

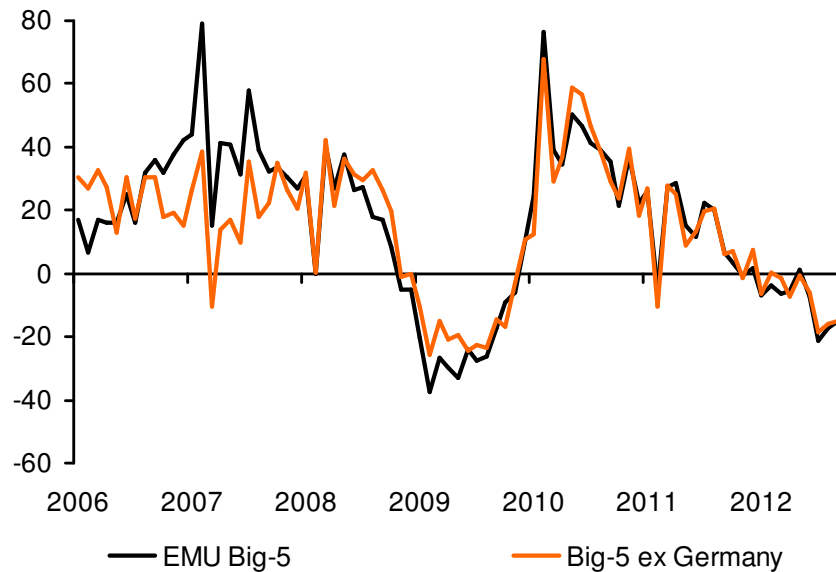


Euro debt crisis: global impact and outlook

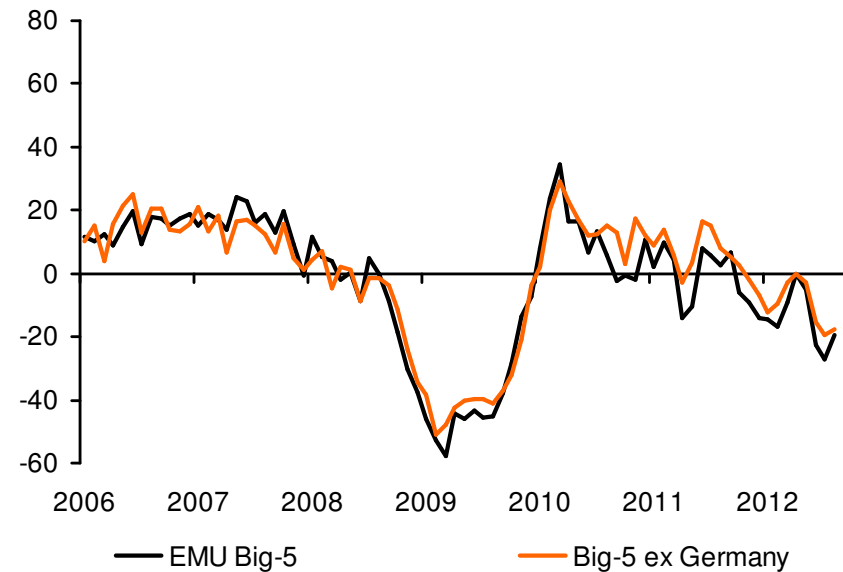
Asian exporters should not bet on German “decoupling”

Exports to eurozone’s Big-5 (Germany, France, Italy, Spain, Netherlands) and to Big-5 without Germany. Annual rates of change, in %.

