



**Market outlook 2021:  
A structural change accelerating recovery?**

21 January 2021



# FIVE THEMES THAT MAY SHAPE 2021 RECOVERY



**Vaccinations and relaunch of the economy**



**Electrification and recovery of automotive sales**



**Repaying the COVID debts**



**Implementation of European recovery fund**



**2020 crisis aftermath: risks and upsides**



**Commission agenda and election cycles**



# SLOW START VACCINATION ACROSS EU...



Once first 3 vaccines are approved, production and distribution may be optimised by April. EU could see 60 mln. doses delivered a month towards end of Q1, distributed on pro-rata basis among member states. 25% vaccination rate (vulnerable population) may be late April, May. Pace could be accelerated in case feasible to extend 3-week period between 1<sup>st</sup> and 2<sup>nd</sup> injection.



More than 5.3 million doses received by mid February. 2 million additional doses of Moderna expected during Q1. 10 million vaccinations by end of Q1 may be feasible.



Health care workers and people above 65 vaccinated by end of Q1. First 15 million vulnerable by April/May, after that vaccinations in companies may be possible.



Italy aims for 6 million vaccinations by end of March and 14 million vaccination by end of April.



Spain aims to have 15-20 million people vaccinated by May or June.



UK strives to have 10 million people vaccinated by April.



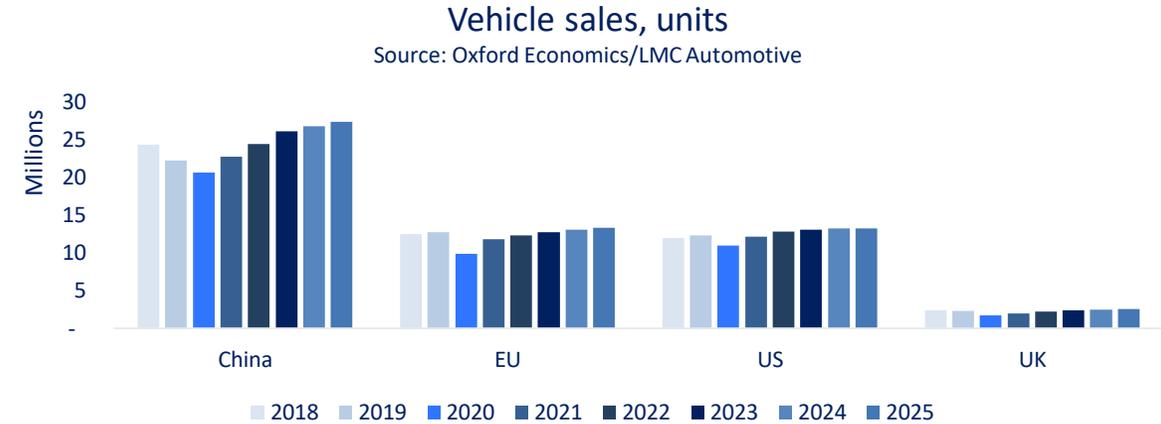
Belgium aims to have all vulnerable people vaccinated by June.



# ELECTRIFIED VEHICLES CONTINUE TO LEAD RECOVERY



Around 1/3 of sold vehicles in EU may be electrified by 2025, supply sector set to recover by 2023



EU vehicle sales may return to 2019 level in 2023

**Will transition outpace production and supplies? Q1 of 2021 marked by shortage of semiconductor supplies, globally also lack of metals used for catalytic convertors to comply with stricter emission standards.**



# REPAYING COVID DEBTS WHILE FUNDING THE FUTURE



Business concerns set to shift from liquidity to solvability, existing policy tools may not be sufficient

Suppliers top 600, net debt to EBITDA, by revenue class in bln.

Source: Roland Berger, November 2020



The ECB's pandemic emergency purchase programme (PEPP) of investment rated bonds was increased to €1.9 trillion in December, likely to keep financing costs low, impact may be limited for companies which bonds are rated speculative or the many suppliers relying on bank loans rather than capital markets. ECB may also decide this year to exclude 'carbon unfriendly' issuers.



European Investment Bank plays an important role to finance innovation projects, but role in debt restructuring still under discussion. Initial Commission proposal for a Solvency Support Instrument did not materialise, but discussion may revive if solvency challenges materialise.



Germany: €2 billion available to support R&D investments by suppliers and OEM's and an additional €1 billion to establish a Zukunft fund to support regions highly dependent on the automotive sector.



France: €0.6 billion available for sector modernisation, as of December 151 projects had been selected. PSA, Renault and Bpifrance launched in November the 2<sup>nd</sup> Avenir Automobile Fund with €0.5 billion to fund equity support for suppliers funding innovation or diversification projects.



Spain has announced it may use up to 10 billion from the European Recovery Fund for automotive and allocate a part for investments in the strengthening of the supply chain.

