

Europe's Economic Outlook: Cautious Optimism for Virus Stricken Continent

April 21, 2021

Today's Speakers



Mark Zandi, PhD
Chief Economist



Anna Zabrodzka
Economist



Luis Silva Yanez
Economist

Agenda

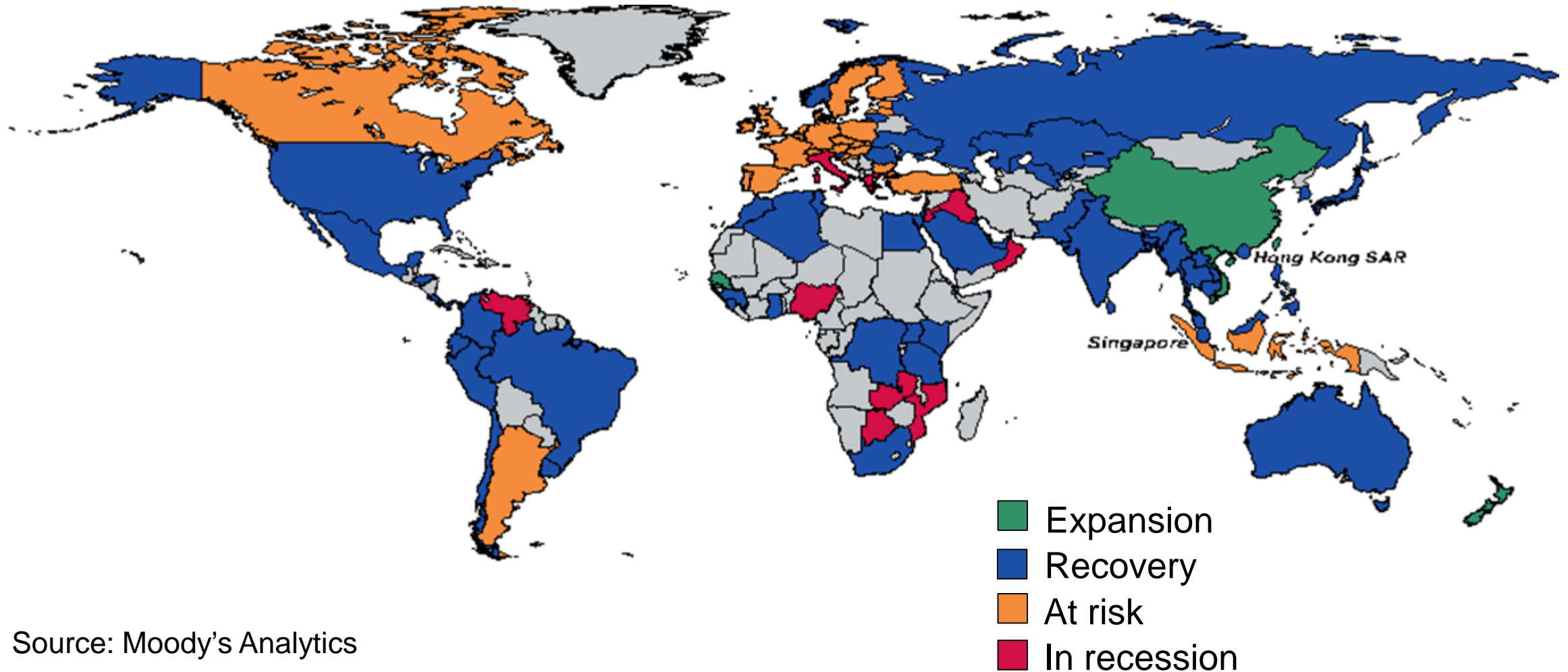
1. Global Economic Outlook
2. Europe Still Grapples with the Pandemic
3. The Matter of Rising Indebtedness
4. Q&A

1

Global Economic Outlook

Uneven Global Recovery

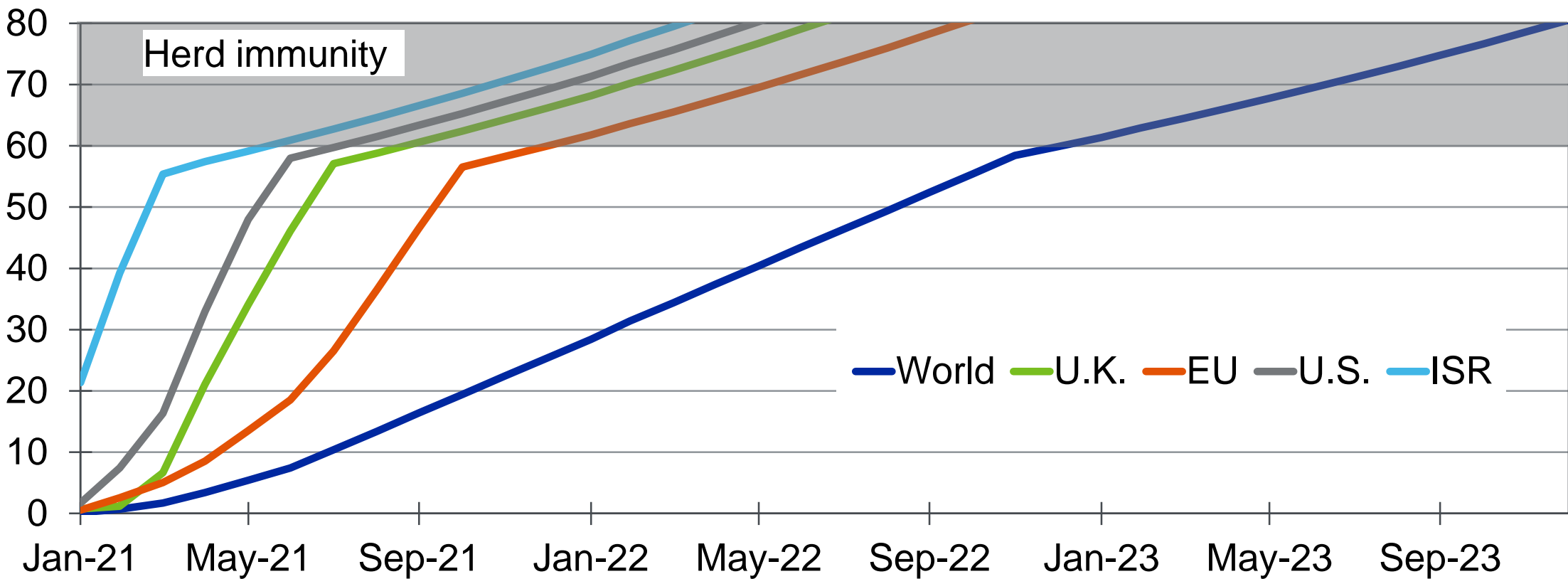
Global Business Cycle Status, April 2021



