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Managing risk, enabling trade

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Bright spots as Covid-19 continues to strike

Atradius Economic Outlook

Atradius Economic Research

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Executive summary

After a major downturn of the global economy in 2020 caused by the Covid-19 pandemic and despite renewed lockdowns in some parts of the world, there we expect the global economy to rebound in 2021. Several vaccines have been approved and are in the process of being rolled out, allowing for a gradual reversal of lockdown measures. Meanwhile fiscal and monetary support remains essential while countries return to normal economic life. There is considerable uncertainty around our baseline forecast, given the possibility of a delayed recovery, which may occur if there is a stretched wave of global infections. This would significantly reduce GDP growth in 2021 and effectively push the recovery into 2022.

Key points

- As countries gradually emerge from their lockdowns, we expect global GDP to recover by 5.0% in 2021, following a 3.9% contraction in 2020.

- Prospects for global trade in 2021 are good, following a revival of trade growth in the second half of last year. Global trade growth is expected to rebound by 7-8% in 2021, after a contraction of similar size in 2020.

- After economic downturns in 2020, advanced markets as a group see growth rebounding by 3.9% in 2021, after a 5.0% decline in 2020. The pace of recovery deviates, but most advanced markets do not completely recover in 2021 from the GDP contraction they experienced last year.

- In the Eurozone, economies continue to be in relatively strict lockdowns. A partial recovery of 4.2% is likely to occur in 2021 and only in 2022 is activity expected to return to pre-pandemic levels. National governments are expected to continue fiscal stimulus well into 2021.

- The virus poses serious downside risks to the US economy in 2021, but economic growth is forecast to rebound as the rollout of vaccination allows lockdown measures to be gradually reversed. Moreover, the new government reduces policy uncertainty, and a new major stimulus plan for the economy is in the making.

- In Japan, infections were brought under control in the first half of 2020. As a result, the economy is off to a good start in 2021, though it will not fully recover from the recession of last year. If held, the Tokyo Olympics will provide a temporary boost to GDP in 2021.

- Many emerging market economies (EMEs) are still at a critical stage in the health crisis, though there are large differences between countries and regions. Asia is head of the curve in controlling the number of infections. Emerging markets as a group are forecast to grow by 6.3% in 2021, following a 1.9% contraction in 2020.

1. The global macroeconomic environment

Late autumn game changers

The pandemic has not yet left us. Following a relatively short period of relief during the summer in the Northern Hemisphere Covid-19 infections started to rise again and public health measures in a number of countries have re-tightened. The undercurrent of gloom that had persisted over the summer was reinvigorated and still hangs on. This is not what we had expected in May when we published our latest Economic Outlook.

Gloom is not irrelevant economically. It translates into economic uncertainty, and is currently its dominant, but not only source. The US election, the EU struggles to come up with a post crisis recovery plan and a new, post-Brexit, trade relationship with the UK were all big issues hanging over the global economy as we progressed into winter. The strong rebound of economic activity during the third quarter seemed no more than transitory.

Then, in November, bright spots appeared. First and foremost, of course, the news came out that Pfizer/BionTech, Oxford/Zeneca and Moderna had successfully developed Covid-19 vaccines. This sudden announcement was clearly earlier than expected. Mass vaccination is still fraught with uncertainty, but the outlook is suddenly brighter. Second, just predating the vaccine news, Joe Biden was elected the next US president, and confirmed early December. Whilst the economic record of the Trump administration was not as bad as perhaps sometimes thought,[1] policy uncertainty dominated the Trump tenure, especially hampering international trade. With that out of the way, the outlook can be expected to brighten as well. Third, the EU moved ahead with the approval of the EU budget for an amount of almost EUR 1.1 trillion, including the European Development Fund, and, additionally, the EUR 750 billion Next Generation EU recovery fund.[2] Both are instrumental to funding the post pandemic recovery for the period up to and including 2027. Again, the outlook is brightened. Finally, after more than nine months of gruelling negotiations, the EU and the UK struck a deal on their post Brexit trade relationship. One can argue that this is not something to cheer about, and certainly not loudly. After all, it is essentially only a free trade zone that was agreed, very far away from the economically more beneficial customs union, let alone an agreement close to the current one of a communal market. But judged against what was for some increasingly looking like the baseline scenario,[3] a no deal Brexit, it is a success.

Whilst these developments remove underlying causes of uncertainty, and as far as the pandemic is concerned, we are far from being out of the woods. There are two relevant developments here. First, Covid-19 infections are still leaping up on a global scale, despite lockdowns being re-imposed. Total cases have now reached 88 million, with 1.9 million deaths. Badly hit are the United States with about 22 million registered and 370,000 deaths (as per January 10). European countries, including Russia, have reached almost 29 million cases and 625,000 deaths. In Southeast Asia, which includes India, the situation is more under control, with registered cases standing at 12.2 million and 188,000 deaths. Especially China, were it all started, has hardly any cases recently. Second and perhaps more worryingly, two mutations of the virus have been detected. One in the UK, B117, which is estimated to be 50-70% more transmissible. On the positive side, current vaccines offer effective protection. The other one, detected in South Africa, is believed to be less transmissible, but vaccines may be less effective. In both countries registered cases have sprung up since late December, answered by tough lockdowns, especially by the UK government. This clearly works against the positive developments we have seen in November, putting a break on the decline in uncertainty and immediately affecting short term economic activity. Uncertainty reduces demand from firms and consumers in general, lockdowns ban supply of specific services such as those provided by restaurants, hitting supply and demand simultaneously.

[1] For example, credit can be given to the Trump administration for the swift implementation of a generous support package following the outbreak of the pandemic.

[2] Also known as Pandemic Recovery Fund.

[3] We have never removed the 'some deal' scenario from our forecast, judging that the underlying economic reasoning was simply too compelling. As the mood was already changing in British political circles towards a deal outcome, the traffic chaos in South West England following the temporary border closures with France (and a host of other countries) after a mutated Covid-19 had been detected in the UK has almost certainly helped as well.

Box 1 The economics of lockdowns

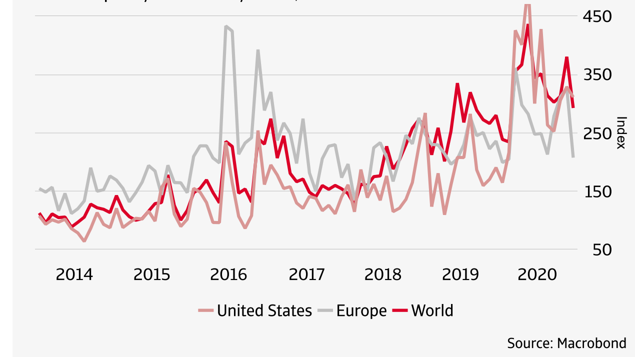
Most countries have imposed lockdowns, with varying strength and duration, to contain the spread of the virus in early 2020 and during the second wave in late autumn. During these periods, economic activity fell dramatically. This has triggered research into the question: how damaging are lockdowns for economic activity? Whilst the research is still in progress, work by the IMF provides some clues. We discuss these in this box.

We would like to stress at this stage that lockdowns are not the only cause of economic contraction. This is because the pandemic also prompts adjustment in behaviour, in the sense that people are more careful with their contacts. The term voluntary social distancing captures this. It damages the economy as people simply stay away from hotels, restaurants, stores and travel to avoid infections.

The first question the IMF attempts to answer is how much each factor contributes to the recession during lockdowns. To this end, the outcomes for the stringency index and fall in GDP are plotted in the graph above. It shows that the relationship between stringency and fall in GDP is a negative one. Or, more stringency is accompanied by a higher GDP contraction. It persists even if the severity of the economic recession is controlled. Therefore, as expected, lockdowns, as such, are shown to have a negative impact on economic activity. But it is no more than suggestive evidence as GDP might affect the level of stringency as well; richer countries can simply afford more stringency as well. For that reason the analysis is complemented with one where mobility data is included rather than GDP. That research confirms the impact of lockdowns. Moreover, it suggests voluntary social distancing resulting from fears of being infected are detrimental as well. It plays a role comparable to lockdowns.

The other question the IMF looks into is to what extent lockdowns effectively reduce infections. This is relevant, because to the extent they do, lockdowns not only have economic costs, but also economic benefits: they reduce the need for social distancing after the lockdown. It turns out lockdowns are effective, at least if sufficient stringency is imposed. A reduction of 40% of infections over a period of 30 days is feasible in such case. Moreover, timing matters: the impact of a lockdown on infections is higher if the lockdown is imposed in the early stage of the pandemic.

1.1 Policy uncertainty near all-time high



A deep 2020 recession

The pandemic pushes the global economy into a deep recession in 2020. It is now expected to shrink by almost 4%. No region will escape the recession, although GDP growth in Asia, is expected to remain only slightly below neutral. This figure is heavily - and positively - influenced by China, where after a hit in the first quarter as the pandemic peaked, growth resumed bringing the full year figure into the black at 2%. The other regions show a pattern around the global average seen in 2019 as well. The badly hit Eurozone is doing much worse, just like Latin America where economic woes in Brazil and Argentina continue, now - worsened by the pandemic. The United States and Eastern Europe are performing slightly better than the global average of 4%. Especially the United States, badly hit by the pandemic, shows remarkable resilience.

These overall figures give rise to several comments. First, regional GDP development during 2020 was very uneven during the year, showing a very strong correlation to the spread of infections and public health measures. With the exception of China, all regions took a severe economic hit in Q2. The Eurozone and the US posted 15% and 13% GDP shrinkage y-o-y. In the third quarter there was a very strong rebound as the pandemic temporarily receded. In the US economic activity almost returned to normal. But the surge of the pandemic during Autumn now impedes further recovery in Q4, in the Eurozone even more than in the US.[4] China, indeed, is the exception. Free from any material Covid-19 cases since late March the country recovered strongly and unhampered. Second, the estimated figures for 2020 imply significant differences with our May 2020 forecast, especially for the US and to some extent China. Several factors are at work here. That made forecasting particularly difficult. Uncertainty based on the pandemic, absent lockdowns. Then the impact of the lockdowns, in all its variety. These in turn are alleviated by generally very strong fiscal support packages and monetary stimulus. This

[4] The imaginary V-shaped recovery now looks like on where the second part of the V is much longer and flatter.

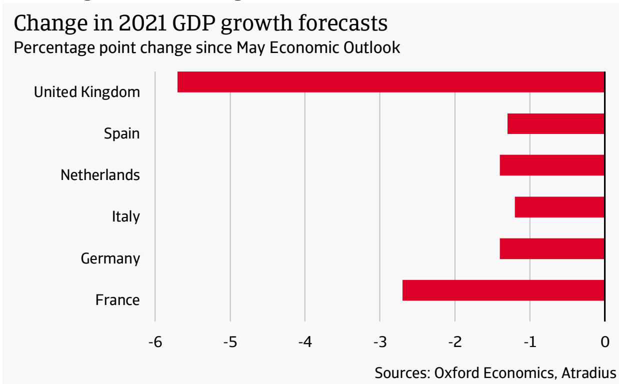
unique mix affects the behaviour of firms and households. The direction is clear, less spending. But how much? In the US for example the savings rate in Q2 almost quadrupled (to 26%), in the Eurozone slightly lower but still very high ratios were recorded. Still, the impact of the crisis in Q2 was generally overestimated. Underestimated, in turn, was the strength of the recovery in Q3, when lockdowns were eased and uncertainty reduced, with Q4 still to be reported. In all, we were too pessimistic in May: the 2020 global economy is 1% point less worse off. This, in turn, largely explains why the recovery in 2021 is less pronounced than expected earlier. Third, the figures mask a very uneven sectoral development. This is not so much visible in the downturn of Q2, bot services and industrial production were severely affected. Indeed, services such as accommodation and food catering (-39% y-o-y decline in value added in Q2), leisure (-19%), transportation and travel (-40%) are badly hit.[5] But so is industrial production such as in car parts (-35%) and Aerospace (-32%). The point is that the recovery in services is significantly slower, highlighting the role of lingering uncertainty on economic behaviour as lockdowns are eased. In Q4 the services sector contracted 3.1% y-o-y and industrial production shrank 1.8% globally. On the back of the latter development, with goods production up, global trade has started to recover as well.

