European Institute 'Perspectives on Europe' lecture series

European Institute

The EU Economy After the Great Recession

Pier Carlo Padoan

Italian minister of economy and finance

Professor Maurice Fraser

Chair, LSE

Suggested hashtag for Twitter users: **#LSEEUecon**

LSE events

CPD CERTIFIED
The CPD Certification Service

MEF Dipartimento del Tesoro

The EU economy after the great recession

Pier Carlo Padoan, Italian Minister of Economy and Finance

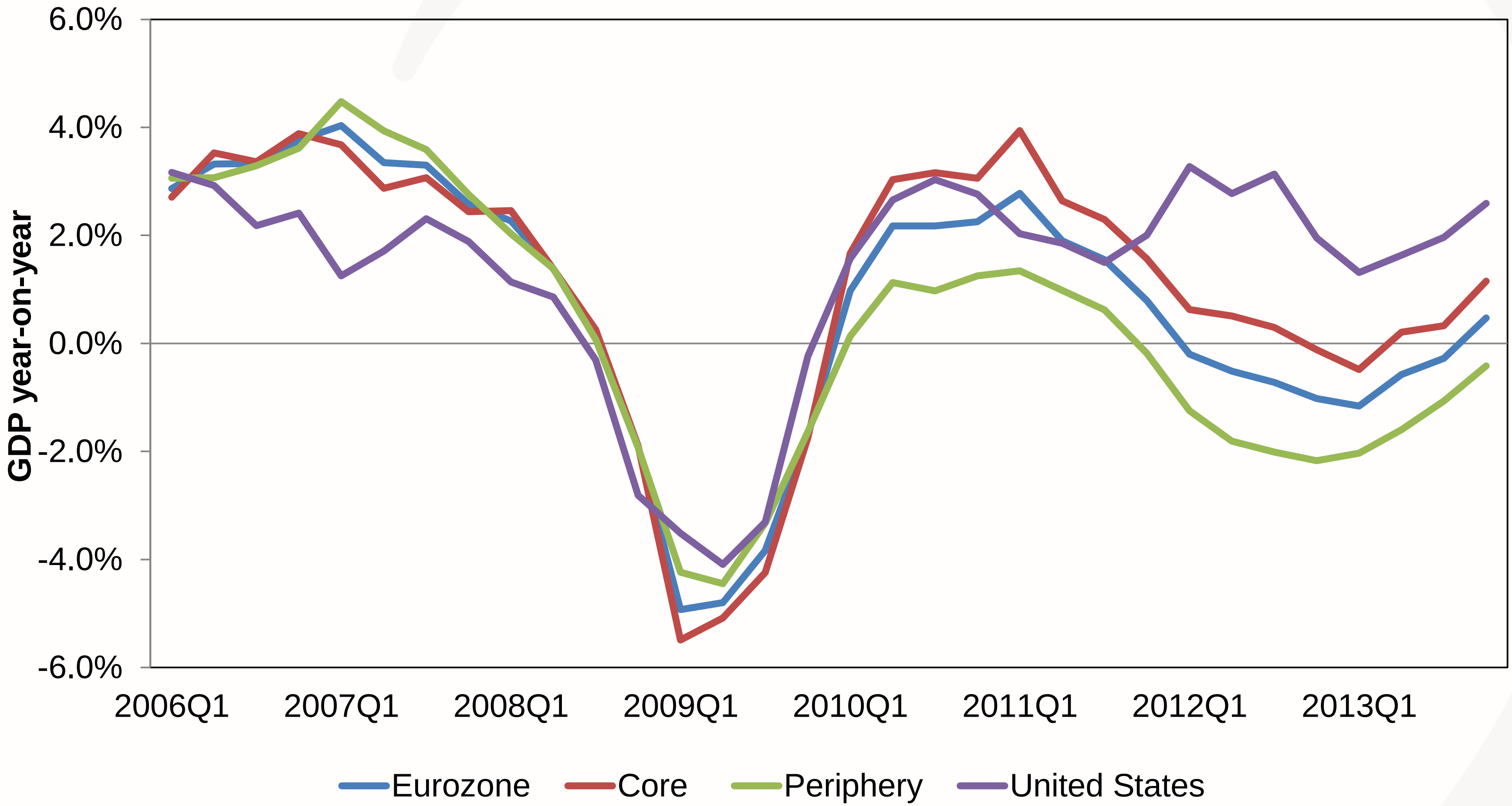
LSE Tuesday 29 April 2014

Eurozone adjustment: several dimension

- Fiscal consolidation
- Internal devaluation in the periphery
- Banking system repair

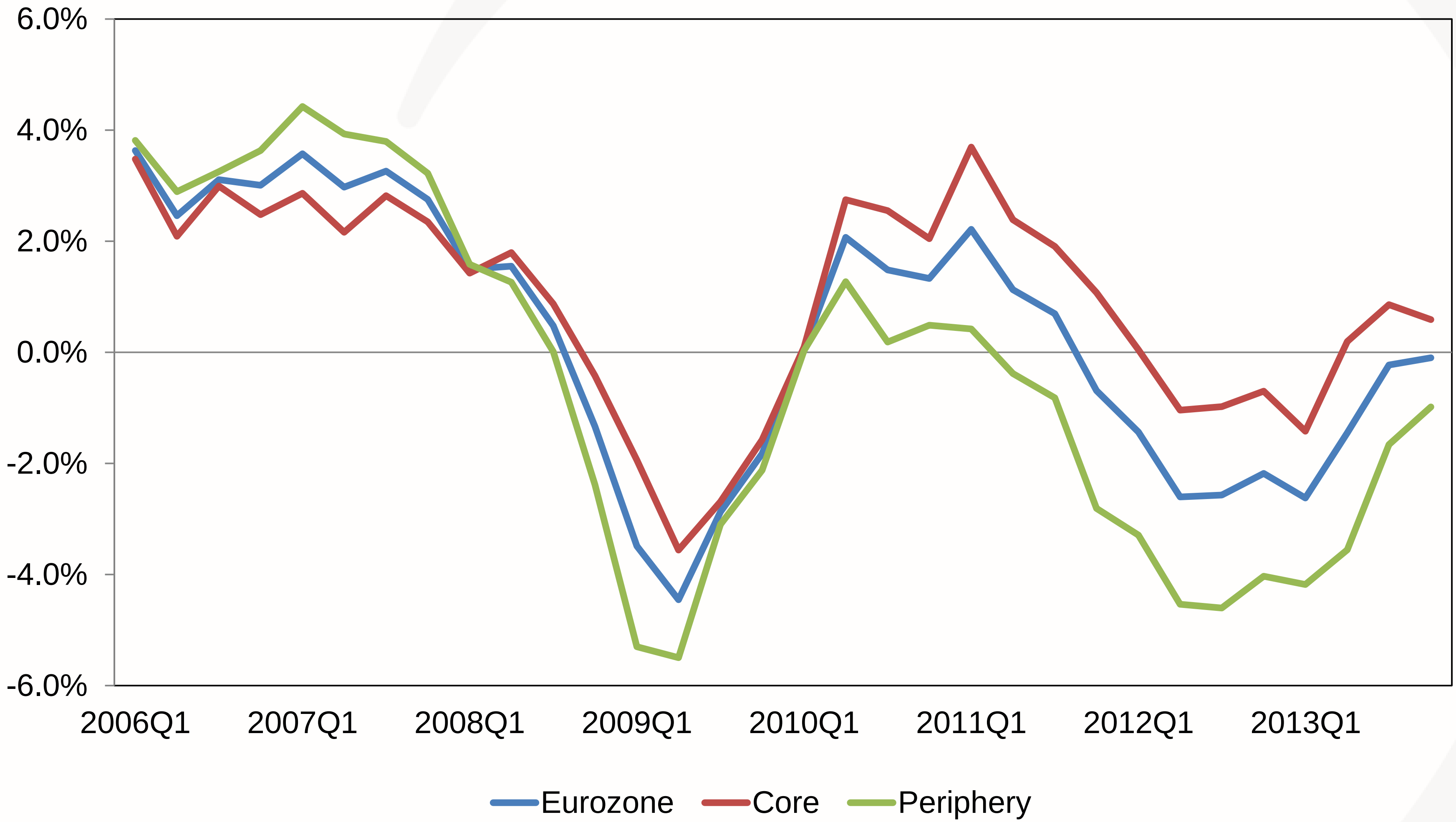
- A comprehensive common European growth strategy is still lacking

