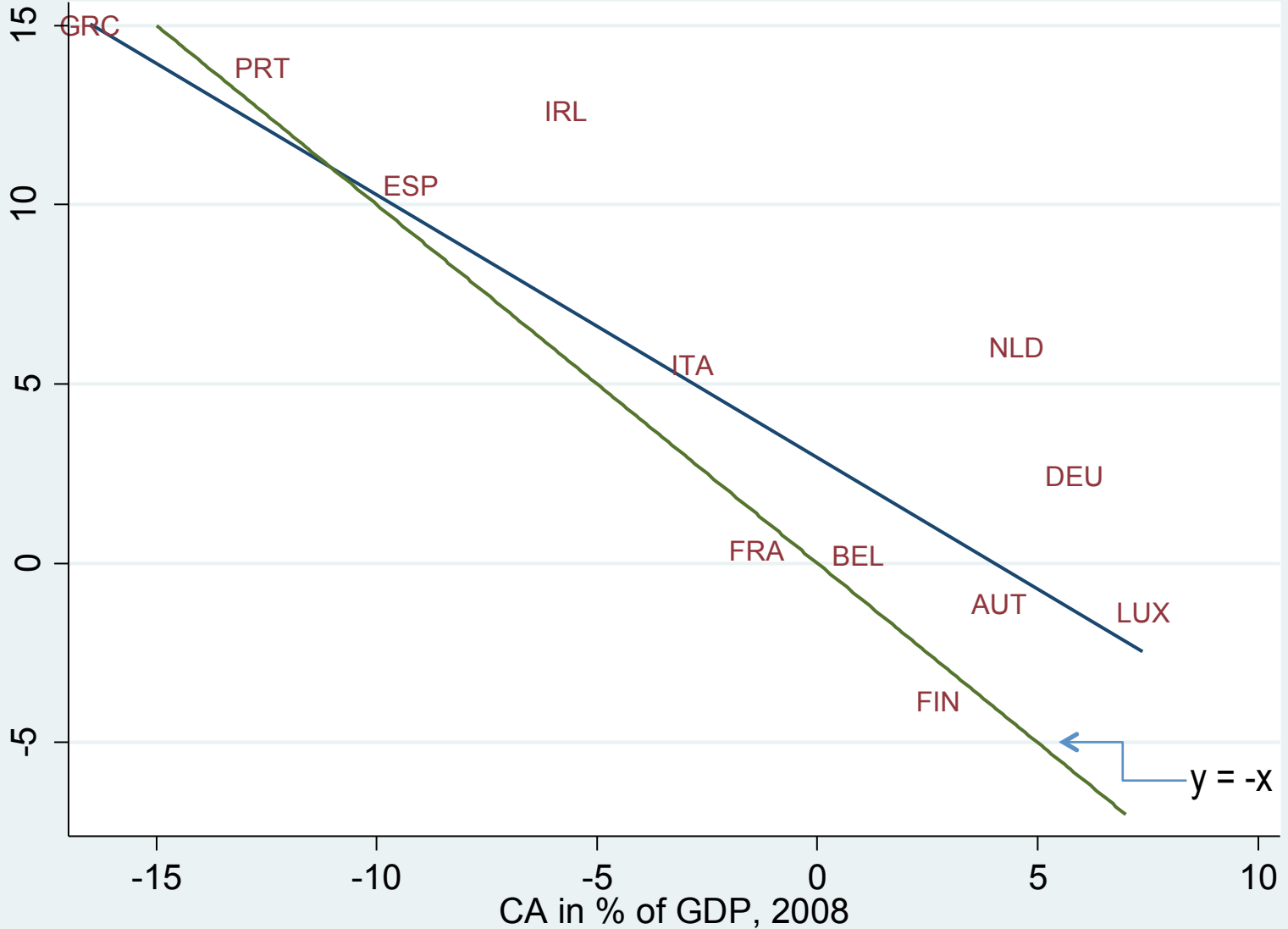


Rebalancing and (lack of) co-ordination in the euro area

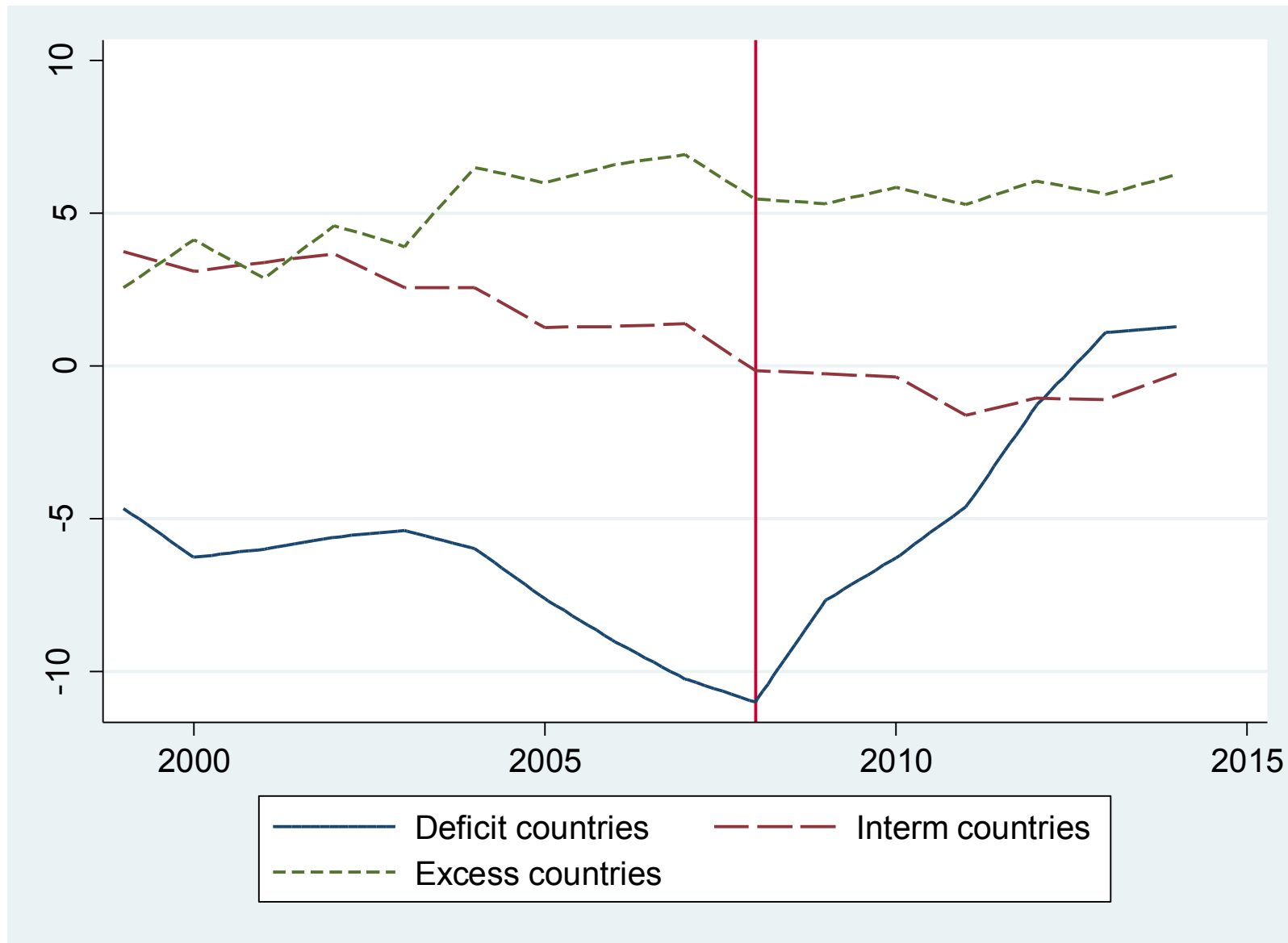
Sébastien Jean

LECE - 5 June 2015

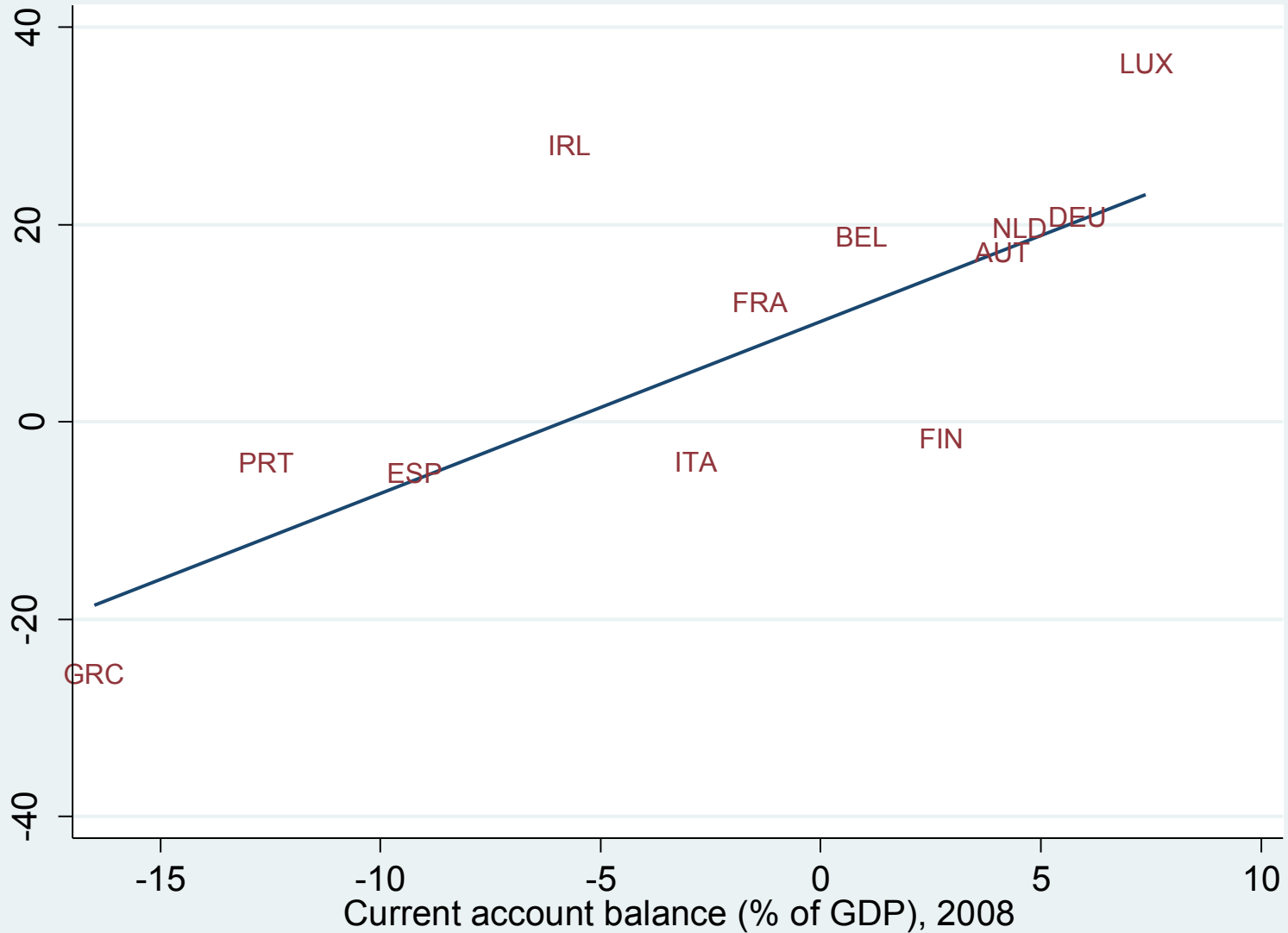
