

European Corporate Outlook: A Switch In Time?

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Corporate Debt Ballooned Due To Low Interest Rates ...

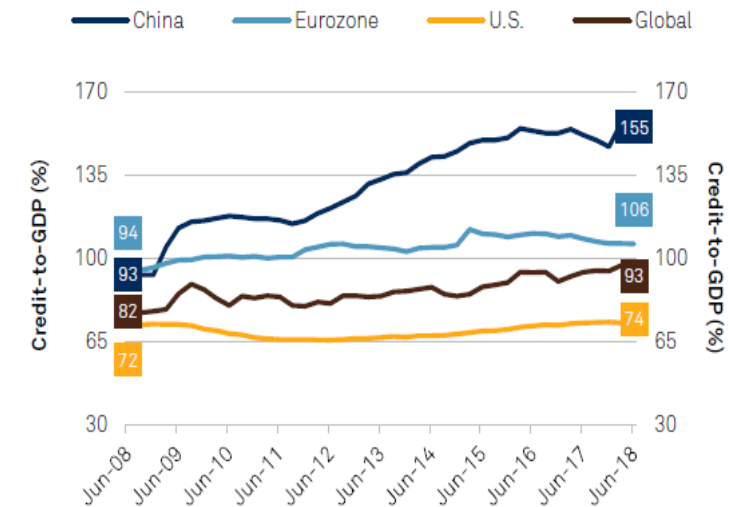
Absolute Debt (\$) And Debt-To-GDP (%) By Geography, June 2018

US\$ bil.	Nonfinancial corporates		Governments		Households		Total					
	Debt-to-GDP (%)		Debt-to-GDP (%)		Debt-to-GDP (%)		Debt-to-GDP (%)					
	June 2018	June 2008	June 2018	June 2008	June 2018	June 2008	June 2018	June 2008				
Advanced economies	41,902	90%	91%	48,581	104%	71%	33,849	72%	81%	124,332	266%	243%
U.S.	14,857	74%	72%	19,537	98%	61%	15,304	77%	97%	49,698	249%	230%
Japan	4,969	100%	103%	10,580	213%	147%	2,849	57%	59%	18,398	371%	308%
France	3,886	143%	114%	3,021	112%	67%	1,601	59%	47%	8,508	314%	227%
U.K.	2,303	84%	96%	3,003	110%	44%	2,362	86%	93%	7,669	280%	232%
Germany	2,161	56%	56%	2,593	67%	64%	2,045	53%	60%	6,799	174%	180%
Italy	1,448	71%	78%	2,934	144%	105%	836	41%	39%	5,218	256%	222%
Canada	1,910	116%	84%	1,220	74%	53%	1,649	100%	80%	4,778	290%	217%
Spain	1,313	95%	125%	1,519	110%	36%	841	61%	82%	3,672	265%	243%
Australia	1,013	74%	81%	544	40%	9%	1,655	121%	109%	3,212	235%	198%
Other	8,042	133%	151%	3,630	60%	64%	4,707	78%	105%	16,378	270%	321%
Emerging markets	28,818	97%	59%	13,801	47%	36%	11,470	39%	23%	54,153	183%	117%
China	20,292	155%	93%	6,232	48%	28%	6,582	50%	19%	33,105	253%	140%
Korea	1,582	100%	95%	621	39%	23%	1,519	96%	74%	3,721	235%	192%
India	1,140	45%	45%	1,739	69%	72%	282	11%	11%	3,161	125%	127%
Brazil	692	40%	33%	1,504	87%	61%	462	27%	18%	2,658	153%	112%
Other	5,113	42%	37%	3,706	30%	26%	2,625	21%	19%	11,507	94%	82%
Global	70,720	93%	82%	62,445	82%	62%	45,319	59%	65%	178,484	234%	208%

Color key: Blue indicates less (better) than 0.5 standard deviation below the mean for that sector; rust, more (worse) than 0.5; peach between blue and rust. Data source: Bank for International Settlements.

Source: "Next Debt Crisis: Will Liquidity Hold?", S&P Global Ratings publication, March 2019

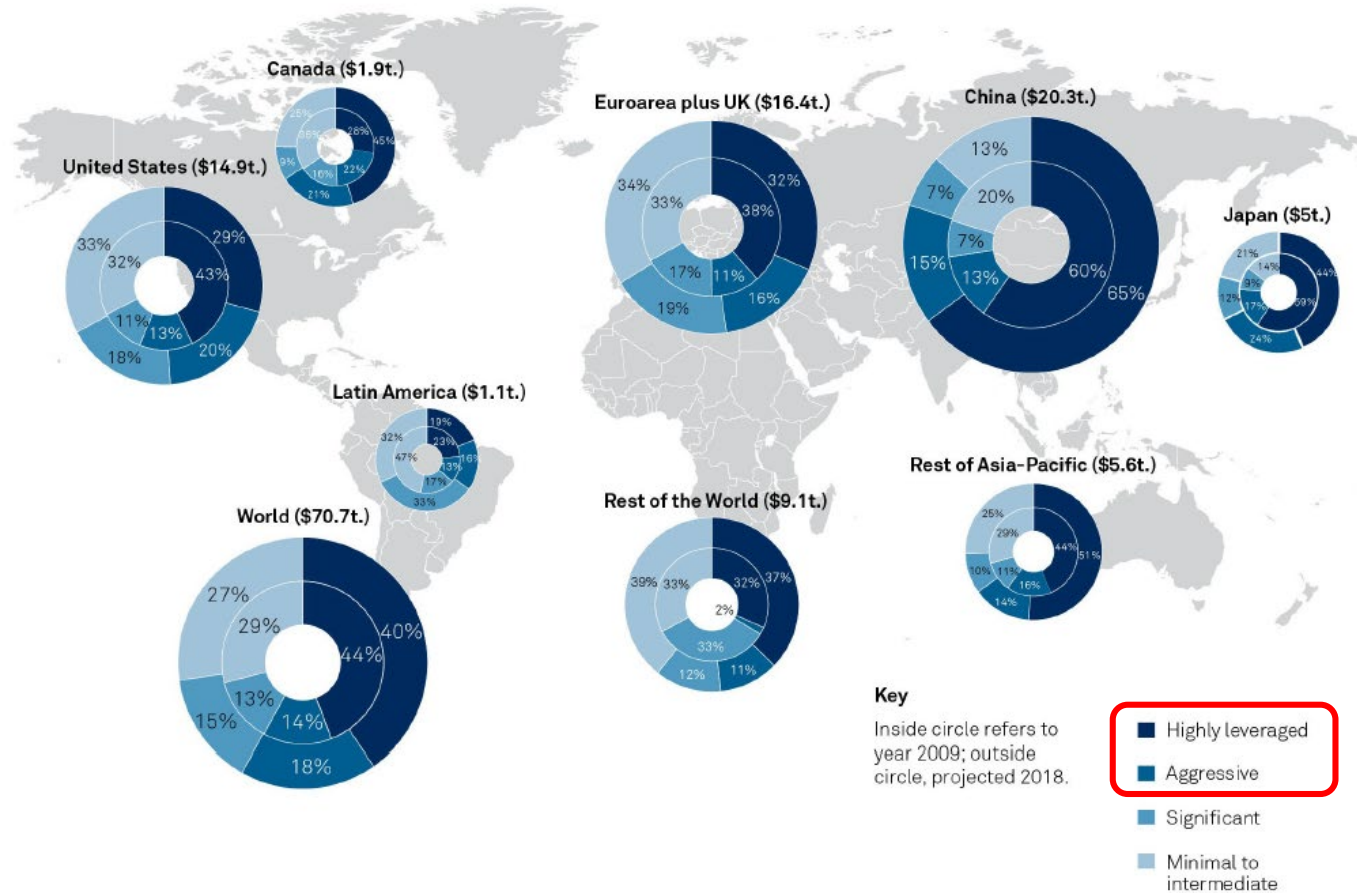
Corporates: Debt-To-GDP (%), June 2008-June 2018



