Economic situation in the euro area

Euro Summit
24 October 2014
Recovery has lost momentum

Real GDP
(quarter-on-quarter growth rate)

Sources: European Commission and Eurostat.
Latest data: 2014Q2.
Unemployment remains unacceptably high

Source: Eurostat.
Latest data: August 2014 for the unemployment rate and 2014Q2 for compensation per employee.
Inflation is expected to remain low in the near term

HICP: overall and exclusion-based measure
(year-on-year percentage change, percentage point contribution)

Source: Eurostat.
Latest data: September 2014.
Confidence key to lift investment

Real GDP and investment
(index: 2008 = 100)

Sources: ECB calculations and European Commission.
Latest data: 2013 (forecast 2014).
Need for a coherent and comprehensive strategy

Coherent Strategy

- Monetary Policy
- Financial policies
- Fiscal policies
- Structural reforms
Monetary policy supports financing conditions

**Total cost of bank lending to non-financial corporations**

*percentages per annum*

Source: ECB. Latest data: August 2014.

Notes: The country dispersion is calculated as min/max over 18 euro area countries. The indicator is calculated by aggregating short and long-term rates using a 24-month moving average of new business volumes.
Financial policies restore the resilience of the banking sector

Median core Tier 1 capital ratios of euro area banks

(percentages)

Note: Based on publicly available data on significant banking groups, including large and complex banking groups, which report annual financial statements and on data on a subset of those banks that report on a quarterly basis.
Comprehensive progress towards reducing budgetary imbalances …

**Euro area government debt**

(\% of GDP)

**Euro area government deficit**

(\% of GDP)

Source: European Commission 2014 spring forecast, ESCB.
Note: For data-availability reasons, the ratios shown use the older European System of Accounts (ESA 1995) instead of the newer ESA 2010 methodology.
…with fiscal space differing across countries

**Member state government debt**
(% of GDP)

**Member state government deficit**
(% of GDP)

Note: The budget balance is corrected for injections into banks. Data calculated using the ESA 2010 methodology.
Source: European Commission 2014 spring forecast, ESCB.
Rubric

Source: Eurostat and Federal reserve.


Need for structural reforms to lift euro area growth

**Real GDP**
(2008Q1 = 100)

**Real GDP per capita**
(2009Q1 = 100)

Source: Eurostat and Federal reserve.
While structural reforms have advanced, gaps remain.

Product market regulation
(index, annual)

Doing business (DB) indicator
(overall rank)

Source: OECD.
Note: lower values indicate less regulation.
Strong improvement in business environment is needed

Doing business (DB) indicator
(overall rank)

Need for a coherent and comprehensive strategy

Coherent Strategy

Monetary Policy
- Price stability

Financial policies
- Banking Union
- Capital Markets Union

Fiscal policies
- SGP as stability anchor
- Public investment

Structural reforms
- Concrete and credible plans at national level
- Completing the Single Market
Return of confidence

Coherent strategy for a sustainable recovery

Further steps towards sharing sovereignty in economic governance