Current account adjusted to a large extent



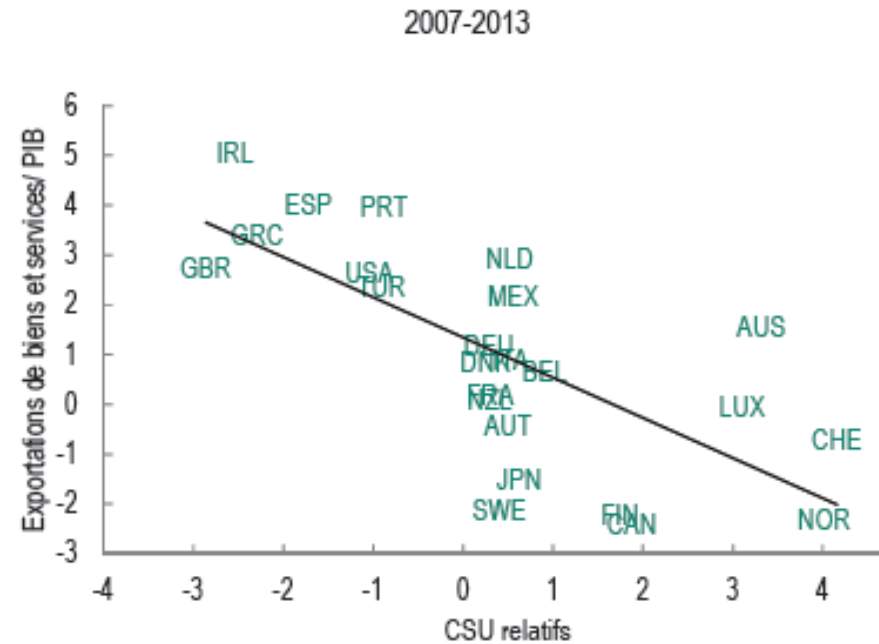
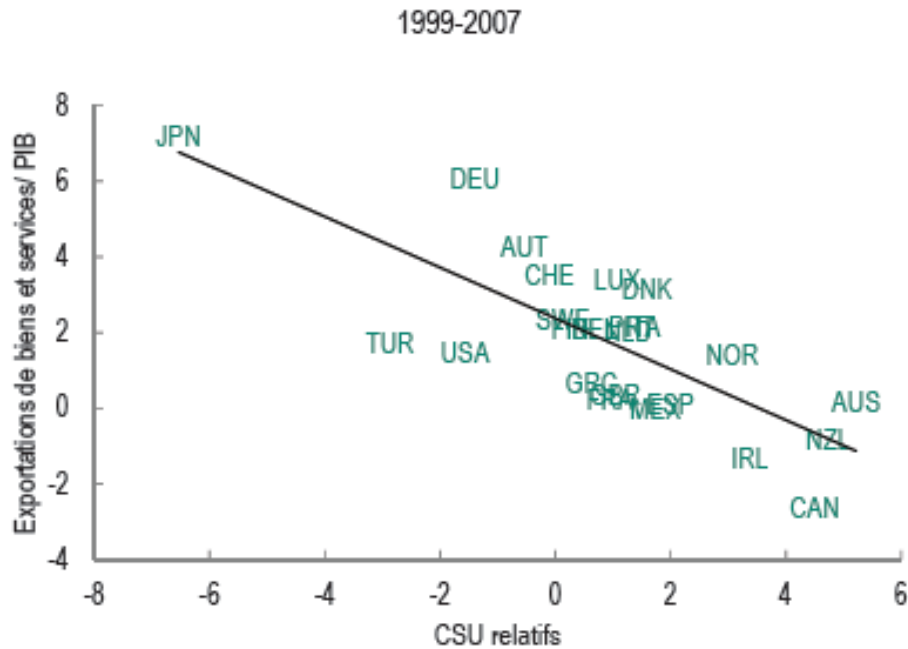
CA adjustment has been asymmetric (mean CA, % of GDP)



