08 May 2020

Italy: debt sustainability hinges on ECB policy as Covid-19 crisis results in rise in debt and funding needs

Italy (BBB+/Stable) is among the European countries most severely impacted by the global health crisis, given the crisis' economic consequences, a deterioration in the fiscal balance and weakening in debt sustainability. We expect a material economic drop in 2020, with Italian output set to contract by 7.5% (with downside risk to this estimate). We project Italy's fiscal deficit to widen to more than 10% of GDP and public debt to rise over a 155% of GDP level. The ECB's bond-buying programmes are crucial to ensure Italy benefits from low funding rates, although movement towards a wind-down in ECB net purchases longer term will increase financing risks given Italy's significant yearly funding needs.

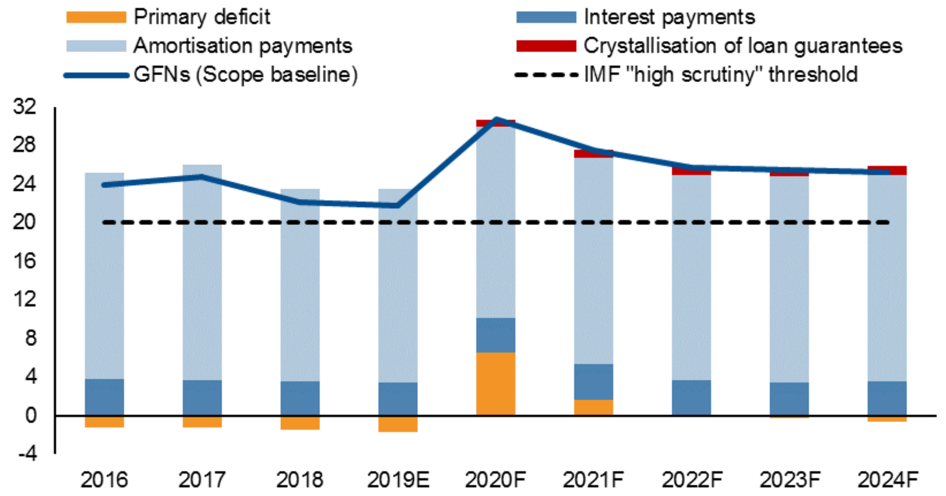
The Covid-19 pandemic has brought about a global recession of severity not seen in the post-war period. We expect Italy's economy to contract by 7.5% under a baseline outcome in 2020, as lockdown measures are relaxed, which started in April. However, under more adverse scenarios of, for example, a second wave of virus transmission and the re-imposition of lockdowns, Italy faces the risk of a double-digit recession (Annex I).

The Italian government has reacted to the economic crisis with significant budget and liquidity support, in line with other major European countries. Budget stimulus of 4.5% of GDP alongside 40% of GDP in public guarantees on bank loans are key components of an appropriately *counter-cyclical* fiscal response from authorities. At the same time, the impact of emergency government spending and the recession on Italy's budget will have a knock-on effect on the country's already elevated public debt stock, which stood at 135% of GDP at end-2019. We expect this general government debt ratio to increase to above 155% of GDP in 2020 and to thereafter maintain an upward trajectory longer term – remaining relatively unchanged in years of growth but suddenly adjusting up in times of recession. This trajectory reflects in significant part weak nominal growth dynamics. In addition, we estimate that debt ratios could rise to 185% of GDP or above under a stressed scenario.

In relation to short-term debt sustainability, we expect government gross financing needs (**Figure 1**) in 2020 to rise to more than 30% of GDP under the baseline and then to fall somewhat, as deficits are trimmed, but remain above 25% of GDP a year through 2024.

ECB intervention remains vital for the preservation of Italy's market access and facilitating sustainable funding rates for the government to cover elevated gross financing needs. Italy's 10-year yields are around a modest 1.9% at the time of writing. However, a future winding down of ECB crisis-era net purchases and/or any movement, longer term, toward a *reduction* in the size of the ECB balance sheet (per an exit strategy) – including, for example, any non-re-investment of maturing Italian BTPs – could present greater longer-term refinancing risk.

