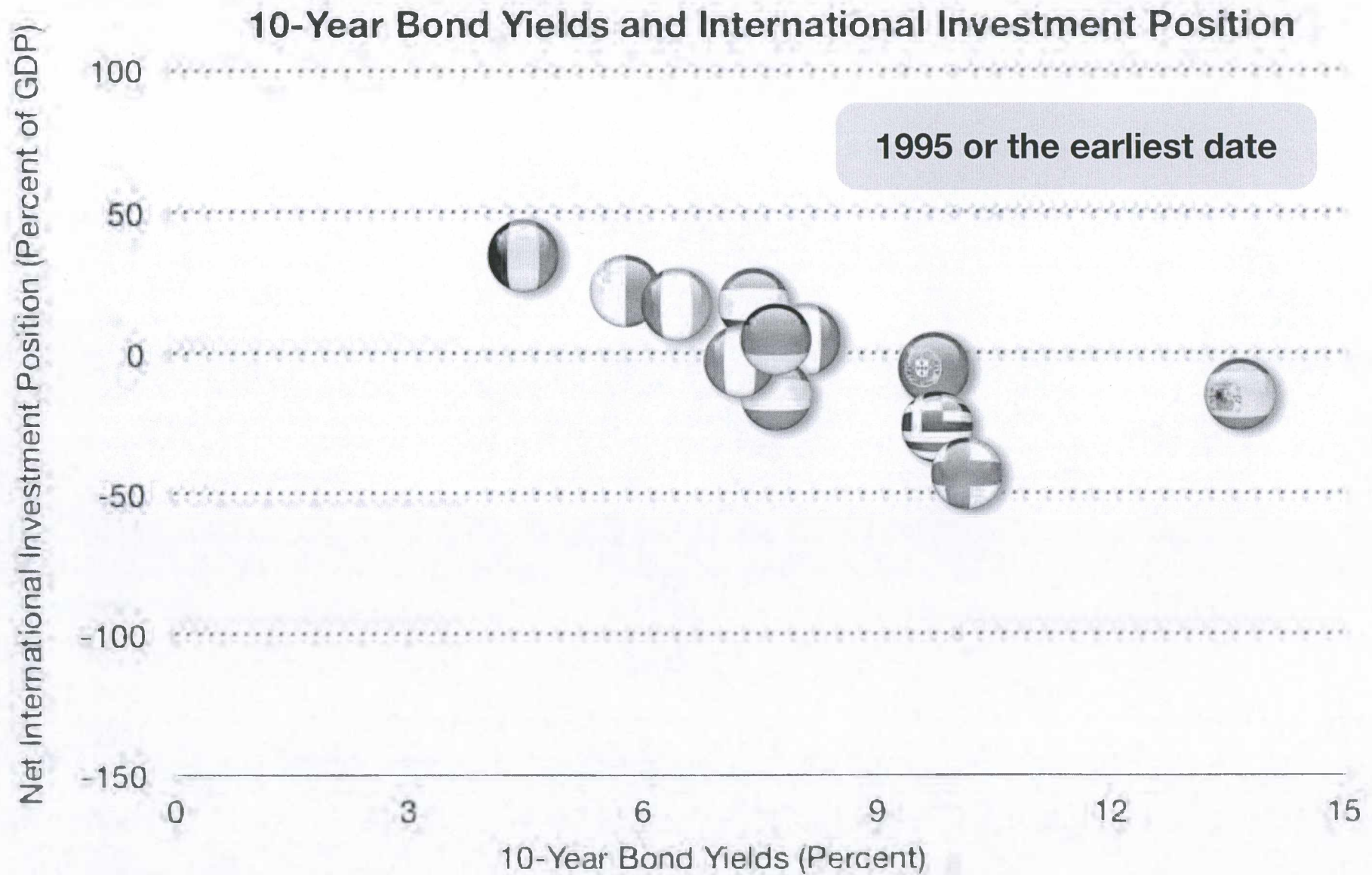


για συγγραμμάτων αρχαία στοιχεία

## The seal of the International Monetary Fund (IMF) is a circular emblem. It features a central shield with a globe showing the Western Hemisphere. Below the globe is a laurel wreath. The words "INTERNATIONAL" and "MONETARY FUND" are inscribed around the top and bottom of the shield, respectively, separated by two stars.

