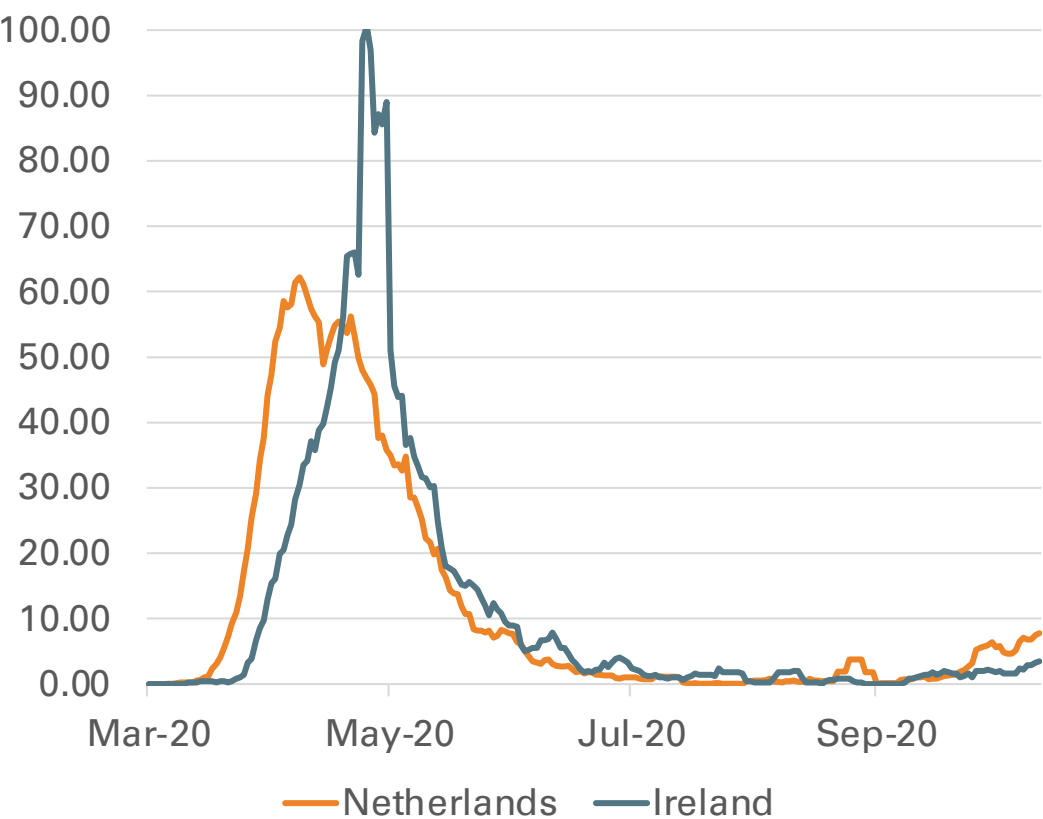
(SPAANSE GRIEP = SPANISH FLU; LEEFTIJD = AGE)



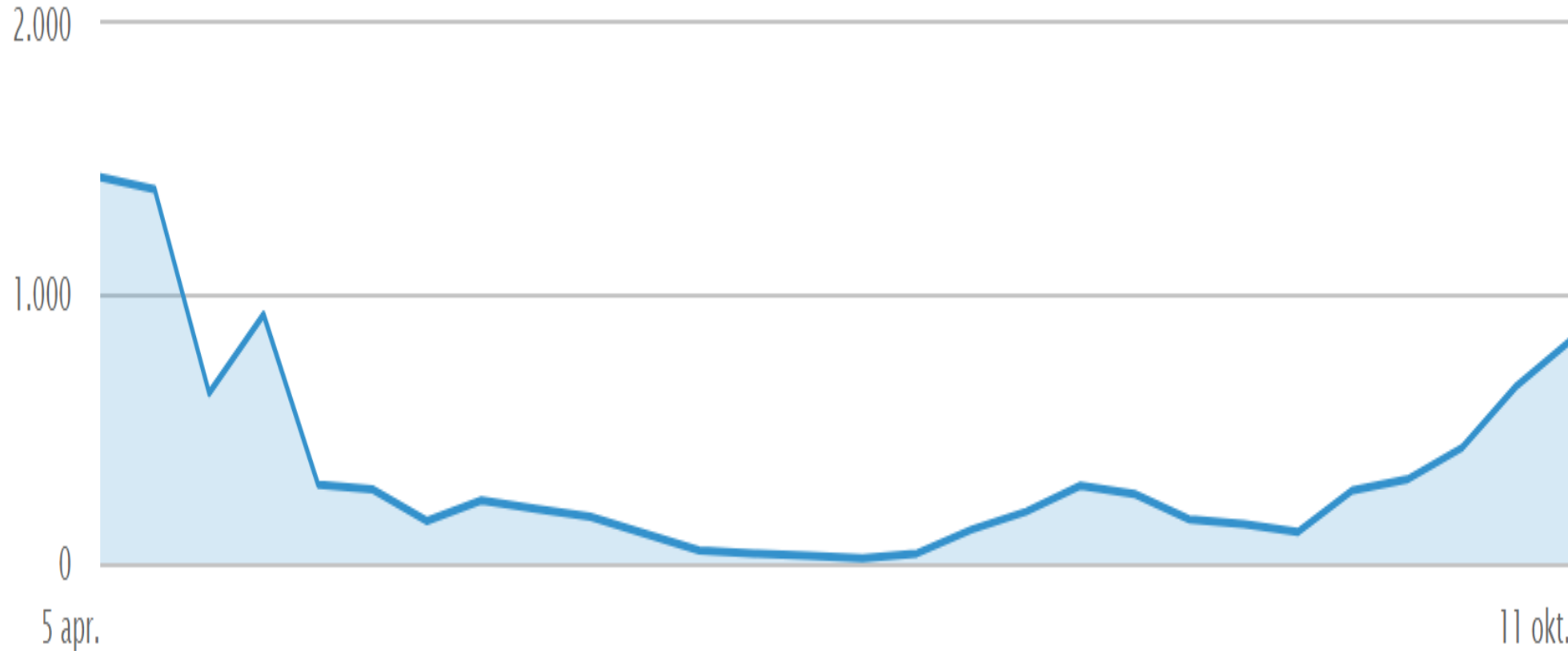
COVID-19 INFECTIONS PER 1 MLN PEOPLE, 7-DAY AVERAGE (UP TO 12/10)



