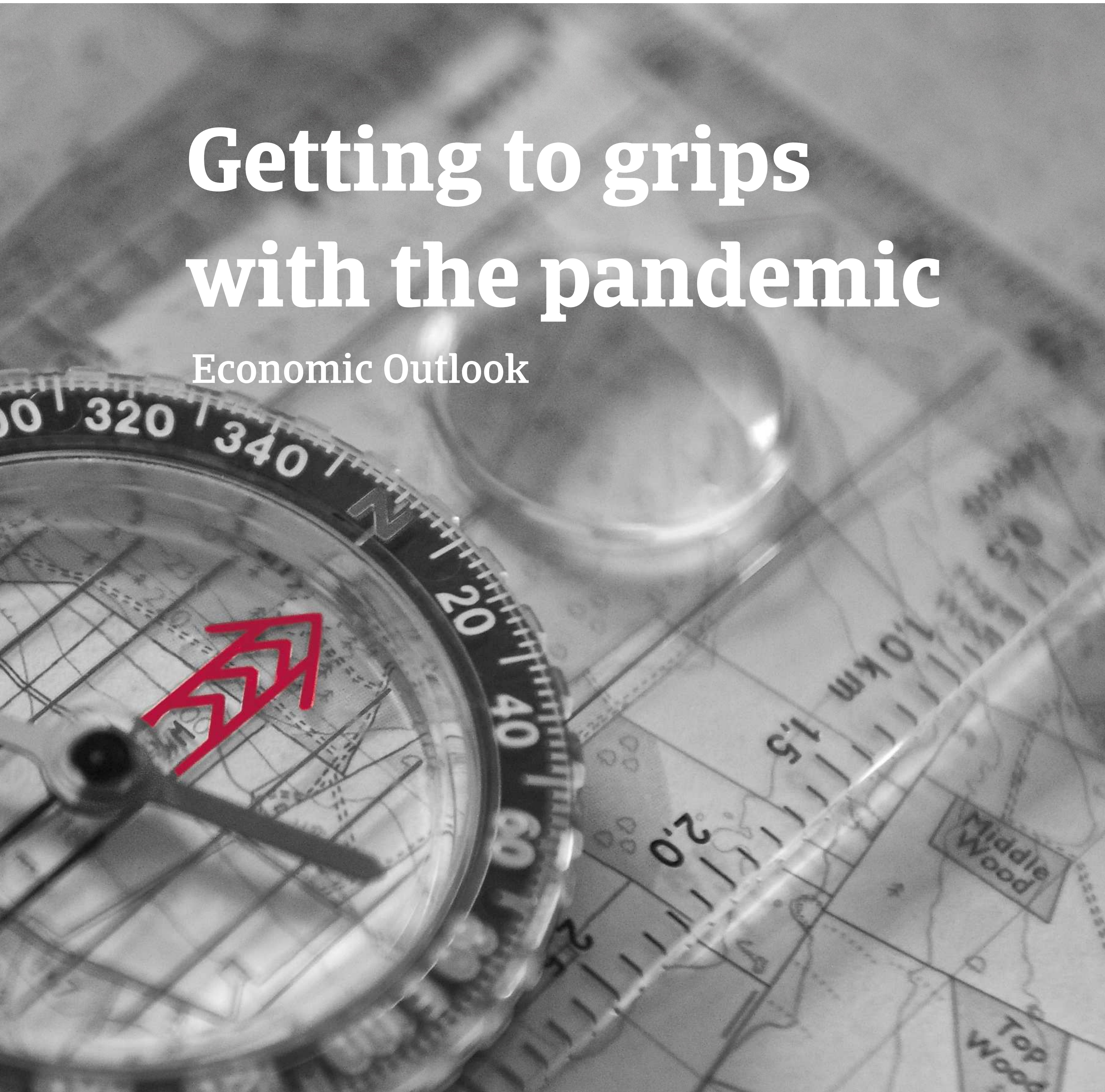
Crédito y Caución
Atradius

August 2021

Getting to grips with the pandemic

Economic Outlook



Atradius Economic Research

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Executive summary

As vaccination campaigns are underway, the world economy is recovering from the pandemic. Most advanced markets have already vaccinated large parts of their population, while the outcome is more mixed in emerging markets. Global GDP growth in 2021 will be mainly consumer driven, as spending opportunities, mainly in services, are opening up. Monetary policy will remain very loose despite inflationary pressures, and fiscal support packages are partially extended in 2021. However, global GDP growth could be threatened by the spread of new, more transmissible variants of the virus. Such a downside scenario could significantly push down growth in 2021 and in 2022.

Key points

- As the vaccination rollout gets underway, economies are gradually opening up, leading to a global GDP recovery of 6.2% in 2021, followed by a forecast 4.7% growth in 2022. A risk to the recovery is posed by new, more transmissible variants of the Covid-19 virus.

- We expect a robust and broad-based recovery of global trade in 2021. China´s economy was outperforming in early-2021, but other regions have caught up in recent months. Global trade is expected to grow by 6% in 2021, followed by a similar amount in 2022.

- Advanced economies are expected to surpass pre-crisis activity levels in 2021. GDP in advanced markets as a group is forecast to grow by 5.8% in 2021, followed by a 4.2% increase in 2022.

- Despite the ongoing vaccination campaign, eurozone economies are still struggling with the Covid-19 virus. We expect a recovery of 5.0% in 2021, followed by a slightly lower increase in 2022. All member states are expected to see GDP levels recovering to pre-pandemic levels by the end of 2022. However, the rebound is uneven, with tourism-dependent countries in Southern Europe lagging behind their Northern peers.

- The US economic outlook has strengthened markedly since our February Economic Outlook. Apart from the UK, the US is well ahead of most other advanced countries in vaccinating its population, and the economy reopened during the first half of the year. Additional support is coming from a major (USD 1.9 trillion) fiscal stimulus package, approved by Congress in March 2021, and a USD 1.0 infrastructure bill approved in August.

- The Japanese economy rebounded in the second half of 2020, but saw a temporary setback at the beginning of 2021, due to rising infections. Despite the weak start, the economy is showing a robust recovery in H2 of 2021. The economic stimulus from the Tokyo Olympics will be smaller than previously expected, as they were held under a state of emergency.

- The economic recovery of many emerging market economies (EMEs) lags behind, mainly due to a slower vaccine rollout. Additionally, the scope for fiscal stimulus is more limited. Asia is the region with the highest growth rate among EMEs, while particularly MENA and Sub-Saharan Africa lag behind. Economic growth across EMEs is forecast to recover by 6.9% this year, followed by another 5.3% growth in 2022.

1. The global macroeconomic environment

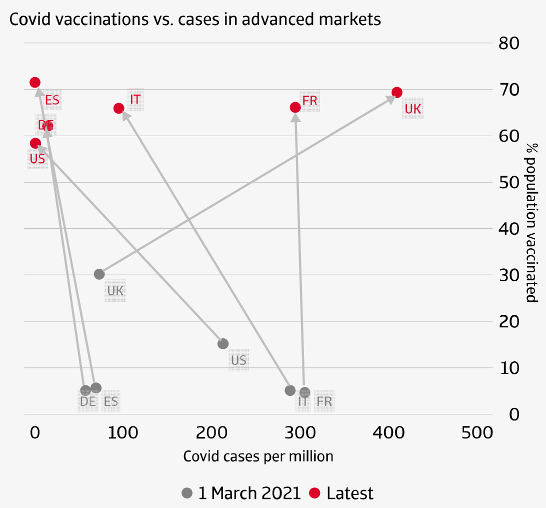
Game changers revisited

In our February 2021 Economic Outlook we wrote about game changers for the Covid-19 affected global economy, expected to pull it out the worst economic slump since the Great Depression. First and foremost was the announcement of successful development and testing of Covid-19 vaccines. In early 2021 mass vaccination was about to be rolled out, promising a notable reduction of the number of cases, and there was hope for a return to normality by the end of summer 2021. The other major change was the election of Joe Biden as US president, expected to reduce major uncertainty over US policies on global trade and international relations. Additionally, the EU proved its ability to take steps towards further integration (a move not uncommon during crises). The EU agreed on allowing its members massive fiscal stimulus packages and, most importantly, set up a EUR 750 billion fund for post-pandemic recovery, the so-called NextGenerationEU. Brussels also agreed with the United Kingdom on a post-Brexit free trade zone.

Let us consider the development of the pandemic first. The trend in recent weeks is upwards due to the more transmissible Delta variant, which is becoming dominant, but with around 550,000 global cases per day in early August, we are still below the April (900,000). Death numbers are increasing as well, but less rapidly. In advanced economies, the vaccine rollout is progressing at a robust pace. Cases in the badly-hit US (37 million cases, 630,000 deaths so far) are rising, but in recent weeks the number of deaths was relatively low. A similar pattern - rising cases, relatively low deaths - is visible in major European countries such as Germany, France, and Italy, albeit that infections in Germany and Italy are only mildly increasing. The picture in emerging economies is mixed. Despite recent local outbreaks, China remains largely in control, while India suffered from a high infection way in spring, peaking at almost 400,000 registered daily cases. Meanwhile, the number of cases has decreased to a less than a tenth of that level. Dynamics are less favourable in Turkey and Russia, which both experience a new peak in infections. Brazil continues to struggle as well: while it has managed to reduce the numbers, infections relative to the size of the population remain elevated. It could be said that the dynamics in cases, are becoming less favourable on a global level than several weeks ago, due to the more transmissible Delta variant. However, the number of deaths is still much below the previous peak. This development should be considered in the light of the vaccination rollout, the first game changer. Globally 2.4 billion people have received at least one dose of a vaccine, and 1.2 billion are fully vaccinated. However, this is still a relatively low share of the global population.[1] Moreover, there are large differences between advanced and emerging economies. Advanced economies such as the US and the UK have managed to vaccinate significant parts of the population at least once. Vaccination rollout in European countries such as France, Germany, Italy, and Spain took more time to take off, but has meanwhile reached relatively significant levels, with between 60 and 75 out of 100 inhabitants have received at least a first dose. This is in stark contrast with emerging economies, where this indicator is between 10 and 55 for large emerging countries such as China, India, Turkey, Brazil, and South Africa.

Over a couple of months there was a clear negative relationship between vaccination and the number of cases. However, this is now less so, due to the spread of new and more transmissible variants of the virus (see figure 1.1 and 1.2). However, there is a clear negative relationship between vaccination and hospitalisation. Therefore, vaccination remains the best way to get out of the pandemic. In this sense advanced economies will have a head start, as their vaccination campaigns are far more progressed compared to emerging economies.

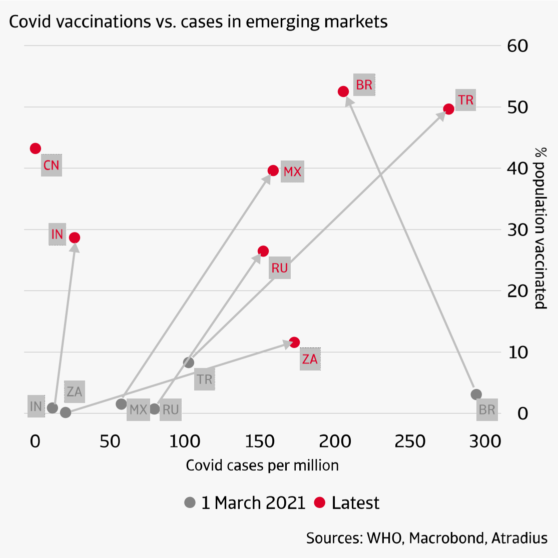
1.1 Vaccination does not prevent spread of Delta variant



Sources: WHO, Macrobond, Atradius

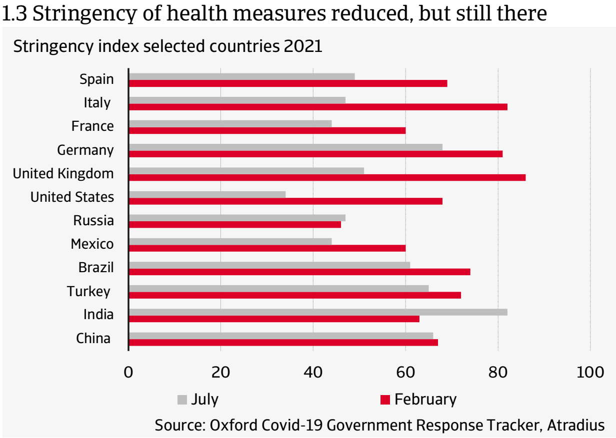
[1] According to Our World in Data (10-08-2021), only 30% of the eligible population has received at least one dose. Only 16% is fully vaccinated.

1.2 Vaccination does not prevent spread of Delta variant

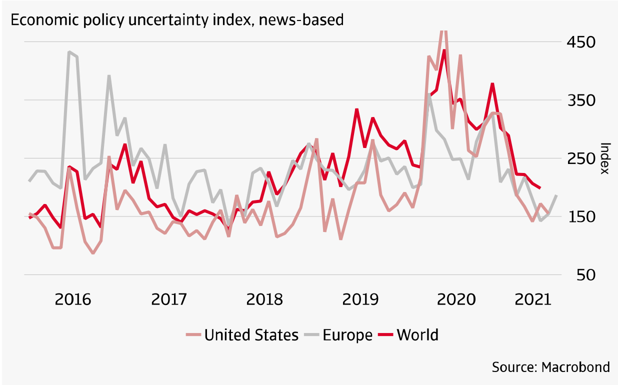


The low vaccination rate in some emerging economies is not only a local issue, as it may cause variants to develop and spread across the globe. For instance, the Delta variant (originating in India) is far more infectious than other Covid-19 variants. Delta has caused the number of cases to increase in countries like the UK, now spreading across Europe, as well as in Israel. However, as hospitalisations have decreased considerably in advanced economies, governments continue to ease lockdown measures, although by far not completely (see figure 1.3).[2] The pandemic is still among us, contrary to expectations earlier this year, and can be expected to stay around for some time.

