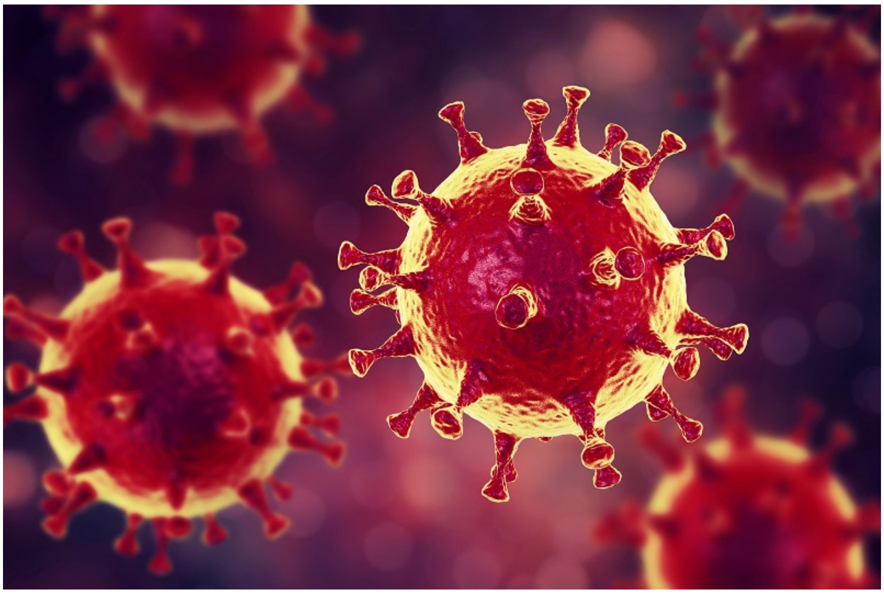
Flu season goes viral

So far, the Wuhan flu story is being treated as if it were an interesting aside - I suspect this may become a top headline in the coming days and weeks



Corona virus

IMF upgrades global GDP

One of the top stories on the newswires today is that the IMF has trimmed its growth forecast to 3.3%, but still sees it picking up in 2020 from 2.9% in 2019. A few things are wrong with this story.

1. It fails to mention that the 2019 figures is, according to some approaches, consistent with the IMF definition of global recession. That help s put 3.3% into perspective. It isn't great. But it isn't recession at least.
2. IMF forecasts (like most other forecasts) are not worth the paper they are written on. So 2020 is not as bad as 2019? Following the trade truce, and the bottoming of the tech slump, and all the monetary easing from the Fed and others in 2019? I think a child of six could probably have figured that one out. And as for whether the number is 3.3% or 3.4% or 3-point anything else, if you can't forecast with any degree of accuracy, then it is probably better not to give the sense that you can by using decimal places. Why not just say, it's better than 2019, but still terribly weak. That just about conveys all you need to know without providing any spurious scientific accuracy (I wish I could get away with that too, but it seems we seek comfort in such meaningless numbers).

You see the real problem with all of this is not the forecasts themselves, but it is that a story that doesn't make it into the top section this morning, might well do in a few weeks, and that is Wuhan flu, as it has come to be known.

Pass the paracetomol

Those of you old enough to remember the SARS epidemic will remember all too well how a disease which only infected 8098 people worldwide, and resulted in only 774 deaths in 37 countries (thanks Wikipedia), a mortality rate of less than 10%, led to such widespread public alarm that it plunged Hong Kong into recession, and caused a serious slowdown in China. Other countries badly affected, included Canada, which held the symposium on the disease, bringing in health workers from around the world who had been exposed to the disease and stuffed them together into a conference hall in Toronto. Please, if there is a symposium on this new outbreak, do it by skype.

To put all this into perspective, in the 2017/2018 season, in the US, flu, the normal common all-garden variety, not SARS, not MERS, not any fancy animal crossover hybrid coronavirus, killed 80,000 people according to the centre for disease control (CDC). Although this was a high tally for a normal year, it didn't receive much attention, because each year, flu kills tens of thousands of people anyway.

What scared people about SARS is the mortality rate. In the UK in 2019, three times more people died of flu than normal, but still, the total was only 135 deaths from a total estimated infection of over 35 thousand (total population 65 million). That is a mortality rate of less than 0.4%, and normally it would be far lower.

Put into context, your chances of contracting and dying of SARS, were statistically far less than of dying of regular flu. But the response of the population of countries where there was a perceived greater risk, was huge. Presumably, the reasoning was, if I do get it, the odds aren't great.

People didn't take public transport, stayed away from work, stayed away from shops, restaurants, cinemas, conferences etc. The impact from the disease was massive on the economy, but almost all of it indirect, due to the precautionary behaviour of the population.

Cases of Wuhan flu have now risen to more than 300, though researchers at Imperial College, London suspect that the numbers may already be north of 1700.

I'm no doctor, but I do think I understand human nature well enough to realise the potential for another economic hit to growth from this source. That's certainly not in the IMF's global growth model.

Thailand relaxes mortgage lending rules

(Prakash Sakpal writes): The Bank of Thailand announced the relaxation of mortgage lending rules yesterday. The loan-to-value (LTV) limit for the first home of more than THB 10 million was raised to 90% from 80%, while buyers at all prices were also allowed an additional 10% loan for furniture and decorations. There is also easing of LTV rules for second home buyers and the risk-weight requirement for some home mortgages. The latest easing of mortgage rules follows tightening in April 2019 and we don't see these carrying any material impact for the economy plagued by persistently weak domestic demand.

IMF downgrades Indian growth prospects

(Prakash also adds): In a sharp downgrade, the IMF (reinforcing the earlier point about the value of forecasts) lowered India's FY2019-20 growth forecast to 4.8% from 6.1% in October. It cited slowing domestic demand and shadow bank stress amidst a weak global economic environment. No surprises here. The limited policy space after a significant easing of both fiscal and monetary policies last year is likely to keep the growth outlook weak for the coming year.

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