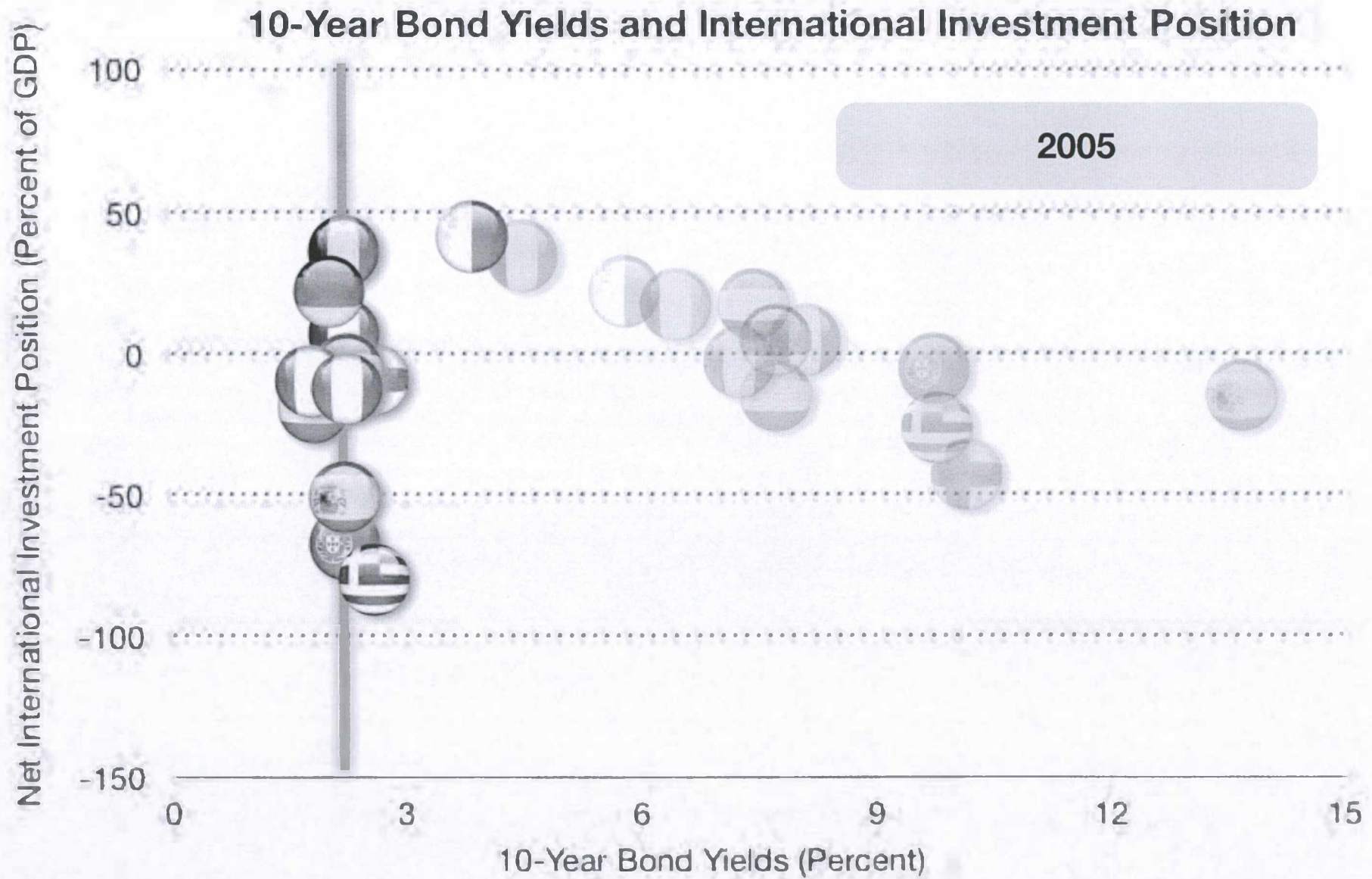
Thursday, April 19, 2012

# Convergence

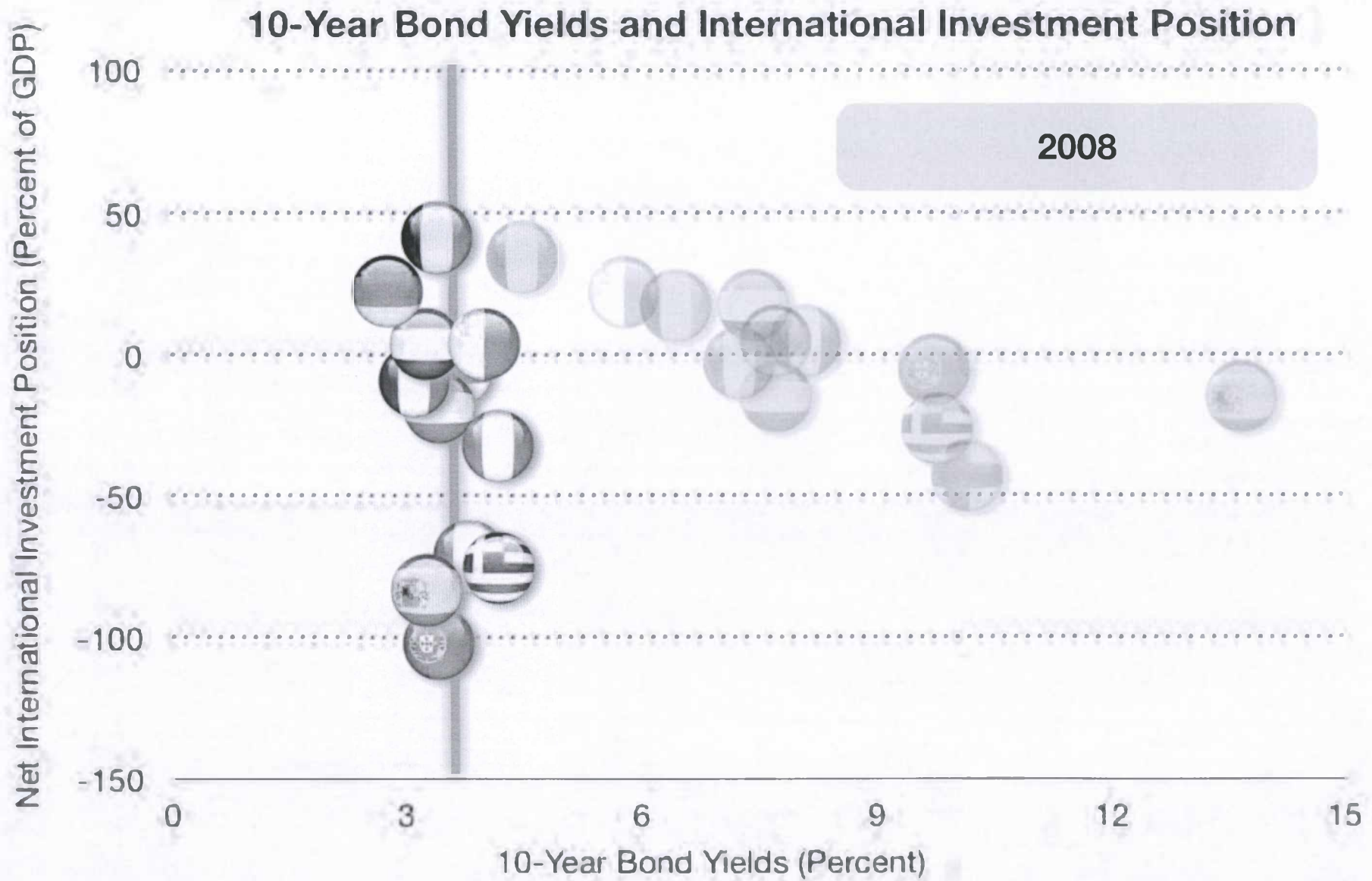




# Convergence

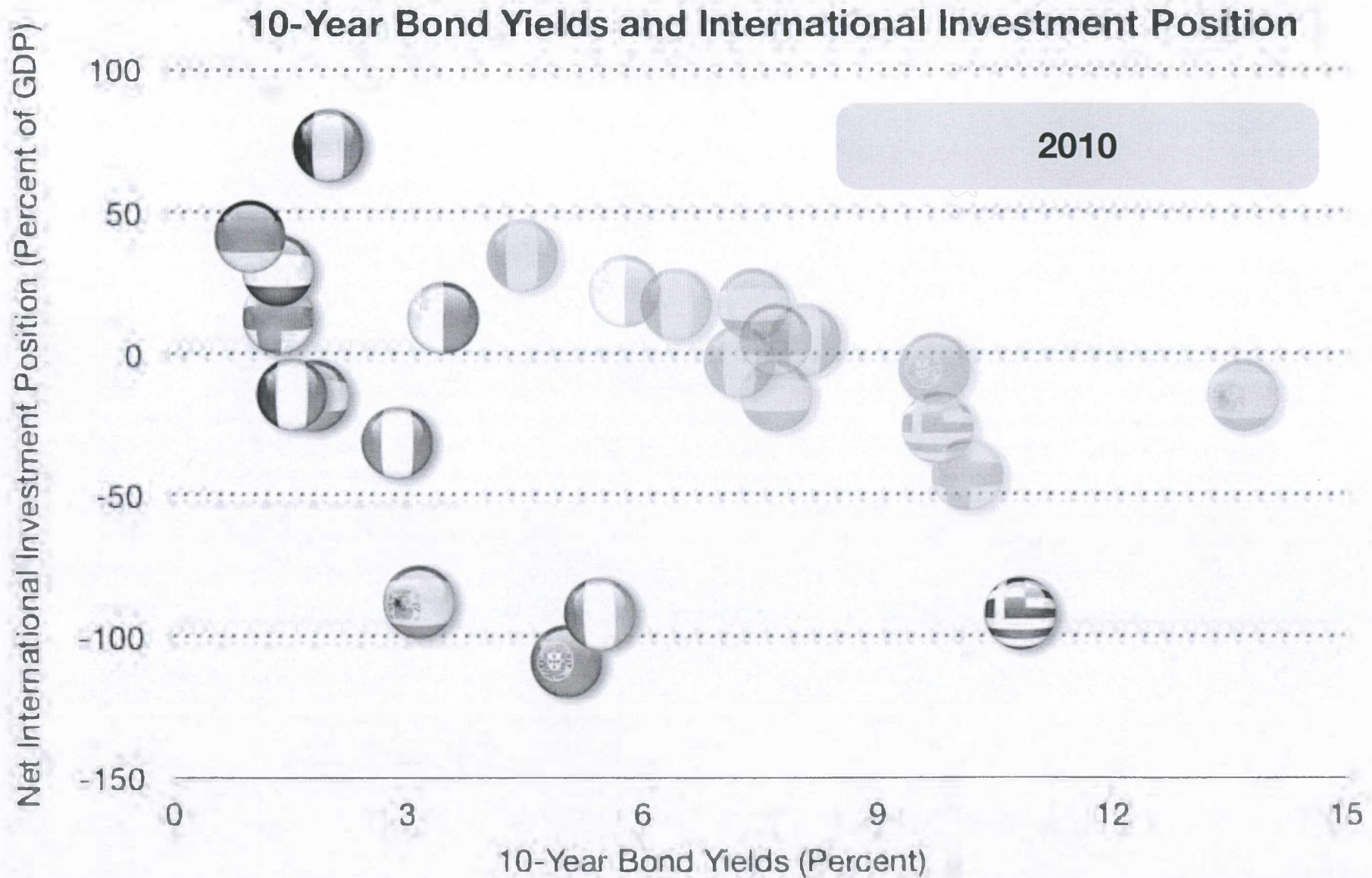


# Convergence



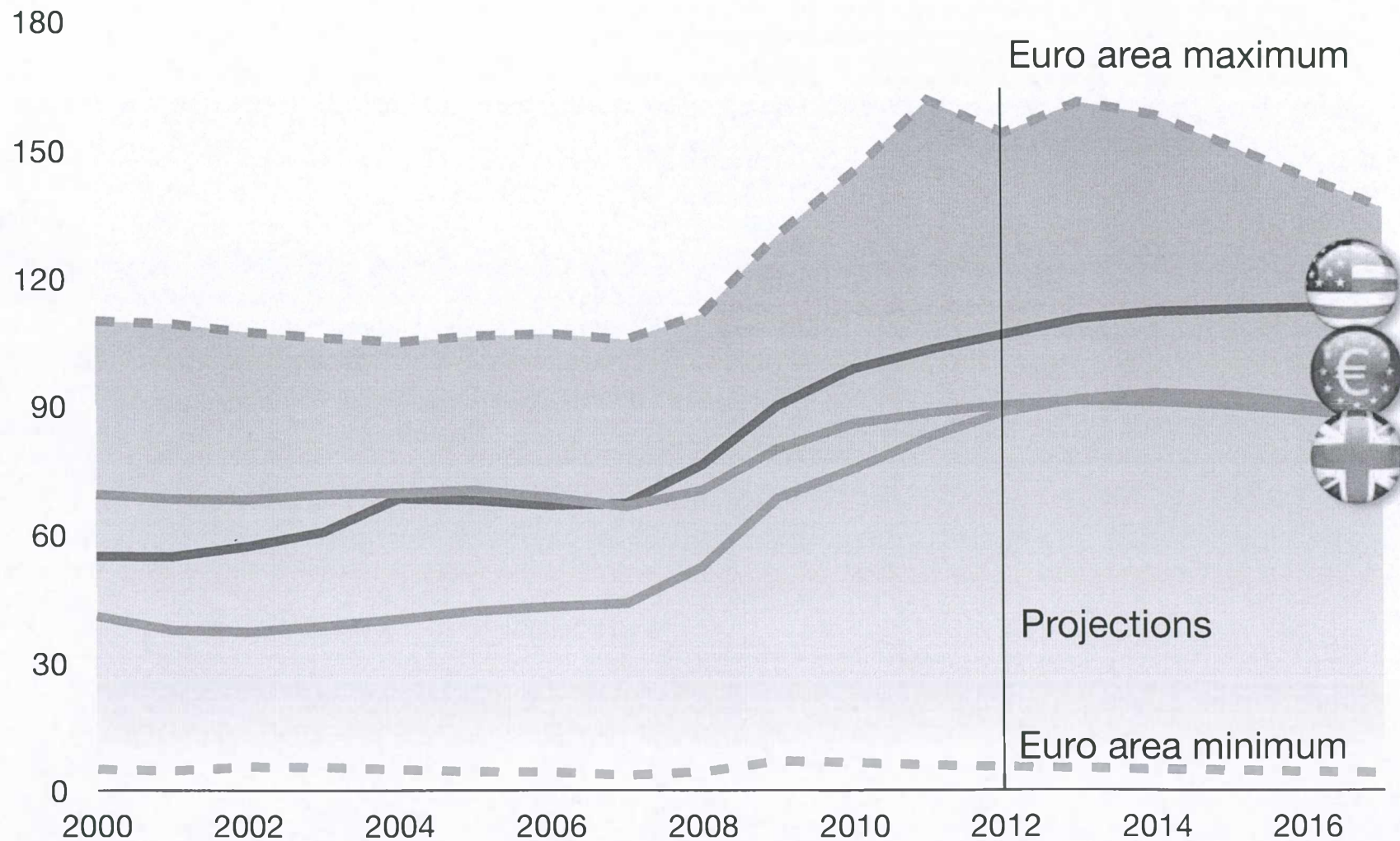


# Convergence



# Debt

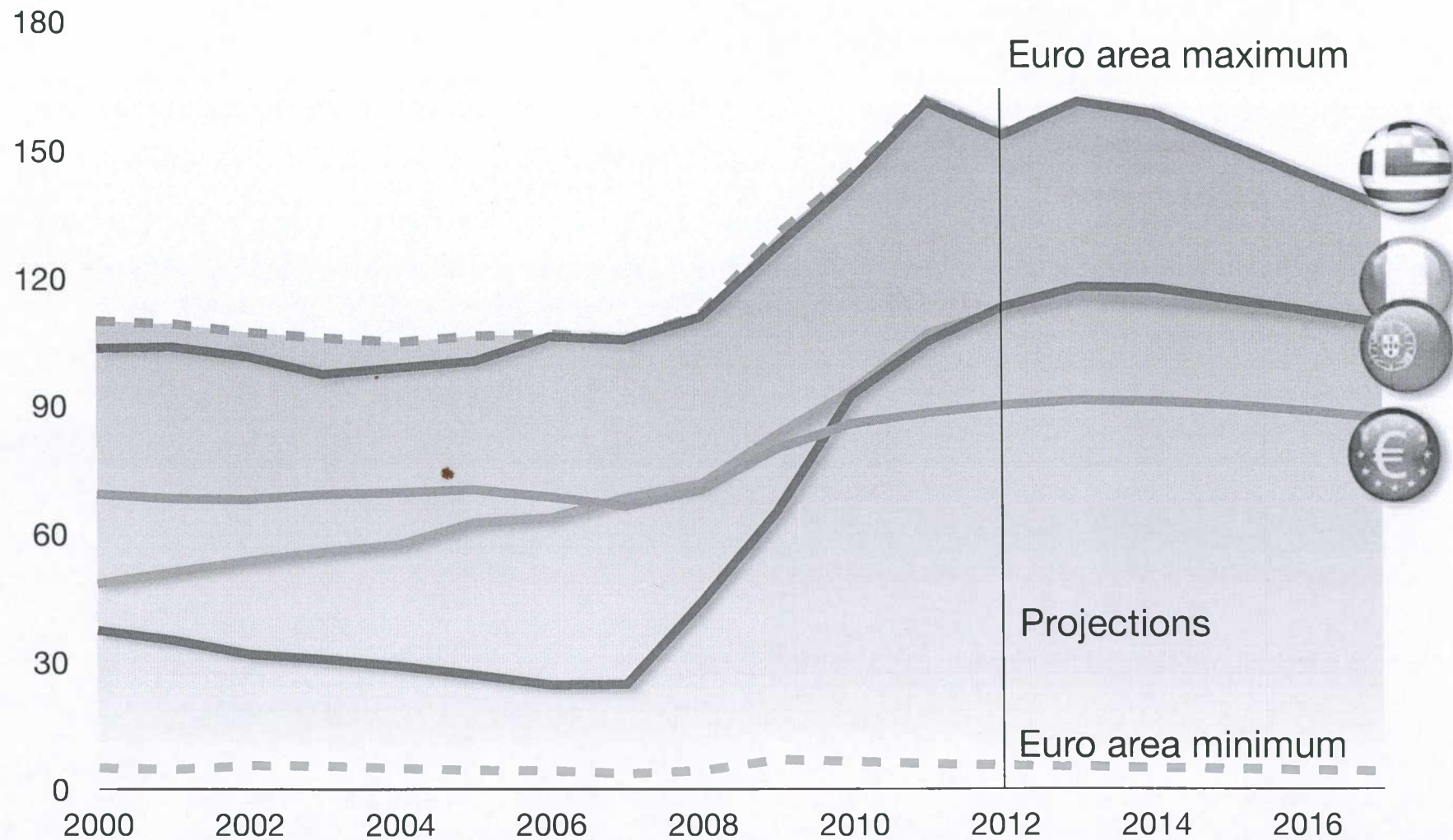
## General Government Gross Debt (Percent of GDP)





