

SOUTHERN EUROPE:

The aftermath of the crisis.

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A dark blue background featuring a vertical rectangular inset on the left side. This inset contains a complex financial visualization with multiple overlapping line graphs showing fluctuating trends and a bar chart at the bottom. A black pen is positioned diagonally across the middle of the inset, pointing towards the bottom left. The main title text is centered over the right portion of the inset.

The extension of the crisis

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Back to the roots

Common causes

- Lack of competitiveness and accumulation of trade imbalances
- Lower borrowing costs following the entry into the euro allowed excessive private and public debt
- High levels of sovereign debt & Countries simultaneously facing high budget deficits
- Structural problem of Eurozone system: monetary union without a fiscal union
- Monetary policy inflexibility
- Loss of confidence shutting out vulnerable countries from borrowing in the financial markets

Country-specific causes:

SPAIN

Real estate sector crisis causing a banking crisis due to excessive exposure

PORTUGAL

Lack of competitiveness, massive external deficits, high public deficits, high public and private debt

GREECE

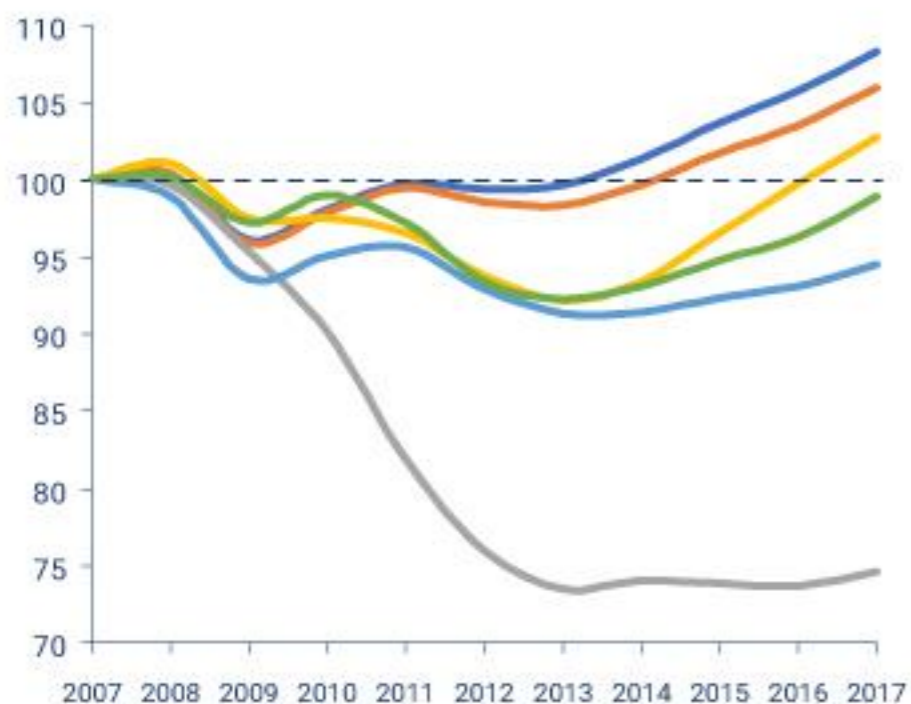
Lack of competitiveness, high public deficits, high public and private debt, Public sector accounts fraud, massive tax evasion

ITALY

Loss of competitiveness, High public debt, Poor Governance, Public sector inefficiency

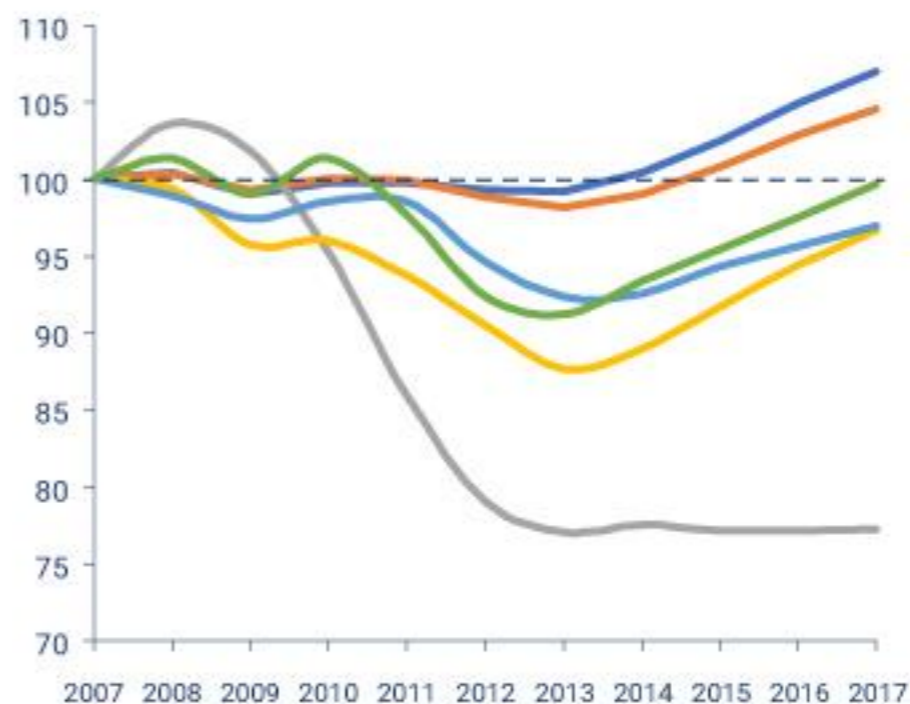
GDP and private consumption: giving size to the problem

