

# Europe after the crisis: the potential for positive surprises

IIMA, Tokyo

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# How Europe is beating the crisis

LTRO

SSM

European Semester

DGS

IDR

MIP

OMT

ESM

SMP

SRM

Two pack

Six pack

~~Bail-out~~  
Bail-in

GLF

EFSF

EFSM

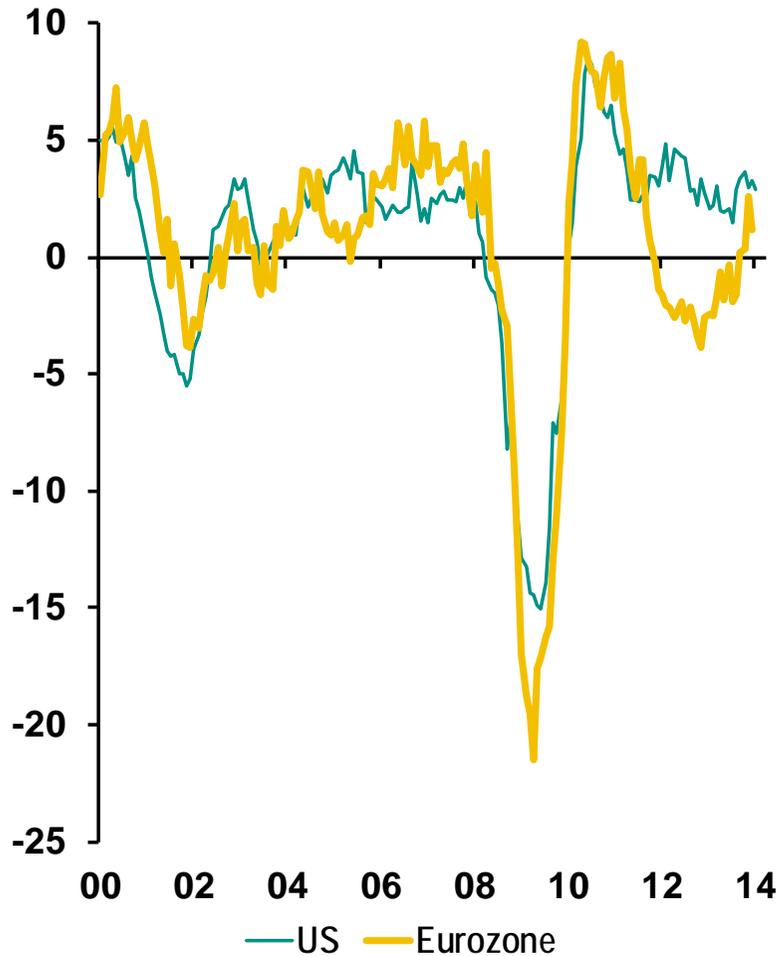
AQR

BRRD

Fiscal Compact

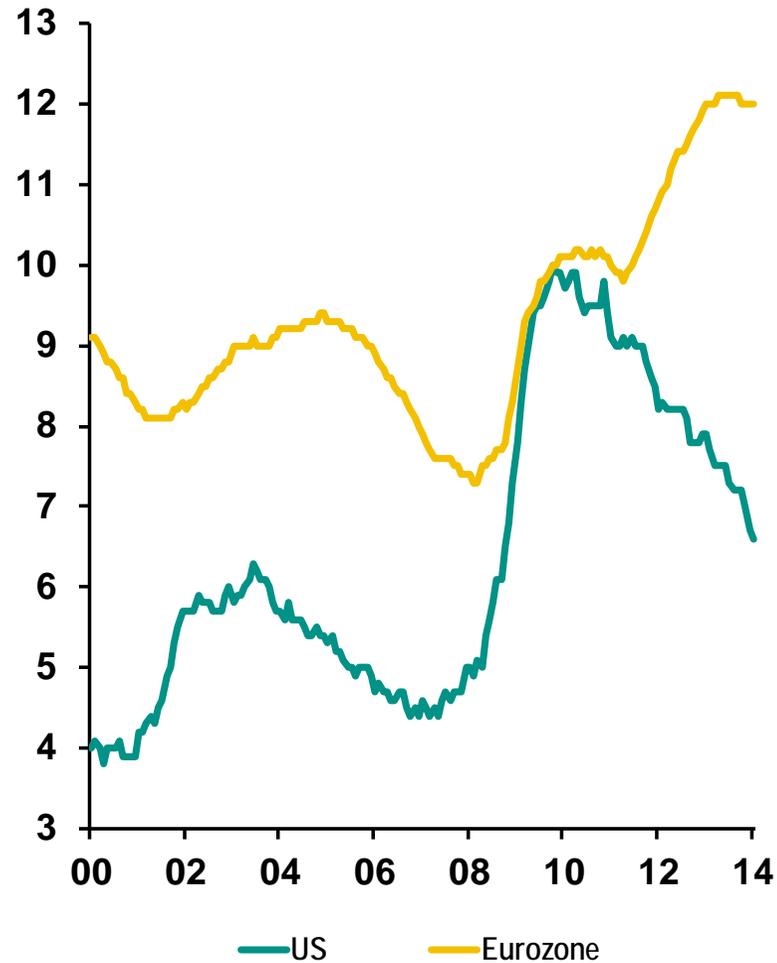
# Europe's business cycle decoupled from the US

