

Session 3 : Quelle gouvernance pour quelle croissance en Europe ?

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24 Septembre 2012

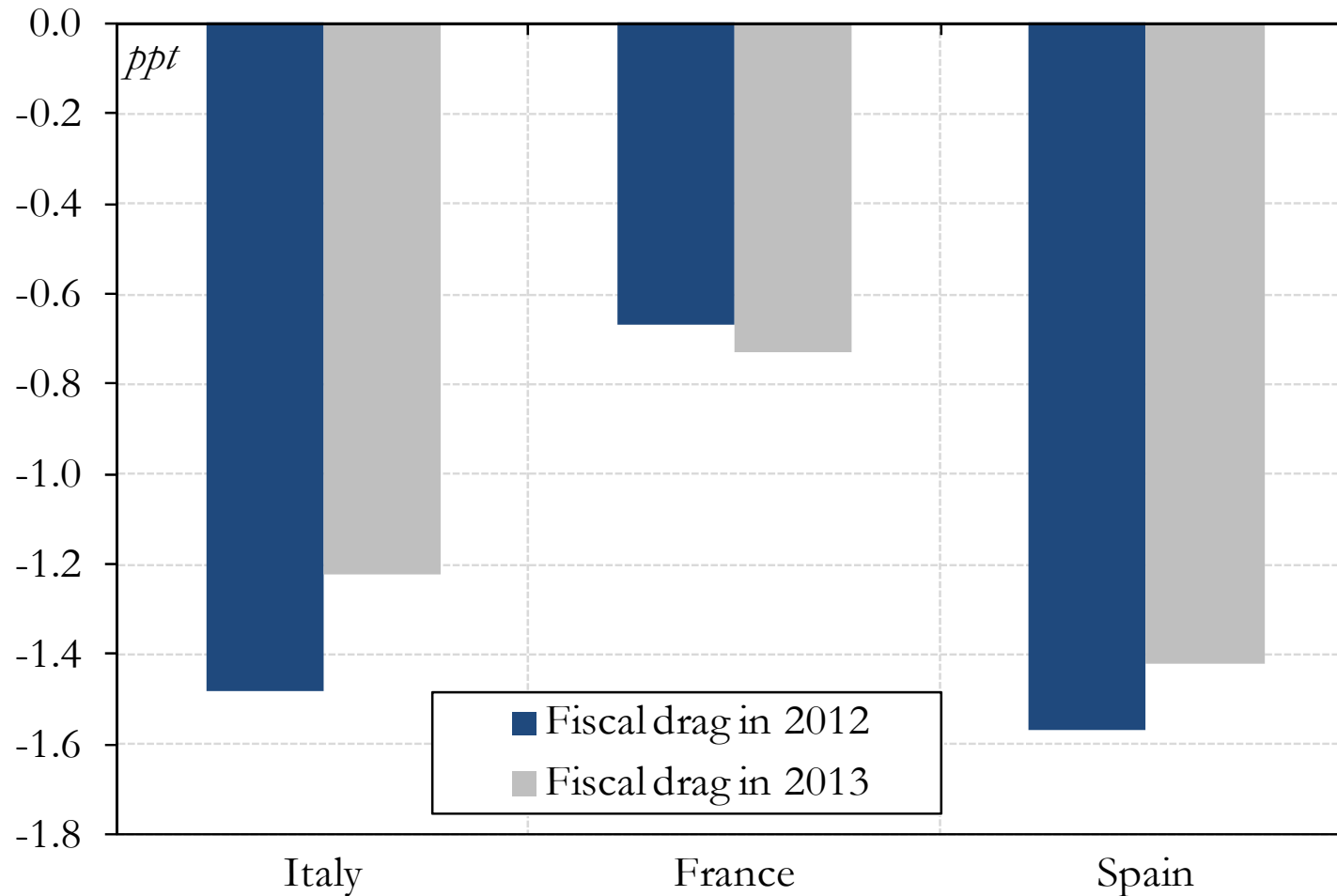
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- **Les 4 piliers des Présidents (rapport de Juin 2012)**
 - Union bancaire
 - Union budgétaire
 - Politique économique commune
 - Démocratie

