S&P Global Ratings

Credit Conditions Europe:

Europe Goes Into Lockdown

April 1, 2020

(Editor's Note: S&P Global Ratings' Credit Conditions Committees meet quarterly to review macroeconomic conditions in each of four regions (Asia-Pacific, Emerging Markets ex-Asia, North America, and Europe). Discussions center on identifying credit risks and their potential ratings impact in various asset classes, as well as borrowing and lending trends for businesses and consumers. This commentary reflects views discussed in the European committee on March 25, 2020. Given the fluidity of current conditions, we have chosen to publish a truncated version of our usual article this quarter. Please see our "Global Credit Conditions, Triple Trouble: Virus, Oil, and Volatility" article published April 1, 2020 for a comprehensive view of credit conditions globally.)

Key Takeaways

- **Overall:** Containment measures to restrict the spread of the coronavirus have forced the authorities to place the European economy on life support. We expect the second quarter to see the nadir, but the duration of the outbreak and the credit implications are highly uncertain and nonlinear.
- **Risks:** Top risks include a worsening pandemic despite all efforts, scarcity of financing for indebted corporate borrowers, the re-emergence of global trade tensions including between the EU and U.K., and asymmetric fiscal costs from the pandemic placing renewed pressure on the EU's cohesion.
- **Credit:** Aggressive measures to ensure that credit remains accessible to business and that employees can remain on the payroll are supporting liquidity and provide some protection to the supply side of the economy. But the demand shock will weaken credit quality, particularly for corporates in consumer discretionary-facing sectors and those with already stretched balance sheets.

Now that Europe is the epicenter of the coronavirus pandemic, to limit contagion and cope with the health emergency, governments have taken drastic countermeasures to restrict population movements--as well as to cushion the blow to businesses and households. As a result, the eurozone will enter into a deep recession in the first half of 2020 before a gradual rebound in economic activity takes hold, once the infection peak has passed.

Economic conditions. We expect eurozone and U.K. GDP to fall by around 2% this year due to economic fallout from the pandemic - a €420 billion loss in real GDP relative to our forecast last November for the two regions. Our baseline forecast assumes lockdowns will last until the end of April during which time households will reduce spending by about 40%. The recovery should gradually gather pace during the third quarter, to enable growth to rebound, reaching 3% in 2021, assuming that the policy response is sufficient to keep the supply side intact.

Limiting the rise in unemployment in coming months is an important assumption feeding into our forecast for the strength of the recovery through 2021. The aggressive policy response across Europe has been targeted largely to households and business, especially small and midsize enterprises, to ensure credit remains accessible and employees can remain on the payroll. Echoing the robust monetary policy response (the ECB's extended €120 billion Asset Purchase Programme and €750 billion Pandemic Emergency Purchase Programme amounts to just over 7% GDP), European governments have announced fiscal support of at least 15% GDP, mostly in the form of loan guarantees, tax deferrals, and short-time working arrangements. Introduced in Germany during the great financial crisis, such subsidies to the labor markets prevented a strong rise in

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unemployment in 2009[1]. Our forecast for eurozone unemployment therefore envisages a moderate 0.3% increase to 7.9% at the end of 2020.

Risks to our forecast remain heavily skewed to the downside: Uncertainties are high. The pandemic might last longer and spread more widely than envisaged. We believe the economic fallout from COVID-19 is nonlinear. This means that a four-month lockdown in the eurozone could cause a 10% loss of GDP for the full year. An extended health crisis in the U.S. would be particularly damaging economically for Europe as that could significantly reduce European exports to the U.S. – the biggest export market for European goods. And the various official emergency financial support measures may not be as effective in protecting business and employment as intended in case of prolonged lockdowns.

Financing conditions. Companies are scrambling to shore up liquidity wherever they can by cutting variable costs and managing working capital. Discretionary expenditure including capital expenditure to fund growth, buybacks, and dividends are being scaled back sharply.

While the recent seismic shocks effectively shuttered primary capital markets, the aggressive policy response from the authorities has started to stabilize the investment-grade market, albeit at higher prices. The speculative-grade market is more problematic, with an unprecedented spike in funding costs that have doubled for companies with ratings in the 'BB' and 'B' categories since the beginning of March.

