

AEI Program in International Economics

# Does the Euro Pose a Threat to the U.S. Dollar?

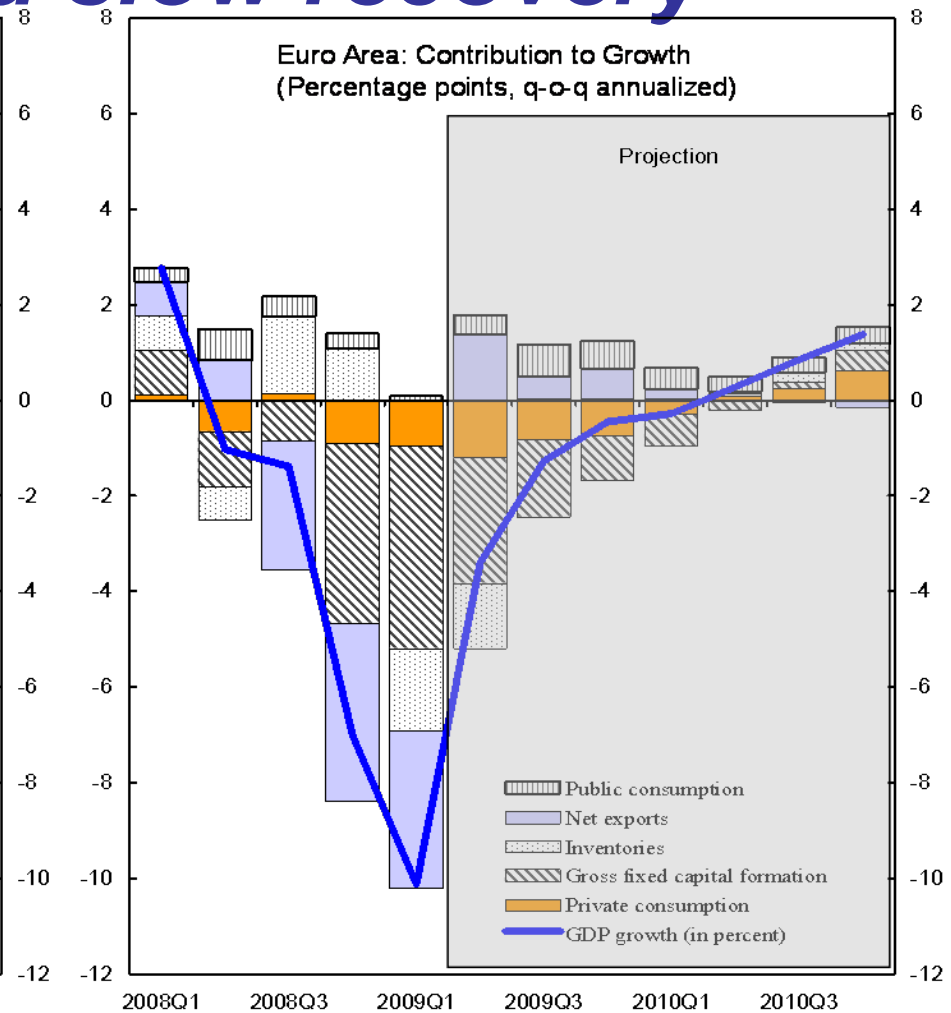
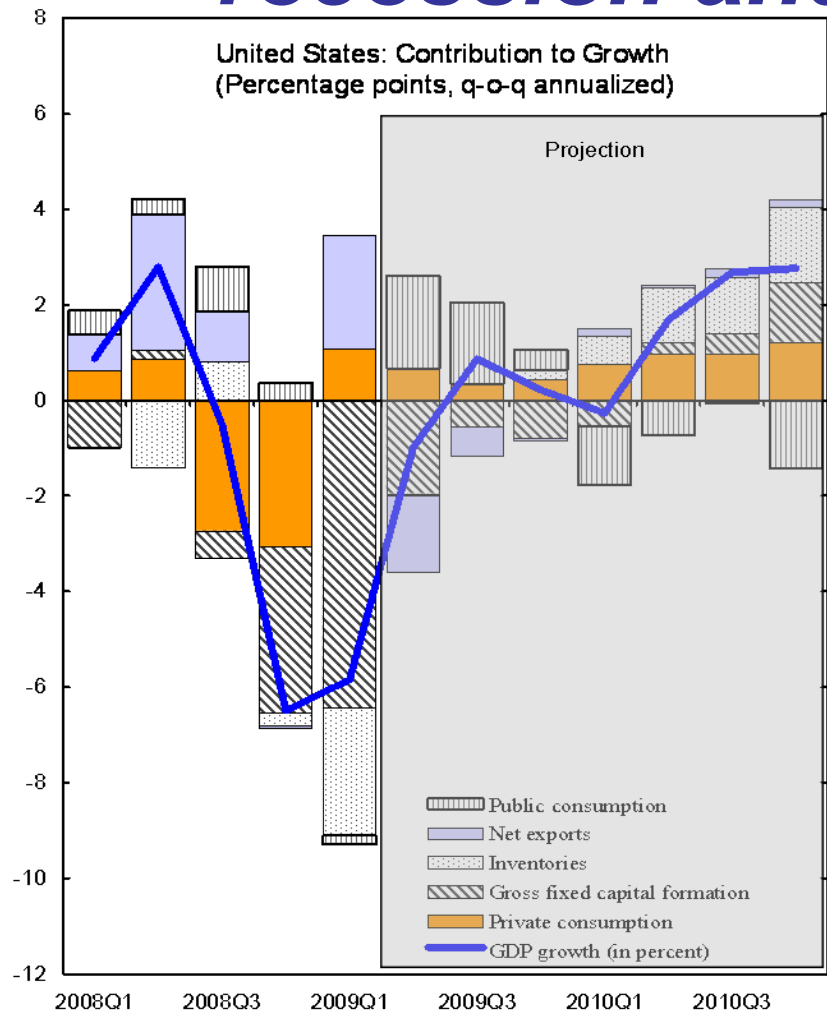
*Remarks by Luc Everaert*