- **La BCE et la “time consistency”**

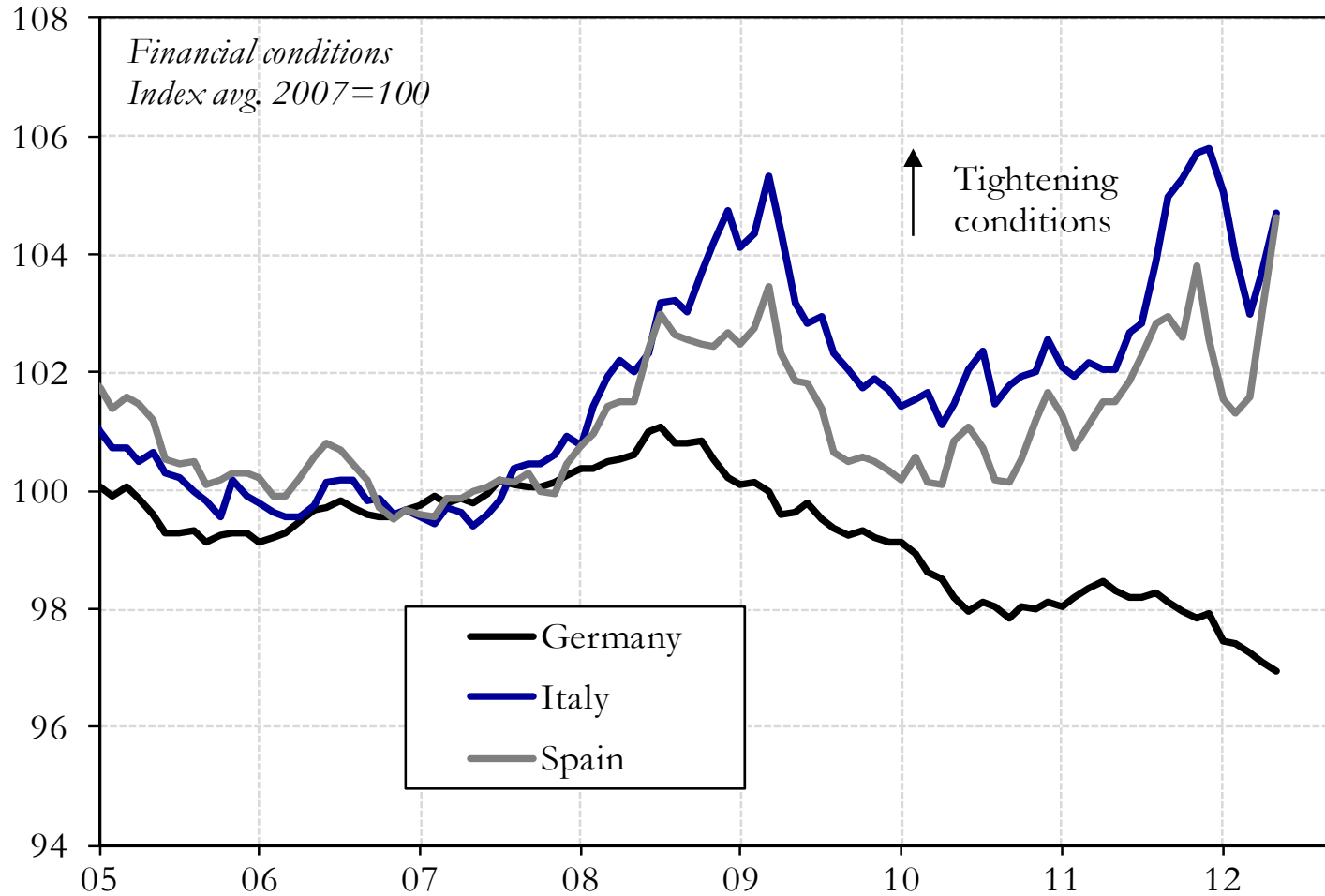
- **Croissance: dynamique de crise versus modèle de long-terme**

Intra-Euro area cross-country divergence is driven by impact of fiscal austerity



Source: GS Global ECS Research

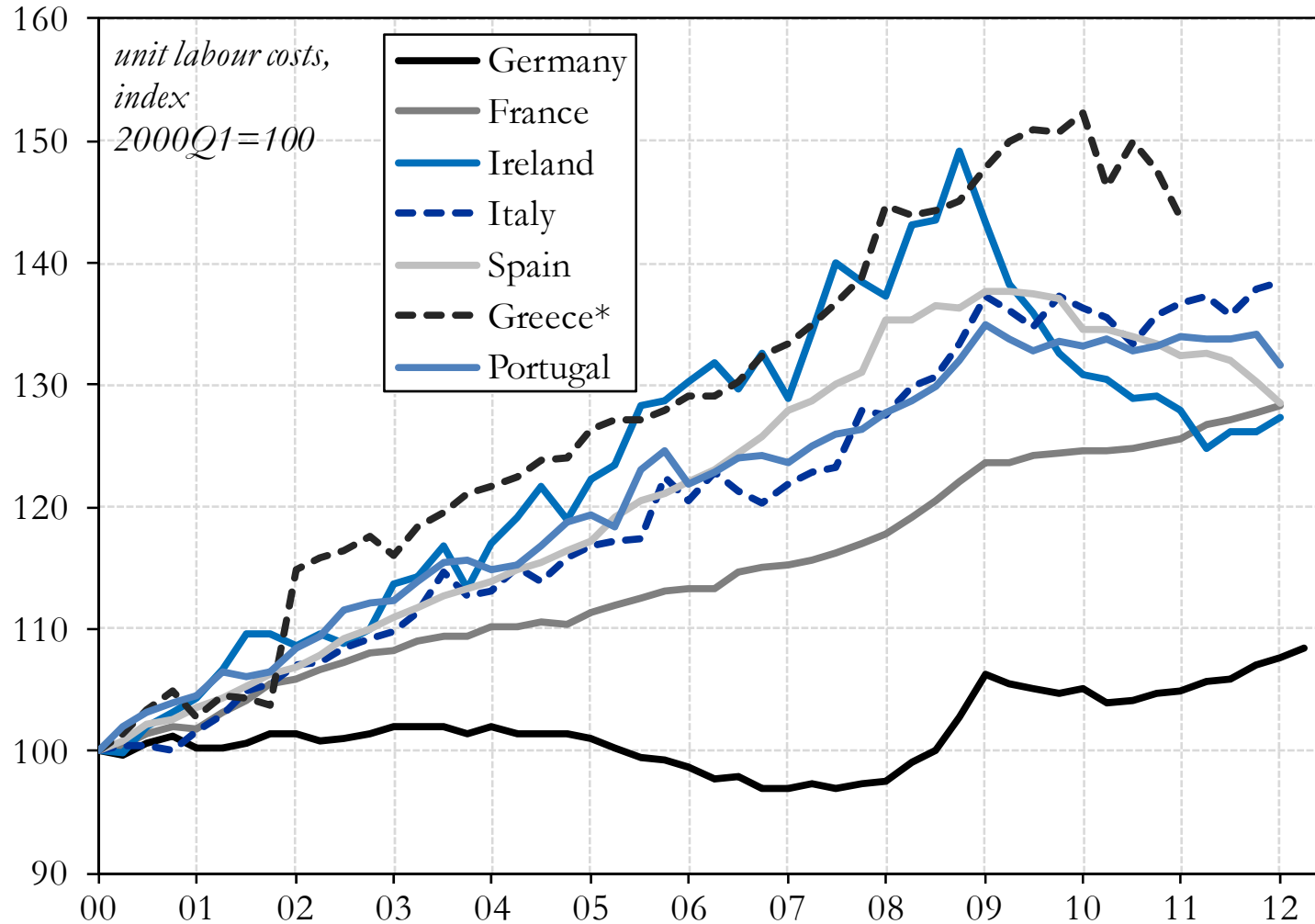
Financial conditions diverge significantly between core and periphery



