



Economic Recovery Pulse check

Fourth edition - 3rd of September

Key storylines



Industry has returned to pre-crisis levels, with the exception of Transportation & Logistics. Consumer recovery has stagnated in the late summer, with the UK lagging behind. Where France once led the pack, it now trails its major neighbors. All eyes are on the months ahead, with tougher measures being put in place cross the Continent to combat the virus' return.



A strong recovery in the economy, partially driven from there not being a full lockdown. Watch for the bump to turn into a slide in the coming months as the sectors cool off. Consumer activity is still weak, reflective of market confidence.



Has continued its return to growth through the summer. Transportation & Logistics has seen a full recovery. Of major countries, it is the only back to full strength.



With Covid-19 numbers rising in late summer, the recovery has stagnated. A few industries have recovered, but most have been flat throughout the summer. Healthcare is still low due to low confidence in the sector in the past months.



Though not to pre-crisis levels, there has been a steady recovery for sectors most impacted. Expect a continuing recovery.

Methodology | A custom methodology to define BCG Economic Recovery Pulse check

A data-driven index to track activity by sector and country



Countries



Macro-sectors



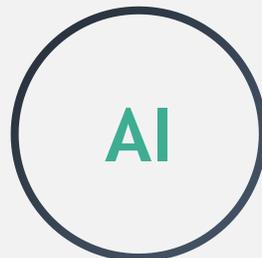
Granularity



Data sources



Data points



Algorithms for index definition



For all other sectors: Cross sector activity

- Aggregation of data sources into refined composite index
 - Sector confidence index
 - Financial index
 - Employment index
 - Consumer activity index
 - Macro economic index
 - Specific data source by sector

Part of BCG Lighthouse a central planning center for COVID-19 response

How to understand our methodology ?

For each sector, our composite index informs on **gap to recovery** (i.e normal state set to 100)

- Index >100 indicates above normal activity
- Index <100 indicates below normal activity

