

REOPENING THE WORLD: BEWARE OF FALSE STARTS

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Global and Asia-Pacific Economic Outlook

as of April 2020



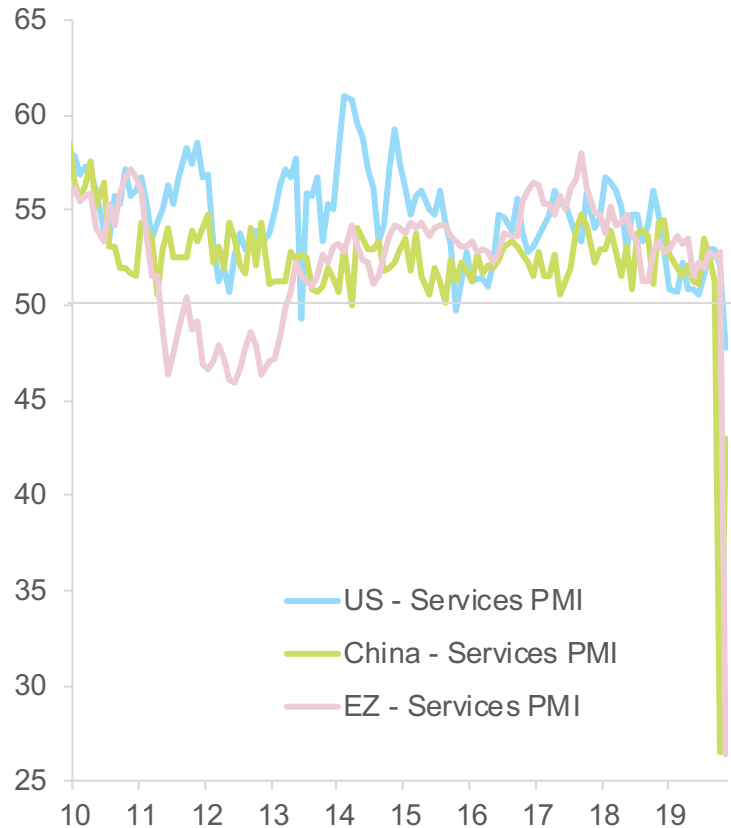
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COVID-19: AN UNPRECEDENTED SHOCK

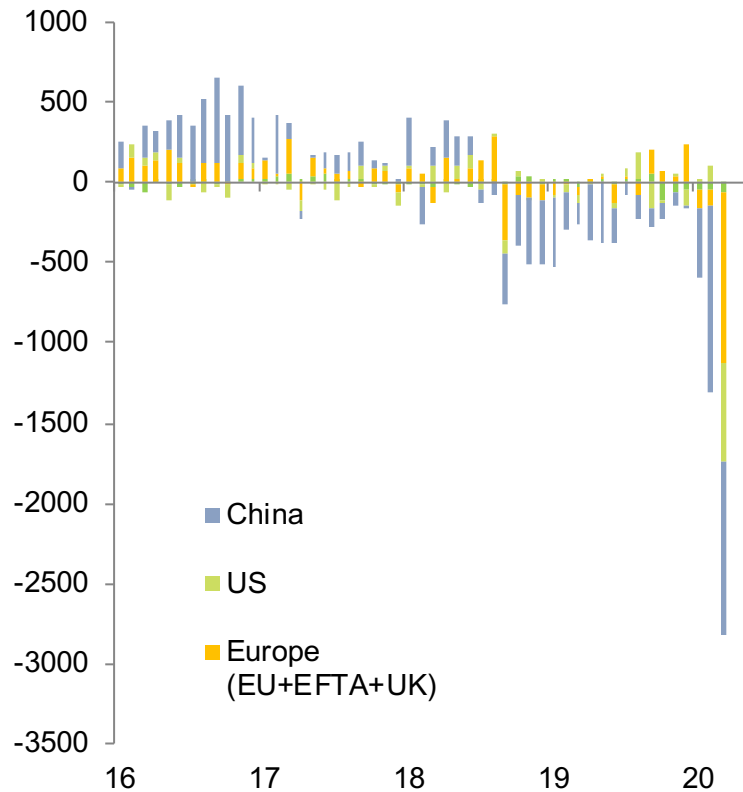


Services PMIs



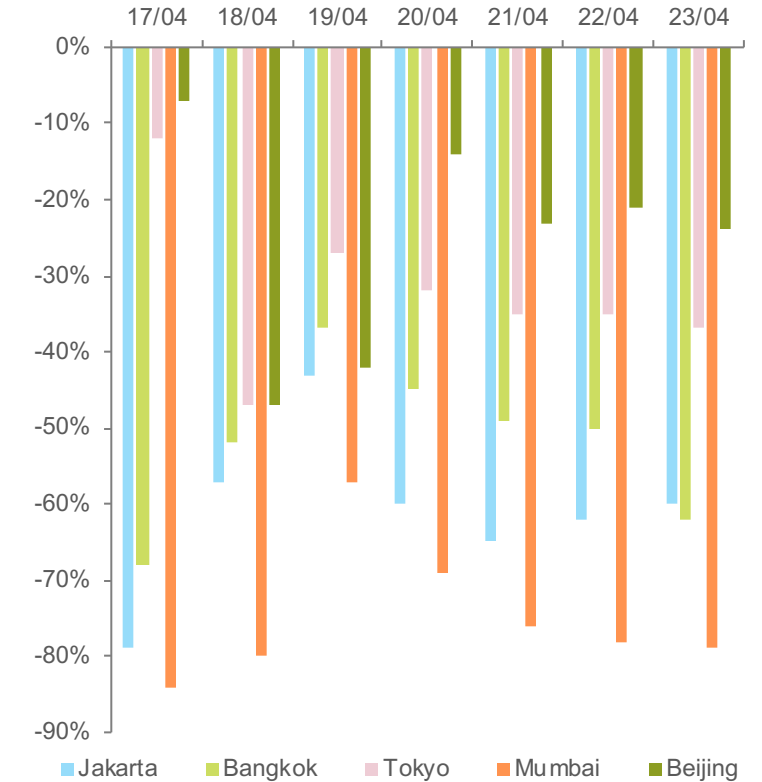
Sources: Markit, Euler Hermes, Allianz Research

Monthly car sales, annual change, '000



Sources: National Sources, Euler Hermes, Allianz Research

Current traffic congestion vs. 2019 average value

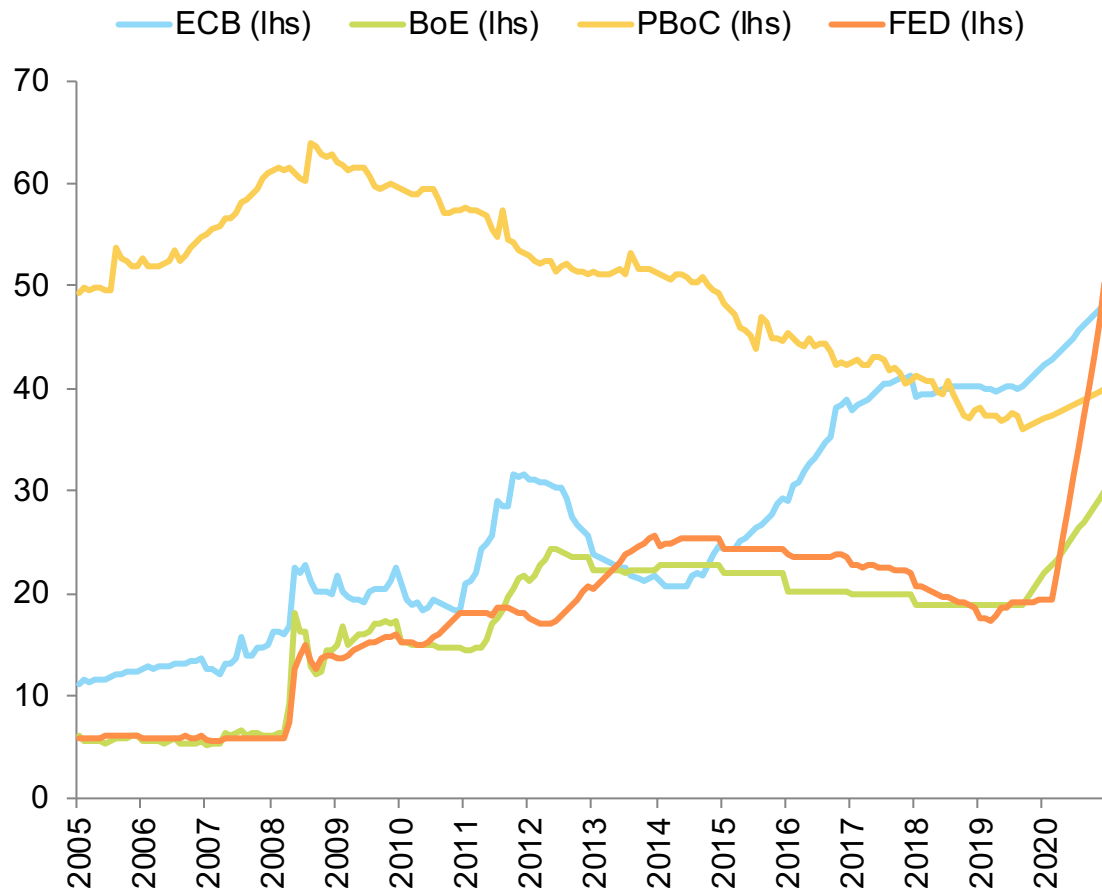


Sources: TomTom, Euler Hermes, Allianz Research

INITIAL RESPONSE: POLICYMAKERS' BAZOOKA

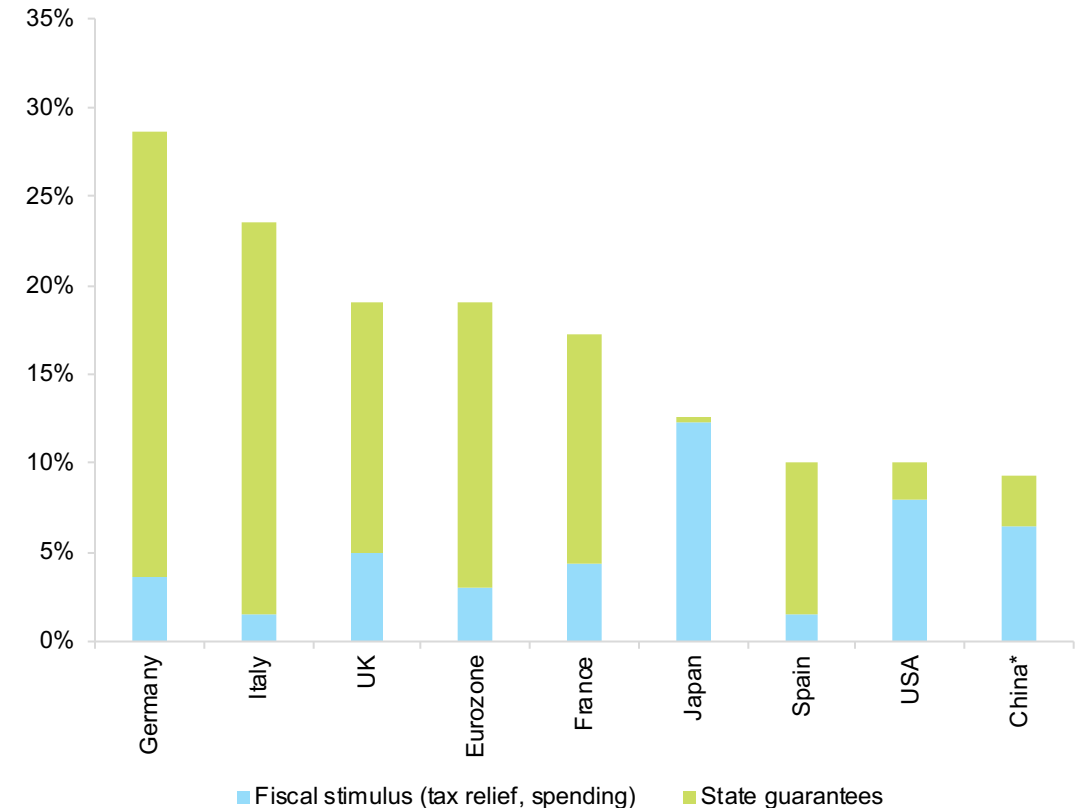


Central Bank balance sheets (% of GDP)