Even though regulatory requirements will not be a constraint for banks to support their clients during this period of stress, we believe their risk tolerance and support for business will largely go toward those that were fundamentally sound before the pandemic hit but are experiencing short-term liquidity gaps. Consequently, funding support for more vulnerable companies may be limited with the result that many, if faced with a few months of very severe weakness in operating performance, may become insolvent. Consequently we expect the 12-month speculative-grade default rate (including distressed exchanges) to rise to 8% in Europe over the next year from 2.5% at the end of February 2020.

The current situation stands in stark contrast to the last several years when low and negative sovereign interest rates pushed investors to search for yield and enabled weaker borrowers to take on high levels of debt and leverage. As a result, the population of speculative-grade corporate issuers are moving into the recession with historically weak credit profiles, with over 20% rated 'B-' or lower.

Sector trends. Already weak credit trends in many corporate sectors in Europe are deepening, primarily because of the severe demand and supply shocks induced by coronavirus and the introduction of widespread containment measures throughout Europe. The drop in oil prices is exacerbating the trend in the oil and gas sector, while potentially helping energy-consuming sectors.

Our 121 rating actions in EMEA to date, related to the fallout from COVID-19, vary significantly by sector (see charts 1 and 2). Those most exposed face sharply weaker consumer discretionary spending and disrupted global supply chains. The former includes transportation and transportation infrastructure, media and entertainment, hotels and gaming, retailing, while the latter includes the automotive and capital goods industries. Pharma, telecommunications, utilities, and, to a lesser extent, packaging are sectors that are better protected from an epidemic-induced slowdown.

In relation to banks, rating actions have been predominantly outlook changes rather than downgrades. Positive outlooks on some banks (the Greeks for example) were revised to stable as prospects for ratings improvement in this environment became less evident. And some stable outlooks were revised to negative for banks with operations in geographical areas particularly hit or that show greater vulnerability.

[1] For the detail of the measures taken to date by central banks and national fiscal authorities in Europe, see: https://www.spglobal.com/ratings/en/research/articles/200326-economic-research-covid-19-the-steepening-cost-to-the-eurozone-and-u-k-economies-11402420.

Chart 1

EMEA COVID-19-Related Rating Actions As Of March 27, 2020

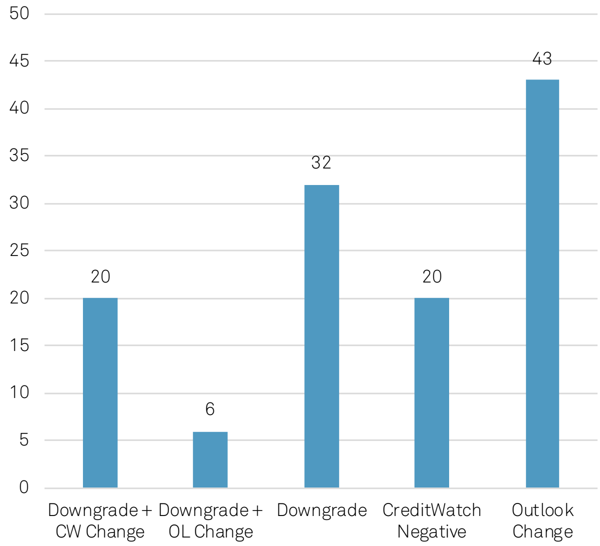
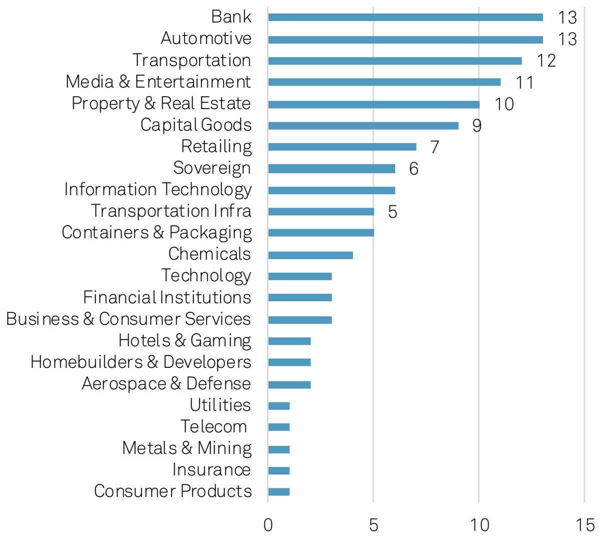


Chart 2

EMEA COVID-19-Related Rating Actions By Sector As Of March 27, 2020



Note: These 121 rating actions pertain to ratings where we mention COVID-19 as one factor or in combination with others.

