



Halle Institute for Economic Research
Member of the Leibniz Association

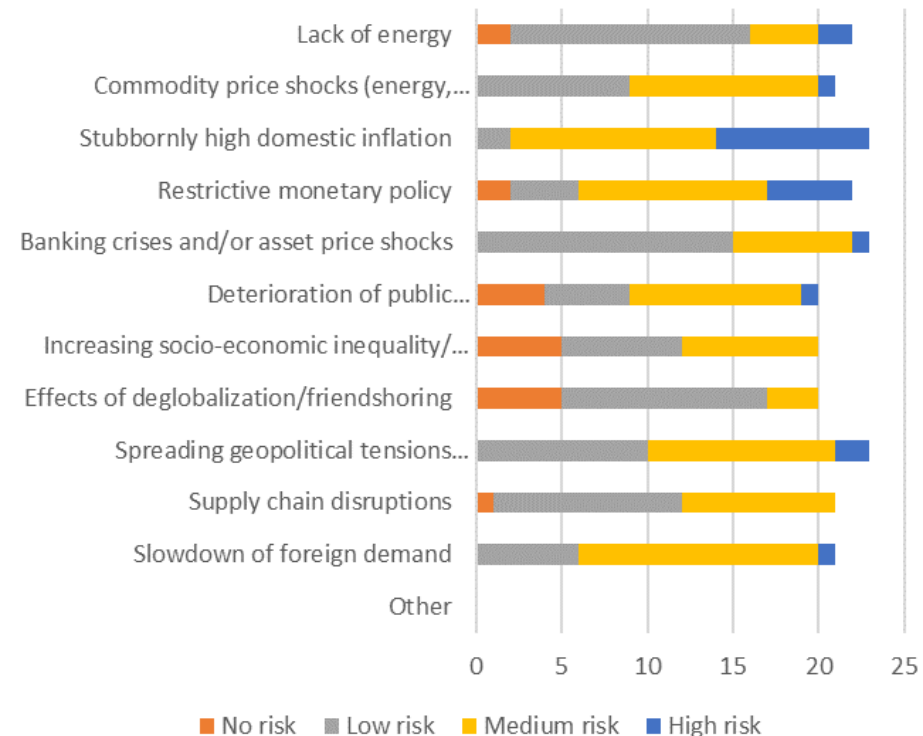
AIECE General Report Spring 2023

Risks and special Questions

Ljubljana, May 2023

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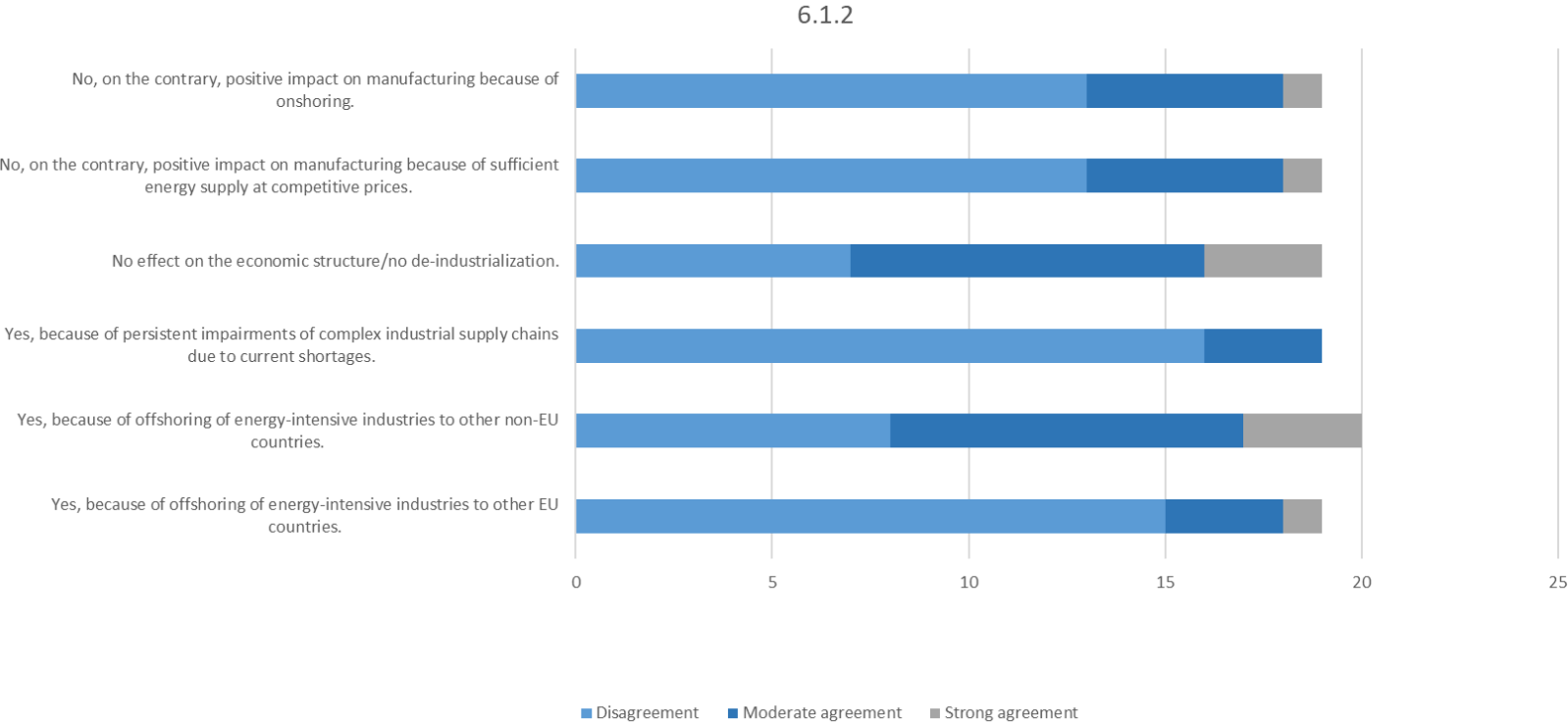
What are the main downside risks to your projection for growth in your country in 2023?