GDP is recovering in core countries, but slower than in US. The periphery is still lagging



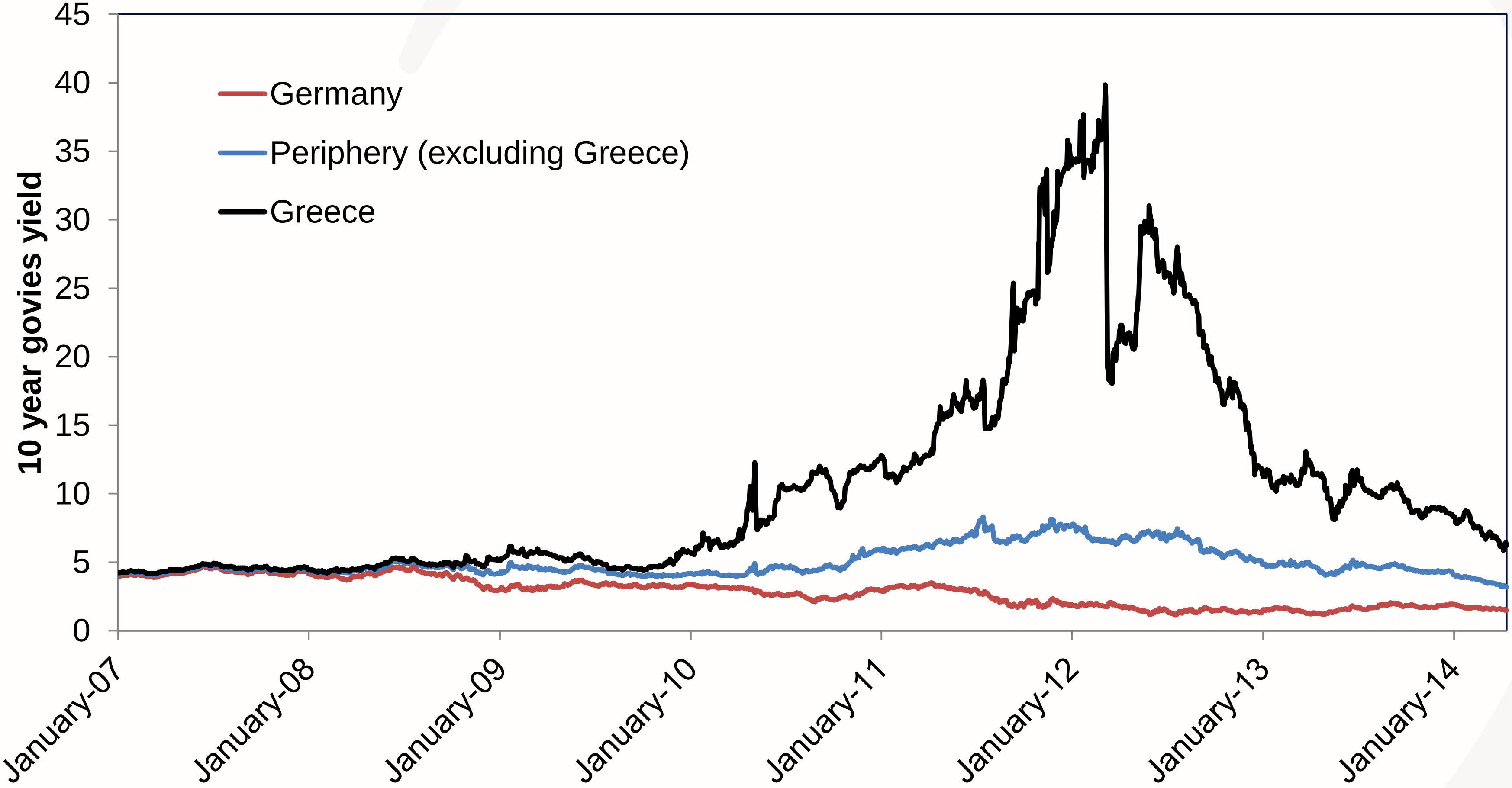
Dipartimento del Tesoro

Domestic demand is recovering in core countries



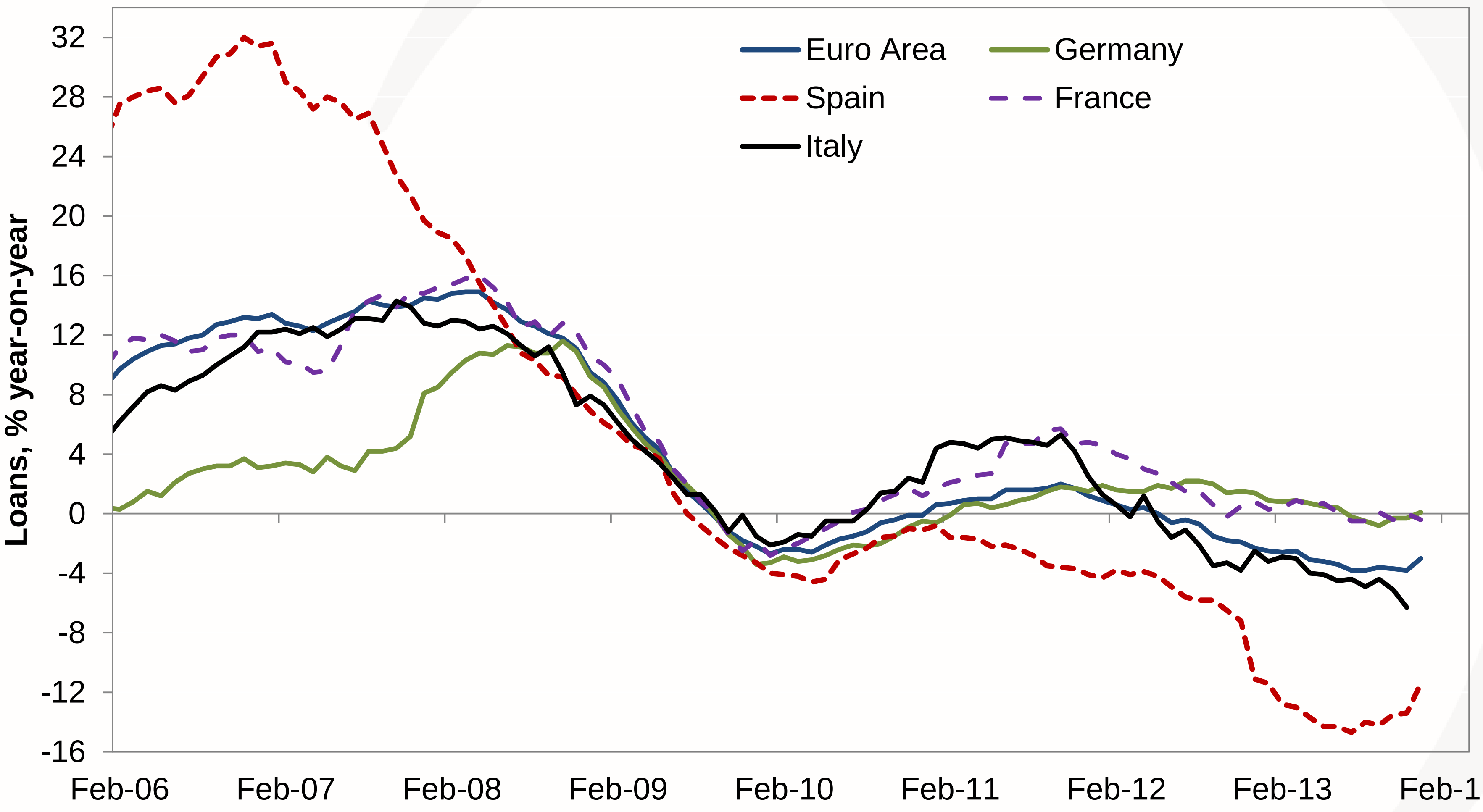
