

2021 World Economic Outlook

(Translated from the original Japanese version put out on 12/18/2020 (slightly updated))

Marubeni

1/22/2021

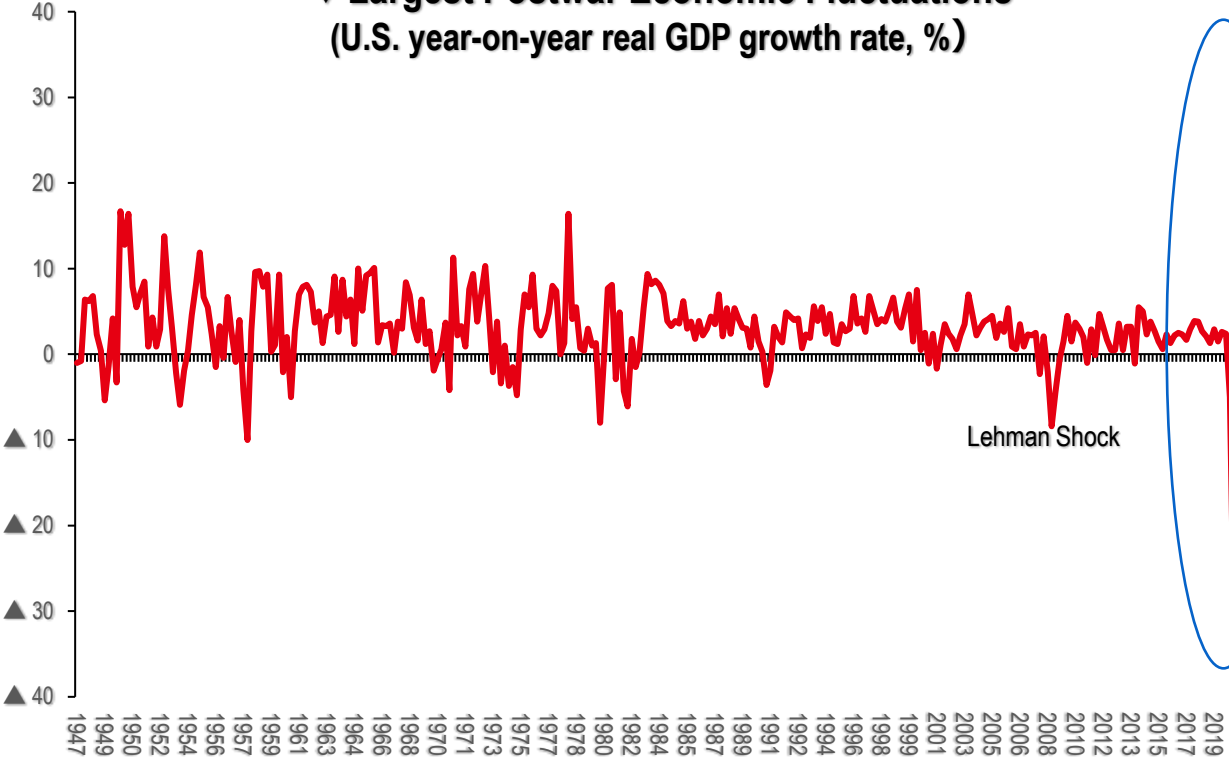
Marubeni Research Institute

1-1. World Economy Summary

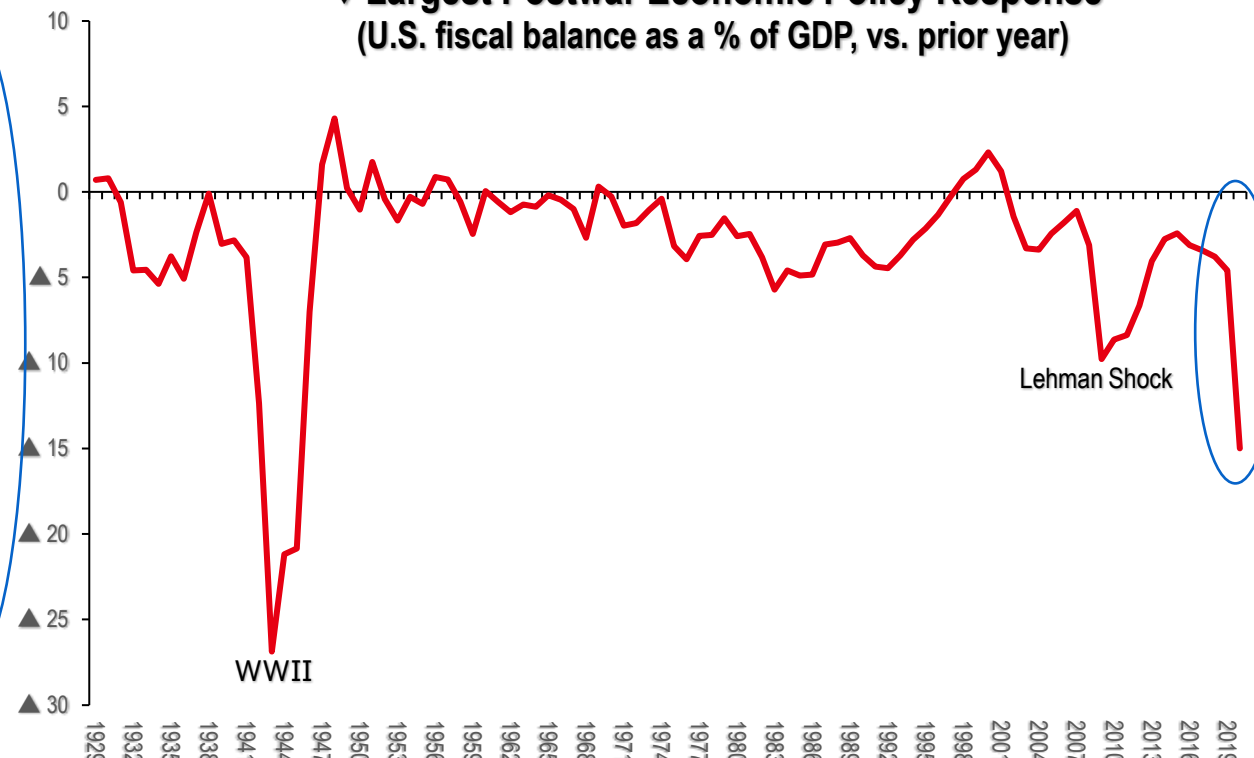
Current Situation: 2020 Saw Largest Postwar Economic Fluctuations and Policy Responses

With the widespread emergence of the new coronavirus (Covid-19), numerous countries implemented measures to prevent its proliferation, resulting in a rapid shrinkage in the world economy. Governments and central banks then instigated the largest economic policy measures, including fiscal mobilization, since the end of WWII. Although the economies of many countries subsequently picked up, the degree to which the new coronavirus has been controlled and economic activities have resumed varies depending on the country and even industry involved. At present there is concern that the effects of these economic measures are declining. On the other hand, stock prices have been rising globally due to ultra-easy monetary policies.

▽ Largest Postwar Economic Fluctuations
(U.S. year-on-year real GDP growth rate, %)



▽ Largest Postwar Economic Policy Response
(U.S. fiscal balance as a % of GDP, vs. prior year)



Source: U.S. Bureau of Economic Analysis, Commerce Department

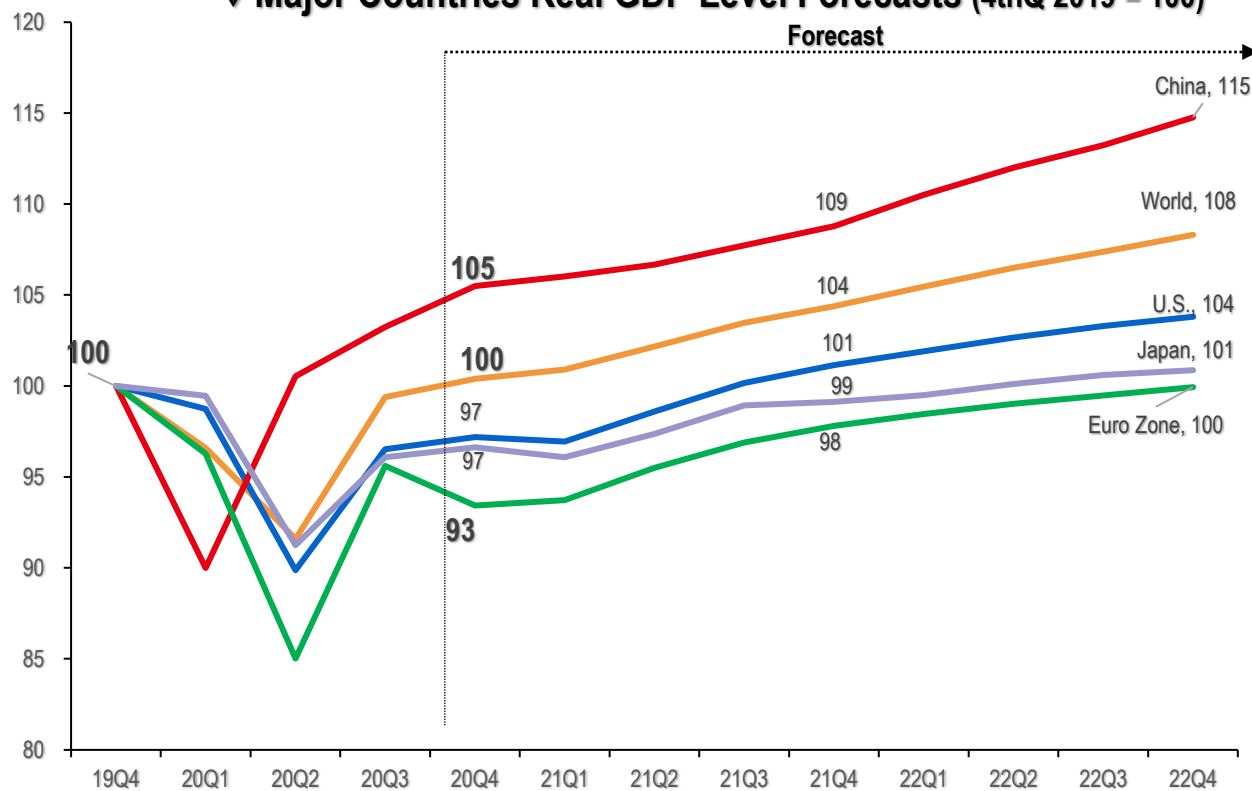
Source: St. Louis Federal Reserve Bank

1-2. World Economy Summary

Outlook (Standard Scenario): World Economy Accelerates During April to June Period of 2021

Following the launch of large-scale vaccinations, restrictions on economic activity will be significantly relaxed with the April to June period of 2021 seeing an acceleration that should peak sometime in the July to September period of the same year. If the launch/impact from the vaccine appears to be progressing ahead of schedule it will result in a more optimistic scenario, and if it seems to be falling behind schedule it will result in a more pessimistic scenario than the standard (baseline) scenario (please see the attachments on pages 32 to 34). Close attention should be paid to the U.S. and the UK which are ahead of most countries in implementing vaccinations, so should see rapid economic recoveries first with the other countries following suit.

▽ Major Countries Real GDP Level Forecasts (4thQ 2019 = 100)



Source: Marubeni Research Institute

▽ World Economic Outlook (% vs. prior year)

	Share (%)	Real 2019	Estimate 2020	Forecast 2021	Forecast 2022
World	100.0	3.0	-3.4	5.4	4.1
Japan	4.1	0.3	-5.4	2.1	2.4
(fiscal year)	4.1	-0.4	-5.7	3.9	2.0
U.S.	15.9	2.2	-3.6	3.8	3.7
Euro Zone	12.5	1.0	-8.1	4.0	3.4
China	17.4	6.1	1.8	7.5	5.0

Source: Marubeni Research Institute

2. Risks

Biggest Risk - Ineffective Vaccine Implementation

Risk	Occurrence Route	Impact
Vaccine Implementation Ineffective	Due to logistical, vaccination system limitations and other problems not limited to potential side effects, roll-out delayed and inoculation rates low.	Economic activity remains restricted due to failure to ease coronavirus concerns, economic downturn as sentiment and consumption worsens.
Premature Rewinding of U.S. Fiscal/Monetary Policy	Due to the expansion of vaccinations the economy overheats and inflation rapidly increases. Also, budget concerns result in fiscal austerity.	The cash flows of companies with low credit ratings collapse due to a sharp rise in interest rates. Unemployment worsens over fiscal austerity with private consumption rapidly cooling off.
Recurring Bankruptcies of China State-Owned-Enterprises (SOEs)	More than one-third of SOEs are in the red. There is the risk that government relief will not come before spring of 2021 due to exhausted finances.	Concerns over deterioration of employment in the financial, transportation infrastructure and manufacturing industries, and financial instability due to credit uncertainty and bad debt.
Latin America Sovereign Debt Crisis (infections expand in April/Sept. winter)	Infections spread again in Latin America's winter. Such high debt level countries as Argentina/ Brazil forced to enact further economic measures.	Large-scale defaults, demonstrations occur due to social unrest. The impact spreads to financial institutions mainly in Europe.
Financial Instability Due to Disparities in Speed of National Recoveries	Due to differences in nations' industrial structures, countries will coexist with very different rates of economic recovery, some of them prolonged.	Disparity in the speed of these recoveries could lead to abnormalities in international financial flows and destabilization of international finance.
Oil Prices Surge Due to Tensions in the Middle East	Due to a tightening net around Iran an accidental incident occurs leading to military conflict and a blockade of the Hormuz Strait.	Due to oil supply worries oil prices soar leading to deterioration in the current account balances of oil importing countries (especially emerging economies) with worldwide effects.
OPEC Plus Production Cuts Crumble, Oil Prices Crash	Due to dissatisfaction with decreasing market share as some countries increase production the price-boosting strategy reverts to a market share-oriented one.	Increased oil production causes oil prices to crash negatively affecting the economies of oil producing countries. Low-rated U.S. bonds begin to default creating credit worries.
U.S. Commercial Real-Estate, CLOs Crash, Non-Bank Players Collapse	Commercial real-estate prices drop in urban areas due to the virus, company and non-bank financial institution bankruptcies continue.	U.S. financial system suffers damage.
U.S., China Battle Over Sanctions	Expansion of U.S. sanctions related to human rights/freedom, China makes serious shift from singular retaliation to such systematic action like export control laws.	The export environment has deteriorated due to the abolition of trade agreements and tariff wars. There is concern over China's economic recovery which has been ahead of the rest of the world.
Southern Europe's Debt Problems Re-emerge	As European banks are hit by non-performing loans/lower profits, government bond sales accelerate as worries grow over debt repayments by Southern European countries.	A negative spiral from the first monetary and fiscal crisis since the precious European debt crisis.

3-1. Vaccine/Drug Treatment Development, Inoculation, Distribution Outlook

Vaccine Inoculations Have Begun in Some Countries, However, Effective Treatment Drugs Still Non-Existent

- As for the vaccine, several candidate vaccines showed higher than expected efficacy rates in the UK and U.S. with Pfizer's vaccine having already started inoculations in the U.S.
- Although several drugs to treat Covid-19 have been approved depending on the severity of the case, with some having been recommended or permitted for emergency use, all seem to have limited effect so none can be said to be sufficient as treatments.

▽ Leading Vaccine Development/Vaccination Trends

<p>BNT162b2 U.S. Pfizer Germany BioNTech</p>	<p>95% efficacy rate in Phase 3 clinical trials. Vaccinations began on 12/8 in the UK and 12/14 in the U.S./Canada. The European Medicines Agency held a meeting to consider the pros/cons of approval.</p>
<p>mRNA-1273 U.S. Moderna U.S. NIH</p>	<p>94.1% efficacy rate in Phase 3 clinical trials. The U.S. Food and Drug Administration (FDA) Advisory Board recommended emergency use approval (EUA) on 12/17 with approval by the FDA on 12/18.</p>

Although both vaccines are successful in suppressing the onset of symptoms and serious illness, its ability to prevent infection (asymptomatic) and transmission of the virus is **unknown at this time**. It is possible that certain virus control measures will continue to be required in the future.

<p>ChAdOx1 UK Oxford University UK AstraZeneca</p>	<p>62% to 90% efficacy rate depending on the size of the dosage. An additional trial will be conducted due to the dosage issue found in the Phase 3 clinical trials.</p>
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Source: Marubeni Research Institute based and various materials

▽ Major Treatment Drugs Approval Trends

<p>Anti-viral</p>	<p>Remdesivir (U.S. Gilead)</p>	<p>Official approval in the U.S., special and conditional approval in Japan and Europe, respectively. Although more effective than placebos in moderate to severely ill patients, the effect on Asian and black patients was statistically insignificant. In addition, WHO published an interim report of a study conducted in 30 countries around the world that showed that the in-hospital mortality rate was no different than that of the placebo group and published a guideline that recommended it not be administered.</p>
<p>Severe Symptom Suppressants</p>	<p>Dexamethasone Generic product (many manufacturers)</p>	<p>Originally approved in Japan as a therapeutic drug for severe infectious disease, it was stated as a therapeutic drug in the guidelines for the treatment of Covid-19 in July. Both the U.S. National Institute of Health and the European Medicines Agency recommended its use in critically ill patients in July and September, respectively.</p>

Source: Marubeni Research Institute based and various materials

3-2. Vaccine/Drug Treatment Development, Inoculation, Distribution Outlook

Long-term Efficacy/Safety Still Being Assessed, Aim to Ensure a Certain Level of Efficacy/Safety

- The long-term efficacy and safety of the vaccines is still being evaluated. A certain level of efficacy and safety needs to be ensured.
- Vaccinations in developing countries and rural areas of the m-RNA vaccines requiring ultra-low temperatures may create a problem. Questions over the effectiveness of virus vector-based vaccines in terms of the multiple inoculations.

▽ Overview of Leading Vaccines/Vaccine Specific Challenges

BNT162b2
U.S. Pfizer
Germany BioNTech

mRNA vaccines provide the genetic code for our cells to recognize and produce the viral (surface spike) proteins. The body then launches an immune response against the virus. Since the *m*-RNA vaccine has unstable physical properties they have to be transported and stored at extremely cold temperatures. In particular, Pfizer's vaccine needs to be transported and stored at around -70°C

mRNA-1273
U.S. Moderna
U.S. NIH

Virus vector vaccines a cold viruses taken from chimpanzees that have been genetically engineered to create a non-infectious carrier incorporating the genetic code of the surface spike protein. The spike protein is then produced in human cells to elicit an immune response. However, the vaccine may not last long in some cases making repeated vaccinations necessary. Some people may already have antibodies that are immune to the carrier making the repeated vaccinations less effective.

ChAdOx1
UK Oxford University
UK AstraZeneca

▽ Common Vaccine Challenges/Risks

- Procuring vaccine raw materials (including auxiliary raw materials) and container materials (vials/caps) that meet standards and building large-scale mass production systems.
- Timely transport and vaccination systems (high efficacy, with two inoculations in a specified period)
- Vaccination rate (it is thought that a vaccination rate of 80% is required to reach herd immunity)
- As vaccinations become more widespread adverse incidents might rise, including those that have no causal relationship to the vaccinations, and/or serious side effect reactions may also occur in which case vaccinations may decrease or be stopped altogether.
- Although the possibility of serious adverse reactions is not zero, no serious adverse reactions have been observed with the approved mRNA vaccines. It has been suggested that anti-body dependent enhancement, one of the most feared side effect reactions, is unlikely to occur.

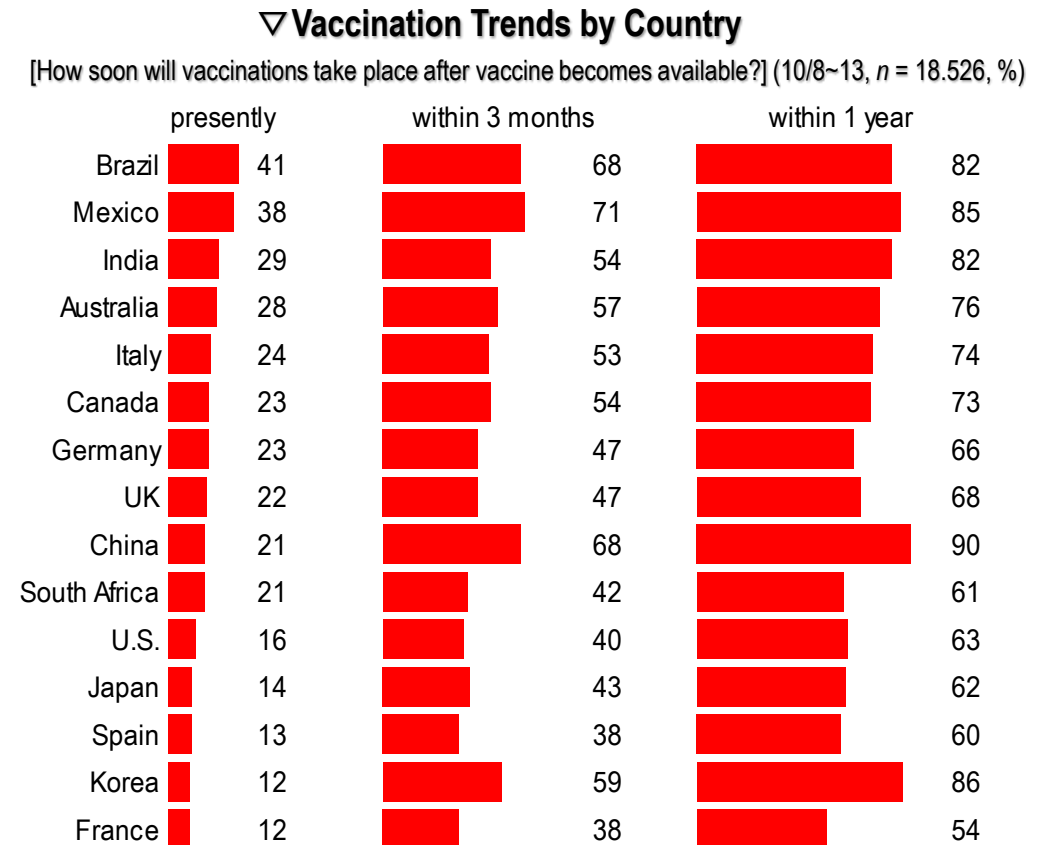
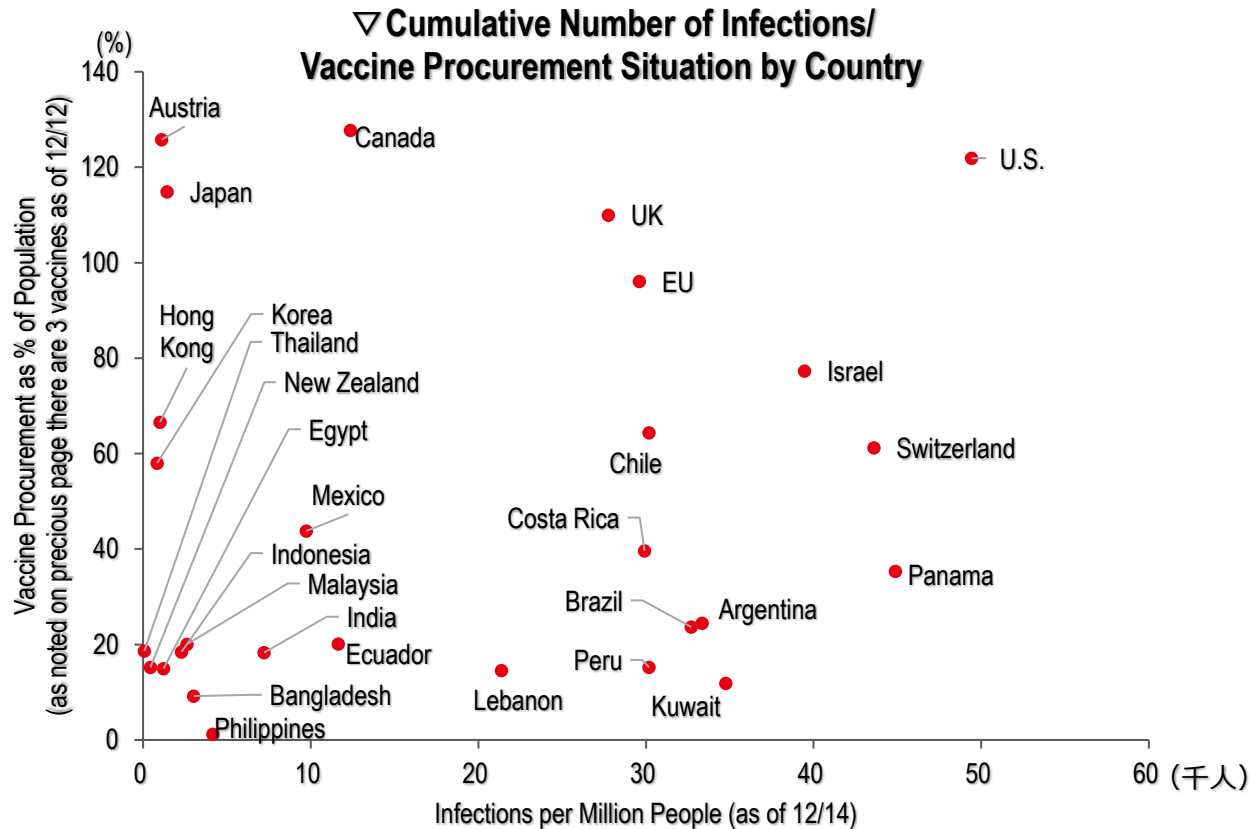
Although these are challenging problems, they can certainly be solved over time, especially in developed countries.

Source: Marubeni Research Institute taken from various materials

3-3. Vaccine/Drug Treatment Development, Inoculation, Distribution Outlook

Widespread Global Vaccinations Completed Before or After 2023?

- The infection rate of the new coronavirus (Covid-19), the amount of vaccine secured, and vaccination plans vary by country. The period in which vaccine inoculations will be completed also vary from country to country. It is expected that widespread global inoculation will not occur until after 2023.
- It should be noted that extensive vaccination completion may depend on new vaccine development, approval, production, distribution, vaccination systems, and trends in vaccine inoculations based on the will to be vaccinated.