*International Monetary Fund*

*July 9, 2009*

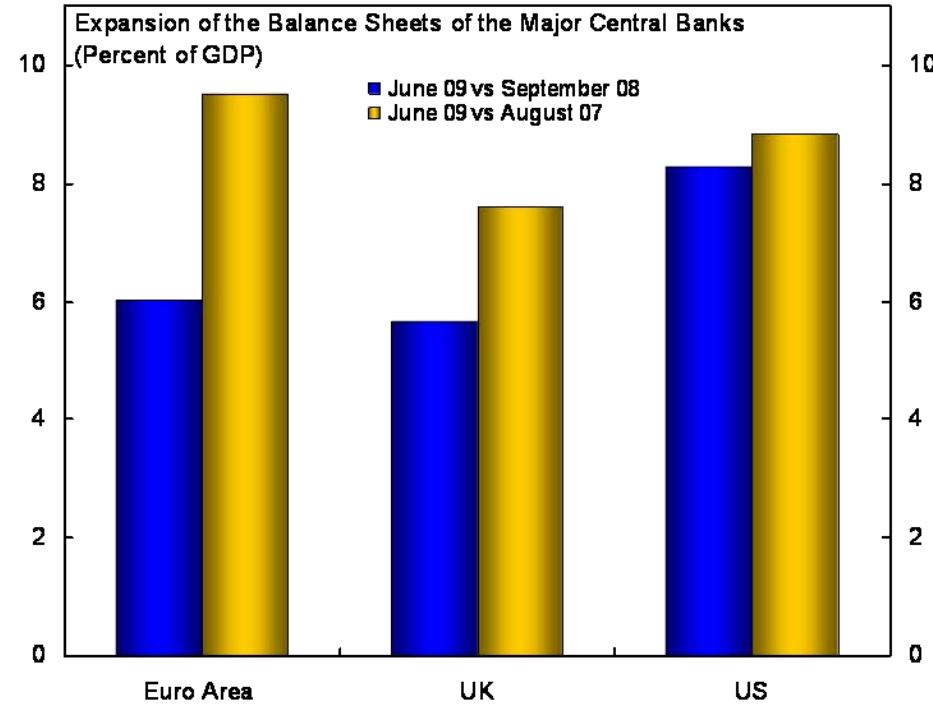
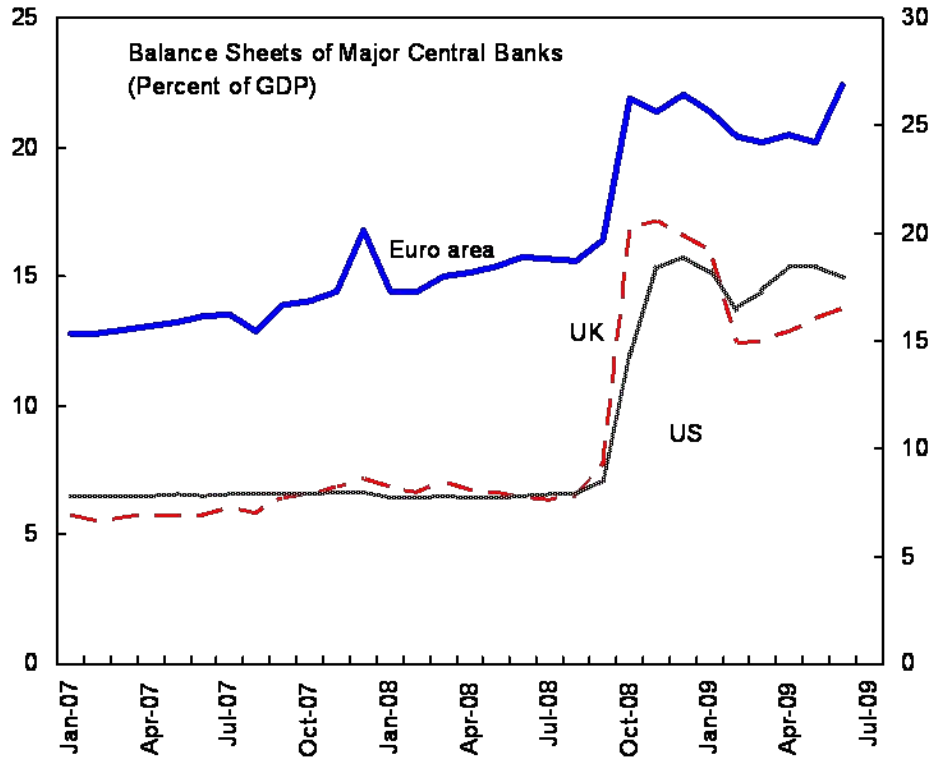


