



International Monetary Fund

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Six stylized facts on the great lockdown

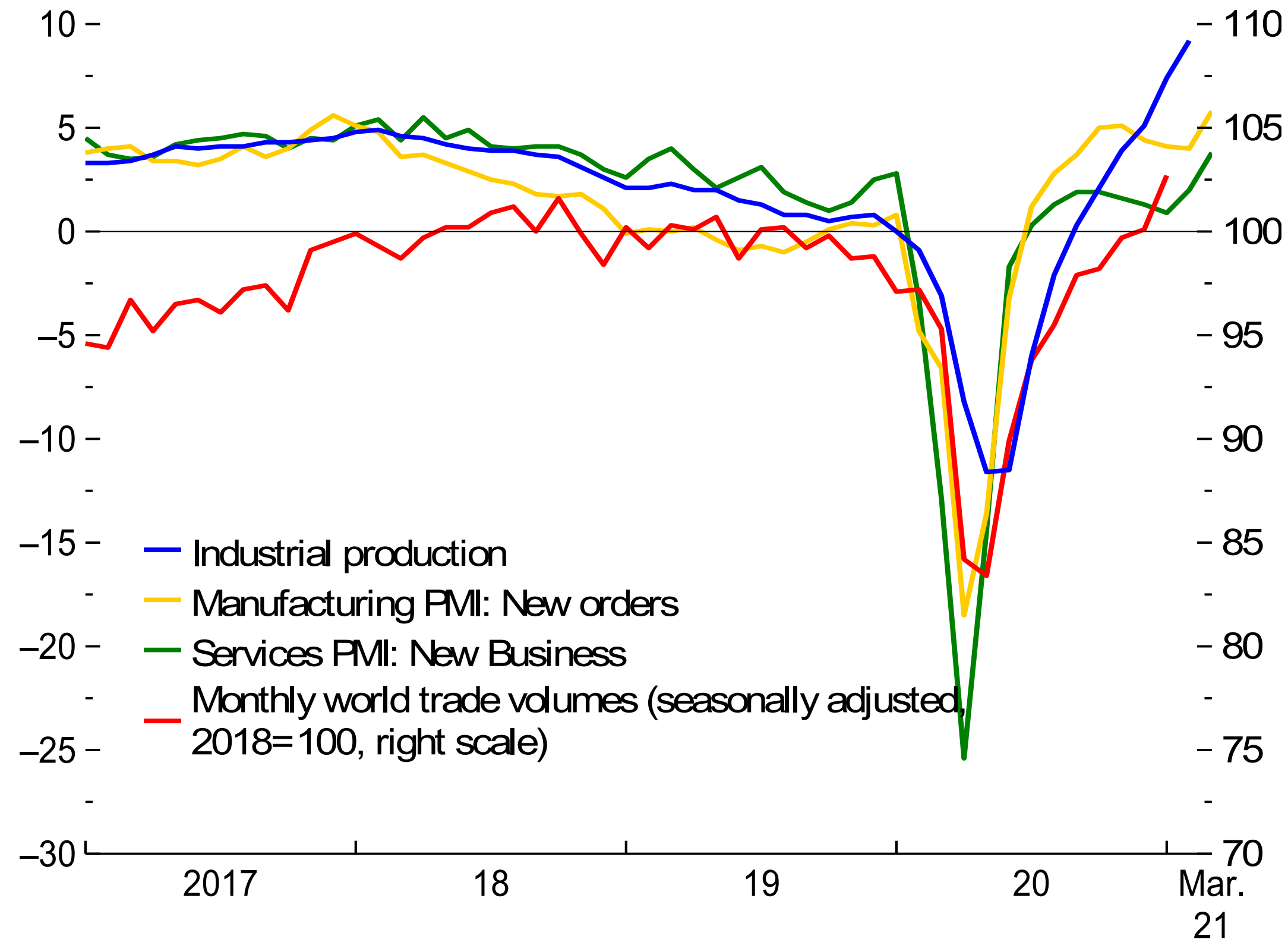
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The views expressed in this presentation do not necessarily represent those of the IMF or its Executive Board

Fact I: **V**irus, **V**ariants, **V**accines, and **V**-shaped service-intensive recession

Global Activity Indicators

(Three-month moving average, annualized percent change; deviations from 50 for manufacturing PMI, unless noted otherwise)



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff estimates.

Sources: IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; and IMF staff calculations.

1/ Lines denote averages.

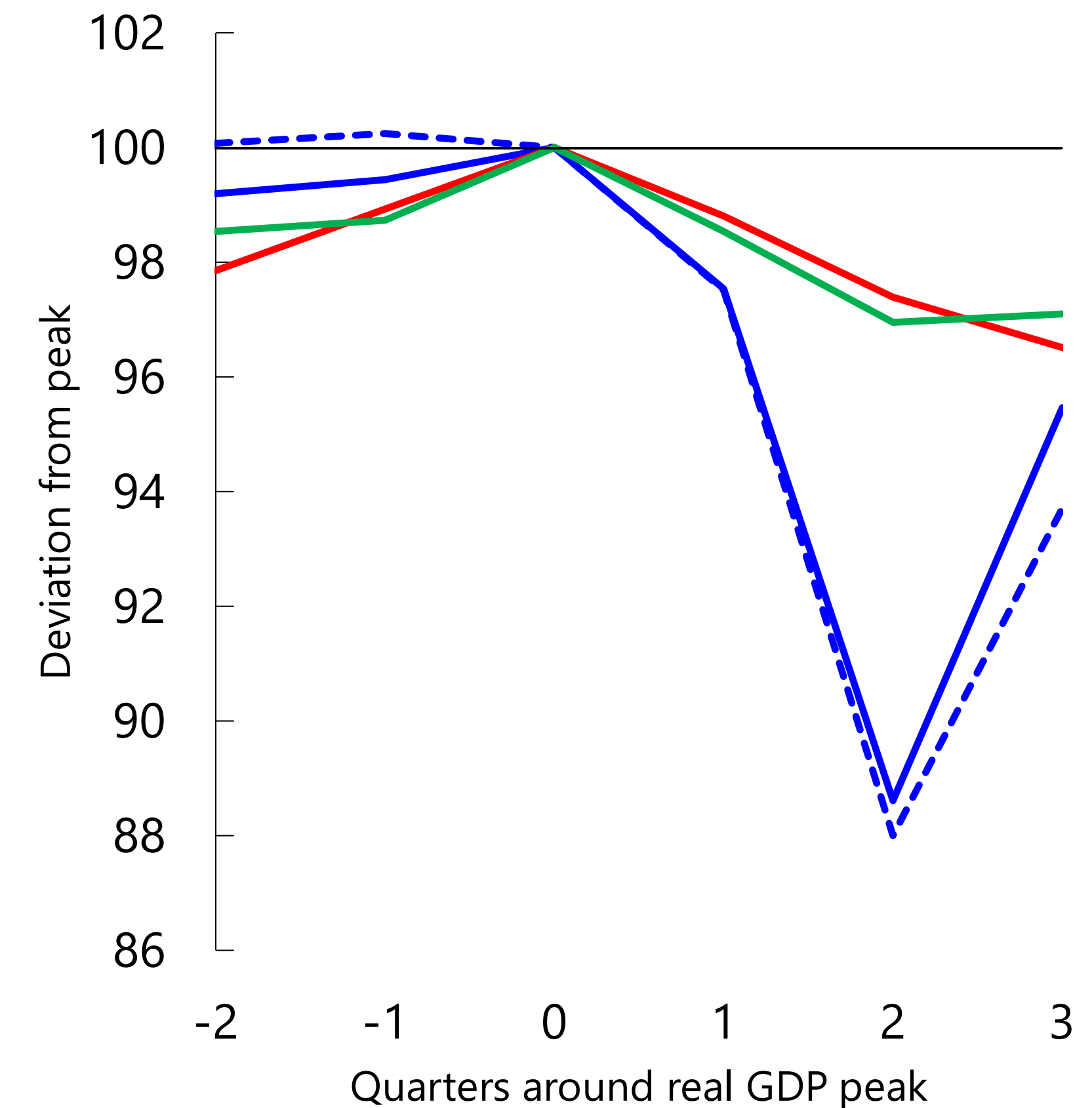
2/ Lines denote medians. Shaded areas denote interquartile ranges.

