Crédito y Caución
Atradius

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Covid-19 takes heavy toll

Economic Outlook

Crédito y Caución
Atradius

Economic Research

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Executive summary

The rapid spread of Covid-19 across the globe is taking a heavy economic toll on both advanced and emerging economies. Lockdowns reduce consumption opportunities and create supply-side shocks as a large number of businesses are not able to operate. The recession the global economy is facing in 2020, is deeper than what occurred during the 2008/2009 financial crisis. As such, the forecast of a robust V-shaped recovery in 2021 is surrounded by high level of uncertainty.

Key points

- We forecast a 5.0% contraction in 2020 global GDP, followed by a robust 6.5% recovery in 2021. The recovery depends on the development and administration of a vaccine or, alternatively, a state of the world in which the effects of social distancing on economic activities are largely overcome.

- Trade growth, already ailing before Covid-19, has nose-dived owing to the supply and demand side pressures created by the virus. In 2020, we expect global trade to shrink by about 15%.

- All advanced markets are affected to a greater or lesser degree by the Covid-19 pandemic. As a group, advanced economies face a 6.6% GDP contraction in 2020, with a 6.0% recovery anticipated in 2021.

- In the Eurozone, the worst of the pandemic seems to be over, but the region is still heading for a historic recession in 2020. Sizable fiscal packages have been deployed to soften the blow.

- In the US, the negative effects of the trade war with China will be compounded by the negative effects the lockdown. The economic decline is having a huge impact on employment, with the unemployment rate shooting up dramatically.

- Japan is heading for a strong contraction in 2020, with limited monetary policy space to combat the recession. Tourism revenues have plummeted.

- All major emerging economies – except possibly China – will face a recession in 2020. The depth of the recession will be effected by the large differences between countries in regards to where they are on the infections curve, how effective policy measures are, and to the degree they are affected by lower commodity prices.

1. The global macroeconomic environment

Spread of Covid-19 only contained by lockdown

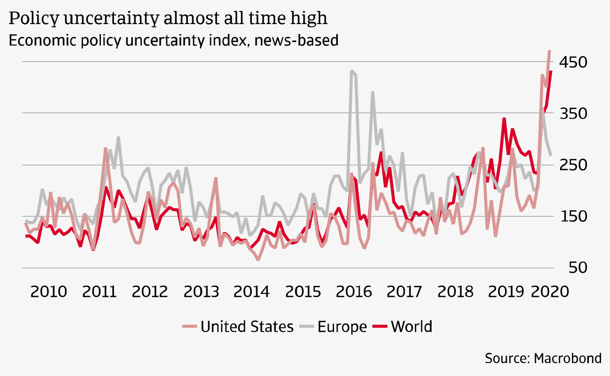
The Covid-19 virus has been rapidly spreading around the globe. Whereas in the early months of the year China was the focal point, since early March the rest of the world has become acquainted as well. Current balance: the number of registered infection cases 10.3 million globally, 505,000 deaths.[1] The United States is especially badly hit with 2.6 million cases. The five largest European countries have an aggregate of 1.2 million cases, with the UK, Spain and Italy counting the highest numbers. Numbers of cases are still growing, especially in the US and emerging economies, whereas European countries have been better able to control the spread of the virus. China had reached that phase in early March. The cases in the emerging economies are concentrated in a relatively limited number of countries in Latin American countries (especially Brazil) and otherwise Russia, Turkey and Iran. In India the number of cases is also growing, though the number per capita is still relatively low.

Covid-19 is flue like, but far worse. In serious cases, it can lead to severe respiratory problems, kidney failure or even death. With neither vaccine nor cure at hand, the spread of the virus can only be contained by keeping sufficient physical distance, for which a number of 1.5 meters is set.[2] This is the reason why governments across the globe have reverted to lockdowns.[3] Under a lockdown, people are confined to their homes and may only leave for necessities, such as buying food. All non-necessary services are closed. A lockdown attempts to lower the number of new cases: 'flattening the curve'. As the number of new cases decline, lockdowns are gradually being eased. This is, particularly the case in developed economies.

Lockdowns take a heavy economic toll

The mere existence of the virus, absent lockdowns, would already have significant economic effects. The risk of infections directly reduces demand for travel, entertainment and leisure services. In addition, the increased uncertainty created by the virus reduces demand for other goods and services. Such impact on the economy would arguably have been manageable. However, the lockdowns really increased the economic trouble.

1.1 Policy uncertainty near all-time high



Under a lockdown, not only are all non-essential services such as restaurants, barbershops, sports, theatre, etc. closed, but people are also restricted from traveling to work, even in situations where working from home is not an option. The result is that a large number of businesses, notably factories, are not able to operate. This creates a supply side shock as products and services cannot be produced. On top of that, demand falls as workers lose their income and the economic uncertainty climbs further. Precautionary savings rise, and consumption falls. Businesses, facing lower demand and uncertainty, will reduce capital expenditure. The fall in equity prices further worsens the situation, restricting financing opportunities. Indeed, demand for products and services that can still be produced is now under pressure. The ultimate result is a supply shock in combination with a demand shock. To get a sense of the impact on GDP, the French INSEE has estimated that in April, when France was in a tight lockdown, GDP fell by as much as 30% year-on-year. No wonder policy uncertainty is approaching an all-time high.

Severe global recession in 2020, strong recovery in 2021

Due to the spread of Covid-19, the economic impact is not completely synchronous globally. China, after a period of two

[1] The number of registered cases is a gross underrepresentation of the number of cases. Only those who become seriously ill are registered. This is about 20% of the total affected.

[2] This number is not scientifically underpinned. It is most likely based on research on the distance between soldiers' beds that helped prevent the spread of infectious diseases in army barracks in the 20th century. This turned out to be 90 cm.

[3] Modelling, amongst others by Imperial College of London, has shown that without it the virus would have a devastating impact. Indeed, if the virus is left uncontained, the United States would be facing 3.3 million deaths in a very short period of time. Moreover, public (and private) health systems would not be able to handle the number of diseased.

months under lockdown, restarted its economy, whilst the US remains in the midst of the crisis, with Europe lagging behind. This implies that Chinese products and services will be facing significantly lower demand from the rest of the world, hampering Chinese recovery.

The negative economic impact is strong and visible in both advanced economies and EMEs. Moreover, commodity-dependent EMEs are feeling the collapse of commodity prices, including oil. As risk adversity amongst investors has heightened, large-scale capital flight towards safe havens such as US treasuries has occurred. These factors, although somewhat reversed, have put downward pressure on emerging economy exchange rates. That, as such may be manageable, but refinancing issues for weaker emerging economies that arise in the current situation may not be. Unlike after the 2008/2009 crisis, demand from these often fast growing countries, and especially China, is not going to save the day for the global economy.

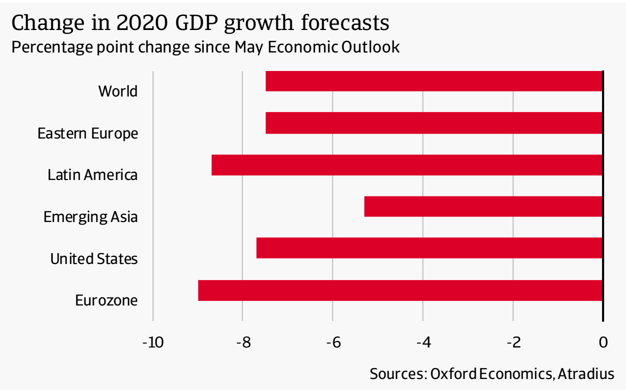
What emerges is the picture of the global economy under severe pressure. A deep global recession for 2020 is inevitable. Whereas China may be able to barely maintain positive GDP figures, but no region will be able to escape recession. The question is how low will the global economy go? The answer, very low, even below the 2008/2009 recession.[4]

Table 1.1 Real GDP growth (%) - global regions

	2019	2020f	2021f
Eurozone	1.2	-8.0	6.3
United States	2.3	-6.1	6.3
Emerging Asia	5.2	-0.1	7.9
Latin America	0.5	-6.8	5.3
Eastern Europe	2.4	-5.0	5.3
World	**2.5**	**-5.0**	**6.5**

Sources: Oxford Economics, Atradius

1.2 Change in 2020 GDP growth forecasts



In order to answer that question, we need to make assumptions. Not so much about the development of the virus, but rather when we can expect real containment and a return to normal life. That implies an assumption about finding a vaccine or, alternatively, a state of the world in which the effect of social distancing on economic activities, is largely overcome. For our baseline scenario it is assumed that this will occur in early 2021. Prior to that, the picture is one of lockdowns peaking in the second quarter of 2020 and a gradual easing taking place during the third and fourth. Such easing has its limits, as long as a vaccine is not developed, and economic activity is restrained.

On the supply side, the products and services businesses can deliver, especially those serving consumers, will be reduced.. For example restaurants can now serve far fewer people due to social distancing regulations. Moreover, apart from this supply issue, demand will also be restrained due to uncertainty. This is what *The Economist* has pointedly called the '90% economy'. We are trapped in that state until a vaccine is found or, somehow, the obstacles brought about by social distancing are overcome.

Apart from these key assumptions, which are somewhat outside the realm of economists, it is assumed that central banks and governments do all they can to limit the economic damage of the lockdowns and reinvigorate the economy as lockdowns are eased. In this outlook we argue at some length that these are reasonable assumptions. Moreover, over the forecast period we assume a relatively low oil price and no resumption of the trade war between China and the US.

With this in mind, we see the global economy taking a severe hit in the first half of 2020 after which activity picks up gradually. It results in a severe recession in 2020 (a 5.0% shrink) and a strong rebound in 2021 when growth will pick up to 6.5%. The hit to activity in 2020 is, as compared to emerging economies, severe in the US and European economies; the recovery is globally more even. This is the picture of a V-shaped recovery, although its second leg is arguably more longer and wider (and its first leg more directly downward).

[4] We wish to point out the two differences with the 2008/2009 crisis. The latter (i) originated in the financial system, the current one is a public health shock; and (ii) it was a developed economies crisis, the current one is global.

Box 1 Lockdowns make economic sense[5]

The remarkable fact of the policy response in the world to the deadly Covid-19 virus is its uniformity: lockdowns. Although they vary in form, from very strict such as Italy and Spain, to somewhat loose, such as in Sweden. The primary way policy makers are dealing with the pandemic is by imposing social distancing measures on the population. Such policy, however, comes at a huge economic cost. This, as well as the fact that so many forms of lock downs exist, suggests there is a trade-off between safeguarding public health and maintaining economic activity. At first sight such trade-offs seem difficult to evaluate: the costs are clear in economic terms, the benefits (far) less. Still, economics provide roughly two approaches to evaluate such trade-off.

