

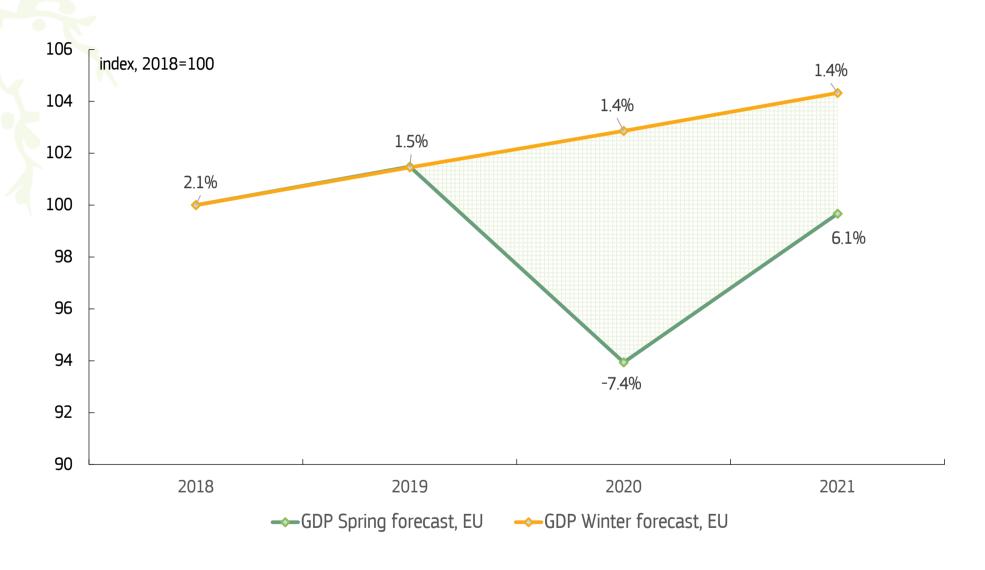
# Key messages from the Spring 2020 European Economic Forecast

- 1. The deepest recession since the Great Depression with an uneven impact
- 2. An incomplete and uneven recovery
- 3. Inflation will be significantly weaker
- 4. Unemployment is set to increase, though policy measures should limit its rise
- 5. Necessary policy measures will cause public deficits and debt to rise in 2020
- 6. Risks to the outlook are exceptionally large and to the downside



### A deep recession followed by a partial recovery

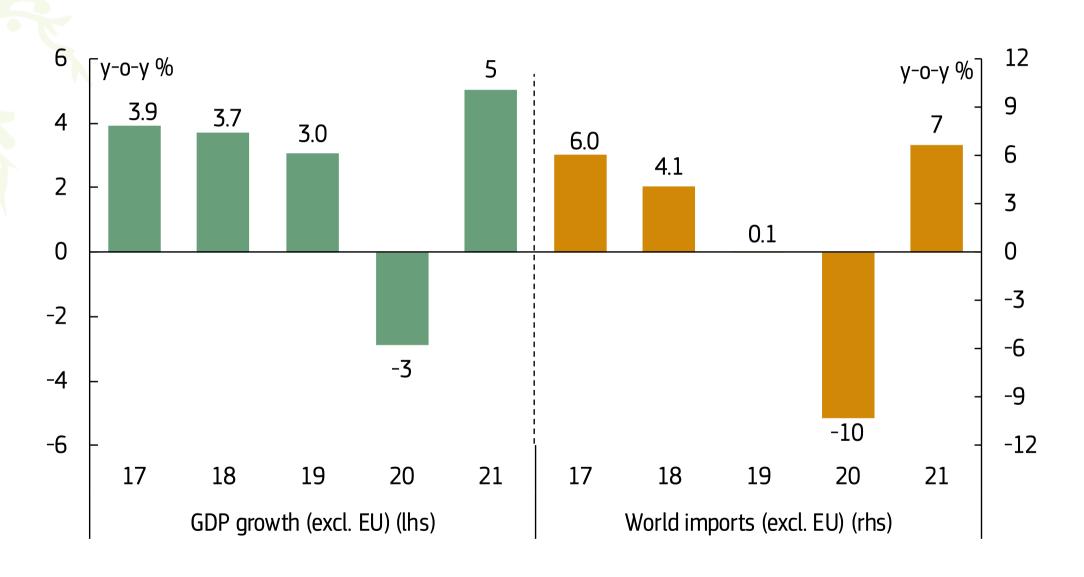
GDP in 2021 to remain far below the level expected in the Winter Forecast





