Invesco

Global Economic Outlook for 2021

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Overview

2020 has been dominated by the Covid-19 pandemic. It first struck China in January and February, coinciding with China's Lunar New Year festival which normally signals the closure of factories and offices across the country for as much as two weeks. This meant that the economic damage to China was less than it would otherwise have been. Even so, the lockdown in the city of Wuhan continued until April. By late February the virus had spread to Europe and North America, leading to lockdowns in Europe, and from there it gradually spread across most of the developed and emerging world. As the first world-scale pandemic for many decades, comparisons have been made to the Spanish flu of 1918-19.

For the economic outlook, three things matter: (1) the impact and duration of successive lockdowns and the associated economic damage done to economies; (2) the scale and design of the economic stimulus policies applied during the health crisis; (3) and how quickly an effective vaccine can be developed and distributed globally to combat the virus.

1. The impact of the virus and the lockdowns has mainly been on older people and on the service sector, and particularly those activities that require in person presence such as live entertainment, restaurants, hotels, travel, and personal services such as beauty salons. In general, therefore, those economies with older aged populations and economies more dependent on services rather than manufacturing have suffered most. In some of these economies there will be permanent damage – or "scarring" – implying that some of those jobs or skills required pre-pandemic will not find a ready demand after the pandemic.

2. The scale – and speed of implementation – of monetary and fiscal measures designed to deal with economic downturns resulting from the virus have been unprecedented. In the words of the IMF Fiscal Monitor of October 2020, "Governments' measures to cushion the blow from the pandemic total a staggering US$12 trillion globally."

3. There are many vaccines in various stages of development and testing. It seems highly likely that an effective vaccine will be available in scale during the first half of 2021, even if repeated doses are required for sustained immunity. Looking forward, the revival of the service sector everywhere will be critically dependent on the development of an effective vaccine that gives people confidence to travel and gather in large groups again.

With major European economies such as Germany, France, Italy, Spain and the UK all embarking on new nationwide lockdowns (as opposed to local lockdowns), and the US experiencing new records in daily infections, there is no immediate relief in sight for these economies.

This means that the fourth quarter of 2020 may well see declines in real GDP, to be followed by an uncertain trajectory in 2021. The year ahead could include a weak first quarter in the northern hemisphere while the virus persists, to be followed by relatively strong bounce-backs through the second and third quarters, especially if a vaccine becomes available. The recoveries in 2021 will be boosted by the huge monetary and fiscal stimulus policies adopted by central banks and governments across the developed world.

For this reason, the recovery in developed economies, once the virus is dealt with, will be much stronger than the anaemic, sub-par recovery which occurred in the aftermath of the Global Financial Crisis (GFC). A decade ago, banks and households needed to repair balance sheets by raising capital and/or de-leveraging and therefore could not take advantage of low interest rates to expand borrowing and spending. On this occasion there is no such problem. On the contrary, encouraged by the monetary and regulatory authorities, broad money and credit have, for the most part, been growing strongly in leading economies. This explains why equity and housing markets have been so buoyant. Such a background almost invariably leads subsequently to strong growth of spending – but this will only happen once the uncertainties and social distancing associated with the virus are largely overcome.

In China and other East Asian economies, by contrast, most economies are on a steady but unspectacular recovery path, aided by modest interest rate reductions and reserve requirement cuts. However, few have felt it necessary to engage in extraordinary measures such as quantitative easing (QE), and some, like China, have been restrained by the authorities' desire to continue to de-leverage the economy.

Asia has unquestionably performed better in suppressing the virus, but now and in 2021 it will likely be faced with the problem of generating an economic upswing in which the demand for its exports is less buoyant than in a typical export-led recovery. Economies like China and Japan should see good domestic demand growth, but exports, their traditional area of strength, will be slower to recover.

Table 1 (%)
Consensus & Invesco forecasts for 2020 & 2021

	2020 Estimate		**2021 Consensus Forecast (Invesco forecast)**			
Consensus Economics	**Real GDP**	**CPI inflation**	**Real GDP**		**CPI inflation**	
US	-4.0	1.2	3.7	(3.8)	2.0	(2.2)
Eurozone	-7.5	0.3	5.3	(4.5)	0.9	(1.0)
UK	-10.1	0.9	5.7	(6.0)	1.5	(1.2)
Japan	-5.7	0.0	0.6	(2.5)	0.7	(0.2)
Canada	-5.8	0.7	4.9	(5.0)	1.7	(2.0)
China	2.3	2.8	7.9	(7.5)	2.0	(2.0)
India	-9.7	5.5	10.9	(10.8)	4.4	(3.5)

Source: Consensus Economics. Survey date: 12 October 2020.

United States

The outlook for the United States will be determined by the balance between two opposing forces. On the one hand, the scale of the combined monetary and fiscal support from the Federal Reserve (Fed) and the federal government is, in our judgement, larger than equivalent policies implemented by any other major economy. The monetary stimulus is best measured by the increase in a broad money measure such as M2: up by US$3.2 trillion (+20.7%) since the end of February. The total federal fiscal stimulus for the economy – in immediate support measures, tax deferrals and other liquidity or guarantees – since the start of the crisis amounts to US$3.061 trillion (or 14.3% of 2019 GDP). Already we have seen the phenomenal impact on asset markets – for example, the S&P500 is up by over 55% since the 23 March low and home prices – such as the S&P Case-Shiller 20-City Index – are up 5.2% over the year.