Real GDP 1/

(index; pre-recession peak = 100)

— Great Lockdown, AEs - - - Great Lockdown, EMs

— Great Financial Crisis — Other recessions

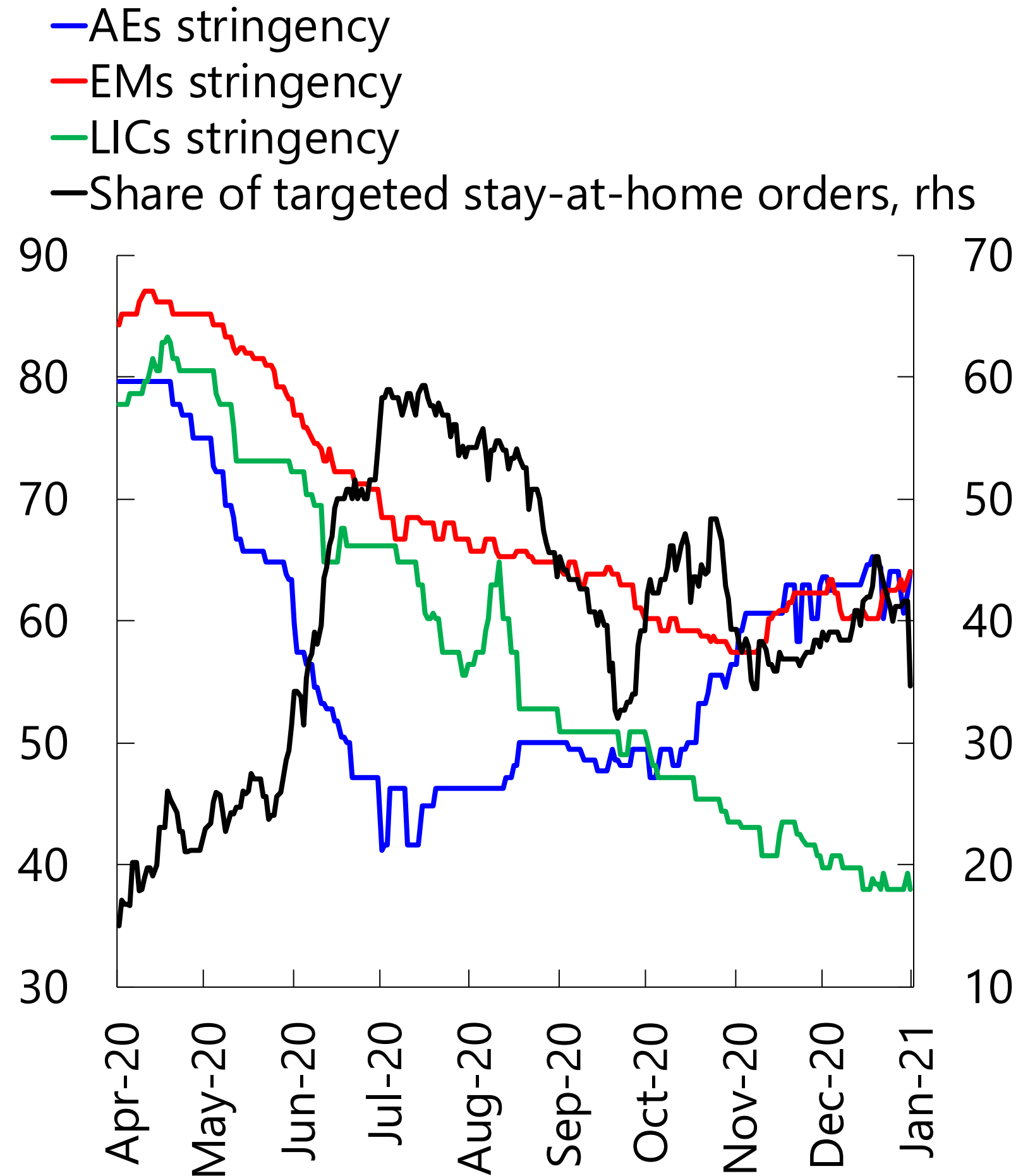


Why V-shape?

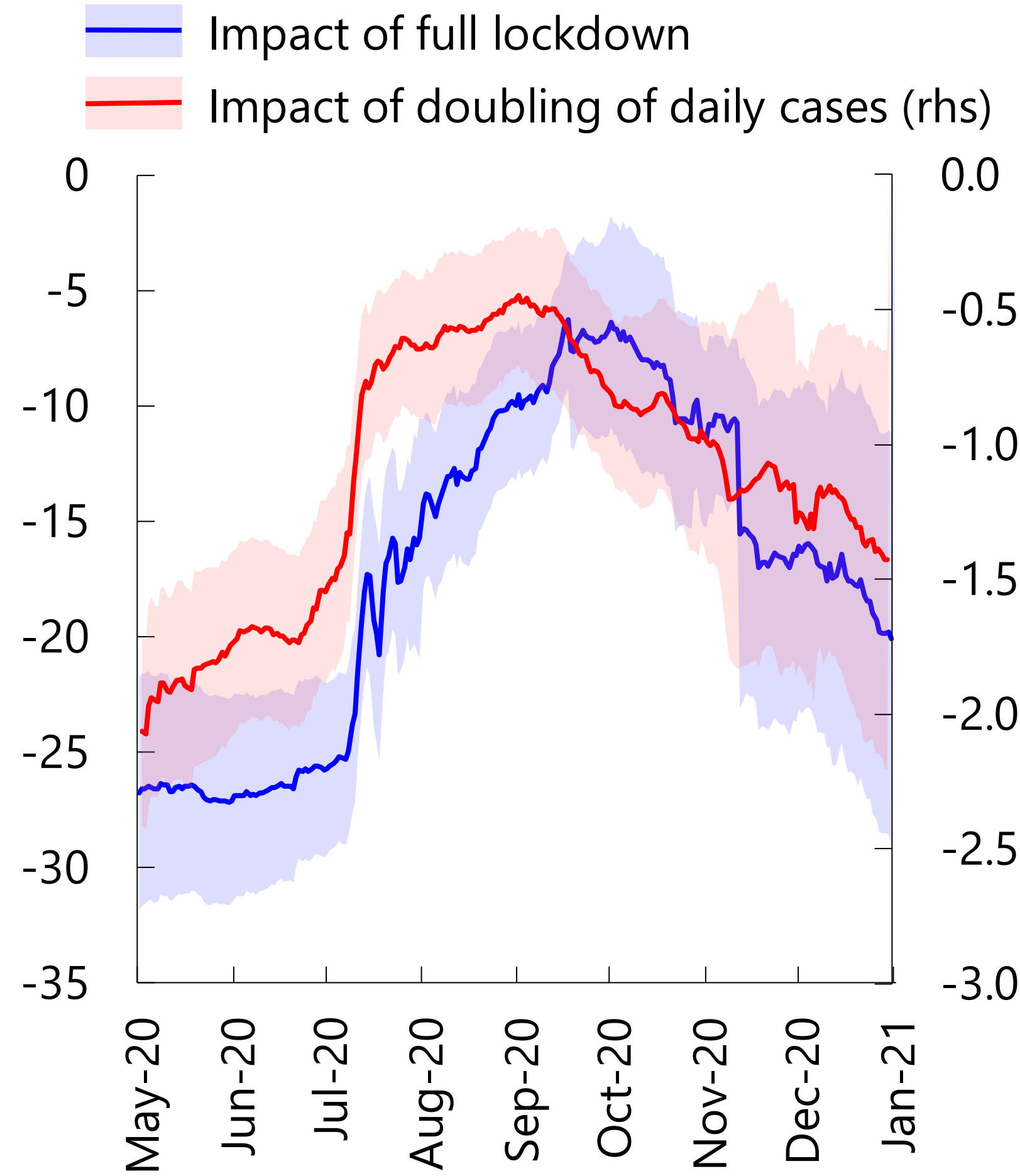
- Unprecedented **policy** response
- No financial crisis
- **Scientific** breakthrough
- **Learning**: Three (public-policy) dimensions of learning
 - Learning by **governments** in response the ongoing pandemics
 - Learning by **people (mobility)** in response to governments' actions
 - Learning by **economic activity** in response to mobility

