

ANALYSIS
MAY 2023

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Tensions Across the Taiwan Strait: Two Possible Scenarios

Executive Summary

Amid mounting geopolitical tensions over the independence of Taiwan, we consider two scenarios that offer benchmarks for assessing the potential global economic impact if those tensions unravel into outright conflict. The first scenario, the No Military Intervention scenario, involves a prolonged conflict between China and Taiwan but no direct military intervention by the U.S. and other nations. The second scenario, the Military Intervention scenario, features a short conflict that involves direct military intervention by the U.S. and other nations. These scenarios are low-probability alternatives to the Moody's Analytics baseline scenario, which assumes that tensions over Taiwan are ultimately resolved amicably.

Tensions Across the Taiwan Strait: Two Possible Scenarios

BY TIM UY, STEVEN G. COCHRANE, ALFREDO COUTINO, KATRINA ELL, HERON LIM, HARRY MURPHY CRUISE, KAMIL KOVAR, ABHILASHA SINGH, AND SUREN VARDANYAN

Executive Summary

Amid mounting geopolitical tensions over the independence of Taiwan, we consider two scenarios that offer benchmarks for assessing the potential global economic impact if those tensions unravel into outright conflict. The first scenario, the No Military Intervention scenario, involves a prolonged conflict between China and Taiwan but no direct military intervention by the U.S. and other nations. The second scenario, the Military Intervention scenario, features a short conflict that involves direct military intervention by the U.S. and other nations. These scenarios are low-probability alternatives to the Moody's Analytics baseline scenario, which assumes that tensions over Taiwan are ultimately resolved amicably.

Both alternative scenarios result in severe global recessions, although the economic downturn is shallower and more prolonged in the No Military Intervention scenario. The recession in this scenario results in global real GDP falling 8% below the baseline scenario at the trough, and in the long-run GDP is nearly 6% below the baseline. In the Military Intervention scenario, global GDP bottoms out 10% below the baseline, but because of its faster recovery, long-term GDP is closer to 4% below the baseline.

Inflation is initially lower in both scenarios as the economic fallout and uncertainty caused by the conflict weigh on global demand for goods and services, trade, and investment. But this is followed by a period of higher inflation due to the disruption of global supply chains and by sanctions placed on strategic goods by both sides. Broadly, the conflict accelerates the pace of deglobalization that is already in train, adding to inflation and diminishing the global economy's long-term growth prospects.

Geopolitical backdrop

The long-simmering tensions over the fate of Taiwan were fanned last year with former U.S. House Speaker Nancy Pelosi's visit to Taiwan and China's military, economic and diplomatic response. China imposed a wide range of sanctions, sending the message that there will be economic consequences for actions China deems unacceptable¹

¹ In February, China sanctioned the chief executives of U.S. defense contractors Raytheon Technologies and Boeing over arms sales to Taiwan. Following Taiwan President Tsai Ing-wen's recent visit to the U.S., China also sanctioned the Hudson Institute and the Reagan Library in addition to various Taiwanese organizations and personnel involved in organizing the visit.

These actions add to other steps the Chinese government has taken, including the passage of its Anti-Foreign Sanctions Law in 2021. This law allows China to reciprocate should its nationals or institutions be penalized. It is not only able to block, but also retaliate or proactively impose sanctions. This goes well beyond the EU Blocking Statute or similar legislation, which typically only protects natural and legal persons in their respective jurisdictions without allowing for retaliatory and proactive sanctions.

Of course, the relationship between the U.S. and China has been tense not only because of events along the Taiwan Strait but also because of intensifying competition between the world's two largest economies. This includes the trade war that was initiated early in the Trump administration and has deteriorated further with the Biden administration's focus on maintaining a competitive advantage in both business and technology.

One recent point of contention has been auditing requirements under the Holding Foreign Companies Accountable Act. This legislation has forced some Chinese companies to delist from U.S. stock exchanges, as the law's requirements are at odds with China's data security regulations prohibiting inspections of Chinese companies by foreign regulators. An agreement earlier this year between the U.S. Public Company Accounting Oversight Board and the China Securities Regulatory Commission and Ministry of Finance marks a step toward resolving these differences.

The U.S. CHIPS and Science Act passed in August also strengthens U.S. efforts to protect intellectual property and technology transfer. The law encourages the development in the U.S. of technologies that are viewed as being crucial to national and economic security, and allows for punitive action against foreign agents engaged in intellectual property theft and illegal technology transfer. The addition of corporations and individuals to the export control list and the prohibition of sales to certain foreign entities both stem from the desire to protect what the U.S. views as proprietary technology and maintain leadership in areas important to national security. That many of its own companies have been barred from accessing technology developed in the U.S. and its allies has not been perceived positively by China.

Strained relations between the U.S. and China and greater military activity along the Taiwan Strait portend the possibility that military conflict around Taiwan may occur if circumstances do not soon reverse. Indeed, the U.S. has gathered significant naval capabilities in Northeast Asia, with more than half its 114 ships deployed around the world assigned to the Seventh Fleet, which is based in Yokosuka, Japan and tasked to monitor potential conflict in the Taiwan Strait, the Korean peninsula, and elsewhere. U.S.-allied forces are also situated in Australia, Korea, and other countries in the region.

We have developed two scenarios using our global macroeconomic model to analyze the potential economic impacts of a conflict between China and Taiwan. Of course, there are many possible scenarios, and the scenarios considered in our analysis should be seen as benchmarks that guide our thinking in terms of assessing baseline and tail risks for the economy, rather than as specific predictions.

Both scenarios have low probabilities of occurring. Despite recent developments, the likelihood of a large-scale military conflict soon is low. As China President Xi Jinping noted in his opening address to the October 2022 Chinese Communist Party conference, "We will continue to strive for peaceful reunification with the greatest sincerity and utmost effort, but we will never promise to renounce the use of force." And neither Taiwan nor the U.S. will want to disturb the peace. There have been discussions over the proposed Taiwan

Policy Act and expansion of cooperation between the U.S. and Taiwan along key dimensions viewed as being important for fostering supply-chain and economic resilience. But the key tenets of the One China Policy are still in place and still represent the status quo for foreign relations along the Taiwan Strait.

However, continued military activity along the Taiwan Strait from both sides at the very least increases the likelihood of inadvertent escalation. Should such escalation occur, tensions would rise further, and with that the possibility of outright military conflict. In the discussion that follows, we describe the assumptions in our baseline scenario for Taiwan, China, and the broader global economy, followed by the assumptions underpinning the two alternative scenarios and their global economic impacts.

Baseline

Our baseline (most likely) scenario assumes the status quo regarding relations among the U.S., China and Taiwan. Taiwan remains a center of innovation and production of semiconductors, electronics, and other high-value products and maintains its close trade linkages with Mainland China, the U.S., Europe, and other Asia-Pacific economies. However, trade patterns and investment will shift. Global supply-chain disruptions related to the pandemic have incited global manufacturers to reduce their concentration risk by spreading their supply chains across alternative locations. And while there will be continued disagreements across the Taiwan Strait, they are assumed to be resolved through peaceful negotiation.

Near-term economic growth in both Taiwan and Mainland China accelerates through mid-decade. Taiwan's growth is closely tied to the semiconductor demand cycle, which is currently at a low point as global consumer demand has shifted from goods to services with the reopening of economies around the world following the pandemic. But demand for electronics and other high-value technology products will accelerate in the second half of this year. China's economy is rebounding; it has ended its zero-COVID policy and opened its borders to travel and international trade.

The Asia-Pacific region is expected to outpace the global economy because of China's recovery and healthy domestic demand throughout the region. But the region's growth will remain below potential this year and into 2024 because of the weak pace of global trade. Further, the APAC economy outside of China will be held back by the shape of China's near-term growth, which is based primarily on improving consumer spending. Within China, domestic travel and consumer spending are improving quickly, yet spending per capita remains well below pre-pandemic levels, indicating soft consumer confidence. Moreover, there is little multiplier effect between China's domestic consumer spending and the economies of the rest of Asia.

China's economy is linked to the rest of the region via construction, manufacturing and international travel, none of which is vibrant at the moment. Construction creates demand for basic commodities and manufactured goods produced in the APAC region. But residential construction in China remains soft because of the unresolved debt problems of property developers and modest demand for new units. Nonresidential construction also is limited for the moment by local governments' weak financial conditions that hold back infrastructure construction. Manufacturing is stymied at the moment by weak global demand for durable goods. Leisure travel from China to the rest of the region, and its accompanying demand for luxury goods and services, is held back by high travel costs due to limited capacity of air carriers in and out of China. All of this is expected to improve next year, leading to a stronger pace of growth across the region in 2024 and 2025.

In the U.S., the labor market will soften because of the impact of tighter monetary policy. As job growth slows, wage gains will be dampened, leading to softer demand for domestic and imported goods. A tightening of financial markets due to the banking crisis will lead to less investment spending as well, adding further friction to the near-term outlook to the U.S. economy and thus the global economy via weaker trade and investment.

The European economies will expand at a slow pace as they also adjust to the cycle of monetary policy tightening, which will likely last longer than that of the U.S. Federal Reserve. High food inflation continues to keep overall inflation higher in Europe than in the U.S. Nevertheless, Europe has emerged from the winter months with adequate energy supplies that allowed the region to largely skirt recession as it replaced sanctioned Russian oil and gas with supplies from the U.S. and elsewhere.

Latin America and other emerging markets also face still-high food prices, which have a higher impact on consumer spending patterns because of the higher share of food in the overall consumption basket in emerging markets. Compounding this are easing commodity prices that weaken the value of exports and limit employment and income gains. Latin America and other emerging market economies will be among the weakest-performing economies over the coming year.

Most central banks will reach their terminal interest rates sometime this year, and then hold at their terminal rates into early 2024. Softer economic growth, stable energy and other commodity prices, and a normalization of supply chains allow global inflation to moderate through this year and into next until central bank target rates are attained. The normalization of monetary policy through 2024 and into 2025 allows global growth to accelerate back toward its potential rate of growth.

No Military Intervention scenario

This scenario assumes that China ramps up its use of gray zone warfare following heightened discord between China and the U.S. on the status of Taiwan and on the heels of recent legislation passed by both China and Taiwan that elevates potential responses to cross-strait incursions.² We assume that China acts by sending more dredging boats on waters close to the Matsu, Kinmen and Pratas islands along the periphery. These sand dredgers and sand-transporting boats tie up the Taiwan Coast Guard and the increasing volume of boats wears down Taiwan's defensive capabilities. As more boats are sent toward Taiwan, the People's Liberation Army also sends more warplanes across the median line, stepping up pressure on Taiwan to protect key territories and spreading its resources thin. China also jams key networks and communication lines and engages in cyberwarfare that disrupts Taiwanese defensive capabilities.

By late this year, China successfully creates a screen around Taiwan, restricting movement into and out of the island. There is fighting and resistance, particularly in the islands along the periphery, similar to previous Taiwan Strait crises. But in contrast to previous military operations, China attacks the main island and uses a variety of paramilitary and military measures that weaken its defenses and eventually establishes control over key installations on the island.

² In December 2020, Taiwan's parliament passed laws increasing the penalties for illegal sand dredging so that violators could be punished by up to seven years in prison and fined up to \$3.5 million. In response, China passed legislation in January 2021 expressly allowing its coast guard to fire on foreign vessels. Taiwan's national budget in 2023 featured a 14% increase in defense spending, and in March, the U.S. approved the potential arms sale of \$619 million to Taiwan, including missiles for its F-16 fleet. China could respond to these policies with countermeasures of its own, thereby ramping up gray zone warfare strategies.

The U.S. and other nations do not intervene militarily in the conflict, but instead impose sanctions on Chinese individuals, corporations and financial institutions. The sanctions are targeted and limited to sectors that are critical to national security. We do not assume that either China or Taiwan is cut off from the rest of the world, since they are too important for the world to decouple from completely. China is the world's largest importer of many energy, commodity and metal products and is the world's largest exporter of many intermediate and final goods. Taiwan is integral to many industries, being particularly important for the semiconductor, electronic and machinery supply chains.

The sanctions are thus targeted and extensions of policies already in place. For example, the U.S. currently is expanding its policies of restricting exports of key technologies related to national security and partnering with its allies to enhance the scope of these restrictions. These sectors are critical to ensuring that the U.S. stays ahead of the technological curve and include but are not limited to semiconductor devices, advanced manufacturing, aerospace, artificial intelligence, information technology, new materials and robotics. Similarly, China retaliates with sanctions of its own and makes similar strategic decisions to partner with its allies to increase the effectiveness of those sanctions. In the implementation of these sanctions, both countries make great efforts to strengthen enforcement by not only controlling emerging and foundational technologies but also by imposing strict licensing rules and engaging multilaterally to ensure that the controls are effective and foreign availability of the key products being sanctioned are strictly limited.

This scenario also assumes the U.S. does not freeze China's U.S. dollar reserves due to the potential severe consequences to the U.S. and global economy. Such a move would be destabilizing to global trade and the economy, and likely undermine the U.S. reserve currency status. In retaliation, China likely also would nationalize many of the assets of U.S. companies operating in China. This assumption differs from sanctions put into place following Russia's invasion of Ukraine, when Western nations froze much of Russia's foreign reserves. Russia is a relatively small economy and a minor participant in global trade, particularly compared with China. Freezing Russian assets has not had a meaningful impact on the U.S. and global economies.

The conflict is prolonged, and there is significant uncertainty over how it will be resolved. As in the Russia-Ukraine war, the U.S. and its allies do not intervene directly but supply Taiwan with defensive equipment and intelligence that leads to a war of attrition, which weighs on the global economy. In the second half of the decade, there is deglobalization and decoupling away from the crisis-zone countries, which cause inflation to go above baseline. A decade after the initiation of the conflict, the supply-chain reorganization it prompts comes to an end, and inflation reverts to the baseline trend.

APAC impact

In this scenario, trade in the Asia-Pacific region, particularly between China and Taiwan, sharply declines. Stock prices in China, Hong Kong and Taiwan fall, putting downward pressure on stock prices in neighboring emerging economies. Both the Taiwan and Chinese currencies depreciate significantly versus the U.S. dollar in a flight to quality. Diversion of trade away from the Taiwan Strait is incomplete and while not engaging directly, the U.S. and its allies come to an agreement with China and Taiwan to allow key exports such as semiconductor chips safe passage. This ensures that while there is disruption to global supply chains, they are limited in scope and largely contained to China, Taiwan, and the surrounding area. Foreign direct investment into China and Taiwan significantly declines because of uncertainties associated with the military conflict.