In addition, the Fed's forward guidance implies that the Fed funds rate will be kept at the current 0.1% at least until 2023. Since the same forces that drive asset prices also feed through to spending on goods and services, as and when the US health authorities start to succeed in overcoming the virus, the lagged impact on spending of the large injections of money and credit could be enormous.

On the other hand, the failure of the out-going Trump administration to craft a coherent national response to the pandemic means that the US is still experiencing very high rates of infection and widespread dislocations of key industries such as airlines, hotels and hospitality, and a whole range of in-person services. There has consequently been a high degree of uncertainty among consumers and businesses as to whether to spend or hold back from spending in case conditions deteriorate further. Detailed statistical data shows that the higher income groups have cut back drastically on spending, while the lower income groups, having less latitude to do so, have depended heavily on government support schemes. At the same time, a disproportionate share of these workers is employed in low-paid service jobs and have therefore either been furloughed or become unemployed.

The widely differing impact of the coronavirus on spending is clearly reflected in the dramatically changed composition of US personal consumption expenditure (in real terms and extracted from the GDP). While overall consumer expenditure has decreased from US$13.354 trillion to US$12.917 trillion between the fourth quarter of 2019 and the third quarter of 2020, over the same period spending on services has slumped from an annual rate of US$8.584 trillion to just US$7.925 trillion. In complete contrast, spending on durable goods is up from US$1.811 to US$2.026 trillion and spending on non-durable goods is up from US$3.070 trillion to US$3.140 trillion.

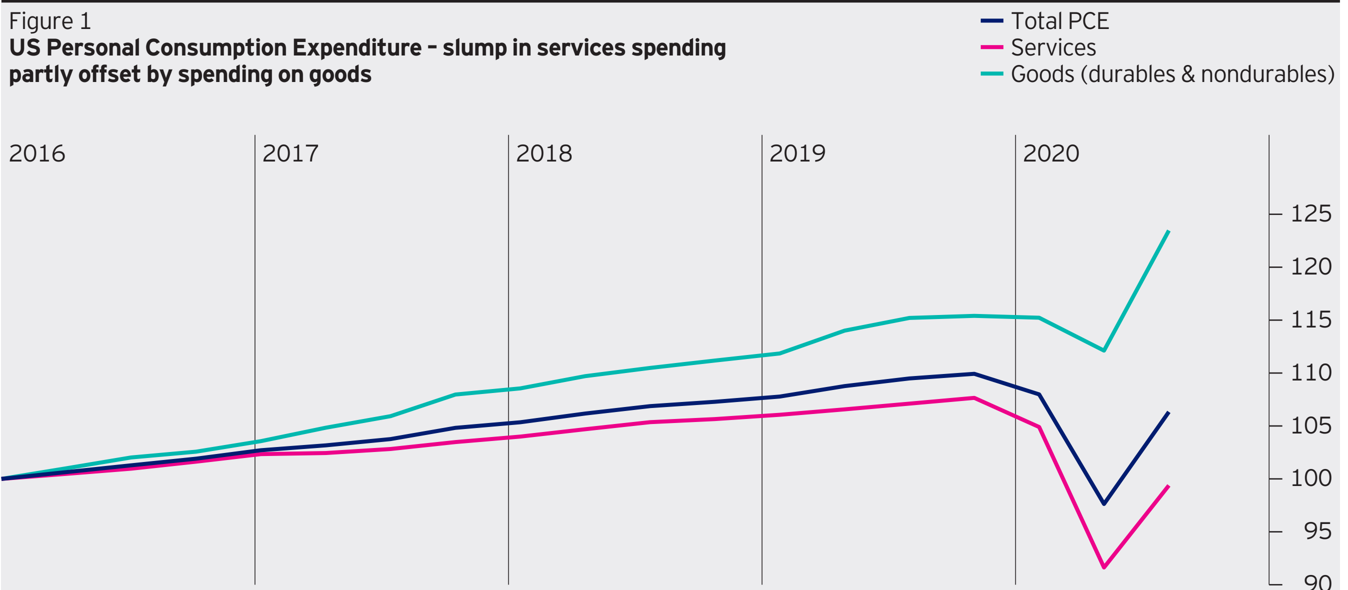
Writing in the immediate aftermath of the US election it is particularly hard to make forecasts, but it seems certain that, whatever the politics, there will be further fiscal support policies enacted by Congress either before yearend or in January. At the same time the Fed's monetary policy will remain highly accommodative in three senses: holding down the Fed funds rate at 0.1%; continuing to inject funds into the economy through QE and other lending facilities at the current rate of US$120 billion per month; and giving forward guidance that short-term interest rates will be kept low until the labour market has reached "maximum employment" and inflation is at or above the 2% target.[1] In our view the injection of money during the months of March-July was so large that, even if the Fed does nothing more, there will be ample spending power available in the economy until at least mid-2021.

As a result of Fed, federal government and banking operations, the amount of money held by the public, or M2, increased by an astonishing 33.2% at an annual rate between March and September, and 24.1% on a year-on-year basis at the end of September. If M2 growth returns to just 6% p.a. in the period to March 2021, we calculate that year-to-year M2 growth will still be as high as 14%.