Table 1.1 Real GDP growth (%) - global regions

	2019	2020e	2021f	2022f
Eurozone	1.3	-7.1	4.2	4.9
United States	2.2	-3.5	4.2	3.4
Emerging Asia	5.1	-0.3	7.4	5.1
Latin America	0.7	-7.1	5.4	3.1
Eastern Europe	2.5	-2.8	3.2	4.4
World	**2.5**	**-3.9**	**5.0**	**4.3**

Sources: Oxford Economics, Atradius

1.2 Change in 2021 GDP growth forecasts



In brief, 2020 shows a deep pandemic driven recession, widely dispersed geographically and between sectors. Recovery occurred after the Spring wave, but is hampered by the resurgence of the virus. Now that a vaccine is available, the picture for 2021 (and 2022) looks a lot brighter, and is further strengthened by US political developments, EU resolution to support the recovery as well as a EU-UK trade agreement. Virus mutations such as B177 and possible lengthy winter lockdowns prevent this picture from becoming too rosy. Governments and monetary authorities have gone all out to alleviate the pain.

Strong rebound in 2021

Under our baseline scenario, the global economy is expected to grow by 5.0% in 2021. This means that, by the end of 2021, the impact of the crisis will be wiped out. In other words, for the global economy we are back to the GDP level of 2019 at year end. But the recovery will be uneven. Emerging Asian countries, led by China and India, will recover much more strongly than the rest of the world.[6] Europe and South America, on the other hand, are laggards. They will only reach 2019 GDP levels again somewhere deep in 2022. The US and Eastern Europe keep the middle ground, restoring GDP levels before 2021 year end. This forecast marks an across-the-board lower GDP growth than presented in May. It is, predominantly, the result of the forecast adjustments of 2020 we discussed above.

With the public health measures gradually lifted during 2021 as the vaccination process progresses the services sector is expected to show strong recovery. Some of these sectors, such as travel, were at a very low level during 2020. Even only gradual easing of restrictions will help spur demand, from a very low level. Such pent-up demand can be expected for industrial production as well, but more limited as pent-up consumption demand will re-orientate towards services.

This picture is built on seven key interrelated assumptions. Firstly, the current resurge of the virus, especially in Europe, will be contained and not spread globally, like in the Spring of 2020. Social distancing measures, in the severest form, will not last the full Q1 period. Mutations of the virus, such as B117 and the South African variant, are contained. Second, and underpinning the previous point, vaccines will be widely available as of mid- 2021. The vaccination process is rolled out, in combination with herd immunity being achieved, to the extent that as from mid-2021 economic activity can recover more or less unhampered. Third, government rolls back the strong fiscal support that we saw in 2020 as the pandemic is controlled. But it does not mean fiscal tightening to the extent we saw after the Great Financial Crisis. Rather, the government carefully crafts a gradual retreat of direct support and actively helps the recovery take off. Fourth, and

[5] Spectacular declines are also reported in tourism. On a global scale there were 72% less bookings compared to 2019, with rather limited regional spread (only Asia even worse: -82%).

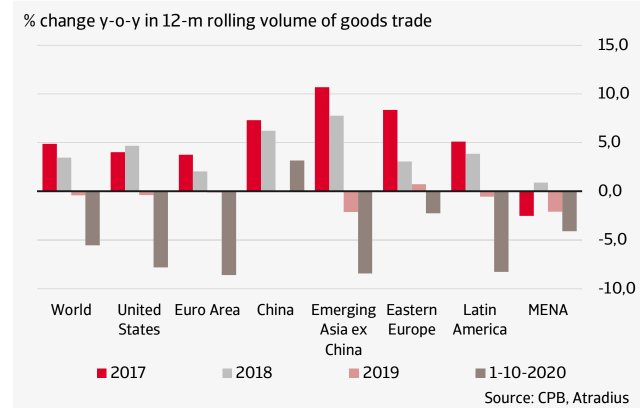
[6] To be more precise, they will reach this level in the course of January 2021. The calculation is: $(1\text{-}a)*(1+b)^{(1/months)}$ with a = growth rate in 2020, b= growth rate in 2021, so $(1\text{-}0.04)*1.073^{(1/12)}*12$= 100.19 by the end of January 2021.

especially important for governments to be able to play their described role, monetary policy remains lax to extremely lax. Tightening by way of reducing or even stopping asset purchases by central banks, let alone rate hikes, are postponed until the recovery is on a strong footing. This supports not only firms but, perhaps more importantly, allows governments to borrow at low cost and thus help them support the recovery. A precondition for this policy is that inflation remains subdued, for which a muted rise in oil prices as the recovery picks up is key. Fifth, helped by low cost of money and ample availability as central banks remain in stimulus mode, investor sentiment is kept up. Stock markets, important, particularly for US consumption, remain at the – high – level of 2020. Sixth, economic scarring, manifest in lower capital outlays, labour supply and technology growth remains limited. That is to say government measures limit the erosion of skill sets of employees and the dismantling of firms and insolvencies. This is crucial for the supply side of the economy to remain more or less intact, and avoid a situation where pend-up demand in the recovery cannot be met by supply, reflecting in soaring inflation. Scarring is only to remain restricted if indeed there is timely control of the pandemic. The longer the pandemic lasts, the more scarring occurs. Seventh and finally, the trade war, especially between China and the US, does not resume. China and the US, under the new Biden presidency, will gradually ease some, but not all, of the tariffs built up during the Trump period. What is more, the US trade policy will resume to normality, with collaboration rather than the threat of war with the EU. Therefore, trade policy uncertainty is reduced and trade recovery is spurred.

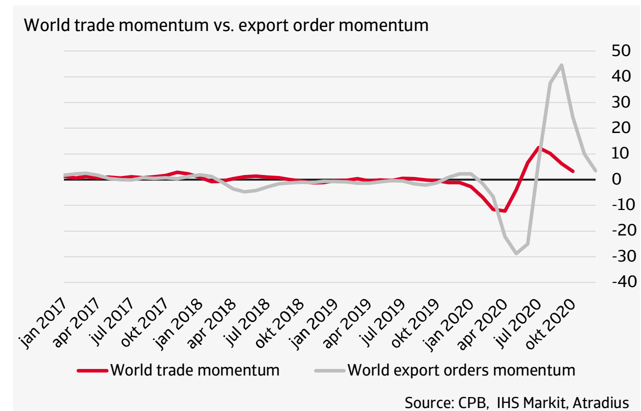
Global trade in revival mode

Global trade has, thus far, positively surprised in 2020. We, and others, expected a depressing picture resembling what happened during the Great Financial Crisis. Some even expected a collapse of 30%, based on the GDP contraction back then.[7] Our forecast was seeking the middle ground with a 15% contraction, relying on an Oxford Economics guidance of 2-4 times the GDP shrink (of 5%). This is no longer tenable. Global trade contraction is now expected to come in at 7-8% in 2020, with a rebound of similar size in 2021, leaving the level of global trade in goods by the end of 2021 still below 2019. Further, although slowing, recovery is expected for 2022.

1.3 Global trade shrunk in 2020, but less than expected



1.4 World trade momentum returned in H2 of 2020



The data provide support. CPB figures up to and including October 2020 show y-o-y contraction of global trade close to 6%.[8] This relatively favourable figure can be largely attributed to China, where trade grew by 3%, as opposed to other regions where trade shrank considerably (more than 8%). Trade momentum,[9] moreover, has strongly rebounded after declining by more than 10% in the beginning of 2020. The swing in export orders has even been more pronounced: a dramatic decline of almost 30% was followed by a rebound of 40% over the summer. Both forward looking indicators, which have now resumed their course towards normality. Further support for better-than-expected turnout comes from global port data. The RWI/ISL container throughput index continued its strong increase and was 6% up in November. The indicator is heavily impacted by the strong developments in Pacific trade between China and the US West coast.[10]

One can question why this picture deviates so much from the one forecasted earlier, which was done with an eye on the Great Financial Crisis. Several answers can be given. First,

[7] This is not as outrageous as it seems if one considers that during the Great Financial Crisis GDP shrank 0.1% and global trade 13%.

[8] These are 12 month rolling average figures compared to the previous period. The October 2020 figures therefore cover a comparison of October 2020 – 2019 period compared to October 2019 -2018.

[9] Trade momentum is defined as the three months average trade level compared to the one of the previous three months.

[10] This indicator of the Leibnitz Institute for Economic Research and the Institute for Shipping Economics collects data on container shipment of 91 ports. See https://www.isl.org/en/containerindex.

China recovered stronger and faster than envisaged. The country provides stimulus of a kind that we have seen after the Great Financial Crisis, as well: on the supply side. This neatly fitted the consumer driven stimulus elsewhere, predominantly in the US. This picture of US demand met by Chinese supply explains the surge in China-US trade, despite tariffs. Second, the impact of Covid-19 on GDP is skewed towards services, with industrial production faring relatively well. Services, such as restaurant or cinema visits, are generally less traded than goods. That implies that the change in GDP provides less guidance for developments in goods trade. With industrial production holding up relatively well, and recovering faster, including in a large economy such as Germany, trade is expected to keep up as well. Third, trade restrictions on medical goods and medicine have fallen since the start of the pandemic, reportedly by 15%.More generally, the US administration focused on the economic fall-out of Covid-19 and the US election. The trade war with China, and potentially other regions such as the REU were moved to the backburner. . That reduced trade policy uncertainty. Fourth, whereas during the Great Financial Crisis banks pulled the strings and even retracted from trade finance, finance conditions remained fairly loose. So far, central banks pursued a very lax monetary policy to support the economy. Fiscal policy provided support as well. Trade finance benefitted from this.

Over the forecast period, 2021-2022, we expect to see a recovery that mirrors the decline of 2020. That is to say, services will grow faster than production.[11] This means that the link between trade and GDP recovery will weaken somewhat. But the recovery as such will help global trade, just like other factors will. Especially US trade policy will be less protectionist during the Biden presidency. Trade uncertainty as to further tariff levies or even trade wars (for example with the EU) will fade, and some tariffs may even be reduced. This helps trade. The trade agreement of the EU and the UK has a similar but smaller effect: taking away uncertainty. We therefore think our forecast of 7%-8% growth in 2021 is justified.

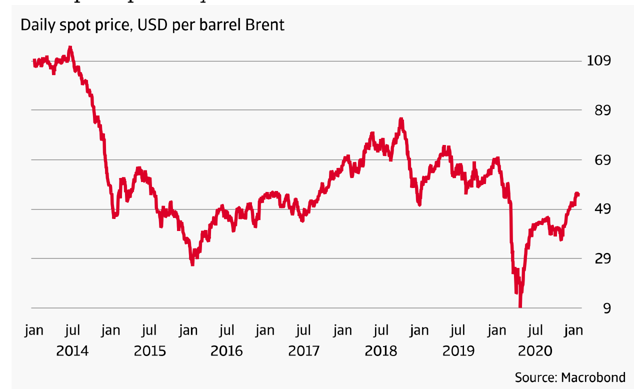
Oil price stabilisation

No surprise, the oil price was not left untouched by the Covid-19 crisis. Early January, it was USD 70 per barrel Brent. Then, a hefty decline followed in the early weeks of the Covid-19 crisis, where it briefly even touched USD 9. But the price subsequently recovered to USD 40 per barrel. It fluctuated around this level, more or less, until early December, after increasing above USD 50. On average though, the price was 35% lower than in 2019. Nevertheless, in view of the severity of the crisis, the current oil price looks relatively stable. Back in 2008, during the Great Financial Crisis, the price moved from USD 90 to USD 145 mid-year to end up at USD 35 in late December. That crisis, moreover, we have already noted, was far less severe than the current one - in terms of GDP hit. Under our baseline scenario, we expect no large - sustained - movement in the oil price over the forecast horizon.

