S&P Global
Ratings

Credit Conditions Asia-Pacific Q2 2024

A Delicate Balance

Mar. 27, 2024

This report does not constitute a rating action

Editor's Note: S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions (Asia-Pacific, Emerging Markets, North America, and Europe). 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 March 20, 2024.

Key Takeaways

- **Stable growth.** Strong domestic consumption and increasing trade flows for much of Asia-Pacific will help keep the region's growth on track, at 4.4% for 2024 and 4.6% for 2025. But we believe China's ongoing property woes and Japan's monetary policy normalization could dampen the growth momentum and hurt credit.
- **Improving financing conditions.** A stable economic outlook and easing monetary policies should support financing conditions, and that's prompted us to revise our financing risk trend assessment to improving. However, high rates compared with the pre-COVID era will exacerbate borrowers' debt-servicing burdens, especially for those that are highly indebted with impending financing needs. The risk level remains high.
- **Easing recessionary and inflationary fears.** A soft economic landing in the U.S., buoyed by robust labor markets and services sectors, could subdue risks around weak demand and exports. Producers are still able to pass-through high costs to consumers, lessening margin compression. Thus, we have lowered the risk level to elevated for the economic landing and high prices.
- **Risks to outlook.** Asia-Pacific's top risk remains China's property challenges and their impact on spending by households and businesses. Intensifying geopolitical tensions could hurt business confidence and expose the region to energy shocks (e.g., from a widening Middle East conflict).

No quick fix for China property. Recent stimulus measures have yet to revive China's real estate sector. For example, the central government recently introduced a "white list" funding support scheme for housing projects. It's too early to tell whether this will restore confidence.

The sales outlook remains weak as some potential buyers are staying on the sidelines, given their doubts that developers can deliver new apartments on time. This is hurting developers' liquidity (e.g., China Vanke). And softer property prices are curtailing household consumption; property accounts for about 70% of household wealth.

Knock-on effects. Reduced land sales in China are hurting the balance sheets of local governments. This means they are less able to financially support their local government financing vehicles (LGFVs). Such risks could spill over to China's regional banks, straining capital.

Regional Credit Conditions Chair

Eunice Tan
Singapore
eunice.tan@spglobal.com
+65-6530-6418

Asia-Pacific Credit Research

Christine Ip
Hong Kong
christine.ip@spglobal.com
+852-2532-8097

Contents

A better balance. Meanwhile, China's already high level of debt-to-GDP will worsen as it aims to revive confidence, potentially with more stimulus. That said, we believe the Chinese authorities will maintain tight control over the real estate sector while also being selective about its support.

For more details, see:

- "Credit FAQ: Will China's 'White List' Boost Housing Sentiment?", March 26, 2024
- "Sovereign Debt 2024: Asia-Pacific Central Government Borrowing Stabilizes At Close To US$4 Trillion", Feb. 28, 2024

Cooling rates and inflation. Easing inflationary pressures across Asia-Pacific ex-Japan and the rest of the world are keeping a lid on further rate hikes and supporting access to financing. However, high rates post the global financial crisis will mean heavier interest burdens for borrowers. Funding access is varied. Borrowers that are highly leveraged or in troubled sectors will find it difficult to tap into financing channels.

Meanwhile, strong employment and the ability to pass-through high costs to customers have yet to dampen economic growth, enabling a soft landing. Collectively, this points to lower risk of a demand slowdown.

Elections and supply chains. 2024 is a big election year globally. Upcoming polls in India and the U.S., among others, foreshadow policy uncertainty (e.g., around trade protectionism). Furthermore, governments could rack up higher debt, making fiscal consolidation more difficult to achieve. However, we consider policy uncertainty risk in Asia-Pacific to be muted compared to elsewhere.

Meanwhile, the risks of a widening Middle East conflict and a more drawn-out Russia-Ukraine war are compounding geopolitical tensions. While we see a remote risk of an energy shock arising from the Israel-Hamas conflict, pricier energy costs and the potential disruption of supply chains could reignite inflationary pressures. Asia-Pacific is a net energy importer, so high energy prices will lift input costs and hit corporate margins. Cautious behavior among consumers will slow discretionary spending.

End of an era. After keeping to negative interest rates for nearly a decade, Japan's monetary policy is gradually shifting into positive turf. But if the Bank of Japan (BoJ) tightens its monetary policy more sharply than widely expected, it could trigger capital market volatility and reverse the yen carry trade.

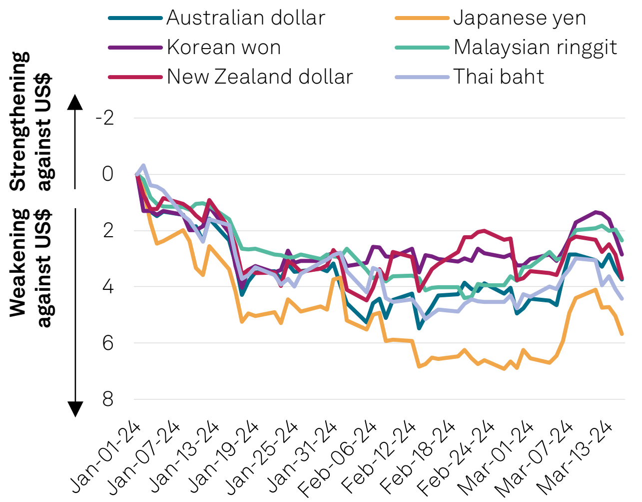
Real estate strains. Outside China, higher mortgage servicing rates are slowing demand for new properties and limiting disposable spending by households. Developers reliant on short-term debt may face liquidity pressures as sales contract, while rent revenues could shrink for REITs and commercial real estate companies. Prolonged liquidity strains may spike defaults. Property sector write-downs or non-payment from property development loans could spur potential losses for banks.

Longer-term risks. Climate change and rapid technological advancements are disrupting business models. To prepare for these risks, businesses are incurring higher capex investments, notably in the oil and gas, aviation, and utilities sectors for the energy transition. In turn, this is pushing up debt leverage (see "Global Debt 2030: Can The World Afford A Multifaceted Transition?", Jan. 11, 2024).

Chart 1

Asia-Pacific currencies have been seeing some weakness as of late

Percentage change since Jan. 1, 2024 (%)

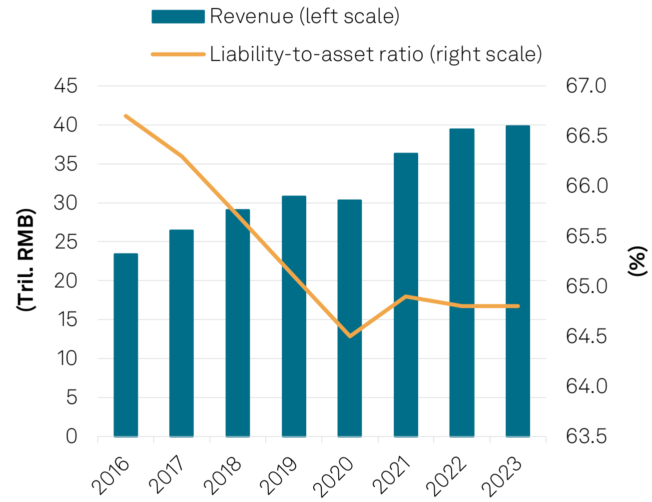


Data as of Mar. 15, 2024. Source: S&P Global Market Intelligence.

Chart 2

China's central SOEs have managed to grow revenues while controlling leverage

Data only covers corporate SOEs regulated by central SASAC

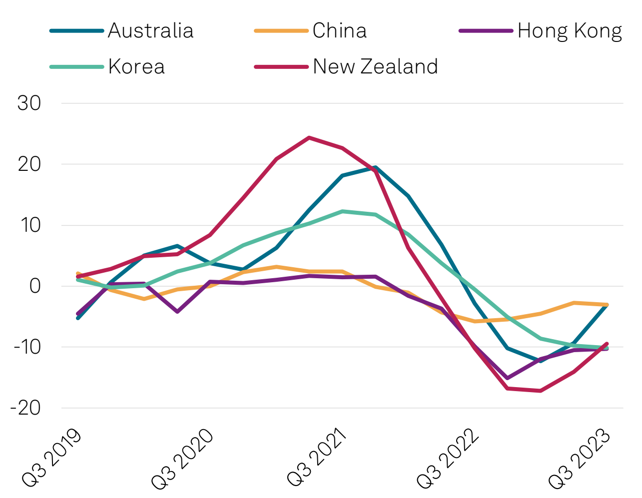


SOE--State-owned enterprises. SASAC--State-Owned Assets Supervision and Administration Commission. Sources: China-based media. S&P Global Ratings.

