

Association d'Instituts Européens de Conjoncture Economique (AIECE)

AIECE GENERAL REPORT: PART 1 FOR THE AIECE SPRING MEETING 2019 THE HAGUE, MAY
9–10, 2019

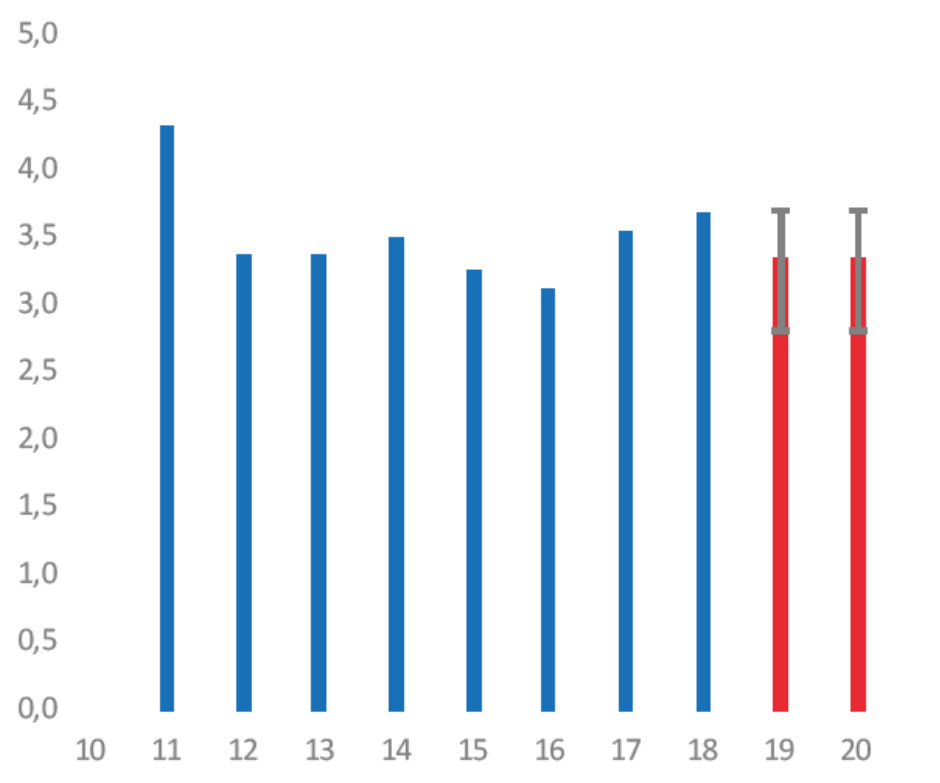


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1. Some perspectives
2. Outlook for Europe
3. Policy Environment
4. Risks, Challenges and Economic Policy

Key Global Developments

Figure 1.1: Global GDP, per cent change , volume



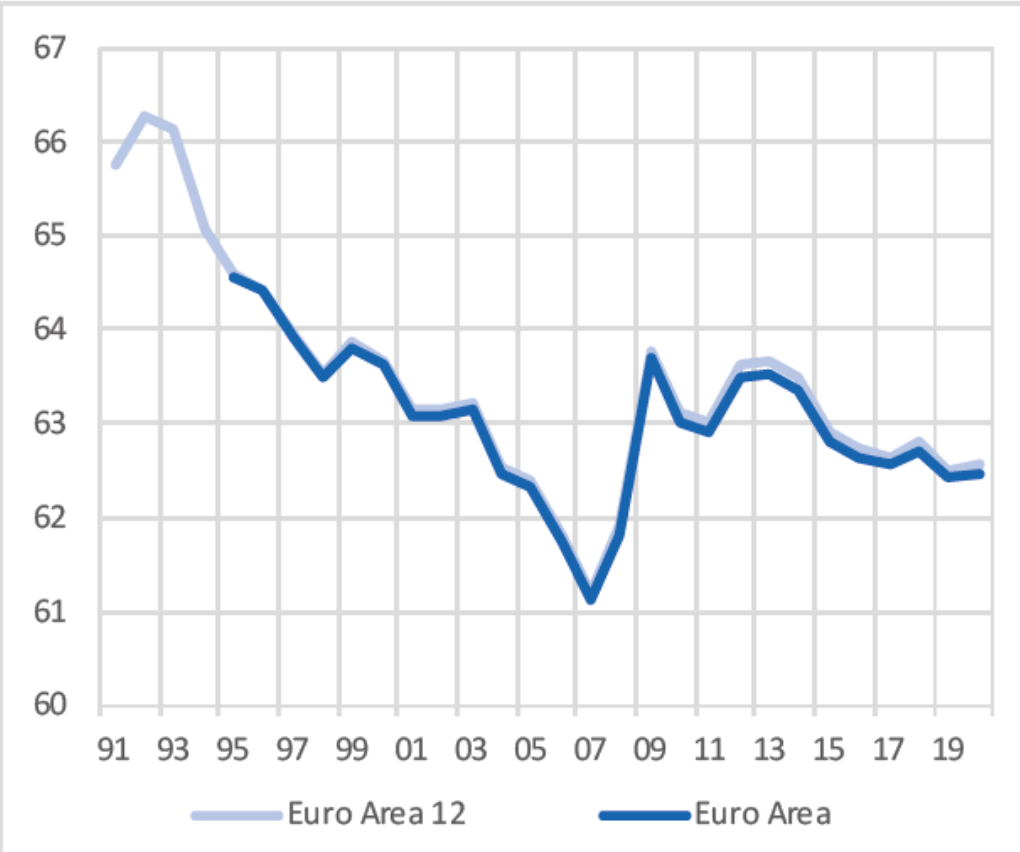
Source: IMF, AIECE institutes. All Institutes with the same weight. Error bands indicate the upper and lower extremes of the institutes' projections.