The underlying fundamentals of the oil price were severely affected. In Q2, when the crisis erupted, demand fell by 9 mb/d or 16% as a result of lockdowns and reduced mobility more generally. Transport and travel disruptions had a large impact on oil consumption, transport accounts for two-thirds of global consumption. The decline is broad-based, with demand falling most severely in the EU. China is the exception. Chinese consumption started to grow y-o-y in Q2 and has continued since as activity rebounded and stocks were filled, benefitting from the relatively low prices. In the rest of the world, consumption started to pick up as lockdowns were eased. By the end of the year, oil consumption was still about 6% below the 2019 level.

The impact on the oil price of the demand decline was softened by reduced oil production, which fell 12% to 88 mb/d in Spring and has only gradually gone up since, staying below consumption for the rest of the year. Stock building took place during the first half of the year, after have remained at a high level. Production cuts were driven by large reductions by OPEC+ countries,[12] initially almost 10% in the Spring, after which it was gradually tapered. Compliance has been remarkable, with Saudi Arabia taking its role of ‘swing producer’ seriously. Early January, amid renewed pressure from an upsurge of the virus and pressure from Russia to ramp up production, the country announced a unilateral reduction of its production for February and March. Production in other countries, notably US and Canada, fell far more, by 20% in May. Since then it has only partially recovered, though only to 10% below pre pandemic levels. The upshot is that production is currently broadly in line with demand, and inventories are still rather high. A situation of relative stability.

1.5 Oil price partially recovered



[11] Note that there is a strong base effect here as for example travel and tourism recover from a (very) low base. Recovery to pre-pandemic levels will be slow.

[12] OPEC+ countries are the traditional OPEC countries plus partners included in a particular production agreement, of which Russia is the largest.

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Whether this lasts is an open question. Calm in the oil market, never lasts long.[13] Anyway, in our view, the oil price is unlikely to move a lot higher than around USD 50 per barrel Brent over the forecast period. Neither is it expected to be a lot lower. There are several reasons why we think this is the case. Demand is expected to increase as the economic recovery takes off during 2021. Such demand increase will be met by OPEC+ production increases and perhaps some more drawing on inventories. This allows OPEC plus Russia to increase oil revenue without giving up market share to North American shale producers. These latter may only bounce back at a minimum price of USD 60 per barrel, which is therefore an upper boundary. Moreover, with Saudi Arabia now having shown to be willing to stabilise the global oil market, the downward risk is limited as well. OPEC countries can simply not afford to let the oil price slip too much. Therefore, we think the price will remain in the low USD 50s on average, with a lower boundary at USD 45 and upper at USD 60 per barrel Brent.

Such a level, which underlies our forecast, has implications for economic development. The issue is that this level is deflationary. This may sound paradox as we have argued in previous outlooks that a relatively low oil price is, quoting the then IMF Managing Director Lagarde, a 'shot in the arm' for the global economy. Simply put, the loss for the oil exporters is more than outweighed by the benefit for the importers. But in this Covid-19 crisis, this argument is not that strong. The reason being that in a lockdown, no matter how low the oil price is, there will be substantially reduced demand for transport and thus oil. The result is global savings and contracting global economic activity, indeed putting downward pressure on general prices (inflation) as well.

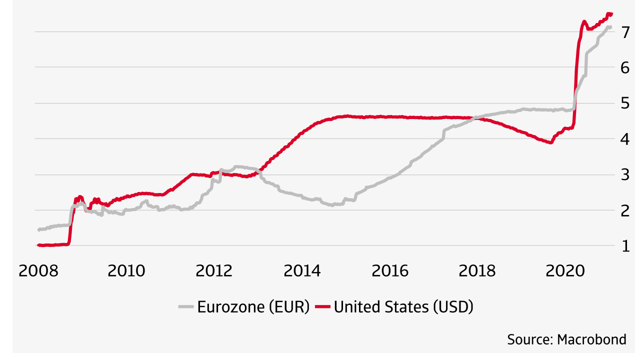
Indispensable monetary support to continue

As the Covid-19 crisis erupted in early Spring, central banks were quick to react and ramped up their accommodative policy stance under the banner 'Whatever it takes'. The Fed quickly cut interest rates, announced unlimited quantitative easing and propped up markets with liquidity, including direct lending to small business. The Bank of England acted in similar fashion. The ECB was only slightly more cautious, as reflected in the more gradual – but still steep - growth of its balance sheet, whilst omitting direct lending.[14] Central banks of China, India and Brazil launched rate cuts and liquidity programs, signalling significant monetary easing as well.

This global monetary stance is set to continue and only gradually tighten during the recovery, which we expect to run well into 2022. We see continuation of markets flooded with liquidity, relatively loose credit conditions and low inflation, led by the Fed. These are necessary, but not sufficient conditions for the recovery that is envisaged under our baseline scenario. For the latter to take off well, more is needed: fiscal support, which we will get to later.

1.6 Ballooning central bank balance sheets

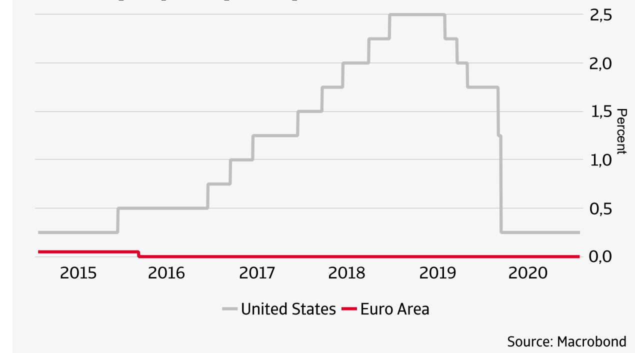
ECB and Federal Reserve balance assets, trillions



Source: Macrobond

1.7 Policy rates at historical lows

ECB vs Fed policy rates, percent per annum



Source: Macrobond

The current Fed program has a size of USD 2.3 trillion. In September the Fed provided additional forward guidance to the financial market by announcing that it would allow inflation to temporarily exceed the 2% benchmark as long as economic circumstances, especially in the labour market, require. That relieved upward pressure on longer-term interest rates. Then, after a brief period of tapering the Fed announced in June that it would push ahead with quantitative easing of at least USD 120 billion a month, until further notice. Moreover, facilities to keep credit markets functioning were extended until the end of Q1 2021. The oddity was that the US Treasury ended the Main Street Lending Program to SMEs by year-end 2020.[15] However, under the Biden administration a program of this kind is expected to be restored. The Fed, after hitting the accelerator in Spring 2020, now signals a wait-and-see approach as to more action.

Not so much as for the ECB, which is gearing up. In late December the ECB delivered an update of its support package, which is supposed to run well into 2022. The

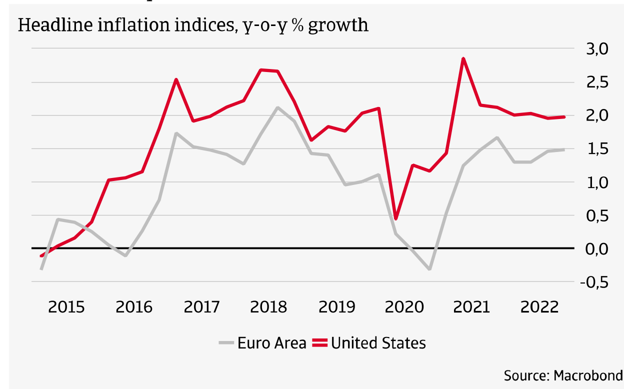
[13] The main reason for this is the low elasticities of the supply and demand side that characterise the oil market. That implies a fairly large price movement is needed to clear the market.

[14] Direct lending falls outside the scope of the ECB mandate.

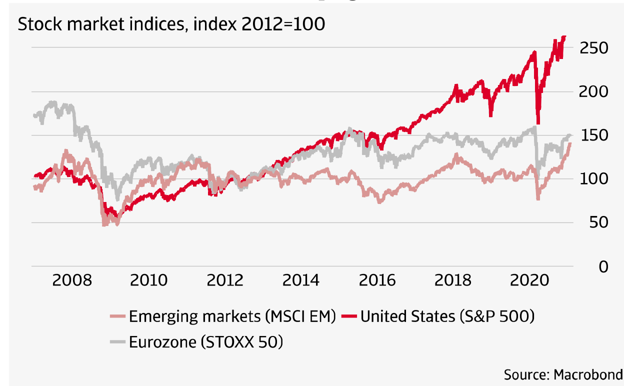
[15] This was clearly against the will of the Fed.

Pandemic Emergency Purchase Program (PEPP), the vehicle for quantitative easing, was increased by EUR 500 billion to EUR 1.85 trillion and extended until March 2022.[16] In addition, the bank announced full reinvestment of expiring assets on its balance sheet until end 2023. The other main leg of its policy, the Targeted Long Term Refinancing Operations (TLTROs) is directed at banks, crucial financing vehicles in the Eurozone. It was also reinforced by providing more favourable terms and conditions and includes an extension as well, until June 2022. Banks get 1% paid on their TLTROs until that date. We are convinced higher gears will be sought if needed.

1.8 Persistently low inflation rates



1.9 Stock markets have veered up again

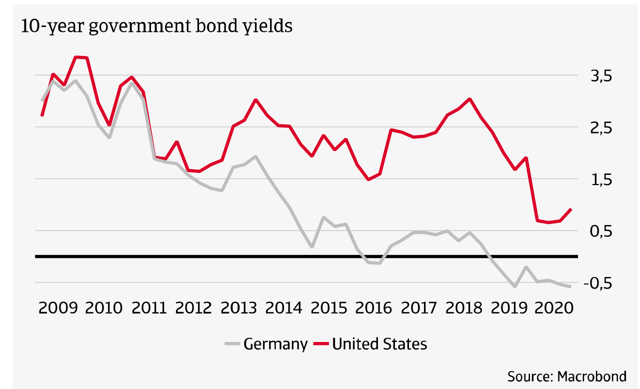


Judging against the main target of monetary policy, keeping inflation at a decent level (of 2%),[17] the efforts of the central banks look like uphill battles. Since the Great Financial Crisis of 2008 inflation rates have been persistently low and flirting with deflation now and then during 2020 as aggregate demand dropped in the early months of the Covid-19 crisis. We observed some recovery since, and we expect inflation gradually picking up as the recovery gains traction. Given the lower US output gap compared to the Eurozone, inflation will be slightly higher on the other side of the Atlantic. Inflation rates are expected to remain muted.

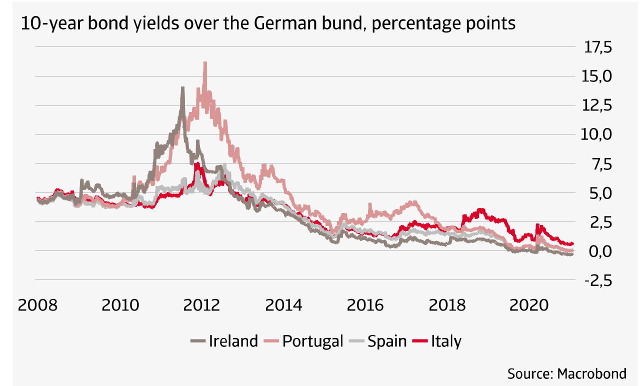
Box 2 Low inflation forecast is justified?