Source: S&P Global Ratings. "COVID-19: Coronavirus-Related Public Rating Actions On Corporations And Sovereigns To Date," March 31, 2020.

While fundamentally sound businesses may benefit from additional funding support, those highly leveraged companies already generating minimal free operating cash flow that experience a demand shock to revenue are the most likely to see downgrades, including potentially to default. Furthermore, once the pandemic subsides and growth resumes, weaker borrowers could struggle to repay the higher debt they incurred to bridge the health emergency.

Further detail on the sector implications of COVID-19 can be found in Appendix 2.

S&P Global Ratings acknowledges a high degree of uncertainty about the rate of spread and peak of the coronavirus outbreak. Some government authorities estimate the pandemic will peak about midyear, and we are using this assumption in assessing the economic and credit implications. We believe the measures adopted to contain the coronavirus have pushed the global economy into recession (see our macroeconomic and credit updates here: Home | S&P Global Ratings). As the situation evolves, we will update our assumptions and estimates accordingly.

"Coronavirus Impact: Key Takeaways From Our Articles," summarizes our latest research related to COVID-19.

This report does not constitute a rating action.

Appendix 1: Top European Risks

Table 1

Top European Risks

Coronavirus pandemic not contained

Risk level*	Very low	Moderate	Elevated	**High**	Very high	Risk trend**	Improving	Unchanged	**Worsening**

A key risk to our base case that already reflects a sharp global slowdown and recession in Europe in 2020 is that the pandemic is not contained. Stringent containment measures being deployed by European governments to prevent health systems from being overloaded comes with an inevitable economic cost by midyear. The costs would escalate rapidly if the duration of the pandemic proved to be prolonged (perhaps including a second wave in the autumn), the exit from containment measures was only very gradual, or there were material spillover effects from major trading partners. These adverse developments could cause the recession to be more severe and extended than we currently expect.

Risk aversion affecting market liquidity

Risk level*	Very low	Moderate	Elevated	**High**	Very high	Risk trend**	Improving	Unchanged	**Worsening**

The surge in financial market volatility following the twin shocks of the coronavirus pandemic and the collapse in the OPEC+ oil production agreement has triggered a sharp tightening in financial market liquidity. While emergency central bank and government measures are designed to provide necessary short-term liquidity support for business and protect employment, impaired operating performance will weaken credit quality as long as they continue. The sharp widening of spreads highlights heightened investor sensitivity to the accumulation of corporate debt rated in the lower rating categories in both investment and, especially, speculative grade. The doubling of yields to more than 10% in only a month for issuers with ratings in the 'B' category points to the scarcity of market liquidity in this segment and the challenge for issuers needing to refinance.

Global trade tensions still cast a shadow over growth

Risk level*	Very low	Moderate	**Elevated**	High	Very high	Risk trend**	Improving	**Unchanged**	Worsening

Recovery, already under strain from the structural challenge to global supply chains arising from the pandemic, might be impaired further by any resurgence in global trade tensions. While existing trade tensions appear to have faded from view, they haven't disappeared. The phase 1 deal between the U.S. and China does not resolve the underlying structural issues relating to technology, intellectual property, and market access. Friction between the U.S. and Europe extends from digital sales and carbon border adjustment taxes to penalties applied in relation to state subsidies to Boeing and Airbus. And closer to home, negotiations between the U.K. and EU over their future trade relationship remain contentious, although because of the pandemic we now expect the parties to extend the transition by up to a year from December 2020.

Health emergency challenges EU's fiscal framework

Risk level*	Very low	Moderate	**Elevated**	High	Very high	Risk trend**	Improving	Unchanged	Worsening

The pandemic is testing the EU's willingness to coordinate a fiscal response to an unprecedented demand and supply shock that has plunged the region into recession. In particular, the modest size of the EU budget diminishes the capacity of the monetary union to mount a proportionate response to an economic shock as large and asymmetrical as COVID-19. This absence of fiscal solidarity among eurozone member states could erode market confidence, impair financing conditions, limit fiscal capacity for governments, and, in the longer term, place renewed pressure on EU cohesion.