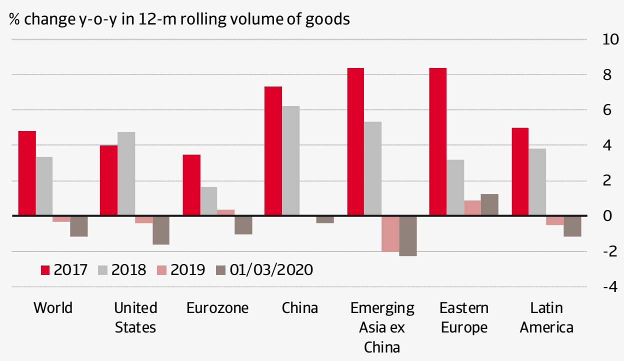
The first approach is rooted in cost benefit analysis and attempts to value the lives saved by the lockdown against the loss of GDP. A study for the United States show that three to four months of moderate social distancing, compared to no policy measures, leads to 500.000 fewer deaths per 100 million people (0.5%). Using detailed, age specific values for lives saved, researchers conclude that this equates to around 30% of US GDP. For the US, our Covid-19 related growth revision is almost 8% for 2020, with recovery in 2021. This suggests that the lockdown, at least in this form, makes sense from an economic point of view. It may make even more sense if one assumes a more equal distribution across age groups (rather than relatively low for older people): the benefit is then estimated at around 45% of GDP.

The other approach is slightly more refined and starts with a model that describes how an epidemic spreads through the population. If a new disease breaks out, large parts of the population can be affected as the disease spreads across the population. Recent macroeconomic literature has linked economic activity to such models, particularly (economically relevant) behavioural responses to the spread of an infection. If individuals protect themselves against the disease, economic activity declines. Still, other people will become infected and even die, and in higher numbers if the health care system is not able to cope. The point is that, without government interference, the response to the virus of individuals is too mild, in the sense of insufficiently taking into account the effect on others.[6] That provides a reason for government interference by imposing a lockdown, aiming to benefit society as a whole.[7] This becomes clear if the costs of a lockdown, which are valued in terms of loss of consumption (due to protective behaviour and illness) and deaths are set against those of an alternative of no lockdown. A result of these studies is that whereas consumption will fall by more than 20% in a lockdown against 7% under the alternative, the death rate declines from 0.5% to 0.26%. Using value of lives methods comparable to those in the first method discussed, the conclusion is that significant lockdowns do improve welfare. Tough as they may be, lockdowns make economic sense according to these models; the alternative is simply worse.

Ailing global trade faces nose-dive

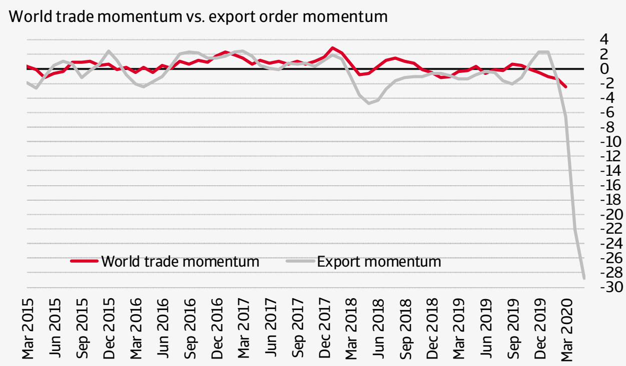
When Covid-19 struck, global trade was already ailing. The 2008/2009 financial crisis marked a turning point from a long-term average growth of 5%. China started to produce more locally, transport costs were no longer declining and trade finance started to become scarce. On top of that, in 2018 the US launched a trade war with China. Indeed, as the global economy slid to its lowest growth since the crisis, in 2019 trade growth turned negative, albeit marginally. By the end of the year some hope returned for better times as China agreed to buy an extraordinary amount of USD 200 billion of US exports under 'Phase One' of a trade deal. Then, Covid-19 hit. First readings for 2020, available up and until March, show an even bleaker picture with global trade contracting 1.2%.[8] This is only the start. It makes the picture for 2020 much worse, with global trade expected to shrink about 15%. Still, under our baseline scenario there will be a strong recovery in 2021.

1.3 Global trade shrinks



Source: CPB, Atradius

1.4 Weak trade momentum



Source: CPB, IHS Markit, Atradius

[5] This piece draws on Boissay, F., Rees, D. and Rungcharoenkitkul, P. Dealing (2020) with Covid-19: understanding the policy choices, BIS Bulletin 19.

[6] Think of soccer players taking a team break at a private barbeque. If there is one infection, it could easily multiply during such a session with players developing only mild symptoms, if any. They may however infect others outside the party group that may be less immune.

[7] Economists call this a negative externality.

[8] The figure is calculated based on a 12 month rolling average compared to the previous period. Therefore, the March 2020 change covers the March 2019 – 2020 period compared to March 2018-2019.

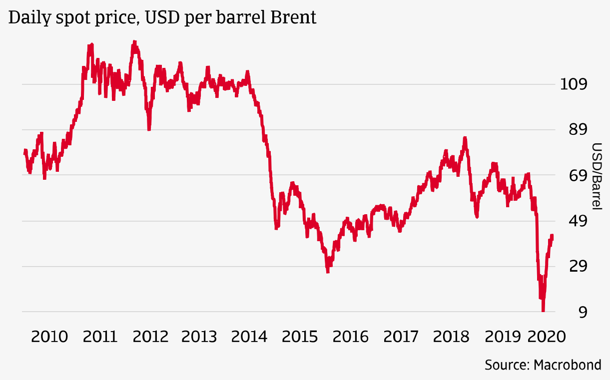
The forecasted fall in trade growth seems a bit large relative to the 5% drop in GDP, given that the average trade growth during the past decade was slightly below global GDP growth of 2.5%. Research by Oxford Economics shows that in downturns the fall in trade growth could be two to four times higher than the fall in GDP. With global GDP to fall by 5%, our estimate of 15% reflects the middle ground of such relationship. Alternatively, one can consider the relationship with industrial production and trade (in merchandise), for which a long-term relationship of 1.3 holds.[9] With industrial production forecast to fall by 8% globally, the 15% fall in trade could be somewhat on the high side. Still, four factors provide support for the forecast. First, the estimated relationship is long term and seems to have edged up during the past decade, potentially as a result of supply chains that have been created in conjunction with globalisation. Second, in crisis periods the relationship has been found to underestimate the impact relative to 'normal recessions'. During the 2008/2009 crisis, finance was an issue, and particularly trade finance, leading to a decline of 12% in global trade, whilst GDP growth came to a halt. Third, at the current juncture, finance is not a particular issue. Rather, travel bans, quarantines and a widespread desire to stay-at-home, although not ordered to do so, are. This implies that globalisation has come to a halt. Grounding the airplane fleet means freight costs rise. Add that to the extra time needed to transport goods internationally due to border checks and travel restrictions, and you have an environment in which it is more difficult to install goods. The WTO has calculated that this implies 3-4% higher costs, adding 40-50% to the 8% average tariff levied on imported goods. Finally, companies may run stock levels down in case of sudden transport problems typical in a crisis.

Plummeted oil price not helpful

It is an understatement to say that the impact of the widespread lockdowns in the global economy has not gone unnoticed in the oil market. Whereas early in the year the price for Brent hit USD 70 per barrel, on April 21st it plummeted to USD 9 per barrel, after which it bounced back into the mid-thirties.[10] The recovery was helped by the agreement between OPEC+ countries to cut production by 9.7 mb/d in 2020, which is supposed to last well into 2022. This cut short the price war that Saudi Arabia had started with Russia in early March. Both countries are simply not able to cope with rock bottom oil prices, not even in the short term.

Stay home policies reduced road and air traffic to unprecedented lows, causing oil demand to fall by as much as 30%, or roughly 30 mb/d during April. Oil production, already rather inelastic by nature,[11] was inevitably unable to adjust at that short notice. Under normal circumstances, such low prices would cause demand to quickly recover. However, that is not feasible during a lockdown. Hence, the continued low oil price.

1.5 Oil price plummets



Under our baseline scenario, oil demand will pick up as well. Overall demand for oil in 2020 is still expected to drop to 92.6 mb/d, about 8% lower than 2019. This will not push up oil prices initially, as inventories that are at 11.5 mb/d will first be drawn down. That means limited upward pressure on the oil price during 2020, leaving it at levels of around USD 35-40 per barrel. Real oil price recovery can only be expected during 2021 as the economic recovery gains pace. Indeed, for 2021 our oil price is expected to average around USD 50 per barrel. However, whereas oil price forecasts are normally surrounded with a high level of uncertainty, the current circumstances calls for even more prudence. A second wave of the virus, or an even more protracted easing of lockdowns than we are currently seeing, could derail the economic recovery or at least (even more) slow it. In such case, oil demand will linger and over the forecast horizon, the oil price is bound to stay lower for longer. Clearly, a breach in the OPEC+ agreement will undermine the oil price recovery as well.[12]

One can, and arguably should, question if such low oil price is of any help at this stage. Under normal circumstances, a low oil price would create room for additional consumption and via that mechanism help support economic growth. Such benefit would outweigh the negative effect of the pressure on investment and the world would be better off.[13] The point is

[9] So a change in industrial production triggers 1.3 time higher trade growth.

[10] Even more spectacular was the price of – USD 40 per barrel that was offered in the US market the day before. No fata morgana: minus USD 40 per barrel. That was due to expiring future contracts for delivery May that would under normal circumstances be purchased by parties that want a physical delivery. But ample supply and storage capacity constraints in the US implied that at that moment these parties were not in the market and panic arose.

[11] Supply inelasticity has become somewhat lower as the US oil production started to contribute on a global scale. Relatively small US firms with a host of breakeven prices are far more flexible and can adjust production to prices easier than the large oil majors. That makes supply more elastic and production adjustment smoother, lowering price volatility somewhat.

[12] Longer term, we expect the oil price to resume its upward trend as sketched in our Energy Outlook as long term economic growth, especially in Asia will push up energy demand that will, at least partly, have to be met by oil.

[13] To give a sense of the magnitude, the current low oil price would normally push up US consumption by 0.5% of GDP whilst investment would drop by 0.3% of GDP. Investment levels in the oil

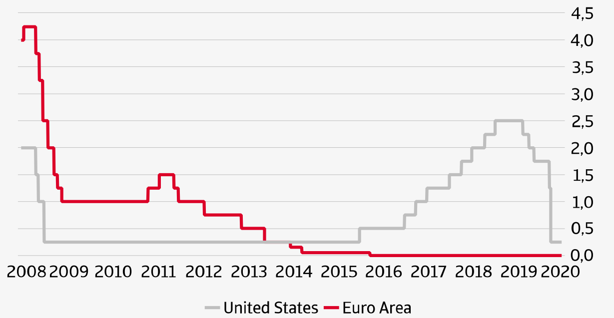
that at the current juncture, an extreme level of uncertainty reigns with respect to the economic development post lockdown. That means the benefit of higher consumption will be reaped very gradually and for the moment disappear into what economists call precautionary savings. That is partly voluntary, due to uncertainty, and partly mandatory as the supply of certain services is simply limited under continued social distancing rules. Therefore, the low oil price is a negative for the global economy for the time being.

