



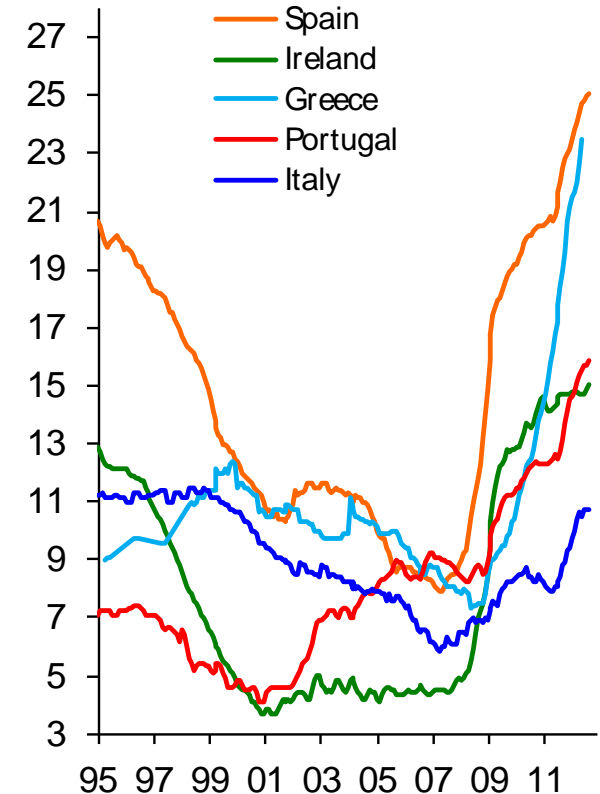
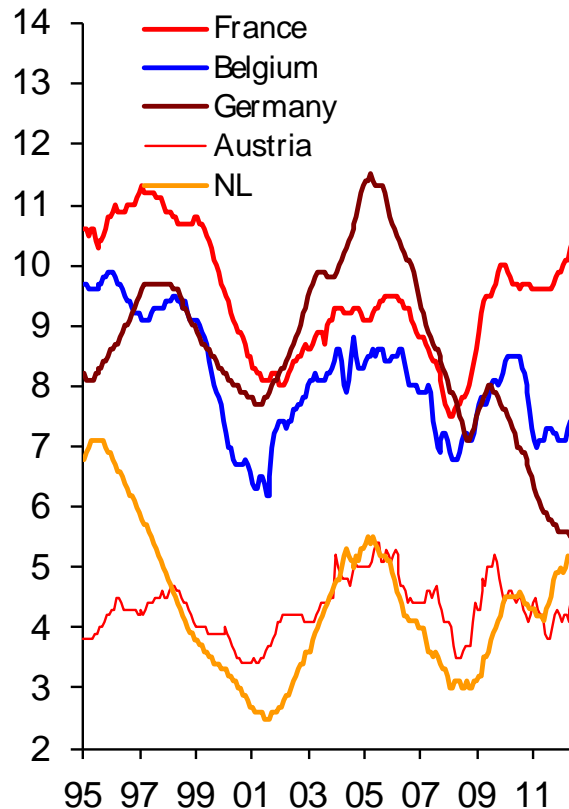
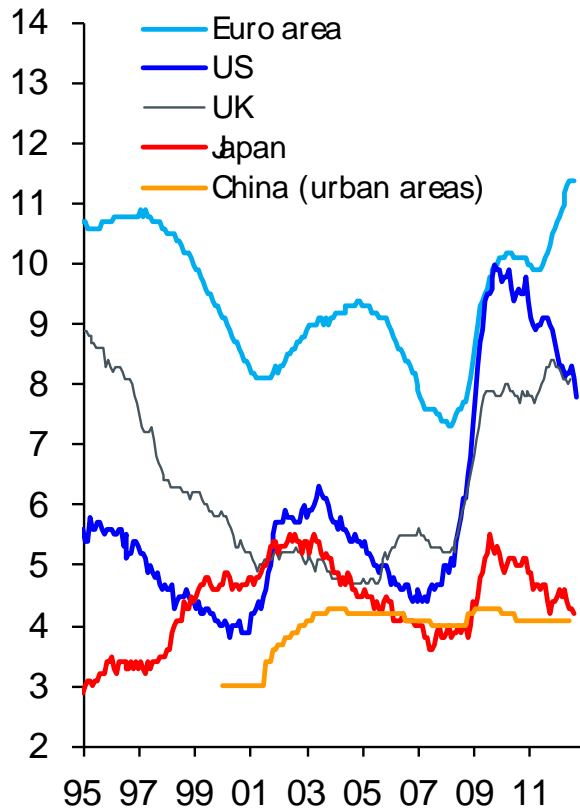
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# Comments at ECMI conference

