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Euro Monitor 2016
Waning reform momentum

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1. WANING REFORM MOMENTUM

Despite all the political uncertainties and challenges, in economic terms the eurozone is doing fairly well. In 2016 average growth in the eurozone was above potential for the second year running. The stable, albeit moderate, recovery is helping the eurozone to eradicate the scars wreaked by the euro crisis. After some eight years the bloc's gross domestic product has climbed back to its pre-crisis level. Unemployment and public-sector debt both fell appreciably last year and any lingering fears of deflation can now be shelved.

However, despite the healthy economic performance in 2016, the eurozone failed to make progress in reducing macroeconomic imbalances. That is the result of this year's Euro Monitor, with which we gauge the stability or health of the eurozone economies every year using 20 indicators. After three years of steady improvement, our overall indicator, which to some extent represents the stability of economic growth, has now slipped slightly. So what's going on?

In the years since the euro crisis the Euro Monitor was able to clock up major improvements. Since 2012 the average rating for the eurozone has climbed by almost 1.5 points and, at 6.5 on our scale of one to ten, is now comfortably mid-table in our ranking. Moreover, there are no longer any eurozone countries in the critical zone (1-4 points). This is not only thanks to the reform efforts undertaken in the former crisis countries, but also due to the wide economic recovery. The 2016 results of the Euro Monitor indicate that growth alone is no longer enough to boost stability in the eurozone. To speak of a bitter reversal would be overdone, nonetheless the decline in the overall rating for the eurozone should be seen as a wake-up call that reform efforts need to be stepped up again.

The easing crisis mood, ultra-loose ECB monetary policy and positive economic growth have all reduced the pressure to implement reforms. Furthermore, the erosion of support for the main parties in the face of rising populism and growing political disgruntlement is hampering the implementation of reform plans. The waning reform momentum can also be seen in the results of this year's Euro Monitor: The breakdown of the indicator set into longer-term level parameters on the one hand and, on the other, indicators flagging up shorter-term progress or reversals in reducing weakness/expanding strengths (see box below) shows that the level indicator rose again slightly in 2016, whereas the progress indicator lost momentum.

With its ultra-loose monetary policy the ECB has bought time to implement reforms, but the window of opportunity has not been sufficiently used. This is particularly striking in the case of the two core eurozone countries, France and Italy. In both countries, the lingering economic problems failed to jolt them into action. In the country comparison, France and Italy have both lost substantial ground in recent years and have fallen from midfield to the bottom of the table. Indeed, they now lag some way (0.5 points) behind the former crisis countries. And yet, precisely now, the relatively rosy economy outlook would make it easier to press ahead with key structural reforms and, where necessary, austerity with less pain than in times of crisis. The most recent member states to join the currency union, such as the Baltic economies for instance, perform substantially better in our eurozone ranking. In the overall eurozone ranking, Slovenia and the Slovakia actually come in third and fourth behind Germany in first place and the Netherlands in second.

Reducing imbalances is a protracted process requiring considerable discipline and

perseverance. But it is the only way to strengthen the eurozone in the long term. In 2017 the monetary union is celebrating the 25th anniversary of the Treaty of Maastricht. The occasion should give pause to reflect on the future development of the currency union. In our opinion, the central question which needs to be answered is: How can the eurozone be rendered crisis-proof in the long term if two of its largest members are dragging their feet on the reform front. Carrying on as before is certainly not an option.

Box: What contributes to economic stability?

Economic stability in the individual member states is essential to safeguard prosperity and underpin the credibility of the single currency. A host of factors play a role when determining whether an economy is stable. As a macroeconomic monitoring system, the Euro Monitor aims to expose existing and emerging imbalances in order to flag up the aberrations of the kind that led to the sovereign debt crisis in the euro area in a timely fashion. Given the influence that the financial markets have over the stability of individual member states and, as a result, over the euro area as a whole, the criteria must by definition rely heavily on macroeconomic data which financial markets consider to be material. We have developed what we believe to be a balanced measurement concept for economic stability in four key categories:

- Fiscal sustainability
- International competitiveness
- Employment and productivity
- Private and foreign debt

The past few years have shown that most of the structural weaknesses that many EMU countries are grappling with can only be resolved over a long period of time. The most important thing, however, is that reforms and consolidation efforts are made to get things moving in the right direction and that progress is made in reducing imbalances. Financial markets often attach more importance to the rate of change than to the level of a parameter.

In each category, we make a distinction between indicators that show longer-term strengths and weaknesses and indicators that measure the progress made in reducing weaknesses/developing strengths. The first category tends to consist of parameters or ratios. The progress made in reducing imbalances tends to be expressed in the form of flow variables or changes in parameters and ratios. We then combine these two groups of indicators to form one sub-indicator for existing strengths and weaknesses (level indicator) and one sub-indicator that shows the progress made in reducing weaknesses (progress indicator). Both sub-indicators contain ten individual indicators each, meaning that they cover a very broad area.

Fiscal sustainability

The first economic stability category looks at "fiscal sustainability" based on four indicators: the government debt level and interest payments, both expressed in relation to gross domestic product, indicate the solidity of state finances, although long-term changes only tend to occur after a number of years. High debt levels do not necessarily translate into a considerable interest burden for a country's budget if investors are prepared to lend the government money at a low interest rate, as in the case of Japan, for example. Unlike with the debt level, new government borrowing is an area in which fairly rapid improvements can be made. We have used net lending/borrowing as a fiscal indicator because, as a Maastricht criterion, it is one of the indicators that the financial

markets keep a close eye on. We have also looked at structural net lending/borrowing and, if the overall balance is negative, at the rate of change in each case, because this parameter is of paramount importance in the reformed Stability and Growth Pact and is also deemed to be a better gauge of consolidation progress than the unadjusted balance.

International competitiveness

Competitiveness is a complex phenomenon and can be measured based on a whole range of different parameters. In this category, we have used three indicators that look at longer-term developments, and two focusing on shorter-term trends:

Without flexible exchange rates, above-average price and cost trends translate directly into a loss of competitiveness. Divergent wage trends, for example, are likely to be one of the main causes behind competitive differences and external imbalances within the euro area. Consequently, we have used nominal labor costs per unit of production as an indicator for assessing price competitiveness. We have looked, on the one hand, at the annual change in unit labor costs but also, on the other, at the longer-term trend, i.e. the extent to which structural imbalances have emerged. This shows the cumulative deviation of unit labor costs from what we deem to be a stable development level, i.e. an annual increase of 1.5%¹ since 2000.

But a lack of competitiveness is not only caused by cost disadvantages. The root can also lie in a lack of product innovation or a less attractive product range. Within this context, the development of a country's global trade share is a key sub-indicator, because this parameter also reflects changes in the quality and structure of the goods offered by a country on the global markets. The change in the share of global trade is compared with the year 2000. As with unit labor costs, however, we also take a look at the shorter-term trend to see whether real goods exports are expanding at a faster or slower rate than global trade in the year in question.

After all, a country could well have a stable or increasing share of global trade, but ultimately might not have a sufficient export base to cover its imports. This is why we have used the ratio of exports to GDP as a further indicator, although our rating scale differentiates between small and large economies. In large economies, the domestic sector tends to be bigger in relation to foreign trade than in small economies.

Jobs and productivity

The third category looks at "imbalances" on the labor market and the efficiency of a country's economic output: the financial markets generally consider countries boasting higher economic growth to be better equipped to tackle debt problems. A country's economic performance is tied to its growth in employment and labor productivity.

A high employment rate and low unemployment rate point towards balanced labor market development and are also a prerequisite for the good utilization of macroeconomic production capacities. As a result, we have included the employment rate and the unemployment rate as indicators in this category. Major imbalances on the labor market, however, are virtually impossible to resolve in the short term. In order to record the progress made nonetheless, we have also looked at the changes in the unemployment rate and the number of people in work in a year-on-year comparison. We

¹ Labor costs are a major determinant of domestic inflation. The target path of a 1.5% increase in labor costs per year is more or less consistent with the ECB's price stability norm (close to but below 2%) if we include other costs, such as higher indirect taxes and phases of rising commodity prices, which result in further inflation pressures per se.

have measured productivity based on the change in productivity per person in work on a year earlier. Along with the change in the number of people in work and productivity per person in work, GDP growth is implicitly included in this category. Economic momentum provides key support in tackling a large number of structural weaknesses.

Private and foreign debt

For an economy to be stable, moderate government debt is not the only prerequisite; it is also extremely important for economies to keep a tight rein on private and foreign debt. Not least given the risk that private debt will transmute into a state liability. The property bubble that emerged in a number of countries triggered a dramatic rise in the demand for loans and a marked increase in household debt. Consequently, the Monitor looks at the level of the private debt ratio and its trend – measured in terms of the changes over the past three years. Similarly, it also includes both the level and the changes in the debt ratio of non-financial corporations.

As far as foreign debt is concerned, we have used the current account balance and the "net international investment position", which is based on a concept developed by the IMF and serves as a sort of "external solvency ratio" that is expanded to include capital market positions.²

Economies that have been reporting considerable current account deficits for many years generally need a long time to return to a more sustainable foreign asset position.