## Industrial production, %yoy



Source: Thomson Reuters Datastream

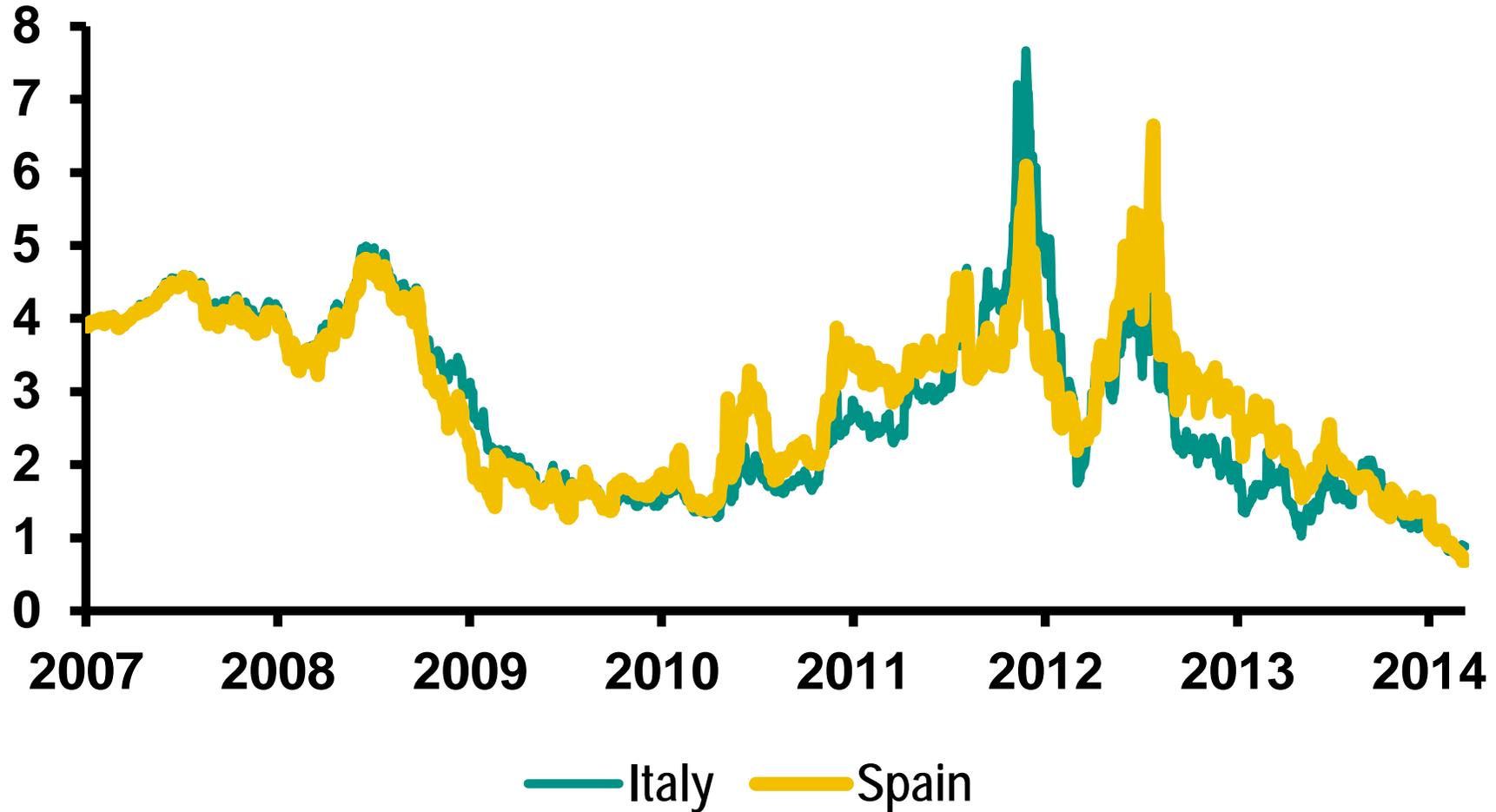
## Unemployment, %



Source: Bloomberg

# Stress in the financial system

2yr government bond yields, %



# Returning to growth – a two-pronged approach

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- Re-establish financial stability and confidence
- Structural reform to improve economic efficiency

# Re-establish financial stability and confidence

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## Strengthening the euro's governance

- Stringent budget surveillance
- Macroeconomic policy coordination
- Financial support mechanisms
- Banking union

# What is good?

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- Stability has returned
- New governance built quickly, despite hostile public opinion
- Improvement economic performance
- Reforms are paying off in countries that have been serious about them
- Even France is planning a 'radical policy shift'

# Challenges

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- Maintain stability
- Make new governance work
- Implement / continue with reform
- Reverse increasingly eurosceptic public opinion

# Conclusion

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Europe will exceed expectations, because

- Expectations are very low
- Moving to a properly functioning monetary union
- Success of reforms and peer pressure will push laggards on to reform route

## ABN AMRO Group Economics on het internet

<https://insights.abnamro.nl/category/economie/> – Dutch publications

<https://insights.abnamro.nl/en/category/economy/> – English publications

### **NEW:**

## **App voor de iPad and iPhone – see the app store (also for English docs)**

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