



Previsiones, empleo y reequilibrio en la zona euro. Previsiones de la Comisión para 2016-2017

Carlos Martínez-Mongay

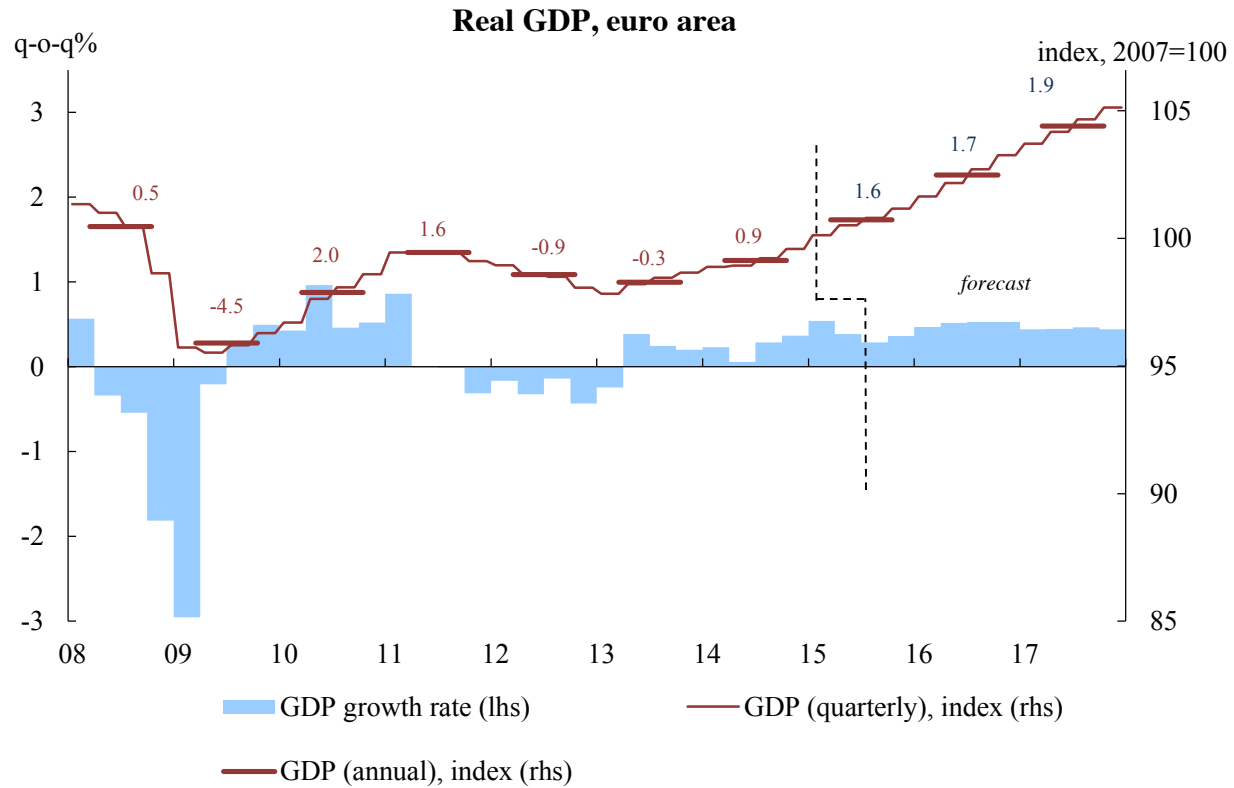
European Commission, DG Economic and Financial Affairs

LECE, Borsa de Barcelona, BCFE

Barcelona, 15 de Febrero 2016

REAL GDP EA

Moderate recovery

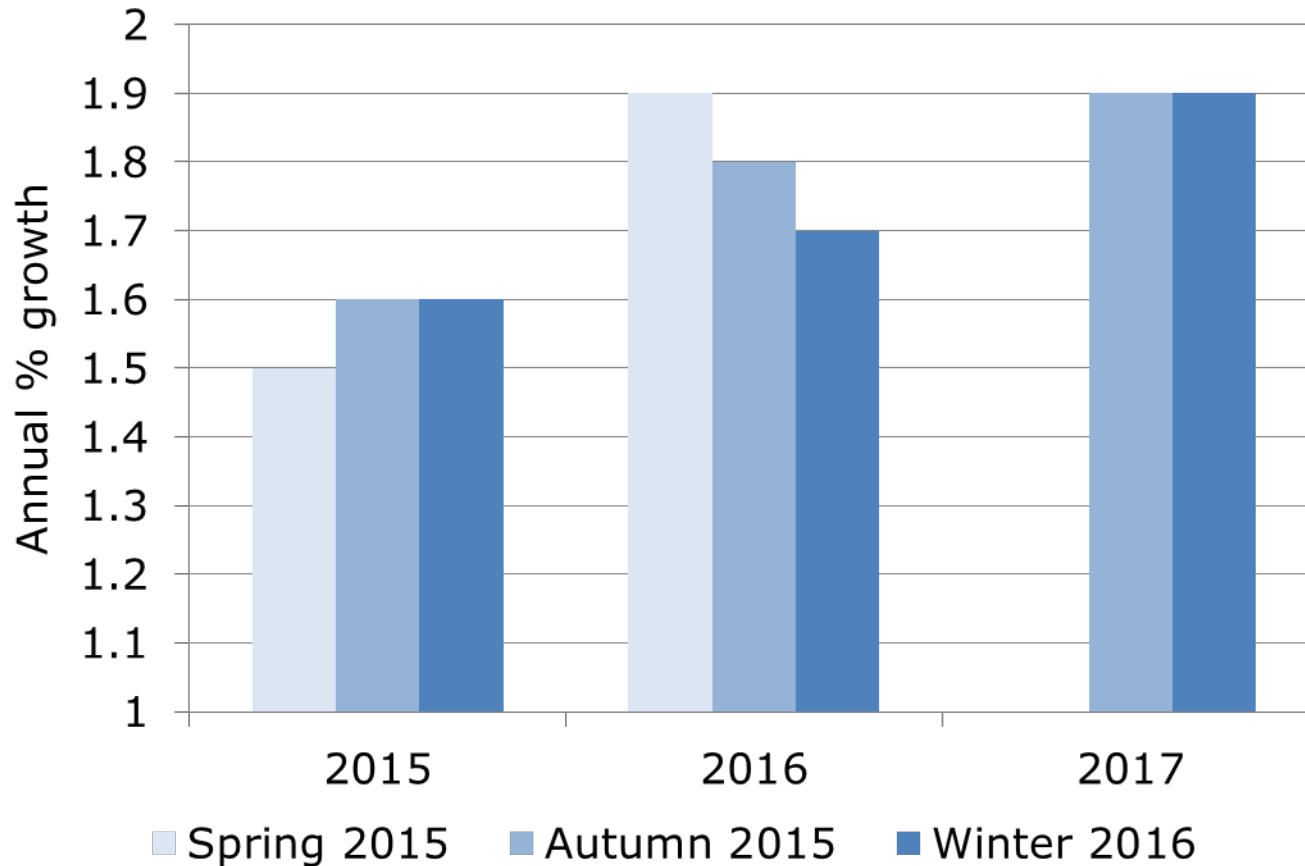


Figures above horizontal bars are annual growth rates.

Moderate revisions

Euro area

Real GDP growth Commission forecast



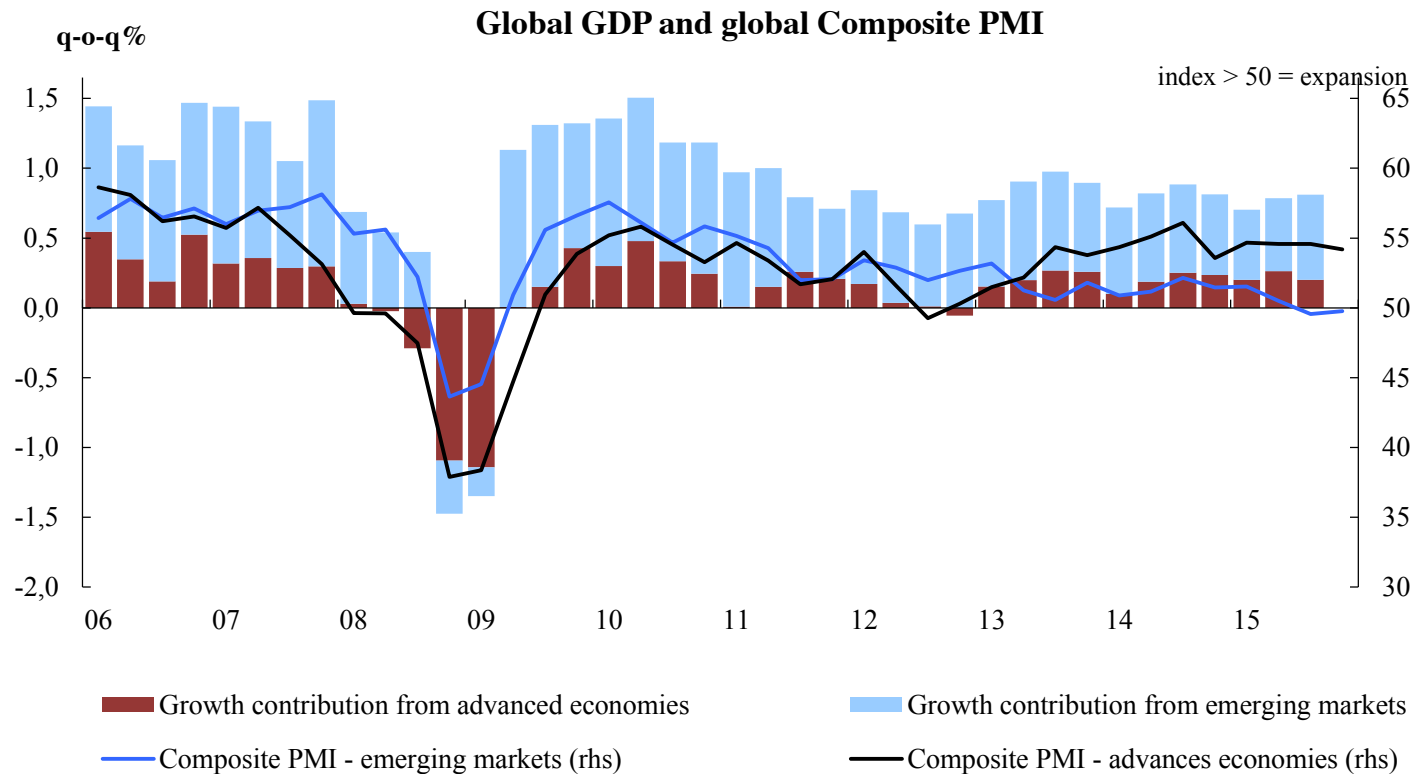
EXTERNAL ASSUMPTIONS

Global GDP outlook has weakened

	AF			WF		
	2015	2016	2017	2015	2016	2017
short-term rates	0.0	-0.1	0.0	0.0	-0.2	-0.2
long-term rates	0.5	0.7	0.9	0.5	0.6	0.9
USD/Euro	1.12	1.13	1.13	1.11	1.08	1.08
US\$/Brent	54.8	54.2	58.8	53.4	35.8	42.5
World GDP excl. EA	3.3	3.8	3.9	3.2	3.5	3.8
World imports excl. EA	1.2	3.2	4.1	1.3	3.1	3.9

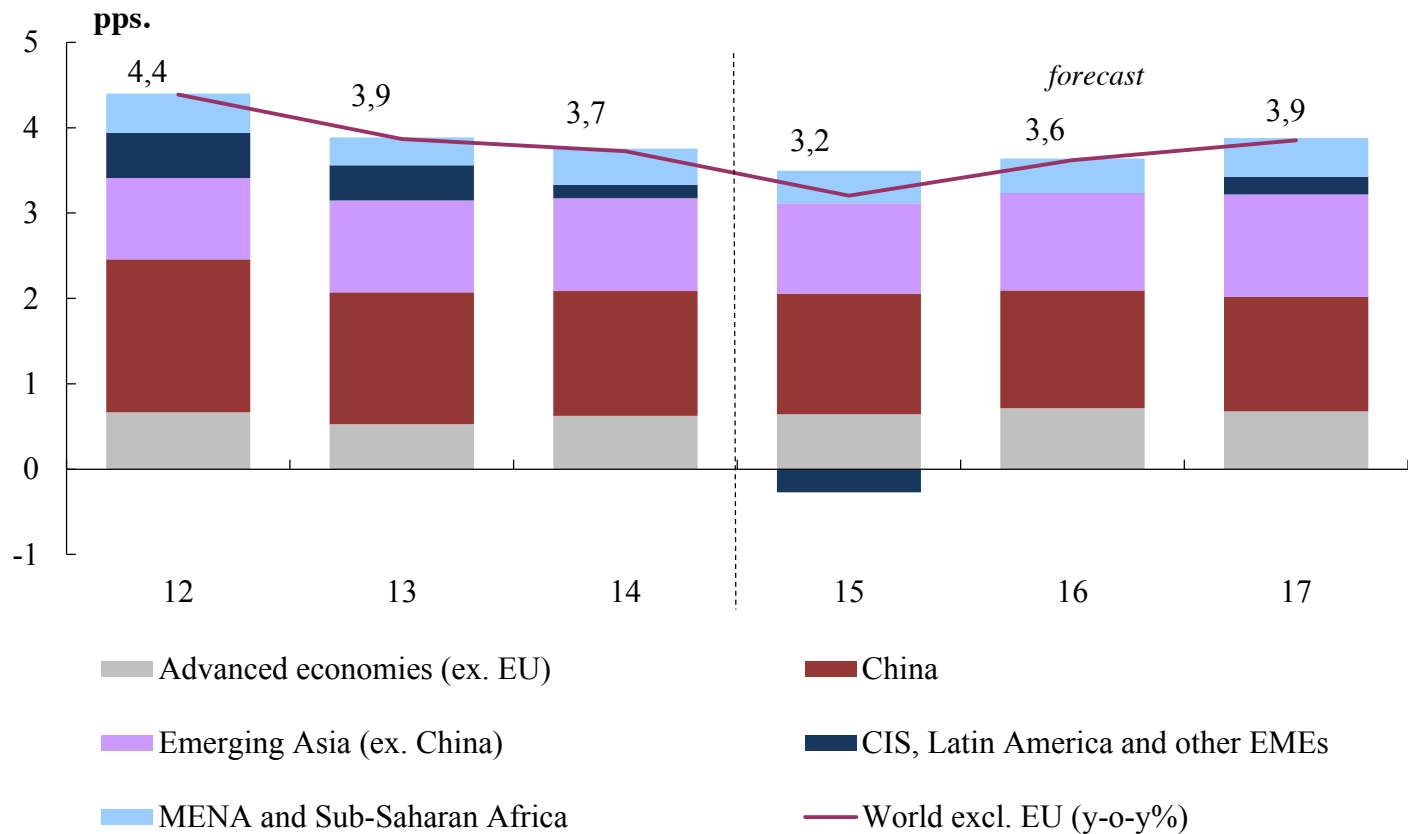
GLOBAL GDP AND GLOBAL COMPOSITE PMI

Global GDP outlook has weakened

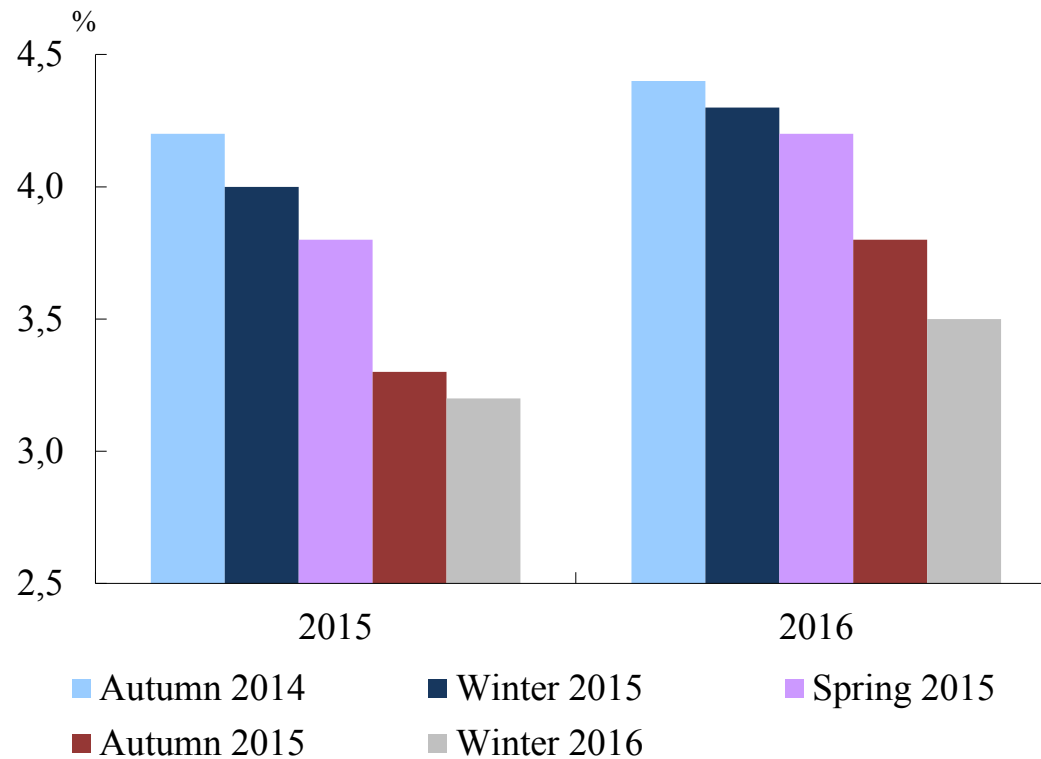


Source: OECD, IMF, EUROSTAT, and national statistical institutes for GDP, JPMorgan/Markit for PMI.

