GOING SEPARATE WAYS

Allianz Research

Global and Asia-Pacific Economic Outlook

July 2020

EULER HERMES

Allianz

COVID-19: THE PHASE 2 MARATHON

Fresh virus outbreak – back to stage 1

Stage 1: Full lockdowns to 'flatten the curve'

- Expand healthcare capacity (treatment, testing, monitoring)
- Fiscal / monetary safety nets to reduce downside risks & cushion economic blow

Stage 2: Gradual opening of national economies

- Mass testing, tracking & isolation of new cases
- Ongoing targeted confinement measures incl. border restrictions & event bans
- Policy to focus on boosting economic recovery prospects

Remember we are here!

Stage 3: Global economy getting back on track

- Bans on large events & border restrictions to be eased as pandemics around the globe ends
- Ongoing fiscal & monetary policy support aimed at providing tailwind to rebound

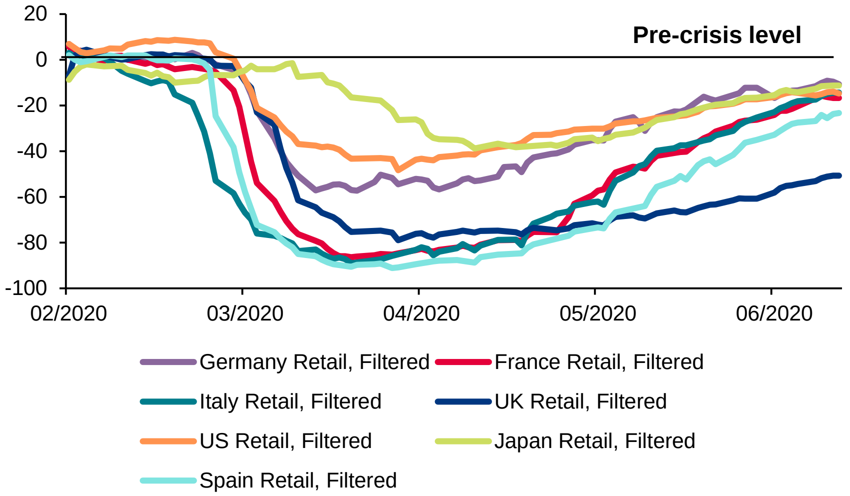
Stage 4: Habemus vaccine!

- Global rollout allows for return to normalcy without border restrictions, testing & bans on large events
- Policy support can be gradually withdrawn

Sources: OECD, Allianz Research framework from March 2020

PHASE 2 WILL BE DARWINIAN

Retail stores visits, daily*

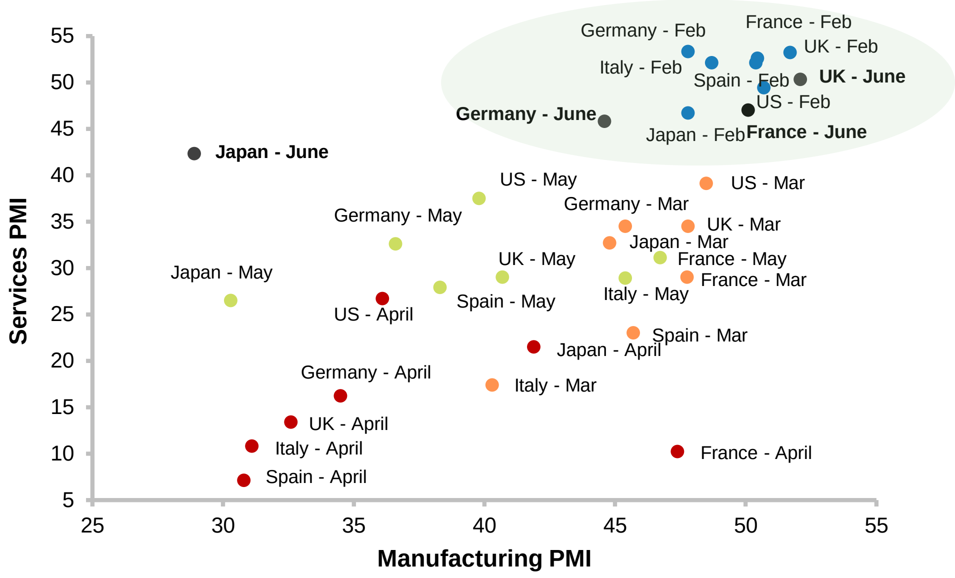


**Daily Google mobility data for „Retail", adjusted for weekends and holidays , filtered trend*

Sources: Google, Allianz Research

Retail stores visits are slowly recovering in line with the deconfinement strategies but initial conditions and lockdown stringency will push for asymmetric recoveries.

Manufacturing vs Services PMI, above 50 means expansion



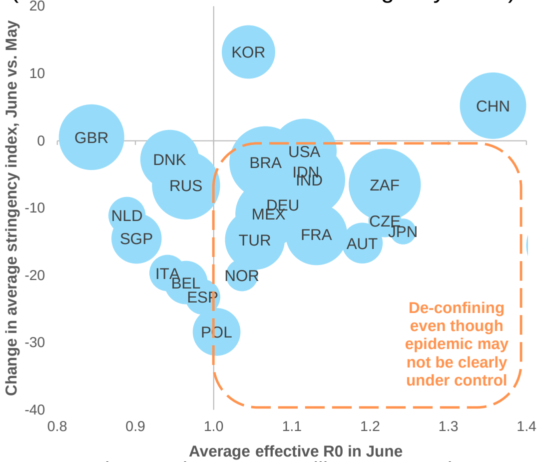
Sources: Markit, Allianz Research

An unprecedented shock in the services sector with the trough being reached in April. Some countries recover faster (Germany, US) but globally the index is plateauing below pre-crisis levels.

NEW WAVELETS: LIGHT AND LOCALIZED LOCKDOWNS

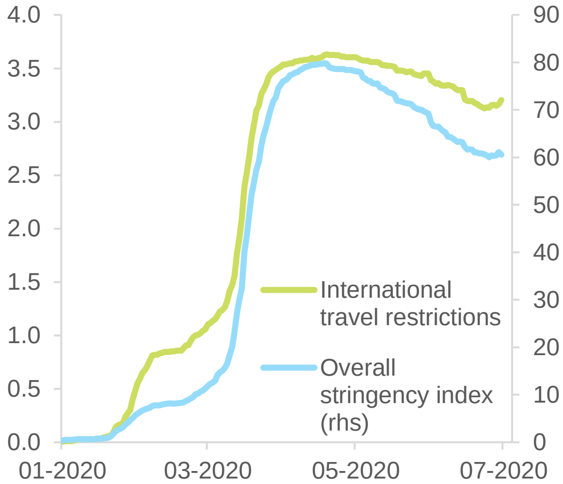
De-confining: managing the effective reproduction rate

(bubble size is latest available stringency index)



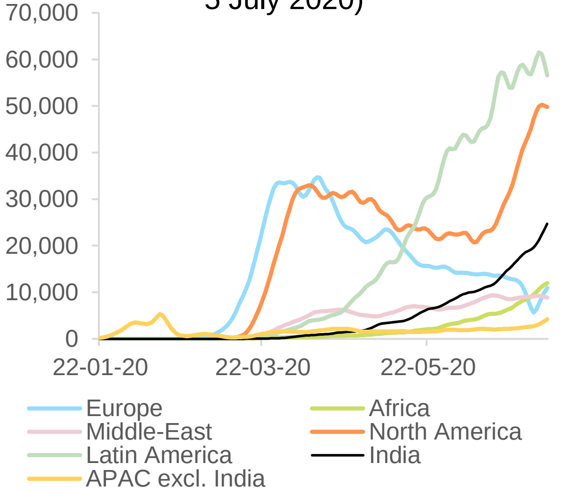
Sources: Various, Euler Hermes, Allianz Research

Stringency indices



Sources: Oxford University, Euler Hermes, Allianz Research

Daily number of new Covid-19 cases (as of 5 July 2020)



Sources: John Hopkins University, Euler Hermes, Allianz Research

Many countries still battle with too high R0. Cluster management and physical distancing measures could help cap R0 for countries with previous lockdowns

It is likely to be long before all containment measures are removed. Stringency indices have been faster to rise than decline, particularly for international travel.