Figure 1.2: Confidence indicators for the Eurozone



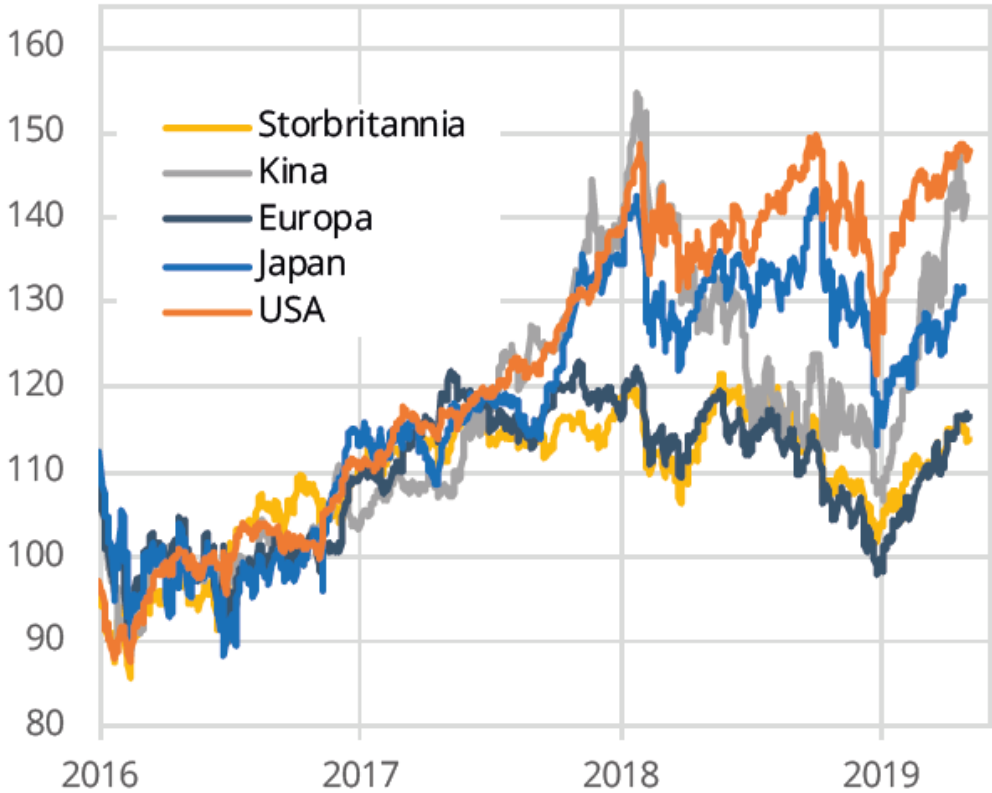
Source: Macrobond and the European Commission

Figure 1.3: Wage share, 1991-2018 (wages in percentage of GDP at factor costs in the Euro Area)