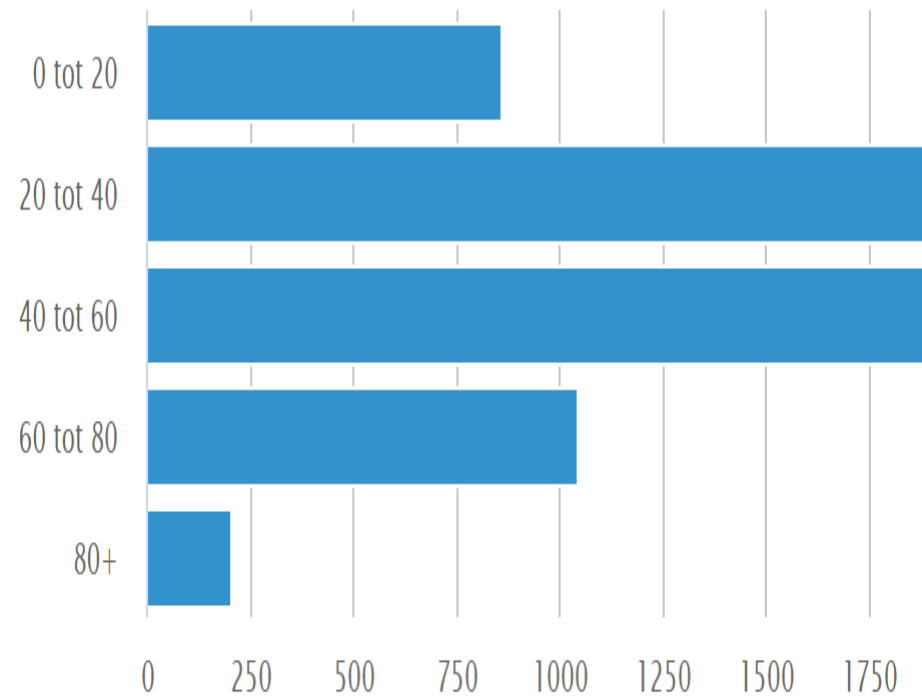
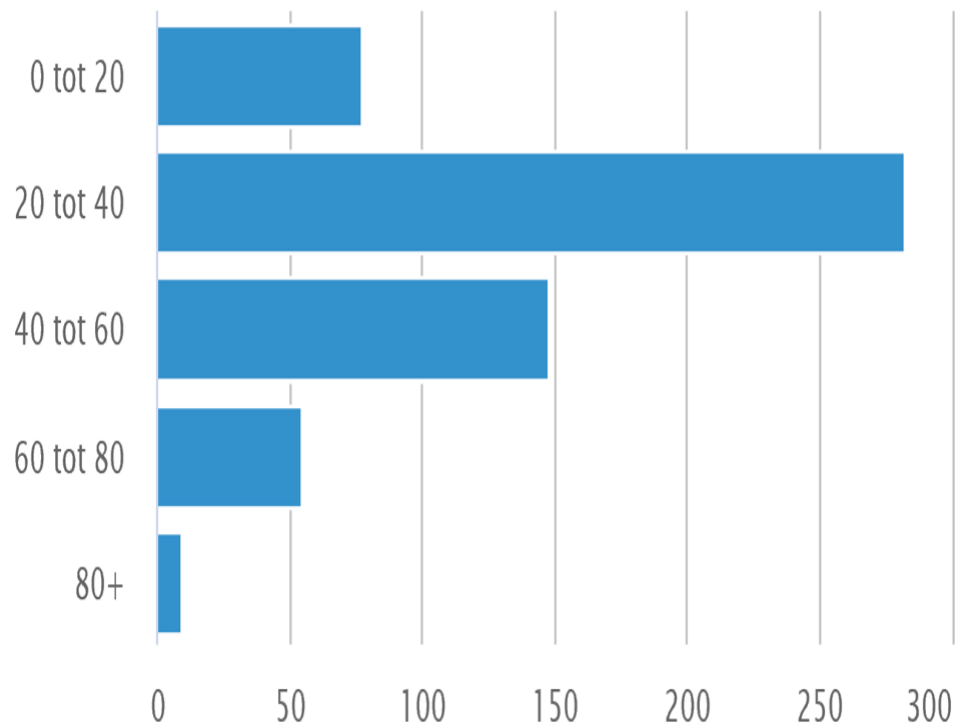
COVID-19 DEATHS PER 1 MLN PEOPLE, 7-DAY TOTAL



NETHERLANDS: VIRUS PARTICLES PER MILLILITER SEWAGE WATER



NETHERLANDS: NUMBER OF PEOPLE TESTED POSITIVE BY AGE GROUP: LATE AUGUST (LEFT) AND RECENT (RIGHT)



CORONA RECESSION BREAKING WORLD RECORDS



- Caused by an external shock, not by an 'inherent economic imbalance'
- Unprecedentedly abrupt, a 'world record'
- The largest ever number of countries in recession at the same time, a 'world record'
- Very deep, though no 'record'
- Response by governments and central banks very quick and forceful, a 'world record'
- Unprecedented disruption to businesses' earnings models, a 'world record'

WHAT DO YOU THINK?