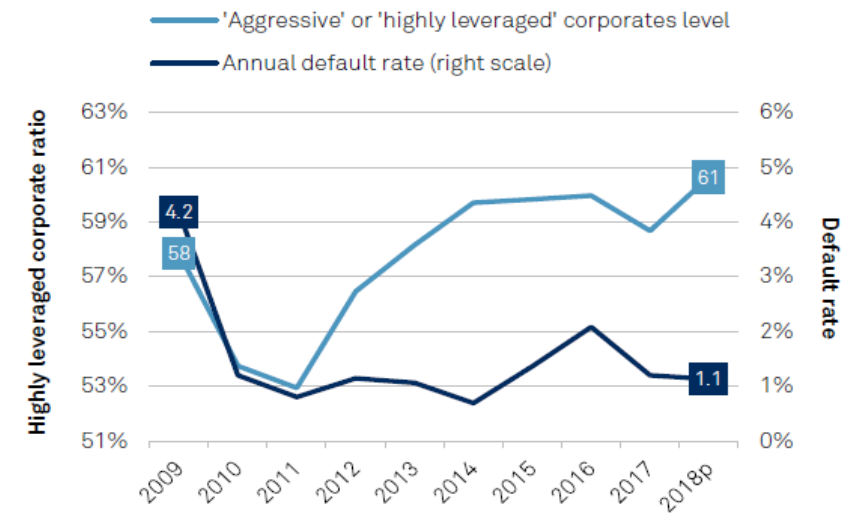
Data source: Bank for International Settlements.

..But It Did Not Translate Into Higher Defaults So Far

Global Corporate Sample: Leverage Distribution By Region, 2009 Versus 2018p



Global Corporate Sample: 'Aggressive' Or 'Highly Leveraged' Ratio And Ratings Default Rate, 2009 To 2018p

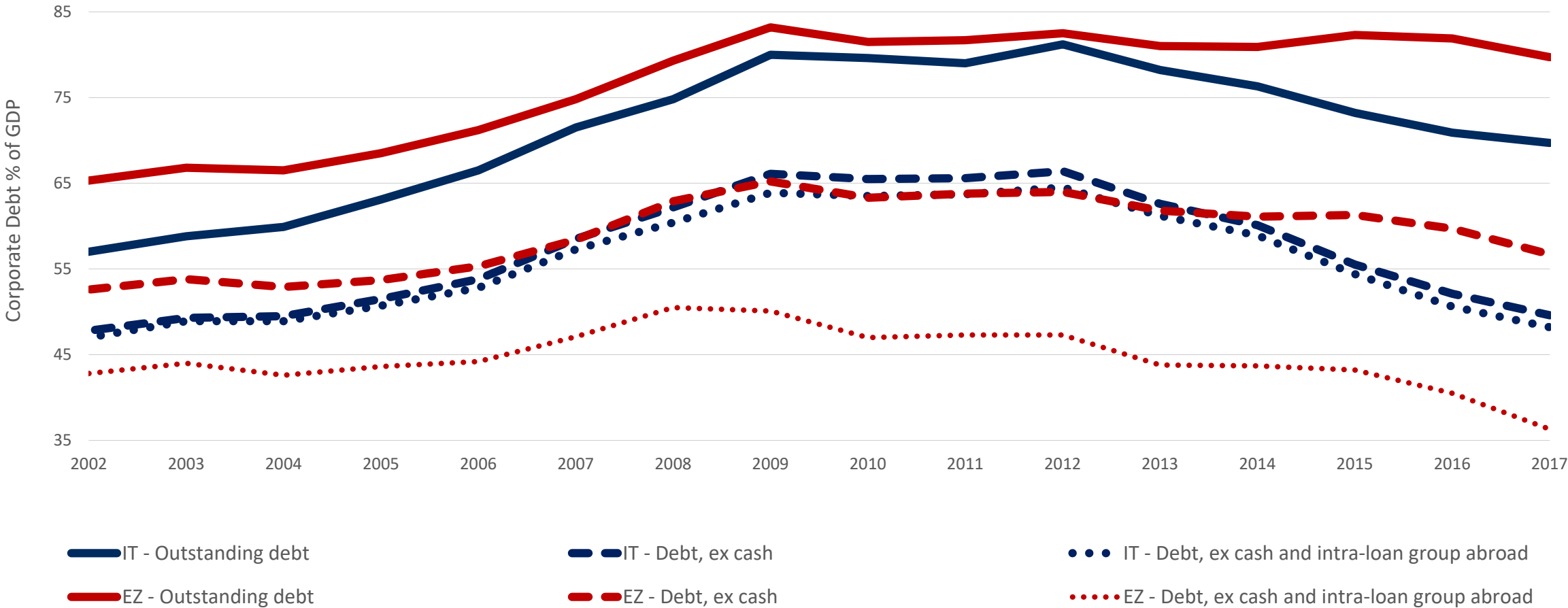


p--projected. Corporate sample data source: S&P Global Market Intelligence. Default data source: S&P Global Fixed Income Research.

p--projected. Country data (debt-weight) source: Bank for International Settlements (BIS). Sample data source: S&P Global Market Intelligence. Other source: S&P Global Ratings.

