S&P Global
Ratings

# Credit Conditions Asia-Pacific Q2 2022:

# A Divide Takes Shape

**March 29, 2022**

*This report does not constitute a rating action.*


REGIONAL CREDIT CONDITIONS CHAIR

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## Key Takeaways

- **Higher interest rates.** The interest rate outlook of Asia-Pacific is divided. China, because of its economic slowdown and limited inflationary pressures, has been able to lower interest rates. In contrast, most Asia-Pacific central banks have had or are poised to raise policy rates. Meanwhile, investors look set to seek higher spreads to compensate for higher risks. There has already been some investor risk aversion at the lower end of the rating spectrum.
- **Higher inflation.** Higher energy and commodity prices, exacerbated by the Russia-Ukraine conflict, are increasing regional inflation pressures. The hit would be most keenly felt by the largest net energy importers (relative to GDP) of India, the Philippines, Korea, Taiwan, and Thailand; but it is a plus for the net energy exporters of Australia, Indonesia, and Malaysia.
- **Higher expenses.** Corporates unable to pass through the higher input costs to consumers will see margin compression. Coupled with tighter financing conditions and risk repricing, the pain will be especially pronounced for highly leveraged industries and borrowers. These include small and midsized enterprises (SMEs) and households, which have yet to fully recover from the COVID-related economic shock of the past few years.
- **Confluence of headwinds.** A combination of higher geopolitical uncertainty, cost inflation and accelerating monetary tightening by major central banks, together with China's property sector problems, is pressing down on regional and global economic growth. In more extreme scenarios, economic recession or stagflation could eventuate.

*(Editor's Note: S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions (Asia-Pacific, North America, Europe, and Emerging Markets). Discussions center on identifying credit risks and their potential rating impact in various asset classes, as well as borrowing and lending trends for businesses and consumers. This commentary reflects views discussed in the Asia-Pacific committee on March 22, 2022.)*

**Widening gaps.** Surging energy and commodities costs, a consequence of the Russia-Ukraine conflict, are among the reasons dividing the region into winners and losers. These include net energy importers and exporters, havens and non-havens, and producers and consumers (see "Ukraine Conflict Divides Asia's Energy Haves And Have-Nots," March 9, 2022). The already-uneven recovery track will lead to greater divergence among rated issuers. Major central banks (e.g., the Fed and Bank of England) are embarking on monetary tightening; China and Japan are exceptions. Emerging markets may see capital flight--hitting currencies and hiking funding costs. Meanwhile, cautionary investor sentiment could limit refinancing options for some speculative-grade issuers.

**Slowdown fears.** Persistently high energy and raw material prices could exacerbate rising inflationary pressures for consumers and producers alike. For the net energy-importing economies (particularly Thailand, India, and South Korea), current account balances and real purchasing power could contract. Consequently, we have revised down our growth expectations

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for the bulk of the region's economies (see "Economic Research: Asia-Pacific Economic Risks, Thy Name Is Inflation," March 28, 2022). The confluence of various credit headwinds could amount to a material economic slowdown.

**Margin compression.** The high energy and input costs weigh on margins for most corporate sectors in Asia-Pacific. This strain is especially pronounced for sectors such as chemical producers, food processors, building materials, transportation cyclical, and manufacturing sectors. The extent of the hit to profits will depend on a corporate's ability to pass through the cost hikes to consumers. However, with demand and consumption remaining below pre-COVID levels (except in the electronics and technology sectors), this challenge is daunting as growth slows--especially for SMEs.

**Risk off, risk on.** While the direct impact from the Russia-Ukraine conflict is limited, a widening of the war or further sanctions could see many spillovers to the region and complicate access for weaker credits seeking refinancing (see "Ukraine Conflict And Asian Companies: Commodity Prices, Sentiment Exceed Direct Effects," published March 10, 2022). Concurrently, a downcycle persists in the Chinese property segment (reflecting weak unit sales and continued price contraction), and access to liquidity may remain plugged across the highly leveraged sector. In particular, issuance volumes for offshore bonds declined sharply by 94% year over year as of Feb. 28, 2022. For the region's banks, worsening economic downside scenarios and intensifying geopolitical risks and cyberattacks, could eventually take their toll on asset quality (see "Asia-Pacific Banks And The Ukraine Crisis: Small Exposures But Secondary Impacts Could Bite," March 16, 2022).

**Rating outlook bias.** While the net rating outlook bias remains steady at negative 5% (as of end-February 2022), a softening global economy amid heightened energy and commodity prices point to downside strains. The outlook bias deteriorated for seven out of 21 rated corporate sectors as of Feb. 28, 2022, compared with Oct. 31, 2021 (four of 21). The ability to transfer rising input costs to customers or maintain margins are among the factors underpinning the credit quality of our rated corporates. With demand and consumer sentiment not fully recovered to pre-pandemic levels, those sectors or companies with a high share of raw material or feedstock expenses in their cost base could see negative rating implications.

Table 1 lists our top Asia-Pacific risks.

Table 1

## Top Asia-Pacific Risks

### Rising borrowing costs, record-high debt curb financing and threaten credit quality

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

With major central banks (except for China and Japan) looking to accelerate monetary tightening, investors' demand for higher risk premiums could hurt some lower-rated borrowers. Sharp repricing of financial and real assets or risk aversion by financers could hit market liquidity, foreign exchange rates, and capital flows. Emerging markets most reliant on external financing are vulnerable to volatile capital flows and fragile investor sentiment, while those with material foreign-currency borrowings could suffer from higher financing costs. In China, the ongoing property sector correction may spur further liquidity squeezes amid curtailment of funding access. Meanwhile, the inability to rebuild earnings back to pre-COVID levels for highly indebted SMEs will mean further credit deterioration and defaults.

### High energy price and raw materials prices to hit profits and growth

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

Persistently high energy and raw material prices (fueled by the Russia-Ukraine crisis and global supply bottlenecks) will squeeze margins for most corporate sectors in Asia-Pacific. With demand and consumer sentiment yet to fully recover to pre-pandemic levels, the ability to pass through input costs to customers may be difficult. For some downstream producers (particularly SMEs), this would weigh on credit quality as growth slows. Consequently, it could have spillover implications for the banks' credit loss provisioning. Meanwhile, effects of higher oil prices across governments in Asia-Pacific will vary; the economic growth of oil-importing countries (particularly Thailand, India, South Korea) may be harder hit. Concurrently, the energy subsidies provided by some net-energy exporting countries (e.g., Malaysia, Indonesia) to households could dent fiscal balances. We consider the inflationary pressures to have increasingly negative implications for our rated corporates.

### Geopolitical tensions and China policy stance cloud credit and growth trajectories

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

Amplified geopolitical tensions amid the Russia-Ukraine crisis could raise the risk of restricted trade and capital flows, lowering economic growth. Despite a limited direct impact from sanctions for the region, risks of spillovers (commodities, energy, and financial markets) and imposition of secondary sanctions could affect exposed borrowers and impede funding access. The intensification of the strategic confrontation between the U.S. and China--over Russia and the South China Sea region--would be detrimental for investment, trade, and supply flows within and outside the area. The Chinese government's ongoing execution of socio-economic policies ("common prosperity" and "dual circulation") and efforts to curb leverage could hinder business and consumer confidence, fueling contagion risk. But successful execution may bring about longer-term financial stability. Beyond China, these policy and economic developments may affect others reliant on the country for exports or finance (e.g., emerging markets) and imports (e.g., component parts).

### Renewed pandemic-related disruptions damp economic recovery

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

Most Asia-Pacific governments seek to ease mobility restrictions on the back of higher vaccination rates, but China's very-low COVID-19 tolerance could see occasional imposition of localized lockdowns. A widespread outbreak in China may lead to broader lockdowns and economic damage. Without coordinated efforts and a more uniform vaccine coverage, a new virus variant is possible. If a new variant emerges, global, regional and economic recovery could be hampered, creating a challenging credit environment for some countries and sectors.

## Structural Risks

### Climate change, ESG risks and a bumpy transition to a low-carbon economy

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

Disruption risk is mounting and rampant because of the persistent gap between growing global greenhouse gas emissions and initiatives to limit global warming to 1.5 degrees above pre-industrial levels. The transition to a low-carbon economy is unlikely to be linear. A rapid phase-out of fossil fuels could be disruptive for many industries, straining credit quality. Sovereigns that depend on hydrocarbon export revenues or economies centered on energy-intensive industries could also face pressures. In addition, companies and countries have to prepare and adapt to the growing frequency and magnitude of natural disasters. The latter heightens the risk of social unrest. As a result, boards and government leaders face increasing calls to show they can understand and oversee ESG issues beyond carbon emissions--e.g., from human rights to social unrest.