Dipartimento del Tesoro

Market confidence almost restored: interest rates are converging

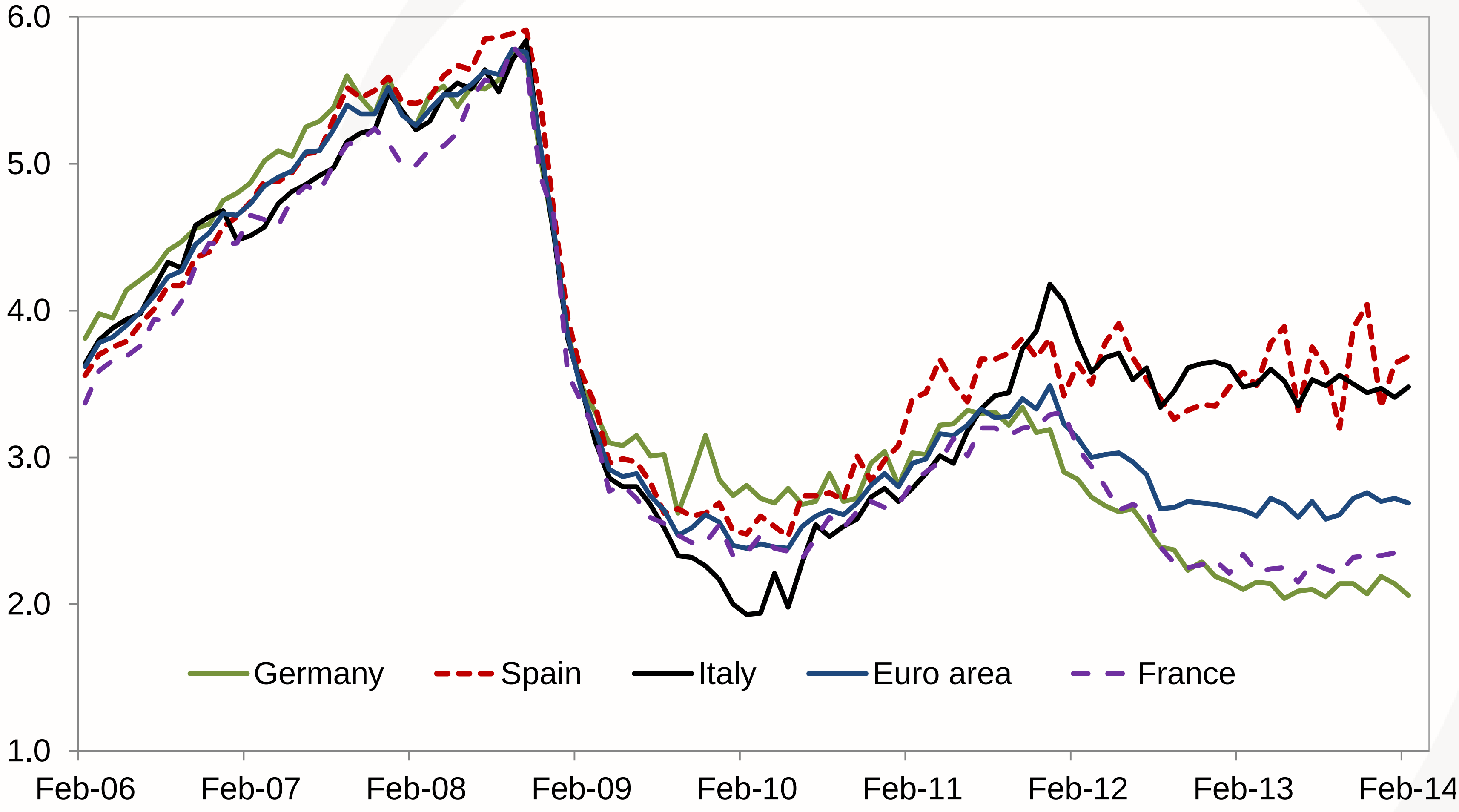


KEY FACTS

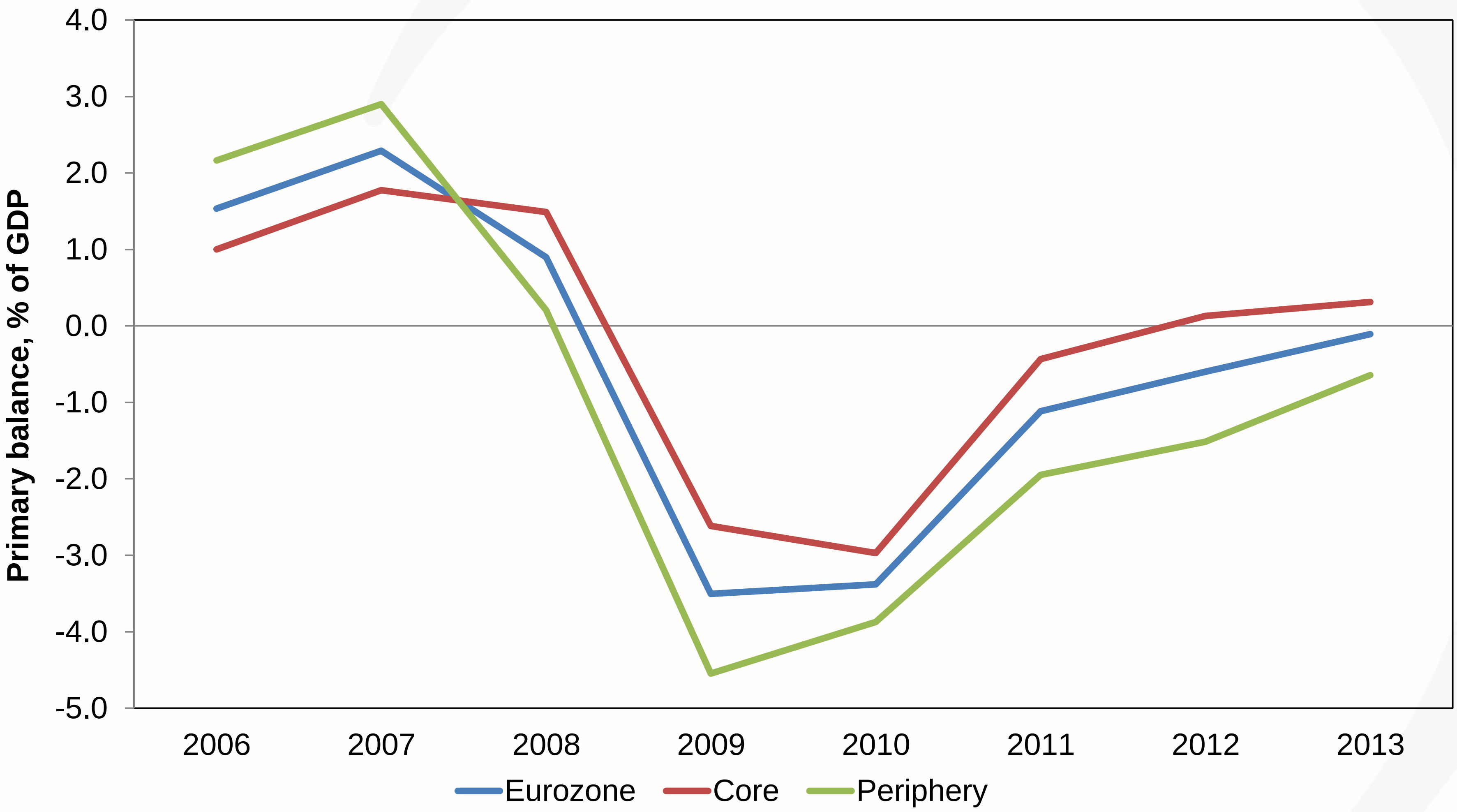
Credit fragmentation: little improvement



