

COVID-19: current views on the European economy

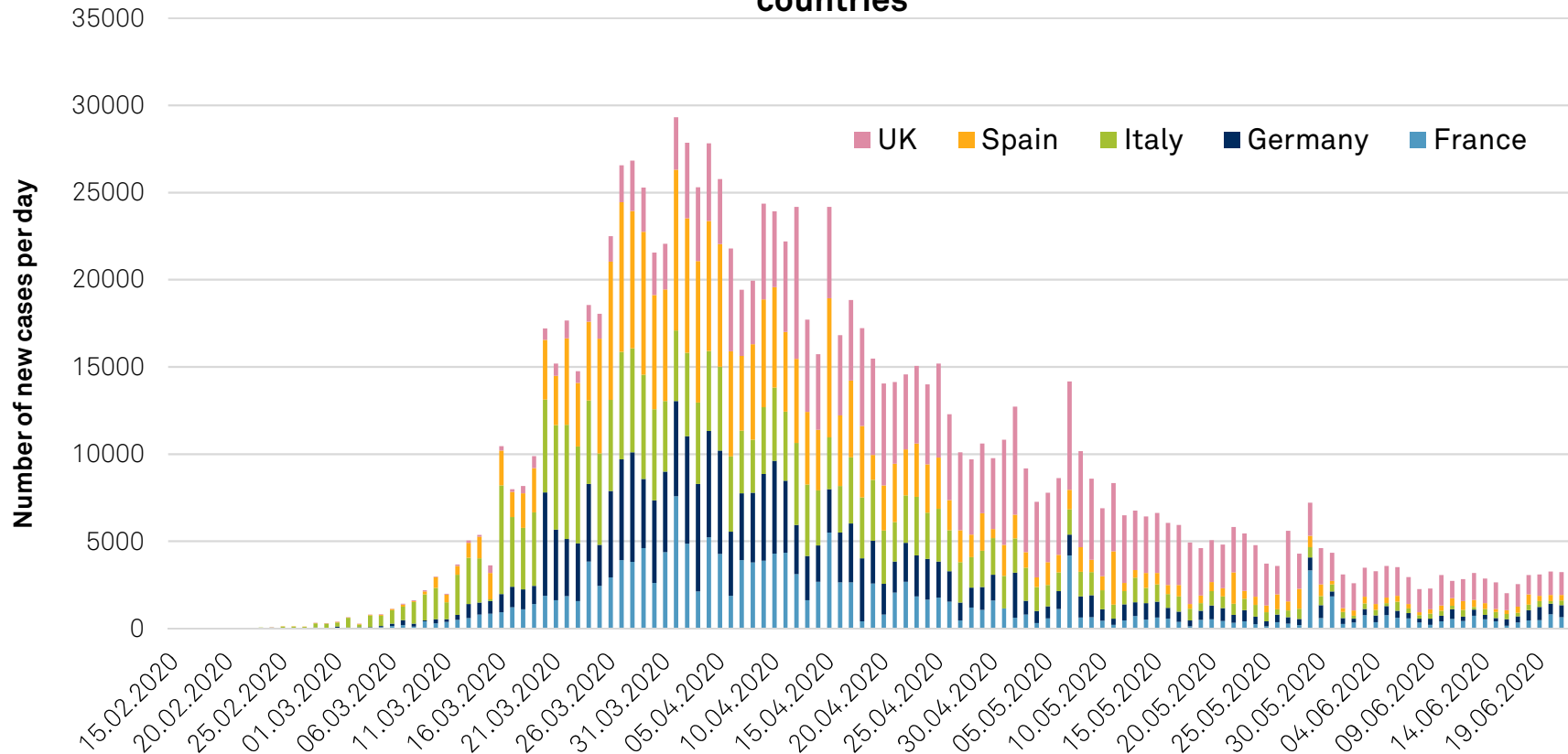
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June 2020

S&P Global
Ratings

European Economic Outlook | The European curve is falling continuously ...

