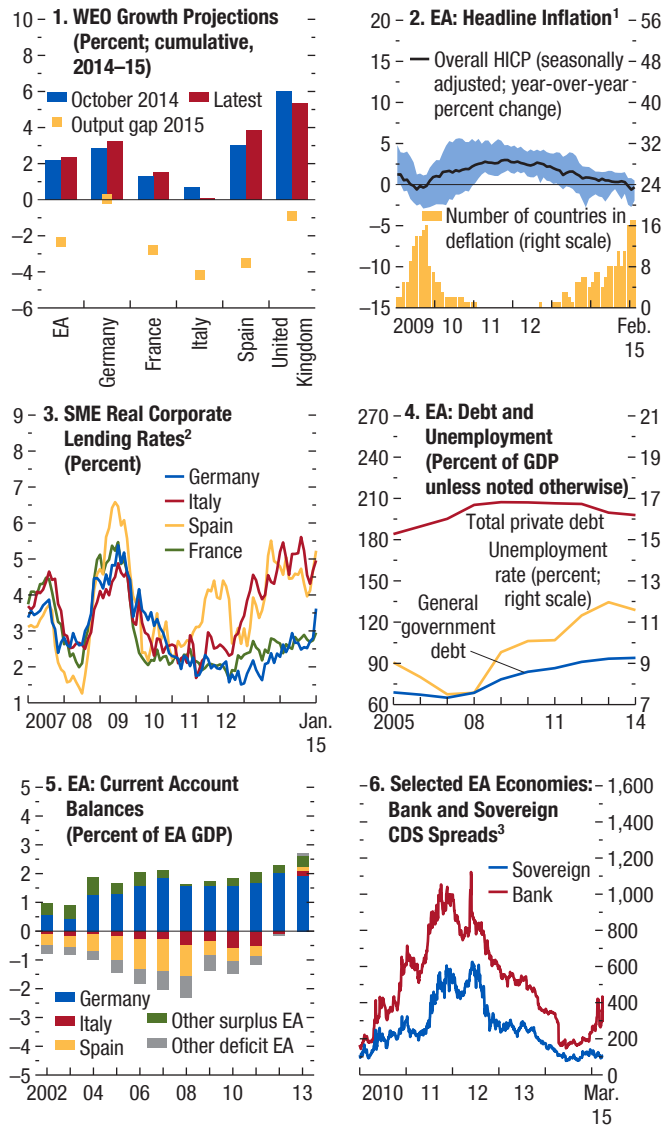


Figure 2.3. Advanced Europe: Spillovers from a Stagnant Euro Area

The euro area's recovery remains uneven across countries. The outlook is for modest growth. Widespread low inflation has raised real interest rates. Financial fragmentation, while improving, continues to be present. Debt and unemployment remain high, and current account surpluses have increased. Financial markets, pricing in ECB policy actions, have remained supportive.



Sources: Bloomberg, L.P.; European Central Bank (ECB); Eurostat; Haver Analytics; and IMF staff estimates.

Note: Euro area (EA) = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain. CDS = credit default swap; HICP = Harmonised Index of Consumer Prices; SME = small and medium-sized enterprises.

¹ Shaded area shows variation in the HICP across all euro area countries.

² Monetary and financial institutions' lending to corporations of less than €1 million, one to five years.

³ Euro area countries (Greece, Ireland, Italy, Portugal, and Spain) with high borrowing spreads during the 2010-11 sovereign debt crisis. Bank and sovereign five-year CDS spreads in basis points are weighted by total assets and general government gross debt, respectively. Data are through March 30, 2015. Data for sovereign spreads exclude Greece.