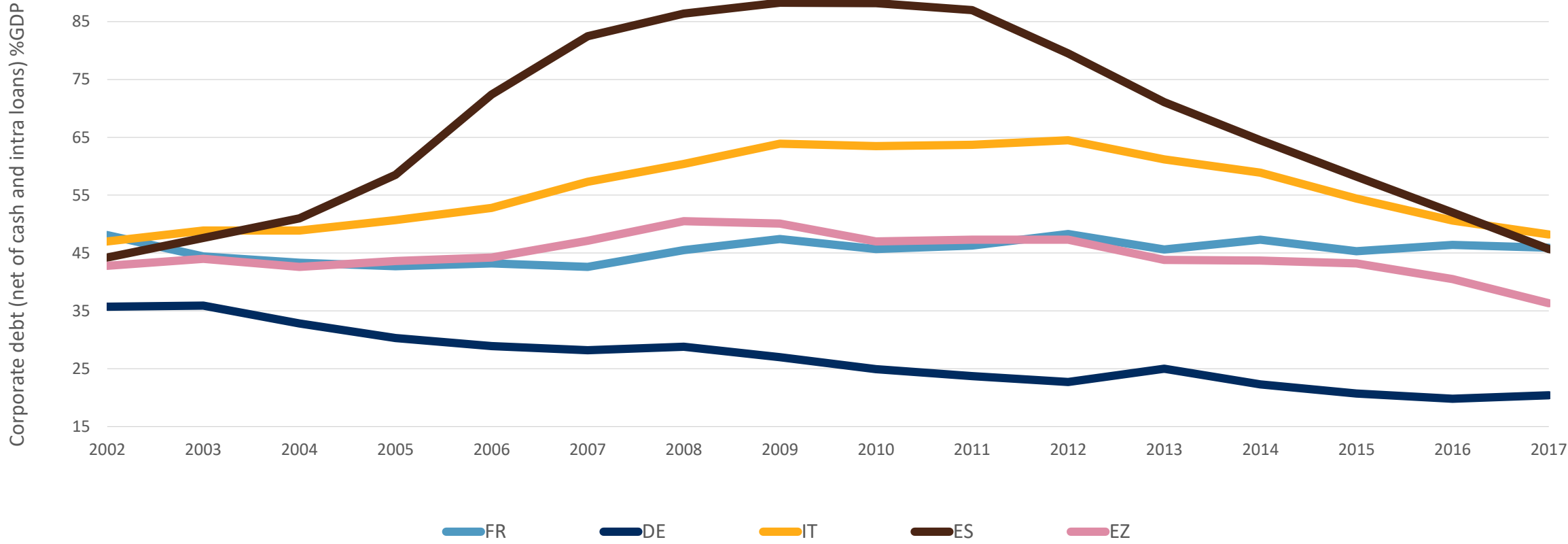
Source: "Next Debt Crisis: Will Liquidity Hold?", S&P Global Ratings publication, March 2019

Italian Companies Do Not Lend Much Abroad, Different Than Eurozone Average



Source: Eurostat
S&P Global
 Ratings

Italian Companies Debt Higher Than Eurozone Average, If Netted With Cash And Intra-Group Foreign Loans



