S&P Global Ratings

Credit Conditions Asia-Pacific Q3 2024

A Trade Showdown Unfolds

June 25, 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 June 18, 2024.

Key Takeaways

- **China vs West.** The trade conflict between China and the West is unfolding. We expect our rated China portfolio can absorb the direct impact from recent shots fired in the China-West trade dispute. However, intensifying tariffs could drag China's industrial production-led economic recovery, and potential retaliatory tariffs by China would widen the global impact. Such escalations could hit business activity and growth in export-centric Asia-Pacific. The region's growth should stay at 4.5% over 2024-2026.
- **Confidence dragging in China.** Property sales and home prices are declining despite bolder stimulus, underlining very weak Chinese confidence. While strong manufacturing in the first quarter of this year lifted our 2024 growth forecast marginally to 4.8%, prospective conditions remain somber. We therefore see the China slowdown risk as high, but unchanged.
- **Walking a tight rope.** A strong U.S. dollar is depressing Asian currencies. For importers and households, this can translate into costlier offshore debt borrowings and imported inflation. To stem capital outflows, the region's central banks are maintaining high interest rates. Onshore financing channels generally remain cheap and available, so far.
- **Gathering clouds.** Asia-Pacific's credit conditions look stable. Our Asia (ex-China and Japan) credit cycle indicator (CCI) signals a credit recovery in 2025, but China and Japan see risks of a credit correction. Surprise election outcomes globally could cause shifts in political orientations and dilute policy predictability, causing volatility. The region's net rating outlook bias has deteriorated to negative 2%.

Tightening the trade screws. Relationships between China and the West are getting colder, following the latest imposition of tariffs on Chinese goods. These range from battery electric vehicles to steel and aluminum, and to solar cells. We expect our rated portfolio can absorb the direct impact arising from the trade dispute. But outside the rated pool, the auto, capital goods and commodities exporters that are reliant on Europe and the U.S. could be adversely affected.

Trade interruptions. An escalating trade dispute would weigh on consumer confidence, investment and growth beyond the short term. Meanwhile, China could retaliate. Tit-for-tat tariffs would dent global trade flows as businesses turn cautious. Furthermore, trade negotiations may be impeded, with the risk of policy missteps. More importantly, a trade war involving China could affect Asia-Pacific's business activities and growth. This is a function of regional supply chains, dependency on global trade flows, and China's economic size (see "Why China Is At The Center Of Global Auto Conversations," June 11, 2024).

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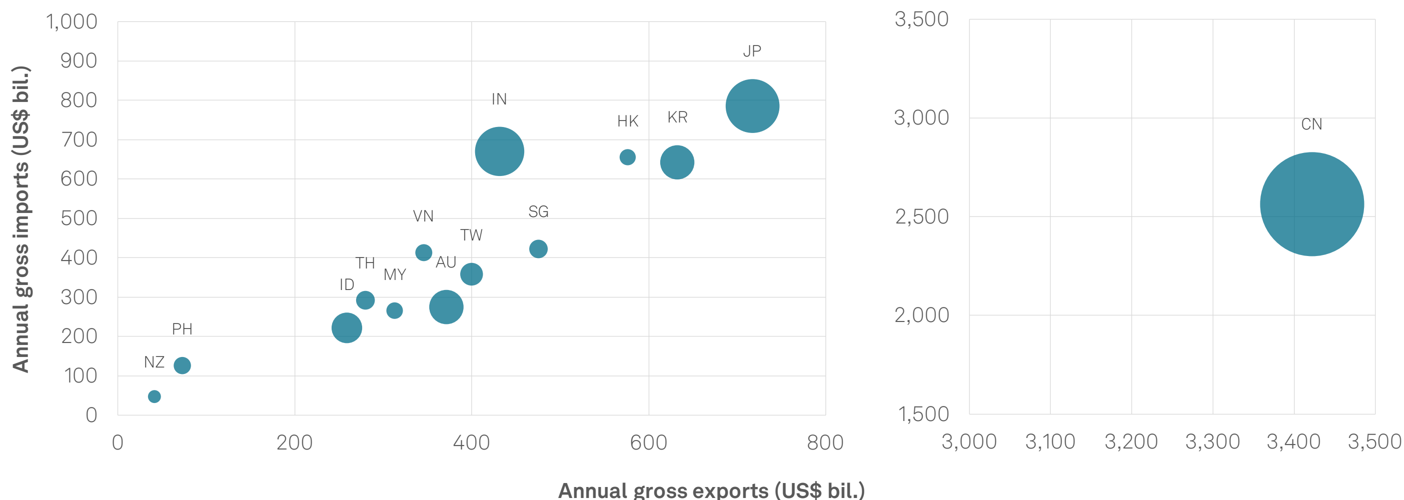
Contents

Top Asia-Pacific Risks	4
Macroeconomic Outlook	8
Financing Conditions	10
Sector Trends	12
Nonfinancial Corporate	14
Financial Institutions	15
Insurance	16
Public Finance	17
Sovereign	18
Structured Finance	19
Related Research	20
Appendix 1: Ratings Trends	21
Appendix 2: Economic Data and Forecast Summaries	22

Chart 1

China's import and export markets dwarf those of its peers in the region

Gross exports and imports (US$ bil.)



AU--Australia. CN--China. HK--Hong Kong. IN--India. ID--Indonesia. JP--Japan. MY--Malaysia. NZ--New Zealand. PH--Philippines. SG--Singapore. KR--Korea. TW--Taiwan. TH--Thailand. VN--Vietnam. bil.--Billion. Gross export and import data refer to annual 2023 figures. Bubble size represents 2023 nominal GDP (measured in US$).
Source: S&P Global Ratings, S&P Global Market Intelligence.

Property woes. In a bid to revive China's moribund property market, Chinese authorities have expanded their property stimulus playbook. That included the lowering of downpayments for first time house purchases, and removal of lower limits on mortgage rates. Despite the bolder measures, China's property sales and real estate prices maintained their downward trajectory. This reflects much weaker household confidence and sticky doubts that developers can deliver new apartments on time.

Reduced demand for new property is hitting surviving developers' liquidity and delaying local and regional governments' ability to embark on fiscal consolidation. Furthermore, the property stimulus could pose risks to banks, should house prices continue to fall. The lowering of mortgage rates reduces banks' buffers to absorb potential losses when defaults do happen.