After the 33% surge in real GDP in the July-September quarter, we now expect some slowdown, or even a decline in the October-December quarter of 2020 associated with the second wave of the pandemic, a weak start to 2021, to be followed by much greater strength in the second, third and fourth quarters. Overall, we expect US real GDP growth of 3.8% in 2021. Meantime, inflation will likely remain subdued at just 2.2% in 2021 on account of earlier falls in oil prices and the on-going setbacks to spending on services but could start to rise in 2022.

Figure 1

US Personal Consumption Expenditure – slump in services spending partly offset by spending on goods



Source: Refinitiv as at 12 November 2020. (US$ billions, at chained 2012 prices). (2016 Q1=100).

After declining by 3.8% and 11.8% in the first and second quarters of 2020, euro area real GDP rebounded strongly by 12.7% in the July-September quarter, making up about half of the contraction in the first half of the year. However, coronavirus infection rates surged in late summer and early autumn, requiring an intensification of containment measures such as social distancing. In October and November regional or national lockdowns were enforced across most of the euro area. Reflecting the resurgence of the virus, recent hard data, survey results and high-frequency indicators all point to a decline in economic activity in the October-December quarter.

In addition, economic developments continue to be uneven across sectors. Activity in the services sector is slowing again as this sector is most affected by the new restrictions on social activities and mobility. Looking ahead, the uncertainty related to the evolution of the pandemic will likely dampen the strength of the recovery in the labour market and in consumption and investment. As European Central Bank (ECB) officials are inclined to say, the risks surrounding the euro area growth outlook for 2021 are clearly tilted to the downside.

The question is, how supportive and expansionary do monetary and fiscal measures need to be to turn the outlook from a prevalence of downside risks to strong prospects once the virus is brought under control?

On the monetary front the ECB had already moved its main refinancing rate to 0% and its deposit facility rate to -0.5%, limiting its ability to do more in this area. However, in March officials announced the implementation of a Pandemic Emergency Purchase Programme (PEPP), targeting private and public sector securities (including Greek government securities). In June 2020 the original €750 billion was expanded by €600 billion to a total of €1,350 billion. At 30 October, the ECB held €627.6 billion in the PEPP. The purchases are based on the "capital key" (or share of the national central banks in the ECB) and will continue until the Governing Council judges that the Covid-19 crisis phase is over and, in any case, until at least the end of June 2021 with reinvestment of the principal payments from maturing securities until at least the end of 2022.

The third instrument in the ECB's toolkit is the targeted long-term refinancing operations (TLTROs) under which it lends money to banks at subsidised rates if they on-lend the funds to corporate or household borrowers (but not for mortgages). At 30 October the amount of all TLTROs outstanding was €1,753 billion.

While together these tools have increased the size of the ECB's balance sheet by just over €2 trillion (from €4.704 trillion to €6.776 trillion) since mid-March, the disappointing fact is that the broad measure of money in the euro area, M3, has increased by less than €1 trillion (or from €13.476 trillion to €14.180 trillion), or from 5% p.a. pre-Covid to 10.4% year-on-year in September 2020 (see Figure 2).

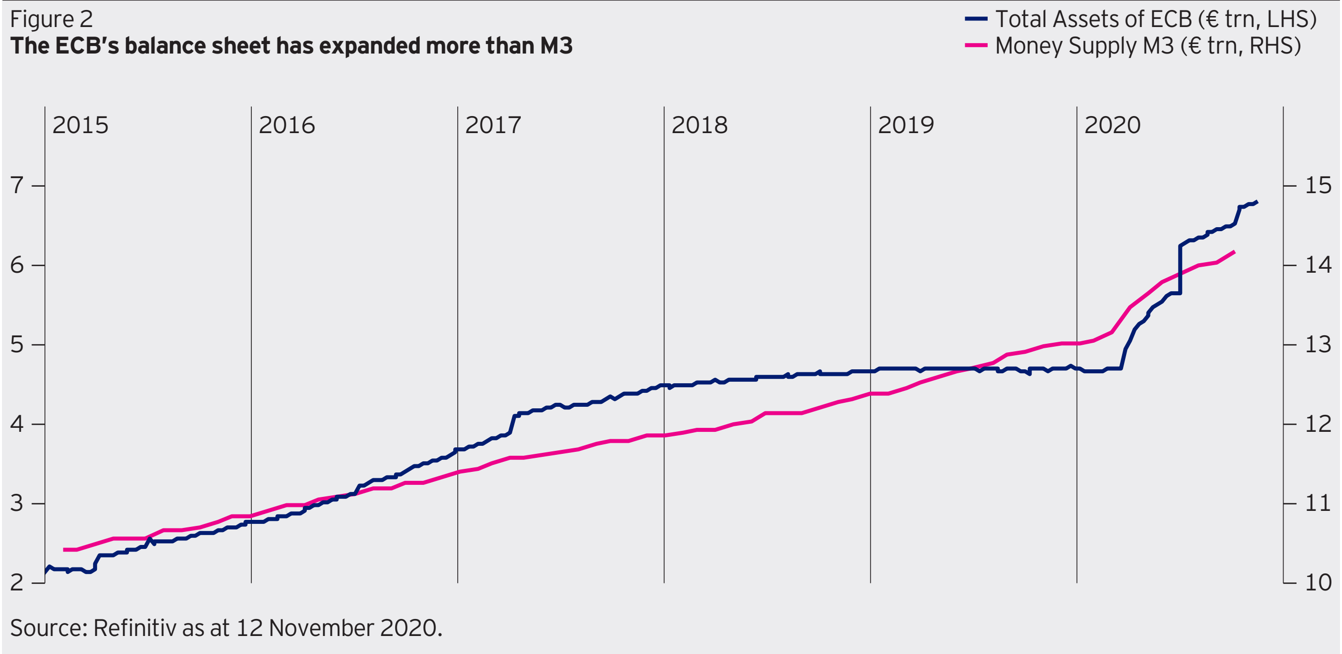
The main shortcoming of the PEPP concerns the counterparties to ECB purchases. Once again, as with earlier asset purchase programmes, the ECB continues to purchase most of the securities in the PEPP from banks instead of non-banks, with the result that these operations do not directly create new deposits or money in the banking system. It relies on banks to make loans and therefore money growth is much less than it would have been if the ECB had purchased securities from non-bank institutional investors.

