



EUROPEAN ECONOMIC FORECAST

Autumn 2019

7 NOVEMBER 2019

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Commissioner for Economic and Financial Affairs, Taxation and Customs

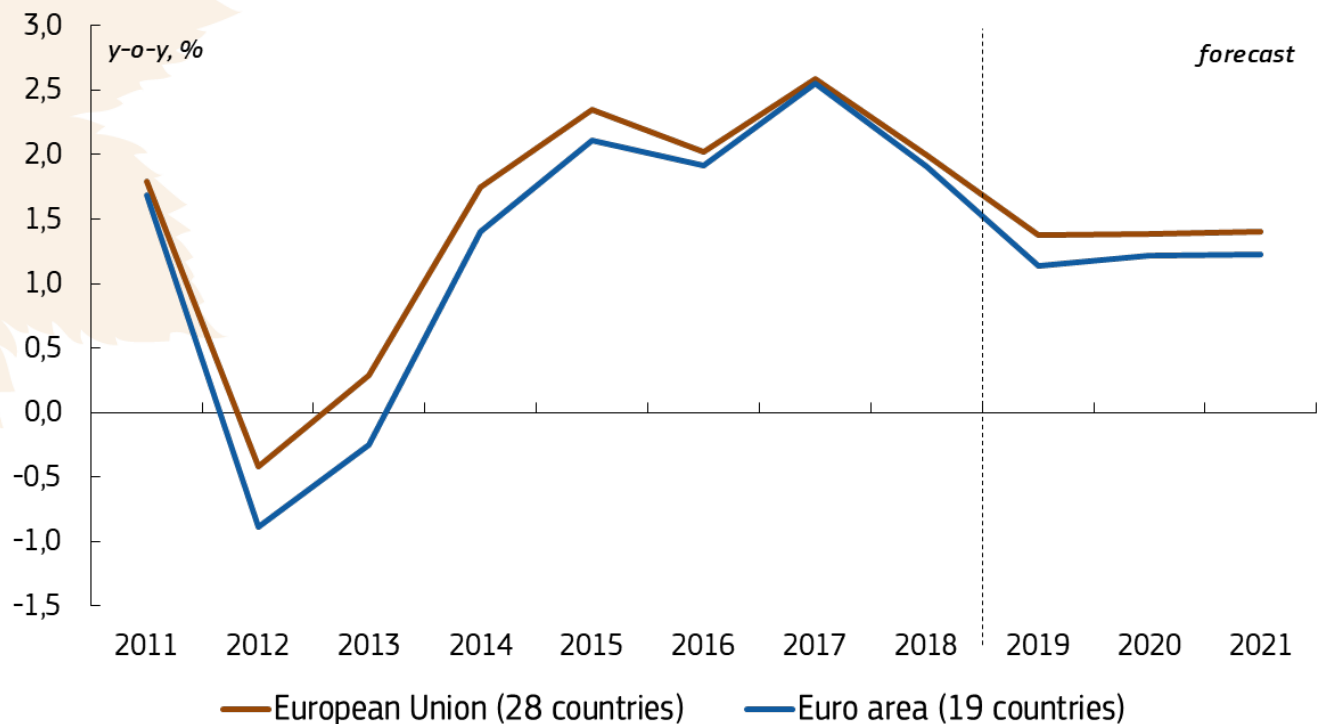
Key messages from the Autumn 2019 European Economic Forecast

1. Fundamentals of the EU economy are solid
2. Economic growth expected to remain subdued
3. Trade tensions and high uncertainty have hit manufacturing
4. Downside risks remain prominent
5. Inflation is still muted