Please evaluate each of them according to their importance.



High risk factors: inflation, restrictive monetary policy, slowdown of foreign demand.
Low risk factors: lack of energy, de-globalization, banking crises/asset price shocks

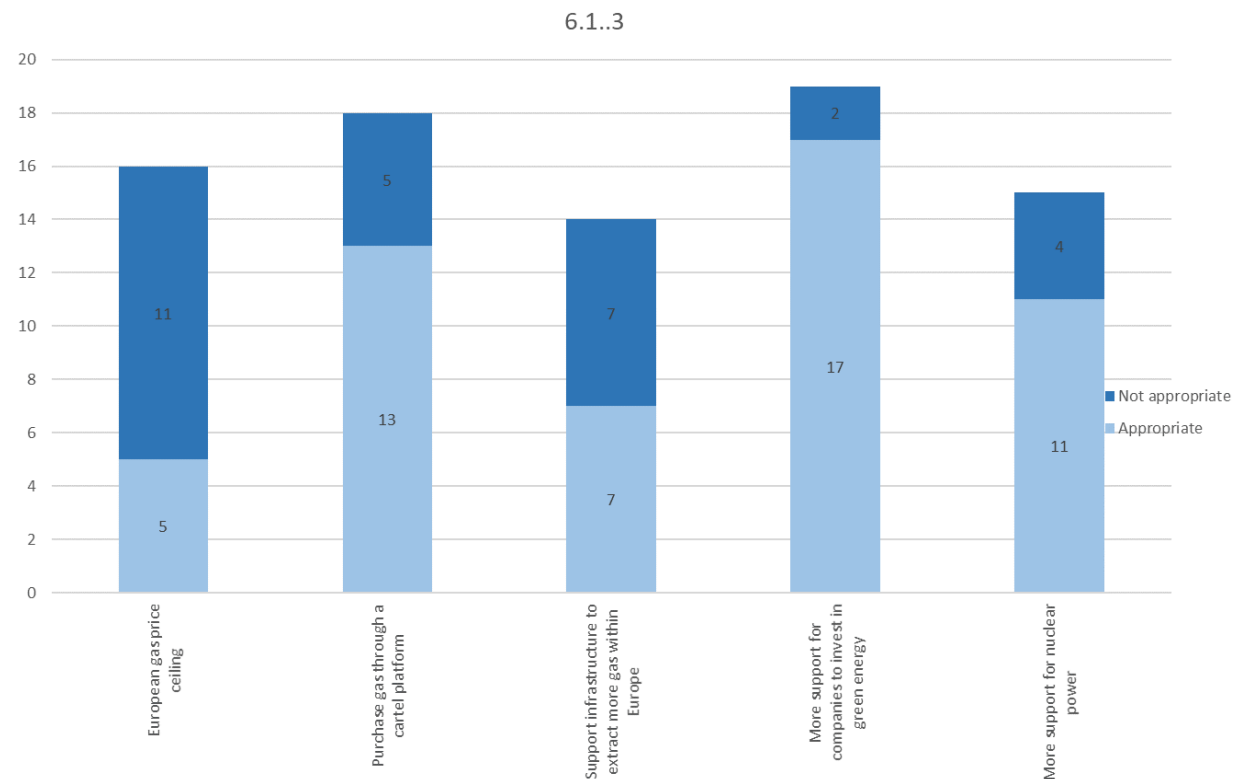
Do you expect a sustained de-industrialization in your country as a result of the currently high energy prices?