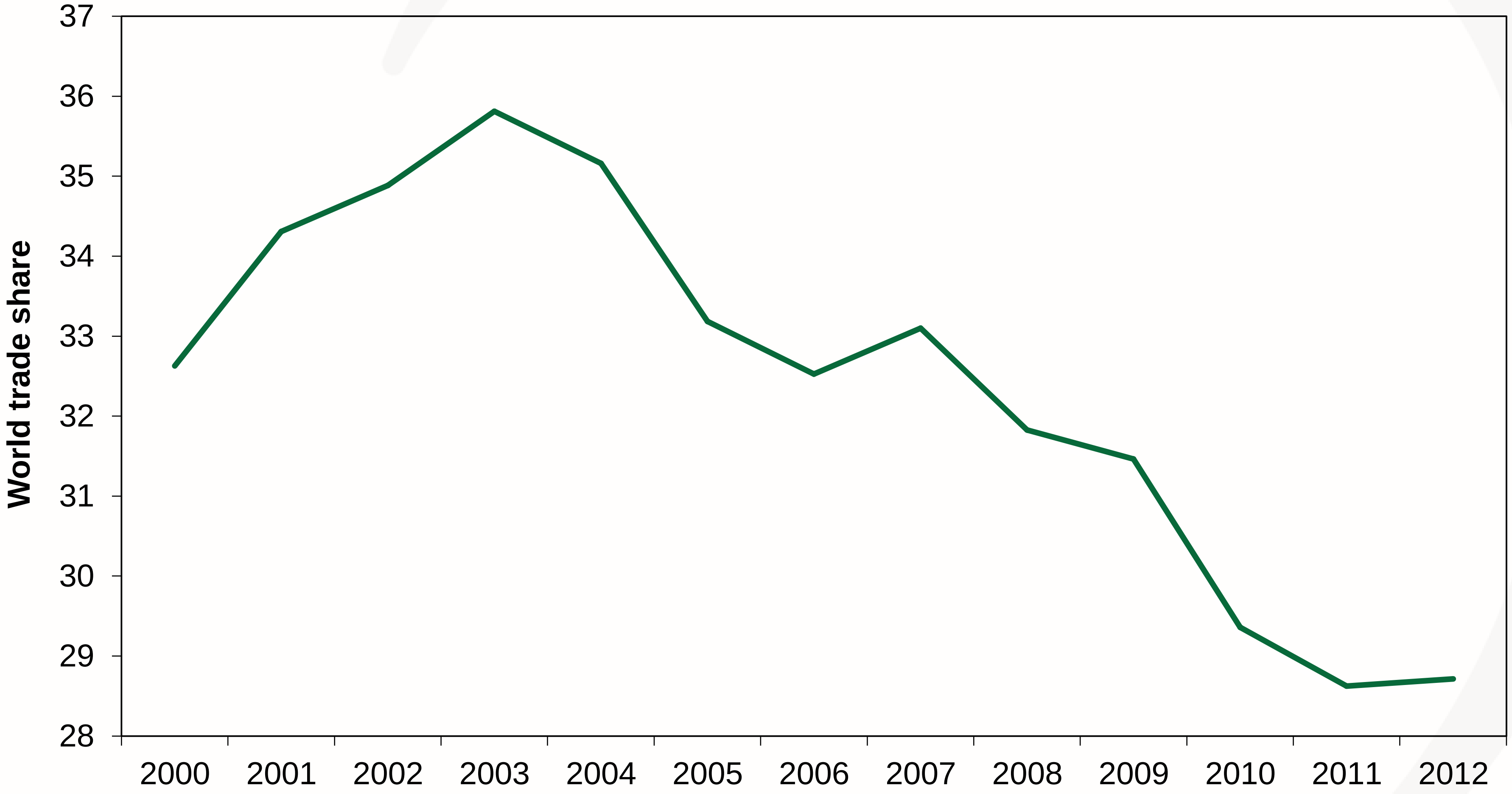
Interest rates on loans: the gap is still wide



Public finances are now less vulnerable

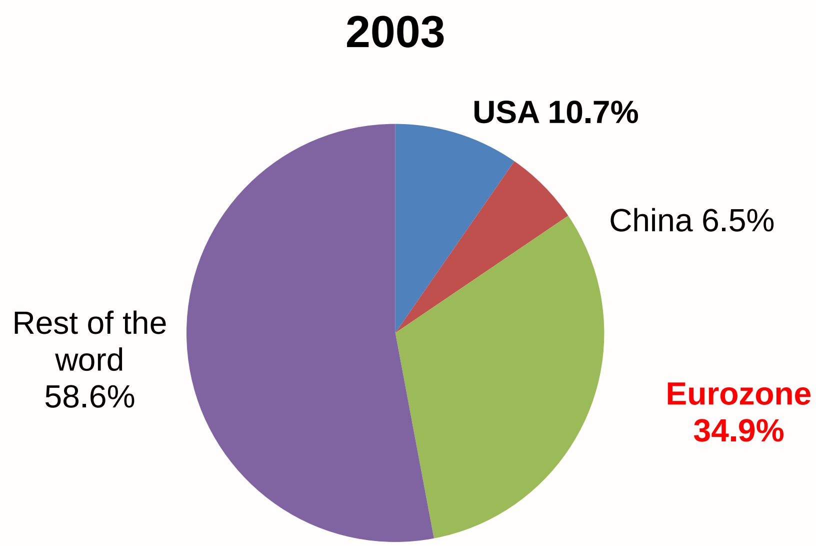


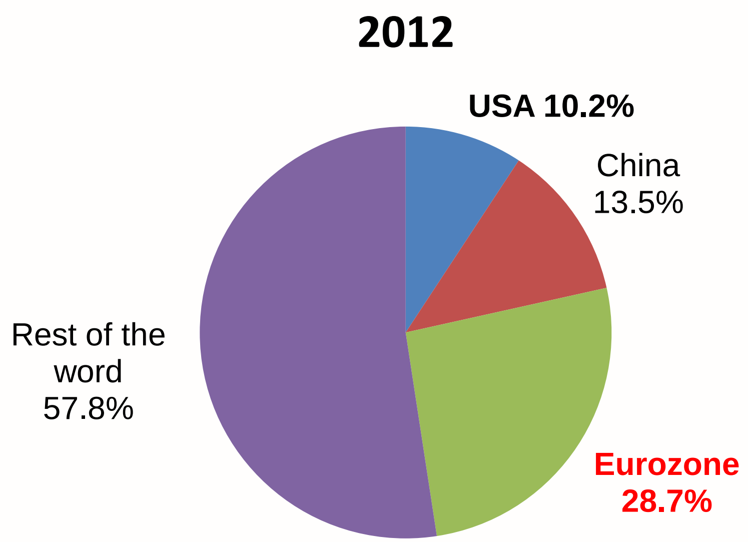
Europe has lost market shares since 2004, well before the crisis