20 indicators to evaluate economic fundamentals and the four key categories of economic stability

Fiscal sustainability		Competitiveness	
C1	(1A) Gross government debt as % of GDP (1B) General government interest payments as % of GDP	C2	(2A) Exports in relation to GDP (2B) Unit labor costs, deviation from the target path of 1.5% rise per year in index points (2C) Global merchandise trade shares, exports, deviation from base year 2000 in %
	(1C) General government deficit/surplus as % of GDP (1D) Change in the structural balance of general government as % of potential GDP		(2D) Annual change in nominal unit labor costs in % (2E) Growth in export of goods (real) - growth in world trade volumes (real) in %-points
Jobs & productivity (Labor market und growth)		Private & foreign debt	
C3	(3A) Unemployment rate in % (3B) Employment rate in %	C4	(4A) Debt-to-GDP ratio of households (4B) Debt-to-GDP ratio of non-financial corporations (4C) Net international investment position as % of GDP
	(3C) Annual change in the unemployment rate in %-points (3D) Annual change in employment in % (3E) Annual change in (real) labor productivity in %		(4D) Debt-to-GDP ratio of households, change over three years in %-points (4E) Debt-to-GDP ratio of non-financial corporations, change over three years in %-points (4F) Current account balance as % of GDP

In order to enable an assessment of the 20 indicators and to tally the individual results up to produce the overall indicator, the values for each indicator are expressed on a scale from 1 (very poor) to 10 (very good). We have defined three rating classes: values 1-4 signal poor performance and an alert threshold, 5-7 indicate middling performance and 8-10 good performance.³ If, say, a member state has a government debt level of more than 60% of GDP, it is assigned a poor to moderate indicator rating of between 1 and 7

² According to the IMF, the net international investment position refers to the stock of external assets minus the stock of external liabilities. The data includes direct investment, securities investments, financial derivatives and other investments, as well as currency reserves. The indicator is expressed as a percentage of GDP.

³ The

rating spectrum for each indicator is set out in the appendix on pp. 28 et seq.

depending on the actual debt level. If the debt ratio is lower than 60%, the country is assigned a good indicator rating.

Since the individual indicators are assigned an equal weighting in the overall rating score, the overall score for each country corresponds to the average rating of all 20 indicators, meaning that it is also expressed as a value from 1 to 10. The country rating is calculated as the average of the individual indicator ratings in the sub-indicator for existing strengths/weaknesses, in the progress indicator and in the four categories.

2. KEY FINDINGS OF THE 2016 ALLIANZ EURO MONITOR

- Small setback in the overall eurozone assessment:** After an uninterrupted three-year period in which the overall indicator went from strength to strength, in some cases considerably so, economic stability in the eurozone deteriorated again slightly in 2016. After 6.7 points in 2015, the average overall indicator for all EMU countries comes in at 6.5 points, which is still the second-highest level seen since 2008. In most countries public-sector deficits and employment improved somewhat, whereas structural budget deficits, export growth in relation to global trade dynamics and productivity growth all slipped, resulting on balance in a slight deterioration. It wasn't bad news across the board: Thirteen countries were able to improve on their rating in 2016 compared with 2015, with only five losing ground. One country's average score was unchanged in a year-on-year comparison.

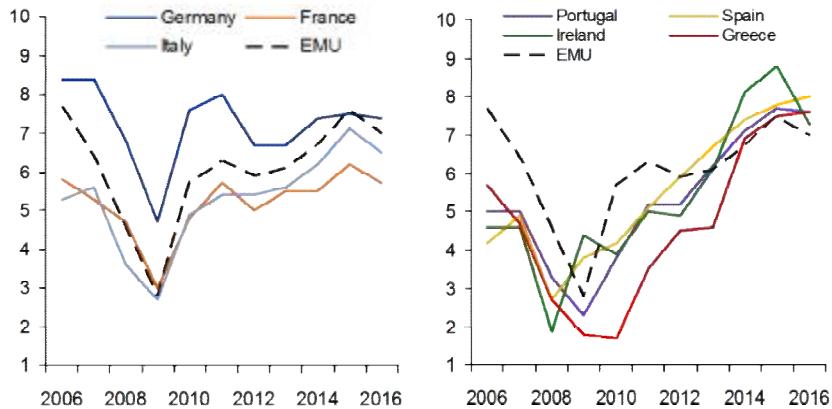
Euro Monitor Rating 2016

Rank 2016	Country Code	EMU Member State	Rating 2016	Rank 2015	Rating 2015	Rank 2011	Rating 2011
1	DE	Germany	8.1	1	8.0	1	8.1
2	NL	Netherlands	7.5	6	6.9	8	6.0
3	SL	Slovenia	7.2	2	7.1	8	6.0
4	SK	Slovakia	7.1	4	7.0	5	6.7
5	LU	Luxembourg	7.0	7	6.8	6	6.6
6	EE	Estonia	6.9	11	6.6	2	7.6
6	LV	Latvia	6.9	9	6.7	7	6.5
6	MT	Malta	6.9	2	7.1	13	5.0
9	AT	Austria	6.8	7	6.8	3	7.1
10	IE	Ireland	6.7	5	7.0	18	4.3
11	LT	Lithuania	6.6	9	6.7	3	7.1
12	ES	Spain	6.4	12	6.1	15	4.5
13	BE	Belgium	6.1	14	5.9	11	5.9
14	FI	Finland	6.1	18	5.4	8	6.0
15	GR	Greece	6.0	13	5.9	19	3.3
16	CY	Cyprus	5.9	19	5.1	16	4.5
17	PT	Portugal	5.9	15	5.7	17	4.4
18	FR	France	5.4	17	5.6	12	5.4
18	IT	Italy	5.4	16	5.7	14	4.9
	EZ19	Eurozone	6.5		6.7		6.0

- Slightly negative shorter-term trend:** The drop in the overall indicator is due primarily to less shorter-term progress made in reducing imbalances. Although this sub-indicator is still sitting in fairly positive territory at an average of 7.0 points for all EMU countries, the value for 2015 was as high as 7.5 points. The downward trend is due to a slowdown in labor productivity growth to a more moderate level, setbacks affecting efforts to whittle down the structural deficit and the relatively disappointing development in exports compared with global trade. By way of

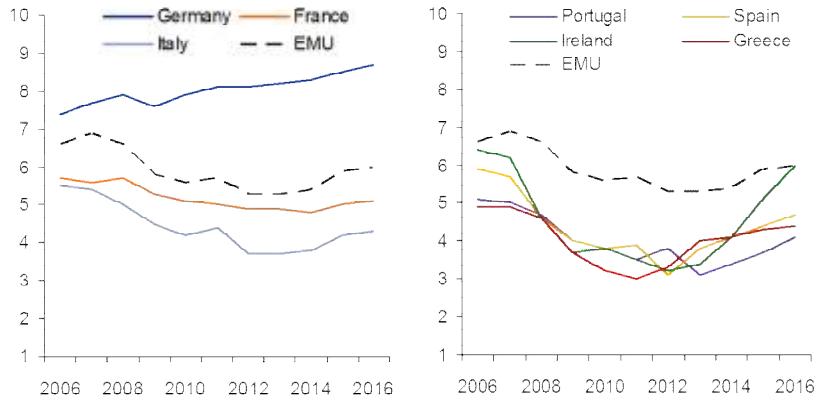
comparison: in the crisis-ridden year of 2009, the sub-indicator was still clearly stuck in the "alarm bells zone" at only 2.8 points.

Euro Monitor progress indicator over time



- **Marginal improvement in the level indicator:** The evaluation of the longer-term weaknesses/strengths showed only a marginal improvement from 5.9 to 6.0 in 2016. The scores for the indicators "global export share" and "employment rate" showed a slight improvement and are now no longer considered to be at a critical level. The level indicator, however, is still hovering close to the low point of the last ten years, namely the 5.3 points seen in 2012/13. This shows that the economy is still haunted by the specter of the debt crisis and that the clean-up work started in the wake of the financial and economic crisis is making only slow progress and will not be completed for a long time yet.

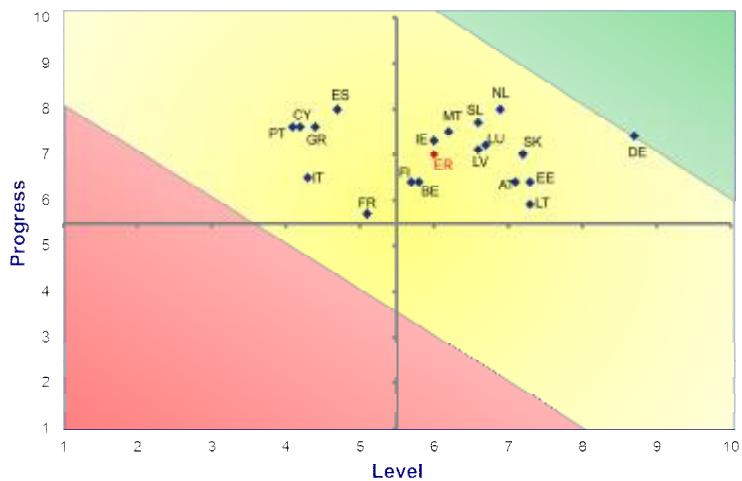
Euro Monitor structural indicator over time



- **Winners....**Germany remains in pole position within the euro area in terms of economic stability, with an overall score of 8.1 in 2016. This is due, in particular, to the country's solid performance in the fiscal sustainability and private and foreign debt categories. Germany is still the only EMU country that falls into the "good" category. The Netherlands follows Germany in second place, albeit lagging quite a way behind with 7.5 points, with Slovenia hot on the Netherlands' heels with a score of 7.2 points.
- **...and losers:** France and Italy share the bottom spot in our overall rankings this year with 5.4 points, putting them quite a way behind Greece and Portugal, which both score 5.9 points. This poor placing is due to the fact that France and Italy have

allowed the economic imbalances to grow again, especially in the category competitiveness, whereas Greece and Portugal are at least moving in the right direction. The negative trend leaves its mark on the progress sub-ranking, in which both Italy and France have lost considerable ground. Encouragement can, however, be taken from the fact that there are no longer any EMU countries with a critical rating overall, and that the worst score is higher than it was last year (2015: 5.1 points).