A majority agrees with “no effect on the economic structure”, but then, a majority (smaller than last autumn) agrees with “offshoring is to be expected.”



Please assess the main policy tools the EU should employ to ease the energy crisis.

Institutes are in favour of more support for companies to invest in green energy, gas purchases through a cartel platform, more support for nuclear power.

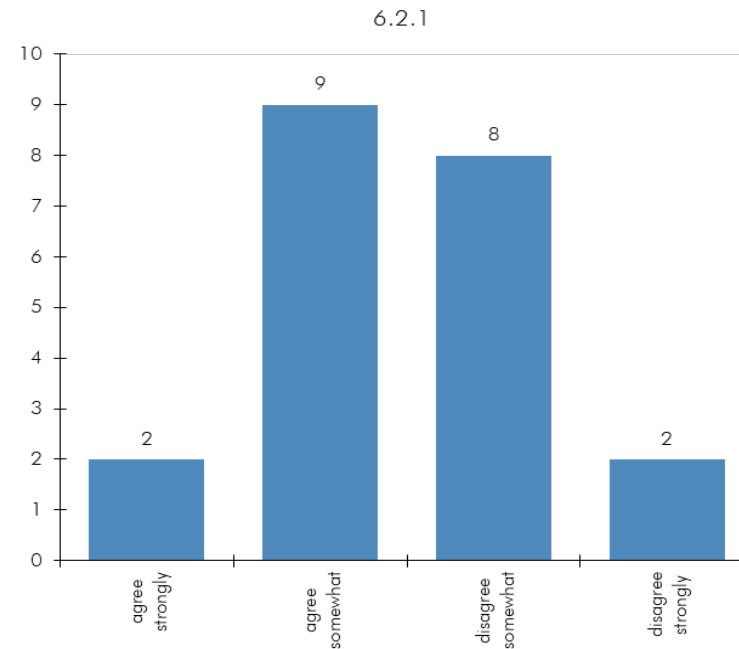


Difference from responses in General Report, autumn 2022:

- Back then, 10 out of 17 institutes were in favour of support for infrastructure to extract more gas within Europe
- Now institutes are split about this proposal.

The US government has decided to subsidise production of semiconductors and green technologies. Economic policy in Europe should react with extending its own subsidies for these strategically important industries.

About half of the institutes agree with the statement, about half do not, but in both cases mostly just somewhat so and not strongly.