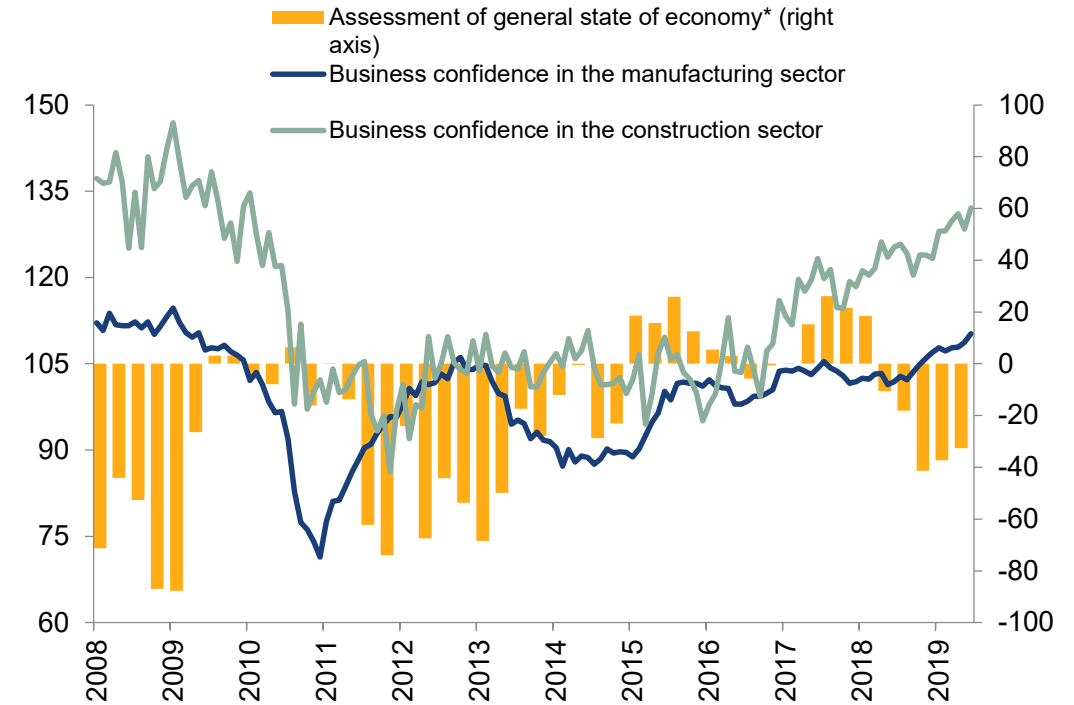
Source: Eurostat

European Confidence Indicators Currently Point To Contraction

Global PMI Heatmap - Manufacturing

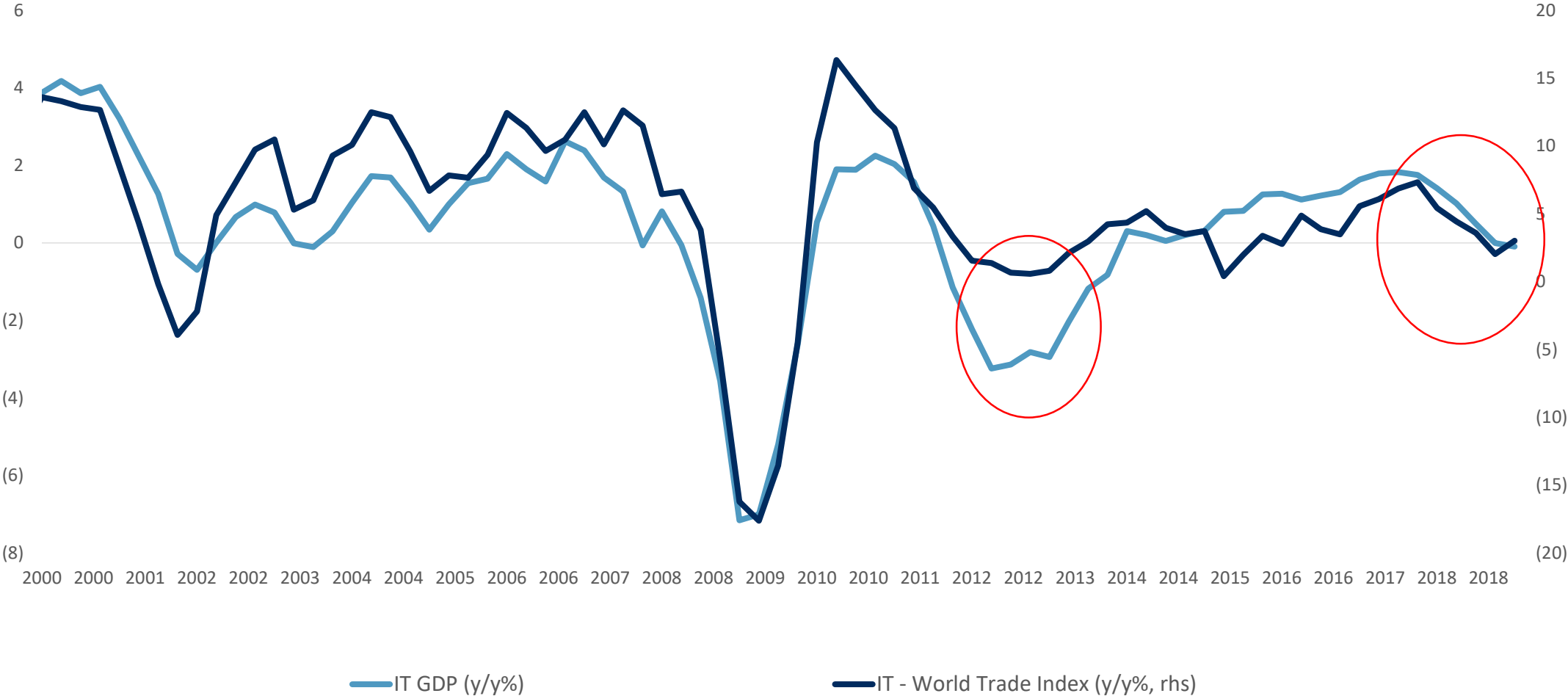
	05/18	06/18	07/18	08/18	09/18	10/18	11/18	12/18	01/19	02/19	03/19	04/19	05/19	06/19	07/19	08/19	09/19
Europe	55.3	54.9	54.9	54.3	53.1	51.8	51.8	51.5	50.6	49.5	48.3	48.4	47.9	47.6	46.6	47.1	
Euro Zone	55.5	54.9	55.1	54.6	53.2	52.0	51.8	51.4	50.5	49.3	47.5	47.9	47.7	47.6	46.5	47.0	45.6
France	54.4	52.5	53.3	53.5	52.5	51.2	50.8	49.7	51.2	51.5	49.7	50.0	50.6	51.9	49.7	51.1	50.3
Germany	56.9	55.9	56.9	55.9	53.7	52.2	51.8	51.5	49.7	47.6	44.1	44.4	44.3	45.0	43.2	43.5	41.4
Italy	52.7	53.3	51.5	50.1	50.0	49.2	48.6	49.2	47.8	47.7	47.4	49.1	49.7	48.4	48.5	48.7	
Netherlands	60.3	60.1	58.0	59.1	59.8	57.1	56.1	57.2	55.1	52.7	52.5	52.0	52.2	50.7	50.7	51.6	
Spain	53.4	53.4	52.9	53.0	51.4	51.8	52.6	51.1	52.4	49.9	50.9	51.8	50.1	47.9	48.2	48.8	
UK	54.3	54.0	53.9	52.9	53.7	51.1	53.3	54.3	52.8	52.1	55.1	53.1	49.4	48.0	48.0	47.4	
Poland	53.3	54.2	52.9	51.4	50.5	50.4	49.5	47.6	48.2	47.6	48.7	49.0	48.8	48.4	47.4	48.8	
Russia	49.8	49.5	48.1	48.9	50.0	51.3	52.6	51.7	50.9	50.1	52.8	51.8	49.8	48.6	49.3	49.1	
Turkey	46.4	46.8	49.0	46.4	42.7	44.3	44.7	44.2	44.2	46.4	47.2	46.8	45.3	47.9	46.7	48.0	
Canada	56.2	57.1	56.9	56.8	54.8	53.9	54.9	53.6	53.0	52.6	50.5	49.7	49.1	49.2	50.2	49.1	
US	56.4	55.4	55.3	54.7	55.6	55.7	55.3	53.8	54.9	53.0	52.4	52.6	50.5	50.6	50.4	50.3	51.0
Brazil	50.7	49.8	50.5	51.1	50.9	51.1	52.7	52.6	52.7	53.4	52.8	51.5	50.2	51.0	49.9	52.5	
Mexico	51.0	52.1	52.1	50.7	51.7	50.7	49.7	49.7	50.9	52.6	49.8	50.1	50.0	49.2	49.8	49.0	
China	51.1	51.0	50.8	50.6	50.0	50.1	50.2	49.7	48.3	49.9	50.8	50.2	50.2	49.4	49.9	50.4	
India	51.2	53.1	52.3	51.7	52.2	53.1	54.0	53.2	53.9	54.3	52.6	51.8	52.7	52.1	52.5	51.4	
Indonesia	51.7	50.3	50.5	51.9	50.7	50.5	50.4	51.2	49.9	50.1	51.2	50.4	51.6	50.6	49.6	49.0	
Japan	52.8	53.0	52.3	52.5	52.5	52.9	52.2	52.6	50.3	48.9	49.2	50.2	49.8	49.3	49.4	49.3	48.9
S.Korea	48.9	49.8	48.3	49.9	51.3	51.0	48.6	49.8	48.3	47.2	48.8	50.2	48.4	47.5	47.3	49.0	
Taiwan	53.4	54.5	53.1	53.0	50.8	48.7	48.4	47.7	47.5	46.3	49.0	48.2	48.4	45.5	48.1	47.9	