Euro Monitor 2016 Heatmap



- **Shooting stars of the year:** Looking at ranking improvements alone, the countries that moved up the most in the rankings in 2016 were the Netherlands, Estonia and Finland. Cyprus, on the other hand, made the biggest leap in terms of its overall score, which rose by 0.8 points to 5.9. This means that the former crisis country has climbed up three notches in our overall ranking, escaping the bottom spot for the first time since 2011.
- As far as the level indicator is concerned, Germany leads the field with 8.7 points. The Netherlands and Spain, on the other hand, top the progress indicator table with a score of 8.0 in both cases.
- **Weaknesses...**: Despite a slight improvement, the individual indicator that gave the most cause for concern in 2016 was once again the unemployment rate (2016: 10.0%). Only three countries – Germany, Malta and Austria – fell into the "good" category. The average EMU rating for government debt and labor productivity, which is virtually stagnating across the EMU, also remains in the critical zone with four points.
- **....and strengths:** Once again, the best results were achieved in the current account indicator (average EMU-rating: 10 points). The long-term development in unit labor costs has also been positive on the whole.
- **Conclusion:** All in all, the results of the Euro Monitor 2016 suggest that a greater willingness for reform is needed in the future if the eurozone wants to make further headway in terms of its economic stability. In the period from 2011 to 2015, the euro area took consistent small steps towards strengthening its economic stability. Countries like Ireland and Portugal, which have been making considerable reform and consolidation efforts in recent years, made particularly pleasing progress. To

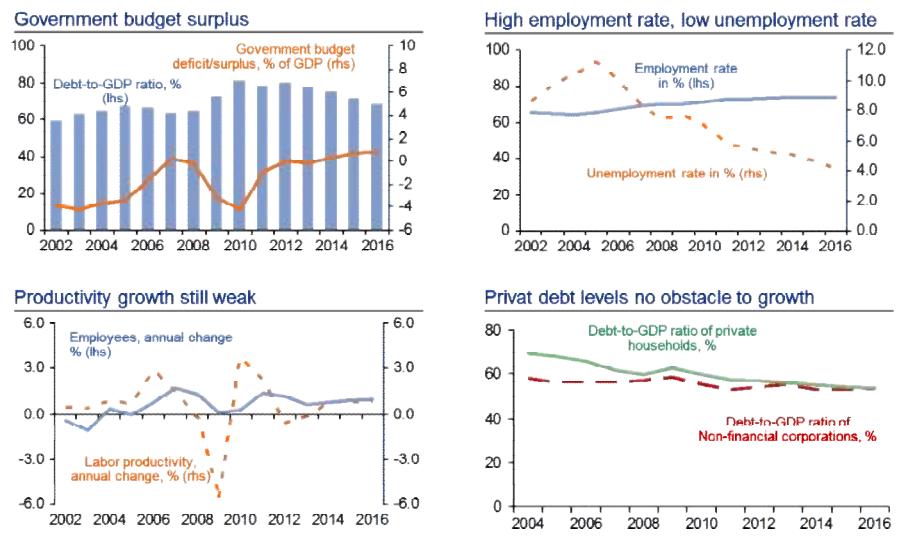
some extent, however, this positive trend was also encouraged by the sustained economic recovery. The EMU countries should regard the slight setback in the overall score for 2016 as a wake-up call.

Eurozone country profiles

Germany: Positive overall picture remains intact

- Germany managed to defend its top spot in the 2016 overall ranking with an overall score of 8.1 points, which is actually another slight improvement on the 8.0 points achieved in 2015. Germany owes its economic stability first and foremost to its solid debt situation and the prolonged economic upswing.
- But not all that glitters is gold and there are also cracks behind the positive overall picture. Labor productivity (indicator 3E), for example, has been the Achilles' heel of the German economy for years now and once again increased by less than 1% in 2016.

Germany: Euro Monitor strengths and weaknesses



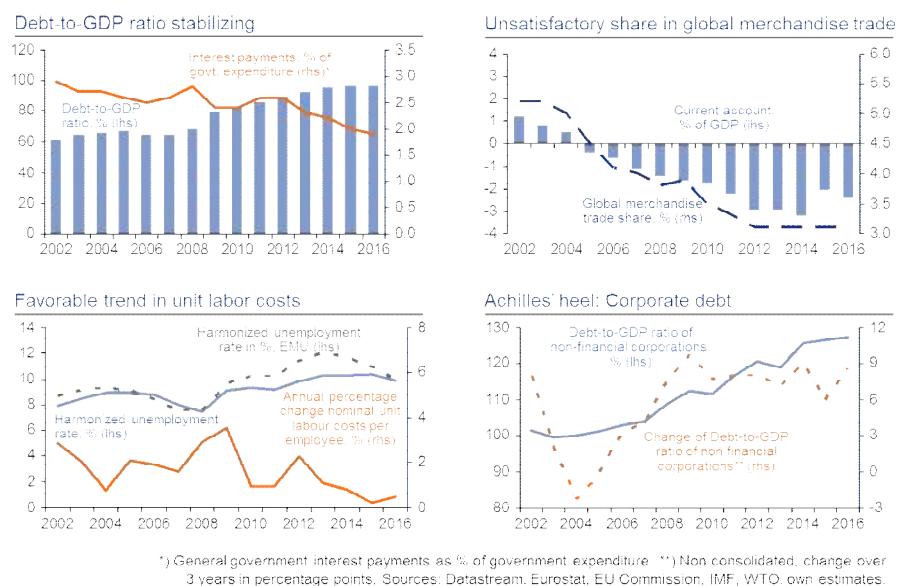
Sources: Datastream, Eurostat, EU Commission, IMF, own estimates.

- It comes as little surprise to see Germany fare so well in the level indicator, where it clocks up 8.7 points, if we consider the country's moderate debt ratios across all sectors and its low rate of unemployment by international standards. Its performance in the progress indicator is less impressive, at 7.4 points. Given that the current healthy economic situation is having a positive impact on many rates of change, a less favorable economic environment could soon spark a marked deterioration. In this respect, it is evident that Germany is currently not among the frontrunners when it comes to making structural economic improvements.

France: Slipped to the bottom – but there are rays of hope

- The overall score has dipped slightly on a year earlier to 5.4, leaving France sharing bottom spot with Italy.
- Exports remain a weak point: France's share in global exports is stuck at an unsatisfactory level (individual indicator score of 1). Looking at the increase in exports in relation to global trade growth, the rating fell back from 10 points in 2015 to 7 points, with foreign trade once again weighing on France's economic growth in 2016. The current account deficit has increased despite the depreciation of the euro, pushing the corresponding rating down 1 notch to 7 points.

France: Euro Monitor strengths and weaknesses

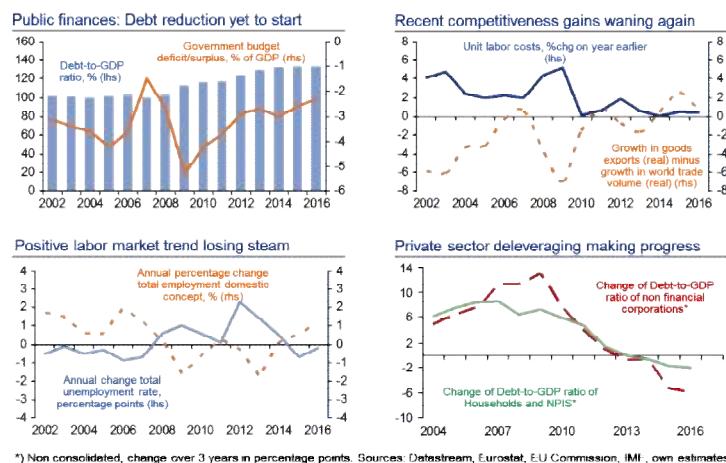


- By contrast, the fact that unit labor costs have been virtually stagnating since 2014 – a positive development in an EMU comparison and especially compared with Germany – comes as good news for France's competitive standing.
- Things have started to pick up on the French labor market, reflected in the individual indicators showing the change in the unemployment rate and employment. The upturn on the labor market is likely to continue given that France is, in our view, lagging behind in the economic cycle, i.e. is at an earlier stage of the economic recovery process than Germany, in particular.
- Although France fares better with regard to government finances than it does in our other three categories, the country is still weighed down by a high public debt level corresponding to 96% of GDP, and the budget deficit looks set to remain above the 3% mark (irrespective of which presidential candidate emerges victorious in the upcoming elections). The country achieves its highest individual indicator score in the assessment of the interest burden in relation to GDP, scoring a 9. Even a pronounced increase in the yields/spreads on French government bonds would not have a major impact on this ratio in the short-term, with the average interest rate on sovereign debt affected only little by little.

Italy: Reform setbacks

- Italy had three-tenths shaved off its rating in 2016, putting it in joint last place together with France with an overall rating of 5.4 points. In our last report, the eurozone's third-largest economy had been crowned one of the shooting stars of the year thanks to the considerable progress made in reducing imbalances.
- Our indicator suggests that Italy's reform agenda has ground to a halt. After all, while there was actually a minimal improvement in the level indicator despite little tailwind from the sluggish economic recovery (GDP growth of 1.0% in 2016), Italy slid five places to 13th in the sub-ranking that flags up progress in addressing weaknesses.