Source: S&P Global Ratings.

* **Risk levels** may be classified as very low, moderate, elevated, high, or very high. They are evaluated by considering both the likelihood and systemic impact of such an event occurring over the next one to two years. Typically these risks are not factored into our base case rating assumptions unless the risk level is very high.

** **Risk trend** reflects our current view about whether the risk level could increase or decrease over the next 12 months.

Appendix 2: COVID-19 Impact On European Sectors

For analytical contacts, please see Appendix 4

Table 2

By Sector	Impact*	Comment
Aerospace & Defense	Defense – Low	The impact on defense has been low, and the sector remains stable, especially for very large prime defense companies.
	Aerospace-Medium	On the other hand, aerospace is reeling. Airlines will be pushing back on taking delivery of new aircraft throughout the summer, which will affect airplane makers' delivery and production rates. Given the dominance of Boeing and Airbus, while the immediate impact on the majority of rated companies in the supply chain has been limited, as liquidity remains good and leverage relatively low, cuts in production schedules would be a negative credit development.
Autos	High	We expect automakers to experience a severe decline in global light vehicle sales of almost 15% in 2020 to less than 80 million units. In Europe and the U.S., we forecast a 15%-20% drop, with a smaller impact in China, down 8%-10%. We expect this sales scenario to lead to intense credit pressures ahead, and that potential government stimulus packages and central bank actions to facilitate access to funding will only partially relieve these pressures.
Building Materials	Medium	Though building materials is typically a local industry and so not much affected by global supply chain disruptions, it may suffer in case the shutdown extends to other regions and is longer than a month, and if the European construction cycle turns down. We believe that at this stage, companies with ratings in the 'B' category may be most exposed as they enter the period with increased financial leverage following refinancings in 2018 and 2019. Companies in the investment-grade category typically display stronger balance sheets, driven by positive results in 2019, but are not immune and may need to quickly adapt their financial policy. Public infrastructure investments may support the sector if governments act rapidly.
Capital Goods	Medium	We expect a major negative impact in the form of postponed orders and deliveries and production disruptions. In particular, the impact is likely to be significant for business related to new equipment in commodities, autos, and electronics. We see less impact for infrastructure, health care, and maintenance. Project-related business is at some risk due to negative working capital shifts and accelerating cash outflows associated with lack of prepayments.
Chemicals	Medium	Downside rating pressure is most visible for companies with ratings in the 'B' category, but investment-grade issuers are not immune, notably for those whose rating headroom was already low prior to the pandemic. While the impact for commodity and specialty chemicals varies depending on end-market and geographical exposure, the profitability of fertilizer issuers should remain steady, driven by the demand for food and shrinking arable land.
Consumer Goods	Medium	We see a significant impact on discretionary spending and out-of-home consumption, weakening operating performance, and cash flow generation. If containment measures in Europe and the U.S. are not relaxed in the second quarter, and if discretionary spending remains curtailed, a slower pace of deleveraging could warrant a negative rating action for certain companies in the personal luxury goods, alcoholic beverage, and beauty care industries. We see less of an impact for staple products.
Financial Institutions	Medium	European banks have comfortable capital and liquidity buffers, but for many, feeble earnings leave limited room to absorb a substantial increase in credit provisions or a significant loss of revenues. Given our base case that the economy will start to recover in the third quarter and that the stimulus will be substantially effective, we currently do not envisage a significant number of downgrades on European banks. But, no doubt, the outlook bias, flat up to now, will turn negative. However, the outcome remains highly uncertain and a more negative scenario is possible.