Imports did adjust significantly

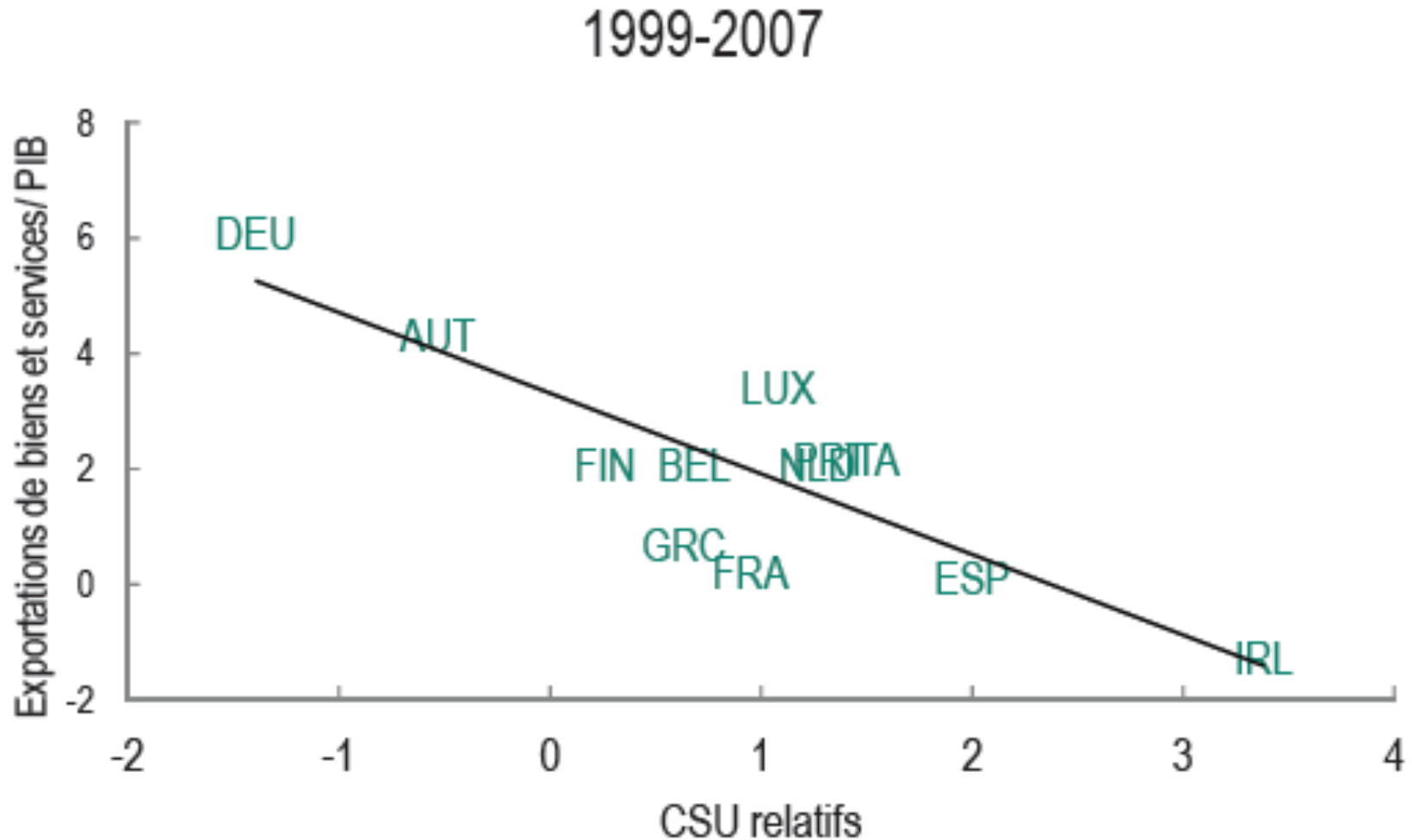


Exports / GDP is correlated with relative ULCs (1)