Nevertheless, even on this handicapped basis, the euro area economy should continue to be supported by favourable monetary conditions (in the sense of M3 growth) and a pro-growth stance by the ECB and the regulatory authorities. These forces will continue to outweigh any fiscal proposals or any EU-level bond issuance programme.

Euro area annual headline inflation decreased to -0.3% in September, from -0.2% in August, reflecting developments in the prices of energy, non-energy industrial goods and services. Based on oil price dynamics and considering the temporary reduction in German VAT, headline inflation is likely to remain negative until early 2021. Moreover, near-term price pressures will remain subdued owing to weak demand, notably in the tourism and travel-related sectors, as well as to lower wage pressures and the appreciation of the euro exchange rate. Once the impact of the pandemic fades, a recovery in demand, supported by accommodative fiscal and monetary policies, will put upward pressure on inflation over the medium term. Market-based indicators and survey-based measures of longer-term inflation expectations remain broadly unchanged at low levels.

We expect 4.5% real GDP growth in 2021 and inflation of just 1%.

Figure 2
The ECB's balance sheet has expanded more than M3



Source: Refinitiv as at 12 November 2020.

United Kingdom

Within the global context of the Covid-19 pandemic, the UK has performed relatively poorly in comparison to other economies. With respect to total deaths, the UK places fifth in the world, whereas with respect to total deaths per capita the UK falls to thirteenth. After "locking down" the economy for several months beginning in March 2020, both the growth in cases and deaths fell substantially as the UK entered the summer months. The strategy at this time transitioned from nationwide lockdowns (with the corresponding damage to economic activity) to a "test, trace, and isolate" system to combat the virus at a more local level. Unfortunately, this strategy failed, and a local tiered system of social restrictions was introduced in September, with England heading into a second national lockdown lasting 27 days on 5 November 2020. This will have a significant impact on 2020 Q4 real GDP, and potential extensions may roll over into 2021.

The monetary and fiscal authorities in the UK responded remarkably swiftly to the Covid-19 pandemic recession with a suite of packages designed to support the real economy through the economic downturn. The first recorded cases (at that time) were detected in late February 2020, and by late March 2020 both monetary and fiscal policy had expanded accordingly. On the monetary side, credit drawdowns from the commercial banking system by the private non-financial sector totalled around £60 billion, whilst the Bank of England (BoE) decided to purchase additional gilts in March 2020 (£200 billion) and further tranches in June (£100 billion) and November (£150 billion). On the fiscal side, cash grants and loans for businesses affected by lockdown twinned with a furlough scheme for employees that became unemployed came into effect, with almost 10 million people furloughed as of November 2020.

All through the Covid-19 pandemic emergency there has lurked the spectre of Brexit, with trade talks between the UK and the EU still ongoing. The most likely outcome continues to be a "skinny" goods trade deal that will need to be enhanced as trade negotiations continue in the years to come.

As we have highlighted in previous 'Economic Outlooks', the regime uncertainty associated with these trade talks has had a significant effect on investment spending in the UK, with real growth rates of investment spending falling following the Brexit referendum. Until a fully fleshed out trading arrangement with the EU materialises, businesses will continue to feel the effect of regime uncertainty and real GDP growth will remain below trend.

