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# EUROPEAN ECONOMIC FORECAST

Spring 2018

#ECForecast

3 MAY 2018

**PIERRE MOSCOVICI**

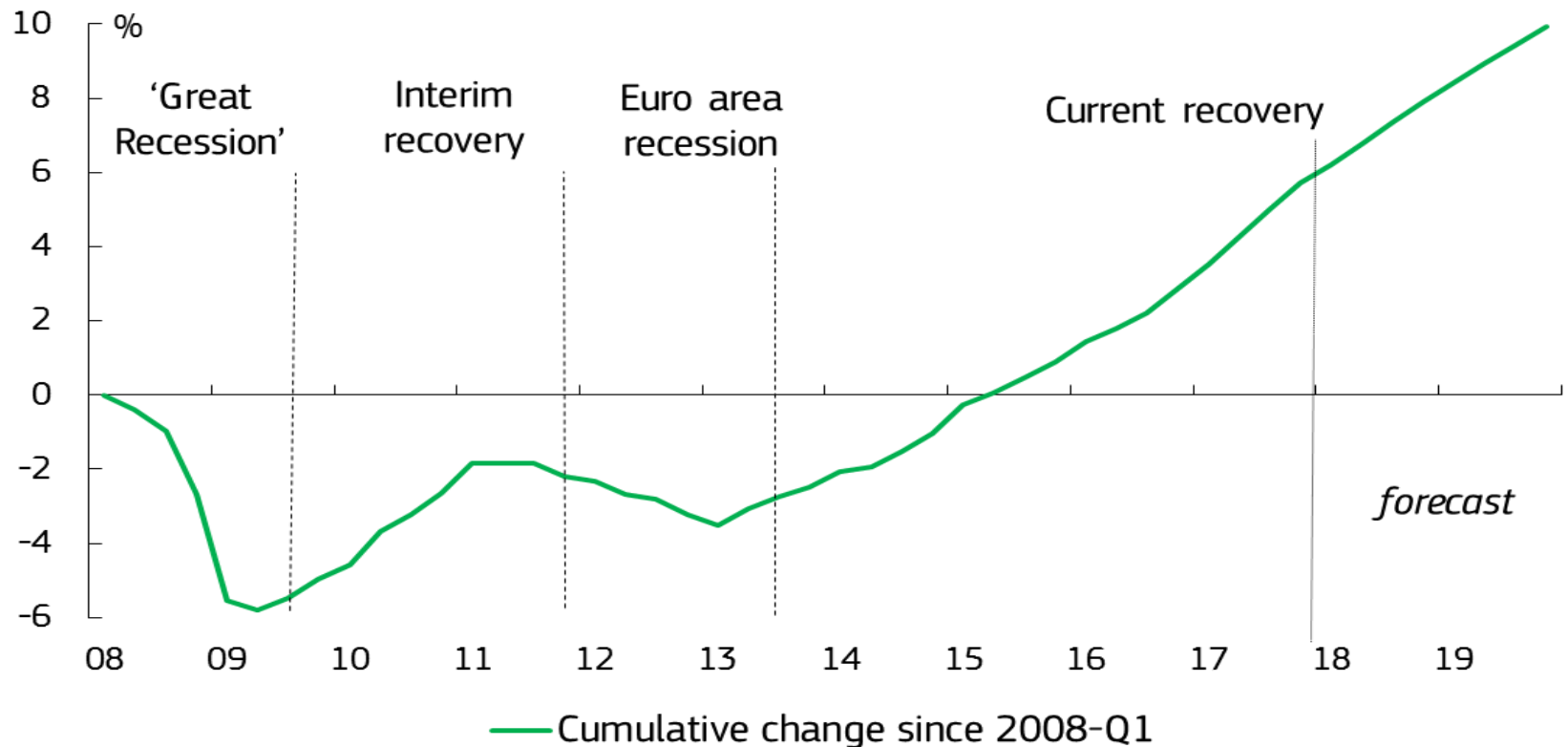
Commissioner for Economic and Financial Affairs, Taxation and Customs

# Key messages from the Spring 2018 European Economic Forecast

- Economic expansion set to continue in all Member States
- Labour market improvements continue
- Inflation expected to move up very gradually
- Public finances are improving further
- External downside risks have risen