Whatever monetary expansion it takes

As the pandemic developed in the early part of the spring, monetary authorities were quick to react. Pre-Covid-19 central banks had already come back from their tightening stance, with the Fed already softly increasing quantitative easing (QE) and the European Central Bank (ECB) implementing its Long Term Refinancing Operations (LTRO) III program. The developments forced central banks to ramp up monetary support significantly.[14]

1.6 Loose monetary policy

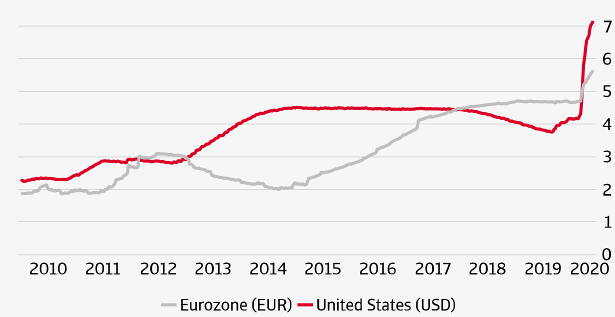
ECB vs Fed policy rates, percent per annum



Source: Macrobond

1.7 Central bank balance sheet expansion

ECB and Federal Reserve balance sheets, total assets (trillions)



Source: Macrobond

The Fed in particular, got into the swing of things. It cut the policy rate by 150 bps over a period of 12 days and announced it would keep rates low until growth and inflation return to levels in accordance with its mandate. Open ended and unlimited QE was announced as (foreign) money markets were flooded with funds to prop up liquidity. Moreover, USD 3.1 trillion through a host of policy packages was prepared to support financial institutions, credit markets and even (directly) small businesses. The ECB took an arguably more cautious approach. It cut rates under the LTRO III program in two steps by 0.75% to -1.0% and eased lending volumes. The threat of tightening financial conditions was addressed by increasing the Asset Purchase Program by Euro 120 billion. In addition, a EUR 750 billion Pandemic Emergency Purchase Program (PEPP) for purchasing private and public assets was launched. That was complemented by Pandemic Emergency Longer Term Refinancing Operations (PELTROs) to support money markets. Direct lending, like what the Fed has done, is a step not taken. Other central banks acted accordingly. The Bank of England cut rates by 0.5% to 0.25% and launched QE of 200 billion as well as a lending program to Small and Medium-sized Enterprises (SMEs). In emerging economies, such as China and India, a mix of (relatively modest) rate cuts and liquidity provisioning to the financial system signalled monetary policy easing as well. The attitude is “Whatever it takes”, as former ECB president Draghi once put it.

The picture is thus one of strong, in some cases even overwhelming, monetary policy support. Moreover, the Fed has made clear it stands ready to use additional policy tools to support the economy.[15] [16] The ECB, when launching the PEPP made it clear that if needed the ECB would go further, with increases to EUR 1.35 trillion over the summer. Thus far, it has avoided Fed like direct lending, but that may change as

sector are expected to fall by about 30% according the IEA (as opposed to an expected increase of 5%).

[14] Details can be found in https://www.iif.com/Portals/0/Files/Databases/COVID-19_responses.pdf.

[15] See Jerome H. Powel: Current economic issues, BIS central bankers’ speeches https://www.bis.org/review/r200513a.htm

[16] Notably, such readiness as such is to a large extent sufficient now that under these facilities only a fraction of the amounts available is drawn: USD 96 billion. It signals the power of the Fed.

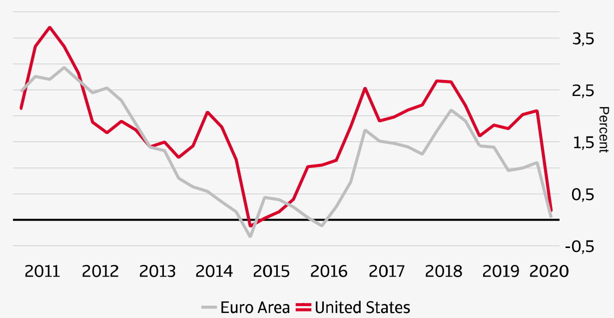
well.[17] In case of a second round of easing, other central banks will then likely follow.[18]

To what extent is this monetary policy support expected to be successful? The answer is: monetary policy intervention is successful in the sense that it serves as a preventive measure.

Take inflation first. The common objective of central banks is to keep inflation at or around 2%, the level sufficiently far from the feared situation of deflation.[19] Such a level is unlikely to be achieved in 2020 and even in 2021 in our baseline scenario where levels of 0.1% and 1.2% are expected. This seems a straightforward consequence of the massive drop in demand due to the Covid-19 crisis. Extreme high levels of uncertainty and, under the lockdowns, simple imposed supply cuts will cause large spending reductions by households and firms, such that prices are unlikely to rise.[20] [21] Monetary policy cannot prevent a fall in inflation, but arguably prevents worsening towards deflation.

1.8 Inflation declines

Headline inflation indices, y-o-y % growth



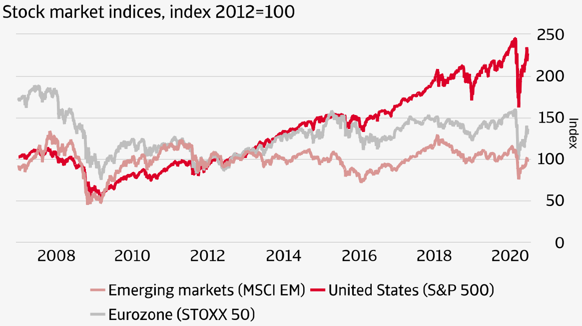
Source: Macrobond

Still, at a deeper level matters are changing. Indeed, over time, one can expect some higher inflation levels due to the deglobalisation that has accelerated due to the crisis. It will cause less wage competition from abroad, reducing a cause of lower inflation. Moreover, as security concerns, especially for public health, will become more prominent, supply chains will be shortened, allowing for less competition in the chain. Also, the sheer impact of Covid-19 will reduce supply as companies go bankrupt, with remaining companies snatching up market share and potentially gaining pricing power.

Then there is financial market support, which was needed to settle the financial turmoil experienced, as the Covid-19 crisis developed. Equity markets took large hits, with indices of the US, Eurozone and Emerging economies (MSCI EM) losing 35% over roughly a month period. The change came when the Fed announced it would start buying corporate bonds, triggering large scale bond issuances to the tune of USD 560 billion in six weeks. Investors, facing negative yields on government bonds, flocked back to the markets and prices bounced, even outside the US. However, the recovery is not synchronous: the US is now at -12% compared to pre-Covid, MSCI EM is at -20% and the Eurozone -24%.

1.9 Policy support helps stocks

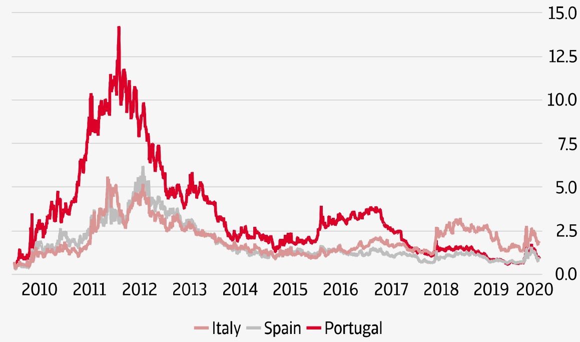
Stock market indices, index 2012=100



Source: Macrobond

1.10 Government bond yields

10-year bond yield spreads compared to Germany, %



Source: Macrobond

Eurozone financial recovery is more restrained, as large firms dominant in stock indices are partly those in trouble or

[17] We are not particularly worried, especially not in this crisis time, about the early May German High Court ruling related to Asset Purchase Program of the ECB. In essence the court orders the German government to come up with a careful argumentation justifying the program within three months.

[18] The question is whether there is much policy room for rate cuts now that the so-called zero bound is close, or even surpassed like in the case of the ECB. The main issue here is that if rates turn too negative, banks will start to pass on those rates to clients and a large scale cash hoarding may follow. The question now is at what negative rate households and firms will take up cash on a large scale. It seems that at current levels of -1% such may be avoided, but above that things may be different. Anyway, charging negative rates for savings by banks, especially to households, is still limited.

[19] In case of deflation, demand is restrained as households and firms will postpone spending in order to benefit from lower future prices.

[20] This view is not fully undisputed now that prominent economists like Charles Goodhart of the London School of Economics believes that large supply constraints and huge government spending will drive up prices. See https//voxeu.org/article/future-imperfect-after-coronavirus).

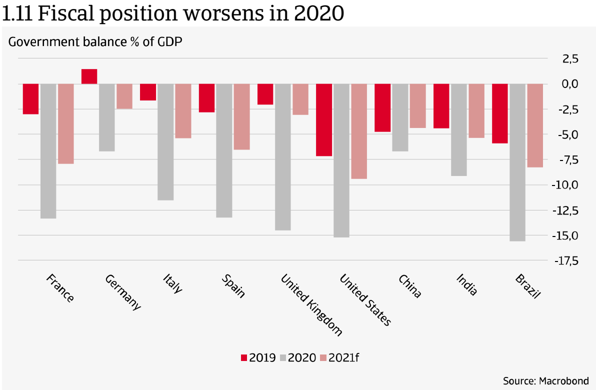
[21] In the current situation, measuring inflation is tricky. As an example, inflation indices take into account that consumer spending is partly done on travel. But whereas price flights are still published, these flights do not occur. In other words, the spending pattern of the consumer is changing, and inflation does not reflect that.

at least less appealing: car makers, banks and energy. Also, concerns over the Eurozone have resurfaced. Whether the latter is justified is an open question, now that the ECB is successful in restraining government bond spreads of Eurozone countries like Spain, and especially, Italy. These countries, like others, are increasing government support. Consequently, government deficits move into the 10% range. However, their public finance situation, especially their debt to GDP ratio, would not allow doing that. Government spreads, and especially Italian and perhaps Spanish would surge, creating Eurozone break-up worries. The ECB PEPP precisely prevents that.

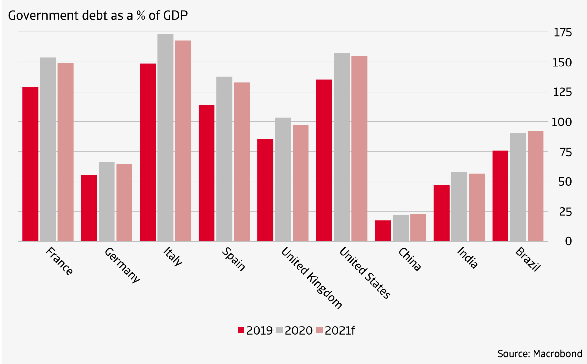
Massive government intervention

While monetary policies are quickly and aggressively expanded to address the economic fall out of the Covid-19 crisis, governments stepped in as well. When fighting a pandemic, healthcare spending goes up to accommodate increased demand for health care services. That usually comes down to additional government spending. The Covid-19 pandemic is special in the sense that apart from increased demand for healthcare services, lockdown measures have been imposed in order to avoid overwhelming the healthcare system. As lockdown by nature implies closing down, at least parts, of the economy, government intervention alleviating the damage is needed. Governments are indeed fulfilling that need globally with a massive financial commitment, estimated at USD 7.8 trillion, almost 9% of global GDP.