### Digitalization and cyberattacks disrupt business models, add to systemic risks

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

Increasing technological dependency and global interconnectedness mean cyber risk is a systemic threat and significant single-entity risk. As attacks become more sophisticated, new targets and methods are emerging. Organizations face the risk of criminal and state-sponsored cyberattacks, as well as disruptions caused by increasing digitalization with opaque and complex global systems. The Russia-Ukraine conflict raises the prospect of major attacks, resulting in business disruptions. Separately, an intensifying technology race between the U.S. and China could strain supply chains (e.g., semiconductor manufacturing) and restrict access to intellectual property and markets.

Source: S&P Global Ratings.

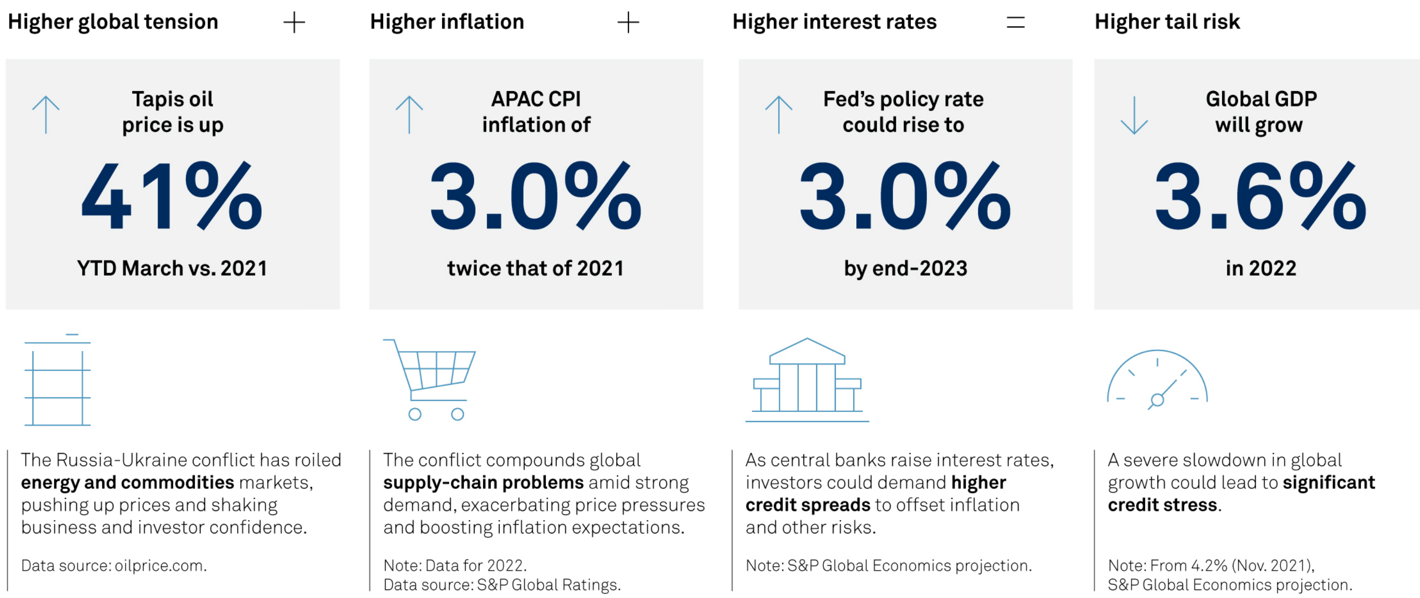
* **Risk levels** may be classified as very low, moderate, elevated, high, or very high, and are evaluated by considering both the likelihood and systemic effect of such an event occurring over the next one to two years. Typically, these risks are not factored into our base case rating assumptions unless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

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

Chart 1

**Asia-Pacific Credit Conditions | A Confluence Of Higher Risks**

Geopolitical tensions, inflation, and rising interest rates heighten economic and credit risks.

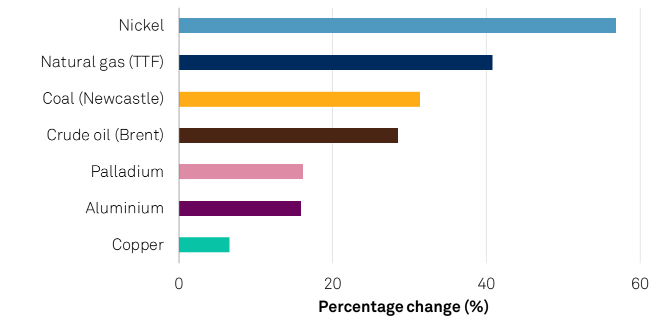



YTD--Year to date. CPI--Consumer price index.

Chart 2

## A Surge In Energy And Commodity Prices...

Percentage change in energy & commodity prices since Feb. 18, 2022



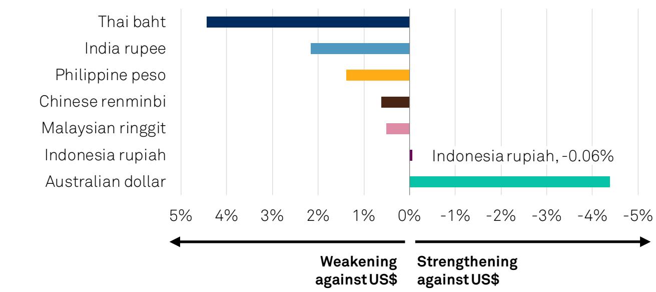

Note: Data as of March 25, 2022.

Source: S&P Capital IQ.

Chart 3

## ...Is Dividing Currency Movements

Percentage change in Asia-Pacific currencies since Feb. 18, 2022



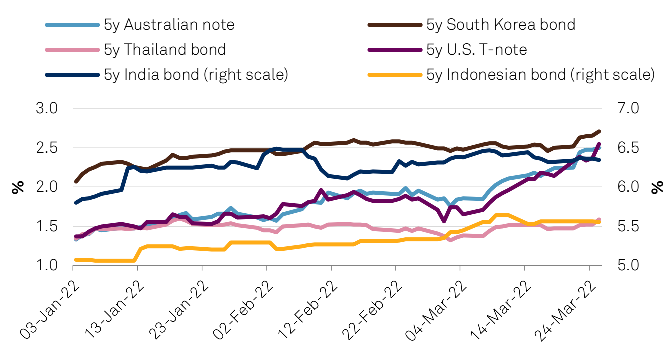

Note: Data as of March 25, 2022.

Source: S&P Capital IQ.

Chart 4

## 5Y Bond Yields Tick Up Across Asia-Pacific

Movement in 5Y Asia-Pacific bond yields since Jan. 3, 2022



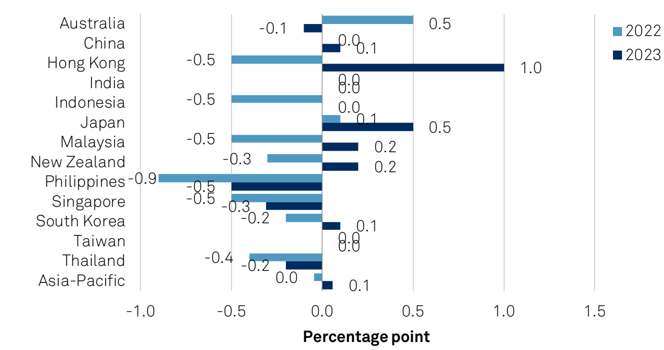

Note: 5y--5 year. UST--U.S. Treasury. Data as of March 25, 2022.

Source: S&P Capital IQ.

Chart 5

## Asia-Pacific: Changes In Economic Forecast

Current real GDP forecast versus November 2021

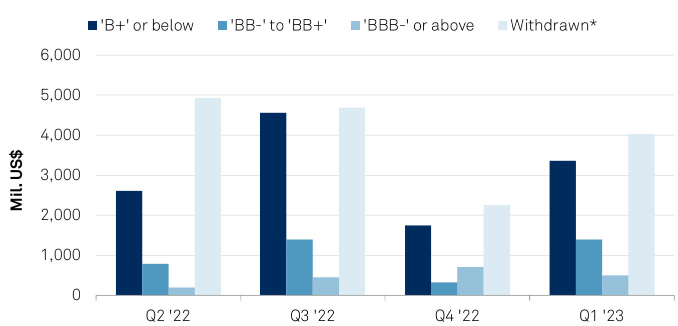



Note: For India, 2022 = FY 2022 / 23, 2023 = FY 2023 / 24.

Source: S&P Global Economics.

Chart 6a

## A Steep Offshore Maturity Wall In Q2 and Q3 '22 Awaits 'B' Category Issuers...

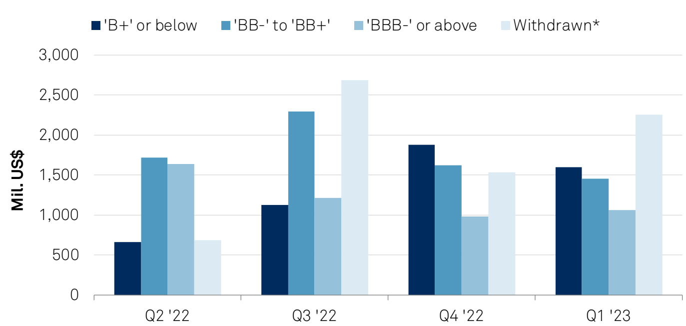



Note: *Rating withdrawn at issuer's request from Jan. 1, 2021, to March 23, 2022. Mil.--Million. Data collected as of March 23, 2022.