Source: Makrobond and European Commission

Figure 1.4 Equity Indices. 2016=100



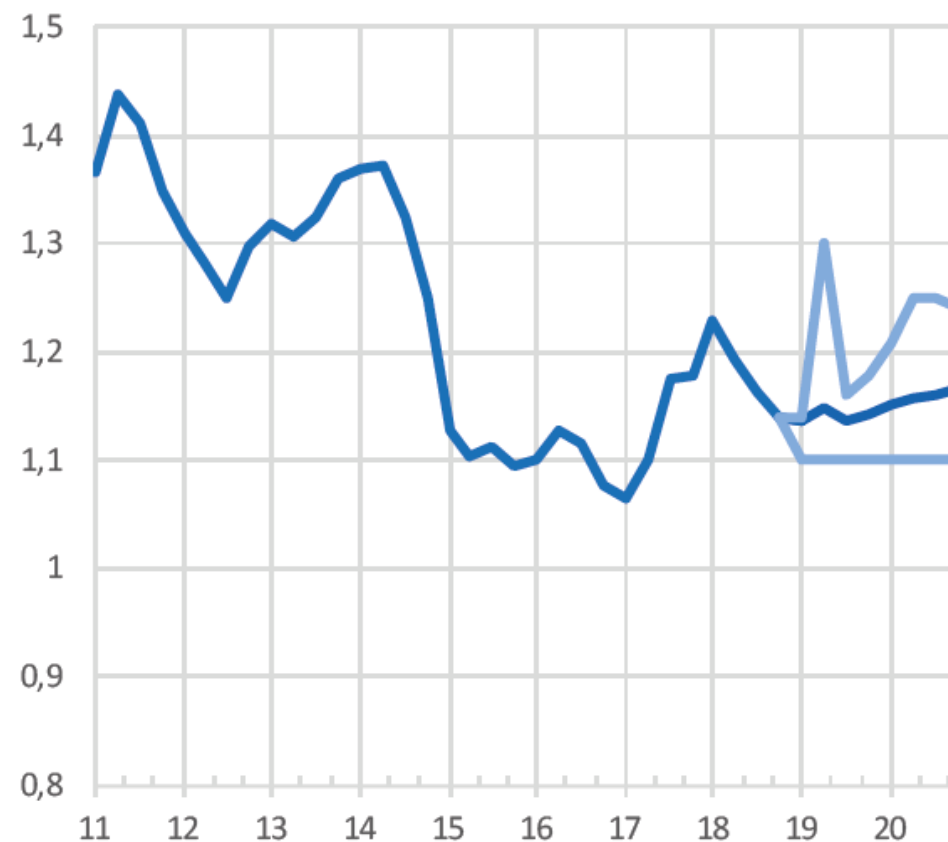
Source: Macrobond

Figure 1.5: Crude oil prices, Brent, USD pb, average over period



Source: Macrobond and AIECE Institutes. Error bands indicate the upper and lower extremes of the institutes' projections (n=18)

Figure 1.6: Exchange rates, USD per Euro



Source: Macrobond, Macrobond and AIECE Institutes. Error bands indicate the upper and lower extremes of the institutes' projections (n=15)



