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Commission

# EUROPEAN ECONOMIC FORECAST

Summer 2018

#ECForecast

12 JULY 2018

**PIERRE MOSCOVICI**

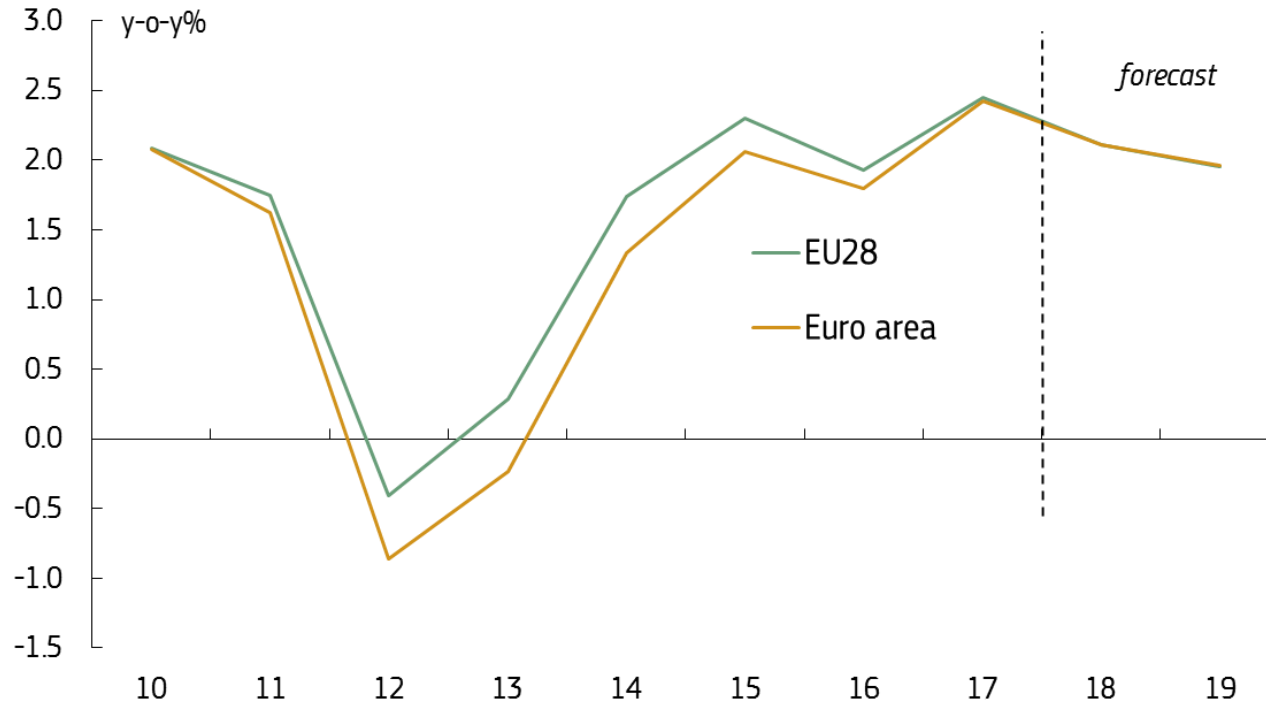
Commissioner for Economic and Financial Affairs, Taxation and Customs