Given that trade is the primary mechanism by which the conflict affects countries around the world, the GDP impact depends on how open economies are to global trade and investment. Countries that are more open are affected more and suffer a more significant drop in output as a result of the conflict. This reflects demand and supply factors that constrain both the magnitude and composition of exports and imports. Within the Asia-Pacific region, the countries that are hardest-hit outside of the Greater China region are Singapore, Vietnam, Malaysia and Thailand. This reflects not only the strong connections these countries have with China and Taiwan but also their greater reliance on global trade, which declines meaningfully at the outset.

By contrast, India, Indonesia and Australia are least affected, owing to their largely domestically driven economies. Commodity-exporting countries are hit hard because of less demand from China, and goods-importing countries are likewise affected by supply-chain disruptions that arise both from the direct conflict and the sanctions imposed by both sides. The impacts on Japan and Korea are mixed—while these economies are not the most open compared with the rest of the region, they are well integrated with Greater China supply chains for key sectors and are thus disproportionately affected in those sectors.

Developed world impact

In the U.S. there is an initial loss of business and consumer confidence due to the fear of a broadening conflict. The U.S. government's strategically ambiguous position on the conflict weighs on businesses, particularly companies with significant exposure to the Greater China region. Worried about the fallout from further escalation, consumers cut back on spending. As consumer spending and business investment falter, equity markets decline sharply. The main positive countervailing force for consumers is the stronger U.S. dollar, as global investors flock to safe-haven currencies, but the small share of imports implies that this force has limited impact. The abrupt economic slowdown initially slows the pace of price inflation nearly to zero. Ultimately, however, supply-chain problems worsen as the conflict continues, causing shortages of production inputs that weaken manufacturing and ultimately cause a reacceleration of inflation. The economy drops into recession; real GDP declines nearly 4.8% from the third quarter of 2023 to its trough in the third quarter of 2024. This is a smaller decline than the global aggregate given that the U.S. is largely a domestically driven economy. The recession in this scenario is shallower compared with the Military Intervention scenario but lasts longer.

Because of prolonged uncertainty, the rate of recovery is slower in this case. The U.S. unemployment rate climbs to a peak of 6.5% in the first quarter of 2026, a 2.4-percentage point increase relative to its level in the third quarter of 2023. This reflects the effects of both a global slowdown and retaliatory sanctions imposed by China, which hurt U.S. manufacturing workers. During that time, the stock market falls 13%. Rising unemployment and supply-chain issues cause unit auto sales to drop back to about 14 million units annualized in late 2024 compared with around 18 million in the baseline at that time. On the positive side, lower oil prices due to lower global demand prevent the auto sector from tanking further.

As the economy falls into recession, the Federal Reserve quickly pivots and lowers the federal funds rate. It decides to put greater weight on the decline in demand than on the threat of inflation arising from the supply-chain disruptions engendered by the conflict. The Fed starts raising rates only in the first quarter of 2028, once the uncertainty surrounding the conflict has passed. The 10-year Treasury yield declines because of the flight to quality amid the decline in the stock market and the contracting economy. The rising unemployment rate causes house prices to drop cumulatively by 8.4% from the third quarter of

2023 to its trough in the first quarter of 2026. Commercial real estate prices suffer a similar drop before recovering gradually.

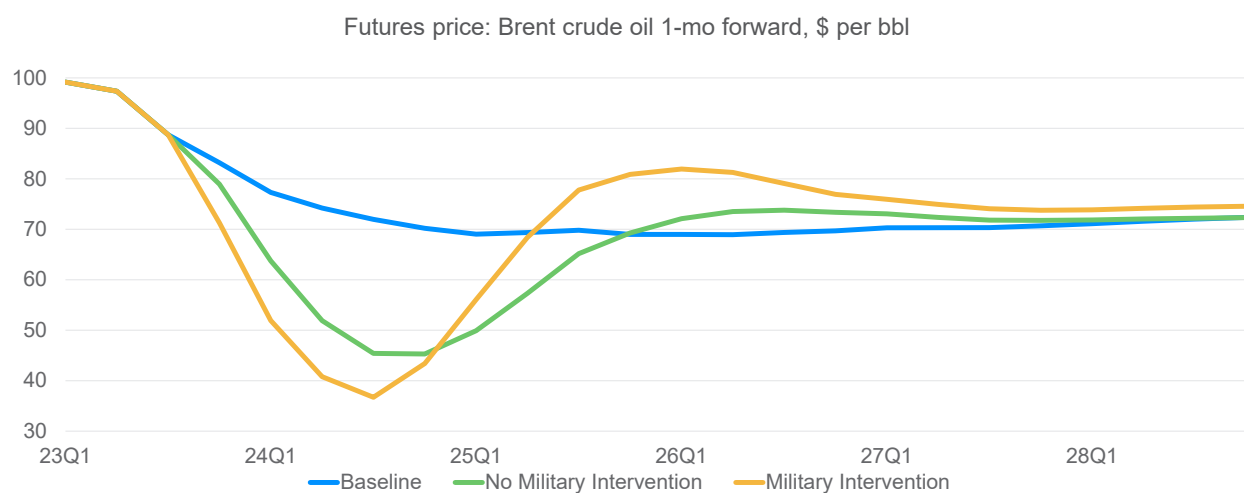
The euro zone economy is affected similarly to the U.S. with supply-chain disruptions and reduced demand causing the region to fall into a prolonged recession. However, being more open than the U.S. implies key products that Europe produces, such as factory machinery, would be disproportionately affected by the conflict because of the ensuing collapse in investment demand. The collapse in GDP causes the unemployment rate to spike, but it remains far off historical maxima. Inflation immediately heads lower, thanks to the demand-driven drop in global energy prices, before rising because of supply-chain disruptions that come about from deglobalization in the medium run.

With near-term inflation dropping rapidly, the European Central Bank abandons its tightening campaign and rapidly reverses course, taking interest rates back to zero. Long-term interest rates also go lower, but do not come close to the historical lows from the previous decade. Government bond spreads jump on nervousness in financial markets and a worsening fiscal outlook but remain contained and quickly reverse course. Similarly, money markets show limited strain. The euro depreciates vis-à-vis the U.S. dollar, but this is more about dollar strength driven by uncertainty and, to a lesser degree, the changed outlook for interest rates.

Emerging world impact

In contrast to the Russian war in Ukraine, oil and commodity prices fall as the hit to demand from the world's biggest oil and gas importer puts significant downward pressure on oil and gas prices (see Chart 1). Countries in the Middle East-North Africa region that are heavily reliant on hydrocarbon exports, such as Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE are hit hard by the global recession. The combination of low production and low prices puts a dent in hydrocarbon revenues, limiting governments' ability to help the economy.

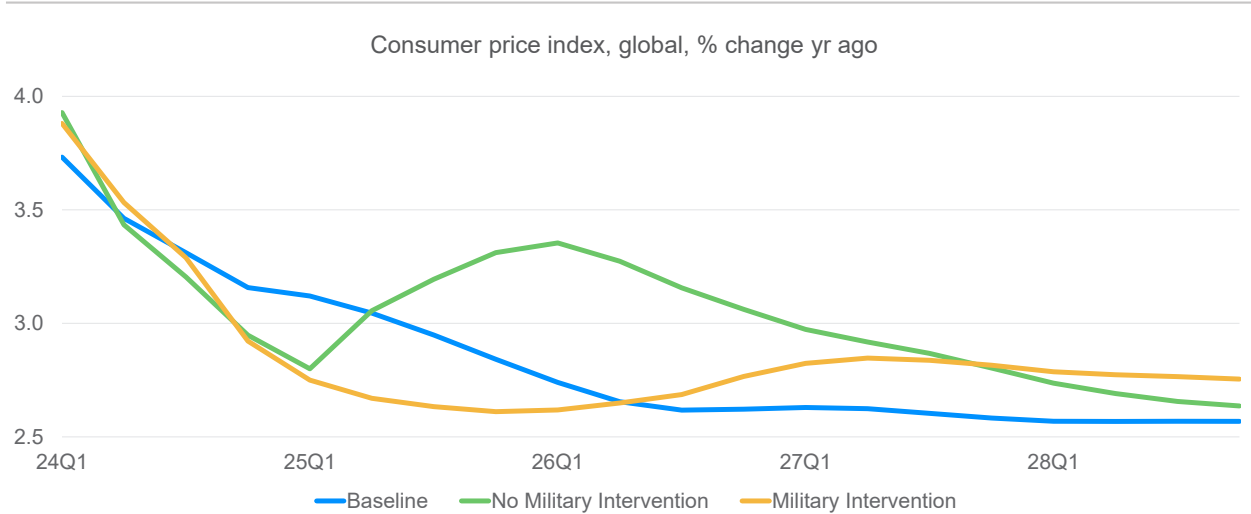
Chart 1: Oil Prices Tank During the Conflict Due to Depressed Demand



Source: Moody's Analytics

Given China's preeminent position as the leading importer of many other metals and commodities, the prices of those commodities also fall significantly during the conflict. Lower oil and commodity prices cause producer and consumer prices around the world to fall below baseline during the first two years of the conflict in 2024 and 2025, when uncertainty is at its peak (see Chart 2).

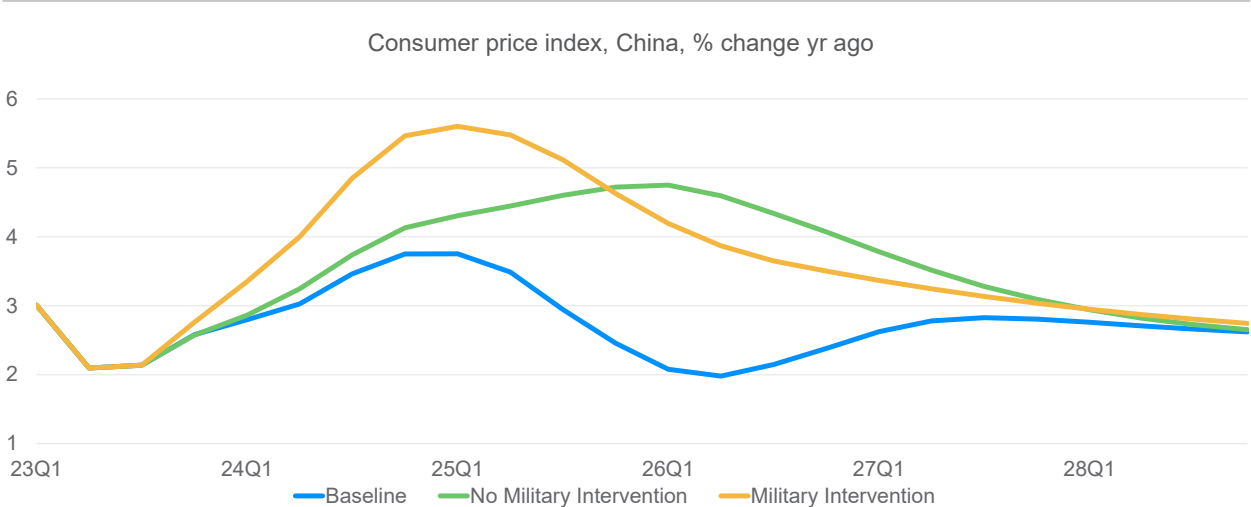
Chart 2: Global Inflation Falls Initially Before Rising in the Medium Run



Source: Moody's Analytics

The major exception to this disinflation is China, where the upward pressure from supply-chain disruptions and sanctions outweighs the downward pressure from reduced demand (see Chart 3). Countries less exposed to imported inflation from energy and commodity imports also do not suffer from disinflation, and emerging market economies such as Brazil and Mexico suffer from higher inflation at the outset due to capital outflows that cause a depreciation in the local currency and raise prices.

Chart 3: Chinese Inflation Spikes Due to Sanctions and Supply-Chain Disruptions



Source: Moody's Analytics

In developing countries such as Egypt, Lebanon and Turkey that exhibit higher inflation due to capital outflows and subsequent depreciation of the local currency, central banks increase policy rates to stabilize currencies and financial markets. Foreign exchange depreciation and high inflation reverse after a few quarters given the economy's contraction. Policymakers eventually lower interest rates after inflation normalizes and the recession takes precedence, using monetary policy as an instrument to support the economy's recovery.

Military Intervention scenario

In the Military Intervention scenario, China encroaches on Taiwan by increasingly sending more boats and aircraft across the Taiwan Strait and ramping up its cyberwarfare efforts. However, the U.S. and its allies do more than build up defensive forces in the APAC region and provide military support and intelligence to Taiwan. They also mount an immediate counteroffensive in the fourth quarter of 2023 to thwart Chinese efforts to control the island and to ensure the integrity of Taiwan's economic and financial system as well as safeguard its industrial production capacity.

The swift and united response by the U.S. and its allies catches China off guard and quickly puts it on the defensive. Conflict ensues through 2024 as combined Taiwan and allied forces put up stiff resistance, even in the face of Chinese pressure on both the skies and the seas. Sanctions are imposed by both sides but largely apply to sectors that are crucial to national defense and economic security. Note that this is more severe than the No Military Intervention scenario, where sanctions applied only to sectors critical to national security. Sectors important for economic security include but are not limited to banking, finance, chemicals, plastics, raw materials, energy and commodities.

As in the previous scenario, China's foreign assets are not frozen; this is in an effort to maintain trade patterns outside of sectors related to defense and security. As part of the financial sanctions imposed by the U.S. and its allies, Chinese corporates and financial institutions are barred from using the international payments system SWIFT, and some Western firms pull out of China, but commercial ties between China and the West remain. Given its power as a key driver of both global supply and demand China is too important for the West to cut off completely. Companies all around the world are forced to pivot out of China and build out medium-term strategies in the decade ending in 2030 that allow them to diversify away from their reliance on the Greater China region.