Source: Moody's Analytics

Achieving Herd Immunity Varies

% of population vaccinated and with immunity



Sources: Our World in Data, World Bank, Moody's Analytics

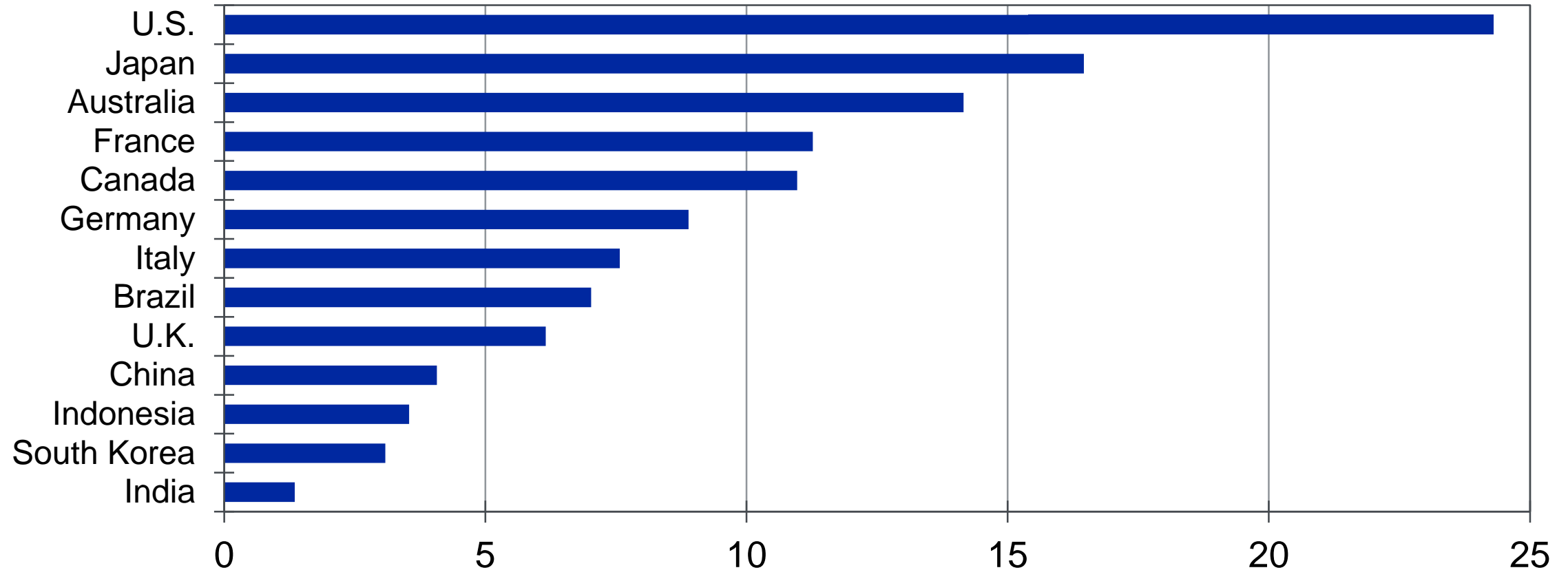
Lots of Pent-Up Demand and Cash

	GDP	Excess Household Savings		
	<i>Bil\$</i>	<i>% of Disposable Income</i>	<i>Bil \$</i>	<i>% of GDP</i>
World	83,235	8.4	5,398.2	6.5
United States	21,872	13.8	2,623.2	12.0
United Kingdom	2,942	14.8	306.4	10.4
Kuwait	115	4.7	11.4	9.9
Canada	1,862	16.6	180.9	9.7
Latvia	37	14.9	3.1	8.3
Spain	1,387	13.3	114.7	8.3
Qatar	167	26.0	13.6	8.2
Israel	445	10.3	35.7	8.0
Belgium	554	12.7	39.5	7.1
Australia	1,590	10.5	110.9	7.0
Portugal	252	10.5	17.6	7.0
Bahrain	37	13.6	2.5	6.8
Netherlands	985	13.3	62.4	6.3
Italy	2,026	9.8	126.3	6.2
Switzerland	784	10.3	48.3	6.2
Germany	4,081	10.3	251.0	6.2
France	2,838	9.1	156.2	5.5
Austria	458	9.0	24.8	5.4
Norway	423	12.0	22.8	5.4
Czechia	272	8.8	12.5	4.6

Sources: Moody's Analytics

Massive Policy Support

Fiscal support, % of 2019 GDP



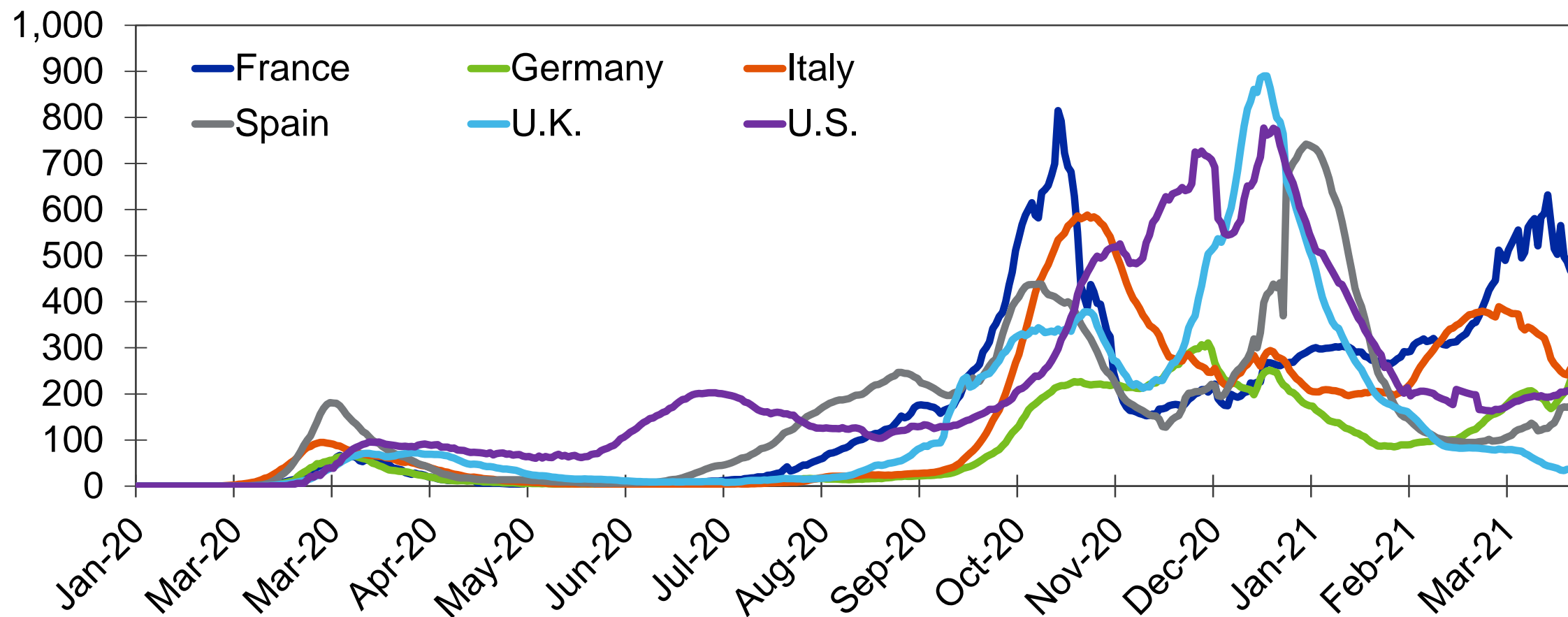
Sources: Moody's Analytics

2

Europe Still Grapples
with the Pandemic

Situation Varies Strongly Across Europe

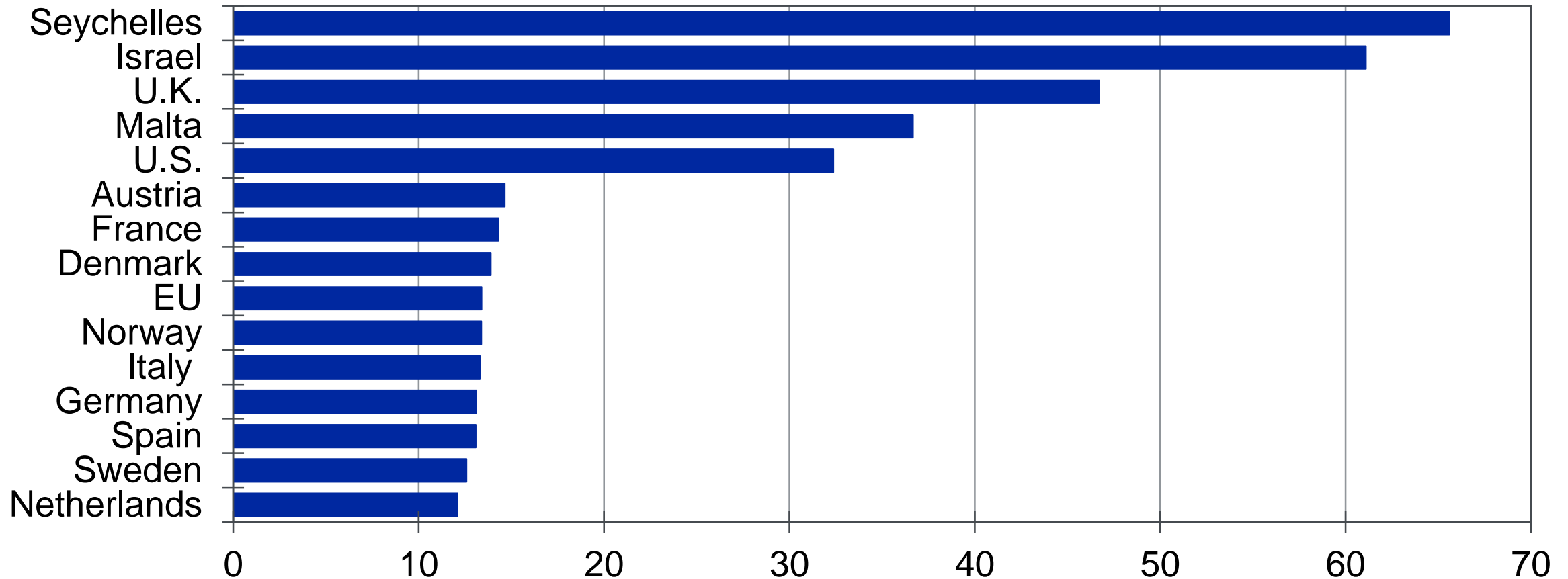
Coronavirus reported cases per 100,000 population, 7-day MA, as of Apr 16



Sources: WHO, Moody's Analytics

Israel and Seychelles Lead the Vaccinations

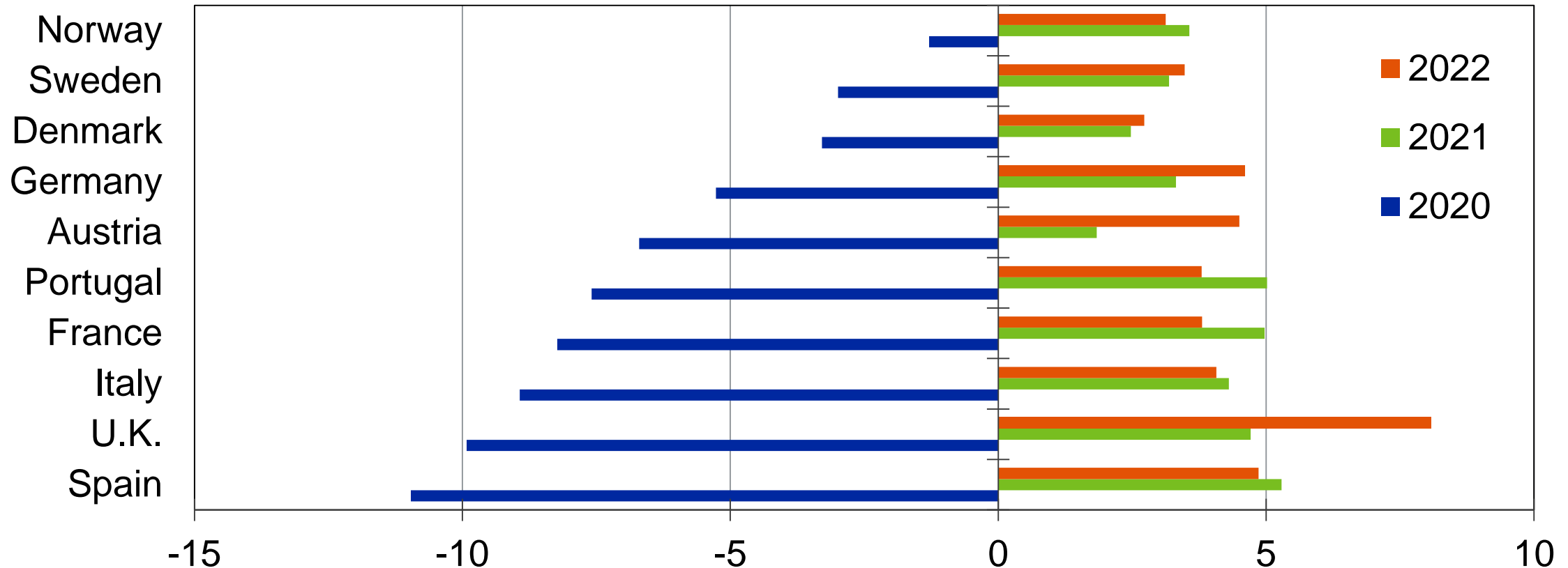
Total vaccinations as share of adult population in %, as of Apr. 6



