



The euro area in a globalized economy: An ESM perspective

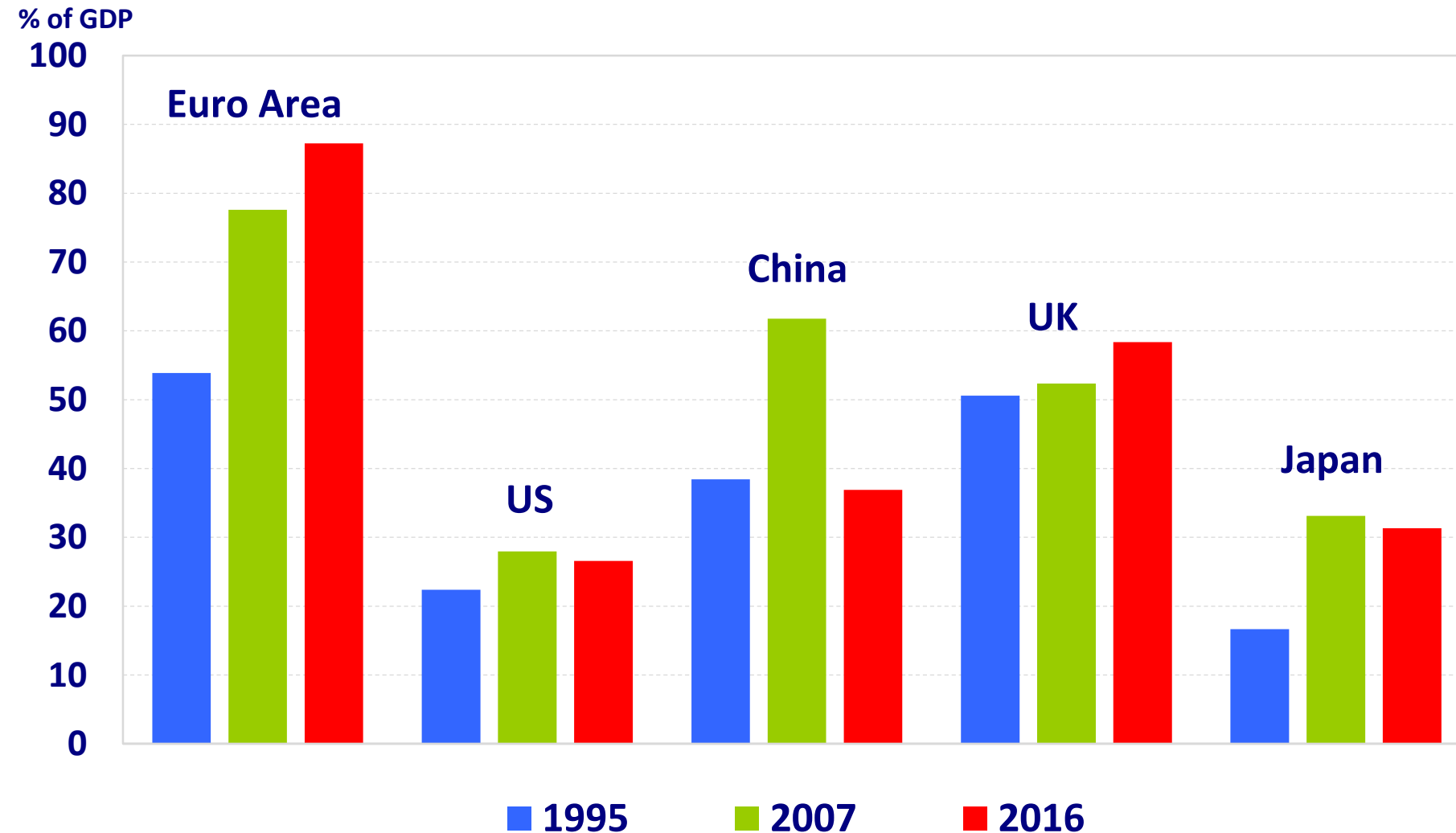
Rolf Strauch, Chief Economist, Member of the Management Board

3rd Annual BBVA European Debt Conference

New York, 4 October 2017

The euro area: a systemic player in global trade

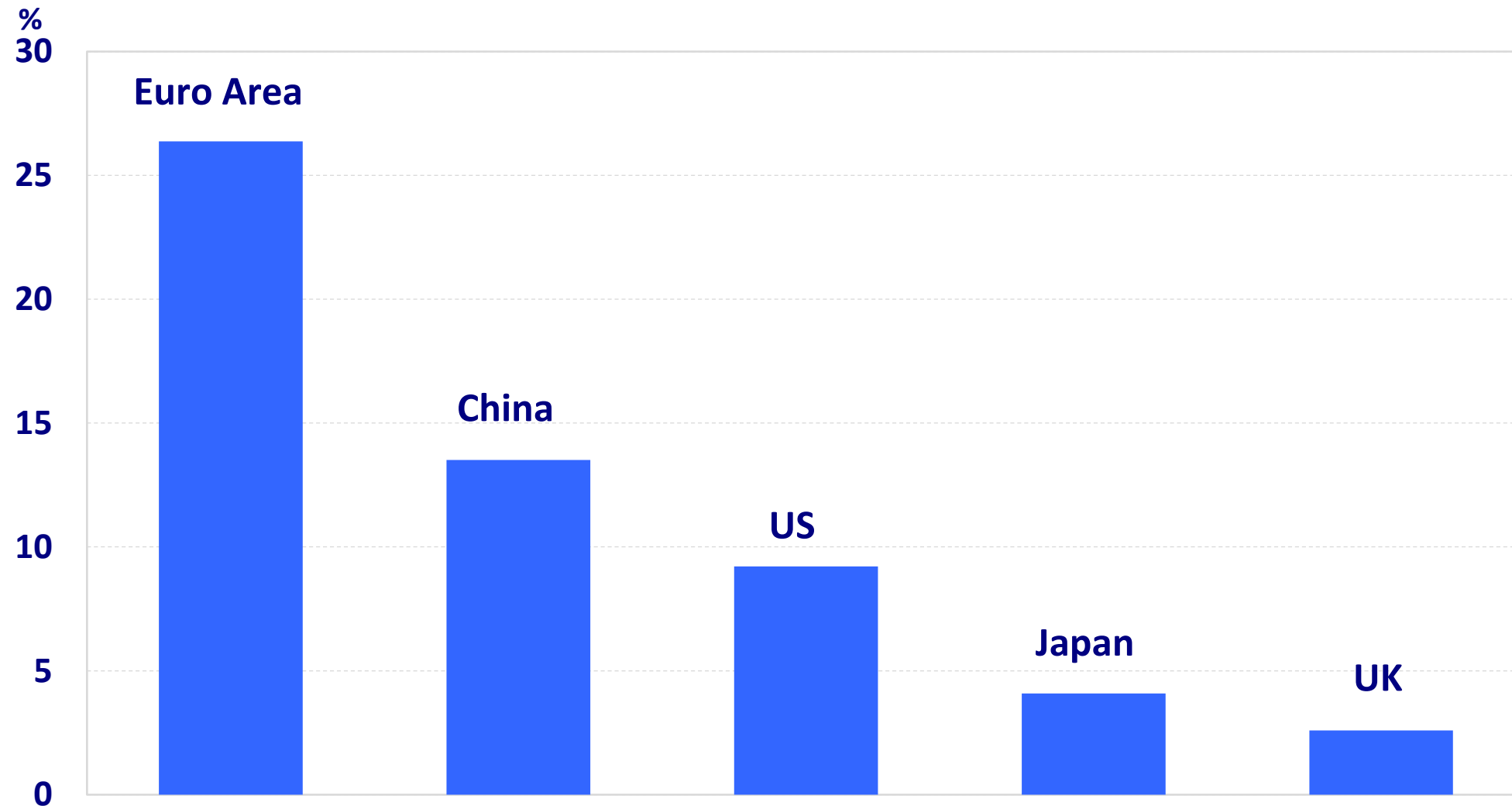
Trade openness (exports plus imports of goods and services)



