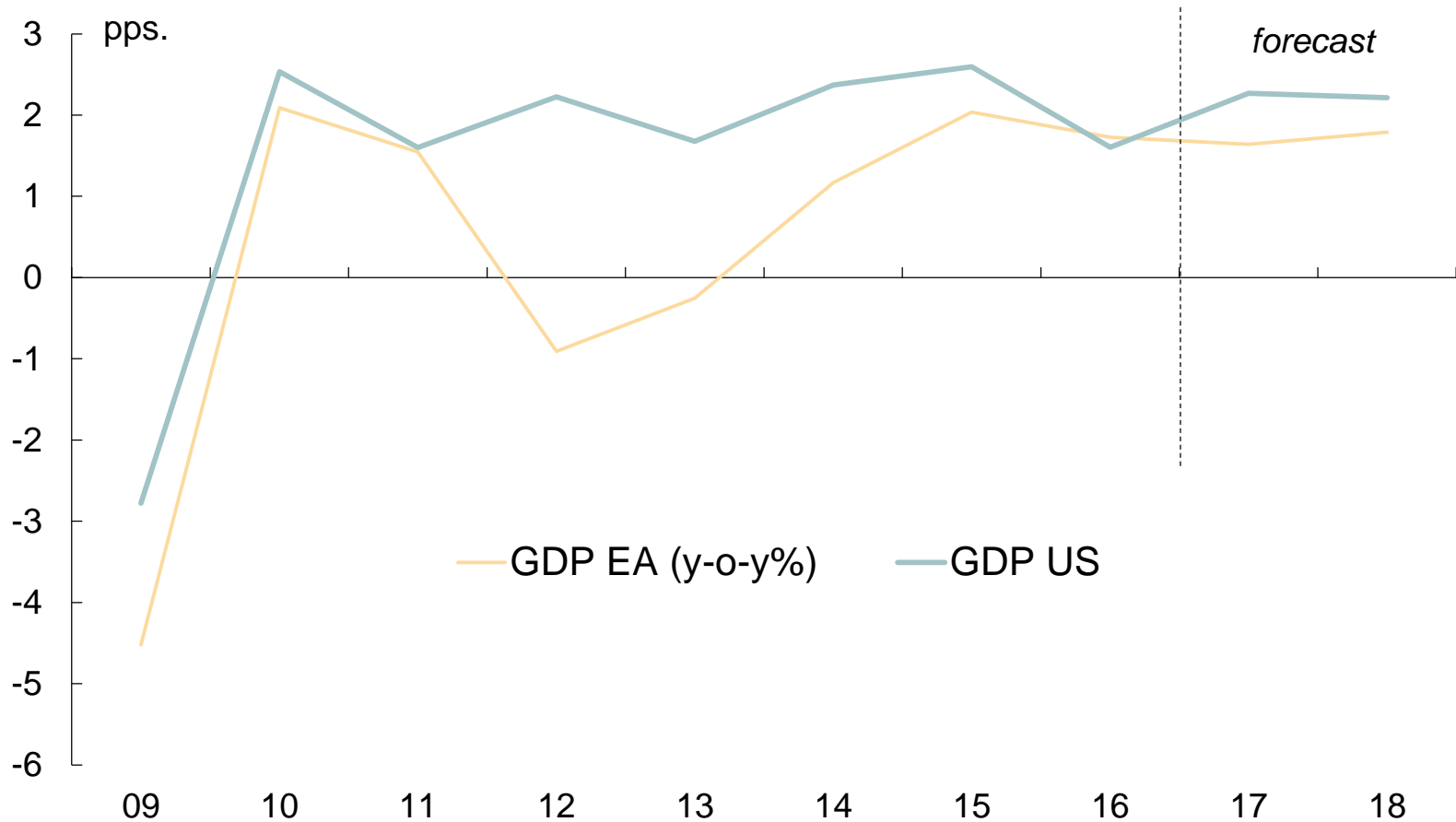


The euro area economy: an update

Euro Challenge – February 2017



A resilient European economy



Source: European Commission, Winter forecast, Feb. 2017

Key factors surrounding the outlook



**STRONGER
GLOBAL
ECONOMY**



**IMPROVING
LABOUR
MARKET**



