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The 2013 Euro Plus Monitor: From Pain to Gain

- **Eurozone**: huge structural progress, upswing on track, tail risks recede
- **Eurozone periphery**: shaping up fast
- **France**: the sick man of Europe
- **Germany**: into reverse gear?
- **Britain**: back to boom-bust?
- **Sweden**: success breeds complacency

Holger Schmieding

Brussels, 3 December 2013

The puzzle: is it really a Eurozone „debt crisis“ ?

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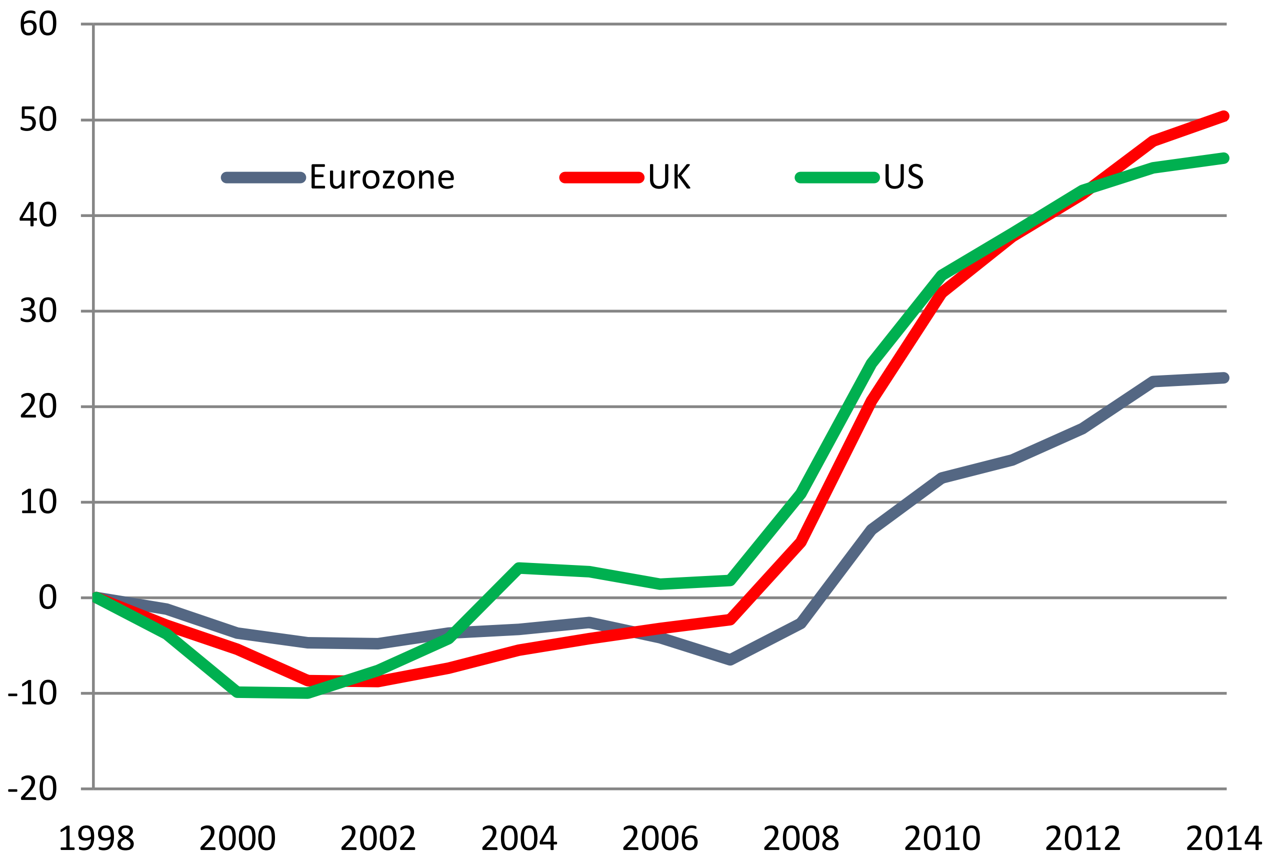
Change in public debt, in % of GDP



Increase in the ratio of gross government debt to GDP since the start of the euro, in percentage points of GDP.
End-2012 ratios Eurozone 91%, UK 89%, US 108%. Source: Eurostat

- Why does the Eurozone have a debt crisis?
- From the start of the euro until Lehman, the debt-to-GDP ratio fell slightly in the Eurozone.
- After Lehman, the debt ratio surged much less in the Eurozone than in the US and the UK.
- Japan would be off the charts.
- Until 1998, the UK had been much more prudent than the future Eurozone.
- Since then, it‘s the other way round.

The story of the euro crisis

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Tough love and the search for a lender of last resort

No debt crisis: the Eurozone has less fiscal problems that the US, the UK or Japan.

Eurozone had one and only one big institutional defect: no lender of last resort

When tiny Greece caused trouble in May 2010, Euro leaders hastily built a common fund as a lender of last resort for small countries. But the EFSF was far too small to protect Italy and Spain when contagion spread after the July 2011 decision for a Greek default.

For one year, the ECB dithered as the Eurozone fell into a deepening recession. Ever since the ECB stepped forward as lender of last resort in July 2012, the crisis has faded.

Tough love: Germany, Brussels and the ECB help. But they impose conditions.

- As in a nation, the weak need the solidarity of the strong. But unlike in a nation, the weak do not vote in the elections of the strong. As a result, Germany can impose much tougher conditions on Spain than Texas could impose on Detroit.
- The strong can say "no". Support comes as credit, not in straight transfers. It is highly conditional. It sets the right incentives and does not create „moral hazard“.
- Problems in the Eurozone are not papered over by huge soft internal transfers. Instead, they need to be tackled the hard way, by serious reforms.
- A uniquely independent central bank. Nobody can change the ECB‘s mandate.

Euro crisis: the worst is over

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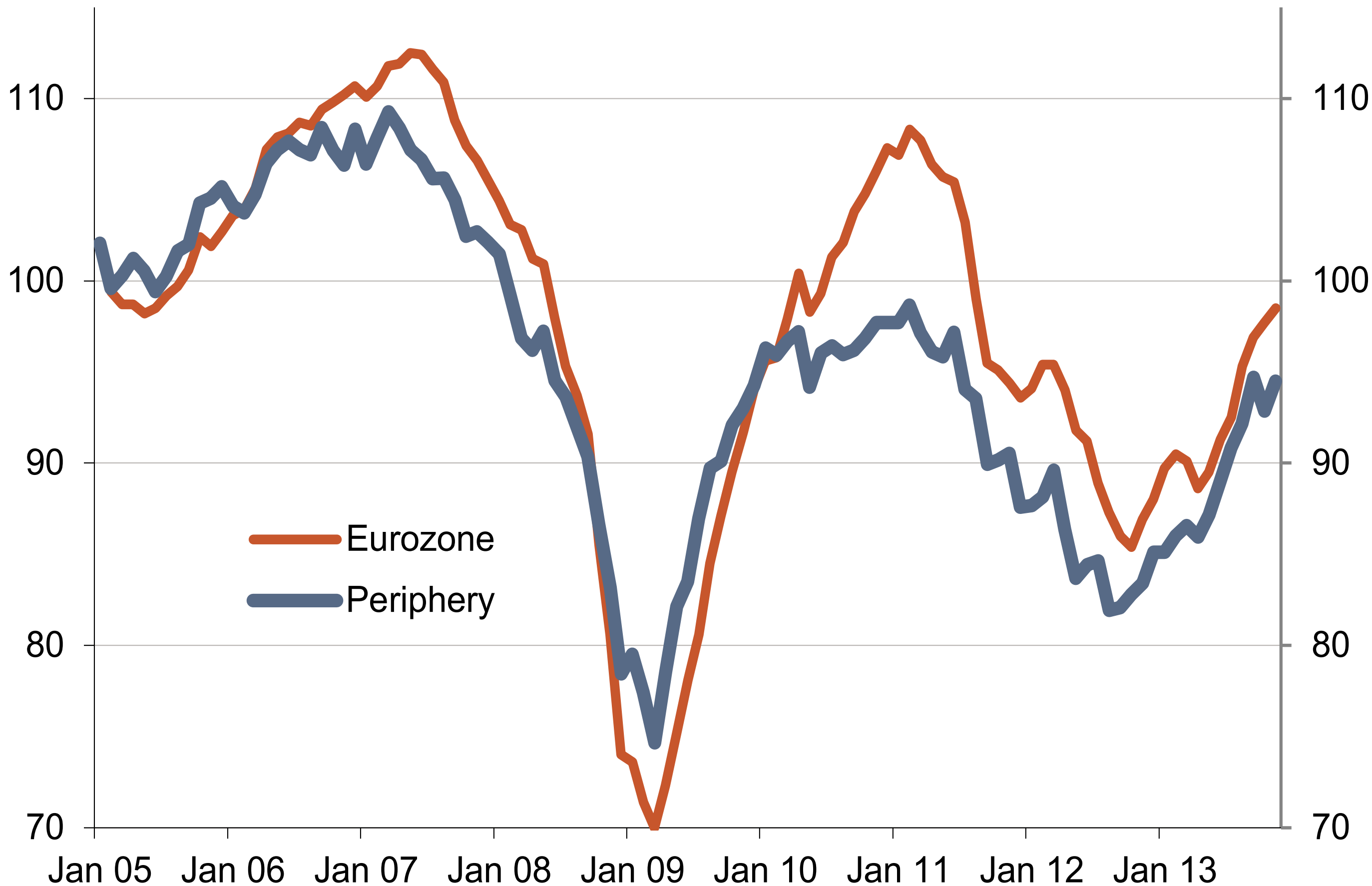
Economic sentiment: euro periphery has rebounded with the core

