

# Is a Fiscal and Political Union Euro's Future ?

## Past, Present and Future of EMU

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# Introduction

- **Historical Overview**
- **Present Stage of Development**
- **Future Development**
- **Challenges**
- **Slovakia and EMU**
- **Conclusion**

# Historical Overview

**Why was the EMU created?**

**In reality, is convergence or divergence process?**

**What are the main obstacles in the functioning of the EMU?**

**How to solve the present situation?**

**Who is responsible for the sustainability of the fiscal policy?**

**Why were some countries able to manage fiscal and external balances?**

**What is an imperative for eurozone countries to put economies on sustainable path?**

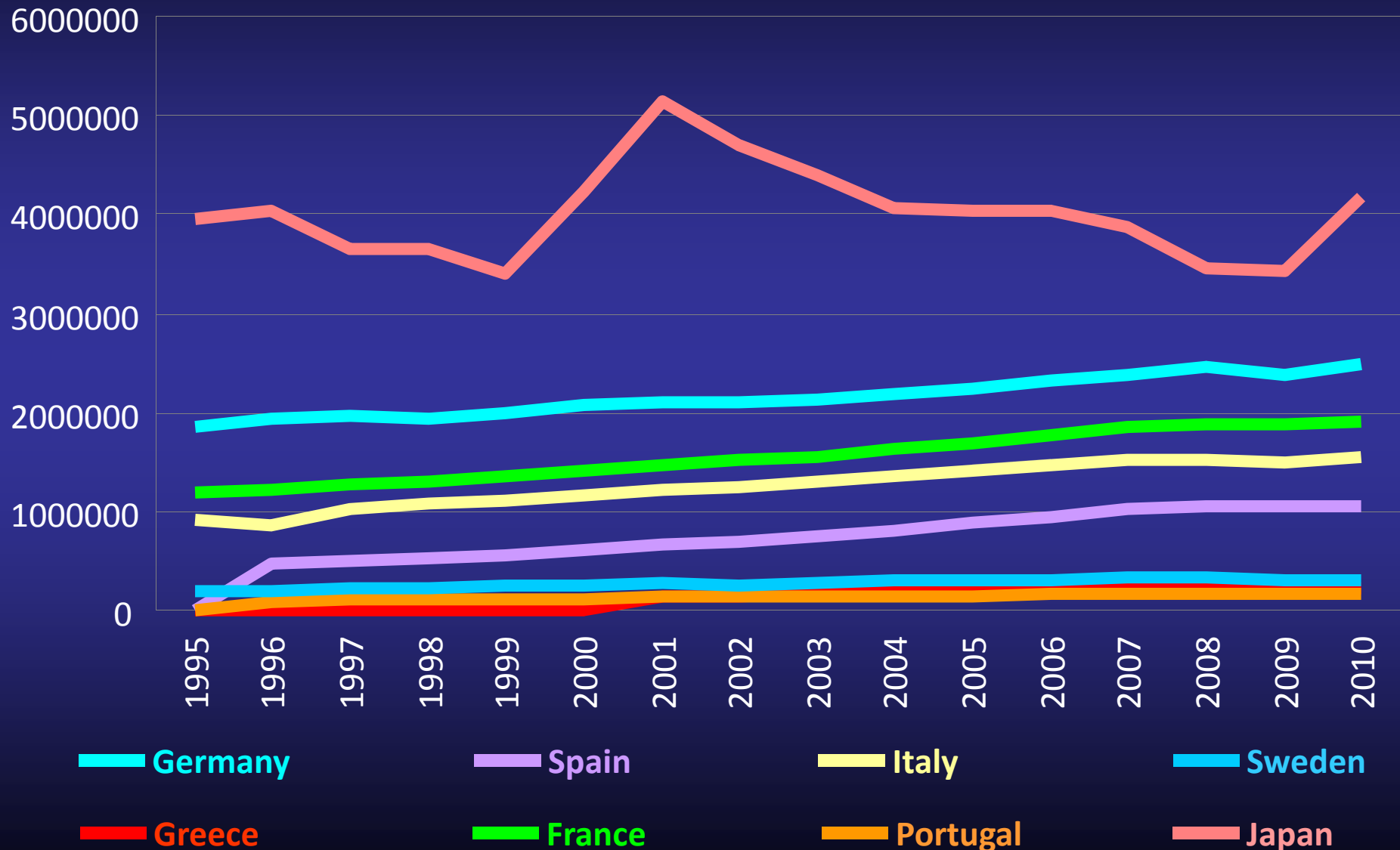
# **Historical Overview**

## **1984 - 2011**



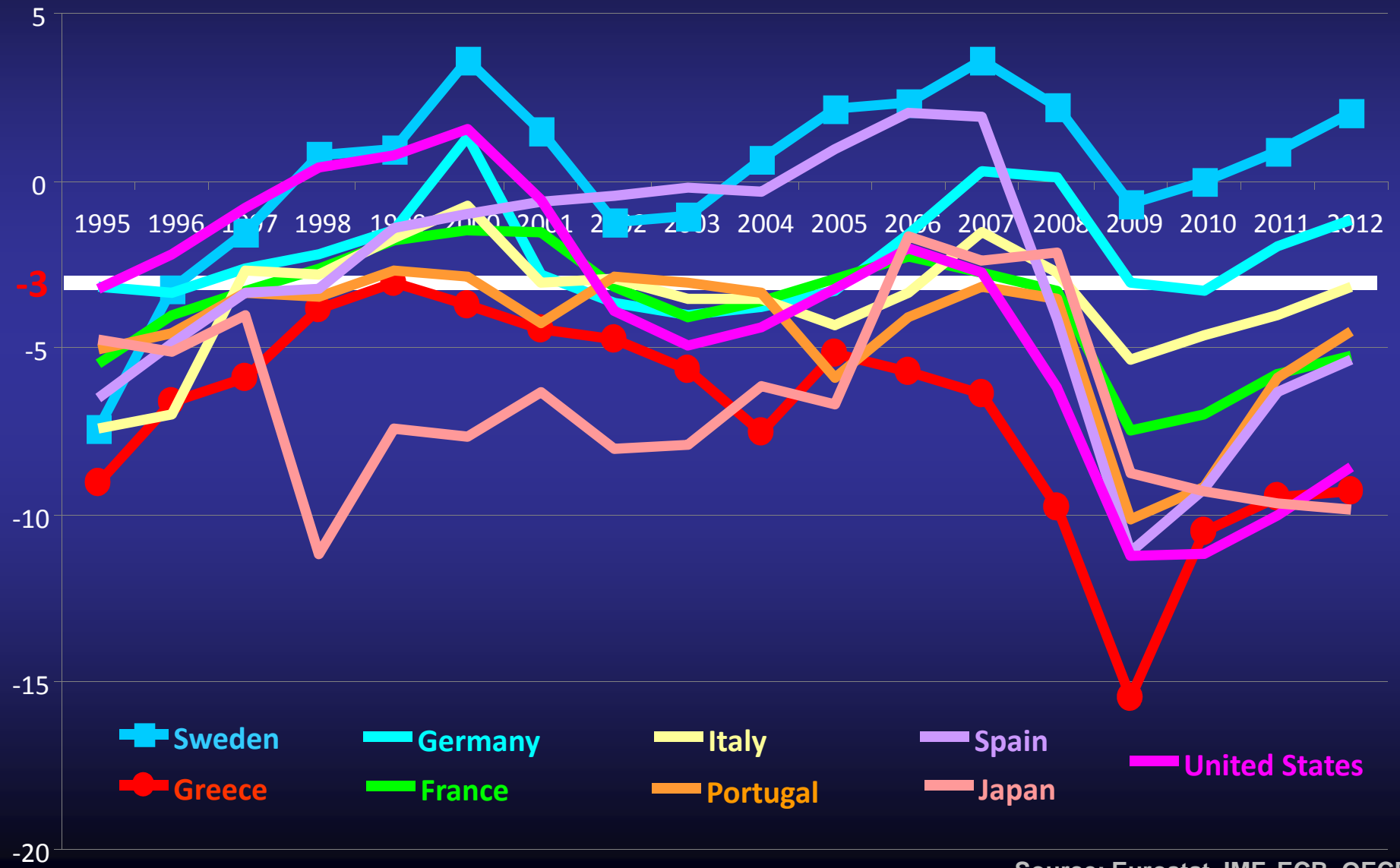
# GDP - Market Prices

in millions of EUR