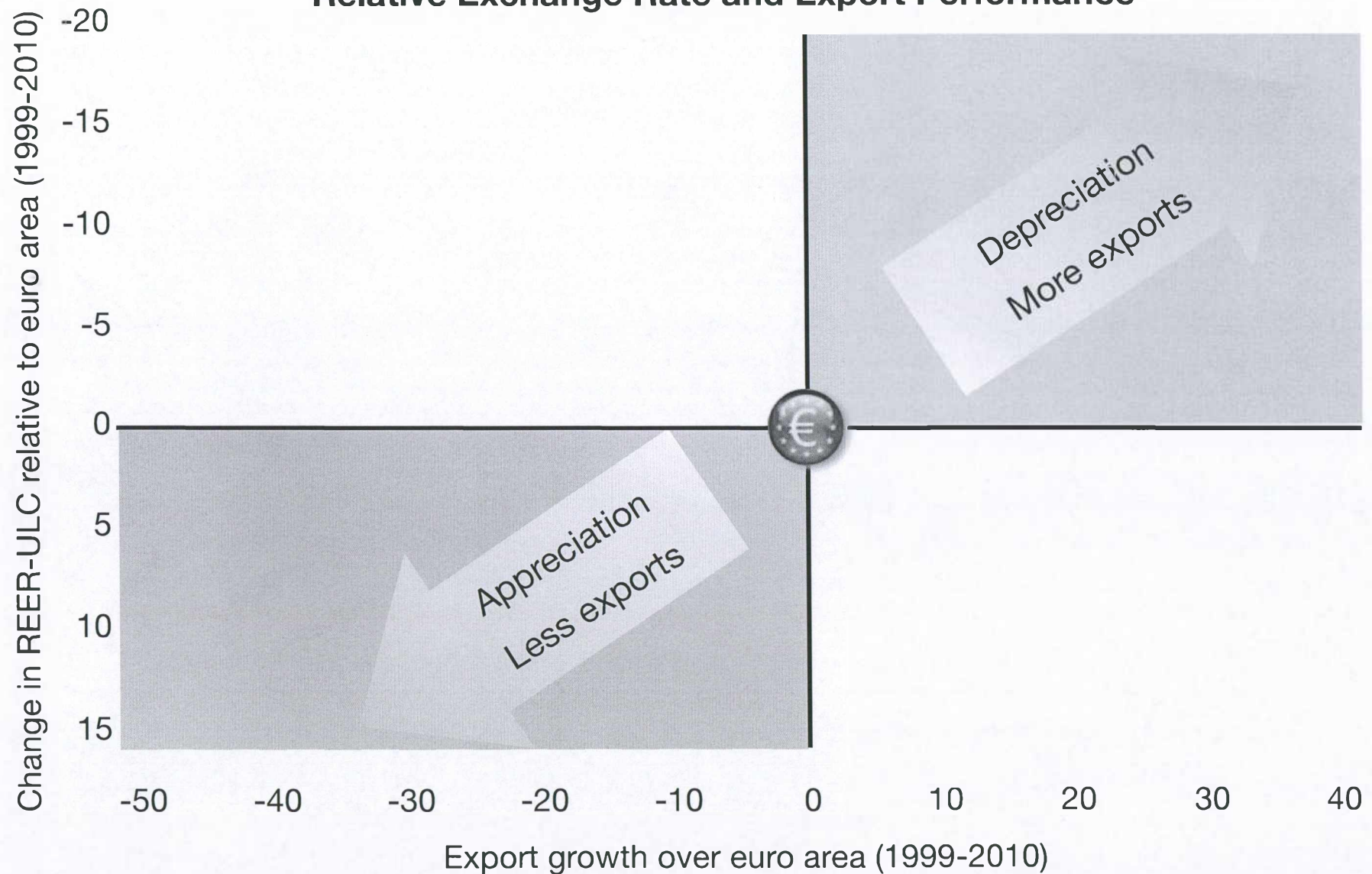
# Debt

## General Government Gross Debt (Percent of GDP)



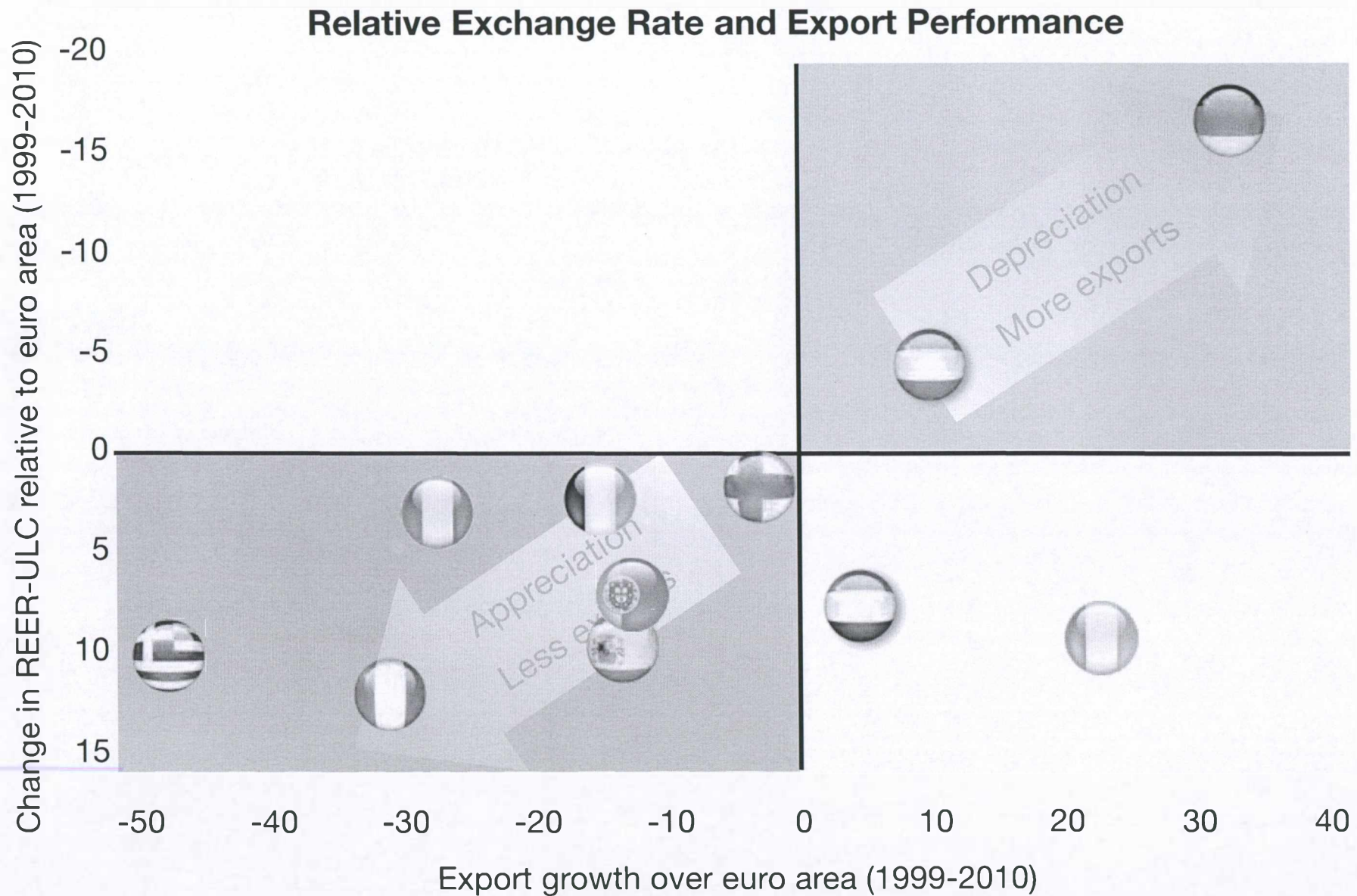
# Competitiveness

Relative Exchange Rate and Export Performance





# Competitiveness

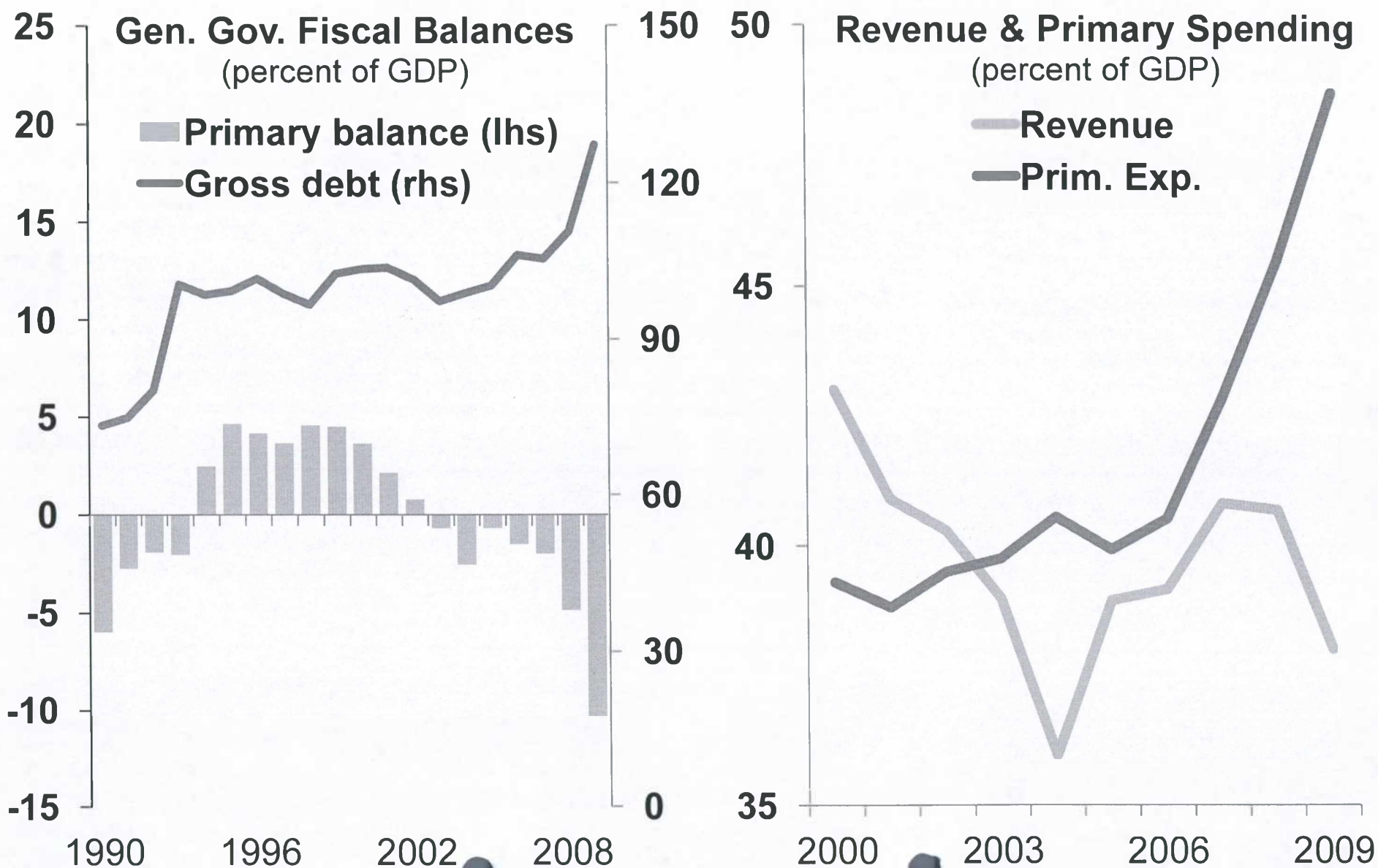




**GREECE**



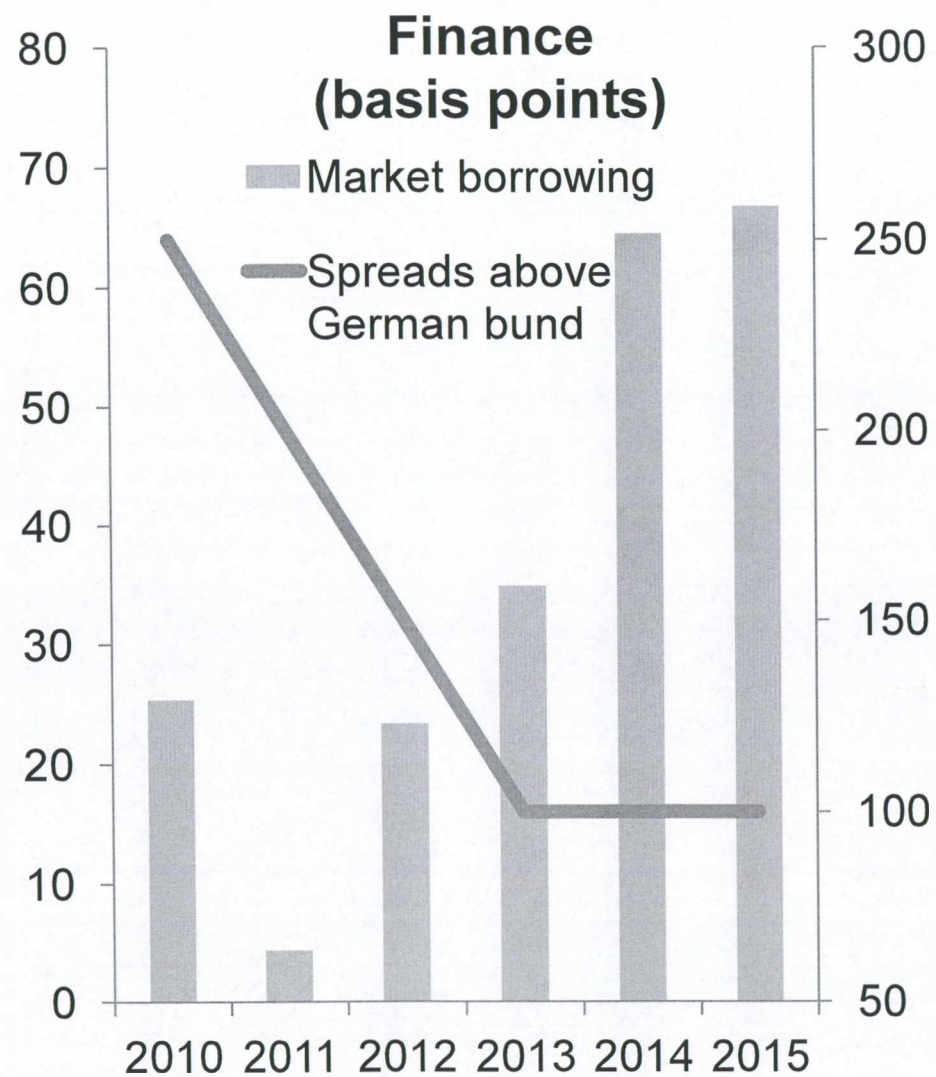
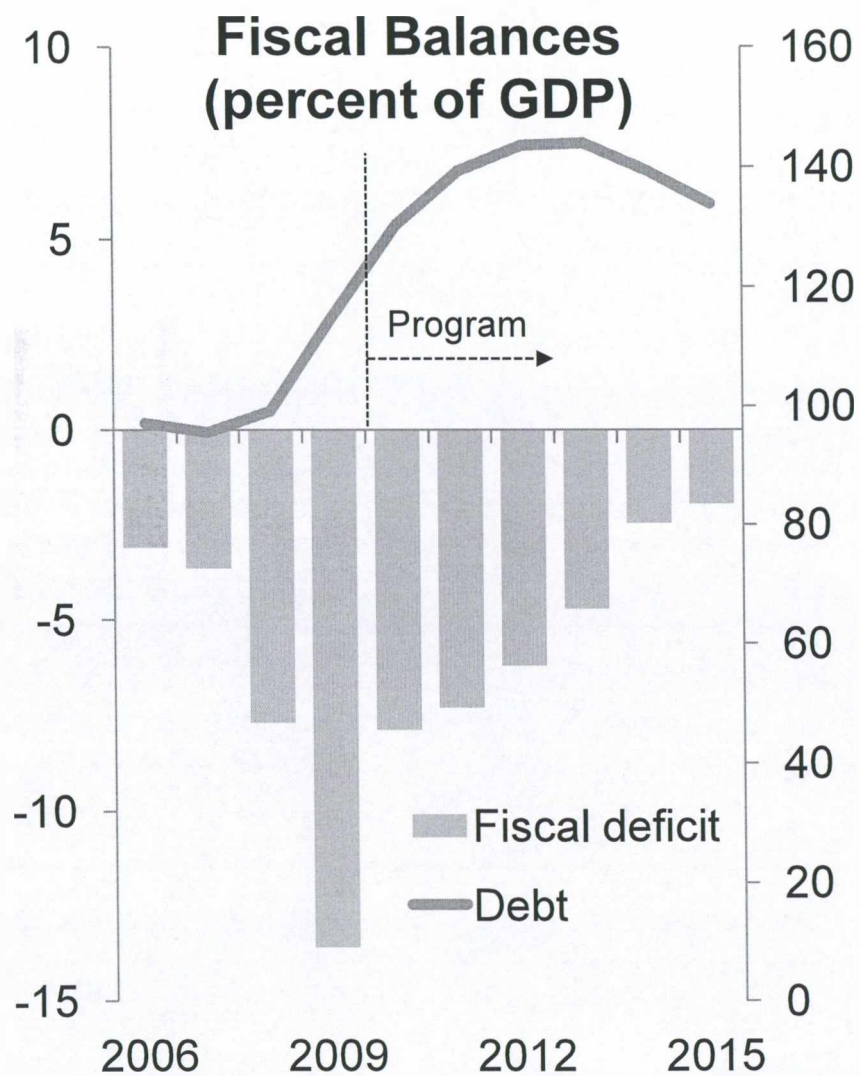
In Greece, debt and deficits climbed to precipitous levels. The massive spending increases behind this drove up wages and prices, badly undermining competitiveness, and setting the stage for the crisis.



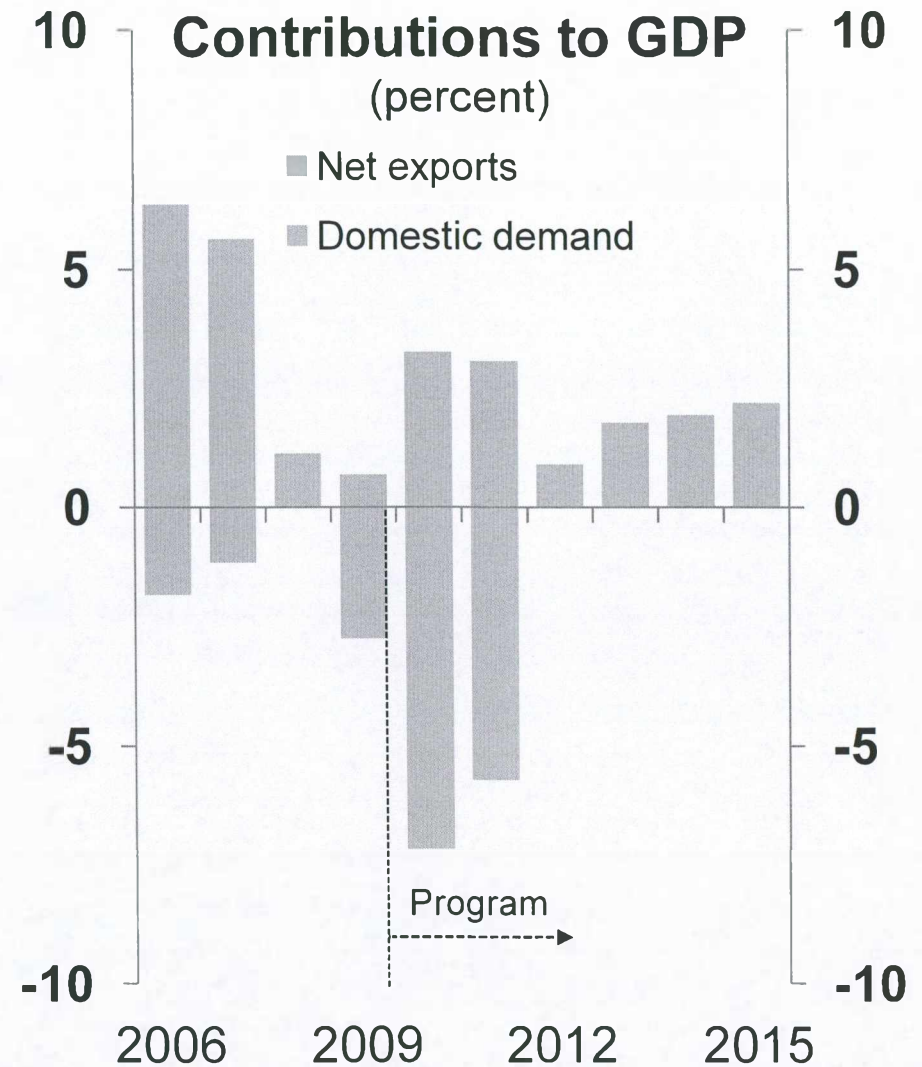
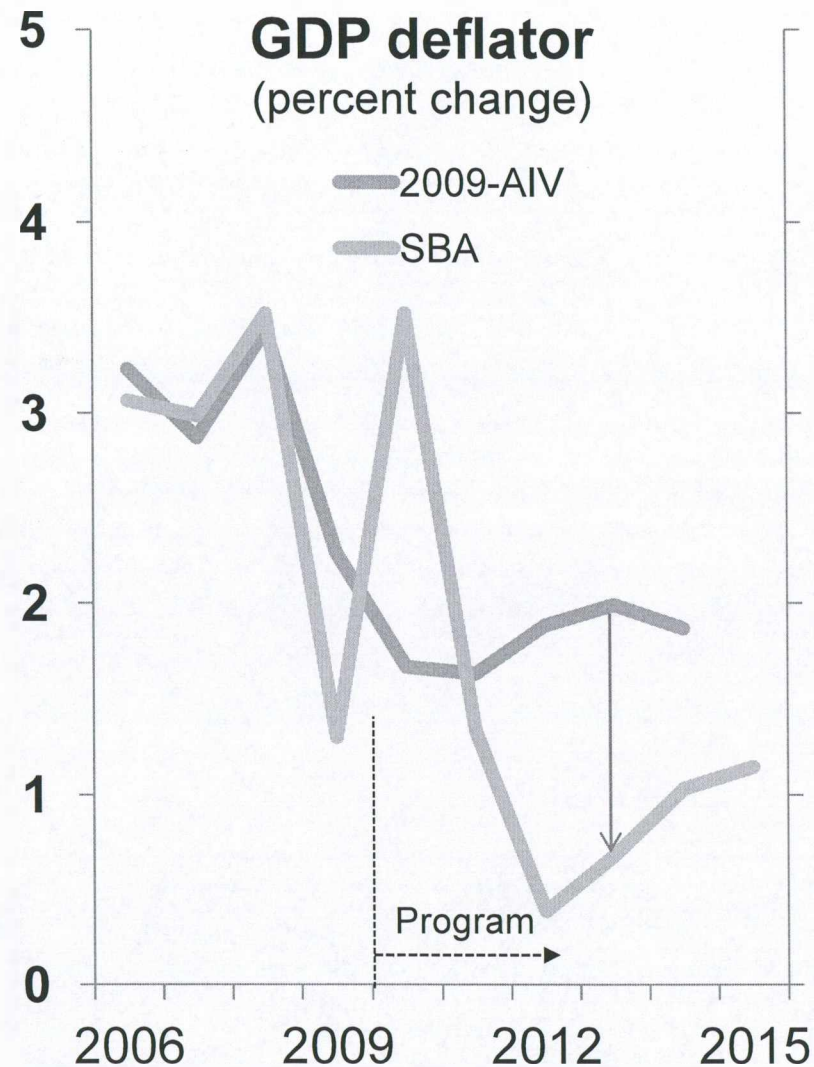
# 1. Design of the SBA



Fiscal adjustment was expected to boost market confidence  
and restore financing



Structural reforms were designed to improve competitiveness and trigger an export-led recovery.  
(which would help reduce the impact of fiscal adjustment).



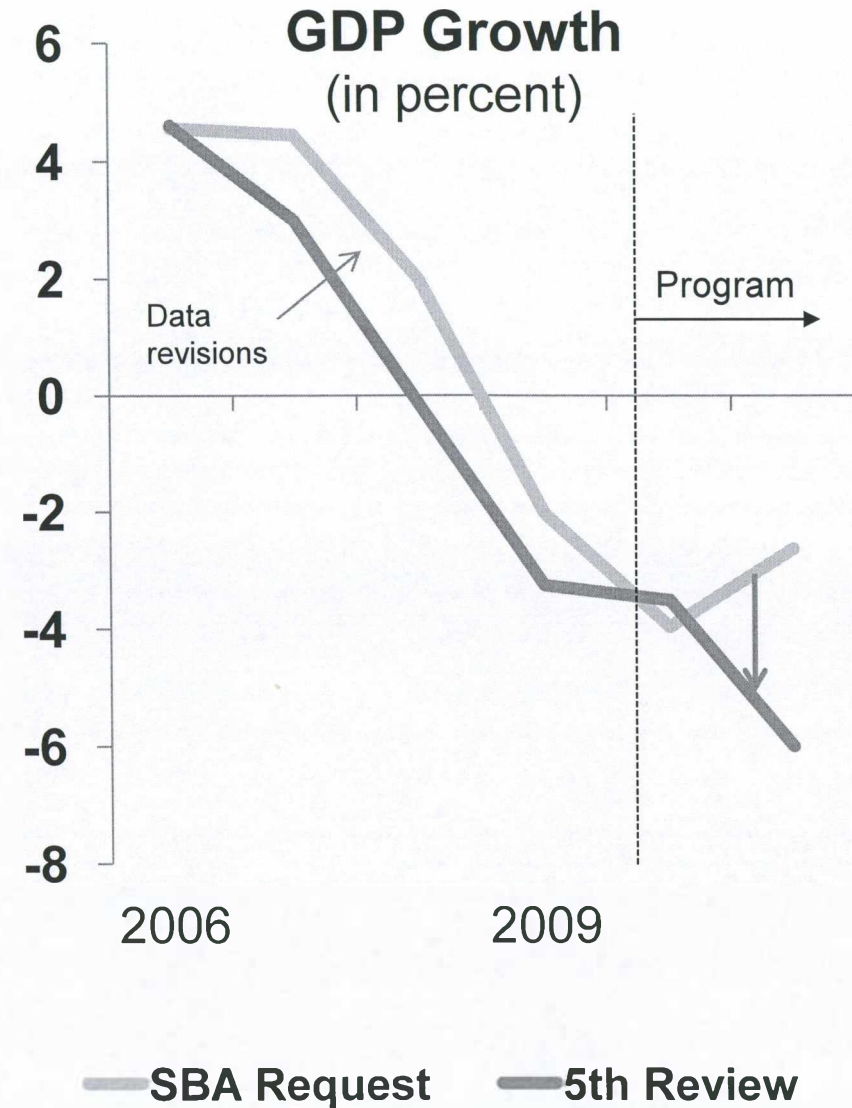
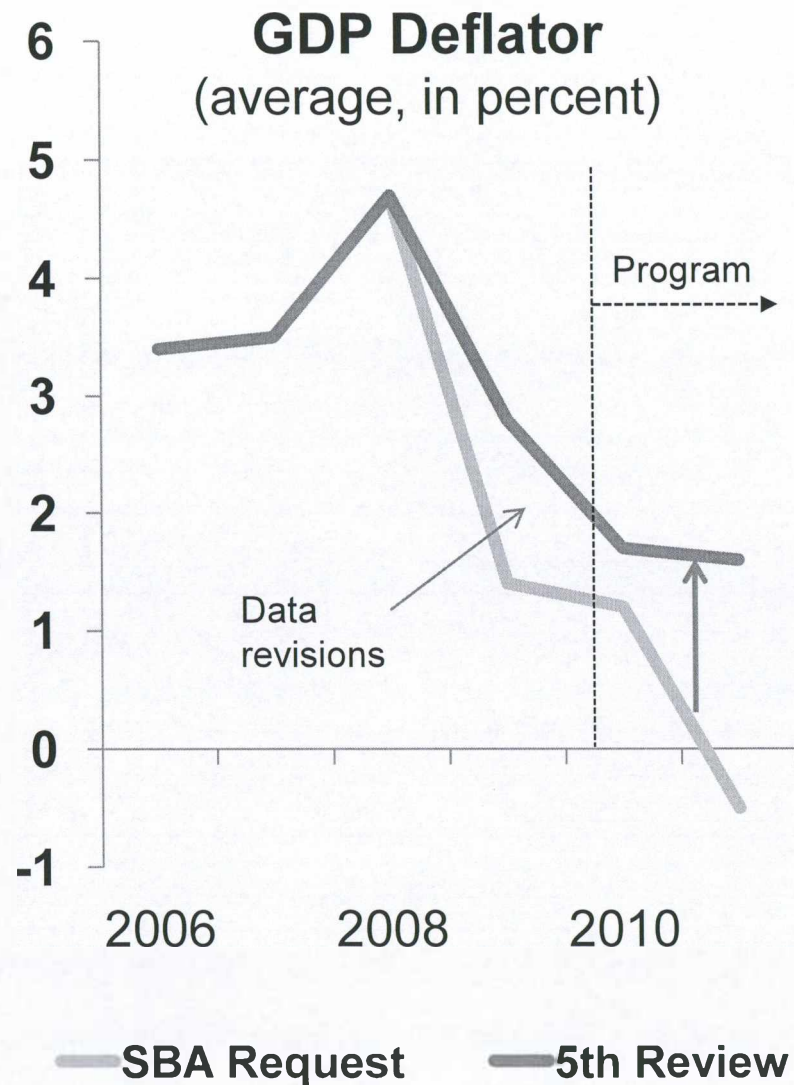


