Global Economic Outlook – March 2020

Lockdown

Highlights

- COVID-19 crisis crushing global GDP growth
- World GDP 2020 baseline growth forecast cut to 1.3%
- Unprecedented GDP decline in China in 1Q20, sub 4% annual growth
- Tourism, travel and 'event-related' spending collapsing
- Eurozone GDP down by 0.4%; Germany, Italy and Spain in recession
- Global lockdown scenario would see world GDP decline this year
- Policy easing response is just damage limitation in the near term
- But it should help 'V'-shaped recovery in 2H20 if the crisis subsides

Global Forecast Summary

(%)	Annual Average 2014-2018	2018	2019f	2020f	2021f
GDP Growth					
US	2.5	2.9	2.3	1.0	1.9
Eurozone	2.0	1.9	1.2	-0.4	1.8
China	7.0	6.7	6.1	3.7	7.2
Japan	0.9	0.3	0.7	-1.4	1.5
UK	2.0	1.3	1.4	0.3	1.9
Developed [a]	2.0	2.1	1.7	0.3	1.9
Emerging [b]	4.8	5.1	4.4	3.1	5.6
World [c]	3.0	3.2	2.7	1.3	3.3
Inflation (end of period)					
US	1.5	1.9	2.3	1.8	2.1
Eurozone	0.8	1.5	1.3	1.3	1.5
China	1.8	1.9	4.5	2.2	2.1
Japan	1.0	0.3	0.8	0.2	0.5
UK	1.5	2.1	1.3	1.7	2.1
Interest Rates (end of period)					
US	0.83	2.50	1.75	0.25	0.50
Eurozone	0.04	0.00	0.00	0.00	0.00
China [d]	3.49	3.30	3.25	2.75	2.75
Japan	-0.02	-0.10	-0.10	-0.10	-0.10
UK	0.46	0.75	0.75	0.25	0.50
US 10 Year Yield	2.32	2.68	1.92	1.50	1.80
Exchange Rates and Oil					
Oil (USD/barrel)	64.7	71.5	64.1	41.0	48.0
USDJPY (end-period)	111.7	110.8	109.1	107.0	107.0
USDEUR (end-period)	0.86	0.87	0.89	0.90	0.90
GBPUSD (end-period)	1.43	1.27	1.31	1.30	1.30
USDCNY (end-period)	6.48	6.85	6.99	7.10	7.20

[a] US, Japan, France, Germany, Italy, Spain, UK, Canada, Australia and Switzerland.

[b] Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkey.

[c] 'Fitch 20' countries weighted by nominal GDP in USD at market exchange rates (3 year average)

[d] One year Medium Term Lending Facility

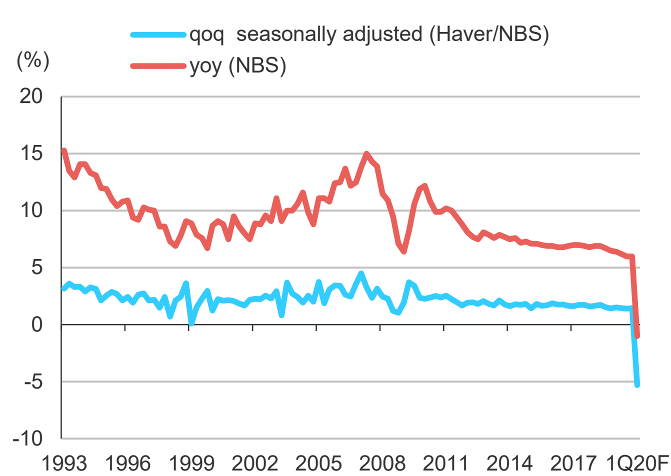
Source: Fitch Ratings

Coronavirus Crisis Shakes World Economy

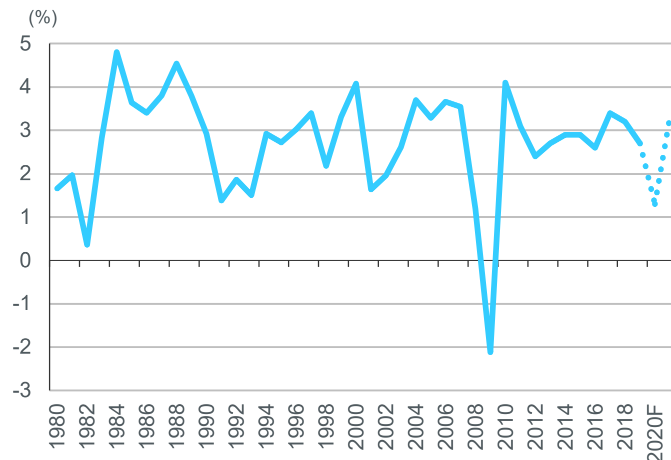
The global health crisis sparked by the outbreak of the coronavirus is taking an extraordinarily heavy toll on the world economy. The level of world GDP is falling and for all intents and purposes we are in global recession territory. Fitch Ratings has cut its baseline global growth forecast for 2020 to just 1.3% from 2.5% in the December 2019 Global Economic Outlook (GEO), a revision that leaves the level of 2020 GDP USD850 billion lower than in the previous forecast. But we could easily see an outright decline in global GDP this year if more pervasive lockdown measures have to be rolled out across all the G7 economies. Emergency macro policy responses are purely about damage limitation at this stage but should help secure a 'V-shaped' recovery in 2H20, assuming that the health crisis eases.

The shock to the Chinese economy – primarily resulting from the official 'lockdown' response to contain the virus – has been very severe. GDP is likely to fall by over 5% (not annualised) in 1Q20 and to be down by 1% year-on-year. Falling GDP in China is virtually unprecedented and, in the near term at least, these numbers are worse than most previous hypothetical 'hard-landing' scenarios. The good news is that the daily number of new COVID-19 cases in China has fallen very sharply, which should pave the way for a marked economic recovery in 2Q19 – high-frequency indicators already point to this starting in March. Nevertheless the delayed impact of supply-chain disruptions and lower Chinese demand on the rest of the world will continue to be felt profoundly for some time, particularly in the rest of Asia and the eurozone.

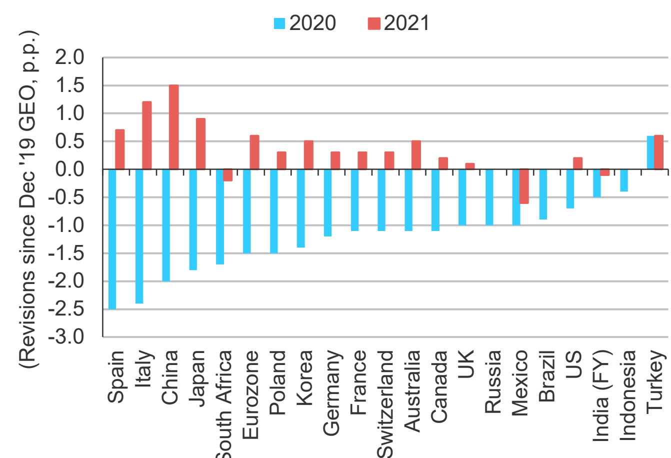
Moreover, the rapid spread of the virus outside China has prompted sharp declines in travel and tourism, and the cancellation of business and leisure events worldwide as 'social distancing' takes hold. And some other large advanced countries – most notably Italy and Spain (and more recently in France, though after our



Source: Fitch Ratings, NBS, Haver Analytics



Source: Fitch Ratings, IMF, Haver Analytics



Source: Fitch Ratings

forecast numbers were finalised) – have engaged in aggressive official lockdown responses similar to that seen in China. These countries are likely to see very sizeable outright declines in GDP in the coming months. The interruptions to economic activity seen in China – and now in Italy – are on a scale and speed rarely seen other than during periods of military conflict, natural disasters or financial crises. While there is huge uncertainty, declines of 3% to 4% (not annualised) in quarterly GDP and 1% to 2% in annual GDP in a full lockdown scenario look feasible. The risk is that we shortly see these abrupt interruptions happening simultaneously across all major economies as the global pandemic spreads.

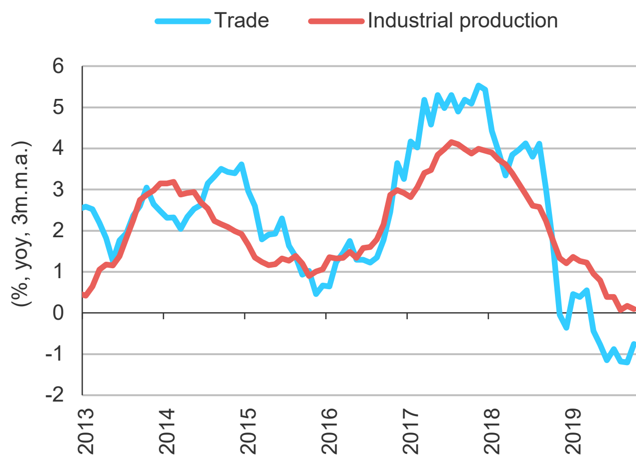
The shock has also upset the balance of the global oil market with prices immediately falling by $15 a barrel (30%) after Saudi Arabia and Russia – two of the world's three largest producers – were unable to agree on supply cuts and are now planning to expand output and gain market share. We have cut our 2020 global oil price forecast to just over USD40/bbl from USD62.5/bbl in the last GEO. This terms-of-trade shock will dampen spending in oil-producing countries, a response that proved to be an important drag on world demand after the oil price fall in 2014.

World Growth Forecasts Slashed

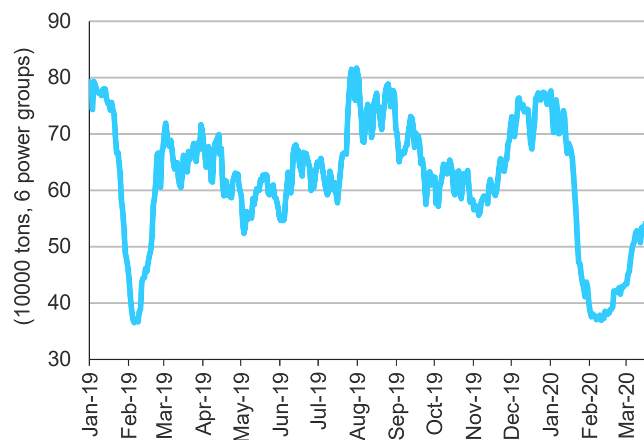
Our baseline global economic forecasts have been aggressively lowered. Even though we expect a recovery in China from 2Q20, growth is expected to fall to 3.7% for the year as a whole. We forecast Italian GDP to fall by 2% this year and Spanish GDP by almost 1%. Our baseline forecast does not assume that full-scale lockdowns take place other major European countries or the US (forecasts were finalised on 16 March). But even on this basis we now expect eurozone growth to be minus 0.4% this year. Fitch now forecasts US GDP growth to be just 1% in 2020 compared with a pre-virus outlook of 2% and 2Q20 GDP is expected to fall by 0.5% (or 2% annualised). This reflects the likelihood that travel, tourism, and business and leisure events will be disrupted for months, the collapse in the equity market, lower business and consumer confidence, and other disruptions to US economic activity that are emerging as authorities seek to contain the virus. We expect global growth to fall to 1.3% in 2020, which would be weaker than global downturns seen in the early 1990s and in 2001.

Every country covered in the GEO except Turkey has seen 2020 forecasts lowered since December, with a median revision of -1.1pp. Italy and Spain have seen some of largest forecast cuts, followed by South Africa, Japan and Korea. The latter two are highly exposed to China and Japan saw a surprisingly weak 4Q19 outturn in the aftermath of the consumption tax rise. China's forecast has been cut by 2pp since the December GEO but that pre-dated the US-China Phase 1 agreement. Eurozone growth has been cut by 1.5pp and UK growth by 1pp to 0.3%.

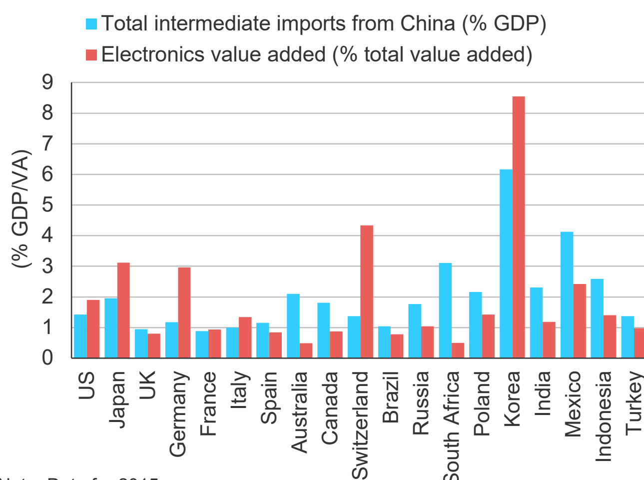
However, we have raised our global growth forecast for 2021 to 3.3% from 2.7% in the December GEO. This reflects an assumption that the health crisis will ease in 2H20, which should allow for a sharp bounce-back as activity reverts to normal levels,



Source: Fitch Ratings, CPB



Source: Fitch Ratings, CQ Coal, Haver Analytics



Note: Data for 2015
Source: Fitch Ratings, OECD TiVA, Haver Analytics

inventories are rebuilt, and some consumer and capital spending is re-profiled. Recent aggressive macro policy responses – with emergency interest rate cuts, massive central bank liquidity injections, macro-prudential easing, credit guarantee schemes and substantive fiscal stimulus – should also start to boost growth from 2H20, helping the level of GDP to revert to close to its pre-virus path over in the medium term.

A downside variant of the forecast (discussed at the end of this report) that assumes aggressive lockdown responses have to be rolled out across the G7 (and that there is some renewal of new virus cases in China) sees the level of GDP declining by 0.1% in 2020.

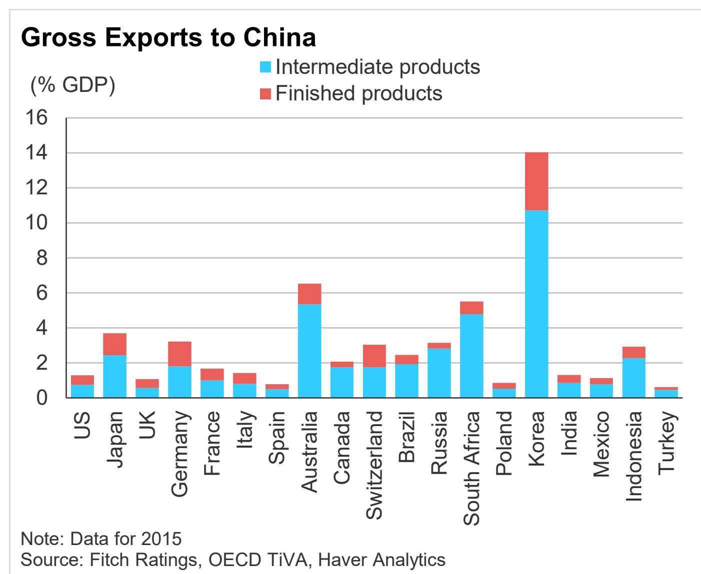
Growth Stabilisation Pre-Outbreak

While 2019 was undoubtedly a tough year for the world economy, signs of improvement were clearly emerging prior to the outbreak. Domestic demand headwinds in China appeared to be weakening and global trade tensions were easing with the signing of the US-China Phase 1 trade deal, approval of the United States-Mexico-Canada Agreement and the avoidance of a no-deal Brexit at the turn of the year. The Phase 1 agreement prompted us to make an out-of-GEO-cycle upgrade to China's growth forecast to 5.9% in early January 2020. World trade growth also looked to have reached a troughed in December. In the US, better-than-expected labour market performance and broad-based resilience in the service sector meant that 2020 growth was tracking 2% before the outbreak, up from a forecast of 1.7% in the previous GEO.

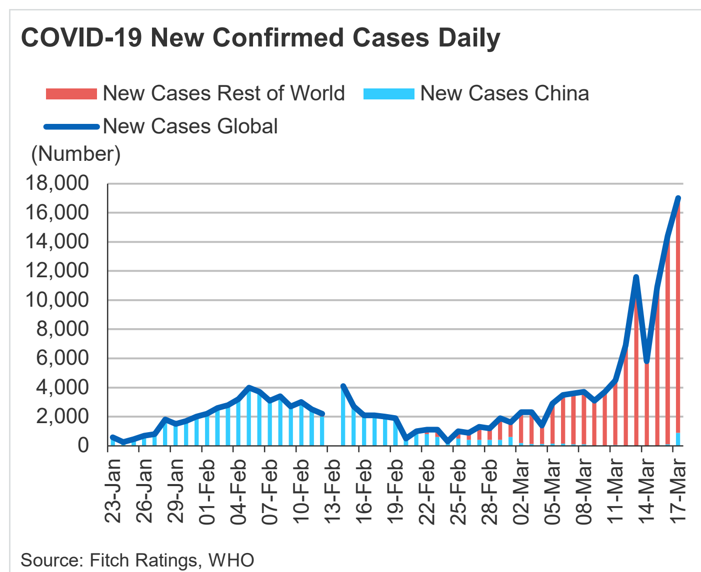
China Economic Shutdown

The impact of the virus and the lockdown response on China's economy has been dramatic. Weekly indicators including electricity usage, steel and coal production showed huge shortfalls from average levels through most of February and transport-related indicators have collapsed. Official extensions to the Chinese New Year holiday varied by province and industry but some reports suggest an average of an extra 12 working days lost across the country. This was exacerbated by the delay of migrant workers returning to employment through both travel bans and quarantine restrictions.

