



EUROPEAN ECONOMIC FORECAST

Autumn 2020

5 NOVEMBER 2020

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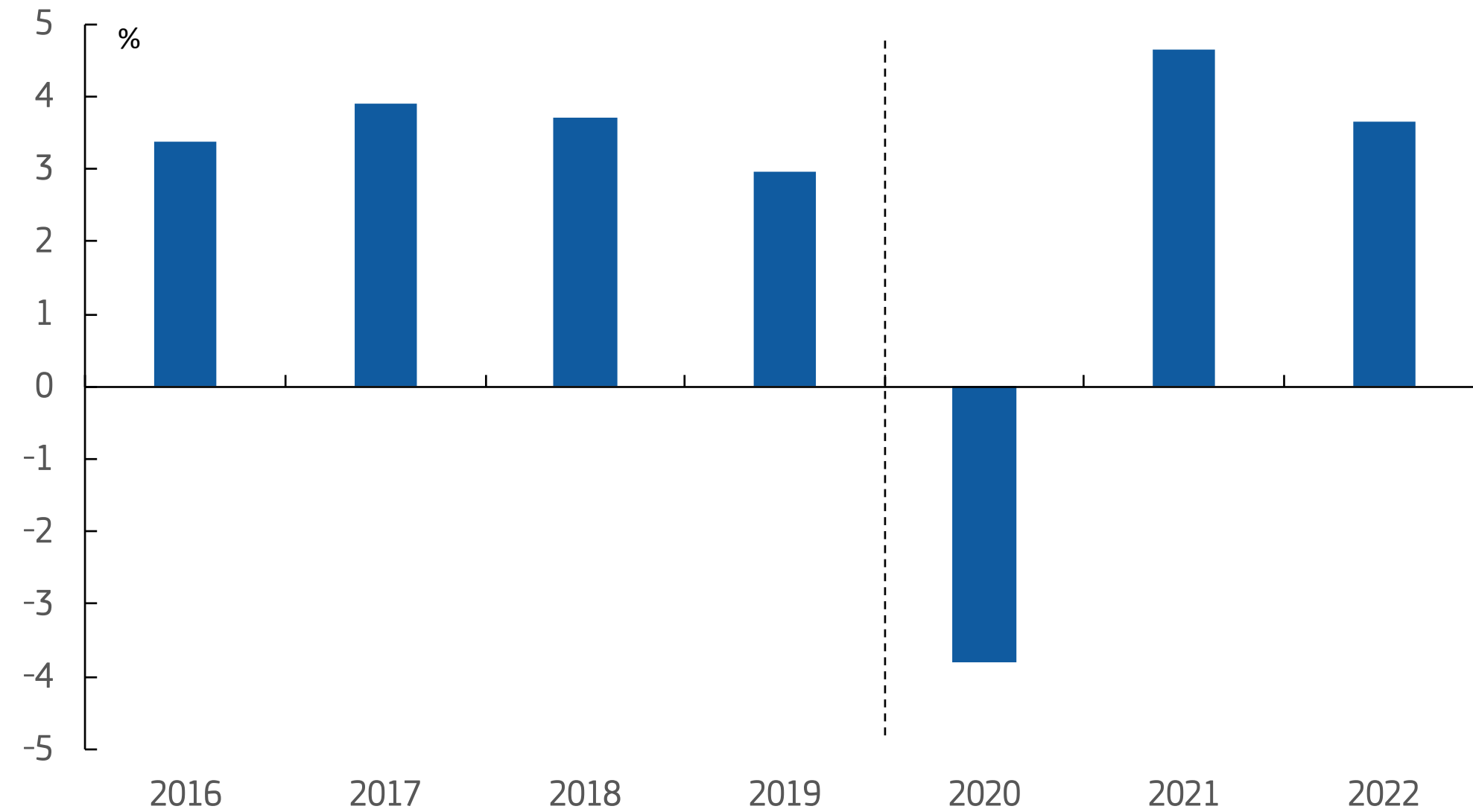


Key messages from the Autumn 2020 European Economic Forecast

1. COVID-19 caused a deep, uneven recession in the first half of 2020 followed by a strong rebound in the third quarter
2. The resurgence of the pandemic is set to interrupt the recovery, albeit temporarily
3. National and EU policy measures continue to cushion the impact of the crisis
4. Uncertainty is exceptionally high, regarding the pandemic but also the future EU-UK trade relationship
5. Downside risks are exceptionally large, but there are also upside risks to our forecast