18 October, 2012, Brussels

# Europe *must* tackle surging unemployment in the south

## Unemployment rates (%)



Source: Barclays Research, Haver

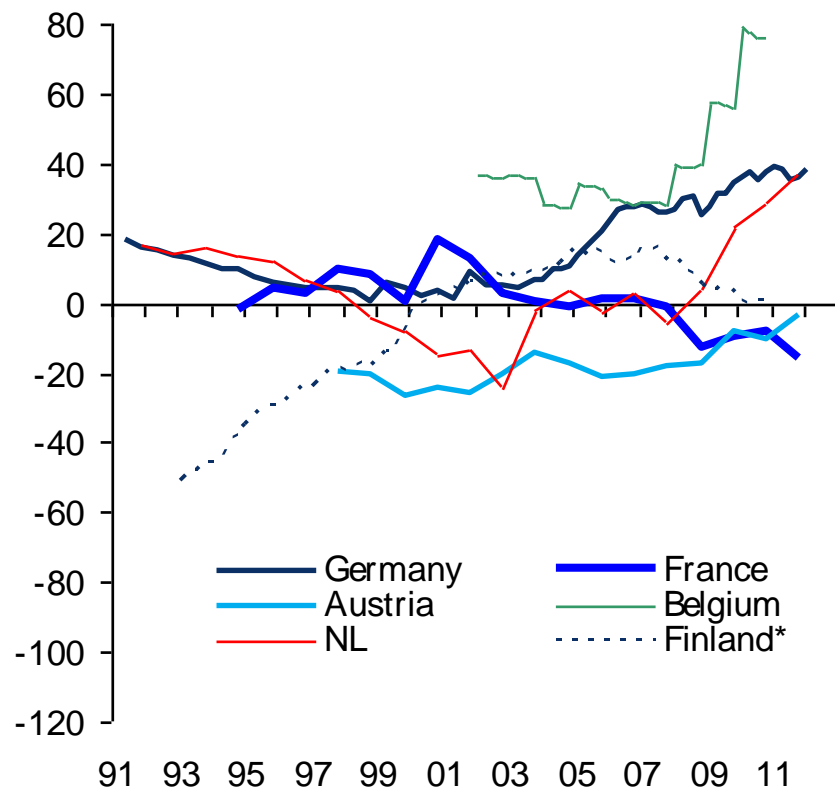
- Unemployment has begun to fall more sharply in the US, while it continues to decrease in a sustained way in Germany. However, it is surging in the 'periphery' in Europe