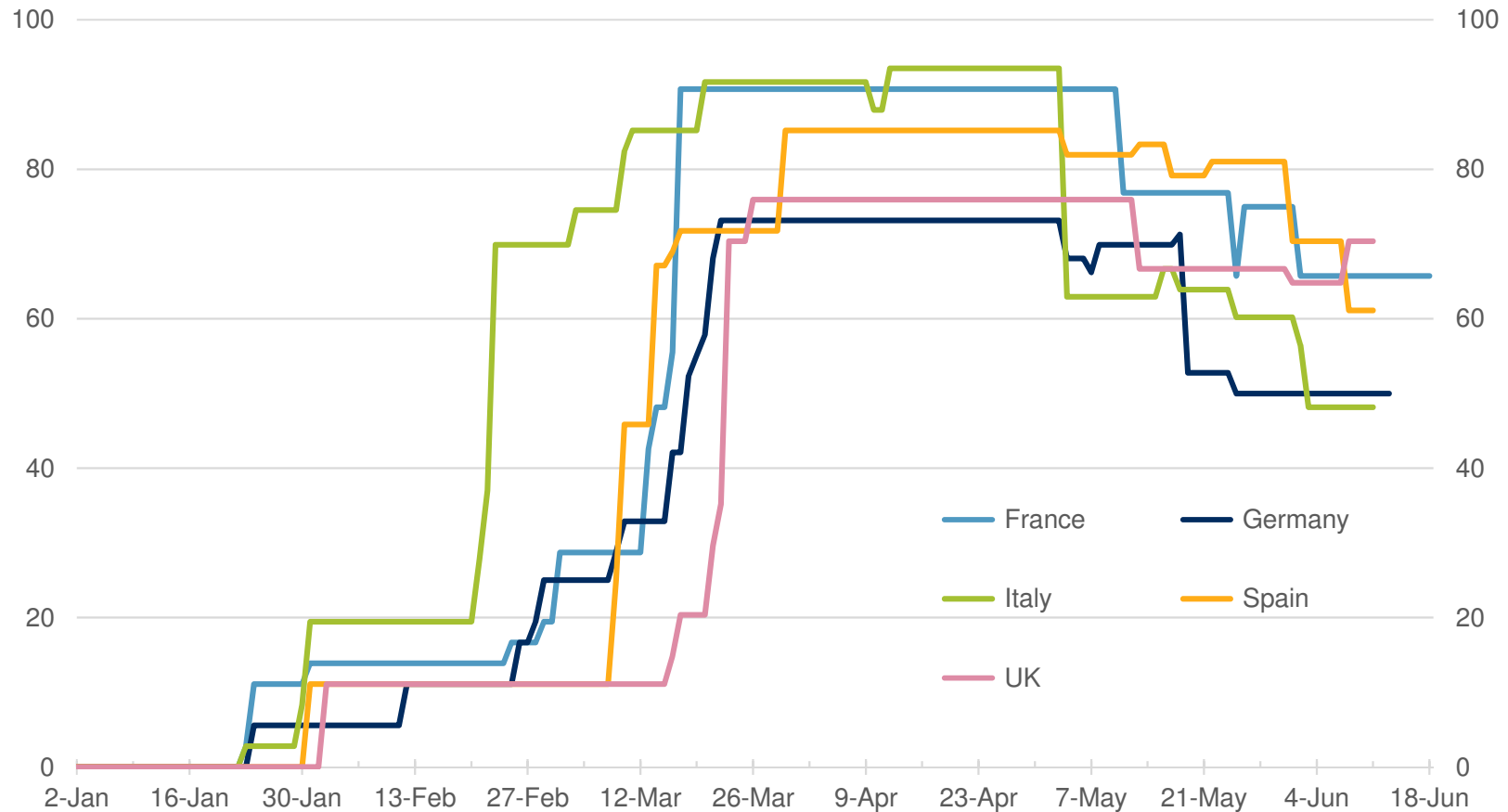
New laboratory confirmed cases of COVID-19 in the biggest five European countries



Source: ECDC, S&P Global Ratings.
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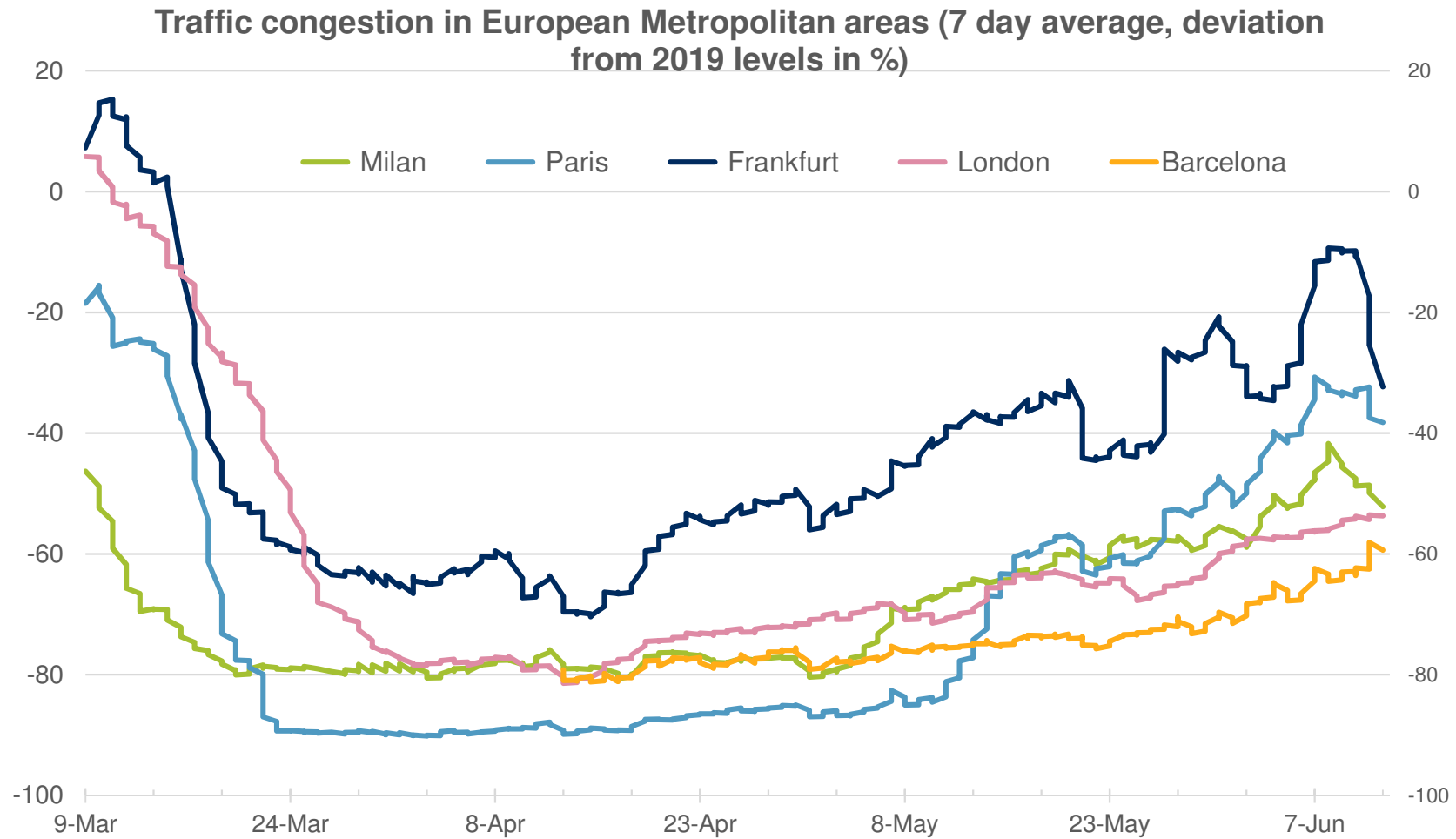
European Economic Outlook | ... allowing Governments to ease social distancing measures