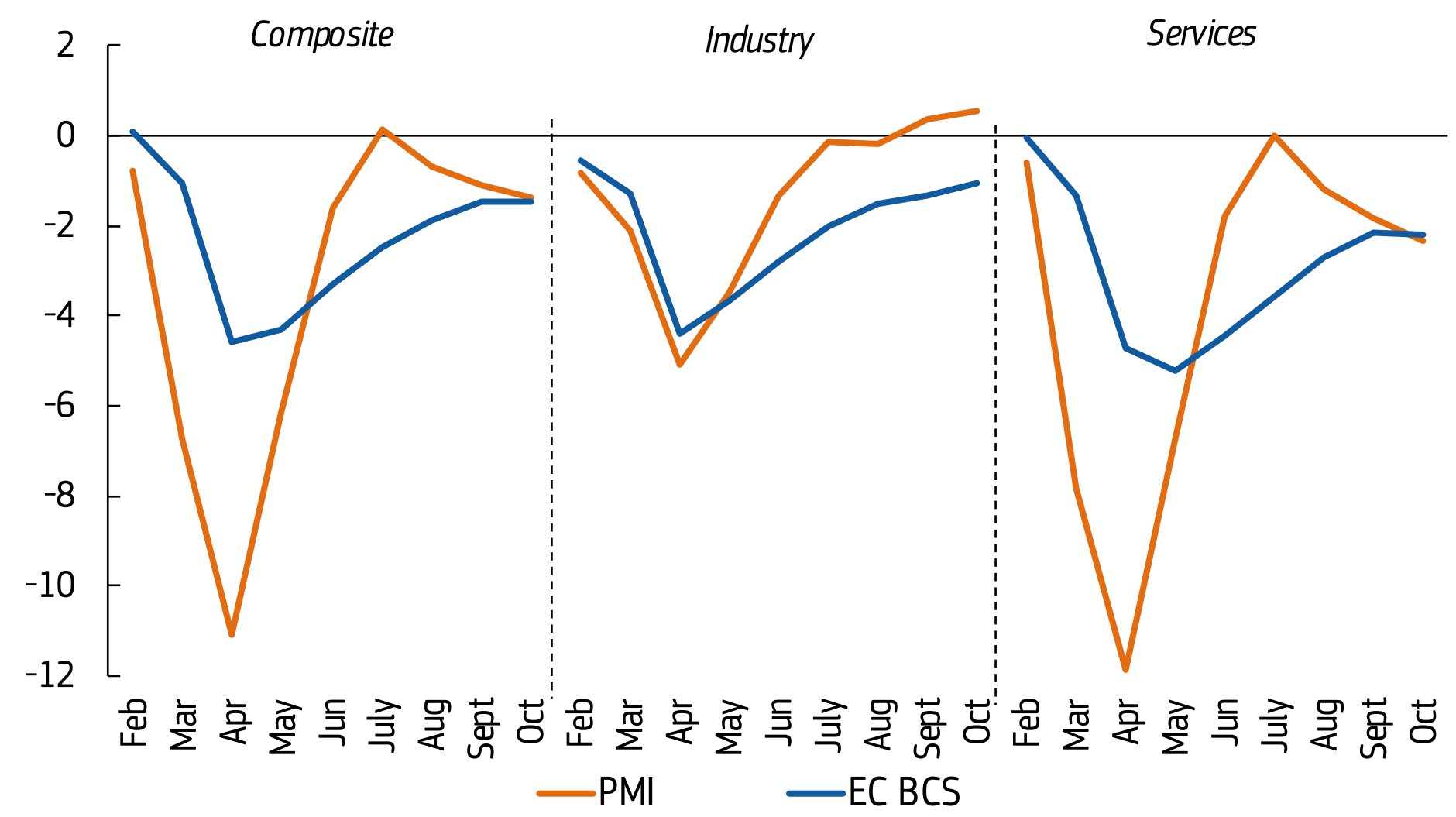
The global economy is expected to bounce back

Global (excl. EU) GDP growth, annual



Where we stood before the new surge of infections

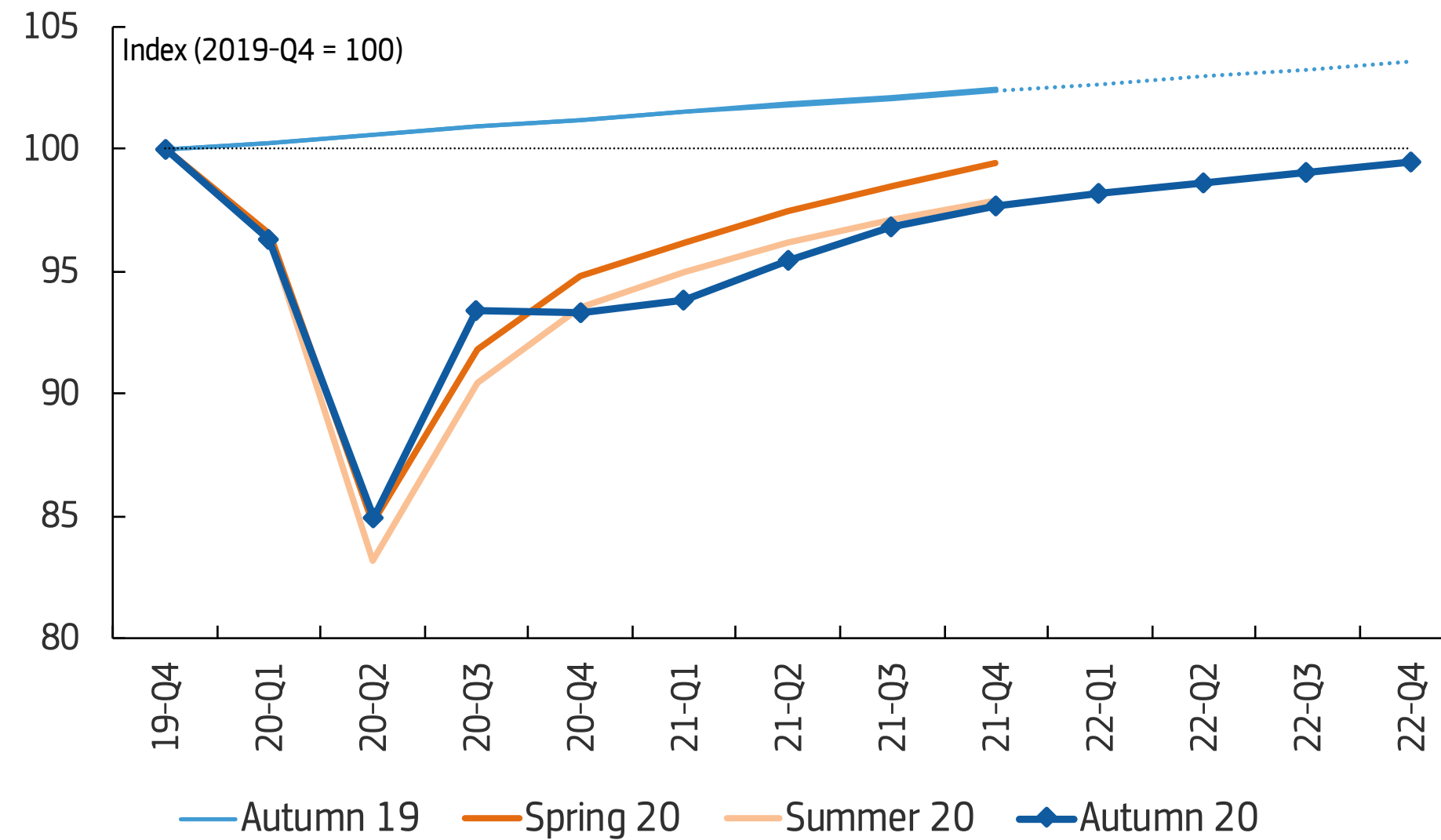
Sectoral survey data, euro area



Note: Standardized data based on 2000-'07 sample.