Sources: Marubeni Research In statute with data from the Duke Global Health Innovation Center, Johns Hopkins University

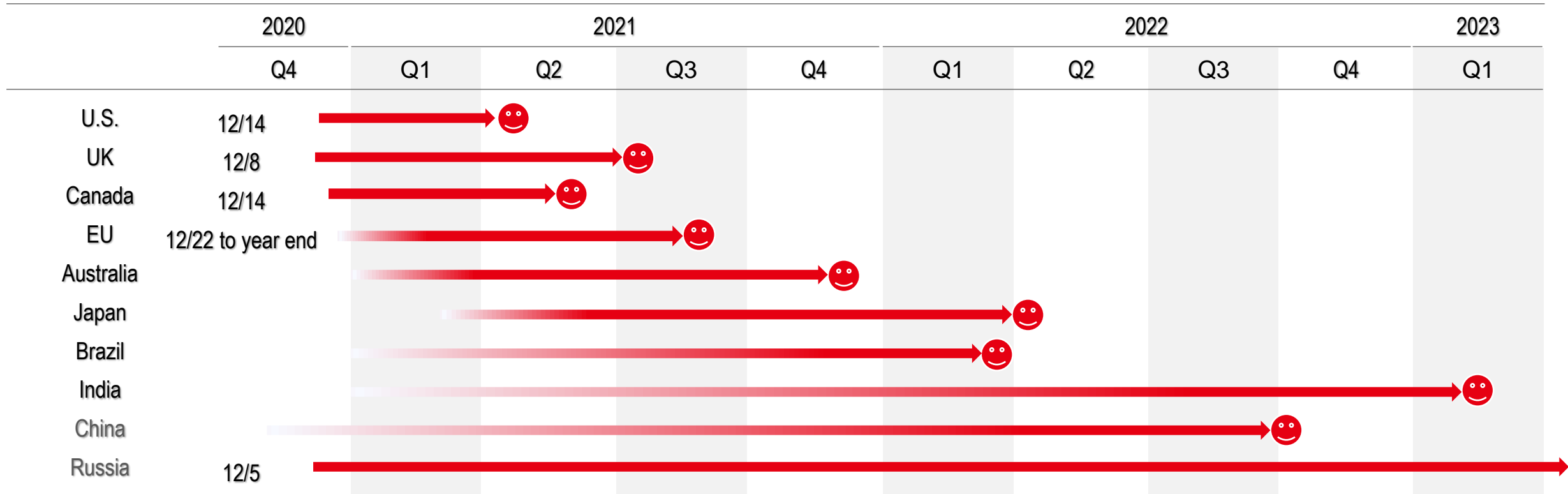
Sources: Ipsos, World Economic Forum

3-4. Vaccine/Medication Development, Inoculation, Distribution Outlook

Widespread Global Vaccinations Completed Before or After 2023?

- Among developed countries Japan's plan to start vaccinations and attain herd immunity falls far behind the timing in Europe and the U.S.
- Vaccine inoculations face many challenges in developing countries.

▽ Vaccinations by Country (time it takes to attain herd immunity),
 (based on the premise that vaccines not approved presently will be approved in the not-too-distant future)



Source: Airfinity

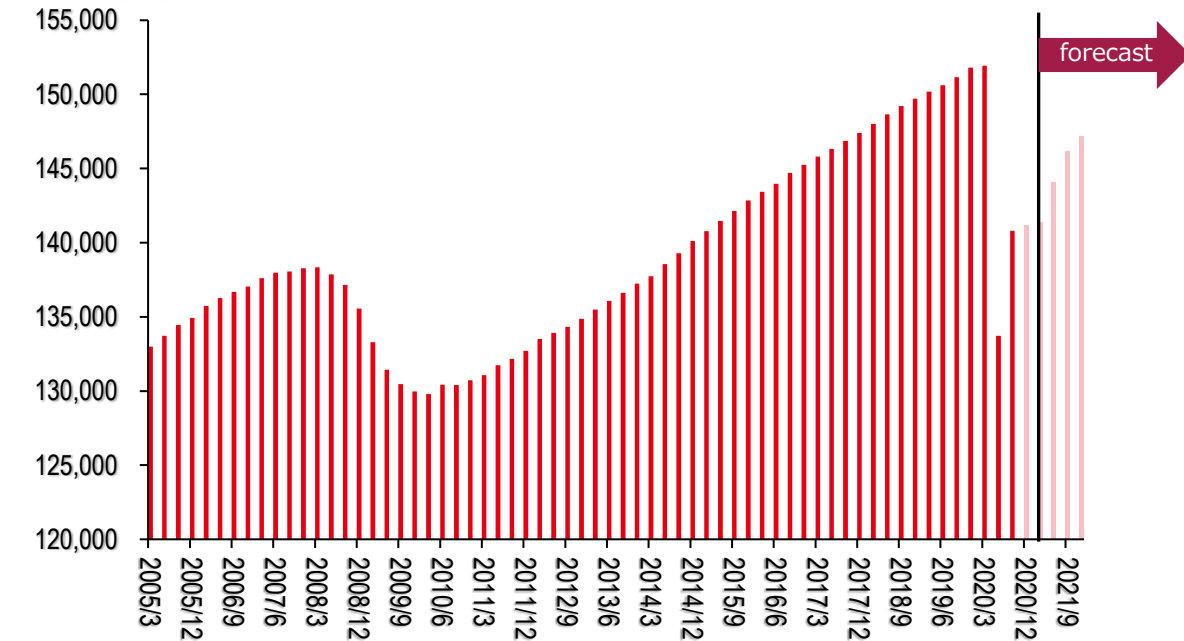
4-1. U.S.

Slow Recovery in Employment/Consumer Sentiment to Hinder Personal Consumption

The real GDP growth rate will be 3.8% in 2021, reaching a pre-Covid-19 level in the July to September period. However, employment, especially in low wage occupations, will be slow to recover, so growth **will not be the same as that level at the end of 2021**. Consumer sentiment is not as bad as it was following the Lehman Shock, however the pace of its recovery will be slow. The plodding recovery in employment and consumer sentiment should hinder a recovery in personal consumption.

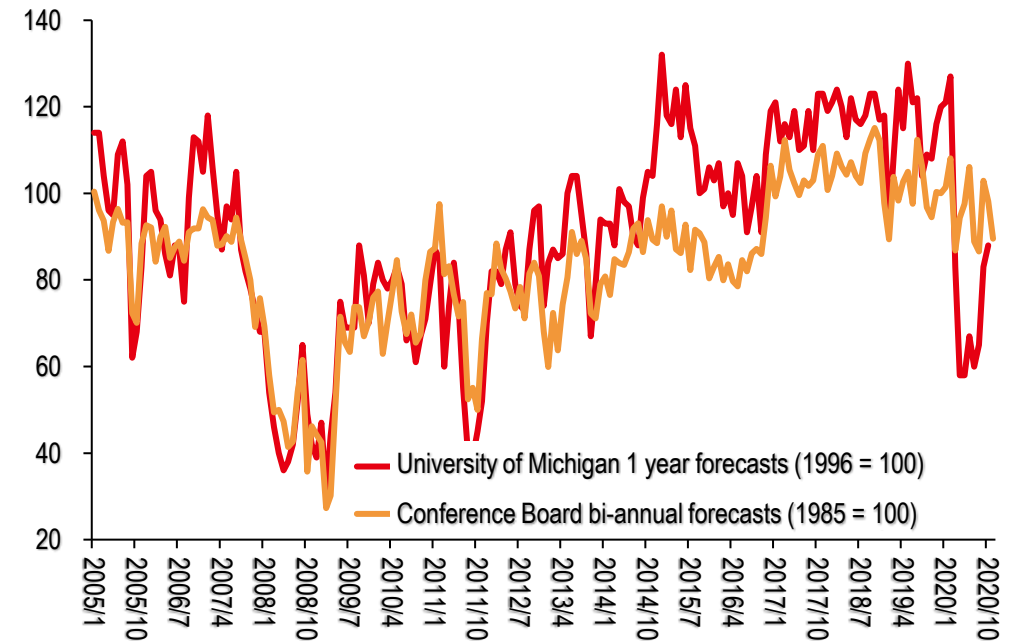
▽ Non-Farm Payroll Employment

(seasonally adjusted, 1,000 people)



Sources: U.S. Department of Labor, JP Morgan

▽ Consumer Confidence Index



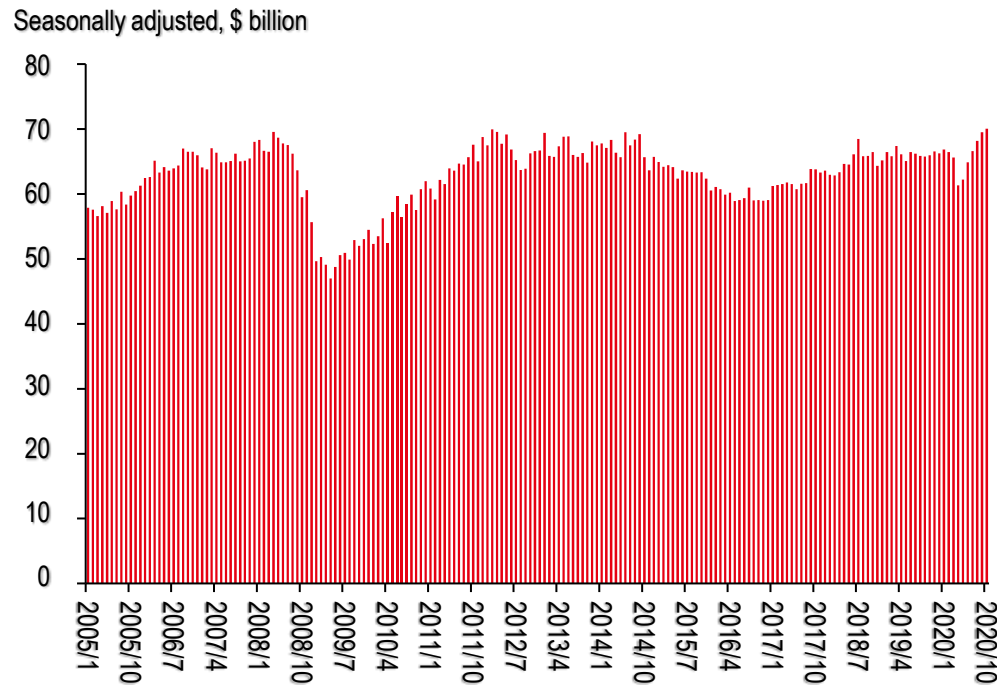
Sources: University of Michigan, Conference Board

4-2. U.S.

A Bubble Lurking Behind the Shadow of Strong Capital Investment

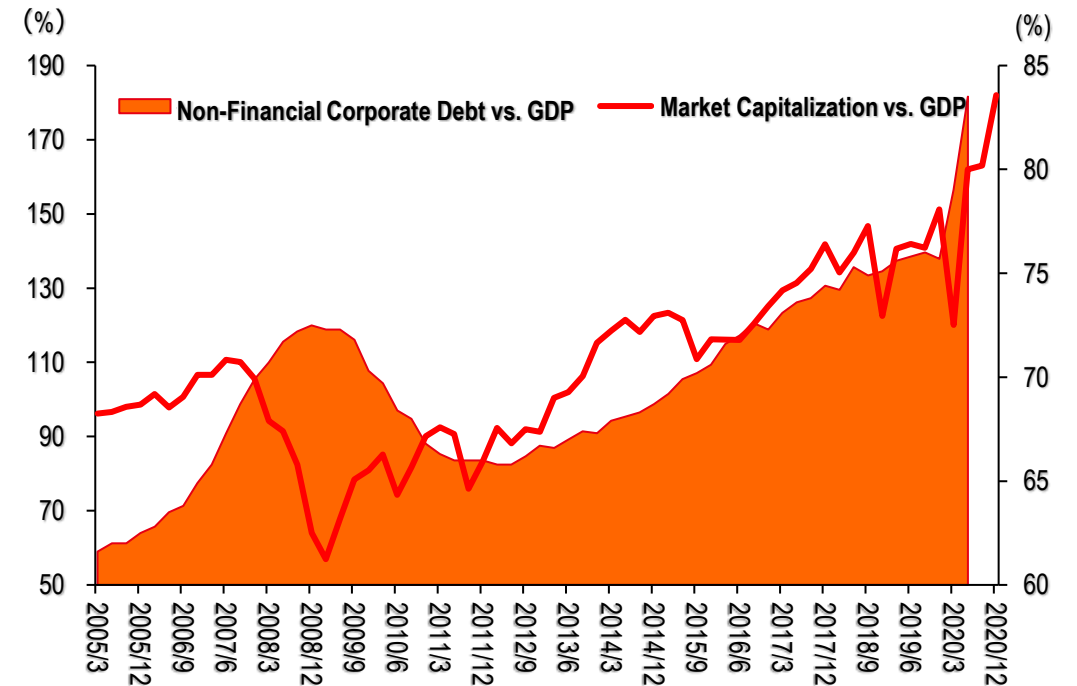
Orders for non-defense related capital goods (excluding aircraft), a leading indicator of capital investment, plummeted following the widespread emergence of Covid-19, but soon after recovered. In October of 2020 orders exceeded \$70 billion for the first time on a value basis. IT technology investment is also on the rise due to digitalization and the impact of Covid-19. On the other hand, company market capitalization (180%) and corporate debt levels (83%) are at record highs as a percent of GDP raising concerns over financial leverage and other possible overheating.

▽ Orders for Non-Defense Capital Goods (aircraft excluded)



Source: U.S. Census Bureau

▽ Market Capitalization and Corporate Debt Levels (vs. GDP)



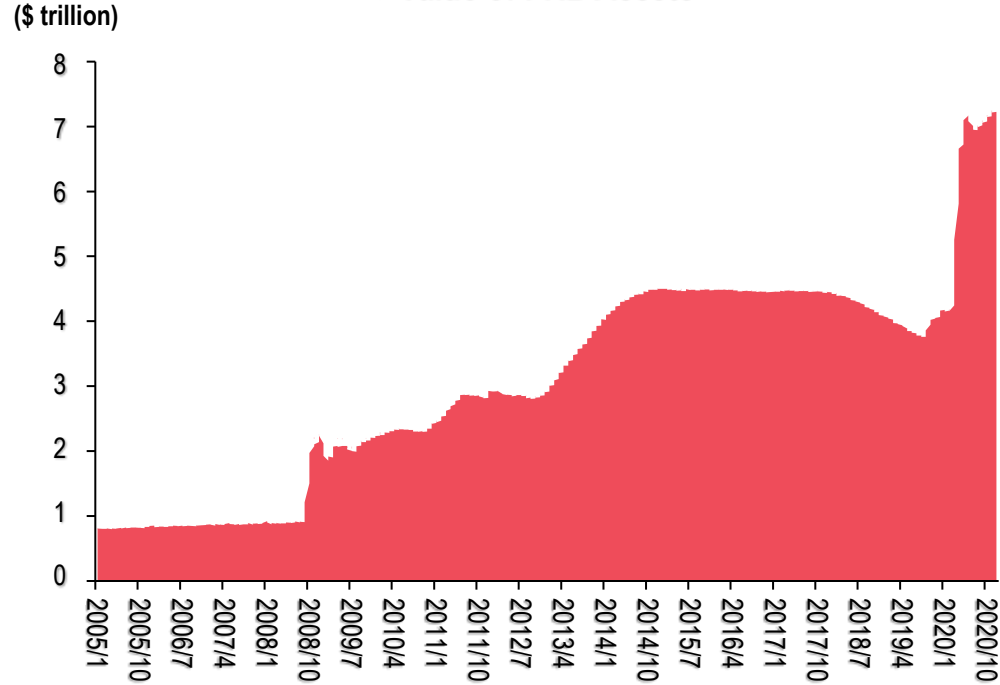
Sources; U.S. Bureau of Economic Analysis, St. Louis Federal Reserve Bank

4-3. U.S.

Will Monetary Easing Policy Continue?

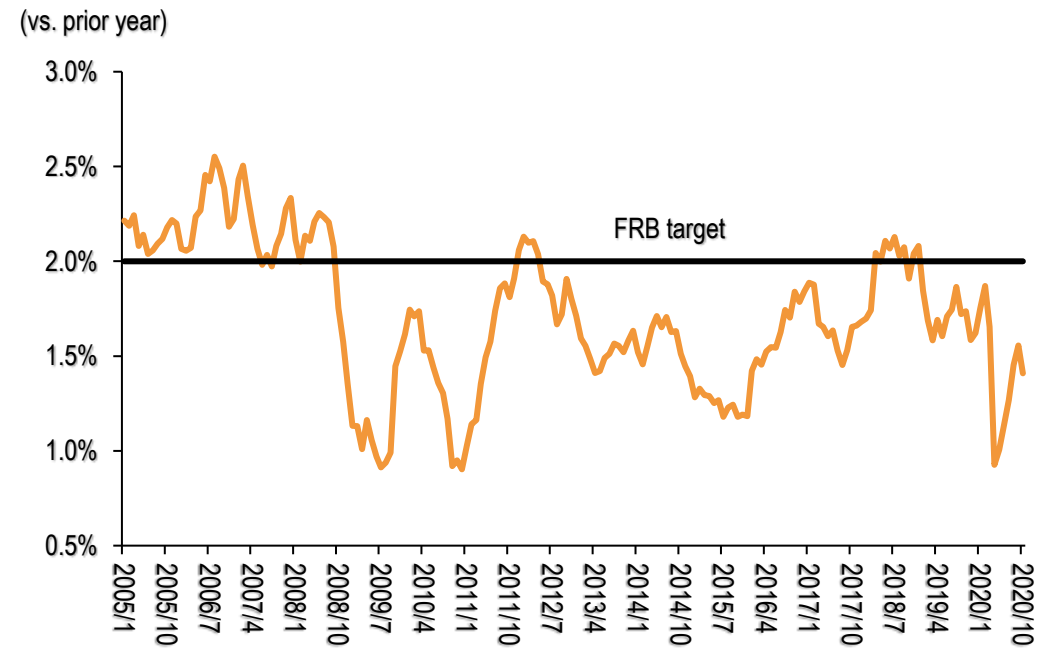
The FRB's asset holdings have surged to more than \$7 trillion, or about 35% of GDP. However, the ratio to GDP is lower than that of the central banks in Japan and Europe which leaves relatively larger room for the FRB to purchase more financial assets at a later date. The Fed Funds Rate is also expected to remain unchanged until 2022. Also, the inflation rate is still well below the 2% target, and if it eventually exceeds the 2% target it can be tolerated for a certain period of time. So, at the earliest will it be after 2023 before the FRB begins looking at exit measures or not?

▽ Value of FRB Assets



Source: Federal Reserve Board of Governors

▽ Inflation Rate (core PCE deflator)



Source: U.S. Bureau of Economic Analysis

4-4. U.S.





Is the New Biden Administration Headed for a Difficult Launch? (Update: Control of Senate Makes Launch Somewhat Easier)

It was thought that the Biden administration would have difficulty introducing Covid-19 relief measures, tax increase policies and that environmental infrastructure and R&D investment, his main pledges, would have to be scaled down due to a Republican controlled Senate. However, carrying these out now have a greater chance, although still difficult, with the Democrat controlled Senate. In terms of the cabinet, will the new administration place strong emphasis on the domestic labor (jobs) market and externally does it intend to mend relations with Europe and try to contain, to some extent, the competitive relationship it has now with China, all of which seem likely?

▽ Some Biden Administration Policy Pronouncements

Economy	Create 10 million job through \$2 trillion in environmental infrastructure investment, \$700 billion in government purchasing, and R&D investment. ⇒ Will the scale be reduced?
Diplomacy/ Trade	Emphasize relations with allies, seek corrections to China's unfair trade practices, return to the Iran nuclear agreement. ⇒ Look to new trade agreements after sufficient amounts of domestic investment have been made.
Environment	Environmental protection, environmental justice (correcting pollution disparities between communities and along racial lines) ⇒ Will gasoline emission regulations be tightened by presidential executive orders?
Covid-19	Stress science-based viewpoints, request state governments to support mask wearing. Attention should be paid to whether restrictions on economic activity will be strengthened or not.

▽ Some of Biden's Cabinet Nominations

Treasury Secretary		Janet Yellen, former FRB Chair. Labor economics specialist. Will she promote employment measures and accommodative fiscal policy? Pay close attention to stance on economic sanctions.
Secretary of State		Antony Blinken, former Deputy Secretary of State. Emphasis on European alliance. Promoted the Iranian nuclear agreement under the Obama administration.
National Security Advisor		Jake Sullivan, former Deputy Assistant to the President. Will advocate cooperation with allies, seek to avoid disastrously competitive relations with China.
Climate Envoy		John Kerry, former Secretary of State. Made efforts to reach the Paris Climate Agreement. Due to the appointment of a special envoy on climate, will diplomacy and climate policy be developed on divergent paths, especially in terms of policy toward China?

Sources: The Biden camp and Biden's official government transition home page

Source: Various media reports

5-1. Europe

Economy Overview: Business Sentiment Deteriorates With New Covid-19 Wave, Economy Hits Bottom Again But Decline Limited Compared to Spring

- Since the end of October many European countries have re-implemented national pandemic restrictions with their economies deteriorating, especially the service sectors.
- There is strong concern that the European economy will experience negative growth again in the October to December period of 2020. However, the decline is limited in comparison with the April to June period.
- The UK, which prioritized Brexit to restore sovereignty, is expected to suffer long-term economic damage even with a Brexit trade deal.

▽ Major Economic Indicators (Euro Zone/UK)

	Item	2019		2020					2020	
		10~12	1~3	4~6	7~9	8	9	10	11	
Euro Zone	Real GDP (2019 10~12 =100, seasonally adjusted)	100.0	96.2	84.9	95.6	—	—	—	—	
	Composite PMI (Above 50 = rise, below 50 = fall, 50 = no change)	50.7	44.2	31.3	52.4	51.9	50.4	50.0	45.3	
	Industrial Production (2019 10~12 =100, seasonally adjusted)	100.0	96.8	81.4	94.1	95.1	94.7	—	—	
	Retail Sales (2019 10~12 =100, seasonally adjusted)	100.0	97.2	92.4	102.0	104.1	102.4	103.9	—	
	Consumer Prices (CPI, same period prior year, %)	+1.0	+1.1	+0.2	▲0.0	▲0.2	▲0.3	▲0.3	▲0.3	
UK	Real GDP (2019 10~12 =100, seasonally adjusted)	100.0	97.5	78.2	90.3	90.6	91.5	—	—	
	Composite PMI (Above 50 = rise, below 50 = fall, 50 = no change)	49.5	47.4	30.5	57.5	59.1	56.5	52.1	49.0	
	Industrial Production (2019 10~12 =100, seasonally adjusted)	100.0	97.9	82.0	93.7	93.6	94.1	—	—	
	Retail Sales (2019 10~12 =100, seasonally adjusted)	100.0	99.7	90.1	104.0	104.0	105.1	106.1	—	
	Consumer Prices (CPI, same period prior year, %)	+1.4	+1.7	+0.7	+0.6	+0.2	+0.5	+0.7	—	

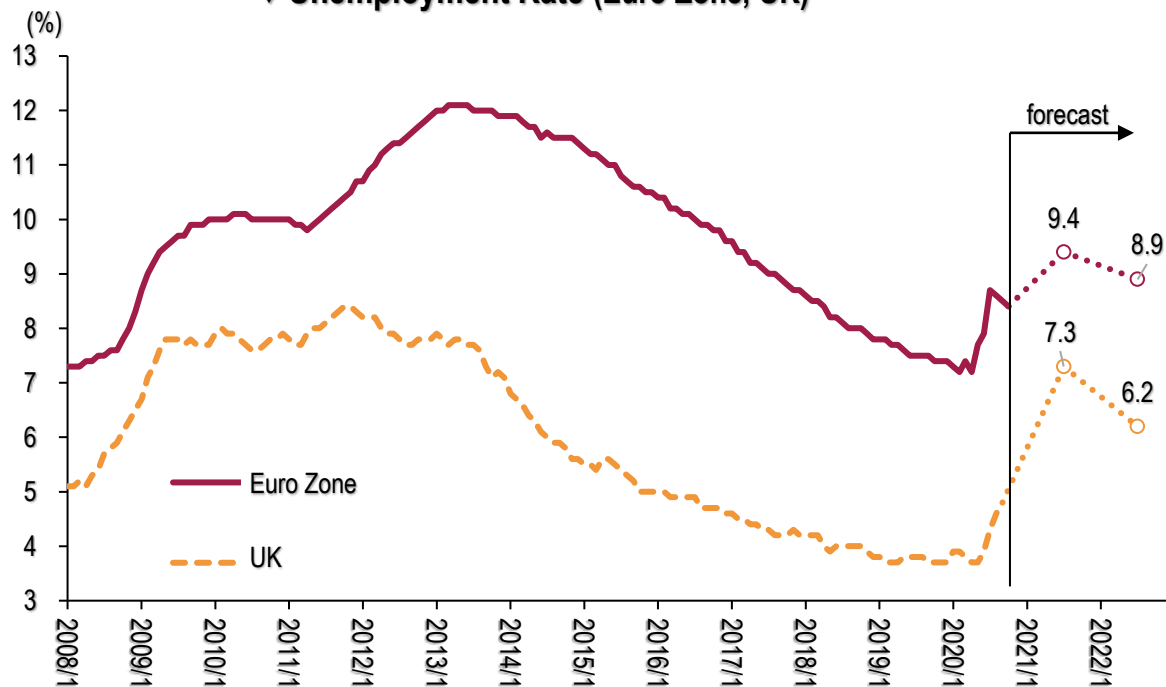
Source: Marubeni Research Institute using data from the European Commission, UK Statistics Authority, Refinitiv

5-2. Europe

Employment Climate: Employment Support Measures Have Suppressed Unemployment Increases to Some Extent. So, Will Unemployment Peak in 2021?

- The employment environment has deteriorated due to the re-introduction of pandemic control measures. Government employment support initiatives have helped curb the surge in unemployment to some degree, so the actual unemployment situation won't become completely clear until sometime in 2021. There are expectations that it will rise to the same level as it was right after the Lehman Shock (2009-2010).
- Even after the Covid-19 shock subsides a delay in a recovery in the employment climate will weigh heavily on personal consumption which makes up 50% to 60% of GDP.