Oxford Stringency Index (Max=100)



Source: Oxford University, S&P Global Ratings.

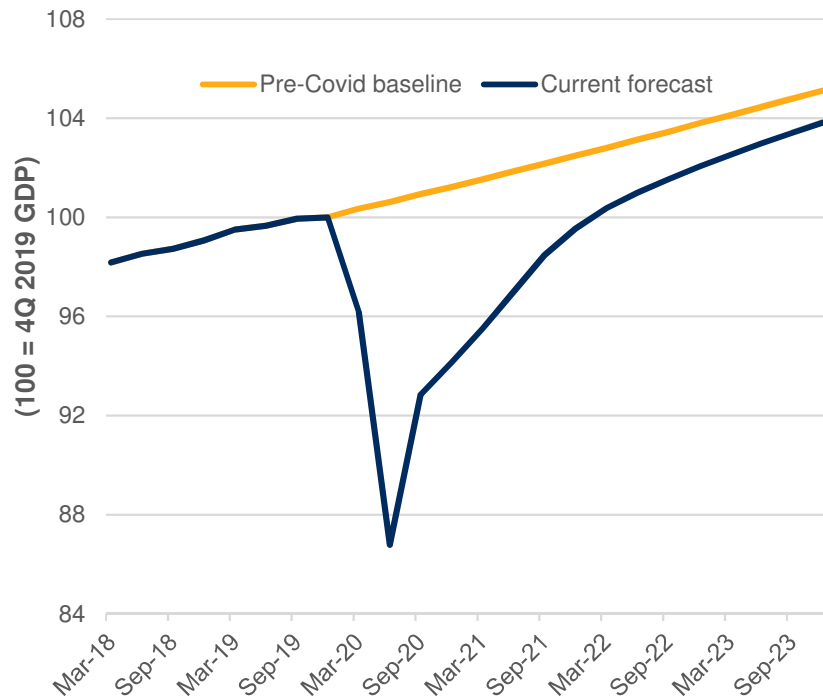
European Economic Outlook | **The exit from lockdowns is gradual and uneven**



Source: TomTom, S&P Global Ratings.

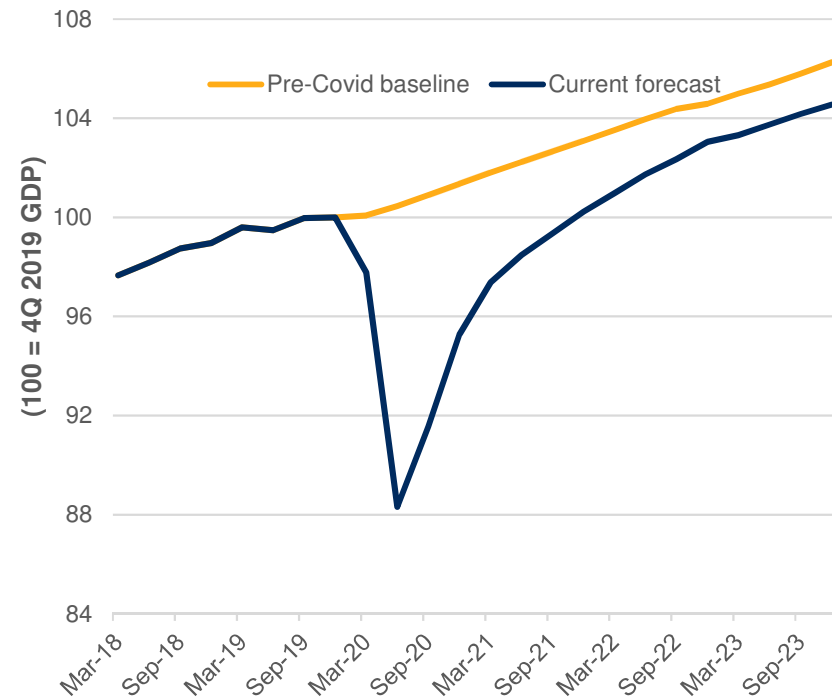
European Economic Outlook | a sudden stop with long-term consequences