Italy: Euro Monitor strengths and weaknesses



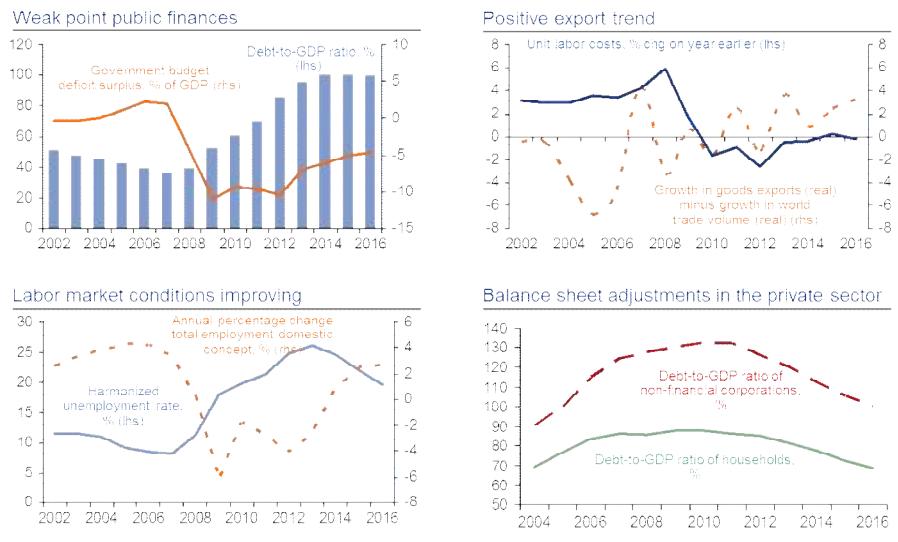
- The worst scores for Italy are in the "Employment and productivity" category, where the country is left holding the EMU's wooden spoon with a score of 4.0 points. Only slow progress is being made in the quest to reduce unemployment. Although the employment rate – which is the second-lowest in the eurozone at 57% – rose for the third time running in 2016, the relatively sturdy growth in employment (1.2% in 2016) is due first and foremost to tax incentives for recruitment. This also explains the slight drop in labor productivity year-on-year.
- Italy outperforms the eurozone average by far in the "Private and foreign debt" category, with only Germany and Slovenia topping its score of 7.8 points. This is due to the steady rise in the current account surplus (2.7% in 2016), the favorable international investment position and the renewed drop in moderate private-sector debt.
- Italy's Achilles' heel remains its government debt mountain, which equates to around 133% of its economic output. Despite the ongoing reduction in the interest burden on the budget (3.9% of GDP compared with 5.2% in 2012), consolidation is making little progress. On the contrary, the structural deficit increased by 0.6 percentage points in 2016.

Spain: On the right track

- Despite the ten-month political impasse during which Spain was left without a regular government, the country was able to slightly improve on its overall rating in 2016 (+0.3 points), with its score of 6.4 points allowing it to successfully defend its 12th place in the EMU-wide rankings.

- Spain has made real progress in reducing its macroeconomic imbalances over the last few years. Since 2013, the former crisis country has been among the clear top performers in the sub-ranking that measures shorter-term progress thanks to key structural reforms and strong economic growth, and actually took the top spot in 2016. Spain's ongoing poor position in the level indicator ranking (15th place) is testimony to just how painstaking the process involved in ridding the economy of the burdens of the past really is.

Spain: Euro Monitor strengths and weaknesses



Sources: Datastream, Eurostat, EU Commission, IMF, WTO, own estimates.

- State finances are Spain's biggest weakness. Despite posting brisk economic growth in recent years, debt reduction is making scant headway. Although some progress has been made in consolidating the budget, the sharp 1.1 percentage point rise in the structural budget deficit to 3.8% in 2016 comes as a disappointment and does not exactly inspire confidence in the country's ability to achieve a rapid reduction in its mountain of debt over the coming years.
- The Spanish labor market is on the rebound. Although the ratings for unemployment (19.7%) and the employment rate (60%) are still clearly in critical territory, significant progress has been made over the past few years and Spain has been rewarded with the top grade in 2016 for the second year in a row.

Netherlands: Clear improvement at a high level

- The Netherlands is one of the EMU countries that made the most progress in 2016. With an overall score of 7.5 points, the country moved up four places in the overall EMU ranking in 2016, putting it in second place.
- The Netherlands tops the EMU league as far as employment and productivity are concerned. With its high employment rate of 75%, it is the only country in the eurozone to be achieve top marks. The only individual indicator that showed negative development in 2016 was labor productivity, which is lurking close to critical territory at 5 points.
- When it comes to the sustainability of public finances, the Netherlands made significant progress again in 2016, although the country has long ranked among the EMU's top-performers in this category. The low interest burden, low budget deficit

and the rapid reduction in the structural deficit suggest that government debt (62% of GDP in 2016) will soon drop below the Maastricht benchmark of 60%.

- The Netherlands' worst results are in the "private and foreign debt" category. Although the country gets top marks for its stable net international investment position and high current account surplus (8.5% of GDP), the fact that private-sector debt remains at a dizzying level of more than 240% of economic output takes some of the shine off its success.

Belgium: Reduction in corporate debt stagnating

- Belgium ranked 13th in the overall ranking for 2016, with a score of 6.1 points. With a slightly improved score (+0.2 points) compared to the previous year, the country moves up one rung in the EMU ranking.
- The trend witnessed over the past few years is not positive: back in 2011, Belgium was still occupying 11th place in the overall EMU rankings. The fact that it is still managing to cling to a position in the middle of the rankings is due to its solid export basis, longer-term development in unit labor costs and the robust current account surplus, as well as its high net international investment position.
- Its weak points include sustained high government debt corresponding to 107% of GDP and the alarmingly high corporate debt level of 166%. While the consolidation of government finances is making progress thanks to the low interest burden on the budget and the moderate budget deficit (2.9% in 2016), insufficient progress has been made in reducing corporate debt to date. The household debt burden (63% of GDP) is much lower in comparison.
- Belgium scores moderate indicator readings in the employment and productivity category. The score for the employment rate (62% in 2016) and the change in labor productivity are both in the critical zone, at 3 points each. By contrast, the fact that the positive labor market trend picked up speed again ever so slightly in 2016 is an encouraging sign.

Austria: Still in the middle of the rankings

- With an unchanged score of 6.8, Austria has slipped down two places in the overall rankings to 9th place.
- This middling ranking is one that Austria owes primarily to its relatively solid starting position (5th place). This is due primarily to its robust labor market, the longer-term development in unit labor costs, the current account surplus and the balanced net international investment position. By contrast, Austria only manages to come in 14th in the sub-ranking that looks at the shorter-term success made in reducing imbalances.
- Austria's performance is in the fiscal sustainability category is disappointing: although its low interest burden and moderate budget deficit (1.4% of GDP in 2016) speak in its favor, the government debt ratio is still around 20 percentage points up on the pre-crisis level at around 84% of economic output. What is more, the structural deficit edged up by 0.9 percentage points in 2016, meaning that the score for the individual indicator has deteriorated by 6 points and is clearly in the critical zone at 2 points.
- Austria boosted its competitive standing considerably last year from 6.2 to 7.0 points. Improvements were made in particular in the development of unit labor costs and export developments in relation to global trade growth.

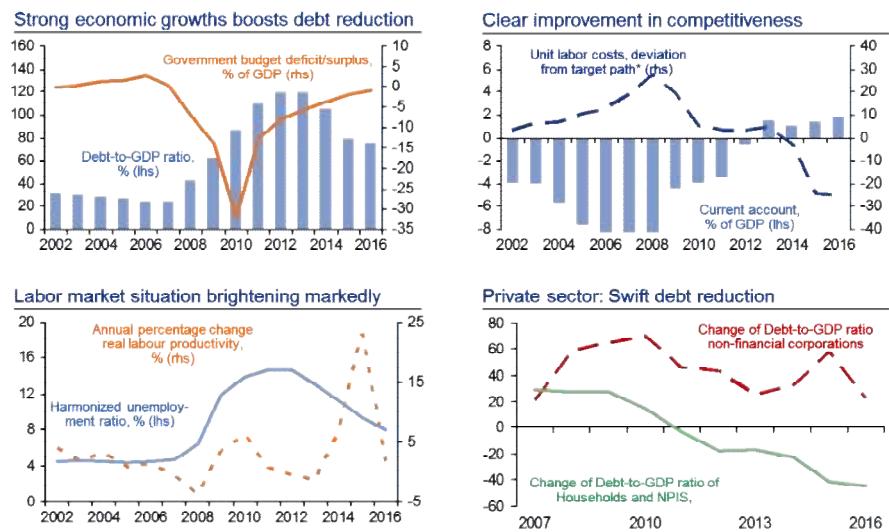
Finland: Emerging from recession

- Finland was able to improve its overall rating by 0.7 points in 2016, putting it in 14th place in our league table having only managed to come second-last in 2015. One of the reasons behind Finland's positive development, which is reflected in dynamic export growth, is doubtless the economic recovery of its key trading partner, Russia.
- Thanks to a moderate budget deficit corresponding to 2.2% of economic output and an interest burden on the budget of only 1.1% – one of the lowest levels in the euro area – Finland achieves a good mid-table position overall in the "fiscal sustainability" category. The government debt ratio has, however, doubled since 2008 and now comes in at 64% of economic output.
- While the net international investment position and the current account are largely balanced, private-sector debt remains fairly high at around 185% of economic output. The fact that hardly any progress has been made in whittling down the personal debt burden over the last three years is cause for concern.
- Finland made the most progress in the employment & productivity category in 2016 – upping its rating from 4.8 to 6.2 points. The Finnish labor market is clearly reaping the benefits of the economic recovery. Measures to cut unemployment – which fell from 9.4% in 2015 to 8.8% in 2016 – are finally starting to bear fruit.

Ireland: From the fast lane to the hard shoulder

- Whereas the 2015 Euro Monitor crowned Ireland as the shooting star of the year, the Celtic tiger was unable to continue this success story in 2016 and took five steps backwards in the rankings after moving up six places in 2015. This means that, with an overall rating of 6.7 points, Ireland's score was only enough to secure 10th place in the EMU rankings.

Ireland: Euro Monitor strengths and weaknesses



- The deterioration is due primarily to a lower competitive standing, which is reflected in rising unit labor costs, only moderate productivity growth and subdued export growth compared to global trade dynamics. Ireland also suffered considerable

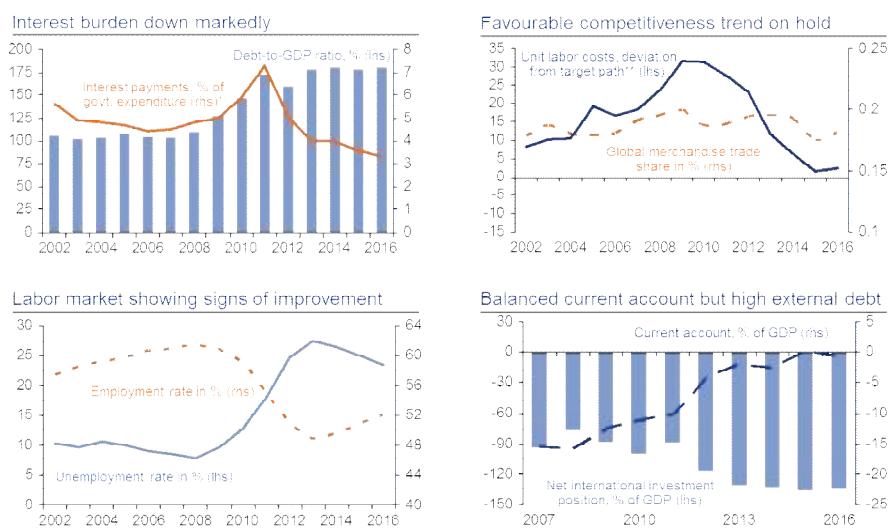
setbacks in 2016 as far as its efforts to reduce its structural budget deficit are concerned.