# Key messages from the Summer 2018 (Interim) Forecast

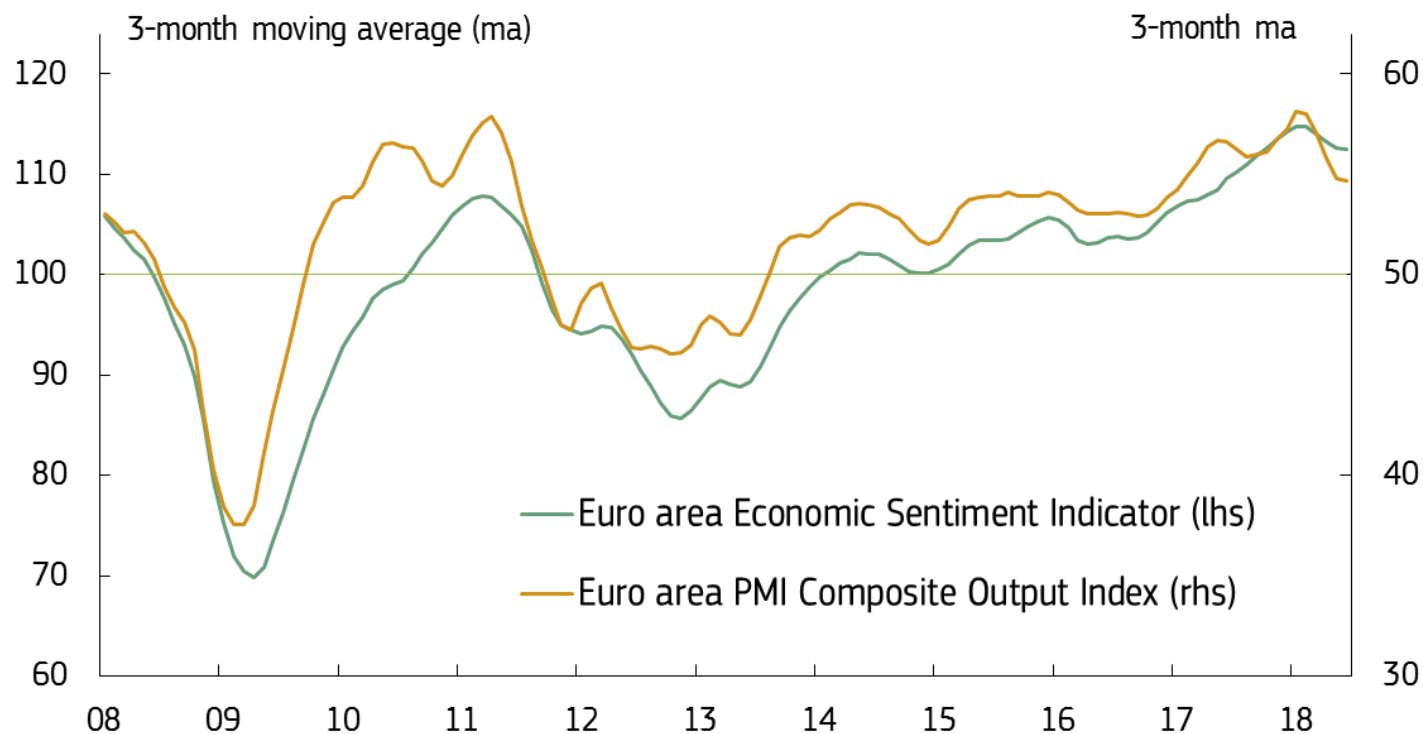
1. Fundamentals for sustained growth remain in place
2. The small downward revision for this year mainly mirrors a weaker first half
3. Labour market conditions are set to continue improving
4. Higher energy prices are driving inflation up
5. External downside risks have risen further