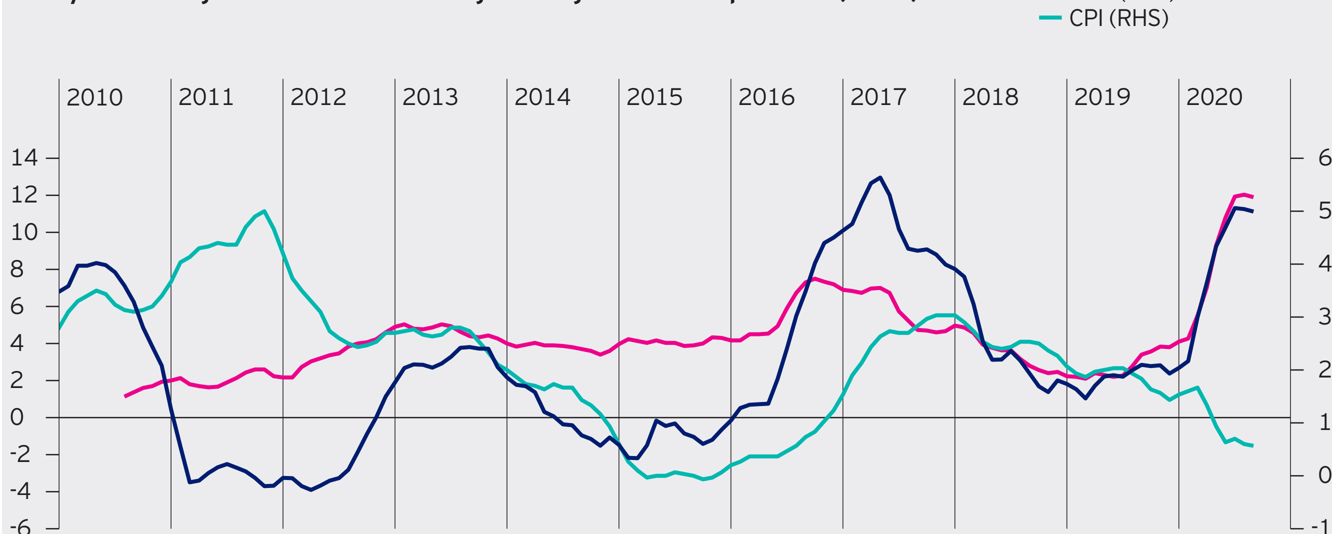
As previously mentioned, at the start of the Covid-19 pandemic in March 2020 there was a "dash-for-cash", with investors fleeing riskier assets to safer, more liquid assets (cash and gilts). The banking system responded appropriately, with both the BoE and commercial banks expanding their balance sheets considerably. This process has led to a significant acceleration in the growth rate of the broad money supply. On the official (M4x) measure of the broad money supply, the growth rate has increased from 4.3% year-on-year in February 2020 to 11.9% in September 2020, with our measure of broad money growth increasing by a similar amount. The November decision of the BoE's monetary policy committee to increase asset purchases again will provide further support for money and credit growth in 2021.

Looking into 2021, the path of economic growth is an uncertain one, owing primarily to the unpredictability of the coronavirus. Monetary policy will remain extremely accommodative and as and when a vaccine is manufactured and distributed nominal spending will begin to strengthen.

For the UK, we forecast real GDP growth of 6% and inflation at 1.2%, albeit with a high margin of error.

Figure 3
Money and credit growth in the UK have surged during the Covid-19 pandemic (% YoY)

Broad Money Proxy (LHS)
M4x (LHS)
CPI (RHS)



Source: Macrobond as at 12 November 2020.

Japan

For Japan the two key events of 2020 have been the impact of the coronavirus pandemic from March onwards and the resignation of Prime Minister Abe on health grounds on 16 September, leading to his replacement by Chief Cabinet Secretary Yoshihide Suga. On accession to office, Mr Suga was quick to emphasise the consistency of his economic policies with those of Mr Abe. In a speech to the Diet on 26 October, he stressed the importance of containing Covid-19 while simultaneously promoting economic growth. Whilst not explicitly reviving Mr Abe's "three arrows", Mr Suga emphasised his desire to revive the Japanese economy by means of structural reforms – the third arrow – such as enhancing the mobility of labour and digitalisation (including the creation of a new Ministry of Digitalisation). In a significant change compared to the previous Abe administration, he also proposed measures to make Japan's economy greener, for example, announcing the target of achieving carbon neutrality by 2050. Instead of presenting a grand design for transforming the Japanese economy, his speech was characterised by concrete short-term schedules for the implementation of each element in his plan.

On the more traditional policy fronts of monetary and fiscal policy he left Mr Kuroda in charge of monetary policy at the Bank of Japan (BoJ) and continued the series of supplementary budgets begun by his predecessor to deal with the Covid-19 crisis.

Monetary policy under Mr Abe's designated Governor of the BoJ, Mr Haruhiko Kuroda, has been characterised by a huge increase in the size of the balance sheet of the BoJ to over 120% of GDP under the grandiose title of "Quantitative and Qualitative Easing" (QQE). However, the policy has also featured a persistent undershooting of the 2% inflation target set for core consumer price inflation (i.e. excluding fresh food prices). The basic reason for this failure in our view is that during the first seven years of Mr. Kuroda's tenure (March 2013 to March 2020) the average growth of the money supply (M2) was only 3.3% p.a. compared with 6% p.a. required for 2% inflation by our calculations.