Eurozone GDP Forecast



Source: S&P Global Ratings

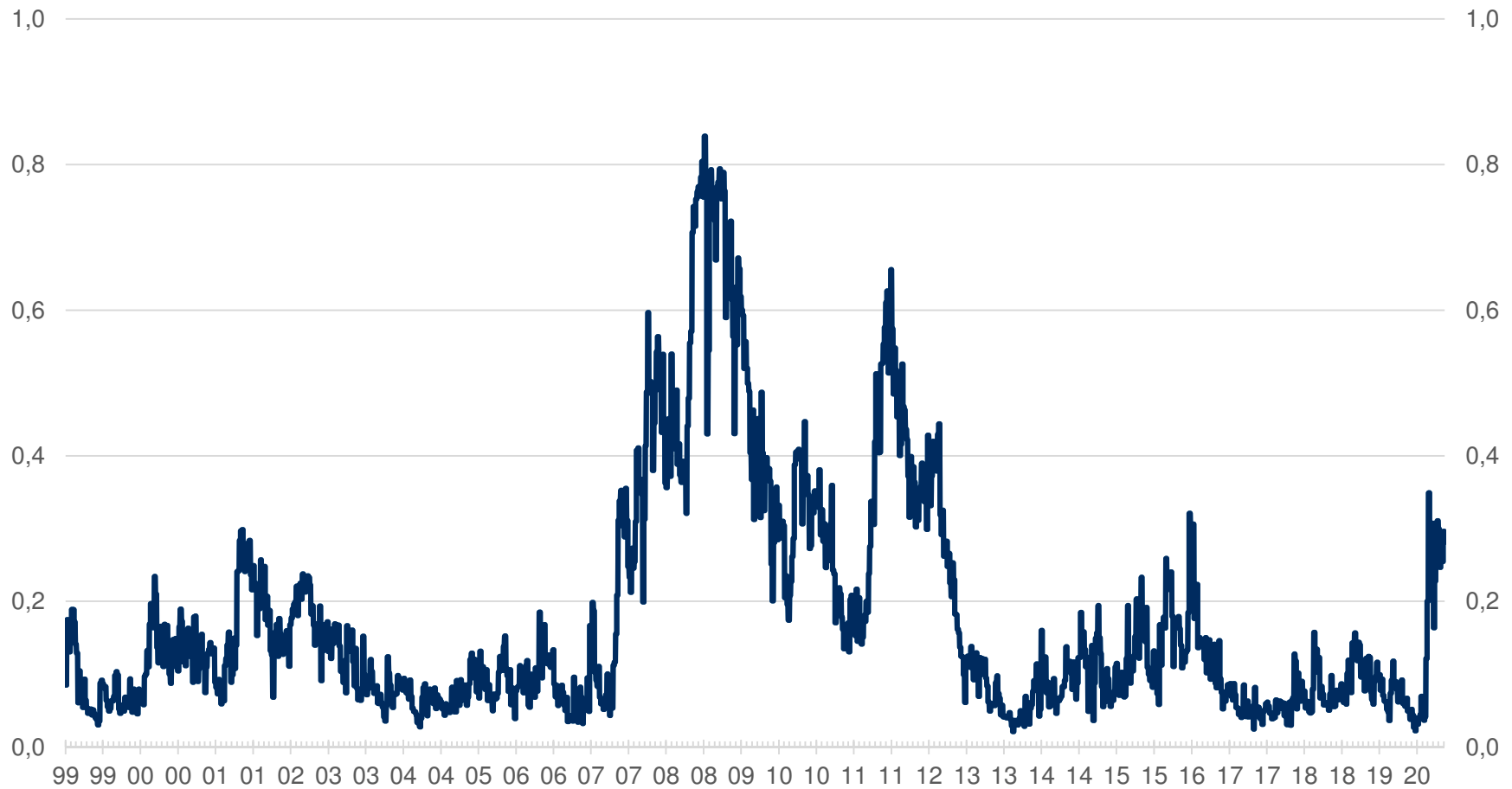
U.K. GDP Forecast



Source: S&P Global Ratings

European Economic Outlook | **Markets' fragmentation has been contained ...**

ECB Composite Indicator of Systemic Stress

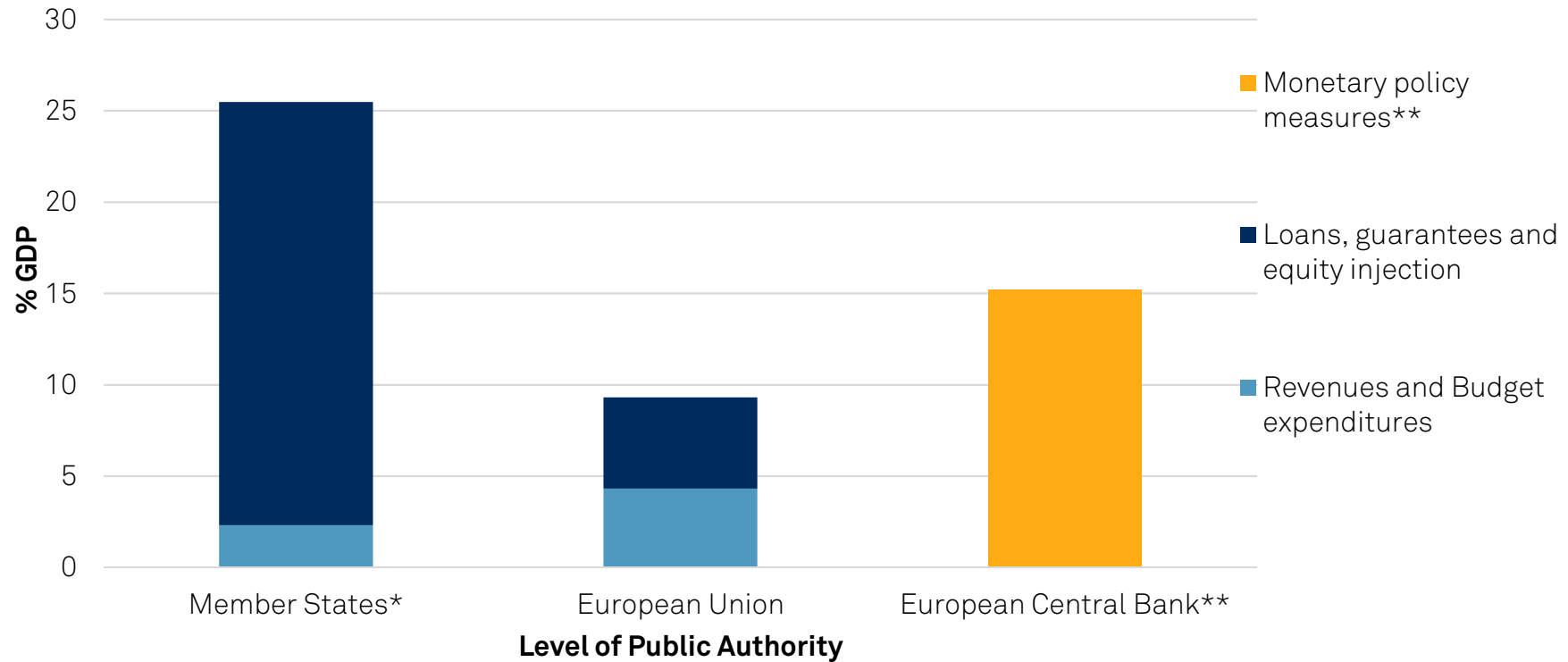


Source: ECB, S&P Global Ratings

European Economic Outlook | ... Thanks to a prompt and coordinated policy response (1/2) ...

Coordinated policy response to the Covid-19 crisis in Europe

By kind of public authority (% of GDP, EU GDP for the EU response, EMU GDP otherwise)



