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Euro Monitor 2014

Imbalances shrinking

Allianz

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Euro Monitor 2014

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1. LEAVING THE QUESTION OF POLITICAL UNCERTAINTY ASIDE – THE EUROZONE HAS BECOME MORE ECONOMICALLY STABLE

Time to breathe a sigh of relief – the EMU crisis countries (with the exception of Greece) appear to be over the worst and have embarked upon an economic catch-up process. The question that now arises is whether the individual member states and the eurozone as a whole will emerge from the debt crisis substantially stronger, i.e. is this just a cyclical upturn from the depths of recession or have structural changes been made that will lead to a permanently higher growth path? Or are new imbalances already lurking in the background with the potential to upset the financial markets sooner or later?

In our Euro Monitor, we calculate an indicator that can serve as an early-warning signal if the basis for growth in the economies analyzed starts to deteriorate and as an indicator of financial stress. The Euro Monitor does not, however, provide any information on how strong growth is expected to be in individual countries. Looking at the EMU countries as a whole, the overall indicator score clambered back to roughly the 2008 level in 2014, reaching 6.4 points. Despite this marked improvement, the stability values are still unsatisfactory. And the comparison with the US, included for the first time, also yields encouraging results, with the eurozone performing slightly better than the economy deemed to be the "measure of all things".

We interpret the 2014 results as follows: based on our bundle of key individual indicators, the eurozone has become much more resilient to potential disruption. The Euro Monitor indicators show that the member states have become more economically stable again and that imbalances have been reduced, lowering the risk of contagion. We believe that this is all the more important given the current political uncertainty, i.e. in particular the tug-of-war with Greece, the upcoming elections in Portugal and Spain and the possibility of waning appetite for reform, consolidation and integration in the face of growing opposition from the (long-suffering) population.

But aside from all the positive aspects, the recent poor economic developments in Greece only go to show that we are not yet home and dry and exemplify what happens when a country strays from the "path of virtue". In order to ensure that the sacrifices made during the crisis were not in vain and to achieve higher economic growth in the long run, it is crucial that the process of adjustment continues, in particular with regard to public budget consolidation, debt reduction in the private sector and the implementation of structural reforms.

Box: How can balanced growth be measured?

Solid, balanced growth 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 enjoys balanced growth. 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 rely primarily on macroeconomic data which financial markets consider to be material. We have come up with a balanced measurement concept for macroeconomic imbalances based on 15 individual indicators in four key categories:[1]

[1] In view of the turbulent events of recent years and the resulting noise factors we have opted not to perform a regression analysis. The composition of our Euro Monitor may evolve over time owing to changing threats to

- Fiscal sustainability
- Competitiveness and domestic demand
- Jobs, productivity and resource efficiency
- Private and foreign debt

Alongside fiscal indicators, the Euro Monitor therefore also fully covers the spectrum of the macroeconomic dimension. In many cases five-year averages are used to smooth out cyclical swings.

Fiscal sustainability

In the first category, fiscal sustainability is assessed on the basis of four indicators: new borrowing and existing debt are the two indicators of state finances that the financial markets keep a closest eye on. A further indicator is the share of interest payments on government debt in overall output. 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. When assessing whether fiscal policy looks set to remain effective or is likely to considerably restrict future generations' room for maneuver, it is also important to bear in mind that demographic change will place additional burdens on the state's shoulders, burdens that will result in higher government debt in the longer run. This burden, known as implicit government debt, varies from country to country depending on the specific demographic trends and on the structure of the national pension system in question. Implicit liabilities can arise, by way of example, from future civil servant pensions or possible subsidies for welfare systems that have to be shouldered by future generations. As a result, we have included the need to adjust state finances to reflect the aging population as another indicator under the "fiscal sustainability" category.[2] Due to a lack of available data, we have excluded indicator 1d (Required adjustment in the primary balance due to demographic aging in percentage points) from our calculation this year.

Competitiveness and domestic demand

The current account position, which shows the difference between overall savings (incl. the capital account balance) and net overall investment (gross investment less depreciation/amortization) in the country under the microscope, is often seen as the main foreign trade indicator. If overall savings are lower than the investment volume, then the current account balance is negative. This savings gap has to be filled by delving into assets or by borrowing abroad.

Since weak domestic and import demand can also contribute to a current account surplus, however, the medium-term development of domestic demand, measured as the average annual change in domestic demand during the last five years, is included as another indicator. This is designed to reflect the area of friction between the current account and domestic demand.

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

macroeconomic stability or advances in data availability. For instance, we added one indicator to our scoreboard in the last issue which measures the average growth rate in financial sector liabilities over the last five years.

[2] This is based on a sub-component of the European Commission's Sustainability Gap Indicator - the adjustment to the primary balance required to finance the increase in public expenditure due to aging (indefinite time horizon). See European Commission, "Fiscal Sustainability Report 2012", European Economy 8/2012, pp. 5 et seq.

the main causes behind competitive differences and external imbalances within the euro area. Consequently, we have used nominal wage costs per unit of production as one of the individual indicators for assessing price competitiveness. This assessment looks at the deviation between nominal unit wage costs and a stable development rate of 1.5% expressed in percentage points.[3]

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 another useful sub-indicator, because this parameter also reflects changes in the quality and structure of the goods offered by a country on the global markets.

Jobs, productivity and resource efficiency

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. This has prompted us to include the development in the employment rate and labor productivity in our Monitor. In this respect, we believe that a medium-term assessment showing the percentage change over a five-year period makes the most sense. We have chosen the unemployment rate as a further indicator, because it continues to be the main parameter signaling imbalances on the labor market and one that the financial markets tend to keep a close eye on.

The energy intensity of macroeconomic production is another measure of efficiency. After all, these days economic efficiency is no longer measured in terms of labor productivity alone. The optimum use of natural resources has become a stamp of quality for an economy, especially given that scarcer material resources can translate into higher cost burdens.

Private and foreign debt

For an economy to have a balanced economic outlook, moderate state debt is not the only prerequisite; it is also important to avoid excessive 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 private household debt. Consequently, the Monitor additionally looks at the development of private household debt ratios. Similarly, it also includes the development in the debt ratio of non-financial corporations.

In order to capture the risk to the real economy emanating from the financial sector, we have included the increase in total financial sector liabilities in our set of indicators, along the lines of the European Commission's approach.[4] To gauge the risks we have used the average growth rate over the last five years.

[3] 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 rising commodity prices which result in further inflation pressures per se are taken into account.
[4] The liabilities of the financial sector measure the development of the sum of all liabilities (this includes cash and deposits, securities (ex shares), loans, shares, insurance reserves and other liabilities).

As far as foreign debt is concerned, we have used 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.[5]

Evaluating balanced growth on the basis of 15 indicators out of 4 categories

C1 Fiscal sustainability

- (1A) Gross government debt, as % of GDP
- (1B) General government deficit/ surplus, as % of GDP
- (1C) General government interest payments, as % of GDP

C2 Competitiveness and domestic demand

- (2A) Unit labor costs, total economy, deviation from the target path of 1.5% rise per year in index points
- (2B) Current account balance, as % of GDP
- (2C) Global merchandise trade shares, exports, deviation from base year 2000 in %
- (2D) Domestic demand, average annual change over the last five years in %

C3 Jobs, productivity and resource efficiency

- (3A) Harmonized unemployment rate, %
- (3B) Employment ratio, change over five years in percentage points
- (3C) Labor productivity per person employed, average annual change over the last five years in %
- (3D) Domestic energy consumption as % of GDP (kg oil equivalent per EUR 1000)

C4 Private and foreign debt

- (4A) Debt-to-GDP ratio of households, change over five years in percentage points
- (4B) Debt-to-GDP of non-financial corporations, change over five years in percentage points
- (4C) Net international investment position, as % of GDP
- (4D) Total financial sector liabilities, average annual change over the last five years in %

In order to enable an assessment of the 15 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.[6] 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.

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 15 indicators, meaning that it is also expressed as a value from 1 to 10. The country rating in each category is calculated as the average of the indicator ratings in that category.

[5] 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.
[6] The rating spectrum for each indicator is set out in the appendix on pp. 21 et seq.

KEY FINDINGS OF THE 2014 ALLIANZ EURO MONITOR

- Germany remains the top-rated country in the euro area in terms of balanced growth, with an overall rating of 8.4. The second and third spots are occupied by Estonia, with a rating of 7.7, and then Latvia, scoring 7.5.

- Germany is the only country to achieve a score of 8 or more – for the first time since 2011 – which signals balanced performance across the board. The fact that none of the other economies included in our analysis fall into the "good" category shows just how important it is that we do not sit back and put our feet up just because the worst of the financial crisis is over.

- Conversely, the fact that no country was assigned to the "poor" category – achieving a total score of less than 4 – in 2014 suggests that the reform efforts in the eurozone are bearing fruit. After all, Greece, Ireland and Portugal were still languishing below this alert threshold back in 2011.

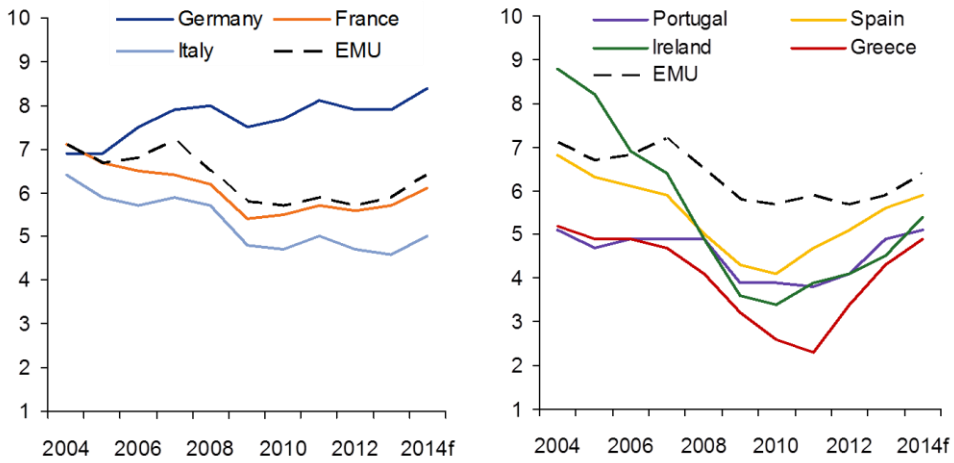
Euro Monitor Rating 2014

Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	DE	Germany	8.4	1	7.9	2	7.5
2	EE	Estonia	7.7	3	6.8	12	4.9
3	LV	Latvia	7.5	6	6.3	10	5.0
4	AT	Austria	7.4	2	7.2	4	6.8
5	LU	Luxembourg	7.3	3	6.8	1	7.6
6	MT	Malta	7.1	5	6.4	11	4.9
7	NL	Netherlands	6.8	8	6.2	3	6.9
8	BE	Belgium	6.7	6	6.3	7	5.8
9	FI	Finland	6.5	12	5.4	7	5.8
10	SK	Slovakia	6.4	9	5.7	5	6.1
11	FR	France	6.2	10	5.7	9	5.4
12	ES	Spain	5.9	11	5.6	15	4.3
13	SL	Slovenia	5.7	13	5.2	6	5.9
14	IE	Ireland	5.4	16	4.5	17	3.6
15	PT	Portugal	5.1	14	4.9	16	3.9
16	IT	Italy	5.0	15	4.6	14	4.8
17	GR	Greece	4.9	17	4.3	18	3.2
18	CY	Cyprus	4.5	18	4.1	12	4.9
	US	USA	6.2		5.7		4.9

- All eighteen EMU countries were able to improve their rating in 2014 compared with the previous year, which shows that the single currency area is on a more stable economic footing. In addition to successful reform efforts, the positive development in individual indicators such as, most notably, the state deficit, unit wage costs, domestic demand and labor productivity is also likely to have been given a boost by the economic recovery. After all, all EMU countries notched up positive economic growth in 2014, with the exception of Cyprus and Italy.

- This year is very likely to see a further improvement in the results of our Euro Monitor, bringing them back closer to pre-crisis levels. This is largely due to the strengthening economic recovery, which is making it easier to reduce imbalances.