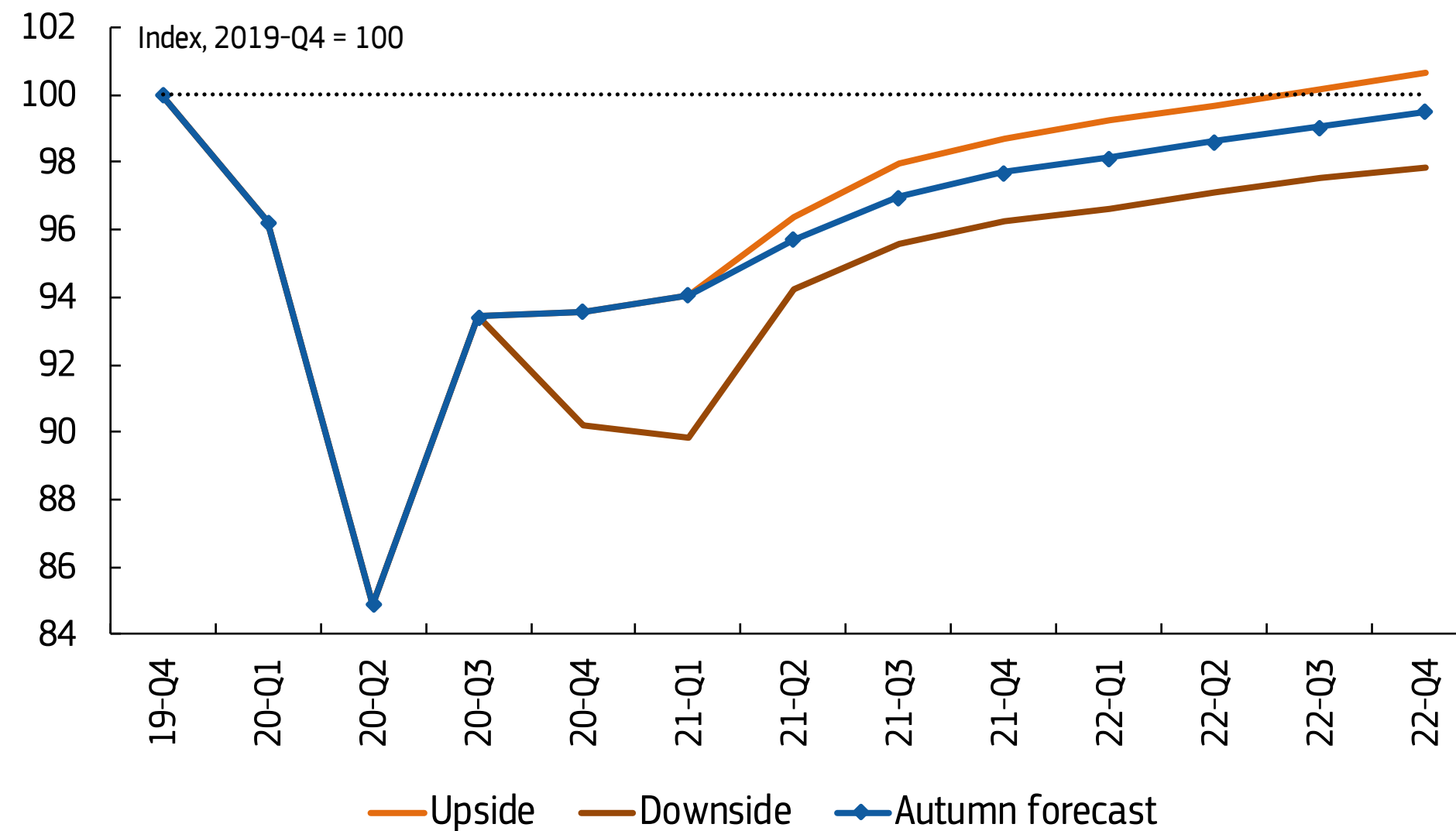
An interrupted recovery set to gradually resume

Real GDP growth, euro area



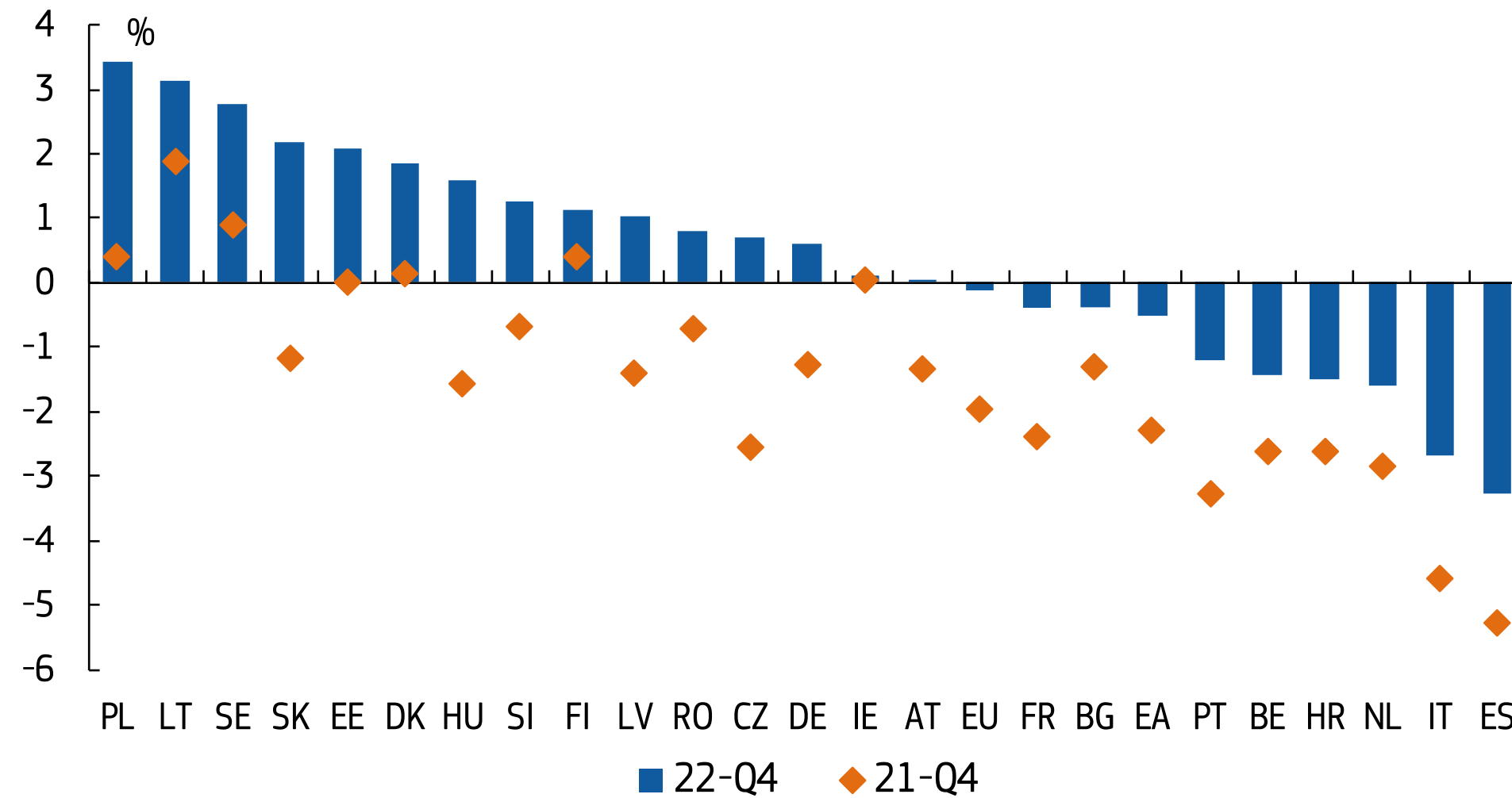
Growth projections subject to uncertainty