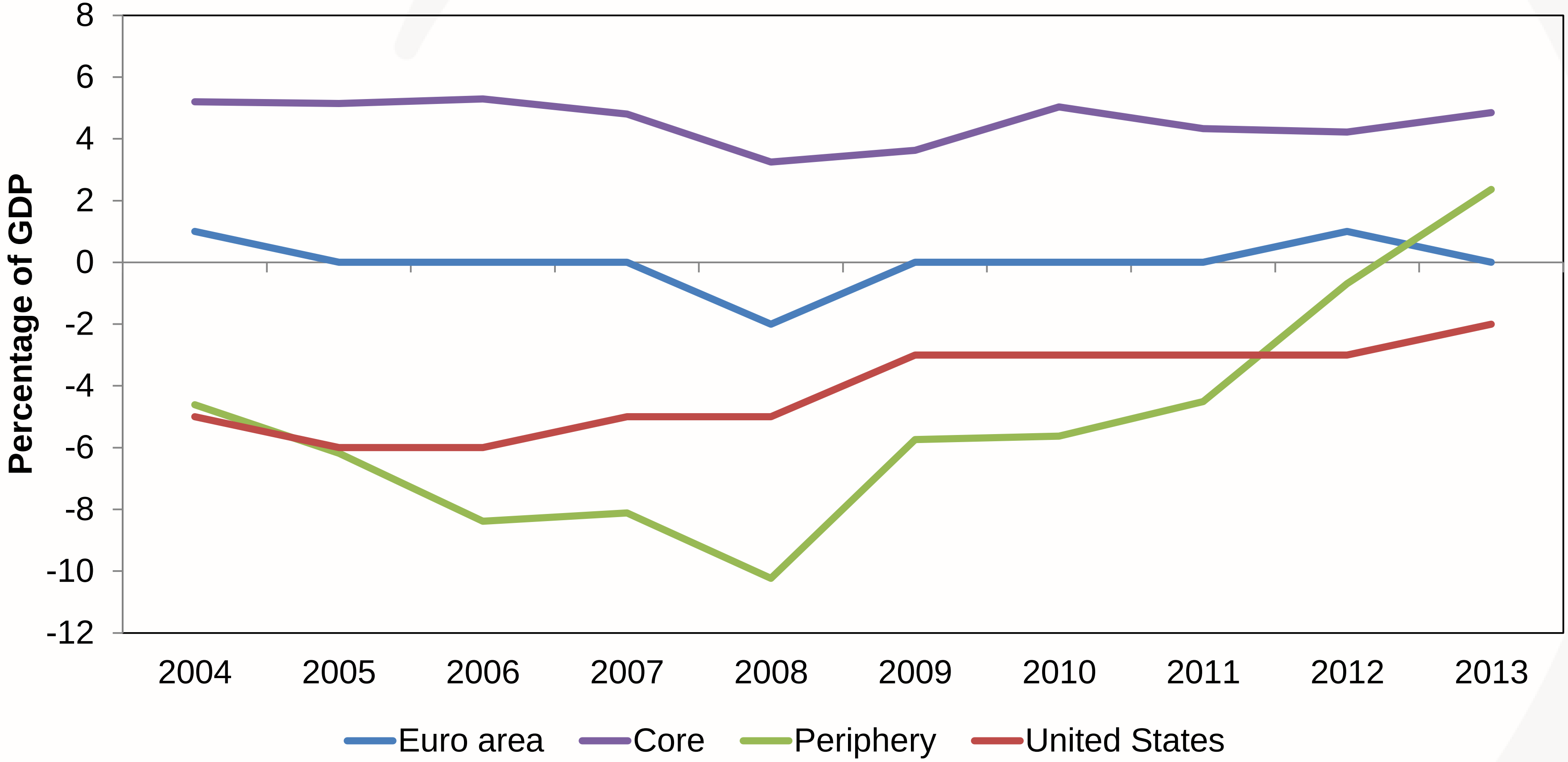
MEF Dipartimento del Tesoro

The US economy has succeeded in defending its market share





Asymmetric correction of current account imbalances in the Eurozone



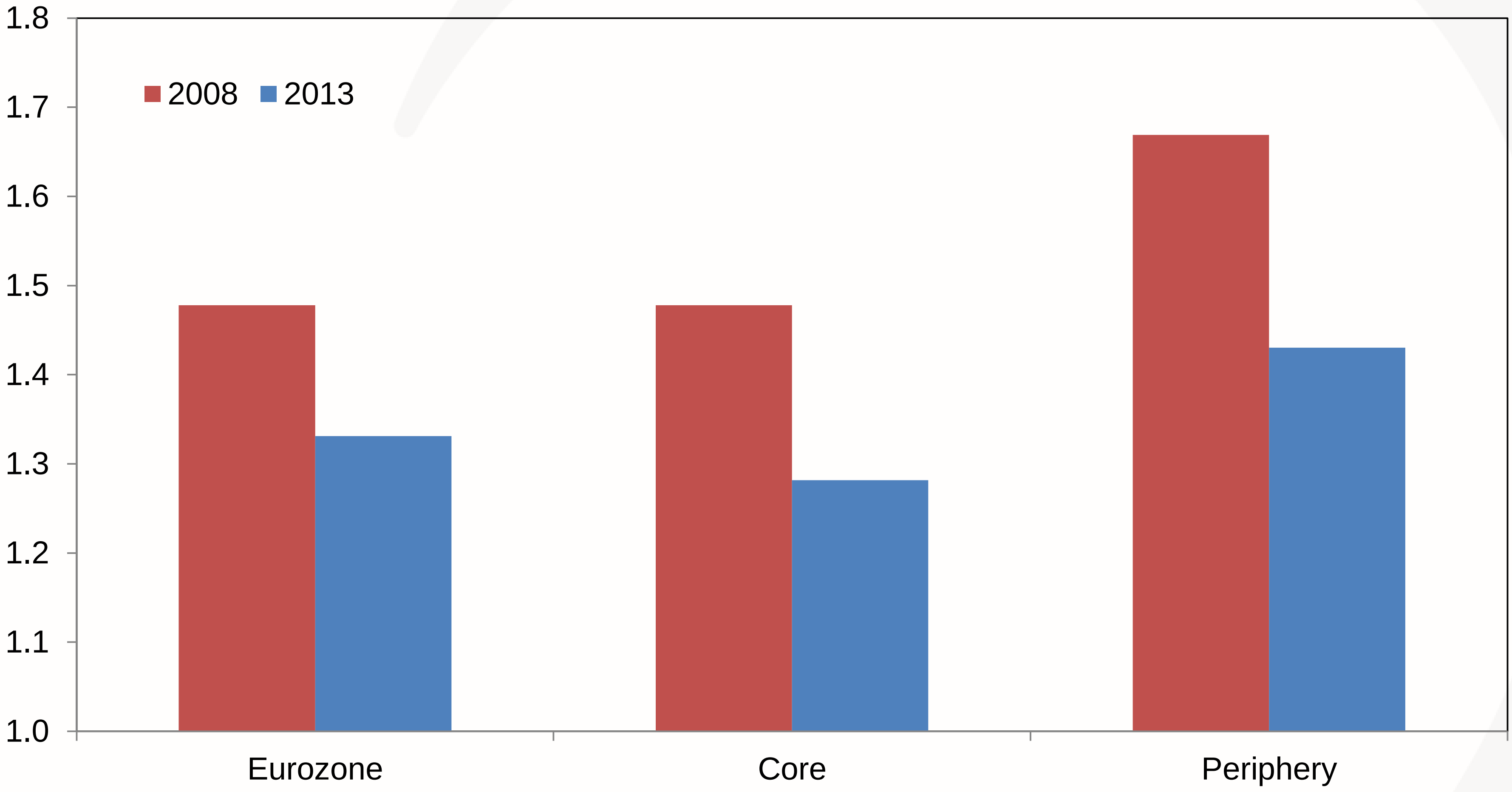
Source: OECD.

Dipartimento del Tesoro

How much market reforms could foster economic growth

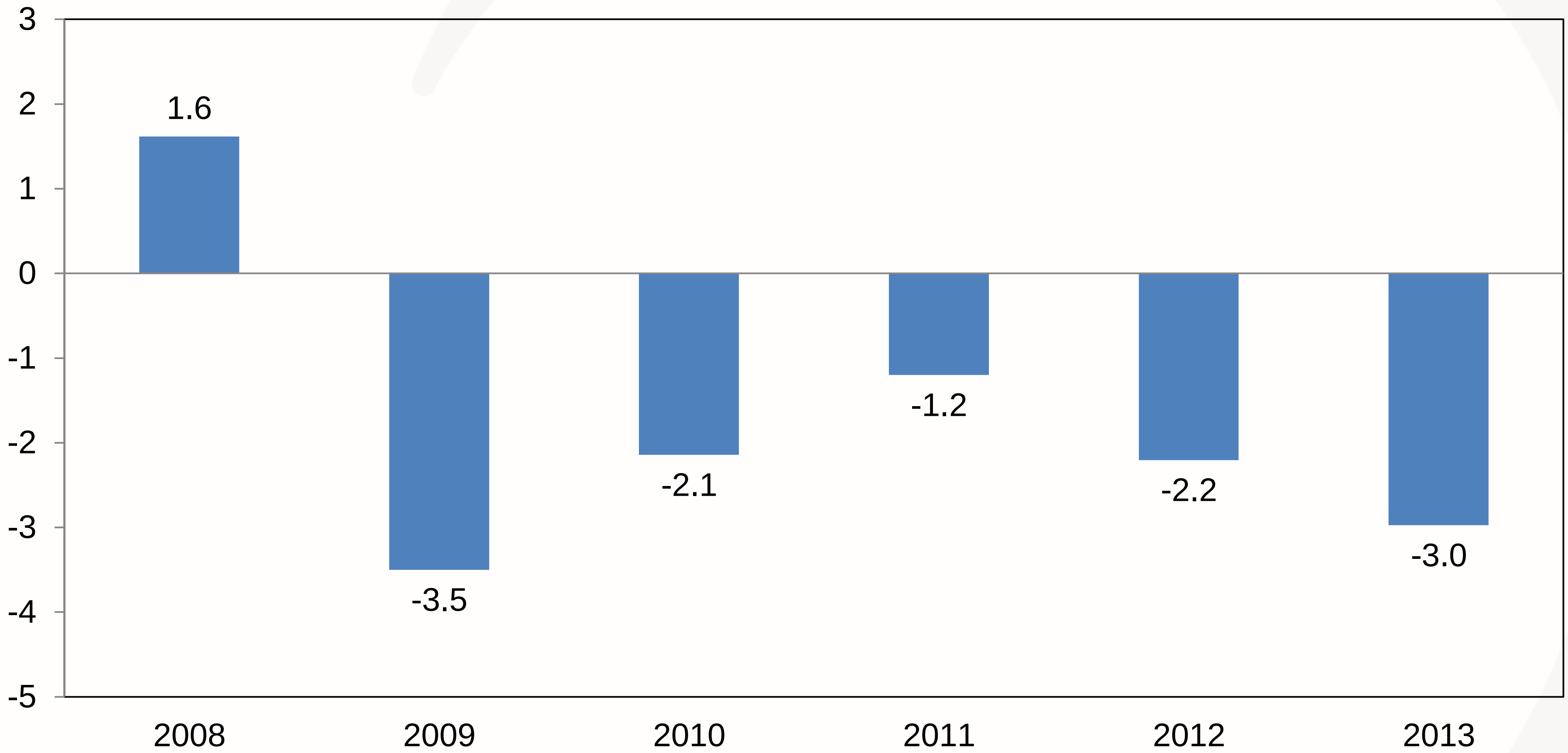
- The European Commission estimated that enforcing the Service Directive would boost GDP by 0.8% over a 5-10 year period (2.6% in case of full implementation)
- In Italy structural reforms already introduced would lead to 2.5% additional GDP in 2020 (of which 1.2% for liberalization and simplification)