#### Global economy also set to contract

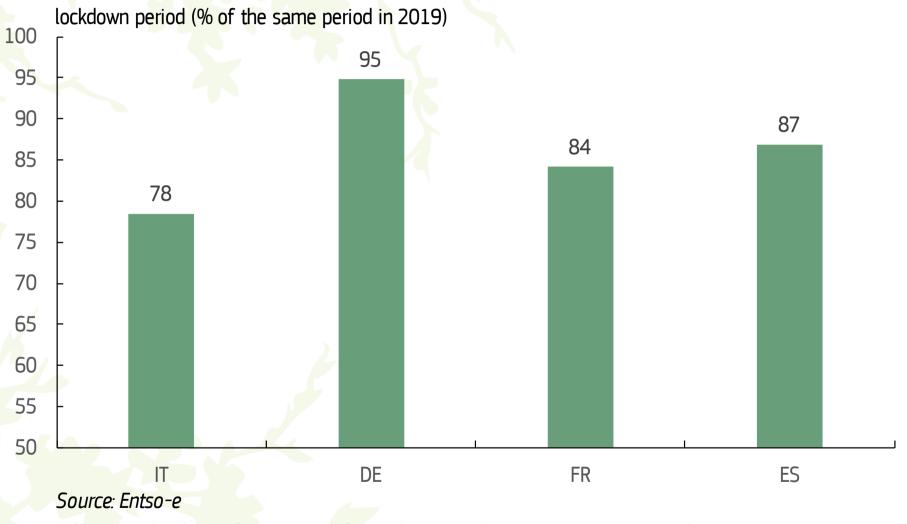
Global growth and global imports (excl. EU)





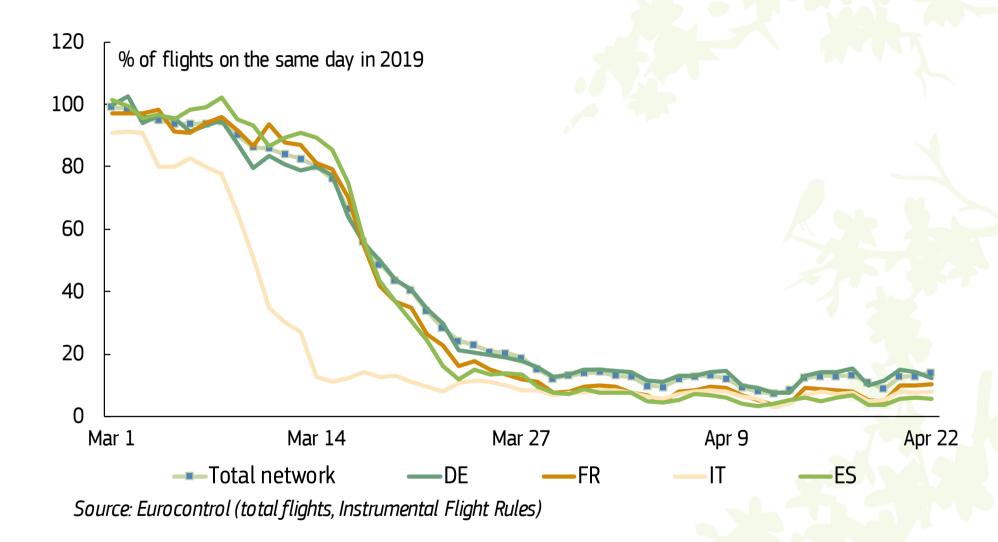
#### Real-time indicators reveal a broad-based shock

Electricity consumption during the lockdown period compared to the same period of 2019