Hot spots include Latin America, the United States, United Kingdom and India

GLOBAL ECONOMY: NO RETURN TO PRE-CRISIS LEVELS BEFORE END OF 2021

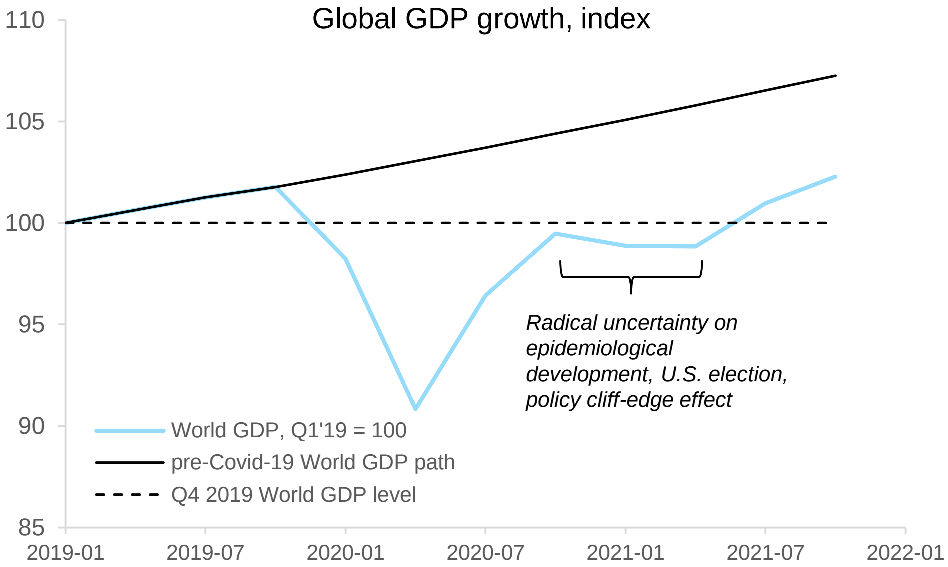
Real GDP growth, %

	2017	2018	2019	2020	2021
World GDP growth	**3.3**	**3.1**	**2.5**	**-4.7**	**4.8**
United States	2.4	2.9	2.3	-5.3	3.7
Latin America	**1.0**	**1.0**	**0.1**	**-6.8**	**3.1**
Brazil	1.3	1.3	1.1	-7.0	3.0
United Kingdom	1.8	1.3	1.4	-13.3	5.0
Eurozone members	**2.7**	**1.9**	**1.3**	**-9.0**	**6.0**
Germany	2.8	1.5	0.6	-7.0	4.5
France	2.4	1.8	1.5	-10.8	7.4
Italy	1.7	0.7	0.3	-11.2	6.6
Spain	2.9	2.4	2.0	-11.0	7.0
Russia	1.8	2.5	1.3	-5.2	3.0
Turkey	7.5	2.8	0.9	-4.7	4.2
Asia-Pacific	**5.2**	**4.7**	**4.2**	**-1.3**	**5.9**
China	6.9	6.7	6.1	1.5	7.6
Japan	2.2	0.3	0.7	-5.7	2.2
India	7.0	6.1	4.7	-3.6	7.5
Middle East	**1.4**	**0.9**	**0.3**	**-6.3**	**2.2**
Saudi Arabia	-0.7	2.4	0.3	-4.0	2.0
Africa	**3.1**	**2.7**	**1.9**	**-3.1**	**4.0**
South Africa	1.4	0.8	0.3	-7.8	5.4

** Weights in global GDP at market price, 2019*

NB: fiscal year for India

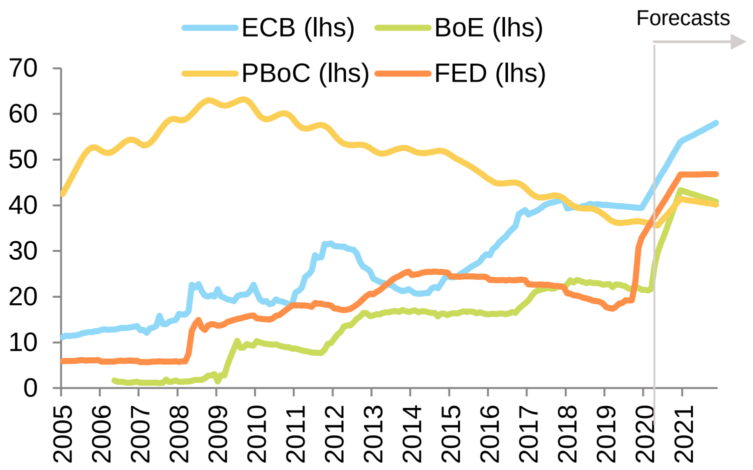
Sources: National sources, Euler Hermes, Allianz Research



Which economies will drive the global recovery? United States, Germany and China (although a far cry compared to GFC). **Who are the laggards?** United Kingdom, France, Spain, Italy, vulnerable EM (e.g. Latin America, Turkey, South Africa, India)

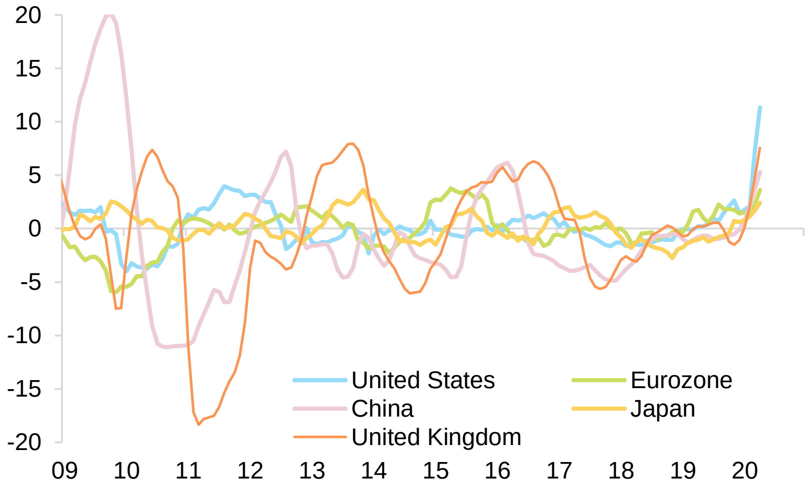
MONETARY BAZOOKA: UNPRECEDENTED BALANCE SHEET EXPANSION, DIFFERENTIATED RETURNS

Central banks' balance sheets (% of GDP)



Sources: Refinitiv, Allianz Research.

Monetary impulse indices

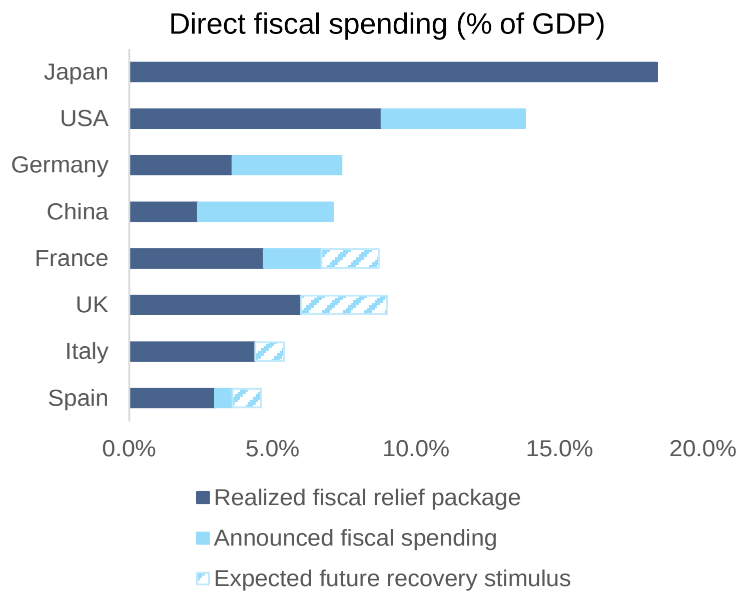


Sources: National central banks, Euler Hermes, Allianz Research

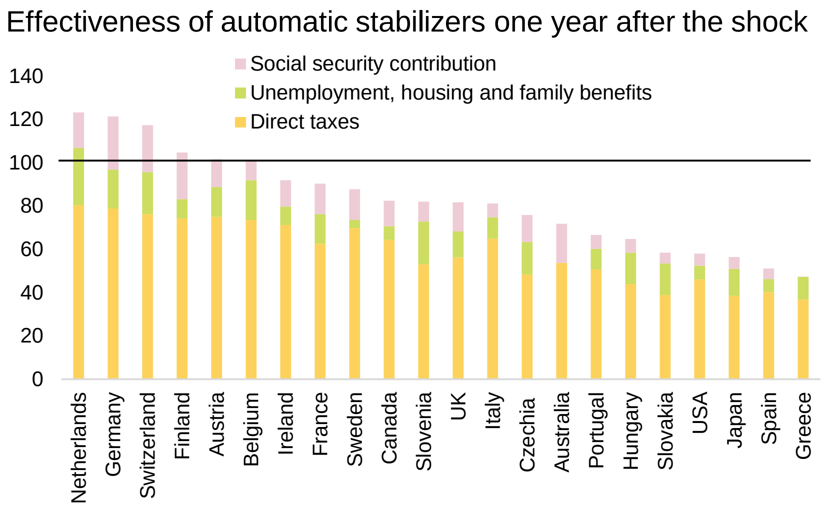
As monetary policy continues to backstop sovereign and corporate bond markets to ensure favorable refinancing conditions, the balance sheets of all major central banks will continue to balloon in 2020/21, heading towards 50% of GDP.

Monetary policy response to the Covid-19 crisis was strong across the world. Among major economies, we estimate that the monetary impulse is the largest in the U.S. Looking further ahead, regulators will need to care for their banking systems.