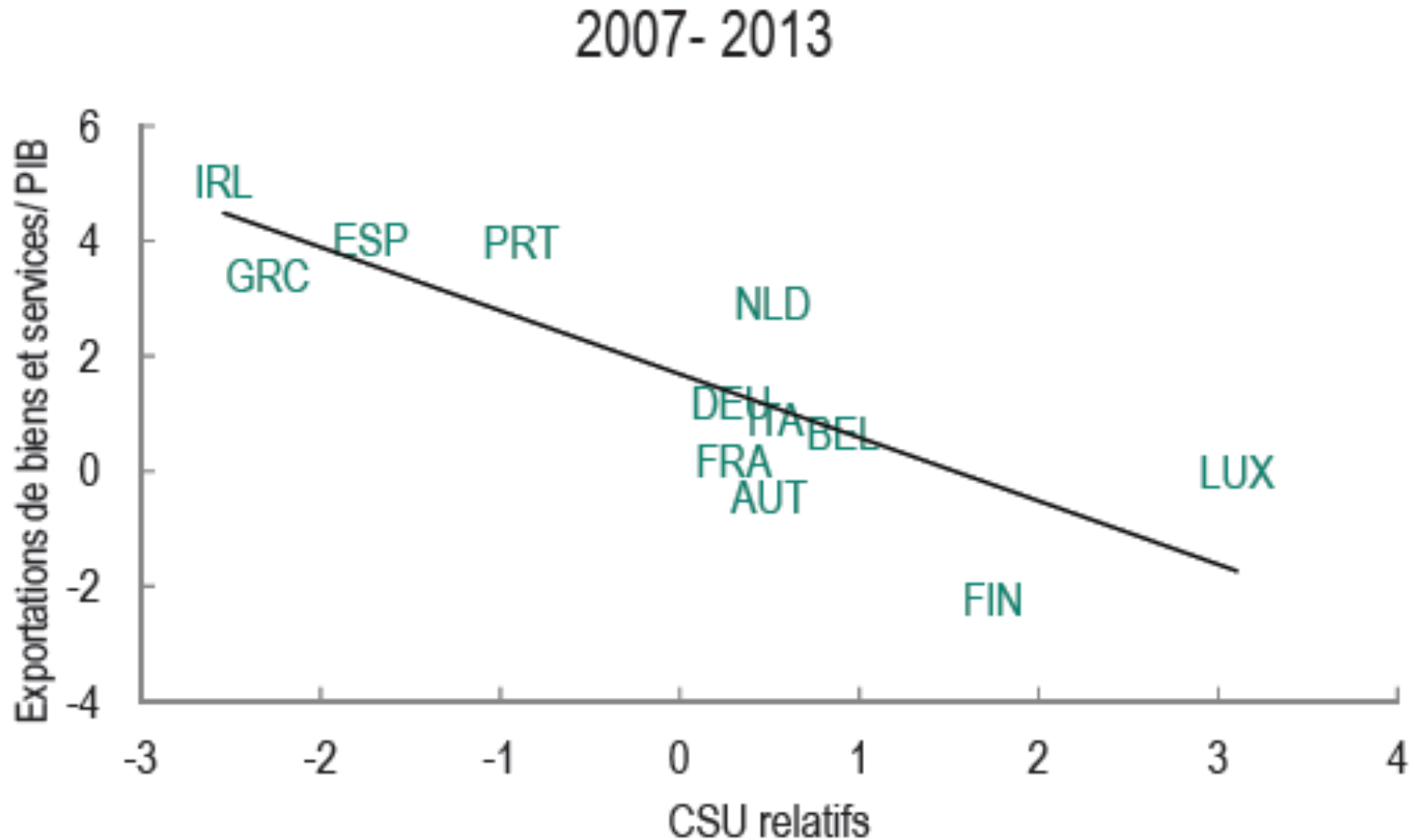
Source: Bussière, Gaulier et Jean (La Lettre du CEPII, décembre 2014).

Exports / GDP is correlated with relative ULCs (2)



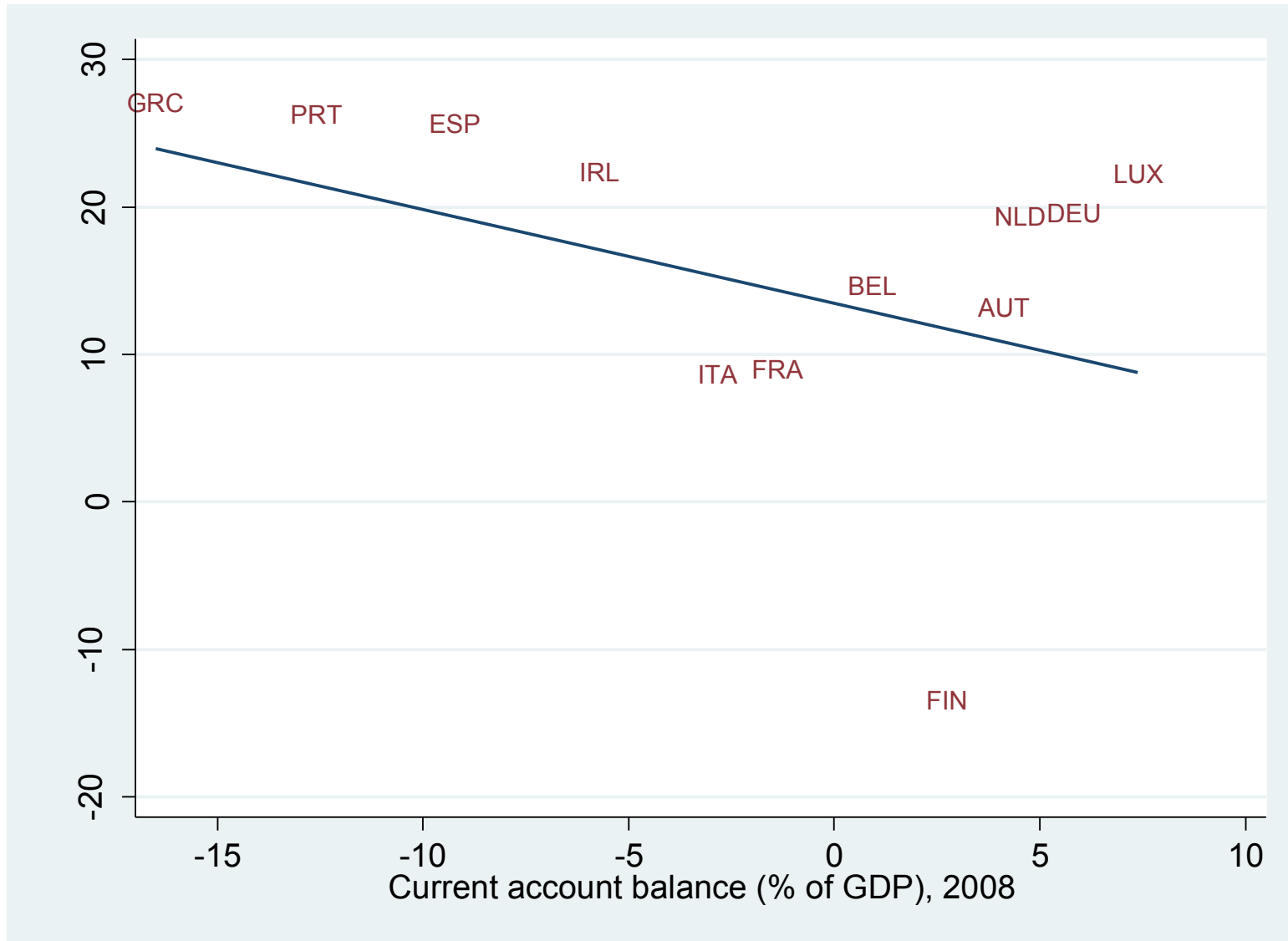
Source: Bussière, Gaulier et Jean (La Lettre du CEPII, décembre 2014).