Euro Monitor Rating over time: Periphery countries catching up



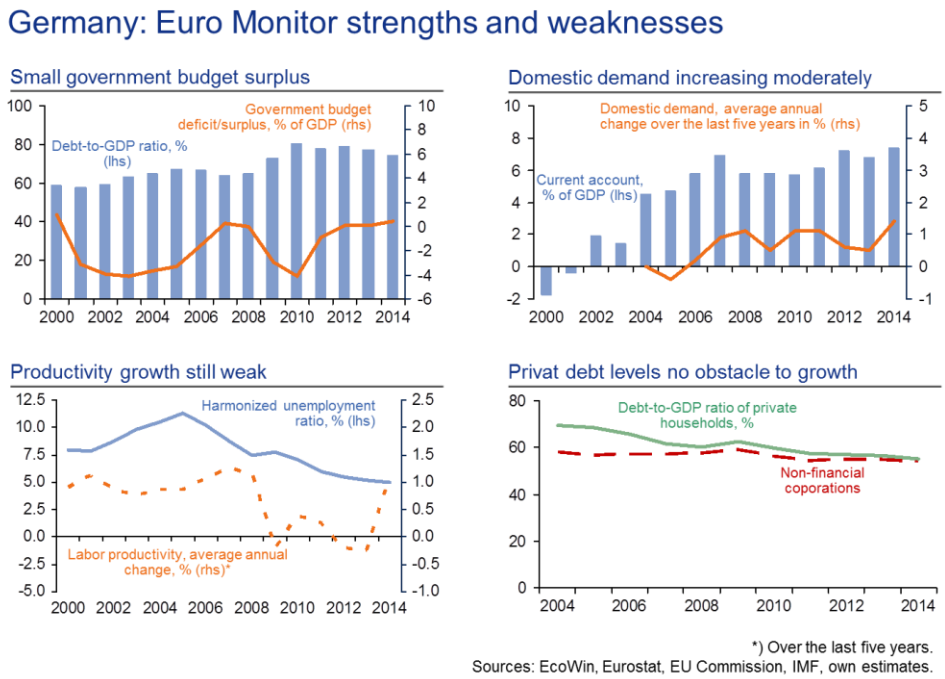
- The indicator with the most worrying readings in 2014 remains unemployment. The eurozone as a whole gets a rating of only 2, given an average unemployment rate of 11.6% last year. Six EMU countries (Greece, Italy, Portugal, Slovenia, Spain and Cyprus) achieve a rating of only 1.
- The best results were achieved by the current account indicator, as was the case in 2013 as well. Thirteen out of eighteen countries either had a surplus or balanced books. Only five countries – Estonia, Finland, France, Latvia and Cyprus – still had a small current account deficit corresponding to 1-2.5% of their GDP. In this respect, it is, however, important to remember that the current account indicator has to be viewed within the context of the domestic demand indicator. This means that a country with balanced foreign trade, or even a surplus in this area, due to weak domestic demand cannot be assigned a positive rating in this category.
- Those EMU countries that the EU Commission deems to be lagging behind in the implementation of growth-enhancing structural reforms have achieved only a marginal improvement in their overall indicator since 2009. France, for example, has seen its rating climb by only 0.8 points, from 5.4 to 6.2, over the past five years, while Italy has made even less progress (+0.2), despite already having a fairly poor rating of only 5.0 points. Greece, Ireland, Portugal and Spain, on the other hand, have been able to boost their rating by (in some cases much) more than 1 point since 2009.
- Our comparison with the US, which has been included for the first time, shows that the imbalances in the US economy are slightly more pronounced than in the eurozone (6.2 versus 6.4), although the US economy has made up some ground in recent years. The US performs worse than the EMU average above all when it comes to government debt and new borrowing.

Eurozone country profiles

Germany: Top spot on the podium yet again

- Germany managed to defend its top spot in the 2014 overall ranking with a total score of 8.4 points, up from 7.9 points in 2013. It is important to emphasize that this rating does not reflect the German economy's growth potential, but rather shows the extent to which there are imbalances lurking in the German economy that could trigger eurozone instability.

- Germany saw five of its indicators improve compared with 2013: the government interest burden expressed as a % of gross domestic product, the change in domestic demand, the unemployment rate, the change in labor productivity and private household debt as a % of gross domestic product. Domestic demand, for example, has been growing at an average rate of 1.4% a year for five years now, albeit from a low starting point as a result of the crisis. As far as labor productivity is concerned, the average increase over the past five years has been 1.1%. Compared with 2013 none of the indicators deteriorated.



- Germany's best results are in the "private and foreign debt " category (score of 9.3). The favorable debt situation in the private sector is one of the strengths of the German economy.

Box: The Baltic states – model pupils?

The ones hot on Germany's heels have turned out to be the three Baltic members of the eurozone; Lithuania, Estonia and Latvia. While Estonia moved up one place compared with 2013, increasing its rating by almost one point to 7.7 (2nd place), Latvia's rating has risen by an even wider margin to 7.5 points (+1.2 points, 3rd place). At 7.9 points, the third Baltic state, Lithuania, is also among the leaders. Since Lithuania has only been the 19th EMU member since January 1, 2015, our 2014 Euro Monitor ranking only includes places 1 to 18. So are the Baltic states the eurozone's model pupils in terms of macroeconomic equilibrium?

There is no doubt that Estonia, Latvia and Lithuania are prime examples of how state finances should be run. With a government debt ratio of just under 10%, Estonia leads the EMU field and is moving towards a balanced budget (deficit ratio of 0.4%). Latvia also has no problems at all meeting the European convergence criteria, with a debt level of 40.4% and a deficit corresponding to 1.5% of GDP. Lithuania is in similarly good shape, with government debt of only 41.1% and a deficit of 1.2% in relation to its GDP.

When interpreting the overall ranking, however, it is crucial to take a close look at the valuation methods. Despite the fact that calculating an average for a total of six sub-indicators over a period of five years ensures an analysis that smooths out the economic cycle, certain distortions can also occur if the values in the starting year were subject to special effects.

The Baltic states were among the countries that really bore the brunt of the financial crisis. The logical consequence of this is that these three states are performing particularly well on the indicators that include values stretching back to 2009, because of their weak starting position. By way of example, the Baltics lead the eurozone field when it comes to indicators such as domestic demand, labor productivity, employment rate and private debt, which all reflect changes over a five-year period.

Domestic demand serves as a good example: whereas eurozone domestic demand fell by almost 4% in a year-on-year comparison in 2009, it plummeted by more than 20% in Estonia, Latvia and Lithuania. Although these three states still fell short of the pre-crisis level of domestic demand in 2014, they were the only countries in the eurozone (other than Luxembourg) to be awarded the highest marks of 9 or 10. Despite unquestionably successful reform efforts, this top position is partly due to the statistical methods used in the Monitor.

What is more, the good overall rating should not distract us from the fact that the Baltic states have catch-up work to do in other areas. Nominal unit wage costs overshoot the target path considerably, by as much as 80.4% in Estonia's case. Furthermore, these three countries have massive gross domestic energy consumption, which pushes them down towards the bottom of the table in this category, together with Slovakia.

The intention is by no means to dispute the solid position that the Baltic states have built up thanks to a strict austerity policy in the aftermath of the financial crisis. Over the next few years, however, the impact of the crisis will drop out of the score, producing a less distorted picture in the years to come.

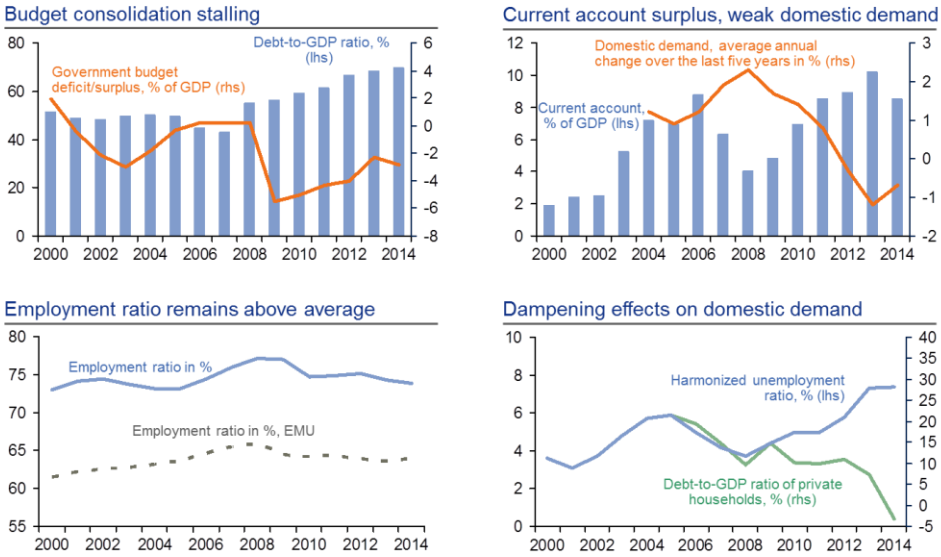
Austria: Solid fourth place but only marginal improvement

- 2014 saw Austria slide from the second place it occupied a year earlier to fourth place, meaning that, with a ranking of 7.4 points, it was overtaken by the two Baltic states of Estonia and Latvia. One aspect that sticks out is that the improvement in the rating (+0.2 points) is small compared to the other EMU states.
- The Alpine republic fares relatively badly in the "fiscal sustainability" category (ninth place within the eurozone). The marked increase in the budget deficit from 1.5% in 2013 to an estimated 2.9% in 2014 can, however, be largely attributed to the necessary restructuring methods that came in the wake of the break-up of Hypo Alpe Adria.
- Although Austria has gone some way in bucking the long-standing unfavorable trend in labor productivity, it is still below the EMU average in this respect. On the other hand, Austria (along with Germany) boasts the lowest unemployment rate in the entire eurozone, putting the country in third place (7.0 points) on the whole in the "jobs, productivity and resource efficiency" category.
- Austria does particularly well in the "private and foreign debt" category: both private and financial sector debt are on the decline and, in terms of foreign debt, the country became a net creditor for the first time in 2014.

Netherlands: A solid position in the upper mid segment

- The Netherlands managed to climb up one place to seventh (+0.6 points) in 2014, meaning that the country remains in the upper mid segment of the EMU rankings with a total score of 6.8 points.
- This improvement is due in particular to positive debt momentum: debt levels at non-financial corporations are stabilizing, while households and the financial sector continue on the debt reduction path carved out in 2013. At around 125% of economic output, however, the Dutch have the second-highest level of private household debt in the eurozone after Cyprus.
- Although this is not immediately evident from its rating, the Netherlands accounts for a fairly large chunk – albeit one that is shrinking slightly – of global market trade (3.6%). Other larger economies such as France, Italy or Spain have a smaller share. This export focus is also expressed in the fact that the Netherlands has the highest current account surplus (8.5% of GDP) of all EMU countries, achieving the maximum score of 10 points for this indicator.
- The weak points in the Dutch economy are domestic demand, although this has risen again for the first time since 2011, and the employment rate which, despite being around 10 percentage points higher than the EMU average at over 73%, is the only one in the eurozone to have fallen in 2014.

Netherlands: Euro Monitor strengths and weaknesses



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

Belgium: Towering debt mountain remains a weakness

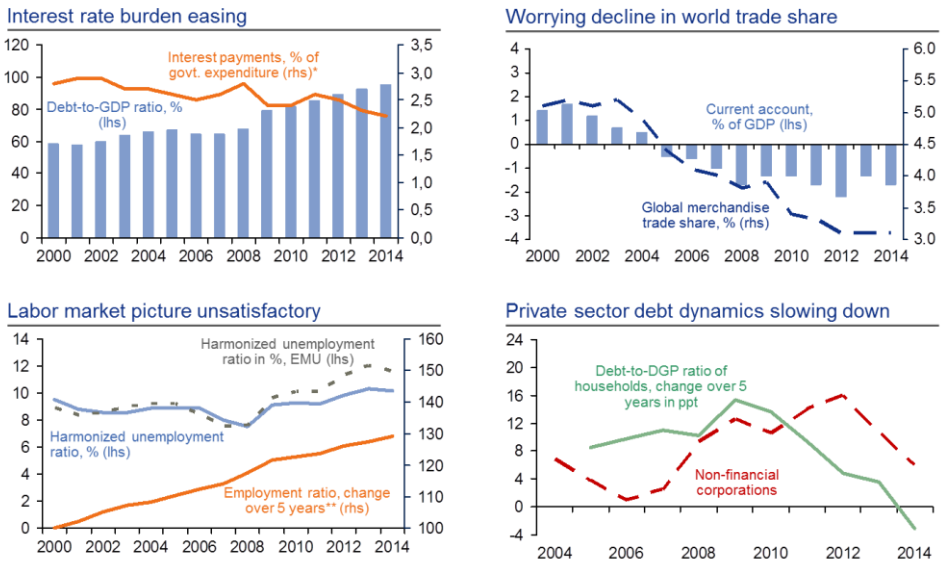
- Despite a 0.4 point improvement in its overall result, Belgium dlipped two places compared with 2013 and now comes in just behind its neighbor, the Netherlands, in eighth place (6.7 points).
- The kingdom joins Germany at the top of the EMU rankings when it comes to "Private and foreign debt". Both the financial sector and non-financial corporations remain firmly on the debt reduction path they set out on in 2012 and the extremely positive net international investment position also remains fairly constant, at an estimated 45% of GDP.

