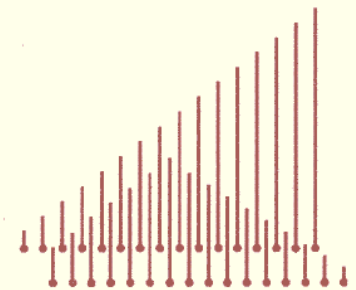


# niesr

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## Outlook for 2011-2012

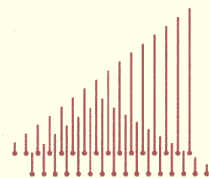
AIECE General Report  
Brussels 21-22 November 2011



National Institute  
of Economic and  
Social Research

# Outline

- GDP growth
- Inflation
- Unemployment
- Oil prices

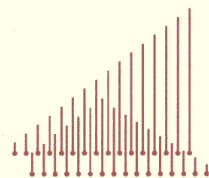


# GDP growth

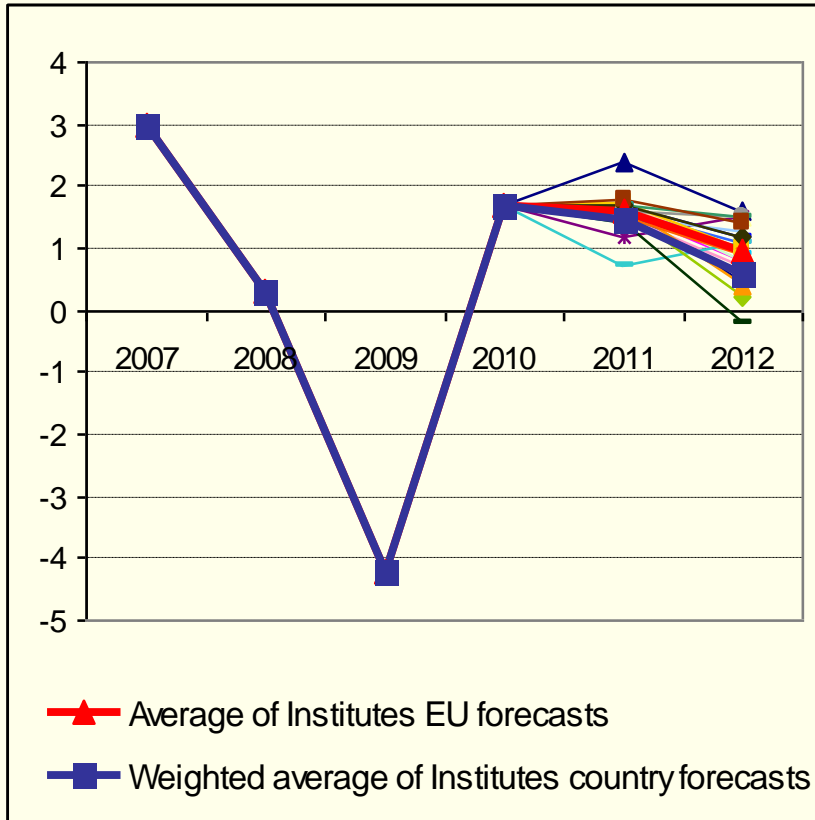
Euro Area

European Union

AIECE countries

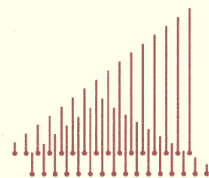


# Euro Area GDP

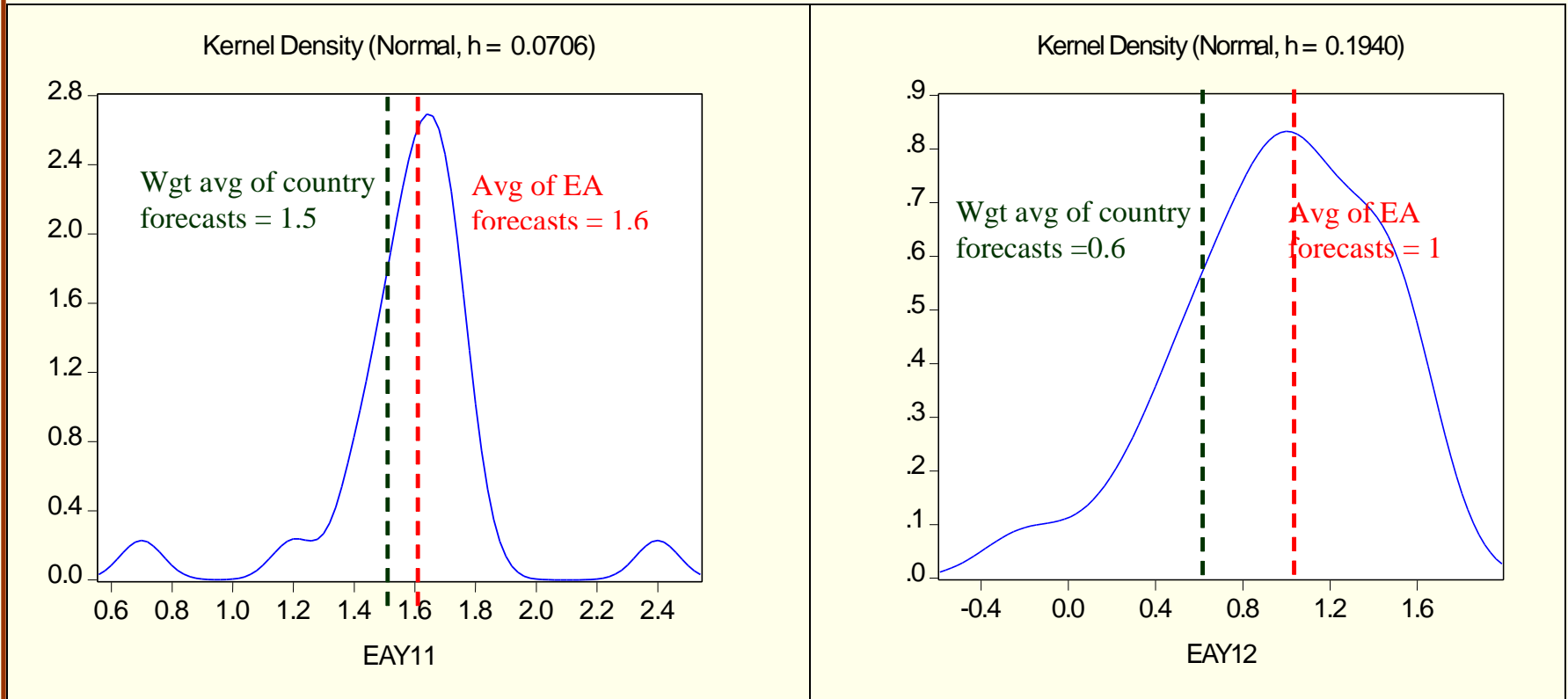


	2011	2012
Minimum	0.7	-0.2
Maximum	2.4	1.6
Median	1.6	1
Average	1.6	1
Weighted average	1.5	0.6

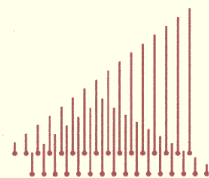
- The majority of institutes forecast a slight deceleration of GDP growth in the EA in 2011, and a deeper slowdown in 2012
- The average of Institutes' forecasts for the EA is higher than the weighted average of Institutes' country forecasts