Italy: business confidence indicators (monthly data, Index 2010 = 100) and assessment of the general state of the economy



Source: Markit, Eurostat, Bank of Italy

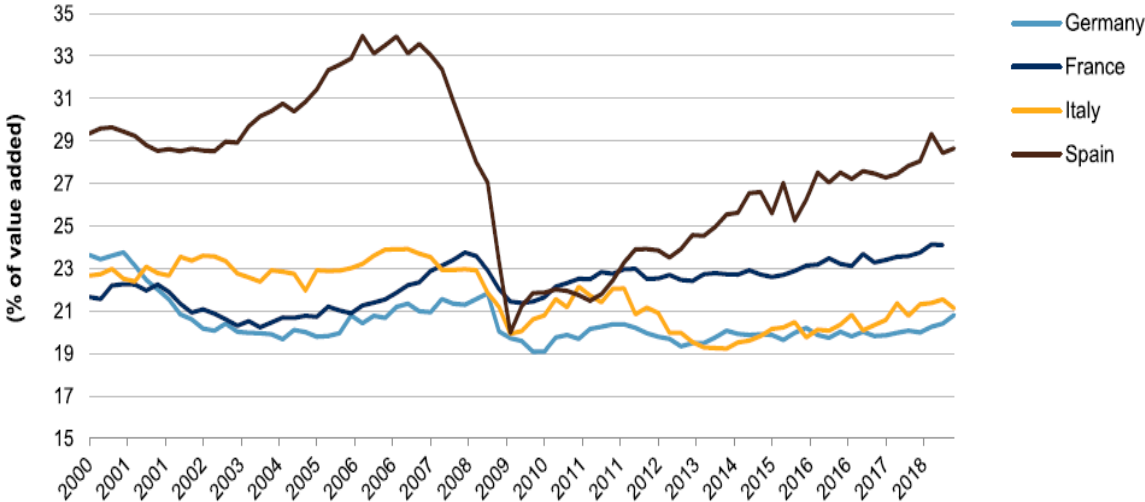
Italy: GDP Growth Is Largely Foreign Trade Driven



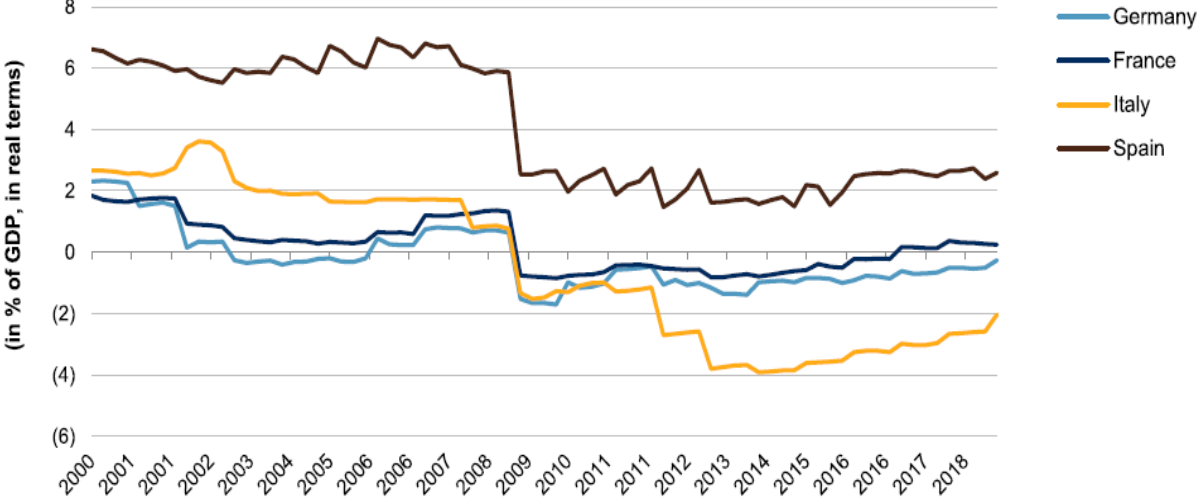
Source: Eurostat, S&P Global Ratings Calculation