Source: Our World in Data, Moody's Analytics

Recovery Expected in 2021...

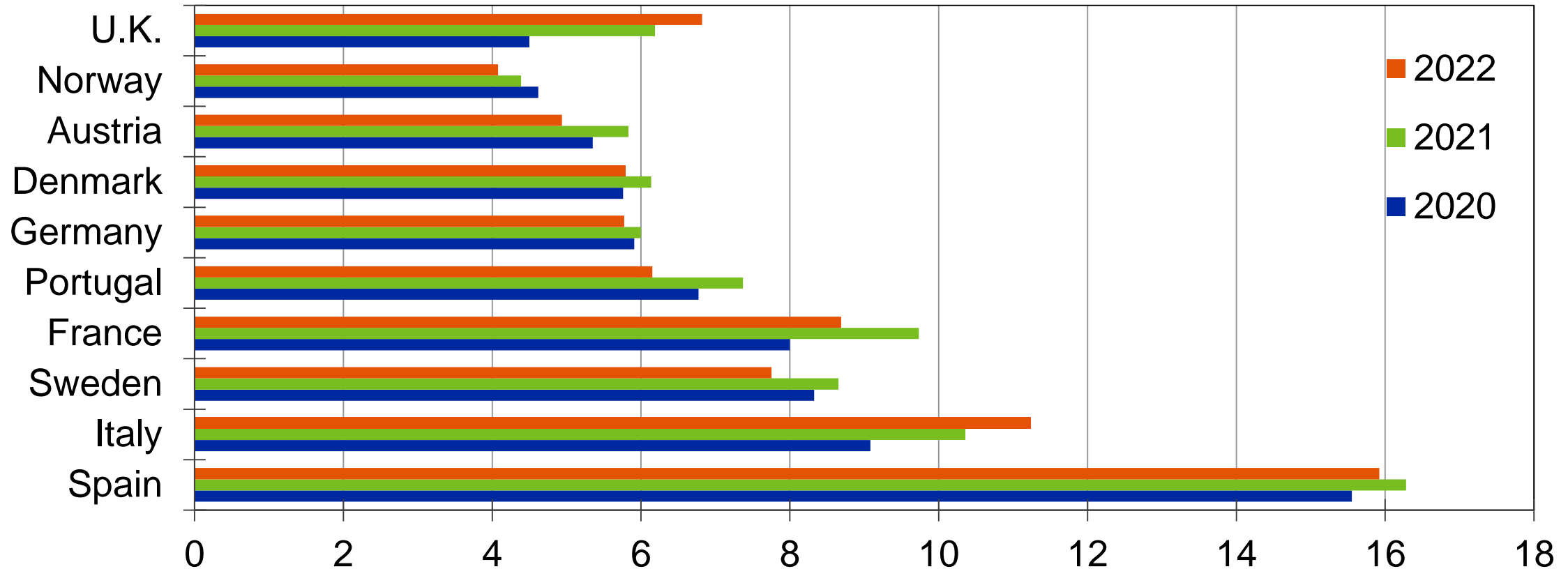
Real GDP, % change year ago



Sources: National Statistics Offices, Moody's Analytics

...But Unemployment Rates Will Still Rise

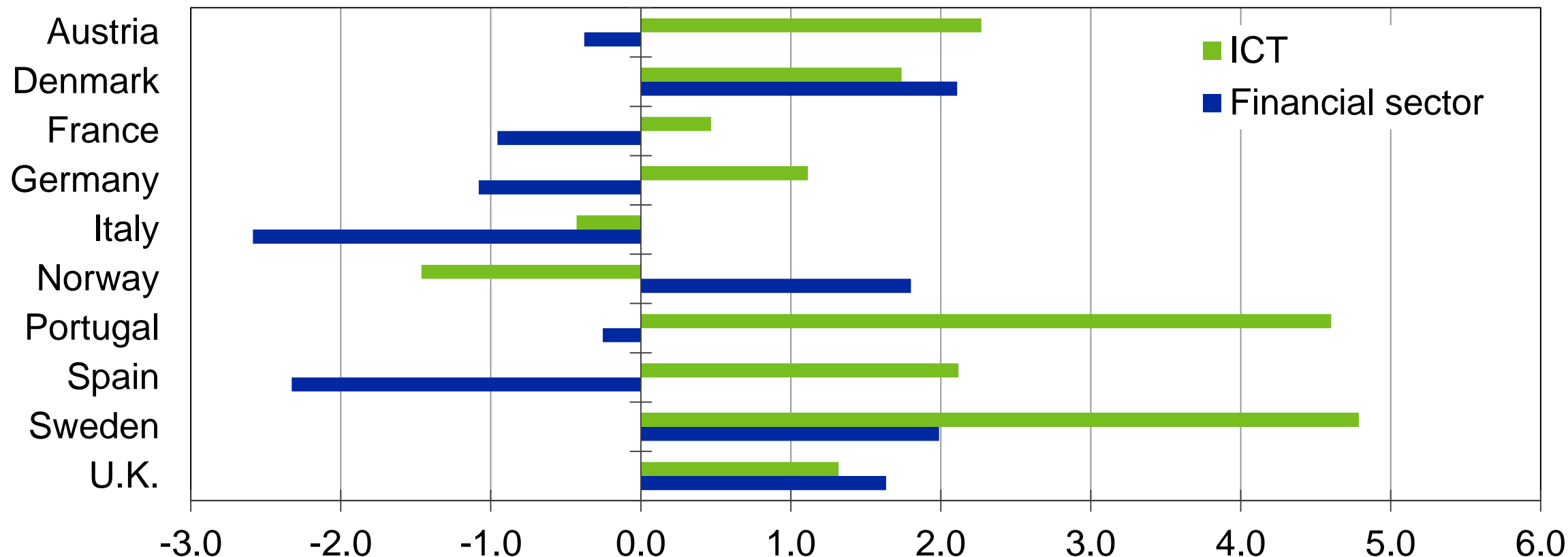
Unemployment rate, %



Sources: National Statistics Offices, Moody's Analytics

Employment in Some Sectors Managed to Hold

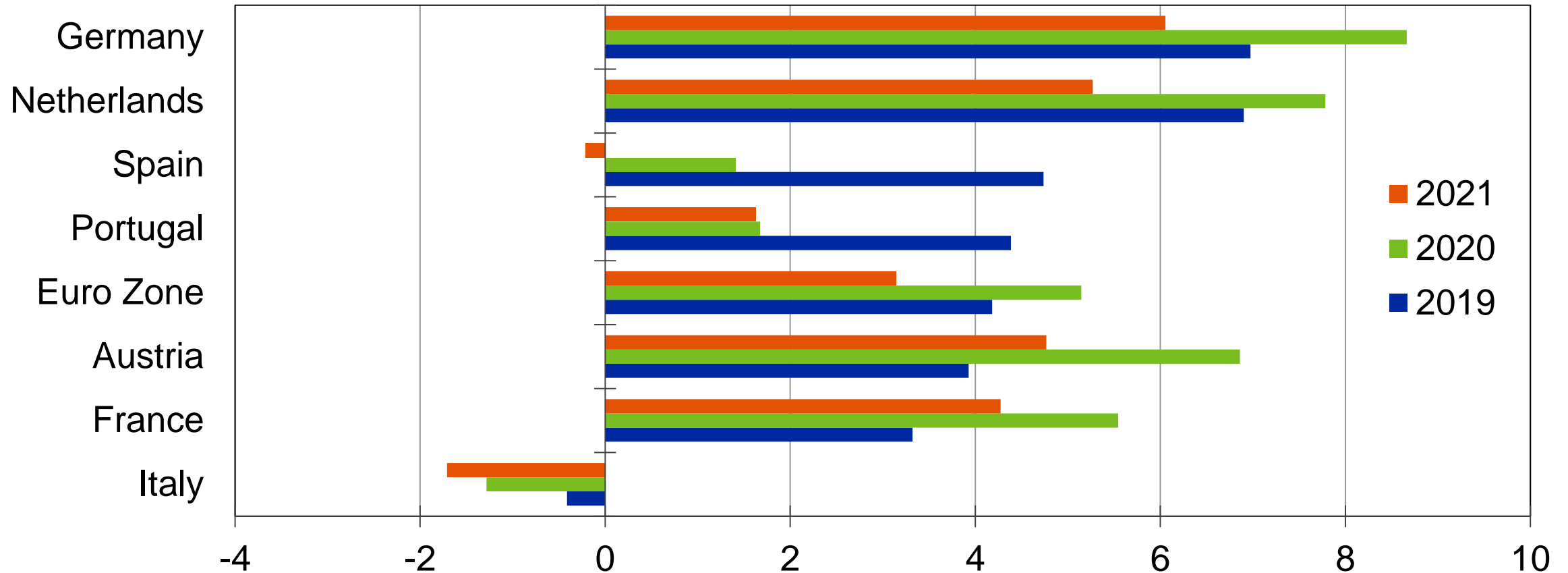
Employment in 2020, % change yr-ago



Sources: National Statistics Offices, Moody's Analytics

Growth in House Prices Should Cool in 2021