# Expansion continues but is set to moderate

Real GDP growth rate

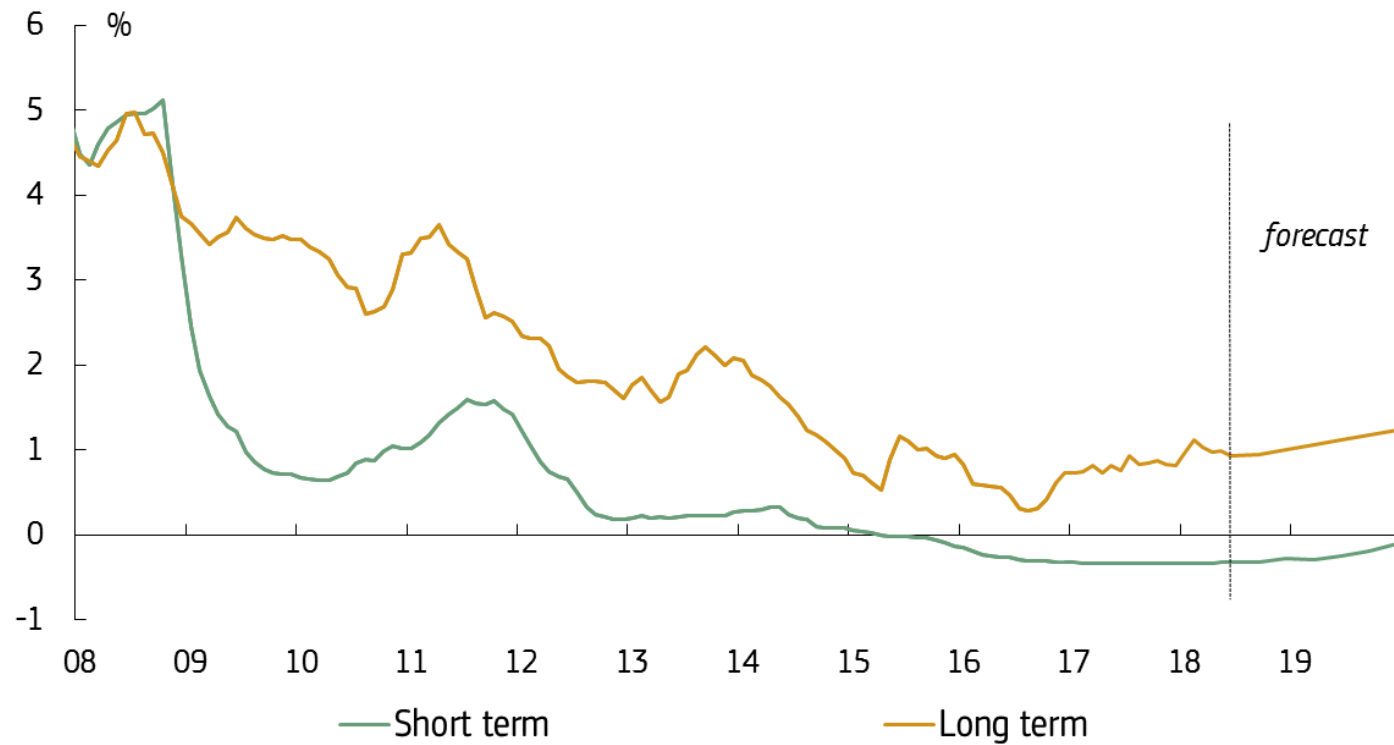


# Economic sentiment softened but is still at a high level



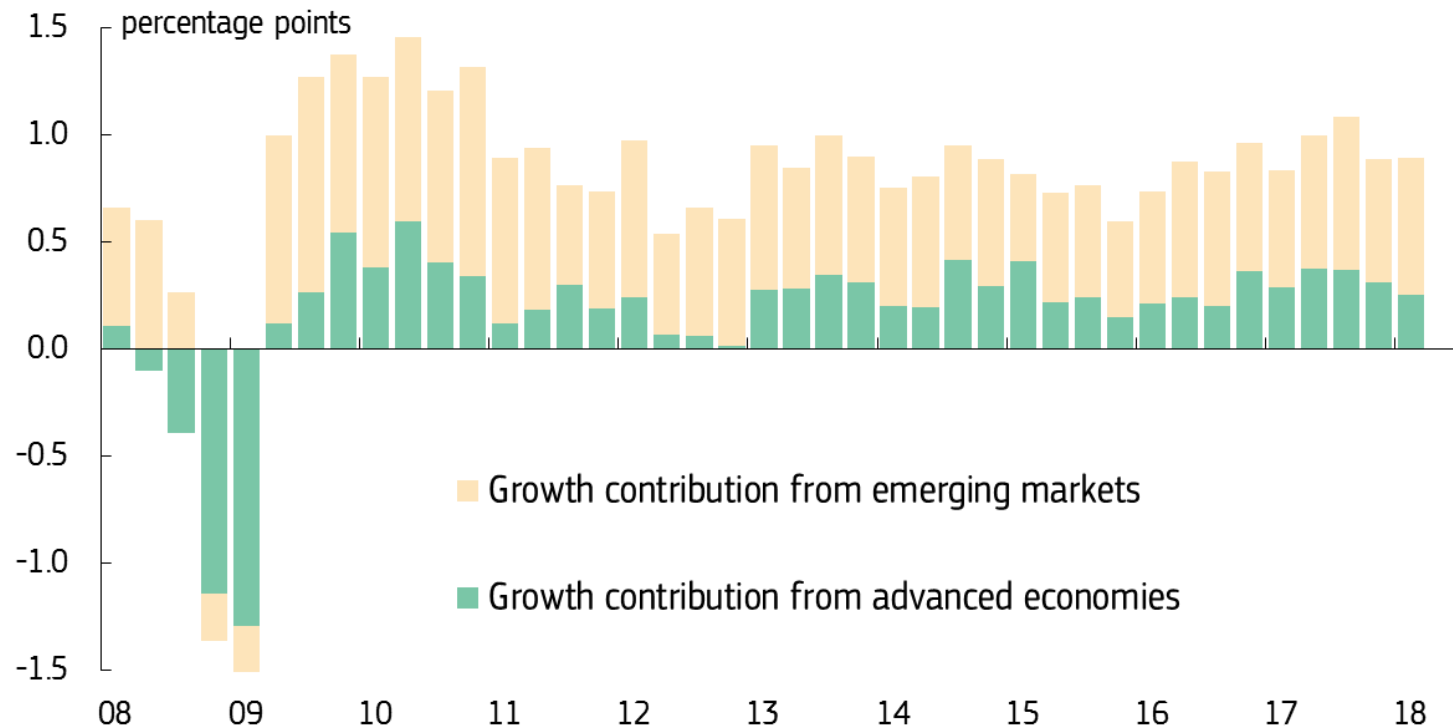
Source: EC, Markit Group Limited.