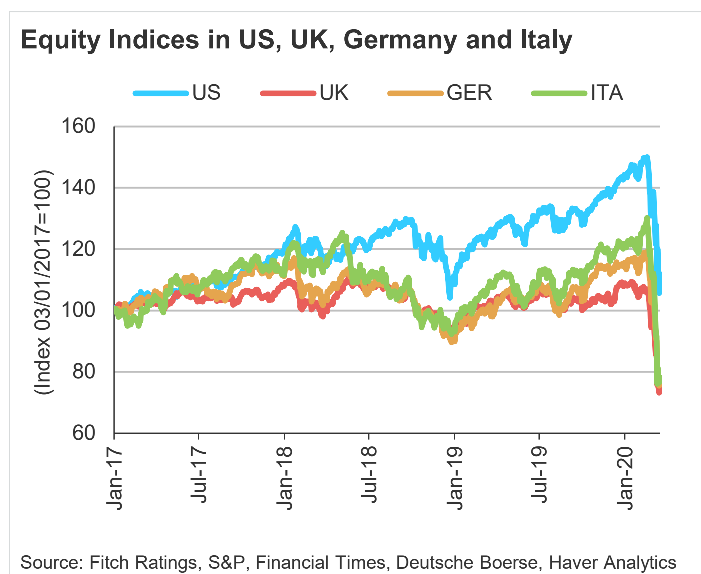
Monthly macro indicators for February have been spectacularly weak. The manufacturing PMI fell to the mid-30s and the non-manufacturing PMI to below 30. Exports were down 17% year on year in the first two months of 2020 with car sales plummeting by 80% in February. Industrial production was down by 13.5% year on year in January and February, retail sales were down 22% and fixed asset investment by 24.5%. Weekly data suggest improvements from early March as the authorities have increasingly prioritised restarting the economy as new COVID-19 cases have collapsed. But even allowing for a sharp sequential improvement in March,



Note: Data for 2015
Source: Fitch Ratings, OECD TiVA, Haver Analytics



Source: Fitch Ratings, WHO



Source: Fitch Ratings, S&P, Financial Times, Deutsche Boerse, Haver Analytics

GDP in 1Q20 is likely to fall by over 5% quarter on quarter and by 1% year on year. This judgement is supported by statistical models linking monthly data to year-on-year GDP outturns.

GDP is expected to recover sharply in 2Q20 with annualised growth rising to over 6% by the end of the year as activity returns to normal, companies rebuild inventories and households re-time durable and housing purchases. The recovery will be tempered by wage and profit losses but these are likely to be cushioned by significant policy-easing measures. Despite this 'V'-shaped quarterly recovery, we have lowered our forecast for the year as a whole to 3.7% from 5.9% in our January forecast update for China.

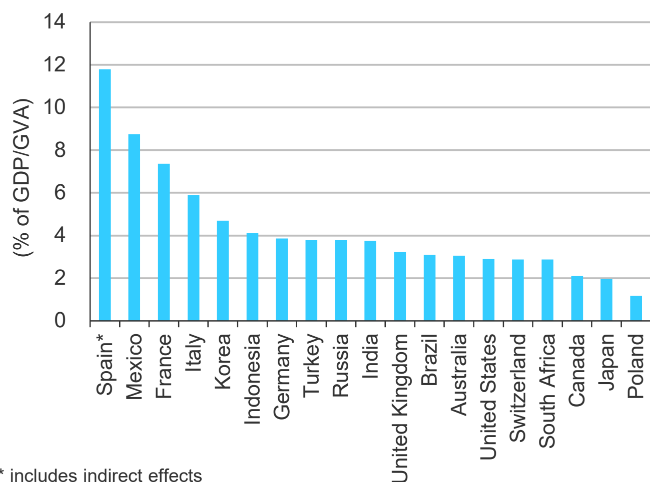
China GDP Shock Reverberates

It is hard to overstate the impact of the China GDP shock on the world economy, as testified by the daily flow of global corporate earnings downgrades since February. China now accounts for 20% of our global GDP proxy and has been responsible for over a third of global GDP growth every year since 2011. One of the most visible channels of disruption has been through manufacturing supply-chain linkages. China exported nearly USD400 billion of intermediate exports in 2015 concentrated most heavily in electronics, with February factory closures creating shortages for technology producers worldwide but most notably in Korea and Japan. China has dominated global commodity demand for the past two decades and the recent sharp declines in Chinese oil and steel demand are having profound effects on these markets. The Energy Information Administration now expects Chinese oil demand to grow by just 100,000 barrels a day in 2020, down from 900,000 in 2019, when it accounted for half of total demand growth. Chinese steel inventories have reached record highs.

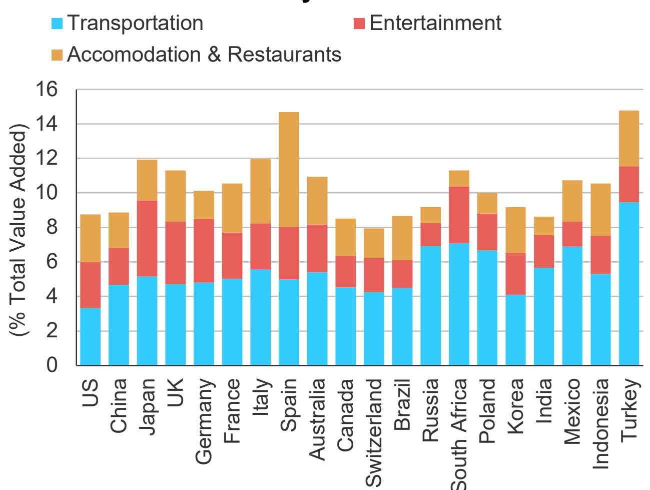
The rising influence of the Chinese consumer is also clearer than ever. The collapse in auto sales in February will be a further setback for a sector already reeling from an earlier slowdown in Chinese demand. Moreover, the shock to Chinese tourism and enrolment in overseas education establishments is revealing the reliance of service industries worldwide on Chinese demand. The closest trade links with China are in the rest of Asia. Korean trade data were among the first to reveal the scale of adjustment in China. But the experience of the past two years has underlined the vulnerability of eurozone, and in particular German, growth to Chinese demand shocks. While activity in China is likely now recovering in real time, data publication lags mean that there are still a host of dramatic China-related data releases ahead in the next few months.

Virus Disruption Spreading Fast

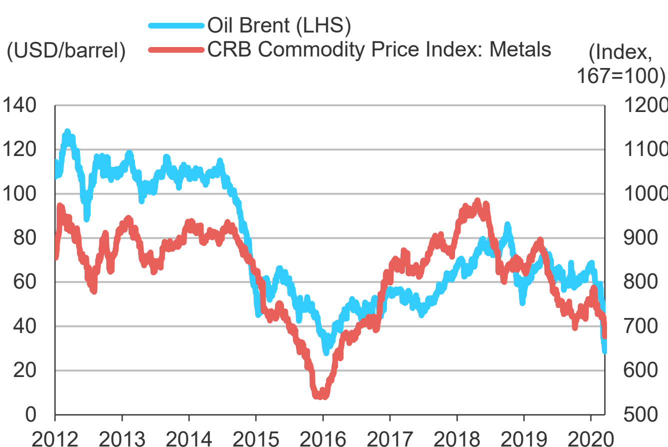
The rapid spread of the virus outside China since late February is sharply amplifying the negative impact on the world economy. Tourism and travel spending are collapsing worldwide and we are seeing widespread cancellations of business events and consumer activities which involve social proximity. Italy and Spain have engaged in extensive lockdown measures that have included nationwide school, retail and restaurant closures,



Source: Fitch Ratings, OECD



Source: Fitch Ratings, OECD, Haver Analytics



Source: Fitch Ratings, Financial Times, Commodity Research Bureau, Haver Analytics

confining people to their homes and banning all non-essential and non-work-related travel. We have penciled in a 2.4% decline in Italian GDP for 2Q20 and now expect the economy to shrink by 2% this year.

For now, our baseline forecast assumes that the extensive lockdown responses seen in Italy and Spain are avoided elsewhere but even on this basis we have to factor in the impact of shock to tourism, travel and event cancellations as households and businesses engage in voluntary social distancing. Tourism – both domestic and international – accounts for over 4% of GDP on average in OECD countries with a higher share in some of the larger eurozone economies. And on a broader-based definition that includes transport, hotels, restaurants, and the arts and recreation industries (these include sporting events, pubs and music festivals), the industries most acutely affected account for 8%-10% of GDP on average among most of the Fitch 20.

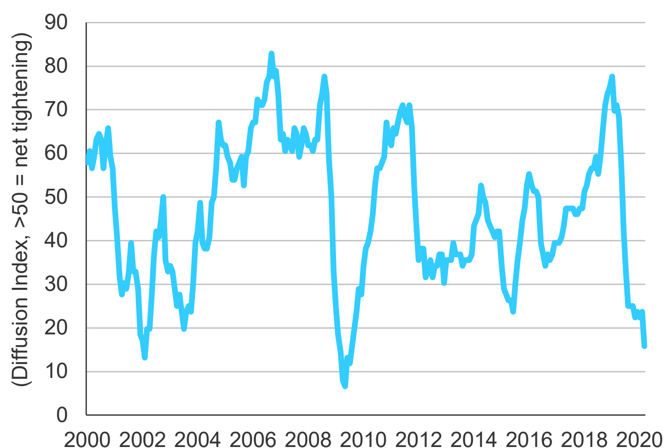
By means of illustration, a six-week disruption during which the output of these industries is cut by half would subtract about 0.5pp from annual GDP. However, the direct effects will be amplified by multiplier impacts on spending from losses in household and corporate income, wealth losses from equity price declines, and the shock to consumer and business confidence. On the other hand, it is reasonable to expect some of the lost output from such a shock to be made up later in the year – assuming the immediate crisis subsides – when recent aggressive macro policy easing is likely to start gaining traction. There will also be some reallocation of spending on other types of goods and services, for example, online retailing. We have lowered our annual forecasts from our pre-virus base case by about 1pp for those countries affected but so far avoiding aggressive lockdown responses. The new baseline forecasts entail technical recessions in Germany, Italy, Spain, the eurozone and Japan in 1H20 and falling GDP in 2Q20 in the US, the UK and several other countries.

Oil Price Shock

One of the most visible results of the crisis has been the sharp decline in oil prices as downward pressure from the Chinese demand shock was met with disagreement between Saudi Arabia and Russia on the appropriate supply-side response. The OPEC+ agreement forged in late 2016 helped oil prices stabilise and recover in the wake of the US shale revolution. However, the OPEC meeting on 5 March saw a complete breakdown in co-operation, with Saudi Arabia committing publicly to sharply expand its output by up to two million barrels a day. This immediately prompted the Brent oil price to drop by 30% to about USD35/bbl. The apparent shift to pursuing a market share strategy among these two key producers – against the backdrop of sustained falls in OPEC's market share in recent years – suggests that lower oil prices are likely to persist for some time, even if demand recovers.

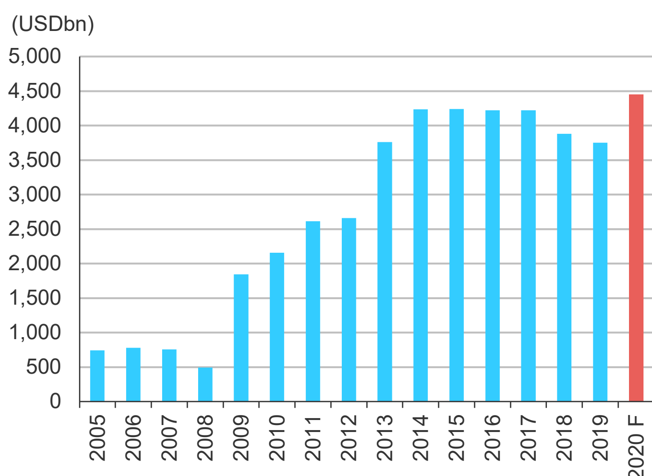
We have lowered our forecast for the 2020 annual average Brent oil price to just over USD40/bbl from USD62.5/bbl in the previous GEO. Prices should rise next year as demand recovers and US supply adjusts, but we expect them to average just below USD50/

Global Central Banks Tightening Policy



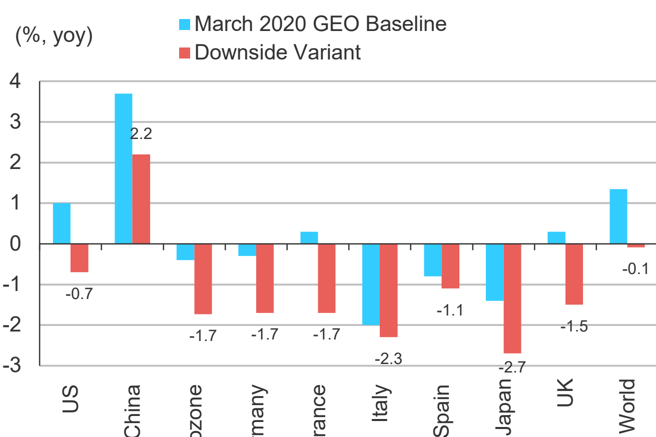
Source: Fitch Ratings, BIS

Fed Holdings of Treasuries & MBS Securities



Source: Fitch Ratings, Fed, Haver Analytics

Global GDP Growth in 2020



Source: Fitch Ratings' estimates

bbl in 2021. While there will be benefits to consumers from lower oil prices, the experience after the 2014 price shock was that these only translate relatively slowly to higher discretionary spending in oil-consuming countries. The more powerful effect on global demand in the near term is likely to stem from lower spending in oil-exporting countries suffering from the fall in the terms of trade.

Emergency Macro Policy Responses

Macroeconomic policy has moved into full crisis response mode over the past two weeks with a host of targeted and more traditional monetary and fiscal easing measures being announced. The Fed has made 150bp of emergency interest rate cuts (taking rates to zero), launched an additional USD700 billion of quantitative easing (QE) purchases and announced an expansion in foreign-exchange swap lines with other central banks to ease pressures in offshore dollar-finding markets. The New York branch also announced a huge increase in short-term repo operations in response to signs of illiquidity in the US Treasury market. The ECB announced that an additional EUR870bn of asset purchases would be undertaken by year end – on top of the EUR20 billion a month already underway – and has scaled up its long-term repo operations and made the terms more generous. The Bank of England (BOE) announced an emergency rate cut of 50bp and introduced a Term Funding Scheme targeted at small and medium-sized enterprises (SMEs), while the Bank of Japan announced a sharp rise in its purchases of private-sector assets.

These monetary policy moves have come against the backdrop of precipitous falls in global equity markets and a wave of 'risk-off' sentiment that has seen the VIX index of equity market volatility revisit highs last seen in the global financial crisis. Central banks are fighting to ensure that the initial macroeconomic shock is not amplified unduly by a tightening in credit conditions. A key theme of the policy responses has been preventing solvent firms hit by temporary cash flow problems going out of business by ensuring sufficient liquidity support is available. The ECB and the BOE have launched and expanded liquidity facilities targeted at SMEs. Loan guarantee facilities from fiscal authorities have also been extended on a huge scale in Europe varying from 8% of GDP in Spain, 12% in France, 15% in the UK and 14% in Germany, where they will be offered by the state development bank, KFW. Macro-prudential easing has also been undertaken to encourage commercial banks to support businesses through the disruption.

Targeted temporary tax relief measures for firms and households affected by the crisis have also been announced in several countries. On the spending side, public health budgets are being expanded and big increases in contingency reserve funds are being approved, along with measures to increase the generosity of sick pay and in unemployment and temporary layoff benefit provisions. Some countries are examining employment subsidy schemes to help firms avoid redundancies. The UK, Spain and Italy have announced fiscal packages equivalent to 1.4% of GDP and France a package of 1.8%. Notably, the German government

has announced its intention to provide whatever fiscal support is necessary to avoid the crisis leading to lasting damage to the economy with the Finance Minister suggesting temporary departure from 'black zero' strategy of avoiding federal fiscal deficits. A USD 1 trillion (5% of GDP) fiscal easing package is also being discussed in the US Congress.

Targeted fiscal and credit easing are aimed at providing a bridge for the private sector to traverse the crisis without sharp increases in unemployment and bankruptcies that could cause a more lasting shock to aggregate demand. It is unlikely that traditional monetary and fiscal easing will boost GDP while the health crisis is still in full swing, but it should gain some traction once the crisis subsides, helping support a V-shaped recovery.

China's policy response in terms of headline monetary and credit easing has been restrained with only modest benchmark interest rate cuts and credit growth remaining broadly stable. Nevertheless, there has been substantive support through fiscal and targeted macro prudential easing including through cuts in the reserve requirement ratio.

Global Lockdown Scenario

The situation is evolving rapidly every day and the probability of other countries heading into an extensive lockdown scenario is high. For example, France announced a significant tightening of lockdown conditions after our forecast numbers were finalised. For this reason, we have constructed a downside forecast variant based on a 'full global lockdown scenario' where more pervasive restrictions are imposed across the entire G7. The depth of the related downturn will depend on the severity and duration of the lockdown measures but it is easy to envisage GDP declines on a similar scale to those seen in the initial stages of the 2008 global financial crisis. By means of illustration, a five- to six-week lockdown that reduces the daily level of economic activity by 10%-15% would lower GDP in the quarter most affected by about 4pp to 5pp (not annualised) and annual GDP by roughly 1pp to 2pp. This is before taking account of the likelihood that some of the lost activity would be recovered in subsequent weeks and any macro policy easing response.

