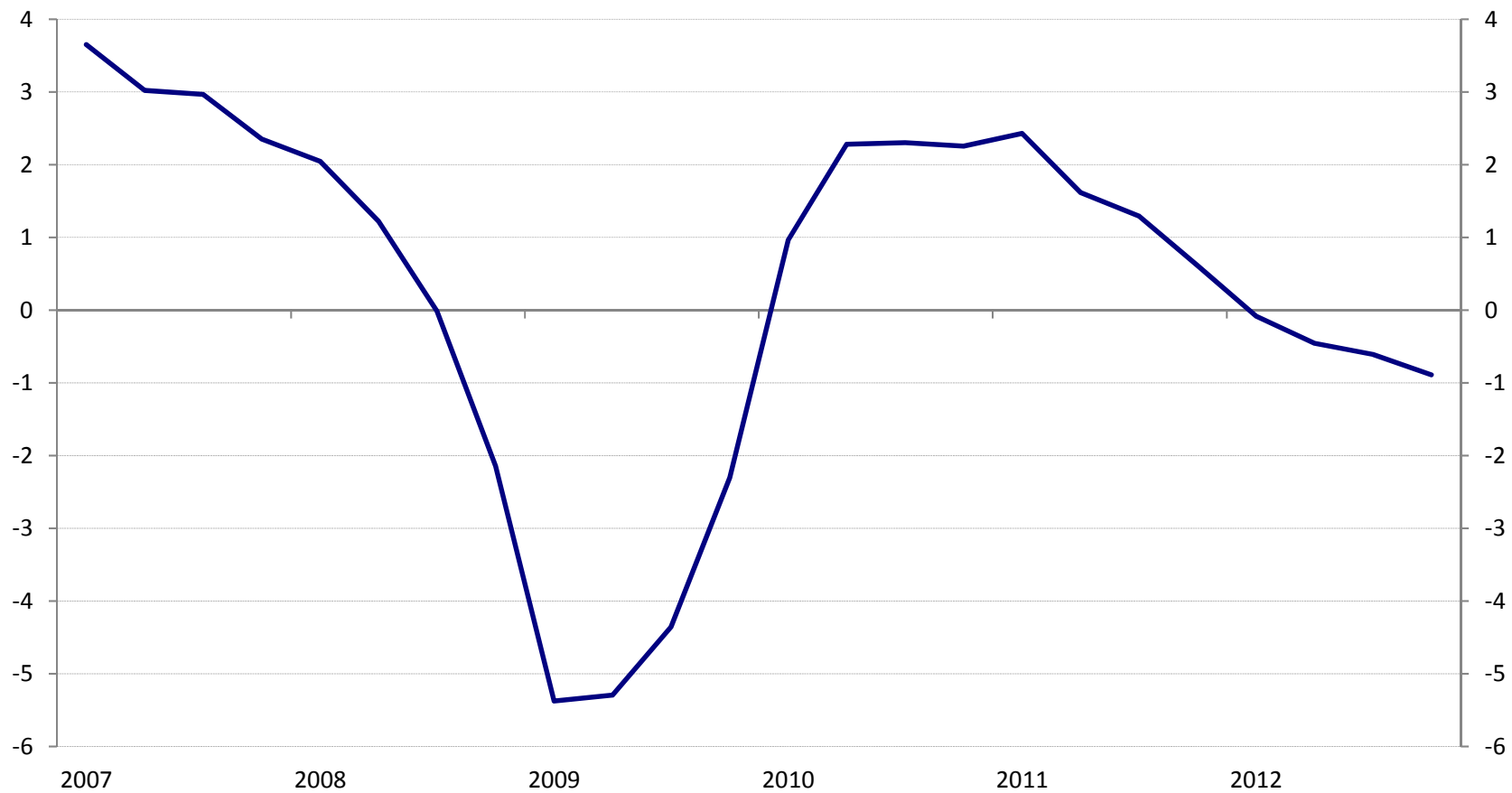


# **Euro area economic situation and the foundations for growth**

**Presentation by  
Mario Draghi  
President of the European Central Bank  
at the Euro Summit  
Brussels, 14 March 2013**

# Economic situation

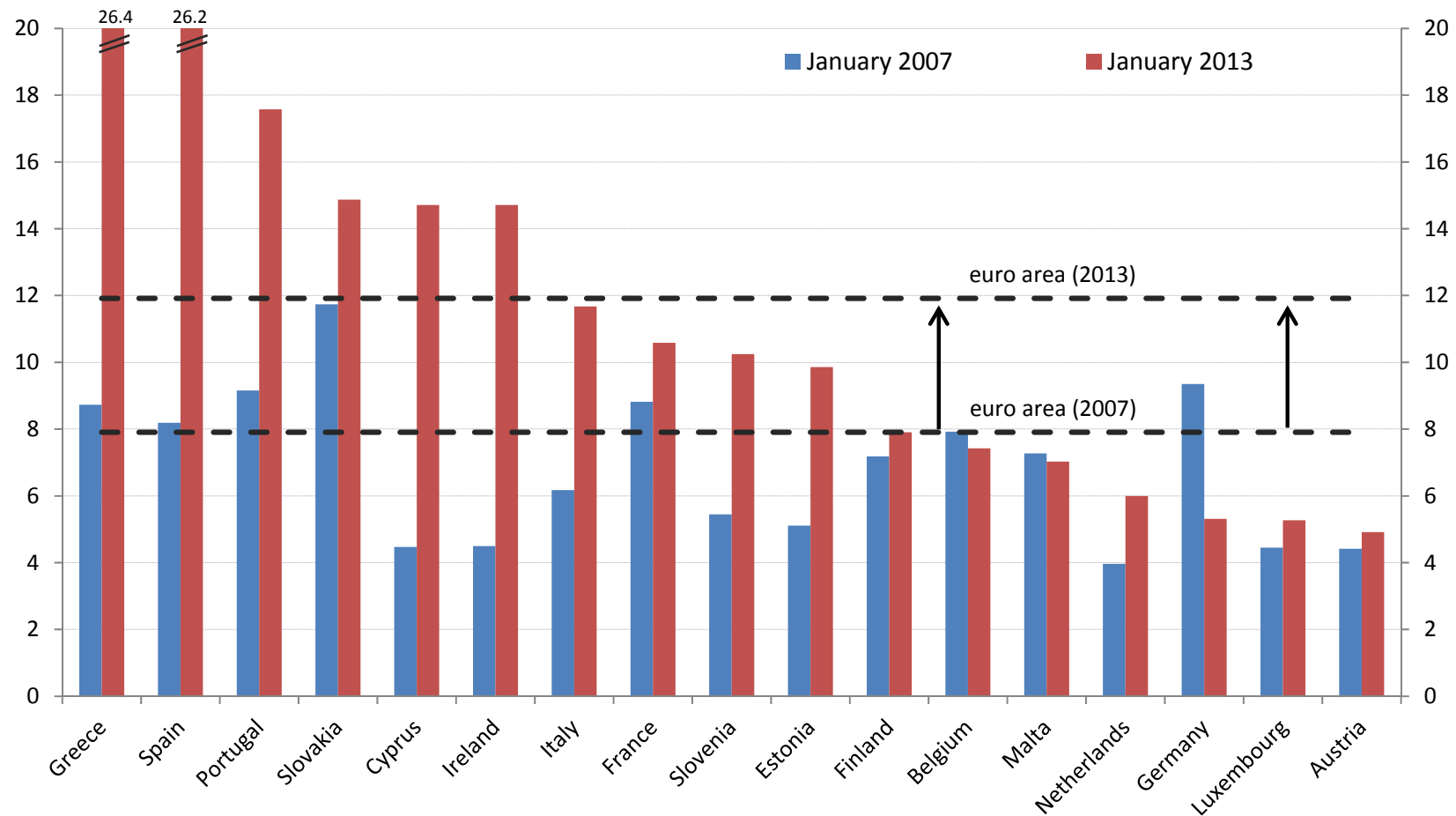
## Euro area real GDP (annual % growth rate)



Latest data: 2012Q4. Sources: Eurostat.