Source: ESM Based on national sources

The euro area: a systemic player in global trade

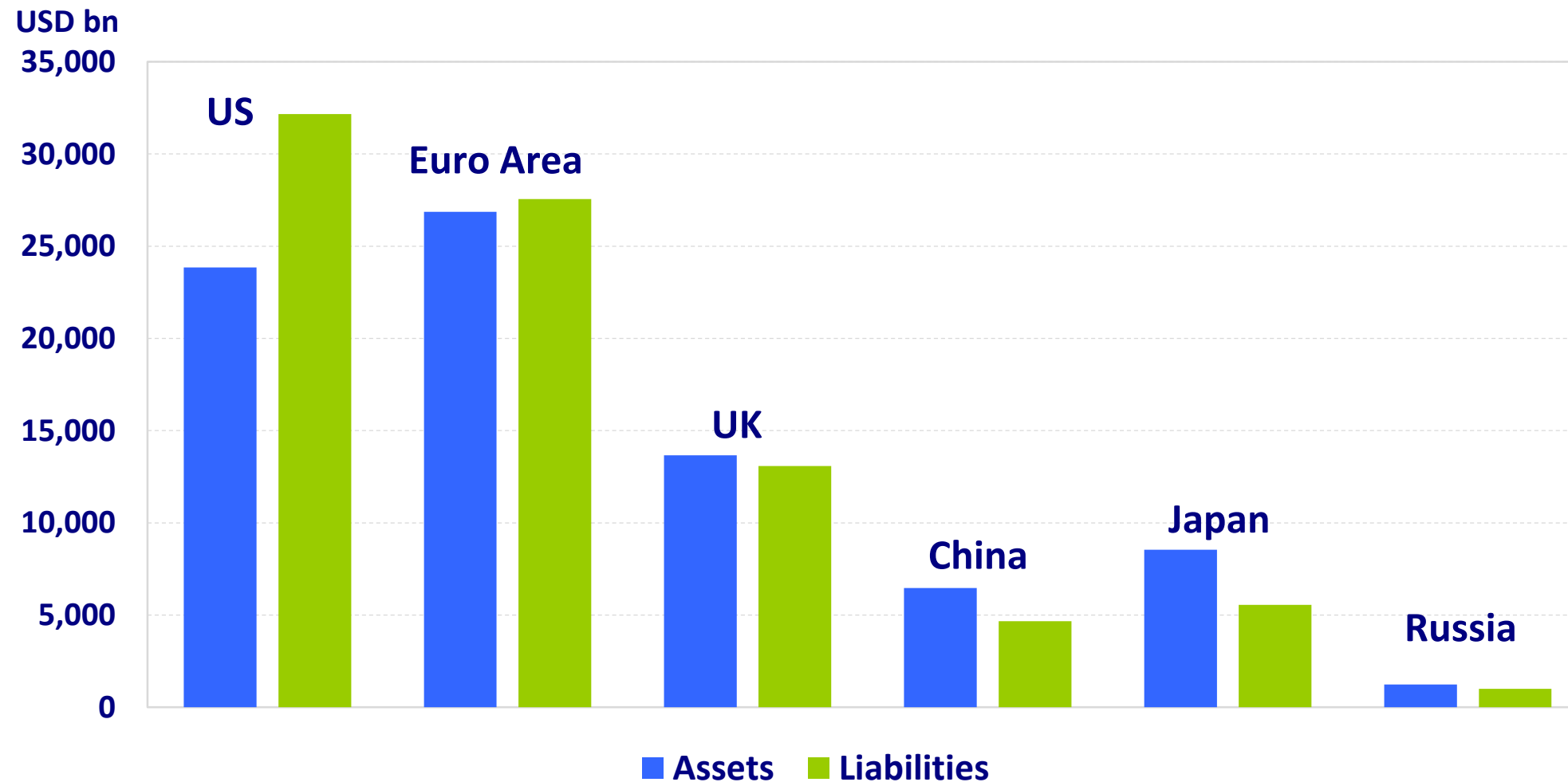
Share of world exports in 2016



Source: ESM based on IMF

The euro area: a systemic player in financial markets

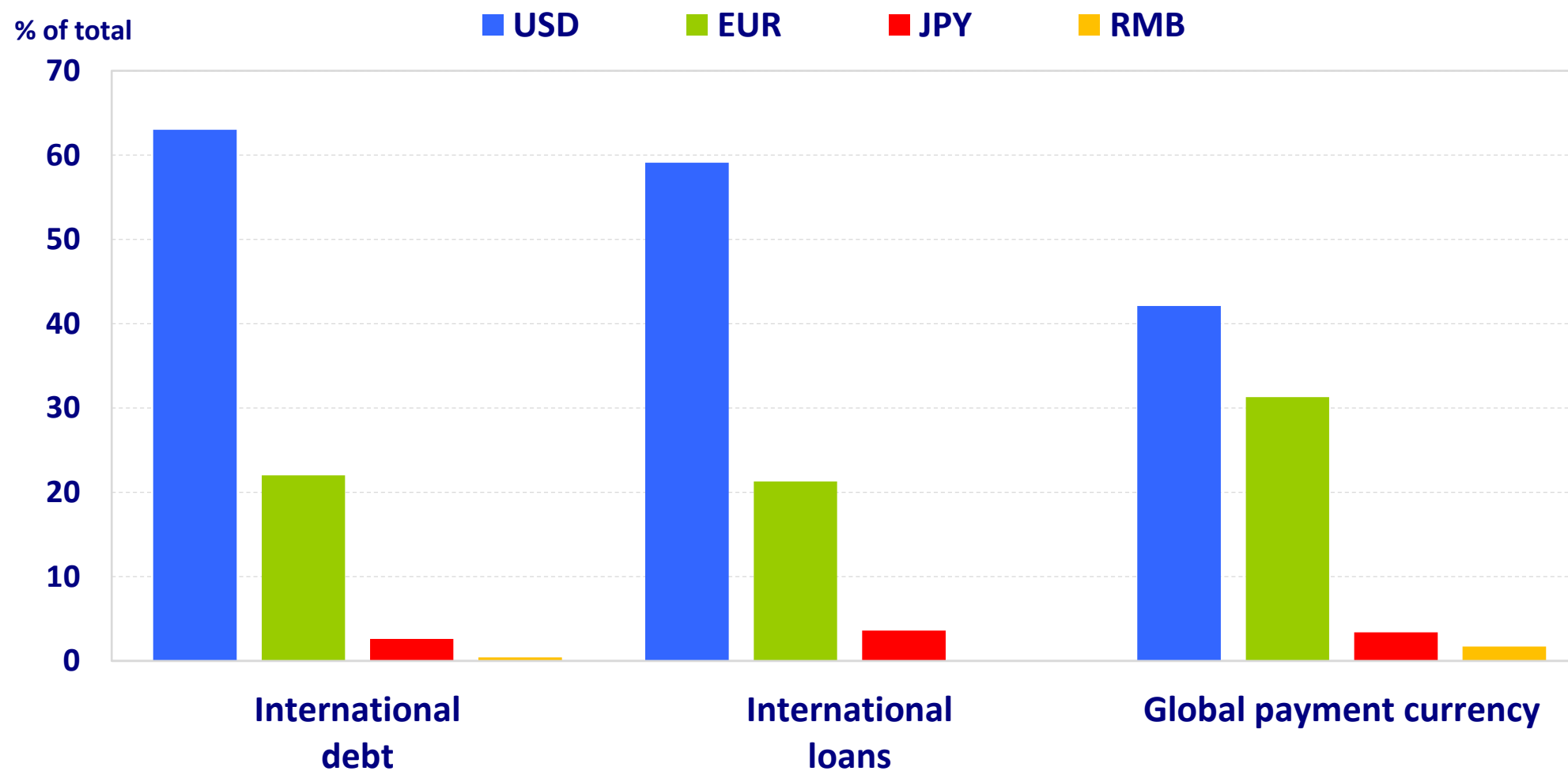