The index includes four variables: real 3-month interest rates, real long-term interest rates, real trade-weighted value of the exchange rate and equity market capitalisation to GDP

Source: GS Global ECS Research, ECB

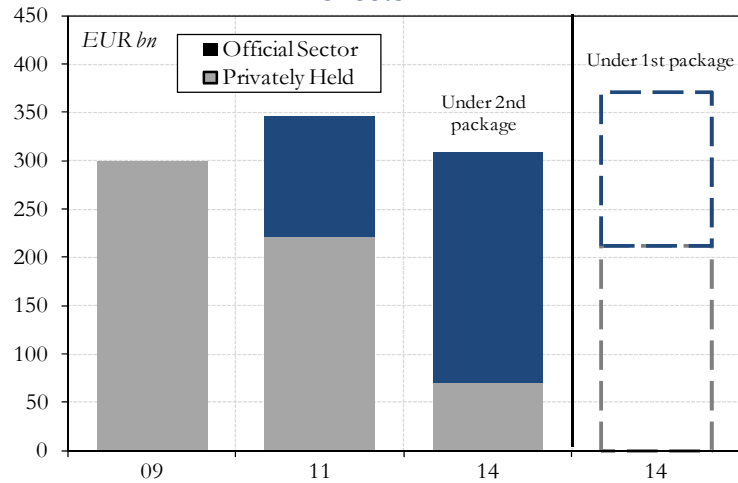
From area-wide perspective, divergence can start to address competitiveness issues



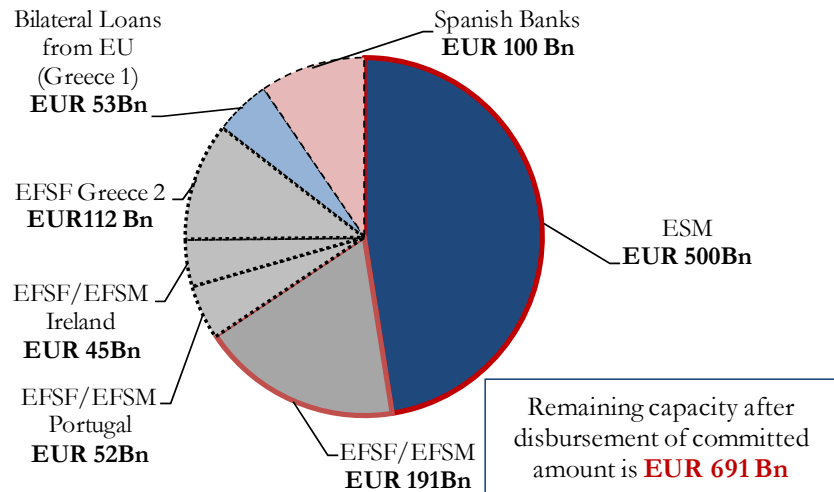
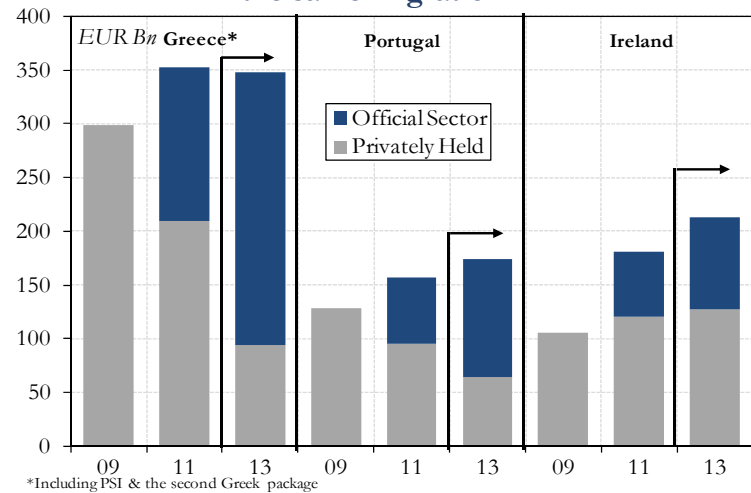
Source: Eurostat, National Statistical offices, GS Global ECS Research