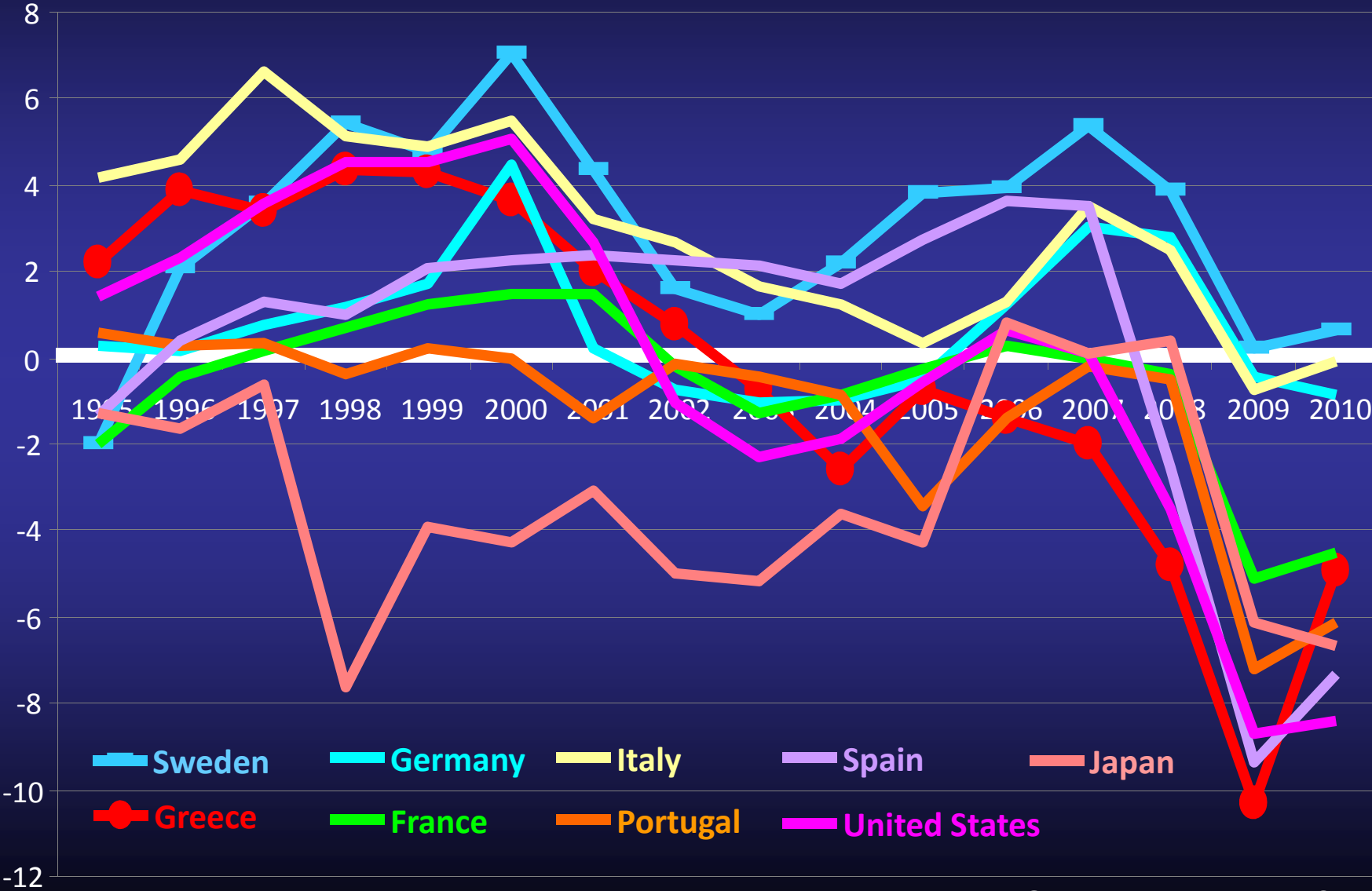
Source: Eurostat, IMF, ECB, OECD

# Public Deficit



Source: Eurostat, IMF, ECB, OECD

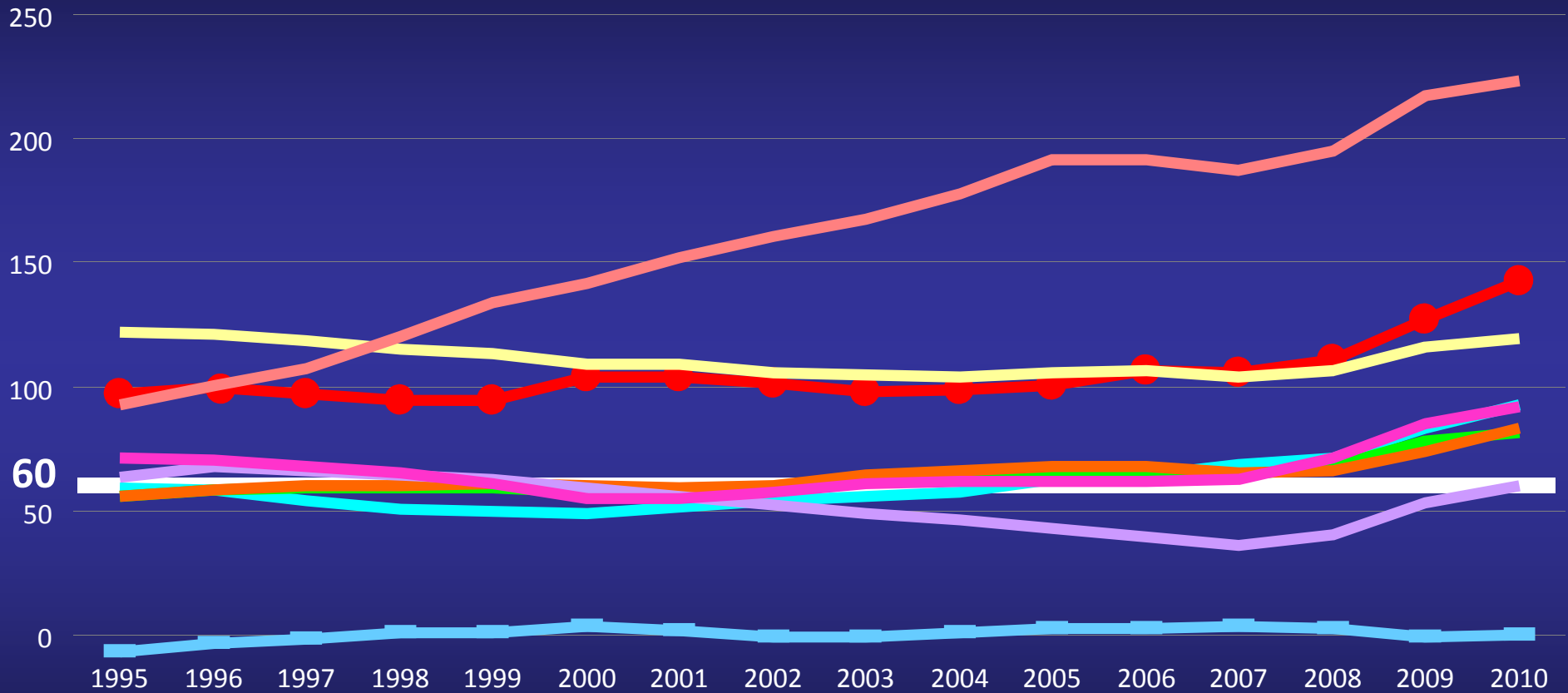
# Primary Fiscal Balance



Source: Eurostat, IMF, ECB, OECD



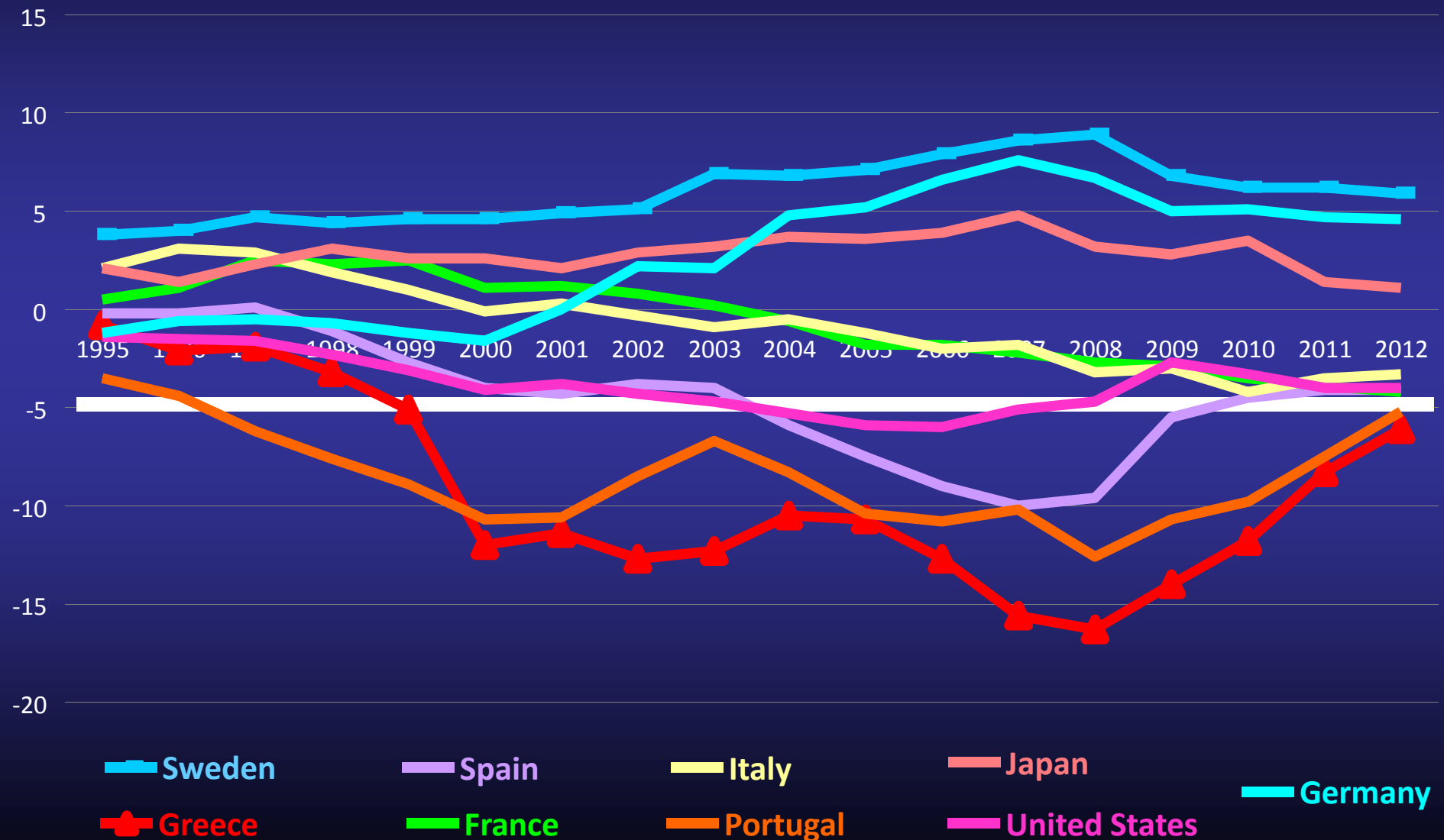
# Public Debt



Sweden Germany Italy Spain Japan  
Greece France Portugal United States

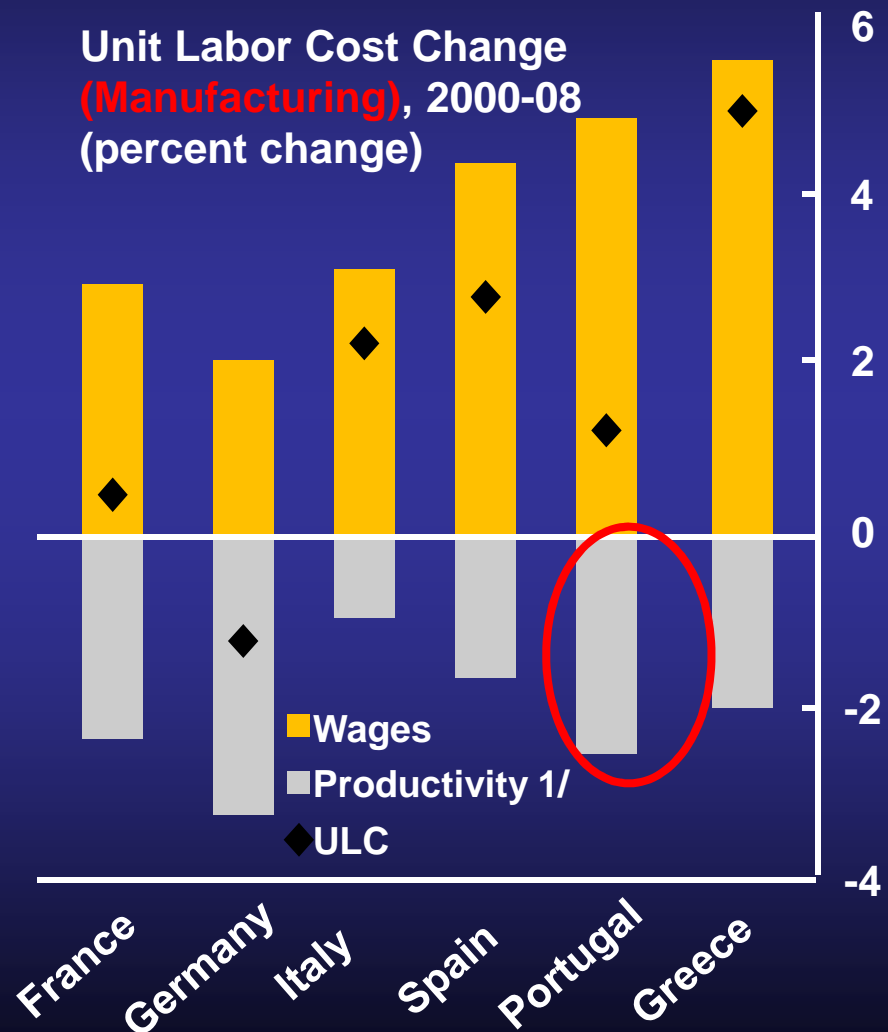
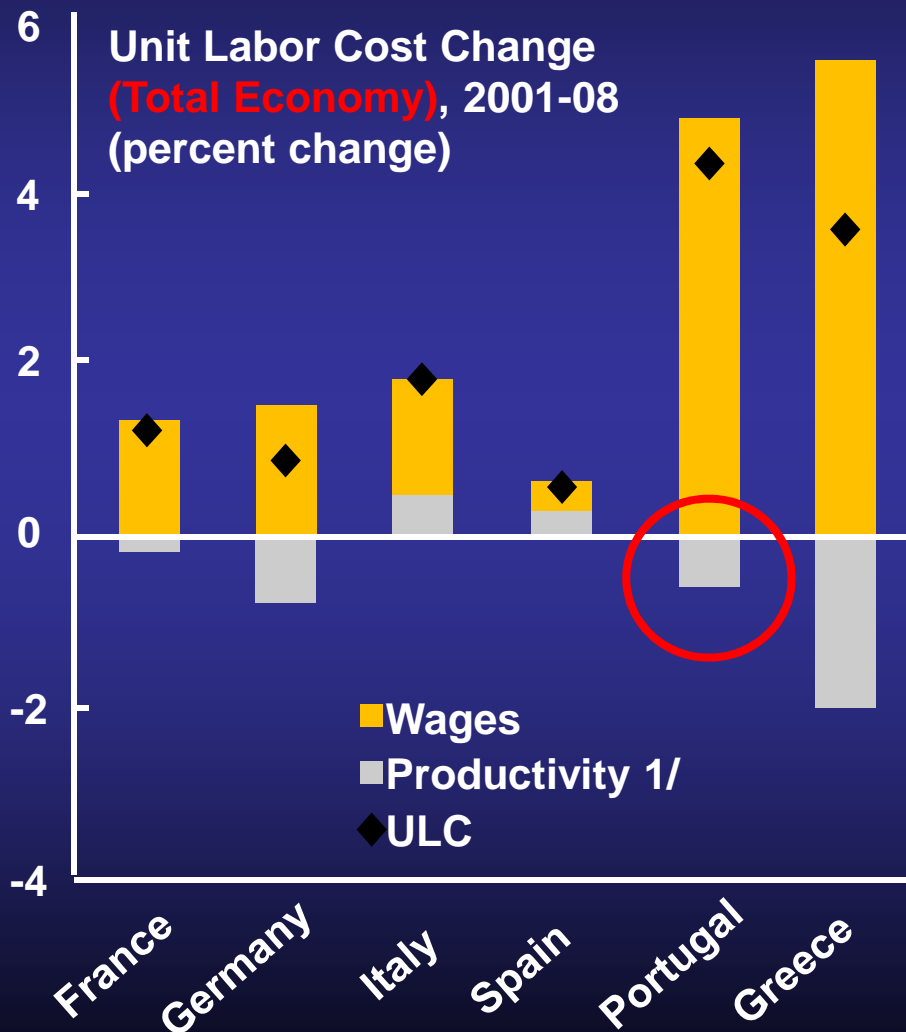
Source: Eurostat, IMF, ECB, OECD