Using this as a calibration, we have produced the downside scenarios shown in the chart. These entail GDP declines of 2% to 3% (not annualised) in 2Q20 in the US, the eurozone, the UK and Japan. Our scenario also assumes that China suffers a setback in virus containment and is hit by the weakening in demand elsewhere, sharply reducing the speed of its 2Q20 recovery. Global GDP would fall by 0.1% in 2020 in this full global lockdown scenario. Outright declines in global GDP on an annual basis have been extremely rare in the post-war period and were only really seen in the 2009 crisis, when output fell by 2%. Our downside scenarios would, however, see a sharp recovery in global growth in 2021 to 3.9% assuming that the health crisis is resolved in 2H20.

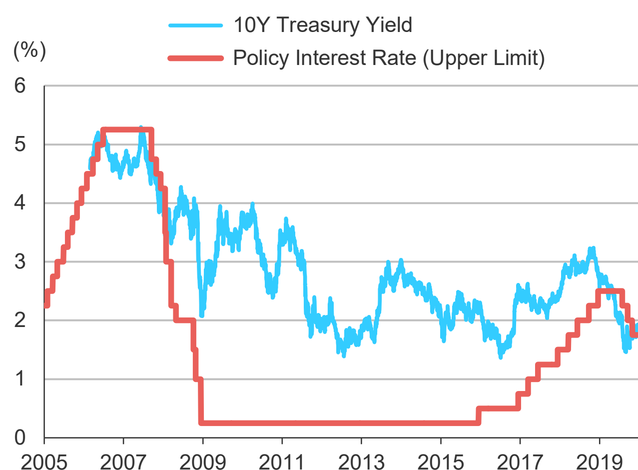
United States

The US economy was performing well prior to the coronavirus outbreak, with job growth accelerating in January and February, consumer spending holding up well and evidence of broad-based resilience within the service sector. Along with the signing of the Phase 1 trade agreement with China in January, the economy was on track to record 2% growth in 2020, up from 1.7% forecast in the last GEO. However, the outbreak has seen tourism and travel spending collapse since early March the widespread cancellation of business and consumer events and a sharp decline in equity prices of 25% from the December 2019 average (as of March 16).

Our baseline forecasts assume that a full lockdown scenario will be avoided but even on this basis we have cut our 2020 forecast to 1%. This is a downward revision of 0.7pp since the last GEO and 1pp weaker than the underlying pre-virus trend. We expect GDP to fall by an annualised 2.5% in 2Q20 before recovering to over 2.5% in 2H20, but this is on the assumption that the health crisis subsides. If a more aggressive lockdown response becomes necessary GDP could fall by 0.7% in 2020.

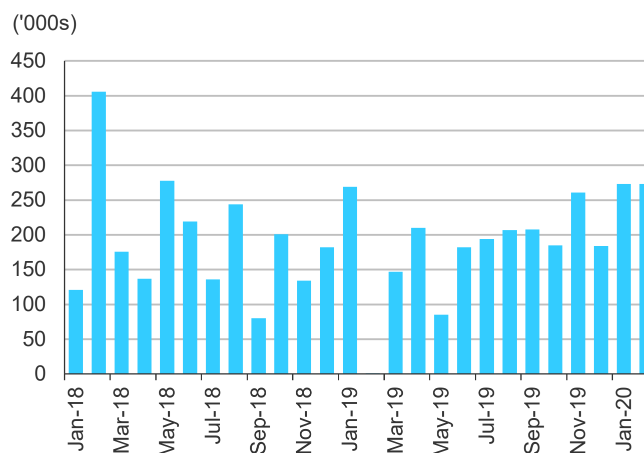
A huge expansion in liquidity provision by the Federal Reserve – with a fresh wave of USD700 billion of QE and a tripling in the scale of short-term repo operations – is aimed at limiting the risk of a tightening in credit availability that could significantly amplify the initial shock. Tax cuts and public spending increases targeted at protecting firms and workers from the near-term economic disruption, alongside increases in public health spending, should also help to limit the multiplier pacts from the shock. A USD 1 trillion stimulus package is being discussed. But any outright boost to growth from aggressive macro policy easing – including the Fed's 150bp of emergency interest rate cuts in March – is only to be seen in 2H20, assuming the immediate health crisis has eased.

United States - Interest Rate and 10Y Bond Yield



Source: Fitch Ratings, Tullett Prebon Information, Fed, Haver Analytics

United States - Changes in Non-Farm Payrolls



Source: Fitch Ratings, Bureau of Labor Statistics, Haver Analytics

United States - Forecast Summary

GDP	Ann. Av.2014-18	2018	2019f	2020f	2021f
GDP	2.5	2.9	2.3	1.0	1.9
Consumer Spending	3.0	3.0	2.6	1.5	2.4
Fixed Investment	4.1	4.6	1.3	-1.3	1.2
Net Trade (contribution pps.)	-0.4	-0.4	-0.2	0.1	-0.3
CPI Inflation (end-year)	1.5	1.9	2.3	1.8	2.1
Unemployment Rate	4.9	3.9	3.7	3.9	4.0
Policy Interest Rate (end-year)	0.83	2.50	1.75	0.25	0.50
Exchange Rate, USDEUR (end-year)	0.86	0.87	0.89	0.90	0.90

Source: Fitch Ratings

Eurozone

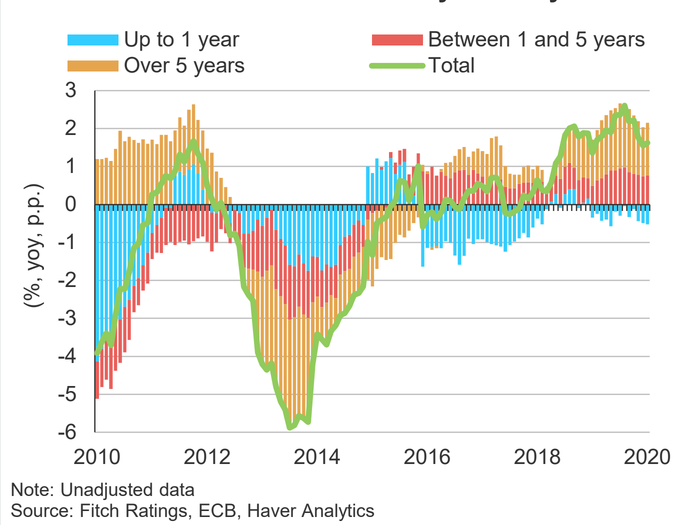
With economic activity expected to be severely affected by the COVID-19 crisis, our baseline forecast sees eurozone GDP contracting by 0.4% in 2020, a 1.5pp reduction from our previous forecast. The rapidly evolving nature of the crisis means that forecasts are subject to a high degree of volatility. For that reason, we have also provided a downside risk scenario in which GDP contracts by 1.7% this year with output declining very sharply in 1H20.

The initial issue for the eurozone economy was a shock to supply chains affecting manufacturing firms. Seaborne deliveries from China can take up to six weeks and any delay will have an impact. Automakers are already cancelling production for lack of key intermediate products.

Virus containment measures mean that the supply disruption is being compounded by a severe domestic demand shock. Italy and Spain have implemented country-wide lockdowns, including the closure of schools, restaurants and non-essential shops (France followed suit after our forecast were finalised). Only supermarkets and pharmacies will remain open and the movement of people will be restricted. In this environment, consumer and business confidence are likely to nosedive. Growing uncertainty is also likely to affect investment decisions. Eurozone companies' demand for loans has declined with weakness concentrated in loans with a maturity of five years – essentially those used for investment purposes.

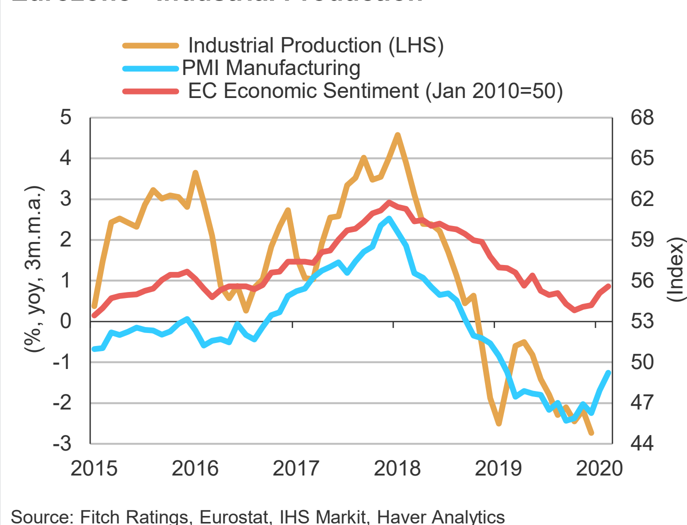
In response to the crisis, the ECB introduced a comprehensive package focused on new liquidity and a huge increase in asset purchases. The liquidity measures include making the existing TLTRO programme even more generous and increasing asset purchases by an extra EUR870bn billion for the remainder of the year. The ECB did not cut the deposit rate despite market expectations while President Christine Lagarde made a strong call for substantial and coordinated fiscal response.

Eurozone - Bank Loans to NFCs by Maturity



Note: Unadjusted data
Source: Fitch Ratings, ECB, Haver Analytics

Eurozone - Industrial Production



Source: Fitch Ratings, Eurostat, IHS Markit, Haver Analytics

Eurozone - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.0	1.9	1.2	-0.4	1.8
Consumer Spending	1.6	1.4	1.3	-0.5	1.9
Fixed Investment	3.2	2.3	5.7	2.2	2.3
Net Trade (contribution pps.)	0.1	0.4	-0.5	-0.8	-0.2
CPI Inflation (end-year)	0.8	1.5	1.3	1.3	1.5
Unemployment Rate	10.0	8.2	7.6	8.3	8.5
Policy Interest Rate (end-year)	0.04	0.00	0.00	0.00	0.00
Exchange Rate, EURUSD (end-year)	1.17	1.15	1.12	1.11	1.11

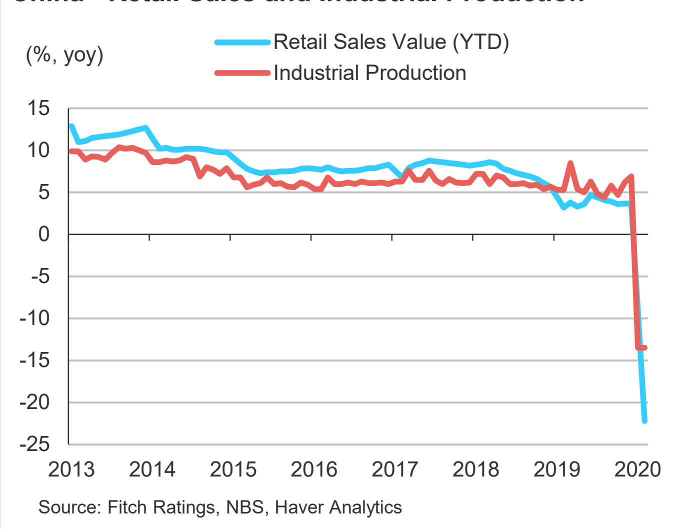
Source: Fitch Ratings

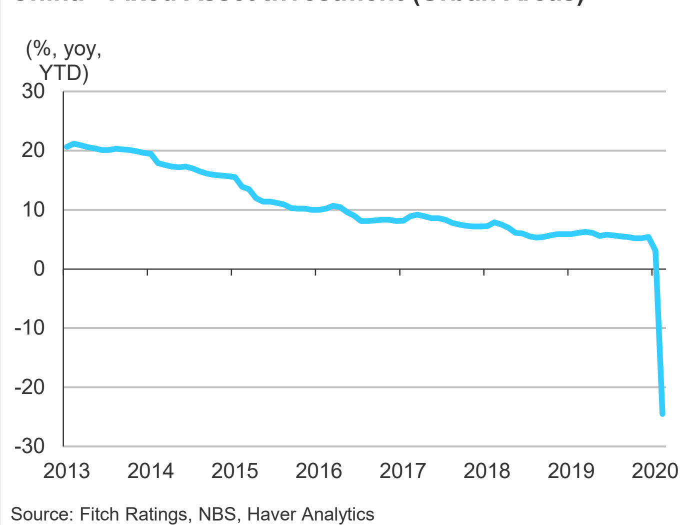
China

The scale of the disruption to the Chinese economy in 1Q20 from the virus outbreak and the actions taken to contain it is turning out to be spectacular. Industrial production was down by 13.5% y/y in January and February, fixed-asset investment was down 25%, while retail sales fell 20%. PMI balances fell to the low 30s and below in February, cars sales were down 80% y/y and exports fell by 17%. While there is evidence in weekly data of activity recovering quickly at the beginning of March, we forecast declines of 5% quarter-on-quarter and 1% year-on-year in GDP in 1Q20. This is unprecedented and even with a sharp V-shaped recovery in quarter-on-quarter growth from 2Q20, the annual figure for 2020 looks set to fall below 4%.

Our new baseline forecast for 2020 is 3.7%, down from 5.9% in our January forecast update, released just after the signing of the Phase 1 trade deal with the US. The prediction of a recovery from 2Q20 partly reflects the collapse in new cases of COVID-19, which is helping the normalisation of activity and the authorities are increasingly focusing on restarting the economy in areas where the virus has been contained. With the immediate health crisis easing, the impact on growth of the substantive fiscal expansion, targeted credit easing and planned increases in infrastructure spending should become stronger. Re-profiling of consumer durables and housing purchases could also help boost spending later in the year.

But while we now anticipate further cuts in policy interest rates against the backdrop of a huge shift in global monetary policy settings, we still do not see a reversion to massive credit stimulus in an attempt to 'do whatever it takes' to hit earlier growth targets of at least 6%. The global growth shock is also likely to cap the extent of any rebound and in a downside 'global lockdown scenario' we could see 2020 growth fall to just over 2%.





China - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	7.0	6.7	6.1	3.7	7.2
Consumer Spending	7.7	7.3	6.7	2.1	6.1
Fixed Investment	6.2	5.0	4.3	2.4	7.4
Net Trade (contribution pps.)	-0.3	-0.5	0.7	-0.6	0.1
CPI Inflation (end-year)	1.8	1.9	4.5	2.2	2.1
Policy Interest Rate (end-year)	3.49	3.30	3.25	2.75	2.75
Exchange Rate, USDCNY (end-year)	6.48	6.85	6.99	7.10	7.20

Source: Fitch Ratings

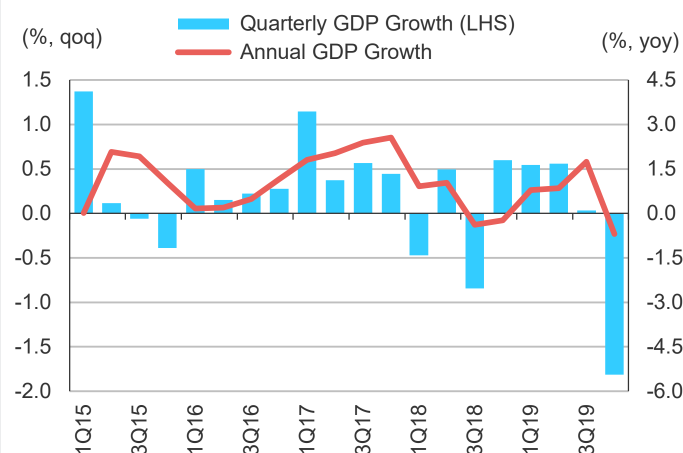
Japan

The Japanese economy was starting to recover in early 2020, before the outbreak of the coronavirus. GDP growth plunged in 4Q19 by 1.8% quarter on quarter in the aftermath of the sales tax rise and the severe typhoon in September. A pickup in production indicators in January was halted by the spread of the virus. We now expect GDP to shrink 1.4% over 2020, a very large 1.8pp downward revision from the December GEO. This reflects the fallout of the virus and the carryover of weaker than expected 4Q19 growth momentum after the sales tax hike. The Economy Watchers Survey for February plunged to its lowest level since the 2011 tsunami.

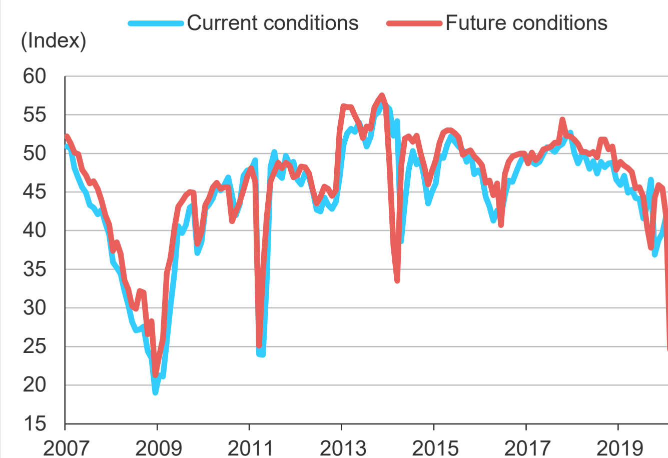
At the time of writing, the number of confirmed cases in Japan was relatively low, although the virus was still spreading. While the number of infections is likely to keep rising in the coming weeks, our baseline forecast assumes that the outbreak remains contained.

The government responded to the outbreak by shutting down all schools until mid-April and encouraging people to work from home. Weakening sentiment and reduced movements of people will knock spending and activity in 1H20. The fallout of the virus is likely to be exacerbated by the large share of entertainment industry in the economy. Tourism arrivals from overseas are down sharply and there an increasing number of events are being cancelled. Falling demand from trade partners will add another headwind in coming months as growth elsewhere is slipping.