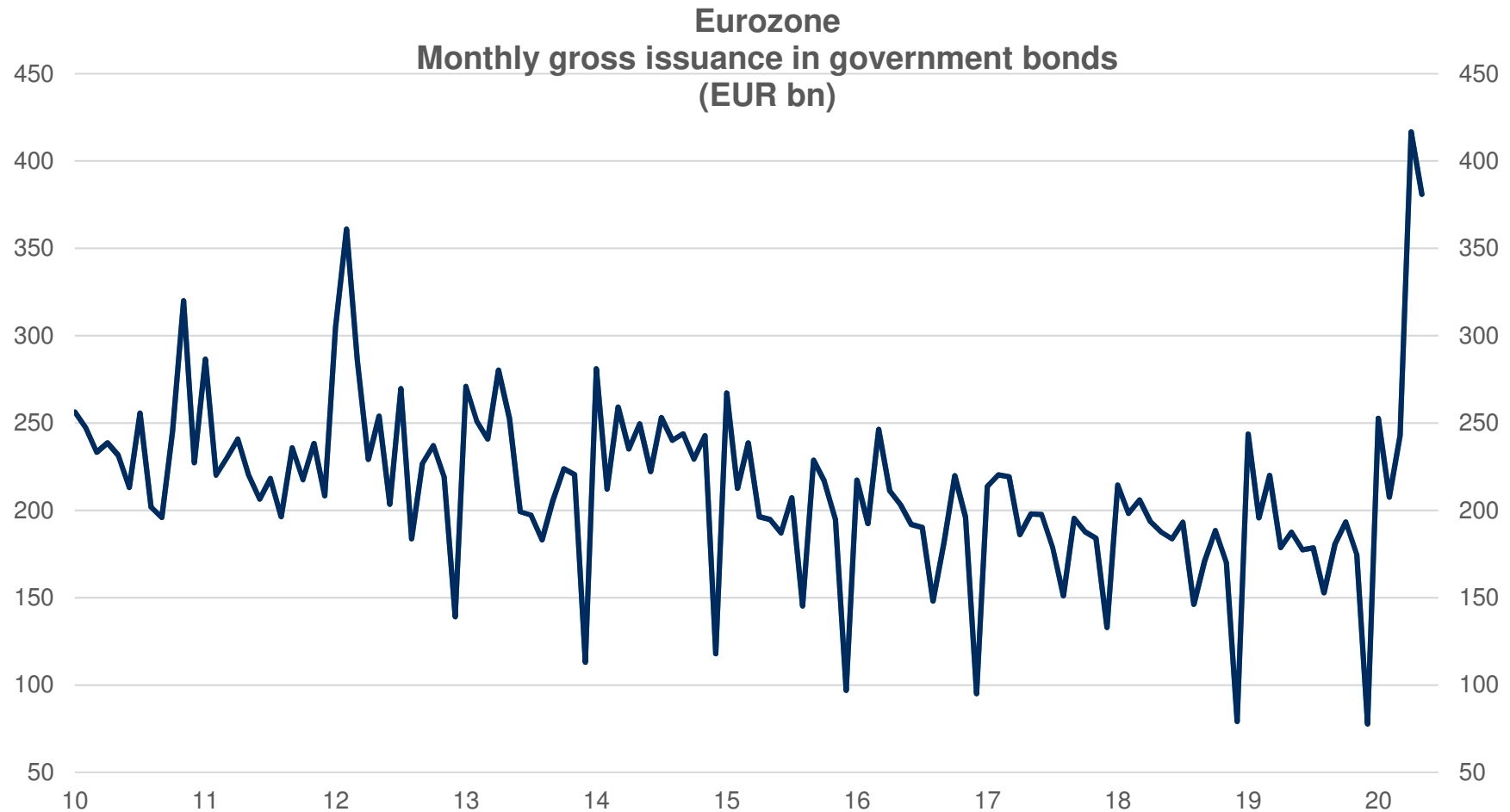
* Member States represent the weighed average of Eurozone big four

** ECB measures entail the March and June extensions of the QE Programmes and Banks' excess liquidity as of June 6.

Source: S&P Global Ratings, IMF Fiscal Monitor, ECB