# Economic situation

## Euro area unemployment (% of labour force)

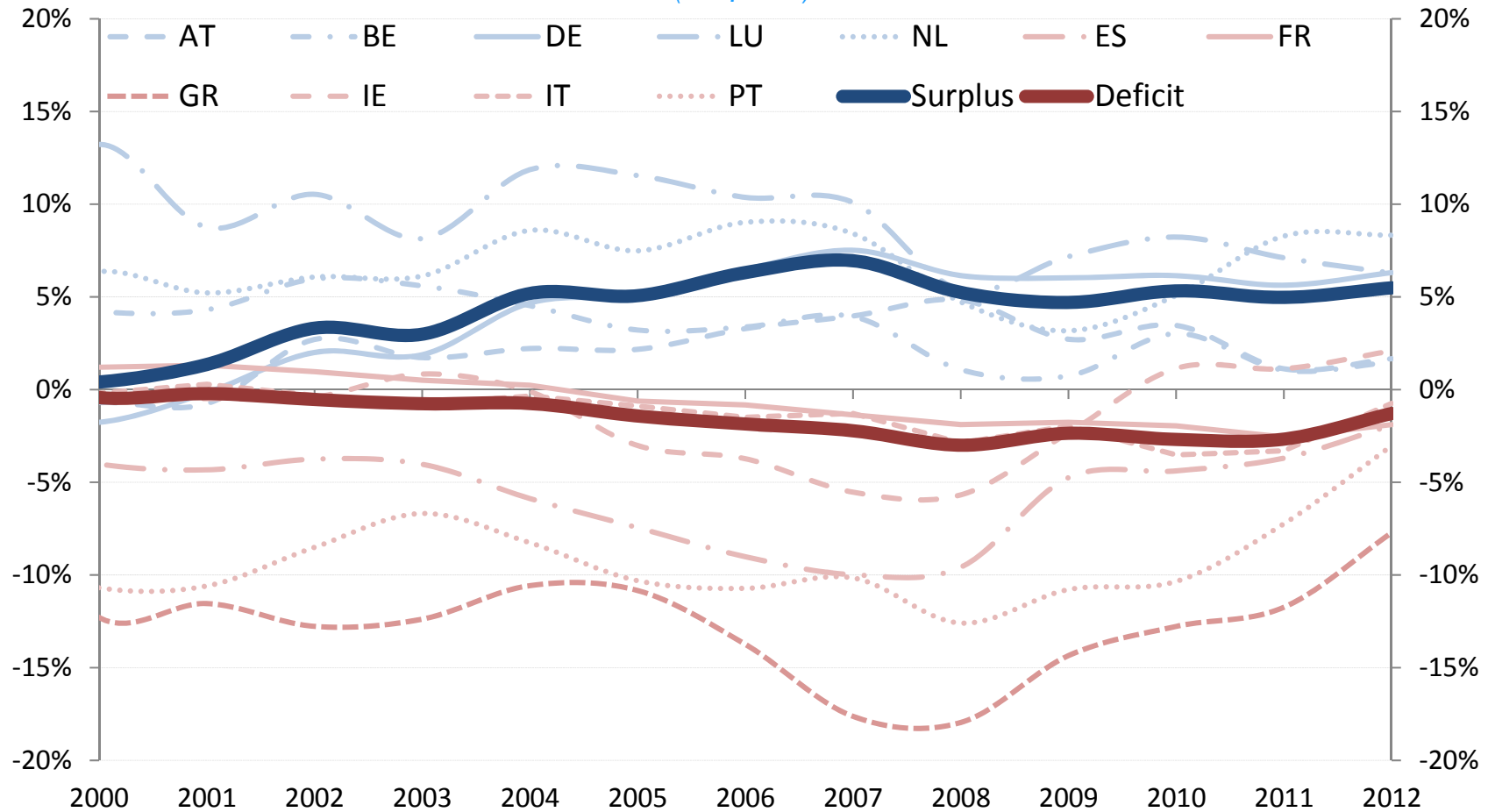


Latest data: January 2013 (December 2012 for Greece and Estonia).  
Source: Eurostat.

# External imbalances

## Current account balance

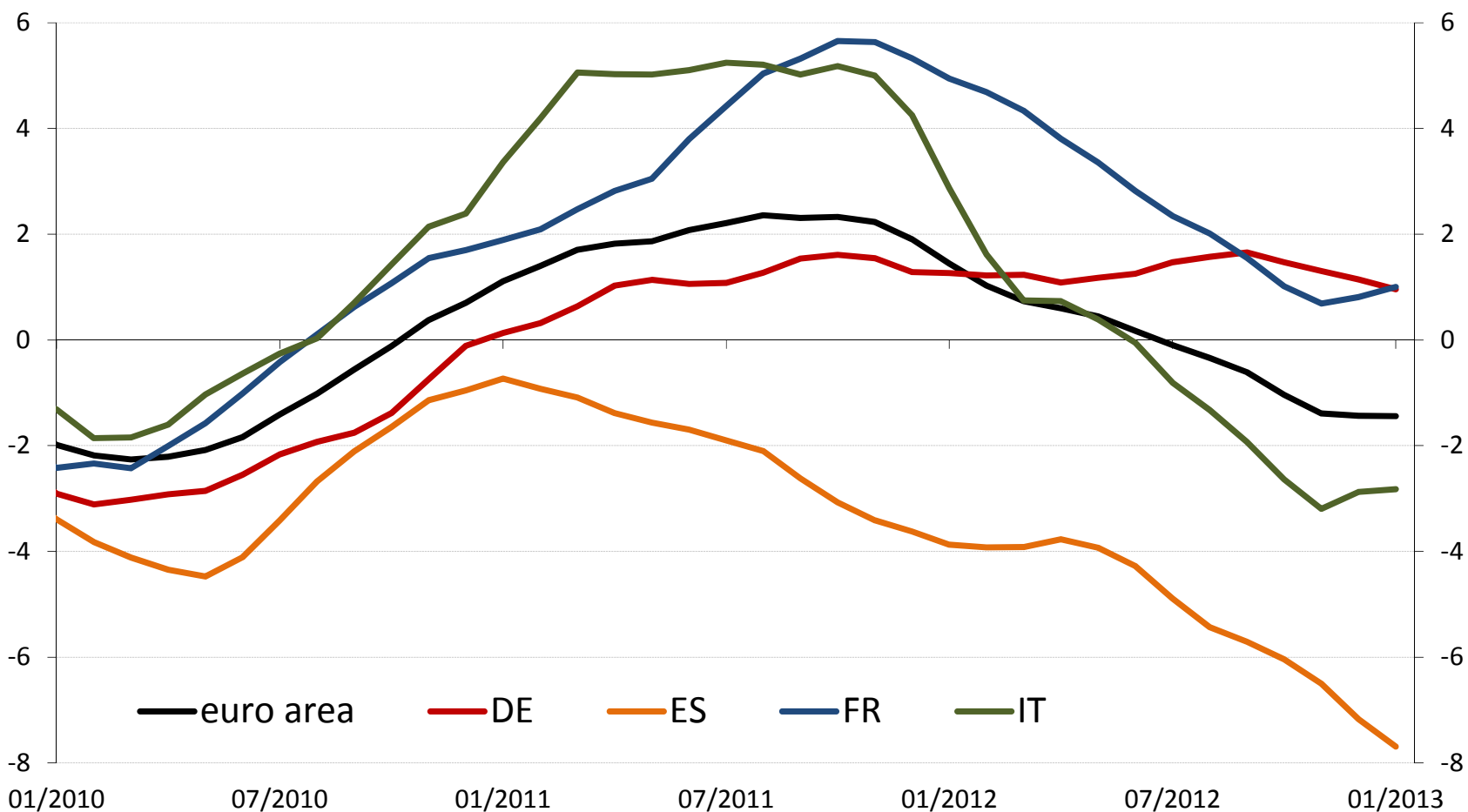
(% of GDP)