The period under consideration varies across countries

Air traffic compared to the same period of 2019

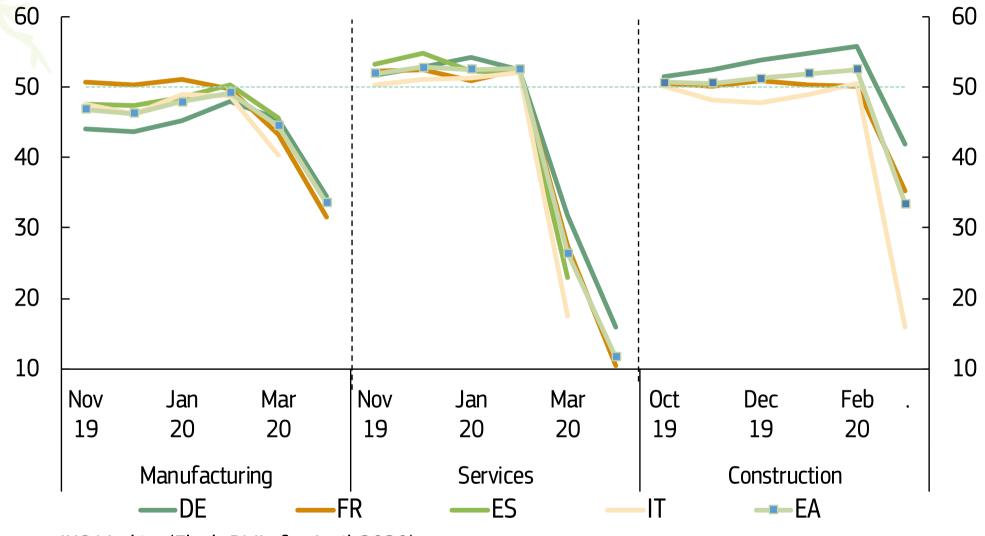




Commission

#### Survey data point to a sharp decline in activity

Manufacturing, Services, and Construction PMIs, euro area and Member States



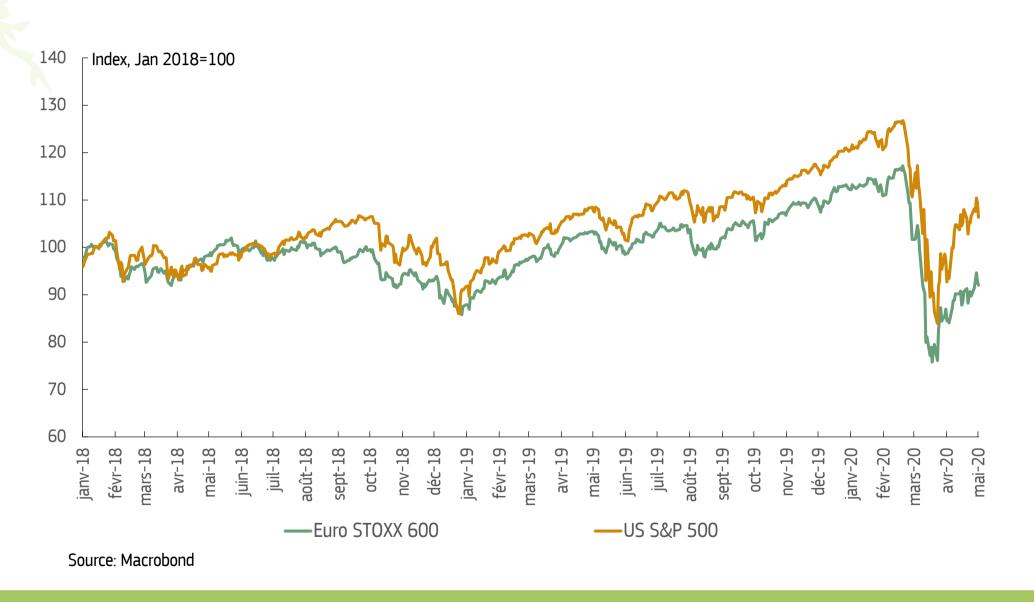
Source: IHS Markit (Flash PMIs for April 2020)

