



The world after the crisis: Questions on debt and growth

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Banking that matters. |  **UniCredit**
Corporate & Investment Banking



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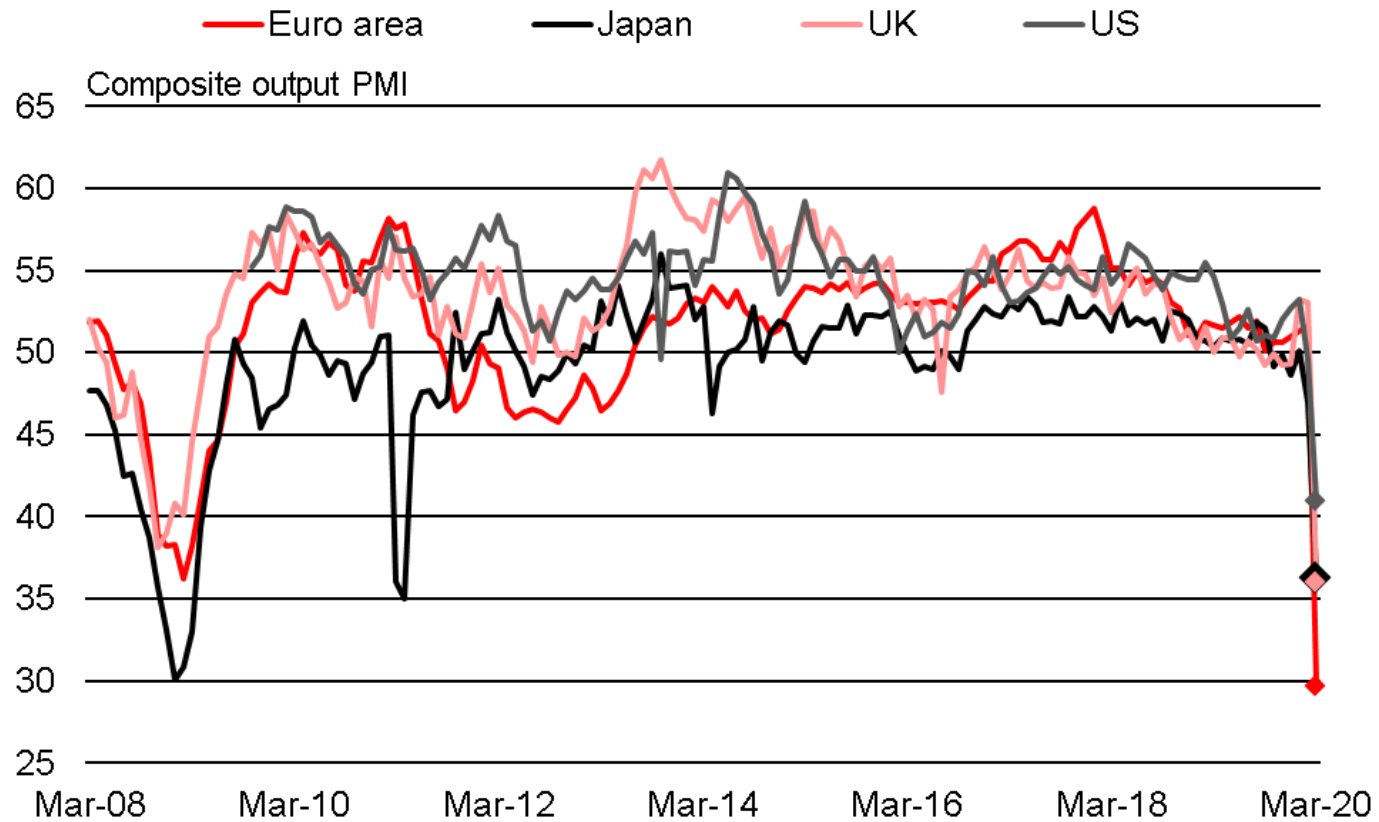