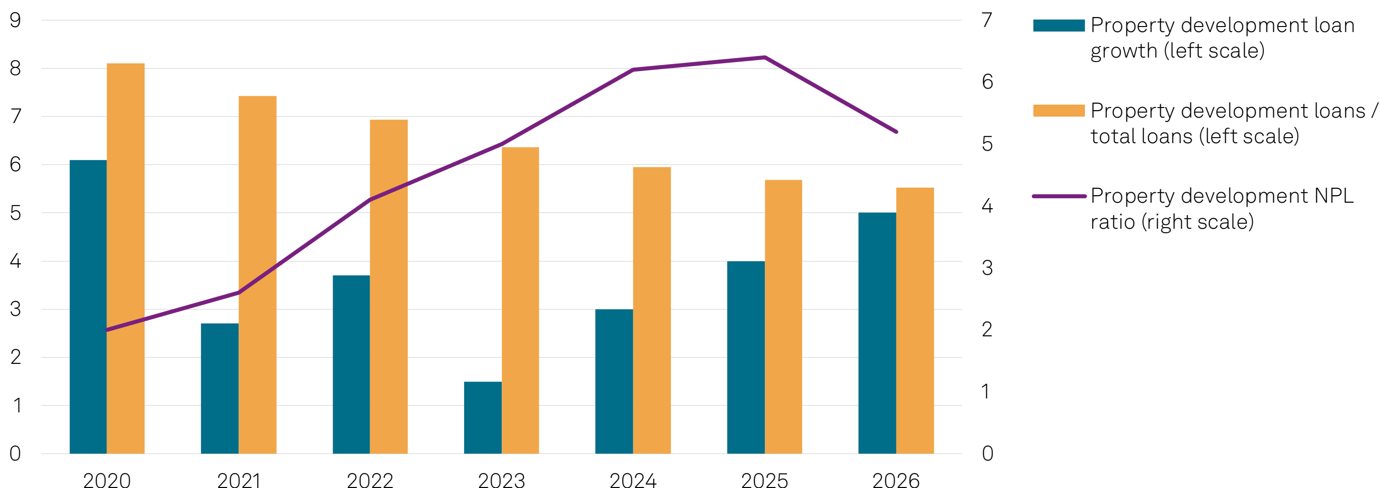
Outside China, higher mortgage servicing rates are slowing demand for new residential properties and limiting disposable spending by households. Rent revenues for REITs and commercial real estate companies could shrink amid lower occupancies, and hurt valuations. Prolonged liquidity strains may spike defaults. Property sector write-downs or nonpayment from property development loans could spur potential losses for banks.

For more on this, see:

- "Asia-Pacific Real Estate: The Great Waiting Game," June 24, 2024.
- "China Local Governments: The Slow Road To Stabilization," June 13, 2024.
- "China Banks Brace For Tide Of Bad Property Loans," Apr. 14, 2024.

Chart 2

Property development NPL to peak higher, later for Chinese banks (%)



NPL--Nonperforming loans. Source: S&P Global Ratings.

Tight monetary policy. The Fed is keeping to high rates given sticky (although easing) inflation, and resilient employment and economic growth. Central banks in Asia-Pacific, except for the Bank of Japan (BOJ), will likely maintain tight monetary policies to limit capital outflows and currency depreciation. While higher for longer rates hurt debtors via costlier borrowings, they also boost net interest margins for lenders, which helps them buffer against losses.

Amid the BOJ's accommodative monetary policy, the yen has depreciated sharply (year to date: 12%). Should the BOJ embark on aggressive quantitative tightening, or hike rates sharper than anticipated, it could trigger capital market volatility and reverse the yen carry trade.

Where weak currencies hurt, and where they help. Currency weakness in emerging Asia and Japan renews concerns around higher debt burdens from offshore borrowings, as well as imported inflation. However, not all is bad. Weak home currencies benefit exports and export-oriented corporates. Beneficiaries include South Korea, Taiwan, Hong Kong and Singapore.

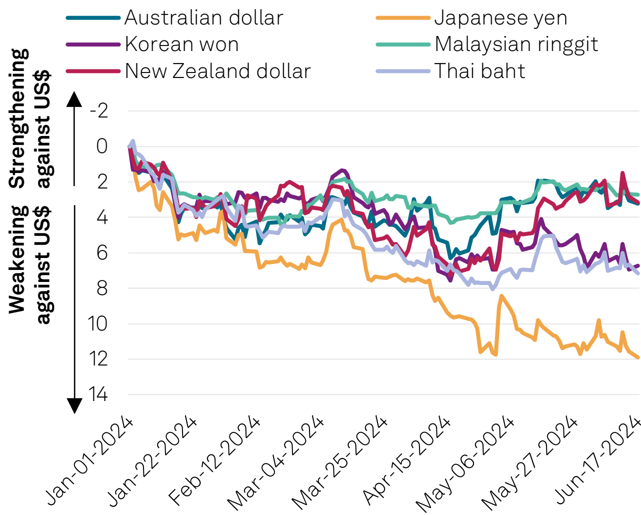
For more details, see:

- "Credit FAQ: Japanese Business And Yen Weakness," June 6, 2024
- "A Look At Why South And Southeast Asian Firms Are Standing Up To A Strong Dollar," May 15, 2024.
- "How South And Southeast Asian Firms Will Fare As Currencies Depreciate," May 15, 2024.

Chart 3

Asia-Pacific currencies remain under pressure

Percentage change since Jan. 1, 2024 (%)

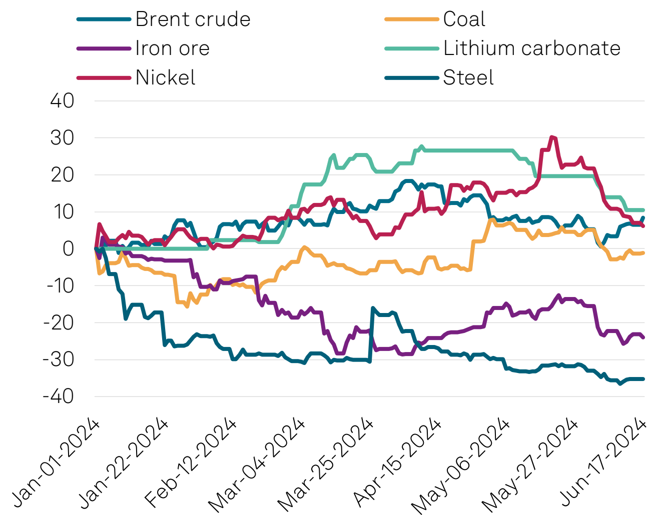


Data as of June 17, 2024. Source: S&P Global Market Intelligence.

Chart 4

Energy and commodity prices swing to the macro beat

Percentage change since Jan. 1, 2024 (%)



Data as of June 17, 2024. Source: S&P Global Market Intelligence.

Complications arising. Recent election outcomes in India, and other markets, underline shifting political orientations which could influence economic, trade and defense policies. Governments could rack up higher debt, delaying fiscal consolidation. Persisting military conflicts (e.g., the Russia-Ukraine and Israel-Gaza wars) and ongoing strategic confrontation over the South China Sea weigh on business confidence, and could deter capex investments. Although we perceive contagion risk from the two wars to be remote for Asia-Pacific, given the geographical distance, energy shocks and supply chain disruptions would set back the region's growth.

Coping with changes. Climate change and widening technology adoption (including on generative AI) are disrupting business models. To prepare for these risks, businesses will need to incur higher capex (notably in the oil and gas, aviation, and utilities sectors for the energy transition) to future-proof their operations. Furthermore, the cost of insurance covers to insulate against extreme weather events may rise, further denting margins.

A nuanced landscape. The net rating outlook bias of Asia-Pacific issuers slipped to negative 2% as of end-May 2024. The distribution underlines uneven credit conditions across sectors.

The risk landscape is becoming increasingly nuanced. The split between winners and losers is widening, and financial situations across population cohorts and sectors are becoming more divergent. For instance, higher mortgages and stickier prices could prompt households to economize on their purchases; within consumer-facing sectors, demand could improve for private labels but branded segments could be squeezed.

In turn, lenders could turn cautious and cut credit lines for weaker borrowers. Credit stresses and recessionary obstacles could mount.