Real GDP levels, euro area



Uneven contraction and speed of recovery across countries

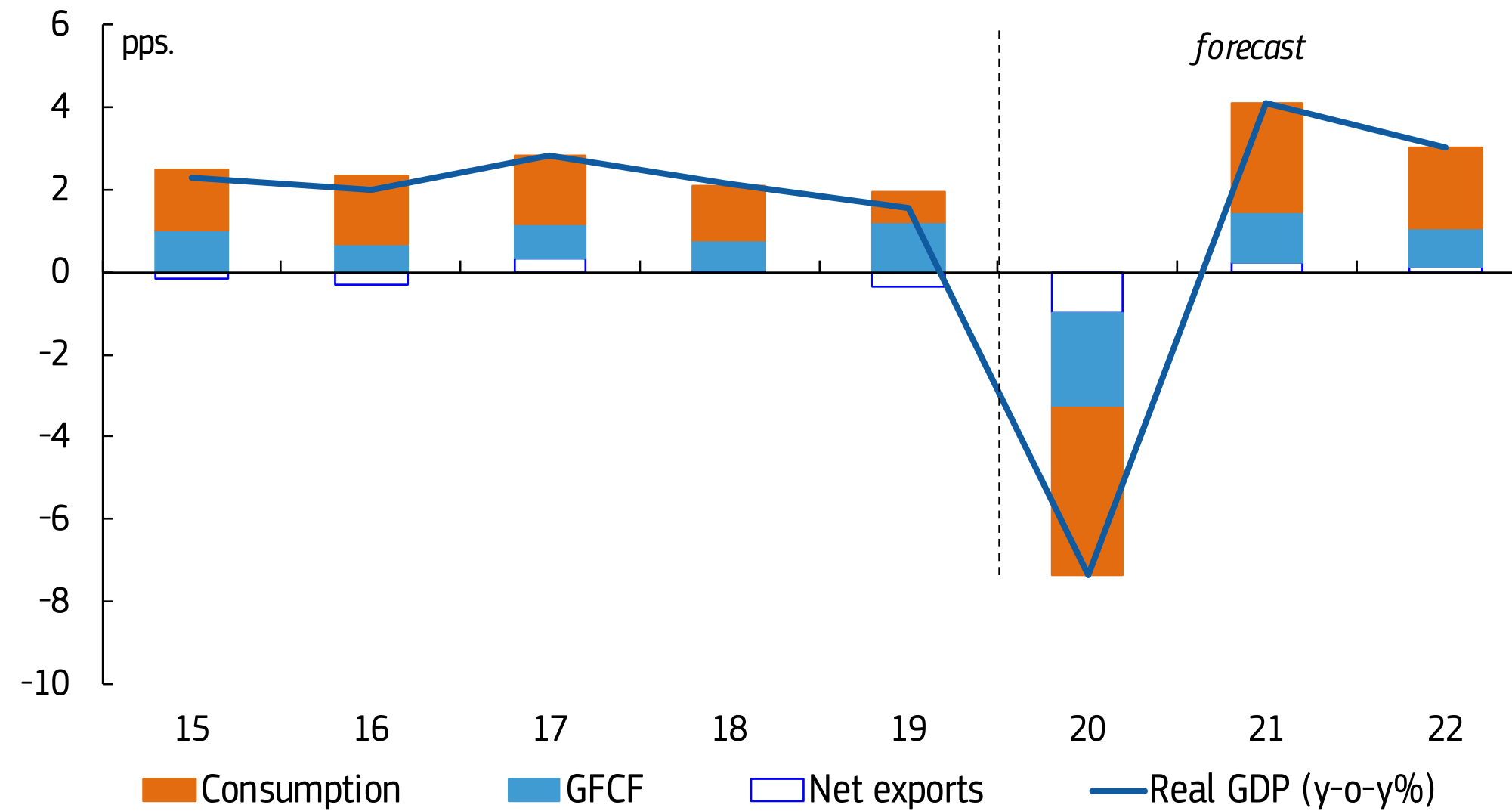
GDP levels compared to 2019-Q4, Member States



Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.