Fact II: Learning to live with the virus

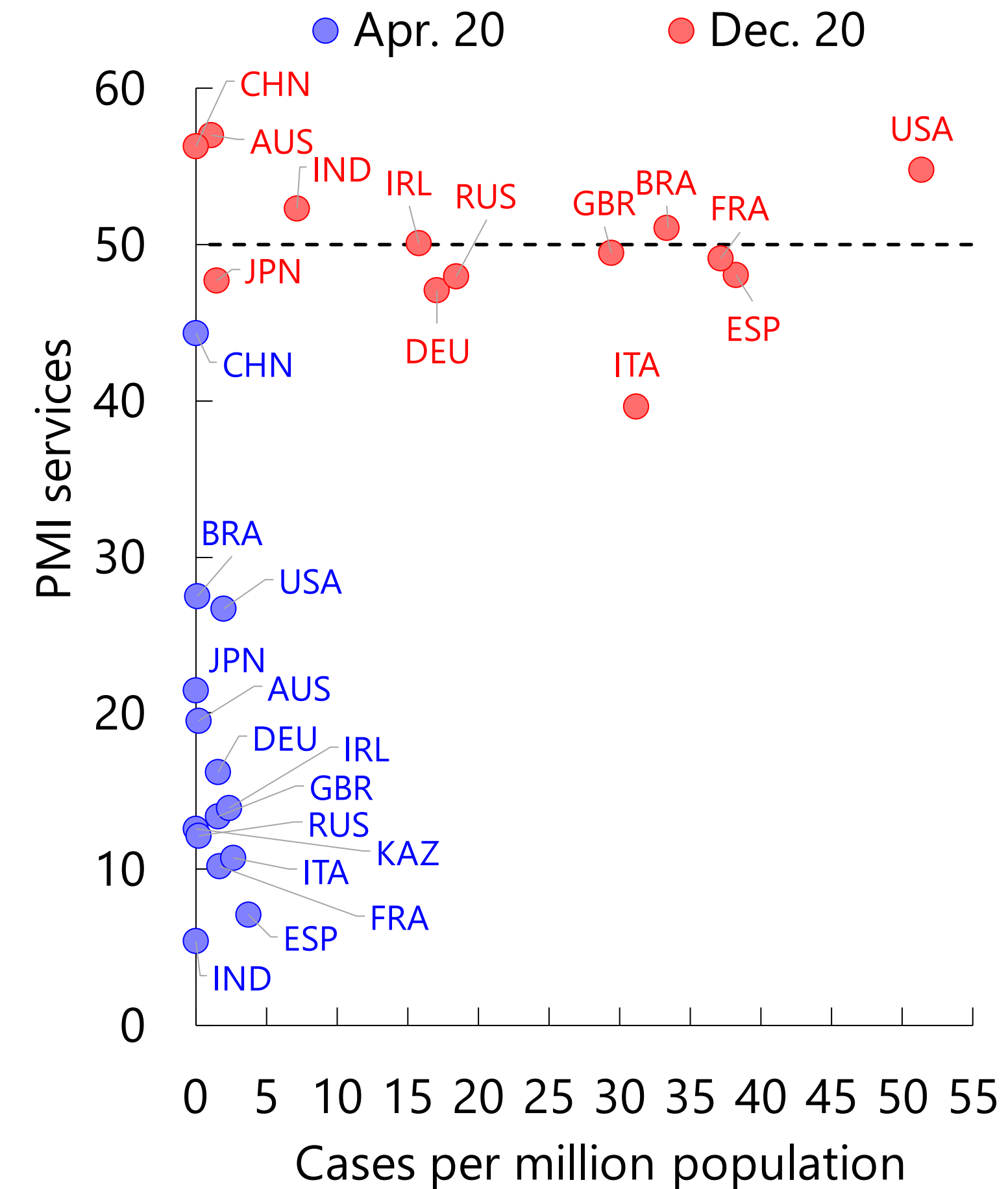
Lockdown stringency and targeted measures 1/ (index, lhs; percent, rhs)



Sensitivity of mobility to cases and lockdowns 2/ (coefficient)



PMI services (index; >50 = expansion)



Sources: Haver Analytics; OxCGRT; Google, *COVID-19 Community Mobility Data*; Duke Global Health Innovation Center; Global Advisor; and IMF staff calculations.