**NORMALISING
INFLATION**



**SUPPORTIVE
ECONOMIC
POLICIES**

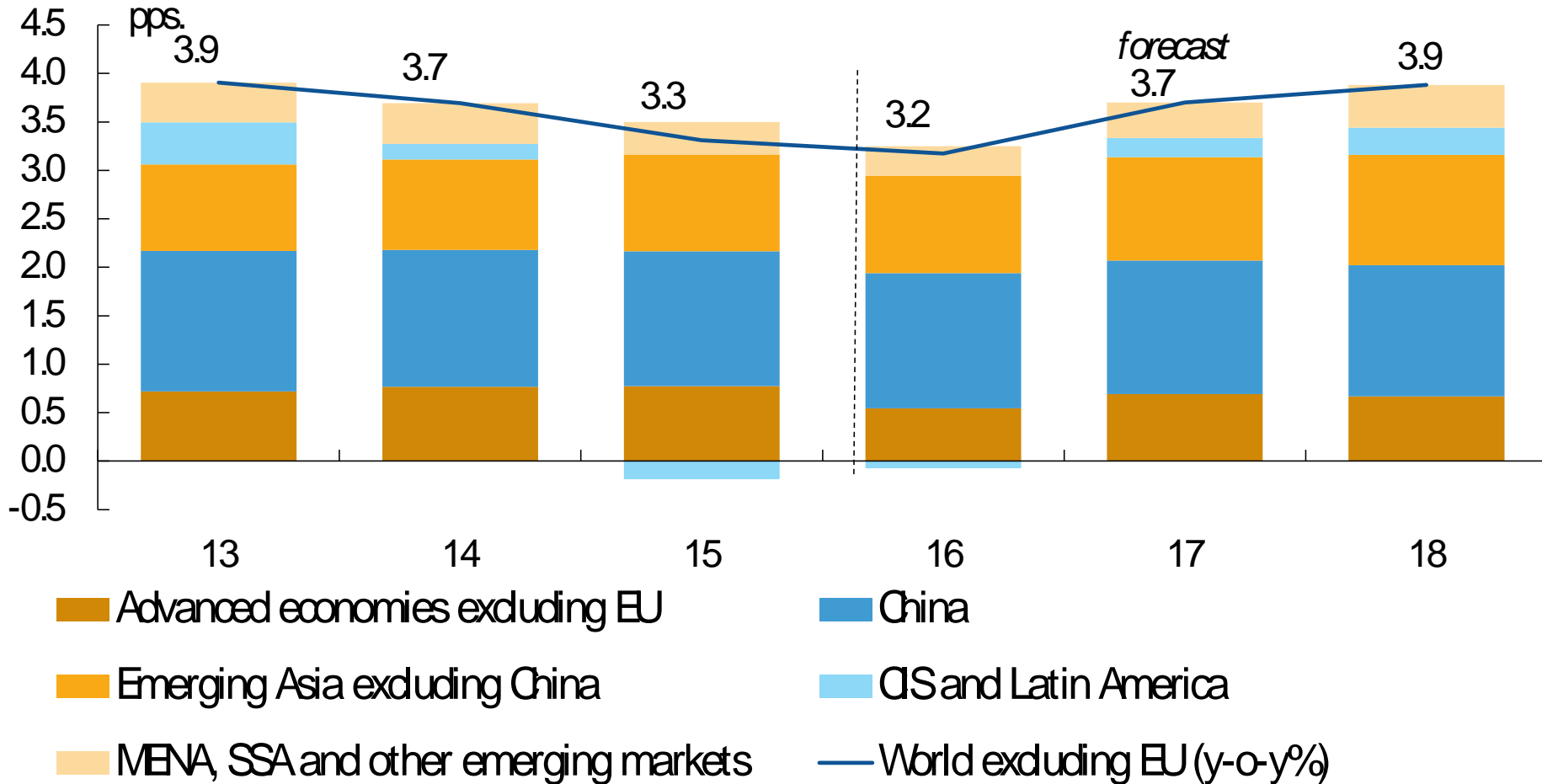


**STILL SLOW
GROWTH OF
INVESTMENT**



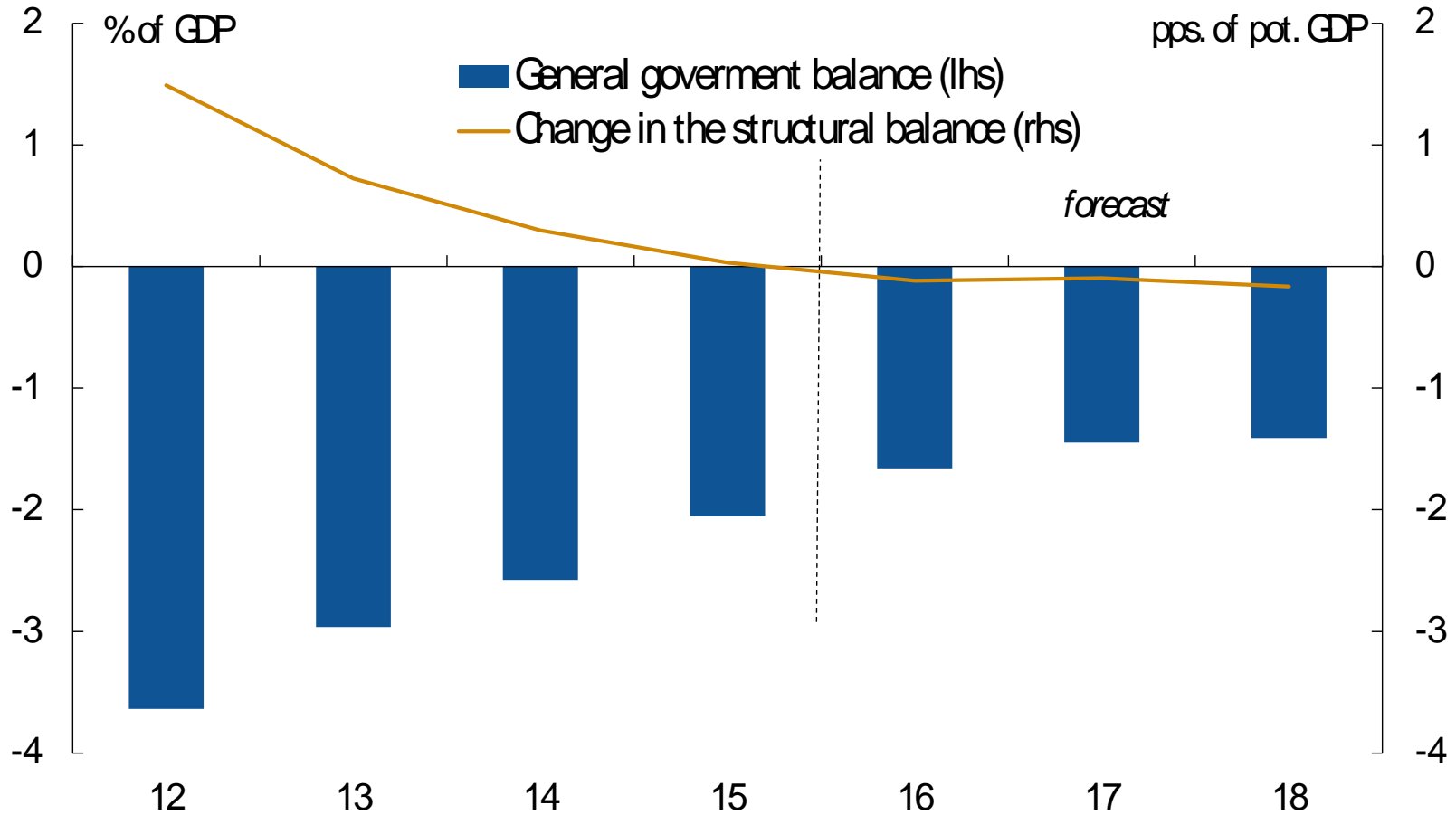
**HIGH
LEVELS OF
UNCERTAINTY**

Despite uncertainty, improved global prospects