Product market regulation improving in Europe



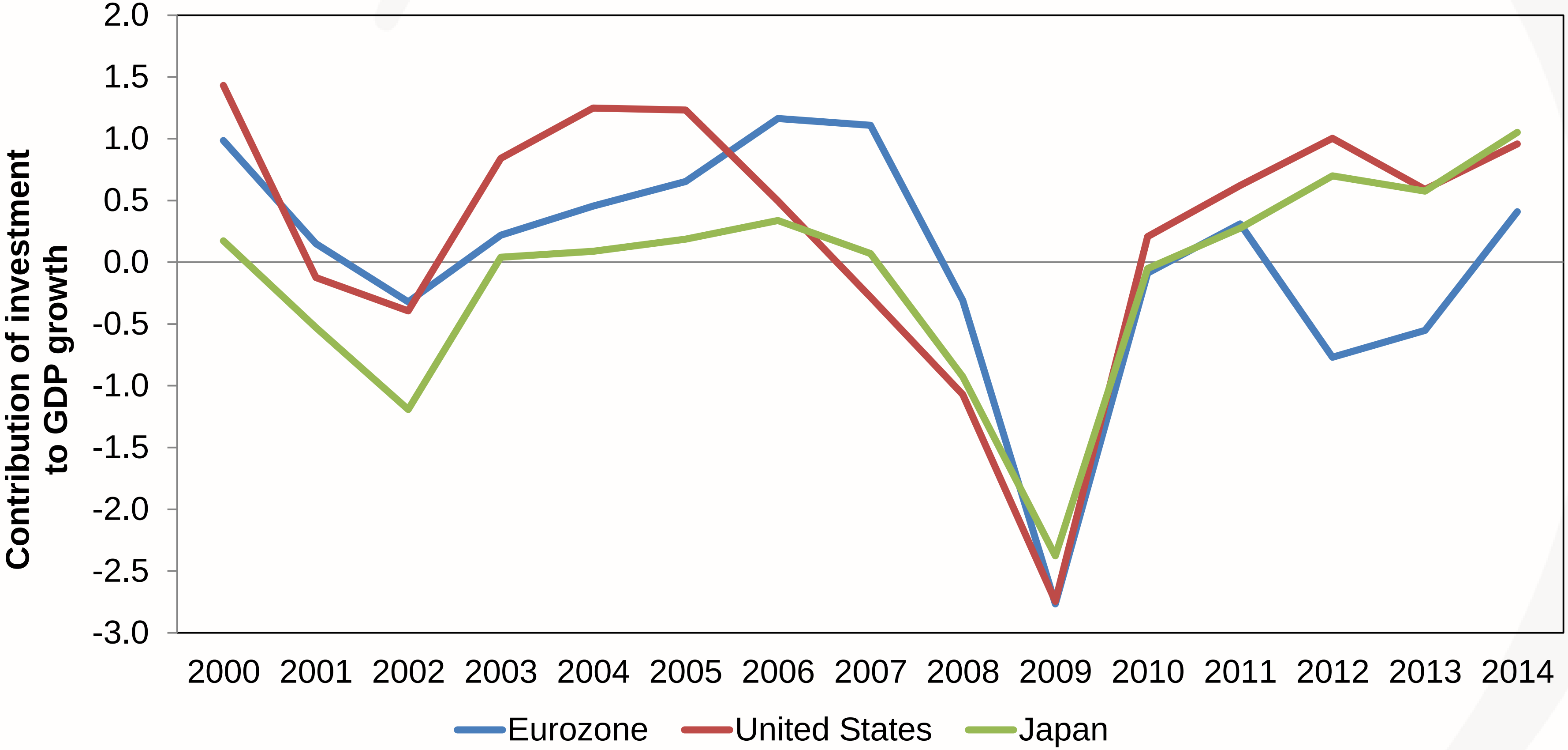
Source: OECD, Product Market Regulation Database.

Output gap in the Eurozone still close to -3%



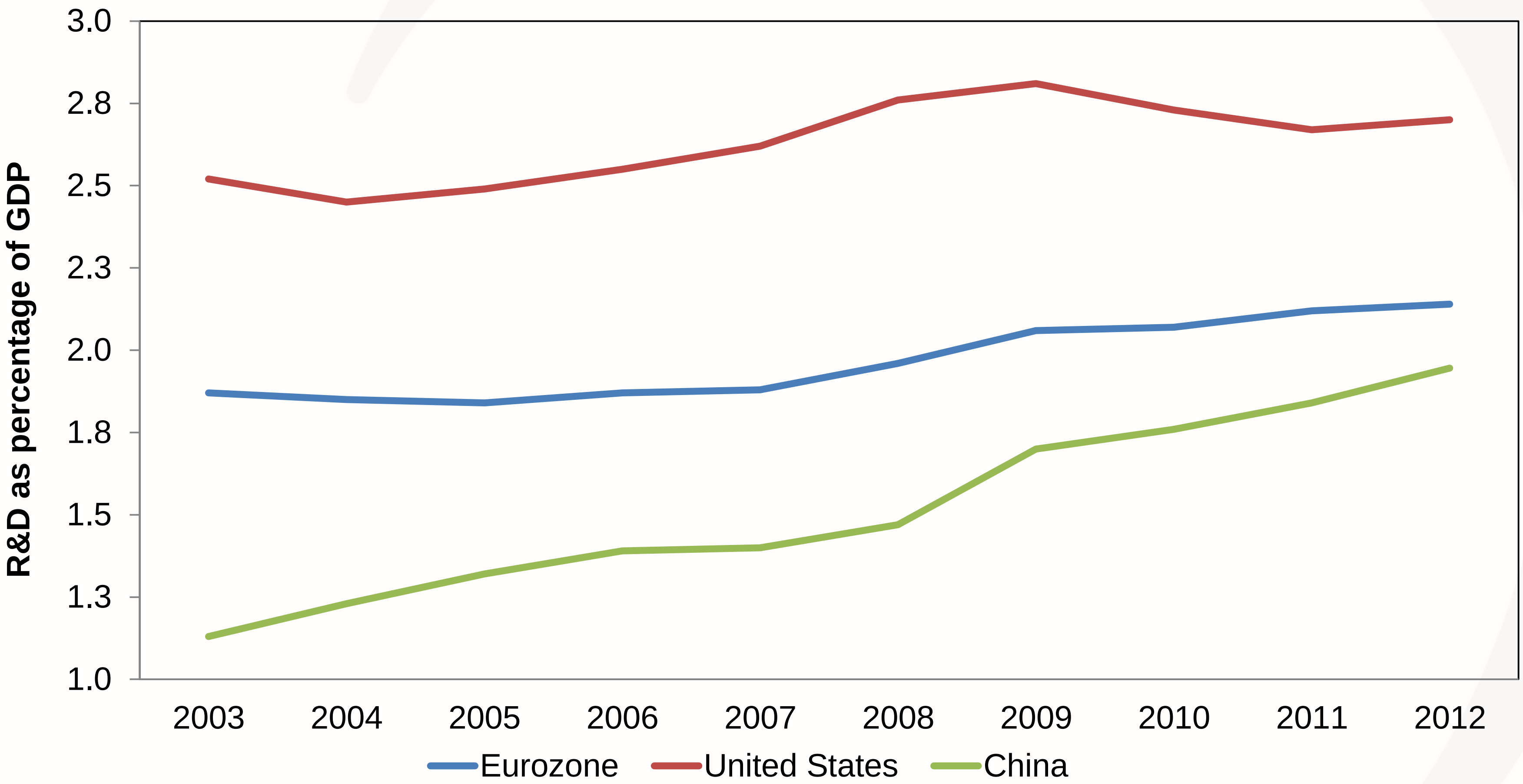
Source: European Commission.