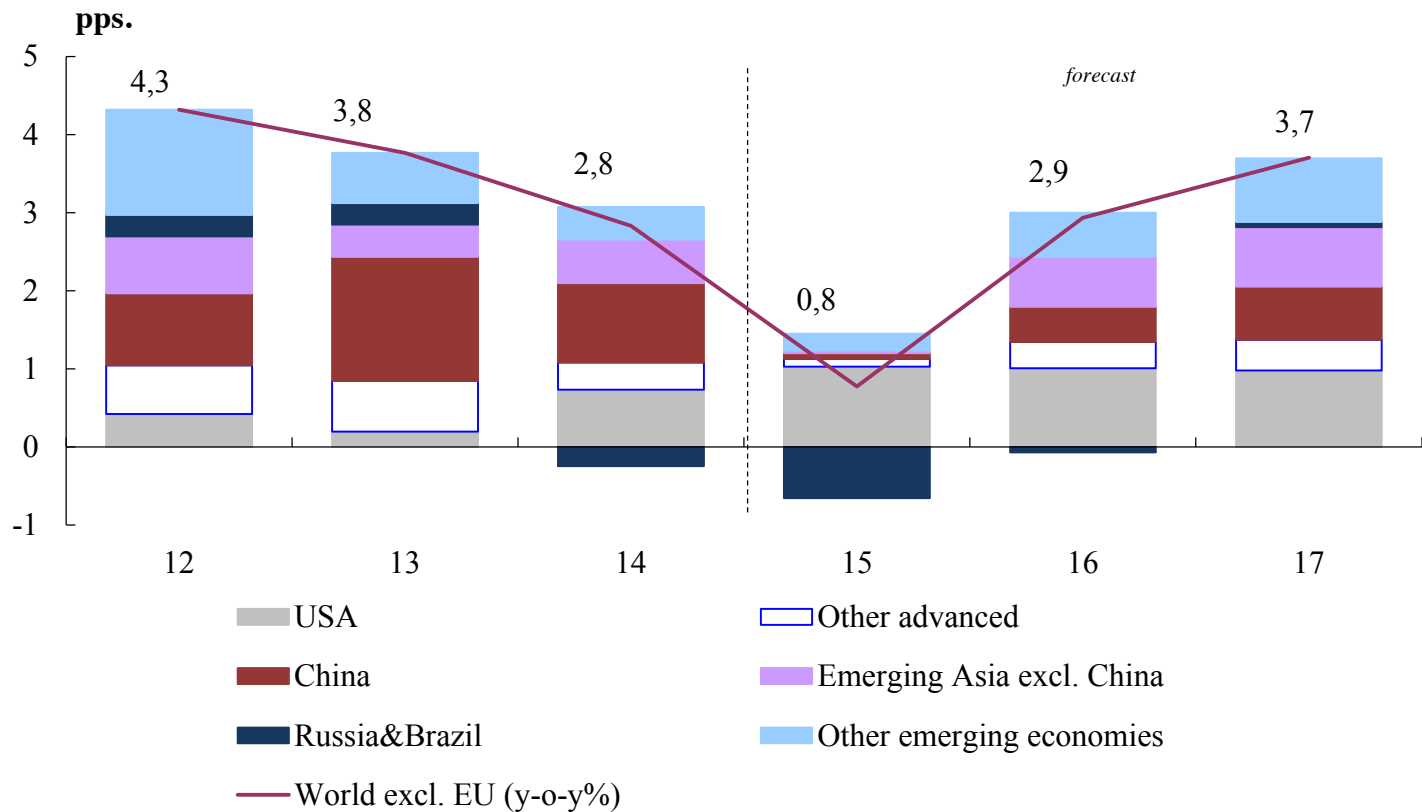
Global GDP growth outside the EU



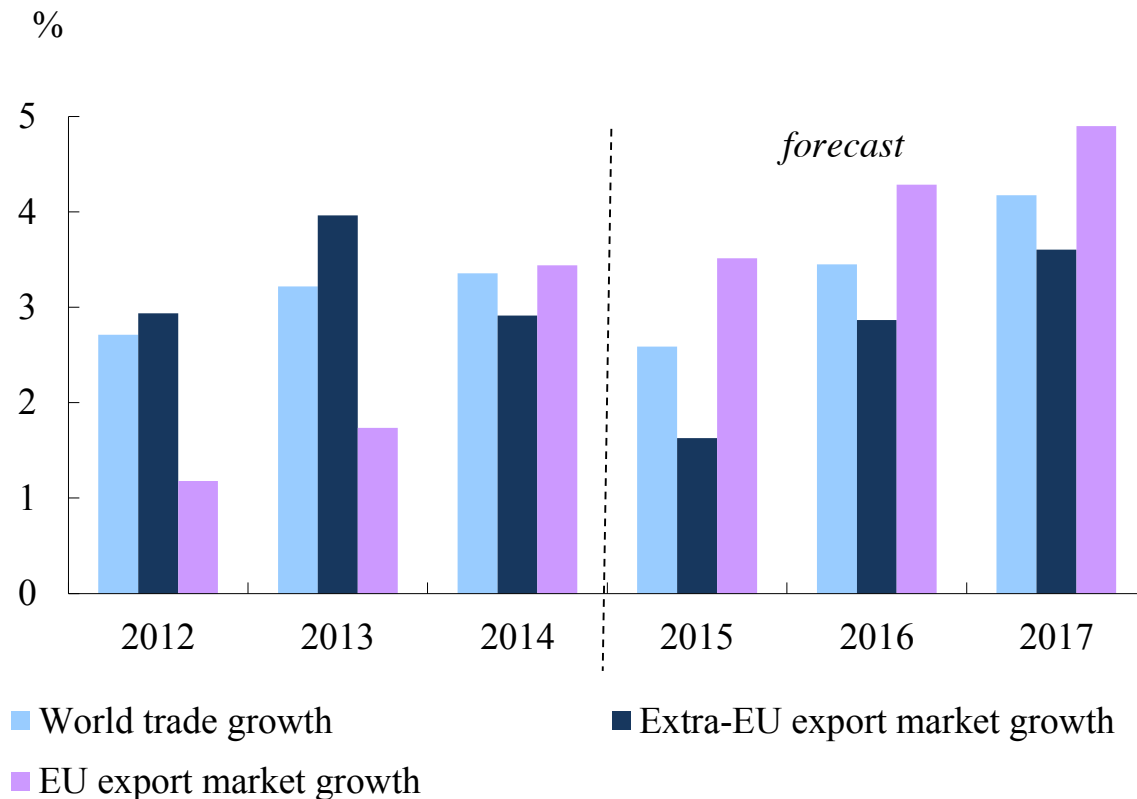
Outlook for global GDP growth (excluding EA), 2015-2016



World imports of goods and services outside the EU

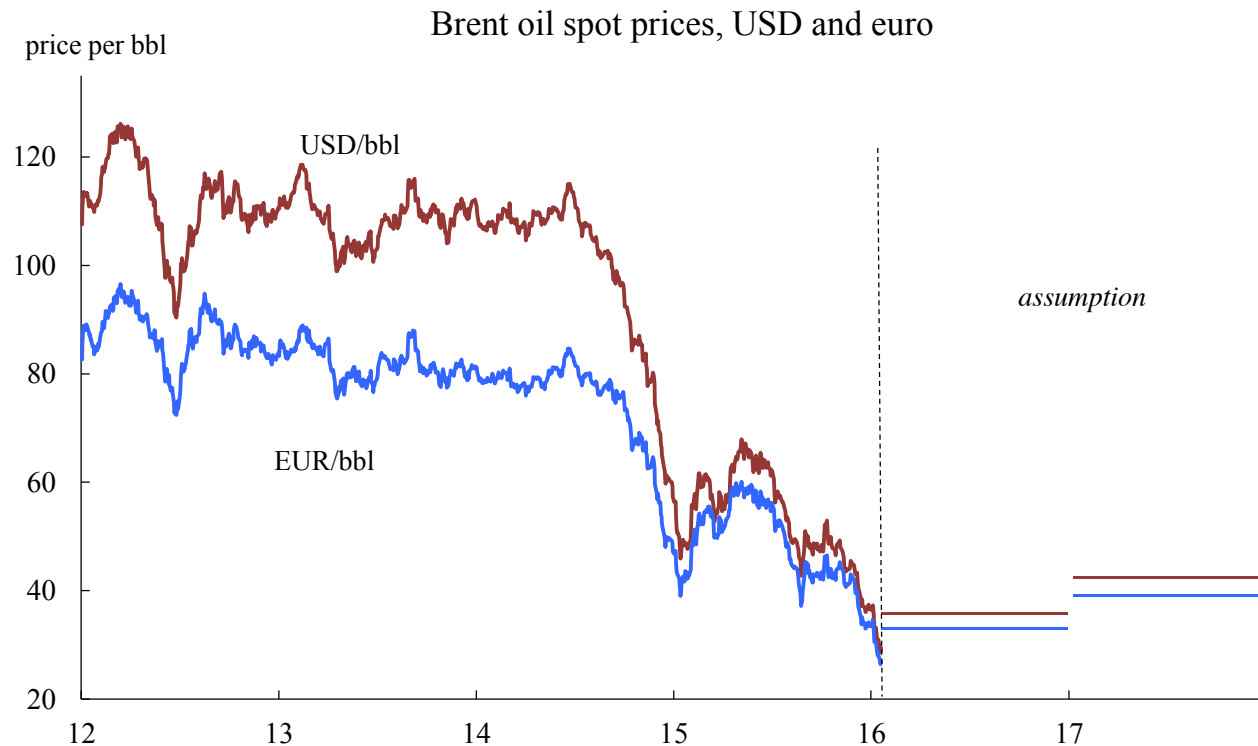


World trade growth, extra-EU market growth and EU export market growth



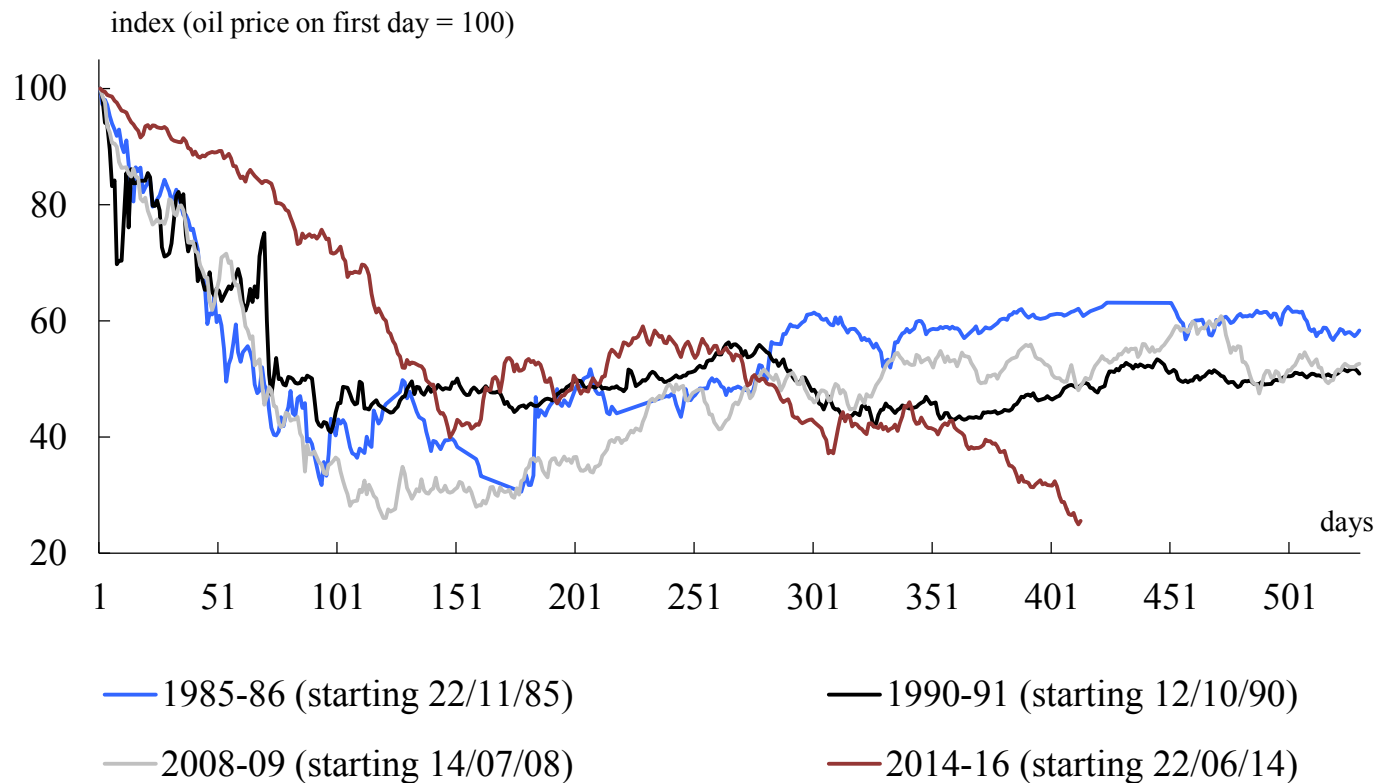
OIL PRICES

Subdued commodity price developments



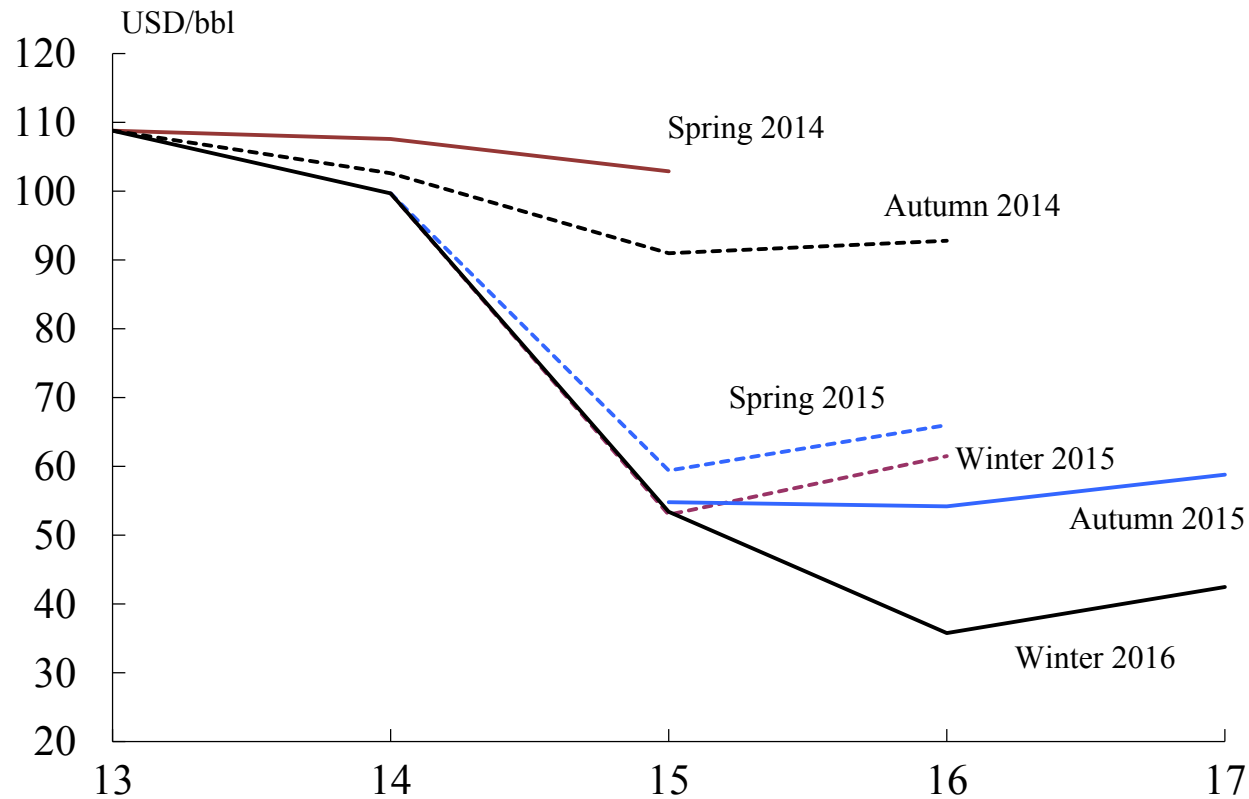
Source: ICE

Duration of oil price declines, selected periods (days)