The Bank of Japan (BoJ) held an emergency meeting in mid-March and announced an increase of the upper limits of its private securities purchases (exchange-traded funds, commercial papers and corporate bonds). To help businesses cope with the outbreak, the BoJ also set up a new one-year facility with a 0% interest rate. We do not expect a cut in the policy rate as the BoJ is concerned about the negative side-effects of negative rates on banks' profit margins.



Source: Fitch Ratings, Cabinet Office of Japan, Haver Aanlytics



Source: Fitch Ratings, Cabinet Office of Japan, Haver Analytics

Japan - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	0.9	0.3	0.7	-1.4	1.5
Consumer Spending	0.0	0.0	0.2	-1.7	1.6
Fixed Investment	1.6	0.6	1.3	-2.3	1.8
Net Trade (contribution pps.)	0.3	0.0	-0.2	-0.2	0.1
CPI Inflation (end-year)	1.0	0.3	0.8	0.2	0.5
Unemployment Rate	3.1	2.4	2.4	2.8	2.7
Policy Interest Rate (end-year)	-0.02	-0.10	-0.10	-0.10	-0.10
Exchange Rate, USDJPY (end-year)	111.7	110.8	109.1	107.0	107.0

Source: Fitch Ratings

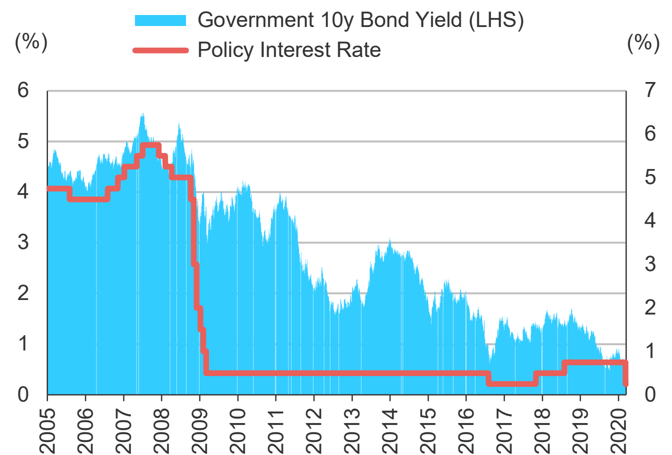
United Kingdom

The benefits of reduced Brexit uncertainty after the UK election in December 2019 are proving short-lived thanks to the coronavirus. GDP stalled in 4Q19 as business investment fell by 1% and consumer spending flat-lined in the face of rising fears of a disruptive no-deal Brexit. However, the large Conservative majority secured in the election saw a sharp improvement in sentiment in January, including the CBI survey of manufacturers' investment intentions. Our GDP 'Nowcast' estimates were pointing to quarterly growth of 0.2% in 1Q20, prior to the outbreak.

The deterioration in eurozone growth prospects is likely to be a more important external drag on the UK than supply-chain disruptions from China. But the adjustments underway in tourism, travel and 'event-related' business and consumer spending as social distancing behaviour takes hold – alongside a 30% fall in the equity market since December (as of March 16) – are likely to see UK GDP shrink in 2Q20. Our baseline forecast assumes the UK avoids more pervasive ockdown measures similar to those implemented in some European countries but even on this basis we have lowered our annual 2020 forecast by 1pp. A downside scenario in which the UK finds it necessary to impose much more pervasive lockdown conditions could see GDP fall by 1.5% in 2020.

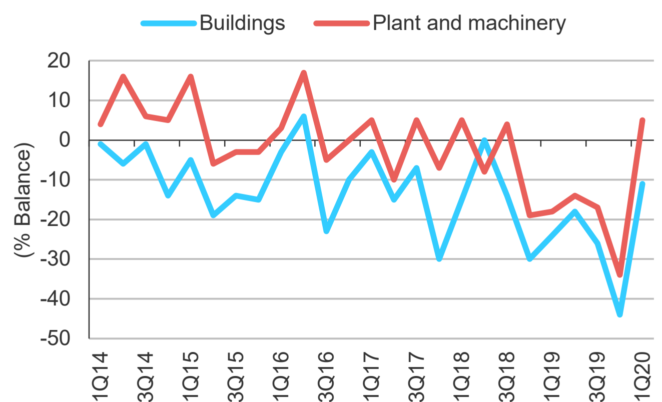
The UK has announced large-scale macro policy easing in response to the health crisis with the BOE announcing emergency rate cuts of 50bp, a new Term Lending Facility targeted at SME's and a GBP32 billion (1.4% of GDP) COVID-19 fiscal package. Credit guarantees of GBP330 billion have also been approved. This easing is aimed at limiting the second-round effects of the initial shock and should help growth recover, assuming that the immediate health crisis subsides. Substantive fiscal easing (over and above the virus package) could also boost growth over the GEO forecast horizon. However, this will be tempered by the impacts of lingering Brexit uncertainty as the final shape of any future trade deal with the EU remains unknown and the risk of the transition period ending without a deal persists.

United Kingdom - Interest Rate and Bond Yield



Source: Fitch Ratings, Bank of England, Haver Analytics

United Kingdom - Capex Expectations*



*Expectations of capital expenditure authorizations over next 12 months versus last 12 months
Source: Fitch Ratings, Confederation of British Industry, Haver Analytics

United Kingdom - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.0	1.3	1.4	0.3	1.9
Consumer Spending	2.5	1.6	1.3	0.7	1.6
Fixed Investment	3.1	-0.2	0.4	-1.0	2.2
Net Trade (contribution pps.)	-0.3	-0.2	0.0	1.9	-0.1
CPI Inflation (end-year)	1.5	2.1	1.3	1.7	2.1
Unemployment Rate	5.0	4.1	3.8	4.4	4.6
Policy Interest Rate (end-year)	0.46	0.75	0.75	0.25	0.50
Exchange Rate, GBPUSD (end-year)	1.43	1.27	1.31	1.30	1.30

Source: Fitch Ratings

Germany

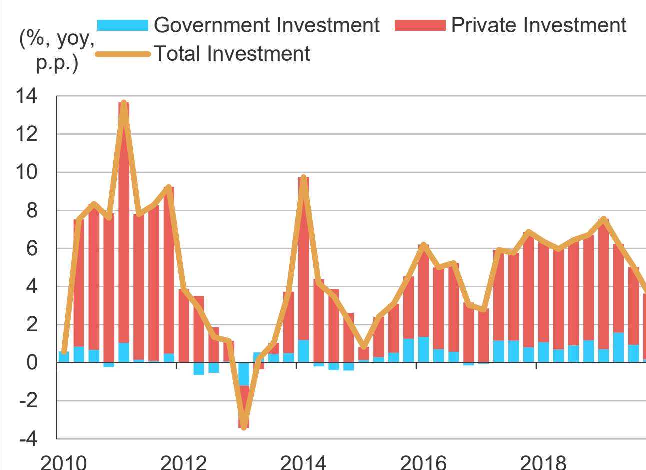
We expect the German economy to come to a standstill this year as government efforts to contain the spread of COVID-19 weaken domestic demand, amplifying the headwinds faced by the external sector. Prior to the outbreak of coronavirus, the breakdown of GDP for 4Q19 (zero growth, compared to a forecast 0.3% in the December GEO) showed that demand had stagnated after a long period of resilience. At the same time, the drag from inventories that had affected the industrial sector for most of last year had stopped and would have been positive for growth prospects.

But any positive news is likely to come to an abrupt halt in the near term. We expect the economy to contract by 0.3% this year – revised down from growth of 0.9% in December's GEO – and forecast a technical recession in the first half of this year. Our revision was initially driven by disruptions to the supply chain originating in China. Germany's BDI, the leading industry organisation, reported that container shipping traffic between China and Germany fell sharply in late February and that auto makers, electrical equipment and pharmaceutical sectors were likely to be affected.

Fundamentals remain positive for the consumer given strong employment growth, healthy household finances, low interest rates, rapid wage increases and elevated consumer confidence. However, we expect consumer confidence to weaken sharply as coronavirus worries grow while the slowdown in employment and wage growth should lead to a moderation in private consumption this year. Companies' hiring intentions have also declined.

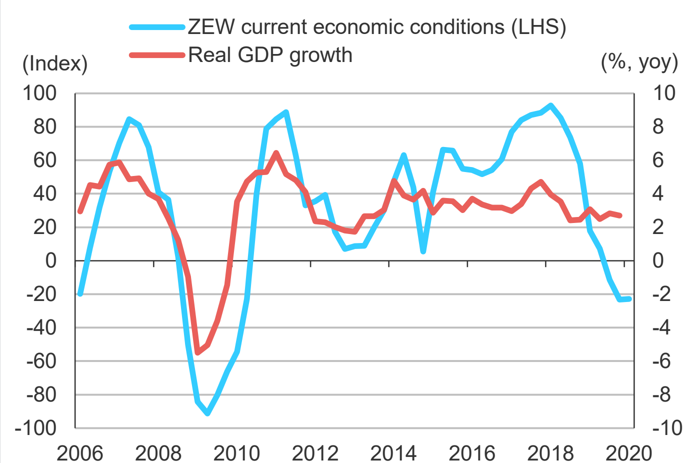
Rising uncertainty is likely to alter investment plans. Prior to the virus, strong unfilled orders had pointed to a continuation of solid investment spending by construction companies. The government has responded to the crisis by allowing companies to defer tax payments and by providing an "unlimited" credit programme for struggling firms of any size via the state-owned KfW bank. The Finance Ministry has announced a willingness to see a temporary departure from the 'black zero' policy of maintaining a federal budget surplus.

Germany - Investment: Public and Private



Source: Fitch Ratings, Bundesbank, Federal Statistical Office, Haver Analytics

Germany - ZEW Conditions and GDP Growth



Source: Fitch Ratings, Bundesbank, ZEW, Haver Analytics

Germany - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.0	1.5	0.6	-0.3	1.6
Consumer Spending	1.6	1.3	1.6	0.6	2.4
Fixed Investment	2.9	3.5	2.6	-0.3	1.8
Net Trade (contribution pps.)	0.0	-0.5	-0.4	-1.0	-0.4
CPI Inflation (end-year)	1.1	1.7	1.5	1.6	1.7
Unemployment Rate	4.2	3.4	3.2	3.5	3.4
Policy Interest Rate (end-year)	0.04	0.00	0.00	0.00	0.00
Exchange Rate, EURUSD (end-year)	1.17	0.87	0.89	0.90	0.90

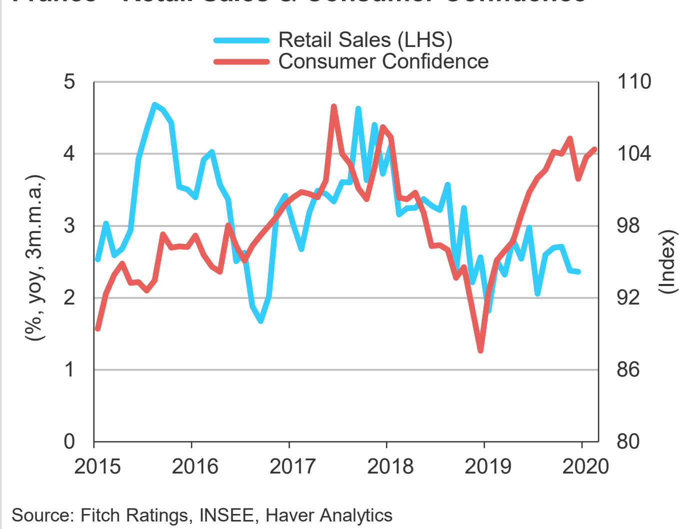
Source: Fitch Ratings

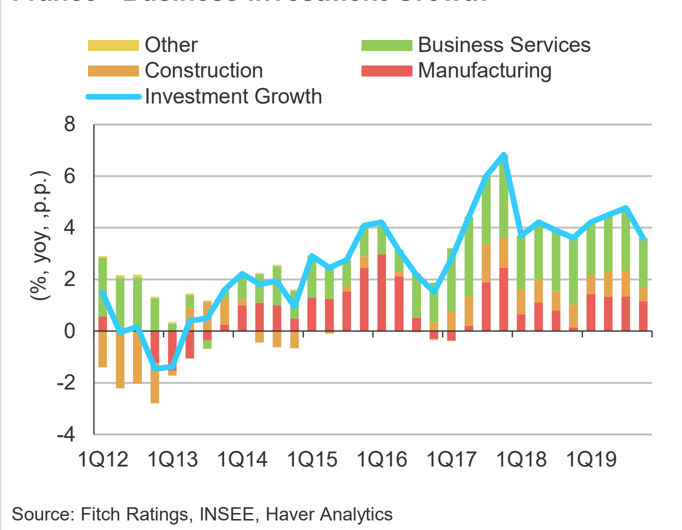
France

Our baseline forecast for this year sees growth of 0.3% in 2020 but this was finalised before the recent intensification of lockdown measures. A downside variant foresees a contraction of 1.7% with a collapse in activity concentrated in 2Q20. In both cases, we see the economy recovering in the second half of the year on the assumption that the health crisis subsides, fiscal easing measures come into play and pent-up demand pushes growth above trend. Efforts to contain the virus have led to the closure of bars, restaurants, ski resorts and non-essential shops, although supermarkets and pharmacies remain open. Schools and nurseries have been closed and the movement of people restricted. Anyone flouting these restrictions faces a fine of EUR135 with the police enforcing the lockdown. These measures will severely reduce domestic demand as big-ticket purchases are postponed and heightened uncertainty leads to investment plans being shelved.

The developments add to the general economic weakness that was already evident in 4Q19. While the 0.1% contraction (the December GEO forecast growth of 0.5%) was due largely to a sharp reduction in inventories, the decomposition of growth into its components was not encouraging. In particular, investment decelerated rapidly and recent surveys (prior to the virus) suggested a further slowdown. Consumer confidence recovered all of the losses from the yellow vest protests at the start of last year and while fundamentals remain supportive of the consumer (lower unemployment and rising wages) containment efforts will weigh on both sentiment and private consumption.

Fiscal measures to help companies and employees weather the decline in activity amount to EUR45 billion (1.8% of GDP), with the package including a mixture of financial aid, including payments to temporarily redundant workers, and deferments of tax and social security bills. Additional measures include EUR300 billion of state guarantees for bank loans to businesses.





France - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	1.4	1.7	1.3	0.3	1.8
Consumer Spending	1.3	0.9	1.2	0.4	2.0
Fixed Investment	2.2	2.8	3.6	1.3	1.6
Net Trade (contribution pps.)	-0.1	0.7	-0.1	-0.1	0.0
CPI Inflation (end-year)	0.7	1.6	1.5	1.3	1.5
Unemployment Rate	9.8	9.0	8.5	8.7	8.7
Policy Interest Rate (end-year)	0.04	0.00	0.00	0.00	0.00
Exchange Rate, EURUSD (end-year)	1.17	0.87	0.89	0.90	0.90

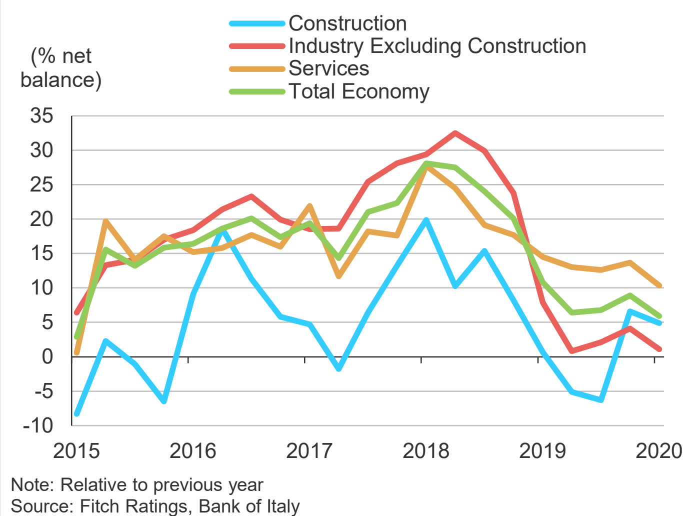
Source: Fitch Ratings

Italy

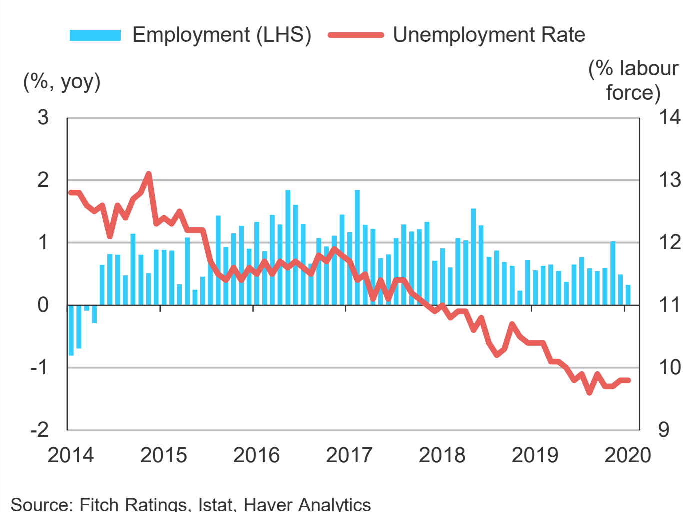
We expect the Italian economy to be significantly affected by the measures adopted to contain the spread of COVID-19. Our baseline forecast for 2020 sees GDP declining by 2.0% compared to our previous GEO forecast of growth of 0.4%. The initial containment measures that only applied to the most productive regions of the country, accounting for a third of total national output, now apply to the whole of Italy. Outdoor gatherings have been forbidden and permission is needed for those who want to move around the country to work, or because of health or extenuating circumstances. This is likely to have a profound economic impact in the near term particularly on non-essential consumer spending. We expect the economy to contract by 0.9% and 2.4% in 1Q20 and 2Q20, respectively. The government response has included fiscal measures to help struggling businesses and families with a package of EUR25 billion (1.4% of GDP) in 2020 while households will benefit from a moratorium on mortgage payments for the duration of the outbreak.