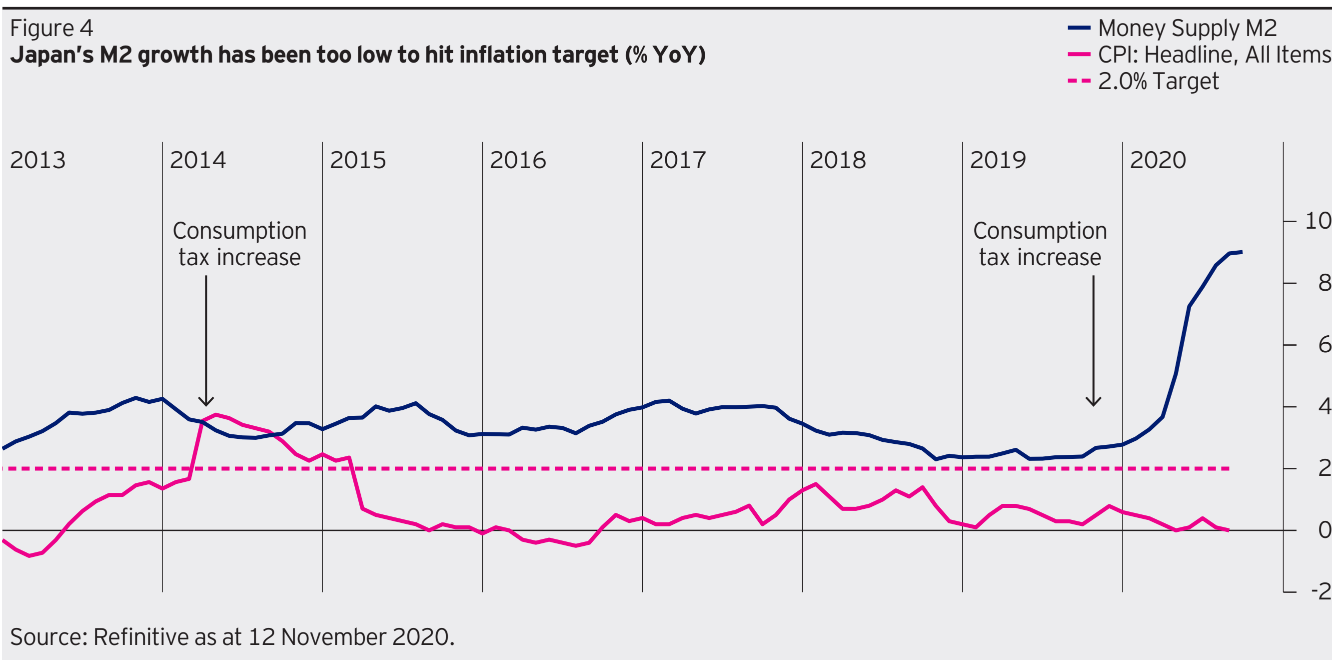
The underlying cause of this shortfall in turn was the purchase of most BoJ's securities under the QQE programme from banks instead of non-banks – exactly as in the case of the ECB.

Since March, however, there have been two significant changes – at the BoJ and at the banks – creating the prospect of an abrupt break in outcomes. First, the BoJ has doubled its direct loans to banks from ¥49 trillion in February to ¥108 trillion in October. Second there was a large drawdown of loan facilities by companies from commercial banks in March, April and May, with the total assets of Japanese banks jumping by ¥20-30 trillion per month (US$190-285 bn). The result is that, for the moment, M2 growth has surged from 3.3% year-on-year in March to 9% in October.

Returning to fiscal policy, on 10 November Economy Minister Nishimura announced a new supplementary budget to be introduced to the Diet before yearend that will focus on shifting to a "green" society. The size has not been decided, but ruling party lawmakers have called for between ¥10trn and ¥30trn (US$95bn – US286bn) in new spending. This is in addition to the US$2.2trn already deployed in two "stimulus" packages earlier in the year. In combination with earlier fiscal spending, deferrals of tax payments and social security taxes plus other credit lines and guarantees, Japanese fiscal support to the economy will generate a general government overall deficit that the IMF calculates will reach 14.2% of GDP in 2020.

Based on the temporary boost to money growth and the fiscal boost to the economy we expect 2.5% growth of real GDP in 2021, but inflation to remain at a sub-par 0.2% only.

Figure 4
Japan's M2 growth has been too low to hit inflation target (% YoY)



Source: Refinitive as at 12 November 2020.

Emerging Markets

Growth across emerging market (EM) economies fell less than in advanced economies at the peak of the Covid-19 pandemic; according to the Institute for International Finance's (IIF) EM growth tracker growth fell to 2.4% per annum in May 2020. Recovery in EM has been relatively robust, with the region returning to growth in July 2020 and registering growth of over 5% per annum in August 2020, the latest data point available. The largest contractions in economic activity were recorded in the EMEA region, whereas Asia (led by China) experienced the smallest fall in the growth rate in economic activity.

Non-resident capital flows (both equity flows and debt flows) have recovered since the massive sell-off in March 2020. In late March, non-residents were withdrawing equities from EM at a rate of around US$2 billion each day and debt securities at a rate of around US$800 million each day. Investment sentiment shifted significantly as central banks began fulfilling the demand to hold safer, more liquid securities, paving the way for a recovery for non-resident flows into EM. Broadly, the countries that were more successful in controlling Covid-19 have benefited from stronger, quicker recoveries in non-resident flows. Flows into China and South Korea have been strong.