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European Economic Outlook | ... Thanks to a prompt and coordinated policy response (2/2) ...



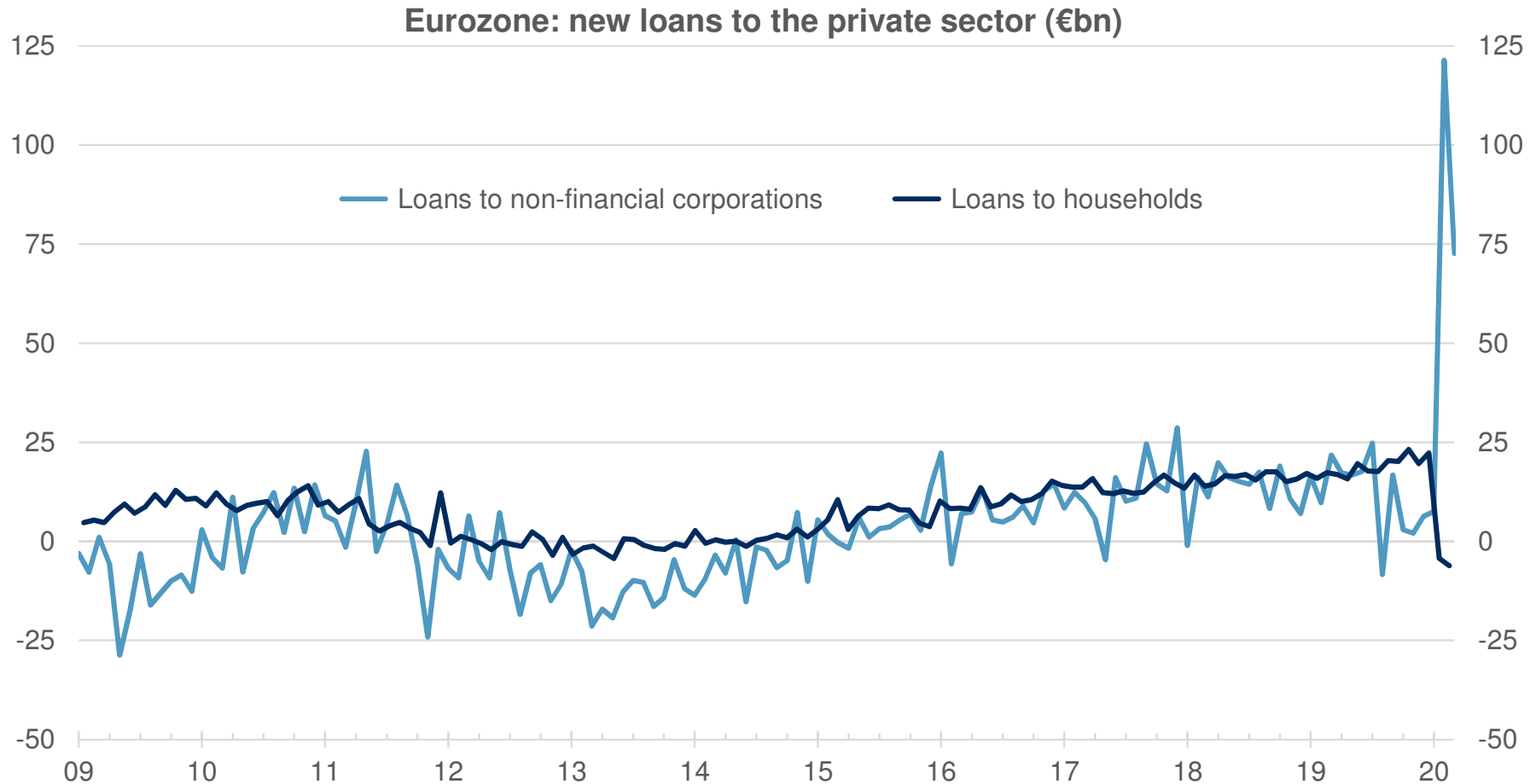
Source: Eurostat, S&P Global Ratings.