GDP, real growth rate



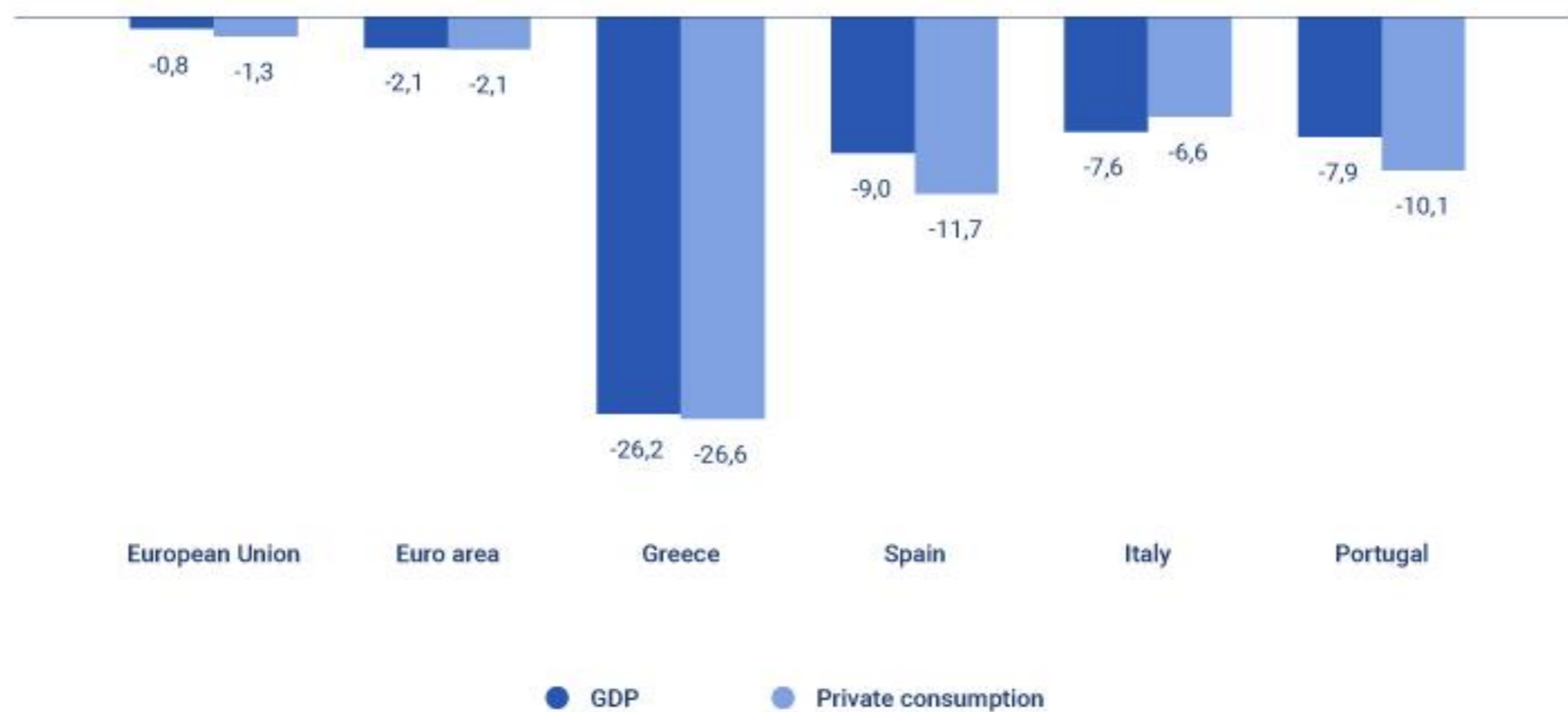
European Union Greece Italy
Euro area Spain Portugal