APAC impact

Trade in the Asia-Pacific region, particularly between China and Taiwan, declines because of the screen created around Taiwan and the surrounding area. Stock prices in China, Hong Kong and Taiwan fall significantly, putting downward pressure on stock prices in neighboring emerging economies. Both the Taiwan and Chinese currencies depreciate significantly versus the U.S. dollar in a flight to quality, more than in the No Military Intervention scenario. Diversion of trade away from the Taiwan Strait is incomplete and the U.S. and its allies come to an agreement with China and Taiwan to allow key exports such as semiconductor chips safe passage. This ensures that while there is disruption to global supply chains, it is limited in scope and largely contained to China, Taiwan, and the surrounding area. FDI into China and Taiwan declines significantly because of uncertainties associated with the military conflict, even more than in the first scenario.

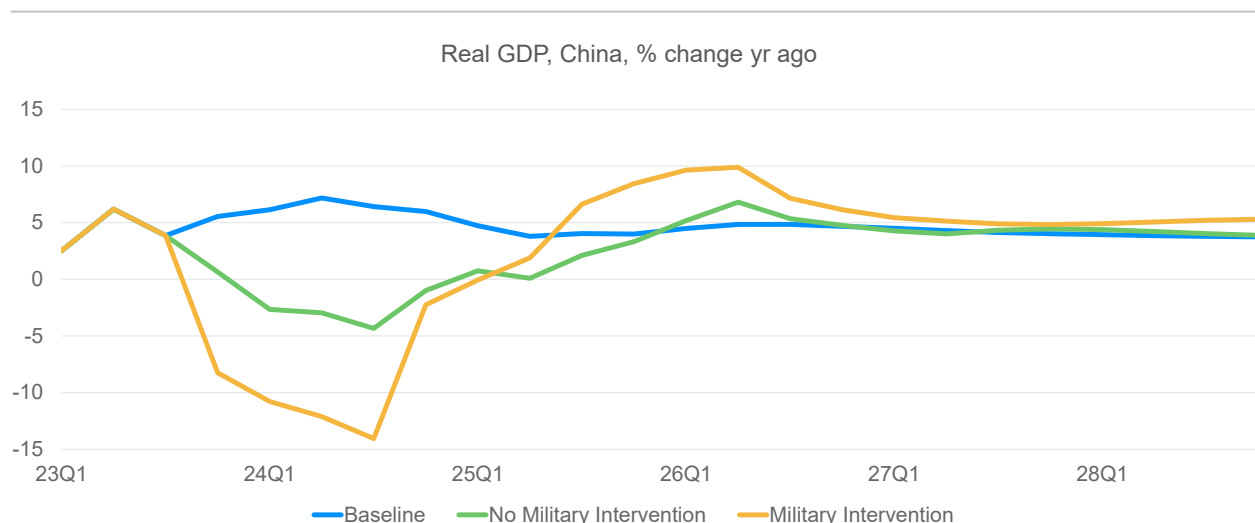
The conflict weighs on the global economy, particularly for China and to a certain degree Hong Kong and Taiwan. In contrast to the Greater China region, where the conflict has longer-lasting effects, the impact on the rest of the world is brief but severe. Economic deterrence plays a significant role in shortening the

duration of the conflict, as the exorbitant costs of an extended conflict incentivize the Chinese government to rethink its strategy of going against the U.S. and its allies directly.

At the height of the conflict, Chinese GDP declines because of falls in both real and financial activity. Households react by ramping up saving in the short run. Despite higher inflation the central bank eases borrowing costs to support the economy, aided by price controls to keep inflation pressures lower than they would be otherwise. Government spending also increases significantly to prop the economy, though doing so pushes the government balance sharply negative and increases debt. And although the direct military conflict lasts less than a year in this scenario, China is left changed because of the policy decisions undertaken by the U.S. and its allies both during and after the conflict and the lasting impression it leaves with the Western international investor community. That community pivots away from China given the revised risk outlook. This weighs on growth expectations, and the lower investment and saving hamper China's long-run growth.

Compared with the baseline scenario, Chinese real GDP in this scenario declines nearly 20% from the third quarter of 2023 to its trough in third quarter of 2024. This is significantly more than the 13% decline relative to the baseline that China experiences in the No Military Intervention scenario, reflecting the more expansive sanctions imposed by both sides and the greater degree of supply-side disruption and demand destruction caused by the military conflict (see Chart 4).

Chart 4: Deep Declines in Chinese Growth



During the actual conflict most countries suffer similarly larger declines in GDP in this scenario compared with the No Military Intervention scenario, but China differs from other countries in that it also suffers in the long run. Decades from now, Chinese GDP is still almost 10% below what is expected in the baseline. The difference in the long-run impact reflects the deglobalization that takes place given the more serious nature of the military conflict in this scenario and the fact that corporations originating from the U.S. and its partners move away from China. The decoupling is manifested most clearly in business investment, which falls by more than 30% in this scenario at its nadir compared with 16% in the No Military Intervention

scenario. The Chinese yuan depreciates 34% at the peak of the conflict in this scenario, compared with 23% under No Military Intervention.

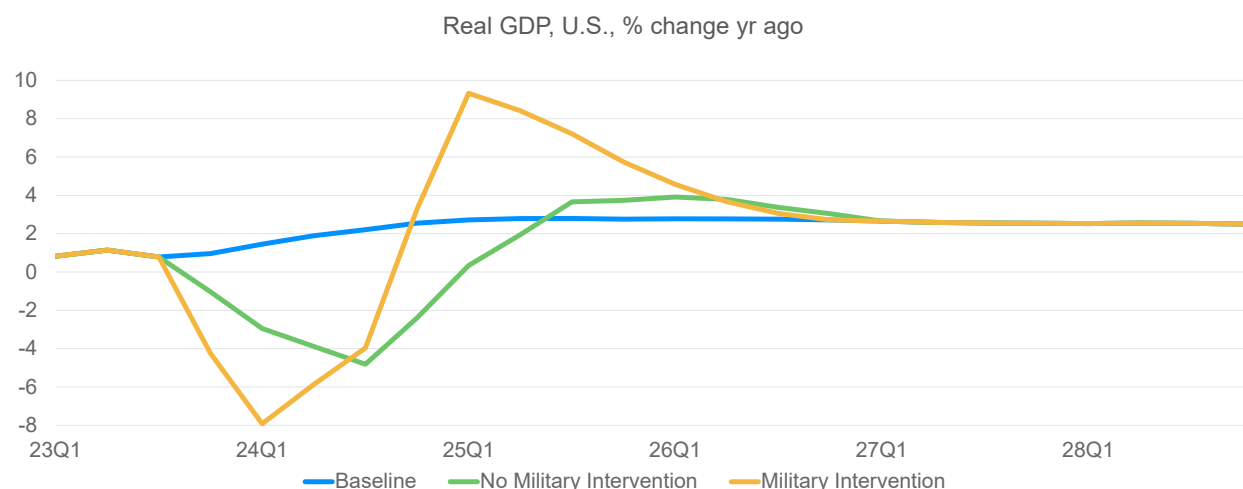
Although this scenario also causes short-term problems for Taiwan, the support of the U.S. and its allies helps Taiwan in the longer run. Demand destruction occurs and industrial production is temporarily disrupted, but the corridor created by the U.S. and its allies prevents Taiwan from being blockaded from the rest of the world. Moreover, the short duration of the conflict and the protection of the U.S. and its allies serves to minimize the destruction of production facilities that are critical to mitigating the long-term impact of the conflict on the Taiwan economy. Taiwan suffers a significant near-term drop in GDP and depreciation of the NT dollar, but the economy and financial markets bounce back upon resolution of the military conflict. Furthermore, Western companies do not leave Taiwan, allowing it to continue its growth trajectory after the risk of further confrontation abates.

In contrast to China, long-run Taiwan real GDP declines more in the No Military Intervention scenario (6.4%) than in the Military Intervention scenario (5.4%). This reflects the additional support that Taiwan receives in the Military Intervention scenario and is aligned with impact on the U.S. and its allies.

Developed world impact

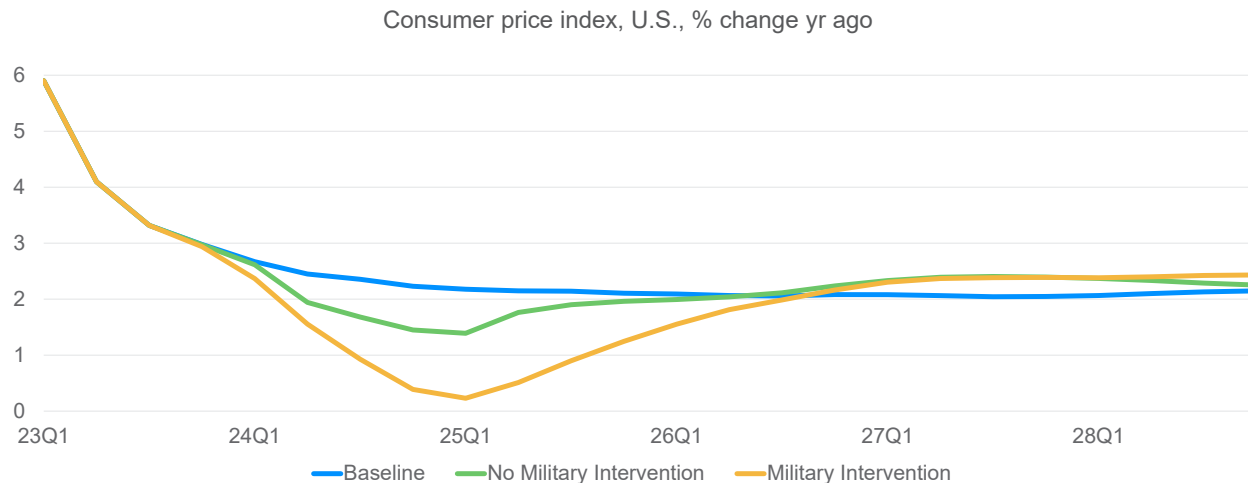
As in the No Military Intervention scenario, the U.S. economy suffers as supply-chain disruptions weaken manufacturing, consumer and business confidence slump, and there is a selloff in financial markets. Companies with significant exposure to the Greater China region are hit particularly hard, and many suspend operations in China. Worried about the fallout from retaliatory sanctions and further escalation, consumers cut back sharply on spending. The economy drops into a deep recession with real GDP declining nearly 10% by early 2024 (see Chart 5). The U.S. unemployment rate climbs to a peak of more than 9% in mid-2025. This reflects the effects of both the global slowdown and retaliatory sanctions imposed by China, which hurt not only manufacturing but also key service and agricultural sectors. A rising unemployment rate and falling oil prices significantly reduce inflationary pressures (see Chart 6).

Chart 5: U.S. Recovers Quickly After a Sharp Recession



Source: Moody's Analytics

Chart 6: U.S. Inflation Falls Initially Before Rising in the Medium Run



Source: Moody's Analytics

Asset prices drop sharply in this scenario. The negative supply and demand shocks resulting from the conflict, along with the uncertainty associated with it, cause stock prices to sink. Stock prices fall 28% by the time they bottom early in 2024, and they do not fully recover until late 2026. House prices and commercial real estate prices also experience large declines. House prices fall sharply through mid-2025, down almost 20%. Commercial real estate prices experience a large 12% decline at their trough.

Rest of world impact

For the rest of the world, the conflict causes a sharp recession at the outset but a strong rebound afterward. The dynamics described for the No Military Intervention scenario still apply, with oil-producing countries hit hard by lower oil prices, and countries with inflationary dynamics dented by capital outflows that cause significant depreciation of the local currency. The overall impact is more severe but shorter in duration. Compared with the baseline, global real GDP declines 10% in this scenario compared with 8% in the No Military Intervention scenario from 2023-2025. Thirty years from now, however, GDP is 4.4% lower in this scenario compared with 5.7% in the No Military Intervention scenario.

Conclusions

A conflict across the Taiwan Strait as envisaged in the two scenarios considered here is unlikely. We put the subjective odds at no more than 10%. The reason is that the economic and geopolitical fallout of such a confrontation to China, Taiwan, the U.S., and the rest of the world is simply too significant. The global economic benefits from increasing global trade and investment resulting from China's entry into the World Trade Organization more than 20 years ago have been enormous. A direct confrontation over Taiwan would undermine this economic progress.

China also appears to be taking a long-term perspective in its goal to unify Taiwan with the mainland. To be sure, the Chinese will continue to object strongly to any steps by Taiwan and the U.S. that may thwart that goal, but China will ultimately wait things out and not force unification through military intervention.

Having said this, economic tensions between China and the U.S. have long been mounting and have broadened from worries about fair trade to concerns about cybersecurity, access to markets, and intellectual property rights. The world's two largest economies are quickly decoupling. Global supply chains are shifting away from China to other parts of Asia and back closer to the U.S. The COVID-19 pandemic and its disruption to supply chains has only hastened this shift as has recent U.S. economic policy, which is enticing semiconductor and other manufacturers to bring production back to the U.S.

As the Chinese and U.S. economies pull away from each other and become less dependent on each other, the perceived and actual costs of a military conflict may decline. This calculus means the odds that there will be such a conflict are non-zero and on the rise. Moreover, as rising tensions cause both China and the U.S. to boost military assets throughout the region, the specter of conflict occurring simply because of a mistake also grows. It is thus prudent to consider the global economic fallout of a military conflict over the fate of Taiwan.

A conflict over Taiwan would be a massive blow to the global economy, resulting in a severe global downturn with the greatest adverse impact on China, much of the Asia-Pacific region, and Europe. If a conflict were to occur in the next year or two, it would upend the efforts of global central banks to rein in inflation and avoid an economic downturn. And regardless of when the conflict occurred, long-term global growth and living standards would be significantly diminished.

