



Panorama 2020 Q4
Black Swan of Covid19
“This time is truly different”

This time is “truly” different

- COVID-19 shock is truly exogenous, truly global and truly uncertain
- Self-inflicted generalized recession: Deep but short
- Overly aggressive monetary and fiscal policy generating perverse incentives
 - Simultaneous policymaking, but little coordination
 - “Easy money” favoring zombie companies
 - Debt burden will weigh on long-term growth
- Service sector (tourism, ...) more affected than manufacturing or construction

Protracted recovery, difficult balance between health and economy

- Surprising rebound in Q3, sustainable?
 - Curve not yet flattened
- Economies slow to regain pre-COVID levels (2019 levels not recovered until 2022)
- Different markets to recover at different paces (confidence, recessionary dynamics,...)
- Environment not exempt of risk: COVID-19 not controlled, US election, “excessive” precautionary savings, ...

This time is “truly” different



Truly exogenous

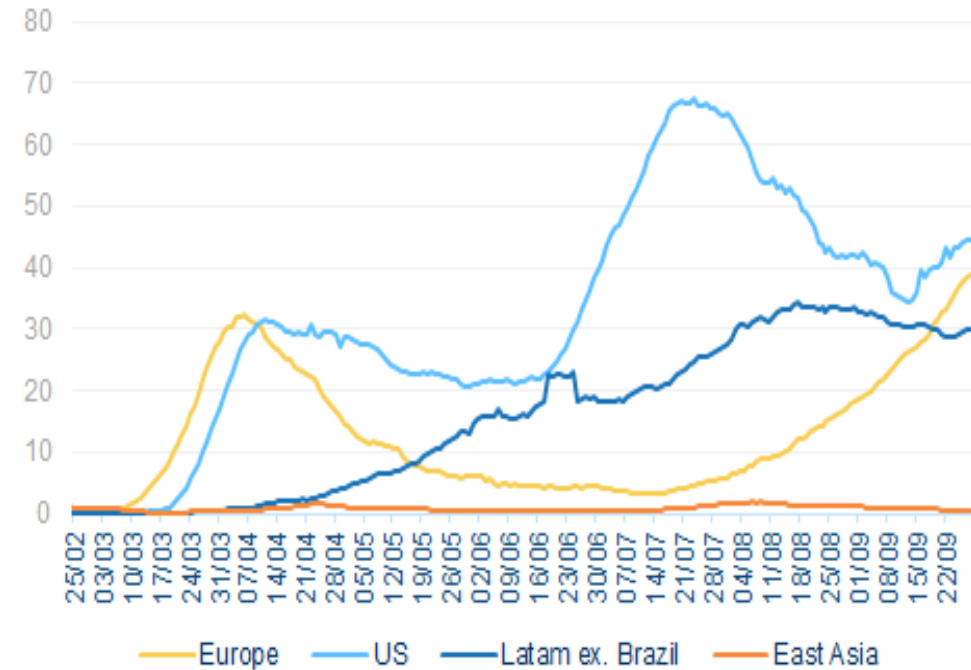


Truly global



Truly uncertain

DAILY REGISTERED INFECTIONS
(IN THOUSANDS, 7-DAY MOVING AVERAGE)



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

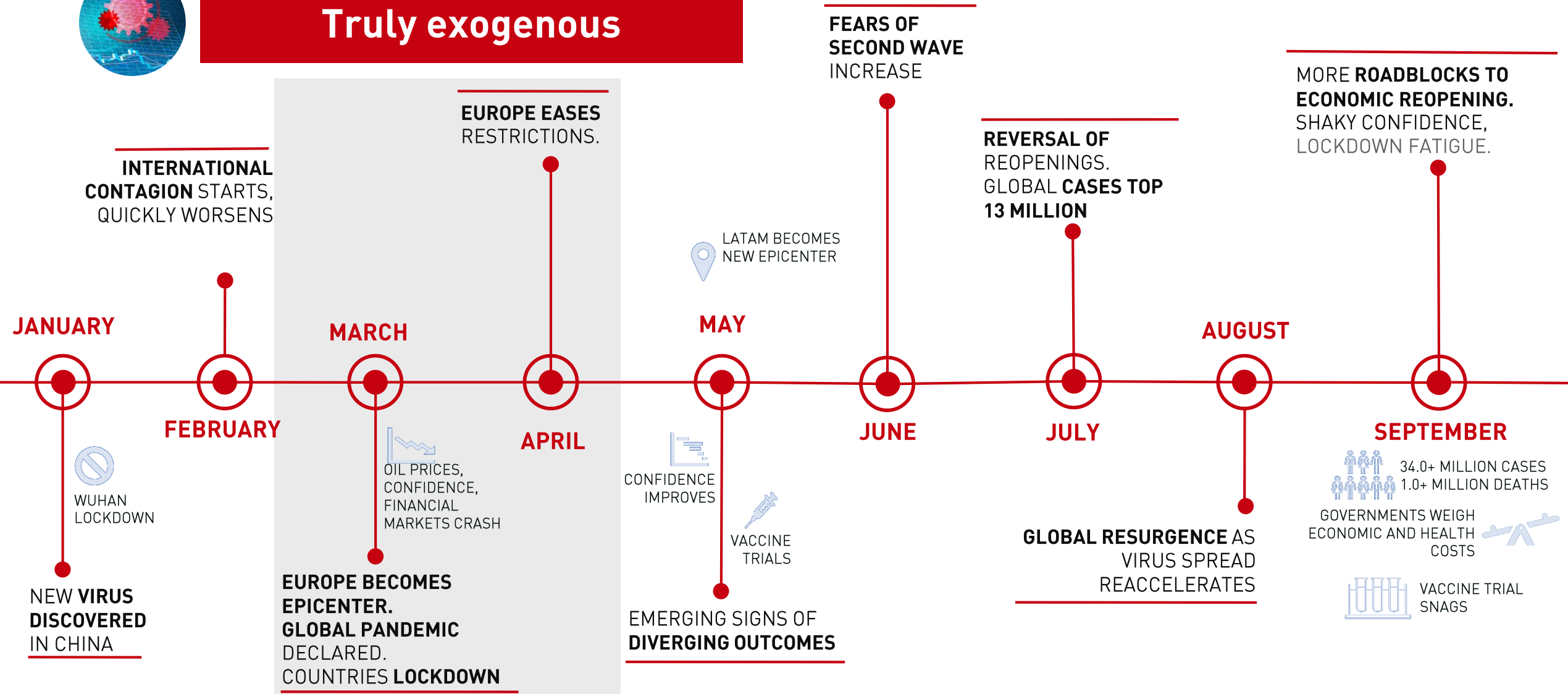
Self-inflicted recession

Unprecedented policy action

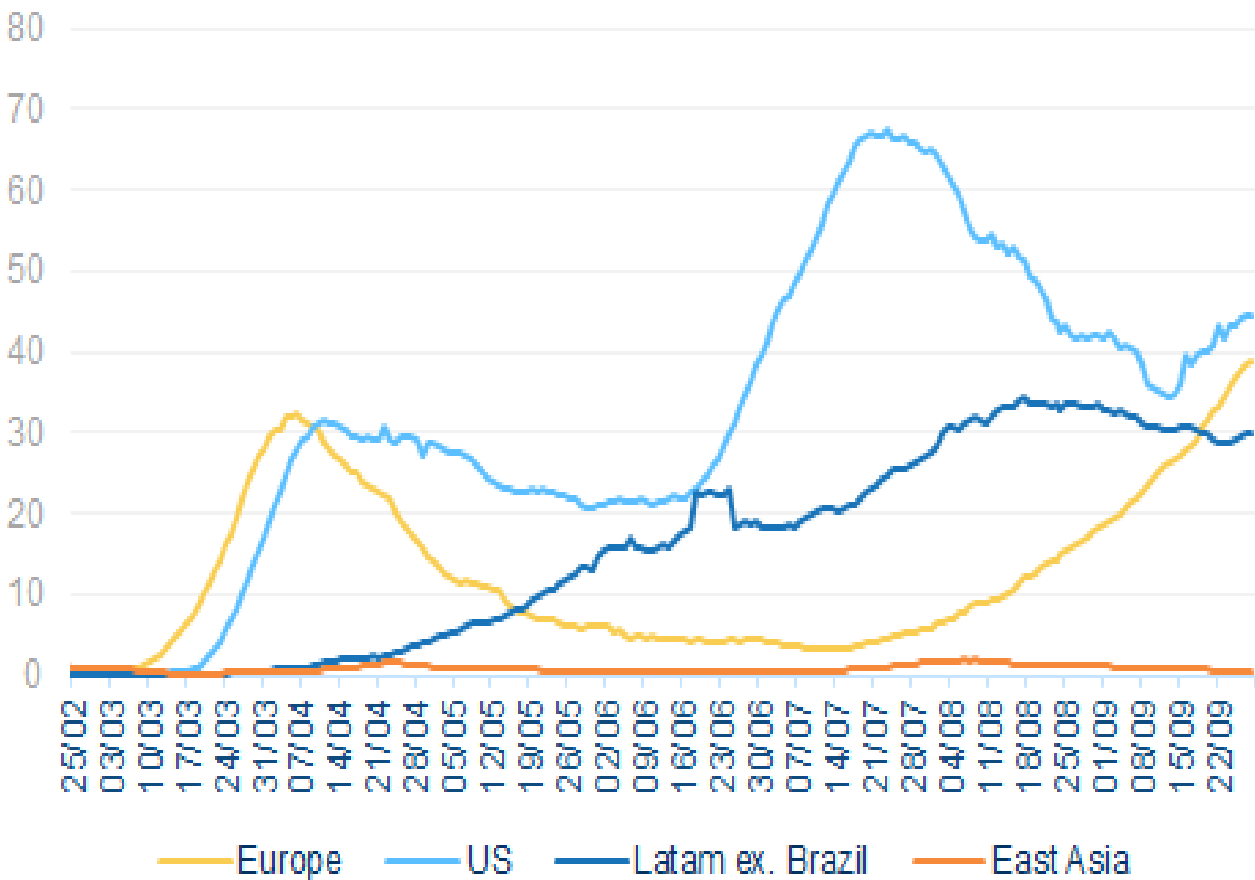
This time is "truly" different



Truly exogenous



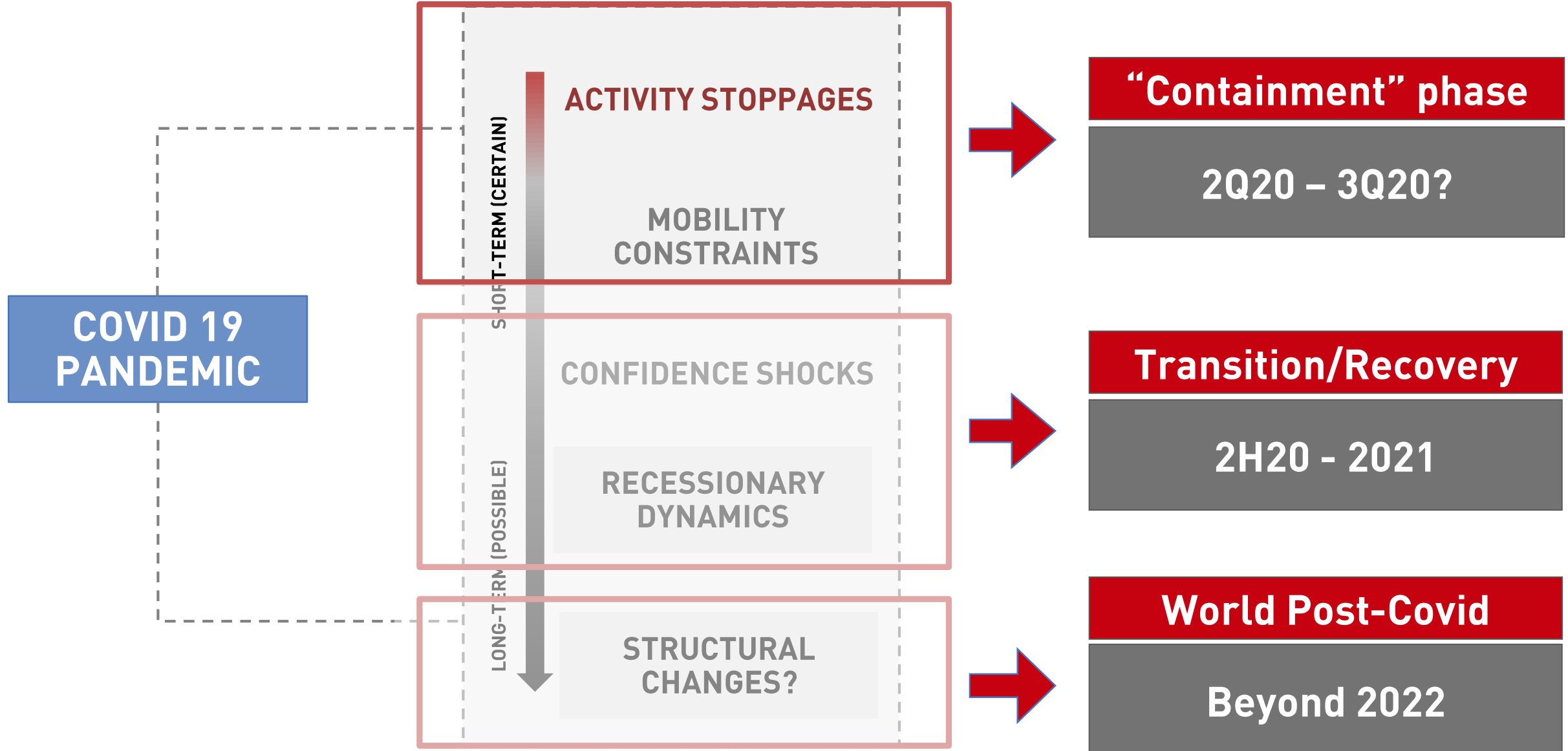
DAILY REGISTERED INFECTIONS
(IN THOUSANDS, 7-DAY MOVING AVERAGE)



- **Europe:** After receding over the summer, infections are now rising at high rates in **SPA, FRA** and the **UK**. While **GER, ITA, POR** and **TUR** registered rising-yet-contained number of cases.
- **Spain:** Facing the challenge through selective confinement policies. **Madrid** accounts for a third of the increase in daily infections.
- **US:** registered infections significantly fell over the summer but have started to slightly rise once again.
- **LATAM:** infections have fallen in **MEX, COL & PER**, have kept rising in **ARG**.

Pandemic primarily has short-term impact, but may have repercussions at longer horizons

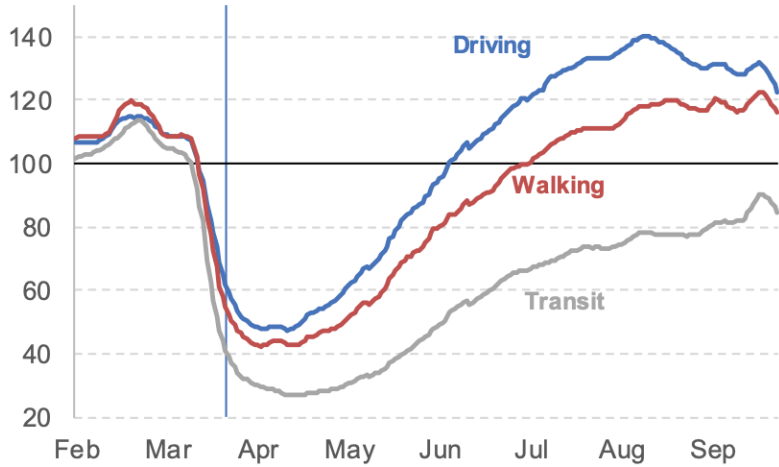
Channels affecting the economy



Self-inflicted recession: simultaneous but not identical

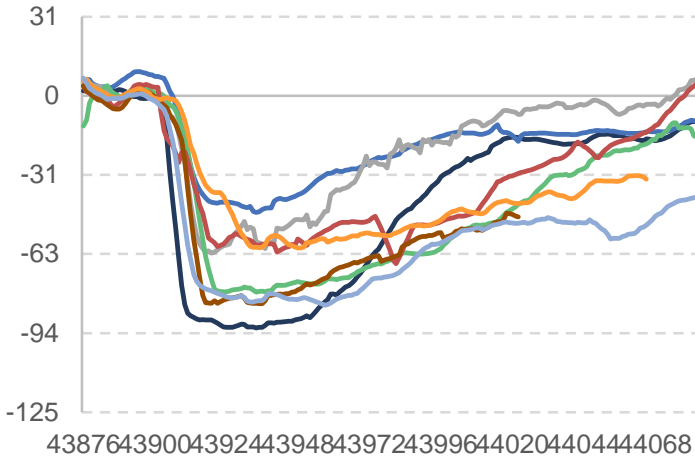
Apple Mobility

(Global index weighted by GDP, 7-day avg., 100=Jan/Feb 2020)



Google mobility. Retail and Recreation

(7-day avg., %change from baseline)

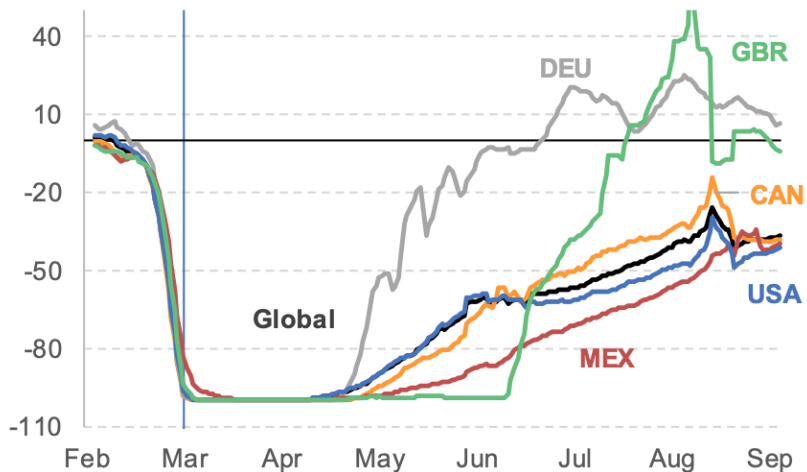


Bloomberg Emerging Market Capital Flow Index



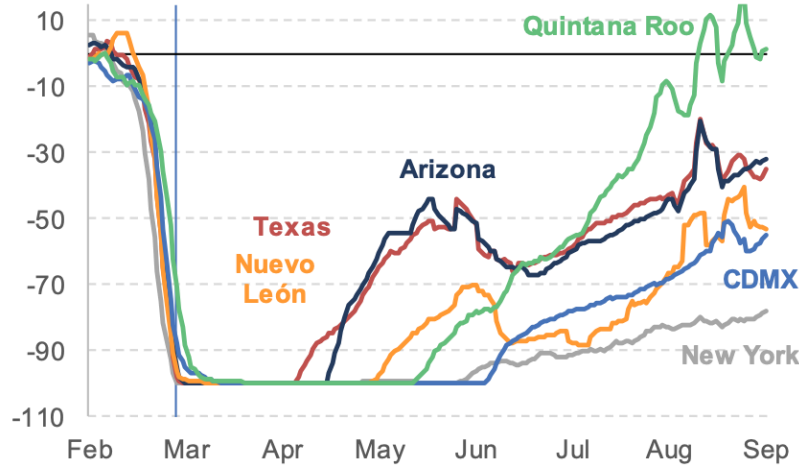
Open Table Seated Diners

(YoY growth, 7-day avg.)



Open Table Seated Diners

(YoY growth, 7-day avg.)