The Italian economy was already on a weak footing given the sharper-than-expected negative outturn for 4Q19. The 0.3% quarterly decline (December GEO forecast growth of 0.1%) partly reflected a substantial running down of inventories but very weak domestic demand was also a factor. Investment declined steadily throughout 2019 and recent surveys (pre-outbreak) pointed to a further deceleration in intentions to invest. The most recent Bank of Italy lending survey also pointed to a decline in loans for the purposes of investment spending.

A downside eurozone growth scenario that entails more intense lockdown measures across the bloc could further reduce Italian growth relative to our baseline forecast, as could a sustained tightening in credit conditions. Nevertheless, on the assumption that the health crisis eases in 2H20, growth should recover in 2021 as activity normalises, policy easing gains more traction and the level of GDP returns towards its pre-crisis path. We forecast growth rising to 1.8% in 2021.



Note: Relative to previous year
Source: Fitch Ratings, Bank of Italy



Source: Fitch Ratings, Istat, Haver Analytics

Italy - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	0.9	0.8	0.3	-2.0	1.8
Consumer Spending	1.1	0.9	0.4	-2.1	2.4
Fixed Investment	2.0	3.1	1.4	-1.6	0.8
Net Trade (contribution pps.)	-0.3	-0.3	0.5	-0.1	0.0
CPI Inflation (end-year)	0.6	1.2	0.5	1.0	1.2
Unemployment Rate	11.6	10.6	10.0	10.5	10.3
Policy Interest Rate (end-year)	0.04	0.00	0.00	0.00	0.00
Exchange Rate, EURUSD (end-year)	1.17	0.87	0.89	0.90	0.90

Source: Fitch Ratings

Spain

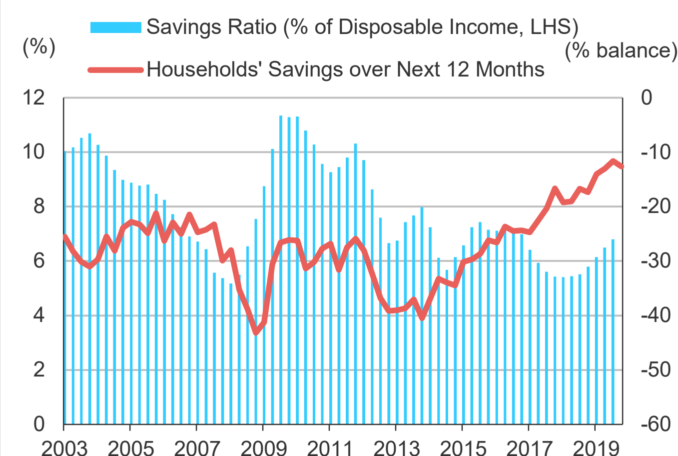
The rapid spread of COVID-19 and the significant measures enacted by the Spanish government are likely to result in a sharp decline in economic activity. Schools, bars and restaurants have been closed, people have been confined to their homes and the police are imposing fines on those who break the quarantine. We expect the economy to contract by 0.8% this year with a technical recession recorded in 1H20. If the virus subsides in the spring and normal economic activity resumes, we expect growth to be boosted by the recently announced fiscal measures and pent-up demand. On that basis, we see the economy growing at 2.4% in 2021.

Fitch's Nowcast for the first two months of 1Q20 had pointed to a continuation of recent strong growth, but the breakdown of 4Q19 GDP was less than encouraging with consumer spending showing signs of weakness. While stronger wage growth and low inflation are supporting households' real incomes, the uncertain outlook (even pre-virus) had prompted households to raise precautionary savings. In effect, the large gains in disposable income were not translating into actual spending. The softening in the pace of employment growth was also exerting additional downward pressure on private consumption.

The declaration of a state of emergency will reduce consumer spending substantially with tourism also being hit. Last year, close to 84 million people visited Spain and a large number of those tourists came from affected areas, such as China and Korea. Increased uncertainty will also have an impact on investment plans. Even before the eruption of COVID-19 overall capital spending was slowing rapidly, initially driven by deceleration in business investment and now residential investment. House price growth has already started to slow.

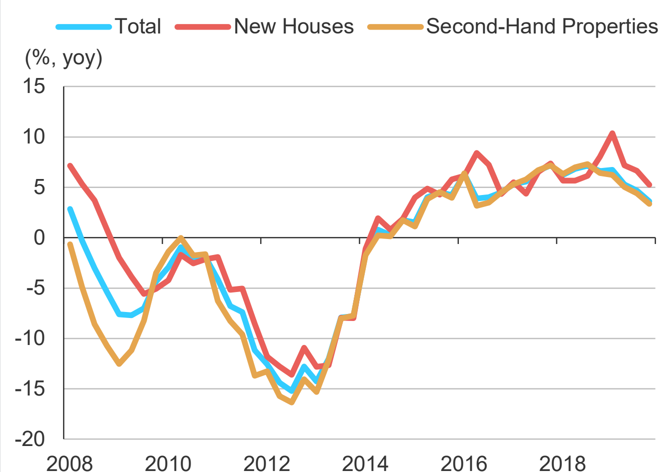
The Government has announced a series of policies to counter the effects of the virus with a package totalling EUR17 billion that will include transfers to hospitals in autonomous regions and tax holidays for SMEs.

Spain - Savings Rate and Intentions to Save



Source: Fitch Ratings, European Commission, Haver Analytics

Spain - House Price Indices



Source: Fitch Ratings, INE, Haver Analytics

Spain - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.7	2.4	1.9	-0.8	2.4
Consumer Spending	2.4	1.9	1.1	-1.2	2.2
Fixed Investment	4.5	5.3	1.9	-3.7	2.8
Net Trade (contribution pps.)	0.0	-0.3	0.4	0.2	0.2
CPI Inflation (end-year)	0.5	1.2	0.8	1.3	1.5
Unemployment Rate	19.7	15.3	14.1	15.5	15.4
Policy Interest Rate (end-year)	0.04	0.00	0.00	0.00	0.00
Exchange Rate, EURUSD (end-year)	1.17	0.87	0.89	0.90	0.90

Source: Fitch Ratings

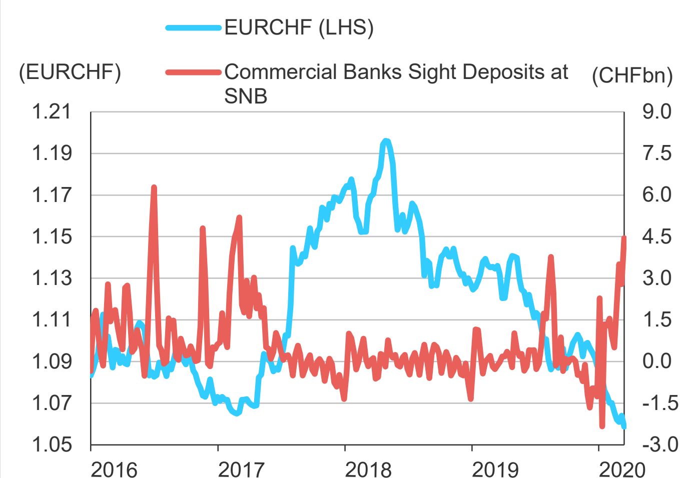
Switzerland

The impact of coronavirus will be felt through three main channels: a supply disruption affecting manufacturers, an appreciation of the Swiss franc and a shock to the domestic economy. We expect growth of just 0.3% this year (down from 1.4% in December's GEO) but we see the economy expanding by 1.7% in 2021.

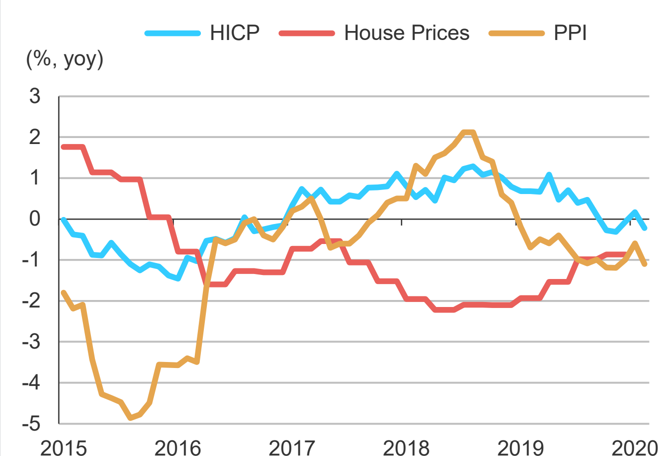
Coronavirus initially affected the Swiss economy through disruptions to the supply chain. Swiss watchmakers, for instance, were hit twice, firstly by lower sales in China, the largest market for luxury watches, and then by reduced availability of essential components from China. Before the outbreak of the virus, consumption had been supported by a strong labour market and by very low inflation. But measures adopted by the authorities are likely to reduce domestic demand in the near term. As with most other countries, Switzerland has closed many public places, including schools, restaurants and ski resorts, and has prohibited the gathering of groups larger than 100 people. The impact on tourism is also likely to be substantial as the sector accounts for about 4% of GDP.

At the start of the year, the franc appreciated after the US Treasury put Switzerland on a watch list of currency manipulators. However, it is unlikely that the US will follow through with action since the SNB has not exceeded the US definition of a manipulator. Since then, the franc has appreciated further given the currency's haven role. It is clear that the SNB has intervened strongly in the markets to weaken the currency. Commercial banks' deposits at the SNB – a proxy used for gauging interventions in currency markets – have increased sharply in recent weeks.

The strength of the franc and the coronavirus outbreak will be headwinds for goods exports while the cancellation of sporting events this year could reduce services exports. In a usual year, these events boost GDP by 0.3pp-0.5pp. In response to the COVID-19 outbreak, the government introduced an emergency package of about CHF10 billion to compensate workers and small businesses.



Source: Fitch Ratings, Haver Analytics



Source: Fitch Ratings, SNB, Haver Analytics

Switzerland - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.0	2.7	0.9	0.3	1.7
Consumer Spending	1.3	1.0	1.1	0.0	2.1
Fixed Investment	2.5	1.1	0.7	1.6	1.6
Net Trade (contribution pps.)	1.1	2.1	1.2	1.0	0.1
CPI Inflation (end-year)	0.0	0.8	-0.1	0.7	0.8
Unemployment Rate	3.0	2.5	2.3	2.6	2.5
Policy Interest Rate (end-year)	-0.60	-0.75	-0.75	-0.85	-0.85
Exchange Rate, USDCHF (end-year)	0.97	0.98	0.97	1.00	1.00

Source: Fitch Ratings

Australia

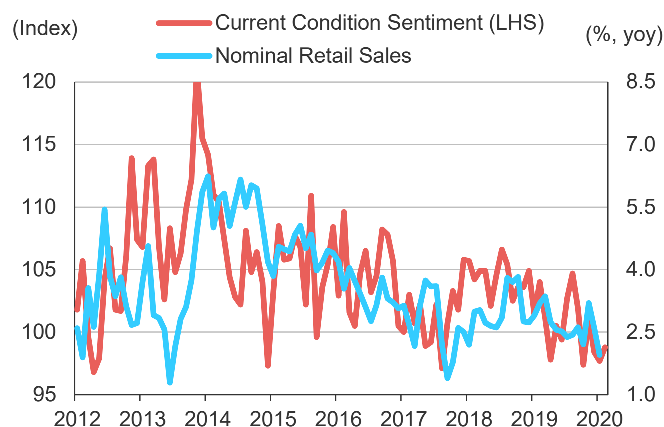
The number of confirmed cases of the coronavirus in Australia was low at the time of writing. Our scenario assumes the number of persons affected will keep rising in the coming weeks but that the outbreak will remain contained.

Domestically, the COVID-19 outbreak has dented consumer sentiment, which was already on a downtrend trend in 2019 against a backdrop of elevated debt and muted real income growth. The spread of the virus will hit consumer spending as people self-isolate.

The Australian economy is being adversely affected by the fallout of the outbreak through its trade linkages with China and its exposure to commodity exports. Australia is particularly exposed through its tourism and educational services exports, which are highly reliant on China. The price of LNG, which is among Australia's key commodity export, has plummeted sharply, although prices of iron ore, another commodity exported by Australia, have been more resilient. Exports to China make up about 30% of total exports, while Australian manufacturers are heavily dependent on parts imported from China, particularly in electronics. Reduced export receipts and a shortage of components should take a toll on business investment and manufacturing in 1H20. In all, we have lowered our GDP growth forecast for this year by 1pp to 1.2%.

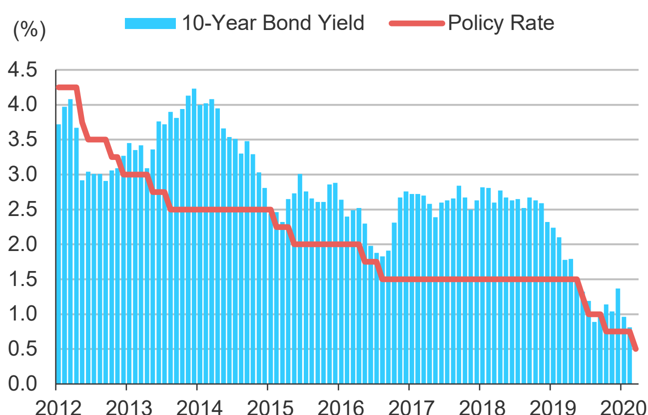
Policymakers have rolled out measures to shore up the economy. On the fiscal front, the federal government unveiled a sizeable stimulus programme worth 0.9% of GDP. On the monetary front, the Reserve Bank of Australia (RBA) has cut rates by 50bp, to 0.25% - the effective lower bound. The RBA also launched QE for the first time. The central bank will target the 3-yr yield at around 0.25%. Finally, the RBA set up a new term lending facility to provide cheap long-term lending to the financial system.

Australia - Consumer Sentiment & Retail Sales



Source: Fitch Ratings, WMI, ABS, Haver Analytics

Australia - Government 10y Yield & Interest Rate



Source: Fitch Ratings, Reserve Bank of Australia, Haver Analytics

Australia - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.6	2.7	1.8	1.2	2.9
Consumer Spending	2.5	2.7	1.4	0.6	2.4
Fixed Investment	-0.5	2.5	-2.3	-1.2	3.6
Net Trade (contribution pps.)	0.7	0.2	1.0	-0.1	0.0
CPI Inflation (end-year)	1.8	1.8	1.8	1.6	1.8
Unemployment Rate	5.7	5.3	5.2	5.9	5.9
Policy Interest Rate (end-year)	1.87	1.50	0.75	0.25	0.25
Exchange Rate, USDAUD (end-year)	1.33	1.42	1.43	1.56	1.48

Source: Fitch Ratings

Canada

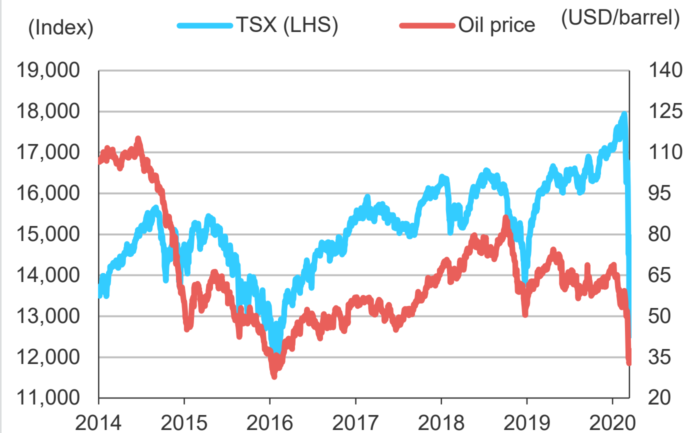
Fitch has reduced Canada's GDP forecast to 0.5% for 2020 from 1.6% in December following the COVID-19 shocks to consumption and investment, the oil price collapse, and transport disruptions to supply chains and commerce in 1Q20. Rolling quarantine measures, the cancellation of business and sports events, and curtailed restaurant and tourism activity could produce a technical recession in 2Q20 and 3Q20. More stringent anti-viral measures or negative Canadian consumer confidence or employment data could lead us to lower the forecast. Assuming the economic situation normalises next year, we forecast 2021 growth picking up to 1.9%.

The oil price war undermines Canada's export earnings and siphons revenue from the federal government, as well as the provincial governments of Alberta, Saskatchewan, and Newfoundland and Labrador. This compounds more structural energy investment and export challenges. Environmental policy tensions led to the shelving of a large bitumen mine in February, two network disruptions since November and pose delays to two western pipelines. Inter-provincial politics are also constraining renewable energy exports.

Canada announced a fiscal stimulus and tax deferral package with a headline value of over 3% of GDP in late March. The Bank of Canada (BOC) cut the monetary policy rate by a cumulative 100bp to 0.75% and established a banker's acceptance facility to ease funding conditions for companies. The financial supervisor, OSFI, is temporarily lowering bank capital requirements.

