



Economic Outlook

Time to act

Atradius Economic Research

John Lorie, chief economist	Global developments	john.lorie@atradius.com +31 (0)20 553 3079
Theo Smid	Western Europe, Russia, insolvencies	theo.smid@atradius.com +31 (0)20 553 2169
Dana Bodnar	US, UK, Japan, Eastern Europe, insolvencies	dana.bodnar@atradius.com +31 (0)20 553 3165
Bert Burger	Asia-Pacific	bert.burger@atradius.com +31 (0)20 553 2872
Greetje Frankena	Latin America	greetje.frankena@atradius.com +31 (0)20 553 2406
Niels de Hoog	Turkey, MENA	niels.dehoog@atradius.com +31 (0)20 553 2407
Afke Zeilstra	Africa	afke.zeilstra@atradius.com +31 (0)20 553 2873

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Editorial

The global economy finds itself in a fragile place. Clouds were already gathering when we reported about the stance of the global economy and its outlook, in November last. Uncertainty about economic policy had leapt up markedly, predominantly driven by assertive US foreign policies, especially related to trade. Moreover, monetary policy normalisation was ongoing, constraining financing conditions of firms around the globe. It was argued that there was no room for economic policy mistakes.

In the late autumn of last year, a string of bad economic data came pouring in, amid concerns that central banks would stick to their tightening paths. Financial market sentiment started to shift as well, with cumulative losses for the S&P 500 index reaching 10% in December only. One of the major risks we had identified in our previous outlook, a strong financial market correction further, seemed to materialise. It threatened to augment the slide of the global economy.

This was prevented with policy interference familiar since the great financial crisis of 2007. First and foremost, central banks, led by the Fed, made what is arguably a U-turn, by at least pausing the monetary tightening. Such tightening had been slow and steady so far. Then, feeling the heat of the ongoing trade war, China indicated it would use more of its monetary and fiscal policy space to keep the economy on its high growth track. Finally, the White House announced a truce in its unfolding trade war with China, preventing a large-scale escalation for the time being.

This had a definite impact. Financial markets veered up. The weakening of emerging economies currencies versus the US dollar largely halted. Financing constraints for firms weakened. Policy uncertainty eased but remained elevated. Whereas turmoil in the financial market was prevented, the global economy had unmistakably embarked on a markedly slower growth path. The clouds may no longer be threatening, but the sky is grey at best, particularly after the recent escalation in tariffs by the US on Chinese imports.

It is straightforward that peace on the US-China trade front and removal of uncertainty related to US-EU trade that is left hanging, will provide a boost to the global economy. Even if a deal is reached – the odds of which have not improved – it is unlikely to be sufficient. Moreover, monetary policymakers may have done what should have been done, but see the bottom of their toolkit with such low interest rates and the economy awash with money. For this reason, we look in this Economic Outlook in more detail at the second classical leg of economic policymaking that was amply used shortly after the crisis: fiscal policy.

As we argue in this Outlook, we should not get over-excited about what is currently happening and can be expected to happen on this front. This is partly due to legacies from the financial crisis, lingering in the form of high government debt. This put a constraint on what governments can do, even now that interest rates are so low. Moreover, one can question to what extent fiscal stimulus to push up demand, for example via lower taxes, should be used, especially in the US and the eurozone. Those economies are running at, or close to, capacity.

Therefore, the call for government action is predominantly for structural policies in these dominant economies, such as via investments in infrastructure and the energy transition. These policies are neutral or even beneficial for government debt levels, particularly if the private sector can be involved. Still, the White House has only recently attempted to break the deadlock on the election promise to build 'roads, bridges and airports'. On the flipside, it has withdrawn from the Paris Agreement. In the eurozone, efforts have also been limited, although German fiscal policy is now mildly expansionary. Only China, which admittedly has more fiscal space, is taking up the challenge, with both infrastructure, at home and abroad with its Belt and Road Initiative, and the energy transition. But that is not sufficient to avoid the bleak global growth picture that we are currently facing. For governments, it is time to act.

John Lorié, Chief Economist Atradius

Table of contents

Executive summary	i
1. The global macroeconomic environment	1
Advanced economies trigger slide in global GDP growth	1
Bleak trade growth at best	2
Commodity price rebound amid underlying weakness	4
Increased oil price volatility	5
Monetary policy U-turn	6
Financial market turmoil prevented	8
Governments take up the challenge, modestly	9
<i>Box 1 The problem with high public debt</i>	11
Risks to the outlook	11
2. Advanced economies – prospects and risks	13
Advanced economies slowing, increasing demand for fiscal help	13
Eurozone: growth is expected to decelerate in 2019	13
<i>Box 2 Measuring labour market slack</i>	14
US recession off the table but economy still cooling	15
Fiscal headroom to protect UK from uncertainty	17
Japan still struggling to stimulate economy	18
3. Emerging economies – prospects and risks	19
Economic growth keeps up reasonably well	19
Emerging Asia	20
Latin America: weak recovery, fiscal consolidation in progress	23
Eastern Europe: difficult year ahead	25
MENA: fiscal consolidation on the backburner	27
Sub-Saharan Africa: largest economies limit economic growth	28
4. Implications for the insolvency environment	30
Insolvency on the rise around the world	30
Europe: a turning point	31
Insolvencies flattening in North America	33
Stable outlook for Asia-Pacific	33
Most EMEs also expected to see higher levels	33
Appendix: Forecast tables	35

Executive summary

The global economy is losing steam in 2019 and 2020. After a tumultuous start to the year though, positive policymaking developments have helped ease uncertainty. Central banks across advanced markets have put their plans for policy normalisation on hold; China has ramped up fiscal and monetary stimulus to boost its growth rate; and trade tensions had momentarily eased. Ongoing uncertainty regarding the trade war continues to cloud the outlook but it remains relatively benign.

Key points

- Following a remarkable 3.2% expansion in 2018, world GDP growth is forecast to slide to 2.8% in 2019. In 2020, growth is expected to grow at the same rate.
- Advanced markets are generally shifting into a lower gear this year, led by the eurozone economy, which is expected to expand only 1.3% in 2019 and 1.5% in 2020. As the boost to growth from fiscal stimulus fades, US GDP growth is forecast to slow to 2.6% and further to 1.7% in 2020. Japan is muddling through with only 0.5% and 0.4% expected. The UK bucks the trend but growth is to remain at low rates: 1.5% and 1.8%.
- Economic growth in emerging markets is edging slightly lower to 4.3% this year but will hold up reasonably well beyond, rebounding to 4.7% in 2020. Emerging Asia and Eastern Europe are both slowing, from 5.6% to 5.5% in 2020 and from 2.7% to 2.5% respectively. Latin America and MENA are both expected to see worse performances in 2019 but gain some steam in 2020. Sub-Saharan Africa is expected to see economic growth accelerate both this year and next.
- Insolvencies are expected to begin increasing in 2019 as the global economic growth loses steam. After a modest 2% decline in 2018, corporate insolvencies are expected to increase 2%, marking the first annual increase since the global financial crisis.

Chapter 1 presents the global macroeconomic environment: what has happened in the past six months and what we expect to happen in the remainder of 2019 and 2020. Global economic growth is slowing modestly in 2019 as US fiscal stimulus fades. With the monetary toolkit limited, the prospects for fiscal policy to keep growth steady are high. Trade growth is decelerating

more rapidly. Trade policy uncertainty and higher global headwinds have strained trade significantly. From 3.4% in 2018, we expect it to slow well below 3% in 2019 before recovering slightly in line with better global growth prospects in 2020.

There still remain significant downside risks to this forecast but the urgency of the most dire risks has subsided slightly. The most prominent risk is still that of trade war proliferation. The escalation of tariffs between the US and China in May shows that despite nearing a deal, we are not out of the woods yet. Furthermore, the risk of escalation with Europe is still on the table. A slowdown in Chinese GDP growth is the second highest risk while the fallout from misguided Fed policy has fallen into third as we gain more confidence in effective policymaking. Policy uncertainty and oil price volatility are also ongoing threats to our economic outlook.

The economic outlook for the eurozone, US, UK, and Japan is presented in chapter 2. The eurozone is facing dimmer growth prospects and continues to grapple with high policy uncertainty, related to Brexit, Italy's fiscal problems, and increasingly trade risks. The US still enjoys solid fundamentals but is losing momentum as fiscal stimulus fades. Brexit uncertainty continues to weigh on business investment in the UK, but a better external environment and some government support underpins a still-stable outlook.

Chapter 3 outlines the outlook for emerging markets. Growth prospects in general for EMEs are reasonable though lower global trade and ongoing uncertainty are weighing on growth. While export growth is under pressure, growth continues to be supported by healthy domestic demand. Monetary and fiscal stimulus in China will keep growth rates high there, boosting the outlook for many other EMEs. High debt levels, political risk, and external vulnerabilities still plague many individual economies though.

The current economic slowdown is translating to higher insolvencies, analysed in chapter 4. After nine consecutive years of decreasing insolvencies, the number of business failures is expected to increase modestly by 2% in 2019. With monetary tightening and trade war escalation both on hold, risks to businesses have eased but vulnerabilities, especially in corporate debt, continue to grow.

1. The global macroeconomic environment

Advanced economies trigger slide in global GDP growth

The global GDP growth moderation that we expected when writing our November Economic Outlook has intensified. In particular, the slowdown in the eurozone and the US is expected to deepen. Indeed, global GDP growth is forecast to slide to 2.8% in 2019 from 3.2% last year, and remain at that pace in 2020.

We should realise though that 2018 was a rather good year, especially for the advanced economies. GDP growth in the eurozone may have slowed, but it still remained close to 2% (2.5% in 2017). In the US, growth accelerated to almost 3% (2.2% in 2017). These are levels long unseen. It was clear already in November that the 2018 growth level would not be sustainable. This was reflected in downward revisions to the growth forecasts for 2018 and, particularly, 2019.

At the time, the unfolding trade war between the US and China not only directly affected access to export markets, but also created uncertainty. Both have a negative impact on investment. Monetary tightening of the Fed started to be felt as well. Global financing conditions became less favourable, biting into credit and GDP growth, especially in emerging economies. Political uncertainty, particularly related to Brexit and Italy, and the associated economic policy uncertainty were driven up as well. Finally, the US and eurozone economies were - and still are - running against capacity constraints with, for example, unemployment in the US at a record low and the so-called output gap turning positive.

Table 1.1 Real GDP growth (%) - global regions

	2018	2019f	2020f
Eurozone	1.8	1.3	1.5
United States	2.9	2.6	1.7
Emerging Asia	6.0	5.6	5.5
Latin America	0.9	0.2	2.3
Eastern Europe	3.4	2.7	2.6
World	3.2	2.8	2.8

Sources: Oxford Economics, Atradius

While these factors clearly signalled a slowdown back in November, the magnitude of the slide in GDP growth expectations since then was surprising. The eurozone is the main culprit: GDP growth in Germany nearly grinded to a halt and Italy slipped into recession in late 2018. Moreover, global confidence indicators for firms as well as households, were lower as well. Financial markets, to cap the gloom, were down and showed signs of turmoil.

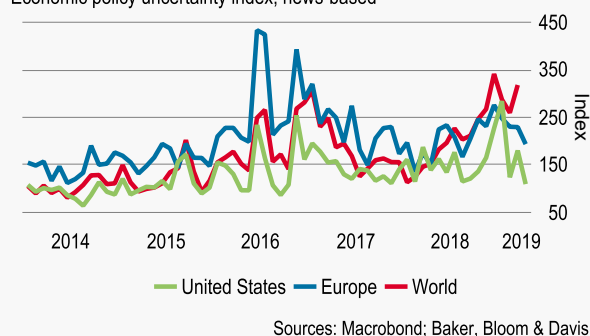
This picture set the scene for a familiar gamechanger: central bank intervention. In December 2018, the Fed started to hint at a turn towards a more accommodating monetary policy and confirmed it in the early winter of this year. It was soon followed by the ECB and other central banks. In addition, it became increasingly clear that the US and China had - at least temporarily - postponed further escalation of their trade war. China, moreover, signalled it would provide fiscal stimulus to its economy. Financial markets reacted positively to these

developments and the increasing economic policy uncertainty index reversed course, especially for the US. The sky was no longer bright but had at least not darkened further.

Having said that, the GDP growth picture for 2019 and 2020 remains rather steady but shows a significant slowdown across all the regions compared to last year. In Emerging Asia, GDP growth is expected to slow but remain high at 5.6% (2020: 5.5%). This figure includes significant slowdowns for the major countries in the region, with China and India facing lower, but still very high, GDP growth figures (above 6%). Nevertheless, this region is most exposed to the US-China protectionist measures as well as the Fed tightening. Eastern Europe is also projected to see a notable slowdown to 2.7%. But this 0.7 percentage-point deceleration is largely due to the recession in Turkey, after an already relatively small 2.6% expansion last year. Russian GDP, hindered by international sanctions, will slow markedly as well.

1.1 Economic policy uncertainty calmed

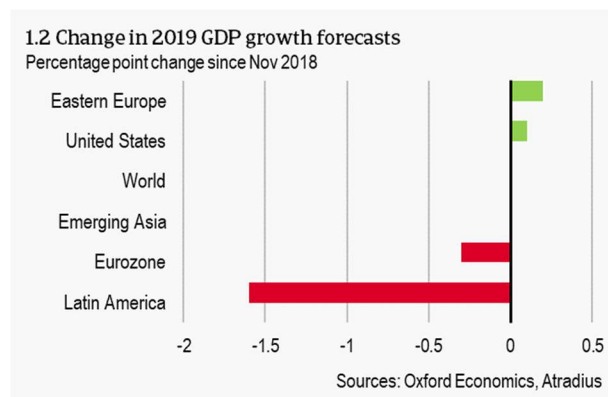
Economic policy uncertainty index, news-based



In advanced economies, US growth in 2019 will decrease as the impact of fiscal stimulus fades. GDP growth is still expected to stay strong at 2.6% but slow significantly to 1.7% as fiscal stimulus unwinds in 2020. This is subject to a de-escalation of the trade conflict with China precipitating a deal between the countries. The eurozone faces the impact of lower external demand, which is particularly hitting Germany, its largest economy. Italy remains in a mild recession. Recovery in both countries can only be expected in 2020, mildly pulling up eurozone GDP growth for that year. The forecast envisages some form of orderly Brexit. Should there be a no-deal Brexit UK GDP will be some 0.2 percentage points lower. Finally, in Latin America, the recessions of its largest economies, Brazil and Argentina, are waning. But overall growth in the region in 2019 is held back by the collapse of the Venezuelan economy. In 2020 this no longer plays a role and regional growth accelerates.

The overall world GDP growth forecast for 2019 is in line with our November Outlook. Forecast revisions highlight the 0.3 percentage-point deterioration in the eurozone's outlook. Latin America saw the largest forecast revision: 1.7 percentage points downward, but as a smaller share of

global GDP, this has less weight on the global picture. More importantly, Emerging Asia's forecast is unchanged and the US has been revised up slightly by 0.1 percentage points.



Bleak trade growth at best

In our November Economic Outlook we expressed reasons to expect a marked slowdown in global trade growth in 2018. At the time, based on H1 of 2018 data, trade growth had only decelerated slightly compared to the very strong 4.2% expansion in 2017.

That slowdown has indeed occurred, with the global figure ending up at 3.4% in 2018. With the exception of the US, where imports grew particularly strongly, all regions faced lower trade growth. The eurozone saw trade growth slow to 1.7% from 3.7% in 2017, while Emerging Europe experienced the biggest decline in growth to 3.0% from 8.8%. Other regions, while seeing decelerations, held up to some extent: Emerging Asia, to 5.9% from 7.5%, and Latin America, to 4.4% from 4.9%.

This slowdown is emphasised if we consider the momentum, which represents the three-month average trade volume compared to the preceding three-month average. That figure is now in negative territory for the world, whereas it was still neutral in June 2018. Notable negative developments are in Emerging Asia where trade momentum stands at -6%. This is a huge difference from the June figure, and even moreso from January last year. For the US, eurozone, and Emerging Europe, a similar but less remarkable slowdown is observable. Latin America is the exception with improving trade growth momentum.

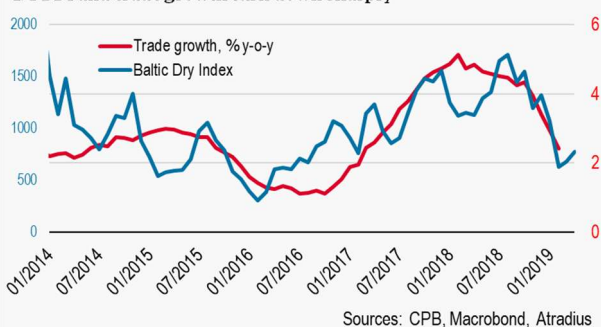
Trade growth has slowed markedly since the November Outlook and growth momentum has turned negative. This picture does not bode well for trade growth this year. Indeed, if we consider three forward-looking indicators that we normally use to forecast trade growth, a sense of gloom arises. In November we predicted 3%, but this now looks even optimistic.

1.3 Trade growth held up well in 2018

% change y-o-y in volume of goods



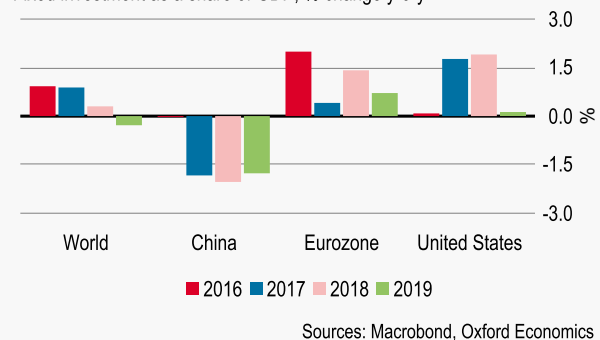
1.4 BDI and trade growth turn down sharply



Support for this somewhat gloomy outlook comes from the Baltic Dry Index, the indicator that monitors developments in freight costs. This indicator has historically predicted reversals in trade growth, such as in early 2016. It has nosedived since last summer to similarly low levels. The stabilisation observed in 2019 is caused by the announcement of the US administration that it would postpone further tariff levies. Moreover, another forward-looking indicator, global export orders, has already been in decline since early 2018. In the meantime it slid into negative territory (below 50) in August. For the advanced economies this occurred only recently, for the emerging economies it had already been the case since early spring 2018. Adding to the trade growth gloom, investment growth as a percentage of GDP is forecast to be almost neutral in 2019. Forecasts for all regions have also been significantly revised downward since our November Outlook. They suggest investments will not be spur trade growth much above GDP growth. Given that the latter will be approximately 2.5% on a global level, trade growth can not be expected to be much above it, perhaps at 2.75%. After that, in 2020, a mild recovery can set in, towards 3%.

1.5 No more investment growth

Fixed investment as a share of GDP, % change y-o-y



There is a number of factors underpinning the picture of slowing trade growth in 2018, which help underpin our forecast as well.¹ Firstly, Chinese imports are under severe pressure, total imports declined more than 8% y-o-y in 2018. This may partly be attributable to reining in credit supply, that took place in early 2018 particularly, slowing down import demand. But the impact of the US-China trade war seems more important. Automobile (-28%), electrical equipment (-22%) and building material (-11%) imports have been hit especially hard. Further evidence that Chinese imports are suffering from the trade conflict is the limited geographic spread of the decline in imports. Imports from the US and other Asian countries have fallen sharply in comparison to other regions. Asian countries are key suppliers of components used in exports from China to the US, and these are now subject to tariffs. The impact of tariffs is even more clear if we consider that for a set of goods subject to a 25% US tariff, exports to the US have plummeted 60% y-o-y. For goods on which the US levies 10%, the slowdown has been only 10%. One should note that the tariffs have most likely caused 'front loading' of exports before tariffs were enforced, inflating the impact on the current decline in Chinese imports.

Secondly, whereas China is an important factor in the slowdown of global trade, other emerging economies have also contributed significantly, accounting for 40% of the slowdown in global import growth since late 2017. They were partly affected by lower Chinese demand, but also by US interest rate hikes, a stronger US dollar and lower commodity prices. For Turkey and Argentina, where the shocks caused a (financial) crisis, imports declined by more than 30% by the end of 2018.

Third, European import growth slowed after its peak in 2017. As Europe's contribution to trade growth stood at 25%, the slowdown has had a significant impact. Factory orders have decelerated since early 2018 and retail sales

¹ Global trade slow down – not just a China story. Oxford Economics Research Briefing | Global, February 28 2019.

growth has halved, while lower exports impacted import growth via supply chains.²

Fourth, the peak trade growth in 2017 was helped by a strong upswing in the semiconductor industry and electronics sector more broadly (accounting for more than 10% of world trade). New product launches drove semi-conductor turnover up 70% y-o-y in 2017. That boom has now faded out, and turnover is even declining at double digit rates.

Finally, on a positive note, US economic growth has boosted global trade for over two years, helped by fiscal stimulus.

It is unlikely that all of these factors persist. Chinese demand is already being propped up again by fiscal stimulus to avoid deceleration of GDP growth. Meanwhile, we may have already seen a significant part of the shock of the tariff levies as Chinese import data suggest. Key Asian suppliers to China such as Korea, Japan, Taiwan and Thailand are diverting their exports from China to the US. Moreover, as the Fed has now stalled its tightening, emerging economies will get more opportunities to grow. Countries with specific issues, such as Turkey and Argentina will gradually recover. The slide in European import growth will bottom out, and is expected to reverse, albeit mildly. The shock in the semiconductor industry has taken place and had an impact, implying it will not reverberate in the data again. On the other hand, the impact of US fiscal stimulus will fade over 2019 as the US economy continues to show growth, but at a lower pace. The net impact of these factors are still expected to contribute to the expectation of a recovery of trade growth somewhere in 2019, further picking up in 2020.

