

# **Taking stock: where do we stand in the crisis?**

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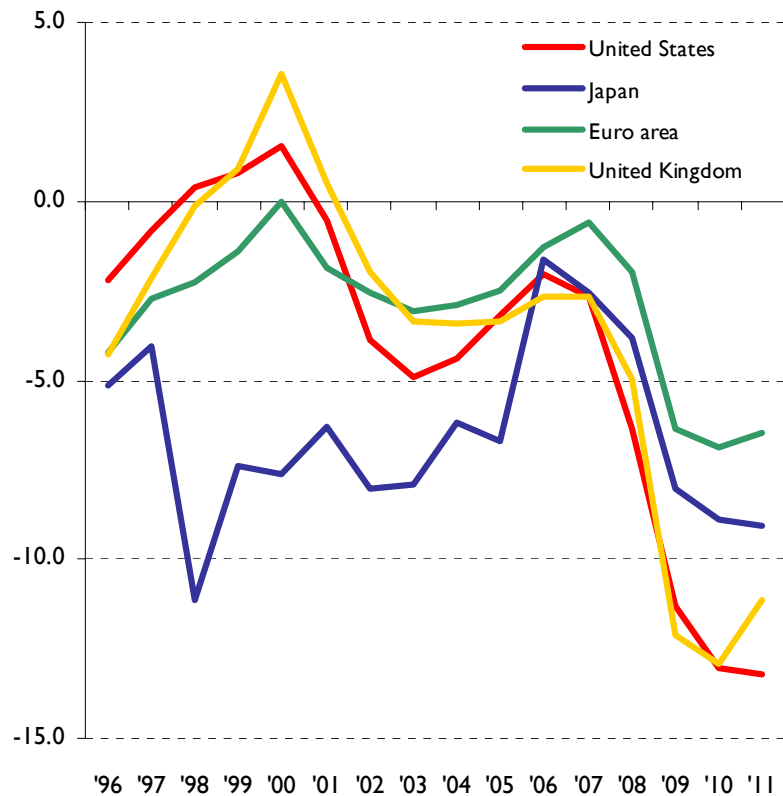
**Member of the Executive Board  
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**Slides for the speech delivered at  
BMW Stiftung Herbert Quandt,  
Washington D.C., 15 April 2010**

# Fiscal developments in the euro area, the United States, the United Kingdom and Japan

## Budget balance, general government

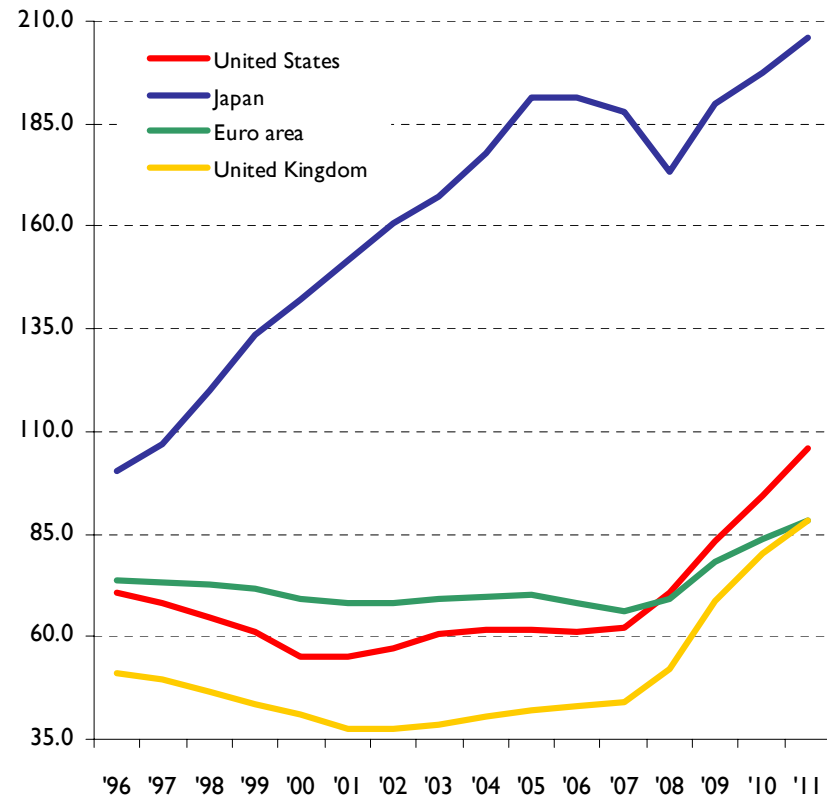
(1996-2011, percentage of GDP)