Figure 1: Italy gross financing needs (GFNs) projections, % of GDP



Source: IMF, Scope Ratings GmbH forecasts

Analysts

Dennis Shen
+49 69 6677389 68
d.shen@scoperatings.com

Giulia Branz
+49 69 6677389-43
g.branz@scoperatings.com

Team leader

Dr Giacomo Barisone
+49 69 6677389-22
g.barisone@scoperatings.com

Media

André Fischer
+49 30 27891-147
a.fischer@scopegroup.com

Related Research (w/ links)

Euro area reduces sovereign liquidity risks, faces politically charged task of repairing economy – 17 April 2020

Q2 2020 Sovereign Update – 2 April 2020

Covid-19 in Italy: what is the budget deficit, sovereign debt and credit rating outlook? – 26 Mar 2020

Covid-19: Matrix for assessment of economic vulnerability and healthcare capacity – 25 Mar 2020

Scope Ratings GmbH

Lennéstraße 5
10785 Berlin

Phone +49 30 27891 0
Fax +49 30 27891 100

info@scoperatings.com
www.scoperatings.com

Bloomberg: SCOP

Economic outlook

Italy has been among the hardest hit countries by the corona crisis in Europe

Italy has been among the hardest hit countries by the coronavirus crisis in Europe so far, with over 215,000 confirmed cases and the death toll around 30,000 (the third highest of countries around the world in total cases and mortalities, and amongst the highest in the EU per capita). After eight weeks of national lockdown with strict limitations on non-essential economic activity and on freedom of movement, transmission of the SARS-CoV-2 pathogen has in recent weeks slowed, with new daily cases on a downward trajectory since late March. However, with nearly 90,000 persons presently infected, we expect mitigation measures to be relaxed only slowly – with a significant likelihood of re-introduction of regional or national mitigation measures were case counts to re-increase.

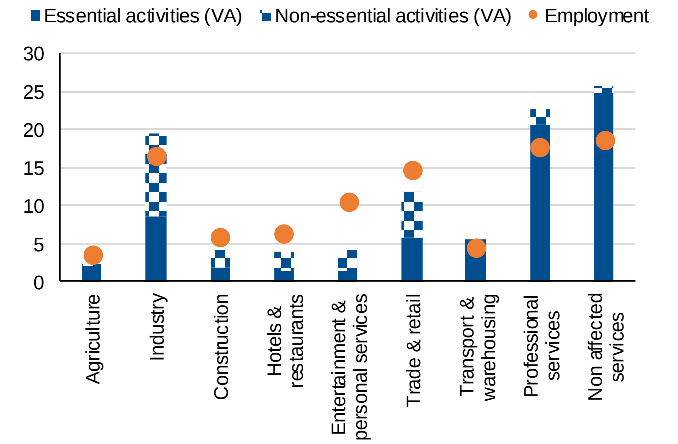
The Italian government decided to restrict “non-essential” economic activities from 23 March on, with gradual relaxation of this having started on 4 May. According to the Bank of Italy, such “non-essential activities” account for around 30% of Italy’s gross value-added (**Figure 2**). Besides impediments to services sector activities, additional channels through which the pandemic is severely impacting the economy include disruptions to global value chains, curtailments in transport, travel and leisure, as well as impediments to consumer and business confidence, and income losses that restrict consumer discretionary spending.

Italy entered the 2020 crisis with only 0.3% growth in 2019. Preliminary estimates witnessed a real GDP decline of 4.75% Q/Q in Q1 2020 – the largest Q/Q GDP drop in recorded history but nonetheless somewhat better than consensus for -5% in Q1[1]. We anticipate a significantly larger GDP decline in the second quarter of 2020.

Scope’s baseline scenario foresees a 7.5% 2020 economic contraction

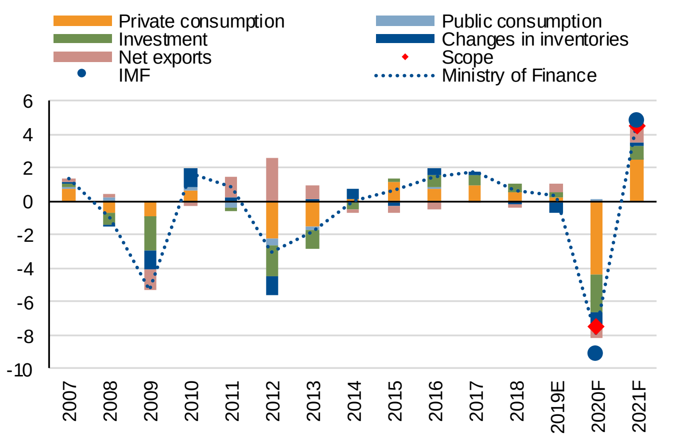
We project a 7.5% economic contraction in 2020 under a baseline, before a recovery with growth of 4.5% in 2021. **Figure 3** displays this by expenditure type along with presentation of the latest 2020 growth expectations for Italy from the Italian Ministry of Finance and the IMF for comparison. Our framework for estimating growth (summarised in **Annex I**) is based on assumptions on varying levels of shocks to industry activity and different speeds of recovery depending on the economic sector in question, acknowledging sectors’ varying degrees of exposure to the pandemic’s economic impacts. We also integrate counterbalancing growth-positive effects from counter-cyclical fiscal support measures.