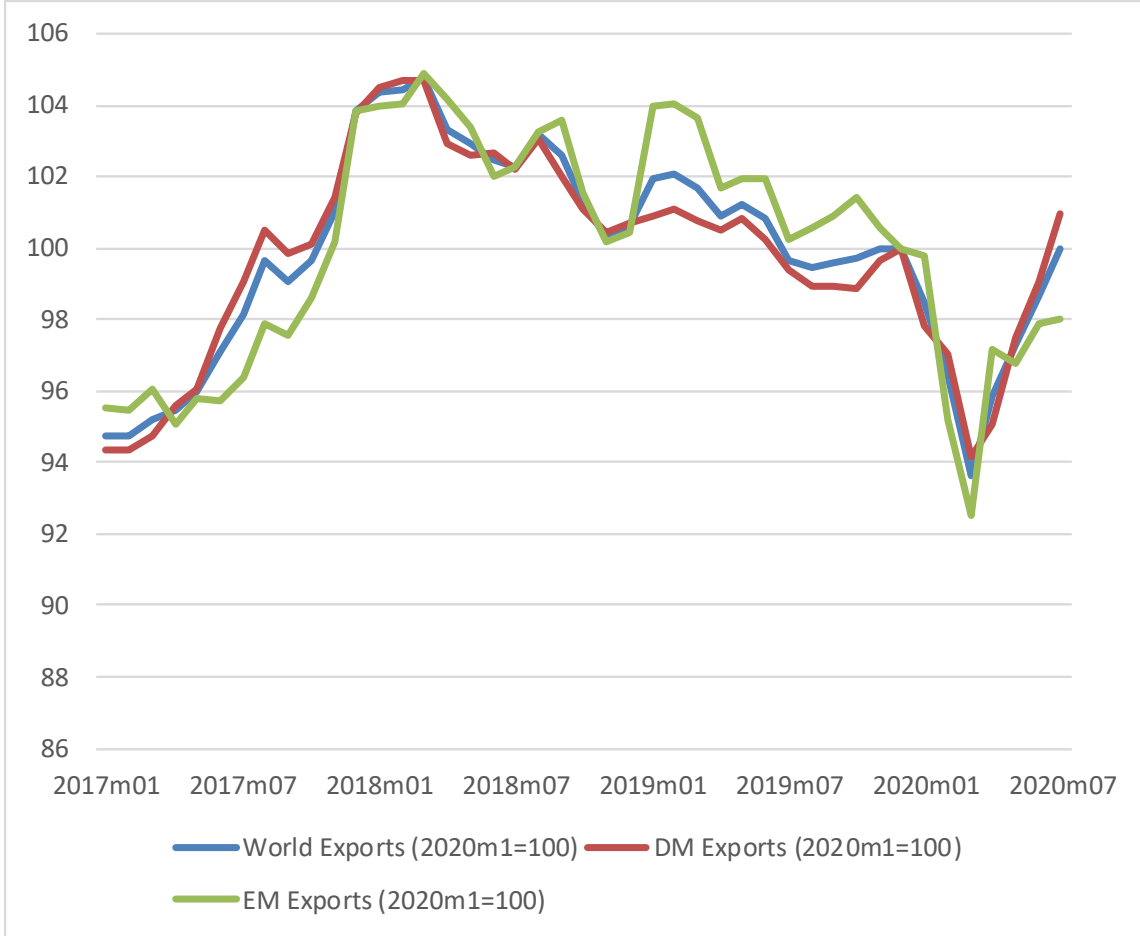


Brent Crude Oil Price

(USD/Barrel, 7-day avg.)



Global Freight in volume (100=Jan. 2020)



Retail Sales

(100=Dec 2012)

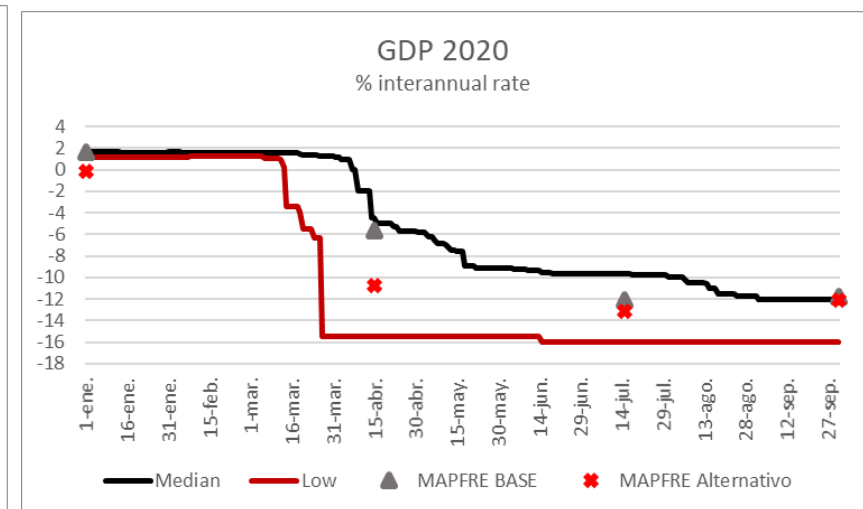
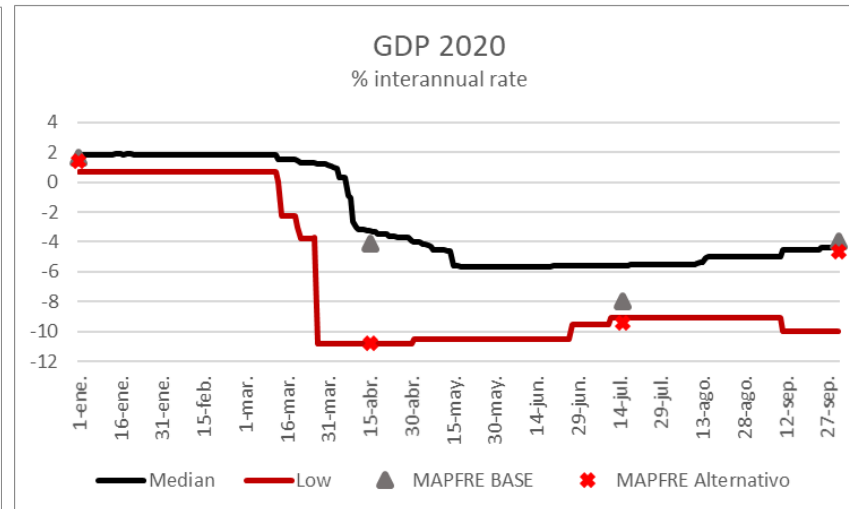
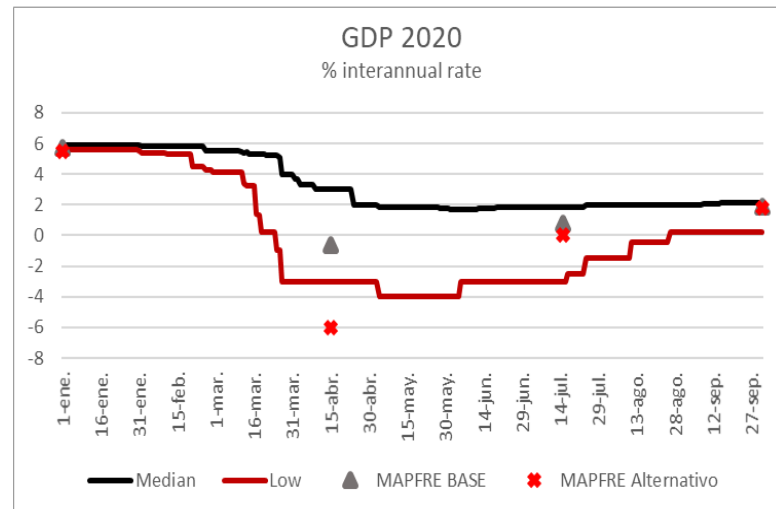
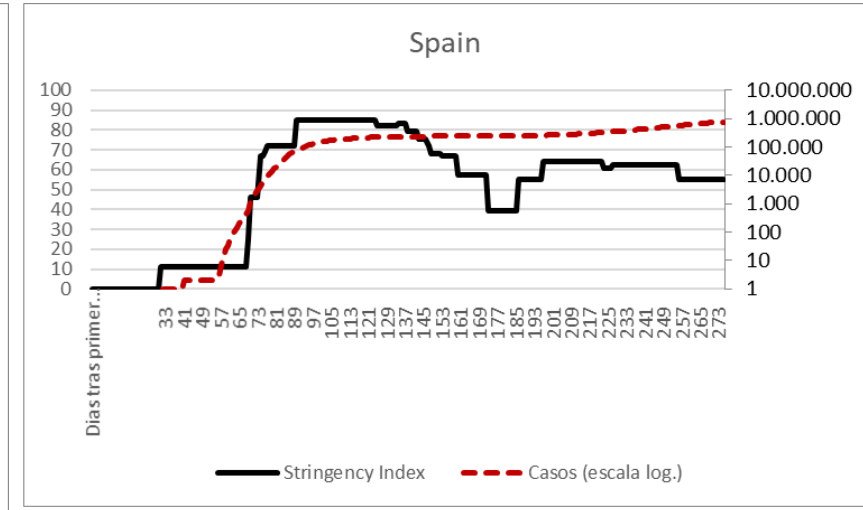
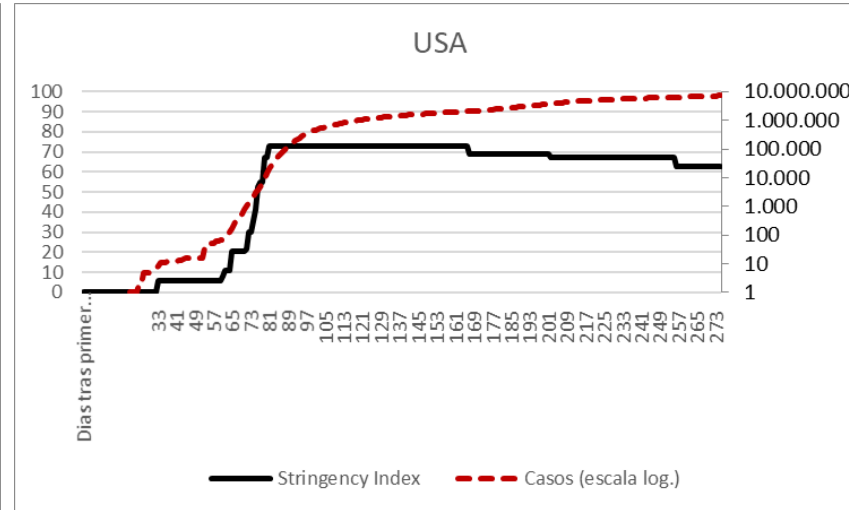
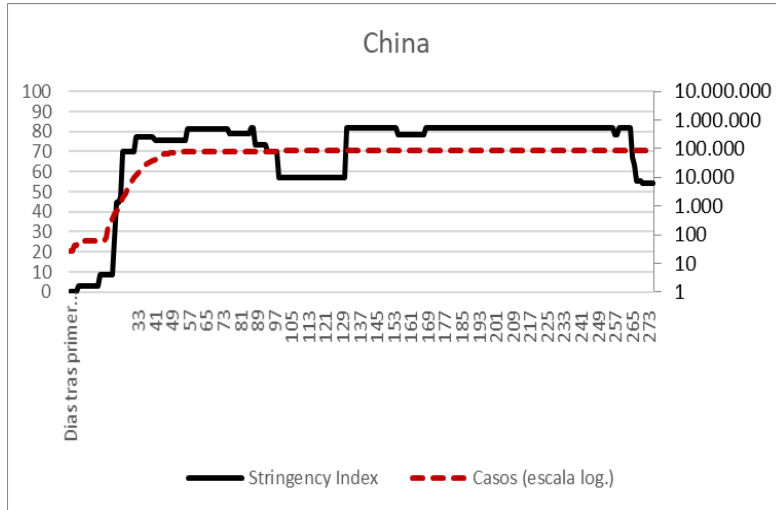


Tourist Arrivals

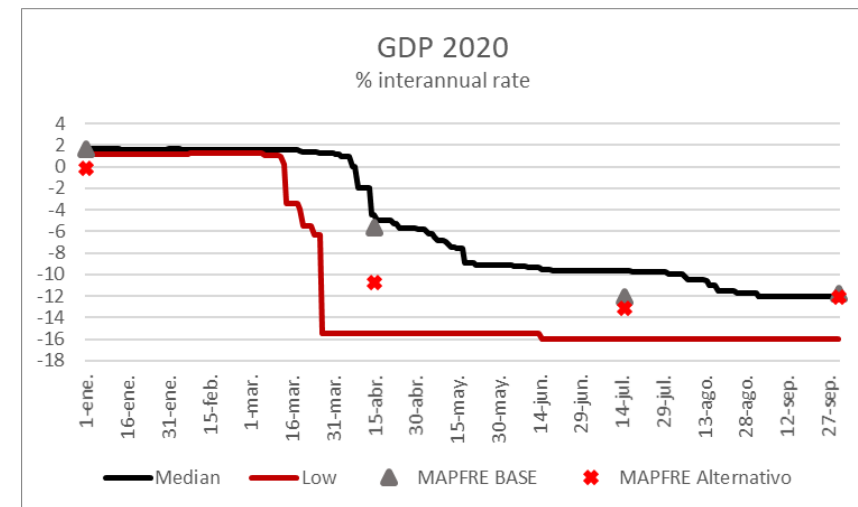
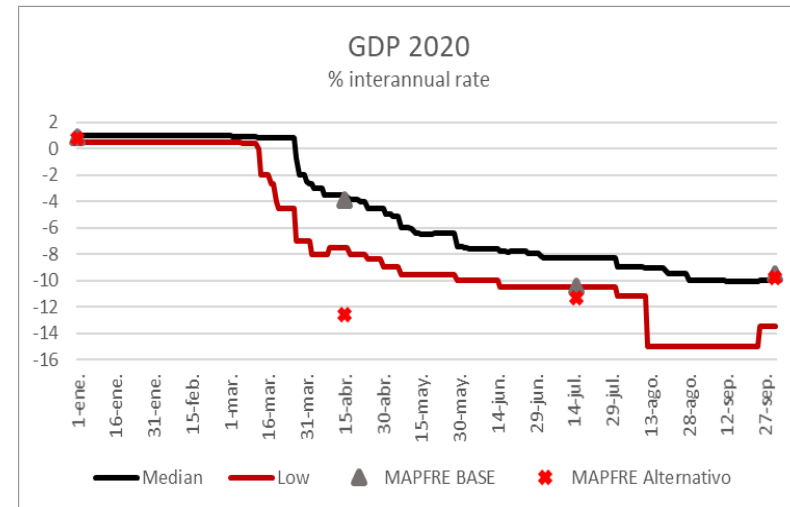
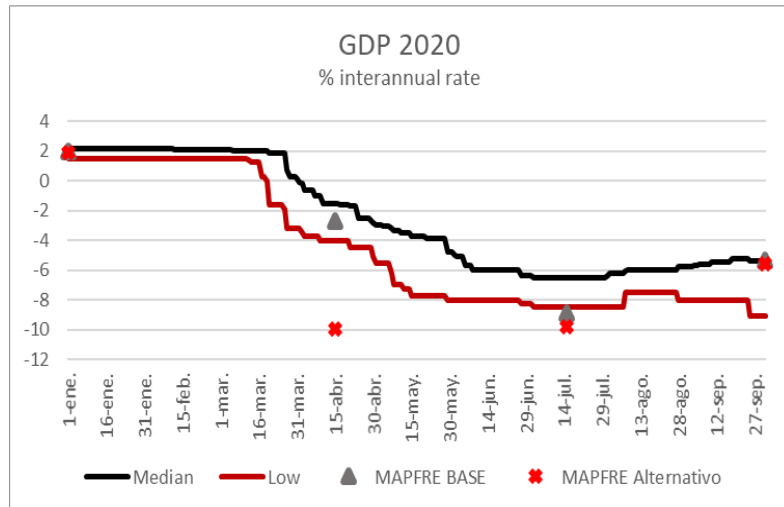
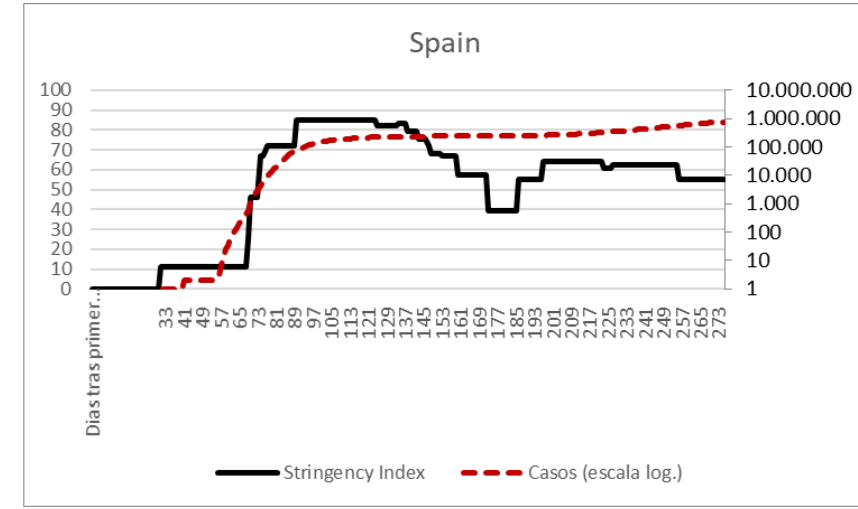
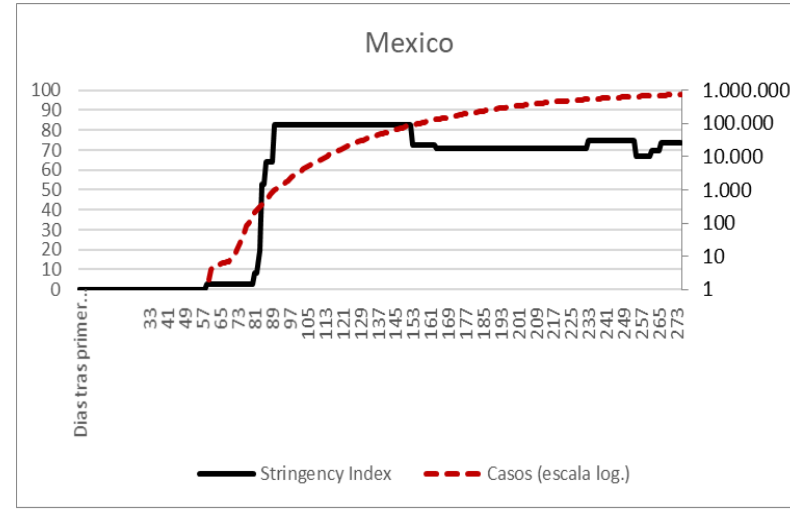
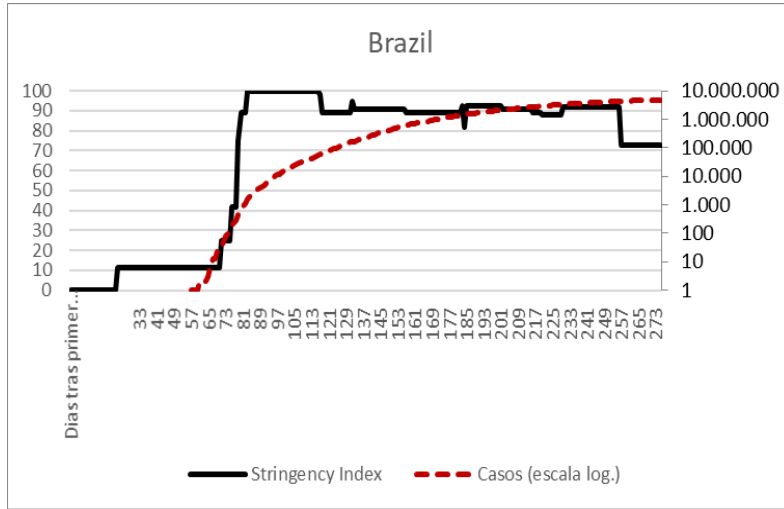
(100=Aug. 2019)



Self-inflicted recession: simultaneous but not identical



Self-inflicted recession: simultaneous but not identical



This time is “truly” different



Truly exogenous

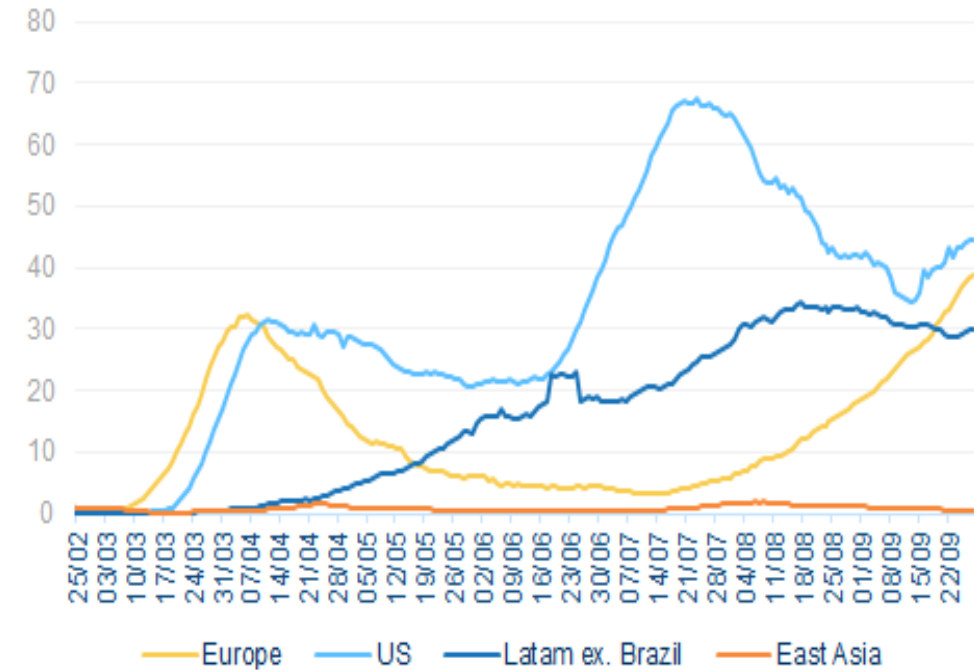


Truly global



Truly uncertain

DAILY REGISTERED INFECTIONS
(IN THOUSANDS, 7-DAY MOVING AVERAGE)