Treatment of the programme countries (migration onto official balance sheet)

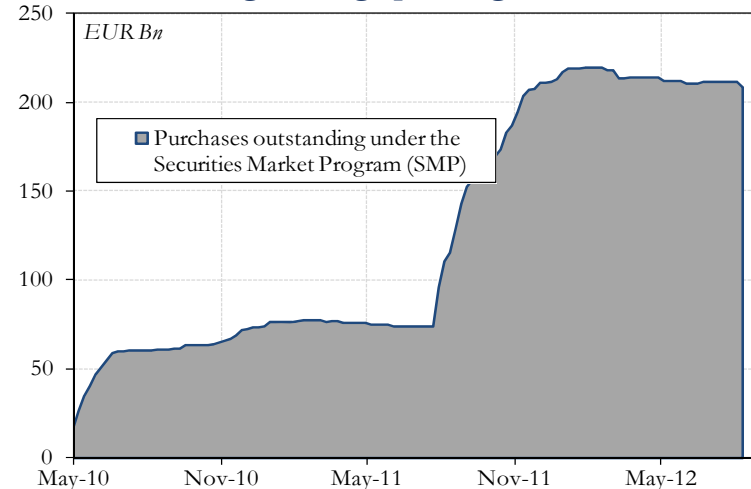
PSI accelerated migration of Greek debt onto official balance sheets



Even without PSI, Portuguese debt is undergoing in the same migration



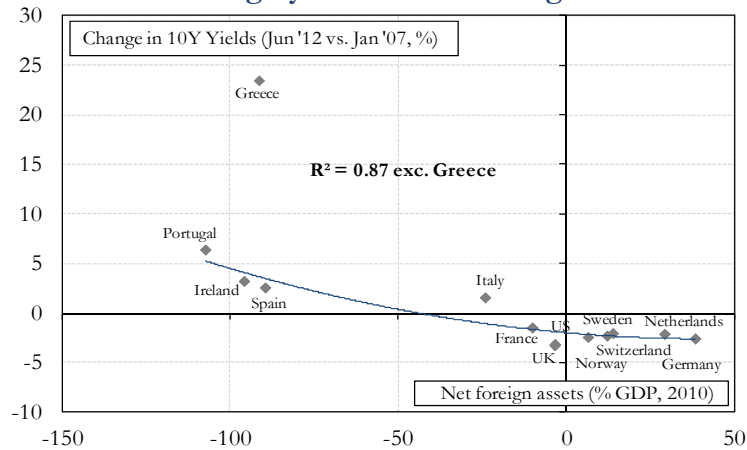
The ECB bought a large part of government debt



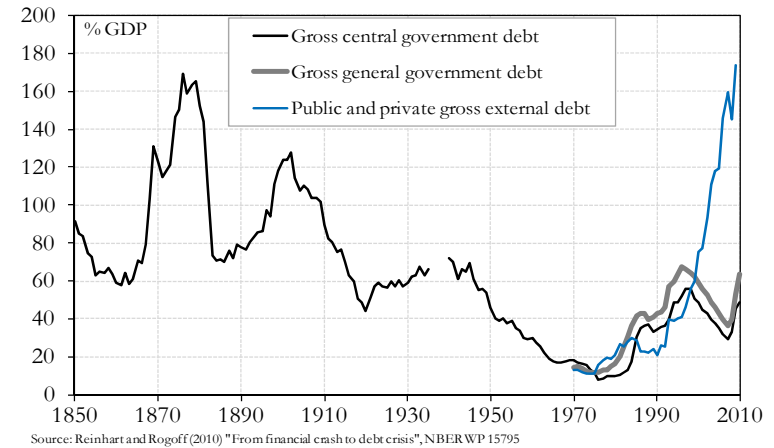
Source: ECB, GS Global ECS Research

External debt is of central concern ...

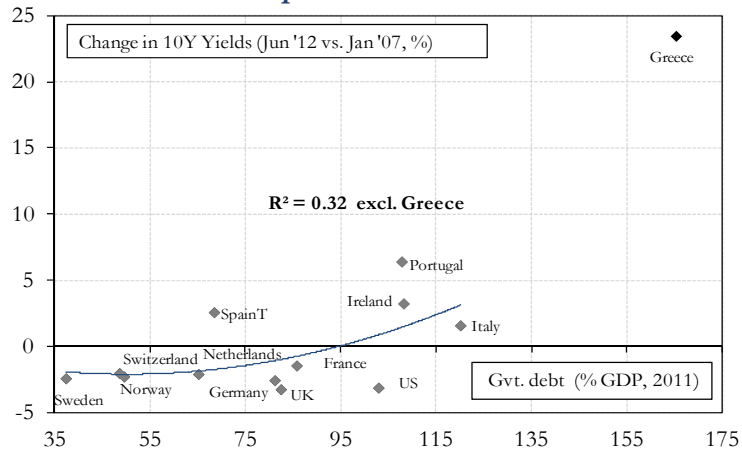
There is a high correlation between change in sovereign yields and net foreign assets