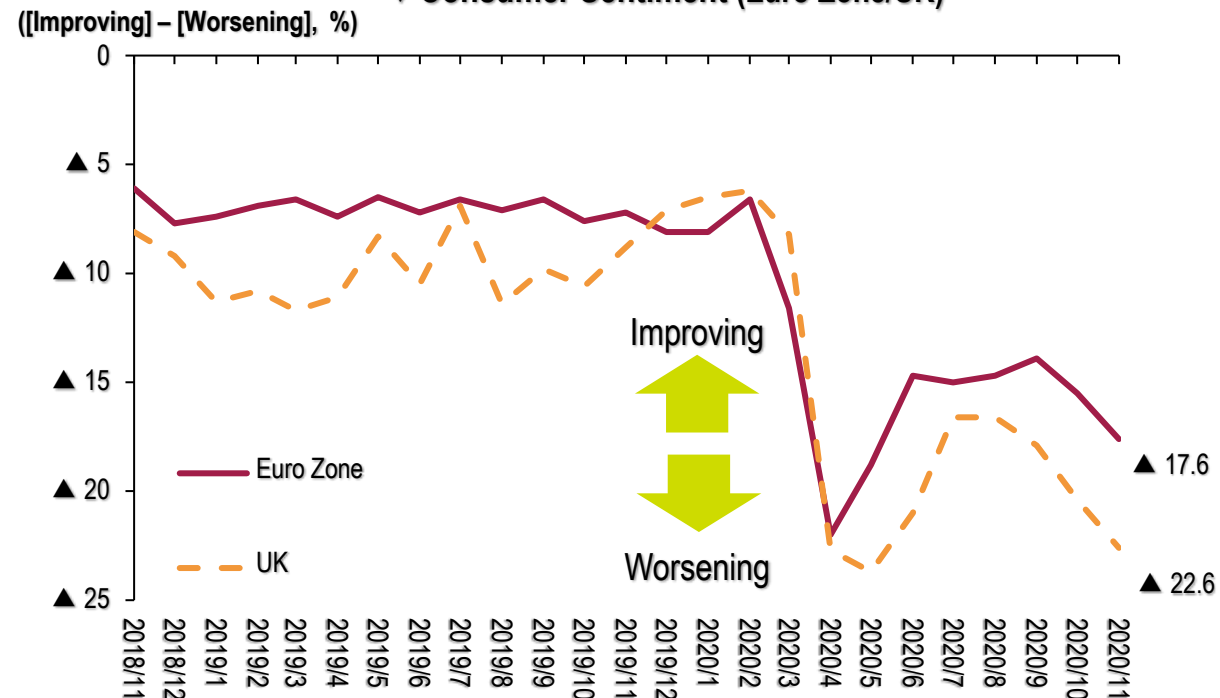
▽ Unemployment Rate (Euro Zone, UK)



Note: The forecast is based on the European Commission's Economic Forecast (as of 11/2020)

Source: European Commission, UK Statistical Authority

▽ Consumer Sentiment (Euro Zone/UK)



Note: The Consumer Confidence Index surveys consumers on the economy and household outlooks, purchasing motivations, etc., and indexes the response results (improving/same/worsening).

Source: European Commission

5-3. Europe

Fiscal Policy: Increased Investment in Environmental Measures/Digitalization Post-Covid-19

Following the outbreak of Covid-19, the EU suspended its fiscal rules (fiscal deficits within 3% of GDP). The fiscal stance of European countries, including Germany, which has traditionally emphasized fiscal discipline, was greatly relaxed in 2020. The European Reconstruction Fund, which supports the economic recovery of EU member states, provided subsidies that do not require repayment and focuses support on heavy debt countries in Southern Europe. The funding will focus on environmental measures and digitalization.

▽ Fiscal Outlook (major Euro Zone countries/UK)

		Item (vs. GDP, %)	2019 (actual)	2020 (estimate)	2021 (forecast)	2022 (forecast)
Germany	Structural PB		+ 1.7	▲2.7	▲2.1	▲1.3
	Public Debt Balance		59.6	71.2	70.1	69.0
France	Structural PB		▲2.8	▲3.9	▲4.6	▲3.7
	Public Debt Balance		98.1	115.9	117.8	119.4
Italy	Structural PB		+ 1.5	▲2.0	▲1.4	▲1.0
	Public Debt Balance		134.7	159.6	159.5	159.1
Spain	Structural PB		▲2.0	▲3.8	▲3.9	▲5.2
	Public Debt Balance		95.5	120.3	122.0	123.9
UK	Structural PB		▲1.4	▲6.8	▲4.2	▲3.7
	Public Debt Balance		85.4	104.4	111.0	113.7

Note: Estimate/forecasts are by the European Commission (as of 11/2020). The structural primary balance (PB) is the PB minus business cycle factors.

Source: European Commission

▽ Points for Issuing Common Bonds by the EU

- **€750 billion in funding procured for the issuance of EU common bonds**
 - A program aimed at supporting the economic recovery of EU member states from the Covid-19 shock (Next Generation EU) adopted at the plenary session of the EU parliament.
 - Supporting member countries with a focus on reforms and investment in the environmental and digital fields.
 - It is raising the €750 billion in funds in the market by issuing EU common bonds. Breakdown of the €750 billion in funding is €390 billion in subsidies (no repayment required) and €360 billion in loans.
- **The support will mainly be in Southern Europe where the impact of Covid-19 has been large.**
 - Subsidies will account for 90% of the European Reconstruction Fund budget (2021-2022) with the Southern European countries of Italy (20.4%) and Spain (19.9%) receiving the largest shares. France, Germany and Poland are the next largest recipients and so on.
- **New tax system to be introduced to secure financial resources.**
 - The funds are to be repaid by 2058. To secure the financial resources for repayment a new tax system was introduced.
 - A tax on plastics (to start in January of 2021).
 - Digital service tax (under consideration, would apply to some member countries).
 - Carbon border adjustment tax (under consideration).

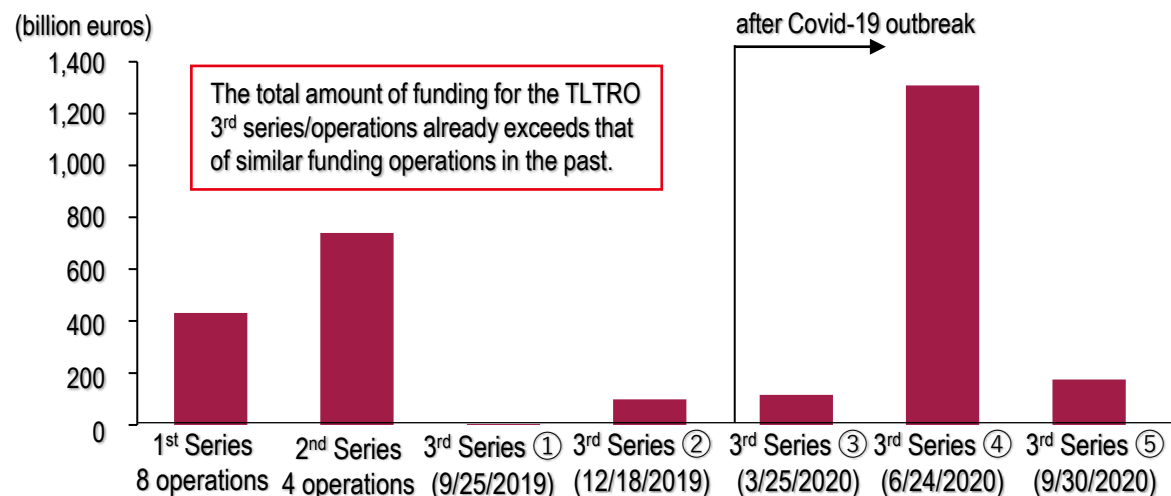
Sources: Marubeni Research Institute with data from the European Commission and various media reports

5-4. Europe

Monetary Policy: Due to Concerns Over Prolonged Low Inflation, Policy Normalization Not Foreseen at This Point

By providing access to a large-scale supply of capital to private banks, the ECB has helped improve corporate cash flows and reduced the side effects of negative interest rates. In addition, the temporary asset purchase program (PEPP) will help curb sovereign risk in the heavily indebted countries in Southern Europe, which have become a concern due to their expanding fiscal budget deficits. However, note the asset purchase program's operations will be reviewed in the near future in relation to the purchase ratio of government bonds. Given concerns that low inflation will continue, monetary policy normalization is not foreseen at this time.

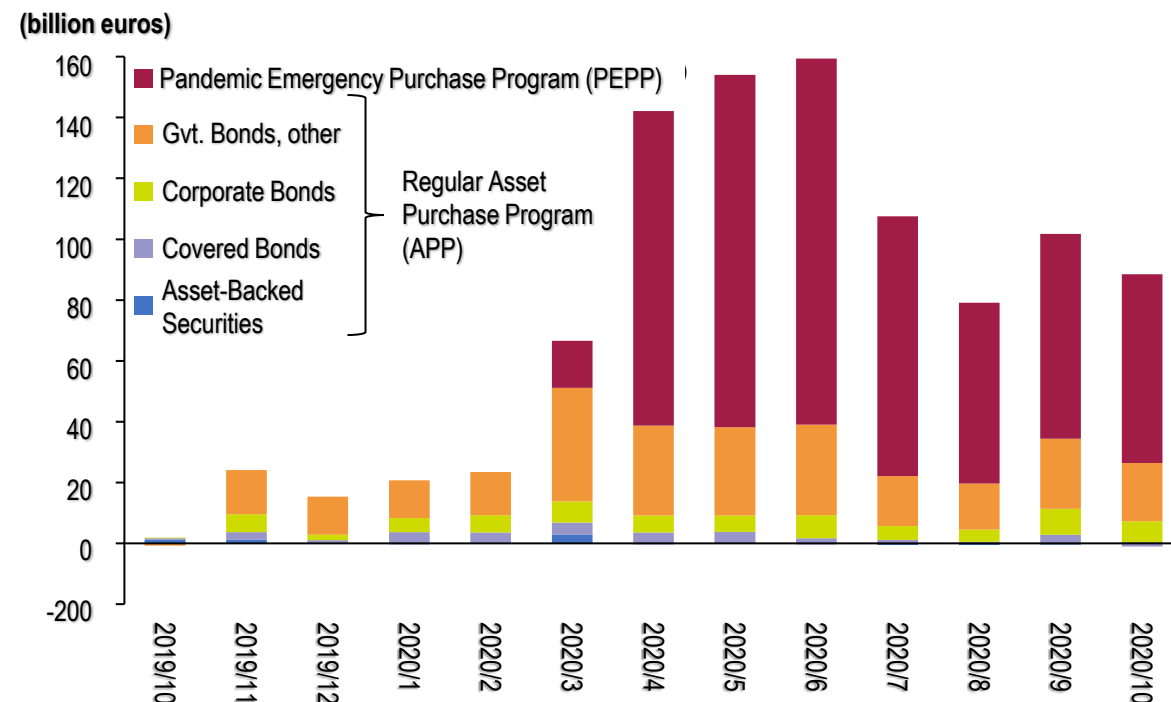
▽ Scale of ECB's Targeted Longer-Term Refinancing Operations (TLTRO)



Note: TLTRO is a mechanism that provides capital to private banks through long-term lending at low interest rates. The date in parentheses mark the start of those operations. The start of the 1st operation in the 1st series was 9/24/2014, and 6/29/2016 for the 1st operation in the 2nd series was

Source: European Central Bank (ECB)

▽ Scale of ECB's Asset Purchases (Net Purchase Amounts)



Note: More than 80% of PEPP purchases are government bonds. The APP imposes upper limit restrictions on government bond purchases based on the ECB's investment ratio. However, the PEPP allows more flexibility in asset purchase decisions.

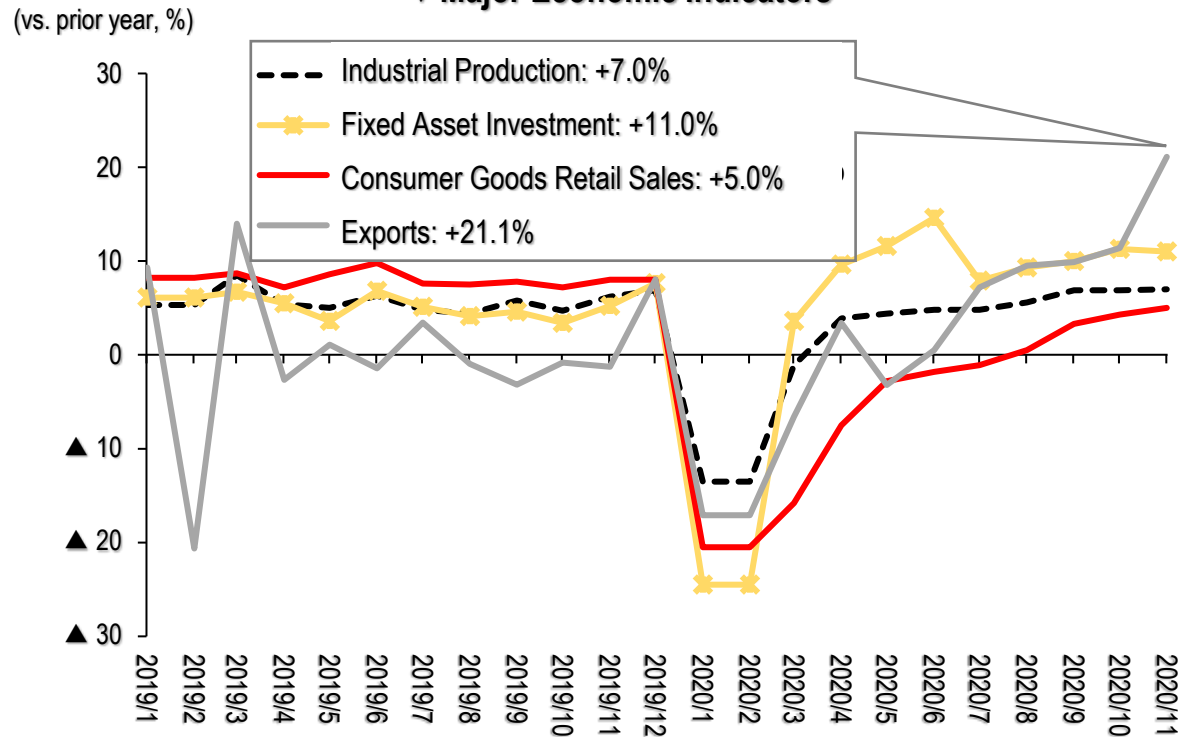
Source: ECB

6-1. China

World's First Economic Recovery Hampered During Pandemic, Still Hampered by Stalled Human Mobility

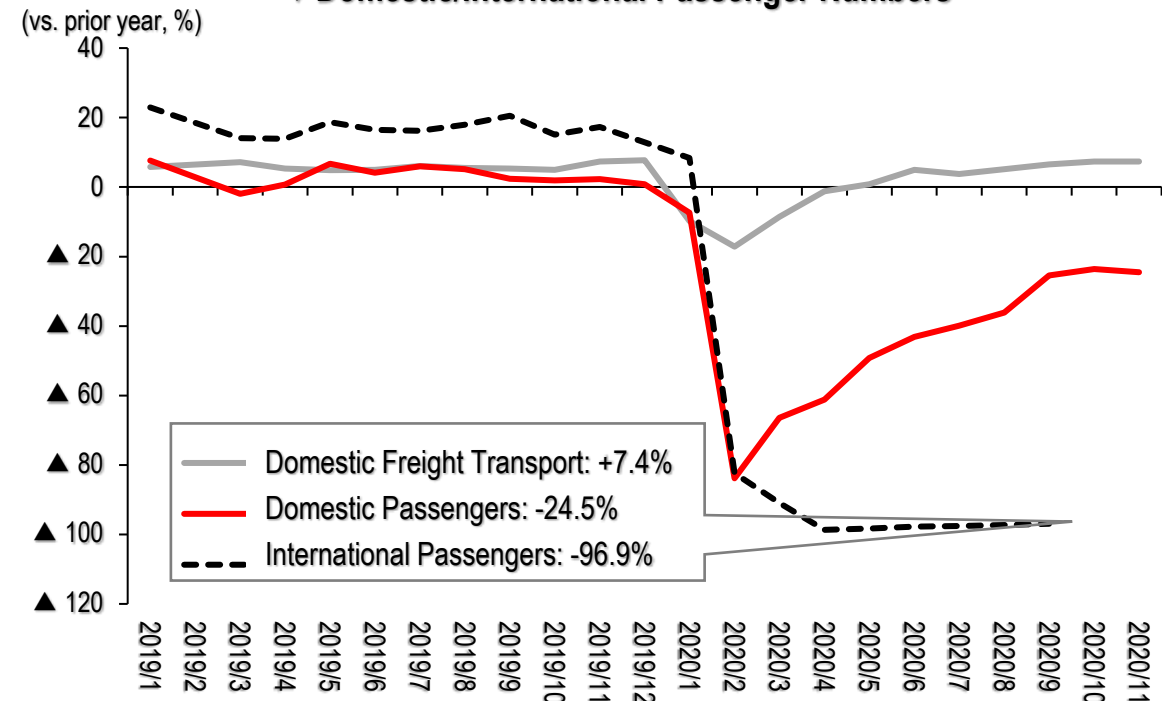
- With success in controlling the pandemic and subsequent resumption of economic activities ahead of the rest of the world major economic indicators have been on an upward trend.
- On the other hand, although the number of domestic travelers has exceeded the number during the worst period after the onset of Covid-19, it is still far from normal and the sustainability of personal consumption is in question.
- Under strict immigration restrictions the number of international travelers is largely sluggish. If travelers on business stop visiting the country for a prolonged period of time it will have a negative effect on investment and trade.

▽ Major Economic Indicators



Source: WIND

▽ Domestic/International Passenger Numbers



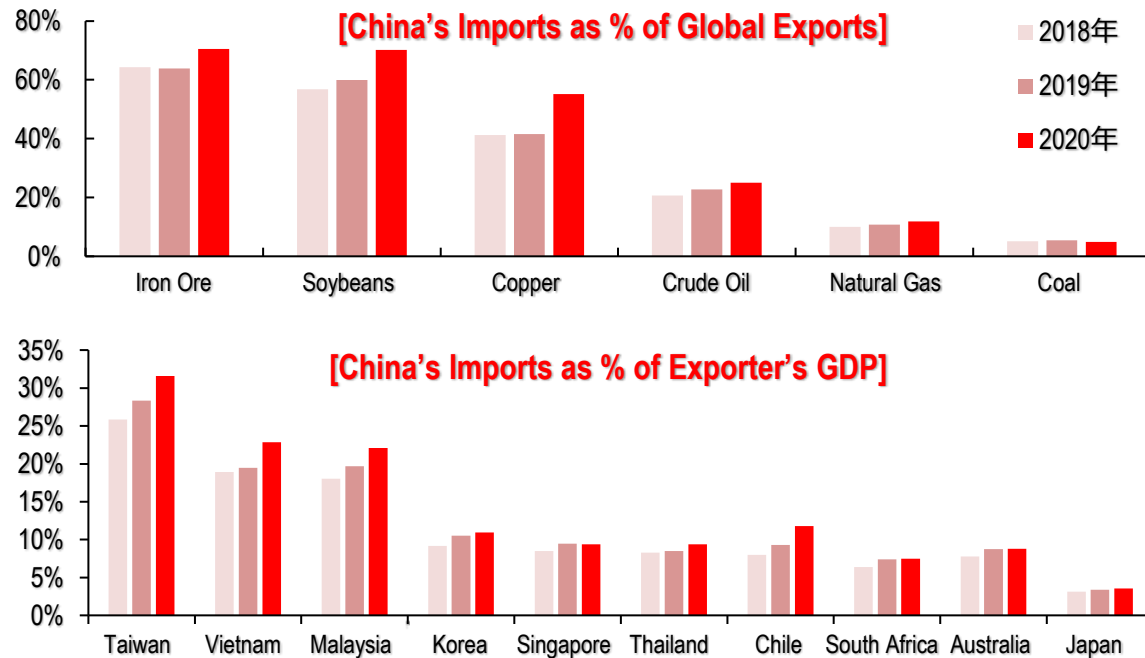
Source: WIND, International Passengers - September 2020 results

6-2. China

Re-Expanding Influence in Asia/Impact on Natural Resources

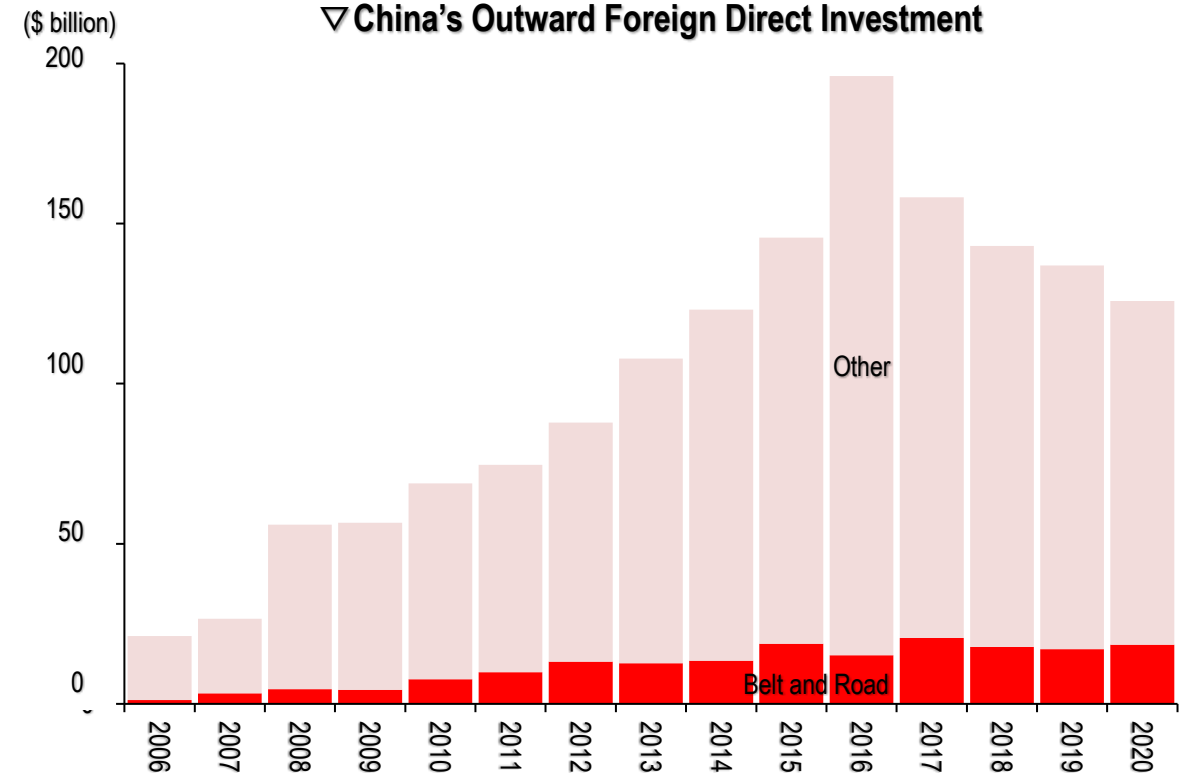
- Since China's manufacturing industry resumed production early at the end of February, imports of such raw materials as iron ore, copper, crude oil and LNG, as well as intermediate goods from Asia's supply chains have increased significantly. The dependence of resource rich countries and Asian countries supply chains on Chinese exports is growing again.
- In addition, although China's total FDI has declined for the fourth consecutive year, it has increased slightly in Asia and other countries related to the Belt and Road initiative.

▽ Dependence on China



Source: WIND, 2020; Estimate from latest statistics

▽ China's Outward Foreign Direct Investment

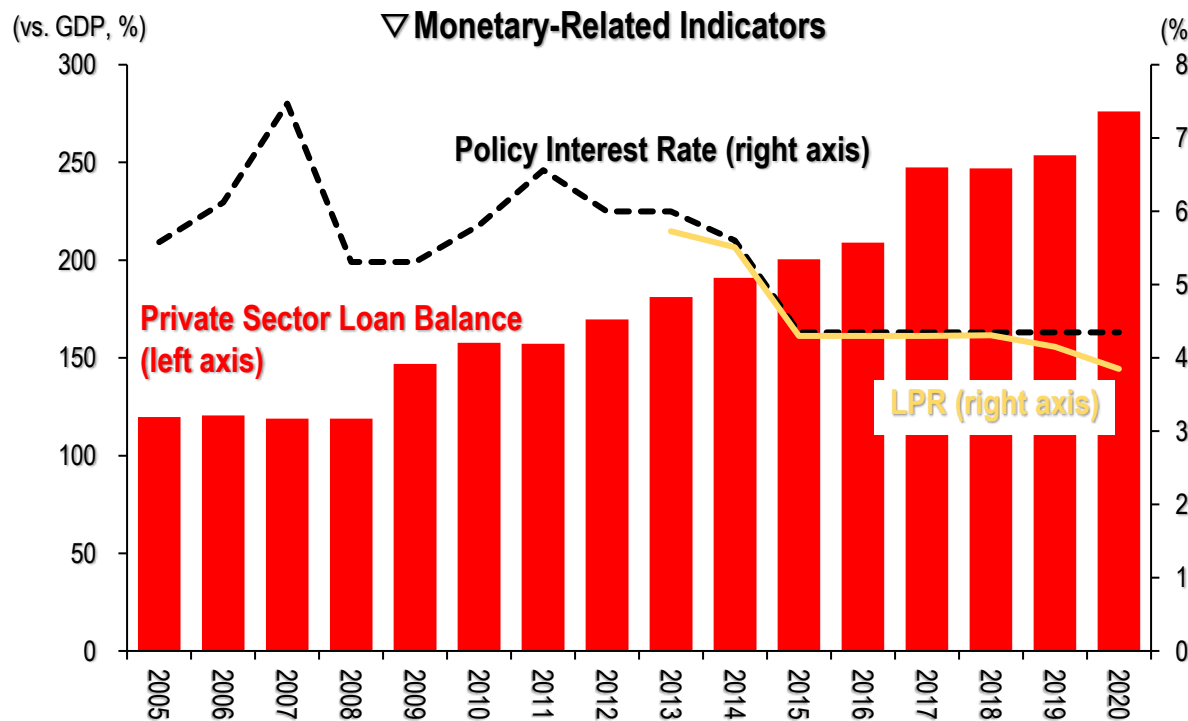


Sources: China Ministry of Commerce, CEIC, 2020; estimate from latest statistics

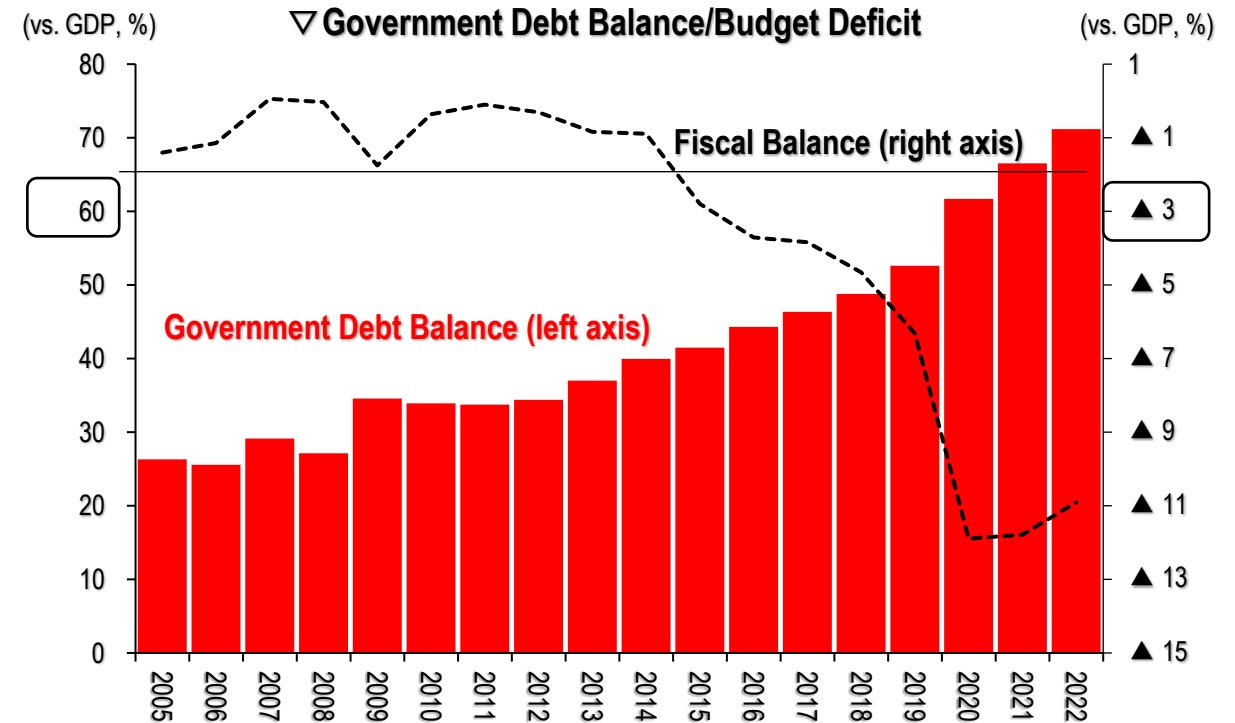
6-3. China

Monetary/Fiscal Buffers Narrow

- As a result of the economic measures implemented in response to the economic slowdown caused by actions taken to control the Covid-19 pandemic, the ratio of private loan balances to GDP, which was restrained under new shadow banking regulations, has again seen a substantial increase. So, China is taking a cautious approach to cutting interest rates as the policy interest rate has remained unchanged since 2015, and the loan prime rate (LPR) is the same as it was in 2008.
- Government debt will exceed its red line of 60% of GDP at the end of 2020. However, government debt will continue to expand and the budget deficit remain for the time being.