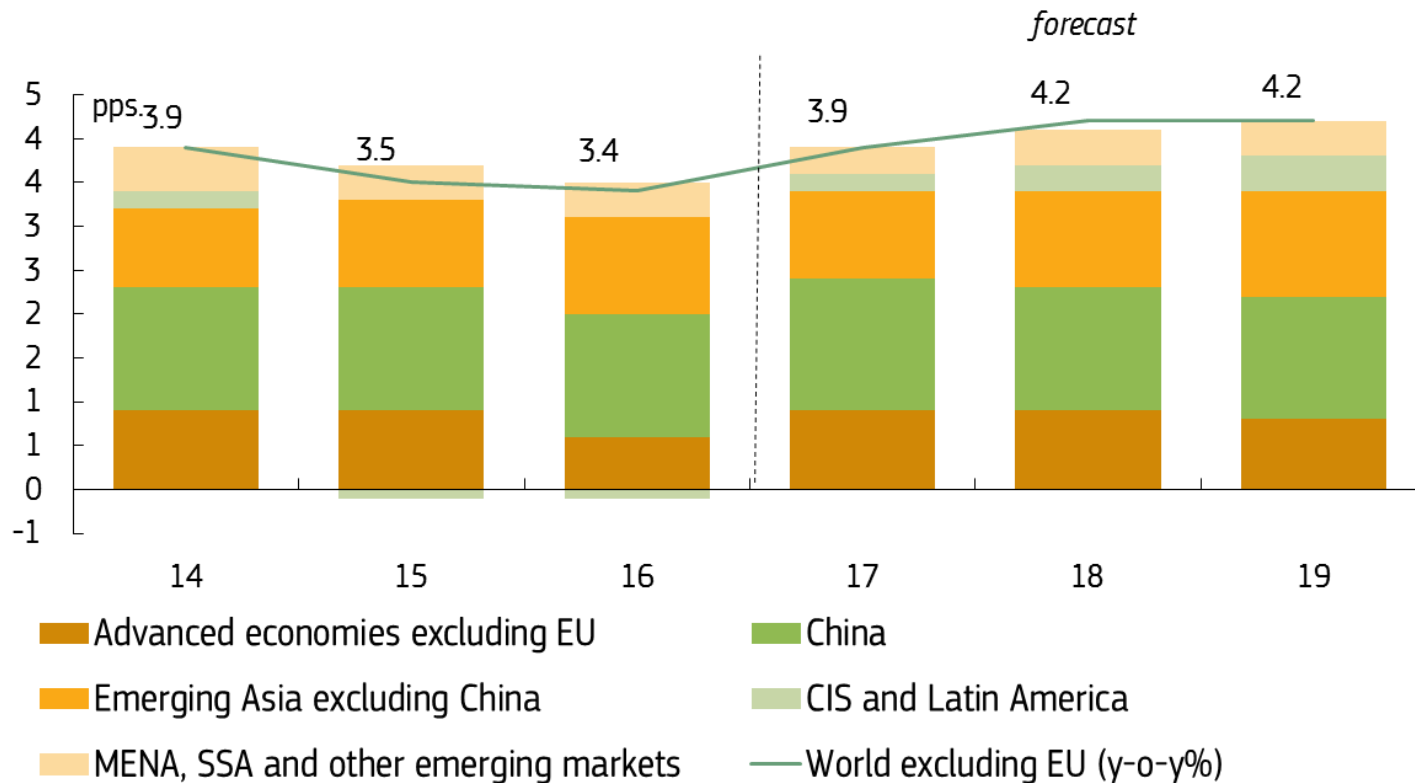
# Economic expansion set to continue

Real GDP during the recession and recovery phases (2008-2019), euro area



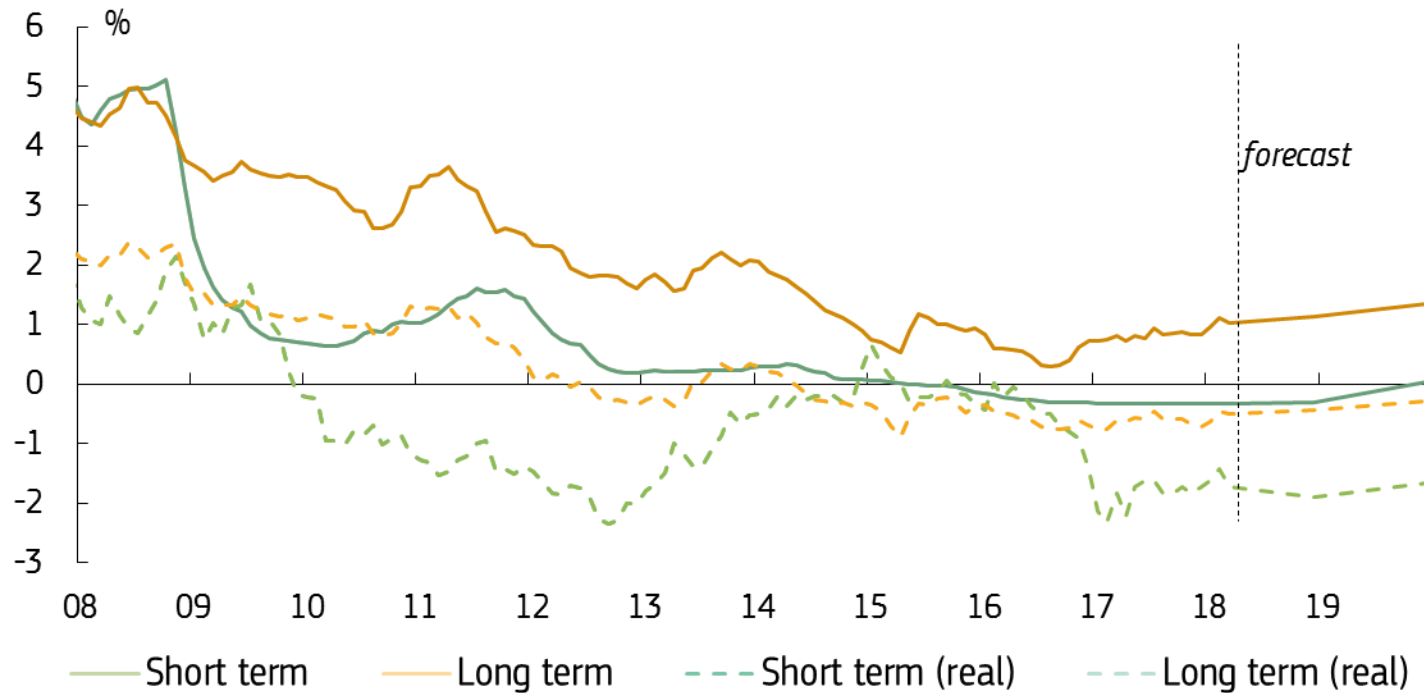
# Broad-based global upswing

Contributions to global, non-EU GDP growth