By Sector	Impact*	Comment
Forest Products	Medium	We expect the recession to lead to lower revenues, but see no immediate material impact. In Italy, the plants of our rated companies have so far been classed as essential and have been allowed to continue operating. Corrugated paper producers could benefit from the rise in sales to supermarkets and in e-commerce. We may see a rise in recycled paper prices, depending on the magnitude of the decline in industrial production. Pulp producers could benefit from the rise in demand for tissue paper. We expect the decline in demand to hurt wood product producers as their end products are more discretionary.
International Public Finance	Medium	We see a moderate impact on local and regional governments (LRGs), social housing providers, universities, health care institutions, and public transport operators from lockdowns and the recession in Europe. Many European LRGs, especially those subject to mandated lockdowns, will record weaker budgetary performance due to lower tax revenues and higher spending, predominantly in health and social care and public transportation, while maintenance and capital spending may be delayed. The credit implications depend on the duration and severity of the economic disruption.
Leisure	High	At this stage, we expect European hotel operators to suffer a 20%-30% decline in revenue per available room for 2020, with a severe impact in the first and second quarters due lockdowns of various European countries and a fall in occupancy rates to almost zero. This translates into negligible or zero bookings, before a modest pickup in the third and fourth quarter. From a credit perspective, we view asset-light lodging and travel companies as having greater resiliency than players that are asset-heavy, given the former's lower fixed-cost base.
Media	High	Lockdowns have hurt many media segments with little visibility on the timing of recovery. These include movie exhibitors; event organizers; live-events companies; content producers; and advertising-dependent segments such as broadcasters, print and outdoor advertisers, and ad agencies (particularly travel and retail dependent). The broadest threat to media is a pullback in advertising spending. Advertising, which remains a key revenue component for much of the media industry, has dropped, and companies have few means to offset the majority of the declines. Subscription-based services including data publishers, streaming services, and B2B online service providers are the only resilient segments.
Mining	Medium	We see a growing demand shock to mining companies due to the global economic slowdown, but without a material drop in production. Pricing adjustments have been mixed so far. Copper and aluminum prices are approaching 2016 lows, while iron ore is relatively unscathed (albeit with some supply issues). Gold prices are up almost 10% in March despite price volatility as some investors have sold to raise liquidity.
Oil & Gas - Downstream	High	Demand has collapsed for jet fuel in particular. Lower demand for gasoline/petrol is reducing refining margins as well as leading to smaller refinery runs.
Oil & Gas - Upstream	High	The impact, largely emanating from the collapse in the OPEC+ supply agreement, is high as producers implement aggressive cost and capex cuts to deal with demand and price shocks. If OPEC and Russia do not come up with an agreement, some U.S. shale and other players will be forced to cut production.
Packaging	Medium	Most of our rated packaging producers are exposed to the more stable food or beverage industry. Paper packaging suppliers with exposure to supermarkets and e-commerce might benefit from the rise in supermarket sales and the rise in deliveries.
Pharma & Healthcare	Low	We see a limited impact on the pharma sector, which remains operational to provide essential services and access for customers, and faces minimal supply issues as supply chains are under control. Likewise, distributors of medicine and medical supplies should see a minimal impact. The impact on health care service providers is more mixed depending on geography and type of services. Although we expect hospitals to be reimbursed for services that have been redirected to create capacity for COVID-19 cases, these will be at lower rates and impact profitability. Nursing homes have had limited impact so far but close monitoring of virus containment management on the premises and among staff will be crucial for their future ability to operate. We are likely to see a more pronounced impact on laboratories and dentists whose routine tests and procedures have been postponed. While we anticipate med tech products that are targeting elective surgeries will be negatively affected, those that manufacture gloves, gowns, etc., will benefit conversely.