Subdued Corporate Investments Still Weigh On Economic Growth

Italian Corporate Invest less than Spain and France as % of Value Added

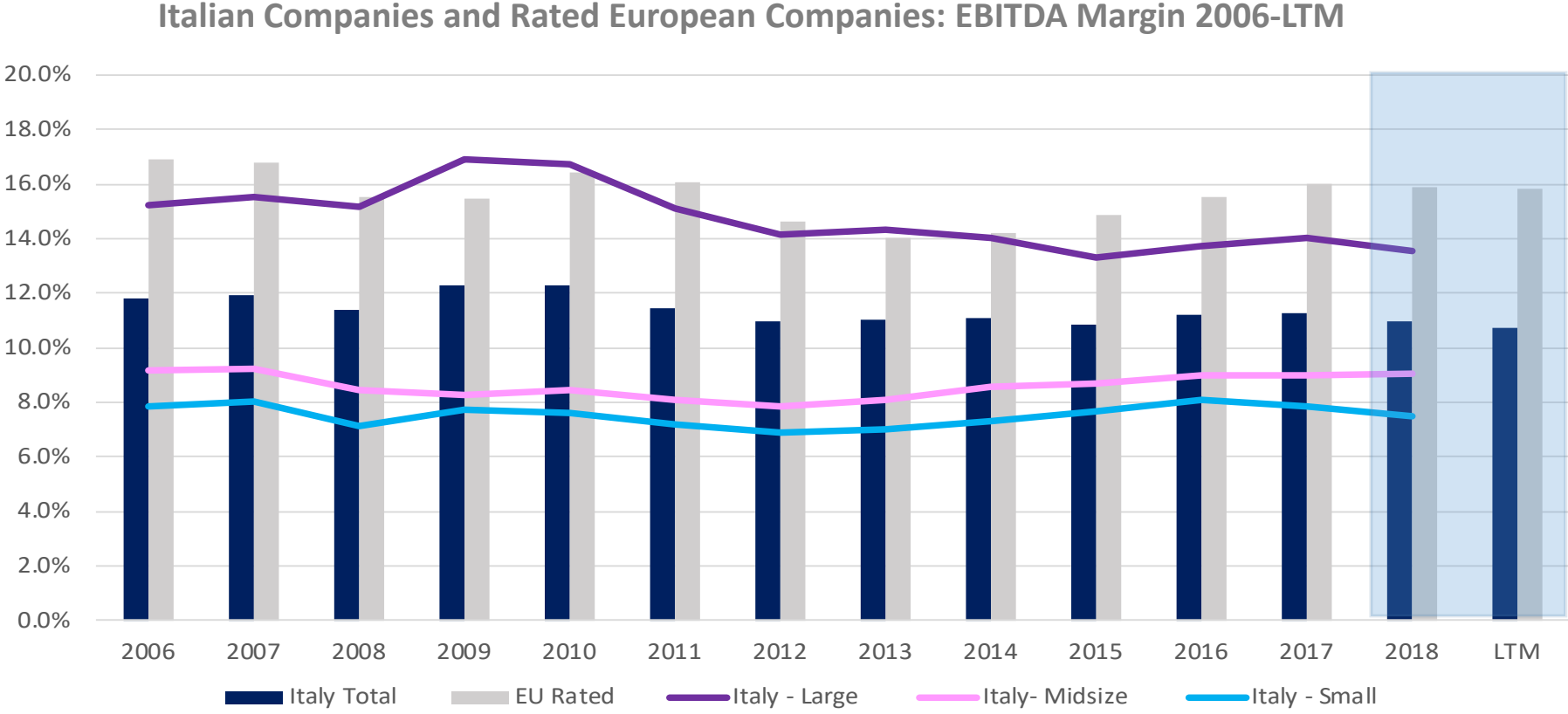


Italian productive investment remains Negative, net of depreciation



Source: S&P Global Ratings, Eurostat

Italian Corporate Profitability Weakened In 2018-2019, And Kept Gap With EU

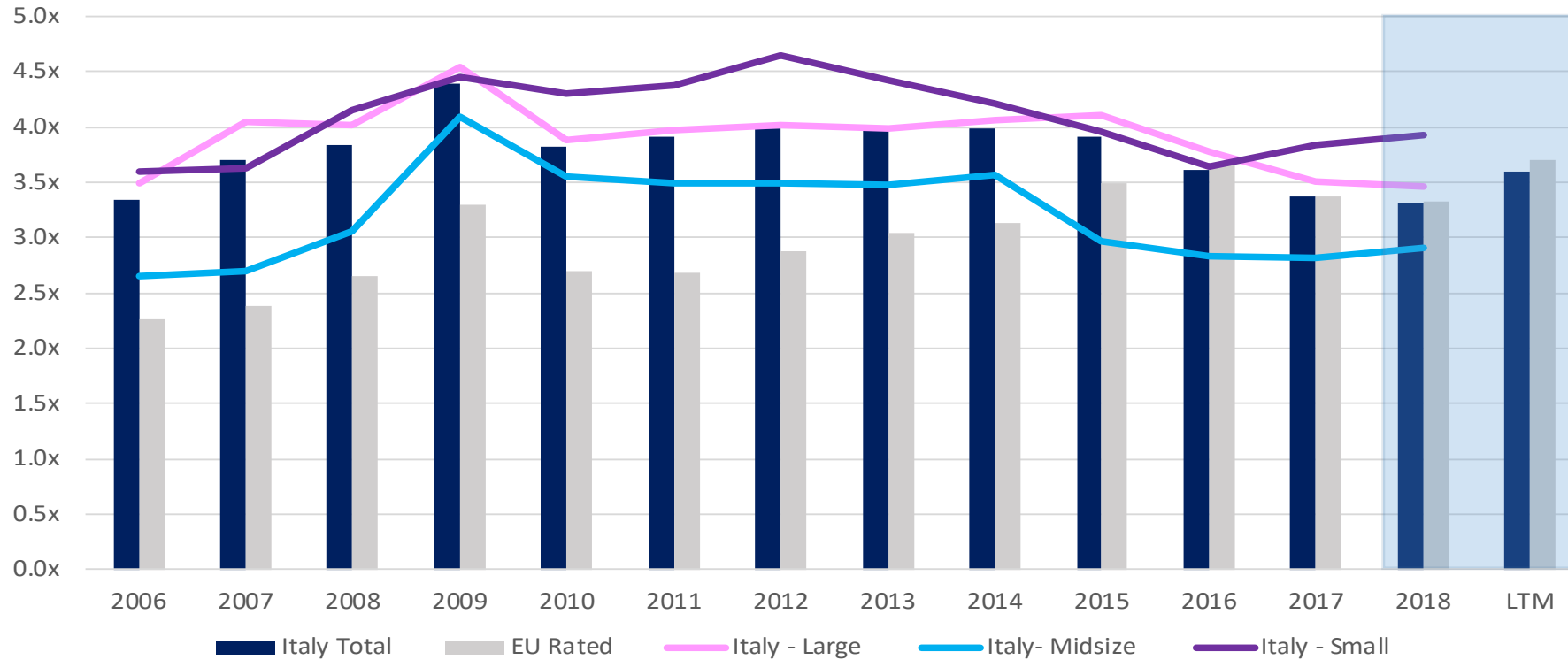


* Data excludes Oil&Gas

Source: S&P Global Market Intelligence, S&P Global Ratings calculations

Italian Corporate Financial Leverage Has Weakened In 2019, Similar To Europe