Source: WIND, LPR: Best 1-year preferential lending rate. Private Sector Loans: Bank loans, trust company loans, IPOs, bond issuances. 2020: Private sector loan balance as of October end, GDP is an estimate.

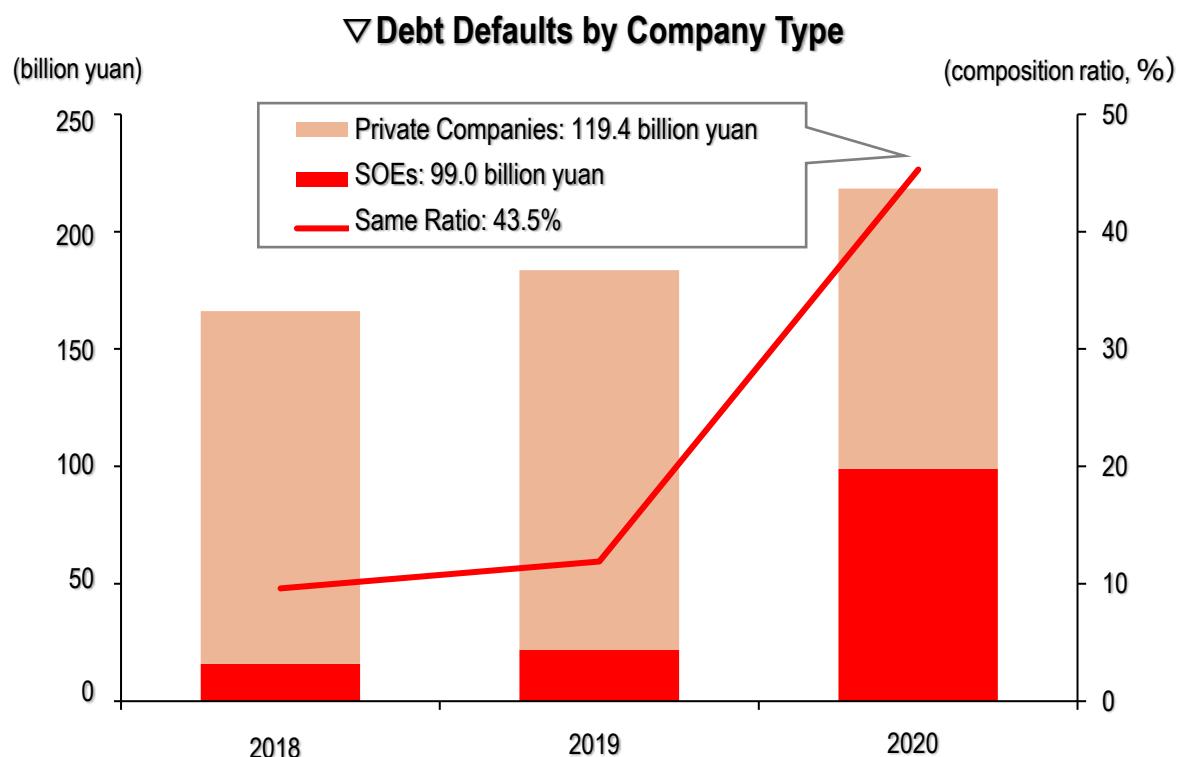


Source: IMF, 2020-22: IMF October 2020 Forecast

6-4. China

Concerns Over Deteriorating State-Owned-Enterprises' Management

- Debt defaults by SOEs surged in 2020. The total amount of the debt defaults soared from about 10% last year to more than 40%.
- The Chinese government has shown some willingness to tolerate some debt defaults by SOEs that have lost competitiveness such as in the steel industry.
- Considering China's policy of "strengthening, improvement and expansion of SOEs, there is the possibility that the elimination and consolidation of mid-sized and power SOEs could be promoted.



Source WIND

Note: 2020: Cumulative value from beginning of the year to 12/8

▽ 2020 SOE Debt Defaults

Company Name	Debt Defaults (billion yuan)	Number	Home Region	Industry	Classification
Total	99	74			
Founder	485	27	Beijing	telecom equipment	central gvt..
Yongcheng Coal & Electricity	217	22	Henan Province	coal	regional gvt.
Brilliance Auto	169	14	Liaoning Province	autos	regional gvt.
Qinghai Slat Lake Industry	35	2	Qinghai Province	fertilizer	regional gvt..
Tianjin Reality Development	27	2	Tianjin	real estate	regional gvt.
Beijing University Science Park	17	1	Beijing	science/tech. park	regional gvt.
Tsinghua Unigroup	13	1	Beijing	telecom equipment	central gvt..
Jilin Forest Industry Group	10	1	Jilin Province	forestry	regional gvt.
Shenyang Machine Tool	10	1	Liaoning Province	industrial machinery	regional gvt.
Shenyang Sheng Kyungyuan	5	2	Liaoning Province	public works	regional gvt.
Tianjin Real Estate Trust	2	1	Tianjin	real estate trust	regional gvt.

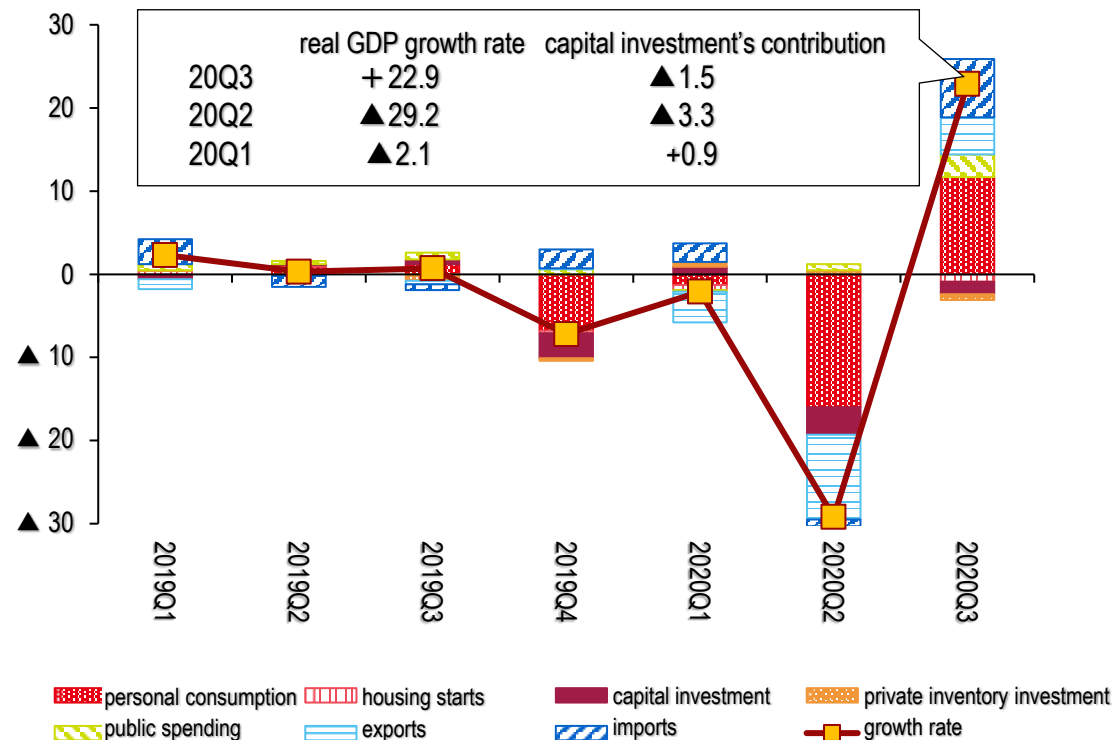
7-1. Japan

GDP: Following Initial Covid-19 Shock, Moderate Economic Growth Resumed, Continues

- As a result of large-scale monetary and fiscal support measures, the economy has recovered steadily from the Covid-19 induced slump, although the spread of infections both at home and abroad is again weighing heavily.
- As for the future, the steady growth in exports and a pick-up in service sector consumption should see the economy maintain moderate growth to 2022. However, there is concern over the recovery in capital investment.

▽ Real GDP (direction)

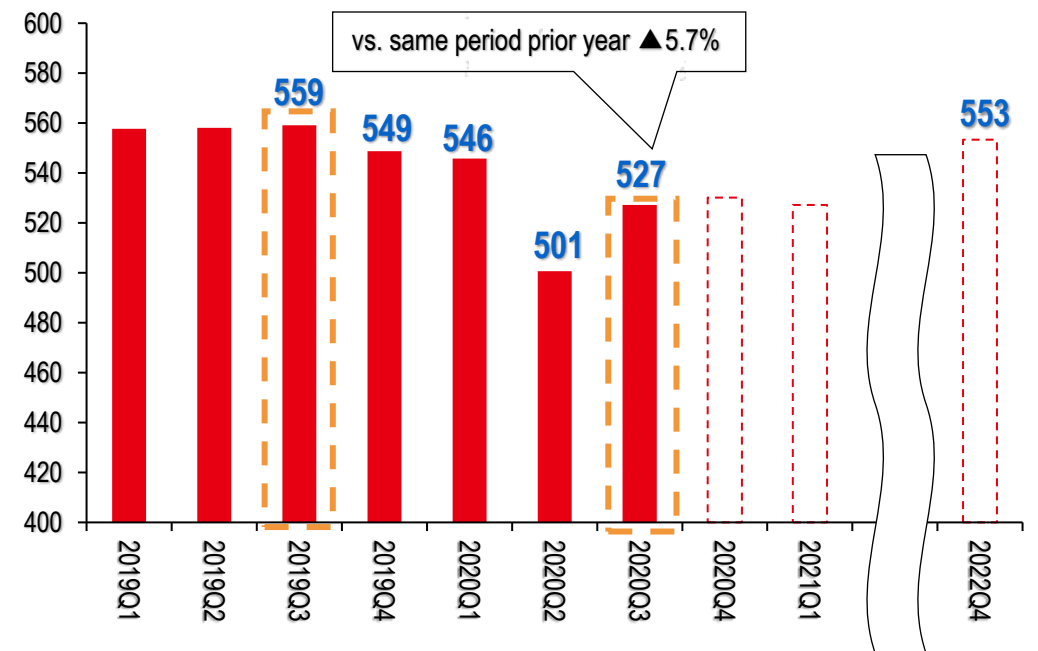
(seasonally adjusted, vs. prior year, annual contribution rate, %)



Source: Japan Cabinet Office

▽ Real GDP (level)

(seasonally adjusted, 2015 chained prices, annualized, trillion yen)



※Values after Q4 2020 based on the growth forecast of our standard scenario.

Sources: Japan Cabinet Office, Marubeni Research Institute

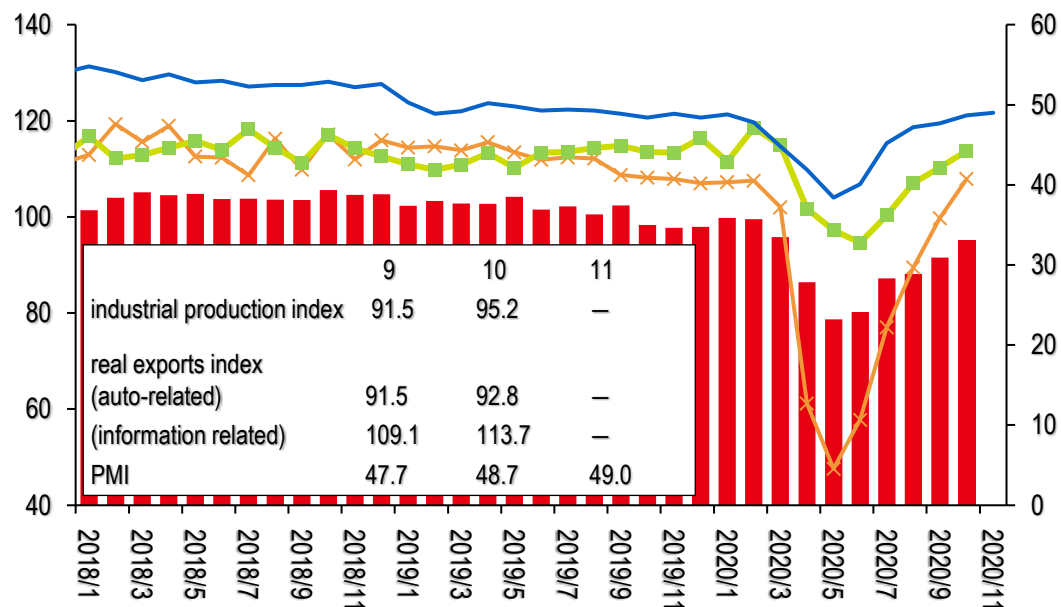
7-2. Japan

Companies: Should See Moderate Recoveries on Pick-Up in External Demand and Subsiding of Covid-19

- (Manufacturing industry) Due to a steady recovery in external demand, the economic recovery will mainly be driven by automobiles and information-related equipment (5G-related, etc.).
- (Service industry) The condition of the accommodation and restaurant industry should improve in 2021 as Covid-19 infections subside.

▽ Manufacturing Industry

(seasonally adjusted, 2015 = 100)



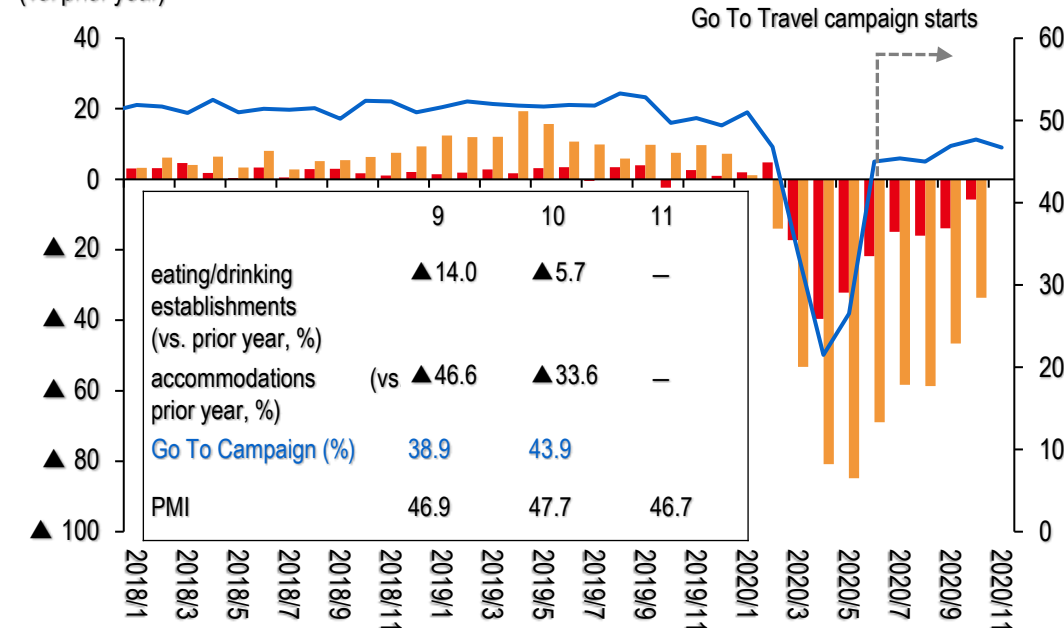
■ industrial production index
 ■ real exports (auto-related)
 ■ real exports (information related)
 — PMI (right axis)

※PMI = IHS Markit Purchasing Manager Index (indicates business sentiment)

Sources: Marubeni Research Institute, IHS Markit

▽ Service Industry

(vs. prior year)



■ Eating/drinking establishments (vs prior year)
 ■ Extended stay numbers (vs prior year)
 — PMI (right axis)

※Go To campaign usage rate = the total number of Go To Travel users to the total number of accommodation guests (estimate)

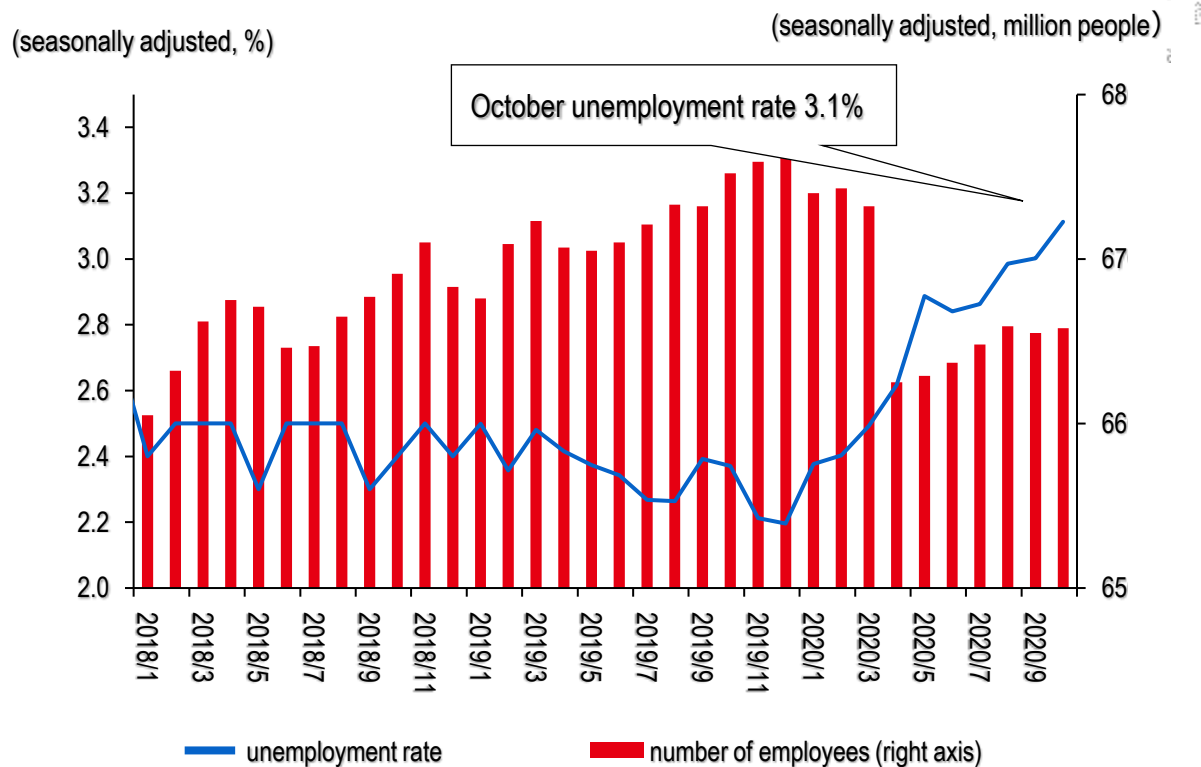
Sources: Japan Food Service Association, Japan Ministry of Land, Infrastructure, Transport and Tourism, IHS Markit

7-3. Japan

Households: Household Finances Have Avoided a Sharp Decline Due to Government Support, But Consumption is Weak Owing to a Deterioration in Employment

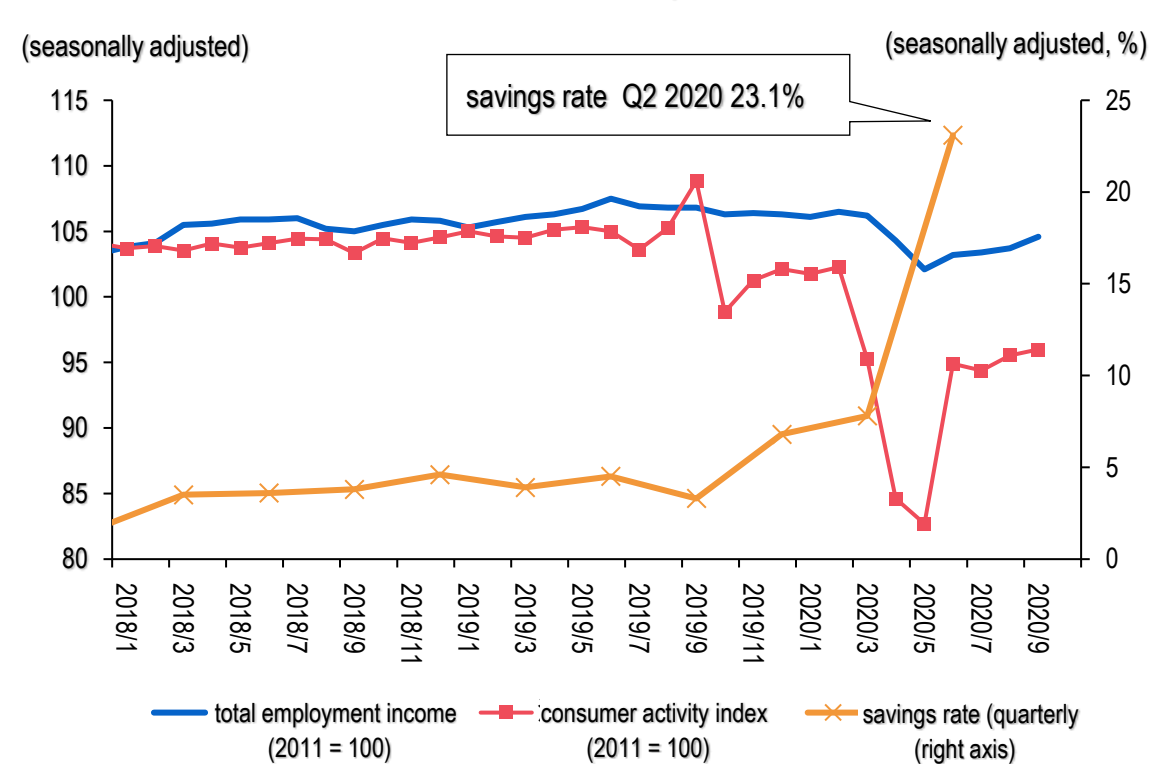
- (Employment) The unemployment rate continues to rise.
- (Income/Consumption) Household income is moderately recovering, Consumption is also improving, centered on durable goods, but is still relatively weak.

▽ Labor Market



Sources: Japan Ministry of Internal Affairs and Communications, Ministry of Health, Labor and Welfare

▽ Income/Consumption



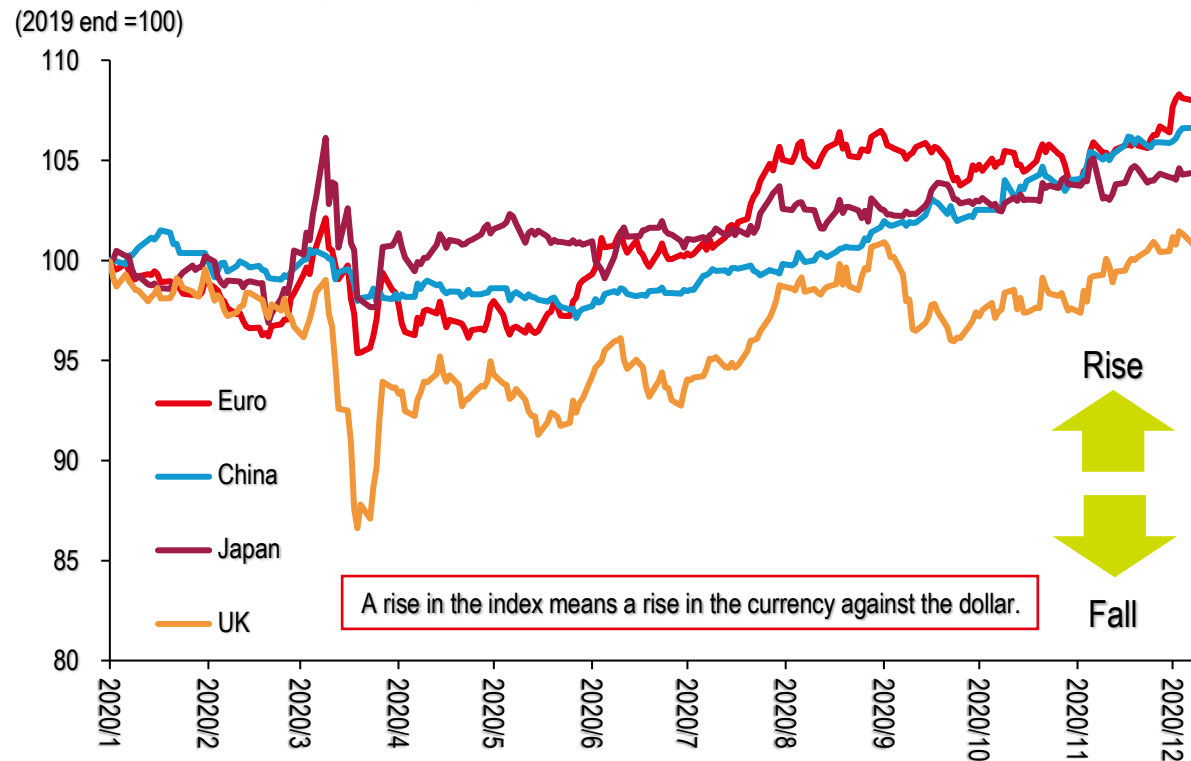
Sources: Japan Ministry of Internal Affairs and Communications, Ministry of Health, Labor and Welfare, Bank of Japan

8-1. Exchange Rates: Country Currencies Disparate Owing to Covid-19 Shock

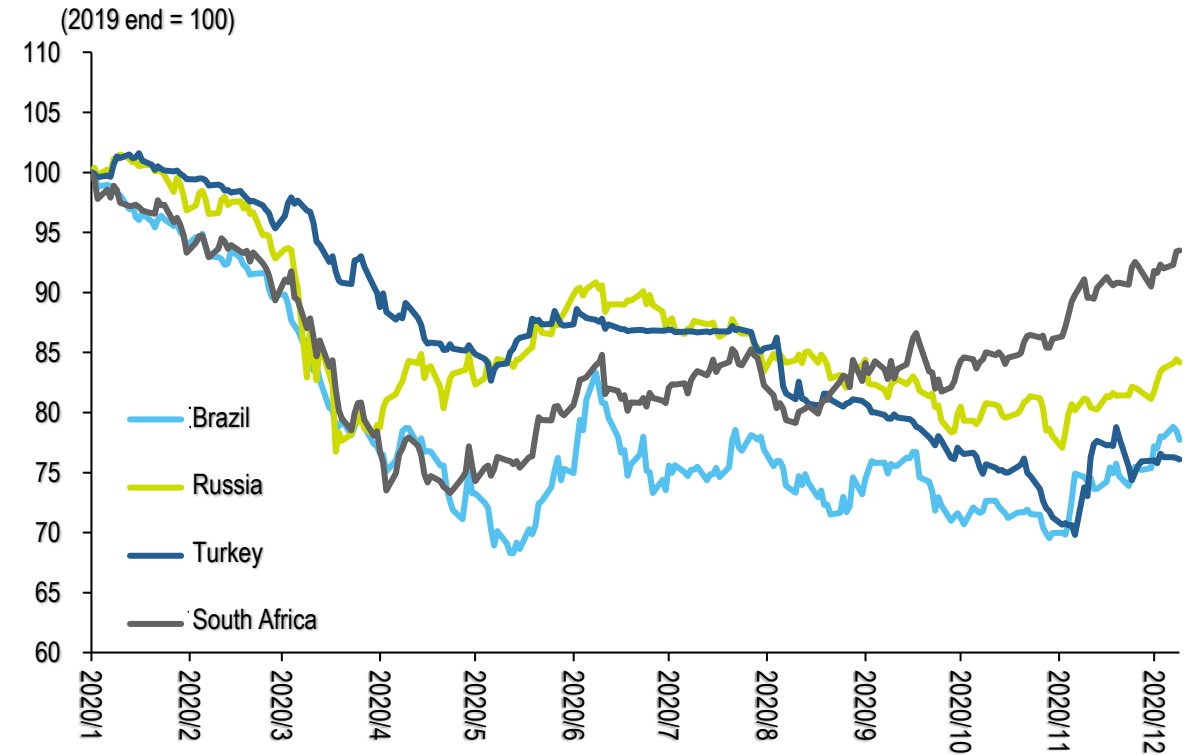
Major Country Currencies on the Rise Versus the Dollar, Emerging Economy Currencies Weak Against Backdrop of Fragile Public Finances

- Major country currencies have fluctuated due to the Covid-19 shock. U.S. large-scale monetary easing policy has put pressure on U.S. dollar with the yen and euro rising against it.
- Emerging market currencies with poor fiscal fundamentals and balance of payment issues are weakening, while at the same time these countries are feel strong downward economic pressures due to the restrictions placed on economic activities.