Source: S&P Global Ratings, Bloomberg.

Chart 6b

## ... And 'BB' Category Issuers For Onshore Maturities




Note: *Rating withdrawn at issuer's request from Jan. 1, 2021, to March 23, 2022. 1 USD = 6.4 RMB. Mil.--Million. Data collected as of March 23, 2022.

Source: S&P Global Ratings, Wind.

# Macroeconomic Outlook

## New Headwinds For Recovery

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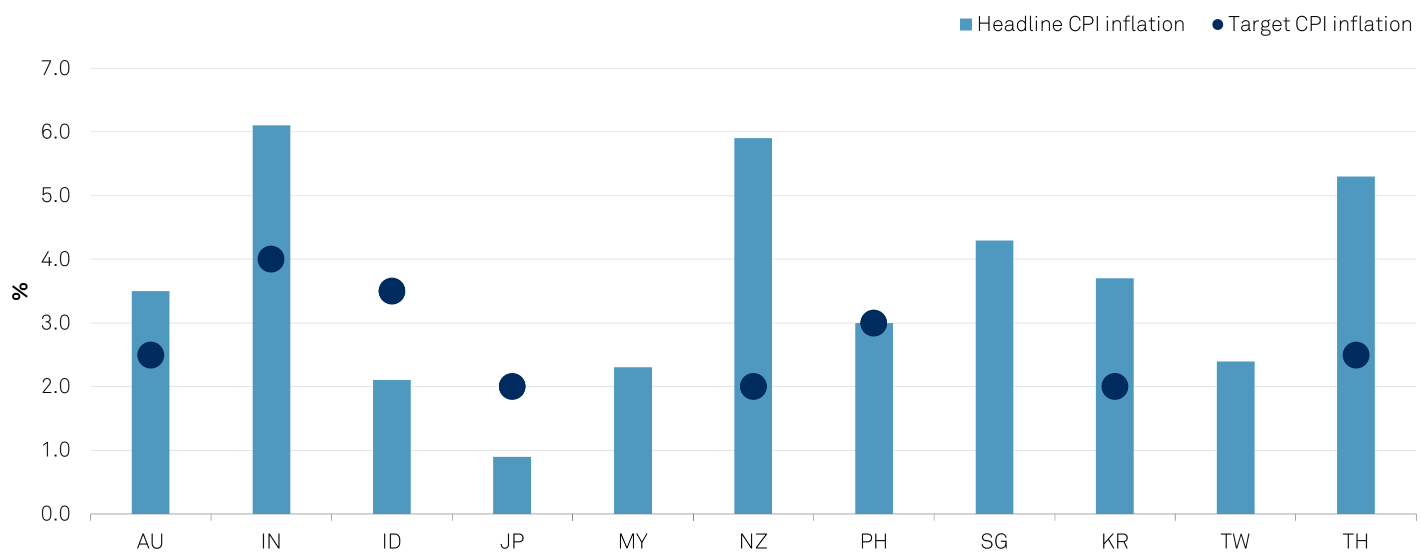
Risks are challenging Asia-Pacific's incipient recovery. The Russia-Ukraine conflict, U.S. policy rate rises, spiking energy prices, and escalating COVID cases in China are complicating a robust expansion in regional economies. S&P Global Ratings expects these new risk factors will generally present as inflation and will likely dent a broadly strong rebound from the pandemic.

Most Asia-Pacific economies continue to recover from the pandemic. While the omicron variant is still spreading in some places, its economic impact has generally been modest so far as vaccination levels have risen and governments and business have adapted. Moreover, several governments have shifted towards a "living with Covid" stance. However, China's "dynamic zero" COVID policy is being tested by the more contagious omicron variant. That is underscored by a series of local restrictions or lockdowns. Hong Kong is another exception; its economic recovery received a setback from restrictions that were imposed after an omicron surge; although a roadmap for the easing of restrictions was announced in March.

Amid rising commodity prices, producer prices were rising well before the outbreak of the Russia-Ukraine conflict, but consumer inflation has remained moderate. Indeed, Asia-Pacific central banks have generally not yet been under much pressure to raise interest rates. Generally calm forex (FX) markets have helped most maintain an accommodative stance.

Chart 7

### Asia-Pacific Consumer Inflation Is Rising




Note: Malaysia, Singapore, and Taiwan do not have formal specific inflation targets. AU--Australia. IN--India. ID--Indonesia. JP--Japan. MY--Malaysia. NZ--New Zealand. PH--Philippines. SG--Singapore. KR--South Korea. TW--Taiwan. TH--Thailand. CPI--Consumer price index.

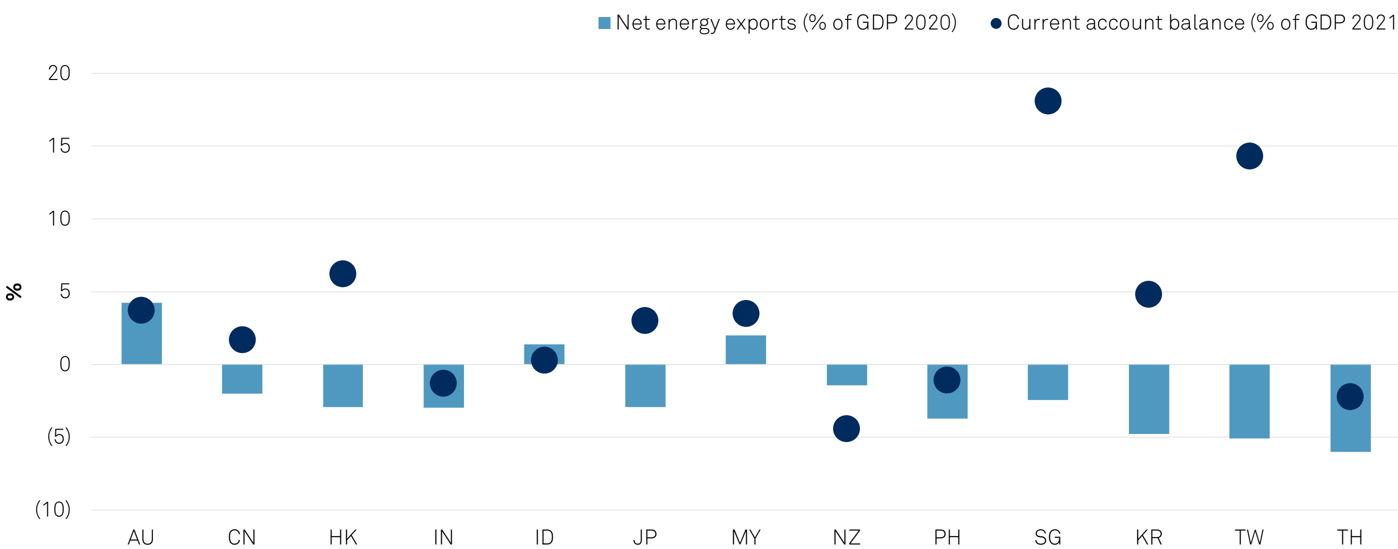
Sources: National Statistical Agencies and S&P Global Economics.

Nonetheless, some central banks (e.g., New Zealand, Singapore, South Korea, Taiwan) have started to tighten monetary policy. Consumer price index (CPI) inflation is exceeding targets in India, New Zealand, the Philippines, Singapore, South Korea, and Thailand (see chart 7). While this was largely due to inflation pressure and financial stability considerations, the prospect of rising U.S. interest rates has been a factor as well. We now expect seven hikes in the Federal Reserve's policy rate in 2022 (including the March increase), with one of them a 50 basis points (bps) hike, followed by four to five rate increases in 2022.

Moreover, the Russia-Ukraine conflict poses headwinds and risks to the economic outlook. Higher energy and other commodity prices will generally further push up prices. This is a particular challenge where consumer inflation is already exceeding central banks' targets. Higher energy prices will also weigh on current account balances and real purchasing power in the many net energy importing economies. That's particularly the case for South Korea, Taiwan, and Thailand, where net energy imports are the largest, compared with the size of the economy (see chart 8). For the region's net energy exporters--Indonesia, Malaysia and, especially, Australia--this "terms of trade" effect will be a plus.

Chart 8

### Rising Fuel Costs Hurt Most APAC Economies, Which Are Net Energy Importers




Note: Net energy imports data for 2020 is shown and current account balances for 2021. APAC--Asia-Pacific. AU--Australia. CN--China. HK--Hong Kong. IN--India. ID--Indonesia. JP--Japan. MY--Malaysia. NZ--New Zealand. PH--Philippines. SG--Singapore. KR--South Korea. TW--Taiwan. TH--Thailand.