Top Asia-Pacific Risks Q3 2024

China's economy: Crippled property sector, tepid confidence, high debt levels, and trade war risk to weigh on growth

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

Chinese authorities have rolled out bolder stimulus to support the country's very weak real estate sales, but subdued confidence and high debt could limit the effect. Fears of more West-imposed tariffs on China's exports could drag manufacturing activity. Households and businesses' weaker propensity to consume and invest will hit demand, employment and income. Banks' higher loan loss provisions, beyond the property sector, could prompt lenders to cut credit lines to highly leveraged and weak sectors, intensifying credit strains. Diminishing land sales and tax revenues further weaken local government fiscal positions, undermining their support to SOEs or highly indebted LGFVs. China's slowdown could spill over into Asia-Pacific entities, especially those reliant on China for exports.

Financing: Higher for longer rates to exacerbate interest burdens for debt refinancing, hitting weaker credit issuers

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

Several Asia-Pacific central banks are likely to delay policy rate cuts, like the U.S. Federal Reserve, to limit currency depreciation. With rates outside China staying high, borrowers will need to contend with higher interest burdens. For domestic borrowers with significant offshore debt obligations, higher debt in domestic terms could compound cash flow and credit stresses. Financiers may demand higher interest premiums or curb exposure to speculative-grade and highly leveraged issuers and sectors. Abrupt capital outflows from flight to quality will exacerbate refinancing stress, especially for those with impending refinancing needs.

High costs: Trade tariffs could prompt businesses to review supply chains, exacerbating relocation and economic costs

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

Input costs remain high, despite easing inflation, on the back of weak currencies, sticky wages, food, rent and fuel prices. While businesses have been able to pass through higher costs to customers so far, slowing demand (e.g., in China) could limit this ability. China's manufacturing overcapacity squeezes profit margins for corporates competing against Chinese exporters. Higher trade tariffs by the West could prompt businesses to diversify sales to other locations and lower prices further. At the same time, businesses may incur additional costs to review supply chains. The relocation of manufacturing activities could entail operational challenges and hurt local economies, employees and suppliers. Asia-Pacific's net energy importer status underpins 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.

Global economy: A sharper than expected slowdown to intensify divergence across household cohorts and sectors

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

The risk of a hard landing has fallen, as major economies show stronger resilience against recession and unemployment despite high rates. However, a sharper than expected slowdown could intensify divergence across households and industries. With consumers economizing on purchases, consumer-related and some manufacturing sectors could be squeezed. Meanwhile, deepening trade rifts between China and the West could weigh down business confidence and hit global trade. This will affect export-centric and manufacturing-dependent economies (such as South Korea, Hong Kong, and Singapore), prompting businesses to halt capex investment. Meanwhile, lenders may turn cautious and cut credit lines, exacerbating credit stresses and recessionary obstacles. Capital outflows could compound for some economies, exacerbating currency depreciation risks.

Japan's monetary policy: Bank of Japan's sharper than expected policy rate hike to risk capital market volatility

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

The Bank of Japan’s (BOJ) monetary policy stance remains accommodative, despite having hiked policy rates. Should investors come to expect sharper monetary policy normalization, abrupt portfolio changes including significant capital inflows and heightened foreign exchange volatility may occur. Major swings in interest and exchange rates could drive major repricing of assets and derivatives. Institutions with significant overseas investment exposure may see their capital buffers dilute. For small and midsized enterprises, costlier borrowings would intensify cash flow stress, risking defaults.

Real estate: Negative equity and shrinking demand to exacerbate property devaluation and liquidity strains on developers

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

Higher mortgage rates in the region (ex-China) and shrinking demand for residential real estate could exacerbate the ongoing correction. If negative equity materializes, borrowers could have little incentive to repay their loans. This may lead to significant write-downs for banks. Real estate devaluation and costlier mortgages will weaken households' discretionary spend. For property developers, shrinking demand for new properties and higher interest burdens will further constrict cash flows and intensify credit strains. Meanwhile, pains are spreading to commercial real estate. An uptick in unemployment, accelerated shifts towards e-commerce, and tightened oversight on rental expenses by businesses, could further hit demand for office space. Weaker tenants' income and higher interest burdens will squeeze net cash flows and valuations, prompting write-downs across REITs and structured finance markets.

Structural risks

Geopolitics: Escalating geopolitical tensions could hinder policy predictability and increase financial market volatility

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

Intensifying geopolitical tensions could drag global trade flows, industrial production and economic growth. Trouble spots include diplomatic tensions between China and the West, the protracted Russia-Ukraine war, and a widening Middle Eastern conflict. The risk of heightening tensions over the South China Sea could hit supply chains, constrain business confidence and spark investment outflows from Asia-Pacific. Meanwhile, shifting political orientations could influence economic and trade policies. For financial markets, the reduction in policy predictability could lead to more capital market volatility, asset devaluation and demands for higher risk premia. Furthermore, risk aversion by lenders could exacerbate capital outflows from developing economies, hindering their long-term growth. In addition, the need to shore up defense spending by regional governments could further increase government spending, delaying fiscal consolidation.

Climate change: Extreme weather and energy transition to pose business challenges and raise costs

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

Higher physical risks from extreme weather events are affecting countries everywhere and causing a more pronounced financial impact. These challenges are more acute for the emerging markets that are less financially strong. To cope, governments are developing climate policies. A rapid phase-out of fossil fuels could disrupt many industries and strain credit quality. Equally, so-called "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. Meanwhile, climate-driven disruptions in agriculture and energy supply may fan inflation and social unrest. Rising sea levels and increasing frequency of extreme weather could point to outdated insurance-model assumptions--understating the severity of catastrophe claims and loss provisions. Insurers may need to hike policy premiums, and households may be unable to afford insurance protection. In extreme situations, some geographies may become uninsurable, resulting in a recalibration of fixed asset prices.

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 generative artificial intelligence, are altering business landscapes and regulatory oversight. Technology developments (including in biological and material sciences) may enhance productivity, operational efficiencies, and competitive positioning. However, such advances mean more complexities and costs in management and maintenance. To cope, businesses may need to incur higher costs to continually adopt and adapt to new technologies. Furthermore, the increasing interconnectedness of economic activity and technology networks means 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

Asia's nuanced credit recovery in 2025 further divides winners and losers

Chart 5

An increasingly uneven credit recovery could take shape in 2025

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. Source: Bank for International Settlements, Bloomberg, S&P Global Ratings.

Asia ex-China, ex-Japan. The Asia ex-China, ex-Japan credit cycle indicator (CCI) has continued to climb out of a trough since the first quarter of 2023 (see chart 5). A credit recovery could take shape in 2025, but it is becoming increasingly nuanced. The divide between winners and losers in the region could further deepen. In our view, India and Southeast Asia should lead the region's growth; this could spur credit appetite as corporates in these markets seek to expand and invest. On the other hand, persistent property challenges in China are dragging credit conditions.

Although the region is poised for a credit recovery, the lagged resumption of financing availability and still-soft domestic currencies could delay or soften the pickup. Most Asian central banks will be cautious in cutting policy rates, in hopes of averting further downward pressure on their currencies. Amid higher for longer interest rates, interest burdens will intensify for borrowers, as maturing debt comes due for refinancing. Should domestic currencies weaken further, borrowers with substantial offshore debt obligations would be squeezed more. Given the dominance of bank financing here, banks' lending appetite remains crucial in supporting financing access. Meanwhile, the slowing economic backdrop could keep households cautious about spending, and limit demand.