# Economic policies remain supportive

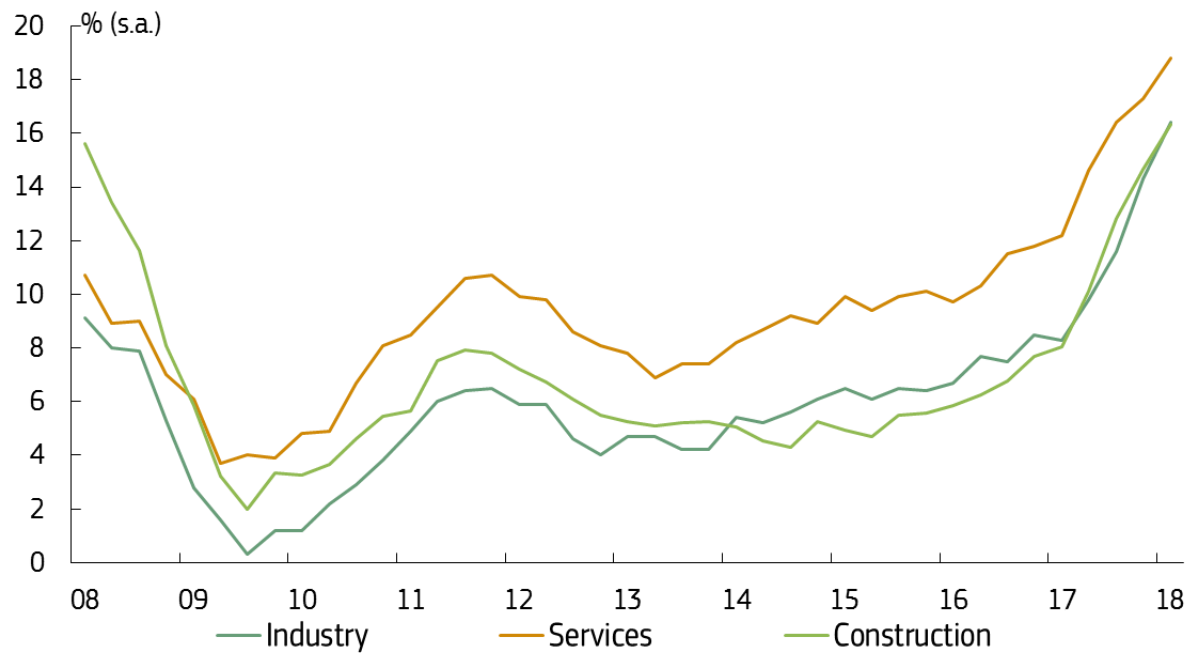
## Euro area interest rates



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

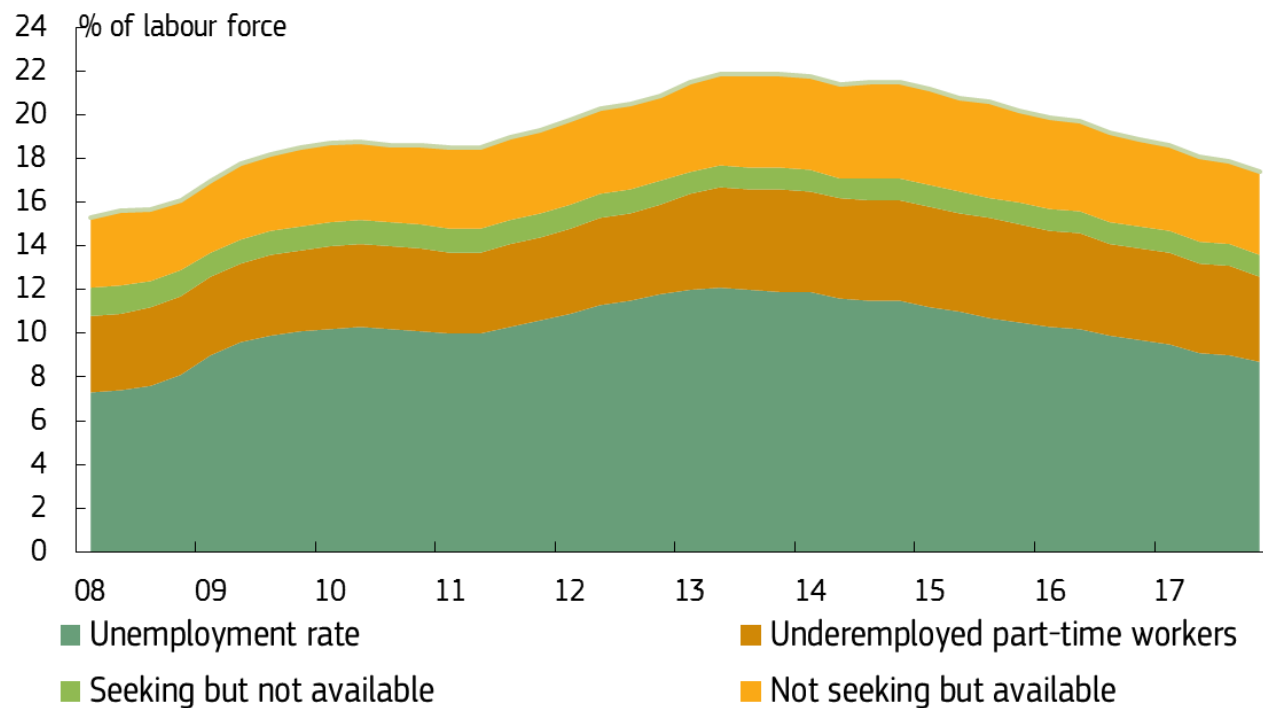
# Labour markets: tightening but slack remains