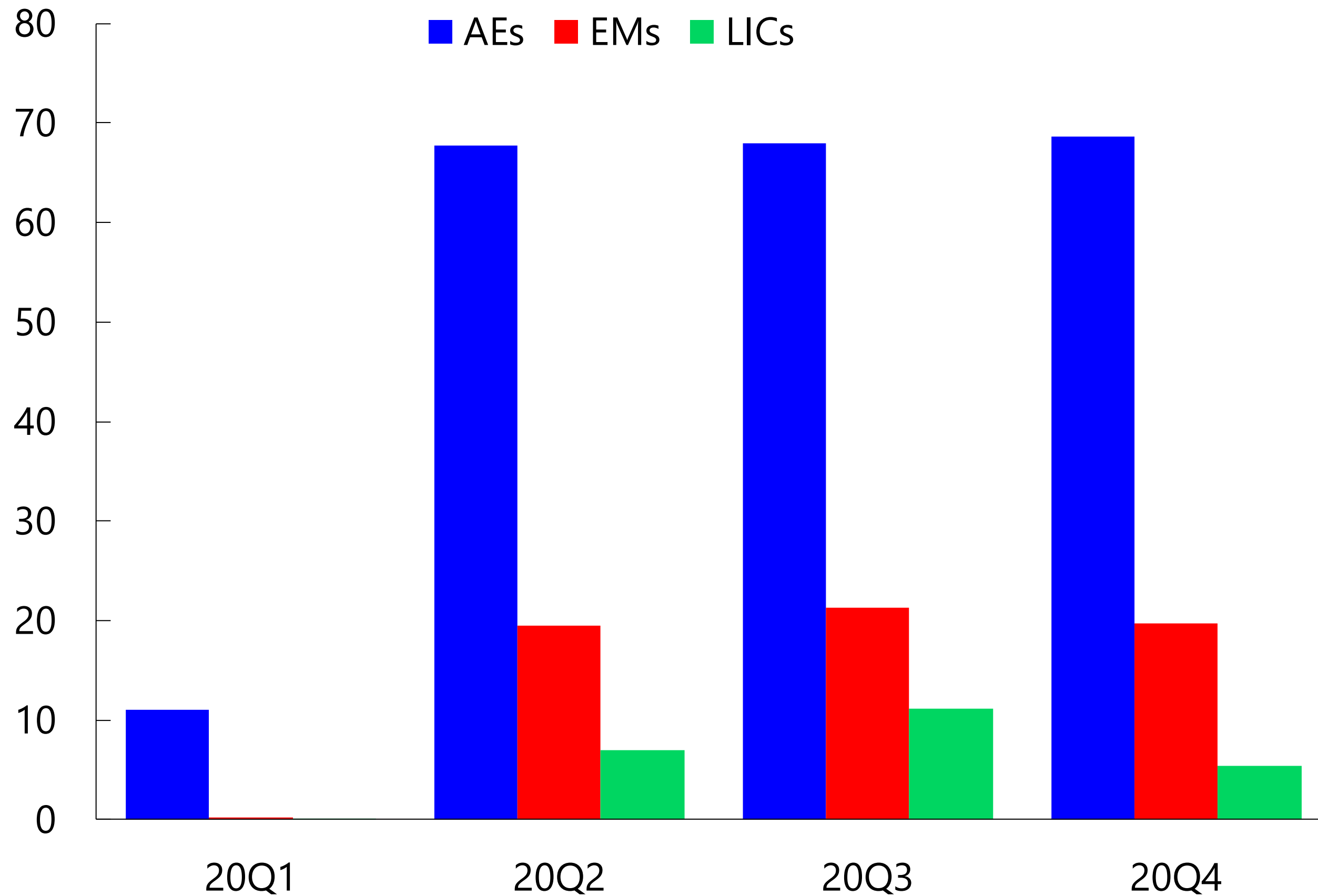
1/ The share of targeted stay-at-home orders is computed as the ratio of the number of countries with geographically targeted stay-at-home orders to the number of countries with stay-at-home orders (either at the national level or geographically targeted).

2/ Lines denote median of 7-day moving averages. Shaded areas are interquartile ranges. A full lockdown includes all "containment and closure" measures in the OxCGRT. The regression sample includes 128 countries.

Fact III: Exceptional support (The snow blanket effect)

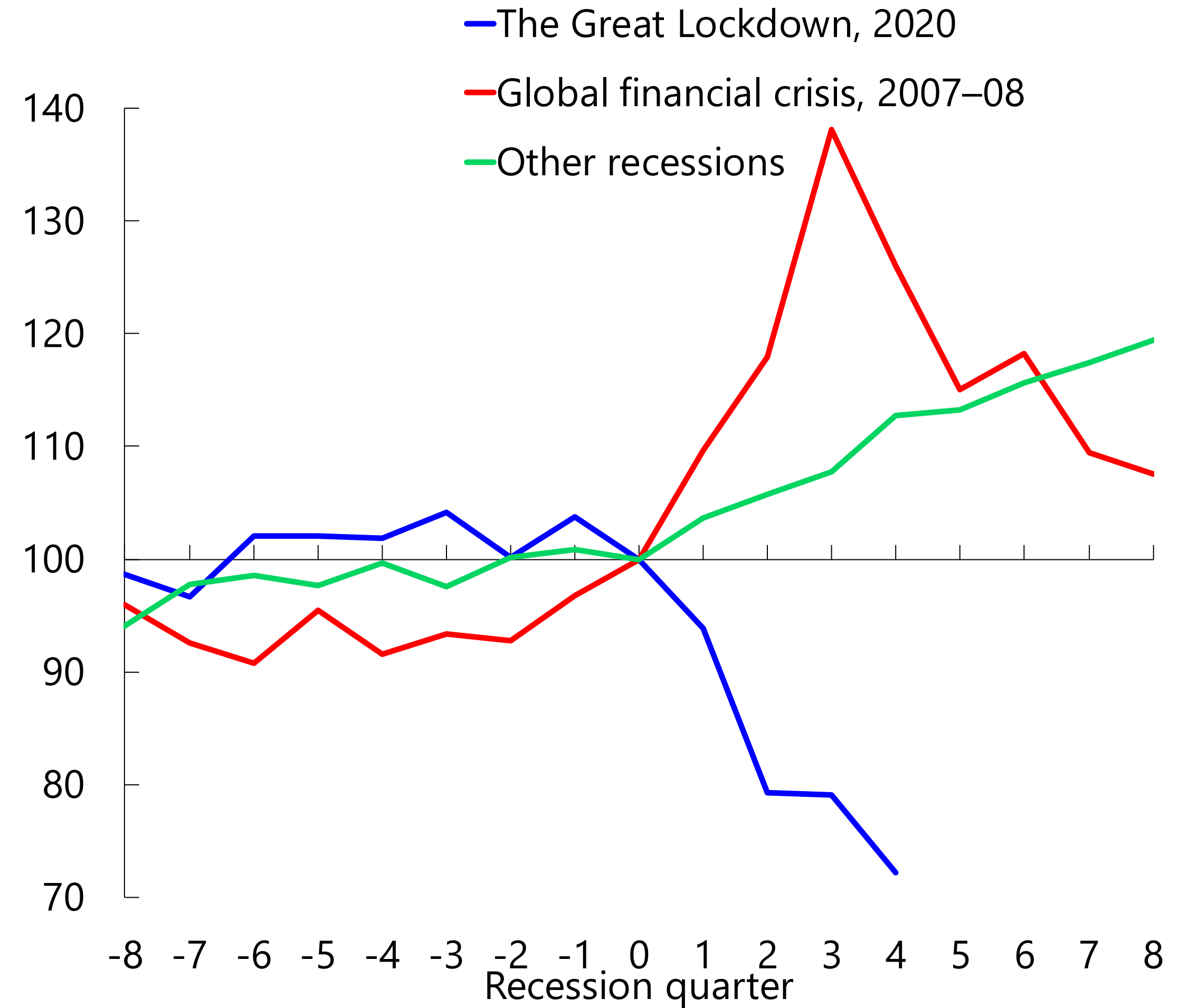
Income support

(share of countries in each income group with higher than 50% replacement income support; percent)