Chart 3

Downside risk of further property market correction persists for some markets

Year-on-year change (%)

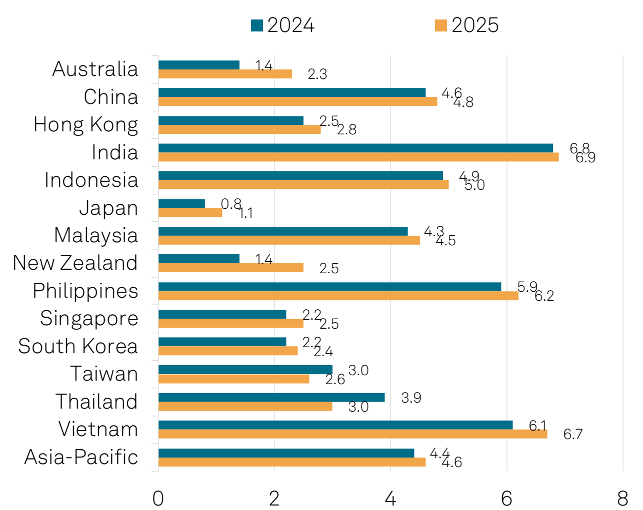


Data as of Q3 2023. Source: Bank for International Settlements.

Chart 4

Asia-Pacific: Growth forecast

Current real GDP forecast, year-on-year change (%)



For India, 2024 = FY 2024 / 25, 2025 = FY 2025 / 26.
Source: S&P Global Ratings Economics.

Top Asia-Pacific Risks Q2 2024

China's economy: Persistent property weakness, tepid confidence, and high debt levels to weaken growth momentum

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

China's economic growth momentum is stalling, given real estate troubles, subdued household and business confidence, high debt, and weak exports. Low confidence presents a contagion risk that could extend into property and consumption-related sectors. Still-weak revenue from land sales is constraining local governments' fiscal strength, limiting their ability to contain spillover risks from potential defaults by state-owned enterprises (SOEs) or highly indebted LGFVs. A slower economic growth outlook could worsen confidence and exacerbate credit stresses and unemployment. Banks' loan portfolios and earnings buffers may deteriorate. Financiers could limit lending, given steep corporate leverage. Trade tensions and more protectionism (e.g., higher tariffs) between China and the rest of the world could curtail China's production and exports, subduing economic activity. In turn, China's slower economic growth may affect Asia-Pacific entities that rely on the country for exports.

Financing: High rates to exacerbate interest burdens for debt refinancing and worsen prospects of weaker credit issuers

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

Central banks are poised to ease interest rates amid slowing inflation. However, with rates still above pre-pandemic levels, borrowers will still contend with higher interest burdens. For domestic borrowers with significant foreign-currency debt obligations, higher debt (in local currency terms) could lead creditworthiness to deteriorate. In turn, investors and lenders may demand higher interest premiums or contain their exposure to speculative-grade and highly leveraged issuers and sectors. While onshore financing access is available across Asia-Pacific, a sudden contraction of credit lines could hit those with impending financing needs.

Global economic downturn: Risk of a hard landing to further depress aggregate demand, exports, and employment

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

The risk of a hard landing is dwindling as major economies show stronger resilience to recession and unemployment despite rapid rate hikes. However, a softening growth outlook could lead to more conservative household consumption and corporate investment activity. While we expect exports to gradually recover, a sharp slowdown in demand from Western economies could cause global trade to dip and hurt export-centric and manufacturing-dependent economies (such as China, South Korea, Hong Kong, and Singapore). Slowing economies may hit corporate borrowers' revenue growth and margins, undermining their credit quality. This could spill over into higher loan provisioning at banks. In addition, rising unemployment may limit consumers' discretionary spending. Capital outflows and currency depreciation risks for some economies could intensify, compounding credit stresses and exacerbating recessionary obstacles and external deficits.

High prices: Inability to fully pass through high prices amid slowing demand; margin squeeze for borrowers

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

Inflationary pressures have eased amid slowing demand, but prices remain high on the back of sticky wage, food, and fuel costs. Businesses have been passing through higher input costs to customers, but slowing demand could constrain their efforts to raise prices--denting margins and credit quality. Specifically, exporters to China could face more challenges in raising prices due to the country's deflationary trend. Further, domestic currency weakness risks higher imported inflation. Asia-Pacific's status as a net energy importer underlines its susceptibility to high fuel prices. Should the Middle East conflict intensify and widen geographically, an energy supply shock could trigger a resurgence in inflation.

Japan's rate hike: Bank of Japan's monetary policy normalization could trigger short-term capital market volatility

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

While the BoJ has lifted its negative-rate policy and relaxed its yield curve control, its monetary policy stance remains accommodative. If investors perceive that the central bank may embark on sharp monetary policy normalization, it could trigger abrupt portfolio adjustments and capital market volatility. Capital could flow back into Japan as international investment positions reverse. The resulting volatility in interest and exchange rates could risk major repricing of assets and derivatives. For institutions with significant exposure to overseas investments, the revaluation of assets may dilute capital buffers. Higher interest rates could exacerbate debt costs for small and midsized enterprises and intensify cash flow stress.

Real estate: Cash flow challenges abound amid declining demand and higher interest burdens

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

Higher mortgage rates in the region ex-China and slowing demand could lead the real estate market to correct. If that happens, substantial write-downs may occur in exposed segments (e.g., banks, REITs, and structured finance markets). Further, costlier mortgages will narrow household consumption, dragging economic growth. Soft property demand and higher interest burdens will constrict the cash flows of developers, intensifying credit stresses. Associated sectors (e.g., engineering and construction) could see spillover effects. Concurrently, declining demand for office space is weighing on asset valuations for the global commercial real estate sector. Risk of higher unemployment, weaker tenants' income, and higher interest rates are squeezing net cash flows.

Structural risks

Geopolitics: Escalating geopolitical tensions could worsen trade and investment conditions, disrupting supply chains

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

Deepening geopolitical tensions are compounding headwinds for businesses and economies. Trouble spots include U.S.-China diplomatic tensions, the protracted Russia-Ukraine war, and a widening Middle Eastern conflict. Souring international relations could constrain business confidence and cause investment outflows. To cope, businesses will likely review supply chains, and face operational challenges and costs to bring operations onshore. Particularly, heightening disputes over the South China Sea could damage investment, trade, and supply flows within and outside the area. The risk of more trade protectionism policies (e.g., technology and raw minerals) between China and the West would reshape supply chains, leading to hefty economic costs and undo policy efforts to rein in inflation.

Climate change: Extreme weather and energy transition to threaten supply and costs

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

Countries everywhere are trying to cope with more extreme weather and adjusting to the cost of climate-change policies. The physical and financial effect of these developments could worsen. This threat is more acute for the emerging markets that are less financially strong and so-called "brown" industries. A rapid phase-out of fossil fuels could be disruptive for many industries and strain credit quality. Equally, brown companies that delay energy transition could be left with stranded assets and higher financing costs. Economies that depend on hydrocarbon export revenues or are centered on energy-intensive industries could also suffer. And disruptions in agriculture and energy supply may fan inflation and social unrest. Insurance-model assumptions for catastrophe exposure could become outdated--understating claims and loss provisions. In the case of flood-prone areas, markets may need to recalibrate property values.

Technology: Accelerating technological advancement and mounting cyber-attacks to disrupt business operations

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

Technological advances, such as in artificial intelligence, could alter business landscapes, rendering technology laggards obsolete. While technology developments (beyond just information technology) may enhance productivity, operational efficiencies, and competitive positioning, such advances also create complexity in management, maintenance costs, and added regulation. Businesses may need to incur additional and rising costs to continually adopt and adapt to new technologies. Additionally, increasing interconnectedness of economic activity means a higher risk of cyber-attacks for critical infrastructure and issuer operations. This may evolve into a systemic threat and significant single-entity risk.

Source: S&P Global Ratings.