Chinese exports
(exports in USD terms)

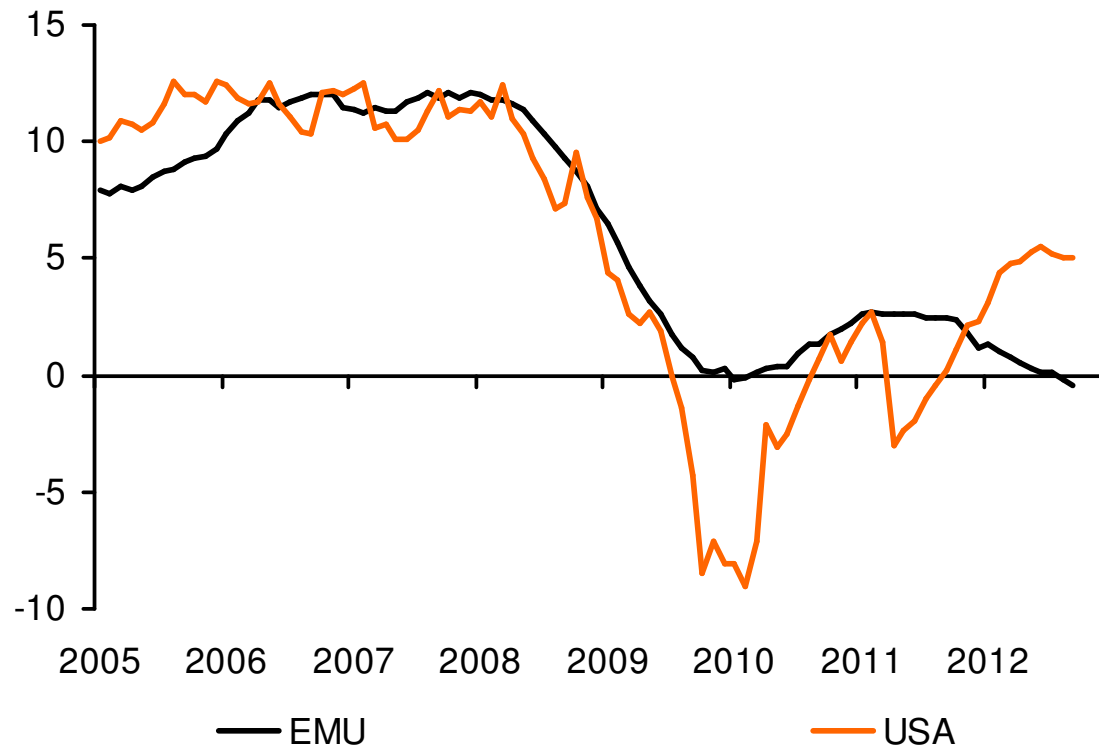


Japanese exports
(exports in JPY terms)



Bank credit in the eurozone: stark contrast with the U.S.

EMU monetary-financial institutes' credit extension to the private sector, U.S. loans and leases in bank credit. Annual rates of change in %.