Figure 2: Sectors affected by lockdowns and national employment
Shares in value-added (VA) and % of active labour force



Source: Bank of Italy, Scope Ratings GmbH
“Essential activities” as determined by the D.P.C.M. 22 March 2020

Figure 3: YoY Real GDP, by expenditure contribution
%



Source: Italian Ministry of Finance, IMF, Scope Ratings GmbH forecasts as of the Q2 2020 Sovereign Update (2 April 2020)

[1] Source: Reuters survey of 27 economists

Under Scope's baseline, containment measures are gradually lifted, as the government has started to do so since April and May. However, under two adverse scenarios, we consider worse GDP outcomes in 2020. In the first severe scenario, should lockdowns instead remain in place in a stringent form through Q3 2020, Italy's 2020 economic output could decline as much as 12.5%. Under a second stress scenario, if *tighter* national lockdown measures remain active in some shape over the remainder of 2020, the annual economic contraction could be as weak as 17.5%.

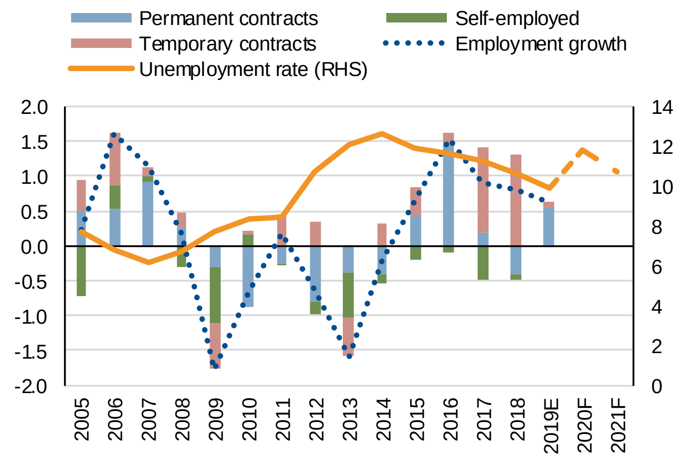
Labour market impact mitigated by government action, with unemployment to nonetheless rise toward 12%

Last year, Italy saw a record high employment rate, at close to 60%, even if still below a euro area average (of 68%), while, before the current crisis, the unemployment rate had fallen to 9.3% as of February 2020 (from a 2014 peak of 13.1%). In 2020, given the sudden reversal expected in labour markets, the Italian government has implemented measures to protect employment, including by expanding available social safety nets, such as the *Cassa Integrazione Guadagni* to provide extraordinary wage supplementation to companies, as well as subsidies for the self-employed and a nine-month mortgage relief plan for self-employed and other non-salaried workers. While these actions cushion immediate downside risks to employment, unemployment trends are likely nonetheless to see a more unfavourable trajectory by the second half of the year. The European Commission foresees the unemployment rate this year rising to an annual average of 11.8%, before easing to 10.7% in 2021[2] (**Figure 4**).

Uncertainty around the "recovery shape"

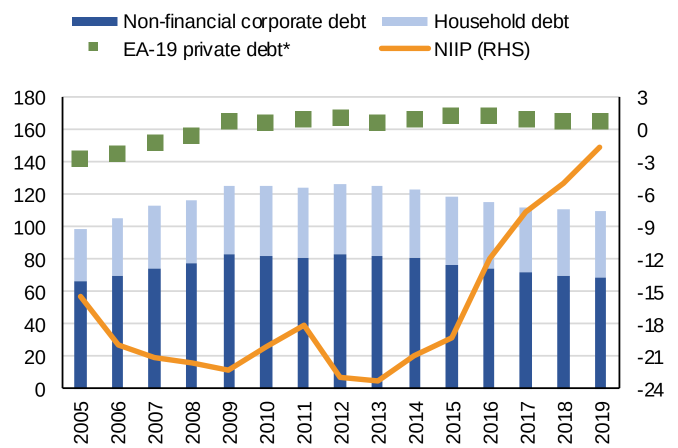
The speed and durability of the economic recovery will depend on: i) the efficacy of "phase 2" lockdown relaxation actions in Italy; ii) the time it takes before effective treatments for Covid-19 or a vaccine become publicly available; iii) how successful European policy makers manage the crisis and minimise financial market instability; and iv) how well the Italian government's fiscal stimulus mitigates the domestic economic impact of the health crisis. Under Scope's baseline, we assume a gradual, uneven recovery, with output levels still well under 2019 levels by end-2021.

