



INTERNATIONAL MONETARY FUND

EESC HEARING TOWARDS A STRONGER INTERNATIONAL ROLE OF THE EURO

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IMF Deputy Representative to the EU



ROADMAP

- 1. A long a long way to go**
- 2. How are euro invoicing decisions made?**
- 3. Deepening the EMU to change the narrative on the euro once for all**



Long way to go...

Latest on Eurozone economy

Business morale in Germany improves more than expected — Ifo

Goldman to markets: chill out over gloomy German factory data


Global markets take fright on slowdown fears

Opinion Eurozone economy

Welcome back to the eurozone crisis

The political process slows when the central bank tries to help out

WOLFGANG MÜNCHAU [+ Add to myFT](#)



Wolfgang Münchau SEPTEMBER 30, 2012 24

EUROPE'S DEBT CRISIS

Like it or not, the euro is doomed

By Hibah Yousuf @CNNMoneyInvest December 9, 2011: 11:40 AM ET



Latest on Greece debt crisis

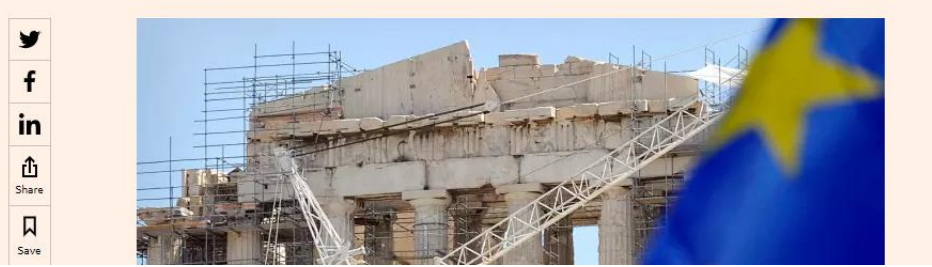
Greece wins €11.8bn of bids for first 10-year bond since crisis

Greece returns to debt markets with 10-year bond

Greece lines up sale of new 10-year bond

Greece debt crisis [+ Add to myFT](#)

Greece faces 'make or break' year



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No Criminal Collusion. Lots of Corruption.

Trump's Kakistocracy Is Also a Hackistocracy

Not All Medicare Cuts A Bad

The Opinion Pages

The Conscience of a Liberal
PAUL KRUGMAN

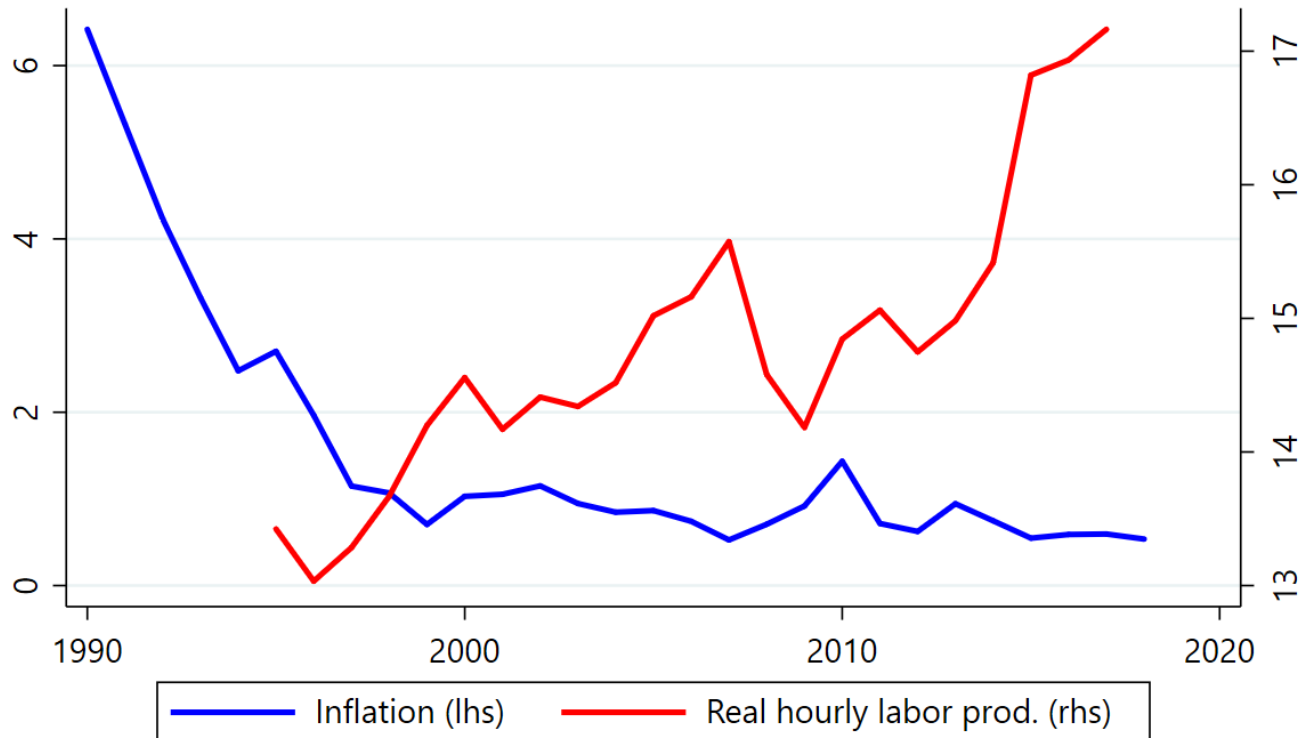
Eurozone Problems
JANUARY 30, 2012 4:17 PM 180