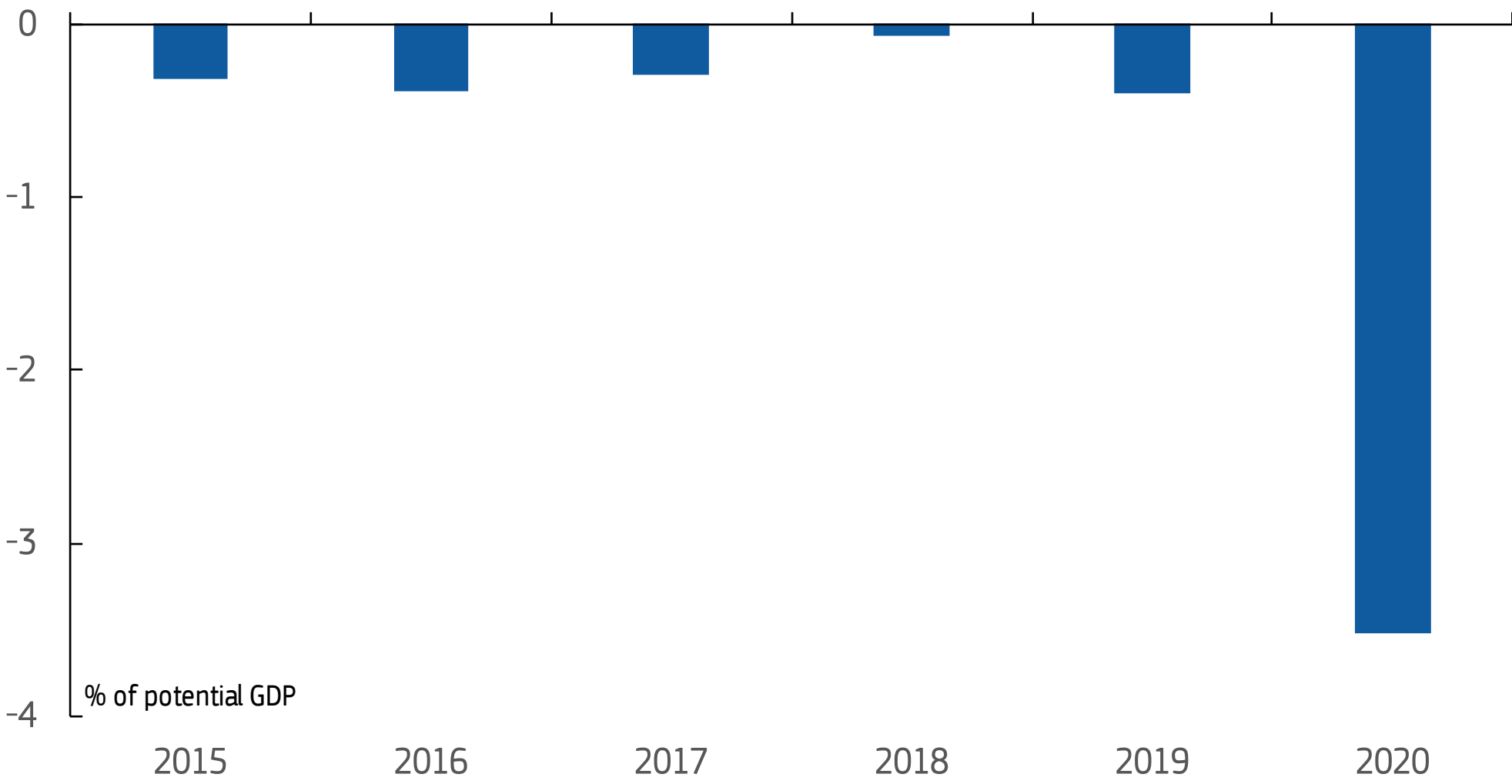
Domestic demand to drive the recovery

Real GDP growth and contributions, EU



Policy measures sheltered jobs and incomes

Fiscal stance, euro area



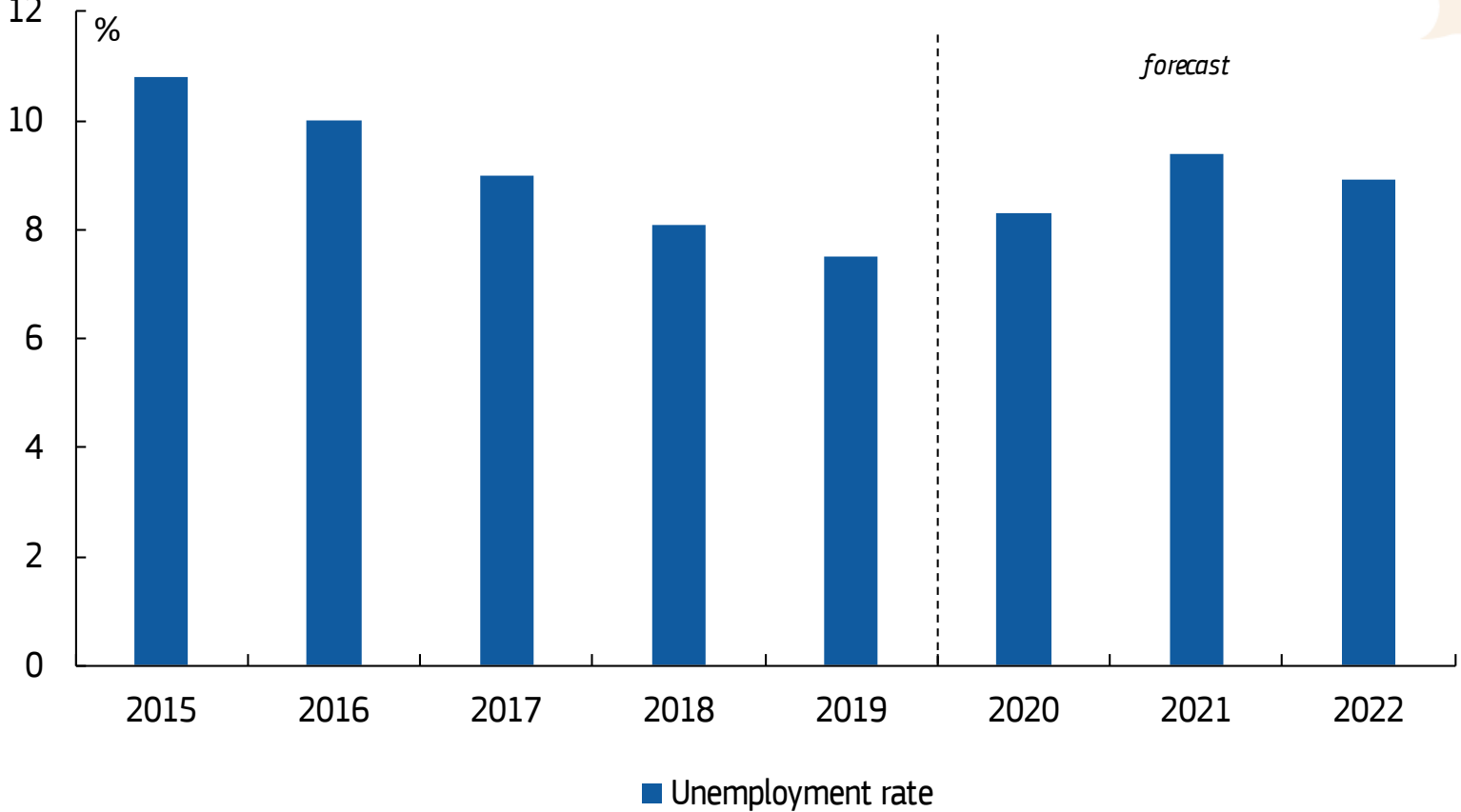
Note: Fiscal stance measured as a change in the structural primary balance