Growth expected to remain in low gear

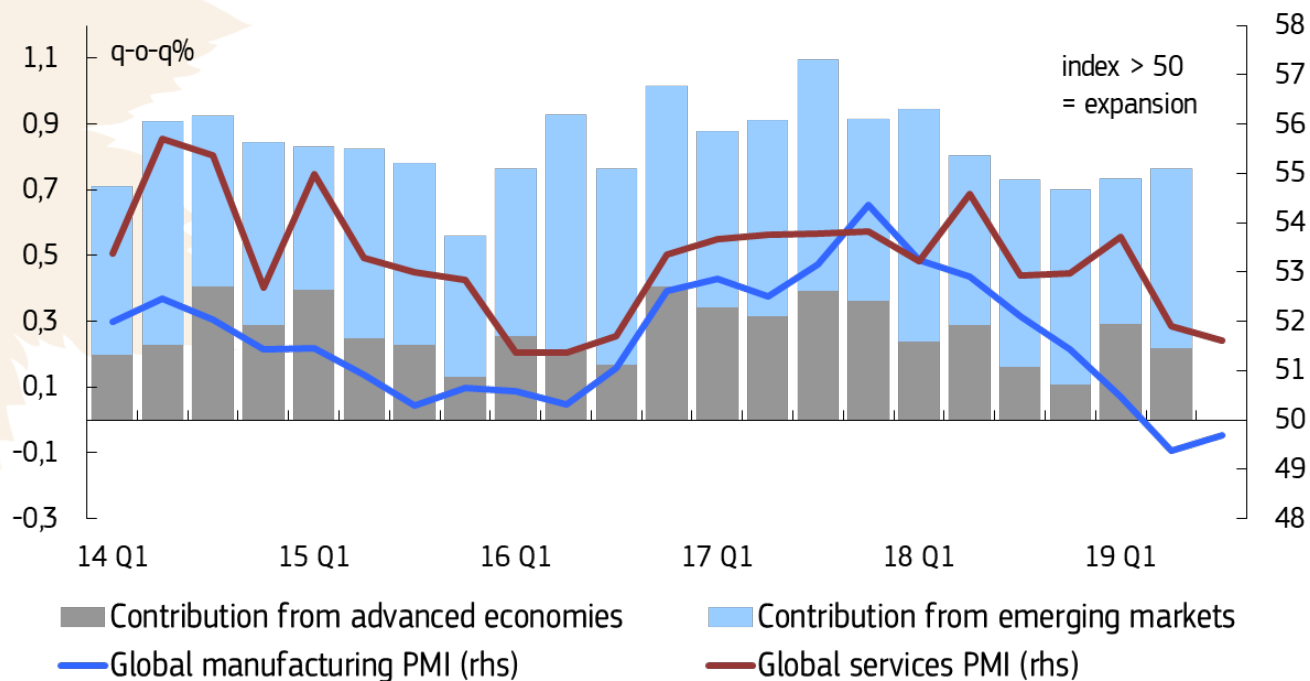
Real GDP growth



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Global growth set to remain weak