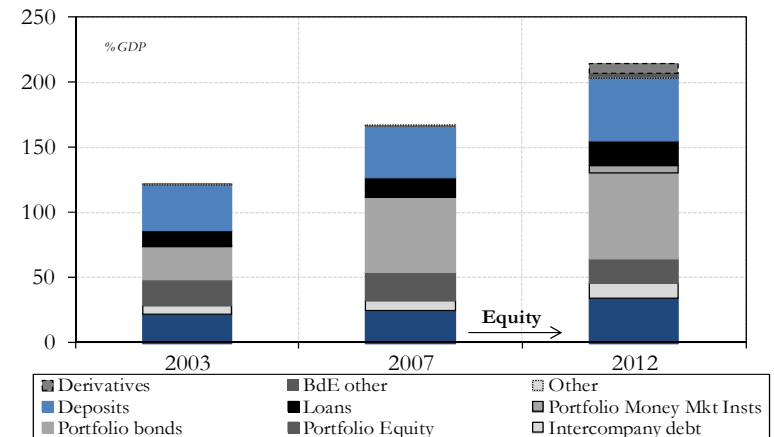
Spain's debt problem is external rather than public debt



The correlation between change in sovereign yields and public debt is weaker



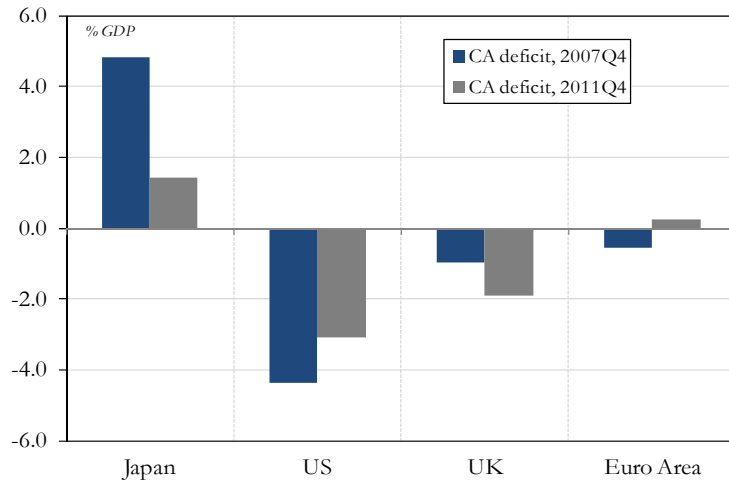
Spain's foreign liabilities are skewed towards debt not equity



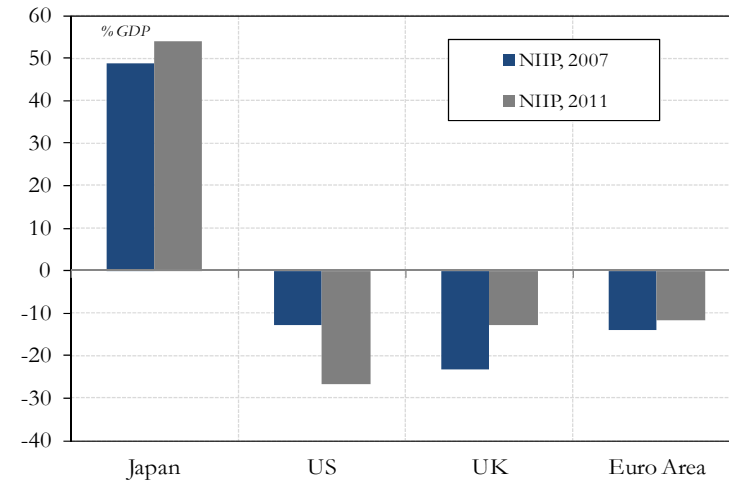
Source: IMF, Eurostat, Datastream, Banco de España ,GS Global ECS Research,

... with intra-Euro area imbalances of greatest concern, given manageable area-wide position

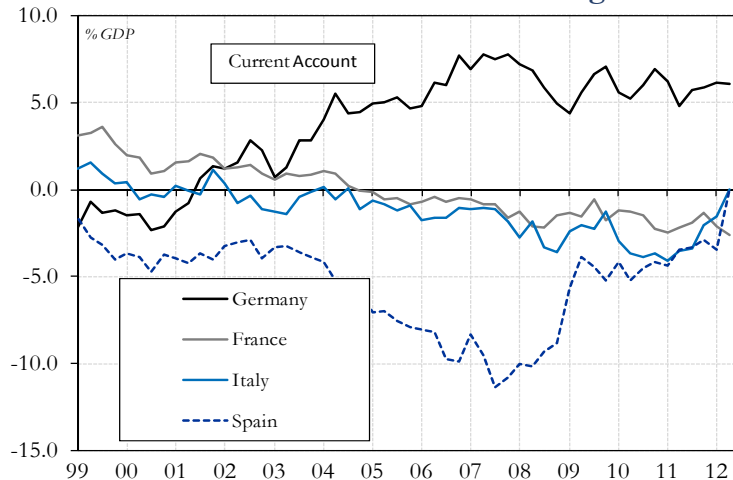
EA current account is broadly balanced



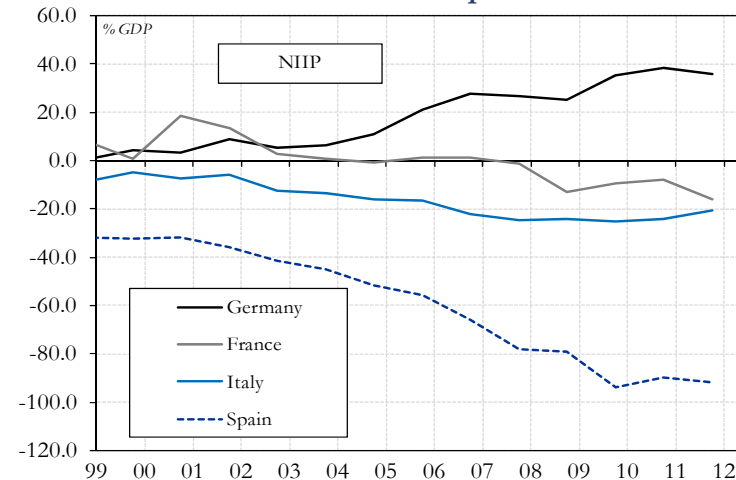
NIIP is moderately negative but more balanced than peers



Current account balances have diverged broadly...