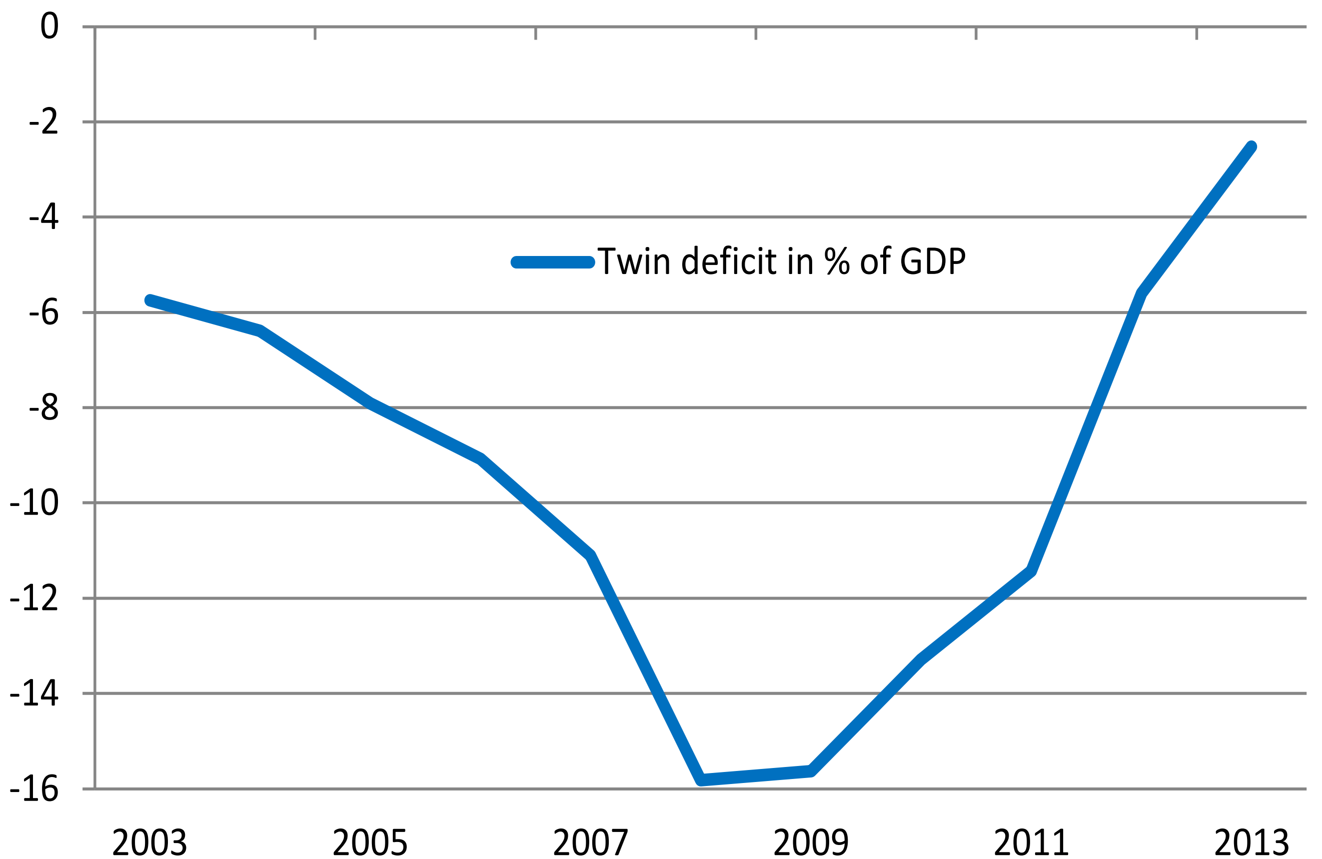


Economic sentiment, Eurozone and weighted average for Italy, Spain, Portugal and Greece; no data for Ireland. Source: EU Commission

- Thanks to the ECB, economic sentiment in the Eurozone has recovered since August 2012.
- Monetary policy is gradually gaining traction, the worst of austerity is over and global demand is holding up nicely.
- The crisis countries have moved up with the Eurozone average.
- The rebound in sentiment points to a gradually firming recovery.
- Even parts of the periphery returned to growth this summer.
- But the Eurozone economy still lags the rebound in confidence.

Tough love is working

The disappearing twin deficit at the euro periphery



Current account balance plus structural fiscal balance, in % of GDP, for Spain, Greece, Ireland and Portugal combined.
Source: Eurostat; EU Commission forecasts for 2013.

- The reform countries under troika supervision are no longer living beyond their means.
- Current accounts have moved into surplus…
- …structural fiscal deficits have been slashed.
- The combined twin deficit has almost disappeared.

The 2013 Euro Plus Monitor

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Updates 2012 results for all 17 Euro members and for UK, Sweden, Poland

Two separate rankings for all 20 countries

Ranking 1: Adjustment Indicator

- Limited number of key measures of adjustment
- Focus: exports, labour costs, fiscal adjustment, structural reforms
- Includes 2013 projections beyond backward-looking hard data
- Describes the pace of change

Ranking 2: Fundamental Health

- Broad array of indicators and long-term trends
- Focus: growth potential, competitiveness, fiscal sustainability, resilience
- Includes data on demographics and education that go beyond mere economics
- Backward looking data
- Describes the recent situation (=starting level)

Adjustment Progress Indicator 2013

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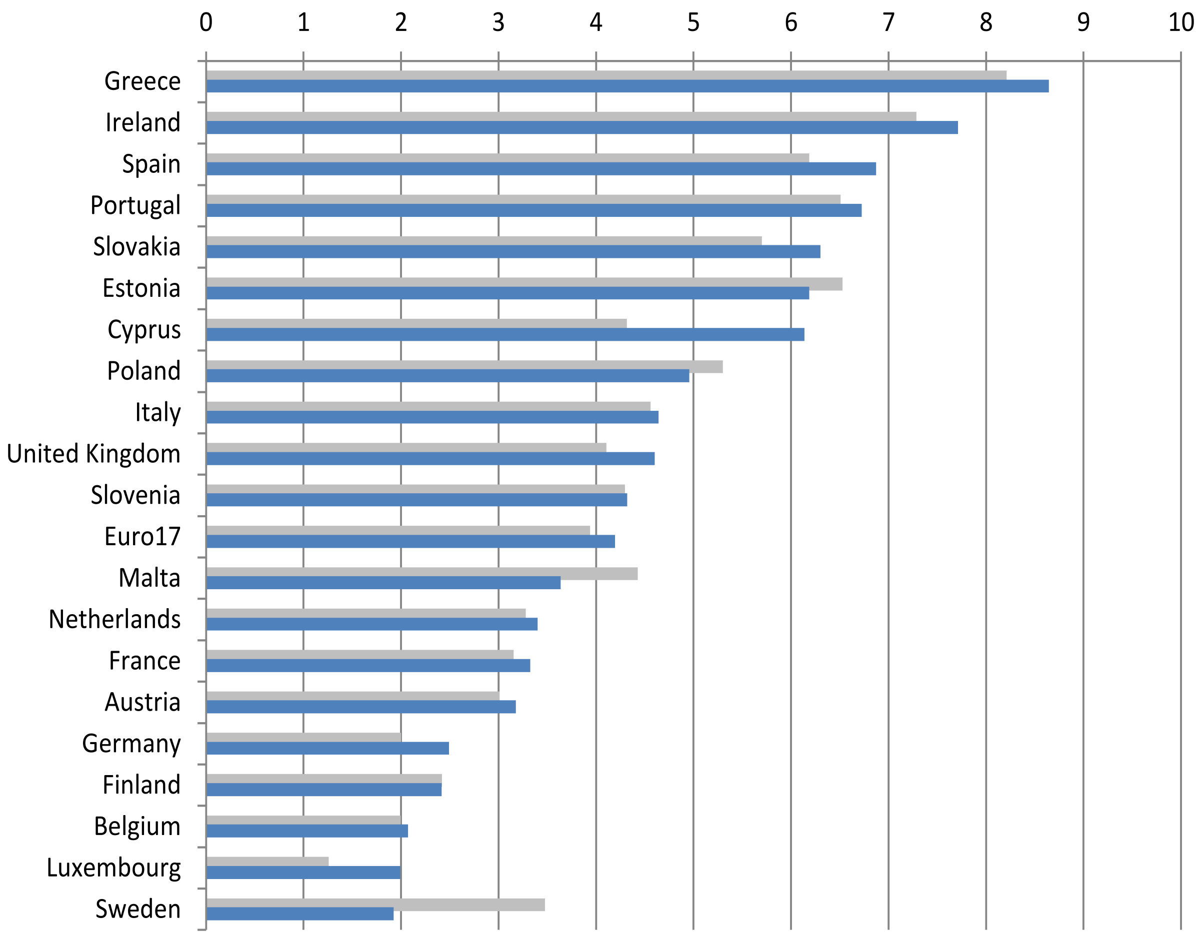
Reform countries top the league, complacent core lags far behind



- The four economies disparagingly labelled „PIGS“ now take the top 4 places in our adjustment ranking.
- Under the pressure of crisis, Cyprus is also moving up fast.
- No trace of „moral hazard“.
- Italy is above average, but only modestly so.
- UK close to Italy.
- Little progress in the core.
- Slippage in Sweden.

Scores on a scale of 10 (best) to 0 (worst). Grey bars give 2012 scores for comparison.
Source: Berenberg calculations

Adjustment Ranking

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Table 1: Adjustment Progress Indicator

Rank		Country	Total Score			External adj.			Fiscal adj.			Labour Cost Adj.			Reform drive		
2013	2012		2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012
1	1	Greece	8.6	*0.4*	8.2	6.8	*0.2*	6.6	9.6	*1.0*	8.6	8.3	*0.6*	7.7	10.0	*0.0*	10.0
2	2	Ireland	7.7	*0.4*	7.3	8.7	*-0.1*	8.8	5.6	*1.1*	4.5	8.4	*0.0*	8.4	8.2	*0.8*	7.4
3	5	Spain	6.9	*0.7*	6.2	7.6	*0.5*	7.1	6.5	*2.3*	4.2	5.7	*0.0*	5.7	7.7	*-0.1*	7.8
4	4	Portugal	6.7	*0.2*	6.5	7.1	*0.4*	6.7	6.7	*0.2*	6.5	5.3	*-0.4*	5.7	7.7	*0.7*	7.1
5	6	Slovakia	6.3	*0.6*	5.7	7.7	*1.5*	6.2	7.2	*2.7*	4.5	4.9	*-1.5*	6.4	5.5	*n.a.*	n.a.
6	3	Estonia	6.2	*-0.3*	6.5	7.2	*-1.7*	8.9	2.2	*-0.2*	2.4	6.6	*-1.8*	8.3	8.8	*n.a.*	n.a.
7	10	Cyprus	6.1	*1.8*	4.3	7.1	*1.6*	5.5	4.1	*0.0*	4.1	7.2	*3.9*	3.4	n.a.	*n.a.*	n.a.
8	7	Poland	5.0	*-0.3*	5.3	5.4	*0.9*	4.5	6.2	*-2.1*	8.3	2.2	*0.4*	1.8	6.1	*-0.6*	6.7
9	8	Italy	4.6	*0.1*	4.6	4.4	*0.6*	3.8	6.5	*-0.7*	7.2	2.5	*-0.4*	2.9	5.2	*0.8*	4.4
10	12	United Kingdom	4.6	*0.5*	4.1	3.9	*0.2*	3.8	5.0	*0.5*	4.5	3.7	*1.1*	2.6	5.8	*0.2*	5.6
11	11	Slovenia	4.3	*0.0*	4.3	6.5	*0.7*	5.8	5.2	*0.8*	4.4	3.3	*0.7*	2.7	2.2	*n.a.*	n.a.
12	9	Malta	3.6	*-0.8*	4.4	6.2	*-0.1*	6.4	2.0	*-0.1*	2.1	2.7	*-2.2*	4.8	n.a.	*n.a.*	n.a.
13	14	Netherlands	3.4	*0.1*	3.3	5.2	*0.5*	4.8	3.1	*0.3*	2.8	2.9	*0.4*	2.5	2.4	*-0.6*	3.0
14	15	France	3.3	*0.2*	3.2	3.2	*0.2*	2.9	4.6	*0.3*	4.3	2.0	*0.0*	2.0	3.5	*0.2*	3.3
15	16	Austria	3.2	*0.2*	3.0	3.0	*0.3*	2.6	2.4	*1.5*	0.9	1.2	*-0.6*	1.8	6.1	*-0.6*	6.7
16	18	Germany	2.5	*0.5*	2.0	3.3	*-0.1*	3.4	4.1	*0.5*	3.6	1.1	*0.1*	1.0	1.5	*1.5*	0.0
17	17	Finland	2.4	*0.0*	2.4	1.9	*0.9*	1.0	0.2	*0.0*	0.2	2.8	*-0.8*	3.6	4.7	*-0.2*	4.9
18	19	Belgium	2.1	*0.1*	2.0	3.2	*0.2*	3.0	2.1	*0.1*	2.0	1.4	*-0.4*	1.8	1.6	*0.4*	1.1
19	20	Luxembourg	2.0	*0.7*	1.3	2.6	*1.5*	1.1	0.5	*0.4*	0.2	4.2	*0.5*	3.7	0.6	*0.6*	0.0
20	13	Sweden	1.9	*-1.6*	3.5	2.4	*-0.5*	2.9	0.0	*-3.7*	3.7	1.0	*-0.7*	1.7	4.3	*-1.3*	5.6
		Euro17	4.2	*0.3*	3.9	4.3	*0.2*	4.1	5.0	*0.7*	4.3	2.5	*-0.1*	2.6	5.0	*0.3*	4.8