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## 2. SBA IMPLEMENTATION

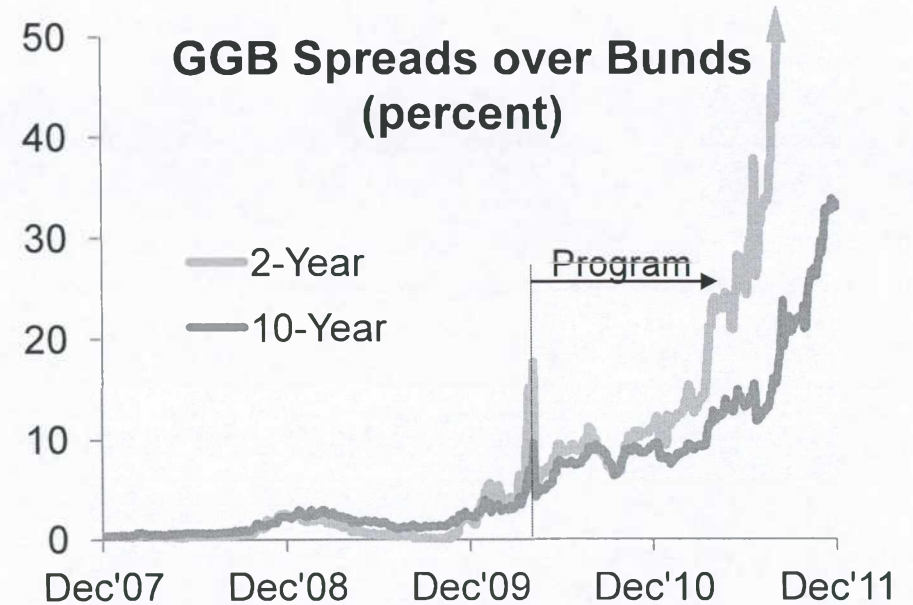
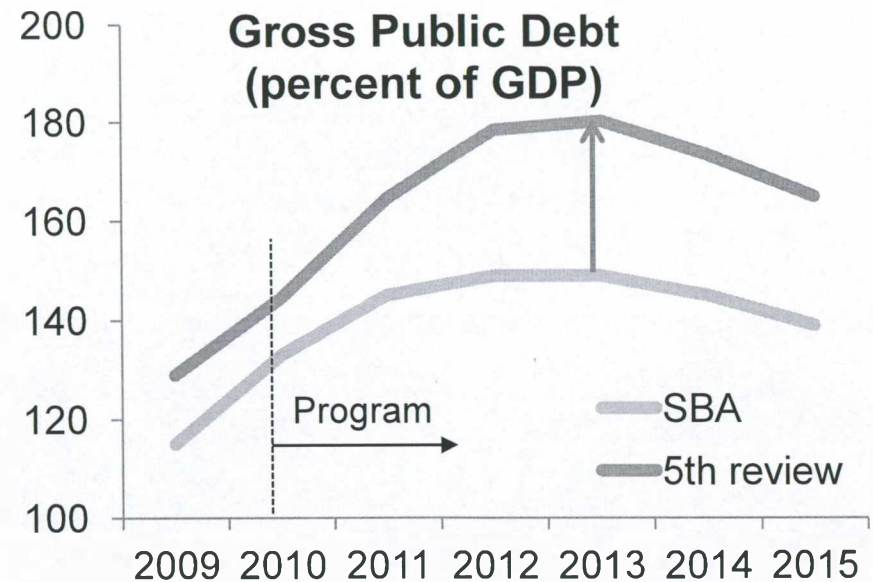
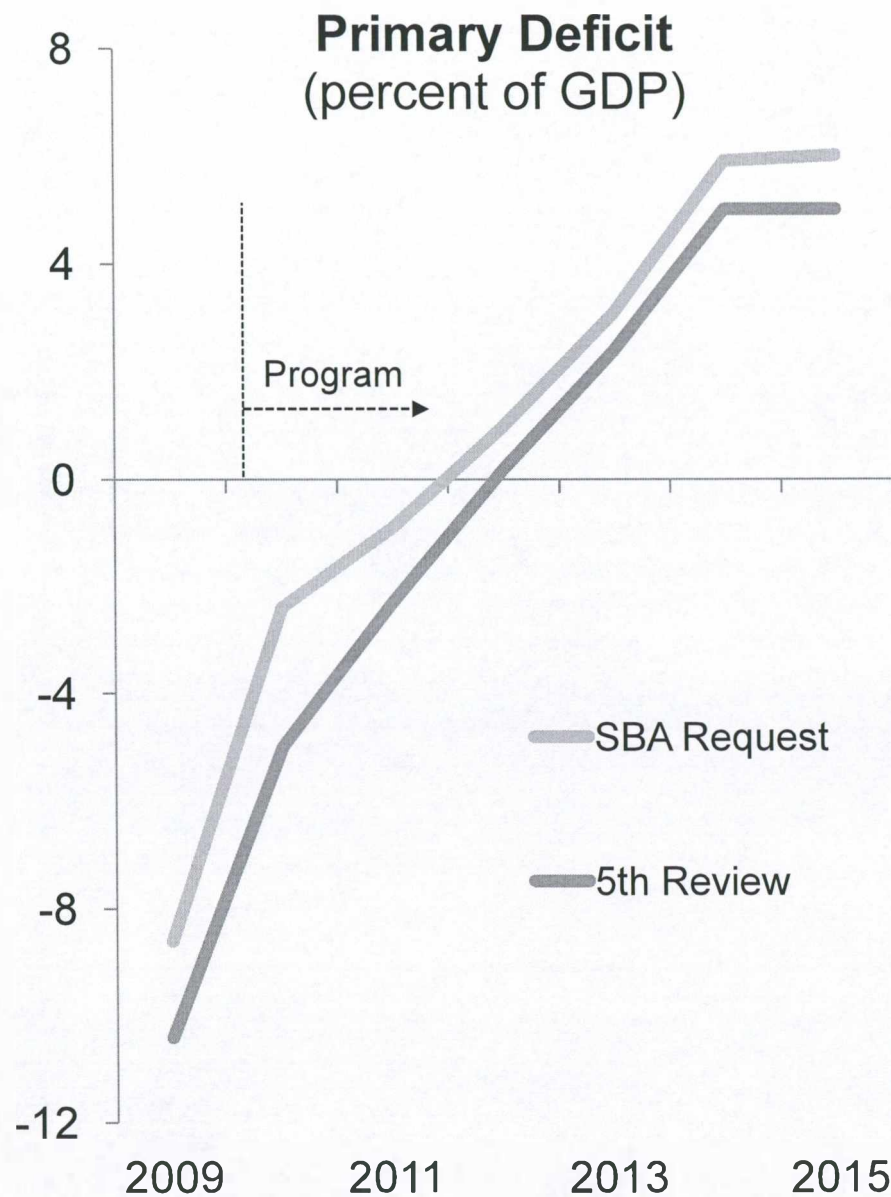
Experience and outcomes

Competitiveness problems have proven less tractable, and the recession has proven deeper than expected.





# Significant fiscal adjustment, but soaring debt and spreads...

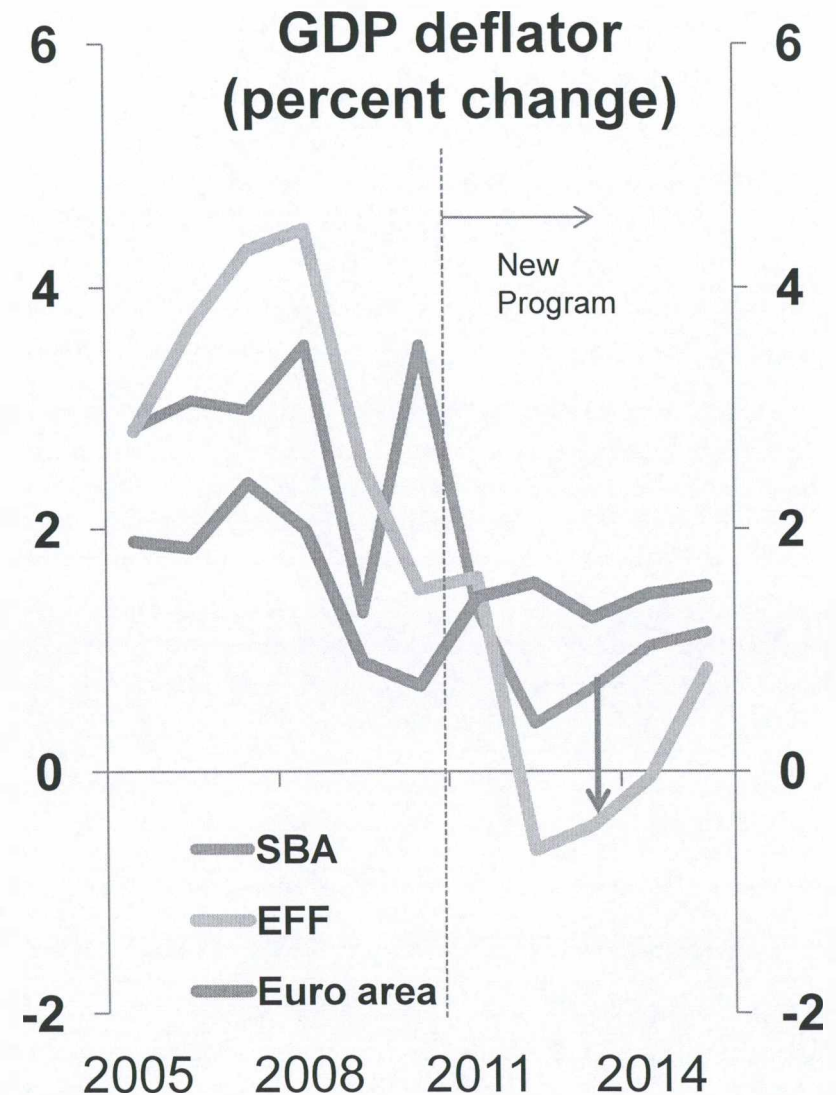
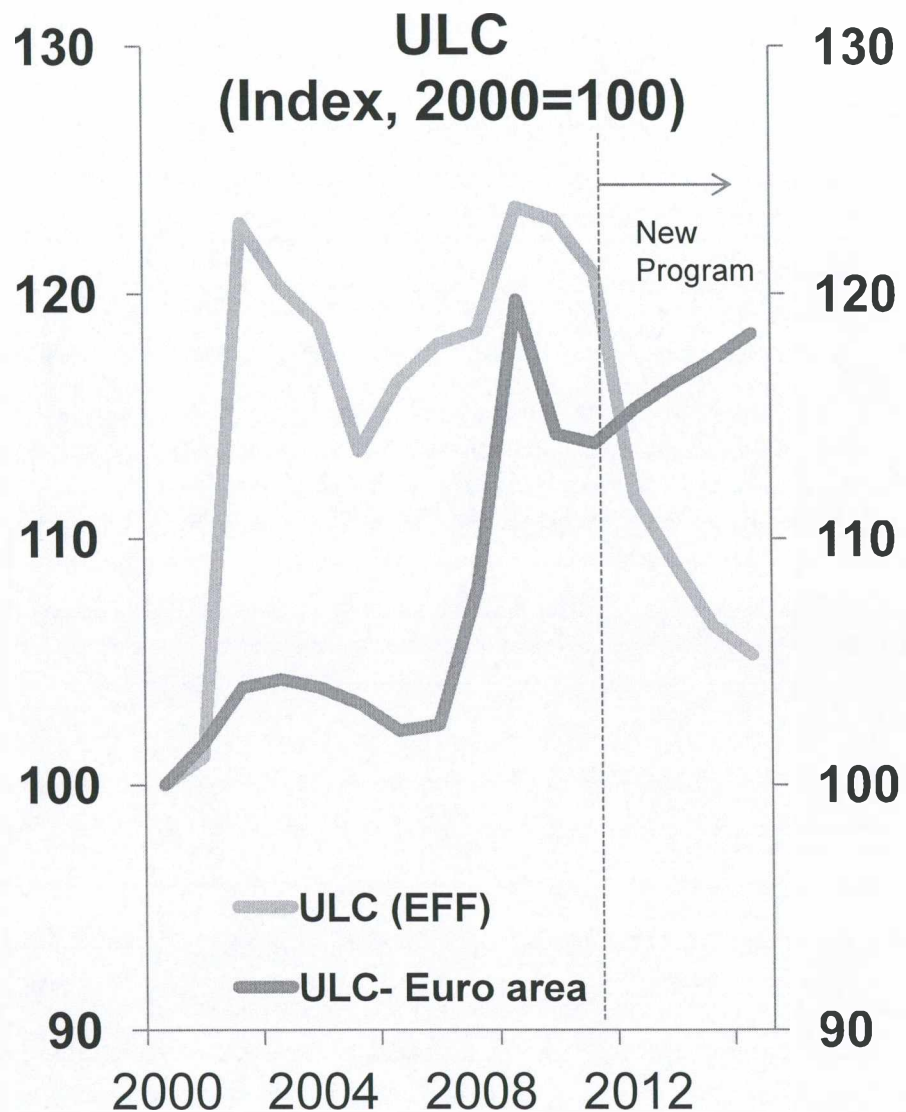


# 3. The new EFF program

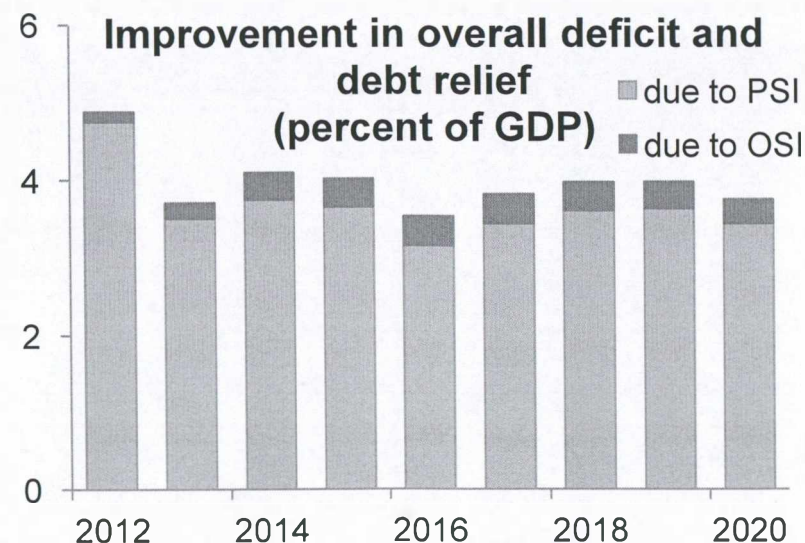
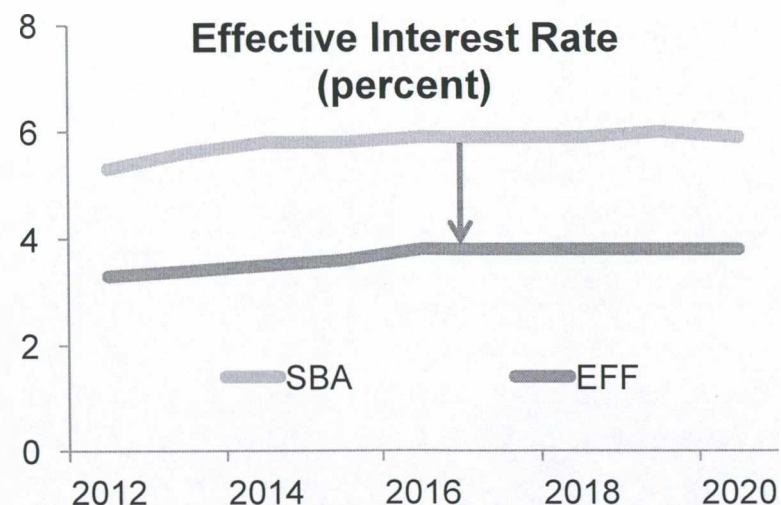
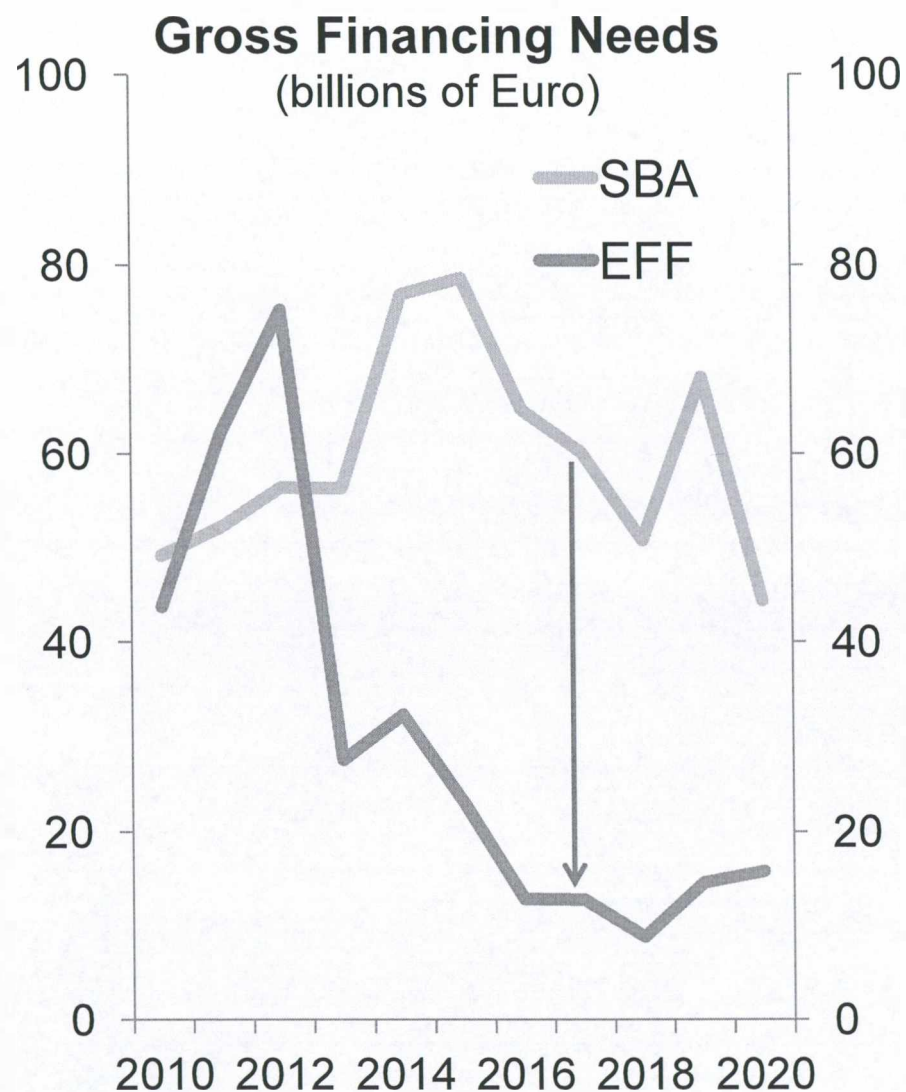
Policy Adaptation