Exports / GDP is correlated with relative ULCs (3)

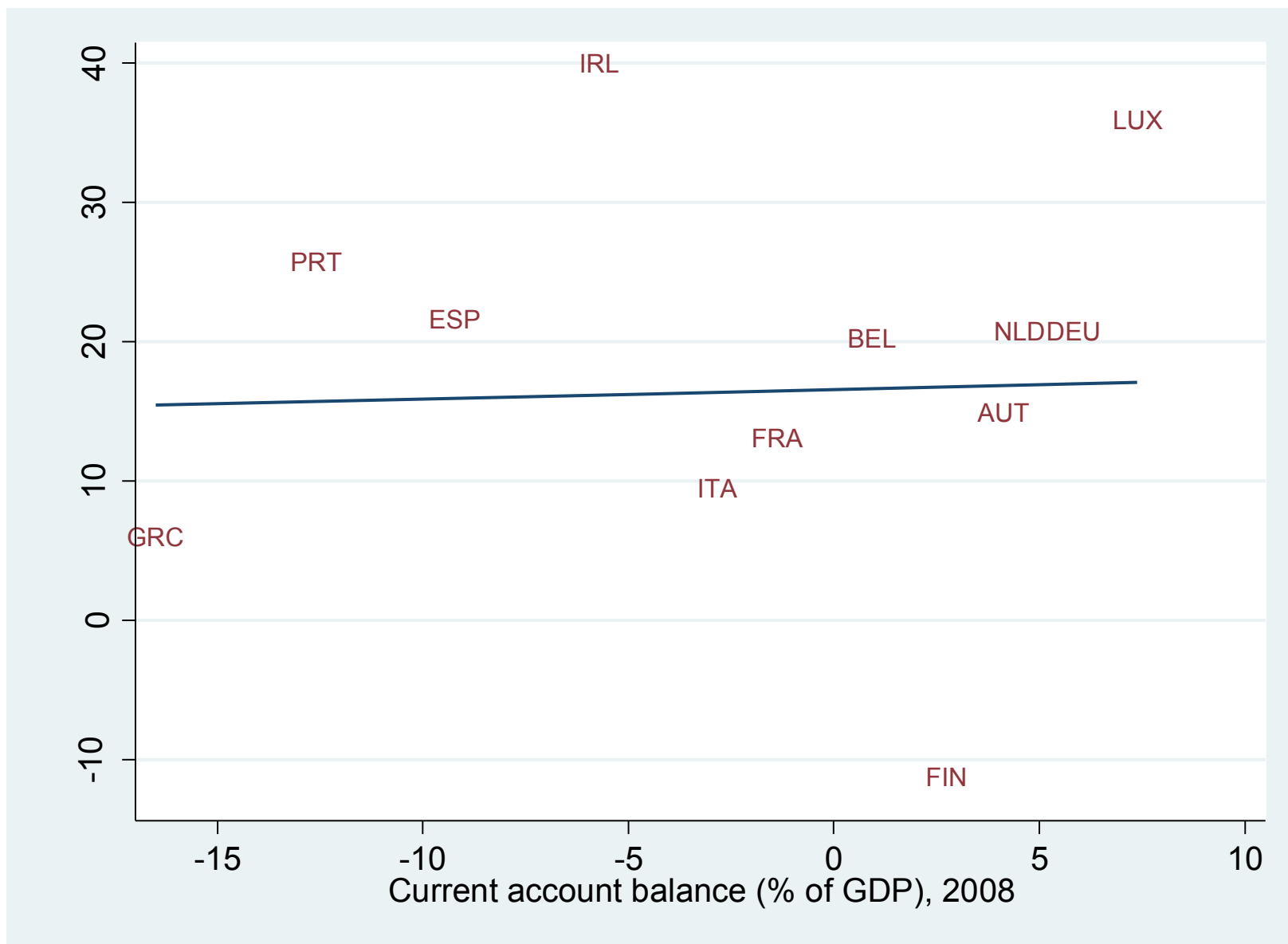


Source: Bussière, Gaulier et Jean (La Lettre du CEPII, décembre 2014).

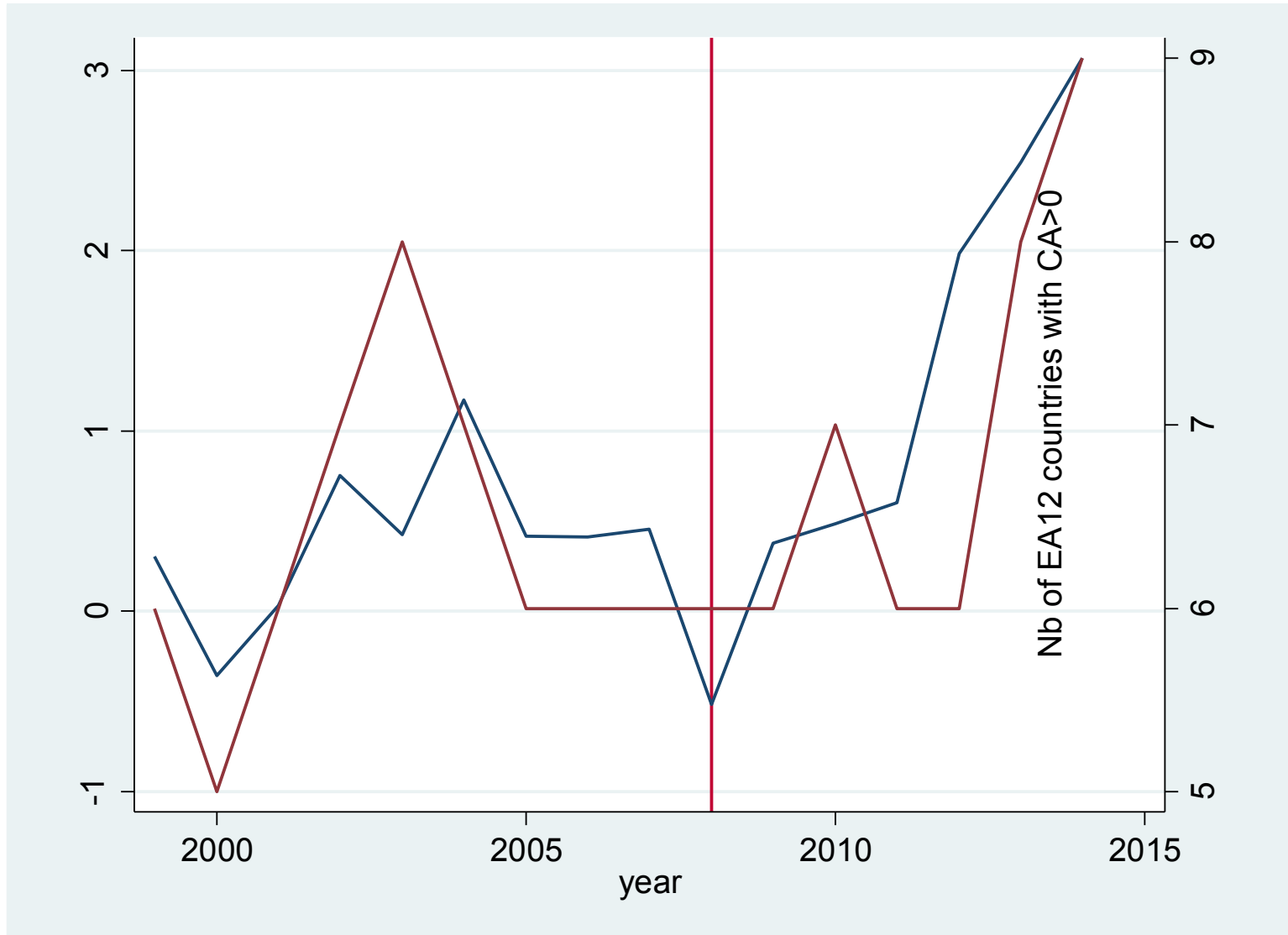
But adjustment in goods exports has been limited



