Focus

On February 27, 2021, the U.S. House of Representatives voted to approve the USD 1.9 trillion aid package to combat the effects of the corona crisis. The final tally on Saturday morning came to 219 votes in favor and 212 votes against (including two Democrats). The US is thus divided on the magnitude and implementation of this aid package.

What does the plan entail? Some important parts of this astronomical aid package are listed below:

- USD 1,400 "stimulus check" for all individual incomes below USD 75,000 and household incomes below USD 150,000.
- An additional USD 350 billion to state- and local government to make up for budget shortfalls.
- An increase in the minimum wage from USD 7.25 to USD 15 per hour.

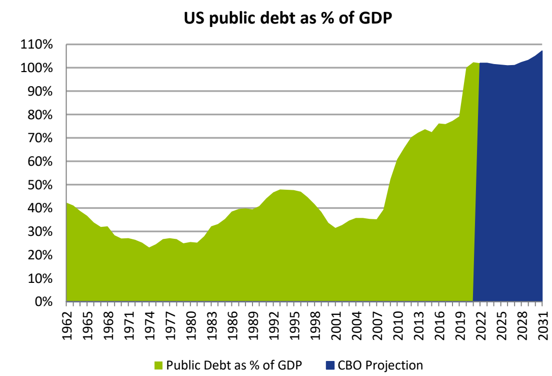
Although there is still a considerable debate between the Democrats and the Republicans about the components of this package, with the doubling of the minimum wage being the most controversial point, the discussion is mostly focused on the size of the "America Rescue Plan".

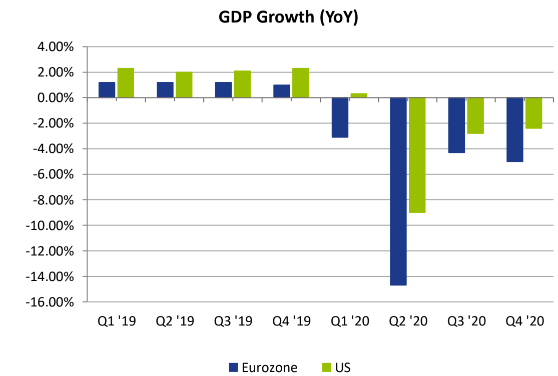
To determine how much money should be invested in the economy in times of recession, policy makers look at the "GDP output gap". This metric compares the current GDP to the potential size of the GDP in 'normal' times. The Congressional Budget Office (CBO) estimated this gap at USD 380 billion in early February 2021, increasing to USD 700 billion in 2023.

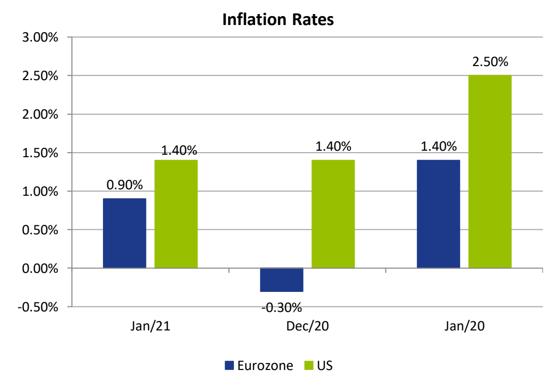
Critics point out that the proposed USD 1,900 billion in aid is many times greater than the economic loss suffered. They fear that this could have adverse consequences. Firstly, because the US government will borrow the full amount, despite the fact that in 2020 the US has already reached the highest percentage of public debt in relation to GDP since 1946. In addition, providing so much unnecessary money could cause inflation to rise. This could lead, among other things, to a sharp depreciation in the value of saved capital among US households and thus nullify the intended stimuli.