- Measures to limit nominal wage growth are helping to counter the increase in unit wage costs in Belgium, which have been well above our target path in recent years. The fact that labor productivity made it out of negative territory in 2014 is also helping to put a damper on unit wage costs.
- Belgium's worst score by far is for government debt, which, at more than 105% of economic output, is the second-highest of all EMU states after Italy, leaving the (ex-)program countries out of the equation.

France: Not the "new sick man" of Europe but action certainly required

- France occupies eleventh place in our ranking: a far from satisfactory position, even though its total score improved by ½ point year-on-year to total 6.2. Among the three major EMU economies, this means that France fares much worse than Germany, but significantly better than Italy.
- France's biggest weak points remain unchanged: the individual score for the country's global export share is once again 1 and its unemployment rate 3. These results are consistent with the "reform clusters" identified in the recently published Franco-German report by Henrik Enderlein and Jean Pisani-Ferry. The two economists believe that France needs to take urgent action to make its labor market more flexible, boost its competitive standing and trim down the state – whereby there is no indicator for the latter aspect in our Euro Monitor.

France: Euro Monitor strengths and weaknesses



*) General government interest payments as % of government expenditure.
Sources: EcoWin, Eurostat, EU Commission, IMF, WTO, own estimates.

- France achieves its best score of 9 points in two areas: the current account balance, which is only marginally in the red, and financial sector liabilities, which have barely risen looking at the last five years on average.
- In the tug-of-war between Brussels and Paris over budget consolidation, the French government has had its deadline for getting the state deficit down to below the 3% mark extended yet again to 2017 (in 2014, the deficit came in at 4.0% of GDP).
- France did not face the same pressure to implement reforms as the (former) EMU program countries did during the crisis, meaning that it has catch-up work to do in this respect. Nevertheless, we do not expect it to become Europe's new "sick man". If France managed to implement the planned government spending cuts of EUR 50bn

between 2015 and 2017, this would be a huge step forward. Plans to grant the business sector relief totalling around EUR 40bn in the period leading up to 2017, which are already taking effect in some cases, are also to be viewed in a positive light.

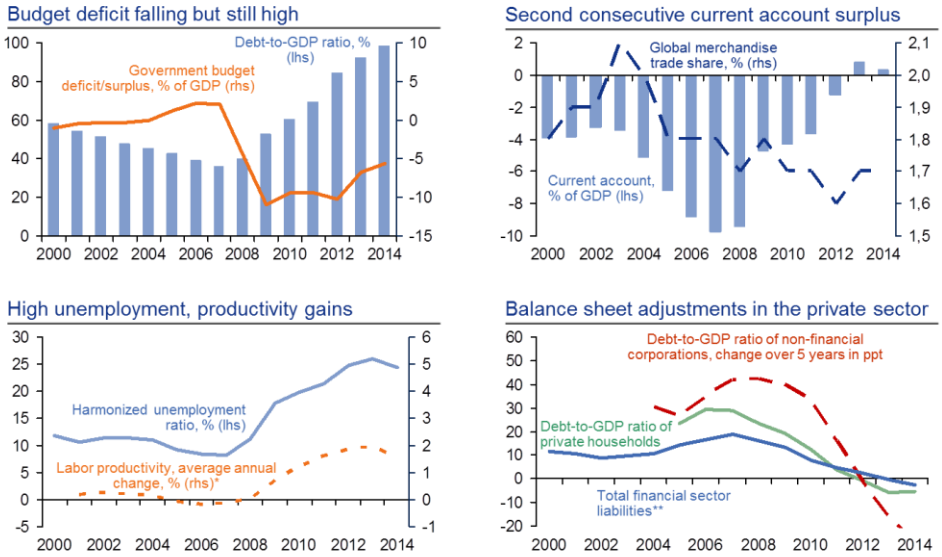
Finland: Lack of growth

- Finland has increased its rating by more than one point (6.5 points in 2014, ninth place) and climbed three places up the ladder in a year-on-year comparison. It is, however, important to remember that the country has not reported positive annual economic growth since 2012.
- Finland does not fare well when it comes to "Competitiveness and domestic demand". This is largely because, due to a lack of innovation in the Finnish corporate sector and crises affecting traditional industrial sectors (paper industry, telecommunications), the development in the country's share of global trade has taken a turn for the worse, putting Finland at the bottom of the EMU league alongside France, Ireland and Malta. On the other hand, progress has been made in reducing financial and private sector debt.
- The country has traditionally been a strong performer when it comes to state finances. State interest payments remain at a low level of 1.3% in relation to GDP. Although Finland met the 60% criterion imposed under the Stability and Growth Pact in 2014, it risks exceeding the threshold in the near future as the debt ratio edges up. The budget deficit was also much higher than expected at 2.7% of GDP after structural reforms and fiscal consolidation measures that had been passed in the summer of 2014 were withdrawn or postponed.

Spain: Overall indicator not yet reflecting the recent positive development

- Spain has slipped back one place to 12th, with its overall rating improving by only three-tenths to 5.9 points. This might come as something of a surprise given the predominantly good news to have come out of the country of late.
- After the Spanish economy managed to emerge from recession in mid-2013, its economic growth has been picking up speed since the start of last year. But the effects of the crisis linger on: although the improved economic development is starting to make itself felt on the labor market, the unemployment rate is still sitting at over 23% - giving a score of 1. Spain performs just as poorly when it comes to domestic demand (five-year average), despite the fact that it rose again in 2014 for the first time in six years.
- The country gets 10 out of 10 for its virtually balanced current account, corporate deleveraging and the development in financial sector liabilities.

Spain: Euro Monitor strengths and weaknesses



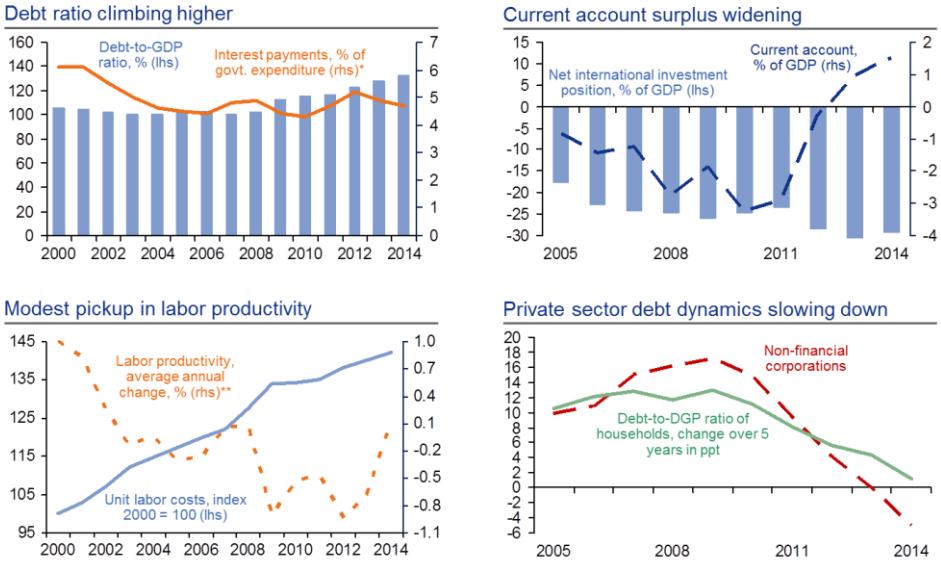
*) Over the last five years. **) Average annual change over the last five years in %.
Sources: EcoWin, Eurostat, EU Commission, IMF, WTO, own estimates.

- Spain's government debt ratio is creeping towards the 100% mark. Although the budget deficit is gradually being cut in relation to GDP, the country is unlikely to hit the 3% target set out in the European fiscal guidelines until 2016. The massive drop in spreads and yields for Spanish government bonds will help to take the pressure off in this respect.
- Looking ahead, we expect Spain to achieve better Euro Monitor results. Its economy is starting to catch up after a phase of deep recession and the positive effects of the far-reaching reforms that have been implemented are also likely to last.

Italy: Third from bottom with various works-in-progress

- Although Italy's total score increased slightly to 5.0 points (+0.4) in 2014, the country still slipped one place to 16th position because other EMU countries – particularly those at the bottom of the rankings – did better in comparison last year.
- Italy's Achilles' heel remains its towering government debt. In 2014 it again did not manage to either cut its budget deficit or to send the Italian government debt ratio – the second-highest in the eurozone at around 132% of GDP – on a downward trajectory. As a result, Italy even lags behind Greece in the "fiscal sustainability" category, coming in in 17th place.
- Given its extremely lackluster growth, it comes as no surprise that Europe's third-largest economy occupies last place in the "competitiveness and domestic demand" category, just as it did a year earlier. The unfavorable development in unit wage costs, the dwindling share of global trade and weak domestic demand give particular cause for concern. On the flip slide, Italy scores full marks for its current account, which achieved a surplus for the second time running in 2014.

Italy: Euro Monitor strengths and weaknesses



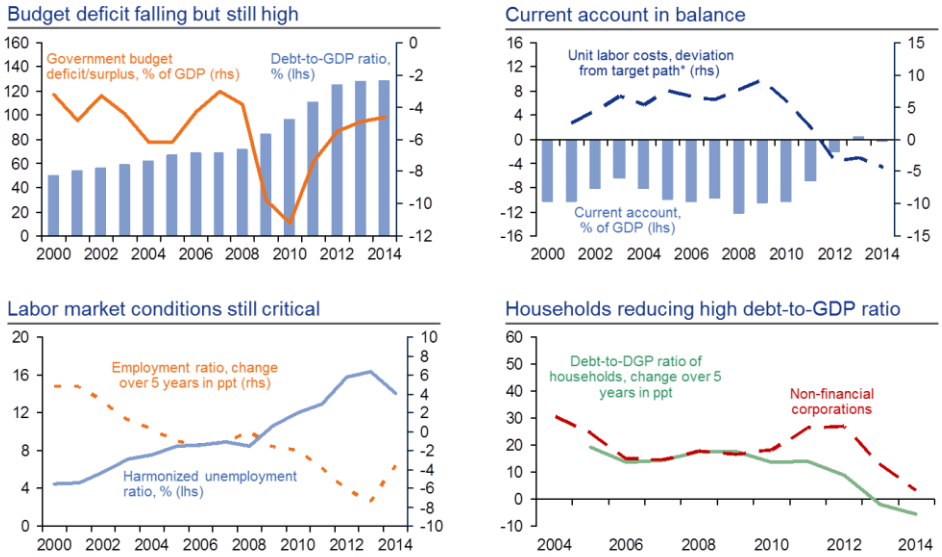
*) General government interest payments as % of GDP. **) Over past five years.
Sources: EcoWin, Eurostat, EU Commission, IMF, own estimates.

- The situation on the Italian labor market remains tense. The marked increase in unemployment in recent years, sparked by the recession, continued in 2014, albeit at a slower pace. The fact that labor productivity is on the rise again for the first time since 2008 provides some light at the end of the tunnel. It is to be hoped that the most recent labor market reforms will have a positive impact on labor market developments.