Source: European Commission's European Economic Forecast of autumn 2009

## Gross debt, general government

(1996-2011, percentage of GDP)



Source: European Commission's European Economic Forecast of autumn 2009

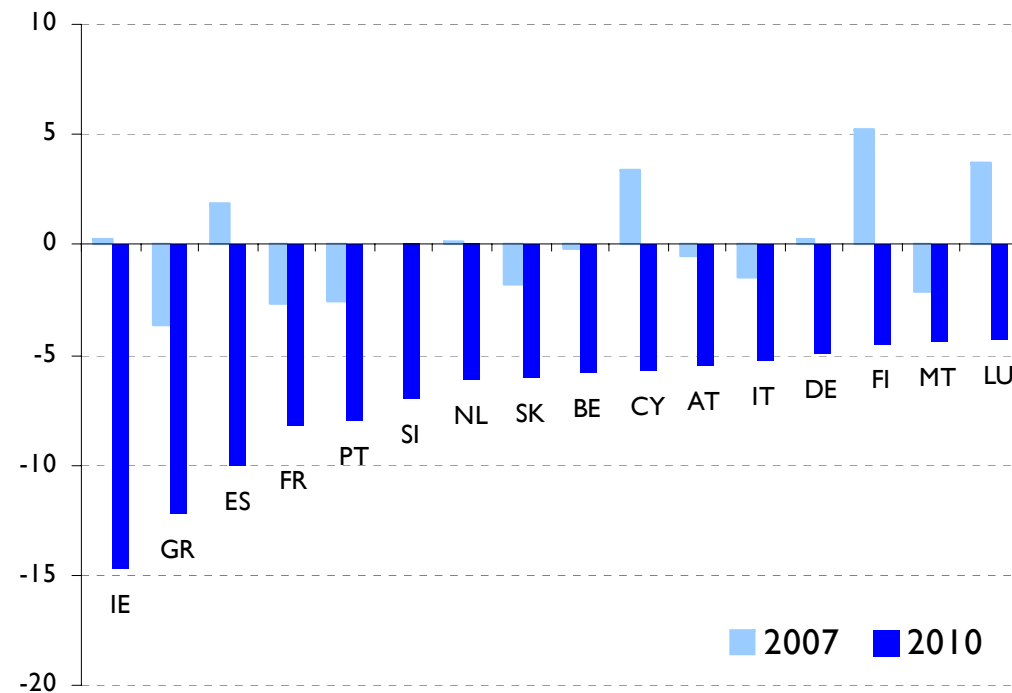
# General government fiscal development

percentage of GDP	Budget balance		Gross debt	
	2008	2011	2008	2011
<b>United States</b>	-6.4	-13.2	70.7	105.8
<b>Japan</b>	-3.8	-9.1	173.1	206.0
<b>Euro area</b>	-2.0	-6.5	69.3	88.2
<b>United Kingdom</b>	-5.0	-11.1	52.0	88.2