# EA GDP - Institutes' forecasts

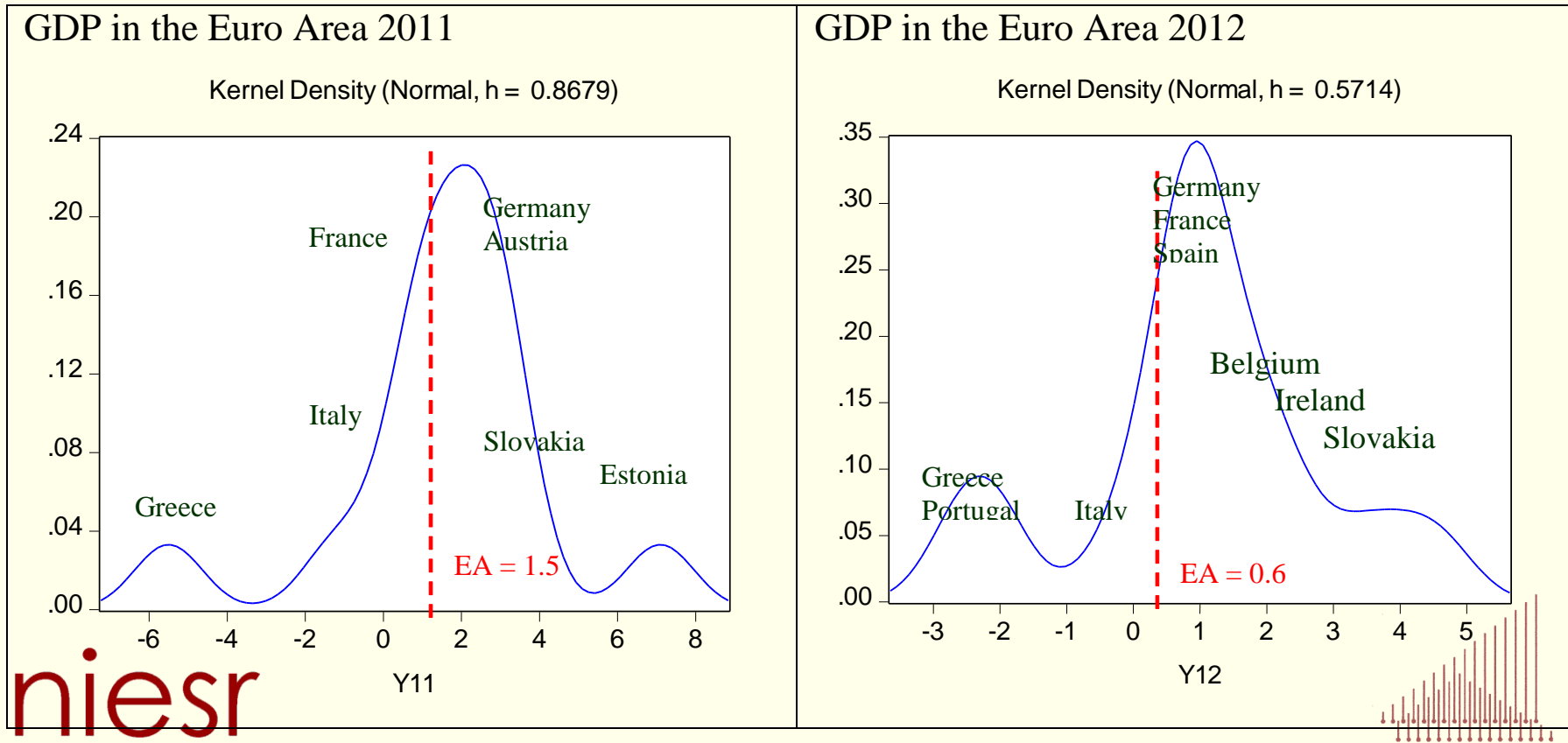


- The distributions vary across forecasting horizons

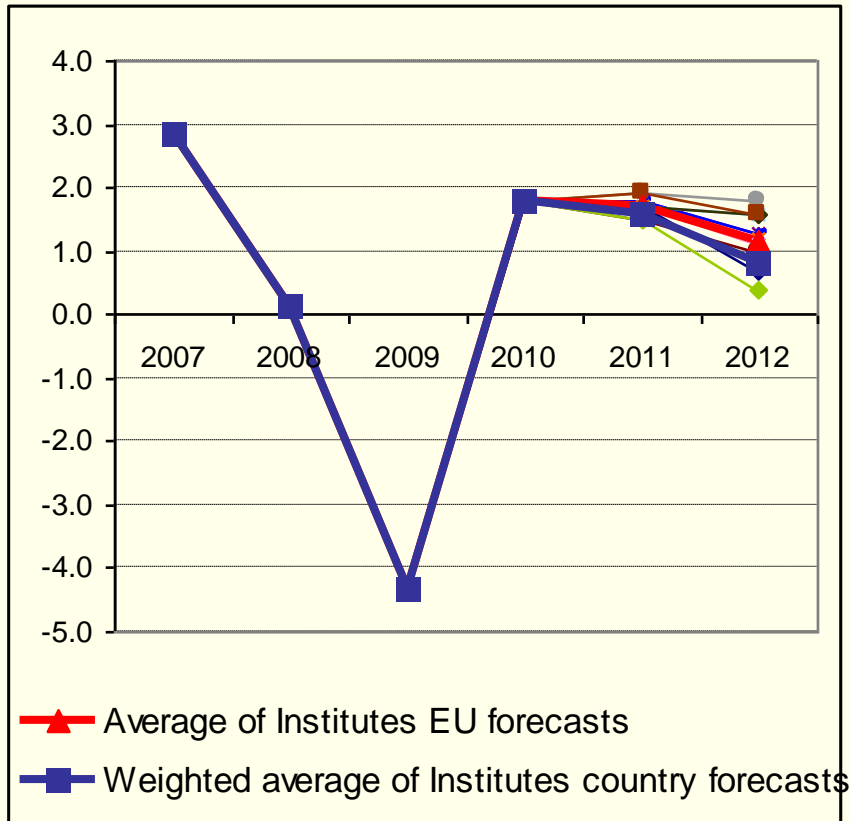


# EA GDP – country forecasts

- GDP divergences across the Euro Area economies remain wide

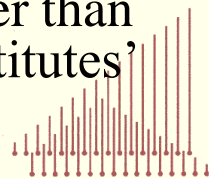


# GDP in the European Union

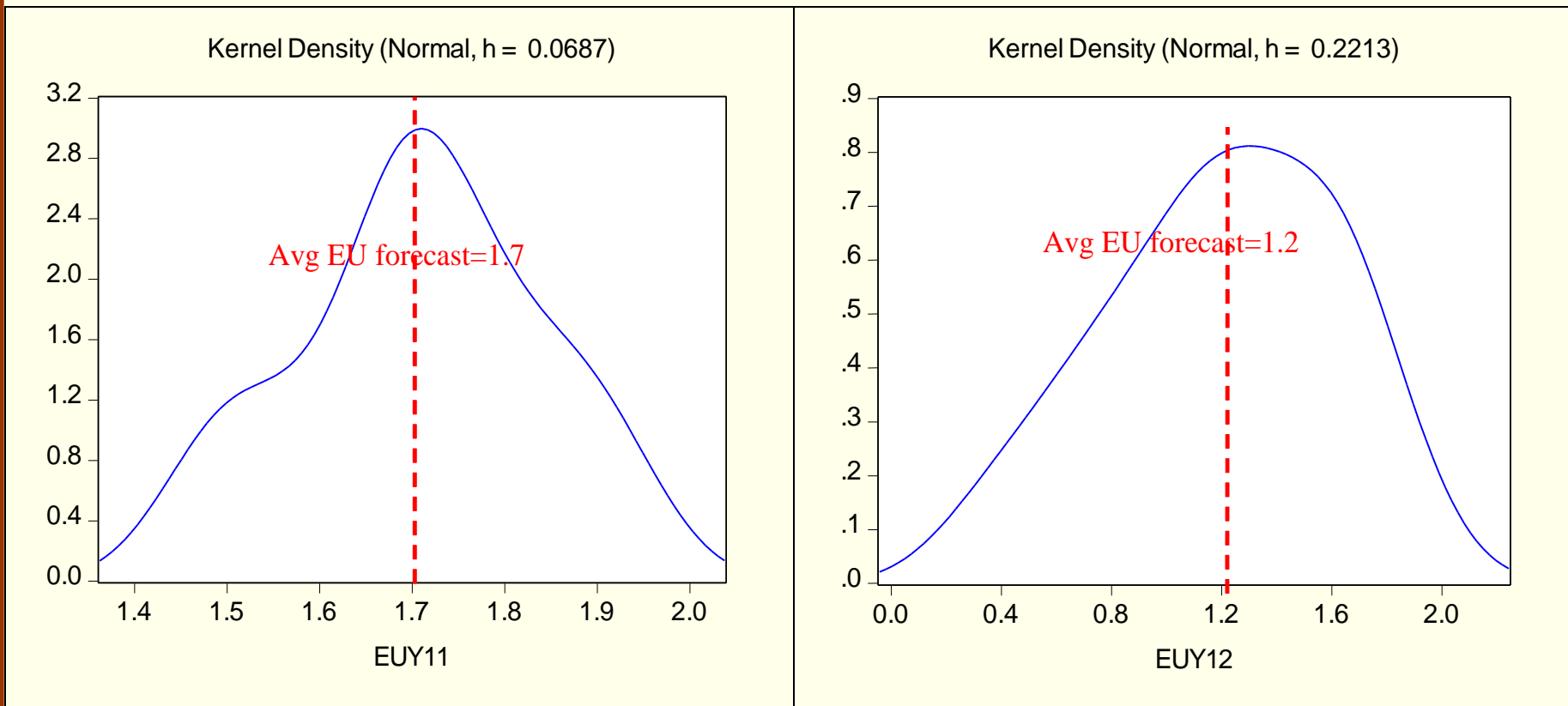


	2011	2012
Minimum	1.5	0.4
Maximum	1.9	0.8
Median	1.7	1.2
Average	1.7	1.2
Weighted average	1.6	0.8

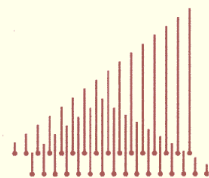
- GDP growth in the EU is expected to amount to 1.7 per cent this year and 1.2 per cent in 2012.
- On average the Institutes forecast that GDP growth in the EU will be 0.1-0.2 percentage point higher than in the EA.
- The average of Institutes' forecasts for the EU is higher than the weighted average of Institutes' country forecasts