1.3 Stringency of health measures reduced, but still there



1.4 Economic policy uncertainty back to pre-pandemic levels



Regarding the second game changer, the election of Joe Biden as US president, the assessment is more upbeat. The US has returned to the international stage, signalled most prominently by re-committing to the 'Paris' Climate Agreement. Moreover, Washington´s attitude and tone in the G7, G20, NATO and other international organisation and forums is more directed at pursuing US interests with multilateralism. A major benefit of this approach is the sharply decreased uncertainty over economic policies. This is reflected in the economic policy uncertainty index returning to pre-crisis levels (see figure 1.4 above). Research has shown that reduced uncertainty supports investment and spending by businesses and households, in the US and elsewhere. Next to a return to more international collaboration the Biden administration has done more. A USD 1.9 trillion fiscal stimulus package (8% of GDP) was approved by Congress in March 2021, including a USD 1400 cheque per household to alleviate the impact of the pandemic. Furthermore, a package of USD 2.3 trillion additional spending over an eight-year period, called the American Jobs Plan, is still under discussion, targeting infrastructure, energy efficiency, digitisation, as well as R&D. A USD 1.0 trillion infrastructure bill was passed by the US Senate in August 2021.

Finally, the EU has taken further steps to support the economies of its members. Individual member-states have been allowed to bolster the economic impact of lockdown measures with large stimulus. In addition, progress has been made with the EUR 750 billion NextGenerationEU recovery package. Member-states have submitted proposals to underpin their allocations, while the bloc issued an inaugural EUR 20 billion 10-year bond as part of the financing in mid-June. Meanwhile, the relationship with the UK after Brexit remains somewhat fraught with thorny issues, such as renewed disputes over the Irish Sea border agreement and UK 'divorce' payments.

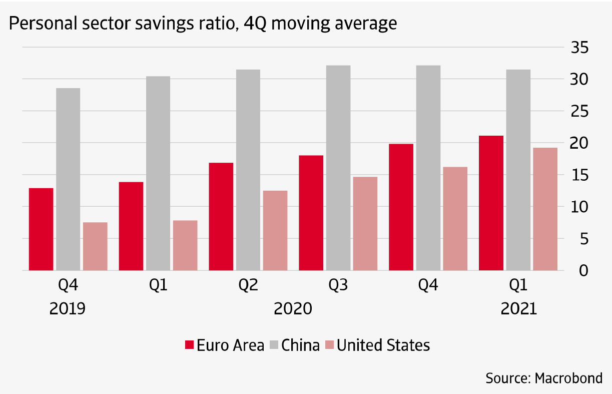
[2] The stringency index is a composite measure based on nine response indicators including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100 = strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. See Thomas Hale, Noam Angrist, Rafael Goldszmidt , Beatriz Kira , Anna Petherick, Toby Phillips, Samuel Webster, Emily Cameron-Blake, Laura Hallas, Saptarshi Majumdar, and Helen Tatlow. (2021). "A global panel database of pandemic policies (Oxford COVID-19 Government Response Tracker)." Nature Human Behaviour. https://doi.org/10.1038/s41562-021-01079-8.

A consumer-led recovery

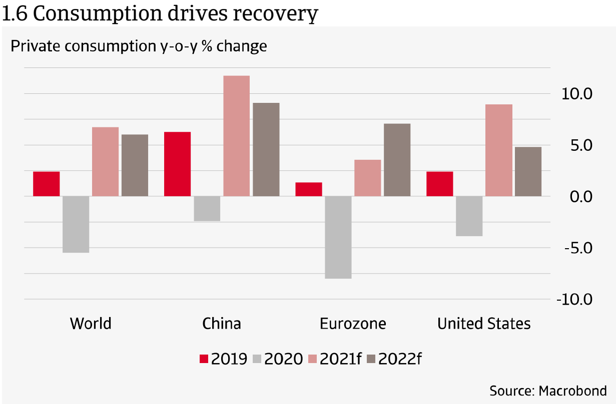
We perceive the (far-from-perfect) vaccines rollout, changed US policies in international affairs combined with fiscal policy efforts, and the EU economic support undeniably as game changers. While they have begun to show their effects, adjustment in the global economy is taking place, weakening the link between the development of the pandemic and economic growth. Consumers play a key role in this.

While their income has been preserved by government support, consumers were (and to some extent still are) constrained in spending on services, such as restaurants, hotels, and travel. Most cultural activities and events could not be offered during lockdowns. As a consequence, spending on goods such as cars, furniture, household appliances and sporting gear increased. This resulted in geared up demand for manufactured products, supporting sentiment indicators and prospects for growth.

1.5 Savings ratios have shot up

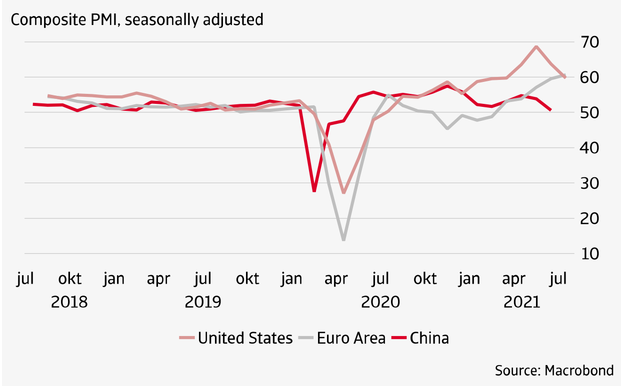


1.6 Consumption drives recovery



Indeed, the manufacturing Purchasing Managers Indices (PMIs) for the US, the eurozone and China have gradually increased since summer 2020, with a marked acceleration since early 2021. Both the US and eurozone PMIs have now reached levels comfortably above 60, which indicates strong expansion, while China´s PMI is still hovering at just above 50, the threshold for expansion. Meanwhile, consumers are ready to take the second step, unleashing their excess savings and gearing up spending on services as well, made possible by the easing of restrictions. This is exactly what composite PMIs are telling, with the US showing strong expansionary tendencies since early this year, as the PMI stood at 59.7 in July. The eurozone PMI is also high at 60.6, up from a low of 48 at the beginning of 2021. The Chinese PMI has been lagging behind, remaining in a 50 to 55 range during the year. In other major emerging economies, including Brazil and Turkey, PMIs are generally picking up as well.

1.7 Sentiment riding high



1.8 Across the board recovery in Q2

This bodes well for GDP growth during the rest of year. Except of China (where the pandemic has been under control for quite some time) and the US (which has shown remarkable resilience even during lockdowns), Q1 of 2021 was still a very weak economic period, as measures were tightened again to address a new wave of Covid-19 infections. As PMIs indicate this is going to change, with a strong global recovery estimated to have started in Q2 (see figure 1.8).[3] Real strong rebounds are expected in the eurozone, Latin America and Eastern Europe. China and the US are expected to consolidate their strong start of the year.

The positive overall picture is reflected in the upgrade of our forecast of global economic growth. Under our baseline scenario global GDP is expected to grow by 6.2% in 2021, up

[3] The reader should be aware of 'base effects' when reading this graph. The Covid-19 pandemic partially affected Q1 of 2020 and had a full (strongly recessionary) impact on Q2. In spite of this, the picture for 2021 captures the - expected - Q2 turning point in global GDP growth.

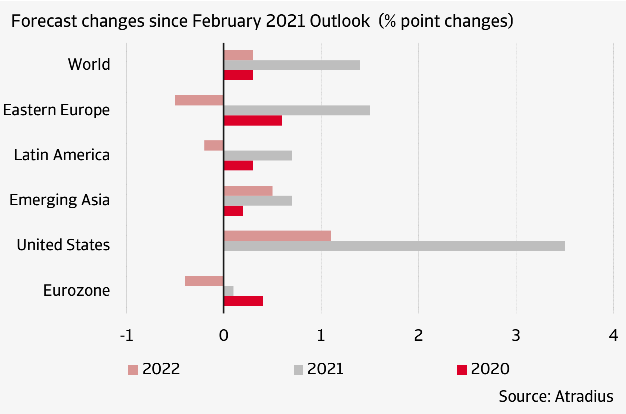
by more than 0.8 percentage points compared to the February forecast. Emerging Asia, led by China and India, stands out with 7.7% growth, followed by the United States. US growth is boosted by a successful vaccination rollout coupled with strong fiscal stimulus. GDP is expected to increase by 7% this year, up no less than 3.5 percentage points compared to our previous outlook. Other regions are expected to do better as well compared to February, although to a far more limited extent. Latin America´s recovery, helped by much higher commodity prices, is expected to be just above the global average at 6.5%. Eastern Europe´s GDP is forecast to rebound 5.1% from a mild 2020 recession. With 5% we expect the eurozone to be the region with the lowest percentage growth this year. The global recovery is expected to level off in all regions in 2022.

Table 1.1 Real GDP growth (%) - global regions

	2020	2021f	2022f
Eurozone	-6.7	5.0	4.6
United States	-3.5	7.0	4.3
Emerging Asia	-0.1	7.7	6.0
Latin America	-6.8	6.5	2.9
Eastern Europe	-2.2	5.1	3.8
World	**-3.6**	**6.2**	**4.7**

Sources: Oxford Economics, Atradius

1.9 US drives upward forecast revisions



This forecast means that the global economy will have widely recovered from the pandemic before the end of 2021. Both Emerging Asia and the US have already passed this point, while it will take longer for other regions. Emerging Europe´s economy will have fully recovered from the pandemic before the end of 2021, while for Latin America and the eurozone it will be in the course of 2022.

Our forecast is based on a number of closely connected assumptions. Firstly, governments, especially those in the US and Europe, retain their grips on the pandemic, able to effectively contain new surges of the virus or variants of it (such as the Delta variant). Where restrictions are being re-imposed they are short-lived, and economic damage is contained. Secondly, vaccine rollouts will continue and not be hampered by supply constraints (such as those we have seen in spring). For emerging economies, vaccine rollout will be slower, and consequently the economic recovery will be slower as well. Vaccines have a strong impact in the sense that they are effective in sharply reducing the risk of serious illness, let alone death. Thirdly, the recovery will be consumer-led as described above, with households willing to spend incomes as well as part of their excess savings accumulated during the pandemic. Excess savings are assumed to be gradually and only partially spent, i.e. 5% to 10% over a period of 2 to 3 years. The majority of excess savings will be retained as wealth. Fourthly, as health measures are lifted, governments are rolling back fiscal support that was maintained in 2021 to buttress GDP growth. Support will nevertheless be kept up, especially in advanced economies, to the extent it is needed when a surge of the virus temporarily requires the re-imposition of restrictions. Moreover, governments carefully craft a gradual retreat of direct support and actively help the recovery take off. Whereas government balances will improve as fiscal support is rolled back, no fiscal tightening, and certainly not to the extent we saw after the Great Financial Crisis, is expected.

Fifthly, we see no monetary tightening of any significance over the forecast period (2021-2022) in the advanced economies. In the US, but over time also in the eurozone, asset purchases will be reduced as the recovery is on a stronger footing, while interest rate hikes are not on the cards. This supports businesses and, perhaps even more important, allows governments to borrow at low costs, helping them to support the recovery, or at least avoid hampering it by fiscal tightening. While this sounds plausible, it all depends on the development of inflation, of which we have seen a bout recently. We assume that the current spike in inflation is strongly related to the reopening of the economy, especially the services sector, and developments in the oil market (see chapter below). Input prices and supply chain issues in the manufacturing sector also play a role. However, those are transitory events, and so are related price rises. Sixthly, the ample money supply provided by the major central banks implies that asset prices, including equities and housing, remain supported. Consumption is therefore kept up, in particular in the US, where spending is strongly linked to wealth.

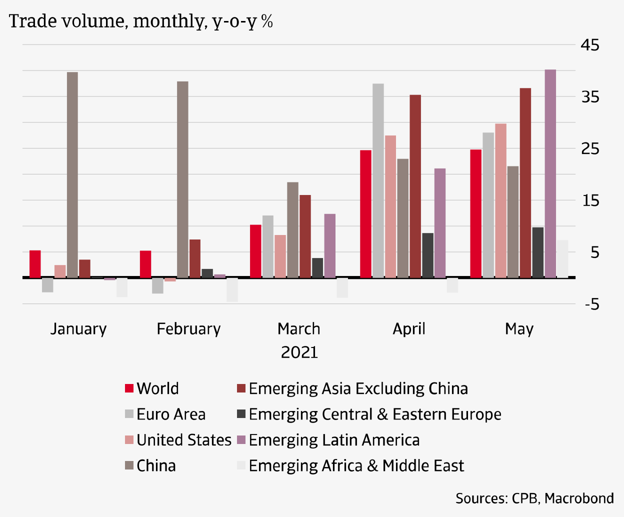
Seventhly, economic scarring, which manifests itself in lower capital outlays, labour supply and technology growth, remains limited. Government measures limit the erosion of employee skillsets and the dismantling of businesses and insolvencies. This is crucial for the supply side of the economy in order to remain more or less intact, and to avoid a situation where pent-up demand in the recovery cannot be met by supply, leading to soaring inflation. Scarring is only avoided if the pandemic, and more importantly its economic impact, is being controlled. The longer the pandemic lasts, and the larger the impact remains, the more scarring occurs. Eighthly, we assume that the improvement in trade relations lead to a smoother trade development. The US has partly normalised trade relations with the EU, while those between the US and China will remain in stalemate mode for the time being. The measures taken by the Trump administration against China have generated bipartisan support in the US. Biden and the Democrats, traditionally more inclined towards protectionism than the Republicans, will not be tempted to change that rapidly.