The big question here is what happens to the trade war. This month, the US responded to the lack of progress in the trade negotiations with China by raising tariffs on USD 200 billion worth of Chinese imports from 10% to 25%, ending the truce. At the time of writing, the US is formulating a list of USD 300 billion of Chinese imports to subject a 25% levy to should progress continue to stagnate. China has retaliated, announcing that it would raise tariffs on USD 60 billion worth of US goods to between 10% and 25% from June 1. No formal talks are planned yet but there is a chance for Presidents Trump and Xi to meet for a deal at the G20 meeting at the end of June. For now, this re-introduces a dark cloud over the brighter-than-expected US and China outlooks.

Table 1.2 US-China trade war escalates

	Imports (USD bn)	Tariff	Target
<i>January 2018</i>			
US	7	35%*	Solar panels
	2	50%*	Washing machines
<i>March 2018</i>			
US	29	25%	Steel
	18.7	10%	Aluminium
China	2.6	25%	Various, incl. pork
<i>June 2018</i>			
US	50	25%	Various, incl. cars
China	50	25%	Various, incl. cars
<i>September 2018</i>			
US	200	25% (10%)	Various, increased in May 2019
China	60	25%	Various, incl. LNG

* on all imports; Sources: Oxford Economics, Atradius

The impact of such a situation will be compounded if the trade war is expanded to the EU by the US, which is starting to become more likely. The US administration has received a report on the security implications of vehicle imports and has to take a decision on the matter during the spring. This means that the US can impose tariffs on vehicles. The EU, on its part, has drawn up a list of US products for an amount of USD 23 billion that will be used to retaliate against US tariffs on vehicles, if imposed. Furthermore, the US has threatened to impose tariffs on USD 11 billion of EU exports in retaliation for the alleged EU subsidies for Airbus. For its part, the EU has identified a list of USD 12 billion worth of exports to be hit by tariffs related to tax breaks for Boeing. Contrary to the Airbus case, the WTO has ruled the EU is entitled to such measures. These trade skirmishes draw a familiar and arguably worrying picture seen between the US and China. Developing a second leg to the trade war clearly will not help global trade prosper.

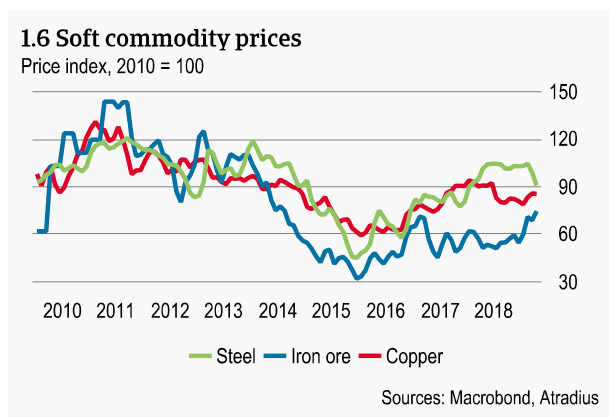
Commodity price rebound amid underlying weakness

The impact of the trade slowdown and trade policy uncertainty has had a clear impact on commodity prices. As we reported in the November Outlook, prices for base metals such as copper, aluminium, lead, zinc and uranium have come under pressure in 2018. Towards the end of the year, this process accelerated, with some metals, such as nickel, falling more than 20%. The release of a string of unfavourable economic data and ongoing monetary tightening during the fall contributed to this. Then, the prospect of a truce in the US-Chinese trade tensions became conceivable. The Chinese authorities indicated

² See November Economic Outlook for an explanation of how the effect of lower exports can create cascade effects on trade.

further stimulus would be used to keep economic growth at bay and monetary tightening came to a halt. That provided support for metals prices. For 2019 and 2020 prices can be expected to improve somewhat, provided a deal between the US and China indeed materialises.

Still, the underlying trend in commodity prices indicates softness. This is not only due to the risk of escalating trade tensions. The main culprit is China. That country accounted for 80% of the increase in metals consumption over the past 20 years, with its share in global consumption of metals going up from 10% to 50%. Its metal consumption growth has been markedly above the GDP growth benchmark. Now, the underlying weakness comes from the observation that metals consumption per capita in China have reached the level of that of advanced economies.³ It suggests a marked slowdown in the pace of metals consumption growth. To fill this gap in demand other emerging economies have to step in. But none of the other emerging economies is expected to do that. The metals consumption growth of the most obvious candidate, India, is in line with GDP growth. Hence the underlying weakness: there is no longer a need for price increases that trigger large investments accomodating a rise in demand. The latter is simply too modest.



Individual commodities may deviate from this relatively weak price outlook. The copper price in particular has already risen 10% since early 2019. This partly reflects the relatively good news about the trade tensions between the US and China, for which the price is sensitive. More fundamentally, copper is an important commodity in energy transition, amongst others for the electrification of transport (wiring).⁴ This is also the case for aluminium (especially lightweight, in transport as well) and nickel (batteries). The increase in the aluminium price is modest at 2% since the beginning of the year. Availability is still ample, helped by the lifting of US sanctions on the largest Russian aluminium producer, Rusal. But in the nickel market a positive supply shock did not occur: the price has gone up by 25%. China plays a prominent role here

again, as it seeks to develop into a much cleaner economy.

Matters for steel, not a base metal, are clearly different. Prices have predominantly moved horizontally since the summer of 2018 on the back of favourable economic developments and expectations about capacity reductions. Both have now turned less favourable. In particular, capacity reductions in China and Europe have thus far been insufficient. The OECD Steel Committee has concluded that there is still 24% overcapacity in the market. Moreover, steel demand is weak now that there is pressure on car sales in the US, the EU and China.

In this context, the increase of the iron ore price, used as an input for steel production, is notable. One would expect prices to be under pressure as steel mills are trying to keep their margins up. For two reasons this is not happening. First, there is a series of mining disruptions restraining supply. In Australia, there was a derailment of a BHP iron ore train and a fire at Rio Tinto's export terminal. More importantly, at Vale SA's mine in Brazil, a dam collapsed causing floods. This event could have serious implications for the mining industry, with potentially a prolonged halt of operations and fewer new projects. Secondly, steel mills are attempting to use lower grade iron ore to preserve margins. More expensive high grade iron ore's price has only increased 10% since the beginning of the year, low grade's price has exploded by an average of 40%. Nevertheless, taking the temporary nature of these drivers into account as well as the ongoing weakness in the steel sector, the prospects for further iron ore price increases may be limited.

Increased oil price volatility

In the fall of 2018 we reported on the oil price having reached a peak at USD 85 per barrel for Brent, almost double the price of mid-2017. Since then, the price has sunk to USD 51 in early January and veered up to a level above USD 70 recently.

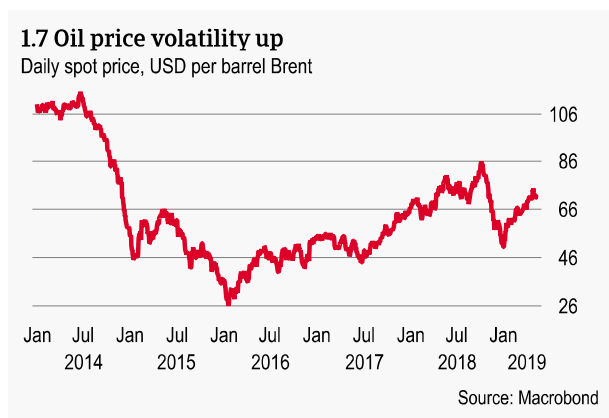
The current oil market is therefore subject to a high, and arguably increased, level of volatility. Moreover, the underlying trend for oil prices is upward due to the growing demand for energy as the emerging part of the global economy continues to develop. Even if an aggressive energy transformation is pursued, fostering higher energy efficiency and supplies from renewable resources, oil demand will grow. Such demand for oil can only be met if more expensive resources can be tapped.

³ Commodity Markets Outlook. The Changing of the Guard: Shifts in Commodity Demand. World Bank Group, October 2018.

⁴ See also <https://www.renewableenergyworld.com/articles/2016/01/will-the-transition-to-renewable-energy-be-paved-in-copper.html>.

The necessary investments for this will only occur if the oil price rises.

To be more concrete, it should rise to above USD 88 in 2025.⁵ For the forecast period 2019-2020, the estimate is for mid to high 70s, unchanged compared to the November outlook. Volatility within that range, however, is expected to be high, and clearly higher than envisaged before. Futures markets think otherwise: the futures price is about USD 10 p/b lower than the current price at the time of writing.



A closer look at the current price reveals that supply side developments are the predominant determinant of the current oil price. The price rose in 2018 to above USD 85 on the news of the US pulling out of the Iranian nuclear deal and the re-imposition of US sanctions, especially on exports. Iran exports could suffer a 1.3 million barrel per day (mb/d) hit. Worried by the effect of a higher oil price on its economy, the US started pressuring Saudi Arabia to increase its production. That did not sufficiently calm the market. The US then granted a set of last minute waivers for Iranian oil exports in November last year, particularly to Asia. That helped stabilise the price. Still, the upward trend in the oil price was unmistakable. The renewal of the OPEC+ (plus Russia) agreement to curb production by 1.2 million barrels per day in early December provided support as well. More importantly, compliance with the agreement is high.⁶

This is not completely surprising: swing producer Saudi Arabia needs a price just below the current level of USD 70 per barrel to provide some fiscal stimulus and avoid an increase in unemployment. At the same time, it wants to prevent prices from running up too high. That would trigger a reaction by US shale producers, who have markedly improved their efficiency. Prior to the oil price drop of 2014, 1600 rigs were used to produce 9 mb/d, now 850 produce 11.6 mb/d. Costs have gone down as well: the US shale break-even price, long believed to be at around USD 60 p/b is now thought to be at around USD

45 to USD 50. However, bottlenecks in the infrastructure, most prominently pipeline capacity, will limit production growth. Moreover, global investments in the oil sector, are considered to be growing, but at a low pace of only 2% annually in 2017 and 2018. Still, the US is believed to have ample capacity to grow shale oil production over time. This will help curb price increases.

Meanwhile, price volatility has increased with prices going from above USD 80 p/b to USD 50 and back to USD 70 in less than a year's time. This is remarkable in view of the developments on the supply side. The market has been long characterised by low price elasticities on the demand as well as supply side, but that may be changing. That is particularly true for the supply side. Shale oil producers are taking up the role of global swing producers and the role of OPEC+ as global price setter by production curbs has changed, and is still is changing. This implies that, other things equal, prices should be more stable.

However, they are not. At least two elements play a role here. First, the geopolitical environment has become more uncertain since the US administration has opted for the 'America First' policy. The hard-line US approach to Iran is a case in point; the waivers for the exports expired in May. Iran, in turn, has already threatened to close the Strait of Hormuz, a major channel for exports from the Middle East region. Second, the oil market has significantly lowered its stock. OPEC previously attempted to push the US shale producers out of the market by lowering prices, pushing stocks to record high levels. Now, the OPEC+ production constraint, plus the supply disruptions in Venezuela, Libya and Angola have reduced stocks to 2.8 billion barrels, far below the 2016 peak of 3.1 billion barrels. The result is that the market is faced with more geopolitical uncertainty, also has lower buffers to accommodate this higher uncertainty. Hence the higher price volatility.

Monetary policy U-turn

In our November Outlook we observed that central banks were treading very carefully. At the time, both the Fed and ECB were still in tightening mode. That seemed justified as employment was growing and inflation, although still sluggish, had shown some signs of life. Moreover, tightening was considered necessary for the mere reason that it would allow loosening at the moment recessionary tendencies in the economic environment were observed.

The Fed therefore hiked the funds rate another 0.25 percentage points in mid-December to reach 2.5%. In addition, the USD 50 billion per month reduction in its

⁵ This is measured in 2017 USD. If a US dollar inflation level of 1.5% is used, this translates into USD 95.

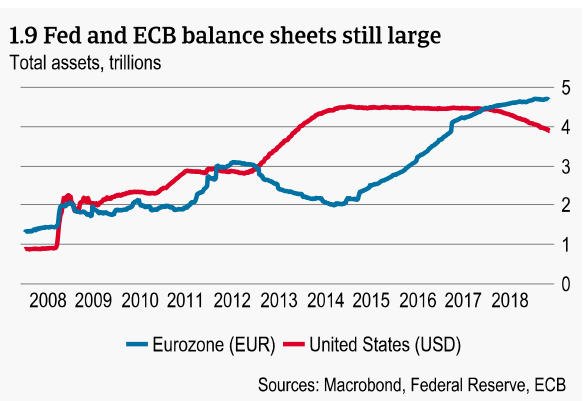
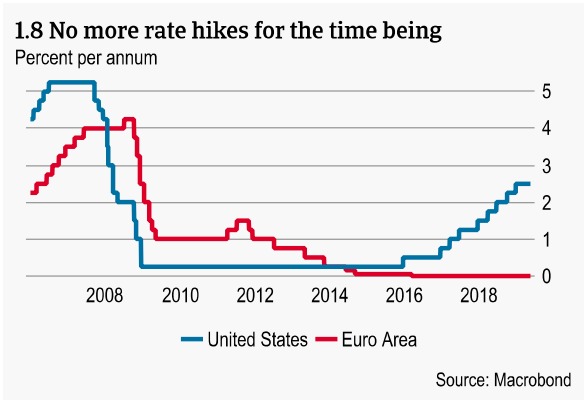
⁶ Iran, Venezuela and Libya are exempted from the curb.

balance sheet was ongoing, reaching a level of USD 3.9 trillion (down from its peak at USD 4.5 trillion in early 2018). The Fed also announced that there were further rate hikes on the cards in 2019. At the same time, an influx of gloomy economic data triggered unease in financial markets about the state of the economy and whether tightening monetary policy would be sustainable.⁷ The US administration loudly reiterated a familiar song about low interest rates in an attempt to influence the Fed.⁸

The Fed yielded to the pressure from various sides on January 4th. Its chairman, Jay Powell, announced that both interest rate setting and balance sheet adjustments would be flexible based on incoming data. The message was reiterated on January 30th and in mid-March it was signalled there would be no rate hikes in 2019 and that the reduction of its balance sheet would be tapered towards USD 30 billion per month and terminated by September. It completed the three-month monetary U-turn.

The ECB has made similar moves.⁹ In the late fall it was clear the bank would stop monetary loosening by ending its quantitative easing (QE) programme by the end of 2018. Moreover, there were some expectations about rate hikes in 2019. But in early January the bank began to shift by highlighting the risks to the global economy and stressing that the full toolbox of monetary policy instruments remained at its disposal. Then in early March the central bank announced it would keep interest rates low through the end of 2019, whereas previously it had indicated a period until the summer. Additionally there was an announcement of a third round of 'targeted long term refinancing operations of banks' (LTRO-III), enabling banks to avoid more costly refinancing of previous ECB loans expiring during the summer. Monetary tightening in the eurozone, which was about to begin, has now been postponed.

The shift in monetary stance helped support the financial market moving away from turmoil (see next section). It underscores the importance of central bank action, especially of the Fed, when it comes to avoiding global (financial) unrest. However, this is not what ultimately drives the central bank. The development of inflation does. The Fed as well as the ECB aim to keep inflation around 2%.¹⁰ Looking closer at inflation in fact reveals whether central bank action makes a lot of sense.



Inflation in the US peaked in July 2018, when it hit 2.7% y-o-y and then declined to 1.5% in Q1 of this year. This seems perfectly in line with the recent timing of the Fed policy of a looser monetary stance. However, recent research suggests a looser stance may have been overdue.¹¹ First, volatile energy prices are responsible for much of the fall of inflation since July 2018. Stripping this component, the July peak in core inflation was caused by acyclical components of inflation, related to financial services, health care, clothes and transport. With these acyclical components falling away in the second half of 2018, inflation rested on the development of the cyclical component, covering components such as restaurant meals, furniture and housing. That cyclical component hardly moved during 2018. Therefore, the fall in (core) inflation was in fact due to acyclical components. This suggests the Fed rate hikes may have been too aggressive.

Such a statement, that rate hiking may have been too fast during 2018, can hardly be made for the ECB. Simply because there has not been any hike at all. Nevertheless, in the fall of 2018 the ECB announced the end of

⁷ Market measures for monetary policy uncertainty such as the USD swaption 3mths for 1 year spiked.

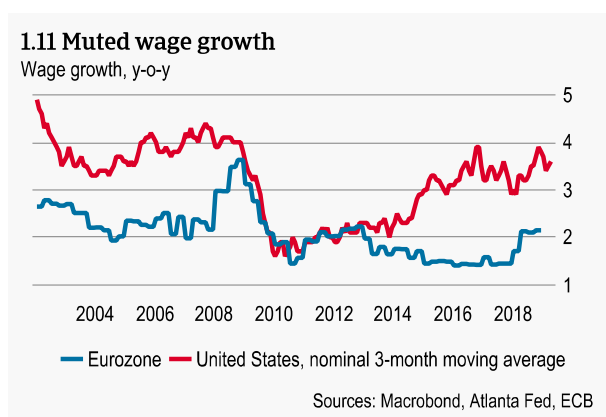
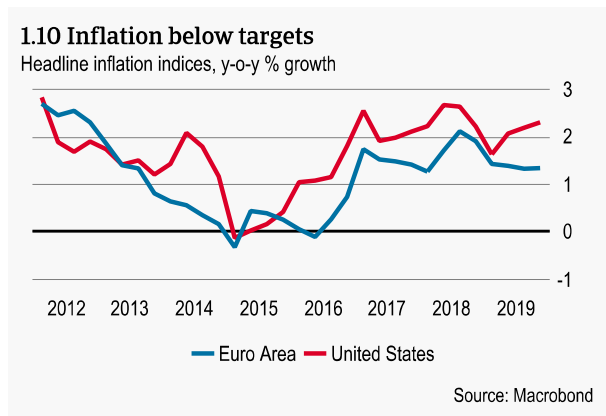
⁸ 'The only problem our economy has is the Fed. They don't have a feel for the Market, they don't understand necessary Trade Wars or Strong Dollars or even Democrat Shutdowns over Borders. The Fed is like a powerful golfer who can't score because he has no touch - he can't putt!' <https://www.cnn.com/2018/12/24/trump-resumes-attack-on-the-fed-as-markets-sink-again.html>.

⁹ Just like the Central Bank of Japan that revised its inflation forecast downward and reaffirmed its commitment to purchasing government bonds in order to keep the 10-year government bond yield low.

¹⁰ The Fed also has a full employment as well as a moderate long-term interest rate target, with no target dominating. The ECB also has the task of stimulating the economy, but the inflation target dominates.

¹¹ As presented in 'Keep it up', The Economist, March 28th 2019.

monetary loosening and now has backtracked on that announcement. Again, considering headline inflation, the timing of this more dovish stance is justified: inflation peaked in the summer and then declined. However, if one looks at core inflation, this figure has consistently moved around 1% for a few years now. Then, it can also be argued for the ECB that the timing of a tightening monetary stance, albeit only announced, has been premature.



Meanwhile, the persistently low level of inflation, as such, remains an issue economists and policymakers have difficulty coming to grips with. In previous Outlooks we have pointed at secular stagnation, globalisation and technological progress, especially in the context of advanced economies. Secular stagnation reflects chronically slow demand, removing upward price pressure from the demand side. Globalisation and technological progress on the other hand are supply-side phenomena. More competition from abroad puts a lid on firms increasing prices. Technological progress reduces the need for firms to raise prices as production becomes more efficient and lowers costs. The latter, if it reflects in productivity improvements of labour, should give rise to wage growth. But then, one can argue that such wage

growth does not affect margins of firms and therefore does not lead to inflation.

Therefore, to the extent that it would reflect productivity gains, no strong inflationary impetus could be expected, even if wage growth were strong. But the point is now: there is not even such strong wage growth. In the US it has been hovering around 3.5%, whereas in the eurozone it just has surpassed the 2% level; average pre-crisis levels were roughly 0.5 percentage-point and 1 percentage-point higher respectively. This relatively muted wage growth, in turn, is accompanied by, and may be explained by, relatively high employment growth. For the advanced economies, employment growth over the past two years is 2.9% above expectations. US unemployment is low, now at 3.6%, and still declining; the eurozone unemployment is rapidly declining, from a high level (7.8%). The participation rate is going up. More workers coming to the market clearly puts pressure on wage growth. There is one caveat to this picture of low inflation. Wage growth corrected for productivity is increasing and reaching pre-crisis levels.¹² It signals that labour is getting expensive. Then, at the moment it becomes really scarce, inflation may indeed pick up. For the time being though, with the slowdown in demand globally, that may be a long way off.

The implication of this picture is that monetary policy is bound to stay loose for now, at least a lot looser than we had previously envisaged. In the current environment central banks simply have no room for (further) tightening. That in turn implies that if a recession announces itself and central banks are being asked to act, there is very little room to support the economy. In fact, with the exception of the Fed, that has some room to lower rates, central banks can only use further quantitative easing. Given that the world is already awash with money, one should seriously question the effectiveness of such a move.

Financial market turmoil prevented

In our November Outlook we observed stock market indices that were diverging. The US S&P 500 was rallying after a brief dip in early 2018, the eurozone STOXX 50 was mildly sliding and the MSCI Emerging Markets index had taken a hit over the summer. Moreover, implied volatility for the US market, as measured by the VIX index, signalled calmness. Only the cost of insurance against a large drop in the S&P, measured by the SKEW index, had gone up. Just as the Shiller Index, a price earnings ratio index, remained at the highest level since the crisis. There

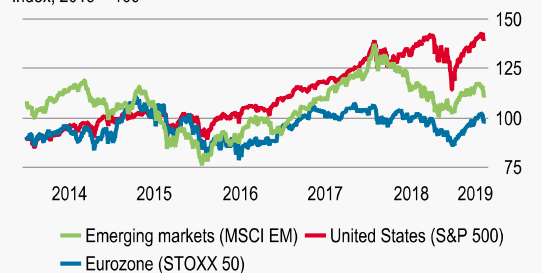
¹² The high value of this parameter is also caused by low productivity growth. This parameter is below 2% globally, whereas it was at almost 3% before the 2008 crisis.

was a risk of a US market correction, with global spillovers, but worries were limited.

