

# COVID Besets, China Resets

Sept. 28, 2021

### Key Takeaways

- **Overall:** The resurgence of COVID outbreaks, the likely default of developer Evergrande, and a shift in China socioeconomic policy have introduced uncertainty to the credit outlook of regional issuers.
- **COVID:** Some governments have had to again restrict the mobility of people, for example by deploying more lockdowns, this may exacerbate the divergence in the recovery playing out among geographies and industry sectors.
- **Economics and supply chain:** The economic recovery has slowed. Slower income recovery delays the resolution of built-up debt of corporates and households. COVID-induced lockdowns could compound supply chain challenges. This could worsen fears of inflation, hastening demand for higher risk premiums.
- **China policy shift:** China's recent enforcement of socioeconomic policies to promote "common prosperity" has increased uncertainty about the credit and growth trajectories of the country and individual borrowers. This could imply lower GDP growth with spillover effects regionally and globally.
- **Credit outlook:** Riding the economic bounce-back during first half 2021, the credit quality of the rated portfolio has steadied. Transition risk, as implied by the net rating outlook bias of negative 7%, is at its lowest level since the COVID crisis began. However, the above-mentioned risks cloud the outlook.

*(Editor's Note: S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions (Asia-Pacific, North America, Europe, and Emerging Markets). Discussions center on identifying credit risks and their potential ratings impact in various asset classes, as well as borrowing and lending trends for businesses and consumers. This commentary reflects views discussed in the Asia-Pacific committee on Sept. 21, 2021.)*

This report does not constitute a rating action.

**Funding crunch.** The potential default by China Evergrande Group is rattling the region's credit markets. Evergrande is the largest speculative-grade issuer of offshore dollar bonds in Asia-Pacific. Its likely default could hit funding access for some Chinese property developers, increasing their default risks. Evergrande's difficulties may also hurt the suppliers and contractors that back China's property sector, and the banks and financial institutions that lend to them. Events have shaken investors' confidence in China's developers and for speculative-grade markets broadly (see "[Credit FAQ: Evergrande Default Contagion Risk--Ripple Or Wave?](#)" Sept. 20, 2021.)

**Delta hits growth.** We've lowered our Asia-Pacific economic growth forecast to 6.7% in 2021 from 7.1%. Persistent COVID waves--mostly driven by the delta variant--have delayed the normalization of domestic activities and tourism, hitting private consumption and services. We had made downward revisions in economic growth for emerging markets such as Thailand, the Philippines, Malaysia, Vietnam, Indonesia, and India. Meanwhile, slowing trade has also limited the economic recovery for exporters, such as Japan and Korea. Uneven income and profit recovery will increase stress on households and some corporates, pushing up credit losses for banks. Of particular concern are debt-burdened small to midsize enterprises (SMEs) being unable to rebuild revenues and earnings before financing costs rise. While we expect the region's central banks to maintain an accommodative monetary policy to facilitate fuller economic repairs, they have limited capacity to lower rates further.

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**Tighten or relax.** Varying government playbooks to contain COVID will create greater divergence in credit conditions among geographies and sectors. While the vaccination rates across the region have risen, including that of emerging markets, the spread of the delta variant continues to spike up infection cases, prompting a rethink of COVID-containment strategies. Two dominant camps have arisen: "zero-COVID cases" or "living with COVID". Countries such as China, Hong Kong, New Zealand, and Australia continue to focus on outbreak suppression, resulting in the reimposition of lockdowns, reducing mobility. Thailand, Singapore, and Malaysia are moving toward living with COVID.

These lockdowns continue to tangle supply chains. Coupled with mounting commodities prices, these factors could dent the earnings of industrial producers. Subdued sentiment will likely depress consumer spending, particularly for the discretionary sectors, and those that rely on a fully mobile population. Delays in the resumption of international travel would also hit the recovery of airlines and tourism-dependent countries. This collectively has the effect of diminishing the ability of issuers to unwind substantial debt accumulated during the pandemic.

**China's new-normal.** The Chinese government's crackdown on education services, the technology sector, and gaming, accompanies its emphasis on "common prosperity". The term, originated by Mao Zedong, seeks to achieve a fairer and more even distribution of wealth in the country. This may underline a tolerance for lower private-sector income and GDP growth, in our view. At the same time, the clampdown on environmental compliance has repercussions on manufacturing and supply chains, as seen in China's recent power supply outages. China's successful containment of the pandemic has enabled policymakers to shift their focus back on curtailing debt growth, and on discouraging investment in projects with poor returns. These policy and economic developments in China may hurt entities reliant on the country for trade or finance (e.g. emerging markets) and imports (e.g. component parts). Meanwhile, the U.S.-China strategic relationship remains strained. Increasingly hawkish stances by either party could quickly escalate tensions. This may disrupt cross-border trade, hitting regional economies.

**The net outlook bias for issuers we rate in Asia-Pacific improves to less than one-tenth negative.** An improving outlook bias in recent quarters implies steadying credit quality. The nonfinancial corporate sector continues to see elevated downgrade and default risks due to the unevenness of recoveries across segments, with our outlook bias at negative 10% in August 2021. Although economic recovery and relief measures from regional governments continue to support issuers' debt-servicing, and reduce banks' credit losses, authorities will eventually have to unwind extraordinary COVID stimulus. Given the region's pivotal role within cross-border supply chains, many Asia-Pacific entities are relying on a continued recovery in global demand to sustain their profits. This is particularly true for industrial producers and commodities exporters. Rising inflation will likely squeeze corporates, which are finding it difficult to fully pass on higher costs to customers. Meanwhile, Evergrande's likely default could lead to reduced financing access for speculative-grade issuers, straining the liquidity profiles of these borrowers.

**Risk of repricing.** A sharp reset in expectations around economic growth, inflation, and interest rates, would likely raise the risk premiums demanded by investors. Tighter financing and higher debt-servicing costs will intensify the pressures faced by highly leveraged borrowers. An earlier-than-expected tightening of monetary policies would raise the risk of capital flight, knocking emerging market borrowers that are highly reliant on U.S. dollar funding. Meanwhile, accelerating efforts to limit exposure to carbon-intensive segments could see narrowing funding access for some sectors. This includes oil and gas, fossil-fuel intensive utilities, and metals and mining firms.

Table 1 lists our top Asia-Pacific risks.

Table 1

**Top Asia-Pacific Risks**

**Recurring COVID outbreaks weigh on recovery expectations**

**Risk level\*** Very low Moderate Elevated **High** Very high **Risk trend\*\*** Improving **Unchanged** Worsening

While the region's vaccination coverage is increasing, shortages continue and vaccines have an uncertain efficacy against new strains. This implies a high risk that governments will continue or may reimpose movement lockdowns, and consumers may stay reluctant to resume normal spending. Governments' stances broadly fall into two camps: outbreak suppression versus "living with COVID". The former camp includes China, Hong Kong, New Zealand, and Australia. A case in point is China's recent closure of seaports to stem localized infections. Such actions could compound existing supply-chain pressures beyond the first half of 2022. Governments' wariness in allowing--and consumer concerns about--a broad resumption of travel could dent the recovery for consumer and tourism-dependent sectors and economies, such as Thailand's.

**Uneven income and profit recovery amplify debt overhang**

**Risk level\*** Very low Moderate Elevated **High** Very high **Risk trend\*\*** Improving **Unchanged** Worsening

The COVID crisis has prompted corporates and households to borrow more to make up for income shortfalls. Governments are also spending much more to support households and the economy. Softer recovery trajectories and changing demand patterns imply a high risk of an uneven recovery in income and profit. For example, recent COVID outbreaks have lowered the growth trajectories of Malaysia, Thailand, Vietnam, the Philippines, Indonesia, and India. Domestic consumption in China and some developed economies remains lackluster. Furthermore, slower growth in the U.S. and other major trading partners could dampen demand for manufacturing exports. Highly indebted SMEs may be unable to rebuild revenues and earnings before their financing costs rise to more normal, pre-COVID levels.