Labour seen as limiting factor of activity, euro area



# Labour markets: tightening but slack remains

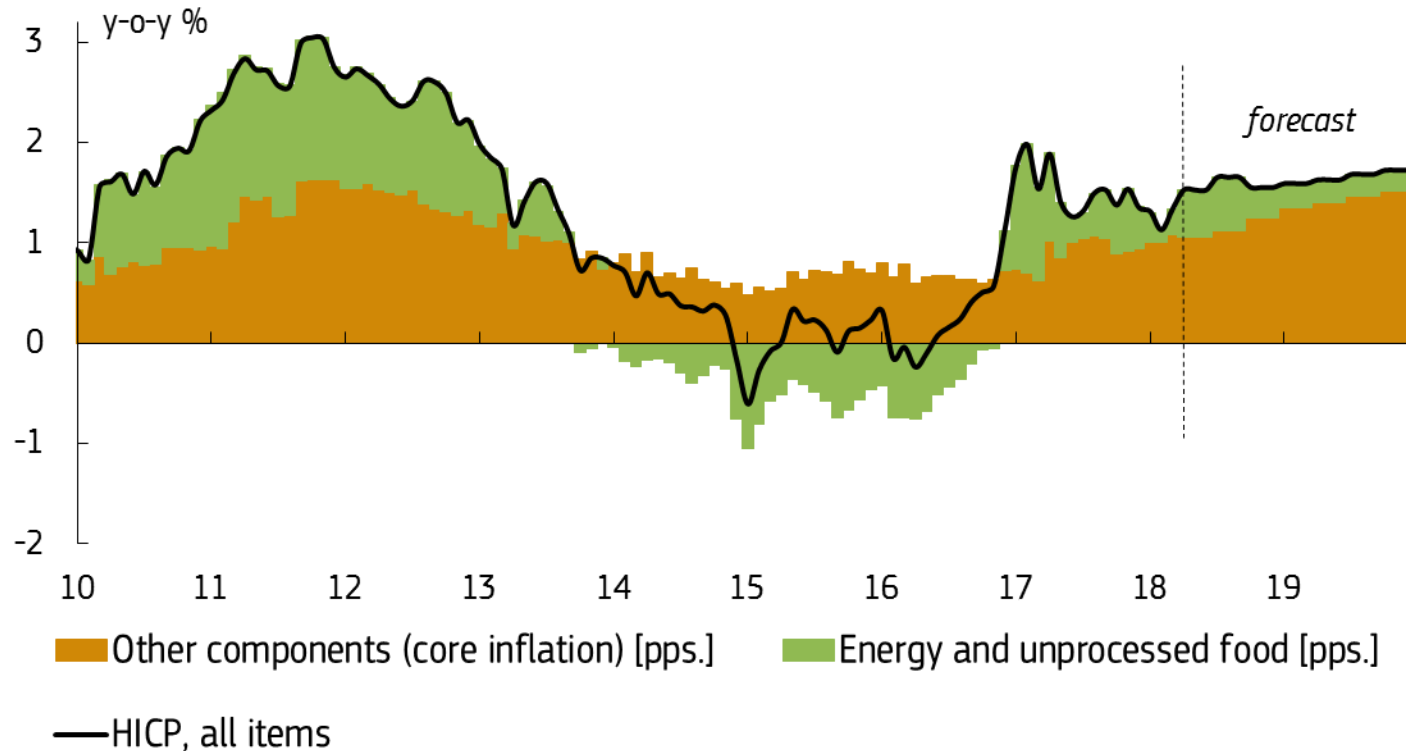
Total underemployment, euro area