Then, in late fall, a string of relatively bad economic data came in, amid concerns that central banks would not change course on their tightening paths. Sentiment started to shift at an increasing pace, especially in the US market. Cumulative losses of the S&P 500 index peaked at more than 10% in December, with a limited, but still noticeable impact in the other major share indices. The VIX index went up markedly, as the SKEW index fell.¹³ It was eurozone and Chinese data that suggested headwinds, US forward indicators remained strong. Still, concerns were raised that the US would eventually be affected by fragility in the rest of the world. Long-term sovereign bond yields then eased across the board. It signalled that markets started to price in a reversal of the loose monetary policy stance; US bond yields dropped more than 20 basis points. Turmoil was brewing.

1.12 Global stocks recover after Fed U-turn

Index, 2015 = 100



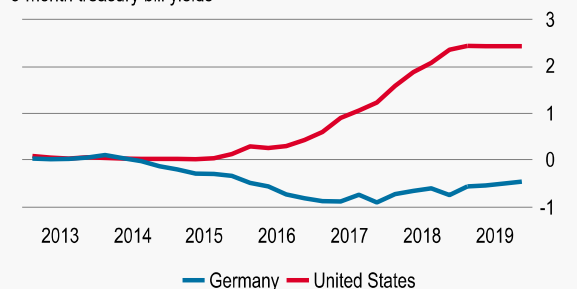
Source: Macrobond

The Fed (and ECB) reacted. A stimulus announcement in China and a truce in the trade war were also supportive. The impact on financial markets became quickly evident. The S&P Index rebounded and gained more than 20% during the first months of 2019. For the eurozone and the emerging economies the rebound was more muted, but clearly discernable: more than 10% and 15% gains respectively. The VIX index also calmed and the SKEW index recovered. The latter implies that the risk of a correction is back, which may not seem surprising given that the stock indices are up again.¹⁴

Some of the improvements observed in recent months have been offset by the latest escalation of the US-China trade war. In the week of May 6, the US index lost 2% of its value while the MSCI lost 4.4%. With higher uncertainty regarding a potential trade deal, volatility has also increased but remains subdued compared to late 2018.

1.13 Short-term rates flatten

3-month treasury bill yields



Sources: Macrobond, Oxford Economics

Apart from an impact on the stock market the monetary moves also had an impact on bond markets. Short-term bond yields in the US stopped rising, just like in the eurozone. Moreover, the decline in the long-term bond yields accelerated, with both US and German yields declining in tandem. Treasury yields remained higher than Germany's, signalling more confidence in the Fed's ability to push up inflation (and thus maintain higher interest rates). This is supportive of the global economy as it keeps financing costs for firms and governments relatively low.

Finally, the strengthening of the USD exchange rate against emerging economies currencies has been halted. The reduced pressure on emerging market currencies supports constraining financing costs for firms that are leveraged using (unhedged) USD-denominated debt. Now that USD interest rates are no longer on the rise, the pressure on financial flows towards emerging economies is relieved as well. In a world, where trade growth is low and GDP growth is under pressure, such a bright spot seems more than welcome.

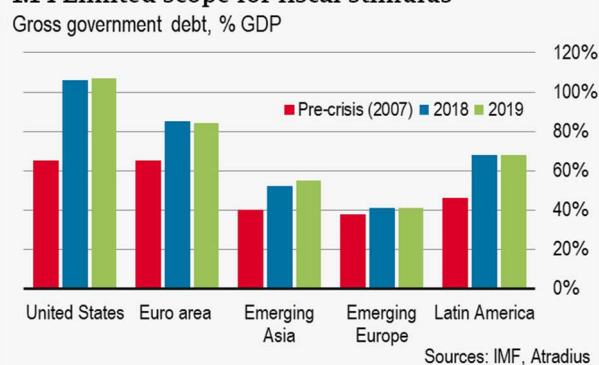
Governments take up the challenge, modestly

We discussed, above that the bleak picture of the global economy has triggered central banks to - at least - halt or even reverse monetary tightening. As we argued above, this leaves the world with a still very lax monetary stance and serious doubts about the design and effectiveness of any further monetary easing. It implies that the other economic policy tool, fiscal stimulus, may need to be considered. This will become more pressing if the slowdown turns out more protracted than is currently envisaged. We therefore take a closer look at this issue, here as well as in the subsequent chapters, questioning how much room for fiscal policy there is and to what extent governments already intend to take up the

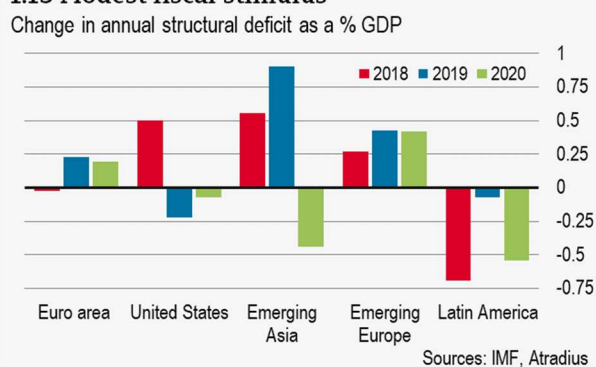
¹³ As that indicator - essentially - signals the risk of a large correction, it seems plausible it falls back if the event occurs.

¹⁴ Earnings have far less. The Shiller price earnings ratio has gone up from 28 in December 2018 to 32 in May this year. <https://www.gurufocus.com/shiller-PE.php>

1.14 Limited scope for fiscal stimulus



1.15 Modest fiscal stimulus



challenge. That challenge is not limited to stimulating the demand side of the economy via taxes and expenditures. It also includes, especially for advanced economies, a push to potential growth, such as via investments in infrastructure and limiting the impact of climate change.

To start with, the overall picture of the fiscal buffer is one of limited scope for stimulus. With the exception of Emerging Europe, the government debt-to-GDP ratio is markedly higher than before the 2008 financial crisis. During the crisis, there was across-the-board fiscal stimulus to soften the blow of the financial crisis. In the US and the eurozone this was compounded by the cost of rescue interventions in the financial sector. With debt increasing and GDP shrinking, debt-to-GDP ratios shot up. After the crisis, these higher debt levels were contained, rather than decreased. As a result, they now hover at above 100% for the US, above 80% on average for the eurozone, 65% for Latin America, 55% for Emerging Asia and 40% for Emerging Europe.

One can look at the IMF thresholds for debt sustainability to get an impression of the room for fiscal stimulus. For the advanced economies the institution uses a threshold level of 85% of GDP; for emerging economies a threshold

of 70% is used.¹⁵ Within these boundaries, the debt-to-GDP ratio is sustainable and room for fiscal stimulus exists. The average figure for the eurozone is somewhat high, though not surpassing the threshold. For the US it certainly exceeds the threshold. The emerging economies, however, especially Emerging Europe and to a lesser extent Emerging Asia, seem to have more fiscal space. The latter region, with China included, carries significant weight for the global economy.

These figures are regional averages and mask large differences between individual countries. More than one-third of the countries in the advanced economies have debt levels above 85%. Aside from the US, this includes large economies like France (99%), Spain (97%), Italy (131%) and Japan (237%). One-fifth of the emerging economies have debt levels surpassing 70%, including Brazil (88%). The implication is that the regional averages underestimate the room for fiscal stimulus. Indeed, whereas the average figure for the eurozone is somewhat high, some countries such as Germany and the Netherlands do have space for fiscal stimulus. The same holds for Latin America. Given the regional average, in Emerging Asia and Emerging Europe there are countries, such as China and Turkey, with some room for fiscal stimulus as well.

This picture of debt levels allows for modest fiscal stimulus,¹⁶ and that is indeed what we see. In the advanced economies, on average, fiscal stimulus has reigned in 2018. But the level is relatively low and the stimulus comes predominantly from the US (0.5 percentage point widening of the deficit). In the eurozone there was mild fiscal contraction. Across emerging economies we see a varying picture for 2018 as well. Contraction was observed in Latin America, where the dire situation of the government finances of Brazil and Argentina played a large role. Fiscal expansion took place in Emerging Asia and Emerging Europe, especially in China and Turkey. In India the fiscal stance was neutral.

Over the forecast period of 2019 and 2020 the picture of modest fiscal expansion does not fundamentally change. The US expansion will fade and reverse into a contractionary stance as the impact of the 2017 Tax Cuts and Jobs Act fades. The eurozone will take over, to some extent. Both Germany and Italy plan to increase their fiscal deficit. Fiscal deficits are forecast to widen in Emerging Asia, especially China which is attempting to mitigate the slowdown of GDP growth. In Turkey the fiscal stance is forecast to be neutral. In Latin America major countries Argentina and Brazil continue to shore up their government finances, continuing fiscal constraint.

¹⁵ The difference makes intuitive sense if one realises that emerging economies have generally less robust public finances, which can more rapidly deteriorate.

¹⁶ Fiscal stimulus for the advanced economies is measured by calculation of the change in the structural primary balance as a percentage of potential GDP; the

primary balance is the government balance excluding interest payments, structural means that it is corrected for the business cycle. For emerging economies, with more limited data, the simple headline fiscal balance is used

Box 1 The problem with high public debt

One can question why a high public debt level is detrimental. To answer the question, we should look at the channels through which a high public debt level negatively affects the economy. First, a high government debt creates a roll-over risk of debt, especially when maturities are short. Therefore, market access can be disrupted if global financial conditions tighten, or investor sentiment changes. In such a setting, investors become more sceptical about a country's willingness, or ability to pay. The latter may be due to the market questioning the feasibility of fiscal policies after a growth or fiscal shock. Italy in late 2018 is a case-in-point. Second, high levels as such provide less buffer to sudden shocks to the debt-to-GDP ratios, for example due to hidden contingent liabilities such as in the case of Greece earlier this decade. Third, counter-cyclical policy will become more difficult with high government debt, especially if a crisis occurs. Empirical research has shown that entering a downturn in a weak financial position deepens the depth and prolongs the duration of the downturn. This is especially true for emerging economies, whose budgets are more vulnerable to, and thus provide less space for, fiscal stimulus in a downturn. Fourth, high government levels could lead to a drag on future growth of the economy because it can crowd out potentially more growth-enhancing private investment. This is compounded by the negative effect of uncertainty about the design of future taxes to pay off the debt.

With respect to enhancing potential, the following is observed. Firstly, on infrastructure, there is a clear view that, especially in the US and Germany there is a need for maintenance and improvement. Indeed, Germany is planning to spend public funds on infrastructure in the forecast period. Moreover, one of the election promises of the US president during the 2016 campaign was to spend on roads, airports and bridges, apart from the much disputed 'Wall' at the US- Mexican border. Whilst initial attempts to fulfill the promise were grounded, a popular new proposal for USD 2 trillion investment in infrastructure is on the table (though its passing is uncertain; see chapter 2).¹⁷ Another initiative with global impact is the Chinese Belt and Road Initiative (BRI) which attempts to re-establish the old Silk Road between China and Europe. According to a World Bank report, the transportation part of the BRI could help lift global GDP by 3 percentage points.¹⁸ Well-targeted public spending on infrastructure can raise GDP and reduce the debt-to-GDP ratio.¹⁹ Secondly, public spending on mitigating the impact of climate change is inevitable in view of the 2015 Paris Agreement to limit the impact of global warming. Otherwise, as the IMF calculates,²⁰ an estimated 3.5% of global GDP will be permanently lost. The approach is two-pronged. Low-income emerging economies in particular

will face the direct impact of climate change now that extreme weather conditions become more frequent. The impact on GDP of these vulnerable countries is often large. Therefore, developed economies have agreed to mobilise USD 100 billion per annum by 2020 to provide a buffer. Moreover, participating countries to the Paris Agreement have agreed to contain global warming above two degrees pre-industrial levels. This will require government action as agreed CO2 targets are to be adhered to. One major element is carbon taxation on fossil fuels, which should allow governments to – at least partly – fund public spending on, for example, subsidies to enhance the use of renewables, particularly solar and wind. Such support policies, totalling USD 143 billion globally in 2017, are indispensable to the energy transition. The macroeconomic impact of a global energy transition is yet to be determined, but it is clear that more government resources will need to be (and will be) committed.

Risks to the outlook

We observed in the November outlook that the risks to the outlook had risen. There was high uncertainty about the unfolding US-China trade war and financial market conditions were such that a correction seemed likely, especially due to the Fed continuing on its tightening path. Policy uncertainty was leaping up. More clarity with respect to these risks came in recent months via a temporary truce in the China-US trade war, the Chinese announcement of stimulus and financial turmoil countered by a Fed (and ECB) policy U-turn away from tightening. Policy uncertainty has notably fallen as the outlook has been adjusted markedly downward.

The risks to the outlook largely persist and remain skewed to the downside, though in different levels of urgency. Trade is still the major issue, particularly trade proliferation, highlighted by the surprise escalation when a deal was expected to be near. Developments in China, so much affected by the trade war, are now a greater risk than in November. Fed policy miscommunication is now considered less likely as well, but a flaring up of policy uncertainty and oil price volatility are still there. A financial market correction seems less likely now that the monetary tightening mode has been put on hold. Here is the list in some detail.

¹⁷ The public share of this is yet to be determined.

¹⁸ Global infrastructure. Seeds of suspicion. The Economist, April 27th 2019.

¹⁹ See IMF, Economic Outlook: Is it time for an infrastructure push? The Macroeconomic effects of public investment, October 2014.

²⁰ IMF Policy Paper, Fiscal policies for Paris climate strategies – from principle to practice, May 2019.

Table 1.3 Risks to the global economic outlook

Risk	Symptoms	Effects	Probability	Impact
1 Trade war proliferation	Trade war between US and China extends to the EU	Severe constraints on global trade	moderate/high	high
2 China GDP growth	China slowdown accelerated beyond authorities control	Pressure on commodity prices; spill-over to dependent economies	moderate	high
3 Misguided Fed policy	Financial market stress not adequately managed by Fed	Turmoil in financial markets; flight to safety	moderate	high/moderate
4 Policy uncertainty	Further rise in populism; Italian politics; no-deal Brexit	Policy uncertainty rebounds, government bond yields increase	moderate	moderate
5 Oil price volatility	Supply-side shocks such as OPEC disagreement and low investment	Further impact on investment, more volatility	moderate	moderate

Source: Atradius Economic Research

Trade war proliferation: The temporary truce between the US and China effectively ended with an increase in tariffs on an additional USD 200 billion of Chinese imports to the US. China has already announced retaliation and the threat of more increases is on the table should trade talks not progress. Moreover, proliferation towards the EU is certainly not unlikely, despite an earlier truce between the European Commission chair and the US president. If this materialises, global GDP growth will take a further hit, to the tune of 0.5 and 0.8 percentage points of GDP in 2019 and 2020 respectively.

China slowdown: Earlier optimism about the management of the Chinese slowdown was dented as the impact of the trade war became more apparent. China has now reverted to monetary and fiscal stimulus to address the issue. This will on the one hand help keep up GDP growth, but on the other hand also further boost debt levels, which already (very) high. If China is able to keep up its planned growth levels, the impact will be felt in the commodity markets, where prices are particularly dependent on Chinese demand. Neighbouring countries will also be affected as Chinese exports rely heavily on value chains that stretch outside its borders.

Misguided Fed policy: With the benefit of hindsight we can argue that Fed tightening was perhaps overdue. In terms of policy guidance, however, the Fed has performed well by carefully communicating the monetary U-turn it has made. One can therefore be relatively confident that future Fed policy will be carefully guided. Our concern here rests on the political interference in Fed policy. Not directly, although arguably using Twitter to comment on Fed policy is an attempt to influence policy decisions. It is rather the recent attempted nomination of two economic lightweights in the Fed Board of governors that raises concerns. In the meantime, candidates have

withdrawn, but the quality of future Fed nominations under this US has become an issue. If turmoil in the financial markets flares up, or worse, a financial crisis occurs, one would prefer to have a pair of safe hands steering the decisions.

Policy uncertainty: Economic policy uncertainty has hampered spending decisions by households and firms and thus aggregate demand. Policy uncertainty has reduced in recent months but remains at relatively high levels. Political developments still feed uncertainty about (future) economic policy decisions. Brexit and the developments in Italy are two examples of how such uncertainty can affect GDP growth. In the UK GDP growth is undermined by investment growth, which has practically come to a standstill due to mounting uncertainty about the form of Brexit, if any, that UK politicians will decide on. Italian politics is gripped by a populist government whose policy agenda is at odds with the constraints imposed by the EU. A more populist political agenda can further put pressure on the prospects of global trade growth, which is already under pressure.

Oil price volatility: Supply-side factors dominate the oil market, where stocks have currently run low. That means the buffer to shocks is reduced and the price is more vulnerable to large swings. It in turn creates even more uncertainty as to the oil price and investments that are needed to underpin a gradual upward movement of the oil price (and also support global growth as such). Higher prices are inevitable given that, unless dramatic climate change measures are taken, the demand for oil will rise in the coming decade. The impact of increased volatility will be that macroeconomic adjustment in oil-exporting countries will come under pressure.

2. Advanced economies – prospects and risks

Advanced economies slowing, increasing demand for fiscal help

The recovery across advanced markets has been losing steam since the second half of 2018, with the eurozone leading the slowdown. While the global economic outlook is more stable than the first months of the year, growth in advanced economies is projected to continue gradually slowing and remain at a subdued rate in 2020.

Table 2.1 Real GDP growth (%) - advanced markets

	2018	2019f	2020f
Eurozone	1.8	1.3	1.5
United States	2.9	2.6	1.7
United Kingdom	1.4	1.5	1.7
Japan	0.8	0.5	0.4
Advanced economies	2.2	1.9	1.6

Sources: Oxford Economics, Atradius

After nearly a decade of unprecedented monetary stimulus, lower GDP growth rates appear to be a new normal. Fiscal policy is increasingly of interest when it comes to improving and sustaining growth prospects. While the eurozone, US, UK, and Japan generally have limited room in their public finances to accommodate a looser stance, they are all investor safe havens and interest rates are still at historical lows. As such, there is

some potential space for fiscal reforms to keep growth rates stable, or better yet, to boost them.

Eurozone: growth is expected to decelerate

Eurozone growth is clearly shifting in a lower gear in 2019. GDP is expected to expand by 1.3% in 2019 compared to 1.8% in 2018. The 2019 outlook has been revised down by 0.4 percentage points since the November 2018 Outlook. This is the result of lower growth in H2 of 2018, which statistically carries over into lower growth in this year.

Growth expectations for 2019 have been lowered for many countries since the previous Outlook, most notably Germany (-0.5 percentage point), Italy (-1 pp) and France (-0.3 pp). In Germany, the slowdown is driven by soft private consumption, weak industrial production following the introduction of revised auto emission standards and subdued foreign demand. In Italy, the cause is weak domestic demand, as sovereign yields remain elevated; whereas growth in France is affected by the negative impact of street protests.

Flash estimates from Eurostat point to 0.4% q-o-q GDP growth in Q1 2019. This is an acceleration from the second half of 2018 (GDP expanded 0.1% and 0.2% q-o-q in Q3 and Q4). The eurozone's improvement is a surprise as sentiment indicators declined further at the beginning of 2019. While sentiment indicators are still pointing to an economic expansion in the near term, the rate of

expansion is likely to be modest. Several external uncertainties remain (US trade policy, Brexit) and internal risks (policy uncertainty in Italy) could further weigh on economic activity.

Table 2.2 Real GDP growth (%) - eurozone

	2018	2019f	2020f
Austria	2.8	1.5	2.0
Belgium	1.4	1.3	1.2
France	1.6	1.4	1.5
Germany	1.5	1.1	1.6
Greece	1.9	1.9	2.3
Ireland	6.8	2.7	2.3
Italy	0.7	0.1	0.4
Netherlands	2.6	1.6	1.5
Portugal	2.1	1.6	1.4
Spain	2.6	2.3	2.0
Eurozone	1.8	1.3	1.5

Sources: Oxford Economics, Atradius

Exports under pressure

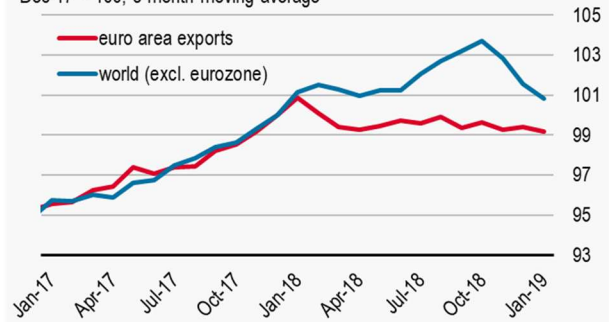
In 2018, the worsening global environment affected exports, with the risks related to rising protectionism affecting sentiment and new orders. In addition, sales in the export-oriented car industry have been weak, worsening the impact in many countries, especially Germany (following the introduction of revised emission standards for diesel-powered vehicles). Eurozone exports grew by 3% in 2018 compared to 5.5% the year before. This reduced the contribution of net trade to growth to almost zero last year, making growth fully dependent on domestic demand.

In 2019, the contribution of net trade to growth is likely to turn negative, since global trade is now growing at the slowest pace in almost a decade. What does not help is that the geographical orientation of eurozone exports and its specialisation in industrial goods (for example German cars) make the eurozone relatively vulnerable to the trade slowdown (see figure 2.1). Slowing export growth, along with import growth that is still relatively high, is resulting in negative net trade in 2019.

Several external risks threaten the outlook. Uncertainty surrounding the US-China trade war persists. The trade dispute between the US and Europe could flare up again in the coming months, with the European auto industry likely the most prominent target of American import tariffs. Furthermore, the possibility of a hard Brexit cannot be ruled out.