**Shifting China policy stance clouds credit and growth trajectories**

**Risk level\*** Very low Moderate **Elevated** High Very High **Risk trend\*\*** Improving **Unchanged** **Worsening**

China's policy stances of "dual circulation" (reduced dependence on foreign technology and economies) and "common prosperity" (reducing income disparity and aligning social values) imply an increased tolerance for lower GDP and private sector income growth. They hint at a widening crackdown on private-sector enterprises that tracks the state's squeeze on the technology, real estate, gaming, and education sectors. Efforts to curb excess debt and less-productive investments have contributed to credit stress for leveraged issuers such as Evergrande and China Huarong Asset Management. Positively, targeting lower GDP growth and curbs on overborrowing may moderate the corporate debt overhang. However, the manner in which large corporate failures are handled may have unintended consequences, such as contagion fueled by drops in confidence. Meanwhile, China's enforcement of environmental regulations leads to electricity power cuts--hitting both manufacturing and supply chains. Separately, any further weakening of U.S.-China relations would constrain cross-border investments, and raise the cost of trade, intellectual property, investments, and financial transactions between these economies. Naturally, policy and economic developments in China affect entities reliant on the country for exports or finance (e.g. emerging markets) and imports (e.g. component parts).

**Higher inflationary pressures and interest rates**

**Risk level\*** Very low Moderate **Elevated** High Very high **Risk trend\*\*** Improving **Unchanged** **Worsening**

Supply-chain bottlenecks and changing product demand patterns are leading to cost inflation and, although less prevalent regionally, consumer price inflation. This may pressure corporates that are less able to fully pass on higher costs to customers. On interest rates, most regional central banks prefer to keep policy rates low to support economic recovery. However, investors would likely demand higher risk premiums or tighten financing availability if they reset their expectations about economic growth, default risk, inflation, and monetary policy (e.g. Fed tapering), or overreact to unexpected adverse events (such as the default of a major borrower). A reset of financial and real assets repricing could hit currency exchange rates and capital flows, exposing emerging market borrowers reliant on U.S. dollar funding.

**Structural Risks**

**Carbon cutting, climate change, and technology risks accelerate**

**Risk level\*** Very low Moderate **Elevated** High Very High **Risk trend\*\*** Improving **Unchanged** **Worsening**

Carbon neutrality policy directives, climate change, and technology risks could alter issuers' operations. The physical risk of climate change (such as typhoons, floods, and bushfires) has increased globally, hitting economic activity and likely raising insurance costs. Our rising acknowledgement of this risk points to heightening government policy risk, and financing access risk. More governments are likely to impose environmental policies affecting business operations and costs. Driven by societal pressures, more financing providers are beginning to shy away from presumed non-climate friendly industries and borrowers. For example, oil and gas are susceptible to tighter financing access as investors seek to curtail their exposure to brown industries. Meanwhile, advances in digitalization, artificial intelligence, and other technologies (e.g. new materials) raise the risk that borrowers may fail to adapt to technological changes and threats, such as cyberattacks.

Sources: S&P Global Ratings.

\* **Risk levels** may be classified as very low, moderate, elevated, high, or very high, and are evaluated by considering both the likelihood and systemic effect of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless the risk level is very high.

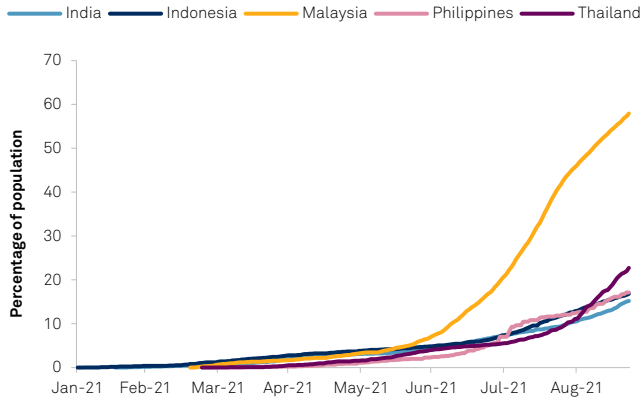
\*\* **Risk trend** reflects our current view on whether the risk level could increase or decrease over the next 12 months.

**Credit Conditions Asia-Pacific: COVID Besets, China Resets**

**Chart 1**

**Vaccination Has Taken Off In Emerging Asia...**

Malaysia takes the lead in driving vaccination efforts

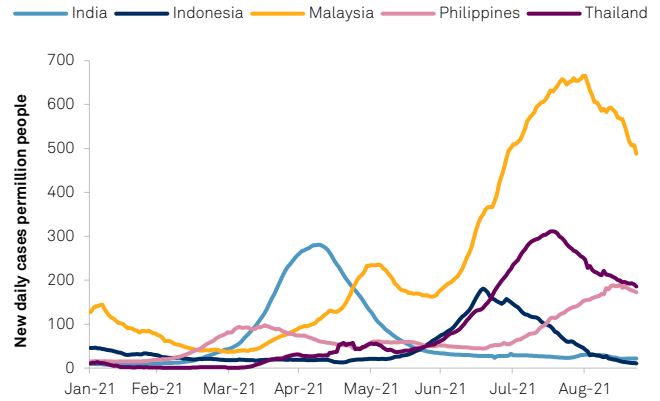


Note: Percentage of population that is fully vaccinated. Data as of Sept. 22, 2021.  
Source: Our World In Data.

**Chart 2**

**...But Is Not A Silver Bullet As Resurgences Engulf The Region**

The rise of the delta variant increases the risk of fresh COVID outbreaks

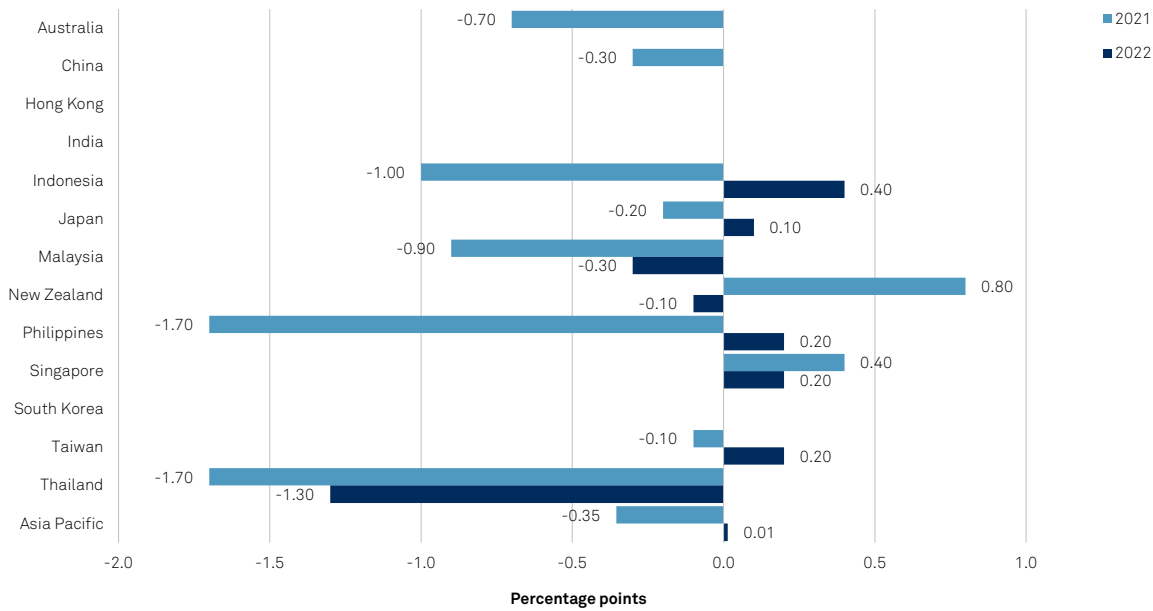


Note: Daily new COVID cases, 7-day rolling average per million. Data as of Sept. 22, 2021.  
Source: Our World In Data.

**Chart 3**

**Asia-Pacific: Changes In Economic Forecast**

Current real GDP forecast versus June 2021

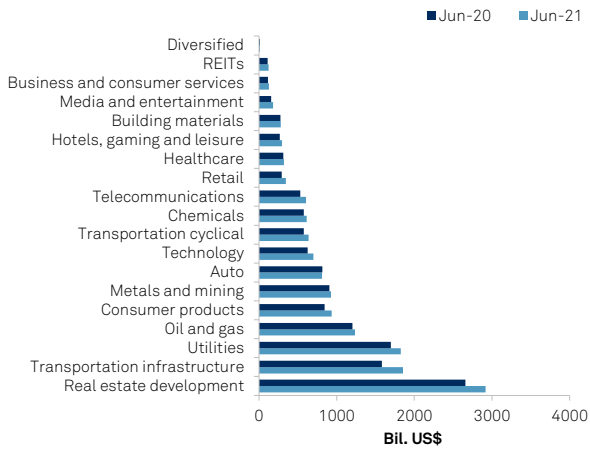


Note: For India, the year runs April to March. For example, 2021 references fiscal 2021/2022, which ends on March 31, 2022.  
Source: S&P Global Economics.