Agenda

- **A reminder of what we think about GDP in 2020-21.**
- **When is “after the crisis”?**
- **How much more debt will there then be? – and owed by whom and to whom?**
- **Will it be too much for sustainability? – and if so, what to do about it?**
- **The prospect for growth.**

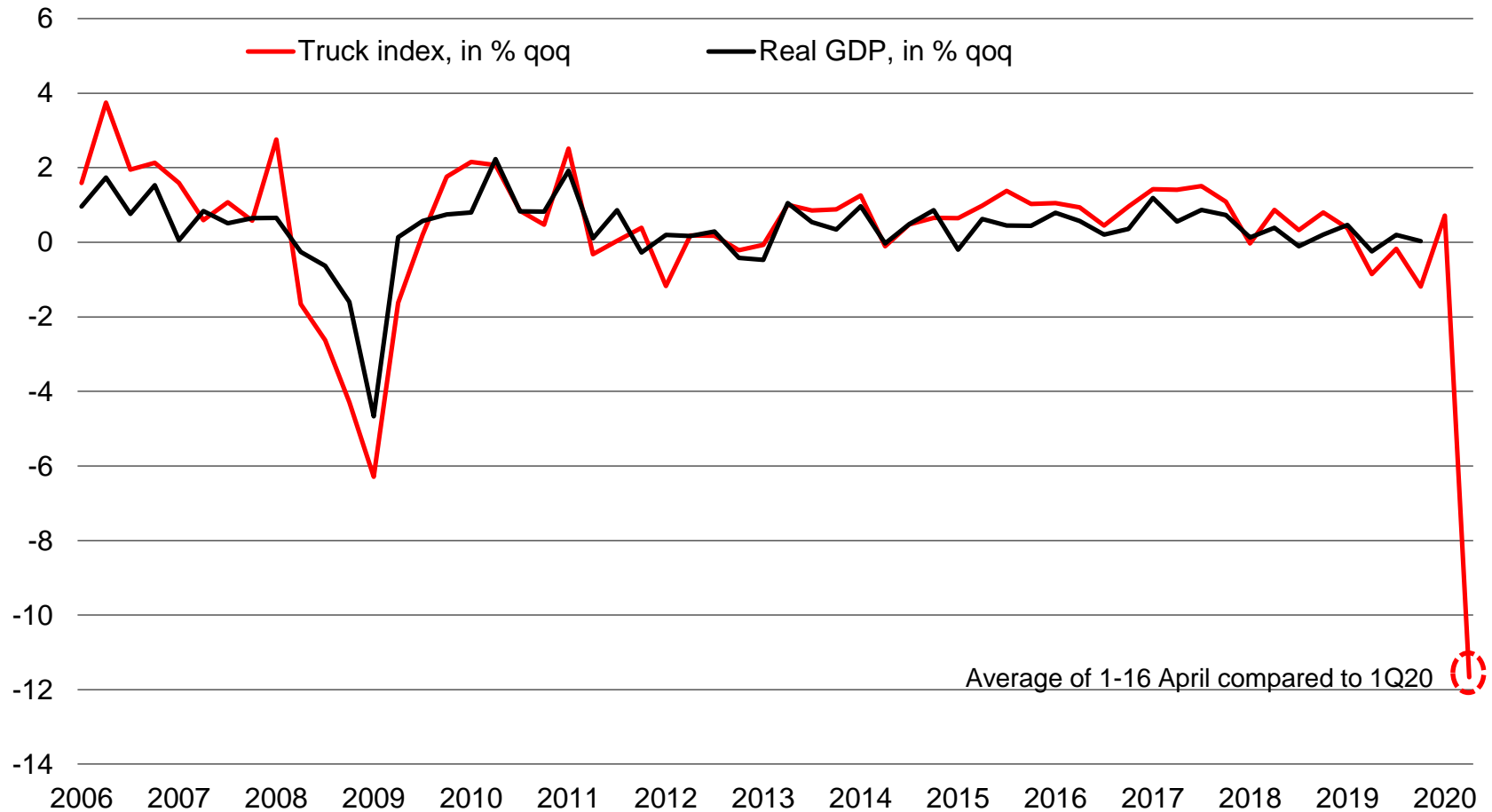


PMIs in freefall around the world



Early signs of a steep decline in German GDP, for example the truck index