Source: ICE

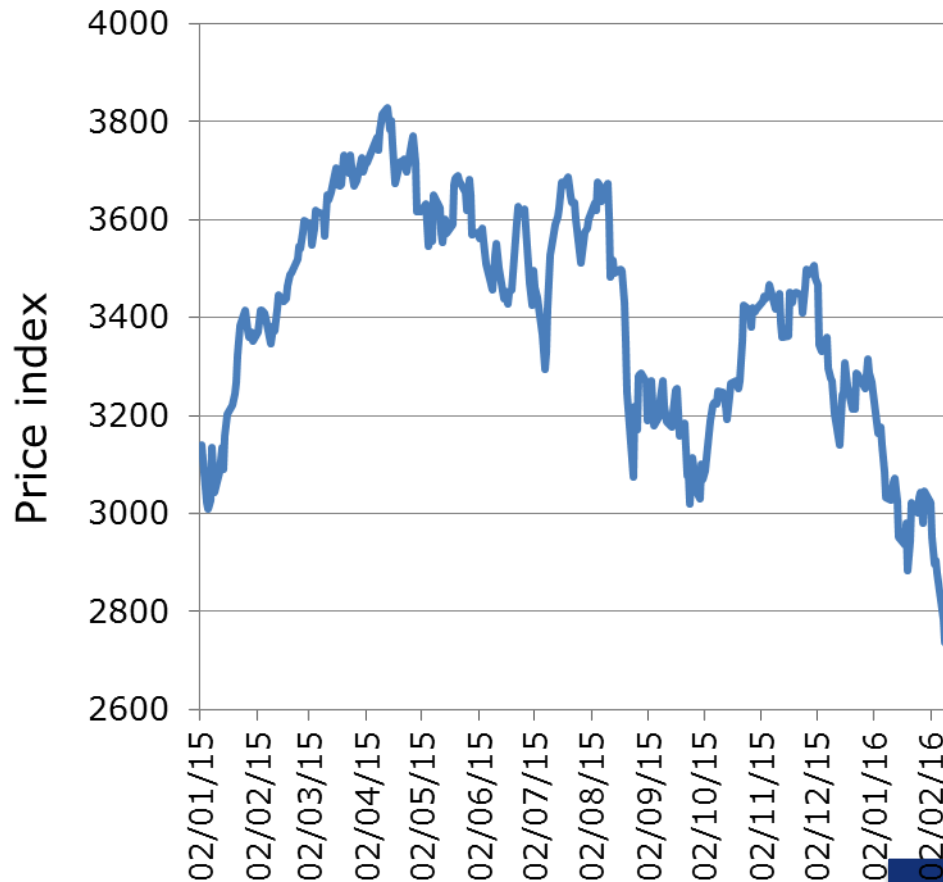
Oil price assumptions, 2014-16



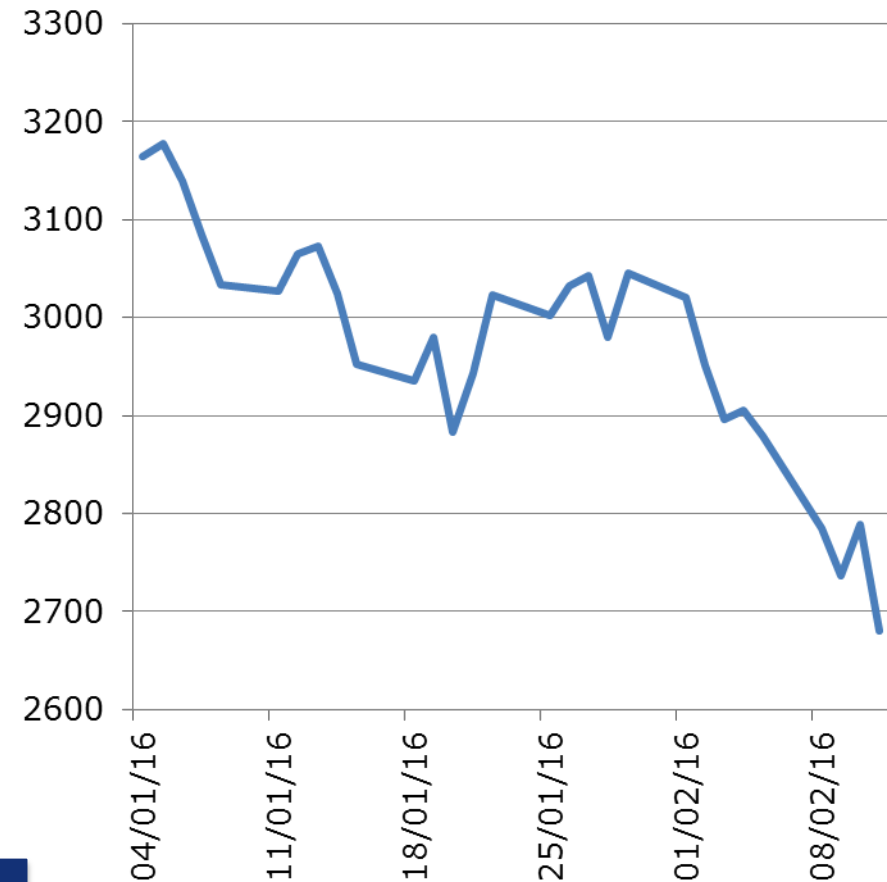
Stock exchange

EURO STOXX 50

Yearly perspective



Zoom since 1 Jan 2016

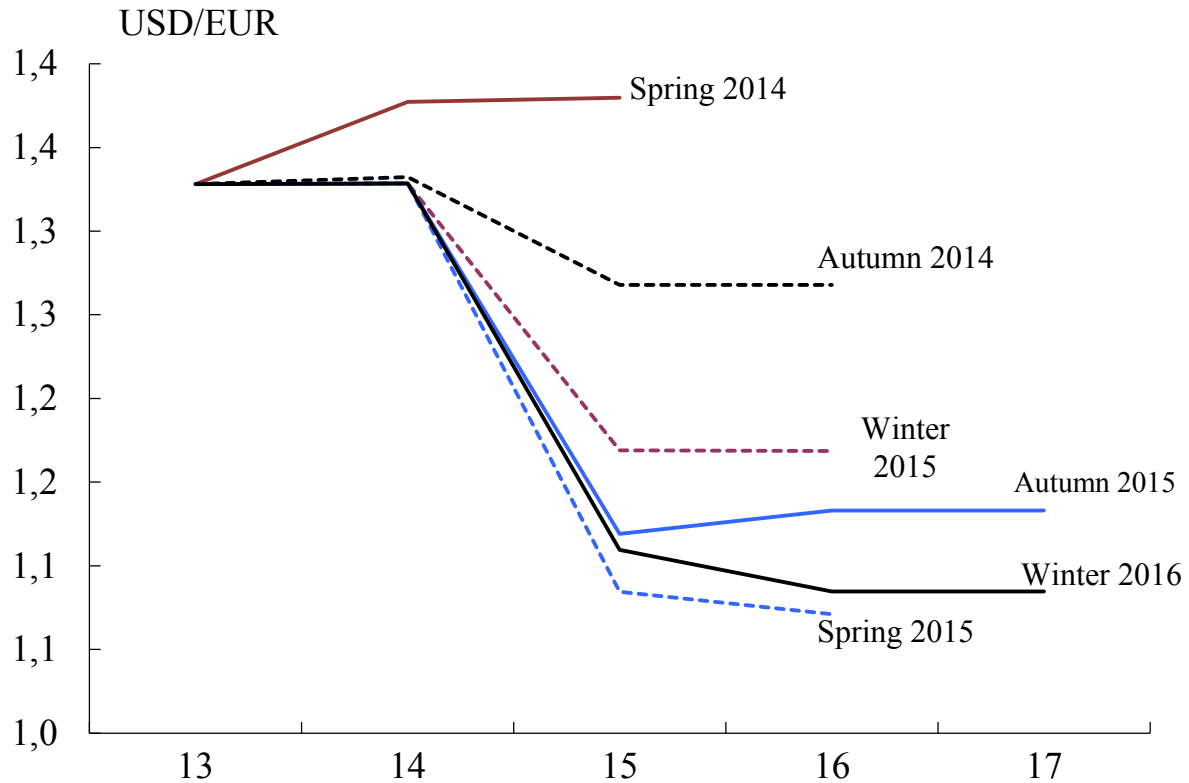




ECB MONETARY POLICY QE

- **Accommodative monetary policy**
 - LTRO and ASP (European QE)
- **Emphasis on inflation but also restoring credit**
 - Targeted LTROs and negative rates for the deposit facility
- **Pragmatism**
 - Until September 2016 and "beyond if deemed necessary"
 - Flexible details, e.g. from 25% to 33% issuance
- **Sweden and UK similar strategy**

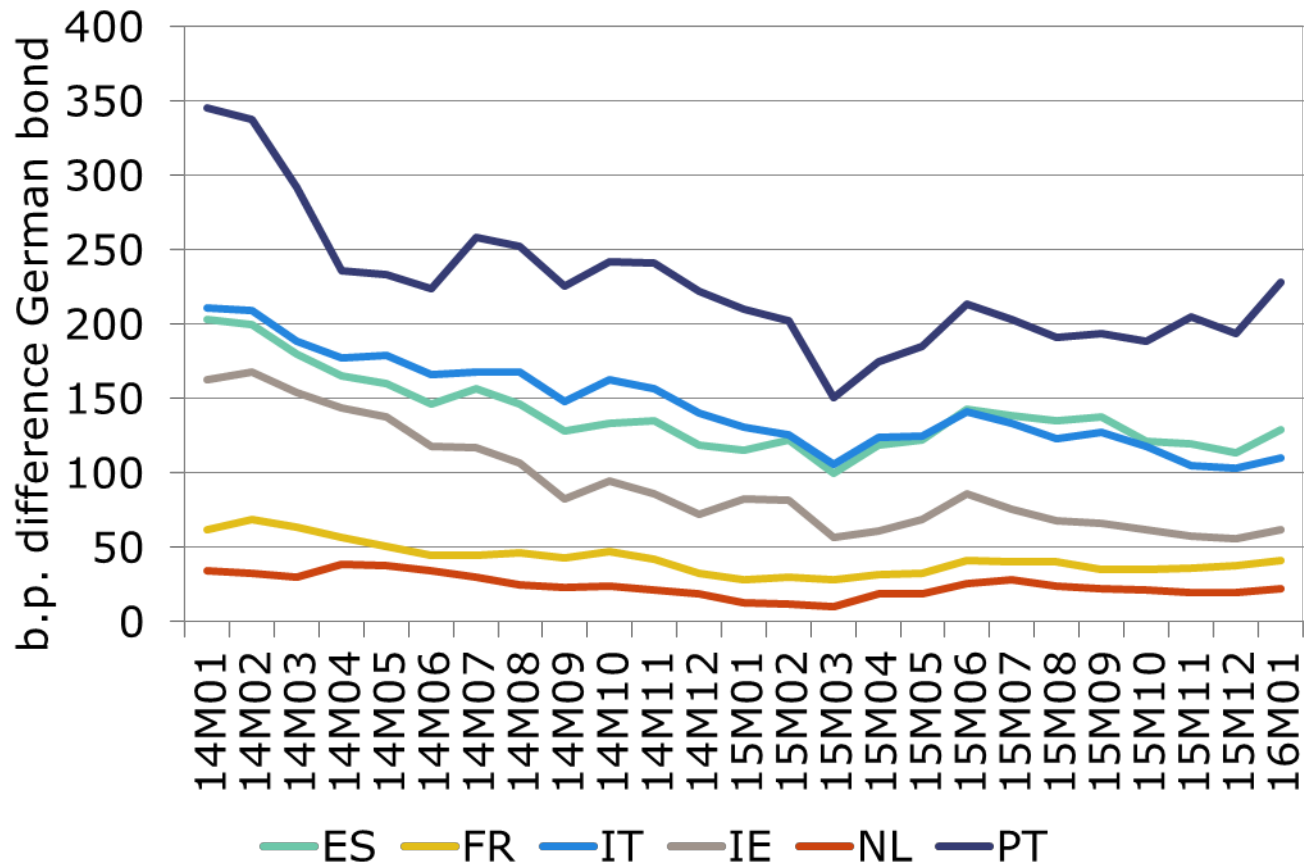
Exchange rate assumptions, forecasts 2014-16