Data available up to the cut-off date of the spring forecast



#### Financial market resilience has been tested

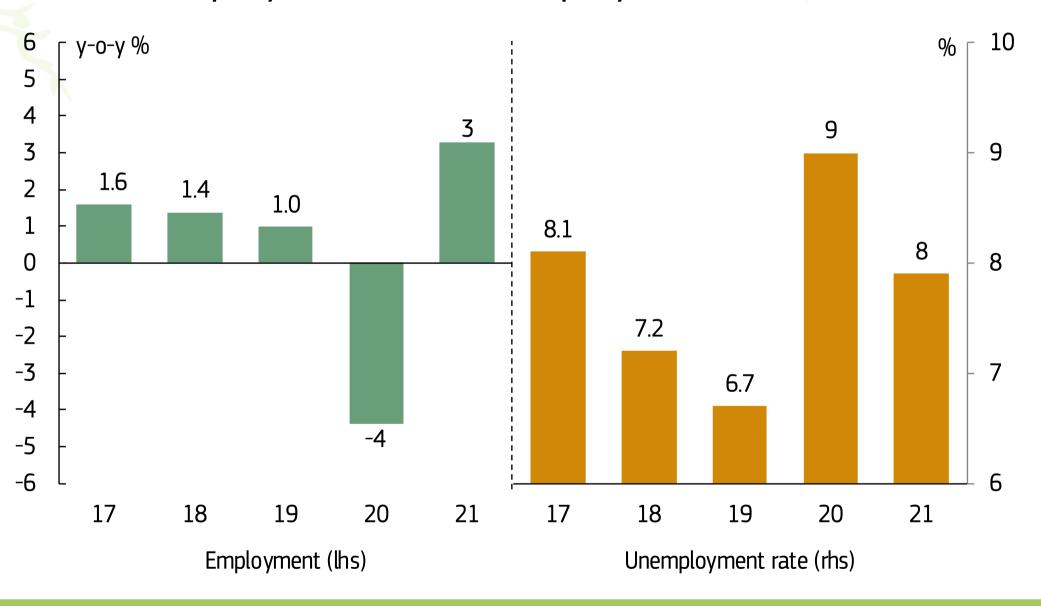
#### Stock exchange indices





#### Labour markets hit but policy measures cushion