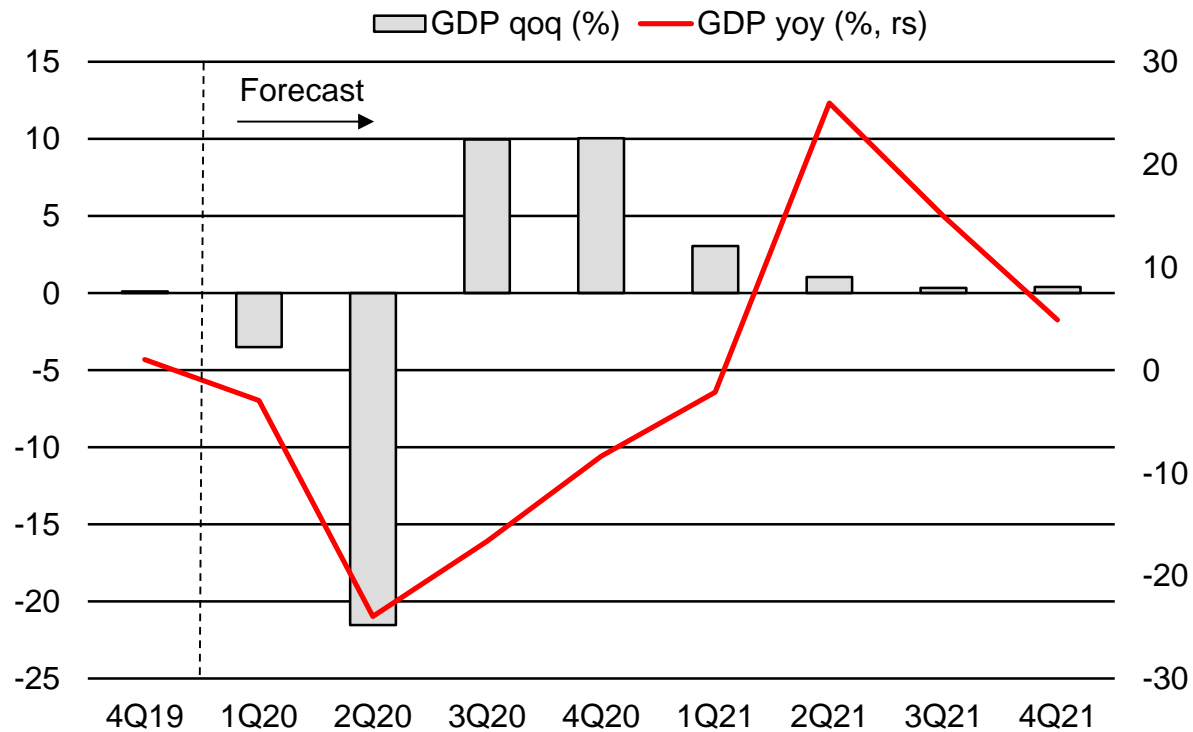
In % qoq; seasonally adjusted figures



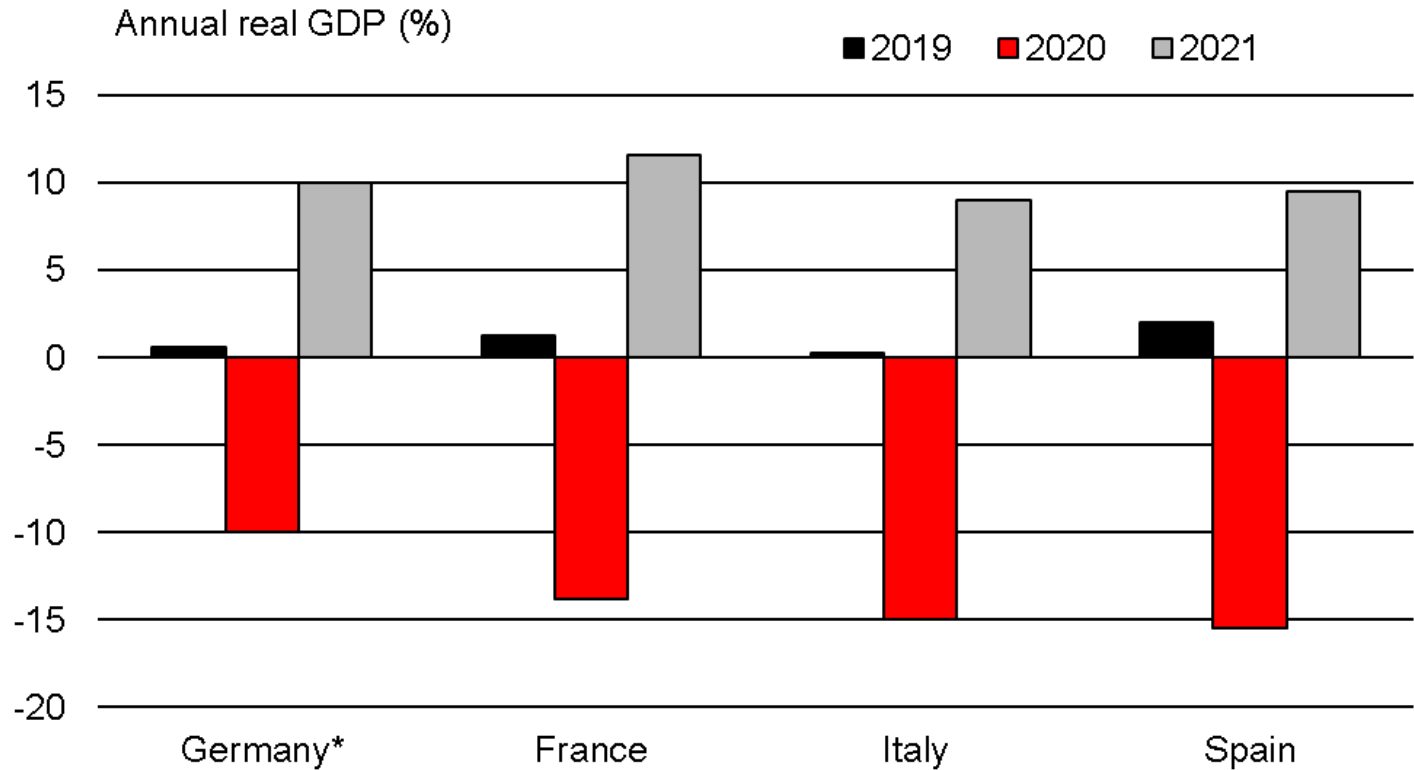
Source: Federal Statistical Office, UniCredit Research