Robust trade growth to slow

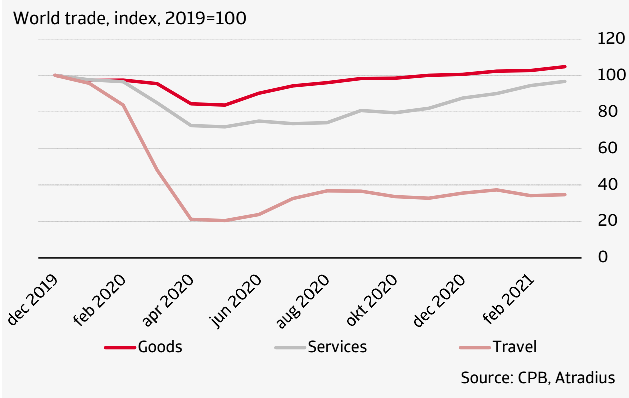
The global trade deterioration in 2020 (down 16% in Q2, with global services trade hit even harder), was followed by a faster than expected rebound. Despite trade impediments, reflected in high trade cost, and still sluggish services trade, we expect trade recovery to continue. Global trade is forecast to increase more than global GDP growth, between 8% and 10% in 2021 and 6% in 2022.[4]

The pre-pandemic goods trade level had recovered already six months after the collapse. This recovery over the last twelve months was broad-based, with cars, capital goods, consumer goods and industrial supplies back at or even above pre-pandemic levels of late-2019. Incoming 2021 data until May show the resilience of trade growth, with China strongly outperforming other markets in the first months of the year, and other regions following as of March.[5]

1.10 Promising trade growth in 2021



1.11 Services trade picks up gradually



Compared to goods trade, services recover much more slowly and divergently across regions and sectors. While telecommunications and financial services were back at pre-pandemic levels in the spring of 2021, travel services were at 65% of pre-pandemic levels or even below, as tourism remains depressed. Across regions the picture is fairly uneven as well. Services trade in the East Asia and Pacific region was strong and had already recovered to pre-pandemic levels in late 2020. Other regions lag behind, largely due to restrictions imposed on the services sector, most prominently those on (international) travel. Even in countries without major outbreaks of the pandemic, arrivals remain restrained.

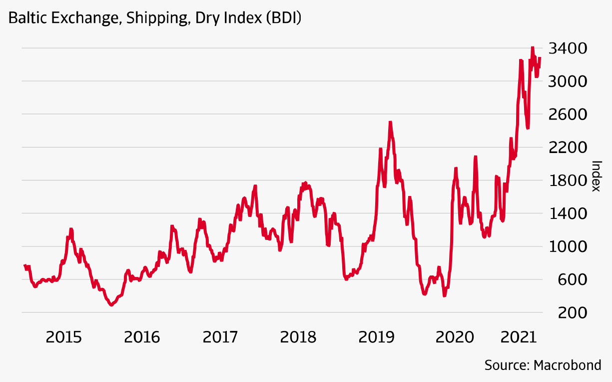
Under our baseline assumption of a fading pandemic, the recovery of trade gains momentum in the coming months, with service recovery accelerating in relation to manufacturing. Current supply bottlenecks and strains in global supply chain, which raise trade costs and hamper trade, are expected to dissipate during the coming year and a half. Supply bottlenecks (prominently expressed by a very high Baltic dry index, see figure 1.12) will abate as trade growth slows, container capacity is expanded and Covid 19-related extensions of customs and other logistical processes will be relaxed.

Additionally, global supply chain strains have been addressed by businesses in order to increase resilience and mitigate logistical issues. Measures include diversification of suppliers and productions outlets, which should lead to smoother trade as well.

[4] Our trade section now includes trade in services more explicitly. This is not only for the sake of completeness, as services accounts for about 16% of global trade. In particular, the diverging developments in the manufacturing and services sector caused by the pandemic require this inclusion.

[5] Figure 1.10 shows the trade growth in the first five months of 2021. When assessing these figures, the reader should be aware of the strong 'base' effects that underlie the fairly extreme y-o-y annualised monthly trade growth figures due to the early 2020 trade collapse.

1.12 Services trade picks up gradually



While all this is good news for global trade, the long-term perspective is one of decreasing global trade growth, inching towards global GDP growth rates. While trade elasticity (change of trade growth due to change of GDP) was 2.2 in the 1990-2011 period, it decreased to about 1 during the rest of the decade. [6] This development is due to several structural factors. The composition of global demand has shifted towards emerging economies. However, those economies are generally less open, implying they trade less than what is produced. Additionally, countries (in particular China) move away from investment-led growth as they develop, implicating less trade-intensive growth. Global supply chains have matured as well, with the overall supply chain share in global trade stagnating since 2011. Other determining factors are trade tensions, rising labour costs, and mounted supply risks due to political developments. Furthermore, trade liberalisation stagnates, not so much due to imposed tariffs, but rather due to regulations and non-tariff barriers.

The overall climate for trade paints a mixed picture. It has certainly improved with the arrival of the Biden administration in early 2021. In particular, trade policy uncertainty has notably decreased, as the US acts more predictably and collaboratively in trade matters. Moreover, the threat of a trade war between the US and EU is now far off. Brussels and Washington have recently agreed on a settlement for the 17-year old Airbus-Boeing trade dispute, thus avoiding imposing punitive tariff levies on both sides. This is promising, and goes even beyond mere normalisation. [7]

However, in the US-China trade relationship matters are different. The Trump administration put the international competitiveness issue related to the Chinese approach of the economy (where state-owned firms and large subsidies play a pivotal role) on the agenda. This has gained bipartisan approval in the US, but also in the EU. Previous US administrations may have been more careful in imposing a series of tariffs, levies, and commitments to import US goods.[8] The Biden administration has left them in place for the time being. At the same time, while it is clear that meeting the import commitments will be extremely challenging for China (to date imports have remained way below the commitment) no further tariffs have been imposed. The trade war now looks more like a trade truce, and this is expected to last in 2021-2022.

Oil price rise not sustainable

The oil price has continued its rise after the big slump in April 2020. In February 2021 it was about USD 50 per barrel Brent, while currently we face levels above USD 70. We forecast prices to average USD 60 per barrel in the period until the end of 2022. [9] Futures prices support this view, with markets in so-called backwardation, meaning that future trades in oil are at lower prices, such as at around USD 60 for December 2022.[10] To assess our forecast, several factors need to be taken into account.

Firstly, the impact of Covid-19 on the global economy has been overestimated. Above we showed that the 2020 economic contraction was very severe, even more severe than during the Global Financial Crisis, but lower than initially expected. Likewise the 2021 recovery took less time to take off (especially in the US), and is now expected to be significantly faster than earlier predicted. Although the transport sector, particularly private air transport, is still depressed, demand from other parts of the economy, such as the manufacturing sector, has been buoyant. The impact of the pandemic on GDP developments has clearly weakened. This has certainly helped to buttress oil demand, which shrunk by 9 million barrels a day (or 16% of total) during the height of the pandemic, down to 88 mb/d. In 2021, a level of 96.5 mb/d is forecast, further rising to 99.4 mb/d in 2022, when pre-pandemic demand levels are expected to be reached again.

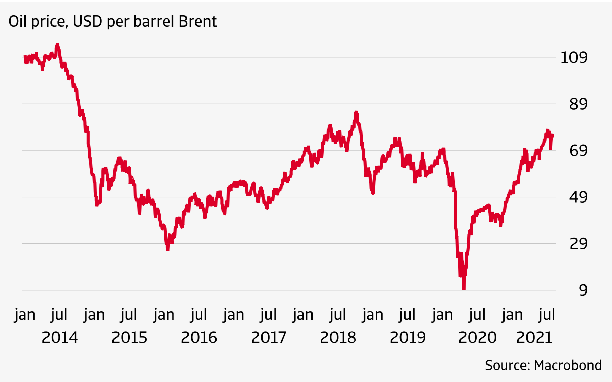
Secondly, the underlying trend in demand for oil is still upwards, but to a lesser extent. The pandemic caused a shock in the energy markets and has accelerated ongoing trends in energy consumption, away from fossil fuels and towards renewable energy. This development is expected to last. Behavioural changes seen during the pandemic, such as working from home, online buying and less travel may be reversed, but only partially. Moreover, in the EU and US post-pandemic recovery plans contain sizeable energy transition elements, buttressing the behavioural trend and providing further measures towards a cleaner environment. This implies that in the longer-term demand for oil will grow at a slower pace.

[6] Global Economic Prospects, Chapter 3: High Trade Costs, World Bank June 2021.
[7] The dispute was about subsidies that countries offer to both aircraft makers.
[8] Under the so-called US-China agreement of February 2020 China committed to purchase USD 200 billion additional US goods in 2020 and in 2021.
[9] Like in previous outlooks we refer to the low elasticities of oil demand and supply that could be the source of fairly large swings around this average. For example, if demand is reduced by 9 million barrels per day like in spring 2020, inventories are first running up before OPEC starts to agree on production cuts, preventing quick price support.
[10] July 19 price. See https://www.barchart.com/futures/quotes/CB*0/futures-prices.

Thirdly, on the supply side OPEC + (the traditional OPEC members plus major oil exporters such as Russia, Mexico and Kazakhstan) has reacted swiftly with supply cuts during the pandemic, leading to a rapid recovery of the oil price, which had decreased to USD 30 per barrel in the early days of the pandemic. While during the demand collapse the cartel swiftly agreed on production quotas, recent meetings suggest that agreeing on output shares when demand is increasing again tends to be more difficult.

There are several factors at play at OPEC+. The UAE has invested heavily in oil production capacity over the past couple of years in order to generate revenues for its economic diversification strategy. However, currently about 30% of this capacity sits idle. The UAE´s desire for increasing production is opposed by Saudi Arabia, which fears that other countries like Russia would submit similar demands, undermining current price levels. Additionally, OPEC member Iran is currently discussing with the US a deal on its nuclear ambitions. Such a deal could include the lifting of economic sanctions and ramping up of Iranian oil production by about one million barrels per day, apart from unleashing the 200 million barrels Iran has currently in storage. Moreover, OPEC+ fears that US shale producers will raise production again, particularly at price levels above USD 50 per barrel. For the time being US shale producers have taken a pause as in 2020 production collapsed, credit dried up and bankruptcies surged. Rigs in operation fell to a low of 172 in August 2020 and have only gradually rebounded, to 373 in June. Surviving firms are recovering from the shock under the shelter of higher prices, reconsidering business models and returning cash to investors in an attempt to regain confidence. Production is only slowly increasing, also constrained by environmental policies of the Biden administration.

1.13 Steep oil price recovery from deep slump



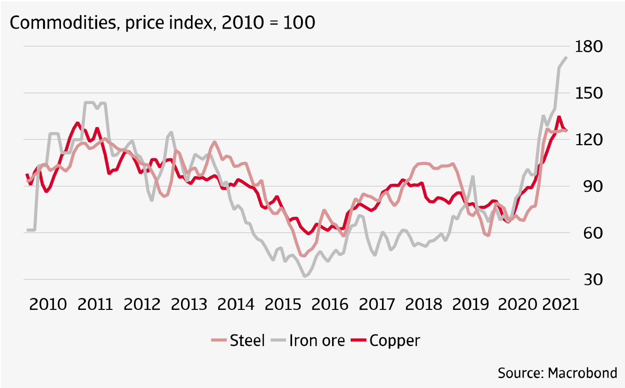
Against this background it is no surprise OPEC+ has struggled to agree on an extension of their production quotas, and in early July a meeting was abandoned due to a row between the UAE and Saudi Arabia. However, end of July the cartel finally agreed to increase production by 400,000 barrels per day every month, as of August. The agreement will last until the end of 2022 and provides support for oil prices and reduces uncertainty.

Record metal prices to level off

With manufacturing rebounding again, the demand for metals, in particular steel, iron ore and copper has risen. However, this surge has remained broadly unmet by supply, which usually takes a long time to adjust. In addition, transport prices have increased due to social distancing and higher shipping cost, as well as disruptions in supply chains. As a result, metal prices have increased to levels not seen over the past decade. That said, prices are expected to level off in 2021-2022 as transport costs decline, while supply and demand developments will also contribute.

Supply-side constraints will start to diminish. Copper mining will improve towards the end of this year and in 2022, as the impact of production disruptions in Chile lessens. China's steel production will ease as the government seeks to cut emissions, although some uncertainty remains. However, outside China, in the US and the EU, production is expected to rise. Moreover, there is still unused spare capacity in Asia that can be absorbed. Iron ore production increase will remain somewhat uncertain. In Brazil, closed mines have reopened, with ambitions of a significant boost in production, but the restarting of mines is subject to legal hurdles. Australia has driven up production, alleviating demand from China, but political tensions between the two countries could hamper further growth. Meanwhile, pressure from the demand side on prices is expected to soften, as the recovery turns towards service growth. Moreover, with steel production from China more constrained, the demand for iron ore will also weaken somewhat. In contrast, copper long-term price support stems from increased electrification and decarbonisation.

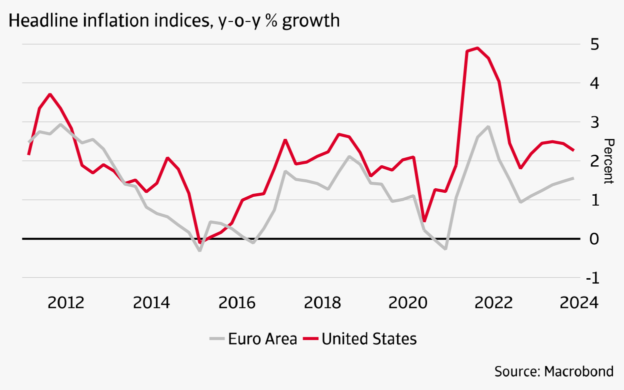
1.14 Metal prices have increased



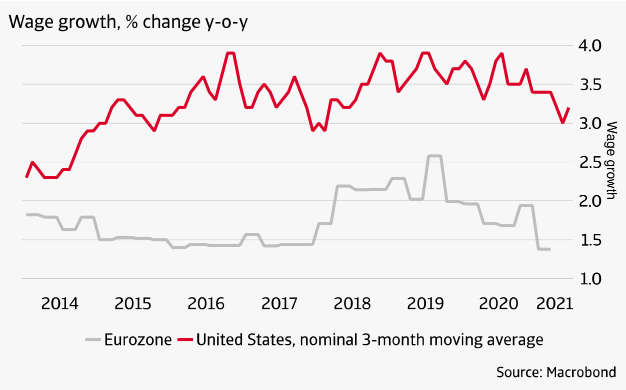
Inflation rise unlikely to persist

One of the key assumptions underlying our forecast is that inflation will not remain persistently high. Currently this is a hotly debated issue in economic policy and academic circles. Lawrence Summers, former Secretary of Treasury and professor at Harvard, has argued that inflation, besides overheating, is the primary risk in an environment where money is ample and demand is accelerating.[11] Higher inflation could trigger premature monetary tightening by the Federal Reserve, hampering or even derailing the recovery in the US. Others, such as Nobel laureate Paul Krugman are more sanguine,[12] pointing that more is needed than what is observed in the current economic environment, where long-term inflationary forces are currently lacking.