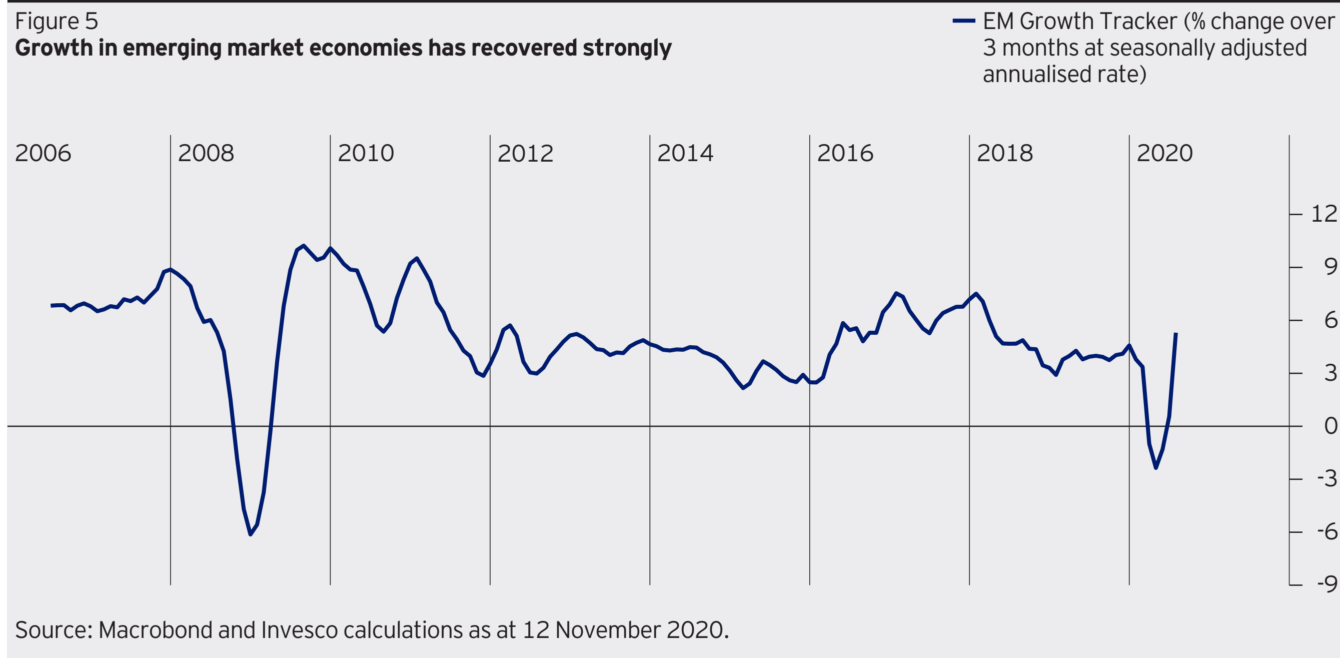
Turning to China (which is essentially one quarter ahead in the recovery compared to the US) growth has started to return to trend, of around 5-6% per annum. Our Chinese Economic Activity Index showed growth of 1.2% year-on-year in September 2020 and is on a clearly rising trajectory towards trend growth.

Money and credit growth (led by commercial bank lending) has increased only slightly in 2020, from around 8.5% per annum to 10.5% per annum in September 2020. Reflecting this, China will not experience a cyclical credit-driven boom akin to 2016-17, but will rather slowly return to trend growth, most likely in 2021 H2.

Throughout 2020, EM currencies have weakened to varying degrees, with the average in relation to the US dollar down around 10%. This is another case of the "dash-for-cash" as investors sold risky EM assets in favour of safer, liquid assets. The Fed responded appropriately by flooding the market with US dollars, increasing the US broad money supply by over US$3 trillion since March 2020 and providing US$ swaps to 14 central banks. As the US dollar weakens, EM currencies will tend to strengthen over the medium-term (with a few exceptions such as the Turkish lira and the Argentinian peso, where money and credit growth is once again excessively high).

The 2021 outlook for EM economies is therefore relatively optimistic, based on a weaker US dollar and progress being made towards a Covid-19 vaccine.

Figure 5
Growth in emerging market economies has recovered strongly



Source: Macrobond and Invesco calculations as at 12 November 2020.

Commodities

Broad money and credit growth have exploded in many economies across the world, including the four largest advanced economies we track and China. This is in stark contrast to money and credit growth rates in the last business cycle (between 2009 and 2019) when typically, growth rates were between 0% and 5% year-over-year. Lack of money growth led to anaemic growth rates in commodity prices broadly defined during the post-GFC recovery, a situation which is set to reverse over the medium-term in the current recovery.

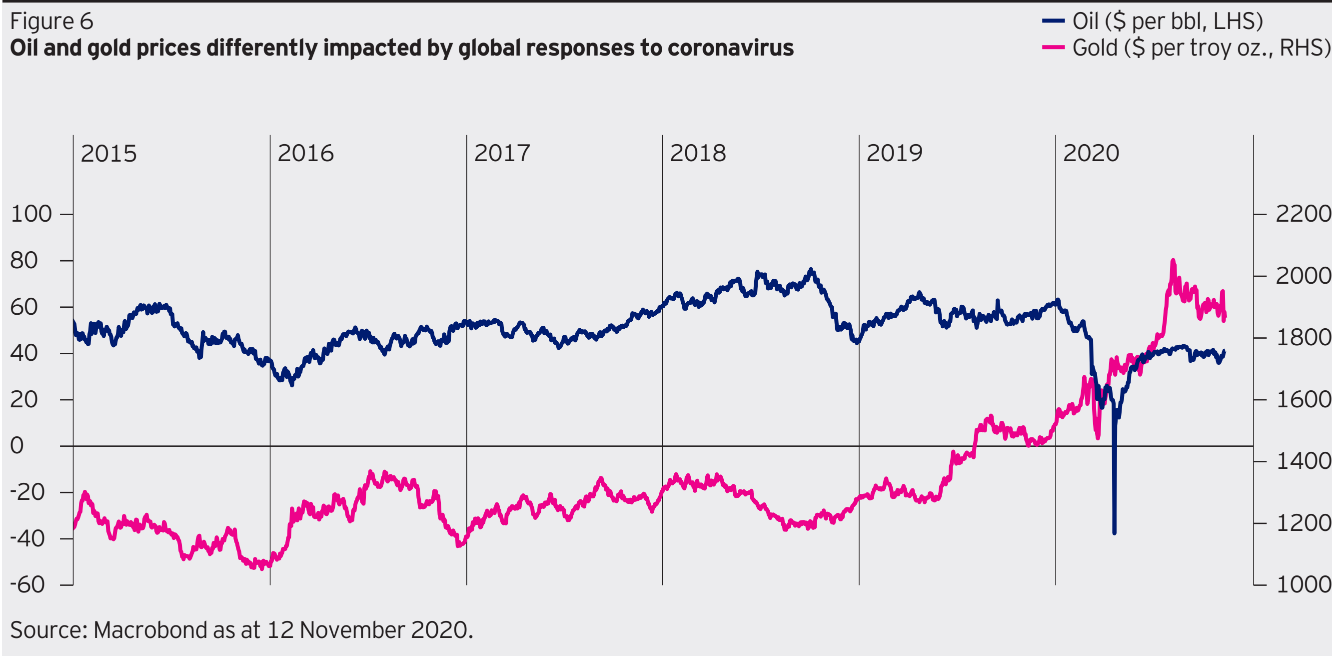
As historically large monetary stimulus has boosted cash balances, asset prices in general have recovered strongly, with commodity prices participating in this rally. Since the bottom on 24 April 2020, the S&P GSCI commodity total return index has increased by slightly over 40%, as excess cash balances flowed into risk assets and the desire to hold safe, liquid assets abated. Certain commodities, most notably lumber, experienced massive price increases in 2020, with lumber prices more than doubling from their low on 2 April 2020.