- The worst scores for Ireland once again come in the "Private and foreign debt" category. Although the buoyant economic growth seen in recent years has given a helping hand to the private sector – and indeed to the public sector – in terms of debt reduction, the corporate debt ratios and unfavorable net international investment position are still worryingly high.
- As far as labor market developments are concerned, Ireland is one of the EMU's frontrunners: although the employment rate remains in critical territory at around 65%, the ongoing rapid reduction in unemployment (8.0% in 2016 compared with 9.4% a year earlier) and the strong employment growth (2016: 2.5%) earn the country top marks.

Greece: Only limited progress

- Greece's poor starting position is evident from its low score of 4.4 points in the sub-indicator for existing strengths and weaknesses, which improved by only 0.1 points. The progress indicator also rose slightly from 7.5 points in 2015 to 7.6 points in 2016. Given the major economic weaknesses and imbalances facing the country, very substantial progress is Greece's only chance of recovery. In 2016, the progress it made was evidently limited.
- The development in Greece's unit labor costs has deteriorated considerably. After these costs, which have a key impact on price competitiveness, were reduced considerably year after year from 2011 onwards, 2016 saw them increase again by around 2.1%. The slightly improved reading for the progress indicator in 2016 is also the result of dynamic export growth, which earned Greece top marks.

Greece: Euro Monitor strengths and weaknesses



*) General government interest payments as % of government expenditure. **) Base year 2000, deviation from the target path of 1.5% rise per year in index points. Sources: Datastream, Eurostat, EU Commission, WTO, own estimates.

- The fact that Greek labor productivity has been on the decline for years now is one of the country's most worrying economic developments. This figure has fallen every year since 2008 with the exception of 2014, when it increased by 0.3%. In 2016, labor productivity per person in work dropped by 1.9%.

Portugal: Significant progress, but major imbalances remain

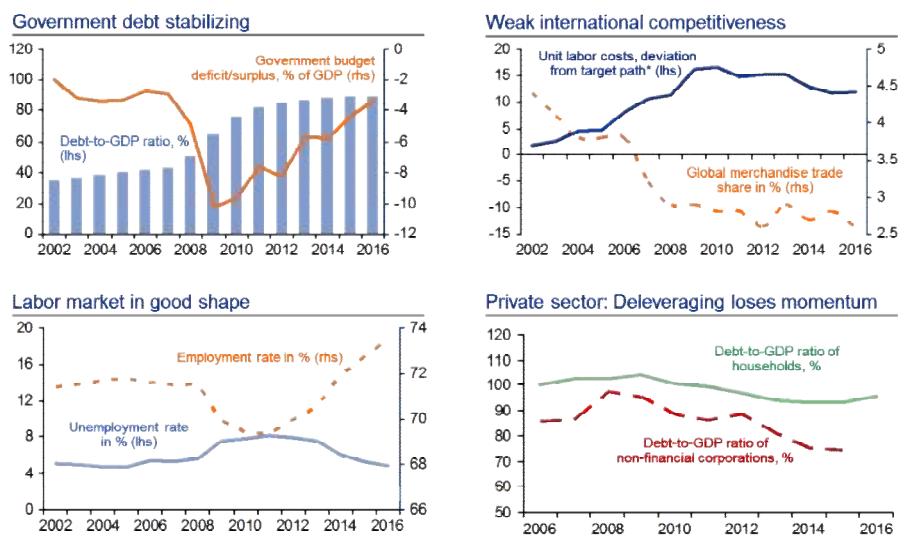
- Although Portugal increased its overall rating from 5.7 points in 2015 to 5.9 points in 2016, it has slipped two rungs down our table (17th place).
- While Portugal trails the EMU field as far as its level sub-indicator is concerned, it managed to climb up one notch to 4th place in the progress sub-indicator. The country received very poor marks for the level of corporate debt and the net international investment position, for example. On the other hand, the considerable progress made in reducing private-sector debt and export growth in relation to global trade are worthy of mention.
- In the fiscal sustainability category, Portugal is still lagging behind the eurozone average (6.3 points) with a score of 4.3 points, which is largely due to high sovereign debt corresponding to around 130% of economic output and the hefty interest burden of 4.3%. In terms of the latter, Portugal is sadly the European leader by a more than considerable margin. Encouragement can be taken from the progress made in reducing the budget deficit, which did not exceed the 3% mark in 2016 for the first time since 2008.
- The Portuguese labor market is on the road to recovery. Unemployment has fallen from 16.4% to 11.2% since 2013, while the employment rate has risen by more than 4 percentage points during the same period to 65%.

Selected EU countries

UK: Bottom of the EU league in terms of international competitiveness

- The UK's overall rating dropped by 0.6 points in 2016, sending it five rungs down the EU ladder to 23rd place. The poor rating might come as a surprise, especially given that the UK managed to clock up economic growth of 1.8% in spite of the Brexit vote.

United Kingdom: Euro Monitor strengths and weaknesses



*) Base year 2000, deviation from the target path of 1.5% rise per year in index points.
Sources: Datastream, Eurostat, EU Commission, IMF, own estimates.

- The deterioration can be traced back to the unfavorable shorter-term development in unit labor costs and the poor export momentum, resulting in a significant loss of international competitiveness, which was already low to begin with. With an overall rating of 4.0 points, the UK comes bottom of the EU league as far as competitiveness is concerned.
- The British labor market is in very good shape, with the UK ranking among the leaders of the EU pack given an unemployment rate of 4.9% and an employment rate of more than 73%.
- In "Private and foreign debt" category, the UK achieves only a moderate result. Despite the solid economic situation, deleveraging among households and the corporate sector slowed in 2016. The fact that the current account deficit has increased again (5% in 2016) is a worrying sign.

Poland: Slight deterioration at a high level

- With an overall rating of 7.4, Poland has slipped two places down the EU rankings to fifth place.
- In the "Competitiveness" category, Poland takes the second EU spot behind Croatia with a score of 8.6 points. The increase in the country's share of global trade is thanks not least to its dynamic export growth and the favorable longer-term development in unit labor costs.
- Poland performs relatively well in the fiscal sustainability category, too, with a score of 7.3. The country meets the Maastricht criteria with new borrowing corresponding to 2.3% of GDP and a government debt ratio of 51% in relation to GDP.
- With an unemployment rate of 6.3%, Poland reports a figure that is lower than the EU average by quite a considerable margin. The employment rate of 64% may leave much to be desired, but considerable progress has been made on this front in recent years. In 2006 the employment rate was a full 10 percentage points lower.

Czech Republic: Impressive competitive standing

- With an overall rating of 8.2 points, the Czech Republic tops the EU table for the second consecutive year, ahead of Germany. In general, very low debt ratios and the positive situation on the labor market are the main factors behind this excellent performance.
- The Czech economy shows few conspicuous weaknesses. Nevertheless, economic growth slowed considerably in 2016, falling to an estimated 2.4% as against 4.5% in 2015. The weaker economic momentum is likely to have contributed to the increase in unit labor costs of around 2.5% in 2016 after several years of virtual stagnation. This was also reflected in a much lower increase in labor productivity in 2016 (2015: 3.1%, 2016: 1.0%).

Euro Monitor Rating 2016 – EU28

Rank 2016	Country Code	EWU Member State	Rating 2016	Rank 2015	Rating 2015	Rank 2011	Rating 2011
1	CZ	Czech Republic	8.2	1	8.1	3	7.4
2	DE	Germany	8.1	2	8.0	1	8.1
3	BG	Bulgaria	7.6	5	7.3	11	6.4
4	NL	Netherlands	7.5	12	6.9	14	6.0
5	PL	Polen	7.4	3	7.5	6	6.8
6	SL	Slovenia	7.2	7	7.1	14	6.0
7	SK	Slovakia	7.1	9	7.0	8	6.7
8	SE	Schweden	7.0	9	7.0	12	6.4
9	LU	Luxembourg	7.0	13	6.8	9	6.6
9	HR	Croatia	7.0	20	6.4	26	4.3
9	HU	Hungary	7.0	4	7.3	20	5.2
12	EE	Estonia	6.9	19	6.6	2	7.6
12	LV	Latvia	6.9	15	6.7	10	6.5
12	MT	Malta	6.9	7	7.1	21	5.0
15	DK	Denmark	6.8	15	6.7	12	6.4
16	AT	Austria	6.8	13	6.8	4	7.1
17	IE	Ireland	6.7	11	7.0	26	4.3
17	RO	Romania	6.7	5	7.3	7	6.7
19	LT	Lithuania	6.6	15	6.7	4	7.1
20	ES	Spain	6.4	21	6.1	23	4.5
21	BE	Belgium	6.1	23	5.9	18	5.9
22	FI	Finland	6.1	27	5.4	14	6.0
23	GR	Greece	6.0	22	5.9	28	3.3
23	UK	United Kingdom	6.0	18	6.6	14	6.0
25	CY	Cyprus	5.9	28	5.1	24	4.5
26	PT	Portugal	5.9	24	5.7	25	4.4
27	FR	France	5.4	26	5.6	19	5.4
27	IT	Italy	5.4	25	5.7	22	4.9

APPENDIX

Scaling

For each indicator the countries are rated on a scale from 1 (very poor) to 10 (very good):

- Ratings from 1 to 4 are considered poor performance and a sort of alert indicator,
- Ratings from 5 to 7 are considered middling performance
- Ratings from 8 to 10 are considered good performance.

