

EU debt crisis odyssey

#visualizingthecrisis

01 02 03 04 05 06 07 08 09 10

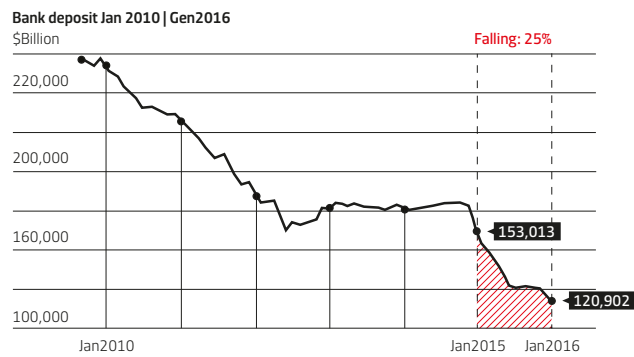
18th March 2016

Francesca Alaimo | Jacopo Faggian | Valeria Mento
Lab. di Design della Comunicazione AA 2015-2016

GRE Why is Greece's rating still CCC?

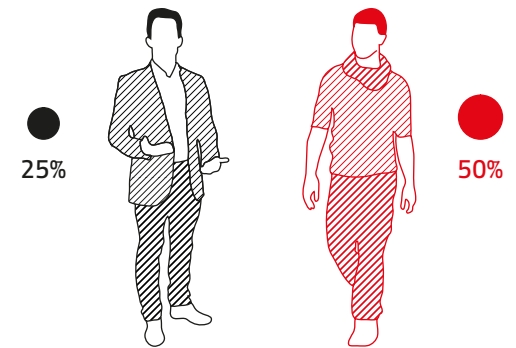
Fitch Ratings has affirmed Greece's Long-term foreign and local currency Issuer Default Ratings (IDRs) at 'CCC', confirming the decision of the last year. Good progress has been made towards agreeing the first review of the financial assistance programme with the **ESM**, but risks for investors still remain. Greece's primary fiscal deficit in 2015 is estimated at just within the programme target of 0.25% of GDP partly due to a more resilient economic performance than was assumed last year. So Greece is doing something to make its economy getting better, but **why their condition is still the same?**

1 No liquidity



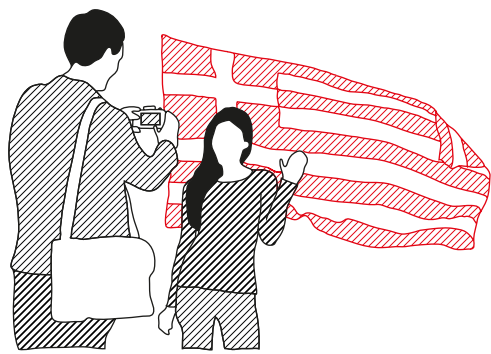
Greek banks also continue to face very large funding imbalances and incentives to deleverage. Private sector deposits have barely increased since falling 25% in 2015 and banks are targeting a reduction in reliance on relatively expensive Emergency Liquidity Assistance (ELA), constraining new lending. People trust in banks no more.

2 Unemployment



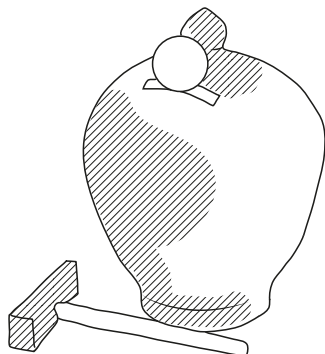
Taxes are rising, and unemployment remains at 25%, and near 50% for those aged 18-24. Capital controls, including a measure limiting bank withdrawals to €420 a week, are still in place. To solve the government is moving to privatise ports, airports and other public assets: measures that, while economically sensible, are deeply unpopular.