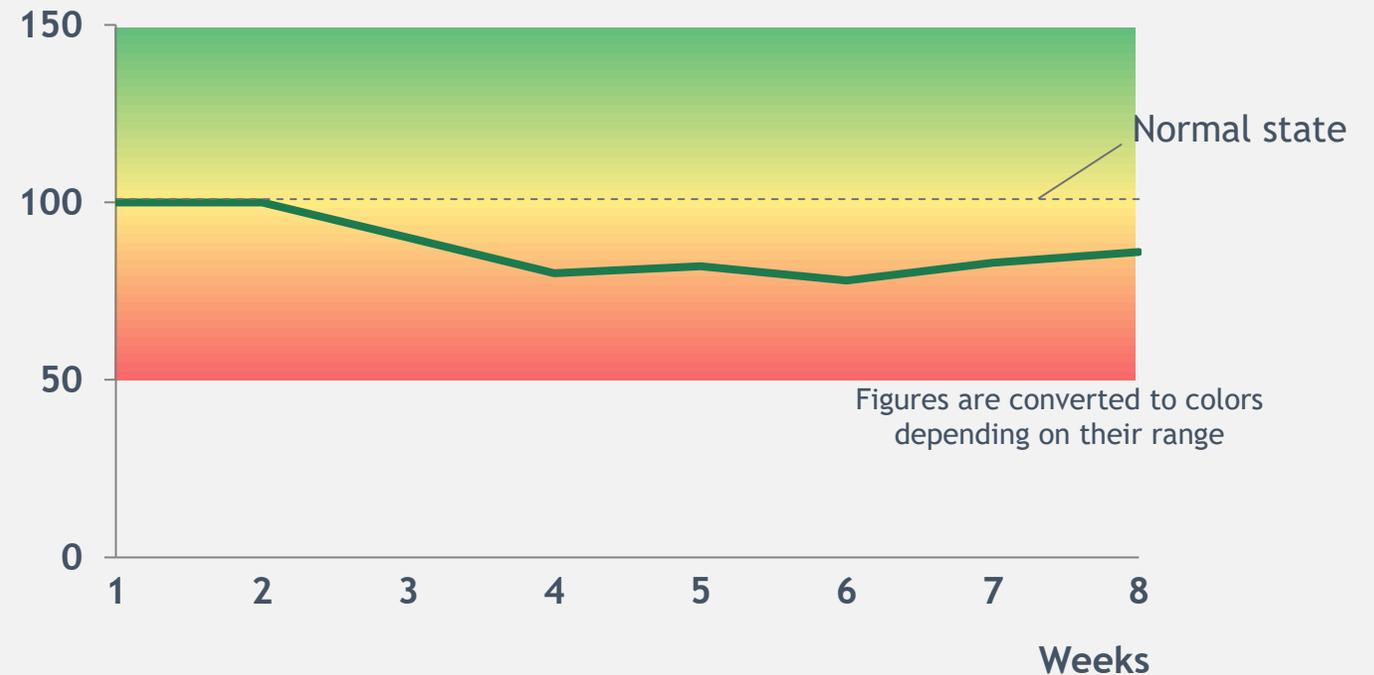
Normal state corresponds to activity

- *One year ago for Cross Sector Activity¹*



Illustration of the Cross Sector Activity

Cross Sector Activity



1. Activity today and at normal state are computed with an 4-week exponential smoothing

Exhibit 1 | Most countries have nearly recovered, and China is back to growth

Economic Recovery Pulse check on August 23rd, 2020

	Average	USA	Europe	FR	DE	IT	SP	UK	JP	BR	CN
Engineered Products & Infrastructure ¹	100↘	105↘	95↘	85↗	95↘	100↘	100↘	105↘	85↗	85→	100→
Materials & process industry ²	105↘	105↘	105↘	100↘	105↘	110↘	105↘	100↘	95↘	100↘	105→
Energy	95↗	95↘	95→	95↘	95→	95↘	95↘	95→	85↗	90→	
Automotive	105↘	100↘	105↘	105↘	100↘	105↘	105↘	110↘	90→	90→	100↗
Transportation & Logistics	95↘	100↘	80↗	75↗	85↗	85→	80↗	75↗	85↗	100↘	105↘
Financial Institutions	100→	105↘	100→	100↘	95→	105↘	95↗	100→	95→	95→	105↗
Technology, Media & Telecom	105↘	105↘	100↘	95→	95→	100↘	100↘	100↘	100→	95↗	100↗
Health ³	> 110↘	> 110↘	105↘	110↘	110↘	110↘	105↘	95↗	85↗	105↘	105→
Retail & consumer goods	90	85	90	90	95	90	85	80	90	90	

Trend from now through Q3 ↘: down →: flat ↗: up

1. Aerospace & Defense, Infrastructure, Machinery & Industrial Automation 2. Chemicals, Metals and mining, Building Materials, Forest Products, Paper and Packaging
 3. Medical Tech, Biopharma, Consumer Health (excluding Hospitals)

Back-up | Rebound of economic and consumer activity in Europe

	Sectors			
				
Drop	-24	-22	-21	-22
Rebound (July)	+5	+4	+3	+5
Rebound (Aug.)	+7	+12	+14	+12

	Consumers			
				
Drop	-49	-32	-51	-43
Rebound (July)	+45	+27	+43	+22
Rebound (Aug.)	+41	+27	+41	+26

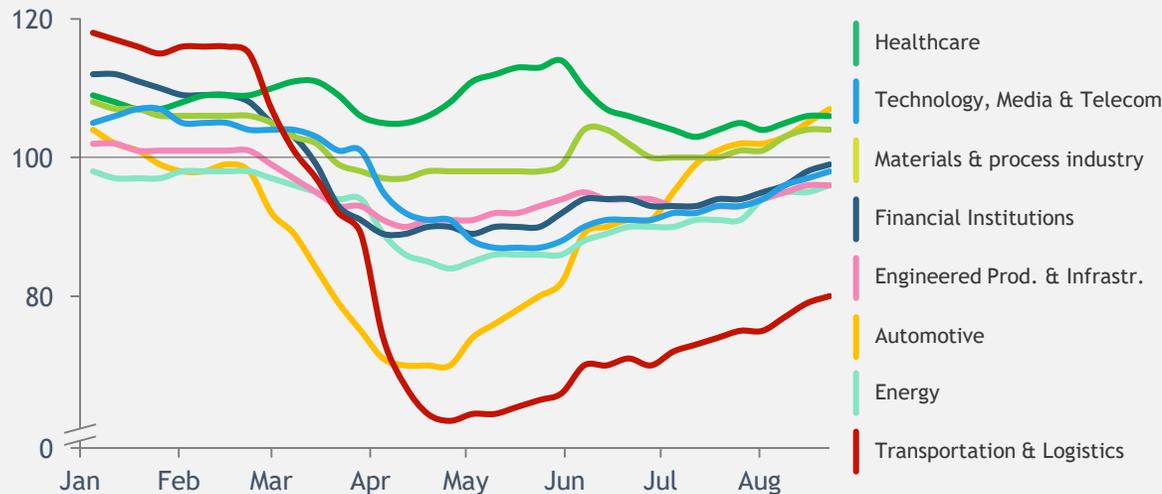
France no longer leading economic recovery