International investment position: Assets and liabilities vs. rest of the world (2016)



Source: ESM based on IMF

The euro area: a systemic player - The international role of the euro

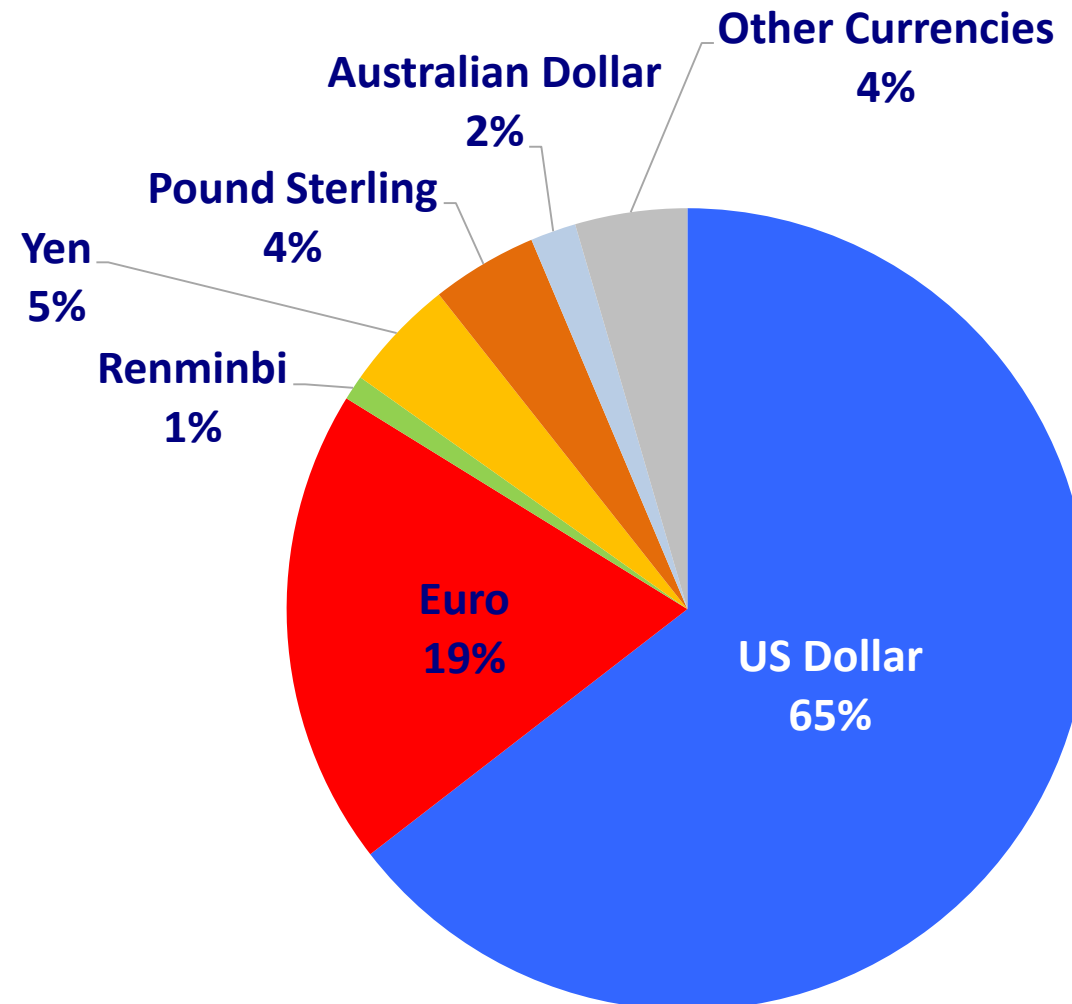
Major currencies' weight in global financial markets (2016)