Scores from 10 (best) to 0 (worst); ranks 1-20 , change in scores over 2012 Euro Plus Monitor. Source: Berenberg calculations

Adjustment progress (I): External adjustment

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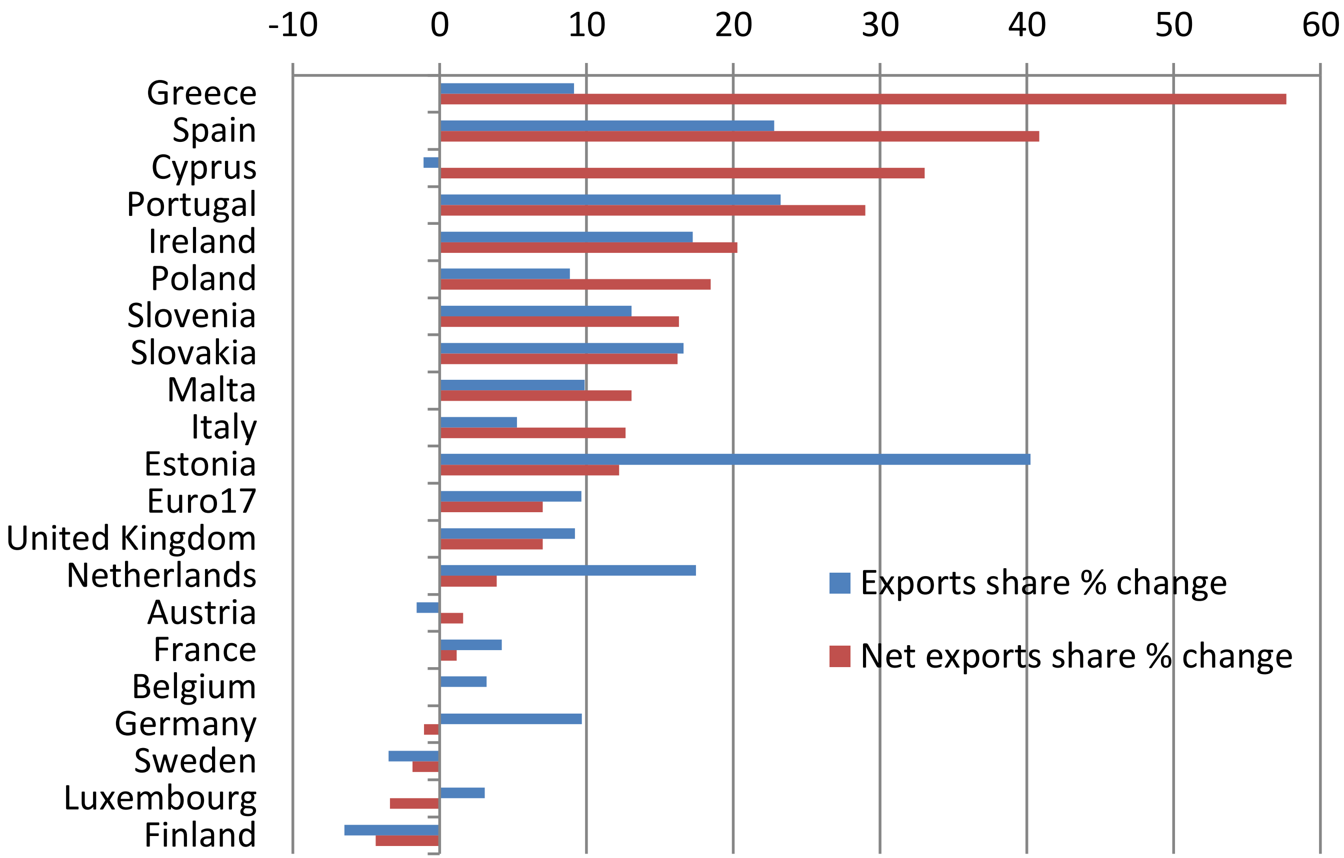
Exports have cushioned most peripheral economies



Change of exports/net exports Q2 2013 to H2 2007, as % of H2 2007 export ratio. Source: Eurostat; Berenberg calculations (for Greece)

- External turnaround is one of the most impressive features of Eurozone adjustment.
- The collective belt-tightening in the periphery has led to an import correction.
- Countries live within their means again.
- But real exports have risen, too. Spain and Portugal exported 17% more in Q2 2013 than before the crisis. Ireland has advanced, too.
- Export shares in GDP have risen strongly across almost all crisis countries except Greece and Cyprus.

Euro periphery: dramatic external turnaround

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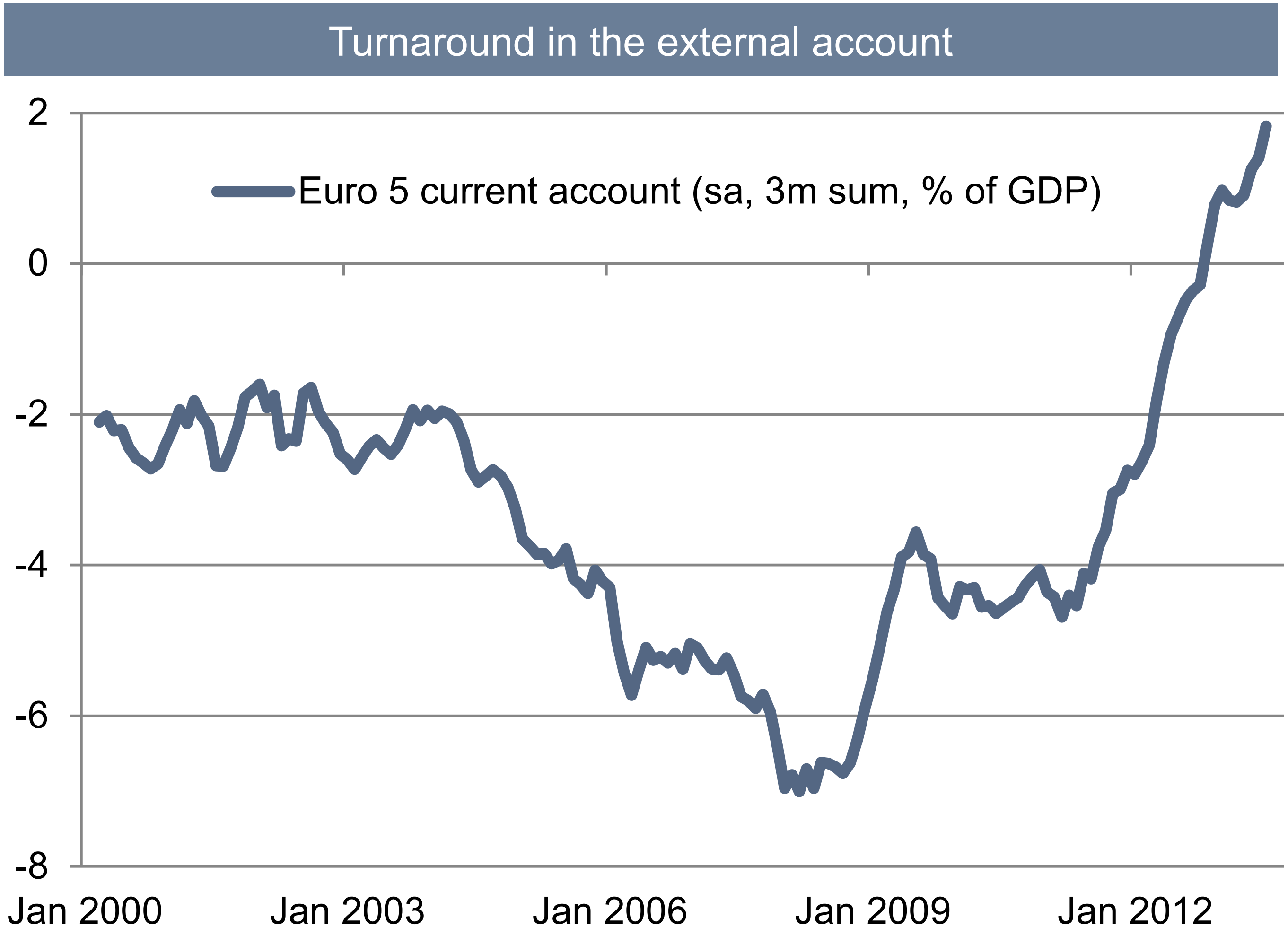
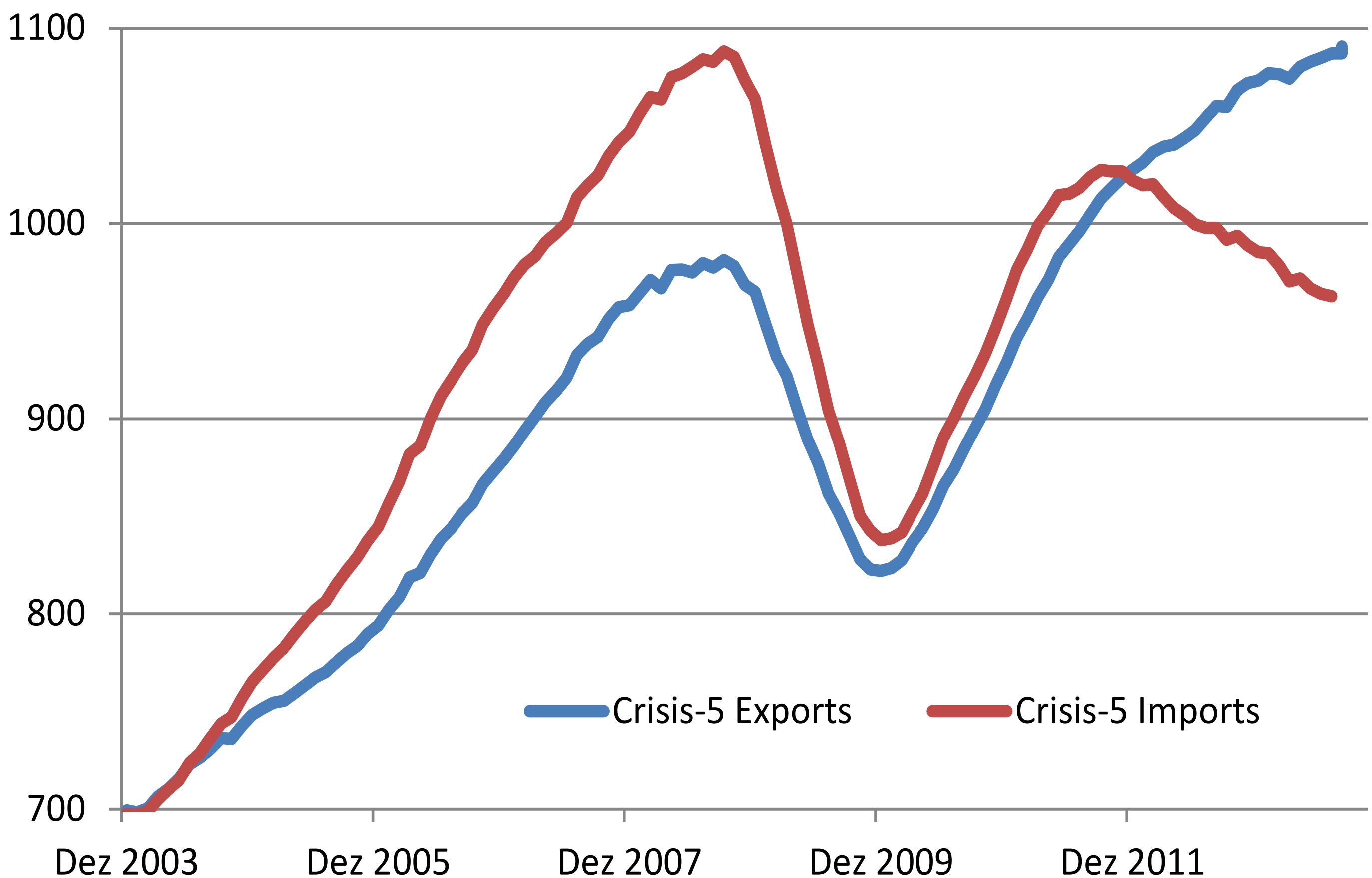