# Current Account



Source: Eurostat, IMF, ECB, OECD

# Loss of Competitiveness, resulting in low-growth and a high current account deficit



1/ Negative = increase in labor productivity

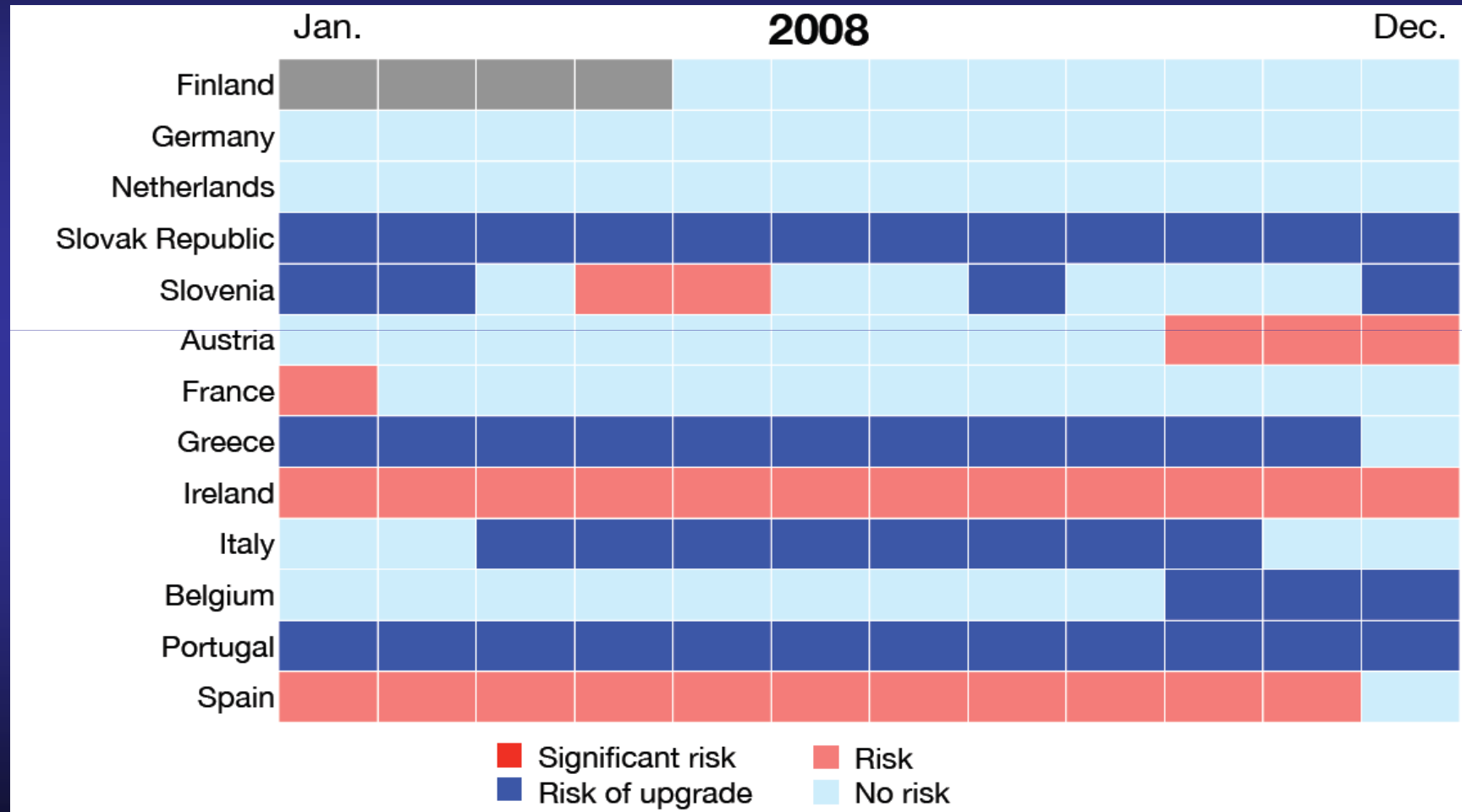
Source: IMF

# **Integrated Europe 1984 - 2011**



# Present Development

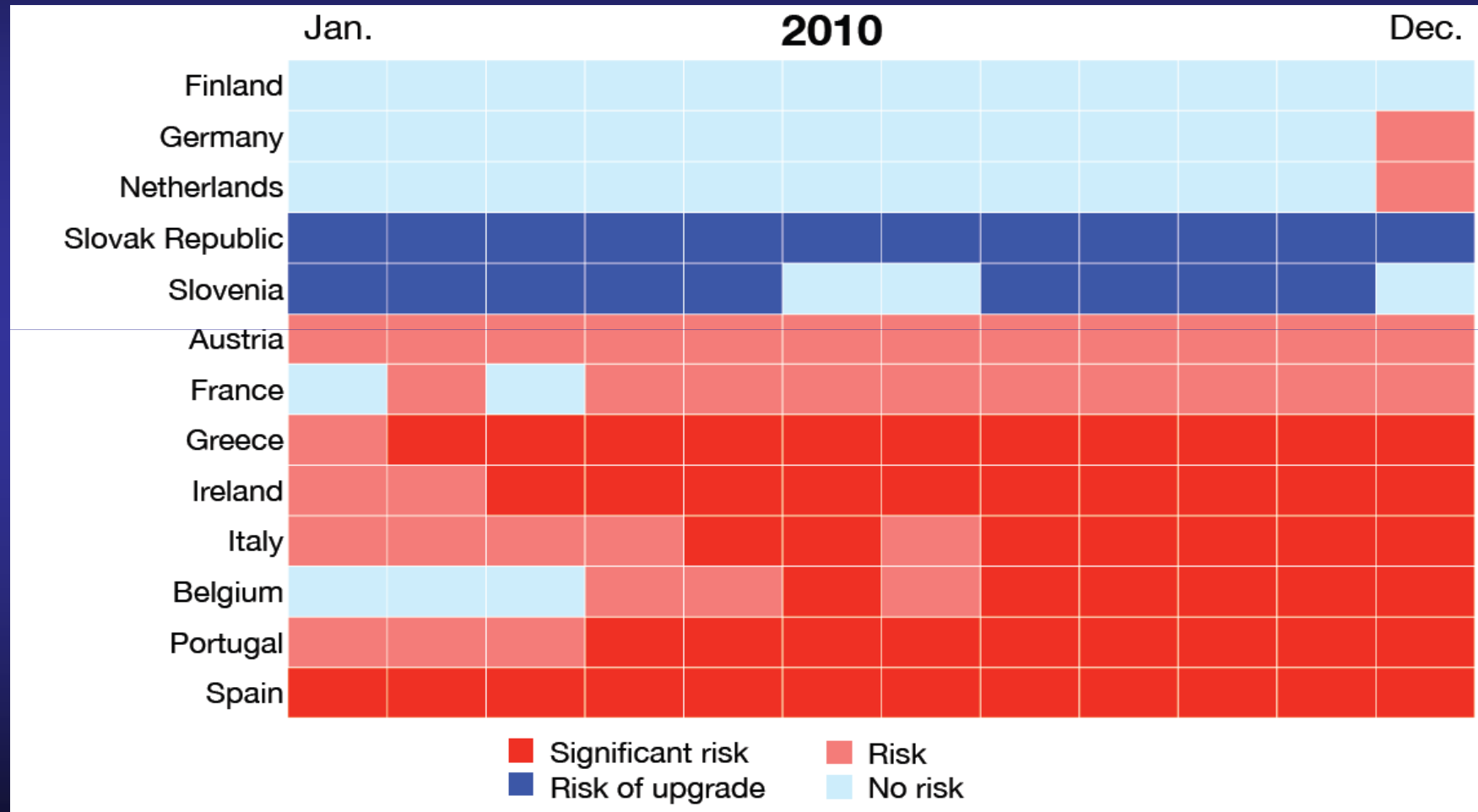
# Sovereign Risks 2008



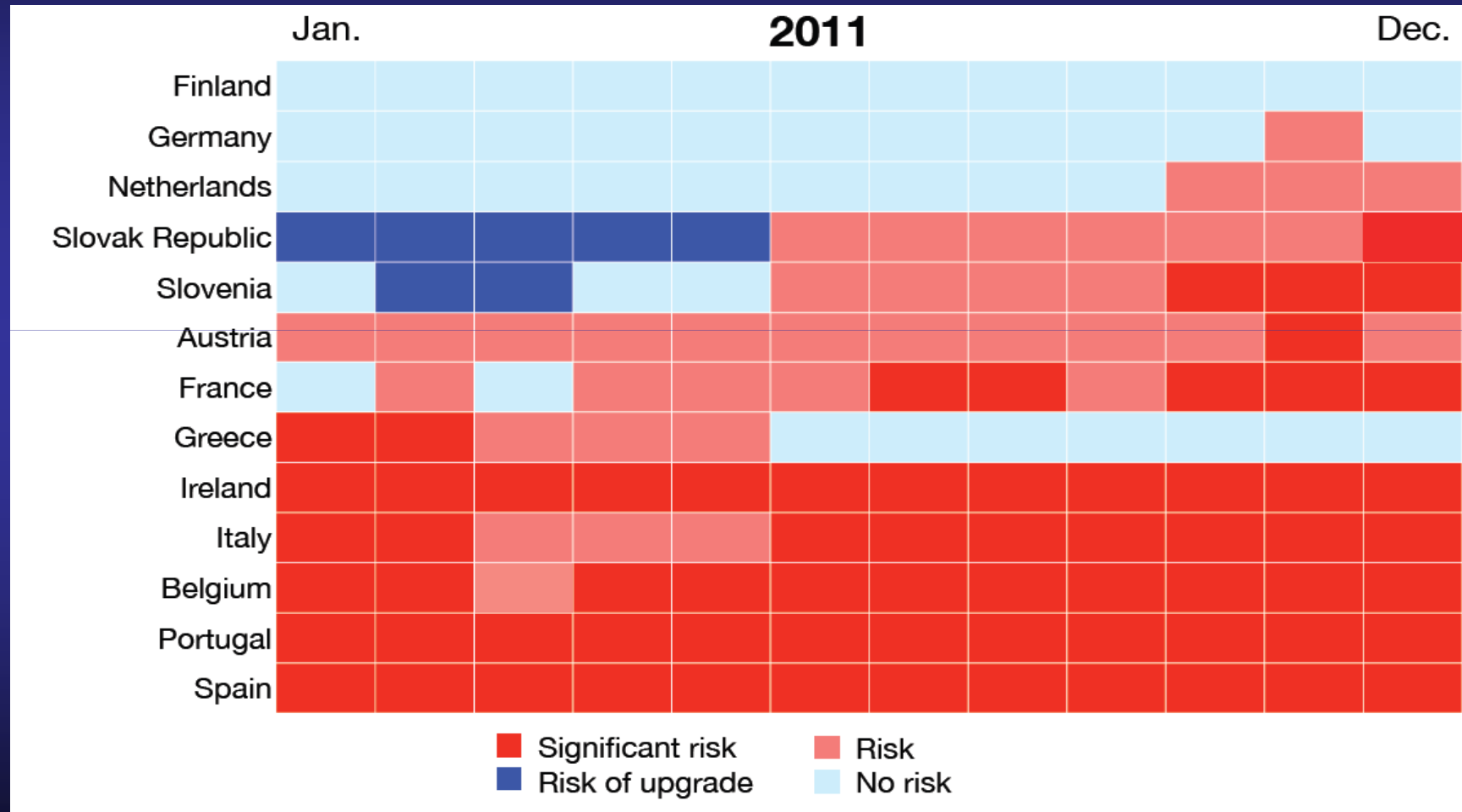




# Sovereign Risks 2010

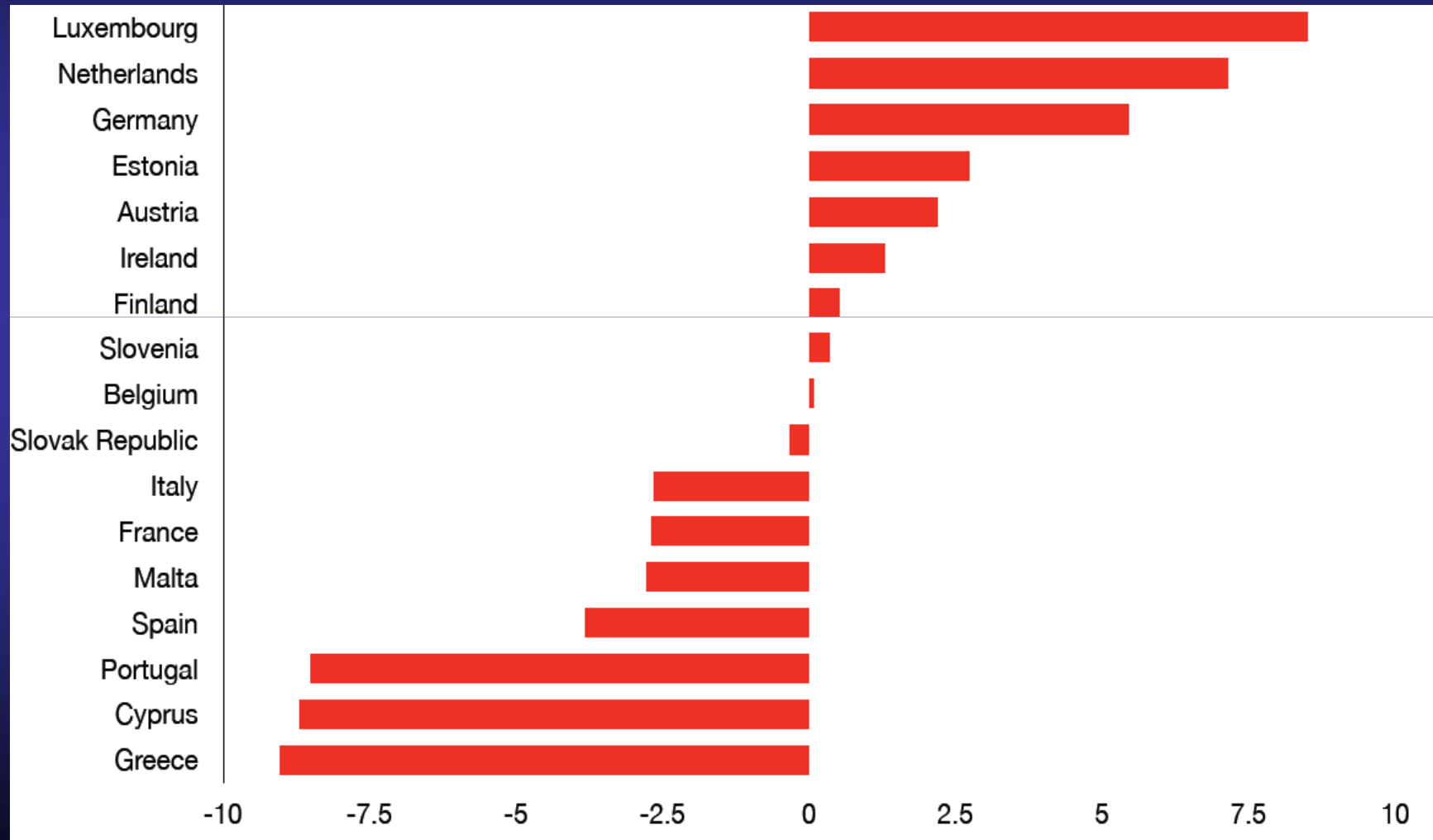


# Sovereign Risks 2011



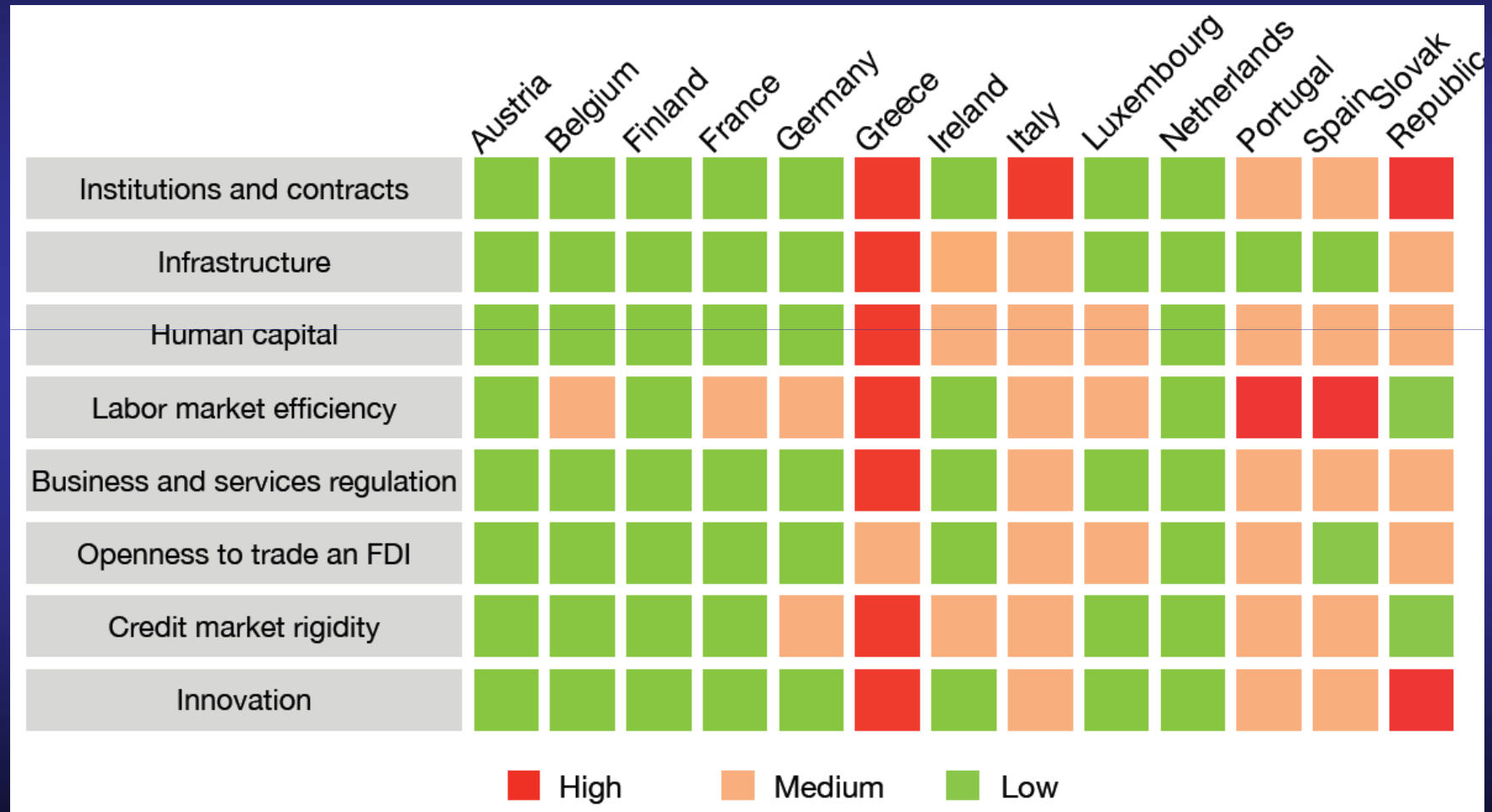
# Challenges

# Current Account Deficit/Surplus



Source: Eurostat, IMF, ECB, OECD

# Reform Gaps



# Fiscal Deficit

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	-1.8	-0.2	-0.9	-1.7	-4.6	-1.8	-1.7	-1.0	-1.0	-4.1	-4.4	-3.3
Belgium	-0.1	0.4	-0.2	-0.2	-0.4	-2.8	0.1	-0.3	-1.3	-5.9	-4.2	-4.2
Cyprus	-2.4	-2.3	-4.5	-6.6	-4.2	-2.5	-1.2	3.5	0.9	-6.1	-5.3	-7.1
Estonia	-0.9	0.3	0.9	2.2	1.6	1.6	3.2	2.8	-2.3	-2.1	0.2	0.8
Finland	6.9	5.1	4.1	2.4	2.2	2.7	4.0	5.3	4.2	-2.7	-2.8	-1.1
