Coronavirus is having a pervasive impact

Impact on global economy from the coronavirus

Economic effects

- **DEMAND SHOCK**
  - Falling consumer demand from spread of the coronavirus
- **SUPPLY SHOCK**
  - Production disruption from restricted movement
- **FINANCIAL MARKET SHOCK**
  - Volatility in financial markets

Channel of impact

- **Travel/tourism slowdown**
  - Flight and cruise restrictions to affected areas, cancellation of business and vacation travel, cancellation of large events
- **Consumption slowdown**
  - Quarantine restrictions, school/factory/business closures, fear and aversion to public gatherings
- **Supply chain disruptions**
  - Factory closures in affected regions lead to delays and shortages down supply chains globally; uncertainty and lower sentiment affect investment
- **Stress on healthcare systems**
  - Higher demand for healthcare services and products
- **Fall in oil/commodity prices**
  - Lower demand keeps commodity prices low and volatile
- **Financial market volatility**
  - Declines in equity prices, a rise in risk aversion and spreads, a rise in delinquencies, lower interest rates

Sectors affected

- **Negative**
  - Airlines, cruise lines, hotels, travel/leisure
  - Local services, wholesale/retail trade, transportation, education
  - Technology, autos, telecom, shipping, pharma
  - Healthcare system
  - Commodity exporters
  - Financial institutions
- **Positive**
  - Remote communications
  - Online media, online retail
  - Sectors that benefit from supply chain relocation
  - Vaccine developers
  - Households
  - Consumer finance, housing, reserve-currency countries
Global recession is deepening rapidly as restrictions exact high economic cost

Real GDP growth forecast (%) for G20 Economies 2020-21 (April 28, 2020 Update)

Source: Moody's Investors Service
The recession will be deeper and the recovery could take longer than the past two recessions.
Risks to growth remain to the downside

Upside risks …

The availability of a vaccine or effective treatment more quickly than expected would support:
• A resumption of economic activity on a steadier basis
• Improved consumer and business confidence

Downside risks …

New outbreaks in H2: A resurgence of the virus could cause further lockdowns and make it harder for governments to finance and implement support measures and transfers

Financial stress: Asset quality will decline if longer or repeated shutdowns increase business closures and keep the unemployment rate elevated. Increased margin pressure in the financial sector would add to economic and financial strains

Behavioral shifts: Permanent changes in consumption and business behavior would disrupt some sectors and supply chains, causing a structural change in the pace of economic activity

Lack of global coordination: Without countries working together to combat the virus’ spread, risks of a resurgence and more severe economic outcomes are high
Coronavirus support packages will not fully offset disruption

• Credit implications of loan guarantees will largely depend on bank implementation.
• Broad fiscal and regulatory measures will support the private sector, but forbearance measures create credit negative risks for banks and securitisations.
• Monetary policy measures can contain yields and provide liquidity.
• Policy measures will impact sovereign balance sheets, but are unlikely to have significant rating implications in Europe.

For more details, see: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1222044
Corporate exposures in EMEA

Exposure of coronavirus on CFG EMEA Sectors

- Automotive & Auto Suppliers
- Apparel
- Retail (non-food)
- Passenger Airlines
- Tourism/Lodging/Cruise
- Global Shipping
- Consumer Durables
- Restaurants
- Leisure & Entertainment
- Gaming

- Chemicals
- Manufacturing
- Oil & Gas
- Steel Production
- Metals & Mining
- Services Companies
- Media
- Building Materials
- Construction
- Real Estate
- Technology Services
- Retail (food)
- Beverages
- Telecoms
- Defense
- Utilities
- Packaging
- Packaged Goods
- Pharmaceuticals
- Healthcare Services
- Tobacco
Corporate rating actions have reflected exposures

Rating actions as a percentage of ratings by sector (to mid-April)

* Retail (non-food) is high; retail (food) is low; ** Reflects largely airlines and shipping; *** consumer durables is high; packaged goods is low.

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Broader structured finance risks centred in lower-rated tranches

Impact of coronavirus on SFG asset classes with high to moderate risk

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<tr>
<th>ASSET CLASS</th>
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<th>Mezzanine</th>
<th>Junior</th>
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<td>Trucking and transportation equipment ABS</td>
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<td>Small-ticket equipment lease ABS</td>
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<td>Subprime/Alt-A/Option ARM RMBS*</td>
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