Eurozone GDP: Uncertain, but a deep drop – and a wild ride for sure



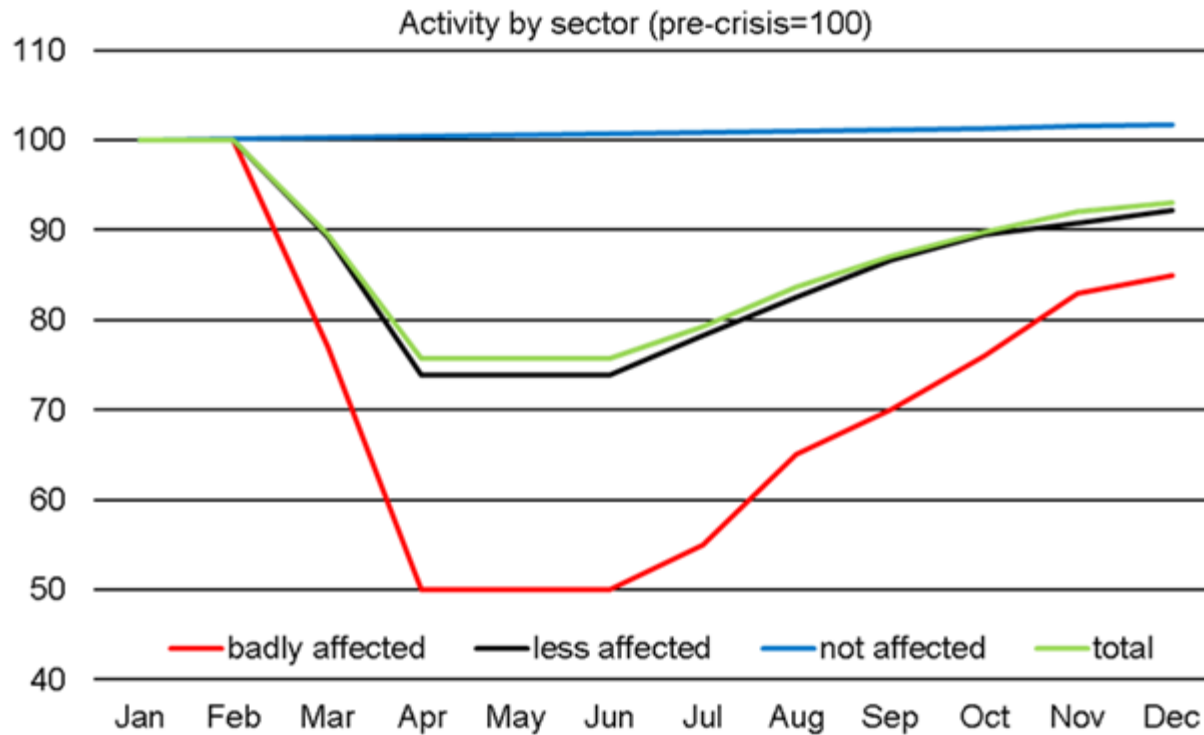
Our GDP forecasts: France, Germany, Italy, Spain



*Non-wda figures. Adjusted for working days: 0.6 (2019), -10.4% (2020) and 10.0% (2021).



Eurozone: Our guess on sectoral developments this year



Fiscal stimulus packages for selected major advanced economies

	Fiscal measures (including capital provision for public guarantees where this is applicable)			Public guarantees			Stabilization fund		
	bn (national currency)	% 2019 GDP	% 2020 GDP	bn (national currency)	% 2019 GDP	% 2020 GDP	% 2019 GDP	% 2020 GDP	
Germany*	156 (central) + 48 (federal states)	5.9	6.6	757	22.0	24.3	200bn****	5.8	6.4
France	110	4.5	5.2	300	12.4	14.2			
Italy	25	1.4	1.7	300**	17.0	20.0			
Spain	18	1.4	1.7	102	8.4	9.7			
Austria	29	7.3	7.9	9.0	2.3	2.5			
UK	104.2***	4.7***	5.2***	330	15.0	16.5			
US	1,882	8.8	9.7	510	2.4	2.6			