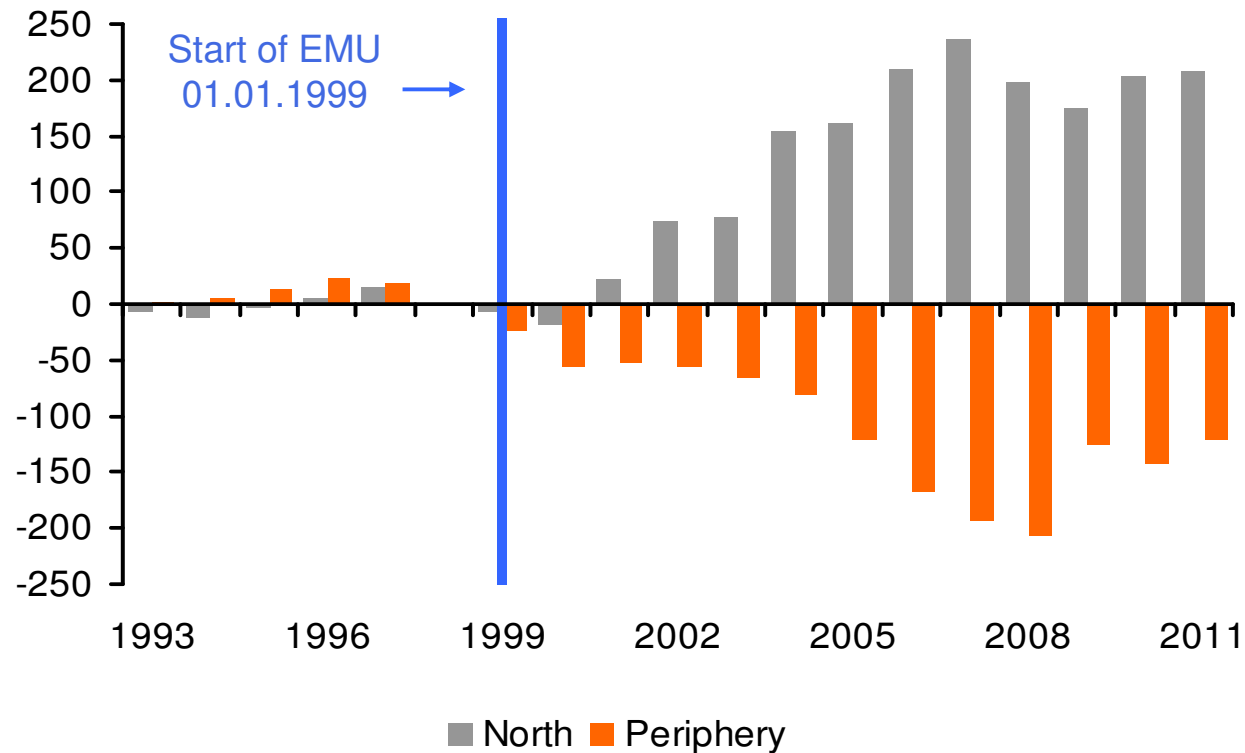


Current account balances before and after the start of EMU

North: Germany, Netherlands, Austria, Finland

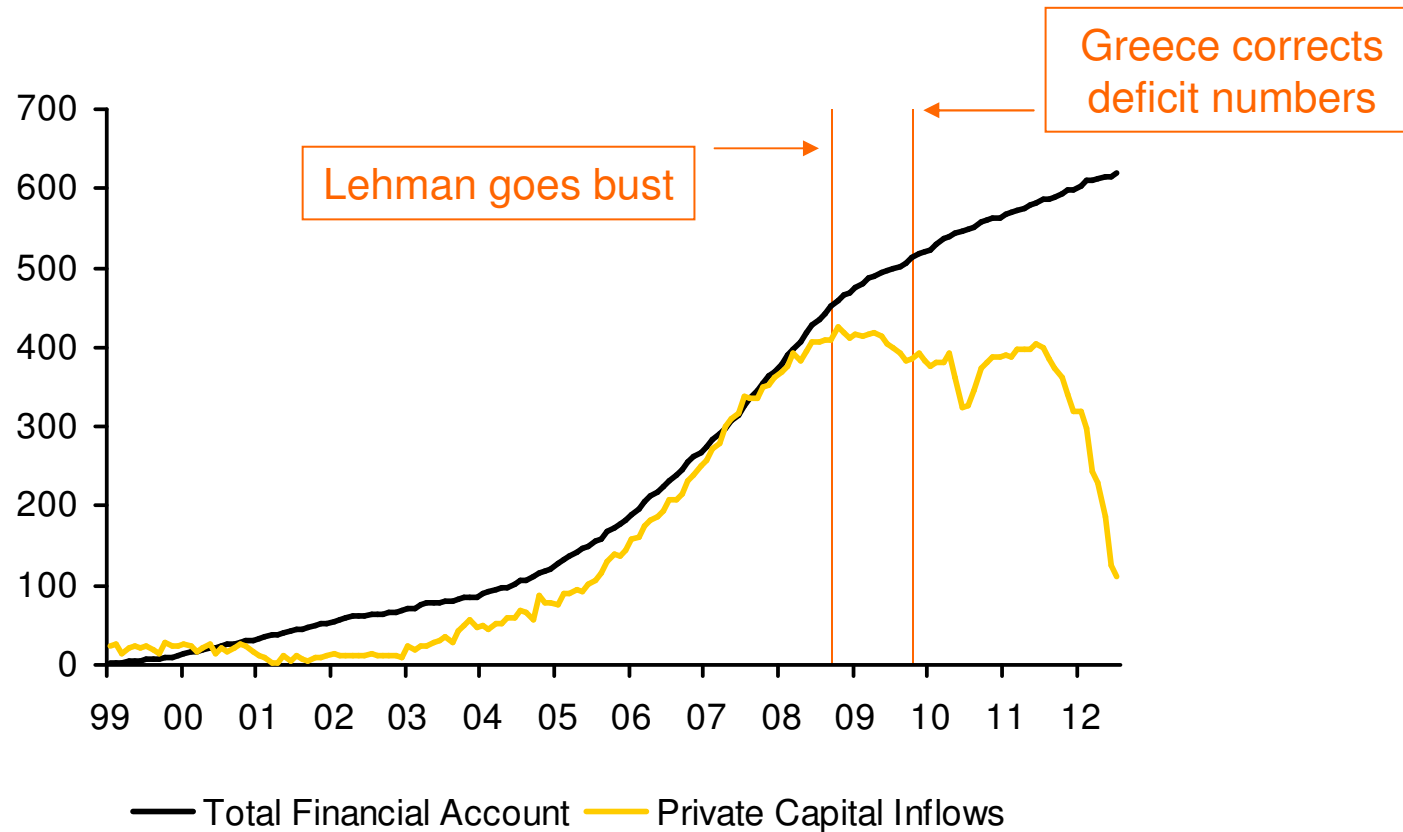
Periphery: Italy, Spain, Portugal, Greece