Source: European Commission's European Economic Forecast of autumn 2009

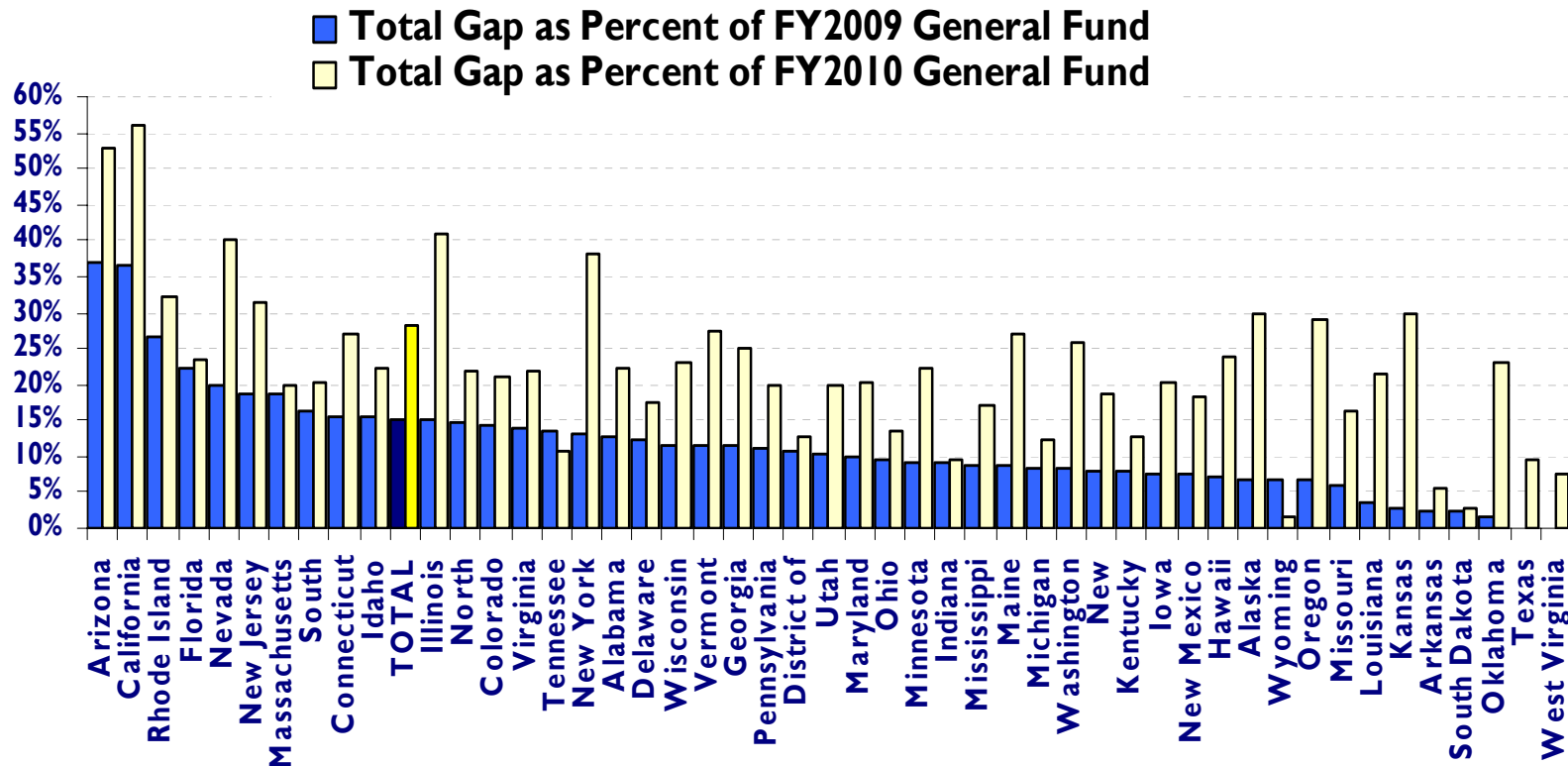
# Fiscal developments: euro area countries

## Budget balance, general government (percentage of GDP)



Source: European Commission's European Economic Forecast of autumn 2009

# Fiscal developments: US budget gaps by State (as a percentage of the respective General Fund budget)



Source: Center of Budget and Policy Priorities. Note: Estimates as of December 2009. 2009 estimates are not available for Texas and West Virginia. Total Budget Gaps refer to the gap before the budget was adopted plus the additional Mid-Year Gap.