FISCAL BAZOOKA: PROMPT BUT UNEQUAL IN SIZE AND MULTIPLIERS. MORE TO COME?



Sources: Various, National sources, Euler Hermes, Allianz Research



NB: the degree to which a decline in market income is offset by automatic stabilizers one year after the shock. A ratio of 100 implies that automatic stabilizers offset the shock to market income completely, leaving aggregate household disposable income unchanged

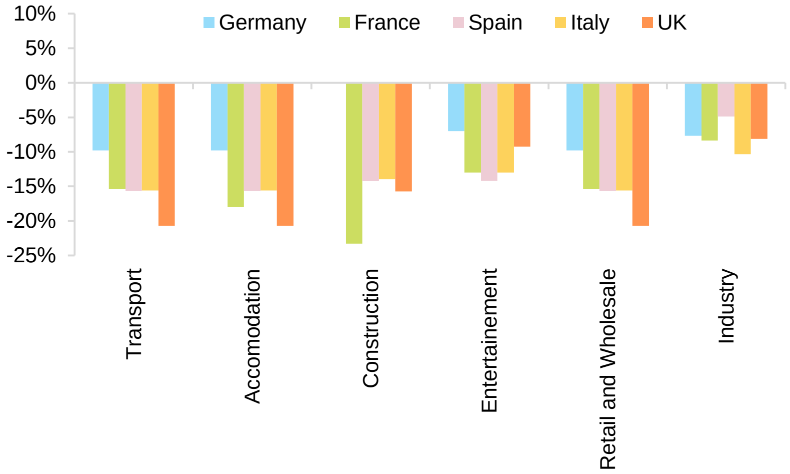
Sources: OECD, Euler Hermes, Allianz Research

Emergency fiscal spending ranges from 3% of GDP to 18%; the recovery stimulus effort will be a key differencing factor in the countries' future trajectories. At the global level USD10.4tn of fiscal stimulus has been announced.

The size of automatic stabilizers will matter for the size of the fiscal stimulus packages.

THE REAL SECOND WAVE: ZOMBIE JOBS WILL RESTRAIN CONSUMERS FROM SPENDING

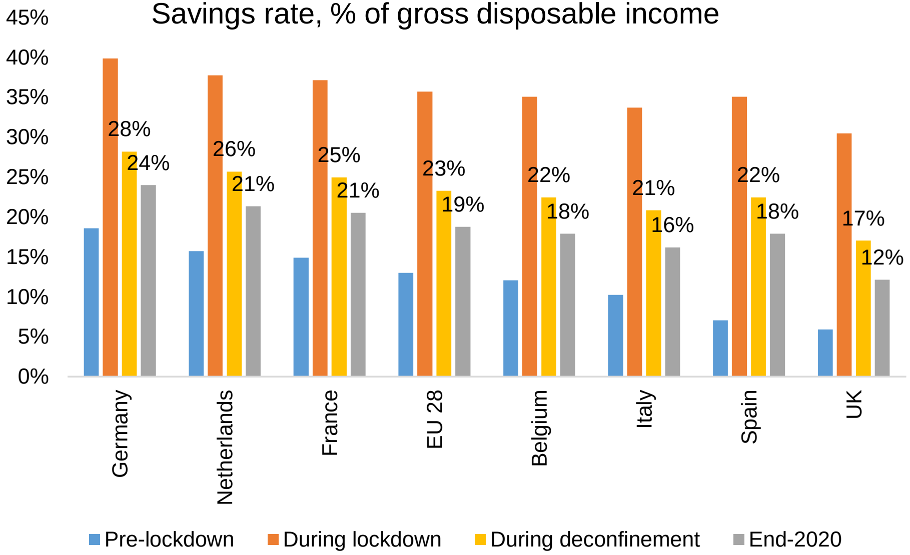
Expected loss of employment (% of sectoral employment) based on expected output loss by end 2021



Source: Allianz Research

In the 5 largest European countries, 9 million workers (20% of those currently partially unemployed) still face an elevated risk of becoming unemployed in 2021 because of the muted recovery. These "zombie jobs" require ad hoc policies to avoid postponed mass unemployment.

Savings rate, % of gross disposable income



Sources: Eurostat, Allianz Research

This will continue to feed into precautionary savings. We estimate savings rate to remain +6pp above pre-crisis levels at the end of 2020 which represents EUR370bn of excess savings in the EU, or 2.5% of GDP

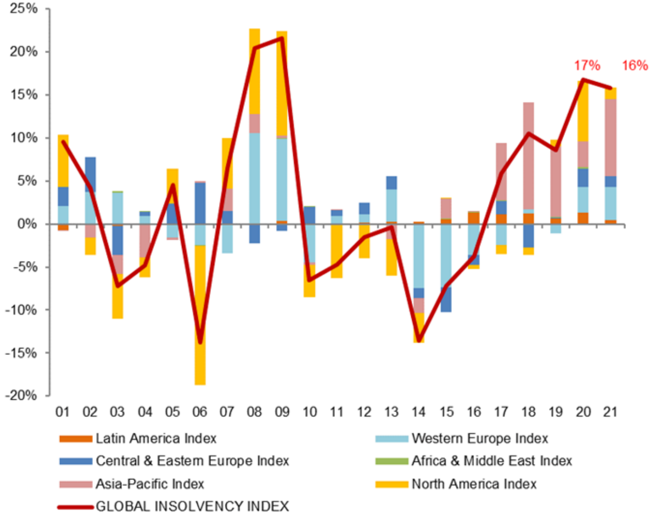
THE OTHER REAL SECOND WAVE: A SURGE IN GLOBAL INSOLVENCIES

Insolvency figures and forecasts
(selected countries)

	2007-2009 crisis			2020			Forecasts		
	# of years with an increase	CAGR	Changes over 2007-2009	Last point	y/y	ytd	2020 vs 2019	2021 vs 2020	2021 vs 2019
U.S.	3	45%	115%	March	4%	4%	47%	7%	57%
Canada	0	-	-14%	April	-61%	-28%	15%	9%	25%
Brazil	1	25%	-8%	April	-58%	-22%	32%	10%	45%
Germany	2	6%	12%	March	-2%	-4%	4%	8%	12%
France	3	11%	27%	May	-62%	-36%	4%	20%	25%
United Kingdom	2	22%	48%	March	-11%	-11%	8%	33%	43%
Italy	2	23%	52%				18%	8%	27%
Spain	3	76%	380%	May	-57%	-57%	20%	17%	41%
The Netherlands	2	32%	74%	May	6%	2%	29%	10%	42%
Russia	0	-	-62%	May	-54%	-15%	18%	5%	23%
Turkey	2	2%	4%	April	-1%	4%	22%	7%	31%
South Africa	3	11%	31%	March	-19%	-6%	12%	7%	20%
China	2	12%	2%	May	22%	10%	21%	16%	40%
Japan	2	9%	10%	May	-55%	-1%	8%	5%	13%
Australia	2	16%	35%	April	-42%	-18%	5%	5%	11%
South Korea	1	19%	-13%	May	-53%	-31%	14%	-6%	6%
GLOBAL INDEX	3	16%	46%				17%	16%	35%

Sources: Euler Hermes, Allianz Research

EH Global Insolvency Index (yearly changes in %)
and contribution of regional indices

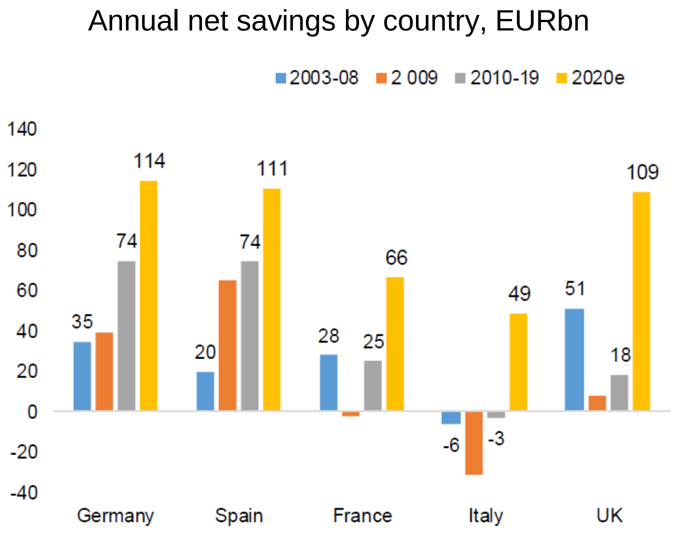


Sources: Euler Hermes, Allianz Research

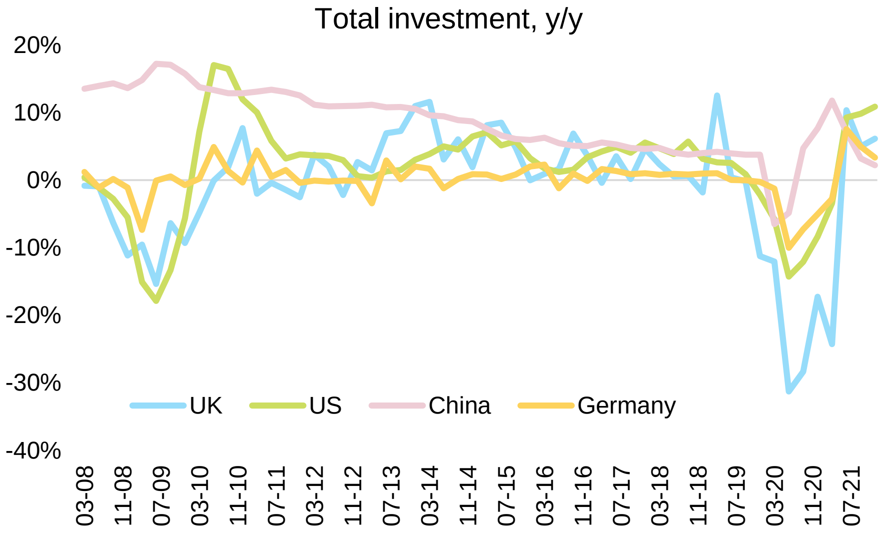
Lockdowns of business courts, temporary policy measures to support companies and temporary changes in insolvency regimes are pushing down official registrations of bankruptcies for the short term – lowering the expectations for the full year 2020.