in €bn, annual data



“Sudden Stops” in the eurozone: the case of Spain

Cumulative financial account balance and private capital inflows since Jan 1999, monthly data in €bn. Private inflows: Financial accounts net of general government and Spanish central bank flows.





“Within our mandate, the ECB is ready to do whatever it takes to preserve the euro.”

ECB president Mario Draghi, London 26 July



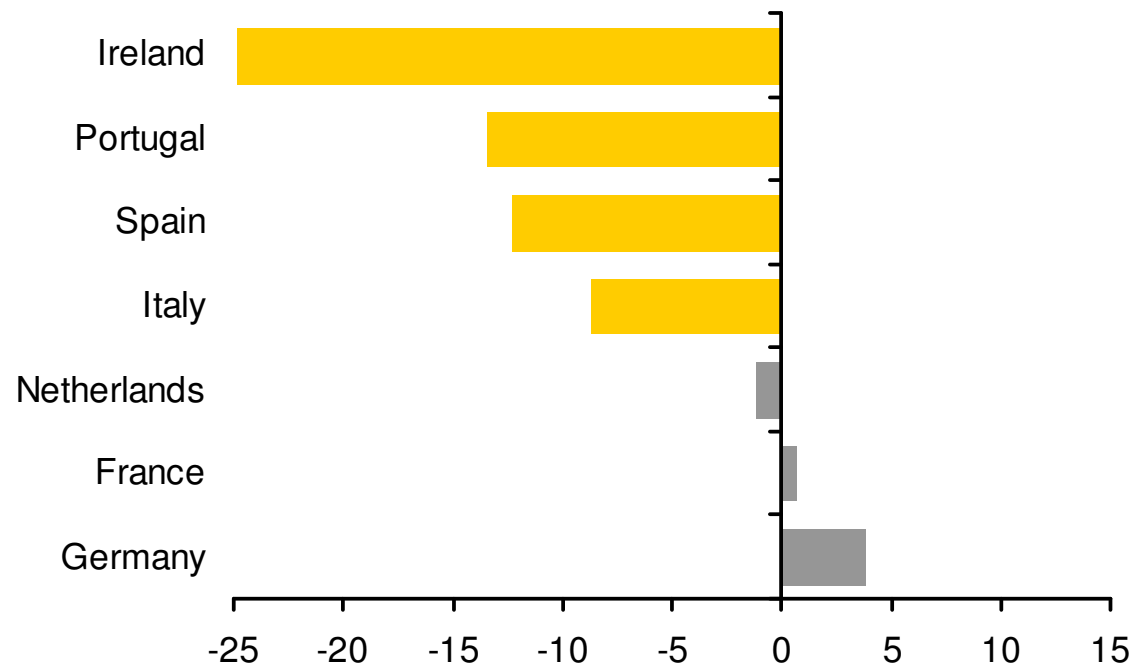
“There will be no *Staatsbankrott* in Greece.”