If, say, a member state has a government debt level of more than 60% of GDP, it is assigned a poor to moderate indicator rating of between 1 and 7 depending on the actual debt level. If the debt ratio is lower than 60%, the country is assigned a good indicator rating.

The scales for each indicator are listed on the following pages, as well as the Euro Monitor country ratings for 2010 to 2016

Euro Monitor structural indicator over time

Rank 2016	Country Code	EWU Member State	Rating 2016	Rank 2015	Rating 2015	Rank 2011	Rating 2011
1	DE	Germany	8.7	1	8.5	1	8.1
2	EE	Estonia	7.3	2	7.2	8	6.3
2	LT	Lithuania	7.3	2	7.2	3	6.8
4	SK	Slovakia	7.2	4	6.9	6	6.6
5	AT	Austria	7.1	4	6.9	2	7.1
6	NL	Netherlands	6.9	6	6.8	3	6.8
7	LU	Luxembourg	6.7	8	6.5	3	6.8
8	LV	Latvia	6.6	7	6.6	11	5.3
8	SL	Slovenia	6.6	9	6.3	7	6.5
10	MT	Malta	6.2	10	6.0	12	5.0
11	IE	Ireland	6.0	13	5.1	17	3.5
12	BE	Belgium	5.8	11	5.6	10	5.7
13	FI	Finland	5.7	12	5.5	8	6.3
14	FR	France	5.1	14	5.0	12	5.0
15	ES	Spain	4.7	15	4.4	16	3.9
16	GR	Greece	4.4	16	4.3	19	3.0
17	IT	Italy	4.3	17	4.2	15	4.4
18	CY	Cyprus	4.2	18	4.0	14	4.6
19	PT	Portugal	4.1	19	3.7	17	3.5

Euro Monitor progress indicator over time

Rank 2016	Country Code	EWU Member State	Rating 2016	Rank 2015	Rating 2015	Rank 2011	Rating 2011
1	NL	Netherlands	8.0	11	7.0	13	5.2
1	ES	Spain	8.0	4	7.8	15	5.1
3	SL	Slovenia	7.7	3	7.9	11	5.5
4	CY	Cyprus	7.6	15	6.1	18	4.3
4	GR	Greece	7.6	6	7.5	19	3.5
4	PT	Portugal	7.6	5	7.7	13	5.2
7	MT	Malta	7.5	2	8.2	16	5.0
8	DE	Germany	7.4	6	7.5	2	8.0
9	IE	Ireland	7.3	1	8.8	16	5.0
10	LU	Luxembourg	7.2	8	7.1	7	6.4
11	LV	Latvia	7.1	12	6.7	3	7.7
12	SK	Slovakia	7.0	8	7.1	6	6.7
13	IT	Italy	6.5	8	7.1	12	5.4
14	AT	Austria	6.4	12	6.7	5	7.0
14	BE	Belgium	6.4	15	6.1	8	6.1
14	EE	Estonia	6.4	18	5.9	1	8.8
14	FI	Finland	6.4	19	5.3	9	5.7
18	LT	Lithuania	5.9	15	6.1	4	7.3
19	FR	France	5.7	14	6.2	9	5.7

Euro Monitor 2016

Euro Monitor 2015

Country code	European Monetary Union Member States										Euro Monitor Rank																	
	1A	1B	1C	1D	2A	2B	2C	2D	2E	3A	3B	3C	4B	4C	4D	4E	5B	Sum	Obs	C1	C2	C3	C4	EM5	Rank			
DE	Germany	6	9	10	10	9	10	6	6	8	9	9	6	7	5	8	9	10	7	6	10	160	20	8.8	7.2	8.3	8.0 1.	
MT	Malta	7	8	8	7	10	4	1	8	5	8	4	6	10	10	7	10	10	10	10	142	20	7.5	7.6	7.7	7.1 2.		
SL	Slovenia	5	7	7	7	7	1	10	8	9	4	5	7	8	6	10	8	6	7	10	10	142	20	6.5	7.0	8.5	7.1 2.	
SK	Slovakia	8	9	7	5	9	5	10	7	10	2	3	9	9	7	10	10	3	3	4	10	140	20	7.3	8.2	6.0	6.7 4.	
IE	Ireland	6	7	8	10	10	10	1	10	4	4	4	9	10	10	7	1	1	10	10	139	20	7.8	8.2	7.4	5.0 5.		
NL	Netherlands	7	10	8	4	8	8	6	9	7	7	9	6	7	6	1	2	10	7	6	10	138	20	7.3	7.6	7.0	6.0 6.	
AT	Austria	5	8	8	8	5	8	5	6	7	8	8	5	7	4	8	5	9	6	6	6	10	136	20	7.3	6.2	6.4	7.3 6.
LU	Luxembourg	10	10	10	10	10	1	3	8	7	7	5	5	10	5	8	1	10	4	2	10	136	20	10.0	5.8	6.4	5.8 7.	
LV	Latvia	10	10	8	5	5	1	10	1	4	4	6	7	8	6	10	7	3	9	10	9	133	20	8.3	4.2	6.2	8.0 6.7	
LT	Lithuania	9	9	9	8	7	2	10	1	3	4	6	9	8	4	10	10	5	4	3	7	133	20	8.8	4.6	6.2	7.3 6.7	
EE	Estonia	10	10	10	6	7	1	10	1	3	7	8	8	10	1	9	5	5	6	4	10	131	20	9.0	4.4	6.8	6.5 11.	
ES	Spain	4	6	4	3	5	9	7	8	8	1	1	10	10	5	6	4	1	10	10	10	122	20	4.3	7.4	5.4	6.8 6.1	
GR	Greece	1	5	2	10	3	9	7	10	10	1	1	9	7	2	7	8	1	8	7	10	118	20	4.5	7.8	4.0	6.8 5.9	
BE	Belgium	3	7	7	6	8	8	4	9	7	5	3	5	7	5	7	1	10	4	1	10	117	20	5.8	7.2	5.0	5.5 5.9	
PT	Portugal	1	3	5	4	4	10	5	9	10	1	4	8	8	4	5	3	3	1	10	10	9	114	20	3.3	7.6	5.0	6.3 5.7
IT	Italy	1	4	7	6	5	5	2	8	8	2	1	7	7	4	8	7	7	6	8	10	113	20	4.5	5.6	4.2	7.7 5.7	
FR	France	4	8	6	6	5	8	1	8	10	3	4	5	6	5	7	2	8	5	3	8	112	20	6.0	6.4	4.6	5.5 17.	
FI	Finland	7	10	7	7	3	6	1	8	1	4	6	4	5	5	6	3	9	4	3	9	108	20	7.8	3.8	4.8	5.7 5.4	
CY	Cyprus	3	7	8	10	6	7	10	10	1	1	3	8	7	5	1	1	1	4	1	7	101	20	7.0	6.8	4.8	2.5 5.1 19.	
EA 19	Euro Area	4	8	7	6	8	8	5	8	10	3	4	8	6	7	5	#	7	6	10	128	19	6.3	8.0	5.6	7.8 6.0		
EU28	EU28	5	8	7	6	8	8	5	8	10	4	5	7	8	6	7	7	7	7	10	130	19	6.5	7.8	6.0	6.8		

Euro Monitor 2014

Euro Monitor 2013

Country code	European Monetary Union Member State	Gross government debt as % of GDP	General government赤字和盈余 as % of GDP	Changes in the structural balance of general government as % of GDP	Trade balance of goods (real) - growth in annual changes in non-factor labor costs in %	Annual change in real exports in %	Exports in relation to GDP	Unit labor costs, deviation from the average past 10 years	Annual change in the unemployment rate in %	Annual change in employment rate in %	Employment rate in %	Annual change in employment rate in %	Annual change in real labor productivity in %	Debt-to-GDP ratio of non-financial corporations	Net intermediate investment position as % of GDP	Debt-to-GDP ratio of non-financial corporations, three years in % points	Change over three years in % points	Debt-to-GDP ratio of non-financial corporations, three years in % points	Current account balance as % of GDP	Sum of all indicators	Number of indicators observed	C1	C2	C3	C4	Euro Monitor Rank			
LT	Lithuania	10	9	7	8	4	10	3	10	2	4	9	8	8	10	10	5	8	9	10	151	20	83	7.0	6.2	8.7	7.6	1.	
DE	Germany	6	9	9	10	8	10	5	6	4	8	9	6	7	3	8	9	10	7	5	10	149	20	85	6.6	6.6	8.2	7.5	2.
LU	Luxembourg	10	10	10	10	1	3	9	10	8	5	4	9	8	8	1	10	4	4	4	10	144	20	100	6.6	6.8	6.2	7.2	3.
EE	Estonia	10	10	9	4	8	1	10	1	6	5	6	8	4	8	10	6	4	10	10	9	138	20	83	5.2	6.2	8.0	6.9	4.
SK	Slovakia	8	9	7	10	9	5	10	8	10	1	2	5	4	8	10	3	3	4	10	136	20	85	8.4	4.0	6.7	6.8	5.	
LV	Latvia	10	10	9	3	6	1	10	1	3	2	5	10	5	10	6	3	10	10	7	7	131	20	80	4.2	6.4	7.7	6.6	6.
NL	Netherlands	7	9	7	10	8	7	7	5	6	9	2	3	5	1	2	10	7	6	10	128	20	83	6.8	5.0	6.0	6.4	7.	
AT	Austria	5	7	8	8	5	9	5	6	2	8	6	5	6	3	8	5	9	7	4	10	127	20	70	5.2	6.0	7.2	6.4	8.
MT	Malta	7	7	8	10	2	1	7	1	7	2	5	10	5	6	1	10	5	8	10	119	20	73	4.2	5.8	6.7	6.0	9.	
SL	Slovenia	6	7	1	5	7	1	10	8	6	3	4	3	3	4	10	6	5	6	8	10	113	20	4.8	6.4	3.4	7.5	10.	
FI	Finland	8	10	7	5	3	5	1	7	5	5	6	5	4	3	7	3	9	4	4	8	109	20	75	4.2	4.6	5.8	5.5	11.
ES	Spain	4	6	2	10	5	7	6	9	9	1	1	3	1	5	5	2	1	8	10	105	20	55	7.2	2.2	6.0	5.3	12.	
FR	France	4	8	5	8	4	7	1	7	4	3	4	4	6	4	7	3	8	7	3	7	104	20	63	4.6	4.2	5.8	5.2	13.
BE	Belgium	3	6	6	8	6	5	5	3	5	4	5	4	5	4	7	1	10	3	1	10	103	20	58	5.4	4.2	5.3	5.2	14.
IE	Ireland	2	4	4	10	8	1	2	1	4	2	1	9	10	1	4	1	1	10	1	10	95	20	50	5.0	4.6	4.5	4.8	15.
IT	Italy	1	3	7	7	4	4	2	8	4	1	1	3	2	4	8	6	7	5	6	10	93	20	4.5	4.4	2.2	7.0	47.	
PT	Portugal	1	3	5	7	3	10	5	6	10	1	2	4	1	7	4	1	1	10	2	10	93	20	4.0	6.8	3.0	4.7	16.	
GR	Greece	1	4	1	10	3	6	9	10	4	1	1	1	1	2	6	8	1	3	7	7	86	20	4.0	6.4	1.2	5.3	43.	
CY	Cyprus	3	6	5	10	5	4	10	10	1	1	3	1	1	1	2	1	1	2	1	5	74	20	60	6.0	1.8	1.8	37.	19.
EA 19	Euro Area	4	7	7	8	8	8	4	7	5	1	4	4	4	7	5	7	7	5	10	109	19	65	6.4	3.4	6.8	5.7		
EU 28	EU28	5	7	6	8	8	7	4	7	5	3	4	5	5	6	4	7	7	5	10	111	19	65	6.2	4.4	6.4	5.8		