Source: European Commission, Winter forecast, Feb. 2017

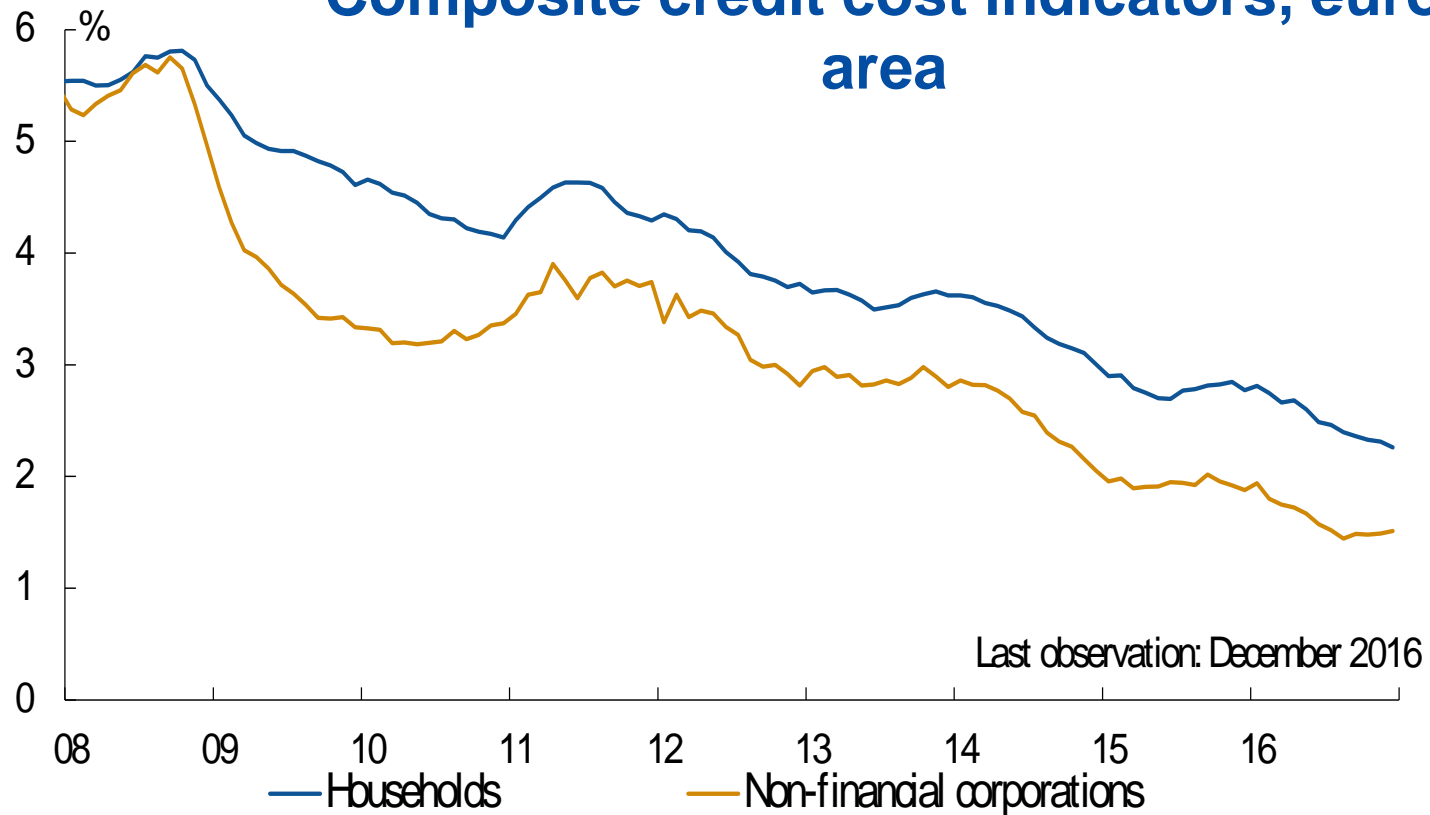
Economic policies remain supportive



Source: European Commission, Winter forecast, Feb. 2017

Economic policies remain supportive

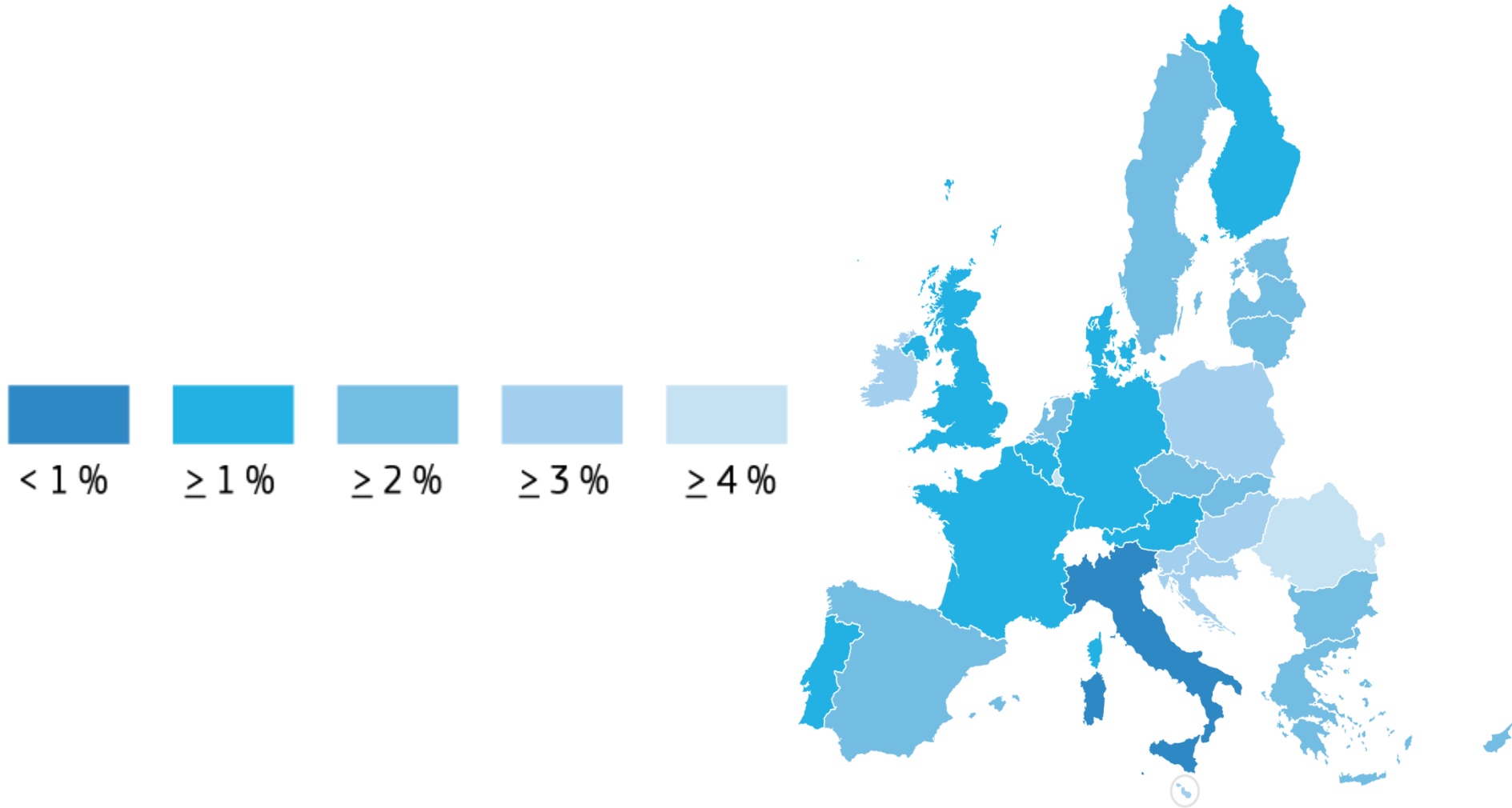
Composite credit cost indicators, euro area