Current account balance in % of GDP, Italy, Spain, Greece, Portugal and Ireland; 3-month moving average, seasonally adjusted.
Source: Eurostat, Berenberg calculations

- The five euro crisis countries have turned their external accounts around very nicely.
- They balanced their joint current account in late 2012 and achieved a surplus in mid-2013.
- Individually, Italy, Spain, Portugal and Ireland now have a current account surplus; Greece is on track to balance its current account in late 2013.
- The euro crisis countries no longer need to import capital.

Export-driven turn-around

Rising exports, falling imports in the crisis countries



Nominal exports and imports, 12m sums, €bn; Italy, Spain, Greece, Ireland and Portugal

- The import bubble has burst.
- Periphery imports are 15% below their pre-crisis peak in nominal terms.
- The crisis countries have raised their competitiveness the hard but sustainable way without devaluing their currency
- Nominal exports are 15% above pre-crisis levels.
- The Eurozone recession slowed down export growth in 2012 and 2013. Exports are likely to gather pace again soon.

Adjustment progress (II): Fiscal adjustment

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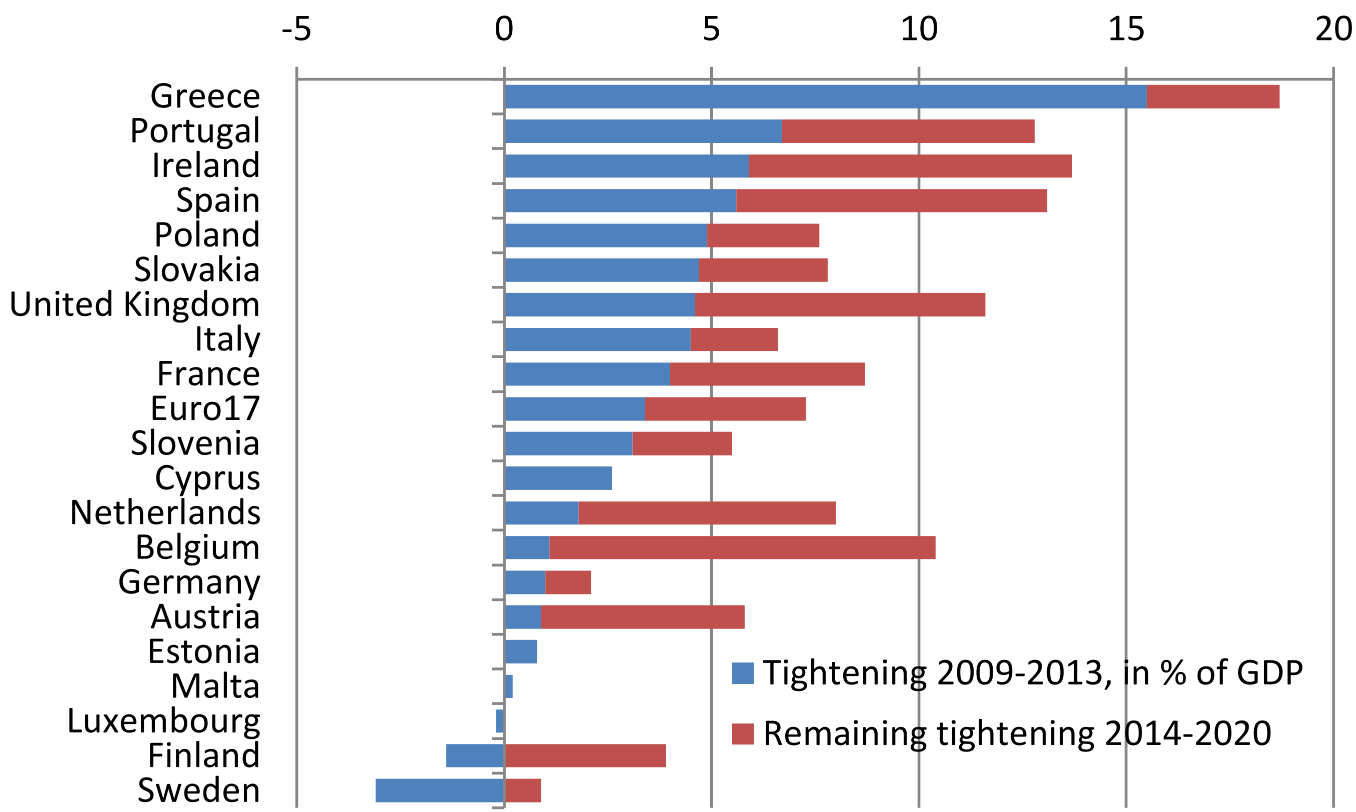
Fiscal adjustment: Greece is almost done



- Countries on the euro periphery have tightened their belts.
- While Germany has little need for austerity.
- Austerity was the right medicine – but Greece had been asked to swallow an overdose of it.
- The worst of austerity is over.
- The red bars refer to a very ambitious benchmark: a 60% debt ratio by 2030.
- Not all countries need to meet that.

Cumulative change in underlying primary fiscal balance 2009-2013, and remaining tightening need by 2020, to reach a debt-to-GDP ratio of 60% by 2030, in % of annual GDP. No data available for remaining tightening need for Cyprus, Estonia, Luxembourg and Malta.
Source: EU Commission, European Economy, Statistical Annex, IMF Fiscal Monitor, Berenberg calculations

Adjustment progress (III): Labour costs

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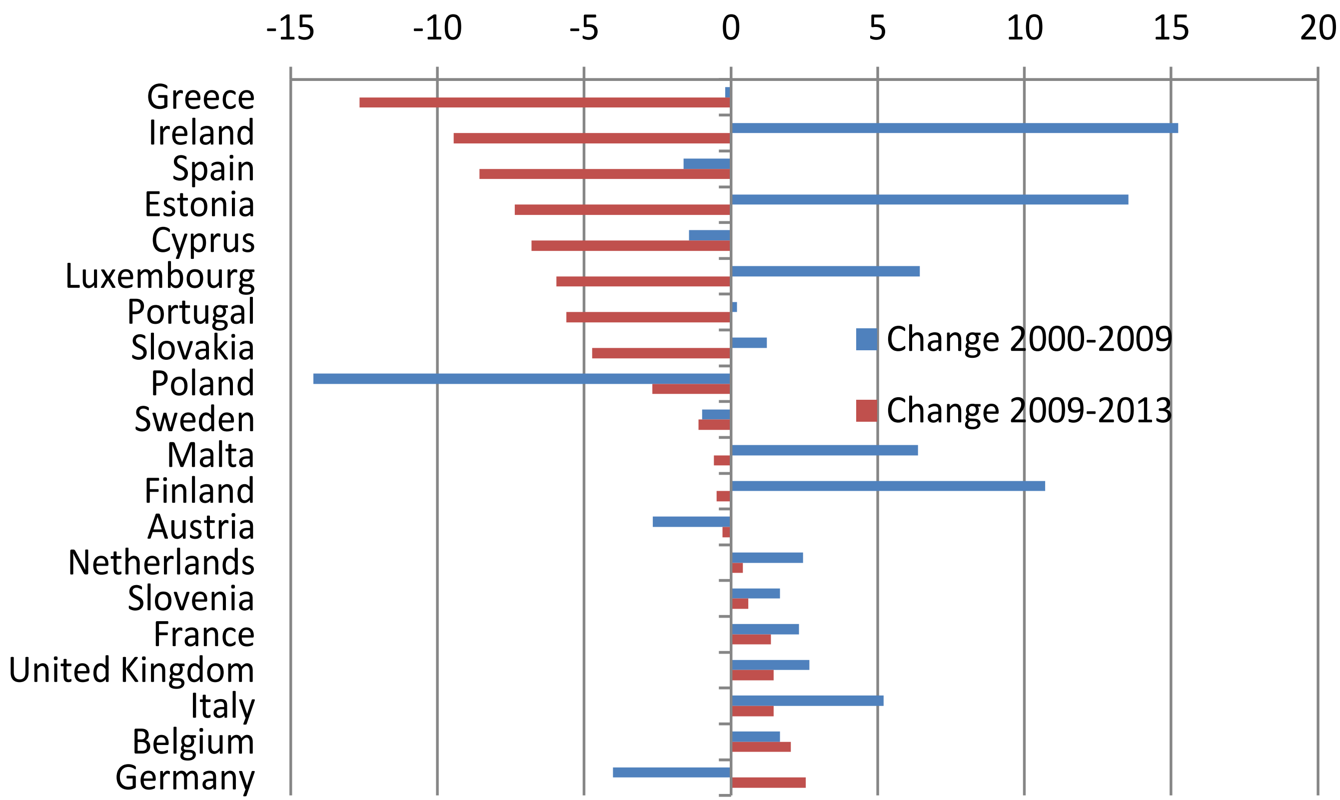
Real unit labour costs: the great convergence