Is our rather conservative baseline inflation forecast really justified? The main argument of those fearing higher inflation, is that not only demand is affected by the crisis, but supply as well. If supply is significantly scarred, due to e.g. business insolvencies and eroded skill sets of workers, a pickup of demand will lead to pressure on a smaller supply side. That is a fairly standard recipe for inflation. But we think that this is not likely under the baseline scenario of a decent recovery and - as we see it - limited scarring to the supply side. The problem of the past decennium has been a shortage of demand, reflecting in persistently low inflation. That lack of demand is now exaggerated by the crisis. Demand recovery then seems to have to go a long way before hitting the supply boundary, even if some scarring thereof has occurred. Still, inflation may temporarily peak as pent up demand allows firms in e.g. the services sector to raise prices.

1.10 Yields continue to decline



1.11 Yields even low in periphery countries



[16] As what is broadly considered a hint to more hawkish voices in the governing board, a note was made that the program would perhaps not be used in full.

[17] Some inflation as a target seems at odds with price stability, which is the ultimate target of monetary policy. But it allows creating policy room for central banks to cut interest rates, which are nominal rates. A zero inflation rate would reduce that room, most prominently in case of low real interest rates such as now.

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This does not mean monetary policy efforts are lost. On the contrary, they are dampening the impact of the crisis. In the absence of such accommodative monetary policy, matters would have been worse, arguably much worse. First, and foremost, it allows governments to borrow at low rates, or even negative rates. Indeed, German current yields for 10-year government bonds are at a negative rate of almost 0.5%. Moreover, the yield differentials between debt loaded Eurozone countries such as Italy and Germany has come off to 0.5 ppt, far below levels seen before the Great Financial Crisis. This allows even governments of those countries to pursue an indispensable expansionary fiscal policy to counter the crisis.[18] Second, part of the money pumped into the system goes to the equity markets. This has not remained without an impact either. In fact, the US S&P 500 has climbed to record highs, after falling from a cliff in Spring. The Emerging markets MSCI has surpassed its early 2018 peak level. Only the Eurozone STOXX 50 has, though it has veered up, has remained below pre pandemic levels. Higher equity prices strongly correlate with the expectations about economic recovery and as such support consumption through wealth effects, especially in the US. Third, firm finance is alleviated. The Fed stepped in during Spring 2020 when there were hick ups in the money market during the Spring, keeping short term financing afloat. More importantly perhaps, in the Eurozone, the banking system is facilitated to play its crucial role in financing the recovery. Tightening of credit conditions and higher rates, which seem natural in a downturn let alone crisis of this kind, are avoided or at least dampened. Monetary policy, therefore, is indispensable and should not only be assessed on the basis of inflation targets.

Government spending remains critical

As said, accommodative monetary policy is necessary it is not sufficient, but necessary. The other leg to keep economies afloat is fiscal policy. We have long argued for fiscal policy to be stepped up underpinning lacklustre pre pandemic demand and lead the energy transition.[19] The process was slow, very slow, and held back by concerns about public finance, particularly high government debt levels. The pandemic has changed all that. Indeed, governments have gone into massive spending. Whereas in Spring an estimated USD 7.8 trillion stimulus was committed globally, almost 9% of global GDP, with a focus on the first phase of the pandemic. Later in 2020 this amount had already gone up to USD 11.7 trillion, or 12% of GDP and it still rising as infections have gone up again after the summer.

Such spending is inevitable. As the pandemic develops, there is a surge in healthcare spending as hospitalisations go up, just like demand for medicine and - of course - development of a vaccine needs funding, just like the vaccination rollout. Moreover, social distancing measures such as lockdowns imply significant economic costs that the pandemic as such creates. Insolvency, and even bankruptcy, threaten firms, workers face unemployment. Monetary policy can help, but lowering rates and buying government assets is simply not directly helping these firms and workers: governments need to step in. Wage subsidies to preserve jobs and unemployment benefits are in need for those who have lost their jobs. Just like deferring tax collection, providing subsidised loans and loan guarantees to firms to alleviate liquidity pressure. In this way, the pandemic, and particularly the public health interventions related to it, simply push fiscal policy to the frontline.

Fiscal policy support should certainly be there during the outbreak phase of the pandemic. After that, when infection rates start to decline, only a gradual retreat is desirable. Public confidence is to be rebuilt, and uncertainty reduced to get businesses and households spending again. Liquidity support for businesses can be reduced, but only gradually. . Dampening the expected wave of default of firms requires solvency reinforcement measures, including equity participations. Finally, as the pandemic is under control, the government case seize the opportunity to guide the transformation of the economy, in the direction of it desires, such as more climate friendly policies and digitalisation. With this in mind, one can see government intervention will be required for some time to come. This is what we see happening under our baseline.

After a set of interventions that we have documented in our May Outlook, the renewed surge of the virus has triggered further - substantial - fiscal responses. In the US, which is particularly hard hit with 400k deaths, the Trump administration already followed up on the USD 2.3 trillion Cares Act spending of the Spring (and a number of less eye catching initiatives) by signing a USD 877 billion (4.5% of GDP) relief package last December. This predominantly contains enhanced employment benefits and direct stimulus payments of USD 600 per individual. Early January, the Biden administration put in its bid by announcing an additional USD 1.9 trillion package (9% of GDP). It aims at providing households with an additional USD 1400 per individual of assistance (total value of USD 1 trillion). The rest of the package contains spending on vaccinations and (safe) school reopening and aid for local and state governments as well as businesses. This is still only then relief part of the package. Another Biden administration program to rebuild the economy, targeting sustainable and equitable recovery is the next step.

Most Eurozone countries, such as Germany, France, Italy and Spain are now facing a resurgence of new Covid-19 cases and have extended existing stimulus programs well into 2021. For the economic recovery phase, which we think will really take-off mid-2021, these countries will also be able to benefit from significantly stepped up EU facilities. In December the EU hammered off a Pandemic Recovery Fund valued at EUR 390 billion in grants and EUR 360 billion in loans (together about 7% of GDP), which will mostly be committed from

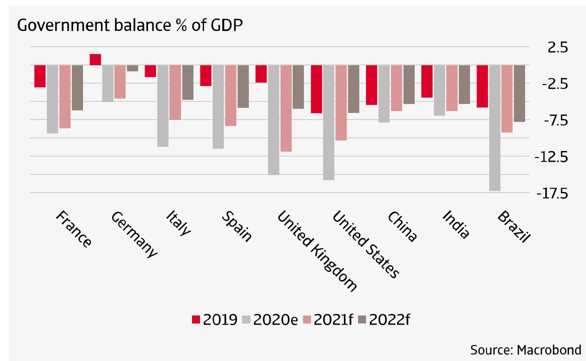
[18] At, indeed, no interest cost in the current market circumstances.

[19] Such as in Time to Act, Atradius Economic Outlook May 2019.

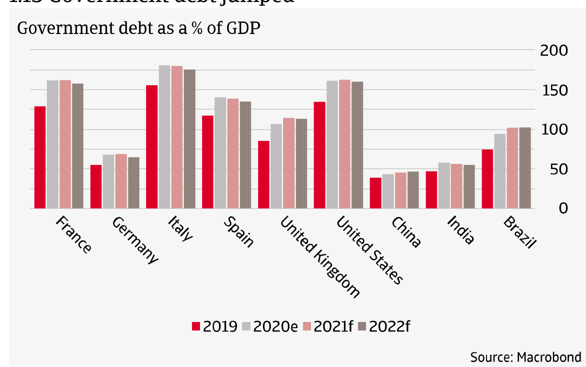
2021-2023 (70% of grants during 2021 and 2022). Funds will be distributed based on plans submitted by the EU countries and will be steered towards climate related and digitisation investments. High-debt and hard pandemic hit countries such as Italy and Spain will be the largest beneficiaries. Moreover, the EU has provided for a package of EUR 450 billion (4% of GDP) to provide Pandemic Crisis Support to countries for healthcare related spending, protection of workers and jobs as well as businesses. Finally, the EU budget (for 2021-2027) itself also contains allocations to cope with the pandemic. The EU, therefore, looks set for the support of the recovery phase and providing guidance for transforming the economy.

Fiscal spending of emerging economies has not changed much since the May Outlook. The overall picture is that stimulus measures are generally much more modest: China 4.7% of GDP targeted at infrastructure and funding of state own entities and India 3.2% of GDP. Only Brazil, also hard hit by the pandemic, stands out with spending up to 12% of GDP in 2020, a really significant figure given the limited GDP shrink in 2020 (4.5%).

1.12 Fiscal balances deteriorate



1.13 Government debt jumped



The unprecedented fiscal response is obviously not for free. In 2020 government spending, coupled with sharp declines in GDP have raised deficits and public debt levels, the latter reaching 100% of GDP, the highest level ever. Deficits in the advanced economies soared, especially in Italy, Spain, the UK and the US with 2020 GDP deficits in the latter two countries exceeding 15%. The emerging economies were somewhat more restrained, especially China. Brazil, however saw the 2020 deficit ballooning to 17%. These deficits reflected how much debt levels have shot up. The US added more than 20 ppt to the debt ratio and has now reached a level of more than 150% of GDP, closely tracking Italy and France.

In 2021 as the recovery firms, spending will diminish and GDP will go up, triggering a reversal of what we have seen in 2020: significantly lower deficits. Still, with government spending higher than before the pandemic and GDP levels lower, a return to 2019 deficit levels is not on the cards for the foreseeable future, except in China. Still, with resumption of GDP growth and continued low interest cost, the debt to GDP levels will generally stabilise – in many cases at much higher levels than before the pandemic.

High government deficits and debt-to-GDP levels generally raise concerns for sustainability of public finances. Remarkably, even the IMF and the European Union, accept the current situation, and encourage governments to continue supporting their economies. There are two reasons for this. First, government spending is inevitable to keep the economy afloat and prepare it for the future as argued in this outlook. Doing nothing is simply no option. Second, central banks have created such an extremely accommodative monetary environment where the interest rates are extremely low, or even negative and money is abundant. Most importantly, central banks such as the Fed and ECB will act as lenders of last resort for governments by means of their asset purchase programs. For these reasons, sustainability is currently not an issue.

This means government interventions are indeed not free lunches. One day, not in the forecast horizon, central banks will tighten. This will put government finances under pressure and will require government revenue increases, that is to say tax income, to alleviate this. This can be spread over a long period of time. But at the end of the day future generations, will bear the brunt of current government spending.

Risk of delayed recovery

The picture we have sketched is not deterministic, it is the baseline of a number of scenarios. We therefore wish to point at an alternative scenario, which is less benign, but still realistic in view of the current circumstances. That is one where a very significant hit to the global economy occurs during the first half of 2021.

What we see in such a scenario is a stretched wave of global infections, of Covid-19 or its mutations such as B117 and associated reintroduction of severe and long lasting lockdowns, including manufacturing restrictions, with an impact similar to the Spring of 2020. Medical advances are available, as they currently are, but are insufficiently rolled out during the first half of 2021 to prevent the ongoing striking of the pandemic to hit and damage the economy. It is simply Spring 2020 revisited. Monetary authorities react by further loosening and governments continue to standby to help businesses and workers survive the bad state of the world. H1 GDP takes another severe hit and the supply side

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scarring is aggravated. Public finances worsen further. Financial markets fall, as in 2020, as uncertainty mounts again and only gradually recover. This eats particularly into consumption levels, especially in the US.