Sources: ECB, Bloomberg, own calculations

Source: European Commission, Winter forecast, Feb. 2017

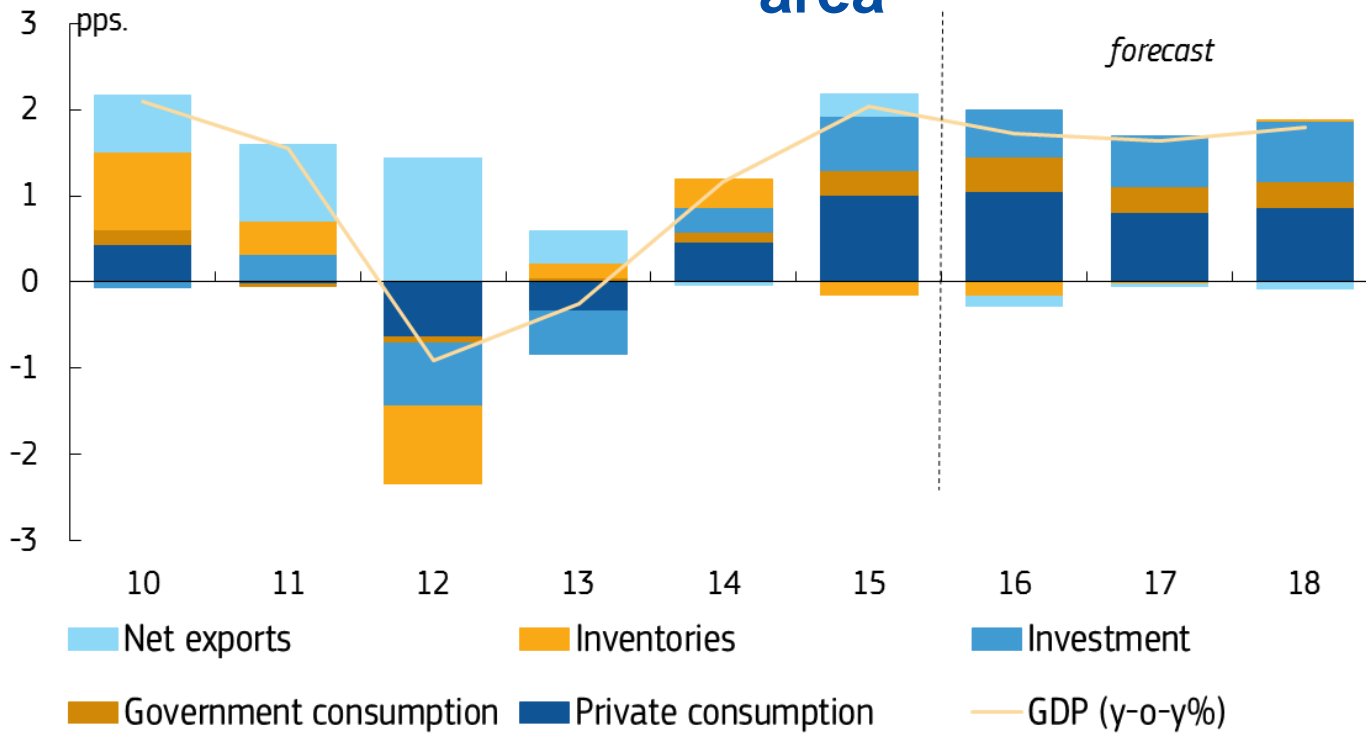
Economic growth 2017



Source: European Commission, Winter forecast, Feb. 2017

Private consumption drives growth

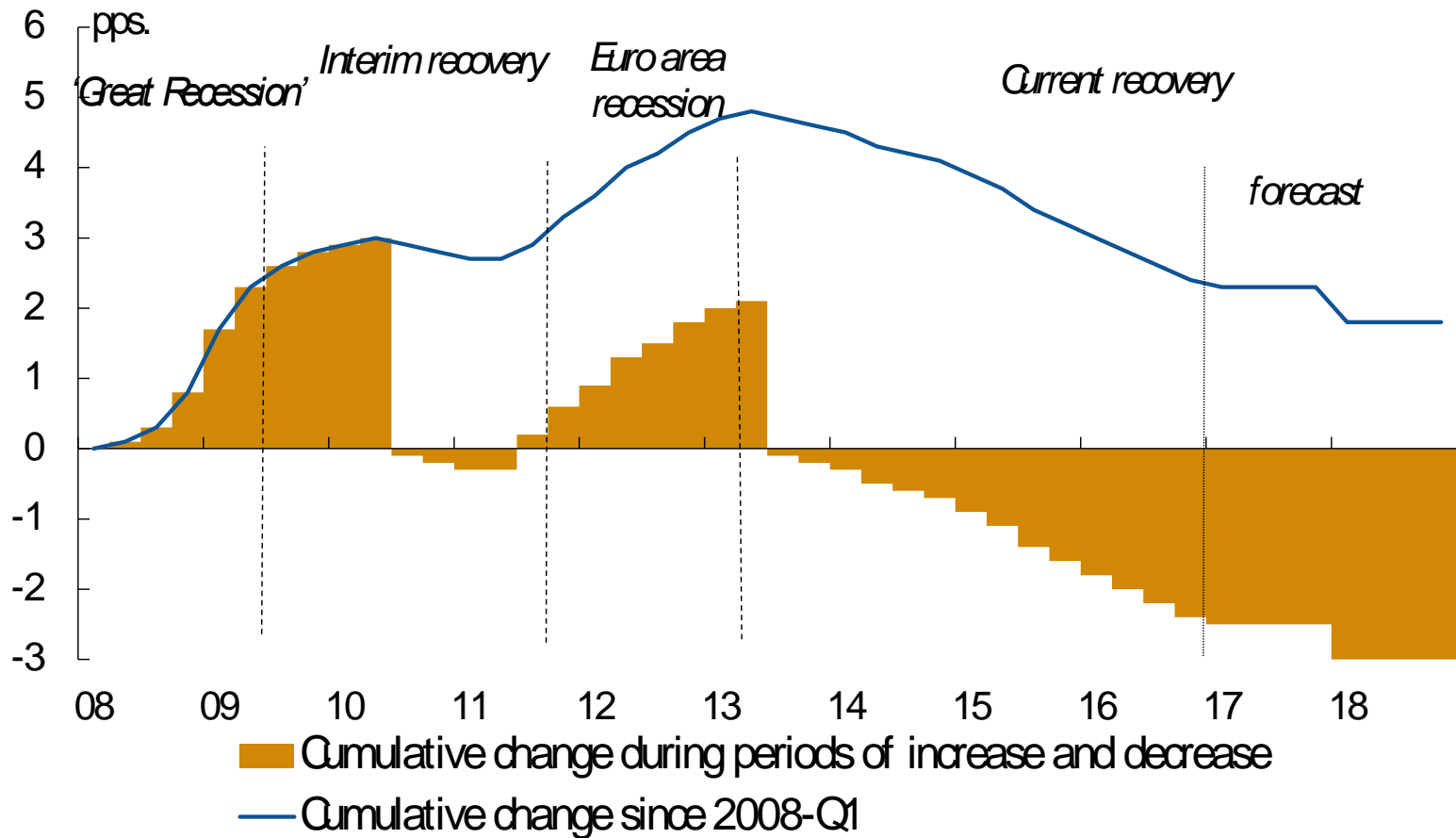
Real GDP growth and its components, euro area