China. China's credit recovery is under pressure. The earlier uptick in the country's CCI has reversed, driven by a decline in nonfinancial corporate and household leverage. Recently, authorities have rolled out measures to support the country's weak property sector. However, household confidence remains weak, and they are increasingly ramping up savings.

We estimate the Chinese government will increase borrowing most in 2024, compared with other governments in the region, to support the economic recovery via fiscal transfers to weaker local governments. However, authorities will continue to tighten oversight over corporate leverage in troubled sectors, in our view. In turn, banks may control lending to those weaker local governments, and associated state-owned enterprises (SOEs) and local government financial vehicles (LGFVs), in this space. For instance, we believe banks will remain cautious about lending to the property sector; we expect the nonperforming loan ratio for property lending by Chinese banks to peak higher and later in 2025. These factors combined could further delay China's credit recovery.

Japan. The Japan CCI is bucking the global trend, underlining the risk of a deepening credit correction. As the Bank of Japan cautiously exits from negative rates, higher interest costs will strain borrowers. This is compounded by high inflation. Given the pinch to consumer pockets, households could limit spending.

The impact of the weak Japanese yen is mixed across corporates: exporting firms tend to reap the benefits, while domestic manufacturers and importers see higher input costs. Although some businesses have been passing on costs to customers, softening household purchasing power could test this ability. The risk of higher currency volatility entails steeper hedging costs, further eroding margins.

Macroeconomic Outlook

Exporters and EMs are outperforming

- We raised our 2024 China GDP growth forecast to 4.8%, from 4.6%, but see a sequential slowdown in the second quarter. The combination of subdued consumption and robust manufacturing investment is weighing on prices and profit margins.
- In the rest of Asia-Pacific, the export recovery and impact of elevated interest rates and/or inflation will continue to shape growth across the economies sensitive to them. Solid domestic demand growth should help Asian emerging markets to expand robustly.
- While inflation pressure has eased in the region, the prospect of later U.S. policy rate cuts is leading Asia-Pacific central banks to delay their policy easing and taking other measures to limit foreign exchange market pressures. Asian emerging markets could be tested if U.S. rates were to rise further and outflows to intensify.

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Amid sticky U.S. inflation, we expect the first U.S. Federal Reserve rate cut only in end-2024. We see the policy rate reaching its "terminal" level of 2.75% to 3% in the second half of 2026. The ECB is more confident about inflation's downward trend. It started cutting its policy rate in early June. Meanwhile, U.S. growth is easing, but the eurozone's is picking up.

China Should Grow Close To 5% But Demand Remains Soft

Amid China's relentless property downturn, growth momentum has softened after a relatively brisk 5.3% year-on-year GDP growth in the first quarter. While the housing sector should bottom out this year, we expect its recovery to be shallow.

We raised our 2024 GDP growth forecast to 4.8%, from 4.6%, but expect a sequential slowdown in the second quarter. The revision reflects strong first quarter growth. Our projection factors in only modest fiscal and monetary policy support. Indeed, the combination of subdued consumption and robust manufacturing investment is weighing on prices and profit margins.

Still, we expect imports--of key importance internationally--to continue to recover this year and next. China's goods import volumes have recovered gradually since troughing in 2022 amid the COVID downturn. The recovery in outbound tourism spending has been more recent and fast.

There are domestic and external risks. The key domestic risks to growth are major weakness in real estate and consumption. The main external risk is accelerated supply chain adjustment and large barriers to trade and investment by major trading partners.

Asia-Pacific Growth Is Holding Up, With Emerging Markets Leading

An export recovery and increasingly biting impact from elevated interest rates and/or inflation have affected growth in opposite ways. Across economies, whether economic momentum has accelerated or slowed depends on which of these two forces has dominated.

The export recovery, which initially was visible in Northeast Asian semi-conductor shipments, has broadened out to other sectors and economies. The prospect of higher-for-longer U.S. policy rates means less monetary policy easing in Asia-Pacific, weighing on domestic demand.

In our view, the export recovery and impact of elevated interest rates and/or inflation will continue to shape growth trajectories across the economies sensitive to them.

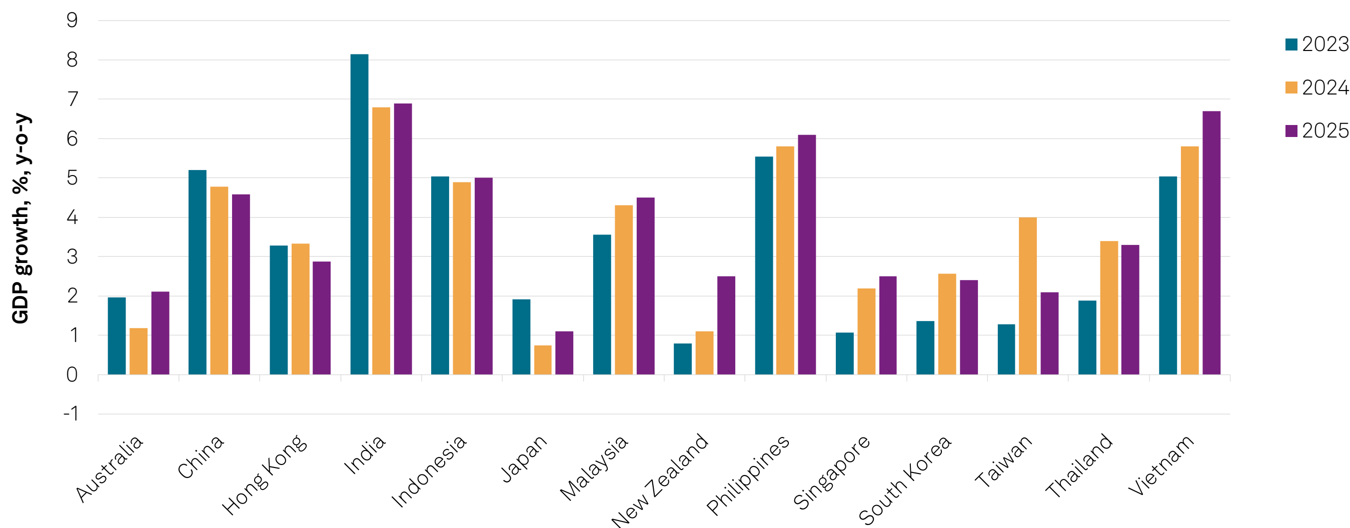
- We expect the improvement in export growth to lead to higher GDP growth this year than in 2023 in Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.
- In Australia, restrictive interest rates will drive GDP growth lower than in 2023.

- In Japan, we forecast GDP growth will slow in 2024 as relatively elevated inflation eats into real incomes.
- In India, growth should moderate to 6.8% this fiscal year, with high interest rates and lower fiscal spur tempering demand.
- In other Asian EMs, solid domestic demand growth and better exports should drive robust growth.

Chart 6

Growth to hold up

GDP growth (%)



Sources: CEIC and S&P Global Ratings Economics.

Key growth risks include a sharper-than-expected slowdown in the U.S., weaker growth in China, and a pronounced slowdown in domestic consumption. We expect significant changes, headwinds and risks from the international proliferation of policies to restrict trade and investment.

Asia-Pacific Growth Is Holding Up, With Emerging Markets Leading

Asia-Pacific inflation has eased but the prospect of later U.S. policy rate cuts is leading Asia-Pacific central banks to delay their policy easing. This reflects the sensitivity of capital flows and exchange rates in the region to interest differentials with the U.S. and central banks' aim to limit currency depreciation.