the blow

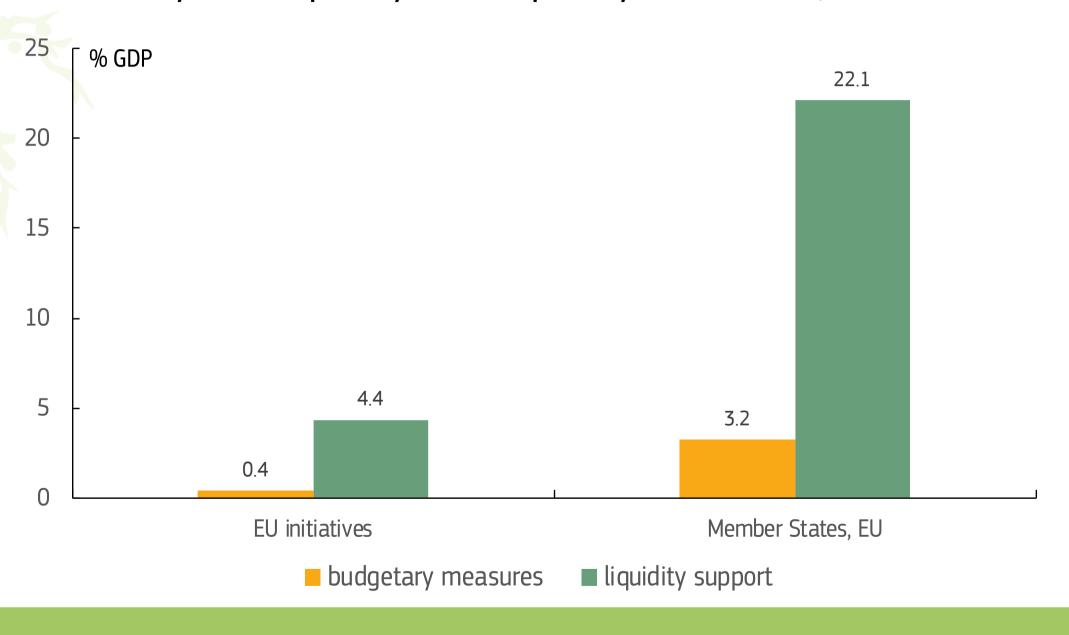
Employment and unemployment rate, EU





### Sizeable fiscal policy support

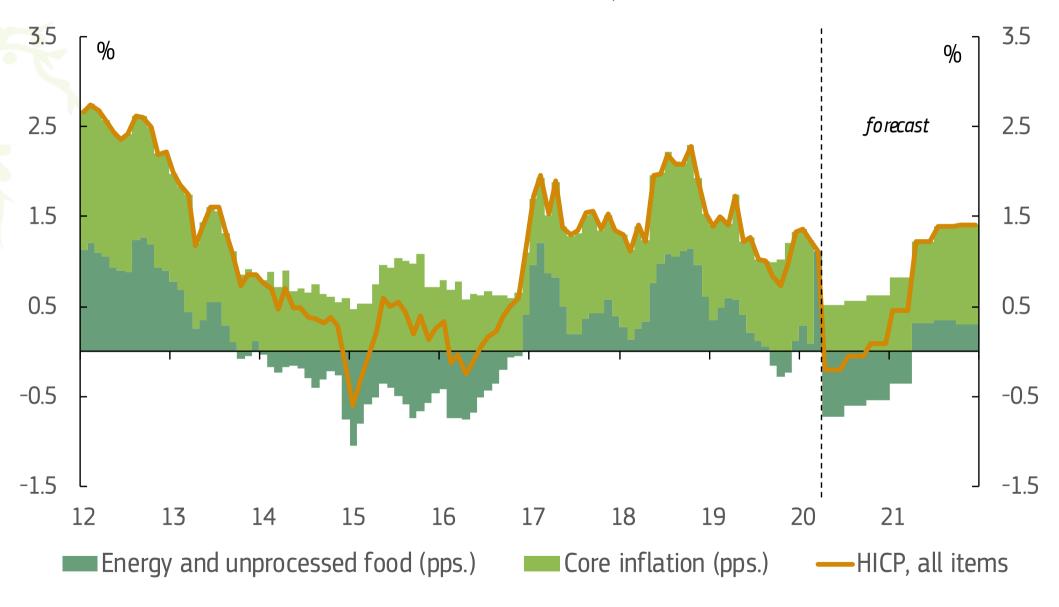
Discretionary fiscal policy and liquidity measures, in % of EU GDP