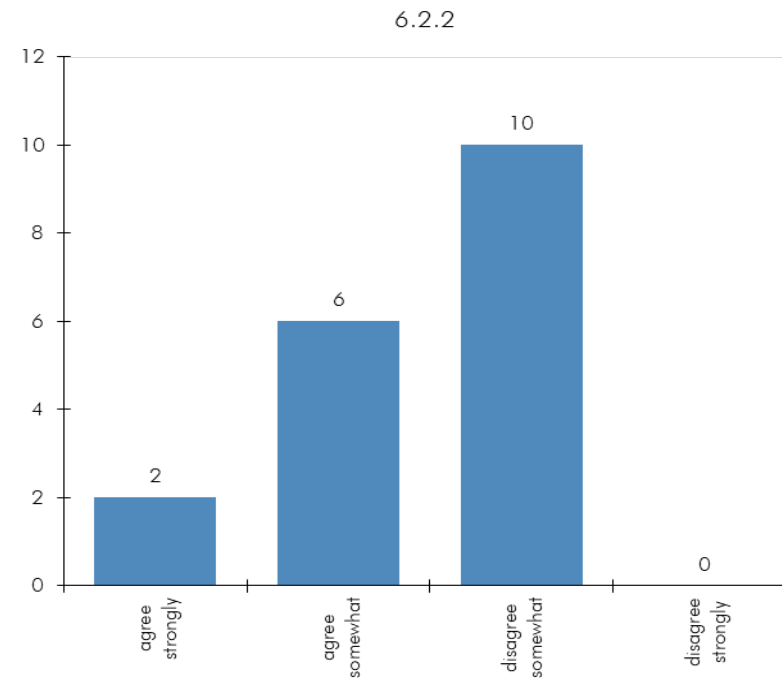


European Commission proposal for a reform of fiscal surveillance in the EU

- Aims: simplified framework, more national ownership, stricter enforcement.
- 2 main points:
 - Shift of the framework away from year-by-year evolution of national public finances to a longer term view that is aligned to the concept of sustainability
 - Net primary expenditure as the single operational indicator for fiscal adjustment; indicator would be under the direct control of the government, while allowing revenues to fluctuate in line with cyclical conditions

“The European Commission has proposed to use the net primary expenditure as the single operational indicator for fiscal adjustment. This proposal goes, by and large, in the right direction.”

A majority of the institutes disagrees somewhat with the statement.



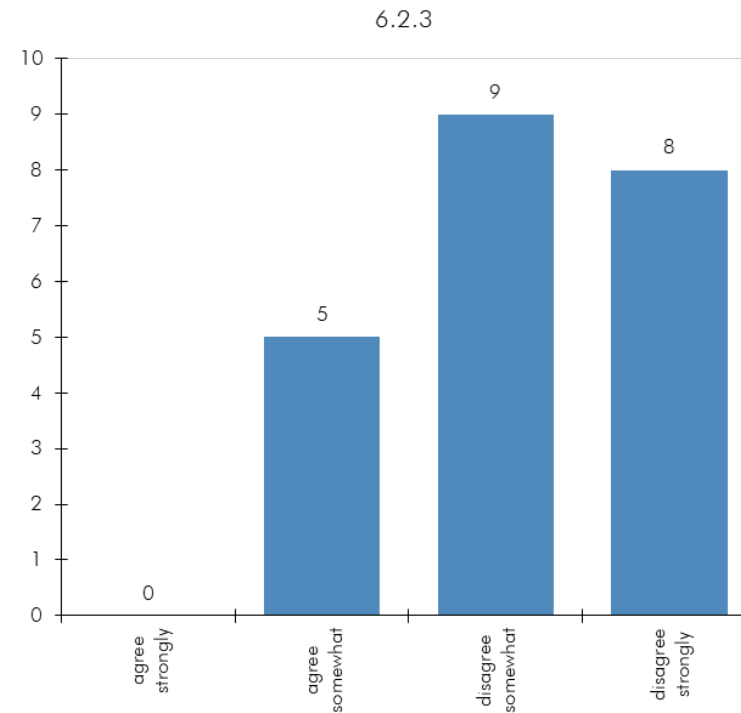
Why are the institutes sceptical?

Does the indicator “net primary expenditure” appear too distant from the ultimate aim of sustainable debt levels?

Or might the calculation of **net** primary expenditure turn out to be even more intransparent than that of the cyclically adjusted deficit?

In order to avoid further banking crises, monetary policy should tolerate inflation rates above target for a longer time than would otherwise be appropriate.

Most institutes disagree.



Questions

- A majority of institutes agrees with the statement: “high European Energy prices have no effect on the economic structure”, but then, a majority agrees with “offshoring is to be expected.” A contradiction?
- Most institutes recommend “more support for companies to invest in green energy”. Would increasing the price of “brown energy” do also do the job?
- What about the proposal of the European Commission for a reform of fiscal surveillance in the EU in general?
- Why have banking crises this year, up to now, not reached the European Union? Because of better regulation?



Thank you!