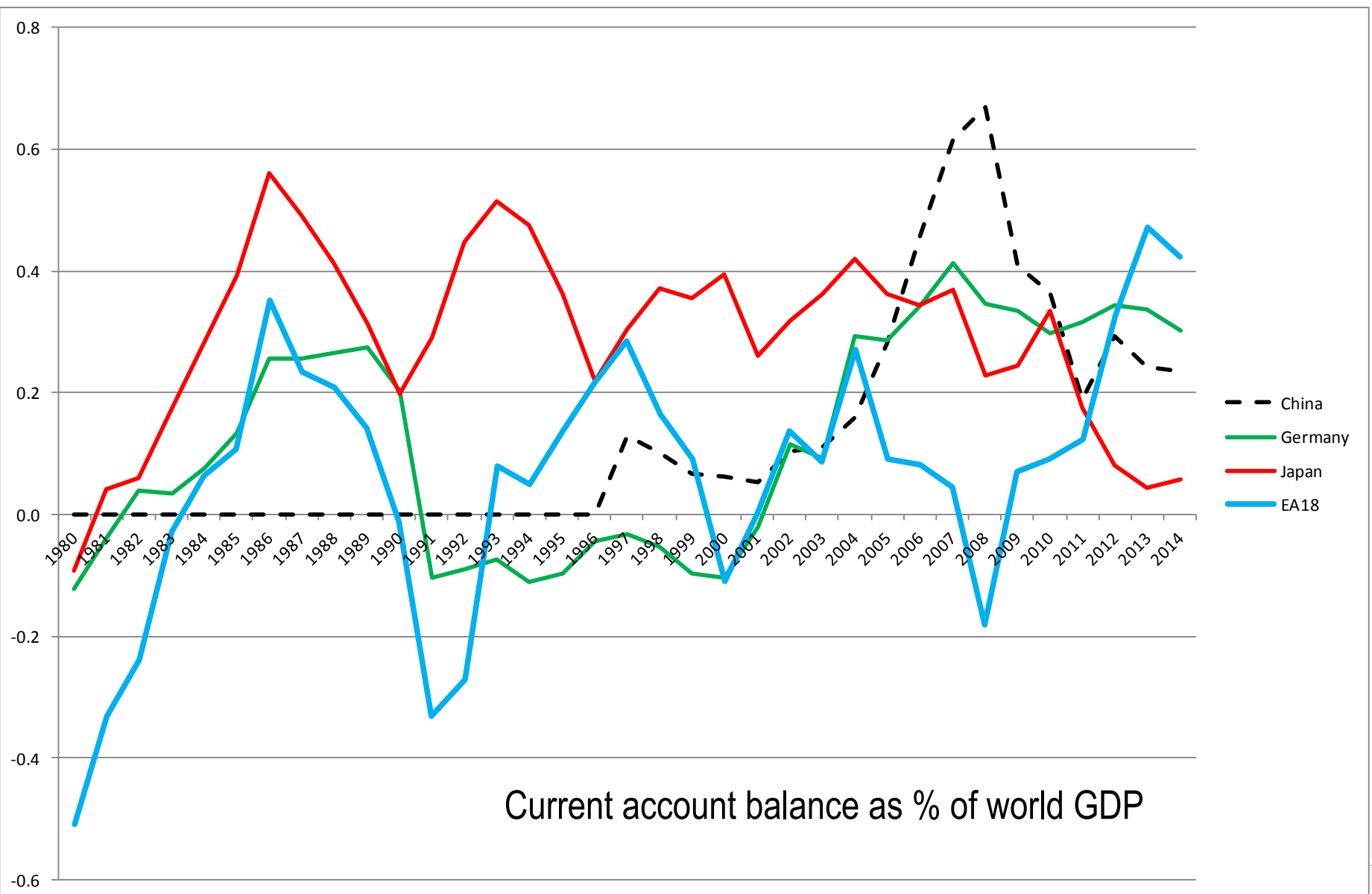
And adjustment in G&S exports has been absent!



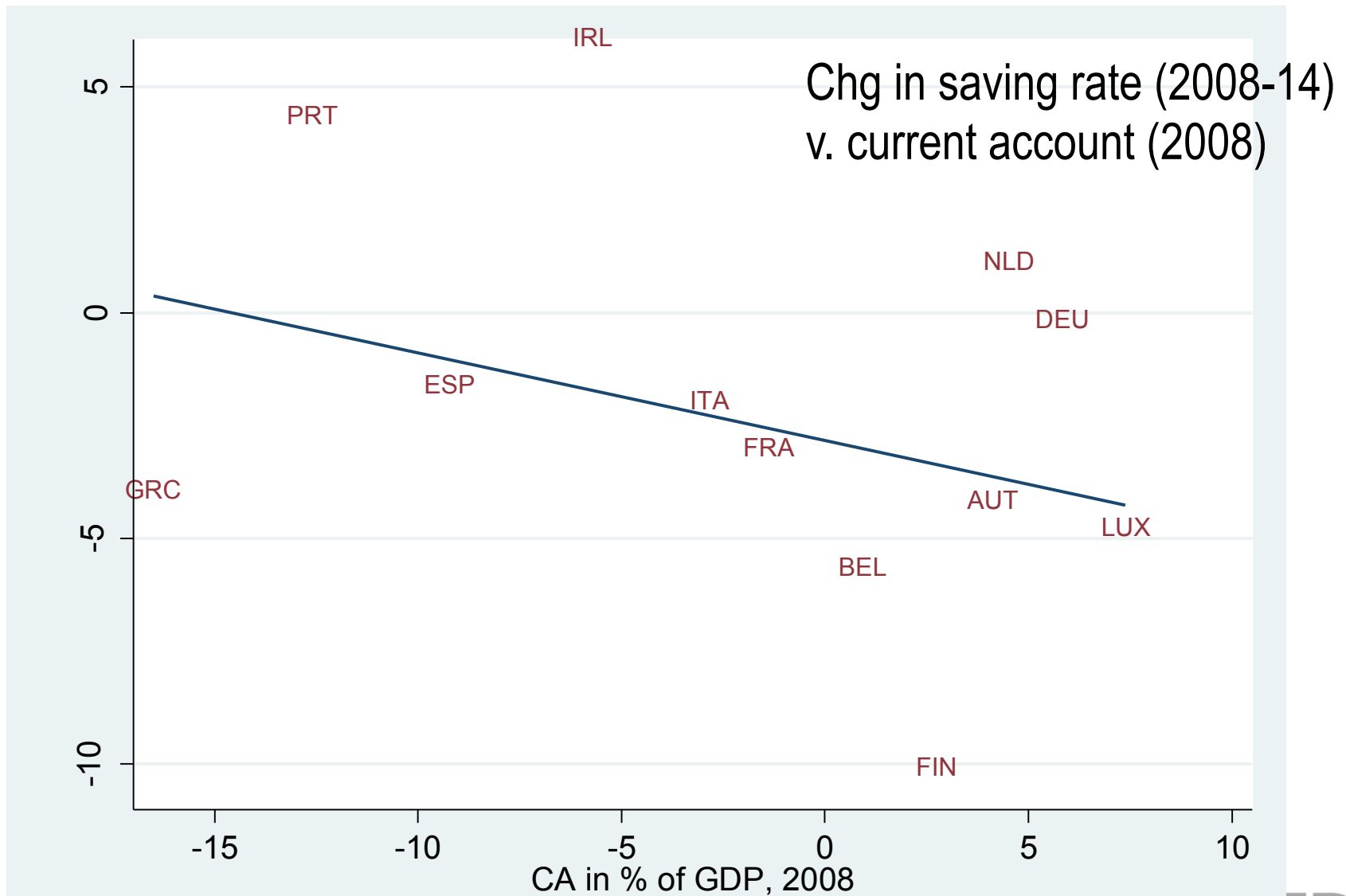
Is EA behaviour becoming pathological?