Portugal: On the right track but with a rocky road ahead

- Although Portugal's overall rating improved by +0.2 points year-on-year, it has lost one place to Ireland and ranks 15th in the eurozone as a whole (5.1 points).
- Portugal fares particularly badly when it comes to government finances. The government interest burden is the highest in the eurozone at 5% of GDP. One glimmer of hope remains: despite the impairments on bad loans and the fact that the government had to step in to finance state-owned companies, the budget deficit is estimated to have dipped to 4.6%, which is likely to have helped the government debt ratio - which soared during the crisis – stabilize again for the first time. Nevertheless, Portugal brings up the rear in this category.
- The fact that more than two percentage points have been shaved off the unemployment rate, bringing it down to 14.1% on average in 2014, coupled with the slight increase in the employment rate shows that the situation on the labor market is improving. But creating acceptable labor market conditions again will be a very painstaking process.
- The southern European country scores 10 for its nominal unit wage costs, which have been moving in the right direction since 2010, and for its current account, which was once again virtually balanced in 2014. It also scores 10 for financial sector liabilities, which have been on the decline since 2011.

Portugal: Euro Monitor strengths and weaknesses

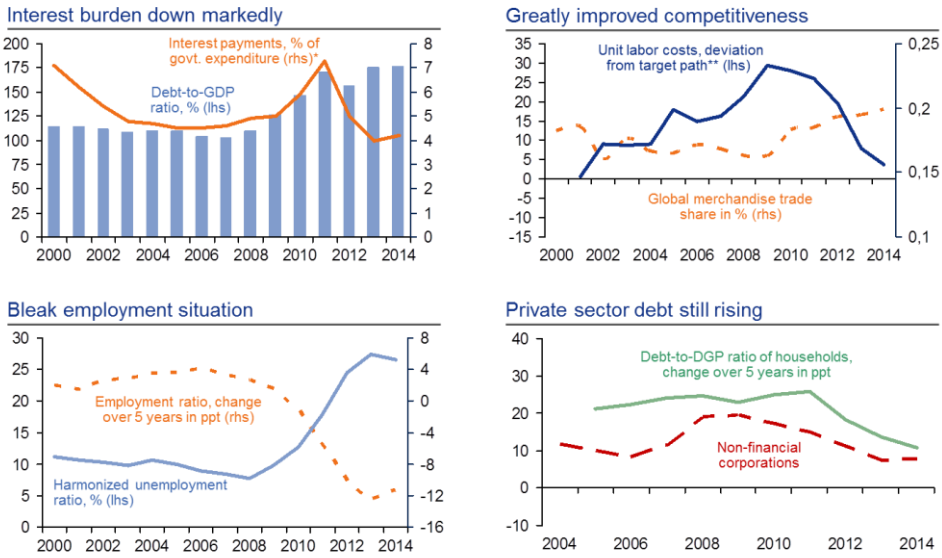


*) Base year 2000, deviation from the target path of 1.5% rise per year in index points.
Sources: EcoWin, Eurostat, EU Commission, IMF, own estimates.

Greece: Some progress but a lot of weaknesses

- Greece improved its overall score from 4.3 in 2013 to 4.9 last year, meaning that the country has now managed to remain on an upward trajectory for three years running. Nevertheless, the score itself remains only moderate.
- Greece has performed best when it comes to changing its competitive standing, boosting its score in this category from 2.8 in 2011 to 7.3 in 2014. This achievement is thanks to a marked reduction in unit wage costs, a slight current account surplus after very sizeable foreign trade deficits in the past and a stabilization in its share of global trade.

Greece: Euro Monitor strengths and weaknesses



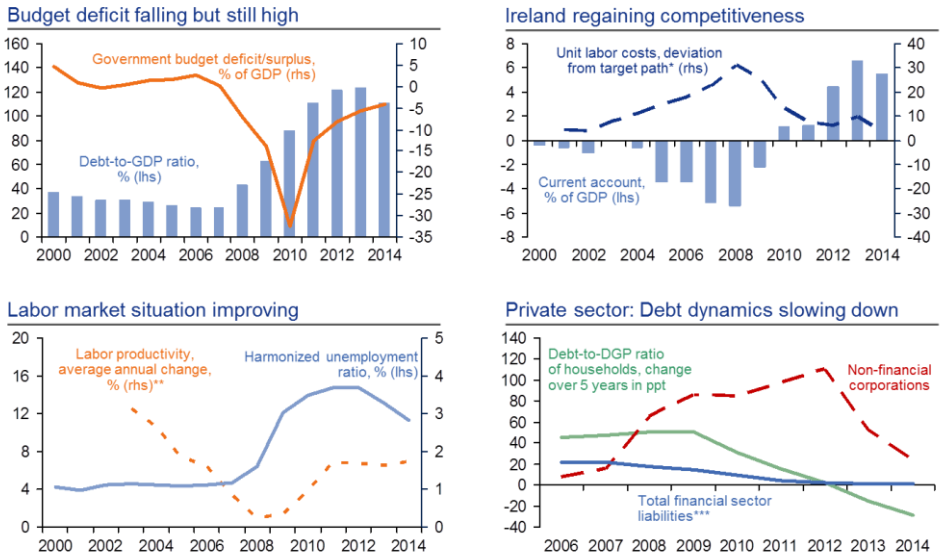
*) General government interest payments as % of government expenditure. **) Base year 2000, deviation from the target path of 1.5% rise per year in index points. Sources: EcoWin, Eurostat, EU Commission, WTO, own estimates.

- The score in the "fiscal sustainability" category has improved from 1.0 (the worst mark possible) in 2011 to 4.0 in 2014, although the Greek government debt ratio remains bottom of the class. Interest rate relief has, however, reduced the interest burden considerably in relation to GDP, despite the fact that the debt level continues to head up, and is now lower than in Italy and Portugal. New government borrowing is also down, despite reduced tax revenue at the end of 2014, and is estimated to have totaled around 3% of GDP last year.
- Comparing 2014 with 2013, little has changed in the "jobs, productivity and resource efficiency" and "private and foreign debt" categories. The former remains at a very low level of 2.5, while the latter is assigned a moderate score of 5.5.
- However, Greece still receives the worst possible marks for five indicators (government debt ratio, domestic demand, unemployment rate, employment rate and net international investment position).

Ireland: Buoyant economic growth helping to reduce imbalances

- Ireland has seen its overall rating improve by 0.9 points on the previous year to 5.4 in 2014. The Irish have improved their marks in all four categories and for around half of the individual indicators in a year-on-year comparison.
- "Fiscal sustainability" remains Ireland's weakest category. Despite making real progress with its debt consolidation efforts – bolstered by strong economic growth of almost 5% in 2014 - the government debt ratio still corresponds to 111% of economic output and the budget deficit remains above the 3% threshold.

Ireland: Euro Monitor strengths and weaknesses



*) Base year 2000, deviation from the target path of 1.5% rise per year in index points. **) Within 5 years. ***) Average annual change over the last five years in %. Sources: EcoWin, Eurostat, EU Commission, IMF, own estimates.

- Ireland has gained further ground in the "competitiveness and domestic demand" category thanks in particular to the favorable development in unit wage costs. In the period since 2009, Ireland's score for this indicator has increased from 1 to 9. Although Ireland has also managed to win back a bigger share of global trade compared with 2013, its total global trade share is still down by 45% on the 2000 level. Ireland's strong current account surplus of around 5.5% (2008: -5.4%) confirms the positive development in its competitive standing.

- The Irish labor market would appear to be on the road to recovery. The unemployment rate has been on the decline for two years now and is already lower than it was in 2009. Nevertheless, it remains very high at 11.6%.
- Progress is being made with balance sheet adjustments in the Emerald Isle's highly-indebted private sector, particularly as far as private households are concerned. Although Ireland's foreign debt has been falling since 2011, it remains at a high level.

Cyprus: Still bottom of the eurozone league despite improvements

- Although Cyprus lifted its overall rating from 4.1 points to 4.5 points in 2014, it remains stuck at the bottom of the table, scoring bottom marks of 1 in five out of the 15 individual indicators.
- Cyprus' worst performance is in the "jobs, productivity and resource efficiency" category, where it achieves an average score of only 3 points. As in the past, this is due to the rising unemployment rate, which has now overshot the 16% mark, and the steep drop in the employment rate.
- In the "fiscal sustainability" category, on the other hand, Cyprus does at least make it into the lower mid-field in spite of the sovereign debt and banking crisis. The country managed to push its budget deficit down to around 3% of economic output in 2014. As long as it can stick to its austerity and reform plans, the government debt ratio should start to stabilize as early as next year.

Selected EU countries

UK: In the upper middle of the EU rankings

- The UK made it into the upper middle of the EU rankings in 2014, with an overall score of 6.8. This represents a marked improvement on 2013, when the score came in at only 5.8. This is testimony to how solid economic performance – such as that seen in the UK – can enable countries to reduce imbalances fairly quickly.
- When it comes to state finances, however, the UK is still only an average performer. Although the government debt ratio is barely rising thanks to strong growth, there is still a real need for consolidation, with new borrowing corresponding to 5% of GDP.
- The "competitiveness and domestic demand" category paints a mixed picture. While the UK is feeling the pressure of a much smaller share of global trade and a current account deficit corresponding to around 5% of GDP, its robust domestic demand remains one of its strengths.
- Compared with 2013, the UK has made considerable progress as far as employment and productivity are concerned. It has achieved consistently good results when it comes to cutting private debt, especially at non-financial corporations.

Poland: Top of the EU league table when it comes to competitiveness

- At 6.9 in 2014, Poland's overall score is above the EMU average (6.4).
- Thanks to a fairly low government debt ratio, the country does relatively well in the "fiscal sustainability" category, with a score of 7.7.
- Poland leads the EU field in terms of "competitiveness and domestic demand" with a score of 9.3. This very positive assessment owes itself to the low increase in unit wage costs, growing global market share, small current account deficit and satisfactory domestic demand growth.

- While Poland fares only moderately well on the employment front, its labor productivity growth, which has come in at more than 3% a year over the past five years, is one of the highest in the EU.

Sweden: Eighth in an EU comparison

- Sweden is one of the EU countries with relatively minor economic imbalances – or at least, this is what the results of our indicator, which assigned Sweden an overall rating of 7.3 in 2014, would suggest.
- The very healthy state of the country's government finances is particularly striking, with Sweden achieving a very solid 8.7 rating in the "fiscal sustainability" category. This rating is based on a government debt ratio of only around 40% and moderate new borrowing.
- The "competitiveness and domestic demand" category paints a mixed picture. Although the country boasts a substantial current account surplus, its share of global trade has shrunk by around one-third since 2000. On the other hand, Sweden has experienced fairly strong domestic demand growth over the past few years.
- Compared with 2013, Sweden chalked up considerable improvements in employment and labor productivity. Its employment rate – which is the highest in the EU - continues to rise, and labor productivity remains on a moderate upward trend.

Euro Monitor Rating 2014 – EU28

Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	DE	Germany	8.4	1	7.9	2	7.5
2	LT	Lithuania	7.9	3	6.9	19	4.9
3	EE	Estonia	7.7	4	6.8	19	4.9
4	LV	Latvia	7.5	10	6.3	17	5.0
5	AT	Austria	7.4	2	7.2	4	6.8
6	DK	Denmark	7.3	7	6.7	10	5.9
6	LU	Luxembourg	7.3	4	6.8	1	7.6
8	SE	Sweden	7.3	6	6.7	8	6.0
9	MT	Malta	7.1	8	6.4	18	4.9
10	CZ	Czech Republic	7.0	10	6.3	5	6.5
11	PL	Poland	6.9	8	6.4	6	6.2
12	UK	United Kingdom	6.8	14	5.8	16	5.1
12	NL	Netherlands	6.8	13	6.2	3	6.9
12	RO	Romania	6.8	15	5.7	14	5.3
15	BE	Belgium	6.7	10	6.3	11	5.8
16	FI	Finland	6.5	20	5.4	11	5.8
17	HU	Hungary	6.4	22	5.1	26	3.8
17	SK	Slovakia	6.4	15	5.7	7	6.1
19	FR	France	6.2	17	5.7	13	5.4
20	BG	Bulgaria	6.0	17	5.7	15	5.3
21	ES	Spain	5.9	19	5.6	24	4.3
22	SL	Slovenia	5.7	21	5.2	9	5.9
23	IE	Ireland	5.4	26	4.5	27	3.6
24	PT	Portugal	5.1	23	4.9	25	3.9
25	IT	Italy	5.0	24	4.6	23	4.8
26	HR	Croatia	4.9	25	4.5	19	4.9
27	GR	Greece	4.9	27	4.3	28	3.2
28	CY	Cyprus	4.5	28	4.1	19	4.9

Box: United States vs. the eurozone

The 2014 Euro Monitor also measures macroeconomic imbalances in the United States for the first time, allowing a direct comparison with the eurozone. The basis for this sort of comparison has improved, because the macroeconomic statistics for the eurozone are now also consistent with new international statistical standards, such as the System of National Accounts (SNA) 2008.