Italian Companies and Rated European Companies: Debt/EBITDA 2006-LTM

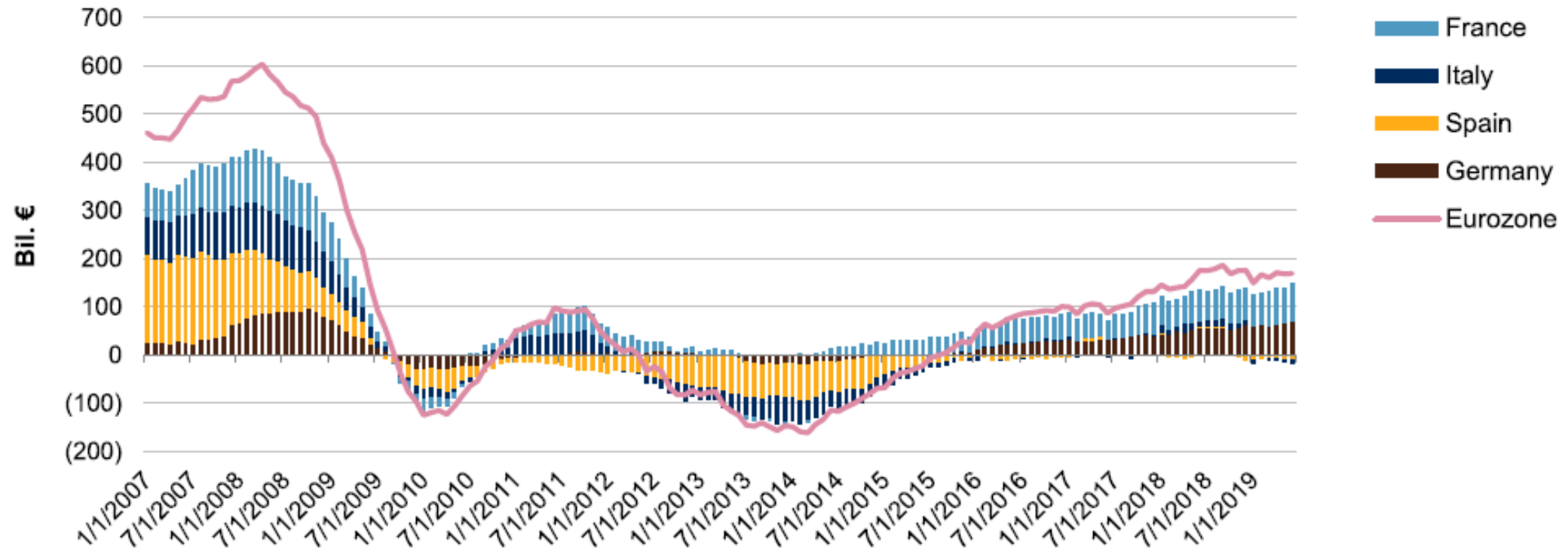


* Data excludes Oil&Gas

Source: S&P Global Market Intelligence, S&P Global Ratings calculations

The credit Recovery Has Not Yet Happened in Spain and Italy...

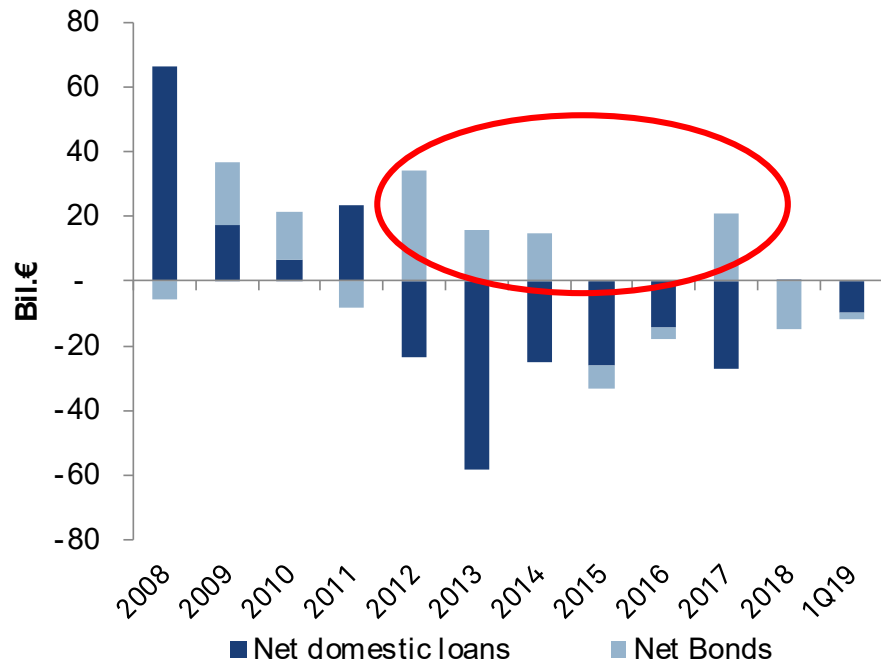
Loans to Non Financial Corporations (12 months, cumulated)



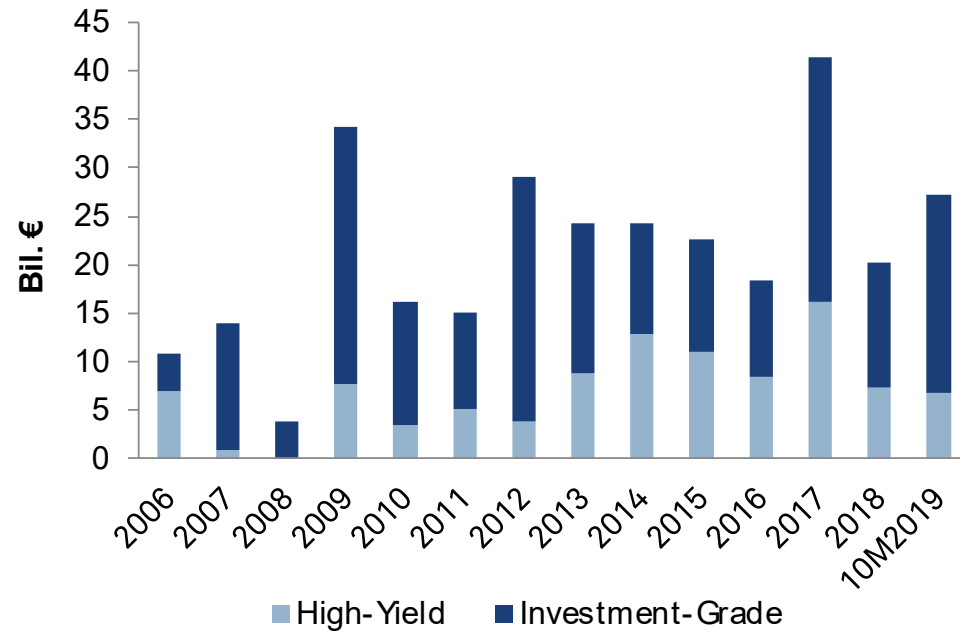
Source: ECB, S&P Global Ratings

...But Gross Bond Issuance In 2019 Is Sustained, Though Below 2017 Peak

Italian Corporate Funding Sources Net Change (2008- 1Q2019)



Gross Bond Issuance (2006 – 10M2019*)