I'm giving a talk in Paris tomorrow. Here are some slides; they won't come as a shock to regular readers, but it may be useful to see them all in one place.

First, I make the case that the overall economic crisis is driven by private debt, not public debt:

Inflation convergence but a lot of real divergence

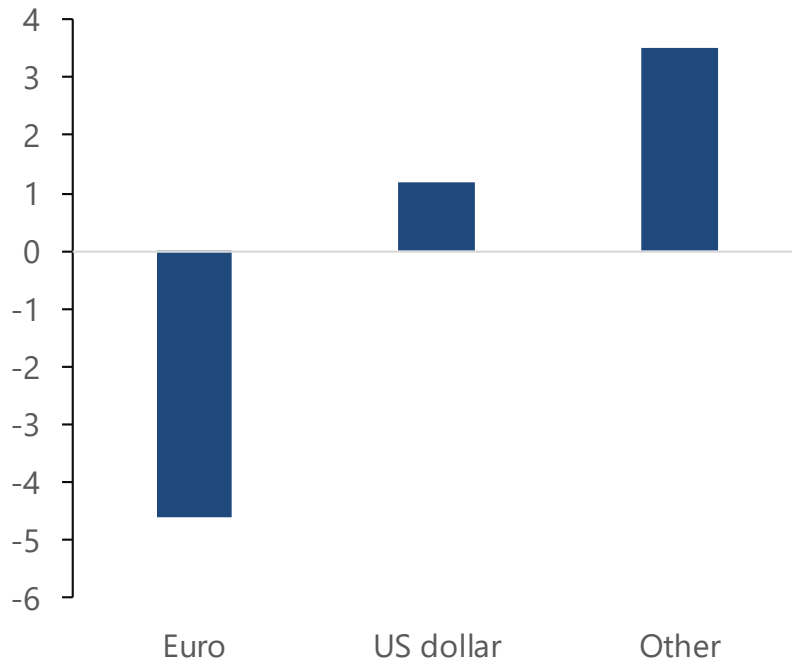
Convergence and divergence in the euro area 12
(Standard deviations)



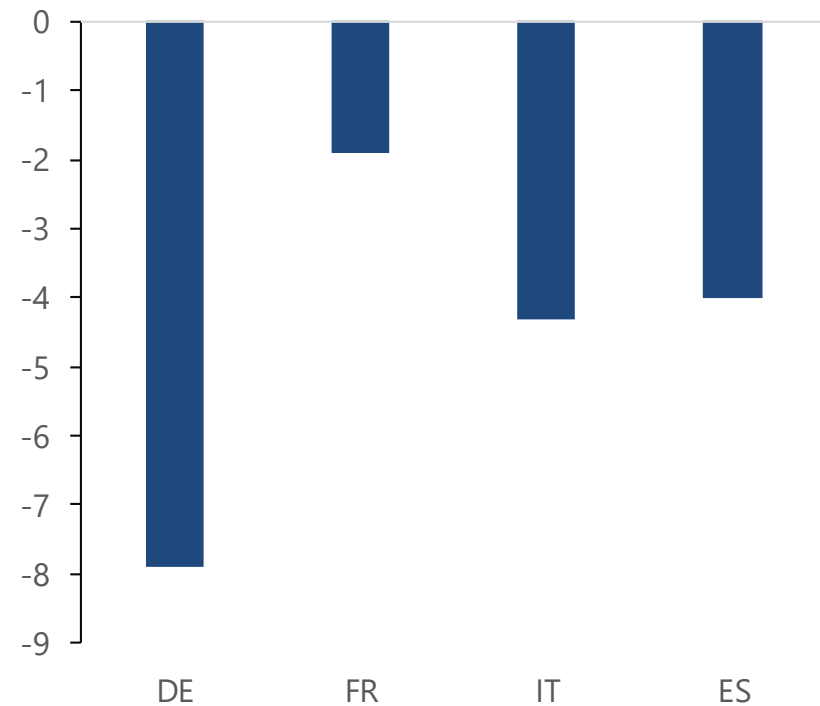
Sources: Eurostat.