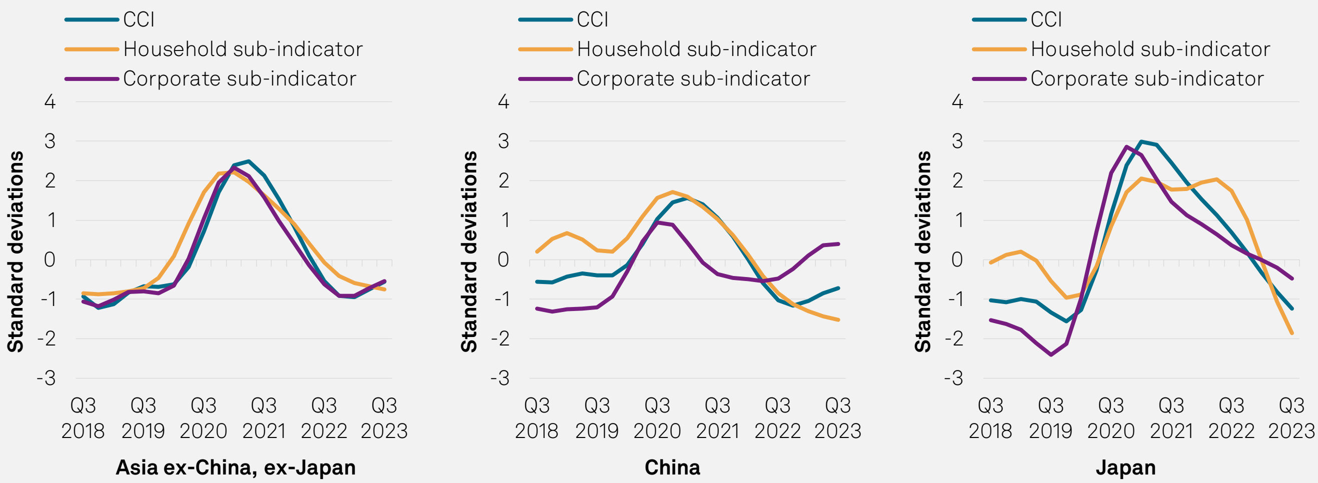
Risk levels may be classified as moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically, these risks are not factored into our base-case rating assumptions unless the risk level is very high.
Risk trend reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Credit Cycle Indicator

Upward momentum: Asia-Pacific credit conditions could see a recovery in 2025

Chart 5

Asia-Pacific's credit recovery could take shape in 2025



Note: Peaks in the CCI tend to lead credit stresses by six to 10 quarters. When the CCI's upward trend is prolonged or the CCI nears upper thresholds, the associated credit stress tends to be greater. Sovereign risk is not included as a formal part of the CCI. CCI-- Credit cycle indicator. Sources: Bank for International Settlements. Bloomberg. S&P Global Ratings.

Asia-Pacific. Our credit cycle indicator (CCI) for Asia (excluding China and Japan) has continued to climb out of a trough since the first quarter of 2023. Increasingly, we see a credit recovery taking shape in 2025 for the region. Outside China, Asia-Pacific economies continue to grow, particularly for India and Southeast Asia. Rising credit appetite among lenders could spur credit availability as corporates seek to expand and households have a renewed propensity to spend.

Until then, the lagged impact of rate hikes could strain borrowers as maturing debt comes due for refinancing, while a sharper-than-expected economic slowdown could hit exports and consumer confidence. The risk of rapidly intensifying residential and commercial property strains across Asia-Pacific may test banks and narrow credit availability (see "Asia-Pacific Financial Institutions Monitor 1Q 2024: Property Exposures Will Chart The Course," Feb. 7, 2024). While onshore financing remains available, lenders could turn selective in some sectors, hitting borrowers with impending financing needs. For more details about our proprietary CCI, see "White Paper: Introducing Our Credit Cycle Indicator," June 27, 2022.

China. The China CCI has been emerging from a trough since end-2022, supported by the upward trend in the corporate sub-indicator. This rebound underlines a pick-up in corporate indebtedness, whereby lenders extend credit to corporates.

However, this upward momentum could be tested by cyclical, policy, and structural factors. The property sector's troubles persist and are hitting household wealth, dragging consumption and the economy's growth momentum. Meanwhile, China's corporate debt-to-GDP ratio is the highest in the world at 167% as of end-2023, according to the Institute of International Finance. As authorities continue to tighten control over debt growth, credit and liquidity pressures could intensify for corporates and LGFVs (see "China LGFVs Face Higher Liquidity Risks As Funding Channels Tighten," Jan. 11, 2024). These strains may hurt the capitalization of China's regional banks and reduce credit availability (see "LGFV Strains May Inflict A RMB2 Trillion Hit On China Regional Banks," Oct. 18, 2023).

We expect China's trend growth to gradually decline in the coming decades. Drivers include demographics, rebalancing, and decoupling efforts by the U.S. and other countries (see "Economic Research: China's Trend Growth To Slow Even As Catchup Continues," Nov. 10, 2022). Collectively, the country's credit upturn could have limited headroom.

Japan. The Japan CCI continues to buck the global trend with a broad downward trajectory. We therefore think the country's credit recovery may occur later than that of its Asian counterparts. The buildup of gross nonfinancial corporate debt is slowing in Japan. However, weakness in the yen is keeping foreign-currency corporate debt elevated in local-currency terms. Although wage growth has picked up, if inflation rises sharply and pinches consumer pockets, households may hunker down to save.

The BoJ has raised its short-term policy interest rate. Although we expect interest rate increases in coming years to be modest, funding and liquidity pressures could intensify for SMEs (mostly unrated) amid higher debt costs (see "Japan Corporate Credit Spotlight: Scant Room For Improvement," Oct. 18, 2023). Credit costs could rise for Japanese banks and keep lending appetite soft (see "Japan Banking Outlook 2024: BOJ Hikes Will Widen Disparities", Jan. 24, 2024).

Macroeconomic Outlook

Asia-Pacific bides its time on monetary policy easing

- We see China's GDP growth slowing to 4.6% in 2024 from 5.2% in 2023. Our forecast factors in continued property weakness and modest macro policy support. Deflation remains a risk if consumption stays weak and the government responds by further stimulating investment in manufacturing.
- We forecast growth to pick up in 2024 in trade-dependent developed economies such as South Korea, Taiwan, and Singapore; and fall in relatively domestic demand-led ones such as Japan and Australia. For Asian emerging market (EM) economies, we generally project robust growth, with India, Indonesia, the Philippines, and Vietnam in the lead.
- The fall in inflation has so far not been enough to convince Asia-Pacific central banks to start cutting interest rates. If rates continue to choke demand, the case for lowering rates will strengthen in coming months. We expect the BoJ to modestly raise rates in the next four years.

Primary contact

Louis Kuijs
Hong Kong
louis.kuijs@spglobal.com
+852-9319-7500

Vishrut Rana
Singapore
vishrut.rana@spglobal.com
+65-6216-1008

Our U.S. team expects the first of the Federal Reserve's 25 basis points (bps) rate cut in mid-2024, with two more cuts this year, for a total reduction of 75 bps. We see the balance of risks as having shifted to fewer cuts. Following a strong 2023, we anticipate a sequential slowdown in the U.S. in 2024, with average quarter-on-quarter growth this year about half of the pace in 2023. In the eurozone, growth is lagging the U.S. while interest rate cuts should start in mid-2024.

China's real estate downturn has continued to weigh on the economy into early 2024. But overall growth in fixed asset investment has held up well because of solid investment in infrastructure and manufacturing. Also, consumer spending showed signs of improvement.

China's 5% growth target for 2024 is ambitious, in our view. Policymakers appear reluctant to pursue significant fiscal stimulus, especially toward households. Factoring in that policy stance and the continued property weakness, we see GDP growth slowing to 4.6% in 2024 from 5.2% in 2023.

The key risks in China are weakness in property and consumption. Next to lower growth, softness in these areas is likely to be met with higher investment in manufacturing, and that increases the downward pressure on prices and margins.

For export-dependent economies in the region, the gradual recovery in exports should support a pick-up in GDP growth this year. Where monetary policy has an especially large impact, the tight stance is more likely to drive GDP growth lower than in 2023, even as resilient labor markets help to alleviate the strains on growth and make soft landings likely.

Indeed, we forecast a pick-up in small, open developed markets (DMs) this year, but slower growth in some DMs. We project an acceleration of economic momentum in Singapore, South Korea, and Taiwan, largely on the back of better exports. New Zealand's economy should also gain some pace this year. While we forecast Hong Kong's growth to ease from the 2023 pace, that is to a still above-potential rate. We see Japan's growth slowing to 0.8% amid subdued domestic demand. For Australia, after a relatively resilient expansion in 2023, we expect the restrictive monetary policy to lower GDP growth to 1.4%.