2.1 Eurozone exports lagging behind

Dec-17 = 100, 3-month moving average



Sources: CPB, Atradius

Domestic demand is steady

GDP growth in 2019 is driven by domestic demand, which contributes 1.5% to growth, unchanged from last year. Growth in employment and slowly rising wages are expected to keep the spirits of consumers high, along with favourable financing conditions and improving balance sheets. The political and budgetary uncertainty in Italy remains the main internal risk that is threatening the growth outlook in the eurozone.

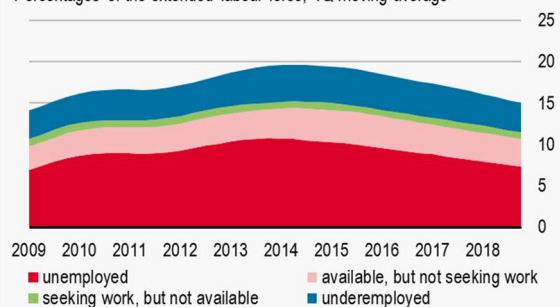
Employment continued to expand in the second half of 2018, adding 0.9 million jobs to the eurozone on a seasonally adjusted basis. The unemployment rate is expected to average 7.8% in 2019, the lowest level since the 2008 financial crisis.

Box 2 Measuring labour market slack

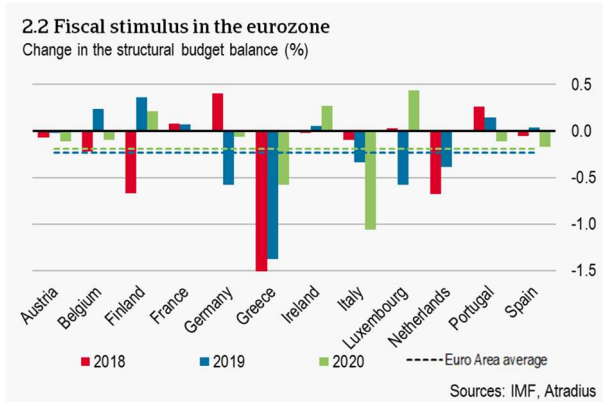
Labour market slack becomes visible when we look at a broader definition of unemployment, which includes part-time workers who want to work longer hours, people seeking employment but who are not immediately available, and those who are available but not currently seeking employment (discouraged workers). Under this broader definition, the share of the labour force affected by underutilisation is 15% (figure), while the more mainstream, narrow definition points to an unemployment rate of 7.7%.

Underutilisation of labour

Percentages of the extended labour force, 4Q moving average



Sources: Eurostat, Atradius



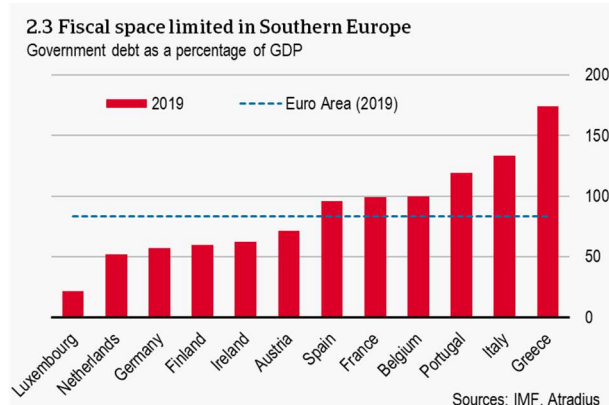
Wage growth, while having increased, has not been picking up sufficiently to bring inflation near the ECB target of 2% in a sustainable fashion. Headline inflation is currently around 1.5%, while core inflation (excluding energy and food prices) remains around 1%. The headline inflation figure is expected to remain subdued in 2019 (1.3%). One of the main causes of the low rate of inflation is limited wage growth, as a considerable amount of 'slack' remains in the labour market.

Rising uncertainty driven by global trade developments, Brexit and economic weakness in China led to a decline in business confidence in the second half of 2018. This triggered a slowdown in business investment towards the end of last year. Nevertheless, high capacity utilisation and increased lending to non-financial firms is likely to support decent investment growth in 2019. However, investment growth is likely to be lower than last year, as new orders data show some weakening and sentiment in manufacturing is deteriorating.

Some potential for government spending

Despite several years of economic recovery, productivity growth in the eurozone is still lagging the United States and China in terms of potential growth. Since there is limited scope for substantial monetary policy support, governments can consider taking matters in their own hands. As mentioned in chapter 1, fiscal and structural policies are the best candidates for enhancing the long-term growth potential. Figure 2.2 shows that few eurozone countries support growth through fiscal policies in 2019 and 2020. The governments of Greece and Germany, and to a lesser extent the Netherlands and Italy, are providing support in 2019, but most of this effect disappears in 2020. For the eurozone as a whole there is limited fiscal support in 2019 and 2020.

Northern European countries in particular now have fiscal room to step up government spending, in terms of both their budget balance and their debt levels. The challenge is to do this without overheating their economies. This can for instance be a risk in countries with very low unemployment, such as the Netherlands and Germany. In Southern European countries, the fiscal space is more



limited. Spain, Portugal and Italy have debt ratios around or even exceeding 100% of GDP (figure 2.3).

While sustainable at current low long-term interest rates, this does not allow these countries fiscal space for additional spending. There are especially concerns about Italy, which has a debt-to-GDP ratio of 130%, and a weak banking sector that holds large amounts of sovereign bonds (creating a sovereign-bank link) and still struggles with weak profitability.

So what is the best way to invest tax money in countries that have fiscal space? Rather than giving short-term demand-side stimulus, governments should invest in long-term growth enhancing projects. Some northern European countries such as Germany and Belgium could invest more in infrastructure. Southern European governments have halved their public investment from 4% before the crisis to 2%, with no recovery since then. Infrastructure is below par and needs improvement, but the fiscal space in these countries is limited. Another promising area for investments is climate change mitigation technologies that could enable Europe to keep up with the other major economic blocs: the United States and China.

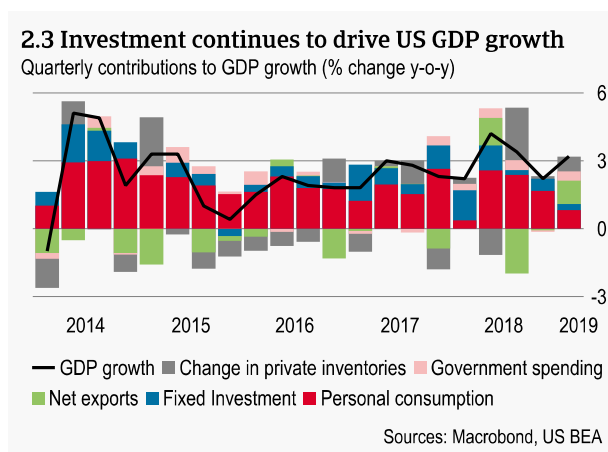
US recession risk lower but economy still cooling

The US economy is on track to surpass its longest expansion on record. GDP growth even accelerated to a remarkable 2.9% last year, fuelled by the tax overhaul introduced in December 2017 and increased government spending. Over the last six months, fears of an imminent downturn increased because of global headwinds and lower market confidence, seemingly confirmed by the Fed's dovish attitude, which emerged gradually, emerged during the winter. The yield curve even inverted temporarily in March – a signal of upcoming recession – for the first time since 2008. Economic growth is bound to fall over the coming two years as the fiscal stimulus fades out, but we still expect to see a relatively soft shift into a slower gear than a hard landing. However, with monetary policy on hold and limited scope to stimulate on

top of narrow fiscal space, there is very little room to support the economy should it slow more drastically.

US economy off to a strong start...

The US economy surpassed market expectations in Q1, expanding 3.2% year-on-year. This offers confidence in the ongoing US expansion despite global headwinds, financial volatility, and the prolonged government shutdown. Overall, the mood has become quite upbeat driven by several factors discussed in more detail in chapter 1. Most importantly, the Fed's change to a more patient approach following four interest rate hikes in 2018 has returned the stock market to its record-breaking upward trend. Fears of a global slowdown have subsided thanks to Chinese growth upheld by stimulus and the progress in US-China trade talks. Furthermore, the resumption of government services in late January removed a large deal of uncertainty surrounding the economic outlook, causing consumer confidence to rebound and driving strong retail sales in March.



Looking to the breakdown of GDP growth though, it is not as robust as the headline figures would suggest. First of all, key components are likely temporary. Government spending, which contributed 0.4 percentage points to Q1 growth, will not continue growing this year but stop as the fiscal stimulus fades out (see figure 1.15). Furthermore, inventory investment is a volatile component, and its strong growth may instead point to insufficient demand for production, boding ill for the economic outlook. Less temporary, but also signalling lower domestic demand, is the contraction in imports, which fuelled net exports to be the largest contributor to growth. While the sharp acceleration in economic growth in Q1 may be largely temporary, it confirms that the economic recovery remains more-or-less intact.

...reducing imminent recession risk

The risk of a double whammy to the US economy – stemming from ‘too-fast’ monetary tightening and a fiscal

overshoot – pushing it into recession by 2020 has significantly eased now. Following the announcement of the tax cuts and higher government spending in the face of positive economic prospects, fears of the economy overheating fuelling runaway inflation increased.

Lack of price pressure remains a persistent problem though. Despite strong GDP data and a tight labour market, the Fed is motivated to keep rate rises on hold as the bank's preferred inflation measure has eased to 1.6%. As such, the chance of tightening financing conditions choking off growth has subsided.

For now, the risk of a recession in 2019 and/or 2020 is receding but remains on the table. The economy is slowing down as the fiscal stimulus fades, and in 2020, unwinding of the fiscal stimulus will push GDP growth lower to 1.7%. In the absence of monetary tightening, this slowdown should remain light and stable. The ongoing trade war with China though may push growth lower faster. Simply by slowing down, the US economy still is becoming more vulnerable to recession. The latest Reuters poll on US recession probability in the coming 24 months points to a 35% chance of a recession now, down from 40% in the beginning of the year.

While there has been some moderation to some risks to the US economy in the past few months, the strained toolkit that the US has to address a downturn, explored in the November Outlook, remains a key threat. As discussed in Chapter 1, the ability for monetary policy to stimulate the economy is limited. With current rates still at historically low levels, the scope for stimulus is simply much more restricted now than it was in the previous crisis. Looking to fiscal policy more closely, the US' proverbial hands are also likely tied.

Fiscal outlook is uncertain though

The pro-cyclical fiscal stimulus is still supporting economic growth but this will fade out by the end of the year and subsequently detract from growth in 2020. With public debt well in excess of 100% of GDP, the US does not have fiscal space in a traditional sense (see chapter 1). Nevertheless, the IMF determines that the US does have some space since the risk to debt sustainability or access to funding is less severe for the US, not least since it borrows in and prints the US dollar. That offers some promise for an infrastructure spending bill, one of President Trump's campaign promises. While there is bipartisan support to increase government spending in this area to modernise infrastructure and support the economy, there are large hurdles still that make significant legislation unlikely in 2019 or 2020.

At this point, US law would simply not allow an increase in government spending. Under current legislation, the US Treasury would be barred from any further borrowing at some point this summer if it wanted to avoid breaching

the debt ceiling. The debt ceiling is a limit on the amount of national debt that can be incurred – if breached it could trigger a default and recession. Congress can raise this limit. At the same time, current budget demands a contractionary fiscal policy in 2020. This could shave between 0.2% to 0.3% off GDP growth next year.²¹ This does not spell disaster but does increase recession risks.

Considering the showdown on budget spending that sparked the five-week shutdown earlier this year, addressing the budget expansion and debt ceiling could become a major battle in Washington this year. In the November 2018 elections, the Democrats gained control of the House of Representatives and the Republicans maintained control of the Senate. With such high political polarisation, the split Congress will make passing such legislation difficult, but likely since neither party wants another shutdown or fiscal cliff on their hands ahead of the 2020 elections. This would remove the first hurdle to securing more supportive fiscal policy.

However, the likelihood of passing major legislation ahead of 2020 at this point is low. The most tangible potential deal is a USD 2 trillion plan that is currently in high-level discussions with support from the President and Democratic leadership. This expansion of federal spending would inject money into transportation, broadband, and energy grid infrastructure that could help boost potential GDP growth more significantly. At this point though, its actual passage is far from certain. While both parties agree on the need for it, the chances they will agree on how it will be funded are low due to ideological differences, even within parties. In early 2018 for instance, a USD 1.5 trillion proposal by President Trump failed to gain support, even though the Republicans still had majority control, due to concerns about the costs, on top of lack of Democratic support due to environmental concerns. Similar issues are certain to arise surrounding spending priorities and how to fund them. Ahead of the November 2020 elections, we believe willingness to compromise will be limited. The benign situation in the labour market and economy reduce the urgency for such legislation as well.

For now, it will be a win if fiscal policy does not subtract from GDP growth in 2020, let alone that another pro-cyclical fiscal stimulus adds to it. Related to and beyond infrastructure spending, higher public investment in renewable energy is also an opportunity for growth. However, under the current administration, federal deregulation is a top priority, both within mining and environmental protection. Some states have countered with their own protections and overall investment in renewables continues to grow, but at the federal level, support for the energy transition is on hold. One proposal

to boost federal investment in renewable energy is the Green New Deal, a resolution to meet all US electricity demand from renewable sources within ten years. Meaningful legislation here is less likely in the forecast period, but it marks a major policy shift by Democrats and promises to put the energy transition as one of the top issues in the 2020 elections.

Fiscal headroom to protect UK from uncertainty

The UK economic outlook is stable, with 1.5% growth expected in 2019. This is more or less in line with our November outlook despite the postponement of Brexit to October 31, prolonging uncertainty and its drag on sterling and business. External conditions have become more accommodative as the Bank of England has committed more fiscal support to maintain stability. Contingent upon an orderly Brexit later this year, the economy is forecast to regain some momentum in 2020. We expect a recovery to 1.7% growth.

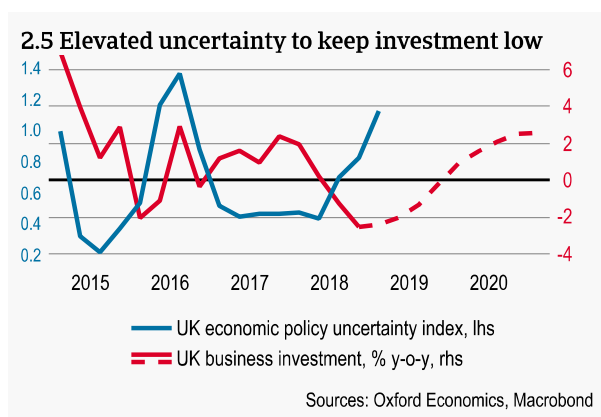
Brexit limbo continues keeping cloud over steady but unspectacular outlook

The UK had been expected to leave the EU on March 29 but the departure date has been postponed twice now to October 31. Essentially, compared to six months ago, little has changed on the Brexit front. The withdrawal agreement still has not been ratified by parliament. With some extra time, Brexit negotiations have fallen out of the spotlight and some pressure has eased, but the way forward is as unclear as ever. To break the ongoing deadlock, there have been increasing calls for a general election and/or a second referendum. Political polarisation continues to intensify and popular dissatisfaction with current leadership and the Brexit process has been highlighted in local elections in May. The Conservative Party in particular lost many seats to the Eurosceptic Brexit Party and to the Liberal Democrats who support “remain”.

While the extension of Article 50 offers some relief that an economically disastrous no-deal Brexit has been avoided, it does mean that uncertainty will be prolonged. This is no good for the recovery in investment, a critical component of stubbornly low productivity. Business investment contracted each quarter of 2018 in q-o-q terms. Referring to figure 2.5, a clear relationship between uncertainty and business investment can be discerned since 2017. Since Q2 of 2018, economic policy uncertainty in the UK has been on a sharp upward trajectory. Business investment has mirrored this,

²¹ 'US Fiscal Policy Moves to Center Stage', 30 April 2019, Kevin Harris, Continuum Economics

dropping over the same period. In 2019, it is expected to contract 1.4% in total but recover in 2020, contingent on an orderly transition upon departure from the EU.



On top of the impact on investment, persistent Brexit-related uncertainty will also postpone the expected recovery in sterling. Sterling stands about 5% lower compared to the US dollar since early 2018 and is expected to fall another 3% this year before beginning to recover in 2020. While sterling weakness contributed to stronger exports over the past years, slower global trade in 2019 offers little hope for this continuation. Furthermore, with sterling remaining weak, inflationary pressures will stay elevated.

With 1.5% growth expected this year, prospects though are weak but steady. The economy experienced a solid Q1 despite Brexit turmoil and external headwinds. This was in part driven by stockpiling ahead of the expected EU departure which is only a short-term boost. However, the stronger global economy will help support growth over the remainder of the year. The external environment is not as bad as was expected at the beginning of the year, motivating the Bank of England to revise up its own GDP growth forecast for 2019 to 1.5% as well. On the domestic side, the tightening labour market should help keep consumption up. At 3.9%, unemployment is the lowest it has been since 1975 and wage growth at 3.3% is exceeding inflation meaning that household spending power is gradually recovering.

The Bank of England is maintaining a dovish approach for now, keeping rates at 0.75%. On top of continued loose monetary conditions, the UK government has also pledged to loosen its purse strings to support the economy through uncertain times. The UK authorities have undertaken an austerity package, with fiscal policy dragging on GDP growth for the past six years in a row. The deficit now stands at 1.2% of GDP, down from 10% of GDP ten years ago. With public finances in such healthy condition, the government has already begun loosening slightly. Higher government spending via the NHS and increases in the income tax threshold will support growth in 2019 and 2020. Moreover, the government considers there to be 'fiscal headroom' or some room for more

spending to stimulate the economy in the case of a Brexit-related slump. With public debt at 85% of GDP and on a downward trajectory, the fiscal space available supports the willingness to act.

Japan still struggling to stimulate economy

Japan is enjoying its longest consecutive growth period since World War II, but growth is meagre. In fact, Japan's economic outlook has deteriorated sharply since November. After disappointing growth in 2018 (0.8% instead of the 1.1% forecast), the forecast for 2019 has been revised down from 1.1% to only 0.5%. The more negative outlook is motivated by weak exports and the cyclical deterioration in capital expenditure. The global ICT slowdown and weaker external demand, especially from China, will weigh on exports through the remainder of the year. This slowdown is exacerbated by slowing business investment and stagnating industrial production.

Government policy has been aggressive in addressing structurally low economic growth, but possibly with too much emphasis on monetary tools. Abenomics, PM Abe's signature programme consisting of both monetary and fiscal stimulus along with structural reforms, is the foundation of policymaking. On the monetary side, the Bank of Japan has limited room for further easing with its policy rate below zero and asset purchase ongoing. Its supportive stance, however, still fails to garner much price pressure or economic growth.

In Japan, like many other countries, the demands for fiscal policy are high. Japan's public finances are not very healthy: its gross public debt is more than two and half times its GDP, the highest ratio in the developed world. With such low GDP growth and high debt levels, Japan's fiscal space is severely limited. Rock bottom interest rates though offer some flexibility through affordable servicing. Up until now, meaningful structural reforms especially in the field of tax policy have been put off due to economic weakness. Such reforms are critical for long-term stability of public finances and to stimulate the economy. A major legislation in this direction is the consumption tax hike scheduled for October this year.

The VAT hike in Q4 will have significantly negative effects on consumption, contributing to the growth slowdown this year and being fundamental to the further slowdown to 0.4% growth in 2020. To soften the impact of this policy in the short term though, the government is employing a looser fiscal stance. The 2019 budget includes measures to offset the impact on lower- and middle-income households. With targeted fiscal policies, Japan can hopefully raise its potential growth rate higher than monetary stimulus alone has managed to do in the past decade.

3. Emerging economies – prospects and risks

Economic growth keeps up reasonably well

With growth slowing in the US and Europe and a worsening global trade environment, at first glance, emerging economies appear to be performing quite well. Regional GDP growth numbers show a moderate slowdown (Emerging Asia, Eastern Europe), or even acceleration (Sub-Saharan Africa and, next year, Latin America and MENA). In general, export growth is under pressure, but domestic demand continues to hold up economic growth reasonably well. Thanks to the Federal Reserve's change in policy, global financial conditions support the economic outlook in the near future. Apart from China, the major emerging economies do not - or do not need to - use fiscal tools to stimulate their economies.

Table 3.1 Real GDP growth (%) - emerging markets

	2018	2019f	2020f
Emerging Asia	6.0	5.6	5.5
Latin America	0.9	0.2	2.3
Eastern Europe	3.4	2.7	2.6
MENA	2.2	1.4	2.7
Sub-Saharan Africa	2.6	3.2	3.6
Emerging Markets	4.7	4.3	4.7

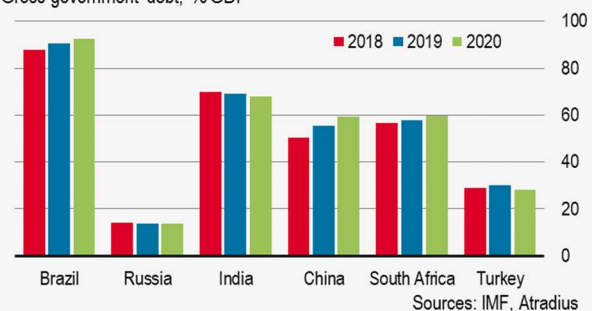
Sources: Oxford Economics, Atradius

Still, looking behind the regional growth numbers, several countries show weaknesses and downward risks. Next to the unclear prospects for the US-China trade conflict, high debt levels in China and Sub-Saharan Africa, doubts about the capacity to implement reforms in Brazil and political

and social tensions in the Middle East and North Africa are some examples of this. Turkey and Argentina, both struggling with high inflation, have the most vulnerable economies.