# But investment positions still very negative

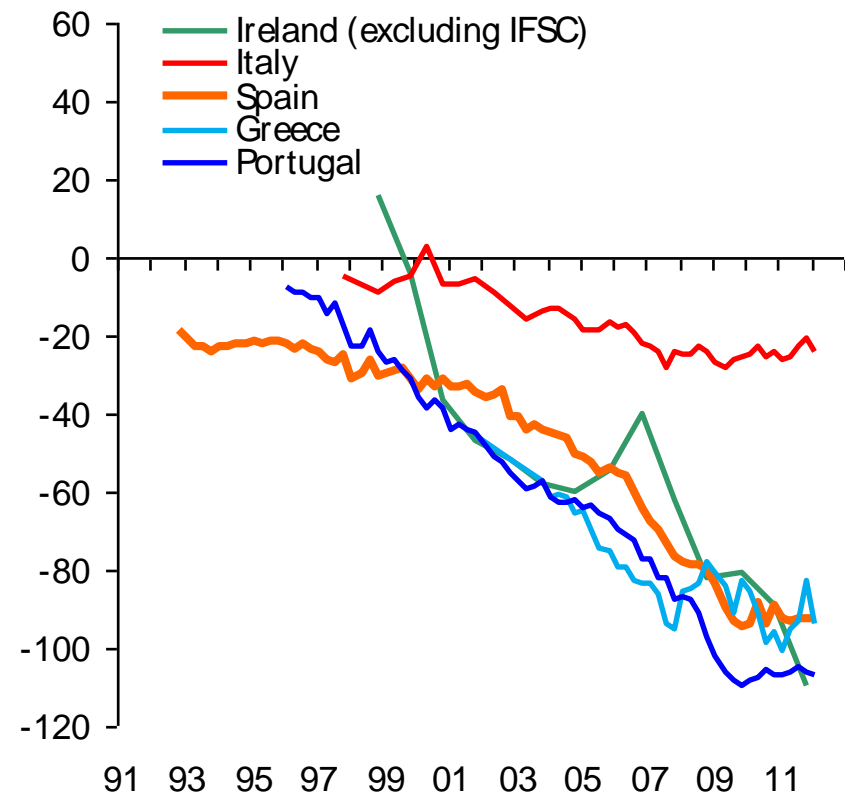
- The divergent trends in current accounts are reflected in major divergence in net international investment positions, with the “core” generally in strong surplus . . . But the “periphery” generally in a very negative position (Italy to a much lesser extent)

## Net international investment position (% GDP)

### “Core”



### “Periphery”



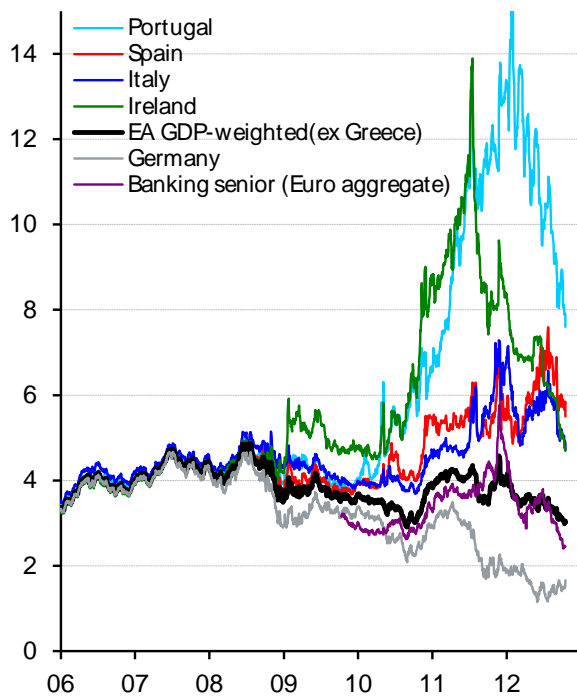
Source: Haver Analytics; Barclays Research \*Finland excludes equity portfolio position