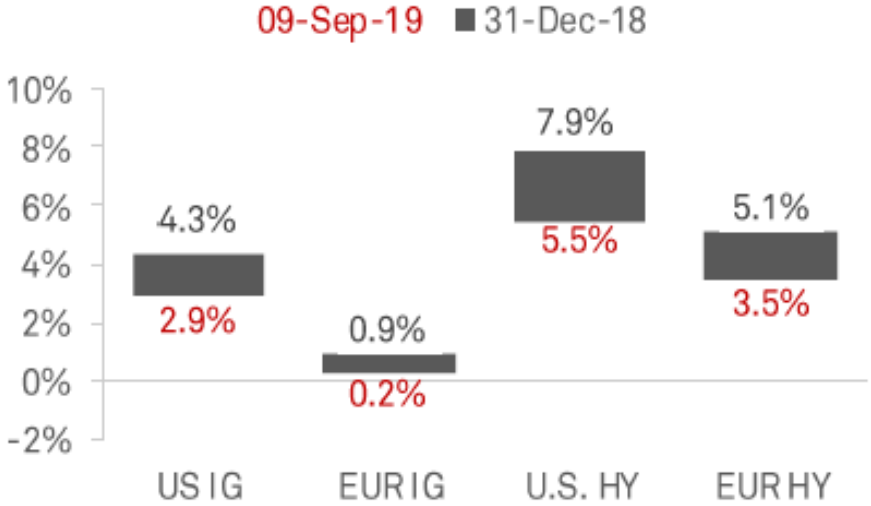


*10M2019 data still provisional

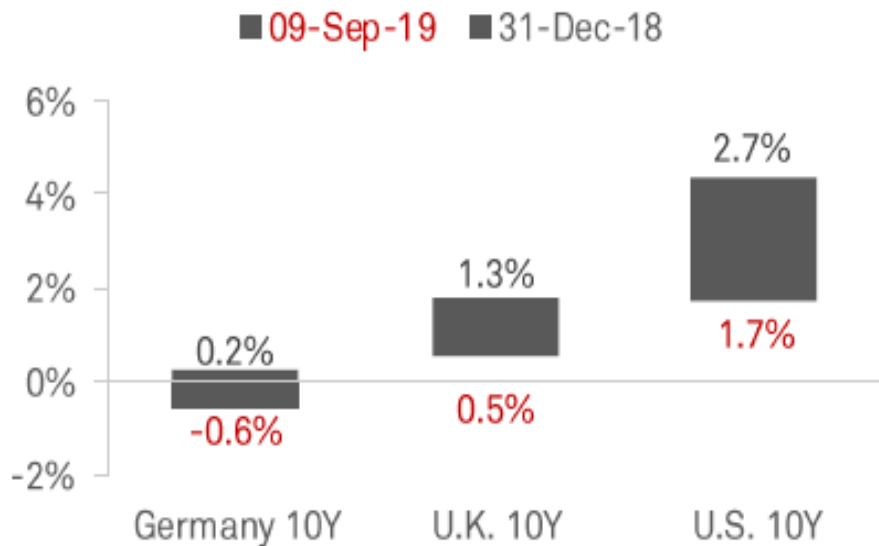
Source: Banca d'Italia, Dealogic, Bloomberg

Bonds: A Significant Spread Compression On Both Sides Of The Atlantic

YTD Corporate Spreads

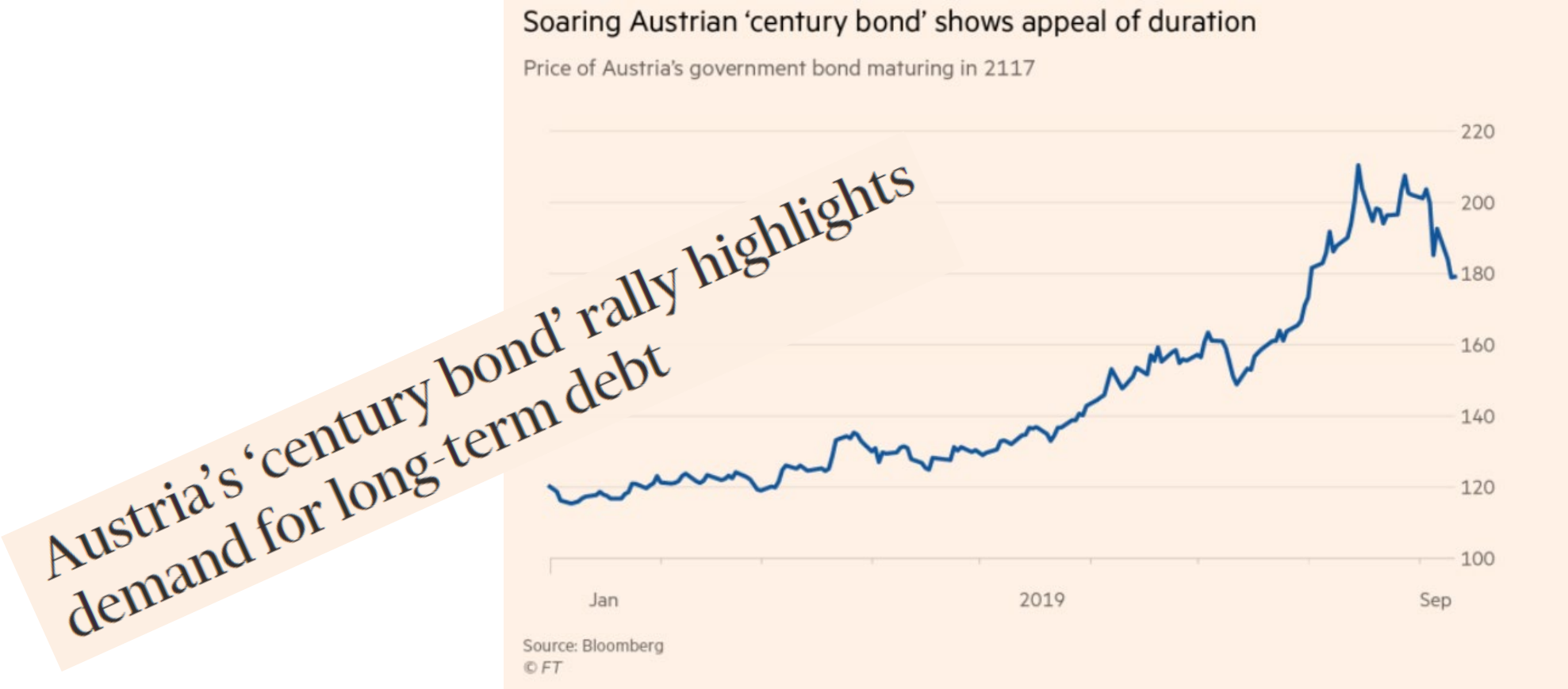


YTD Sovereign Spreads



Source: Refinitiv, S&P Global Market Intelligence

Key Lesson: In Current Low Interest Rate Environment, We Should Not Forget The Duration Concept



Thank you!

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Ratings

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