Cumulative deviation of change in real unit labour cost from Eurozone average; 2000-2009 vs. 2009-2013.
Data for Poland, UK and Sweden affected by exchange rate changes. Source: Eurostat, Berenberg calculations

- Turnaround at the euro periphery…
- …where real unit labour costs are falling sharply.
- Turnaround in Germany as well…
- …where labour costs are now rising at an above-average pace.

Adjustment progress (IV): Structural Reforms

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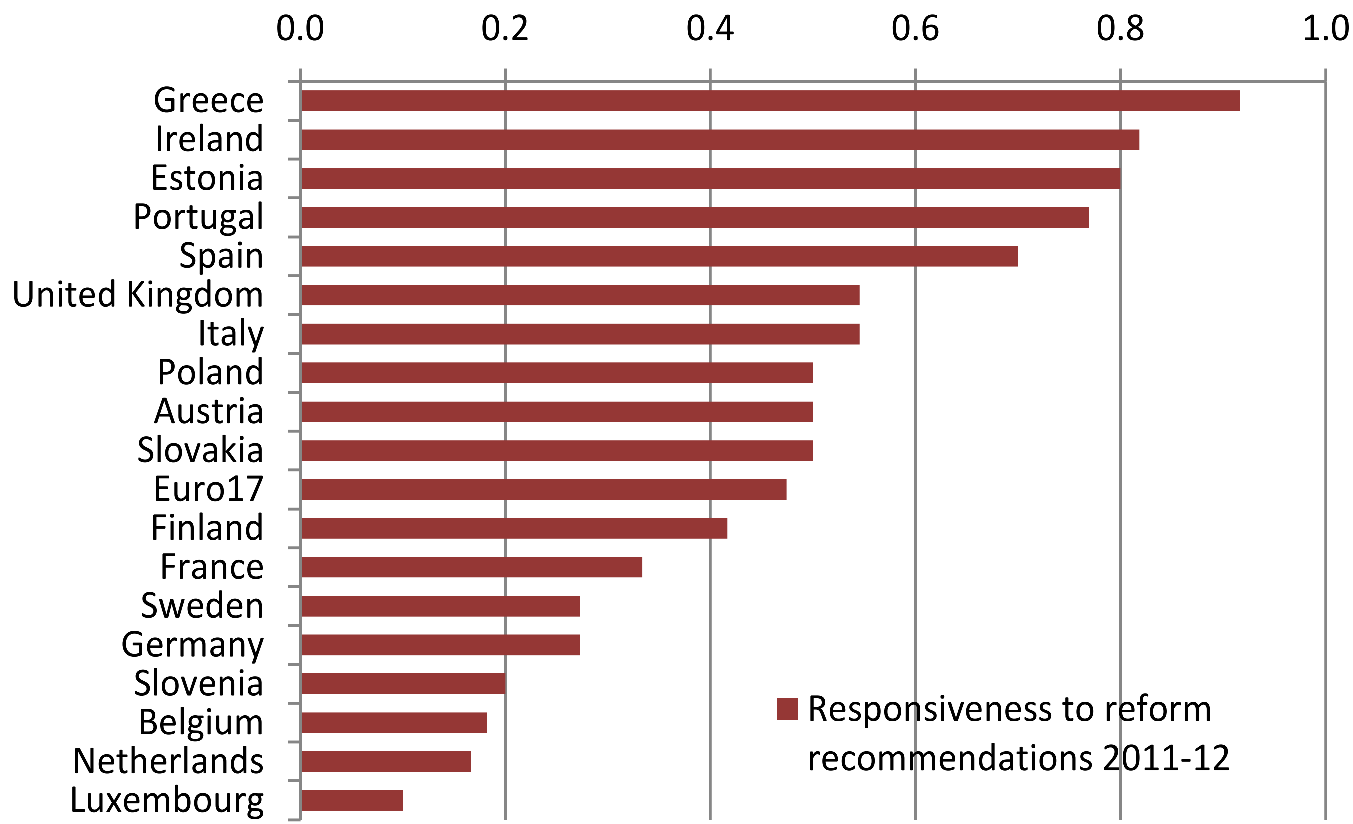
OECD indicator of responsiveness to reform proposals



Responsiveness to Going for Growth recommendations across OECD countries 2011-12. Score from 0 (no reforms) to 1 (serious reforms in all policy areas identified by the OECD). Source: OECD 2013

- Who is implementing pro-growth structural reforms?
- The OECD regularly makes detailed reform proposals.
- Once a year, the OECD checks whether countries are heeding such advice.
- The bailout countries are enacting sweeping reforms…
- …while core European and Scandinavian countries do verry little.

Three Stages of Adjustment

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Stage 1: Pain (Greece, Cyprus)

- Serious labour market and other structural reforms
- Fiscal squeeze
- External balance improves through drop in imports
- Still-weak result for Overall Health, strong result on Adjustment Indicator

Stage 2: Turnaround (Ireland, Spain, Portugal - to be followed by Greece and Cyprus 2014?)

- Fiscal squeeze continues; labour market reforms start to show results
- Private sector starts to respond to structural reforms by investing more
- First gains in employment and tax revenues
- External balance shifts further as exports take off
- Stronger result for Overall Health, still-strong result on Adjustment Indicator

Stage 3: Enjoying the Success (Germany, Estonia)

- No need for further adjustment
- Room for more private and public consumption
- Strong reading on Overall Health Indicator, weaker result on Adjustment Indicator

Overall Health Ranking

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Table 2: Fundamental Health Indicator

Rank		Country	Total Score			Growth			Competitiveness			Fiscal sustainability			Resilience		
2013	2012		2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012	2013	*Change*	2012
1	1	Estonia	7.4	*0.0*	7.4	6.6	*0.2*	6.5	6.3	*-0.2*	6.5	9.2	*-0.1*	9.2	7.5	*0.1*	7.4
2	3	Germany	7.3	*0.3*	7.0	6.4	*0.1*	6.3	8.1	*0.1*	8.0	7.3	*0.5*	6.9	7.5	*0.7*	6.8
3	2	Luxembourg	7.0	*-0.1*	7.1	6.8	*0.0*	6.8	6.4	*-0.2*	6.6	9.3	*-0.2*	9.5	5.7	*0.2*	5.5
4	7	Slovakia	6.9	*0.4*	6.5	5.7	*0.1*	5.6	7.1	*0.1*	6.9	7.4	*1.2*	6.3	7.6	*0.4*	7.2
5	5	Netherlands	6.9	*0.2*	6.6	7.3	*0.0*	7.3	8.3	*0.3*	8.0	5.8	*0.6*	5.2	6.1	*0.0*	6.0
6	4	Sweden	6.7	*-0.2*	6.9	7.1	*-0.1*	7.2	5.9	*-0.3*	6.3	7.1	*-0.3*	7.4	6.8	*-0.1*	6.9
7	8	Slovenia	6.4	*0.3*	6.1	6.0	*-0.1*	6.0	5.7	*0.2*	5.5	6.5	*0.9*	5.6	7.7	*0.4*	7.3
8	6	Poland	6.4	*-0.1*	6.5	6.0	*0.1*	5.9	7.2	*-0.1*	7.3	6.1	*0.1*	6.1	6.4	*-0.3*	6.7
9	9	Austria	5.9	*0.1*	5.7	5.9	*0.0*	6.0	5.8	*-0.2*	5.9	5.7	*0.5*	5.2	6.1	*0.3*	5.8
10	11	Belgium	5.4	*0.1*	5.3	5.3	*-0.1*	5.4	6.9	*0.0*	6.9	4.2	*0.2*	4.0	5.2	*0.2*	5.0
11	14	Ireland	5.3	*0.6*	4.8	5.3	*-0.2*	5.5	7.4	*0.2*	7.2	4.9	*1.1*	3.8	3.8	*1.2*	2.7
12	12	United Kingdom	5.3	*0.2*	5.1	5.3	*-0.1*	5.4	6.2	*-0.2*	6.4	4.7	*1.0*	3.8	5.0	*0.1*	4.9
13	10	Finland	5.3	*-0.2*	5.4	5.8	*-0.1*	5.9	3.4	*-0.4*	3.9	6.1	*-0.4*	6.4	5.8	*0.2*	5.5
14	13	Malta	5.2	*0.2*	5.0	4.3	*0.1*	4.1	6.2	*-0.5*	6.7	6.3	*0.2*	6.0	4.1	*0.9*	3.2
15	15	Spain	4.9	*0.4*	4.5	3.7	*-0.1*	3.9	5.0	*0.6*	4.5	5.7	*1.2*	4.4	5.2	*-0.1*	5.3
16	16	France	4.7	*0.2*	4.5	4.8	*0.1*	4.7	4.0	*0.0*	4.0	4.5	*0.7*	3.9	5.4	*0.1*	5.3
17	20	Greece	4.5	*1.0*	3.6	3.5	*-0.4*	4.0	4.4	*0.8*	3.6	4.9	*2.1*	2.8	5.3	*1.3*	4.0
18	17	Italy	4.5	*0.1*	4.4	3.3	*0.0*	3.3	3.6	*0.0*	3.6	5.6	*0.2*	5.3	5.6	*0.2*	5.4
19	18	Portugal	4.4	*0.5*	3.9	3.9	*0.3*	3.6	5.2	*0.4*	4.8	4.5	*0.7*	3.7	4.1	*0.7*	3.4
20	19	Cyprus	4.0	*0.4*	3.6	3.2	*-0.7*	3.9	3.5	*1.1*	2.5	5.6	*0.0*	5.6	3.6	*1.2*	2.4
		Euro17	5.8	*0.3*	5.5	5.0	*0.0*	5.0	6.2	*0.1*	6.1	6.2	*0.7*	5.5	5.9	*0.3*	5.6