# ECB 'LTROs' were needed to restore market confidence

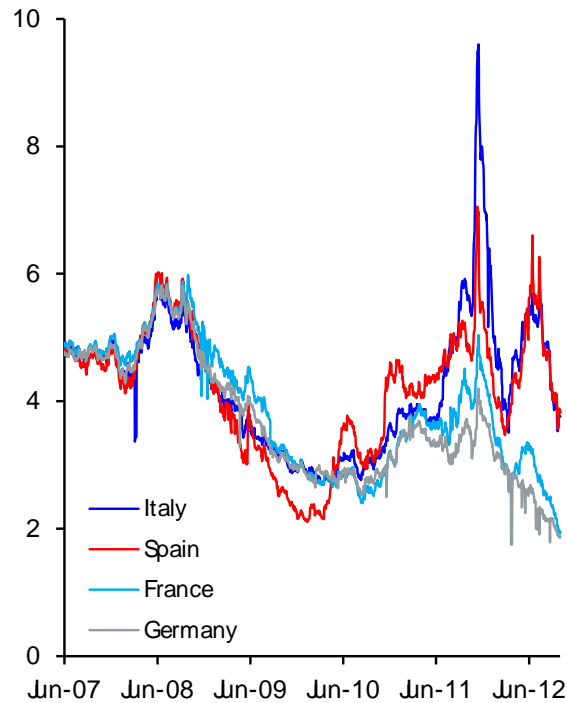
- The euro area GDP-weighted bond yield has been running around 3.0% (ex Greece)
- The rising divergence of bond yields is leading to a pronounced tightening of monetary conditions in the periphery: gap still too wide in periphery (RH chart below)

## Increasingly divergent financial conditions across the euro area

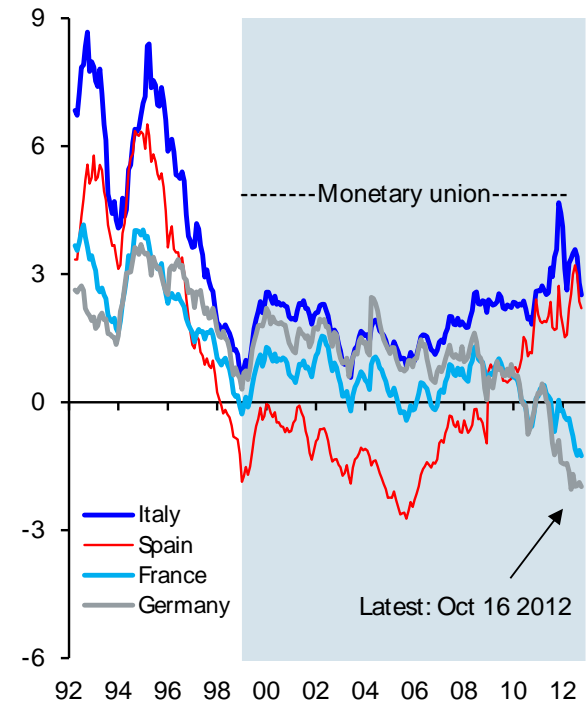
10y sovereign yields (%)



Senior bank debt yields (%)