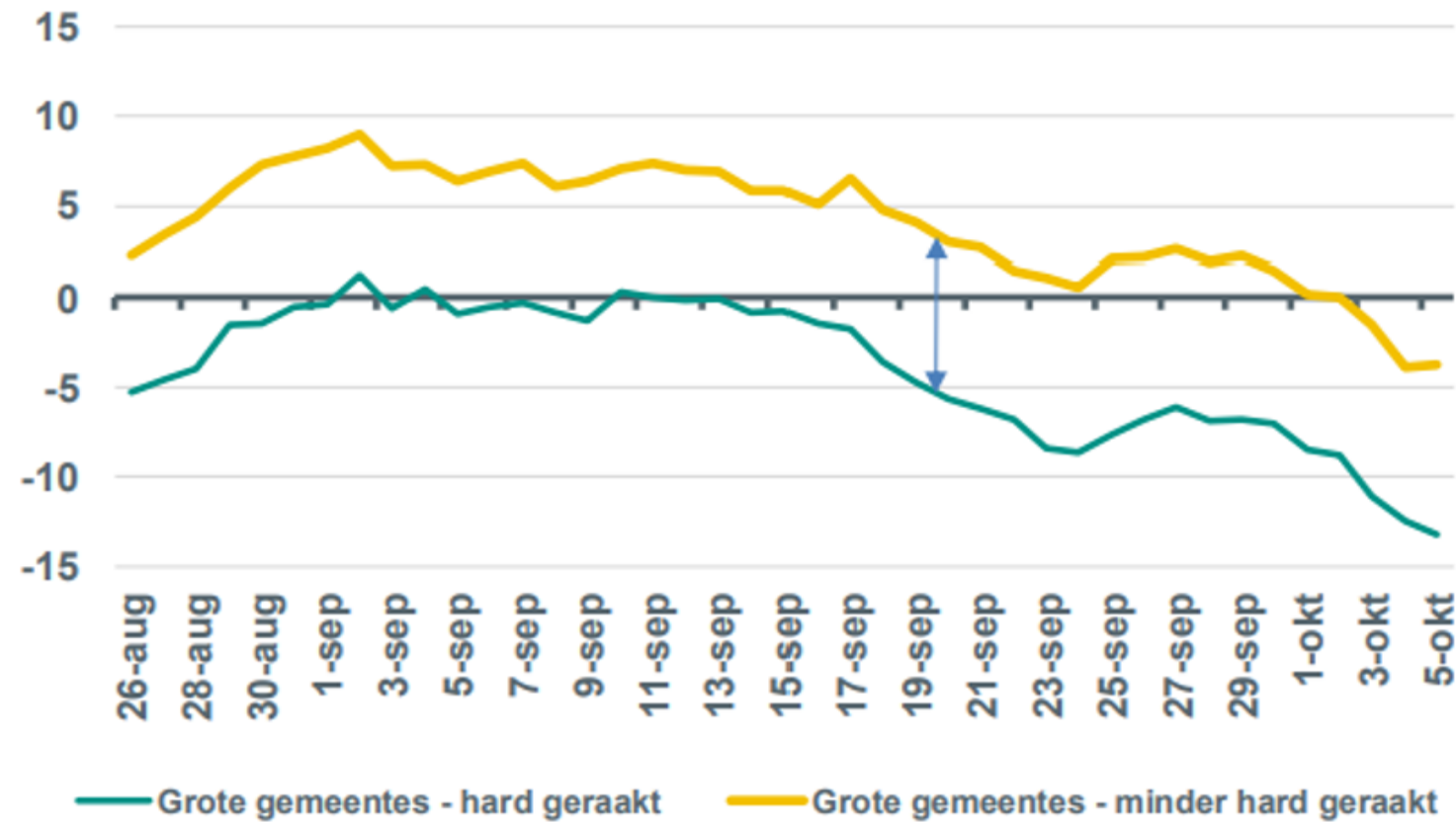
Which is the most important factor causing the economic downturn?

1. Mostly people's fear for the deadly virus
2. Mostly the government's restrictions
3. People's fear and the restrictions more or less equally

NL: NUMBER OF ELECTRONIC PAYMENTS IN SHOPS

GREEN: CITIES WITH HIGH INFECTIONS RATE;

YELLOW: CITIES WITH LOW INFECTIONS RATE, % Y-O-Y



WHAT DO YOU THINK?

The policy response to the economic downturn by governments and central banks...

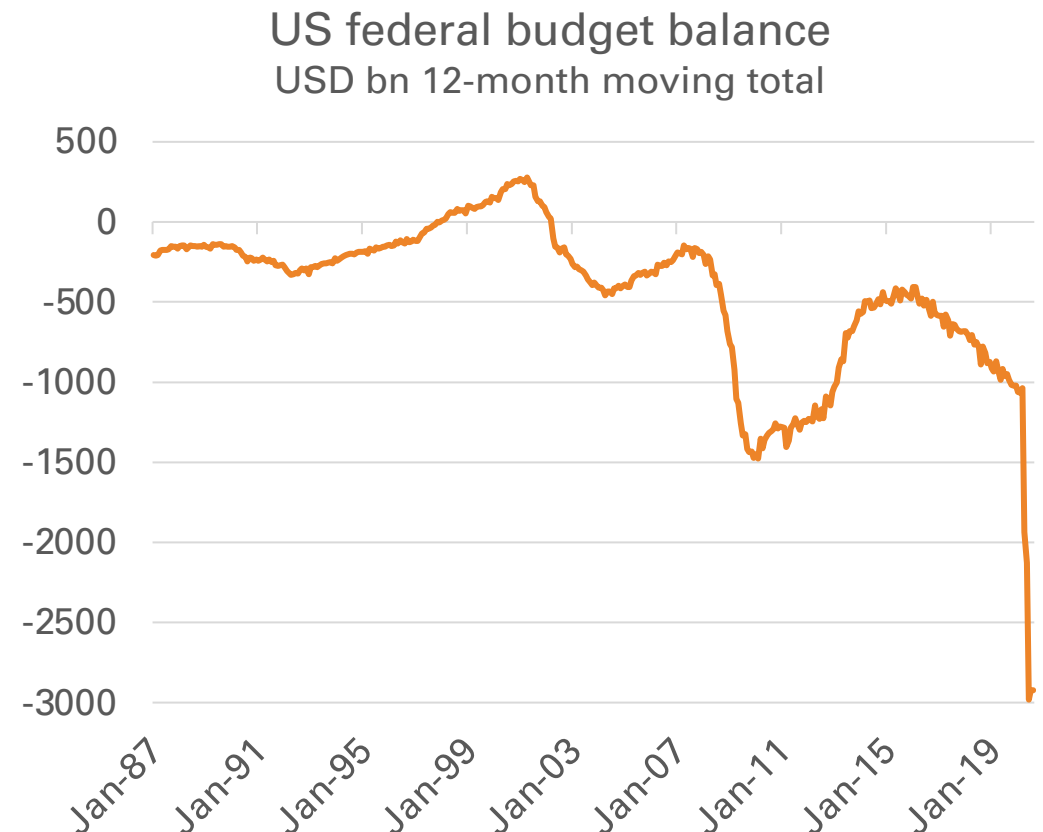
1. ...has been too much
2. ...has been more or less correct
3. ...has been too little