Spreads

Risk premia

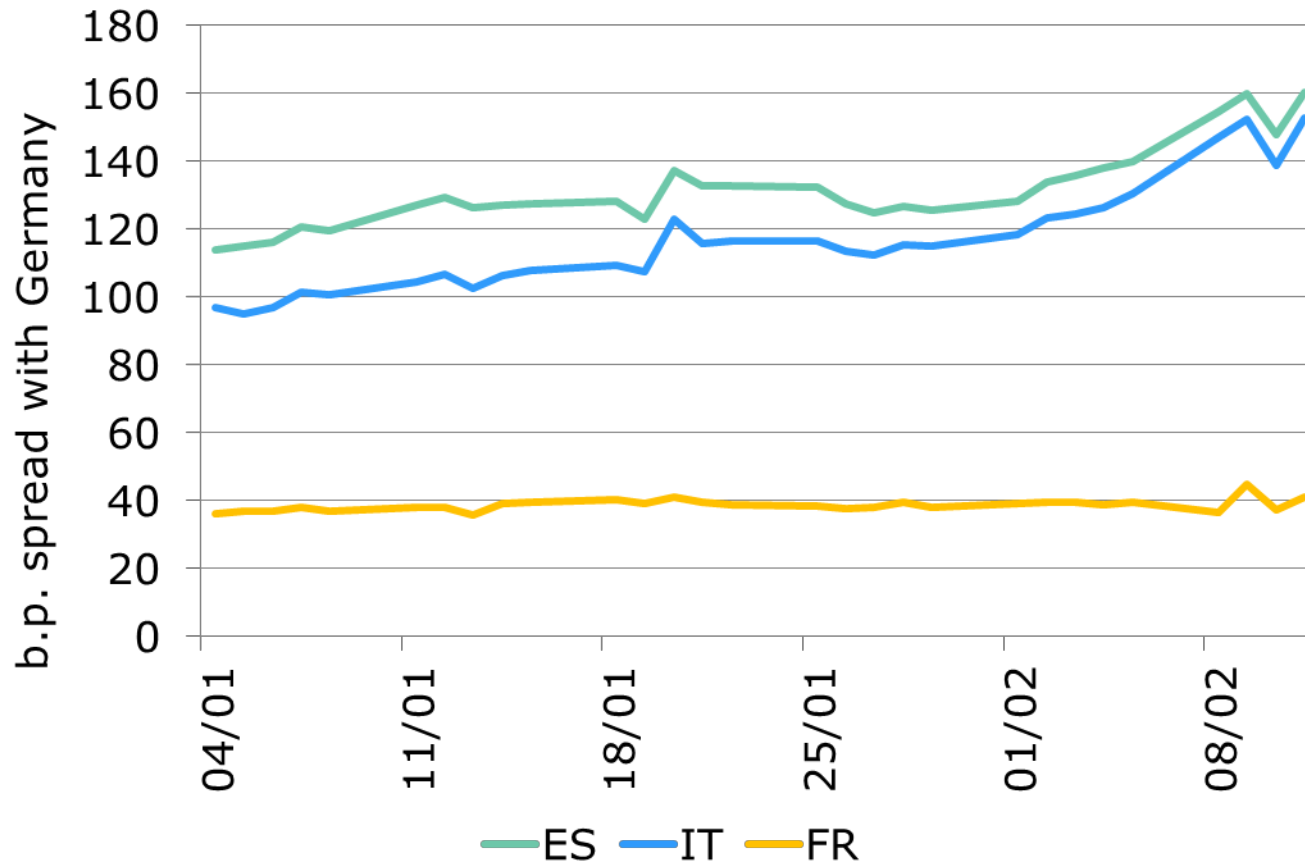
EMU convergence criterion bond yields



Spreads

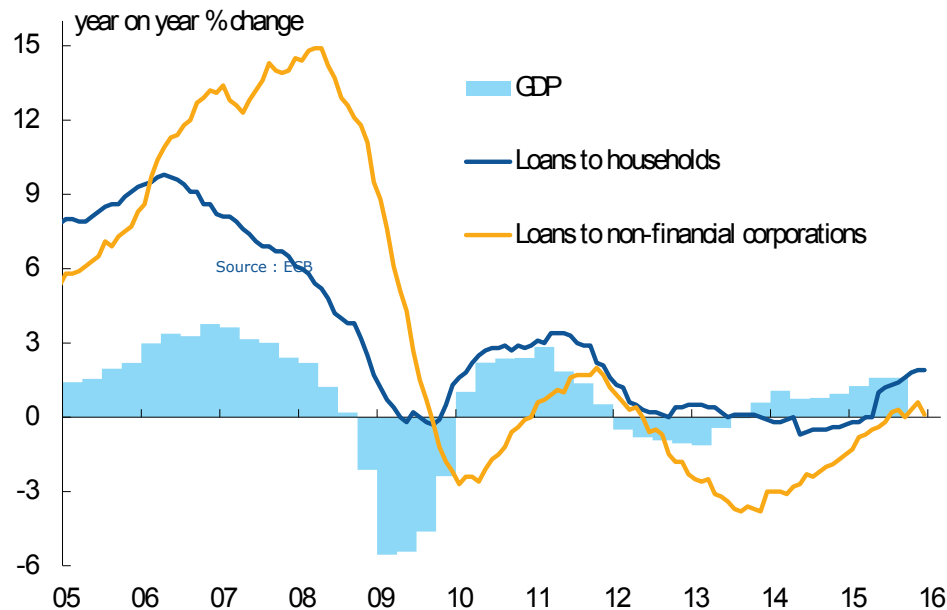
Risk premia

10-year sovereign bond yields spreads

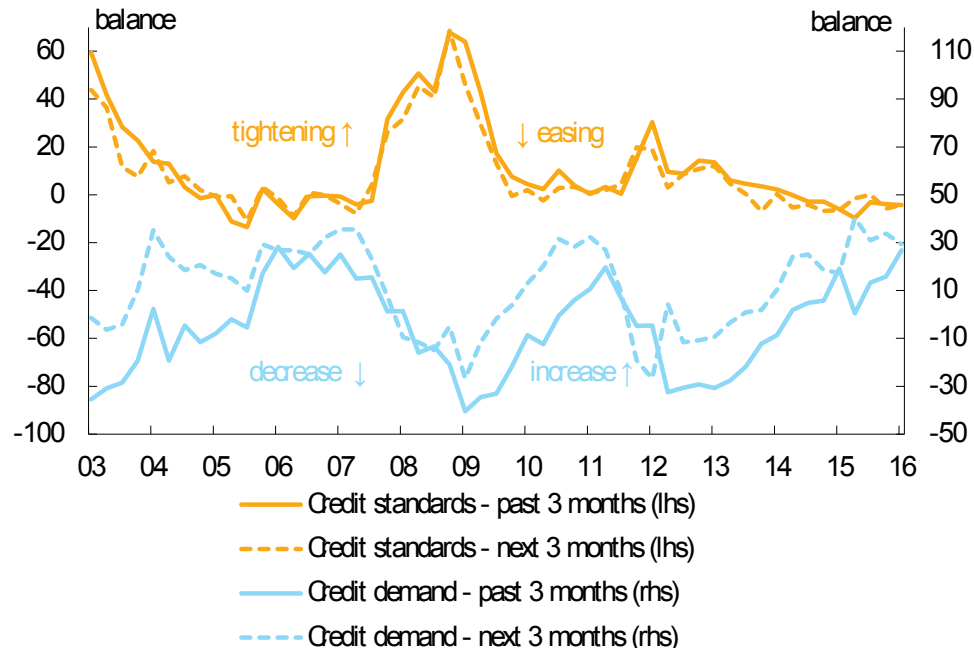


Financial conditions set to remain favourable for longer

Loans to households and NFCs, euro area



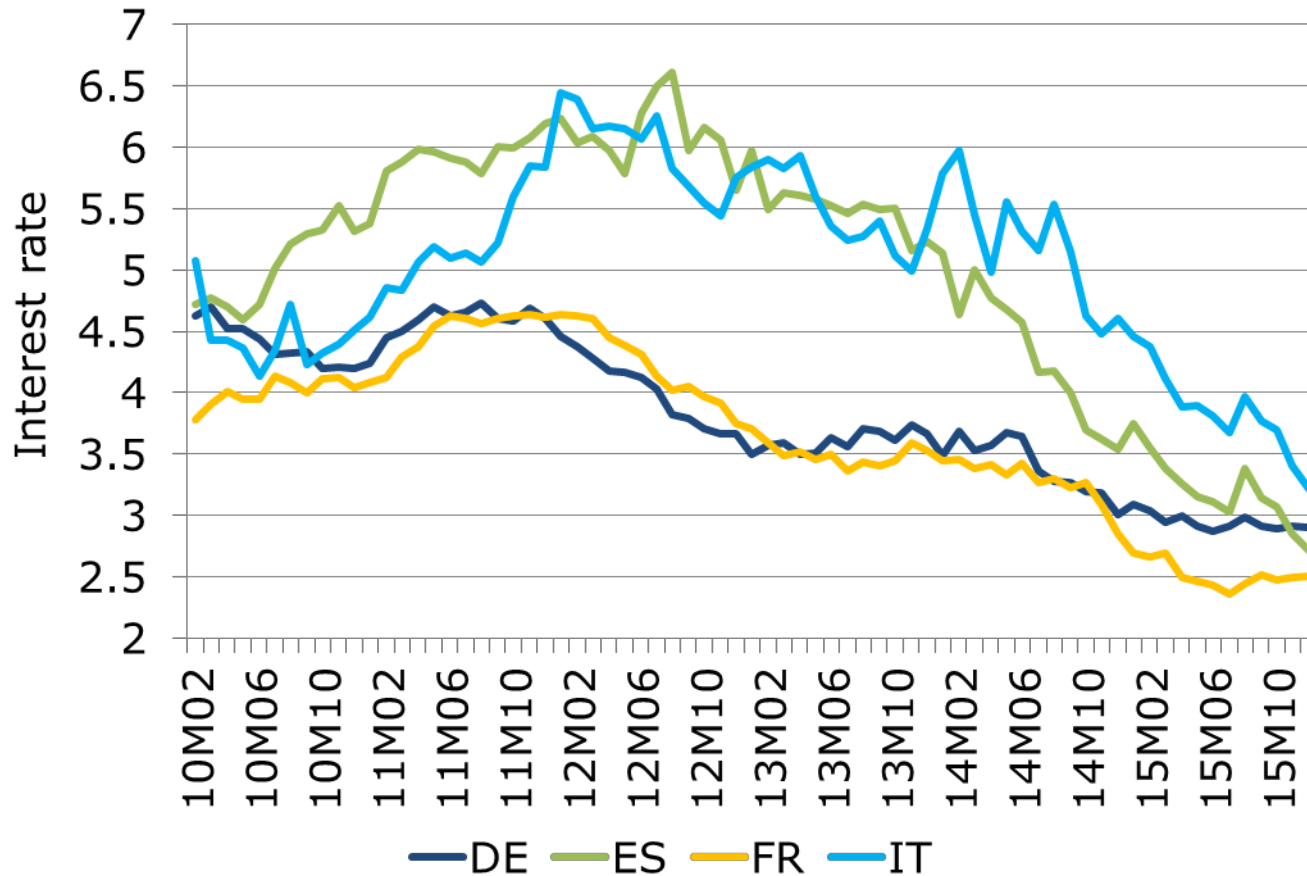
Net changes in credit standards and credit demand for loans to NFCs, EA



Fragmentation ends?