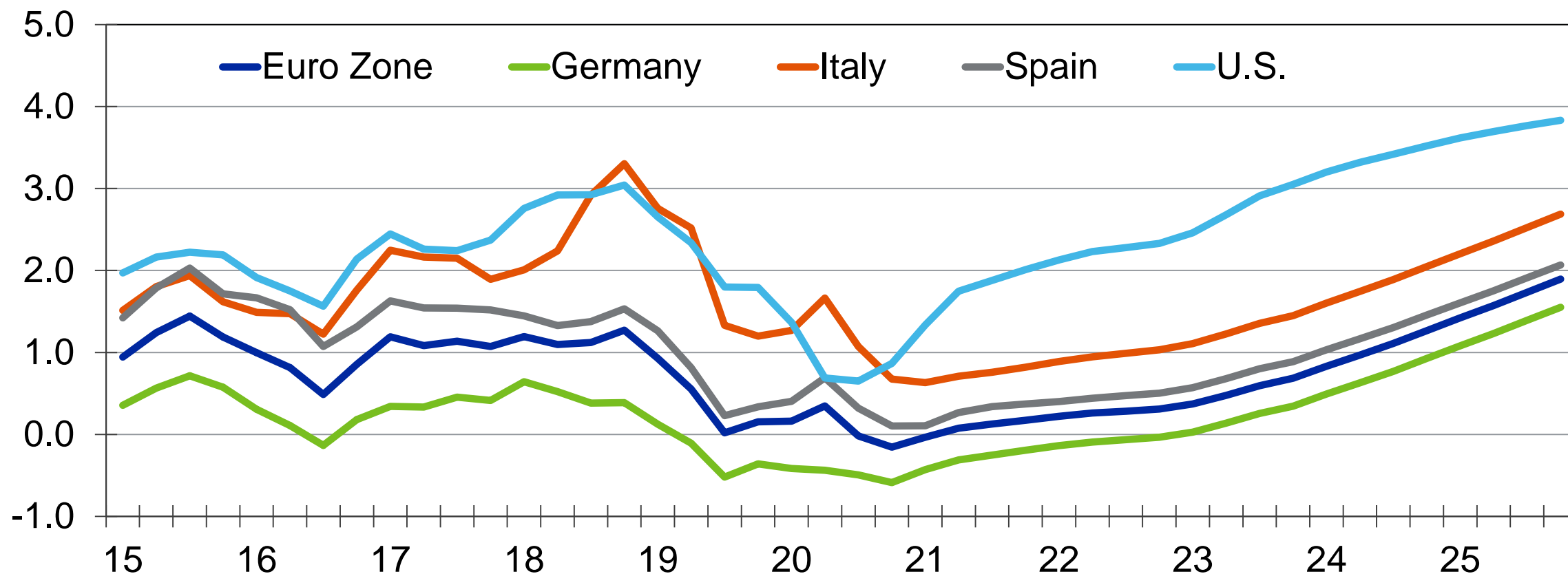
House price index, % change



Sources: Moody's Analytics

Gov. Bond Yields Already Started to Rise

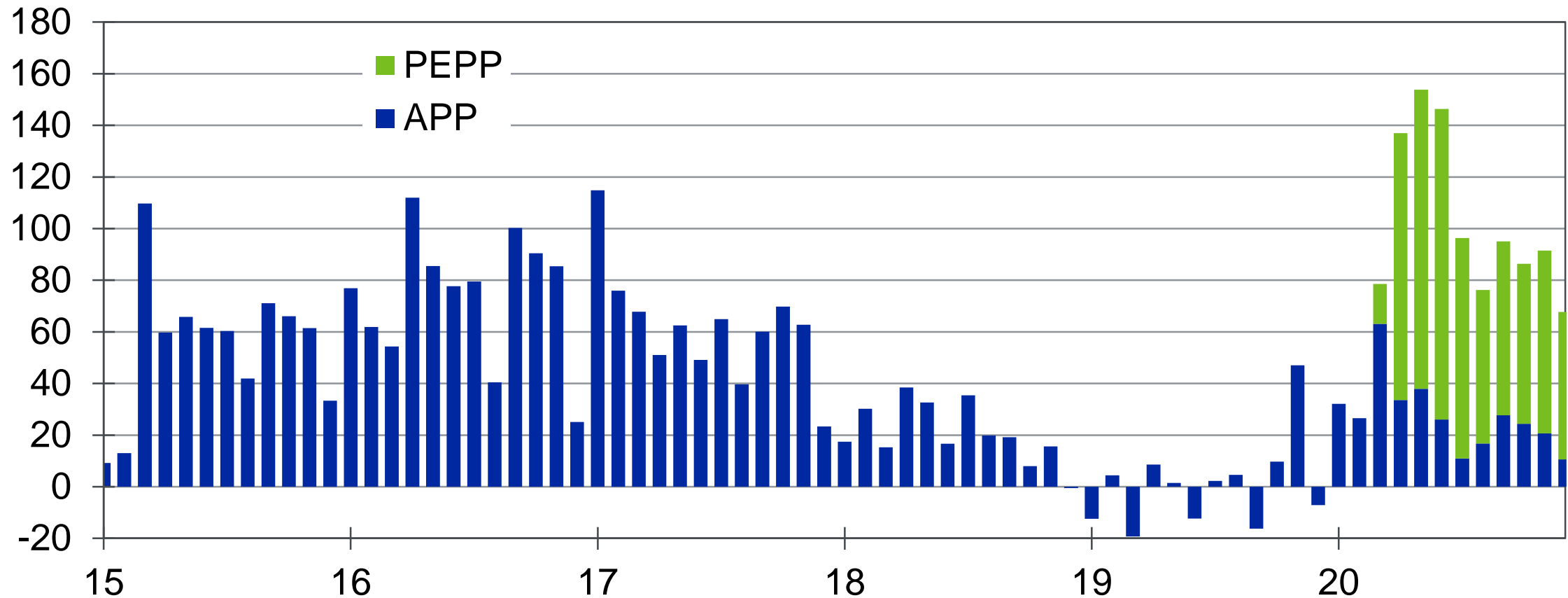
10-yr government bond yields, %



Sources: National Central Banks, Moody's Analytics

Asset Purchases Remain High

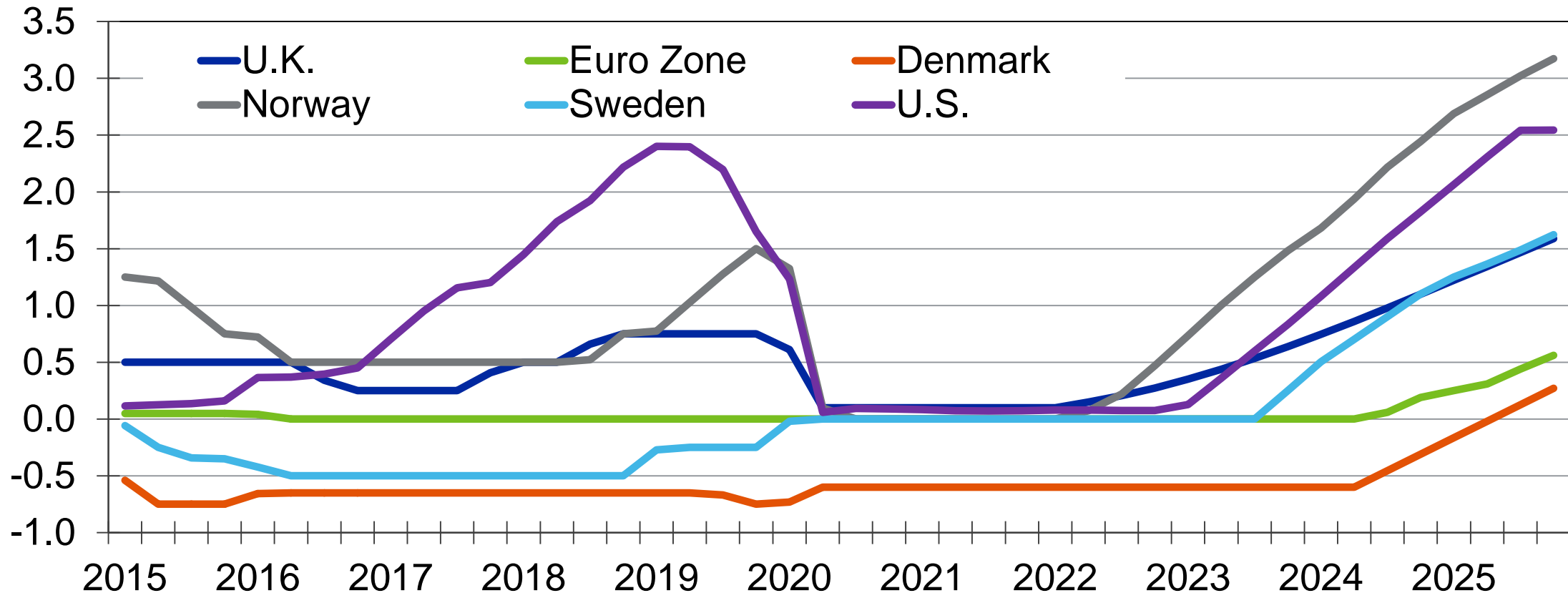
Net asset purchases by ECB, € bil



Sources: ECB, Moody's Analytics

Key Policy Rates Still Expected to Remain Low

Central Banks' key policy rates, %



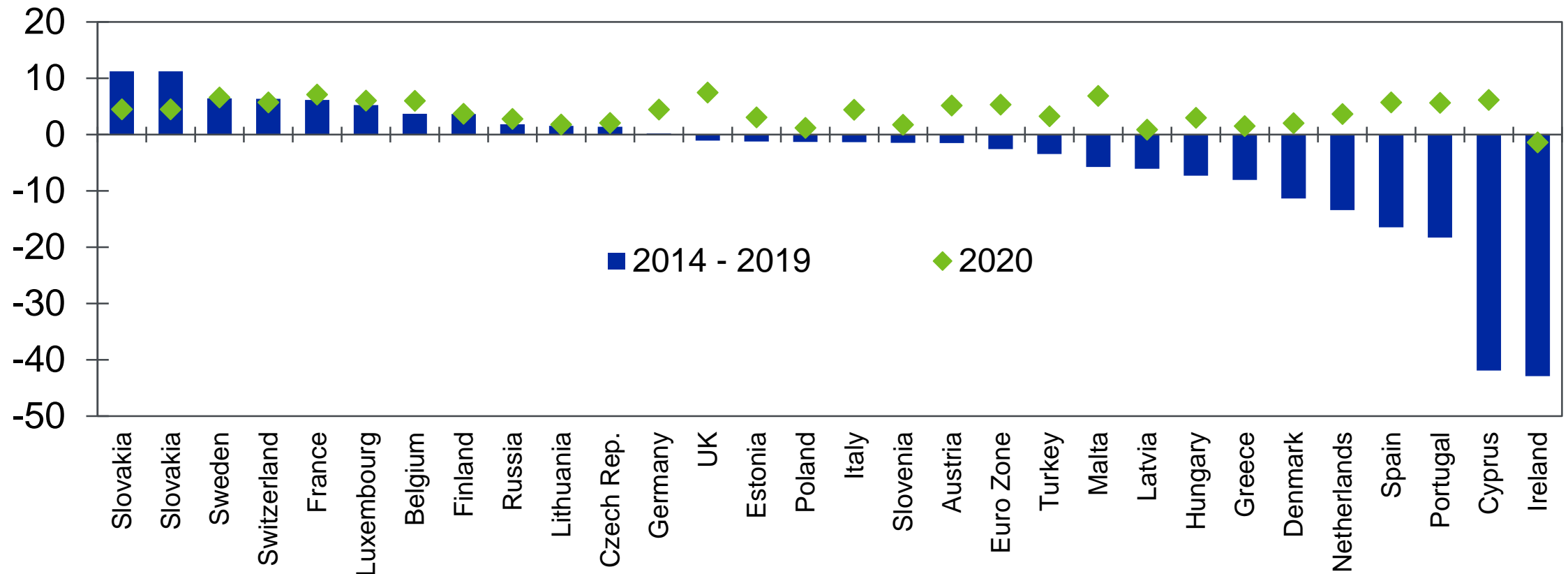
Sources: National Central Banks, Moody's Analytics