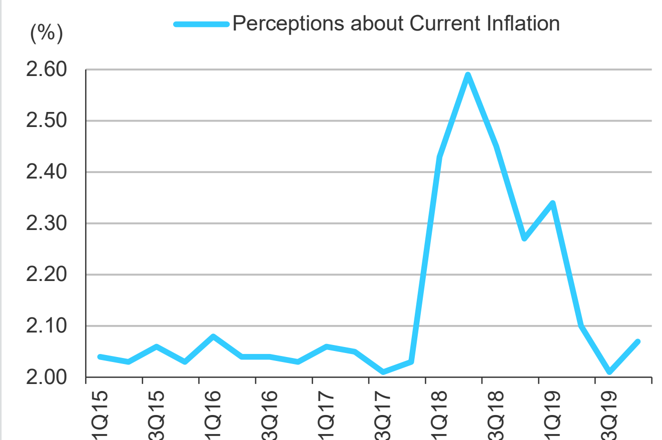
We expect inflation to remain anchored near BOC's 2% target midpoint, with a bias to the downside. We expect that deflationary pressure from the softening economic outlook will offset inflationary pressure from a weaker Canadian dollar. Our forecast assumes that a recovery in oil prices will lead to strengthening of the CAD-USD exchange rate by end-2020.

Canada - Equity Prices & Oil Price



Source: Fitch Ratings, Toronto Stock Exchange, Financial Times, Haver Analytics

Canada - CSCE Inflation Expectations



Source: Fitch Ratings, Bank of Canada, Haver Analytics

Canada - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	1.9	2.0	1.6	0.5	1.9
Consumer Spending	2.5	2.1	1.6	1.4	2.2
Fixed Investment	-0.6	1.2	-0.7	-0.5	2.2
Net Trade (contribution pps.)	0.3	0.1	0.3	-0.4	-0.4
CPI Inflation (end-year)	1.7	2.0	2.2	1.8	2.0
Unemployment Rate	6.6	5.8	5.7	5.9	5.7
Policy Interest Rate (end-year)	0.85	1.75	1.75	0.25	0.50
Exchange Rate, USDCAD (end-year)	1.26	1.36	1.31	1.35	1.35

Source: Fitch Ratings

Brazil

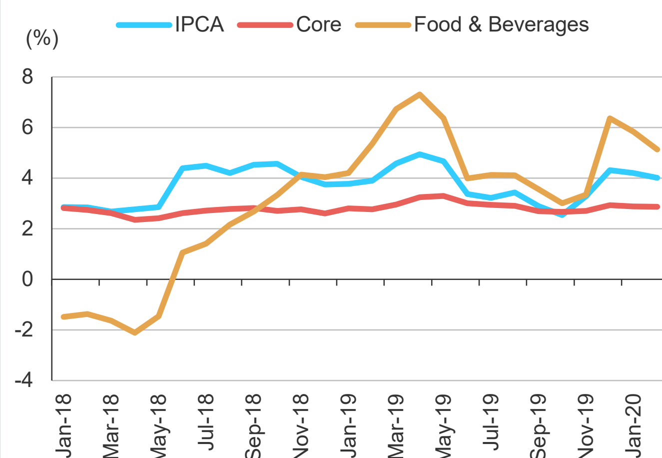
Brazil's real GDP growth was 1.1% in 2019, in line with our expectations, but we have downgraded our forecast to 1.3% from 2.2% for 2020 partly due to the coronavirus outbreak. Our forecast for 2021 growth is unchanged at 2.5%. The forecast downgrade reflects the deterioration in the composition of GDP growth in 4Q19 (with gross capital formation contracting by 3.3% qoq) but also the rising economic uncertainties related to the coronavirus, fall in commodity prices and a significant increase in international investor risk aversion.

While the number of coronavirus confirmed cases in Brazil remains small, any potential rapid spread could further undermine production, consumption and investment. The main effects of coronavirus for Brazil have been lower commodity prices, weaker Chinese growth and a hit to confidence from the sharp asset price volatility. Downside risks to our forecasts remain given the uncertainty around the spread, intensity and duration of coronavirus. On the domestic front, a setback in the reform process could also hurt confidence and the growth outlook. Last year, the government submitted a fiscal package of constitutional amendments, which could improve the medium-term outlook for public finances. A tax reform and central bank autonomy bill are also under discussion.

IPCA inflation rate increased towards the end of 2019, reaching 4.3% (above the 4.25% target) due to a sharp rise in meat prices as exports to China increased due to swine flu there. However, core inflation was below 3%, reflecting the sluggish economic recovery amid a negative output gap. The food price shock has receded with IPCA inflation receding to 4% by February 2020.

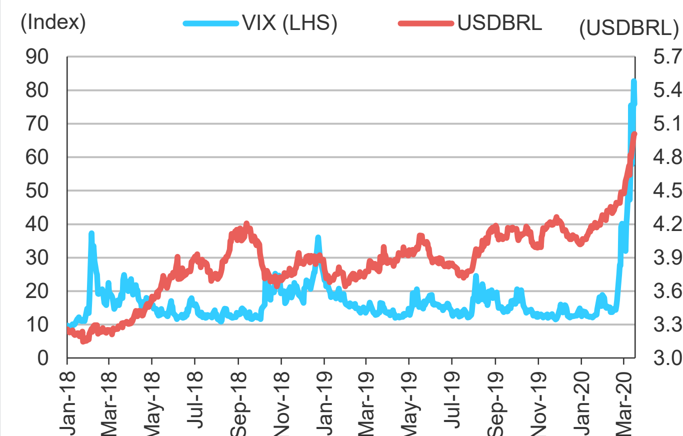
The Brazilian real has depreciated sharply in recent weeks in the face of rising external uncertainties. After a hiatus, the BCB has begun to intervene in both the foreign-exchange spot and derivatives markets to tame excessive volatility of the real. The central bank cut rates, taking the SELIC rate to 3.75%, in view of the rising challenges to domestic growth and anchored inflation expectations but balancing against excessive weakness of the real.

Brazil - Inflation



Source: Fitch Ratings, IBGE, Haver Analytics

Brazil - BRL & VIX



Source: Fitch Ratings, Wall Street Journal, Haver Analytics

Brazil - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	-0.7	1.3	1.1	1.3	2.5
Consumer Spending	-0.2	2.1	1.8	1.5	2.9
Fixed Investment	-5.8	3.9	2.3	0.2	3.8
Net Trade (contribution pps.)	0.8	-0.5	-0.5	0.0	-0.1
CPI Inflation (end-year)	6.2	3.7	4.3	3.4	3.8
Policy Interest Rate (end-year)	10.51	6.50	4.50	3.75	5.25
Exchange Rate, USDBRL (end-year)	3.20	3.87	4.03	4.50	4.20

Source: Fitch Ratings

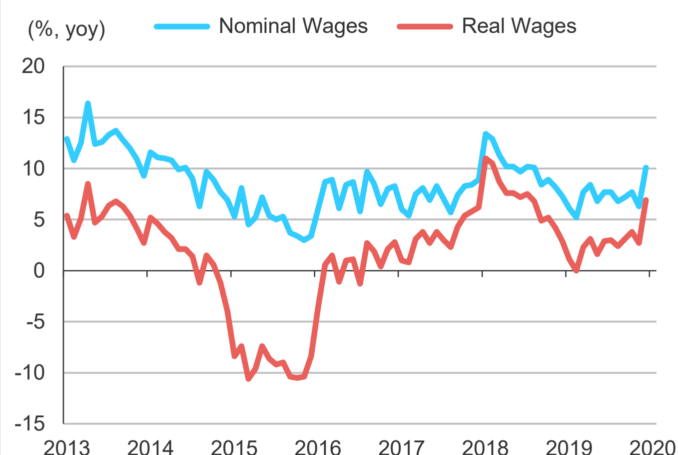
Russia

We have cut our GDP growth forecast to 1% in 2020 from 2% in December as rising global headwinds, including weaker Chinese growth, a global economic slump, the collapse in oil prices and weaker rouble, are likely to weigh on Russian exports and domestic demand. Growth of 1.3% in 2019 slightly underperformed our expectations of 1.4%, but robust private consumption and an acceleration in budget capital spending offset a significant negative net trade contribution in 4Q19. Consumption and investment will rebound next year as oil prices pick up moderately and the rouble recovers.

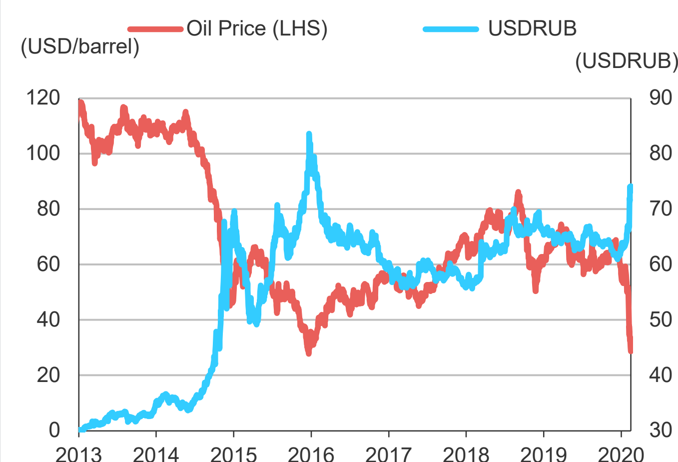
We expect growth to slow in 1H20 as lower oil prices, a weaker currency and subdued external demand for Russian exports reduce investment. Industrial production was dragged down by mining and utilities, which both contracted year-on-year in January and business sentiment remains weak as reflected by PMI manufacturing scoring stubbornly below 50.

The economy will pick up moderately in 2H20 as the government ramps up capital spending. High frequency data indicate that private consumption remains strong with retail sales growing 2.7% yoy in January, boosted by rising real wage growth and increase in social spending. Yet consumer lending is slowing down owing to macro-prudential measures – a weaker rouble and higher inflation will also erode household real disposable income and impact private spending.

Inflation undershot the Central Bank of Russia's (CBR) target of 4%, coming in at 3% at end-2019, due to the decline in food price inflation, earlier rouble appreciation and weak demand conditions. The inflation rate decreased to 2.3% in February due to the factoring out of the effects of an increase to VAT and contained food prices. The recent fall in oil prices and subsequent rouble depreciation are likely to trigger inflationary pressures, however. We forecasts CPI to end the year at 4.3%, preventing any further rate cuts by the CBR, which will keep the policy rate at the floor of its previously estimated neutral rate range.



Source: Fitch Ratings, Rosstat, Haver Analytics



Source: Fitch Ratings, CBR, Financial Times, Haver Analytics

Russia - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	0.7	2.5	1.3	1.0	2.0
Consumer Spending	-0.6	3.3	2.3	1.2	2.1
Fixed Investment	-1.3	0.1	1.4	1.1	3.6
Net Trade (contribution pps.)	2.1	0.9	-1.1	-0.4	-0.7
CPI Inflation (end-year)	7.4	4.3	3.0	4.3	4.0
Policy Interest Rate (end-year)	9.56	7.75	6.25	6.00	6.00
Exchange Rate, USDRUB (end-year)	57.48	69.47	61.91	72.00	70.00

Source: Fitch Ratings

India

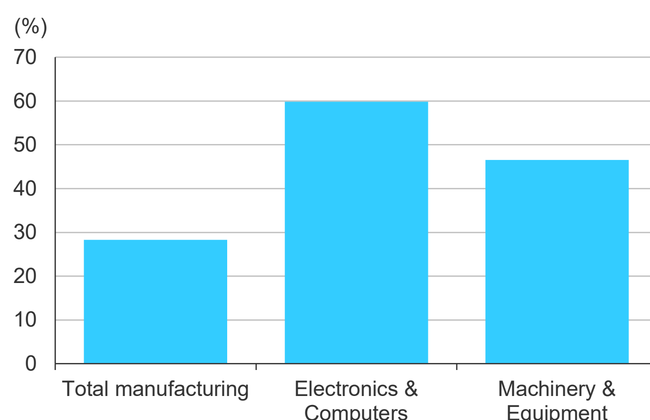
The number of confirmed COVID-19 cases in India was low at the time of writing, especially given the size of its population, but was picking up. Our scenario assumes the number of people affected will keep rising in the coming weeks but that the outbreak will remain contained. However, there are downside risks to this scenario.

The outbreak of the virus is hitting sentiment, while local governments have rolled out measures to contain the spread of the virus, such as closing schools, cinemas and theatres. While India's linkages with China (e.g. trade and tourism) are modest, manufacturers in India are heavily reliant on key Chinese intermediate inputs – especially of electronics and machinery and equipment. Supply-chain disruptions are expected to hit business investment and exports.

The difficulties facing the Indian economy have been exacerbated by another bank failure (Yes Bank). Fragilities in the financial system will further undermine sentiment and domestic spending. The overall financial system remains burdened with weak balance sheets, which will limit any upside to credit and growth despite policymakers' efforts in recent months to ease stresses.

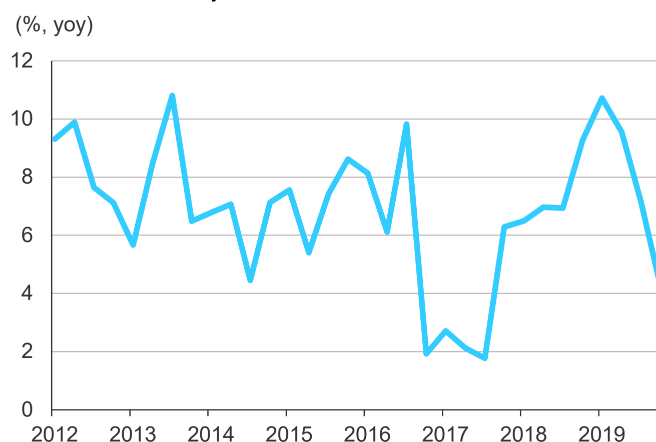
The Reserve Bank of India (RBI) held an emergency meeting in mid-March and announced measures to shore up liquidity in money markets, including the launch of further long-term repo operations. Given downside pressures on growth, we think the RBI will have to take additional measures and we forecast a cut in the policy rate to 4.5% before the end of the year. On the fiscal front, the authorities announced targeted stimulus measures to mitigate the impact of the outbreak. We see GDP growth to remain broadly steady at 5.1% in the fiscal year 2020-2021 following growth of 5.0% in 2019-2020.

India - Exposure to Chinese Inputs
Chinese intermediate imports in % of total



Source: Fitch Ratings, OECD TiVA, Haver Analytics

India - Inflation-adjusted Bank Credit
Bank credit deflated by GDP deflator



Source: Fitch Ratings, CSO, RBI, Haver Analytics

India - Forecast Summary

(%) FY starting April	Ann. Av.2014-18	FY18-19	FY19-20f	FY20-21f	FY21-22f
GDP	7.4	6.2	5.0	5.1	6.4
Consumer Spending	7.4	7.4	5.8	6.0	6.9
Fixed Investment	6.8	9.7	-1.6	2.5	7.1
Net Trade (contribution pps.)	-0.5	-0.4	1.5	0.4	-0.2
CPI Inflation (end-cal. year)	4.7	2.1	7.4	4.2	4.3
Policy Interest Rate (end-cal. year)	6.83	6.50	5.15	4.50	4.75
Exchange Rate, USDINR (end-cal. year)	65.18	69.79	71.27	74.00	74.50

Source: Fitch Ratings

Korea

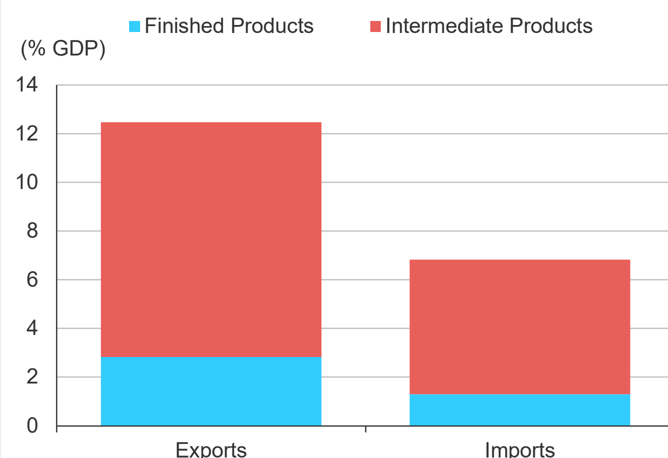
Until recently, Korea had one of the highest reported cases of the coronavirus, but the number of new cases has fallen steeply over the past two weeks. The authorities have not imposed city-wide lockdowns like in China or Italy, but instead relied heavily on public cooperation, a rapid increase in screening, and efficient detection and containment of clusters. Our baseline forecast assumes that a prolonged country-wide lockdown is avoided. The virus outbreak will nonetheless have a severe impact on GDP as individuals avoid public spaces, such as restaurants, cinemas and concerts.

Korea is also adversely affected by the virus outbreak through its exposure to world trade and its integration into global and regional value chains. Manufacturing intermediate inputs from China represent close to 6% of GDP – by far the largest exposure of the countries we cover in the GEO. Disruptions in Chinese factories have had large knock-on effects on Korean manufacturers, forcing some of them to halt or reduce their production significantly because of a shortage of Chinese intermediate inputs. Falling growth in the rest of the world will deal a large blow to Korea exports.

We expect the Korean economy to enter a technical recession in 1H20, before rebounding in 2H20. We expect GDP to expand by a very weak 0.8% over the whole 2020, a sharp downward revision of 1.4pp from the last GEO.