# EU GDP - Institutes' forecasts

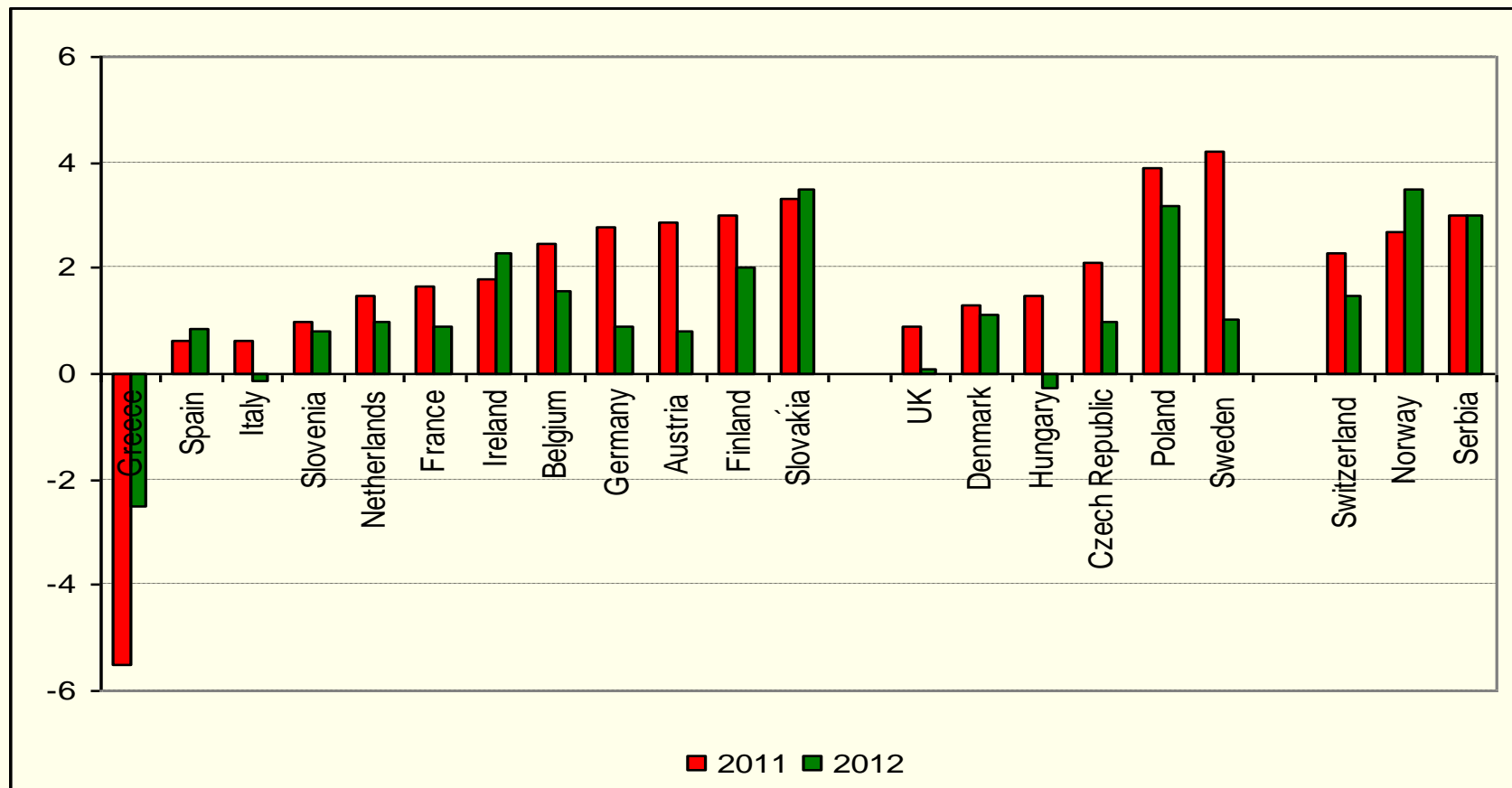


- The distributions for EU GDP forecasts differ from the distributions for EA GDP forecasts

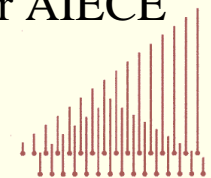




# GDP in AIECE countries



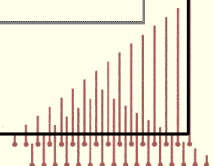
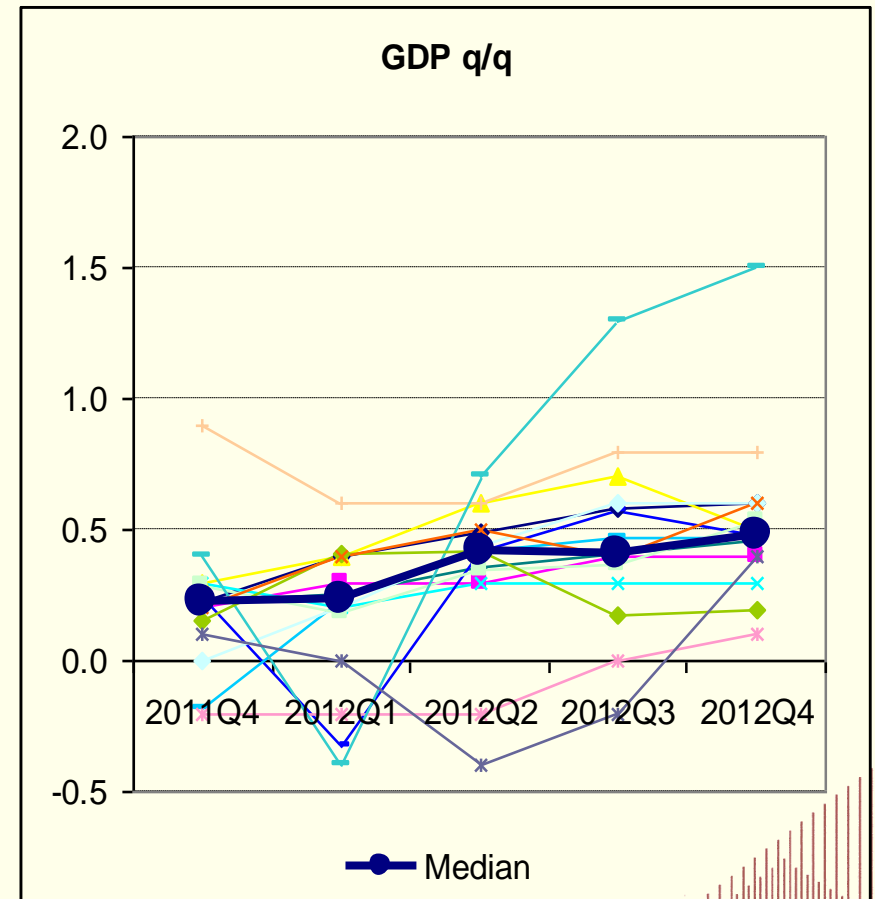
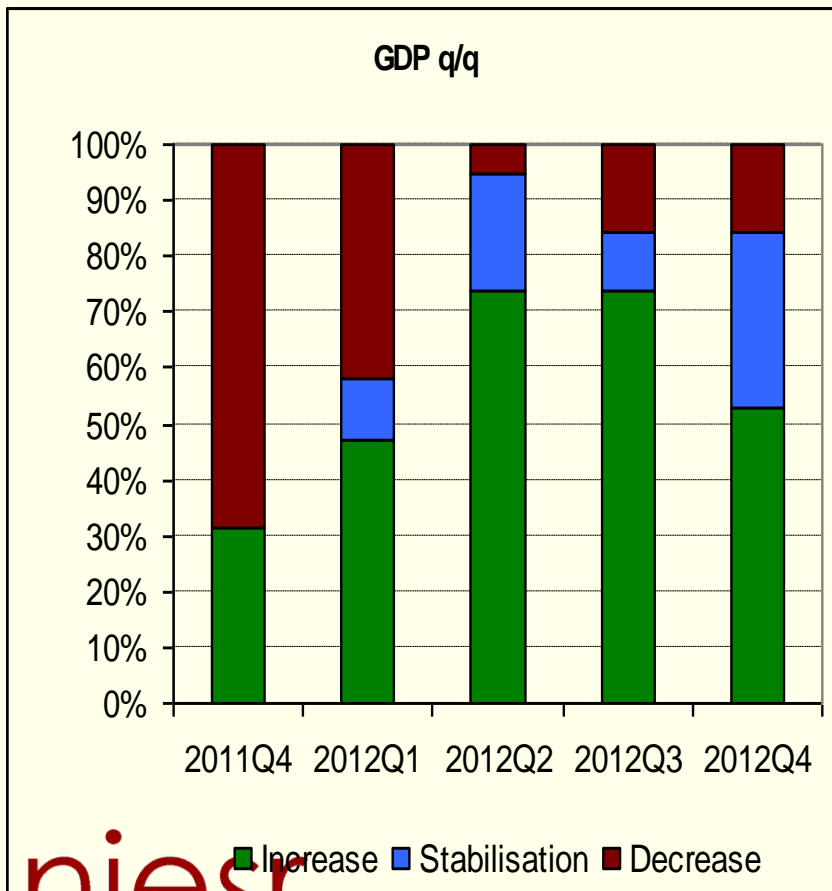
- The institutes expect a relative improvement of growth prospects in Greece, Spain, Ireland, Slovakia, and Norway. A stabilisation is expected in Serbia. All other AIECE countries are forecast to slow down. The biggest slowdowns are expected to materialise in Sweden, Austria, Germany, and Hungary.



# GDP in AIECE countries

- Percent of institutes expecting...