The ending of temporary factors will lead to a massive trend reversal starting in Q3 or Q4 depending on countries. Our global insolvency index would surge by +35% by end of 2021 i.e. +by 16% in annual average. Should policy relief be withdraw too fast the rises will be +5 to +10pp higher.

MIND THE INVESTMENT CYCLE: CONFIDENCE MATTERS



Sources: Eurostat, Euler Hermes, Allianz Research



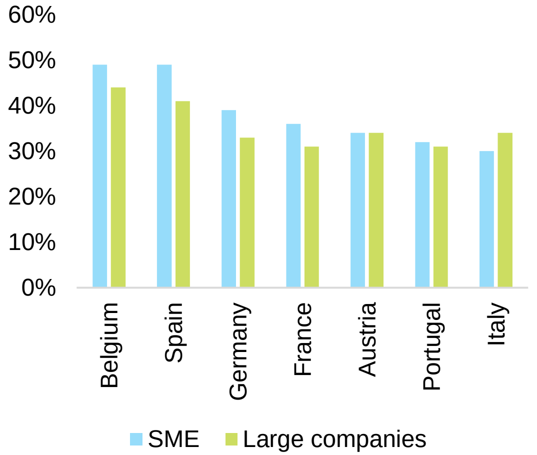
Sources: National sources, Euler Hermes, Allianz Research

Companies are in a position to increase their investments during the recovery phase. Increases in net savings in 2020 are the highest in Italy, the UK and France. But this will be dependent on renewed confidence in a lasting restart of growth in Europe.

Public support to reduce companies' fixed costs (lower social contributions, lower corporate taxes and/or fiscal incentives to invest) will be key. Expanding the state guaranteed loan schemes into 2021 could also be supportive for future company investment.

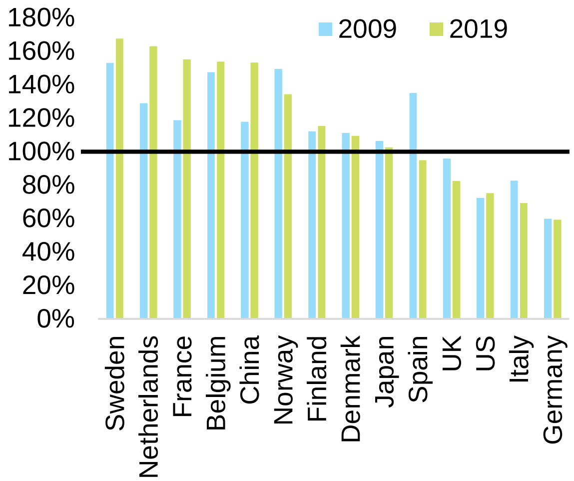
ACCELERATING TREND IN ZOMBIFICATION OF COMPANIES COULD WEIGH ON THE RECOVERY

Equity ratios % of total assets



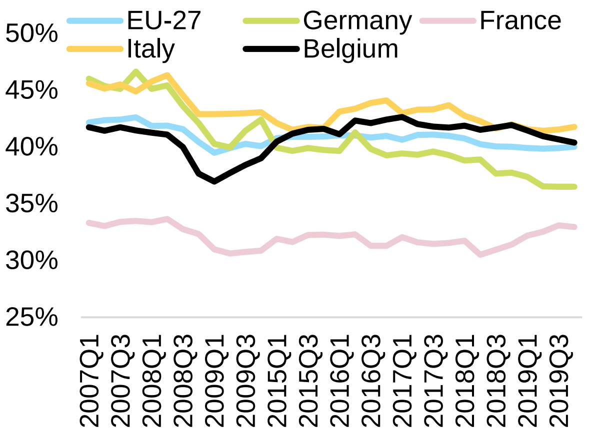
Sources: Bank of France, Allianz Research

Non-financial corporations' debt, % of GDP



Sources: BIS, Allianz Research

Non-financial corporations' margins, % of value added



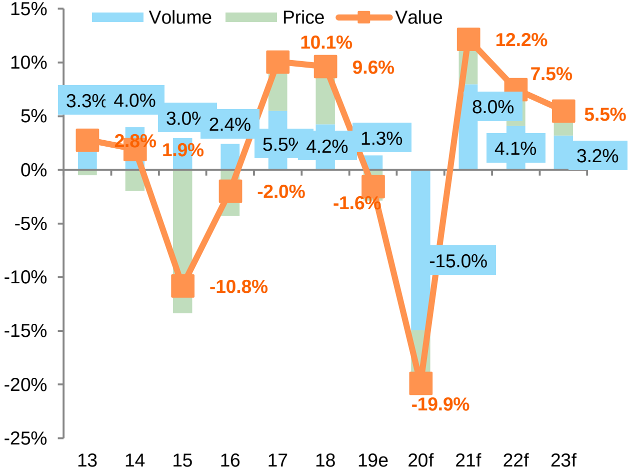
Sources: Eurostat, Allianz Research

We find that more than 13,000 SMEs & MidCaps (7% of total) in the six biggest Eurozone countries were classified zombies before Covid-19 crisis. Low equity ratios for some companies has pushed them into high indebtedness since 2009, which will continue to increase thanks to State Guaranteed Loans.

This coupled with already fragile company margins increases the zombification of the corporate sector.

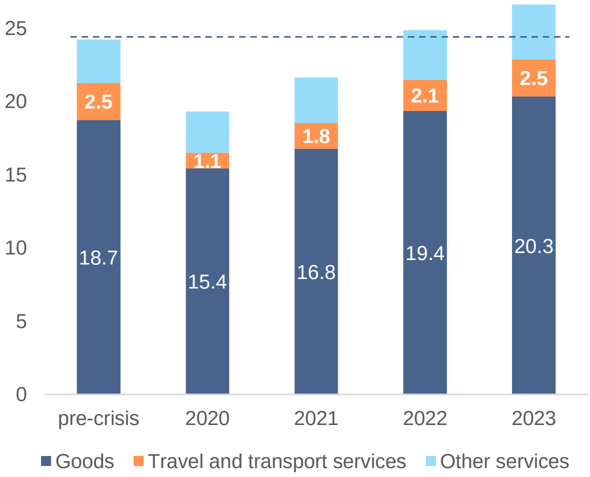
TRADE: RETURN TO PRE-CRISIS LEVELS IN 2022/ 2023

Global trade growth, in volume terms and value (%, y/y)



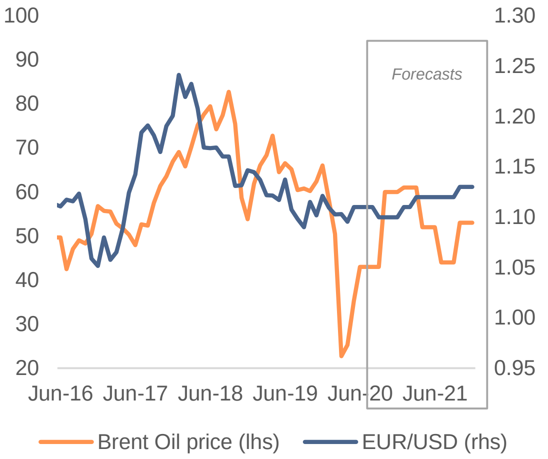
Sources: Sources: IHS Markit, Allianz Research

Medium-term trade in value terms (USDtn)



Sources: International Trade Center, Allianz Research

Oil prices and EUR/USD



Sources: Bloomberg, Euler Hermes, Allianz Research

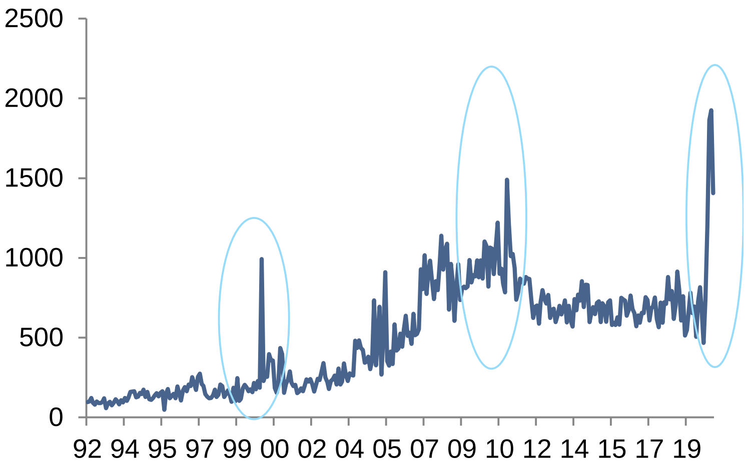
Trade could plummet by -15% in volume terms (-20% in value) due to the Covid-19 shock on goods and – for the first time – on services.