Even as we anticipate a mild slowdown in Asian EM economies, we generally see solid domestic demand growth and a pick-up in exports to drive robust growth, with India, Indonesia, the Philippines, and Vietnam in the lead.

Overall, we project 5.1% growth in 2024 in the region, excluding China and Japan, the same as in 2023, and 5.2% in 2025. Key growth risks include a sharper-than-expected slowdown in the U.S., weaker growth in China and a pronounced slowdown in domestic consumption.

Underlying inflation momentum has eased for almost all Asia-Pacific economies. The reduction has been especially notable in EMs. For now, most central banks in the region are reluctant to start cutting interest rates. That is in large part because they look at the U.S. Fed and don't want to trigger capital outflows and currency turmoil by lowering rates significantly ahead of the U.S. central bank.

But high real policy rates choke demand and are therefore likely to strengthen the case for lowering rates. We would expect some Asia-Pacific central banks to start cutting rates in a few months even if the U.S. Fed delays its first cut further.

We forecast rate cuts of between 25 bps (Australia, Malaysia and Taiwan) and 75 bps (India, Indonesia, New Zealand and the Philippines) this year (which for India is the fiscal year), with a median reduction of 50 bps. In line with our projection for U.S. policy rates, we largely expect these moves to occur in the second half of the year.

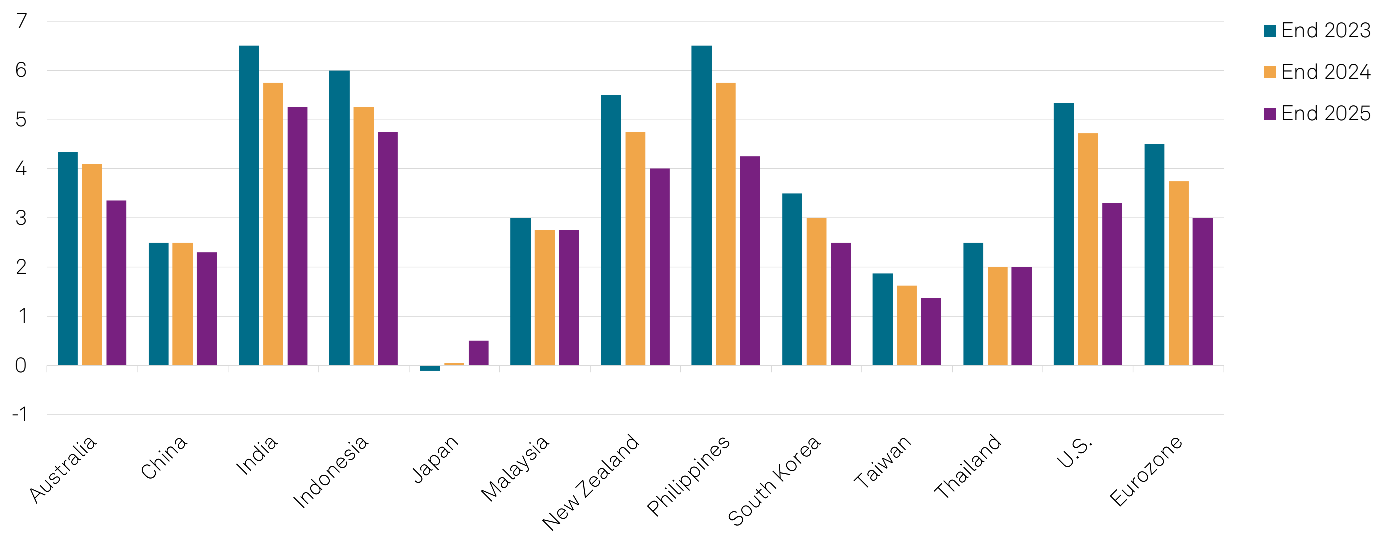
The BoJ increased its policy rate to 0%-0.1%, from -0.1%, following signs of robust wage growth during the spring round of negotiations between unions and the first batch of large employers. The central bank also relaxed its yield curve control arrangements. We anticipate modest increases in interest rates in coming years, although Japan's interest rates should remain meaningfully lower than those in other major advanced economies.

In early 2024, most Asia-Pacific economies saw their currency depreciate further against the U.S. dollar (and by up to 5% in the case of Japan), largely as market expectations for U.S. interest rate cuts were pushed out in time. We generally expect Asia-Pacific currencies to appreciate modestly this year, against a background of significant economic growth in the region and lower interest rates and growth in the U.S.

Chart 6

Policy rate cuts to vary

Policy rates, (%)



Sources: CEIC. S&P Global Ratings.

Financing Conditions

A stronger dollar complicates an easing picture

- Asia-Pacific financing conditions are easing in line with global trends. Yields and credit spreads have been falling across the board, and foreign investors are returning to the region's stocks and bonds.
- However, offshore funding costs remain high, especially given the depreciation of regional currencies so far this year. Offshore investors also remain selective, which is contributing to lower speculative-grade issuance.
- Local-currency borrowing remains available in the region. Local bond yields have been stable relative to offshore rates, and banks are generally still able and willing to lend, albeit with less appetite for certain sectors.

Primary contact

Vince Conti
Singapore
vincent.conti@spglobal.com
+65-9336-3785

Patrick Drury Byrne
Dublin
patrick.drurybyrne@spglobal.com
+353-1-568-0605

Financing conditions are gradually easing from very tight levels. Markets continue to price in 2024 rate cuts by major central banks. Secondary market yields for Asia-Pacific U.S. dollar bonds have been falling. Investment-grade dollar bond yields are down 21 bps, while speculative-grade yields are 174 bps lower. This has not only been driven by easing offshore benchmark yields; credit spreads have also been narrowing, with speculative-grade U.S. dollar credit spreads in Asia ex-Japan down over 400 bps. In addition, the region saw net portfolio capital inflows in the first two months of the year.

A strong dollar is contributing to elevated funding costs. Despite the quarter-on-quarter easing of U.S. dollar bond yields, offshore funding remains expensive--especially in view of the strong dollar environment. The region's currencies have depreciated 1%-5% year-to-date as markets continue to push back expectations on the exact timing of rate cuts by the Fed. As such, offshore bond issuance is down 23% year on year as of end-February; this is from a relatively low base, given 2023 volumes were weaker than in the four prior years (see chart 9).

Also, the improvement in foreign investor sentiment has not been uniform--speculative-grade offshore bond issuance activity remains much lower than pre-2022 trends, despite tentative signs of a trough (speculative-grade issuance in the first two months of 2024 was higher than full-year 2023 volumes, which were historically low). As the maturity wall rises in late 2025 onwards, market access and dollar refinancing costs remain a key risk for speculative-grade issuers.

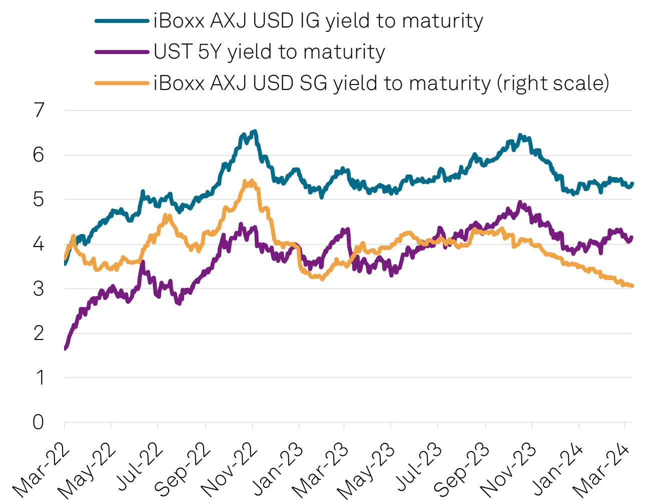
Local-currency financing is relatively cheaper but remains uneven. In the larger domestic bond markets, bond yields remain low and stable (falling in China), especially relative to offshore movements. This has led to nearly 20% year-on-year growth in overall bond issuance so far despite weak volumes offshore.

Across the region, banks are still generally able and willing to lend. But loan demand has been decreasing markedly, partly because of the impact of central banks' tightening of lending rates, slowdowns in the property sectors in a few geographies, and expectations for a moderation in global economic growth later this year. On top of these, banks in some geographies are becoming more selective. The net impact has been uneven lending growth (e.g., in China, less lending for lower-tier local governments; in Korea, declining loan growth to households).