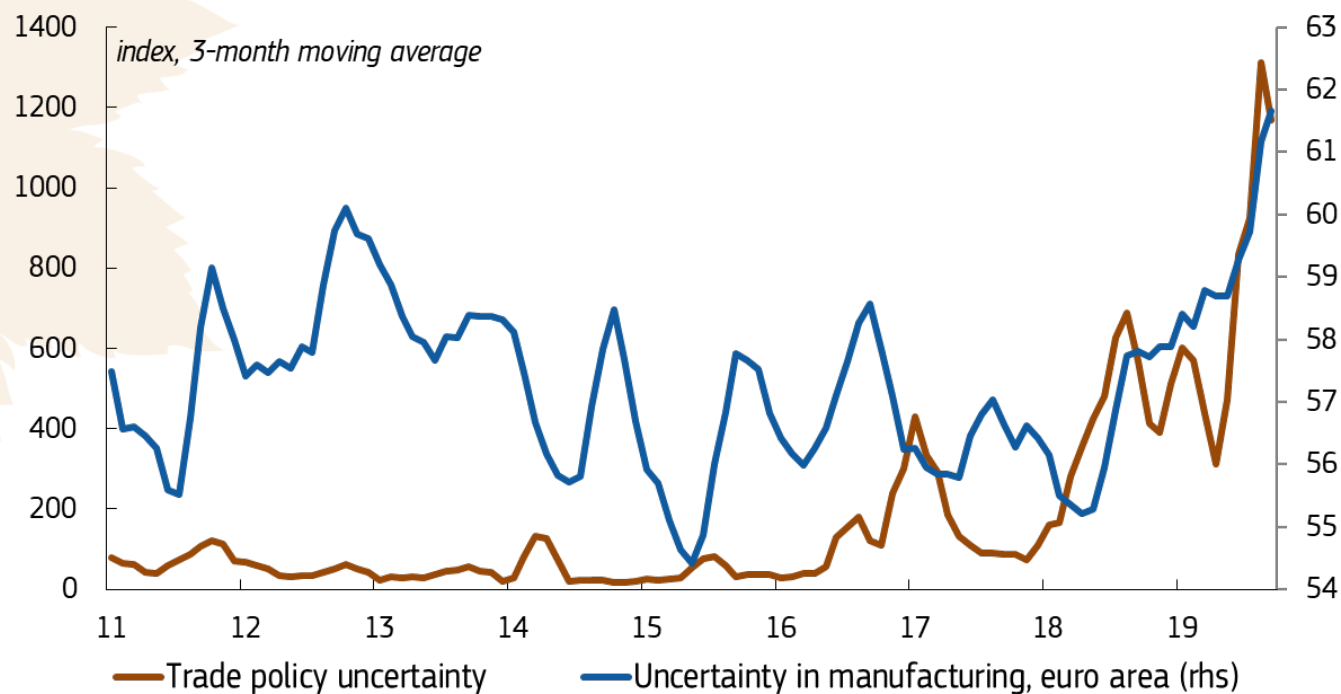
Global growth and PMIs



Sources: OECD, IMF and national sources for GDP, JPMorgan/IHS Markit for PMI

High uncertainty, trade tensions weigh on trade

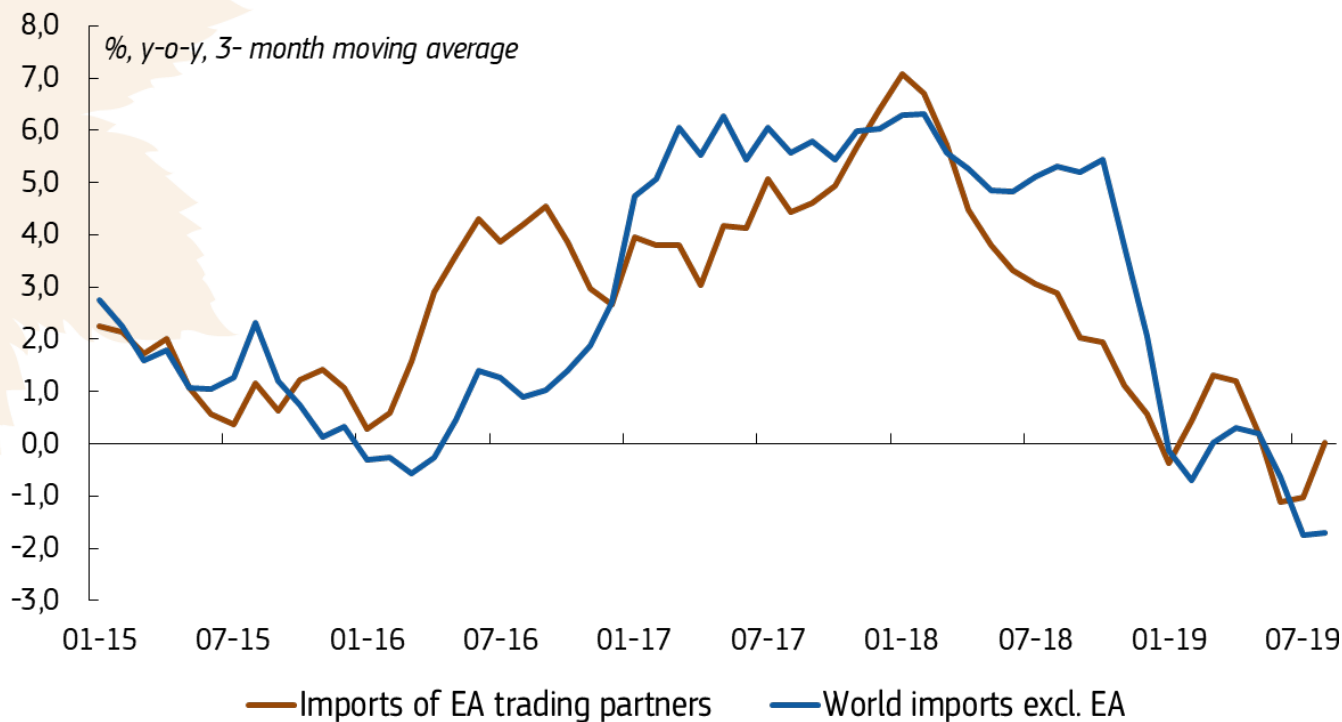
Measures of uncertainty



Source: Baker, Bloom and Davis at www.PolicyUncertainty.com, European Commission

High uncertainty, trade tensions weigh on trade