Assumptions medium-term: reduced US-China uncertainty but stable tariffs, no immediate threat of massive reshoring, air transport back to pre-crisis in 2023.

The oil and commodity price shock will lead to a negative price effect on trade in 2020. 2021 will see a return to 52.5 after an average of 47 in 2020.

TRADE AND RESHORING: TALKING THE TALK BUT NOT WALKING THE WALK

Number of mentions of “supply chains” in the media



Sources: Bloomberg, Euler Hermes, Allianz Research

Around each recession, supply chains become a concern. This time around, the concern has peaked among companies and policy makers. Building resilience and reshoring are the new rhetoric.

Arguments in favor of reshoring	Arguments against reshoring
Resilience : Reshoring creates resilience due to lower risks, and shorter lead times	**Social discontent**: Growing social discontent could be incompatible with reshoring, as it would entail high labor costs passed down to the consumer
Strategic sectors: Reshoring specific supply chains for key strategic sectors such as the medical sector, similarly to the military sector, could make sense	**Risk assessment complexity:** Reshoring does not necessarily mean de-risking: it can also mean putting all your eggs in the same basket, leading to excess concentration
Flexibility: More local supply can also enhance agility, as companies can be more responsive to changes in local demand.	**Cost effectiveness and incentives:** Reshoring is hardly reversible for many sectors, or at a high cost for companies. Moreover, Incentives for businesses to reshore are still lacking
Innovation: Reshoring for cost-competitiveness reasons is unlikely, but race for product innovation is better	**Creative destruction**: Reshoring is not only job creation… it’s job destruction through innovation, for instance robotization.

RISKS TO OUR OUTLOOK

	H2 2020	2021	Beyond 2021
Upside risks	**Better-than-expected trade flows**, tourism receipts and recovery in the services sector (exports-exposed economies benefit, e.g. Germany) **Stronger policy support and stimulus** (e.g. European bad bank, UK, China, etc.) **Declining financial risks** in domestic financial system, markets, external financing, etc. (e.g. Italy, Turkey, China, India, etc.) **Appeased socio-political risks**, restoring domestic and external confidence (e.g. Brazil, Hong Kong, etc.)	**Vaccine available** earlier than expected, tourism returns to pre-crisis levels **Stronger policy stimulus**, notably improving investment and the labour market (e.g. China, France, United Kingdom, Italy, etc.) **Oil and commodities prices** rebound (benefitting e.g. Russia, Kazakhstan, Azerbaijan, the GCC, Latin America, etc.)	**Stronger policy stimulus** and policy coordination, resolving structural issues and supporting potential growth (e.g. EU, Italy, China) **Exports competitiveness** improving, notably on supply chains reshoring (Central Europe, UK, etc.)
Downside risks	**Strong lockdowns** to fight a second Covid-19 wave **Protectionism** and slow global trade recovery (e.g. Germany, UK, trade hubs, etc.) **Sustained risk aversion** limiting capital flows to EMs and pressuring economies with large external financing needs **Policy mistake** (e.g. EU, France, Italy, China, India, etc.) **Domestic imbalances correction** (e.g. German real estate, Indian financial sector) **Social risks and protests** worsen	**Protectionism** intensifies and global trade does not recover **Strong lockdowns** to fight waves of Covid-19 outbreaks **Political risk, policy mistakes** (e.g. Italy, EU, UK, India, HK **Sustainably higher unemployment rate**, threatening the consumer-led recovery (Germany, China **Deteriorating bank asset quality**, sometimes leading to bailouts and feedback loop (e.g. Italy, France, China, India **Debt distress and currency crises** (some emerging countries, e.g. in Central Europe, Africa, Latin America)	**Protectionism** intensifies and calls into question growth models (Germany, trade hubs, China, etc.) **Debt sustainability and banking sector** concerns worsen (France, Italy, China, India, some countries in Africa, etc.) **Lack of structural reforms** or missed opportunities cap productivity (China, India, UK, Central Europe, etc.) **Fiscal consolidation** (U.S., China, etc.) **Socio-political risks** heighten

PROTRACTED CRISIS SCENARIO (30%)

	BASE CASE: U-SHAPED RECOVERY	WORST CASE: PROTRACTED CRISIS
SCENARIO	• Drastic confinement measures, taking heavy toll on economy & markets • Sharp recession in H1 20 across DMs & several large EMs, followed by weak recovery	• Longer health crisis triggers brutal market dive • Systemic credit event leads to liquidity crisis • Policymakers unable to restart growth
HEALTH POLICY	• Belated & uncoordinated policies • Persistent localized containment measures; incl. targeted travel restrictions	• Reinfections with generalized domestic confinement • Borders closed again until end-2020
ECONOMIC POLICY	• Aggressive fiscal & monetary easing • Direct support measures	• Even more aggressive fiscal & monetary policy • Not very effective

ECONOMIC IMPACT

U-shaped recovery (base case):

GDP growth, %	2020	2021
World	-4.7	+4.8
US	-5.3	+3.7
China	+1.5	+7.6
Eurozone	-9.0	+6.0
UK[1]	- 13.3	+5.0

Global trade volume	**2020** -15%
Insolvencies	**2020-21** +33%

Protracted crisis (worst case):

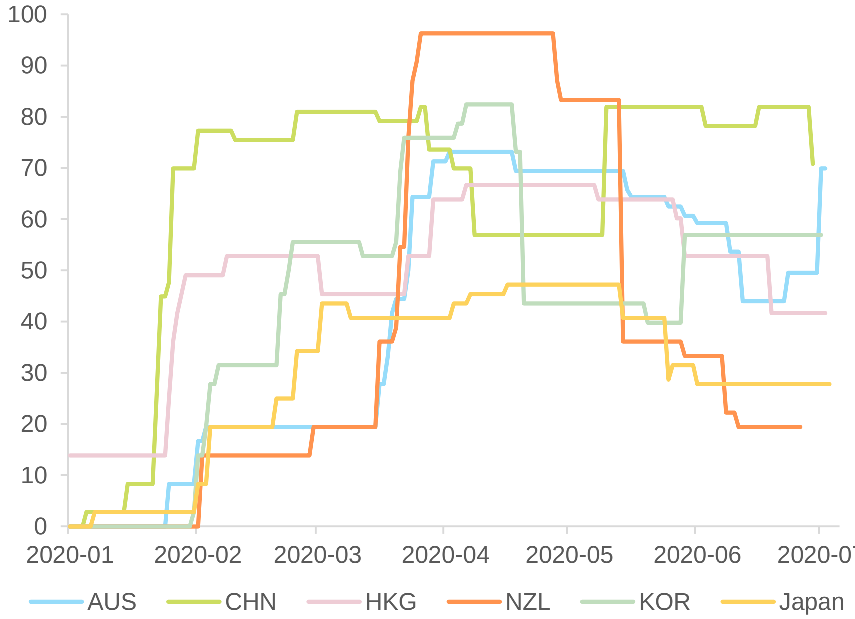
GDP growth, %	2020	2021
World	-9.4	-0.5
US	-12.0	-2.0
China	-6.6	+1.8
Eurozone	-20.0	-2.5
UK[1]	-24.0	-5.0

Global trade volume	**2020** -30%
Insolvencies	**2020-21** +90%

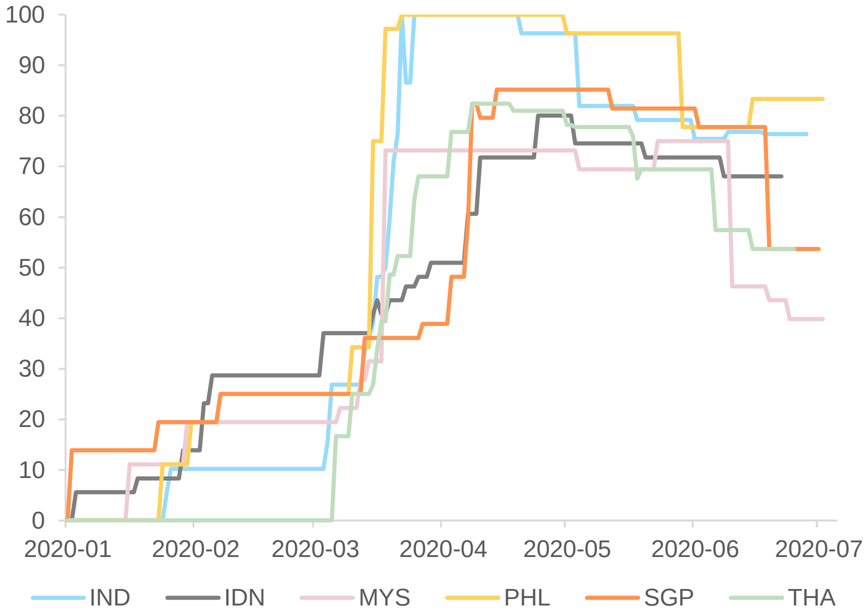
1 Extended lockdown and BREXIT uncertainties may worsen outcome for UK. Source: Allianz Research

