

European economic forecast, Winter 2017

EPC
14 February 2017

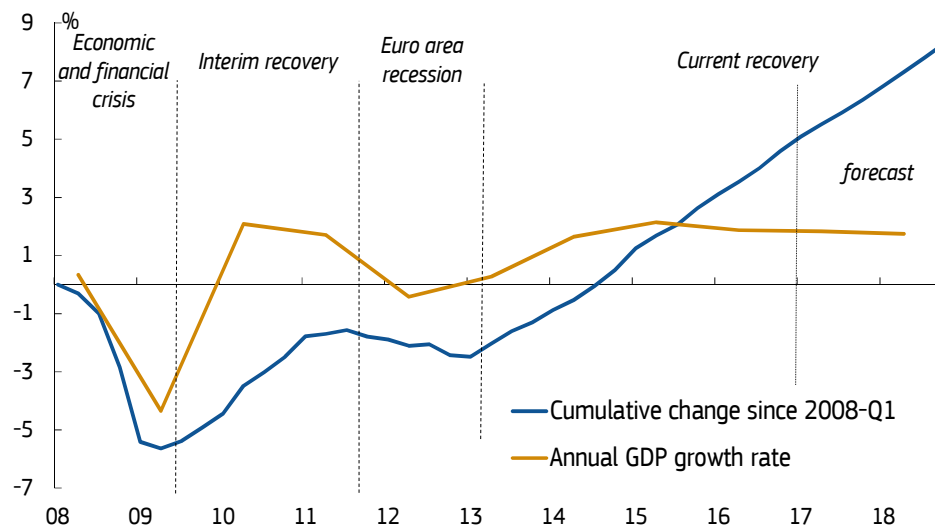
Marco Buti, DG ECFIN



European
Commission

The European economy has proven resilient

EU GDP: annual growth rate and cumulative change, 2008-18



European
Commission

Key factors surrounding the outlook

Positive factors



**STRONGER
GLOBAL
ECONOMY**



**IMPROVING
LABOUR
MARKET**



**NORMALISING
INFLATION**



**SUPPORTIVE
ECONOMIC
POLICIES**

Negative factors