Note: For improved readability, this and subsequent charts only show the countries listed above and do not include FI, EE, SK, SI, CY, MT. Countries are assigned to "External surplus/deficit" group if they had a current account surplus/deficit in 2007 (the last pre-crisis year). "Surplus" countries in blue, "deficit" countries in red. Annual data (smoothed lines). Source: AMECO.

# Credit situation

## Bank credit to firms (annual rate of growth)

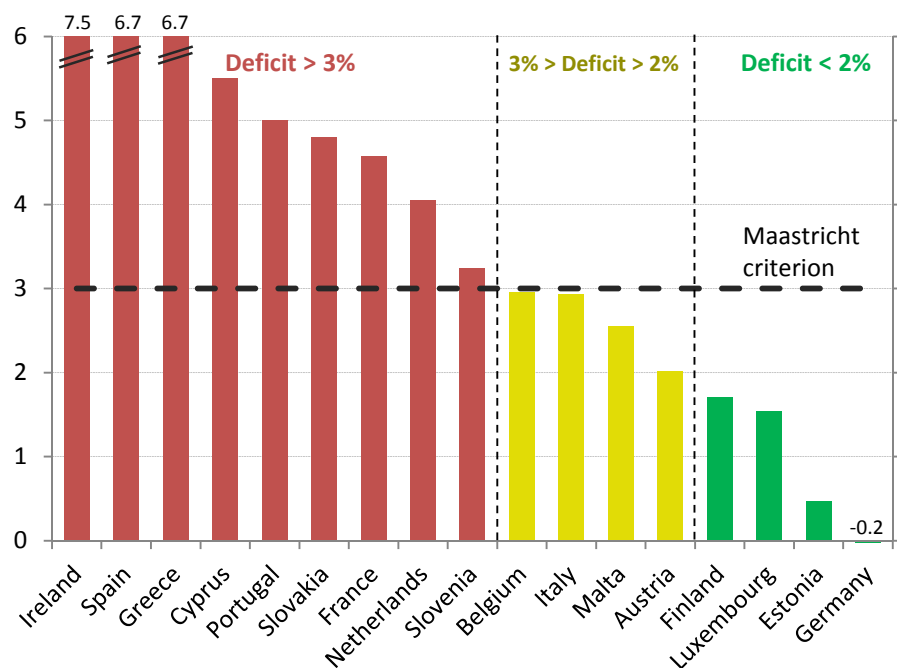


Notes: MFI loans to non-financial corporations adjusted for loan sales and securitisation. 3-month moving average.  
Latest observation January 2013. Source: ECB.

# Fiscal situation

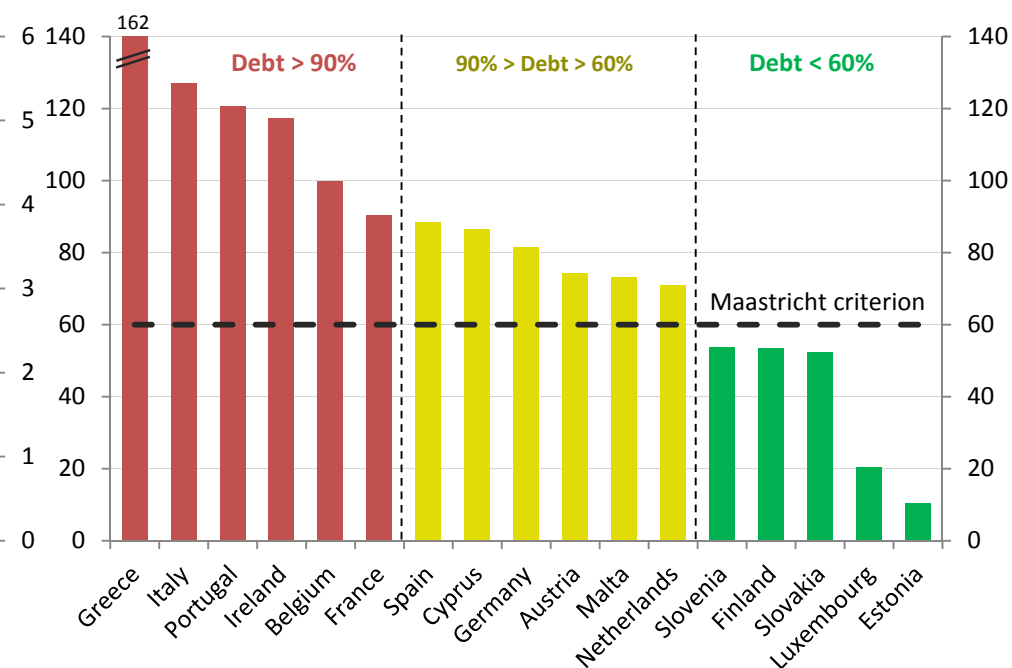
## Government deficits (2012)

(% of GDP)