Chart 4

**Debt Volumes Have Been Edging Up Since June 2020...**

...but debt growth varies significantly among sectors

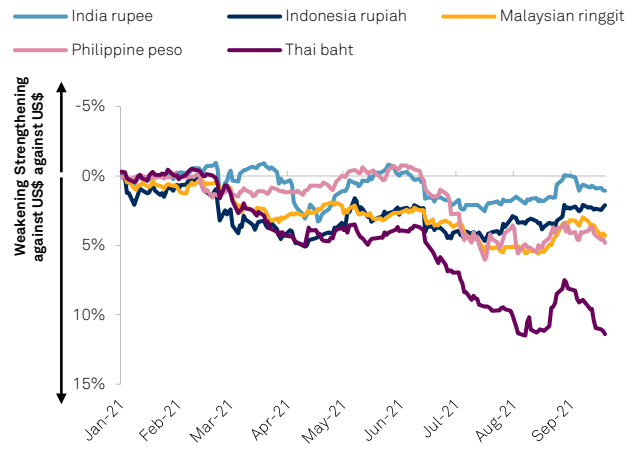


Note: Absolute debt level for 23,391 nonfinancial corporates in Asia-Pacific by sector for June 2020 and June 2021. Bil.--Billion.  
Source: S&P Global Market Intelligence.

Chart 5

**Emerging Asia Currencies To Feel The Heat From Stronger Dollar**

Percentage change in Asia-Pacific currencies since Jan. 1, 2021



Note: Data as of Sept. 22, 2021.  
Source: S&P Capital IQ.

# Financing Conditions

## Evergrande Shakes Speculative-Grade

The liquidity crisis engulfing Evergrande is shaking investors' confidence in the health of China's real estate sector and the broader economy. As the largest speculative-grade nonfinancial issuer in Asia Pacific, an Evergrande default would likely reduce funding access for other speculative-grade entities. Market access could stay volatile as investors seek higher risk premiums for such debt or avoid the securities altogether. Depleted investor confidence in China's property sector may also diminish funding access for other developers, suppliers and contractors, and the financial institutions that lend to them.

Evergrande's difficulties are playing out just as China Huarong Asset Management is in the middle of a recapitalization exercise. This means that two of China's largest issuers of offshore bonds may be simultaneously testing the capacity and appetite of the government to backstop potentially substantial failures. An Evergrande default may impede funding channels for weaker property developers, which would deepen existing strains as more conventional capital raising, such as bonds and bank loans, tighten.

China's rated developers need to repay or refinance Chinese renminbi (RMB) 480 billion of onshore and offshore bonds maturing in 2022 (see charts 6a and 6b, and "[China Developers Battle Tight Liquidity And Plummeting Profitability](#)," Sept. 6, 2021). We expect the default risk of weaker, highly leverage property developers to rise.

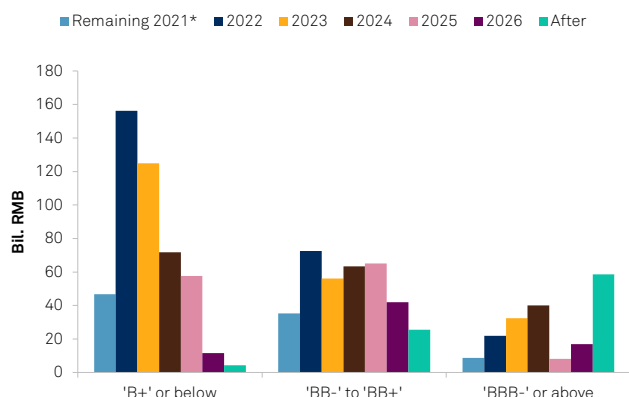
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**Chart 6a**  
**Maturity Wall Of Rated Chinese Property Companies**

U.S. dollar bonds

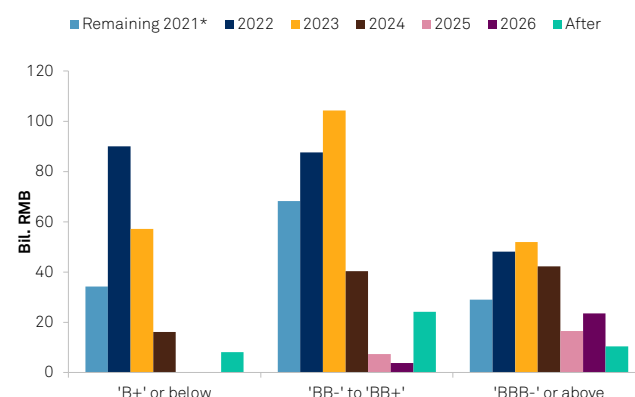


Note: Data collected as of September 5, 2021. \*September 1 to December 31, 2021. 1 USD = 6.5 RMB. YTD--Year to date. Bil.--Billion. RMB--Chinese renminbi.

Source: S&P Global Ratings, Bloomberg, Wind.

**Chart 6b**  
**Maturity Wall Of Rated Chinese Property Companies**

Domestic bonds



Note: Data collected as of September 5, 2021. \*September 1 to December 31, 2021. 1 USD = 6.5 RMB. YTD--Year to date. Bil.--Billion. RMB--Chinese renminbi.

Source: S&P Global Ratings, Bloomberg, Wind.

Meanwhile, the region continues to experience fresh outbreaks despite improving vaccine coverage. Some economies are tightening mobility restrictions as pockets of reinfection cases rise, while others are reopening after carefully considering the economic costs of sticking with a "zero COVID" stance. Meanwhile, vaccination rates have improved in the region, but some emerging markets continue to lag behind that of the U.S. and Europe. The spread of new variants globally adds more uncertainty about the recovery. Central banks will likely stay broadly supportive.

U.S. credit composite spreads saw some fluctuations in the third quarter but remain below those seen at the same time last year (see chart 7). The U.S. investment-grade spread (for securities with a tenor of seven to 10 years) is now standing at 115 basis points (bps), and speculative-grade (with a tenor basket of three to five years) is at 332 bps. Data are as of Sept. 22.

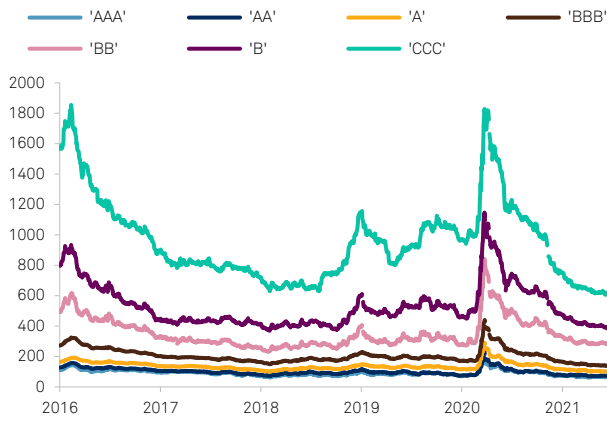
Asia-Pacific option-adjusted spreads for investment-grade have generally shown a slight downtrend, in line with that of the U.S. The spike in speculative-grade spreads in September tracks Evergrande's escalating repayment challenges. Asia-Pacific corporate (financial and nonfinancial) bond issuance reached over US\$1.6 trillion (through the year to Sept. 22). Cumulative issuance slightly surpasses that of last year (see chart 8).

**Credit Conditions Asia-Pacific: COVID Besets, China Resets**

Based on where businesses are operated, the Asia-Pacific issuers we rate have had eight defaults so far in 2021 (the year to Sept. 22). The global corporate default tally in the same period is 59. At this point in 2020, there were 175 defaults around the world. In 2018 and 2019, there were 82 and 61 defaults, respectively. Breaking down the global defaults in the year to date by sector, consumer products firms (nine), media and entertainment companies (eight), and oil and gas issuers (seven) top the list (see "[Array Canada Becomes The First Default In September](#)," Sept. 23, 2021).