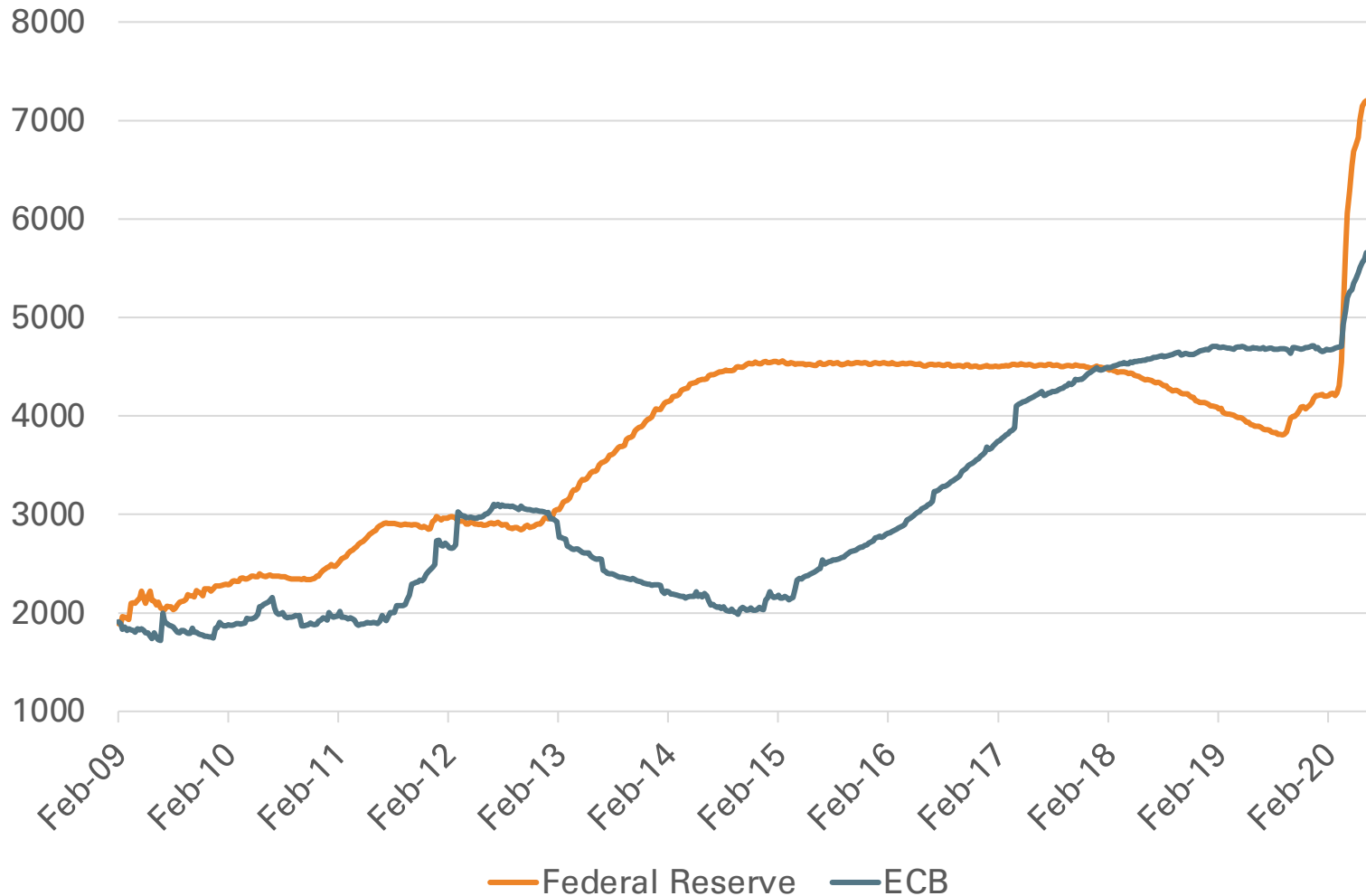
GOVERNMENT BUDGETS IN THE COVID WORLD



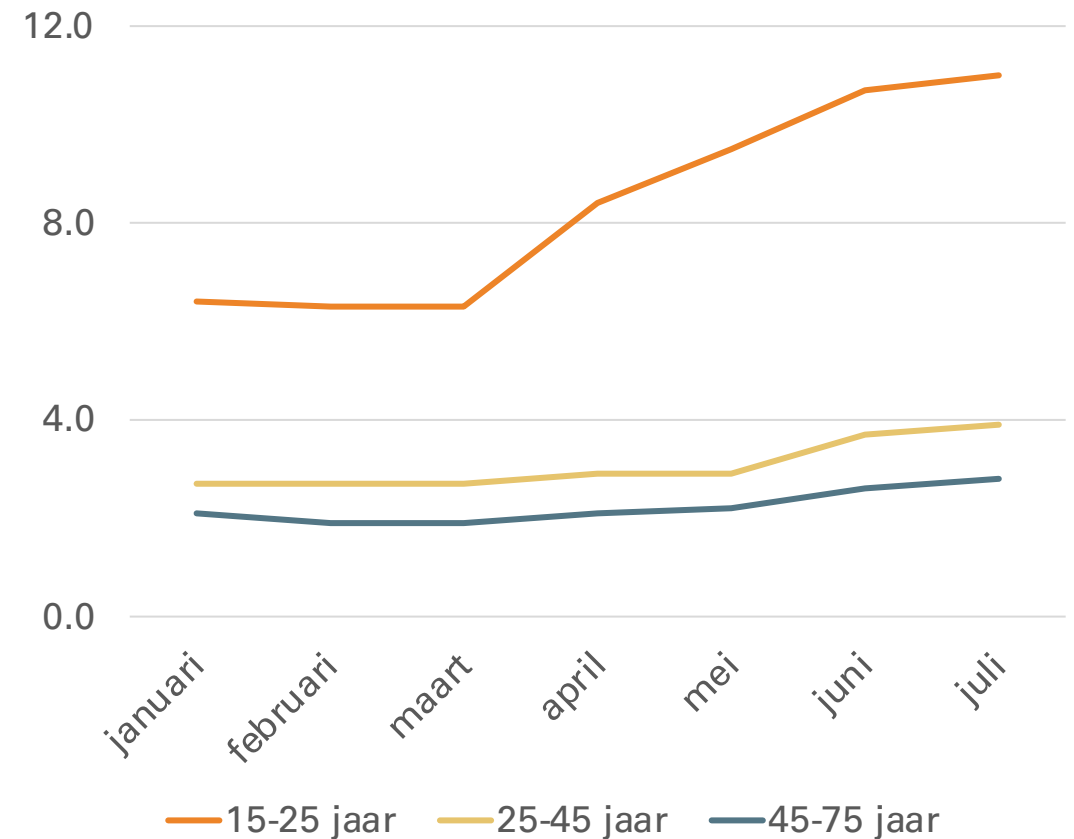
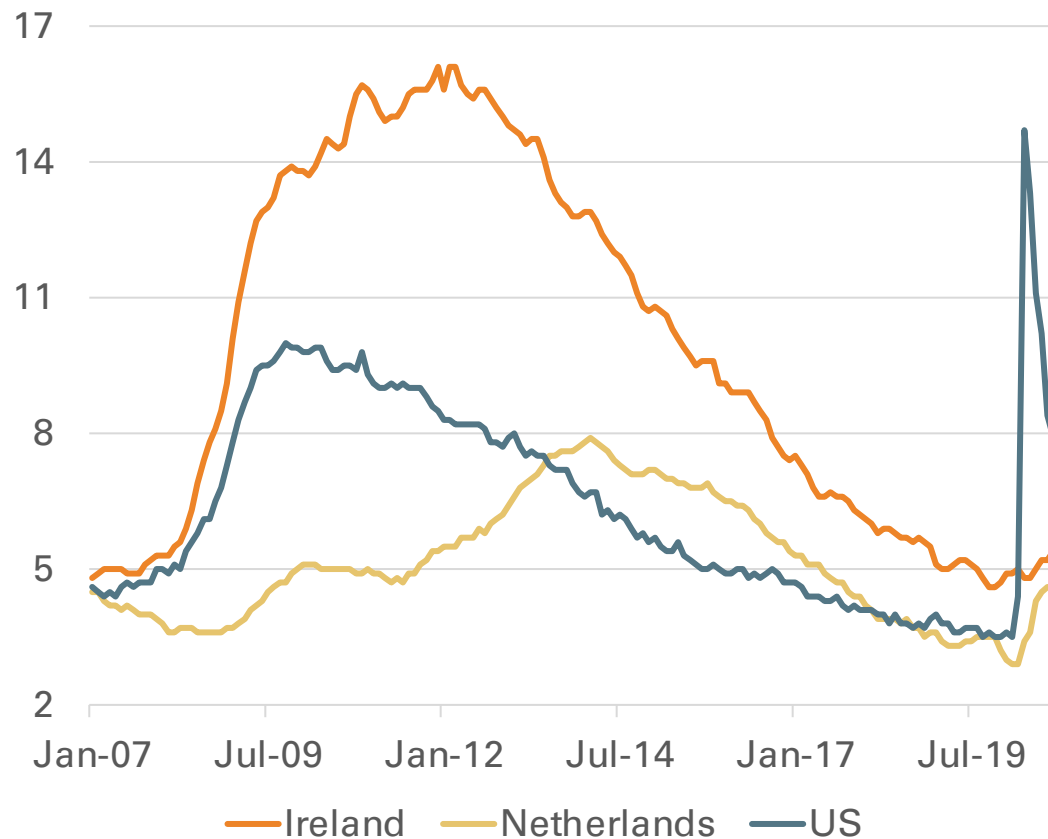
Government budget balance	2019	2020	2021