## General government debt (2012)

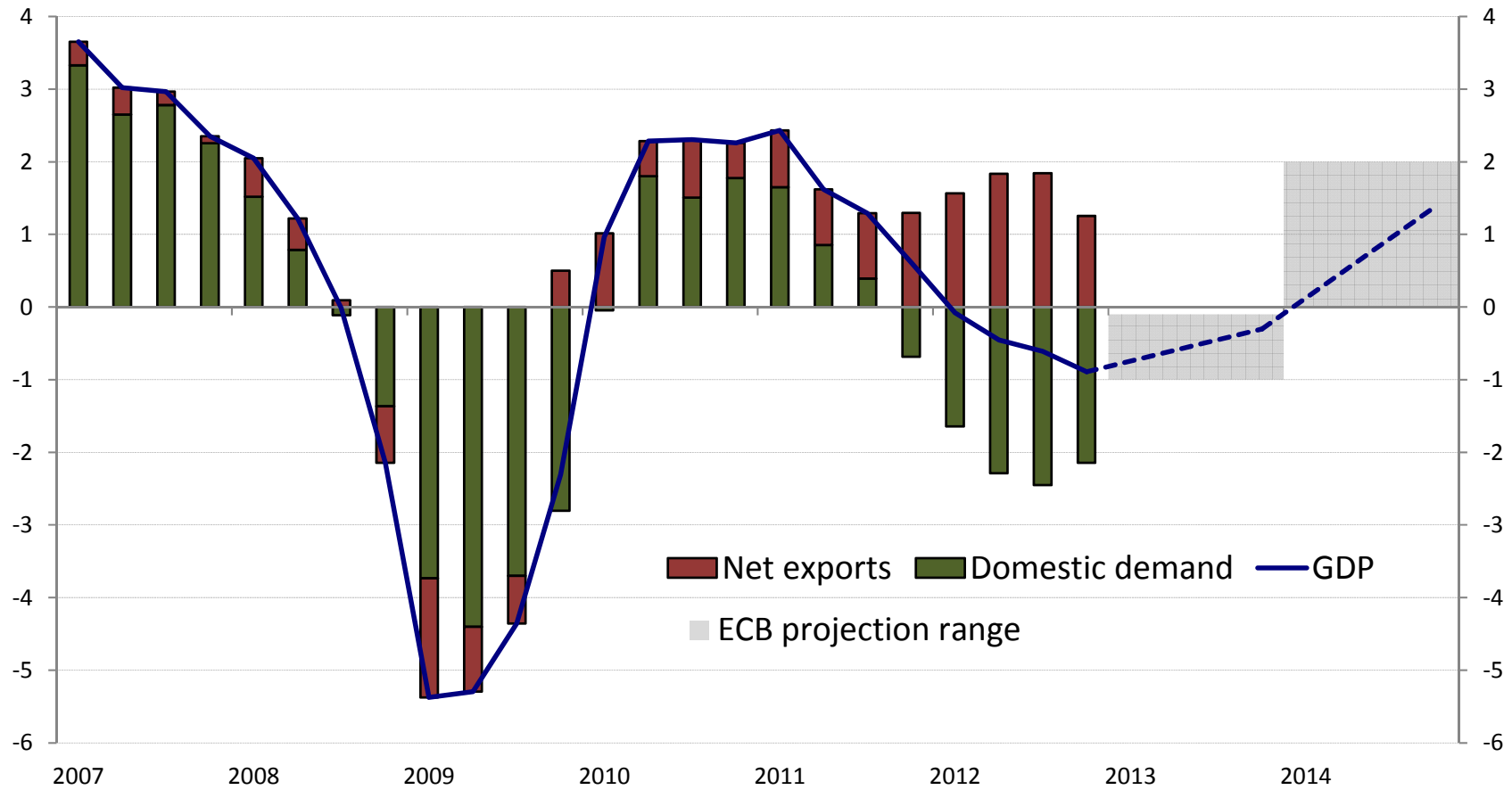
(% of GDP)



Note: Budget balance is corrected for capital injections into banks.  
 Source: European Commission 2013 Winter Economic Forecast.

# Economic situation

## Euro area real GDP (annual % growth rate)



Latest data: 2012Q4. Sources: Eurostat, ECB, EC.

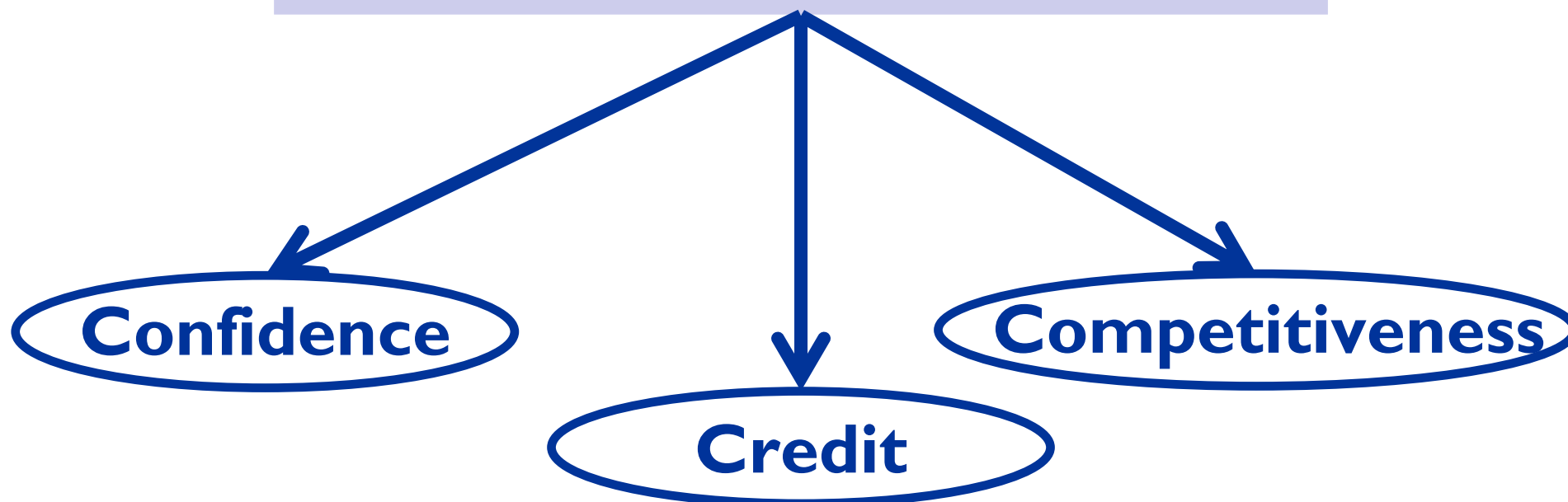
# Foundations for growth

## Where does growth come from?

- strengthening of global demand

- supportive monetary policy anchoring price stability

- and restoring :