# Monetary policy remains supportive



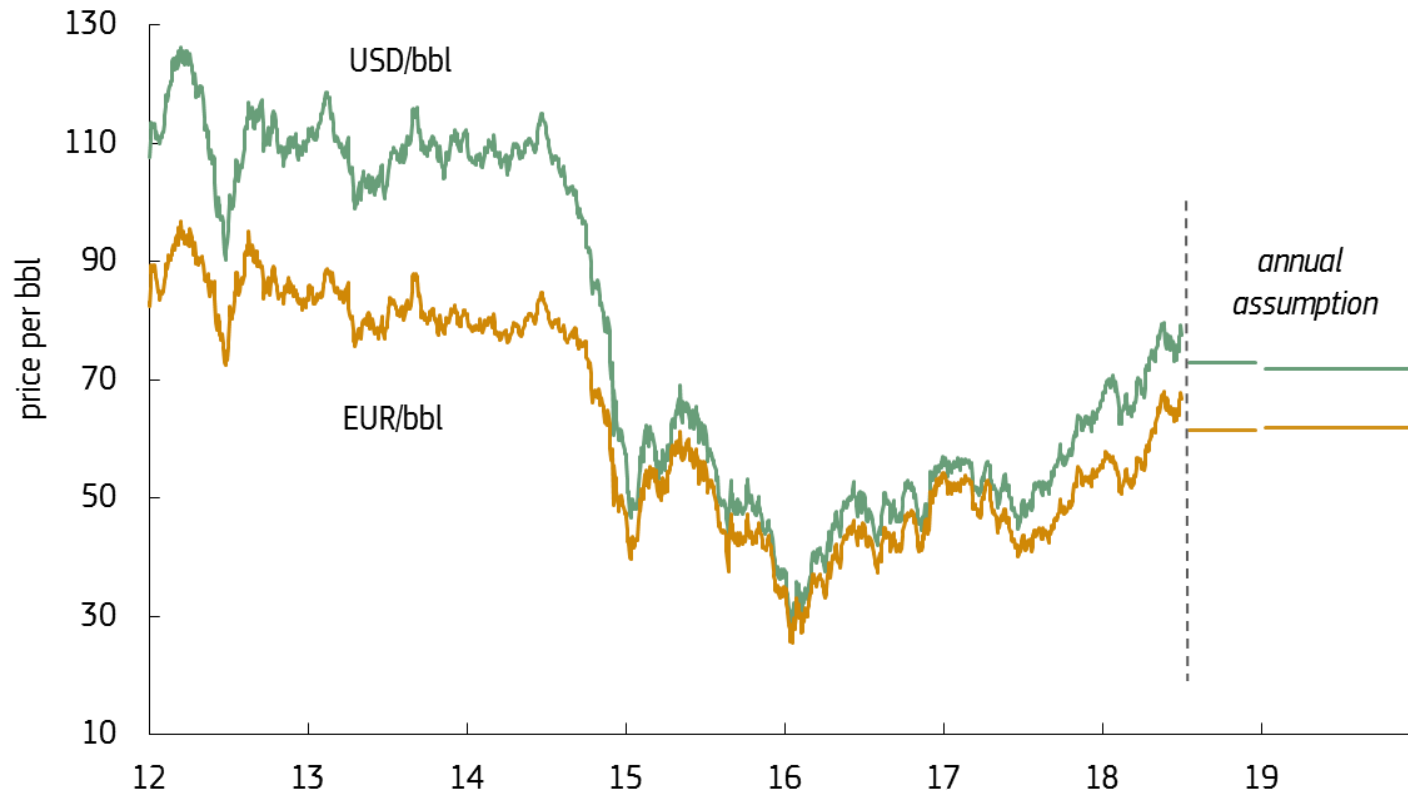
Short term rate: 3M Euribor; Long term rate: 10Y interest swap.