IRL: in bn €	+1.9	-21.6	-20.5
as % GDP	+0.5	-6.4	-5.6
as % GNI	+0.1	-10.4	-9.4
NL: in bn €	+14.1	-55.0	-43.5
as % GDP	+1.7	-7.2	-5.5



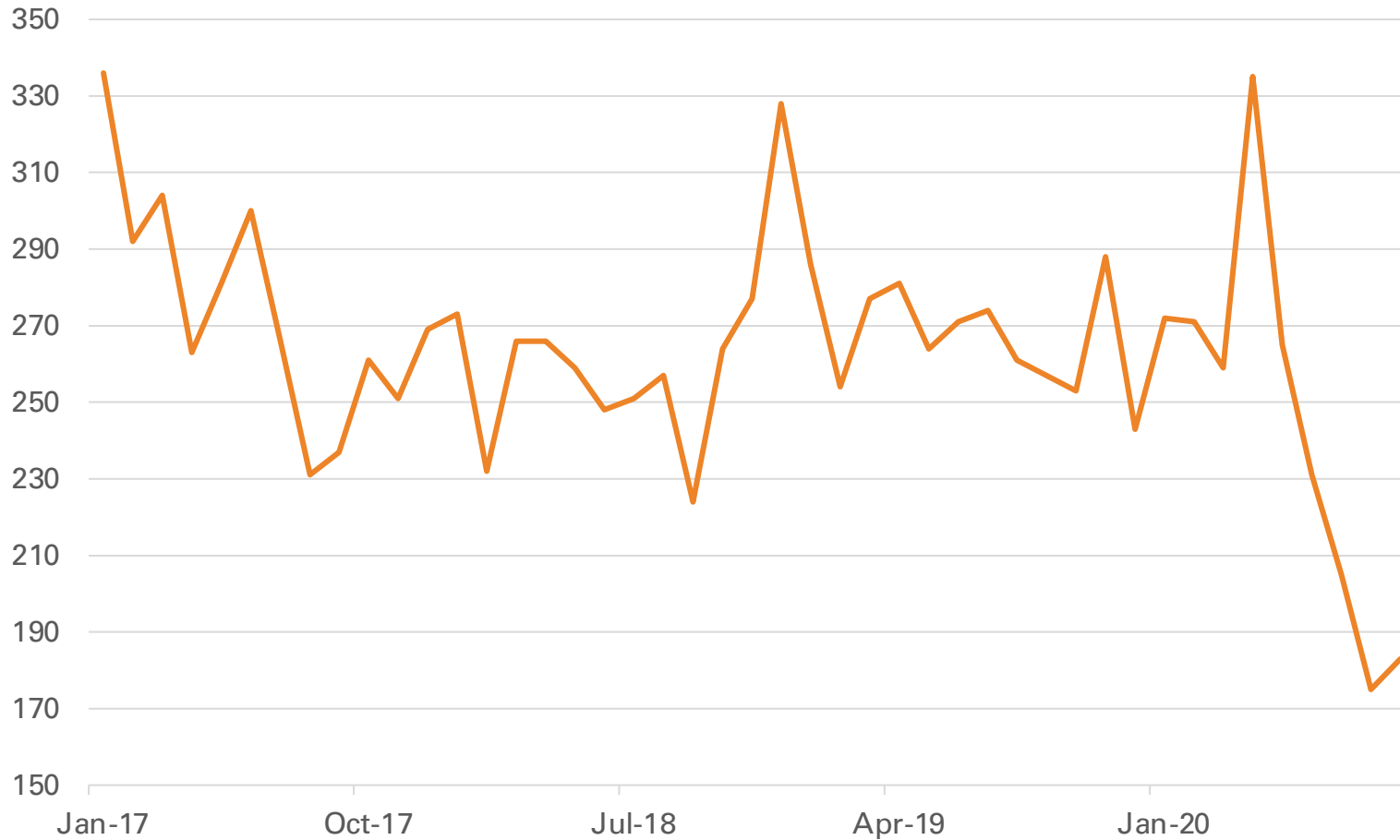
BALANCE SHEET TOTAL (BN OF NATIONAL CURENCIES)