Private consumption, real growth rate



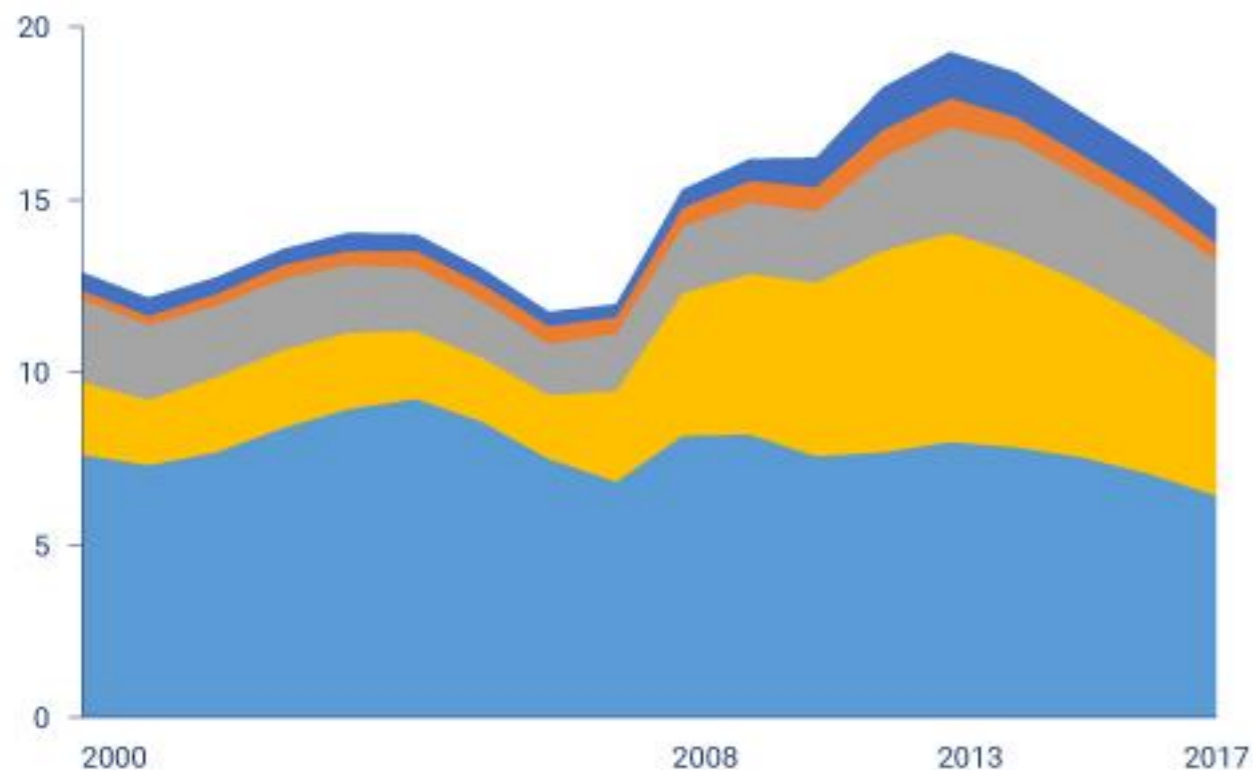
European Union Greece Italy
Euro area Spain Portugal

Accumulated fall in real GDP and Private consumption between 2008-13



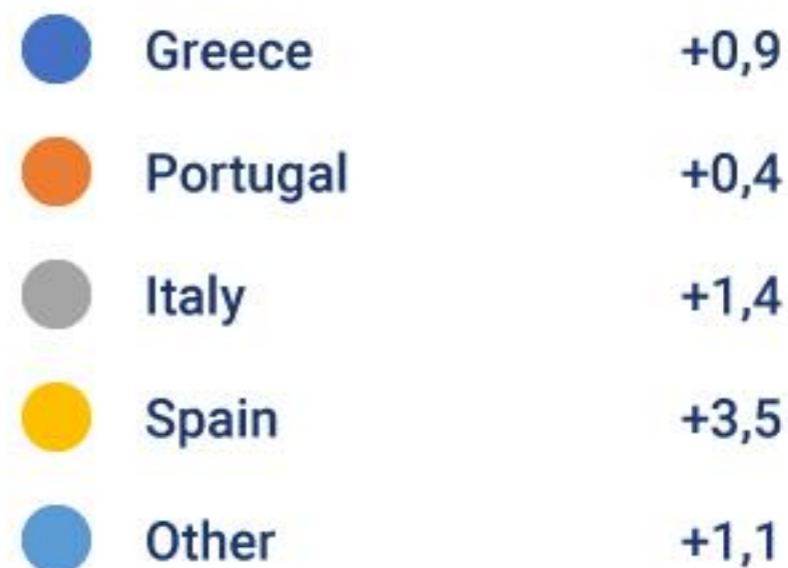
Social implications: unemployment

Unemployment in eurozone countries, Millions



● Greece ● Portugal ● Italy ● Spain ● Other

Unemployment change, 2013/08, M



Total

7,3



Reactions to the crisis: not one recipe

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Different intervention models