The new program places emphasis on directly securing faster competitiveness improvements to bring forward the recovery

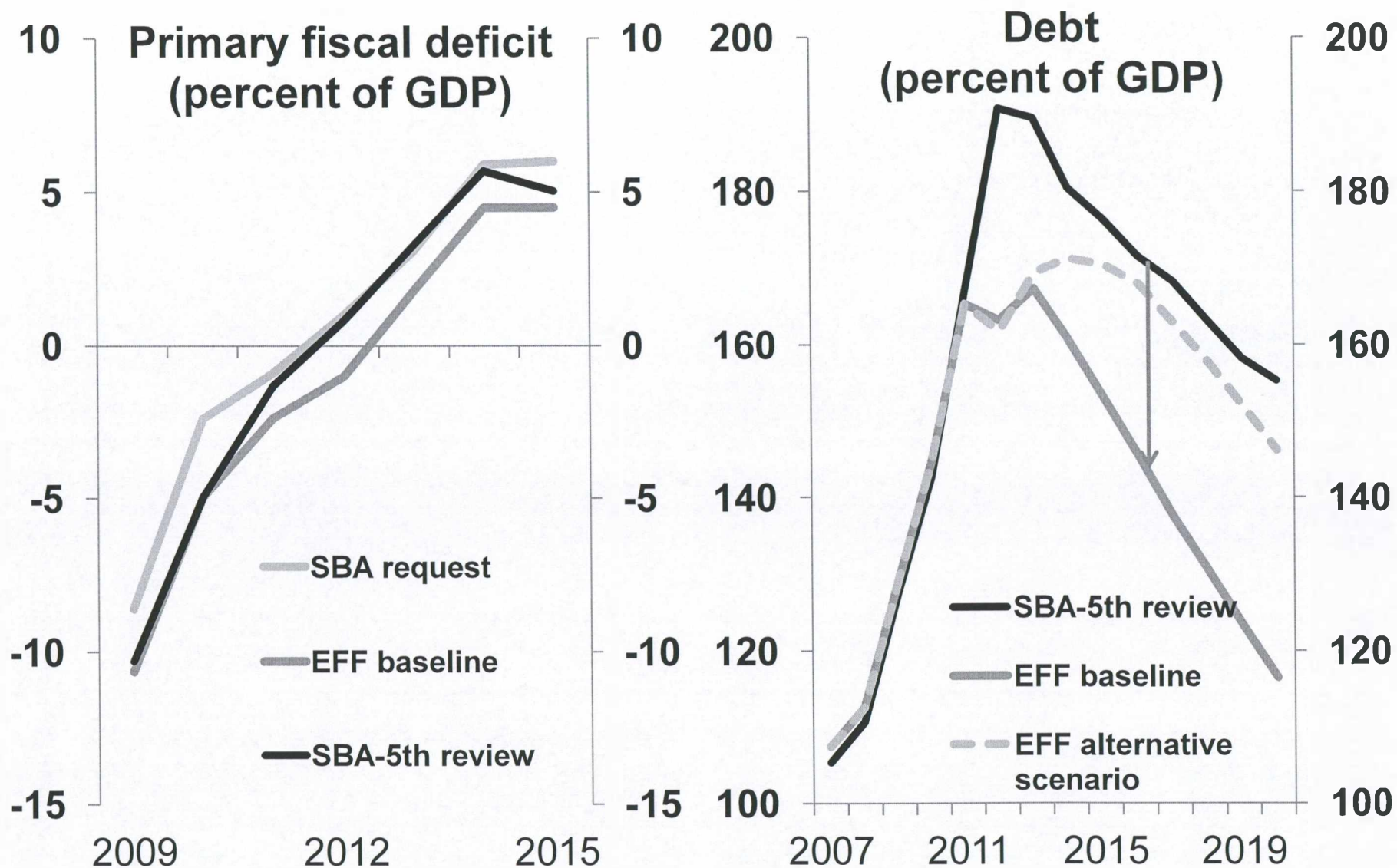


# Additional financing, including via debt relief, provides Greece with time to restore external sustainability





Fiscal adjustment has been slowed down and debt relief has placed public debt on a better (but still risky) trajectory

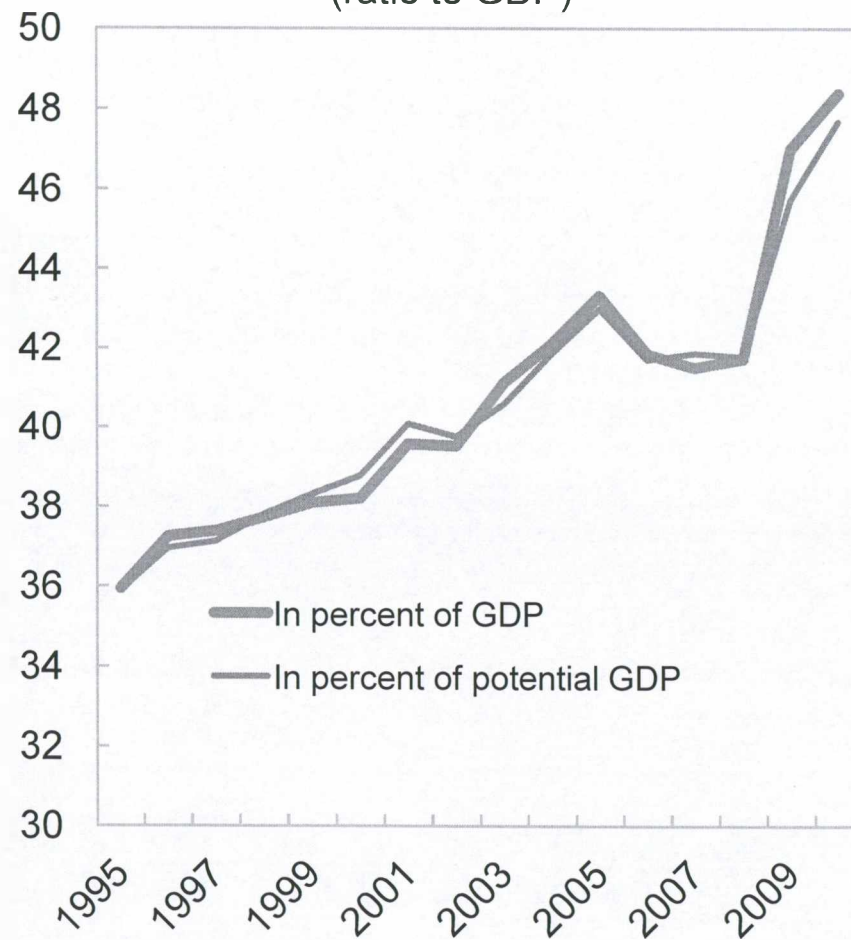


Portugal

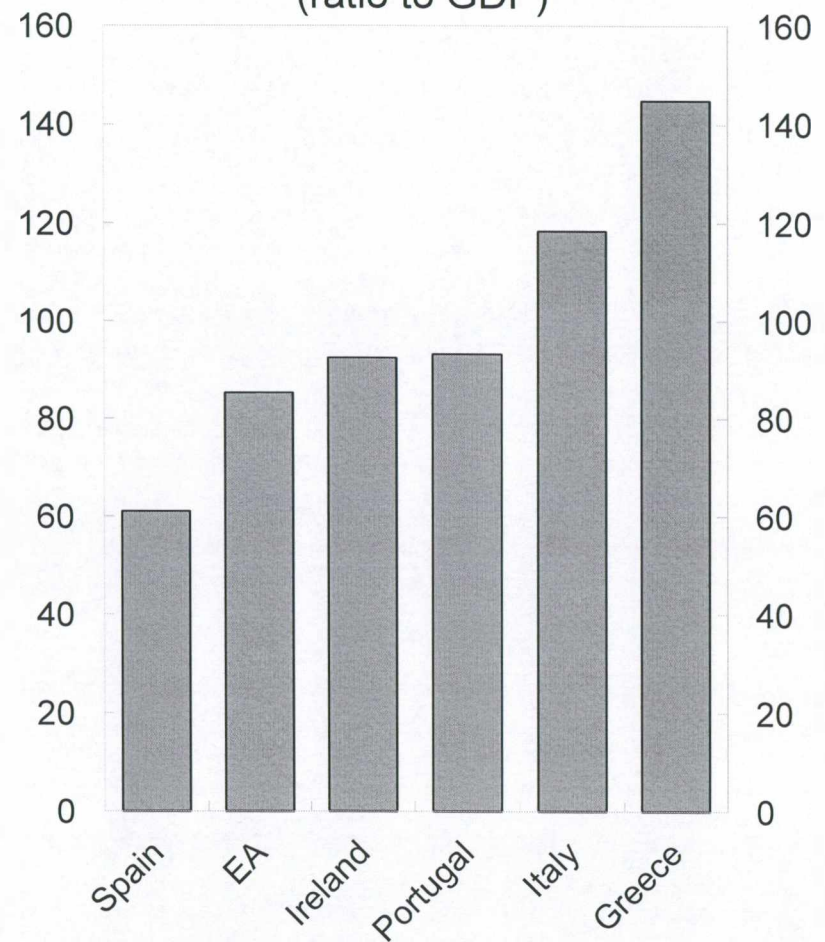


# Problem 1: Unsustainable fiscal policies

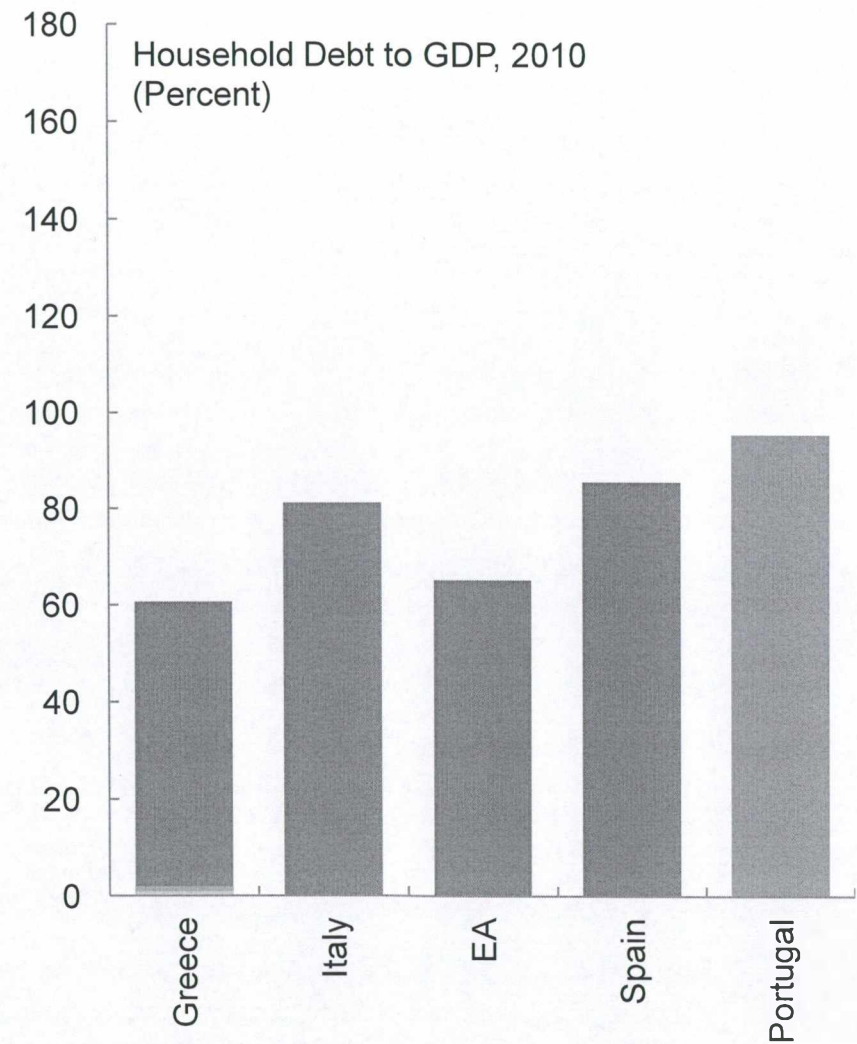
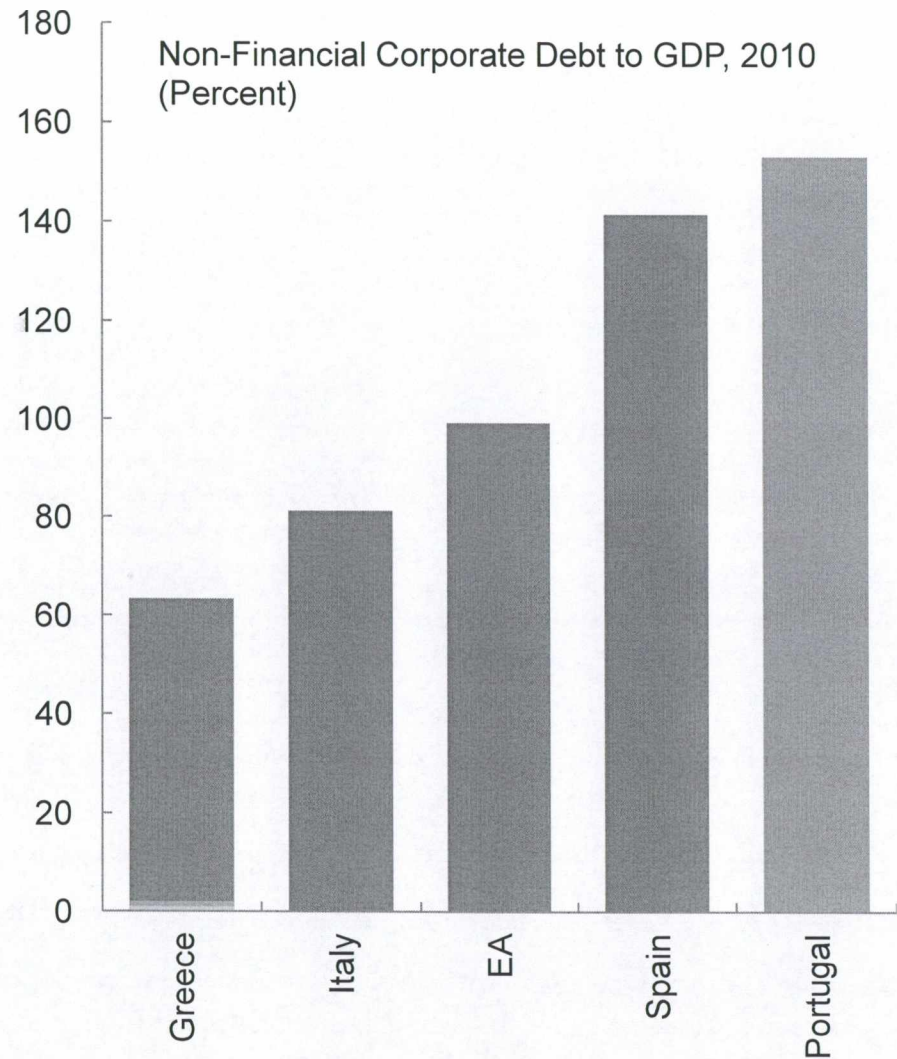
Primary Government Spending  
(ratio to GDP)



General Government Debt, 2010  
(ratio to GDP)