Chart 7

Asia ex-Japan USD bond yields easing

Yield to maturity (%)

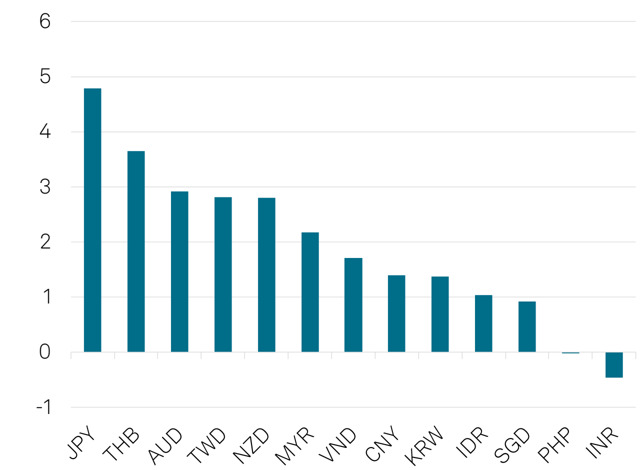


IG--Investment grade. HY--High yield. Data as of Mar. 13, 2024. Sources: S&P Global Market Intelligence. S&P Global Ratings Credit Research and Insights.

Chart 8

APAC currencies depreciated year-to-date

Depreciation (%)

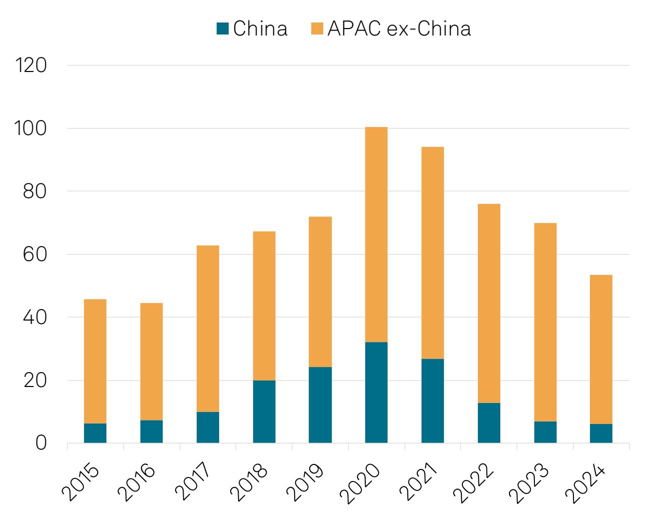


Data as of Mar. 13, 2024.Sources: S&P Global Market Intelligence. S&P Global Ratings Credit Research and Insights.

Chart 9

APAC offshore bond issuance volumes continue to shrink

Jan-Feb (bil. US$)

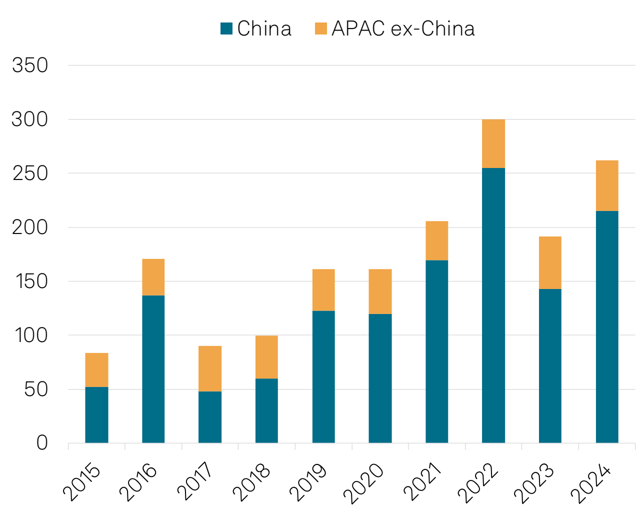


Data as of Feb. 29, 2024. Sources: Refinitiv. S&P Global Ratings Credit Research and Insights.

Chart 10

APAC overall bond issuance volumes driven by onshore markets

Jan-Feb (bil. US$)



Data as of Feb. 29, 2024. Sources: Refinitiv. S&P Global Ratings Credit Research and Insights.

Sector Trends

Prospects moving sideways

Primary contact

Eunice Tan
Singapore
eunice.tan@spglobal.com
+65-6530-6418

Christine Ip
Hong Kong
christine.ip@spglobal.com
+852-2532-8097

- **Risks around a slower China, high rates, and a hard landing.** Growth is slowing in China amid lingering property sector struggles and knocks to confidence. Although the region's central banks could start to ease monetary policy, steep interest rates mean debt burdens will remain high. Finally, the risk of a global hard landing is fading, but softening demand remains a point to watch for export-centric Asia-Pacific.
- **Prospects diverge.** Credit conditions are improving in Asia-Pacific amid an increasingly probable soft global economic landing and favorable financing environment. However, prospects are diverging across the region. Strong global trade is supporting exporters and manufacturers, while soft household confidence is slowing consumption. In particular, real estate challenges could constrain refinancing access for related sectors and hit households' wealth.
- **Outlook balanced, but distribution uneven.** While our net rating outlook bias is balanced at 0%, the underlying distribution is uneven across sectors. Sectors seeing deterioration include building materials, chemicals, and real estate development; those seeing improvement include gaming, metals and mining transportation, and utilities.

What we expect and our key assumptions over the next 12 months?

Managing the spillover. We believe Chinese authorities will continue to support the economic recovery with fiscal transfers to weaker local governments. Key concerns include the property sector's struggles and the risk of a spillover into other sectors. Thus, we estimate China will increase borrowing by the most among Asia-Pacific sovereigns in 2024. The central government will maintain strong support for the state-owned enterprises it owns, but local governments will take a more selective approach, in our view.

A soft landing through 2024. We see an increasingly likelihood that major economies, including the U.S., will navigate a soft landing this year.

What are the key risks around the baseline?

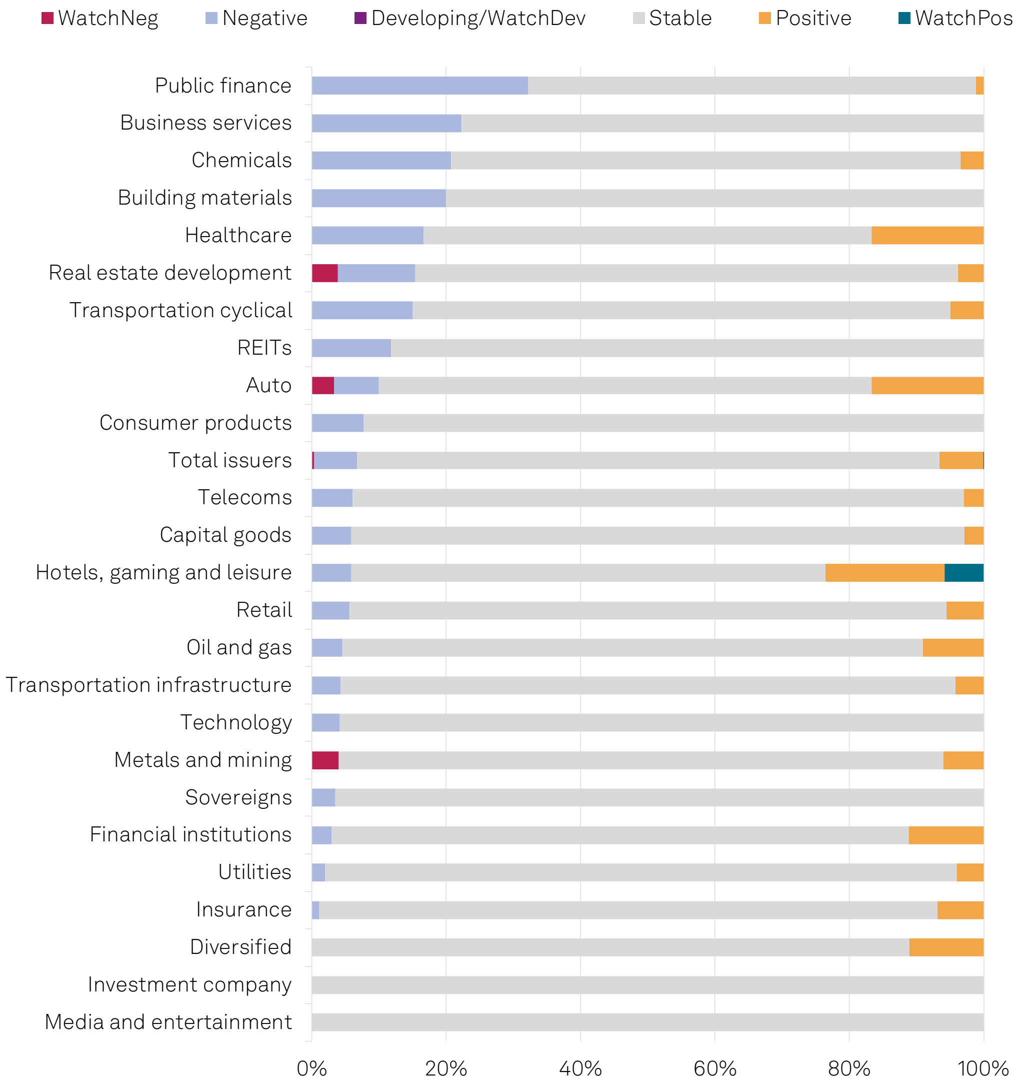
China's economy weakens further. A negative feedback loop on growth and confidence could ensue if the country's property woes deepen--leading to evaporating household wealth, squeezed fiscal revenues for local governments, and knock-on effects along the value chain (e.g., building materials, capital goods and industrial metals suppliers). These could keep confidence even more subdued, and further stall the economy's growth momentum.

