

## A V shaped recovery?

Andy Haldane at the Bank of England is an optimist thinking we will experience a quick V shaped recovery. A V shaped recovery implies that the output and incomes we lost in the three months of downturn will be replaced in the following three months. One side of the V, the fall, should be balanced by the other, the recovery.

This requires very fast rates of growth in jobs, output and incomes. If we take the overall downturn as 20% then you need a 25% recovery to get back to where you were. For those badly affected sectors that suffered a halving of their turnover, they need 100% growth from the bottom to recover fully. With car sales down 99% at worst, they need to recover by 10,000% to get back to the start.

There will be fast rates of growth for the sectors coming out of lockdown. It is curious the so called PMIs, the surveys of orders and output undertaken month by month, are not stronger than they are. They are meant to measure the rate of change from the previous month, so where that was very depressed you would expect a very fast rate of growth to recover. Maybe people filling in the forms have allowed general mood to influence their replies, and have not allowed enough for recovery.

The problem is many of the worst affected sectors will not get back anytime soon to where they were, because social distancing and changed patterns of work and leisure behaviour means less business for them. Some entertainment and sports venues will remain closed to audiences for the rest of the year. Some shops will not re-open. Some bars and restaurants will have to accept far fewer customers to allow social distancing.

It is true some businesses will record growth taking them above the levels of January. On line everything will be doing more. Some things will benefit from a rush of sales as people catch up with delayed haircuts or postponed home and car buying. This is unlikely to be sufficient to make up for the weakened areas this year, so I fear we will end the year lower than we began. Full Recovery will take longer.