The recovery is not long second leg V shaped but rather W shaped as the 2020Q3 recovery is followed by another recession in H12021. In this scenario though, recovery will occur, but is postponed six months compared to the baseline, to H2 2021. It implies higher levels of scarring, insolvencies and unemployment, in the global economy. While there is a strong global recovery in H2 of 2021, GDP growth in the full year 2021 will only be marginal, especially in the US, the Eurozone and Latin America. This is poor if one considers the base effect: 2020 was a year of GDP contraction. Real recovery only come in 2022.

This Delayed Recovery scenario, indeed, is the one with the highest probability, after the baseline.

Table 1.2 Real GDP growth (%) - two scenarios

	Baseline			Delayed recovery		
	2020	2021	2022	2020	2021	2022
Eurozone	-7.1	4.2	4.9	-7.1	2.5	4.7
United States	-3.5	4.2	3.4	-3.5	2.9	3.1
Emerging Asia	-1.2	6.4	4.6	-1.2	4.8	4.5
Latin America	-6.7	5.4	3.2	-6.7	4.4	3.1
Eastern Europe	-3.8	2.9	4.5	-3.8	1.6	4.5
World	-3.9	5.0	4.3	-3.9	3.6	4.1

Sources: Oxford Economics, Atradius

2. Developments in major economies

Advanced economies

Growth in the advanced economies is projected to strengthen to 3.9%, leaving GDP some 1.0% below what it was in 2019. Owing to the implementation of the fiscal relief bill, the United States is expected to regain most of the lost value in GDP in 2021, but the costs to the economy in terms of unemployment and bankruptcies remain high. Covid-19 continues to exert a high toll on the US economy and recent civil unrest around the inauguration of president-elect Joe Biden casts uncertainty over the economic outlook. The Eurozone faces a more protracted recovery as many economies continue to be in strict lockdowns. The outlook will continue to be dominated by the evolution of the pandemic, the speed of the vaccine rollout and the size of fiscal policy responses. Economic activity is not expected to return to its pre-crisis levels in 2021.

Table 2.1 Real GDP growth (%) - advanced markets

	2019	2020e	2021f	2022f
Eurozone	1.3	-7.1	4.2	4.9
United States	2.2	-3.5	4.2	3.4
United Kingdom	1.4	-10.3	4.5	6.4
Japan	0.3	-5.3	2.7	2.4
Advanced economies	**1.6**	**-5.0**	**3.9**	**3.9**

Sources: Oxford Economics, Atradius

Partial recovery of Eurozone economy

Despite the positive news about the development of multiple vaccines, the Eurozone is still struggling with the Covid-19 virus. Infections have flared up again across Europe (Figure 2.1). We estimate euro area GDP to have declined by 7.1% in 2020, the highest GDP contraction among the major advanced markets (with the exception of the United Kingdom). A partial recovery of 4.2% is likely to occur in 2021 and only in 2022 is activity is expected to return to pre-pandemic levels.

Our baseline projection assumes a moderate long-term hit to GDP from the pandemic. This 'scarring' effect is the result of weaker capital accumulation, depressed labour supply and disappointing productivity growth.

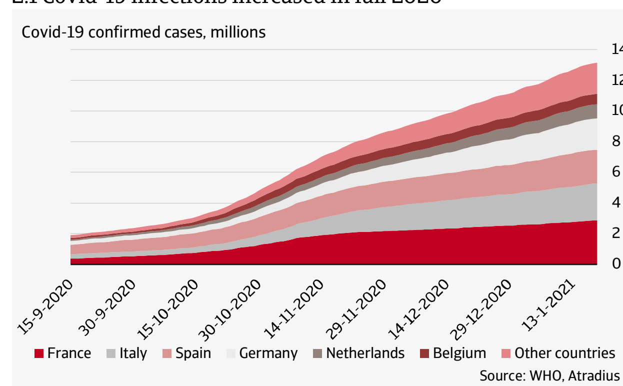
Table 2.2 Real GDP growth (%) - eurozone

	2019	2020e	2021f	2022f
Austria	1.4	-7.5	3.0	5.5
Belgium	1.7	-7.1	3.8	5.8
France	1.5	-9.1	5.1	5.6
Germany	0.6	-5.3	3.8	4.5
Greece	1.6	-9.6	2.7	11.3
Ireland	5.9	2.1	2.4	3.1
Italy	0.3	-9.0	4.5	4.5
Netherlands	1.6	-3.9	2.7	3.0
Portugal	2.2	-8.3	4.4	6.6
Spain	2.0	-11.1	6.3	5.9
Eurozone	**1.3**	**-7.1**	**4.2**	**4.9**

Sources: Oxford Economics, Atradius

After an unprecedented rebound in GDP growth in Q3 of 2020, recovery is likely to stifle in Q4 and Q1 of 2021. This is owing to a tightening of lockdown measures, following a renewed rise of Covid-19 infections. Sentiment indicators seem to be confirming this: the composite Purchasing Managers Index (PMI) increased somewhat in December 2020, to 49.1, but remained below 50 (the dividing line between growth and contraction of business activity). The European Sentiment Indictor (ESI) has remained roughly at the same level since September, with the latest score being 90.4 in December. This is still well below 100, the neutral level.

2.1 Covid-19 infections increased in fall 2020



Recovery of services exports lag behind

Due to the pandemic stimulated supply-constraints, border closures and restrictions on mobility resulted in a sudden drop in world trade in 2020. This caused a strong 10.8% contraction of Eurozone exports of goods and services in 2020. The impact was uneven across countries, depending

on their sectoral specialisation, with Portugal, Spain, Greece, Italy and France most severely hit due to the importance of tourism for these countries. In 2021, growth of exports of goods and services is expected to recover by 7.8%. Supported by pent-up demand, exports of goods are projected to outperform those of services. The latter will be dampened by a slow normalisation in hospitality and transportation services, negatively affecting the revival of tourism. For most Eurozone countries, exports of goods and services do not fully recover to their pre-pandemic levels in 2021.

Spending opportunities likely to improve

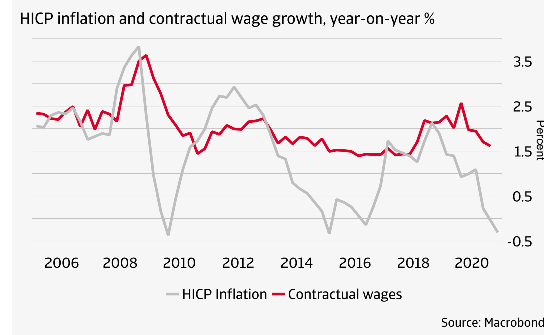
Private consumption was heavily disrupted by the lockdowns in Q2 of 2020. After a recovery in the third quarter, when many restrictions were lifted, there will again be a setback in the fourth quarter amid a resurgence of infections and stricter measures. All in all, private consumption is forecast to have shrunk by 8.1% in 2020. This will be followed by only a partial rebound in 2021 (3.9%). Spending opportunities are likely to improve throughout this year as lockdowns are lifted and more retail purchases are made online.

The Covid-19 pandemic had a severe impact on the Eurozone labour market. A net total of 5.8 million jobs were lost in the first half of the year, with a small rebound in Q3 of 2020 (net gain of 1.6 million). The unemployment rate climbed to 8.3% in November 2020. While the unemployment rate has been increasing, it is more than a percentage point lower than what we expected during the previous Economic Outlook. The relatively muted response by the labour market is largely due to the successful implementation of ambitious policy measures in the member states, such as short-time work schemes, wage subsidies and other measures to supplement incomes.

A significant amount of labour market slack has accumulated since March, which is the result of hours worked declining at a faster rate than the number of employees. Unemployment is likely to rise to an average of 9.1% in 2021. There is a risk that the Covid-19 crisis could leave deeper and longer-lasting scars on the labour market. These include employees who may not be able to return to their jobs and are out of employment for a long time. Moreover, skills gaps could hinder occupational mobility.

The growth of contractual wages has been sliding in the Eurozone, but the decrease in inflation was much stronger (Figure 2.2). Amid the decline of employment, this provides at least some relief to consumers' spending power.

2.2 Inflation drops faster than contract wages

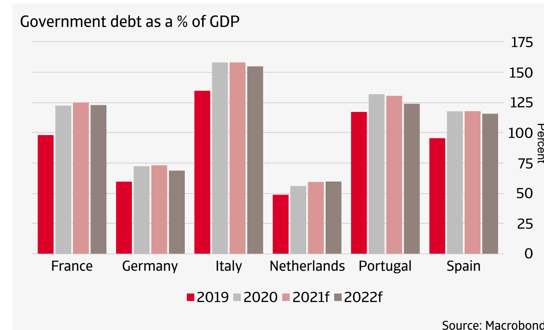


A significant drop in energy prices pushed the headline inflation into negative territory since August 2020. Core inflation, which excludes energy and food prices, also fell considerably during the summer, on the back of lower prices of services (especially tourism related), but also industrial goods. In 2021 inflation is likely to remain subdued (1.2%). The oil price is likely to stabilise and will no longer exert a negative effect on inflation. However, core inflation will remain low, owing to weak demand and labour market slack, as well as the recent appreciation of the euro that keeps import prices low.

Government debt rises on fiscal spending

Extensive measures have been taken to contain the macroeconomic fallout of the Covid-19 crisis. The bulk of measures are taken at the national level. Governments are implementing direct fiscal stimulus measures as well as indirect measures to support companies. The level of support varies per country, with Northern Europe giving generally more generous direct fiscal support than Southern Europe, whose fiscal space is more restrained. As a result of the pandemic-related measures, the fiscal deficits deteriorated and government debt jumped across the Eurozone in 2020. Deficits will be gradually reduced over the coming years, as the pandemic related measures are unwound and economic activity increases. Nevertheless, debt levels will remain elevated in the near term, potentially creating debt sustainability issues if interest rates were to rise.

2.3 Government debt remains elevated



Besides the national measures, there is also a EUR 750 billion EU recovery plan called 'Next Generation EU' (NGEU). This common recovery scheme consists of loans, grants and

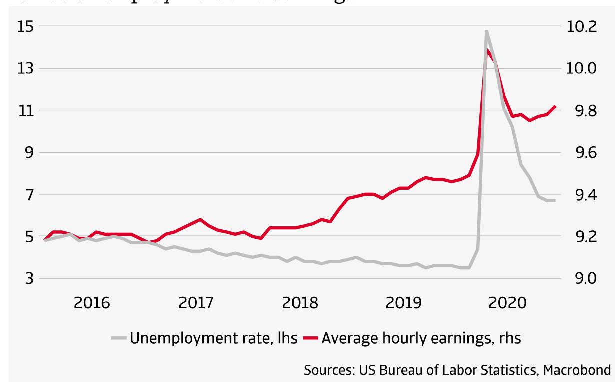
guarantees, to be distributed to member states until the end of 2026. The novelty of NGEU is that it is the first sizable common European debt issuance and debt service is financed directly from the EU budget. Therefore, the NGEU does not raise national debt levels.

United States: virus out of control, policy risks to the upside

One year on from the first domestic death confirmed from the virus, the US enters 2021 on weak footing. The virus poses serious downside risks to the 2021 outlook – particularly in case numbers and the outbreak of a more transmissible strain – but economic growth is expected to rebound as the rollout of the vaccination allows economic life to slowly pick back up and the new administration takes a more predictable and conventional approach to policymaking.