Sources: Official sources, Euler Hermes, Allianz Research

Fiscal policy: stimulus vs. State guarantees (% GDP)

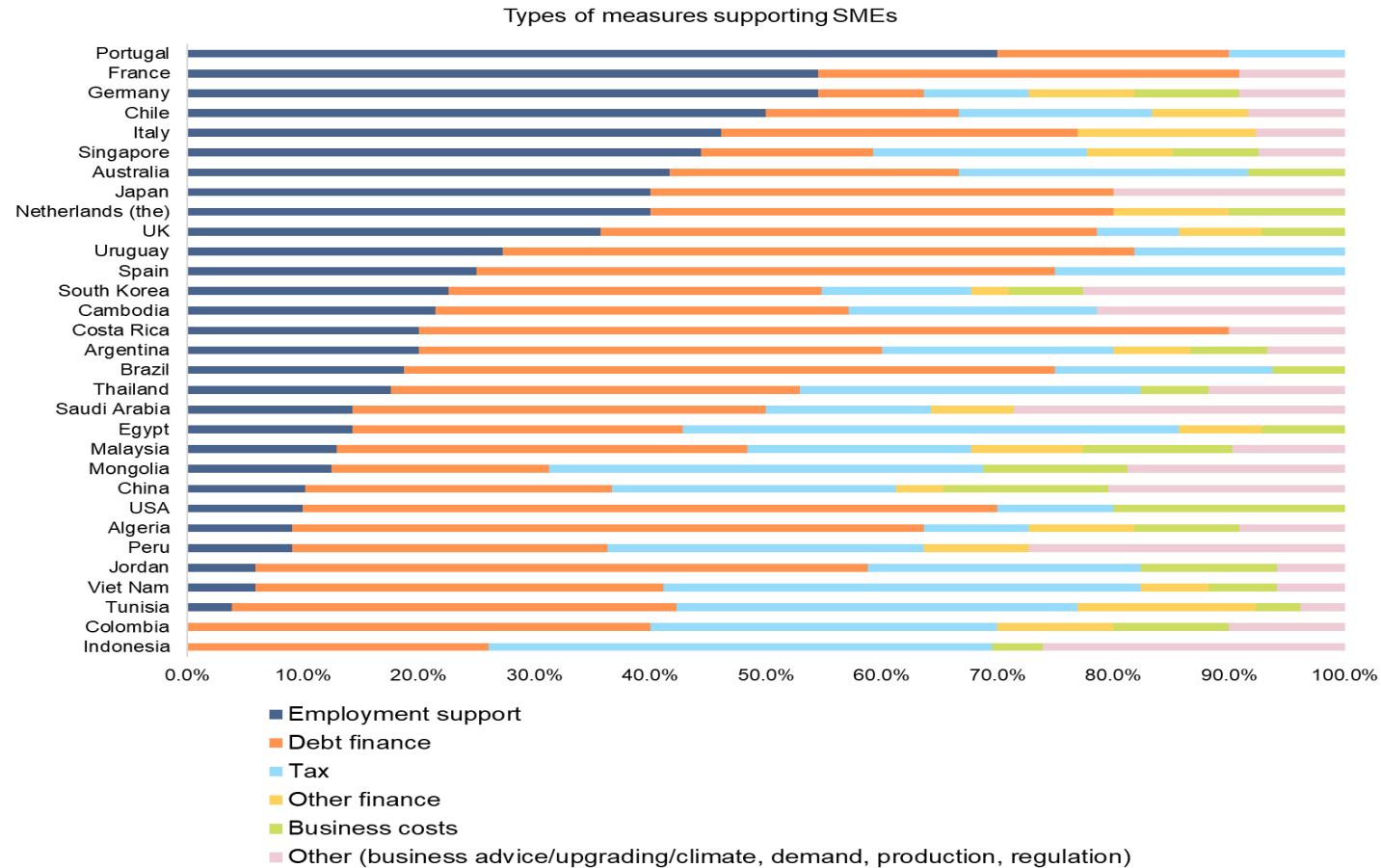


* Total expected, and liquidity injections instead of State guarantees (the latter one not being straightforward to estimate given the structure of the economy).

Sources: Official sources, Euler Hermes, Allianz Research

LIQUIDITY SHOCK: FOCUSING ON COMPANIES' NEEDS, LARGE AND SMALL

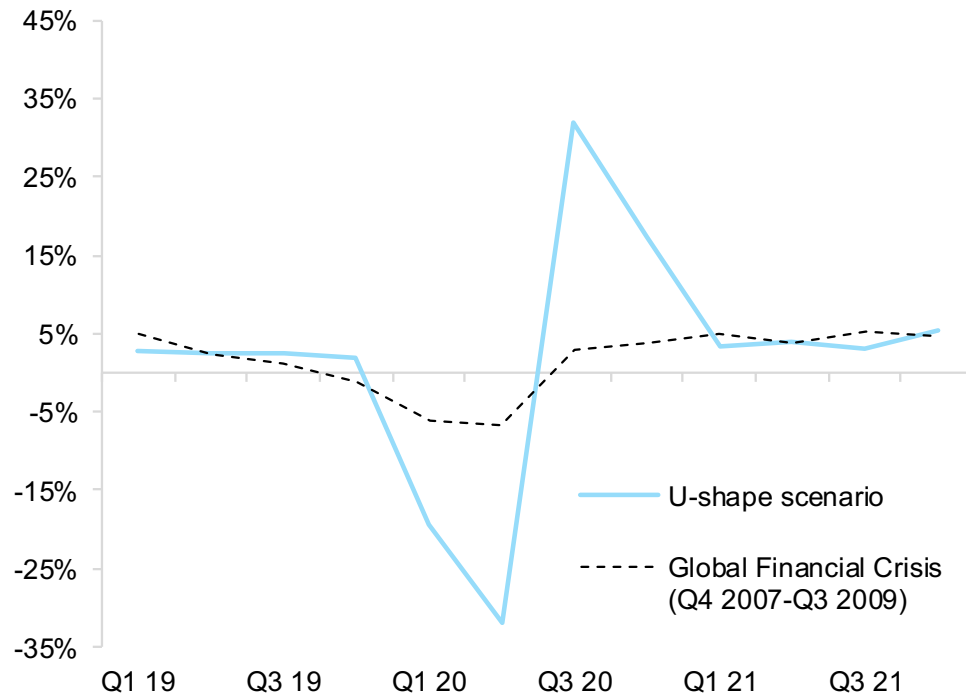
Supportive measures for SMEs, distribution by type



Sources: World Bank, Euler Hermes, Allianz Research

THE GREAT LOCKDOWN: TWICE AS BAD AS THE 2009 GLOBAL FINANCIAL CRISIS

Global real global GDP growth, q/q annualized



We expect the supply and demand shocks, especially through confinement measures, to push the global economy into recession in H1 2020 (4x the trough seen during the global financial crisis).

We expect a U-shape recovery thereafter, supported by stimulus measures.

Real global GDP growth, annual, %

	2017	2018	2019	2020	2021
World GDP growth	3.3	3.1	2.5	-3.3	5.6
United States	2.4	2.9	2.3	-2.7	3.3
Latin America	1.0	1.0	0.1	-4.1	3.7
Brazil	1.3	1.3	1.1	-5.0	5.5
United Kingdom	1.8	1.3	1.4	-8.2	8.7
Eurozone members	2.7	1.9	1.2	-9.3	9.3
Germany	2.8	1.5	0.6	-8.9	8.7
France	2.4	1.7	1.3	-8.9	9.6
Italy	1.7	0.7	0.3	-11.4	11.0
Spain	2.9	2.4	2.0	-11.0	10.0
Russia	1.6	2.3	1.3	-2.5	5.2
Turkey	7.5	2.8	0.9	-3.3	7.6
Asia-Pacific	5.2	4.7	4.3	-0.6	6.5
China	6.9	6.7	6.1	1.8	8.5
Japan	2.2	0.3	0.7	-5.7	2.2
India	7.3	6.2	5.0	1.1	7.5
Middle East	1.2	1.1	0.6	-4.5	2.4
Saudi Arabia	-0.7	2.4	0.2	-2.0	2.0
Africa	3.1	2.7	1.9	-1.6	3.6
South Africa	1.4	0.8	0.3	-5.3	4.5

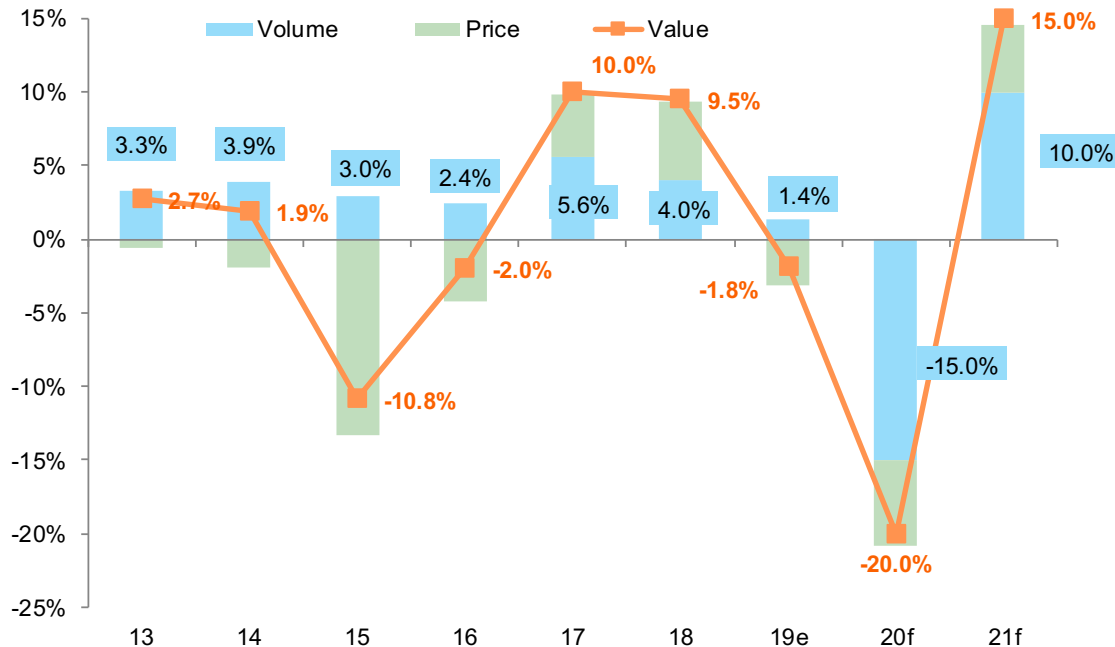
* Weights in global GDP at market price, 2019

NB: fiscal year for India

Sources: Euler Hermes, Allianz Research

GLOBAL TRADE: USD3.5TN LOSS IN 2020 AND PROTECTIONISM RELOADED

Global Trade growth in volume and value (% y/y)



Sources: IHS Markit, Euler Hermes, Allianz Research

We expect two quarters of recession in trade in goods and services (Q1 and Q2) which will bring the annual figure to -15% in 2020. In value terms, plummeting commodity prices and a stronger USD will weigh on prices.