- The profile of quarterly GDP growth

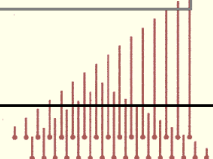
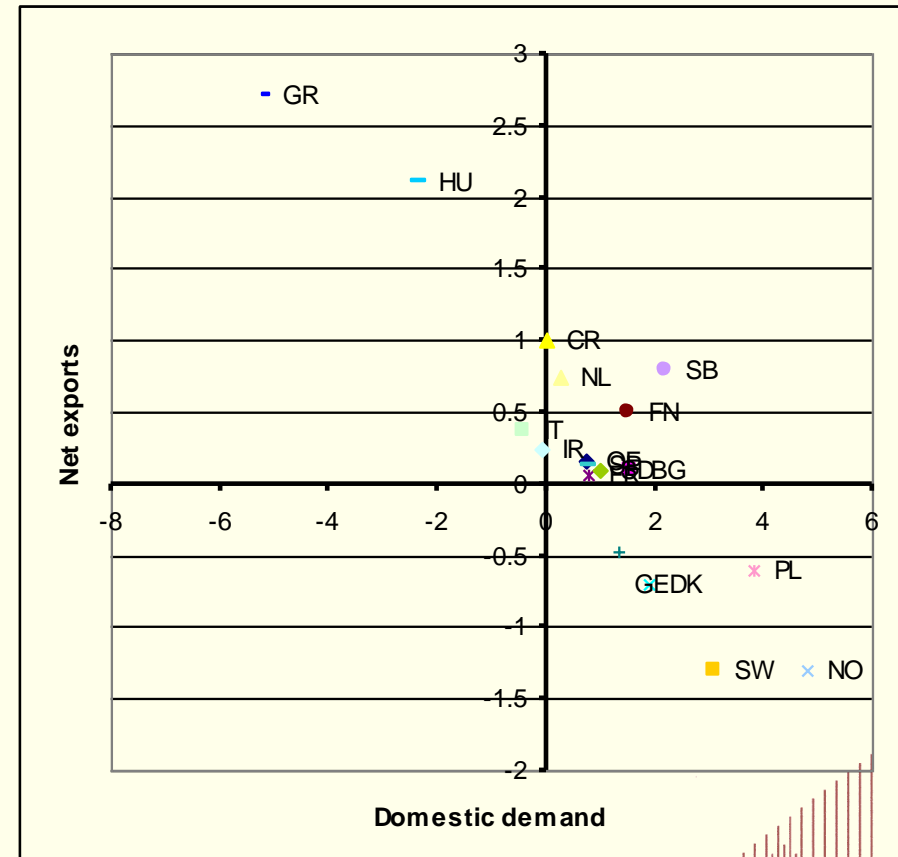
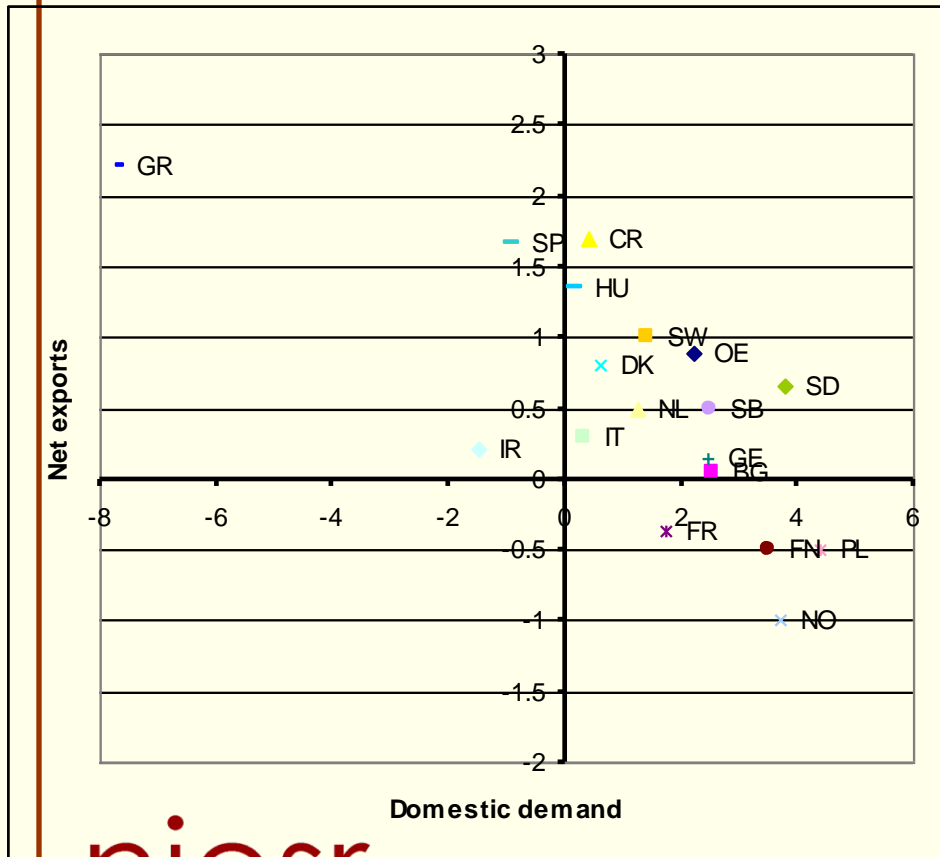


# Drivers of growth in AIECE countries

- Declining contribution of domestic demand and net exports

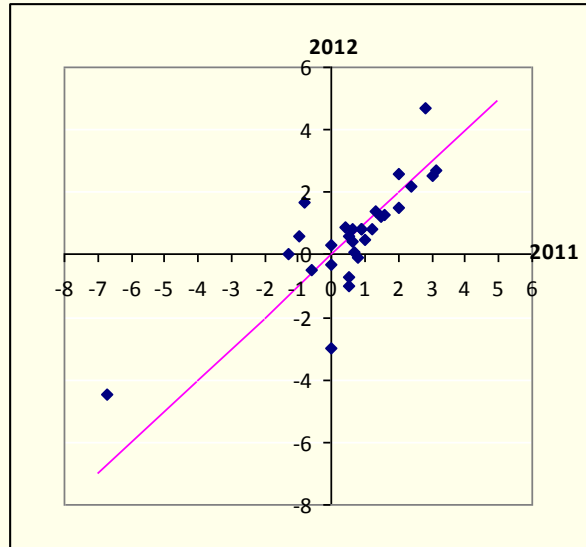
2011

2012

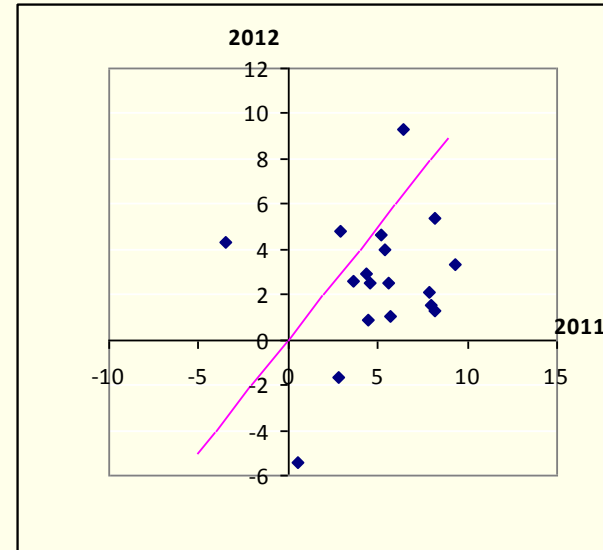


# GDP components in AIECE countries

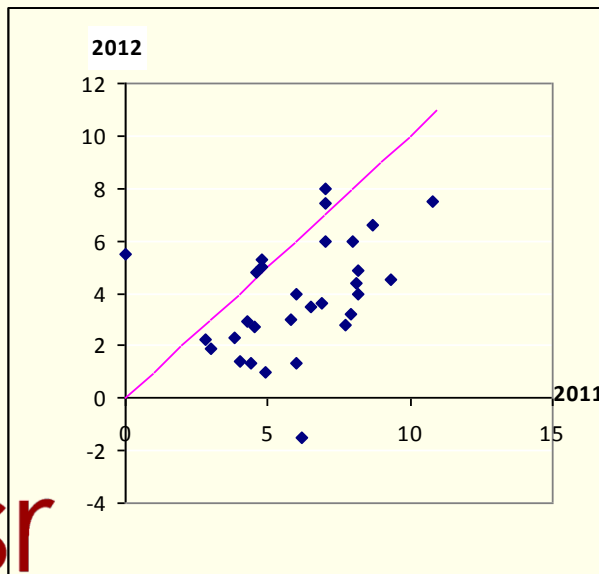
Private consumption



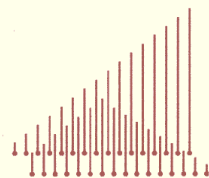
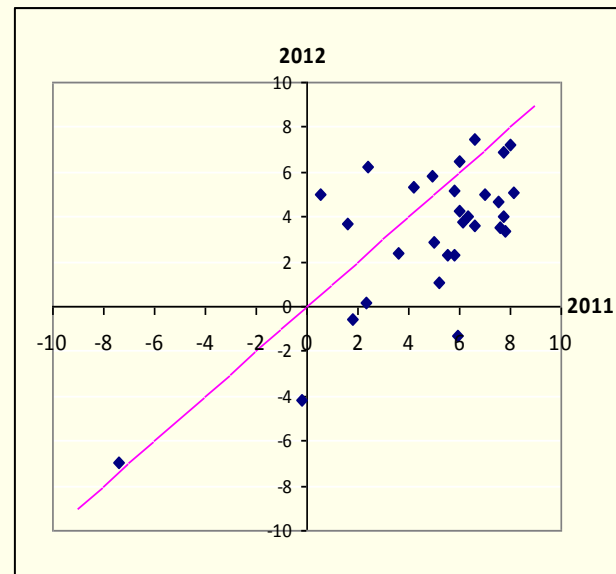
Investment