Europe's key five responses to the crisis



Country level responses

PORTUGAL

- Deep structural reforms package
- Unprecedented fiscal consolidation strategy
- Efforts to safeguard the financial sector

SPAIN

- Financial assistance programme for bank recapitalization
- Large list of structural reforms, in labour and product markets, the financial system or the public sector

GREECE

- Three bailout out programmes
- Massive cuts in public expenses
- Privatizations

ITALY

- Little impact of reforms - superficial or poorly implemented
- Very little improvement in addressing public deficit and debt

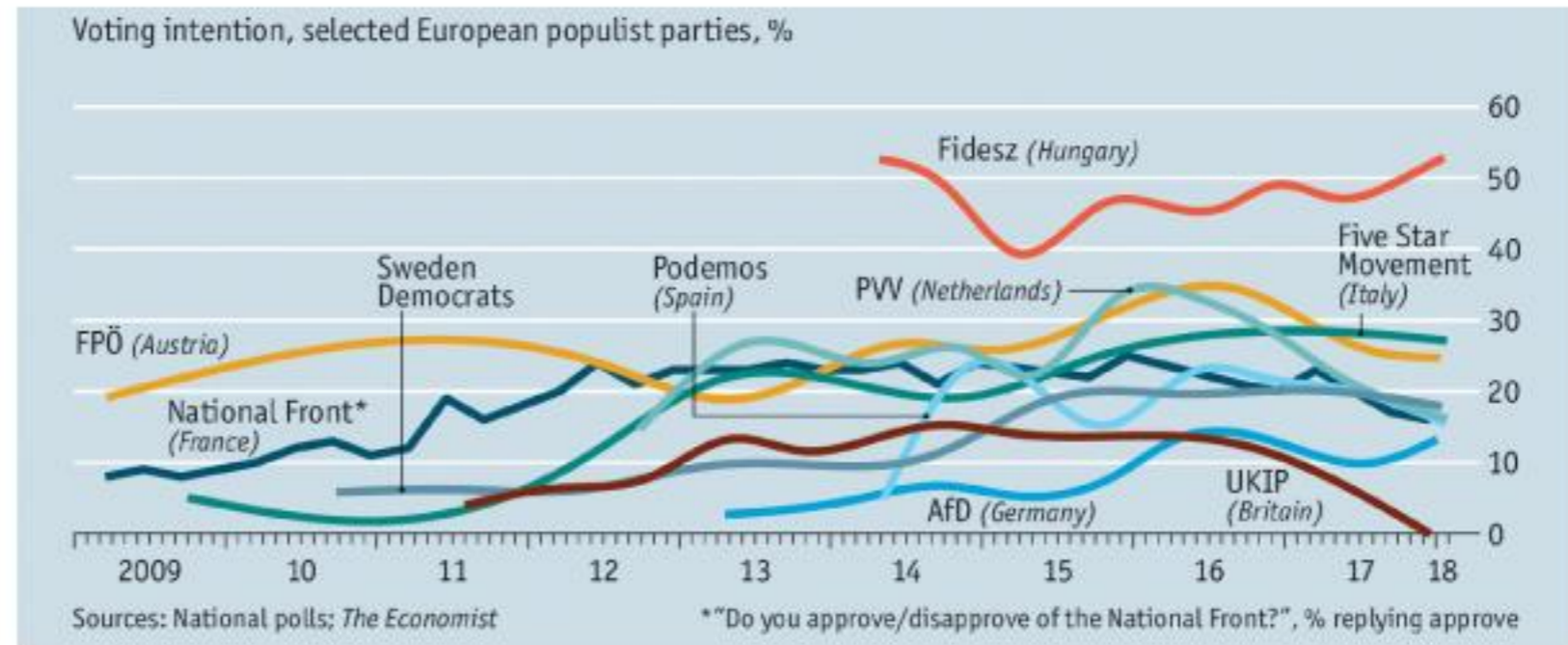
The political challenge

Relaunch economic growth and reform the euro

Give the eurozone's governance more legitimacy in the eyes of its citizens, and to make the bloc better equipped to withstand adversity next time a crisis hits:

- Conclude banking union
- The Euro Area Needs a Fiscal Union
- Improve economic coordination

in a challenging political environment ...



