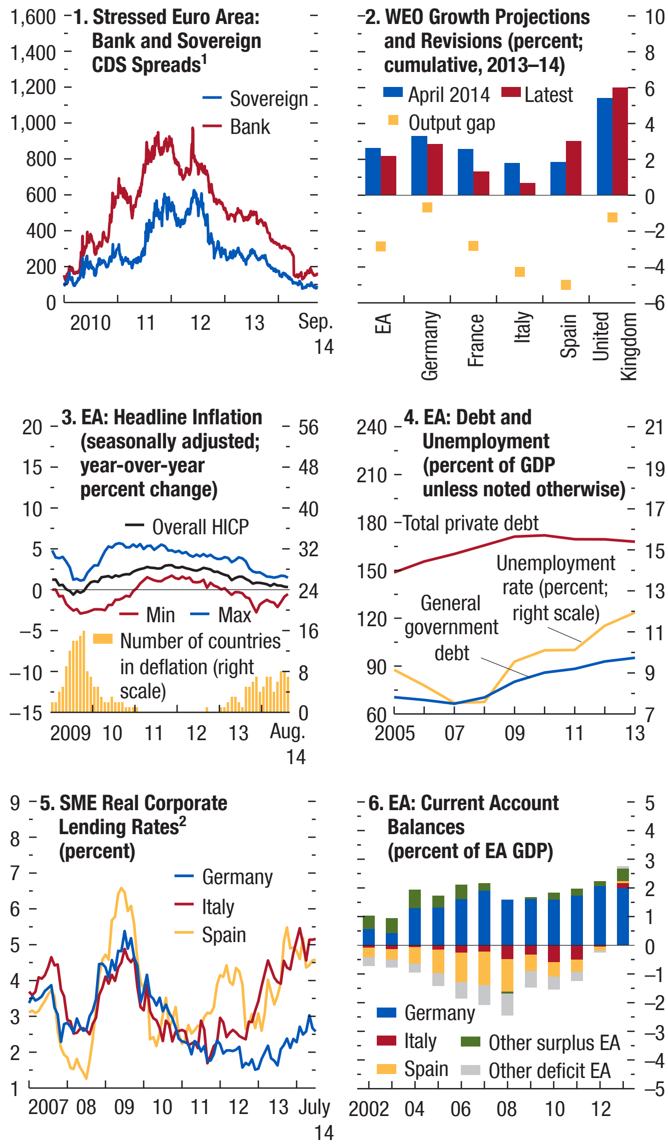
Figure 2.3. Advanced Europe: At Different Stages of Recovery

Financial markets remain generally resilient as a fragile recovery gets under way in the euro area. However, inflation remains low, reflecting large output gaps for most euro area countries. Stubbornly high unemployment rates, large debt, and persistent financial fragmentation continue to provide headwinds to growth. Current account balances have improved, but with persistent surpluses in creditor economies.



Sources: Bloomberg, L.P.; European Central Bank; Eurostat; Haver Analytics; IMF, World Economic Outlook database; and IMF staff estimates.

Note: Euro area (EA) = Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovak Republic, Slovenia, Spain. CDS = credit default swap; HICP = harmonized index of consumer prices; SME = small and medium enterprise.

[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 September 22, 2014. All stressed euro area countries are included, except Greece.

[2]Monetary and financial institutions' lending to corporations under €1 million, one to five years.