**HIGH
LEVELS OF
UNCERTAINTY**



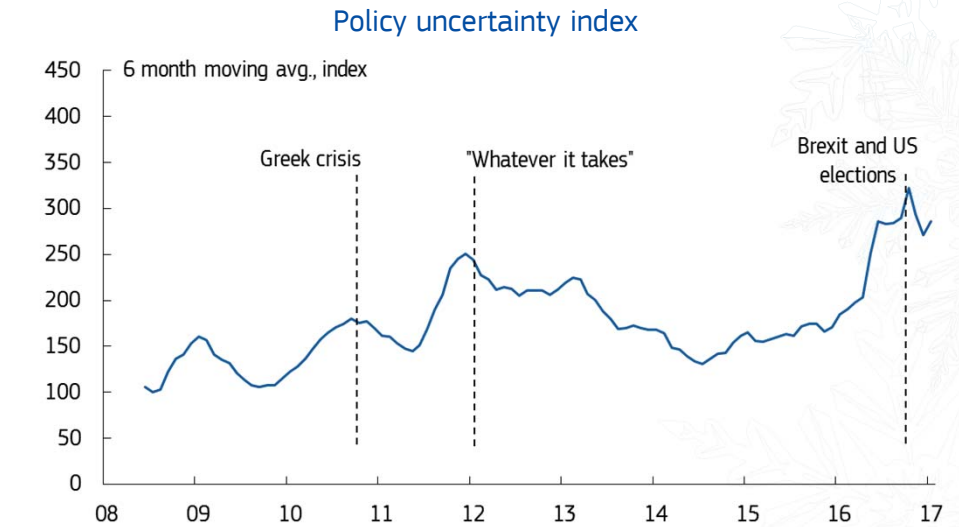
**STILL SLOW
GROWTH OF
INVESTMENT**



European
Commission

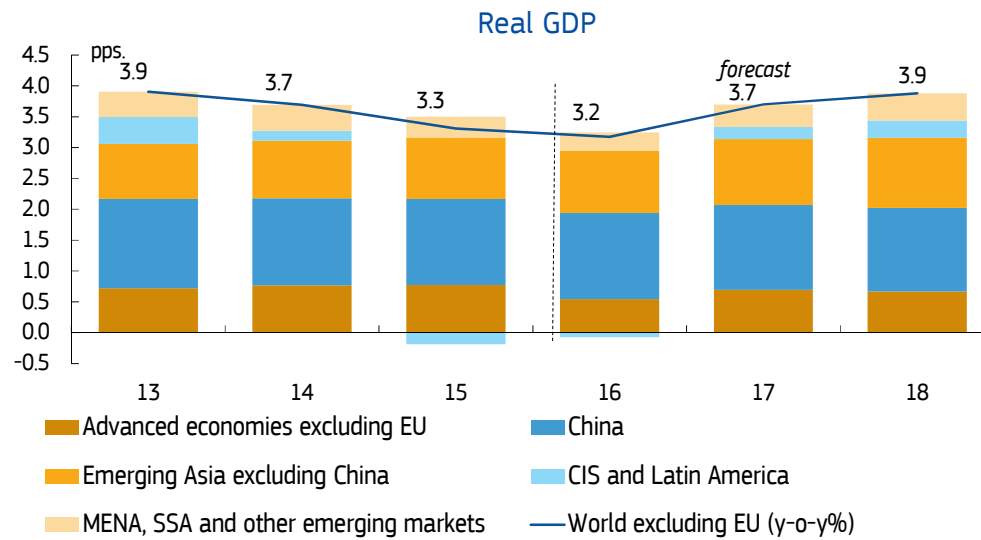
Global uncertainty exceptionally high

- Impact of US policies
- Impact of the Brexit vote
- Political uncertainty in the EU



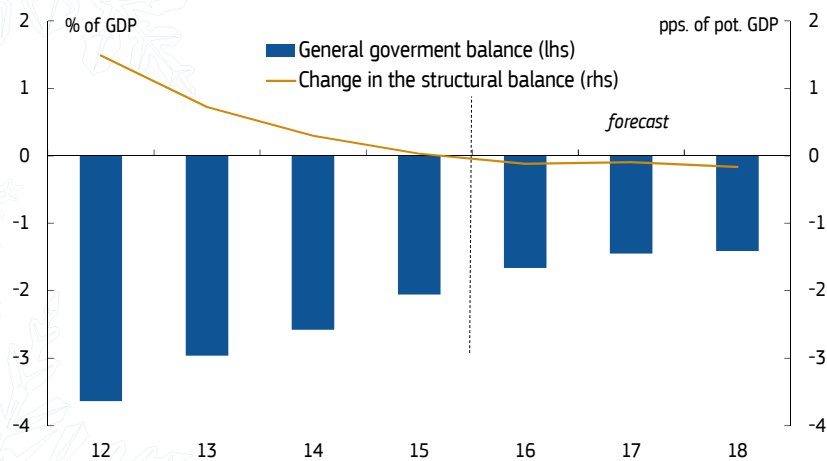
Source: Baker, Bloom and Davis at www.PolicyUncertainty.com
'Europe' includes news indices of the five largest EU Member States .