# Global growth becoming less synchronised



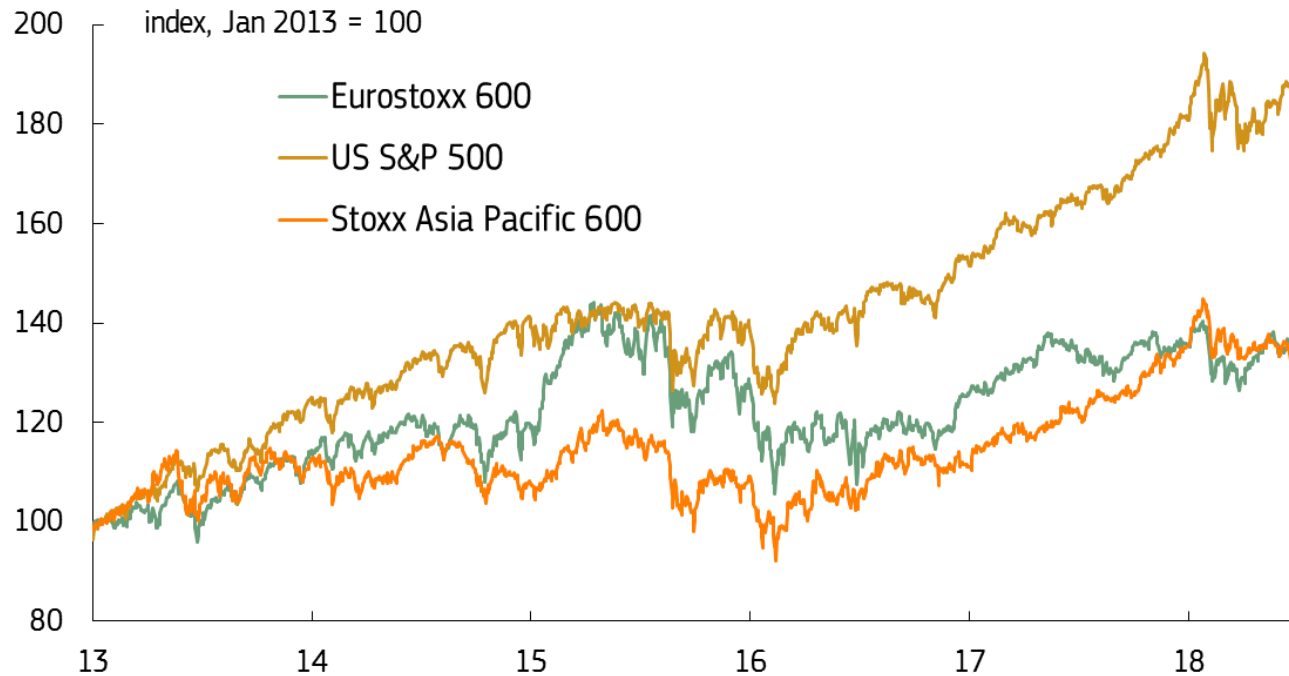
Sources: Data Insight, IMF and national statistical institutes for GDP, JPMorgan/Markit for PMI.