3

The Matter of Rising Indebtedness

European Households Lever Up in Pandemic

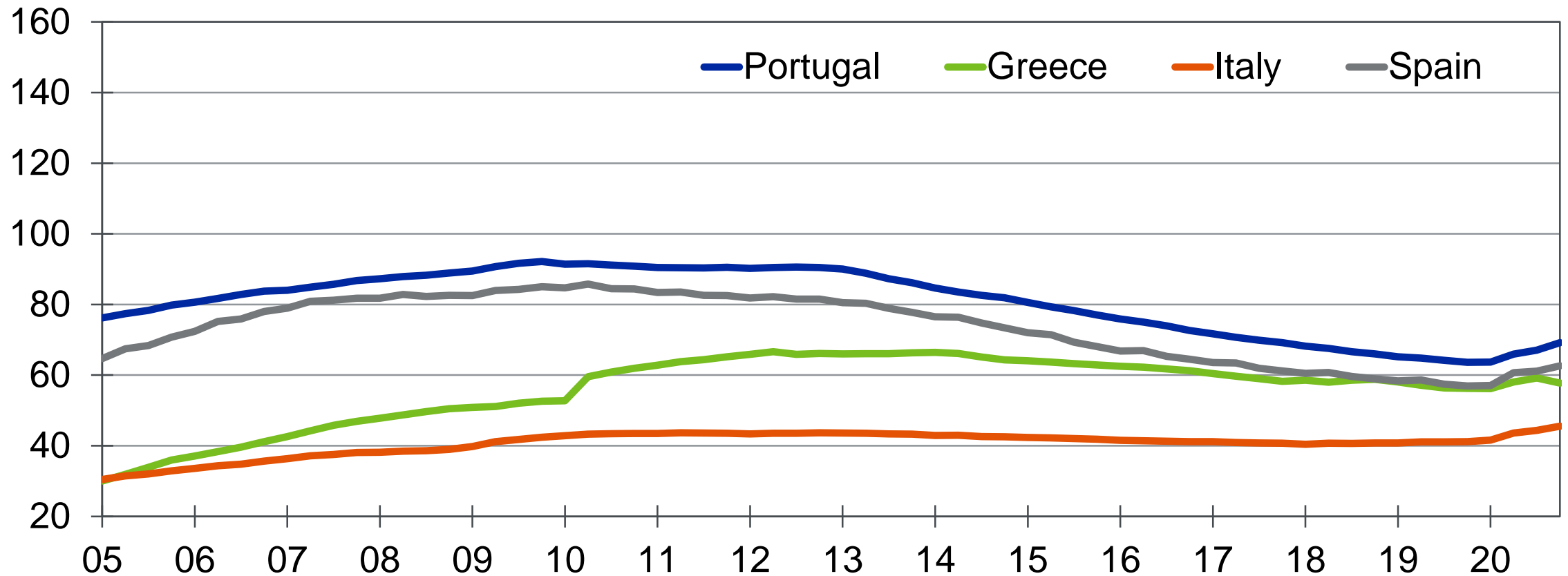
Change, household debt to GDP ratio, %



Sources: IIF, Moody's Analytics

De-Leveraging in PIGS Goes into Reverse

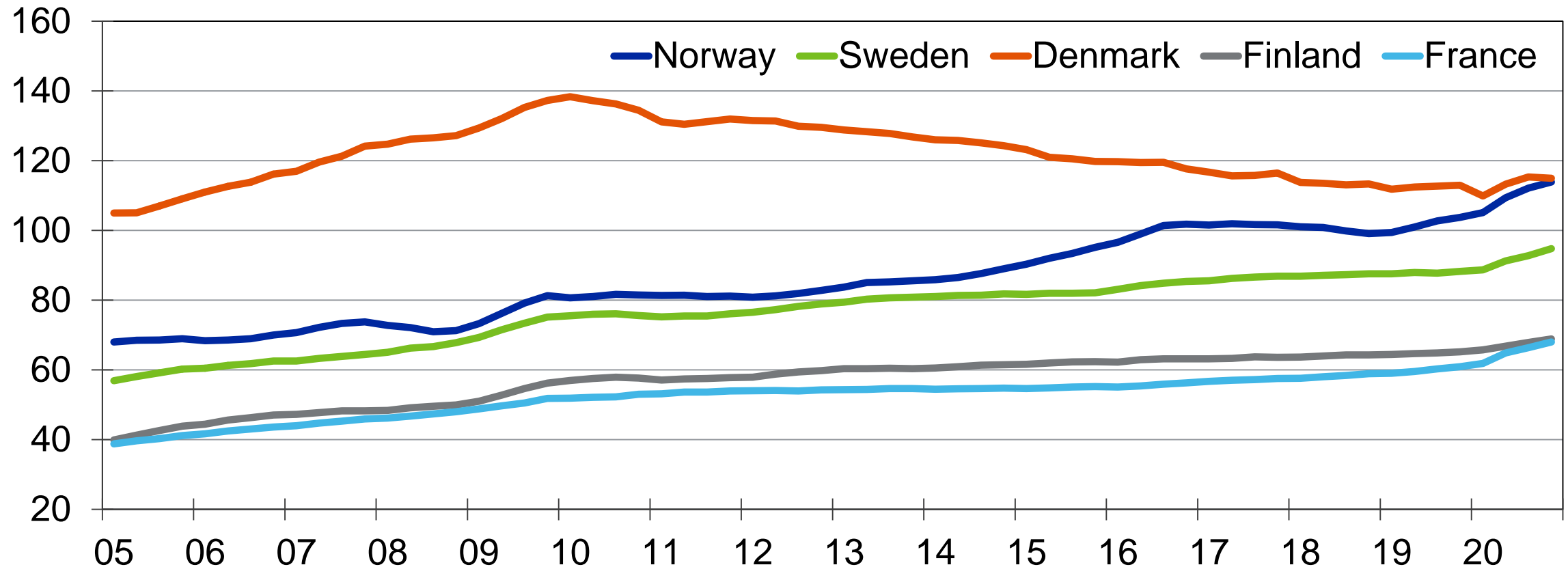
Household debt to GDP, %



Sources: IIF, Moody's Analytics

Nordics, France See Steady Rise

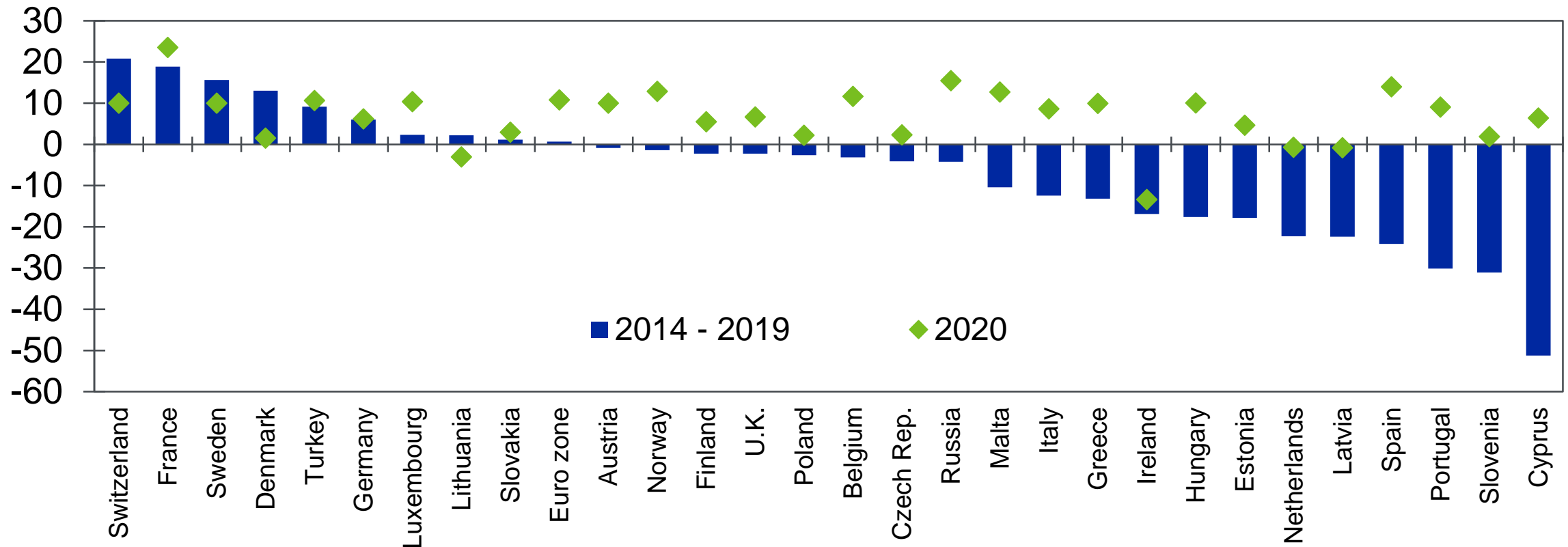