Note1: Top 4 Europe : France, Germany, UK, Italy Note2: Drop of ERPC/CAI level between mid-February and mid-April. Rebound of ERPC/CAI between mid-April and mid-August (or early-July)



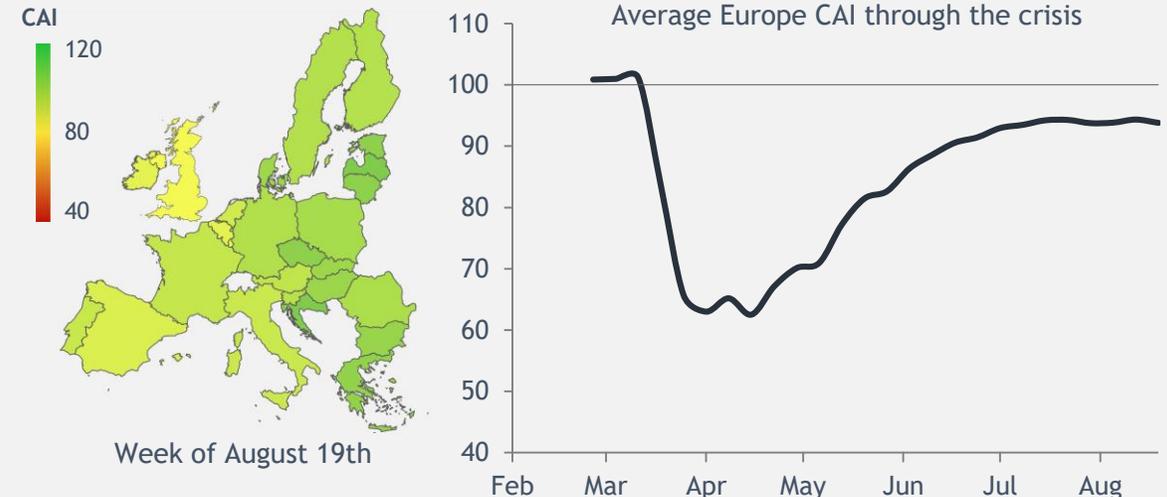
Exhibit 2 | Some stagnation among Consumer, but overall strong recovery across sectors, except Transportation & Logistics

BCG Economic Recovery Pulse Check in Europe



- **Automotive** showing positive signs, partially driven by strong seasonal sales. Nevertheless, current outlook is unlikely to hold in the coming months.
- **Transportation & Logistics** while still the most impacted sector, is steadily recovering.
- **Financial sector** is still recovering whereas it carries the uncertainty of other sectors and will suffer more with longer term impact (potential default and credit loss).
- **Health Care sector** is still above normal but the positive impact from the crisis is declining.