1.11 Fiscal position worsens in 2020



1.12 Government debt rises



Intervention is aimed at limiting short term damage to GDP and, perhaps more importantly, what economists call 'hysteresis' or lasting damage to economic networks and skill sets of workers and entrepreneurs that would reduce future growth.[22] The obvious first step for governments is to help businesses and workers by providing liquidity support. This can be done for workers in the form of government-paid sick and family leave, transfers, unemployment benefits, wage subsidies and deferral of tax payments; and for companies by providing liquidity to reduce the risk of bankruptcy; especially of SMEs. After the lockdown, the government needs to instil confidence through initiatives that reinvigorate the economy. The role of the government is then to get private investments on track, if needed with financial support, in, for example healthcare and education. It should also accelerate planned spending on infrastructure projects. Finally, spending of firms and households should be stabilised using the tax system and unemployment benefits.[23]

The current focus of the intervention is still addressing the first leg. The US stepped in with significant relief packages, including the USD 2.2 trillion CARES Act targeting hospital funding, USD 1,200 per month for each adult earning less than USD 75,000 per annum, and emergency grants and loans for SMEs. A fifth package of USD 3 trillion, extending and expanding the CARES Act, is under discussion. EU member states drafted individual packages of broadly similar vein, with one deviating characteristic from the US: attempting to preserve the worker-firm relationship through part time unemployment benefits routed via firms (or outright salary payments). Member states agreed to a EUR 540 billion package including employment insurance, liquidity provisioning and ESM credit lines. The fairly extensive UK package bears a bit of a resemblance to the US package with up to GBP 2,500 per month for workers earning less than GBP 50,000 and a GBP 330 billion loans package for firms impacted, on top of a GBP 65.5 billion stimulus package. In the emerging economies, China, careful to limit further debt run-ups, chips in with a relatively more modest increase of the fiscal deficit as well as tax relief and delayed loan and interest payments for SMEs. SME lending is

[22] Moreover, in democracies it is badly needed to generate acceptance of the population and thus avoid future backlashes for ruling coalitions.

[23] This is what the IMF calls IDEAS, Invest for the future, Discretionary policies and Enhanced Automatic Stabilisers. See Fiscal Monitor: Policies to Support People During the Covid-19 Pandemic, April 2020.

encouraged by state backed credit guarantees. India has committed to spending USD 265 billion, or 10% of GDP for health care, and providing cash to low-income households and SMEs.

Whereas the current government support directed at alleviating the lockdown impact is necessary, it is not sufficient. The next step is designing policies that reinvigorate, which are still in short supply. The exception is the recently announced EU Pandemic Fund proposal initiated by France and Germany. This entails grants, loans and subsidies via the EU budget over a seven-year period. If accepted it is a bold step towards further European integration,[24] but more importantly it will help hard hit southern countries recover more in line with other EU member states.

Fiscal policy intervention has clear consequences. Indeed, the additional spending in 2020 in combination with the fall of GDP pushes government balances towards levels that were difficult to imagine at the time of our 2019 November Economic Outlook when we argued for more government spending. In our baseline scenario, the United States deficit will increase more than 10 percentage points of GDP, the UK even higher at 13 percentage points, whereas other major European countries face deficit increases of 7 to 9 percentage points. This set of countries notably includes Germany. Its level, however, remains relatively modest. In major emerging economies, the fiscal boost is far less pronounced. For China, it is 2 percentage points, whereas for India and Brazil it is 4.7 percentage point and 9.7 percentage points respectively. Whereas we do not think large-scale deficit reduction through austerity measures will take place in 2021, GDP recovery will significantly help support deficit reduction.

Should we worry about this? If one looks at the increase in debt to GDP ratios one is inclined to answer the question in the affirmative. The already high to very high levels in a number of countries are being pushed up further. Even Germany will no longer be able to meet the (formal) EU norm of 60%, a target that for most other EU countries had been out of reach for quite some time. Only China and India will keep government debt ratios at modest levels, Brazil is not able to do so and shoots up to 90%, way above the 60% IMF target for emerging economies. Still, we should realise two mitigating factors. First, interest rates are exceptionally low and are bound to stay at these levels over the forecast period. Second, central banks are acting as 'buyer of last resort' for government debt issued. This implies that Italy, whose debt to GDP level of close to 150% of GDP already in 2019 has worried investors, can safely continue issuing bonds; there is always the ECB to take these up. Absent the ECB, matters would look a lot worse, for Italy and the Eurozone.

Things could get worse

The above sketches the picture of our baseline scenario, with a deep recession and relatively strong recovery. The assumptions underlying it were made clear as well. Since those may not be met, things could get worse. In that regard we do not consider a situation where the vaccine is found later, or a second wave of infections. Rather, we broadly consider that the impact of this public health crisis on the economy, because of measures taken to contain Covid-19, is more severe. This represents the lower boundaries of the (very high level of forecasting) uncertainty that surround the baseline.

More in detail, in a downside scenario, the lockdowns remain in place longer and take a lot more time, well into the third quarter, to unfold. This implies that the contraction will be deeper and extend to the third quarter. Recovery would be slower as more damage would have been done to confidence of businesses and households. Recovery in spending takes more time. Moreover, government support has clear limits as the surge in government debt pushes up spreads and fears for financial market distress. That in turn gives rise to more pronounced tightening of finance costs, compounding the spending restraints. Monetary policy remains loose, but cannot prevent a new wave of contraction of financial flows away from the emerging economies to the safe haven (the US), reflecting heightened risk aversion. Together with depreciation of emerging economies currencies this causes additional borrowing constraints for these countries.

In this scenario, we see a much deeper recession in 2020 with contraction rates more than doubling compared to the baseline (12.2% versus 4.8%), with no regions escaping this, and similar growth rates in 2021 (7%). Matters are indeed much worse.

Table 1.2 Real GDP growth (%) - two scenarios

	Baseline		Global recession deepens	
	2020	2021	2020	2021
Eurozone	-8.0	6.3	-14.5	5.9
United States	-6.1	6.3	-7.8	8.3
Emerging Asia	-0.1	7.9	-9.7	7.6
Latin America	-6.8	5.3	-10.6	5.1
Eastern Europe	-5.0	5.3	-12.4	5.9
World	-5.0	6.5	-12.2	6.6

Sources: Oxford Economics, Atradius

[24] It is a bold step in the sense that this initially French-German proposal of a Euro 500 billion fund from the European Commission that will entail EU member states backed borrowing via the EU budget, ultimately funded via carbon and digital transaction taxes.

2. Developments in major economies

Advanced economies

All advanced markets affected to a greater or lesser degree by the Covid-19 pandemic. Many are deploying sizable fiscal packages to soften the blow. The Eurozone is heading for a strong recession as countries are taking far-reaching public health measures to contain the spread. In the US the negative economic effects of the trade war with china will be compounded by negative effects from the lockdown. In the US the economic decline is having a huge impact on employment, with the unemployment rate shooting up to unprecedented levels. The UK succeeded in avoiding mass layoffs, but the toll of the pandemic is heavy in terms of GDP losses. The pandemic has put the Brexit negotiations with the EU on the backburner, but the UK government has committed itself to ending the transition period by the end of 2020. Japan is heading for a strong contraction in 2020, with limited monetary policy space to combat the recession. Tourism revenues have plummeted.

Table 2.1 Real GDP growth (%) - advanced markets

	2019	2020f	2021f
Eurozone	1.2	-8.0	6.3
United States	2.3	-6.1	6.3
United Kingdom	1.4	-10.8	10.2
Japan	0.7	-6.0	2.7
Advanced economies	**1.7**	**-6.6**	**6.0**

Sources: Oxford Economics, Atradius

Eurozone enters deep recession

The Eurozone is heading towards a historic recession in 2020. The magnitude of the contraction will depend on the course of the pandemic, and the duration and severity of the containment measures taken to slow its spread. GDP of the eurozone is expected to contract by 8.0% in 2020, following 1.2% growth in 2019. All eurozone member states face a recession in 2020 (Table). While some countries are expected to return to their pre-pandemic output levels by 2021, the majority is expected to recover only partially next year. Italy, Spain and France face a relatively deep recession as these countries were among the worst affected by Covid-19.

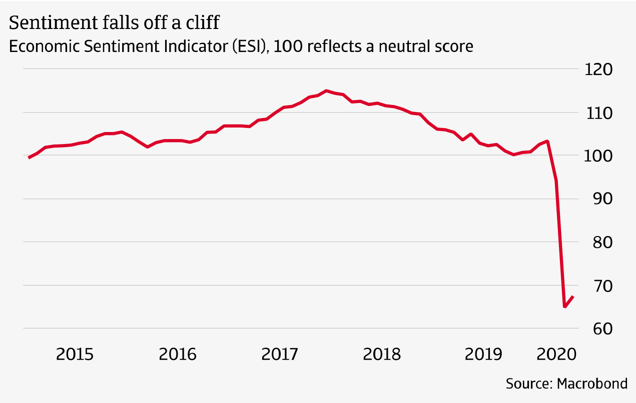
Sentiment indicators like the European Sentiment Indicator (ESI) and the Purchasing Managers Index (PMI) point to a severe recession in Q2 of 2020. The ESI reached a level of 64.9 in April, compared to 103.4 only two months before. There was only a slight increase visible in May, but the ESI remains far below the neutral level of 100.

Table 2.2 Real GDP growth (%) - eurozone

	2019	2020f	2021f
Austria	1.5	-5.8	6.8
Belgium	1.4	-8.7	7.1
France	1.5	-10.6	7.8
Germany	0.6	-6.1	5.2
Greece	1.9	-7.2	6.9
Ireland	5.5	-4.8	7.5
Italy	0.3	-9.3	5.7
Netherlands	1.8	-4.4	4.1
Portugal	2.2	-8.6	6.0
Spain	2.0	-10.6	7.6
Eurozone	**1.2**	**-8.0**	**6.3**

Sources: Oxford Economics, Atradius

2.1 Sentiment falls of a cliff



Q1 of 2020 already saw a sharp contraction of economic activity in the eurozone as exports to Asia declined due to the outbreak of the coronavirus in China. In Q2 of 2020 the impact will be even greater as the virus reached the European continent itself and governments were forced to take far-reaching public health measures to contain its spread. In the second half of the year growth is expected to pick up again, if containment measures are gradually lifted, the pandemic remains under control and monetary and fiscal measures taken by countries are effective. This expectation, however, comes with a high level of uncertainty. Most European countries have already begun easing social distancing measures and from June 15 travelling will be possible again in the Schengen area. But there remains a risk that, as we argued earlier, matters get worse with delayed lockdown easing (or even reversals) and deeper economic contraction. The longer it takes to 'return to normal', the more damage there will be to the real economy in terms of rising unemployment and bankruptcies.