▽ Major Country Currencies (indexed against U.S. dollar)



▽ Newly Emerging Economy Currencies (indexed against U.S. dollar)



Source: Marubeni Research Institute using Refinitiv data

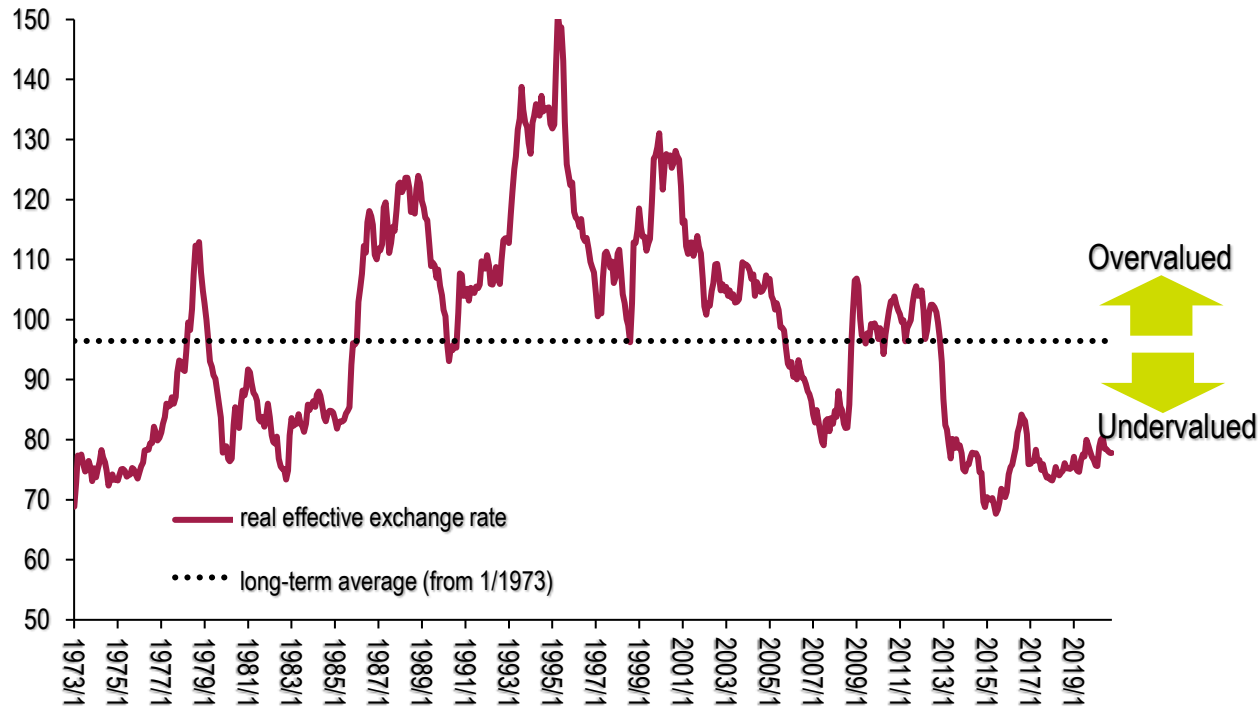
8-2. Exchange Rates: Overvalued Dollar, Undervalued Yen

Possibility of a Long-Term Adjustment to Yen Appreciation and Dollar Depreciation

The real effective exchange rate, which is the weighted average taking into consideration trade balances and inflation, is premised on the notion that traded goods prices converge due to fluctuations in nominal exchange rates and it is thought that there will be repeated deviation and convergence from and to the equilibrium level. The long-term average is considered the equilibrium price, so the dollar is overvalued and the yen undervalued and there is potential pressure for the yen to appreciate versus the dollar.

▽ Real Effective Exchange Rate (Japan yen)

(2010 average = 100)

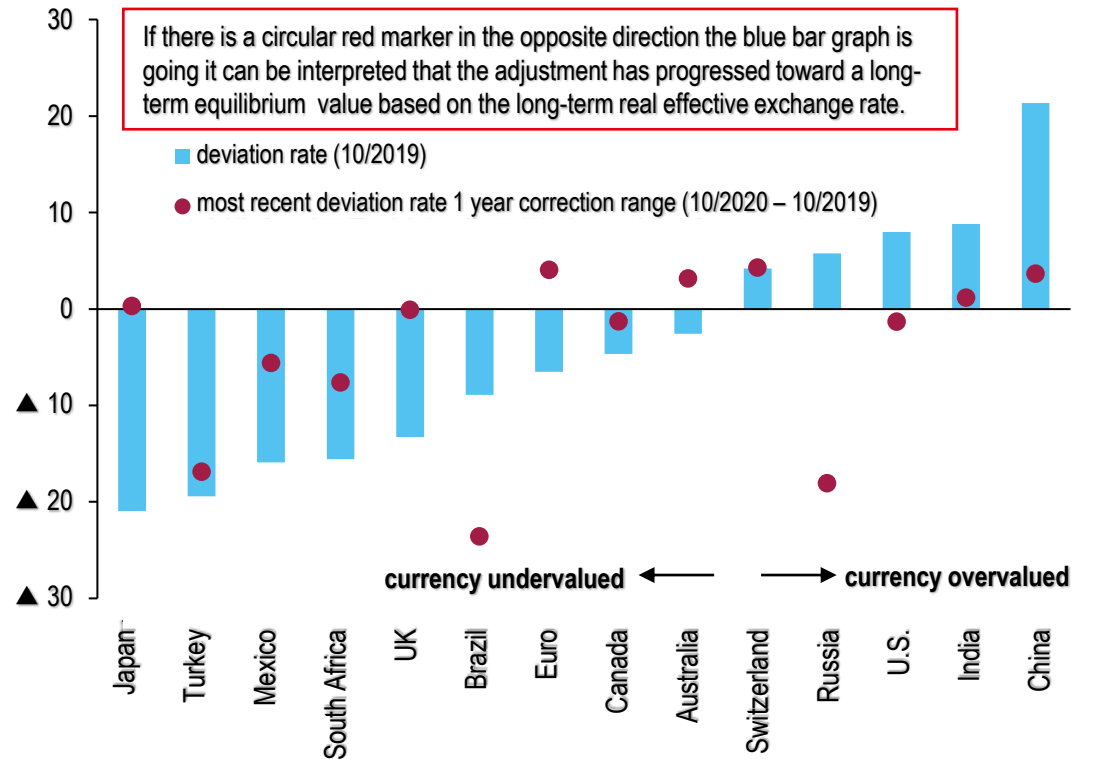


Note: Data is from 10/2020

Source: Marubeni Research Institute from Bank of Japan data

▽ Degree Currency is Overvalued/Undervalued by Country

(Deviation rate from the real effective exchange rate long-term average, %)



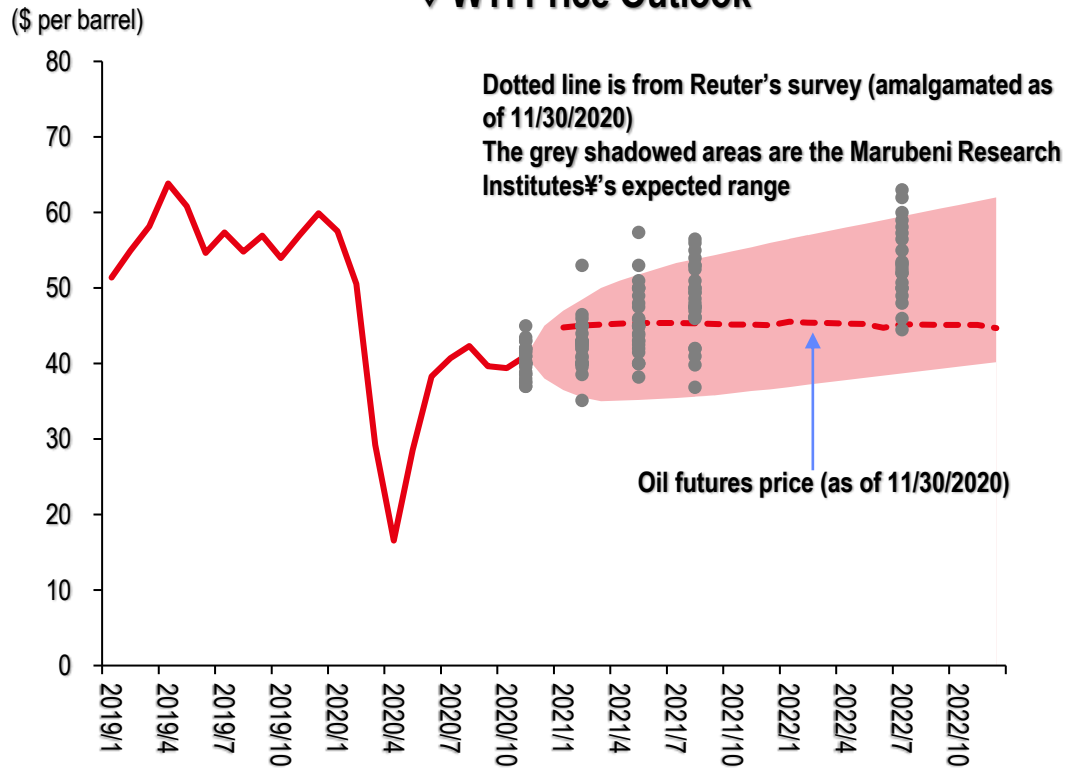
Source: Marubeni Research Institute from BIS data

9-1. Crude Oil Price Outlook

Although Oil Prices Have Moved Slightly Upward Due to an Improved Supply/Demand Balance, Future Uncertainty Weighs Heavy on the Upside

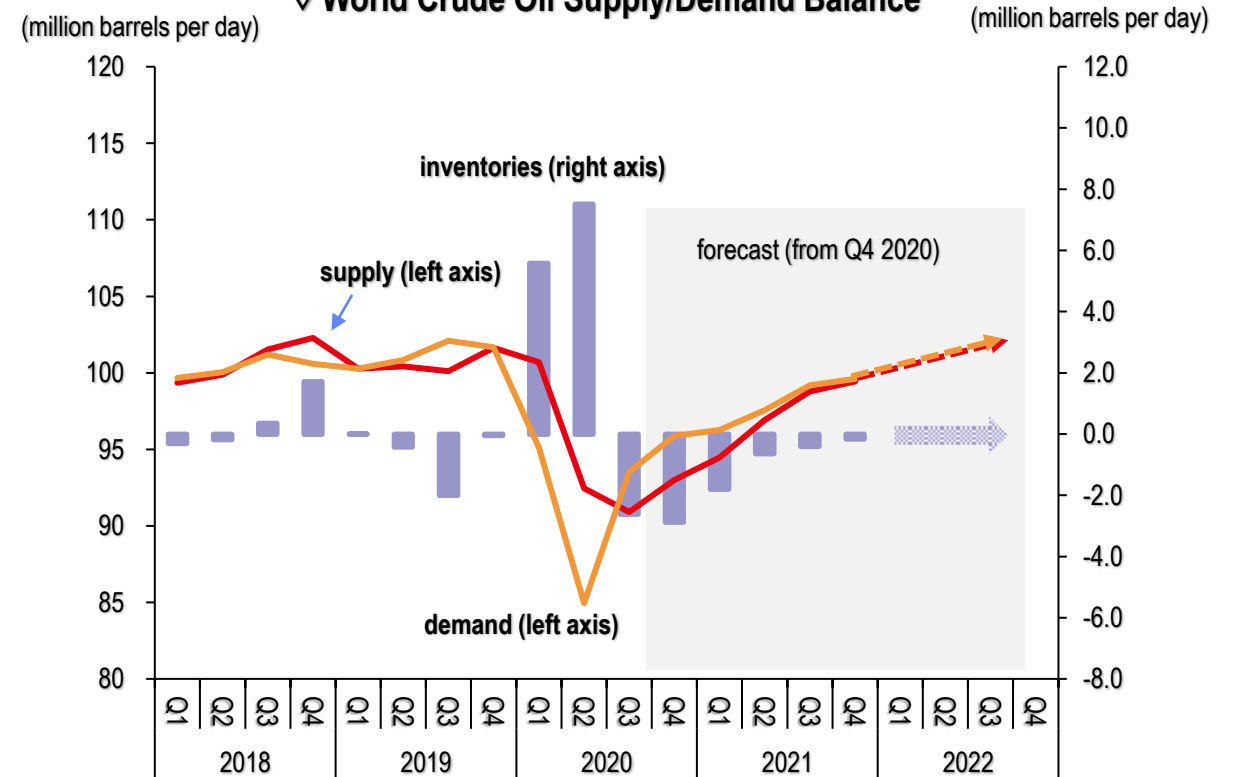
Demand gradually recovered as the movement of goods and people became more normalized after the initial Covid-19 onslaught. Supply and demand should move toward a better balance on the premise that a production recovery in such major oil producing countries as the U.S. will be limited and that OPEC Plus supply adjustments work. On the other hand, it will take some time for demand to return to pre-Covid-19 levels due to restrictions on economic activity and change in behavior patterns with prices remaining in the low range they were before the onset of Covid-19 until sometime in 2022.

▽ WTI Price Outlook



Sources: Refinitiv, EIA, Marubeni Research Institute

▽ World Crude Oil Supply/Demand Balance



Sources: EIA "Short-Term Outlook December 2020", Marubeni Research Institute

9-2. Crude Oil Price Outlook

High Uncertainty in Either a Rise or Fall in Prices

	Price	
	Rise	Fall
Demand Factors	<ul style="list-style-type: none"> ■ Recovery in travel mobility demand, including aviation industry ■ Development/dissemination of new Covid-19 vaccines ■ Continuation/expansion of monetary easing ■ High U.S. stock prices, weak dollar 	<ul style="list-style-type: none"> ■ Increased spread of Covid-19 and strengthening of restrictions on behavior ■ Delayed development/dissemination of Covid-19 vaccines ■ Lifestyle changes due to the Covid-19 pandemic experience ■ Tightening of global environmental regulations (accelerating EV emergence) ■ Reduction/termination of monetary easing ■ Low U.S. stock prices, strong dollar
Supply Factors	<ul style="list-style-type: none"> ■ OPEC Plus cooperative production cuts continue/strengthen ■ Instability in the Middle East ■ Tightening of U.S. fossil fuel production regulations 	<ul style="list-style-type: none"> ■ A non-cooperative OPEC Plus, production cuts ease ■ Increased production in such major oil producing countries as the U.S. and Libya ■ Return of previously disrupted oil supply to the international market (Iran, Venezuela, etc.)

10.-1 Environment/Energy - U.S. -

With the Birth of the Biden Administration Greater Policy Importance to be Placed on Climate Change

- The Trump administration denied climate change and failed to take any measures, instead it focused on supporting the fossil fuel industry.
- The Biden administration has set a goal of “zero greenhouse gas (GHG) emissions by 2050”.
- The Obama government’s environmental and energy regulations that were relaxed under the Trump administration are expected to be tightened again by the Biden government.

▽ Recent Changes in U.S. Environmental/Energy Policies

	Obama Administration	Trump Administration	New Biden Administration (election campaign pronouncements)
GHG emission reduction target	<ul style="list-style-type: none"> ➤ 80% decrease by 2050 compared to 1990 	<ul style="list-style-type: none"> ➤ No target 	<ul style="list-style-type: none"> ➤ Zero net emissions by 2050 ➤ Zero electricity source emissions by 2035
Fossil fuels/Power generation-related measures	<ul style="list-style-type: none"> ➤ Existing power plant gas emission regulations ➤ Federal public land emission regulations ➤ Methane emission standards for new oil/gas facilities 	<ul style="list-style-type: none"> ➤ Existing power plant gas emission regulations abolished ➤ Federal public land emission regulations withdrawn ➤ Review of emission standards for new oil/gas facilities 	<ul style="list-style-type: none"> ➤ Tighten existing power plant gas emission regulations ➤ Re-strengthen federal public land emission regulations ➤ Suspend review of methane emission standards for new oil/gas facilities
Auto-related measures	<ul style="list-style-type: none"> ➤ Tightened fuel economy regulations 	<ul style="list-style-type: none"> ➤ Changed the fuel economy regulations ➤ Invalidated California state regulations 	<ul style="list-style-type: none"> ➤ Re-strengthen fuel economy regulations ➤ Support domestic zero emission vehicle manufacturing
Clean energy investment	<ul style="list-style-type: none"> ➤ Invest over \$150 billion over 10 years to create 5 million jobs 	<ul style="list-style-type: none"> ➤ Ambitious infrastructure investment plan (\$3 trillion over 10 years), but nothing related to climate change 	<ul style="list-style-type: none"> ➤ Invest \$2 trillion over 4 years for sustainable infrastructure and clean energy introduction

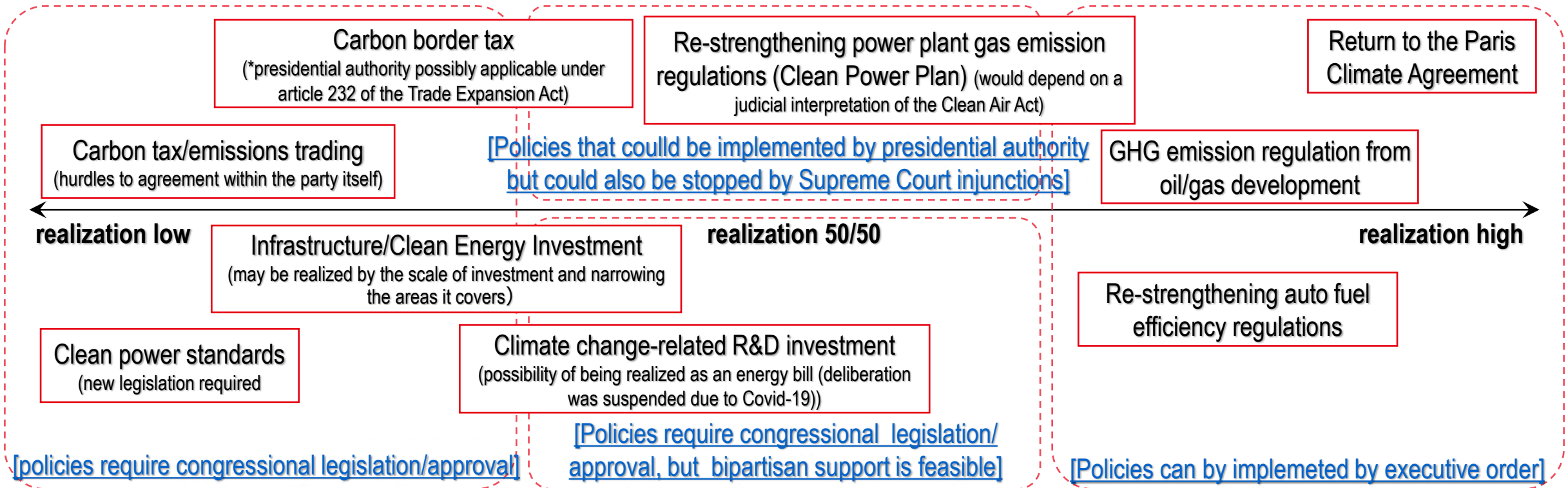
Source: Marubeni Research Institute from various media reports

10.-2 Environment/Energy - U.S. -

Although New Administration's Direction Will Change Significantly, Attention Still Should be Paid to Each Policy

Many of the promises made by Biden during the election cannot be implemented by executive orders and will require legislation, which might run into some difficulty due to the razor thin majority in the Senate. In addition, it is likely the conservative Supreme Court will reject some of the planned re-strengthening and resetting of regulations that were relaxed or withdrawn during the Trump Administration.

▽ Biden Policy Realization Degree of Possibility



Source: Marubeni Research Institute from various media reports

* This law gives the president the power over imports that pose a national security threat

10.-3 Environment/Energy - Europe -

Climate Change-Related Mitigation Regulations/Taxonomy (Classifications) Adopted at 2020 End is a Whitelist of Sustainable Activities

- The European Commission has been seeking public comment for the final draft of the classification system for green investment (taxonomy) for the purpose of climate change adaptation and mitigation. In the draft, sustainability assessment criteria are set for activities that contribute to climate-change mitigation.
- Note that at the same time, the formulation of a “brown taxonomy” (activities that have an adverse effect on the environment) list, is also being promulgated.

▽ Power Generation, Co-Generation, Heat Utilization Taxonomy (final draft proposals)

Field	Listed or Not	Standards	Remarks
Solid fossil fuels like coal, lignite, etc.	No (even highly efficient coal power)	None	Although there was opposition from coal producing countries and Japanese business, power generation, co-generation and heat utilization were not included in the final proposal.
Gas/Liquid Fuels	Yes	Life-cycle emissions of 100 g-CO2e/kWh or less, gradually reduced to 0 g-CO2e/kWh by 2050	The first issue was whether to use gas-fired power or not but was finally included as a power source during the transition to net zero emissions. Although not excluded like coal, the emission standards are quite low and the higher standards will be difficult to achieve with existing gas-fired power plants.
Nuclear Power	No (has not been excluded as a future possibility)	None	If technological advances can eliminate the problem of high-level radioactive waste, a serious pollutant, it could be added to the list in the future.
Renewable Energy	Yes	Life-cycle emissions are 100g-CO2e/kWh or less ※	※This standard applies to hydro and geothermal power. There are no standards for solar, wind and ocean energy. Bio-mass has a separate standard.

Source: Marubeni Research Institute with data from various materials

▽ Major Industrial Sector Taxonomy (final draft proposals)

Field	Listed or Not	Standards	Remarks
Transport	Land transportation, ocean transport	Land transportation: 50g-CO2e/km by 2025,, from 2026 toward 0g-CO2e/km Ocean transport: Detailed standard undecided	Life cycle standards still under discussion including auto, etc., regulatory trends. Detailed standards for ocean transport as well as aviation standards are currently under consideration.
Manufacturing	Steel, aluminum, cement, chemicals, synthesis gas	Setting EU-ETS (emission transmission system) benchmarks as a threshold which would be the average levels achieved by the top 10% of industry facilities.	Paper/pulp, glass, ceramics, non-ferrous metals, lime phosphate, gypsum, rockwool, carbon black and petroleum refining are not listed at this time.
Construction/ Real-Estate	New and existing buildings	Primary energy demand is 20% lower in new construction than is required in an existing NZEB (net-zero energy building). Refurbishment of existing buildings will reduce primary energy demand by 30%.	The view is that it is difficult to set definitive standards due different regional characteristics.