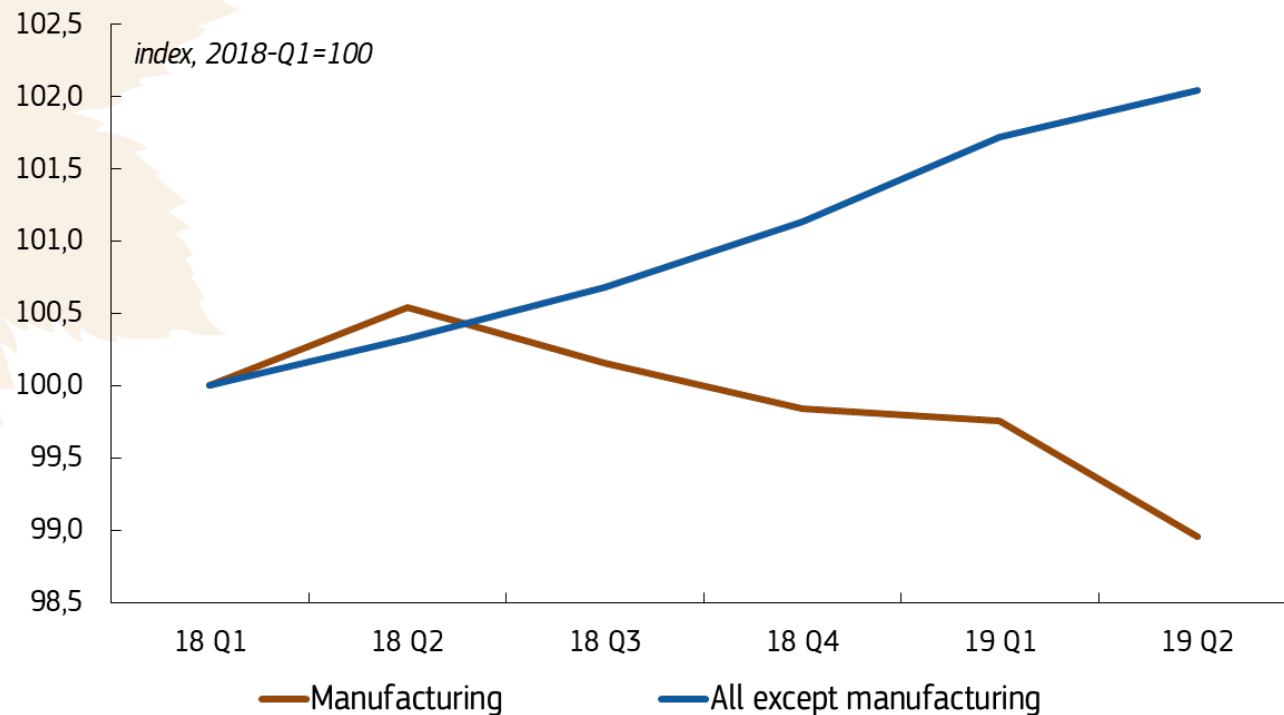
Global imports



Source: CPB

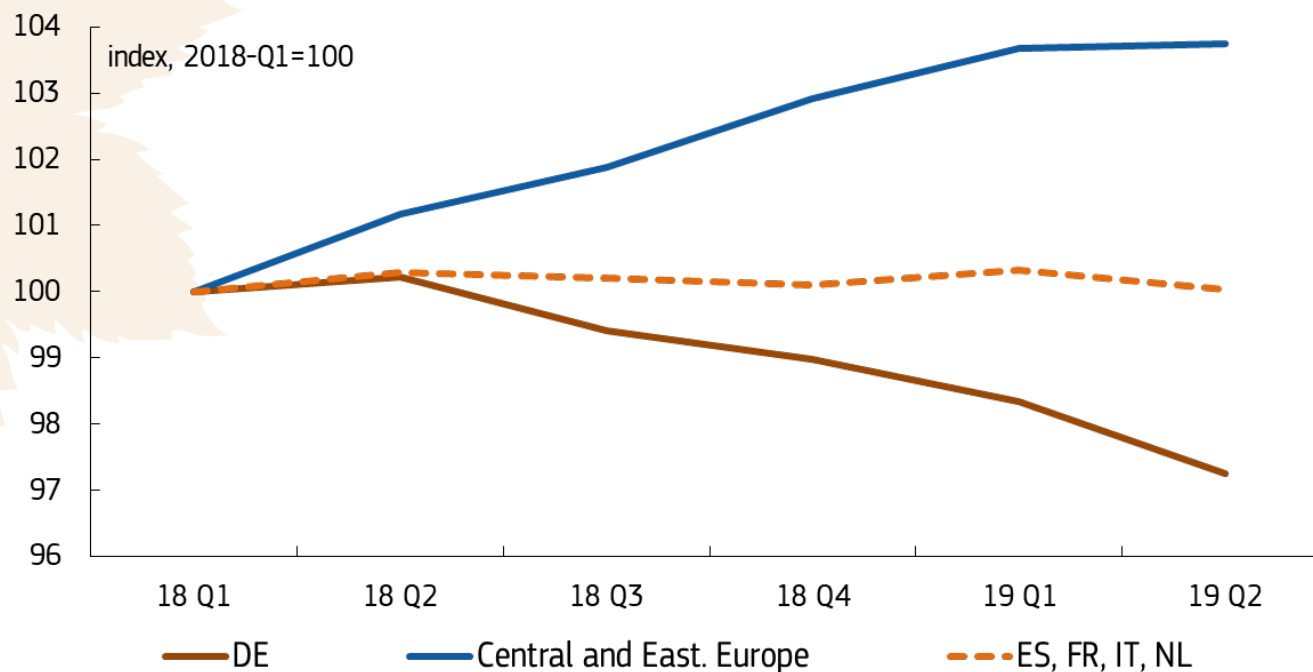
Repercussions on euro area manufacturing sector

Gross value added, euro area



Repercussions on euro area manufacturing sector

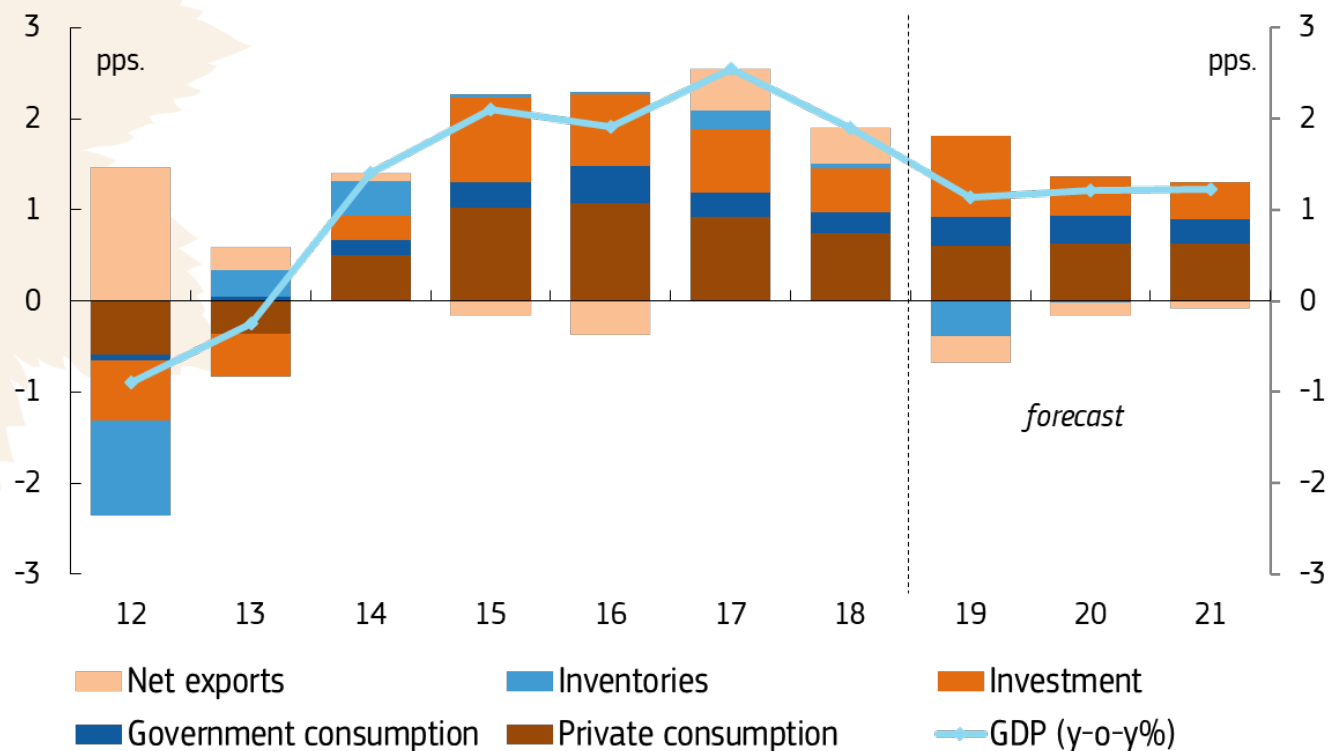
Manufacturing output



Note: The group of Central and Eastern European economies includes BG, CZ, EE, HU, LT, LV, PL, SI, SK and RO.