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

Self-inflicted recession

Unprecedented policy action

This time is “truly” different



Truly exogenous

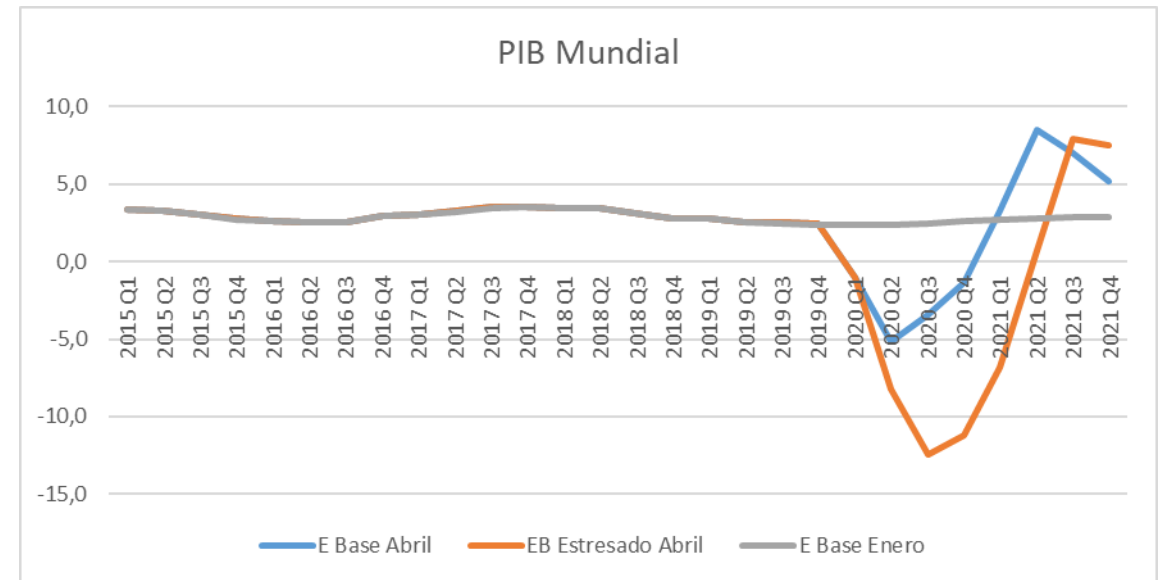


Truly global



Truly uncertain

Expected global slump and recovery (%a/a)



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

Self-inflicted recession

Unprecedented policy action



Truly exogenous

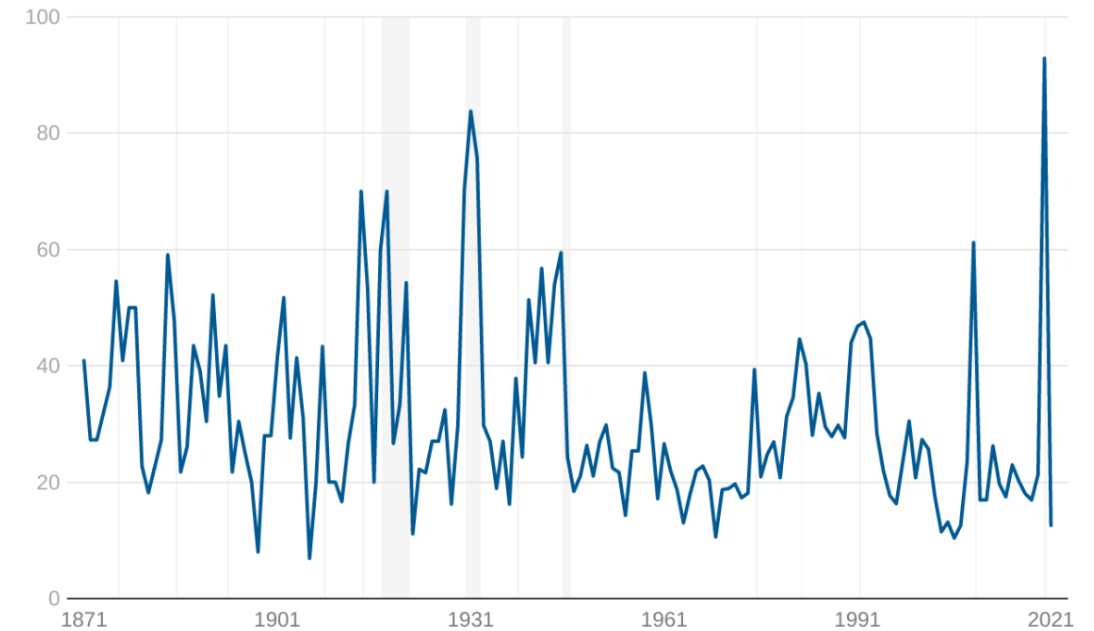


Truly global



Truly uncertain

Share of economies in recession (1871-2021)

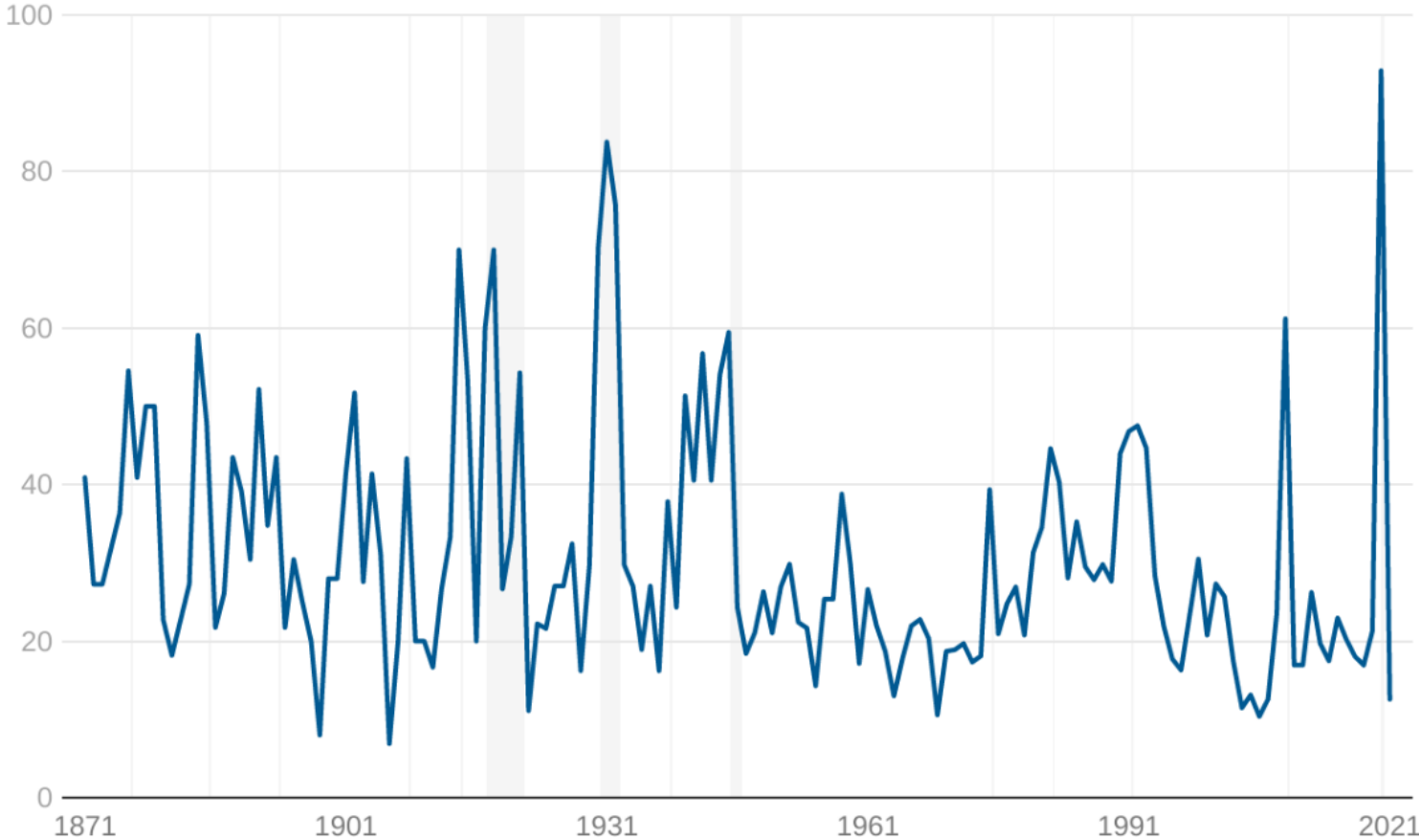


Note: The proportion of economies with an annual contraction in per capita GDP

Self-inflicted recession

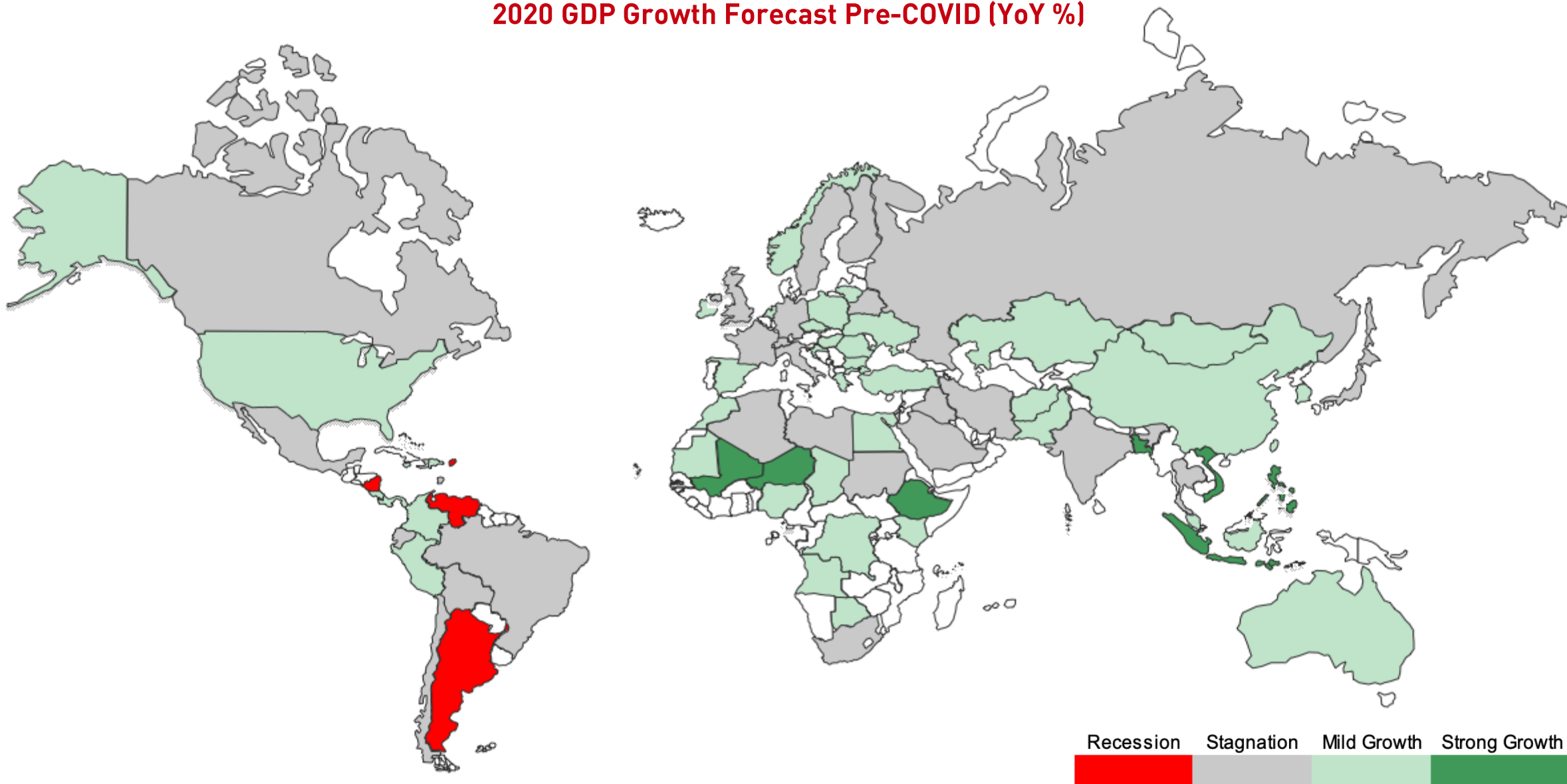
Unprecedented policy action

Share of economies in recession (1871-2021)

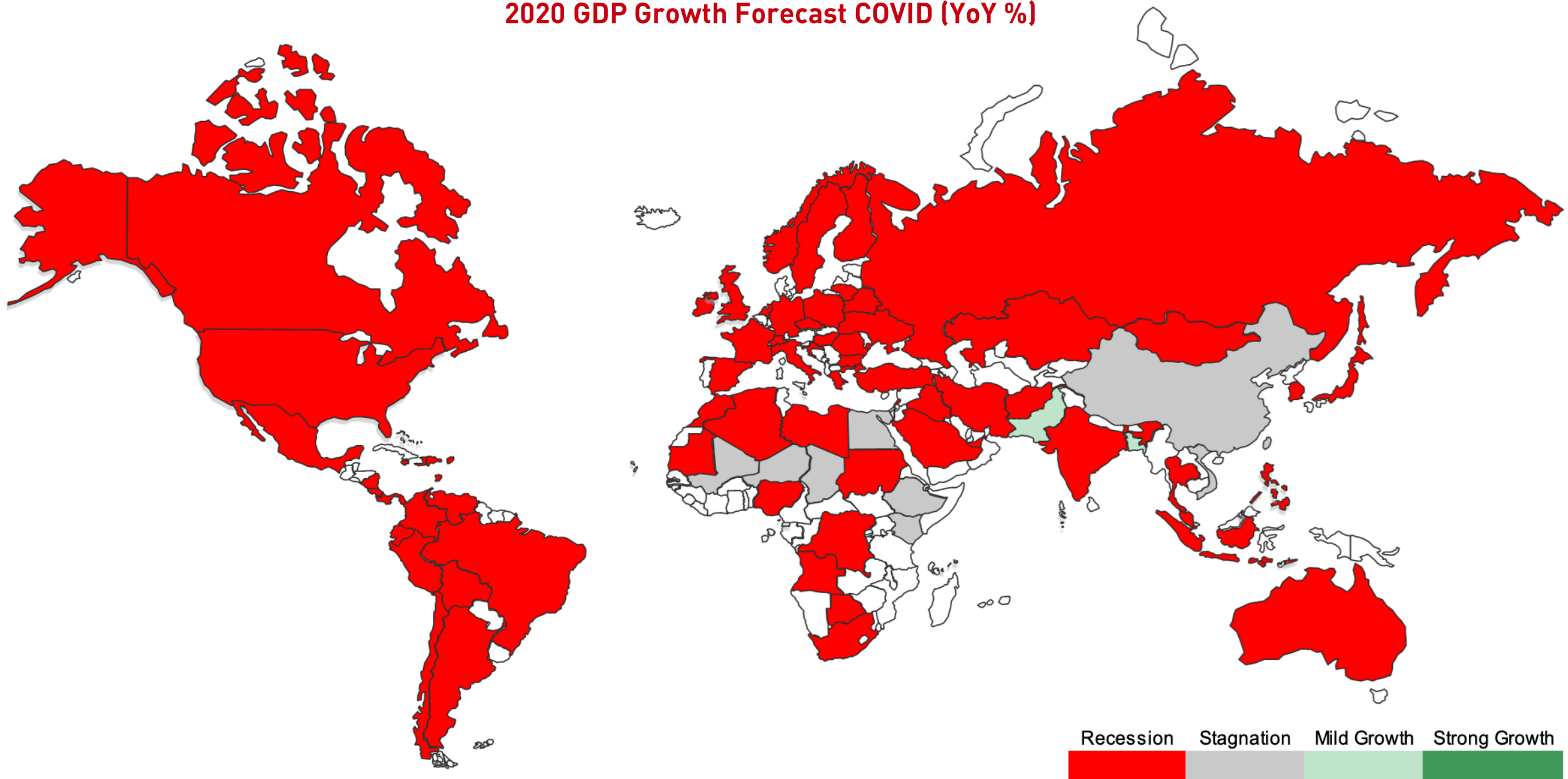


Note: The proportion of economies with an annual contraction in per capita GDP

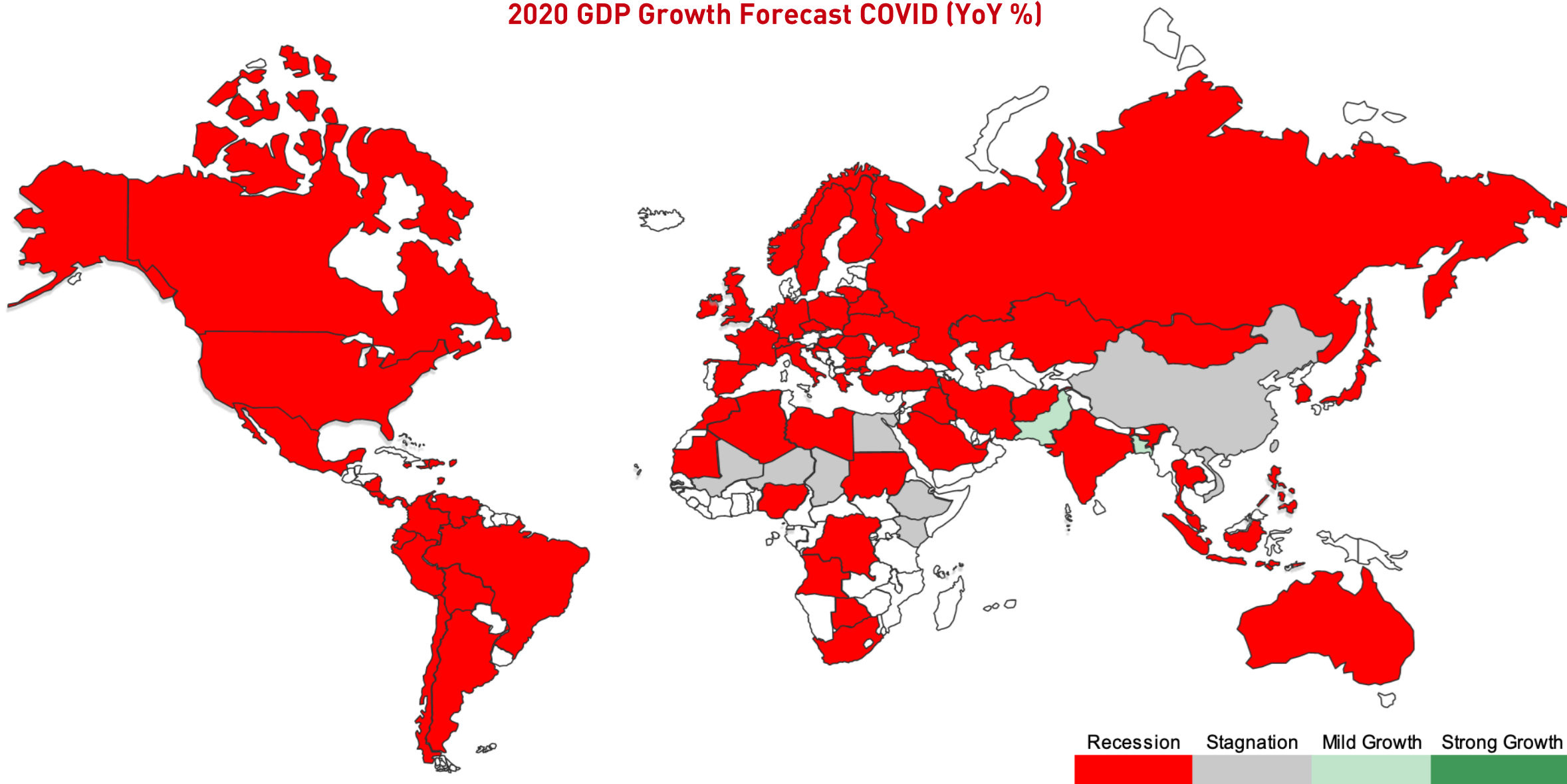
2020 GDP Growth Forecast Pre-COVID (YoY %)