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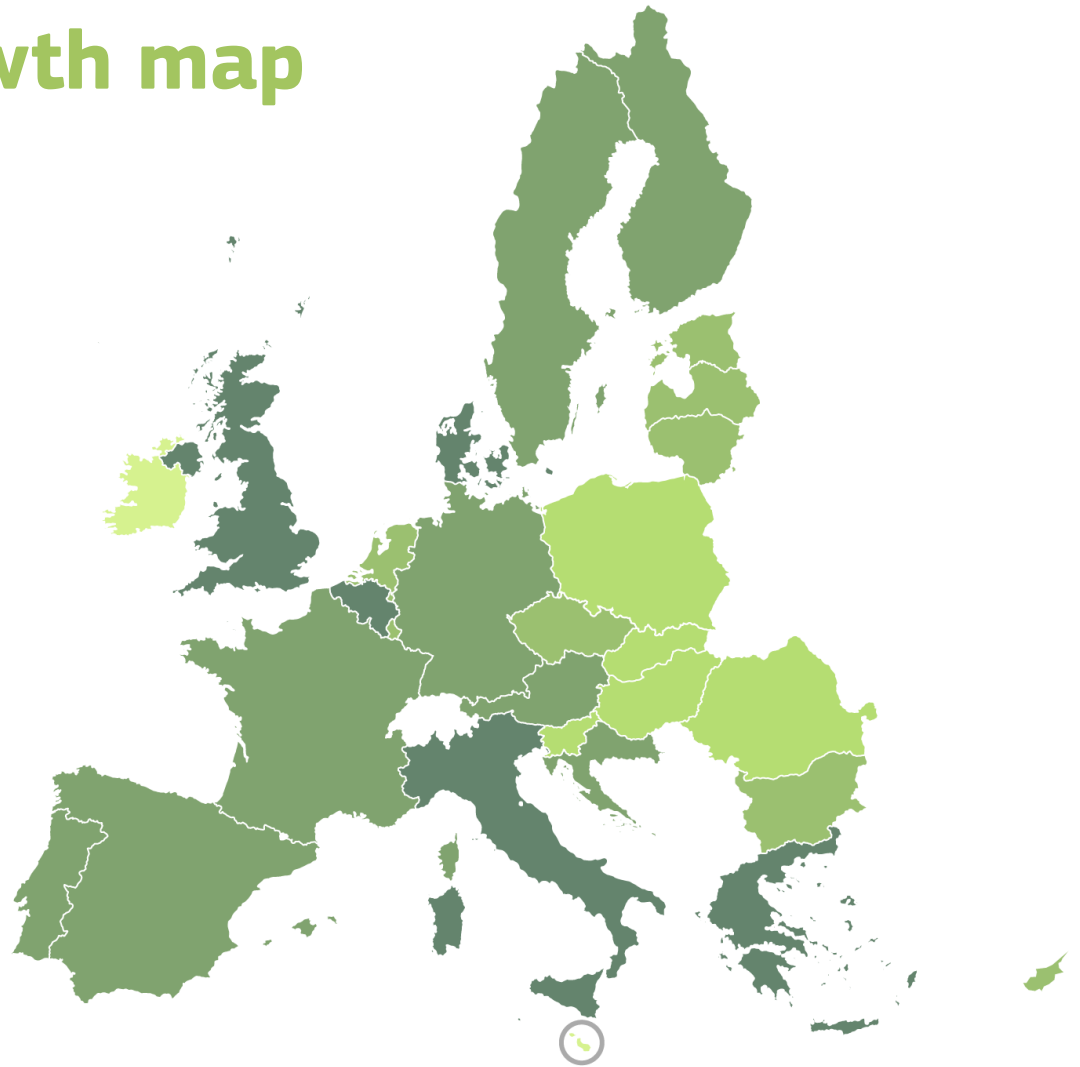
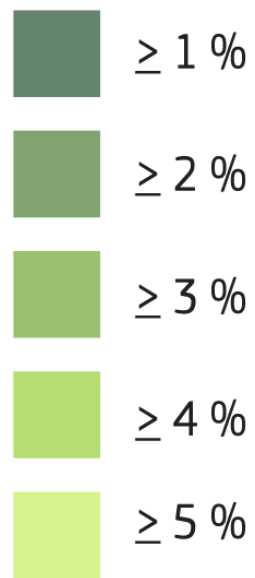
# Inflation set to rise gradually as wage growth picks up

