

# Diverging Covid-19 impact on public debt, growth outlooks and unemployment



One year since the Covid-19 outbreak, the IMF has now revised its growth, fiscal and unemployment forecasts. For our 36 rated sovereigns, we compare the revised forecasts for the year 2024 with those published in October 2019, the last full IMF update prior to the Covid-19 outbreak. Significant differences are apparent across rated sovereigns in terms of public debt levels and years it takes to recover to pre-crisis GDP levels. The impact on unemployment is expected to be reversed in almost all countries by 2024.

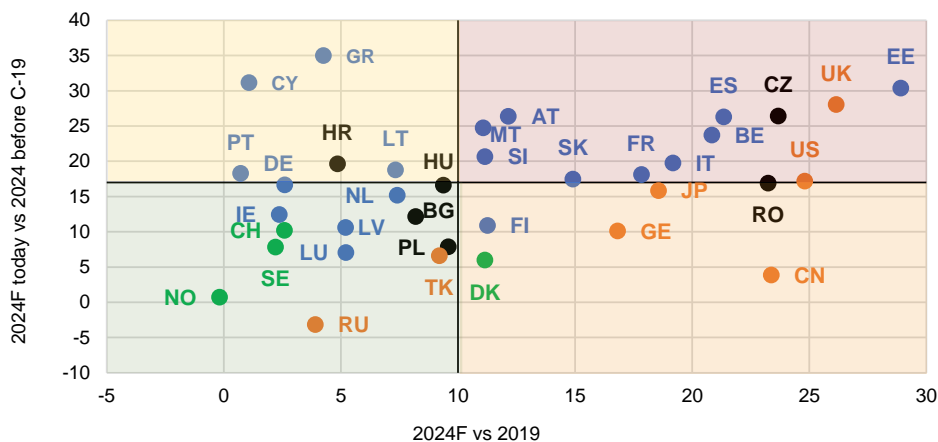
The analysis highlights the following key takeaways:

- **Public debt:** The Covid-19 shock will have a lasting impact on most sovereigns' balance sheets: Russia (BBB/Stable) and Norway (AAA/Stable) are the least affected, with their public debt levels now projected to be equal or lower compared to forecasts made in October 2019. Conversely, the public debt levels of Greece (BB/Positive) and Cyprus (BBB-/Stable) are now forecast to rise 30-35pp compared to two years ago. Still, both countries' debt levels will revert approximately to 2019 levels by 2024, implying that the fiscal impact of the Covid-19 shock is mostly cyclical, effectively postponing previously expected fiscal consolidation.

Conversely, Estonia (AA-/Stable), the Czech Republic (AA/Stable), the UK (AA/Negative), Spain (A-/Negative), Belgium (AA/Negative), Italy (BBB+/Negative) and France (AA/Stable) will see their public debt levels rise materially but without meaningful prospects for reversal in the coming years absent stronger economic performance and better fiscal outcomes than we currently expect. Here, the impact on governments' balance sheets from the crisis appears to be mostly structural.

Finally, China (A+/Negative), the US (AA/Stable) and Japan (A+/Negative) are forecast to continue to display higher public debt levels in the coming years, but the debt trajectory is now only slightly worse compared with the adverse trajectories already forecasted two years ago.

**Figure 1: Changes in debt-to-GDP levels for 2024F vs 2024F before C-19 vs 2019**  
pp of GDP



Source: Scope Ratings GmbH, IMF. The dividing lines between quadrants reflect the median country scores on each axis. Individual country figures are in Annex I. X-axis: Latest IMF estimate for the public debt-to-GDP ratio for the year 2024 vs the 2019 debt level. Y-axis: The latest IMF estimate for the public debt-to-GDP ratio for the year 2024 vs the IMF's 2024 estimate back in October 2019.