Exports



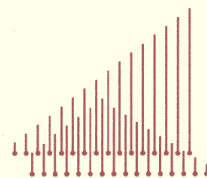
Imports



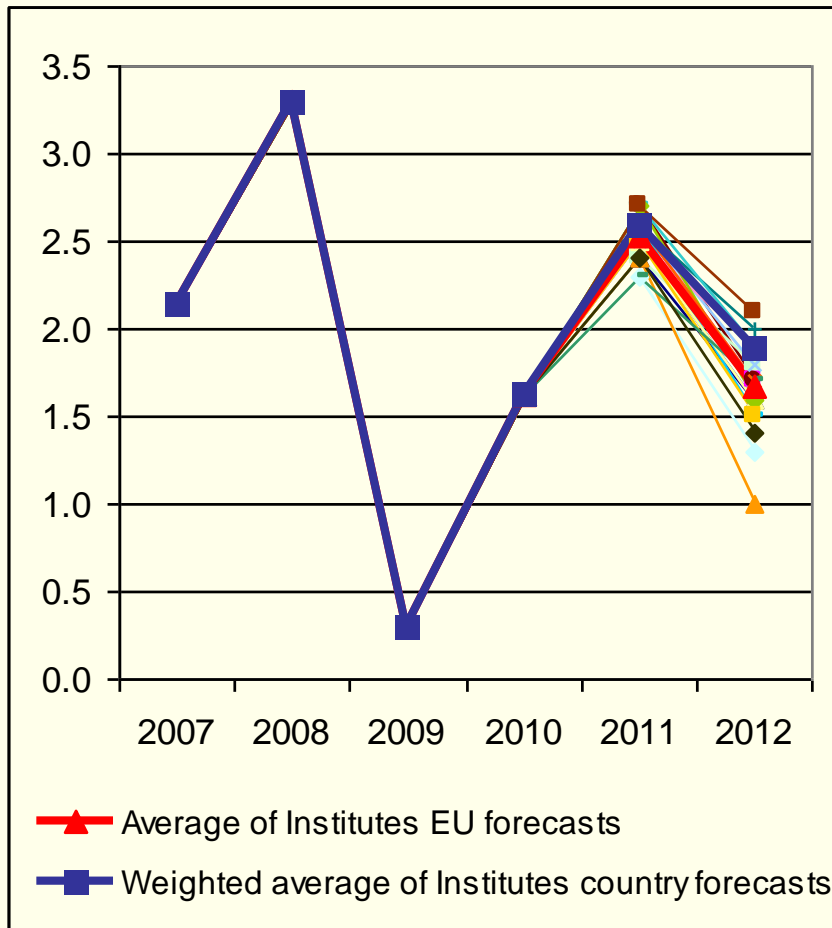
# Inflation

Euro Area

AIECE countries

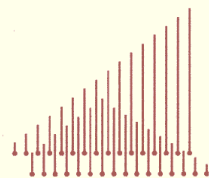


# Euro Area inflation



	2011	2012
Minimum	2.3	1
Maximum	2.7	2.1
Median	2.6	1.7
Average	2.5	1.7
Weighted average	2.6	1.9

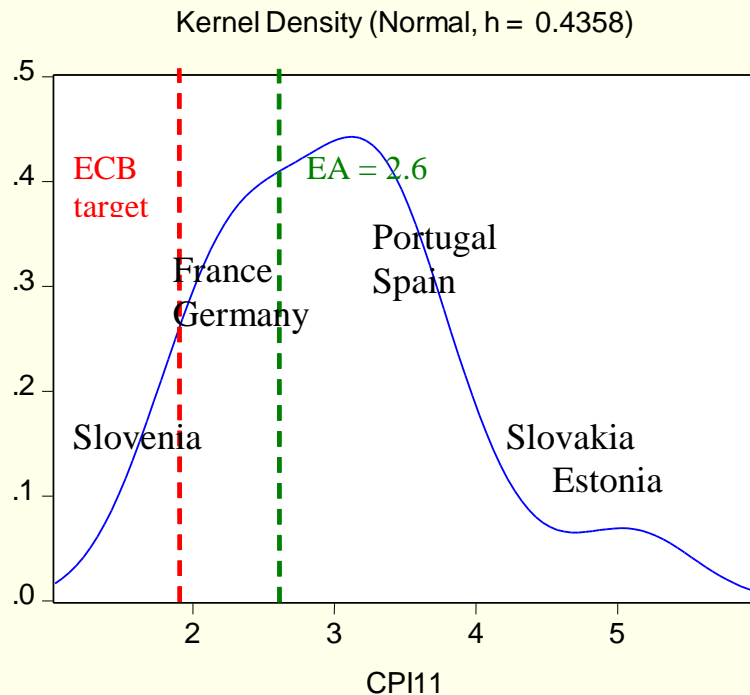
- The Institutes expect an acceleration of inflation in 2011, to 2.6 per cent, and a decline to 1.7 in 2012.
- The median of institutes' forecasts for 2012 is somewhat lower than the weighted average of Institutes' forecasts for inflation in their own countries



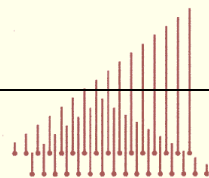
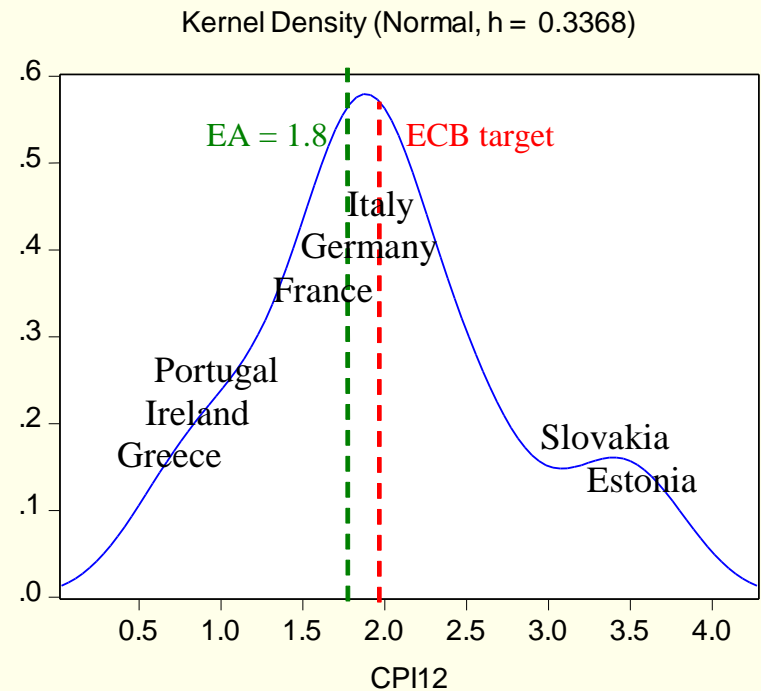
# EA inflation – country forecasts

- In 2011 inflation in the majority of countries will remain above the ECB target. In 2012 the average inflation in the EA should decline