# RECOVERY FUND: HOW TO SPEND THE MONEY?



Recovery fund more likely to enable structural reform and investment than fasten recovery on short term

Significant amounts of funds will be available for structural investments in member states:

RFF allocations, by country

Source: Bruegel



€672.5 bln. Recovery & Resilience Facility (RFF)  
2021-2026

37% for green projects

20% for digital projects

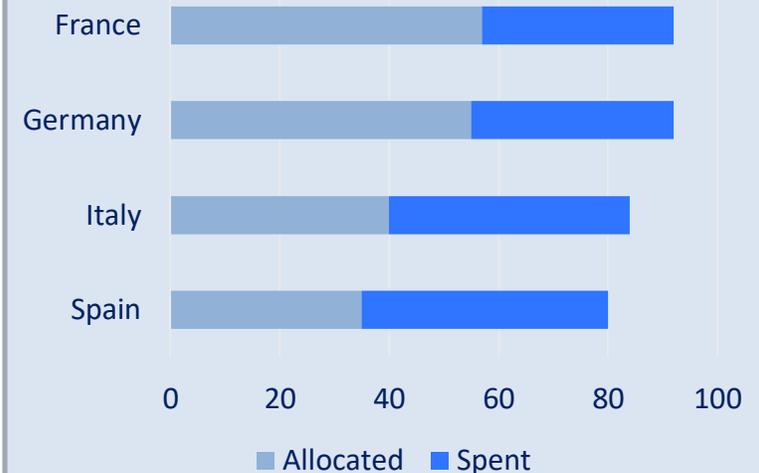
First €87 billion to become available this summer

Policy makers will face significant challenge choosing between structural investment projects requiring more planning time and shovel ready projects that can support recovery quickly but contribute less to green or digital objectives. Automotive sector could benefit from investments in power grid, charging infrastructure and 5G networks to enable transition to electrified and connected vehicles or industry 4.0, R&D projects into batteries and related components or autonomous technologies, projects supporting deployment of hydrogen in transport, and education projects to help reskilling employees and the future work force.

Implementing the investments quickly, will prove significant challenge Italy and Spain had spent by 2020 less than 40% of their 2014-2020 European Structural Fund money.

ESF (2014-2020): progress of implementation as of 2020

Source: Oxford Economics, Dec. 2020





# 2020 IS NOT OVER YET: RISKS AND UPSIDES



Unemployment increase remains risk for consumer confidence, pent-up savings could support demand

*“Eurozone unemployment at 8.3% in Nov., up 1.1 percentage points compared to Feb. 2020. 2nd lockdown wave in full play and a looming wave of insolvencies, make unemployment looking set to increase in 2021.”*

- ING, 8 January 2020

*“Eurozone households are sitting on about €500 billion in savings that would otherwise have been spent on restaurants, shopping and travel. The release of pent-up savings could add 1 percentage point to gross domestic product growth for 2021, based on 25% of that cash pile being spent.” - Allianz SE, January 2021*

## Short term work: % of workforce at increased risk of job loss

	DE	FR	IT	ES	NL	BE	AU
% of employment on short term work late 2020	5% (OCT)	6% (OCT)	5% (OCT)	4% (NOV)	4% (NOV)	5% (OCT)	3% (OCT)
% of employment on short term work May 2020	14%	27%	19%	14%	21%	19%	33%
Expiration time of current schemes from January 2021	12	17	3	1 ext. discussed	6	3	3 ext. discussed

*“The uneven distribution may limit actual expenditure of additional savings. A study by France’s Council of Economic Analysis showed that half of excess savings in the first wave fell to the 10% of households with the country’s highest incomes, while the poorest saw their debt rise instead. According to Germany’s Bundesbank, the concentration of savings among society’s richest could mean that the money simply increases their wealth with little benefit for others.” – Luxembourg Times, 7 January 2020*

# COMMISSION AGENDA AND POLITICAL EVENTS

Crisis may provide impetus for structural reform agenda



[Link to detailed Commission work plan](#)



**Q1**

2030 digital targets

Implementation of EU/UK  
FTA

**January 20**

Inauguration of US president,  
change of senate majority  
leadership



**Q2**

'Fit for 55' CO2 reduction  
package, incl. emission  
standards for road transport  
Redraft of industrial strategy  
for Europe  
Proposal for Carbon Border  
Tax  
EU green bond standard  
Sustainable corporate  
governance

**March 15-17**

Dutch general elections,  
followed by Bulgarian  
elections (March 28)



**Q3**

Revision of the Directive on  
Intelligent Transport  
Systems

Data governance act

**September 26**

German general elections,  
Who will succeed Angela  
Merkel?



**Q4**

Completion banking union

Development of post-Euro  
6/VI emission standards for  
cars, vans, lorries and buses

**October 8-9**

Czechia general elections



**2022**

Ratification EU-China  
investment agreement?

**2022**

French presidential + general  
elections