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

Commodity price changes and volatility tend to strain FX and other asset markets, especially in the context of rising U.S. interest rates. Such pressure is most likely in emerging markets that are net energy importers and don't have a significant current account surplus to start with, i.e., India, the Philippines, and Thailand. In all, higher inflation, reduced purchasing power in most economies, and weaker export demand and confidence will weigh on economic growth.

A key question is what the conflict may mean for central bank policy. Inflation or capital flow concerns prevent many central banks in the region from easing their stance. Where neither is a major concern--such as in China, Japan, Malaysia, and Taiwan--there may be scope for an easier monetary stance than planned before the conflict to dampen the impact on growth.

We have generally revised down our growth forecasts and raised our inflation expectations, compared with November 2021. This reflects the already-higher energy and commodity prices, a more hawkish expectation for Fed interest rate increases, and the Russia-Ukraine conflict.

Having said this, our forecast features relatively solid 5.1% growth for Asia-Pacific in 2022, in part because the post-COVID recovery is less advanced than in the U.S. and Europe. While output will remain below its pre-pandemic trend for a long time in several Asia-Pacific economies, our forecast for GDP growth of around 4.5% in 2023-2025 would mean the region will resume its status as the world's fastest growing.

Some key features of our new forecast are:

- China will struggle to achieve its 5.5% growth target for 2022. The ambitious target suggests that policymakers are willing to take further growth-supporting measures. However, we forecast 4.9% growth, given the headwinds from the property downturn, the Russia-Ukraine conflict and omicron.
- We have retained our November 2021 forecast of India's GDP growth at 7.8% in fiscal 2023 (ending March 2023). The third wave of COVID infections ended earlier and caused less economic damage than anticipated. But the Russia-Ukraine conflict will weigh on India's growth, in our view.
- While Southeast Asia's growth will be challenged by slower global demand growth and the Russia-Ukraine conflict, we still expect robust 5.0% growth this year. The region's advanced economies are generally also well placed to weather the pending headwinds.
- Given the upward revisions to our inflation forecasts, we now expect more policy rate increases in 2022 and have also raised our medium-term forecasts for central bank interest rates.
- Risks surround this baseline, with further escalation of the Russia-Ukraine conflict, capital outflow pressure amid rising U.S. interest rates and slower growth in China as key ones.

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

# Financing Conditions

## More Uneven And Tighter Access To Come

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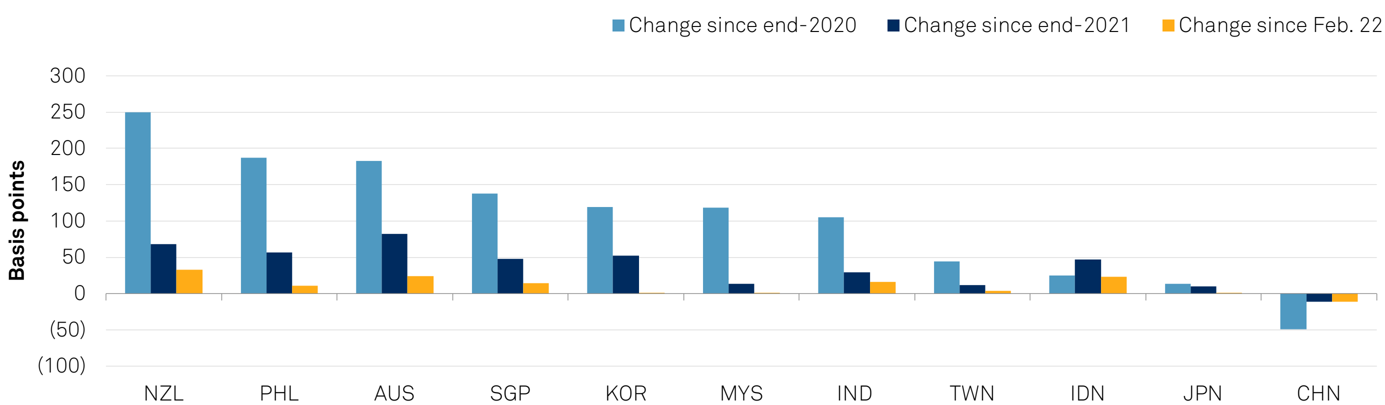
**Financing access divide to bite.** Asia-Pacific's issuers have been struggling to access financing since the start of 2022, especially speculative-grade issuers and those in emerging markets. In particular, risk-off investor sentiment may further mar the already uneven and tight funding conditions. The divide of strong and weak credit names will see greater distinction, indicative of borrowing costs and issuance volume.

**Risk aversion to stay.** Following the Russia-Ukraine crisis, the desire for safe havens accelerated the shift of capital towards developed markets and stronger credit names. Meanwhile, fears of imposing secondary sanctions prompted markets to be wary of exposed sectors and entities. Concurrently, the ongoing woes in China's real estate sector point to persistent liquidity strains for property developers amid weak unit sales and declining prices.

**Funding costs to rise.** With these developments, investors' demand for higher risk premiums will become a longer-lasting feature, and the region's spreads are already up about 40 bps and 300 bps for investment- and speculative-grade indices, respectively. Relatedly, flight-to-quality led to a nearly 10% drop in the region's equity index (led by large moves in China and Hong Kong) and a 1.5% depreciation in the currency index (with India and Korea seeing the biggest changes) (see charts 10a and 10b). These are on top of rising benchmark rates globally and in the region, driven in part by the Fed's tighter monetary stance, to make financing tighter in general.

Chart 9

### Broader Increase In Benchmark Yields



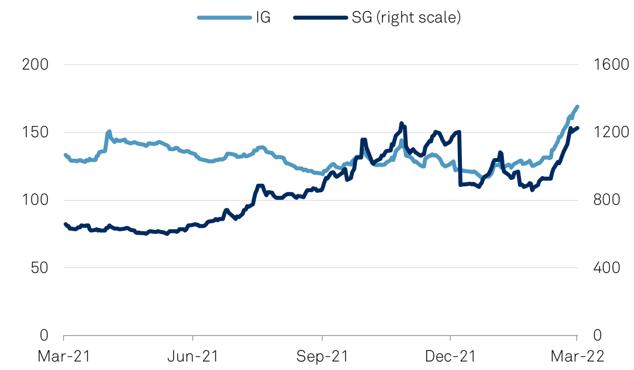

Note: Data as of March 14, 2022. NZ--New Zealand. PH--Philippines. AU--Australia. SG--Singapore. KR--Korea. MY--Malaysia. IN--India. TW--Taiwan. ID--Indonesia. JP--Japan. CN--China.

Source: S&P Global Ratings Research; Datastream.

**Selective access to markets.** While Asia-Pacific issuance has held up so far this year, speculative-grade issuance has slowed to a trickle (see charts 11a and 11b). This suggests that the brunt of tightening financing conditions is uneven and hits the lower end of the credit spectrum much more heavily. The ongoing credit recovery and market access remains on track for higher-quality issuers for now.

Chart 10a

### Asia ex-JN, AU, NZ Spreads Are Rising

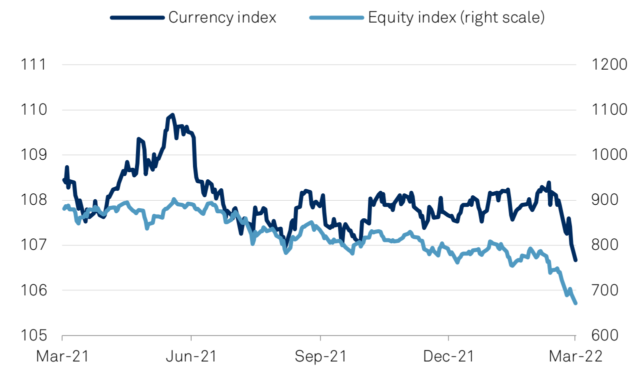



Note: Data as of March 14, 2022. IG--Investment grade. SG--Speculative grade.

Source: S&P Global Ratings Research; Bloomberg-Barclays Indices.

Chart 10b

### Flight-To-Quality Spilling Over To Asia ex-JN, AU, NZ

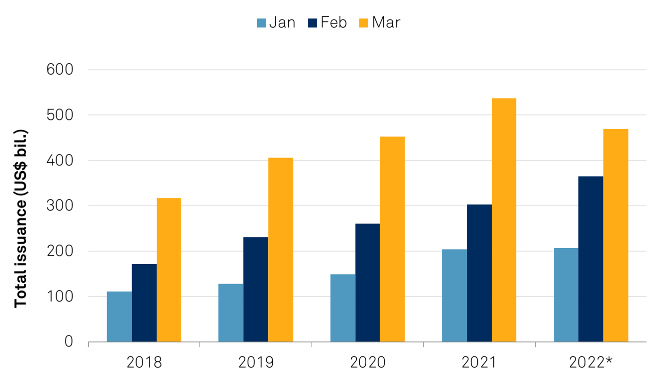



Note: Data as of March 14, 2022.