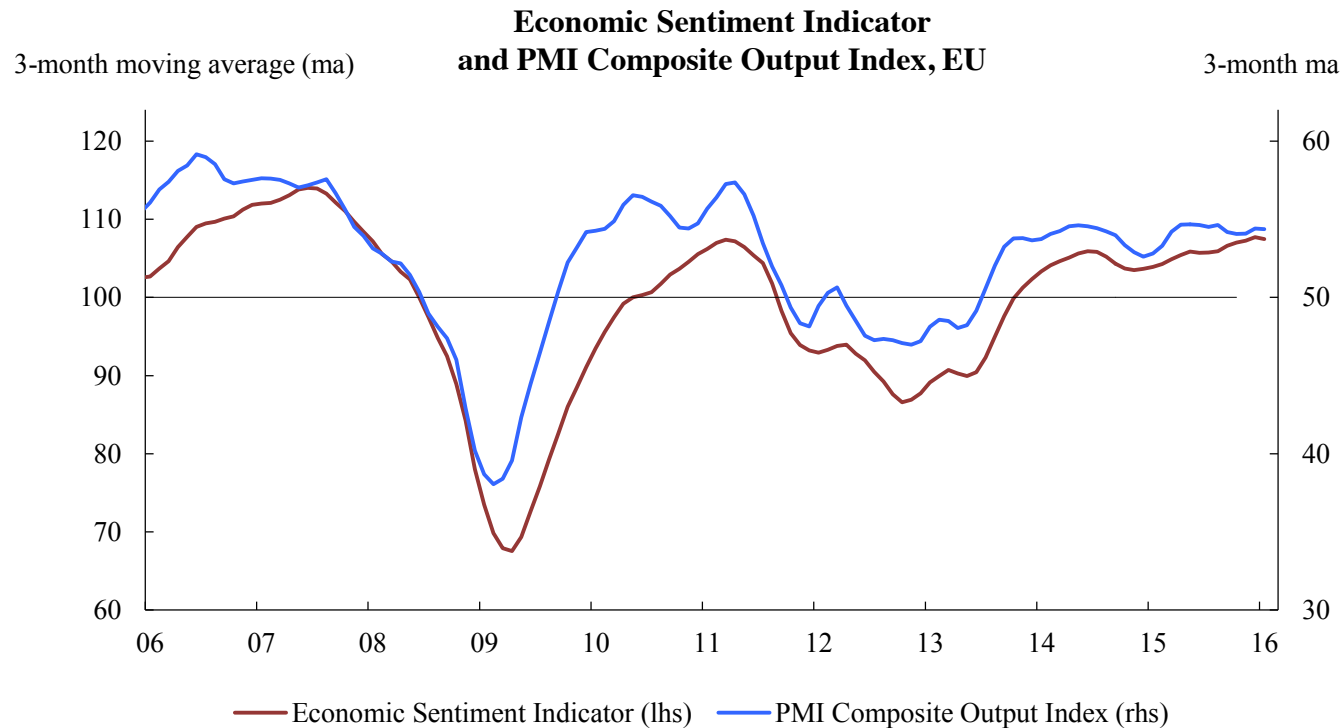
Cost of borrowing

Rate of loans to corporations, < 1 million, 1-5 years



ESI and PMI

A touch stronger in Q3 than in Q2

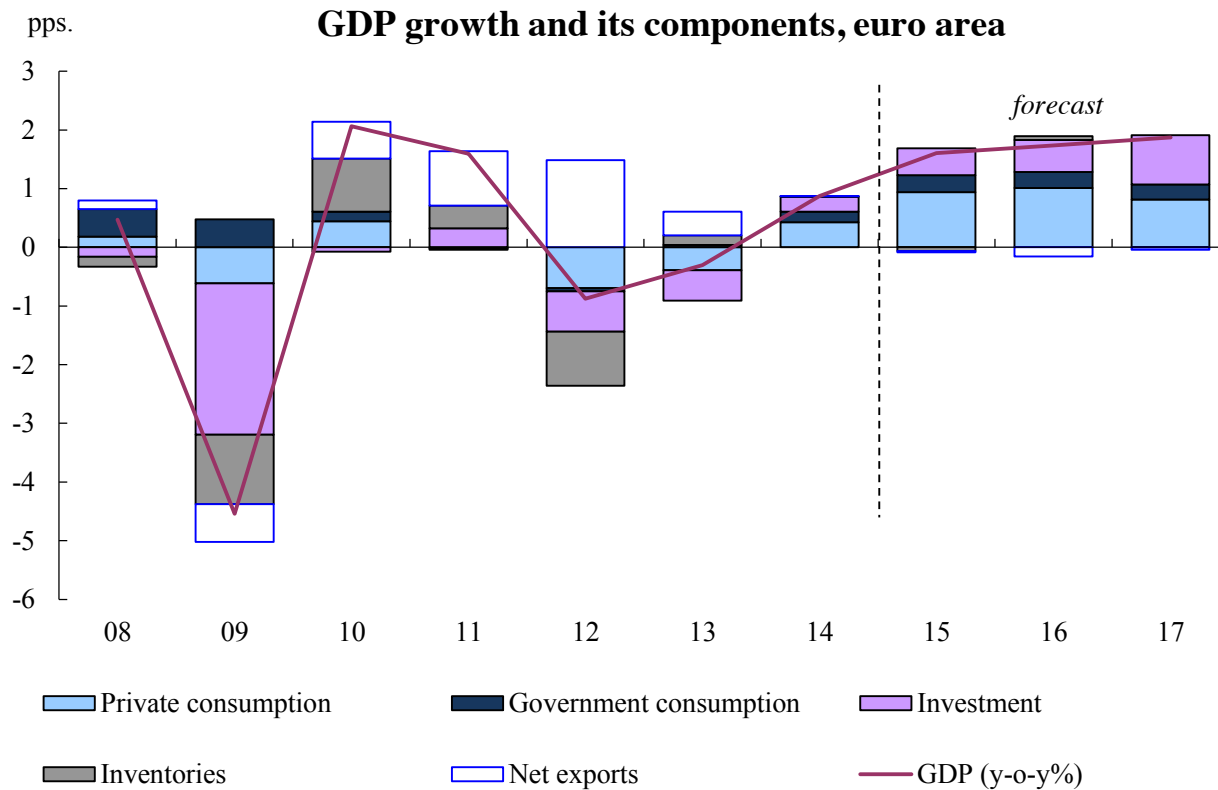


2016-2017 TAILWINDS FADE OUT AND ARE REPLACED BY OTHER FACTORS

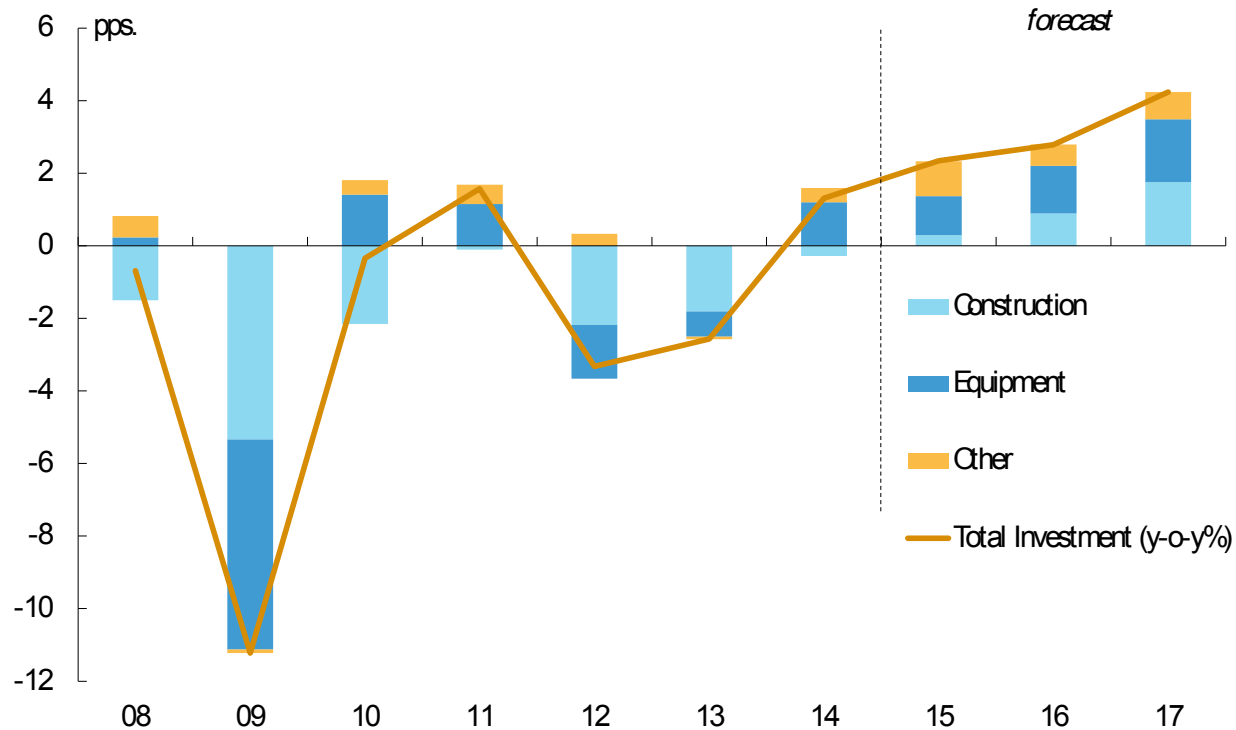
- **External demand will strengthen**
- **Overcoming of legacy crisis:**
 - Deleveraging needs will recede (lower HHs & NFCs debt)
 - Banking union
 - Easing credit conditions

GDP GROWTH 2008-2017

Recovery continues at a moderate pace

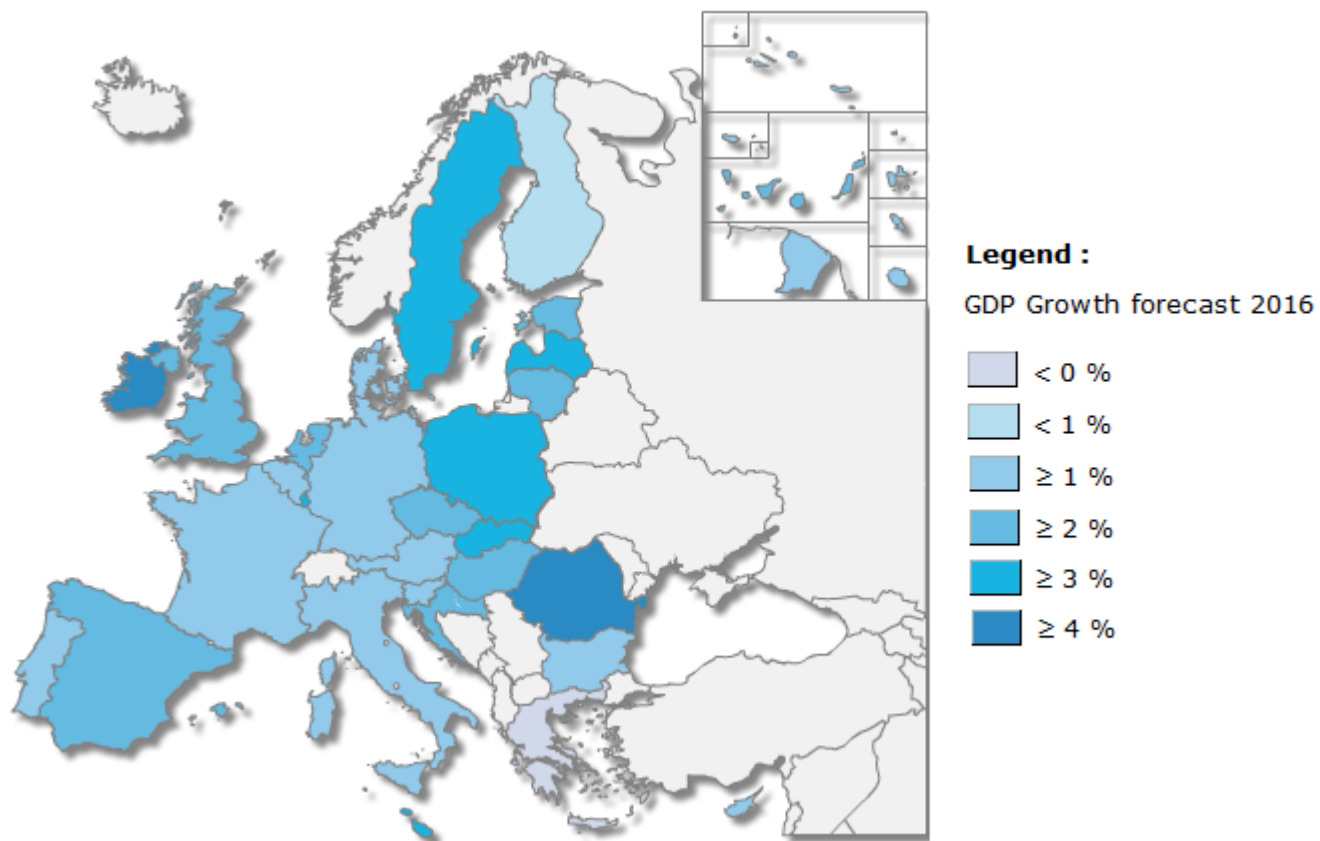


Conditions in place for a pick up in investment



Growth forecast

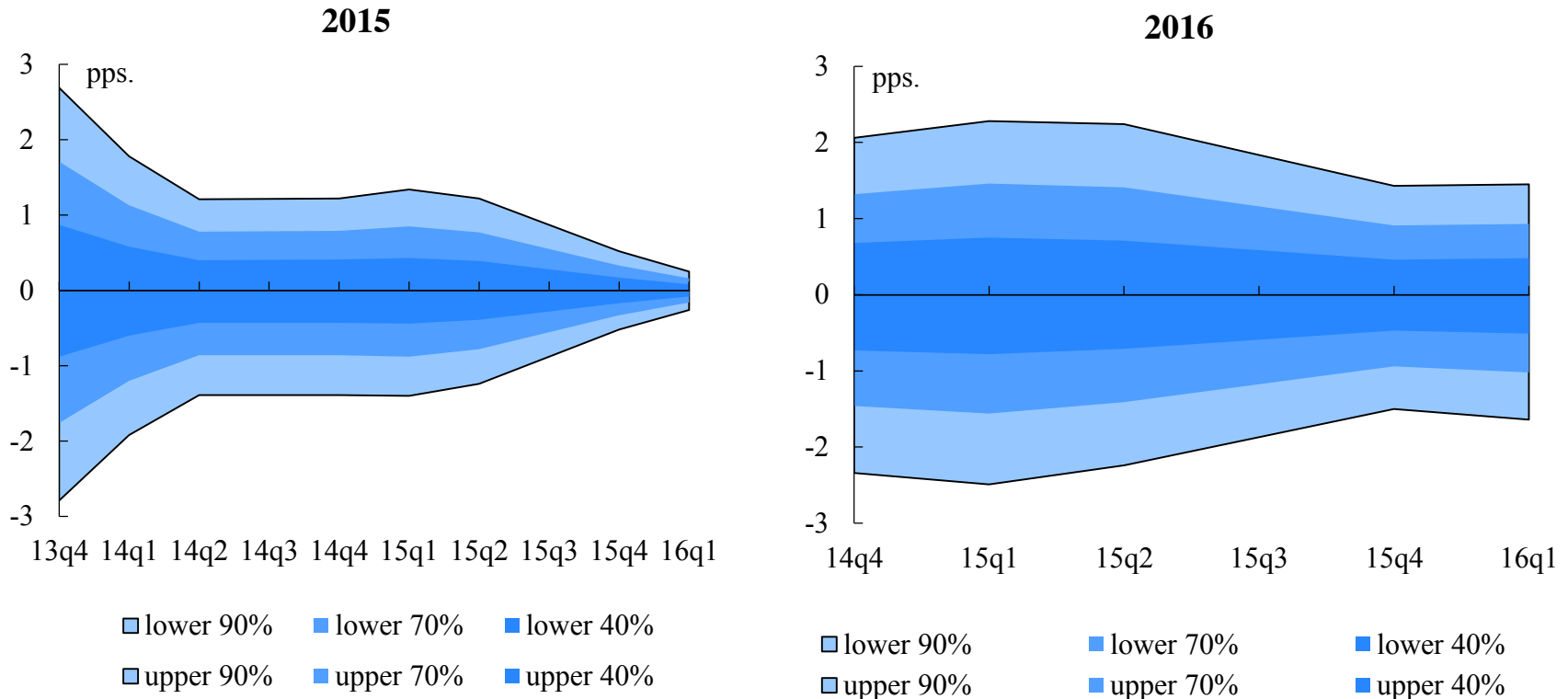
GDP growth rate Winter 2016 forecast



A forecast surrounded by risks

- (-) Stronger slowdown in China and emerging markets
- (-) Uncertainty regarding oil price assumptions
- (-) Geopolitical tensions
- (-) Policy/Political uncertainty within Europe
- (+) Stronger rebound in global growth
- (+) Larger / longer impact of 'tailwinds'
- (+) Impact of structural reforms

Evolution of risk assessments for EA growth outlook based on various ECFIN forecasts



Note: Fan chart data from winter, spring and autumn forecasts for first, second, and fourth quarters; interpolations for third quarters.

Comparisons

Real GDP growth forecasts for euro area Annual growth rate

	Date	2015	2016	2017
Commission	January 2016	1.60	1.70	1.90
IMF	January 2016	1.50 (-0.10)	1.70 (0.00)	1.70 (-0.20)
OECD	November 2015	1.50 (-0.10)	1.75 (0.05)	1.94 (0.04)
WB	January 2016	1.50 (-0.10)	1.70 (0.00)	1.70 (-0.20)
ECB	December 2015	1.60 (0.00)	1.70 (0.00)	1.90 (0.00)

Note: In brackets difference with European Commission forecast

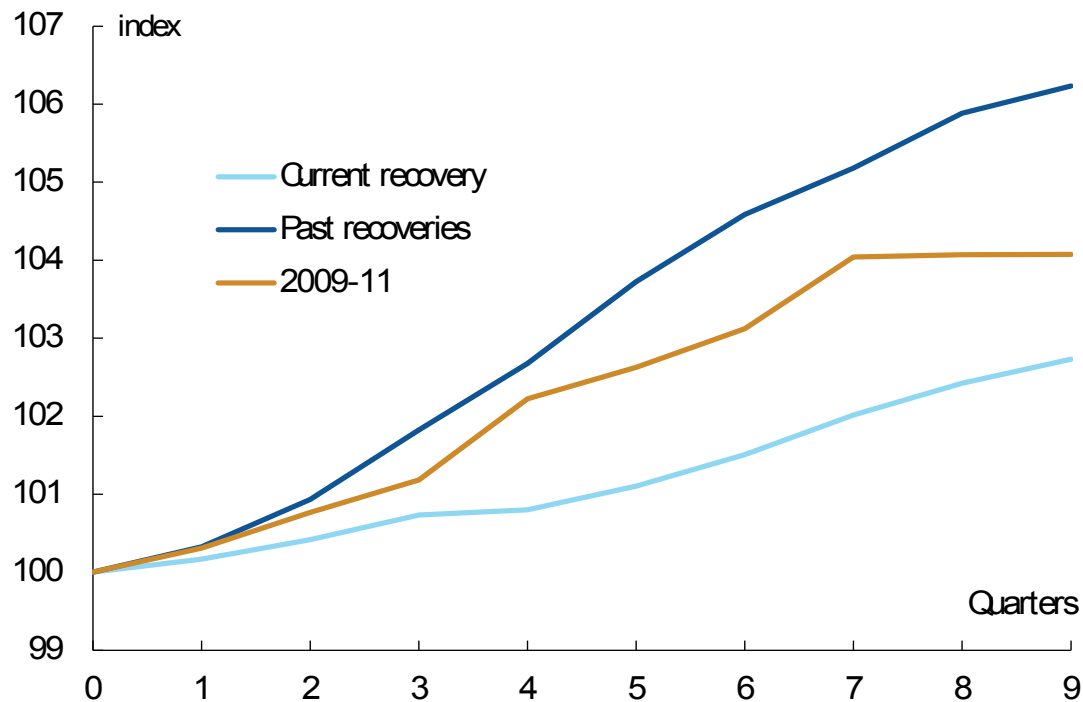
Sources: European Commission, Winter Forecast 2016; OECD, Economic Outlook, November 2015; IMF, World Economic Outlook Database, January 2016 revision; World Bank, Global Economic Prospects, January 2016; ECB, Macroeconomic Projections, December 2015.