1.15 Inflation spikes in 2021



1.16 Wage growth remains muted



In any case, inflation is rising. In the US, the June year-on-year figure stood at 5.5%, in the UK at 2.5% and in the eurozone at 1.9%.[13] These are numbers not seen for quite some time. In our view, in line with the opinion of Paul Krugman and quite a few observers, this surge is not going to last. In fact, we expect inflation to spike in 2021 and to revert to more normal levels in 2022.

We have a number of reasons for this view. Firstly, while the oil price has risen significantly, feeding into higher inflation, we think this is not sustainable. As we argue in the section above, countries within and outside OPEC will put pressure on production to be ramped up, driving prices lower. Secondly, service prices will remain only temporarily elevated. The quicker than initially anticipated reopening of the economy has unleashed demand. Especially the service sector, in particular restaurants, hotels and leisure, and tourism will benefit from the spending mood of consumers by raising prices. In that way service businesses at least partly compensate for lost revenues during lockdowns. However, this is a one-off opportunity for the service sector, which is unlikely to be repeated in the next year and a half. Thirdly, supply bottlenecks will abate. Currently the manufacturing sector is still facing supply chain bottlenecks, as goods needed in the production process, or just tradeable goods, take longer for delivery and are more expensive. Delivery security concerns have also triggered the switch of suppliers and higher costs. However, those bottlenecks, will dissipate over time, taking off pressure on prices and thus inflation.

At a more fundamental level, there are also no reasons to fear a persistently higher inflation. This is essentially the argument of Krugman. True, globalisation has slowed, and with it opportunities for cost-savings. The wave of technological innovation, leading to online shopping and more price transparency could fade as well. But demographic factors, in particular ageing, are still at work, raising savings and putting pressure on aggregate demand and prices. Overall it can be said that fundamental deflationary factors have only weakened, not disappeared. A return to an inflationary environment seen in the late 1970s or early 1980s is far away.

While more fundamental factors are at work, we are aware that inflation always remains a threat. In this context we would like to highlight that inflation expectations are well-anchored by Fed and ECB credibility.[14] The recent moves by these institutions to take a more flexible approach to the inflation target helps as well (see section below). Surprises in data will not immediately translate in monetary policy actions. Finally we do not see a movement in wages, reflecting in higher inflation expectations. This view may be a bit surprising, given anecdotal evidence of bottlenecks in some parts of the labour market (e.g. the reopening service sector). However, it is important to note that there are still seven million people less active in the US labour market. In the eurozone massive government support has prevented a large increase in unemployment. Upcoming withdrawal of support will generate supply of labour, putting downward pressure on wages.

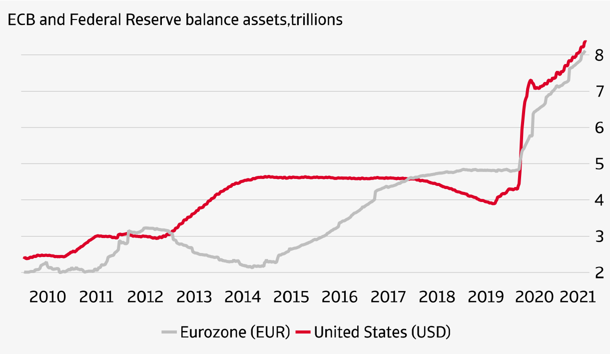
Monetary policy expansionary and flexible

During the past six months monetary policy has remained extremely lax as part of the crisis measures, at least in advanced economies. With policy rates unchanged at zero or even below zero and ample asset purchases of USD 120 billion and EUR 80-95 billion per month by the Fed and ECB respectively, the world remains awash with cheap money. Over the next year and half, this is expected to last, given the assumption that the current inflation spike proves to be transitory.

[11] See http://larrysummers.com/2021/05/24/the-inflation-risk-is-real/
[12] See https://www.bloomberg.com/news/articles/2021-03-18/krugman-dismisses-1970s-style-inflation-risk-with-faith-in-fed
[13] In emerging economies inflation is going up as well.
[14] If these start to move, an inflation regime shift may be on its way.

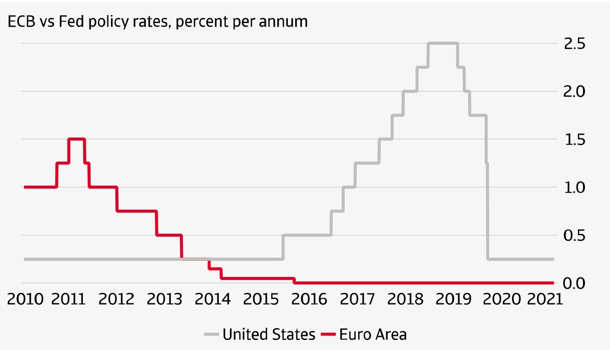
However, for some emerging economies the situation is slightly more complicated. With lower vaccination rates the recovery is slower, and so are inflationary pressures. Those countries have a different source of potential inflation, namely currency depreciation, which can also weaken their financial market access (if large amounts of foreign debts are USD-denominated). Higher commodity prices have also pushed up inflation expectations. Therefore, it comes as no surprise that we have seen some tightening, particularly in Brazil and Russia. Other countries may follow, at least if one of the factors start to play a prominent role.[15] However, significant tightening is not expected.

1.17 Asset purchases Fed and ECB continue



Source: Macrobond

1.18 No movement in policy rates



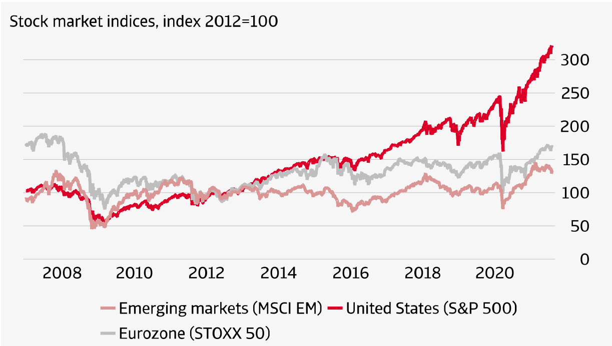
Source: Macrobond

Meanwhile the Fed and ECB have reformulated their policy frameworks in order to make them more flexible as well, in particular to allow for more room to manoeuvre if inflation and the economic cycle are not aligned. The Fed did this in September last year, which suited well when inflation started to rise this spring. It relieved tightening expectations by financial markets and arguably a lot of unrest in what could have been considered premature tightening.

Nevertheless, as inflation went up, the discussion about tightening monetary policy has started, or at least the discussion about when the discussion is to start.[16] It is supposed to begin, formally, during the Fed September 2021 meeting, with an expected roll back of the Fed's asset purchasing programme in 2022. This is to be followed by rate hikes in 2023. While the Fed is taking extreme care with these flagship Covid-19 support programmes, others have gradually expired.[17]

The ECB monetary policy framework revision was announced in early July 2021, as part of a strategy review that also incorporated climate change impacts in its modelling, as well as potential asset purchases. While these latter elements were not part of the Fed's September review, the flexibility that the ECB allows its policymakers with monetary policy setting looks very similar. The inflation target of 2% remains, it can be allowed to deviate from downwards and, most importantly, upwards. The latter is rightly stressed as, with the recovery having set off in the eurozone, expectations that the asset purchasing programme as well as the ultralow to negative policy rates will be 'tapered' should be well managed. For the moment the ECB looks safe, as inflation is not expected to surpass the 2% level over the forecast horizon. This does not mean that there will be no changes in the monetary policy stance as the recovery gains momentum. Still, the ECB stance is set to remain extremely loose. The EUR 1.85 trillion Pandemic Emergency Programme is to remain in place until at least March 2022, with reinvestments of the expiring assets to continue until end of 2023. No rate hike can be expected before that date.

1.19 Stock market indices leap up further



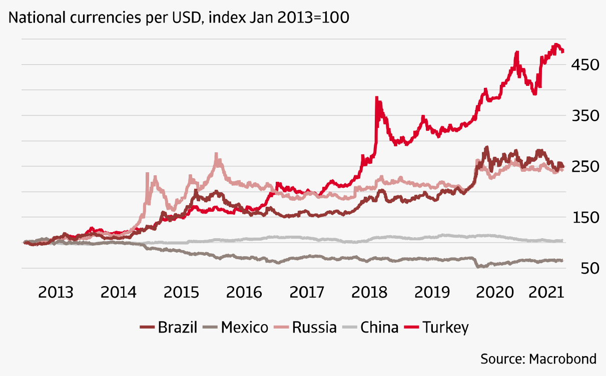
Source: Macrobond

[15] Turkey raised its policy rate by 7 percentage points this year. This was related to credibility issues based on Turkish unorthodox economic policy making, including continuous demand for low interest rates. This threatened the lira stability.

[16] The Fed is walking a tight rope here with the so-called 'Taper Tantrum' of 2013 in mind. When Fed chair Ben Bernanke announced that the Fed would start tapering it expansionary monetary policy, it caused a fierce reaction in global financial markets. There was a flight to US financial assets, accompanied by currencies' depreciations in emerging economies and premature tightening around the world.

[17] These contain direct lending facilities to large, small and medium sized firms, facilities to keep credit markets functioning and incentives for banks to keep on lending. Only a minor part of the Main Street Lending Programme that the Trump administration ended in its final day was extended and has meanwhile expired as well. With the economic recovery having set off during Q2, these programmes were allowed to expire.

1.20 Emerging economies' currencies broadly stable



One can conclude that the Fed and ECB policy will remain expansionary for the time being. Why this is needed so much? Firstly, it is a precondition for fiscal policy support. It allows central banks to purchase government bonds, providing cheap and smooth finance for government support of the economy, or at least it prevents premature fiscal tightening that would hamper the recovery (see section below). Secondly, the cheap money has found its way to some extent to the equity markets, with the S&P 500 breaking new records and the eurozone STOXX index reaching new heights. Even the emerging markets index is approaching levels not seen for a long time. These gains have created 'wealth' effects for consumers, stimulating consumption (especially in the US). Thirdly, the cheap money has helped to finance business investments, which are now picking up as demand recovers. Equity is cheap, and credit is still relatively easily available. In turn, investments are part of demand, and therefore help shaping the recovery. Fourthly, emerging economies, which are lagging behind in the recovery, are allowed to finance government support as well. While some emerging economies have seen increases in funding costs, broader finance problems such as credit crunches have been avoided. This is witnessed by relatively stable exchange rates.[18] For these reasons, we can expect monetary support to last for a while, although, as the recovery gains traction, it will gradually be wound down.

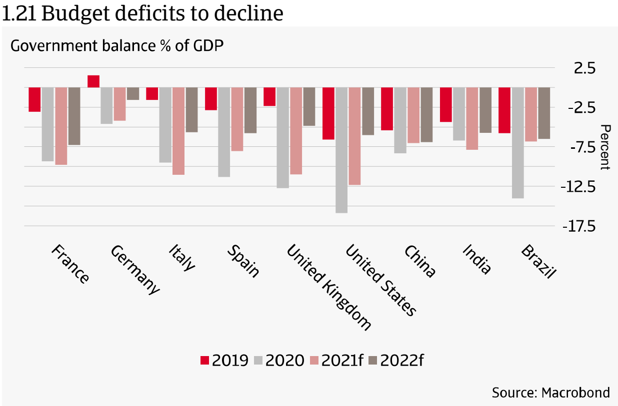
Balancing act for governments

As the recovery gains traction, fiscal support packages are expected to be wound down as well. In a sense this is a natural way of government behaviour. Governments have partly stopped the economic live for public health reasons, and affected businesses and households have been compensated. Now that the public health crisis is more under control, governments are about to expire, or at least to reduce fiscal support. However, this will be a balancing act for a number of reasons.

Firstly, the pandemic has not only hit public health hard. Despite ample fiscal support, businesses' balance sheets in sectors such as travel, hospitality and transport have been considerably weakened. This is not visible (yet) in corporate insolvencies figures, which continue to decline,[19] but research of several central banks´ on the viability of businesses strongly suggests that the number of companies in a weak financial state has risen.[20] Inevitably, corporate insolvencies will start to increase in the course of 2021 as government support is lifted. This is a natural process, as the economies should be allowed to adjust to the new economic reality. At the same time, mass insolvencies should be avoided, as this would (partially) reduce the supply side of the economy, and subsequently hamper the recovery. This requires continuation of (targeted) support. Secondly, an important topic is government action to address the impact of climate change.[21] Without significant government interference the climate goal of the Paris Agreement to limit global warming by 2 degrees Celsius will not be achieved. The pandemic has given governments a chance to act. Indeed, with its NextGeneration EUR 750 billion post-pandemic recovery program the EU takes climate change into account. Joe Biden's American Jobs Plan of USD 2.3 billion addresses environmental issues as well.

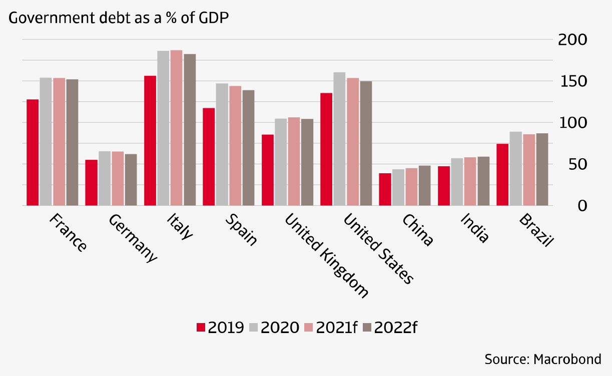
Thirdly, whereas the role of the government in the future economy will most likely be larger than before the pandemic, it does not mean that restraints are gone as well. It was only for pandemic emergency support that rules related to public finance, particularly related to budget deficits and debt-to-GDP, were suspended. In 2020 this has led to average overall budget deficits of almost 12% in advanced markets and almost 10% in emerging economies. Average global public debt climbed to 97% of GDP, a surge of 13% compared to pre-pandemic projections.[22] This cannot last, not even with ample central bank support, and governments will ultimately have to reign in their spending.