Inflation breakdown, euro area





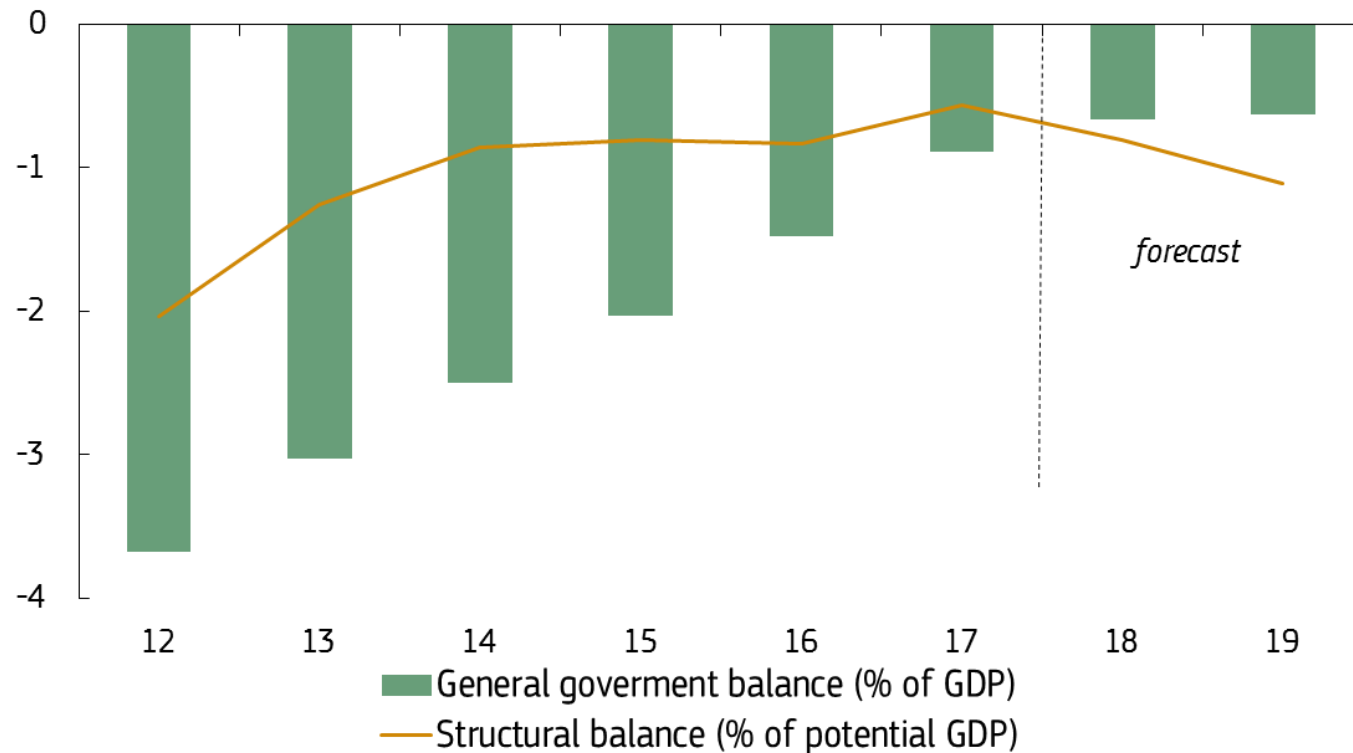
# European growth map 2018



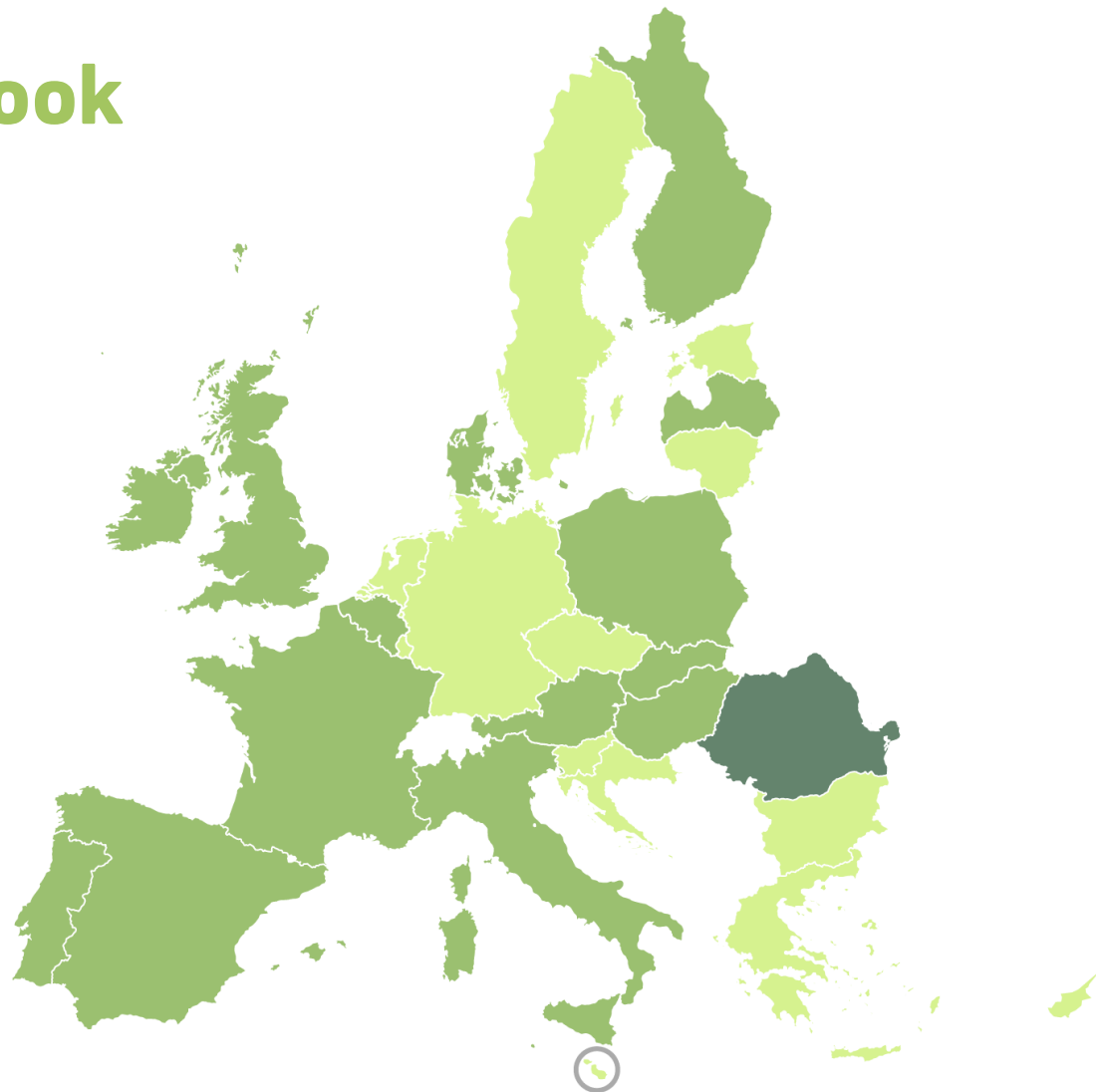
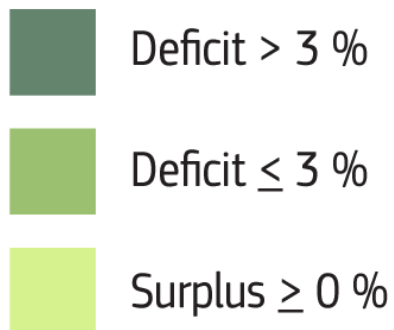
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# Public finances improving further