# Oil prices picked up



# Financial markets show resilience to risks

## Stock markets

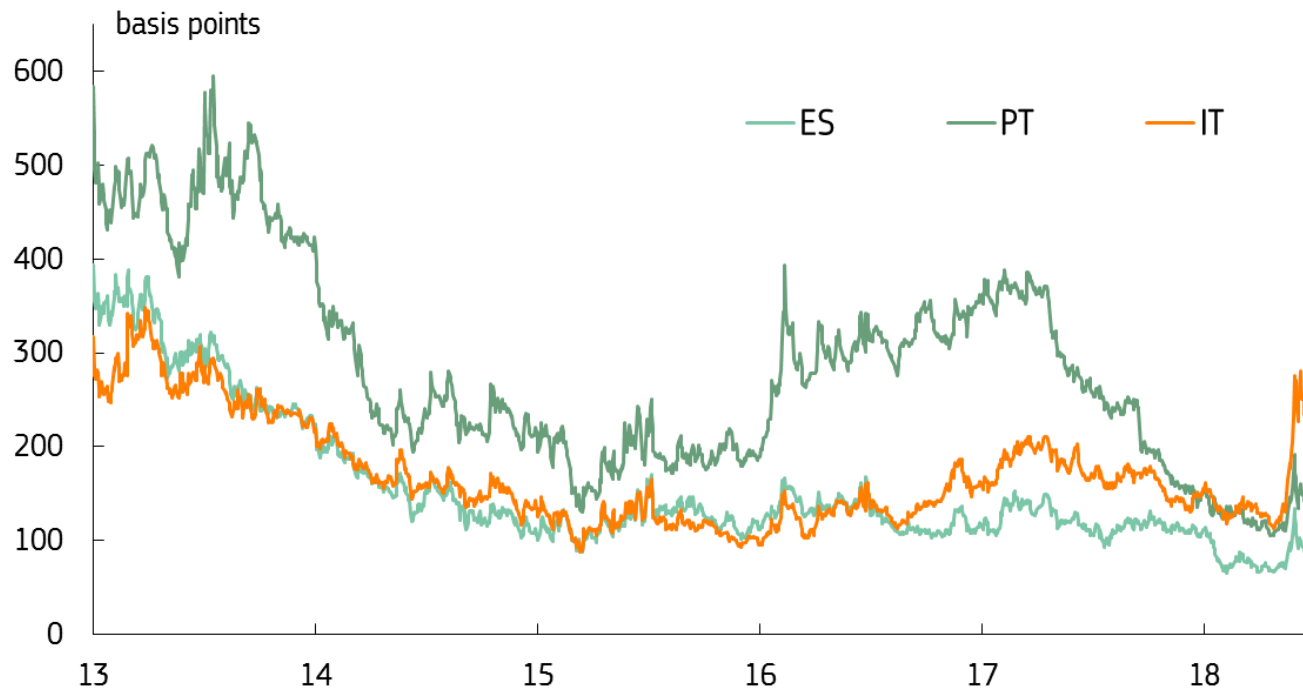


Source: Macrobond.



# Financial markets show resilience to risks

## 10-year government bond spreads

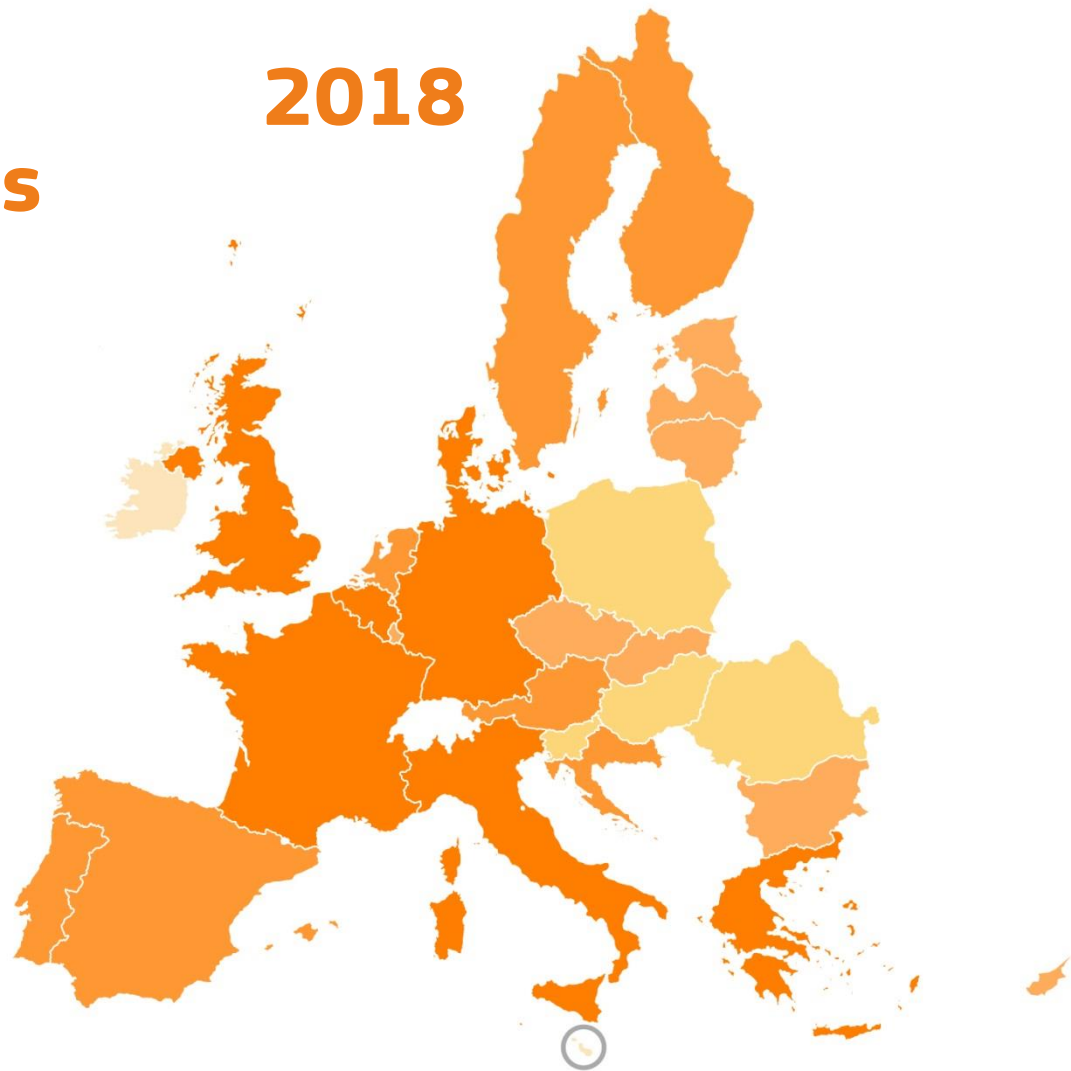
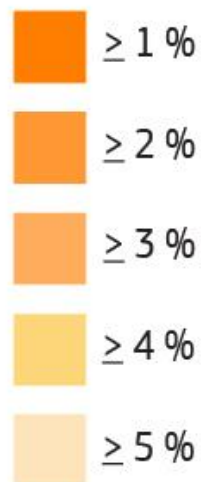