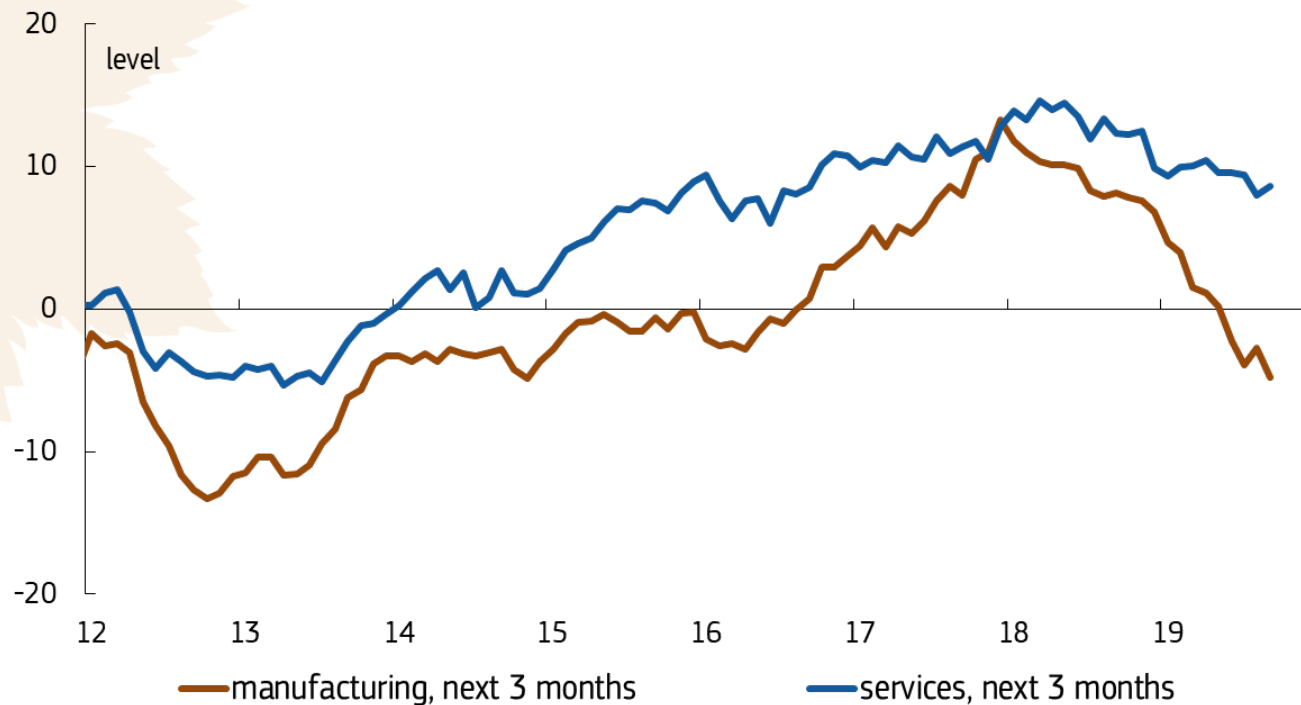
Euro area to rely on domestic demand

Real GDP and its components, euro area



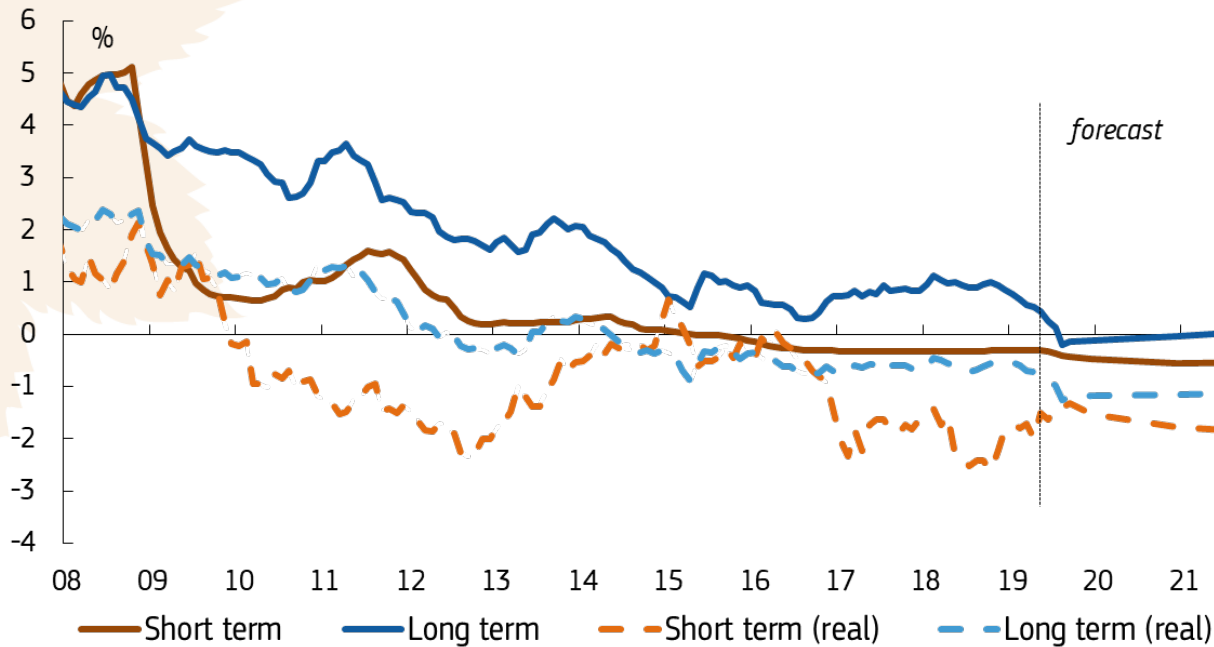
Further but slower labour market improvements

