



Global Economic Outlook & Implications for Credit and Collections Industry: April 2021



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Mark Smith

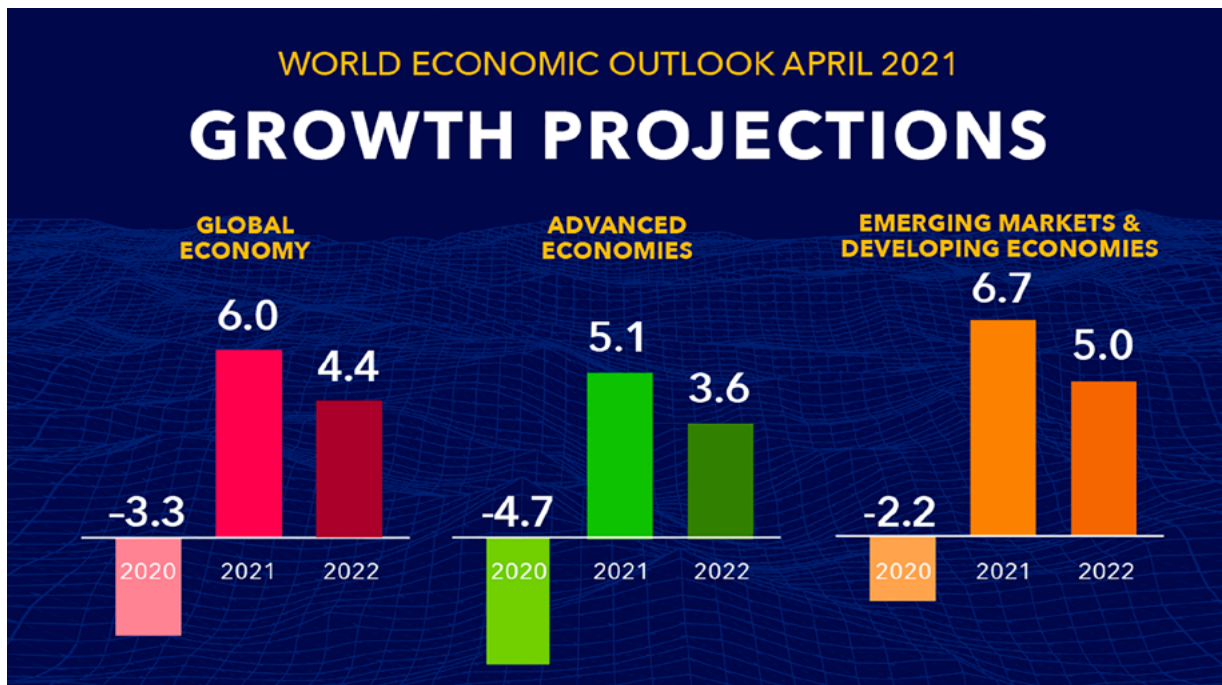
Mark Smith is Co-founder and Director at 4D Contact an outsourced customer contact provider that specialises in providing contact solutions to support the finance teams of some of the world's leading businesses and brands.

A major shareholder in credit and collections automation software company Invevo Technology, Mark has over 30 years' experience in receivables management and has supported many businesses on their order-to-cash digital or technological transformation journey

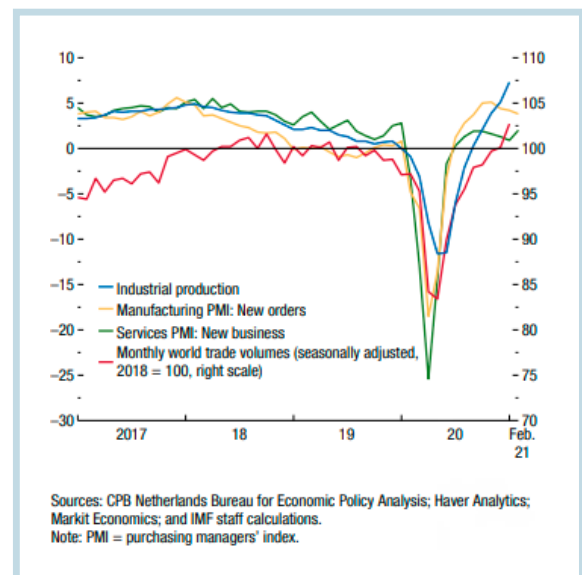


Improved IMF world economic forecast

The [IMF World Economic Outlook Report April 2021](#) highlights the growing confidence in a strong economic bounce back post COVID-19 in 2021 and 2022 for both developed and emerging markets.



