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Euro Declines for Third Day Versus Dollar, Yen as Growth Slows
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By Ron Harui and Paul Dobson

Feb. 12 (Bloomberg) -- The euro fell for a third day against the dollar and the yen on speculation that Europe's recovery from last year's recession is slowing.

The euro weakened to its lowest level in almost nine months against the U.S. currency on concern a European Union plan to assist Greece that leaders detailed in a statement yesterday will fall short in helping the nation tackle its fiscal deficit.
A report showed the euro region's economic recovery slowed more than forecast in the fourth quarter last year. The yen rose against higher-yielding currencies after China's central bank said it will raise banks' reserve requirements.

"The statement yesterday bought the euro zone some time but unless something is done soon, downside pressure on the euro will persist," said Geoffrey Yu, a currency strategist at UBS AG in London. The GDP data will "give euro zone leaders an even greater incentive to get Greece sorted," he said.

The euro declined to $1.3557 as of 10:35 a.m. in London, from $1.3693 in New York yesterday. It earlier slid to $1.3537, the lowest level since May 19. The European currency fell to
121.56 yen from 122.90 yen. The Japanese currency was little changed at 89.75 yen per dollar.

The euro headed for a fifth weekly decline for the first time in more than a year. The region's gross domestic product advanced 0.1 percent in the fourth quarter, compared with a 0.4 percent gain in the previous three months, the European Union's statistics office in Luxembourg said today. Economists forecast an expansion of 0.3 percent, the median of 34 estimates in a Bloomberg survey showed.

Concrete Steps

EU leaders declined to set out concrete steps to aid Greece in a statement released following their summit in Brussels yesterday. They left open how they would respond to a fresh wave of speculative attacks against the bonds of Greece or countries such as Spain and Portugal, which are also struggling to cut their deficits.

The EU plan, brokered by German Chancellor Angela Merkel, Greek Prime Minister George Papandreou and European Central Bank President Jean-Claude Trichet, called for closer monitoring of the Greek economy.

"If push comes to shove, euro-zone governments would be bailed out, but the process of finding this out may have created a significant short-term problem for the euro," said Steve Barrow, head of Group-of-10 foreign-exchange strategy in London at Standard Bank Plc.

Debt Burdens

The common currency has fallen 4.8 percent against the dollar this year on concern nations with the biggest debt burdens will struggle to meet their obligations. Investor attention now turns to a meeting of finance ministers in Brussels on Feb. 15-16.

Greece, representing 2.7 percent of the trading bloc’s $13 trillion economy, posted a budget deficit of 12.7 percent of gross domestic product in 2009, more than four times the EU’s 3 percent limit.

“Only a new mechanism for working out sovereign bankruptcy and/or for conditional loan provision can sustainably eliminate the risk of contagion in the euro zone,” Michael Hart, a foreign-exchange strategist at Citigroup Inc. in London, wrote in a report yesterday. “With this not in sight, downward pressure on the euro is eventually set to return.”

The Swiss franc declined against the dollar, prompting speculation that the central bank sold the currency to safeguard the economic recovery.

The franc was 1 percent weaker at 1.0810 against the dollar.

Nicolas Haymoz, a spokesman for the Swiss National Bank in Zurich, declined to comment.

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