employment expectations in sectors, euro area



Monetary policy remains supportive

Euro area interest rates



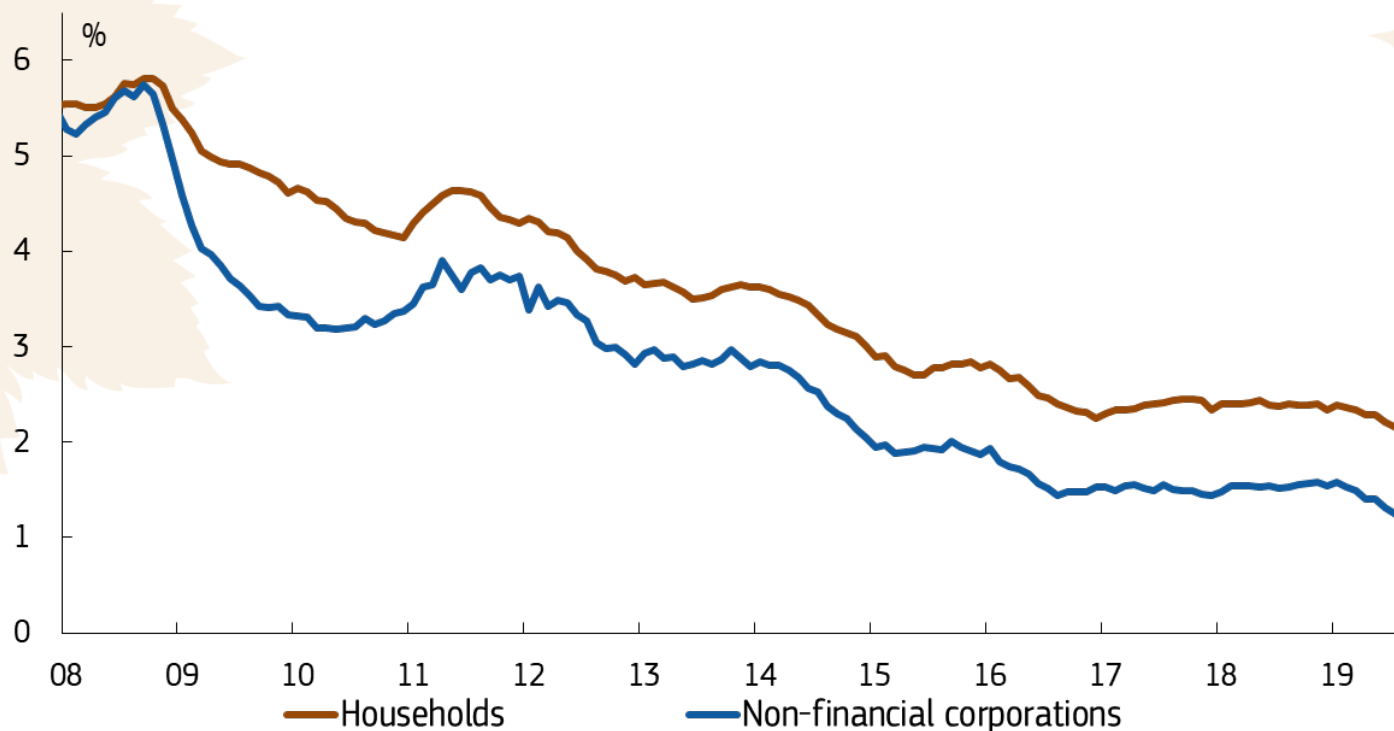
Note: Short term rate: 3M Euribor; Long term rate: 10Y interest swap



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Monetary policy remains supportive

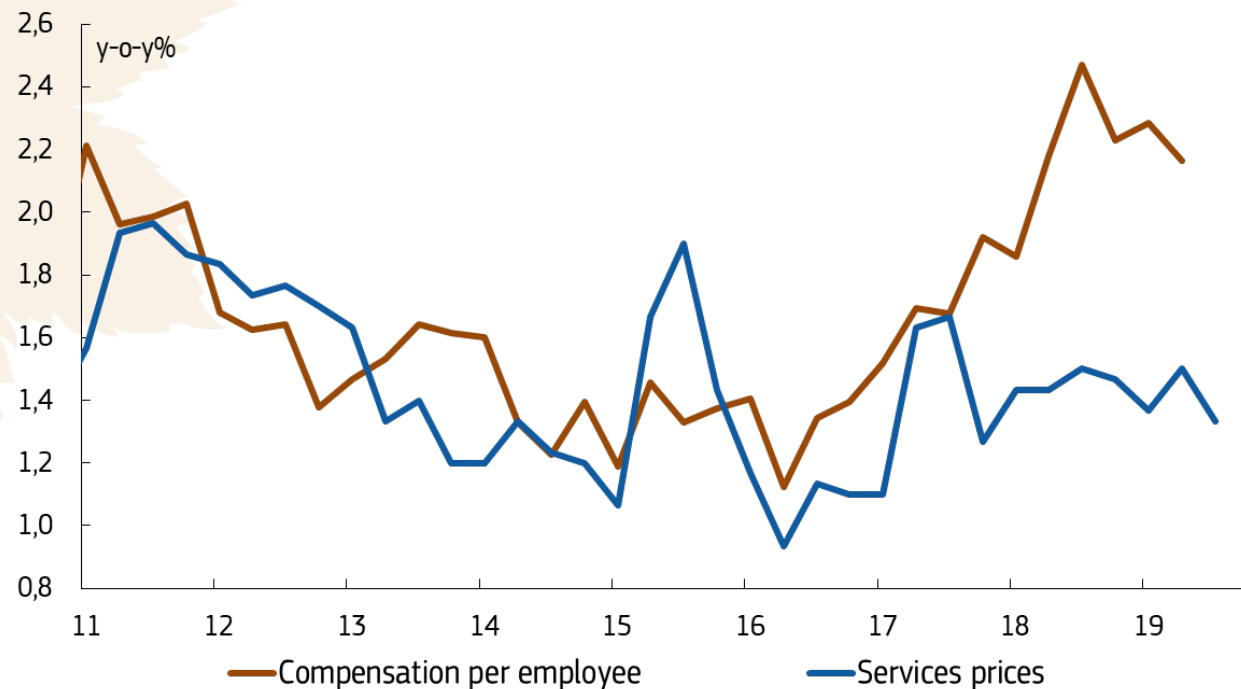
Composite credit cost indicators, euro area