Notes: Figures do not add up to 100% as some global currencies are excluded
Source: ESM based on ECB

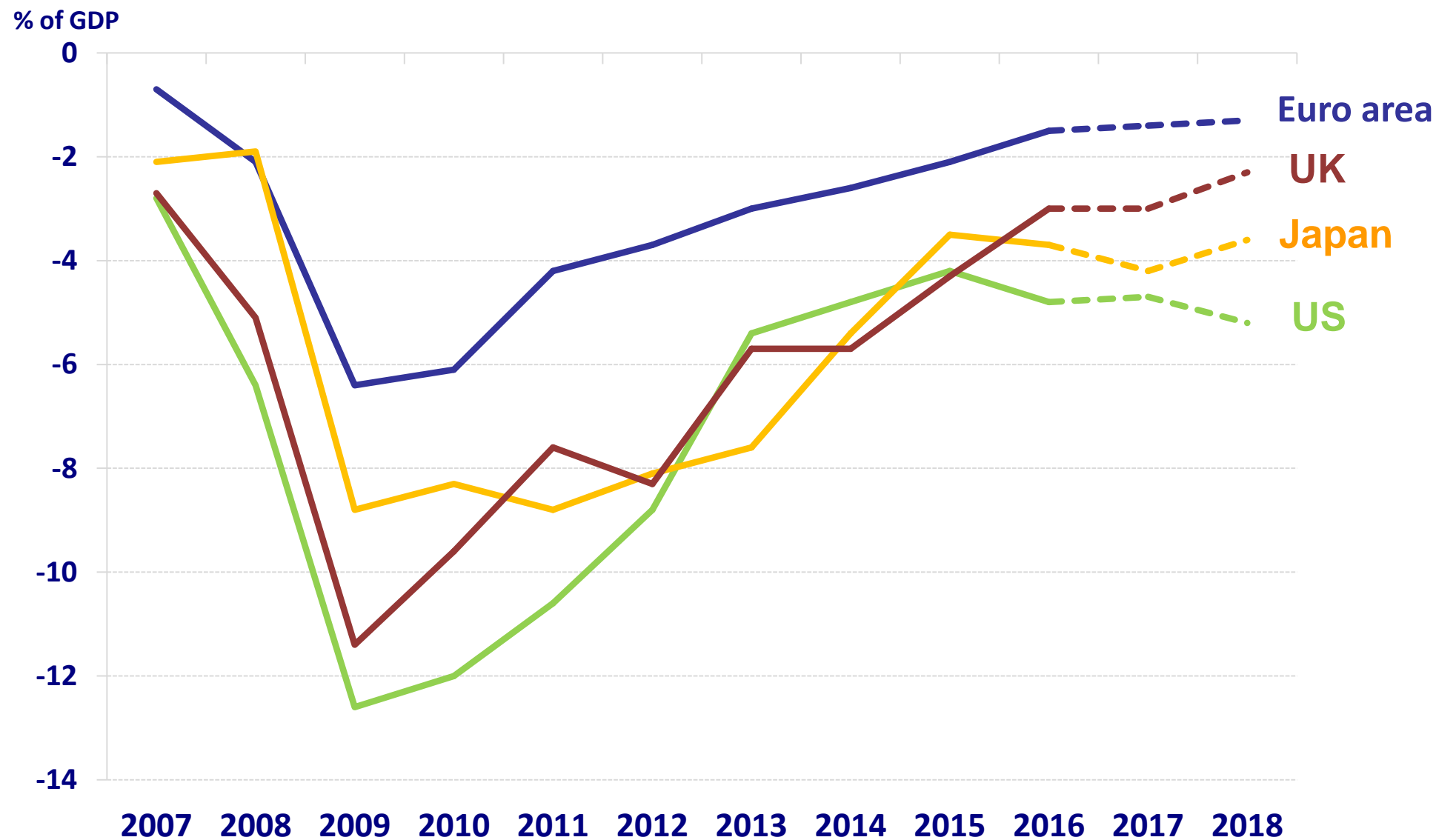
The euro area: a systemic player - The international role of the euro

Composition of total allocated exchange reserves (2017)



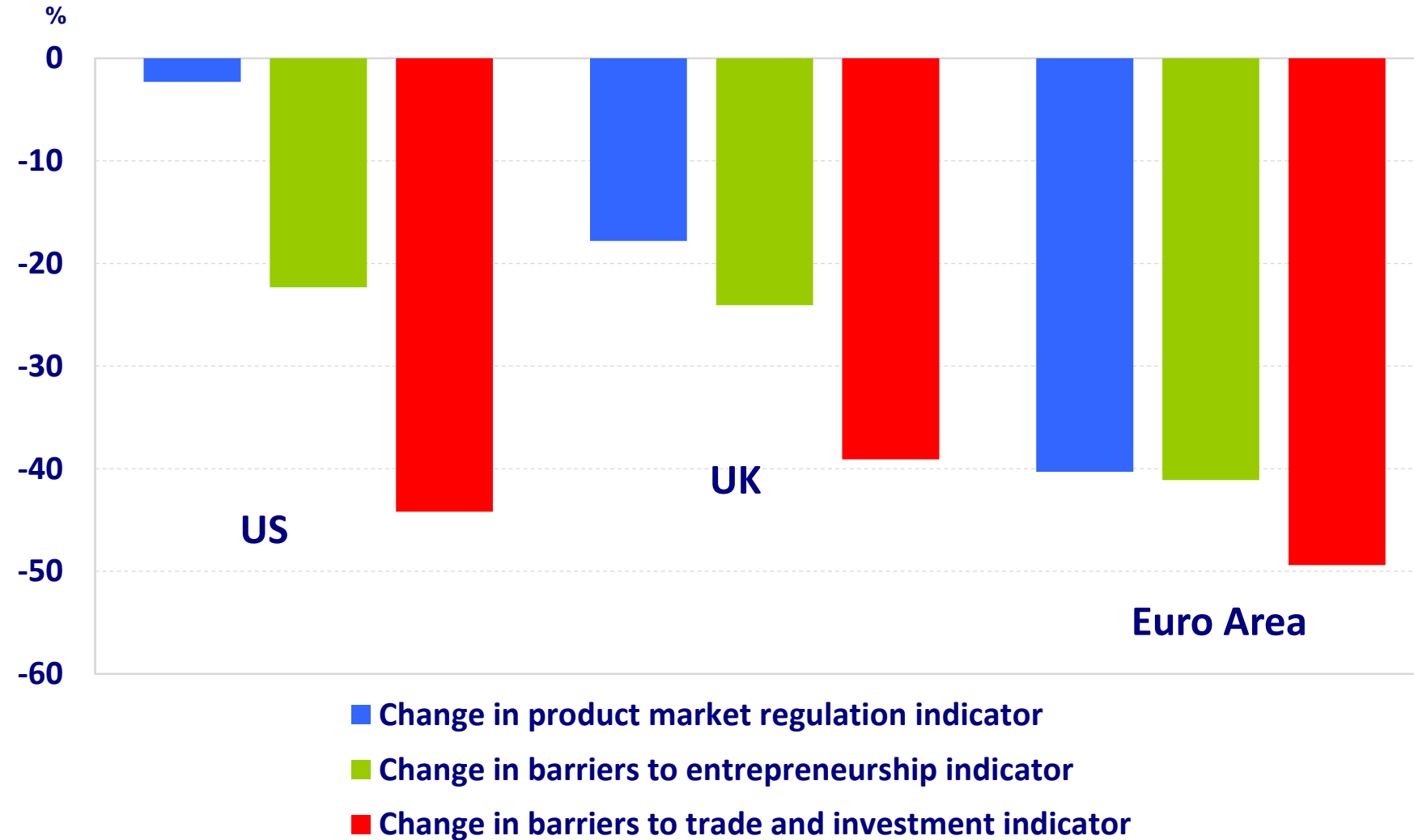
A stronger euro area: fiscal consolidation