3 Tourism downfall



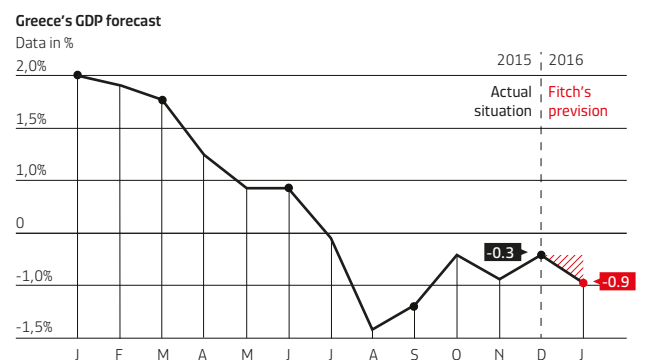
Europe's refugee crisis is posing risks for the Greek economy and needs substantial help to deal with the migratory flows. The main concern is caused by the potential possibility that tourism will be discouraged because of the great affluence of immigrants in Greece and the instable situation caused by them.

4 Pension proposals



The Greek authorities have already legislated for the majority of the specific milestones agreed, most notably to increase **VAT** and reduce social security costs. But the main potential stumbling block is the politically sensitive pension proposals, where creditors are pushing for upfront cuts as a way of reducing implementation risks.

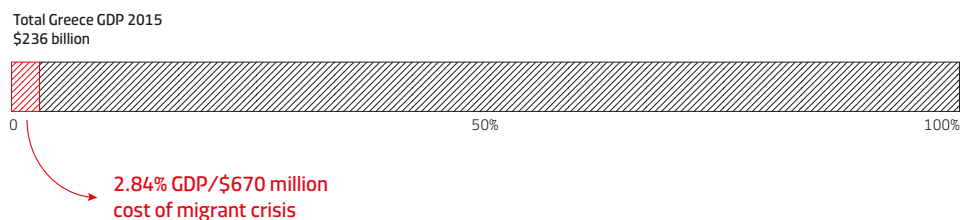
5 GDP slowdown



The recession has been relatively shallow, with GDP growth estimated at -0.3% in 2015. Private consumption held up well, capital controls had a less negative effect than anticipated as companies had already stocked up on inventories and households on cash, but Fitch forecasts a decline in GDP of 0.9% in 2016 due to negative carry over effects and fiscal contraction, with a moderate recovery taking hold from 2016.

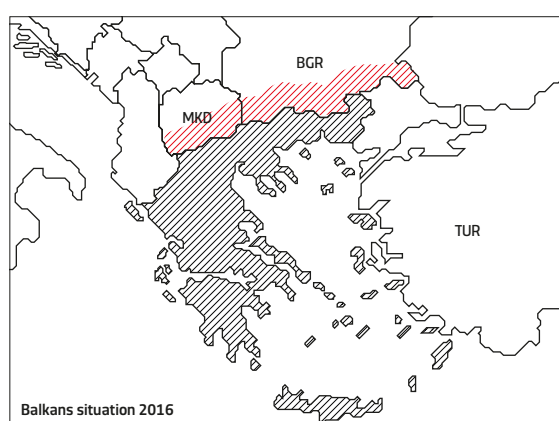
What are the consequences of immigration?

The cost of managing the migrant crisis in Greece will exceed a previous estimate of 600 million Euros (\$670 million) as more and more refugees are forced to remain in the country, says Yannis Stournaras, the Governor of the Bank of Greece.



More than 41,000 refugees and migrants are stranded in Greece, their plans to travel north blocked by border shutdowns throughout the Balkans. That estimate was based on the presumption that Greece was only a transit nation, but if now they have to host a large number of refugees, this estimate will have to be revised.

█ Transit nation █ Border shutdowns



Prime Minister Alexis Tsipras says that the migrant crisis has the potential to incur sizeable fiscal, social and political costs for Greece. The recent proposal on returning migrants to Turkey somewhat alleviates this risk, but is yet to be agreed and tested. Resulting political strains on relations with EU partners could potentially also spill over to Greece's ESM programme, increasing delivery risks.