Household debt to GDP, %



Sources: IIF, Moody's Analytics

European Firms Borrow Again in Pandemic

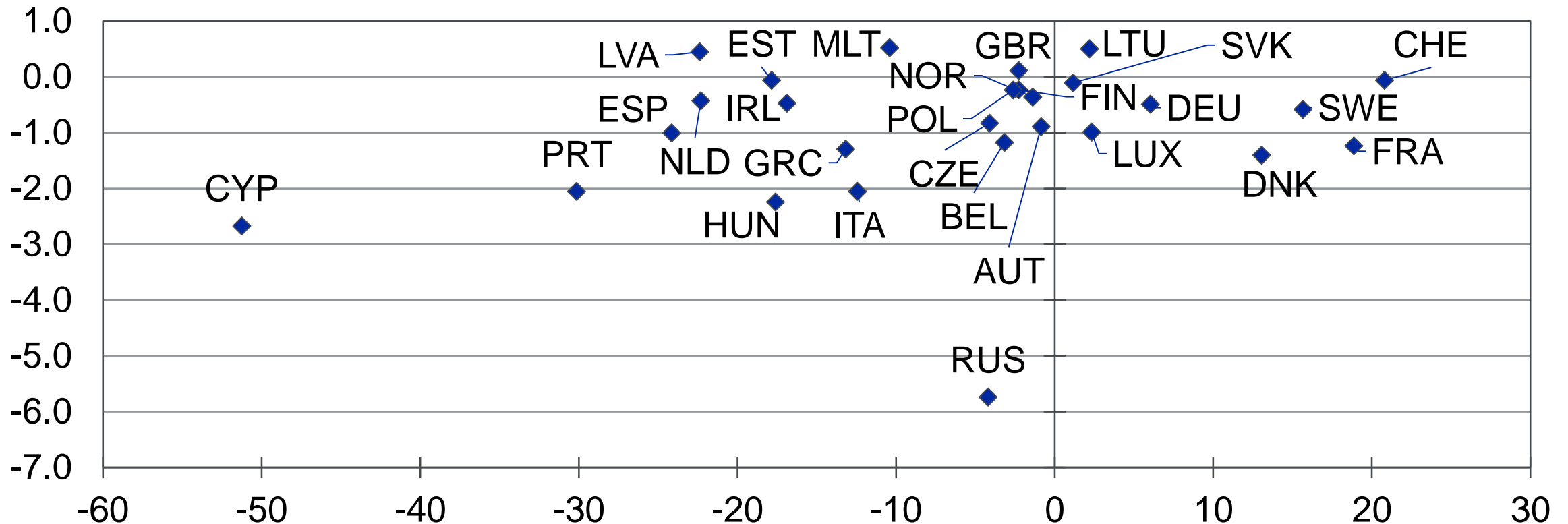
Change, corporate debt to GDP ratio, %



Sources: IIF, Moody's Analytics

Change in Rates and Leverage Before the Pandemic

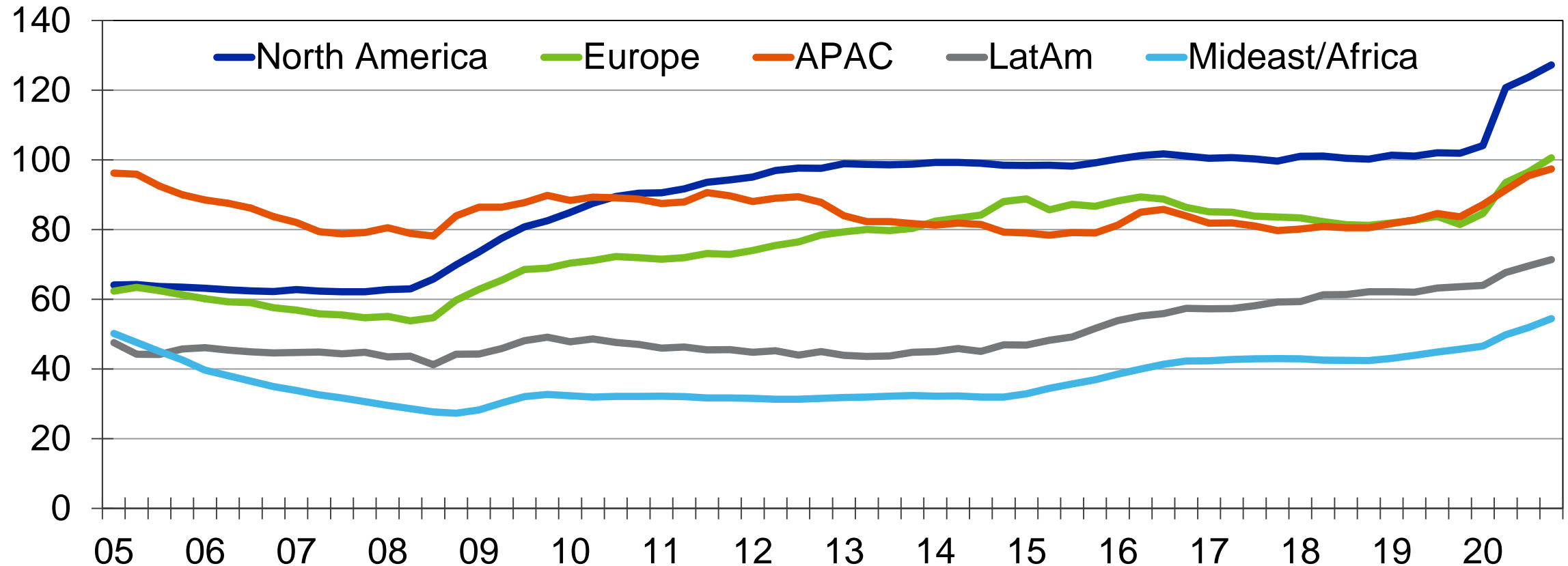
Debt ratio 5-yr change, ppts, (x-axis), Lending rate 5-yr change, ppts, (y-axis)