Source: S&P Global Ratings Research; Bloomberg; JP Morgan ADXY; MSCI AC Asia ex Japan.

Chart 11a

### APAC Issuance Remains Strong So Far In 2022...

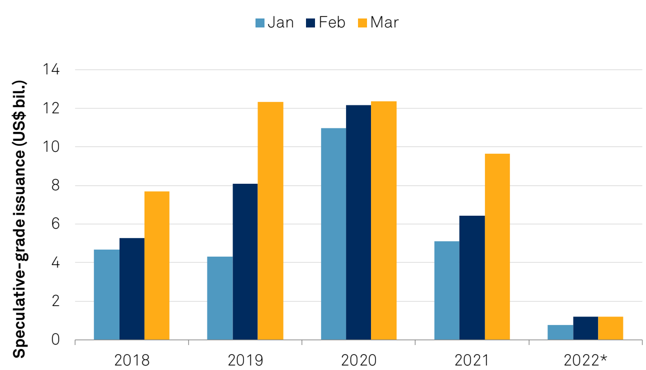



Note: *Data as of March 15, 2022. bil.--Billion.

Source: S&P Global Ratings Research; Refinitiv.

Chart 11b

### ...But Speculative Grade Issuance Slowed To A Trickle




Note: *Data as of March 15, 2022. bil.--Billion.

Source: S&P Global Ratings Research; Refinitiv.

**Rising downside risks.** Should geopolitical tensions escalate or broaden, they could drive investors away from risk assets and lead to rapid capital outflows, especially from emerging Asia. With the likely fallout to be more squarely on weaker borrowers, it could combine with elevated debt maturities in 2022 (particularly for speculative-grade borrowers) to potentially lead to funding stress. Diminished bank lending may also further hit funding conditions--in the face of rising risk and the eventual rollback of loan moratoriums. Meanwhile, we could see more contagion spillovers from the ongoing Chinese property downcycle and tech firms.

# Sector Trends

## Recovery Versus Reversal

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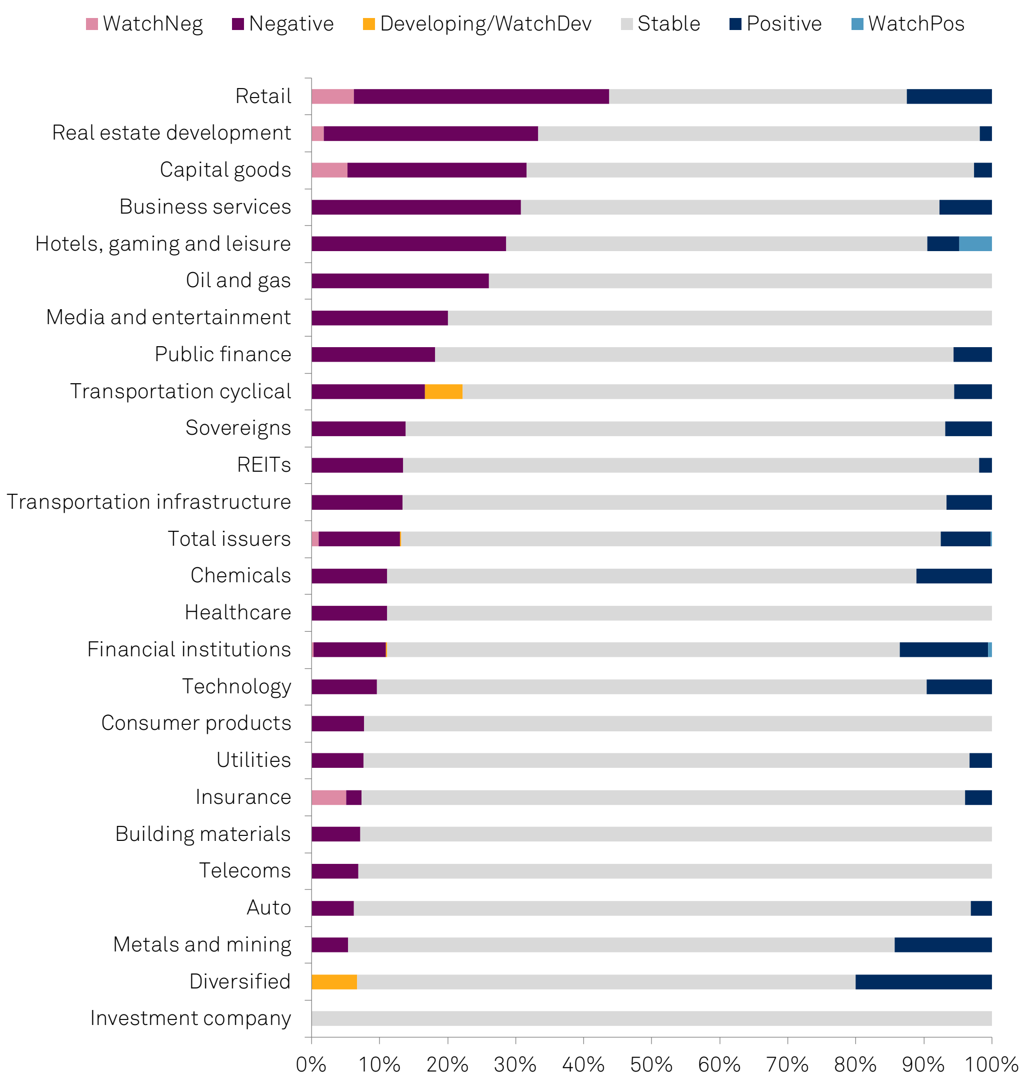
Geopolitical tensions, higher energy and commodity prices and rising debt-servicing costs are driving a wedge between winners and losers, and safe havens and nots in Asia-Pacific. Without surprises, a further intensification of the Russia-Ukraine conflict could spark higher risk aversion among financers and prompt capital outflows from emerging markets, denting currencies and growth. Collectively, these conditions exacerbate an already-uneven recovery track for the region's rated issuers. Our net rating outlook bias across asset classes is flat at negative 5% as of end-February (see chart 12), hinting at continued stabilization of credit quality, but more sectors are seeing negative shifts in rating actions. Of the 21 corporate sectors we cover, seven sectors had a worsening net outlook bias as of Feb. 28, 2022, compared with just four in Oct. 31, 2021.

Chart 12

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




Note: Data cut-off is at Feb. 28, 2022.

Source: S&P Global Ratings.

For most corporates, surging energy and input costs will lower corporate margins. This pressure is set to intensify for sectors that are still struggling to recover to pre-COVID levels and SMEs. Driving this slide is the corporates' struggle to pass through most input costs to their customers. Hiking debt costs and refinancing challenges could further erode the financial headroom of highly leveraged corporates, weakening their credit standing.

While the direct effects of the Ukraine conflict are limited for the region, the spillover effect from the invasion could undermine Asia-Pacific issuers. Volatile capital markets, rising inflationary pressures and accelerating monetary tightening (except for China and Japan) are material credit risks. Slower economic growth and weaker corporate outlook may eventually cause banks' asset quality to deteriorate. Meanwhile, the higher positive outlook bias for financial institutions reflects the dominance of positive outlooks for Taiwanese banks and some Australian institutions.

We expect issuance to remain flat across structured finance markets, underpinning stable household conditions. However, rising price pressures could start to bite. For insurers, investment challenges are rising with intensifying market volatilities likely to eat into capital buffers amid a slowing economic outlook. For local and regional governments (LRGs) in China, the ongoing real estate downcycle could hit their credit standing with slower land sales.

## What's changed?

**Haves and have-nots.** Most economies in Asia-Pacific are net energy importers and would take a hit from the surge in energy and commodity prices. The few economies that are net energy exporters or commodity producers (e.g., Australia, Indonesia, and Malaysia) stand to gain.

**More immediate cost inflation pressures for some.** Rising costs would pummel entities with limited cost pass-through ability or those with a higher share of feedstock expense in their cost base, with their margins likely to see greater erosion in 2022.

## Key risks

**Further squeeze on funding access.** Higher energy and commodity prices, as well as market volatility, could strain the region's currencies and asset markets. Already-jittery investor sentiment may be exacerbated by a protracted conflict. This could complicate funding access for weaker credits dependent on credit markets looking to refinance maturities in 2022 or 2023.

**Uncontrolled COVID outbreaks.** Although most Asia-Pacific economies are trying to learn to "live with COVID," China has little tolerance for that. Should outbreaks become more widespread in the country, this would put a dampener on private consumption and challenge growth.

## Key assumptions

**Spillover from the Russia-Ukraine conflict is manageable.** The region's direct exposure to the Ukraine conflict is limited. Instead, rising commodity and energy prices and increasingly volatile investor sentiment, are more immediate and material credit risks for Asia-Pacific issuers.