By Sector	Impact*	Comment
Real Estate	Medium	We expect a weakening in credit quality as tenants' creditworthiness and capacity to pay contracted rents start to diminish. Government lockdowns and support for struggling businesses, such as allowing companies to skip rental payments, are credit negative for landlords. Deteriorating financing conditions and reduced access to capital markets, especially in a sector that is highly capital intensive and reliant on debt capital markets, will likely be negative for corporate liability management.
Retail	High	We expect sales to decline substantially in the short term (three to six months) and think travel retail, casual dining, mall-based retail, and discretionary spending are at particular risk. Many nonfood retailers are closing stores due to lockdowns; e-commerce in nonfood is flat. Risk is heightened for restaurants and pubs. We expect grocery to be a bright spot as consumers hunker down and stock up (and stockpile).
Insurance	Medium	Insurers will see asset price volatility and the need for impairments in case capital markets continue the downturn. However, we believe the impact on EMEA-based primary and reinsurers from their insurance exposure will be limited. Low interest rates remain a key risk to EMEA-based insurers, presumably even prolonged by recent ECB actions, reflected in margin compression in traditional life insurance.
Service Companies	Medium	The exact impact depends on the subsector and length of impact. We expect an immediate hit to catering and facilities services but also a quick rebound.
Steel	High	2020 is likely to be even more challenging than a weak 2019, especially in Europe. A severe drop in demand is happening in the second quarter. Capacity is already being cut.
Structured Finance	Medium	Areas linked to corporate credit (for example, CMBS, CLOS, and corporate securitizations) appear most exposed depending on the duration of the lockdown and severity of recession. By contrast, asset classes backed by lending to consumers (for example, RMBS, covered bonds, most ABS) could be better insulated from credit deterioration, provided that the economic downturn is relatively short-lived.
Technology	Medium	What began as a supply chain disruption in China has now morphed into global IT demand destruction. We believe the industry is still underestimating the potential for a multiquarter loss of demand. While we anticipate some recovery in the second half, we believe some demand, especially in hardware, will be permanently lost as enterprises, service providers, and consumers lose confidence in the economy and, in turn, reduce orders for later quarters.
Telecoms – IG	Low	Broadband demand has spiked as people are isolating at home. The potential for customer upgrades to more premium packages offsets the risks related to lower handset and roaming revenues, both of which are minor contributors to earnings. Reduced capex and smaller dividends are likely as companies conserve cash.
Telecoms – HY	Low	Despite facing the same operational situation as the investment-grade sector, there is more pressure in the speculative-grade sector driven by less financial flexibility, difficulty in accessing capital markets, and less of an ability to withstand macroeconomic stresses. At present, we observe limited cases of directly impacted mobility service providers, for example, satellite companies providing connectivity to aviation and maritime customers.
Transportation	High	Within the broader transportation sector, we view airlines as currently facing the most immediate and largest risks from the coronavirus pandemic. We have lowered all of our EMEA-based airline ratings by one or two notches and placed them on CreditWatch with negative implications, as we continue to assess the magnitude of the ratings impact. Unprecedented government travel restrictions and quarantine orders have led most of our EMEA-based airline issuers to temporarily ground their entire (or the majority of) their fleets, in response to the plunge in air passenger traffic. In such times of high uncertainty, we will continue to focus on airlines' proactive efforts to drastically lower operating costs and preserve liquidity in the next few months. We also note that most airlines are turning to European governments for support. We view shipping companies as the next most at risk, and note that many of our rated issuers already have low ratings (of single 'B' and below) and face liquidity challenges. We forecast a reduction in global container volumes for the remainder of the year, albeit we expect cargo traffic to be significantly more resilient than passenger traffic. We expect U.K. bus and rail operators to suffer from a material drop in revenues over the coming months, although we expect substantial protection from contractual structures and government support in certain businesses. In general, apart from airlines, government support will likely be offered to other transportation sectors, and we await full clarity in what form and under what circumstances it will be presented. However, for most companies, we expect lower

By Sector	Impact*	Comment
		revenues and cash flows to result in significantly weaker credit metrics in at least 2020 compared to our previous expectations.
Transport Infrastructure - Airports	High	The airport sector in Europe is facing an unprecedented plunge in air traffic. As a result, we expect European airports to have materially weaker cash flow and credit ratios, while suffering from a highly uncertain business environment with an uncertain and more prolonged recovery than seen in the past. Under our current base case, we forecast that the number of passengers for European airports could fall by up to up to 35% compared with 2019, with further downside possible as per IATA's most recent March 24 publication (https://www.iata.org/en/iata-repository/publications/economic-reports/third-impact-assessment/). This takes into account an average drop of at least 70% in traffic over three peak months (based on what we are seeing in the peak weeks of the outbreak in China and in Italy in the first week of March). We assume continued severe disruption in the next three months, with a recovery starting from the fourth quarter. Even after the outbreak is contained, we expect global airports to see a slower rebound in air traffic over the following 24 months as now we expect recession in 2020. On March 26, 2020, we took negative rating actions on all European airports.
Utilities	Low	European utilities are more resilient than most other sectors given the essential services they provide and the regulated or long-term contracted nature of a portion of their activities. Nevertheless, we see several risk factors that will weigh on credit performance. These include: weaker power demand and weaker power prices amid commodity price falls (not imminent given hedges in place); lack of timely payment of power bills; lower investment spending than previously planned (down 10% to 15%); an increase in pension and asset-retirement obligation deficits, and refinancing risks for weaker companies.