Appendix 1: China-Taiwan Conflict Scenarios' Short-Term Economic Impacts

Table 1A: Short-Term Impacts on CPI

		Consumer price index, % change				
Asia		2023	2024	2025	2026	2027
China	Baseline	2.5	3.3	3.2	2.1	2.8
	No Military Intervention	2.5	3.5	4.5	4.4	3.4
	<i>Diff from baseline, ppt</i>	0.0	0.2	1.4	2.3	0.7
	Military Intervention	2.5	4.4	5.2	3.8	3.2
	<i>Diff from baseline, ppt</i>	0.0	1.2	2.0	1.7	0.4
Hong Kong	Baseline	2.7	1.4	1.7	2.1	2.6
	No Military Intervention	2.8	2.8	3.7	3.6	3.1
	<i>Diff from baseline, ppt</i>	0.1	1.3	2.0	1.4	0.5
	Military Intervention	2.8	4.0	4.7	3.3	3.0
	<i>Diff from baseline, ppt</i>	0.1	2.5	3.0	1.2	0.4
India	Baseline	4.0	4.6	3.8	3.5	3.5
	No Military Intervention	4.0	4.1	3.4	3.5	3.9
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	4.0	3.6	2.4	3.3	3.9
	<i>Diff from baseline, ppt</i>	0.0	-1.1	-1.5	-0.2	0.3
Indonesia	Baseline	3.7	4.0	3.2	3.8	4.0
	No Military Intervention	3.6	4.1	4.9	5.6	4.0
	<i>Diff from baseline, ppt</i>	-0.1	0.1	1.8	1.8	0.1
	Military Intervention	3.5	5.0	6.4	4.0	4.0
	<i>Diff from baseline, ppt</i>	-0.3	1.0	3.2	0.2	0.0
Japan	Baseline	1.7	0.1	0.1	0.3	0.5
	No Military Intervention	1.6	0.2	1.8	2.1	0.6
	<i>Diff from baseline, ppt</i>	-0.1	0.1	1.7	1.7	0.1
	Military Intervention	1.4	1.0	3.3	0.5	0.5
	<i>Diff from baseline, ppt</i>	-0.3	0.9	3.1	0.2	0.0
Malaysia	Baseline	2.3	1.9	2.0	2.0	2.0
	No Military Intervention	2.1	0.5	2.4	4.1	2.1
	<i>Diff from baseline, ppt</i>	-0.2	-1.5	0.4	2.1	0.1
	Military Intervention	2.0	1.3	4.4	2.2	2.0
	<i>Diff from baseline, ppt</i>	-0.3	-0.7	2.4	0.2	0.0
Philippines	Baseline	5.4	3.1	2.9	3.3	3.5
	No Military Intervention	5.3	3.5	5.2	5.2	3.5
	<i>Diff from baseline, ppt</i>	-0.1	0.4	2.3	1.8	0.1
	Military Intervention	5.1	4.7	7.1	3.5	3.5
	<i>Diff from baseline, ppt</i>	-0.3	1.6	4.3	0.2	0.0
Singapore	Baseline	5.4	3.3	1.6	1.5	1.5
	No Military Intervention	5.3	2.8	4.6	3.7	1.5
	<i>Diff from baseline, ppt</i>	-0.1	-0.5	3.0	2.2	0.1
	Military Intervention	5.2	3.6	6.1	2.2	1.5
	<i>Diff from baseline, ppt</i>	-0.3	0.3	4.5	0.7	0.0
South Korea	Baseline	3.0	2.1	2.0	2.0	2.0
	No Military Intervention	2.8	1.6	4.5	4.3	2.1
	<i>Diff from baseline, ppt</i>	-0.2	-0.5	2.5	2.3	0.1
	Military Intervention	2.7	2.4	6.5	2.7	2.0
	<i>Diff from baseline, ppt</i>	-0.3	0.3	4.5	0.7	0.0
Taiwan	Baseline	2.3	1.7	1.5	1.3	1.2
	No Military Intervention	2.3	1.2	1.1	1.3	1.5
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	2.2	0.6	0.0	1.1	1.5
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3

Table 1A: Short-Term Impacts on CPI (Cont.)

		Consumer price index, % change				
		2023	2024	2025	2026	2027
Thailand	Baseline	2.8	0.6	0.4	1.4	1.8
	No Military Intervention	2.6	0.4	3.6	4.3	1.9
	<i>Diff from baseline, ppt</i>	-0.2	-0.2	3.2	2.9	0.1
	Military Intervention	2.5	1.4	6.1	2.4	1.9
	<i>Diff from baseline, ppt</i>	-0.3	0.8	5.6	1.0	0.1
Vietnam	Baseline	2.8	1.8	2.0	3.0	4.3
	No Military Intervention	2.6	1.6	5.2	5.9	4.5
	<i>Diff from baseline, ppt</i>	-0.2	-0.2	3.3	2.9	0.1
	Military Intervention	2.5	2.6	7.7	4.0	4.4
	<i>Diff from baseline, ppt</i>	-0.3	0.8	5.7	1.0	0.1
Americas						
Brazil	Baseline	4.1	4.3	4.1	4.1	4.0
	No Military Intervention	4.2	3.8	3.7	4.1	4.3
	<i>Diff from baseline, ppt</i>	0.1	-0.5	-0.4	0.0	0.3
	Military Intervention	4.4	3.7	2.6	3.9	4.3
	<i>Diff from baseline, ppt</i>	0.3	-0.5	-1.5	-0.2	0.3
Canada	Baseline	4.6	2.4	1.9	2.1	2.2
	No Military Intervention	4.6	1.9	1.5	2.0	2.2
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	-0.1	0.0
	Military Intervention	4.6	1.4	0.5	1.9	2.5
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3
Mexico	Baseline	5.9	3.8	3.3	2.9	2.7
	No Military Intervention	5.9	4.3	2.9	2.9	3.0
	<i>Diff from baseline, ppt</i>	0.1	0.4	-0.4	0.0	0.3
	Military Intervention	6.0	4.5	1.8	2.7	3.0
	<i>Diff from baseline, ppt</i>	0.1	0.7	-1.5	-0.2	0.3
U.S.	Baseline	4.1	2.4	2.1	2.1	2.1
	No Military Intervention	4.1	1.9	1.8	2.1	2.4
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	4.0	1.3	0.7	1.9	2.4
	<i>Diff from baseline, ppt</i>	0.0	-1.1	-1.4	-0.2	0.3
Europe						
France	Baseline	3.8	1.5	2.1	2.3	2.2
	No Military Intervention	3.8	1.0	1.8	2.3	2.6
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	3.8	0.5	0.7	2.1	2.5
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3
Germany	Baseline	6.8	2.9	1.8	1.8	1.9
	No Military Intervention	6.8	2.5	1.4	1.8	2.2
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	6.8	1.9	0.3	1.6	2.2
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3
Hungary	Baseline	9.1	3.2	3.4	3.3	3.2
	No Military Intervention	9.1	2.7	3.0	3.3	3.5
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	9.1	2.2	1.9	3.1	3.5
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.5	-0.2	0.3
Italy	Baseline	8.1	1.3	1.3	1.7	1.8
	No Military Intervention	8.1	0.8	1.0	1.7	2.1
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	8.1	0.3	-0.1	1.5	2.1
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3

Table 1A: Short-Term Impacts on CPI (Cont.)

		Consumer price index, % change				
		2023	2024	2025	2026	2027
Poland	Baseline	14.3	4.7	2.4	1.8	1.4
	No Military Intervention	14.2	4.2	2.0	1.9	1.7
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	14.2	3.7	1.0	1.6	1.7
	<i>Diff from baseline, ppt</i>	0.0	-1.1	-1.5	-0.2	0.3
Spain	Baseline	4.3	2.8	2.1	2.0	1.9
	No Military Intervention	4.3	2.4	1.8	2.0	2.3
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.4	0.0	0.3
	Military Intervention	4.3	1.8	0.7	1.8	2.2
	<i>Diff from baseline, ppt</i>	0.0	-1.0	-1.4	-0.2	0.3
Turkey	Baseline	24.1	15.0	14.8	12.1	10.0
	No Military Intervention	24.7	20.7	13.1	11.8	10.0
	<i>Diff from baseline, ppt</i>	0.6	5.7	-1.6	-0.4	0.0
	Military Intervention	24.9	21.6	12.4	11.7	10.0
	<i>Diff from baseline, ppt</i>	0.8	6.6	-2.3	-0.4	0.0
U.K.	Baseline	7.2	3.2	2.1	2.0	2.0
	No Military Intervention	7.1	2.4	1.6	1.9	1.9
	<i>Diff from baseline, ppt</i>	-0.1	-0.9	-0.5	-0.1	-0.1
	Military Intervention	7.1	1.7	1.3	1.8	1.9
	<i>Diff from baseline, ppt</i>	-0.2	-1.5	-0.8	-0.2	-0.1
Middle East and Africa						
Egypt	Baseline	14.4	8.4	7.4	7.4	7.5
	No Military Intervention	14.5	9.0	7.0	7.4	7.9
	<i>Diff from baseline, ppt</i>	0.1	0.6	-0.4	0.0	0.4
	Military Intervention	15.1	10.0	5.9	7.2	7.8
	<i>Diff from baseline, ppt</i>	0.7	1.6	-1.5	-0.2	0.3
Lebanon	Baseline	40.5	17.1	11.6	5.8	2.8
	No Military Intervention	40.5	17.7	12.0	5.8	2.5
	<i>Diff from baseline, ppt</i>	0.0	0.6	0.4	0.0	-0.3
	Military Intervention	40.6	18.3	13.2	6.0	2.6
	<i>Diff from baseline, ppt</i>	0.0	1.2	1.5	0.2	-0.3
Nigeria	Baseline	13.7	11.7	11.0	10.0	9.3
	No Military Intervention	13.9	12.8	11.0	10.0	9.3
	<i>Diff from baseline, ppt</i>	0.2	1.1	0.0	0.0	0.0
	Military Intervention	14.0	13.6	11.0	10.0	9.3
	<i>Diff from baseline, ppt</i>	0.3	1.9	0.0	0.0	0.0
Qatar	Baseline	2.1	1.0	1.7	1.7	1.4
	No Military Intervention	2.1	0.6	1.4	1.7	1.7
	<i>Diff from baseline, ppt</i>	0.0	-0.4	-0.3	0.0	0.3
	Military Intervention	2.1	0.2	0.5	1.5	1.7
	<i>Diff from baseline, ppt</i>	0.0	-0.8	-1.2	-0.2	0.2
Saudi Arabia	Baseline	2.1	2.2	2.1	2.1	2.1
	No Military Intervention	2.1	1.8	1.8	2.1	2.3
	<i>Diff from baseline, ppt</i>	0.0	-0.4	-0.3	0.0	0.3
	Military Intervention	2.1	1.3	0.9	1.9	2.3
	<i>Diff from baseline, ppt</i>	0.0	-0.8	-1.2	-0.2	0.2
South Africa	Baseline	6.2	3.8	3.8	3.6	3.7
	No Military Intervention	6.4	4.4	3.3	3.5	3.8
	<i>Diff from baseline, ppt</i>	0.2	0.6	-0.5	-0.1	0.1
	Military Intervention	6.6	5.0	2.8	3.4	3.9
	<i>Diff from baseline, ppt</i>	0.4	1.3	-1.0	-0.2	0.2
UAE	Baseline	3.2	1.8	1.6	1.6	1.8
	No Military Intervention	3.2	1.4	1.3	1.6	2.1
	<i>Diff from baseline, ppt</i>	0.0	-0.5	-0.3	0.0	0.3
	Military Intervention	3.2	0.9	0.3	1.4	2.1
	<i>Diff from baseline, ppt</i>	0.0	-0.9	-1.3	-0.2	0.3

Table 1A: Short-Term Impacts on CPI (Cont.)

		Consumer price index, % change				
		2023	2024	2025	2026	2027
World						
	Baseline	5.7	3.4	3.0	2.7	2.6
	No Military Intervention	5.7	3.4	3.1	3.2	2.9
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.1	0.6	0.3
	Military Intervention	5.7	3.4	2.7	2.7	2.8
	<i>Diff from baseline, ppt</i>	0.0	0.0	-0.3	0.0	0.2

Source: Moody's Analytics

Table 1B: Short-Term Impacts on Real GDP

		Gross domestic product, % change				
		2023	2024	2025	2026	2027
Asia						
China	Baseline	4.5	6.4	4.1	4.7	4.2
	No Military Intervention	3.3	-2.7	1.6	5.5	4.3
	<i>Diff from baseline, ppt</i>	-1.2	-9.2	-2.6	0.8	0.0
	Military Intervention	1.0	-10.0	4.2	8.2	5.1
	<i>Diff from baseline, ppt</i>	-3.5	-16.4	0.1	3.4	0.8
Hong Kong	Baseline	3.3	3.9	2.2	1.8	2.0
	No Military Intervention	2.4	-4.1	-1.3	4.2	4.1
	<i>Diff from baseline, ppt</i>	-0.9	-8.0	-3.5	2.4	2.1
	Military Intervention	0.4	-9.7	2.2	4.5	2.7
	<i>Diff from baseline, ppt</i>	-2.9	-13.6	0.0	2.8	0.7
India	Baseline	5.2	6.2	6.5	5.2	4.8
	No Military Intervention	4.8	2.3	5.2	5.7	5.1
	<i>Diff from baseline, ppt</i>	-0.4	-3.9	-1.3	0.5	0.3
	Military Intervention	4.1	2.2	7.4	5.7	5.1
	<i>Diff from baseline, ppt</i>	-1.1	-4.0	0.9	0.5	0.3
Indonesia	Baseline	4.6	4.9	5.4	5.0	4.6
	No Military Intervention	4.2	1.0	4.1	5.5	4.9
	<i>Diff from baseline, ppt</i>	-0.4	-3.8	-1.3	0.5	0.3
	Military Intervention	3.5	0.9	6.3	5.5	4.9
	<i>Diff from baseline, ppt</i>	-1.1	-4.0	0.9	0.5	0.3
Japan	Baseline	1.2	1.7	1.4	0.9	0.7
	No Military Intervention	0.3	-4.1	1.1	2.3	1.4
	<i>Diff from baseline, ppt</i>	-0.9	-5.8	-0.3	1.3	0.7
	Military Intervention	-0.6	-5.0	3.8	2.5	1.3
	<i>Diff from baseline, ppt</i>	-1.8	-6.7	2.4	1.6	0.6
Malaysia	Baseline	4.1	3.5	3.9	4.6	4.3
	No Military Intervention	3.4	-2.5	1.9	5.4	4.8
	<i>Diff from baseline, ppt</i>	-0.7	-6.0	-2.1	0.8	0.5
	Military Intervention	2.4	-2.7	5.4	5.4	4.8
	<i>Diff from baseline, ppt</i>	-1.7	-6.2	1.4	0.8	0.5
Philippines	Baseline	6.4	6.0	7.0	6.6	6.5
	No Military Intervention	5.9	1.6	5.5	7.2	6.8
	<i>Diff from baseline, ppt</i>	-0.5	-4.4	-1.5	0.6	0.4
	Military Intervention	5.1	1.4	8.1	7.2	6.8
	<i>Diff from baseline, ppt</i>	-1.3	-4.6	1.0	0.6	0.4
Singapore	Baseline	1.6	2.9	2.6	2.5	2.2
	No Military Intervention	0.9	-3.5	0.4	3.3	2.8
	<i>Diff from baseline, ppt</i>	-0.7	-6.5	-2.3	0.9	0.6
	Military Intervention	-0.2	-3.8	4.2	3.3	2.8
	<i>Diff from baseline, ppt</i>	-1.8	-6.7	1.6	0.9	0.5
South Korea	Baseline	1.8	2.3	2.2	2.0	1.7
	No Military Intervention	1.3	-1.9	0.7	2.6	2.1
	<i>Diff from baseline, ppt</i>	-0.5	-4.3	-1.5	0.6	0.4
	Military Intervention	0.6	-2.1	3.2	2.6	2.1
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4