Sources: ECB, Bloomberg, own calculations, last observation: August 2019

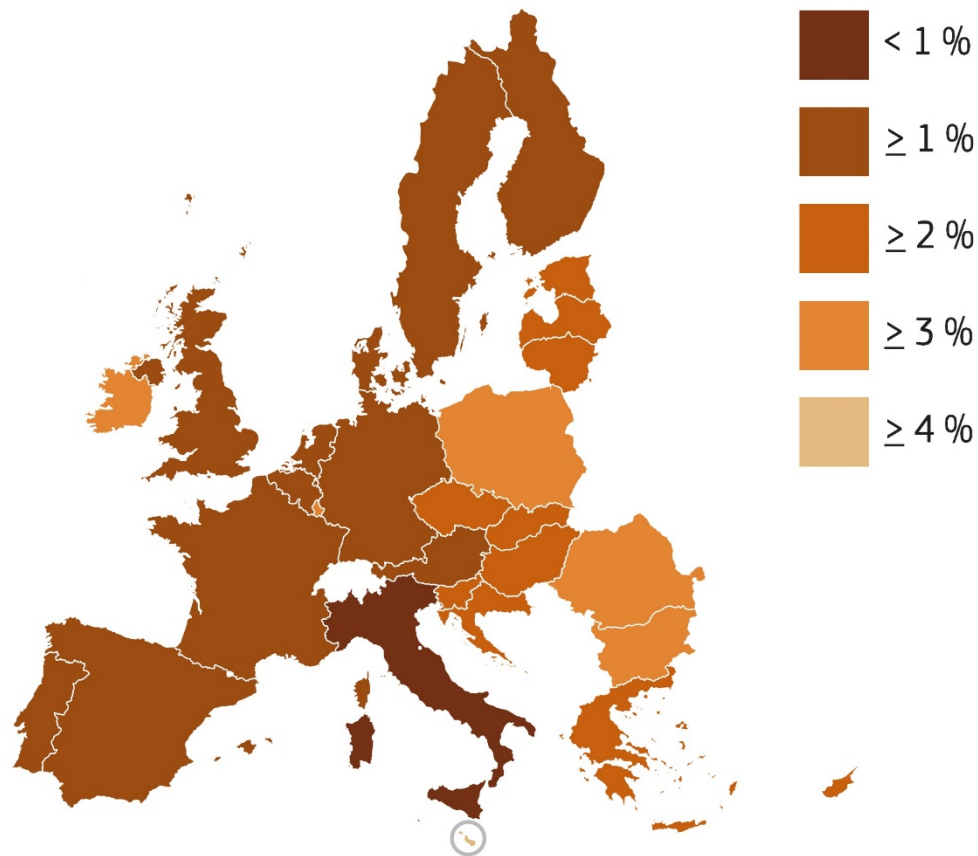
Inflation persistently subdued despite robust wage growth