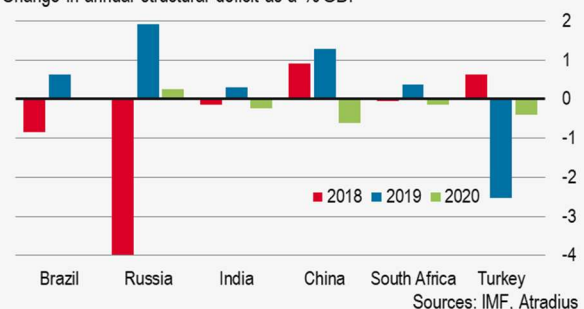
3.1 Debt offers little room for fiscal stimulus

Gross government debt, % GDP



3.2 Small fiscal stimulus in key EMEs to ease in 2020

Change in annual structural deficit as a % GDP



Despite fiscal restraint in many countries, emerging economies are eager to spend on much-needed growth-enhancing investments. Besides infrastructure, renewable energy is a prominent sector to which these investments are directed, especially in China and Latin America. Governments mostly take the lead in this, but also public-private partnerships, regional development banks and - especially in Africa and Asia - Chinese state-owned enterprises are playing a role in this.

Emerging Asia

The weaker global environment and, more specifically, the trade war, will have a negative impact on GDP growth in the emerging economies in Asia this year and next. In a global perspective, however, the region continues to maintain the strongest economic growth rates, due to strong domestic demand. Fiscal stimulus does not play a role in this, China being the important exception, as shown by the widening of its structural deficit compared to slight increase in India (figure 3.2).

Still, compared to most other parts of the world, governments play an important role in Emerging Asia. State interference, election-driven government expenditures and military influence in some countries have a negative impact on macroeconomic developments. In other countries, governments have implemented sound policies to better arm their economies against external headwinds. In general, governments do not need to do more, but some governments could do better, whereas others have their economic policies on the right track.

Table 3.2 Real GDP growth (%) - Emerging Asia

	2018	2019f	2020f
China	6.6	6.3	6.0
India	7.4	7.0	6.9
Indonesia	5.2	5.0	5.1
Malaysia	4.7	4.4	4.2
Philippines	6.2	6.0	5.8
Thailand	4.1	3.4	3.2
Vietnam	7.1	6.7	6.2
Emerging Asia	6.0	5.6	5.5

Sources: Oxford Economics, Atradius

China: soft landing with multiple downside risks

Despite liberalisation efforts, China's economy, to a large part, is still centrally led. Local governments play an important role as investors in real estate and infrastructure. Decisionmakers at the central bank are not independent and banks and non-financial companies often are state-owned. Illustrative of this is that the government's GDP growth targets are usually fully achieved. This will probably also be the case this year, albeit that the lower bound of the target is the lowest in

almost thirty years. In March, the government said it expected the economy to expand 6% to 6.5% this year, whereas last year's target was about 6.5% and real GDP grew by 6.6%. The lower target for 2019, like the growth slowdown itself, partly is a consequence of the transition from export- and investment-led growth to domestic, consumption-driven growth. However, Beijing's financial deleveraging campaign and the US import tariffs also have their impact. To avoid a hard landing, the government decided to cut taxes and ease monetary policy in a targeted way. The government debt levels offered some room for that, with general government debt at about 50% of GDP, though augmented debt (which also includes local government financing vehicles and other off-budget activity) is much less comforting at about 80% of GDP.

According to recent data, the government measures are beginning to take hold, since GDP rose a better-than-expected 6.4% year-on-year in the first quarter, as it did in the last quarter of 2018. Fixed asset investments and real estate investments were especially strong early this year, benefitting from improving sentiment among China's private sector companies, which fell deep last year. For 2019 we now expect a 6.3% growth rate, higher than the 6.0% we expected half a year ago. We are not changing, however, our forecast of a further slowdown in the coming years. Our baseline scenario is GDP growth slowing gradually towards 5.0% in 2023, which can be called a soft landing. We also keep saying that the risks for this scenario are on the downside -risks that are related to government policy.

First, the government's aim to simultaneously stabilise macro leverage and support GDP growth is a difficult one. The central bank has said several times that it would not resort to large monetary stimulus measures, but non-financial corporate debt is at a risky level of 130% of GDP with very high leverage in heavy industry. Meanwhile, concerns are rising about China's household debt, whereas property prices remain elevated. Progress has been made in reining in credit growth, but lending to sectors suffering from excess capacity has led to a significant deterioration of the quality of loans. The risk of a systemic financial crisis remains low, but a renewed pick-up in credit growth could eventually lead to more pronounced financial stress and raise the risk of market turmoil.

A second risk to the soft landing scenario mentioned above (but more so for the years after 2022) is that the government makes only slow progress on liberalisation of the economy. This will undercut productivity, whereas the greying population also has a negative impact on potential growth. If reforms of state-owned enterprises, public finances and the financial system are not proceeding enough, the economy will stay vulnerable to both the domestic threat described above and external

threats like slower growth in other parts of the world or deterioration of relationships with other countries.

This latter threat, worsening international relations, are not imminent now, but for the longer term it is perhaps the most serious risk for the Chinese economy. The US's concerns are not only about bilateral trade, but also about China not providing a level playing field for foreign investors, government-backed foreign direct investments, forced technology transfer and intellectual property theft. Besides the US, also the EU and Japan are asking for an adjustment in Chinese policies. Meanwhile, China's Belt and Road Initiative is experiencing increasing resistance. EMEs are increasingly putting a brake on Chinese involvement in their economies. By pursuing its strategy to go solo and by not conforming to international agreements, China is playing a high stakes game, which can backfire and be a major setback to its international aspirations.

State-supported investments in infrastructure, tech and renewable energy

The major role that the government plays in China's economy also has a positive side. Because the state is omnipresent and almost omnipotent, it has been easy to improve the preconditions for growth, like good infrastructure and innovative research & development activities. Large, mainly state-financed investments have made substantial contributions to the high GDP growth rates over the last ten years. After a pause to slow government debt growth, the government is increasing infrastructure spending again, in a tried and tested way to keep economic growth on track. Leading innovative tech companies like Huawei, Baidu, Alibaba and Tencent are all privately owned, but their rapid growth at home and abroad owes much to firm government support. Indeed, in recent years the state's involvement with the technology sector has increased.²²

China has taken major steps, especially in the area of renewable energy, to meet energy needs and to improve the health situation in polluted cities. The authorities aim to produce 50% of its energy from non-fossil sources, including nuclear and renewable, by 2030. In 2017, 60% of China's energy came from coal, 19% from crude oil.²³ As a result, China now has a leading role in the global energy transition, being the world leader in production, export and installation of solar panels, wind turbines, batteries, and electric vehicles. China's clean energy manufacturing reached USD 39 billion in 2014, about the same as all other countries combined and far ahead of Japan,

Germany and the US, which came in at place two, three and four each with USD 6 to 7 billion in value added. Besides this strong position in manufacturing, China is in the lead in innovation and deployment of renewable energy technologies. Its cumulative share of renewable energy patents at end 2016 was 29%, compared to 18% for the US and 14% for both the EU and Japan. China also is the biggest country for renewable energy investment, accounting for more than 45% of the global total in 2017.

Next to domestic purposes, China is employing its growing renewable energy capabilities abroad, in many cases under the umbrella of its Belt and Road Initiative. A far-reaching ambition is that State Grid, China's largest state-owned company, wants to create the so-called Global Energy Interconnection, a global supergrid that will link every continent with undersea transmission cables to power the world with green electricity.²⁴

India: slower pace for both growth and reforms

The Indian economy remains on course for high growth, but a moderate slowdown is on the cards. Following an increase of 7.4% last year, real GDP is expected to rise 7.0% in 2019 and 6.9% in 2020. The slowdown is attributable to domestic spending. Stress in the non-bank financial sector has had a negative impact on business investment plans, whereas private consumption growth will slow because of fading expansionary macro policies and pre-election spending. Meanwhile, with the fiscal deficit above the budgeted target in January 2019, infrastructure investment has likely peaked. All domestic spending categories will show high growth rates this year, but less so than last year. Foreign trade is contributing positively to GDP growth, with export growth slowing much less than import growth. Relatively low global oil prices dampen the nominal import bill, though renewed price rises could end this effect next year.

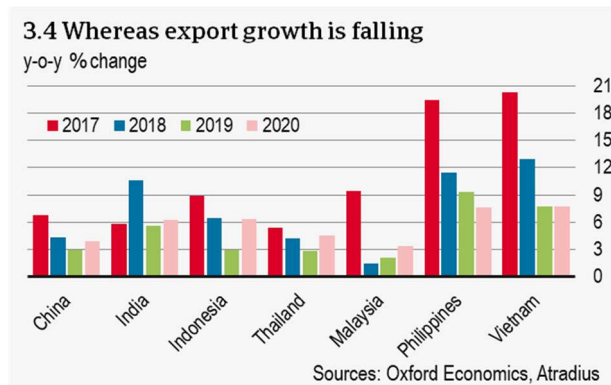
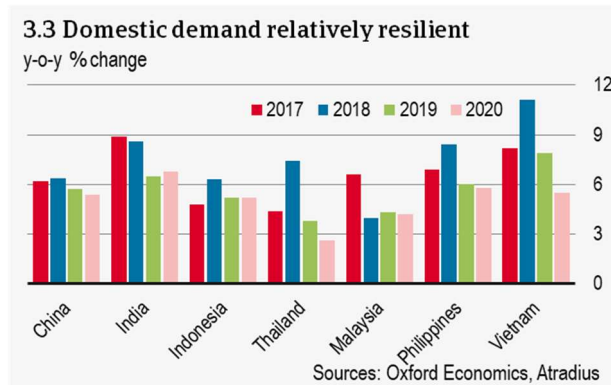
Besides the reasons mentioned above, political uncertainty is also weighing on India's growth momentum. Probably neither India's ruling National Democratic Alliance (NDA), led by Prime Minister Modi's Bharatiya Janata Party (BJP), nor the United Progressive Alliance, led by the Indian National Congress (INC) will win a simple majority at the general elections in April-May (of which the results will be known after the release of this Economic Outlook). The NDA still may be able to form a coalition government, but only with additional support from regional parties, which will make it more difficult to bring down the budget deficit further and to proceed with economic reforms. Tax revenues will improve the next

²² Heilmann, S. - Facing up to China's state-led tech revolution, Nikkei Asia Review, May 2018; Li Yuan - Private Businesses Built Modern China. Now the Government Is Pushing Back, New York Times, October 2018.

²³ The National Development and Reform Commission (NDRC) and National Energy Administration (NEA) - Energy Supply and Consumption Revolution Strategy 2016-2030 (April 2017).

²⁴ International Renewable Energy Agency (IRENA) (2019) - A New World, The Geopolitics of the Energy Transformation (2019)

few years because the demonetisation scheme, put through by the Modi government in 2016, has widened the tax base. However, if regional parties play an instrumental role in the next government, they will pressure the BJP to provide additional funding to the states in which they wield power. In addition, the government's possibilities to implement land reform and to strengthen the labour market will be limited. Still, we expect the reform agenda will not come to a standstill. Strengthening the business environment, attracting foreign direct investments and fiscal consolidation will remain spearheads of a BJP-led government, whereas the INC is putting more emphasis on social issues.



Southeast Asia: no fiscal incentives needed

Sound macroeconomic policies help Southeast Asian countries to cope well with the deteriorating global environment. Strong domestic demand is helping the five major economies in the region to keep GDP growth at healthy levels, without large fiscal or monetary incentives.

Indonesia is the best example showing hardly any slowdown in economic growth, despite weaker external demand. Real GDP is expected to rise 5.0% in 2019 and 5.1% in 2020, just a bit lower than last year's 5.2%. Private consumption growth remains stable at 5.1% these years, with underlying momentum underpinned by an increase in the number of formal-sector jobs and an expansion of social welfare. A sharp decline in the imports of raw materials and capital goods since end-2018 are signs that investment growth will slow later this year. The recent

election victory of incumbent President Joko Widodo however means that current government's efforts to encourage more private investment (both domestic and foreign) in infrastructure and manufacturing will support to capital formation in the coming years. Export growth has been weak early this year and the short-term outlook is poor as well amid softer Chinese import demand and lower commodity and manufacturing prices. However, with import growth cooling even faster, in 2019 net exports will exert less of a drag on growth than last year. Cumulative rate hikes by the central bank to support the currency and limit Indonesia's external imbalances and the government record of achieving relatively moderate budget deficits show the economy is not in need of short-term support.

Malaysia is experiencing a bigger growth slowdown, with real GDP rising 4.4% this year and 4.2% in 2020, after 4.7% in 2018. Cooling Chinese import demand is accompanied by household spending moderating from exceptional growth of over 8% year-on-year in 2018. Still, with a growth rate of about 5% the household sector remains the main driver of growth, since investment growth recovers only slowly. The government is reviewing infrastructure projects, which will have negative spillover effects on business investment. Business expenditures are also negatively affected by lower corporate profits amid slowing global trade and easing domestic demand. The government stays committed to fiscal consolidation, though some budget initiatives like a cut in the corporate tax rate for SMEs will provide some support for the economy. Low inflation and a more dovish US Federal Reserve offer the central bank room to cut official interest rates.

The weaker global environment has affected foreign trade in the Philippines as well, though export growth remains high at 9.3% in 2019 after 11.5% in 2018. Real GDP is expected to rise 6.1% this year and 5.8% in 2020, after 6.2% in 2018. Fixed investment growth shows the steepest fall, but remains strong, supported by prospective monetary policy easing, made possible by sharply lower inflation. Private consumption, the main driver of growth, is also benefitting from low inflation since it boosts real household incomes. Government expenditures will rise at a much slower pace in the coming years, mainly due to delays in the government's ambitious infrastructure programme. Lengthy bureaucratic processes and coordination failures hinder budget disbursement and the implementation of projects.

Within the group of five major Southeast Asian economies, Thailand shows the weakest economic outlook for the next two years. Real GDP growth is expected to slow from 4.1% last year to 3.4% in 2019 and 3.3% in 2020. These disappointing growth rates are attributable mainly to muted private consumption growth, weighed down by continued high levels of

household debt and low real wage growth. Just like for the other countries, weaker Chinese import demand and increased trade protectionism weigh on exports. A downside risk for domestic demand is a possible intensification of political tensions in the aftermath of March's general elections. The military will hold large influence over the new government. This may be positive for policy continuity, including a sustained drive to attract foreign investment and increased public spending on infrastructure. On the other hand, the election results reveal that the political situation is polarised and may lead to renewed social unrest.

Despite stronger-than-expected economic development late last year, GDP growth in Vietnam is slowing this year. Also here, softer Chinese import demand and increased trade protectionism are weighing on export growth. Vietnam is highly exposed to China, with total exports to China in value-added terms accounting for 10.3% of GDP. A positive side effect is that Vietnam is benefitting from trade diversion caused by the US-China trade war. Production capacity constraints will limit the impact on economic growth in the short run, but export growth will remain healthy and is expected to outpace export growth in the rest of Asia. Favourable for the economy are solid incoming foreign direct investments, helped by Vietnam's participation in trade agreements, and rising tourism, keeping domestic demand on a healthy growth path. Further fiscal consolidation and slightly less accommodative monetary policy will be a small drag on the economy. Still, with real GDP growth of 6.7% in 2019 and 6.2% in 2020, Vietnam will show the highest growth rates of the major countries in Southeast Asia.

Latin America: weak recovery, fiscal consolidation in process

In Latin America, growth is expected to recover in 2019 (excluding collapsing Venezuela), but the region will continue to underperform. The region is supported by more benign global financial conditions. Inflation is generally contained, with the exception of Argentina. This will allow monetary policy to remain accommodative in most of the region, compensating for restrictive fiscal policies. Fiscal space in the Latin American region is limited, with no room in Argentina or Brazil as they are consolidating to put debt on a firm downward trend. Meanwhile, fiscal rules in the Pacific Alliance countries, Chile, Colombia, Mexico and Peru, limit their fiscal manoeuvrability.

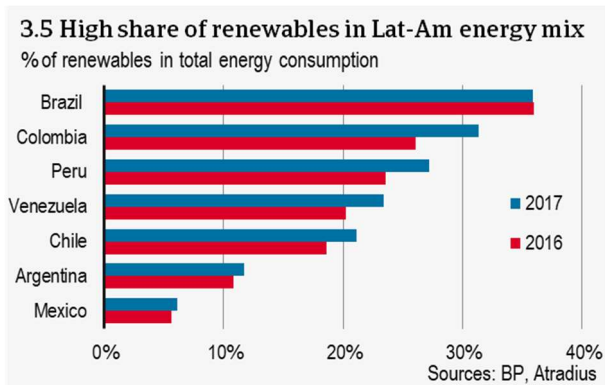
Table 3.3 Real GDP growth (%) - Latin America

	2018	2019f	2020f
Argentina	-2.5	-1.5	2.5
Brazil	1.1	1.2	2.2
Chile	4.0	3.0	2.7
Colombia	2.7	3.0	3.4
Mexico	2.0	1.4	1.9
Peru	4.0	4.0	3.8
Venezuela	-9.9	-38.4	3.0
Latin America	0.9	0.2	2.3

Sources: Oxford Economics, Atradius

Despite the fiscal consolidation, governments in Latin America are safeguarding spending on much-needed growth-enhancing investments in infrastructure. Argentina and Brazil use private public partnership projects to achieve this, next to financing from local and regional development banks. The Development Bank for Latin America, CAF, in particular plays an important role in financing infrastructure investments in the region. It will for instance also support the Infrastructure Fund that is planned by the Pacific Alliance countries Chile, Colombia, Mexico and Peru. Facilitating investments in technology and infrastructure is one of the aims of the group's 2030 Strategic Vision.

Latin American governments have also made significant efforts to promote use of renewable energy. In fact, the region is further along in its energy transition than most other countries. At over 20% it has the highest share of renewables in energy consumption in the world. Most of this is coming from hydropower, but non-hydropower renewables are growing rapidly. Financing of renewable projects in the region occurs mainly via power purchase agreements (PPAs). In contrast to the region's average, Argentina and Mexico show low shares of renewable energy in total energy consumption at 12% and 6% respectively (see chart). However, Argentina aims to lift its share to 20% by 2025 and Mexico to 35% by 2024. In order to achieve this, they are using carbon pricing initiatives and stimulating private investments in the energy sector. Mexico does so through corporate PPAs, and is now leading the corporate PPA market in the region, ahead of Chile, which also uses tax incentives to stimulate green energy investments. Argentina, receives support from the World Bank; so do Brazil, Colombia and Mexico. Increased efforts by Argentina and Mexico to lift the share of renewable energy are paying off: investments in renewable energy by these two countries increased roughly nine-fold in 2017 with Mexico becoming part of the top-10 countries investing in renewable energy in 2017.



Brazil: fragile recovery, fiscal consolidation key

Brazil's economic environment remains challenging and highly contingent on the ability of the new Bolsonaro administration to address the fiscal woes. The economy is recovering, but at 1.2% in 2019 and 2.0% in 2020, at a much slower pace than previously expected. Growth will be supported by low inflation and interest rates, but will be negatively impacted by the ongoing contraction in neighbouring Argentina, its third largest export market, and rising uncertainty regarding the approval of the critical pension reform bill. Both consumer and business confidence fell in March below the levels seen since the election of the right-wing Jaír Bolsonaro in October. This indicates that the surge in optimism after his election is waning and that his window of opportunity for reforms is narrow.

Brazil's major economic weakness is its government finances. Fiscal consolidation started under the Temer administration has reduced the fiscal deficit, but it remains sizeable at 7.1% of GDP in 2018. This has pushed the government debt ratio to 77% of GDP (from 73% in 2017). A reform of the pension system is urgently needed to control spending and stabilise government finances. Positively, after taking office on January 1, the new administration quickly sent an ambitious pension reform proposal to Congress, aimed at savings of up to USD 300 billion (17% of 2018 GDP) over the next 10 years. This proposal was positively received by investors, local businesses and consumers. However, Bolsonaro's reluctance to negotiate with Congress members has fostered uncertainty about his ability to succeed in building the needed three-fifth constitutional majority in the highly fragmented Congress for the pension reform to pass.

Our central scenario is that a watered down version of the pension reform bill will be approved in the fall of this year, which would be enough to stabilise the government debt ratio at some 85% of GDP in 2023. The election of two government allies as leaders of both houses of Congress should help the bill's passage as should the fact that the need for reform is broadly recognised. That said, rising social pressures are to be expected, keeping the economic

environment challenging. A much more watered down version than currently expected or failure to pass the reform altogether would undermine the economic recovery and would have negative implications for public debt dynamics. But even in a no-reform scenario, the fact that most government debt is financed domestically (87% in local currency (95%) and the government's net-external position serves as a risk mitigating factor.

Brazil's external finances remain strong, with low current account deficits of some 1% of GDP, which are fully financed by foreign direct investments. The currency will be volatile until there is greater clarity regarding the pension reform, but it can be used as a shock absorber. A sound banking system and very high official reserves also underpin the strong shock absorbing capacity of the Brazilian economy.

Mexico: weaker growth, disciplined fiscal policy

Mexico's economic outlook is weakening, with GDP growth forecasts being revised downward to 1.4% in 2019 and 2.0% in 2020. This was due to slower-than-expected growth in the US, its main trading partner, falling oil production and a shift in policy direction by the new left-wing López Obrador administration, which took office on December 1st. The business community responded negatively to this shift, in contrast to consumers, who are more upbeat. Private consumption will remain the main engine of growth and is supported by falling inflation after a lengthy period of monetary policy tightening, steady employment growth and robust remittances.