2020 has been a tumultuous year for the oil market. Oil prices began 2020 by drifting lower, driven primarily by recessionary worries, trade anxieties, and excess supply stemming from LNG production in the US. The Covid-19 pandemic arguably has its largest effect on consumer spending and aggregate demand, to which the oil market is highly sensitive, so when it became apparent that Covid-19 would spread globally oil prices plunged.

Incredibly, due to logistical constraints in storing a large supply of oil and severely suppressed demand, oil futures contracts turned negative on 20 April 2020, reaching US$-38/barrel over the course of the day (see Figure 6).

The outlook for gold (following the transmission mechanism and the business cycle) should manifest in two stages: in the first stage nominal long-term interest rates should start to rise steadily, resulting in higher real yields as the global economy emerges from the current deflationary environment. In this first stage, gold should underperform relatively, but not necessarily fall absolutely in price. In the second stage, inflation expectations will rise at a faster rate than nominal bond yields owing to the extraordinary increase in the growth rate in broad money and credit. This inflationary episode will probably start in 2022 (dependent on a solution to the Covid-19 pandemic) as investors return cash levels to more normal levels. In this second stage, gold could outperform materially.

Figure 6
Oil and gold prices differently impacted by global responses to coronavirus



Source: Macrobond as at 12 November 2020.

Conclusion

If 2020 was dominated by the pandemic, the lockdowns and the enormous government and central bank programmes to overcome the effects of the economic downturns, 2021 is likely to be dominated by (1) the speed with which effective vaccines can be deployed and (2) the transmission effects of the huge stimulus policies.

During 2020 the only tools that governments were able to rely on to suppress the virus were various forms of social distancing, lockdowns or orders to work from home, and severe restrictions on a whole range of economic activity – especially services such as travel, hospitality, and those activities that brought together large numbers of people in close proximity such as theatres, live concerts, and sports events at stadiums. Not surprisingly the economic consequences have been dire: the largest economic declines in activity ever recorded. In 2021 we expect the emphasis to move to the development and distribution of effective vaccines in order to allow depressed sectors to revive. The deployment of adequate numbers of vaccine doses will probably take most of the first half of 2021, which means that we can only expect a return to some sort of normality in the second half of the year.

However, once the return to normality is widely perceived to be under way with consumers and service businesses regaining confidence, we expect a significant transformation of the economic environment – in striking contrast to the aftermath of the GFC when recovery was sub-par and anaemic for a long period. The amount of stimulus that has been administered in the form of fiscal spending and monetary expansion has been record-breaking but so far, the only signs of it have been in the huge and, to many, surprising resurgence in global stock markets. In the second half of 2021 we expect the next stage of the transmission process: households and businesses will start to spend the excess money balances accumulated in 2020. This means that consumption, investment and employment are all likely to recover at a much more rapid pace than after a typical recession, generating a surprisingly strong bounce-back.

Theoretically there should be a third stage in the transmission process: the impact on consumer price inflation. However, we do not expect this until 2022 at the earliest. Moreover, this effect could be delayed, either because consumers and businesses remain cautious and prefer to maintain higher precautionary money balances due to continuing recurrences of the pandemic, or because the central banks and policy-makers operate in such a way as to limit or reverse the impact of the 2020 stimulus. For the present therefore we prefer not to be too dogmatic about the possible inflation outcome but simply note that without some degree of restraint inflation risks remain and should be monitored.

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November 2020

[1] "The Committee decided to keep the target range for the Federal funds rate at 0 to 0.25 percent and expects it will be appropriate to maintain this target range until labour market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time." FOMC Statement, 5 November 2020.

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All data provided by Invesco, unless otherwise stated.

Data as at 12 November 2020, unless otherwise stated.

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