EU debt crisis odyssey

#visualizingthecrisis

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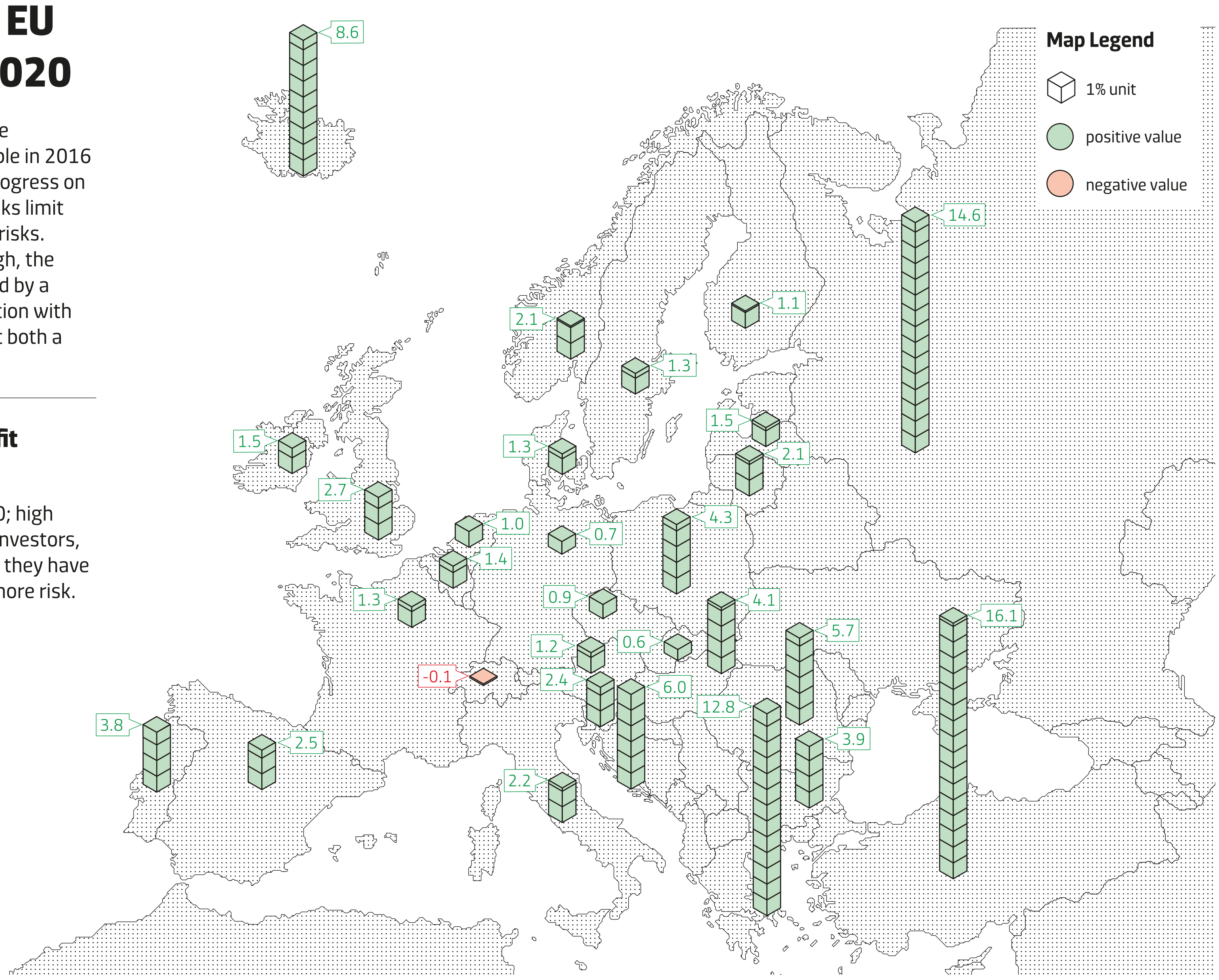
EUR Only a small fall in EU debt expected for 2020

Rating agency Moody's said the Eurozone sovereigns' ratings will likely remain stable in 2016 but fading fiscal consolidation, limited progress on structural reforms, and rising political risks limit upside potential and create longer-term risks. Even as debt loads remain stubbornly high, the deleveraging process has been hampered by a combination of low growth and low inflation with progress on structural reforms limited at both a national and a Eurozone level.

Europe 2020: 10 years bond profit

This map wants to illustrate situation of government bond 10 years profit in 2020; high profits of this bonds are surely good for investors, but isn't good for governments, because they have to pay more interests; so high profits = more risk.



