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Group Communications

Media Release

Euro Monitor: Macroeconomic imbalances rising again

- After three years of steady improvement, overall indicator for economic stability dips
- Healthy economic growth and loose monetary policy ease reform pressure
- Germany ranks top and is only country to get overall rating "good"
- France and Italy slip from midfield to bottom of the table

Despite the healthy economic performance in 2016, the eurozone failed to make further progress in reducing macroeconomic imbalances. In the Allianz Euro Monitor we measure these imbalances using 20 indicators. After three years of steady improvement, the overall indicator, which captures the stability of growth, has now fallen. 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.

In the years since the euro crisis the Euro Monitor had recorded substantial improvements. Since 2012 the average rating for the eurozone has climbed by almost 1.5 points and, at 6.5 points on the scale of one to ten, is now comfortably mid-table. 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 Euro Monitor 2016 illustrates that growth alone is no longer enough to boost economic stability in the eurozone.

"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," said Michael Heise, Chief Economist at Allianz. The lingering economic problems failed to jolt them into action. Rather, 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.

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The most recent member states, such as the Baltic economies for instance, perform substantially better. 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.

Heise: “Reducing imbalances is a protracted process requiring discipline and perseverance. But it is the only way to strengthen the eurozone in the long term. It is high time to start a debate on how the eurozone can be rendered crisis-proof in the long term if two of the largest members are dragging their feet on the reform front. Carrying on as before is not an option”.

Highlights of the Euro Monitor 2016:

- The overall indicator for the eurozone as a whole came in at 6.5 points, down from 6.7 points in the previous year. But the performance was not negative across the board: 13 countries notched up a higher score in 2016 than in 2015 and only five a lower score.

- The level indicator improved only marginally from 5.9 to 6.0 points in 2016. The component indicator shows that the clean-up process after the financial crisis is making only slow progress and is far from concluded.

- Germany again leads the field in 2016 with a score of 8.1 points. Germany is still the only country to get an overall rating of “good”. Some way behind in second place comes the Netherlands with 7.5 points, closely followed by Slovenia with 7.2 points.

- France and Italy share bottom place this year with 5.4 points, some way behind Greece and Portugal with 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 shooting stars in the ranking are the Netherlands, Estonia and Finland. Cyprus recorded the biggest single jump in its overall score with an improvement of 0.8 points to 5.9. This saw the former crisis country climb up three rungs in the overall ranking, taking it off bottom place for the first time since 2011.

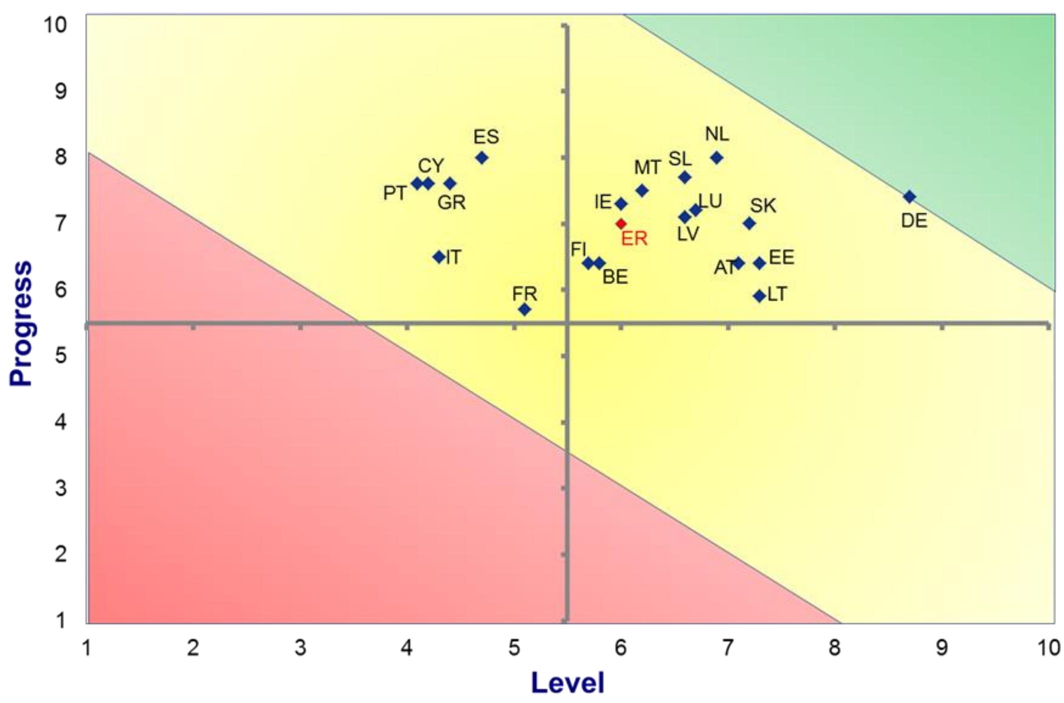
- The unemployment rate (2016: 10.0%) was once again the most worrying indicator despite a slight improvement. Only three countries – Germany, Malta and Austria – clocked up a “good” rating.

- The average eurozone score for government debt and labor productivity, which is stagnating across the eurozone, came in at 4 points, also still in critical territory.

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

Euro Monitor 2016 Heatmap



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