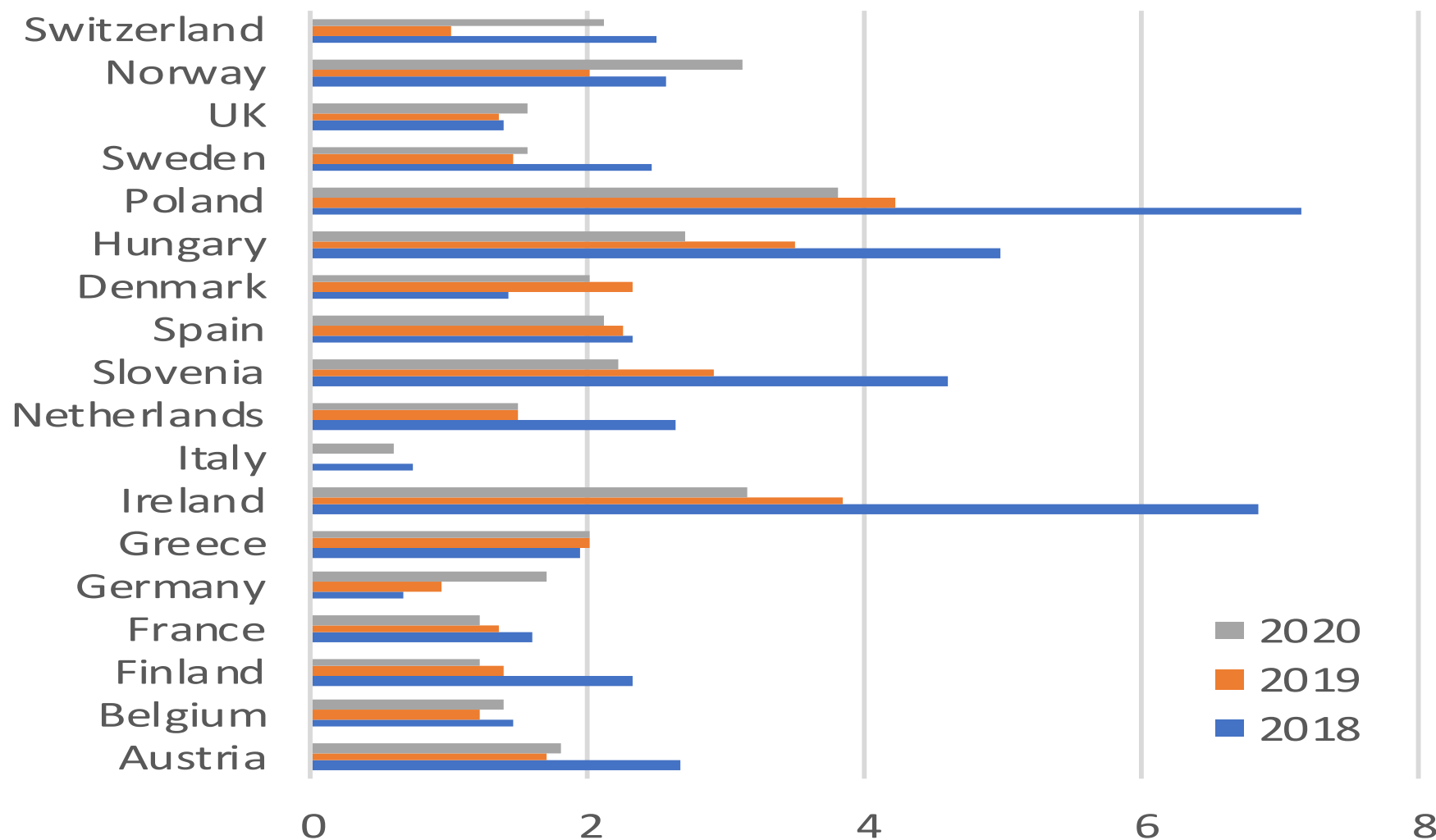
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Questions for discussion

- Where would international stock markets have been if central banks in general – and the US Federal Reserve in particular – had not stepped in with further exceptional monetary policy in December 2018, when the outlook was at its bleakest?
- Do you believe current stock markets values represent exceptionally efficient allocation of capital and so may be said to be in accordance with fundamentals? Or do the current levels represent rent-seeking?
- The ongoing negotiations between the US and China seem to have gone awry. If the US really does impose the punitive tariffs Trump mooted on Twitter recently, then US import tariffs will be up there with many emerging markets economies. If so, what will be the likely consequences of such a move and what can be done to alleviate its consequences?