Global recession weighs on exports

Euro area exports suffered last year from weakening foreign demand largely reflecting trade tensions and elevated trade policy uncertainty. At the turn of the year, there were signs of a bottoming-out of external demand and leading indicators were pointing to stabilisation of global manufacturing activity. Since the pandemic, external demand is again under severe pressure due to the sudden halt in the free movement of people, goods and services. This is causing a global recession and a collapse in world trade. The eurozone is relatively exposed to this by its high participation in global and intra-EU value chains. Eurozone exports are expected to fall 10.6% in 2020 and to rebound partially by 8.6% in 2021.

Sharp contraction of domestic demand

All demand components will be hit hard by the pandemic except government consumption and public investment, which are playing a stabilising role. Private consumption, which for several years has been the backbone of economic growth, is expected to contract by about 8.4% this year. The contraction will be concentrated in Q2 of 2020 as the lack of opportunity to spend results in forced savings. As the lockdown measures are gradually lifted, there will be a recovery in the second half of this year. The recovery will be incomplete as restrictions will still be applied for certain services and sectors in the economy. Also the economic uncertainty following the health crisis will likely result in higher precautionary savings by households. In 2021 we expect growth in private consumption compared to 2020.

Business investment is also likely to take a severe hit this year, as many businesses are facing a simultaneous supply and demand shock. Faced with heightened uncertainty about future sales prospects, firms are likely to postpone or even cancel their investment plans. Their capacity utilization rates are also expected to fall, reducing the need for investment linked to capacity expansion. In 2021 investment is likely to recover partially, as demand will return and there will be support from a highly accommodative monetary policy.

Job market relatively resilient thus far

The disruptive effects of the virus on economic activity will also take its toll on the labour market. For the eurozone we expect the unemployment rate to average 9.3% in 2020, up from 7.6% in 2019. Before the pandemic, the unemployment rate had been on a steady downward path, reaching a low of 7.1% in March. This trend reversed in April, although the figure increased only slightly to 7.3%, reflecting the success of government job subsidy schemes and an exodus from the labour market in Italy. The unemployment increase compared favourably with the United States, where the jobless rate has risen to 14.5%.

Policy measures cushion the economic shock

The monetary and fiscal policy response to the Covid-19 crisis has been swift and strong with extensive measures taken to contain the macroeconomic fallout and alleviate liquidity pressures. The bulk of measures are taken at the national level. Germany has announced a fiscal package of around EUR 290 billion to boost the economy. France is taking fiscal measures worth a total of EUR 245 billion. Fiscal packages are implemented to mitigate the negative impact, such as increased health care spending, wage subsidies for companies, and credit and loan guarantees. Direct grants are made to small enterprises and self-employed and social assistance schemes are expanded for workers who lost their jobs. Table 2.3 gives a summary of cross-country measures.

Table 2.3: Policy responses to COVID-19

	Wage subsidies	Grants to SMEs and self-employed	Social welfare measures	Health care spending	Credit/loan guarantees	National central bank actions
Austria	•	•		•	•	
Belgium			•	•	•	•
France	•	•	•	•	•	•
Germany	•	•	•	•	•	•
Greece			•	•	•	
Italy		•	•	•	•	•
Netherlands	•	•	•	•	•	•
Portugal						•
Spain	•	•	•	•	•	•

Source: IMF, IIF, Atradius

Alongside national fiscal plans, EU leaders have agreed on the European Stability Mechanism, a bailout fund with EUR 410 billion of lending capacity, to provide credit lines to countries with limited fiscal space. There is also agreement over the flexible use of structural EU funds, the creation of a EUR 100 billion support scheme to mitigate unemployment risks and a EUR 200 billion guarantee fund for SMEs. Furthermore, the European Commission proposed the creation of a EUR 750 billion crisis fund 'Next Generation EU'. Brussels would borrow on the capital market to obtain the funds and would then distribute it to EU countries based on their specific needs.

ECB expands asset purchases

The ECB launched a new wave of asset purchases amounting to 7% of GDP: an initial envelope of EUR 120 billion was followed by a EUR 750 billion Pandemic Emergency Purchase Programme (PEPP). In June it was expanded by another EUR 600 billion. The PEPP can be scaled up and adjusted "by as much as necessary and as long as needed" according to ECB president Christine Lagarde. The ECB also provided more favourable terms under its refinancing operations and eased standards for collateral that banks hold at the central bank. Furthermore, given the impact of the virus on economic growth and inflation, the ECB will keep interest rates at historically low levels for an extended period. The expectation that the ECB will continue its loose monetary policy means that borrowing costs for corporations and governments have remained at reasonably low levels since the corona crisis.

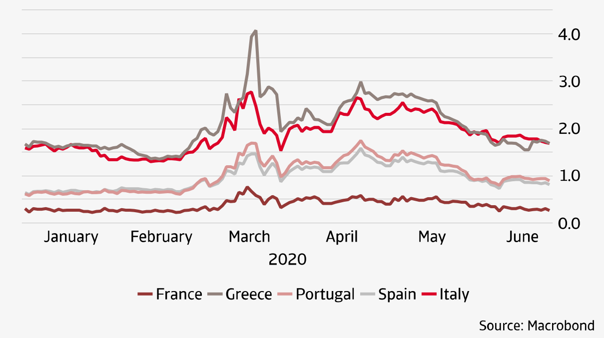
Box 2 Government debt

Government debt is set to increase significantly in 2020 owing to sizable fiscal stimulus measures. Debt levels are highest in a number of Southern European countries. The debt level in Italy is rising to levels that are in normal economic circumstances considered to be unsustainable. The debt-to-GDP ratio in Italy is expected to rise to 174% of GDP, from a level of 149% in 2019. The country has run a primary surplus for years, meaning that the government budget is in surplus before interest expenses. However, due to its relatively high debt-to-GDP level, it finds itself in a vulnerable position. In Spain, the debt level is expected to increase to 139% in 2020, from 114% in 2019, whereas in Portugal the debt level will increase to 156%, from 135%. Greece has the highest debt level of all European countries, but is a special case as virtually all debt is held by official creditors such as the IMF.

Government borrowing costs have risen since the corona outbreak, but loose monetary policy is keeping interest rates relatively low. Southern European countries face relatively high government yields as they are in a weaker fiscal position. In particular, sovereign yields in Italy have increased since the European outbreak of corona. The spread between the 10-year Italian bond and the 10-year German bond is 50 basis points higher compared to the beginning of February. The spreads have also increased in Portugal, Spain and Greece, but to a lesser extent.

2.2 Bond yields spike in March

Spread of 10Y bond yields with Germany

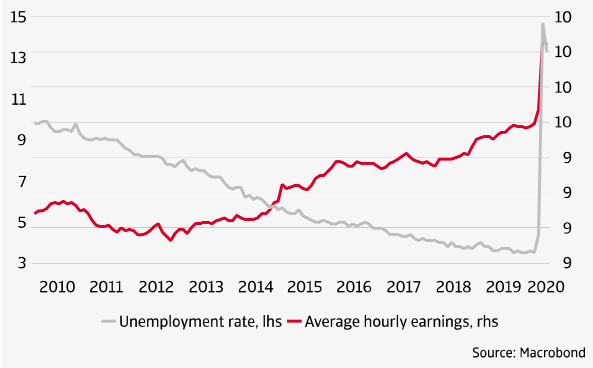


America First in the wrong sense

The US tops the list when it comes to the absolute number of infection cases. Per inhabitant, it is worse off than the EU as a whole, but it is doing better than individual European countries such as Italy, France, Belgium, Spain the Netherlands, and the UK. Like other countries, the US governments (local and state) acted with lockdowns to counter the spread of the virus. The lockdowns were implemented relatively late. Closing down one week earlier would have reduced the number of infections by 65% and the number of deaths by 55%.

This has a huge impact on employment as the job losses are running up to over 40 million, pushing the unemployment rate up to 13.3% from a low of 3.5% over a period of four months. Jobs will primarily be lost in the sectors heavily affected by the lockdown, such as accommodation, food services, recreation, retail and transportation. In addition, in March alone, disposable income fell by 2% due to reduced numbers of hours worked and salary reductions. Furthermore, financial market volatility may have pushed up the level of uncertainty.

2.3 US unemployment rising rapidly



Consumption, which in usual circumstances is the pillar of GDP growth, is not expected to contribute to growth this year. Q1 data show a 7.6% q-o-q decline in consumer spending, particularly on cars, clothing and recreation, accommodation and specific health care spending. The drop in spending was partially due to lack of supply, caused by the lockdown, but also due to a state of mind that can best be described as 'economics of fears'. As a reflection of this, precautionary savings have shot up to unprecedented levels. Business investment fell 8.6%, with investments in the oil sector under severe pressure as a result of the low oil price. Exports collapsed 8.7% and imports 15.3% q-o-q[25], contributing to a 4.8% decline in GDP.

These figures bode ill for Q2, when the full impact of the lockdown will be felt, despite partial easing since mid-May. Consumer spending is expected to fall in spectacular fashion by more than 40% as disposable income shrinks almost 20%. Real GDP is forecast to end up almost 40% lower than the Q1 figure. Under our baseline scenario, the worst is expected to be over by the end of Q2, as lockdowns ease significantly and the economy can rebuild. As the process will be gradual, GDP is expected to end up 6% below the 2019 reading. The recovery is forecast to continue in 2021, with an 6.3% recovery.

This baseline forecast is surrounded by a level of uncertainty, perhaps only matched by that of the UK. The reason is not so much that the US is hardest hit by the virus, but rather that the virus at the time of writing is not under control, with the number of cases still rising rapidly.

[25] Under the circumstances it difficult to see how China will be able to ramp up its imports from the US by USD 200bn as agreed under the 'Phase One' of the trade deal.

Therefore, the risk that the US ends up in our alternative scenario is considerable.

UK makes U-turn

The UK is badly hit by the Covid-19 crisis, which may be explained by the relatively high population density compared to other European countries, as well as risk levels of morbidity, for instance due to the high number of obese. But arguably the government had a bit of a bad start in the early days of fighting the pandemic. It first seemed to steer on 'herd immunity', by which health policy is directed at building immunity in a country by allowing a certain percentage of the population to be infected. Initially, the government kept restrictions as loose as possible. However, at a later stage it made a U-turn towards a stringent lockdown. The worst now seems to be over, as novel case numbers are dropping and lockdown measures are being eased.

The economic toll of the pandemic is heavy, though perhaps not significantly heavier than in other developed countries. In March, GDP fell 5.8% m-o-m, leaving output down 2% compared to Q1 2019. Modelling by Oxford Economics has shown that in March the economy ran at 85% of capacity, with large variation between sectors. For example hospitality ran at 20%, whilst agriculture and public health were unaffected. Many companies temporarily closed, especially those not qualified as 'essential', closure of schools made it difficult for parents working from home and social distancing measures reduced consumer spending. These factors will weigh in even more significantly in Q2, when GDP is expected to fall 14%. Like elsewhere, consumer spending is taking a large hit, shrinking almost 20%. In the second half of 2020 recovery is expected to set in, extending into 2021, with GDP growth forecasts of -10.8% and 10.2% respectively.