Low confidence and weak competition breed low investment and low investment breeds low growth



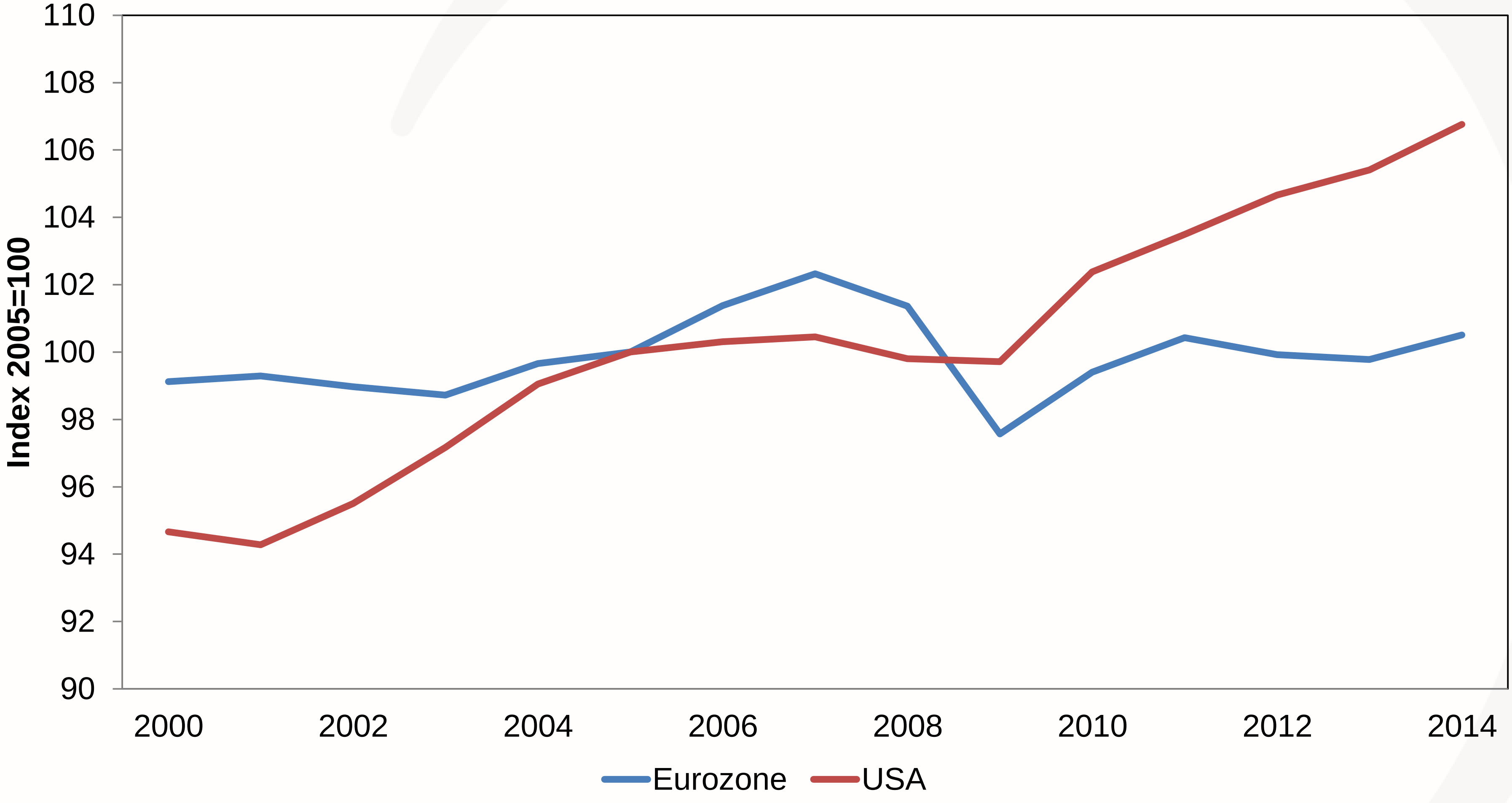
Source: Eurostat.

Low investment implies weak innovation



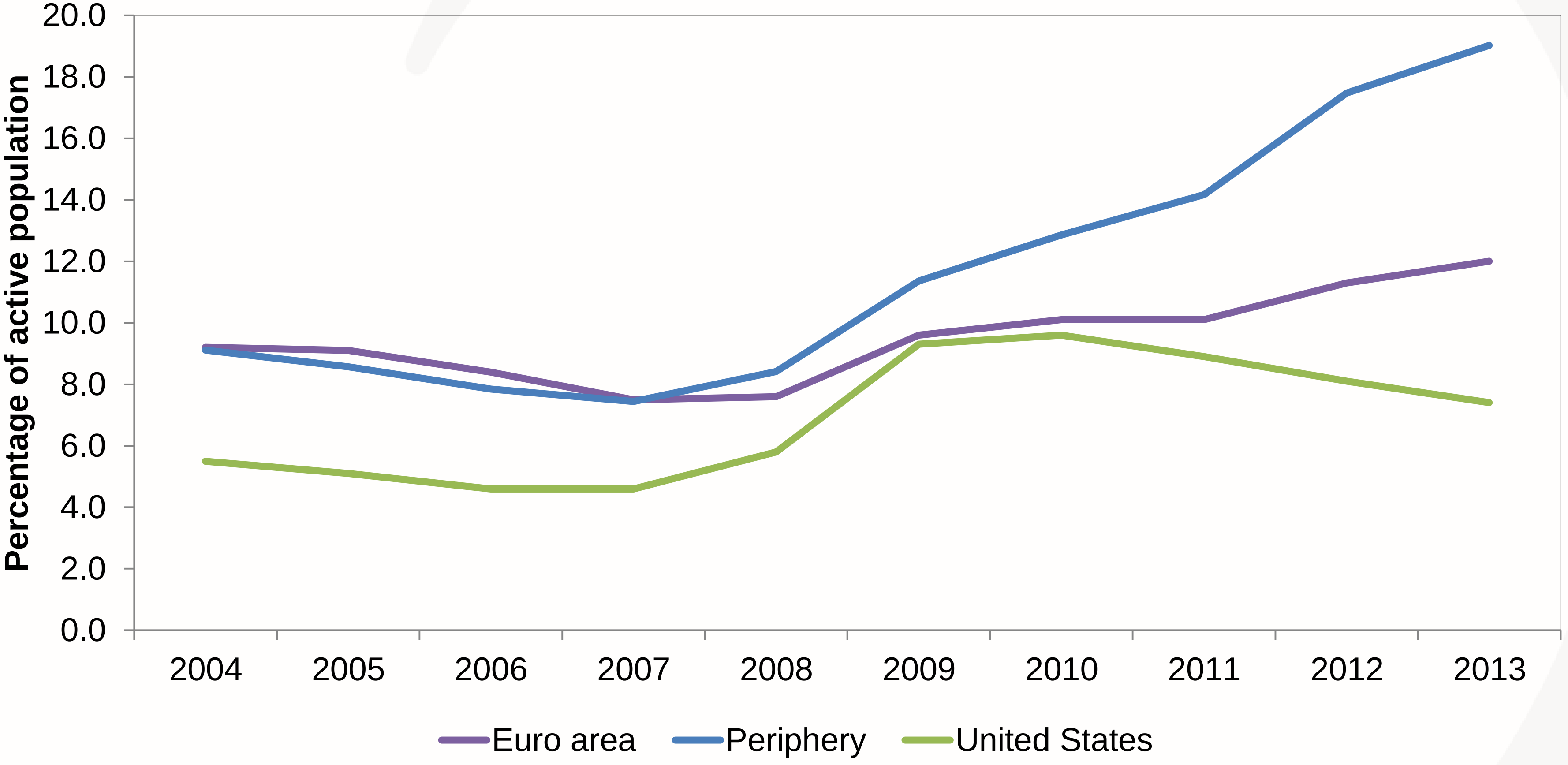
Source: Eurostat.