IMPLICACIONES:

**PERSPECTIVAS ECONOMICAS Y
DESEQUILIBRIOS**

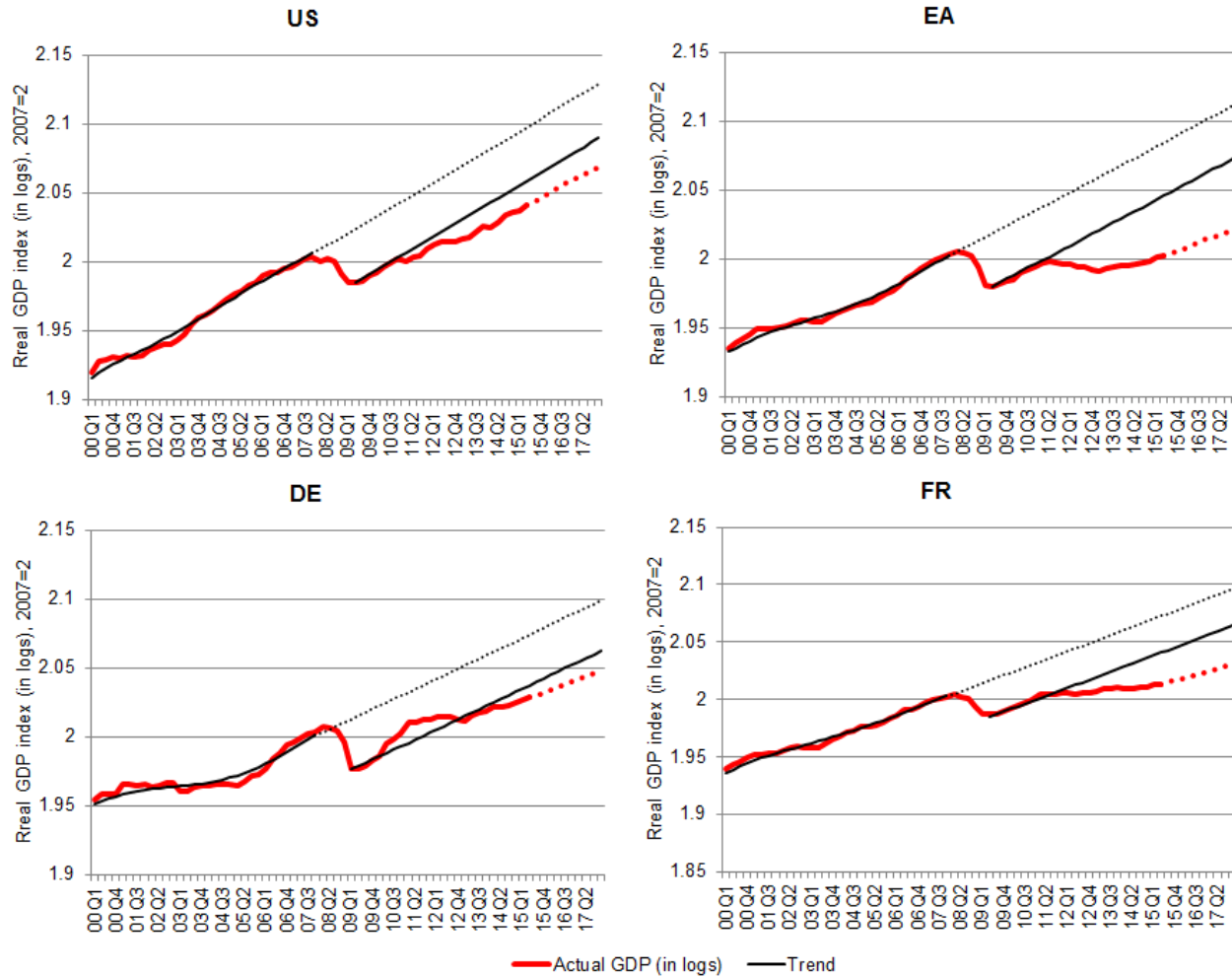
Stronger growth has failed to materialise

Comparison of past and current recoveries, euro-area GDP



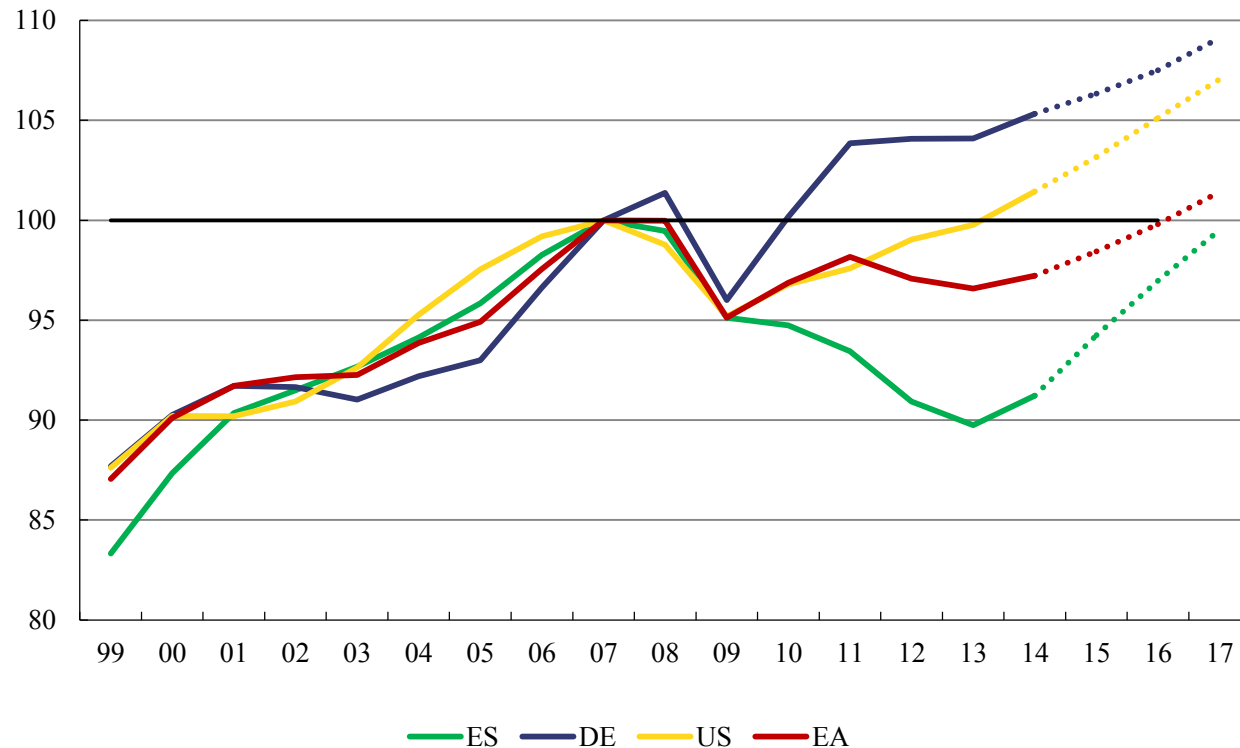
Note: Past recoveries included are those from the mid-1970s, early-1980s and early-1990s.

Post-crisis growth profiles



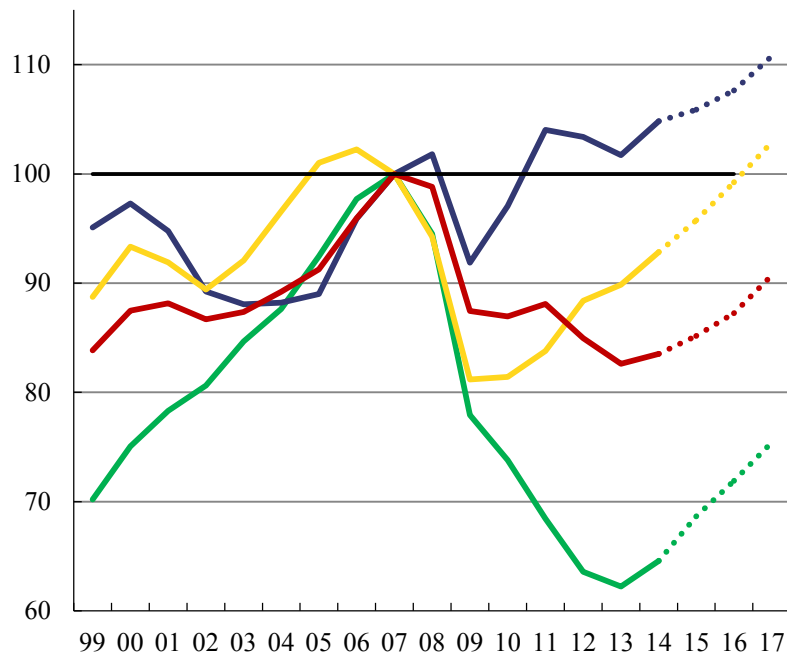
Slower return to pre-crisis levels

Real GDP per head
Index, 2007=100



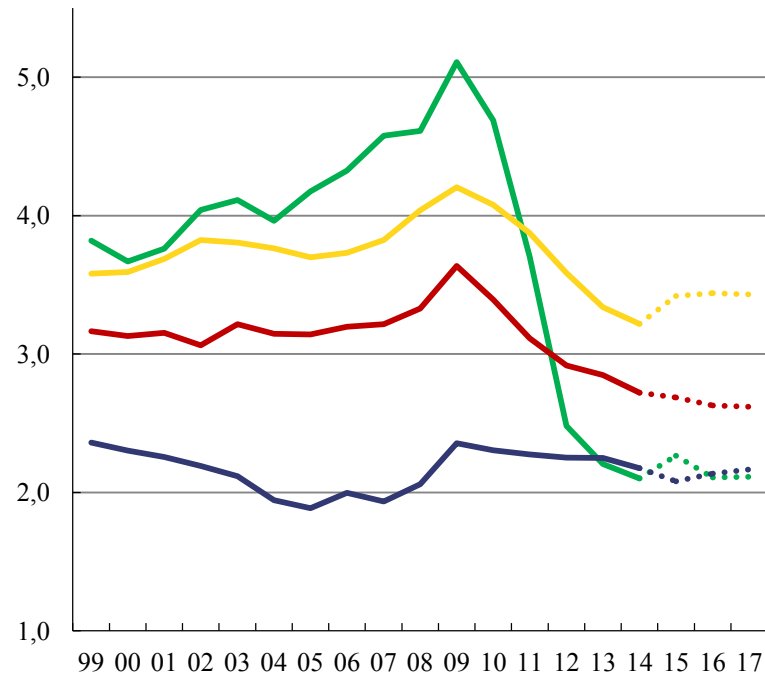
The EA (under)investment problem

Real GFCF per head
Index, 2007=100



— ES — DE — US — EA

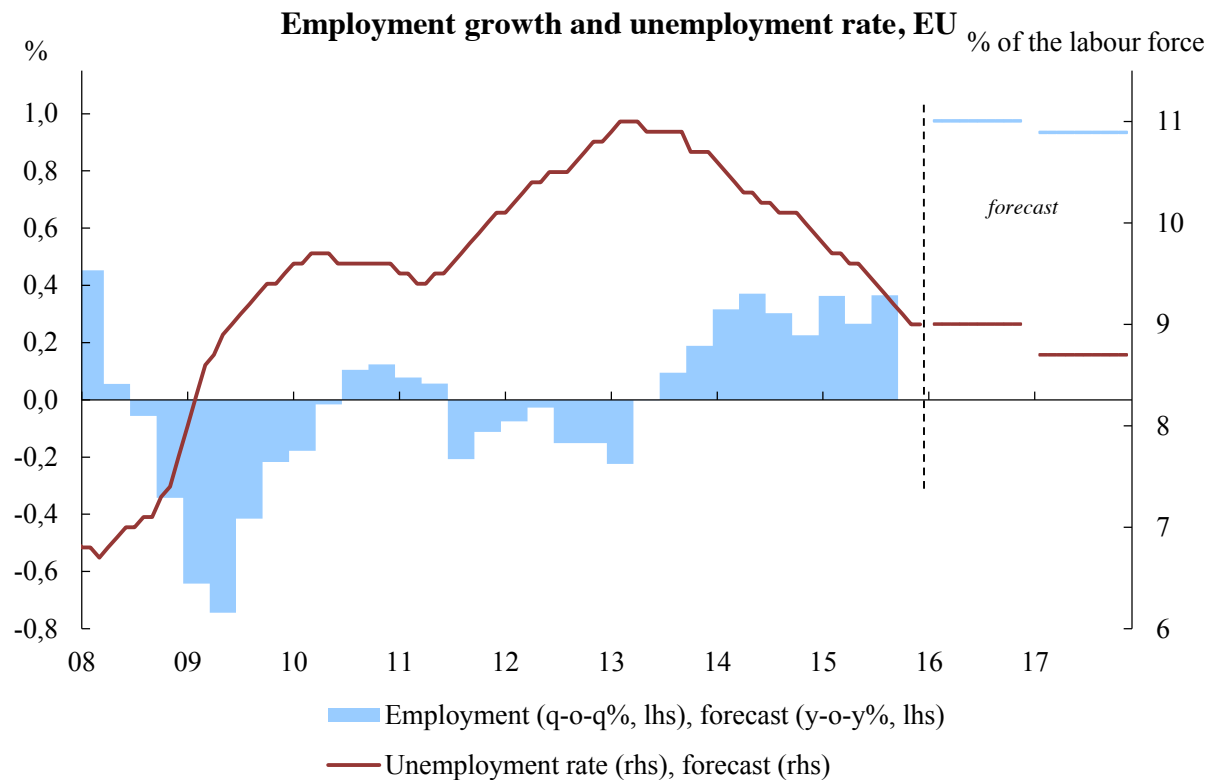
General government GFCF
percent of GDP



— ES — DE — US — EA

LABOUR MARKETS

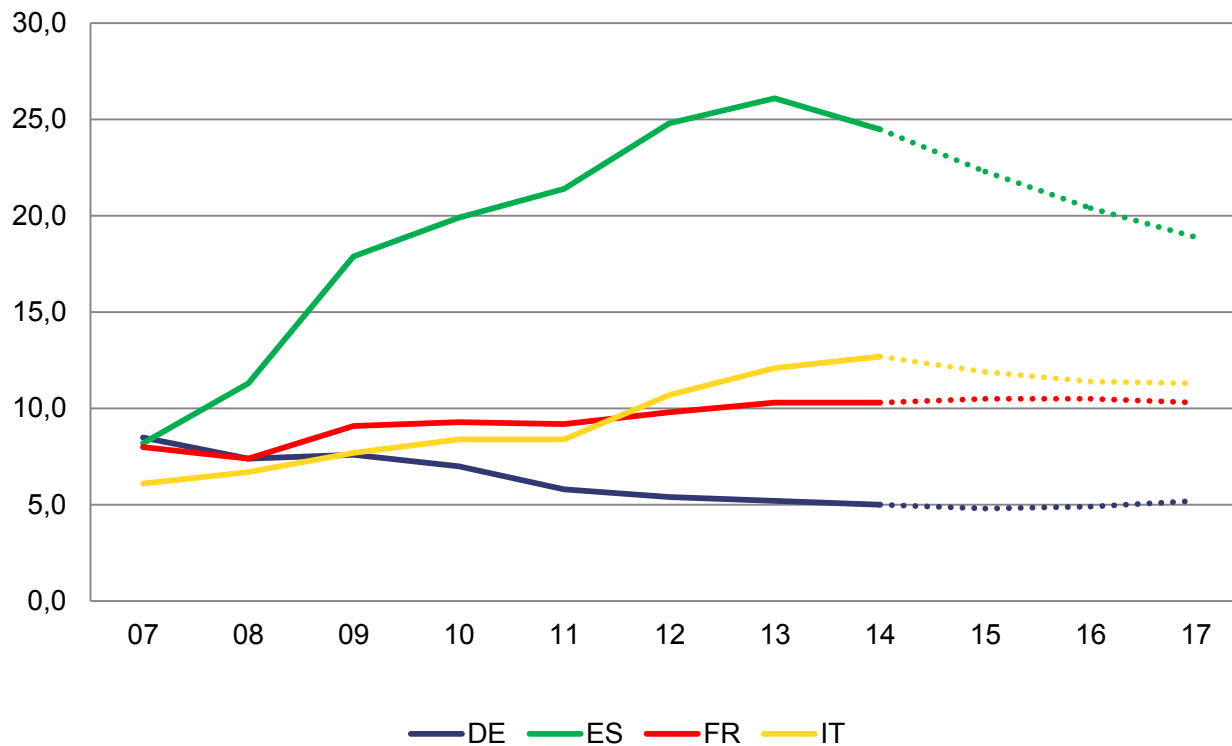
Texto



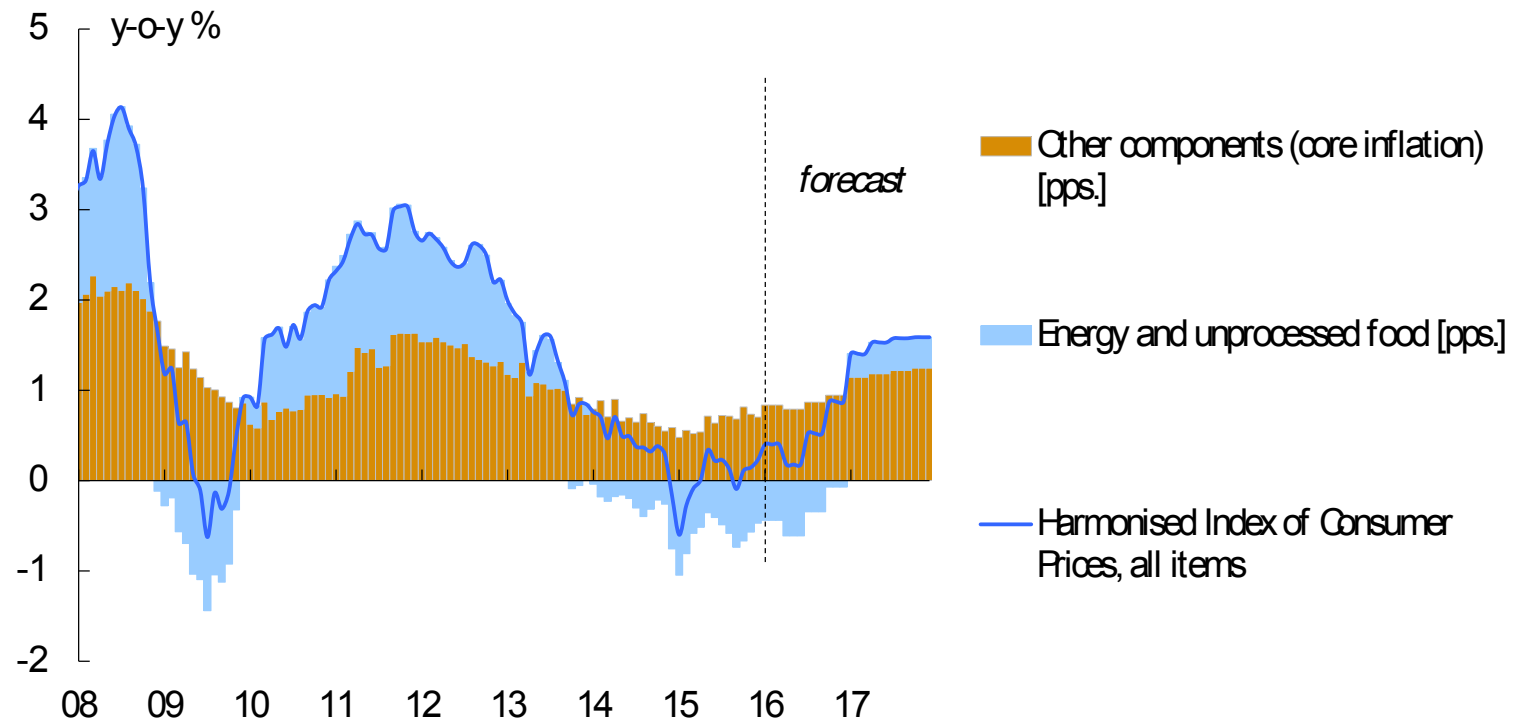
Forecast figures are annual data.