The new administration's policy actions with regard to the energy sector in particular have unsettled investors and may undermine prospects for investment, economic growth and government finances. The focus has shifted from exploration to refining and a greater role for the state-owned oil company Pemex. New oil auctions have been suspended for three years, just as foreign direct investments in the energy sector had begun to pick up. These investments followed landmark reforms under the previous government that ended state-run monopolies and opened Mexico's energy markets to investment and competition from both foreign and private companies. Adding to uncertainty, president López Obrador has used a number of unorthodox public consultations as input for policy moves. This has raised concerns that policymaking would become more erratic.

Investor anxiety eased somewhat as it appeared that fiscal policy remains disciplined under the new administration. With the 2019 budget and recent plans for additional budget cuts in response to the weakening economy, it showed that it will adhere to the fiscal rule. This means the fiscal stance will be neutral in the forecast period. The main risk to Mexico's public finances stems from contingent liabilities related to highly indebted Pemex. Its finances might be negatively impacted by the

government's change in energy policy, as exploration is profitable while refining is loss making. Additionally, fiscal discipline might be tested if the economy slows down even further than expected.

Mexico is well-positioned to withstand shocks. Its external finances remain strong. Current account deficits remain moderate and are still well funded by foreign direct investments. Official reserves are sufficient and supported by an IMF Flexible Credit Line. The flexible exchange rate acts as a shock absorber, meaning that currency volatility is likely to persist for some time.

Other Pacific Alliance: bright spots, limited fiscal room

The smaller countries in the region, Chile, Colombia, and Peru, continue to see decent growth over the forecast period despite softer global growth. In all three remaining Pacific Alliance countries, which are governed by centre-right coalitions, private sector demand remains the main growth driver. Room for fiscal manoeuvrability is limited as their fiscal rules mandate additional consolidation in the years ahead to achieve the respective fiscal targets. All three countries remain well-positioned to withstand possible shocks, due to their sound policy frameworks, flexible exchange rates and solid official reserves, which for Colombia are underpinned by a flexible credit line from the IMF.

In Chile, economic growth is forecast to moderate somewhat to 3.0% in 2019 and 2.7% in 2020 from its boom level in 2018. Softer global growth will weigh on Chile's mining sector (copper accounts for 40% of export earnings and 10% of GDP). Government policies also play a role in growth moderation: fiscal policy is tight to halt the rising government debt ratio and interest rates have been raised twice in the past months. The recent Fed pause is positive for Chile, as it enables more gradual domestic monetary tightening. This will underpin private sector demand, which is supported by positive business sentiment, a strong labour market and low inflation.

Colombia's cyclical recovery is firming to 3.0% in 2019 and 3.3% in 2020. Private investments will be boosted by Colombia's success in gaining OECD membership in 2018 and by lower corporate tax and interest rates. Private consumption is supported by solid income growth and contained inflation. Government investments as part of the fourth generation infrastructure agenda and its environmental sustainability program will continue to support growth as well. Migration from crisis-hit Venezuela weighs on this year's fiscal balance. Room for fiscal stimulus is however limited, amid rising concerns that the government will not be able to meet its 2020 fiscal targets, running the risk of a rating downgrade.

Peru's economic growth remains robust at 4.0% in 2019 and 3.8% in 2020. Activity in Q1 2019 was weakened due

to a two-month blockade of one of its copper mines. Private demand, however, remains supported by the lagged impact of fairly accommodative domestic monetary policy, increased formal job creation and rising business confidence. Ongoing mining projects and infrastructure investments will be growth-positive as well.

Argentina: economic turmoil ahead of elections

Crisis hit Argentina is in a precarious situation. Its economy is in the midst of a major correction and is expected to return to growth in the second half of 2019 (real GDP -1.5% in 2019, 2.5% in 2020). Main growth drivers will be the agricultural sector, which should rebound after last year's drought, and private consumption as real incomes should recover. However, the latter is critically dependent on the government's success in bringing inflation down.

So far, the IMF-supported adjustment programme failed in this respect. Despite very strict monetary policy, the annual inflation rate has risen to over 50% on the back of sharp currency depreciation and tariff increases. This is clouding the prospects for Argentina's economy, reducing the chance of re-election of President Macri in October this year and increasing uncertainty about the continuation of the adjustment policy. This has triggered renewed currency volatility. The government has therefore recently taken a set of drastic measures to keep inflation in check and boost consumption, including a freeze on tariff rises for the rest of the year, price controls on 'essential' goods and higher social spending. Much needed fiscal consolidation has started, and significantly drags on the economy in 2018 and 2019, but it will remain challenging in this environment. Sovereign default risks are contained this year, as external financing needs are covered by the IMF, but failure to recover access to international market financing next year will put debt sustainability risks back on the table.

Eastern Europe: difficult year ahead

Russia: VAT increase weighs on growth

Real GDP grew by 2.2% in 2018, driven by private consumption and exports. A pick up in borrowing and lower inflation drove private consumption, while exports increased on the back of ruble depreciation. In 2019, a lower 1.7% rate of GDP growth is expected, as the VAT increase from 18% to 20% and the associated higher inflation weigh on growth. An escalation of geopolitical tensions or a further tightening of sanctions pose important downside risks to the Russian economy.

Private consumption will continue to drive growth, albeit weaker. The earlier ruble depreciation and the resulting higher inflation have a downward effect on real wages, while higher interest rates constrain borrowing. Despite a mild appreciation of the ruble against the USD since November 2018, inflation has crept up to 5.3% in March 2019, compared to 3.8% in November. After a period of monetary loosening, the Central Bank of Russia (CBR) tightened the main policy rate in two steps in 2018, to 7.75%.



International sanctions, as well as broader political and business uncertainty, will remain significant constraints on investment. Investments remain highly dependent on public spending or companies closely affiliated to the government, limiting its efficiency and making investment statistics highly volatile.

The government budget posted a surplus of 2.7% in 2018, as oil prices showed a y-o-y increase and the economic recovery boosted tax revenues from non-hydrocarbons. In 2019 and 2020, Russia is looking for another solid surplus between 1.5% and 2%, with the higher VAT revenues likely to compensate for any shortfall caused by weaker domestic demand. Despite strong statements from President Putin, the recently announced social spending measures amount to only 0.1% of GDP so far and will therefore have little impact on fiscal policy.

The banking sector remains weak as a result of international sanctions and the high level of non-performing loans. The imposition of sanctions on Russia since 2014 that prohibit state banks from raising capital in the US and the EU, followed by the strong depreciation of the ruble, led to a surge in nonperforming loans (NPLs). In 2017, the Central Bank of Russia took a majority equity stake in B&N bank, a major private lender, and bought more than 99% of Otkritie, formerly Russia's largest private bank.

Turkey: from credit crunch to credit-led recovery

Turkey officially entered a recession in the wake of the currency crisis in the summer of 2018 and the subsequent

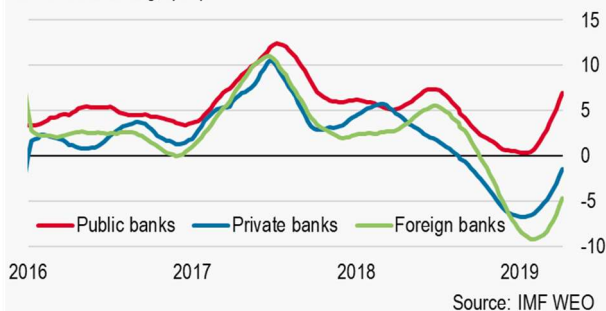
credit crunch. Real GDP growth contracted in the final two quarters of 2018 by 1.6% and 2.4% respectively. The sharp rise in the unemployment rate to 13.3% in January, persistently high inflation at 19.7% in March and economic confidence indicators near a 10-year low all weigh on private consumption (-8.9% y-o-y in Q4). Fixed investments are also being cut back severely (-12.9% y-o-y in Q4) as companies face a large foreign debt overhang and are struggling with a higher local currency value of their foreign debt repayments. For 2019, negative annual economic growth of -1.6% is projected.

Although painful in the short term, the Turkish economy could emerge from this adjustment process stronger. Turkey's notorious current account deficit has already substantially narrowed via higher exports on the back of the weak lira and the slump in import demand. The current account deficit is projected to be only -0.4% of GDP in 2019. The more dovish stance of the US Fed has helped the return of portfolio inflows to Turkey. Maintaining tight domestic monetary policy with the current policy rate at 24% should also bring down inflation eventually.

However, the annual external financing need remains high at 25% of GDP because it consists mostly of short-term repayment obligations of banks and the necessary deleveraging process is hampered by unorthodox government intervention. Despite high funding costs for banks and rising non-performing loans to 4.1% of gross loans in February, the government is pushing state-owned banks to keep providing loans and facilitate debt restructuring. This state-induced lending push could lead to funds being allocated to less productive uses, further deterioration of asset quality and ultimately to the creation of zombie companies. Therefore, lira-denominated loan growth already started to bottom out (figure 3.7). Central bank measures including cuts in the reserve requirement are also supporting the domestic credit recovery. Meanwhile, banks' reliance on short-term foreign funding has become more fragile as unorthodox measures of the central bank to stem exchange rate volatility have eroded trust in the Turkish financial system and ultimately led to renewed lira weakness. Prior to the March local elections the central bank temporarily suspended liquidity auctions trapping international investors in unfavourable lira positions. Although the latest (post-election) structural reform package appears to focus on strengthening banks' balance sheets and curbing lending, the overly ambitious economic growth target set by the government at 2.3% for 2019 suggests otherwise.

3.7 State-led recovery in commercial lira-denominated loan growth

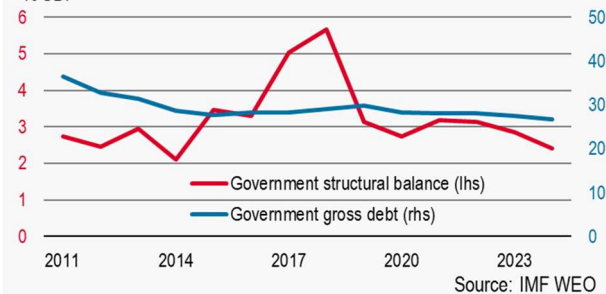
Commercial lending, q-o-q %



On the fiscal side, Turkey appears to have some room for anti-cyclical policy to limit a long-lasting negative impact of the recession on economic potential in terms of structural unemployment and capital destruction. The public debt level is contained below 30% of GDP, although this excludes substantial contingent liabilities such as state loan guarantees from the earlier credit incentive programs. In the run-up to the local elections, various fiscal gifts were handed out including consumer tax cuts and minimum wage hikes. However, in order to restore investor confidence the New Economic Programme aims to limit budget deficits to 1.8% and 1.9% of GDP in 2018 and 2019. In addition, the structural balance will decline according to IMF data, from more than 5% of GDP in 2017 and 2018 to around 3% of GDP in the coming years. This confirms that Turkey is dialling back its fiscal stimulus programs.

3.8 Turkey leaves period of procyclical stimulus behind and returns to prudent fiscal policy

% GDP



Overall, it remains to be seen whether the completion of the prolonged and hectic election cycle provides time and peace for economic adjustment and reforms. The sting of the March local elections could still be in the tail, since the ruling party unexpectedly lost control over Ankara and is contesting the voting results in Istanbul. There will be a continued risk of destabilising unorthodox policy measures as President Erdogan granted himself emergency powers over the economy earlier this year. The unorthodox approach of the government in combating inflation by controlling prices and stimulating food production could prove to be counterproductive, creating shortages by removing the incentive to sell and

produce. Investors' worries about Turkey's low foreign exchange reserves are not removed by the central bank artificially propping them up using currency swaps. Not to mention the geopolitical risks that are looming after US withdrawal from Syria and the insistence of Turkey (a NATO member) on buying a Russian air defence system.

MENA: fiscal consolidation on the backburner

Economic growth in the oil-exporter dominated MENA region is oscillating amid volatile oil price developments and on-and-off oil production cuts imposed by OPEC. Therefore, the mild real GDP growth recovery to 2.2% in 2018 from 1.7% in 2017, will likely fall down to 1.4% in 2019 due the new OPEC+ deal of last December. The rising oil prices are however, an upward risk for this year and economic growth is forecast to accelerate to around 3% in the coming years.

Table 3.5 Real GDP growth (%) - MENA

	2018	2019f	2020f
Egypt	5.3	5.5	5.6
Morocco	3.0	2.9	3.7
Qatar	1.4	2.2	2.9
Saudi Arabia	2.2	1.9	1.8
Tunisia	2.6	2.4	2.6
United Arab Emirates	1.7	2.2	2.2
MENA	2.2	1.4	2.7

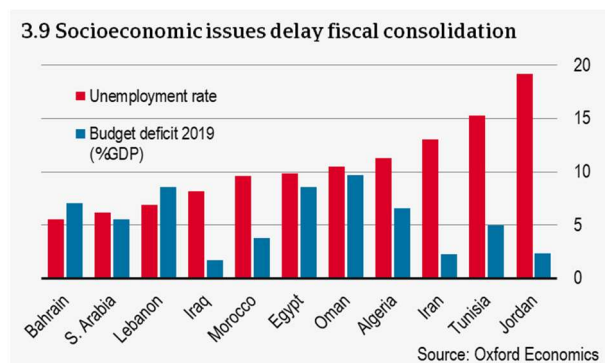
Sources: Oxford Economics, Atradius

In the base scenario, we also see moderate growth acceleration in most oil importing countries with tourism as one of the common growth drivers. Egypt is still the outperformer there with 5.5% growth expected for 2019, benefiting from the exchange rate liberalisation, interest rate normalisation, the improved security situation and growing gas production. Morocco's growth will remain robust, although it could face some headwinds from weaker growth in Europe. Lebanon, Jordan and Tunisia are struggling with economic reforms but are kept afloat with ongoing international financial support.

The announced pause in monetary tightening by the US Fed will give some reprieve to the many oil exporting, as well as importing, countries that have their currencies linked to the US dollar. It will mitigate the risk of capital outflows and it would contain domestic borrowing costs since no further policy interest rate hikes are needed to maintain the interest rate differential. Private sector credit dynamics in the Gulf Cooperation Countries (GCC) have already been improving in tandem with the recovery of banking sector liquidity on the back of higher oil prices. Capital inflows will benefit from the inclusion of five out of the six GCC countries in a key emerging market

government bond index. The hugely oversubscribed USD 12 billion debut bond issue of Saudi Arabia's state oil company Aramco in April illustrates that risk appetite for bonds from this region continues to be favourable.

Meanwhile, to sustain the increasing momentum of non-oil economic growth and support economic diversification, various MENA economies have temporarily relaxed fiscal austerity measures. Saudi Arabia, Kuwait and the UAE boosted public spending in their 2019 budgets. Low public debt levels, still relatively low global funding costs and large financial buffers provide these countries with the fiscal space to do so. Relatively low fiscal breakeven oil prices (below USD 60 per barrel) allow the governments of Kuwait and Qatar to keep dragging their feet on the long overdue introduction of the GCC-wide 5% VAT. The UAE is rolling out a stimulus package of USD 13.6 billion over three years, of which the impact on growth should be enhanced by stepped-up structural reforms to attract more FDI. These reforms include relaxation of foreign ownership requirements, long-term visa rules and easing restrictions on free zone companies to operate on the mainland. Saudi's perseverance in nationalising the labour market as part of the Saudisation program, on the other hand, could have a negative impact on the economy. It triggered an exodus of 1.3 million expats (almost 10% of total employment), while Saudi nationals have so far proven unwilling to pick up the slack.



There are also a number of countries that have no fiscal space but are forced to put fiscal consolidation on the back burner under pressure of growing social unrest. Grievances include high unemployment rates that are partly driven by a rising young population and weak job generation in the typically underdeveloped private sectors (figure 3.9). Protests have for instance led to a dressed down version of a tax income bill in Jordan, higher social spending intentions in Morocco and Iraq and a political vacuum in Algeria after the forced resignation of president Bouteflika. Upcoming elections in Tunisia, and the highly polarised government coalitions in Iraq and Lebanon (that now includes Hezbollah) in the aftermath of elections will make it difficult to fire up fiscal reforms. In Bahrain where fiscal consolidation has always lagged behind and insolvency was in sight, a fiscal balance

programme has now been introduced as a condition to a USD 10 billion lifeline from its Gulf neighbours. However, this will be insufficient to stop Bahrain's public debt from rising above 110% of GDP in 2020.

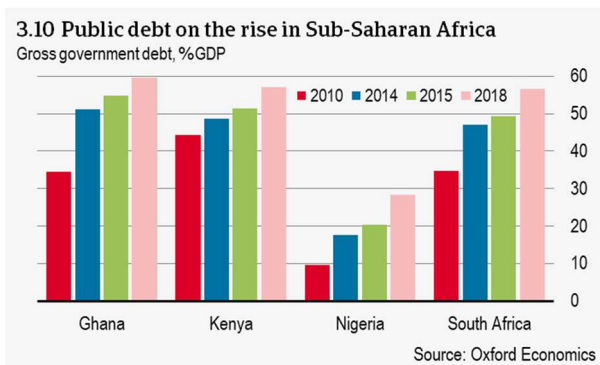
Geopolitical tensions will continue to disrupt oil production and weigh on economic growth in parts of the MENA region. Libya is on the verge of another civil war. The US turned up the heat on Iran's economy – which is already in a deep recession – by officially labelling the economically and politically involved Revolutionary Guard as a terrorist organisation. The US decision not to extend the oil import waivers granted to some of Iran's biggest trade partners beyond its expiry date in May, will further curtail Iran's oil export revenues. The possible failure by Iran to implement remaining anti-money laundering and anti-terrorism legislation before the Financial Action Task Force (FATF) deadline in June will further complicate international banking relations and could jeopardise support from the EU. Algeria could be the next of MENA countries after Iran and Libya to experience unplanned oil production declines if mass protests and political upheaval continues there.

Sub-Saharan Africa: largest economies limit economic growth

Economic recovery will continue this year in Sub-Saharan Africa. However, growth in the region is highly divergent. The more diversified countries are fast-growing economies with growth rates above 5%, but the more resource-dependent countries are lagging. The main drag on the overall economic growth for the region is the weak performance of the largest resource-dependent economies on the continent, Nigeria and South Africa, where elections and policy uncertainty constrain economic growth.

Some domestic and external risks can have a negative impact on the economic outlook. One of the main domestic risks is the increasing debt levels in many countries, which make them vulnerable to tight financing conditions. Now that the Fed will not increase the interest rate this risk has diminished somewhat. There are different reasons for the high debt levels in Africa. In the relatively diversified countries like Ghana, Senegal and Kenya, high public investments in infrastructure contributed to the increasing public debt. For these countries, public investments were also the main contributor to the high economic growth for years. In the resource dependent countries the commodity price shock of 2014-2016 was the main reason for the rapidly increasing debt. These countries face increased volatility of commodity prices and need to deal with expected

lower prices. This emphasises the plans for diversification in the oil-exporting countries.



Particularly in the African region, governments should spend on growth-enhancing investments. Many countries have large infrastructural gaps where investments in roads, ports and electricity would lift future growth. However, as many African countries have high debt levels they hardly have room to invest more. Therefore, they need to attract private investors. As a result, around the continent there are plans to introduce reforms to improve the business climate to diversify the economy and attract private investors. Another important area to invest in is improving the region's ability to withstand weather-related shocks. Africa is one of the regions most vulnerable to extreme weather conditions.

Table 3.6 Real GDP growth (%) - Sub-Saharan Africa

	2018	2019f	2020f
Ghana	6.2	6.4	5.6
Kenya	5.9	5.7	5.4
Nigeria	1.9	2.6	3.1
South Africa	0.8	0.8	1.6
Sub-Saharan Africa	2.6	3.2	3.6

Sources: Oxford Economics, Atradius

South Africa: elections determine economic outlook

South African economic growth will remain weak this year. Uncertainty surrounding the elections and the temporary cuts in the electricity supply have a negative impact on business and consumer confidence and economic growth. Confidence indicators will gradually improve this year as uncertainty diminishes. Economic growth is expected to stay at a meagre 0.8% in 2019. Growth will only reach 1.6% next year due to structural weaknesses, which take time to improve.

The load-shedding had a particularly negative impact on the mining sector (next to the strikes in the gold mining) and manufacturing. The uncertainty related to the elections is all about how strong the mandate of President Ramaphosa turns out. If the ANC wins between 55% and 65% of the vote it will give Ramaphosa a strong

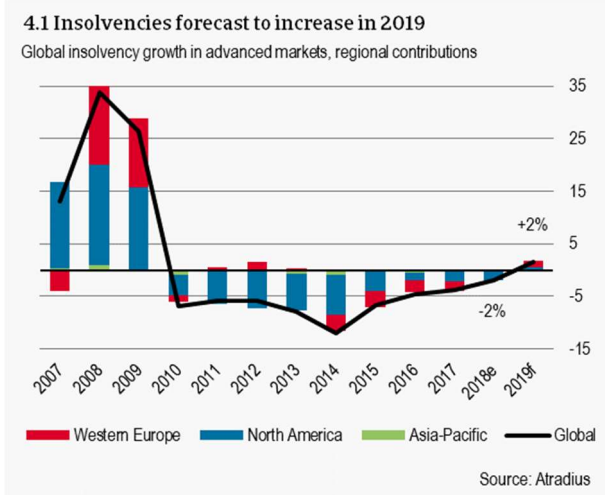
mandate to implement the much-needed reforms to improve the business climate. Reforms are highly necessary in the state-owned enterprises to improve governance. Especially the highly indebted state-owned energy utility Eskom, which needs a drastic restructuring as it could have a large negative impact on the government finances, public debt and the whole economy. Moody's decision to downgrade the sovereign to a below investment grade rating depends on how the government handles Eskom problems. Currently, there is a rough agreement about the future of Eskom. The government is planning to split the company in three parts and is setting aside ZAR 23 billion to help Eskom finance its debt service payments. However, more is needed to get Eskom back on its feet and improve the electricity supply. A move to more private sector involvement could be considered, but is politically challenging.