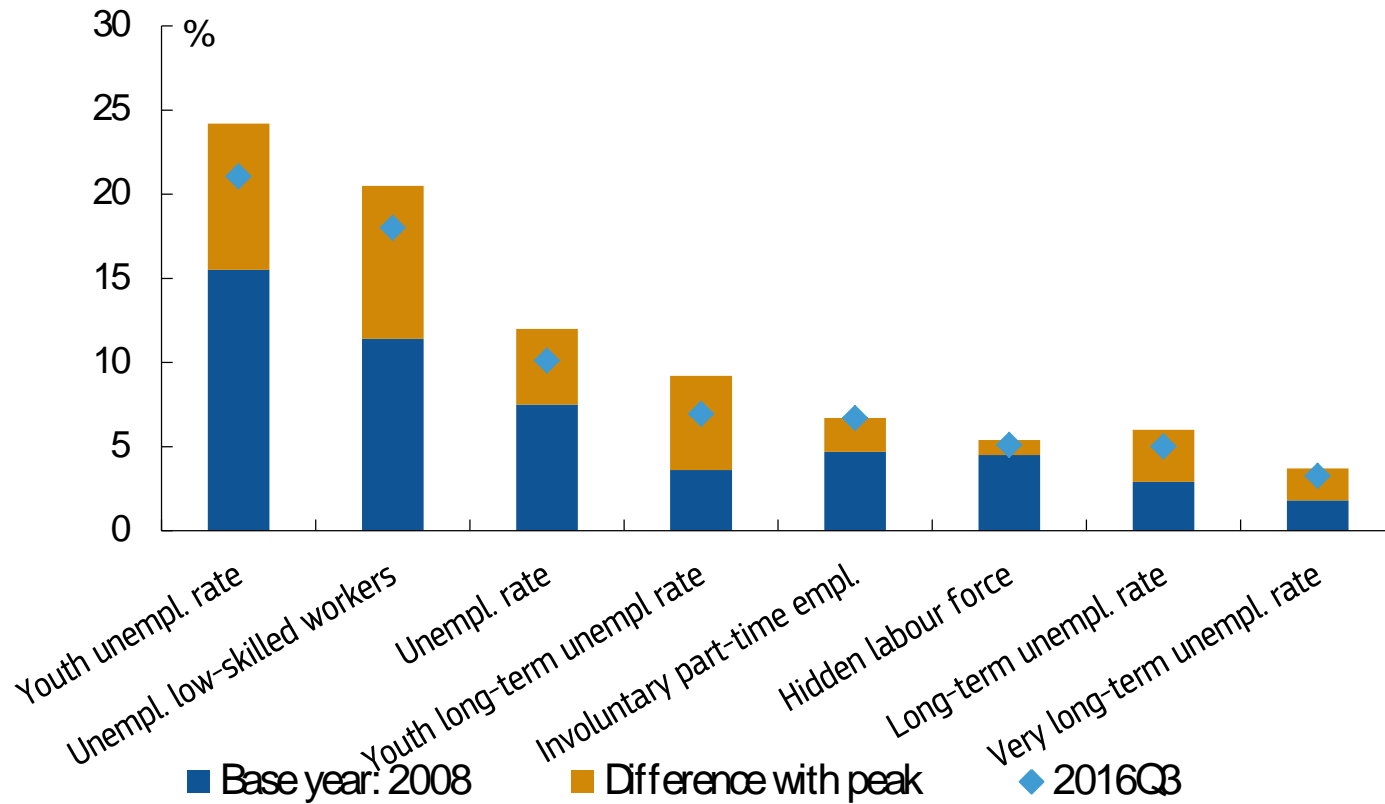
Source: European Commission, Winter forecast, Feb. 2017

More jobs to be created...