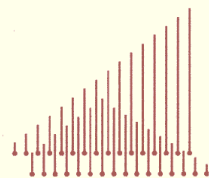
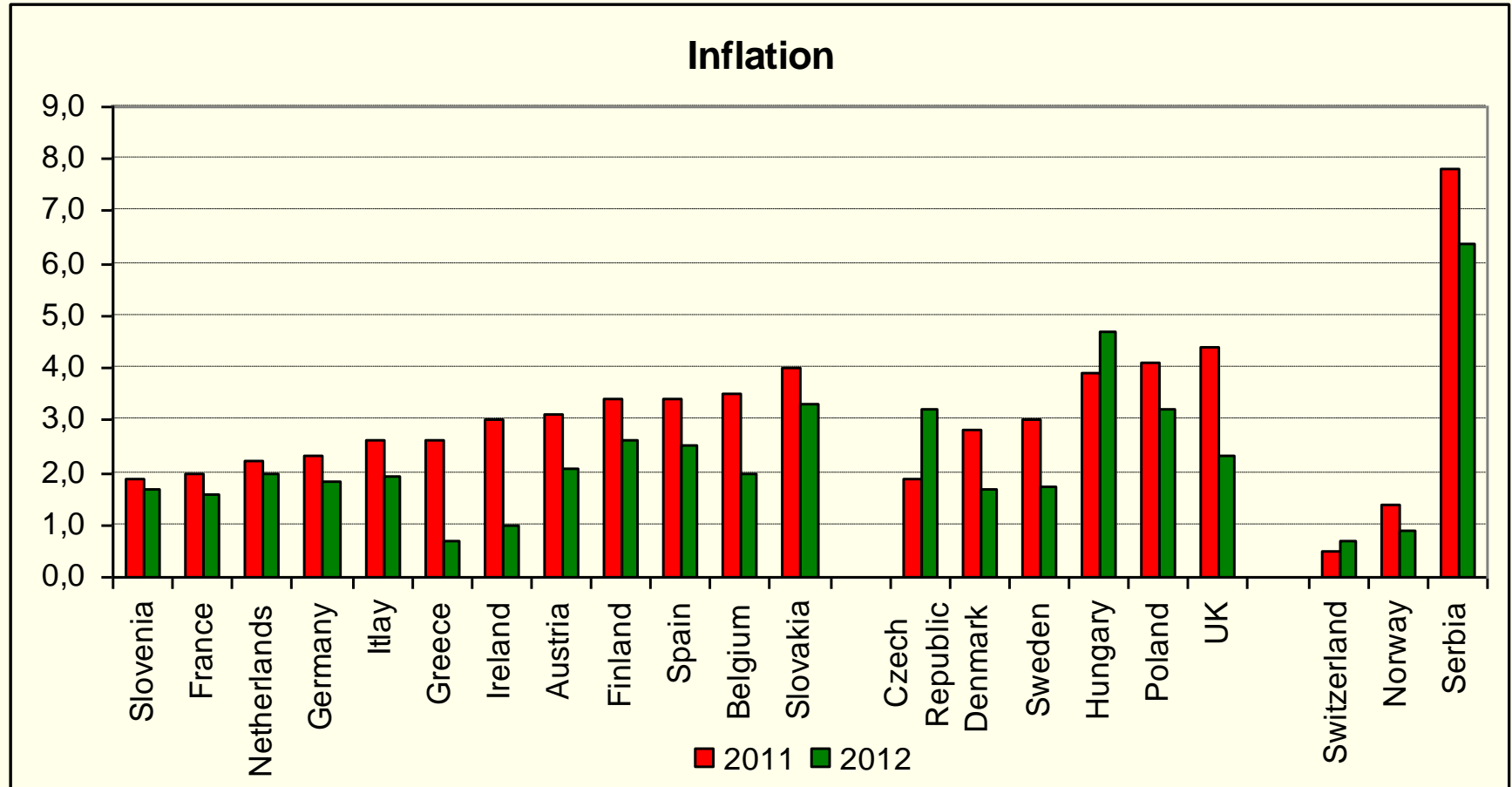
2011



2012



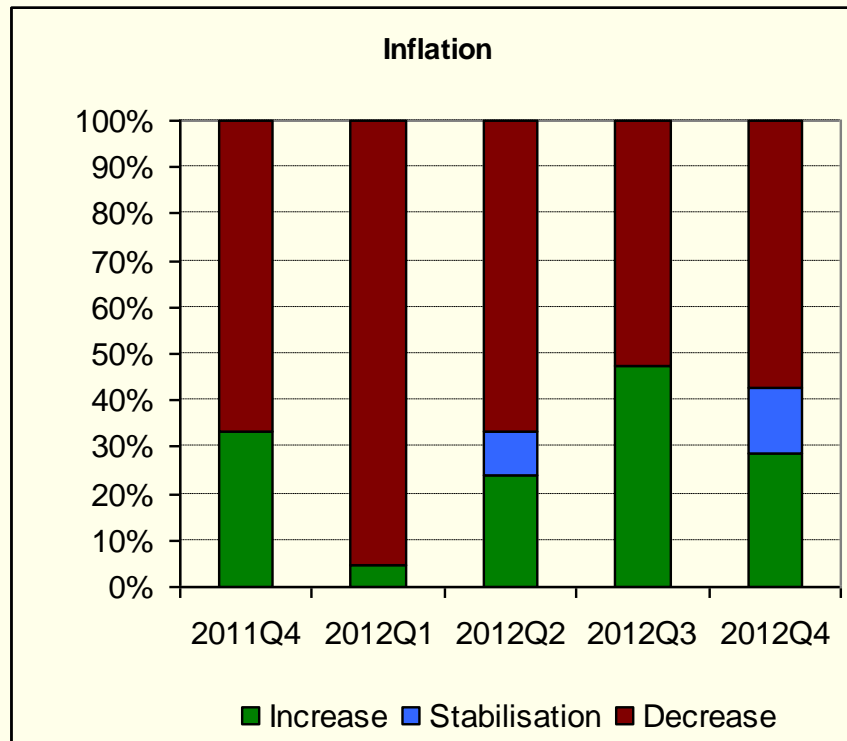
# Inflation in AIECE countries



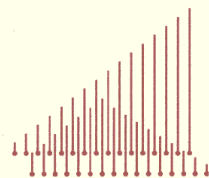


# Inflation in AIECE countries

- Percent of institutes expecting...



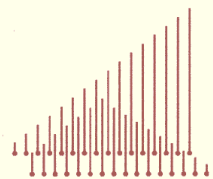
- The majority of institutes expect that inflation will decrease in 2012, although, starting from the second quarter of 2012 the number of institutes forecasting gradual increases in inflation rises