Figure 4: YoY employment growth by component contribution and the unemployment rate
% (LHS) and % of active labour force (RHS)



Source: ISTAT, Eurostat, Scope Ratings GmbH, European Commission forecasts

Figure 5: Private sector debt and net international investment position (NIIP)
% of GDP



*Non-financial corporate debt + household debt
Source: Bank of Italy, ISTAT, ECB, Eurostat, Scope Ratings GmbH

Resilience in the economy

In the context of this year's crisis, we also consider areas of likely resilience. The financial situations of families and businesses entered the crisis on a more solid footing than they were a decade before, with lowered non-financial private sector indebtedness (110% of

[2] European Commission Spring 2020 European Economic Forecast

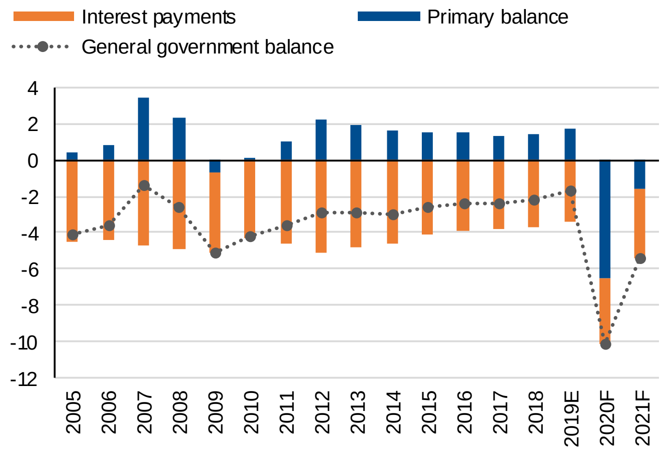
GDP in 2019 versus 126% in 2010) and below the euro area average (**Figure 5, previous page**). In addition, a track record of current account surpluses since 2013 has brought the economy to a near balanced external position. More on Italy's external sector strengths is discussed in Scope's report of 21 April: "2020 External Vulnerability and Resilience rankings for 63 countries: Covid-19 Crisis update".

Fiscal policy response and budget position impact

Lengthy track record of primary surpluses pre-crisis

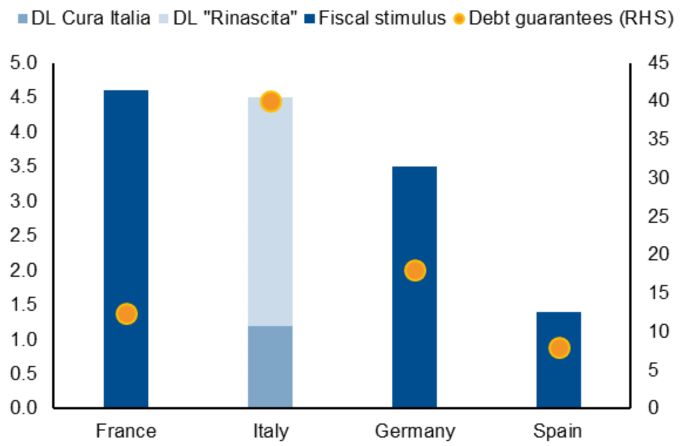
Italy's budget performance in the pre-crisis era observed a lengthy track record of primary fiscal surpluses over 2010-19, despite tepid economic growth during most years. Although frequently in non-compliance with European fiscal rules with relation to annual structural fiscal adjustments demanded by the EU, Italy's headline fiscal balance nonetheless saw gradual improvement since 2009, with the headline deficit reaching only 1.6% of GDP in 2019 (**Figure 6**) – the lowest level since 2007.

Figure 6: General government budget balance
% of GDP



Source: ISTAT, Scope Ratings GmbH forecasts

Figure 7: Fiscal support packages
% of GDP



Source: National government announcements, Scope Ratings GmbH

Significant policy response: 4.5% of GDP in direct stimulus, 40% of GDP in loan guarantees

Since the crisis began, the Italian government has announced significant budget expansion to support the healthcare system and the general economy, via strengthened social safety nets, suspensions of tax payments, moratoria on bank loan repayments and public guarantees on bank loans to affected businesses.

The size of aggregate budget measures announced to date[3] add to a fiscal impact of around 4.5% of GDP in 2020, alongside 40% of GDP in public guarantees on loans. This is roughly in line with the size of fiscal support packages announced to date by Germany and France (**Figure 7**).

Deterioration in the 2020 budget, with a deficit above 10% of GDP

We expect a significant weakening in the budget balance in 2020, however. Taking into account significant deterioration in the cyclical budgetary component alongside the fiscal support measures, we expect a budget deficit of above 10% of GDP. This compares with 2020 deficit estimates of 8.3% of GDP from the IMF and 10.4% by the Italian Ministry of Finance.