Monetary and fiscal policy provides strong support to the economy. To alleviate the pain of the lockdown the government has put an extensive job retention scheme in place, which runs at least until the end of October. Under the scheme, the bulk of wages of furloughed workers as well as incomes of self-employed are taken over by the government. It clearly avoided mass firings that took place in the US. The Bank of England (BoE) chipped in with interest rate cuts and an asset purchase program of GDP 200 billion to compress lending rates, and allow the government to finance the packages. Indeed, the 2020 budget deficit is expected to come in at almost 15%, pushing the debt to GDP ratio to above 100%. Further support to boost the recovery is on the cards, in the form of the BoE, raising the level of asset purchases, and the government temporarily lowering taxes.

Meanwhile, the fight against the pandemic has considerably slowed arranging a post Brexit trade relationship with the EU, with no progress reported. Still, the UK government has committed itself to ending the transition period by the end of the year in the absence whereof WTO rules will govern. However, the significant economic cost that comes with that, predominantly for the UK, will - we expect - lead to a mini deal, to be elaborated later. Effectively, this will be kicked down the road and will not help rebuilding the ailing confidence in the business sector.

Japan: supply chain trouble

After lacklustre growth in 2019, the Japanese economy is heading for a strong contraction of 6% in 2020. The Covid-19 outbreak led to a sharp drop in external demand, disruption of global value chains, plunging tourism revenues and weakened domestic demand. The recovery from this shock is likely to be gradual, as policy space is limited and uncertainty about economic prospects has increased markedly.

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. Japan competes with Germany as well as with regional manufacturing powers, such as Korea and Taiwan to supply manufacturing exports. A global trade and manufacturing slowdown were already weighing on export growth in 2019. The disruptive effect of Covid-19 for global supply chains led to a sharp fall in external demand. For Japan, tourism revenues plummeted as the country has imposed wide-ranging border controls and exports slumped as the pandemic ravaged China and later on advanced economies. Exports are expected to contract 21% in 2020, before rebounding 16% in 2021 as the global economy recovers from the negative shock.

The picture for private consumption already turned cloudy in Q4 of 2019 after the implementation of a consumption tax rate hike. The virus outbreak has worsened the situation and in Q2 of 2020 we expect a sharp fall in consumption. At the beginning of April the government announced a one-month state of emergency in seven prefectures that are responsible for half of Japan's economic activity, which in mid-April was extended to the whole country. As from May 14 this state of emergency was gradually lifted, but the advice remains to avoid crowded places and keep distance. For domestic demand, our projection is that it will recover in the second half of the year. Public consumption and investments are likely to be prompted by sizeable stimulus measures and by the preparation for the Tokyo Olympics that are expected to take place in 2021.

The government has proposed a fiscal stimulus package of JPY 117 trillion (about 20% of GDP). The key measures comprise cash handouts to every individual and affected companies, deferral of tax payments and social security contributions, and concessional loans from public and private financial institutions. The Bank of Japan has so far refrained from lowering the key interest rate, which has been at -0.1% since early 2016. To counter the negative shock from the pandemic, the Bank of Japan (BoJ) introduced a set of measures to provide liquidity and support credit flows. It is also increasing its asset purchases. Japan already holds a record JPY 512 trillion of central bank assets (93% of GDP), by far the largest of major advanced economies. Given the new asset purchase programme, the balance sheet will expand further in 2020.

Emerging economies

The outbreak of the Covid-19 virus is impacting many emerging market economies. Asia was the first major region affected by the outbreak, which had it roots in the Chinese city of Wuhan. The region has seen a crippling of its manufacturing and industrial output, but there has been a cautious recovery in recent months. India imposed early lockdowns, which are now being gradually eased. In Latin America, major economies Brazil and Mexico enter a deep recession, as government response to health crisis is slow or ineffective. Europe is going into recession, with major economies Russia and Turkey among the worst affected. Russia is hit by a double shock from the coronavirus and the low oil price.

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

	2019	2020 f	2021 f
Brazil	1.1	-7.5	5.6
Mexico	-0.3	-5.2	3.6
China	6.2	1.5	9.0
India	4.9	-5.8	11.5
South Africa	0.2	-9.1	6.9
Turkey	0.8	-4.6	6.7
Russia	1.3	-6.2	3.5

Sources: Oxford Economics, Atradius

China veers up weakly

The Chinese economy has been severely hit by the coronavirus, with GDP expected to grow by only 1.5% in 2020. This is the lowest growth rate in decades. Nevertheless, the Chinese economy is performing better than the US and Europe, which face strong contractions in economic activity.

The Chinese economy had been on a decelerating trend already prior to the Covid-19 outbreak. GDP growth slowed to 6.2% last year, amid softer domestic demand and escalation of economic tensions with the US. While there were signs of stabilization at the beginning of 2020, the virus outbreak and strict public health measures implemented by Chinese authorities completely reversed this path. Economic activity in Q1 of 2020 contracted by 6.8% year-on-year. The vast majority of businesses have resumed activity, implying that supply-side disruptions and constraints are no longer holding back recovery. However, domestic demand will recover slowly as consumers may remain cautious about their spending amid the uncertainty over income and job prospects. A mild recovery will build from the second quarter as the economy normalises, but the international spread of the pandemic will keep growth restrained. Prospects are better for business investment, which is benefiting from more significant policy support, with new industries, infrastructure and real estate expected to outperform.

For the first time, the authorities did not set a target for real GDP growth at the annual session of the National People's Congress (NPC, the legislature) in May. This represents a recognition that economic activity will expand mildly this year at best, while there is a reluctance from the authorities to engage in large-scale stimulus. Policies that have been rolled out since the pandemic include cuts in taxes and social security contributions, subsidies for consumption and SME employment, infrastructure investment, cuts in interest rates and reserve requirement ratios, and lending support for struggling borrowers. More policy support can be expected in the coming months, but the easing will remain modest in size compared to the massive stimulus that took place during the 2008/2009 financial crisis. The reason is that the Chinese authorities do not want to slow down the deleveraging process too much.

Early lockdown in India

The coronavirus outbreak will also take a significant toll on India's economy, even more so than in China, despite the government's swift lockdown imposition. The nationwide lockdown period, with factories and office buildings closed, will remove a significant proportion of economic activity. Following the extension of the containment measures, we forecast GDP to contract 5.8% in 2020, compared to 4.9% growth in 2019.

The brunt of the lockdowns will be felt in Q2 of 2020, with economic activity likely show a double-digit contraction. India's lockdown has started to ease. Compared to a near-freeze on all non-essential activities across the country in the first phase, the fourth phase (started 18 May) only restricts activities that are likely to result in large gatherings, such as hotels, restaurants, cinemas, etc. Economic conditions will improve through the remainder of the year. Nevertheless, labour shortages and depressed consumer and business sentiment will ensure that the recovery will be gradual. GDP is expected to end the year 2.4% lower compared to expectations at the start of 2020.

The policy response has also been rather limited. In March the government announced a fiscal relief package of 0.8% of GDP, targeting frontline workers and the most vulnerable sections of society. In May, the government announced a second fiscal package worth 5.4% of GDP, but the immediate fiscal impact of this package will be smaller.

Brazil lacks control

The Covid-19 infection rate has been rising rapidly in Brazil and the federal government has reacted slowly, unlike most regional governments, which took effective action to contain the virus. The disruption to business activity from social distancing will be severe. We expect GDP to decline by 7.5% in 2020 and private consumption to contract at an even larger rate than GDP, as about half of the consumption basket will be affected by social distancing.

Although lockdowns exert a clear and immediate drag on growth, their recessionary effects are amplified by the negative impact of the federal government's poor response to contain the spreading of the coronavirus on consumer and business confidence. Positively, the exchange rate acts as a shock absorber; YTD the real has depreciated 21% vis-à-vis the USD. To Brazil's advantage, the external position is solid coming into the crisis, with a modest current account deficit and external debt ratios, as well as a comfortable reserves cushion.

The government has implemented a large fiscal stimulus package (nearly 10% of GDP) to mitigate the shock, while the central bank implemented interest rate cuts and provided liquidity measures. We forecast some further easing of monetary policy in the coming months.

Automotive troubles Mexico

Fallout from the coronavirus pandemic will lead to a deep recession in Mexico in 2020, marking a second year of GDP contraction. In 2020, we expect GDP to contract 5.2%. This will be driven by steep contractions in private consumption and investment, and only a modest increase in government consumption amid expected stimulus. The automobile sector, Mexico's leading source of exports, will suffer from a sharp fall in external demand and severe supply-chain disruptions. The peso's value plummeted in March amid the oil price collapse, but has regained some value in May (YTD: -18%). Severe import compression will prevent the current account deficit from widening. But lower prices for Mexican exports, a dramatic drop in tourist arrivals and reduced remittances from the US amid the pandemic will heavily impact export earnings.

The government has launched a very limited USD 10 billion (1% of GDP) fiscal stimulus package, mainly targeted at the poorest households, while coming at the expense of reinforced austerity elsewhere. A comprehensive package to support workers and businesses is lacking. Many companies are expected to struggle this year and investments will decline substantially; putting Mexico's informal sector employees, who make up about 60% of the labour force, at risk. In the absence of government support, some states and the private sector have stepped into the void. States have offered to suspend tax payments for businesses, and Mexico's powerful business group, the Consejo Coordinador Empresarial, is providing loans to SMEs.

Russia cannot avoid threat

Social distancing measures are gradually easing since May 12 following a seven-week lockdown period. The Russian economy faces a double blowfrom social distancing measures (costing the economy 4-5% of growth in 2020) and the oil price shock (reducing growth by 3.5%). As a result, Russian GDP is expected to contract 6.2% in 2020, following 1.3% growth in 2019. The oil shock is a combination of low oil prices and a commitment to cut output by about 20%, from 10 mb/d to 8.5-9 mb/d. In 2020 we expect the oil price to be at a level of USD 35-40 per barrel. This is below the USD 45 price Russia needs for long-term fiscal sustainability.

To combat the negative shock, the government and central bank have announced a range of measures to support affected businesses and households. According to the government itself, the size of the fiscal package is 6.5% of GDP. However, we assume the direct fiscal stimulus is only around 1.5%, the rest being government guarantees, compensation of a shortfall in revenue and deferred spending. The central bank has dampened RUB volatility by mandatory sales of foreign currency. The RUB has strengthened to about RUB 70 per USD, from about RUB 80 in March (YTD: -10.3% vis-à-vis the USD).

Turkish rebound curbed

A weak lira and relatively tight monetary policy were weighing on the Turkish economy in 2019. In 2020, the economy started strongly with a recovery of credit growth, but the economic rebound will be crushed by the coronavirus pandemic. The Turkish economy is on track for a deep recession this year as restrictions to mitigate the spread of Covid-19 deal a severe blow to both domestic and external demand. The government's modest fiscal response to the crisis has put the onus on the central bank to support the post-pandemic recovery. The bank pressed on with its easing cycle in May, delivering a ninth straight cut, bringing the policy rate down to 8.25%. The recovery in 2021 is likely to be modest.