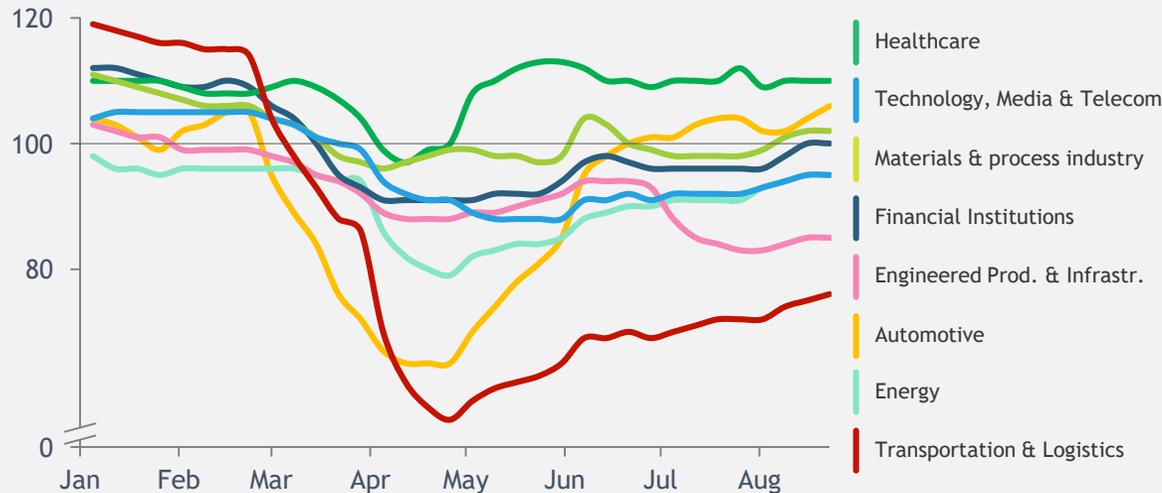
Consumer Activity in Europe



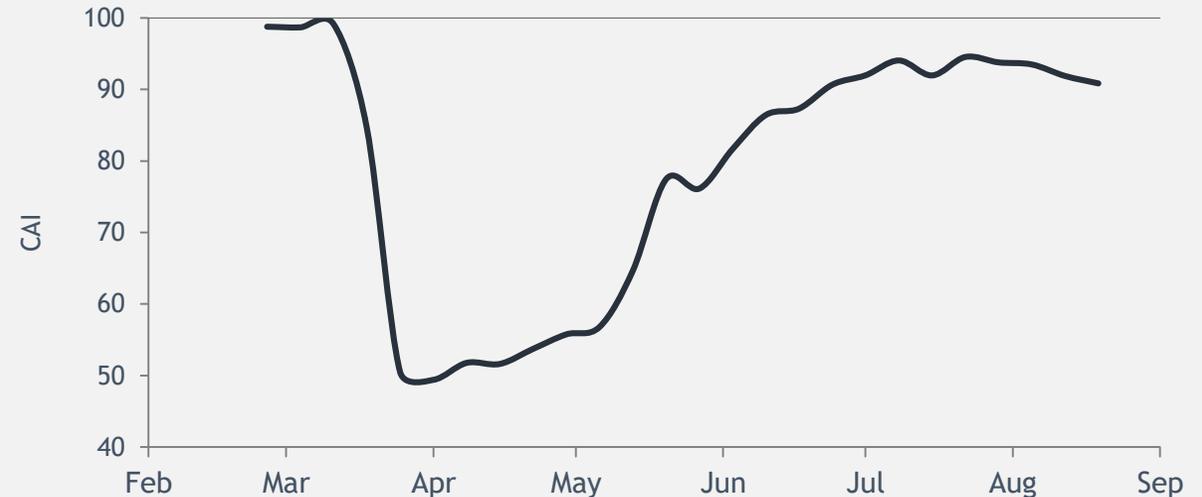
- The CAI has been stagnating in **Europe** since the beginning of July as new infectious epicenters forced local authorities to reinstate containment measure despite the summer vacations
- **Spain's** consumer activity (CAI: 87) has been severely impacted by the second wave and its index has been decreasing steadily since mid-July.
- **France's** and **Italy's** consumer activity (CAI: 91 and 90) have dropped by nearly 4 points since end of July, while **Germany's** CAI remains stable
- While still lagging behind other EU countries, the **UK** is starting to catch up (CAI: 82) but is still dragged down by various factors:
 - **Transit mobility:** -39% vs. pre-crisis baseline
 - **Retail mobility:** -20% vs. pre-crisis baseline

Exhibit 3 | Decline in Consumer activity in the past month with many sectors increasing again after a summer lull

BCG Economic Recovery Pulse Check in France



Consumer Activity in France



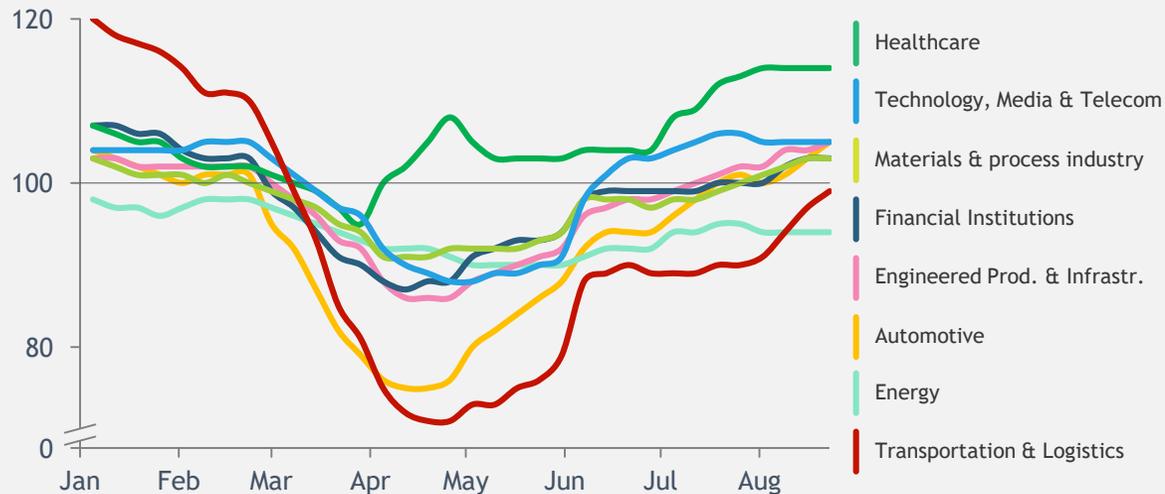
- **Automotive** showing positive signs, partially driven by strong seasonal sales. Nevertheless, current outlook is unlikely to hold in the coming months.
- **Engineered Products & Infrastructure** faced a slight decrease in July and August due to a drop in the confidence in the Infrastructure sector.
- **Transportation & Logistics** sector was highly hit with diminution of international imports and exports. After staying mostly flat in July, recovery seems to pick up again in August.
- **Financial sector** carries uncertainty of other sectors and will suffer more with longer term impact (provisions to anticipate default and credit loss).