## What to look for

**Further interruptions to an already lopsided recovery.** Asia-Pacific had been on the cusp of gaining a steady foothold in its economy recovery. The recovery momentum could be thrown off by a protraction or escalation of macro factors, such as geopolitical tensions (e.g., further sanctions in the Russia-Ukraine conflict). Another setback would be COVID outbreaks becoming more widespread and uncontrolled. All this could increasingly tilt the region towards slowdown.

# Nonfinancial Corporate

## Financing Woes, Investor Aversion, And Geopolitical Tensions

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### Key Takeaways

- Moderating revenue growth, cost inflation, and volatile investor sentiment limit broad-based upside for credit ratings in Asia-Pacific, which remain tilted to the downside.
- Sector and country differentiation is deepening. Revenue, profits, and credit quality are stabilizing or moderately improving for rated Indian issuers, but still sluggish in Indonesia.
- Investment sentiment has taken a negative turn amid rising interest rates, increasing geopolitical tensions, and evolving COVID-19 variants. Issuers rated 'B' and below continue to face liquidity challenges and refinancing risks ahead of an elevated maturity wall in 2022 and 2023, especially at Chinese real estate developers.

## What's changed?

**The credit trajectory of rated companies in Asia-Pacific remains tilted to the downside.** We still have negative outlooks on about one-in-seven companies that we rate. The proportion of weaker-rated companies that we rate in Asia-Pacific should remain at a near all-time high in 2022. We currently rate nearly one in 11 companies at the 'B' rating level and below, and roughly one in 20 at the 'B-' rating level and below, mostly in China, India, and Indonesia. We anticipate additional defaults in the real estate, mobility-related sectors (cyclical transportation, hospitality, and discretionary retail), and at weaker state-owned companies across the region in 2022.

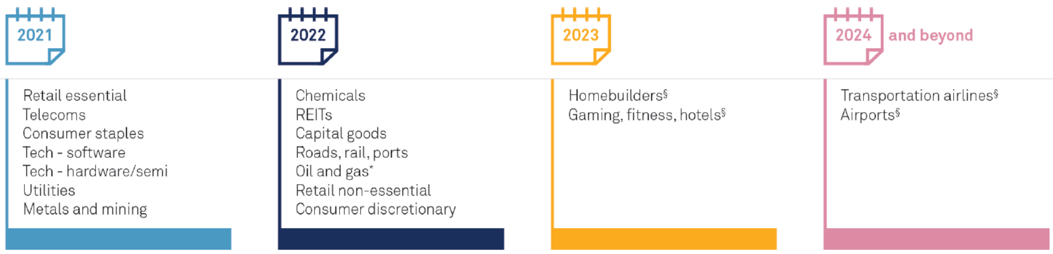
**The second order effects of the Ukraine-Russia confrontation on investor sentiment and rising commodity prices are more pronounced than the direct revenue or asset exposure.** We estimate that less than 3% of about 520 publicly rated issuers in Asia-Pacific have some direct exposure to Russia through operations, assets, or sourcing, especially energy companies in China and Japan. The second order effects are more pronounced at the weaker end of the credit spectrum. Roughly two dozen issuers at the 'B' rating level and below are exposed, particularly if they depend on capital markets to refinance maturities in 2022 or 2023, such as many in Chinese real estate. A few weaker-rated issuers have recently postponed proposed bond issues due to market volatility.

Rising energy and commodity prices are a net negative on the margins for most rated sectors in Asia-Pacific, especially as demand and consumer sentiment have not fully recovered from the pandemic. Sectors or companies with a high share of raw material or feedstock expenses in their cost base (chemicals, autos, building products, airlines, processors) or those facing government-mandated price caps will find it difficult passing rising input costs to customers.

**Sector and country differentiation is deepening.** As of end-2021, average credit metrics had recovered to pre-COVID-19 levels for about half of the sectors that we cover. That either reflected resilience to the pandemic (essential consumer and retail, telecommunications) or fast-improving demand and pricing conditions (technology, metals, and mining). Capital goods, oil and gas, and REITs are likely to recover further in 2022--most notably oil and gas amid sustained higher pricing. In contrast, the recovery is likely to be some quarters away for mobility-related sectors (e.g., travel). We now see a recovery for these sectors in 2023, six to 12 months later than originally anticipated. A recovery for airlines and airports is also unlikely before 2024 (see chart 13).

Chart 13

### Timeline Of Recovery Of (Run Rate) Rated Corporate Credit Metrics To 2019 Levels




Note: *Sectors whose average credit metrics we expect will recover sooner than indicated in our January 2021 publication. §Sectors whose average credit metrics we expect will recover later than indicated in our January 2021 publication.

Source: S&P Global Ratings.

Country-wise, we see more stable credit quality for India and Korea because of steady demand and positive free cash flow for the majority of our rated issuers. Conversely, the credit recovery is likely to be slower in Indonesia amid a slow pickup in profits, still-volatile consumer confidence, and a resumption of capital spending. The negative outlook on the sovereign rating is an additional factor that influences the outlook on rated state-owned companies.

## Key risks

**Funding availability amid diverging trends.** Liquidity and funding are likely to stay major differentiators of credit quality in Asia-Pacific, with increasingly volatile investor sentiment. Weaker issuers are likely to be more sensitive to rising interest rates, currency volatility and, by extension, refinancing, especially in Southeast Asia. Lingering uncertainties are linked to the impact of omicron and evolving variants on demand and operating performances. Finally, a protracted Russia-Ukraine conflict hitting investor sentiment well into 2022 will complicate access to funding for weaker credits dependent on capital markets to refinance across the region. Funding by domestic banks is also likely to stay selective. Debt maturities are high in 2022, particularly for speculative-grade borrowers.

**Deepening cost inflation and more supply chain disruptions.** Supply-chain disruptions are likely to persist for most sectors, even more so in the agriculture and energy sectors if the situation in Ukraine worsens. At the same time, cost inflation has been gradually building up. Our base case for ratings on Asia-Pacific companies already factors in margin compression and dropping profits for chemicals, most manufacturing and auto sectors. More permanent price increases will start eating into financial buffers built during 2021.

**Omicron and emerging COVID variants continue to drive disparity in recoveries.** Most countries in Asia-Pacific are now navigating massive omicron waves seen in Europe at the beginning of 2022. China's low tolerance to COVID points to strict localized lockdowns. Sectors dependent on mobility and travel (e.g., retail, gaming, and entertainment) will face lingering risks.

## Key assumptions

**Moderating revenue growth, margin pressure on cost inflation in 2022.** We forecast revenues and profits will remain flat or rise by mid-single digits in 2022 for nearly 80% of the companies we rate. That contrasts to a more pronounced growth of a high single digit for most rated companies in 2021. In our base case for 2022, margins will be eroded by cost inflation (especially energy, commodities, raw materials, and transportation) for about 60% of our rated Asian companies. Resumption of capital spending or acquisitions at rated companies in Indonesia and selected sectors in China will limit free cash flow generation and balance-sheet improvements.

# Financial Institutions

## Secondary Impacts From The Ukraine Conflict Could Catch Up With Banks

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### Key Takeaways

- The Russia-Ukraine conflict, off the back of COVID's hit to economies, will weigh on banks. The effects could vary considerably across Asia-Pacific banking jurisdictions.
- Direct exposures to Russia appear small but secondary effects could hurt banks.
- We estimate banks' credit losses of about US$725 billion, over 2022-2023. Secondary effects because of the Ukraine conflict could cause credit loss estimates to increase in some jurisdictions.

## What's changed?

**Russia-Ukraine conflict.** Banks have only a limited direct exposure to Russia, and the conflict will not have a broad negative impact on ratings or outlooks. Secondary effects, however, include lower growth prospects, higher energy prices, and potentially greater market volatility. These could contribute to higher credit losses for banks.

**Mixed outlook.** Russia-Ukraine stresses coincide with challenging COVID waves for some economies. Economic trends remain under pressure, including in some Southeast Asian banking sectors. Elsewhere, many banks can likely weather the storm despite higher downside risks.

**Ongoing support from authorities.** Policy support and regulatory forbearance since the onset of COVID provide buffers for banks. Else, ratings would likely be lower or outlooks more negative.

## Key risks

**The economic recovery stalls further.** The Ukraine conflict has dampened growth prospects in some economies and injected new uncertainties for banks just when many banks' credit profiles were stabilizing. Emergence of new or intensified downside scenarios could play out negatively.

**Inflation, leverage, and property.** Interest rates rising significantly outside our base case due to inflationary pressures; the spillovers from high private and public sector leverage; and banks' property exposures that have yet to reckon with the full effects of COVID.

## Key assumptions

**Revised economic base case holds.** An eventual, albeit slower, return to pre-COVID asset quality and profitability metrics is only likely if our revised economic base case does not materially worsen. The base case includes recent lower growth outlooks in numerous economies.

**Highly supportive governments.** Ultimately, we expect extraordinary government support would be extended to many systemically important banks, in the unlikely event it was required.

## What to look for

**Recovery from COVID.** Higher interest rates will alleviate pressure on interest margins but may weigh on credit losses. The interplay between margins and asset quality in 2022 will be a key driver of financial strength.

