“Lessons from the crisis and the next steps for EMU”

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Deficit reduction policies are paying off

**Fiscal balance in programme countries (% of GDP)**

![Graph showing fiscal balances in programme countries (% of GDP)](image)

**Selected comparative fiscal balances (% of GDP)**

![Graph showing selected comparative fiscal balances (% of GDP)](image)

Source: European Commission, Economic Forecast – Autumn 2016

* Actual figure for Ireland in 2010: -32.4%
Internal devaluations are restoring competitiveness

- Thanks to the convergence in competitiveness, costly external imbalances in the periphery have disappeared

Nominal unit labour costs (2000=100)

Current account balance (% of GDP)

Source: EC European Economic Forecast – Autumn 2016
EFSF/ESM programme countries are the reform champions

- Greece, Ireland, Portugal and Spain are in top 5 of 34 OECD countries with regard to implementation of structural reforms.

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<table>
<thead>
<tr>
<th>Ranking in OECD report</th>
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<tbody>
<tr>
<td>1. Greece</td>
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<tr>
<td>2. Ireland</td>
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<tr>
<td>3. Estonia</td>
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<tr>
<td>4. Portugal</td>
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<td>5. Spain</td>
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“Euro area countries under financial assistance programmes are among the OECD countries whose responsiveness [to the OECD’s structural reform recommendations] was highest and also where it most increased compared with previous period.”

- Going for Growth (OECD Report)

Source: OECD report Going for Growth for 2015
Ranking takes into account responsiveness to OECD recommendations on structural reforms in key policy areas
Firewalls against the crisis: ESM and EFSF

- Maximum lending capacity of €700 bn
  - Total disbursed to five countries so far: €264.8 bn
  - Ireland, Portugal, Spain, Cyprus, Greece

- Four success stories:
  - Ireland, Portugal, Spain and Cyprus have exited programmes
  - Greece is a special case
  - It entered a new programme of up to €86 bn last year

- Benefits:
  - Promote reforms
  - Help to return to debt sustainability
Insurance against income shocks in EMU remains low

Percentage of shock smoothed by different channels

Source: Bruegel and IMF
ECB indicators of financial integration in euro area

Note: The price-based indicator aggregates ten measures covering the main market segments such as money, bonds, equities and banking. The input series relate to price dispersion in EA countries. The quantity-based indicator aggregates five measures, covering intra-EA cross border holdings expressed as a % of EA total holdings. Both indicators are bounded between zero (full fragmentation) and one (full integration). Increases in the indicators signal higher financial integration. Source: ECB
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