

# Eurozone Woes

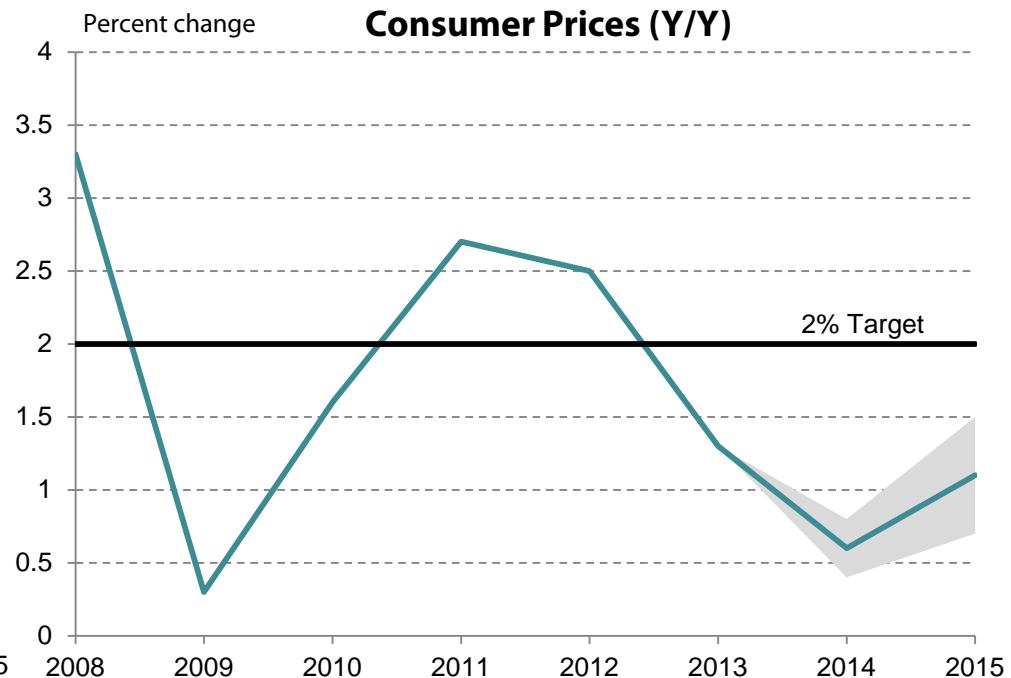
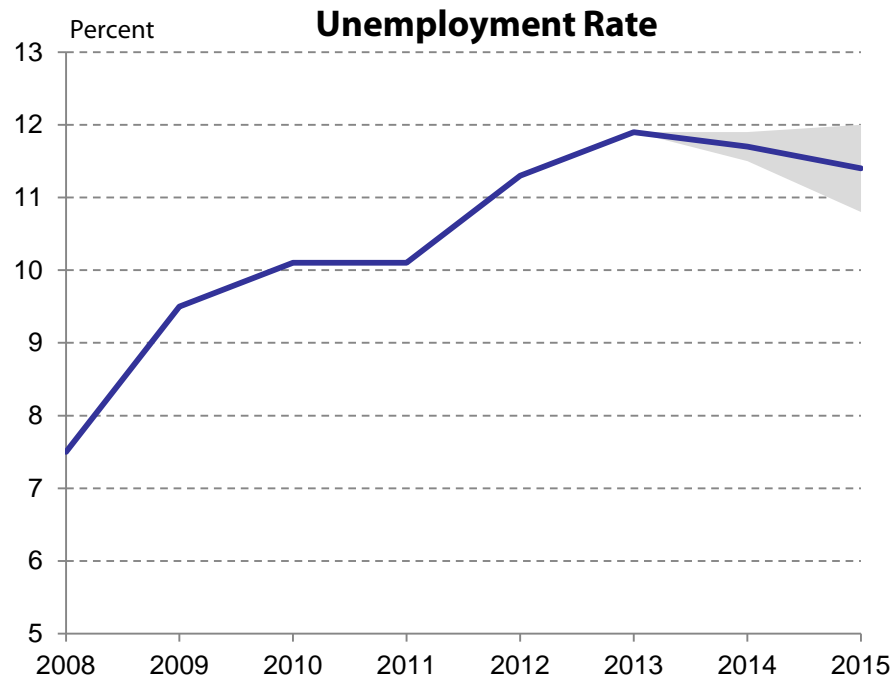
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# Eurozone Macroeconomic Outlook



## Consensus Forecasts

	2012	2013	2014	2015
Real GDP Growth (Y/Y)	-0.6	-0.4	0.9	1.4
Unemployment (Annual Average)	11.3	11.9	11.7	11.4
HICP Consumer Prices (Y/Y)	2.5	1.3	0.6	1.1
Industrial Producer Prices (Y/Y)	2.8	-0.2	-0.8	1.0

Note: Gray-shaded areas represent two standard deviations around the Consensus forecast.

# Three Issues that Influence EU's Short-term Growth Prospects

1. The Start of the New EU Commission
2. The Conflict in Ukraine
3. The Continued Rise of Nationalism

## The New EU Commission

- Starts on November 1, 2014
- Stronger economics team (Juncker, Kaitanen, Vestager, Dombrovskis)
- A shift towards growth, with Moscovici in charge of economic policy, but reporting to Dombrovskis
- Likely impact: Better partner to the ECB in using ECB's balance sheet to encourage growth

## The Conflict in Ukraine

- Recent developments towards a “frozen conflict”
- European business vocal about the costs of sanctions
- ISIS seen as a bigger threat to Europe
- Likely impact: More EU focus on what business wants

## The Continued Rise of Nationalism

- Nationalist Parties Took a Fifth of Seats in May's European Parliament Elections
- Restrictions on Immigrants' Benefits in Germany, August
- The Independence Referendum in Scotland: A Close Call
- Announced Independence Referendum in Catalonia, Nov 9
- Likely Impact: Weakens EU-wide Policies, Especially if Redistributive

## Likely Impact on Growth Prospects

- Economic Outlook in 2015 Positively Shaped by New Commission and the Likely Alleviation of the Ukraine Conflict
- The Rise of Nationalism in Several Key EU States Will Hinder Growth, but This Effect More Visible in the Long-Run
- 2015 Promises to Be Better Than 2014, but Without a Clear Shift in Fundamentals