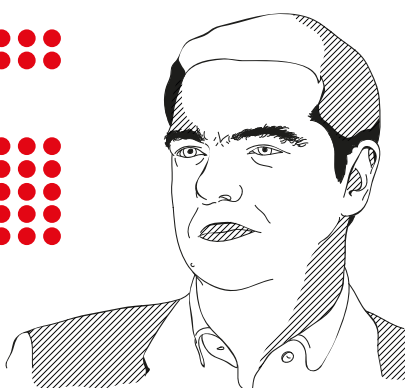
Number of immigrants

● = 1.000 migrants

AUG 2015



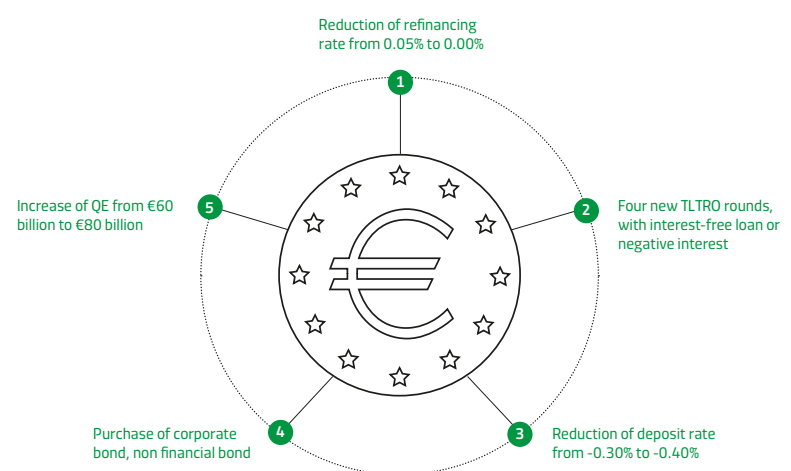
MAR 2016



Sources: Central Bank of Greece, Trading economics, Il sole 24 ore, New Europe, International Business Time

EUR Mario strikes back

ECB decided to launch some monetary measures in order to help European families and corporations. The aim of ECB is to prevent deflation and stabilize monetary situation. ECB's decisions surprised the entire Europe.

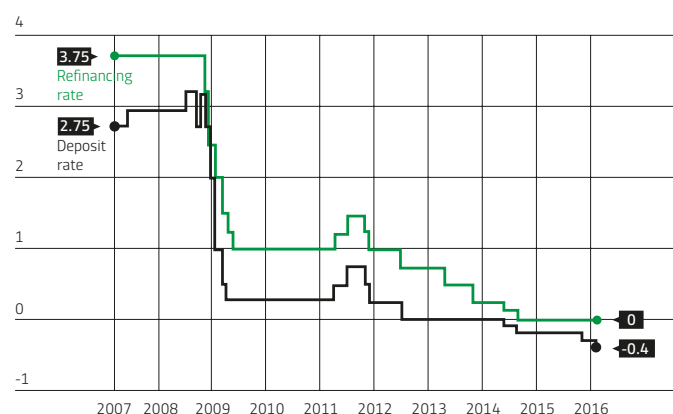


ECB's new TLTRO

For banks, from now on, long term operations will take place with free-loan. Until now we don't know what would be the consequences of this ECB's actions.