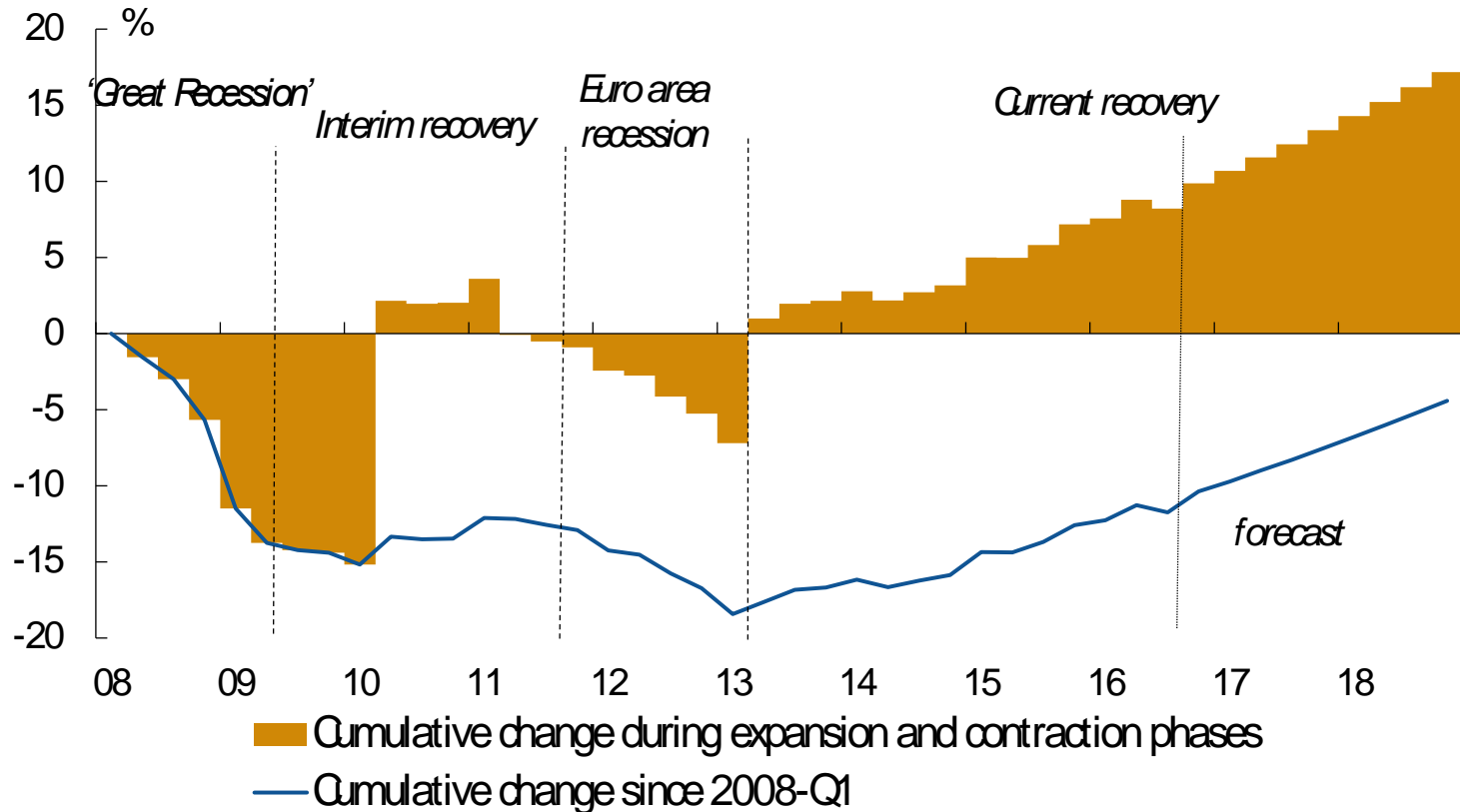
Unemployment rate, euro area



Labour market indicators, euro area



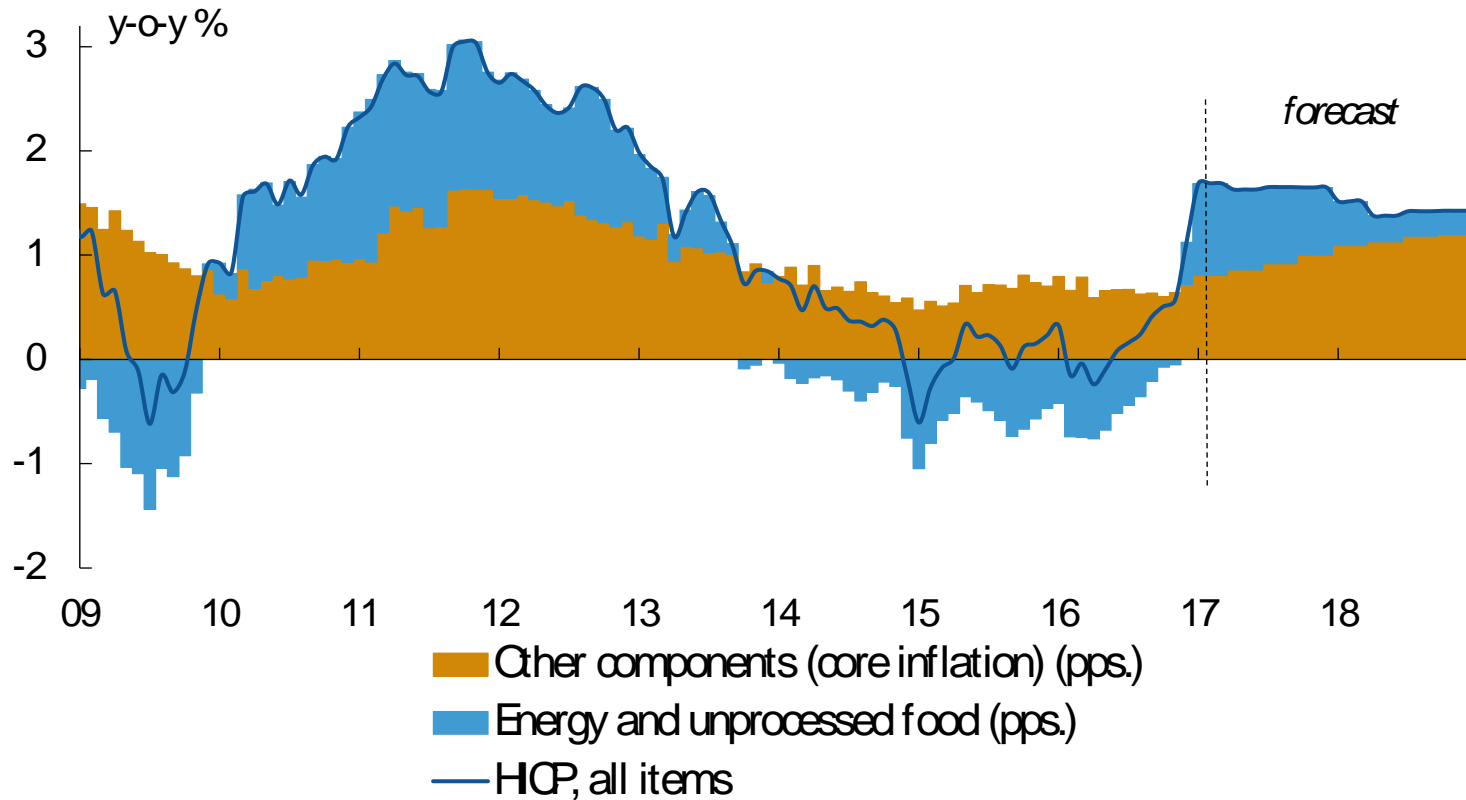