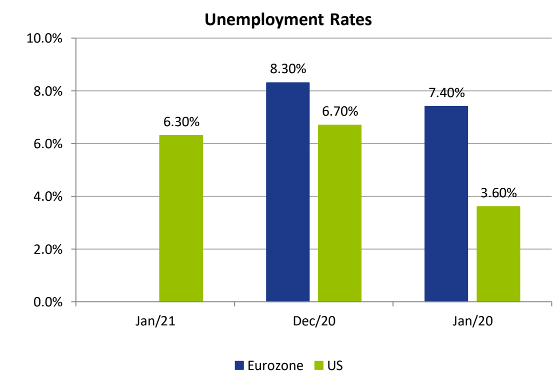
Supporters, on the other hand, argue that the aid package is not only intended to close the GDP output gap, but also to provide some relief to the population and businesses in these difficult times. In addition, they point out that the CBO may be severely underestimating the deficit. Other measurements, based on lost jobs, estimate an economic loss of USD 3 trillion. The main argument of proponents is that it is better to overspend on aid at this time in order for the economy to recover quickly. In their view, a unique crisis like this requires a unique, decisive and extensive solution.

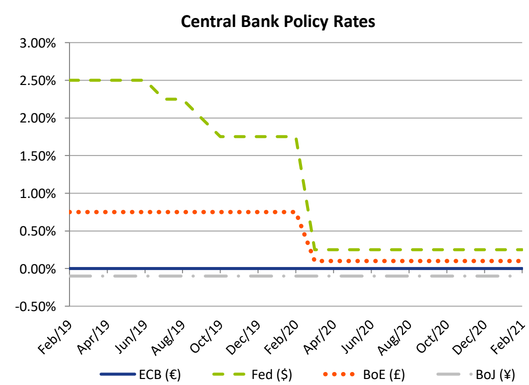
Although Republicans and Democrats will be furiously battling each other for now using reports and fiery speeches about the final contents, it looks like Biden's plan is going to pass. Since the Senate is exactly divided between Republicans and Democrats, vice-president Kamala Harris has the decisive vote. Time will tell what the actual effects of the largest stimulus for the U.S. economy ever will be.











Country Ratings	S&P	Moody's	Fitch
Netherlands	AAA	Aaa	AAA
Germany	AAA	Aaa	AAA
France	AA	Aa2	AA
United Kingdom	AA	Aa3	AA-
Russia	BBB-	Baa3	BBB
United States	AA+	Aaa	AAA
Japan	A+	A1	A
China	A+	A1	A+
Australia	AAA	Aaa	AAA

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Review & preview

In the last month, economic growth figures for 2020 have been published for a number of major countries. However, as a consequence of the corona crisis, we cannot really speak of growth. In the Netherlands, the economy contracted by 3.8%, according to Statistics Netherlands (CBS). This contraction is stronger than the contraction in 2009, which was caused by the financial crisis at the time. The contraction in 2020 is the largest decline in the Dutch economy since World War II. In comparison with other European member states, the contraction of the Dutch economy is relatively moderate; European statistics office Eurostat reported that the average economic contraction in Europe in 2020 is at 6.8%.

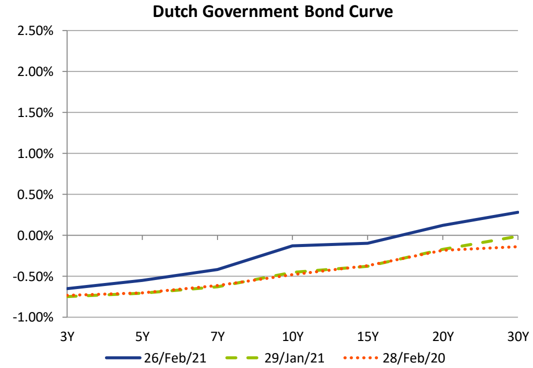
The economic consequences of the corona crisis in 2020 are also published in other parts of the world. For example, the Brazilian central bank reports that the economy of Brazil, the largest in South America, contracted by more than 4% last year. Furthermore, the economy of Saudi Arabia, the world's largest oil exporter, is shown to have contracted by 4.1% in 2020. This is the strongest contraction in more than 30 years for the Middle East's largest economy.