Further labour market adjustments may still take place

Employment, hours worked and GDP growth, euro area

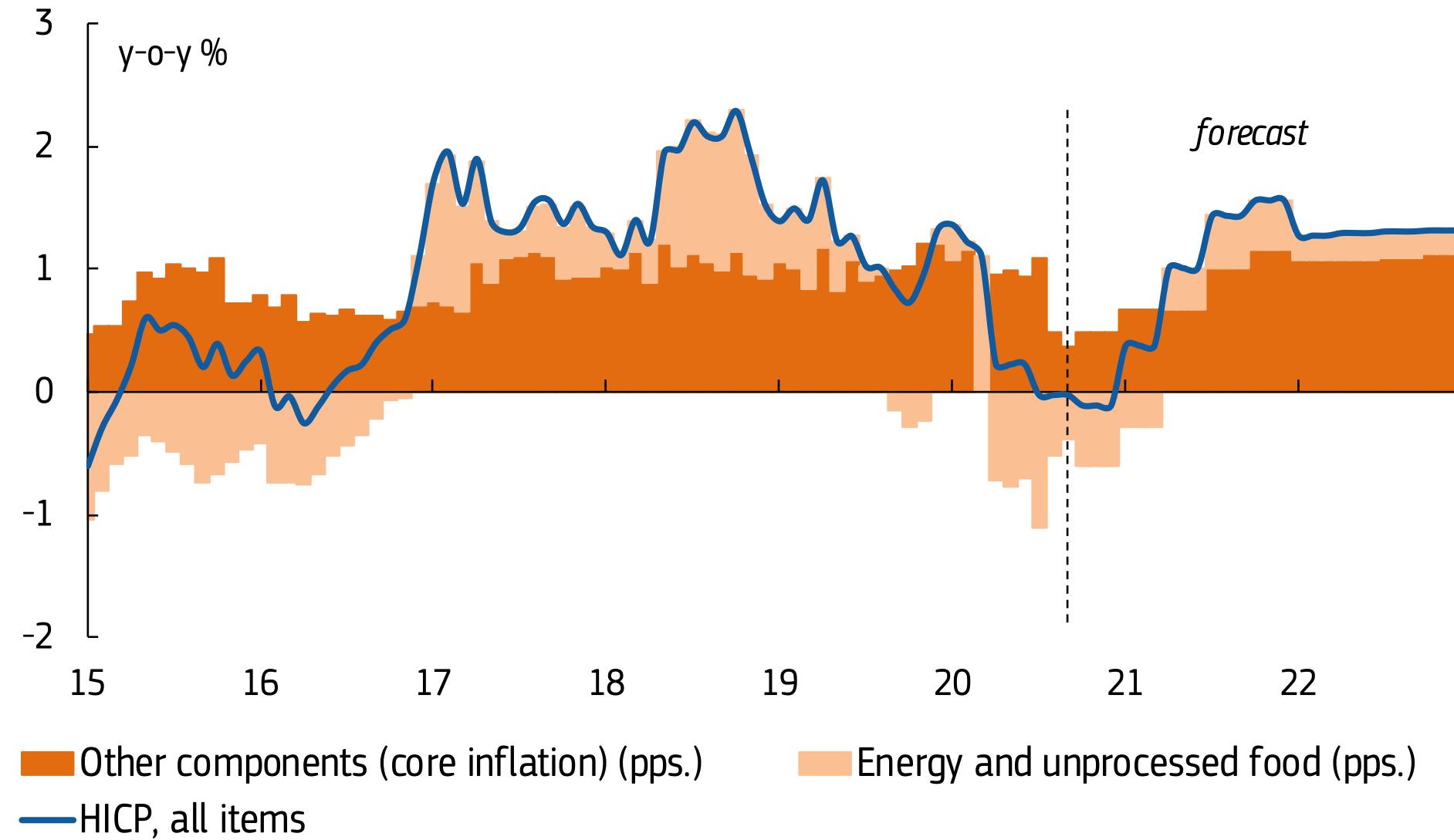


Unemployment, euro area



Inflation is set to remain moderate

Inflation rate, euro area



European growth map 2020 & 2021