[3] Measures have been implemented through three primary articles of legislation to date: i) the Cura Italia Decree (17 March), ii) the Decreto Liquidità (8 April) and iii) the DL "Rinascita" (formalisation in coming days). The DL Cura Italia centred on: i) additional resources for healthcare services (EUR 3bn); ii) protections of employment, including salary support and childcare payment support (EUR 8bn); iii) liquidity support for businesses and families, including tax suspension and public guarantees on loan financing; and iv) funds for highly affected sectors, such as in transport, tourism and entertainment (EUR 2bn). Its total deficit impact amounted to EUR 20bn, or 1.2% of GDP, with public guarantees of EUR 350bn. The DL Liquidità facilitated additional public guarantees of EUR 400bn. Finally, the DL Rinascita is anticipated to exceed in size the DL Cura Italia and add new interventions to support investment and simplify bureaucracy, as well as eliminate a VAT rate increase scheduled in 2021. DL Rinascita's impact on the budget is expected at around 3.3% of GDP in 2020 before 1.4% in 2021.

Weakening in long-term and near-term debt sustainability

We expect the debt stock to increase above 155% of GDP

Under baseline expectations, we foresee Italy's public debt ratio to rise above 155% of GDP in 2020 (**Figure 8, next page**), and to thereafter maintain an upward trajectory long term[4] – remaining fairly unchanged in years of positive growth but adjusting significantly up in years of recession. This trajectory reflects in significant part weak nominal growth dynamics. Key assumptions behind this baseline expectation include:

i) -7.5% growth in 2020 followed by +4.5% in 2021 and convergence to Scope's estimate of Italy's medium-run growth potential (0.7%) over 2022-24;

ii) a budget deficit of just over 10% of GDP in 2020, followed by 5.4% in 2021 and continued gradual deficit reductions thereafter;

iii) weak annual increases in the GDP deflator, especially in 2020, to reflect weak economic conditions;

iv) an assumption that current BTP market financing rates (1.9% to borrow for ten years) remain in place over 2020 with gradual reversion towards lower borrowing rates starting in 2021 (although remaining structurally 25bps higher than pre-crisis financing rate assumptions over 2022-24 to reflect market effects of weakened debt sustainability); and

v) crystallisation onto the sovereign balance sheet of *some* contingent liabilities from government guarantees extended over the crisis assuming a failure rate by borrowers to settle debts of 10% divided over a six-year horizon[5].

More details on baseline assumptions in Annex II.

Gross annual financing needs of at least 25% of GDP each year

In relation to short-term debt sustainability, we expect government gross financing needs in 2020 to rise to above 30% of GDP (from 22% of GDP in 2019) and then to fall somewhat with reductions in the deficit, but remaining above 25% of GDP each year through 2024 (**Figure 1, front page)**. As such, financing needs are significantly above an IMF GFN threshold of 20% of GDP, above which an advanced economy is categorised as under "high scrutiny" – as a result of limited fiscal space. In light of the level of Italy's annual gross financing needs, we note funds made available to Italy and other euro area member states under the European Stability Mechanism's Pandemic Crisis Support mechanism of up to 2% of country GDP are insufficient to cover the expected increase in Italy's gross financing needs – even if access to the funds could hypothetically bring some interest savings.

Downside risks to debt sustainability baseline

We highlight several key downside risks to our debt sustainability baseline, which could independently or collectively result in a more significant increase in the debt stock and in gross financing needs:

1. The baseline macroeconomic scenario could easily see downside risk should lockdown measures endure for longer or are re-introduced more significantly after initial relaxations, or if the economic impact of mitigation measures introduced to date sees deeper-than-anticipated output losses.
2. Further government stimulus may be announced beyond those announced thus far, impacting 2020 and 2021 primary balance assumptions. Alternatively, assumptions on

[4] This compares with a forecast from the Ministry of Finance in the 24 April 2020 Economic and Financial Document for Italy's public debt to rise to 155.7% of GDP in 2020 before falling to 152.7% in 2021.
[5] We calculate the expected amount of guarantees that will be invoked and crystallise on the government balance sheet by: i) applying an assumed failure to repay rate by borrowers with public guarantees on loans (which corresponds to the non-repayment rate on loans with public guarantees during the early 2010s sovereign debt crisis) multiplied by the total amount of loans covered by public guarantees announced to date (EUR 750bn); and ii) spreading this crystallisation out over a six-year horizon, which is the maximum allowed maturity for loans to be eligible for public guarantee. Source: Bank of Italy, Milano Finanza.

a 0.25% of GDP per annum annual *structural* fiscal adjustments to be made per annum over 2023-24 could be optimistic.