As the health crisis rages on, the recovery in the labour market has lost momentum. Unemployment peaked at 14.8% in April 2020 as a result of Covid-19 containment measures and has improved significantly since, closing the year at 6.7% - a rate last seen in Q1 2014. The pace of improvement however has been decelerating as the colder weather brought more people indoors, the virus spread more rapidly, and more stay-at-home orders were implemented. As a result, initial jobless claims have been ticking back up – reaching 965,000 in the first week of 2021, far surpassing the peak of 665,000 during the global financial crisis.

2.4 US unemployment and earnings



Sources: US Bureau of Labor Statistics, Macrobond

We expect the labour market to remain in dire straits until the virus is brought under control. Layoffs are especially severe in the entertainment and hospitality sectors which bear the brunt of the lockdown orders, but the impacts are felt across the economy. More than 9.8 million jobs have been lost since Covid-19 arrived and long-term unemployment is increasing. This is having a negative impact on consumption, driving consumer spending, the main driver of the US economy, into the red in the final months of 2020. Private finances are also deteriorating – household debt is rising for the first time since 2009 – posing a serious risk for a prolonged downturn.

Against this backdrop, President Biden took office in January and immediately took steps to get the coronavirus under control and support the economic recovery. After being sworn in, Biden took several executive actions to address the pandemic more aggressively, such as requiring masks in public transportation, increasing testing, and accelerating the pace of vaccination. Following the USD 900 billion stimulus passed in December 2020, Biden is committed to implementing another USD 1.9 trillion stimulus, the American Rescue Plan. This will provide more direct financial support to US businesses and families, helping sustain the economy through the winter. With only a slim majority in the Senate, we expect some compromises to be made bringing the total value of Biden's stimulus plan lower.

On top of expansionary fiscal policy, the Federal Reserve is also in a highly accommodative position. We do not expect to see any tightening of the policy rate until 2023 and quantitative easing purchasing is expected to continue throughout the year, to support the labour market and ensure a sustainable economic recovery and pace of inflation. With so much economic support, there is a risk of overheating and a sharp burst in inflation in the summer but we expect it to be only transitory.

The health crisis is expected to dominate economic results in H1 but as herd immunity is reached, the weather improves, and economic life returns to normalcy, the policies of the new administration will have a greater impact. As Democrats have taken control of the Senate, winning the two seats in Georgia's runoff races in January, policy risks under President Biden are tilted to the upside. Policy priorities include raising the federal minimum wage and significantly ramping up investment in green energy. The new administration has also been taking steps to mend America's reputation and leadership in international relations, for instance, by re-joining the global climate accord. Some of these shifts may negatively impact businesses in the longer run, but for now, it will be offset by the prioritisation of fiscal and monetary support.

UK recovery to begin in Q2

The United Kingdom's recovery diverges from that of the United States. While the US is expected to recuperate the GDP losses of 2020 by the end of this year, the UK's expected 4.5% expansion will only cover about half of the losses from the pandemic. The 2021 outlook for the UK is weaker than previously expected due to the introduction of a third national lockdown in response to a steep rise in Covid-19 cases associated with the more transmissible variant of the virus spreading since December.

The economic consequences of the latest lockdown will not be as dire as those of the first one last year. The starting point of Q4 2020 is much lower, but also the restrictions are less stringent and consumers and businesses have adapted more to the exceptional environment. With the vaccine being aggressively rolled out, already with about 10% of the population vaccinated, we expect to see relaxation of the

social distancing measures in Q2, allowing for a rebound in GDP growth through the rest of the year.

Uncertainty surrounding the path of the virus may bring 2021 GDP growth lower than currently forecast, but the fact that the UK and EU managed to reach a deal on a free-trade agreement reduces the other key downside risk. The FTA provides tariff-free bilateral trade in goods but does not cover services, which account for 80% of the UK economy and 45% of the country's external trade. It also introduces non-tariff barriers in the form of customs bureaucracy and some regulatory barriers. The new frictions to trade will have a sizeable negative impact on the UK economy. The UK Office for Budget Responsibility estimates that they will cost about 5% of lost GDP growth over the coming 15 years. In the short term though, it bodes well for GDP growth, namely in the better outlook for business investment which is expected to climb expand 4.7% this year after a 15.6% contraction in 2020.

Monetary and fiscal policy also continue to provide strong support for the UK's economic outlook. The Bank of England will supplement ultra-low interest rates with a GBP 150 billion asset-purchasing programme running through to December 2021. The policy rate is not expected to be lifted from 0.10% over the forecast period. On the fiscal side, government spending has been surging to support the economy, namely through the Job Retention and Self Employment Income Support schemes. With additional grants made available to firms to offset the negative economic effects of the third lockdown, total fiscal support in response to the Covid-19 crisis in FY 2020-21 is 14% of GDP. The government taps are expected to stay open as the government revised its FY 2021-22 fiscal outlook to be more accommodative and additional support may already be announced in the Budget in March.

Japan: Tokyo Olympics likely to boost economy

The Covid-19 pandemic triggered a major recession in Japan in the first half of 2020. As the infections were brought under control, restrictions could be eased over the summer of last year. In 2020 GDP dropped by an estimated 5.4%. This is more limited than in most other advanced markets, signalling the effectiveness of the coronavirus response. In 2021 there is likely to be a partial recovery. The recovery of trading partners is set to support exports, whereas weak income growth is likely to hold back private consumption. Assuming the Tokyo Olympics will go ahead in summer 2021, this will provide a temporary boost to GDP. The boost of the Olympics to GDP will be less than anticipated before the pandemic, as the number of spectators will not be as high as thought before.

Japanese exports took a big hit in the first half of 2020 due to the disruptive effect of Covid-19, but there was a robust recovery after the summer. Japan is well-integrated in Asian supply chains, importing raw materials and inputs from the region, and producing goods at the high-end of the value chain. Exports are expected to continue to normalize alongside global activity, but recovery will be partial as many of Japan's major trading partners continue to struggle with a renewed rise of infections.

On the domestic side, consumption spending remains relatively weak after pandemic-related disruptions and the consumption tax hike in 2019. There are some cautious positive signs. Retail and car sales recovered to pre-pandemic levels and consumer sentiment is picking up. However, the services PMI remains weak at 47.8 in November 2020 (the neutral level is 50). Due to government subsidies for firms and employees, the unemployment rate has barely risen. But we do expect a further upward trend in unemployment and wage growth will remain weak. This prevents a strong recovery of private consumption in 2021 even though there will be a temporary boost to consumption from the Tokyo Olympics.

Private investment also recovered in the second half of 2020, driven by rising investment in IT and automation, reflecting the recent increased use of modern technologies at the workplace to boost productivity.

Since the onset of the pandemic, the government has launched several supplementary budgets, with a wide range of measures to protect households and businesses. These include cash handouts of JPY 100,000 to every resident, cash transfer to affected businesses, expansion of work subsidies and rent subsidies to heavily affected companies. Moreover, concessional loans and guarantees are given to affected companies through public and private financial institutions. The fiscal relief packages are worth more than 11% of GDP, while indirect measures such as loan guarantees amount to another 24% of GDP.

Emerging economies

Many emerging market economies (EMEs) are still at a critical stage in the health crisis, though there are large differences between countries and regions. Asia is head of the curve in controlling the number of Covid-19 infections, with Latin America being worst off. There was a sharp downward effect in 2020 on domestic demand from the lockdowns and an indirect negative effect from world trade. The decline in oil prices and tourism income had a negative impact on countries dependent on those sectors. Emerging markets as a group are forecast to grow by 6.3% in 2021, following a 1.9% contraction in 2020.

Table 2.3 Real GDP growth (%) - emerging markets

	2019	2020e	2021f	2022f
Emerging Asia	5.1	-0.3	7.4	5.1
Latin America	0.7	-7.1	5.4	3.1
Eastern Europe	2.5	-2.8	3.2	4.4
MENA	0.7	-6.5	3.5	4.4
Sub-Saharan Africa	2.6	-3.8	3.4	4.0
Emerging Markets	**3.9**	**-1.9**	**6.3**	**4.8**

Sources: Oxford Economics, Atradius

Asia: China and India

Asian markets are performing comparatively well in keeping the virus under control. **China**, where the virus first emerged, is ahead of the epidemic curve. In early 2020, the authorities imposed strict containment measures, including the lockdown of Hubei province, large-scale mobility restrictions at the national level, and social distancing. While new Covid-19 cases have reappeared sporadically, the virus outbreak seems largely under control in most of the country. GDP experienced a 6.8% year-on-year fall in Q1 of 2020, but rebounded strongly in the second quarter, and kept strong in the third and fourth quarter. Monetary policy and fiscal stimulus helped to contain the economic fallout, but as the economy is gaining momentum, both are scaled down. There is also a need to keep fiscal spending in check, given the high level of government debt on all governmental levels combined and off-budget activities.

The outlook for **India** is considerably weaker. The Indian economy shrank by almost 25% in Q2 of 2020, and another sizable contraction of 7% followed in Q3. Sporadic shutdowns occur across the country, while meagre fiscal support and pressures on corporate balance sheets and banking sector bad loans, restrain the pace of the upturn. There is some scope for lower policy interest rates, once inflation subsides. In 2021, we project a sharp 10.2% increase in India´s GDP from a 7.6% contraction in 2020. After 2021, GDP growth will return to more sustainable levels.

Latin America: Brazil and Mexico

Countries in Latin America remain severely affected by the pandemic and the government response is often slow or ineffective. The larger Latin American countries, Mexico, Brazil and Argentina, together have recorded 11.8 million cases, or about 13% of global cases (while representing 5% of the world population. Compared to the size of the population, Brazil and Argentina are among the countries with the highest infection rates in the world. Latin America witnessed a sharp GDP contraction of 7.6% in 2020, which is forecast to be followed by a partial rebound in 2012 (5.4%).

Brazil, in February 2020, was the first Latin American country to get Covid-19. Rapidly spreading infections are a heavy burden on Brazil's health care system. The economy, while in recession in 2020, is better able to cope with the shock from Covid-19 than many other countries in the region. The economy is relatively diversified, with a lower share of informality on the labour market and more possibilities to work remotely. Furthermore, the government provided a sizable fiscal package (12% of GDP) to contain the economic damage. GDP shrank by 4.7% in 2020, less than in neighbouring countries, and GDP is expected to show a robust recovery in 2021.

Mexico witnessed a deep recession in 2020, with a GDP contraction of 8.7%, driven by steep declines in consumption and investment. The automobile sector, Mexico's leading source of exports, suffered from a sharp fall in external demand and severe supply-chain disruptions. Unlike Brazil, Mexico's fiscal support was meagre, amounting to just 1% of GDP. Monetary policy is less loose than in other major emerging markets. As a result, the recovery will be protracted and GDP will only return to its pre-pandemic level in 2024. In 2021, GDP will partially rebound and expand by 6.1%. Exports of the manufacturing sector will receive a boost from higher US growth prospects, while an infrastructure plan will contribute to a partial recovery of investment.

Eastern Europe: Russia and Turkey

Eastern Europe is likely to see a 3.2% expansion of GDP in 2021, following a 2.8% decline in 2020. **Russia**, like many other commodity-based emerging markets, was hit by a combination of low oil prices and the negative effect of local lockdowns on domestic demand. But as the lockdown measures in Russia were shorter and less severe, the recession was relatively mild (GDP declined by 3.6%). Government support in 2020 consisted of social benefits for households and financial support for companies. The fiscal package is estimated to be 3.5% of GDP. Despite the projected partial rebound in GDP in 2021, the outlook for the economy is bleak. The government will largely roll back its fiscal stimulus this year, as it prioritises preserving fiscal buffers as a safeguard against external shocks. Private consumption growth will remain constrained. A rise in Covid-19 infections is leading to self-imposed social distancing, while social benefits and other subsidies to households are being scaled back. A weak oil market is another factor holding back potential growth. While the oil price will move up somewhat in 2021 compared to 2020, Russia has committed to production cuts under the OPEC+ deal, keeping export earnings from oil constrained.