2020 GDP Growth Forecast COVID (YoY %)

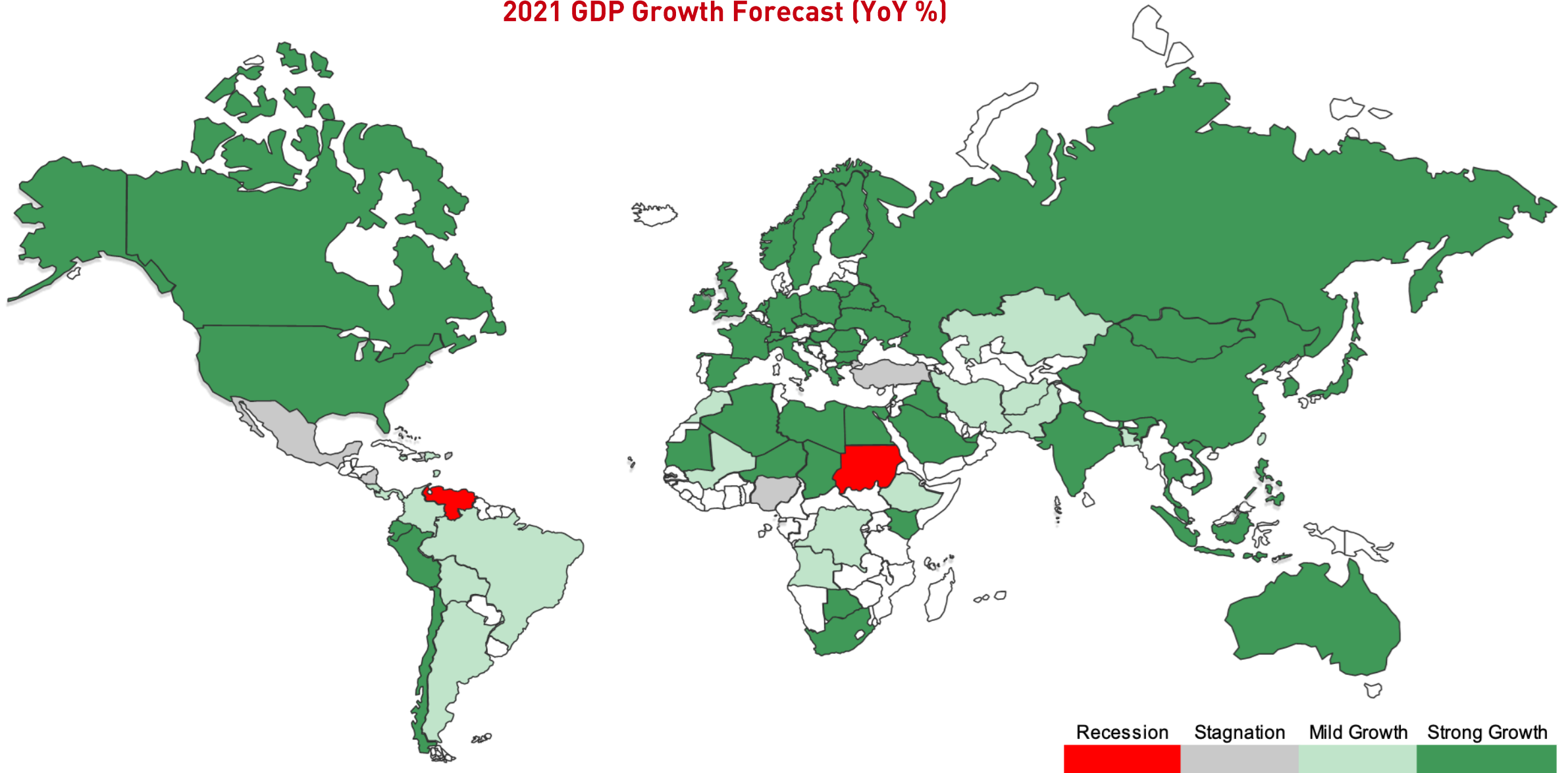


2020 GDP Growth Forecast COVID (YoY %)



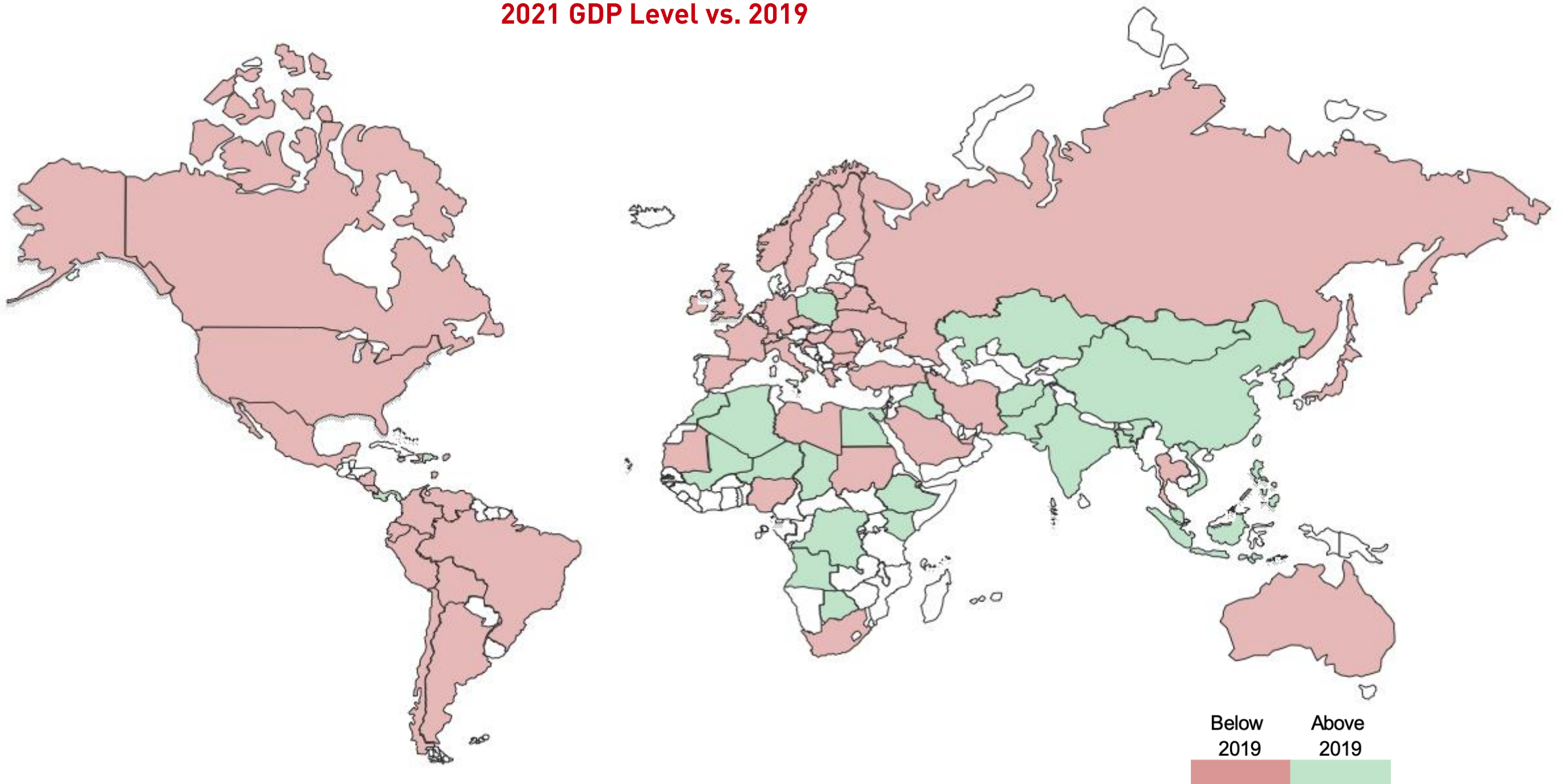
Strong rebound in 2021 ?

2021 GDP Growth Forecast (YoY %)

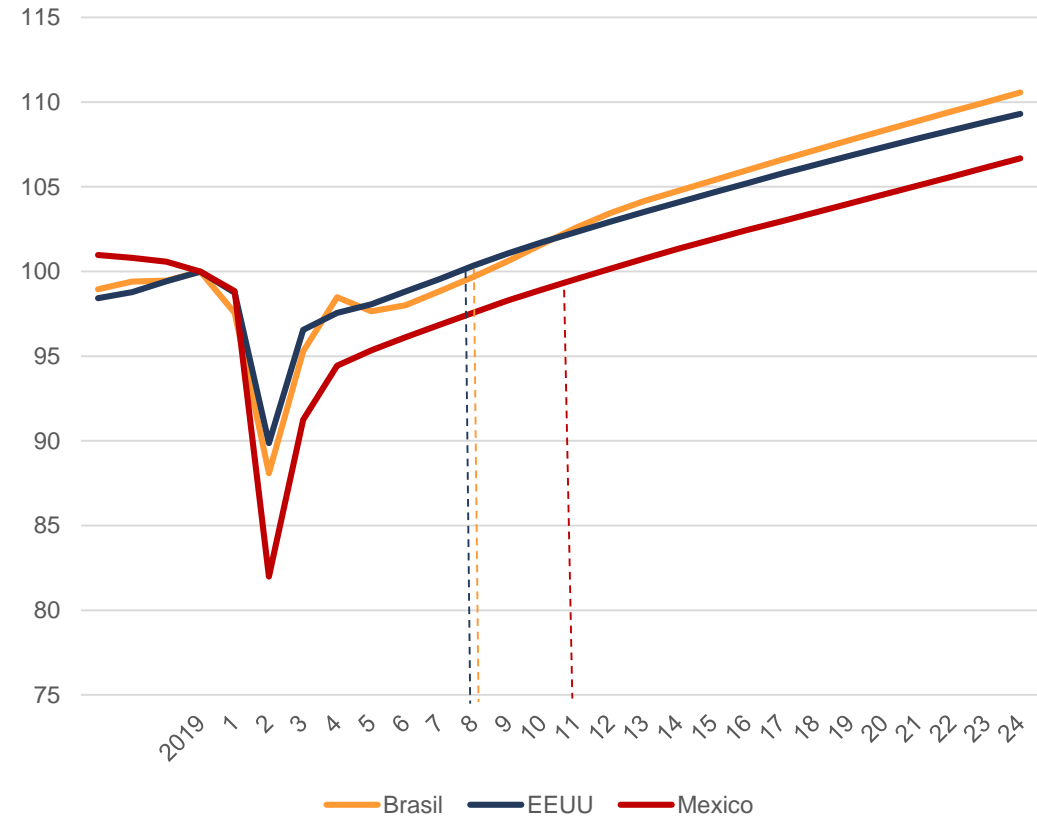
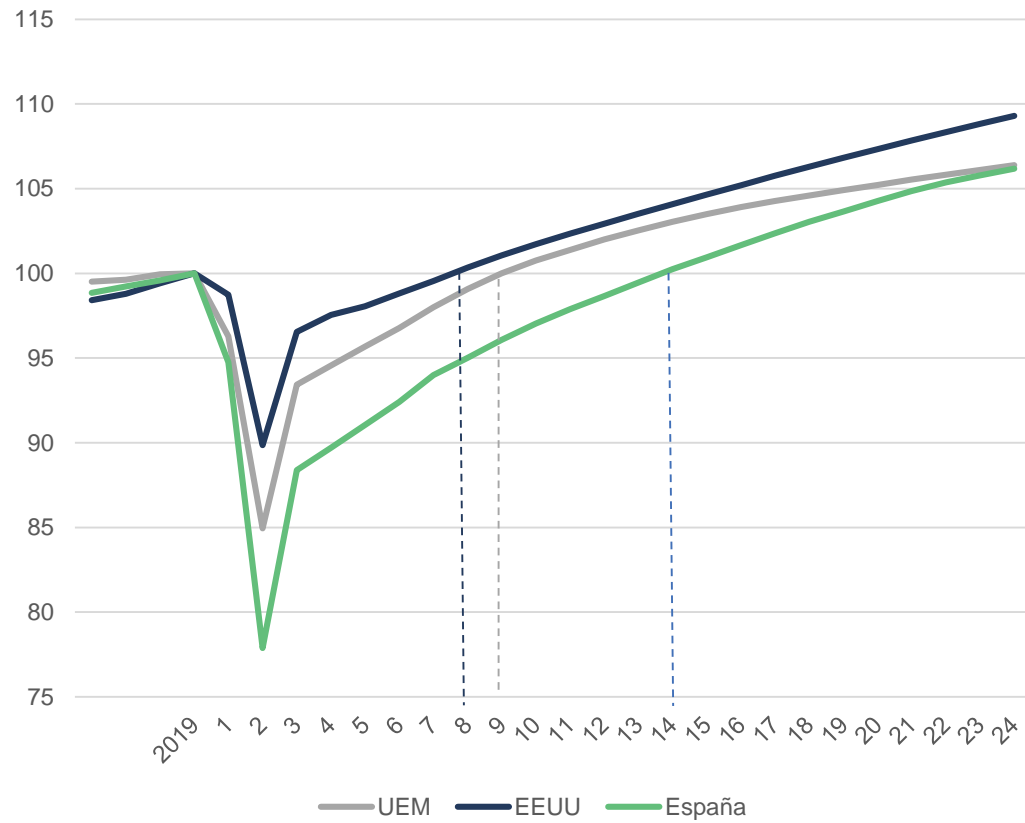


... surely not strong enough to return to 2019 levels

2021 GDP Level vs. 2019



... surely not strong enough to return to 2019 levels





Truly exogenous

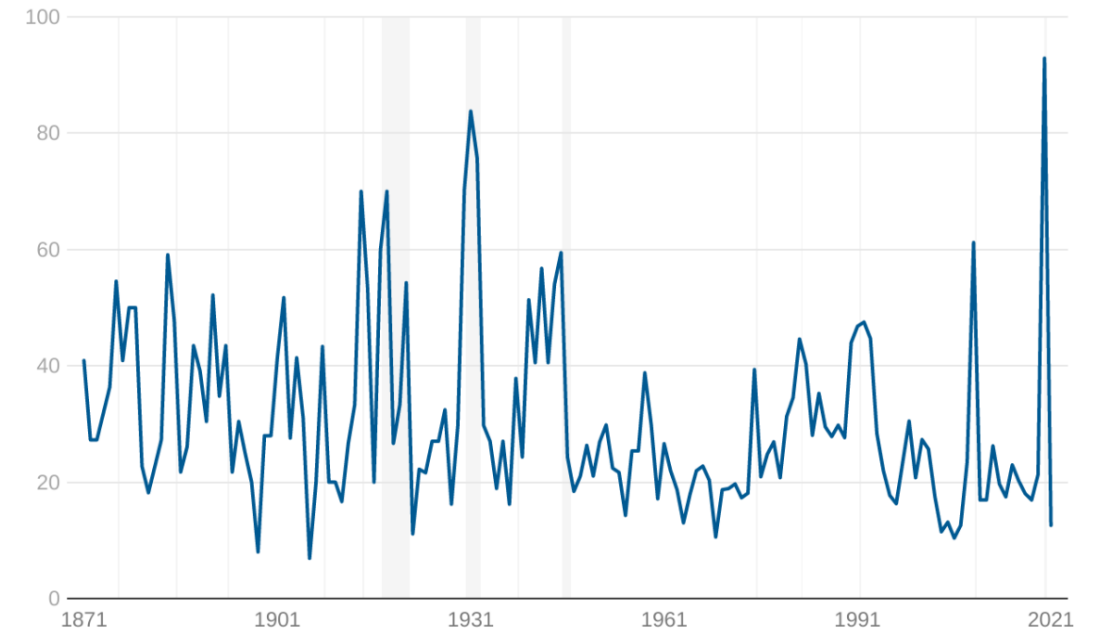


Truly global



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

This time is “truly” different



Truly exogenous

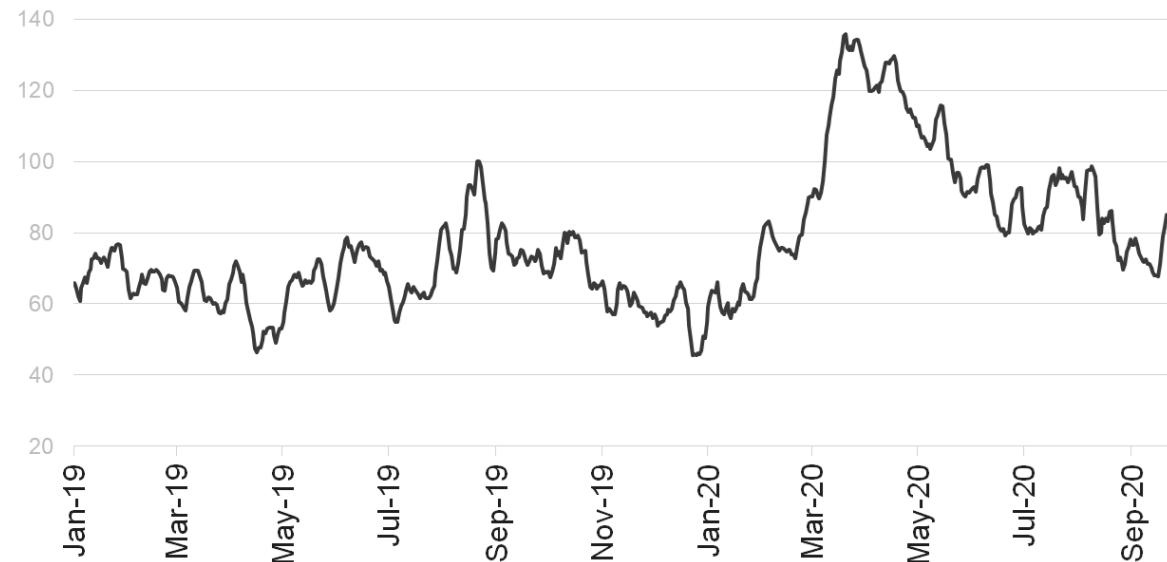


Truly global



Truly uncertain

ECONOMIC UNCERTAINTY INDEX - GLOBAL
(MAX 2019 = 100)