# Economic Performance: Deep recession and slow recovery



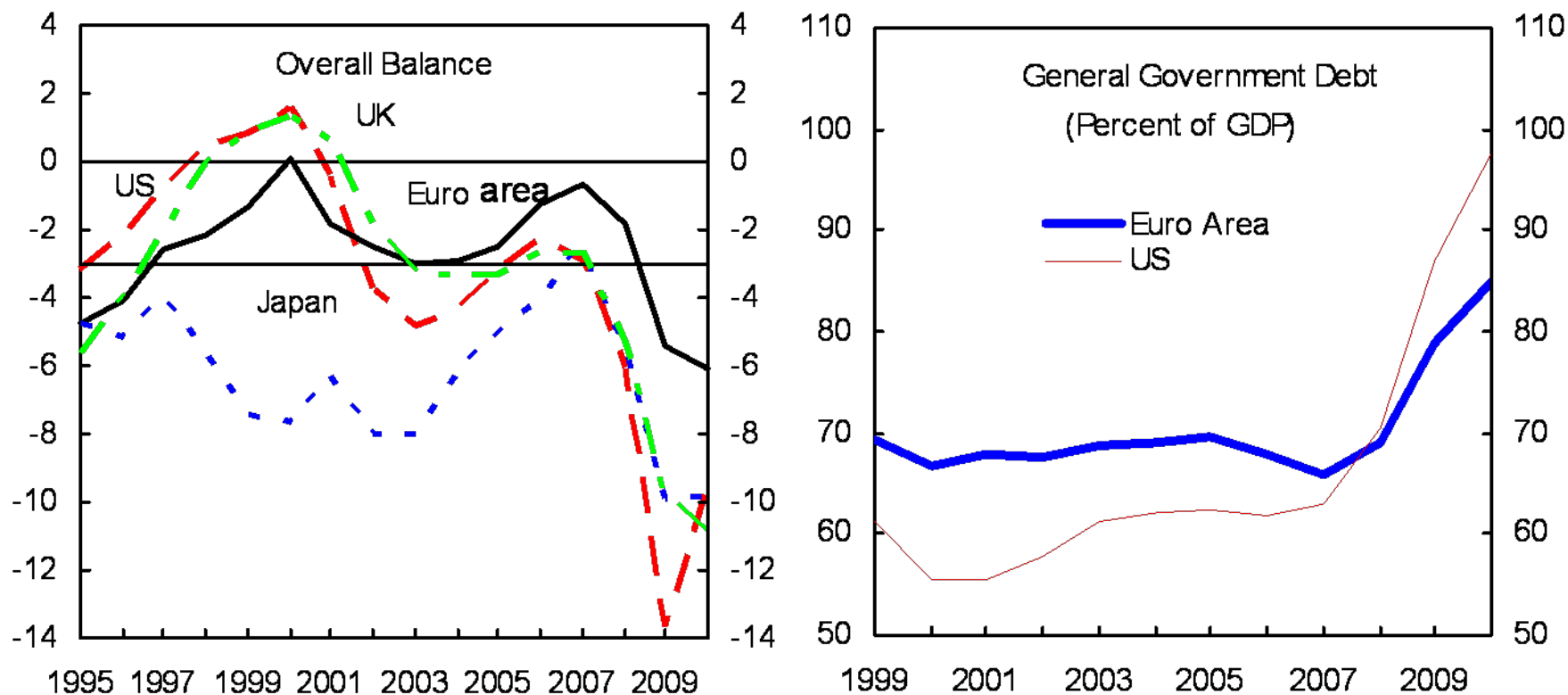
Sources: EuroStat; and IMF, *World Economic Outlook*.

# Monetary Policy Reaction to the crisis



Sources: Haver, ECB, and Bank of England.

# Fiscal response



Sources: European Commission; IMF, *World Economic Outlook*; and IMF staff calculations.

# Financial Sector Measures

Headline Support for the Financial Sector and Upfront Financing Need  
(As of April 15, 2009; percent of 2008 GDP)

