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

Source: European Commission, Winter forecast, Feb. 2017
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

Source: European Commission, Winter forecast, Feb. 2017

Sources: ECB, Bloomberg, own calculations

Last observation: December 2016
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

Source: European Commission, Winter forecast, Feb. 2017
Labour market indicators, euro area

Source: European Commission, Winter forecast, Feb. 2017
Investment is still lacking strong momentum

Investment (2008-2018), euro area

Source: European Commission, Winter forecast, Feb. 2017
Energy prices are temporarily driving inflation up

Inflation breakdown, euro area

Source: European Commission, Winter forecast, Feb. 2017
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: Bloomberg
Member States are making progress with reforms

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)