Why The Euro Area Needs Debt Reduction

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures

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Why Europe needs Debt Reduction

● Debt is bad

● Debt makes the euro area’s current problems worse

● If debt is the problem, austerity is not the (full) answer
Debt in the Euro Area (and elsewhere) is too high

Non-financial sector gross debt (% of GDP)

Note: Gross debt of households, non-financial corporations and the general government.
Sources: National Accounts and Citi Research.

Sources: National Sources and Citi Research Forecasts (Oct-13).
The EA isn’t working

Unemployment rate (%)

Educational Achievement (% of population), 2011

Sources: Eurostat and Citi Research.

Sources: OECD and Citi Research.
Banks are not lending and are not fixed yet...

Banks’ Holdings of Domestic Govt Debt

Sources: ECB and Citi Research
### EU Poll - Stereotypes in Europe:
Which EU nation is most likely to be named...

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Note: Poll conducted in eight EU countries among 7,646 respondents from March 2 to March 27, 2013. Source: Pew Research Centre
If debt is the problem, austerity is probably not the (full) answer…

… nor is (tight) monetary policy. Many actions are needed.

**Change in Central Banks Balance Sheet (ppts of GDP)**

- Q2-08 - Q1-13
- since Q1-13
- Real GDP growth (%pa) since Q2-08

**CPI Inflation (%YoY)**

Sources: National Central Banks and Citi Research.

Sources: National Sources and Citi Research Forecasts (Oct-13).
Appendix A-1

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