*Measures for which no provisions in the public budget were made are not include

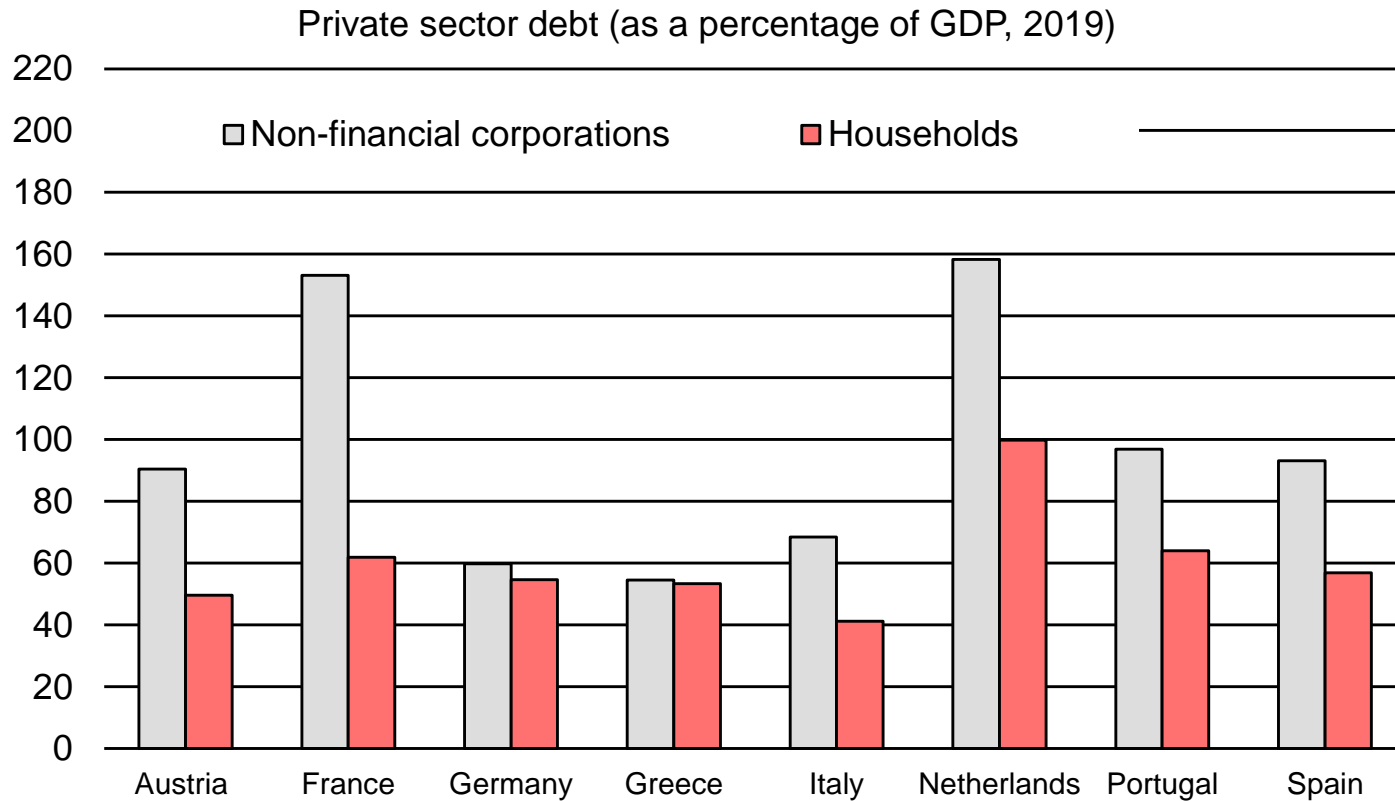
** Estimated amount of guarantees that have been made available in Italy through the nearly EUR 5bn of public resources set up to guarantee funds. It includes the additional state guarantee for all enterprises, worth EUR 200bn, announced in April. The official amount still needs to be confirmed

*** Based on some assumptions on take up of the Coronavirus Jobs Retention Scheme and Self-Employed Income Support Scheme, which are open-ended.