Scores on a scale of 10 (best) to 0 (worst); ranks 1-20. Change gives change in scores over the 2012 Euro Plus Monitor. Source: Berenberg calculations

Fundamental Health Indicator 2013

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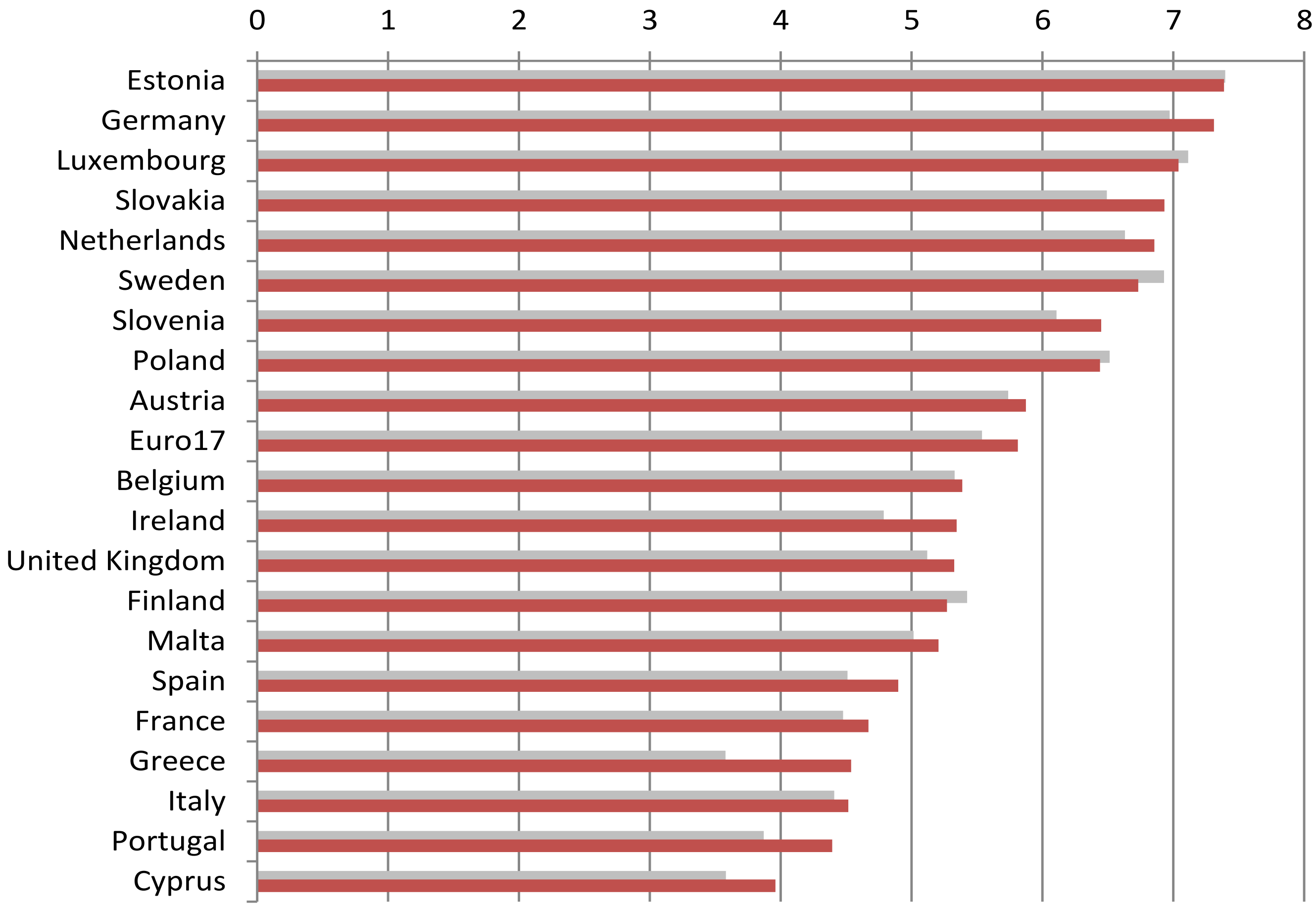
Serious progress at the bottom

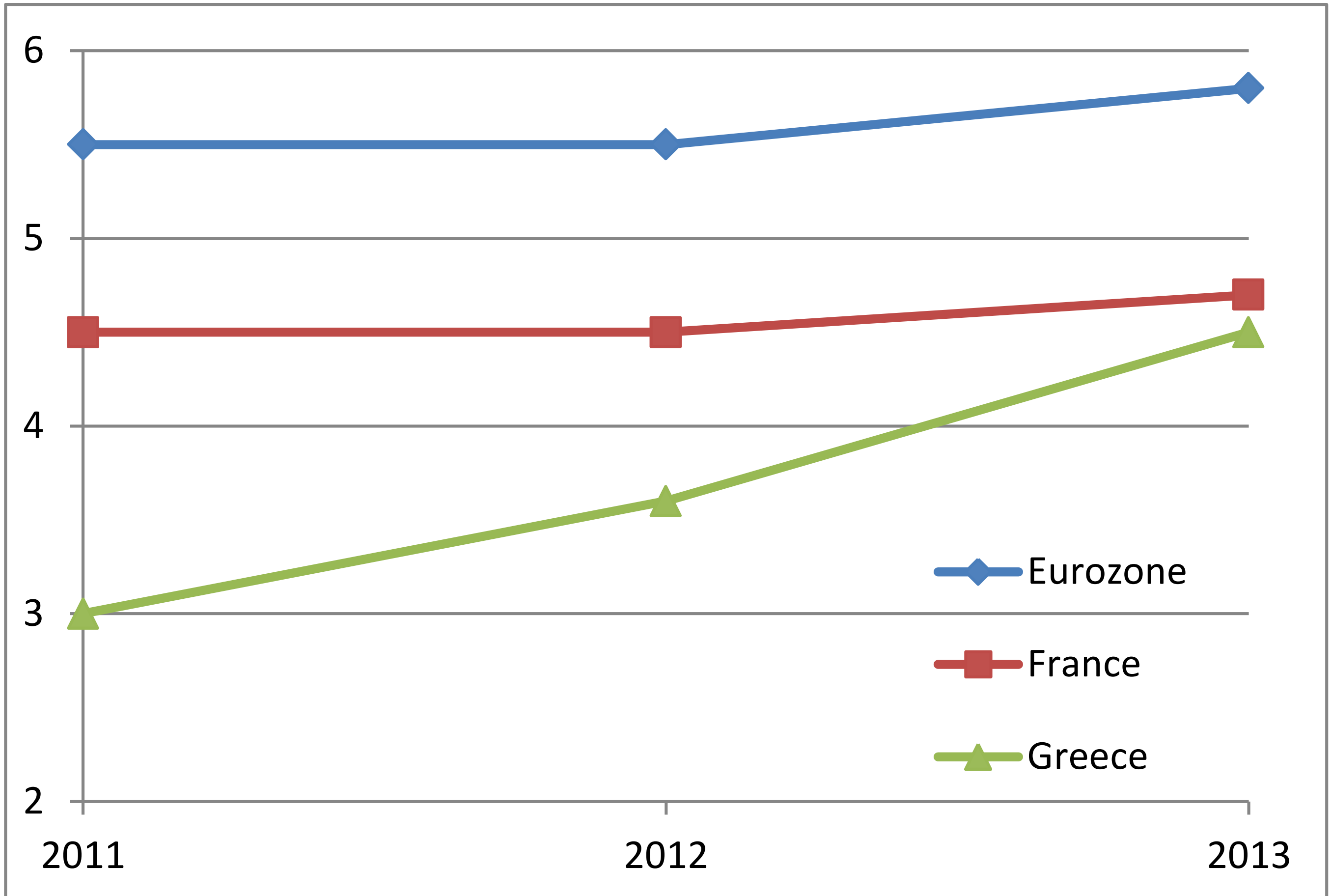


Scores on a scale of 10 (best) to 0 (worst). Grey bars give 2012 scores for comparison.
Source: Berenberg calculations

- Thanks to sustained adjustment progress…
- …fundamental health has improved across much of Europe.
- Scores show major gains for the reform countries.
- Greece moves up from No. 20 to No. 17. in the ranking.
- UK slightly below Euro17 average for fundamental health due to its fiscal problems.

Fundamental Health Indicator 2011-2013

Stagnation in France, progress in Greece



Scores on a scale of 10 (best) to 0 (worst). Source: Berenberg calculations

- Two years ago, Greece was far behind all other euro members in terms of its fundamental economic health.
- Greece's sustained adjustment efforts now show up in a visible rise in its score for fundamental health.
- Greece is starting to catch up with France.
- As other peripheral countries are following suit, France may be left at the bottom of the pile in Europe if it does not improve.
- The Eurozone as a whole raised its score slightly in 2013.

France versus Spain: who is competitive?

Real exports of goods and services, GDP definition, Q1 2002 = 100. Source: Eurostat

- While Spanish exports have risen strongly in the last 10 years…
- …France has lagged far behind.

France: falling behind

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France is the only major economy in our sample of 20 countries …

...with serious fundamental health problems without doing much about it.

Strong points

- High fertility rate
- High household savings rate

Weak points

- "Leviathan award" for the most bloated public sector
- Serious lack of competitiveness
- Rigid labour market
- Low trend growth rate

France is not utilising its potential. It is gradually heading towards a major crisis – if it does not change tack. **But a financial crisis is not imminent.** France is still the master or its fate, not yet at the mercy of potentially panicky investors.

Huge potential: If France reforms its labour market and utilises its human potential, it could eventually replace Germany as the strongest economy in Europe over time, in a tight race with the United Kingdom for the top spot.