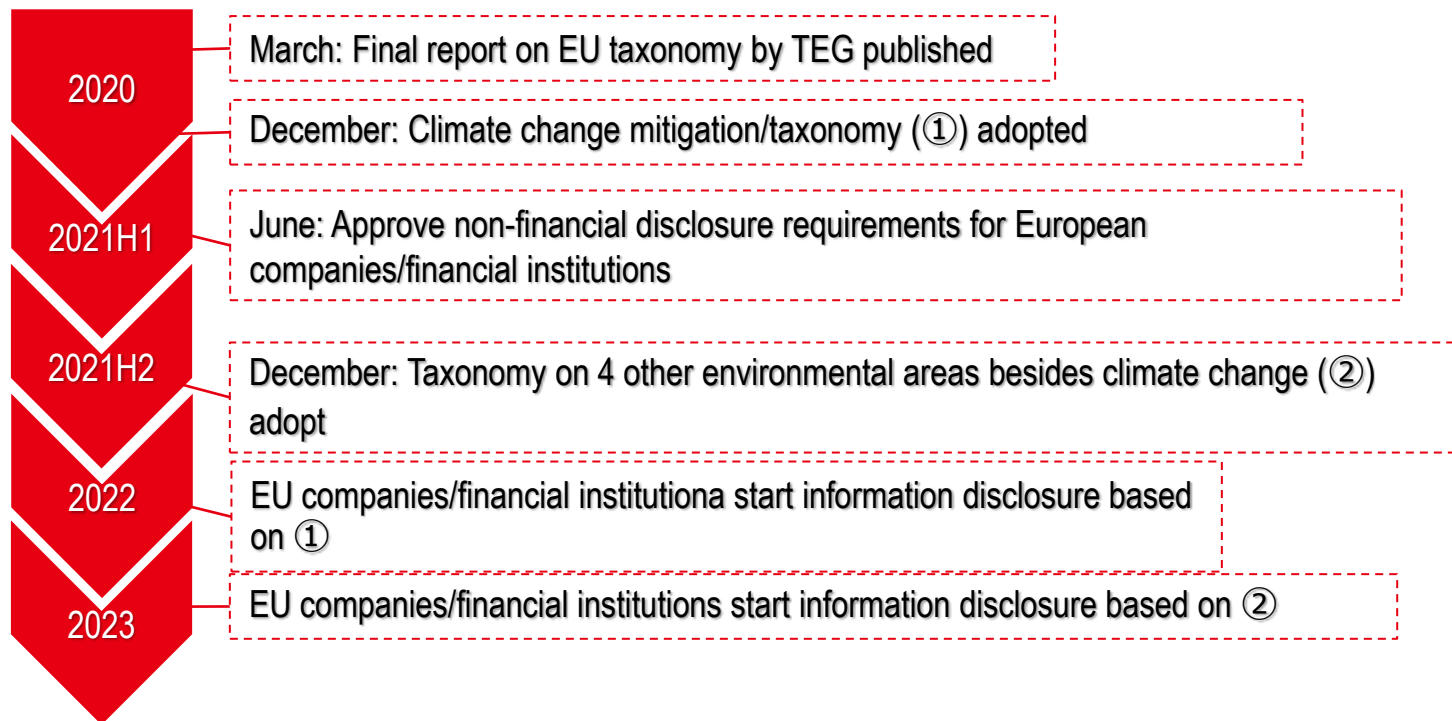
Source: Marubeni Research Institute with data from various materials

10.-4 Environment/Energy - Europe -

Non-Financial Information Disclosure Rules for European Companies/Financial Institutions to be Adopted by Mid-2021

- After deciding on climate-change-related taxonomy (classification) by the end of 2020, the requirements for the disclosure of climate-change related non-financial information are scheduled to be adopted by mid-2021.
- The details of the requirements to be imposed on European companies is not yet decided, but Japanese companies with investment from or having transactions with European companies may be subjected to the same information requirements. On the other hand, it is possible that active information disclosure will be good for business.

▽ EU Taxonomy-Related (Classification) Schedule



Source: Marubeni Research Institute from European Commission data

▽ Impact of EU Taxonomy



Source: Marubeni Research Institute from various material

2021 World Economic Outlook

(Translated from the original Japanese version put out on 12/18/2020 (slightly updated))

Marubeni
1/22/2021
Marubeni Research Institute

1-1. World Economy Summary

Standard Scenario (quarterly vs. prior period, %), (yearly vs. prior year, %, underlined numbers are forecasts)

	World Share (%)	19 Q4	20 Q1	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	19	20	21	22
China	17.4	1.6	-10.0	11.7	2.7	<u>2.2</u>	<u>0.5</u>	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.6</u>	<u>1.3</u>	<u>1.1</u>	<u>1.3</u>	6.1	<u>1.8</u>	<u>7.5</u>	<u>5.0</u>
(vs. prior year)	17.4	6.0	-6.8	3.2	4.9	<u>5.5</u>	<u>17.8</u>	<u>6.1</u>	<u>4.3</u>	<u>3.1</u>	<u>4.2</u>	<u>5.0</u>	<u>5.1</u>	<u>5.5</u>	6.1	<u>1.8</u>	<u>7.5</u>	<u>5.0</u>
U.S.	15.9	0.6	-1.3	-9.0	7.4	<u>0.7</u>	<u>-0.3</u>	<u>1.7</u>	<u>1.6</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	2.2	<u>-3.6</u>	<u>3.8</u>	<u>3.7</u>
India	7.1	0.9	0.7	-25.2	21.9	<u>4.2</u>	<u>3.3</u>	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>	<u>1.6</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	4.7	<u>-8.0</u>	<u>10.6</u>	<u>6.0</u>
Japan	4.1	-1.9	-0.5	-8.3	5.3	<u>0.6</u>	<u>-0.6</u>	<u>1.3</u>	<u>1.6</u>	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>	<u>0.5</u>	<u>0.2</u>	0.3	<u>-5.4</u>	<u>2.1</u>	<u>2.4</u>
(fiscal year)	4.1	—	—	—	—	—	—	—	—	—	—	—	—	—	-0.4	<u>-5.7</u>	<u>3.9</u>	<u>2.0</u>
Germany	3.5	-0.0	-1.9	-9.8	8.5	<u>-1.0</u>	<u>-0.4</u>	<u>3.0</u>	<u>1.6</u>	<u>1.0</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	0.6	<u>-5.6</u>	<u>3.6</u>	<u>3.3</u>
Russia	3.1	-0.7	-0.9	-3.2	<u>5.0</u>	<u>-0.1</u>	<u>0.5</u>	<u>1.6</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.4</u>	<u>0.4</u>	1.3	<u>-3.0</u>	<u>3.8</u>	<u>2.7</u>
Indonesia	2.5	1.2	-0.7	-6.9	3.1	<u>2.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	5.0	<u>-2.1</u>	<u>4.2</u>	<u>4.6</u>
UK	2.4	0.1	-2.5	-19.8	15.5	<u>-2.1</u>	<u>1.5</u>	<u>2.4</u>	<u>2.4</u>	<u>0.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.3	<u>-11.2</u>	<u>4.4</u>	<u>3.7</u>
France	2.4	-0.2	-5.9	-13.8	18.7	<u>-4.0</u>	<u>1.1</u>	<u>1.5</u>	<u>1.5</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	1.5	<u>-9.0</u>	<u>4.9</u>	<u>4.2</u>
Brazil	2.4	0.2	-1.5	-9.6	7.7	<u>0.7</u>	<u>-0.5</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	1.4	<u>-4.9</u>	<u>2.5</u>	<u>2.5</u>
Italy	2.0	-0.3	-5.5	-13.0	15.9	<u>-2.6</u>	<u>0.5</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	0.3	<u>-8.9</u>	<u>3.8</u>	<u>2.6</u>
Mexico	2.0	-0.6	-1.2	-17.0	12.1	<u>1.0</u>	<u>0.9</u>	<u>1.2</u>	<u>1.5</u>	<u>0.5</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>	<u>0.3</u>	-0.0	<u>-9.1</u>	<u>4.3</u>	<u>2.8</u>
Turkey	1.8	2.0	0.2	-10.8	15.6	<u>0.0</u>	<u>-1.1</u>	<u>1.0</u>	<u>1.2</u>	<u>1.1</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.0	<u>1.2</u>	<u>4.8</u>	<u>3.8</u>
Korea	1.7	1.3	-1.3	-3.2	2.1	<u>0.7</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	2.0	<u>-1.0</u>	<u>2.8</u>	<u>2.5</u>
Spain	1.5	0.4	-5.2	-17.8	16.7	<u>-2.1</u>	<u>0.5</u>	<u>1.2</u>	<u>1.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	2.0	<u>-11.3</u>	<u>3.5</u>	<u>3.2</u>
Canada	1.4	0.1	-1.9	-11.3	8.9	<u>0.7</u>	<u>0.0</u>	<u>1.2</u>	<u>1.2</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>0.7</u>	1.9	<u>-5.6</u>	<u>3.4</u>	<u>3.7</u>
World	100.0	0.6	-3.4	-5.2	8.5	<u>1.0</u>	<u>0.5</u>	<u>1.3</u>	<u>1.3</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>0.8</u>	<u>0.9</u>	3.0	<u>-3.4</u>	<u>5.4</u>	<u>4.1</u>
(Euro Zone)	12.5	0.1	-3.7	-11.7	12.5	<u>-2.3</u>	<u>0.3</u>	<u>1.9</u>	<u>1.4</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	1.0	<u>-8.1</u>	<u>4.0</u>	<u>3.4</u>

Source: Marubeni Research Institute

1-2. World Economy Summary

Optimistic Scenario (quarterly vs. prior period, %), (yearly vs. prior year, %, underlined numbers are forecasts)

	World Share (%)	19 Q4	20 Q1	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	19	20	21	22
China	17.4	1.6	-10.0	11.7	2.7	<u>2.2</u>	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.6</u>	<u>1.3</u>	<u>1.1</u>	<u>1.3</u>	<u>1.3</u>	6.1	<u>1.8</u>	<u>8.1</u>	<u>5.2</u>
(vs. prior year)	17.4	6.0	-6.8	3.2	4.9	<u>5.5</u>	<u>17.9</u>	<u>6.6</u>	<u>4.8</u>	<u>4.2</u>	<u>5.0</u>	<u>5.1</u>	<u>5.5</u>	<u>5.2</u>	6.1	<u>1.8</u>	<u>8.1</u>	<u>5.2</u>
U.S.	15.9	0.6	-1.3	-9.0	7.4	<u>0.7</u>	<u>1.7</u>	<u>1.6</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	2.2	<u>-3.6</u>	<u>5.4</u>	<u>3.1</u>
India	7.1	0.9	0.7	-25.2	21.9	<u>4.2</u>	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>	<u>1.6</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	4.7	<u>-8.0</u>	<u>8.3</u>	<u>6.5</u>
Japan	4.1	-1.9	-0.5	-8.3	5.3	<u>0.6</u>	<u>1.3</u>	<u>1.6</u>	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	0.3	<u>-5.4</u>	<u>3.6</u>	<u>2.0</u>
(fiscal year)	4.1	—	—	—	—	—	—	—	—	—	—	—	—	—	-0.4	<u>-5.3</u>	<u>4.7</u>	<u>1.6</u>
Germany	3.5	-0.0	-1.9	-9.8	8.5	<u>-1.0</u>	<u>3.0</u>	<u>1.6</u>	<u>1.0</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	0.6	<u>-5.6</u>	<u>5.5</u>	<u>2.2</u>
Russia	3.1	-0.7	-0.9	-3.2	<u>5.0</u>	<u>-0.1</u>	<u>1.6</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	1.3	<u>-3.0</u>	<u>4.2</u>	<u>2.2</u>
Indonesia	2.5	1.2	-0.7	-6.9	3.1	<u>2.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	5.0	<u>-2.1</u>	<u>4.3</u>	<u>4.8</u>
UK	2.4	0.1	-2.5	-19.8	15.5	<u>-2.1</u>	<u>2.4</u>	<u>2.4</u>	<u>0.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.3	<u>-11.2</u>	<u>4.3</u>	<u>3.0</u>
France	2.4	-0.2	-5.9	-13.8	18.7	<u>-4.0</u>	<u>1.5</u>	<u>1.5</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.5	<u>-9.0</u>	<u>5.0</u>	<u>3.7</u>
Brazil	2.4	0.2	-1.5	-9.6	7.7	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	1.4	<u>-4.9</u>	<u>3.7</u>	<u>2.2</u>
Italy	2.0	-0.3	-5.5	-13.0	15.9	<u>-2.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	0.3	<u>-8.9</u>	<u>4.2</u>	<u>2.0</u>
Mexico	2.0	-0.6	-1.2	-17.0	12.1	<u>1.0</u>	<u>1.2</u>	<u>1.5</u>	<u>0.5</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>	<u>0.3</u>	<u>0.3</u>	-0.0	<u>-9.1</u>	<u>4.4</u>	<u>2.2</u>
Turkey	1.8	2.0	0.2	-10.8	15.6	<u>0.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.1</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.0	<u>1.2</u>	<u>7.1</u>	<u>3.5</u>
Korea	1.7	1.3	-1.3	-3.2	2.1	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	2.0	<u>-1.0</u>	<u>2.9</u>	<u>2.1</u>
Spain	1.5	0.4	-5.2	-17.8	16.7	<u>-2.1</u>	<u>1.2</u>	<u>1.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	2.0	<u>-11.3</u>	<u>4.1</u>	<u>2.6</u>
Canada	1.4	0.1	-1.9	-11.3	8.9	<u>0.7</u>	<u>1.2</u>	<u>1.2</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	1.9	<u>-5.6</u>	<u>4.5</u>	<u>3.4</u>
World	100.0	0.6	-3.4	-5.2	8.5	<u>1.0</u>	<u>1.3</u>	<u>1.3</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>0.8</u>	<u>0.9</u>	<u>0.9</u>	3.0	<u>-3.4</u>	<u>6.0</u>	<u>3.8</u>
(Euro Zone)	12.5	0.1	-3.7	-11.7	12.5	<u>-2.3</u>	<u>1.9</u>	<u>1.4</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	1.0	<u>-8.1</u>	<u>4.9</u>	<u>2.6</u>

Source: Marubeni Research Institute

1-3. World Economy Summary

Pessimistic Scenario (quarterly vs. prior period, %), (yearly vs. prior year, %, underlined numbers are forecasts)

	World Share (%)	19 Q4	20 Q1	20 Q2	20 Q3	20 Q4	21 Q1	21 Q2	21 Q3	21 Q4	22 Q1	22 Q2	22 Q3	22 Q4	19	20	21	22
China	17.4	1.6	-10.0	11.7	2.7	<u>2.2</u>	<u>0.5</u>	<u>0.5</u>	<u>0.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.6</u>	<u>1.3</u>	<u>1.1</u>	6.1	<u>1.8</u>	<u>7.2</u>	<u>4.4</u>
(vs. prior year)	17.4	6.0	-6.8	3.2	4.9	<u>5.5</u>	<u>17.8</u>	<u>6.0</u>	<u>3.8</u>	<u>2.6</u>	<u>3.1</u>	<u>4.2</u>	<u>5.0</u>	<u>5.1</u>	6.1	<u>1.8</u>	<u>7.2</u>	<u>4.4</u>
U.S.	15.9	0.6	-1.3	-9.0	7.4	<u>0.7</u>	<u>-0.3</u>	<u>0.7</u>	<u>1.7</u>	<u>1.6</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.6</u>	2.2	<u>-3.6</u>	<u>3.3</u>	<u>4.4</u>
India	7.1	0.9	0.7	-25.2	21.9	<u>4.2</u>	<u>3.3</u>	<u>1.0</u>	<u>1.0</u>	<u>1.1</u>	<u>1.2</u>	<u>1.6</u>	<u>1.7</u>	<u>1.7</u>	4.7	<u>-8.0</u>	<u>10.5</u>	<u>5.4</u>
Japan	4.1	-1.9	-0.5	-8.3	5.3	<u>0.6</u>	<u>-0.6</u>	<u>0.5</u>	<u>1.3</u>	<u>1.6</u>	<u>0.2</u>	<u>0.4</u>	<u>0.6</u>	<u>0.5</u>	0.3	<u>-5.4</u>	<u>1.7</u>	<u>2.9</u>
(fiscal year)	4.1	—	—	—	—	—	—	—	—	—	—	—	—	—	-0.4	<u>-5.7</u>	<u>3.6</u>	<u>2.4</u>
Germany	3.5	-0.0	-1.9	-9.8	8.5	<u>-1.0</u>	<u>-0.4</u>	<u>0.4</u>	<u>3.0</u>	<u>1.6</u>	<u>1.0</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	0.6	<u>-5.6</u>	<u>2.5</u>	<u>4.5</u>
Russia	3.1	-0.7	-0.9	-3.2	<u>5.0</u>	<u>-0.1</u>	<u>0.5</u>	<u>0.5</u>	<u>1.6</u>	<u>0.7</u>	<u>0.6</u>	<u>0.6</u>	<u>0.7</u>	<u>0.4</u>	1.3	<u>-3.0</u>	<u>3.4</u>	<u>3.0</u>
Indonesia	2.5	1.2	-0.7	-6.9	3.1	<u>2.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	5.0	<u>-2.1</u>	<u>4.2</u>	<u>4.4</u>
UK	2.4	0.1	-2.5	-19.8	15.5	<u>-2.1</u>	<u>1.5</u>	<u>0.5</u>	<u>2.4</u>	<u>2.4</u>	<u>0.0</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	1.3	<u>-11.2</u>	<u>3.6</u>	<u>4.3</u>
France	2.4	-0.2	-5.9	-13.8	18.7	<u>-4.0</u>	<u>1.1</u>	<u>0.5</u>	<u>1.5</u>	<u>1.5</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.7</u>	1.5	<u>-9.0</u>	<u>4.2</u>	<u>4.4</u>
Brazil	2.4	0.2	-1.5	-9.6	7.7	<u>0.7</u>	<u>-0.5</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>	1.4	<u>-4.9</u>	<u>2.4</u>	<u>2.8</u>
Italy	2.0	-0.3	-5.5	-13.0	15.9	<u>-2.6</u>	<u>0.5</u>	<u>0.2</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>0.5</u>	<u>0.5</u>	<u>0.2</u>	0.3	<u>-8.9</u>	<u>3.2</u>	<u>3.0</u>
Mexico	2.0	-0.6	-1.2	-17.0	12.1	<u>1.0</u>	<u>0.9</u>	<u>0.7</u>	<u>1.2</u>	<u>1.5</u>	<u>0.5</u>	<u>0.7</u>	<u>0.6</u>	<u>0.2</u>	-0.0	<u>-9.1</u>	<u>4.1</u>	<u>3.3</u>
Turkey	1.8	2.0	0.2	-10.8	15.6	<u>0.0</u>	<u>-1.1</u>	<u>1.0</u>	<u>1.0</u>	<u>1.2</u>	<u>1.1</u>	<u>1.0</u>	<u>0.7</u>	<u>0.7</u>	1.0	<u>1.2</u>	<u>4.7</u>	<u>4.1</u>
Korea	1.7	1.3	-1.3	-3.2	2.1	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	2.0	<u>-1.0</u>	<u>2.8</u>	<u>2.8</u>
Spain	1.5	0.4	-5.2	-17.8	16.7	<u>-2.1</u>	<u>0.5</u>	<u>0.7</u>	<u>1.2</u>	<u>1.7</u>	<u>0.7</u>	<u>0.7</u>	<u>0.5</u>	<u>0.5</u>	2.0	<u>-11.3</u>	<u>3.1</u>	<u>3.8</u>
Canada	1.4	0.1	-1.9	-11.3	8.9	<u>0.7</u>	<u>0.0</u>	<u>0.7</u>	<u>1.2</u>	<u>1.2</u>	<u>0.7</u>	<u>0.9</u>	<u>0.9</u>	<u>0.8</u>	1.9	<u>-5.6</u>	<u>3.2</u>	<u>3.8</u>
World	100.0	0.6	-3.4	-5.2	8.5	<u>1.0</u>	<u>0.5</u>	<u>0.7</u>	<u>1.3</u>	<u>1.3</u>	<u>0.9</u>	<u>1.0</u>	<u>1.0</u>	<u>0.8</u>	3.0	<u>-3.4</u>	<u>5.0</u>	<u>4.2</u>
(Euro Zone)	12.5	0.1	-3.7	-11.7	12.5	<u>-2.3</u>	<u>0.3</u>	<u>0.4</u>	<u>1.9</u>	<u>1.4</u>	<u>0.9</u>	<u>0.7</u>	<u>0.6</u>	<u>0.5</u>	1.0	<u>-8.1</u>	<u>3.2</u>	<u>4.0</u>

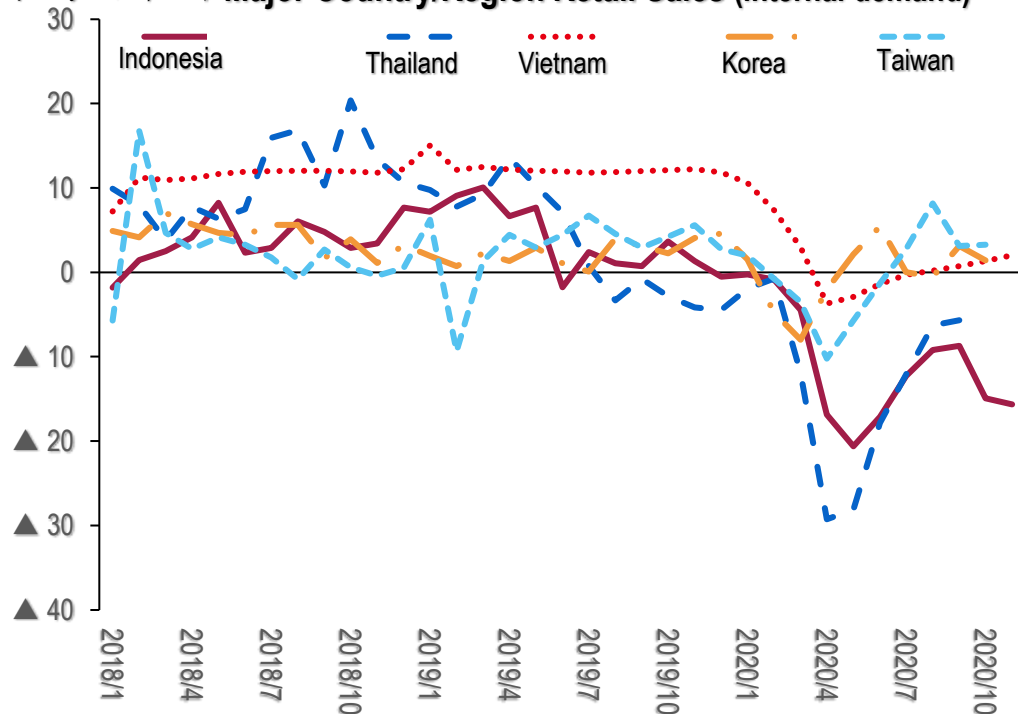
Source: Marubeni Research Institute

2-1. Asia

Toward Economic Recovery Centered on External Demand

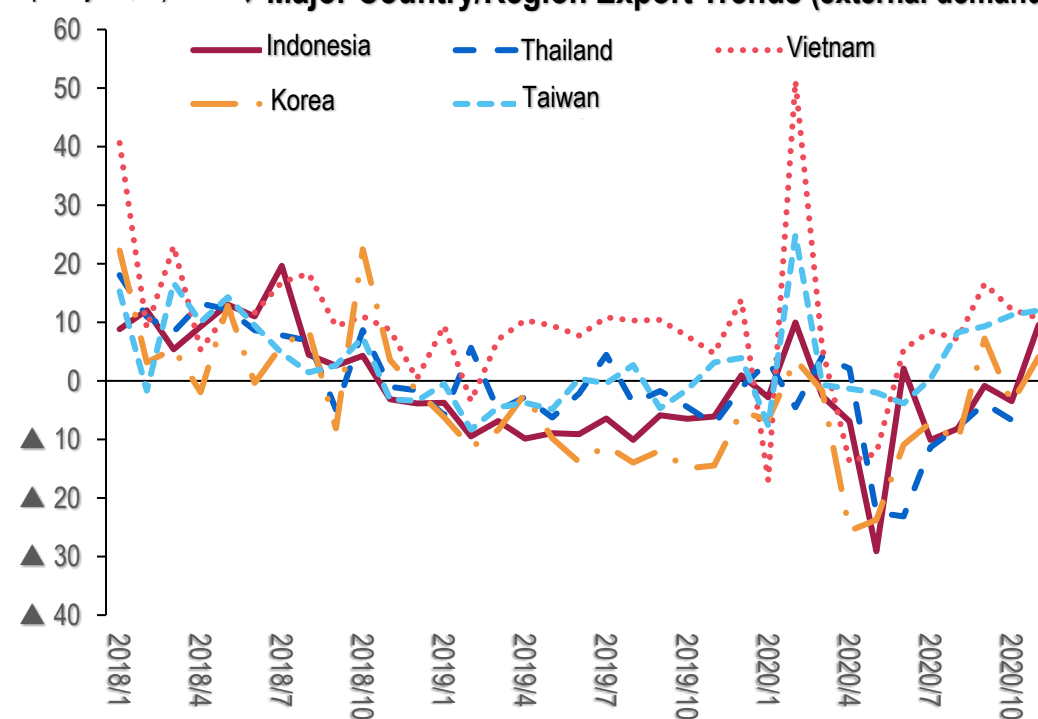
- Although economic support measures have been carried out, domestic demand will remain sluggish due to the prolonged restrictions on activity as a result of the Covid-19 pandemic.
- External demand is picking up partly due to a recovery in the Chinese economy and to lesser extent the U.S. economy. However, there is some concern going forward over the impact of new restrictions on activity in Europe, the U.S. and some countries in the Asian region.
- The risks are ① **Direction of U.S./China friction under the incoming U.S. administration** ② Delays in beating Covid-19 due to fragile medical systems ③ Side effects from extended fiscal and monetary policies.

(vs. prior year, %) ▽ Major Country/Region Retail Sales (internal demand)



Sources: CEIC, Statistics Korea, Taiwan Department of Statistics

(vs. prior year, %) ▽ Major Country/Region Export Trends (external demand)



Source: CEIC, Korea Customs Service, Taiwan Ministry of Finance

2-2. Asia

Impact of a New U.S. Administration and RCEP

- Notable points related to the Asian region: ① Changes in U.S. policy toward Asia by the incoming government ② The Regional Comprehensive Economic Partnership (RCEP)
- Regarding ①: There is a strong view that U.S.-China friction will ease. However, U.S. policy toward China is highly uncertain as it also depends on cabinet selections and Congress.
- In terms of ②: RCEP has been signed. Although some economic effects are expected from the new FTA, including in trade between Japan and China and Japan and South Korea, there are still many problems with it, including a low degree of liberalization.

Country/Regions	Impacts/Major Points
Hong Kong/Taiwan	<ul style="list-style-type: none"> ✓ Type of sanctions against Chinese/Hong Kong authorities over National Security Law.pro-democracy factions ✓ Will the U.S. continue to provide weapons to Taiwan ✓ Impact on the semiconductor industry due to export restrictions to China (in particular, advanced semiconductors/integrated circuits)
Vietnam	<ul style="list-style-type: none"> ✓ Countervailing duties due to currency manipulation ✓ Tariff measure as a result of “detour exports” via Vietnam
North Korea	<ul style="list-style-type: none"> ✓ Will U.S. shift to a hardline stance with U.S.-NK relations worsening? ✓ Will the incoming administration maintain the same “strategic patience” as the last one?
South Korea	<ul style="list-style-type: none"> ✓ Stalled “reconciliation policy” with the North by the Moon government ✓ Impact on the semiconductor industry due to export restrictions to China (especially DRAM and NAND flash memory SSDs)
Australia	<ul style="list-style-type: none"> ✓ In the intensifying conflict with China will strengthen ties with the U.S and other allies

Sources: U.S. Democratic Party platform, U.S. Trade Representative, Japan External Trade Organization, various media reports

Item	Content
RCEP Members	<ul style="list-style-type: none"> ✓ ASEAN 19, Japan, China, Korea, Australia, New Zealand (India decided to withdraw from 11/2019)
Merits	<ul style="list-style-type: none"> ✓ Elimination/reduction of tariffs ✓ Rules related to intellectual property and e-commerce
Important Points	<ul style="list-style-type: none"> ✓ In terms of exports, elimination/reduction in tariffs on industrial products and agricultural, forestry and fishery products in export destination countries ✓ In terms of imports, rice, wheat, beef, pork, and dairy products and raw sugar/sweetener materials are not subject to tariffs
Effective Date/Conditions	<ul style="list-style-type: none"> ✓ 60 days after ratification by 3 ASEAN members and 3 non-ASEAN member countries (still not effected as of 12/15/2020))
Future Points of Interest	<ul style="list-style-type: none"> ✓ Will India return to RCEP? ✓ China’s possible participation in the CPTPP ✓ Will the U.S. shift from its “America First” approach to trade under the new administration and lead as a trade rule maker again?