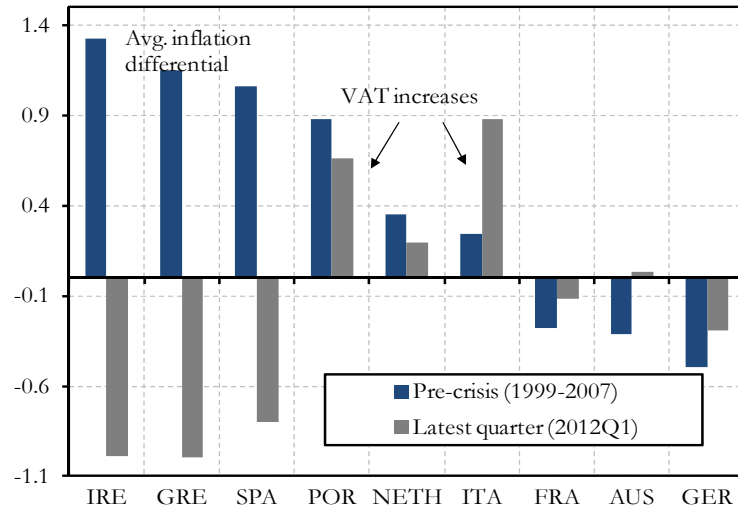
...as have NIIP positions



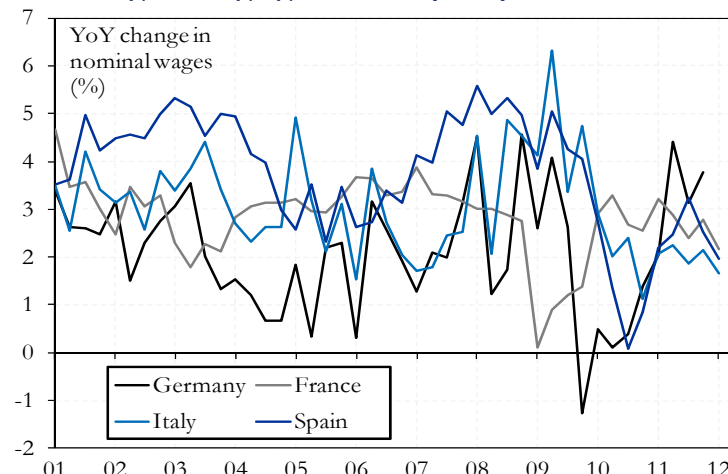
Source: ECB, NCBs, BoJ, UK ONS, US BEA, GS Global ECS Research

Economic forces – inflation differentials, migration – have begun to address imbalances

