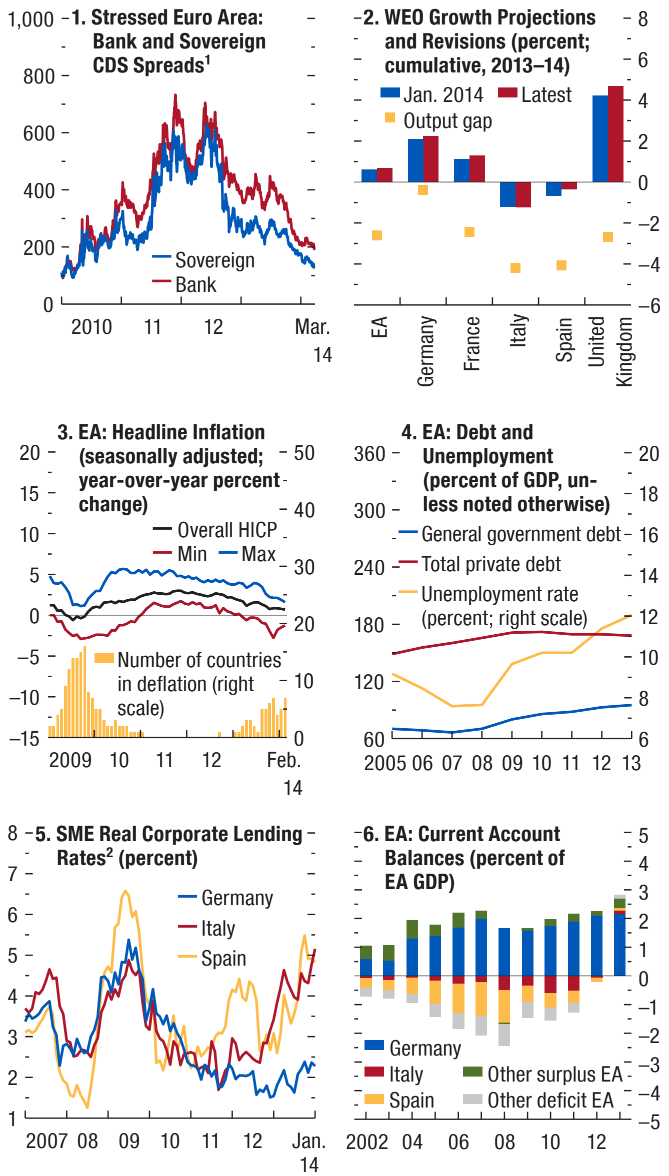
Figure 2.3. Advanced Europe: From Recession to Recovery

Financial markets in advanced Europe have been buoyant because of receding tail risks and the resumption of growth. Output gaps, however, remain large, reflected in low inflation, which lies well below the ECB's medium-term objective. Unemployment rates are stubbornly high, and debt levels are on an upward trajectory. Financial fragmentation persists. Current account balances have improved asymmetrically, with persistent surpluses in some core economies.



Sources: Bloomberg, L.P.; European Central Bank (ECB); Eurostat; Haver Analytics; and IMF staff estimates.
Note: Euro area (EA) = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain. Stressed euro area = Greece, Ireland, Italy, Portugal, Spain. CDS = credit default swap; HICP = harmonized index of consumer prices; SME = small and medium-sized enterprises.
[1]Bank and sovereign five-year CDS spreads in basis points are weighted by total assets and general government gross debt, respectively. Data are through March 24, 2014. All stressed euro area countries are included, except Greece.
[2]Monetary and financial institutions' lending to corporations under €1 million, 1–5 years.