Investment (2008-2018), euro area



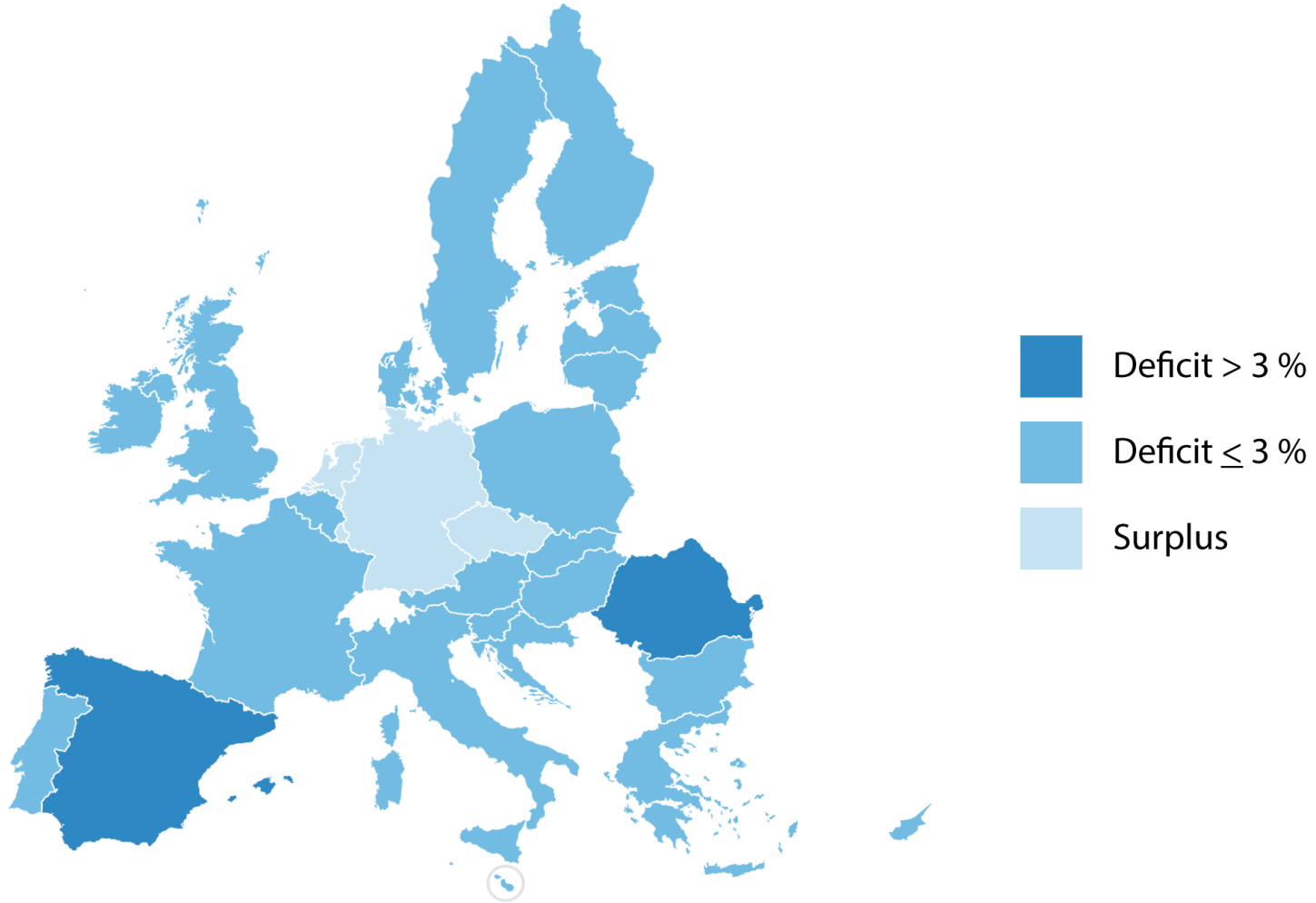
Source: European Commission, Winter forecast, Feb. 2017