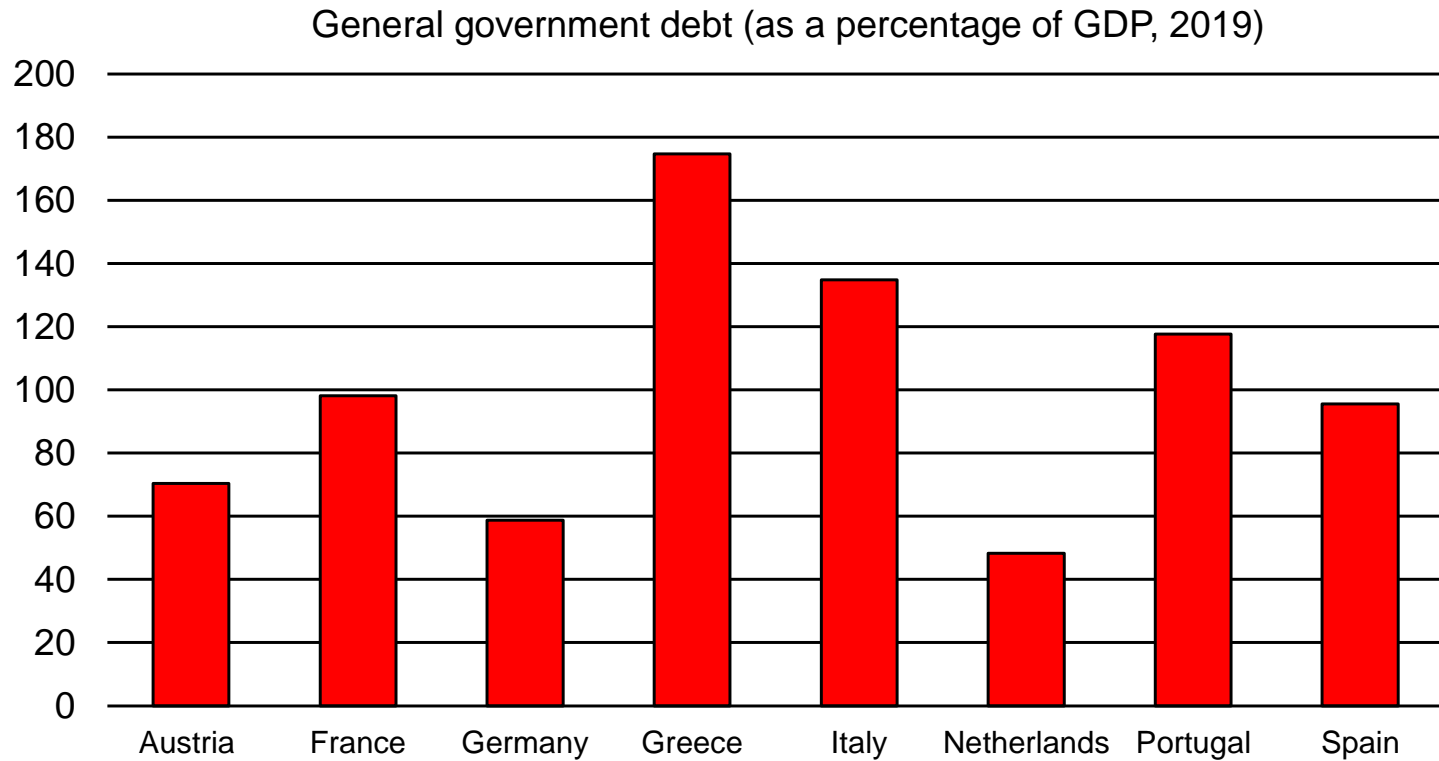
**** ex-guarantees



Private sector debt levels pre crisis: Manageable, but how much more?



Public sector debt: What's too much?



Answers:

- When is “after the crisis”?

Very unlikely until end of 2021

- How much more debt will there then be? –
– and owed by whom?

A lot!

Mostly by governments (+15%-30% of GDP?)

Non-financial corporate sector (+10%-15% of GDP?)

- and owed to whom?

Additional debt almost exclusively to the central banks!

- What to do about the debt?

Let it be ...

- The prospect for growth.



The prospect for growth: What will happen to potential growth?

- The damage done by crisis itself
- The “next normal”:
 - Greater state ownership of companies?
 - Less globalization?
 - “More Europe” or “Less Europe”? – Single market issues, Banking and Capital Markets Union?
 - The risk of mis-handling of the debt? – Monetization?



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