TIPS for economy's beginners

CBI: Confederation of British Industry
FTA: Free Trade Agreement
WTO: World Trade Organization
BoJ: Bank of Japan

LUX DNK SWE European inner circle of triple A, according to Standards & Poor's

Rating agency's Standard & Poor's confirmed its AAA rating awarded in Denmark and Luxembourg and Sweden. "The Danish economy is rich, competitive and diversified with a debt level remained "modest". "The economy of Luxembourg is based on institutions and governance". Furthermore, Sweden has a low debt.

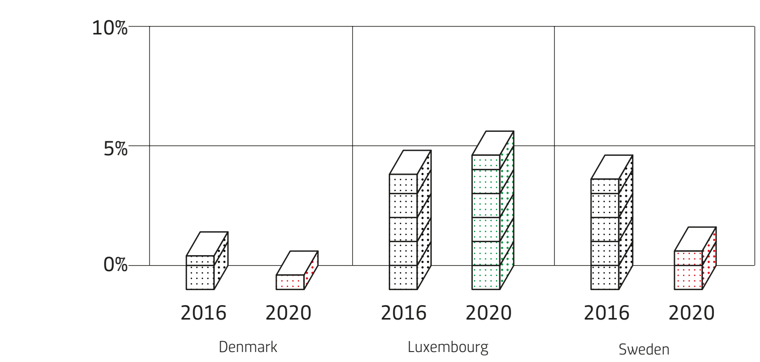
The European AAA countries: perspectives for 2020

Here are compared some considerable data (unemployment rate, Government debt to GDP, GDP growth rate and government spending to GDP) to provide an accurate economic forecast for 2020. Countries taken into consideration are Luxembourg, Sweden and Denmark.