In addition to delaying interest rate cuts, many Asia-Pacific central banks have taken other measures to limit foreign exchange market pressure.

Asian EMs are generally reasonably well positioned for such external challenges, judged by external deficits and foreign reserve coverage. Still, regional EMs could be tested if U.S. rates were to rise further and outflow pressures to intensify.

In Japan, we expect gradual increases in policy rates in coming years amid gradual changes in price and wage-setting behavior. The BOJ is also preparing to reduce its asset purchases under its quantitative easing arrangement.

Financing Conditions

Strong dollar could stymie easing

- Asia-Pacific financing conditions are still easing, and this has led to a limited recovery in offshore speculative grade markets.
- Despite falling yields, a stronger dollar is curtailing overall primary issuance growth as offshore funding costs remain high. This poses a headwind to the recovery of the offshore market, especially in the high yield space.
- Local currency borrowing continues to be available. Local currency bond issuance has more than made up for the relatively muted offshore market, and banks are generally still able and willing to lend, albeit with less appetite to certain sectors.

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Financing conditions are still easing from very tight levels. Markets are pushing back expectations on Federal Reserve rate cuts, driving up benchmark U.S. Treasury yields. Despite this, Asian dollar bond yields continue to gradually trend down (see chart 7). This is being driven by continued spread compression, especially in the high yield space. Year-to-date, Asian corporate U.S.-dollar spreads are down 25 basis points (bps) for investment-grade, and 570 bps for high yield. This narrowing of spreads coincides with nascent signs of improved investor demand for high yield credit. S&P Global Ratings-rated speculative grade issuance in the first five months of the year was more than double the extremely low levels seen in 2022 and 2023. The recovery from this very low base continues to be very gradual, though. We continue to monitor access to credit for speculative grade issuers, given a larger maturity wall in late 2025 onwards.

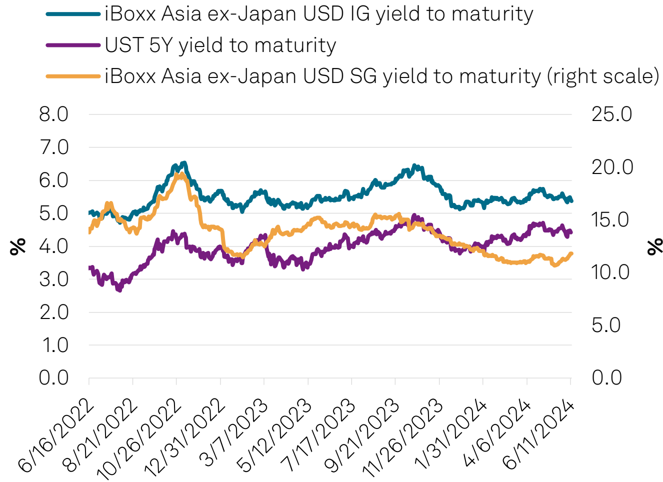
Offshore financing remains costly. Despite easing, offshore funding remains expensive for Asia-Pacific corporate borrowers, especially considering the region's currency depreciation trends (see chart 8). As such, offshore bond issuance remains muted, growing only 2% from cumulative Jan-May 2023's seven-year low for comparable periods (see chart 9). While we see some issuers hedge against their U.S.-dollar borrowings, the risk of a persistently strong dollar could result in higher local currency equivalent debt. For borrowers, refinancing stress could exacerbate especially in late 2025 onwards.

Local currency financing remains available. With offshore borrowing staying expensive, Asia-Pacific issuers have shifted toward borrowing in local currency markets. Local currency bond issuance through May has been at a record high, and has grown 10.5% year-to-date. So despite the stagnant offshore bond market, overall issuance in the region has grown 8.7% so far (see chart 10). Across the region, banks are still generally able and willing to lend, with ample funding liquidity. But loan demand has been decreasing markedly, in part due to the impact of still-tight central bank monetary stances on 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. For example, in China, less lending for lower-tier local governments and property sector; in Korea, declining loan growth to households.

Chart 7

Asia ex-Japan USD corporate bond yields continue to ease

Yield to maturity (%)

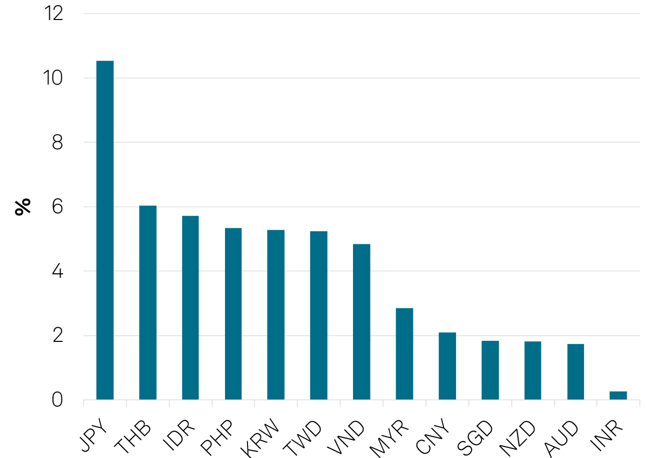


IG--Investment grade. HY--High yield. Sources: Federal Reserve Bank of St. Louis FRED, S&P Global Market Intelligence, S&P Global Ratings Credit Research and Insights. Data as of June 12, 2024.

Chart 8

Strong dollar environment poses a key headwind

Depreciation against US$ (%)

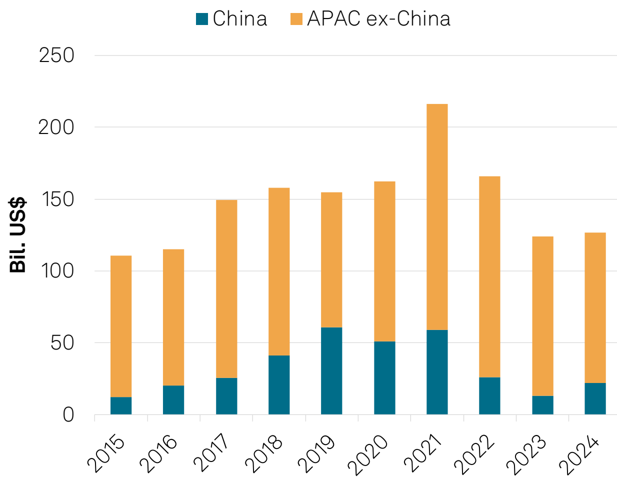


Sources: S&P Global Market Intelligence and S&P Global Ratings Credit Research and Insights. Data as of June 12, 2024.

Chart 9

Stagnant APAC offshore bond issuance

Cumulative offshore issuance, January to May

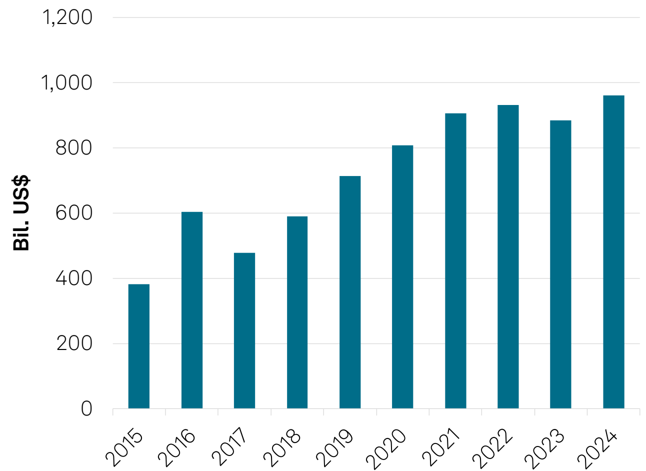


Data as of May 31, 2024. Sources: Refinitiv and S&P Global Ratings Credit Research and Insights.