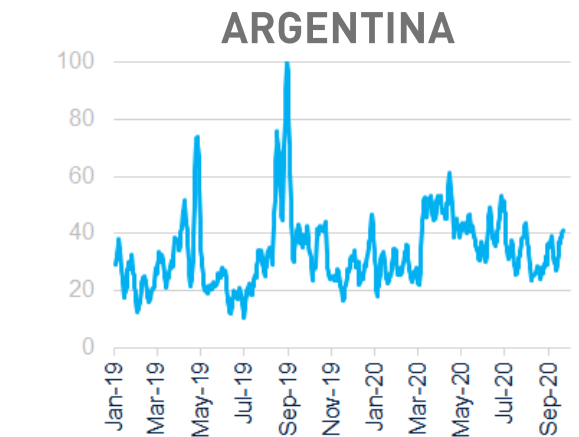
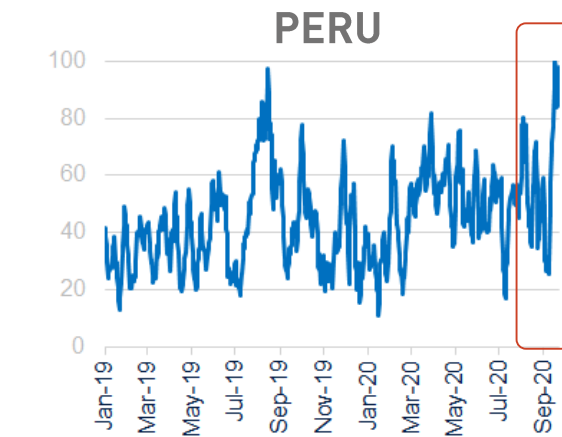
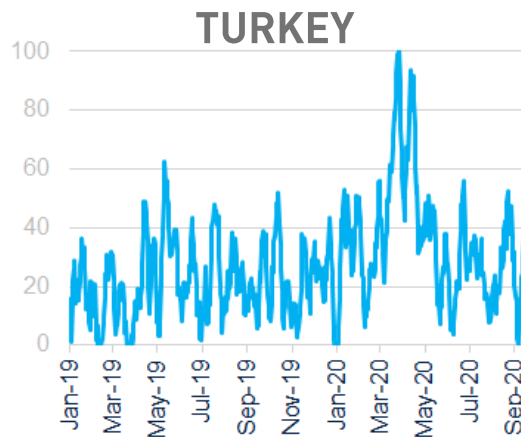
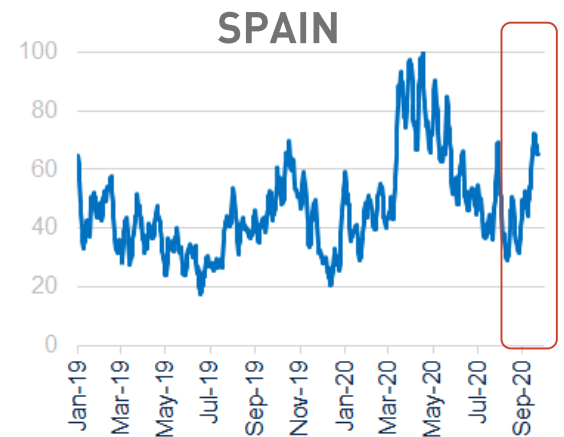
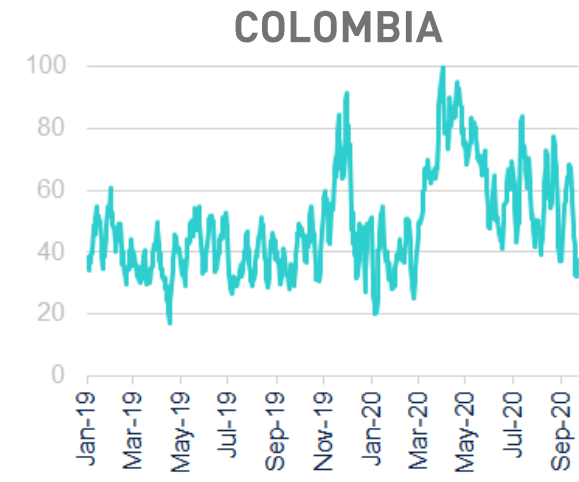
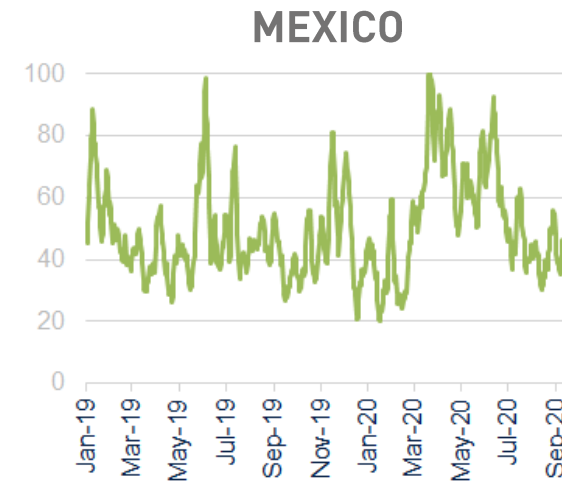
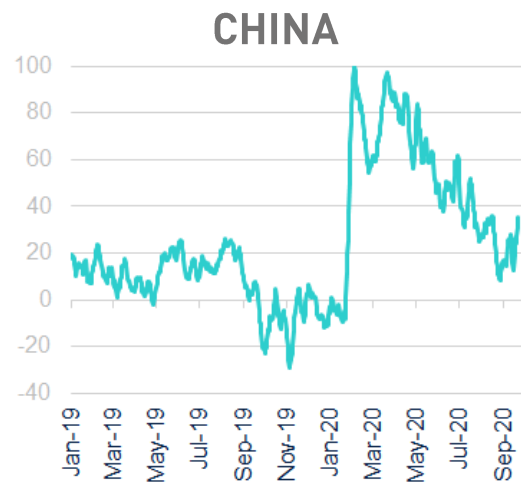
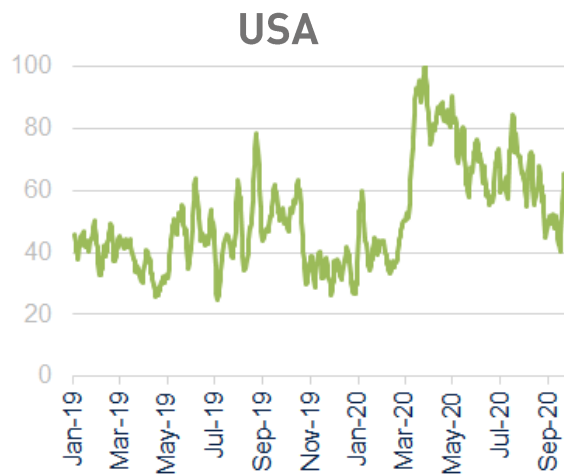
Note: The proportion of economies with an annual contraction in per capita GDP

Self-inflicted recession

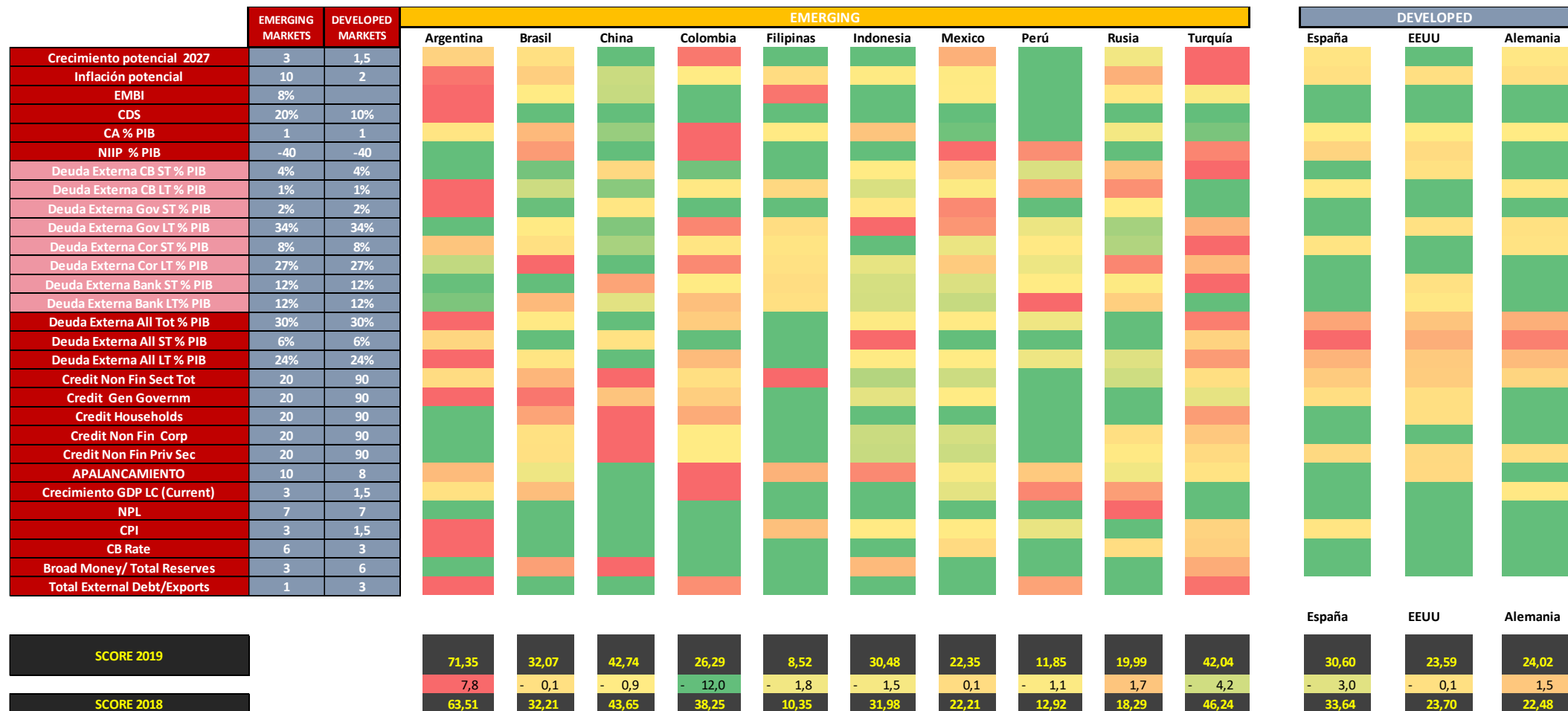
Unprecedented policy action

Economic uncertainty index: footprint countries (+ China)

ECONOMIC UNCERTAINTY INDEX (MAX 2019 = 100)



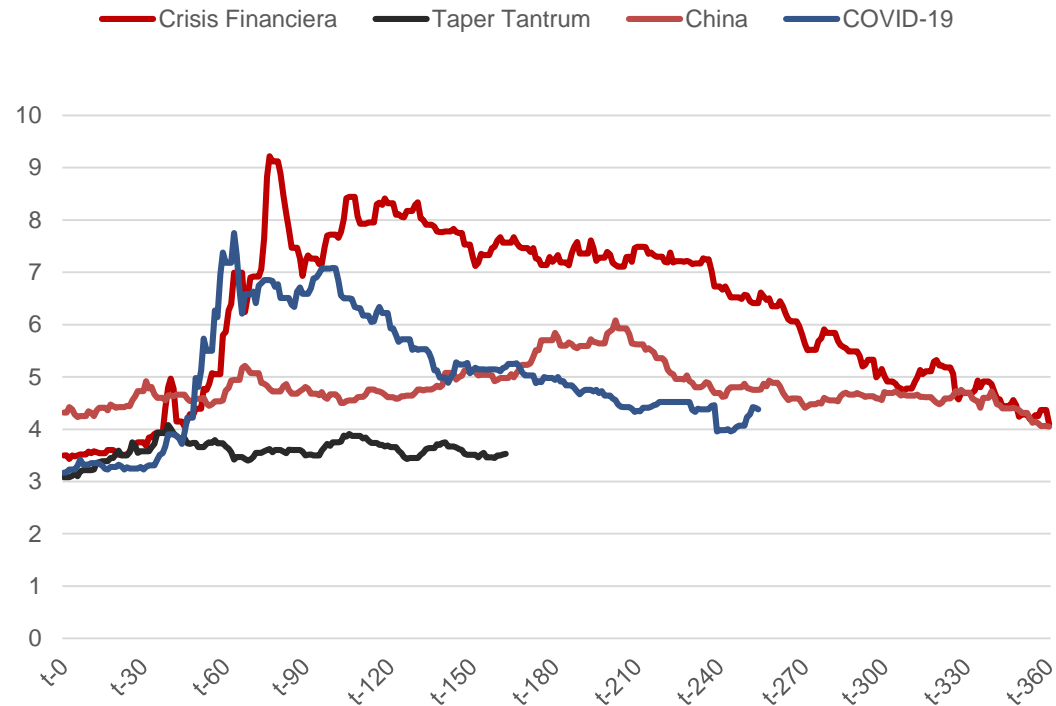
Economic vulnerabilities



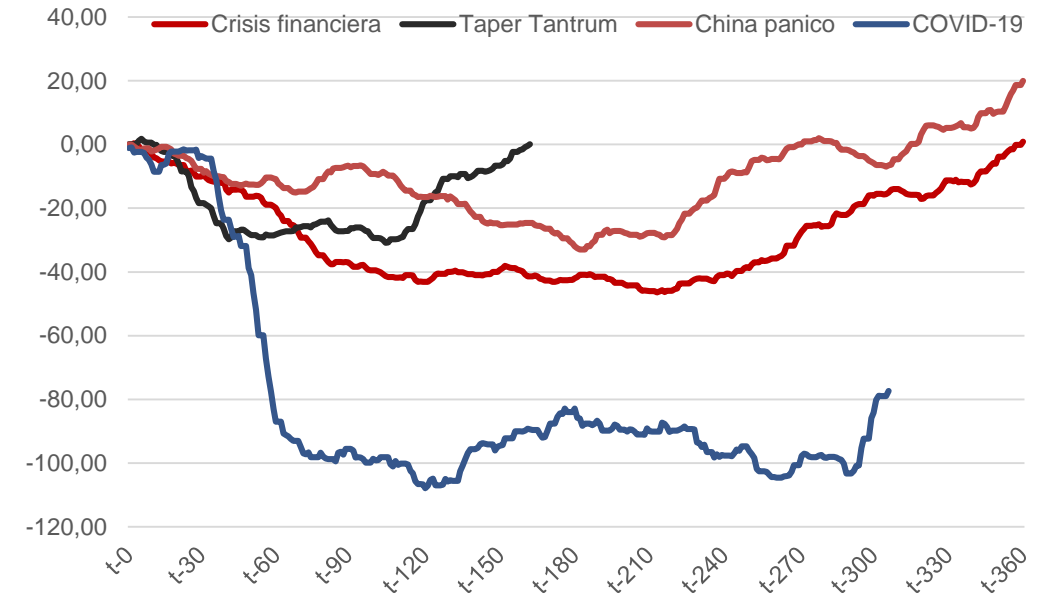
Fuente: Servicio de Estudios MAPFRE (estimaciones a partir de datos de OEF, Haver, FMI, BIS, Bloomberg y Bnaco Mundial)

**Las variables que contruyen este índice se valoran en relación con determinados umbrales de sostenibilidad. Las desviaciones con respecto a dichos umbrales suponen desequilibrios que son ponderados hasta construir un índice que oscila entre 0 y 100.

EMBI
(Outburst of each crisis = 100)

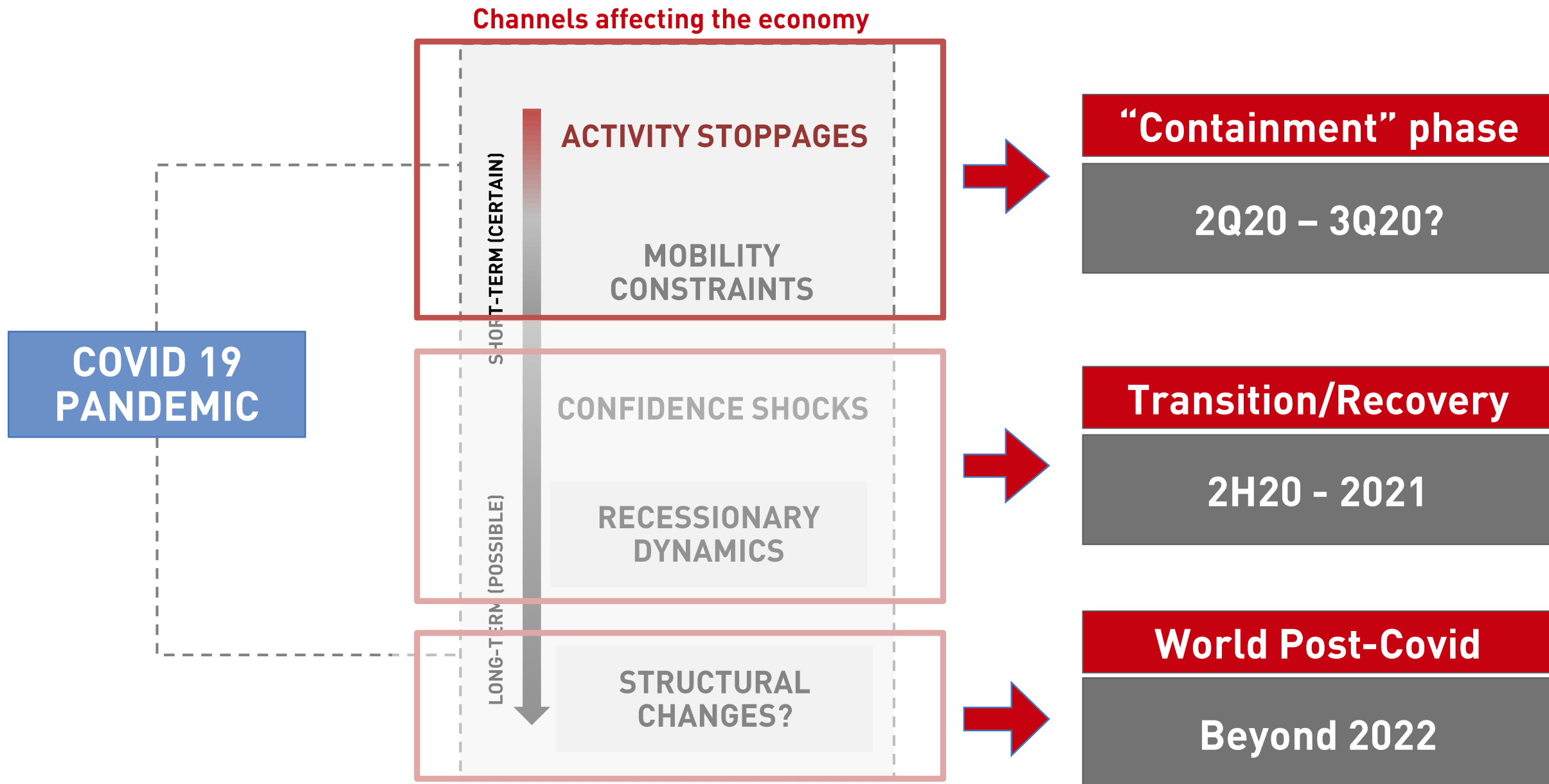


Non Resident Portfolio Flows
(Outburst of each crisis = 100)

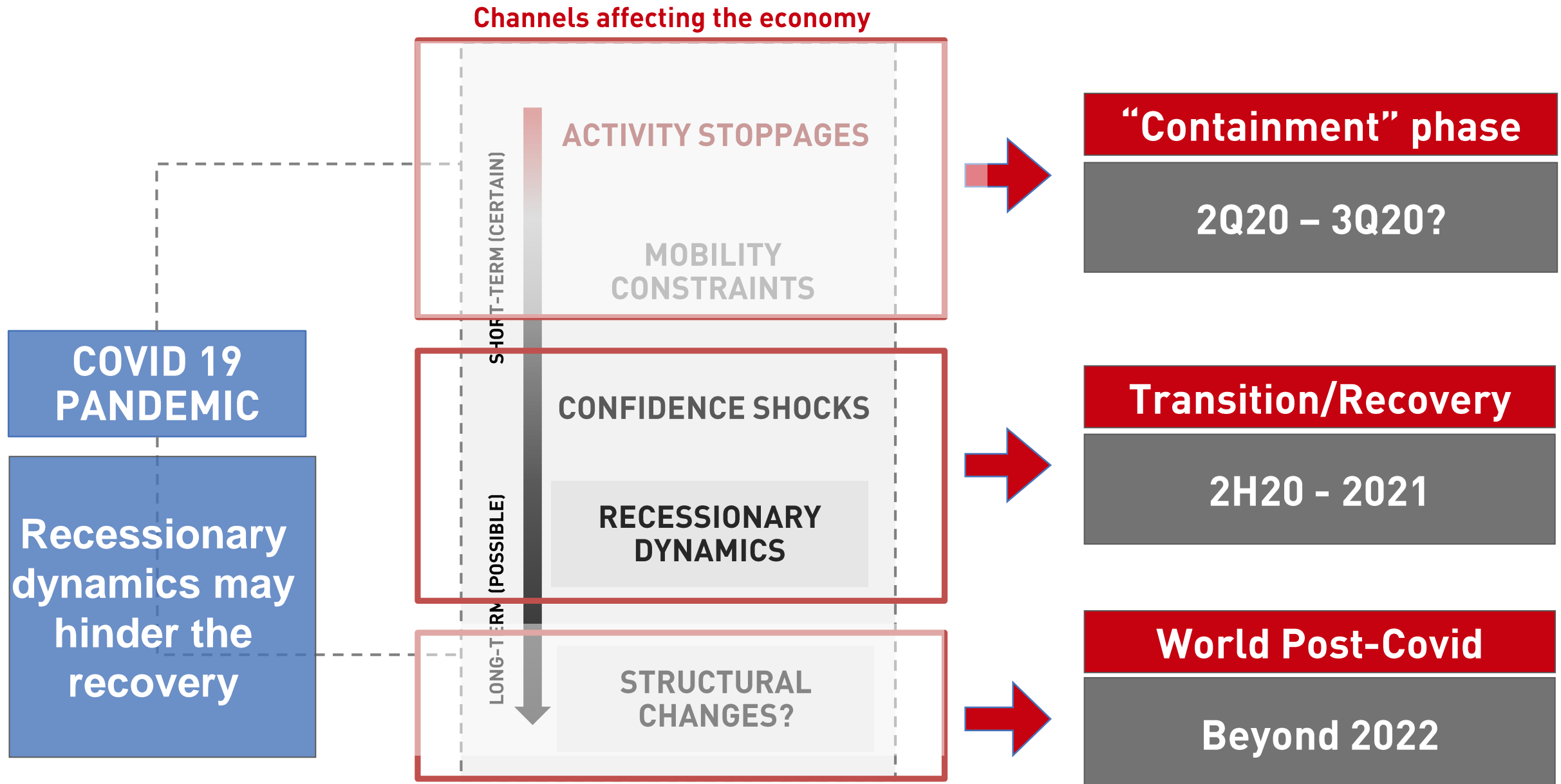


- Strong depreciation as COVID hit markets and oil
- Risk-aversion reversal led to appreciation of EM currencies ...
- ... but they still remain depreciated relative to pre-COVID rates