While the eurozone scores 6.4 points overall, the US lags ever so slightly behind with 6.2 points. Compared with the eurozone, the US has strengths, but also various weaknesses when it comes to the equilibrium (not the momentum) of growth.

The main reason why the US does not fare any better than the allegedly unstable eurozone is its extremely weak position in terms of government finances. The US government debt ratio comes in at just over 120% (eurozone: 94.5%) and the US budget deficit, which corresponds to 5% of GDP, is substantially higher than the eurozone counterpart (2.6%) despite being on a downward trend. In the eurozone, only Spain and Slovenia have a higher deficit. In addition, the government interest burden comes in at 3.7% of GDP, one percentage point higher than on the other side of the Atlantic.

One factor contributing to the less favorable state of US government finances has to do with differences in the significance of pension systems for civil servants. In the US, retirement provision is based primarily on defined-benefit pension plans. This sort of system, where benefits are defined in advance, can end up being over or underfunded, unlike defined-contribution systems where benefits depend on how the retirement fund's assets fare. This is because these systems do not necessarily guarantee that the payments made by the employer correspond exactly to the pension commitments. Based on the new statistical standards, all deficits (or surpluses) have to be recorded as receivables (or liabilities) of the retirement fund to (or from) the employer. Retirement provision contributions also have to be calculated on an accrual basis and must reflect the increase in pension entitlements that have already been acquired during a certain period, irrespective of the payments that have actually been made. What is more, in the event of state liabilities to defined benefit pension funds, imputed interest payments are included in state interest expenditure for these liabilities, thus increasing any financing deficit. Taken in isolation, the underfinancing of defined benefit pension systems has increased the gross US government debt ratio by around 20 percentage points over the past few years. In particular, the inclusion of imputed interest expenditure has caused the overall government financing deficit to swell by a good 1 percentage point in recent years.

The United States achieve a top score of 10 in terms of nominal unit wage costs and private household debt, which has been falling consistently since 2007 and currently stands at around 78%.

Domestic demand is also performing much better: while US domestic demand has been growing at an average rate of 2.2% over the past five years, domestic demand in the eurozone has stagnated over the same period. In light of this dynamic development, it comes as no surprise that the US economy outstrips the eurozone as far as labor market developments are concerned: at 6.2%, the unemployment rate is more than five percentage points lower than in the eurozone (11.6%), while the employment rate is more than four percentage points higher. Compared with the previous year, the US employment rate score improved by four points.

The US current account deficit has been reduced in recent years, not least because the country has become less reliant on energy imports. In 2014, it came in at 2.4% of GDP (eurozone: current account surplus of 2.4%), well below pre-crisis figures of up to 5.8%. One aspect that is somewhat concerning, however, is that the US has made virtually no gains as far as its global market share of goods trade is concerned, although the US dollar has enjoyed a low valuation. Rather, its share of global trade has only stabilized. The ratio of US goods exports to global exports is still a good 30% lower than in 2000, resulting in the lowest possible score of 1 (eurozone: drop of 16.6%).

Although the US reported stronger growth than the eurozone in 2014, its high government debt ratio restricts future economic policy leeway. If the marked appreciation of the US dollar continues (or becomes even more pronounced), then the country's international competitive standing could also prove an obstacle to high, balanced growth in the long term.

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.

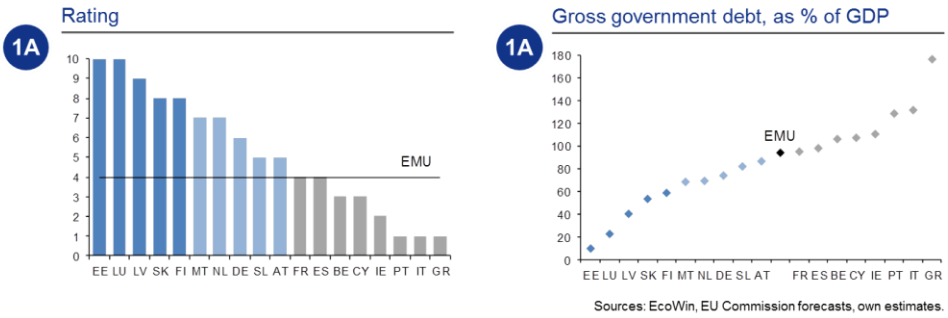
If, say, a member state has a government debt level of more than 60% of GDP, it is assigned a poor to moderate indicator rating of between 1 and 7 depending on the actual debt level. If the debt ratio is lower than 60%, the country is assigned a good indicator rating.

The scales for each indicator are listed on the following pages, as well as the Euro Monitor country ratings for 2008 to 2004.

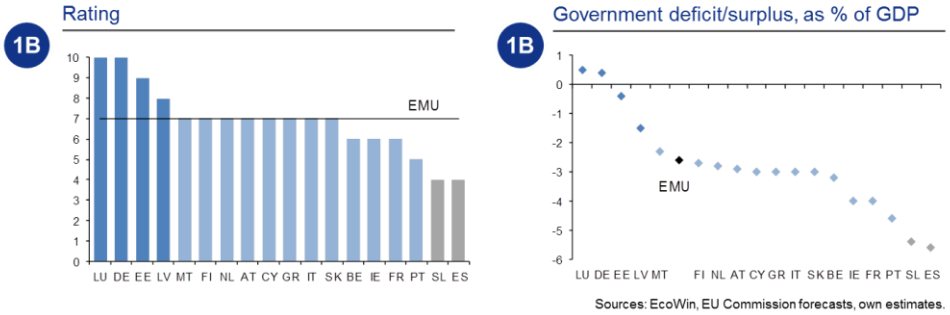
Fiscal Sustainability Rating 2014

Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	LU	Luxembourg	10.0	1	10.0	1	9.7
2	EE	Estonia	9.7	2	9.7	3	9.3
3	LV	Latvia	9.0	3	9.3	1	9.7
4	FI	Finland	8.3	4	8.3	4	8.7
4	DE	Germany	8.3	5	8.0	7	6.7
6	SK	Slovakia	8.0	5	8.0	6	7.3
7	NL	Netherlands	7.7	7	7.7	7	6.7
8	MT	Malta	7.0	8	7.0	10	6.3
9	AT	Austria	6.3	9	6.7	12	5.3
10	FR	France	6.0	10	5.7	12	5.3
11	CY	Cyprus	5.3	12	4.7	7	6.7
12	BE	Belgium	5.0	11	5.3	15	4.3
12	SL	Slovenia	5.0	12	4.7	5	7.7
14	ES	Spain	4.7	14	4.3	11	6.0
15	GR	Greece	4.0	18	2.3	18	1.3
15	IE	Ireland	4.0	16	3.0	12	5.3
17	IT	Italy	3.7	15	3.7	17	3.3
18	PT	Portugal	2.7	16	3.0	15	4.3

Government debt indicator 2014



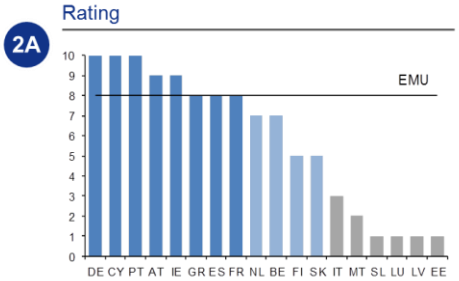
Government deficit/surplus indicator 2014

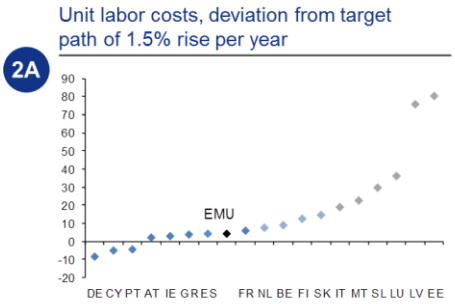


Competitiveness and Domestic Demand Rating 2014

Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	DE	Germany	8.0	1	7.5	1	8.3
2	LV	Latvia	7.5	9	5.5	8	6.3
2	SK	Slovakia	7.5	4	6.5	5	7.8
4	GR	Greece	7.3	3	6.8	18	3.3
4	AT	Austria	7.3	2	7.0	1	8.3
4	EE	Estonia	7.3	9	5.5	10	6.0
7	BE	Belgium	6.8	7	6.0	4	8.0
8	PT	Portugal	6.5	4	6.5	15	4.3
8	NL	Netherlands	6.5	6	6.3	1	8.3
8	ES	Spain	6.5	7	6.0	12	5.5
11	LU	Luxembourg	6.0	12	5.3	7	6.8
12	FR	France	5.8	12	5.3	8	6.3
13	SL	Slovenia	5.5	9	5.5	6	7.0
13	IE	Ireland	5.5	15	4.5	14	4.5
13	CY	Cyprus	5.5	12	5.3	15	4.3
16	MT	Malta	5.0	15	4.5	17	3.8
16	FI	Finland	5.0	15	4.5	10	6.0
18	IT	Italy	4.0	18	4.0	13	5.0

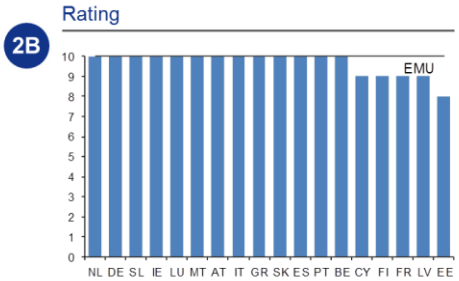
Unit labor costs indicator 2014

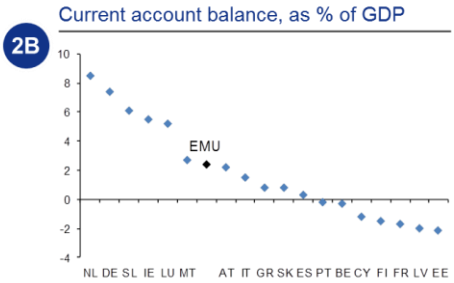




Sources: Eurostat projections, own estimates.

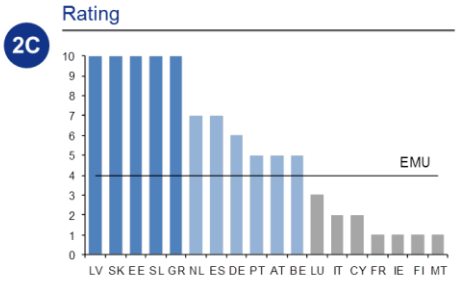
Current account balance indicator 2014

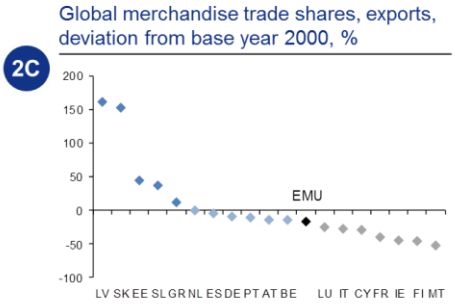




Source: own estimates.

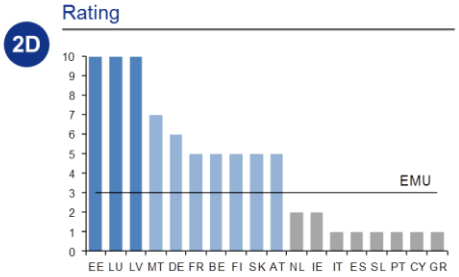
Global merchandise trade share indicator 2014

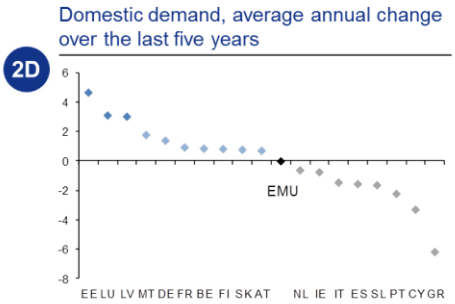




Sources: WTO, own estimates.