The blueprint: the German turnaround

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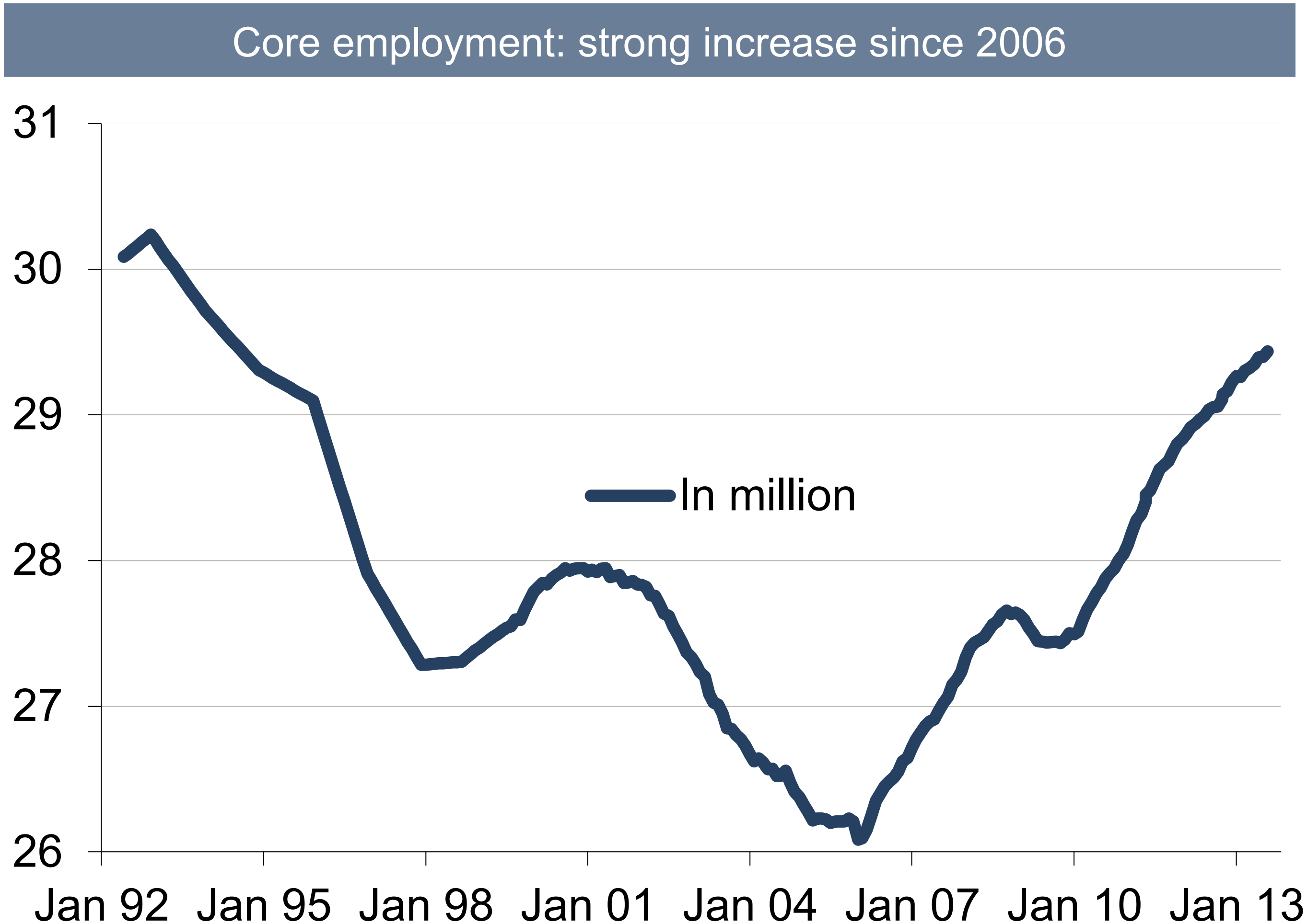

Core employment: subject to social security contributions. Source: Bundesagentur für Arbeit, Bundesbank

- Almost a miracle: after four decades of rising unemployment, Germany turned its labour market around with the reforms of 2004.
- Since early 2006, core employment has risen by 3.3 million (+12.5%).
- More employment = more taxpayers = balanced budget
- The German experience shows: labour market reforms work.
- But is Germany now reversing some of its key reforms?

Blame Germany? Not importing enough?

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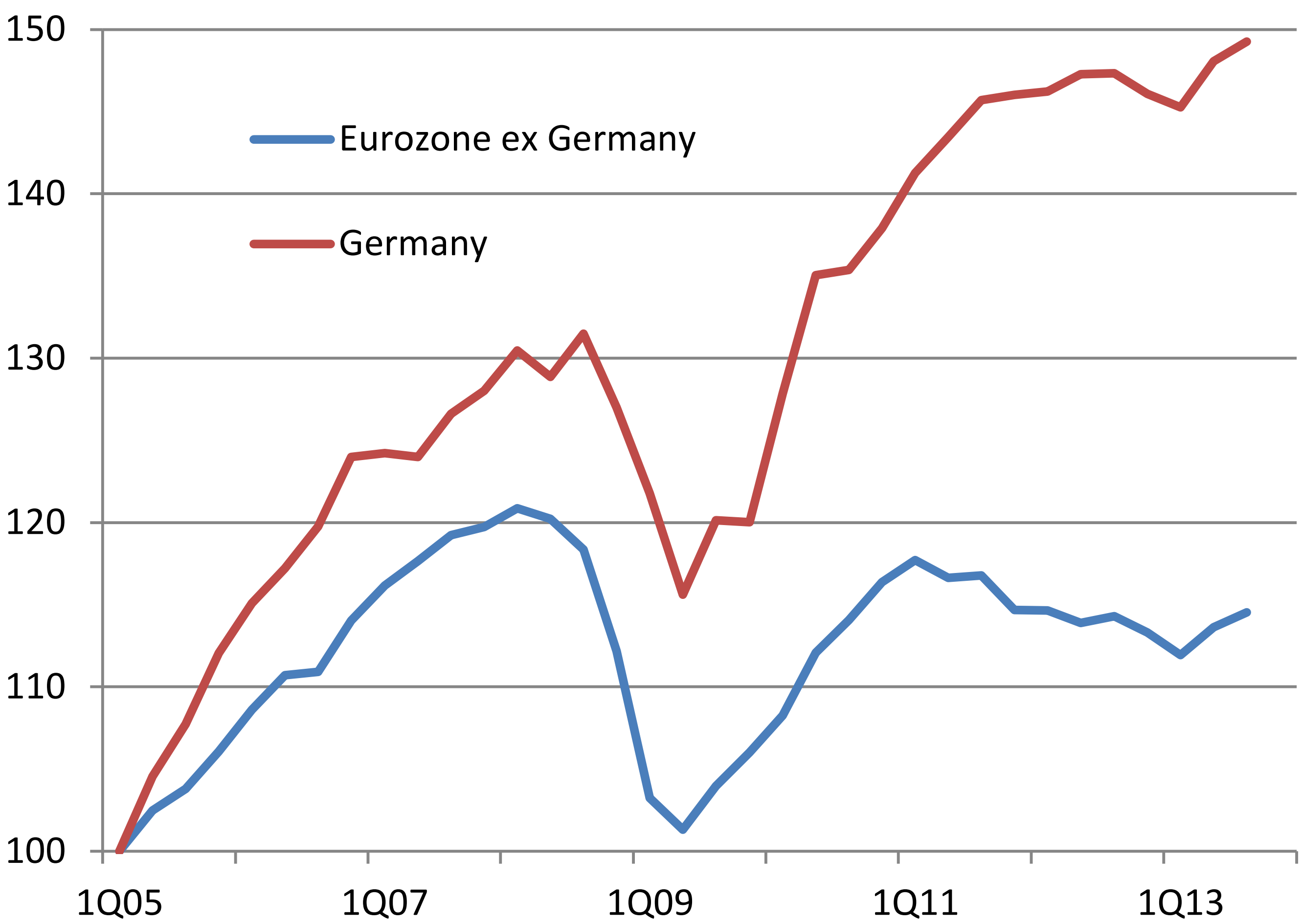
Imports of Germany and Eurozone ex Germany



Real imports of goods and services, national accounts definition, rebased to 1Q 2005 = 100. Source. Eurostat

- Many observes look at German exports.
- But imports tell an interesting story as well.
- Over the last eight years, Germany has raised its imports rapidly.
- The remainder of the Eurozone lags behind by a wide margin.
- Germany is offering its partners an expanding market for their exports.
- The stagnation of the German economy from late 2011 to early 2013 slowed down import growth.
- But that has come to an end.

Germany supports her friends

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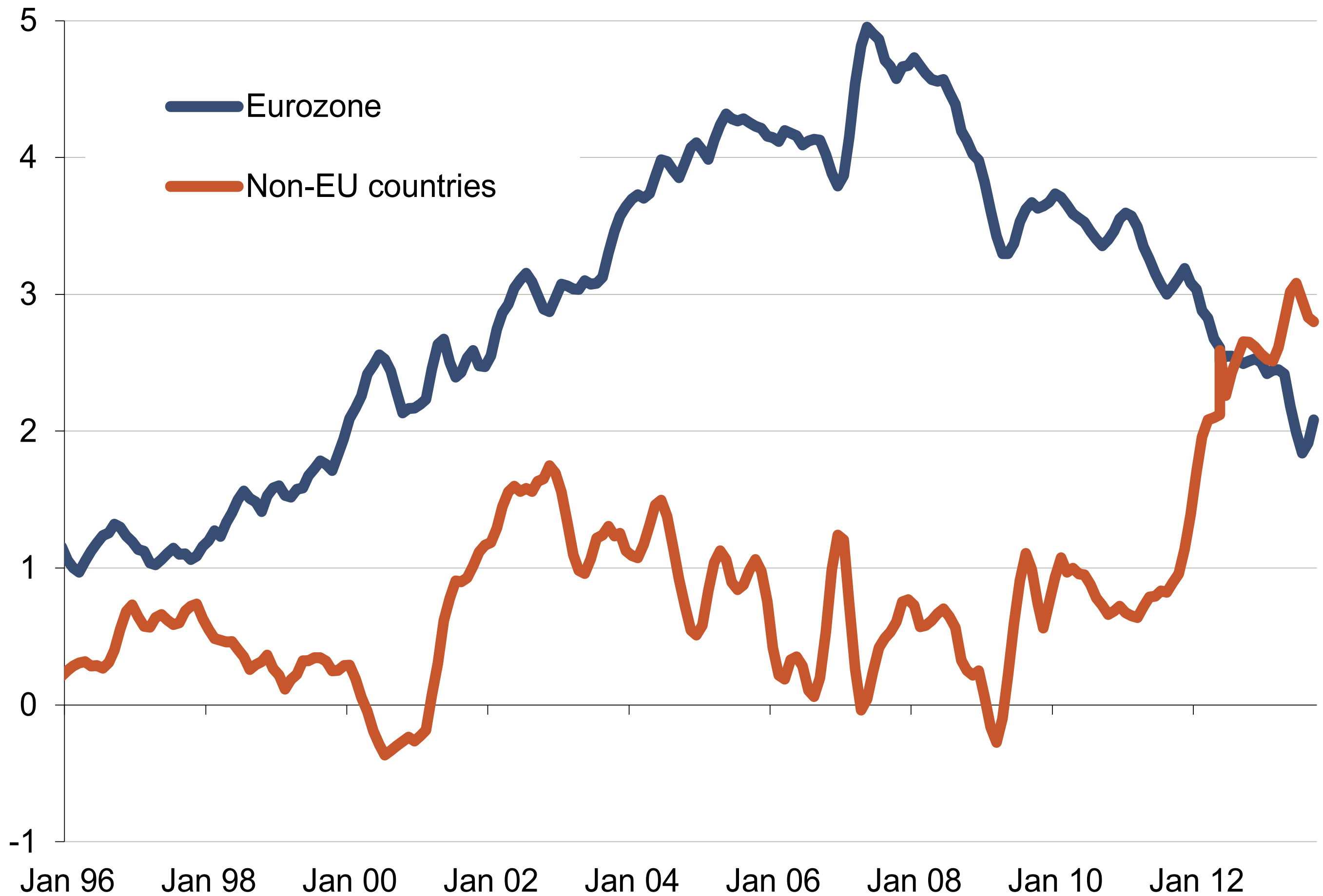
German trade surplus: big shift between Eurozone and non-Europe



German balance of trade in goods with other euro members and with non-EU countries, in % of German GDP, rolling 3-month averages.
Source: Bundesbank

- Until 2008, domestic demand was weak in Germany but strong in the Euro periphery.
- Germany thus had a surging trade surplus with other Euro members.
- But this has changed. More domestic demand in Germany…
- …and austerity in the periphery show up in a rapid decline in the German surplus with the Eurozone.
- A stronger Germany offers the periphery the chance to export more to Germany.