Pandemic primarily has short-term impact, but may have repercussions at longer horizons

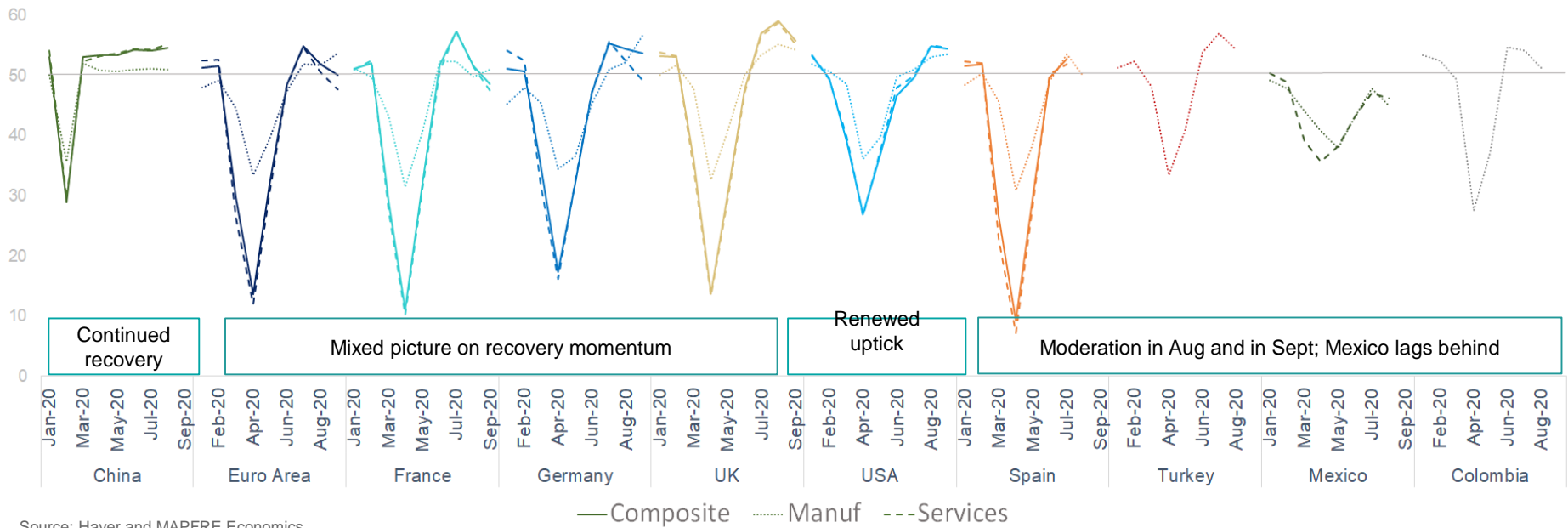


Pandemic primarily has short-term impact, but may have repercussions at longer horizons

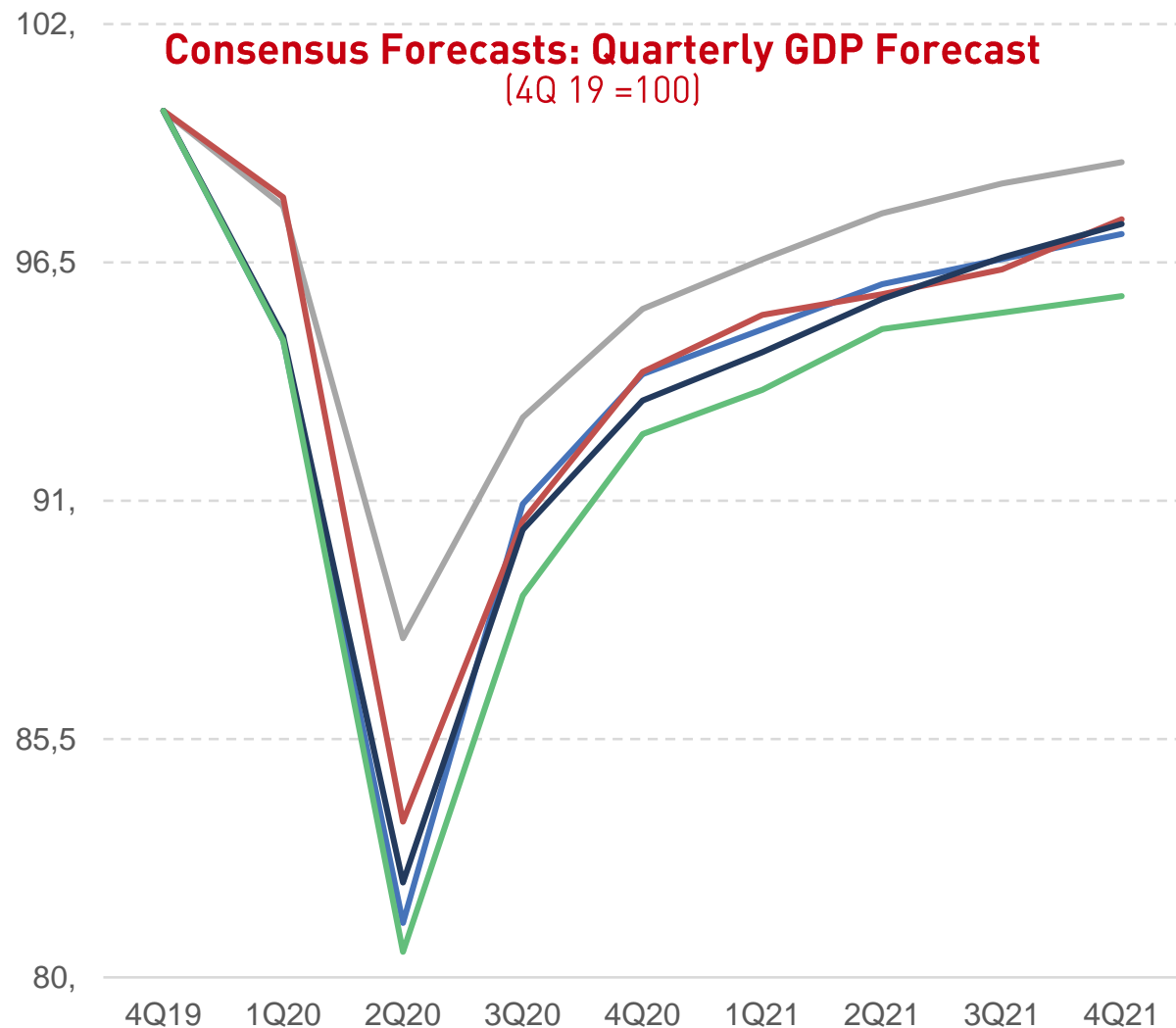


Widespread activity recovery since May; more recent data suggest that the rebound continues in US and China but loses some steam in Europe and EM

PMI COMPOSITE FLASH
(ABOVE 50 = EXPANSION)



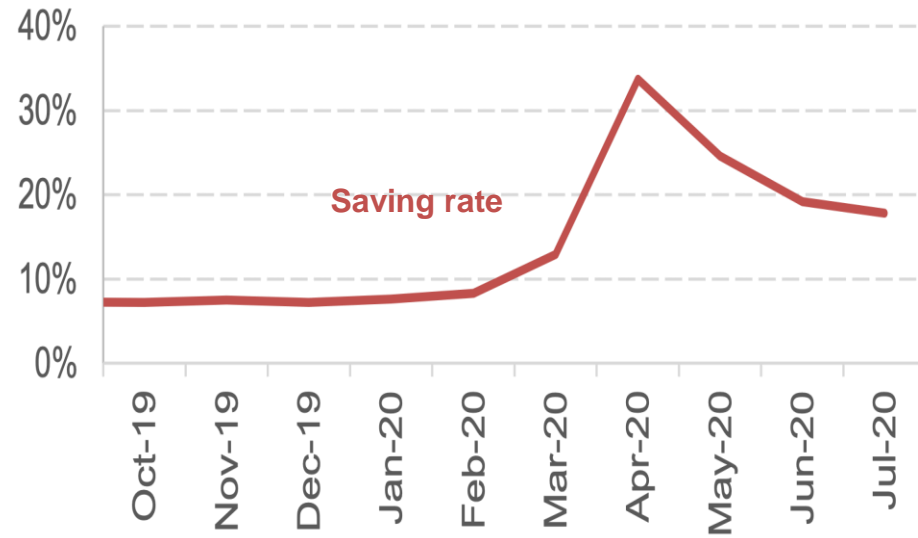
Source: Haver and MAPFRE Economics



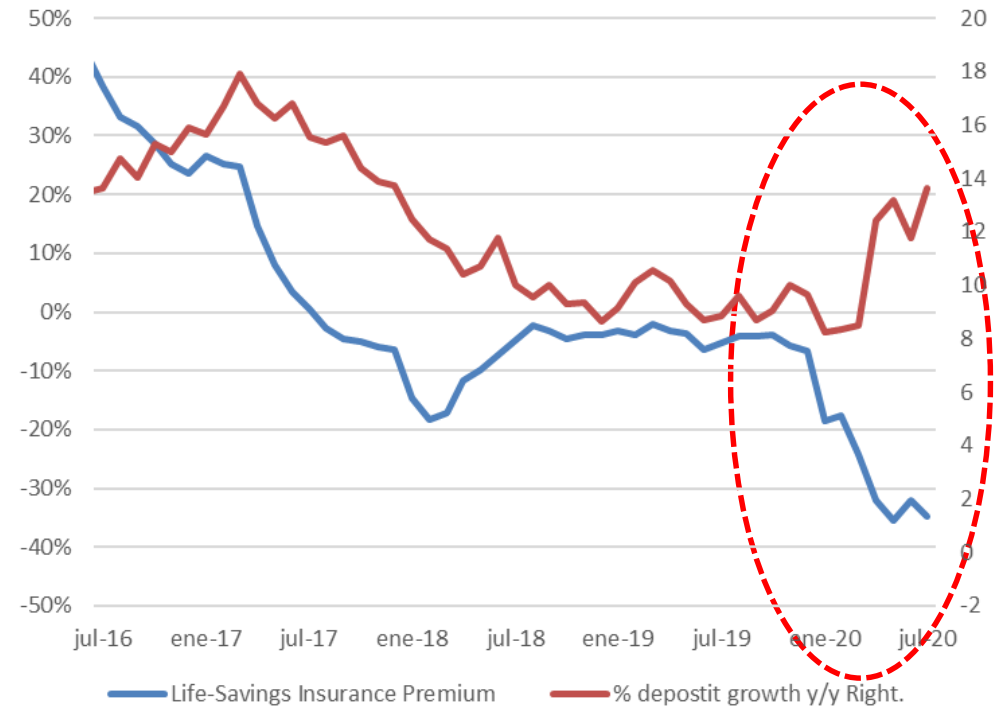
- The stricter lockdowns in Southern Europe in 2Q have taken their tolls on economic activity.
- Expectations deteriorating in countries such as Spain, highly exposed to tourism.
- UK affected by the delayed response to the pandemic, its intensity and policy uncertainty (Brexit still unsolved).
- Aggressive monetary and policy measures will help restore growth

2019 GDP levels not obtained until 2022

US Households' Saving Rate

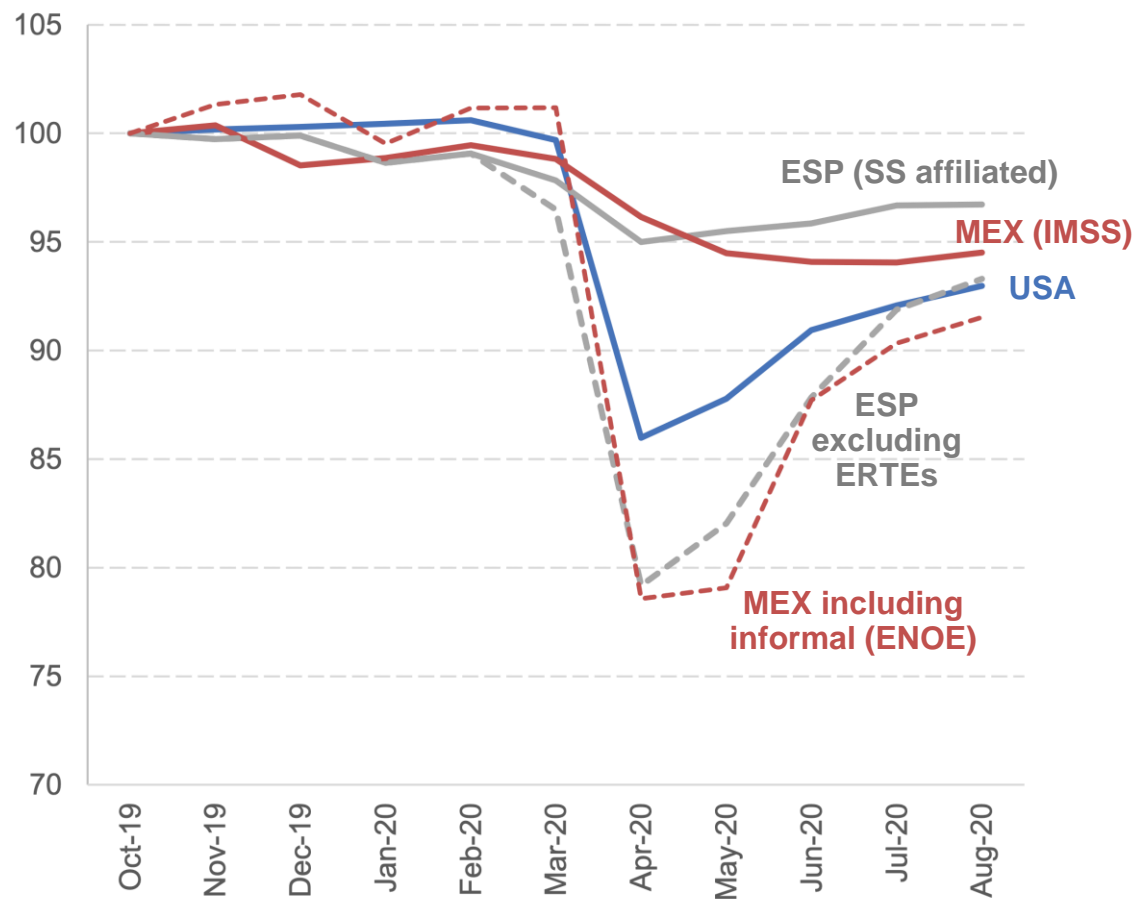


Spain: the search for precautionary savings

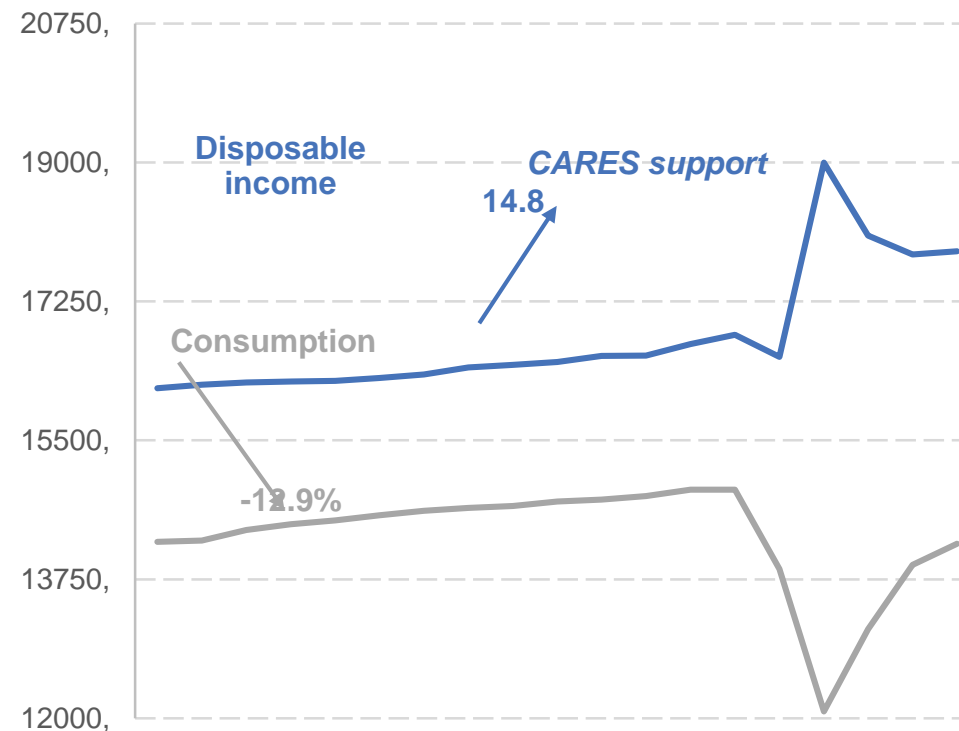


Uncertainty has led to increased savings

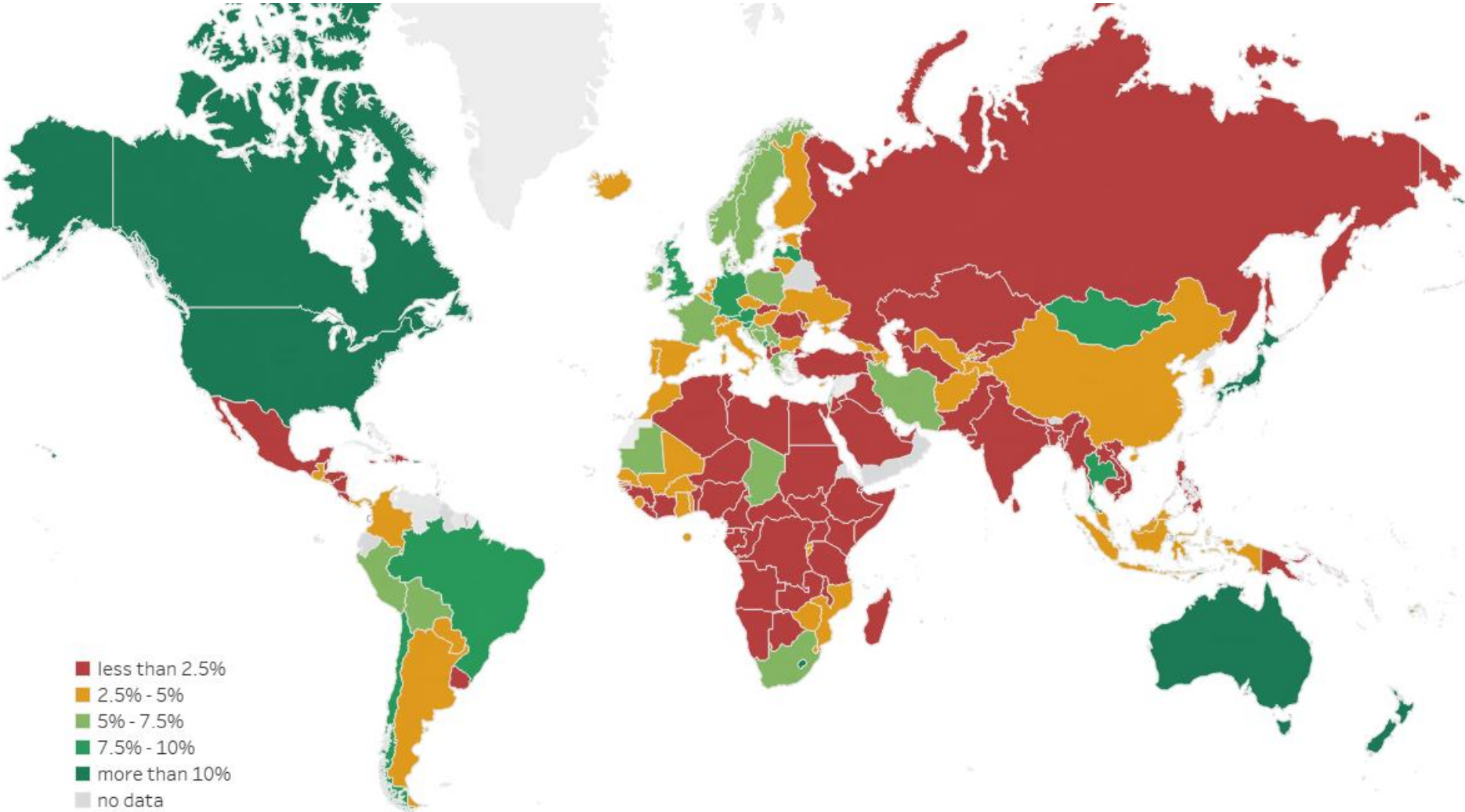
Employment
[Oct. 19 = 100]