1.21 Budget deficits to decline



[18] Apart from the Turkish Lira, see footnote 19
[19] For example, in Q1 of 2021 US insolvencies were almost 30% lower y-o-y, while in the UK this figure was even 40%. In a number of European countries we see also declines, although at a decreasing rate, e.g. France's figure for April was a y-y 20% decline, while in March it was almost 40%.
[20] See e.g. ECB https://www.ecb.europa.eu/pub/financial-stability/fsr/html/ecb.fsr202105~757f727fe4.en.html.
[21] Apart from climate change, digitisation and inclusiveness are also major topics.
[22] Figures taken from IMF Fiscal Monitor April 2021.

1.22 Debt ratios stabilise after 2020 hit



We assume that governments will be able to act effectively, to some extent leading the adjustment of the economy (by addressing climate change) and supporting viable firms where needed - all under the given constraints of public finance´s health. Budget deficits will be reduced, most prominently in the US, where the 2020 15% of GDP budget deficit is expected to decrease to about 10% of GDP in 2021 and to 5% of GDP in 2022. Sharply increased public debt to GDP levels will stabilise rather than being reduced. For this normalisation process no underlying fiscal tightening of any size is needed. It is simply the expiry of the pandemic support packages and the denominator effect that will do the work. Therefore, we think that governments will be able to return to their pre-pandemic public finance health conditions, be it as unmistakable higher public debt levels.

Downside scenario: virus variants dominate vaccines

In this chapter we have presented our baseline scenario for the global economy – the one we consider the most likely.[23] However, other scenarios cannot be ruled out. On the upside, the consumer-led recovery that we currently envisage could turn into a consumer boom. This implies that a lot more of the involuntary savings accumulated during the lockdown period will be spent than in the baseline scenario, triggering a virtuous cycle of higher consumption, investment and sentiment. Such a scenario also assumes that the grips that governments are currently getting on the pandemic turn into control.

The downside scenario assumes that such control does not occur, due to inadequate effectiveness of vaccinations against virus variants like Delta. This would force governments to re-impose restrictions in Q3 of 2021, even more forcefully than over the past year, lasting in 2021-2022. In terms of public health the situation would remind of spring 2020 to some extent. Consumption would deteriorate again, and instead of an upside scenario´s virtuous cycle of consumption, investment and sentiment, the cycle would turn vicious, dragging the global economy downward. Equity markets would take a significant hit, creating a negative wealth effect, whereby savings run up. Monetary policy would be more expansionary, especially by asset purchases. This would alleviate the upward pressure on finance costs that stems from increased risk perception and higher risk premiums. The inevitably result would be additional constraints on businesses´ spending. Moreover, financing of government support would be more expensive as well, and stimulus could no longer be as massive as it was in 2020. In contrast to our baseline scenario significant supply side scarring could not be prevented, and corporate bankruptcies and unemployment would increase. Whereas the recovery in 2021 would be depressed, the 2022 economic performance would take a major hit. However, for the time being we do not attach a high likelihood to this scenario.

Table 1.2 Real GDP growth (%) - two scenarios

	Baseline			Limited vaccine effectiveness		
	2020	2021	2022	2020	2021	2022
Eurozone	-6.7	5.0	4.6	-6.7	3.0	1.2
United States	-3.5	7.0	4.3	-3.5	4.7	0.4
Emerging Asia	-0.1	7.7	6.0	-0.1	5.2	2.9
Latin America	-6.8	6.5	2.9	-6.8	5.7	1.2
Eastern Europe	-2.2	5.1	3.8	-2.2	3.0	1.6
World	-3.6	6.2	4.7	-3.6	4.5	1.8

Sources: Oxford Economics, Atradius

[23] We build our views on scenarios provided by Oxford Economics.

2. Developments in major economies

Advanced economies reaching pre-crisis levels

The economic rebound in advanced economies has gathered pace in H1 of 2021, and is currently expected to surpass pre-crisis activity levels this year. Historically, large fiscal relief bills across major markets have protected those economies from deeper recessions, and have facilitated a smoother recovery. However, Covid-19 continues to pose a threat to the rebound, in particular as new variants like the more transmissible Delta variant lead to increasing infections and uncertainty. As long as the situation can be controlled and without the need for additional strict national lockdowns, advanced markets are forecast to expand 5.8% in 2021 and 4.2% in 2022.

Table 2.1 Real GDP growth (%) - advanced markets

	2020	2021f	2022f
Eurozone	-6.7	5.0	4.6
United States	-3.5	7.0	4.3
United Kingdom	-9.8	7.3	6.7
Japan	-4.7	2.6	2.8
Advanced economies	**-4.6**	**5.8**	**4.2**

Sources: Oxford Economics, Atradius

Eurozone

Despite the ongoing vaccination campaign, the eurozone is still struggling with the Covid-19 virus. Infections have flared up again across Europe, due to the spread of the Delta variant (Figure 2.1). We expect a GDP growth of 5.0% in 2021 and of 4.6% in 2022 after a sharp 6.7% contraction last year (the highest slump among major advanced markets, apart from the United Kingdom).

Table 2.2 Real GDP growth (%) - eurozone

	2020	2021f	2022f
Austria	-6.4	3.6	4.7
Belgium	-6.3	5.4	3.7
France	-8.0	6.0	4.8
Germany	-5.1	3.6	4.6
Greece	-7.8	5.7	5.9
Ireland	5.9	7.1	2.4
Italy	-8.9	5.5	4.8
Netherlands	-3.8	3.0	3.4
Portugal	-7.6	4.3	5.4
Spain	-10.8	6.6	6.1
Eurozone	**-6.7**	**5.0**	**4.6**

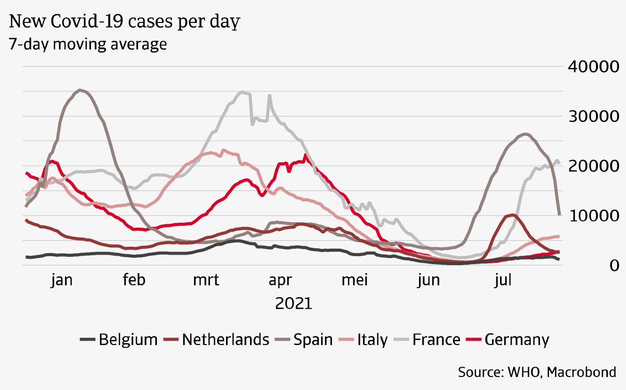
Sources: Oxford Economics, Atradius

Latest data shows that Eurozone GDP went up by 2.0% quarter-on-quarter in Q2 of 2021, following on a -0.3% contraction in Q1. As the vaccination rollout continues, more containment measures are likely to be lifted in the coming months. Economic activity is expected to accelerate in the second half of 2021, as containment measures are further lifted. Surveys indicate a strong recovery in services activity, as high-contact activities are normalised. The composite Purchasing Managers Index (PMI) recorded a value of 60.2 in July, up from 59.5 in June. Sentiment is above the neutral level both in sub-indicators for manufacturing and services. Manufacturing PMI declined slightly in July, to 62.8, from its highest ever recorded level in the month before (63.4). The manufacturing industry is experiencing some supply-side challenges, however, as input lead times lengthened to one of the greatest degrees ever recorded in July.

All member states are expected to see their GDP having returned to pre-pandemic levels by the end of 2022, but the pace of recovery is highly uneven. Among the larger countries Germany and the Netherlands will see the gap closed by Q3 of 2021, while Spain and Italy will do so one year later, in Q3 of 2022. The sectoral composition of countries in Southern Europe is more vulnerable due to a stronger reliance on tourism, which remains affected by pandemic-related restrictions in 2021.

Downside risks to the baseline projections relate mainly to the future course of the pandemic. We see a rapid spread of the Delta variant among the younger, unvaccinated population in many European countries. That said, hospitalisations are declining in most countries, which is why many (but not all) countries are loosening containment measures. A number of countries, including Portugal, Spain, Italy and the Netherlands have tightened measures in recent weeks, as cases are rising again.

2.1 New Covid-19 cases per day



Exports improve on higher external demand

Caused by the pandemic there was a sudden drop in world trade in 2020, due to supply-constraints, border closures and mobility restrictions. This triggered a sharp contraction of eurozone exports by 9.6% last year. The global economy entered 2021 on a weak footing, as a resurgence in new infections led governments to tighten containment measures. At the current juncture, survey data signals strong momentum in global activity. Foreign demand has been revised upwards since our February Economic Outlook, due to stronger than projected demand from the United States and the United Kingdom. Eurozone export growth slowed in Q1 of 2021 (up 1.0% quarter-on-quarter), due to disruptions caused by Brexit and shipping and input-related constraints. However, in H2 of 2021 we expect a strong rebound in exports and tourism. The growth rate in the export-oriented manufacturing sector is robust, although there are some headwinds created by supply constraints. Overall, we expect an average export growth of goods and services of 9.1% in 2021, followed by a 6.1% increase in 2022.

Consumption picks up on reopening of economies

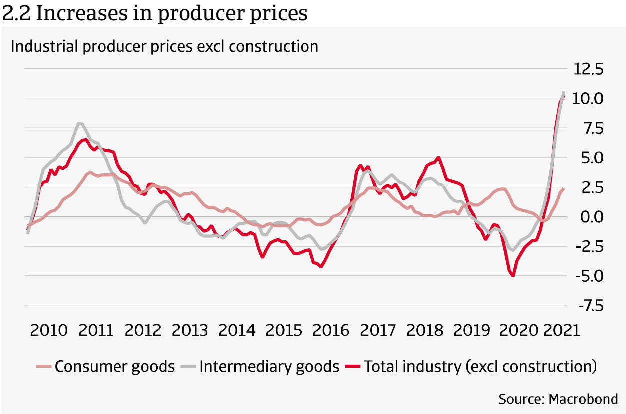
The lockdown measures heavily disrupted private consumption 2020, which shrank by 8.0% on an annual basis. In Q1 of 2021 household consumption declined by 2.3% on a quarterly basis, as confinement measures became more stringent following a rise in Covid-19 cases. However, the steep increase in mobility observed since April 2021 indicates a strong rebound in private consumption as of Q2 of 2021. We expect private consumption to increase 3.6% year-on-year in 2021. In 2022 we forecast a 7.1% growth rate as the labour market recovers further, and due to a positive spill-over effect from consumption growth this year.

The pandemic had a severe impact on the eurozone labour market, with a cumulative of 4.7 million jobs lost in the first half of 2020. Furlough schemes that were put in place prevented a steeper rise in unemployment. As the economies partly reopened and fiscal stimulus packages were put in place, employment growth turned positive again (up 2.0 million) in H2 of 2020 and Q1 of 2021. After rising in the first half of 2020, unemployment has decreased again since August 2020, and is currently at 7.7% (June 2021). Workers covered by job retention schemes were estimated to account for about 6% of the labour force in March 2021, down from almost 20% in April 2020. We expect the unemployment rate to remain broadly stable during the rest of the year. We do not expect an acceleration of wage growth in 2021, as there is still a high slack in the labour market.

Higher energy prices and supply bottlenecks push up inflation

In 2021 a combination of factors is set to push inflation well above last year's rates. The eurozone inflation rate rose to 2% in May, the highest level since late 2018, and remained high in June (1.9%). Energy inflation (12.5%) is the driver, with other components (non-energy industrial goods, services and food) making only a small contribution. Inflation is likely to increase further towards autumn, mainly reflecting the reversal of a temporary VAT cut in Germany. Rising demand and disruptions in value chains could lead to a slightly higher pass-through of rising production costs to consumer prices in some sectors. Higher inflation is visible in producer prices in the industrial sector. Increases in sales prices are broad-based, but are particularly strong for intermediate goods, mainly for manufacturing of wood, paper, rubber, plastic products, and basic metals. The latest manufacturing PMI is also pointing to increasing delivery times and a rise in purchasing and selling prices.

2.2 Increases in producer prices



Despite the price pressures in some parts of the production chain, we think that inflation will likely remain subdued, in part reflecting low wage pressures, the context of still significant economic slack, and the appreciation of the euro exchange rate. Growth in negotiated wages weakened substantially in Q1 of 2021, which could reflect a delayed effect of Covid-19 on the labour market. Compensation per hour as an indicator of actual wage growth continues to be rather strong, but this is mainly an effect of job retention and temporary lay-off schemes (which reduces employment, but pushes up pay per hour for those who remain in the workforce). We expect an average inflation rate of 2.1% in 2021, followed by a slowdown to 1.4% in 2022, given weak underlying price pressures.

Fiscal support extended in 2021

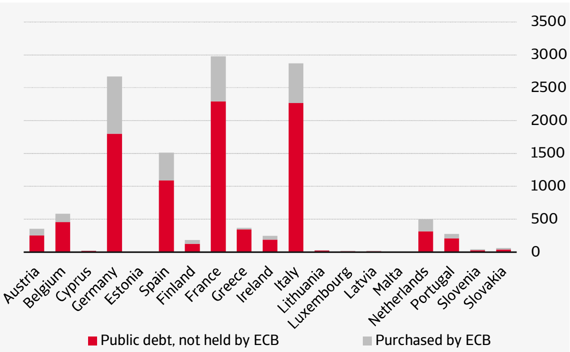
Due to the strong fiscal response during the pandemic the budget deficit in the eurozone increased strongly, to 7.4% of GDP in 2020, from 0.6% in 2019. As new waves of the pandemic have hit eurozone countries, in 2021 many emergency measures have been extended, and additional recovery support has been put in place. As a result, we foresee only a marginal improvement in budget deficits this year, to 6.9% of GDP for the eurozone in total. Fiscal tightening is expected to take place in 2022, bringing the eurozone budget deficit down to 4.1% of GDP, as the pandemic abates and temporary support measures are phased out. Due to the stimulus measures eurozone government debt rose to almost 100% of GDP in 2021, and will remain close to this level in 2022.

As a complement to national fiscal measures, the EUR 750 billion NextGenerationEU (NGEU) package will also play a role. The NGEU package will provide an additional stimulus of around 0.5% annually between 2021 and 2023. All member states, except The Netherlands and Latvia, have submitted their recovery plans to the European Commission so far. The European Commission wants to allocate at least 50% of the funds to a greener economy and digitalisation. Allocation of the fund is subject to obligations of member states to reform and to green their economies, in line with country-specific recommendations identified in the European budgetary plans.