**Chart 7**

**U.S. Spreads By Rating Category**

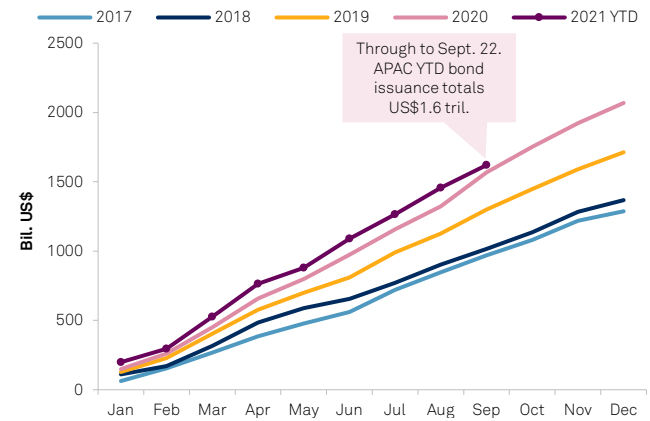


Note: Option-adjusted spreads computed on a pool of over 20,000 U.S.-domiciled bonds with par values of over US\$100 million that are rated by S&P Global Ratings. Data as of Sept. 22, 2021.

Source: S&P Global Ratings; Refinitiv.

**Chart 8**

**Asia-Pacific Cumulative Corporate Bond Issuance**



Note: Data as of Sept. 22, 2021. YTD--Year to date. Bil.--Billion. APAC--Asia Pacific. tril.--Trillion.

Source: S&P Ratings Research; Refinitiv.

# Macroeconomic Outlook

## Reopenings Point To 'Living With COVID' Stance

As vaccination coverage improves in Asia, more jurisdictions are raising their acceptance of COVID to reopen economies quicker. This approach targets high vaccination coverage along with targeted measures to manage pandemic waves, to ensure healthcare systems are not overwhelmed by the inevitable infection surges.

Even as more economies pivot to living with COVID, pandemic policies vary widely across Asia. Some governments are quick to impose tight lockdowns on any evidence of fresh outbreaks. Officials in other countries have a high tolerance for the ebb and flow of infection rates. Preferences and stances can change quickly according to the capacity of health systems, and the mood of the public. All things being equal, those jurisdictions aiming for zero infection levels, or something near it, will have a slower path to economic normalization.

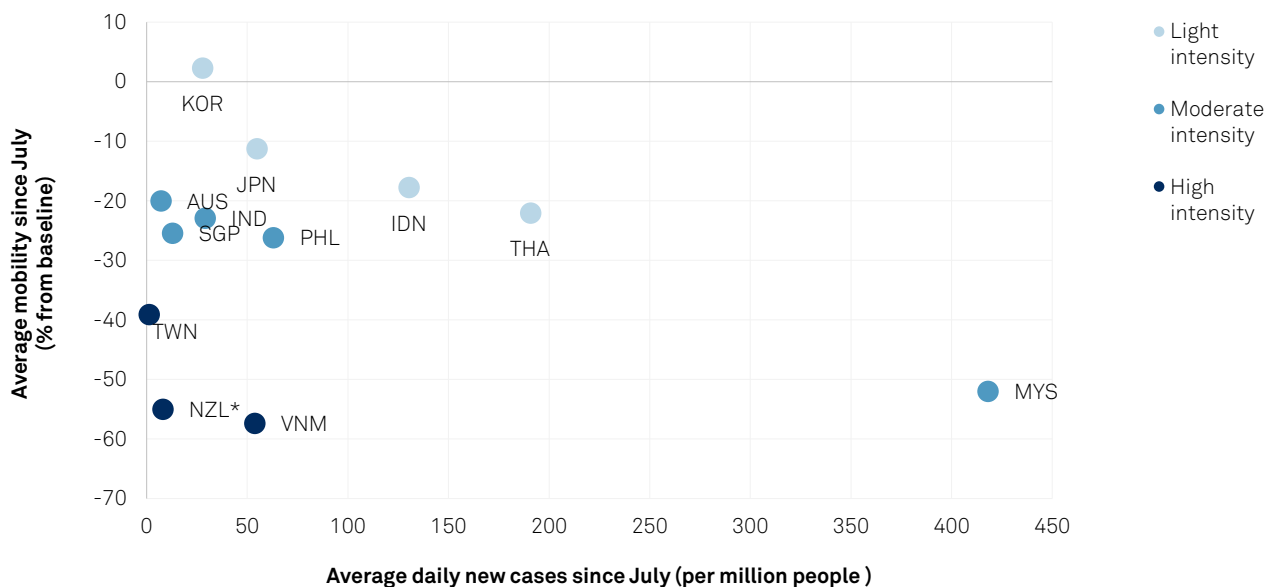
We can quantify a region's "response intensity", or its willingness to tolerate fresh COVID outbreaks (or not). We look at mobility patterns, and plot these against daily new COVID case numbers. We deem those jurisdictions that continue to allow high mobility amid high caseloads as having a "light intensity". We deem the jurisdictions that shut down mobility on the scantest signs of new outbreaks as having a "high intensity". Taiwan, Vietnam, and New Zealand have the highest response intensities according to this measure, while Korea, Japan, Indonesia, and Thailand have relatively lighter mobility reductions in responses to outbreaks (see chart 9).

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Chart 9

**Pandemic Response Intensity Varies By Region**



AUS--Australia, IDN--Indonesia, IND--India, JPN--Japan, KOR--Korea, MYS--Malaysia, NZL--New Zealand, PHL--Philippines, SGP--Singapore, THA--Thailand, TWN--Taiwan, VNM--Vietnam. Note: Data till Sept. 6, 2021. Data are at the national level, and caseloads and response intensities across specific localities may vary. We estimate response intensity as the average mobility change divided by the natural logarithm of average daily new cases and then split economies into high low and moderate intensities using k-means clustering on the response intensity metric. \*: For New Zealand, data considered are from Aug. 17, 2021.

Source: Our World In Data, Google Community Mobility Reports, and S&P Global Economics.

Growth outlooks in 2021 have weakened moderately in Asia due to persistent COVID waves. COVID waves are disrupting activity even in places where the pandemic was previously under control. Economic costs are set to be higher over the next three to five years given the additional strain on balance sheets for households and micro, small and midsize enterprises. This important group will cut spending as health risks hang over them.



## Credit Conditions Asia-Pacific: COVID Besets, China Resets

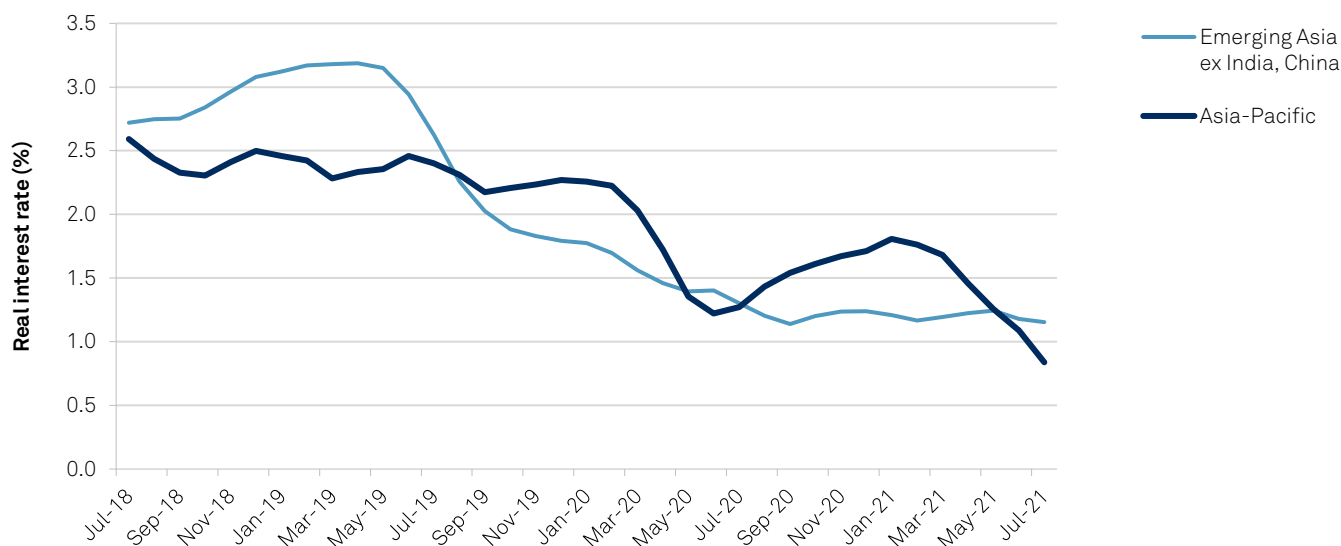
International trade is providing a key support to Asia-Pacific growth. Strong goods demand globally has driven robust trade performance in Asia. As the U.S. and European economies open, their consumers are spending more on services. As a result, sequential export growth in Asia has slowed. However, trade activity is plateauing at high levels rather than slowing sharply, which will mean that trade will provide some offset to weakening domestic demand.