Domestic demand indicator 2014





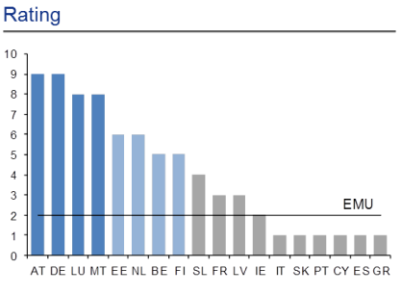
Sources: EU Commission forecasts, own estimates.

Jobs, Productivity and Resource Efficiency Rating 2014

Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	DE	Germany	8.0	1	7.0	3	6.8
2	MT	Malta	7.5	2	6.5	4	6.3
3	AT	Austria	7.0	2	6.5	1	7.8
4	LU	Luxembourg	6.8	4	6.3	4	6.3
5	EE	Estonia	6.5	10	4.0	18	3.8
6	IE	Ireland	6.0	5	4.8	17	4.0
7	LV	Latvia	5.8	12	3.5	16	4.3
8	BE	Belgium	5.5	5	4.8	8	5.5
9	FR	France	5.3	5	4.8	10	5.3
10	NL	Netherlands	5.0	5	4.8	2	7.3
10	FI	Finland	5.0	12	3.5	13	4.8
12	ES	Spain	4.5	9	4.3	14	4.5
13	IT	Italy	4.3	12	3.5	10	5.3
14	SK	Slovakia	4.0	16	2.8	10	5.3
14	PT	Portugal	4.0	11	3.8	14	4.5
16	SL	Slovenia	3.8	17	2.5	4	6.3
17	CY	Cyprus	3.0	15	3.0	7	5.8
18	GR	Greece	2.5	18	2.3	8	5.5

Unemployment rate indicator 2014

3A



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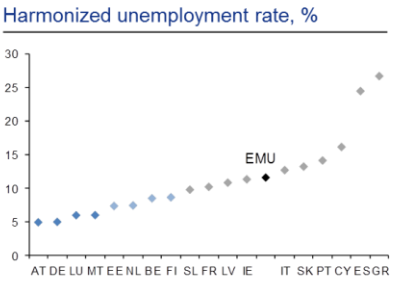
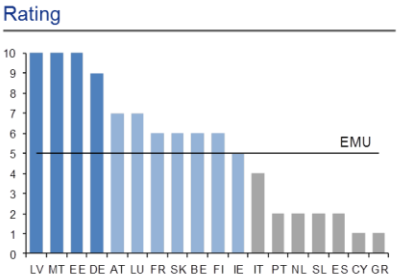


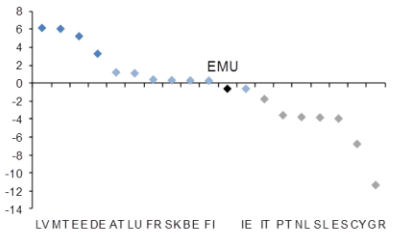
Source: own estimates.

Employment ratio indicator 2014

3B



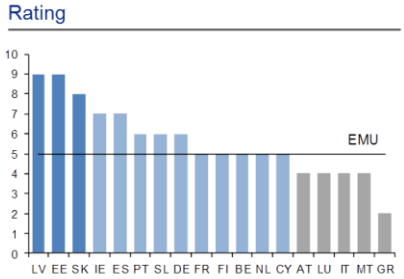
3B



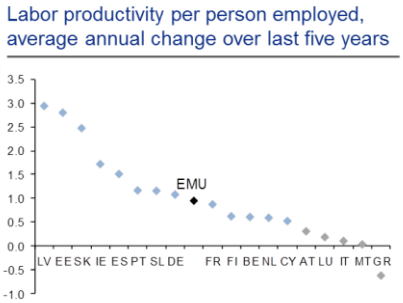
Source: own estimates.

Labor productivity indicator 2014

3C



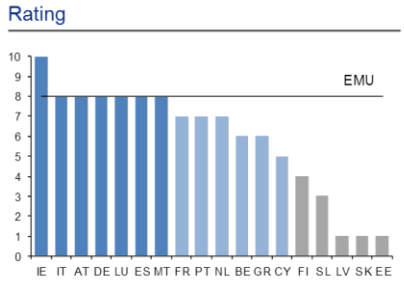
3C



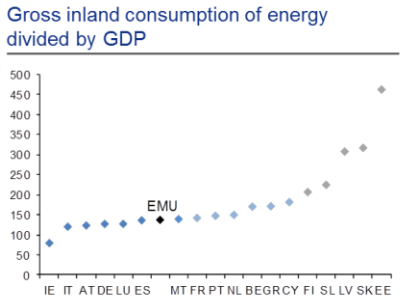
Source: own estimates.

Energy intensity indicator 2014

3D



3D



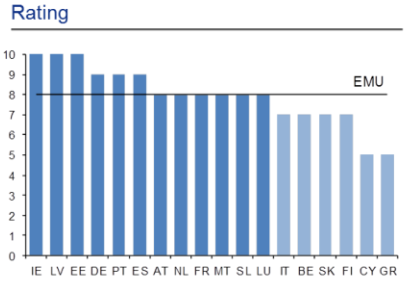
Sources: Eurostat, own estimates.

Private and Foreign Debt Rating 2014

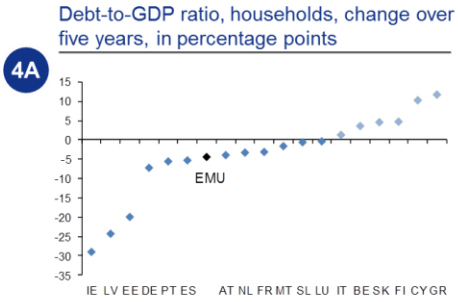
Rank 2014	Country Code	EMU Member State	Rating 2014	Rank 2013	Rating 2013	Rank 2009	Rating 2009
1	BE	Belgium	9.3	2	8.8	6	5.0
1	DE	Germany	9.3	1	9.0	2	8.3
3	AT	Austria	8.8	4	8.5	3	5.5
3	MT	Malta	8.8	6	7.8	10	3.8
5	SL	Slovenia	8.5	5	8.0	11	3.3
6	NL	Netherlands	8.3	11	6.5	4	5.3
7	LV	Latvia	8.0	7	7.5	17	1.0
7	FI	Finland	8.0	14	6.0	8	4.5
7	EE	Estonia	8.0	2	8.8	16	1.5
10	IT	Italy	7.8	9	7.0	4	5.3
10	FR	France	7.8	9	7.0	7	4.8
12	ES	Spain	7.5	7	7.5	15	1.8
13	LU	Luxembourg	7.3	11	6.5	1	10.0
14	PT	Portugal	6.8	15	5.8	13	2.5
15	SK	Slovakia	6.5	13	6.3	9	4.3
16	IE	Ireland	5.8	17	5.3	17	1.0
17	GR	Greece	5.5	16	5.5	14	2.3
18	CY	Cyprus	4.3	18	3.8	11	3.3

Debt-to-GDP ratio of households indicator 2014

4A



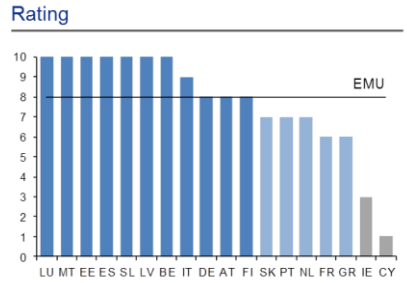
4A



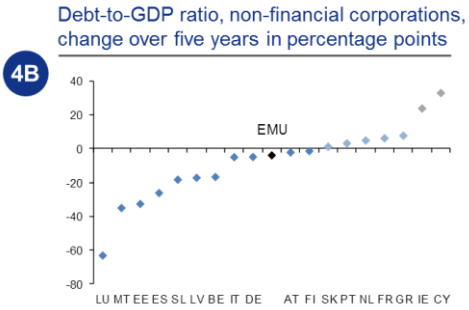
Sources: Eurostat, own estimates.

Debt-to-GDP ratio non-fin corporations indicator 2014

4B



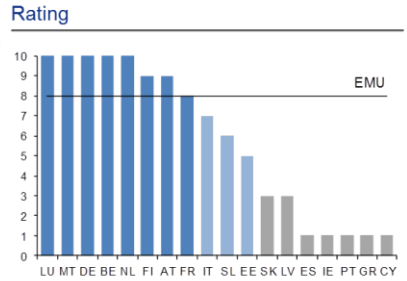
4B



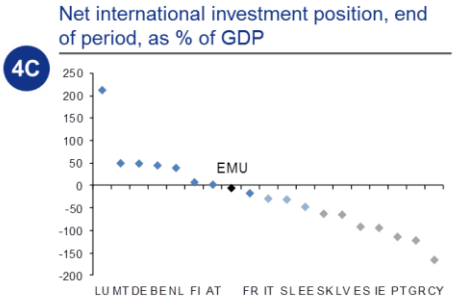
Sources: Eurostat, own estimates.

Net international investment position indicator 2014

4C



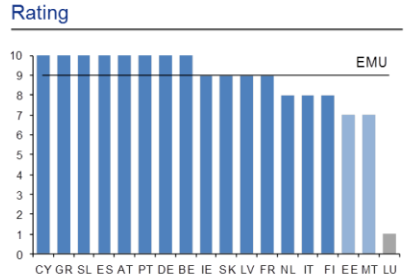
4C



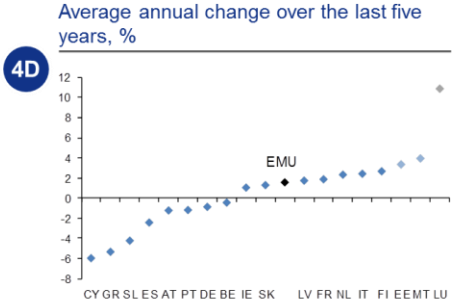
Source: own estimates.

Financial sector liabilities indicator 2014

4D



4D



Sources: Eurostat, own estimates.

Euro Monitor 2014

Country Rating 2014

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-toGDP ration of fin corporations	Sum over all indicators	Number of indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Germany	6	10	9	#	10	10	6	6	9	9	6	8	9	8	10	10	126	15	8.3	8.0	8.0	9.3	8.40	1.
Estonia	10	9	10	#	1	8	10	10	6	10	9	1	10	10	5	7	116	15	9.7	7.3	6.5	8.0	7.73	2.
Latvia	9	8	10	#	1	9	10	10	3	10	9	1	10	10	3	9	112	15	9.0	7.5	5.8	8.0	7.47	3.
Austria	5	7	7	#	9	10	5	5	9	7	4	8	8	8	9	10	111	15	6.3	7.3	7.0	8.8	7.40	4.
Luxembourg	10	10	10	#	1	10	3	10	8	7	4	8	8	10	10	1	110	15	10.0	6.0	6.8	7.3	7.33	5.
Malta	7	7	7	#	2	10	1	7	8	10	4	8	8	10	10	7	106	15	7.0	5.0	7.5	8.8	7.07	6.
Netherlands	7	7	9	#	7	10	7	2	6	2	5	7	8	7	10	8	102	15	7.7	6.5	5.0	8.3	6.80	7.
Belgium	3	6	6	#	7	10	5	5	5	6	5	6	7	10	10	10	101	15	5.0	6.8	5.5	9.3	6.73	8.
Finland	8	7	10	#	5	9	1	5	5	6	5	4	7	8	9	8	97	15	8.3	5.0	5.0	8.0	6.47	9.
Slovakia	8	7	9	#	5	10	10	5	1	6	8	1	7	7	3	9	96	15	8.0	7.5	4.0	6.5	6.40	10.
France	4	6	8	#	8	9	1	5	3	6	5	7	8	6	8	9	93	15	6.0	5.8	5.3	7.8	6.20	11.
Spain	4	4	6	#	8	10	7	1	1	2	7	8	9	10	1	10	88	15	4.7	6.5	4.5	7.5	5.87	12.
Slovenia	5	4	6	#	1	10	10	1	4	2	6	3	8	10	6	10	86	15	5.0	5.5	3.8	8.5	5.73	13.
Ireland	2	6	4	#	9	10	1	2	2	5	7	10	10	3	1	9	81	15	4.0	5.5	6.0	5.8	5.40	14.
Portugal	1	5	2	#	10	10	5	1	1	2	6	7	9	7	1	10	77	15	2.7	6.5	4.0	6.8	5.13	15.
Italy	1	7	3	#	3	10	2	1	1	4	4	8	7	9	7	8	75	15	3.7	4.0	4.3	7.8	5.00	16.
Greece	1	7	4	#	8	10	10	1	1	1	2	6	5	6	1	10	73	15	4.0	7.3	2.5	5.5	4.87	17.
Cyprus	3	7	6	#	10	9	2	1	1	1	5	5	5	1	1	10	67	15	5.3	5.5	3.0	4.3	4.47	18.
Euro Area	4	7	7	#	8	10	4	3	2	5	5	8	8	8	8	9	96	15	6.0	6.3	5.0	8.3	6.40	
EU28	5	7	7	#	7	10	5	4	3	6	6	7	9	10	8	9	103	15	6.3	6.5	5.5	9.0	6.87	
USA	1	5	5	#	10	8	1	8	7	6	6	7	10	7	6	6	93	15	3.7	6.8	6.5	7.3	6.20	