#### Lower inflation reflects oil price and demand drop

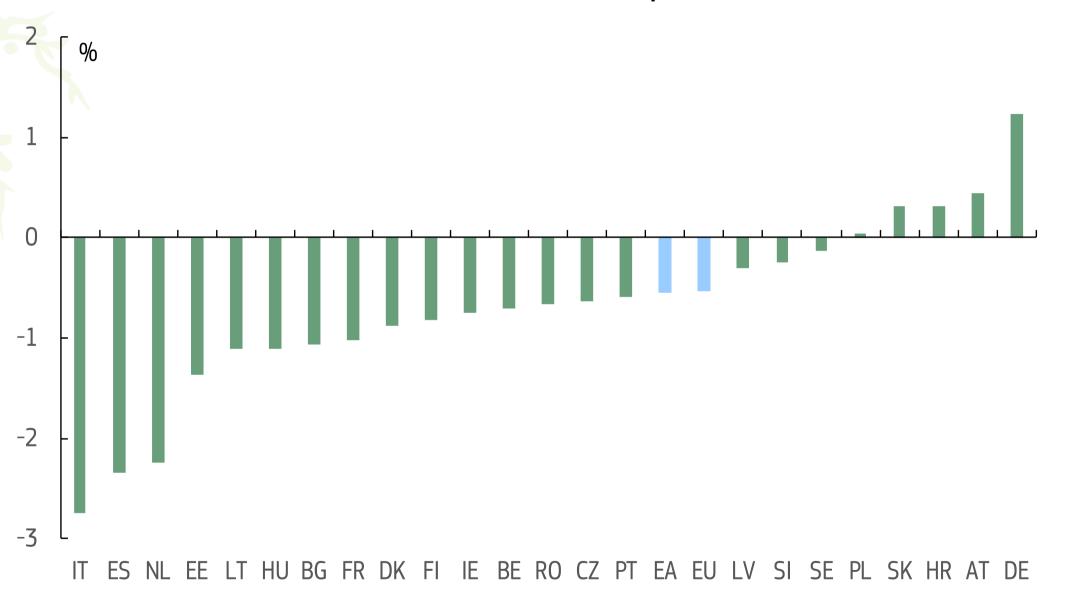
Inflation breakdown, euro area





# **Asymmetric recovery: GDP**

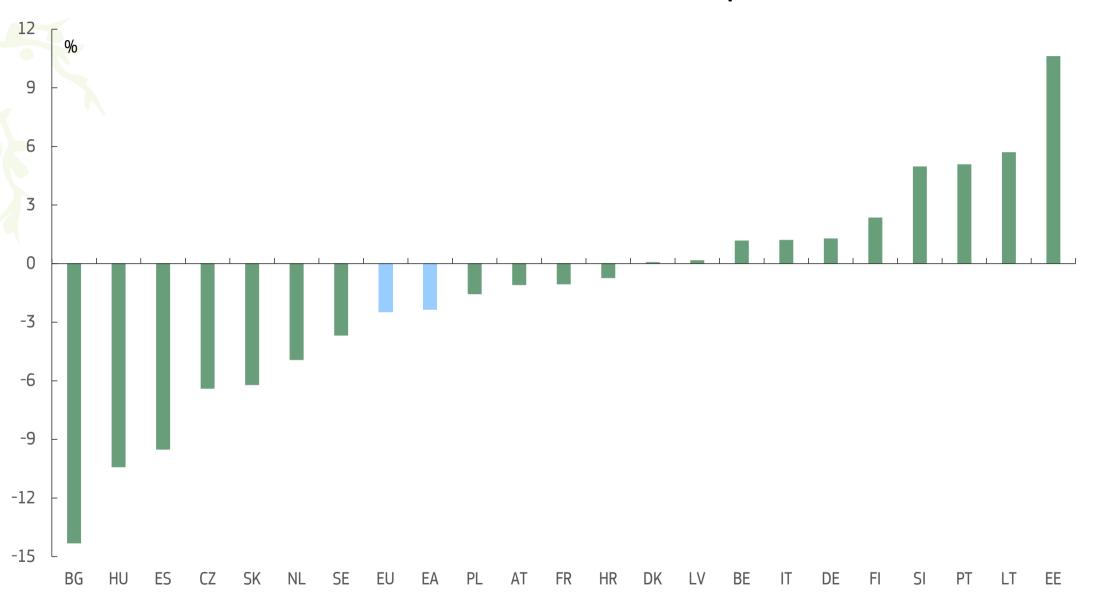
Real GDP level in 2021-Q4 compared to 2019-Q4





## Asymmetric recovery: Investment

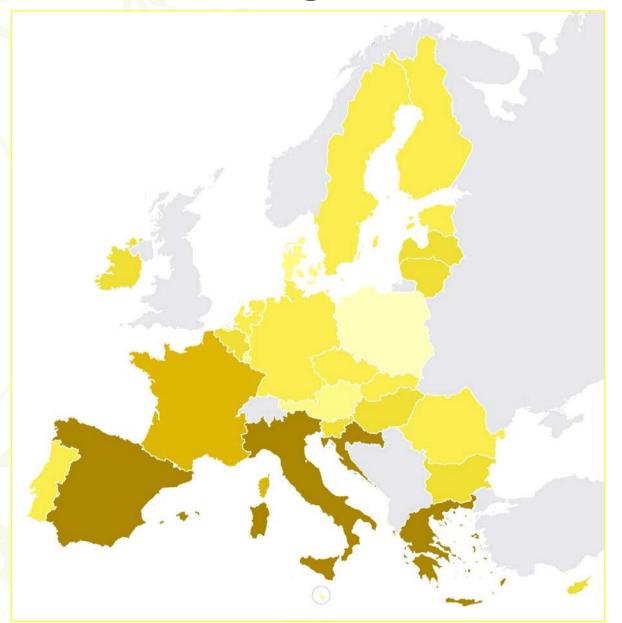
Real Investment level in 2021-Q4 compared to 2019-Q4