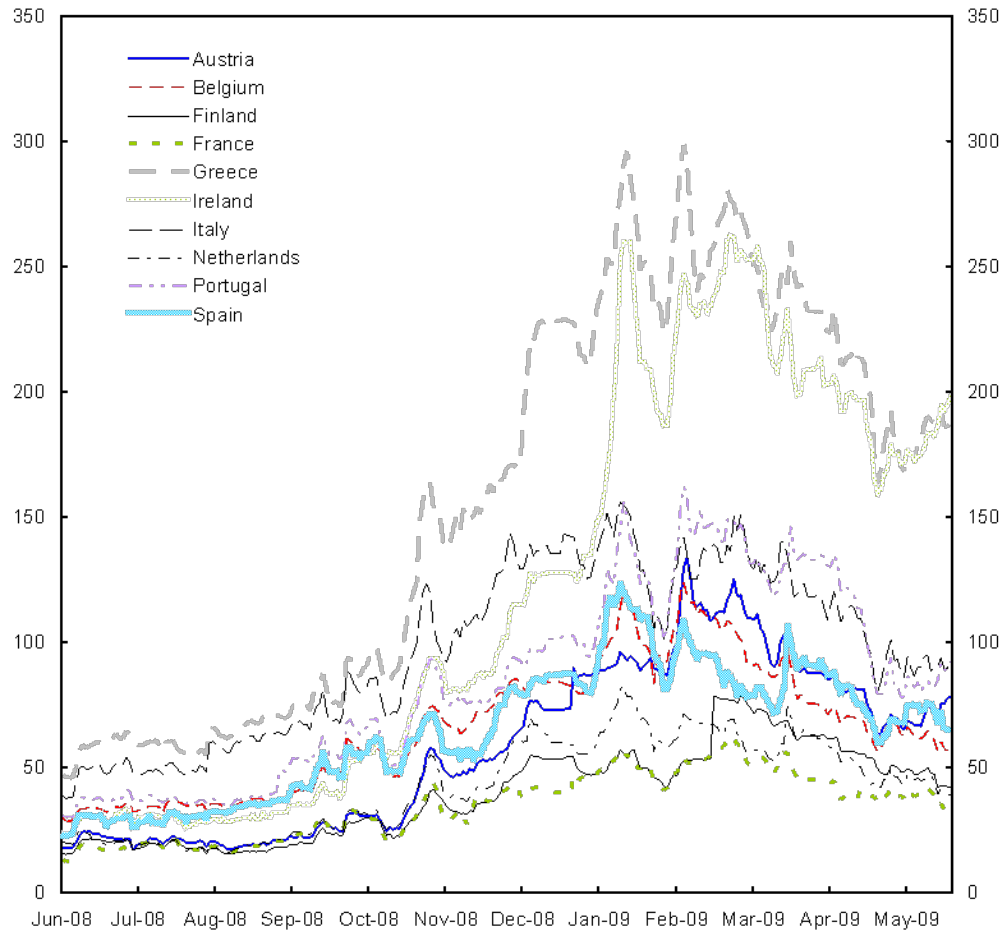
	Capital Injection	Purchase of Assets and Lending by Treasury	Central Bank Support Provided with Treasury Backing	Guarantees	Up-front Government Financing
	(A)	(B)	(C)	(D)	(E)
Austria	5.3	0.0	0.0	30.0	5.3
Belgium	4.7	0.0	0.0	26.2	4.7
France	1.2	1.3	0.0	16.4	1.5
Germany	3.8	0.4	0.0	18.0	3.7
Greece	2.1	3.3	0.0	6.2	5.4
Ireland	5.3	0.0	0.0	257.0	5.3
Italy	1.3	0.0	0.0	0.0	1.3
Netherlands	3.4	2.8	0.0	33.7	6.2
Norway	2.0	15.8	0.0	0.0	15.8
Portugal	2.4	0.0	0.0	12.0	2.4
Spain	0.0	4.6	0.0	18.3	4.6
Sweden	2.1	5.3	0.0	47.3	5.8
Switzerland	1.1	0.0	0.0	0.0	1.1
United Kingdom	3.9	13.8	12.9	51.2	20.2
<b>Average</b>	<b>2.5</b>	<b>3.7</b>	<b>2.1</b>	<b>25.0</b>	<b>6.3</b>

Sources: IMF, Update on Fiscal Stimulus and Financial Sector Measures (published April 26, 2009)  
<http://www.imf.org/external/np/fad/2009/042609.htm>

