



EUROJÄRJESTELMÄ  
EUROSYSTEMET

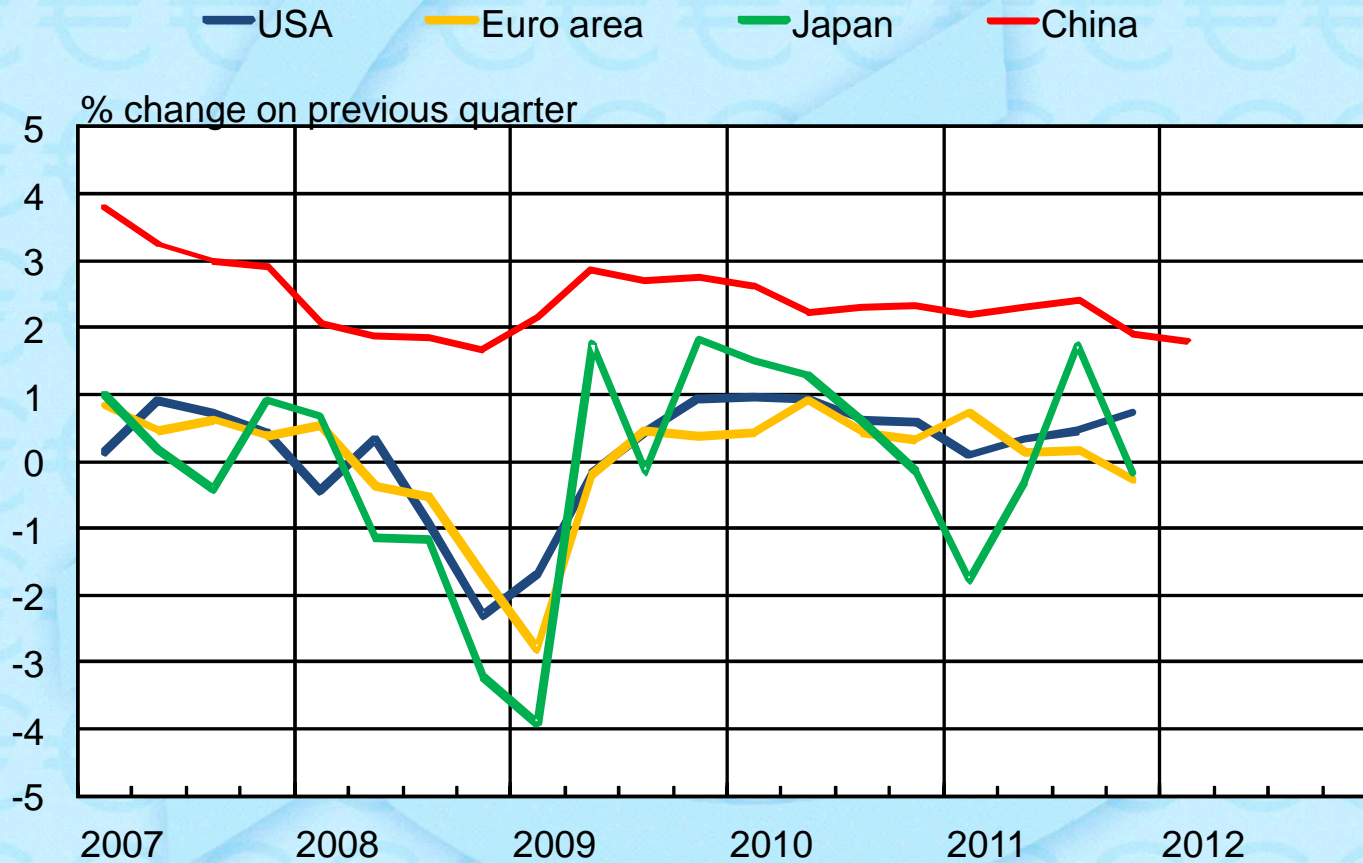
# Recovery and Debt:

The Growth Outlook and the Challenge of Financial Stability

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Deputy Governor

Investment Series 2012: Helsinki  
26 April 2012

# GDP Growth in the Main Economies



Sources: National statistical authorities

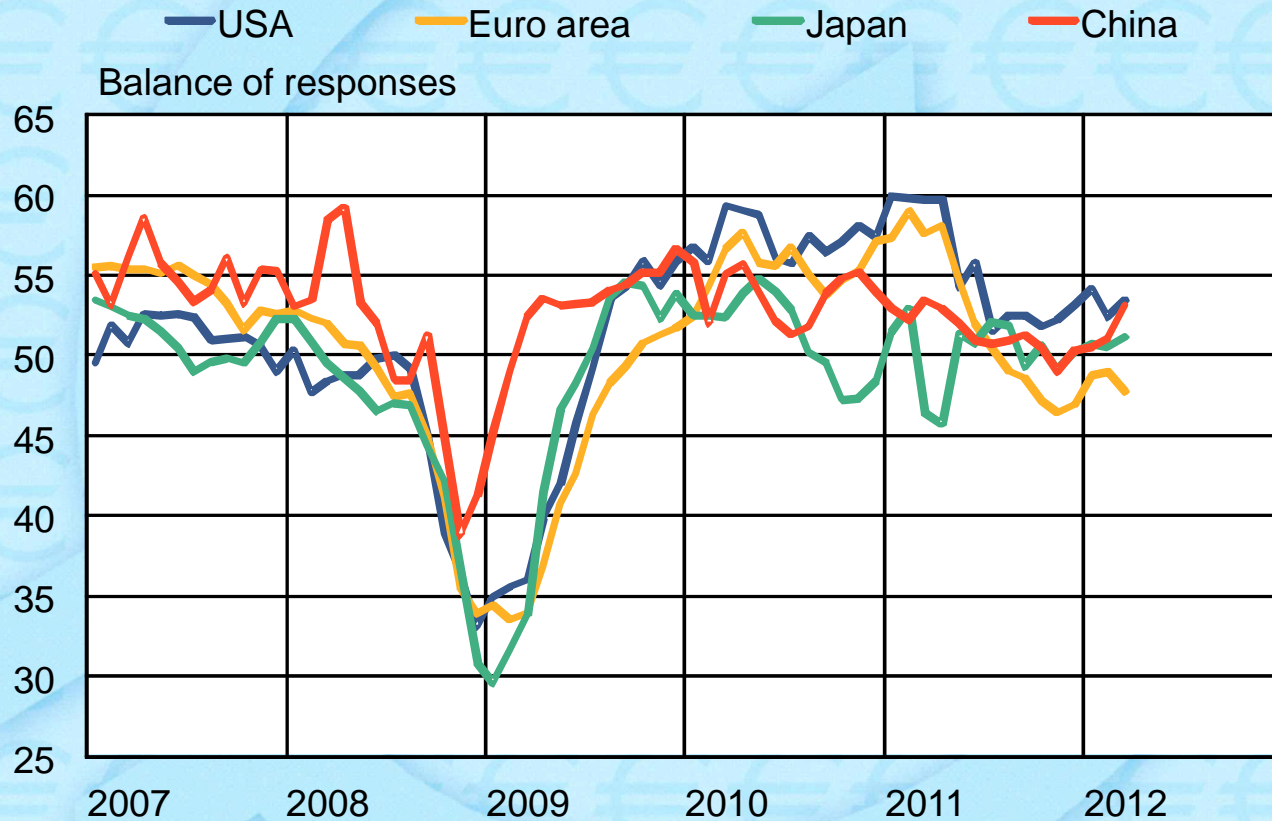
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# Risk spreads in the euro money market