While low oil prices and weaker demand will supress imports, plunging export and tourism revenue will weigh on the external balance. The current account deficit is forecast to turn sharply negative this year (-6.4% of GDP). Turkey relies on net inflows of capital from abroad to finance its current-account shortfall, and attracting sufficient inflows could prove problematic.

South Africa goes sour

Indications are that measures to contain the Covid-19 pandemic have been effective in combating the spread of the virus, but the economic implications will be severe. We expect a 9.1% GDP contraction this year followed by a 6.9% recovery in 2021.

The business activity index in the Absa Purchasing Managers' Index (PMI) crashed to an all-time low of 5.1 index points in April, while the index tracking expected business conditions in six months' time also recorded a record low of 27.3 that month. This underpins our projection that domestic demand is heading for a sharp contraction in 2020. Government consumption will play a key role in offsetting some of this economic weakness. Despite the limited fiscal space the South African government has announced an enormous stimulus programme, valued at more than USD 25 billion. This will come at a cost: the fiscal deficit is projected to reach almost 15% of GDP this year, while public debt in the medium term increases to 90%. Fiscal consolidation will have to become a top priority in order to regain fiscal credibility. The government is also looking for help and has requested emergency financing from the IMF; the first time in the nation's history. The IMF is considering the request and has said that the country is eligible for USD 4.2 billion (which is likely to be requested in full).

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.)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Australia	1.8	-4.2	3.1	1.6	0.3	1.4	-0.4	-12.0	-2.9	45.2	60.2	62.3	0.6	2.4	0.5	3.2	-6.4	4.1	1.4	-6.5	3.9	-2.2	-11.6	2.0	5.3	5.0	0.0	0.3	-2.3	1.8	2.4	-2.9	4.3
Austria	1.5	-5.8	6.8	1.5	1.2	1.4	0.7	-6.8	-2.3	118.7	130.6	123.3	2.6	3.6	4.1	2.6	-7.0	7.4	1.3	-5.9	7.5	2.8	-3.4	5.5	0.7	2.0	1.1	1.1	-4.5	7.5	0.5	-7.2	5.1
Belgium	1.4	-8.7	7.1	1.4	0.4	2.0	-1.9	-10.3	-5.3	117.9	138.1	132.1	-1.2	-2.8	-2.3	1.1	-12.1	3.1	1.1	-11.2	8.4	3.2	-7.6	8.3	1.8	-1.0	4.2	0.4	-7.8	4.8	4.8	-7.6	6.7
Canada	1.7	-9.1	9.8	2.0	-0.1	1.3	0.1	-12.5	-2.1	95.4	116.8	106.9	-2.0	-2.2	-1.8	1.3	-12.9	6.0	1.6	-11.7	11.1	-0.4	-8.2	6.3	2.1	2.9	0.0	0.4	-12.7	11.1	-0.9	-10.5	8.6
Chile	1.0	-4.2	4.7	2.3	3.2	2.3	-2.8	-7.6	-7.0	27.9	34.3	36.0	-3.9	-4.4	-3.2	-2.2	-7.2	7.9	1.1	-8.0	5.5	4.3	-6.6	3.7	0.0	14.1	5.0	-1.5	-8.2	5.6	-0.6	-5.0	4.0
Czech Republic	2.5	-5.1	6.2	2.8	1.9	1.9	-0.5	-6.2	-0.9	29.0	37.1	34.3	-0.3	0.3	0.3	1.0	-6.0	6.2	3.0	-5.7	6.0	2.7	-4.5	8.6	2.6	4.8	-0.4	4.8	-5.0	7.9	-0.4	-8.6	8.8
Denmark	2.4	-3.8	4.2	0.8	0.3	1.0	1.8	-7.4	-3.5	45.4	54.2	55.0	7.8	7.3	6.5	1.6	-4.7	3.5	2.2	-3.7	5.7	3.4	-4.7	3.4	0.5	2.4	3.5	0.7	-1.5	3.0	2.7	-4.5	4.6
Finland	0.9	-5.5	4.2	1.0	0.3	1.1	-1.1	-9.9	-6.9	59.3	72.3	75.9	-0.8	-1.2	-0.8	7.2	-10.0	4.8	1.0	-4.7	3.8	-0.8	-6.8	2.7	0.9	4.0	4.1	2.3	-1.5	1.8	1.8	-6.3	2.7
France	1.5	-10.6	7.8	1.1	0.4	1.5	-3.0	-13.5	-8.0	128.8	155.1	150.6	-0.7	-1.1	-0.6	1.8	-13.6	7.3	1.5	-11.7	8.6	4.3	-15.4	13.0	1.7	-2.7	4.8	2.6	-10.0	8.6	0.4	-11.7	8.4
Germany	0.6	-6.1	5.2	1.5	1.0	1.4	1.5	-6.7	-2.5	55.2	66.5	64.7	7.3	6.2	5.6	1.0	-11.0	10.0	1.7	-6.8	7.8	2.6	-5.1	6.8	2.7	1.7	1.0	3.1	-1.4	3.7	-4.3	-10.0	7.2
Greece	1.9	-7.2	6.9	0.3	-0.5	1.5	1.2	-6.1	-3.8	214.7	233.5	222.3	-1.3	-2.2	-2.2	4.9	-9.5	9.3	0.7	-7.0	6.4	4.5	-9.8	13.9	2.2	4.0	0.1	0.8	-6.1	5.4	-0.8	-5.4	5.9
Hong Kong	-1.2	-6.0	6.4	2.9	0.5	2.2	-5.4	-13.1	-3.4	0.3	0.6	0.9	6.1	5.5	1.3	-5.6	-13.6	9.6	-1.1	-6.8	8.2	-12.3	-6.4	7.4	5.1	10.8	-1.0	-12.3	-22.4	16.4	0.4	-7.4	6.1
Hungary	4.9	-5.0	4.5	3.3	2.6	2.3	-2.0	-4.5	-3.3	66.3	77.3	76.3	-0.8	-2.8	-2.4	6.0	-6.5	5.8	5.1	-1.3	6.0	15.3	-7.1	6.9	1.7	1.6	1.3	6.2	-0.4	5.6	5.3	-11.9	11.1
Ireland	5.5	-4.8	7.5	0.9	0.2	1.5	0.4	-7.4	-2.3	51.0	59.6	58.2	-9.3	-1.2	5.9	11.2	-4.0	4.9	2.8	-9.2	10.6	90.9	-31.4	-23.5	5.6	5.6	2.4	4.4	-3.3	8.5	2.9	-3.5	5.1
Italy	0.3	-9.3	5.7	0.6	0.1	1.0	-1.6	-11.5	-5.4	148.8	173.7	167.9	3.1	3.4	3.1	1.4	-14.9	15.7	0.4	-10.9	7.0	1.4	-13.6	11.8	-0.4	0.1	0.7	0.8	-15.0	10.5	-1.1	-16.2	12.5
Japan	0.7	-6.0	2.7	0.5	-0.3	0.0	-2.7	-12.8	-8.8	226.1	253.5	257.0	3.6	2.6	3.6	-1.6	-18.1	11.0	0.2	-5.8	1.8	1.3	-6.6	2.8	1.9	1.9	1.3	-0.2	-7.4	1.9	-2.7	-9.4	4.2
Luxembourg	2.3	-6.2	9.6	1.6	0.2	1.8	2.2	-3.7	-0.3	22.1	26.9	24.4	4.5	5.6	5.2	0.8	-9.9	15.0	2.8	-5.9	9.3	4.0	-5.8	4.9	4.8	4.8	0.1	4.0	0.1	2.9	-3.6	-10.5	6.9
Netherlands	1.8	-4.4	4.1	2.6	0.9	1.5	1.7	-6.3	-1.1	62.6	70.2	67.3	10.2	9.7	9.2	2.3	-7.9	5.5	1.4	-6.6	3.7	5.2	-5.0	3.8	1.6	0.1	1.5	2.0	-1.8	2.9	-0.9	-3.5	3.7
New Zealand	2.2	-5.6	7.3	1.6	1.4	1.6	0.5	-10.4	-5.6	27.4	36.8	38.9	-3.0	-1.0	-1.4	2.3	-13.0	11.2	2.7	-5.2	8.3	2.7	-12.2	11.0	4.4	4.3	-0.3	3.5	-4.3	8.5	2.2	-5.5	6.1
Norway	1.2	-4.6	4.3	2.2	1.3	2.8	8.7	2.0	1.3	44.7	52.3	53.5	3.9	0.9	2.4	1.5	-5.0	6.4	1.6	-7.5	4.9	6.2	-5.7	3.5	1.7	3.0	2.8	0.1	0.9	4.4	-5.0	1.4	2.6
Poland	4.2	-3.5	5.6	2.2	3.1	2.5	-0.8	-8.5	-4.8	46.8	55.8	55.6	0.5	0.9	-0.6	4.7	-4.3	4.5	4.0	-4.8	5.4	7.4	-2.8	5.9	4.9	3.3	4.4	4.7	-6.1	5.9	4.4	-5.0	6.4
Portugal	2.2	-8.6	6.0	0.3	-0.3	0.7	0.2	-10.1	-3.6	134.8	155.5	148.2	-0.1	-1.2	-0.5	3.7	-15.5	12.2	2.2	-7.4	6.1	6.6	-6.0	6.2	1.1	1.0	1.1	4.4	-6.6	6.6	-2.5	-8.7	8.4
Singapore	0.7	-6.0	7.1	0.6	-0.5	1.6	-0.1	-9.6	-1.0	115.4	135.5	131.6	17.0	13.0	16.2	-1.6	-11.0	10.2	3.7	-6.3	10.0	-0.2	-6.5	9.6	2.8	17.8	-7.5	-3.5	-16.8	20.2	-1.6	-1.9	4.6
Spain	2.0	-10.6	7.6	0.7	-0.2	1.2	-2.8	-13.4	-6.6	114.0	138.9	133.7	2.0	2.0	1.5	2.6	-17.6	9.4	1.1	-15.1	9.2	1.8	-14.1	10.5	2.3	4.8	1.8	2.3	-13.6	9.8	0.7	-11.6	9.1
South Korea	2.0	-0.7	3.2	0.4	0.2	1.2	-0.6	-4.5	-0.4	45.1	50.4	51.1	3.6	4.0	4.6	1.7	-7.7	8.3	1.7	-3.0	5.3	-2.8	0.9	2.9	6.6	17.5	-5.8	2.3	-2.5	5.2	-0.5	-1.5	4.0
Sweden	1.2	-3.6	2.7	1.8	0.5	1.4	0.5	-3.5	-3.4	47.6	51.5	52.6	3.9	4.4	3.5	3.3	-4.8	1.9	1.2	-4.3	2.6	-1.2	-3.0	3.6	0.3	0.8	2.5	2.4	-1.1	2.1	1.6	-6.0	4.9
Switzerland	1.0	-5.8	6.0	0.4	-0.7	0.1	1.5	-4.4	-2.0	25.6	31.7	31.8	8.0	8.5	9.3	2.6	-7.4	7.4	1.2	-6.1	6.2	0.8	-6.6	6.3	1.3	2.8	1.3	0.3	-3.9	3.8	4.5	-6.4	5.7
United Kingdom	1.4	-10.8	10.2	1.8	0.7	1.2	-2.1	-15.5	-3.4	85.4	107.1	99.0	-3.8	-3.0	-3.7	5.1	-22.7	17.2	1.1	-15.0	13.2	0.6	-9.4	11.0	3.5	1.5	6.8	3.0	-6.0	5.1	-1.4	-12.0	7.1
United States	2.3	-6.1	6.3	1.8	0.9	1.5	-7.2	-15.2	-9.4	135.3	157.1	154.3	-2.3	-2.5	-2.3	0.0	-15.1	11.4	2.6	-7.4	6.8	1.8	-4.9	4.4	1.8	3.9	-2.1	3.8	-9.2	9.0	0.9	-7.8	4.9
Eurozone	1.2	-8.0	6.3	1.2	0.5	1.3	-0.7	-9.5	-4.5	-	-	-	2.7	2.9	3.0	2.5	-11.2	8.5	1.3	-9.6	7.6	5.8	-10.9	7.6	1.8	0.6	2.2	2.3	-7.6	7.6	-1.3	-9.9	8.5