Table 1B: Short-Term Impacts on Real GDP (Cont.d)

		Gross domestic product, % change				
		2023	2024	2025	2026	2027
Taiwan	Baseline	3.3	2.9	0.7	0.6	1.8
	No Military Intervention	2.4	-4.9	-1.7	3.1	3.5
	<i>Diff from baseline, ppt</i>	-0.9	-7.8	-2.4	2.6	1.7
	Military Intervention	1.0	-6.6	1.7	3.3	4.0
	<i>Diff from baseline, ppt</i>	-2.3	-9.5	1.0	2.7	2.2
Thailand	Baseline	3.6	4.6	3.4	1.9	2.3
	No Military Intervention	3.0	-1.4	1.4	2.7	2.8
	<i>Diff from baseline, ppt</i>	-0.7	-6.0	-2.1	0.8	0.5
	Military Intervention	1.9	-1.6	4.9	2.7	2.8
	<i>Diff from baseline, ppt</i>	-1.7	-6.2	1.4	0.8	0.5
Vietnam	Baseline	6.1	4.9	5.0	5.5	5.4
	No Military Intervention	5.4	-1.1	2.9	6.3	5.9
	<i>Diff from baseline, ppt</i>	-0.7	-6.0	-2.1	0.8	0.5
	Military Intervention	4.4	-1.3	6.5	6.3	5.9
	<i>Diff from baseline, ppt</i>	-1.8	-6.3	1.4	0.8	0.5
Americas						
Brazil	Baseline	0.6	2.6	2.9	2.9	2.9
	No Military Intervention	0.2	-1.2	1.6	3.4	3.2
	<i>Diff from baseline, ppt</i>	-0.4	-3.8	-1.3	0.5	0.3
	Military Intervention	-0.5	-1.3	3.7	3.4	3.2
	<i>Diff from baseline, ppt</i>	-1.0	-3.9	0.9	0.5	0.3
Canada	Baseline	0.4	1.6	2.1	1.9	1.9
	No Military Intervention	-0.1	-2.6	0.7	2.4	2.3
	<i>Diff from baseline, ppt</i>	-0.5	-4.3	-1.5	0.6	0.4
	Military Intervention	-0.8	-2.8	3.2	2.4	2.3
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4
Mexico	Baseline	1.0	2.4	2.2	2.8	3.2
	No Military Intervention	0.5	-1.9	0.7	3.3	3.6
	<i>Diff from baseline, ppt</i>	-0.5	-4.3	-1.5	0.6	0.4
	Military Intervention	-0.2	-2.0	3.2	3.3	3.6
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4
U.S.	Baseline	0.9	2.0	2.8	2.8	2.6
	No Military Intervention	0.4	-3.5	2.4	3.5	2.6
	<i>Diff from baseline, ppt</i>	-0.5	-5.5	-0.3	0.8	0.0
	Military Intervention	-0.4	-3.7	7.6	3.5	2.6
	<i>Diff from baseline, ppt</i>	-1.3	-5.7	4.9	0.7	0.0
Europe						
France	Baseline	0.5	2.2	2.3	2.2	1.5
	No Military Intervention	-0.1	-3.2	0.5	2.9	1.9
	<i>Diff from baseline, ppt</i>	-0.6	-5.3	-1.9	0.7	0.4
	Military Intervention	-1.0	-3.4	3.6	2.9	1.9
	<i>Diff from baseline, ppt</i>	-1.5	-5.6	1.3	0.7	0.4
Germany	Baseline	0.0	3.0	3.3	2.3	1.2
	No Military Intervention	-0.8	-4.0	1.1	4.7	2.8
	<i>Diff from baseline, ppt</i>	-0.8	-7.1	-2.2	2.4	1.5
	Military Intervention	-2.1	-5.6	4.2	4.8	3.2
	<i>Diff from baseline, ppt</i>	-2.0	-8.6	0.9	2.5	2.0
Hungary	Baseline	1.4	0.9	1.2	2.0	2.0
	No Military Intervention	0.8	-4.9	-0.8	2.8	2.5
	<i>Diff from baseline, ppt</i>	-0.7	-5.8	-2.0	0.8	0.5
	Military Intervention	-0.2	-5.1	2.6	2.8	2.5
	<i>Diff from baseline, ppt</i>	-1.7	-6.0	1.4	0.8	0.5

Table 1B: Short-Term Impacts on Real GDP (Cont.d)

		Gross domestic product, % change				
		2023	2024	2025	2026	2027
Italy	Baseline	0.1	1.9	1.7	1.7	1.6
	No Military Intervention	-0.4	-2.4	0.3	2.2	2.0
	<i>Diff from baseline, ppt</i>	-0.5	-4.3	-1.5	0.6	0.4
	Military Intervention	-1.1	-2.6	2.7	2.2	2.0
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4
Poland	Baseline	1.3	4.5	4.5	3.0	3.2
	No Military Intervention	0.6	-1.5	2.4	3.8	3.7
	<i>Diff from baseline, ppt</i>	-0.7	-6.0	-2.1	0.8	0.5
	Military Intervention	-0.4	-1.7	5.9	3.8	3.7
	<i>Diff from baseline, ppt</i>	-1.7	-6.2	1.4	0.8	0.5
Spain	Baseline	0.9	1.8	1.8	1.3	0.9
	No Military Intervention	0.5	-2.5	0.3	1.9	1.3
	<i>Diff from baseline, ppt</i>	-0.5	-4.3	-1.5	0.6	0.4
	Military Intervention	-0.3	-2.6	2.8	1.9	1.3
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4
Turkey	Baseline	2.3	2.3	3.0	3.0	3.0
	No Military Intervention	2.3	-0.6	-1.7	4.2	4.7
	<i>Diff from baseline, ppt</i>	0.0	-2.9	-4.8	1.2	1.7
	Military Intervention	1.6	-4.3	1.0	5.3	4.1
	<i>Diff from baseline, ppt</i>	-0.7	-6.6	-2.0	2.3	1.1
U.K.	Baseline	-1.2	0.8	1.3	1.2	1.3
	No Military Intervention	-1.9	-4.2	0.3	2.5	1.8
	<i>Diff from baseline, ppt</i>	-0.7	-5.0	-1.1	1.2	0.5
	Military Intervention	-3.1	-5.2	3.4	2.5	1.8
	<i>Diff from baseline, ppt</i>	-1.9	-6.0	2.0	1.2	0.5
Middle East and Africa						
Egypt	Baseline	6.0	5.3	5.0	4.9	4.8
	No Military Intervention	5.6	1.5	3.7	5.4	5.1
	<i>Diff from baseline, ppt</i>	-0.4	-3.8	-1.3	0.5	0.3
	Military Intervention	4.9	1.3	5.9	5.4	5.1
	<i>Diff from baseline, ppt</i>	-1.1	-4.0	0.9	0.5	0.3
Lebanon	Baseline	0.1	4.0	3.7	3.4	3.3
	No Military Intervention	-0.3	-0.3	2.2	4.0	3.6
	<i>Diff from baseline, ppt</i>	-0.5	-4.4	-1.5	0.6	0.4
	Military Intervention	-1.0	-0.5	4.7	4.0	3.6
	<i>Diff from baseline, ppt</i>	-1.2	-4.5	1.0	0.6	0.4
Nigeria	Baseline	1.8	2.8	4.2	4.8	4.5
	No Military Intervention	1.4	-1.0	2.9	5.3	4.8
	<i>Diff from baseline, ppt</i>	-0.4	-3.8	-1.3	0.5	0.3
	Military Intervention	0.7	-1.1	5.1	5.3	4.8
	<i>Diff from baseline, ppt</i>	-1.1	-3.9	0.9	0.5	0.3
Qatar	Baseline	3.2	2.7	3.0	2.5	2.1
	No Military Intervention	2.5	-3.7	0.7	3.4	2.7
	<i>Diff from baseline, ppt</i>	-0.7	-6.5	-2.3	0.9	0.6
	Military Intervention	1.4	-4.0	4.5	3.4	2.7
	<i>Diff from baseline, ppt</i>	-1.8	-6.7	1.6	0.9	0.5
Saudi Arabia	Baseline	4.4	2.4	2.0	2.0	2.2
	No Military Intervention	3.7	-4.0	-0.3	2.9	2.8
	<i>Diff from baseline, ppt</i>	-0.7	-6.4	-2.2	0.9	0.6
	Military Intervention	2.6	-4.3	3.5	2.9	2.8
	<i>Diff from baseline, ppt</i>	-1.9	-6.7	1.6	0.9	0.5
South Africa	Baseline	2.4	1.6	1.4	1.6	1.2
	No Military Intervention	2.0	-2.6	0.0	2.1	1.5
	<i>Diff from baseline, ppt</i>	-0.5	-4.2	-1.5	0.6	0.4
	Military Intervention	1.2	-2.8	2.4	2.1	1.6
	<i>Diff from baseline, ppt</i>	-1.2	-4.4	1.0	0.6	0.4

Table 1B: Short-Term Impacts on Real GDP (Cont.d)

		Gross domestic product, % change				
		2023	2024	2025	2026	2027
UAE	Baseline	2.4	2.1	2.8	3.1	3.2
	No Military Intervention	1.7	-4.3	0.5	4.0	3.8
	<i>Diff from baseline, ppt</i>	-0.7	-6.4	-2.3	0.9	0.6
	Military Intervention	0.6	-4.6	4.3	4.0	3.8
	<i>Diff from baseline, ppt</i>	-1.8	-6.7	1.6	0.9	0.6
World						
	Baseline	1.8	3.2	3.0	2.9	2.7
	No Military Intervention	1.1	-2.7	1.5	3.8	3.1
	<i>Diff from baseline, ppt</i>	-0.7	-5.8	-1.5	0.9	0.4
	Military Intervention	0.0	-4.3	4.6	4.3	3.2
	<i>Diff from baseline, ppt</i>	-1.7	-7.5	1.7	1.4	0.5

Source: Moody's Analytics

Table 1C: Short-Term Impacts on Stock Prices

		Stock price index, % change				
		2023	2024	2025	2026	2027
Asia						
China	Baseline	-5.7	6.6	8.2	5.7	4.2
	No Military Intervention	-8.3	-14.3	4.2	10.3	13.2
	<i>Diff from baseline, ppt</i>	-2.6	-20.8	-4.0	4.6	9.0
	Military Intervention	-12.3	-27.9	4.6	16.7	16.7
	<i>Diff from baseline, ppt</i>	-6.7	-34.5	-3.6	11.0	12.5
Hong Kong	Baseline	-9.0	16.8	12.2	5.0	2.3
	No Military Intervention	-10.7	-1.5	3.9	10.8	7.1
	<i>Diff from baseline, ppt</i>	-1.7	-18.3	-8.3	5.8	4.8
	Military Intervention	-15.6	-21.9	4.7	13.4	10.5
	<i>Diff from baseline, ppt</i>	-6.6	-38.7	-7.4	8.5	8.1
India	Baseline	2.6	6.6	3.9	1.8	1.9
	No Military Intervention	1.7	-1.2	2.2	2.5	2.2
	<i>Diff from baseline, ppt</i>	-0.9	-7.7	-1.6	0.7	0.3
	Military Intervention	0.4	-0.2	7.0	2.4	2.3
	<i>Diff from baseline, ppt</i>	-2.2	-6.8	3.2	0.5	0.5
Indonesia	Baseline	-0.3	6.2	13.6	16.8	11.5
	No Military Intervention	-1.2	-2.5	11.8	17.5	11.9
	<i>Diff from baseline, ppt</i>	-1.0	-8.7	-1.7	0.7	0.4
	Military Intervention	-2.3	-7.2	11.4	17.4	12.0
	<i>Diff from baseline, ppt</i>	-2.1	-13.4	-2.1	0.6	0.5
Japan	Baseline	4.4	3.6	3.1	2.7	1.9
	No Military Intervention	2.1	-11.8	2.9	6.6	3.3
	<i>Diff from baseline, ppt</i>	-2.2	-15.4	-0.2	3.9	1.3
	Military Intervention	-1.6	-18.5	17.9	8.4	4.6
	<i>Diff from baseline, ppt</i>	-6.0	-22.1	14.8	5.7	2.7
Malaysia	Baseline	-13.2	4.2	17.9	14.3	5.6
	No Military Intervention	-14.3	-7.9	14.9	15.5	6.1
	<i>Diff from baseline, ppt</i>	-1.1	-12.1	-2.9	1.2	0.6
	Military Intervention	-15.9	-6.4	23.6	15.3	6.3
	<i>Diff from baseline, ppt</i>	-2.7	-10.7	5.8	1.0	0.8
Philippines	Baseline	4.9	16.6	11.8	8.4	6.6
	No Military Intervention	4.3	11.6	10.7	10.1	7.4
	<i>Diff from baseline, ppt</i>	-0.6	-4.9	-1.0	1.7	0.8
	Military Intervention	3.4	12.4	13.7	9.3	7.5
	<i>Diff from baseline, ppt</i>	-1.5	-4.2	1.9	1.0	0.9

Table 1C: Short-Term Impacts on Stock Prices (Cont.)