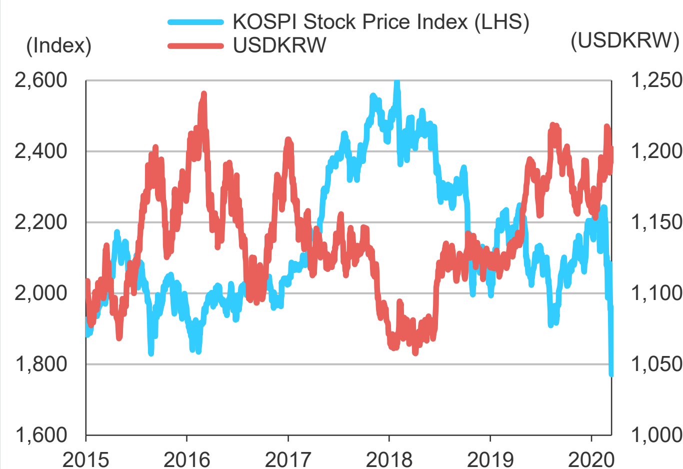
Policymakers have rolled out significant stimulus measures to help shore up the economy. On the fiscal front, the government introduced a stimulus package, which comes on top of an already expansionary stance. On the monetary front, the Bank of Korea (BoK) cut its policy rate by 50bp in March to an all-time low of 0.75%. The BoK also announced a cut to the interest rate it charges on its support facility, in a bid to further lower funding costs to businesses.

Korea: Manufacturing Trade with China



Source: Fitch Ratings, OECD TiVA, Haver Analytics

Korea - Daily Stock Price & Foreign Exchange



Source: Fitch Ratings, Korea Stock Exchange,Bank of Korea, Haver Analytics

Korea - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	3.0	2.7	2.0	0.8	3.0
Consumer Spending	2.5	2.8	1.9	0.7	2.9
Fixed Investment	4.5	-2.4	-3.5	1.4	2.7
Net Trade (contribution pps.)	-0.4	1.2	0.9	-0.3	0.4
CPI Inflation (end-year)	1.3	1.5	0.4	0.3	0.8
Policy Interest Rate (end-year)	1.63	1.75	1.25	0.50	0.50
Exchange Rate, USDKRW (end-year)	1115	1118	1158	1240	1200

Source: Fitch Ratings

Indonesia

The number of confirmed cases of the coronavirus in Indonesia was low at the time of writing, especially given the large size of the population. Our scenario assumes the outbreak will remain contained but consumer sentiment and the tourism industry will take a hit from the global health crisis.

The Indonesia economy is also being adversely affected by the fallout of the COVID-19 outbreak through its trade linkages with China and its exposure to commodity exports.

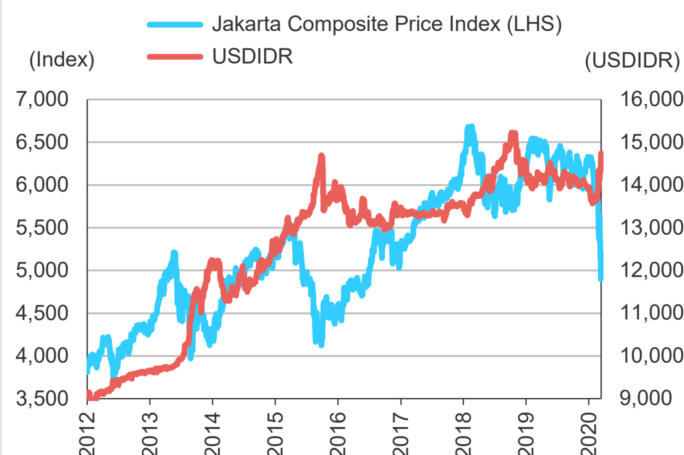
The prices of palm oil and copper, which are key exports for Indonesia, have fallen significantly since the spread of the virus has intensified. Export receipts were already weak prior to the outbreak (down 8.2% yoy in January), and the slide is likely to intensify in the coming months.

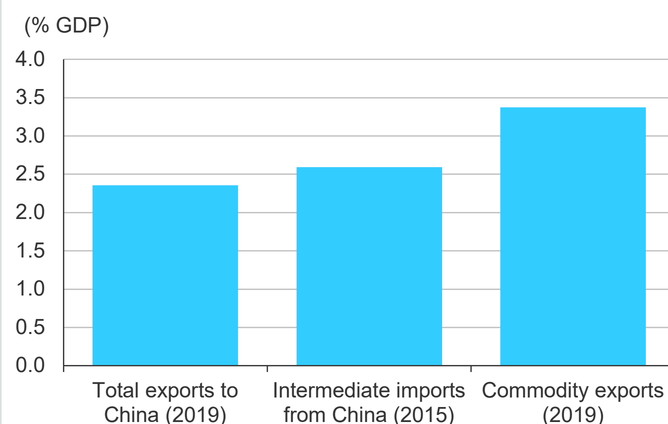
Indonesian industry is dependent on parts imported from China – particularly in electronics and machinery and transports. Supply-chain disruptions emanating from China should weigh on manufacturing activity and investment in 1H20 as key components are running out of stock.

The spread of the virus worldwide has raised global risk aversion. The Indonesian rupiah has fallen sharply over the past few weeks (down by about 6% between mid-February and mid-March). Tightening financial conditions stemming from currency depreciation should add another headwind to Indonesian growth in 1H20.

Against a backdrop of downward pressure on growth, Bank Indonesia (BI) cut its policy rate by by a cumulative 50bp in its last two meetings. However we think BI will now refrain from further interest rate cuts given lingering downward pressure on the currency and a rise in capital outflows. On the fiscal front, authorities have stepped up policy support, by announcing targeted measures aimed at supporting the economy worth 0.7% of GDP.

We expect GDP to expand by 4.7% this year. Our scenario assumes a rebound in activity in 2H20 once the effects of the outbreak wear off.





Indonesia - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	5.0	5.2	5.0	4.7	5.3
Consumer Spending	5.1	5.1	5.2	4.1	5.0
Fixed Investment	5.3	6.7	4.5	5.8	6.3
Net Trade (contribution pps.)	0.0	-1.0	1.4	-0.2	0.1
CPI Inflation (end-year)	4.7	3.2	2.6	2.8	3.1
Policy Interest Rate (end-year)	6.06	6.00	5.00	4.50	5.00
Exchange Rate, USDIDR (end-year)	13236	14481	13901	14400	14200

Source: Fitch Ratings

Mexico

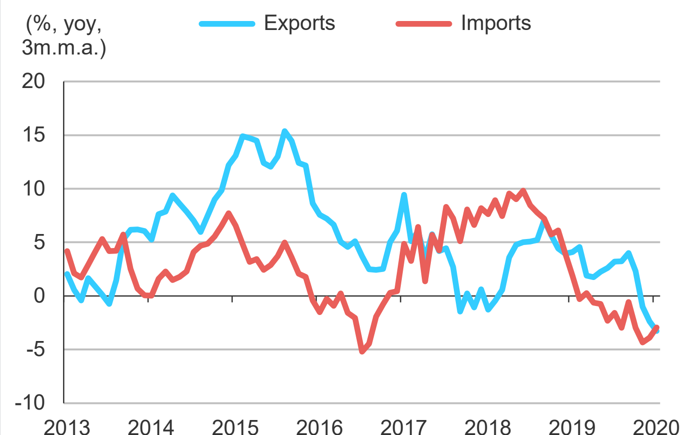
The Mexican economy again contracted in 4Q19, leading to an annual decline of 0.1%. Shrinking investment and a tight policy stance – amid slowing global and US growth, and rising uncertainties around the spread of COVID-19 – have led us to downgrade our growth forecasts for 2020 to 0% from 1% in December and to 1.4% in 2021 from 2%.

Surveys in December were poor and output for the industrial sector saw a weak start to 2020. A sharp contraction in capital goods imports in January points to further decline in investment, which we forecast to bottom out during 2020 but still fall in real terms over the year. Decelerating US growth could weigh on external demand for Mexican goods, while COVID-19-related supply-chain disruptions will reduce trade, with intermediate goods imports from China accounting for about 4% of GDP. Mexico ratified the revised USMCA trade deal in December 2019. The deal will dispel trade uncertainty that had lingered since 2016 but will not significantly expand market access or transform Mexico's growth prospects.

Private consumption will be supported by sustained growth in real wages and strong remittances. Yet accelerating inflation, a deteriorating labour market, a gloomy growth outlook and the potential spread of COVID-19 could erode consumer sentiment and spending. Fiscal policy weighed on growth in 2019. The fiscal stance will remain tight with a primary surplus target of 0.7% of GDP, but launch of infrastructure projects and stimulus measures will see the contribution of government spending to growth return to positive territory.

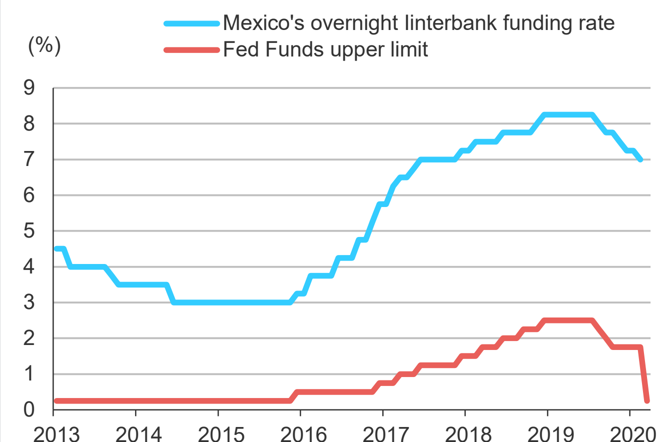
Banxico's policy rate remains high even after a 25bp cut last month to 7% and we expect it will likely try and reduce its differential with the Fed Funds rate, which widened further following the two emergency Fed cuts in March. We expect Banxico to opt for additional easing despite the recent peso depreciation and pick-up in inflation, which are likely to be temporary. Low energy prices and negative output gap should keep CPI in check in 2020 at 3.5%.

Mexico - Export & Import Volumes



Source: Fitch Ratings, INEGI, Haver Analytics

Mexico - Interest Rate vs US



Source: Fitch Ratings, Banco de Mexico, Fed, Haver Analytics

Mexico - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	2.7	2.1	-0.1	0.0	1.4
Consumer Spending	2.8	2.3	0.7	0.9	1.7
Fixed Investment	1.7	0.9	-4.7	-3.7	1.7
Net Trade (contribution pps.)	0.1	0.0	1.1	0.2	-0.2
CPI Inflation (end-year)	4.1	4.9	3.6	3.5	3.5
Policy Interest Rate (end-year)	4.99	8.25	7.25	6.00	5.75
Exchange Rate, USDMXN (end-year)	17.20	19.68	18.85	19.50	19.00

Source: Fitch Ratings

Poland

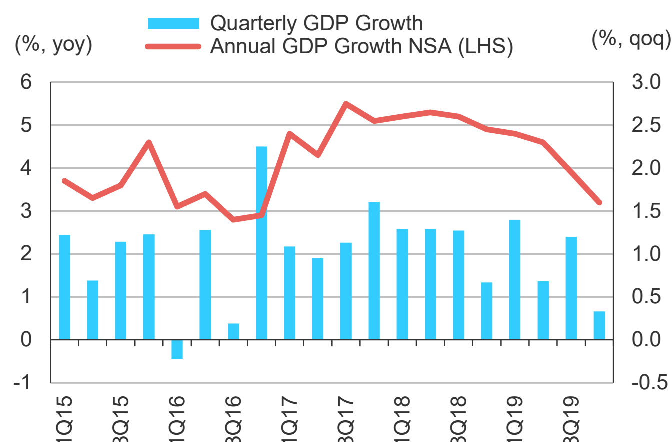
Poland's projected cyclical decline in growth is set to worsen as the COVID-19 pandemic reduces consumer spending, investment and external demand growth. Fitch has lowered its real GDP growth forecast for 2020 from 3.3% to 1.8% to reflect an expected drop in personal consumption to 2.5% (2019: 3.9%) and a near-neutral contribution to growth from trade. Growth will recover to 3.2% in 2021 as personal consumption and investment rebound.

Real GDP growth slowed sharply to 0.3% qoq on a seasonally adjusted basis in 4Q19 (3Q19: 1.2%), largely due to stabilising of personal consumption as households became more cautious and increased savings. Overall, growth declined cyclically from 5.2% in 2018 to 4.2% in 2019, reflecting the tapering of (primarily EU fund-supported) capex investments, which peaked in 2018.

Given nationwide restrictions on commercial activity, transport and personal movement imposed from 15 March, household consumption is highly likely to be affected in 1H20. This will mitigate the expansionary effect of the government's social spending measures, such as the 13th month pension bonus, expanded Family 500+ handouts and tax exemptions for people aged under 26. Risks to growth in 2020 are primarily to the downside given uncertainty over the duration of the lockdown.

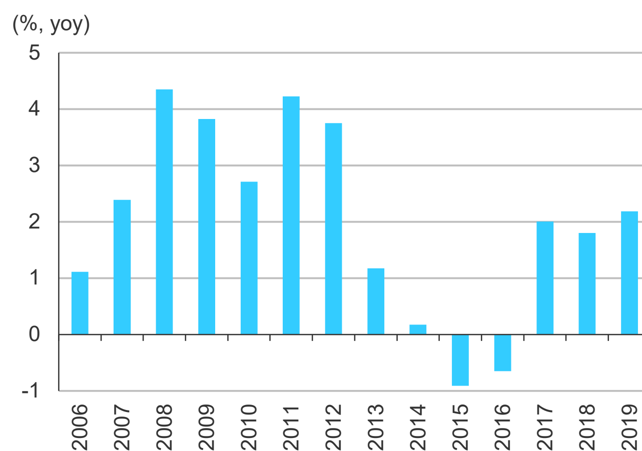
Consumer price inflation increased sharply from 2.2% (annual average) in 2019 to 4.3% in January and 4.7% in February 2020, well outside the National Bank of Poland's (NBP) target range of 2.5% +/- 1pp, while core inflation jumped to 3.6% in February. Some inflationary pressure will persist in 1H20 given increases in electricity prices, yet the NBP made an emergency 50bp rate cut in March and reduced the required reserve ratio for banks in a move to counter the impact of COVID-19 on the economy. The NBP is likely to increase rates next year as the economy recovers. Given downside pressures on household consumption growth owing to COVID-19, Fitch expects inflation to ease to 2.8% by end-2020 and 2.5% by 2021.

Poland - Real GDP Growth



Source: Fitch Ratings, Eurostat, Cen tral Statistical Office, Haver Analytics

Poland - CPI Inflation (Annual Average)



Source: Fitch Ratings, Central Statistical Office, Haver Analytics

Poland - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	4.0	5.2	4.2	1.8	3.2
Consumer Spending	3.6	4.3	3.9	2.5	4.4
Fixed Investment	4.2	9.0	7.0	2.5	2.7
Net Trade (contribution pps.)	0.0	-0.2	0.6	0.0	-0.6
CPI Inflation (end-year)	0.5	1.2	3.2	2.8	2.5
Policy Interest Rate (end-year)	1.69	1.50	1.50	1.00	1.50
Exchange Rate, USDPLN (end-year)	3.65	3.76	3.80	3.95	3.95

Source: Fitch Ratings

Turkey

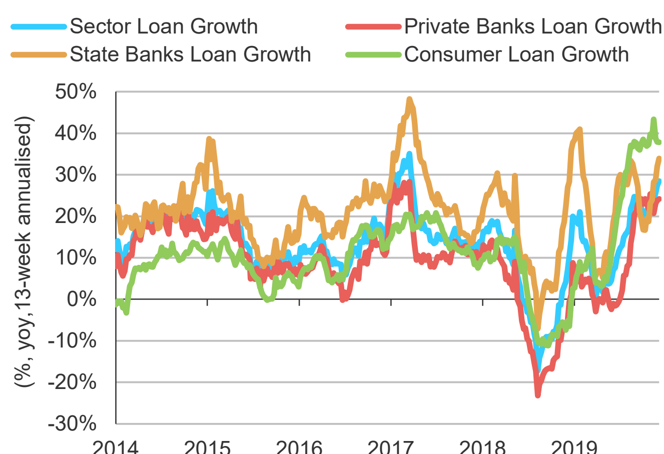
Fitch has raised its 2020 GDP growth forecast for Turkey by 0.6pp to 3.7% since the last GEO, due to better-than-expected 4Q19 outturn, strong economic indicators in early 2020 and expansionary monetary policy, but the upgrade has been tempered by the global slowdown. The economy expanded 1.9% qoq in 4Q19, much higher than the 0.4% increase that we forecast in December, boosting annual growth to 0.9% (0.4% in December). The pick-up was driven by easing inflation in 4Q19, supporting real income, and a credit-fueled increase in private consumption.

The recovery in investment that began in 4Q19 is expected to continue in 2020. A recent pick-up in manufacturing PMI, increasing industrial production and capacity utilisation and improving confidence indicators confirm that strong domestic demand momentum is gathering pace.

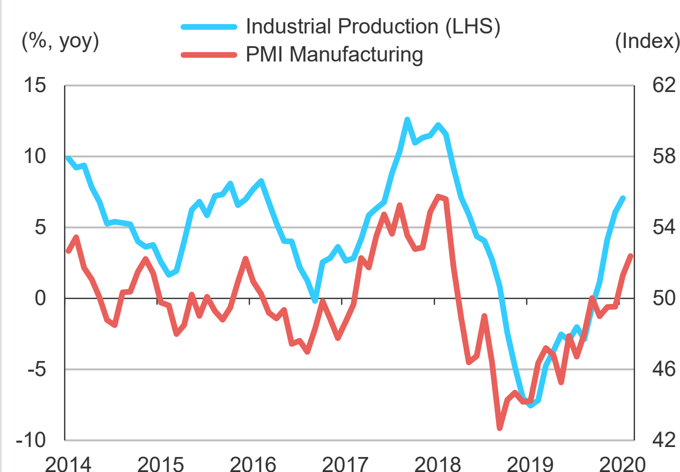
Pro-growth fiscal policy and a loose monetary stance revived domestic demand in 2H19 and we expect strengthening credit growth in 2020. Private bank lending is growing at 24% and consumer credit 43% (on a 13-week annualised basis), and we expect full-year aggregate credit growth above 15%.