Euro area trade invoiced in euro has diminished

Euro area: Change in invoicing of extra EU manufactured goods exports
(Currency shares, percentage points, 2010-2016)



Euro area: Change in euro invoicing of extra EU manufactured goods exports
(Percentage points; 2010-2016)



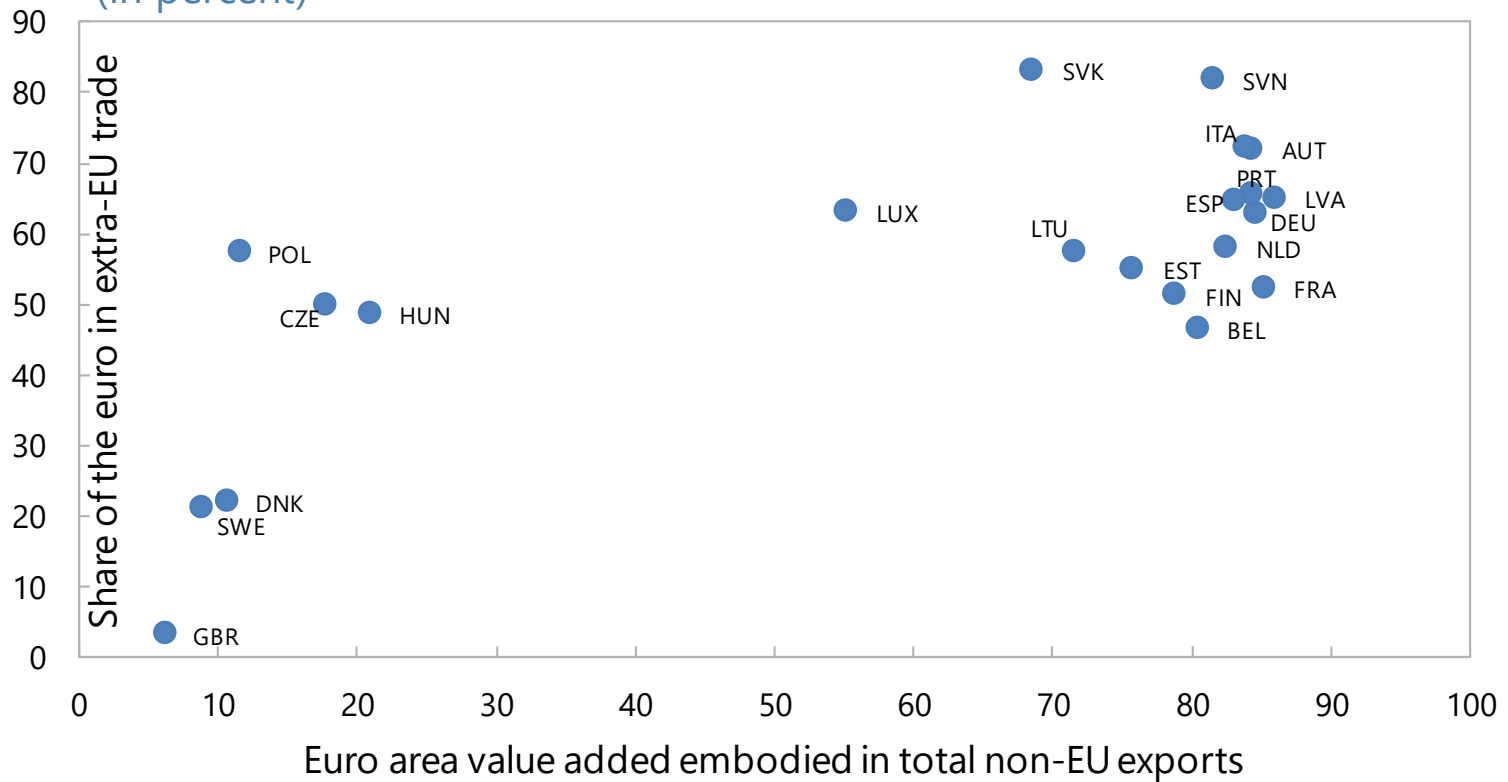


- 
- A light gray map of Europe is visible in the background of the