European Economic Outlook | ... Which aimed at keeping human and working capital afloat (1/2)



Source: Refinitiv, S&P Global Ratings.

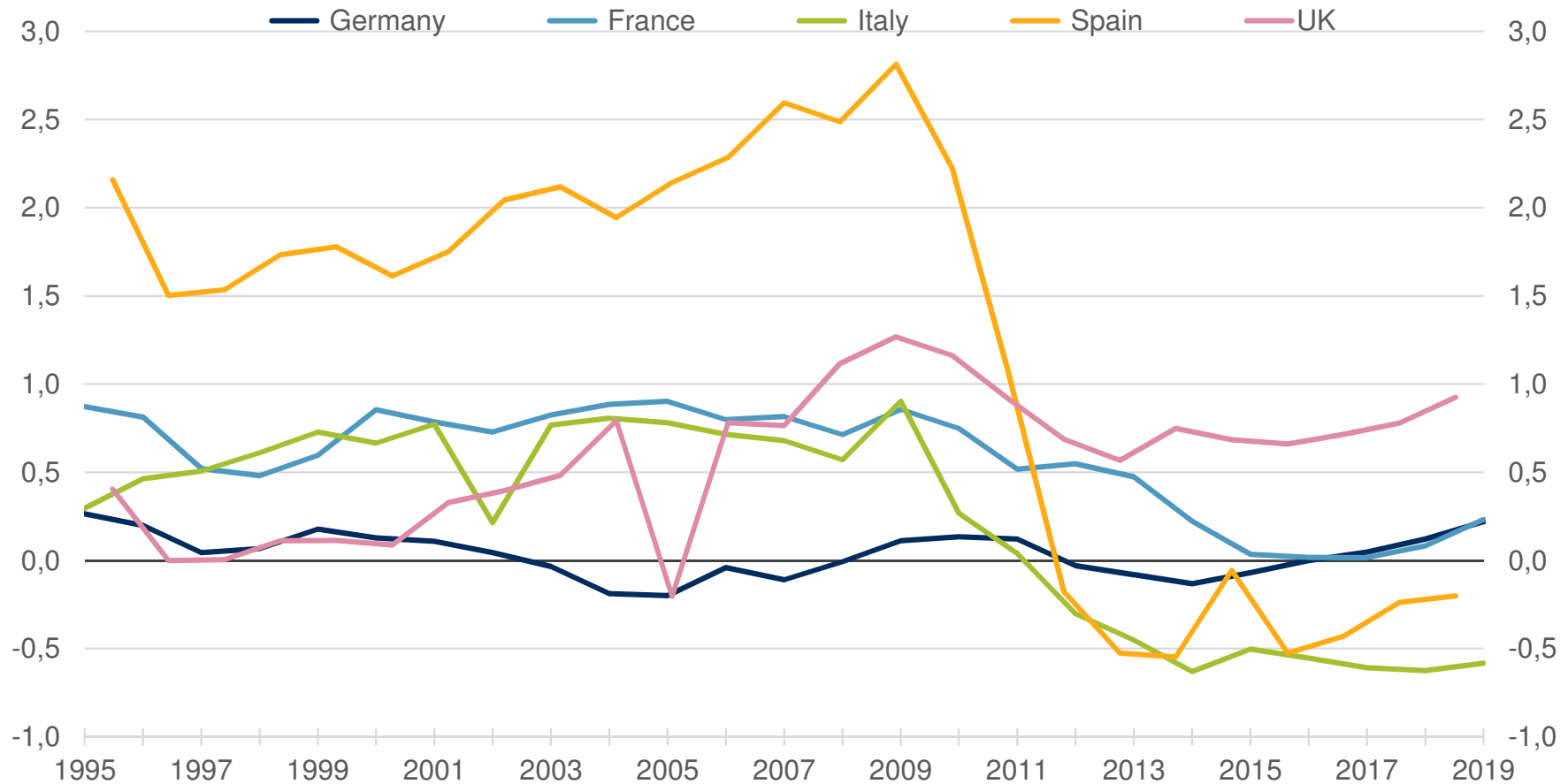
European Economic Outlook | ... Which aimed at keeping human and working capital afloat (2/2)



Source: Refinitiv, S&P Global Ratings.