Peripheral economies had persistently higher inflation pre-crisis

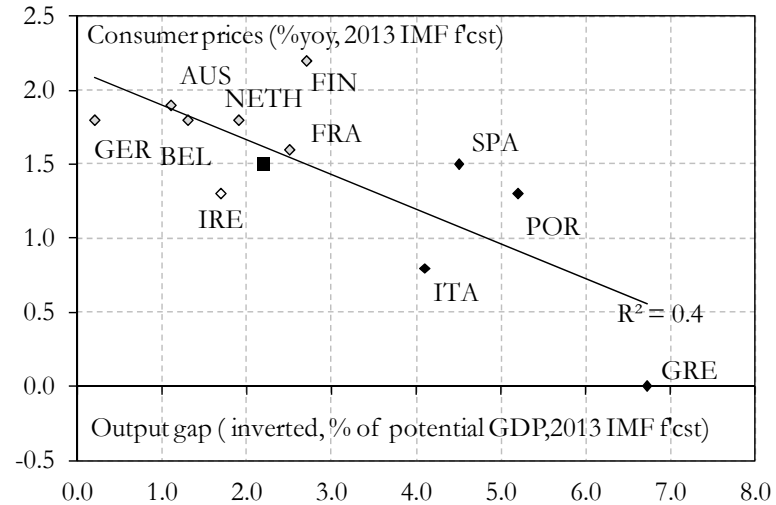


Higher wage growth in Spain pre-crisis

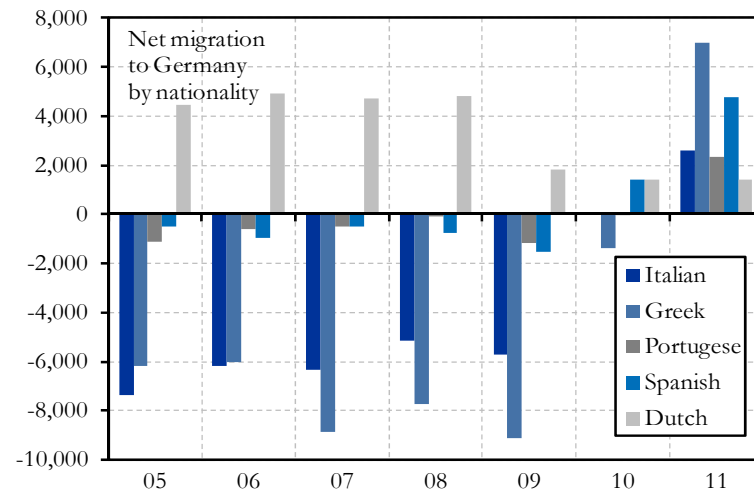


Source: Eurostat, Statistisches Bundesamt, GS Global ECS Research

...as a result of their cyclical positions

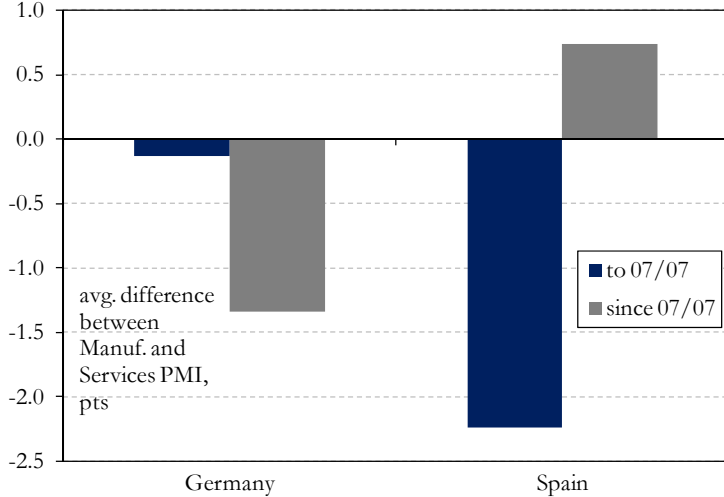


Net migration to Germany has reverted

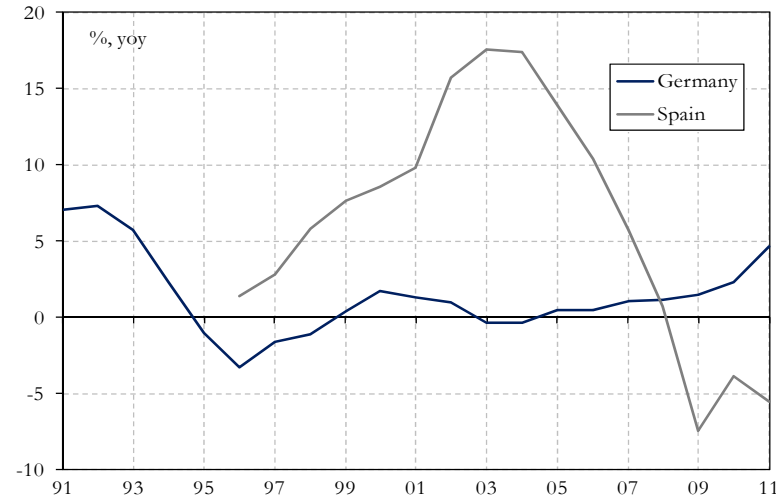


... and we see some results in terms of changing economic structures ...

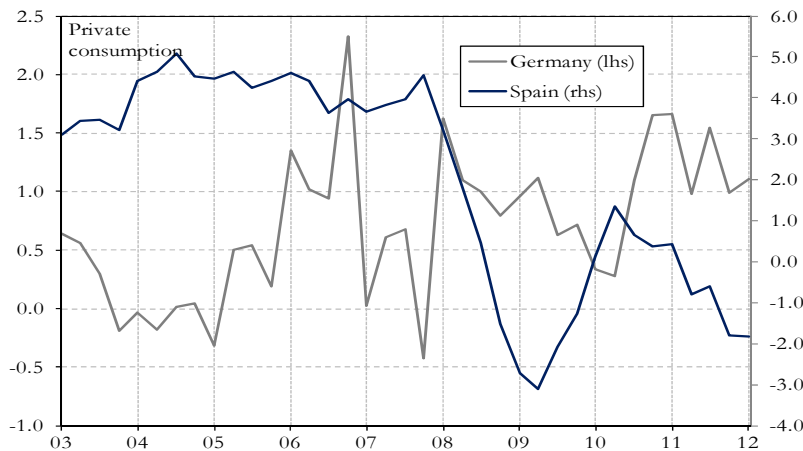
Spain has shifted towards tradables during the crisis; Germany has moved in the opposite direction



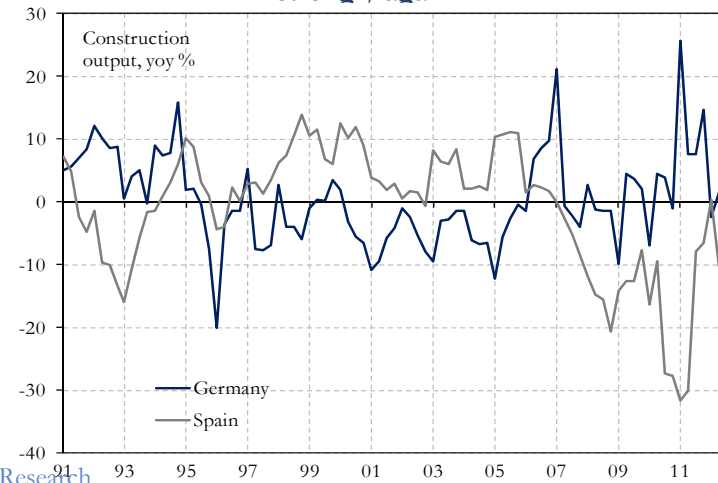
After 15 years of stagnation, house prices are rising again in Germany