Protectionism will be a key feature of the life after Covid-19

Shorter supply chains likely to be in focus in the coming year

Rules on foreign investment likely to get tighter

Nationalization are considered where necessary (air transport, banks...)

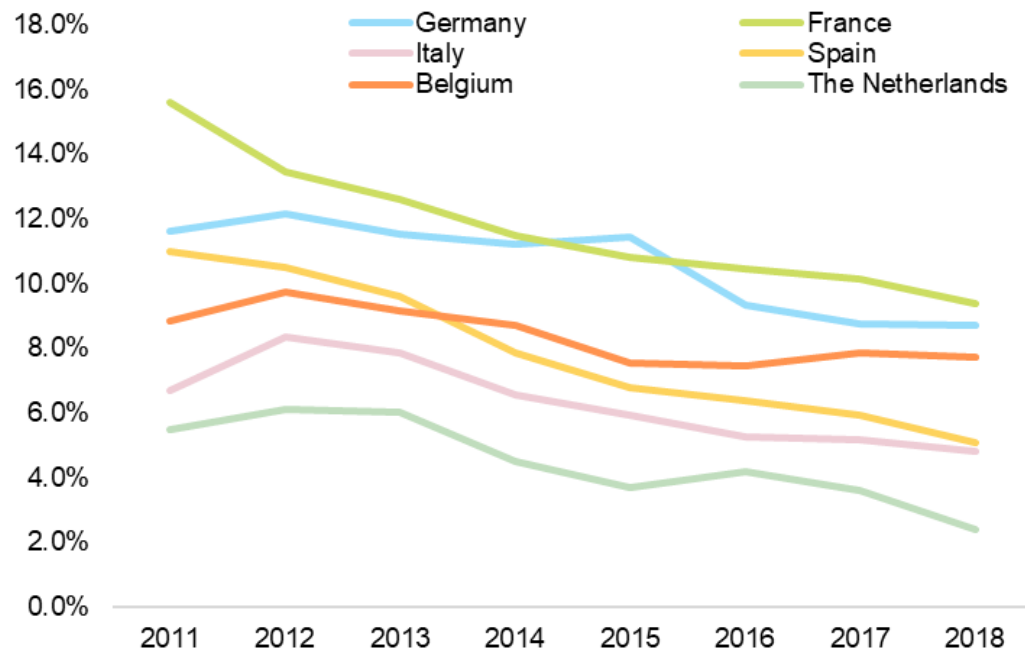
Sources: Euler Hermes, Allianz Research

UNCTAD predicts a drop in global FDI flows by up to -40% over 2020-2021. In addition, several FTAs (incl. with the UK) are likely to be delayed.

DESPITE UNPRECEDENTED SUPPORT, **INSOLVENCIES** ARE SET TO INCREASE BY +20% IN 2020



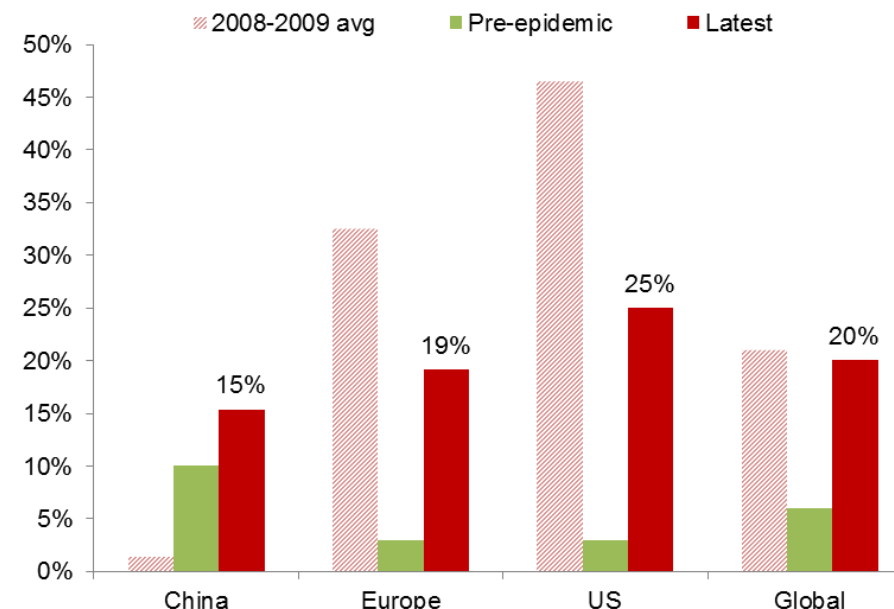
Share of SME & MidCaps at risk (close to zombies), % of total



Sources: Euler Hermes

We find that more than 13,000 SMEs & MidCaps (7% of total) in the six biggest Eurozone countries are at risk of going bust after persistent low profitability and turnover growth. We find that more than EUR500 bn of turnover (or 4% of Eurozone GDP) could be at risk.

2020 re-forecasts for annual business insolvencies – selected key countries and region



Sources: National statistics, Euler Hermes, Allianz Research

Final figures still depend on

- (i) the timing and magnitude of other policy measures yet to announced and
- (ii) the potential closures of business courts (which would create lags and delays in official registrations of liquidations and restructuring procedures).

SECTOR RATINGS: HEATMAP OF DOWNGRADES (Q1'20)



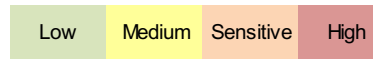
This heatmap shows

Change of sector risk in a given country (the color of the arrow gives the **final** risk level):

▽ Deterioration

△ Improvement

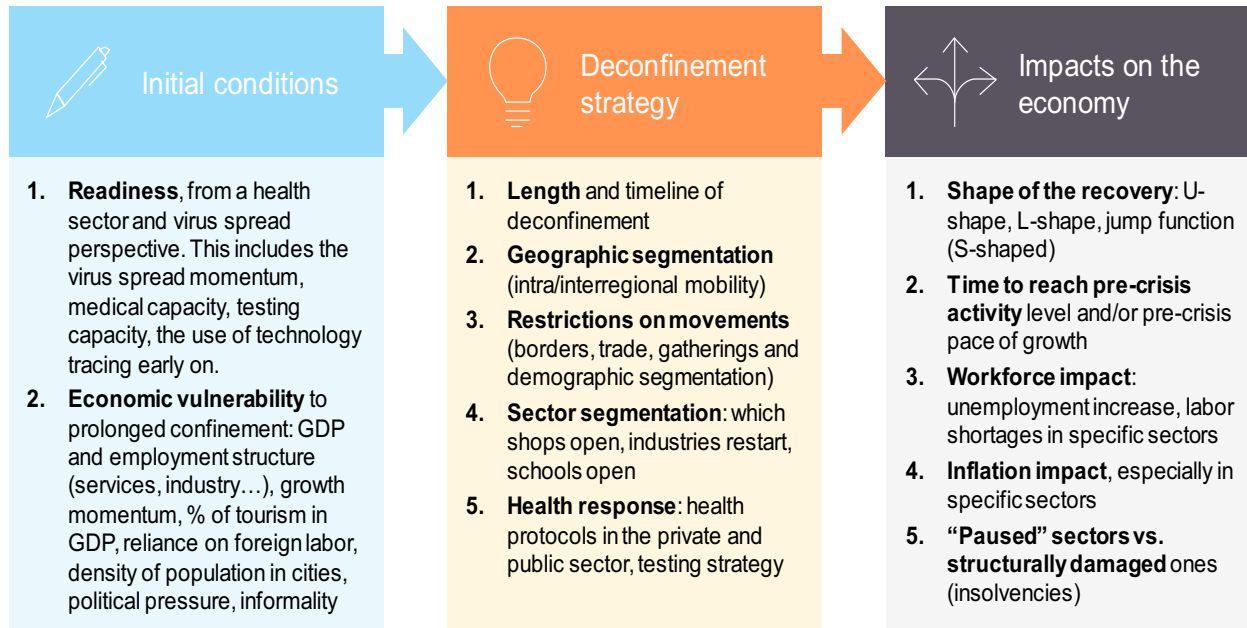
Regional risk level:



	Chemicals	Pharma	IT Services	Agrifood	Computer Telecom	Textile	Household Equipment	Transport Equipment	Paper	Transportation	Energy	Machinery	Construction	Metals	Retail	Electronics	Automotive Manufacturers	Automotive suppliers
North America	▽ US							▽ US		▽ US								
ASIA	▽ Singapore			▽ Malaysia ▽ Vietnam			▽ Taiwan	▽ Korea ▽ Hong-Kong ▽ China ▽ Philippines ▽ Vietnam		▽ Malaysia ▽ Philippines ▽ Singapore ▽ Vietnam ▽ China				▽ Philippines	▽ China ▽ Korea ▽ Taiwan ▽ Vietnam ▽ Japan ▽ Singapore ▽ Thailand	▽ Vietnam ▽ Indonesia	▽ Korea ▽ Singapore	▽ Korea ▽ Philippines ▽ Singapore
Western Europe	▽ Luxembourg ▽ Ireland ▽ Italy			▽ Ireland ▽ Italy	▽ Sweden ▽ Belgium ▽ Luxembourg	▽ Belgium ▽ Ireland ▽ Italy ▽ Luxembourg ▽ Netherlands ▽ UK	▽ Netherlands ▽ Spain	▽ Ireland ▽ Portugal	▽ Ireland	▽ Belgium ▽ Finland ▽ Ireland ▽ Luxembourg ▽ Norway ▽ Portugal ▽ Sweden ▽ UK		▽ Germany ▽ Ireland ▽ Portugal	▽ Ireland ▽ Italy ▽ Spain	▽ Ireland	▽ Ireland ▽ Netherlands ▽ Portugal	▽ Denmark ▽ Ireland ▽ Belgium ▽ Luxembourg ▽ UK	▽ Belgium ▽ Ireland ▽ Portugal ▽ UK	▽ Belgium ▽ Germany ▽ Ireland ▽ Portugal ▽ UK
Central & Eastern Europe					▽ Czech Rep			▽ Estonia	▽ Russia	▽ Czech Rep ▽ Estonia ▽ Lithuania ▽ Romania ▽ Slovakia ▽ Poland ▽ Turkey	▽ Estonia		▽ Lithuania	▽ Russia		▽ Czech Rep ▽ Estonia	▽ Hungary ▽ Romania	▽ Bulgaria ▽ Czech Rep ▽ Hungary ▽ Lithuania ▽ Poland ▽ Romania ▽ Slovakia
Africa & Middle East											▽ Qatar				▽ Israel ▽ South Africa		▽ Morocco	
Latin America			▽ Chile		▽ Costa Rica ▽ Chile			▽ Mexico			▽ Ecuador		▽ Costa Rica ▽ Chile			▽ Panama ▽ Costa Rica ▽ Guatemala ▽ Mexico ▽ Colombia	▽ Chile ▽ Peru	