# Euro area government debt scenarios: assumptions on adjustment paths

- Three scenarios:

- **Red:** no policy change

(annual change in primary balance  $\Delta p_t = 0$ )

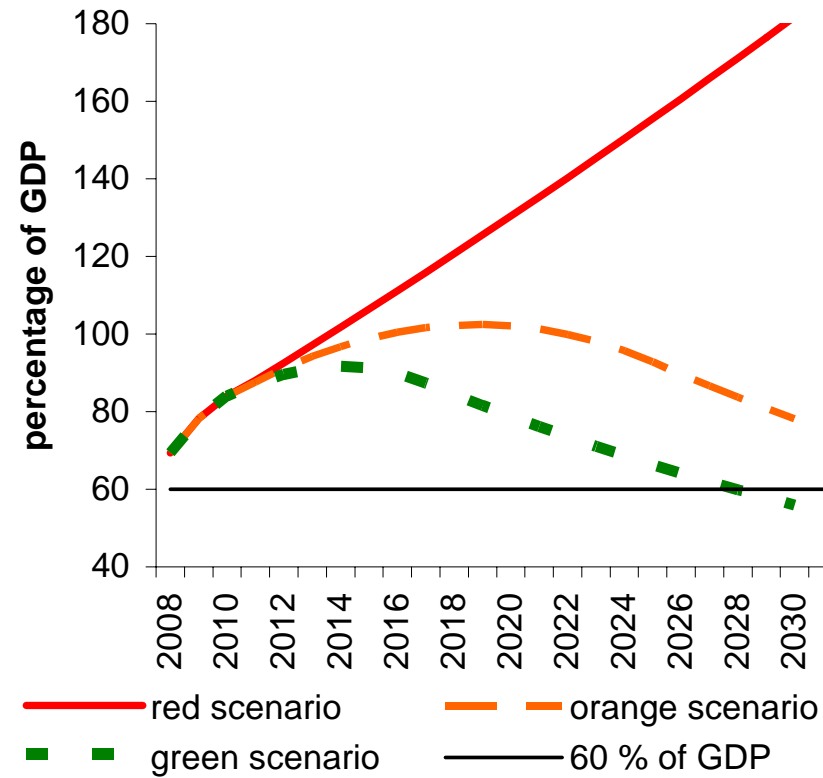
- **Orange:** limited consolidation effort

(annual change in primary balance  $\Delta p_t = 0.5$ )

- **Green:** more ambitious consolidation effort

(annual change in primary balance  $\Delta p_t = 1$ )

# Euro area government debt scenarios

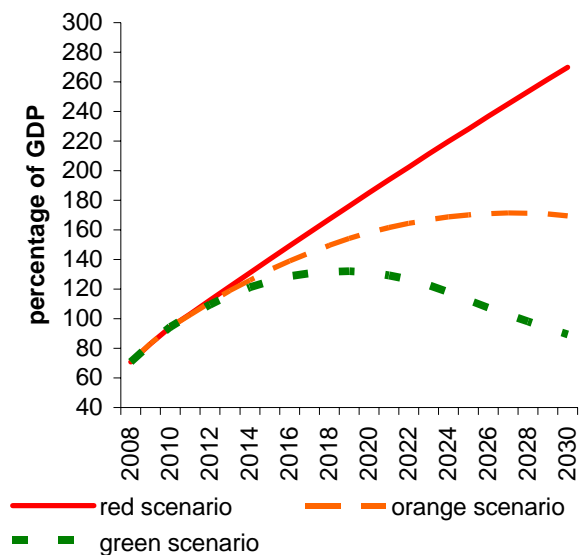


Source: ECB simulations.

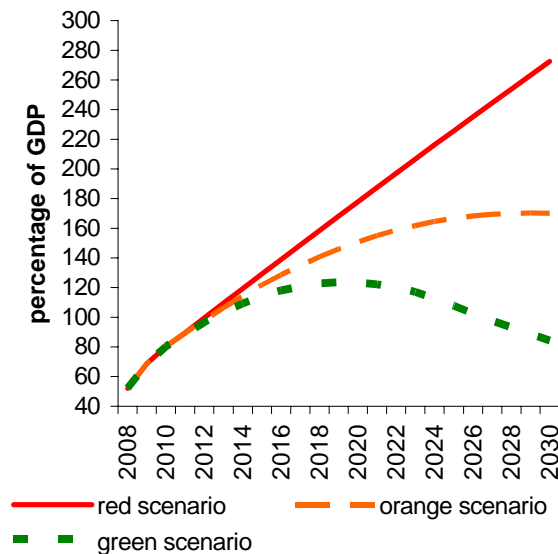
Note: debt scenarios do not cover the expected increase in the costs of ageing.