real GDP growth, %

-

≥ -4 %

≥ -6 %

≥ -8 %

≥ -10 %

< -10 %

+

≥ +6 %

≥ +5 %

≥ +4 %

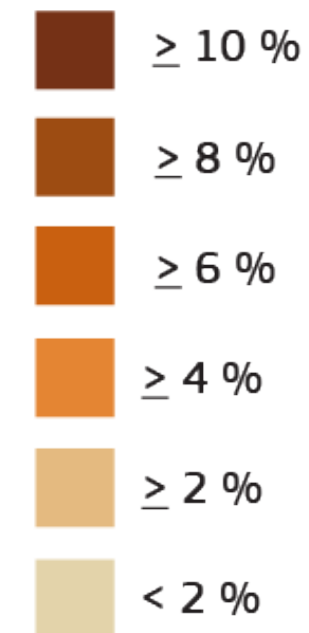
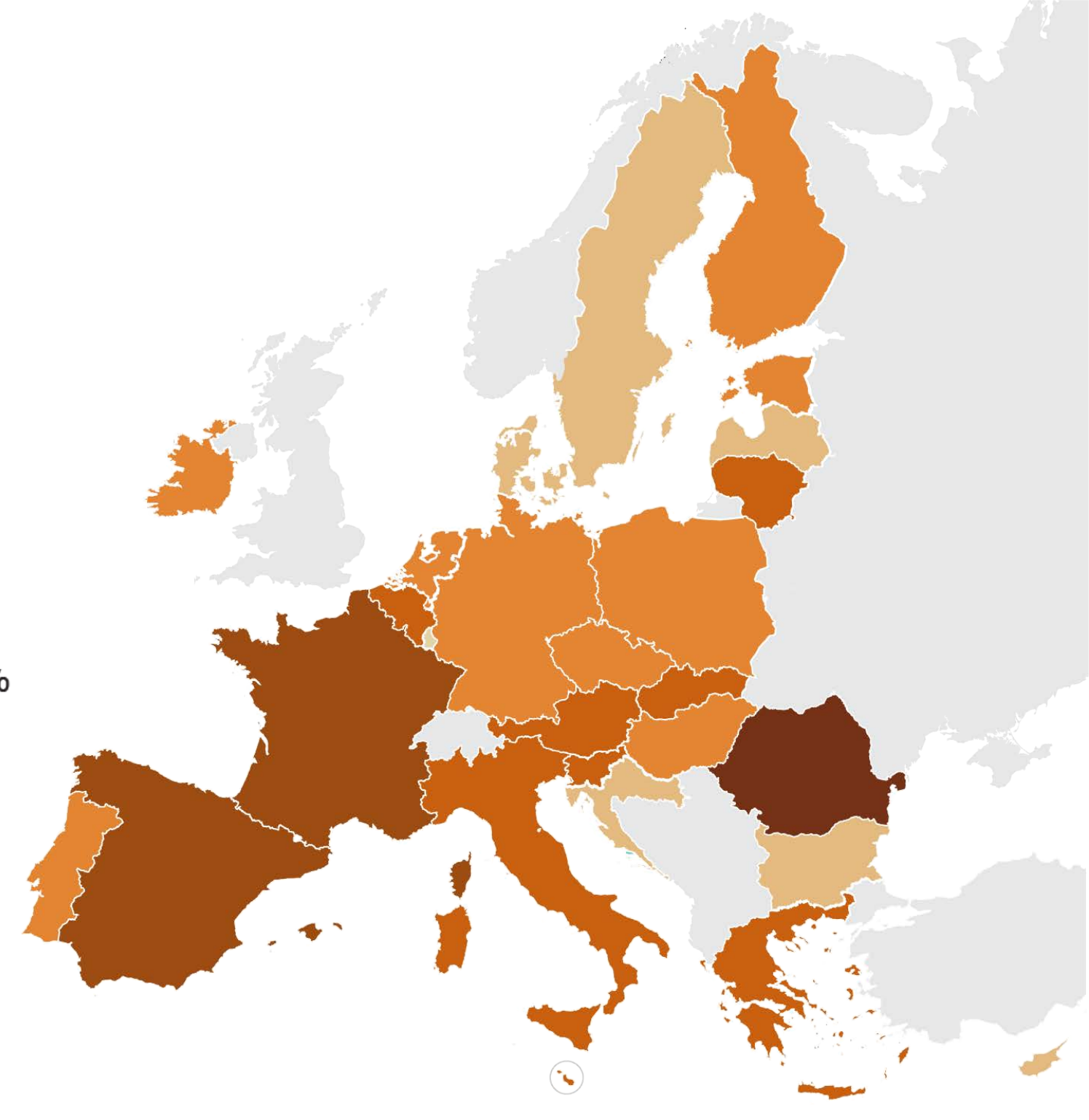
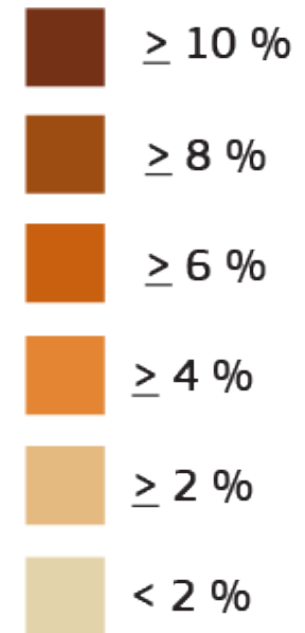
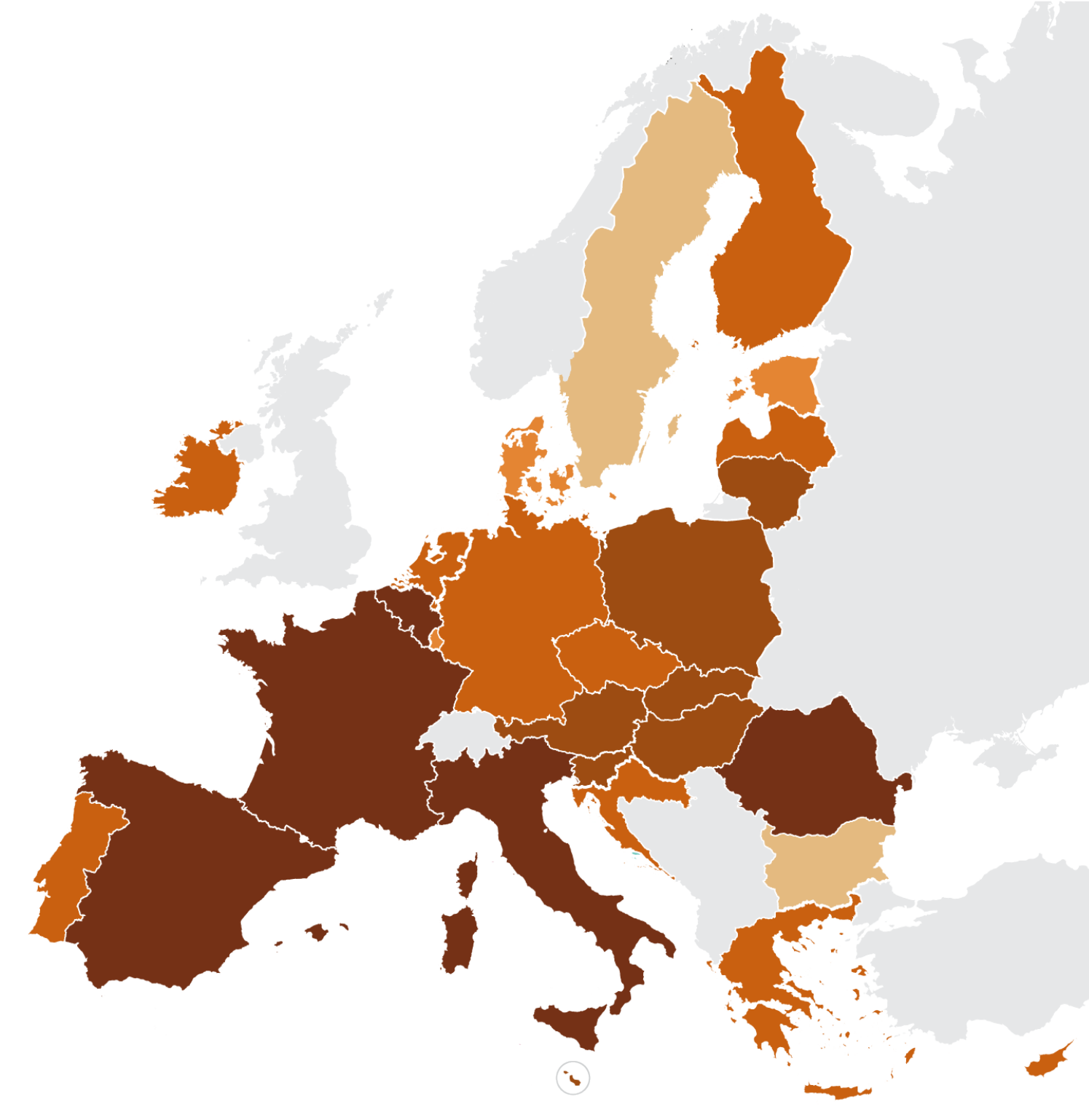
≥ +3 %