HAPHAZARD OPENING: CARING, TESTING AND MONITORING CAPACITIES WILL BE ESSENTIAL

Deconfinement analytical framework

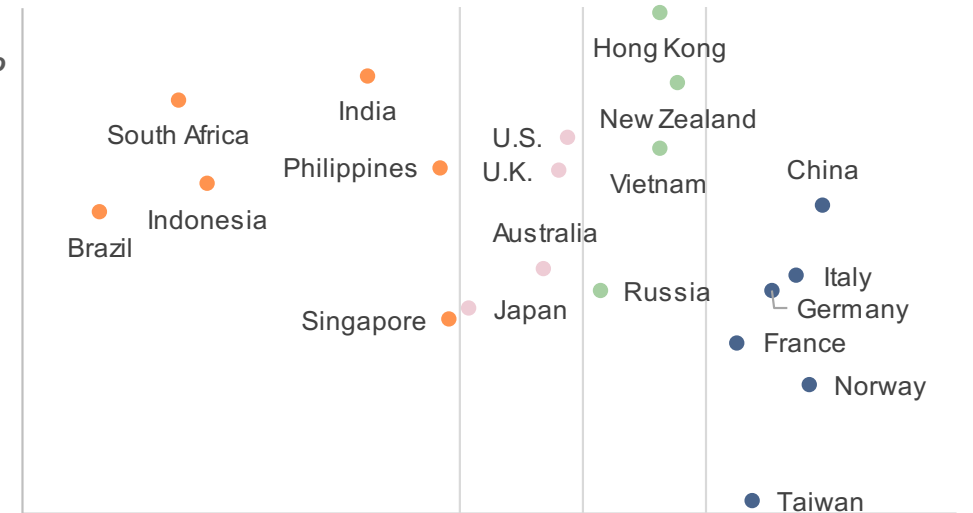


Sources: Various, Euler Hermes, Allianz Research

To understand exit strategies and their risks, we group countries over two dimensions that analyze their initial conditions and then break down deconfinement strategies and impacts.

Economic vulnerability to confinement

(growth momentum, fiscal balance, oil price sensitivity, employment protection, tourism contribution to employment, informal employment)



Health readiness to de-confine
(proprietary effective R0, testing data, w inter/flu season in coming two months)

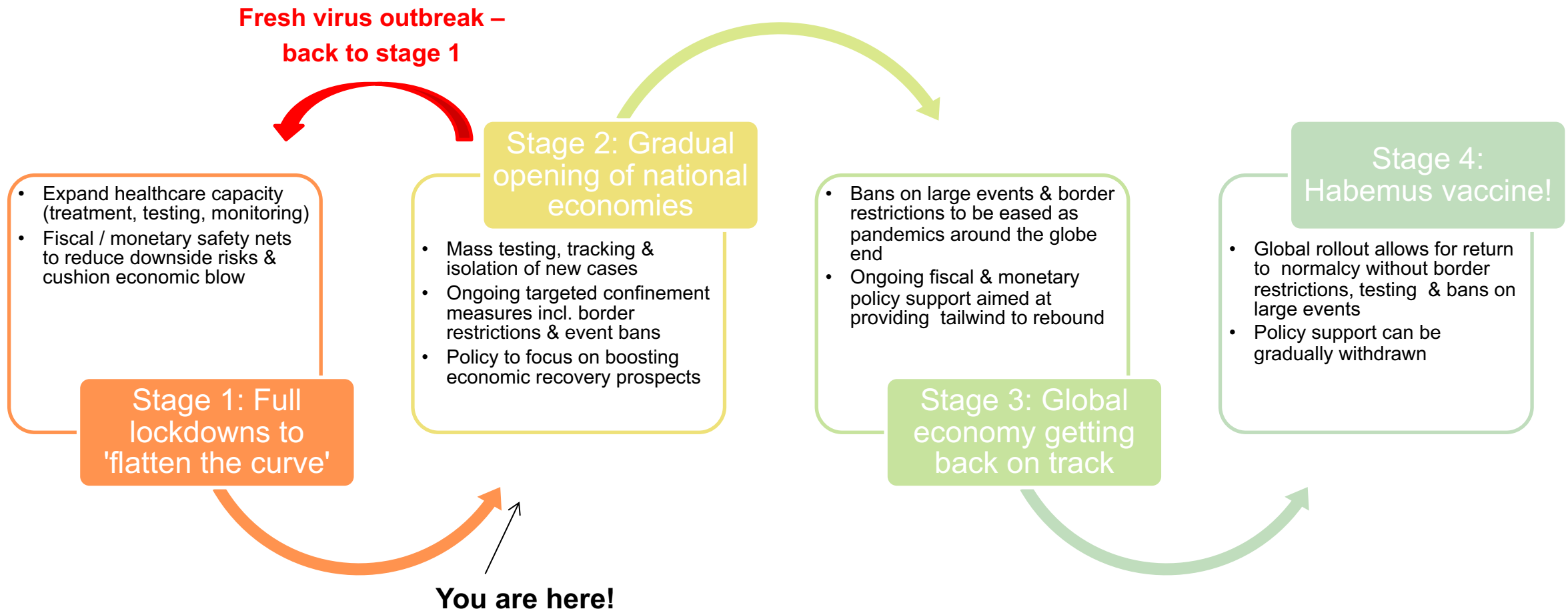
● Early birds ● Borderline ● Still battling ● Most vulnerable

Sources: Various, Euler Hermes, Allianz Research

4 clusters:

early birds (blue), gradual de-confinement, first mover disadvantage;
borderline (green) could start de-confining but risk of renewed outbreaks;
still battling (pink), should keep confinement in place for the moment;
most vulnerable (orange), high risk of policy mistake.

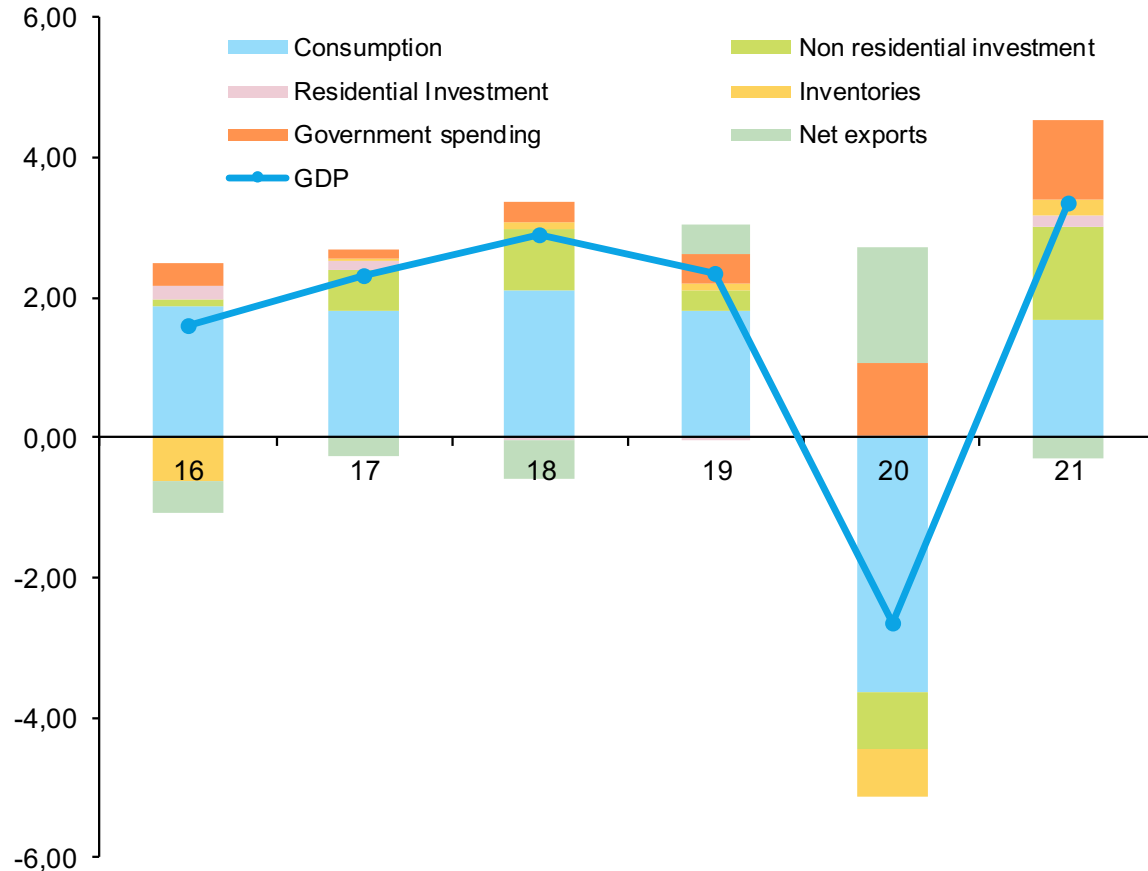
WHAT IT TAKES TO GET BACK TO BUSINESS AS USUAL



Sources: OECD, Euler Hermes, Allianz Research

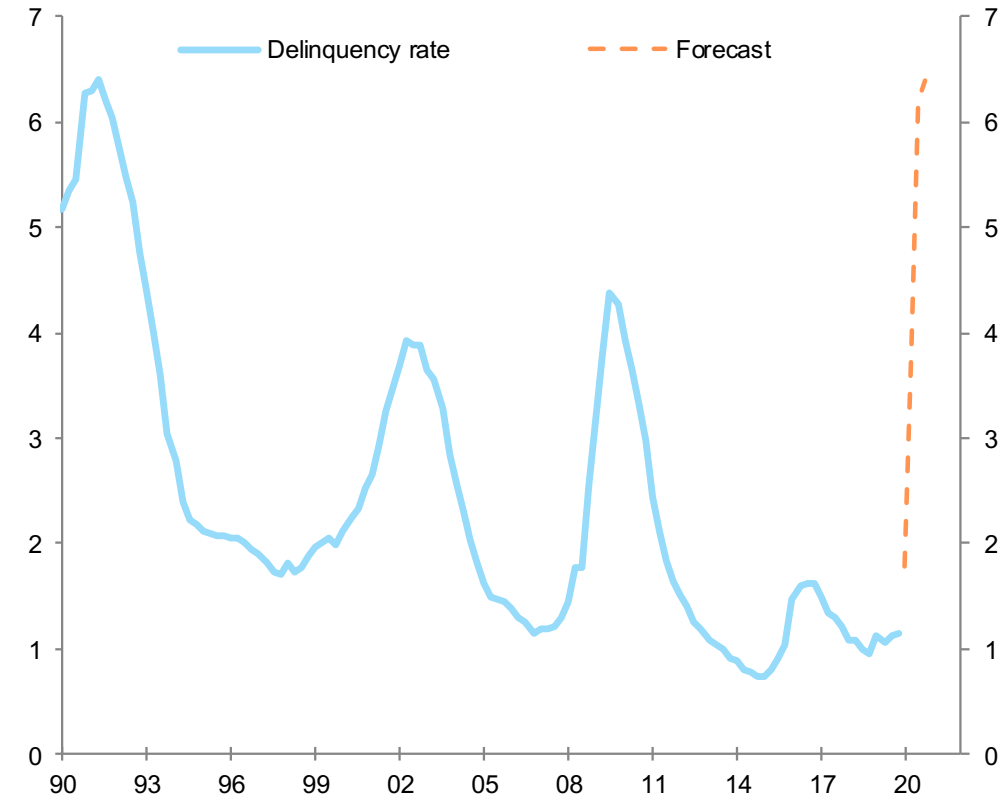
UNITED STATES: DELINQUENCIES TO SURGE

Contribution to US GDP growth (% , y/y)