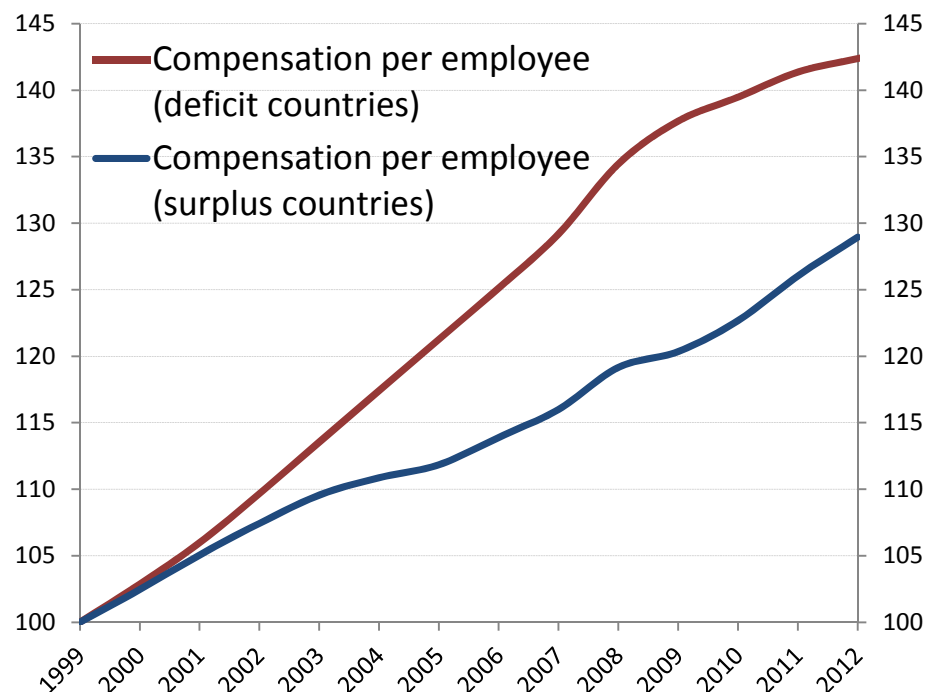




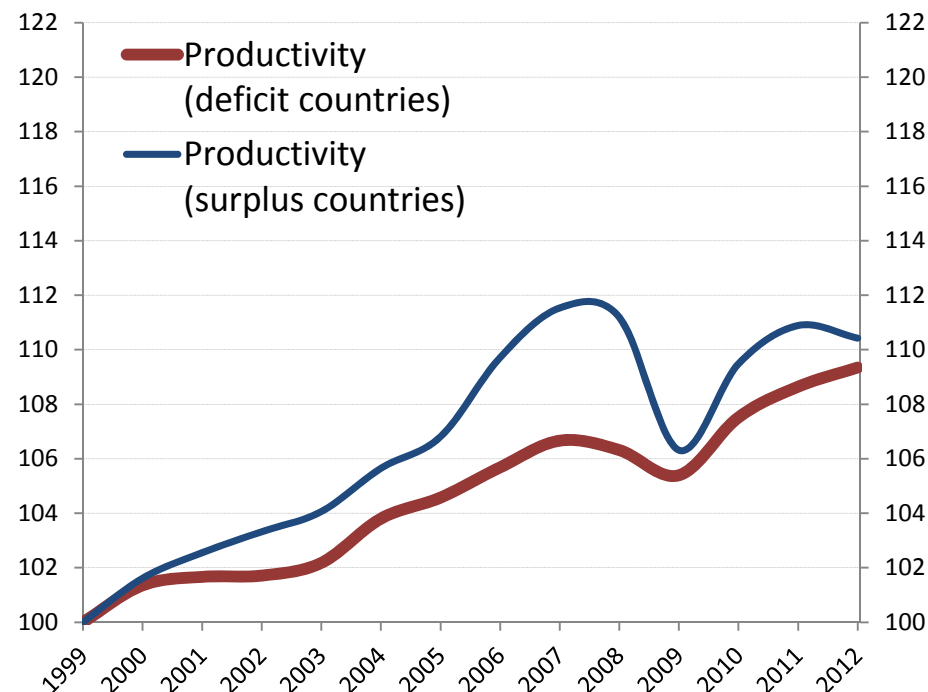
# The competitiveness problem

## Wage and productivity developments

### Compensation



### Productivity

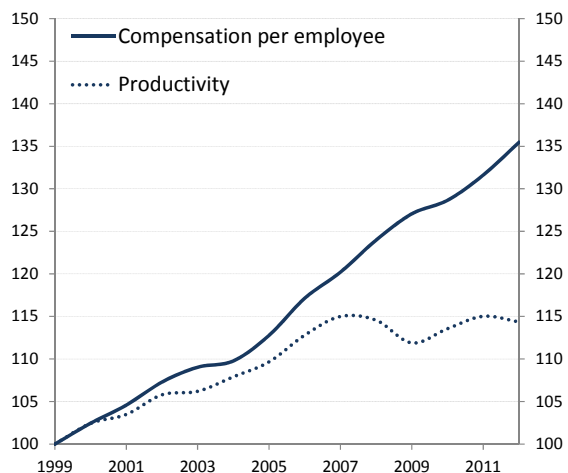


Note: 1999 = 100. Total economy. Productivity is defined as real GDP per employee. GDP-weighted average by country group. Annual data (smoothed lines). Source: AMECO.

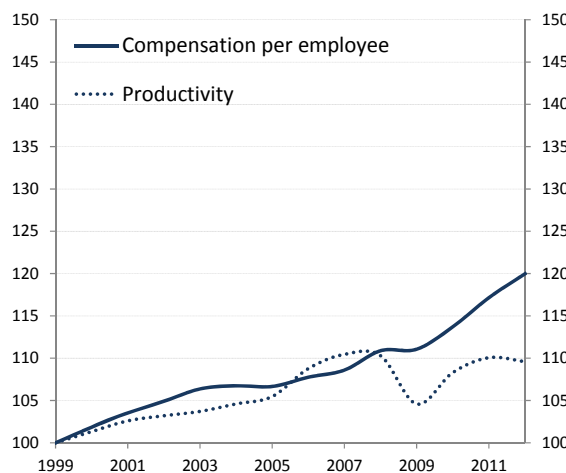
# Country perspective (selection)