Refinancing challenges mount. Although global and regional central banks are likely to cut interest rates through this year, borrowing costs should still stay relatively high. At the same time, financers could become more selective. With maturity walls looming, this could strain borrowers' liquidity and dent credit profiles--especially pressuring those that are highly leveraged or less creditworthy. Onshore funding channels are still available across the region, but lenders in this space could turn risk averse, especially to weaker or troubled sectors.

Unexpected economic hard landing. While our base case envisages a global soft landing, the risk of a (shallow) recession remains in the U.S. and eurozone. A sharper-than-expected economic downturn would further knock consumer confidence and subdue demand for the region's exports and manufactures.

Chart 11

Net outlook bias distribution of Asia-Pacific issuers by sector, Feb. 29, 2024



Data cut-off is of Feb. 29, 2024. Source: S&P Global Ratings.

Nonfinancial Corporates

Subdued export markets, China growth limit upside credit potential

- **Rating trends in Asia-Pacific are turning more positive**, while defaults and distressed restructurings fell over the past year.
- **Profit growth and ratings upside are constrained** by soft consumer demand and slowing growth in China.
- **Issuance outlook is more positive for 2024**, with expected rate cuts in the U.S. and credit cycle upturn in Asia, although funding is likely to stay selective.

Primary contact

Xavier Jean
Singapore
xavier.jean@spglobal.com
+65-6239-6346

Charles Chang
Hong Kong
charles.chang@spglobal.com
+852-2533-3543

What we expect and our key assumptions over the next 12 months?

Rating trends are turning positive, but profitability outlook remains subdued. Net rating actions turned positive in early 2023, and the momentum continued into 2024. Among our rated firms, defaults dropped to two in 2023 from 12 in 2022. The outlook for corporate profits in Asia-Pacific is subdued. We project average growth to slow to 5% or less in 2024, broadly in line with our GDP growth forecast for the region. This compares with the above-GDP trendline growth that rated firms previously grew at. Firms remain cautious under soft consumer demand in China and in many key export markets globally.

That said, certain sectors may benefit as cyclical trends reverse. For example, technology will post above-average growth due to recovering semiconductor demand, and chemicals may see margins marginally improve from low levels in 2023.

Diverging outlook for China vs. the rest of Asia. In China, property market weakness and soft consumer confidence could drag on growth, despite signs of recovering exports. We expect retail sales in the country to grow 4.2% in 2024, or slower than our GDP growth forecast of 4.6%.

The diverging outlook between China and the rest of Asia is perhaps most evident in capex trends. While Chinese firms remain cautious under slowing growth and subdued demand, firms in India, Indonesia, and South Korea are showing greater investment appetites to pursue opportunities from accelerating growth and changing technologies. India remains a bright spot, with healthy earnings outlook and sharply reduced leverage over recent years.

Issuance outlook is more positive compared to last year but funding to stay selective. Expected rate cuts in the U.S. and a credit cycle upturn in Asia will be supportive to bond issuances this year. We expect investment-grade companies, which represent about 75% of rated firms in Asia-Pacific, to continue to dominate issuances.

Two factors, however, could continue to limit activity. First, a still-large differential between offshore U.S. interest rates and domestic interest rates in countries such as China, India, and Indonesia, may incentivize firms to raise funds domestically. Second, tepid capex and investments in China could further reduce activity from a country that historically dominated the region's issuances of hard currency bonds.

What are the key risks around the baseline?

A deeper slowdown in China's property sector. This could reverse progress made by nearly a year of policy loosening and could further weigh on consumer sentiment and overall growth. There could be downside risks to our property sales forecast for 2024 if the various demand and supply-side policies recently announced by the government fail to stabilize the market.

Geopolitical shocks and election risks. Any further escalation in ongoing geopolitical risks may stoke energy price volatility, reverse margin recovery and hinder cost passthrough. Simmering conflicts across the Middle East could risk a resurgence of inflation as supply chains and trade flows face disruption. Meanwhile, with elections taking place across Asia and the U.S., shifting government initiatives could further complicate an increasingly divergent credit landscape.

Financial Institutions

Property exposures will chart the course

- Our outlook for the Asia-Pacific banking sector remains steady with 86% of banks on stable outlook as of Feb. 29, 2024. We believe ratings stability will persist through 2024.
- We anticipate that credit losses will be 7% higher in 2024, compared with 2023, increasing to about US$522 billion. Higher credit losses can be absorbed by most rated institutions at current rating levels.
- We expect greater credit differentiation. More vulnerable institutions are those that are smaller and non-systemically important, have high direct exposure to weak sectors, or more concentrated business and funding profiles.

Primary contact

Gavin Gunning
Melbourne
gavin.gunning@spglobal.com
+61-3-9631-2092

What we expect and our key assumptions over the next 12 months?

Property exposures challenge asset quality. Property risks are elevated in China, Hong Kong, and Vietnam. Meanwhile, nonbanks in Korea could face challenges from real estate project financing.

Higher credit losses. Weaker growth and generally high interest rates will contribute to higher credit losses from lending for property and other sectors. We forecast that credit losses for Asia-Pacific banks will rise 7% in 2024 to US$522 billion, up from US$490 billion in 2023.

Governments remain supportive. A key assumption is that governments remain supportive, and that extraordinary support is available for most systemically important banks in the unlikely event it was ever required.

What are the key risks around the baseline?

Economic downside risks intensify outside our base case. Materially weaker economic growth or higher-for-longer interest rates will eventually hurt banks' asset quality. This is especially the case as certain property sectors remain under pressure and amid already highly leveraged corporate, household, and government sectors.

Structural risks. Climate change, cyber risks, and digitalization trends affecting the competitive landscape are structural risks that will increasingly test banks and their borrowers.

Insurance

Capital buffers could erode should headwinds mount

- **Stable credit profiles sustain,** while insurers continue to navigate underwriting and investment headwinds.
- **Market swings and forex risk weigh on earnings**, diluting capital buffers.
- **Compressed insurance margins.** This reflects increased frequency of extreme weather events and impact of nonmodeled exposure.

Primary contact

WenWen Chen
Hong Kong
wenwen.chen@spglobal.com
+852-2533-3559

What we expect and our key assumptions over the next 12 months?

Market volatility could dent capital and earnings. Equity market volatility weighs on insurers' investment returns, diluting their capital and earnings. In addition to forex volatility, still-high interest rate differentials will keep hedging costly for insurers in Japan and Taiwan, potentially affecting capital buffers. Except for China, high rates across the region lower asset valuations and result in unrealized losses, even though improved reinvestment returns help manage asset-liability mismatches.

Compressed insurance margin. Underwriting margins may come under strain amid increased frequency of extreme weather, and the impact of nonmodeled exposure. Rising reinsurance costs could disrupt the risk mitigation plans of nonlife insurers, weighing on profit margins.

Updates in capital management following changes in accounting and regulation. International financial reporting standard (IFRS) 17 and updates in regulatory standards call for more focus on effective asset-liability management. This could lead to changes in capital management strategy and the associated target measure. Insurers also face higher operational costs.