# Euro Area sovereign spreads

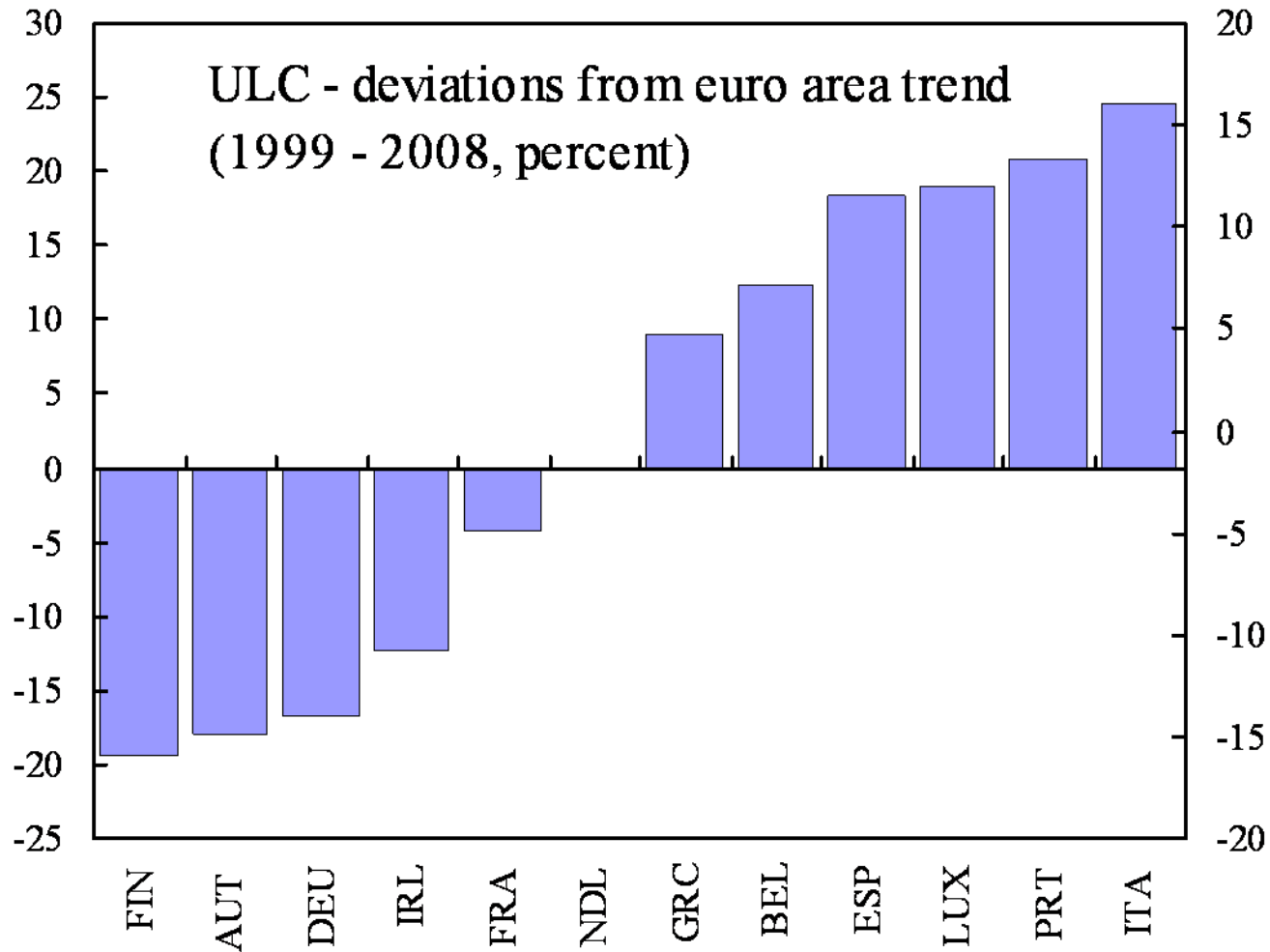
**Selected Euro Area Sovereign Spreads**

(Yields on 10-year government bonds over Bunds, in basis points)