≥ +2 %



Budgetary outlook 2020 & 2021

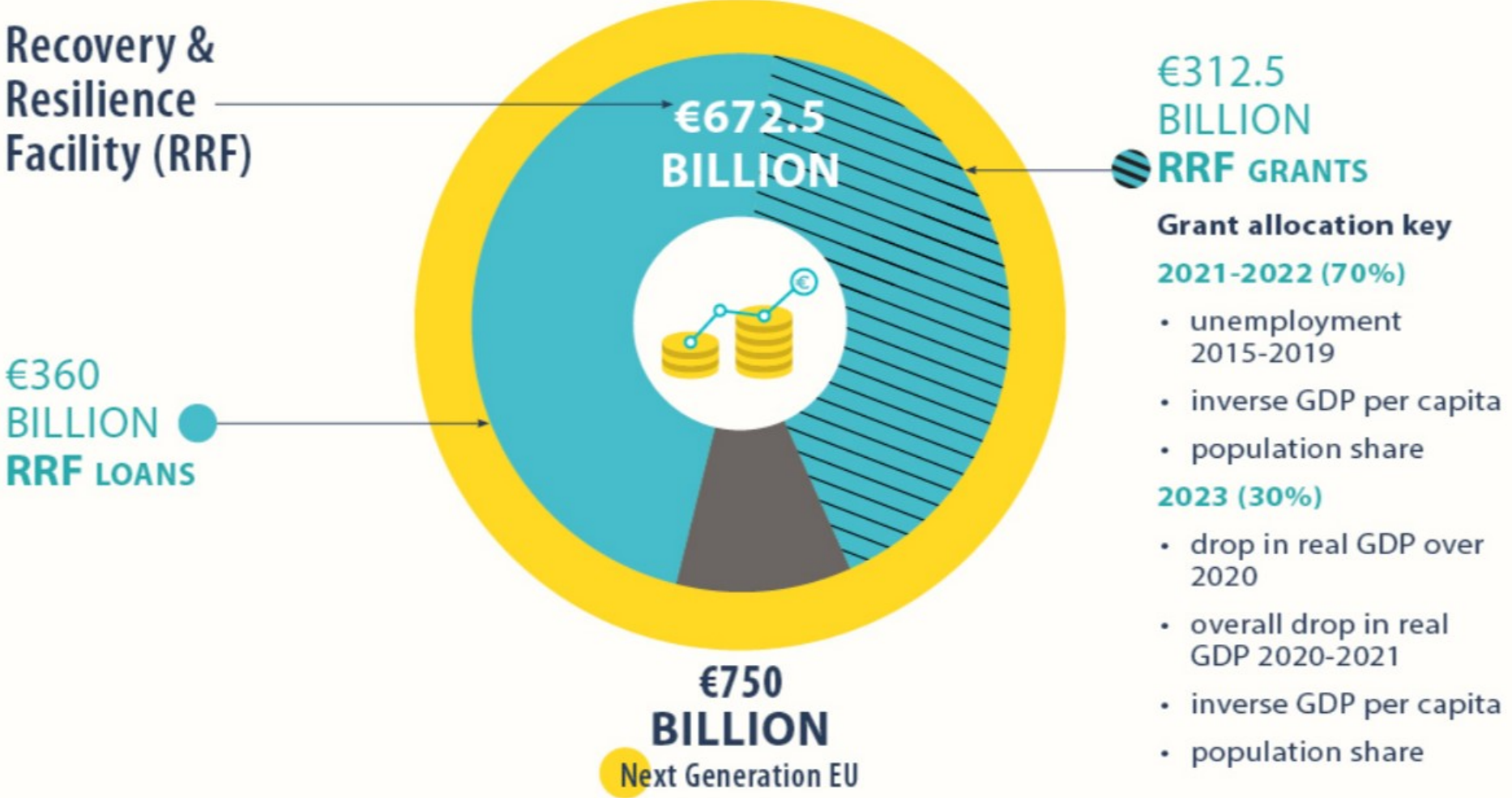
Public deficits as % of GDP



Downside risks are exceptionally large, but there are also upside risks

- The pandemic could become more severe and/or last longer in Europe and abroad
 - A premature withdrawal of economic support measures
 - Differences across countries becoming entrenched
 - The possibility of financial stress
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- + Medical advances including swift and widespread vaccine deployment
 - + A potential EU-UK trade agreement

Next Generation EU – Recovery and Resilience Facility



*Figures expressed in 2018 prices. In current prices, the Next Generation EU envelope amounts to €807.1 bn, including €724 bn for the Recovery and Resilience Facility (€338 bn grants, €386 bn loans).

European growth map 2020 & 2021

real GDP growth, %