What are the key risks around the baseline?

Market headwinds persist. With major central banks adjusting monetary policies, capital market volatility may rise. Forex risks could mount for insurers with significant overseas investment (e.g., Taiwan and Japan). Credit stresses, particularly in real estate and alternative investments, may lead insurers to reassess the risk-return balances.

Extreme weather intensifies. Increased frequency and severity of extreme weather could raise catastrophe-related insurance losses. While the pace of premium rate hikes is moderate, changing risk appetite among global reinsurers could test overall effectiveness in risk mitigation.

Slower economy. Slowing economic growth may undermine business and consumer confidence, weighing on premium growth, particularly trade-related business lines.

Public Finance

Fiscal divergence widens as external factors persist

- Inflation and high rates in Asia-Pacific (except China) are weighing on local and regional governments (LRGs) and their associated enterprises.
- Local governments in China, Australia and New Zealand will continue to spend on large infrastructure pipelines resulting in growing debt levels.
- Tail risks include lower-tier Chinese LRGs failing to restore confidence amid the faltering property market, and inflation amplifying strains as New Zealand LRGs await new water reform plans by the newly elected central government.

Primary contact

Kensuke Sugihara
Tokyo
kensuke.sugihara@spglobal.com
+81-3-4550-8475

What we expect and our key assumptions over the next 12 months?

Manageable inflation and rates in most regions. This will allow most regions to gradually revive their fiscal performances.

Chinese LRGs are balancing risks with growth. China's growth will be largely linked to a gradual recovery of consumption and services, while retaining immediate large fiscal flexibility to ensure a smooth recovery. On the other hand, China will also fortify risk controls, involving higher tolerance for defaults among local governments' state-owned enterprises (SOEs) if they are unlikely to trigger systemic risks. This will serve as a signal to further de-risking of SOE debt.

New Zealand local councils a notable exception. Inflation and high interest rates continue to weigh on the financial performance of many LRGs, driving deficits and debt higher. There is elevated uncertainty around local government water reform that may have implications for LRG financial outcomes depending on its final design.

What are the key risks around the baseline?

Higher for even longer. Persistent inflationary pressures, high interest rates, and downside risks to the global economy, could further squeeze the region's consumption, supply chains, and economic growth, leading to declining revenues or slower revenue growth for LRGs.

Property market correction. Most LRGs in the region are fiscally dependent on revenues tied to domestic property sales and prices. China's slow property sector, in case of a "descending staircase" correction, would delay local recovery and market confidence.

Policy shifts. To restore the economic growth momentum and market confidence, select LRGs could roll out further fiscal stimulus, including tax cuts and additional spending. The change in government in New Zealand has placed uncertainty around the implementation of water reform and the potential impact on local government finances, leaving the majority of ratings on negative outlooks.

Sovereign

Global uncertainties still the thing to watch

Primary contact

Kim Eng Tan
Singapore
kimeng.tan@spglobal.com
+65-6239-6350

- **Sharp increase in funding costs could weaken fiscal support and economic growth.** Higher interest payments are negative for fiscal support to sovereign ratings, especially where government debt is high and non-residents are important sources of funding. If steeper financing costs also significantly affect economic growth, it could exacerbate the negative impact on fiscal performance.
- **A further rebound of energy imports can damage external support for some Asia-Pacific sovereigns.** Net external indebtedness would weaken where current account deficits persist or widen because of energy imports. Additionally, this deterioration could worsen investor confidence to raise financing costs further. These deteriorations could damage credit support of some sovereigns.

What we expect and our key assumptions over the next 12 months?

Global economic activity and financing conditions remain soft, but not so weak that they create financial volatility in Asia-Pacific.

Current account balances and inflation in most economies should improve, especially if energy prices reverse their recent gains.

We still expect some governments to meaningfully lower fiscal deficits, although a return to pre-COVID fiscal performances will take longer in many cases.

What are the key risks around the baseline?

Sudden capital swings. An unexpected deterioration of global financial stability, geopolitical risks or interest rate expectations could see investors withdraw from emerging markets in Asia-Pacific, making financing conditions much harder for some.

Even higher energy prices seriously undermine external and fiscal metrics. Amid the recent economic uncertainties, current account deficits could remain wide in some economies as exports fall and fuel prices remain elevated. This could be exacerbated by higher imports in places where governments subsidize energy consumption. A supply shock that raises energy prices sharply could still pose threats to external and fiscal support for ratings.

Structured Finance

Consumers are feeling the squeeze

- **Low and stable unemployment.** The outlook for employment across the region remains supportive for residential mortgages and consumer finance assets.
- **Consumers remain cautious.** Weak consumer confidence and cost of living pressures in some markets will translate to lower lending volumes.

Primary contact

Narelle Coneybeare
Sydney
narelle.coneybeare@spglobal.com
+61-2-9255-9838

What we expect and our key assumptions over the next 12 months?

Unemployment to remain largely stable. Unemployment remains relatively low and stable across the region. For those markets where we expect some increase in unemployment, these are modest and low relative to historical levels.

Consumers remain cautious. While conditions are mixed in the region in relation to inflation and consumer confidence, borrowers remain disciplined in managing their budgets and debts--we expect this to continue. Additionally, lending standards remain steady.

Structural supports. We expect ratings to remain stable, with low numbers of speculative-grade ratings across the region and structural supports to cushion some deterioration.

What are the key risks around the baseline?

Employment conditions weaken rapidly. If employment conditions deteriorate beyond our forecasts, this could weigh on loan performance with unemployment being the key driver of default.

Unexpected shocks to residential property markets. Significant rapid declines in housing market conditions could weigh on mortgage markets generally and affect recovery values. Risks remain in China's housing market. We expect property sales and home prices to face challenging conditions as homebuyer confidence remains fragile.

Related Research

- Economic Outlook Asia-Pacific Q2 2024: APAC Bides Its Time On Monetary Policy Easing, March 26, 2024
- Credit FAQ: Will China's 'White List' Boost Housing Sentiment?, March 26, 2024
- Credit FAQ: What China's Shifting Priorities May Mean For Its Central SOEs, March 18, 2024
- Credit FAQ: Policy Implications Of China's 2024 “Two Sessions, March 18, 2024
- Sovereign Debt 2024: Asia-Pacific Central Government Borrowing Stabilizes At Close To US$4 Trillion, Feb. 28, 2024
- Asian Emerging Market Currencies Will Chart A Comeback, Feb. 27, 2024
- Asia-Pacific Financial Institutions Monitor 1Q 2024: Property Exposures Will Chart The Course, Feb. 7, 2024
- Asia-Pacific Sector Trends 2024: Geopolitical Uncertainty Colors Prospects, Feb. 6, 2024
- 2024 Asian Elections: The Sovereign Credit Issues, Feb. 5, 2024
- Asia-Pacific Corporate Credit In 2024: Taking The Slow Road, Jan. 30, 2024
- Japan Banking Outlook 2024: BOJ Hikes Will Widen Disparities, Jan. 24, 2024
- Global Debt 2030: Can The World Afford A Multifaceted Transition?, Jan. 11, 2024
- China LGFVs Face Higher Liquidity Risks As Funding Channels Tighten, Jan. 11, 2024
- Japan Corporate Credit Spotlight: Scant Room For Improvement, Oct. 18, 2023
- LGFV Strains May Inflict A RMB2 Trillion Hit On China Regional Banks, Oct. 18, 2023
- Economic Research: China's Trend Growth To Slow Even As Catchup Continues, Nov. 10, 2022
- White Paper: Introducing Our Credit Cycle Indicator, Jun. 27, 2022

Editor

Alison Dunn

Digital design

Halie Mustow, Evy Cheung

This report does not constitute a rating action.

The views expressed in the Macroeconomic Outlook section (pages 7-8) are the independent opinions of S&P Global Ratings' economics group, which is separate from but provides forecasts and other input to S&P Global Ratings' analysts. S&P Global Ratings' analysts use these views in determining and assigning credit ratings in ratings committees, which exercise analytical judgment in accordance with S&P Global Ratings' publicly available methodologies.