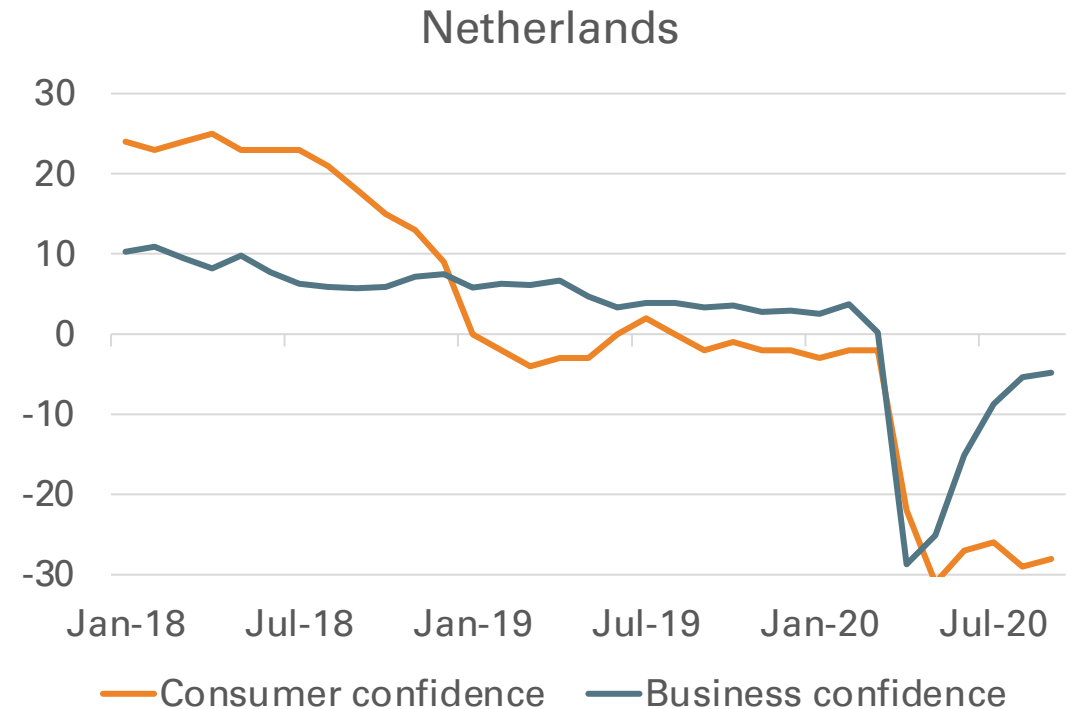
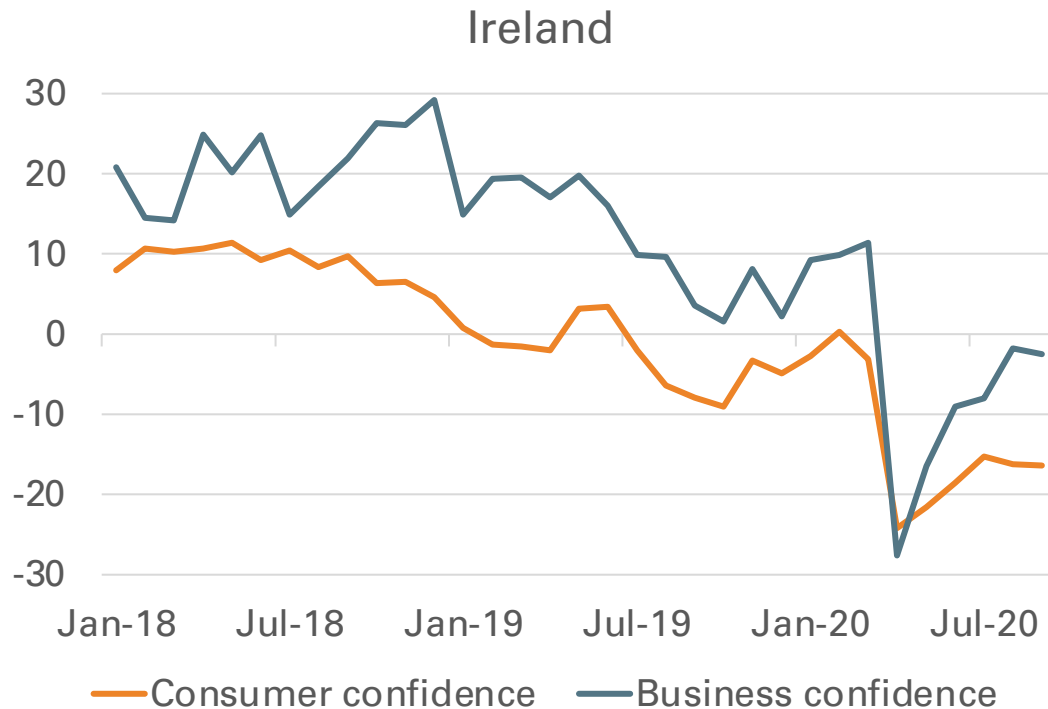
UNEMPLOYMENT (%) (PER AGE GROUP IN NL)



NL: NUMBER OF BANKRUPTCIES PER MONTH



BUSINESS CONFIDENCE BOUNCES BACK, CONSUMER CONFIDENCE LESS SO



WHAT DO YOU THINK?