Weak growth of TFP in Europe



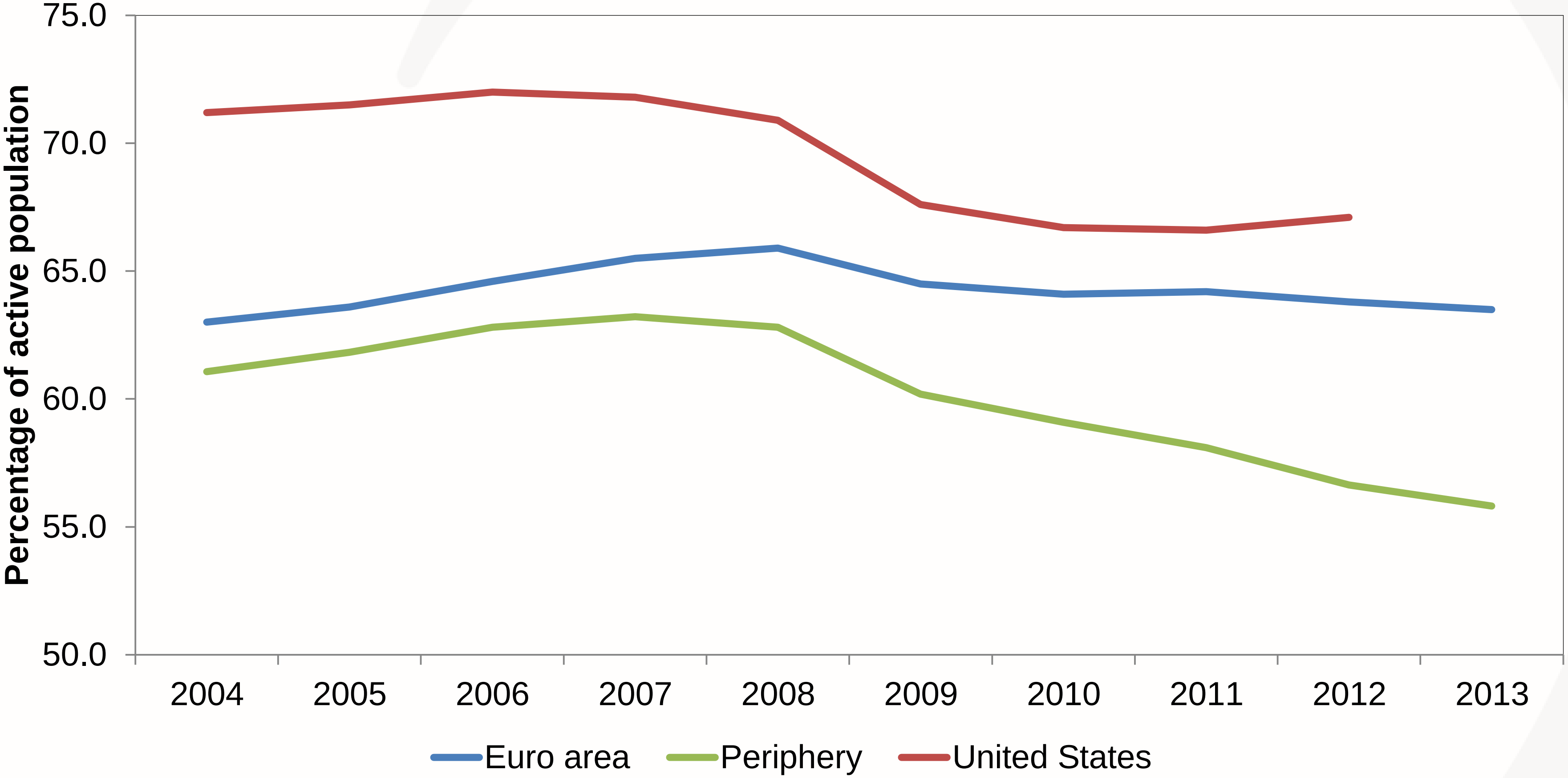
Source: Eurostat.

Increasing unemployment in Europe, mainly in peripheral countries



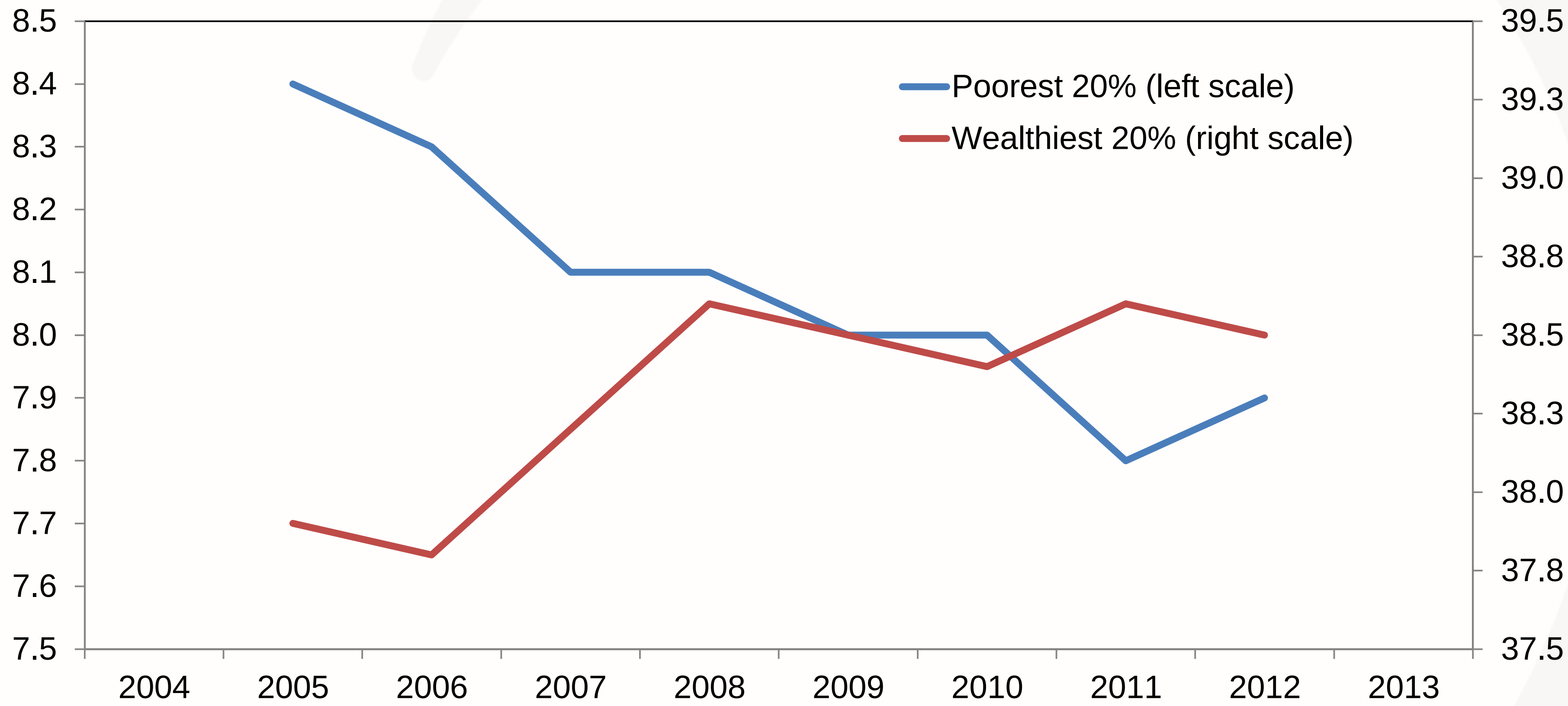
Source: Eurostat.

Employment lagging in Europe, declining in peripheral countries



Source: Eurostat.

Low growth and resource misallocation increase inequality. Inequality slows down consumption and growth



Note: Share of «equivalised» income in the Eurozone.
Source: Eurostat, EU Silc.

Dipartimento del Tesoro

European Institute 'Perspectives on Europe' lecture series

The EU Economy After the Great Recession

Pier Carlo Padoan

Italian minister of economy and finance

Professor Maurice Fraser

Chair, LSE

Suggested hashtag for Twitter users: **#LSEEUecon**