Improved global growth prospects

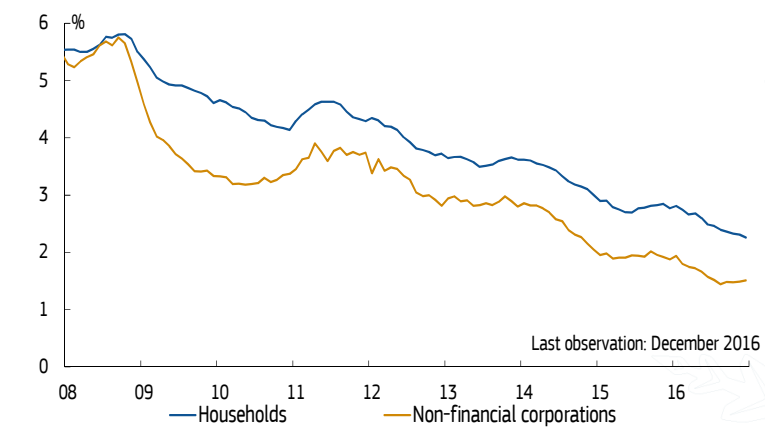


Economic policies remain supportive

Budgetary developments, euro area

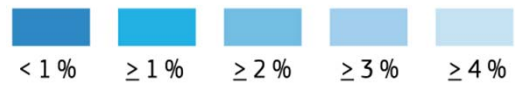


Composite credit cost indicators, euro area



Sources: ECB, Bloomberg, own calculations

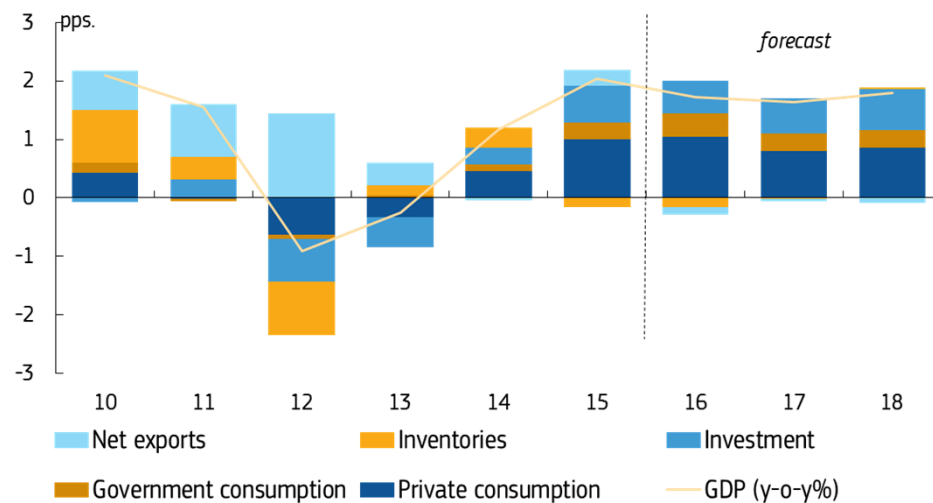
Economic growth 2017



European
Commission

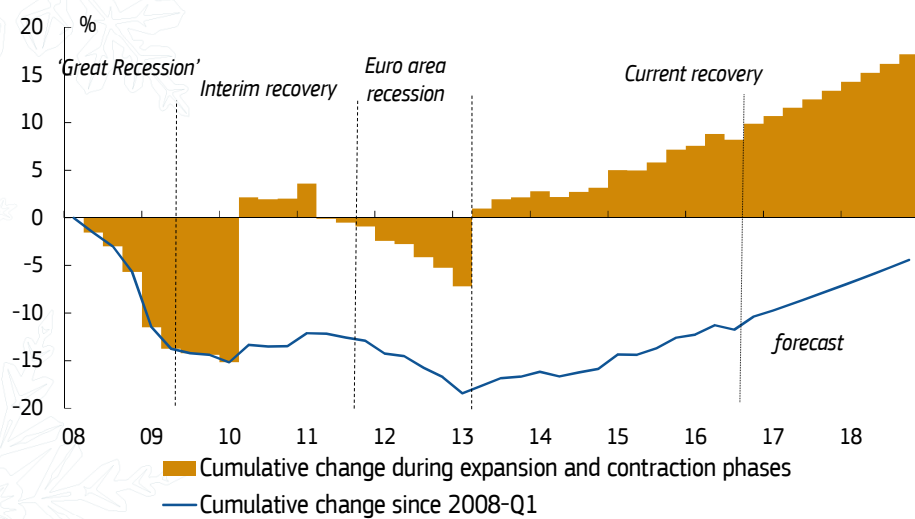
Private consumption keeps driving growth