ASIA-PACIFIC: UNEVEN SUCCESS IN CONTAINING THE EPIDEMIC

Stringency index for early and/or successful lockdowns



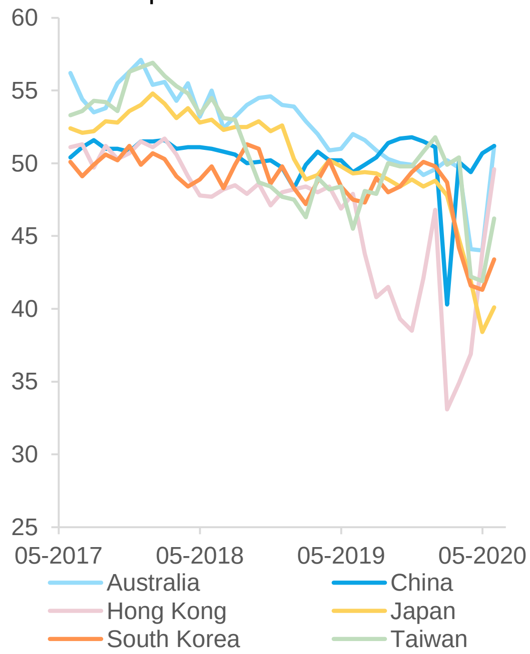
Stringency index in emerging Asia with slow easing of lockdowns



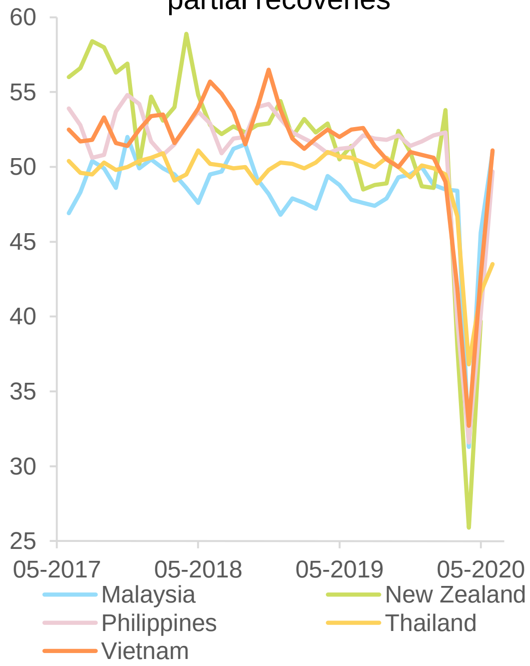
Sources: Oxford Coronavirus Government Response Tracker, Euler Hermes, Allianz Research

ASIA-PACIFIC: UNEVEN ECONOMIC IMPACT OF THE EPIDEMIC

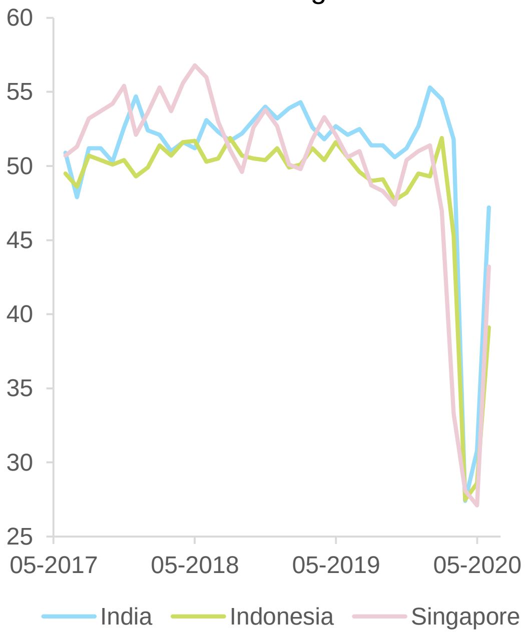
Manufacturing PMIs: comparatively smaller drops and faster recoveries



Manufacturing PMIs: large drops and partial recoveries



Manufacturing PMIs: longer time spent in the trough



Sources: IHS Markit, Euler Hermes, Allianz Research

ASIA-PACIFIC: PRAGMATICALLY RESYNCHING WITH CHINA?

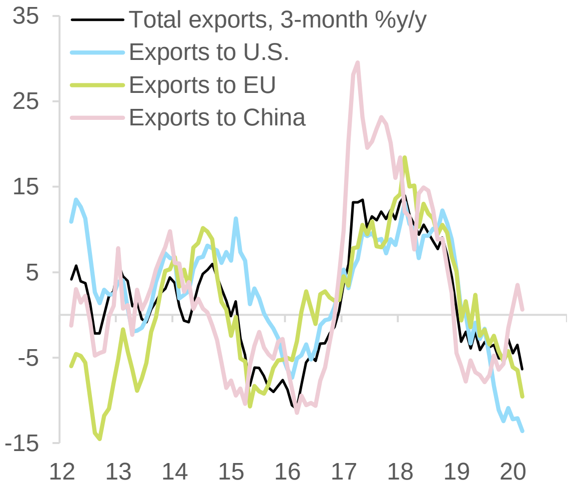
Real GDP growth (%)

	2019	New forecasts		Old forecasts	
		2020	2021	*2020*	*2021*
Asia-Pacific	4.3	-1.3	5.9	*-0.6*	*6.5*
Australia	1.8	-4.3	3.3	*-5.0*	*3.5*
China	6.2	1.5	7.6	*1.8*	*8.5*
Hong Kong	-1.3	-5.9	4.1	*-4.7*	*4.5*
India	4.2	-3.1	7.3	*1.1*	*7.5*
Indonesia	5.0	-1.5	6.2	*0.9*	*6.7*
Japan	0.7	-5.7	2.2	*-5.7*	*2.2*
Malaysia	4.3	-3.3	5.9	*-3.2*	*6.2*
New Zealand	2.2	-4.8	3.9	*-5.2*	*3.0*
Philippines	6.1	-2.7	7.6	*-2.6*	*7.7*
Singapore	0.7	-5.1	4.5	*-4.1*	*4.9*
South Korea	2.0	-1.5	3.6	*-2.5*	*4.5*
Taiwan	2.7	-0.3	3.4	*-2.0*	*4.7*
Thailand	2.4	-6.0	5.4	*-4.1*	*6.6*
Vietnam	6.9	2.3	6.0	*3.1*	*6.7*

Source: National Statistics, Euler Hermes, Allianz Research

We have revised down GDP growth for the Asia-Pacific region from +4.2% prior to the global pandemic to -1.3% in 2020 (after 4.3% in 2019).

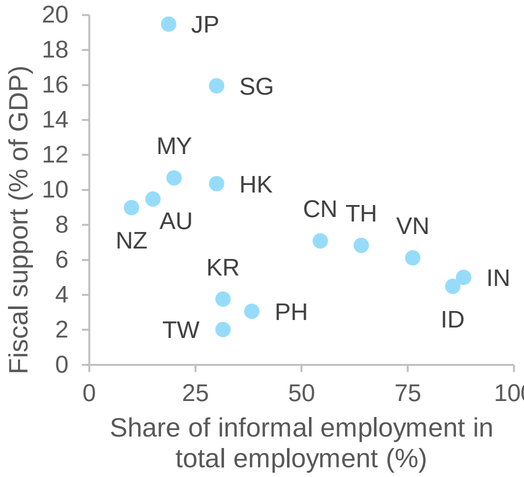
Exports of main 14 economies in APAC



Sources: IMF, Euler Hermes, Allianz Research

Global trade should overall remain under pressure this year, but exposure to China could be comparatively supportive.

Fiscal stimulus (% of GDP)

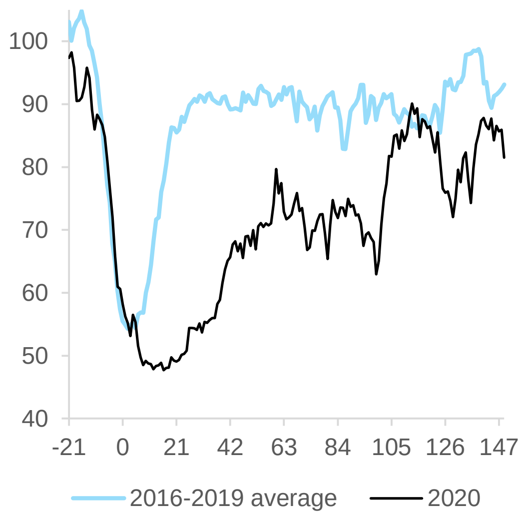


Source: World Bank, Euler Hermes, Allianz Research

Different initial conditions and economic structures require varying levels of policy supports. India, Indonesia, Vietnam and Thailand could do more to protect employment.