France	-1.5	-1.7	-3.3	-4.1	-3.6	-3.0	-2.4	-2.7	-3.3	-7.6	-7.1	-5.9
Germany	1.3	-2.8	-3.7	-4.1	-3.8	-3.4	-1.6	0.2	-0.1	-3.2	-4.3	-1.1
Greece	-3.7	-4.3	-4.8	-5.7	-7.4	-5.3	-6.1	-6.7	-9.8	-15.5	-10.4	-9.8
Ireland	4.7	0.8	-0.5	0.3	1.3	1.7	2.9	0.1	-7.3	-14.2	-31.4	-10.1
Italy	-0.9	-3.1	-3.0	-3.5	-3.5	-4.4	-3.3	-1.5	-2.7	-5.3	-4.5	-3.9
Luxembourg	6.0	6.1	2.1	0.5	-1.1	0.0	1.4	3.7	3.0	-0.9	-1.1	-0.7
Malta	-6.2	-6.9	-6.1	-9.3	-4.7	-2.9	-2.8	-2.4	-4.6	-3.7	-3.6	-3.0
Netherlands	2.0	-0.3	-2.1	-3.2	-1.8	-0.3	0.6	0.3	0.4	-5.7	-5.1	-4.3
Portugal	-2.9	-4.3	-2.9	-3.1	-3.4	-5.9	-4.1	-3.2	-3.7	-10.2	-9.8	-5.9
Slovakia	-12.3	-6.5	-8.2	-2.8	-2.4	-2.8	-3.2	-1.8	-2.1	-8.0	-7.9	-4.6
Slovenia	-1.2	-1.3	-1.4	-1.3	-1.3	-1.0	-0.8	0.3	-0.3	-5.6	-5.4	-5.9
Spain	-1.0	-0.7	-0.5	-0.2	-0.3	1.0	2.0	1.9	-4.2	-11.2	-9.3	-8.0

■ Lower than the limit set by the Stability and Growth Pact (-3% of GDP)  
■ Higher than the limit set by the Stability and Growth Pact (-3% of GDP)