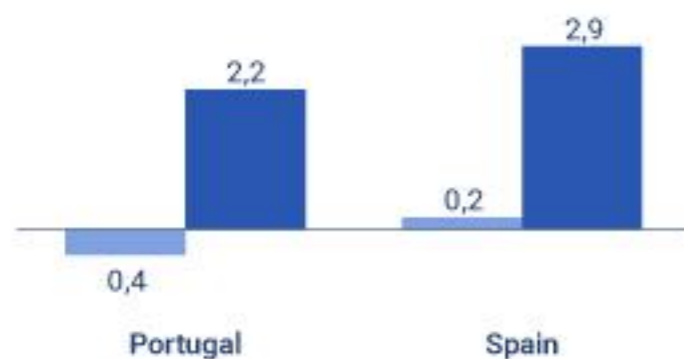
A hand is shown on the left side of the frame, placing a single puzzle piece into a larger, partially assembled puzzle. The puzzle pieces are light blue and set against a dark blue background. The text is overlaid on the right side of the puzzle.

**Consequences:
recovery, but not
for all...**

The good students: Spain and Portugal

(2018 vs 2013)

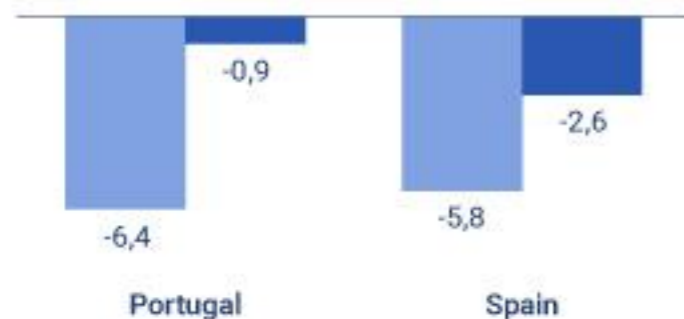