- Following Europe's overall trajectory, **France's CAI** has decreased significantly for the first since April, dropping from 94 in July to 91 in August
- However, the economic activity slow-down can be partially explained by the summer vacations; most of the underlying indicators remains solid vs. pre-COVID baseline:
 - **Grocery mobility**: +5%
 - **Retail mobility**: -7%
 - **Residential mobility**: +5%
- Even during the vacations, **transit mobility** is still struggling to recover (at -17% vs. pre-COVID levels)

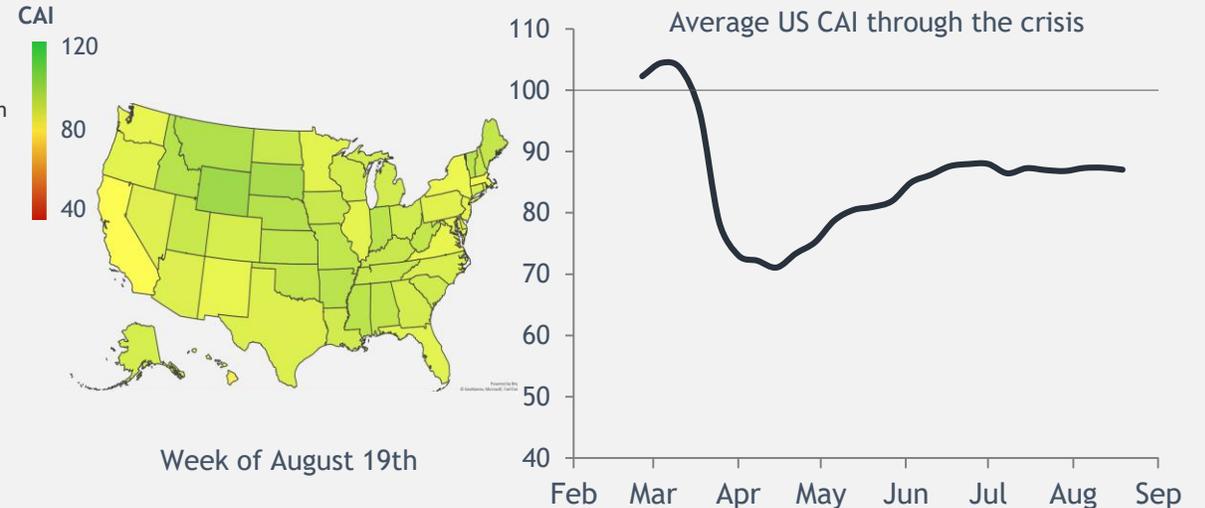


Exhibit 4 | Sectors back to pre-crisis levels but Consumer activity hasn't changed since early summer

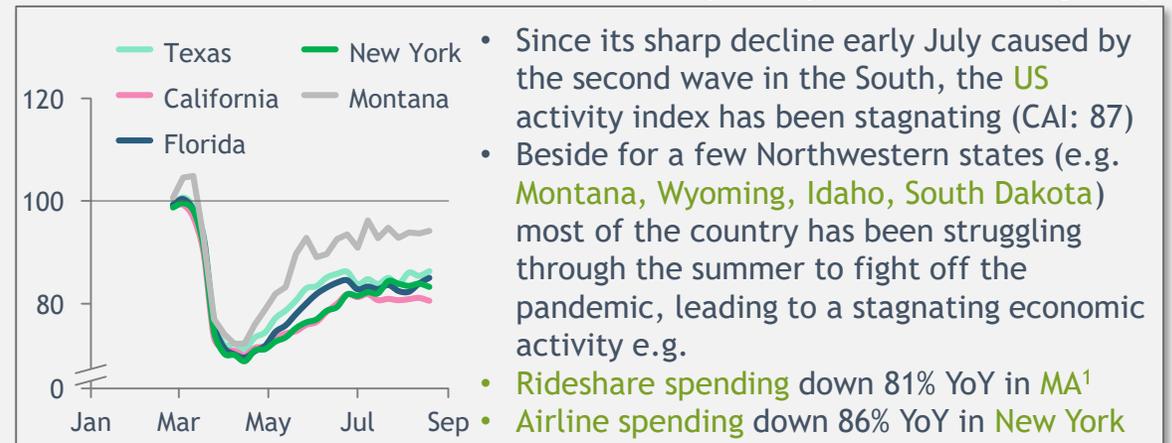
BCG Economic Recovery Pulse Check in the US