Source: Bloomberg.  
Difference btw. Euribor and Eurepo rates

# Manufacturing PMI in the Main Economies

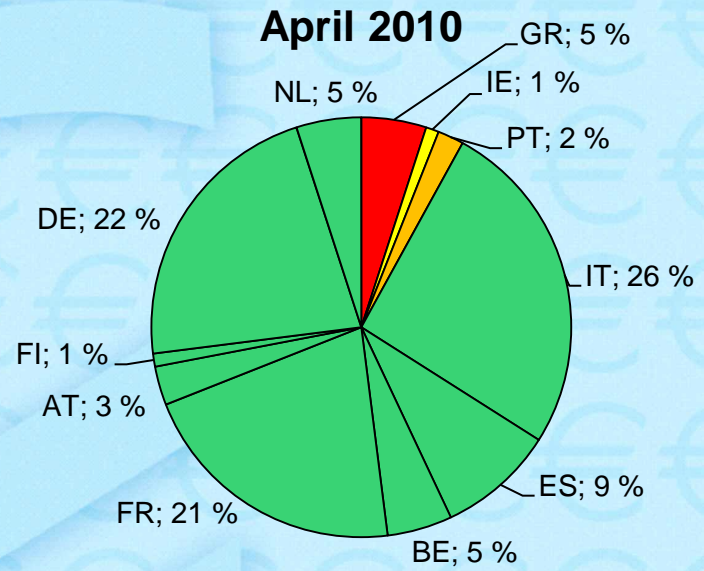


Source: Bloomberg.

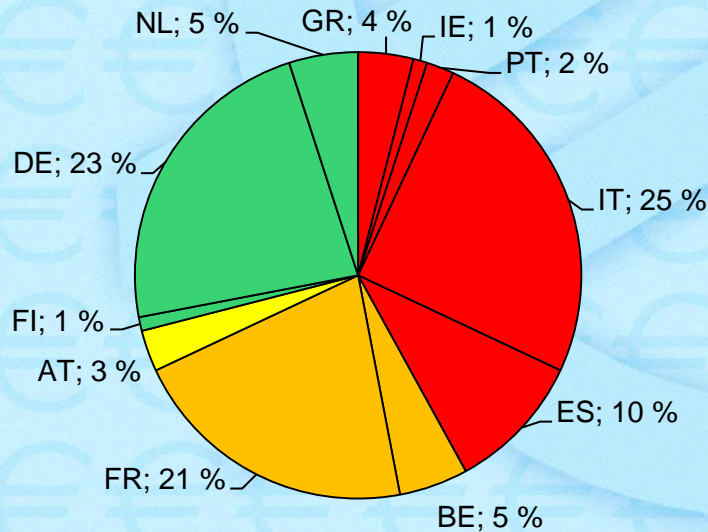
# Average Sovereign CDS Spreads



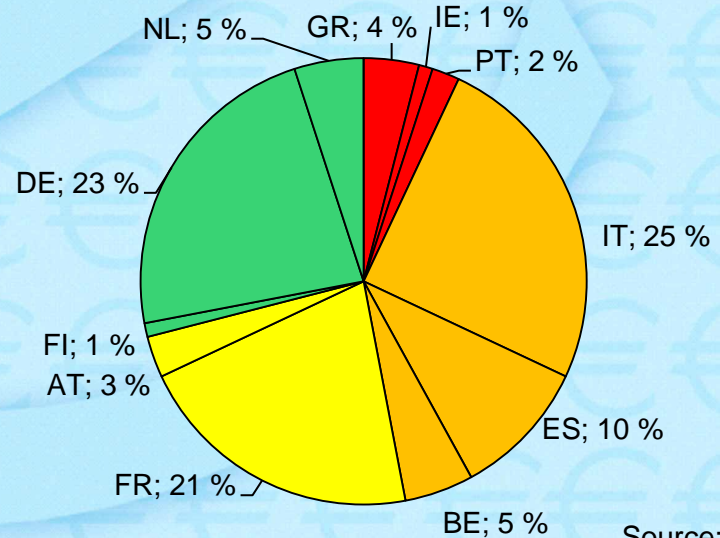
**April 2010**



**November 2011**



**February 2012**



Source: IMF

# Recovery and Debt

## ◆ Overreaction?

- A spectacular reversal of the pre-2007 exuberance
- The present gloom may also be an overreaction

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- ◆ **Deleveraging as a problem?**
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  - Consolidation and recapitalization necessary
- ◆ **Financial regulation**
  - The crisis has prompted changes in financial regulation



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- ◆ **Deleveraging as a problem?**
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  - Consolidation and recapitalization necessary
- ◆ **Financial regulation**
  - The crisis has prompted changes in financial regulation
- ◆ **Real growth**
  - Finance may take the back seat in the next recovery
  - Real business investment is crucial
  - Virtuous circle of enterprise and new revenue



The way ahead:

**Investment in productive assets**

Thank you!