GDP, real growth rate



Unemployment rate, %



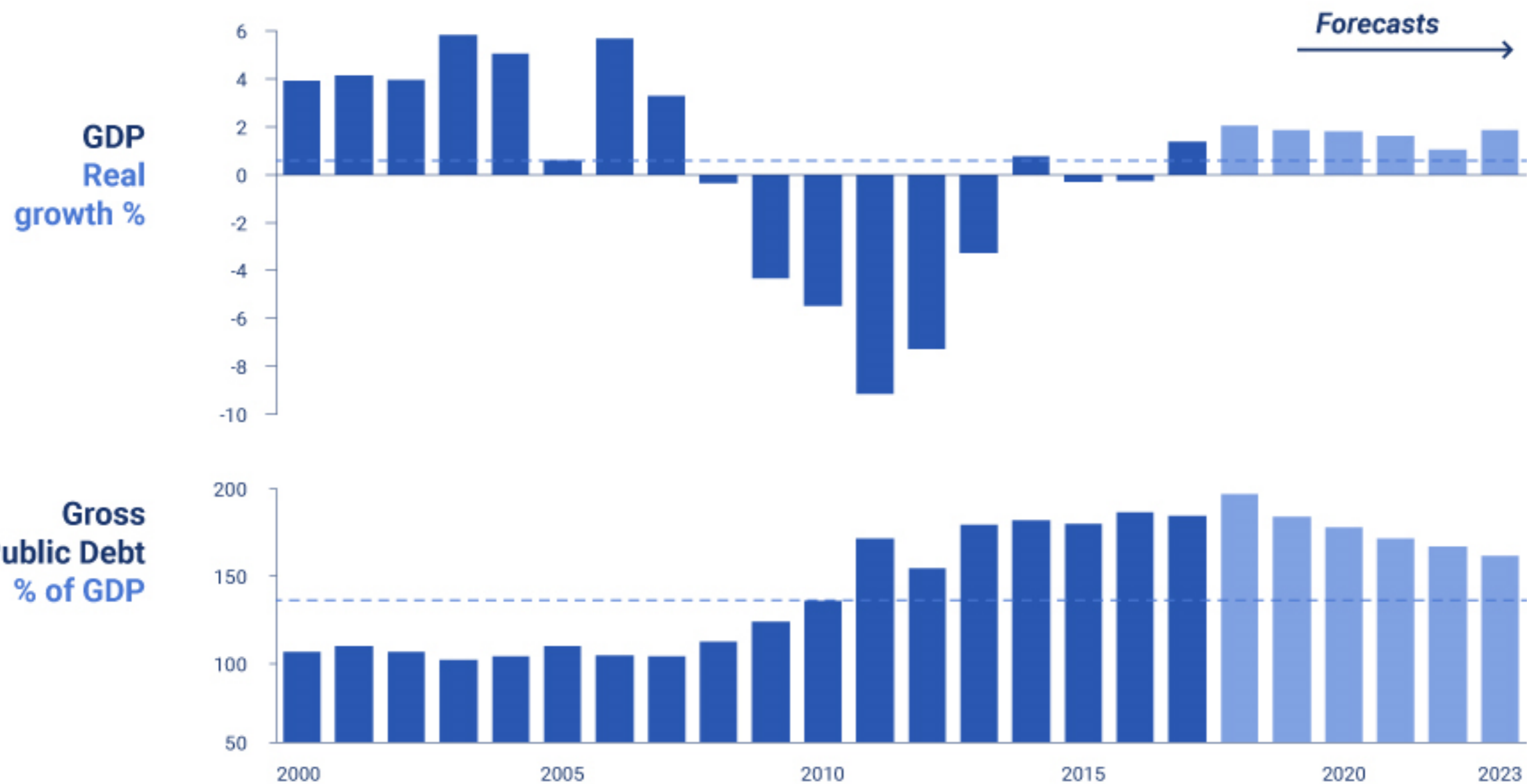
Current account balance, % gdp



Fiscal balance, % gdp

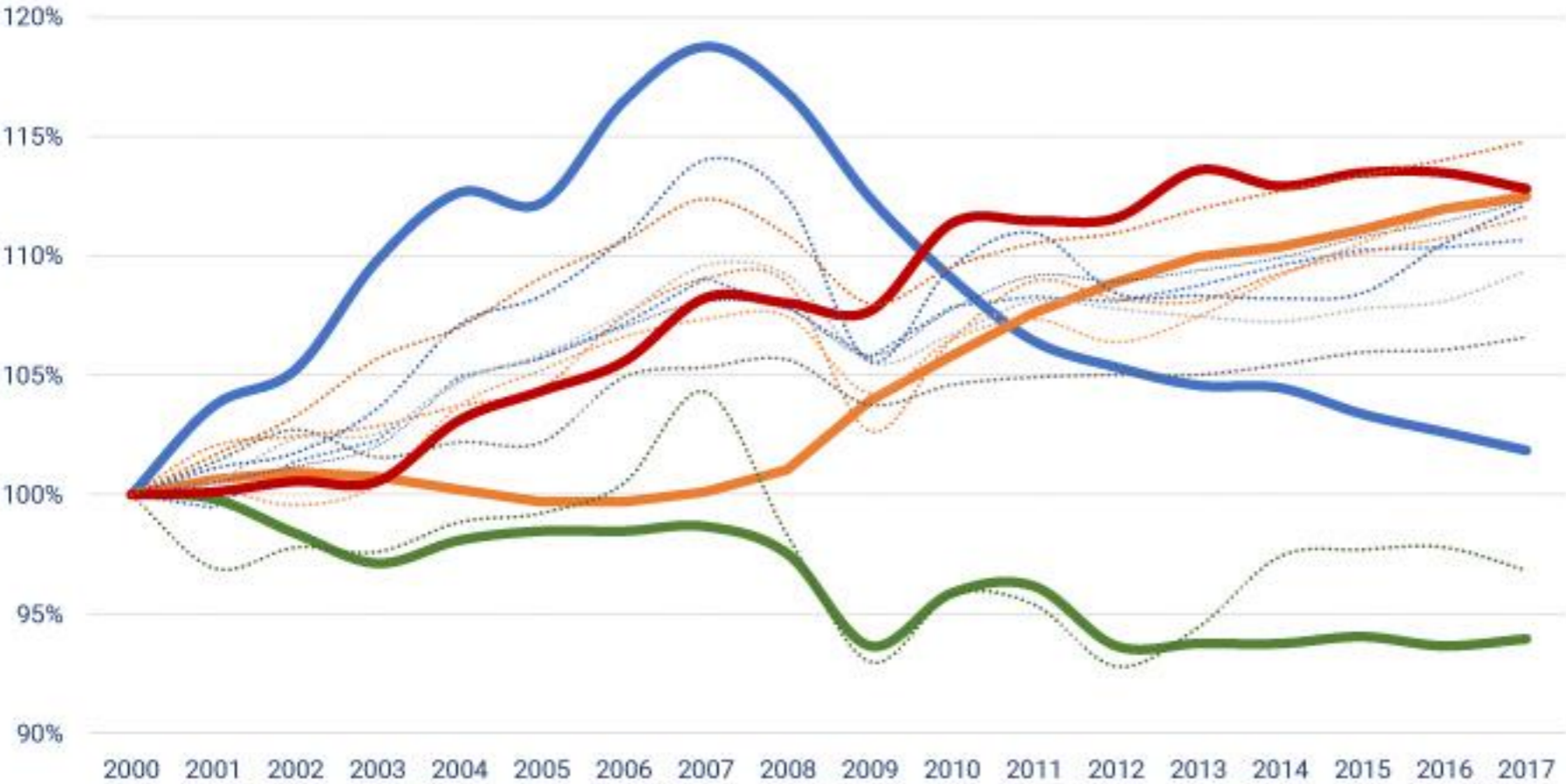


An economy looking for a way out: Greece



Italy: Che casino!!! (Mamma mia)

Real labour productivity per person employed



- Belgium
- Germany
- Greece
- Spain
- France
- Italy
- Cyprus
- Luxembourg
- Netherlands
- Austria



So what – the aftermath?