		Stock price index, % change				
		2023	2024	2025	2026	2027
Singapore	Baseline	6.4	-10.7	8.6	29.2	3.9
	No Military Intervention	5.1	-21.9	5.4	30.7	4.5
	<i>Diff from baseline, ppt</i>	-1.3	-11.2	-3.2	1.5	0.6
	Military Intervention	3.0	-21.1	14.9	30.4	4.7
	<i>Diff from baseline, ppt</i>	-3.4	-10.4	6.3	1.2	0.8
South Korea	Baseline	-6.2	4.4	3.7	2.7	2.3
	No Military Intervention	-7.1	-4.3	1.8	3.5	2.7
	<i>Diff from baseline, ppt</i>	-0.9	-8.7	-1.9	0.8	0.4
	Military Intervention	-8.4	-3.3	7.3	3.3	2.8
	<i>Diff from baseline, ppt</i>	-2.3	-7.7	3.6	0.6	0.5
Taiwan	Baseline	-8.7	12.7	11.5	4.2	2.3
	No Military Intervention	-11.1	-13.4	2.0	14.6	8.6
	<i>Diff from baseline, ppt</i>	-2.4	-26.2	-9.5	10.5	6.3
	Military Intervention	-15.0	-19.8	15.9	15.2	10.5
	<i>Diff from baseline, ppt</i>	-6.3	-32.5	4.5	11.0	8.1
Thailand	Baseline	6.3	6.3	9.1	4.9	2.5
	No Military Intervention	4.9	-5.9	6.3	6.0	3.1
	<i>Diff from baseline, ppt</i>	-1.4	-12.3	-2.8	1.1	0.5
	Military Intervention	2.8	-4.4	14.5	5.8	3.3
	<i>Diff from baseline, ppt</i>	-3.5	-10.8	5.4	0.9	0.7
Vietnam	Baseline	-18.3	3.6	7.0	7.7	6.2
	No Military Intervention	-19.4	-6.3	4.2	8.8	6.8
	<i>Diff from baseline, ppt</i>	-1.1	-9.9	-2.8	1.2	0.6
	Military Intervention	-19.4	-8.1	7.3	12.7	8.2
	<i>Diff from baseline, ppt</i>	-1.1	-11.7	0.3	5.0	2.0
Americas						
Brazil	Baseline	5.7	5.3	4.8	4.9	4.6
	No Military Intervention	4.9	-2.4	3.2	5.5	4.9
	<i>Diff from baseline, ppt</i>	-0.9	-7.7	-1.6	0.7	0.3
	Military Intervention	3.5	-1.4	8.0	5.4	5.1
	<i>Diff from baseline, ppt</i>	-2.2	-6.7	3.2	0.5	0.5
Canada	Baseline	-1.3	0.4	5.2	5.2	5.5
	No Military Intervention	-2.2	-7.9	3.2	5.9	5.9
	<i>Diff from baseline, ppt</i>	-0.9	-8.4	-1.9	0.8	0.4
	Military Intervention	-3.6	-7.0	8.9	5.8	6.0
	<i>Diff from baseline, ppt</i>	-2.3	-7.4	3.7	0.6	0.5
Mexico	Baseline	-0.4	4.8	5.7	5.9	5.6
	No Military Intervention	-1.3	-3.9	3.7	6.7	5.9
	<i>Diff from baseline, ppt</i>	-0.9	-8.7	-1.9	0.8	0.4
	Military Intervention	-2.8	-2.9	9.3	6.5	6.1
	<i>Diff from baseline, ppt</i>	-2.4	-7.7	3.7	0.6	0.5
U.S.	Baseline	-2.1	2.1	4.7	5.6	6.1
	No Military Intervention	-3.0	-8.8	2.6	7.3	6.1
	<i>Diff from baseline, ppt</i>	-1.0	-10.9	-2.1	1.7	0.0
	Military Intervention	-6.3	-20.8	17.2	12.6	8.7
	<i>Diff from baseline, ppt</i>	-4.2	-22.9	12.5	7.1	2.7
Europe						
France	Baseline	0.6	1.6	3.0	4.8	3.7
	No Military Intervention	-0.5	-7.1	0.3	5.4	4.3
	<i>Diff from baseline, ppt</i>	-1.1	-8.7	-2.7	0.5	0.6
	Military Intervention	-2.5	-13.5	11.9	8.3	5.2
	<i>Diff from baseline, ppt</i>	-3.1	-15.0	8.9	3.5	1.4

Table 1C: Short-Term Impacts on Stock Prices (Cont.)

		Stock price index, % change				
		2023	2024	2025	2026	2027
Germany	Baseline	-0.7	-0.1	2.0	4.7	3.4
	No Military Intervention	-2.2	-12.4	-2.5	8.9	6.6
	<i>Diff from baseline, ppt</i>	-1.4	-12.3	-4.4	4.2	3.2
	Military Intervention	-4.8	-16.9	5.1	10.4	7.9
	<i>Diff from baseline, ppt</i>	-4.1	-16.8	3.1	5.7	4.4
Hungary	Baseline	5.2	17.6	10.3	5.5	3.9
	No Military Intervention	3.8	4.0	7.5	6.7	4.4
	<i>Diff from baseline, ppt</i>	-1.4	-13.5	-2.8	1.1	0.6
	Military Intervention	1.5	5.9	15.6	6.4	4.6
	<i>Diff from baseline, ppt</i>	-3.7	-11.6	5.4	0.9	0.8
Italy	Baseline	3.4	6.5	7.8	8.9	6.1
	No Military Intervention	2.4	-2.3	5.9	9.7	6.5
	<i>Diff from baseline, ppt</i>	-1.0	-8.9	-1.9	0.8	0.4
	Military Intervention	0.8	-1.2	11.6	9.5	6.7
	<i>Diff from baseline, ppt</i>	-2.5	-7.8	3.8	0.7	0.5
Poland	Baseline	-1.5	10.9	12.0	12.8	9.2
	No Military Intervention	-2.8	-1.8	9.1	14.0	9.8
	<i>Diff from baseline, ppt</i>	-1.3	-12.7	-2.8	1.2	0.6
	Military Intervention	-4.8	-0.2	17.5	13.7	10.0
	<i>Diff from baseline, ppt</i>	-3.4	-11.1	5.5	1.0	0.8
Spain	Baseline	-4.7	3.0	3.2	3.0	1.9
	No Military Intervention	-5.6	-5.6	1.3	3.7	2.3
	<i>Diff from baseline, ppt</i>	-0.9	-8.6	-1.9	0.8	0.4
	Military Intervention	-6.9	-4.6	6.8	3.6	2.4
	<i>Diff from baseline, ppt</i>	-2.2	-7.6	3.6	0.6	0.5
Turkey	Baseline	57.3	7.3	7.9	7.6	7.9
	No Military Intervention	55.8	-1.6	6.0	8.4	8.3
	<i>Diff from baseline, ppt</i>	-1.5	-9.0	-1.9	0.8	0.4
	Military Intervention	53.5	-0.5	11.6	8.3	8.5
	<i>Diff from baseline, ppt</i>	-3.8	-7.8	3.7	0.6	0.6
U.K.	Baseline	0.5	3.5	5.6	5.7	4.2
	No Military Intervention	-0.8	-6.9	3.2	8.4	5.3
	<i>Diff from baseline, ppt</i>	-1.4	-10.4	-2.4	2.7	1.1
	Military Intervention	-3.4	-8.9	10.1	8.5	5.3
	<i>Diff from baseline, ppt</i>	-3.9	-12.4	4.6	2.7	1.1
Middle East and Africa						
Egypt	Baseline	42.8	2.9	2.7	2.6	2.5
	No Military Intervention	41.6	-4.6	1.0	3.2	2.8
	<i>Diff from baseline, ppt</i>	-1.2	-7.5	-1.6	0.7	0.3
	Military Intervention	39.8	-3.7	5.8	3.1	2.9
	<i>Diff from baseline, ppt</i>	-3.0	-6.6	3.1	0.5	0.5
Lebanon	Baseline	47.1	18.9	-1.1	-3.4	-3.7
	No Military Intervention	36.3	-0.9	1.4	-2.4	-3.1
	<i>Diff from baseline, ppt</i>	-10.9	-19.8	2.4	1.0	0.5
	Military Intervention	19.4	26.7	0.1	-1.9	-3.0
	<i>Diff from baseline, ppt</i>	-27.7	7.9	1.1	1.5	0.7
Nigeria	Baseline	-9.8	-2.2	7.8	7.9	6.6
	No Military Intervention	-10.5	-9.3	6.1	8.6	6.9
	<i>Diff from baseline, ppt</i>	-0.7	-7.2	-1.7	0.7	0.3
	Military Intervention	-11.6	-8.5	11.1	8.5	7.1
	<i>Diff from baseline, ppt</i>	-1.8	-6.3	3.3	0.6	0.5
Qatar	Baseline	-2.5	-7.9	2.1	5.0	4.7
	No Military Intervention	-3.7	-19.5	-0.9	6.3	5.3
	<i>Diff from baseline, ppt</i>	-1.3	-11.6	-3.0	1.3	0.6
	Military Intervention	-5.7	-18.4	7.8	6.0	5.5
	<i>Diff from baseline, ppt</i>	-3.3	-10.5	5.8	1.0	0.8

Table 1C: Short-Term Impacts on Stock Prices (Cont.)

		Stock price index, % change				
		2023	2024	2025	2026	2027
Saudi Arabia	Baseline	-1.4	3.2	4.4	1.7	1.5
	No Military Intervention	-6.9	-9.4	6.2	2.4	1.9
	<i>Diff from baseline, ppt</i>	-5.5	-12.6	1.8	0.8	0.4
	Military Intervention	-15.4	8.0	5.3	2.8	2.0
	<i>Diff from baseline, ppt</i>	-13.9	4.8	0.9	1.1	0.6
South Africa	Baseline	-12.2	-14.1	0.1	5.7	6.4
	No Military Intervention	-12.9	-21.3	-1.8	6.5	6.8
	<i>Diff from baseline, ppt</i>	-0.8	-7.2	-1.9	0.8	0.4
	Military Intervention	-14.1	-20.6	3.7	6.3	7.0
	<i>Diff from baseline, ppt</i>	-1.9	-6.5	3.6	0.6	0.6
UAE	Baseline	-3.7	-2.5	0.7	0.6	0.4
	No Military Intervention	-5.0	-14.8	-2.3	1.8	1.0
	<i>Diff from baseline, ppt</i>	-1.3	-12.2	-2.9	1.2	0.6
	Military Intervention	-7.0	-13.5	6.3	1.5	1.3
	<i>Diff from baseline, ppt</i>	-3.4	-11.0	5.6	0.9	0.8
World						
	Baseline	-1.4	8.7	6.9	5.7	4.5
	No Military Intervention	-4.5	-13.6	11.9	11.8	7.7
	<i>Diff from baseline, ppt</i>	-3.2	-22.3	5.0	6.1	3.2
	Military Intervention	-7.5	-19.6	22.0	15.2	9.1
	<i>Diff from baseline, ppt</i>	-6.1	-28.3	15.1	9.6	4.6

Source: Moody's Analytics

Appendix 2: China-Taiwan Conflict Scenarios' Long-Term Economic Impacts

Table 2A: Long-Term Impacts on CPI

		Consumer price index, % change			
Asia		2022	2032	2042	2052
China	Baseline	2.1	2.6	2.6	2.2
	No Military Intervention	2.1	2.6	2.6	2.2
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	2.1	2.6	2.6	2.2
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Hong Kong	Baseline	2.0	3.1	2.7	2.7
	No Military Intervention	2.0	3.2	2.7	2.7
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	2.0	3.3	2.7	2.7
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
India	Baseline	6.8	4.1	3.9	3.4
	No Military Intervention	6.8	4.2	3.9	3.4
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	6.8	4.3	3.9	3.4
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
Indonesia	Baseline	4.2	3.7	2.6	1.5
	No Military Intervention	4.2	3.7	2.6	1.5
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	4.2	3.7	2.6	1.5
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0

Table 2A: Long-Term Impacts on CPI (Cont.)

		Consumer price index, % change			
		2022	2032	2042	2052
Japan	Baseline	2.5	0.6	0.8	0.9
	No Military Intervention	2.5	0.6	0.8	0.9
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	2.5	0.6	0.8	0.9
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Malaysia	Baseline	3.4	2.3	2.6	2.7
	No Military Intervention	3.4	2.3	2.6	2.7
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	3.4	2.3	2.6	2.7
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Philippines	Baseline	5.6	2.7	3.0	3.0
	No Military Intervention	5.6	2.7	3.0	3.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	5.6	2.7	3.0	3.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Singapore	Baseline	6.0	1.9	1.9	1.9
	No Military Intervention	6.0	1.9	1.9	1.9
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	6.0	1.9	1.9	1.9
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
South Korea	Baseline	5.1	2.0	2.0	2.0
	No Military Intervention	5.1	2.0	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	5.1	2.0	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Taiwan	Baseline	3.1	1.7	1.7	1.8
	No Military Intervention	3.1	1.7	1.7	1.8
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	3.1	1.9	1.7	1.8
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
Thailand	Baseline	6.0	1.9	2.0	2.0
	No Military Intervention	6.0	1.9	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	6.0	1.9	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Vietnam	Baseline	3.2	4.4	2.7	2.2
	No Military Intervention	3.2	4.4	2.7	2.2
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	3.2	4.4	2.7	2.2
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Americas					
Brazil	Baseline	9.3	3.9	3.5	3.3
	No Military Intervention	9.3	3.9	3.5	3.3
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	9.3	4.1	3.5	3.3
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
Canada	Baseline	6.9	2.2	2.3	2.3
	No Military Intervention	6.9	2.3	2.3	2.3
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	6.9	2.5	2.3	2.3
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
Mexico	Baseline	8.0	2.9	3.0	3.0
	No Military Intervention	8.0	3.0	3.0	3.0
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	8.0	3.2	3.0	3.0
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0

Table 2A: Long-Term Impacts on CPI (Cont.)