Chart 10

Overall issuance growth driven by onshore markets

Total cumulative issuance, January to May



Data as of May 31, 2024. Sources: Refinitiv and S&P Global Ratings Credit Research and Insights.

Sector Trends

A bigger divide between winners and losers

- Asia-Pacific credit conditions are steady, but on delicate ground. Amid higher for longer rates, borrowing costs will stay elevated. Macro uncertainty and cost of living pressures are constraining consumer confidence and balance sheets, subduing demand.
- With households turning cautious and economizing amid shrinking purchasing power, we expect the region's consumer-facing and discretionary sectors to be squeezed most. These include consumer goods, electronics, and retail.
- Our net rating outlook bias slipped to negative 2% in May. The distribution across sectors is uneven. Chemicals, consumer products, real estate, transportation cyclical and technology see the largest negative bias. Gaming is still holding up, thanks to the post-pandemic recovery, but lower disposable incomes could test the momentum.

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

China property has yet to bottom. China's property market is still searching for a bottom. Annual sales should drop to and stabilize at about RMB10 trillion this year, then follow an extended L-shaped recovery. Our projection for the market is downbeat; conditions remain tough.

Costlier borrowing to stay. Asia-Pacific central banks look to delay policy rate cuts, in line with the Fed, to halt further depreciation on home currencies. High rates will intensify interest burdens and stretch borrowers. Weak domestic currencies also mean costlier offshore debt.

A soft landing through 2024. Major economies, including the U.S., have demonstrated economic resilience against recession and unemployment. We maintain our view that the global economy will navigate a soft landing for the rest of the year.

What are the key risks around the baseline?

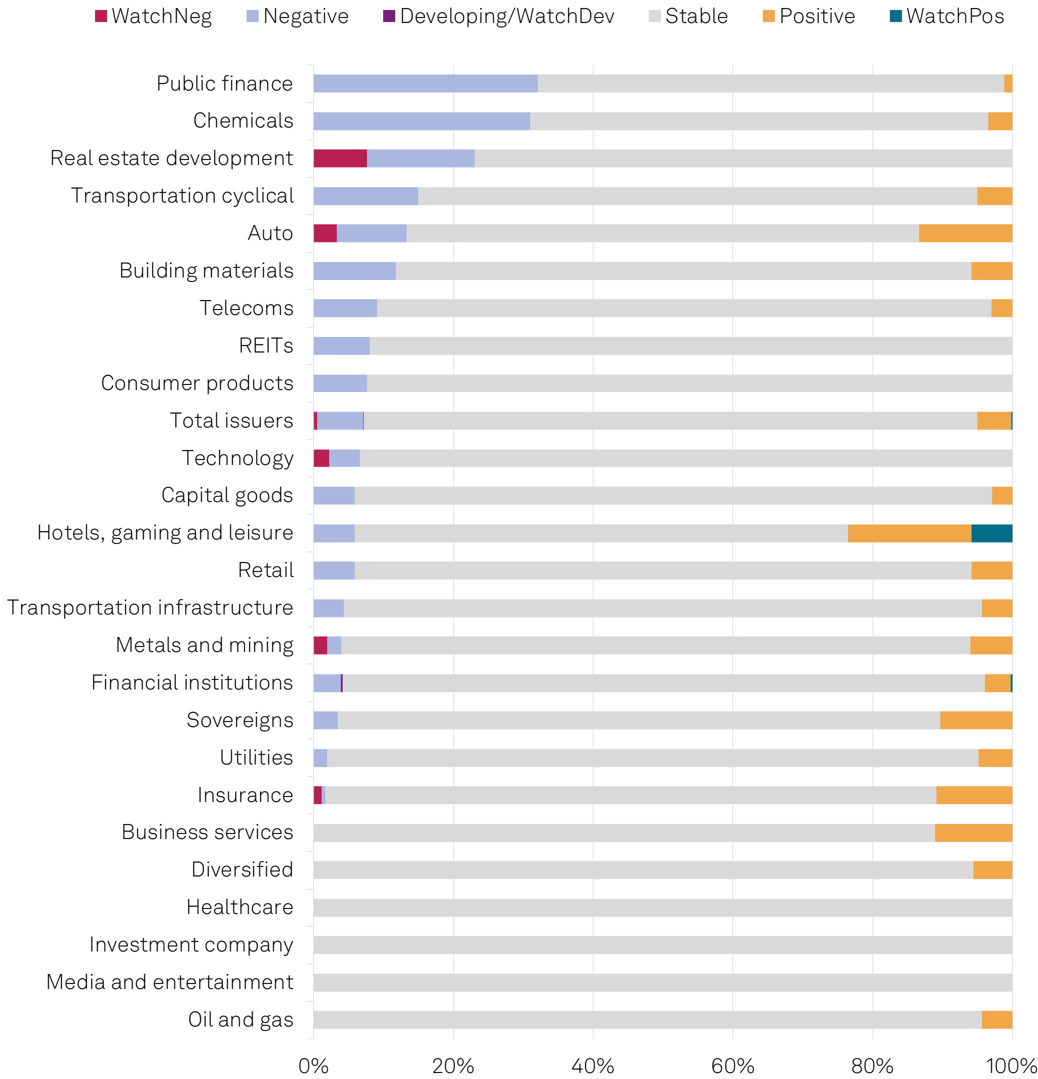
Deeper property woes in China could spell more stimulus and debt. A prolonged or sharper property downturn could prompt authorities to provide more stimulus. Local governments could be asked to ramp up spending to support local economies. This, combined with the squeeze on their fiscal revenues from weak land sales, could derail their deleveraging efforts and further delay fiscal consolidation. With revenues pressured, the risk of more debt structuring of local government financing vehicles in weak regions would increase the burden for banks.

Lending appetite contracts. Bank lending still dominates in the region. While such financing channels remain open, lender selectivity could creep up in this space, especially towards weaker or highly leveraged borrowers. These include those in property and construction (notably in China, and to an extent, Vietnam), and lower-income household cohorts stretched by high rates and cost of living pressures.

Derisking from China accelerates. The U.S. and Europe have imposed higher tariffs and trade restrictions on China's exports (e.g., electric vehicles and semiconductors). Amid decoupling and friend-shoring efforts, the region's producers may have to review supply chains. This could pose operational challenges and entail economic costs. Widening geopolitical tensions could intensify the blows to confidence, dampening business investment and consumer sentiment.

Chart 11

Net outlook bias distribution of Asia-Pacific issuers by sector, May 31, 2024



Data cut-off is of May 31, 2024. Source: S&P Global Ratings.

Nonfinancial Corporate

A muted growth outlook for the rest of 2024

- The corporate credit outlook continues to diverge across Asia-Pacific countries and sectors, given varied demand and profit outlooks, and capital spending trends.
- Soft consumer demand and modest GDP growth in China cloud the profit outlook for second half of 2024. The pace of recovery in Western exports could make a difference.
- Issuance outlook is more positive for the rest of 2024 thanks to lower spreads, proactive fund raising before the U.S. election and slowly improving investor sentiment.