## Wage and productivity developments

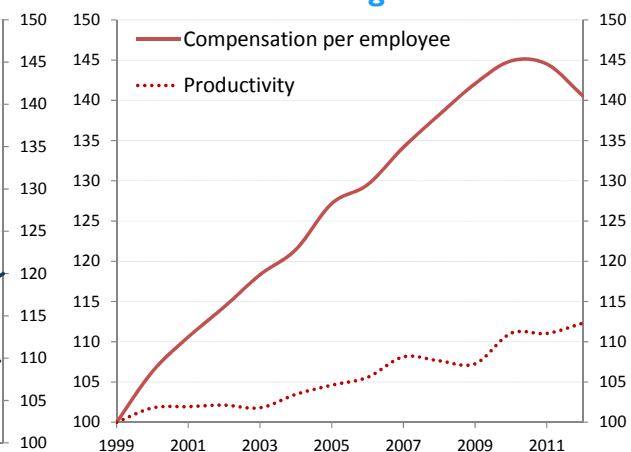
Austria



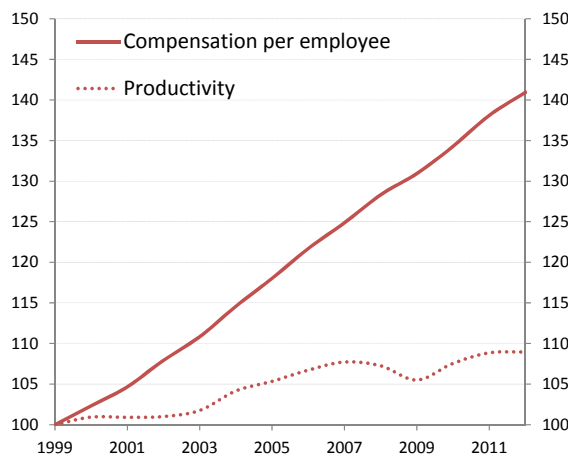
Germany



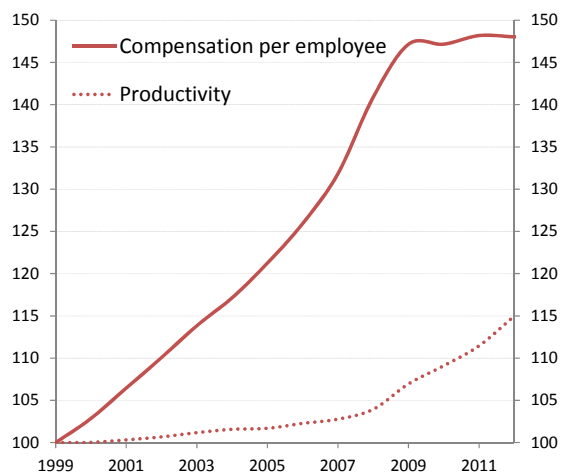
Portugal



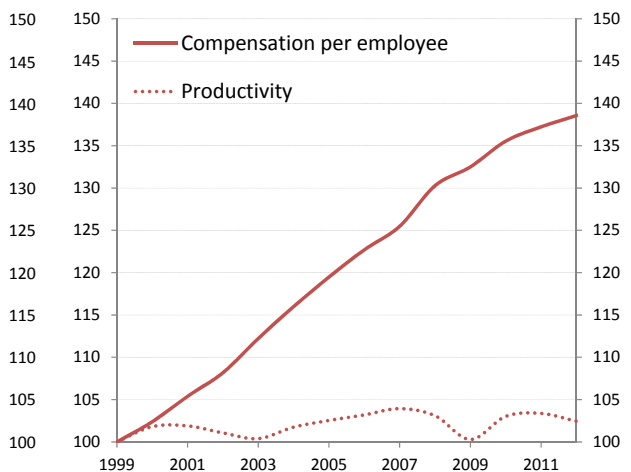
France



Spain



Italy

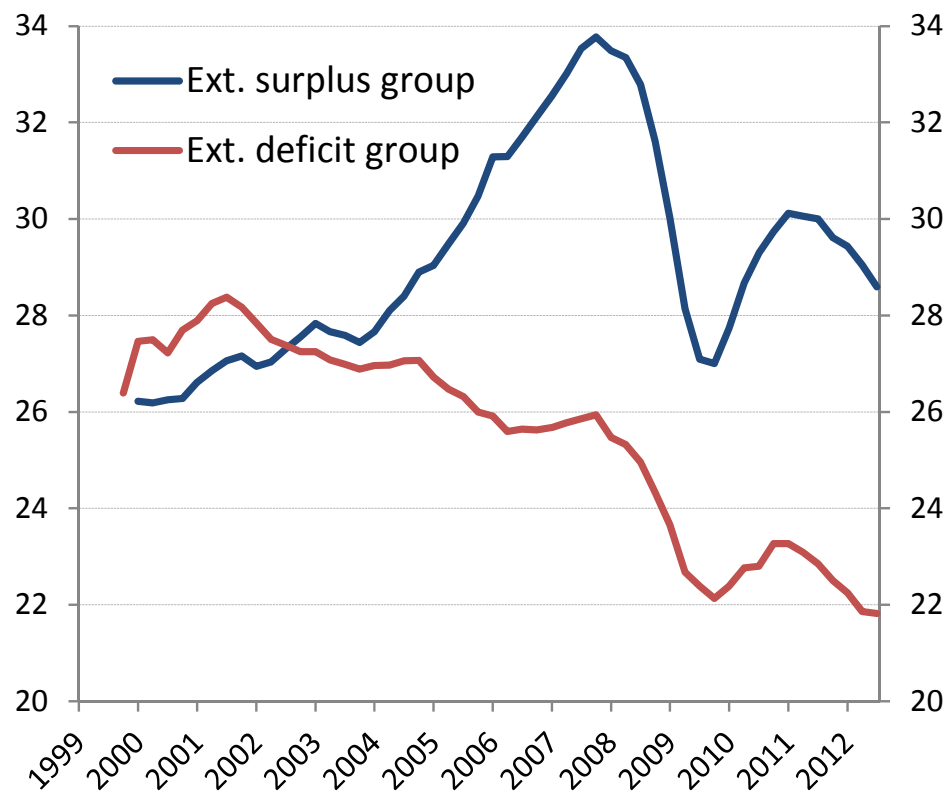


Note: 1999 = 100. Total economy. Productivity is defined as real GDP per employee. Annual data (smoothed lines). Source: AMECO.

# Profitability problems

## Business margins

(%, national accounts)



Net operating surplus / value added for nonfinancial corporations (4-quarter averages)

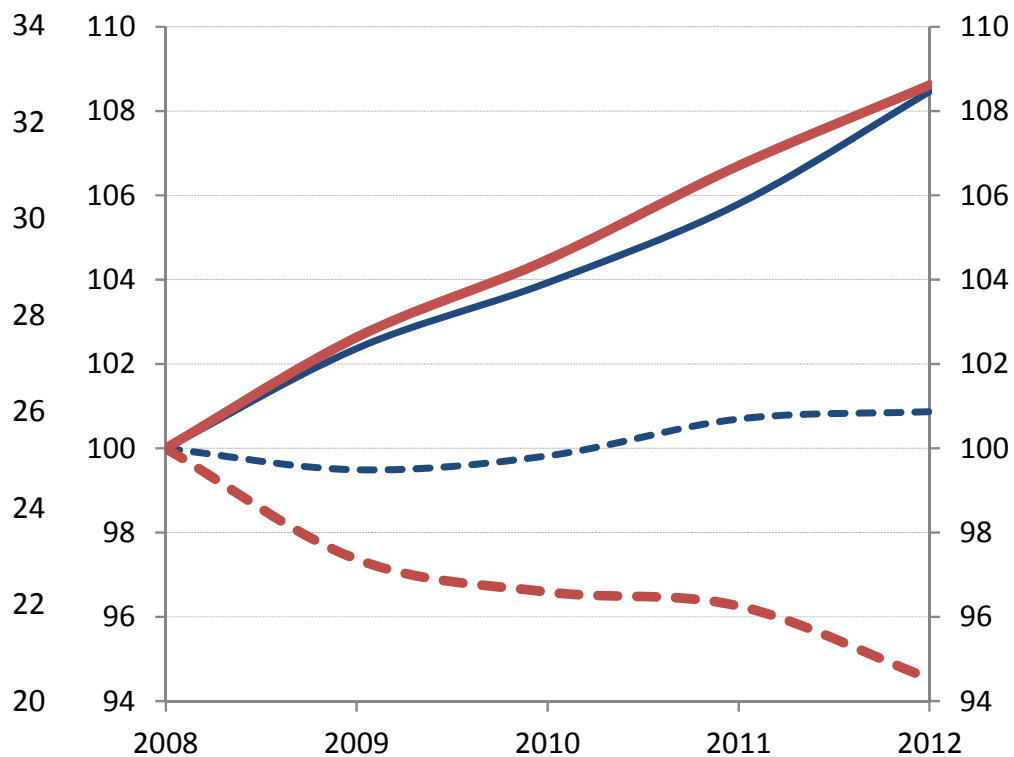
Latest observation: 2012Q3. Sources: Eurostat, ECB.