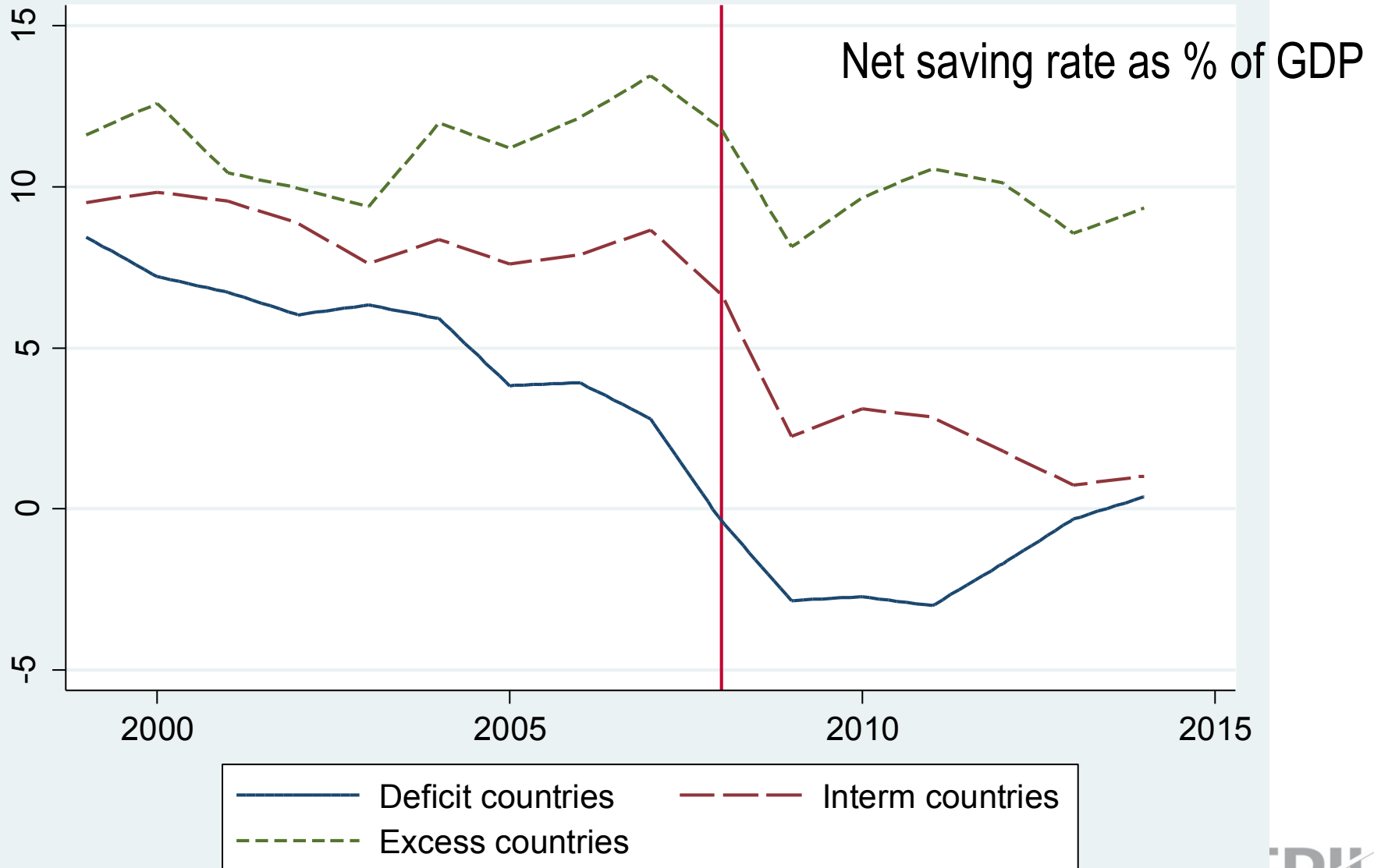
Is EA behaviour becoming pathological? (2)