Sources: IIF, BIS, Moody's Analytics

Government Debt Spikes Across Regions

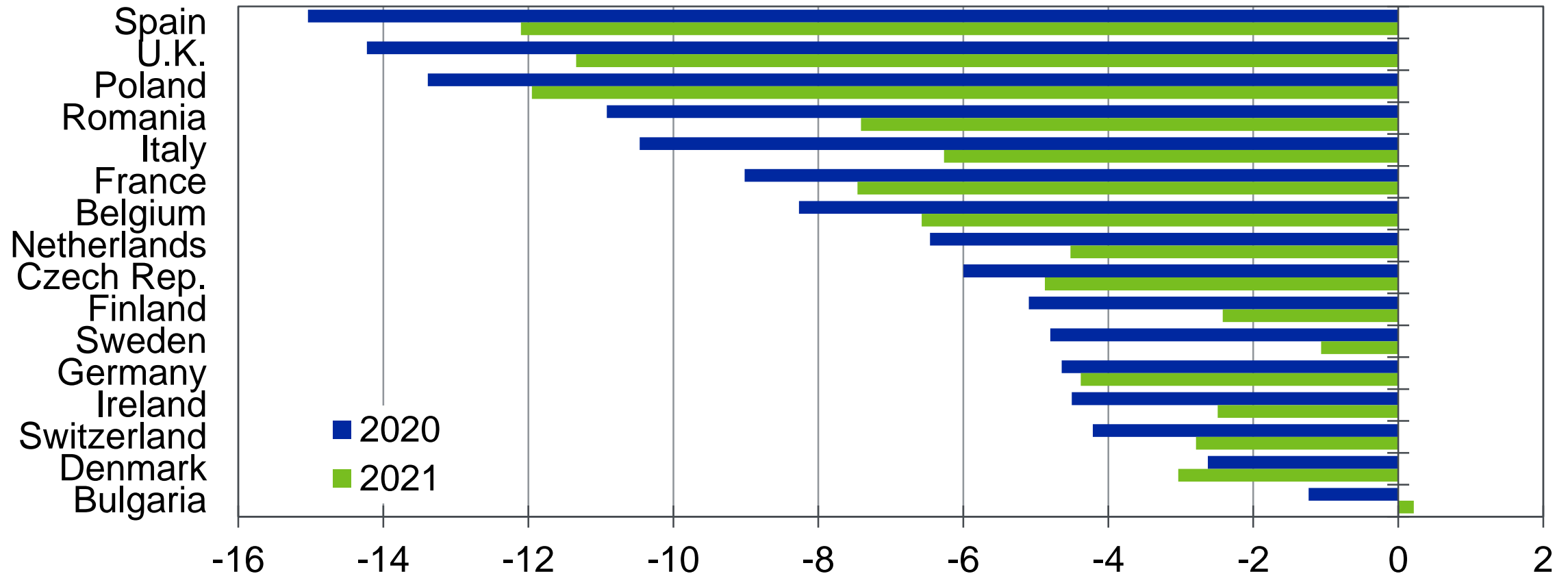
Government debt to GDP, %



Sources: IIF, Moody's Analytics

Fiscal Relief Has Inflated Government Deficits

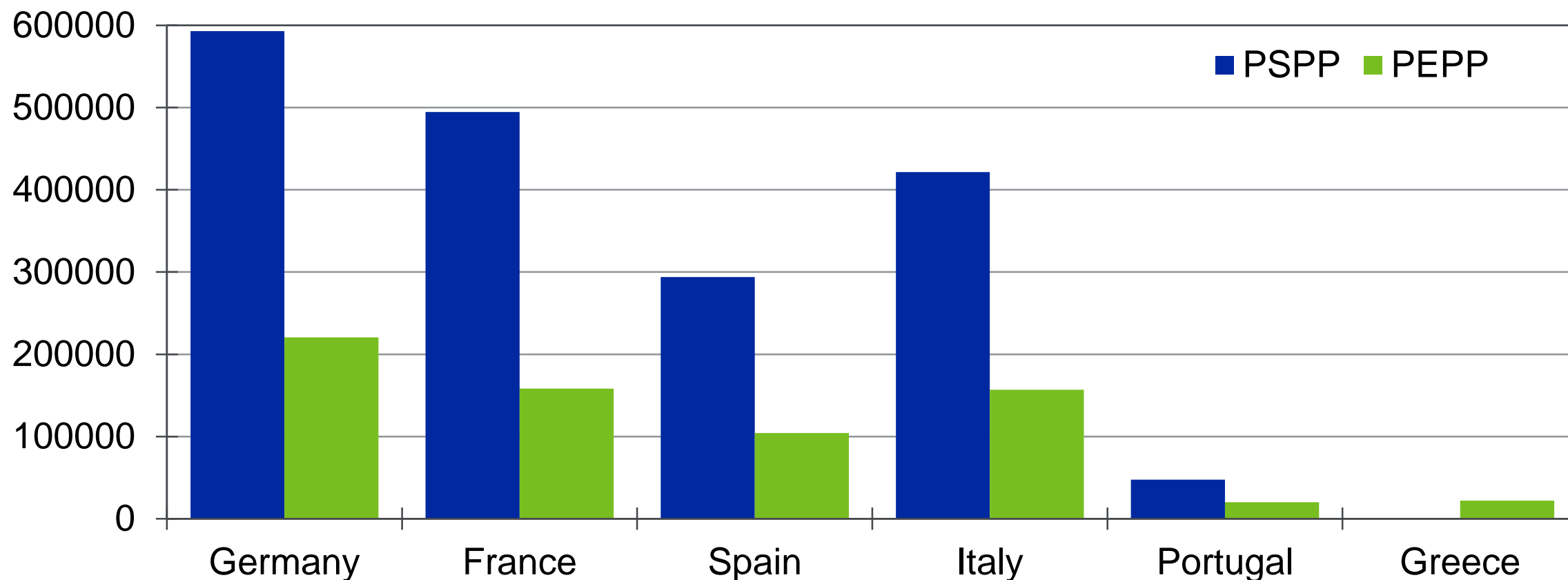
Government balance, % of GDP



Sources: National Statistics Offices, Moody's Analytics

Government Debt Purchases by ECB

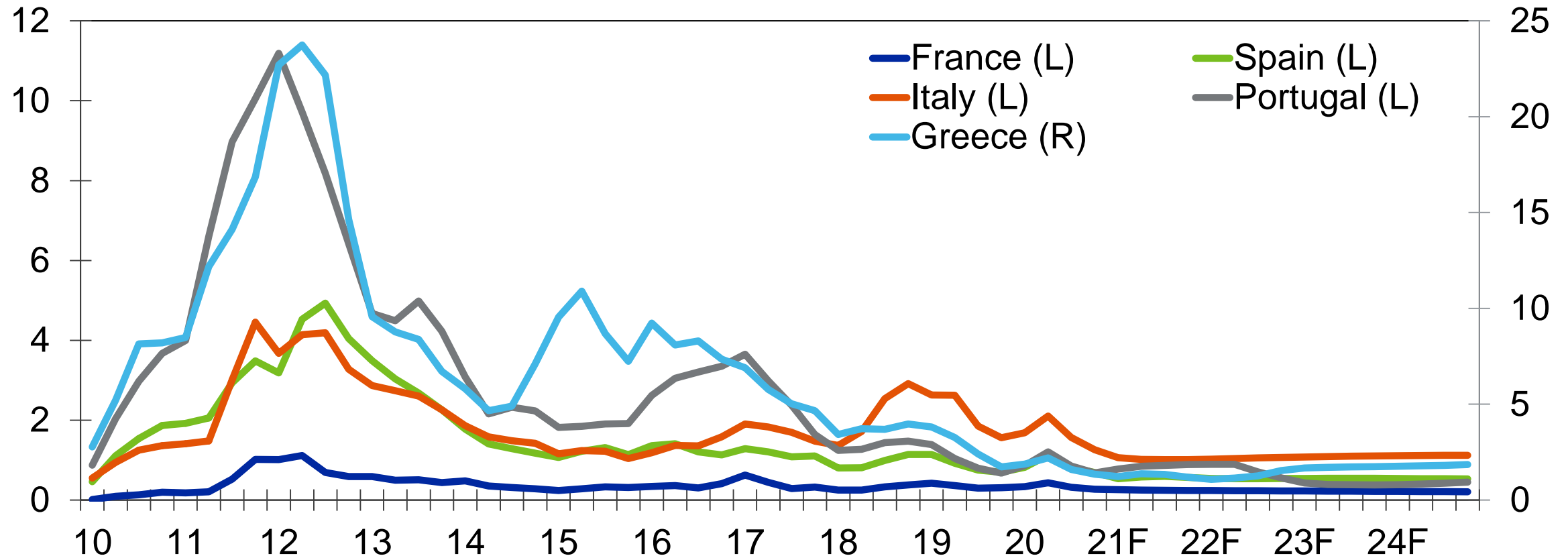
Cumulative net purchases as of March 2021, euros mills