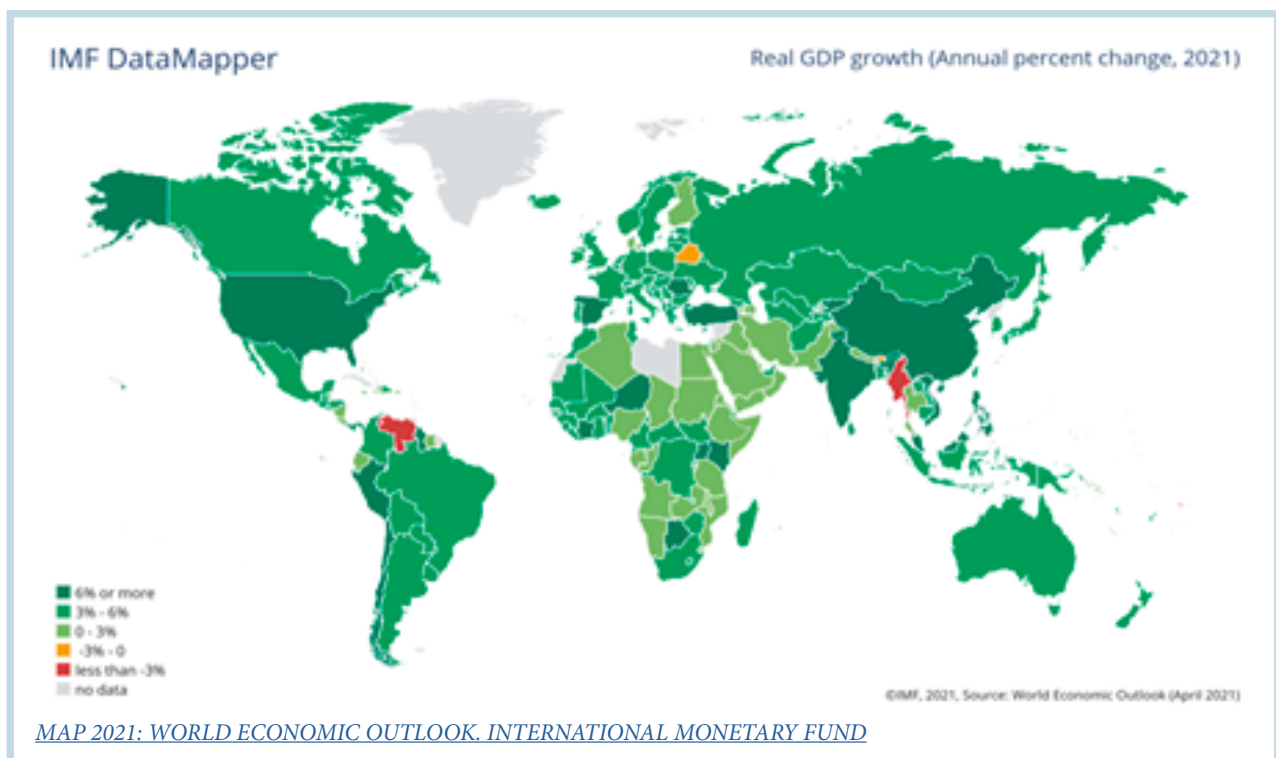
The IMF's upward revision is a response to additional financial support packages in a few large economies, an anticipated strong recovery in the second half of 2021 driven by the vaccine program and the continued adaptation of economic activity to meet the demands of the "new-normal".



Recovery predicted in all but a few countries in 2021

Despite massive disparities in the efficiency of nations vaccine roll-out, and with many countries still having to implement further lockdown measures in an attempt to control the virus there are but a handful of countries which are not predicted to grow their GDP in 2021.

Advanced economies expect a 5.1% GDP growth for 2021



Still high level of uncertainty

There are many variables that could have an impact IMF current forecasts so although the economic is optimistic it is critical to understand that it is far from certain. Key factors which can influence the economic outlook include:

1. Delivery of a global vaccination program
2. The number and virulence of new COVID-19 variants
3. The effectiveness / ease of adaption of existing vaccines against any new variants.
4. The effectiveness of policy support to limit economic damage

European Perspective

Weaker start to 2021 than predicted

The [European Commission, European Economic Forecast Winter 2021](#) highlights how in 2021 the pandemic has tightened its grip on Europe and the near-term economic outlook is in fact weaker than expected.