Bankruptcies

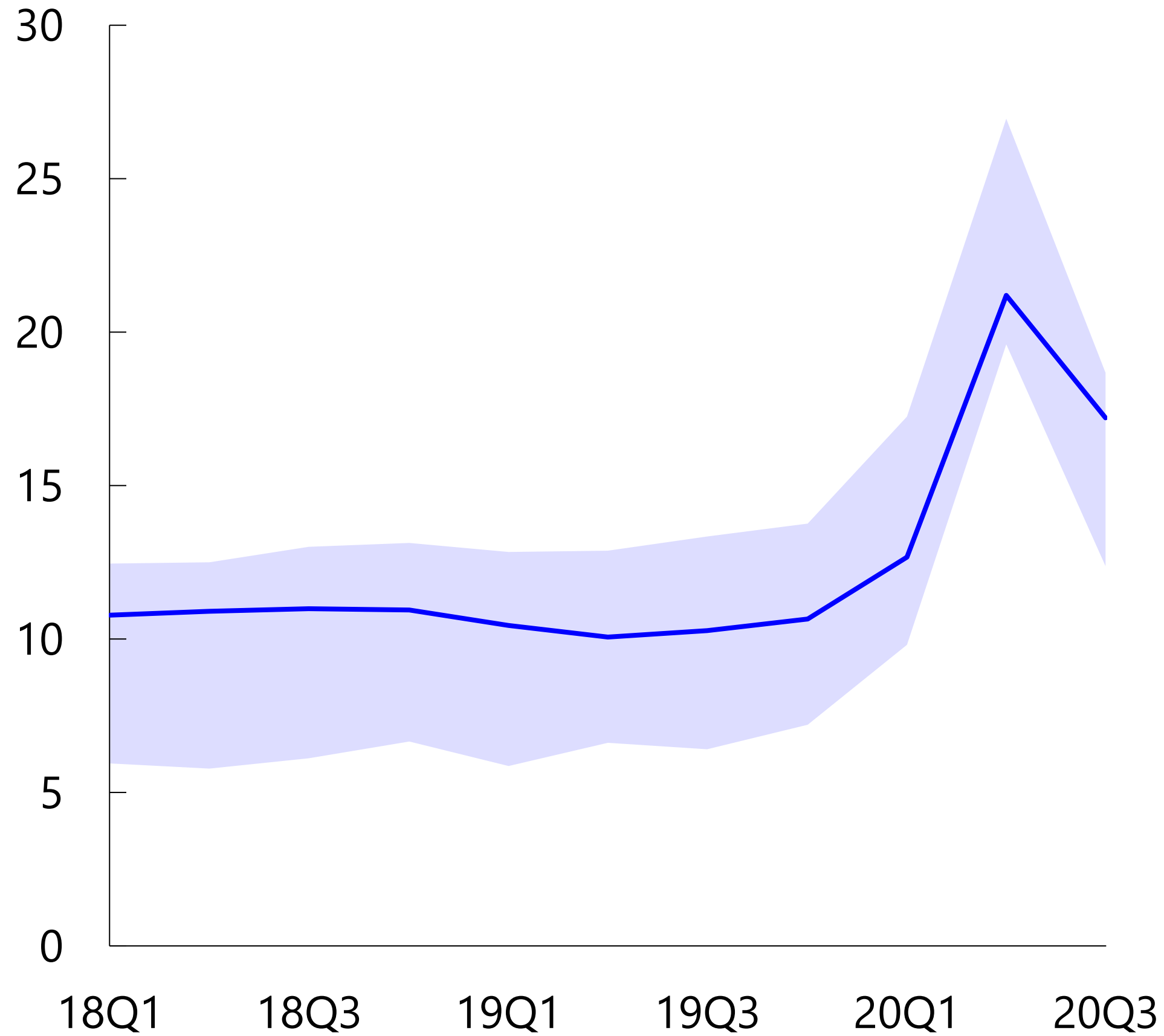
(index; last pre-recession quarter=100)



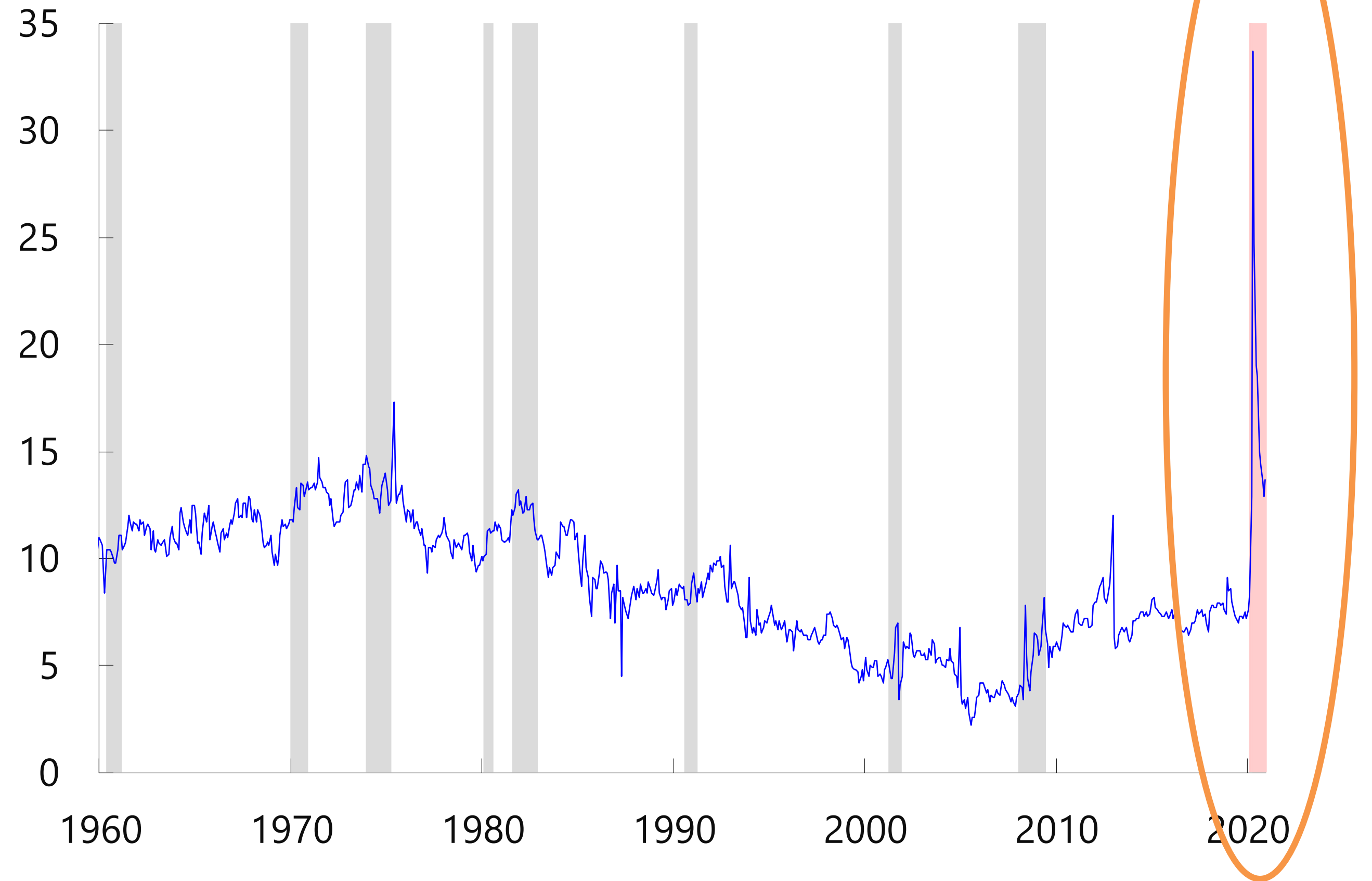
Sources: OxCGRT; CEIC; Haver Analytics; and IMF staff calculations.
1/ Lines denote medians. Shaded area denotes interquartile ranges.