Right-hand chart:

Note: 1999 = 100. GDP-weighted average by country group. Due to data availability, "External surplus" group does not include Luxembourg, and "External deficit" group does not include Greece and Ireland. Annual data (smoothed lines).

Source: Eurostat.

## Negotiated wages and employment



— Negotiated wages - External surplus countries

- - - Employment - External surplus countries

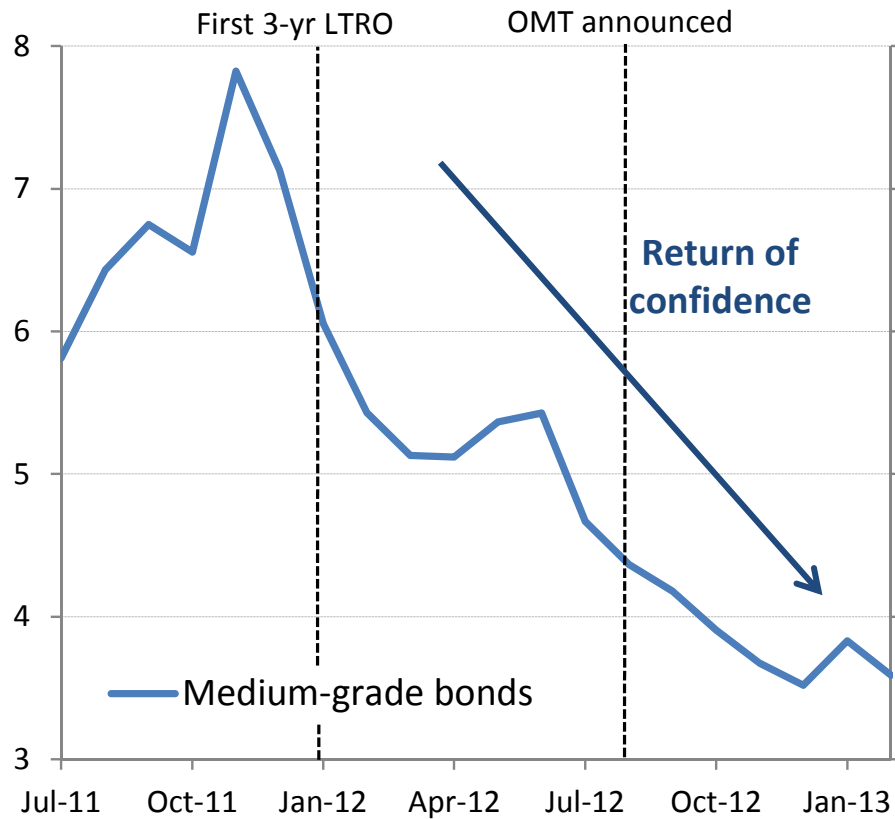
— Negotiated wages - External deficit countries

- - - Employment - External deficit countries

# Confidence returning

## Corporate bond yields

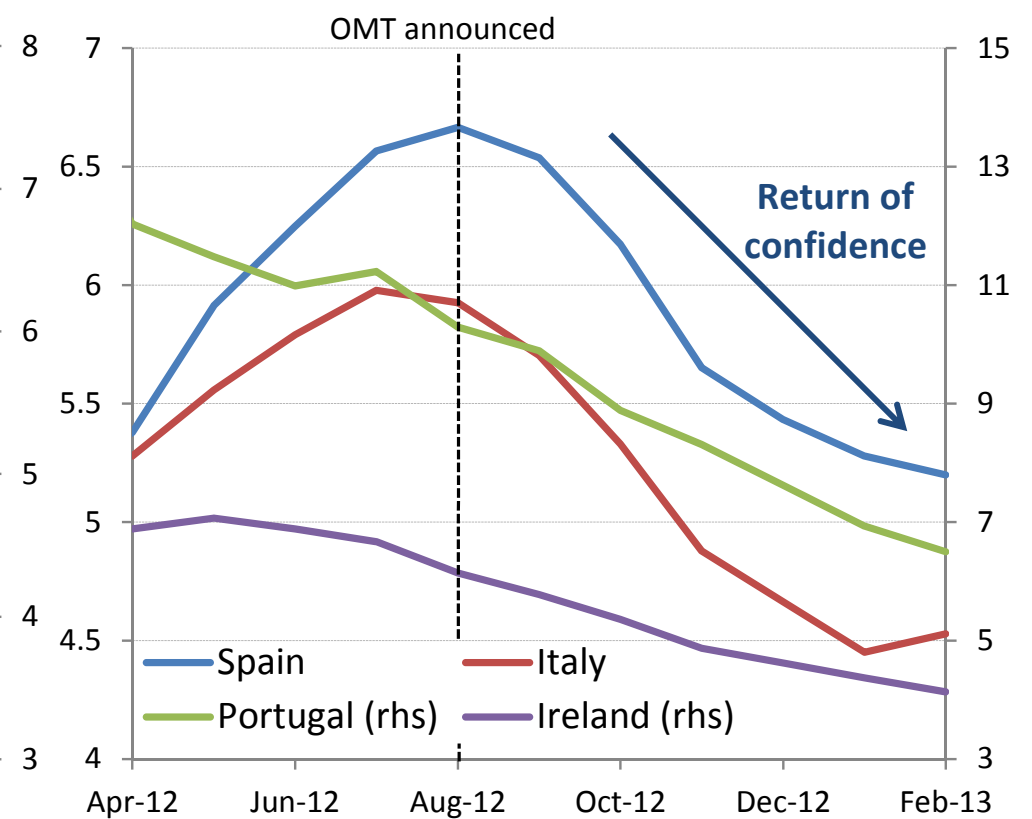
(percentage points)



Note: EMU all maturities. Monthly data; Latest data: February 2013.  
Sources: BofA Merrill Lynch, Datastream and ECB calculations.