# Public debt scenarios for the United States, the United Kingdom and Japan

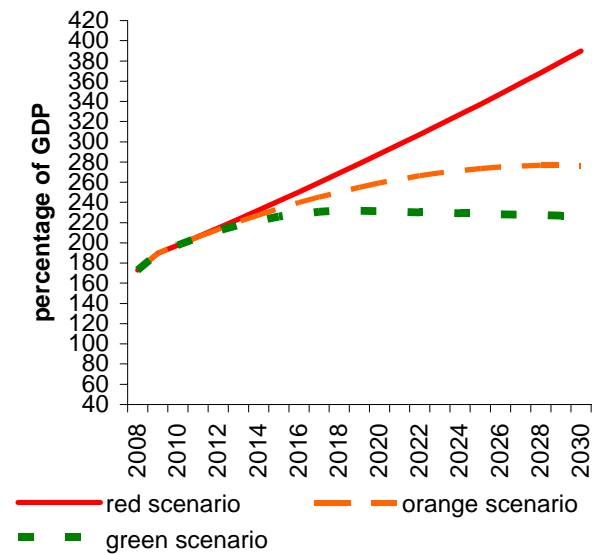
## United States



## United Kingdom



## Japan



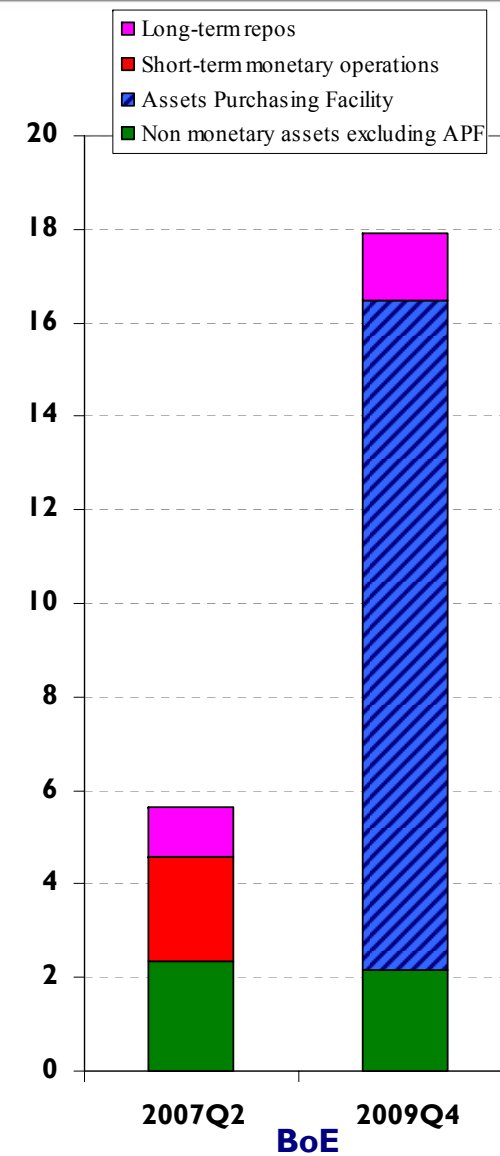