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Structural problems remain, and growth drivers are still fragile, benefiting mainly from temporary and context effects.

External temporary tailwinds are supporting the recovery...

OIL AT HISTORICAL
LOW PRICES

EXTREMELY LOW INTEREST
RATES

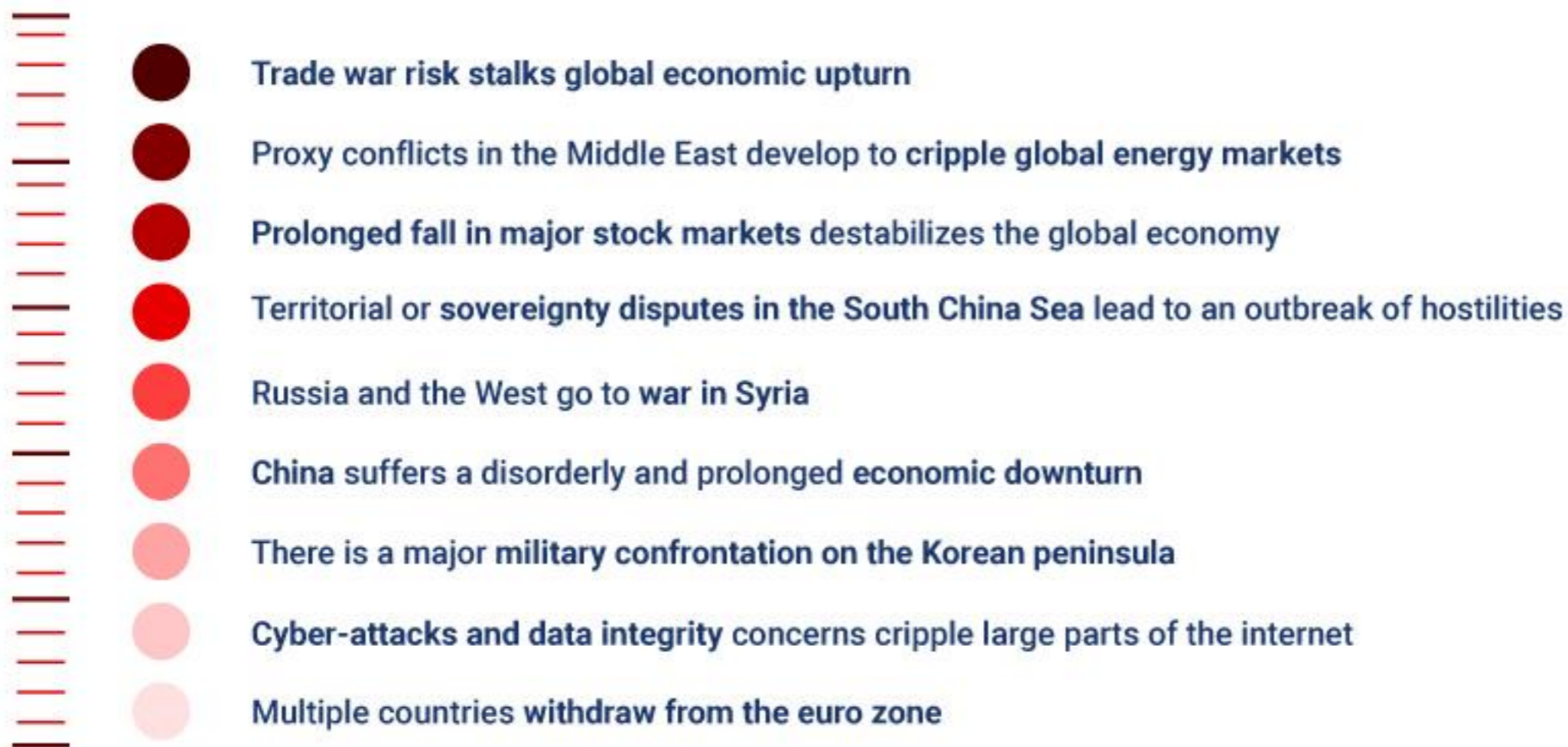
GLOBAL ECONOMICAL GROWTH
CYCLE (INC. TRADE)

... But economic vulnerabilities in southern europe remain significant

- Economical recovery, but with potential GDP remaining low within the mid-term
- Investment recovery, but still insufficient
- Salaries still contained
- Still high levels of non-performing loans
- Debt above pre-crisis levels
- Significant challenges in the medium term, namely related with aging