Supporting Eskom is one of the main reasons that the budget deficit will be higher this year. South Africa has had structural budget deficits for years now and should reduce its deficits to keep public debt sustainable (2019: 58 % of GDP). Although the government will take measures to bail Eskom out, like increasing taxes and reducing the wage bill, it has a rather poor track record of implementing these cuts in the past. South Africa has limited budget flexibility because, due to the higher budget deficits, it will increase public debt even more. It is thereby risking losing its last investment grade rating (Moody's).

Nigeria: diversification needed to support sustainable growth

Early this year president Buhari was re-elected. Now that the uncertainty around the elections is over, growth should pick up and reach 2.6% this year. Economic growth will benefit from the higher oil production and strengthening of consumer demand (introduction of minimum wages). As the drop in the oil price in the last quarter of 2018 showed, Nigeria needs to be prepared for swings in the oil price and further diversify its economy. The government is prioritising reforms in the agriculture sector to diversify its economy. Nigeria has a huge potential in agriculture. However, investments in infrastructure like roads and electricity is necessary to support the diversification of the economy. The government is borrowing externally to finance these investments. Looking at the public debt-to-GDP ratio (12%) the government has room to borrow. But if we take into account the low government revenues, the debt service is quite high making the government vulnerable to internal and external shocks. The external finances have improved and the increase in foreign exchange reserves has improved the situation on the exchange market somewhat. This will support the economy.

4. Implications for the insolvency environment



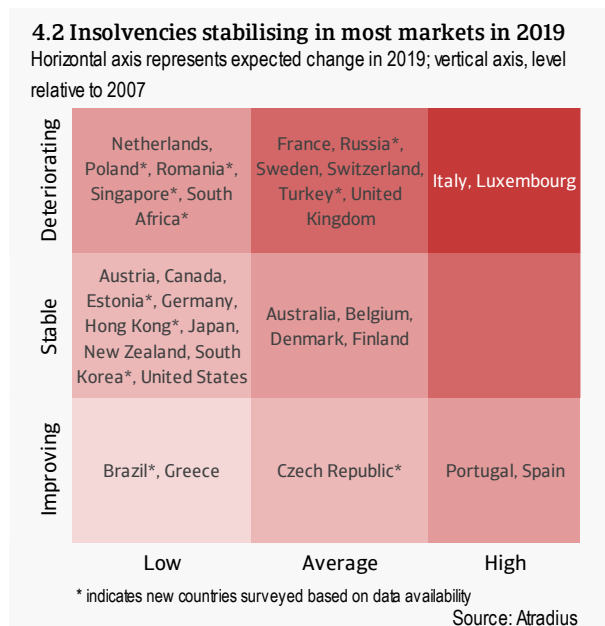
Insolvencies on the rise around the world

While the global economic outlook has stabilised after a rocky start to the year, the insolvency outlook has worsened. Economic weakness in the second half of 2018, largely driven by slowing global trade, high trade policy uncertainty, and Federal Reserve tightening contributed to higher insolvencies than expected last year. The actual decline across advanced markets in Europe, North America and Asia-Pacific was only 2%, half as strong as we expected in November (-4%). The Federal Reserve's shift to a more cautious, dovish stance (and the economic data supporting this approach for the forecast period) and progress on trade talks between the US and China have lent support to markets and financing conditions. An escalation trade policy uncertainty challenges the relatively stable outlook and underpins the deteriorating insolvency outlook. We expect to see a 2% increase – the first annual increase in corporate insolvencies since the global financial crisis.

The Federal Reserve's pause in monetary tightening greatly reduces short-term financing risks, protecting the global business environment from a sharp uptick this year, but it does not help reduce firm's vulnerability. The IMF in its latest global financial stability report estimated

that countries representing 70% of global GDP – especially the US and China – have elevated levels of corporate debt. With global financing conditions staying relatively loose, corporate debt continues to increase, increasing the level of risk for firms as the credit cycle matures. As this Economic Outlook argues, a prolonged economic slowdown is not on the cards, at least not in 2019. We are confident that the global increase in insolvencies can stay contained in this environment. But the threat of corporate debt is a key risk that could amplify any economic downturn through increasing bankruptcies.

The exceptional monetary stimulus in the aftermath of the crisis has helped fuel the global increase in corporate debt. There is also evidence that the private sector does not invest effectively into the real economy, instead taking advantage of the wide availability of capital to pay out larger sums to shareholders. This further increases companies’ vulnerability to economic and financial shocks. Should governments re-emphasise fiscal policy as a means of keeping up economic growth momentum, the insolvency outlook should remain more benign. Infrastructure investment would also support the construction sector significantly, typically the sector most vulnerable to insolvencies globally.



Looking to the matrix (figure 4.2), both the level and expected change in corporate insolvencies point to an end to this insolvency cycle.²⁵ Compared to before the crisis, most countries are soundly back to average or relatively low levels of insolvencies – the projected number of corporate defaults in 2019 is at or below the number in

2007. The sharp uptick in insolvencies in 2008 and 2009 is less prominent in the Asia-Pacific region and most emerging markets so these countries’ placement is less remarkable. But the United States and the largest European markets – Germany, France, and UK – also find themselves back to ‘normal’ insolvency levels. At the same time, most markets are expected to see their total insolvencies to stabilise at this level, not to improve further. About 40% of countries surveyed are forecast to see a deterioration in corporate bankruptcies in 2019 with Turkey (10%), United Kingdom (7%) and Italy (6%) set to see worst deteriorations.

Europe: a turning point

For the first time in six years, we expect to see an increase in insolvencies in Western Europe. With a 3% increase forecast, Western Europe has the bleakest regional outlook. Growth in the eurozone is shifting into a lower gear in 2019 as external demand is worsening. According to the ECB bank lending survey of 2019 Q1 there was a loosening of credit standards for enterprises. The survey points to expected further easing of standards for businesses in Q2, further supported by the ECB’s recommitment to its accommodative stance.

Due to lower economic growth, the downward trend in insolvencies is likely to reverse, and we predict a 2% increase in the eurozone in 2019. The insolvency trend in other Western European countries is mainly upward as well. Bankruptcies are expected to rise considerably in UK and Switzerland, while the Nordics show a relatively mild increase (1%). Possible risks to financial stability are an escalated trade war, a hard Brexit, and Italian policy defying EU-budget rules.

Growth in Germany is cooling from 1.5% in 2018 to 1.1% in 2019. German exports suffered a setback in 2018 as a result of lower global trade and troubles in the export-oriented car industry (due to revised emission standards for diesel-powered vehicles). In 2019, the global trade slowdown continues to weigh on Germany’s export prospects, leading to a reversal in the decline of insolvencies. In 2019, German bankruptcies are expected to increase by 2%.

GDP growth in the Netherlands is forecast to decline to 1.6% in 2019. Domestic demand remains strong, with solid employment growth and rising wages to disposable income and private consumption. However, with global trade weakening, net trade is expected to become a drag on growth. After numerous years of spectacular decreases in insolvencies, this year is likely to mark a

²⁵ While our model is calibrated based on 22 developed markets, we have applied it to another 11 countries as we expand our insolvency database (those markets that include an asterisk in figure 4.2).

turning point. Insolvencies are expected to rise by 3%. However, the UK is an important trade partner. The potential negative effect of a no-deal Brexit is not taken into account in this insolvency outlook.

In France, social protests affected GDP growth in 2018. Private consumption was very weak at year-end, but is expected to recover somewhat in 2019 due to fiscal measures that are favourable to purchasing power. Due to decelerating economic growth, the number of insolvencies are expected to increase by 3% in 2019.

As for the Nordics, all four countries have been showing a remarkable increase in insolvencies in 2018. Remarkable, because most of their growth figures for last year were good and should have had a positive influence on insolvencies. Backlogging of insolvencies can provide at least part of the explanation.

In Denmark, the national statistics bureau has been backlogging insolvency data for a number of years. Therefore, its insolvency statistics are highly volatile and difficult to predict. Last year's growth was relatively weak due to temporary factors, including a large negative carry-over from a one-off transaction and weak agricultural production due to weather conditions. This year economic growth is likely to be stronger as the fundamentals of Denmark's economy are solid. As a result, we project a stagnation of insolvencies.

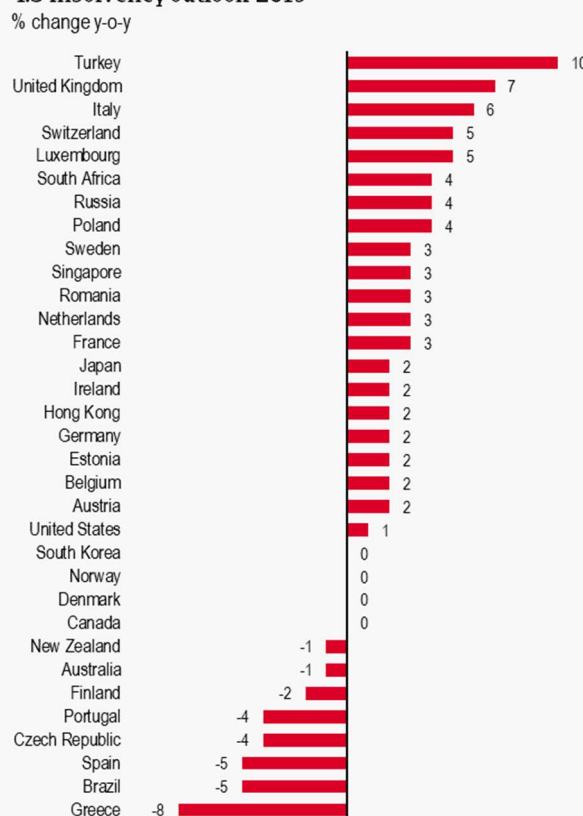
GDP growth was solid in Finland last year, but insolvencies nevertheless increased by 17%. In the four years before, insolvencies had been showing a consistent decline. For this year, economic activity is expected to cool off to 1.6%. However, the economy is still growing at above potential rates, with labour market conditions that continue to improve and rising household disposable income that bodes well for consumption growth. In light of last year's strong increase in insolvencies, we forecast insolvencies to decline by 2% in 2019.

In Sweden GDP growth is set to weaken in 2019. This partly reflects the impact of the expected slowdown in Sweden's main trading partners but also largely stems from weakening domestic demand and a cooling labour market. This is expected to translate in a 3% increase in insolvencies in 2019, after a 13% increase last year.

In Norway insolvencies rose by 12% in 2018 in a year of weak growth. This year the number of insolvencies is expected to stabilise, due to robust GDP growth (2.3%). The expansion continues to be underpinned by strong investment in the petroleum sector, while easing inflation and rising wages should boost consumption.

Similar to statistical effects in the Nordics, Luxembourg is another country that was confronted with a steep increase in insolvencies last year, despite accelerating GDP growth. This is due to a strong rise in bankruptcies of older, smaller firms (employing few or no people).

4.3 Insolvency outlook 2019



Source: Atradius

Finance and insurance witnessed the steepest increase. The strong increase of insolvencies in 2018 creates a positive carry-over in 2019, justifying the expectation of a 5% rise in insolvencies in 2019.

Economic growth in Spain is expected to be strong this year (2.3%), although slightly lower than the 2.6% growth posted in 2018. This good but declining growth has resulted in a slow recovery from the high level of insolvencies, which started last year with a decline of 2%, and is likely to continue this year with a decline of 5%.

Like Spain, the Portuguese economy has seen a swift recovery in recent years, which has positively affected the insolvency level. In 2019, a further decline in insolvencies is expected at the same pace as last year (-4%).

In Italy, insolvencies have declined by 6% in 2018, despite a mild recession in the second half of the year. In 2019, the economy is likely to show a mild contraction, leading to an expected increase in insolvencies of 6%. The insolvency outlook is subject to high political and policy uncertainty, as tensions may arise within the fragile governing coalition or between the Italian government and the European commission. An escalation may weigh on sentiment and financing conditions of the private sector, and could lead to a more protracted downturn.

The United Kingdom is leading the increase in insolvencies in Western Europe with a 7% increase forecast. This forecast is more negative than the 4% previously forecast due to the sharp loss of momentum in late 2018. Last year, insolvencies increased sharply by 10%, concentrated in the construction and retail sectors. Brexit-related uncertainty is causing business investments to be postponed, having negative impacts particularly on smaller firms at the lower ends of supply chains. The extension of Article 50 delays the recovery of sterling, keeping inflation higher and also prolongs the drag from uncertainty on business investment, contributing to another year of increasing insolvencies.

In part due to ongoing Brexit uncertainty, Ireland's insolvency outlook has worsened modestly. We now expect a 2% increase there, compared to zero change previously forecast. Due to the close economic ties to the UK, this forecast could be revised further upwards in the case that negotiations do not continue in an orderly fashion.

Insolvencies flattening in North America

Both the US and Canada are seeing a stabilisation at current low levels in 2019. The US is projected to experience a mild 1% increase as no change is expected in Canada. This would bring the North America regional index up 1%, a reversal in annual improvements since the 37% increase observed in 2009.

In the US, the number of firms going bankrupt annually is only 80% what it was before the crisis. As the economy loses momentum, exacerbated by the unwinding of pro-cyclical fiscal policy, we do not expect to see any further improvements in the number of insolvencies and instead a reversal to a 1% increase. Looser-than-expected monetary policy, stronger private sector confidence, and a still-solid labour market should support the business environment. Corporate debt is at an historical high and continues to rise though, increasing vulnerabilities within the corporate sector to tightening in financing conditions or a deeper-than-expected economic slowdown.

Stable outlook for Asia-Pacific

Developed Asia-Pacific is also expected to see a 1% increase, following a modest 2% decrease in 2018. Singapore is forecast to see the strongest increase (3%) as the region's largest economy, Japan, is also facing a 2% increase. A meagre 1% improvement is projected in both Australia and New Zealand.

We still forecast 2% increase in Japan as the economy faces weak exports, a cyclical deceleration in capital spending and poor business confidence. The forecast is subject to downside risk from the planned consumption tax increase scheduled for Q4. The government is prioritising higher spending to support consumption in the face of the tax hike, especially as ultra-loose monetary policy is unable to help further.

Hong Kong (2%), Singapore (3%), and South Korea (0%) are facing similar challenges to their business environments, primarily coming from external headwinds. All three are export-reliant and are facing lower external demand largely as a result of US-China trade tensions. Another challenge to these market's business outlooks is the end of the global ICT cycle, reducing external demand for semiconductors and consumer electronics.

Both Australia and New Zealand's outlooks have deteriorated slightly but remain stable. Subdued business and consumer confidence and decreasing lending have contributed to the worse outlook for Australia. The outlook is supported though by tax cuts to low- and middle-income citizens and higher infrastructure spending. While New Zealand's economic outlook remains relatively robust, underpinned by higher business and consumer confidence and further supported by regional infrastructure projects, the weaker external demand is putting a greater strain than expected on corporates.

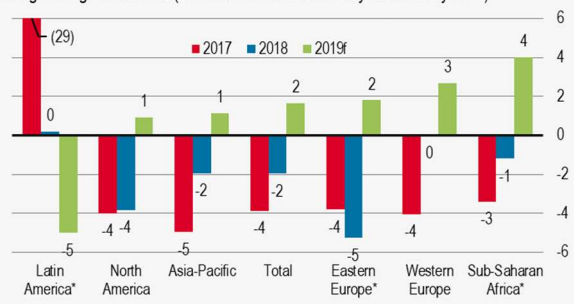
Most EMEs also expected to see higher levels

The insolvency outlook for emerging markets is also relatively subdued, despite the more optimistic outlook than presented last November. As developed markets have been facing a large synchronised slowdown in economic growth, the EME outlook has strengthened thanks to more accommodative monetary conditions and some potential reduction in trade uncertainty.

The latest bank lending condition survey for emerging markets from the IIF shows that in Q4 of 2018, lending conditions improved for the first time relative to the preceding quarter of that year. The aggregate still pointed to a net tightening, in line with Fed policy direction, which increases insolvency risk for countries with highly indebted corporate sectors. However, the reversal in trend is promising. Moreover, the banks surveyed on average expected to see easing in lending conditions in Q1 of 2019 which we expect was the case.

4.4 Upward trend in insolvencies spans globe

Change in regional indices (Latin America and SSA only one country each)



* indicates new countries added based on data availability; Source: Atradius

Emerging Asia²⁶ is the only region that experienced tightening in lending conditions in the last quarter of last year. We expect that insolvencies are increasing still in China as a natural part of its economy rebalancing to consumption-led growth and expansion of its formal economy. Trade tensions are having a negative impact on some exporting sectors as well and excessive debt leaves many sectors vulnerable to any tightening of financing conditions. Lower demand in China also spills over into other countries in Emerging Asia, challenging their business environments as well. India is likely to have been facing increasing insolvencies in 2018 because of new insolvency regulation and the business environment is strained by policy uncertainty, especially related to the elections there.

Latin America is the only region where we expect to see an improvement in 2019. Insolvencies there are forecast to decrease 5% but this is more a stabilisation than very positive outlook. The regional index takes only Brazil into consideration due to data availability. The Brazilian economy is recovering but only at a very slow pace due to rising uncertainty regarding the approval of the critical pension bill. For now, considering the ongoing recovery, we expect a 5% decline in insolvencies this year, beginning some correction from a sharp uptick in 2017.

In Sub-Saharan Africa, the only country included is South Africa where we forecast a 4% increase in 2019. Corporate

bankruptcies there have been relatively stable in 2018 (-1%) despite weak economic performance. GDP growth is expected to accelerate slight in 2019 but we do not expect to see a similar improvement in insolvencies. Instead, we expect a moderate deterioration as a result of ongoing political uncertainty. Power cuts through load shedding are having negative impacts on manufacturing and mining sectors as consumer-facing sectors struggle with weaker consumer spending.

Finally, Emerging Europe is also experiencing a sharp inflection in its insolvency trend this year: from a 5% decrease in 2018 to a 2% increase in 2019. Turkey is the primary driver. Last year, insolvencies decreased 8% in the face of a more severe-than-expected economic contraction in H2. We expect that the impact of this recession is lagged in the figures which we can already see as they bottom out in Q1 of 2019. With a further economic contraction forecast for 2019, we expect insolvencies to increase 10% in total. This outlook is slightly less dire than our previous forecast as the government is pushing state-owned banks to keep up funding and has taken some policy steps to facilitate debt restructuring.

Trailing Turkey, Russia is forecast to see a 4% increase in insolvencies this year. GDP growth is easing and firms are expected to be particularly challenged by weakening consumer purchasing power through VAT hikes and higher inflation. Poland (4%) and Romania (3%) are also projected to see higher bankruptcy levels. Firms in both countries are facing rising labour supply constraints and elevated policy uncertainty. In Poland, regulatory uncertainty is weighing on business investment. The Romanian government's steps to weaken anti-corruption legislation also undermines business reforms as new corporate taxes challenge profitability. The Czech Republic (-4%) is also facing headwinds, primarily through external headwinds (especially German automobile sector) and tighter monetary policy. Following three years of double-digit improvements though, there is some positive carry-over.

²⁶ We do not have a regional index for Emerging Asia due to data limitations.