GDP growth in AIECE-economies

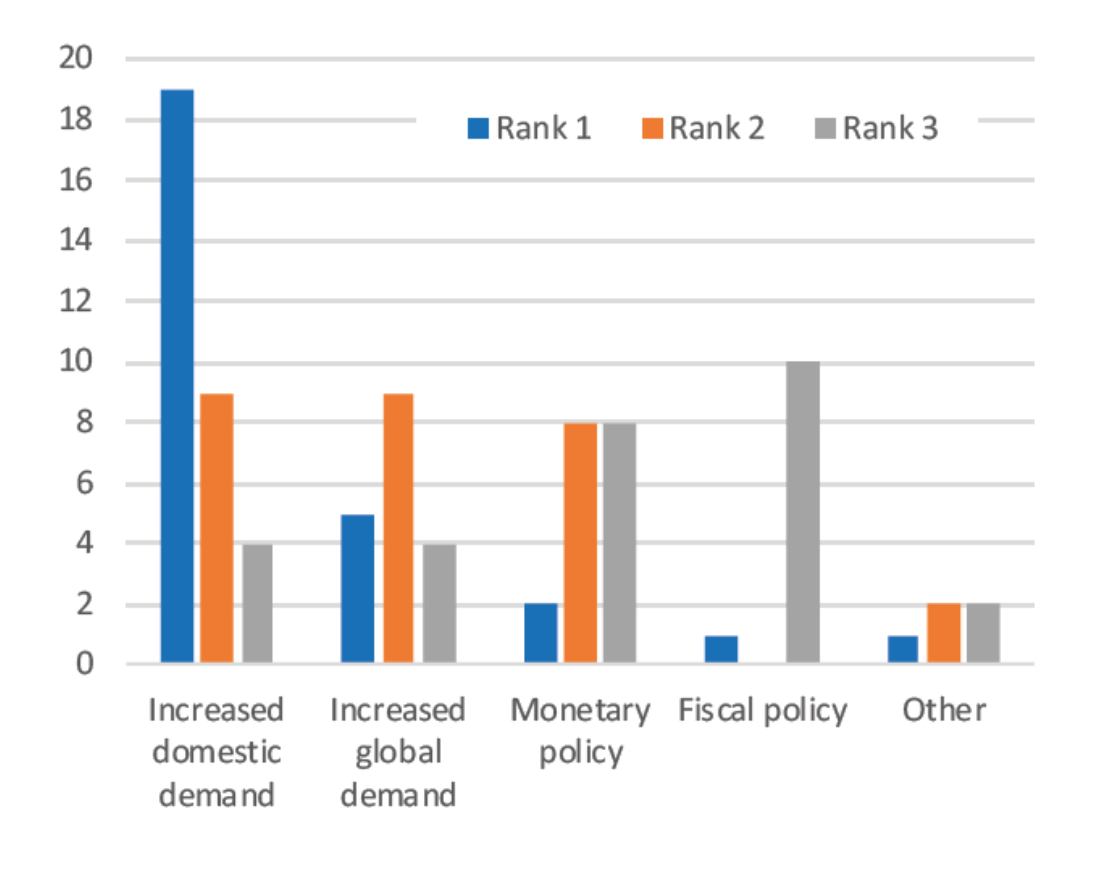


Source: Macrobond and AIECE institutes (n=18)



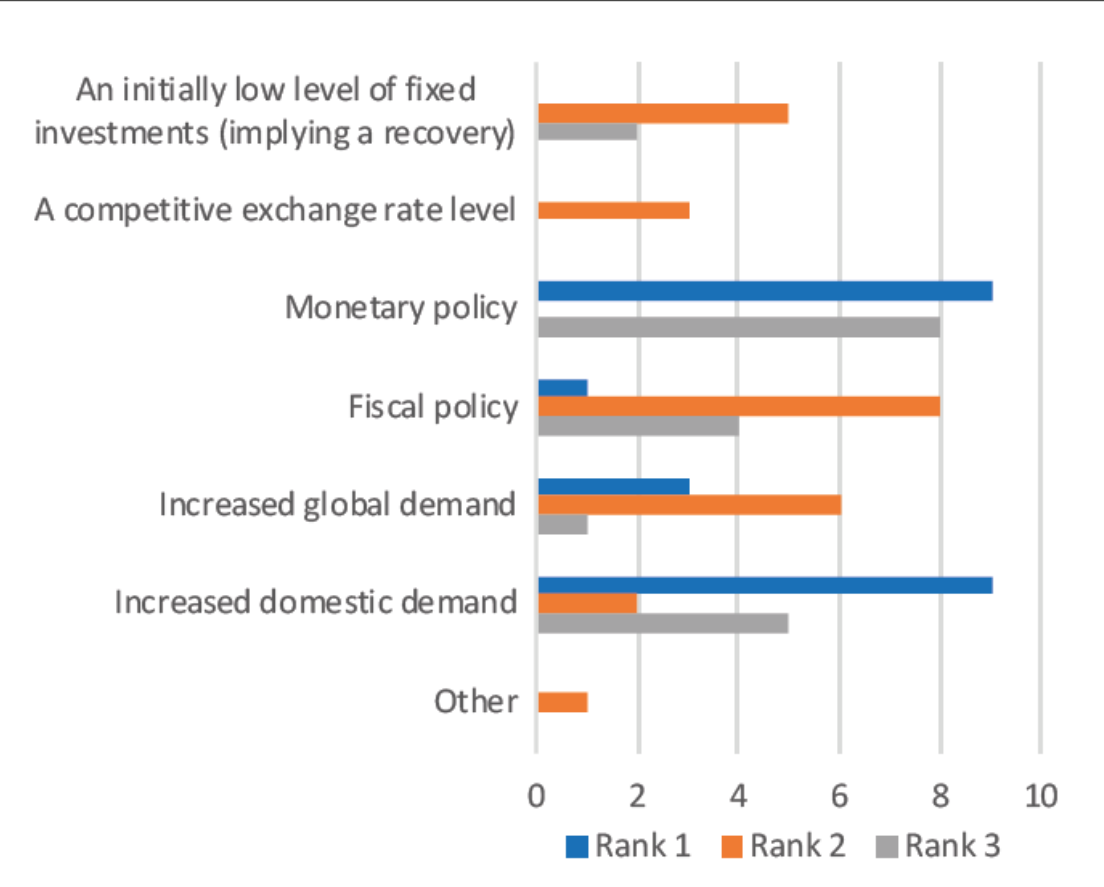
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Figure 2.3: Most important factors according to their positive effect on economic growth up until 2020. Rank 1-3, 1=most important