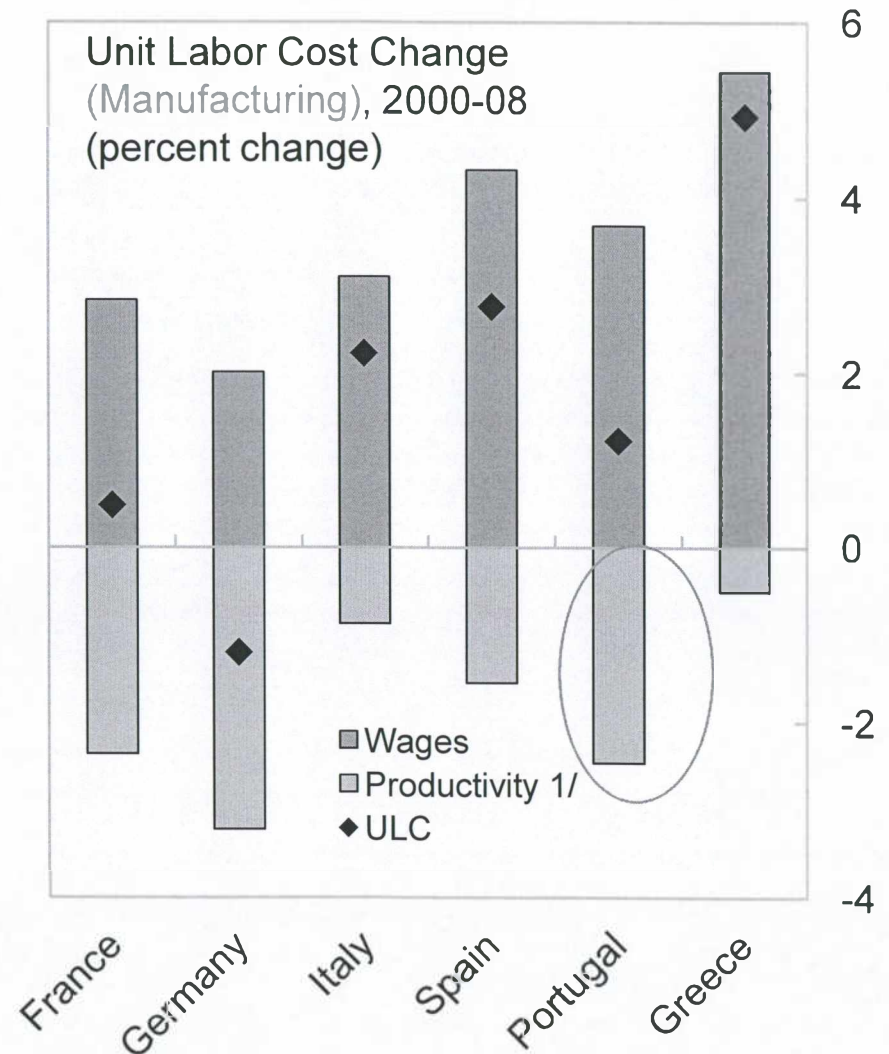
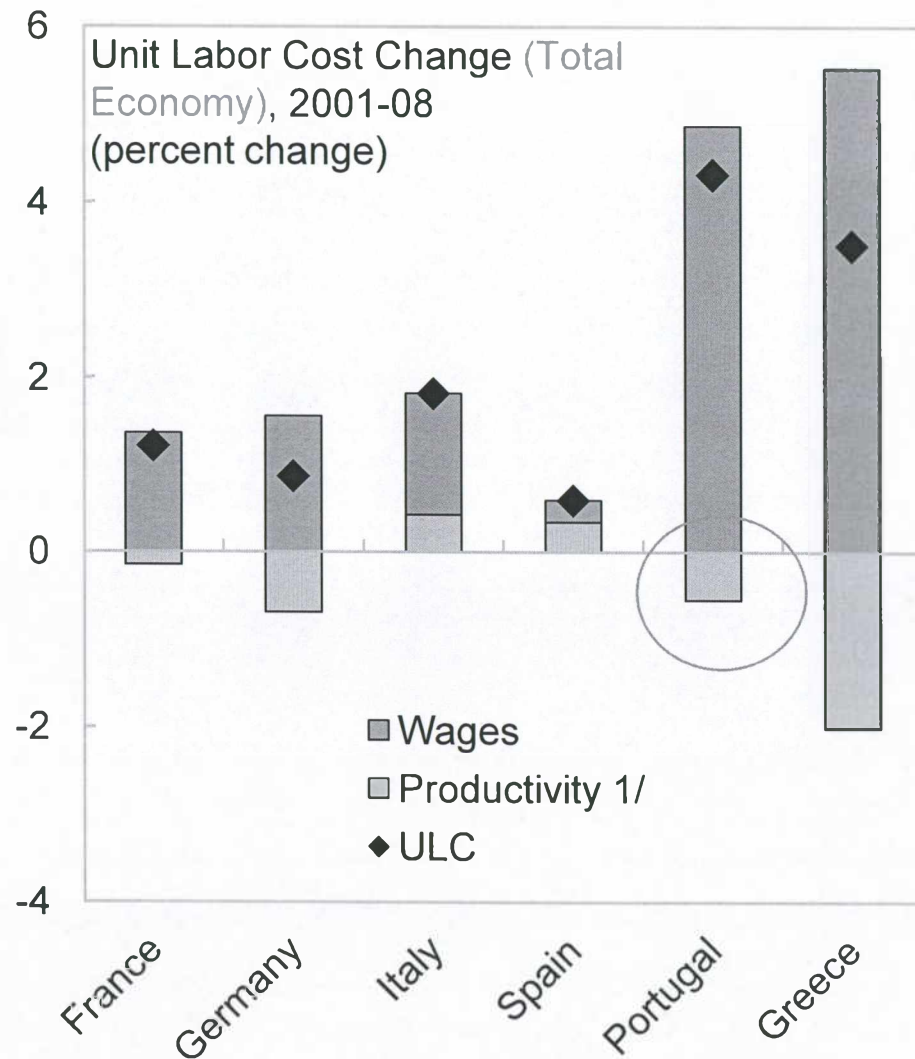


## Problem 2: High corporate, household and financial sector indebtedness



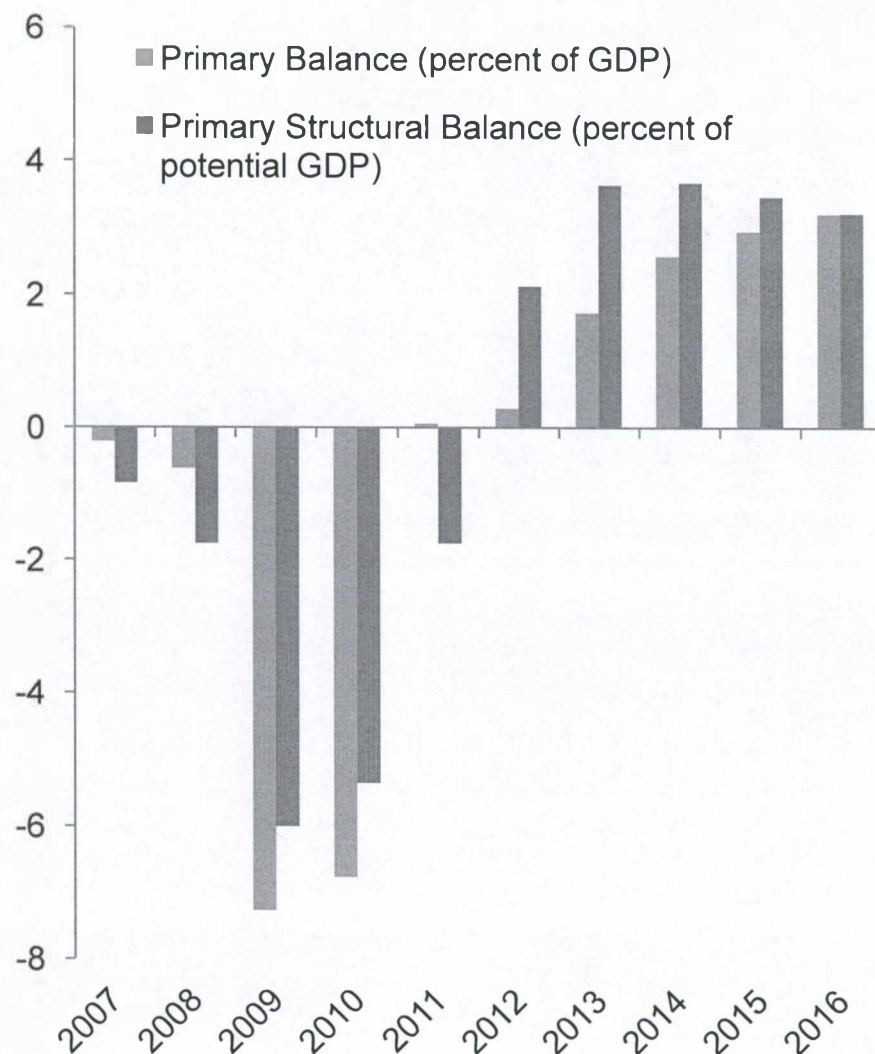


# Problem 3: Loss of competitiveness, resulting in low-growth and a high current account deficit

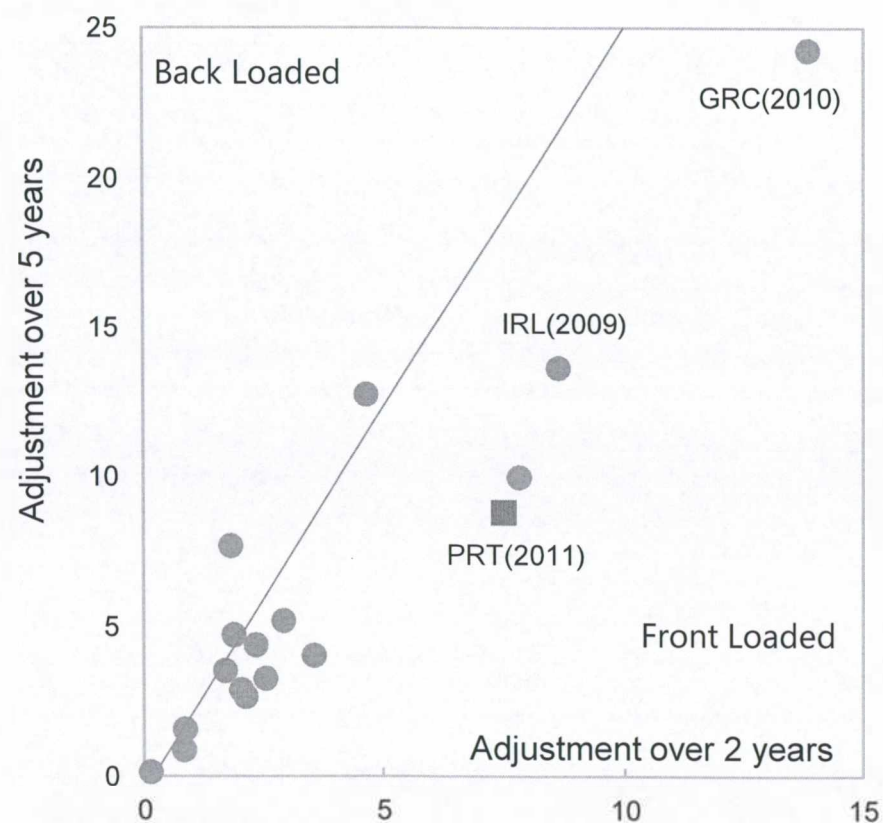


1/ Negative = increase in labor productivity.

# Pillar 1: Fiscal Solvency



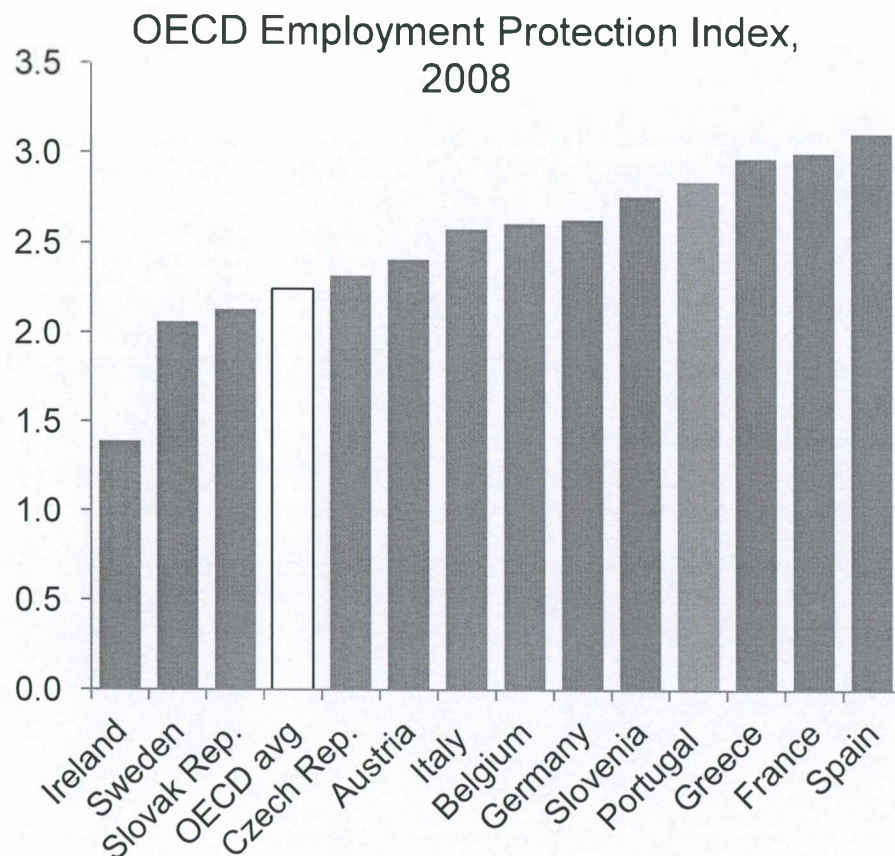
**Magnitude and Timing of Fiscal Adjustment in Euro Area**  
(change in structural primary balance as percent of GDP)<sup>1</sup>



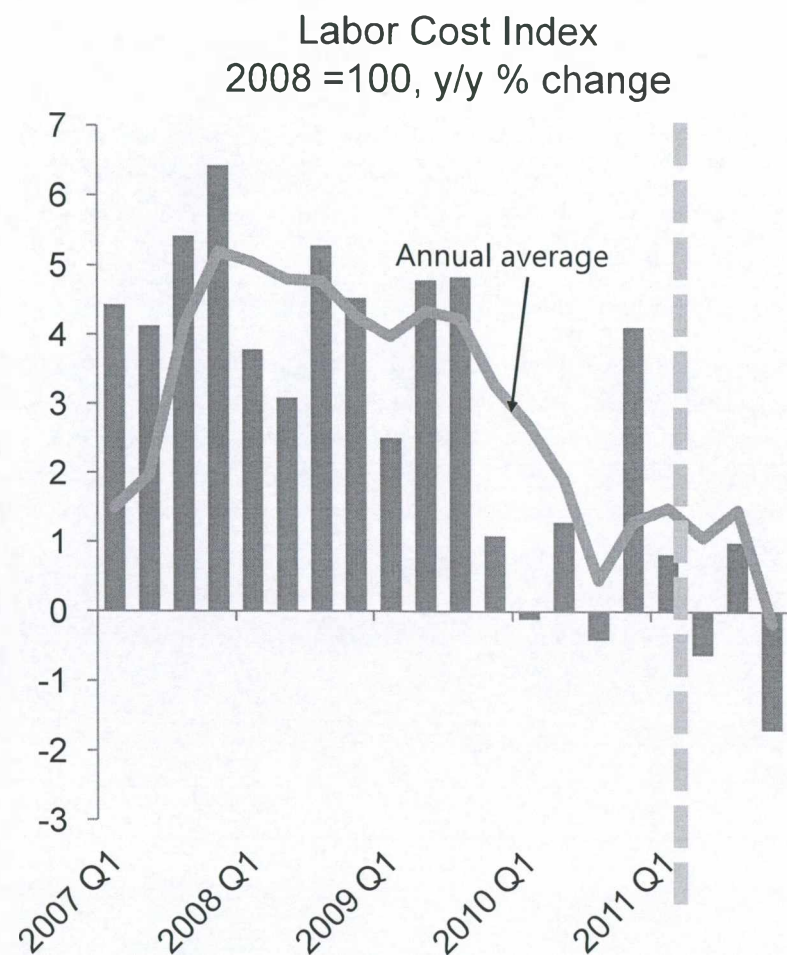
<sup>1</sup> Since structural adjustment started -- between 2009 and 2012 depending on the country (2011 for Portugal).