Euro Monitor 2012

Country code	European Union/EFTA/EFTA member state	Gross government debt as % of GDP	General government market participation as % of GDP	Change in the structural balance of general government as % of GDP	Exports in relation to GDP	Unit labour costs per year	Annual change in nominal unit labor costs in %	Unemployment rate in %	Employment rate in %	Annual change in employment in %	Annual change in real household income in %	Annual change in real household investment as % of GDP	Change in real household investment in %-points	Debt-to-GDP ratio of households, change over three years in %-points	Debt-to-GDP ratio of non-financial corporations, change over three years in %-points	Debt-to-GDP ratio of non-financial corporations	Net trade margin of investment position as % of GDP	Current account balance as % of GDP	Number of indicators observed	Summarized indicators	Obs.	C1	C2	C3	C4	ENI2	Rank		
LT	Lithuania	10	9	6	9	8	5	10	1	3	9	9	8	10	10	4	10	9	155	20	8.5	7.6	6.0	8.8	7.8	1.			
DE	Germany	6	8	9	9	8	10	5	3	5	8	9	6	8	10	8	7	10	148	20	8.0	6.2	6.6	8.7	7.4	2.			
EE	Estonia	10	10	9	5	8	1	10	2	6	3	6	10	9	9	6	4	10	10	8	145	20	8.5	5.4	7.4	7.8	7.3	3.	
LV	Latvia	9	9	9	9	6	1	10	1	10	1	3	8	9	10	6	3	10	9	137	20	9.0	5.6	5.8	7.3	6.9	4.		
SK	Slovakia	8	9	5	7	9	5	10	8	10	1	2	5	6	7	10	10	3	6	10	134	20	7.3	8.4	4.2	7.0	6.7	5.	
LU	Luxembourg	10	10	10	10	1	3	1	1	8	5	5	10	1	1	10	5	10	10	129	20	10.0	3.2	5.8	7.3	6.5	6.		
AT	Austria	5	7	8	5	9	5	3	4	9	8	5	8	3	8	5	8	6	5	10	128	20	6.8	5.2	6.6	7.0	6.4	7.	
NL	Netherlands	7	9	6	10	8	7	7	4	7	8	9	4	5	2	1	2	10	6	5	10	127	20	8.0	6.6	5.6	5.7	6.4	8.
SI	Slovenia	8	8	5	10	7	1	10	8	3	5	4	4	1	10	5	5	5	6	10	119	20	7.8	5.8	3.6	6.8	6.0	9.	
MT	Malta	7	6	6	3	10	2	1	3	10	7	2	6	10	4	6	1	9	6	3	10	112	20	5.5	5.2	5.8	5.8	5.6	10.
FI	Finland	8	10	7	4	3	5	1	1	4	6	7	6	7	1	7	4	9	4	5	8	107	20	7.3	2.8	5.4	6.2	5.4	11.
BE	Belgium	3	5	5	7	8	7	4	3	2	6	3	5	6	3	8	1	10	3	6	10	105	20	5.0	4.8	4.6	6.3	5.3	12.
FR	France	5	7	5	8	4	7	1	5	4	4	4	4	6	3	7	2	8	6	2	7	99	20	6.3	4.2	4.2	5.3	5.0	13.
ES	Spain	5	7	1	10	5	6	5	10	4	1	1	1	1	6	5	2	1	7	7	9	94	20	5.8	6.0	2.0	5.2	4.7	14.
IT	Italy	1	2	7	10	4	3	2	6	5	3	1	1	5	1	8	6	7	5	5	9	91	20	5.0	4.0	2.2	6.7	4.6	15.
PT	Portugal	1	3	4	10	3	10	4	10	7	1	3	1	1	4	4	1	1	7	1	7	83	20	4.5	6.8	2.0	3.5	4.2	16.
IE	Ireland	2	4	2	10	10	8	1	7	1	1	5	4	2	3	1	1	10	1	7	81	20	4.5	5.4	2.6	3.8	4.1	17.	
GR	Greece	1	2	1	10	2	2	9	10	10	1	1	1	1	6	8	1	1	5	5	78	20	3.5	6.6	1.0	4.3	3.9	18.	
CY	Cyprus	6	7	4	8	5	1	10	7	3	2	4	1	1	1	1	4	4	4	4	75	20	6.5	5.2	2.4	2.0	3.8	19.	
EA 19	Euro Area	4	6	6	10	8	8	4	6	5	2	4	3	5	3	7	5	#	6	5	10	107	19	6.5	6.2	3.4	6.6	5.6	
EU28	EU28	5	7	5	9	8	7	4	6	5	3	4	4	5	3	6	4	8	7	5	10	107	19	6.5	6.0	3.8	6.4	5.6	

Euro Monitor 2011

Country code												European Monetary Union Member States																			
Gross government debt as % of GDP												General government interest payments as % of GDP																			
GDP growth as % of previous year												Changes in the structure share of general government debt as % of GDP																			
Current account balance as % of GDP												Debt-to-GDP ratio of non-financial corporations, change over three years in % points																			
1A	1B	1C	1D	2A	2B	2C	2D	2E	3A	3B	3C	3D	3E	4A	4B	4C	4D	4E	5F	Sum	Obs	C1	C2	C3	C4	EMI1	Rank				
DE	Germany	6	8	9	8	8	10	6	8	9	8	7	8	8	9	10	6	7	10	161	20	7.8	8.2	7.8	8.3	8.1	1.				
EE	Estonia	10	10	5	8	1	10	9	10	1	5	10	5	10	5	10	10	10	10	151	20	8.8	7.6	6.2	7.8	7.6	2.				
AT	Austria	5	7	7	8	5	10	6	8	6	9	6	8	5	8	5	5	5	10	141	20	6.8	7.0	7.6	6.8	7.4	3.				
LT	Lithuania	10	9	1	5	7	5	10	8	10	1	2	10	6	10	10	4	7	10	6	141	20	6.3	8.0	5.8	7.8	7.1	2.			
SK	Slovakia	9	9	5	10	8	4	10	8	10	1	2	7	9	6	10	10	3	3	5	4	133	20	8.3	8.0	5.0	5.8	6.7	5.		
LU	Luxembourg	10	10	10	10	10	1	5	4	9	9	4	5	10	2	8	1	10	3	1	10	132	20	10.0	5.8	6.0	5.5	6.6	6.		
LV	Latvia	9	9	6	9	5	1	10	10	10	1	2	10	9	10	9	5	2	6	1	6	130	20	8.3	7.2	6.4	4.8	6.5	7.		
FI	Finnland	9	10	8	6	3	7	1	5	3	6	7	7	8	6	7	4	9	2	4	8	120	20	8.3	3.8	6.8	5.7	6.0	8.		
NL	Netherlands	7	9	5	6	7	7	8	7	4	8	9	5	7	5	1	2	10	2	1	10	120	20	6.8	6.6	6.8	4.3	6.0	8.		
SL	Slovenia	9	9	3	5	7	1	10	9	8	5	4	4	2	8	10	5	5	4	3	9	120	20	6.5	7.0	4.6	6.0	6.0	8.		
BE	Belgium	3	5	5	5	8	8	5	4	9	6	3	8	8	4	8	1	10	3	5	10	118	20	4.5	6.8	5.8	6.2	5.9	11.		
FR	France	5	7	4	8	4	7	1	8	6	4	4	6	7	6	7	3	8	3	2	7	107	20	6.0	5.2	5.4	5.0	5.4	12.		
MT	Malta	6	6	7	10	10	3	1	1	2	7	1	6	10	1	6	1	9	3	1	9	100	20	7.3	3.4	5.0	4.8	5.0	13.		
IT	Italy	2	3	6	5	4	4	3	8	6	5	1	5	6	4	8	6	8	4	4	6	98	20	4.0	5.0	4.2	6.0	4.9	14.		
ES	Spain	7	8	1	8	4	5	6	9	8	1	1	2	1	7	5	1	1	5	4	6	90	20	6.0	6.4	2.4	3.7	4.5	15.		
CY	Cyprus	7	8	4	4	5	1	10	6	10	6	6	2	6	4	1	1	1	1	1	5	89	20	5.8	6.4	4.8	1.7	4.5	16.		
PT	Portugal	2	4	2	10	3	9	5	10	8	1	4	4	2	4	4	2	1	7	1	4	87	20	4.5	7.0	3.0	3.2	4.4	17.		
IE	Ireland	3	6	1	10	10	8	1	9	1	1	1	4	4	5	3	1	1	7	1	8	85	20	5.0	5.8	3.0	3.5	4.3	18.		
GR	Greece	1	1	1	10	2	1	8	10	5	1	1	1	1	6	8	1	1	4	1	65	20	3.3	5.2	1.0	3.5	3.3	19.			
EA 19	Euro Area	5	7	5	8	7	8	7	8	5	8	7	3	4	5	6	6	7	5	#	4	4	10	114	19	6.3	7.0	4.8	6.0	6.0	
EU28	EU28	5	7	5	8	7	7	7	5	8	7	7	4	5	6	7	6	4	#	3	3	10	111	19	6.3	6.8	5.2	5.8			