# General Gov. Structural Balance

Country	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Austria	-3.9	-1.3	-1.3	-1.2	-2.0	-2.0	-2.7	-2.7	-2.4	-3.0	-3.5	-3.1
Belgium	-0.6	0.3	0.1	3.0	-0.5	0.0	-0.3	-1.1	-1.9	-4.4	-3.5	-3.8
Cyprus	-2.8	-2.8	-4.8	-7.5	-4.8	-3.1	-3.1	-1.6	-2.2	-6.0	-5.3	-6.1
Finland	6.1	4.8	4.5	3.1	2.1	2.5	3.1	3.0	2.5	0.8	-0.7	0.3
France	-2.7	-2.6	-3.4	-3.5	-3.1	-2.8	-2.3	-3.0	-2.9	-4.8	-4.6	-4.0
Germany	-1.6	-2.8	-3.1	-3.1	-3.3	-2.6	-2.3	-1.1	-0.9	-1.2	-2.3	-1.1
Greece	-2.7	-3.7	-4.3	-6.2	-8.9	-6.7	-9.1	-10.9	-14.2	-18.8	-12.1	-9.2
Ireland	-2.8	-6.0	-7.0	-7.0	-6.2	-6.8	-7.3	-9.9	-14.0	-10.9	-7.6	-5.7
Italy	-3.4	-5.2	-5.2	-5.6	-5.4	-5.4	-4.4	-3.5	-3.8	-4.1	-3.7	-3.1
Malta				-6.9	-5.0	-4.5	-3.7	-4.1	-5.8	-3.8	-4.7	-3.2
Netherlands	0.5	-1.9	-2.2	-2.3	-0.9	0.4	0.1	-1.3	-1.1	-4.5	-4.2	-3.7
Portugal	-4.1	-5.0	-4.6	-4.8	-5.3	-5.6	-4.0	-3.8	-4.8	-8.9	-10.3	-6.9
Slovakia	-11.4	-6.2	-8.3	-2.8	-2.3	-3.0	-3.6	-2.5	-2.6	-6.5	-6.7	-3.6
Slovenia	-1.0	-0.6	-0.7	-0.3	-0.7	-0.8	-2.0	-2.8	-4.2	-5.0	-4.9	-3.9
Spain	-1.1	-1.8	-1.1	-1.0	-1.0	-1.6	-1.3	-1.1	-5.2	-9.2	-7.5	-6.3