		Consumer price index, % change			
		2022	2032	2042	2052
U.S.	Baseline	8.0	2.1	2.5	2.4
	No Military Intervention	8.0	2.2	2.5	2.4
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	8.0	2.3	2.5	2.4
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Europe					
France	Baseline	5.4	1.9	1.9	1.9
	No Military Intervention	5.4	2.0	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	5.4	2.2	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Germany	Baseline	8.0	1.9	1.9	1.9
	No Military Intervention	8.0	2.0	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	8.0	2.2	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Hungary	Baseline	13.6	3.2	3.2	3.2
	No Military Intervention	13.6	3.3	3.2	3.2
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	13.6	3.5	3.2	3.2
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Italy	Baseline	8.2	2.1	1.8	1.8
	No Military Intervention	8.2	2.2	1.8	1.8
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	8.2	2.4	1.8	1.8
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Poland	Baseline	14.8	2.0	2.6	2.5
	No Military Intervention	14.8	2.1	2.6	2.5
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	14.8	2.3	2.6	2.5
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Spain	Baseline	8.4	1.9	1.9	1.9
	No Military Intervention	8.4	2.0	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	8.4	2.2	1.9	1.9
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.2</i>	<i>0.0</i>	<i>0.0</i>
Turkey	Baseline	71.4	7.2	5.8	5.8
	No Military Intervention	71.4	7.2	5.8	5.8
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	71.4	7.2	5.8	5.8
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
U.K.	Baseline	9.1	2.0	2.0	2.0
	No Military Intervention	9.1	2.0	2.0	2.0
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	9.1	2.0	2.0	2.0
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Middle East and Africa					
Egypt	Baseline	14.7	7.5	7.5	7.5
	No Military Intervention	14.7	7.6	7.5	7.5
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.1</i>	<i>0.0</i>	<i>0.0</i>
	Military Intervention	14.7	7.8	7.5	7.5
	<i>Diff from baseline, ppt</i>	<i>0.0</i>	<i>0.3</i>	<i>0.0</i>	<i>0.0</i>

Table 2A: Long-Term Impacts on CPI (Cont.)

		Consumer price index, % change			
		2022	2032	2042	2052
Lebanon	Baseline	156.6	2.5	2.3	1.7
	No Military Intervention	156.6	2.4	2.3	1.7
	<i>Diff from baseline, ppt</i>	0.0	-0.1	0.0	0.0
	Military Intervention	156.6	2.3	2.3	1.7
	<i>Diff from baseline, ppt</i>	0.0	-0.2	0.0	0.0
Nigeria	Baseline	18.3	6.8	4.1	3.7
	No Military Intervention	18.3	6.8	4.1	3.7
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
	Military Intervention	18.3	6.8	4.1	3.7
	<i>Diff from baseline, ppt</i>	0.0	0.0	0.0	0.0
Qatar	Baseline	4.8	1.4	1.4	1.4
	No Military Intervention	4.8	1.4	1.4	1.4
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	4.8	1.6	1.4	1.4
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
Saudi Arabia	Baseline	2.4	2.0	2.0	2.0
	No Military Intervention	2.4	2.1	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	2.4	2.2	2.0	2.0
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
South Africa	Baseline	7.1	2.3	2.1	2.3
	No Military Intervention	7.1	2.4	2.1	2.3
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	7.1	2.4	2.1	2.3
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
UAE	Baseline	5.9	1.9	2.1	2.1
	No Military Intervention	5.9	2.0	2.1	2.1
	<i>Diff from baseline, ppt</i>	0.0	0.1	0.0	0.0
	Military Intervention	5.9	2.2	2.1	2.1
	<i>Diff from baseline, ppt</i>	0.0	0.2	0.0	0.0
World					
	Baseline	8.7	2.6	2.6	2.5
	No Military Intervention	8.7	2.6	2.6	2.5
	<i>Diff from baseline</i>	0.0	0.1	0.0	0.0
	Military Intervention	8.7	2.7	2.6	2.5
	<i>Diff from baseline</i>	0.0	0.2	0.0	0.0

Source: Moody's Analytics

Table 2B: Long-Term Impacts on Real GDP

		Real gross domestic product, local currency, bil			
Asia		2022	2032	2042	2052
China	Baseline	101,278.6	152,070.3	199,900.6	236,618.9
	No Military Intervention	101,278.6	137,422.3	184,169.3	219,138.6
	<i>Diff from baseline</i>	0.0	-9.6	-7.9	-7.4
	Military Intervention	101,278.6	134,512.2	180,717.3	216,159.7
	<i>Diff from baseline</i>	0.0	-11.5	-9.6	-8.6
Hong Kong	Baseline	2,747.5	3,360.1	3,779.1	4,153.8
	No Military Intervention	2,747.5	3,110.6	3,487.4	3,833.2
	<i>Diff from baseline</i>	0.0	-7.4	-7.7	-7.7
	Military Intervention	2,747.5	3,030.4	3,460.0	3,801.7
	<i>Diff from baseline</i>	0.0	-9.8	-8.4	-8.5

Table 2B: Long-Term Impacts on Real GDP (Cont.)

		Real gross domestic product, local currency, bil			
		2022	2032	2042	2052
India	Baseline	156,441.3	259,514.2	408,150.5	604,845.0
	No Military Intervention	156,441.3	248,079.0	390,161.8	578,194.9
	<i>Diff from baseline</i>	0.0	-4.4	-4.4	-4.4
	Military Intervention	156,441.3	251,426.7	395,426.7	585,997.2
	<i>Diff from baseline</i>	0.0	-3.1	-3.1	-3.1
Indonesia	Baseline	11,693,442.4	18,373,704.8	27,670,696.8	40,043,183.2
	No Military Intervention	11,693,442.4	17,564,089.1	26,451,419.9	38,278,727.2
	<i>Diff from baseline</i>	0.0	-4.4	-4.4	-4.4
	Military Intervention	11,693,442.4	17,801,105.1	26,808,364.8	38,795,273.9
	<i>Diff from baseline</i>	0.0	-3.1	-3.1	-3.1
Japan	Baseline	543,203.0	588,439.1	596,231.0	597,701.7
	No Military Intervention	543,203.0	560,068.2	567,484.3	568,884.2
	<i>Diff from baseline</i>	0.0	-4.8	-4.8	-4.8
	Military Intervention	543,203.0	564,914.1	572,394.4	573,806.3
	<i>Diff from baseline</i>	0.0	-4.0	-4.0	-4.0
Malaysia	Baseline	1,518.7	2,251.4	3,103.3	3,931.4
	No Military Intervention	1,518.7	2,095.5	2,888.4	3,659.2
	<i>Diff from baseline</i>	0.0	-6.9	-6.9	-6.9
	Military Intervention	1,518.7	2,141.1	2,951.3	3,738.9
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Philippines	Baseline	19,885.2	36,426.9	59,474.4	83,870.5
	No Military Intervention	19,885.2	34,592.5	56,479.3	79,646.9
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	19,885.2	35,129.5	57,356.1	80,883.4
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Singapore	Baseline	513.4	637.2	713.1	754.6
	No Military Intervention	513.4	589.1	659.1	697.6
	<i>Diff from baseline</i>	0.0	-7.6	-7.6	-7.6
	Military Intervention	513.4	603.2	674.9	714.2
	<i>Diff from baseline</i>	0.0	-5.3	-5.4	-5.3
South Korea	Baseline	1,967,786.5	2,328,012.1	2,608,453.8	2,748,156.1
	No Military Intervention	1,967,786.5	2,210,776.6	2,477,095.5	2,609,762.7
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	1,967,786.5	2,245,097.4	2,515,550.8	2,650,277.5
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Taiwan	Baseline	21,858.9	25,274.8	27,318.5	29,526.6
	No Military Intervention	21,858.9	23,689.5	25,603.3	27,672.3
	<i>Diff from baseline</i>	0.0	-6.3	-6.3	-6.3
	Military Intervention	21,858.9	23,914.5	25,846.5	27,935.1
	<i>Diff from baseline</i>	0.0	-5.4	-5.4	-5.4
Thailand	Baseline	10,746.4	14,158.6	16,969.5	20,474.4
	No Military Intervention	10,746.4	13,178.2	15,794.5	19,056.7
	<i>Diff from baseline</i>	0.0	-6.9	-6.9	-6.9
	Military Intervention	10,746.4	13,465.2	16,138.5	19,471.7
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Vietnam	Baseline	4,226,648.4	6,863,273.5	10,202,410.7	14,300,955.6
	No Military Intervention	4,226,648.4	6,388,038.8	9,495,963.6	13,310,712.2
	<i>Diff from baseline</i>	0.0	-6.9	-6.9	-6.9
	Military Intervention	4,226,648.4	6,527,164.4	9,702,776.9	13,600,607.2
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Americas					
Brazil	Baseline	1,257.9	1,635.7	2,186.4	2,963.4
	No Military Intervention	1,257.9	1,563.6	2,090.0	2,832.8
	<i>Diff from baseline</i>	0.0	-4.4	-4.4	-4.4
	Military Intervention	1,257.9	1,584.7	2,118.2	2,871.0
	<i>Diff from baseline</i>	0.0	-3.1	-3.1	-3.1

Table 2B: Long-Term Impacts on Real GDP (Cont.)

		Real gross domestic product, local currency, bil			
		2022	2032	2042	2052
Canada	Baseline	2,177.1	2,594.8	3,166.6	3,792.9
	No Military Intervention	2,177.1	2,464.2	3,007.1	3,601.9
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	2,177.1	2,502.4	3,053.8	3,657.8
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Mexico	Baseline	18,278.3	23,927.0	31,496.6	41,087.8
	No Military Intervention	18,278.3	22,722.1	29,910.4	39,018.6
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	18,278.3	23,074.8	30,374.8	39,624.4
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
U.S.	Baseline	19,985.1	24,909.8	30,314.1	36,511.8
	No Military Intervention	19,985.1	23,533.7	28,639.3	34,494.6
	<i>Diff from baseline</i>	0.0	-5.5	-5.5	-5.5
	Military Intervention	19,985.1	24,483.1	29,794.8	35,886.6
	<i>Diff from baseline</i>	0.0	-1.7	-1.7	-1.7
Europe					
France	Baseline	2,351.7	2,739.1	3,075.9	3,401.4
	No Military Intervention	2,351.7	2,566.7	2,882.2	3,187.2
	<i>Diff from baseline</i>	0.0	-6.3	-6.3	-6.3
	Military Intervention	2,351.7	2,617.2	2,938.9	3,249.9
	<i>Diff from baseline</i>	0.0	-4.5	-4.5	-4.5
Germany	Baseline	3,253.9	3,725.7	4,033.8	4,290.3
	No Military Intervention	3,253.9	3,513.2	3,803.8	4,045.7
	<i>Diff from baseline</i>	0.0	-5.7	-5.7	-5.7
	Military Intervention	3,253.9	3,543.4	3,836.4	4,080.4
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Hungary	Baseline	44,142.6	51,522.2	57,954.9	66,264.5
	No Military Intervention	44,142.6	47,954.6	53,941.7	61,676.0
	<i>Diff from baseline</i>	0.0	-6.9	-6.9	-6.9
	Military Intervention	44,142.6	48,999.0	55,116.5	63,019.3
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Italy	Baseline	1,738.8	1,966.6	2,036.1	2,172.6
	No Military Intervention	1,738.8	1,867.6	1,933.5	2,063.1
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	1,738.8	1,896.6	1,963.5	2,095.2
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Poland	Baseline	2,326.1	3,134.6	3,868.3	4,687.6
	No Military Intervention	2,326.1	2,917.6	3,600.4	4,363.0
	<i>Diff from baseline</i>	0.0	-6.9	-6.9	-6.9
	Military Intervention	2,326.1	2,981.1	3,678.9	4,458.0
	<i>Diff from baseline</i>	0.0	-4.9	-4.9	-4.9
Spain	Baseline	1,168.7	1,307.6	1,410.1	1,522.3
	No Military Intervention	1,168.7	1,241.8	1,339.1	1,445.7
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	1,168.7	1,261.0	1,359.8	1,468.1
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Turkey	Baseline	2,117.6	2,789.5	3,501.6	4,140.5
	No Military Intervention	2,117.6	2,700.0	3,365.3	3,973.6
	<i>Diff from baseline</i>	0.0	-3.2	-3.9	-4.0
	Military Intervention	2,117.6	2,679.2	3,349.0	3,968.0
	<i>Diff from baseline</i>	0.0	-4.0	-4.4	-4.2
U.K.	Baseline	2,234.8	2,513.0	3,004.5	3,559.1
	No Military Intervention	2,234.8	2,386.0	2,852.7	3,379.3
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
	Military Intervention	2,234.8	2,405.6	2,876.1	3,407.1
	<i>Diff from baseline</i>	0.0	-4.3	-4.3	-4.3

Table 2B: Long-Term Impacts on Real GDP (Cont.)