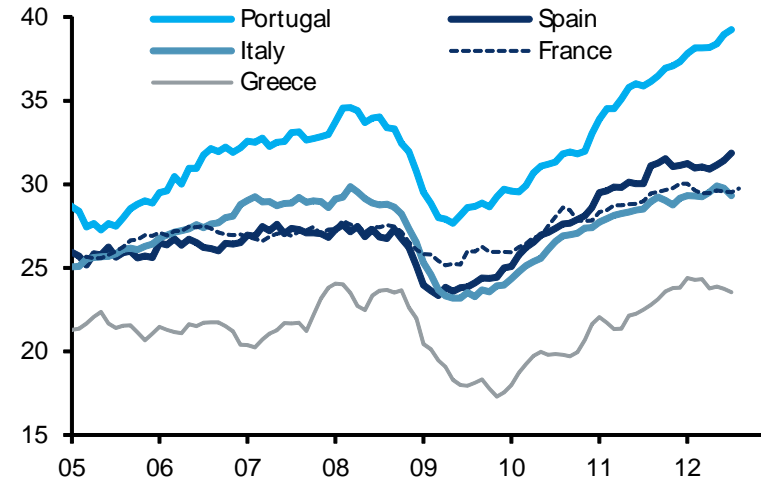
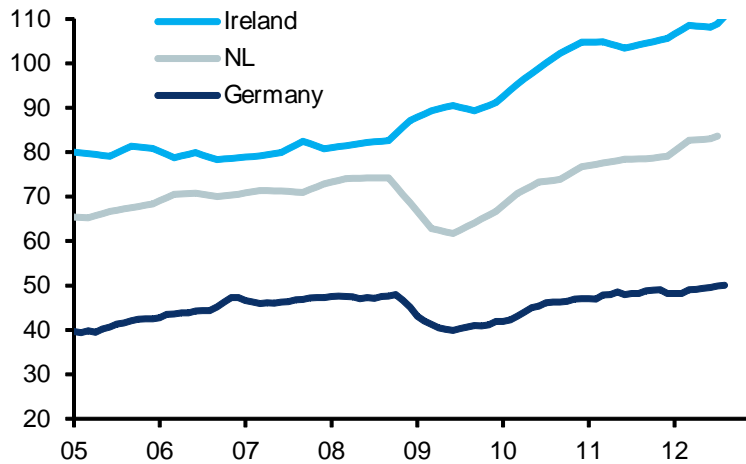
10y sovereign yields minus nominal trend growth  
(real potential growth+5Y inflation expectations)



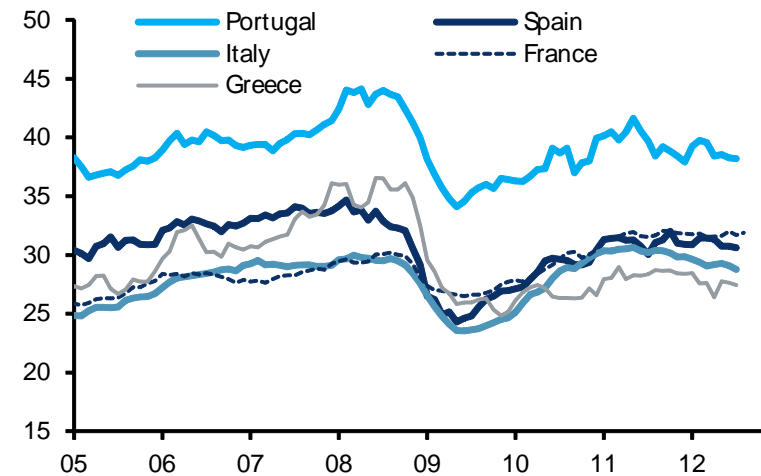
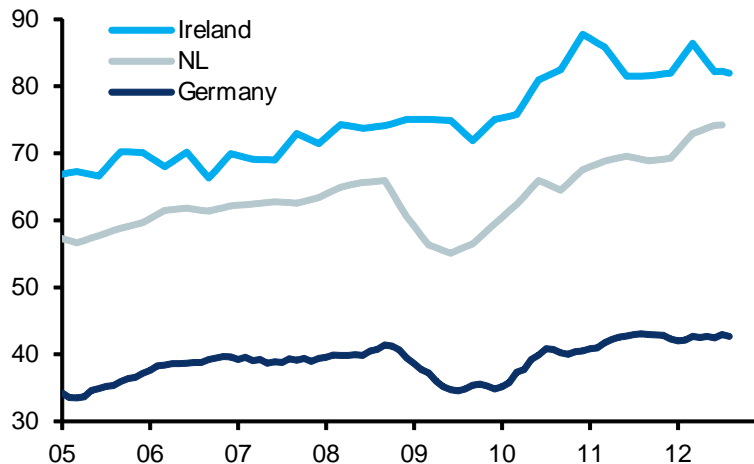
Source: Barclays Research, Haver Analytics

# A closer look at exports and imports across the €area

Exports of goods and services, % GDP (3m ma, SA)



Imports of goods and services, % GDP (3m ma, SA)



Source: Haver Analytics. Latest update: 7 October 2012