Monetary support remains loose

The European Central Bank (ECB) will keep monetary policy accommodative over the coming years. In Chapter 1 we already discussed the strategic review that the ECB conducted, resulting in a “symmetric” inflation target of 2%, rather than a target of “close to, but below 2%”. Furthermore, we covered the Pandemic Emergency Purchase Programme (PEPP), which leads to the purchase of 1.85 trillion of bonds. ECB asset holdings have been rapidly increasing since the start of the pandemic. In total, 30% of all eurozone public debt issued by the central governments is held on ECB balance sheet. Financing conditions remain loose as well.

2.3 ECB holdings of public debt, nominal euro’s



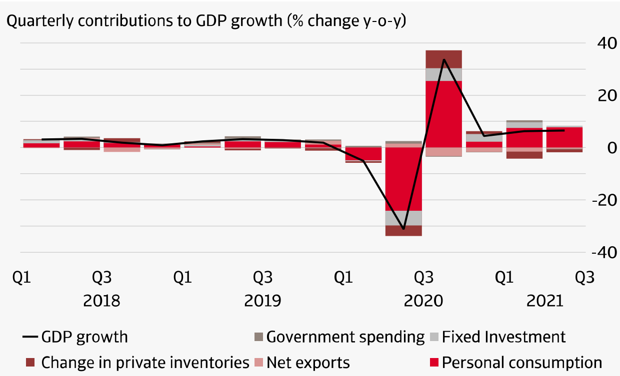
Source: Atradius

Sovereign yields spiked at the start of the pandemic, but declined rapidly after the ECB launched the PEPP. Favourable financing conditions allow countries to take up more debt in order to tackle the Covid crisis. Given the size of eurozone debt (100% of GDP), it is important for the sustainability of public finances that financing conditions remain affordable. For countries with higher-than-average debt ratios, in particular Italy, France, Spain and Portugal, this is even more important. Sustainability is supported by the fact that government debt is relatively long-term financed. Interest rate increases will not immediately raise borrowing costs substantially. Banks also continue to benefit from favourable funding conditions, driven by the asset purchasing programmes. Many banks have also replaced some market-based functions with targeted longer-term refinancing operations (TLTROs) at very favourable conditions.

US recovery passes its peak

The US economic outlook has strengthened markedly since our February Economic Outlook. The vaccination rollout has gathered pace, and the economy reopened in the first half of the year, which, combined with very low 2020 base effects, brought the recovery to its peak. The additional USD 1.9 trillion fiscal stimulus package approved by Congress in spring has provided an additional contribution. US GDP is currently forecast to expand 7.0% this year compared to 4.2% predicted six months ago – the highest annual expansion since 1984.

2.4 Consumer is king



Sources: US BEA, Macrobond

The economy grew 6.5% y-o-y in Q2 of 2021, undershooting expectations, but surpassing pre-crisis levels. Supply chain issues have limited the capacity for inventories to restock in order to meet the strong domestic demand. Robust domestic demand also contributed to stronger import growth than exports, exerting a drag on overall GDP growth. Private consumption continues to drive the US economic recovery, and is expected to do so in the remainder of 2021 and in 2022.

The fiscal stimulus has included generous outlays to individuals, and optimism has been rising as health conditions have improved. Under lockdown and pandemic uncertainty in 2020, the personal savings rate rose to a record high of 16.2%, offering more disposable income to be spent on pent-up demand in 2021 and 2022. The Federal Reserve estimates that USD 2.6 trillion in excess liquid savings by households have accumulated during the pandemic. Rising consumer optimism is further underpinned by the strengthening labour market. Unemployment stood at 5.9% in June 2021, down from a peak of 14.8% in April 2020. Labour supply constraints are also pushing wage growth higher, up 3.6% compared to 2020. The labour force participation rate remains relatively low at 61.6% (last seen in the late 1970s), putting further upward pressure on wages.

While the labour market is gathering momentum and wages tick up, pushing up prices, the Federal Reserve is not expected to respond with monetary tightening in the short-term. As discussed in Chapter 1, we expect the inflation surge to be temporary, and the Fed does not yet consider the improvements in the labour market to offer confidence in a “broad and inclusive” recovery. As general health conditions continue to improve more workers will feel comfortable returning to the labour force, helping to meet the accelerating jobs growth. Increases of Covid-19 cases in some states increase the risk that this recovery will be bumpy though. Labour supply will continue to increase as childcare becomes more readily available, and as emergency unemployment benefits expire. As supply increases meet demand, the upward pressure on wages will ease.

Inflation expectations remain well-anchored, underpinned by Fed policy credibility. A key risk for price growth is economy overheating due to aggressive fiscal stimulus, but that risk is also decreasing. The fiscal impulse from the American Rescue Plan will fade quickly in 2022, and any additional stimulus from the American Jobs Plan will be disbursed more slowly. This should ease upward pressure on prices, and we expect core PCE inflation to average 3.2% this year – above target, but contained. As such, the Federal Reserve is not expected to begin hiking interest rates until 2023, but likely to begin tapering quantitative easing in early 2022.

The 2022 growth outlook has also improved compared to six months ago (4.3% compared to 3.4%) with further upside risk due to the potential USD 1.7 trillion American Jobs Plan (AJP). The AJP is currently under negotiations. A USD 1.0 trillion infrastructure bill was already passed by the US Senate in August 2021, with other bills likely to follow later this autumn. However, Covid-19 continues to pose a risk to the economic recovery. As the pace of vaccinations rollout slows and more transmissible variants spread, the economy could perform less well than we currently anticipate.

UK economic rebound still facing downside risks

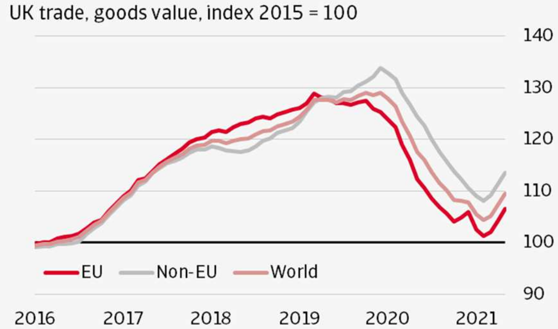
The outlook for the UK is substantially brighter than it was at the beginning of 2020, but the economy is still not expected to reach its pre-crisis level before 2022. Activity proved more resilient than expected during the third national lockdown and has rebounded strongly since April, as restrictions began to ease. The emergence of the more transmissible Delta variant of Covid-19 caused a four-week delay in the relaxing of restrictions in June, temporarily slowing momentum and increasing downside risks. However, the outlook for the remainder of 2021 still remains robust, with annual GDP forecast to increase 7.3%. In 2022, a 6.7% expansion is expected.

Consumers are driving the recovery in the UK, with strong growth in the hospitality sectors. This momentum is expected to continue, as the last remaining restrictions have been lifted. The decline in Covid-19 cases since end-July bodes well for consumer confidence. Non-consumer-related sectors are facing slower growth, and the manufacturing sector is constrained by supply chain disruptions.

Brexit adds additional pressure to UK-EU trade

International trade has faced significant contraction in the past year due to the Covid-19 crisis, and UK-EU trade has been further battered by Brexit. Controlling for pandemic-related volatility, we calculate that trade between the UK and EU decreased 15.3% since end-2018. This is compared to a 7.0% contraction in trade between the UK and the rest of the world*. We benchmark against end-2018 as it is the last period before Brexit deadlines and the pandemic increased volatility in trade flows. Since 2019 uncertainty alone contributed to stagnant trade flows, as anticipated Brexit deadlines came and went. The sharp decrease in 2020 – also driven by the pandemic – wiped out nearly all trade gains made between the UK and the EU since the UK voted to leave the EU in 2016. While goods are still traded with zero tariffs, non-tariff barriers in the form of increased paperwork and higher regulatory uncertainty are straining trade. This is especially hampering trade in the machinery & transport equipment sector, which accounts for almost half the decline in bilateral trade. On top of that, rising tensions surrounding the controversial Northern Ireland protocol have increased uncertainty further. Therefore, we expect UK-EU trade to recover more slowly and on a bumpier path than trade with the rest of the world, as the global economy returns to ‘normal’.

UK trade, goods value, index 2015 = 100



Sources: UK ONS, Atradius

* Latest data is May 2021. For a more in-depth analysis, read “Brexit Disrupts UK-EU trade” https://group.atradius.com/publications/economic-research/brexit-disrupts-UK-EU-trade-june-2021.html

Government policy is key for the economic recovery and the prevention of deep scars from the pandemic. Government-sponsored loan schemes have helped to keep corporate insolvencies low, and job retention schemes prevented a major rise in unemployment. These programmes are currently set to expire in autumn, providing the economy with just a few months to adjust. With stronger household balance sheets and rapidly recovering demand for labour, a large uptick in unemployment or a major consumption slump is not expected. Monetary policy will also continue to be supportive, with interest rates flat at 0.1%, and the asset purchasing programme tapering slowly.

Japan: minimal stimulus from Tokyo Olympics

Japanese GDP contracted by 4.7% in 2020 due to the pandemic, which depressed household and business spending and led to contraction of exports. The economy has recovered since the second half of 2020, but suffered a temporary setback at the beginning of 2021. In January and April 2021 the Japanese government declared state emergencies in prefectures with rising infection rates. However, those measures have been insufficient to stop the spread of new virus variants. Japan lags behind most other OECD countries in terms of vaccination, with only about 47% of the population having received at least one dose of vaccine. Despite rising infections we forecast the economic recovery to pick up pace in the second half of 2021, leading to a 2.6% GDP growth in 2021, followed by a 2.9% increase in 2022.

Despite a rebound in H2 of 2020 Japanese exports shrank by 12% last year, due to the disruptive effect of Covid-19. Japan is well-integrated in Asian supply chains, importing raw materials and inputs from the region, while producing goods at the high-end of the value chain. Export growth in 2021 is underpinned by robust Chinese demand, a buoyant manufacturing sector and large fiscal stimulus in the United States (the US is the most important export partner of Japan). However, the car industry is experiencing some pressure from supply chain disruptions.

On the domestic side, recent data suggests that private consumption was resilient in spring 2021, despite the state of emergency in Tokyo and several other prefectures. While improved spending is expected amid progress in vaccinations, consumption remains susceptible to health-related risks, due to limited medical capacity in order to treat Covid 19 patients. Since the Tokyo Olympic Games were held under the state of emergency, its economic benefit for consumption was fairly limited. Due to extensive fiscal support during the pandemic, unemployment remains low. Private investment will improve in 2021 due to stronger foreign demand, accelerating technological shifts and structural factors. Investments are supported by Japanese businesses, expected to maintain high levels of R&D investment over the coming years. This mainly accounts for the automotive industry (developing the next generation vehicle technology) and digitalizing businesses.

Emerging economies

While the global economy is showing a robust recovery in 2021, many emerging market economies (EMEs) lag behind, still struggling with Covid-19 outbreaks. In Asia, the pandemic situation was relatively well under control, until the Delta variant started to spread in recent months. Latin America has among the highest infection rates in the world. Compared to advanced economies, the vaccine rollout has been progressing more slowly across EMEs. Additionally, the scope for fiscal expansion has been more limited, offering less support to offset the negative economic impacts of containment measures. A stronger rebound is likely in the second half of 2021 with the gradual easing of domestic restrictions, in line with improving global conditions. Economic growth across EMEs is forecast to recover by 6.9% this year, followed by another 5.3% growth in 2022.

Table 2.3 Real GDP growth (%) - emerging markets

	2020	2021f	2022f
Emerging Asia	-0.1	7.7	6.0
Latin America	-6.8	6.5	2.9
Eastern Europe	-2.2	5.1	3.8
MENA	-4.8	3.9	4.1
Sub-Saharan Africa	-2.7	3.8	3.8
Emerging Markets	**-1.6**	**6.9**	**5.3**

Sources: Oxford Economics, Atradius

Asia: China and India

The **Chinese** economy continues its fast recovery from the pandemic, helped by a strong containment effort and swift policy actions to mitigate the impact of the crisis. China's approach to tackle Covid-19 has been to impose stringent containment measures in areas where the virus surfaces. Regarding vaccinations the country lags behind most major economies. This means that China remains vulnerable to sporadic emergence of clusters. Assuming a persisting suppression of the pandemic, we forecast growth to reach 8.4% this year. This will be followed by a 6.1% expansion in 2022 as base effects dissipate, and the economy returns to pre-Covid-19 trend growth.

In 2021, we expect household spending and corporate investment to overtake real estate and infrastructure as growth drivers. Consumption growth will probably gain pace in 2021, as consumers become more comfortable with their own economic situation and public health conditions. Macro policy will keep underpinning manufacturing investment and will shift away from real estate and infrastructure spending. Shipping bottlenecks in Guangdong and a rotation of global demand away from goods to services will impact China's export growth. However, we do expect a recovery of export growth in the remainder of 2021, as a number of supply chain issues and shipment delays will be resolved.

We expect monetary policy to turn more neutral as the recovery gains momentum. Monetary policy support during the Covid-19 pandemic has been leaning towards non-interest rate instruments, with the benchmark interest rate unchanged for roughly a year. Tightening measures were introduced in the property market to avoid inflating bubbles, which were already emerging. Fiscal policy will provide less support than in 2020 as the recovery is solid in most sectors. However, some support measures will remain in place. For instance, debt moratoria are being extended on a case-by-case basis, and businesses hit by the crisis can continue to carry over losses for eight years altogether. The hardest-hit companies will also remain eligible for lower social security contributions. That said, the pandemic situation remains an important downside risk for the Chinese economy. In the absence of mass vaccinations, a full reopening of the borders and return of passenger traffic is still prevented.

In **India** economic growth is projected to bounce back in 2021, to 9.1%, after 7.0% contraction in 2020. The recovery is almost entirely attributable to the low base of 2020. In 2022, we expect a GDP expansion of 7.1%.

An upsurge of Covid-19 infections since February is weakening the recovery. Infections rose rapidly between January and early-May, bringing new cases per day to around 400,000 at the height of the second wave. Vaccination rollout is progressing slowly. The targeted lockdown approach, less stringent restrictions, and resilient consumer and business behaviour will probably mitigate the economic impact of the second wave. Government efforts to boost vaccination rates and forbearance measures from the central bank to alleviate the effects of the second wave on individuals and small businesses will enable the recovery to resume in the second half of the year. Growth will also be supported by the government's expenditure push initiated already before the second wave. However, compared to other major economies the extent of direct government support is limited (amounting to 3.5% of GDP). The Reserve Bank of India (RBI) has signalled its intention of maintaining an accommodative stance as long as necessary. Given risks surrounding the pace of the recovery, the RBI is projected to delay any rate increase until mid-2022.