Private demand growth in China is still looking soft, and targeted lockdowns in July and August to contain delta-variant driven outbreaks have also weighed on activity. Sequential growth is set to slow in the third quarter. Trade will continue to support growth. We do not expect large policy stimulus. Policymakers are emphasizing common prosperity, an effort to reduce inequality of different forms, over the quantum of growth. They remain wary of financial stability risks and are keen to cool property markets. There is also a backdrop of limiting state support for entities.

Inflationary pressures are still muted in much of the region, however core price inflation has picked up in some economies including in China, Australia, New Zealand, and India. In the rest of Asia, core inflation remains muted given lockdowns and the resulting weakness in domestic demand. Given this backdrop of weak core inflation, real interest rates have--since January 2021--only dropped by 100 basis points, which is modest in light of the magnitude of monetary policy easing (see chart 10). Central banks in emerging Asia have some cause to ease policy given that output gaps are negative. However, they are also wary of tapering quantitative easing in the U.S., which could trigger capital outflow from the region.

Chart 10

### Interest Rates Dip Despite Aggressive Policy Easing



Note: Aggregations based on purchasing power parity weights. Real interest rates computed as nominal short term interest rates less inflation expectations proxied using core inflation rates.

Sources: National statistical agencies and S&P Global Economics.

Overall, we expect most central banks in the region to keep policy settings unchanged. The Reserve Bank of New Zealand and the Bank of Korea are the exceptions--the Bank of Korea has begun hiking rates while the former may also begin raising soon. Both central banks want to avoid adding to distortions in the housing markets, where prices are rising due to structural factors.

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# Sector Trends

## Risks On The Move

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Our net rating outlook bias across asset classes has improved to negative 7% in end-August 2021 from negative 11% in May (see chart 11). While this indicates sustained credit quality stabilization, the road toward full normalization remains uncertain and lengthy. For financial institutions, policy support has generally been effective in containing damage, propping the net outlook bias ratio up to just above negative 1% in August from negative 6% in May. Buoyant issuance and still-strong household balance sheets across structured finance markets point to a continued stable and supportive environment for debt serviceability. For insurers, capital buffers help absorb potential volatilities, but reinvestment challenges and volatile investment markets lead to only a modest reduction in the negative outlook bias. Similarly, local and regional governments (LRGs) will need to manage fiscal burdens, as high capital spending plans are expected to remain to keep infections in control. Despite pockets of vulnerability persisting, the reduction in negative outlook bias for corporates continues, which settled at negative 10% in August 2021 (August 2020: negative 25%).

### What's changed?

**Improvement in outlook bias to plateau.** The negative outlook bias has steadied across the board, though with pockets of deterioration in sectors such as consumer products, oil and gas, building materials, and utilities. These trends point to uneven rating trends across sectors and geographies.

**Vaccination push continues.** The resurgence of COVID cases, attributed to more infectious variants, had prompted a relook at COVID-management policies across the region's governments. Although vaccination rates have picked up, some countries' determination to suppress outbreaks through targeted lockdowns and border closures dents mobility. Mobility-dependent sectors and services-dependent economies continue to feel this pressure.

### Key risks

**Transient inflation turns permanent.** Supply chain challenges, exacerbated by port closures and outstanding freight backlog, have increased cost inflation. While we expect these pressures to dissipate as demand normalizes, fears of inflation could become longer-lasting, fueling increases in consumer prices. This could eat into profits of corporate borrowers as their ability to pass through the costs to consumers wanes.

**Tighter refinancing conditions.** Disorderly financial and real asset risk-repricing could hit the financing conditions for the region's borrowers, particularly the highly leveraged ones. Meanwhile, earlier than expected U.S. tapering of monetary policy would likely weaken the domestic currencies of Asia-Pacific's emerging markets. In particular, borrowers dependent on U.S. dollar funding could face spiking debt servicing costs, exacerbating tight refinancing conditions.

### Key assumption

**A stifled regional economic recovery.** Asia Pacific's patchy vaccination rates mean a broad-based recovery remains some way off. In view of headwinds from persistent COVID waves, we recently revised downward our 2021 growth expectations for emerging Southeast Asian economies. Private sector consumption will take a hit. However, sustained external demand and strong international trade bolster the outlook of regional economies.

### What to look for

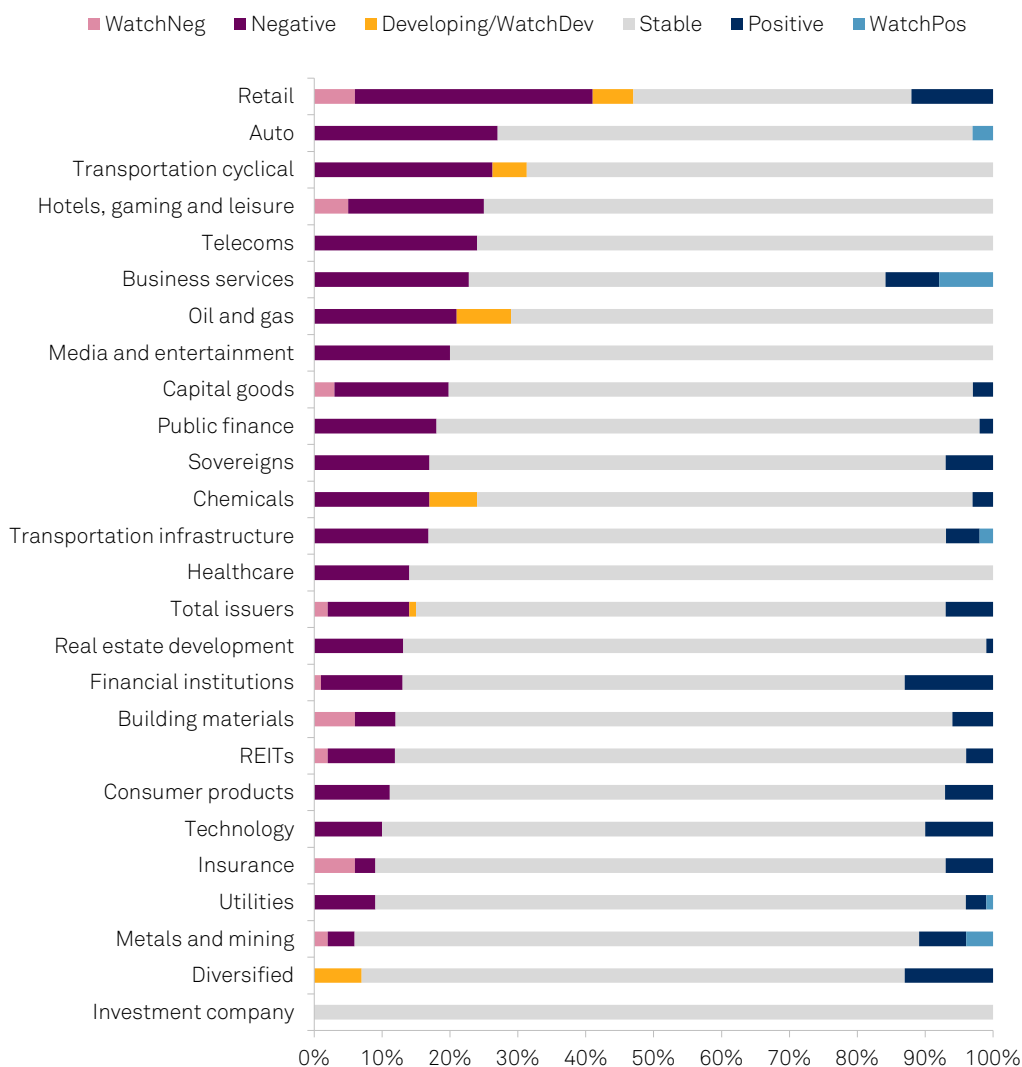
**Persistent supply-chain woes.** Prolonged hikes in input costs (both materials and labor), without capacity to pass the increases to consumers, could dilute corporate margins and erode earnings. This should diminish rating headroom. Meanwhile, the semiconductor shortage is weighing heavily on the region's manufacturing core, particularly in the auto sector. We expect the supply chain pressures to extend to the first half of 2022.