Overview - the winter 2021 interim forecast						
	Real GDP growth					
	Winter 2021 interim forecast			Autumn 2020 forecast		
	2020	2021	2022	2020	2021	2022
Euro area	-6.8	3.8	3.8	-7.8	4.2	3.0
EU	-6.3	3.7	3.9	-7.4	4.1	3.0
	Inflation					
	Winter 2021 interim forecast			Autumn 2020 forecast		
	2020	2021	2022	2020	2021	2022
Euro area	0.3	1.4	1.3	0.3	1.1	1.3
EU	0.7	1.5	1.5	0.7	1.3	1.5

European Economic Forecast ISSN 2443-8014 (online)
ec.europa.eu

This has been driven by a resurgence in infections since the autumn which, together with the appearance of new, more contagious variants of the coronavirus, has forced many Member States to reintroduce or tighten containment measures. However, the vaccination campaign is gaining momentum and the EU Commission believe economic activity should start to bounce more vigorously by Q3.

The speed of the recovery will vary significantly across the EU. Some countries have suffered more than others, due to the existing strength of their economy, government policies, as well as their overall dependency on tourism which has been driven to a standstill. In general, pre-pandemic economic output levels are expected to be seen by the end of 2021.

Some stability achieved through end of Bexit saga

The ***agreement reached between the European Union and the United Kingdom*** on the terms of their future cooperation, has reduced the cost of the UK's departure from the Single Market and Customs Union and removed some level of market uncertainty.

Indeed, whilst the latest [Deloitte UK CFO Survey](#), released on 12th April, highlights how most CFO's continue to think by a wide margin that Brexit will adversely affect the UK business environment, since the UK's exit the issue has moved significantly down their list of concerns.

Potential for upside:

Post-crisis optimism may unleash stronger pent-up demand and innovative investment projects, thanks to historically high household savings, low financing costs, and supportive policies.

Potential Risks:

- Vaccination effectiveness is still not assured and complications may push back the expected recovery.
- Effects of deep scars on the European economy; bankruptcies, long-term unemployment, and higher inequalities will remain visible till total recovery.

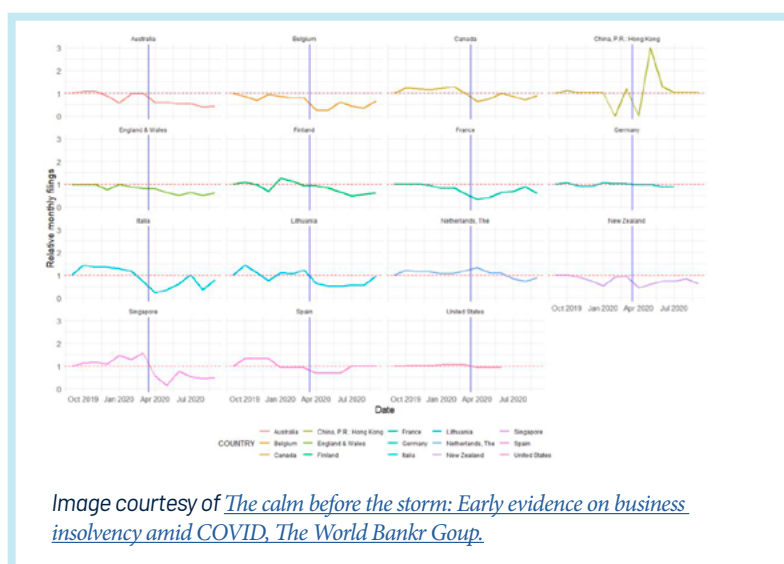
Implications of Economic Forecasts Credit & Collections Teams

Short-term

In the short-term, particularly in Europe where many businesses are unable trade and consumers unable to work, there is likely to be a higher number of consumer and commercial defaults.

There is also growing evidence, as outlined in The World Bank article, [The calm before the storm: Early evidence on business insolvency amid COVID](#), that there will be a tsunami of business insolvencies to come when government support measures start to wind down.

Many countries saw a significant drop in formal business insolvencies in the second and third quarters of 2020 - attributed to the unprecedented level of fiscal and judicial support programs and payment holidays implemented by governments and the private sector. However, it is widely believed that this has simply postponed the inevitable and many businesses will be unable to recover their financial position post pandemic.



For businesses across the globe, it is therefore going to be critical to engage in proactive credit control to understand your customers' financial position so you can effectively forecast and maintain cashflow.

Long-term

The strong recovery forecast for second half of year, potentially including the unleashing on pent up demand, could equate to a business boom by Q4.

Key to ensure you have resource in place to manage increased workload – particularly if you have staffed down in response to the leaner past 12 months. Potential to consider an outsourced credit management partner to provide flexible and scalable support to bridge the demand gap until business stabilizes in 2022.



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