Fact IV: Record saving rate

Household saving 1/
(percent of household disposable income)



Historical saving rate in the US 2/
(personal saving rate; percent)



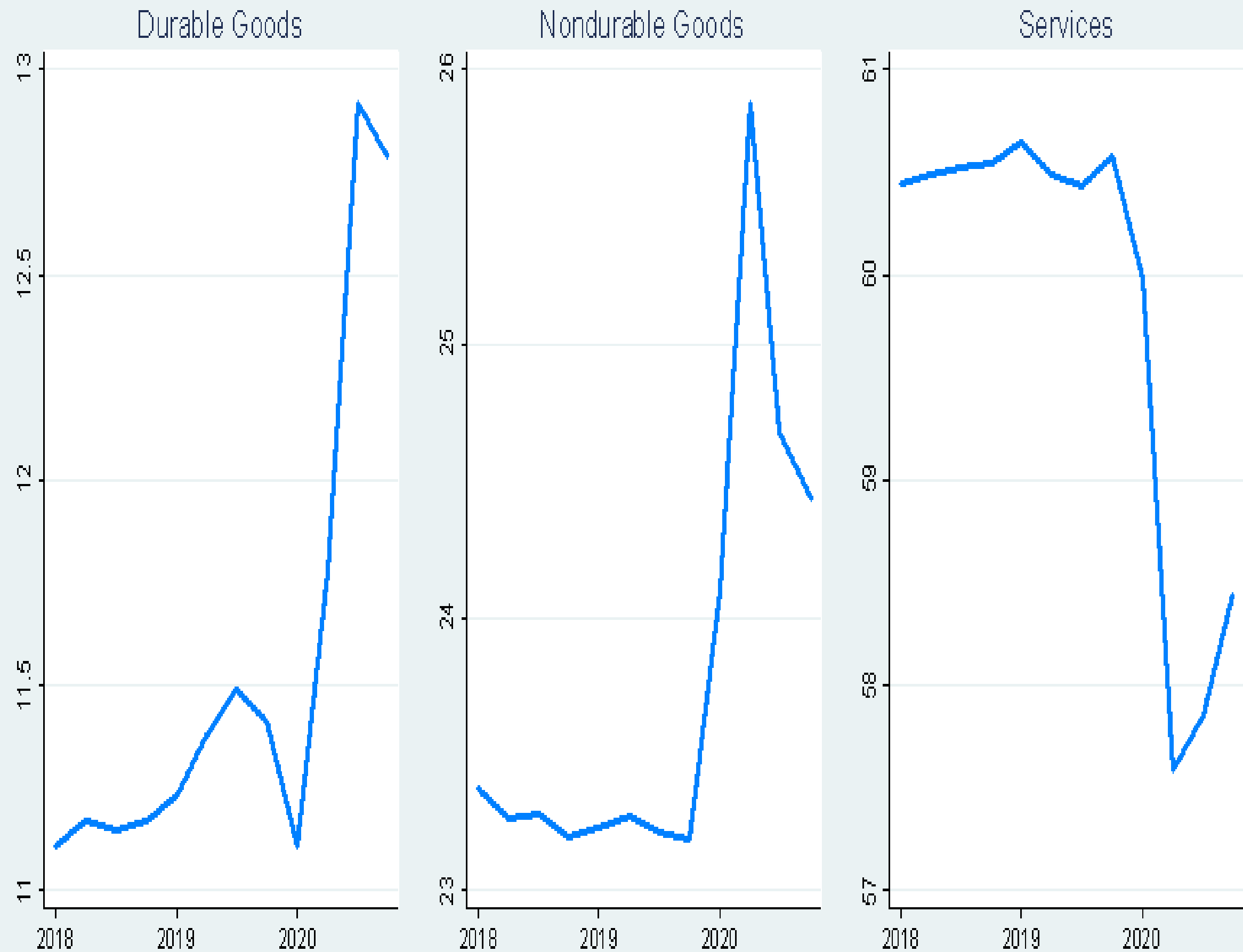
Sources: CEIC; Haver Analytics; U.S. Bureau of Economic Analysis; and IMF staff calculations.
1/ Lines denote medians. Shaded area denotes interquartile ranges. 2/ U.S. recessions are shaded.

Savings and balance sheets

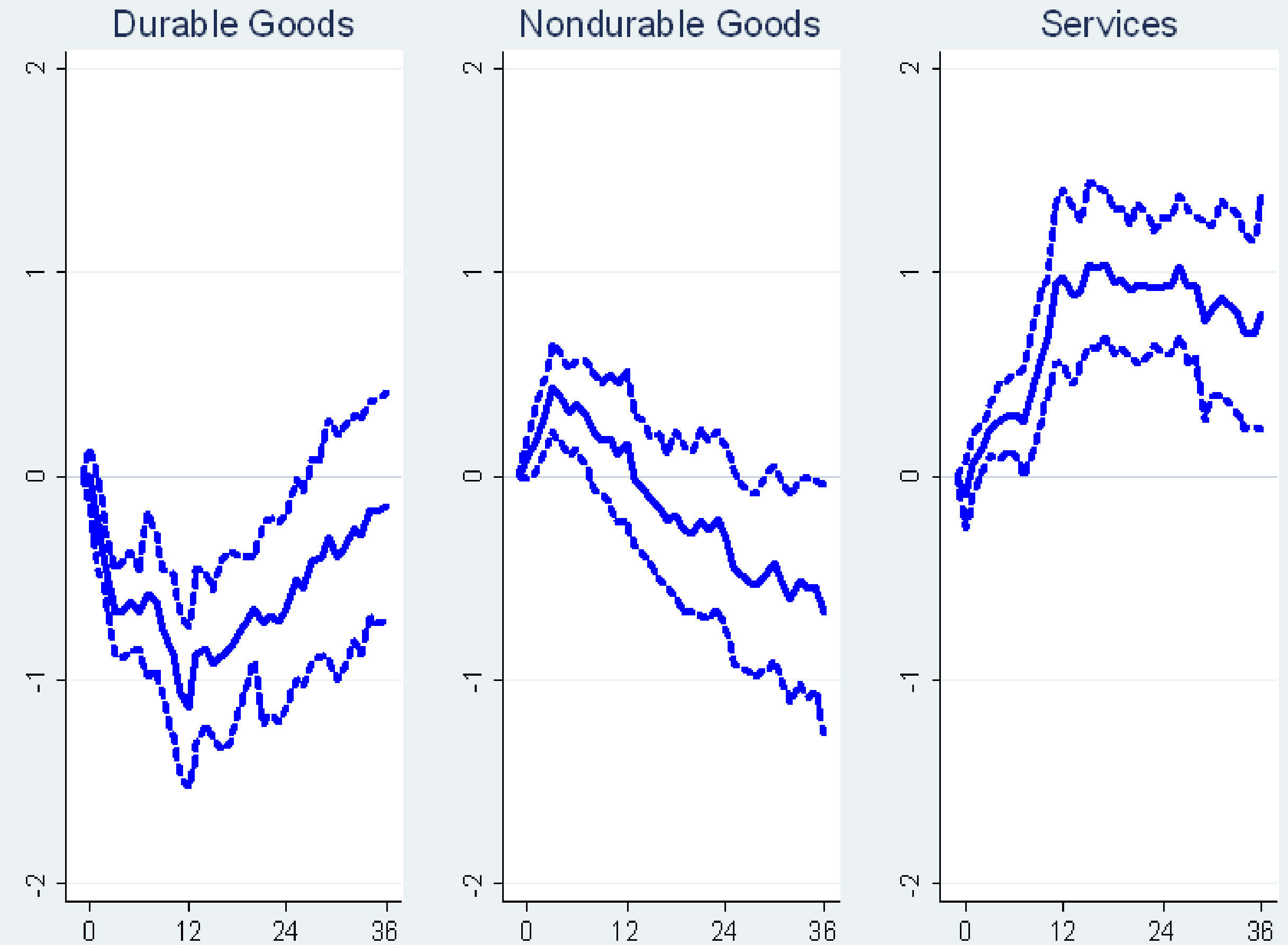
- Smoothing, Precautionary or Forced savings?
- Balance Sheets
 - Households' balance sheets: strong
 - Nonfinancial corporates' balance sheets: mix
 - Banks' balance sheets: good
- Comparison with previous recessions
 - What is different?
 - Implications for the recovery