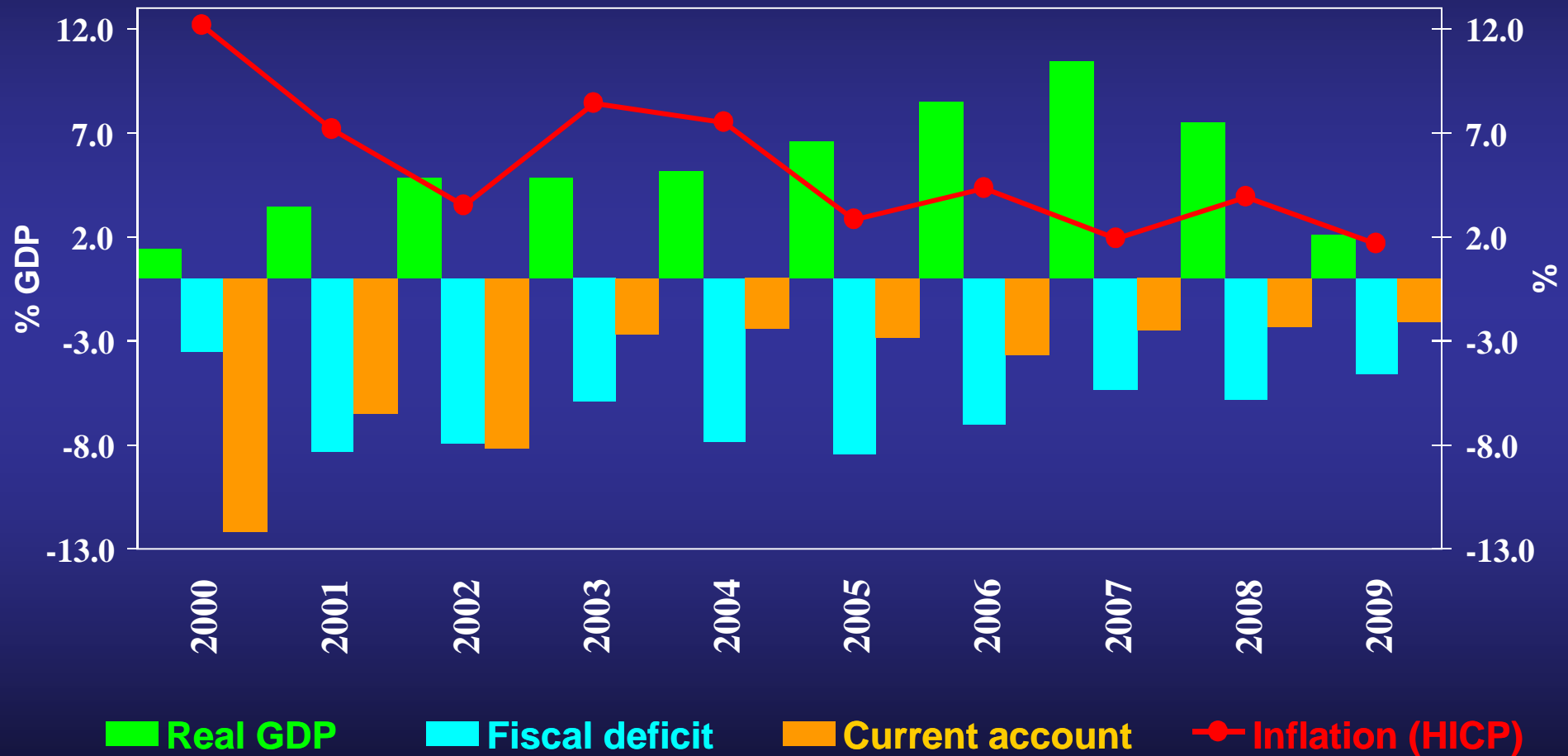
Lower than -0.5% of potential GDP

Higher than -0.5% of potential GDP

# Slovakia and EMU



# Macroeconomic Indicators



Source: ECB, EC, NBS, MFSR

# Impact of the Crisis on CEE

Annual GDP growth (in %)

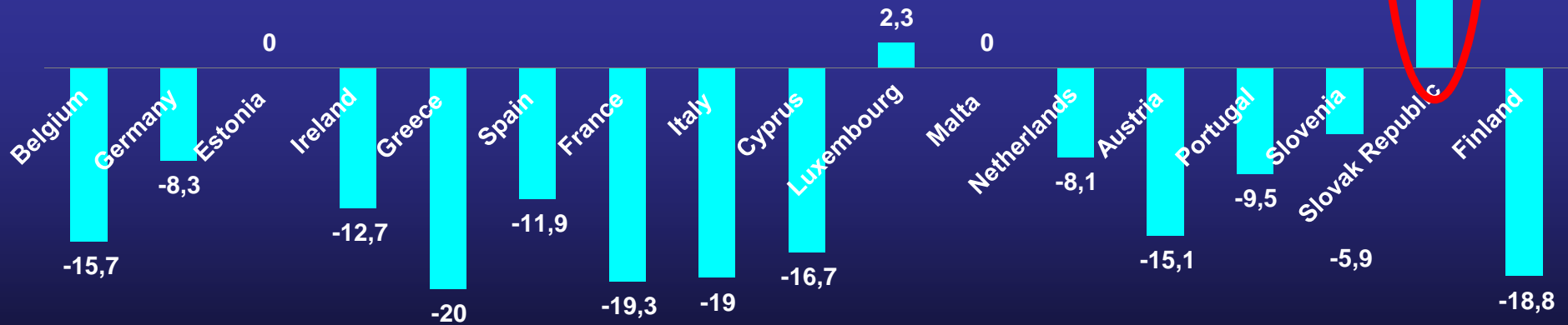
	2008	2009	2010
SI	3,5	-3,4	0,7
<b>SK</b>	<b>6,4</b>	<b>-2,6</b>	<b>0,7</b>
<b>€</b>	<b>0,8</b>	<b>-4,0</b>	<b>-0,1</b>
BG	6,0	-1,6	-0,1
CZ	3,2	-2,7	0,3
EE	-3,6	-10,3	-0,8
LV	-4,6	-13,1	-3,2
LT	3,0	-11,0	-4,7
HU	0,5	-6,3	-0,3
PL	4,8	-1,4	0,8
RO	7,1	-4,0	0,0
<b>EÚ</b>	<b>0,9</b>	<b>-4,0</b>	<b>-0,1</b>

# The Best Export Share

Export market shares (5 years % change)

*Threshold: -6%*

■ Export market shares (5 years % change)



Sources: Eurostat data

# The Lowest Private Sector Debt

Private sector debt (% of GDP)

Threshold: 160%

■ Private sector debt (% of GDP)



# Low Level of Public Debt



# Unit Labor Costs

	2000	2001	2002	2003	2004	2005	2006	2007	2008 <sup>e</sup>	Jan-Feb 2009 <sup>e</sup>
<b>EU15</b>	22,9	22,8	23,6	24,6	25,6	26,3	27,0	27,7	28,3	28,3
<b>V4 average</b>	3,7	4,2	4,6	4,7	5,0	5,5	6,0	6,8	7,5	6,9
<b>Slovakia</b>	<b>3,0</b>	<b>3,1</b>	<b>3,5</b>	<b>4,0</b>	<b>4,4</b>	<b>4,6</b>	<b>5,2</b>	<b>6,3</b>	<b>7,0</b>	<b>7,1</b>
<b>Slovakia, % in average EU15</b>	13,2	13,6	14,8	16,2	17,1	17,6	19,3	22,8	24,8	24,9
<b>Slovakia, % in average V4</b>	82,4	74,0	76,3	85,3	88,0	83,5	87,4	93,5	93,0	101,6

Source: European Commission, Eurostat data

# Slovakia Has the Best Rating in the Region

	Standard & Poor's	Moody's	Fitch Rating	R&I	JCR
<b>Slovakia</b>	<b>A+</b> <b>Stable outlook</b>	<b>A1</b> <b>Stable outlook</b>	<b>A+</b> <b>Stable outlook</b>	<b>A</b> <b>Stable outlook</b>	<b>A+</b> <b>Stable outlook</b>
<b>Czech Republic</b>	<b>A</b> Stable outlook	<b>A1</b> Stable outlook	<b>A+</b> Stable outlook	<b>A</b> Stable outlook	<b>A</b> Stable outlook
<b>Poland</b>	<b>A-</b> Stable outlook	<b>A2</b> Stable outlook	<b>A-</b> Stable outlook	<b>A-</b> Stable outlook	<b>A-</b> Stable outlook
<b>Hungary</b>	<b>BBB-</b> Negative outlook	<b>Baa1</b> Negative outlook	<b>BBB</b> Negative outlook	<b>BBB+</b> Negative outlook	<b>BBB+</b> Negative outlook