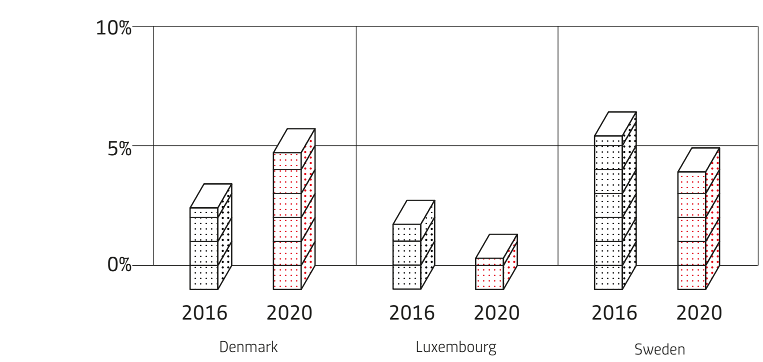
Diagram Legend

- actual value
- value lower than 2016
- rate higher than 2016

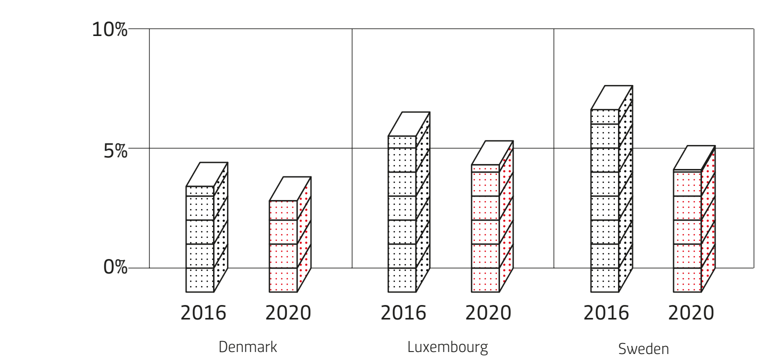
Industrial production 2016/2020



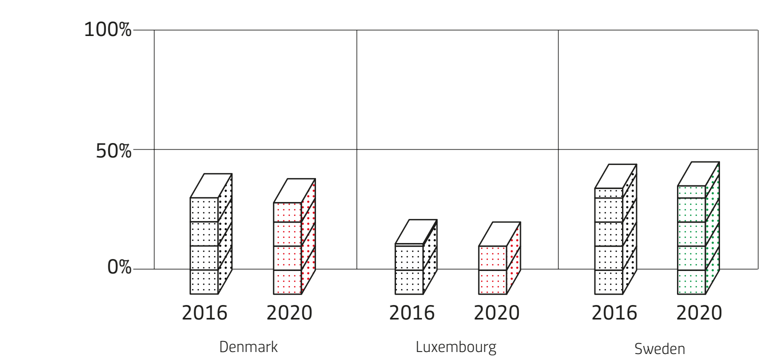
Manufacturing production 2016/2020



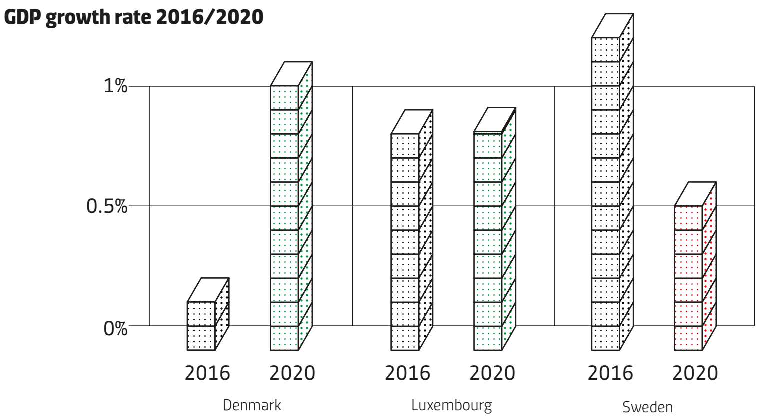
Unemployment rate 2016/2020



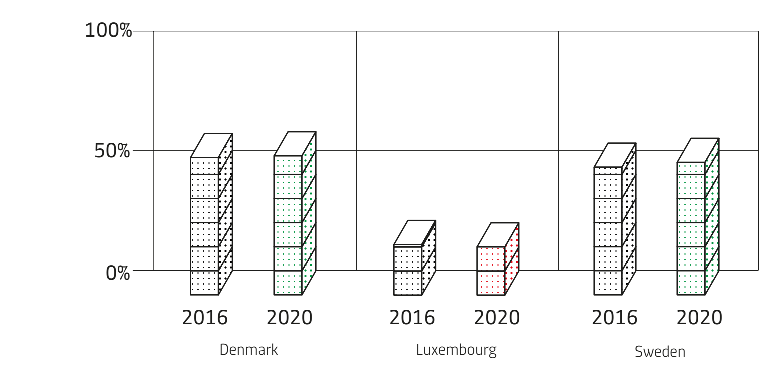
Government debt to GDP 2016/2020



GDP growth rate 2016/2020



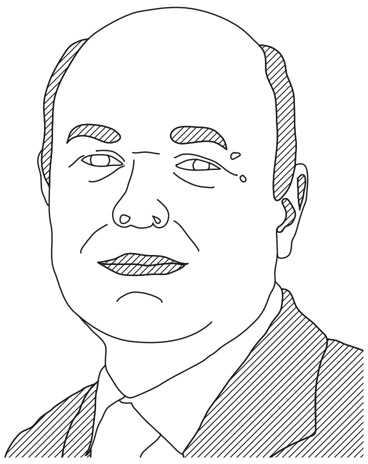
Government spending to GDP 2016/2020



Sources: tradingeconomics.com, dhnet.be, independent.ie, thenews.com, marketoracle.com

GBR Again and again: Brexit

Iain Duncan Smith, who resigned as U.K. work and pensions secretary last week, denied accusations his move was aimed at undermining Prime Minister and Chancellor of the Exchequer amid Conservative Party divisions over the European Union ahead of June's referendum. Population is now worried about the future also because of the puond weakness this week and new **CBI** warnings and economic projections for 2020.



Iain Duncan Smith, ex Secretary of State for Work and Pensions

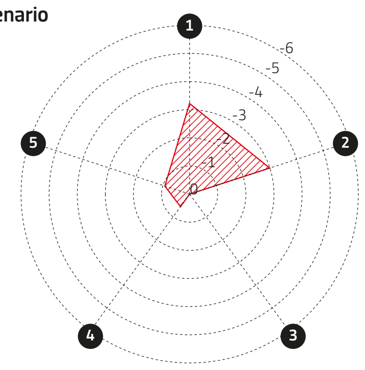
Warning: What about the impact?

Brexit from the EU could cost a billion pounds and almost a million jobs by 2020, warned CBI, it would cause a "serious shock," triggering "significant economic and political uncertainty" in the short term. The CBI report looks at the economic impacts of a Brexit under two possible trade scenarios: the U.K. reaches a Free Trade Agreement (**FTA**) with the union and can sell goods to the region without paying extra tariffs, or the negotiations prove more difficult, leaving the U.K. bound to trade with the EU under the World Trade Organization's (**WTO**) rules. This would mean Britain could no longer enjoy tariff-free trade.