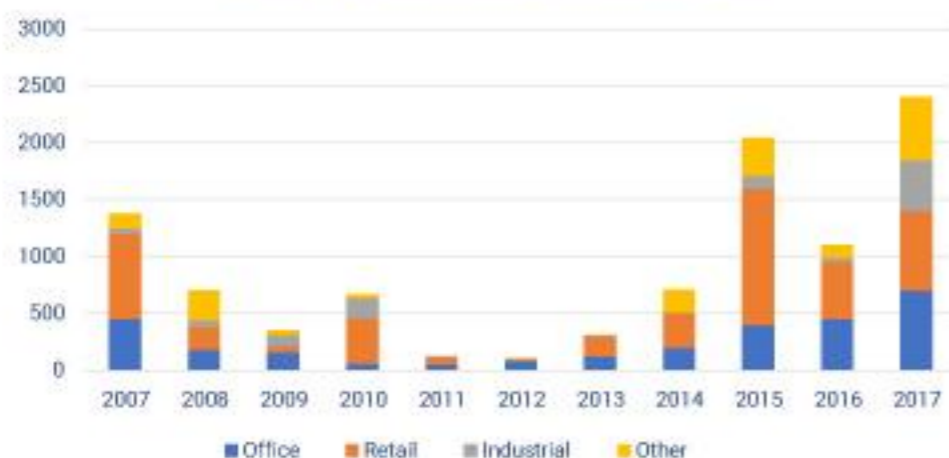
In the medium term significant risks on the external front continue to threaten the recovery

GLOBAL RISKS

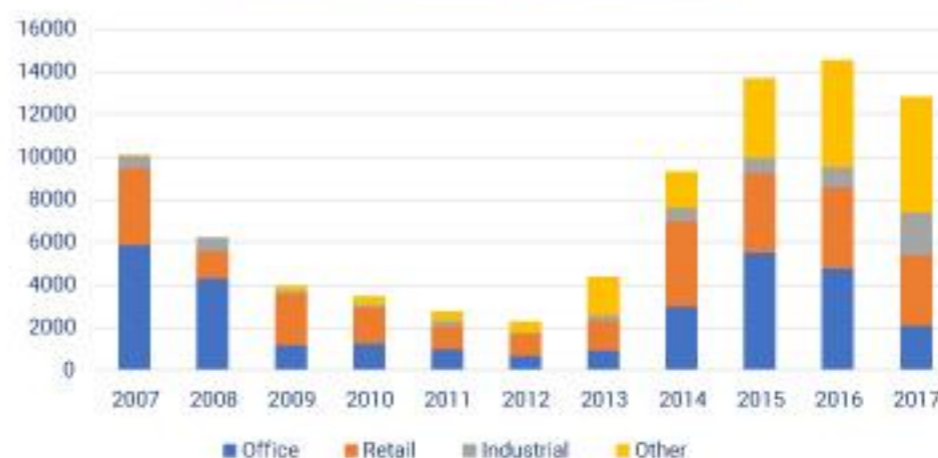


Nevertheless, Real Estate investment has returned to (most of) Southern Europe

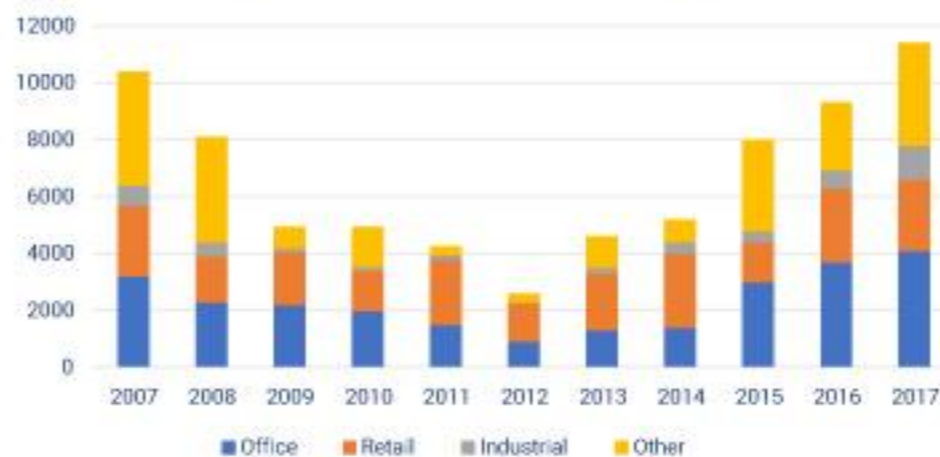
Portugal real estate transactions



Spain real estate transactions



Italy real estate transactions



Thank you

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