Fiscal balances of major economies



A stronger euro area: improved competitiveness

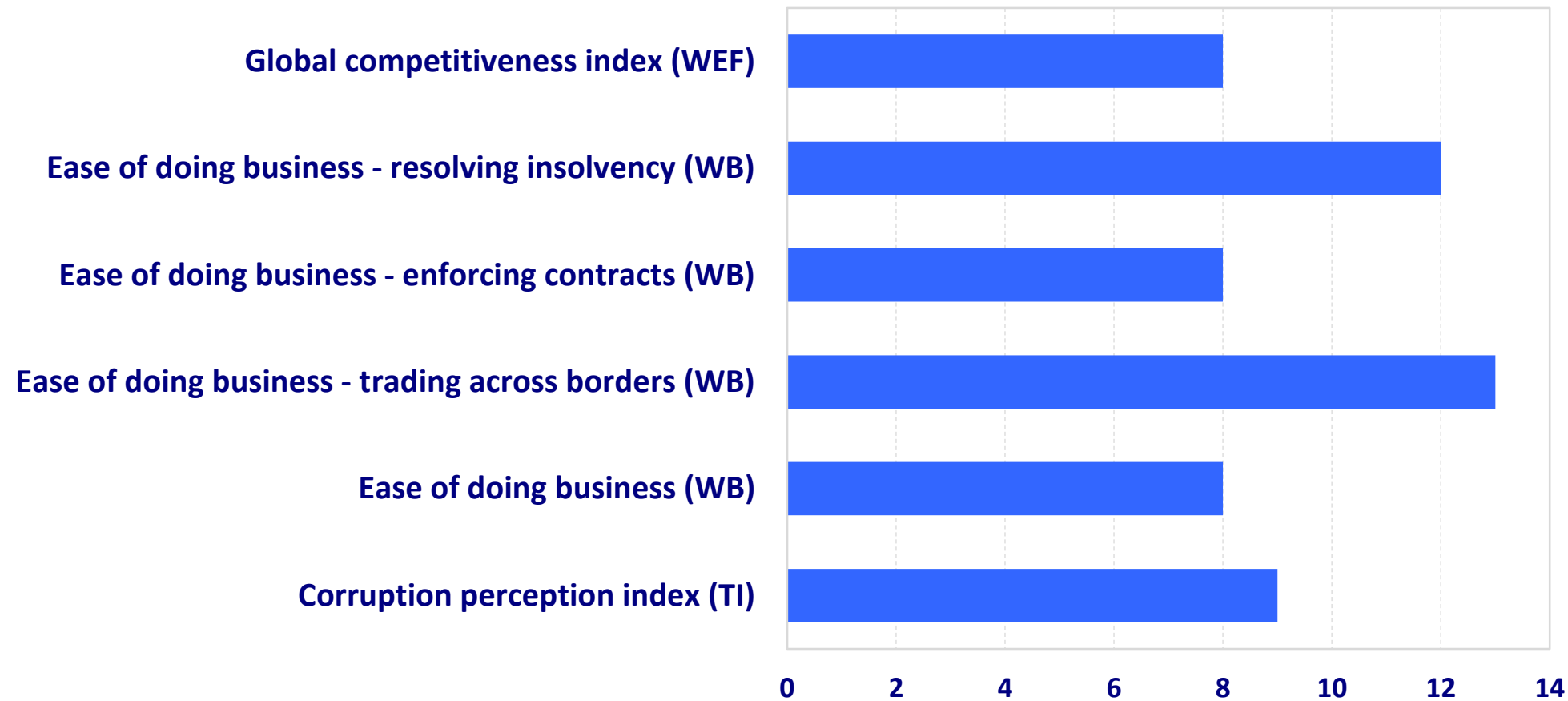
Reduction in regulation and barriers (1998-2013)



Notes: Due to data availability, the euro area is comprised of Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Portugal and Spain
Source: ESM based on OECD