US GDP should decline by -30% q/q annualized in Q2 2020.
We expect the US GDP to decline by -2.7% y/y in 2020 and rebound at 3.3% y/y in 2021

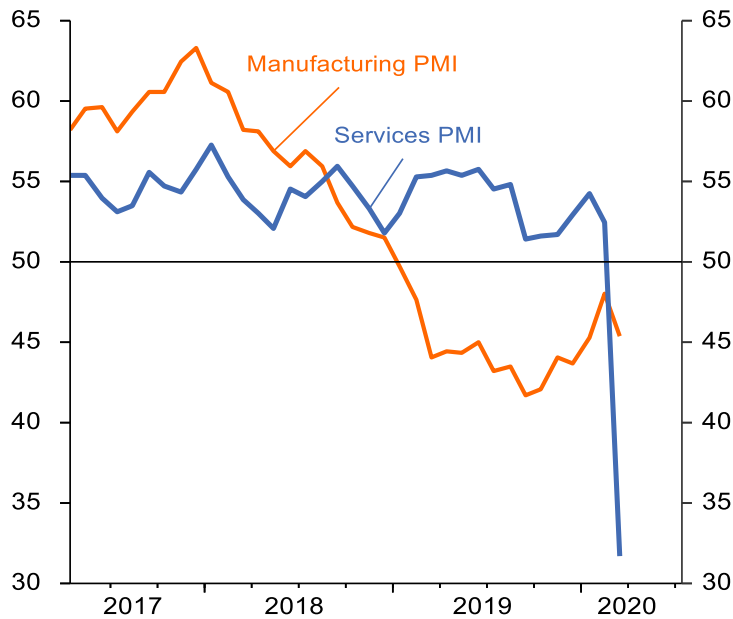
US Delinquency rate of industrial and commercial loans (% of total)



We estimate the delinquency rate with the unemployment rate (size of the shock), the credit gap to GDP (fragility factor) and public expenditures (as % of GDP, economic policy reaction factor). In 2020, this delinquency rate could reach a record high since the 1990s.

EUROPEAN CORPORATES: EXPECT DECREASING TURNOVERS AND DETERIORATING MARGINS

Eurozone PMIs



Sources: Refinitiv, Allianz Research

The Eurozone is facing an unprecedented economic setback in terms of size and speed, with the contraction in GDP driven above all by the services sector.

Turnover growth (y/y), manufacturing sector



Sources: Eurostat, Euler Hermes, Allianz Research

In the context of the COVID-19 crisis, we estimate that turnovers of Eurozone companies could fall by more than -30% y/y at the peak of the crisis in Q2.

Input and selling prices, Manufacturing PMI



Sources: Eurostat, Euler Hermes, Allianz Research

Companies are facing an strong increase in their inventory to new orders ratio, which can announce further downside pressures on selling prices

EUROPEAN JOBS: UP TO ONE THIRD AT RISK



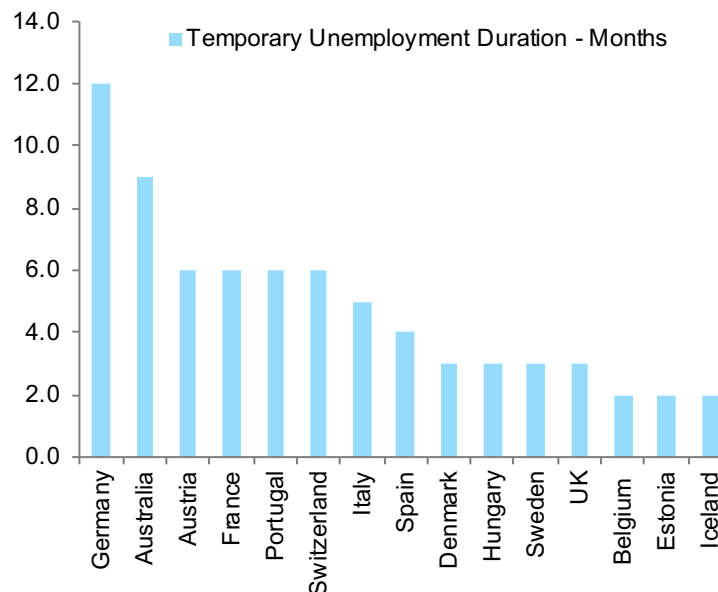
Employment at risk and cost for public finances

Cost of <i>Kurzarbeit</i> from 65% to 84% of wages depending on the country	Compensation (incl. employer social contributions, EUR bn) at risk	Full time-jobs at risk in Million
Germany	34	12
France	43	11
Italy	29	9
Spain	18	8
UK	37	13
Belgium	8	2

Sources: Eurostat, Euler Hermes, Allianz Research

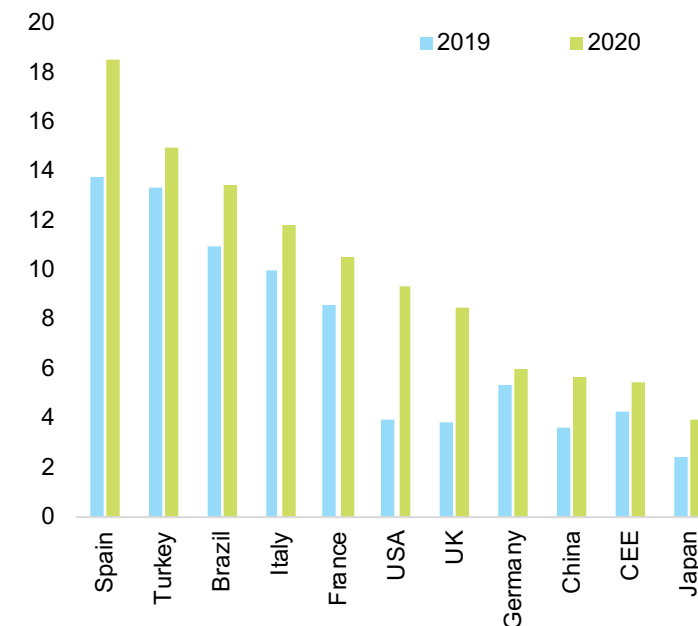
A lockdown is estimated to shut down up to 40% of GDP and put up to 30% of jobs at risk given the temporary pause of economic activity. We estimate 40 million people to be in need for partial unemployment benefits in the four biggest Eurozone countries alone.

Duration of temporary unemployment benefits



Sources: Euler Hermes, Allianz Research

Unemployment rates, %



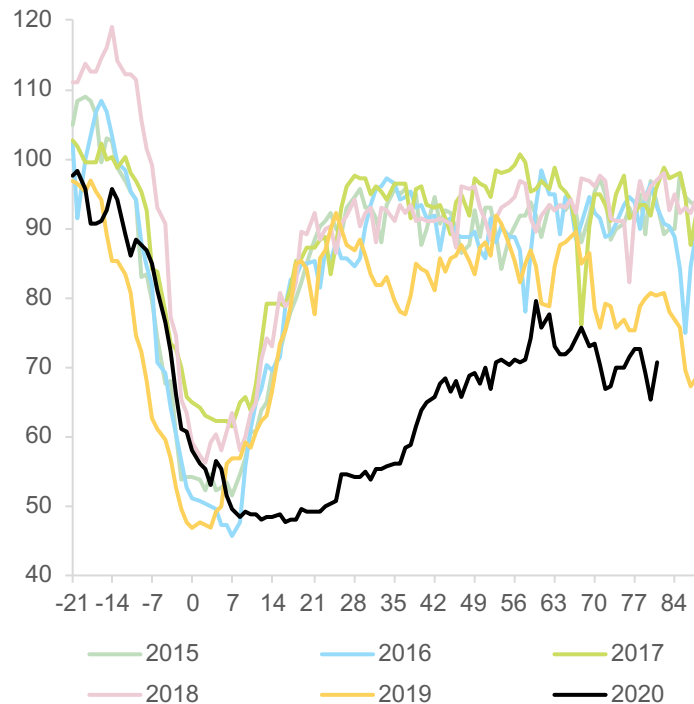
Sources: Euler Hermes, Allianz Research

Despite job protection of varying generosity in place, we expect a marked rise in unemployment. After all the very gradual economic reopening will put companies under pressure to reduce fixed costs, notably in those sectors that will see a relatively slower restart. We estimate the Eurozone unemployment rate to rise by +2pp to 9.5% in 2020.