Euro Monitor 2013

Country Rating 2013

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-toGDP ration of fin corporations	Sum over all indicators	Number of indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Germany	6	10	8	#	10	10	6	4	8	9	3	8	8	8	10	10	118	15	8.0	7.5	7.0	9.0	7.87	1.
Austria	5	8	7	#	9	10	5	4	9	6	3	8	8	8	8	10	108	15	6.7	7.0	6.5	8.5	7.20	2.
Estonia	10	10	10	#	1	10	3	7	8	8	1	8	6	9	10	1	102	15	10.0	5.3	6.3	6.5	6.80	3.
Luxembourg	10	9	10	#	1	10	10	1	5	4	6	1	10	10	5	10	102	15	9.7	5.5	4.0	8.8	6.80	3.
Malta	7	7	7	#	2	10	1	5	7	10	2	7	6	10	10	5	96	15	7.0	4.5	6.5	7.8	6.40	5.
Latvia	10	8	10	#	1	10	10	1	2	2	9	1	10	7	3	10	94	15	9.3	5.5	3.5	7.5	6.27	6.
Belgium	3	7	6	#	6	9	5	4	5	5	3	6	6	9	10	10	94	15	5.3	6.0	4.8	8.8	6.27	6.
Netherlands	7	7	9	#	7	10	7	1	6	3	3	7	6	4	10	6	93	15	7.7	6.3	4.8	6.5	6.20	8.
Slovakia	8	7	9	#	5	10	10	1	1	3	6	1	5	7	3	10	86	15	8.0	6.5	2.8	6.3	5.73	9.
France	4	5	8	#	7	9	1	4	3	5	4	7	7	5	8	8	85	15	5.7	5.3	4.8	7.0	5.67	10.
Spain	4	3	6	#	7	10	6	1	1	1	7	8	9	10	1	10	84	15	4.3	6.0	4.3	7.5	5.60	11.
Finland	8	7	10	#	5	9	1	3	5	3	2	4	5	7	9	3	81	15	8.3	4.5	3.5	6.0	5.40	12.
Slovenia	6	1	7	#	1	10	10	1	3	1	3	3	7	9	6	10	78	15	4.7	5.5	2.5	8.0	5.20	13.
Portugal	1	5	3	#	10	10	5	1	1	1	6	7	8	5	1	9	73	15	3.0	6.5	3.8	5.8	4.87	14.
Italy	1	7	3	#	3	10	2	1	1	2	2	9	7	8	6	7	69	15	3.7	4.0	3.5	7.0	4.60	15.
Ireland	1	4	4	#	6	10	1	1	1	1	7	10	10	1	1	9	67	15	3.0	4.5	4.8	5.3	4.47	16.
Greece	1	1	5	#	7	10	9	1	1	1	1	6	5	6	1	10	65	15	2.3	6.8	2.3	5.5	4.33	17.
Cyprus	3	5	6	#	9	9	2	1	1	1	4	6	3	1	1	10	62	15	4.7	5.3	3.0	3.8	4.13	18.
Euro Area	4	7	7	#	8	10	4	2	2	3	4	8	7	7	8	8	89	15	6.0	6.0	4.3	7.5	5.93	
EU28	5	6	7	#	7	10	4	2	3	4	4	7	7	10	8	9	93	15	6.0	5.8	4.5	8.5	6.20	
USA	1	4	5	#	10	8	1	5	6	2	6	7	10	8	6	7	86	15	3.3	6.0	5.3	7.8	5.73	

Euro Monitor 2012

Country Rating 2012

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-toGDP ration of fin corporations	Sum over all indicators	Number of indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Germany	6	10	8	#	10	10	5	5	8	10	3	8	8	8	10	10	119	15	8.0	7.5	7.3	9.0	7.93	1.
Austria	5	7	7	#	10	10	5	5	9	7	3	8	7	8	8	9	108	15	6.3	7.5	6.8	8.0	7.20	2.
Luxembourg	10	10	10	#	1	10	5	7	8	7	1	8	6	1	10	#	94	14	10.0	5.8	6.0	5.7	6.71	3.
Latvia	10	6	9	#	5	10	10	1	1	3	10	1	8	10	4	10	98	15	8.3	6.5	3.8	8.0	6.53	4.
Netherlands	7	6	9	#	7	10	7	3	8	5	3	7	5	4	10	5	96	15	7.3	6.8	5.8	6.0	6.40	5.
Estonia	10	9	10	#	1	9	10	1	4	3	4	1	10	9	4	10	95	15	9.7	5.3	3.0	8.3	6.33	6.
Malta	7	6	7	#	2	10	1	5	7	10	3	7	5	7	10	3	90	15	6.7	4.5	6.8	6.3	6.00	7.
Belgium	3	5	6	#	6	9	4	5	6	5	3	6	6	4	10	10	88	15	4.7	6.0	5.0	7.5	5.87	8.
Slovakia	8	5	9	#	4	10	10	3	1	5	6	1	6	7	3	9	87	15	7.3	6.8	3.3	6.3	5.80	9.
France	5	5	7	#	7	8	1	4	4	5	4	7	7	4	8	8	84	15	5.7	5.0	5.0	6.8	5.60	10.
Slovenia	8	6	8	#	1	10	10	1	5	2	3	3	6	5	5	9	82	15	7.3	5.5	3.3	6.3	5.47	11.
Finland	8	7	10	#	5	9	1	4	6	5	1	4	5	5	9	1	80	15	8.3	4.8	4.0	5.0	5.33	12.
Spain	5	1	7	#	7	9	5	1	1	1	7	8	8	8	1	8	77	15	4.3	5.5	4.3	6.3	5.13	13.
Italy	1	7	2	#	3	10	2	1	3	4	2	9	6	7	7	7	71	15	3.3	4.0	4.5	6.8	4.73	14.
Portugal	1	4	3	#	10	9	4	1	1	1	5	7	6	2	1	7	62	15	2.7	6.0	3.5	4.0	4.13	15.
Ireland	1	2	4	#	7	10	1	1	1	1	7	10	7	1	1	8	62	15	2.3	4.8	4.8	4.3	4.13	15.
Greece	1	1	2	#	3	8	9	1	1	1	1	6	4	5	1	7	51	15	1.3	5.3	2.3	4.3	3.40	17.
Cyprus	6	4	7	#	6	4	1	2	2	1	5	6	3	1	1	2	51	15	5.7	3.3	3.5	1.8	3.40	17.
Euro Area	5	6	6	#	8	10	4	2	2	4	4	8	7	6	8	6	86	15	5.7	6.0	4.5	6.8	5.73	
EU28	5	5	7	#	7	10	4	2	3	4	4	7	7	6	8	5	84	15	5.7	5.8	4.5	6.5	5.60	

Euro Monitor 2011

Country Rating 2011

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-toGDP ration of fin corporations	Sum over all indicators	Number of Indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Germany	6	9	8	#	10	10	6	6	8	10	4	8	9	8	10	9	121	15	7.7	8.0	7.5	9.0	8.07	1.
Austria	5	7	7	#	10	10	6	6	9	7	4	8	7	6	8	7	107	15	6.3	8.0	7.0	7.0	7.13	2.
Luxembourg	10	10	10	#	1	10	5	9	9	7	1	8	6	1	10	#	97	14	10.0	6.3	6.3	5.7	6.93	3.
Netherlands	7	5	9	#	8	10	8	5	9	6	4	7	6	5	10	2	101	15	7.0	7.8	6.5	5.8	6.73	4.
Estonia	10	10	10	#	1	10	10	1	1	2	6	1	9	10	4	8	93	15	10.0	5.5	2.5	7.8	6.20	5.
Finland	9	9	10	#	7	9	1	6	6	5	4	4	5	4	9	1	89	15	9.3	5.8	4.8	4.8	5.93	6.
Belgium	3	6	6	#	7	9	5	6	6	6	4	5	6	2	10	7	88	15	5.0	6.8	5.3	6.3	5.87	7.
France	5	4	7	#	8	9	1	6	4	6	4	7	6	5	8	6	86	15	5.3	6.0	5.3	6.3	5.73	8.
Malta	7	7	6	#	3	10	1	6	7	9	4	6	5	3	10	1	85	15	6.7	5.0	6.5	4.8	5.67	9.
Slovakia	9	5	9	#	4	7	10	7	1	5	9	1	5	6	3	4	85	15	7.7	7.0	4.0	4.5	5.67	9.
Latvia	10	1	9	#	6	7	10	2	1	2	10	1	7	8	4	4	82	15	6.7	6.3	3.5	5.8	5.47	11.
Slovenia	9	3	9	#	1	10	10	4	5	3	5	3	6	2	5	3	78	15	7.0	6.3	4.0	4.0	5.20	12.
Italy	2	6	3	#	4	8	3	2	5	4	3	8	6	6	7	8	75	15	3.7	4.3	5.0	6.8	5.00	13.
Spain	7	1	8	#	5	10	6	1	1	1	7	8	7	4	1	6	73	15	5.3	5.5	4.3	4.5	4.87	14.
Cyprus	7	4	8	#	4	7	1	7	6	4	5	6	1	1	2	1	64	15	6.3	4.8	5.3	1.3	4.27	15.
Ireland	2	1	6	#	7	10	1	1	1	1	7	10	4	1	1	6	59	15	3.0	4.8	4.8	3.0	3.93	16.
Portugal	2	2	4	#	9	4	5	2	1	2	6	7	5	2	1	5	57	15	2.7	5.0	4.0	3.3	3.80	17.
Greece	1	1	1	#	1	1	8	1	1	1	1	7	2	5	1	3	35	15	1.0	2.8	2.5	2.8	2.33	18.
Euro Area	5	5	7	#	8	10	5	4	3	5	4	8	7	5	8	4	88	15	5.7	6.8	5.0	6.0	5.87	
EU28	5	5	7	#	7	10	5	4	4	5	4	7	7	5	8	2	85	15	5.7	6.5	5.0	5.5	5.67	