A stronger euro area: improved competitiveness

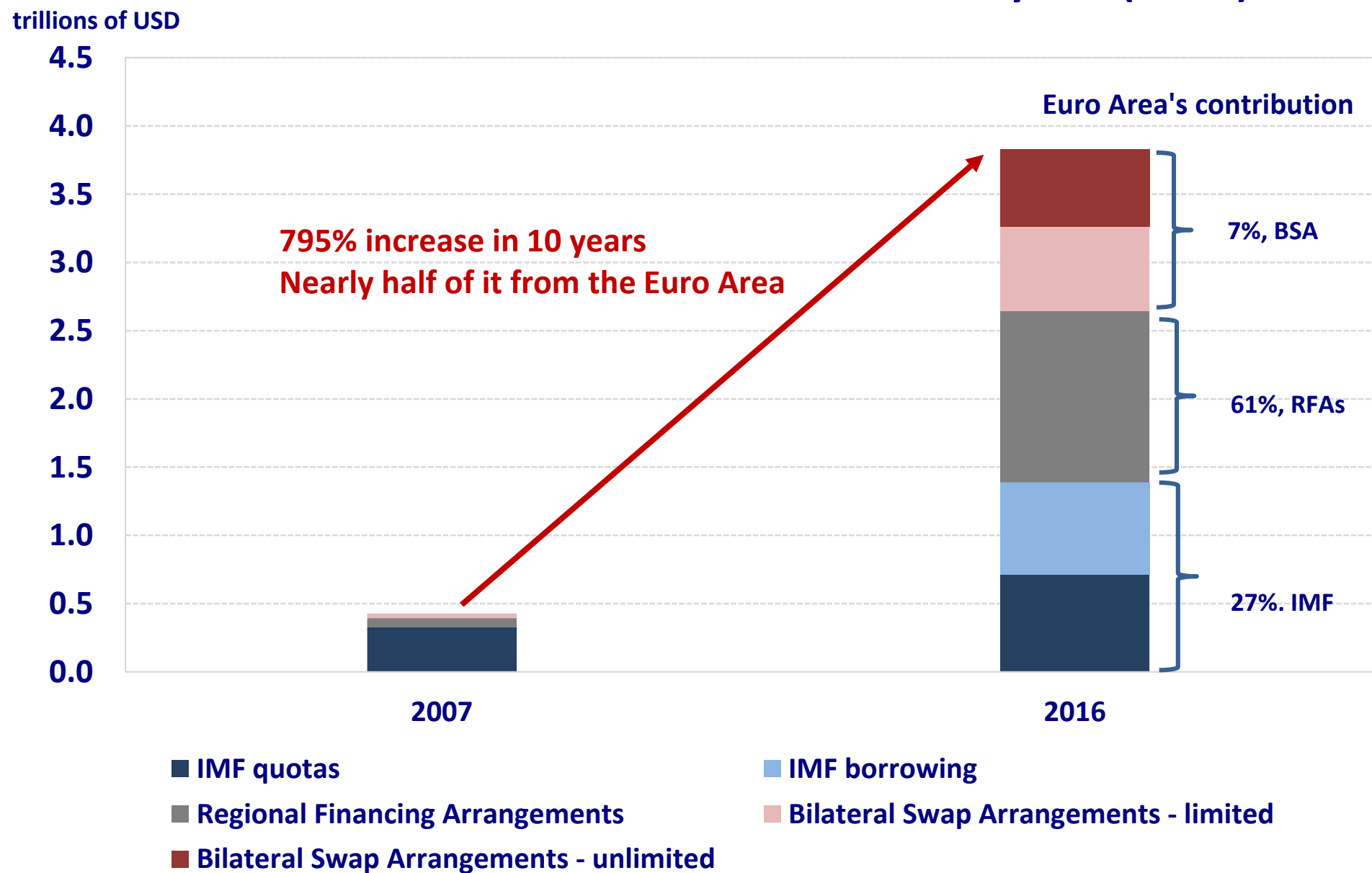
Number of euro area countries within top 25 best performers (2016)



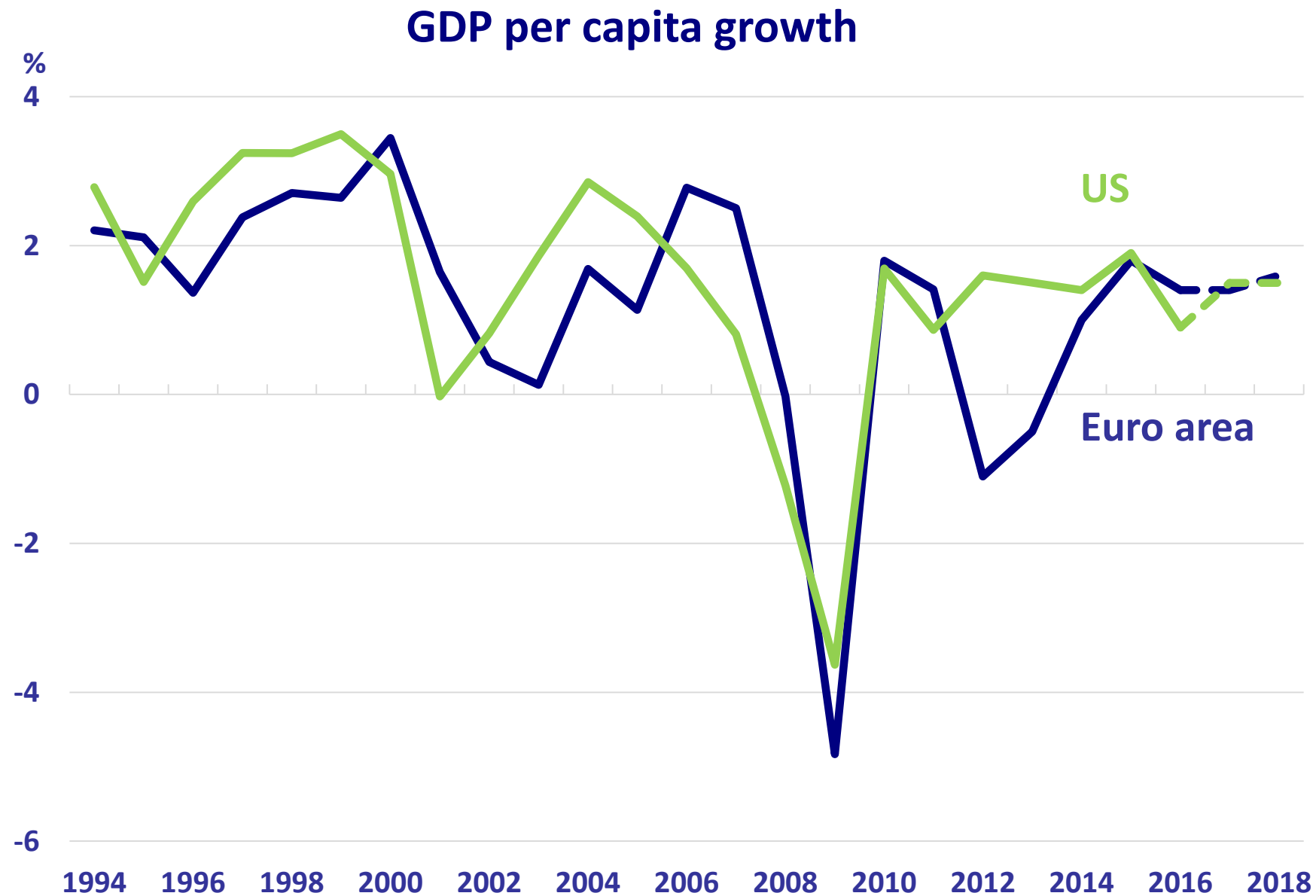
Source: ESM based on World Economic Forum (WEF), World Bank (WB) and Transparency International (TI)

