Projections of GDP growth in the third quarter of 2021

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The spread of Covid-19 and its mutation into a delta strain seriously affected both the growth of the World's GDP as a whole and separately for countries of different stages of economic development. According to Bloomberg, the decline of the World's GDP changed from 7.4% to 5.7%. Lockdowns and disruption into the supply chains around the world have seriously slowed economic activity and international trade, especially in early 2021, but still positive growth and economic recovery can be seen in the third quarter in some countries. Despite some emerging optimism about the second half of the year, associated with the improvement in the economic condition of the countries compared to the second quarter of the year, wherein India and China GDP growth strongly declined, influencing the global GDP, it is very important to maintain the economic growth by further preventive measures against the spread of the pandemic.

The economic situation is ambiguous for advanced economies against the backdrop of the pandemic: some countries were able to show some economic growth in the third quarter of 2021, while others had a more difficult situation. The largest economic growth in the third quarter is expected in European countries such as Germany and France. Japan showed a slight downturn in its forecasts for economic growth, while the US and the UK are expected to slow down. The main reason for the recovery of the European economies of these countries was the timely implementation by the government of preventive measures against the spread of the virus and the prevention of virus spread in the population through mass vaccination, social distancing, and limiting population movements. This has contributed to the recovery of travel, hospitality, and leisure facilities for tourists. However, the only obstacle to strong economic growth is the dependence of economies on disrupted international trade. The data published by Bloomberg regarding the GDP of these countries and the prospects for its growth in many positions turned out to be more pessimistic than the consensus forecasts for the same countries. Thus, German GDP is expected to grow from 1.6% to 2.4% in the third quarter of this year, although nowcast predicts only 1.7%, which is below the consensus forecast of 2.7%. For France, Bloomberg gives an optimistic forecast of GDP growth from 1.1% in the second quarter of the year to 2.0% in the third quarter, which is slightly above the 1.9% nowcast, but below the consensus forecast of 2.3%.

At the same time, the forecast for Japan can be considered as controversial, since Bloomberg predicted a drop in GDP growth from 1.9% in the second quarter to 1.0% in the third quarter, but nowcast predicts GDP growth to 3.7%, which is also higher than the consensus forecast of 2.2%. The main reason for the weakening growth in the country's economic development is associated with its deterioration in neighboring China, an important economic partner of Japan, as well as the development of Covid-19, the term of the current measures against which ends on September 12th. Based on Bloomberg's data, economic growth is also expected to decline in the United States and the United Kingdom. In the US, GDP growth is forecast in the third quarter of about 5.0%, which is lower than in the second quarter, which was 6.6%. Also, the nowcast totaled 5.8%, which is higher than the forecast growth but below the consensus forecast of 6.8%. The slowdown in economic growth was caused by the development of the spread of Covid-19 and its new delta strain, which, together with rising inflation, a decrease in consumer spending, and a disruption in the global supply chain, slows the country's economic growth. In the United Kingdom, in addition to these reasons, the early lifting of anti-Covid restrictions in the country in mid-summer was also a key factor in the decline in GDP growth, which led to a new outbreak of disease. Thus, GDP growth fell from 4.8% in the second quarter to Bloomberg's forecast of 2.2% in the third quarter, while nowcast predicts only 1.0%, which is significantly lower than the more optimistic consensus forecast of 2.4%.

Among emerging economies, most countries have been severely affected by the new strain of Covid-19 and its spread. In China, projected GDP growth declined again to the forecasted 6.5% after falling sharply at the beginning of the year and recovering to 7.9% in the second quarter. Contrary to Bloomberg's projections of 6.1%, the consensus forecast was only 5.6%. For this country, in addition to the development of the Covid-19 pandemic, an important role in the decline in economic growth was also the government's initiatives to improve the environmental situation, namely the fight against industrial pollution of the environment, which led to a slowdown in GDP growth. Another large emerging economy in India is also forecasting a large contraction from 20.1% in the second quarter to 9.1% of the projected GDP growth in the third quarter. Also, Bloomberg's nowcast shows only 7.0% GDP growth, which is slightly higher than the consensus forecast. Despite the projected recovery in GDP growth in the next 2022, against the backdrop of mass vaccination of the population and the possibility of lifting antiviral restrictive measures, the country's economy slowed down greatly due to inflation amid a growing pandemic, which also reduced exports from the country due to violation of the global supply chains.

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In Russia, Bloomberg also predicts a decline in economic growth from 10.3% achieved in the second quarter of 2021 to a projected 4.3%. Nowcast for the third quarter is 5.1 percent, higher than the consensus forecast, which is in line with Bloomberg's 4.3% projection. Since the Russian economy is based on the export of energy resources, the summer periods are associated with a decrease in exports, due to the lower energy consumption by the population, however, closer to the cold seasons, the increase in prices for energy resources and the increased demand for them should have a positive effect on economic growth. Another negative factor is the absence of the vaccinated majority of the population, despite the active state policy in this regard. Lastly, there is a small growth of the Brazilian economy, which rose from a negative number in the second quarter of 2021 from -0.1% to 0.2% Bloomberg forecast. Nowcast totals 0.6% GDP growth, which is in line with the consensus forecast of 0.6%. Important in the development of economic growth was the preliminary mass vaccination of the population, which significantly reduced the risks of the spread of infection, and also had a positive effect on economic activity in the country, due to the lax preventive measures against Covid-19 and its delta strain.

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