The business model of my company is being seriously challenged

1. No, we're fine
2. Yes, but only in the short term
3. Yes, also in the medium term, but we will manage
4. Yes, our business model is fundamentally broken
5. Don't know

HOW IRISH COMPANIES ARE FARING



Level of trading of companies (%)	23 August
At normal capacity	63.3
At partial capacity	33.0
Ceased trading temporarily	2.5
Ceased trading permanently	1.2

Companies trading at partial capacity %	23 August
Over 75% of capacity	24.9
Between 50% and 75%	38.3
Between 25% and 50%	19.4
Below 25%	15.0
Don't know	2.4

IRISH COMPANIES UNDER PRESSURE BUT IMPROVING



% of companies availing of government supports	27 July – 23 August
YES	45.7
NO	54.3

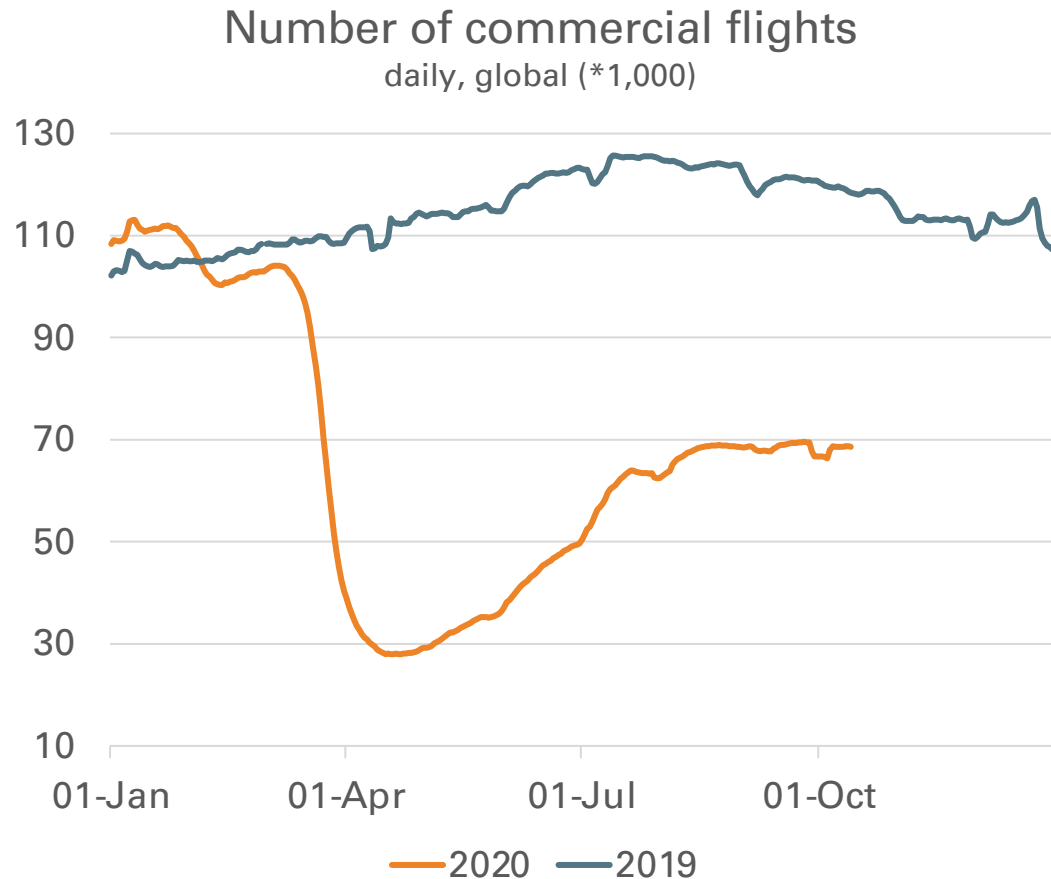
% of companies	16 March - 26 July	27 July – 23 August
Costs exceed turnover	20.4	12.2
Costs lower or equal to turnover	68.9	76.5
Don't know	10.7	11.3

NL: % OF COMPANIES SAYING THEY CANNOT SURVIVE ANOTHER 12 MONTHS OF CORONA CRISIS



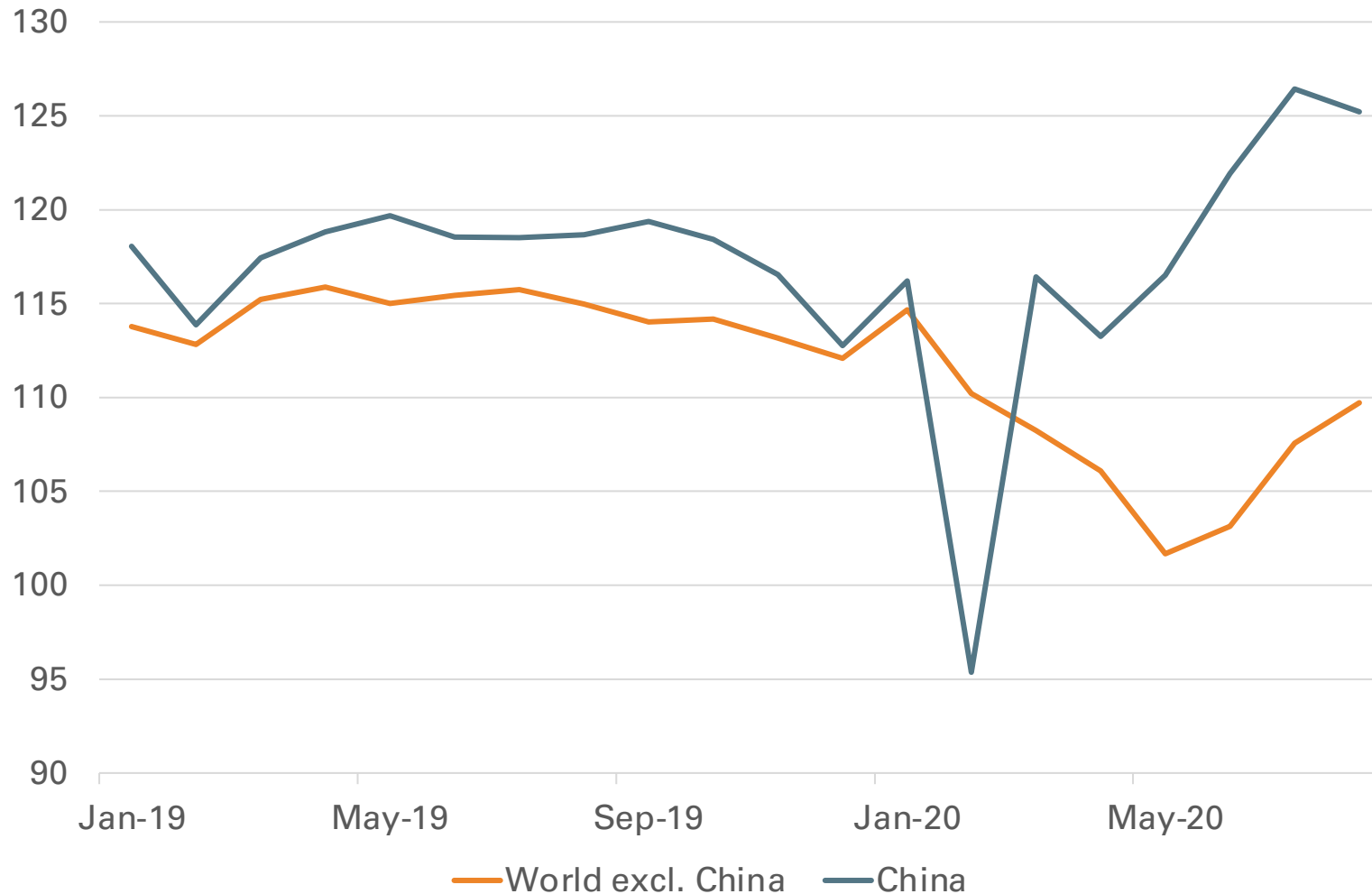
%	June	September
Hospitality	45.5	31.8
Culture, sport, recreation	31.4	22.0
Industry	19.2	14.9
Business services	20.4	13.3
Car trade and repair	28.2	12.1