Consumer Activity in the US



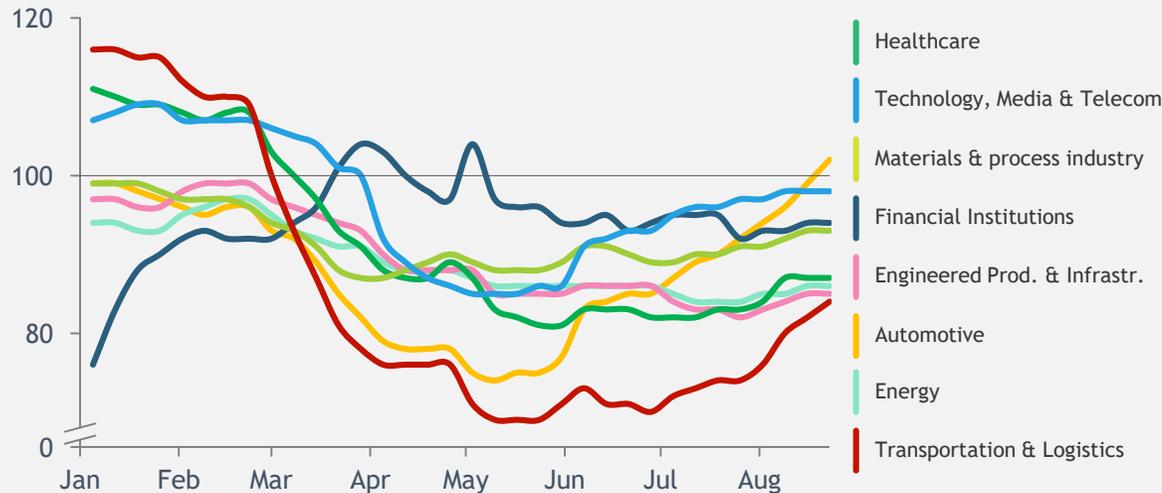
- Overall, **sectors** are not suffering as much as in European countries because lockdown measures were progressive and not generalized to the whole country. For example, **Automotive** sector was less hit than other countries and has recovered in July (dealers were opened during lockdown as essential goods stores).
- Many sectors have recovery to pre-crisis levels, with notable exception of the **Energy** sector.
- **Transportation & Logistics** that was lagging a bit behind is close to full recovery.
- **Healthcare** is strong as the sanitary crisis is still important in the USA.



- Since its sharp decline early July caused by the second wave in the South, the **US** activity index has been stagnating (CAI: 87)
- Beside for a few Northwestern states (e.g. **Montana, Wyoming, Idaho, South Dakota**) most of the country has been struggling through the summer to fight off the pandemic, leading to a stagnating economic activity e.g.
- **Rideshare spending** down 81% YoY in **MA**¹
- **Airline spending** down 86% YoY in **New York**

Exhibit 5 | Economy still below pre-crisis levels with majority of sectors stagnating

BCG Economic Recovery Pulse Check in Japan



- Overall there has been little economic improvement over the past two months, with most sectors having stagnated.
- **Transportation & Logistics** sector was highly hit with diminution of international imports and exports, but recovery has picked up in the last two months.
- **Technology, Media & Telecom** continues its recovery, driven by the Technology sector.
- **Healthcare** is still low due to low confidence in the sector in the past months.