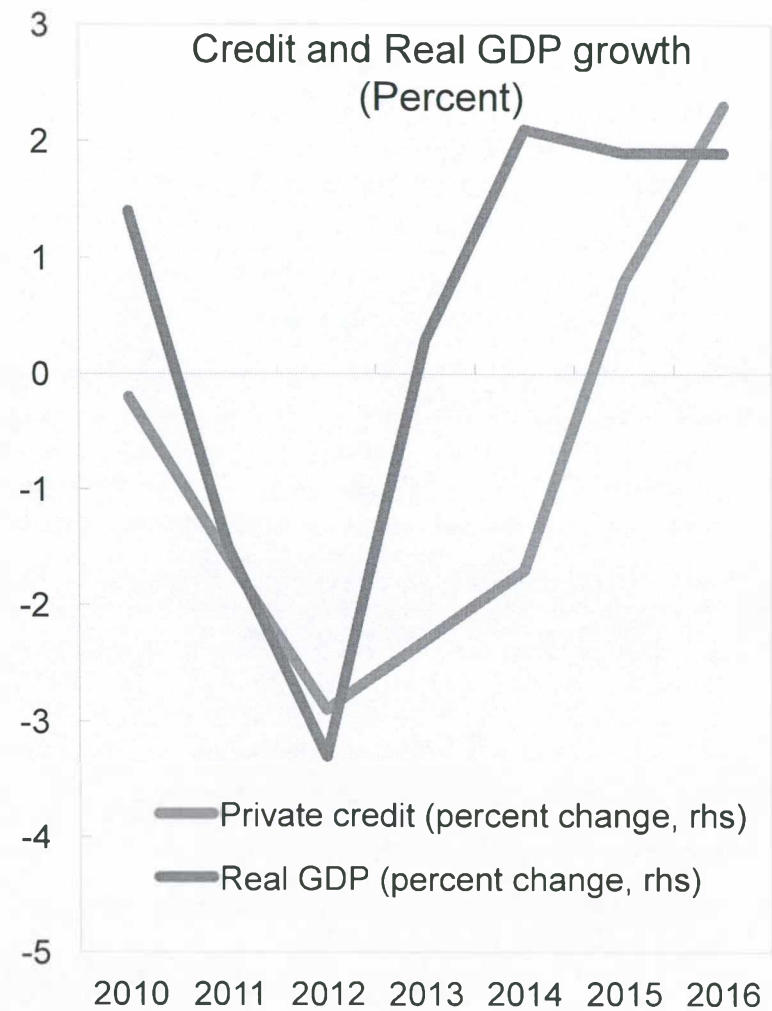
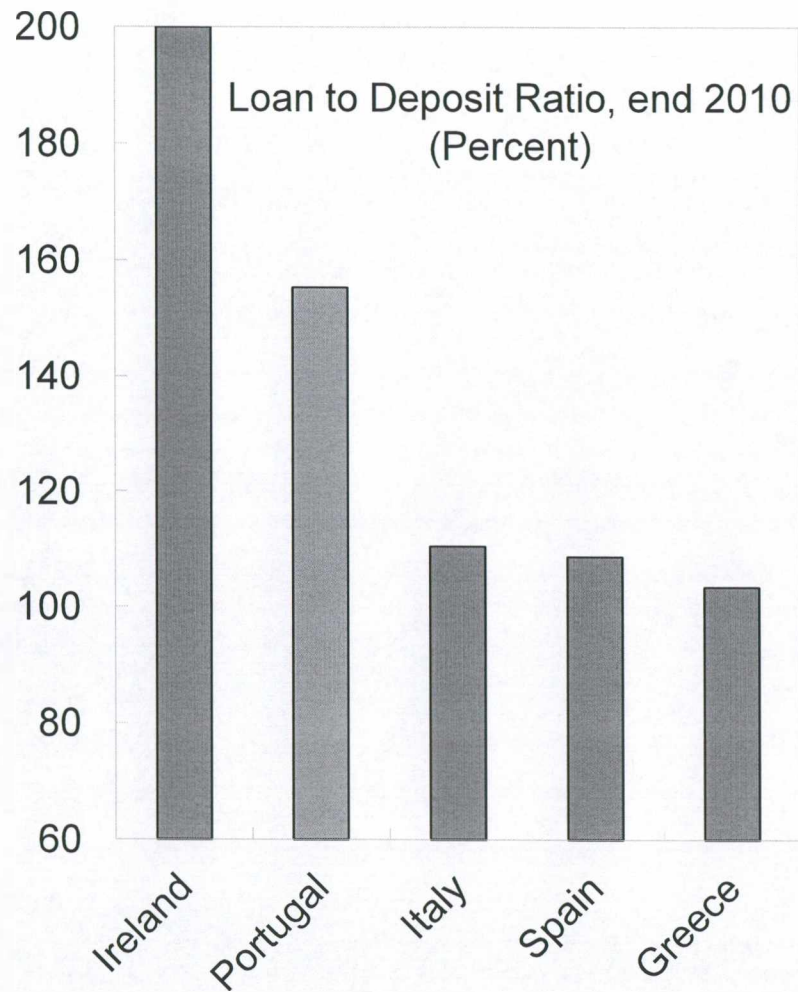
## Pillar 2: Enhancing Growth and Competitiveness



Source: OECD. 2009 data for Portugal and France.

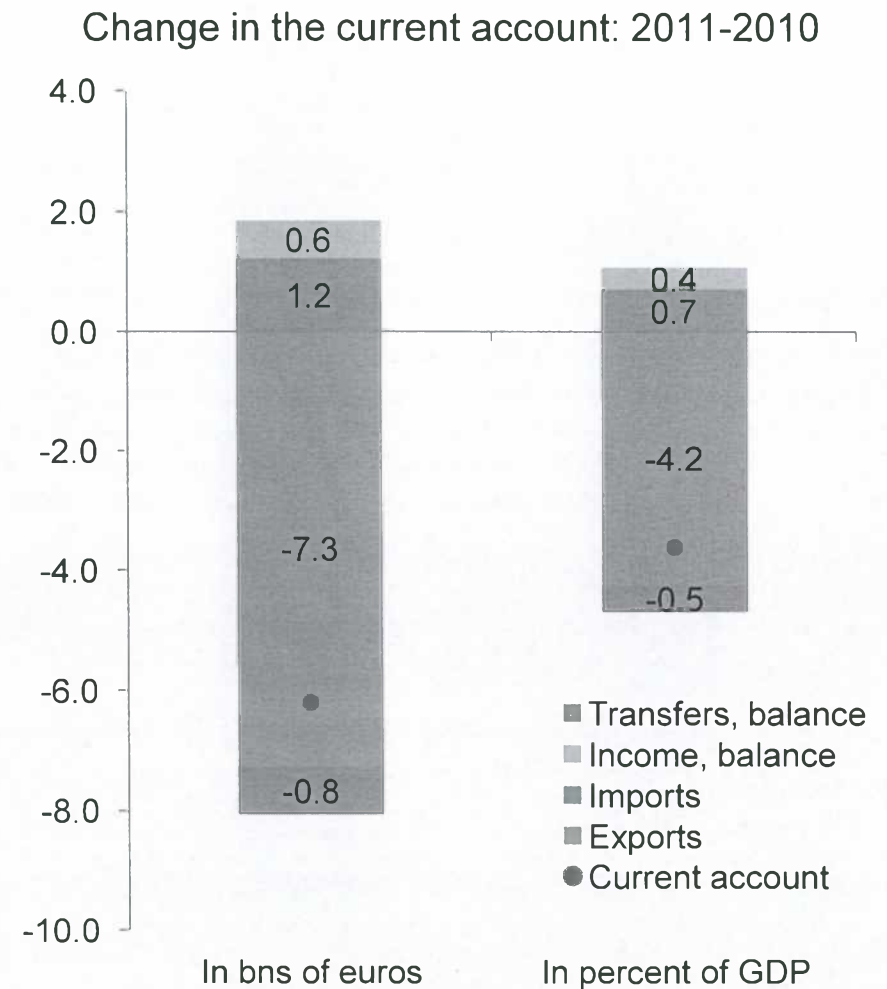
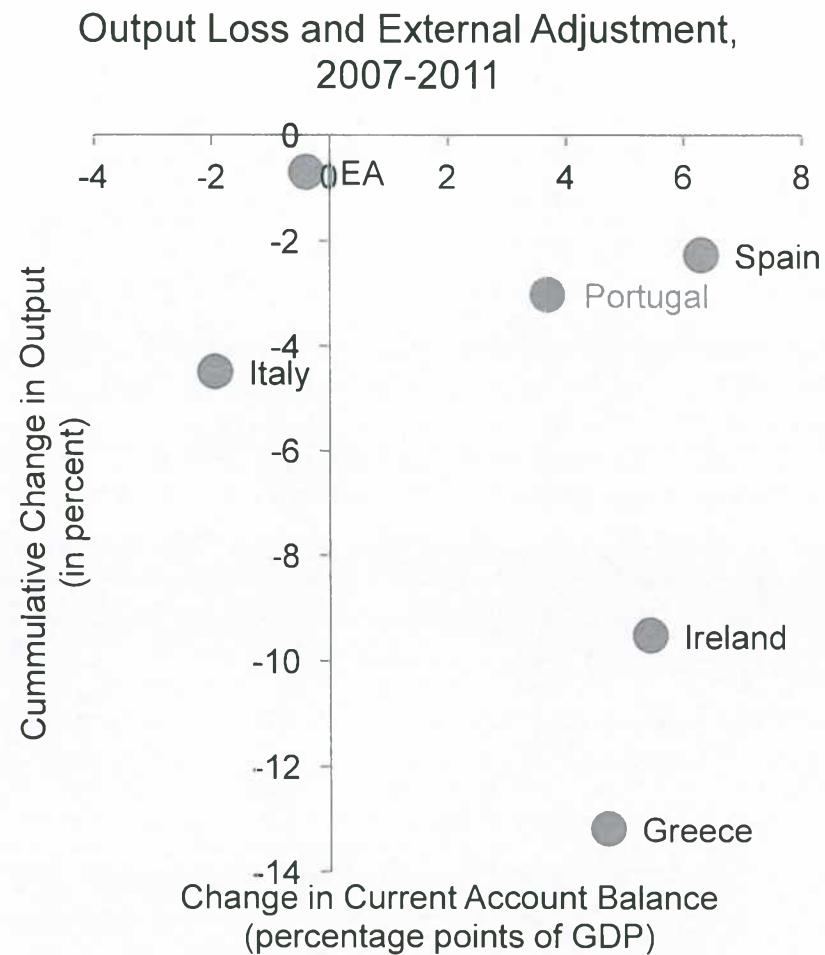


## Pillar 3: Private Sector Deleveraging

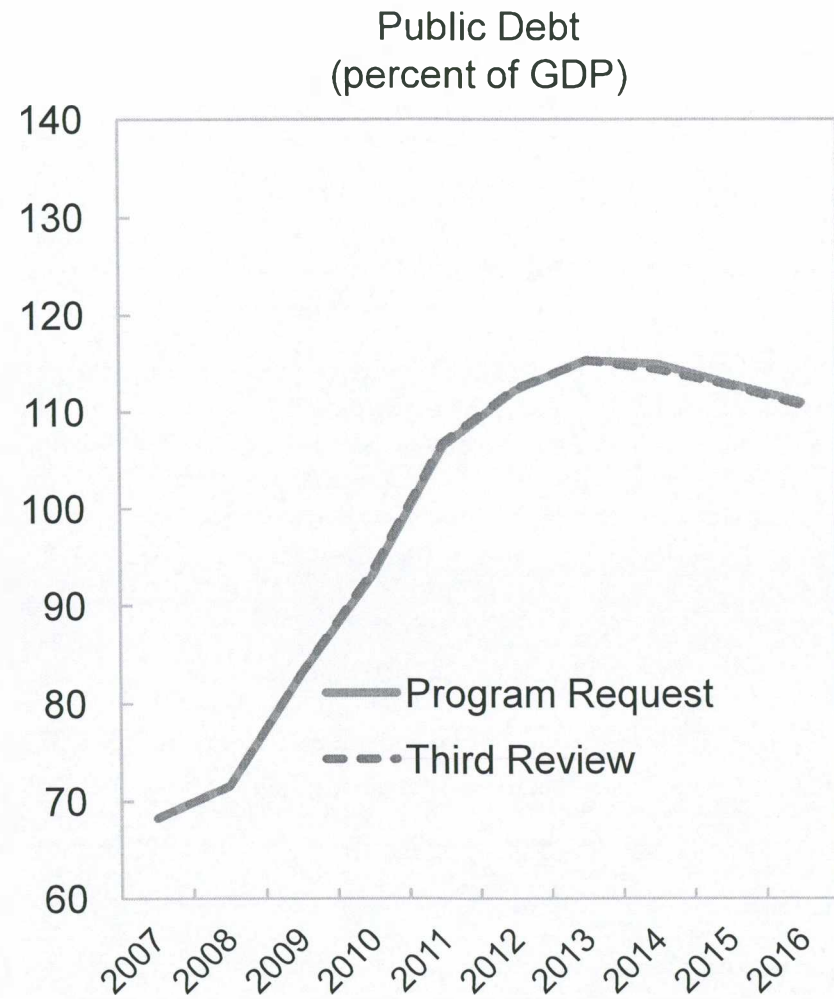
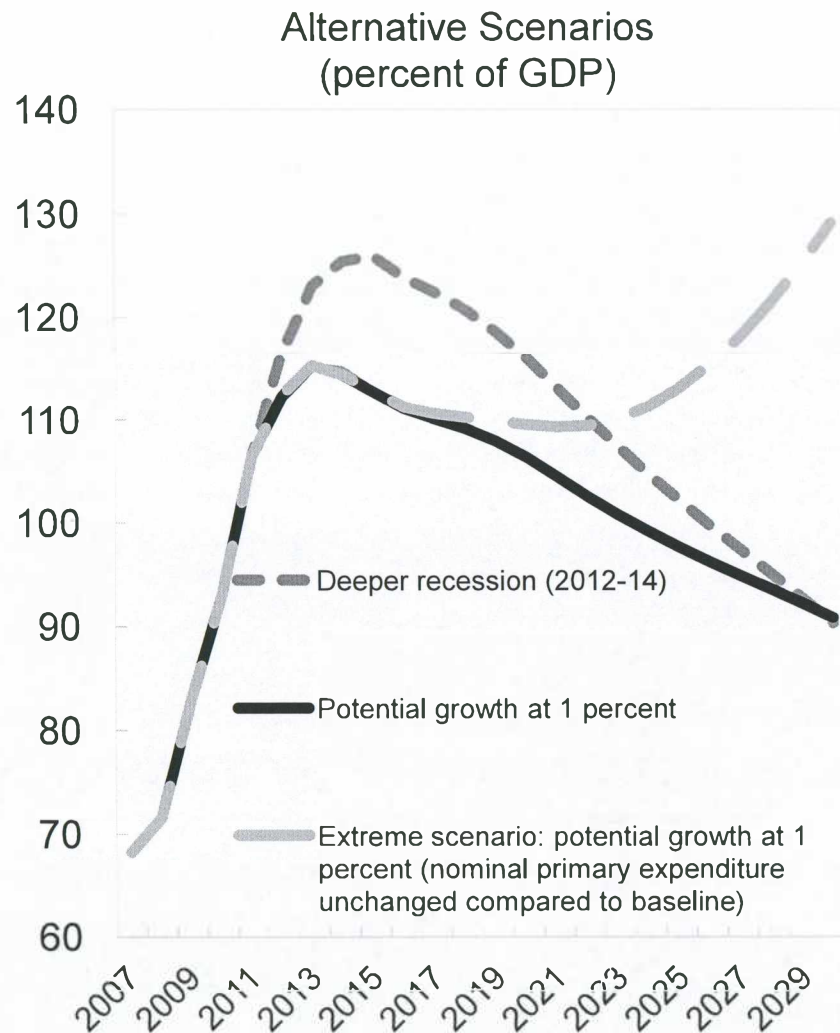