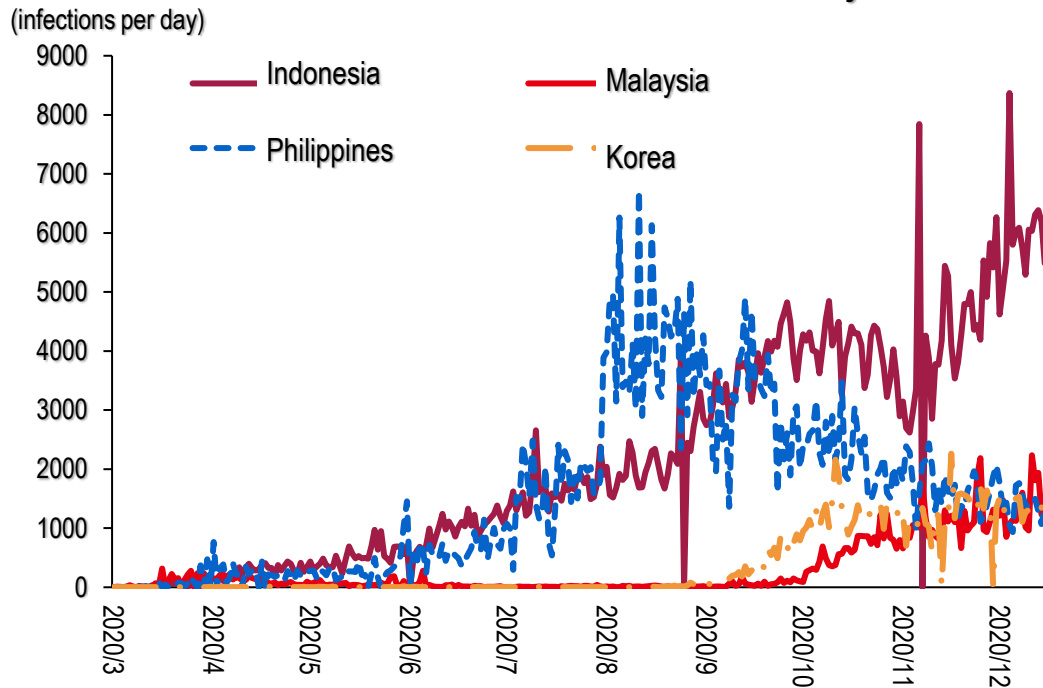
Sources: Japan Ministry of foreign Affairs, various media reports

2-3. Asia

Covid-19 Situation, Fiscal Status of Major Asian Countries

- Although Covid-19 infections have been nearly eliminated in Vietnam and Cambodia, new infections are on the increase in Indonesia, Malaysia, South Korea, Thailand and other countries.
- Compared to developed countries medical systems in SE Asian countries are fragile, so if there is delay in vaccine procurement getting Covid-19 under complete control could suffer a set back.
- Asian countries' finances are in better shape than those in Latin America and Africa, however there is no room for interest rate cuts in many of them. So, attention should be paid to any spreading crisis.

▽ Number of New Covid-19 Infections in Major Countries

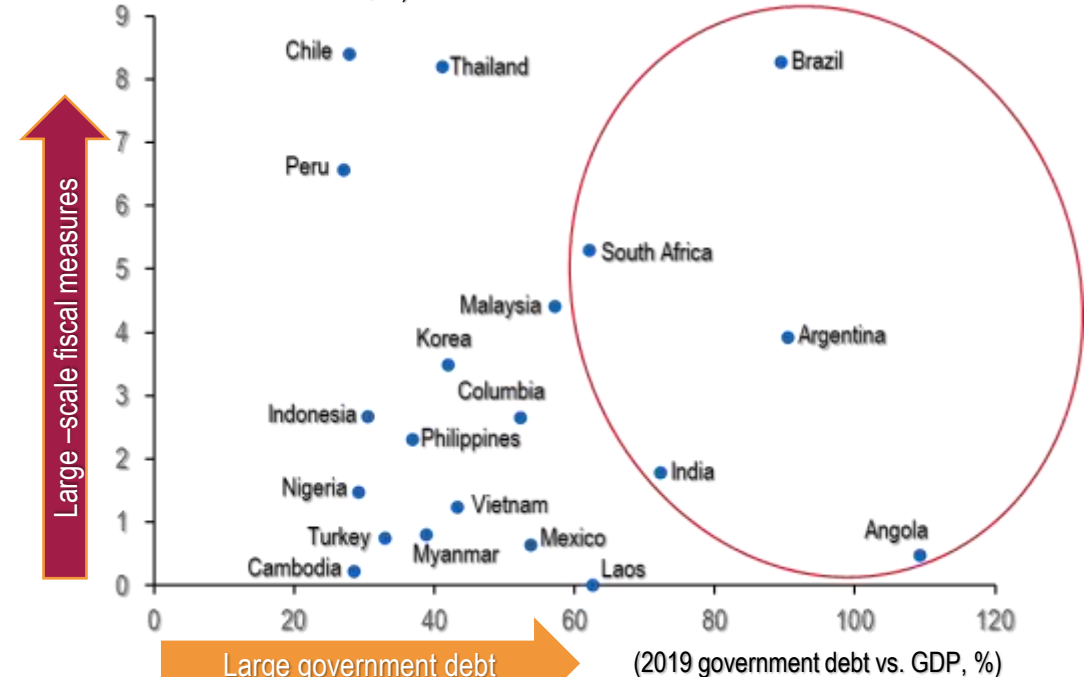


Note: Data as of 12/15/2020

Sources: CEIC, World Health Organization

▽ Finances of Major Asian Countries/Emerging Economies

Covid-19 fiscal measures sums vs. GDP, %



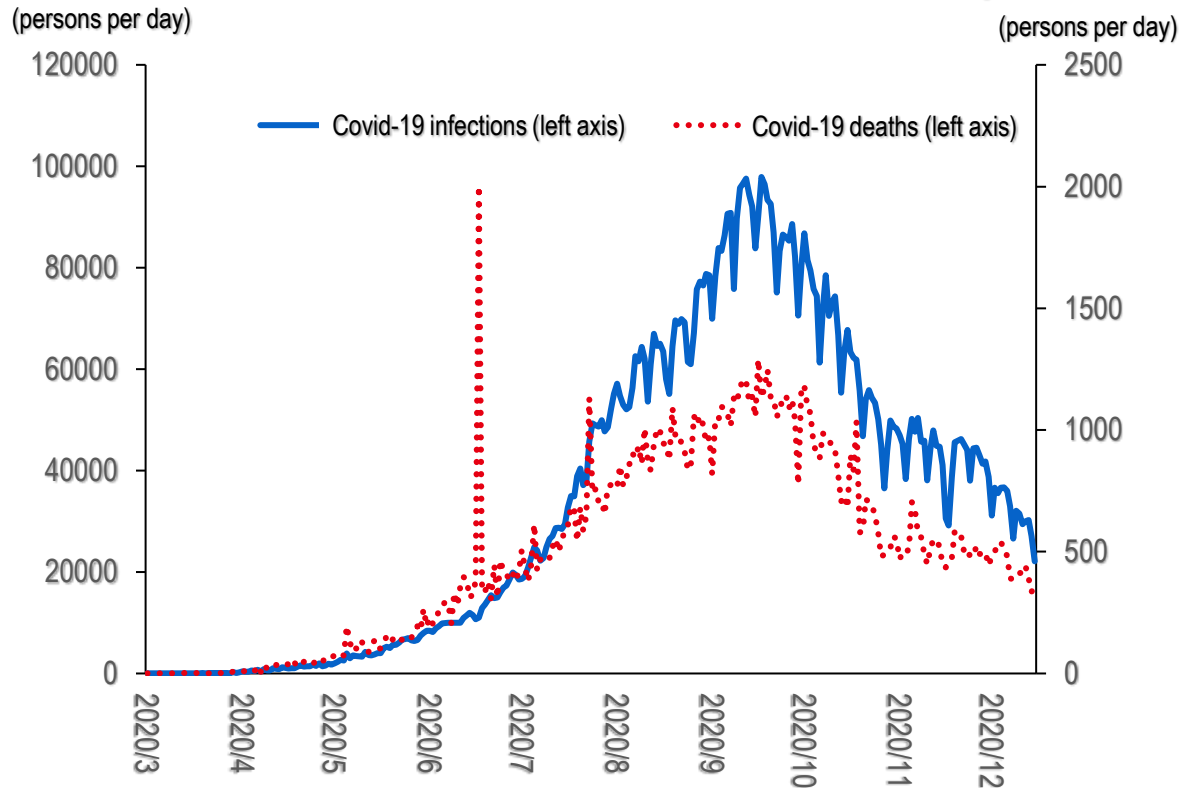
Sources: International Monetary Fund's "Financial Monitor", "World Economic Outlook" (10/2020)

3. India

Economy Recovery by Bringing Covid-19 Under Control/Via Fiscal/Monetary Policy

Business sentiment has recovered as the spread of Covid-19 has been drastically reduced. Low interest rates are expected to be maintained until the July-September period of 2021 due to improvement in inflation and the current account balance. Will the privatization of government-affiliated companies progress further under fiscal consolidation? Risks include the premature rewinding of fiscal and monetary policy and a surge in non-performing loans. Also, the domestic rise of Hindu nationalism and relations with China and Pakistan should be closely watched.

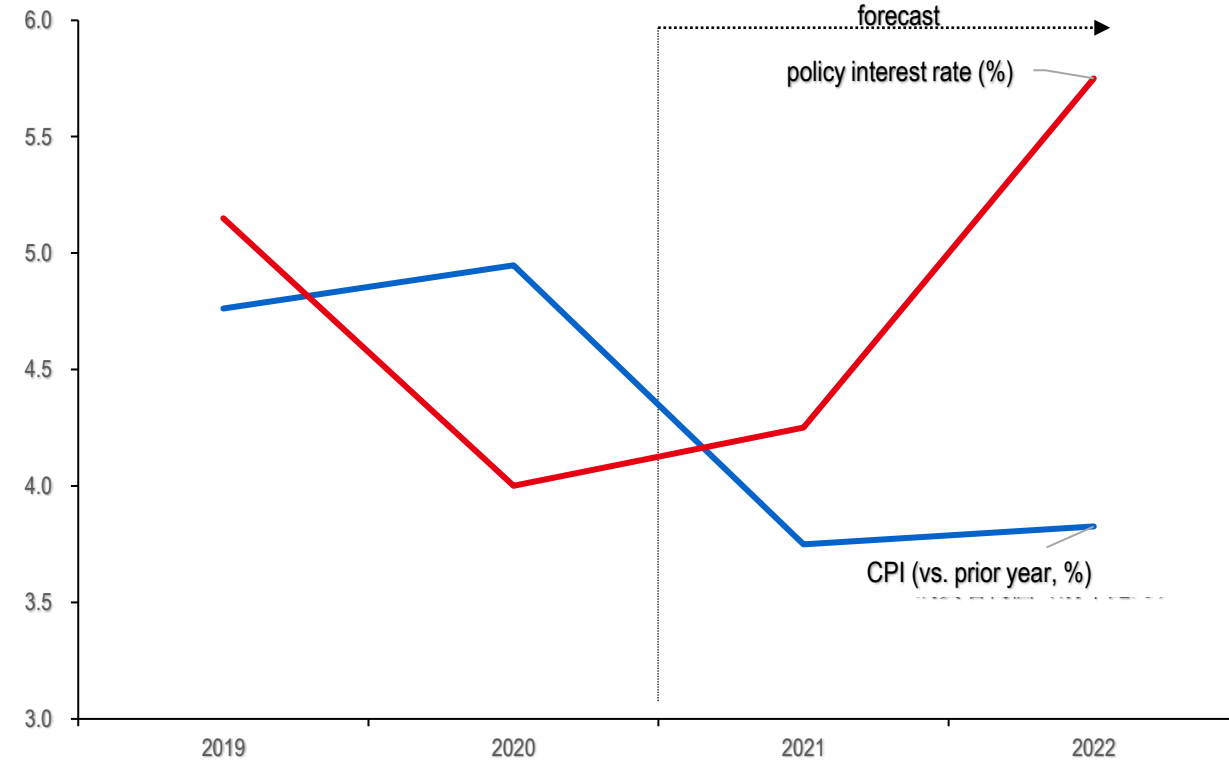
▽ Number of New Covid-19 Infections/Deaths Decreasing



Note: As of 12/15/2020

Source: CEIC, World Health Organization

▽ Monetary Easing Expected to Continue to Mid-2021



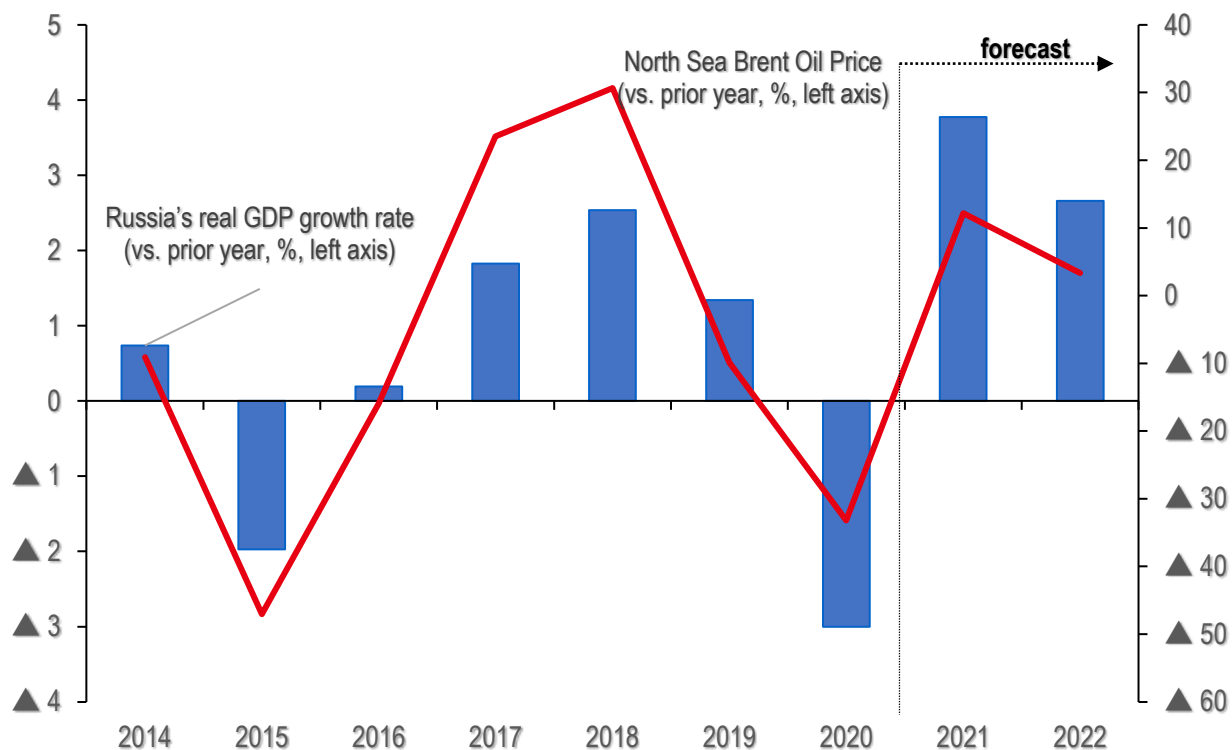
Source: Morgan Stanley

4. Russia

Economic Recovery Due to Rebounding Oil Prices

If the large-scale domestic vaccination program started in 12/2020 is effective and oil prices rise due to a global economic recovery, Russia's economy will also recover as it is highly linked to oil prices. Will calm return to neighboring countries which have been suffering from ongoing turmoil owing to the economic downturn? There is a possibility that movement toward a post-Putin system will become more apparent before Russian lower house parliamentary elections in 2021. There is some concern that sanctions may be strengthened depending on how relations develop with the new U.S. administration.

▽ Rising Oil Prices Expected to Boost Russia's Economy



Sources: Marubeni Research Institute, IMF

▽ Economic Deterioration Partially a Cause of Turmoil in Neighboring Countries

	① 2008-13 compounded annual growth rate	② 2014-19 compounded annual growth rate	② - ①
Azerbaijan	5.2	0.8	-4.4
Belarus	4.4	0.4	-4.0
Turkmenistan	11.0	7.0	-4.0
Uzbekistan	7.9	6.0	-1.8
Kazakhstan	5.0	3.2	-1.8
Russia	2.1	0.8	-1.4
Kyrgyzstan	4.5	4.2	-0.3
Moldova	3.9	3.6	-0.3
Ukraine	-0.5	-0.8	-0.3
Tajikistan	6.8	6.9	0.2
Georgia	3.7	4.2	0.5
Armenia	1.7	4.6	2.9

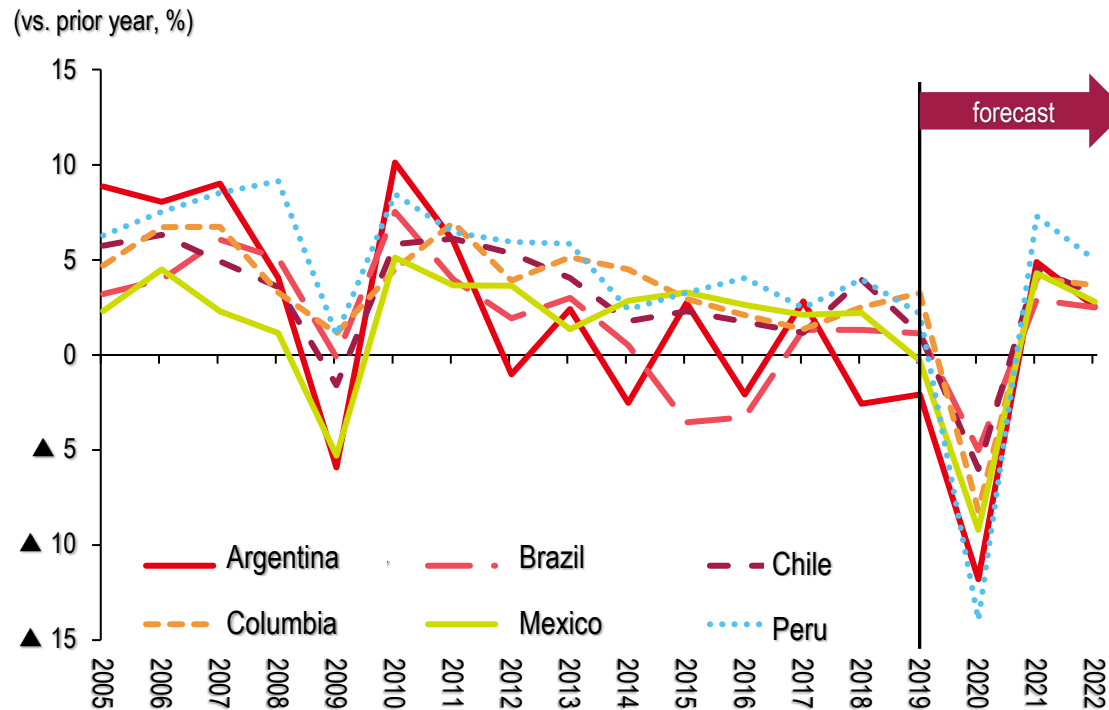
Source: Marubeni Research Institute

5-1. Latin America

Debt Hindering Recovery

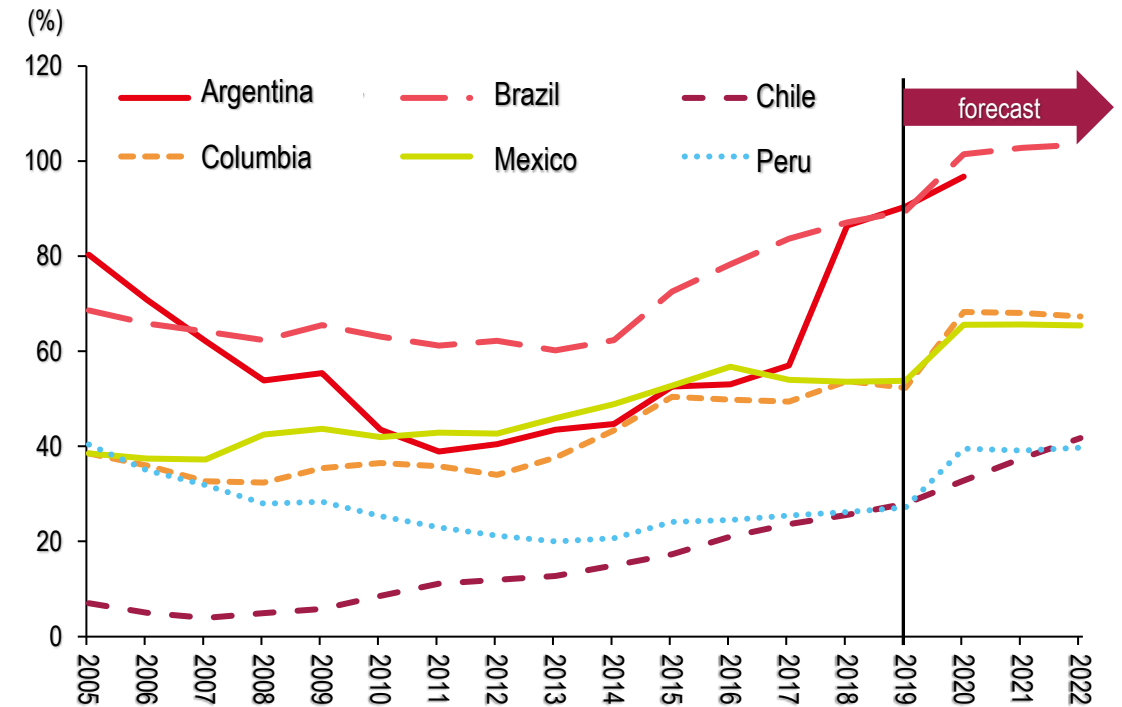
In countries where growth drivers were already weakening the Covid-19 shock delivered a huge blow to their economies. The level of government debt in both Argentina, which had succeeded in restructuring its debt, and Brazil, which had just passed pension reform, remains high. High government debt will hinder economic recoveries while at the same time there is growing concern over sovereign risk in Latin America.

▽ Real Gross Domestic Product (GDP) Growth Rate



Source: Marubeni Research Institute from IMF data

▽ Total General Government Debt (vs. GDP)



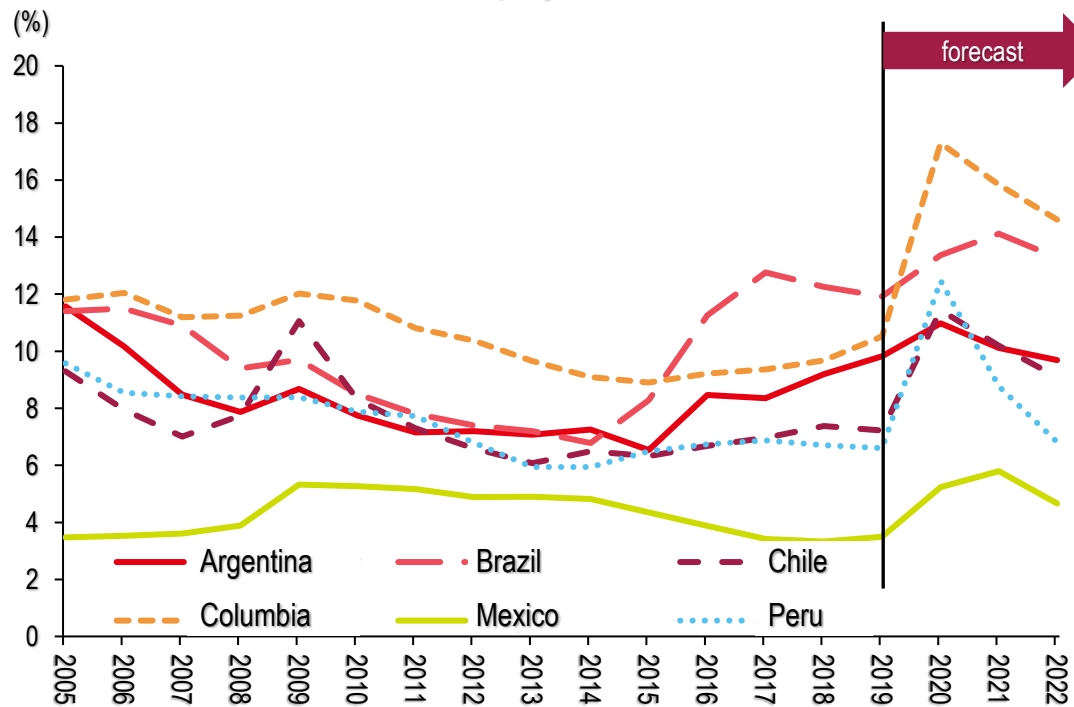
Source: IMF (Argentina's forecast after 2020 not available)

5-2. Latin America

Will Latin America Turn Left Again Due to Unemployment and Growing Poverty?

With the exception of Mexico, the unemployment rate in Latin America has leaped into double digits. Most countries will not return to pre-Covid-19 shock levels even by 2022. Urban poverty rates in Argentina are now over 36%. There will be presidential elections in 4 of the 6 major countries in the region in 2021/2022, however with growing poverty it is possible that voters may again turn to socialist governments just as they did in the early 2000s.

▽ Unemployment Rate



Source: IMF

▽ Political Election Schedule

4/11/2021	Peru presidential election: Will the political instability caused by the impeachment of former President Vizcarra subside? Chile Constitutional Convention Election: Election to select members to draft a new constitution
7/2021	Mexico congressional elections: Can the ruling party maintain a majority?
10/2021	Argentina congressional elections: How will the conflict between the president and vice-president affect the elections?
11/2021	Chile presidential election: The center-right candidate Joaquin Lavin, mayor of the Las Condes municipality of Santiago is leading
3/2022	Columbia presidential election
11/2022	Brazil presidential, parliamentary elections: Will President Bolsonaro be re-elected given candidates he supported have recently lost in regional elections?