INTERNATIONAL TRAVEL DECIMATED THE IMPROVEMENT HAS STALLED

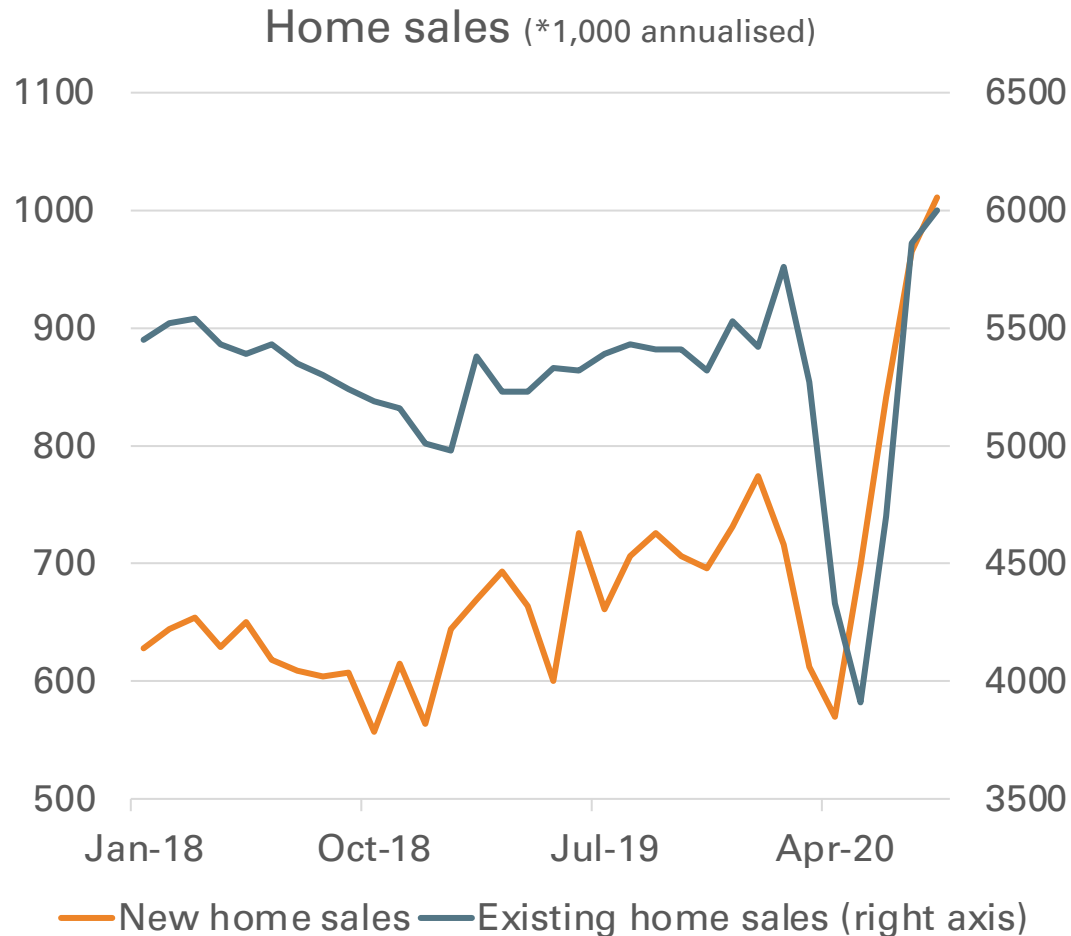


International travel %	Ireland, air and sea arrivals	Schiphol passengers
August 2020 (y-o-y)	-83.9	-72.8
Jan-Aug 2020 (y-o-y)	-72.7	-66.2

CONTAINER THROUGHPUT IN PORTS (INDEX)



UNUSUAL POSITIVES IN THE US ECONOMY



CONCLUSIONS



- The world economy entered an abrupt and deep recession in Q2 of 2020
- The policy response has been extremely forceful
- While a recovery is underway, company bankruptcies and unemployment will still rise for some time yet
- *'Where the virus goes, the economy goes'* new lockdown measures in NL and IRL will hurt
- Brexit is another challenge, especially for IRL, but also for NL
- The business model in a range of sectors is seriously challenged in the short, medium and perhaps even long term
- Reasons for hope:
 - The policy response
 - China's remarkably strong recovery
 - Surprising resilience of housing markets
 - Surprising strength of corporate investment spending in some countries

WHAT DO YOU THINK?



This presentation has made me...

1. ...somewhat more pessimistic
2. ...somewhat more optimistic
3. ...neither more pessimistic, nor more optimistic

THANK YOU



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