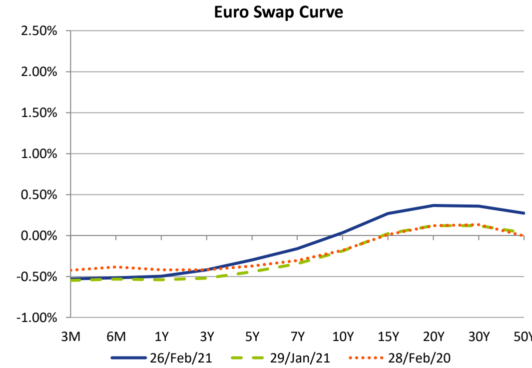
Capital market interest rates have increased in recent weeks, partly based on the expectation that the imminent reopening of the economy will lead to a significant recovery in economic growth. The available liquidity, in the form of savings, is relatively large. If these savings are used for consumption, this may lead to higher inflation and higher interest rates on capital markets. In addition, commodity prices have continued to increase substantially in recent months. According to the International Energy Agency (IEA), oil demand will increase by 60% in 2021, which is expected to drive prices up further. Increasing commodity prices are also likely to lead to increasing inflation.

After a year of contracting economies, economic recovery is expected in 2021. However, the strict lockdowns still in place in many European countries have led to forecasts of economic growth being revised downwards. Credit rating agency Moody's earlier expected a growth of 4.7% in 2021 for the eurozone, but this has now been adjusted to 3.7%. The growth figure for the United Kingdom was also revised downwards from 5.5% to 4.0%, while the forecasts for the Chinese and American economies were revised upwards. The growth rate of the latter was previously estimated at 4.2%, but is now expected to reach 4.7%. Moody's expects the G20 economies to grow by a combined 5.3% in 2021.

Agenda

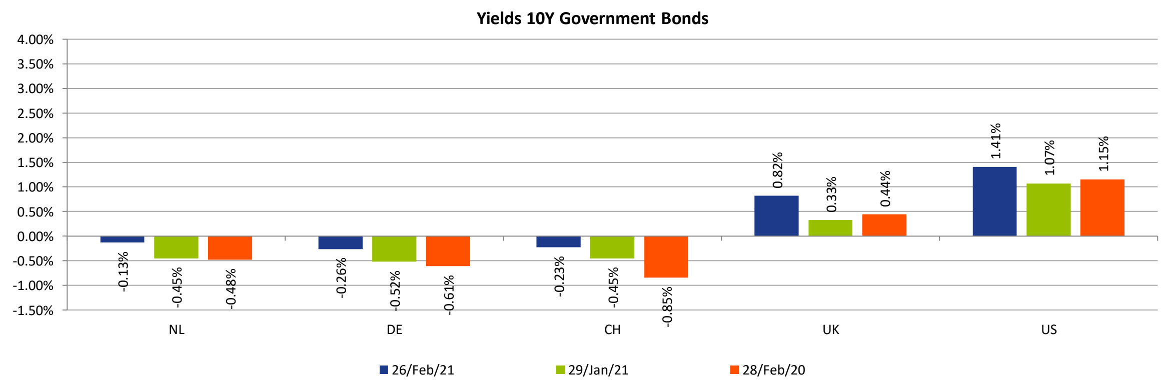
10 March	Inflation United States
11 March	Interest rate decision ECB
17 March	Interest rate decision Fed
17 March	Inflation Eurozone
18 March	Interest rate decision BoE
24 March	Inflation United Kingdom





Bank Ratings	S&P	Moody's	Fitch
Rabobank	A+	Aa3	A+
ING Bank	A+	Aa3	AA-
ABN AMRO	A	A1	A+
BNG Bank	AAA	Aaa	AAA
NWB Bank	AAA	Aaa	n.a.
Deutsche Bank	BBB+	A3	BBB
BNP Paribas	A+	Aa3	AA-
Barclays Bank	A	A1	A+
Credit Suisse Int.	A+	Aa3	A

Currencies	26/Feb/21	29/Jan/21	28/Feb/20
EUR/USD	1.207	1.214	1.103
EUR/GBP	0.867	0.886	0.860
EUR/CHF	1.097	1.081	1.065
EUR/JPY	128.670	127.130	118.985
EUR/DKK	7.436	7.438	7.472
EUR/SEK	10.187	10.154	10.584
EUR/CAD	1.538	1.551	1.477
EUR/AUD	1.567	1.588	1.692
EUR/CNY	7.817	7.802	7.710



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