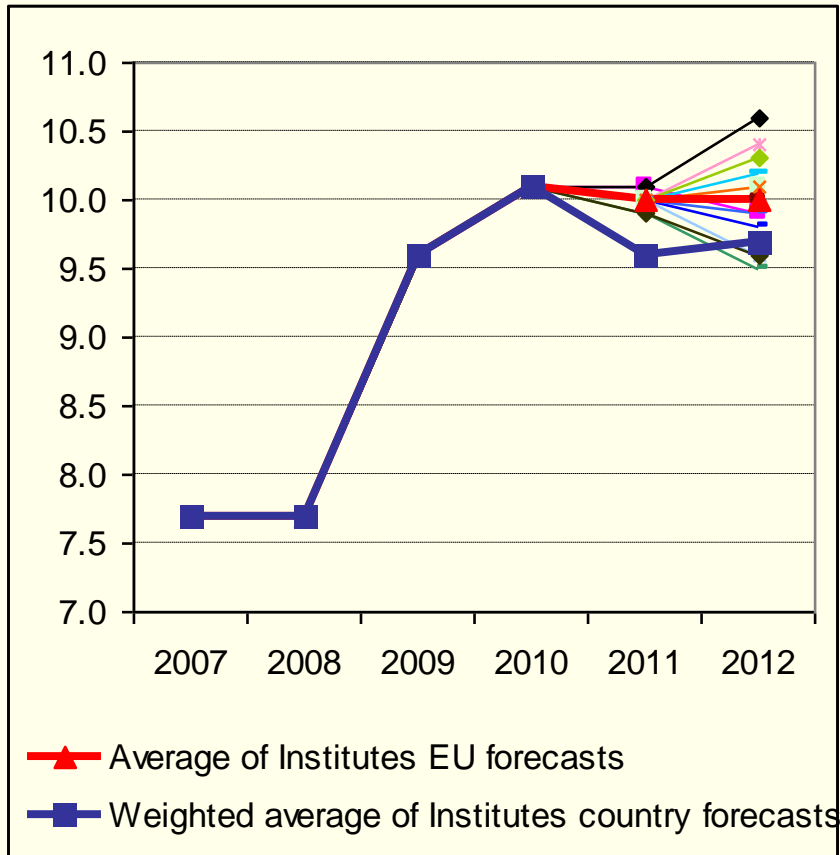
# Unemployment

Euro Area

AIECE countries

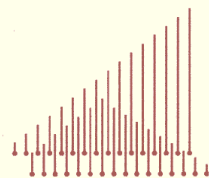


# Euro Area unemployment

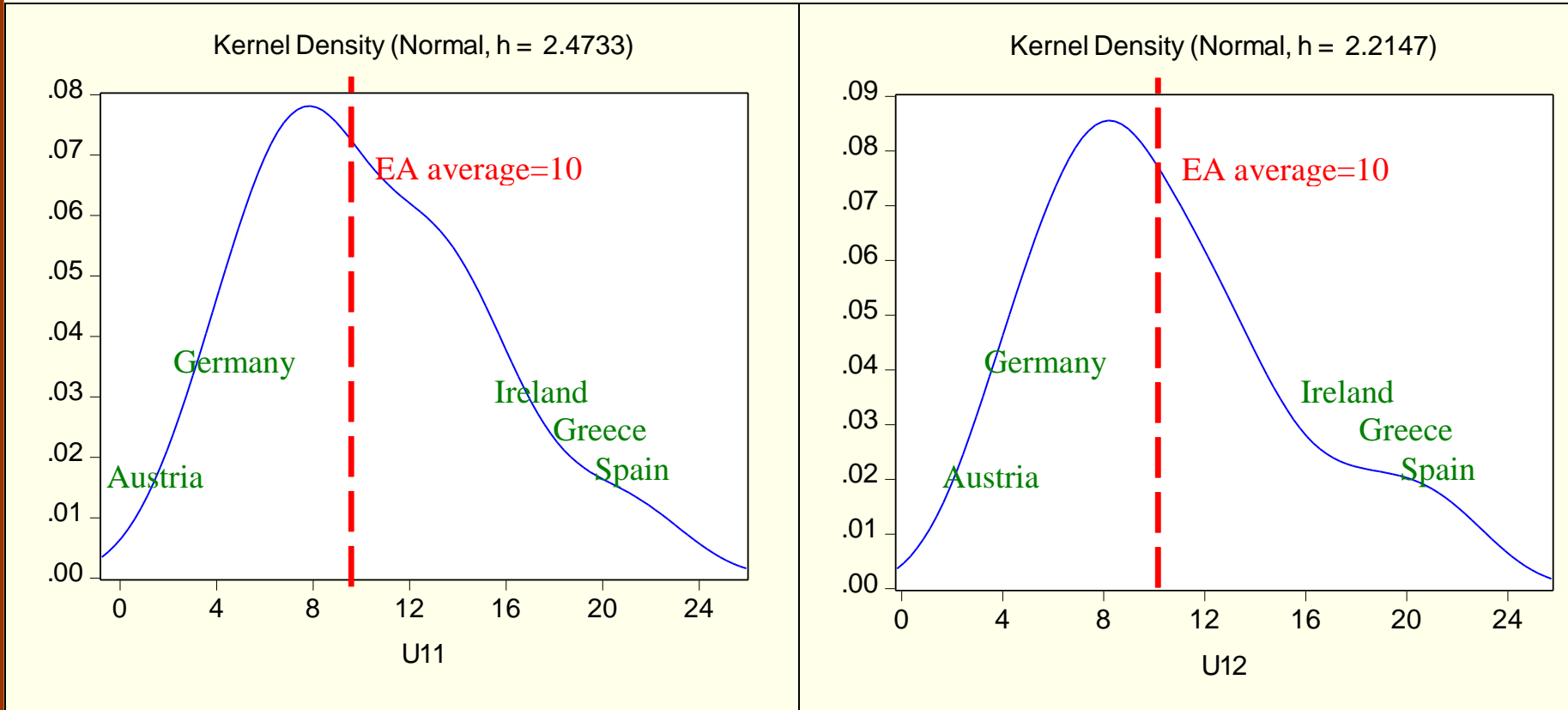


	2011	2012
Minimum	9.9	9.5
Maximum	10.1	10.6
Average	10	10
Weighted average	9.6	9.7

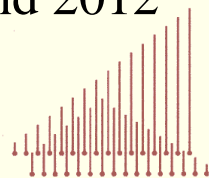
- The unemployment rate in the EA is projected to remain high. The average of institutes' forecasts suggests that the EA unemployment will level at about 10 per cent both in 2011 and 2012.
- The dispersion of forecasts is relatively low.
- The average of Institutes' forecasts for the EA is higher than the weighted average of Institutes' country forecasts



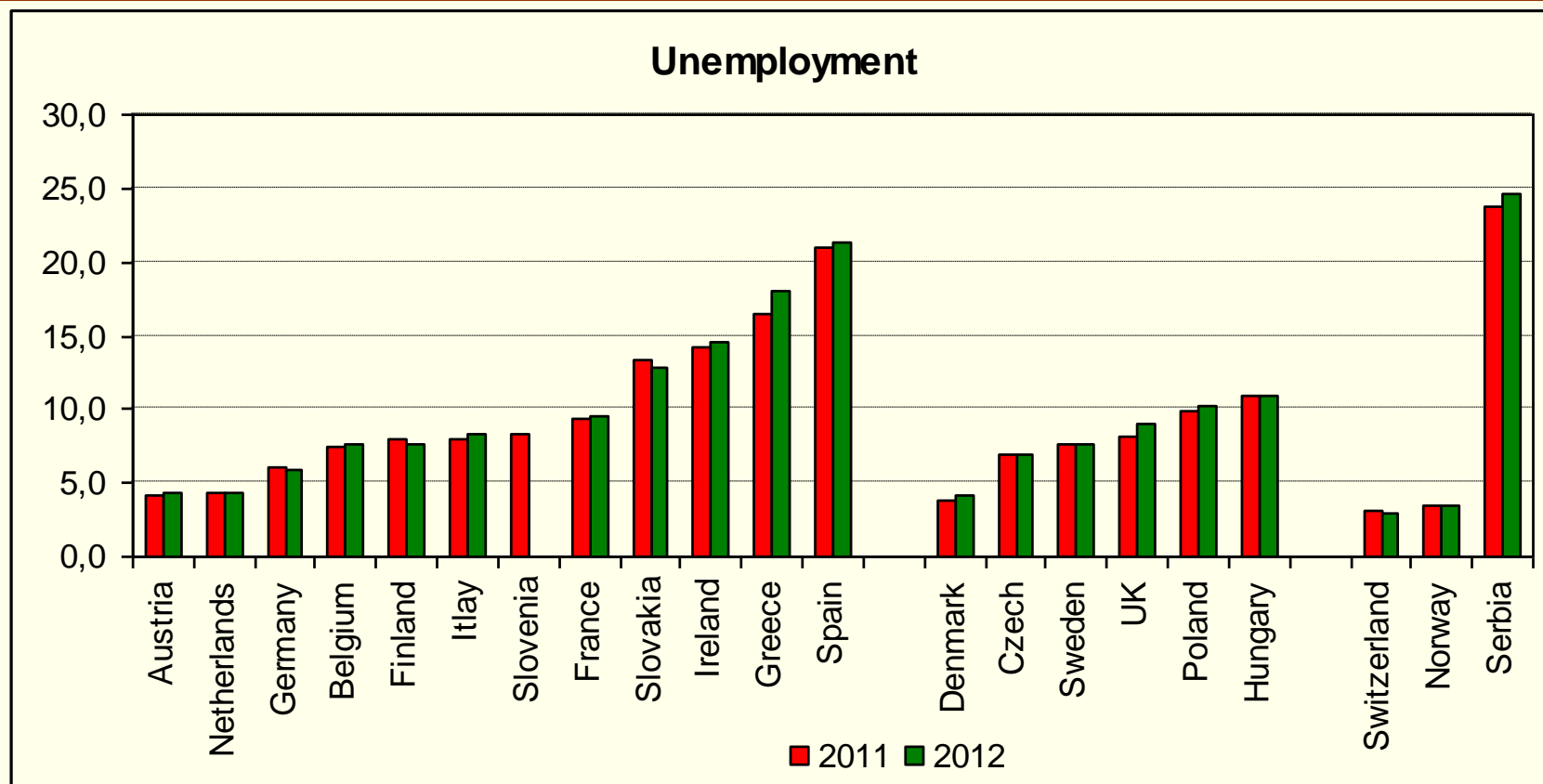
# Unemployment in the Euro Area



The lowest unemployment rates are forecast for Austria, Netherlands and Germany, and the highest – for Spain, Greece and Ireland, both in 2011 and 2012



# Unemployment in AIECE countries

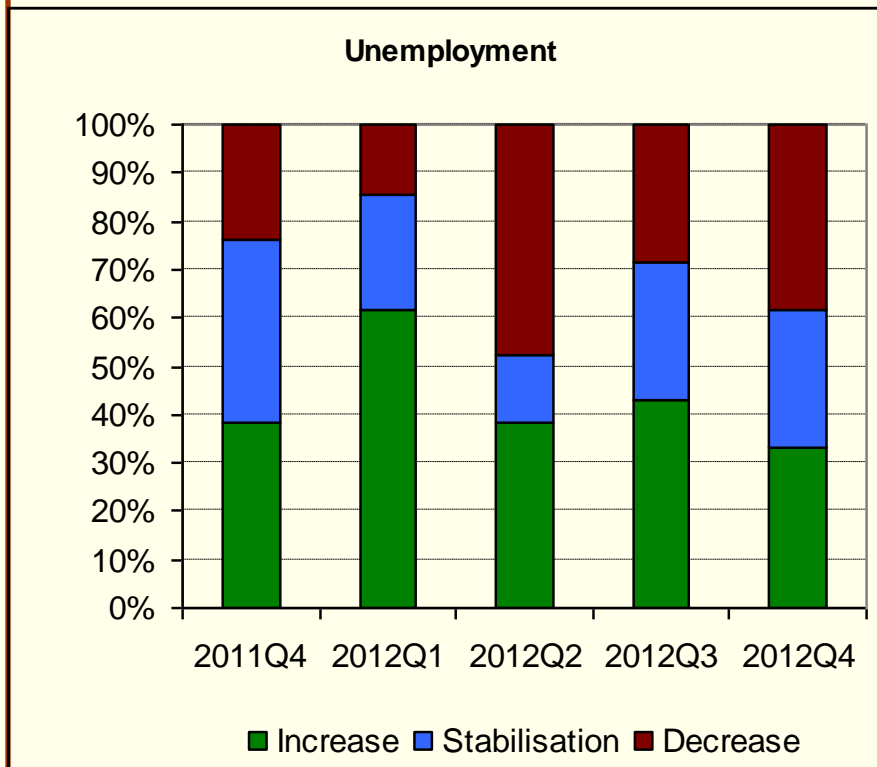


- The majority of institutes expect that unemployment will either increase or remain unchanged throughout the forecast horizon

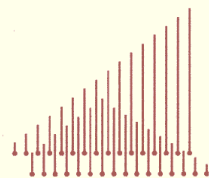


# Unemployment in AIECE countries

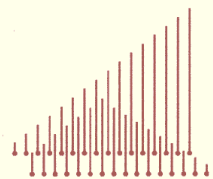
- Percent of institutes expecting...