CHINA ACTIVITY STILL c.15% BELOW USUAL LEVELS

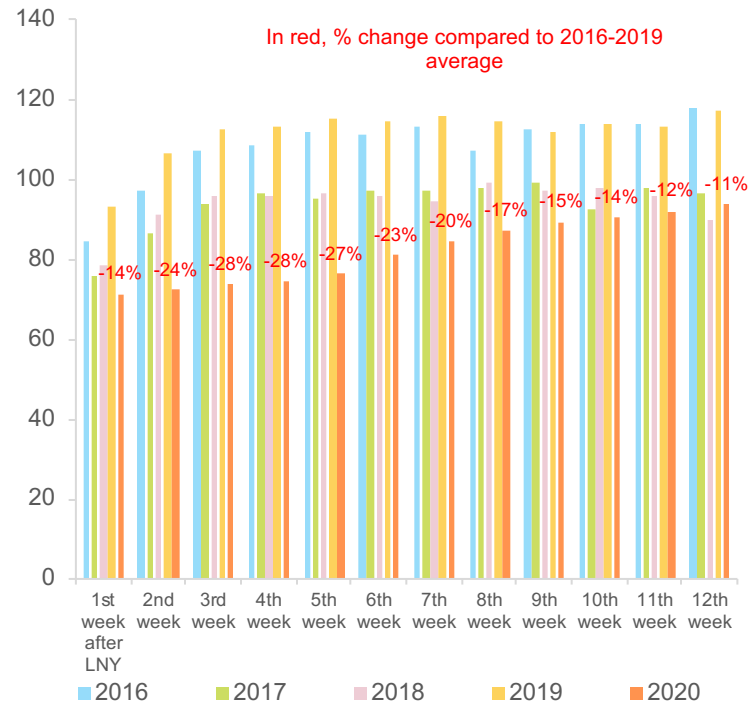


Daily average coal consumption at major power generation groups, base 100



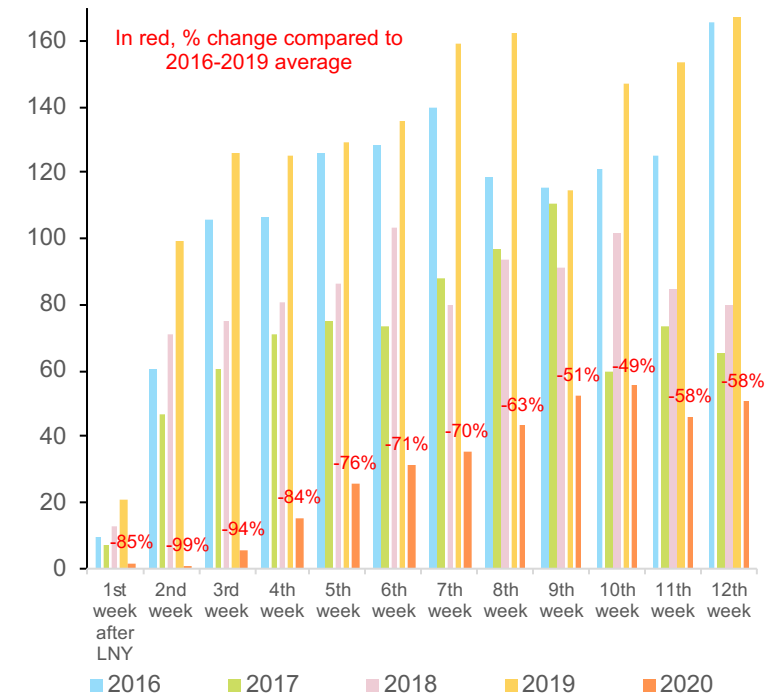
Source: Wind, Allianz Research

Traffic congestion index (across 100 cities). base 100



Source: Wind, Allianz Research

Property transaction volume (across 30 cities). base 100



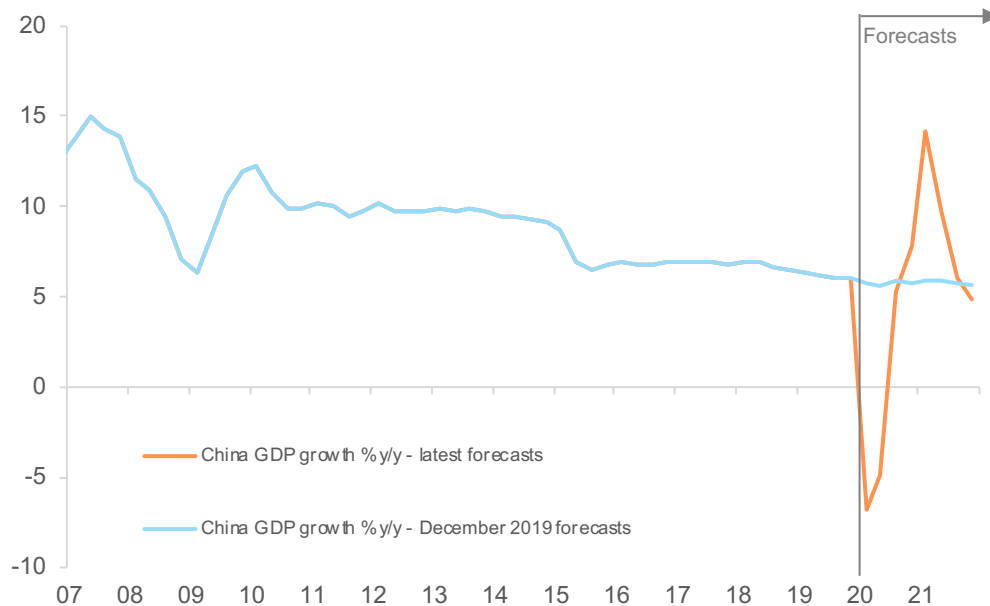
Source: Wind, Allianz Research

With the COVID-19 epidemic now mostly under control in China, authorities' focus has turned towards resuming business activity in the country. High frequency indicators suggest that the economy is gradually coming back on track, and is now probably c.15% below its usual levels at this time after the Lunar New Year. We expect resumption to be close to complete on the production side by the end of June. On the consumption side, it could take longer for confidence and households behaviours to come back to normal.

CHINA GROWTH IN 2020 REVISED DOWN TO +1.8%



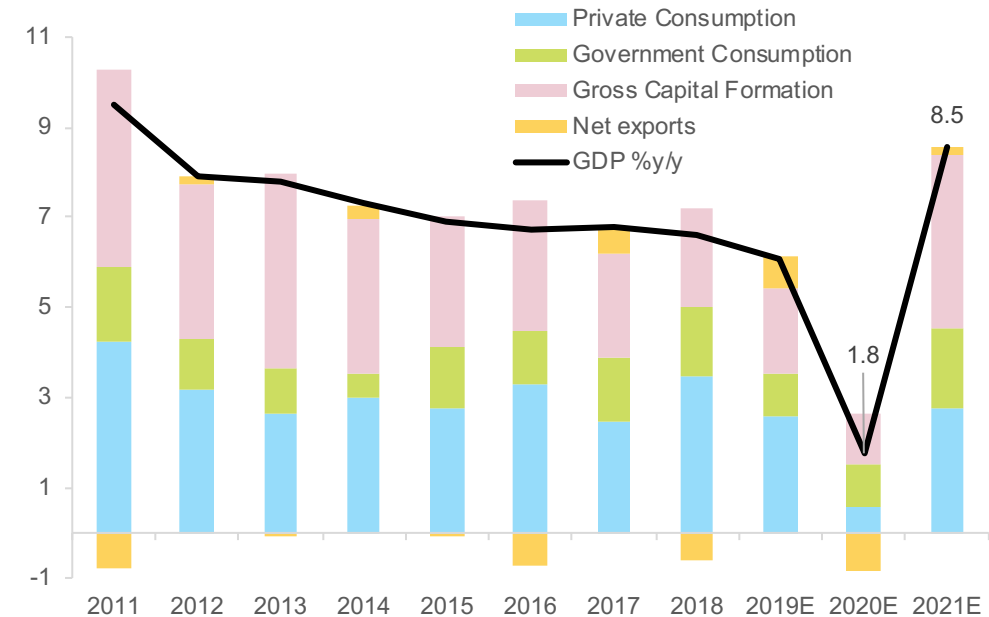
GDP growth (%y/y)



Source: National statistics, Euler Hermes, Allianz Research

Activity data at the beginning of the year declined to record lows. GDP growth declined by -6.8% y/y in Q1, and we expect economic activity to fully resume around June 2020.

GDP growth (%) & breakdown of contributions (pp)



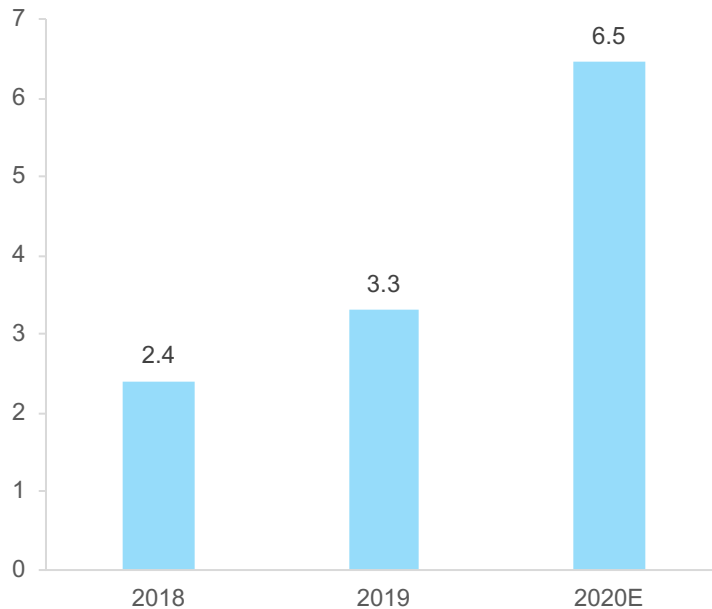
Source: National statistics, Euler Hermes, Allianz Research

After the slump of Q1, we expect a gradual recovery thereafter, particularly visible in H2. This should be possible thanks to some catch-up from pent-up production and policy support. We expect 2020 GDP growth at +1.8%.

CHINA POLICY MIX: FURTHER EASING TO COME



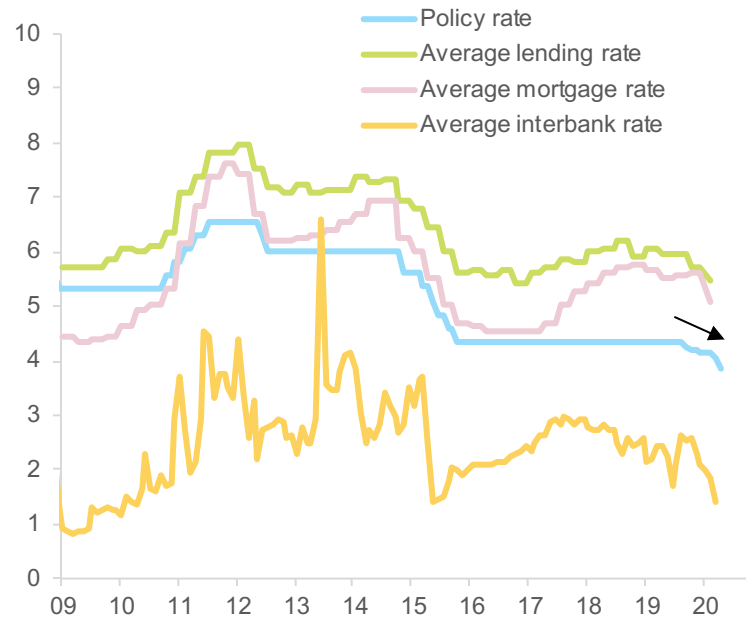
Size of fiscal stimulus package (% of GDP)



Source: Euler Hermes, Allianz Research

Fiscal easing is likely to increase in 2020. We now expect fiscal support amounting to 6.5% of GDP, up from 2.7% forecast before the COVID-19 outbreak.

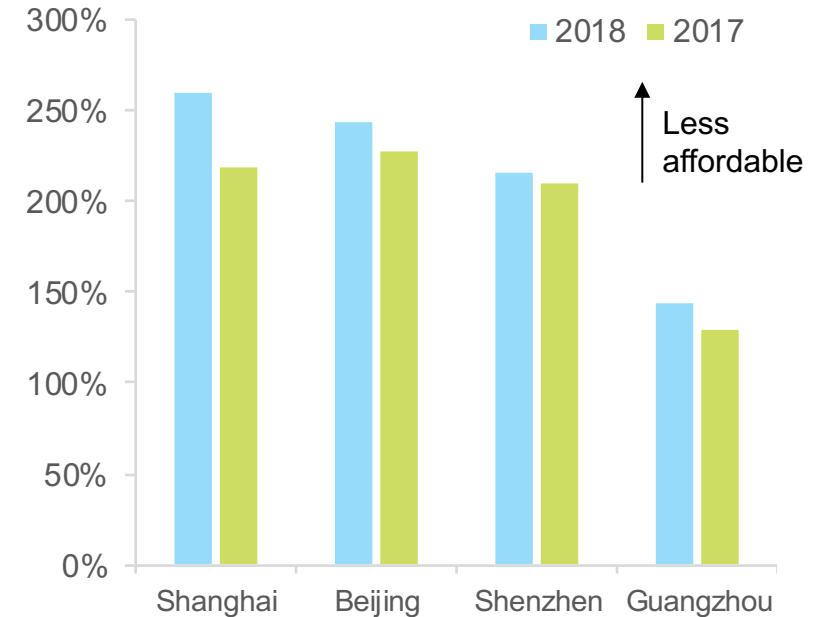
Interest rates (%)



Source: PBOC, Euler Hermes, Allianz Research

On the monetary side, the People's Bank of China (PBOC) should continue easing. Over 2020, we expect cuts in the policy rate worth 40bp in total, and the Reserve Requirement Ratios for large banks to be lowered by 150bp overall.

Housing affordability (cost as % of income)



Source: Bloomberg, Euler Hermes, Allianz Research

Authorities still seem reluctant to use the housing sector as a cyclical stabiliser, as they may be more concerned with housing affordability. Credit conditions may be loosened only marginally.