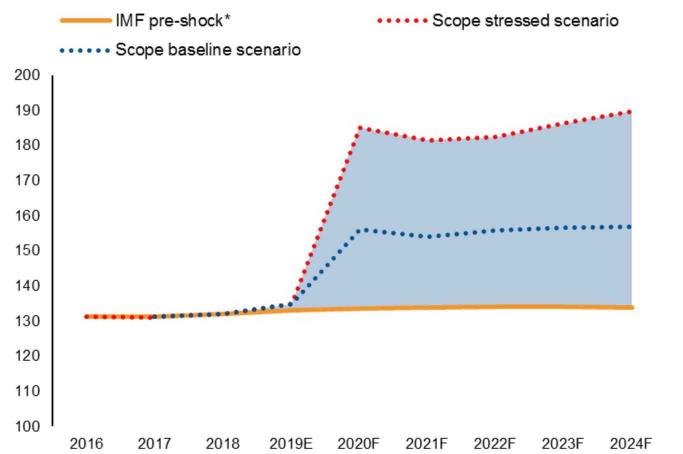
3. Italy's financing rates may deteriorate further in 2020 rather than remaining constant at current levels (we assume 10-year yields of around 1.9%) or financing rates could remain more elevated over the 2021-24 period than assumed. The baseline, moreover, does not assume the use of fiscal resources for banking sector recapitalisation, recognising strides made before the crisis in the Italian banking sector with regards to capitalisation and asset quality. However, under a stressed scenario with a longer lasting or deeper economic recession, sovereign recapitalisation of Italian banks and associated higher public debt cannot be ruled out.

4. The size and invocation of loan guarantees in a stressed scenario could be greater, including a higher failure rate by debtors to settle debts, versus the 10% rate assumed under the Scope baseline.

Significant rise in debt in the stressed scenario

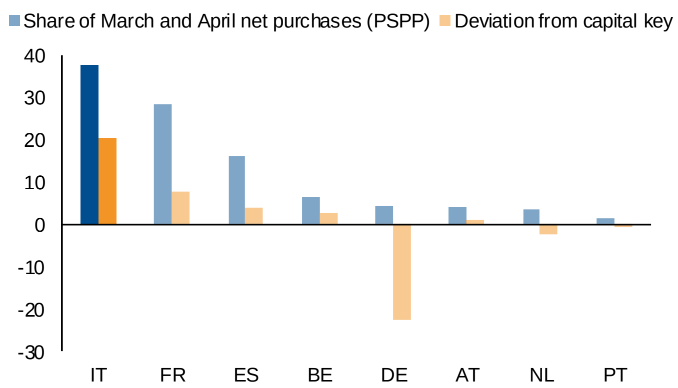
We assess downside risks to debt sustainability in a stressed scenario by assuming an economic shock comparable to Scope's "Stress 2" economic scenario in which 2020 growth is only -17.5% before +8.5% in 2021. Under this scenario, we observe that public debt rises to 185% of GDP by end-2020, and, due to more significantly weakened fiscal balances that require more time to correct after the crisis alongside more significant materialisations of contingent liabilities, a more significant upward trajectory of debt is sustained (**Figure 8**). Assumptions underlying the stressed scenario are included in **Annex II**.

Figure 8: General government debt
% of GDP



*IMF forecasts as of the October 2019 World Economic Outlook.
Source: IMF, Scope Ratings GmbH

Figure 9: ECB Public Sector Purchase Programme (PSPP) purchases, share of purchases by country
% of total



Source: ECB, Scope Ratings GmbH calculations

However, the ECB remains the prime anchor supporting accommodative financing rates

ECB support preserves market access and absorbs additional GFNs for 2020…

ECB intervention remains vital for preserving Italy's market access and facilitating sufficiently low funding rates for the government to cover elevated gross financing needs, easing to an extent medium- to long-run debt sustainability concerns. Italy's 10-year yield level remains at around 1.9% at time of writing, comparatively moderate compared with the above 7% reached at 2011-12 sovereign debt crisis peaks.

The ECB's asset-purchase programme has held euro area financing costs low and will *indirectly* finance a significant share of Italy's additional 2020 gross financing needs (**Figure**

9). We estimate the ECB could indirectly cover Italy's 2020 *additional* gross financing needs in 2020 beyond financing needs of 2019 *in full* if we apply the EUR 20bn per month in open-ended ECB purchases per the Asset Purchase Programme (APP) since November 2019 alongside EUR 120bn in additional PSPP purchases announced on 12 March 2020 and EUR 750bn in purchases through at least the end of this year via the Pandemic Emergency Purchase Programme (PEPP) (and assume the share of national public sector securities purchased by the APP thus far (70%) is held constant for forthcoming purchases). This acknowledges, moreover, the *flexibility* the ECB has – specifically concerning the PEPP – to deviate from capital key purchase targets for a period and acquire more or less of a specific country's bonds if it chooses – including higher purchases for governments most exposed to the crisis, like Italy.

… but major risks remain in the medium term.

Nevertheless, our analysis shows that Italy is likely to observe structurally higher debt post-crisis along with structurally higher annual gross funding needs, raising concerns over the sustainability of Italian debt especially under scenarios of attenuated market intervention by the ECB.