Latin America: Brazil and Mexico

After a sharp 6.8% contraction in 2020, Latin America's GDP is forecast to increase 6.5% in 2021. Together the larger countries Mexico, Brazil and Argentina have recorded 27 million Covid-19 cases, about 14% of global cases (while accounting for 5% of the world population). Compared to the size of the population, Uruguay, Argentina, Panama, Colombia and Brazil are among the countries with the highest infection rates in the world. The vaccination rollout has been slower than in most advanced markets, with the exception of Uruguay and Chile.

In **Brazil**, a third wave of infections emerged in March and April, pushing the death toll to its highest since the pandemic began. However, the vaccination rollout is picking up pace, with 53% of the population at least partially vaccinated. This is still lower than in some other Latin American countries, and it is not what was expected, given the country's vast experience with infectious diseases. But a lack of prioritisation from President Bolsonaro led to vaccine supply shortages, keeping Brazil on par with other EMEs. Brazil's economy performed relatively well in 2020, recording a contraction of 4.4%, less than in neighbouring countries. This was due to a relatively diversified economy, with a lower share of informality in the labour market and more possibilities to work remotely. Additionally, the government provided a sizable fiscal package (12% of GDP) to contain the economic damage; it even succeeded to reduce poverty rates last year.

GDP is forecast to expand by 5.7% in 2021, followed by a 2.1% growth in 2022. Despite a third wave of infections the economy performed well in H1 of 2021, thanks to a positive spill-over effect from last year and strong domestic demand. In H2 of 2021 we expect growth to continue, led by household consumption and exports, on the back of a more effective vaccination rollout and improvements in controlling the virus. Amid recovering global demand, exporters benefit from the depreciation of the Brazilian real and low domestic wage growth, which provide Brazilian exporters a competitive edge. Room for additional fiscal support in 2021 is limited, as public debt approaches 90% of GDP. It will be a challenge to strike the right balance between protecting the poor and ensuring sustainable public finances. Additionally, rising inflation (8.3% y-o-y in June) has resulted in a more restrictive monetary policy. The central bank has increased the policy rate by a cumulative 325 basis points since the beginning of 2021.

In **Mexico**, Covid-19 cases have been picking up again since mid-May, as the more infectious Delta variant is becoming dominant among non-vaccinated younger people. Mexico will benefit from the strong US recovery, which will fuel demand for Mexican exports and tourism expenditure in the country. Private consumption will strengthen gradually, aided by remittances and the rollout of vaccines. However, the AMLO (Andrés Manuel López Obrador) government continues to promote a business unfriendly economic policy agenda, which is leading to uncertainty among investors and declining fixed investment. During the pandemic fiscal support was meagre, amounting to just 1% of GDP in 2020. Monetary policy is less loose than in other major emerging markets. However, strong external demand will help the recovery, and GDP is expected to return to its pre-pandemic level by early 2022. Overall, we expect a 6.2% GDP rebound in 2021, followed by a 3.2% growth rate in 2022.

Eastern Europe: Russia and Turkey

Eastern Europe is likely to see a 5.1% GDP expansion in 2021, after a 2.2% decline in 2020. **Russia** went through a relatively mild recession last year, as restrictions were shorter and less severe than in most other countries. Russia's economy is expected to expand 2.5% this year, supported by a strong rebound in global demand and a domestic V-shaped recovery. Reduced geopolitical tensions and rising commodity prices have also improved sentiment. Despite an acceleration in vaccinations in recent weeks, only 26% of the population is at least partially vaccinated. Covid-19 infections in Russia have been increasing since May, but have also triggered a more aggressive vaccination campaign. This should help to avoid confinement measures that would curb activity again. Private consumption is expected to be the main growth driver in 2021, although this will be more of a mechanical rebound. Household finances still remain stretched, and we expect household consumption to return to pre-pandemic levels not until 2022. Investment will grow in 2021, but remains constrained by the OPEC+ deal, as oil output curbs are set to remain in place until April 2022 at least, which will constrain growth in oil revenues. Fiscal support in 2020 was relatively limited compared to most European markets. In 2021 the government will roll back support, as it emphasises preserving fiscal buffers against external shocks. Rising inflation prompted the central bank to reverse its monetary easing cycle, and to raise rates three times since March 2021. Inflation is expected to remain elevated in summer 2021, before it will decline due to monetary policy tightening and base effects.

Turkey was one of the few countries to avoid a recession in 2020, with a GDP growth of 1.8%. In Q1 of 2021, GDP expanded by 7% year-on-year. Following a third wave of infections, restrictions were tightened once again in late-March 2021, and another full lockdown was announced in late-April 2021, extending into May. The vaccination rollout has been ongoing since February and has accelerated recently. The lifting of restrictions since mid-May has led to a strong rebound in economic activity. The surge of mobility in June suggests a rapid recovery in consumption and investment in the later part of Q2. Industry has been exempted from the lockdown measures, and will remain supported by domestic resilience and the global trade upswing. Tourism is expected to improve over the coming months, but the wildfires that broke out in southern and western parts of the country could negatively impact the number of visitors. Germany and Russia, two key sources of visitors, have lifted restrictions on travel to Turkey.

Exchange rate pressure and high inflation make it unlikely that Turkey will sustain the recent pace of growth during the rest of the year. According to official data, inflation jumped to 17.5% in June, up from 16.6% in May. Underlying developments in producer prices (up 43% y-o-y), core inflation (up 17.5%) and inflation expectations (up 15.6%) indicate that high inflation will not be easy to overcome. In the second half of 2020 there was aggressive monetary policy tightening in order to prevent the self-induced credit surge from spinning out of control. However, in May 2021 President Erdogan (once again) replaced the central bank governor by someone with a more 'dovish' (adverse to high interest rates) stance. This underscores existing concerns about the independence of the Turkish central bank and poses a risk to financial stability. The current central bank governor has kept the interest rate steady at 19%, but the replacement did trigger renewed pressure on the exchange rate, wiping out all of the lira's gains under the previous governor. Additionally, the macroeconomic policy mix to tackle the pandemic is based on concessional loans rather than on direct fiscal support to households and firms.

Sub-Saharan Africa: South Africa

The pandemic continues to take a heavy toll on Sub-Saharan Africa. Following the largest economic contraction ever for the region (down 2.7% in 2020), growth is expected to rebound by 3.8% in 2021, significantly lower than anticipated before the pandemic. **South Africa** entered a third wave of Covid-19 infections in the first half of 2021, triggering a renewed lockdown since late-June. Vaccination rollout is only slowly progressing, with about 12% of the population having received at least one dose. However, an economic growth rate of 4.3% is expected in 2021, followed by a 2.3% increase in 2022. Support is coming from improved domestic and external demand. South Africa benefits from the global economic recovery and higher commodity prices. However, the spread of the pandemic, in combination with slow vaccination rollout remains a risk for the economic outlook. Additionally, riots in certain parts of the country, triggered by the jailing of former president Jacob Zuma, pose another downside risk for South Africa.

Inflation was 5.1% in June, broadly stable compared to May (5.2%), with still upward pressure from higher oil prices and an increase in electricity tariffs. The South African rand initially gained value in 2020, but lost much of it again due to the recent riots. Some support could still be provided by higher commodity prices. Fiscal support to tackle the pandemic amounts to about 6% of GDP, and has been partly extended into 2021. As a result, public debt will rise sharply, to 83% of GDP in this year, with limited additional room to support the economy. Monetary policy is expected to remain accommodative in 2021.

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

	2020	2021f f	2022f f
Mexico	-8.5	6.2	3.2
Brazil	-4.4	5.7	2.1
China	2.3	8.4	6.1
India	-7.0	9.1	7.1
Russia	-3.0	3.4	2.5
South Africa	-7.0	4.3	2.3
Turkey	1.8	7.0	2.3

Sources: Oxford Economics, Atradius

Appendix: forecast tables

Table A1: Macroeconomic headline figures - developed markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption (% change p.a.)			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Australia	-2.4	5.1	3.3	0.9	2.1	2.0	-10.0	-3.4	-4.6	64.9	61.6	65.2	2.6	3.3	0.8	-10.0	2.0	8.1	-5.8	6.4	3.4	-3.0	9.7	6.0	7.2	3.8	2.5	2.5	4.3	0.1	-1.0	1.3	2.2
Austria	-6.4	3.6	4.7	1.4	2.3	1.5	-8.8	-8.8	-4.5	142.5	142.4	138.2	2.4	0.8	3.0	-10.6	4.7	9.0	-9.1	4.0	7.4	-5.6	5.8	3.5	2.3	2.3	0.4	-0.5	4.4	1.9	-6.0	8.0	3.3
Belgium	-6.3	5.4	3.7	0.7	1.7	1.3	-9.3	-6.5	-4.5	143.4	140.0	138.3	-0.1	0.4	-1.7	-4.6	8.1	5.4	-8.7	3.6	7.5	-6.9	9.8	1.6	0.6	3.1	1.5	2.0	7.3	2.4	-3.8	5.9	2.0
Canada	-5.3	6.8	3.9	0.7	2.7	2.5	-10.5	-6.2	-2.3	127.3	119.2	115.0	-1.8	0.0	-0.3	-10.0	5.6	8.6	-5.9	6.1	6.2	-3.7	9.1	3.0	-0.3	5.8	0.3	-2.1	11.2	6.2	-8.3	6.9	4.8
Denmark	-2.1	3.1	3.3	0.4	1.5	1.2	-1.2	-1.4	-0.5	58.5	57.7	55.6	8.3	7.0	7.0	-7.0	7.4	5.5	-1.3	2.9	4.1	5.1	3.4	3.6	-1.7	2.5	2.5	3.6	3.5	1.0	-5.5	6.6	4.3
Finland	-2.7	2.5	2.1	0.3	1.7	1.7	-5.5	-4.0	-2.8	69.3	71.2	71.7	0.3	-0.7	-0.5	-6.6	4.5	7.8	-4.8	2.1	2.6	-3.1	1.3	2.0	2.3	1.9	1.6	3.9	4.5	-0.3	-3.1	3.0	2.1
France	-8.0	6.0	4.8	0.5	1.9	1.4	-9.4	-9.8	-7.3	153.7	153.5	151.9	-2.0	-2.0	-2.2	-16.1	9.4	9.6	-7.2	5.0	6.3	-8.9	9.6	4.0	-3.2	5.6	2.8	-2.5	7.8	-0.4	-10.7	7.0	4.3
Germany	-5.1	3.6	4.6	0.5	2.7	1.4	-4.6	-4.2	-1.6	65.2	64.9	61.9	6.8	6.8	5.7	-10.2	9.4	5.2	-6.2	1.3	8.7	-3.5	4.1	3.2	3.7	1.3	0.4	4.1	1.0	4.0	-10.2	6.9	7.4
Greece	-7.8	5.7	5.9	-1.2	0.6	1.7	-9.8	-7.6	-3.3	262.0	247.1	227.5	-5.5	-3.2	-1.7	-18.3	8.5	14.5	-4.8	4.6	5.8	0.8	12.2	19.1	2.6	3.3	1.4	-3.9	3.8	3.3	-1.8	6.9	3.6
Hong Kong	-6.1	7.6	2.9	0.3	2.6	2.7	-5.8	-2.6	-1.6	0.3	1.5	2.5	6.5	7.2	6.6	-5.9	18.4	5.6	-9.9	4.6	5.4	-11.2	10.9	6.4	8.1	4.9	-0.4	-25.5	11.6	12.1	-5.9	6.0	1.9
Ireland	5.9	7.1	2.4	-0.3	2.0	1.9	-4.9	-5.0	-3.3	54.0	54.0	54.3	-2.6	18.7	18.4	9.5	7.9	1.8	-10.4	2.9	5.8	-22.9	-45.4	4.8	10.9	3.1	1.1	0.3	3.1	6.5	5.2	12.9	-3.9
Italy	-8.9	5.5	4.8	-0.1	1.6	1.3	-9.5	-11.0	-5.7	186.1	187.0	182.4	3.4	2.7	2.2	-14.5	12.4	6.6	-10.7	4.0	6.8	-9.2	13.2	4.4	1.6	2.4	0.5	-7.8	5.9	2.9	-11.0	11.6	3.9
Japan	-4.7	2.6	2.8	0.0	0.1	0.4	-12.3	-10.3	-6.0	243.7	249.4	248.2	3.2	3.4	3.5	-11.8	14.0	6.6	-6.0	1.6	2.8	-4.3	1.1	3.1	2.7	1.9	0.1	-3.9	2.4	0.6	-10.6	8.7	3.3
Luxembourg	-1.3	5.8	2.3	0.0	2.1	1.4	-4.1	-3.5	0.3	24.9	26.5	25.2	4.3	4.4	5.4	2.5	7.8	1.8	-7.0	6.5	5.7	-8.8	6.2	3.9	6.9	4.9	-2.3	-2.5	6.0	15.5	-10.7	9.2	1.5
Netherlands	-3.8	3.0	3.4	1.3	2.2	1.7	-4.3	-5.8	-3.6	69.8	71.7	71.1	7.0	10.4	10.5	-4.8	5.2	4.5	-6.6	1.5	6.9	-4.2	6.9	2.7	1.0	1.9	1.6	2.6	4.6	6.6	-3.5	4.7	3.0
New Zealand	-1.2	6.1	2.1	1.7	2.4	2.0	-8.4	-3.3	-4.6	43.4	39.8	41.6	-1.0	-5.3	-4.8	-11.9	-9.4	9.2	-2.0	9.5	0.0	-7.5	16.1	2.4	6.4	3.2	-2.2	-0.1	11.2	0.8	-4.5	5.2	2.1
Norway	-1.3	3.9	3.0	1.3	2.9	2.0	-1.0	0.4	-0.1	52.8	53.3	56.8	1.9	6.3	3.7	-0.8	3.4	5.1	-7.3	3.1	6.6	-3.8	2.3	3.4	1.7	2.2	2.6	7.3	3.4	2.9	4.1	3.7	3.7
Portugal	-7.6	4.3	5.5	0.0	1.3	1.0	-5.8	-4.4	-3.3	155.5	154.0	147.4	-1.2	-0.2	1.2	-18.6	12.2	9.4	-5.8	5.0	5.3	-1.8	8.6	6.3	0.4	3.0	3.4	-3.3	5.1	3.6	-7.0	5.8	1.9
Singapore	-5.4	6.4	4.0	-0.2	2.1	1.3	-4.7	-3.7	-2.5	150.2	146.9	140.3	17.7	20.1	17.7	-4.3	8.6	9.2	-14.1	5.2	14.4	-13.7	10.3	8.7	12.6	2.4	-0.3	-16.1	10.2	11.0	7.6	12.7	3.5
Spain	-10.8	6.6	6.1	-0.3	2.1	1.4	-11.3	-8.1	-5.8	146.8	143.6	138.9	0.7	0.9	1.5	-20.2	10.1	10.3	-12.1	7.1	6.4	-11.4	8.6	8.5	3.8	3.2	2.0	-7.1	5.6	5.1	-9.5	8.9	2.9
South Korea	-0.9	4.5	3.4	0.5	2.0	1.6	-3.8	-3.9	-3.6	51.6	54.0	56.9	4.5	4.7	3.7	-1.8	11.2	5.6	-5.0	3.0	4.5	2.6	4.3	3.6	5.0	4.0	3.8	-0.1	4.8	4.8	-0.1	8.2	3.5
Sweden	-2.9	4.4	2.7	0.5	1.8	1.7	-3.0	-2.5	-1.4	51.7	51.5	50.5	5.7	4.7	4.4	-5.0	9.6	2.7	-4.8	4.8	3.7	-0.6	2.4	3.5	-0.9	1.4	1.2	2.1	6.5	1.6	-4.5	7.9	1.8
Switzerland	-2.7	3.9	3.2	-0.7	0.5	0.6	-2.0	-2.3	-0.4	28.6	29.7	29.0	5.0	7.4	9.0	-5.6	6.9	7.5	-4.4	4.5	4.2	-2.2	4.0	4.1	3.6	3.9	-2.0	2.3	2.2	-1.1	-3.9	11.4	4.3
United Kingdom	-9.8	7.3	6.7	0.9	2.0	2.4	-12.7	-11.0	-4.8	104.5	106.2	104.1	-3.5	-2.9	-3.3	-16.4	3.0	8.1	-10.6	4.0	9.7	-8.8	8.8	6.6	-6.5	13.9	0.0	0.5	7.2	2.9	-8.0	5.1	3.6
United States	-3.5	7.0	4.3	1.2	4.1	2.6	-15.9	-12.3	-6.0	160.5	153.5	149.8	-2.9	-3.4	-3.0	-12.9	5.8	9.4	-3.9	8.9	4.8	-0.8	7.0	2.5	0.3	1.7	0.3	1.0	11.9	1.2	-7.2	6.2	4.1
Eurozone	-6.7	5.0	4.6	0.3	2.1	1.4	-7.4	-6.9	-4.1	-	-	-	2.1	2.6	2.3	-9.6	9.1	6.1	-8.0	3.5	7.1	-8.4	5.9	4.2	1.4	2.9	1.4	-1.1	4.5	2.8	-8.4	8.8	4.9