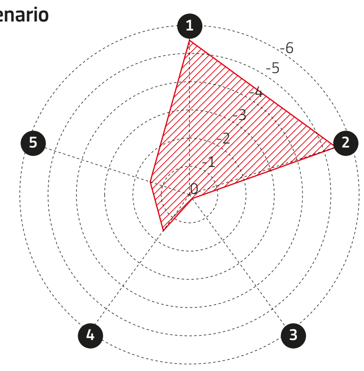
Legend - Exit scenario results
Sources: PwC analysis

- Predicted data
- 1 Total impact on GDP
- 2 Impact on GDP per capita
- 3 Change in population
- 4 Trade
- 5 Migration

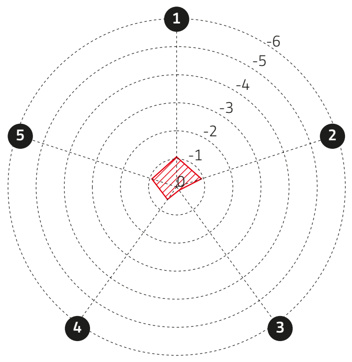
FTA scenario
2020



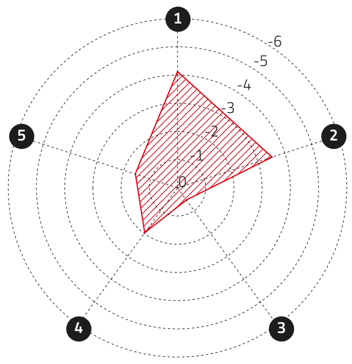
WTO scenario
2020



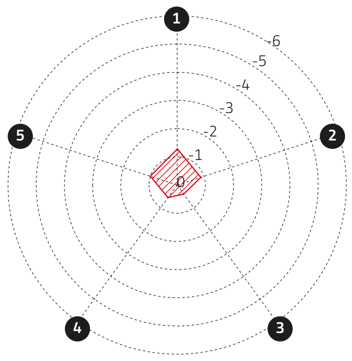
2025



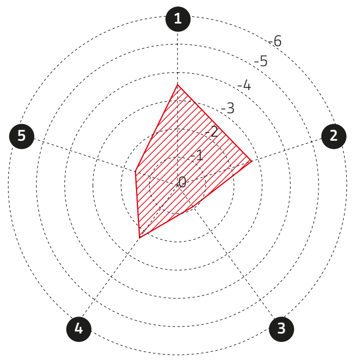
2025



2030



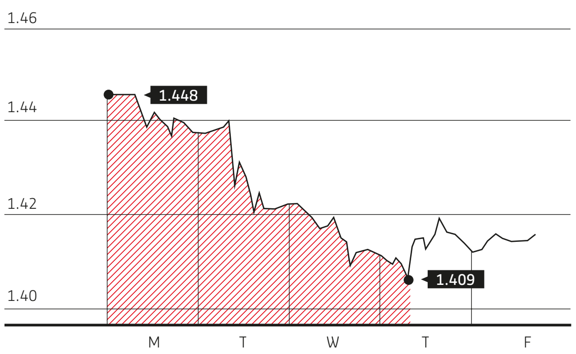
2030



The pound weakens

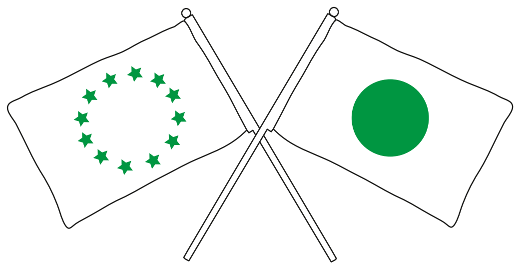
The pound sunk on renewed worries about the threat of Brexit after the Confederation of British Industry issued a warning about the potential fallout. Separately, investors were considering the potential fallout from the resignation of British work and pensions secretary Iain Duncan Smith over the weekend.

GBPUSD Change
21st Mar | 25th Mar



EUR Well, that didn't work

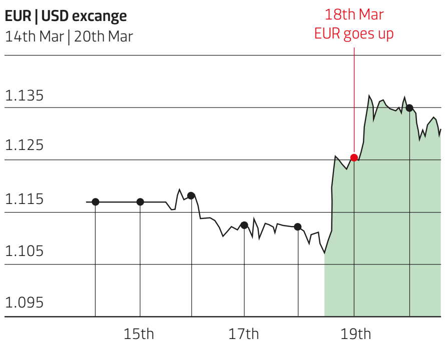
The **BoJ** and ECB recently launched some measures for currency devaluation in the sense that money printing and lower interest rates generally cause the offending country currency, sending its exchange rate down versus those of its trading partners. Well, that didn't work.