ASIA-PACIFIC: GDP GROWTH IN 2020 REVISED DOWN TO -0.6%



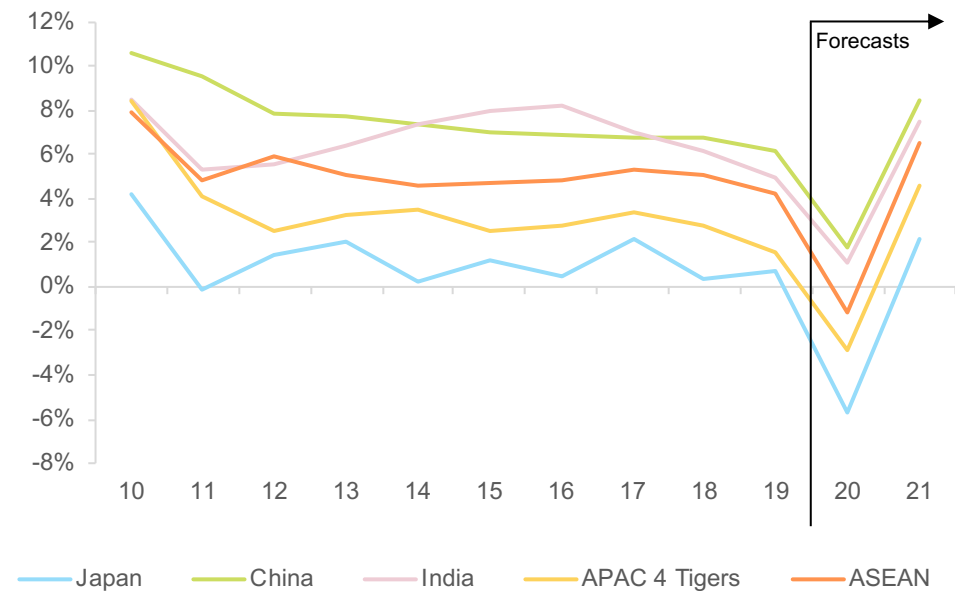
Real GDP growth (%)

	2018	2019	U-shape scenario		Protracted crisis scenario	
			2020	2021	2020	2021
Asia-Pacific	4.8	4.3	-0.6	6.5	-9.8	-0.1
Australia	2.7	1.8	-5.0	3.5	-13.6	-4.8
China	6.7	6.1	1.8	8.5	-6.6	1.8
Hong Kong	2.9	-1.2	-4.7	4.5	-16.0	-4.4
India	6.2	5.0	1.1	7.5	-12.8	2.2
Indonesia	5.2	5.0	0.9	6.7	-7.1	0.3
Japan	0.3	0.7	-5.7	2.2	-15.9	-5.1
Malaysia	4.7	4.3	-3.2	6.2	-14.3	-2.4
New Zealand	3.2	2.2	-5.2	3.0	-13.9	-5.4
Philippines	6.2	5.9	-2.6	7.7	-11.3	-0.5
Singapore	3.5	0.7	-4.1	4.9	-15.4	-3.5
South Korea	2.7	2.0	-2.5	4.5	-11.1	-2.1
Taiwan	2.7	2.7	-2.0	4.7	-11.0	-1.2
Thailand	4.1	2.4	-4.1	6.6	-15.3	-1.8
Vietnam	7.1	7.0	3.1	6.7	-0.9	2.5

Source: National Statistics, Euler Hermes, Allianz Research

We have revised down GDP growth for the Asia-Pacific region from +4.2% prior to the global pandemic to -0.6% in 2020 (after 4.3% in 2019).

Real GDP growth (%y/y)



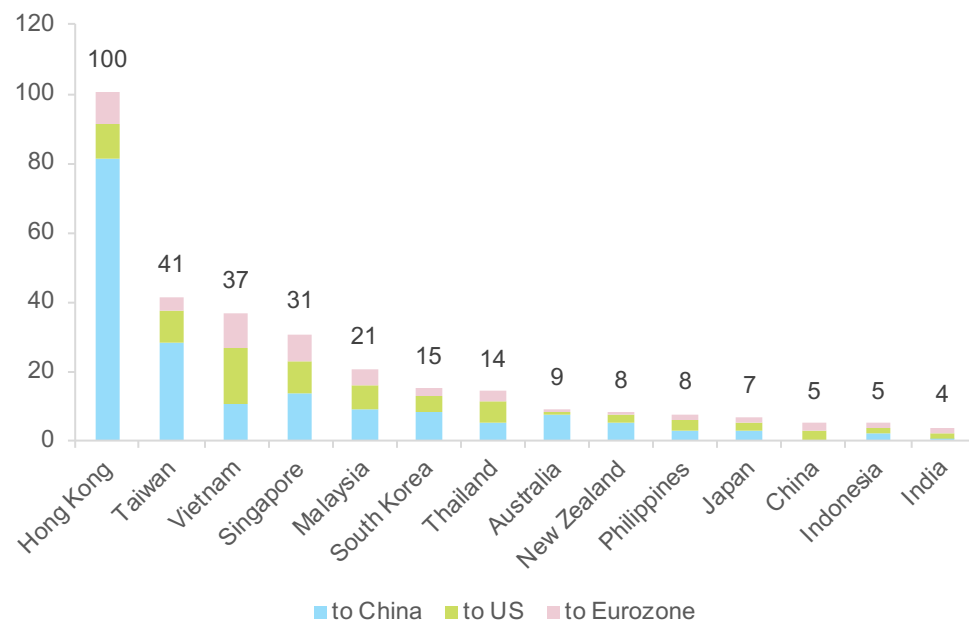
Source: National Statistics, Euler Hermes, Allianz Research

All the major economies in Asia-Pacific will experience a technical recession in H1. A partial recovery should follow in H2 for most.

ASIA-PACIFIC: EXTERNAL AND DOMESTIC SHOCKS



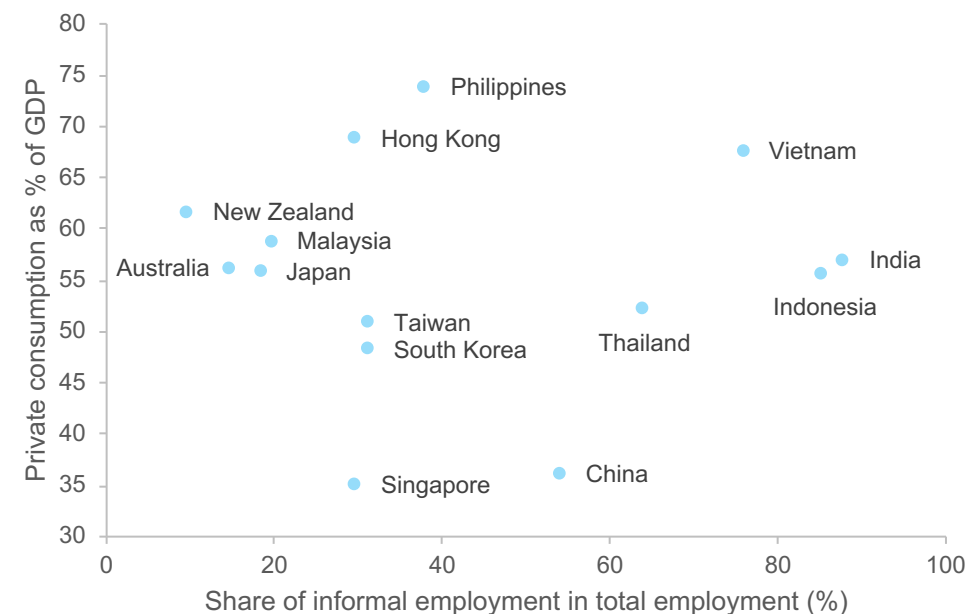
Exports to top 3 global economies (as % of GDP, 2019)



Sources: Various sources, Euler Hermes, Allianz Research

The external channel of COVID-19 economic impact hits as trading partners are under lockdown measures. The Four Asian Tigers and some ASEAN economies are most exposed.

Private consumption and employment at risk



Sources: Various sources, Euler Hermes, Allianz Research

The domestic channel of COVID-19 economic impact hits as lockdown is put in place locally. Economies with a larger share of fragile jobs will experience a bigger hit to private consumption. Furthermore, the expected decline in remittances could weigh further on household income.

ASIA-PACIFIC: POLICIES AIMING TO CUSHION THE ECONOMIC BLOW OF COVID-19

Monetary policy leeway

	Inflation Target	Inflation 2020 YTD	Inflation latest month	Policy rate	Monetary policy leeway
Australia	2%-3%	2.2%	2.2%	0.25%	●
China	3.0%	4.9%	4.3%	3.85%	●
India	4.0%	6.7%	6.6%	4.40%	●
Indonesia	3.5% +/-1%	2.9%	3.0%	4.50%	●
Japan	2.0%	0.5%	0.5%	-0.10%	●
Malaysia*	-	0.9%	1.3%	2.25%	●
New Zealand	1%-3%	2.5%	2.5%	0.25%	●
Philippines	3% +/-1%	2.7%	2.6%	2.75%	●
South Korea	2.0%	1.2%	1.1%	0.75%	●
Taiwan*	-	0.6%	-0.2%	1.13%	●
Thailand	2.5% +/-1.5%	0.4%	0.7%	0.75%	●
Vietnam*	-	4.9%	5.4%	5.00%	●

* no explicit inflation targeting framework

Light red when policy rate < latest inflation, green otherwise

Source: National Statistics, Euler Hermes, Allianz Research

Most central banks in Asia-Pacific have been aggressively cutting policy rates, with some now pursuing unconventional easing measures. Inflationary and FX pressures need to be watched.

Fiscal policy leeway

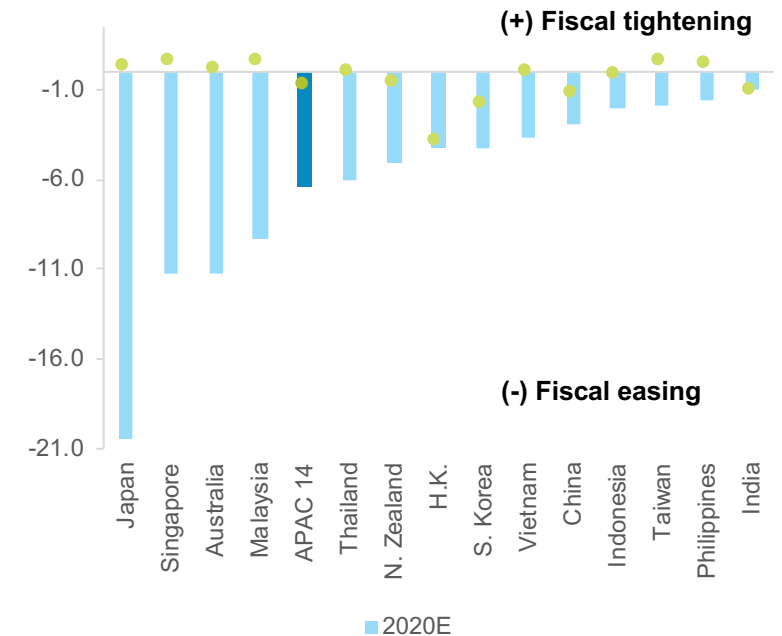
2019	Fiscal balance % of GDP	Public debt % of GDP	Fiscal leeway
Australia	-0.7%	42%	●
China	-6.1%	55%	●
Hong Kong	0.6%	0%	●
India	-7.5%	69%	●
Indonesia	-1.9%	30%	●
Japan	-3.0%	246%	●
Malaysia	-3.0%	56%	●
New Zealand	0.1%	29%	●
Philippines	-1.1%	39%	●
Singapore	4.3%	114%	●
South Korea	0.7%	41%	●
Taiwan	-1.3%	33%	●
Thailand	-0.2%	42%	●
Vietnam	-4.4%	54%	●

Light red if < -3% if > 50%

Source: National Statistics, Euler Hermes, Allianz Research

All major economies in Asia-Pacific have announced fiscal stimulus, with measures such as cash transfers, tax deferrals, wage and unemployment subsidies, etc.