Real GDP growth and its components, euro area

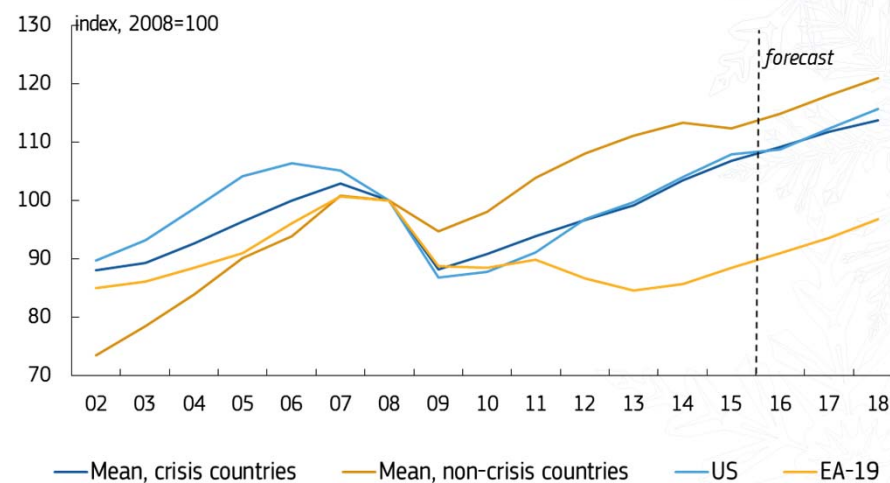


Investment still lacks strong momentum

Investment (2008-2018), euro area

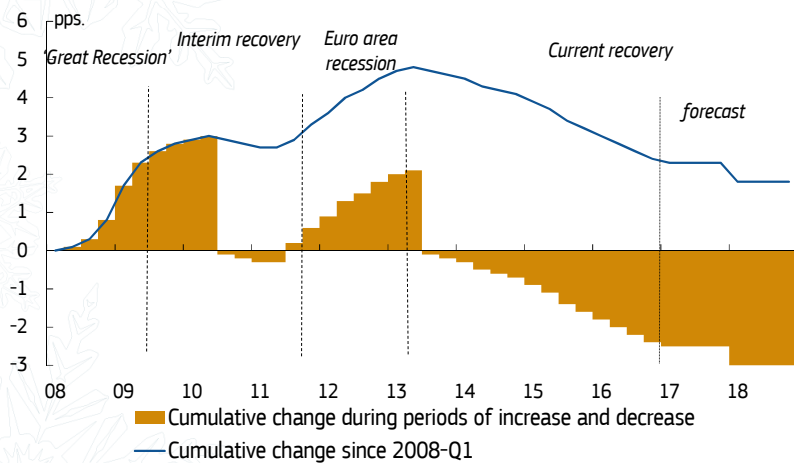


Total investment, advanced economies

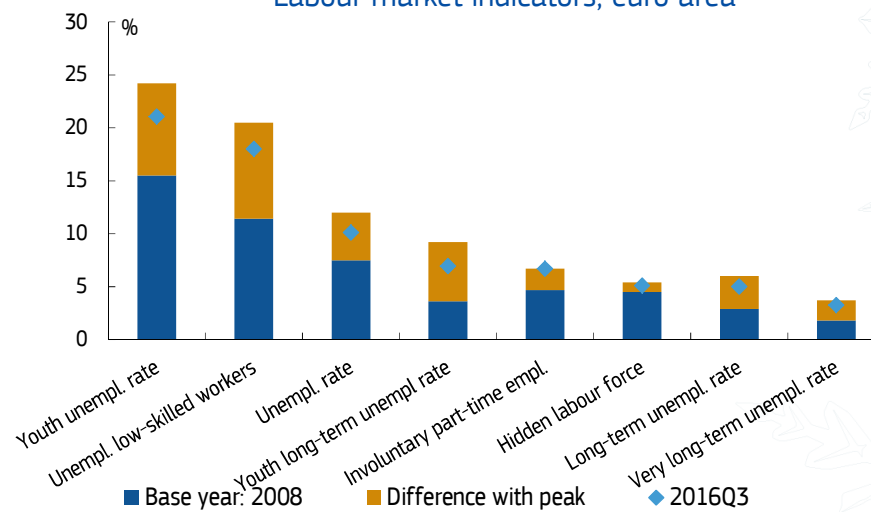


More jobs to be created but not yet enough

