Spain's interest rates inconsistent with its economy: ministers

BERLIN, July 24 (Xinhua) -- Spain's soaring costs of borrowing on the market did not reflect accurately its economic status and potential, the German and Spanish finance ministers said late Tuesday.

"The current level of interest rates prevailing in the sovereign debt market correspond to neither the economic fundamentals of Spanish, or its growth potential and the sustainability of its public debt," German Finance Minister Wolfgang Schaeuble and his Spanish counterpart Luis de Guindos said in a jointly statement after they met in Berlin.

Their comments came as the two-year-long eurozone debt illness worsened quickly in recent days, with Spain, Europe's fourth largest economy, jumping into the spotlight of the crisis.

On Tuesday, the yield of Spain's benchmark 10-year government bond hit 7.621 percent, well above the dangerous threshold of seven percent widely seen as unsustainable. Markets are worried that the unbearable borrowing costs would finally force Madrid to seek a full-blown bailout package, just as Greece, Ireland and Portugal.

Meanwhile, Madrid stocks slumped sharply 3.58 percent to their lowest level since April 2003, after several consecutive days of decline.

In the statement, ministers of the two countries stressed that the Spanish government has "taken important steps to make the economy back on track".

Spain has made ambitious plans of budget cuts and written a deficit rule into the constitution, which would "contribute to the sustainable fiscal consolidation in the state as a whole", the ministers said.

The two ministers' meeting also followed a strong warning from the Moody's on Monday, as the rating agency lowered the economic outlook of Germany, Europe's strongest economy, as well as other two triple-A rating countries, the Netherlands and Luxembourg, from stable to negative.

Berlin reacted calmly on Moody's announcement, saying that Germany is "unchanged in its sound economic and financial situation" and would continue to exercise an anchor role of stability in the eurozone.