Fact V: Unique Consumption patterns

Advanced Economies during the Great Lockdown



Past Recessions in the US



Source: Haver, and staff calculations. U.S. Bureau of Economic Analysis, NBER, and staff calculations.

Note: GDP-weighted average for 15 advanced economies (AUS, CAN, DEU, DNK, ESP, FRA, GBR, ISR, ITA, JPN, KOR, NZL, SWE, TWN, and USA)

Estimates of Jordà (2005) local projections for 12 U.S. recessions since 1945. Dashes indicate 90 percent confidence bands.

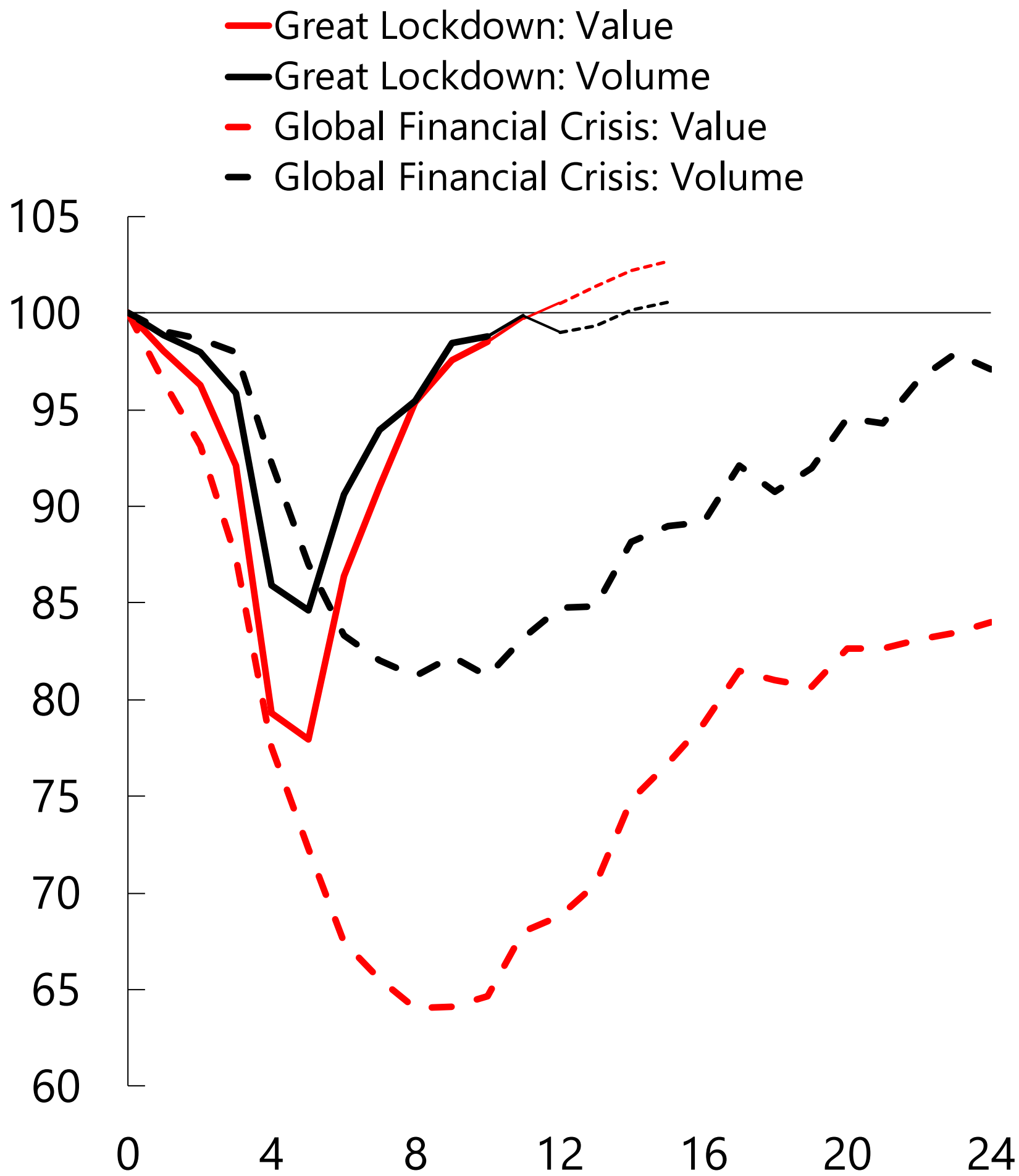
Demand or supply shocks?

- At the beginning of the crisis emphasis on **supply shocks**
- With Leontief production functions (and rigid GVC) a local shock would produce a global shock (in addition some Keynesian effects)
- Elegant models but... reality turned out to be different 😊
- **Supply shocks** less than expected
- **Demand shocks** more relevant (example of car producers/chips)
- Prices did **not** adjust . Social norms