Turkey managed to contain the number of Covid-19 cases in April and May, but they have grown again after the relaxation of the confinement measures in June. The Turkish economy was able to avoid recession in 2020. While activity showed a sharp fall in Q2 of 2020, this was followed by a strong rebound in Q3, driven by a major easing in monetary policy, fiscal stimulus, and a strong credit push. The recovery will be protracted, however, as rising infections necessitate new restrictions and stimulus measures are being rolled back. Investment will be affected by persisting uncertainties. High household debt levels and a modest coverage of formal social safety nets weigh on private consumption. While some of the recent policy changes are for the better, Turkey has a poor track record in policy consistency and often resorts to stop-go policies. These continue to weigh on the growth outlook.

Sub-Saharan Africa: South Africa

In Sub-Saharan Africa, many countries faced severe downturns in 2020. Although a health crisis has been averted, the toll of the domestic and international measures on economies and societies have been large. **South Africa**, the region's second-largest and most advanced economy, is leading in terms of official Covid-19 registrations. In the

early stages of the pandemic, it introduced one of the strictest lockdowns in the world. Since then it experienced two waves of infections, between July and August and one that has been ongoing since early December, both linked to a relaxation of containment measures. During the latest wave, President Cyril Ramaphosa resisted the urge to introduce strict nationwide restrictions. Instead, he is using a more localized approach of tightening restrictions in hotspots with high infections.

South Africa suffered a deep and painful recession in 2020 because of the pandemic. The recession wiped out several years of economic expansion and job creation. Growth will resume in 2021, but the pace of recovery will be held back by several domestic constraints, including the removal of a temporary fiscal stimulus and the lasting damage to the labour market. The most affected sectors, recreation, entertainment and tourism, will have some scope for recovery, but activity remains well below pre-pandemic levels. The government also faces the pressing issue of having to bring public finances in order, as a failure to stabilise public debt could trigger financial market turbulence and adversely affect foreign capital inflows.

Table 2.4 Real GDP growth (%) - major emerging markets

	2019	2020 e	2021 f	2022 f
Brazil	1.4	-4.7	4.0	2.5
Mexico	0.0	-8.7	6.1	3.9
China	6.0	1.8	8.8	5.0
India	4.9	-7.6	10.2	5.8
South Africa	0.2	-7.2	2.5	3.9
Turkey	0.8	1.2	4.1	4.0
Russia	1.3	-3.6	1.1	3.1

Sources: Oxford Economics, Atradius

Appendix: forecast tables

Table A1: Macroeconomic headline figures - developed markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption (% change p.a.)			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Australia	-2.8	3.1	3.0	0.7	0.7	0.9	-10.9	-6.0	-4.5	67.6	72.4	75.1	2.3	0.5	-1.0	-10.0	2.2	7.1	-6.2	4.9	4.3	-4.5	2.5	6.0	7.2	1.4	-0.1	2.2	2.2	2.0	-0.5	1.9	3.9
Austria	-7.5	3.0	5.5	1.4	1.3	1.7	-10.3	-9.4	-3.7	146.7	149.3	143.2	3.1	3.9	3.8	-11.6	6.1	7.7	-8.8	4.6	6.7	-5.3	3.0	6.0	0.7	2.0	2.1	-0.6	1.5	3.4	-6.3	4.2	2.8
Belgium	-7.1	4.1	5.8	0.7	1.9	1.8	-9.1	-6.9	-4.5	139.0	139.4	133.8	-1.2	-1.7	-1.5	-6.4	5.7	8.5	-8.0	5.1	4.6	-12.8	4.3	10.0	-2.0	6.3	3.9	-0.2	2.8	4.9	-5.2	3.0	4.2
Canada	-5.5	4.0	4.0	0.8	1.8	2.0	-10.5	-7.1	-1.8	119.4	118.6	113.3	-1.7	-1.7	-1.6	-10.1	4.8	5.9	-6.2	5.0	5.6	-4.2	1.2	4.9	0.2	3.4	-1.2	-1.7	9.0	5.6	-8.8	5.4	6.3
Denmark	-4.2	1.9	3.3	0.4	1.0	1.1	-4.7	-3.6	-1.3	57.7	60.0	58.6	7.0	5.8	5.6	-8.6	1.9	3.6	-3.8	3.3	3.3	0.3	2.1	2.8	-1.2	2.0	2.2	3.9	2.2	1.1	-6.0	3.2	5.0
Finland	-3.2	2.0	2.3	0.3	1.1	1.2	-5.5	-4.8	-2.4	72.4	76.2	75.9	-1.3	-0.8	-0.4	-10.5	0.0	3.8	-4.0	1.6	2.5	-2.6	1.0	2.8	0.0	1.7	1.6	3.6	1.1	0.9	-3.2	1.5	2.7
France	-9.1	5.1	5.6	0.5	1.1	1.6	-9.3	-8.6	-6.2	161.7	162.4	157.7	-2.5	-1.7	-0.9	-17.5	8.6	11.1	-7.5	4.0	3.7	-11.2	7.6	8.3	-3.9	5.3	2.6	-3.4	4.3	2.6	-10.4	7.7	3.6
Germany	-5.3	3.8	4.5	0.5	1.8	1.5	-5.0	-4.6	-0.8	67.8	68.8	64.6	6.6	6.1	5.6	-11.2	8.7	7.0	-6.6	2.6	7.9	-3.5	4.2	2.9	3.9	0.7	0.6	4.2	1.1	1.5	-10.3	8.1	3.8
Greece	-9.6	2.7	11.3	-1.3	0.8	1.9	-8.5	-4.9	-3.1	253.8	247.4	223.1	-8.4	-13.0	-8.3	-29.6	7.0	30.1	-3.2	4.4	4.3	0.8	12.2	19.2	2.2	3.0	2.1	-4.1	3.2	4.3	-3.2	5.5	7.0
Hong Kong	-5.9	4.7	3.7	0.4	2.1	2.5	-9.7	-5.2	-3.3	0.3	0.5	0.8	7.9	4.9	3.3	-6.3	8.8	3.9	-10.2	5.2	5.4	-13.0	8.5	8.1	7.5	0.5	0.8	-24.8	20.9	5.5	-6.1	1.1	3.7
Ireland	2.1	2.4	3.1	-0.4	1.5	2.5	-6.1	-5.2	-3.0	53.8	56.2	56.1	6.9	16.9	15.1	4.4	5.2	2.4	-11.0	2.6	7.5	-36.6	-32.1	7.9	9.0	3.7	2.0	-1.2	5.0	7.5	1.7	3.2	2.9
Italy	-9.0	4.5	4.5	-0.1	0.6	0.9	-11.2	-7.5	-4.7	181.0	180.0	175.5	3.5	2.9	3.1	-15.1	11.5	8.7	-10.2	4.4	4.6	-8.2	8.3	3.5	-0.6	1.3	0.9	-6.8	6.3	0.9	-10.8	10.7	3.3
Japan	-5.1	2.4	2.4	0.0	-0.4	0.3	-12.7	-10.5	-6.1	244.9	250.8	251.7	3.0	4.2	4.1	-12.6	11.1	5.8	-6.0	2.1	2.2	-4.8	0.4	3.1	2.2	1.8	0.5	-3.7	2.1	0.8	-10.3	5.6	3.4
Luxembourg	-3.7	4.5	6.1	0.8	1.1	1.3	-2.6	-1.9	0.8	25.0	25.5	22.7	3.9	5.3	5.4	-1.6	3.3	6.8	-9.8	7.8	7.1	-14.0	9.0	5.5	4.6	1.3	1.0	-0.7	15.1	5.7	-11.4	4.1	3.8
Netherlands	-3.9	2.7	3.0	1.3	1.5	1.7	-6.5	-5.7	-3.1	70.2	73.0	72.7	7.9	9.0	10.0	-4.2	5.4	4.5	-6.6	2.7	3.5	-3.6	3.2	4.1	0.9	2.7	-1.6	3.7	4.4	2.8	-3.9	2.8	2.7
New Zealand	-1.3	3.0	1.9	1.7	1.5	2.0	-9.6	-6.9	-3.3	41.7	35.2	35.7	-0.5	-1.9	-1.8	-12.0	3.4	13.4	-2.2	3.9	2.2	-8.0	9.7	5.2	5.0	-1.4	0.6	-0.5	6.5	2.3	-3.9	3.7	2.3
Norway	-1.6	2.2	2.5	1.3	2.4	2.0	2.2	0.0	1.6	54.0	57.6	59.3	2.5	3.1	3.8	-1.2	5.2	3.5	-7.9	3.5	2.5	-4.5	1.2	2.2	1.3	3.3	2.7	7.7	3.1	0.7	4.1	0.1	3.6
Portugal	-8.3	4.4	6.6	0.0	0.4	1.4	-7.5	-5.6	-3.3	152.6	150.5	142.3	-1.4	-0.3	1.1	-20.0	16.7	9.6	-6.5	4.0	5.4	-3.1	5.3	12.3	-0.7	3.7	3.0	-4.2	3.9	2.4	-7.2	4.3	3.2
Singapore	-5.8	5.6	4.1	-0.2	0.8	1.8	-6.7	-3.9	-1.2	152.6	143.2	135.8	16.9	17.7	17.5	-7.4	6.5	7.8	-13.0	12.4	5.2	-12.9	12.7	6.6	13.5	0.8	0.0	-15.8	17.3	4.5	7.0	3.7	2.7
Spain	-11.1	6.3	5.9	-0.3	1.2	1.1	-11.4	-8.3	-5.8	140.3	139.0	135.3	0.4	1.4	1.3	-21.0	8.0	10.6	-13.3	6.4	6.1	-11.8	8.5	8.6	3.7	2.9	1.4	-7.3	7.0	3.2	-9.5	8.3	2.5
South Korea	-1.1	2.9	3.2	0.5	1.3	1.8	-4.3	-3.6	-4.0	50.4	53.9	57.1	3.9	3.6	3.4	-3.2	5.3	4.0	-4.6	3.4	3.8	2.4	2.7	4.6	5.5	4.1	3.0	-0.1	3.4	3.8	0.2	4.7	2.6
Sweden	-3.0	2.9	3.0	0.5	1.2	1.6	-5.0	-3.6	-1.8	52.4	53.8	53.0	5.3	3.4	4.0	-6.2	2.5	3.3	-4.7	3.0	3.3	-1.7	3.8	2.5	-0.4	3.2	1.2	2.7	2.7	1.5	-4.7	4.2	1.8
Switzerland	-3.0	3.4	3.6	-0.7	0.3	0.5	-3.6	-2.6	-1.3	30.3	31.7	31.8	8.2	9.2	9.7	-4.8	4.6	7.1	-4.6	3.8	4.0	-3.1	3.3	3.6	1.9	1.5	0.0	1.0	-1.1	1.6	-4.2	5.5	4.9
United Kingdom	-10.0	5.4	5.8	0.9	1.3	1.8	-13.1	-12.7	-5.7	104.2	112.2	111.6	-3.4	-3.1	-3.2	-13.2	2.2	4.7	-11.9	5.9	5.9	-12.0	6.5	7.5	-7.8	9.1	6.7	0.3	4.9	1.4	-8.5	2.1	2.8
United States	-3.5	4.2	3.4	1.2	2.1	2.0	-15.7	-10.3	-6.5	161.5	162.5	160.4	-3.0	-3.3	-2.9	-13.1	5.1	8.4	-3.8	5.3	4.1	-1.3	3.4	2.4	0.5	-0.6	-0.6	1.2	5.2	2.0	-6.9	4.3	3.3
Eurozone	-7.1	4.2	4.9	0.2	1.2	1.4	-7.4	-6.3	-3.4	-	-	-	2.0	2.4	2.5	-10.7	7.8	7.5	-8.1	3.8	5.5	-9.2	4.2	5.8	0.6	2.7	1.4	-1.2	3.5	2.0	-8.7	7.5	3.7