Unemployment rate Selected Member States

Percentage of civilian labour force



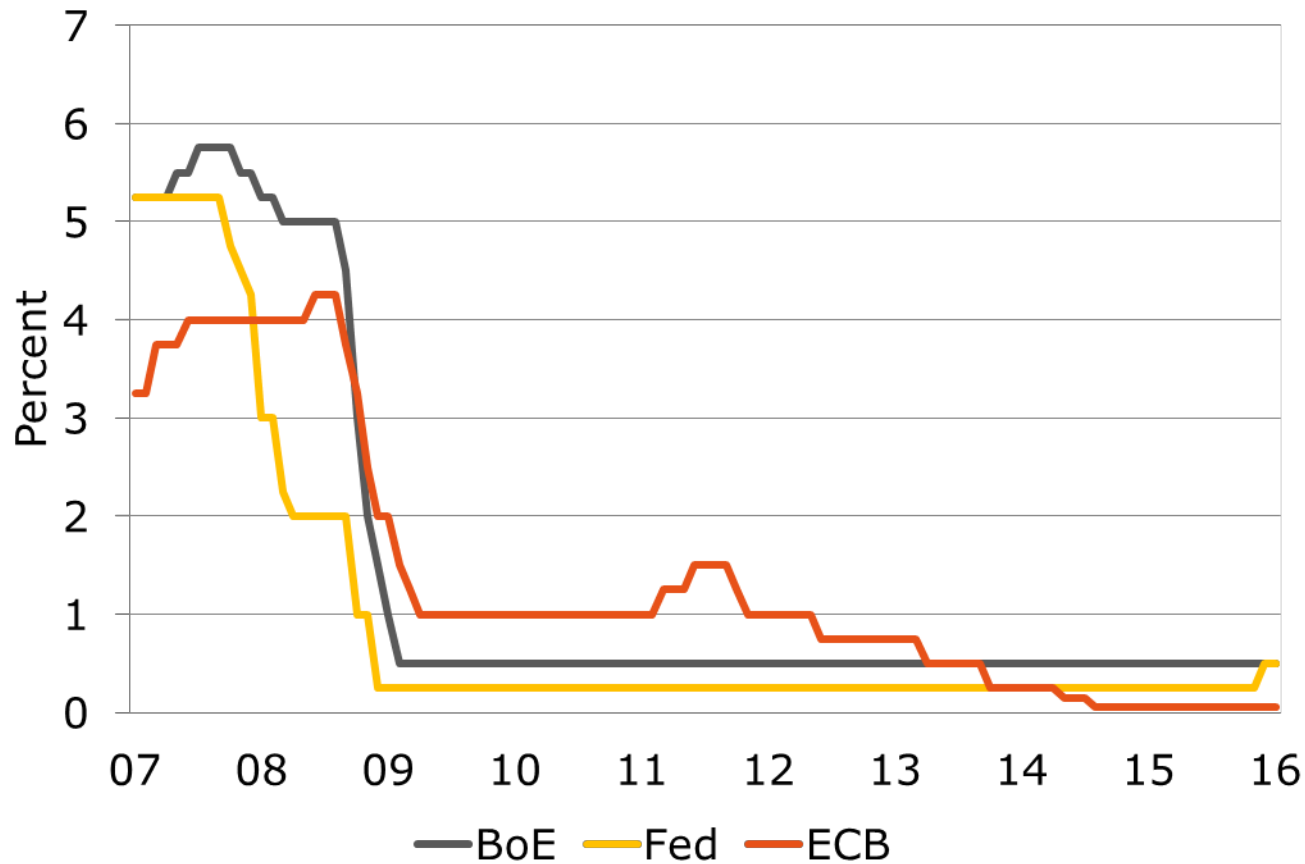
Energy prices weigh on inflation



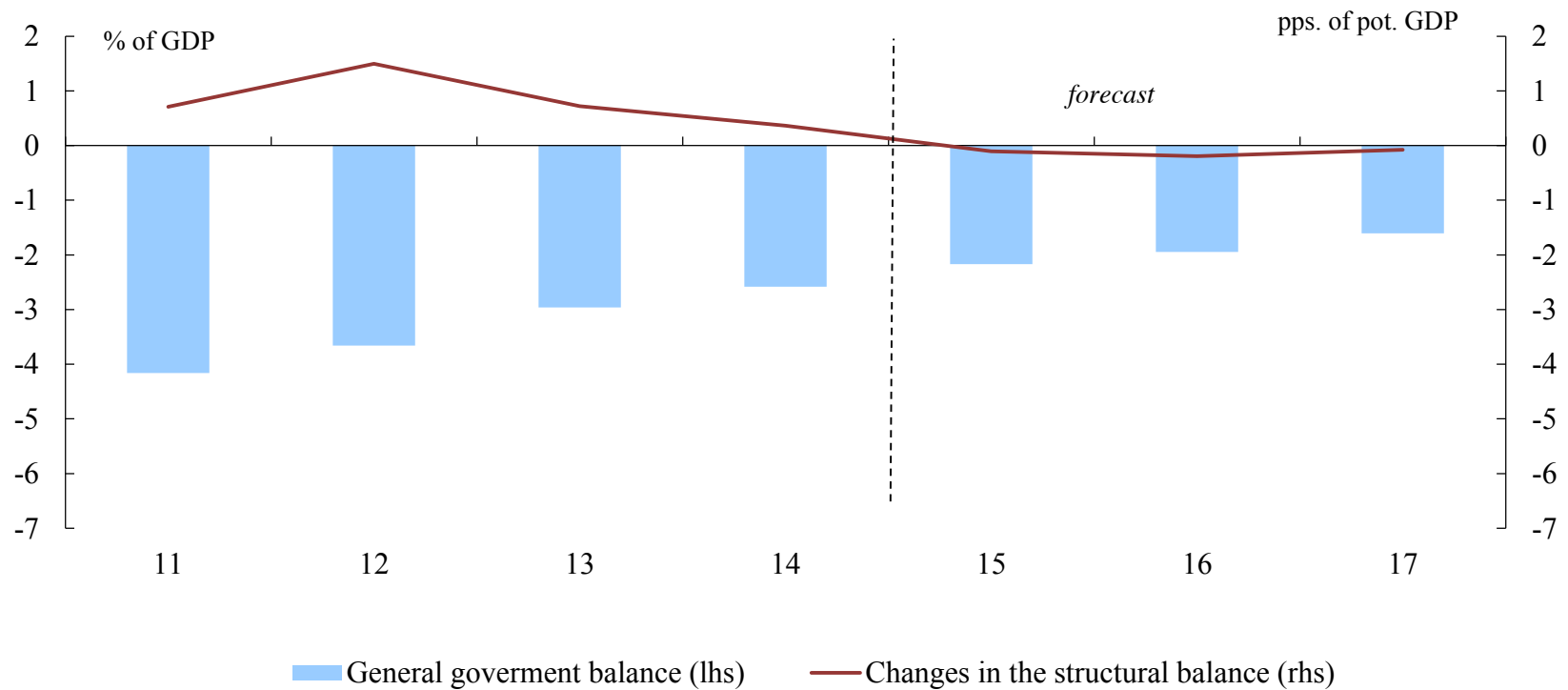
At the zero lower bound

Target interest rates

Interest of MRO and Federal Fund Target Rate

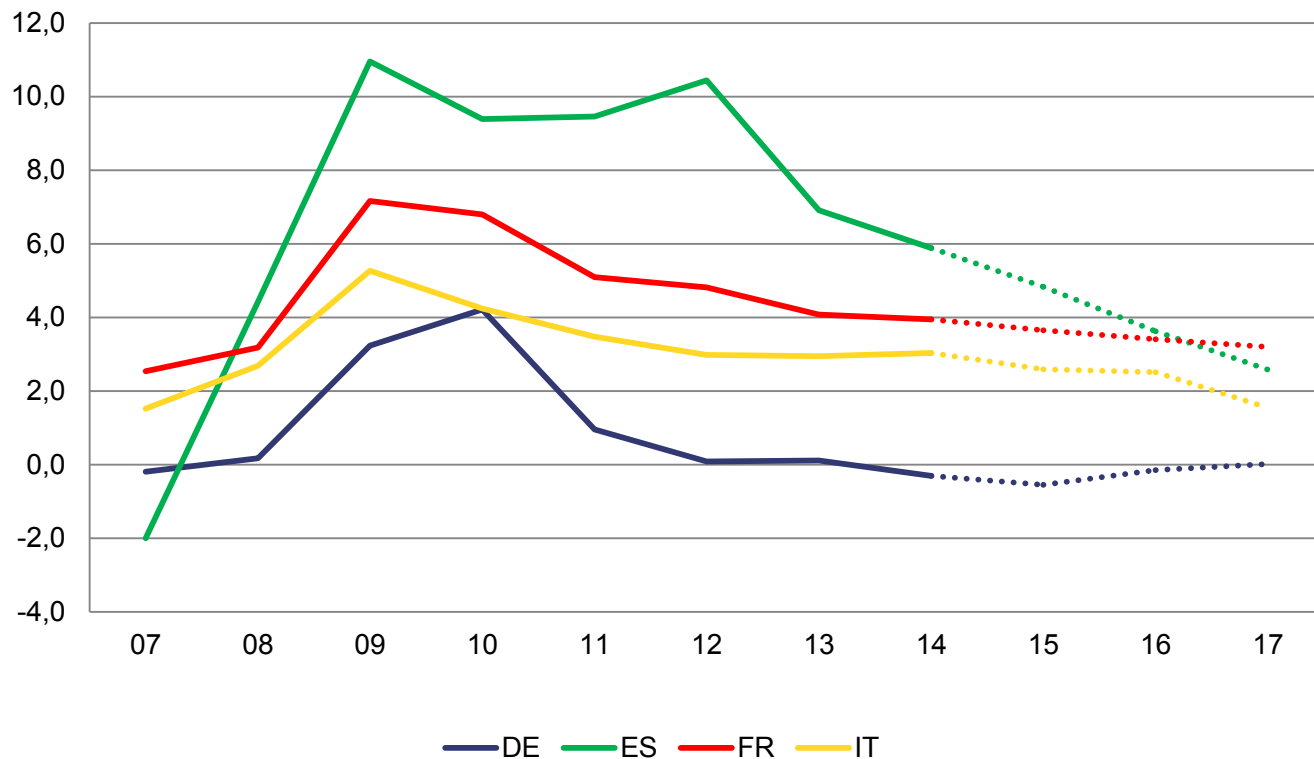


Budgetary developments EA



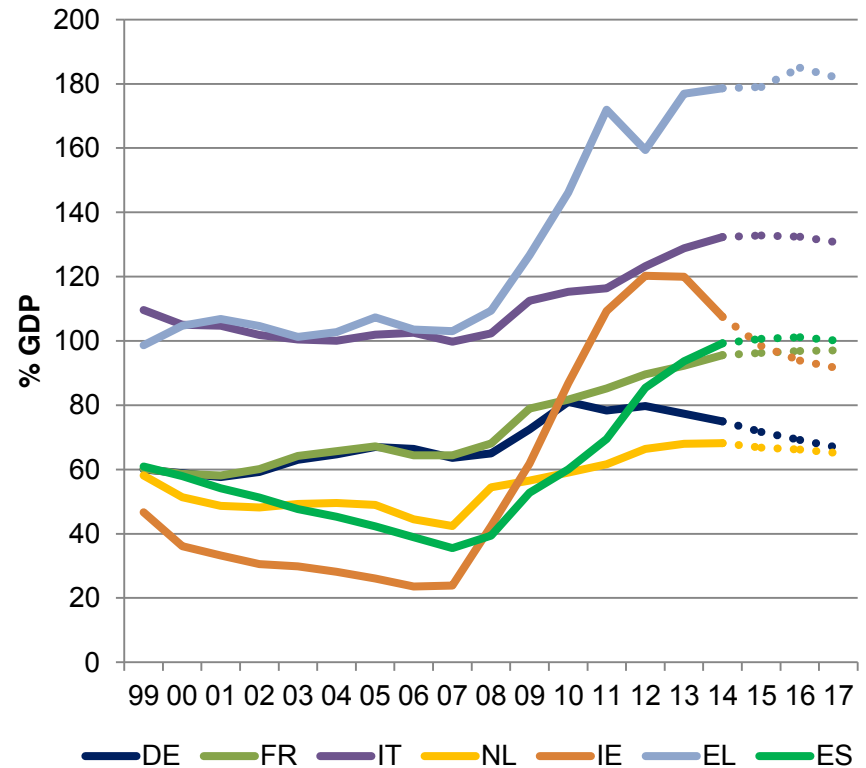
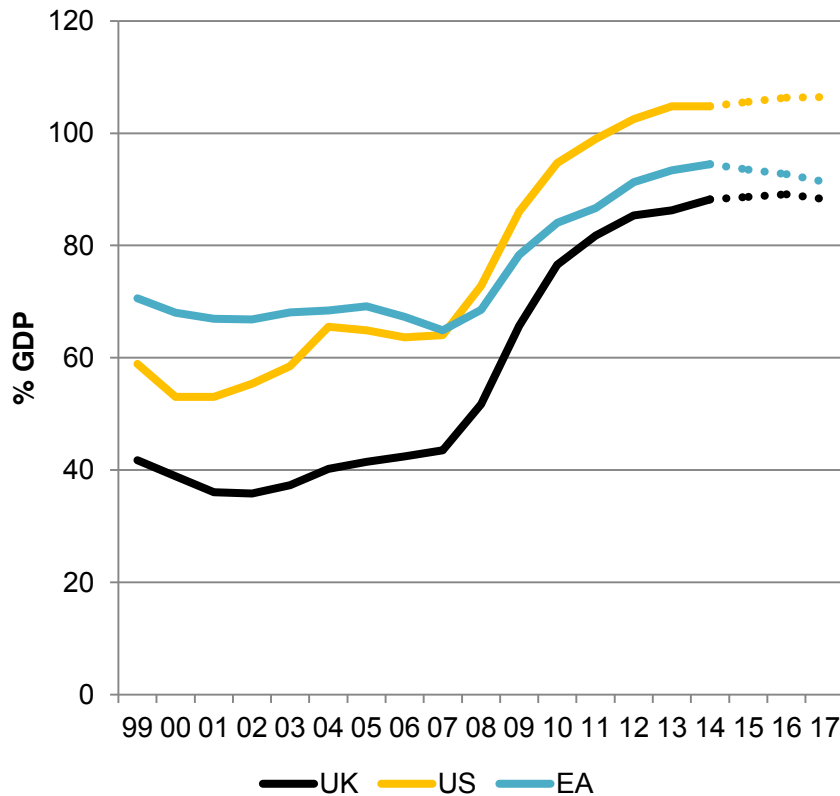
General Government deficit Selected Member States