German finance minister Wolfgang Schäuble,
Singapore 14 October

Rebalancing I: massive domestic demand compression

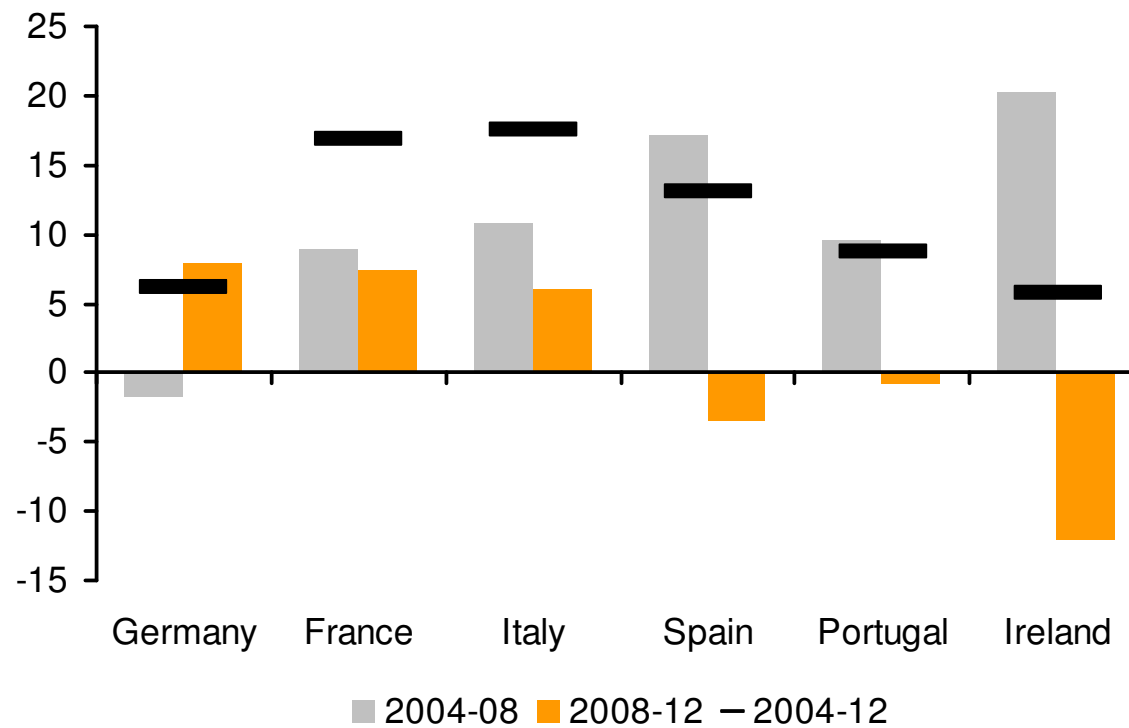
Real domestic demand, 2012Q2 vs. 2007 average, change in %.