However, the net trade contribution to growth will turn negative this year as dynamic domestic demand leaks into surging imports while export growth is dampened by an economic recession in Europe and sharp growth slowdown in the US. This will lead to the re-emergence of a current account deficit.

The Central Bank of the Republic of Turkey (CBRT) further cut interest rates by 100bp in March to 9.75% to counter potential economic and financial repercussions of the coronavirus. The CBRT slashed rates by a cumulative 14.25pp since June 2019, bringing current real rates to -2.4%. Inflation is likely to slow to 10.5% in 2020 and 10% in 2021 due to negative output gap, the removal of administered price rises and declining inflationary pressures from lower commodity prices. However, we expect rising pressures from a weaker lira will be a constraint on further large interest rate cuts.



Source: Fitch Ratings, BRSA



Source: Fitch Ratings, TurkStat, IHS Markit, Haver Analytics

Turkey - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	4.9	2.8	0.9	3.7	4.2
Consumer Spending	3.7	0.0	0.7	4.8	4.4
Fixed Investment	4.9	-0.6	-12.4	3.3	5.5
Net Trade (contribution pps.)	1.0	3.6	2.3	-2.3	-0.2
CPI Inflation (end-year)	10.3	20.3	11.8	10.5	10.0
Policy Interest Rate (end-year)	9.57	24.00	12.00	9.75	9.75
Exchange Rate, USDTRY (end-year)	3.28	5.27	5.95	6.50	7.00

Source: Fitch Ratings

South Africa

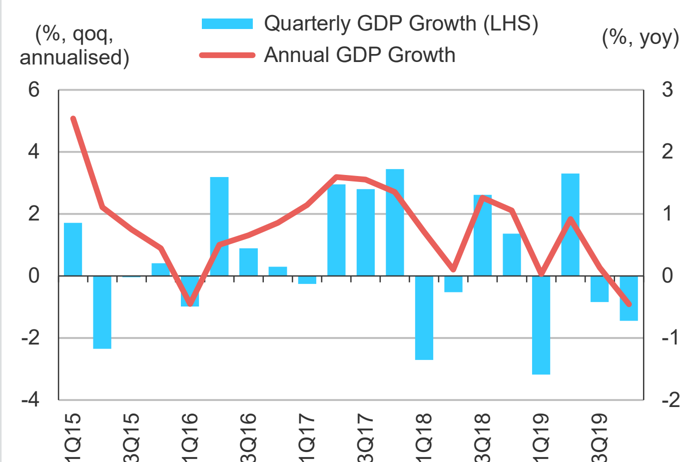
Fitch has substantially lowered its forecasts for South Africa's GDP growth for 2020 and now expects the economy to move into recession, contracting by 0.2% (we forecast growth of 1.5% in December). The revision reflects a 1.4% decline in GDP in 4Q19, dragged down by a collapse in investment, a weak batch of data in early 2020, and the assumption that the global spread of the coronavirus will reduce exports, confidence and domestic demand. Fitch expects growth to rebound to 1.5% in 2021 as domestic demand recovers.

Survey data point to poor business sentiment with the first-quarter Business Confidence Indicator falling to its lowest level since 1999. Sharp falls in industrial and manufacturing production support our view that last year's collapse in investment will persist into 2020.

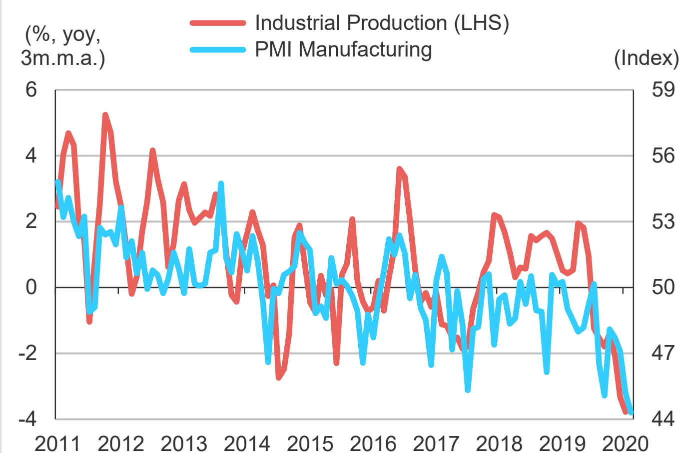
South Africa's relatively strong integration into the global economy will mean that the global growth slowdown will hit exports and supply-chain disruptions could also affect local production for lack of intermediate goods, a risk reflected by increased delivery time of inputs and congestion at Durban's port.

This will add to the drag on the energy sector stemming from recurrent load shedding at Eskom, which we do not expect to abate in the near term. Potential further disruptions from the coronavirus will hit consumer demand and confidence. Containment measures following the announcement of a national state of emergency will also affect economic activity. Given fiscal constraints, the planned stimulus package is likely to be too limited to have a significant impact on growth.

Moderating inflation expectations and slight appreciation of the South African rand in 4Q19 kept inflation within the South African Reserve Bank's (SARB) target range of 3% to 6% at end-2019. The rand fell sharply in March, however, reflecting high vulnerability of the currency to external headwinds in the context of significant fiscal pressures. Fears of de-stabilising exchange-rate movements will constrain the monetary policy response. Despite this, the large negative output gap will lead the SARB to ease rates by 25bp this year.



Source: Fitch Ratings, SARB, Haver Analytics



Source: Fitch Ratings, BER South Africa, Statistics South Africa, Haver Analytics

South Africa - Forecast Summary

(%)	Ann. Av.2014-18	2018	2019	2020f	2021f
GDP	1.1	0.8	0.2	-0.2	1.5
Consumer Spending	1.4	1.8	1.0	0.7	1.8
Fixed Investment	-0.1	-1.4	-0.9	-2.1	2.5
Net Trade (contribution pps.)	0.2	-0.2	-0.6	0.6	-0.3
CPI Inflation (end-year)	5.4	4.5	4.0	4.3	4.6
Policy Interest Rate (end-year)	6.39	6.75	6.50	6.00	6.00
Exchange Rate, USDZAR (end-year)	12.98	14.38	14.03	15.50	16.00

Source: Fitch Ratings

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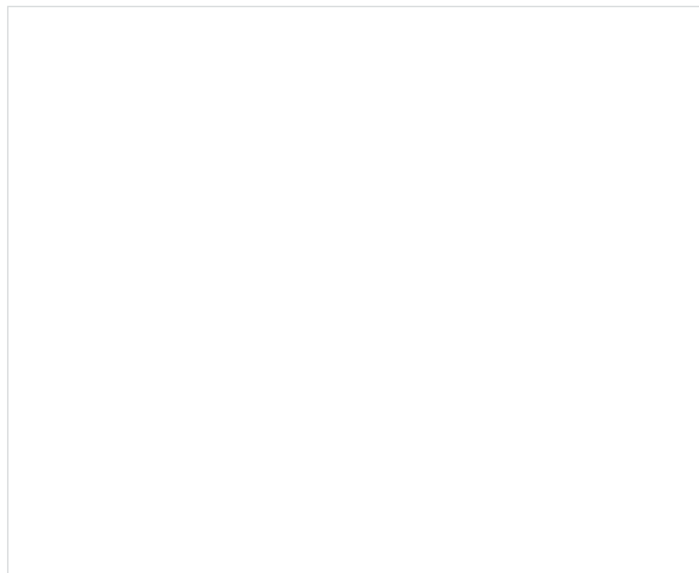
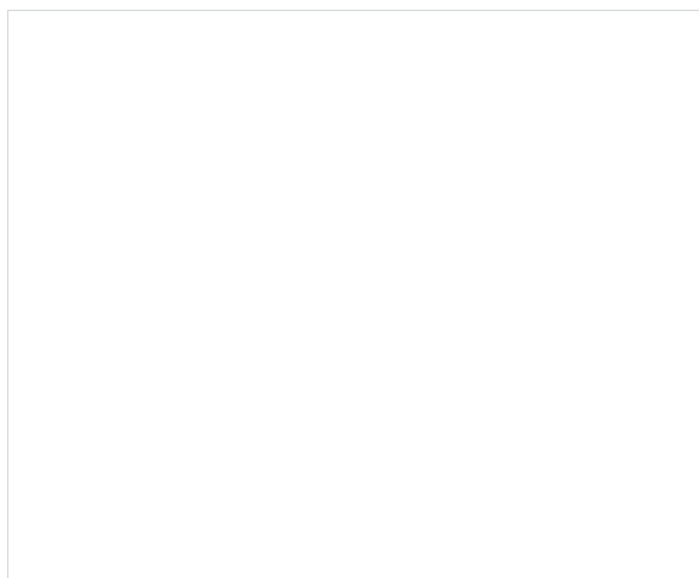
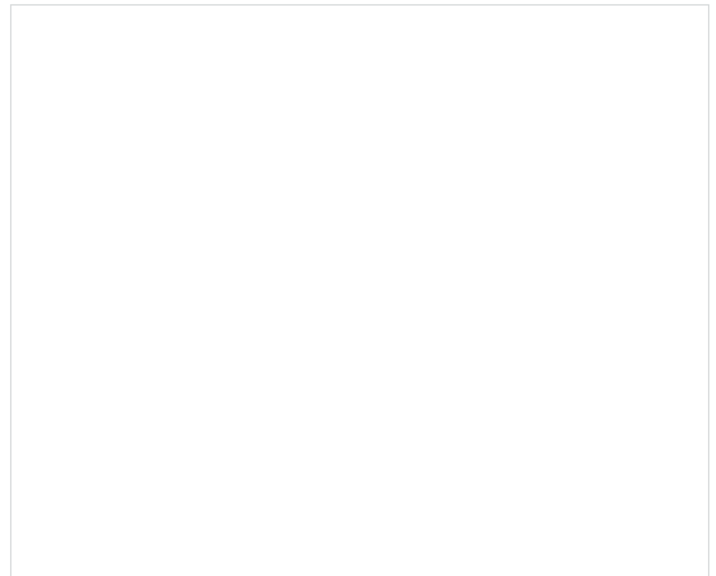




################ – Forecast Summary

(%)	Ann. Av.2013-17	2017	2018f	2019f	2020f
GDP					
Consumer Spending					
Fixed Investment					
Net Trade (contribution pps.)					
CPI Inflation (end-year)					
Unemployment Rate					
Policy Interest Rate (end-year)					
Exchange Rate, USDEUR (end-year)					

Source: Fitch Ratings



################ – Forecast Summary

(%)	Ann. Av.2013-17	2017	2018f	2019f	2020f
GDP					
Consumer Spending					
Fixed Investment					
Net Trade (contribution pps.)					
CPI Inflation (end-year)					
Unemployment Rate					
Policy Interest Rate (end-year)					
Exchange Rate, USDEUR (end-year)					

Source: Fitch Ratings

Appendix 1: Quarterly GDP Q/Q

(%)	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
US	0.7	0.3	0.8	0.5	0.5	0.5	0.1	-0.5	0.6	0.8
Euro area	0.2	0.4	0.5	0.1	0.3	0.1	-0.4	-1.2	0.8	0.9
China	1.5	1.4	1.6	1.5	1.4	1.4	-5.2	6.2	3.4	2.3
Japan	-0.8	0.6	0.5	0.6	0.0	-1.8	-0.2	-0.5	0.6	0.6
UK	0.6	0.2	0.6	-0.1	0.5	0.0	0.0	-0.3	0.4	0.5
Germany	-0.1	0.2	0.5	-0.2	0.2	0.0	-0.4	-0.4	0.5	0.7
France	0.3	0.5	0.3	0.4	0.3	-0.1	0.0	-0.5	0.7	0.7
Italy	-0.1	0.1	0.2	0.1	0.1	-0.3	-0.9	-2.4	1.2	1.0
Spain	0.5	0.6	0.5	0.4	0.4	0.5	-0.3	-2.6	0.8	1.6
Switzerland	-0.4	-0.1	0.4	0.4	0.4	0.3	-0.1	-0.6	0.3	0.6
Australia	0.3	0.2	0.5	0.6	0.6	0.5	0.1	-0.4	0.7	0.8
Canada	0.6	0.2	0.2	0.9	0.3	0.1	0.1	-0.4	0.3	0.7
Brazil	0.5	0.0	0.0	0.5	0.6	0.5	0.1	0.0	0.3	0.6
Russia	0.1	0.4	-0.3	0.7	0.8	0.8	-0.2	-0.4	0.5	0.7
India	1.7	1.6	1.3	1.1	1.1	1.2	1.5	1.1	1.1	1.5
Korea	0.5	0.9	-0.4	1.0	0.4	1.3	-0.6	-0.9	0.9	0.8
Mexico	0.3	0.1	-0.1	-0.1	-0.1	-0.1	0.1	-0.4	0.4	0.4
Indonesia	1.2	1.3	1.1	1.4	1.2	1.2	1.1	0.9	1.3	1.2
Turkey	-1.2	-2.8	2.0	1.1	0.8	1.9	0.7	0.5	0.6	0.8
Poland	1.3	0.7	1.4	0.7	1.2	0.3	0.3	-0.1	0.7	0.9
South Africa	0.6	0.3	-0.8	0.8	-0.2	-0.4	0.1	-0.7	0.3	0.7
Developed [a]	0.3	0.3	0.6	0.4	0.4	0.1	-0.1	-0.6	0.6	0.8
Emerging [b]	1.1	0.9	1.1	1.2	1.1	1.1	-2.6	3.4	2.2	1.7
World [c]	0.6	0.5	0.8	0.7	0.6	0.5	-1.0	0.9	1.2	1.1

[a] US, Japan, France, Germany, Italy, Spain, UK, Canada, Australia and Switzerland.

[b] Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkey.

[c] 'Fitch 20' countries weighted by nominal GDP in USD at market exchange rates (3 year average)

Source: Fitch Ratings

Appendix 2: Quarterly GDP Y/Y

(%)	Q3 18	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20	Q4 20
US	3.1	2.5	2.7	2.3	2.1	2.3	1.6	0.6	0.7	1.0
Euro area	1.6	1.2	1.4	1.2	1.3	1.0	0.2	-1.1	-0.6	0.1
China	6.7	6.5	6.4	6.2	6.0	6.0	-1.0	3.5	5.6	6.6
Japan	-0.4	-0.2	0.8	0.9	1.7	-0.7	-1.5	-2.5	-2.0	0.4
UK	1.6	1.4	2.0	1.3	1.2	1.1	0.4	0.2	0.1	0.6
Germany	1.1	0.6	1.0	0.3	0.6	0.5	-0.5	-0.7	-0.3	0.4
France	1.5	1.2	1.3	1.5	1.5	0.9	0.6	-0.3	0.1	0.9
Italy	0.4	0.0	0.2	0.4	0.5	0.1	-1.1	-3.5	-2.4	-1.1
Spain	2.2	2.1	2.2	2.0	1.9	1.8	1.0	-2.0	-1.6	-0.5
Switzerland	2.6	1.4	0.8	0.3	1.1	1.5	1.0	0.1	0.0	0.2
Australia	2.5	2.2	1.7	1.6	1.8	2.2	1.8	0.8	0.9	1.2
Canada	2.0	1.8	1.5	2.0	1.6	1.5	1.3	0.0	0.1	0.7
Brazil	1.5	1.3	0.6	1.1	1.2	1.7	1.8	1.3	1.0	1.0
Russia	2.2	2.7	0.5	0.9	1.7	2.1	2.1	1.0	0.6	0.6
India	6.2	5.6	5.8	5.6	5.1	4.7	4.9	5.0	4.9	5.2
Korea	2.1	2.9	1.7	2.0	2.0	2.3	2.2	0.2	0.7	0.2
Mexico	2.5	1.4	1.2	-0.9	-0.3	-0.5	-0.2	-0.5	0.0	0.6
Indonesia	5.2	5.2	5.1	5.1	5.0	5.0	5.0	4.5	4.6	4.6
Turkey	2.3	-2.8	-2.3	-1.6	1.0	6.0	4.6	3.9	3.8	2.6
Poland	5.2	4.9	4.8	4.6	3.9	3.2	2.5	1.7	1.2	1.8
South Africa	1.3	1.1	0.0	0.9	0.1	-0.5	0.4	-1.2	-0.6	0.5
Developed [a]	2.1	1.7	1.9	1.6	1.7	1.4	0.8	-0.3	0.0	0.7
Emerging [b]	5.0	4.7	4.4	4.4	4.3	4.5	0.8	2.9	4.0	4.5
World [c]	3.2	2.8	2.8	2.7	2.7	2.6	0.8	0.9	1.5	2.1

[a] US, Japan, France, Germany, Italy, Spain, UK, Canada, Australia and Switzerland.

[b] Brazil, Russia, India, China, South Africa, Korea, Mexico, Indonesia, Poland and Turkey.

[c] 'Fitch 20' countries weighted by nominal GDP in USD at market exchange rates (3 year average)

Source: Fitch Ratings

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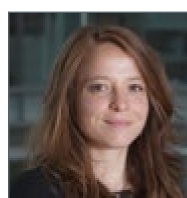

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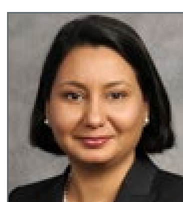

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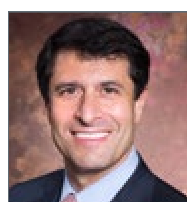

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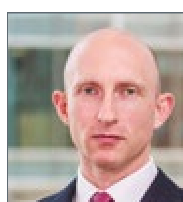

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