Change in fiscal balance (pp)

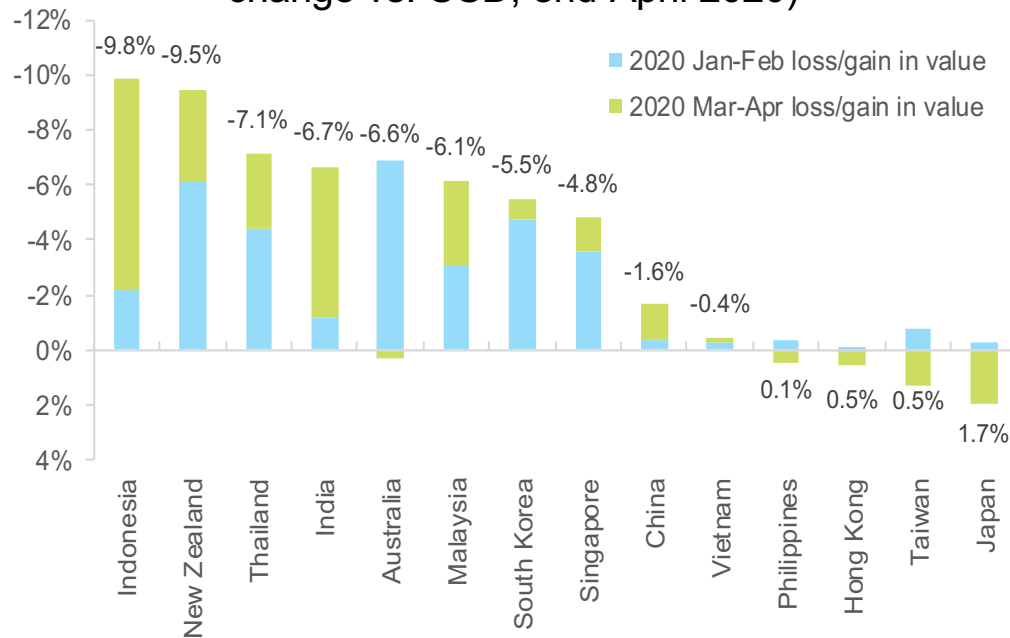


Source: National Statistics, Euler Hermes, Allianz Research

Fiscal easing in 2020 is particularly large in Japan, Singapore, Australia, Malaysia, Thailand, and New Zealand.

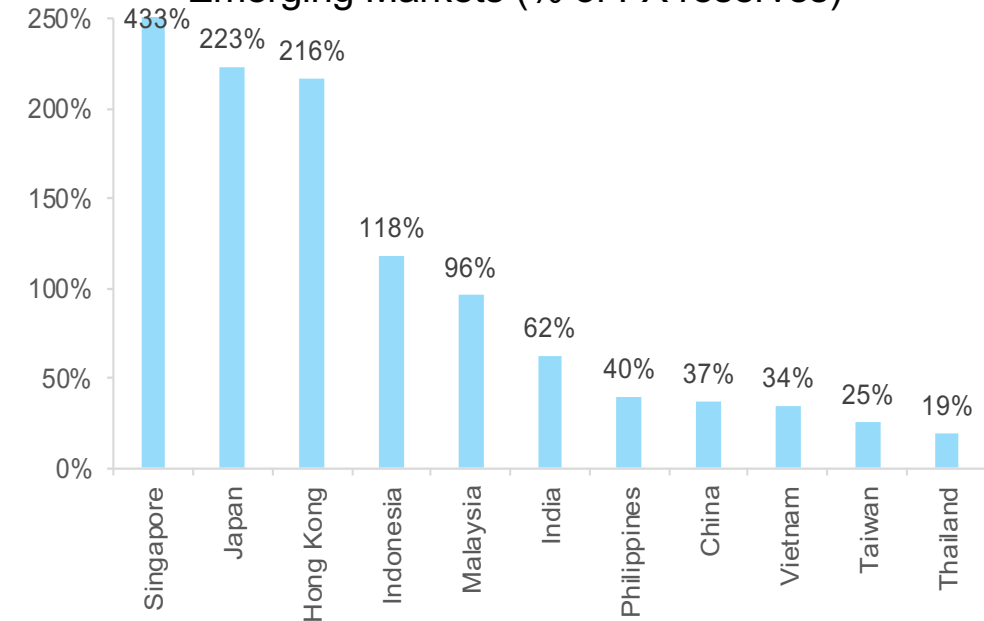
ASIA-PACIFIC: CURRENCY AND EXTERNAL FINANCING RISKS

Exchange rates of selected Emerging Markets (YTD change vs. USD, end-April 2020)



Sources: IHS Markit, Euler Hermes, Allianz Research

Gross external financing requirement of selected Emerging Markets (% of FX reserves)



Sources: IHS Markit, Euler Hermes, Allianz Research

In a risk-off environment, emerging market currencies tend to depreciate and foreign investors pull out capital.

This is a threat for economies with high external financing requirements; Indonesia, Malaysia and India are currently particularly at risk.

WHAT COULD GO WRONG? SEVEN POSSIBLE SINS



A second (more severe) outbreak of the virus, which would keep the global economy below pre-crisis levels. until the end of 2021

Long-lasting uncertainty and low confidence delaying investment and boosting precautionary savings.

Risks to the banking and real estate sector, as a side effect of a violent surge in high-risk lending and non-payment cash-strained companies

Policy mistakes – insufficient support from central banks – and the lack of adequate fiscal burden-sharing in the Eurozone to trigger a relapse and a sovereign debt crisis.

Unaddressed rising inequalities resulting in higher social discontent and political tensions, notably in Emerging Markets.

Shorter supply chains driving protectionist measures across the world and feeding into structurally lower corporate margins.

Excess moral hazard creating a collective risk of more inflation (if central banks go overboard with monetization), debt restructuring and increased taxes.

WHAT COULD GO WRONG? PROTRACTED CRISIS (1/2)



	U Shape Scenario	Protracted Crisis
Covid19 assumptions	Peak in May. Exit by September. Containment lasts three months in Europe and US. Border closure lifted by end of year.	12-18 months sanitary crisis with possible reinfection. Borders stay closed and intermittent domestic confinement prevail.
Scenario in a nutshell	Technical recession in H1 in most of Europe and Asia. Recovery is U-shaped and inflationary. Unprecedented policy mix to mitigate shock and help protect the web.	L-Shaped recovery with debt monetization, systemic equity/credit/ liquidity issues and direct actions by policy makers disrupt market roles for years to come. Hard to restart engines

Macroeconomics	Unit	2020			2021	
		U Shape Scenario	Maximum drawdown qoq annualized	Protracted crisis	U Shape Scenario	Protracted crisis
Real GDP		2 months confinement & very progressive deconfinement. Not back to pre-crisis levels before mid-2021.				
Global	%	-3.3	-25 to -35	-7.0	5.6	0.1
EMU	%	-9.3		-20.0	9.2	-2.5
US	%	-2.7		-6.0	3.3	-0.1
China	%	1.8		-6.6	8.5	1.8
Inflation						
EMU	%	0.1		-0.6	1.6	0.2
US	%	1.2		-2.5	2.5	-0.4
Unemployment rate						
EMU	%	9.5		11.0	8.0	11.5
US	%	9.4		12.0	13.3	17.0
Other Indicators						
Global trade (volume)	%	-15.0		-30.0	10.0	-10
Global automotive (volume of sales)	%	-15.0		-40 / -45	10.0	-5 / -10
Global business insolvencies	%	20		35 / 40	2.0	20 / 25

WHAT COULD GO WRONG? PROTRACTED CRISIS (2/2)



year-end figures (MIN to be considered as intra-2020 limit)	Latest Value	Unit	2020			2021	
			U Shape Scenario	Protracted crisis	MIN (maximum drawdown)	U Shape Scenario	Protracted crisis
Eurozone							
Sovereign Rates							
10y yield “risk-free” sovereign (Bunds)	-0.3	%	-0.5	-0.9	-1.1	-0.3	-0.6
10y Swap Rate	0.0	%	0.0	-0.4	-0.6	0.3	-0.3
20y Swap Rate	0.2	%	0.3	-0.2	-0.3	0.7	0.0
10y yield other sovereign (Italy)	1.7	%	1.7	2.7	3.9	1.4	1.7
Italy - Germany spread (10y)	197	bps	220	360	500	170	230
10y yield other sovereign (France)	0.2	%	0.4	1.0	0.1	0.1	0.5
France - Germany spread (10y)	48	bps	90	190	120	40	110
10y yield other sovereign (Spain)	0.8	%	0.6	1.2	1.9	0.4	1.0
Spain - Germany spread (10y)	115	bps	110	210	300	70	160
Corporate Credit Spreads							
Investment grade credit spreads	224	bps	180	230	300	150	190
High yield credit spreads	695	bps	750	850	1650	600	700
Equities							
MSCI EMU: total return p.a. (Reference point 31.12.2019)	-23	%	-22	-39	-55	10	-10
Expected Recovery from last traded value		%	7	-15	-38	18	-24
United States							
Sovereign Rates							
10y yield “risk-free” sovereign (Treasury)	0.8	%	1.0	0.5	0.0	1.4	0.9
10y US - 10y Bund Rate Difference	108	bps	150	140	110	170	160
Corporate Credit Spreads							
Investment grade credit spreads	283	bps	230	280	450	180	220
High yield credit spreads	881	bps	800	900	1650	650	750
Equities							
MSCI USA: total return p.a. in USD (Reference point 31.12.2019)	-12	%	-20	-35	-50	15	-3
Expected Recovery from last traded value		%	-1	-20	-38	13	-22
Emerging Markets							
Sovereign Rates							
Hard Currency Yield (USD)	7.2	%	5.5	7.0	8.0	5.1	5.7
Hard Currency Spread (USD)	647	bps	450	650	800	370	480
Equities							
MSCI EM: total return p.a. in USD (Reference point 31.12.2019)	-19	%	-24	-42	-60	20	-8
Expected Recovery from last traded value		%	-3	-26	-49	17	-32

MEDIUM TERM: CRISIS LEGACY

Strong state, redux

The role of the state vis-à-vis markets has been strengthened:

- Expect more assertive and interventionist governments
- Expect more basic needs and goods – from (green) infrastructure to health – provided by the state

De-globalization/-sinification

The close interlinkages between states has been put into question

- Expect states to reduce their foreign reliance on “strategic” goods (from drugs to batteries)
- Expect companies to shorten their supply chains

Social risk

Inequality trifecta (income, wealth and opportunities) exacerbated by health, housing, and digital differences

- Expect social unrest
- Expect surge in demand for more (income) protection and security

Identity politics 2.0

Authoritarian vs democratic state: Who can better fight a pandemic?

- Expect checks and balances to be put to the test, and politicization of economic carnage
- Expect rivalries (US/China/Europe)

Risk aversion/awareness

Trust in financial market stability & functioning has been challenged

- Expect investors to shift to more defensive strategies
- Expect more demand for risk cover

Increase in productivity/digital

The way we work has been changed

- Expect more flexible team structures and remote working, pushing up productivity by around 5% (according to several studies)
- Expect less business trips

THANK YOU

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