Energy prices are temporarily driving inflation up

Inflation breakdown, euro area



Budgetary outlook in 2017



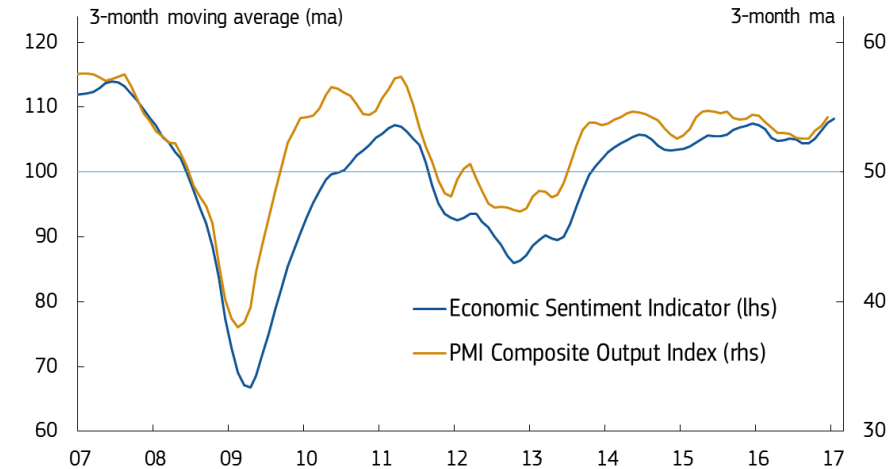
Source: European Commission, Winter forecast, Feb. 2017

Downside risks have increased

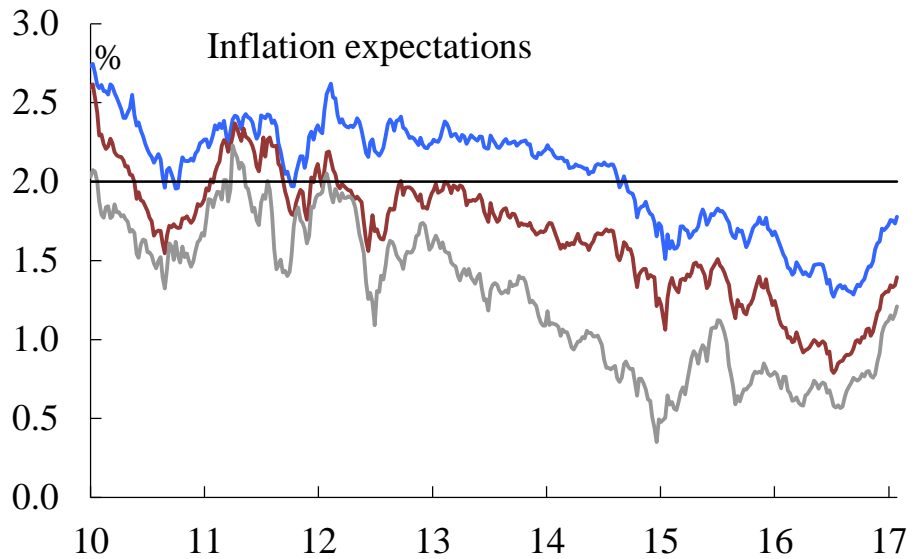
- (-) US fiscal and trade policy (short-term vs medium-term)**
 - (-) Monetary policy divergences**
 - (-) Global risk re-assessment**
- (-) Impact of the UK 'Leave' vote**
 - (-) Political uncertainty**
 - (-) Banking sector**
 - (-) Geopolitical tensions**

Source: European Commission, Winter forecast, Feb. 2017

...but there could also be some positive news



Source: EC, Markit Group Limited



Source: Bloomberg

Pursuing structural reforms:

Fostering competitiveness, improving education, labour markets, taxation, wage setting, etc.

Boosting investment:

Addressing barriers to investment, improving access to equity finance, improving public procurement frameworks

Ensuring responsible fiscal policies:

Improving national frameworks, pension and healthcare systems...

Thank you for your attention!

*ec.europa.eu/dgs/economy_finance/index_en.htm
(Brussels)*

www.ecb.int (Frankfurt)

euintheus.org (Washington)