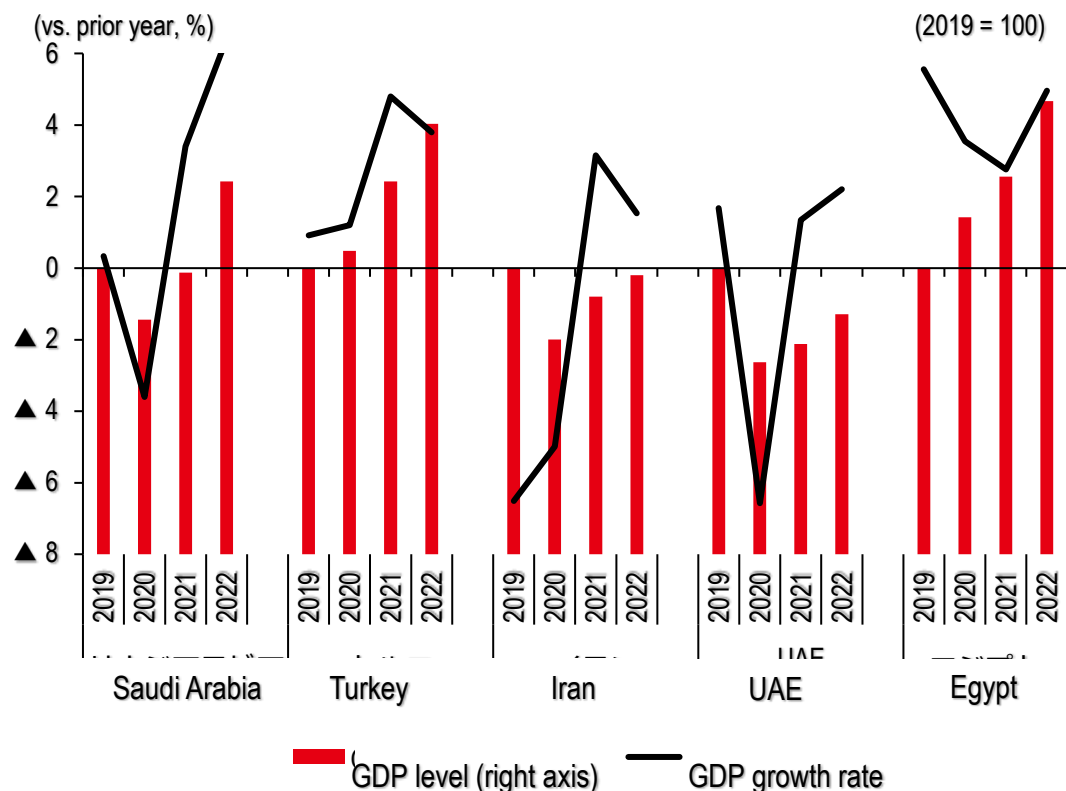
Source: Marubeni Research Institute from the media reports of Japanese embassies in each country

6-1. Middle East

Will Take Time to Recover Due to Fiscal Deterioration

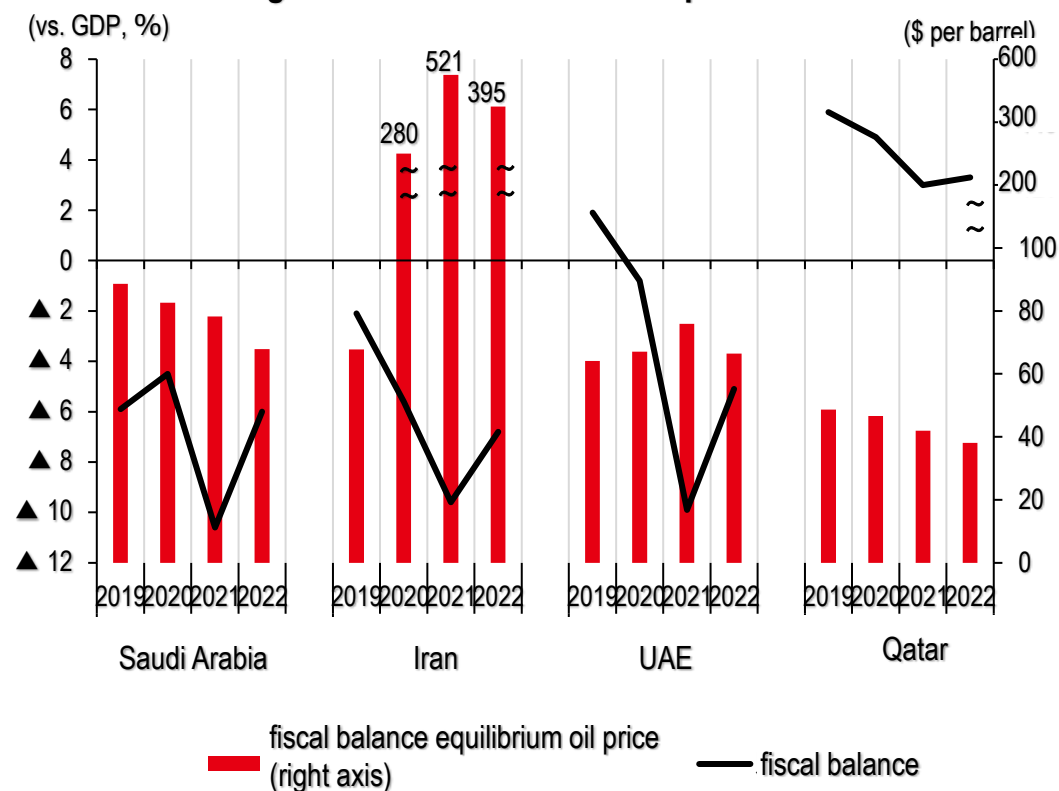
- Government revenues are slack because of the sharp fall in oil prices and suspension of economic activity due to the Covid-19 pandemic and such austerity measures as eliminating basic living subsidies and raising the VAT even in oil producing countries in the region. With the outlook for a recovery in crude oil demand uncertain, it will be difficult to boost economies through large-scale fiscal stimulus.
- In Turkey there is a risk the growth rate will decline depending on interest rate hikes to defend its currency and the spread of Covid-19.

▽ Real GDP



Sources: IMF, Marubeni Research Institute

▽ Budget Deficit./Fiscal Balance Equilibrium Price

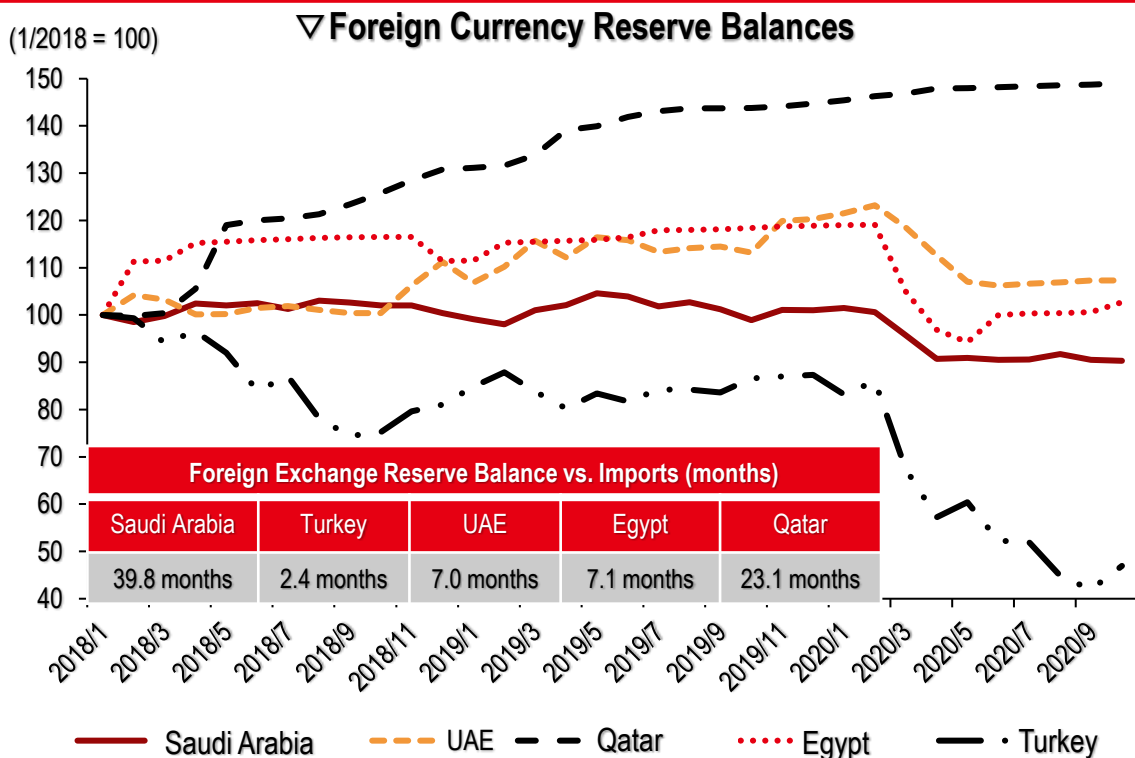


Source: IMF

6-2. Middle East

Fall in Foreign Exchange Reserves Stops

- The decline in foreign exchange reserves in oil producing countries has recently come to a halt. In Turkey, President Erdogan's authoritative policies and intervention in the central bank was widely detested as Turkey's currency faced depreciation and foreign exchange reserves fell sharply. Will the economy bottom out now with the subsequent interest hikes?
- Israel and Arab countries recent rapprochement has been striking. In the mid to long-term there are expectations of economic revitalization through trade, investment and technical cooperation.



Sources: CEIC, Refinitiv

Note: The foreign currency reserve balance vs. imports was calculated using October 2020 foreign currency reserves against 2019 imports (2018 for UAE imports)

▽ Middle East Geopolitics - Points to Note

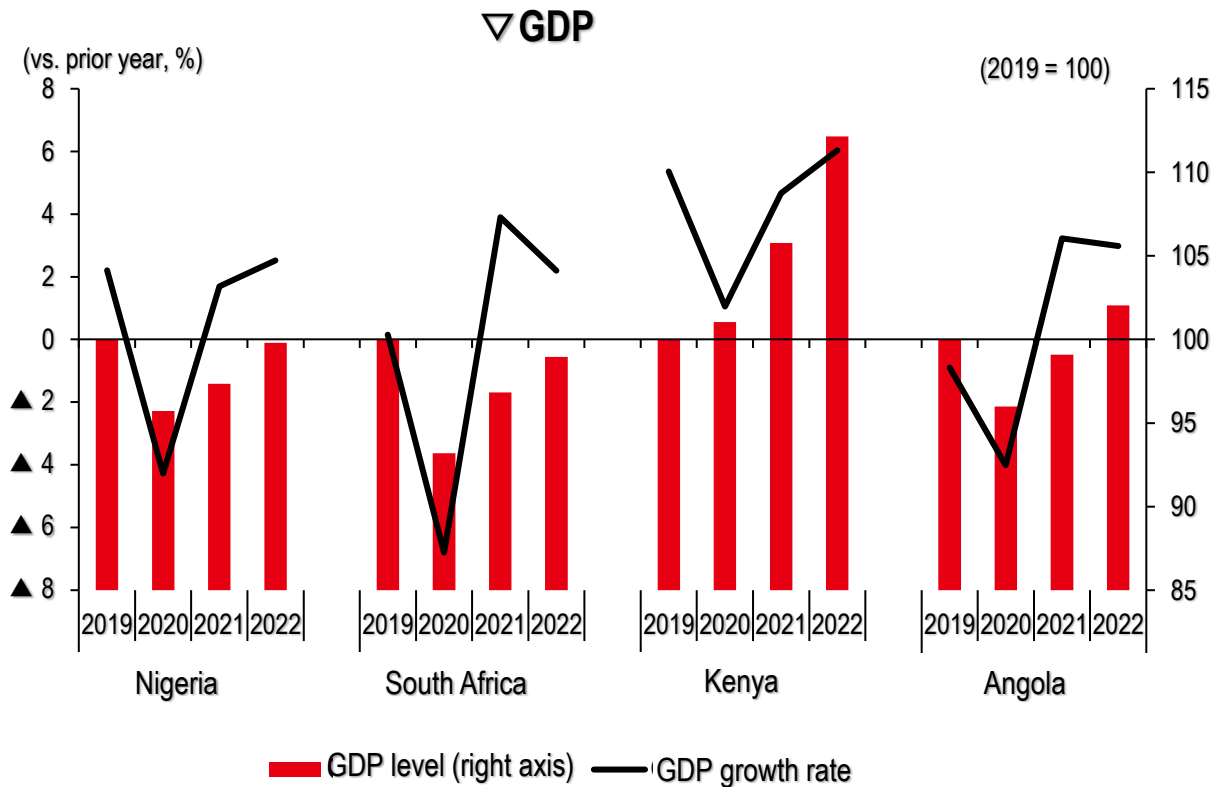
Country	Major Occurrences
Saudi Arabia	<ul style="list-style-type: none"> • Does not recognize diplomatic relations with Israel but does not criticize that trend in other Arab countries. The possibility of a meeting between Prince Salman and President Netanyahu was reported in November. • Reconciliation between Saudi Arabia and Qatar.
Iran	<ul style="list-style-type: none"> • In October 2020 a UN resolution lifted the arms embargo on Iran with the U.S. alone tightening them. • Even though there was a high ranking assassination in Iran, Iran's response was restrained and no military action was taken. • The opinion is now that the hardline conservatives (anti-U.S.) will be dominant in the June 2021 presidential election.
Israel	<ul style="list-style-type: none"> • Behind the support of the Trump administration diplomatic relations were normalized with the UAE (August 2020), Bahrain (September 2020), Sudan (October 2020) and Morocco (December 2020). Also, previously denied sales of jet fighters to the UAE allowed.

Source: Marubeni Research Institute based on various media material

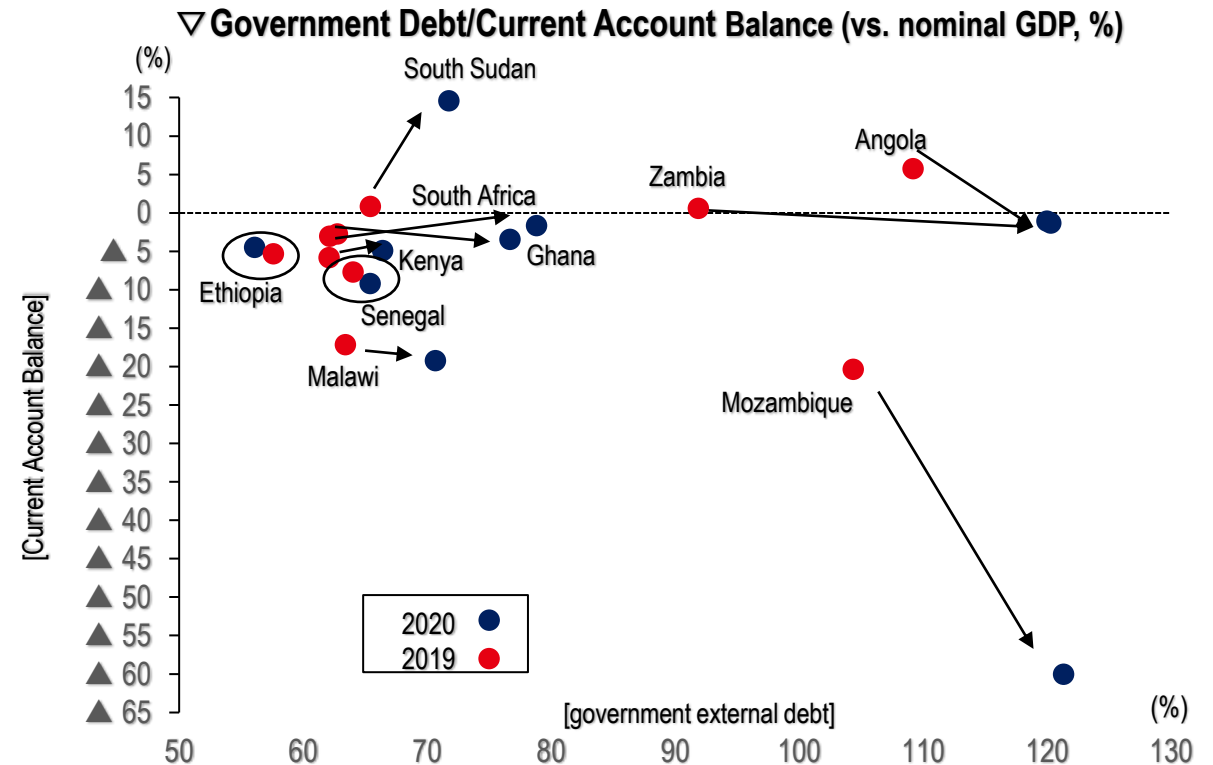
7-1. Sub-Saharan Africa

Although Generally Headed for Recovery, the Degree Varies

Most countries will experience negative economic growth for 2020, but growth should generally turn positive again in 2021. The pace of the recovery though will be mixed with most countries in East and West Africa recovering steadily, while there are some countries plagued by deteriorating security due to conflict. Amid growing concerns over debt and interest payments, attention should be paid to whether the debt payment deferment initiative, an international cooperation support measure that temporarily defers repayment, will be extended beyond June 2021.



Sources: IMF, Marubeni Research Institute



Source: IMF

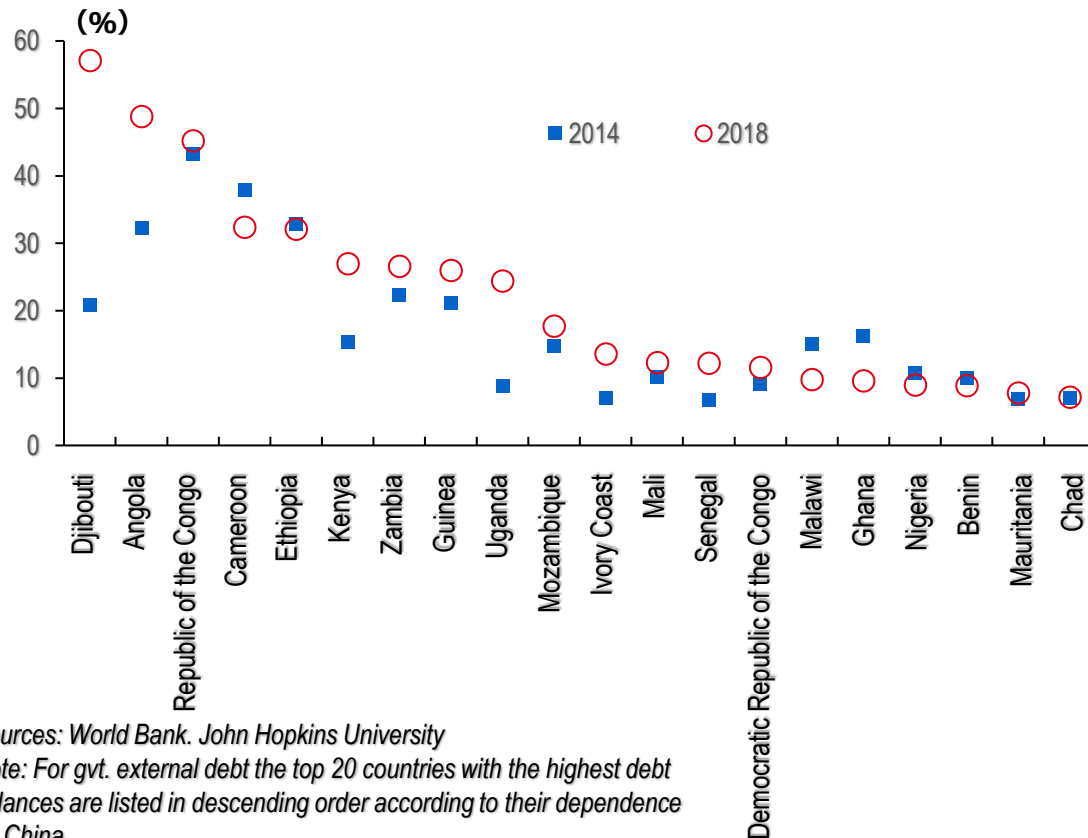
Note: Regarding gvt.debt and current account balances, the top 10 countries with populations of 10 million or more, which are also the top 10 countries in terms of gvt. debt to GDP in 2019, are listed. Zambia and Angola are basically in the same position in 2020.

7-2. Sub-Saharan Africa

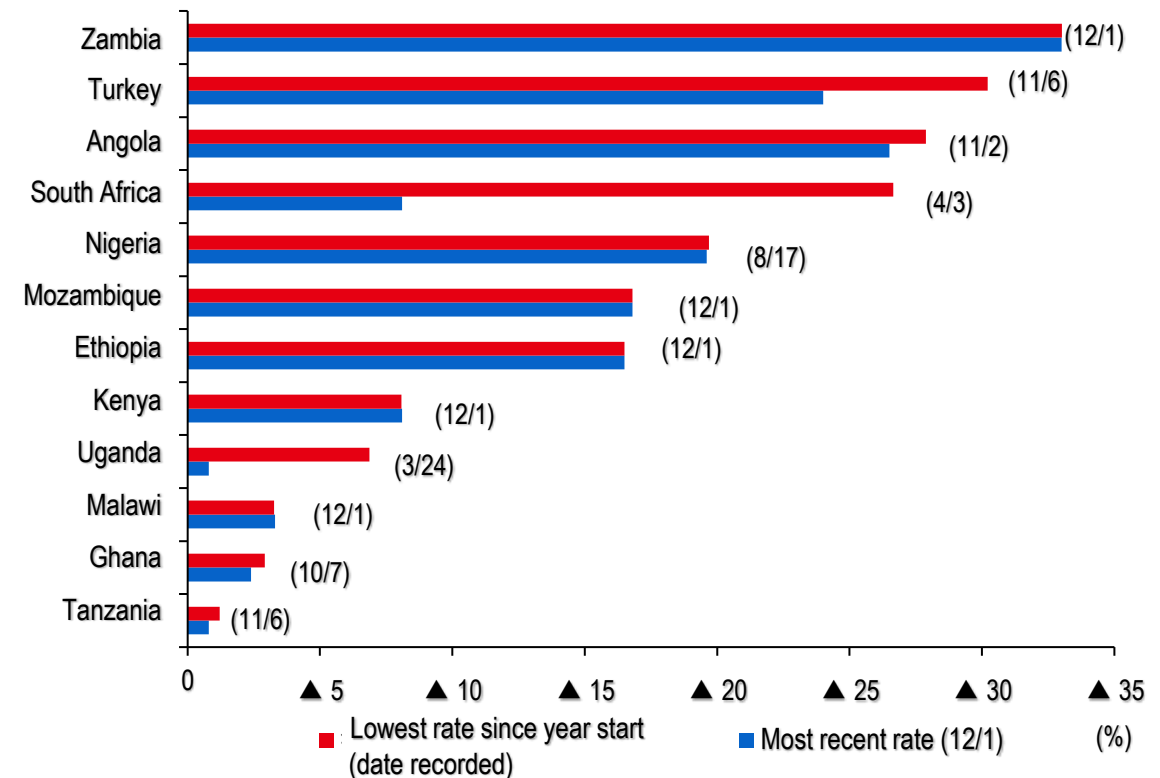
Currency Depreciation Remains a Concern

China has become the main creditor to many African countries. Zambia has already defaulted on part of its debt as debt negotiations with creditors other than China have become difficult due to concerns over uncertain and non-transparent contracts with China. High dependence on China is now becoming a hindrance to debt response. In South Africa, worries over currency depreciation and capital outflows should subside by the summer. However, their currency has recently hit a new low, so the risks associated with a weakening currency continue.

▽ China's Share of External Government Debt



▽ Decline in Exchange Rates



Source: Refinitiv

Sources: World Bank, John Hopkins University
 Note: For gov. external debt the top 20 countries with the highest debt balances are listed in descending order according to their dependence on China

8. 2021 Major Political/Economic Event Dates

Inauguration of New U.S. President/Tokyo Olympics - Paralympics

▽ Country/Region Specific

Date	Region	Event
January 1	Europe/CIS	UK leaves the EU (Brexit) (transition period officially ended on 12/31/2020)
January 1	Asia/Europe	Japan/UK Comprehensive Economic Partnership Agreement effected
January 20	North America	U.S. presidential inauguration
January 22	World	Nuclear Weapons Ban Treaty goes into effect
January 24	Europe/CIS	Portugal presidential election
February 11-17	Asia	China's new year holidays
March	Asia	China's National Peoples Congress
June 18	Middle East	Iran presidential election
June-July	Japan	Tokyo Metropolitan aAssembly elections
July 6	North America	U.S. scheduled to withdraw from WHO (withdrawal halted)
July 23	Asia	100 th anniversary of ¥china's Communist Party
July 23-August 8	Japan	Tokyo Olympics
August 24-September 5	Japan	Tokyo Paralympics
September 5	Asia	Hong Kong Legislative Council election (postponed in 2020)
September 19	Europe/CIS	Russia State Duma elections (lower house)
September 26	Europe/CIS	German Bundestag (federal) elections (PM Merkel is longer running))
September	Japan	Liberal Democratic Party presidential election
September-October?	Japan	Japan House of Representatives election (general)
October 1-March 31, 2022	Middle East	Dubai World Expo (postponed in 2020)
December	Asia	China Central Economic Work Conference

▽ International Meetings, Summits, etc.

Date	Region	Event
Undecided	World	G7 Summit, UK (postponed in 2020)
Undecided	Asia	Boao Forum for Asia Annual Meeting (postponed in 2020)
Undecided	World	BRICS Summit, India
March 17-21	Latin America	Inter-American Development Bank (IDB) Annual Meting (postponed in 2020)
April 9-11	World	IMF/World Bank Spring Meeting, U.S.
April-May	Asia	38 th ASEAN Summit, Brunei
May 18-21	World	World Economic Forum, Switzerland
May 19-20	Europe/CIS	30 th Annual European Bank for Reconstruction and Development Meeting (EBRD), Armenia
May 24-25	Africa	57 th Annual African Development Bank (AfDB) Meeting, Ghana
May 24-June 1	World	WHO's World Health Assembly, Switzerland
June 7-18	World	ILO's 109 th Session of the International Labor Conference (ILC) Switzerland
June	World	WTO Ministerial Conference, Kazakhstan (postponed in 2020)
September 14-30	World	76 th Session of the UN General Assembly, U.S.
September	Europe/CIS	Eastern Economic Forum. Russia (postponed in 2020)
October 15-17	World	IMF/World Bank Annual Meeting, U.S.
October 27-28	Asia	Asian Infrastructure Investment Bank (AIIB) Annual Meeting, UAE
October 30-31	World	G20 Summit, Italy
November 1-12	World	26 th UN Climate Change Conference of the Parties (COP26)
November	Asia	APEC Summit (virtual)
November	Asia	39 th ASEAN Summit, Brunei

Source: Marubeni Research Institute from various announcements and media reports Note: Fine print signifies an annual event **bold print** signifies other.

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