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

The corporate credit outlook continues to diverge across Asia-Pacific countries and sectors. Net rating actions turned positive in early 2023. The momentum continued into the first half of 2024, largely because of positive credit momentum in India after we revised our outlook on the sovereign rating to positive in May 2024. In the rest of Asia, credit trajectories are marginally tilted to the downside because of challenging profit outlooks or demand (real estate, chemical, transportation cyclical), steady capital spending (chemicals, telecom) or M&A (largely company-specific but more pronounced in Japan and Korea).

Muted demand and profit growth for most sectors heading into the second half of the year. For rated firms in the region, we project average revenue growth to slow to the low single digits in 2024. This is amid still-soft consumer sentiment in most countries, and certain segments of export markets that are not riding the growth momentum seen more broadly.

Trade tensions are raising regulatory risks and overseas capex needs. So far, tariffs such as on Chinese BEVs in Europe can be absorbed without a big hit to credit quality. Trade tensions between China, Europe and the U.S. are likely to stay an analytical focus for the second half of the year--especially in tariff-sensitive, exposed sectors such as technology, auto, steel, and food.

Some sectors stand out. We expect the technology sector will expand at an above-average pace due to recovering PC and semiconductor demand. Macao gaming will show robust growth on its expected return to pre-pandemic conditions this year.

Capital spending and M&A are picking up. Particularly in India, Indonesia, and South Korea, with energy-transition spending high on the agenda. Active M&A from several large Japanese firms is a major driver of the negative rating bias in the country. Spending trends in China are different. We believe Chinese firms are likely to remain cautious under slowing growth and subdued domestic demand. They will likely prioritize deleveraging over spending for the rest of the year.

Funding availability is slowly improving. Issuance in U.S. dollar capital markets has been steady for stronger credits as spreads reduced. It broadened in the speculative grade segment since the beginning of the year, with issuance in first-half 2024 higher than in the years 2022 and 2023 combined. While some of this may be proactive fund-raising or refinancing ahead of the U.S. election in November 2024, investor sentiment towards the speculative grade sector appears to be slightly more constructive. Funding in domestic banking systems remains selective, however.

What are the key risks around the baseline?

Geopolitical shocks and election risks. The risk of renewed trade protectionism could reshape supply chains, lead to sustainably higher tariffs, and undo policy efforts to rein in inflation. Further escalation in geopolitical risks may stoke energy price volatility, hurt margins, and hinder cost passthrough. Middle East conflicts could risk a resurgence of inflation as supply chains and trade flows face disruption.

Financial Institutions

High interest rates will pressure asset quality

- About 95% of banks we rate in Asia-Pacific have stable ratings outlooks.
- We see limited upside ratings potential during 2024 because of higher-for-longer interest rates, weaker economic growth, and property market sensitivities.
- More so, if downside risks outside our base case emerge in property or other risk areas, banks may be challenged to maintain outlooks at current levels.

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

Property exposures test asset quality. Property risks are elevated in China, Hong Kong, and Vietnam. Furthermore, certain nonbank financial institutions (NBFIs) in Korea face challenges from real estate project financing.

Credit losses will be higher in 2024 but within expectations at current rating levels. We retain our view that credit losses for Asia-Pacific banks will rise by about 7% in 2024 to about US$520 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 outside our base case would hurt banks' asset quality and contribute to negative ratings momentum.

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

More active risk management on capital markets, FX volatility

- Stable credit profiles to sustain, while insurers continue to navigate market challenges.
- Market swings and forex risk weigh on earnings, diluting capital buffers.
- Extreme weather could raise insurance losses, testing insurers' risk management.

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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. Still-high interest rate differentials and forex volatilities will keep hedging costly for insurers in Japan and Taiwan, squeezing earnings. High rates (except for in China) are improving reinvestment returns, helping insurers manage asset-liability mismatches. But unrealized losses are staying in place.

Compressed insurance margin. Underwriting margins may come under strain amid increased frequency of extreme weather, and the impact of nonmodeled exposure. High reinsurance costs, despite moderating price rises, 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. Monetary policy adjustments by major central banks could spur capital market volatility. Forex risks persist for insurers with large overseas investments (e.g., Taiwan and Japan). Credit stresses, notably in real estate and alternative investments, could prompt insurers to reassess risk-returns.

Extreme weather intensifies. The severity and high-impact frequency of extreme weather could raise catastrophe-related insurance losses. Reinsurance capacity is returning, which could help moderate the premium rate hikes. However, market conditions continue to test insurers' overall effectiveness in risk mitigation.

Public Finance

Fiscal divergence becoming the normality

- Interest rates remain high in Asia-Pacific. This will be a drag for some local and regional governments (LRGs) and their associated enterprises, that maintain elevated funding plans.
- Local governments in China, Australia and New Zealand will continue to spend on large infrastructure pipelines resulting in growing debt levels. In the case of New Zealand LRGs, our negative outlook bias is large relative to regional peers.
- Tail risks include the Chinese economy failing to restore confidence amid a faltering property market, and inflation amplifying strains as New Zealand LRGs await details of new water reforms.

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

Inflation and rates in most regions remain manageable. This will allow most regions to gradually revive their fiscal performances.

New Zealand local councils a notable exception. Inflation and high interest rates continue to weigh on the financial performance of many LRGs here, driving deficits and debt higher. The councils await new water reform plans; these could provide further clarity over their financial outcomes depending on its final design.

Chinese LRGs are balancing risks with growth. China's growth will be largely linked to a gradual recovery of consumption and services. Authorities will retain large fiscal flexibility to support the recovery. On the other hand, they will also fortify risk controls, especially over the debt of local government state-owned enterprises. This would include higher tolerance for defaults among SOEs whose nonpayments or bankruptcies are unlikely to trigger systemic risks.

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. With China's property sector flagging, a lack of recovery in market confidence could dampen fiscal positions further.

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. Local SOEs in China may potentially be called upon to support the property market by purchasing inventories or other means. New Zealand awaits new water reform, with potential impact on local government finances that is driving the large negative outlook bias in the region.

Sovereign

Global uncertainties still the thing to watch

- Sharp increases in funding costs could weaken fiscal support. 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, this could exacerbate the negative impact on fiscal performance.
- A rebound of payments for energy imports can materially 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 undermine credit support of some sovereigns.

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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 anticipate some governments will 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.

Rebounding energy prices seriously undermine external and fiscal metrics. Current account deficits could remain wide in some economies if 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 sharply raises energy prices could still pose threats to external and fiscal support for ratings.

Structured Finance

Consumers are feeling the squeeze

- Unemployment is low and stable. 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.