Indicator Rating Spectrum

(1A) Gross government debt as % of GDP		
%	Rating	
40 > x	10	1.5 > x ≥ 0
50 > x ≥ 40	9	2 > x ≥ 1.5
60 > x ≥ 50	8	2.5 > x ≥ 2
70 > x ≥ 60	7	3 > x ≥ 2.5
80 > x ≥ 70	6	3.5 > x ≥ 3
90 > x ≥ 80	5	4 > x ≥ 3.5
100 > x ≥ 90	4	4.5 > x ≥ 4
110 > x ≥ 100	3	5 > x ≥ 4.5
120 > x ≥ 110	2	5.5 > x ≥ 5
x ≥ 120	1	x ≥ 5.5

(1B) General government interest payments as % of GDP		
%	Rating	
40 > x	10	1.5 > x ≥ 0
50 > x ≥ 40	9	2 > x ≥ 1.5
60 > x ≥ 50	8	2.5 > x ≥ 2
70 > x ≥ 60	7	3 > x ≥ 2.5
80 > x ≥ 70	6	3.5 > x ≥ 3
90 > x ≥ 80	5	4 > x ≥ 3.5
100 > x ≥ 90	4	4.5 > x ≥ 4
110 > x ≥ 100	3	5 > x ≥ 4.5
120 > x ≥ 110	2	5.5 > x ≥ 5
x ≥ 120	1	x ≥ 5.5

(1C) General government deficit/surplus as % of GDP		
%	Rating	
40 > x	10	x ≥ 0
50 > x ≥ 40	9	0 > x ≥ -1
60 > x ≥ 50	8	-1 > x ≥ -2
70 > x ≥ 60	7	-2 > x ≥ -3
80 > x ≥ 70	6	-3 > x ≥ -4
90 > x ≥ 80	5	-4 > x ≥ -5
100 > x ≥ 90	4	-5 > x ≥ -6
110 > x ≥ 100	3	-6 > x ≥ -7
120 > x ≥ 110	2	-7 > x ≥ -8
x ≥ 120	1	-8 > x

(1D) Change in the structural balance of general government as % of potential GDP		
Percentage Points	Rating	
10	x ≥ 1.2	10
9	1.2 > x ≥ 0.9	9
8	0.9 > x ≥ 0.6	8
7	0.6 > x ≥ 0.3	7
6	0.3 > x ≥ 0	6
5	0 > x ≥ -0.3	5
4	-0.3 > x ≥ -0.6	4
3	-0.6 > x ≥ -0.9	3
2	-0.9 > x ≥ -1.2	2
1	-1.2 > x	1

Indicator Rating Spectrum

(2A) Exports in relation to GDP - Large economies (ES, DE, IT, FR, UK, USA)		(2B) Unit labor costs, deviation from the target path of 1.5 % rise per year in index points		(2C) Global merchandise trade shares, exports, deviation from base year 2000 in %		(2D) Annual change in nominal unit labor costs in %		(2E) Growth in export of goods (real) minus growth in world trade volumes (real) in percentage points	
%	Rating	%	Rating	%	Rating	%	Rating	Percentage points	Rating
x ≥ 50	10	x ≥ 100	10	-1 > x	10	-1 > x	10	x ≥ 4	10
50 > x ≥ 46	9	100 > x ≥ 90	9	0 > x ≥ -1	9	0 > x ≥ -1	9	4 > x ≥ 3	9
46 > x ≥ 42	8	90 > x ≥ 80	8	1 > x ≥ 0	8	1 > x ≥ 0	8	3 > x ≥ 2	8
42 > x ≥ 38	7	80 > x ≥ 70	7	1.5 > x ≥ 1	7	2 > x ≥ 1	7	2 > x ≥ 1	7
38 > x ≥ 34	6	70 > x ≥ 60	6	2.5 > x ≥ 2	6	3 > x ≥ 1	6	1 > x ≥ 0	6
34 > x ≥ 30	5	60 > x ≥ 50	5	3 > x ≥ 0	5	4 > x ≥ 0	5	0 > x ≥ -1	5
30 > x ≥ 26	4	50 > x ≥ 40	4	4 > x ≥ 0	4	5 > x ≥ 0	4	-1 > x ≥ -2	4
26 > x ≥ 22	3	40 > x ≥ 30	3	3 > x ≥ 0	3	6 > x ≥ 0	3	-2 > x ≥ -3	3
22 > x ≥ 18	2	30 > x ≥ 20	2	2 > x ≥ 0	2	7 > x ≥ 0	2	-3 > x ≥ -4	2
18 > x	1	20 > x	1	x ≥ 24	1	x ≥ 24	1	-4 > x	1

Indicator Rating Spectrum

(3A) Unemployment rate in %		(3B) Employment rate in %		(3C) Annual change in the unemployment rate in percentage points		(3D) Annual change in employment in %		(3E) Annual change real labor productivity in %	
%	Rating	%	Rating	Percentage Points	Rating	%	Rating	%	Rating
4 > x	10	x ≥ 75	10	-2 > x	10	2 > x	10	3 > x ≥ 2.5	9
5 > x ≥ 4	9	75 > x ≥ 73	9	-1.5 > x ≥ -2	9	0 > x ≥ -0.5	8	2.5 > x ≥ 2	8
6 > x ≥ 5	8	73 > x ≥ 71	8	-1 > x ≥ -1.5	8	1 > x ≥ 0.5	7	2 > x ≥ 1.5	7
7 > x ≥ 6	7	71 > x ≥ 69	7	-0.5 > x ≥ -1	7	0 > x ≥ 0.5	6	1 > x ≥ 0.5	6
8 > x ≥ 7	6	69 > x ≥ 67	6	0 > x ≥ -0.5	6	0.5 > x ≥ 0	5	0.5 > x ≥ 0	5
9 > x ≥ 8	5	67 > x ≥ 65	5	0.5 > x ≥ 0.5	5	1 > x ≥ 0.5	4	1.5 > x ≥ 1	3
10 > x ≥ 9	4	65 > x ≥ 63	4	1 > x ≥ 1	3	2 > x ≥ 1.5	2	2 > x ≥ 1.5	2
11 > x ≥ 10	3	63 > x ≥ 61	3	59 > x	1	x ≥ 2	1	59 > x	1
12 > x ≥ 11	2	61 > x ≥ 59	2						
x ≥ 12	1								

Indicator Rating Spectrum

(4A) Debt-to-GDP ratio of households		(4B) Debt-to-GDP ratio of non-financial corporations		(4C) Net international investment position as % of GDP		(4D) Current account balance as % of GDP	
%	Rating	%	Rating	%	Rating	%	Rating
40 > x	10	50 > x	10	x ≥ 20	10	x ≥ 0	10
50 > x ≥ 40	9	60 > x ≥ 50	9	20 > x ≥ 0	9	0 > x ≥ -20	8
60 > x ≥ 50	8	70 > x ≥ 60	8	-20 > x ≥ -30	7	-30 > x ≥ -40	6
70 > x ≥ 60	7	80 > x ≥ 70	7	-40 > x ≥ -50	5	-50 > x ≥ -60	5
80 > x ≥ 70	6	90 > x ≥ 80	6	-60 > x ≥ -70	3	-70 > x ≥ -80	2
90 > x ≥ 80	5	100 > x ≥ 90	5	-80 > x	1	-8 > x	1
100 > x ≥ 90	4	110 > x ≥ 100	4				
110 > x ≥ 100	3	120 > x ≥ 110	3				
120 > x ≥ 110	2	130 > x ≥ 120	2				
x ≥ 120	1	x ≥ 130	1				

(4D) Debt-to-GDP ratio of households, change over three years in percentage points		(4E) Debt-to-GDP ratio of non-financial corporations, change over three years in percentage points		(4F) Current account balance as % of GDP	
Percentage Points	Rating	Percentage Points	Rating	%	Rating
-10 > x	10	-10 > x	10	x ≥ 0	10
-7.5 > x ≥ -10	9	-7.5 > x ≥ -10	9	0 > x ≥ -1	9
-5 > x ≥ -7.5	8	-5 > x ≥ -7.5	8	-1 > x ≥ -2	8
-2.5 > x ≥ -5	7	-2.5 > x ≥ -5	7	-2 > x ≥ -3	7
0 > x ≥ -2.5	6	0 > x ≥ -2.5	6	-3 > x ≥ -4	6
2.5 > x ≥ 0	5	2.5 > x ≥ 0	5	-4 > x ≥ -5	5
5 > x ≥ 2.5	4	5 > x ≥ 2.5	4	-5 > x ≥ -6	4
7.5 > x ≥ 5	3	7.5 > x ≥ 5	3	-6 > x ≥ -7	3
10 > x ≥ 7.5	2	10 > x ≥ 7.5	2	-7 > x ≥ -8	2
x ≥ 10	1	x ≥ 10	1	-8 > x	1

These assessments are, as always, subject to the disclaimer provided below.

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