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- **Growth:** Ireland (A+/Positive), China (A+/Negative) and Turkey (B/Negative) did not experience a growth decline in 2020 while it will take Spain, Greece and the UK three years, and Italy even four years, to exceed 2019 GDP levels. The US, the Nordics, the Baltics and most Central and Eastern European sovereigns should see their GDP levels exceed those of 2019 this year, while most euro area sovereigns will have to wait until 2022.

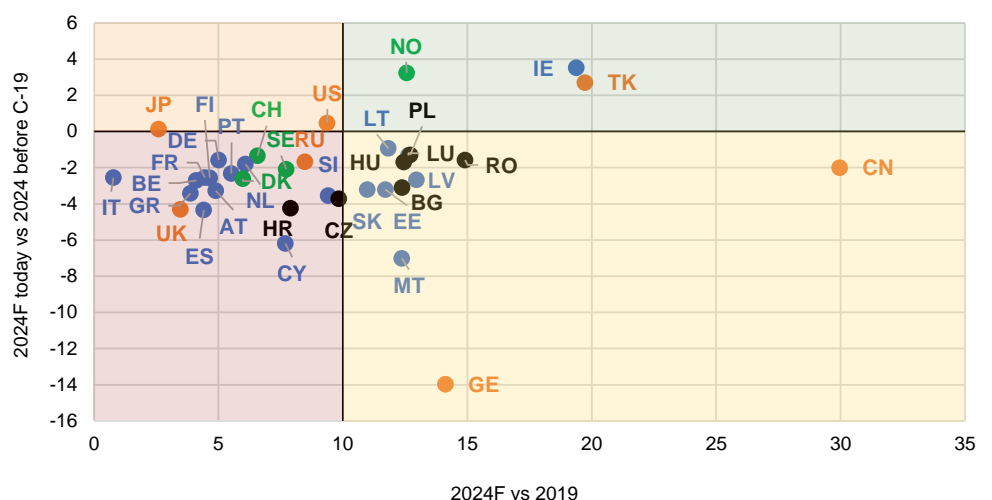
It is only Ireland, Norway and the US whose 2024 real GDP is now forecast to be higher compared to the forecast made in October 2019, highlighting that the impact of the crisis, in terms of income, will not be recovered for most sovereigns. We are particularly cautious, however, as regards Irish figures given distorted statistics due to activities of multinationals, while the implied higher growth potential of the United States could materialise depending on the effectiveness of the USD 1.9trn fiscal stimulus.

**Figure 2: Year when GDP will exceed 2019 GDP level**

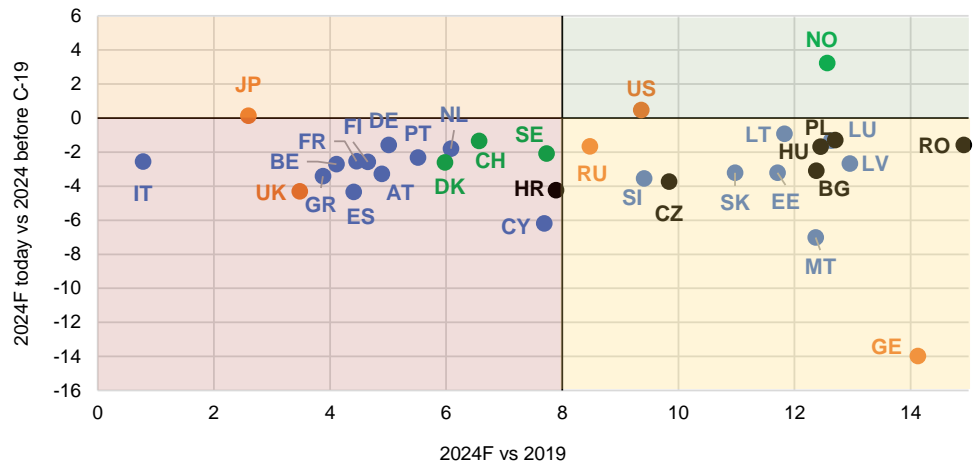
GDP above 2019 levels by				
2020	2021	2022	2023	2024
Ireland	Estonia	Germany	Spain	Italy
China	Latvia	France	Greece	
Turkey	Lithuania	Austria	UK	
	Luxembourg	Belgium		
	Norway	Cyprus		
	Sweden	Finland		
	Switzerland	Malta		
	Bulgaria	Netherlands		
	Poland	Portugal		
	Romania	Slovakia		
	United States	Slovenia		
	Russia	Denmark		
		Czech Republic		
		Croatia		
		Hungary		
		Japan		
		Georgia		