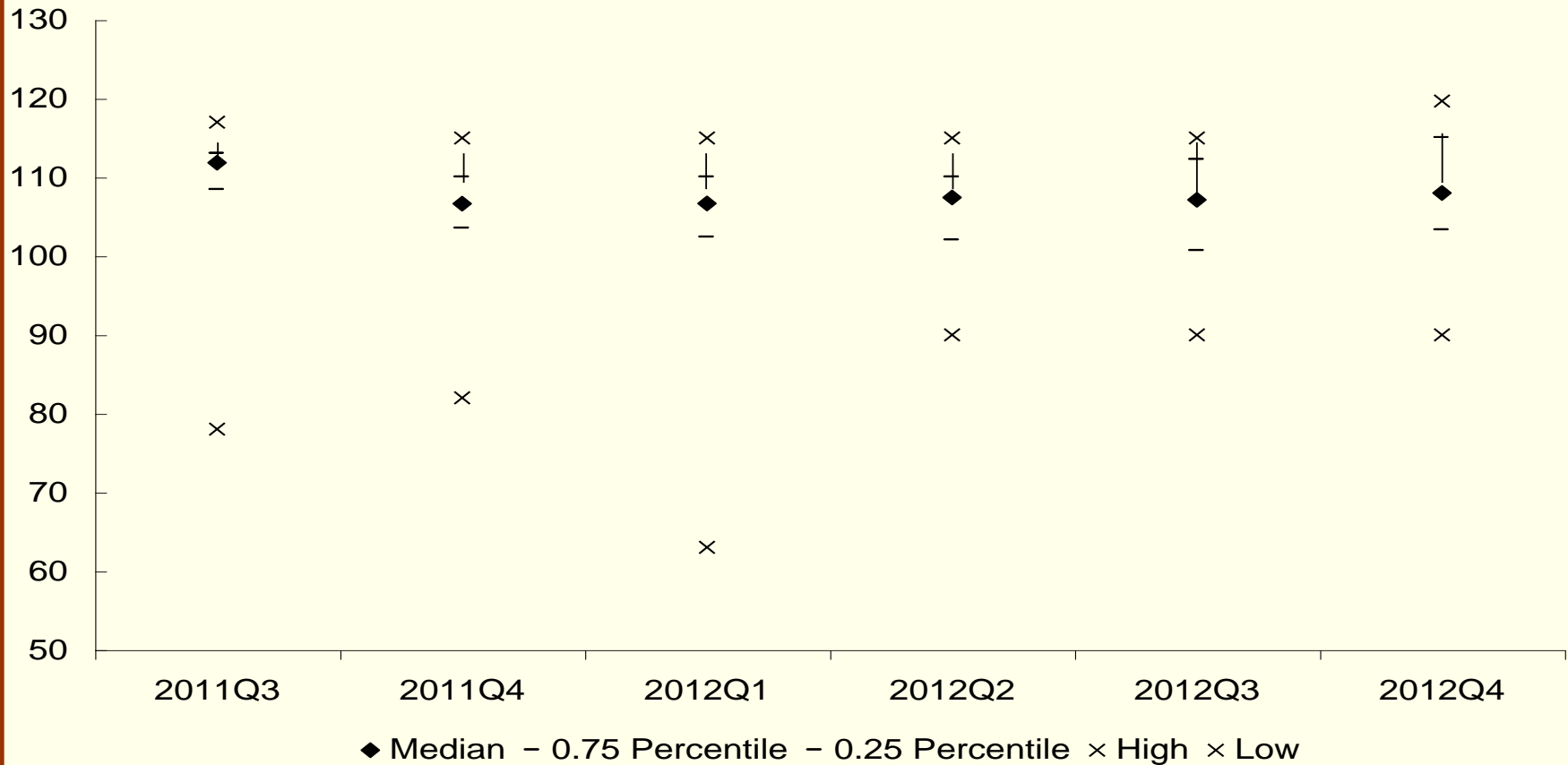
- The majority of Institutes expect that unemployment in their countries will either increase or stabilise



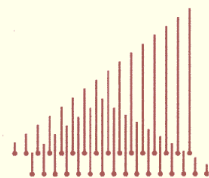
# Oil prices



# Oil prices – institutes' forecasts

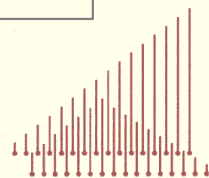
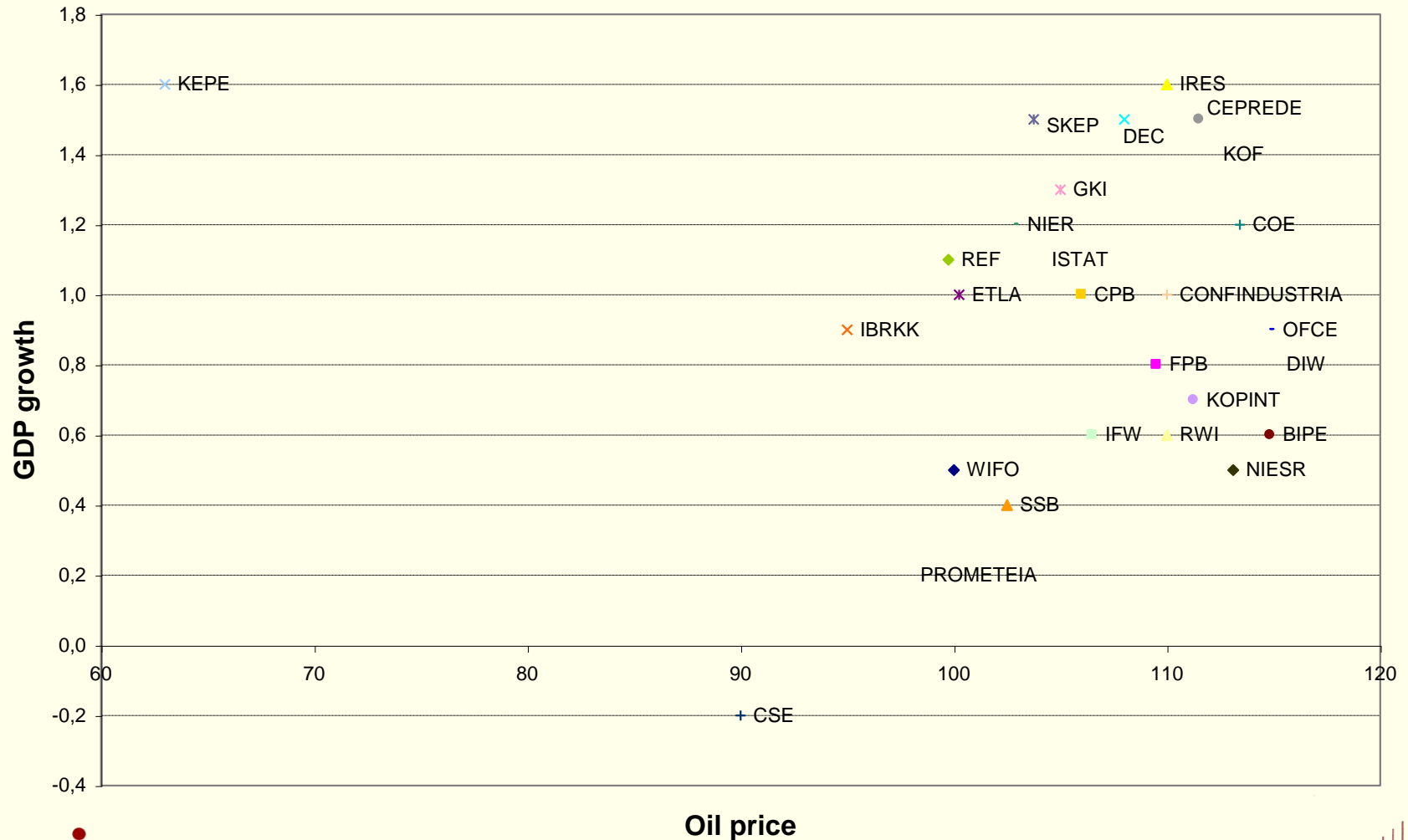


	2011Q3	2011Q4	2012Q1	2012Q2	2012Q3	2012Q4
Mean	109.3	105.4	104.9	106.0	106.3	107.8
Median	111.9	106.7	106.7	107.4	107.1	108.0
High	117.0	115.0	115.0	115.0	115.0	119.7
Low	78.0	82.0	63.0	90.0	90.0	90.0





# Oil prices vs EA GDP growth



# Questions for discussion

- GDP: country-specific versus aggregate European forecasts
  - Are we too optimistic re Euro Area/EU as a whole?
  - Are we too pessimistic re individual countries?
- Is inflation a concern?
  - What is the role of inflation expectations in individual countries?
- Are unemployment projections consistent with output projections?
  - Do they imply additional labour hoarding?
- Role of the oil price – is correlation driven by cause or effect?