A future decline in ECB crisis-era net purchases and any long-term movement towards *reducing* the size of the ECB balance sheet through net balance sheet reduction (per an exit strategy) – including, for example, the non-re-investment of maturing Italian government bonds – could present significant challenges for Italy and result in the more likely materialisation of debt sustainability concerns. The significant market assistance from Italian banks and Italian savers through so-called *home bias* – with 65% of Italian government debt held by domestic investors, ensuring a stable local buyer base in moments of crisis – would only partially compensate under this scenario.

Annex I: Forecasting assumptions regarding 2020 economic growth

For 2020, we use a model based on a gross value-added calculation of GDP and run three scenarios (baseline, stress 1 and stress 2), defined by the timing of greater "normality" resuming in activities of various industry sectors. We classify industry sectors into categories as operating comparatively over the crisis as either at (i) near-full capacity, (ii) medium capacity or (iii) low capacity by assessing the varying severity of this synchronised demand and supply shock in 2020 on sectors:

Impact of 2020 shock, industry impact classification

Low	Medium	High
• Agriculture, forestry and fishing • Information and communication • Public administration, education and social work	• Industry • Construction • Financial and insurance • Real estate • Professional, science and technology	• Trade, travel, accommodation and food • Arts, entertainment and recreation

We thereafter enter assumptions about the monthly levels of productive output losses compared with pre-crisis 2019 levels for each of the above three high-level impact classifications (and the industries that are assigned and fall under each of the three classifications) in addition to taking into account growth-*positive* effects of fiscal countermeasures announced to date by the government.

In our baseline, we expect a gradual relaxation of containment measures starting more significantly in May with a gradual return to relative "normality" by July 2020. In our 2020 forecasts, we generally assume declines in economic activity of around 10% for low-impact sectors, 25-30% for medium-impact sectors, and 50% drops for hard-hit sectors in activity at crisis peaks compared with 2019 levels – assumptions we adjust on a country-specific basis. When we consider the growth-positive effects of fiscal stimulus, we differentiate between alternative forms of stimulus and liquidity assistance, assigning higher or lower fiscal multipliers as appropriate.

Figure 10: Italy's economy by production (real gross value-added)
EUR trillion (LHS) and %YoY (RHS)

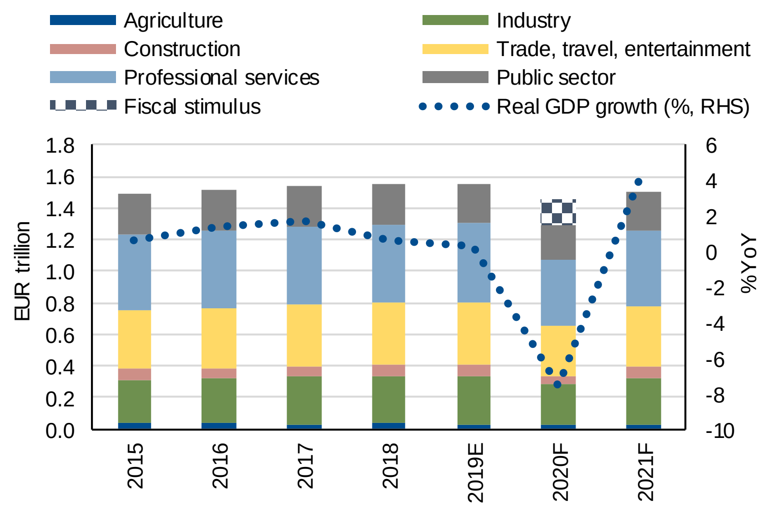
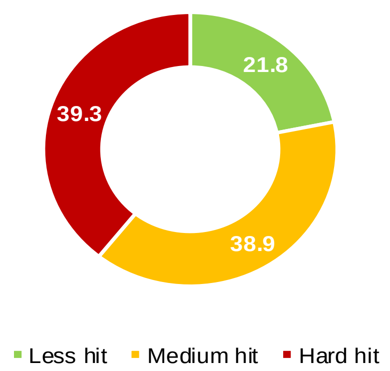


Figure 11: Industry categorisations
% of Italian economy



Source: Eurostat, Scope Ratings GmbH

We estimate two non-baseline downside economic scenarios, which consider a slower relaxation of lockdowns, namely a scenario with return to relative "normality" only by end-Q3 (*Stress 1*) and a second alternate scenario in which lockdown measures are maintained in a more stringent form through the remainder of 2020 (*Stress 2*). The results are presented as follows:

Scenarios:	Baseline	Stress 1	Stress 2
Assumptions	Lockdown gradually lifted starting May, relative "normality" by July	Lockdown persists throughout Q3	Lockdown until end-2020
2020 real growth, %YoY	-7.5	-12.5	-17.5