slide, showing the outlines of the continent and its countries.
1. A long way to go
 2. **How are euro invoicing decisions made?**
 3. Deepening the EMU to change the narrative on the euro once for all

Euro Invoicing is shaped by supply chain networks (mostly micro decisions)

Euro Supply Chains and Euro Invoicing, 2010-2015 average

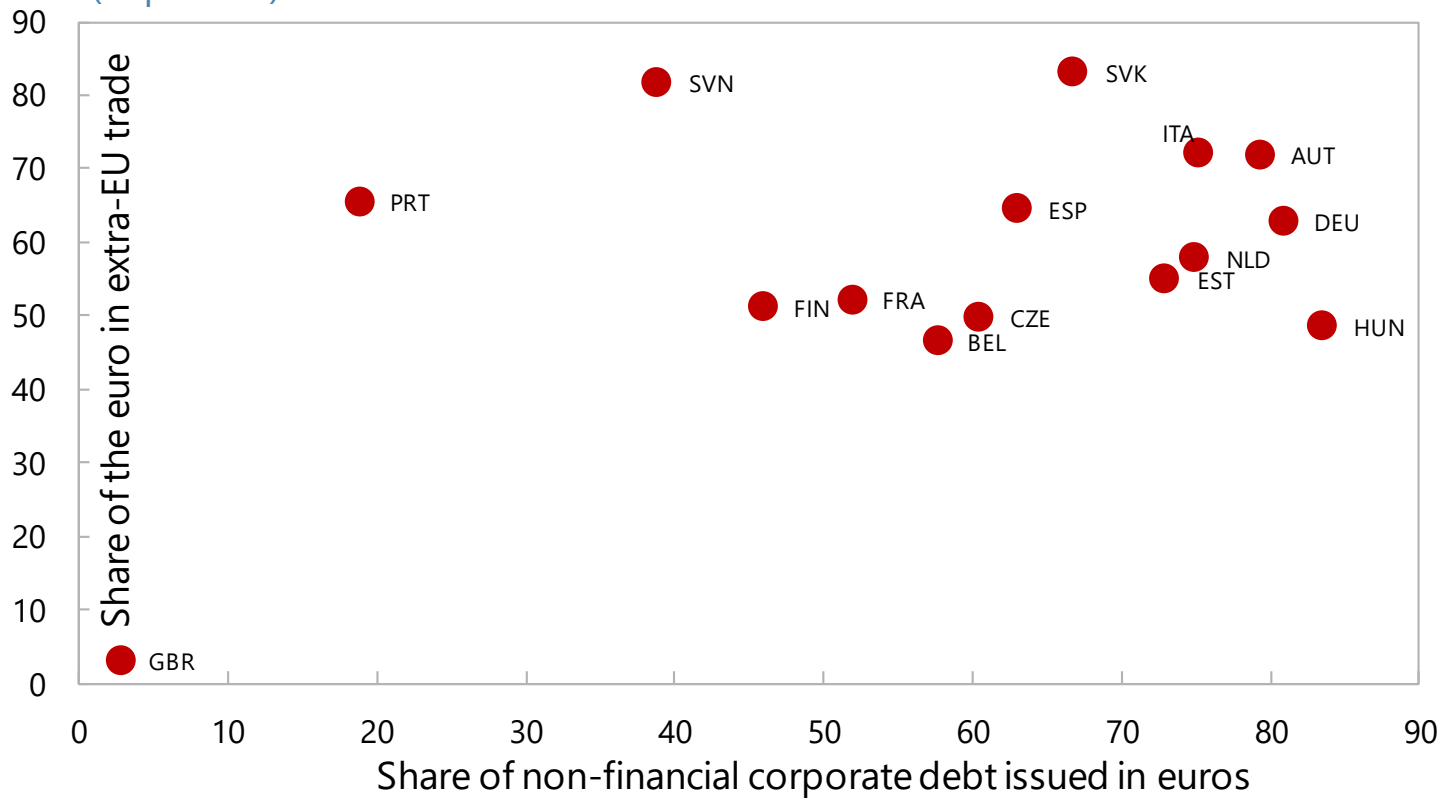
(In percent)