Germany: the strength and the weakness

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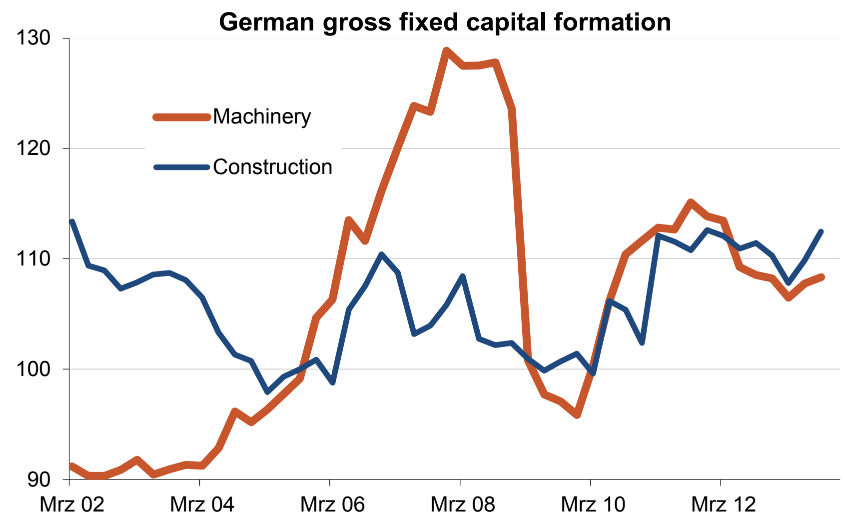
Resilient consumption, weak investment

- Most observers seem to believe that private consumption is the weak spot of the German economy.
- That is not quite correct. Supported by strong employment gains, consumption has trended up nicely since 2006.
- The post-Lehman recession caused only a minor and temporary dip. In the same vein, consumption growth slowed down temporarily after the euro crisis escalated in late 2011.

- German's recent weak spot has been investment.
- Following a boom in 2007 and 2008 and a spectacular bust during the post-Lehman recession…
- ...the subsequent recovery in business investment in machines and equipment gave way to a new modest downturn at the end of 2011.
- Even construction investment fell slightly in 2012 and early 2013 as weak business investment offset strong residential construction. Uncertainty is taking took toll.

Volume index; 2005=100; Smoothed for 2007 VAT hike. Source: Eurostat



Volume index; 2005=100. Source: Eurostat.

Results of The 2013 Euro Plus Monitor

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From Pain to Gain: Crises are Handmaidens of Change

- **Adjustment progress** at the eurozone periphery has accelerated further.
- **Ireland**, **Spain** and **Portugal** have reached the turnaround stage.
- **Greece** and **Cyprus** could follow in 2014.
- **Adjustment progress** is showing up in stronger **long-term fundamental health**.
- If the Eurozone and its members stay the course, the crisis could be over by mid-2014.
- **Italy** continues to reform, but its progress is patchier than in the five troika-countries.
- **France:** we find only very limited progress. It is now the "sick man of Europe".
- **Sweden** and **Finland** are showing worrying signs of complacency, **Germany** to follow?
- **UK**: excellent microeconomics, dismal macroeconomics. Back to boom-bust?
- **Sweden** and **Finland** are showing worrying signs of complacency, **Germany** to follow?
- **German current account**: a misguided debate.

The lessons

- **Austerity** is a necessary and potent medicine, but an **overdose** can kill the patient.
- **Optimum austerity:** No country should be asked to reduce its underlying primary fiscal deficit by more than 2% of GDP per year (unless it had relaxed policy by more than 1% of GDP in the previous year).
- **Fiscal shortfalls** caused by **recession** ought to be tolerated as long as the overall direction of policy stays on course.
- **Pro-growth structural reforms** matter more than austerity.
- **Keep it simple:** Reform proposals must take the administrative capacity of the country into account.
- **Tax reform:** simpler tax systems needed, not higher tax rates.
- **Restrained recovery:** Confidence is returning thanks to the ECB. But companies and households are still holding back. The health of the banking system matters.
- **Credit crunch:** now the major factor holding back the recovery.
- **Red herring:** debate about banking union seems to have prevented stronger efforts to clean up the banking system at the national level.
- **Delaying inevitable reforms** makes matters worse: see France
- **Success breeds complacency**: see Sweden, Finland and Germany

The risks

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- **German court?** The ECB has stopped contagion. This has allowed monetary policy to gain traction across the Eurozone. But what if Germany's constitutional court constrains the OMT too much?

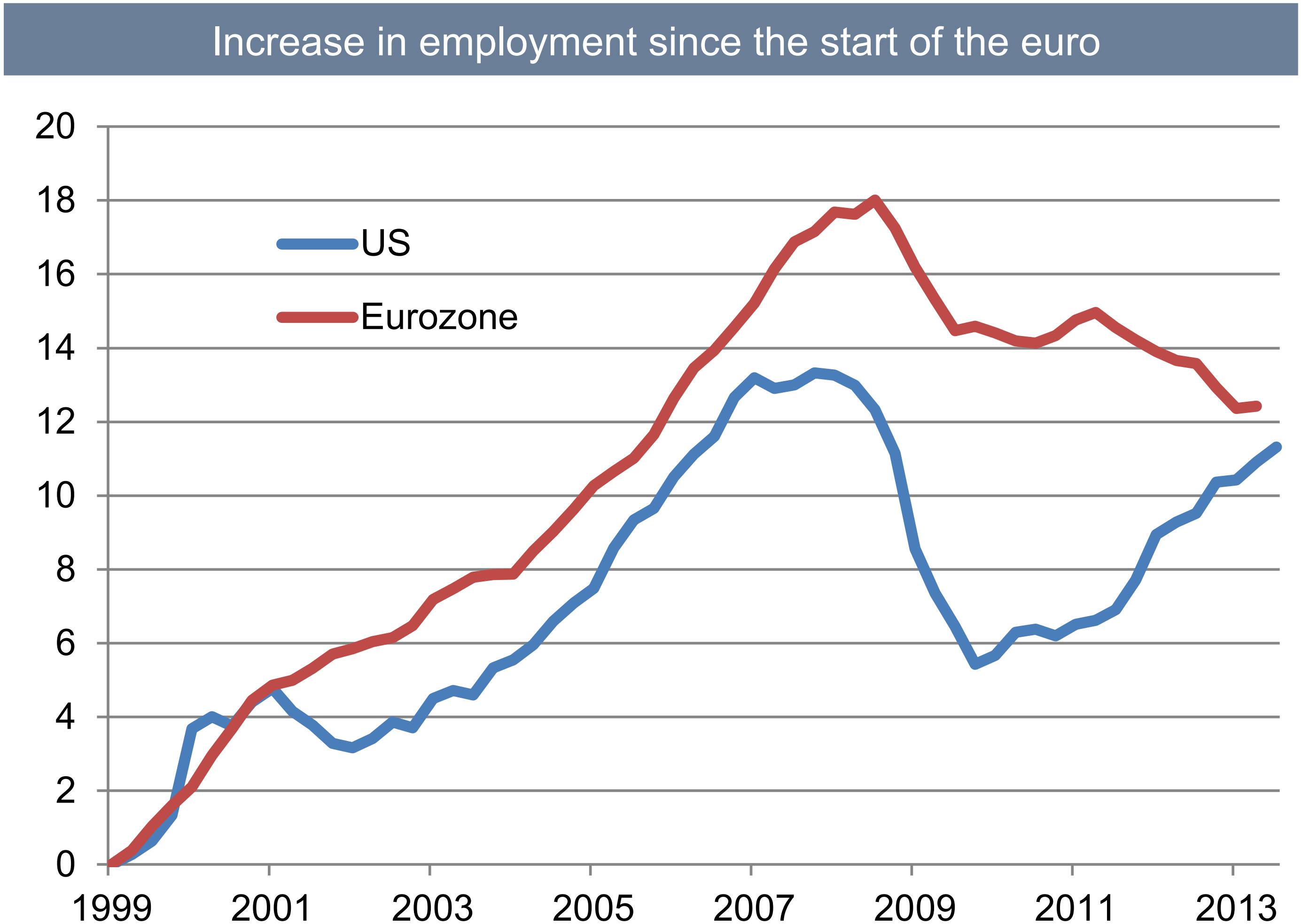
- **Tough love is tough.** Does the political glue hold?

- **French revolution?** Tough love means conditional support. What if France rejects the European rulebook?

- **Too much pressure on Greece?** Athens has made a Herculean effort. But what if troika demands for near-perfection bring down the government?

- **Credit crunch.** Insufficient progress in cleaning up bank balance sheets could retard the recovery and delay the transition from pain to gain.

A final thought: Eurozone versus US



In million; labour force survey data. The total population is roughly comparable for the US and the Eurozone.Source: Eurostat, BLS

- Until 2008, the Eurozone created more jobs than the US.
- After a sharp post-Lehman correction, the US labour market has edged up again since 2010.
- The Eurozone adjusts more slowly.
- Under the pressure of the euro crisis, employment is still falling in the Eurozone.
- But the US is still behind.
- Why is the US unemployment rate at 7.3% well below the 12.2% Eurozone rate? economy still lags the rebound in confidence.
- The US participation rate has fallen sharply.

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