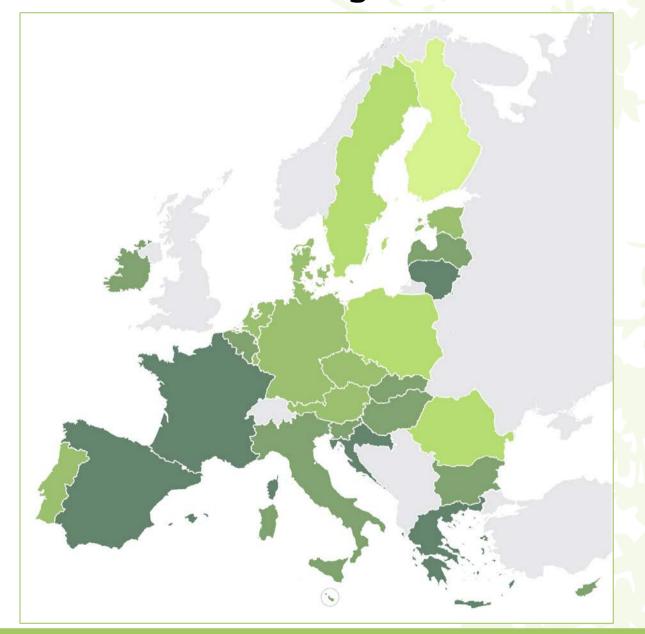
#### European growth maps 2020-2021

GDP change 2020



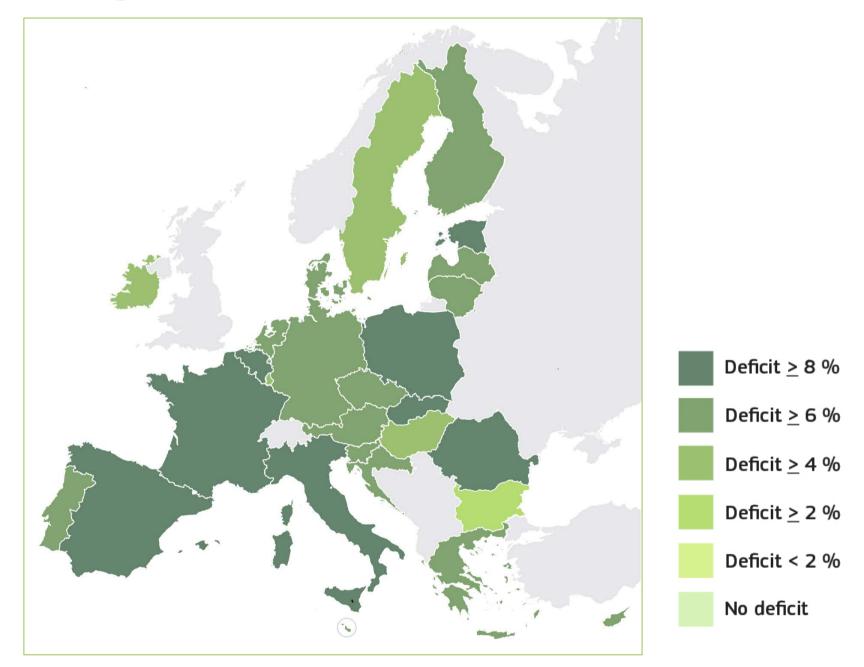


GDP change 2021





# **Budgetary outlook 2020**





#### Risks to the outlook are large and tilted to the downside

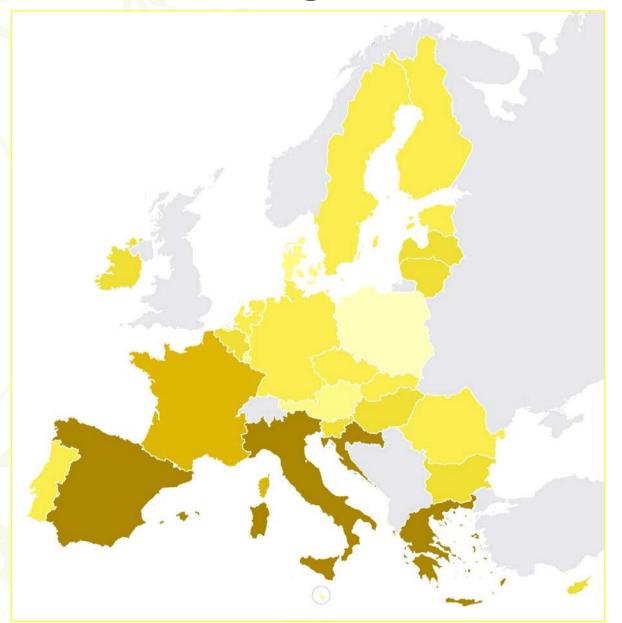
- (-) A longer-lasting or more severe pandemic than assumed
- (-) Fragmentation of the single market and entrenched structural divergences
- (-) Financial instability globally and in the EU
- (-) A rise in protectionism

- (+) Impact of a well-coordinated and financed European recovery plan
- (+) A faster than expected availability of a vaccine or treatment drug



#### European growth maps 2020-2021

GDP change 2020





GDP change 2021