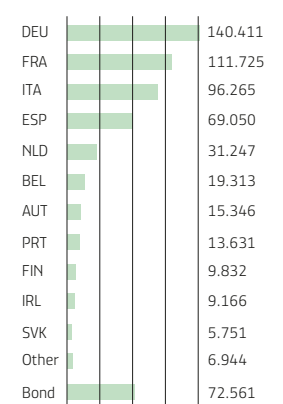
ECB interest rate 2007/2016

Data in %



QE balance: treasury stock

Mar 2015 | Feb 2016

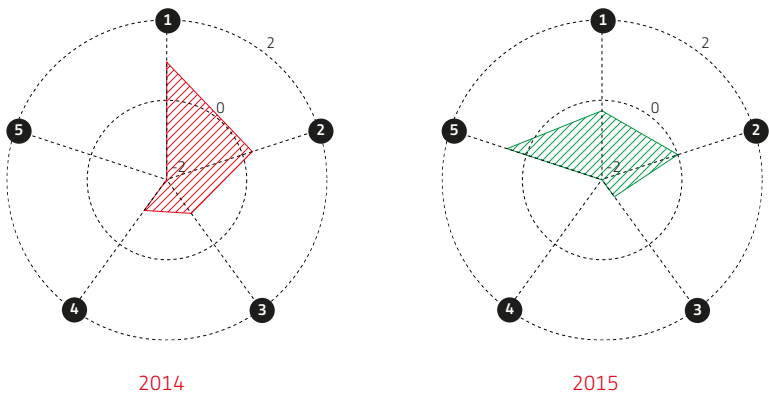


FIN Finland loses AAA rating from Fitch

Credit rating company Fitch has dropped Finland’s credit rating from the highest possible AAA to the second-best rating, AA+. The company says that Finland’s future economic prospects are nonetheless stable, with an “Economic performance which remains weak”. Fitch estimates Finland’s economic growth at exactly 1.0 percent. The government is attempting to boost exports by improving competitiveness. While the country’s major trade unions and employers have agreed on a plan to cut labor costs, about 40 percent of the members of the biggest union have rejected it.

Diagram legend

- 1 Inflation rate
- 2 Interest rate
- 3 Retail sales
- 4 Industrial production
- 5 Manufacturing production

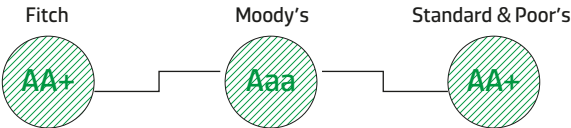


TIPS for economy's beginners

Bonds: instrument of indebtedness of the bond issuer to the holders.
Austerity: set of economic policies implemented with the aim of reducing government budget deficits.
ESM: European Stability Mechanism.
GDP: Gross Domestic Product.
TLTRO: Targeted Long Term Rfinancing Operation, made by ECB.
VAT: Value Added Tax.
ELA: Emergency Liquidity Assistance

Some different ratings

Actually Finland have three different typologies of rate, depending on rating company which assign the vote. So, these are actual rates from Fitch, Standard & Poor's and Moody's.



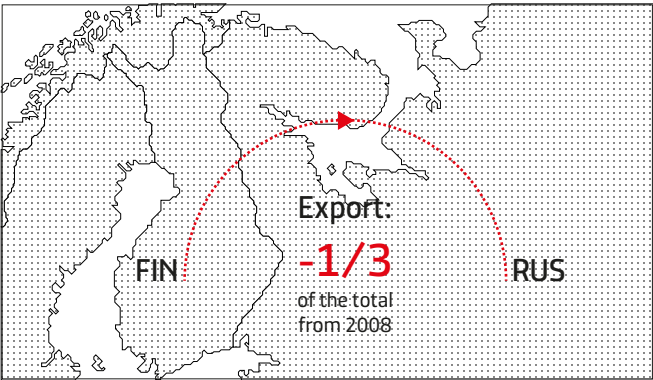
What's the rating system

A credit rating is an evaluation of the credit worthiness of a debtor (a business company or a government) predicting the debtor's ability to pay back the debt. The credit rating represents the evaluation of the credit rating agency of qualitative and quantitative information for the debtor.

	S&P	Moody's	Fitch
	AAA	Aaa	AAA
	AA+, AA, AA-	Aa1, Aa2, Aa3	AA+, AA, AA-
	A+, A, A-	A1, A2, A3	A+, A, A-
	BBB+, BBB, BBB-	Baa1, Baa2, Baa3, Baa4	BBB+, BBB, BBB-
	BB+, BB, BB-	Ba1, Ba2, Ba3	BB+, BB, BB-
	B+, B, B-	B1, B2, B3	B+, B, B-
	CCC, CC, C, RD, D	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-, CC, C, D