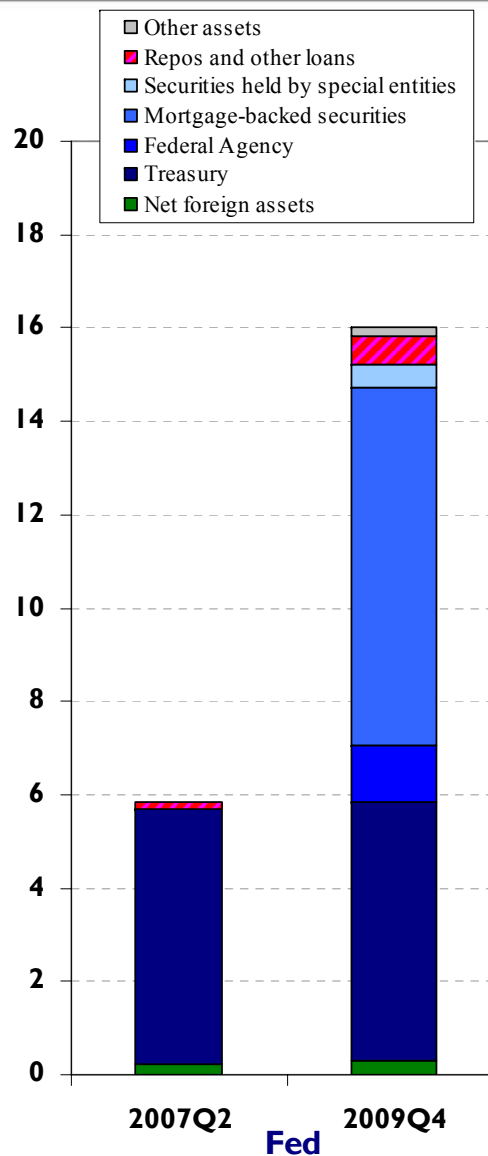
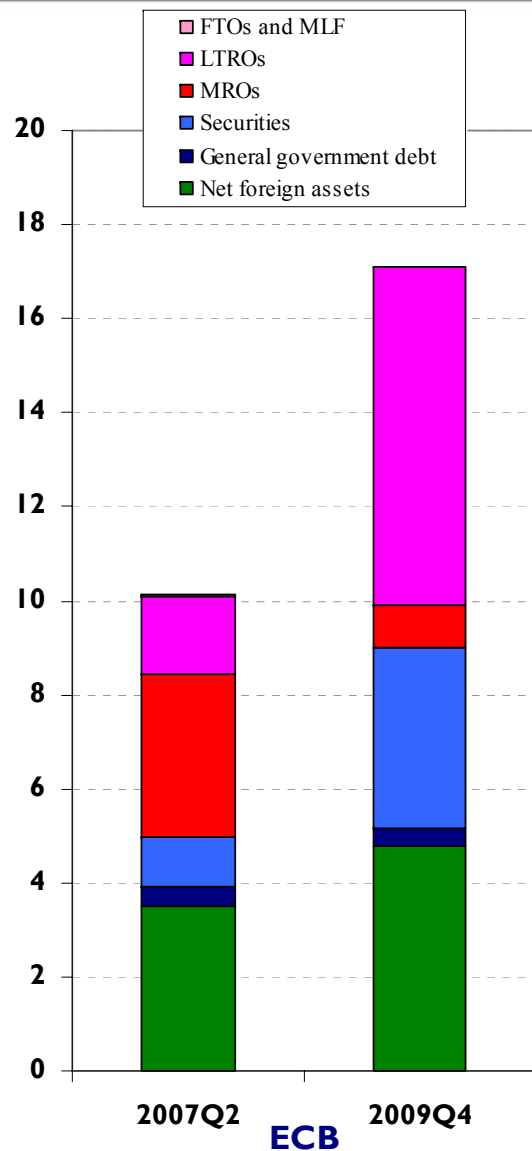
Source: ECB simulations.

Note: debt scenarios do not cover the expected increase in the costs of ageing.