Sources: OECD TiVA; Eurostat

Euro's role in trade and finance are naturally connected (mostly micro decisions)

Euro Corporate Debt and Euro Invoicing, 2010-2015 average
(In percent)



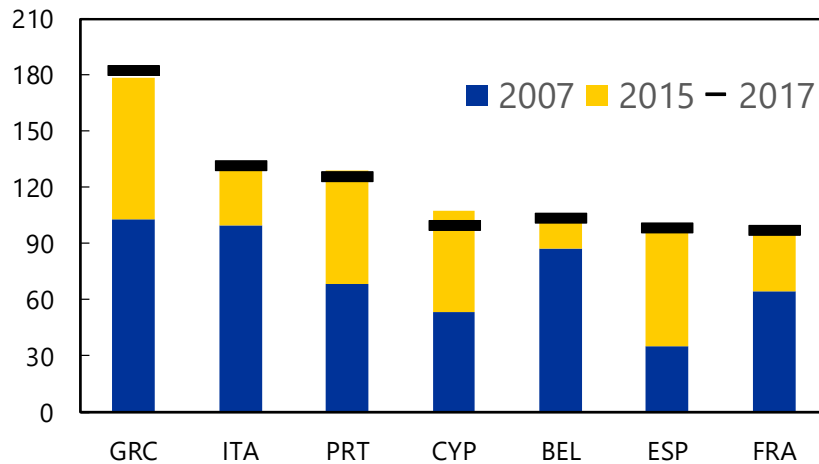
Sources: BIS; Eurostat



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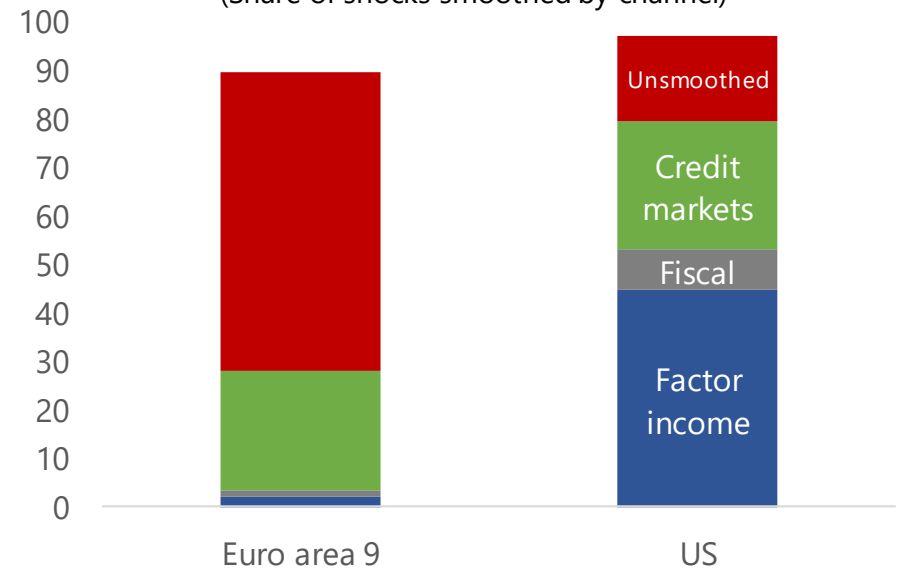
Need to improve risk sharing to counter shocks

Gross Public Debt
(Percent of GDP)