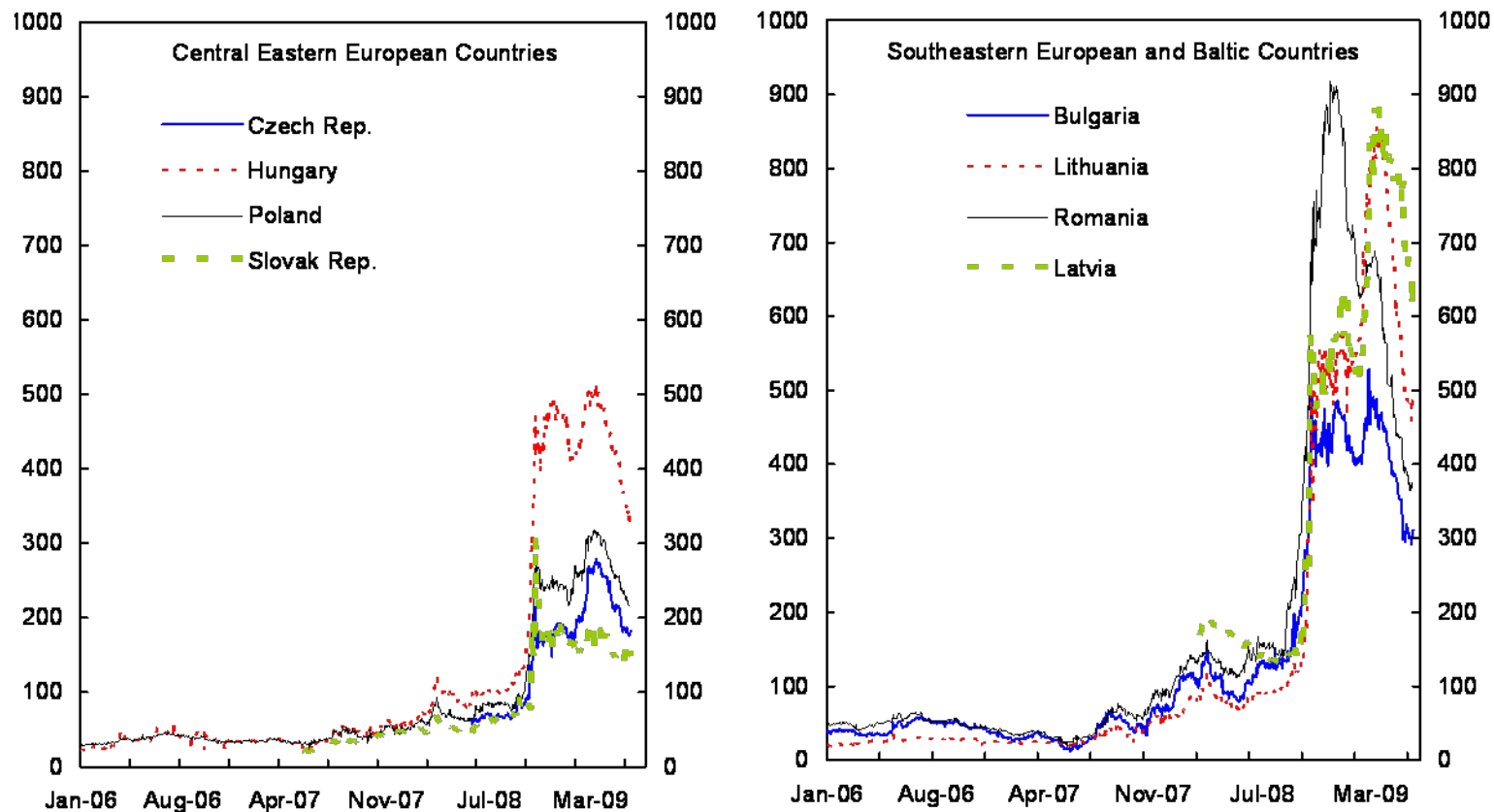
Source: Datastream.