Appendix: forecast tables

Table A1: Macroeconomic headline figures - developed markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption (% change p.a.)			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
Australia	2.8	2.2	2.6	1.9	1.5	1.7	-0.9	0.4	0.2	42.9	42.0	41.1	-2.1	-0.8	-2.1	5.0	6.8	3.0	2.6	2.1	2.9	2.7	-1.7	0.8	4.8	4.8	3.0	2.2	1.8	2.4	3.6	2.1	2.8
Austria	2.8	1.5	2.0	2.0	1.5	1.7	0.0	0.0	0.0	95.3	92.4	89.0	2.3	1.7	1.8	4.1	2.2	2.9	1.9	1.4	1.8	3.4	2.5	2.9	0.2	1.8	2.1	0.5	0.9	1.8	3.9	2.5	1.1
Belgium	1.4	1.3	1.2	2.1	2.0	1.7	-0.7	-1.5	-1.5	120.9	118.8	116.8	-1.3	1.2	1.9	3.6	3.0	2.9	1.0	1.5	1.7	2.9	2.7	1.7	0.9	1.0	1.2	-0.6	1.5	1.4	1.1	1.9	1.9
Canada	1.8	1.1	1.2	2.2	2.0	2.1	0.2	-0.1	-0.3	93.7	91.8	89.0	-2.6	-3.1	-2.8	3.3	1.7	0.8	2.1	1.2	1.5	0.8	-2.9	0.9	2.5	1.6	1.4	0.8	1.1	1.1	2.6	1.0	1.2
Denmark	1.4	1.7	1.6	0.8	1.2	1.4	0.0	-0.1	-0.1	48.2	46.7	45.4	5.9	7.4	7.1	0.6	2.5	2.0	2.3	1.7	1.9	5.1	-4.3	2.0	0.8	0.8	1.3	1.6	1.0	2.1	2.0	2.7	1.9
Finland	2.3	1.6	1.4	1.1	1.2	1.3	-0.6	-0.4	-0.1	58.4	57.2	55.8	-1.9	-0.1	0.1	1.5	2.8	2.9	1.4	2.8	2.9	3.2	2.7	2.4	1.4	0.2	1.2	2.0	1.8	1.7	3.0	2.0	2.1
France	1.6	1.4	1.5	1.9	1.2	1.3	-2.5	-3.4	-3.0	127.3	127.2	126.5	-0.3	-0.3	-0.4	3.3	2.8	2.3	0.9	1.2	1.4	2.9	2.2	2.6	1.0	1.0	1.3	2.8	2.4	2.3	0.4	1.3	1.4
Germany	1.5	1.1	1.6	1.7	1.5	1.6	1.7	0.8	0.4	50.2	48.0	46.0	7.4	7.0	6.5	2.2	1.3	3.3	0.9	1.6	2.0	2.7	2.6	2.8	1.0	1.8	1.4	1.5	2.3	1.4	1.0	-0.8	2.0
Greece	1.9	1.9	2.3	0.6	0.4	0.5	0.6	0.1	0.2	208.1	202.2	194.0	-2.9	-2.0	-1.6	8.8	7.2	5.1	1.0	1.4	2.2	-12.0	4.2	8.1	-2.5	2.3	0.8	1.5	-0.2	2.0	1.1	1.6	2.6
Hong Kong	3.0	1.8	2.1	2.4	1.9	2.0	1.3	-1.0	-0.2	0.1	0.1	0.0	4.2	3.4	3.1	3.8	-1.1	3.2	5.6	1.3	2.4	2.2	-2.1	4.1	4.2	4.2	2.1	7.6	0.9	2.4	1.2	-0.8	1.2
Ireland	6.8	2.7	2.3	0.5	1.4	1.8	0.0	0.2	0.3	55.3	52.5	50.1	9.2	4.0	3.8	8.9	3.6	2.5	3.0	2.3	2.8	7.8	-6.8	-0.3	6.4	0.0	2.7	3.8	4.8	4.6	0.2	4.5	1.7
Italy	0.7	0.1	0.4	1.1	1.0	0.9	-2.1	-2.6	-2.7	153.7	154.8	154.7	2.5	2.9	2.9	1.4	2.2	2.7	0.6	0.3	0.4	3.2	-0.7	0.3	0.2	-0.3	0.3	-0.4	0.8	0.8	0.5	-0.3	0.4
Japan	0.8	0.5	0.4	1.0	0.9	1.2	-3.4	-3.5	-3.2	227.2	228.2	227.9	3.5	2.8	3.0	3.1	-0.5	2.9	0.4	0.9	-0.2	1.1	1.0	1.4	0.8	1.0	0.7	1.2	0.7	-0.1	1.0	-0.4	0.0
Luxembourg	3.0	2.5	2.7	1.5	1.8	1.6	1.2	1.0	0.9	20.4	18.6	16.9	5.9	3.9	5.2	5.7	4.3	3.5	5.1	2.8	2.5	-3.6	-0.2	2.3	3.2	2.4	2.2	2.4	2.6	3.0	-0.7	1.6	2.3
Netherlands	2.6	1.6	1.5	1.7	2.5	1.7	1.9	1.3	1.3	67.2	63.6	60.3	10.8	10.5	9.7	2.6	2.0	2.9	2.5	1.9	1.6	4.2	3.2	2.2	1.5	1.9	1.7	3.0	1.7	1.3	0.6	1.1	1.2
New Zealand	2.8	2.4	2.5	1.6	1.7	2.1	1.4	0.7	0.5	29.5	27.3	26.7	-3.7	-3.7	-3.5	3.0	2.6	3.3	3.3	3.2	2.3	3.9	2.9	3.6	2.2	2.2	2.0	3.0	4.2	3.0	1.5	2.0	2.9
Norway	1.7	2.3	2.0	2.8	2.6	2.2	9.1	9.4	8.7	39.0	35.7	32.3	8.0	7.1	5.9	-0.5	1.3	2.3	2.1	2.2	2.3	0.9	3.8	2.4	1.5	1.1	1.5	0.8	0.5	2.3	1.1	-2.8	2.1
Portugal	2.1	1.6	1.4	1.0	1.0	1.5	-0.5	-0.5	-0.7	144.0	140.3	136.5	-0.4	0.0	0.1	3.6	2.0	3.0	2.5	2.0	1.4	4.4	3.3	2.8	0.8	1.2	1.0	3.8	1.9	0.9	-0.2	-1.1	1.6
Singapore	3.2	2.3	2.6	0.4	0.9	1.7	0.4	-0.8	-0.8	113.6	115.9	117.3	17.7	16.1	16.6	5.2	-0.5	3.9	2.4	3.2	3.6	-3.4	3.7	3.3	3.6	1.7	2.9	-1.1	2.0	3.5	6.9	0.4	5.1
Spain	2.6	2.3	2.0	1.7	1.2	1.3	-2.5	-2.3	-1.9	113.9	112.3	110.0	0.9	0.6	0.7	2.3	1.5	3.3	2.3	1.8	1.8	5.3	4.0	2.9	2.1	2.0	1.6	0.7	1.5	1.4	0.3	0.9	1.9
South Korea	2.7	2.1	2.3	1.5	1.1	2.1	1.7	0.1	0.5	45.1	45.8	45.4	4.7	4.0	4.7	4.1	-0.1	1.4	2.8	2.1	2.4	-2.1	-1.4	2.8	5.6	5.7	4.3	4.3	2.1	2.4	1.4	-1.8	2.4
Sweden	2.4	1.8	2.0	2.0	1.9	1.9	0.9	0.9	0.6	47.3	44.5	42.1	2.0	3.7	4.1	3.7	3.4	2.1	1.2	1.5	2.4	3.5	-0.4	2.4	1.1	1.4	1.6	1.4	2.1	2.2	2.9	1.8	1.1
Switzerland	2.5	1.0	1.8	0.9	0.7	0.6	0.9	0.6	0.5	28.0	27.0	25.8	7.9	8.5	9.6	3.4	1.8	3.7	1.0	1.2	1.4	1.8	0.0	1.6	1.0	0.7	0.6	-0.7	0.1	0.9	5.7	3.4	2.8
United Kingdom	1.4	1.5	1.7	2.5	1.9	1.8	-1.6	-1.4	-1.1	86.8	84.2	82.4	-3.9	-4.1	-3.2	0.1	3.9	3.0	1.8	1.6	1.6	0.2	0.6	2.3	0.4	2.0	1.7	2.8	3.1	2.2	0.8	0.0	0.8
United States	2.9	2.6	1.7	2.4	2.0	1.8	-6.5	-6.4	-6.8	138.5	139.1	141.0	-2.4	-2.5	-2.6	4.0	1.8	2.5	2.6	2.4	2.0	4.8	2.7	2.1	1.2	1.3	1.6	3.6	2.6	2.4	4.0	2.1	1.9
Eurozone	1.8	1.3	1.5	1.8	1.4	1.4	-0.4	-1.0	-1.0	-	-	-	2.9	2.9	2.7	3.1	2.2	3.0	1.3	1.4	1.6	3.3	2.0	2.3	1.1	1.3	1.3	1.6	1.8	1.6	0.9	0.3	1.8

Sources: Oxford Economics, Atradius

Table A2: Macroeconomic headline figures - emerging markets

	GDP growth (% change p.a.)			Inflation (% change p.a.)			Budget balance (% of GDP)			Gross government debt (% of GDP)			Current account (% of GDP)			Export growth (% change p.a.)			Private cons. (% change p.a.)			Fixed investment (% change p.a.)			Government consumption			Retail sales (% change p.a.)			Industrial prod. (% change p.a.)		
	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020	2018	2019	2020
China	6.6	6.3	6.0	2.1	2.3	2.5	-3.9	-4.2	-4.2	16.8	18.1	19.4	0.3	0.2	0.3	4.3	2.9	3.9	6.7	6.8	6.5	4.4	4.4	4.3	11.2	6.8	6.0	7.1	7.1	6.8	5.8	5.3	4.6
India	7.4	7.0	6.9	3.9	3.8	4.9	-3.7	-3.1	-3.4	44.9	44.2	43.7	-2.4	-2.0	-2.5	10.6	5.6	6.2	8.5	7.1	6.9	11.1	7.0	8.9	10.7	10.6	9.0	10.4	8.9	8.5	5.2	2.4	6.7
Indonesia	5.2	5.0	5.1	3.2	3.2	3.8	-1.8	-1.7	-2.0	34.9	33.4	33.1	-3.0	-2.8	-2.4	6.5	2.9	6.3	5.1	5.1	5.1	6.7	6.2	6.7	4.8	5.9	6.1	3.7	5.7	7.4	4.5	2.0	4.1
Malaysia	4.7	4.4	4.2	10	12	2.9	-3.9	-3.7	-3.5	51.8	53.6	52.6	2.4	3.0	2.6	15	12	3.7	8.1	5.4	4.1	14	3.4	4.3	3.3	2.8	4.4	8.9	6.1	4.7	3.0	2.8	3.2
Thailand	4.1	3.4	3.2	1.1	1.2	1.4	-1.6	-2.9	-3.1	34.0	35.5	35.9	6.9	5.9	5.1	4.2	0.3	4.5	4.6	3.6	3.2	3.8	3.7	3.8	1.8	3.3	3.1	9.5	3.6	3.2	4.2	0.4	3.7
Emerging Asia	6.0	5.6	5.5	2.6	2.6	3.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Argentina	-2.5	-1.5	2.5	34.3	45.9	26.9	-4.8	-3.4	-3.3	84.6	77.2	70.9	-5.0	-2.4	-2.3	0.0	8.6	4.1	-2.4	-4.5	2.5	-5.8	-16.6	7.4	-3.3	-0.7	1.4	0.1	-1.9	5.2	-3.5	-2.9	3.8
Brazil	1.1	1.2	2.2	3.7	4.0	4.1	-7.1	-6.7	-6.2	77.2	81.2	82.6	-0.8	-1.0	-1.0	3.4	3.2	3.4	1.9	1.8	1.9	4.1	0.0	3.8	0.0	0.0	0.0	2.2	1.7	1.9	0.9	0.9	2.1
Chile	4.0	3.0	2.7	2.3	2.2	2.9	-1.6	-1.6	-1.4	25.6	25.8	25.9	-3.1	-3.2	-2.5	5.1	2.3	2.8	4.0	3.0	2.7	4.6	4.1	3.1	2.2	2.2	2.6	4.0	3.0	2.7	2.9	1.1	3.8
Colombia	2.7	3.0	3.4	3.2	3.1	3.0	-3.0	-2.7	-2.4	50.9	50.7	50.0	-3.8	-3.9	-3.8	1.2	2.2	3.1	3.5	2.7	3.0	1.1	5.0	4.0	5.9	3.0	2.5	-	-	-	2.9	3.9	3.4
Mexico	2.0	1.4	1.9	4.9	4.0	3.6	-2.3	-2.2	-2.6	46.8	46.4	46.2	-1.8	-0.9	-0.9	5.7	3.5	2.1	2.2	1.6	2.2	0.6	-0.4	1.1	1.4	1.1	3.1	2.4	0.8	2.2	0.1	-0.1	1.1
Peru	4.0	4.0	3.8	1.3	2.2	2.3	-2.0	-2.8	-2.6	26.0	26.8	27.8	-1.5	-0.7	-0.6	2.6	4.9	4.5	3.8	4.2	3.7	5.3	1.7	1.2	2.0	-0.9	3.4	-	-	-	3.6	3.4	3.6
Venezuela	-9.9	-38.4	3.0	422.3	84.2	266.2	-15.5	-18.0	-15.8	152.4	302.1	238.3	7.6	11.3	1.5	-24.3	-44.2	-23.5	-9.0	-29.5	-5.1	-21.9	-56.0	20.0	-9.3	-43.5	1.6	-7.0	-27.9	0.1	-21.7	-59.5	7.5
Latin America	0.9	0.2	2.3	7.6	9.3	6.7	-	-	-	-	-	-	-	-	-	-	-	-	1.6	1.2	2.5	-	-	-	-	-	-	-	-	-	-	-	-
Bulgaria	3.3	3.7	3.1	2.8	3.0	2.1	0.2	0.0	-0.2	20.5	20.1	19.5	4.5	2.7	3.1	-0.8	4.3	3.8	7.2	3.9	2.4	7.5	4.5	4.7	2.9	2.7	2.6	4.4	1.2	2.4	1.1	1.4	2.1
CIS	2.7	2.2	2.4	4.6	5.5	4.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8	2.0	1.8
Czech Republic	2.9	2.5	2.3	2.2	2.5	2.1	0.1	-0.9	-0.1	30.5	31.5	29.6	0.3	0.4	0.3	4.5	3.0	3.1	3.2	2.1	2.3	10.4	4.2	2.9	3.7	1.3	1.4	4.9	4.3	3.3	3.3	1.3	2.9
Hungary	5.0	4.2	2.8	2.9	3.6	3.4	-2.2	-1.9	-1.8	70.8	66.2	63.0	0.5	1.1	0.8	4.7	5.3	3.3	5.4	3.8	2.5	16.5	9.9	2.8	-0.5	-0.2	1.2	6.7	5.6	3.1	3.9	5.6	5.1
Poland	5.1	3.5	3.2	1.8	2.0	2.1	-0.5	-0.7	-1.4	49.1	48.9	46.6	-0.7	-1.5	-1.6	6.5	5.0	4.0	4.6	4.7	3.6	7.4	6.3	6.2	3.5	3.5	3.1	6.4	5.4	4.2	5.8	5.7	3.8
Romania	4.2	3.0	2.9	4.6	3.7	2.8	-2.9	-3.4	-3.9	36.9	38.1	40.3	-4.5	-4.3	-3.9	5.3	3.0	2.4	5.3	4.4	3.5	-2.9	2.5	2.6	2.0	2.6	1.9	5.6	5.5	3.0	5.0	2.5	3.6
Russia	2.3	1.7	1.7	2.9	4.6	3.8	3.0	2.4	1.5	11.1	8.6	6.7	6.8	5.9	5.6	5.5	1.0	3.2	2.3	2.1	1.8	2.9	-2.6	2.2	0.3	1.8	0.0	3.1	2.2	1.8	2.8	1.7	1.5
Turkey	2.6	-1.6	3.2	16.3	17.3	13.2	-2.0	-2.4	-2.2	28.8	30.2	27.5	-3.3	-1.2	-1.4	7.5	6.9	3.4	1.1	-1.7	5.4	-1.7	-8.0	5.1	3.6	2.8	3.4	1.9	-1.9	5.4	1.1	-1.9	3.2
Ukraine	3.0	2.7	2.9	11.0	8.1	7.3	-2.4	-2.5	-2.4	65.0	59.5	56.2	-3.7	-3.3	-3.0	1.6	2.6	3.0	5.2	4.2	2.5	15.5	5.8	3.9	1.1	1.9	0.9	-	-	-	1.6	1.6	2.5
Central & Eastern Europe	3.4	2.7	2.6	3.4	4.0	3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.1	2.1	2.2
Egypt	5.3	5.5	5.6	14.4	10.8	10.0	-9.5	-8.5	-7.6	97.3	94.7	91.1	-2.2	-2.0	-2.1	33.5	5.9	8.9	1.1	1.9	2.8	16.2	13.8	10.1	1.7	5.7	5.5	1.1	1.9	2.8	2.9	3.6	5.7
Morocco	3.0	2.9	3.7	1.8	1.4	1.9	-3.6	-3.7	-3.5	82.2	82.7	82.0	-4.5	-4.0	-4.1	9.9	7.5	6.2	3.5	3.1	3.7	3.2	2.1	3.0	3.3	3.7	3.7	3.5	3.1	3.7	2.9	3.0	3.4
Qatar	1.4	2.2	2.9	0.2	-0.1	2.9	-1.1	0.1	0.7	48.5	54.0	57.1	8.7	9.6	10.2	6.8	1.3	1.2	4.6	5.3	4.6	0.6	-0.3	0.5	5.4	4.6	4.5	5.2	5.8	5.1	-0.6	2.2	1.6
Saudi Arabia	2.2	1.9	1.8	2.5	-0.7	1.5	-4.6	-3.1	-2.9	19.7	22.9	24.4	9.2	8.2	5.6	7.5	2.7	1.4	1.8	2.4	2.0	0.0	1.8	2.6	-1.8	1.0	2.0	-	-	-	1.0	2.1	2.2
Tunisia	2.6	2.4	2.6	7.4	6.4	5.9	-4.8	-5.0	-4.7	74.5	75.7	76.7	-9.9	-9.8	-9.5	3.4	3.8	4.8	1.5	1.6	1.7	2.9	2.3	2.7	0.9	2.5	1.0	-	-	-	0.6	1.7	1.7
United Arab Emirates	1.7	2.2	2.2	3.1	-1.0	1.5	0.8	1.9	0.3	18.8	18.5	18.6	8.2	8.6	5.9	-1.2	3.7	3.6	1.9	2.1	2.0	0.6	2.2	2.2	3.1	3.1	1.5	3.0	3.2	3.1	0.4	1.6	1.9
MENA	2.2	1.4	2.7	10.1	10.8	9.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.1	1.8	2.1
Ghana	6.2	6.4	5.6	9.8	9.6	9.4	-3.8	-4.3	-4.2	57.8	58.0	58.0	-3.2	-3.4	-3.5	4.5	7.2	6.2	6.9	8.2	7.0	4.8	5.4	6.5	0.5	7.8	4.8	-	-	-	7.6	7.5	6.8
Kenya	5.9	5.7	5.4	4.7	5.3	5.8	-6.7	-6.1	-6.0	58.0	59.2	60.1	-5.1	-5.0	-5.1	4.3	6.4	6.7	6.1	5.8	5.8	5.3	5.0	4.4	3.8	5.2	5.3	-	-	-	4.5	5.1	6.8
Nigeria	1.9	2.6	3.1	12.1	11.3	11.0	-4.5	-4.9	-4.8	18.9	20.2	21.9	1.4	1.4	0.7	3.5	4.5	-1.5	2.7	3.1	4.9	1.6	2.0	3.9	6.5	-0.4	-6.8	2.7	3.1	4.9	1.9	3.1	3.5
South Africa	0.8	0.8	1.6	4.6	4.7	5.4	-4.3	-4.4	-4.6	56.7	59.1	61.0	-3.6	-3.5	-3.9	2.6	1.3	1.0	1.8	1.2	1.6	-1.4	-0.8	2.0	1.9	1.1	1.7	1.5	1.2	1.6	0.0	0.5	1.4
Sub-Saharan Africa	2.6	3.2	3.6	9.5	8.9	9.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Oxford Economics, Atradius

Table A3 Total insolvencies - annual percentage change

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019f
Australia	-3	21	4	2	9	1	2	-19	16	-16	-8	3	-1
Austria	-6	0	9	-8	-8	3	-10	-1	-5	1	-3	-2	2
Belgium	1	10	11	2	7	4	11	-9	-9	-6	9	-1	2
Canada	10	-2	-12	-25	-11	-11	-5	2	-1	-7	-6	-1	0
Denmark	21	54	-10	-3	-22	4	-15	-21	15	18	-4	7	0
Finland	-1	16	25	-13	3	0	6	-5	-14	-6	-10	17	-2
France	7	7	14	-5	-1	3	3	0	0	-8	-6	-1	3
Germany	-15	0	12	-2	-6	-6	-8	-7	-4	-7	-7	-4	2
Greece	-3	-35	68	-35	-4	19	31	-16	-43	-43	11	-13	-8
Ireland	19	113	82	8	7	3	-19	-15	-10	-2	-15	-13	2
Italy	-41	22	25	20	8	3	13	11	-6	-9	-11	-6	6
Japan	6	11	-1	-14	-4	-5	-10	-10	-8	-6	0	-2	2
Luxembourg	7	-13	17	32	8	8	1	-19	3	13	-8	28	5
Netherlands	-13	-14	53	-9	0	19	10	-22	-24	-19	-22	-9	3
New Zealand	-5	-35	45	-5	-12	-7	-13	-7	4	3	-22	-7	-1
Norway	-6	41	47	-17	0	-13	18	6	-3	-1	4	12	0
Portugal	-12	39	28	21	-5	46	1	-13	12	-6	-16	-4	-4
Spain	18	188	88	-4	15	32	10	-27	-21	-9	10	-2	-5
Sweden	-5	7	20	-4	-4	7	4	-6	-11	-5	6	13	3
Switzerland	0	-7	24	20	6	3	-5	-10	4	7	3	3	5
United Kingdom	-11	35	14	-18	4	-4	-9	-8	-10	1	-1	10	7
United States	42	52	41	-7	-15	-16	-17	-19	-8	-2	-4	-4	1

Sources: Atradius, Macrobond, national sources

Table A4 Total insolvencies - index, 2007 = 100

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019f
Australia	100	121	125	128	139	141	144	117	135	113	104	107	106
Austria	100	100	110	101	93	96	87	86	82	83	81	79	81
Belgium	100	110	123	125	133	138	153	140	127	119	130	129	131
Canada	100	98	86	65	58	51	49	50	49	46	43	43	43
Denmark	100	154	139	134	105	109	93	73	84	98	95	101	101
Finland	100	116	145	127	131	131	139	132	114	107	96	112	110
France	100	107	123	117	115	118	122	121	122	112	106	105	108
Germany	100	100	112	110	103	97	89	83	79	74	69	66	68
Greece	100	65	109	71	68	81	106	89	51	29	33	28	26
Ireland	100	213	387	420	451	464	376	321	289	284	241	209	213
Italy	100	122	152	182	197	203	229	254	239	219	195	183	194
Japan	100	111	110	95	90	86	77	69	64	60	60	58	60
Luxembourg	100	88	103	135	145	157	158	129	133	150	138	176	185
Netherlands	100	86	132	119	120	143	157	122	92	75	58	53	55
New Zealand	100	65	95	89	79	73	64	59	61	63	49	46	45
Norway	100	141	207	171	172	150	176	186	180	179	187	211	211
Portugal	100	139	179	216	205	300	303	262	294	277	233	224	216
Spain	100	288	540	520	598	791	866	635	501	458	502	491	467
Sweden	100	107	128	123	118	126	130	122	108	103	109	124	127
Switzerland	100	93	115	138	147	151	143	130	135	144	148	152	159
United Kingdom	100	135	153	125	130	124	113	104	93	94	93	103	110
United States	100	152	215	199	169	142	118	95	88	85	82	79	80

Sources: Atradius, Macrobond, national sources

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Atradius N.V.

David Ricardostraat 1 – 1066 JS Amsterdam

Postbus 8982 – 1006 JD Amsterdam

The Netherlands

Phone: +31 20 553 9111

info@atradius.com

www.atradius.com