European Economic Outlook | Now, it's time to consider investing in the European recovery

Net fixed capital formation - General government (% GDP)

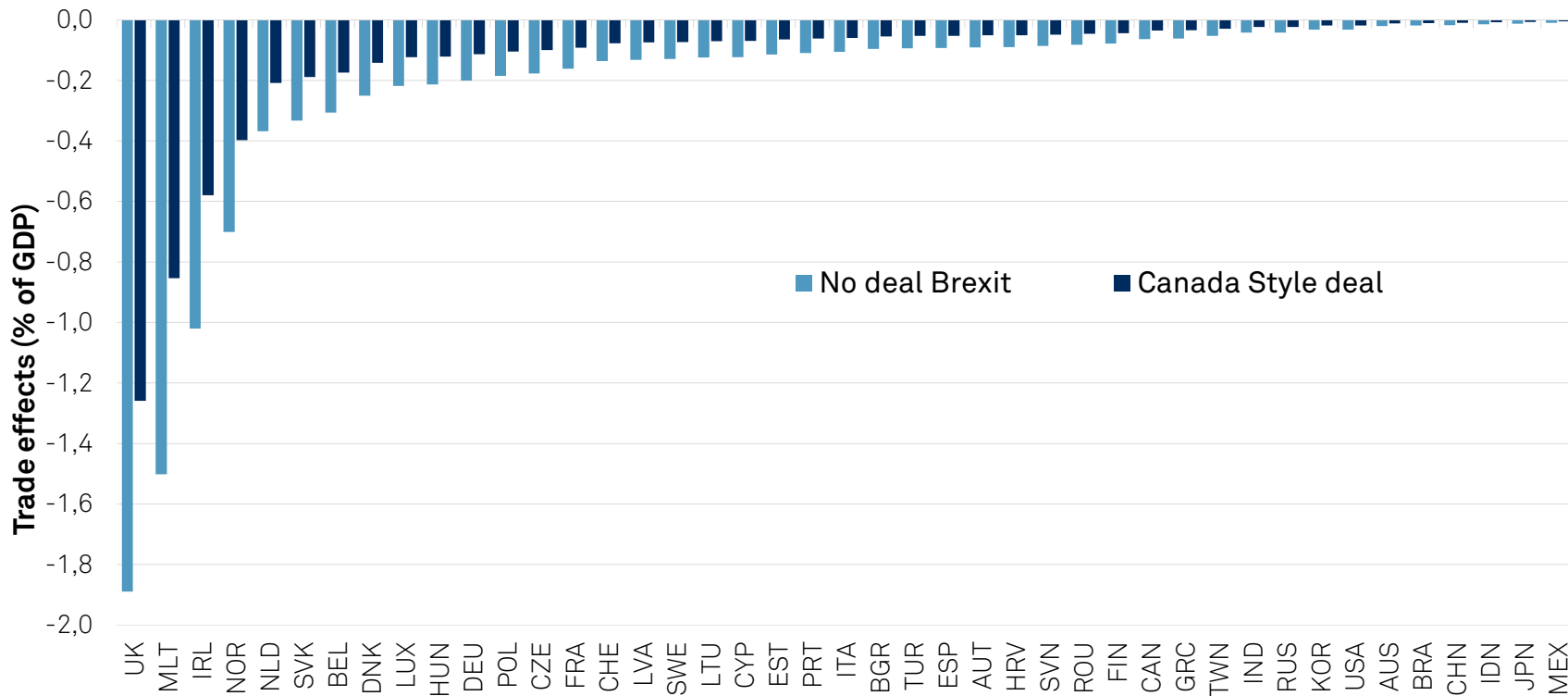


Source: AMECO, S&P Global Ratings

European Economic Outlook | **Brexit – a minima trade deal would be better than no deal**

No-Deal Brexit vs. Canada Style Trade Deal

Estimated direct trade effects (as % of countries')



Note: UK total GVA external trade; RoW GVA trade vs UK; assuming an increase in tariffs by 7.5% for the UK, 8.8% for the RoW in case of No-Deal, 5% for all in case of Canada Style deal, an elasticity to tariffs of 2 acc. to Fontagné et Al.

Source: S&P Global Ratings.

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European Economic Outlook | **Our Current View**

Growth (GDP, yoy%)

	2019	2020	2021
United States	2.3	-5.2	6.2
China	6.1	1.2	7.4
United Kingdom	1.4	-6.5	6.0
Eurozone	1.2	-7.3	5.6
France	1.3	-8.0	6.1
Germany	0.6	-6.0	4.3
Italy	0.2	-9.9	6.4
Spain	2.0	-8.8	5.1

Source: S&P Global Ratings

Inflation (CPI yoy%)

	2019	2020	2021
United States	1.8	0.9	2.7
China	2.9	3.2	1.2
United Kingdom	1.8	0.7	1.3
Eurozone	1.2	0.6	1.1
France	1.3	0.7	1.2
Germany	1.4	1.0	1.2
Italy	0.6	0.2	1.0
Spain	0.8	0.8	1.3

Source: S&P Global Ratings

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