Employment and unemployment, euro area



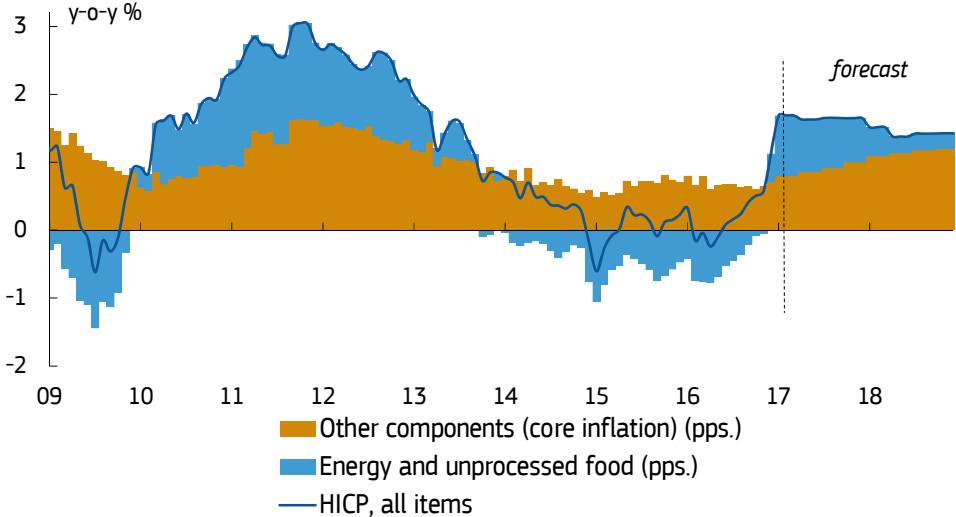
Labour market indicators, euro area



European
Commission

Energy prices temporarily drive inflation up

Inflation breakdown, euro area



Budgetary outlook 2017

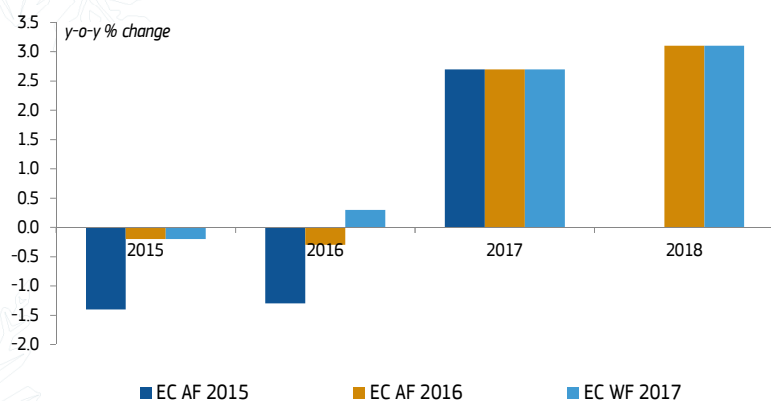
- Deficit > 3 %
- Deficit ≤ 3 %
- Surplus