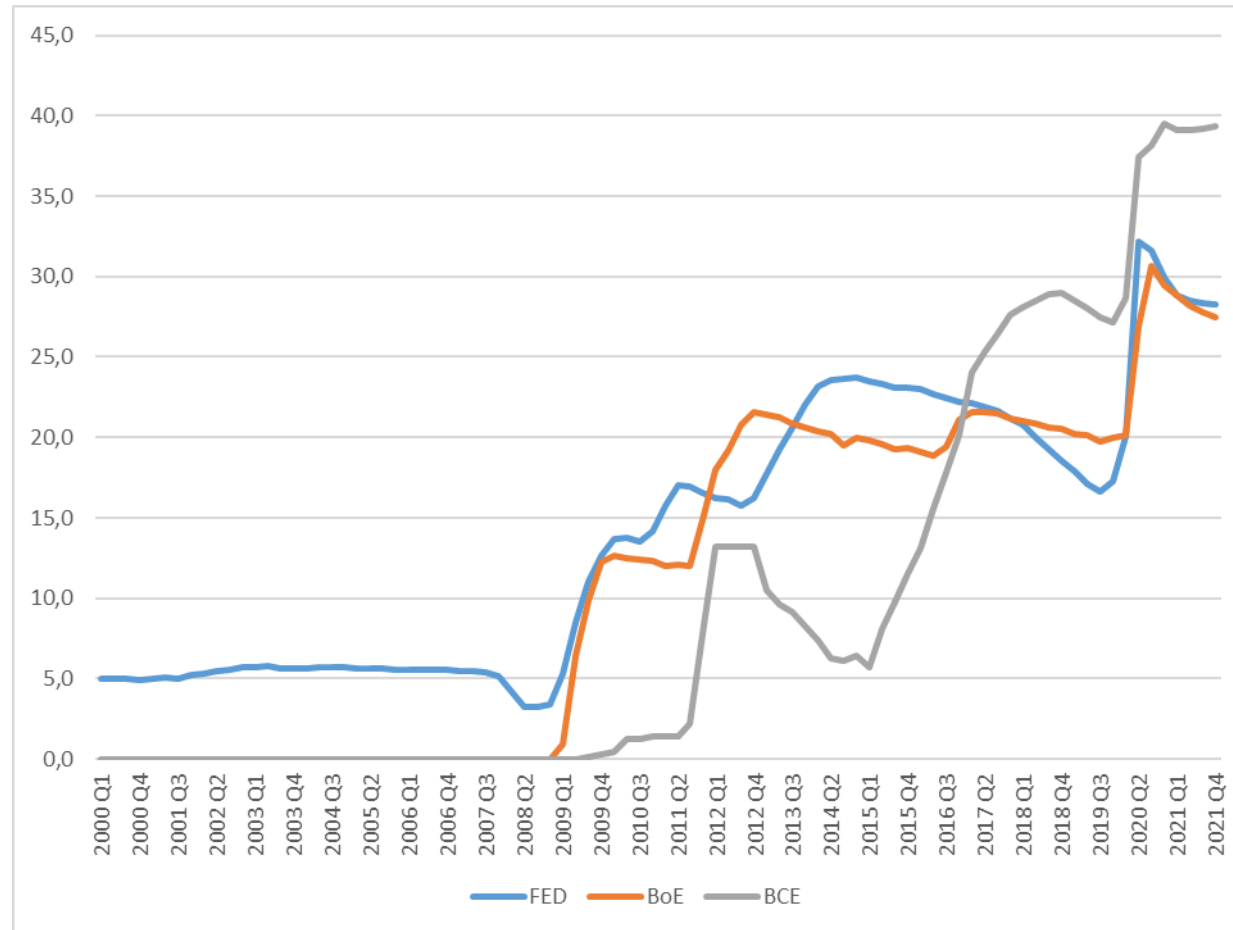
US Households' Disposable Income, Consumption and Saving Rate



How much of employment (how many businesses) currently saved by public support will eventually have to disappear?



Main central Banks Balance Sheet

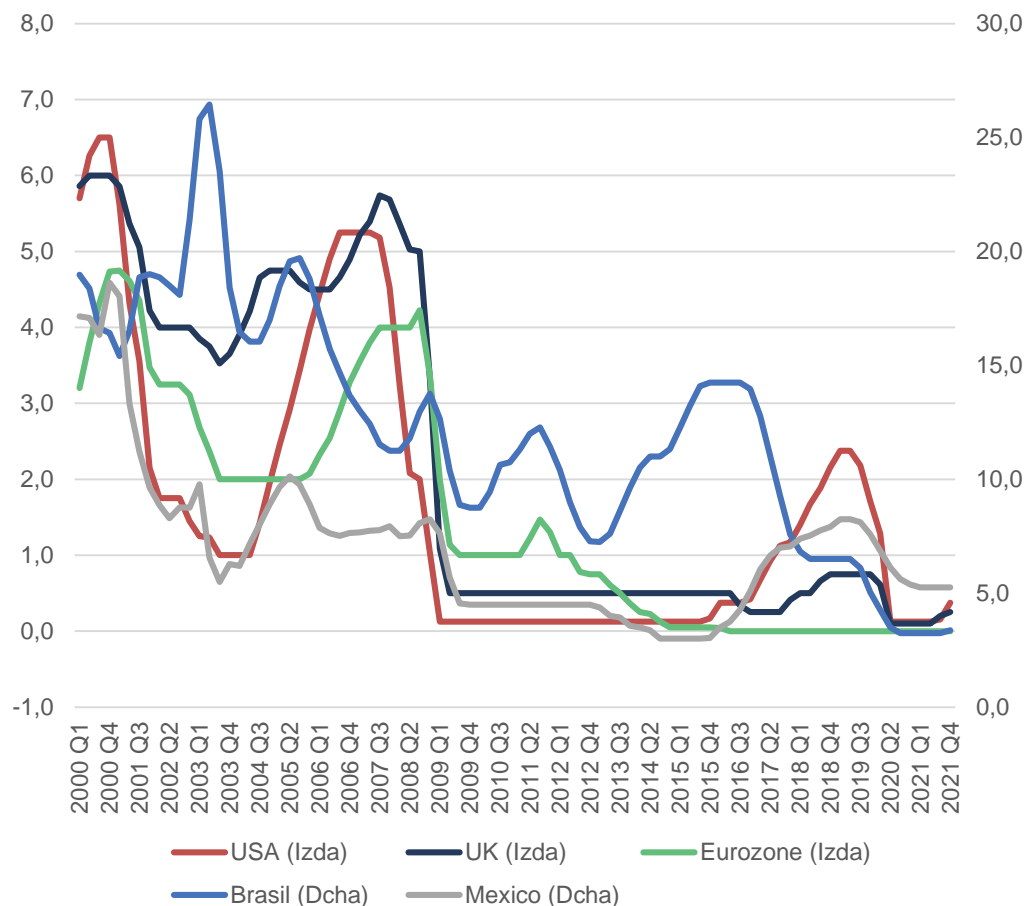


Extraordinary monetary and fiscal policy stimuli to sustain incomes and productive systems

- Developed countries with higher room for maneuver
- Simultaneous is not coordinated
- Massive public debt buildup
- Central banks, from “lenders of last resort” to “buyers, creditors of last resort”

The sky is the limit

Main central Banks policy rates



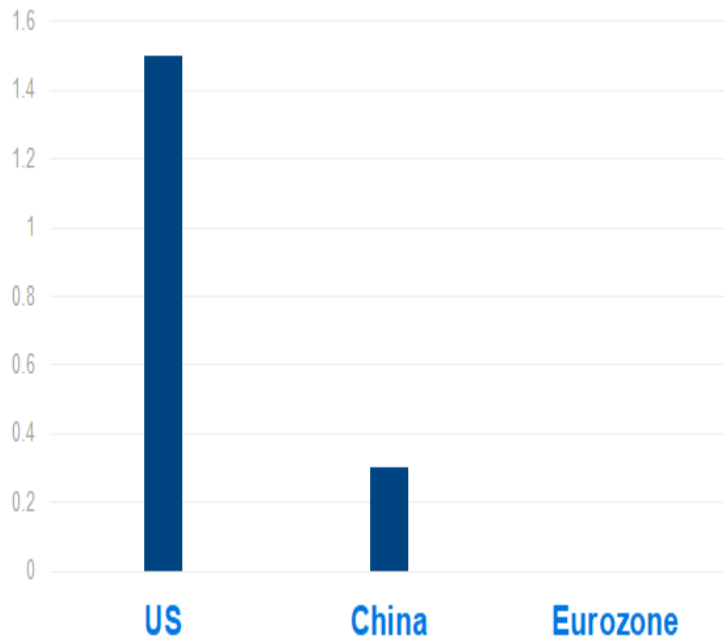
Extraordinary monetary and fiscal policy stimuli to sustain incomes and productive systems

- Developed countries with higher room for maneuver
- Simultaneous is not coordinated
- Massive public debt buildup
- Central banks, from “lenders of last resort” to “buyers, creditors of last resort”

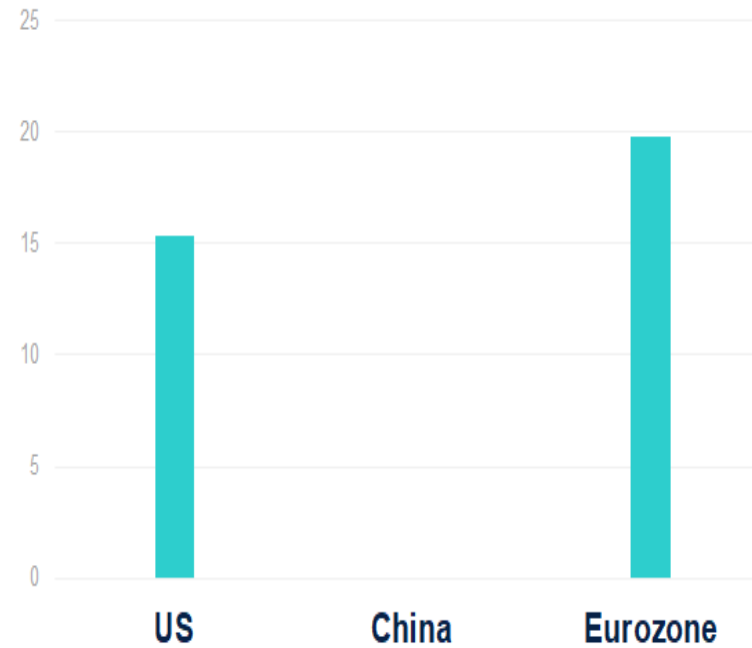
The sky is the limit

Unprecedented stimuli with global effects

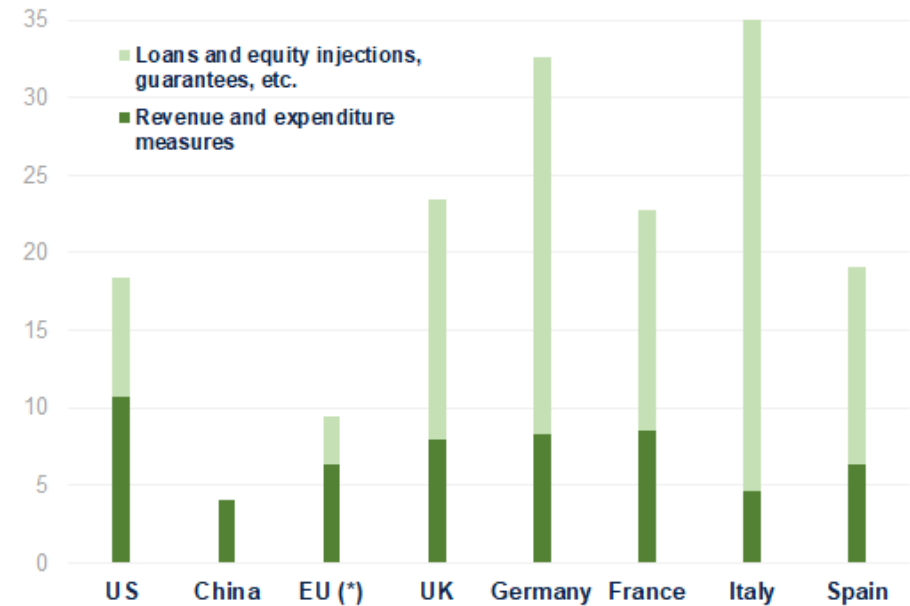
Cuts in Policy Rates (pp)



Asset Purchases (% of GDP)



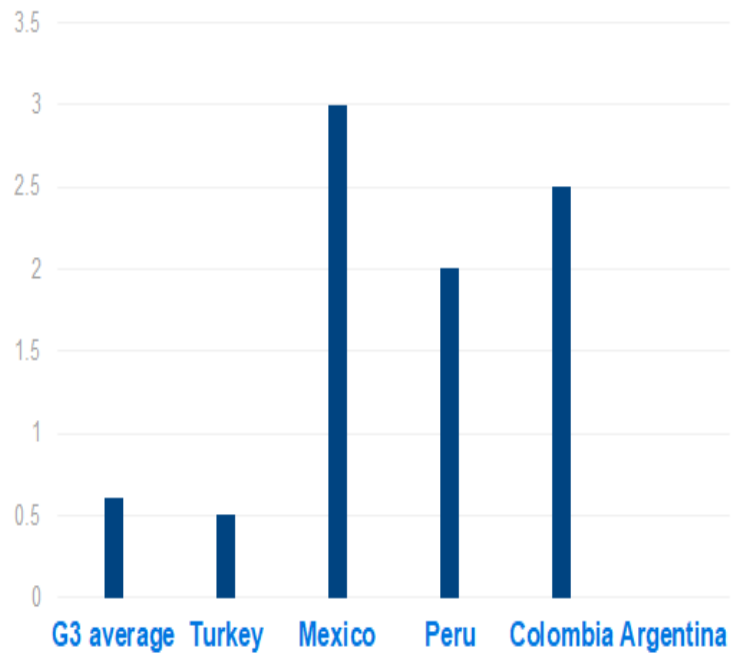
Fiscal Policies (% GDP)



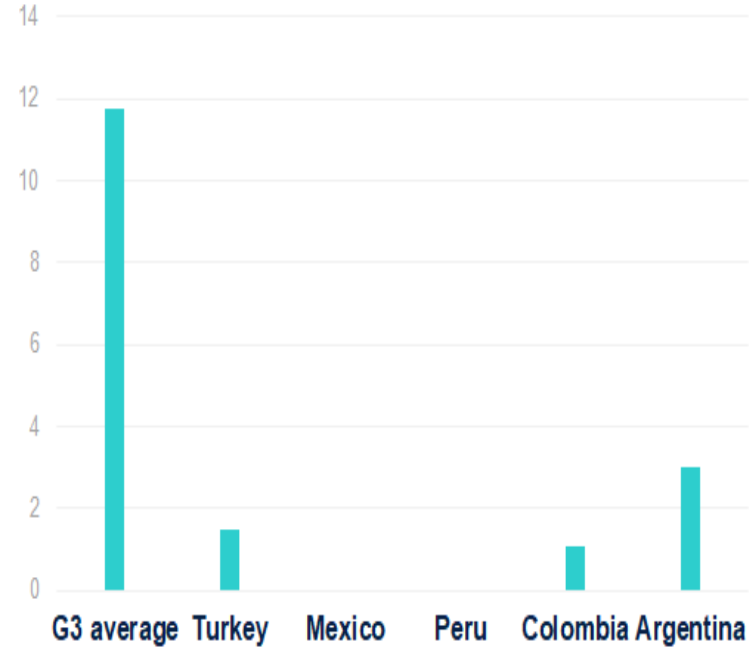
(*) Asset purchases refer to the forecast purchases over 2020.
Source: MAPFRE Economics

Source: MAPFRE Economics, IMF, Bruegel

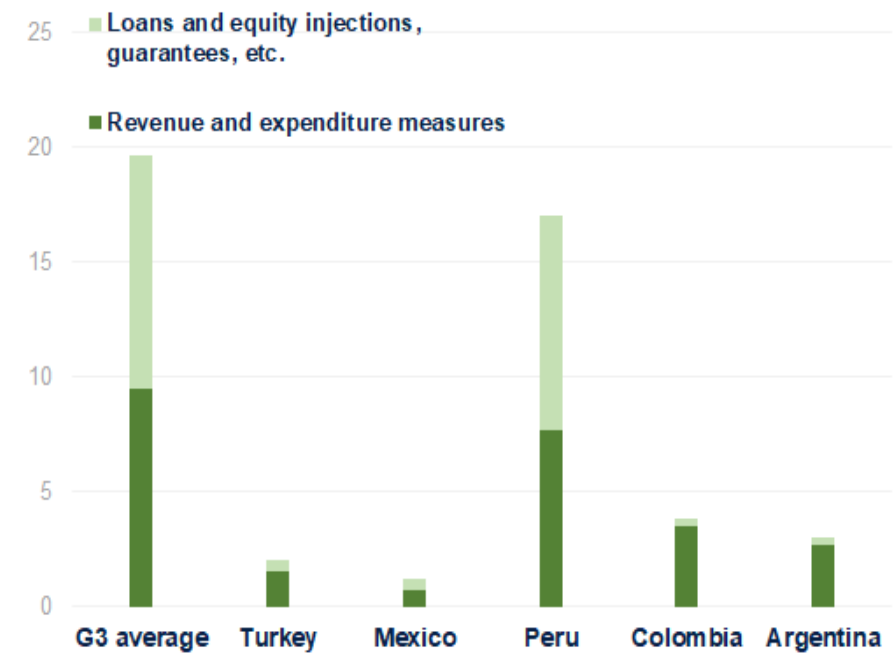
Cuts in Policy Rates (pp)



Asset Purchases (% of GDP)



Fiscal Policies (% GDP)



(*) Asset purchases refer to the forecast purchases over 2020.
Source: MAPFRE Economics

Source: MAPFRE Economics, Banxico

S&P in Past Crisis Events (0= Pre-crisis)



- Gold price still at historical highs despite the correction
- PER above historical averages
- HY corporate spreads eased significantly.
- Brent Oil close to \$42/barrel.

Too much stimulus generating disincentives to work and zombie companies (“cleansing” power of recessions)

Disconnect between financial markets and real economy? Or markets anticipating V-shaped recovery?

Stimulus sustained markets and confidence but created distortions **MAPFRE** Economics

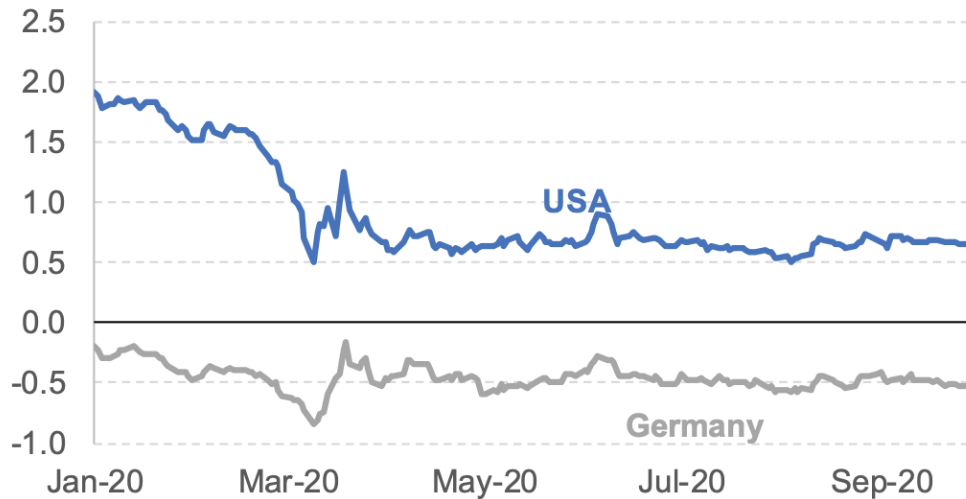
S&P 500 Index to GDP Ratio



Gold Price (LBMA Benchmark, USD/Ounce)



10-Year Rate US and Germany



US High-Yield Corporate Bond Spread (Basis Points)



Covid: countries still struggling to control it (specially in Europe), but advances on the vaccine.