# Competitiveness in the euro area



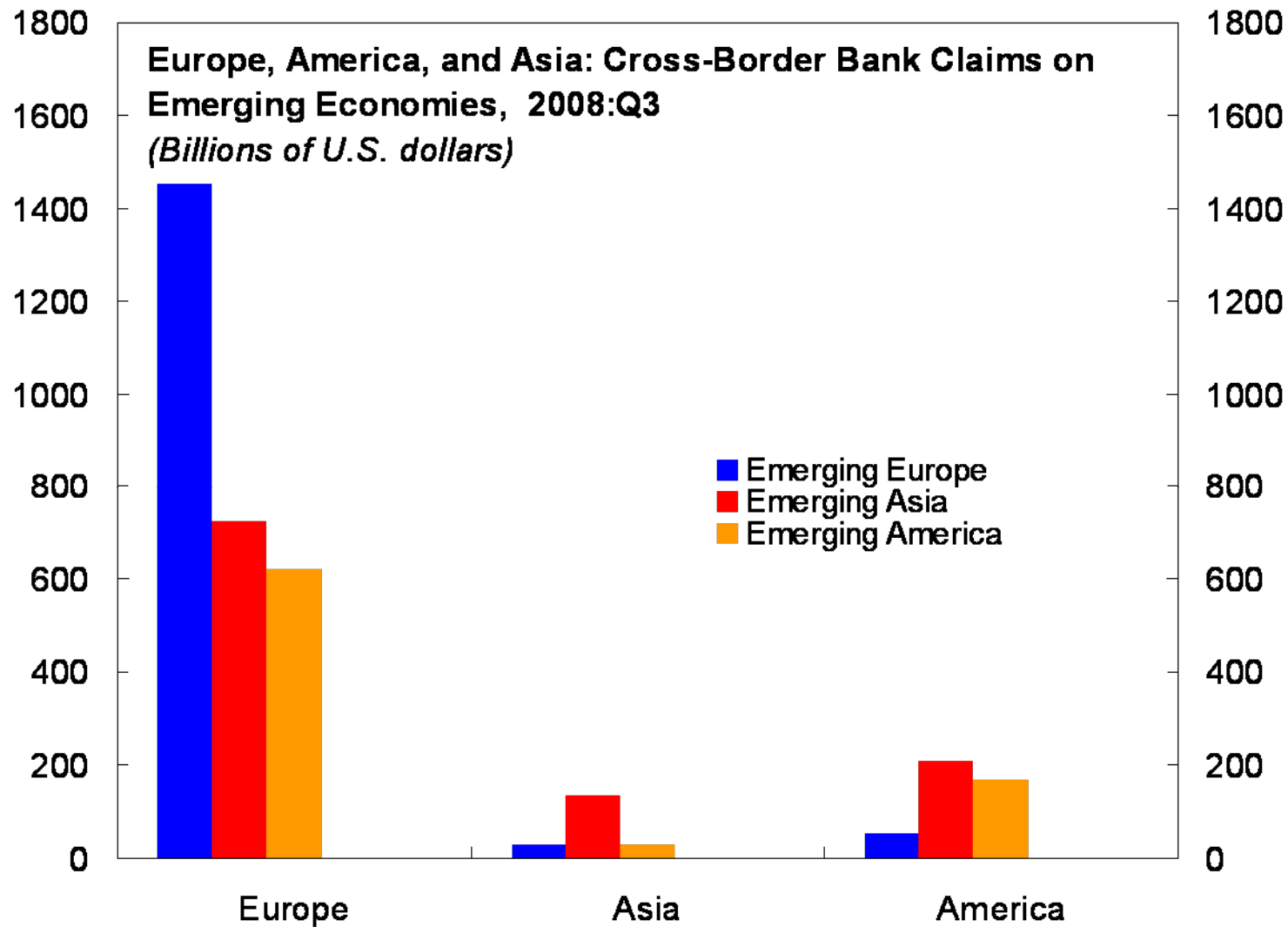
# *Sovereign spreads in new member states*

Euro EMBI Spreads



Sources: Bloomberg; and IMF staff calculations.

# Financial integration within Europe



Source: Bank for International Settlements.