Consumer Activity in Japan



- **Japan** has managed to keep a strong CAI throughout the early phase of the pandemic (never going below 70) and managed to recover despite the early May dip. On August 19th, Japan's consumer activity index is at 89.
- However, the government's unique approach to the pandemic causes the recovery to be quite erratic compared to that of the US/EU
- Compared to pre-crisis levels, some indicators are close to recovery...
 - **Grocery mobility**: +2%
 - **Retail mobility**: -8%
 - **Residential mobility**: +1.4%
- ... while some others are still weighing on the CAI a bit
 - **Workplace mobility**: -31% and **Transit mobility**: -28%



Exhibit 6 | Steady recovery for sectors most impacted, with no indications of slowdown

BCG Economic Recovery Pulse Check in Brazil



Consumer Activity in Brazil



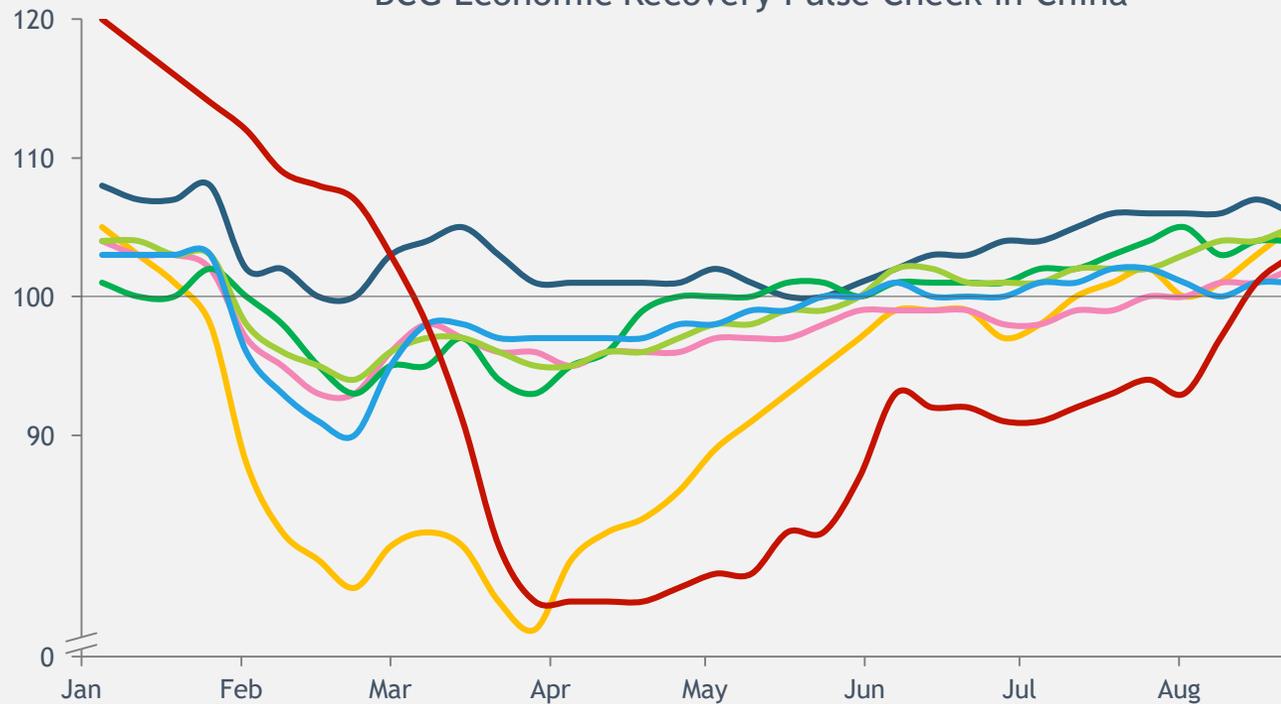
- Brazil suffers a long impact of the Covid crisis. Drop of activity started with the lockdown in European countries and the US in March 2020.
- Brazil is now suffering from the sanitary crisis so recovery is slower than in other countries, with few sectors back to pre-crisis levels.
- Impact of the Covid crisis is high on all sectors, especially Automotive and Transportation & Logistics due to decrease of international imports and exports.
- Some sectors such as Energy and Engineered Products & Infrastructure seem to flatten out.
- Healthcare sector benefits less from the crisis than in other countries.