Inflation and wages, euro area



European growth map 2020

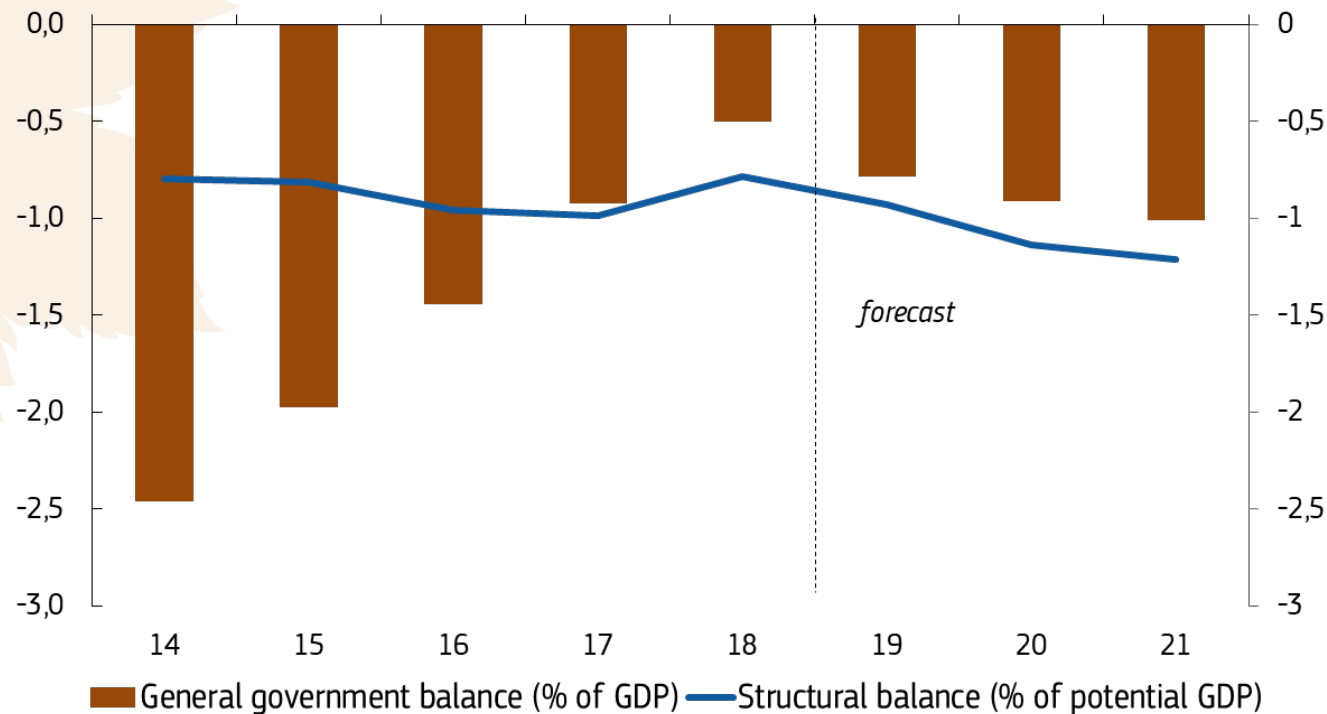
Annual real GDP growth, %



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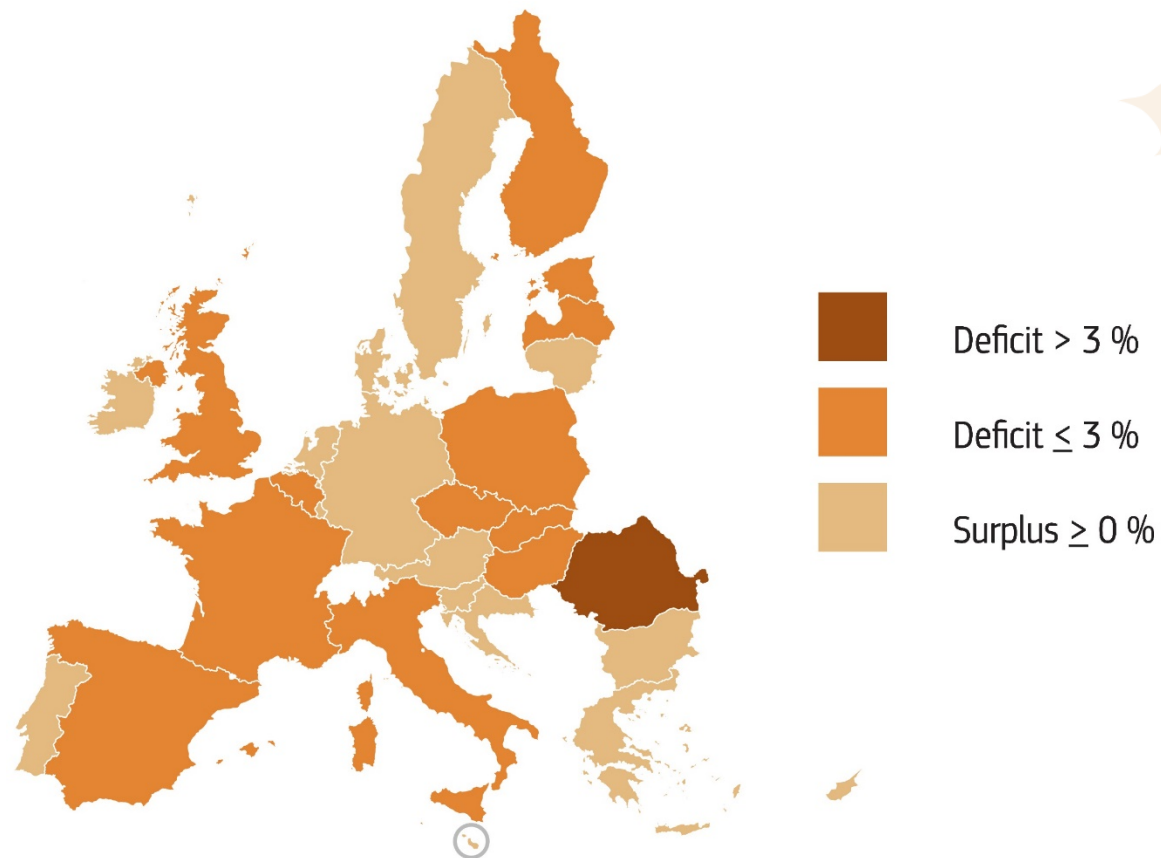
Euro area fiscal stance remains broadly neutral

Composite credit cost indicators, euro area



European growth map 2020

Annual real GDP growth, %



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Downside risks remain prominent

External risks

- A further increase in policy uncertainty
- Intensifying trade and geopolitical tensions
- A sharper slowdown in China
- + Easing of trade tensions

Domestic risks

- Spillovers from the manufacturing weakness
- Disorderly Brexit
- + More expansionary fiscal policies