Fact VI: Merchandise Trade and Financial Resilience

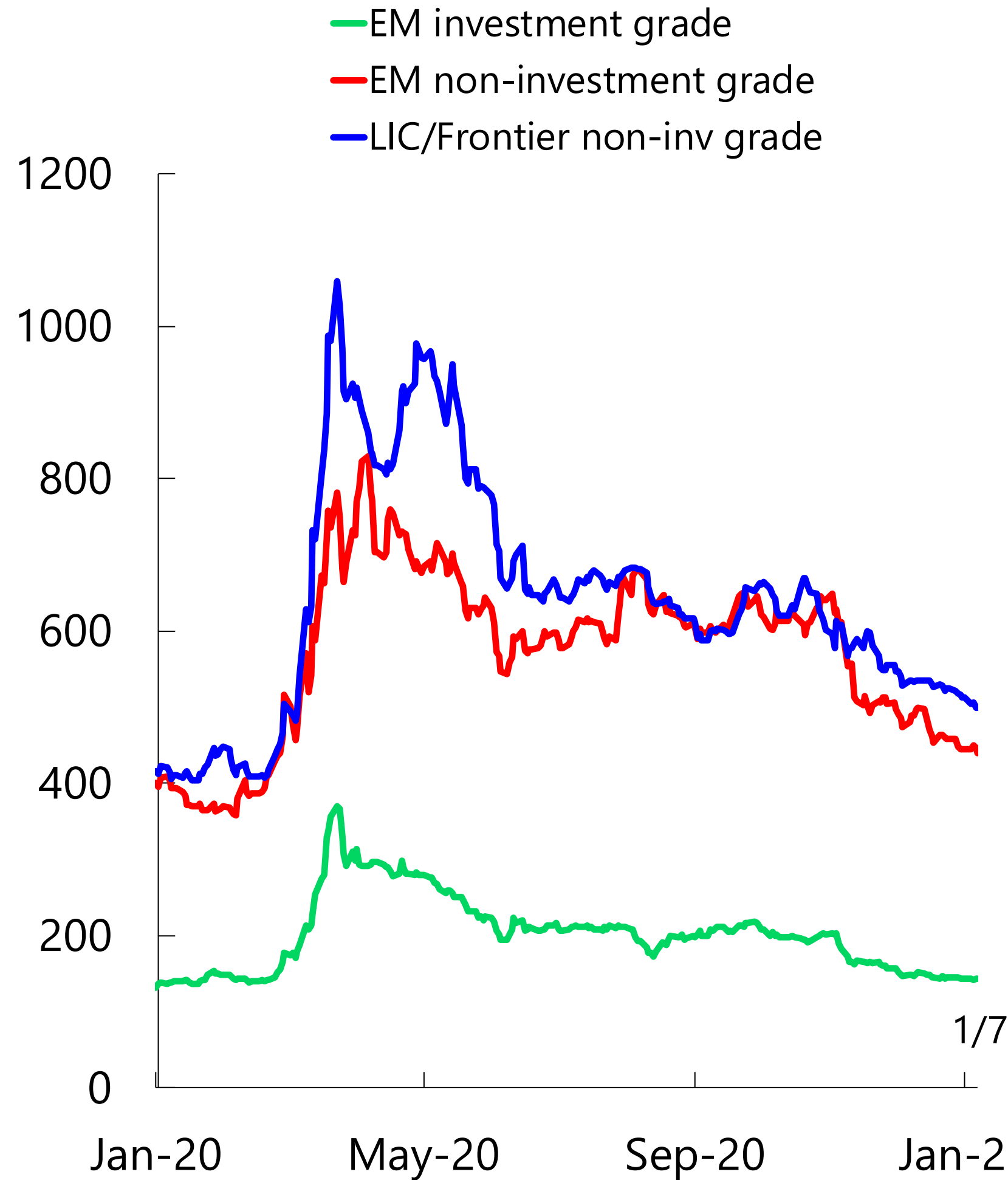
World: Merchandise imports 1/

(index; Jul 2008=100 for GFC; Dec 2019=100 for GL)



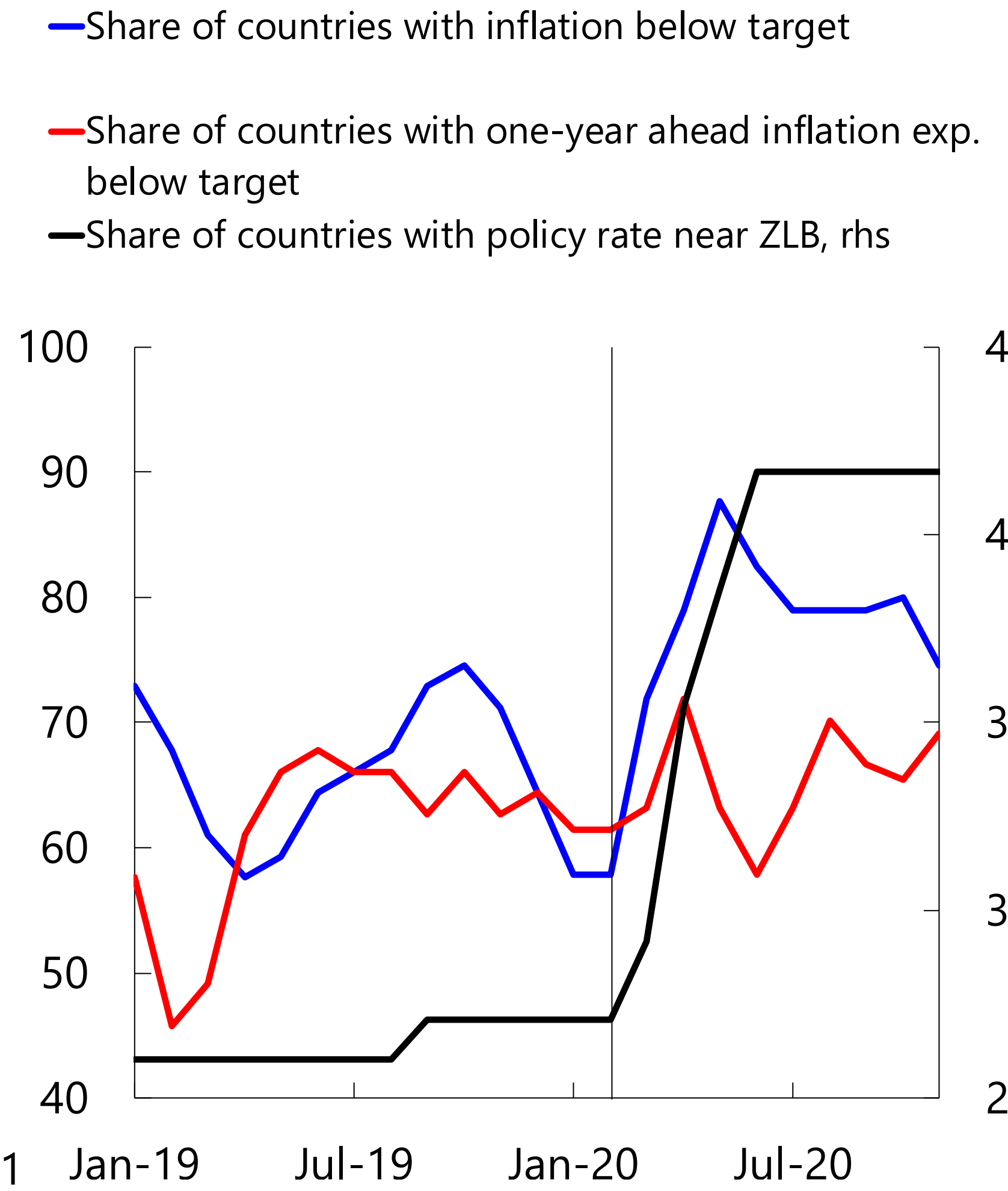
EMBIG spread

(median; basis points)



Inflation and policy space 2/

(percent)



Sources: CPB; Bloomberg; IMF, *World Economic Outlook*; IMF, *Global Data Source*; Haver Analytics; Consensus Forecast; and IMF staff calculations.

1/ Lighter lines indicate nowcasts.

2/ ZLB threshold at 0.5 percent.

Globalization and Resilience

GLOBAL FINANCIAL CRISIS

- Before the GFC, the common wisdom was that financial integration would increase resilience by sharing idiosyncratic risks (Greenspan's doctrine)
- Notable exception: the paper by Rajan at Jackson Hole
- The opposite happened: The GFC showed the common wisdom was incorrect

GREAT LOCKDOWN

- At the beginning of the Great Lockdown: concerns that GVC would amplify the local shocks
- The opposite happened: GVCs proved remarkably stable and merchandise trade is booming

CONCLUSION

The profession **overestimated financial** resilience and **underestimated trade** resilience

Conclusions

- V-shaped recovery
- No financial crisis
- Learning
- Exceptional policy support
- Exceptional saving behavior
- Exceptional consumption behavior
- Resilience

The end
Thanks