*The impact descriptor above (high, medium, low) is our qualitative view of the risk. It does not directly translate to risk of rating actions, which depend on a number of factors including initial headroom under a rating coupled with the expected length and severity of the epidemic.

Appendix 3: European Economic Forecasts

Table 3

Real GDP %

	Ger.	Fra.	Ita.	Spa.	Neth.	Belg.	Eurozone	U.K.	Switz.
2018	1.5	1.7	0.7	2.4	2.5	1.5	1.9	1.3	2.8
2019f	0.6	1.3	0.2	2.0	1.7	1.4	1.2	1.4	0.8
2020f	-1.9	-1.7	-2.6	-2.1	-1.6	-1.7	-2.0	-1.9	-1.8
2021f	2.6	3.2	2.9	3.1	2.7	2.6	3.0	3.8	4.0
2022f	1.2	1.9	0.9	1.7	1.5	1.3	1.5	2.2	2.1

Source: Oxford Economics; f--S&P Global Ratings forecast.

Table 4

CPI Inflation %

	Ger.	Fra.	Ita.	Spa.	Neth.	Belg.	Eurozone	U.K.	Switz.
2018	1.9	2.1	1.2	1.7	1.6	2.3	1.8	2.5	0.9
2019f	1.4	1.3	0.6	0.8	2.7	1.2	1.2	1.8	0.4
2020f	0.9	0.8	0.2	0.9	0.8	1.0	1.0	0.9	-0.3
2021f	1.5	1.5	1.1	1.4	1.5	1.8	1.8	1.5	0.4
2022f	1.4	1.7	1.3	1.5	1.4	1.8	1.8	2.1	0.6

Source: Oxford Economics; f--S&P Global Ratings forecast.

Table 5

Unemployment Rate %

	Ger.	Fra.	Ita.	Spa.	Neth.	Belg.	Eurozone	U.K.	Switz.
2018	3.4	9.1	10.6	15.3	3.8	6.0	8.2	4.1	4.7
2019f	3.2	8.5	9.9	14.1	3.4	5.4	7.6	3.8	4.4
2020f	3.5	8.9	10.6	14.7	3.4	5.5	7.9	4.5	5.0
2021f	3.4	8.7	10.4	15.6	3.4	5.9	7.9	4.4	5.0
2022f	3.4	8.3	10.0	15.2	3.3	5.8	7.6	3.8	4.7

Source: Oxford Economics; f--S&P Global Ratings forecast.

Table 6

10y Government Bond Yields

	Ger.	Fra.	Ita.	Spa.	Neth.	Belg.	Eurozone	U.K.	Switz.
2018	0.5	0.8	2.6	1.4	0.6	0.8	1.2	1.5	0.0
2019f	-0.2	0.1	1.9	0.7	-0.1	0.2	0.4	0.9	-0.5
2020f	-0.4	0.0	1.5	0.6	-0.2	0.0	0.2	0.6	-0.5
2021f	-0.5	-0.1	1.4	0.4	-0.3	0.0	0.2	1.0	-0.6
2022f	-0.3	0.1	1.7	0.5	-0.1	0.1	0.4	1.5	-0.4

Source: Oxford Economics; f--S&P Global Ratings forecast; End of Period - Q4 values.

Table 7

Exchange Rates

	Eurozone	U.K.		Switzerland	
	US$/€	€/£	US$/£	SFr/US$	SFr/€
2018	1.18	1.34	1.13	0.98	1.15
2019	1.12	1.28	1.14	0.99	1.11
2020	1.09	1.23	1.13	0.97	1.06
2021	1.12	1.30	1.16	0.99	1.11
2022	1.15	1.34	1.16	1.00	1.15

Sources: Oxford Economics; f--S&P Global Ratings forecast; End of Period - Q4 values.

Table 8

Policy Interest Rates %

	Eurozone (ECB)		U.K. (BoE)	Switzerland (SNB)
Policy Rates	Deposit Rate	Refi Rate		
2018	-0.40	0.00	0.60	-0.75
2019	-0.44	0.00	0.75	-0.75
2020	-0.50	0.00	0.23	-0.75
2021	-0.50	0.00	0.16	-0.75
2022	-0.50	0.00	0.58	-0.75

Sources: Oxford Economics; f--S&P Global Ratings forecast; End of Period - Q4 values.

Appendix 4: List of Analytical Contacts

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