# Insurance

## Market Volatility To Depress Invested Asset Valuation

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### Key Takeaways

- Credit trend remains stable, while volatilities will likely consume capital buffers.
- Rising counterparty risk and markets swings could weigh on investment margin.
- Diverging growth prospects reflect various pace of reopening.

## What's changed?

**Market volatility hampers yield chase.** This is in addition to rising counterparty risk, where a potential heightened appetite for asset risk could squeeze insurers' earnings and consume capital buffers. While a prospective rate hike should ease some earning pressure, it signifies a drop in asset valuation. Meanwhile, a likely gradual rise in interest rate differential could hike hedging costs. Insurers' unhedged FX exposure will also likely add to earnings volatility. This is despite insurers' immaterial direct investments in Russia, Ukraine, and Belarus.

**Pace of premium recovery varies.** This largely follows the stage of economic reopening. Product and channel reform could slow premium growth in China. That said, the region's still strong fundamental demand and evolving digital capability for customer outreach will support the resumption of sales activities.

## Key risks

**Intensified market fluctuation.** Secondary effects of the Russia-Ukraine conflict could spill over to more volatile capital markets and slower economic growth. Sharp and prolonged market swings and asset impairments could dent insurers' capital and earnings.

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

**Risk of COVID lockdown.** Most countries in the region, except for China, have gradually relaxed their COVID containment policies. In China, occasional localized lockdowns could dent insurance sales activities.

## Key assumptions

**Volatility could eat into capital buffers.** Shored up capital buffers from previous investment gains should help absorb financial market volatility but will narrow if fluctuations persist. Pressure for reserve provisioning will gradually ease amid rising interest rates (except in China).

## What to look for

**Greater insurance protection awareness.** Long-term demand for health and medical insurance coverage will rise.

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

# Public Finance

## Local Governments Balance Growth And COVID Policy

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### Key Takeaways

- Ongoing COVID cases maintain uncertainties around government economic and fiscal policies amid mixed pandemic plans.
- Energy price shocks, inflation risks, rate hikes will hit local governments and their associated enterprises. This could complicate China's challenges amid property strains, but support Australian commodity exporters.
- Local governments in Australia, New Zealand, and China are using large infrastructure projects to stimulate economies, a practice that will persist until at least 2022-2023.

## What's changed?

**High omicron cases test government policies.** Governments reacted in different ways to tackle soaring COVID cases and are taking varying paths to support recovery. Most systems are easing border restrictions to live with the virus while China continues its low tolerance policy.

**Russia-Ukraine conflict lifts energy prices.** Australian states, as net energy exporters, are the main beneficiaries. The rest of the region will likely take a hit, but we believe risks are manageable.

## Key risks.

**Public spending stays high.** Ongoing COVID cases and new variants, compounded with global cost hikes, will likely disrupt the economic recovery. LRGs may reimpose restrictions and maintain heavy infrastructure spending and large borrowing needs.

**Funding costs rise.** Inflation, high energy and commodity prices, and U.S. rate hikes could raise funding and borrowing costs by highly indebted LRGs or associated institutions.

## Key assumptions

**Public finance systems stay stable.** Australian and New Zealand LRGs have greater spending discretion to fund a recovery, but expansionary policies weigh on their finances. Easing border restrictions in Australia should support the higher education sector. China's LRGs can still rely on large cash transfers and new borrowings, subject to support from the central government, but weaker land demand will prompt China's development of other infrastructure projects. The finances of Indian LRGs remain stretched and are handicapped by limited financial flexibility. Japanese LRGs continue to look to the central government to undertake nationwide economic stimulus, as they seek to shift budgets to a fiscal recovery phase.

## What to look for

**Policy shifts.** Any aggressive LRG fiscal expansion, either to sustain growth or to maintain social stability, could erode credit quality. Chinese LRGs may be subject to additional debt burden risks if they undertake large bail-out programs for their weak state-owned enterprises because of external shocks, such as a property slowdown.

# Sovereign

## Conflict, Inflation, And A Pandemic That Is Winding Down

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### Key Takeaways

- The armed conflict in Ukraine brings risks to inflation and growth that could slow the credit improvement among Asia-Pacific sovereigns.
- The recovery from the pandemic should continue despite these headwinds.

## What's changed?

**The Russia-Ukraine military conflict has rocked commodity markets.** The surge in prices, especially energy prices, risks spurring inflation further. Asia-Pacific is particularly vulnerable since most major economies in the region are net energy importers.

**Geopolitical uncertainties have clouded global growth prospects.** Increased risk aversion and rising input costs will drag on economic growth.

**Widening easing of COVID restrictions.** With vaccination rates at high levels, many Asia-Pacific economies are resuming normal activities and opening borders. Although new infection numbers are high in some cases, the number of patients seriously ill is manageable. This has helped the economic recovery.

## Key risks

**Sudden capital swings.** An unexpected deterioration of geopolitical risk could see investors withdraw from emerging markets in Asia-Pacific, making financing conditions significantly weaker for some.

**Growth and fiscal recoveries interrupted.** High inflation, weaker demand, and increased uncertainty arising from the Russia-Ukraine military conflict and continued supply-chain disruptions may slow the economic and fiscal recoveries much more than expected.

## Key assumptions

**Global economic activity recovers, albeit less robustly than earlier expected.** Economic recoveries continue but are slowed by higher inflation and uncertainties associated with the Russia-Ukraine conflict. Governments can still lower fiscal deficits meaningfully although a return to pre-COVID fiscal performances will take longer.

## What to look for

**Widening geopolitical tensions that affect Asia-Pacific more materially.** If the armed conflict in Europe expands or involves more parties, it would seriously damage investor sentiment. The impact of the event on economies and financial markets in Asia-Pacific may worsen significantly.

**New variants that may prolong the pandemic.** Vaccines may be less effective against new variants of COVID, prolonging the pandemic.

# Structured Finance

## Stable Issuance And Performance Across The Region

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### Key Takeaways

- Issuance likely to be flat or mildly positive in 2022 across the region.
- Consumer asset classes remain stable.

## What's changed?

**Flat or modest growth in issuance likely.** Issuance increased in most markets in 2021. We anticipate flat or modest growth in Australia and Japan. Positive growth should continue in China, but momentum will slow on property market conditions and decelerating GDP growth.

## Key risks

**Inflation and the consumer.** Households are well placed with high and stable employment across most markets in the region. Inflation dynamics are mixed across markets; however, price pressures may start to undermine household balance sheets and purchase decisions. Supply-chain constraints may also indirectly hit consumer asset-backed securities such as auto loans and consumer finance.

**Effect of COVID policies on consumer confidence.** As the region moves through different phases of managing COVID-19, consumer confidence could adjust throughout the year. This may ultimately affect the structured finance markets in terms of loan volumes as well as the performance of consumer credit-backed and mortgage-backed loans via prepayment behavior and household spending decisions.

## Key assumptions

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

## What to look for

**ESG in securitization.** This year we expect to see further development of ESG in securitization markets and are likely to see assets with an "E" factor, including for "green" housing assets in Australian RMBS. An increase in new energy vehicles (NEV) sales in China may see increased NEV assets in auto ABS.

**Knock-on effects from China's strained property sector.** We don't expect our rated China-based RMBS to be affected by the ongoing strains in the property sector. However, it is worth watching how the unfolding events will affect property sales, property price movement, trends for mortgage loan origination, and regulatory moves. All variables are critical for the Chinese RMBS sector.