Source: Scope Ratings GmbH, IMF

**Figure 3a: Difference in real GDP levels for 2024F vs 2024F before C-19 and vs 2019 pp of GDP**



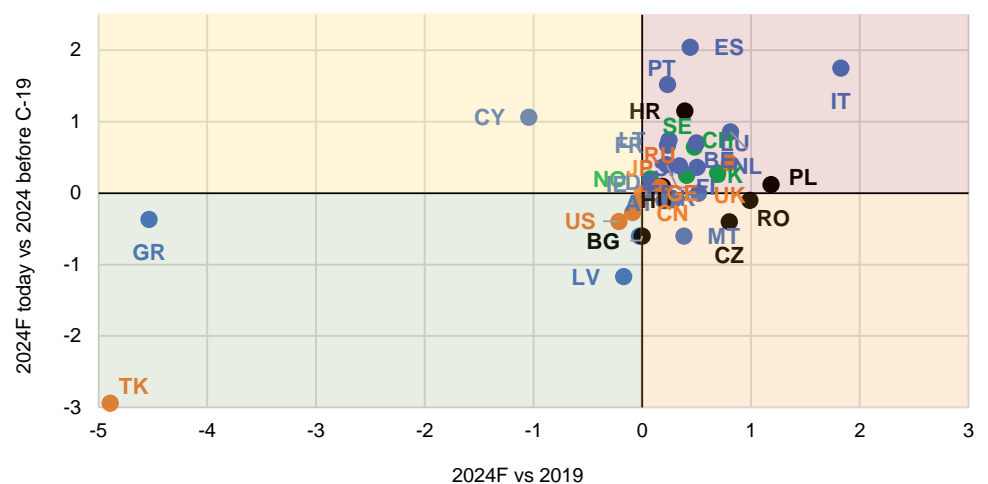
**Figure 3b: Difference in real GDP levels for 2024F vs 2024F before C-19 and vs 2019**  
pp of GDP, same diagram as Figure 3a but excluding China, Turkey and Ireland



Source: Scope Ratings GmbH, IMF. The dividing lines between quadrants reflect the median country scores on the x-axis, excluding Ireland, Turkey and China in the case of Figure 3b. Individual country figures are in Annex I. X-axis: Latest IMF estimate for level of real GDP for the year 2024 vs the 2019 pre-crisis level. Y-axis: Latest IMF estimate for the level of real GDP for the year 2024 vs the IMF's 2024 estimate back in October 2019.

- **Unemployment:** Greece and Turkey are forecast to see their unemployment rates decline by 4-5% compared to those in 2019 while the change for most other Scope-rated sovereigns is below 1pp, reflecting, in part, the effective use of furlough schemes reducing job loss and mitigating the impacts from the pandemic shock. Italy's unemployment rate is the most adversely affected, with a forecasted rise of around 2pp by 2024 compared to 2019 while Spain's unemployment rate is now forecast to be 2pp higher in 2024 compared to the forecast made two years ago.

**Figure 4: Change in unemployment rate for 2024F vs 2024F before C-19 vs 2019**  
pp



Source: Scope Ratings GmbH, IMF. Individual country figures are in Annex I. X-axis: Latest IMF estimate for the unemployment rate for the year 2024 vs the average unemployment rate in 2019. Y-axis: Latest IMF estimate for the unemployment rate for the year 2024 vs the IMF's 2024 estimate back in October 2019.