Source: Macrobond.

# Expansion in all Member States

## 2018

Annual real GDP growth

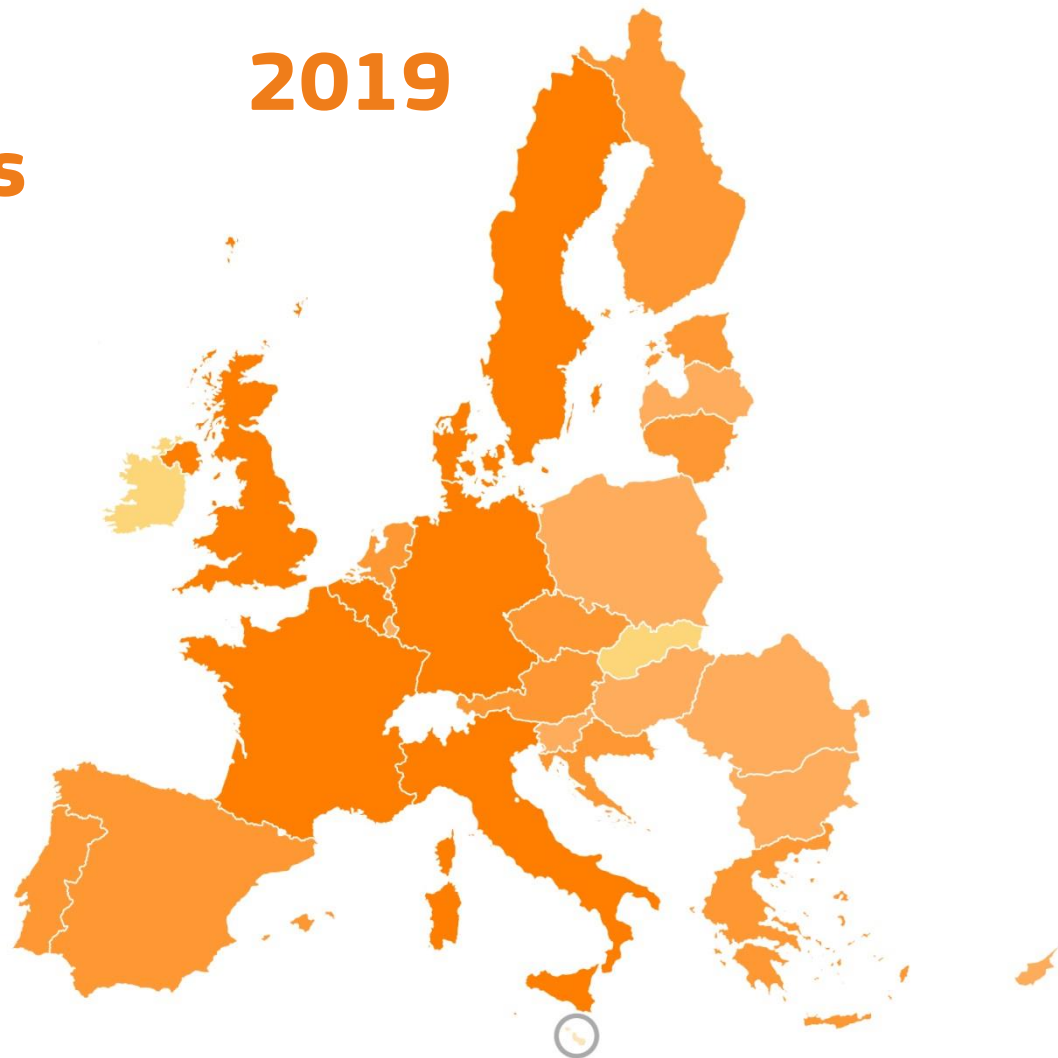
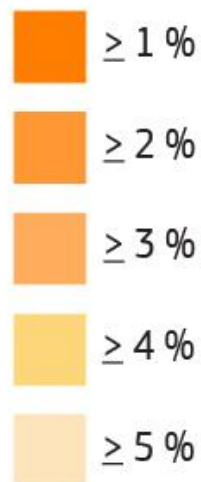