## Credit Conditions Asia-Pacific: COVID Besets, China Resets

**Intensifying crackdown in China.** A widening scope of regulatory oversight of China's private sector enterprises could have spillover implication to sectors and geographies. The recent crackdown on technology companies, real estate, gaming and education reflects the desire to improve social values and equity. Separately, the government's tilt toward greater wealth equality ("common prosperity") may slow GDP growth, and curb credit-backed growth in particular.

Chart 11

### Outlook Distribution Of Asia-Pacific Issuers By Sector



Data cut-off: Aug. 31, 2021. Source: S&P Global Ratings.

# Nonfinancial Corporates

## Defaults Loom Amid Volatile Capital Markets

- COVID's resurgence and the zero-tolerance approach adopted by a few major economies across the region have had limited effect on corporate credit quality so far.
- Credit downside risks have been slowly reducing for rated corporate issuers in Asia Pacific--one in six companies are on negative outlook compared with one in five, three months ago.
- Jitters from Evergrande financial stress are likely to stay contained to the Chinese real estate sector but illustrate a risk-on /risk-off investor sentiment that's likely to linger for the rest of the year, create refinancing headwinds for lower-rated issuers and stall the momentum of gradually improving credit quality we observed since the beginning of 2021.

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### What's changed?

**Prolonged pandemic but limited ratings impact for now.** On the whole, credit conditions at rated companies in Asia-Pacific are slightly less negative heading into the fourth quarter of 2021. The share of company ratings on negative outlook dropped to about 16% as of Sept. 20, 2021 compared with about 20% three months ago. That said, further credit improvement for issuers rated 'B' and below (about 10% in Asia-Pacific) is unlikely for the rest of the year given volatile investor sentiment. The credit trajectory of these issuers is more sensitive to liquidity and refinancing risk than to operating performance or GDP growth numbers. Corporate credit quality has been reasonably resilient to the resurgence in COVID cases in the region. The zero COVID policies and resulting localized lockdowns are affecting the revenue and profit outlook more selectively than at the beginning of the health crisis in 2020, and mostly companies in mobility-related, gaming, leisure, and transportation sectors.

**Jitters from Evergrande's financial stress look contained to the Chinese real estate sector.** Stress at Evergrande is likely to stay confined to weaker issuers in the real estate sector in our view, as the sector faces elevated policy risks and massive refinancing needs in the next 12 months, and persistent idiosyncratic events that continue to dent investor sentiment.

Evergrande's likely default is creating a further wedge among Chinese real estate developers. We took negative rating actions on nearly 15% of rated real estate developers in China following the rapid deterioration in investor sentiment toward lower-rated issuers facing refinancing risk. Yet, capital markets remain accessible for the largest, more financially conservative developers. We rate nearly one in 10 real estate developers in China 'B-' or below, so more defaults are likely in the sector over the next 12 months.

### Key risks

**Funding availability amid high-profile defaults.** We expect investor sentiment to remain volatile across the region. While it often starts as an idiosyncratic event, risk-off sentiment can spread quickly within a sector as the cases of Evergrande in China or in the Indonesian state-owned enterprise sector illustrate. In turn, volatile capital market conditions can make funding access more difficult for weaker issuers, increasing the default risk of those with high refinancing requirements.

**Growing regulatory uncertainty in China.** The Chinese government has been tightening regulations in half a dozen sectors over the past few months. Most recently, regulators have tightened oversight of the education sector, while Macau launched consultations ahead of possible amendments to Macau's gaming law. More regulation is likely as the government increasingly focuses on addressing the imbalances between economic growth and social equity. Objectives include leveling the playing field in concentrated sectors, ensuring data security, protecting consumer and worker rights, and reducing the cost of living, particularly housing, education, and health care. Such objectives are not new, but their implementation and communication could bring surprises and drive market volatility, raise funding costs, and unexpectedly restrict capital market access.

## Key assumptions

**Modest revenue and profit growth to continue through 2021 and in 2022.** Revenue and profit for rated companies in Asia-Pacific to grow about 10% in 2021 versus 2020 amid recovering volumes. That momentum should continue in 2022, with an average profit growth of 5%-8% across the region and across sectors.

## What to look for

**Capital market volatility.** Further bouts of market volatility or a sharp rise in interest rates could complicate liquidity and refinancing access for weaker borrowers in emerging Asia even as governments take first steps toward unwinding stimulus measures.

**COVID tolerance policy.** Many countries across Asia-Pacific such as China, Hong Kong, Australia, and Vietnam have adopted a zero-COVID approach, enforcing mobility restrictions in response to even minor spikes in the number of new infections. COVID's resurgence and the zero-tolerance approach of some of these major Asia-Pacific economies may further strain corporates if outbreaks continue to dampen mobility and create disruptions.

## Financial Institutions

# Outlook Is Mixed Across Banking Jurisdictions

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- COVID's hit to our economic outlook continues to be the key factor weighing on banks, although effects vary across the 19 Asia-Pacific jurisdictions where we rate banks.
- Support by public authorities is containing the damage on the real economy and banks, but downside risks for banks remain as the region contends with further infections and slow vaccinations.
- We estimate that credit losses will rise by about an additional US\$563 billion in 2020-2022 mainly because of COVID stresses, compared to 2019 levels. This is slightly lower than our previous estimate in early 2021 of US\$581 billion.

### What's changed?

**Mixed outlook.** Persistent COVID waves are increasingly challenging emerging Southeast Asian banking systems. We recently revised downward our 2021 economic growth expectations for this region. Elsewhere, economic trends affecting banks are generally stable.

**Still-high credit losses.** Post-COVID credit losses remain high compared with that of 2019 (pre-COVID). Peak credit losses will likely now be lower than we initially forecast in mid-2020.

**Ongoing support from authorities is important.** Fiscal and monetary policy support and regulatory forbearance offer significant buffers for banks. But for this support, ratings would likely be lower.

### Key risks

**A downturn that is more severe than our base case.** A slower or patchier economic rebound will intensify the damage on households and corporates, magnifying banks' credit losses. Regionally, slow vaccinations and periodic lockdowns mean credit losses are vulnerable until the health situation improves.

**Leverage, corporate insolvencies, and property.** We see our top risks as higher corporate and government sector leverage, and likely higher corporate defaults in 2021. Also, banks' property exposures are significant, and the institutions have not yet reckoned with the full effect of COVID on their asset quality. Further, low interest rates are fueling imbalances via strong asset price increases in some jurisdictions and sectors.

### Key assumptions

**Strong economic rebound.** A return to pre-COVID metrics for asset quality and profitability will be slow and is unlikely to occur until end-2022 for many banking systems. Capitalization trends are expected to remain broadly stable, however.

**Highly supportive governments.** Fiscal and monetary policy support for households and corporates from public authorities will continue to stabilize bank credit. Ultimately, we expect extraordinary government support would be extended to many systemically important banks in the unlikely event it were required.

### What to look for

**Recovery from COVID.** We expect interest margins to remain thin over 2021-2022. Higher inflation will likely alleviate some pressure on interest margins but will commensurately weigh on credit losses. Enduring stabilization will ultimately be driven by a persistent improvement in the health situation.

# Insurance

## Restored Capital Buffers Absorb Volatility

- Shored up capital buffers help absorb volatilities, supporting a stable credit trend.
- Reinvestment challenges persist amid low interest rates and fluctuating investment markets.
- Insurers' revenues should prove resilient to a resurgence of COVID.

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### What's changed?

**Persistent reinvestment challenges to prompt heightened risk appetite.** Low rates and capital market volatility weigh on investment returns. This signifies a likely increase in insurers' appetite for credit and market risk. Coupled with rising counterparty risk, this could dilute restored capital buffers. Insurers' unhedged foreign exchange exposure may lead to further earnings volatility.

**Premium recovery to continue even as fresh COVID waves break out.** Evolving digital capability and accelerated digital sales will support the resumption of sales activities for life insurers. A resurgence in COVID cases will likely hinder sales momentum in some Southeast Asian markets. Economic recoveries and improved premium rates for commercial lines should uphold property and casualty insurers' revenue growth.

### Key risks

**Intensified capital market turmoil.** Sharper market swings and asset impairments could dent insurers' capital and earnings. Markets that adopt moving-average discount factors could demand hikes in life reserves.