# Balance sheets of the ECB, Fed and BoE

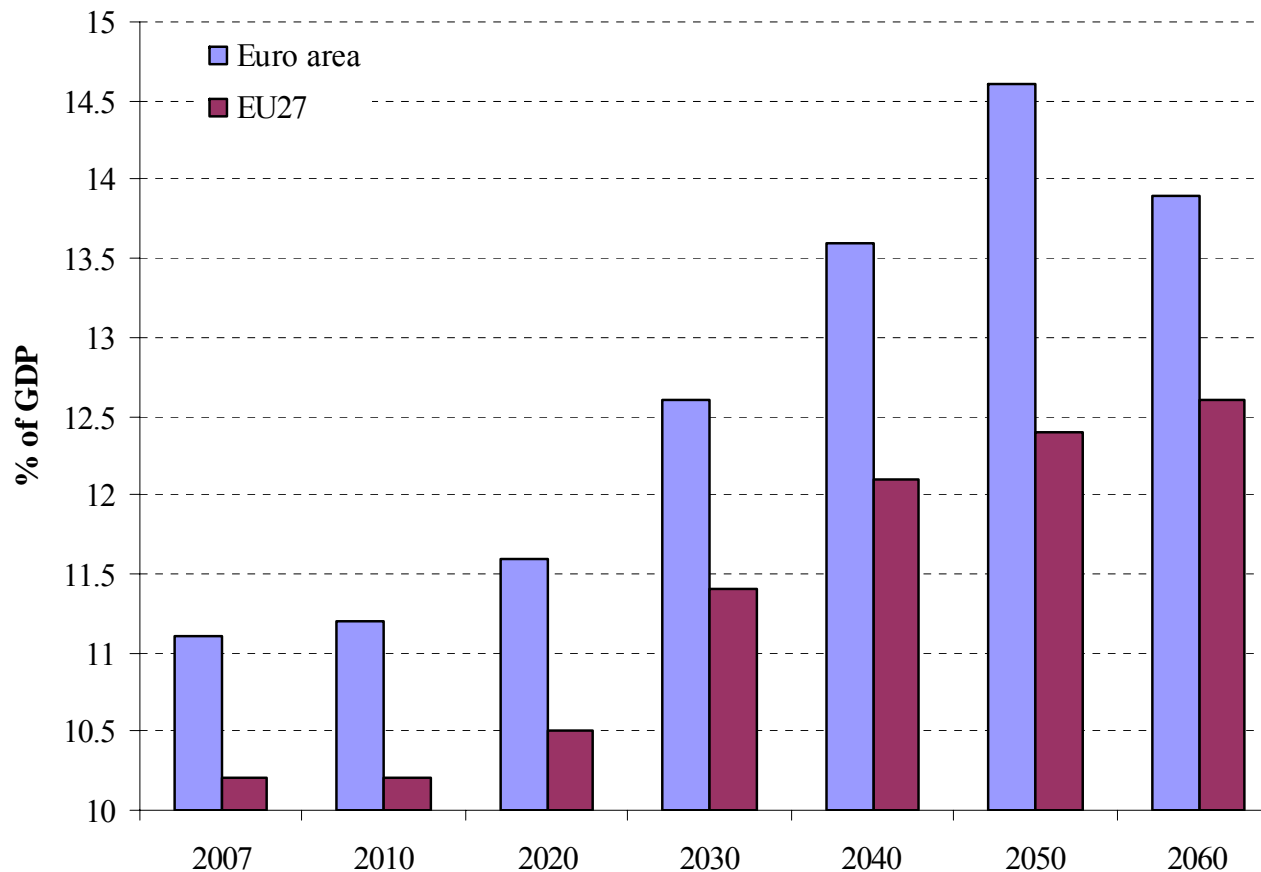
(percentage of GDP)



# Background slides

# Further risks to fiscal sustainability arising from population ageing

## Public pension expenditure in the euro area and the EU, 2007-60



Source: European Commission and Economic Policy Committee (2009).

# Assumptions behind public debt scenarios

	<b>Euro area</b>	<b>Japan</b>	<b>United Kingdom</b>	<b>United States</b>
Time horizon	Starting point 2010, simulations 2011 onwards until 2030			
Initial debt ratio (percentage of GDP) <sup>1)</sup>	84.0	197.6	80.3	94.4
Nominal GDP growth (percentage per annum) <sup>2)</sup>	3.4	0.2	4.8	4.6
The interest rate (percentage) <sup>3)</sup>	4.3	1.4	4.4	3.8
Initial primary balance (percentage of GDP) <sup>4)</sup>	-3.7	-6.1	-10.3	-10.1

1) The initial debt ratio is equal to the value for 2010 published in European Commission's autumn 2009 forecast.

2) The nominal GDP growth is equal to the average of nominal potential growth over 1995-2014 estimated in the IMF World Economic Outlook.

3) The nominal implicit interest rate on government debt is assumed constant at the value recorded in 2008 (as the values for the period 2009-10 could be distorted by the financial crisis).

4) The initial primary balance is equal to the value for 2010 published in European Commission's autumn 2009 forecast.