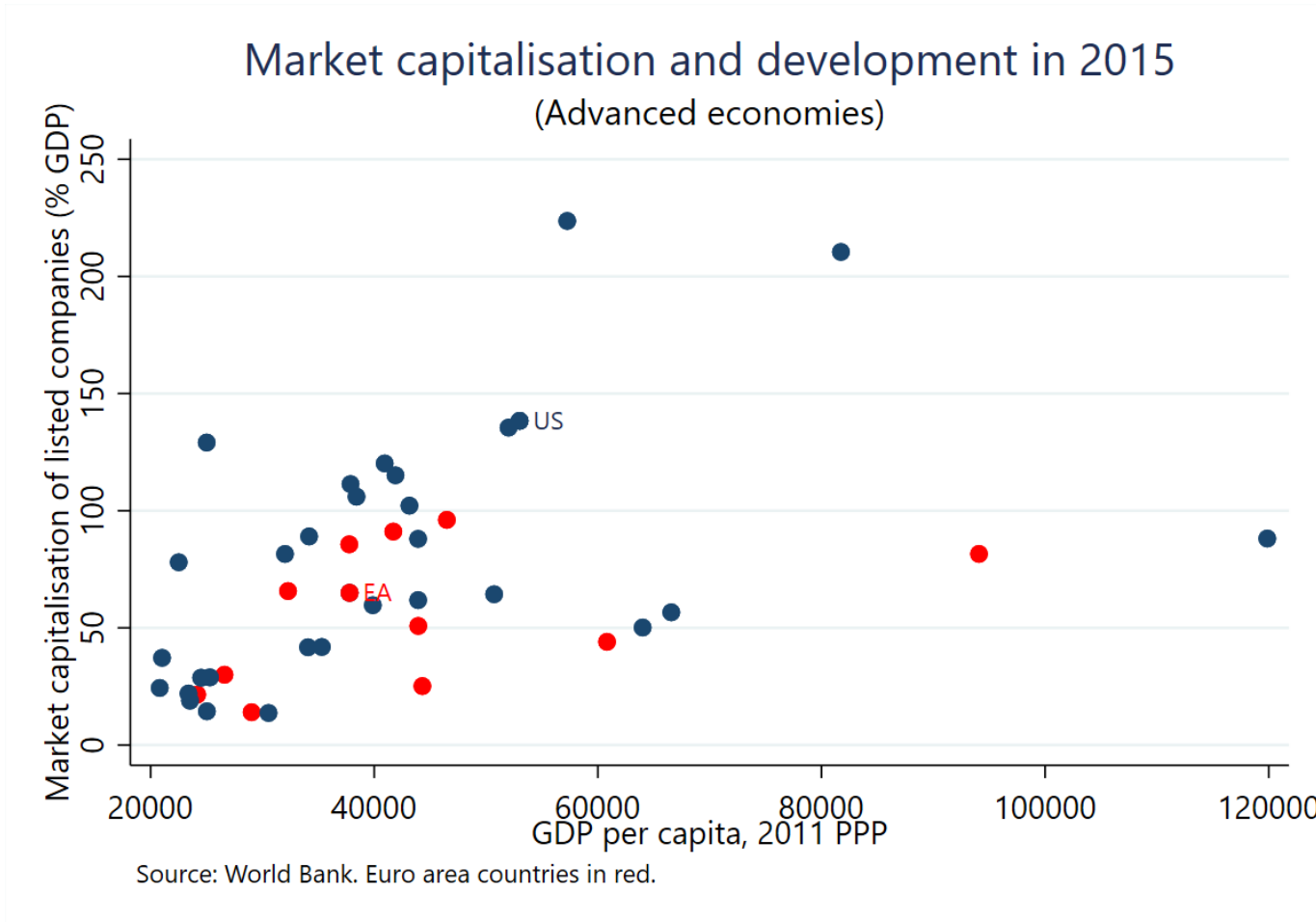
Source: IMF, World Economic Outlook.

Cross-border smoothing of asymmetric shocks
(Share of shocks smoothed by channel)



Source: Nikolov, 2016. US: 1963-2013; EA: 2000-2015.

Two birds with one stone: CMU for shock absorption and long-term growth





Our priorities for the euro area and the euro

Policies that promote growth, stability and integration key for the international role of the euro

Structural reforms

- **Deepen the single market** (especially the service sector)
- **Country-specific structural reforms to enhance resilience and boost productivity growth**
- **Strengthen EU reform governance** (benchmarking; EU reform delivery tool)

Robust and integrated financial sector

- **Complete Banking Union** (Operationalize the SRF backstop; EDIS)
- **Build a European Capital Markets Union**
- **Repair balance sheets** (reduce NPLs)

Sound fiscal policies and shock insurance

- **Simplified, enforceable EU fiscal rules**
- Support macroeconomic stabilization through a **Central Fiscal Capacity**
- **National fiscal policies towards imbalances reduction**



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