Percentage of GDP

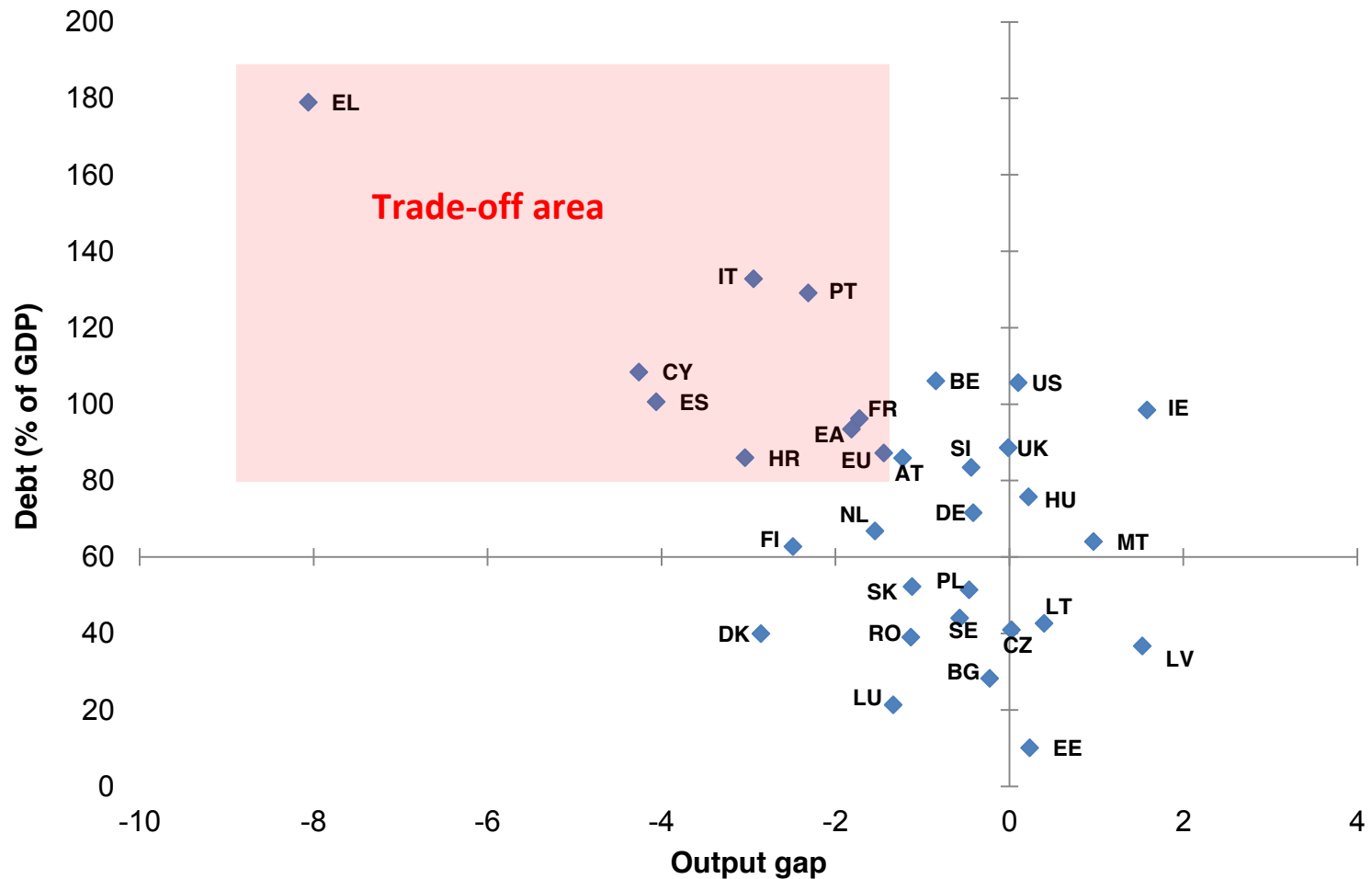


Gross public debt

General government debt Percentage of GDP

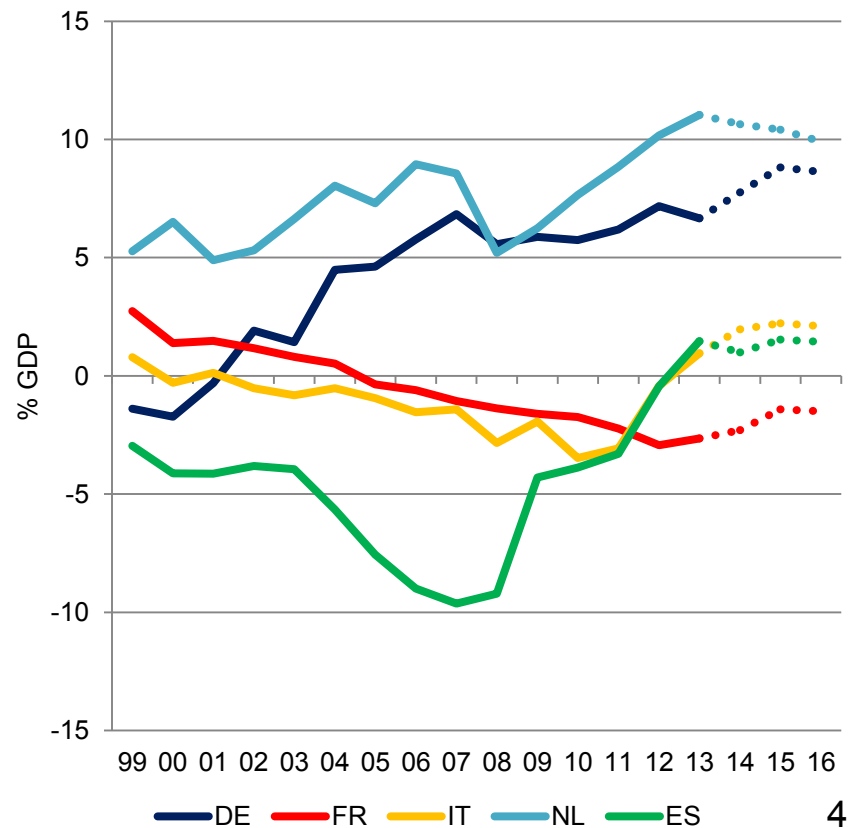
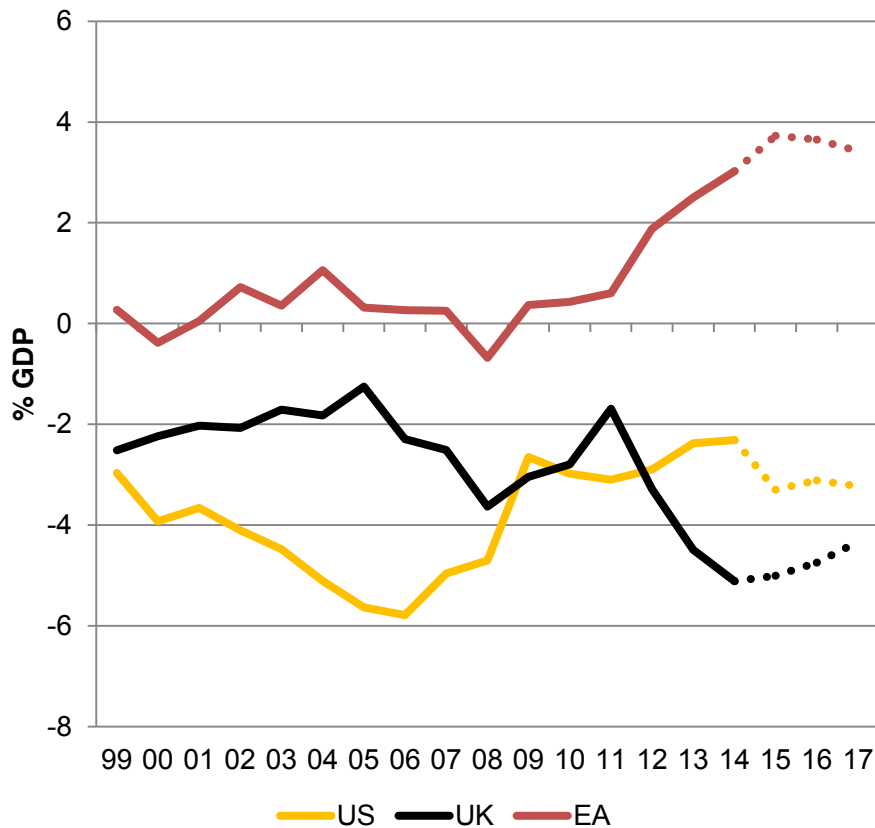


Stabilisation vs. sustainability



Current accounts

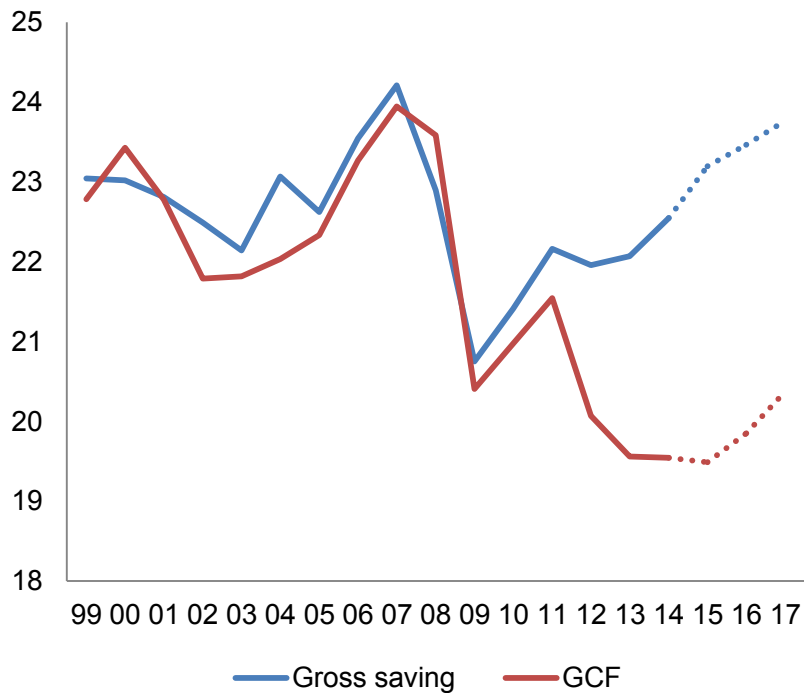
Balance on current transactions with RoW Percentage GDP



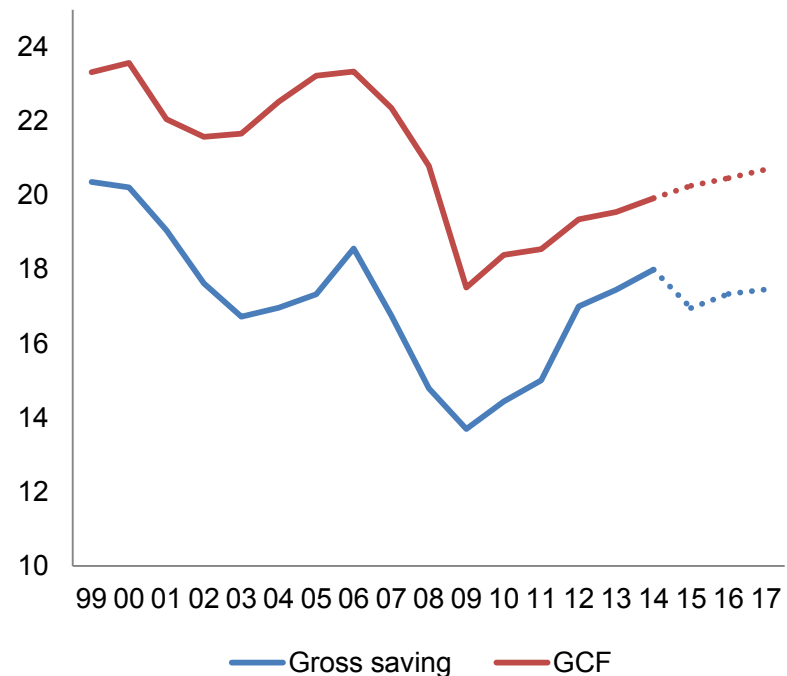
Saving and Investment balances US-EA

National gross saving and GCF Percentage of GDP

euro area

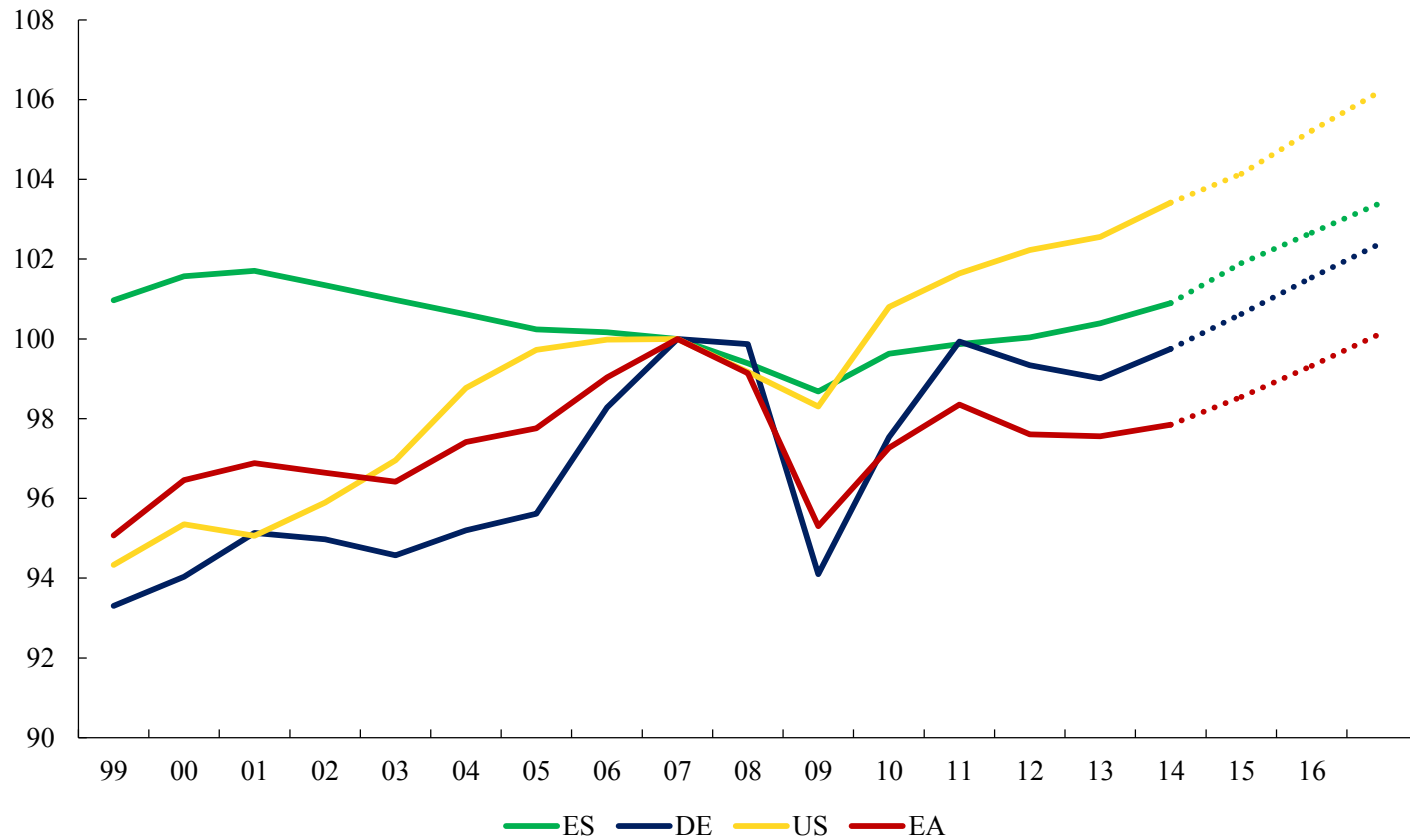


US



Total Factor Productivity

Total factor productivity
Level (2007=100)



Growth forecast

GDP growth rate Winter 2016 forecast