Annex II: Debt sustainability analysis assumptions

Our **baseline** debt projections derive from assumptions as follow:

Factor	2015-19	2020	2021	2022	2023	2024
Real GDP, %YoY	0.9	-7.5	4.5	0.7	0.7	0.7
GDP deflator, %YoY	0.8	0.5	0.8	1.1	1.4	1.5
Primary balance, % GDP	1.3	-6.5	-1.6	-0.1	0.3	0.6
Interest payments, % GDP	3.7	3.6	3.8	3.6	3.5	3.5
Stock-flow adjustment, % GDP	0.3	0.8	0.8	0.8	0.9	0.9
General government debt, % GDP	*134.8*	*156.0*	*154.2*	*155.8*	*156.6*	*157.0*

- -7.5% growth in 2020 followed by +4.5% in 2021 and convergence to Scope estimate of Italy's medium-run growth potential (0.7%) by 2022-24;
- A budget deficit of just over 10% of GDP in 2020, followed by 5.4% in 2021 and continued gradual deficit reductions thereafter;
- Weaker annual increases in the GDP deflator, especially in 2020, to reflect weak economic conditions;
- An assumption that current BTP market financing rates (1.9% to borrow for ten years at time of writing) remain in place over 2020 with gradual reversion towards lower borrowing rates starting in 2021 (although remaining structurally 25bps higher than pre-crisis financing rate assumptions over 2022-24 to reflect weakened debt sustainability); and
- Crystallisation onto the sovereign balance sheet of *some* contingent liabilities from EUR 750bn government guarantees extended over the crisis assuming a failure rate by borrowers to settle debts of 10% divided over a six-year horizon.

Our **stress case** debt projections (based on the "Stress 2" economic scenario outlined in **Annex I**) derive from assumptions:

Factor	2015-19	2020	2021	2022	2023	2024
Real GDP, %YoY	0.9	-17.5	8.5	3.0	0.7	0.7
GDP deflator, %YoY	0.8	0.0	0.8	1.1	1.4	1.5
Primary balance, % GDP	1.3	-15.4	-5.6	-1.7	-1.3	-0.9
Interest payments, % GDP	3.7	4.1	4.6	4.4	4.3	4.5
Stock-flow adjustment, % GDP	0.3	2.2	2.2	2.2	2.3	2.2
of which: banking sector recapitalisation			0.25	0.25	0.25	0.25
General government debt, % GDP	*134.8*	*185.2*	*181.5*	*182.4*	*186.3*	*189.8*

- -17.5% growth in 2020 followed by +8% in 2021 and +3% in 2022 and convergence to estimate of Italy's medium-run growth potential (0.7%) by 2023-24;
- A budget deficit of over 19% of GDP in 2020, followed by over 10% in 2021, including a doubling of fiscal support measures to be activated in 2020 and 2021 compared to those announced thus far, and gradual deficit reductions thereafter;
- A weaker annual increase in the GDP deflator in 2020 than in the baseline, to reflect weak economic conditions;
- An assumption that BTP market financing rates rise in the 2H of 2020 against current levels (to about 3.5% on the 10-year BTP), with gradual reversion towards lower borrowing rates starting in 2021 (although remaining structurally 50bps higher than pre-crisis financing rate assumptions over 2022-24 to reflect weakened debt sustainability); and
- Crystallisation onto the sovereign balance sheet of: i) *some* contingent liabilities from government guarantees with the total volume of guaranteed loans assumed to be doubled to EUR 1.5trn and assuming a failure rate by borrowers to settle debts of 12.5% divided over a six-year horizon; and ii) government capital injections to support the Italian banking system of 0.25% of GDP per year over 2021-24.

Italy: debt sustainability hinges on ECB policy as Covid-19 crisis results in rise in debt and funding needs

Scope Ratings GmbH

Headquarters Berlin
Lennéstraße 5
D-10785 Berlin

Phone +49 30 27891 0

Frankfurt am Main
Neue Mainzer Straße 66-68
D-60311 Frankfurt am Main

Phone +49 69 66 77 389 0

Paris
1 Cour du Havre
F-75009 Paris

Phone +33 1 82 88 55 57

London
3rd Floor
111 Buckingham Palace Road
UK-London SW1W 0SR

Phone +44 20 3457 0444

Madrid
Paseo de la Castellana 95
Edificio Torre Europa
E-28046 Madrid

Phone +34 914 186 973

Milan
Via Paleocapa 7
IT-20121 Milan

Phone +39 02 30315 814

Oslo
Haakon VII's gate 6
N-0161 Oslo

Phone +47 21 62 31 42

info@scoperatings.com
www.scoperatings.com

Disclaimer