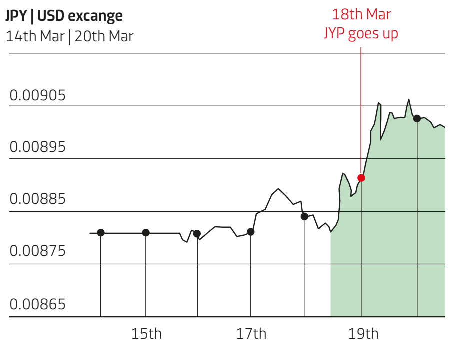
Expectation vs Reality

This was what they were hoping for: weaker currencies to boost their export and make their insanely-large debt more manageable. Instead, they both have popped versus the dollar, which means exports have gotten more expensive and both systems debt loads are now harder to manage.

EUR | USD excange
14th Mar | 20th Mar

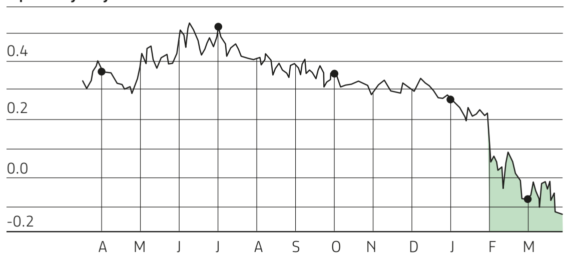


JPY | USD excange
14th Mar | 20th Mar



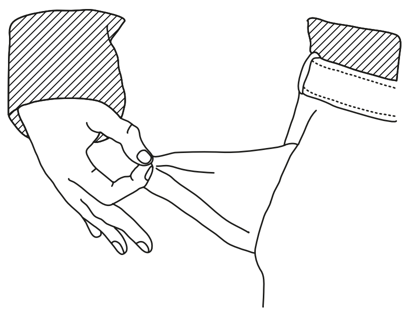
And it gets worse for Japan: Japan's yield curve has inverted,after the central bank's operation to buy long-term debt met the lowest investor participation on record. This is, typically, a harbinger of recession.

Japan 10-year yeld



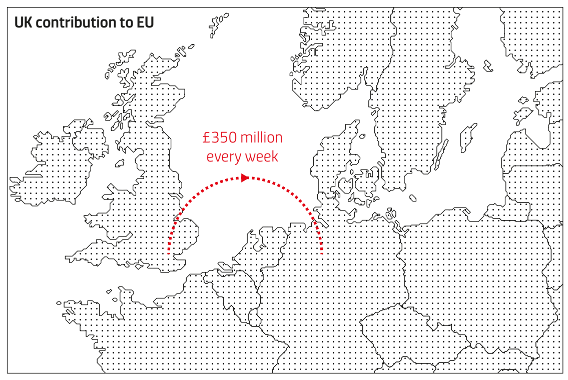
Warning: a million jobs lost

Employment would also take a hit in the years after a Brexit, the report forecast. In the first three to four years following a departure, the unemployment rate could jump to 8%, compared with 5% under the stay-in scenario, it said. Talking about real numbers by 2020, the overall cost to the economy could be as much as £100 billion and 950,000 jobs: situation maybe will be a little better in 2030.



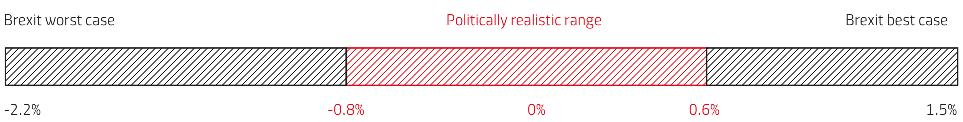
The opposition: CBI is too pessimistic

The main Brexit campaign group, "Vote Leave," argues the U.K. has lost control over vital policies and would be better off not sending £350 million every week in financial contributions to the union. Vote Leave chief executive Matthew Elliott criticized the CBI for using "deeply pessimistic" assumptions in its report and said the U.K. economy would continue to expand after an exit.



Opposition says that there are not only negative perspectives but also positive consequences on GDP in 2030, according to Cuirack Consulting. However, they are maybe a little bit to optimistic if we see the projections.

Impact of Brexit on UK GDP | 2030



Sources: MarketWatch, The Guardian, The Market Oracle, OpenEurope, Bloomberg