# Appendix 1: Ratings trends

Table 1

## Net Outlook Bias Of Asia-Pacific Issuers By Sector, Feb. 28, 2022

| | Mar 2021 | May 2021 | Aug 2021 | Oct 2021 | Feb. 28 2022 | No. of entities | Notional average rating |
|---|---|---|---|---|---|---|---|
| Auto OEM and suppliers | -45% | -42% | -24% | -12% | -3% | 32 | BBB |
| Building materials | 7% | 0% | -6% | -6% | -7% | 14 | BBB- |
| Business services | -25% | -21% | -8% | -25% | -23% | 13 | BB+ |
| Capital goods | -24% | -19% | -17% | -17% | -29% | 38 | BBB |
| Chemicals | -26% | -20% | -13% | -7% | 0% | 36 | BBB- |
| Consumer products | -13% | -3% | -4% | -4% | -8% | 26 | BBB |
| Diversified | -7% | 0% | 13% | 13% | 20% | 15 | A- |
| Healthcare | -29% | -14% | -14% | -14% | -11% | 9 | BB+ |
| Hotels, gaming and leisure | -42% | -45% | -25% | -20% | -19% | 21 | BB+ |
| Investment company | 0% | -11% | 0% | 0% | 0% | 8 | A- |
| Media and entertainment | -40% | -22% | -20% | -20% | -20% | 10 | BBB+ |
| Metals and mining | -17% | -9% | 5% | 11% | 9% | 56 | BB+ |
| Oil and gas | -24% | -16% | -21% | -21% | -26% | 23 | BBB+ |
| Real estate development | -9% | -13% | -12% | -18% | -32% | 57 | BB |
| Real estate investment trusts | -16% | -11% | -8% | -12% | -12% | 52 | BBB+ |
| Retail | -29% | -29% | -29% | -29% | -31% | 16 | BBB |
| Technology | -11% | -8% | 0% | 0% | 0% | 52 | BBB- |
| Telecommunications | -25% | -26% | -24% | -21% | -7% | 29 | BBB+ |
| Transportation cyclical | -42% | -32% | -26% | -11% | -11% | 18 | BBB- |
| Transportation infrastructure | -27% | -20% | -10% | -8% | -7% | 60 | A- |
| Utilities | -5% | -2% | -4% | -5% | -4% | 92 | A- |
| **Total corporates** | **-19%** | **-15%** | **-10%** | **-9%** | **-9%** | **677** | **BBB** |
| Financial institutions | -15% | -6% | -1% | 1% | 3% | 377 | BBB+ |
| Insurance | -4% | -3% | -2% | -1% | -3% | 177 | A |
| Public finance | -20% | -19% | -16% | -14% | -13% | 88 | A+ |
| Sovereign | -17% | -14% | -10% | -7% | -7% | 29 | BBB+ |
| **Total issuers** | **-16%** | **-11%** | **-7%** | **-5%** | **-5%** | **1,348** | **BBB+** |

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

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

# Appendix 2: Economic data and forecast summaries

Table A1

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 4.7 | 4.0 | 2.7 | 2.4 | 2.3 |
| Inflation % | 2.8 | 3.9 | 2.8 | 2.4 | 2.3 |
| Unemployment rate % | 5.1 | 3.9 | 3.8 | 3.9 | 3.9 |
| Policy rate % (EOP) | 0.1 | 0.5 | 1.5 | 2 | 2.5 |
| Exchange rate (US$ per A$) | 0.73 | 0.75 | 0.74 | 0.74 | 0.74 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period. A$--Australian dollar.

Sources: Oxford Economics, S&P Global Ratings.

Table A2

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 8.1 | 4.9 | 5.0 | 4.9 | 4.8 |
| Inflation % | 0.9 | 2.8 | 2.6 | 2.2 | 2.2 |
| Unemployment rate % | 5.6 | 5.3 | 5.2 | 5.1 | 5.0 |
| Exchange rate (US$) | 6.35 | 6.40 | 6.36 | 6.31 | 6.27 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A3

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 6.4 | 2.0 | 3.0 | 2.0 | 1.9 |
| Inflation % | 1.6 | 2.6 | 2.4 | 2.0 | 2.0 |
| Unemployment rate % | 5.2 | 4.4 | 3.8 | 3.6 | 3.4 |
| Exchange rate (US$) | 7.8 | 7.8 | 7.8 | 7.8 | 7.8 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A4

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 8.9 | 7.8 | 6.0 | 6.5 | 6.6 |
| Inflation % | 5.5 | 5.4 | 4.5 | 4.5 | 4.5 |
| Policy rate % (EOP) | 4.00 | 4.75 | 5.25 | 5.25 | 5.25 |
| Exchange rate (US$) | 76.5 | 77.5 | 79.0 | 80.0 | 81.0 |

Note: Inflation and unemployment rate shown are the period average. For India, 2021 means fiscal 2021/2022 (year ending March 31, 2022); 2022 means fiscal 2022/2023 (year ending March 31, 2023); and so forth. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A5

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 3.7 | 5.1 | 4.8 | 4.9 | 5.0 |
| Inflation % | 1.6 | 3.2 | 3.1 | 3.0 | 2.9 |
| Unemployment rate % | 6.3 | 5.7 | 5.4 | 5.2 | 5.1 |
| Policy rate % (EOP) | 3.50 | 4.00 | 4.75 | 5.25 | 5.25 |
| Exchange rate (US$) | 14,253 | 14,550 | 14,660 | 14,770 | 14,820 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A6

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 1.7 | 2.4 | 1.7 | 1.2 | 1.1 |
| Inflation % | -0.2 | 1.8 | 1.4 | 0.7 | 0.7 |
| Unemployment rate % | 2.8 | 2.6 | 2.5 | 2.4 | 2.4 |
| Policy rate % (EOP) | -0.1 | -0.1 | 0.0 | 0.0 | 0.1 |
| Exchange rate (US$) | 115.0 | 118.0 | 116.4 | 114.7 | 113.1 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A7

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 3.1 | 5.8 | 5.4 | 4.7 | 4.7 |
| Inflation % | 2.5 | 2.6 | 2.2 | 2.2 | 2.3 |
| Unemployment rate % | 4.6 | 4.0 | 3.6 | 3.4 | 3.3 |
| Policy rate % (EOP) | 1.75 | 2.25 | 3.00 | 3.00 | 3.00 |
| Exchange rate (US$) | 4.18 | 4.22 | 4.20 | 4.16 | 4.10 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A8

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 5.0 | 2.7 | 3.0 | 2.7 | 2.6 |
| Inflation % | 3.9 | 4.3 | 2.4 | 2.4 | 2.2 |
| Unemployment rate % | 3.8 | 3.3 | 3.4 | 3.5 | 3.5 |
| Policy rate % (EOP) | 0.75 | 2.00 | 2.75 | 2.75 | 2.75 |
| Exchange rate (US$ per NZ$) | 0.68 | 0.68 | 0.68 | 0.68 | 0.69 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period. NZ$--New Zealand dollar.

Sources: Oxford Economics, S&P Global Ratings.

Table A9

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 5.6 | 6.5 | 6.8 | 7.0 | 6.5 |
| Inflation % | 3.9 | 4.0 | 3.0 | 2.3 | 2.7 |
| Unemployment rate % | 7.8 | 6.8 | 5.9 | 4.6 | 4.0 |
| Policy rate % (EOP) | 2.00 | 2.50 | 2.75 | 3.50 | 3.50 |
| Exchange rate (US$) | 50.8 | 51.5 | 51.9 | 51.6 | 51.5 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A10

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 7.6 | 3.6 | 3.0 | 2.8 | 2.7 |
| Inflation % | 2.3 | 4.0 | 2.3 | 1.8 | 1.7 |
| Unemployment rate % | 2.7 | 2.3 | 2.3 | 2.1 | 2.1 |
| Exchange rate (US$) | 1.35 | 1.34 | 1.33 | 1.32 | 1.32 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A11

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 4.0 | 2.5 | 2.6 | 2.5 | 2.2 |
| Inflation % | 2.5 | 3.4 | 2.2 | 1.8 | 1.6 |
| Unemployment rate % | 3.6 | 3.6 | 3.5 | 3.4 | 3.3 |
| Policy rate % (EOP) | 1.0 | 1.75 | 2.25 | 2.5 | 2.5 |
| Exchange rate (US$) | 1,185 | 1,217 | 1,200 | 1,183 | 1,166 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A12

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 6.4 | 2.8 | 2.6 | 2.6 | 2.4 |
| Inflation % | 2.0 | 2.5 | 1.4 | 0.8 | 0.8 |
| Unemployment rate % | 4.0 | 3.6 | 3.5 | 3.5 | 3.5 |
| Policy rate % (EOP) | 1.13 | 1.63 | 1.75 | 1.88 | 2.00 |
| Exchange rate (US$) | 27.7 | 28.3 | 28.5 | 28.7 | 28.9 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A13

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

| | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Real GDP % | 1.6 | 3.2 | 4.0 | 3.8 | 3.6 |
| Inflation % | 1.2 | 4.2 | 1.7 | 0.8 | 0.8 |
| Unemployment rate % | 2.0 | 2.0 | 1.7 | 1.4 | 1.3 |
| Policy rate % (EOP) | 0.50 | 1.00 | 1.50 | 1.75 | 2.00 |
| Exchange rate (US$) | 33.4 | 33.3 | 33.0 | 32.8 | 32.6 |

Note: Inflation and unemployment rate shown are the period average. a--Actual. f--Forecast. EOP--End of period.

Sources: Oxford Economics, S&P Global Ratings.

Table A14

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

| Real GDP (%) | 2021a | 2022f | 2023f | 2024f | 2025f |
|---|---|---|---|---|---|
| Asia Pacific | 6.7 | 5.1 | 4.7 | 4.6 | 4.6 |
| Eurozone | 5.2 | 3.3 | 2.6 | 2.1 | 1.7 |
| Latin America 5 | 6.5 | 1.7 | 2.1 | 2.2 | 2.2 |
| U.S. | 5.7 | 3.2 | 2.1 | 2.0 | 2.3 |

Note: Asia-Pacific and Latin America 5 aggregate GDP growth numbers are based on current purchasing power parity GDP weights. U.S. percentages are annual average percentage changes. a--Actual. f--Forecast.

Source: Oxford Economics, S&P Global Ratings.