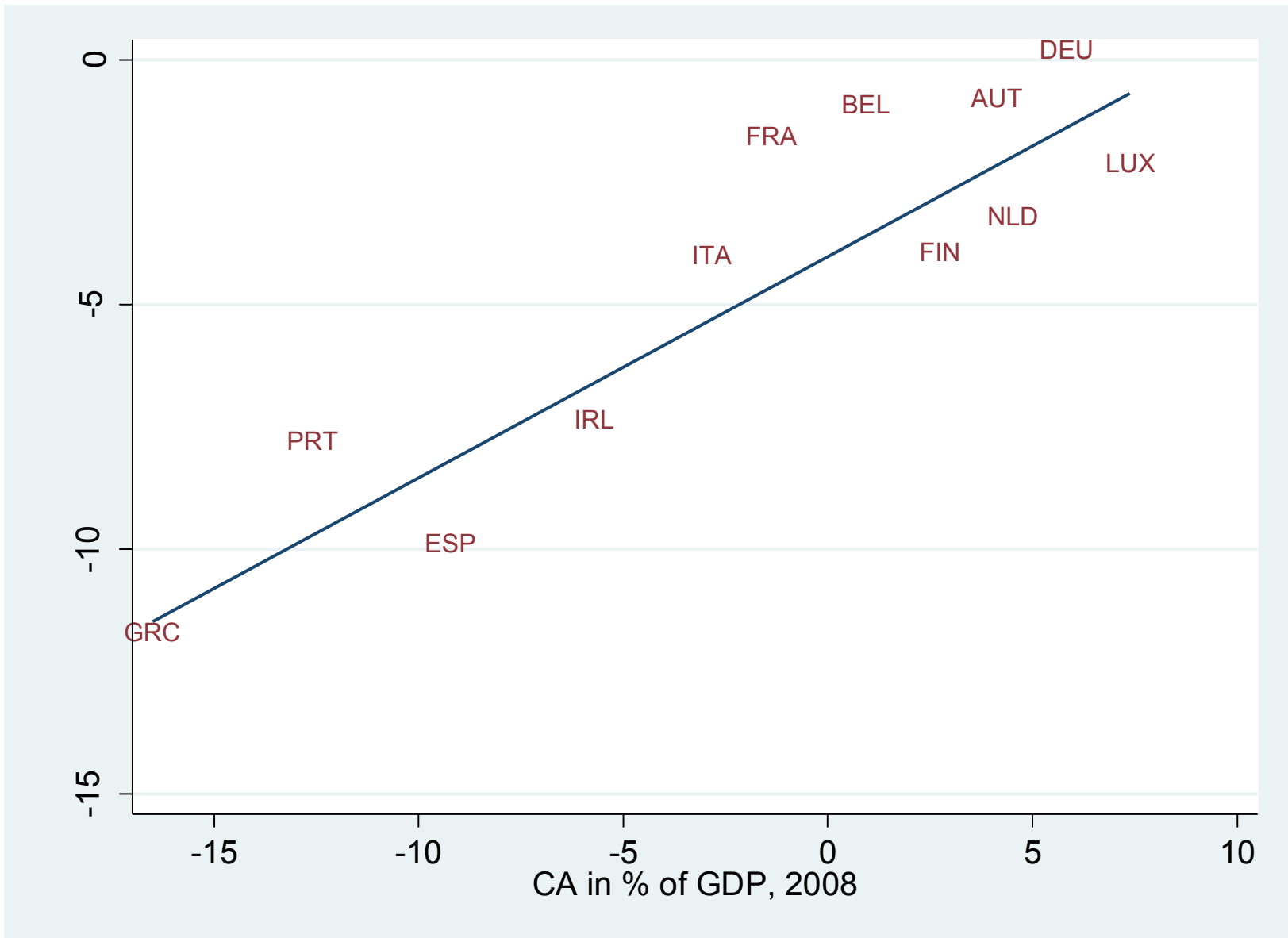
Adjustment: not through savings...



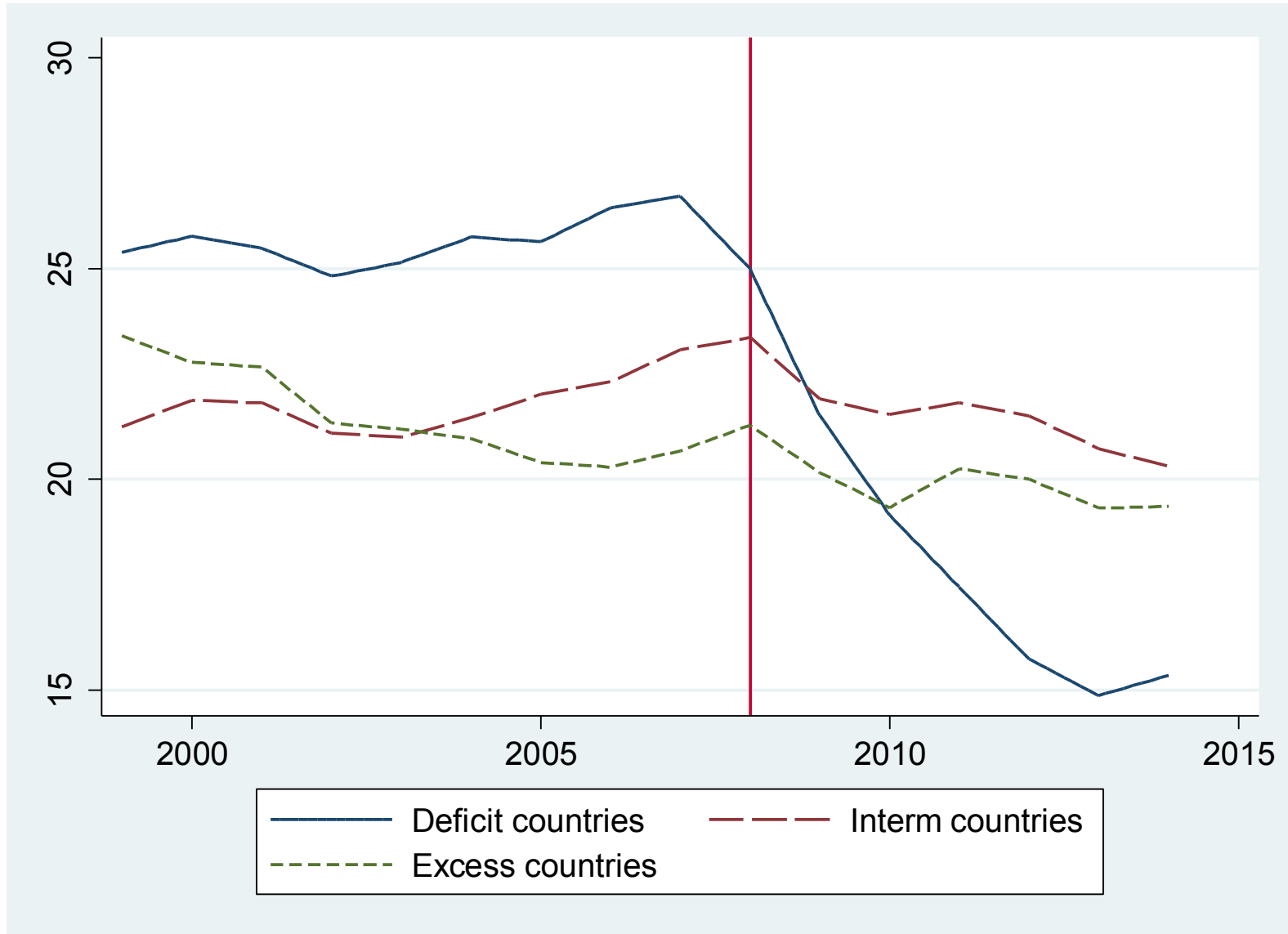
Adjustment: not through savings... (2)



Only through investment!



And mainly, investment in deficit countries (GFCF, % of GDP)



Differences in Phillips curve's slope may be problematic

Country	Date	Coef	Stdev
Germany	1985	0.72	0.18
Germany	2000	0.17	0.20
Germany	2014	0.03	0.25
France	1985	1.11	0.21
France	2000	0.38	0.33
France	2014	0.65	0.42
Italy	1985	1.31	0.34
Italy	2000	0.04	0.42
Italy	2014	0.40	0.37
Spain	1985	0.39	0.11
Spain	2000	0.11	0.14
Spain	2014	0.18	0.10

Source: Blanchard, Cerrutti, Summers (2015, Table 6)



CEPII

RECHERCHE ET EXPERTISE
SUR L'ÉCONOMIE MONDIALE

sebastien.jean@cepii.fr

More information / statistics / analyses at
www.cepii.fr