Key messages from the Autumn 2022 European Economic Forecast

• Our economy is at a turning point, set to stagnate in 2023 and pick up in 2024
• Inflation is nearing the peak, but will remain high in 2023
• The labour market is expected to show resilience
• Government deficits are set to remain above 3% but debt ratios will decline
• Risks are skewed to negative outcomes amid heightened uncertainty
The loss in momentum is broad based

Economic Sentiment Indicator and Purchasing Managers Index, euro area

Source: S&P Global, European Commission.
Note: Standardised data based on 2000-07 sample.
Energy prices set to remain elevated

Gas prices

Electricity prices

Futures (10-day mov avg)  At the time of SiF 22  At the time of SF 22  04-11-2022

Futures (10-day mov avg)  At the time of SiF22  At the time of SF22  04-11-2022
Consumption growth set to come to a standstill next year
Inflation more driven by core elements over the next two years

Inflation breakdown, EU

- services
- processed food incl alcohol & tobacco
- non-energy industrial goods
- unprocessed food
- energy
- HICP, y-o-y % change

European Commission
Labour market is expected to remain resilient

Employment growth and unemployment rate, EU

Forecast figures are annual data.
The EU trade balance is set to improve as import prices decline

Current-account balance, EU

- Balance of goods
- Balance of services
- Net primary income and current transfers
- Current account balance
Deficits to remain above 3%, debt ratios set to keep declining

General government budget balance, EU

![Budget Balance Chart]

General government debt-to-GDP ratio, EU

![Debt-to-GDP Ratio Chart]
Risks tilted to the downside

- Security of gas supply
- Strain in the corporate sector due to rising input costs and higher interest rates
- Potential inconsistency between fiscal and monetary policies
- More persistent inflationary pressures
EU growth map 2022 & 2023
Real GDP growth, %

- > 6 %
- > 4 %
- > 2 %
- > 0 %
- >= 0 %
- < 0 %