**COVID resurgence risk persists.** COVID resurgence may constrain economic recovery, hindering demand for insurance coverage. Jumps in unemployment could lead to more loan delinquencies. This combined with withdrawals and the limited scope of some governments' stimulus measures in the region will hit mortgage-insurance providers.

### Key assumptions

**Asset risk will rise.** Persistent reinvestment challenges will likely prompt insurers to take on greater credit and market risks. This is in addition to the inherent asset-liability mismatch positions among many life insurers in the region.

### What to look for

**Greater insurance protection awareness.** Demand for health and medical insurance coverage will rise, post pandemic.

**More extreme weather.** Rapid urbanization and the increased frequency of weather-related events will demand increasing reinsurance arrangements and more regular updates on catastrophe models. Increased reinsurance costs should weigh on the profit margins of property and casualty insurers.

**Regulatory and accounting updates.** Evolving regulatory and accounting developments signify prospective changes in business and investment strategies, and result in rising operational costs.

## Public Finance

# Policy Steps To Contain COVID Effects

- Fresh COVID infection waves suggest ongoing government measures are needed to address the economic and fiscal costs of the pandemic, in most systems.
- Local governments in Australia, New Zealand, and China are using large infrastructure projects to stimulate economies, and this practice will persist until at least through 2022.
- Tighter controls on public finances in China adds to the credit buffers on the country's local governments.

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### What's changed?

**China credit migration follows an institutional framework uplift.** Our rating distribution for the country has migrated to the stronger end, following our upward revision of the institutional framework assessment in China, in anticipation of tightened central controls and increased discipline at the local level.

**Low infection strategy.** Multiple local and regional governments (LRGs) in Australia and New Zealand have imposed strict lockdowns to suppress rising COVID cases, adding to the regions' economic and fiscal risks.

### Key risks

**Public spending stays high to sustain economic momentum.** While picking up, vaccination rates remain low in Asia-Pacific and a commitment to lower infection rates should result in more lockdowns and tight containment measures. These controls imply LRGs need to maintain heavy spending on projects.

**Contagion fears weigh on recovery prospects.** Fear of infection will continue to deter travel and hinder consumption in Asia-Pacific. The variants are making regions that seek low to zero caseloads reluctant to reopen borders. This is a risk for a range of public-finance segments, such as Australian universities.

### Key assumptions

**Few signs that governments will pull back their countercyclical measures.** LRGs that plan increased capital expenditure to sustain growth risk diminishing their fiscal standing.

**Public finance systems largely remain stable across the region.** Australian and New Zealand LRGs have greater spending discretion to prompt a recovery, but expansionary policies weigh on their finances. China's LRGs can still rely on large cash transfers and new borrowings, subject to ongoing support from the central government. The finances of Indian LRGs remain stretched and are handicapped by limited financial flexibility. Japanese LRGs will look to the central government to undertake nationwide economic stimulus, rather than squeezing their already damaged budgets.

### What to look for

**Policy shifts.** Any aggressive LRG fiscal expansion, either to sustain growth or to maintain social stability, could erode credit quality. LRGs in economies experiencing stronger economic rebounds should be able to normalize more quickly. China has recovered, yet we see greater scope for state-owned enterprises to experience strains. Any moves to provide large-scale bailouts to stressed entities would be a credit negative for their local-government owners.



# Sovereign

## COVID Concerns Remain

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- The delta variant is driving waves of new infections.
- New virus strains and fading vaccine efficacy add to the health risks.
- Supply chain bottlenecks and volatile financial conditions could slow the recovery of entities' credit metrics.

### What's changed?

**Supply and logistical risks to export recovery.** A shortage of semiconductor chips and bottlenecks in container shipping have disrupted production and raised manufacturers' costs.

**Inflation rates in Europe and the U.S. have picked up. Consumer prices rose quickly in 2021 in major advanced economies.** Policymakers continue to believe the increases to be temporary but strains on policy rates could increase if higher inflation proves persistent.

**Delta variant spreads.** The spread of the highly infectious delta variant has caused rebounds in infection rates, even in places where vaccination rates are relatively high. This has forced some Asia-Pacific governments to tighten movement restrictions.

### Key risks

**More COVID-19 variants.** If mutations outpace vaccine rollouts and infection rates rebound in the region, sovereign credit metrics could weaken significantly.

**Sudden capital swings.** Sharp deterioration in investor sentiment in emerging markets could see swift capital outflows. In lower-rated sovereigns dependent on imported energy, higher oil prices would weaken their external balances and exacerbate capital outflows.

**Dampened manufacturing recovery may weigh on growth and fiscal recovery.** Rising component and commodity prices, as well as shipping costs, could hobble production recoveries. Shortages of semiconductors have also caused some car manufacturers to temporarily halt production. If these trends persist and government support tapers off, weaker demand may intensify pressures on manufacturers and exports out of Asia-Pacific.

### Key assumptions

**Global economic activity will recover without major volatility.** Recoveries to become more entrenched as the vaccination rates in key economies rise, supported by gradually climbing interest rates and commodity prices.

### What to look for

**Geopolitical developments that could disrupt momentum.** U.S.-China tensions are increasingly accompanied by displays of military prowess. Accidental contacts that escalate these tensions could spill over into trade and financial interactions.

**Prolonged pandemic possible if vaccines become less effective.** Poor efficacy of vaccines against potential new variants of COVID-19 or fading vaccine efficacy against existing variants present risks that could prolong the pandemic.

# Structured Finance

## Buoyant Issuance, Households Remain Resilient

- Strong issuance volumes especially in residential mortgage-backed securities across the region.
- New originators, low interest rates, and changing regulatory landscapes will likely shift risk profiles across structured finance markets.

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### What's changed?

**Asia-Pacific.** Consumer asset classes have demonstrated stability and resilience. Employment indicators remain stable for most major markets. Structured finance markets in Asia-Pacific are seeing strong issuance volumes, which is consistent with the global trend for structured finance in 2021.

Lockdown measures in parts of Australia have seen a return of temporary forbearance measures for mortgages, but take-up rates are unlikely to be as high as during the first phase of the pandemic.

### Key risks

**Virus resurgence and threat to consumer confidence.** The resurgence of the virus, particularly in countries that have largely contained the pandemic to date, may dent consumer confidence. This would ultimately affect the performance of consumer credit-backed and mortgage-backed loans. In Australia and New Zealand, the return to lockdowns has hit immediate measures of confidence.

**Asset-price inflation and the effectiveness of regulatory "handbrakes."** Rising house prices in some markets may test the effectiveness of regulatory interventions designed to cool emerging pockets of overheating.

### Key assumptions

**Structural supports.** We expect ratings to be stable, with low levels of speculative-grade ratings and structural supports to cushion some deterioration. Broadly stable employment trends and low interest rates support debt serviceability on residential mortgage-backed securities.

### What to look for

**Green financing gathers momentum in China.** Decarbonization is an important theme in China's new five-year plan. Regulators have released measures in aspects such as guidance for green project assessment. These policies will likely drive more green elements in securitization transactions in China, though the rollout of transactions backed by green assets will likely be gradual.

**Libor cessation.** Publication of Libor in many currencies, including the Japanese yen, ceases at the end of 2021. We anticipate a further acceleration in the transition to new benchmarks before the end of 2021.

**Housing market dynamics.** The impact of further lockdowns across parts of Australia may see a pause in activity and confidence impacting housing markets in the coming months, however longer-term factors relating to affordability, interest rate outlooks, and supply are likely to return to the mix as key factors.