## Annex I. IMF debt, unemployment and GDP projections, before Covid-19 vs April 2021 forecasts

Sovereign	Rating	Debt				Unemployment				GDP								
		2019	2024	vs 2019	C/factual*	2019	2024	vs 2019	C/factual*	2019	2020	2021	2022	2023	2024	vs 2019	C/factual*	Years > 2019
Germany	AAA/Stable	59.6	62.2	2.6	16.7	3.2	3.4	0.3	-0.1	100.0	95.1	98.5	101.9	103.5	105.0	5.0	-1.6	2
France	AA/Stable	98.1	115.9	17.8	18.1	8.5	8.7	0.2	0.7	100.0	91.8	97.1	101.2	102.9	104.5	4.5	-2.5	2
Italy	BBB+/Negative	134.6	153.7	19.2	19.8	9.9	11.7	1.8	1.8	100.0	91.1	94.9	98.3	99.9	100.8	0.8	-2.6	4
Spain	A-/Negative	95.5	116.8	21.3	26.3	14.1	14.5	0.4	2.0	100.0	89.0	94.7	99.2	101.9	104.4	4.4	-4.3	3
Austria	AAA/Stable	70.5	82.7	12.1	26.4	4.5	4.5	0.0	-0.6	100.0	93.4	96.7	100.5	102.8	104.9	4.9	-3.3	2
Belgium	AA/Negative	98.1	118.9	20.8	23.8	5.4	5.9	0.5	0.4	100.0	93.6	97.4	100.4	102.5	104.1	4.1	-2.7	2
Cyprus	BBB-/Stable	94.0	95.1	1.1	31.2	7.1	6.0	-1.0	1.1	100.0	94.9	97.8	101.6	104.7	107.7	7.7	-6.2	2
Estonia	AA-/Stable	8.4	37.3	28.9	30.4	4.4	5.0	0.5	0.0	100.0	97.1	100.4	104.6	108.2	111.7	11.7	-3.2	1
Finland	AA+/Stable	59.3	70.6	11.2	10.9	6.7	6.9	0.2	0.4	100.0	97.1	99.3	101.8	103.3	104.7	4.7	-2.6	2
Greece	BB/Positive	184.9	189.1	4.2	35.0	17.3	12.8	-4.5	-0.4	100.0	91.8	95.2	100.0	102.3	103.9	3.9	-3.4	3
Ireland	A+/Positive	57.4	59.7	2.4	12.5	5.0	5.1	0.1	0.1	100.0	102.5	106.8	112.0	116.1	119.4	19.4	3.5	0
Latvia	A-/Stable	37.0	42.2	5.2	10.6	6.3	6.1	-0.2	-1.2	100.0	96.4	100.1	105.3	109.4	113.0	13.0	-2.7	1
Lithuania	A/Stable	35.9	43.2	7.3	18.8	6.3	6.5	0.2	0.7	100.0	99.2	102.3	105.6	108.9	111.8	11.8	-0.9	1
Luxembourg	AAA/Stable	22.0	27.2	5.2	7.1	5.4	5.9	0.5	0.7	100.0	98.7	102.7	106.4	109.7	112.6	12.6	-1.3	1
Malta	A+/Stable	42.0	53.1	11.1	24.8	3.6	4.0	0.4	-0.6	100.0	93.0	97.3	102.8	107.5	112.4	12.4	-7.0	2
Netherlands	AAA/Stable	47.6	55.0	7.4	15.2	3.4	4.2	0.8	0.9	100.0	96.2	99.6	102.6	104.4	106.1	6.1	-1.8	2
Portugal	BBB+/Stable	116.8	117.6	0.7	18.3	6.5	6.7	0.2	1.5	100.0	92.4	96.0	100.6	103.1	105.5	5.5	-2.3	2
Slovak Republic	A+/Negative	48.5	63.4	14.9	17.5	5.8	6.1	0.3	0.4	100.0	94.8	99.2	103.6	107.6	111.0	11.0	-3.2	2