		Real gross domestic product, local currency, bil			
		2022	2032	2042	2052
Middle East and Africa					
Egypt	Baseline	4,730.2	7,651.0	11,273.4	15,631.8
	No Military Intervention	4,730.2	7,313.9	10,776.7	14,943.0
	<i>Diff from baseline</i>	0.0	-4.4	-4.4	-4.4
	Military Intervention	4,730.2	7,412.6	10,922.1	15,144.6
	<i>Diff from baseline</i>	0.0	-3.1	-3.1	-3.1
Lebanon	Baseline	37,975.5	50,225.9	64,807.5	80,510.7
	No Military Intervention	37,975.5	47,696.6	61,543.8	76,456.1
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	37,975.5	48,437.0	62,499.2	77,643.1
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
Nigeria	Baseline	75,816.7	113,721.4	176,807.5	263,397.2
	No Military Intervention	75,816.7	108,710.4	169,015.4	251,790.7
	<i>Diff from baseline</i>	0.0	-4.4	-4.4	-4.4
	Military Intervention	75,816.7	110,177.4	171,296.2	255,188.4
	<i>Diff from baseline</i>	0.0	-3.1	-3.1	-3.1
Qatar	Baseline	621.4	800.8	1,023.7	1,310.7
	No Military Intervention	621.4	740.3	946.3	1,211.7
	<i>Diff from baseline</i>	0.0	-7.6	-7.6	-7.6
	Military Intervention	621.4	758.0	969.0	1,240.7
	<i>Diff from baseline</i>	0.0	-5.3	-5.3	-5.3
Saudi Arabia	Baseline	2,867.4	3,635.0	4,493.1	5,538.7
	No Military Intervention	2,867.4	3,360.4	4,153.6	5,120.3
	<i>Diff from baseline</i>	0.0	-7.6	-7.6	-7.6
	Military Intervention	2,867.4	3,440.8	4,253.0	5,242.8
	<i>Diff from baseline</i>	0.0	-5.3	-5.3	-5.3
South Africa	Baseline	4,622.1	5,366.3	6,207.5	7,073.0
	No Military Intervention	4,622.1	5,096.1	5,894.9	6,716.8
	<i>Diff from baseline</i>	0.0	-5.0	-5.0	-5.0
	Military Intervention	4,622.1	5,175.2	5,986.5	6,821.1
	<i>Diff from baseline</i>	0.0	-3.6	-3.6	-3.6
UAE	Baseline	1,611.3	2,108.8	2,483.3	2,878.3
	No Military Intervention	1,611.3	1,949.5	2,295.6	2,660.8
	<i>Diff from baseline</i>	0.0	-7.6	-7.6	-7.6
	Military Intervention	1,611.3	1,996.1	2,350.6	2,724.4
	<i>Diff from baseline</i>	0.0	-5.3	-5.3	-5.3
World					
	Baseline	91,333.3	117,721.9	146,214.0	176,193.0
	No Military Intervention	91,333.3	110,536.9	137,768.9	166,230.0
	<i>Diff from baseline</i>	0.0	-6.1	-5.8	-5.7
	Military Intervention	91,333.3	111,846.9	139,440.1	168,450.3
	<i>Diff from baseline</i>	0.0	-5.0	-4.6	-4.4

Source: Moody's Analytics

Table 2C: Long-Term Impacts on Stock Prices

		Stock price index, NSA			
		2022	2032	2042	2052
Asia					
China	Baseline	10,999.0	14,659.6	17,877.0	20,399.4
	No Military Intervention	10,999.0	13,779.4	16,803.6	19,172.4
	<i>Diff from baseline</i>	0.0	-6.0	-6.0	-6.0
	Military Intervention	10,999.0	11,540.4	14,073.2	16,057.1
	<i>Diff from baseline</i>	0.0	-21.3	-21.3	-21.3

Table 2C: Long-Term Impacts on Stock Prices (Cont.)

		Stock price index, NSA			
		2022	2032	2042	2052
Hong Kong	Baseline	20,131.5	28,115.3	34,511.9	41,941.4
	No Military Intervention	20,131.5	23,938.5	29,353.9	35,607.9
	<i>Diff from baseline</i>	0.0	-14.9	-14.9	-15.1
	Military Intervention	20,131.5	20,624.1	26,333.9	31,917.7
	<i>Diff from baseline</i>	0.0	-26.6	-23.7	-23.9
India	Baseline	56,824.9	74,501.8	94,822.5	116,432.6
	No Military Intervention	56,824.9	68,125.4	86,699.9	106,441.7
	<i>Diff from baseline</i>	0.0	-8.6	-8.6	-8.6
	Military Intervention	56,824.9	71,173.8	90,579.4	111,204.6
	<i>Diff from baseline</i>	0.0	-4.5	-4.5	-4.5
Indonesia	Baseline	6,958.2	17,356.9	41,915.5	86,341.5
	No Military Intervention	6,958.2	15,700.1	37,915.0	78,099.7
	<i>Diff from baseline</i>	0.0	-9.5	-9.5	-9.5
	Military Intervention	6,958.2	14,741.5	35,600.0	73,331.2
	<i>Diff from baseline</i>	0.0	-15.1	-15.1	-15.1
Japan	Baseline	27,263.4	33,130.6	35,584.1	38,129.0
	No Military Intervention	27,263.4	29,379.3	32,120.1	34,981.2
	<i>Diff from baseline</i>	0.0	-11.3	-9.7	-8.3
	Military Intervention	27,263.4	31,004.8	33,915.1	36,591.9
	<i>Diff from baseline</i>	0.0	-6.4	-4.7	-4.0
Malaysia	Baseline	1,479.6	2,376.0	4,018.9	7,206.6
	No Military Intervention	1,479.6	2,056.5	3,478.6	6,237.3
	<i>Diff from baseline</i>	0.0	-13.4	-13.4	-13.5
	Military Intervention	1,479.6	2,209.2	3,737.0	6,700.7
	<i>Diff from baseline</i>	0.0	-7.0	-7.0	-7.0
Philippines	Baseline	6,646.5	14,292.2	23,477.2	34,185.5
	No Military Intervention	6,646.5	13,819.9	22,741.9	33,070.0
	<i>Diff from baseline</i>	0.0	-3.3	-3.1	-3.3
	Military Intervention	6,646.5	14,128.3	23,207.7	33,741.3
	<i>Diff from baseline</i>	0.0	-1.1	-1.1	-1.3
Singapore	Baseline	3,222.5	4,716.3	5,850.9	7,120.8
	No Military Intervention	3,222.5	4,024.3	4,991.5	6,075.1
	<i>Diff from baseline</i>	0.0	-14.7	-14.7	-14.7
	Military Intervention	3,222.5	4,355.2	5,401.9	6,574.5
	<i>Diff from baseline</i>	0.0	-7.7	-7.7	-7.7
South Korea	Baseline	2,510.9	3,002.5	3,900.2	4,781.3
	No Military Intervention	2,510.9	2,708.8	3,519.1	4,313.4
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	2,510.9	2,849.2	3,701.5	4,537.0
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
Taiwan	Baseline	15,600.4	22,471.5	31,455.2	43,309.3
	No Military Intervention	15,600.4	18,243.0	25,540.4	35,150.7
	<i>Diff from baseline</i>	0.0	-18.8	-18.8	-18.8
	Military Intervention	15,600.4	18,843.1	26,380.4	36,307.2
	<i>Diff from baseline</i>	0.0	-16.1	-16.1	-16.2
Thailand	Baseline	1,630.1	2,577.6	3,656.7	4,809.4
	No Military Intervention	1,630.1	2,230.9	3,164.0	4,162.3
	<i>Diff from baseline</i>	0.0	-13.4	-13.5	-13.5
	Military Intervention	1,630.1	2,396.6	3,399.1	4,471.6
	<i>Diff from baseline</i>	0.0	-7.0	-7.0	-7.0
Vietnam	Baseline	1,257.6	1,667.8	2,668.5	3,843.2
	No Military Intervention	1,257.6	1,474.8	2,359.9	3,398.4
	<i>Diff from baseline</i>	0.0	-11.6	-11.6	-11.6
	Military Intervention	1,257.6	1,562.3	2,500.0	3,600.2
	<i>Diff from baseline</i>	0.0	-6.3	-6.3	-6.3

Table 2C: Long-Term Impacts on Stock Prices (Cont.)

		Stock price index, NSA			
		2022	2032	2042	2052
Americas					
Brazil	Baseline	109,754.5	173,631.5	258,865.4	441,345.8
	No Military Intervention	109,754.5	158,770.9	236,712.7	403,566.1
	<i>Diff from baseline</i>	0.0	-8.6	-8.6	-8.6
	Military Intervention	109,754.5	165,875.4	247,304.8	421,624.3
	<i>Diff from baseline</i>	0.0	-4.5	-4.5	-4.5
Canada	Baseline	20,116.1	28,403.4	43,380.4	65,162.5
	No Military Intervention	20,116.1	25,625.1	39,137.3	58,788.6
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	20,116.1	26,953.4	41,165.8	61,835.7
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
Mexico	Baseline	49,883.9	79,464.1	125,950.1	191,072.9
	No Military Intervention	49,883.9	71,691.5	113,630.6	172,381.5
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	49,883.9	75,407.4	119,520.3	181,316.4
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
U.S.	Baseline	4,085.9	6,023.9	9,550.2	14,967.6
	No Military Intervention	4,085.9	5,387.1	8,708.8	13,892.9
	<i>Diff from baseline</i>	0.0	-10.6	-8.8	-7.2
	Military Intervention	4,085.9	5,658.5	9,194.5	14,460.4
	<i>Diff from baseline</i>	0.0	-6.1	-3.7	-3.4
Europe					
France	Baseline	6,399.8	8,151.2	9,190.0	10,662.2
	No Military Intervention	6,399.8	7,270.2	8,196.6	9,509.9
	<i>Diff from baseline</i>	0.0	-10.8	-10.8	-10.8
	Military Intervention	6,399.8	7,691.7	8,671.8	10,061.3
	<i>Diff from baseline</i>	0.0	-5.6	-5.6	-5.6
Germany	Baseline	13,778.5	16,246.1	19,128.5	23,439.4
	No Military Intervention	13,778.5	14,515.5	17,091.3	20,942.7
	<i>Diff from baseline</i>	0.0	-10.7	-10.6	-10.7
	Military Intervention	13,778.5	14,847.2	17,481.8	21,421.2
	<i>Diff from baseline</i>	0.0	-8.6	-8.6	-8.6
Hungary	Baseline	43,203.2	71,812.7	85,753.4	108,784.8
	No Military Intervention	43,203.2	62,154.3	74,219.4	94,153.7
	<i>Diff from baseline</i>	0.0	-13.4	-13.5	-13.4
	Military Intervention	43,203.2	66,771.8	79,733.1	101,148.3
	<i>Diff from baseline</i>	0.0	-7.0	-7.0	-7.0
Italy	Baseline	23,564.1	37,793.8	41,528.4	47,663.8
	No Military Intervention	23,564.1	34,097.0	37,465.5	43,001.5
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	23,564.1	35,864.3	39,407.4	45,230.3
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
Poland	Baseline	56,482.1	108,984.2	177,268.3	283,831.4
	No Military Intervention	56,482.1	94,326.5	153,426.0	245,657.2
	<i>Diff from baseline</i>	0.0	-13.4	-13.4	-13.4
	Military Intervention	56,482.1	101,334.0	164,823.9	263,906.9
	<i>Diff from baseline</i>	0.0	-7.0	-7.0	-7.0
Spain	Baseline	8,243.7	9,605.2	12,530.6	16,270.0
	No Military Intervention	8,243.7	8,665.6	11,304.9	14,678.7
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	8,243.7	9,114.8	11,890.8	15,439.5
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
Turkey	Baseline	2,912.1	9,031.1	18,828.7	34,787.1
	No Military Intervention	2,912.1	8,147.8	16,986.8	31,384.3
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	2,912.1	8,570.1	17,867.3	33,011.1
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1

Table 2C: Long-Term Impacts on Stock Prices (Cont.)

		Stock price index, NSA			
		2022	2032	2042	2052
U.K.	Baseline	7,327.2	10,075.5	12,537.9	16,232.5
	No Military Intervention	7,327.2	9,057.4	11,270.9	14,592.2
	<i>Diff from baseline</i>	0.0	-10.1	-10.1	-10.1
	Military Intervention	7,327.2	9,215.0	11,467.0	14,846.1
	<i>Diff from baseline</i>	0.0	-8.5	-8.5	-8.5
Middle East and Africa					
Egypt	Baseline	10,866.7	18,938.2	21,679.9	24,927.9
	No Military Intervention	10,866.7	17,317.3	19,823.9	22,794.5
	<i>Diff from baseline</i>	0.0	-8.6	-8.6	-8.6
	Military Intervention	10,866.7	18,092.2	20,710.9	23,814.5
	<i>Diff from baseline</i>	0.0	-4.5	-4.5	-4.5
Lebanon	Baseline	41.6	60.6	81.9	113.8
	No Military Intervention	41.6	48.8	65.9	91.6
	<i>Diff from baseline</i>	0.0	-19.6	-19.6	-19.6
	Military Intervention	41.6	54.4	73.5	102.2
	<i>Diff from baseline</i>	0.0	-10.2	-10.2	-10.2
Nigeria	Baseline	48,018.2	63,465.0	88,341.1	118,213.4
	No Military Intervention	48,018.2	58,033.2	80,778.4	108,091.5
	<i>Diff from baseline</i>	0.0	-8.6	-8.6	-8.6
	Military Intervention	48,018.2	60,630.0	84,392.9	112,928.3
	<i>Diff from baseline</i>	0.0	-4.5	-4.5	-4.5
Qatar	Baseline	176.3	218.7	305.8	399.0
	No Military Intervention	176.3	186.6	260.9	340.4
	<i>Diff from baseline</i>	0.0	-14.7	-14.7	-14.7
	Military Intervention	176.3	202.0	282.4	368.4
	<i>Diff from baseline</i>	0.0	-7.7	-7.7	-7.7
Saudi Arabia	Baseline	11,110.0	13,767.4	18,248.7	23,816.9
	No Military Intervention	11,110.0	11,747.4	15,572.0	20,322.4
	<i>Diff from baseline</i>	0.0	-14.7	-14.7	-14.7
	Military Intervention	11,110.0	12,713.1	16,852.1	21,993.0
	<i>Diff from baseline</i>	0.0	-7.7	-7.7	-7.7
South Africa	Baseline	145.6	163.0	280.8	470.3
	No Military Intervention	145.6	147.1	253.3	424.3
	<i>Diff from baseline</i>	0.0	-9.8	-9.8	-9.8
	Military Intervention	145.6	154.7	266.4	446.3
	<i>Diff from baseline</i>	0.0	-5.1	-5.1	-5.1
UAE	Baseline	9,470.3	10,133.2	13,985.7	19,178.7
	No Military Intervention	9,470.3	8,646.5	11,933.9	16,364.0
	<i>Diff from baseline</i>	0.0	-14.7	-14.7	-14.7
	Military Intervention	9,470.3	9,357.3	12,914.9	17,709.2
	<i>Diff from baseline</i>	0.0	-7.7	-7.7	-7.7
World					
	Baseline	168.5	248.1	331.8	438.9
	No Military Intervention	168.5	224.3	299.3	397.7
	<i>Diff from baseline</i>	0.0	-9.6	-9.8	-9.4
	Military Intervention	168.5	230.0	307.8	408.4
	<i>Diff from baseline</i>	0.0	-7.3	-7.2	-6.9

Source: Moody's Analytics

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