Sources: Oxford Economics, Atradius

Atradius

Managing risk, enabling trade

Table A2: Macroeconomic headline figures - emerging markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption (% change p.a.)			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
China	2.1	8.1	5.0	2.4	2.0	2.9	-7.9	-6.3	-5.3	43.2	45.3	46.7	1.8	1.7	0.9	2.6	8.9	4.8	-3.3	13.6	7.5	5.4	4.8	3.4	7.2	5.5	4.0	-3.3	14.2	7.7	2.5	7.8	4.1
India	-7.4	8.8	5.8	6.6	4.5	4.6	-6.9	-6.3	-5.3	57.7	56.2	55.1	1.5	0.4	0.8	-7.6	7.9	5.6	-9.1	11.3	5.2	-16.3	7.0	0.8	0.8	14.5	2.0	-7.4	13.2	6.8	-11.2	14.5	5.3
Indonesia	-2.2	4.7	7.0	2.0	2.0	2.6	-6.2	-6.3	-4.5	43.2	45.3	45.0	-0.7	-0.9	-1.9	-5.9	7.0	4.5	-2.7	3.6	8.1	-4.9	5.9	9.8	3.7	9.5	4.5	-12.0	5.5	24.4	-2.8	6.3	4.7
Malaysia	-5.8	5.0	6.8	-1.2	1.5	2.3	-7.3	-6.2	-4.4	63.6	65.8	62.9	4.6	2.1	1.8	-9.3	7.2	7.9	-4.6	5.5	6.8	-15.1	9.8	11.4	5.1	3.8	-0.5	-3.8	6.2	7.4	-4.5	6.1	4.6
Thailand	-6.4	4.3	5.9	-0.8	0.9	1.2	-5.9	-5.1	-3.7	46.0	45.2	43.6	4.4	3.6	6.7	-20.0	4.1	13.7	-1.3	3.7	3.9	-4.4	4.8	2.9	1.9	1.9	0.2	-11.4	3.7	3.9	-8.6	9.1	5.4
Argentina	-10.5	6.4	1.9	42.0	44.0	34.0	-9.2	-5.7	-3.6	109.6	99.8	93.6	1.4	1.8	1.2	-15.9	8.0	4.1	-13.1	7.5	2.2	-19.8	7.1	1.9	-4.3	2.9	1.7	-10.5	10.6	4.9	-8.8	5.7	1.7
Brazil	-4.7	3.8	2.5	3.4	4.9	3.6	-17.2	-9.2	-7.7	94.4	102.0	102.3	0.0	-1.1	-2.4	-1.2	5.0	5.0	-6.0	2.6	3.2	-5.0	5.4	5.6	-4.0	3.7	0.6	1.3	7.5	3.2	-5.6	8.3	3.4
Chile	-6.3	4.8	4.1	3.0	2.8	2.5	-8.6	-5.1	-2.7	36.9	40.3	41.0	0.3	-3.1	-2.8	-1.5	3.9	3.3	-8.2	5.9	4.4	-13.5	9.9	4.1	-3.1	7.9	3.3	-8.2	8.5	4.4	-1.4	3.2	3.5
Colombia	-7.2	6.8	5.1	2.5	2.0	2.9	-8.7	-5.0	-3.3	66.6	65.6	64.4	-3.9	-3.8	-4.1	-16.8	16.1	11.1	-6.6	4.9	4.3	-18.0	13.0	6.9	2.4	1.1	0.5	-	-	-	-7.1	4.3	4.7
Mexico	-8.7	5.6	3.8	3.4	3.4	3.3	-3.2	-3.3	-2.8	57.3	56.2	55.3	2.3	0.5	-0.5	-6.3	10.4	3.2	-10.9	6.1	4.1	-18.1	11.1	3.1	2.4	0.2	1.4	-9.4	7.6	4.1	-10.6	6.7	3.8
Peru	-11.3	13.1	3.8	1.8	2.0	2.3	-9.1	-4.9	-3.0	38.9	38.6	39.4	-0.4	-1.5	-1.6	-21.6	23.9	4.4	-9.5	11.2	3.8	-21.4	27.4	3.8	1.0	4.9	3.6	-	-	-	-12.9	13.0	4.1
Venezuela	-34.9	0.8	13.1	2669.2	624.0	239.2	-17.8	-13.7	-9.9	346.9	322.3	254.1	-2.3	-0.3	3.4	-42.2	-6.5	20.1	-38.5	6.0	12.5	-31.6	7.0	29.7	-15.5	2.1	0.3	-33.3	11.5	18.0	-35.0	0.1	4.3
Bulgaria	-4.2	3.4	4.5	1.7	1.5	2.0	-2.6	-1.8	-1.1	17.4	18.2	17.8	1.8	4.4	6.7	-12.5	8.3	5.8	0.6	2.3	3.1	-8.1	12.6	14.3	4.5	3.7	4.3	-11.1	8.7	3.4	-5.9	5.1	3.7
CIS	-3.6	2.6	4.1	4.4	5.3	4.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-3.6	1.6	3.1
Czech Republic	-6.8	2.9	6.2	3.1	2.3	2.0	-6.7	-4.4	-2.0	41.0	42.0	40.2	3.4	1.7	1.2	-7.3	7.7	3.1	-5.3	0.8	5.7	-8.6	3.7	11.1	1.3	-0.1	2.6	-0.6	3.5	5.0	-8.5	8.5	3.9
Hungary	-5.6	3.0	4.4	3.3	2.9	2.6	-8.9	-6.3	-4.3	78.9	80.5	80.0	-0.3	-0.5	-0.3	-8.8	8.4	5.1	-2.6	2.0	3.4	-8.4	9.7	7.9	-1.1	2.3	1.2	-0.1	5.2	2.7	-7.0	11.8	3.3
Poland	-2.9	3.6	4.8	3.4	2.6	2.5	-10.3	-5.6	-2.9	53.0	54.0	52.7	2.9	-0.3	-0.6	-1.9	8.8	4.7	-3.6	2.9	4.0	-6.5	3.7	7.3	3.4	3.8	3.0	2.4	3.9	3.4	-2.9	7.6	4.2
Romania	-5.3	2.4	4.7	2.6	2.7	2.8	-10.4	-6.3	-5.6	48.0	51.3	52.9	-5.7	-7.4	-6.8	-11.4	9.6	5.1	-5.8	2.5	4.7	4.4	3.9	4.6	-1.0	3.8	3.3	2.0	6.0	2.8	-9.8	7.3	3.2
Russia	-3.8	1.3	3.0	3.4	4.5	3.7	-5.1	-3.3	-1.1	19.9	24.1	24.6	2.9	5.4	3.7	-4.3	2.6	3.7	-9.9	8.9	5.1	-10.6	10.2	7.8	1.5	0.1	0.5	-4.8	9.9	5.1	-3.7	1.2	2.8
Turkey	1.3	3.6	4.0	12.3	13.8	10.5	-4.1	-4.4	-4.0	42.0	39.5	39.1	-5.8	-3.3	-2.6	-18.2	11.2	8.9	2.5	1.1	3.2	8.0	-0.3	3.9	1.5	1.6	2.2	2.0	1.0	3.2	0.5	4.5	2.9
Ukraine	-4.3	4.0	4.2	3.0	6.9	4.9	-5.3	-4.6	-3.0	52.8	50.8	47.3	3.9	-1.5	-2.0	-3.7	4.0	4.8	5.5	5.4	5.7	-21.5	8.6	8.2	3.4	-1.1	0.7	-	-	-	-6.2	5.7	4.2
Egypt	3.6	2.0	3.4	5.1	6.4	8.4	-8.0	-9.3	-9.6	95.0	104.1	107.6	-3.4	-3.4	-3.4	-21.1	3.3	15.6	7.2	3.0	1.1	-19.4	13.6	14.0	6.2	6.1	3.1	7.2	3.0	1.1	-9.8	6.9	5.8
Morocco	-7.0	8.1	4.0	0.7	1.2	1.3	-7.4	-6.7	-5.0	96.2	94.9	95.2	-3.6	-3.6	-3.5	-23.4	16.0	11.7	-9.1	10.0	4.3	-16.2	8.0	7.2	6.7	2.0	1.1	-9.1	10.0	4.3	-7.8	7.3	4.9
Qatar	-3.1	2.8	3.5	-2.6	0.8	2.2	-4.9	-5.1	-4.6	71.5	83.3	89.6	-6.0	-5.0	-5.2	-5.2	6.2	2.3	-5.3	5.8	4.6	-6.2	2.6	1.9	-2.3	2.6	4.1	-4.8	6.3	5.1	-2.1	2.5	2.2
Saudi Arabia	-4.0	1.9	4.8	3.3	3.8	1.7	-11.6	-3.9	-1.9	33.8	33.1	31.7	0.4	0.9	2.5	-10.3	1.5	8.6	-7.0	6.0	3.9	-10.0	15.2	5.8	-1.4	-0.8	1.4	-	-	-	-4.2	3.3	2.4
Tunisia	-8.6	6.7	4.7	5.6	5.4	5.7	-10.5	-6.7	-5.0	88.1	87.1	85.9	-7.4	-7.2	-6.4	-15.3	12.4	7.5	-15.2	9.4	4.6	-15.4	11.6	5.5	0.8	4.5	2.7	-	-	-	-6.9	7.1	2.9
United Arab Emirates	-7.7	0.8	4.6	-2.1	-0.7	1.1	-7.1	-4.1	-2.2	39.1	40.8	40.2	-2.6	-0.9	0.9	-11.4	8.4	4.5	-5.4	4.0	3.9	-5.1	4.4	4.7	5.7	1.7	2.4	-5.4	4.0	3.9	-7.3	-2.4	3.3
MENA	-5.7	3.5	4.4	17.4	19.6	13.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-6.2	2.1	2.8
Ghana	-0.4	5.7	4.9	9.9	9.6	9.7	-13.8	-8.6	-6.0	83.5	84.2	82.8	-2.7	-3.0	-3.3	-8.8	4.0	6.3	-2.5	7.2	5.7	-4.9	8.4	6.4	20.9	-1.9	5.1	-	-	-	-3.7	6.2	5.9
Kenya	-1.0	5.6	5.7	5.3	5.5	5.9	-9.7	-7.9	-7.1	69.5	71.7	71.2	-4.0	-4.9	-4.8	-8.9	8.8	6.7	-0.6	8.0	6.3	-7.0	8.9	8.0	6.8	5.1	4.3	-	-	-	-0.1	2.1	4.2
Nigeria	-2.2	2.1	2.3	13.2	15.8	13.2	-6.8	-5.7	-5.5	23.7	26.5	28.7	-3.6	-2.4	-1.8	-19.3	3.1	1.0	-1.9	2.8	1.5	-2.4	1.7	3.1	2.5	3.9	5.3	-1.9	2.8	1.5	-4.1	2.5	3.2
South Africa	-7.3	2.0	3.9	3.3	3.9	4.7	-13.1	-12.1	-8.7	80.1	87.6	92.1	2.0	-0.2	-1.3	-9.9	2.3	6.8	-5.9	1.4	3.6	-17.5	6.1	6.7	0.5	0.6	1.0	-5.9	1.4	3.6	-10.8	4.9	3.3

Sources: Oxford Economics, Atradius

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