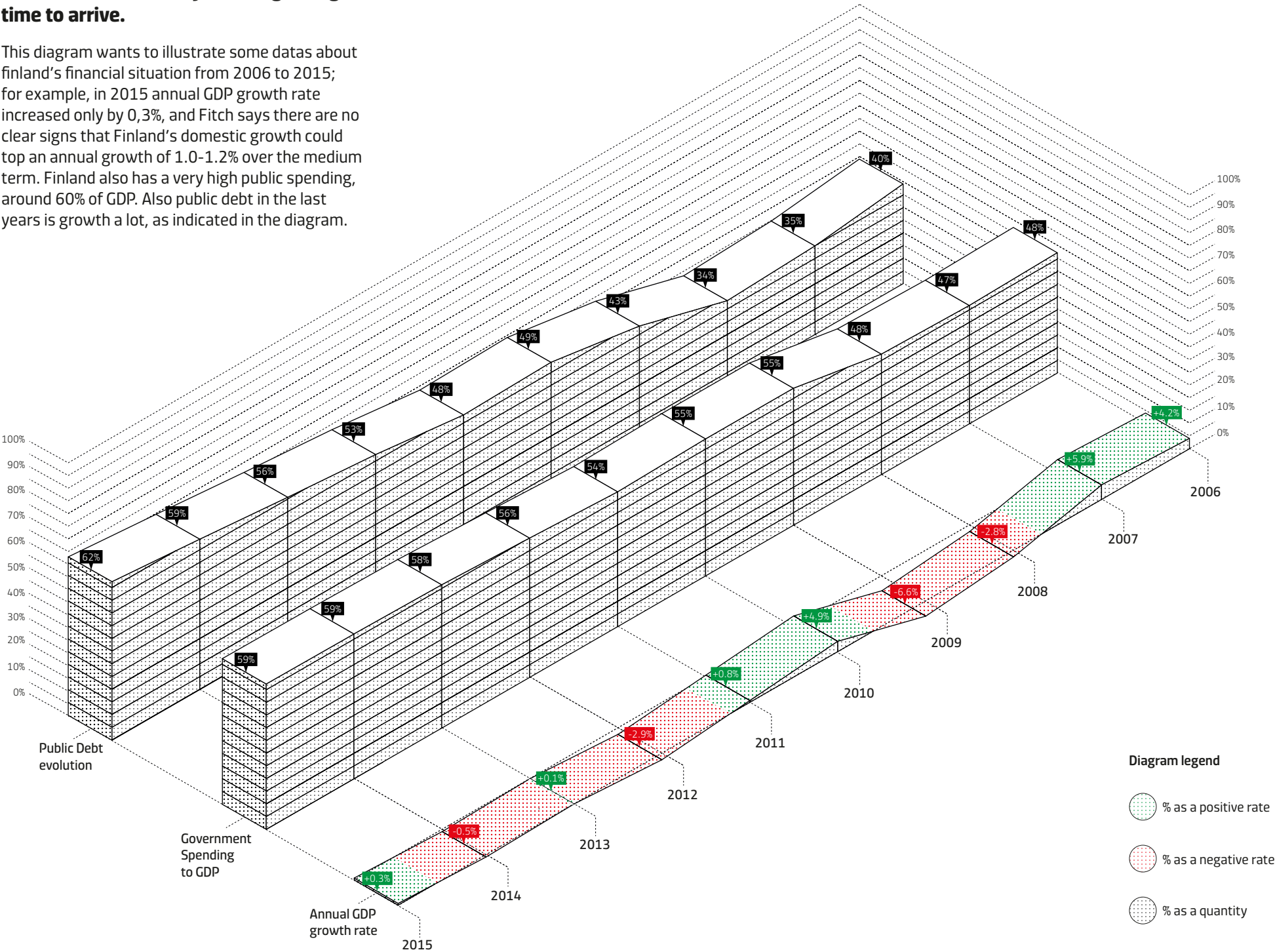
Export difficulties

The economic problems of Finland came primarily from a drop in demand from Russia, first market for the Finnish export. Difficulties of trade have worsened by: the decline of its most successful company, Nokia together with the sector of the production of the paper.



The economic recovery is taking a long time to arrive.

This diagram wants to illustrate some datas about finland’s financial situation from 2006 to 2015; for example, in 2015 annual GDP growth rate increased only by 0,3%, and Fitch says there are no clear signs that Finland’s domestic growth could top an annual growth of 1.0-1.2% over the medium term. Finland also has a very high public spending, around 60% of GDP. Also public debt in the last years is growth a lot, as indicated in the diagram.



Sources: tradingeconomics.com, Bloomberg.com, IBTW.com, yle.fi