Sources: Oxford Economics, Atradius

Table A2: Macroeconomic headline figures - emerging markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption (% change p.a.)			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
China	2.3	8.4	6.1	2.5	1.4	2.7	-8.3	-7.0	-6.9	43.6	44.7	48.1	1.6	1.8	1.3	2.1	19.0	6.5	-2.4	11.7	9.1	4.5	4.9	5.9	2.8	8.0	4.1	-2.1	12.1	9.3	2.5	10.2	7.0
India	-7.0	9.1	7.1	6.6	5.4	4.8	-6.7	-7.9	-5.7	56.6	57.9	58.6	1.5	-1.3	-1.8	-9.0	16.4	7.4	-9.4	8.2	7.1	-13.0	13.2	9.1	-1.1	27.1	2.7	-7.7	10.1	8.8	-11.0	10.0	7.3
Indonesia	-2.1	3.3	6.9	2.0	2.0	2.9	-6.2	-6.5	-4.7	44.3	49.5	48.8	-0.4	-1.4	-2.1	-7.7	19.0	2.9	-2.7	1.6	6.6	-4.9	6.0	9.2	1.9	9.4	5.4	-11.9	2.9	25.5	-2.9	5.3	5.1
Malaysia	-5.6	5.2	6.6	-1.1	3.0	2.2	-6.3	-6.2	-3.8	62.1	63.7	62.4	4.2	3.2	1.3	-8.9	16.7	4.9	-4.3	7.0	6.5	-14.5	7.3	11.2	3.9	5.8	0.3	-3.5	7.8	7.1	-4.4	10.3	6.5
Thailand	-6.1	2.4	6.1	-0.8	1.1	1.4	-6.6	-5.1	-4.7	44.9	52.6	52.3	3.2	-0.7	3.6	-19.4	9.9	15.0	-1.0	2.5	4.6	-4.8	6.5	2.2	0.9	1.1	1.7	-10.4	5.2	4.5	-9.6	9.4	5.6
Argentina	-9.9	7.4	2.6	42.0	46.8	42.3	-8.5	-4.7	-3.4	102.8	92.0	85.8	0.9	1.3	0.8	-17.3	9.1	3.6	-13.8	10.1	3.9	-12.9	18.7	-7.5	-3.3	3.8	2.1	-11.2	13.3	6.7	-8.0	9.1	2.2
Brazil	-4.4	5.7	2.1	3.2	6.6	4.2	-14.0	-6.8	-6.5	88.8	85.6	87.0	-1.4	-1.5	-2.0	-2.1	5.6	6.0	-5.5	4.8	3.2	-0.6	17.3	0.8	-4.7	1.1	3.4	0.8	2.1	3.2	-4.7	9.3	3.5
Chile	-6.0	7.6	3.1	3.0	3.5	3.1	-7.4	-5.1	-4.6	32.5	34.8	37.8	1.4	-3.3	-2.8	-1.1	1.0	6.2	-7.6	10.7	0.8	-11.7	12.3	4.7	-3.7	9.8	4.1	-4.0	16.6	2.4	-1.0	2.0	2.2
Colombia	-6.8	7.5	4.2	2.5	3.1	3.2	-8.1	-8.2	-7.0	62.8	65.2	67.7	-3.4	-3.9	-3.9	-18.3	16.3	12.0	-5.6	7.1	1.9	-20.6	17.7	5.6	3.7	2.6	0.3	-	-	-	-7.9	8.6	3.6
Mexico	-8.5	6.2	3.2	3.4	5.2	3.8	-3.0	-3.0	-2.7	54.0	52.7	51.5	2.4	0.5	-0.3	-7.2	11.0	5.5	-10.7	8.1	3.7	-18.4	11.7	3.3	2.3	0.4	1.3	-9.6	8.2	3.7	-10.1	9.0	3.4
Peru	-11.1	10.6	4.6	1.8	2.7	2.9	-8.9	-5.2	-3.0	34.9	36.2	36.8	0.7	-0.4	-1.3	-20.6	22.4	7.7	-8.7	7.2	4.7	-19.1	27.2	-2.3	6.1	6.4	-2.1	-	-	-	-12.9	10.8	4.1
Venezuela	-34.9	0.8	13.1	2669.2	624.0	239.2	-17.8	-13.7	-9.9	346.9	322.3	254.1	-2.3	4.5	5.9	-42.2	-6.5	20.1	-38.5	6.0	12.5	-31.6	7.0	29.7	-15.5	2.1	0.3	-33.3	11.5	18.0	-35.0	0.1	4.3
Bulgaria	-3.8	5.0	3.5	1.7	2.2	2.2	-2.9	-2.8	-1.1	23.6	23.2	23.0	-0.6	-0.3	2.0	-11.9	14.2	5.3	0.9	4.0	1.6	-8.3	9.4	15.5	5.1	3.2	3.2	-10.0	11.6	3.9	-6.1	7.9	2.0
CIS	-2.8	3.7	3.7	4.4	6.9	5.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-2.5	3.3	2.5
Czech Republic	-5.8	3.6	4.6	3.2	2.5	2.1	-6.5	-7.9	-3.8	36.0	44.9	45.3	3.5	5.3	3.7	-7.0	10.6	3.0	-6.8	-0.4	6.2	-7.2	2.2	8.7	3.4	3.1	0.9	-0.8	2.1	6.5	-7.0	10.7	3.4
Hungary	-5.1	7.0	4.8	3.3	4.1	3.6	-8.1	-7.4	-5.6	80.4	81.8	82.3	-0.2	0.7	0.4	-6.8	12.2	5.1	-2.3	4.2	4.4	-7.3	6.3	10.9	-1.1	4.6	1.2	-0.4	2.6	2.7	-7.1	12.8	4.6
Poland	-2.7	4.9	5.7	3.4	3.9	3.1	-7.1	-3.7	-2.2	51.5	50.6	48.3	3.5	2.7	2.3	-0.2	11.9	6.7	-3.1	5.9	5.6	-8.2	13.9	6.3	4.0	2.9	3.2	2.8	6.8	5.4	-2.0	13.1	2.9
Romania	-3.7	6.9	4.6	2.6	4.1	3.1	-9.7	-7.4	-6.2	49.9	55.3	60.5	-5.3	-5.1	-5.3	-9.7	12.9	6.4	-4.5	7.0	5.2	7.2	5.3	5.6	2.0	2.5	3.8	2.4	7.9	3.2	-9.5	8.3	4.8
Russia	-3.0	3.4	2.5	3.4	5.9	4.3	-3.8	-0.6	-1.3	19.3	20.0	21.9	2.4	2.6	2.0	-4.3	3.4	2.5	-8.5	6.0	2.5	-4.3	3.1	4.1	4.0	1.7	1.7	-3.1	2.6	2.7	-2.9	3.2	2.3
Turkey	1.8	7.0	2.3	12.3	17.2	13.3	-3.7	-2.1	-2.4	35.9	37.3	35.8	-5.4	-3.4	-3.3	-15.4	16.5	5.1	3.2	5.0	2.3	6.5	5.7	3.0	2.3	0.7	1.7	3.3	5.6	2.3	2.2	11.7	2.0
Ukraine	-4.0	4.4	4.2	2.7	9.3	6.7	-6.0	-4.6	-3.0	59.3	56.3	52.2	3.3	-1.5	-2.0	-5.6	-4.6	4.8	1.4	13.5	4.4	-24.4	-0.5	9.8	-2.9	-0.8	1.3	-	-	-	-4.5	3.8	3.6
Egypt	1.5	4.7	3.4	5.0	5.4	7.0	-7.9	-7.8	-7.6	92.9	95.6	97.4	-3.7	-4.4	-4.2	-32.8	17.6	7.2	9.6	3.7	2.3	-36.0	23.5	10.5	6.1	3.2	5.0	9.6	3.7	2.3	-10.1	6.8	3.8
Morocco	-7.1	5.8	2.5	0.6	0.7	1.6	-7.7	-6.7	-5.8	97.4	99.7	102.4	-1.4	-5.0	-4.8	-14.8	4.1	6.2	-8.7	11.5	1.5	-8.6	-0.9	4.3	4.4	3.4	0.9	-8.7	11.5	1.5	-6.3	4.2	4.6
Qatar	-3.6	2.5	3.7	-2.6	1.5	2.1	-2.1	1.6	1.5	71.6	65.6	67.4	-2.5	4.7	3.4	-7.1	6.2	2.3	-5.3	5.3	4.0	-6.2	2.6	1.9	-2.3	2.6	4.1	-4.8	5.8	4.6	-2.9	2.2	2.1
Saudi Arabia	-4.1	2.2	4.7	3.4	4.6	1.8	-11.2	-0.9	0.8	32.5	30.6	30.8	-2.8	5.5	6.1	-10.8	-1.6	11.1	-6.4	5.3	3.9	-13.5	20.0	5.8	4.2	-5.7	1.4	-	-	-	-9.2	5.5	5.5
Tunisia	-8.6	3.9	1.8	5.6	5.4	6.9	-9.8	-9.2	-8.4	84.2	90.3	94.4	-6.8	-10.3	-10.5	-12.6	4.3	6.0	-14.2	4.7	2.4	-14.4	4.2	2.9	7.2	2.5	1.5	-	-	-	-5.3	6.1	0.7
United Arab Emirates	-6.1	1.3	4.3	-2.1	-0.6	1.2	-7.4	-0.6	-1.0	37.8	33.1	32.8	5.9	9.6	8.6	-7.0	5.3	4.7	-12.5	3.7	4.2	5.8	6.7	3.8	0.7	1.5	2.4	-12.5	3.7	4.2	-4.4	-2.1	4.7
MENA	-4.8	3.9	4.1	18.9	28.9	16.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-7.7	2.8	4.2
Ghana	0.3	4.7	4.8	9.9	9.3	9.1	-11.1	-9.2	-8.3	76.3	83.6	88.3	-3.2	-3.8	-3.7	-6.7	4.4	6.0	-8.6	10.0	9.2	1.8	7.0	5.2	10.1	7.6	4.2	-	-	-	1.0	4.3	4.5
Kenya	-0.4	4.9	4.8	5.3	5.8	5.9	-8.7	-7.9	-6.9	68.8	70.7	73.4	-4.2	-5.3	-5.1	-9.7	8.5	7.2	-0.4	7.9	5.3	-5.1	6.4	6.8	7.0	3.9	3.4	-	-	-	-0.3	5.0	4.8
Nigeria	-1.8	3.1	3.3	13.2	16.8	13.5	-7.7	-6.6	-5.9	21.4	21.2	21.0	-4.2	-1.5	1.4	-24.7	2.7	13.3	0.0	6.7	2.9	-7.1	10.1	2.5	62.1	-6.7	2.9	0.0	6.7	2.9	-1.0	4.0	5.0
South Africa	-7.0	4.3	2.3	3.3	4.4	5.0	-10.7	-10.2	-9.2	77.1	79.6	85.8	2.0	3.0	-0.2	-10.3	8.3	1.6	-5.4	5.0	1.3	-17.5	4.3	8.1	0.5	0.6	0.9	-5.5	5.0	1.3	-10.8	8.8	0.0

Sources: Oxford Economics, Atradius

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