- Brazil consumer activity index has recovered quite a lot despite the intensity of the pandemic (CAI: 88)
- Though the virus reproduction rate in Brazil recently dropped below 1, the battle against the virus is far from over, with ~40k+ new cases each day
- Some mobility indicators are quite close to pre-crisis levels...
 - Grocery mobility: +6%
 - Workplace mobility: -12%
 - Residential mobility: +10%
- ... while some other metrics remains very low
 - Transit mobility: -30%
 - Retail mobility: -29%



Exhibit 7 | Continued growth through the summer. Of major countries, it is the only back to full strength

BCG Economic Recovery Pulse Check in China



- China has continued to slowly grow through the summer for most sectors.
- **Transportation & Logistics** which was lagging behind has now seen a full recovery.
- Some sectors seem to flatten out such as **Financial Institutions, Healthcare or Technology, Media & Telecoms.**

- Healthcare
- Technology, Media & Telecom
- Materials & process industry
- Financial Institutions
- Engineered Prod. & Infrastr.
- Automotive
- Transportation & Logistics

Definitions

Consumer Activity Index | Mobility metrics

Place categories

Grocery & pharmacy

Mobility trends for places like grocery markets, food warehouses, farmers markets, specialty food shops, drug stores, and pharmacies.

Parks

Mobility trends for places like local parks, national parks, public beaches, marinas, dog parks, plazas, and public gardens.

Transit stations

Mobility trends for places like public transport hubs such as subway, bus, and train stations.

Retail & recreation

Mobility trends for places like restaurants, cafes, shopping centers, theme parks, museums, libraries, and movie theaters.

Residential

Mobility trends for places of residence.

Workplaces

Mobility trends for places of work.

Disclaimer

The BCG Economic Recovery Pulse Check has been created and is provided to you solely for informational purposes only, based upon notably information generally available to the public and from sources believed to be reliable. Although we have taken great care prior to producing this BCG Economic Recovery Pulse Check, it represents BCG's view at a particular point in time.

BCG does not guarantee or make any representation or warranty as to the accuracy, completeness, currency, timeliness, reliability, non-infringement of the BCG Economic Recovery Pulse Check and the information or data used in and/or to build the BCG Economic Recovery Pulse Check, nor its usefulness or suitability in achieving any purpose. Furthermore, as the situation surrounding COVID-19 is dynamic and rapidly evolving, on a daily basis. You understand, acknowledge and agree that the BCG Economic Recovery Pulse Check is provided "as is" and that its use is at your sole risk.

The BCG Economic Recovery Pulse Check is not intended to constitute: (i) an advice, nor be a substitute for the same, in particular it does not constitute an investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such, and/or (ii) an offer or recommendation to buy or sell anything or to participate in any particular trading strategy, (iii) nor be seen as a formal endorsement or recommendation of a particular response. As such Client is advised to make its own assessment as to the appropriate course of action to take, using the content or the BCG Economic Recovery Pulse Check or its output as guidance. Further, historical data and analysis should not be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. As such you are advised to make your own assessment as to the appropriate course of action to take, using this BCG Economic Recovery Pulse Check as guidance.

For the avoidance of doubt, the provision of the BCG Economic Recovery Pulse Check by BCG to you does not give rise to a fiduciary or other relationship between BCG and you.

You may not use any system or software to extract any data from the BCG Economic Recovery Pulse Check, and the BCG Economic Recovery Pulse Check from the web site.

You should not use the BCG Economic Recovery Pulse Check to create any other data or index or any derivative works, without BCG's prior written permission. Reproduction, redistribution or any other form of copying or transmission of the BCG Economic Recovery Pulse Check is strictly prohibited. You should not use the BCG Economic Recovery Pulse Check for commercial, trading or other purposes.

You acknowledge that BCG Economic Recovery Pulse Check and/or all components thereof constitute and/or include copyrighted, trade secret and/or proprietary information, that you receive no proprietary rights whatsoever in or to the BCG Economic Recovery Pulse Check, and that title and ownership rights in and to the Index Data and all the rights therein and legal protections with respect thereto remain exclusively with BCG.

You agree to indemnify, defend and hold harmless BCG and its affiliates from and against any claims, losses, damages, liabilities, costs and expenses, including, without limitation, reasonable attorneys' and experts' fees and costs, as incurred, arising in any manner out of your use of, or inability to use, any BCG Economic Recovery Pulse Check or other information contained on the BCG web site. In no event shall BCG and any of its affiliates, and/or its any of its or their direct or indirect information providers nor any other third party involved in, or related to the creation of the BCG Economic Recovery Pulse Check have any liability to any person or entity for any damages, whether direct, indirect, special, incidental, punitive, consequential (including, without limitation, loss of use, lost profits or revenues or any other economic loss) arising in any manner out of your use or inability to use any of the BCG Economic Recovery Pulse Check published on the BCG web site, even if such party might have anticipated, or was advised or notified of, the possibility of such damages.

Your use of the BCG Economic Recovery Pulse Check may be monitored by BCG, and the resultant information may be used by BCG for its internal business purposes or in accordance with the rules of any applicable regulatory organization.