Source: Standard & Poor's, Moody's, Fitch Rating, R&I, JCR

# Future of EMU

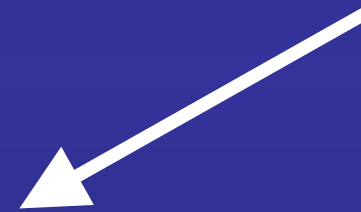
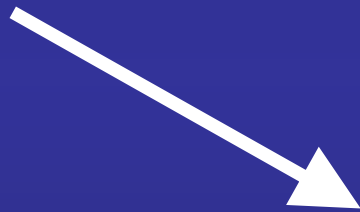


# EMU – is at a Critical Juncture

**Financial  
Stability**

**Fiscal  
Sustainability**

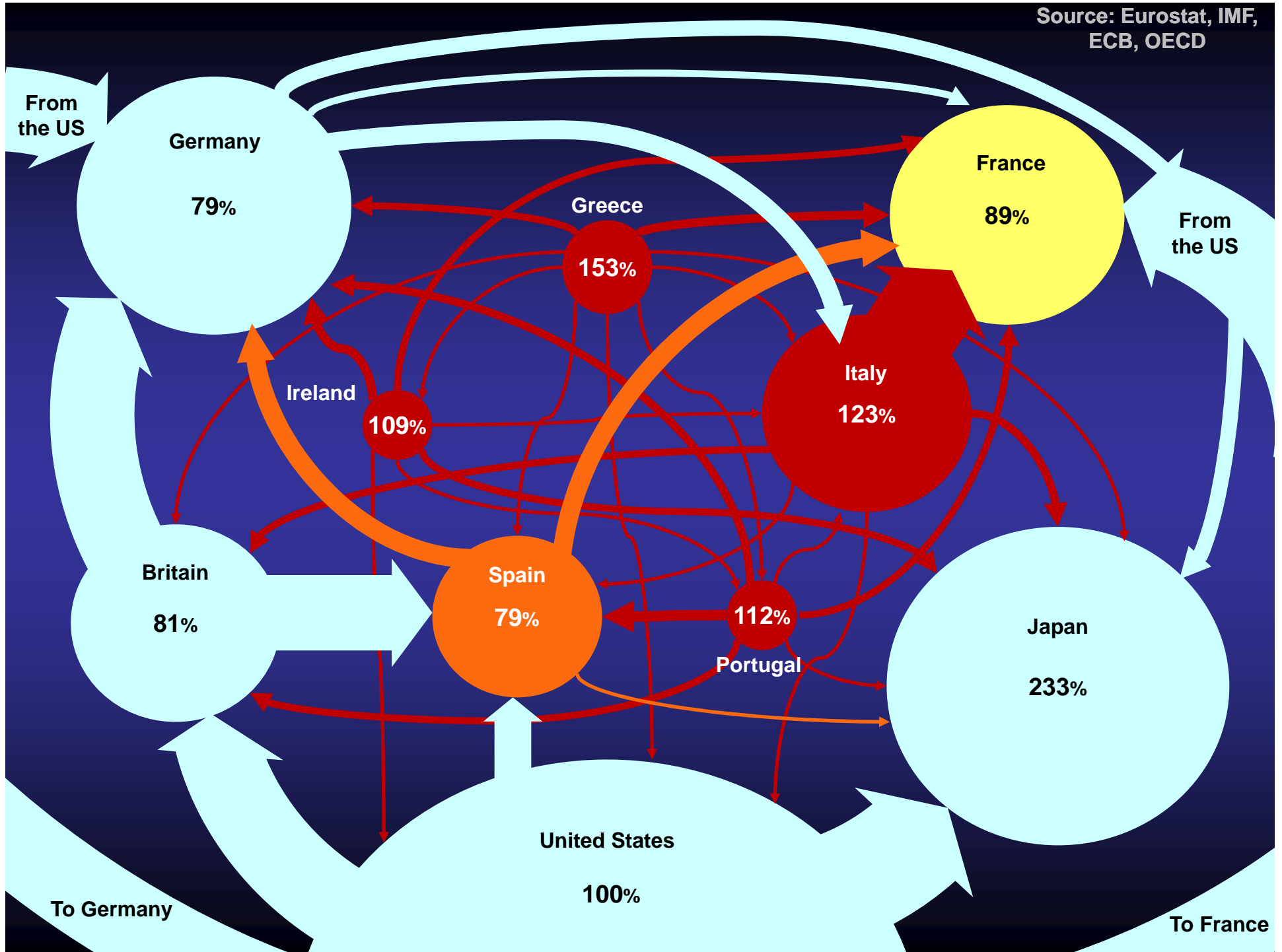
**Social  
Stability**



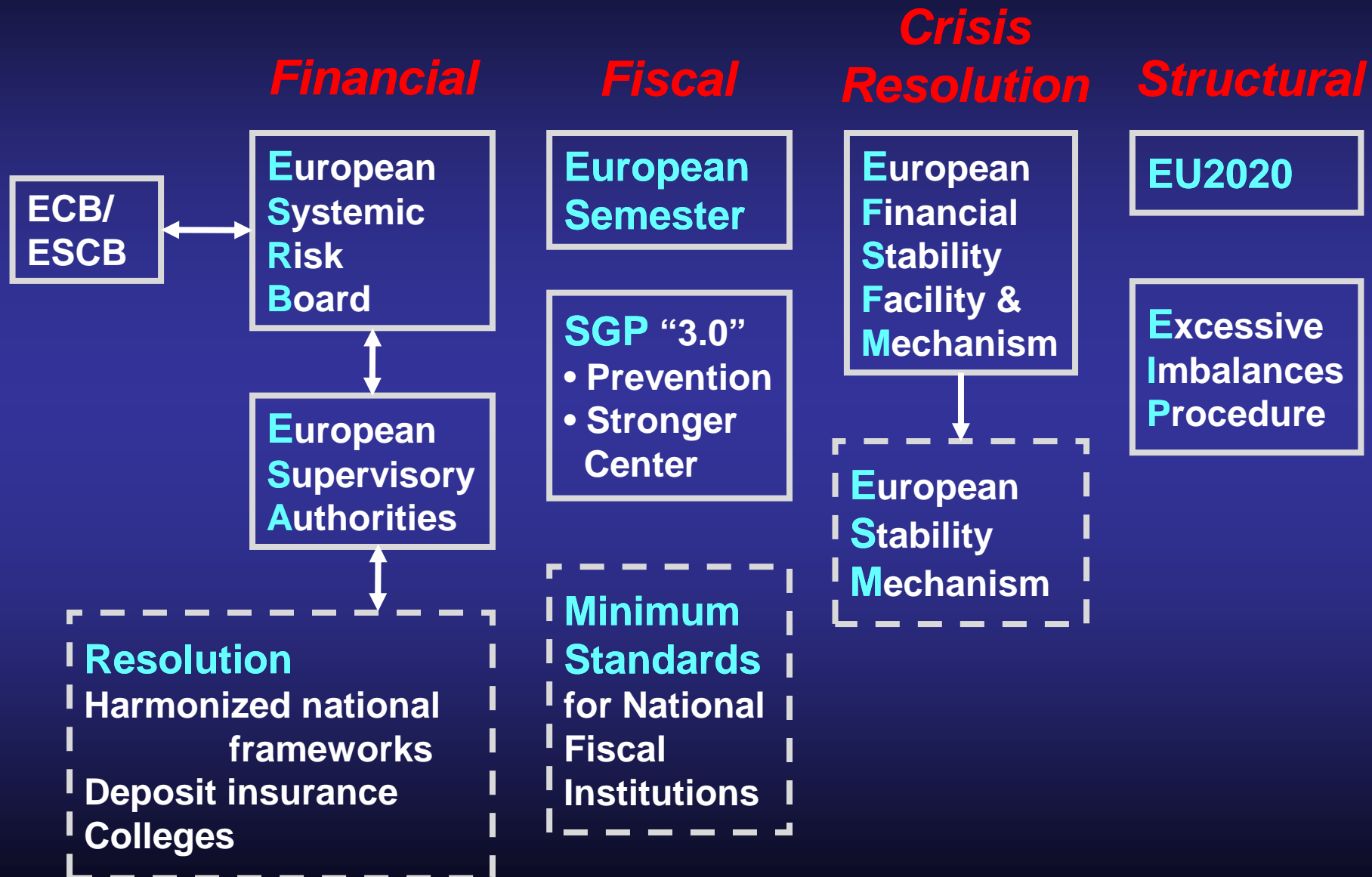
**Strong -  
Sustained -  
Balanced  
Growth**

**Conclusion**

Source: Eurostat, IMF, ECB, OECD



# Strengthening Economic Governance



**Thank you for your attention**