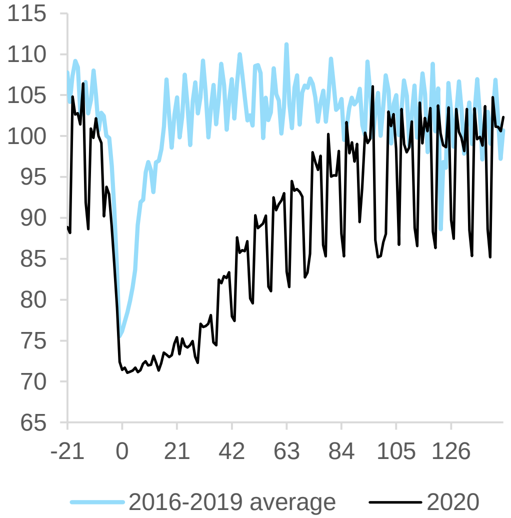
CHINA RECOVERY UNEVEN AND CAPPED?

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



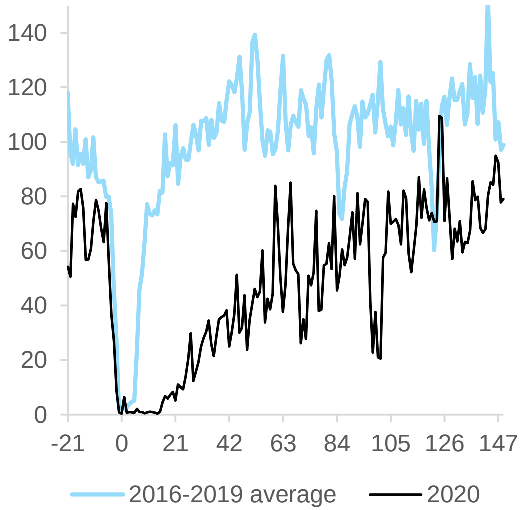
Source: Wind, Allianz Research

Traffic congestion index (across 100 cities), base 100



Source: Wind, Allianz Research

Property transaction volume (across 30 cities), base 100

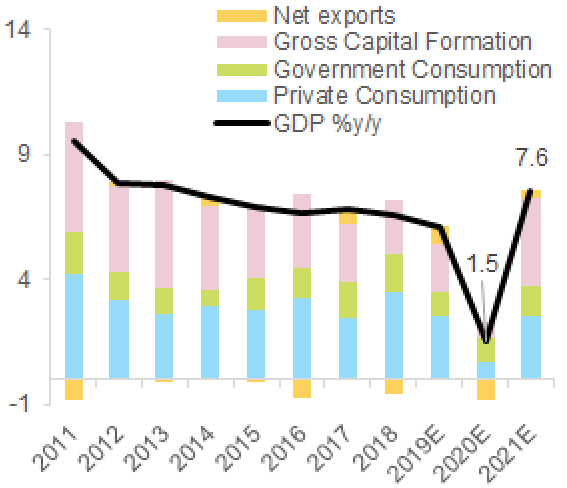


Source: Wind, Allianz Research

Industrial activity is now probably c.5% below usual levels. On the consumption and services side, it could take longer for confidence and households behaviours to return to normal: property transactions remain -34% below usual volumes, dining bills (including take-outs) are c.-40% below pre-outbreak and household disposable income declined by -3.9% y/y in real terms in Q1 2020 (vs. +5.8% in 2019).

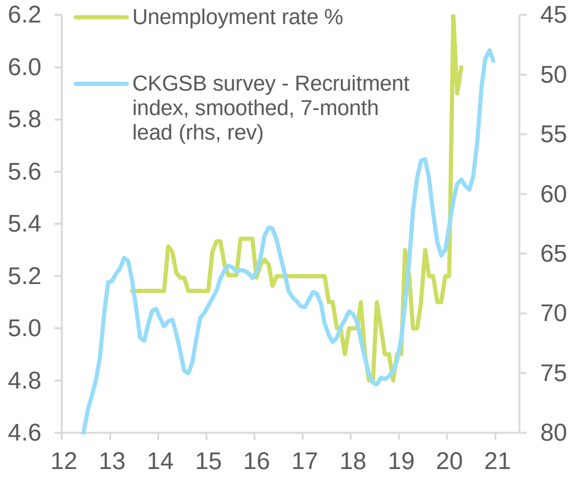
CHINA GROWTH FORECAST FOR 2020 AT +1.5%

GDP growth (%) and contributions (pp)



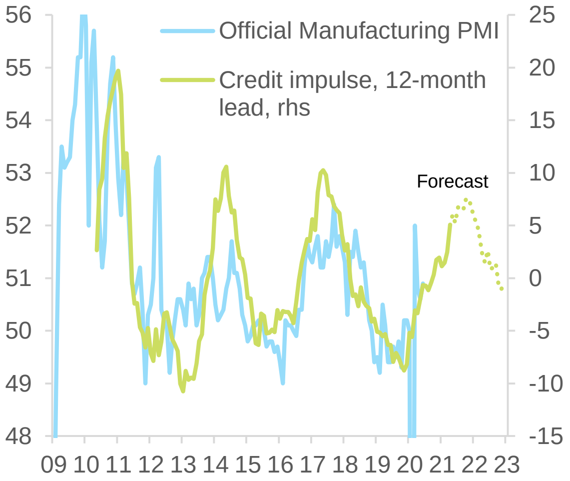
Sources: National sources, Euler Hermes, Allianz Research

Unemployment rate and leading indicator



Sources: Wind, Euler Hermes, Allianz Research

Credit impulse & PMI



Sources: PBOC, Euler Hermes, Allianz Research

After the slump in GDP growth in Q1 (at -6.8% y/y), we expect a gradual recovery, becoming more visible in H2. We expect 2020 GDP growth at +1.5%.

Leading indicators point to the unemployment rate remaining at elevated levels (around 1pp above long-term average) for the rest of 2020.

We expect fiscal support amounting to 7.1% of GDP (up from 2.7% forecast before the COVID-19 crisis). In terms of monetary policy, further injections of liquidity and policy rate cuts are likely.

HONG KONG SCENARIOS AS OF JULY 2020

Improving environment (10%)

Triggers:

- No further sanctions and retaliations between China and the U.S.
- Mainland China sends clear signals that business regulatory in Hong Kong will not change, and significantly increases investment in Hong Kong to help recovery

Economic impact:

- In the short-term: stronger recovery of Hong Kong economy, with GDP growth forecasts in 2020 and 2021 increasing to -4.2% and +7.9% respectively.
- In the medium-term: back to pre-Covid-19 and pre-2019 protests normal.

The 'New Normal' (65%)

Scenario:

- China's national security law theoretically threatens the independence of Hong Kong's legal system, but implementation is not harsh and does not impact business environment
- U.S. actions include financial sanctions on Chinese officials involved in the national security law, tightening of visa requirements, exports restrictions to Hong Kong

Economic impact :

- In the short-term: continued small-scale protests in Hong Kong. Impact of trade sanctions is limited (less than 1% of Hong Kong GDP if same tariff hikes as those applied to mainland China over 2018-19). Hong Kong's 2020 and 2021 GDP growth forecasts revised down to -5.9% and +4.1% from -4.7% and +4.5% respectively.
- In the medium-term: U.S. FDI to Hong Kong slows, but without divestment. FDI from mainland China accelerates.

Deteriorating environment (25%)

Triggers:

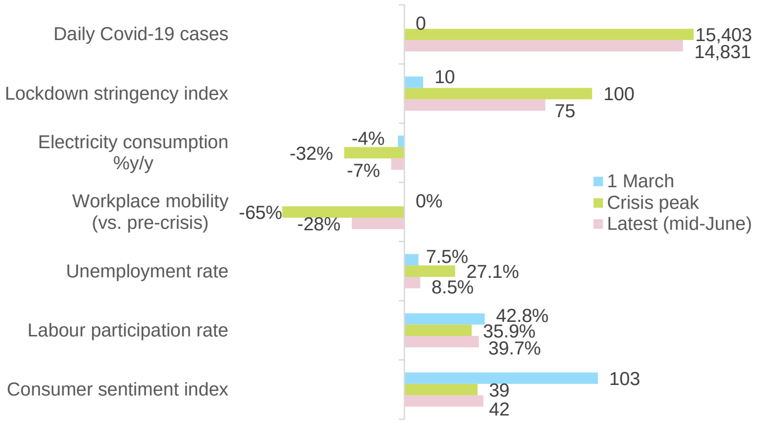
- Harsh implementation of China's national security law in Hong Kong, strong retaliation against U.S. actions (e.g. on U.S. FDI into Hong Kong), along with long term trend of developing regional trade and financial hubs in the mainland.
- The U.S. treats Hong Kong as mainland China for trade and direct investment, and is followed by other developed countries

Economic impact:

- In the short-term: damaged business and consumer sentiment jeopardize the recovery. GDP growth forecasts in 2020 and 2021 falling to -6.6% and +0.8% respectively.
- In the medium- to long-term: Divestment of U.S. firms, stock of FDI could decline by almost half in coming five years (nearly USD20bn). Not necessarily compensated by FDI from mainland China, as focus is on domestic hubs.