Note: Greece has been omitted due to data problems



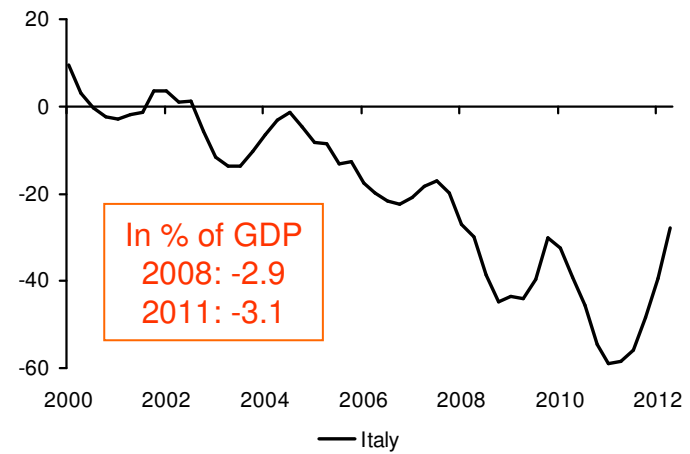
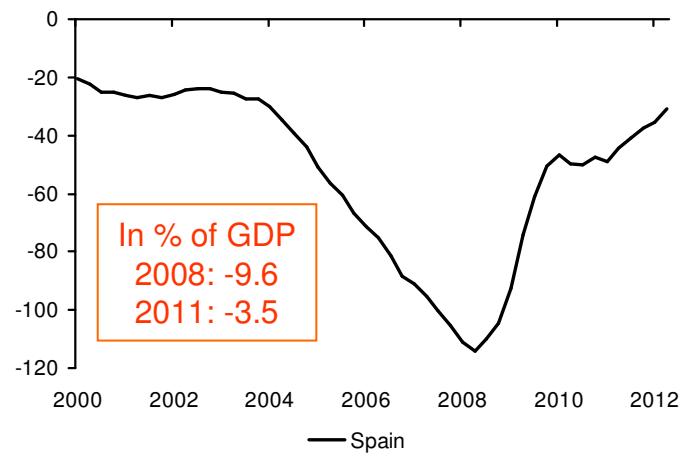
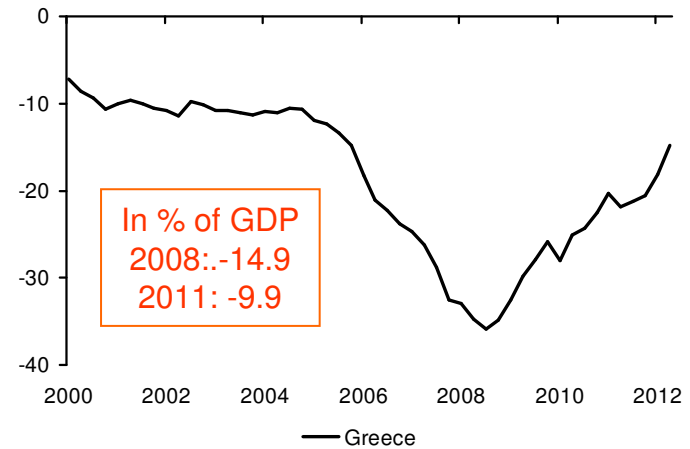
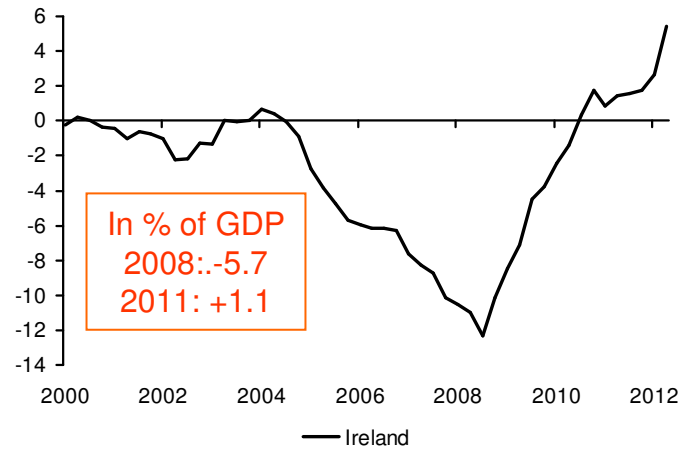
Rebalancing II: Regaining competitiveness:

Unit labor costs, change in percent



Rebalancing in Europe: sea change under way?

Balance of payments, 4-quarter sums, in €bn.



To sum up:

- (1) Short-term outlook for the Euro area is negative, even the German economy may shrink slightly in H2.
- (2) Europeans will do everything to preserve the euro. Therefore, the crisis will calm down more and more. The path towards recovery will however be uneven.
- (3) The peripheral countries will stay in recession for a while. In contrast, the strong upswing in Germany and the other core countries is only taking a break.

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