Sources: Oxford Economics, Atradius

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.)		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
China	6.1	2.0	8.1	2.9	2.6	1.6	-4.7	-6.6	-4.3	17.6	21.5	22.6	1.0	1.5	1.4	2.5	-7.1	8.7	5.9	-0.6	11.1	4.7	2.6	5.6	7.6	8.7	4.6	6.2	-0.5	11.7	5.7	1.6	7.1
India	4.9	-5.7	10.8	3.7	3.9	3.3	-4.4	-9.1	-5.4	47.0	58.0	56.6	-1.0	-0.2	-1.1	1.4	-12.8	6.5	6.2	-3.9	9.5	0.0	-7.7	10.8	11.8	12.2	6.8	8.0	-2.3	11.3	0.7	-11.8	14.5
Indonesia	5.0	-2.7	7.0	2.8	2.6	3.3	-2.2	-7.6	-4.6	35.8	42.6	43.4	-2.7	-2.3	-2.4	-0.9	-8.7	5.3	5.2	-2.3	7.4	4.4	-4.7	10.4	3.2	11.3	3.4	3.9	-8.8	13.2	4.0	-5.2	7.8
Malaysia	4.3	-3.2	7.6	0.7	-1.9	3.1	-3.4	-7.5	-3.6	52.5	61.7	57.8	3.4	-1.4	1.2	-1.3	-12.7	8.9	7.6	-1.1	6.8	-2.1	-9.9	12.1	2.0	8.0	-2.4	8.6	-0.2	7.4	2.3	-5.1	6.3
Thailand	2.4	-5.7	7.4	0.7	-2.1	1.4	-1.6	-5.9	-2.9	34.0	42.6	39.4	7.0	2.8	4.7	-2.6	-16.7	13.0	4.5	-2.6	5.6	2.1	-9.5	11.3	1.4	2.8	1.4	3.1	-6.7	5.5	-3.8	-10.6	9.7
Argentina	-2.2	-8.8	6.7	53.5	44.8	34.5	-3.6	-6.9	-4.0	89.4	96.4	85.1	-0.7	0.3	0.1	9.4	-12.4	14.3	-6.4	-11.3	7.6	-15.9	-18.6	1.5	-1.5	0.0	2.3	-3.8	-8.6	10.6	-4.8	-10.2	7.0
Brazil	1.1	-7.5	5.0	3.7	2.4	2.6	-5.9	-15.6	-8.3	75.8	91.0	92.3	-2.7	-0.6	-2.4	-2.5	-4.2	3.0	1.8	-10.3	6.2	2.3	-10.0	11.6	-0.4	12.2	-8.6	1.8	-9.6	6.2	-1.1	-12.8	11.0
Colombia	3.3	-5.2	5.5	3.5	3.3	3.0	-2.2	-5.5	-3.4	50.3	58.1	56.9	-4.3	-5.6	-5.2	2.6	-6.4	5.3	4.5	-7.3	6.6	4.3	-3.4	4.9	4.3	2.3	0.1	-	-	-	1.5	-1.6	4.2
Mexico	-0.3	-5.2	3.4	3.6	3.0	3.4	-1.7	-3.7	-4.1	47.1	56.3	56.2	-0.4	0.9	1.9	1.2	-7.3	4.9	0.6	-7.5	3.2	-5.0	-9.7	0.4	-1.5	0.5	1.4	1.9	-6.3	3.2	-1.7	-9.2	5.8
Peru	2.2	-12.5	13.6	2.1	1.6	1.8	-1.6	-9.5	-3.4	26.9	39.7	37.7	-1.5	-3.4	-2.2	0.8	-19.6	20.0	3.0	-10.3	11.6	3.0	-21.5	22.2	1.9	6.7	4.4	-	-	-	-0.9	-4.2	6.7
Venezuela	-33.8	-33.0	-0.8	8412.7	2669.2	624.0	-14.0	-17.3	-10.5	280.3	337.1	318.3	27.9	2.3	5.9	-29.3	-42.2	-6.5	-35.3	-39.1	8.8	-43.6	-31.6	7.0	-37.4	-15.5	2.1	-32.8	-34.4	15.0	-33.5	-33.1	-1.6
Bulgaria	3.4	-6.3	6.9	3.1	2.1	1.9	-0.9	-5.2	-1.1	19.6	20.3	19.9	10.3	4.6	4.8	2.0	-11.1	10.4	5.6	-7.4	8.8	2.0	-4.8	8.3	5.5	4.0	0.4	3.4	-8.0	12.1	0.6	-2.5	4.6
CIS	2.2	-5.5	4.4	5.5	4.6	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.2	-7.1	3.6
Romania	4.1	-4.4	3.6	3.8	3.1	2.9	-4.5	-11.5	-7.3	36.4	47.6	51.2	-4.6	-5.4	-5.3	3.5	-8.2	4.3	6.0	-4.1	4.3	15.8	-3.7	2.9	7.3	-1.9	4.0	7.1	1.4	3.5	-3.6	-8.6	7.7
Russia	1.3	-6.4	3.5	4.5	3.5	4.1	2.2	-5.2	-3.9	13.6	22.1	26.8	4.0	-1.4	-0.9	-2.3	-11.2	9.9	2.5	-7.3	7.3	1.5	-13.6	6.3	2.2	-2.7	1.0	1.9	-4.8	7.0	2.3	-7.6	2.9
Turkey	0.9	-4.9	6.7	15.2	10.9	9.6	-3.0	-5.6	-3.0	31.0	40.0	37.7	1.1	-2.3	-2.6	6.4	-14.1	14.2	0.7	-4.0	6.2	-12.4	-2.4	7.7	4.4	9.5	-0.6	-0.5	-3.5	5.9	-0.6	-4.1	5.5
Ukraine	3.2	-5.2	3.6	7.9	4.9	3.9	-2.5	-6.9	-3.2	56.4	60.9	56.7	-0.9	-3.5	-2.2	6.7	1.0	3.7	11.9	-13.0	0.0	14.2	-18.1	3.7	-4.9	-0.6	1.3	-	-	-	-0.5	-6.5	5.7
Egypt	5.6	0.4	-4.0	9.2	5.5	8.9	-8.0	-11.2	-15.1	91.7	102.4	121.0	-3.1	-3.8	-3.7	-1.8	-12.5	-16.4	0.9	-5.2	-3.4	13.1	6.4	2.2	3.0	10.4	10.1	0.9	-5.2	-3.4	1.7	-3.0	5.2
Morocco	2.2	-6.0	7.4	0.3	-0.9	1.2	-4.0	-10.4	-7.1	82.7	98.0	97.6	-4.1	-7.7	-5.0	2.7	-20.6	13.7	2.9	-4.9	7.7	2.1	-7.2	3.8	2.7	11.9	1.7	2.9	-4.9	7.7	1.7	-5.0	5.9
Qatar	-0.3	-4.4	4.3	-0.7	-2.5	1.1	0.9	-6.2	-1.5	57.6	77.7	80.2	0.3	-3.0	2.5	0.5	-4.3	5.2	2.7	-5.3	5.8	-0.3	-6.2	2.6	5.1	-2.3	3.1	3.3	-4.8	6.3	-1.9	-3.2	3.9
Saudi Arabia	0.3	-7.5	5.2	-2.1	2.2	4.7	-4.5	-11.3	-6.4	22.8	35.9	36.2	6.3	-2.5	0.3	-4.6	-13.0	8.3	4.5	-5.5	3.7	4.0	-8.3	7.2	-3.5	-3.8	1.2	-	-	-	-1.0	-4.8	3.9
Tunisia	1.0	-7.7	6.8	6.7	6.2	6.0	-3.1	-8.7	-6.3	72.7	86.3	85.3	-9.1	-10.4	-9.5	1.8	-11.5	9.1	0.6	-10.8	8.2	1.0	-12.3	9.9	2.5	4.0	1.8	-	-	-	-3.2	-6.5	6.6
United Arab Emirates	1.7	-7.8	4.5	-1.9	-0.1	1.4	5.5	-7.8	-5.1	19.4	30.6	33.1	7.0	-2.2	-2.6	0.4	-11.7	8.6	13.4	-1.5	7.3	0.0	-4.8	8.8	14.3	5.7	1.7	13.4	-1.5	7.3	3.1	-8.4	1.5
MENA	0.2	-7.3	4.2	11.7	10.1	10.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-5.7	3.0
Ghana	6.5	-1.5	8.2	8.7	7.3	8.6	-4.4	-8.4	-6.4	61.9	71.6	70.6	-2.5	-5.4	-4.9	6.7	-12.2	19.2	4.2	-4.6	7.7	-10.0	-6.3	6.8	5.4	11.2	7.4	-	-	-	0.6	-5.7	7.4
Kenya	5.4	-2.0	6.7	5.2	5.5	5.8	-6.9	-8.6	-7.2	62.1	68.6	66.4	-5.8	-6.0	-5.7	-0.2	-12.9	11.5	7.3	-0.8	5.3	2.4	-5.1	16.0	4.9	6.0	6.0	-	-	-	5.5	-4.2	6.3
Nigeria	2.2	-3.7	1.9	11.4	12.8	14.9	-4.8	-6.9	-5.7	18.8	23.0	24.8	-4.2	-2.1	-0.9	15.0	-8.5	-3.6	-2.4	-5.9	2.5	8.1	-4.6	2.9	15.0	1.1	3.6	-2.4	-5.9	2.5	2.2	-4.0	2.4
South Africa	0.2	-9.1	6.5	4.1	3.9	4.6	-6.6	-14.1	-9.8	62.2	83.1	83.3	-3.0	-1.2	-2.3	-2.5	-14.3	10.2	1.0	-15.0	11.3	-0.9	-14.3	10.2	1.5	14.6	-5.4	1.0	-15.1	11.4	-1.3	-6.7	3.3

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