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## Appendix 1: Ratings trends

Table 2

### Net Outlook Bias of Asia-Pacific Issuers by Sector, August 31, 2021

	Aug. 2020	Oct. 2020	Mar 2021	May 2021	Aug 31 2021	No. of entities	Notional average rating
Auto OEM and suppliers	-67%	-65%	-45%	-42%	-24%	33	BBB
Building materials	-20%	-13%	7%	0%	-6%	17	BBB-
Business services	-36%	-42%	-25%	-21%	-8%	13	BB+
Capital goods	-15%	-19%	-24%	-19%	-17%	36	BBB
Chemicals	-46%	-31%	-26%	-20%	-13%	30	BBB-
Consumer products	-21%	-18%	-13%	-3%	-4%	27	BBB
Diversified	-13%	-13%	-7%	0%	13%	15	A-
Healthcare	-38%	-38%	-29%	-14%	-14%	7	BB+
Hotels, gaming and leisure	-67%	-44%	-42%	-45%	-25%	20	BB+
Investment company	-20%	-10%	0%	-11%	0%	8	A-
Media and entertainment	-22%	-44%	-40%	-22%	-20%	10	BBB+
Metals and mining	-22%	-24%	-17%	-9%	5%	55	BB+
Oil and gas	-39%	-39%	-24%	-16%	-21%	24	BBB+
Real estate development	-11%	-12%	-9%	-13%	-12%	75	BB-
Real estate investment trusts	-22%	-18%	-16%	-11%	-8%	52	BBB+
Retail	-38%	-22%	-29%	-29%	-29%	17	BBB-
Technology	-20%	-20%	-11%	-8%	0%	51	BBB-
Telecommunications	-26%	-33%	-25%	-26%	-24%	29	BBB+
Transportation cyclical	-40%	-40%	-42%	-32%	-26%	19	BB+
Transportation infrastructure	-31%	-29%	-27%	-20%	-10%	60	BBB+
Utilities	-6%	-4%	-5%	-2%	-4%	91	A-
<b>Total corporates</b>	<b>-25%</b>	<b>-23%</b>	<b>-19%</b>	<b>-15%</b>	<b>-10%</b>	<b>689</b>	<b>BBB</b>
Financial institutions	-17%	-18%	-15%	-6%	-1%	376	BBB+
Insurance	-4%	-8%	-4%	-3%	-2%	177	A
Public finance	-10%	-12%	-20%	-19%	-16%	90	A+
Sovereign	-10%	-10%	-17%	-14%	-10%	29	BBB+
<b>Total issuers</b>	<b>-19%</b>	<b>-19%</b>	<b>-16%</b>	<b>-11%</b>	<b>-7%</b>	<b>1,361</b>	<b>BBB+</b>

Note: We calculate the net outlook bias by deducting the percentage of negative outlooks and CreditWatch negative listings against the percentage of positive outlooks and CreditWatch positive listings. A minus figure indicates that the former exceeds the latter, and a positive figure, vice versa. OEM--Original equipment manufacturer.

Light blue colored cells indicate improvement from prior period, navy blue, deterioration.

## Appendix 2: Economic data and forecast summaries

Table A1

### Australia--S&P Global Ratings Economic Outlook

	2020	2021f	2022f	2023f	2024f
Real GDP %	-2.4	4.2	3.3	2.8	2.5
Inflation %	0.9	2.5	2.6	2.2	2.2
Unemployment rate %	6.5	5.3	4.7	4.6	4.5
Policy rate % (EOP)	0.1	0.1	0.1	0.5	0.75
Exchange rate (US\$ per A\$)	0.77	0.73	0.74	0.74	0.75

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. A\$--Australian dollar. Sources: Oxford Economics, S&P Global Ratings.

Table A2

### China--S&P Global Ratings Economic Outlook

	2020	2021f	2022f	2023f	2024f
Real GDP %	2.3	8.0	5.1	5.0	4.8
Inflation %	2.5	0.9	1.8	2.2	2.2
Unemployment rate %	5.7	5.1	5.0	4.9	4.8
Exchange rate (per US\$)	6.52	6.45	6.40	6.35	6.30

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A3

### Hong Kong--S&P Global Ratings Economic Outlook

	2020	2021f	2022f	2023f	2024f
Real GDP %	-6.1	6.5	2.5	2.0	1.9
Inflation %	0.3	2.0	2.0	1.8	1.7
Unemployment rate %	5.8	5.6	4.6	4.1	3.8
Exchange rate (per US\$)	7.75	7.80	7.80	7.80	7.80

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A4

### India--S&P Global Ratings Economic Outlook

	2020	2021f	2022f	2023f	2024f
Real GDP %	-7.3	9.5	7.8	5.7	6.5
Inflation %	6.2	5.8	5.0	4.5	4.5
Policy rate % (EOP)	4.00	4.25	4.75	5.25	5.25
Exchange rate (per US\$)	72.9	75.0	76.0	77.0	78.0

Note: Inflation and unemployment rate shown are the period average. For India, 2020 means fiscal 2020/2021 (year ending March 31, 2021); 2021 means fiscal 2021/2022 (year ending March 31, 2022); and so forth. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A5

**Indonesia--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-2.1	3.4	5.6	4.8	4.8
Inflation %	2.0	1.7	2.9	2.8	2.8
Unemployment rate %	6.2	6.4	5.8	5.5	5.2
Policy rate % (EOP)	3.75	3.50	4.00	4.50	4.50
Exchange rate (per US\$)	14050	14500	14650	14800	14950

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A6

**Japan--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-4.7	2.3	2.2	1.2	1.1
Inflation %	0.0	-0.3	0.8	0.6	0.7
Unemployment rate %	2.8	2.8	2.5	2.4	2.3
Policy rate % (EOP)	-0.1	-0.1	-0.1	-0.1	-0.1
Exchange rate (per US\$)	103.5	110.0	110.5	111.0	111.5

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A7

**Malaysia--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-5.6	3.2	6.0	5.2	4.6
Inflation %	-1.1	2.7	2.2	2.3	2.2
Unemployment rate %	4.5	4.8	4.4	4.0	3.7
Policy rate % (EOP)	1.75	1.75	2.00	2.50	2.50
Exchange rate (per US\$)	4.01	4.18	4.22	4.25	4.27

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A8

**New Zealand--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-1.2	5.4	2.7	2.8	2.7
Inflation %	1.7	2.9	2.5	2.2	2.1
Unemployment rate %	4.6	4.2	4.1	3.9	3.8
Policy rate % (EOP)	0.25	0.50	1.00	1.25	1.25
Exchange rate (US\$ per NZ\$)	0.72	0.71	0.73	0.74	0.75

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. NZ\$--New Zealand dollar. Sources: Oxford Economics, S&P Global Ratings.

Table A9

**Philippines--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-9.6	4.3	7.7	7.4	7.3
Inflation %	2.6	4.5	2.2	2.5	2.5
Unemployment rate %	10.4	7.9	6.8	5.6	4.5
Policy rate % (EOP)	2.00	2.00	2.00	2.75	3.00
Exchange rate (per US\$)	48.04	50.35	51.16	51.16	51.09

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A10

**Singapore--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-5.4	6.6	4.0	3.1	2.8
Inflation %	-0.2	1.9	1.8	1.7	1.7
Unemployment rate %	3.0	2.7	2.4	2.3	2.3
Exchange rate (per US\$)	1.32	1.35	1.34	1.34	1.33

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A11

**South Korea--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-0.9	4.0	2.8	2.5	2.4
Inflation %	0.5	2.0	1.3	1.3	1.3
Unemployment rate %	4.0	3.7	3.1	3.0	3.0
Policy rate % (EOP)	0.5	1.0	1.5	1.5	1.5
Exchange rate (per US\$)	1088	1172	1180	1173	1165

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A12

**Taiwan--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	3.1	5.5	2.9	2.6	2.5
Inflation %	-0.2	1.6	1.1	1.0	0.9
Unemployment rate %	3.8	3.7	3.6	3.5	3.5
Policy rate % (EOP)	1.13	1.125	1.375	1.375	1.375
Exchange rate (per US\$)	28.5	27.9	28.0	28.1	28.2

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A13

**Thailand--S&P Global Ratings Economic Outlook**

	2020	2021f	2022f	2023f	2024f
Real GDP %	-6.1	1.1	3.6	4.2	2.9
Inflation %	-0.8	0.9	1.0	1.1	1.0
Unemployment rate %	1.7	2.2	2.0	1.7	1.4
Policy rate % (EOP)	0.5	0.5	0.5	0.5	0.5
Exchange rate (per US\$)	30.04	32.8	33.0	32.8	32.5

Note: Inflation and unemployment rate shown are the period average. f--S&P Global Ratings forecast. EOP--End of period. Sources: Oxford Economics, S&P Global Ratings.

Table A14

**Regional--S&P Global Ratings Economic Outlook**

Real GDP (%)	2020	2021f	2022f	2023f	2024f
Asia Pacific	-1.5	6.7	5.2	4.6	4.5
Eurozone	-6.5	5.1	4.5	2.2	1.7
Latin America 5	-6.6	6.2	2.4	2.3	2.3
U.S.	-3.4	5.7	4.1	2.5	2.2

Asia Pacific and Latin America 5 aggregate GDP growth numbers are based on current purchasing power parity GDP weights. U.S. percentages are annual average percentage changes. Latin America 5 comprises Argentina, Brazil, Chile, Colombia, and Mexico. Source: S&P Global Ratings.

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