Budgetary developments, euro area



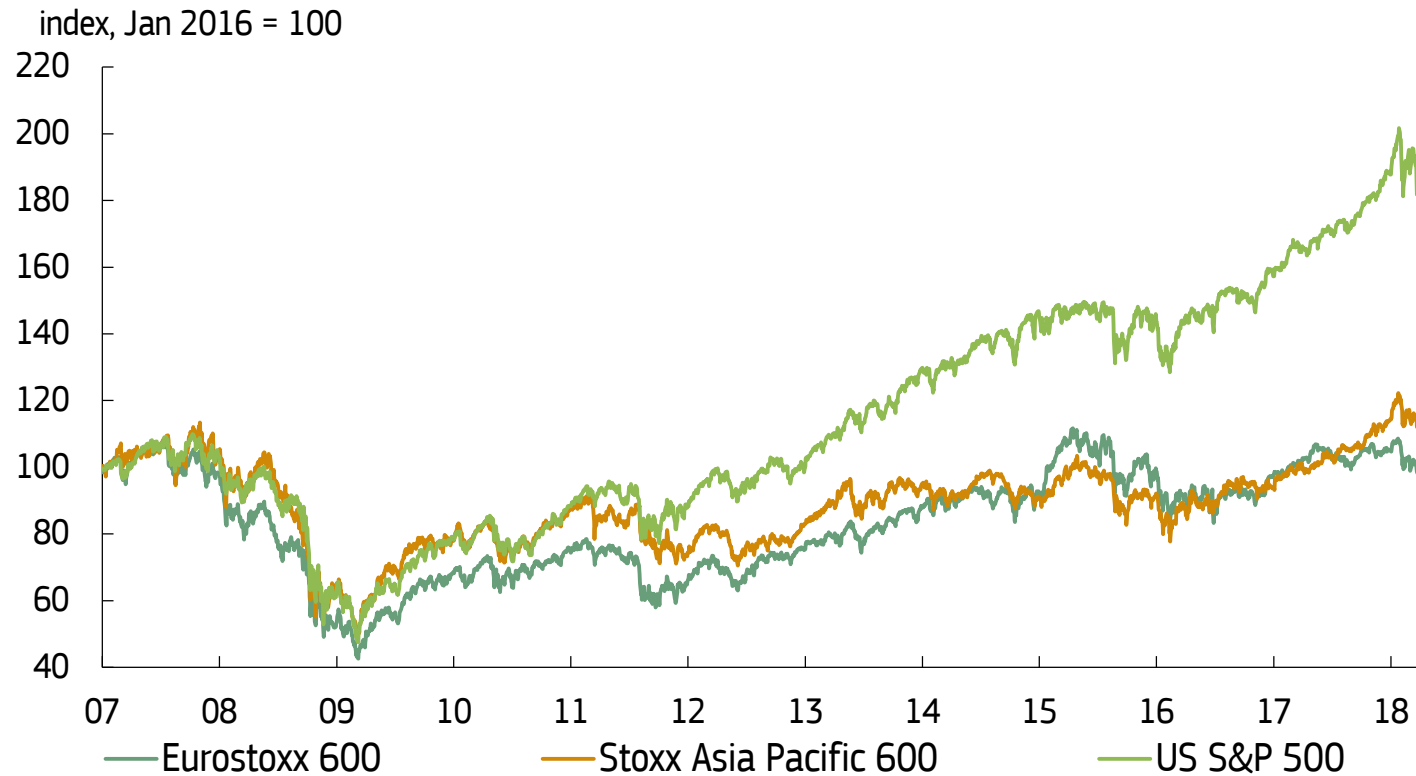
# Budgetary outlook 2018



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# More volatile financial markets

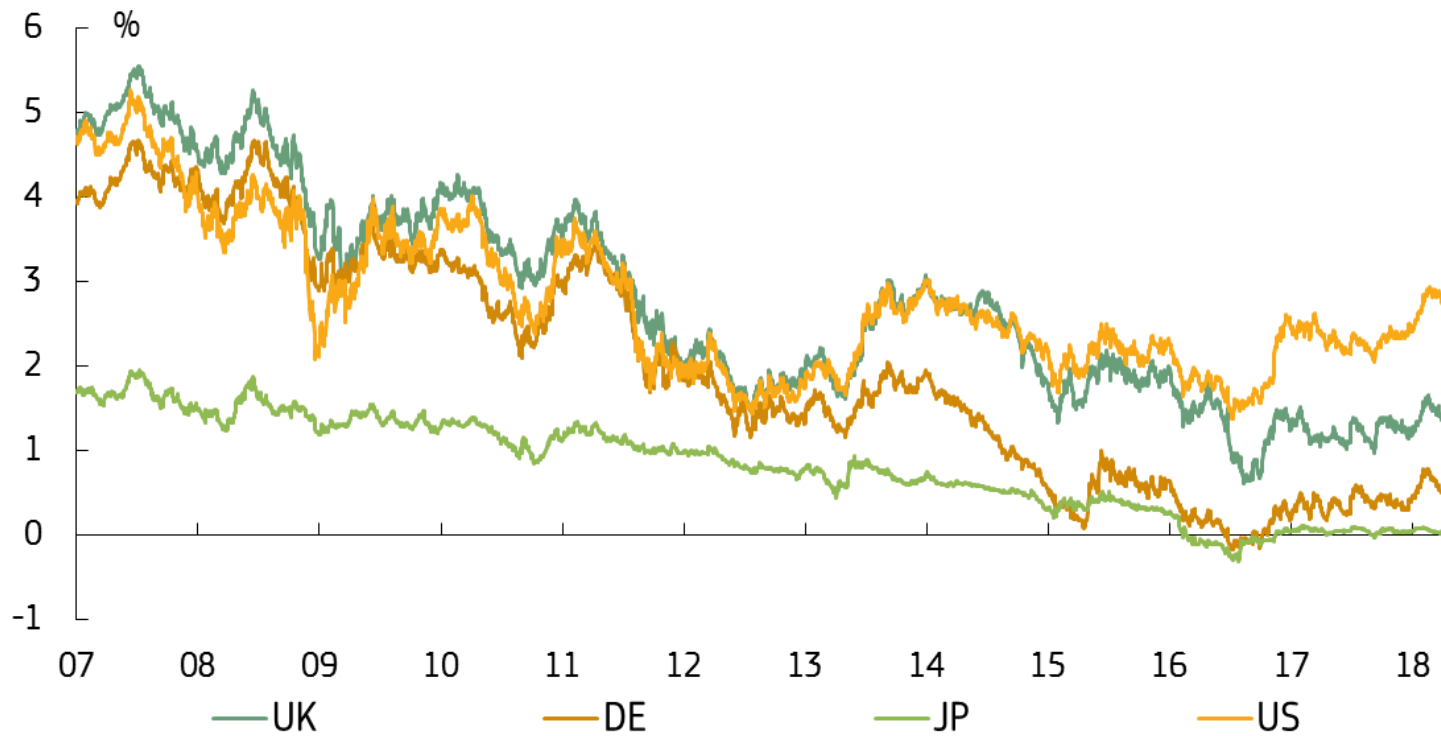
## Stock market performance



Source: Macrobond

# More volatile financial markets

Benchmark 10-year government bond yields, selected countries



Source: Macrobond

# Downside risks to the outlook have increased

## External risks:

- (-) Unwarranted effects of the US fiscal stimulus (e.g. faster monetary tightening in the US)
- (-) Global financial market stress / pick-up in yields
- (-) Trade disputes and protectionism
- (-) Geopolitical tensions

## Domestic risks:

- (-) Uncertain outcome of the Brexit negotiations
- (+) Stronger-than-expected investment expansion