A stronger euro area: building a safety net

Evolution of Global Financial Safety Net (GFSN)



A stronger euro area: the robust recovery

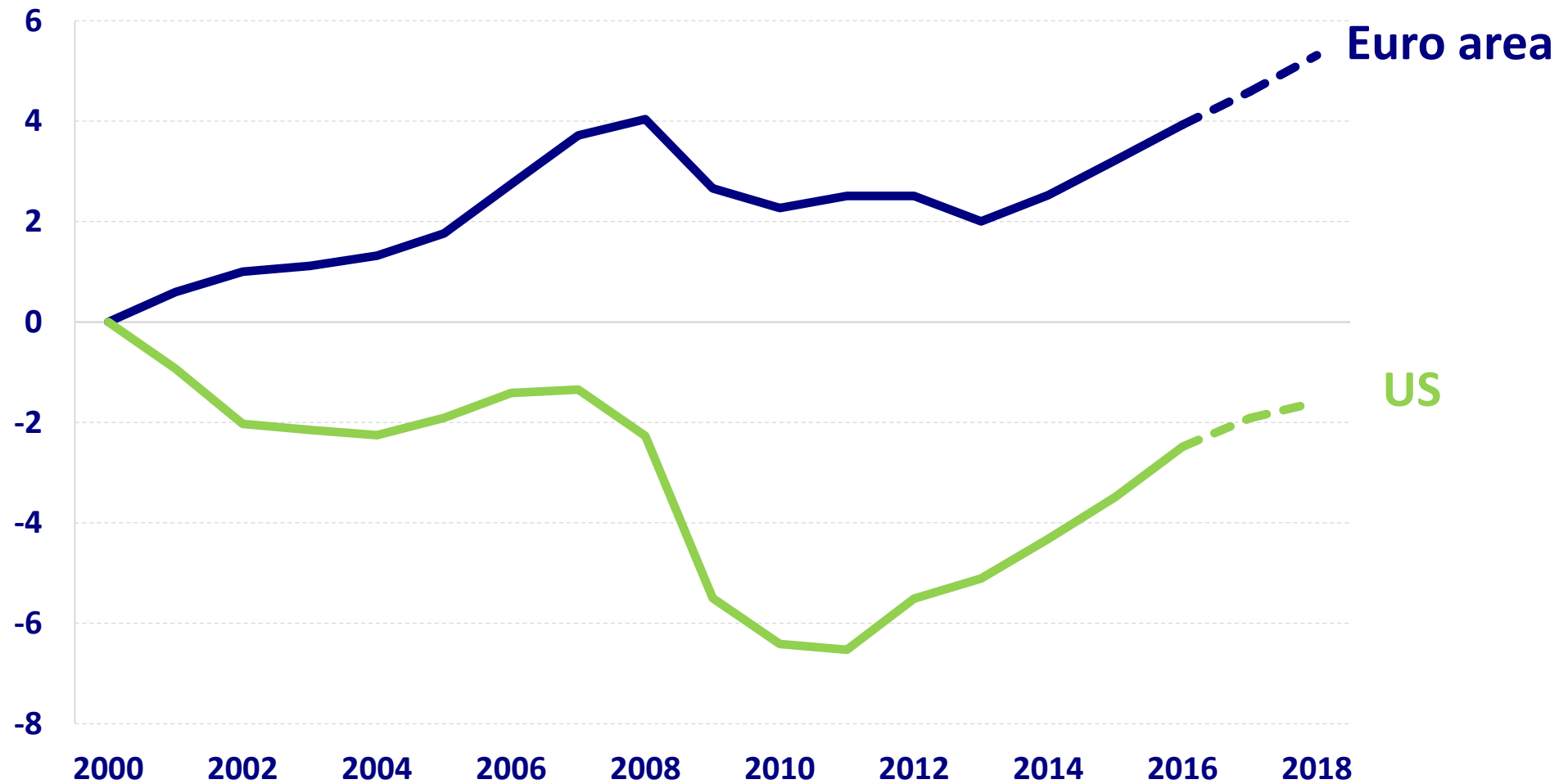


Average GDP growth per capita, 1999-2008

euro area	1.6%
US	1.6%

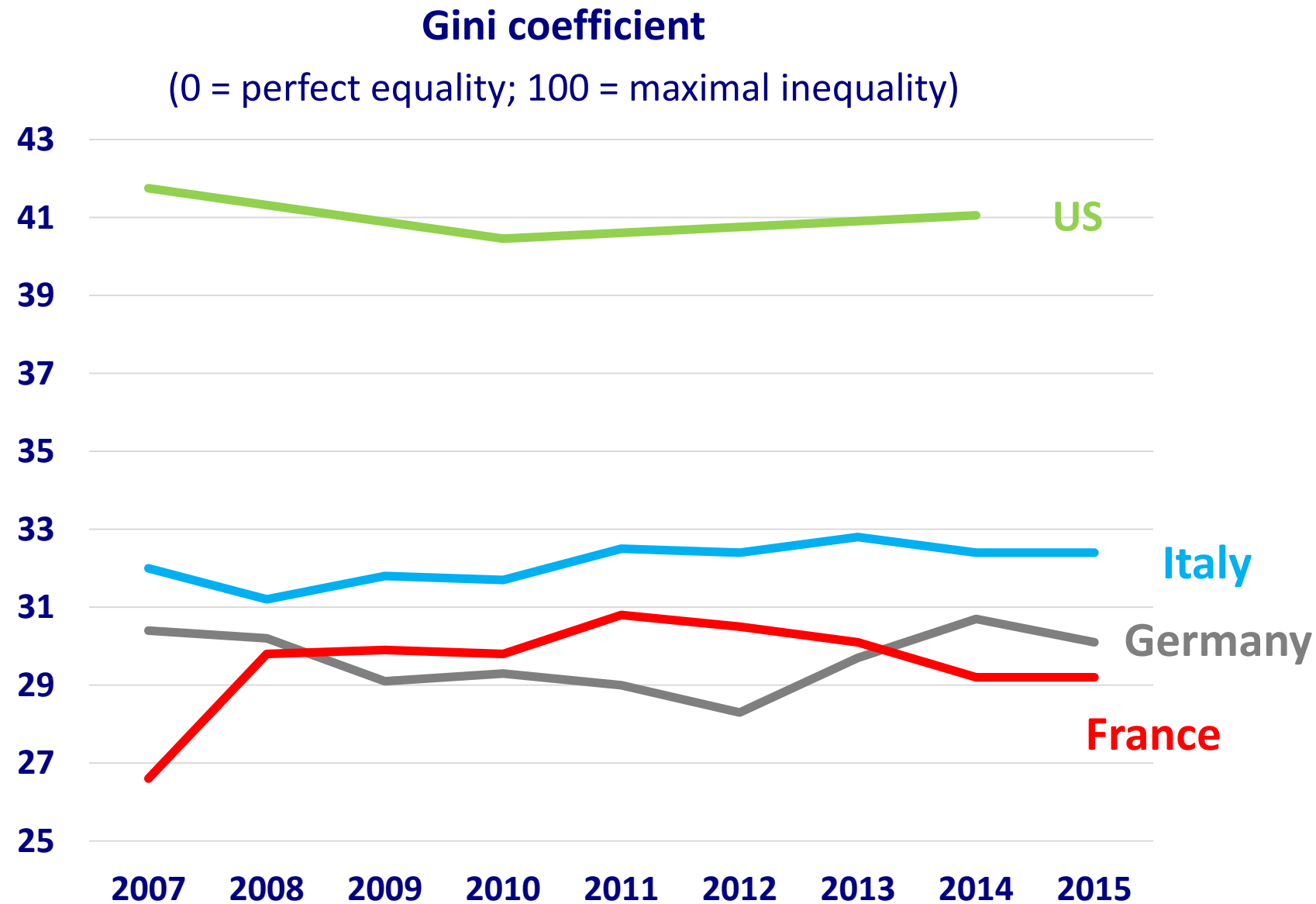
A stronger euro area: the robust recovery

Employment rate in euro area and US since 2000
(Cumulative change in percentage point)



Source: Eurostat and BLS

A stronger euro area: the robust recovery

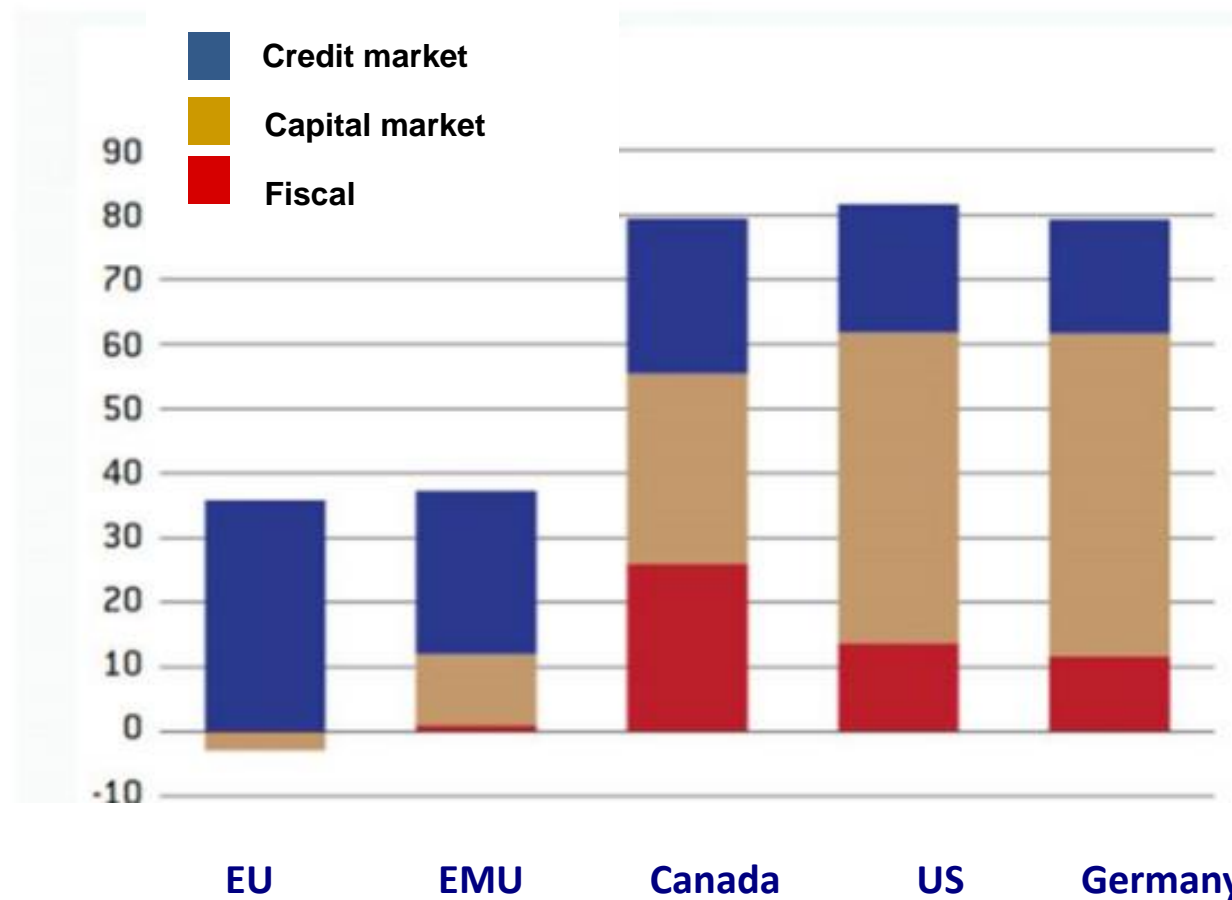


Source: Eurostat, World Bank

Next steps for the euro area: Risk sharing needs

- Economic risk sharing in the euro area is lagging behind the US

Percentage of shock smoothed by different channels



Next steps for the euro area: Policy proposals

- **No full Fiscal Union needed**

- **No full Political Union needed**

- **Complete Banking Union**
 - European Deposit Insurance
 - Backstop for the SRF

- **Capital Markets Union**
 - To facilitate private sector efforts for financial integration
 - More capital flows, more risk sharing
 - Address taxation, insolvency and company law issues

- **Fiscal Union**
 - Limited fiscal capacity for the euro area