Source: EBA, Moody's Analytics

Country Risk Premia Under Control

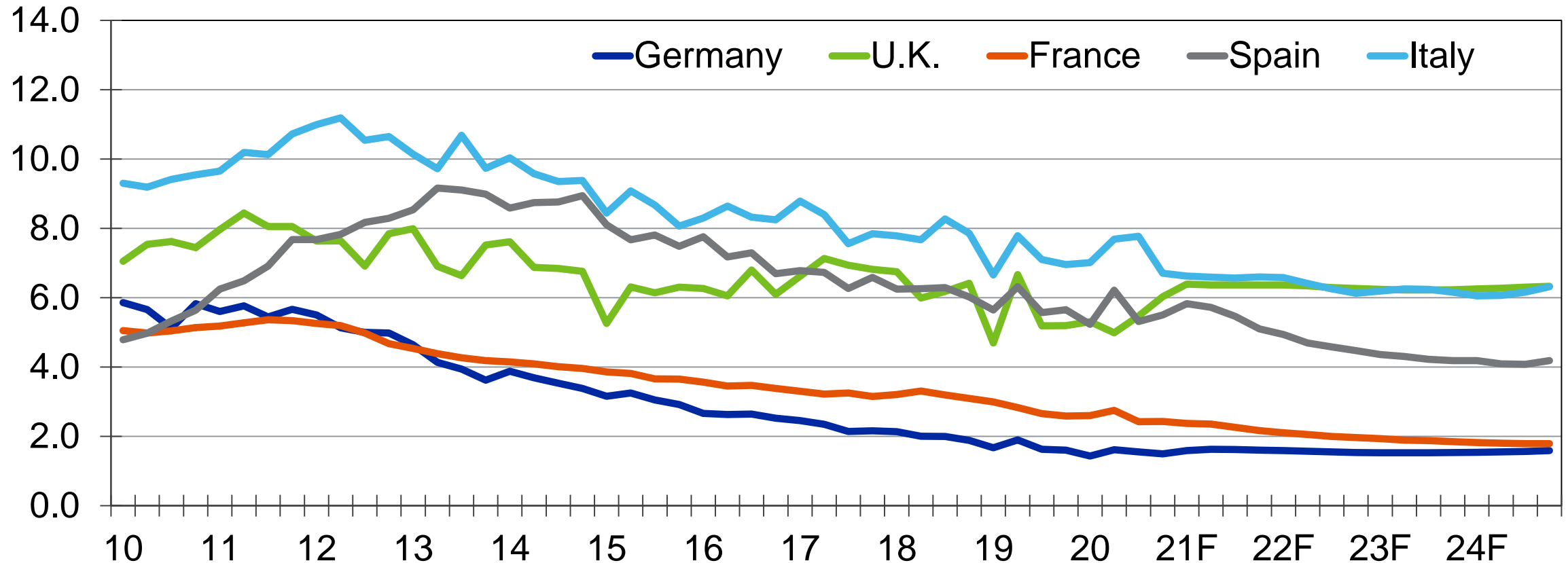
Spread – country x 10-year sovereign yield vs. Germany 10-year sovereign yield, %



Sources: National Central Banks, Moody's Analytics

Pressures on Gov. Budgets Decrease... for Now

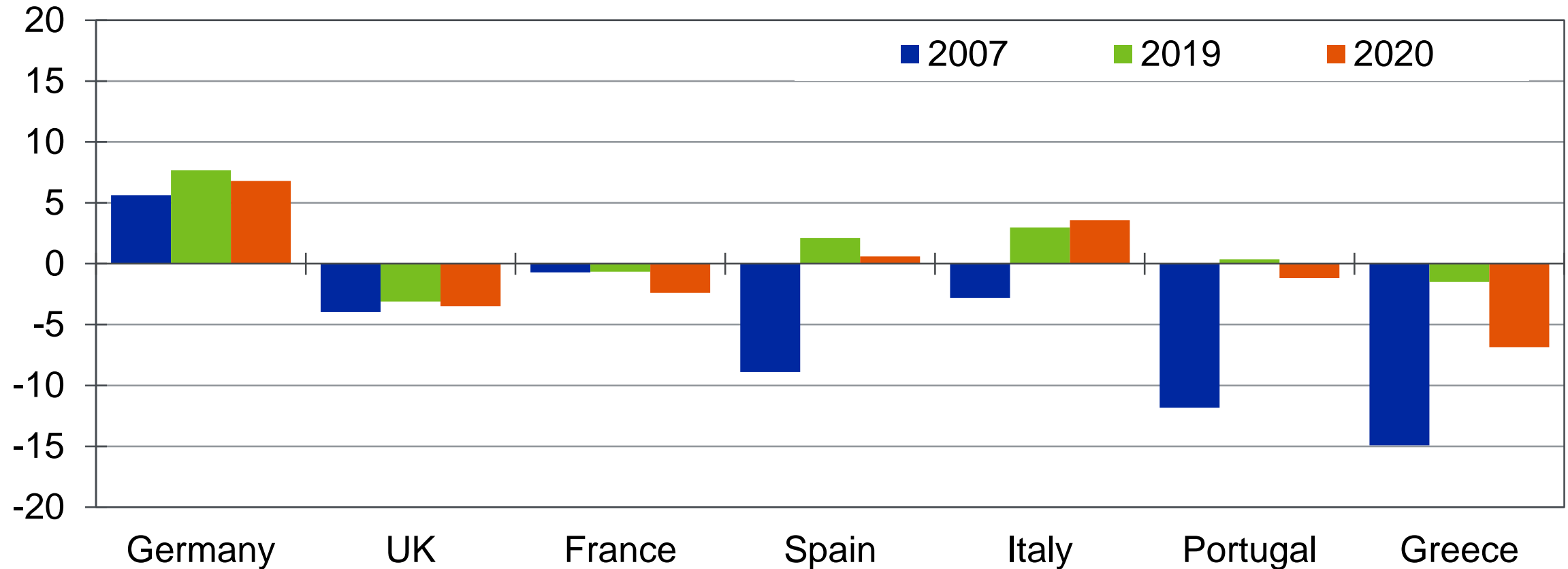
Debt service to Government Revenues, %



Sources: National Statistical Offices, Moody's Analytics

Current Account Balances Comparison

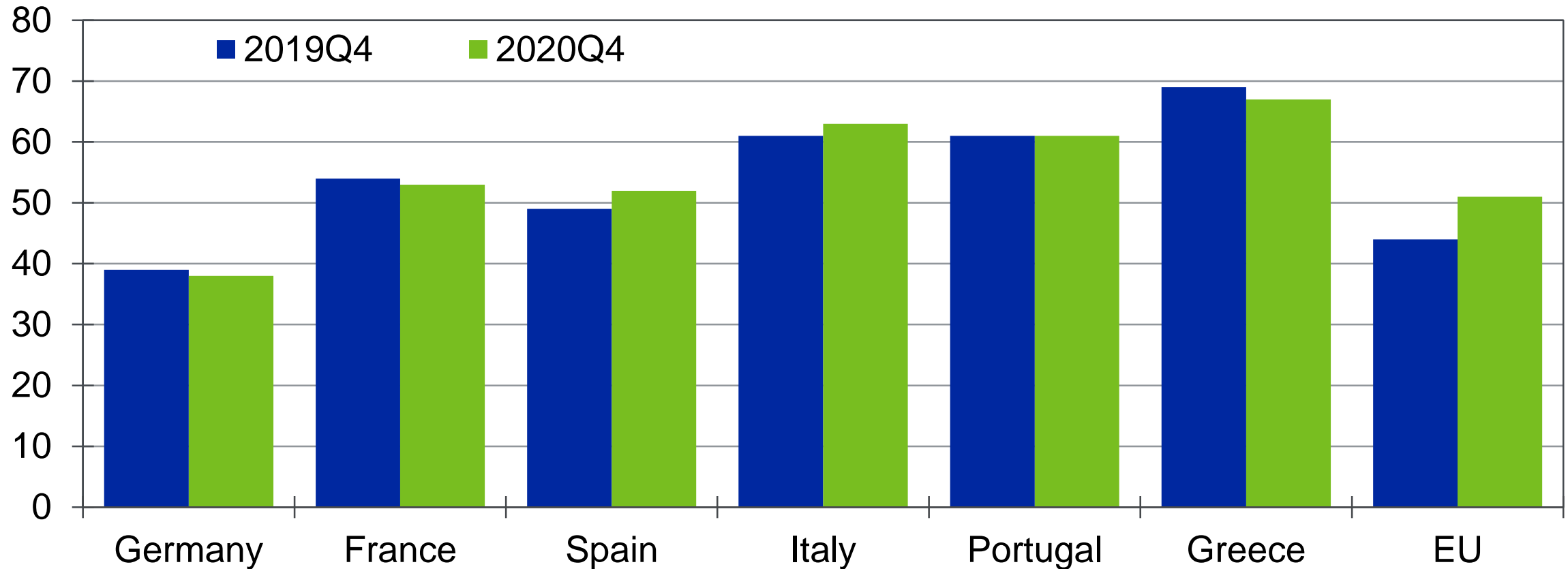
Current account balance, % of GDP



Source: National Statistical Offices, Moody's Analytics

Home Bias on Sovereign Bonds

Percentage of total sovereign exposure to home country



Source: EBA, Moody's Analytics

Contact Us: Economics & Business Analytics Offices

West Chester, EBA-HQ

+1.610.235.5299
121 North Walnut Street, Suite 500
West Chester PA 19380
USA

New York, Corporate-HQ

+1.212.553.1653
7 World Trade Center, 14th Floor
250 Greenwich Street
New York, NY 10007
USA

London

+44.20.7772.5454
One Canada Square
Canary Wharf
London E14 5FA
United Kingdom

Toronto

+1.416.681.2133
200 Wellington Street West, 15th Floor
Toronto ON M5V 3C7
Canada

Prague

+420.22.422.2929
AFI Butterfly
B1 3rd Floor, Pernerova 691/42
186 00 Prague 8 - Karlin
Czech Republic

Sydney

+61.2.9270.8111
Level 10, 1 O'Connell Street
Sydney, NSW, 2000
Australia

Singapore

+65.6511.4400
6 Shenton Way
#14-08 OUE Downtown 2
Singapore 068809

Shanghai

+86.21.6101.0172
Unit 2306, Citigroup Tower
33 Huayuanshiqiao Road
Pudong New Area, 200120
China

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