## Government bond yields

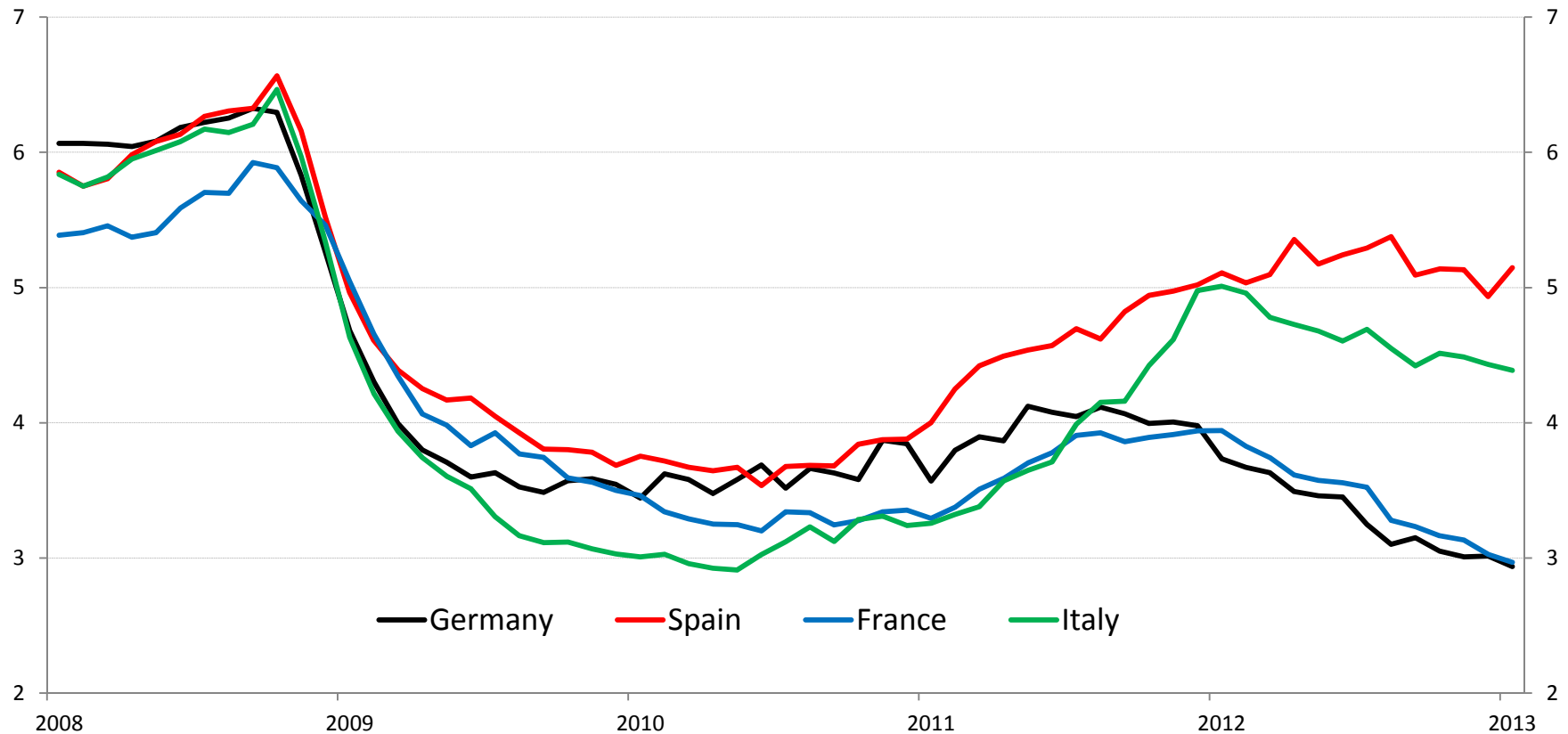
(percentage points)



Note: 3-month moving average of monthly data. Latest data: February 2013.  
Sources: Thomson Reuters and ECB calculations.

# Problems for smaller firms

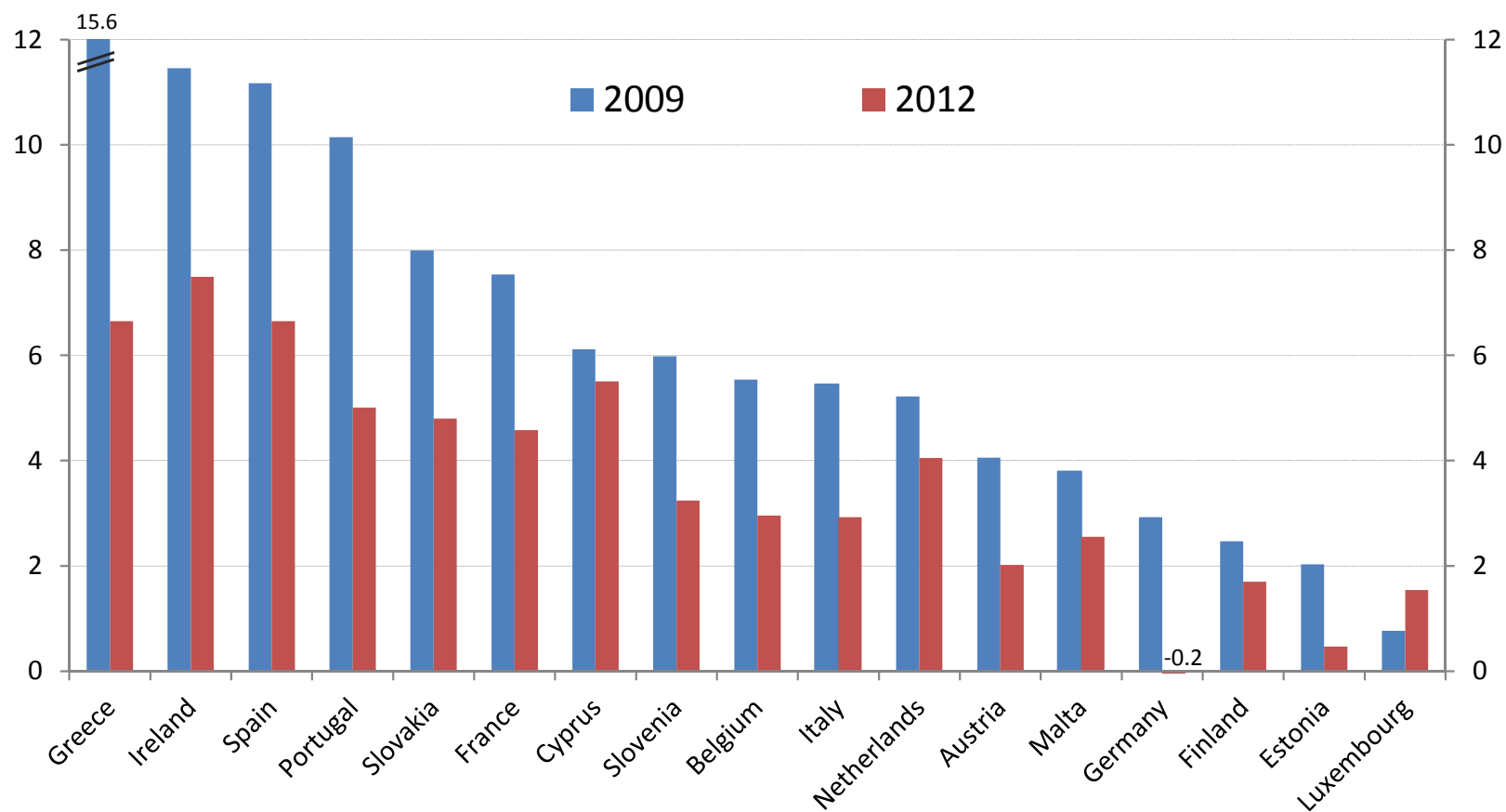
**Interest rate on new loans to firms**  
(Loans up to EUR 1 million to firms, percent per annum)



Source: ECB.

# Fiscal progress

## Government deficits in 2009 and 2012 (% of GDP)



Note: Budget balance is corrected for capital injections into banks.  
Source: European Commission's winter 2013 economic forecast and ESCB.

# Conclusions

- 1. Review of product and labour markets to see whether they are compatible with participation in monetary union**
- 2. Reform contracts for countries with pressing competitiveness problems.**
- 3. Full implementation of Single Market legislation**