Private consumption growth in Germany is mirroring Spain



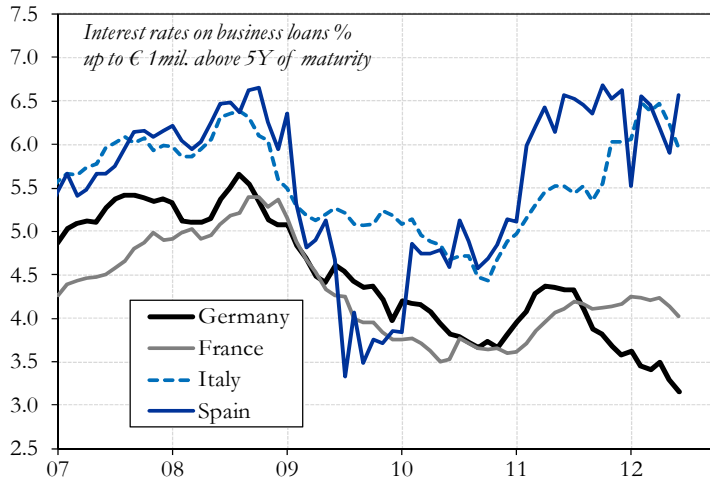
After a long drought, German residential construction orders are rising strongly again



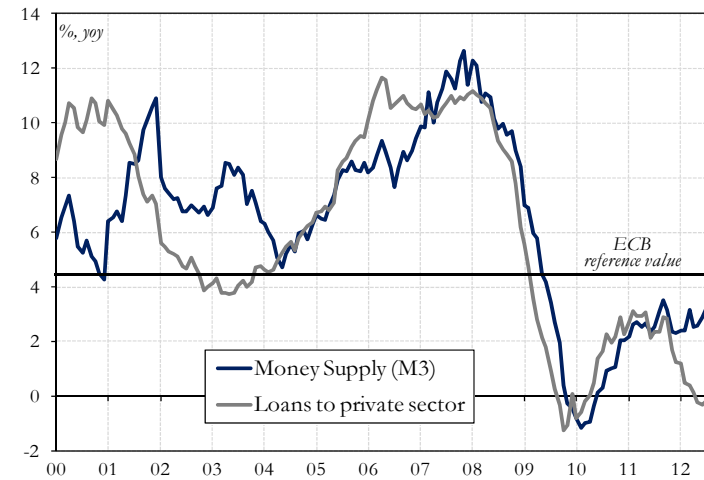
Source: Markit, Ministerio de Vivienda, Statistisches Bundesamt, Eurostat, GS Global ECS Research

... but pass-through to rates and credit creation in the periphery has been limited

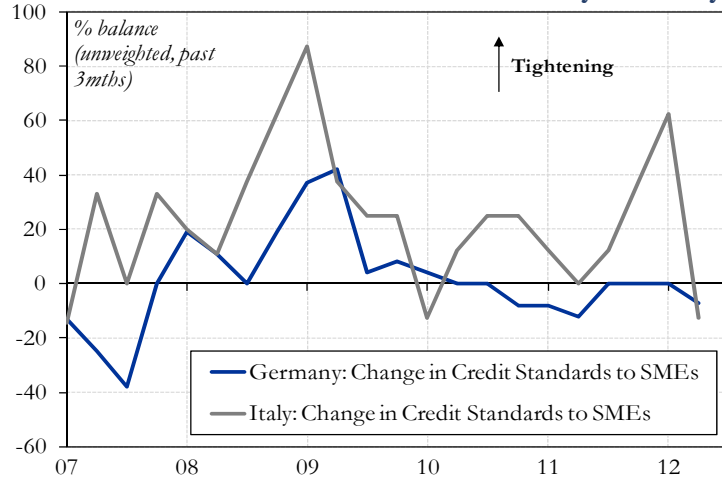
Interest rates to SMEs vary in level and responsiveness



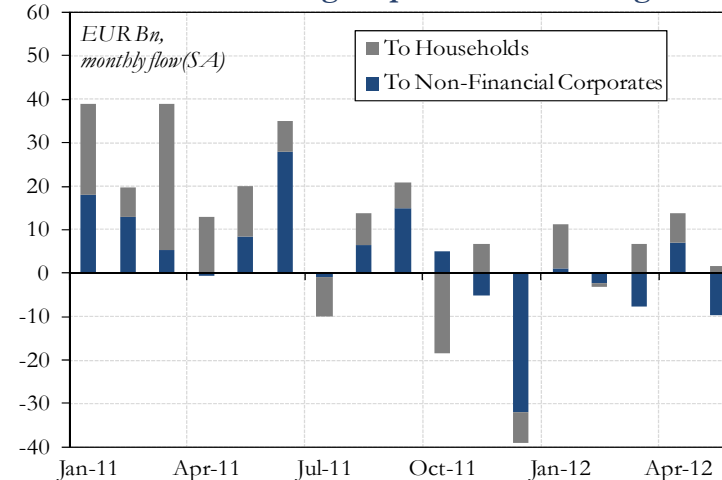
Area-wide credit creation has stalled ...



Credit standards for SMEs in Germany and Italy



... with lending corporates contracting



Source: ECB, National Central Banks, GS Global ECS Research

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