Spillover risk from crisis downplayed

While Europe is likely to still slip into recession, various measures taken by eurozone leaders to address the debt crisis has reduced spillover risks, says Jens Sondergaard, an economist based in London.

Mr. Sondergaard, a former executive director of Nomura International, said the European Central Bank's (ECB) move to purchase short-term government bonds has helped reduce the risk of a further deterioration in the eurozone crisis.

The European Stability Mechanism, established earlier this year with 500 billion (19.9 trillion baht) in funds to offer financial assistance to cash-strapped countries and banks, should also help ease stress within the region.

And coordinated moves to ease global monetary policy, notably by US Federal Reserve, the Bank of Japan and the Bank of Australia, should also help ease fears of a repeat of the downturn, such as those seen in 2008-2009.

Mr. Sondergaard, who was speaking in Bangkok on Saturday at the Asia-Europe Editors' Roundtable, said another cause for optimism is the strong political support in surveys in Germany, Finland, Spain and Italy for austerity measures to remain within the euro.

The elections in Greece earlier this year has also resulted in a coalition government that is likely to continue to support the country's participation in the single currency.

German Chancellor Angela Merkel's visit to Greece also sent a signal that from the German perspective, Greece should remain within the eurozone, Mr. Sondergaard said.

"The key question is if the market is willing to give Europe another year or year and a half to sort things out," he said at the roundtable.

"You will probably get some market pressure in the next couple of weeks which will most likely force Spain into asking the ECB to buy bonds."

He said people recognise that the cost of staying within the eurozone is high, but they fear that the outcome of a disorderly exit on their assets and savings could be even higher.

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