Euro Monitor 2010

Country Rating 2010

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-toGDP ration of fin corporations	Sum over all indicators	Number of indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Germany	5	5	8	#	10	10	7	6	7	10	4	7	9	8	10	9	115	15	6,0	8,3	7,0	9,0	7,67	1.
Luxembourg	10	9	10	#	1	10	7	7	9	7	2	7	#	#	10	#	89	12	9,7	6,3	6,3	10,0	7,42	2.
Austria	5	5	7	#	10	10	7	6	9	9	4	8	7	6	8	5	106	15	5,7	8,3	7,5	6,5	7,07	3.
Netherlands	8	5	9	#	8	10	8	6	8	7	5	7	5	6	10	2	104	15	7,3	8,0	6,8	5,8	6,93	4.
Belgium	4	6	6	#	8	10	6	6	5	6	4	5	6	4	10	6	92	15	5,3	7,5	5,0	6,5	6,13	5.
Slovakia	9	2	10	#	4	7	10	10	1	7	10	1	6	6	3	6	92	15	7,0	7,8	4,8	5,3	6,13	5.
Finland	9	7	10	#	7	10	1	5	5	5	4	3	4	3	9	1	83	15	8,7	5,8	4,3	4,3	5,53	7.
Slovenia	10	4	9	#	1	10	10	6	6	6	6	3	5	1	5	1	83	15	7,7	6,8	5,3	3,0	5,53	7.
France	5	3	8	#	7	9	1	6	4	6	4	7	5	5	8	4	82	15	5,3	5,8	5,3	5,5	5,47	9.
Estonia	10	10	10	#	1	10	10	1	1	2	7	1	5	6	2	5	81	15	10,0	5,5	2,8	4,5	5,40	10.
Malta	7	6	6	#	5	5	1	8	7	8	4	6	4	1	10	1	79	15	6,3	4,8	6,3	4,0	5,27	11.
Cyprus	8	5	8	#	5	2	1	10	7	6	6	6	2	4	6	1	77	15	7,0	4,5	6,3	3,3	5,13	12.
Italy	2	5	4	#	3	7	3	3	5	5	2	8	5	5	7	7	71	15	3,7	4,0	5,0	6,0	4,73	13.
Latvia	9	8	9	#	1	10	10	1	1	2	10	1	3	1	1	1	68	15	8,7	5,5	3,5	1,5	4,53	14.
Spain	7	1	9	#	4	6	6	4	1	1	6	8	5	1	1	2	62	15	5,7	5,0	4,0	2,3	4,13	15.
Portugal	4	1	7	#	8	1	5	4	2	3	6	7	5	4	1	1	59	15	4,0	4,5	4,5	2,8	3,93	16.
Ireland	5	1	7	#	5	10	1	1	1	1	5	10	1	1	1	1	51	15	4,3	4,3	4,3	1,0	3,40	17.
Greece	1	1	1	#	1	1	8	3	1	5	2	7	2	4	1	1	39	15	1,0	3,3	3,8	2,0	2,60	18.
Euro Area	5	3	7	#	8	10	5	5	3	6	4	7	6	5	8	3	85	15	5,0	7,0	5,0	5,5	5,67	
EU28	6	3	7	#	7	10	5	5	4	6	4	7	6	5	8	1	84	15	5,3	6,8	5,3	5,0	5,60	

Euro Monitor 2009

Country Rating 2009

European Monetary Union Member State	(1a) Government debt	(1b) Government deficit/ surplus	(1c) Government interest payments	(1d) Adjusted primary balance	(2a) Unit labor costs	(2b) Current account balance	(2c) Global merchandise trade share	(2d) Domestic demand	(3a) Unemployment rate	(3b) Employment ratio	(3c) Labour productivity	(3d) Inland consumption of energy	(4a) Debt-to-GDP ratio of households	(4b) Debt-to-GDP of non-fin corporations	(4c) International investment position	(4d) Debt-to-GDP ration of fin corporations	Sum over all indicators	Number of indicators observed	(C1) Fiscal Sustainability = sum 1a-1d / obs 1a - 1d	(C2) Competitiveness and domestic demand = sum 2a - 2d / obs 2a - 2d	(C3) Jobs, Productivity and Resource Efficiency = sum 3a - 3d / obs 3a - 3d	(C4) Private and Foreign Debt = sum 4a-4c / obs 4a- 4c	Monitor Rating = sum / obs	Euro Monitor Ranking
	1A	1B	1C	1D	2A	2B	2C	2D	3A	3B	3C	3D	4A	4B	4C	4D	sum	obs	C1	C2	C3	C4	EM14	Rank
Luxembourg	10	9	10	#	1	10	10	6	8	8	1	8	#	#	10	#	91	12	9.7	6.8	6.3	10.0	7.58	1.
Germany	6	7	7	#	10	10	8	5	6	10	3	8	9	7	10	7	113	15	6.7	8.3	6.8	8.3	7.53	2.
Netherlands	8	4	8	#	7	10	9	7	9	9	4	7	5	6	9	1	103	15	6.7	8.3	7.3	5.3	6.87	3.
Austria	6	4	6	#	9	10	8	6	10	9	4	8	6	7	8	1	102	15	5.3	8.3	7.8	5.5	6.80	4.
Slovakia	10	2	10	#	3	8	10	10	1	9	10	1	5	6	3	3	91	15	7.3	7.8	5.3	4.3	6.07	5.
Slovenia	10	3	10	#	1	10	10	7	8	8	6	3	5	1	6	1	89	15	7.7	7.0	6.3	3.3	5.93	6.
Belgium	4	4	5	#	7	10	8	7	6	7	4	5	5	2	10	3	87	15	4.3	8.0	5.5	5.0	5.80	7.
Finland	9	7	10	#	6	10	2	6	5	7	3	4	4	4	9	1	87	15	8.7	6.0	4.8	4.5	5.80	7.
France	6	2	8	#	7	9	3	6	4	6	4	7	4	5	8	2	81	15	5.3	6.3	5.3	4.8	5.40	9.
Latvia	10	10	9	#	1	10	10	4	1	5	10	1	1	1	1	1	75	15	9.7	6.3	4.3	1.0	5.00	10.
Malta	7	6	6	#	4	2	1	8	7	7	5	6	3	1	10	1	74	15	6.3	3.8	6.3	3.8	4.93	11.
Cyprus	8	4	8	#	5	1	1	10	8	5	5	5	1	5	6	1	73	15	6.7	4.3	5.8	3.3	4.87	12.
Estonia	10	8	10	#	1	10	10	3	1	6	7	1	2	2	1	1	73	15	9.3	6.0	3.8	1.5	4.87	12.
Italy	2	4	4	#	3	9	5	3	6	5	2	8	5	4	7	5	72	15	3.3	5.0	5.3	5.3	4.80	14.
Spain	8	1	9	#	2	6	8	6	1	4	5	8	4	1	1	1	65	15	6.0	5.5	4.5	1.8	4.33	15.
Portugal	5	1	7	#	6	1	6	4	3	4	5	6	4	4	1	1	58	15	4.3	4.3	4.5	2.5	3.87	16.
Ireland	7	1	8	#	1	8	3	6	1	1	4	10	1	1	1	1	54	15	5.3	4.5	4.0	1.0	3.60	17.
Greece	1	1	2	#	1	1	5	6	4	7	4	7	3	4	1	1	48	15	1.3	3.3	5.5	2.3	3.20	18.
Euro Area	#	#	#	#	7	10	7	5	4	7	4	7	5	4	8	1	69	12	#	7.3	5.5	4.5	5.75	
EU28	#	#	#	#	6	10	7	5	5	7	4	7	5	4	8	1	69	12	#	7.0	5.8	4.5	5.75	

Note: Eurostat figures on government debt for the eurozone and EU 28 are only available from 2010.

Indicator Rating Spectrum

(1a) Gross government debt, as % of GDP	
%	Rating
40 > x	10
50 > x ≥ 40	9
60 > x ≥ 50	8
70 > x ≥ 60	7
80 > x ≥ 70	6
90 > x ≥ 80	5
100 > x ≥ 90	4
110 > x ≥100	3
120 > x ≥110	2
x ≥120	1

(1b) General government deficit/ surplus, as % of GDP	
%	Rating
x ≥ 0	10
0 > x ≥-1	9
-1 > x ≥-2	8
-2 > x ≥-3	7
-3 > x ≥-4	6
-4 > x ≥-5	5
-5 > x ≥-6	4
-6 > x ≥-7	3
-7 > x ≥-8	2
-8 > x	1

(1c) General government interest payments, as % of GDP	
%	Rating
1.5 > x ≥ 0	10
2 > x ≥ 1.5	9
2.5 > x ≥ 2	8
3 > x ≥ 2.5	7
3.5 > x ≥ 3	6
4 > x ≥ 3.5	5
4.5 > x ≥ 4	4
5 > x ≥ 4.5	3
5.5 > x ≥ 5	2
x ≥ 5.5	1

(2a) Unit labour costs, total economy, deviation from the target path of 1.5% rise per year in index points	
index points	Rating
0 > x	10
3 > x ≥ 0	9
6 > x ≥ 3	8
9 > x ≥ 6	7
12 > x ≥ 9	6
15 > x ≥ 12	5
18 > x ≥ 15	4
21 > x ≥ 18	3
24 > x ≥ 21	2
x ≥ 24	1

(2b) Current account balance, as % of GDP	
%	Rating
x ≥-1	10
-1 > x ≥-2	9
-2 > x ≥-3	8
-3 > x ≥-4	7
-4 > x ≥-5	6
-5 > x ≥-6	5
-6 > x ≥-7	4
-7 > x ≥-8	3
-8 > x ≥-9	2
-9 > x	1

(2c) Global merchandise trade shares, exports, deviation from base year 2000 in percent	
%	Rating
x ≥ 10	10
10 > x ≥ 5	9
5 > x ≥ 0	8
0 > x ≥-5	7
-5 > x ≥-10	6
-10 > x ≥-15	5
-15 > x ≥-20	4
-20 > x ≥-25	3
-25 > x ≥-30	2
-30 >x	1

(2d) Domestic demad, Index 2000=100, average annual change over the last five years	
%	Rating
x ≥ 3	10
3.0 > x ≥ 2.5	9
2.5 > x ≥ 2.0	8
2.0 > x ≥ 1.5	7
1.5 > x ≥ 1.0	6
1.0 > x ≥ 0.5	5
0.5 > x ≥ 0.0	4
0.0 > x ≥-0.5	3
-0.5 > x ≥-1.0	2
-1.0 > x	1

Indicator Rating Spectrum

(3a) Harmonized unemployment rate, %	
%	Rating
4 > x	10
5 > x ≥ 4	9
6 > x ≥ 5	8
7 > x ≥ 6	7
8 > x ≥ 7	6
9 > x ≥ 8	5
10 > x ≥ 9	4
11 > x ≥ 10	3
12 > x ≥ 11	2
x ≥ 12	1

(3b) Employment ratio, change over five years in percentage points	
percentage points	Rating
x ≥ 4	10
4 > x ≥ 3	9
3 > x ≥ 2	8
2 > x ≥ 1	7
1 > x ≥ 0	6
0 > x ≥-1	5
-1 > x ≥-2	4
-2 > x ≥-3	3
-3 > x ≥-4	2
-4 > x	1

(3c) Labour productivity per person employed, average annual change over the last five years	
%	Rating
x ≥3	10
3.0 > x ≥ 2.5	9
2.5 > x ≥ 2.0	8
2.0 > x ≥ 1.5	7
1.5 > x ≥ 1.0	6
1.0 > x ≥ 0.5	5
0.5 > x ≥ 0.0	4
0.0 > x ≥-0.5	3
-0.5 > x ≥-1.0	2
-1.0 > x	1

(3d) Gross inland consumption of energy divided by GDP (kilogram of oil equivalent per 1000 Euro)	
Kg/1000 EUR	Rating
100 > x	10
120 > x ≥ 100	9
140 > x ≥ 120	8
160 > x ≥ 140	7
180 > x ≥ 160	6
200 > x ≥ 180	5
220 > x ≥ 200	4
240 > x ≥ 220	3
260 > x ≥ 240	2
x ≥ 260	1

(4a) Debt-to-GDP ratio of households, change over five years in percentage points	
percentage points	Rating
-10 > x	10
-5 > x ≥-10	9
0 > x ≥-5	8
5 > x ≥ 0	7
10 > x ≥ 5	6
15 > x ≥ 10	5
20 > x ≥ 15	4
25 > x ≥ 20	3
30 > x ≥ 25	2
x ≥ 30	1

(4b) Debt-to-GDP of non-financial corporations, change over five years in percentage points	
percentage points	Rating
-10 > x	10
-5 > x ≥-10	9
0 > x ≥-5	8
5 > x ≥ 0	7
10 > x ≥ 5	6
15 > x ≥ 10	5
20 > x ≥ 15	4
25 > x ≥ 20	3
30 > x ≥ 25	2
x ≥ 30	1

(4c) Net international investment Position, as % of GDP	
%	Rating
x ≥20	10
20 > x ≥ 0	9
0 > x ≥-20	8
-20 > x ≥-30	7
-30 > x ≥-40	6
-40 > x ≥-50	5
-50 > x ≥-60	4
-60 > x ≥-70	3
-70 > x ≥-80	2
-80 > x	1

(4d) Total financial sector liabilities, annual average change over the last five years	
%	Rating
1 > x	10
2 > x ≥1	9
3 > x ≥ 4	8
4 > x ≥ 3	7
5 > x ≥ 4	6
6 > x ≥ 5	5
7 > x ≥ 6	4
8 > x ≥ 7	3
9 > x ≥ 8	2
x ≥ 9	1

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

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In 2013, around 148,000 employees in over 70 countries achieved total revenues of 110.8 billion euros and an operating profit of 10.1 billion euros. Benefits for our customers reached 93.9 billion euros.

This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an aging society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

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