Slovenia	A/Stable	65.6	76.7	11.1	20.7	4.4	4.6	0.2	-0.1	100.0	94.5	98.0	102.4	106.1	109.4	9.4	-3.5	2
Nordics & CH																		
Norway	AAA/Stable	40.9	40.7	-0.2	0.7	3.7	3.8	0.1	0.2	100.0	99.2	103.1	107.2	110.2	112.6	12.6	3.2	1
Sweden	AAA/Stable	35.1	37.3	2.2	7.8	6.8	7.2	0.5	0.6	100.0	97.2	100.2	103.1	105.5	107.7	7.7	-2.1	1
Denmark	AAA/Stable	33.0	44.2	11.1	6.0	5.0	5.5	0.4	0.3	100.0	96.7	99.4	102.2	104.1	106.0	6.0	-2.6	2
Switzerland	AAA/Stable	39.8	42.3	2.6	10.2	2.3	3.0	0.7	0.3	100.0	97.0	100.4	103.2	104.7	106.6	6.6	-1.3	1
CEE																		
Czech Republic	AA/Stable	30.2	53.9	23.7	26.4	2.0	2.8	0.8	-0.4	100.0	94.4	98.4	102.7	106.4	109.8	9.8	-3.7	2
Bulgaria	BBB+/Stable	18.4	26.6	8.2	12.2	4.2	4.2	0.0	-0.6	100.0	96.2	100.4	104.8	108.9	112.4	12.4	-3.1	1
Croatia	BBB-/Stable	72.8	77.7	4.9	19.7	7.8	8.1	0.4	1.1	100.0	91.0	95.3	100.0	104.2	107.9	7.9	-4.2	2
Hungary	BBB+/Stable	65.3	74.7	9.4	16.6	3.3	3.5	0.2	0.1	100.0	95.0	99.1	105.0	109.0	112.4	12.4	-1.7	2
Poland	A+/Stable	45.7	55.3	9.6	7.9	3.3	4.5	1.2	0.1	100.0	97.3	100.6	105.2	109.4	112.7	12.7	-1.3	1
Romania	BBB-/Negative	36.8	60.1	23.2	16.9	3.9	4.9	1.0	-0.1	100.0	96.1	101.9	106.8	110.8	114.9	14.9	-1.6	1
Other																		
United States	AA/Stable	108.2	133.0	24.8	17.2	3.7	3.5	-0.2	-0.4	100.0	96.5	102.7	106.3	107.8	109.4	9.4	0.5	1
United Kingdom	AA/Negative	85.2	111.4	26.1	28.1	3.8	4.6	0.8	0.4	100.0	90.1	94.9	99.7	101.7	103.5	3.5	-4.3	3
Japan	A+/Negative	234.9	253.4	18.6	15.9	2.4	2.3	0.0	-0.1	100.0	95.2	98.3	100.7	101.9	102.6	2.6	0.1	2
China	A+/Negative	57.1	80.4	23.4	3.9	3.6	3.5	-0.1	-0.3	100.0	102.3	110.9	117.1	123.4	130.0	30.0	-2.0	0
Georgia	BB/Negative	40.4	57.2	16.8	10.1	17.6	n/a	n/a	n/a	100.0	93.9	97.2	102.8	108.5	114.1	14.1	-14.0	2
Russia	BBB/Stable	13.8	17.7	3.9	-3.2	4.6	4.8	0.2	0.1	100.0	96.9	100.6	104.4	106.6	108.5	8.5	-1.7	1
Turkey	B/Negative	32.6	41.8	9.2	6.6	13.7	8.8	-4.9	-2.9	100.0	101.8	107.9	111.7	115.6	119.7	19.7	2.7	0

\* Refers to the IMF's 2024 estimate made in the October 2019 WEO.

Source: Scope Ratings GmbH; IMF WEO October 2019 and April 2021 forecasts.



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