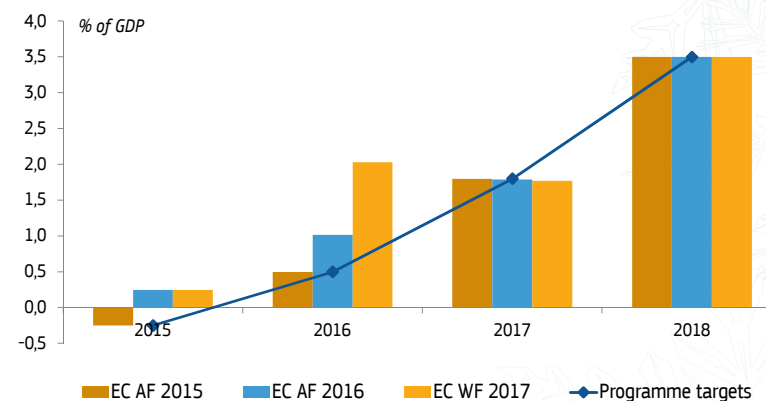
European
Commission

Greece: outperforming forecasts and targets 2015 and 2016

Real GDP



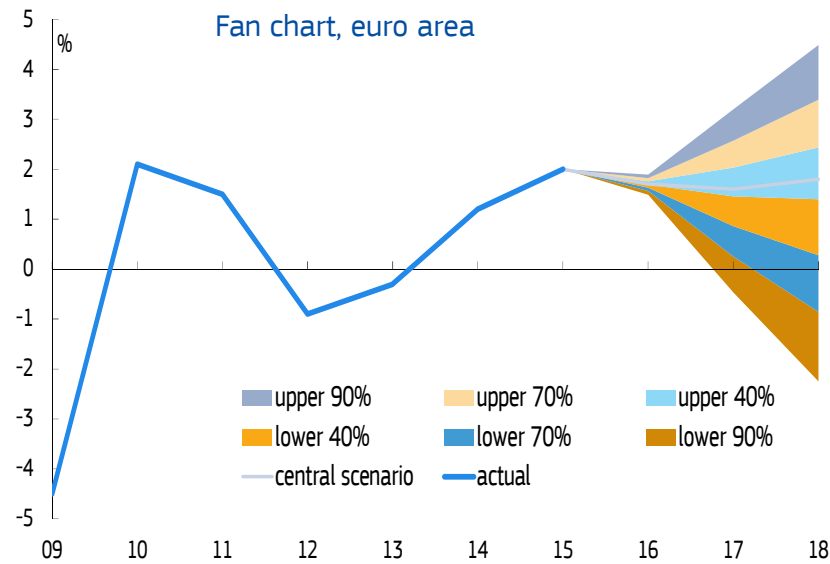
Primary balance



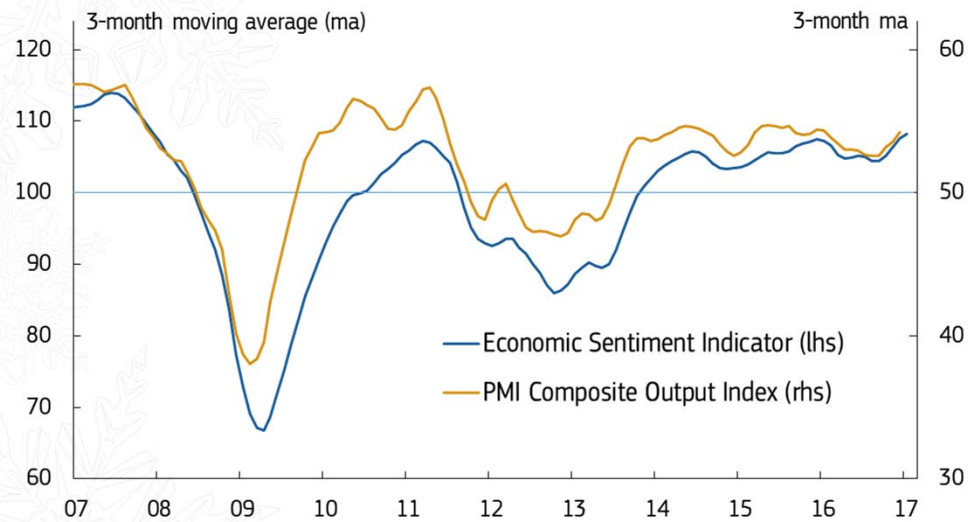
•*Real GDP: 2015 outturn data, 2016 -2018 forecast

•**Primary balance: 2015 outturn data, 2016 provisional, 2017-2018 programme targets

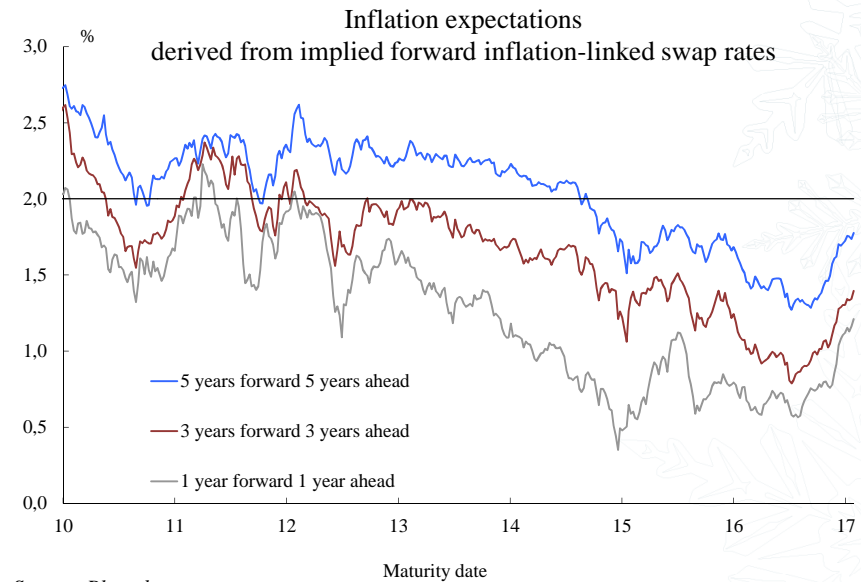
Downside risks have increased, but...