- High Covid-related uncertainty. Contagions are still very high (increasing sharply in EUR), but smaller effects on activity than in 1H20 (lockdowns are being avoided).
- Economic activity in Q2 very negative as expected, better-than-expected in 3Q in some countries and receding in Q4 as second wave surfaces.
 - 3Q data points to an incomplete but strong recovery, even stronger than expected.
 - Most recent data (Q4) suggest the recovery is losing steam.
 - Heterogeneity across countries, sectors skewed towards demand shocks (less so supply)

Policy: Fed's new strategy, Europe's NGEU not totally included in our previous base scenario

- Fed's new strategy paves the way for lower-for-longer rates.
- Europe's NGEU is a positive structural development (not included in previous base scenario)

Financial markets: No significant spikes in financial tensions, but volatility remains high

- Markets are being supported by policy measures and the recovery, but volatility remains relatively high and there have been some negative developments (tech correction, VIX, Turkey...)

- Politics and geopolitics: Increasing signs of de-globalization (US-CHN tech war, China's dual circulation plan...), with high political noise (US, Brexit, Peru...) and social unrest (US, ARG, COL...)

Macro Economic Forecasts 2020 – 2021 (GDP yoy in %)

	Escenario Base (EB)					
	2016	2017	2018	2019 _[p]	2020 _[p]	2021 _[p]
Estados Unidos	1,7	2,3	3,0	2,2	-4,0	3,3
Eurozona	1,8	2,7	1,9	1,3	-7,6	5,5
Alemania	2,1	2,9	1,3	0,6	-5,8	4,5
Francia	1,1	2,3	1,8	1,5	-9,8	6,0
Italia	1,4	1,7	0,8	0,3	-9,8	6,3
España	3,0	3,0	2,4	2,0	-11,8	6,7
Reino Unido	1,7	1,7	1,3	1,3	-9,6	8,1
Japón	0,5	2,2	0,3	0,7	-5,7	2,6
Mercados emergentes	4,6	4,8	4,5	3,7	-3,3	6,0
América Latina ¹	-0,6	1,2	1,0	0,0	-8,1	3,6
México	2,4	2,3	2,2	-0,3	-9,6	3,6
Brasil	-3,5	1,6	1,2	1,1	-5,3	3,6
Argentina	-2,0	2,8	-2,4	-2,1	-10,4	6,3
Emergentes europeos ²	4,8	3,3	6,0	2,1	-4,6	3,9
Turquía	3,4	7,4	3,3	0,8	-2,7	4,6
Asia Pacífico ³	6,3	6,3	6,1	5,7	-2,5	6,9
China	6,9	7,0	6,8	6,1	1,9	7,9
Indonesia	5,0	5,1	5,2	5,0	-1,7	5,2
Filipinas	7,2	6,9	6,3	6,0	-7,8	7,6
Mundo	3,4	3,8	3,6	2,8	-4,4	5,2

	Escenario Estresado (EE)					
	2016	2017	2018	2019 _[p]	2020 _[p]	2021 _[p]
Estados Unidos	1,7	2,3	3,0	2,2	-4,6	-0,5
Eurozona	1,8	2,7	1,9	1,3	-8,0	3,8
Alemania	2,1	2,9	1,3	0,6	-6,0	3,7
Francia	1,1	2,3	1,8	1,5	-10,1	5,6
Italia	1,4	1,7	0,8	0,3	-10,2	4,6
España	3,0	3,0	2,4	2,0	-12,1	4,7
Reino Unido	1,7	1,7	1,3	1,3	-9,8	7,2
Japón	0,5	2,2	0,3	0,7	-5,9	1,9
Mercados emergentes	4,6	4,8	4,5	3,7	-3,5	5,2
América Latina ¹	-0,6	1,2	1,0	0,0	-8,3	3,0
México	2,4	2,3	2,2	-0,3	-9,8	2,6
Brasil	-3,5	1,6	1,2	1,1	-5,6	3,1
Argentina	-2,0	2,8	-2,4	-2,1	-10,8	4,7
Emergentes europeos ²	4,8	3,3	6,0	2,1	-4,8	3,2
Turquía	3,4	7,4	3,3	0,8	-2,7	3,0
Asia Pacífico ³	6,3	6,3	6,1	5,7	-2,8	6,1
China	6,9	7,0	6,8	6,1	1,8	6,0
Indonesia	5,0	5,1	5,2	5,0	-2,0	4,2
Filipinas	7,2	6,9	6,3	6,0	-8,1	6,0
Mundo	3,4	3,8	3,6	2,8	-4,6	4,0

	Escenario Base (EB)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
Estados Unidos	2,45	2,40	2,69	1,92	0,79	1,33
Eurozona	0,93	1,13	1,17	0,32	-0,14	0,13

Fuente: MAPFRE Economics
Fecha de cierre de previsiones: 14 octubre 2020.

	Escenario Estresado (EE)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
Estados Unidos	2,45	2,40	2,69	1,92	0,76	1,31
Eurozona	0,93	1,13	1,17	0,32	-0,19	0,33

Hacer clic aquí para acceder a la versión interactiva de esta información

Tabla A-4
Escenarios Base y Estresado: tipos de cambio
(final del periodo, %)

	Escenario Base (EB)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
USD-EUR	0,95	0,83	0,87	0,89	0,85	0,85
EUR-USD	1,05	1,20	1,15	1,12	1,18	1,18
GBP-USD	1,23	1,35	1,28	1,32	1,32	1,33
USD-JPY	116,80	112,90	110,83	109,12	105,89	106,07
USD-CNY	6,94	6,51	6,88	6,99	6,77	6,77

Fuente: MAPFRE Economics
Fecha de cierre de previsiones: 14 octubre 2020.

	Escenario Estresado (EE)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
USD-EUR	0,95	0,83	0,87	0,89	0,86	0,85
EUR-USD	1,05	1,20	1,15	1,12	1,17	1,18
GBP-USD	1,23	1,35	1,28	1,32	1,32	1,33
USD-JPY	116,80	112,90	110,83	109,12	106,81	106,58
USD-CNY	6,94	6,51	6,88	6,99	6,78	6,87

Hacer clic aquí para acceder a la versión interactiva de esta información

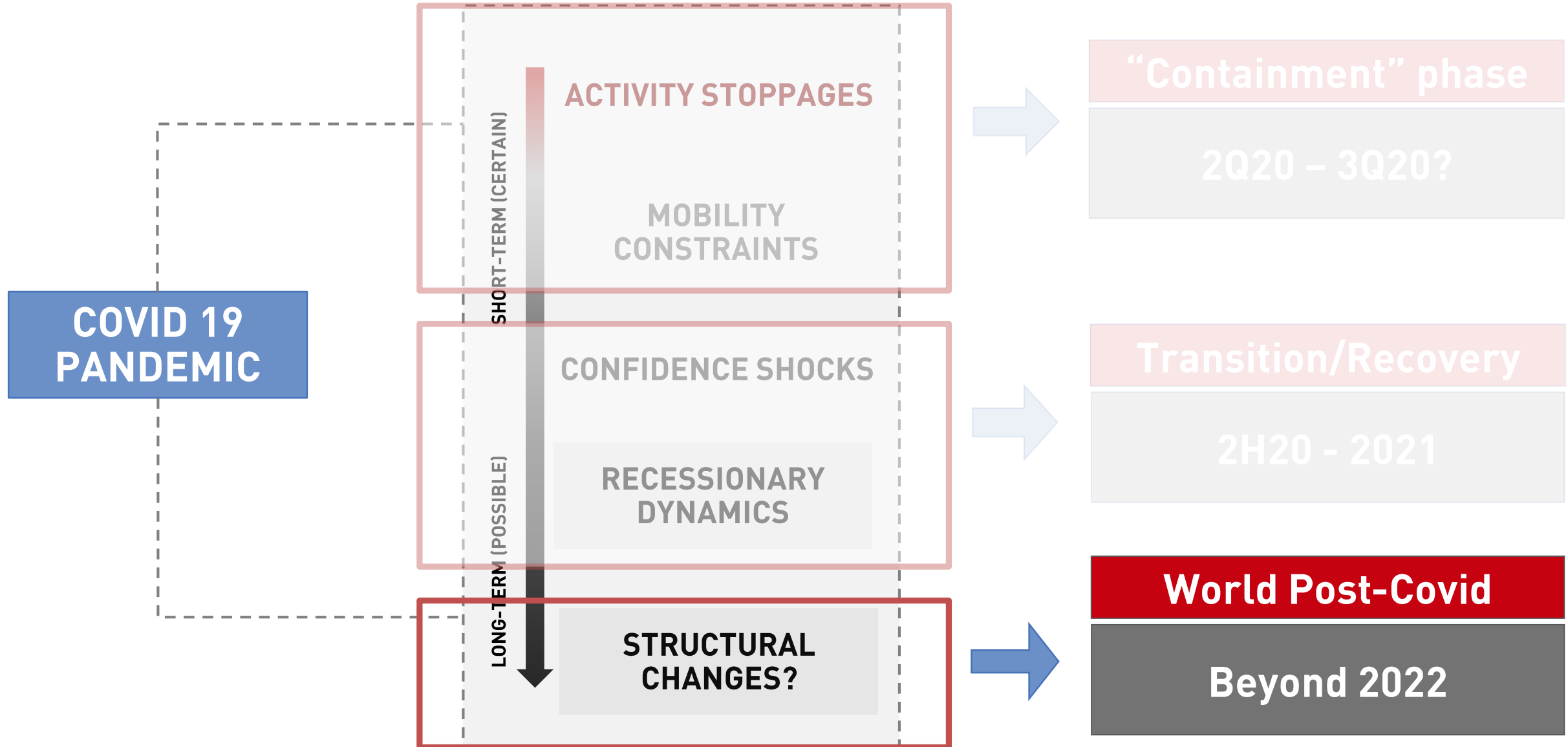
Tabla A-5
Escenarios Base y Estresado: tipo de interés oficial de referencia
(final del periodo, %)

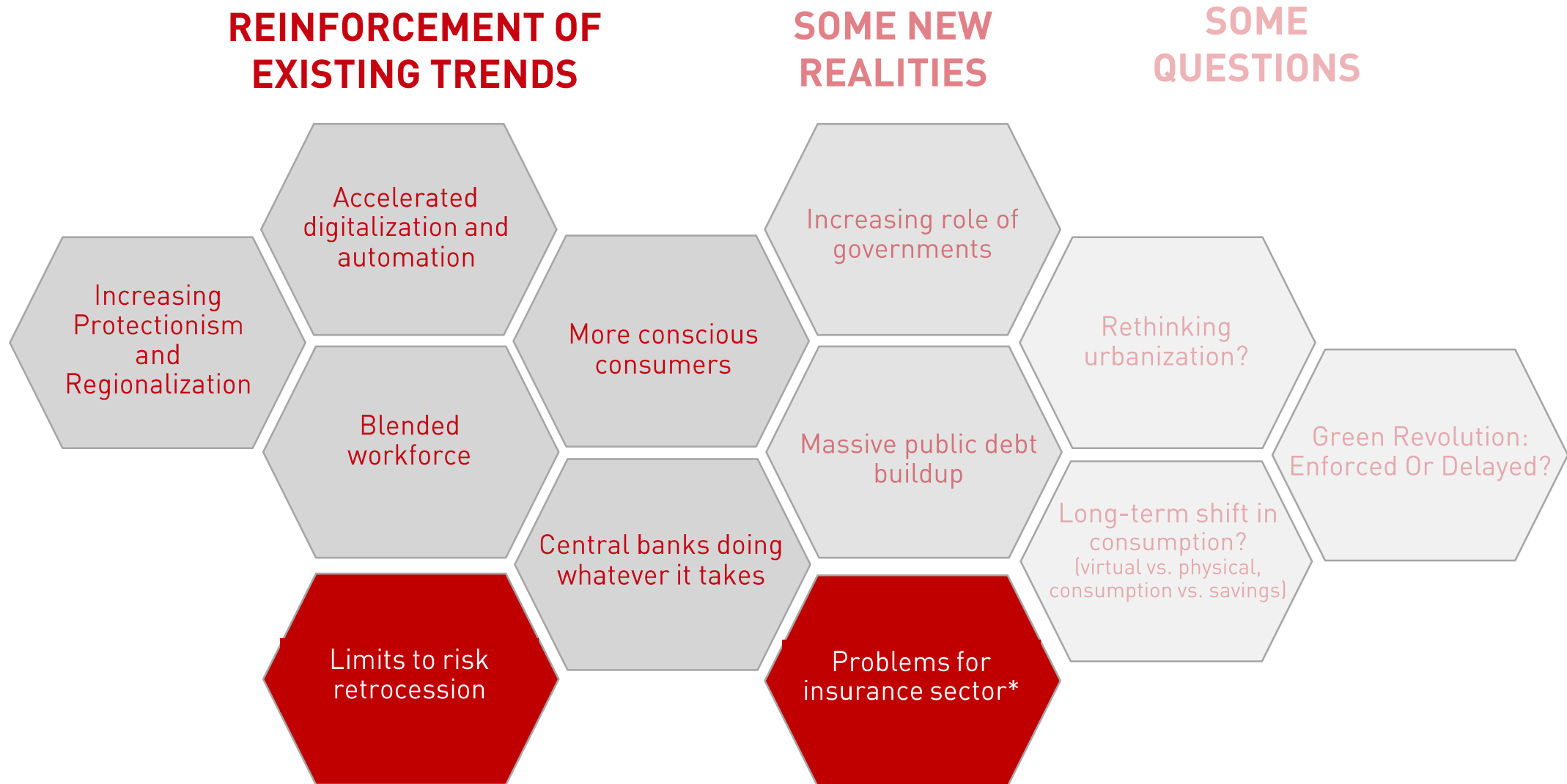
	Escenario Base (EB)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
Estados Unidos	0,75	1,50	2,50	1,75	0,20	0,20
Eurozona	0,00	0,00	0,00	0,00	-0,01	-0,01
China	3,00	3,25	3,30	3,25	2,95	2,74

	Escenario Estresado (EE)					
	2016	2017	2018	2019 _[re]	2020 _[p]	2021 _[p]
Estados Unidos	0,75	1,50	2,50	1,75	0,20	0,20
Eurozona	0,00	0,00	0,00	0,00	0,00	0,00
China	3,00	3,25	3,30	3,25	2,89	1,81

Pandemic primarily has short-term impact, but may have repercussions at longer horizons

Channels affecting the economy





Thanks



A Different Type of Recession

MAPFRE Economics

Table 1.1. Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	2019	Projections		Difference from June 2020 WEO Update ¹		Difference from April 2020 WEO ¹	
		2020	2021	2020	2021	2020	2021
World Output	2.8	-4.4	5.2	0.8	-0.2	-1.1	-0.5
Advanced Economies	1.7	-5.8	3.9	2.3	-0.9	0.3	-0.6
United States	2.2	-4.3	3.1	3.7	-1.4	1.6	-1.6
Euro Area	1.3	-8.3	5.2	1.9	-0.8	-0.8	0.5
Germany	0.6	-6.0	4.2	1.8	-1.2	1.0	-1.0
France	1.5	-9.8	6.0	2.7	-1.3	-2.6	1.5
Italy	0.3	-10.6	5.2	2.2	-1.1	-1.5	0.4
Spain	2.0	-12.8	7.2	0.0	0.9	-4.8	2.9
Japan	0.7	-5.3	2.3	0.5	-0.1	-0.1	-0.7
United Kingdom	1.5	-9.8	5.9	0.4	-0.4	-3.3	1.9
Canada	1.7	-7.1	5.2	1.3	0.3	-0.9	1.0
Other Advanced Economies ²	1.7	-3.8	3.6	1.1	-0.6	0.8	-1.0
Emerging Market and Developing Economies	3.7	-3.3	6.0	-0.2	0.2	-2.1	-0.5
Emerging and Developing Asia	5.5	-1.7	8.0	-0.9	0.6	-2.7	-0.5
China	6.1	1.9	8.2	0.9	0.0	0.7	-1.0
India ³	4.2	-10.3	8.8	-5.8	2.8	-12.2	1.4
ASEAN-5 ⁴	4.9	-3.4	6.2	-1.4	0.0	-2.8	-1.5
Emerging and Developing Europe	2.1	-4.6	3.9	1.2	-0.3	0.6	-0.3
Russia	1.3	-4.1	2.8	2.5	-1.3	1.4	-0.7
Latin America and the Caribbean	0.0	-8.1	3.6	1.3	-0.1	-2.9	0.2
Brazil	1.1	-5.8	2.8	3.3	-0.8	-0.5	-0.1
Mexico	-0.3	-9.0	3.5	1.5	0.2	-2.4	0.5
Middle East and Central Asia	1.4	-4.1	3.0	0.4	-0.5	-1.3	-1.0
Saudi Arabia	0.3	-5.4	3.1	1.4	0.0	-3.1	0.2
Sub-Saharan Africa	3.2	-3.0	3.1	0.2	-0.3	-1.4	-1.0
Nigeria	2.2	-4.3	1.7	1.1	-0.9	-0.9	-0.7
South Africa	0.2	-8.0	3.0	0.0	-0.5	-2.2	-1.0
<i>Memorandum</i>							
Low-Income Developing Countries	5.3	-1.2	4.9	-0.2	-0.3	-1.6	-0.7
Middle East and North Africa	0.8	-5.0	3.2	0.7	-0.5	-1.8	-1.0
World Growth Based on Market Exchange Rates	2.4	-4.7	4.8	1.4	-0.5	-0.5	-0.6

COVID-19: ten vaccines are in the last phase of clinical evaluation; inoculation in the US could start as soon as the end of the year

Developer	Country	Platform	Type of candidate vaccine	Current stage of clinical evaluation
University of Oxford/AstraZeneca	UK	Non-Replicating Viral Vector	ChAdOx1-S	Phase 3
Moderna/NIAD	US	RNA	LNP - encapsulated mRNA	Phase 3
BioNTech/Fosun Pharma/Pfizer	US	RNA	3 LNP-mRNAs	Phase 3
Janssen Pharmaceutical Companies	US	Non-Replicating Viral Vector	Ad26COVS1	Phase 3
Novavax	US	Protein Subunit	Full length recombinant SARS CoV-2	Phase 3
Sinovac	China	Inactivated virus	Inactivated + alum	Phase 3
Wuhan Institute of Biological Products/Sinopharm	China	Inactivated virus	Inactivated	Phase 3
Beijing Institute of Biological Products/Sinopharm	China	Inactivated virus	Inactivated	Phase 3
CanSino Biological Inc./Beijing Institute of B.	China	Non-Replicating Viral Vector	Adenovirus Type 5 Vector	Phase 3
Gamaleya Research Institute	Russia	Non-Replicating Viral Vector	Adeno-based	Phase 3

- **The US has announced the protocols of vaccine distribution to be started early November (targeting health personnel and population at risk). Massive distribution would start early January.**
- **Europe would start distribution a month after the US.**
- **Countries are negotiating trials (phase 3) within their territory to secure an early provision of future vaccines.**

Note: mRNA = messenger RNA, only part of the genetic material of the virus is used to cause the generation of antibodies
 inactivated virus = the deactivated or attenuated virus is used to cause the generation of antibodies
 Adenovirus = weakened version of adenovirus that causes a common cold in chimpanzees (Oxford University) or humans (CanSino)

	Gasto discecional					Apoyo a la liquidez			
	Total	Gastos adicionales o ingresos no percibidos			Gastos acelerados / ingresos diferidos	Subtotal	Inyecciones de capital, préstamos, compra de activos o asunción de deudas	Pasivos contingentes	
		Subtotal	Sector sanitario	Sector no sanitario				Garantías	Operaciones Cuasi Fiscales
EEUU	14,2	11,8	1,5	10,3	0,1	2,5	0,3	2,2	
EEUU s(*)	4,8	4,8							
UE	10,7	3,8	0,0	3,8		6,9	6,3	0,6	
UE(**)	5,2	2,6				2,6			
Francia	21,0	5,2	0,6	4,6	2,5	15,7	0,9	14,8	
Alemania	39,2	8,3	0,7	7,7		30,8	6,0	24,8	
Italia	37,9	4,9	0,4	4,5	0,4	33,0	0,2	32,8	
España	17,7	3,5	0,5	3,0		14,2	0,1	13,2	0,9
Japón	35,0	11,3	1,0	10,3	4,9	23,7		3,0	20,7
Reino Unido	25,7	9,2	1,5	7,6	0,2	16,6	0,0	16,5	
Turquía	13,8	0,8	0,3	0,5	1,5	13,0	0,4	10,2	2,4
Argentina	6,0	3,9	0,2	3,7	0,0	2,1		2,1	
Brasil	14,6	8,3	0,9	7,4	2,9	6,3	1,0		5,3
Mexico	1,1	0,6	0,2	0,5	0,2	0,5	0,2		0,3
China	5,9	4,6	0,1	4,5	1,6	1,3		0,4	0,9
Indonesia	3,8	2,7	0,5	2,2		1,2	0,2	0,9	
Filipinas	3,4	2,3	0,4	2,0		1,1	0,4	0,7	0,0