# 11-months into the program, some encouraging signs...



# So far so good, but significant challenges ahead

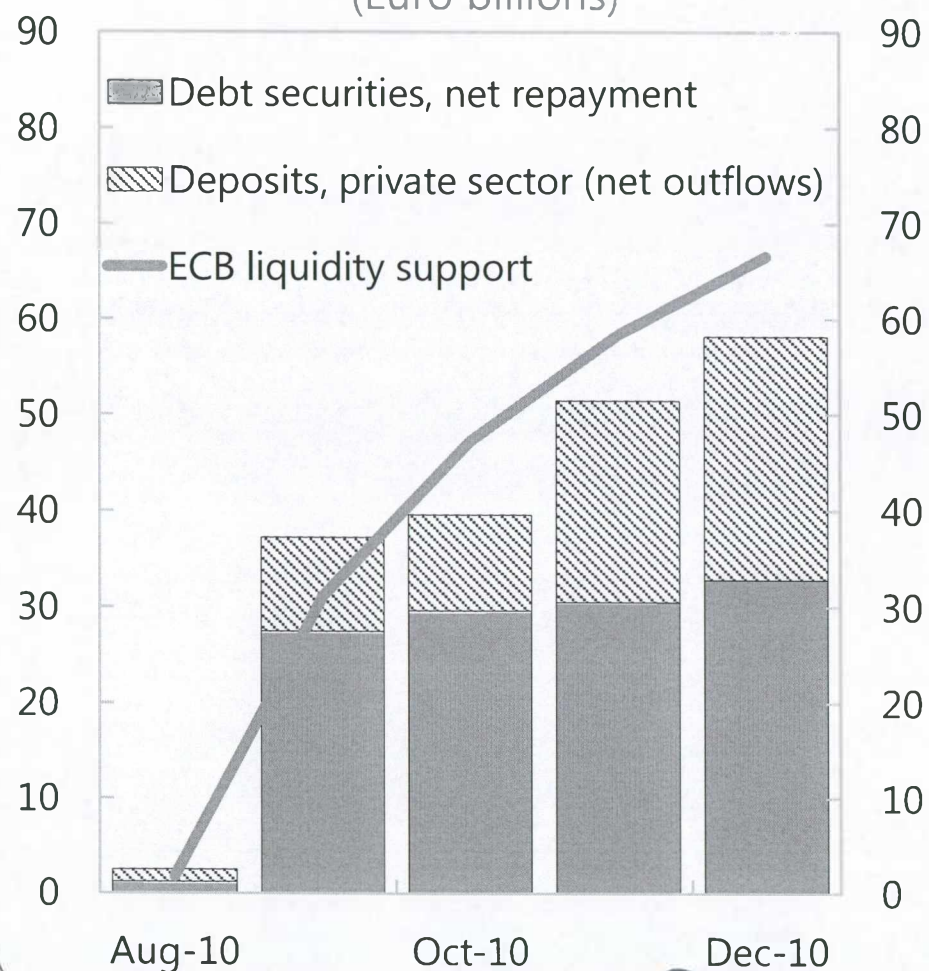




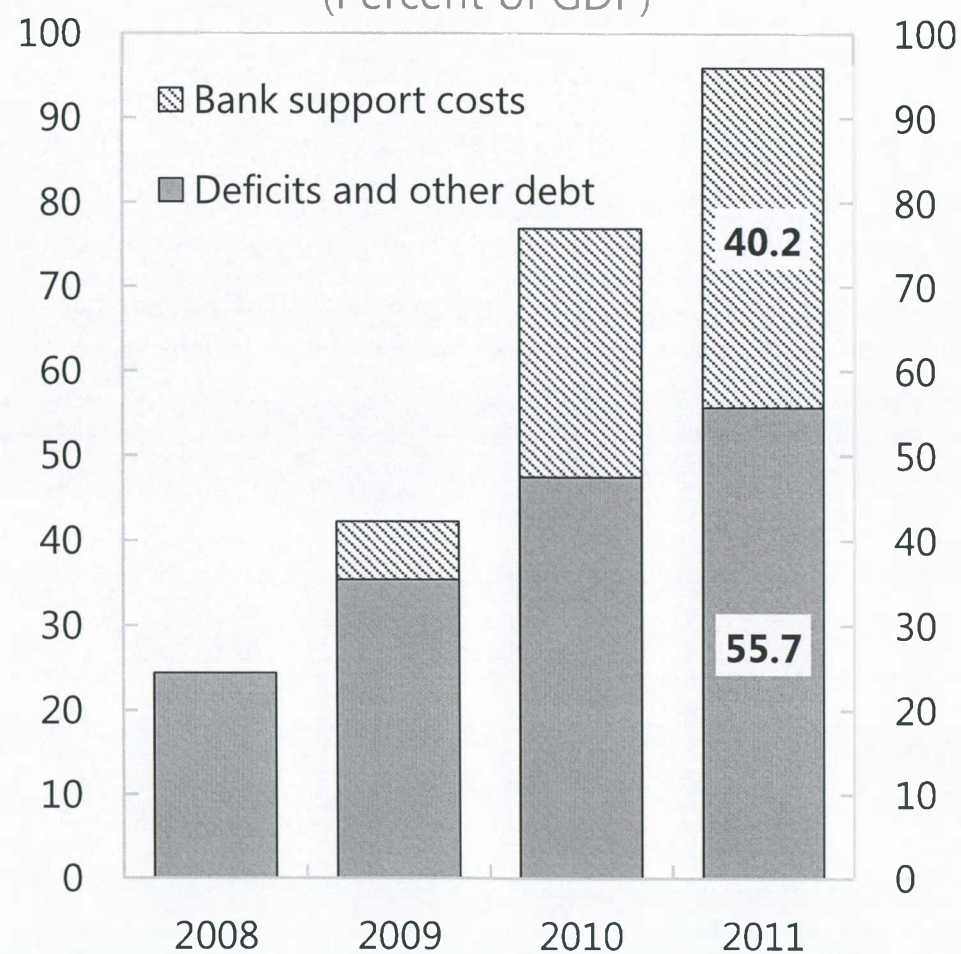
# Ireland

# Pre-Program Policy Response was Substantial but Bank Funding Runs Force Program in late 2010

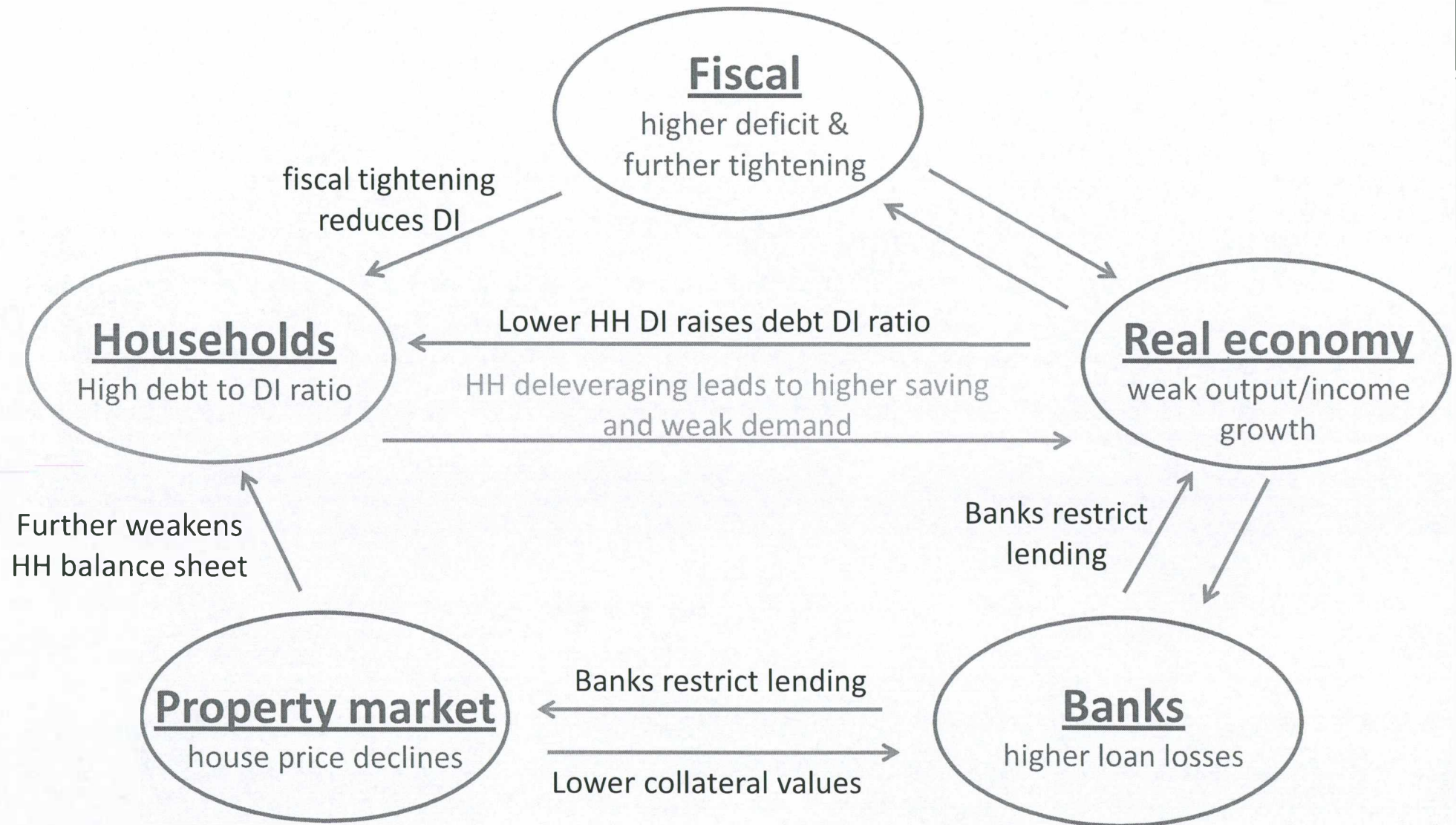
## Bank Funding Outflows (Euro billions)



## Government Debt, Net (Percent of GDP)



# High Private Debts Increase the Risk of a Pernicious Downward Cycle



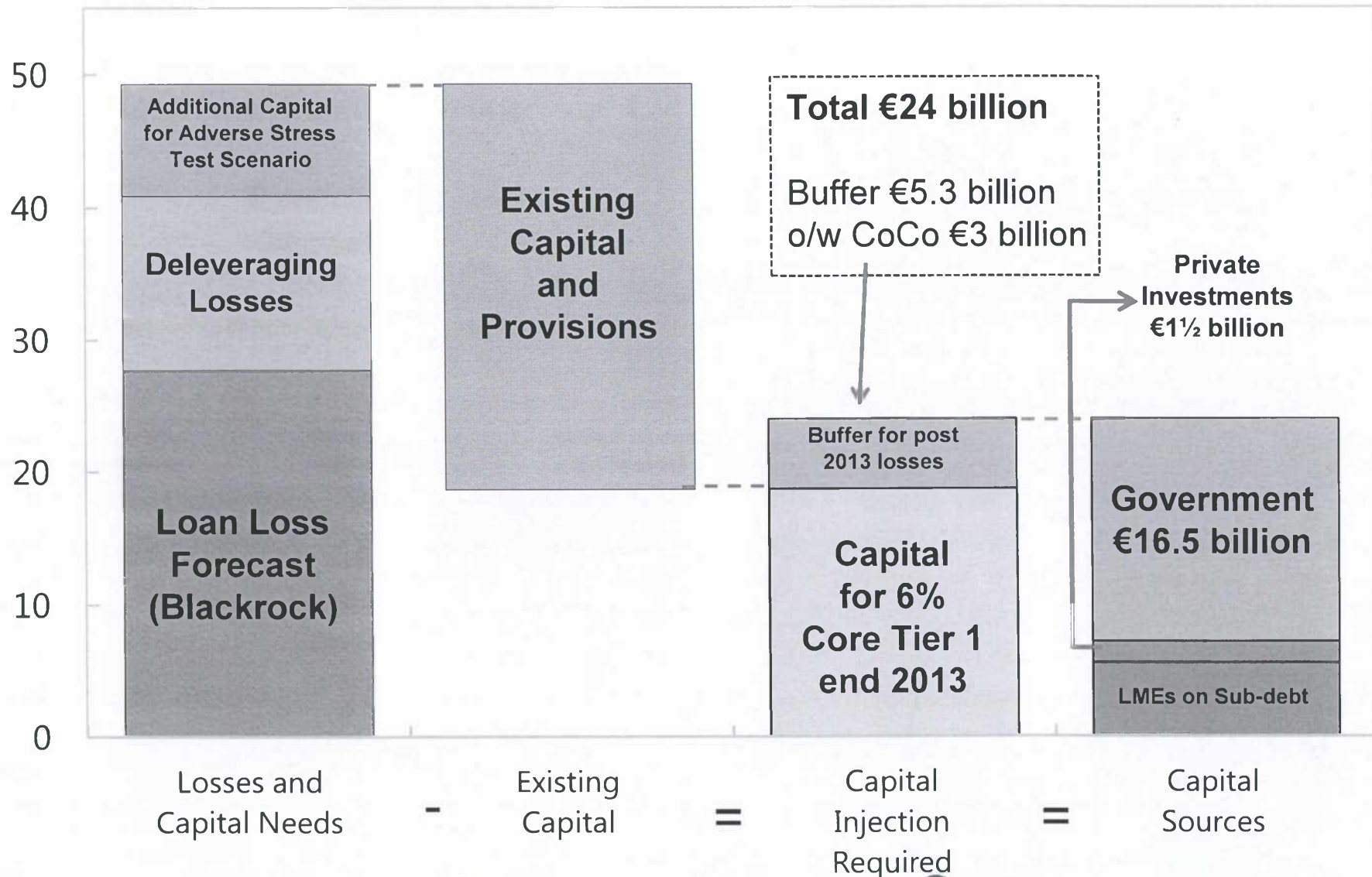
DI= disposable income

HH = households

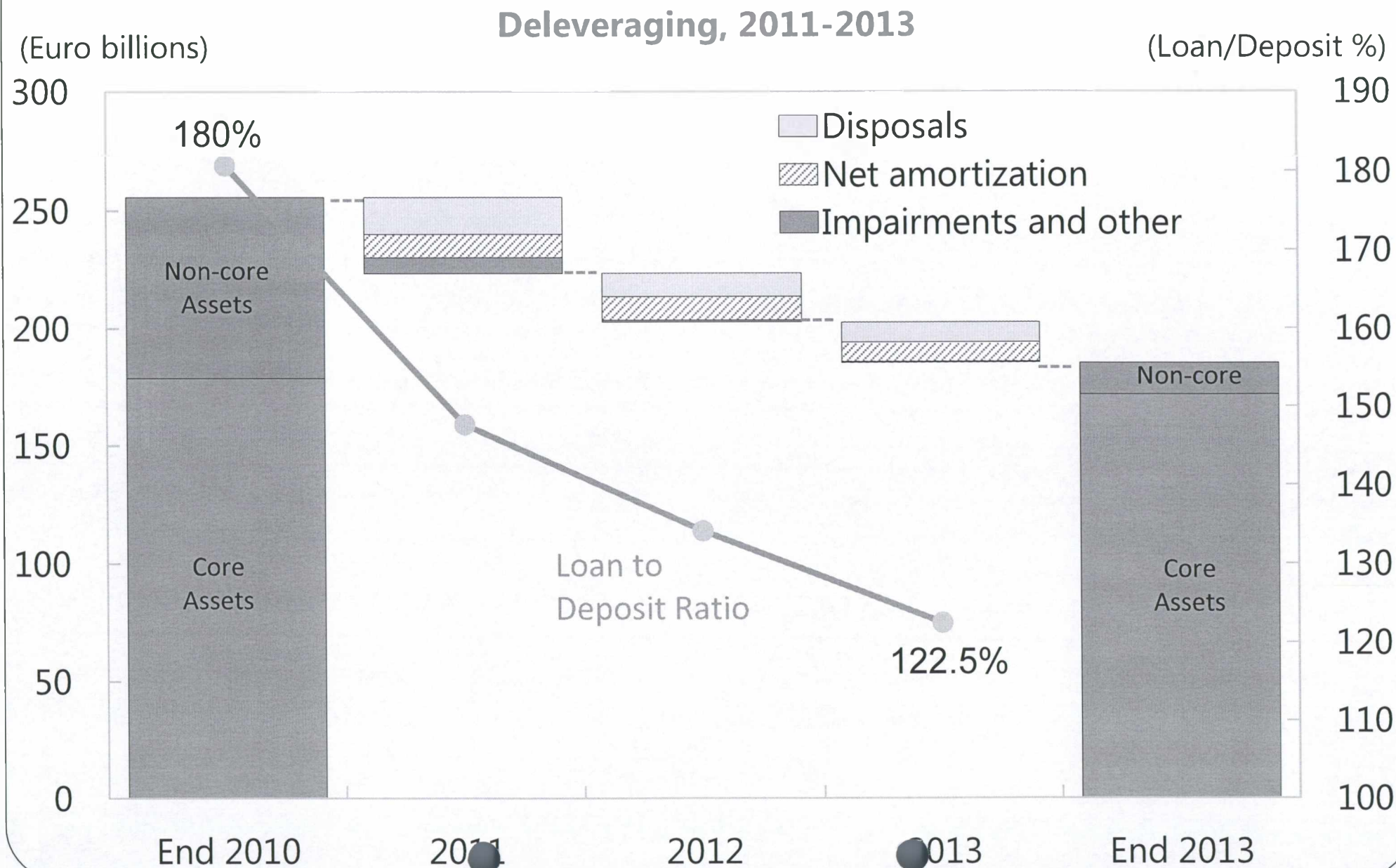


# Bank Recapitalization—Credible, Cost Mitigated

**Recapitalization** (Billions of euros)



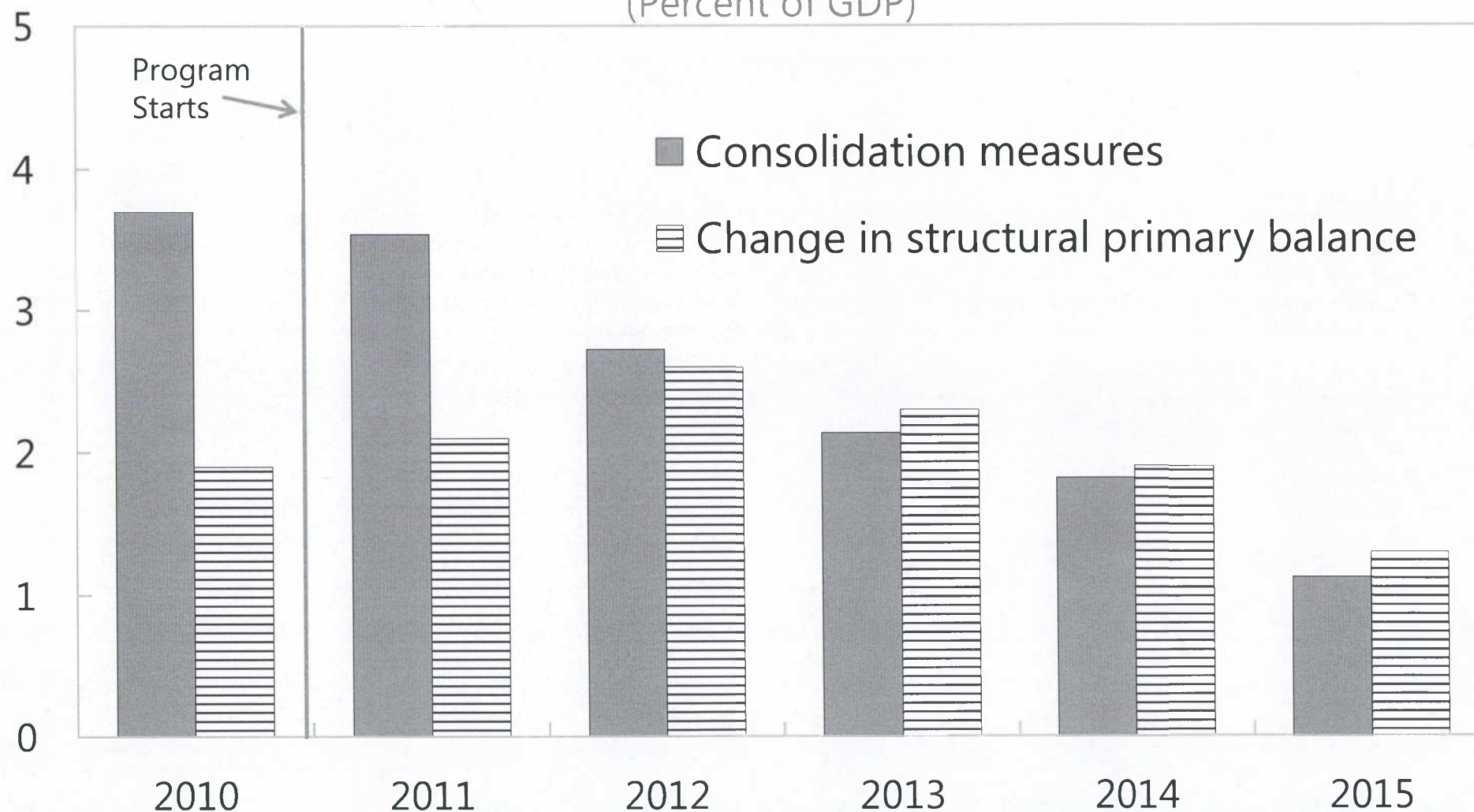
# Deleveraging—Phased, mostly Offshore Assets



# Fiscal Consolidation: Front-loaded but Phased (Target 3% Deficit in 2015)

## Fiscal Adjustment

(Percent of GDP)





# Positive Experience So Far, But Risks Remain