... there could be an upward surprise



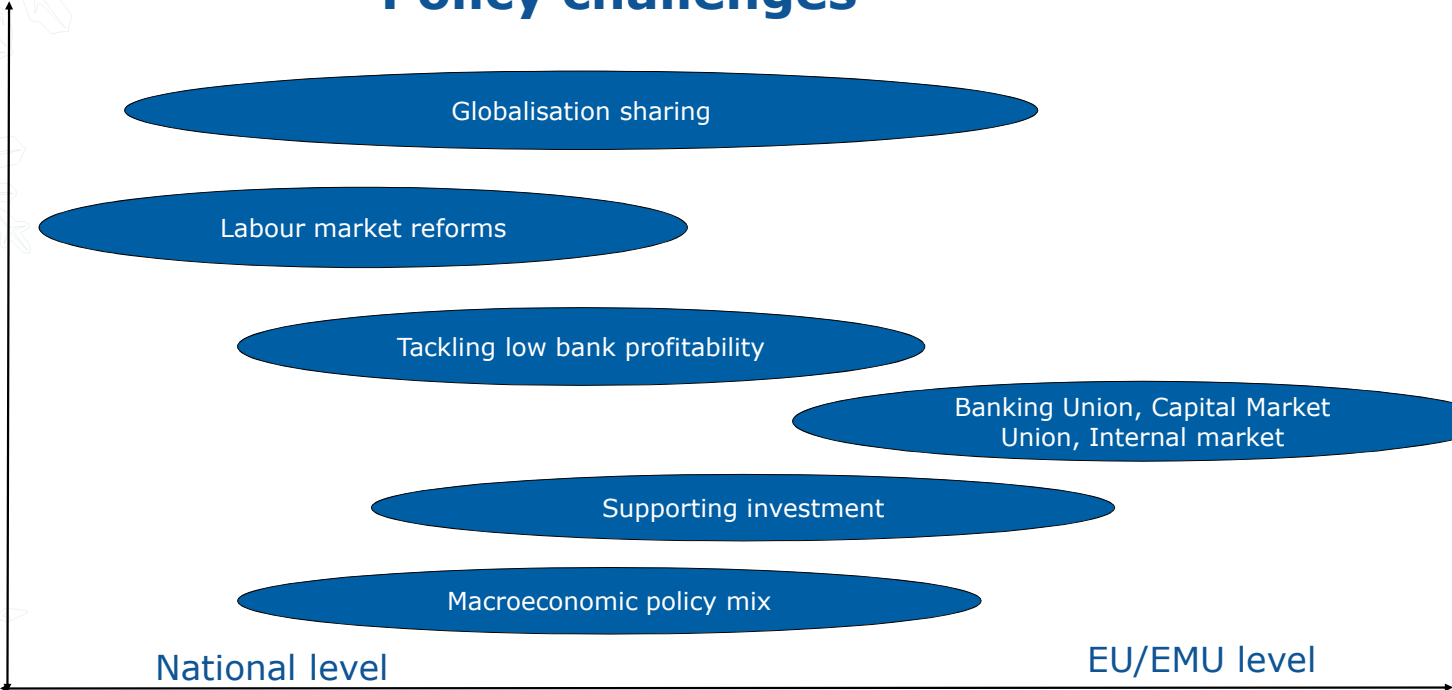
Source: EC, Markit Group Limited



Source: Bloomberg

Policy challenges

Longer-term



Short-term

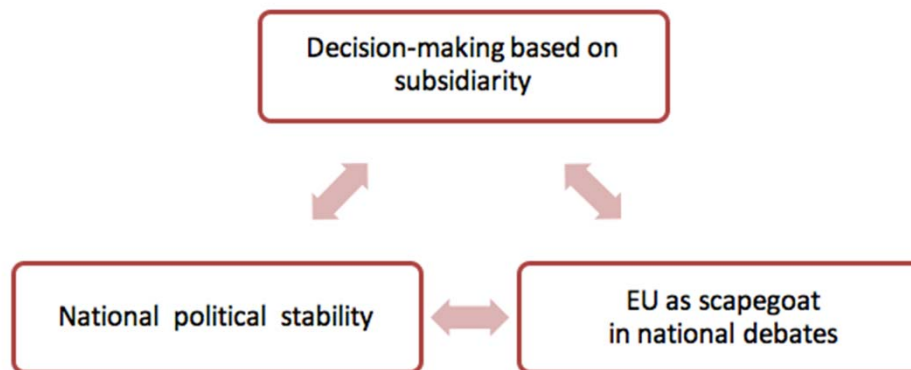
National level

EU/EMU level



European Commission

Making a positive case for Europe



Sense of purpose and a new unity to respond to populist challenge



European
Commission