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# Expansion in all Member States

2019

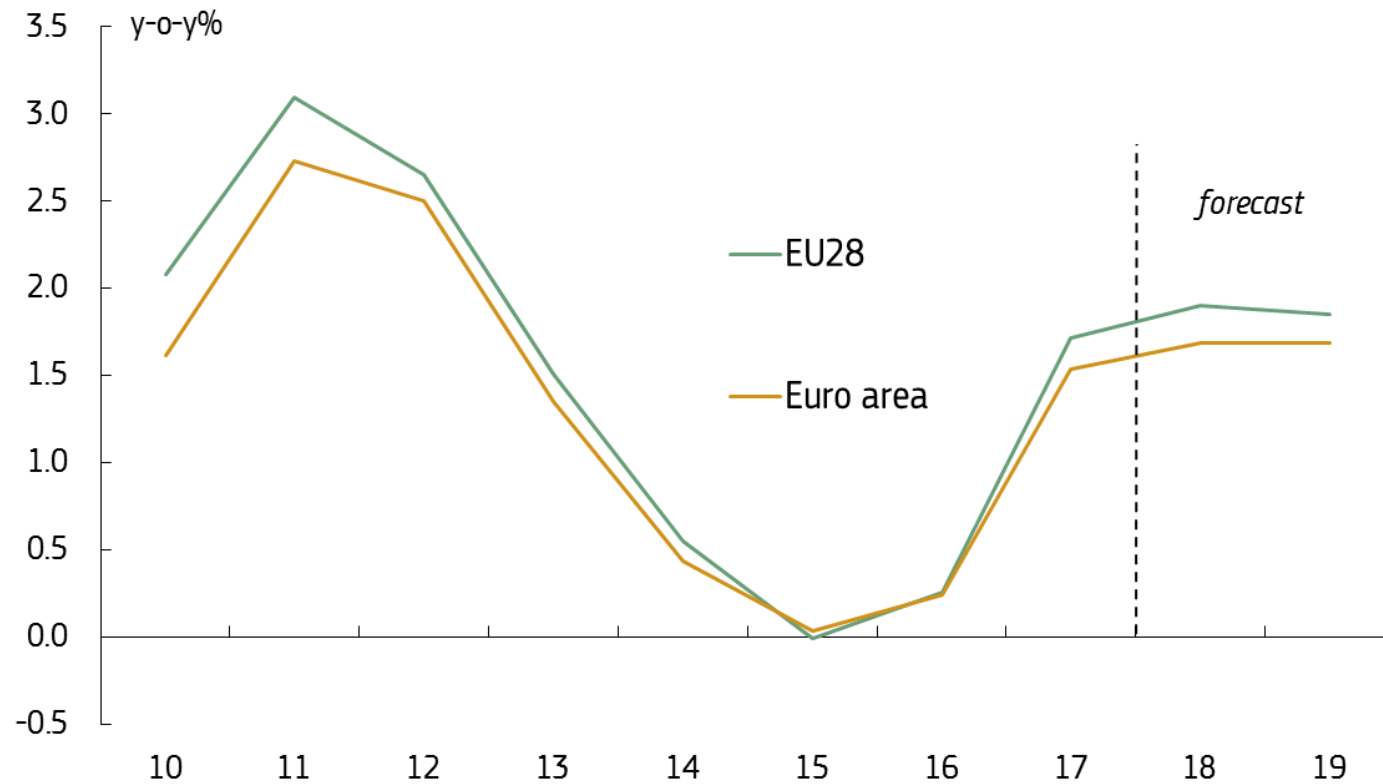
Annual real GDP growth



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# Energy prices drive inflation higher

Harmonised indices of consumer prices (HICP)



# Downside risks dominate

- Escalation in trade tensions
- Tighter financial conditions
- Unwarranted effects of the US fiscal stimulus
- Geopolitical tensions
- Policy uncertainty in some EU Member States, including the Brexit negotiations