

EU Growth Forecast: "Growth at a Standstill"

Written by Marco Attard
16 November 2011

One can describe the Autumn EU economic growth forecast with a single word-- austere. The title "Growth at a Standstill" is bad enough, and the EC report says the going might get even worse.



In a few words-- EU GDP will stagnate into 2012, while 2012 EU growth is forecast at around 0.5% before reaching 1.5% by 2013. Inflation will return to below 2% and unemployment will remain at around 9.5%.

Recession risks are not negligible either.

The Eu forecasts annual 2012 GDP growth will reach 0.6% in EU and 1.3% in the euro zone. No member state group will escape the slowdown despite varying growth differences.

Public finances will eventually improve-- but only gradually.

The main drivers of 2011 inflation, energy prices, are set to gradually decrease, with headline inflation falling back below 2% in 2012. The EU expects wages will only grow "moderately," while persistent slack in the economy continues holding back underlying price pressures.

The report lists 3 main risks weighting down the EU and euro-area economy-- continued debt-related uncertainty, the weakness of the financial industry and sluggish world trade. Potentially, the future can go both ways, with either slower growth or a faster-than-assumed

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return to confidence.

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