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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 Q3 2024: Exporters And EMs Are Outperforming, June 24, 2024
- Asia-Pacific Real Estate: The Great Waiting Game, June 24, 2024
- Credit Cycle Indicator Q3 2024: Bumpy Ride Ahead Of A Credit Recovery In 2025, June 20, 2024
- Asia-Pacific Office REITs: Rising Stress Is Manageable For Most, June 14, 2024
- China Local Governments: The Slow Road To Stabilization, June 13, 2024
- Why China Is At The Center Of Global Auto Conversations, June 11, 2024
- Default, Transition, and Recovery: 2023 Annual Asia Corporate Default And Rating Transition Study, June 11, 2024
- Default, Transition, and Recovery: 2023 Annual Greater China Corporate Default And Rating Transition Study, June 11, 2024
- Credit FAQ: Japanese Business And Yen Weakness, June 6, 2024
- China's Latest Property Policies Could Be A Temporary Confidence Booster, May 21, 2024
- How South And Southeast Asian Firms Will Fare As Currencies Depreciate, May 15, 2024
- A Look At Why South And Southeast Asian Firms Are Standing Up To A Strong Dollar, May 15, 2024
- China Property Watch: Searching For A Bottom, May 7, 2024
- China Banks Brace For Tide Of Bad Property Loans, Apr. 15, 2024
- White Paper: Introducing Our Credit Cycle Indicator, June 27, 2022

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Appendix 1: Ratings Trends

Table 1

Net outlook bias of Asia-Pacific issuers by sector, May 31, 2024

	May 2023	Aug. 2023	Oct. 2023	Feb. 2024	May 31, 2024	No. of entities	Notional average rating
Auto OEM and suppliers	-3%	-6%	-3%	7%	0%	30	BBB
Building materials	-13%	-19%	-19%	-20%	-6%	17	BB+
Business services	7%	-8%	-17%	-22%	11%	9	BB+
Capital goods	-6%	-9%	-9%	-3%	-3%	34	BBB
Chemicals	-3%	-3%	0%	-17%	-28%	29	BBB
Consumer products	0%	-4%	-4%	-8%	-8%	26	BBB
Diversified	17%	6%	11%	11%	6%	18	A-
Healthcare	-14%	0%	17%	0%	0%	6	BBB-
Hotels, gaming, and leisure	-12%	-6%	-6%	18%	18%	17	BB
Investment company	0%	0%	0%	0%	0%	6	A
Media and entertainment	-9%	-9%	-9%	0%	0%	10	BBB+
Metals and mining	13%	4%	0%	2%	2%	50	BBB-
Oil and gas	9%	9%	9%	5%	4%	23	BBB+
Real estate development	-13%	-14%	-11%	-12%	-23%	26	BBB-
Real estate investment trusts	-15%	-19%	-19%	-12%	-8%	50	BBB+
Retail	6%	13%	13%	0%	0%	17	BBB+
Technology	-12%	-10%	-12%	-4%	-7%	45	BBB
Telecommunications	3%	0%	3%	-3%	-6%	33	BBB
Transportation cyclical	-17%	-17%	-11%	-10%	-10%	20	BBB
Transportation infrastructure	-6%	-6%	-2%	0%	0%	46	A-
Utilities	-7%	-3%	-1%	2%	3%	103	A-
Total corporates	**-4%**	**-5%**	**-4%**	**-3%**	**-3%**	**615**	**BBB**
Financial institutions	5%	8%	8%	8%	0%	385	BBB+
Insurance	-8%	-8%	-1%	6%	9%	174	A
Public finance	-11%	-13%	-13%	-31%	-31%	84	A+
Sovereign	-3%	-7%	-3%	-3%	7%	29	BBB+
Total issuers	**-2%**	**-2%**	**-1%**	**0%**	**-2%**	**1,287**	**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 %	2.0	1.1	2.1	2.4	2.4
Inflation %	5.6	3.8	3.3	2.6	2.5
Unemployment rate %	3.7	4.2	4.4	4.3	4.2
Policy rate % (EOP)	4.35	4.35	3.85	3.10	3.10
Exchange rate (US$ per A$)	0.68	0.68	0.71	0.73	0.74

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	4.8	4.6	4.6	4.4
Inflation %	0.2	0.5	1.5	1.9	2.1
Unemployment rate %	5.2	5.0	4.9	4.8	4.8
Policy rate % (EOP)	2.50	2.50	2.50	2.50	2.50
Exchange rate (US$)	7.10	7.20	6.98	6.88	6.78

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. EOP--End of period.
Source: S&P Global Ratings Economics.

Table A3

Hong Kong--S&P Global Ratings Economic Outlook

	2023	2024f	2025f	2026f	2027f
Real GDP %	3.3	3.3	2.9	2.5	2.2
Inflation %	2.1	1.7	1.8	1.9	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 %	8.2	6.8	6.9	7.0	7.0
Inflation %	5.4	4.5	4.6	4.6	4.1
Policy rate % (EOP)	6.50	6.00	5.50	5.25	5.00
Exchange rate (US$)	83.0	84.0	85.0	86.5	88.0

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	5.0	5.0	4.9	4.9
Inflation %	3.7	2.8	3.0	3.1	3.0
Unemployment rate %	5.4	4.8	4.7	4.7	4.7
Policy rate % (EOP)	6.00	6.00	5.25	4.75	4.75
Exchange rate (US$)	15,437	16,000	15,900	15,950	16,000

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 %	1.8	0.7	1.1	0.9	0.9
Inflation %	3.3	2.4	2.2	1.8	1.8
Unemployment rate %	2.6	2.6	2.6	2.6	2.6
Policy rate % (EOP)	-0.10	0.25	0.50	0.75	1.00
Exchange rate (US$)	141.6	146.0	133.3	127.3	121.7

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 %	3.5	4.3	4.5	4.4	4.4
Inflation %	2.5	2.8	2.6	2.5	2.4
Unemployment rate %	3.4	3.3	3.2	3.2	3.2
Policy rate % (EOP)	3.00	3.00	2.75	2.75	2.75
Exchange rate (US$)	4.59	4.66	4.57	4.51	4.45

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 %	0.8	1.1	2.5	2.5	2.4
Inflation %	5.7	3.0	2.3	2.4	2.3
Unemployment rate %	3.7	4.5	4.7	4.6	4.5
Policy rate % (EOP)	5.50	5.00	4.25	3.75	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 %	5.5	5.8	6.1	6.5	6.4
Inflation %	6.0	3.4	3.1	3.0	3.0
Unemployment rate %	4.4	4.2	4.0	3.9	3.8
Policy rate % (EOP)	6.50	6.25	5.00	4.00	4.00
Exchange rate (US$)	56.09	56.00	54.00	51.91	51.27

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	2.9	2.0	1.9	1.9
Unemployment rate %	1.9	2.1	2.0	2.0	2.0
Exchange rate (US$)	1.32	1.33	1.32	1.30	1.29

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 %	1.4	2.6	2.4	2.0	2.0
Inflation %	3.6	2.7	2.2	2.0	2.0
Unemployment rate %	2.7	2.9	2.9	2.9	2.9
Policy rate % (EOP)	3.50	3.25	2.50	2.50	2.50
Exchange rate (US$)	1,288	1,340	1,269	1,234	1,201

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	4.0	2.1	2.4	2.4
Inflation %	2.5	2.1	1.5	0.8	0.8
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$)	30.7	32.4	32.1	31.8	31.6

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	3.4	3.3	3.2	3.1
Inflation %	1.2	1.1	1.6	1.1	1.1
Unemployment rate %	1.0	1.0	1.0	1.0	1.0
Policy rate % (EOP)	2.50	2.25	1.75	1.75	1.75
Exchange rate (US$)	34.2	37.0	36.8	36.5	36.3

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	4.9	4.5	4.5	4.5	4.4
Eurozone	0.6	0.7	1.4	1.4	1.3
EM-LatAm	1.8	1.2	2.3	2.3	2.4
U.S.	2.5	2.5	1.7	1.8	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.

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