INDIA: -3.1% GDP GROWTH IN FY2020-21, WITH DOWNSIDE RISKS

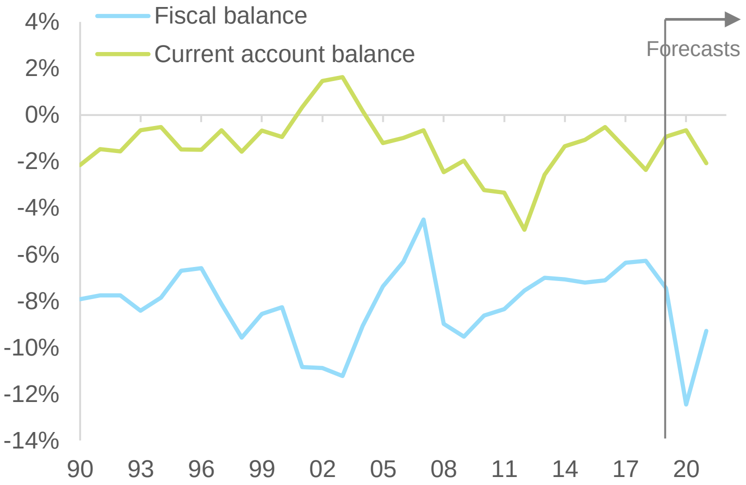
High frequency indicators



Sources: Bloomberg, National statistics, Euler Hermes, Allianz Research

India has started to de-confine, even though data suggest the epidemic is not yet controlled. This means that activity resumption could be even slower than in other economies.

Twin deficits (as % of GDP)

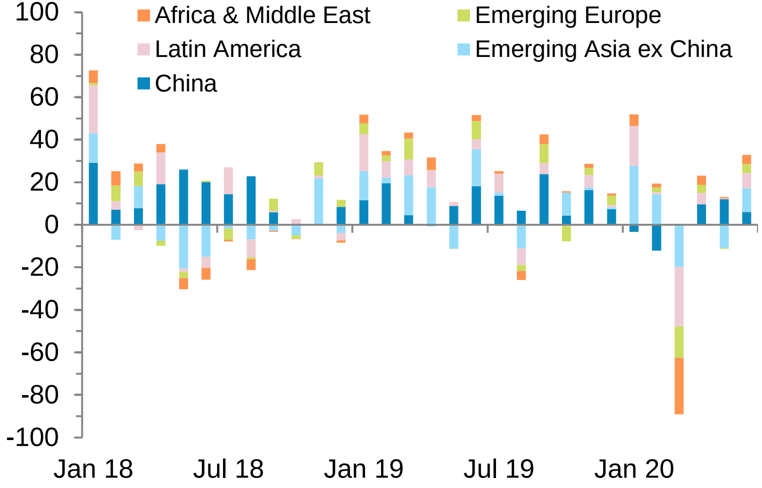


Sources: IHS, Euler Hermes, Allianz Research

Risks are skewed on the downside. Policy leeway is limited by twin deficits, and a vulnerable financial system. In the medium run, we are more concerned about India's financing requirements.

CAPITAL FLOWS BOTTOMING OUT BUT RISKS OF SUDDEN STOPS STILL REMAIN

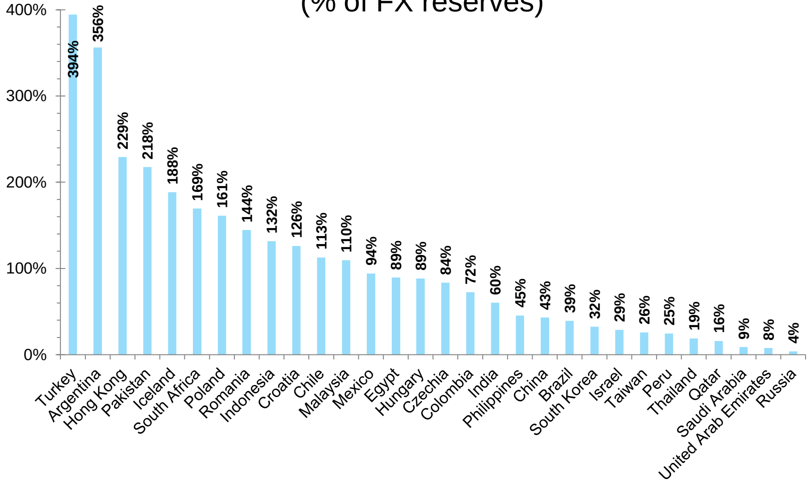
Emerging Markets: Net portfolio flows by region (USD bn)



Sources: National statistics, IIF, Allianz Research estimates

Net portfolio flows to EM dropped sharply to a record low of -USD 89 bn in March. But moderate rebound already in April (+USD23bn), May (+USD2bn) and June (first estimate +USD33bn).

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

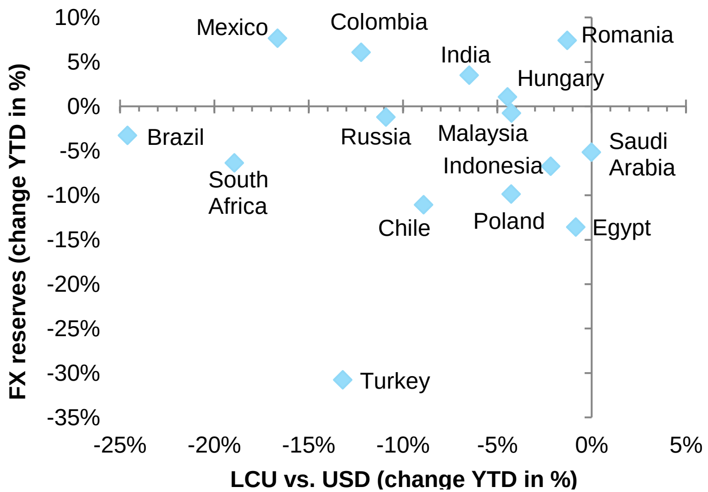


Sources: IHS Markit, Allianz Research

In Turkey and Argentina, gross external financing requirements rose further from around 250% at end-2019.

THE COVID-19 QE PROGRAMS COULD ENDANGER CENTRAL BANKS' CREDIBILITY

Exchange rate changes vs. FX reserves changes



Sources: IHS Markit, Allianz Research

Government bond purchase programs in EMs

Country	Policy rate	Gov. bond purchases by Central Bank: Size (% of GDP, purchased since March)	Gov. bond purchases by Central Bank: Primary / secondary market?	Foreign-owned local gov. bonds (% of total)	Total FX-denominated debt (% of GDP) *	Inflationary risk
Turkey	8,25%	9,4%	Secondary	10,1%	63,8%	
Indonesia	4,25%	2.8% **	Primary & secondary	38,6%	21,3%	
Poland	0,10%	4,2%	Secondary	23,4%	49,5%	
Croatia	2,50%	3,4%	Secondary	na	na	
Thailand	0,50%	2,4%	Secondary	17,2%	14,5%	
Philippines	3,25%	1,6%	Secondary	na	na	
Colombia	3,25%	1,1%	Secondary	24,5%	27,9%	
India	4,00%	0,8%	Secondary	3,6%	12,1%	
South Africa	3,80%	0,7%	Secondary	37,2%	35,3%	
Hungary	0,75%	0,3%	Secondary	18,6%	62,1%	
Romania	1,75%	0,2%	Secondary	19,3%	na	
Costa Rica	0,75%	Has started ***	Secondary	na	na	
Brazil	2,25%	Announced, not started	Secondary	10,4%	29,4%	
Chile	0,50%	Announced, not started	Secondary	na	52,6%	
Czechia	0,25%	Announced, not started	Secondary	40,6%	34,5%	
Malaysia	2,00%	Announced, not started	Unspecified	25,3%	32,5%	

* Both public and private debt. ** Bank Indonesia already owns about 15% of tradable government bonds.
*** Central Bank of Costa Rica was authorized and approved purchases of up to 0.7% of GDP .

Sources: National statistics, IHS Markit, Allianz Research

Turkey has by far burned the most FX reserves this year to defend its currency – albeit with limited success. Net FX reserves dangerously low now. Watch out for Brazil, South Africa and Mexico.

Some EMs have begun to purchase government bonds to ensure smooth functioning of bond markets and sufficient liquidity for banks to support private sector credit. This is mostly different from QE in AEs and much smaller in scale. Indonesia, Turkey, Brazil, Poland and Croatia require monitoring.

THANK YOU

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Global and Asia-Pacific Economic Outlook

July 2020

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