Appendix 1: Ratings Trends

Table 1

Net outlook bias of Asia-Pacific issuers by sector, Feb. 29, 2024

	Feb. 2023	May 2023	Aug. 2023	Oct 2023	Feb. 29, 2024	No. of entities	Notional average rating
Auto OEM and suppliers	-6%	-3%	-6%	-3%	7%	30	BBB
Building materials	-7%	-13%	-19%	-19%	-20%	15	BBB-
Business services	-8%	7%	-8%	-17%	-22%	9	BBB-
Capital goods	-8%	-6%	-9%	-9%	-3%	34	BBB
Chemicals	0%	-3%	-3%	0%	-17%	29	BBB
Consumer products	7%	0%	-4%	-4%	-8%	26	BBB
Diversified	6%	17%	6%	11%	11%	18	A-
Healthcare	-14%	-14%	0%	17%	0%	6	BB+
Hotels, gaming, and leisure	-22%	-12%	-6%	-6%	18%	17	BB
Investment company	0%	0%	0%	0%	0%	6	A
Media and entertainment	-9%	-9%	-9%	-9%	0%	10	BBB+
Metals and mining	15%	13%	4%	0%	2%	50	BBB-
Oil and gas	0%	9%	9%	9%	5%	22	BBB+
Real estate development	-23%	-13%	-14%	-11%	-12%	26	BBB-
Real estate investment trusts	-10%	-15%	-19%	-19%	-12%	51	BBB+
Retail	6%	6%	13%	13%	0%	18	BBB+
Technology	-10%	-12%	-10%	-12%	-4%	48	BBB
Telecommunications	0%	3%	0%	3%	-3%	33	BBB
Transportation cyclical	-17%	-17%	-17%	-11%	-10%	20	BBB
Transportation infrastructure	-6%	-6%	-6%	-2%	0%	47	A-
Utilities	-8%	-7%	-3%	-1%	2%	100	A-
Total corporates	**-5%**	**-4%**	**-5%**	**-4%**	**-3%**	**615**	**BBB**
Financial institutions	5%	5%	8%	8%	8%	377	BBB+
Insurance	-9%	-8%	-8%	-1%	6%	174	A
Public finance	-14%	-11%	-13%	-13%	-31%	84	A+
Sovereign	-3%	-3%	-7%	-3%	-3%	29	BBB+
Total issuers	**-3%**	**-2%**	**-2%**	**-1%**	**0%**	**1,279**	**BBB+**

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. Teal colored cells indicate improvement from prior period, red, deterioration.
Source: S&P Global Ratings.

Appendix 2: Economic Data and Forecast Summaries

Table A1

Australia--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	2.1	1.4	2.3	2.4	2.4
Inflation %	5.6	3.7	3.2	2.6	2.5
Unemployment rate %	3.7	4.3	4.4	4.3	4.2
Policy rate % (EOP)	4.35	4.10	3.35	3.10	3.10
Exchange rate (US$ per A$)	0.68	0.68	0.70	0.71	0.73

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period. A$--Australian dollar.
Source: S&P Global Ratings Economics.

Table A2

China--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	5.2	4.6	4.8	4.6	4.4
Inflation %	0.2	1.2	1.9	1.9	2.1
Unemployment rate %	5.2	5.1	4.9	4.8	4.7
Policy rate % (EOP)	2.50	2.30	2.30	2.30	2.30
Exchange rate (US$)	7.10	6.94	6.84	6.74	6.64

Inflation and unemployment rate shown are the period average. For China's policy rate, the one-year medium-term lending facility rate is shown. f--Forecast.
Source: S&P Global Ratings Economics.

Table A3

Hong Kong--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	3.2	2.5	2.8	2.4	2.2
Inflation %	2.1	2.1	2.1	2.0	2.0
Unemployment rate %	3.0	2.9	2.9	2.9	2.8
Exchange rate (US$)	7.81	7.80	7.79	7.78	7.78

Inflation and unemployment rate shown are the period average. f--Forecast.
Source: S&P Global Ratings Economics.

Table A4

India--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	7.6	6.8	6.9	7.0	7.0
Inflation %	5.5	4.5	4.4	4.8	4.6
Policy rate % (EOP)	6.50	5.75	5.25	5.00	5.00
Exchange rate (US$)	83.00	83.50	85.00	86.50	88.00

Inflation rate shown is the period average. f--Forecast. EOP--End of period.
For India, 2022 means fiscal 2022/2023 (year ending March 31, 2023); 2023 means fiscal 2023/2024 (year ending March 31, 2024); and so forth.
Source: S&P Global Ratings Economics.

Table A5

Indonesia--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	5.0	4.9	5.0	5.0	4.9
Inflation %	3.7	2.8	3.2	3.2	3.1
Unemployment rate %	5.4	5.2	5.2	5.1	5.0
Policy rate % (EOP)	6.00	5.25	4.75	4.50	4.50
Exchange rate (US$)	15439.00	15650.00	15700.00	15750.00	15800.00

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A6

Japan--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	1.9	0.8	1.1	0.9	0.9
Inflation %	3.3	2.3	2.0	1.7	1.7
Unemployment rate %	2.6	2.6	2.6	2.6	2.6
Policy rate % (EOP)	-0.10	0.05	0.50	0.75	1.00
Exchange rate (US$)	141.60	138.00	131.90	126.00	120.40

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A7

Malaysia--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	3.7	4.3	4.5	4.6	4.6
Inflation %	2.5	2.6	2.4	2.4	2.3
Unemployment rate %	3.4	3.3	3.2	3.2	3.2
Policy rate % (EOP)	3.00	2.75	2.75	2.75	2.75
Exchange rate (US$)	4.59	4.50	4.30	4.25	4.21

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A8

New Zealand--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	0.6	1.4	2.5	2.5	2.4
Inflation %	5.7	3.0	2.6	2.4	2.3
Unemployment rate %	3.7	4.4	4.6	4.5	4.5
Policy rate % (EOP)	5.50	4.75	4.00	3.50	3.25
Exchange rate (US$ per NZ$)	0.63	0.61	0.62	0.63	0.64

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period. NZ$--New Zealand dollar.
Source: S&P Global Ratings Economics.

Table A9

Philippines--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	5.6	5.9	6.2	6.5	6.4
Inflation %	6.0	3.4	3.2	3.0	3.0
Unemployment rate %	4.4	4.6	4.2	4.2	4.1
Policy rate % (EOP)	6.50	5.75	4.25	4.00	4.00
Exchange rate (US$)	56.1	53.85	52.28	51.14	50.76

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A10

Singapore--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	1.1	2.2	2.5	2.6	2.6
Inflation %	4.8	3.3	2.3	2.2	2.2
Unemployment rate %	1.9	2.1	2.0	2.0	2.0
Exchange rate (US$)	1.32	1.32	1.31	1.29	1.27

Inflation and unemployment rate shown are the period average. f--Forecast.
Source: S&P Global Ratings Economics.

Table A11

South Korea--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	1.3	2.2	2.4	2.0	2.0
Inflation %	3.6	2.6	2.2	2.0	2.0
Unemployment rate %	2.7	3.0	3.0	2.9	2.9
Policy rate % (EOP)	3.50	3.00	2.50	2.50	2.50
Exchange rate (US$)	1303.00	1268.00	1227.00	1186.00	1148.00

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A12

Taiwan--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	1.3	3.0	2.6	2.6	2.5
Inflation %	2.5	2.1	1.1	0.9	0.9
Unemployment rate %	3.5	3.4	3.5	3.5	3.6
Policy rate % (EOP)	1.88	2.00	1.63	1.38	1.38
Exchange rate (US$)	30.70	31.60	31.30	31.00	30.80

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A13

Thailand--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	1.9	3.9	3.0	3.2	3.1
Inflation %	1.2	1.4	1.3	1.1	1.1
Unemployment rate %	1.0	1.0	1.0	1.0	1.0
Policy rate % (EOP)	2.50	2.00	1.75	1.75	1.75
Exchange rate (US$)	34.70	35.90	35.60	35.40	35.10

Inflation and unemployment rate shown are the period average. f--Forecast. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A14

Regional--S&P Global Ratings Economic Outlook

Real GDP (%)	2023	2024f	2025f	2026f	2027f
Asia-Pacific	4.8	4.4	4.6	4.5	4.4
Eurozone	0.5	0.7	1.3	1.3	1.3
EM-LatAm	1.8	1.2	2.3	2.3	2.4
U.S.	2.5	2.5	1.5	1.7	1.9

Asia-Pacific GDP growth numbers are based on current purchasing power parity GDP weights. EM-LatAm includes Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Aggregates are weighted by PPP GDP (2017-2021 average) share of total.
f--Forecast. Source: S&P Global Ratings Economics.