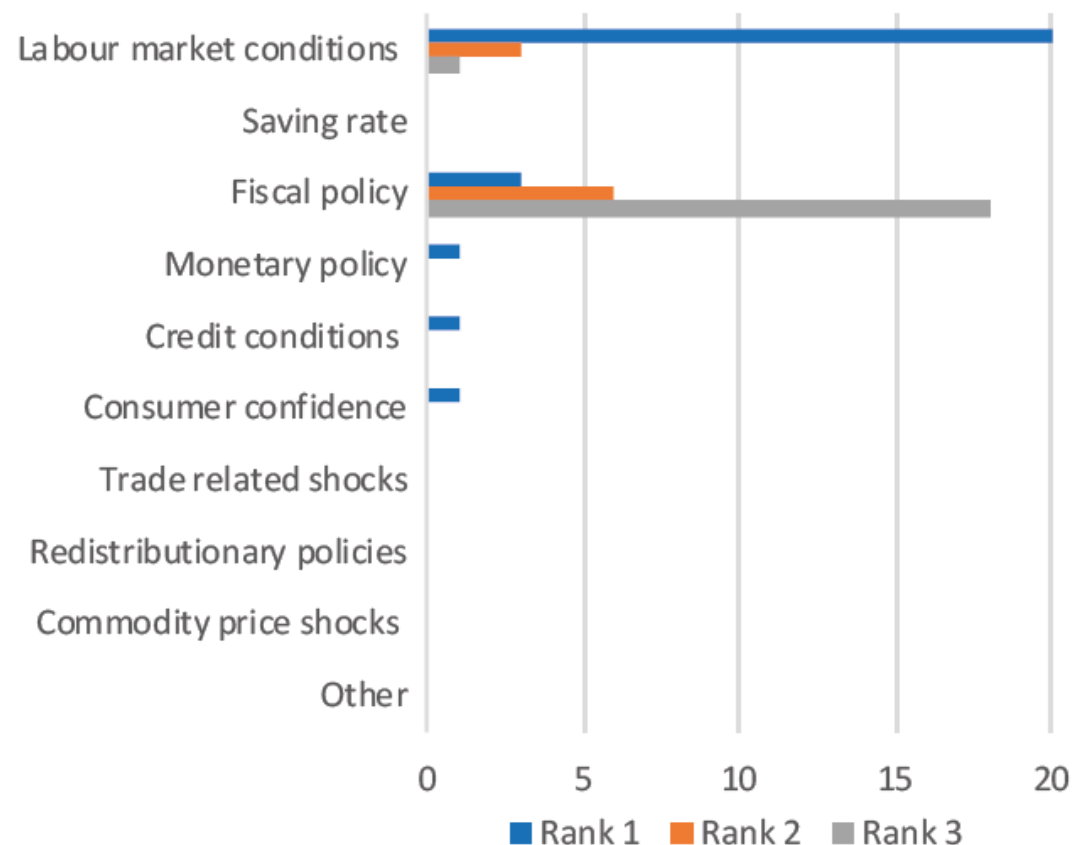
Source: AIECE institutes (n=19))

Figure 2.4: Most important factors according to their positive effect on growth in the euro area up until 2020. Rank 1-3, 1=most important



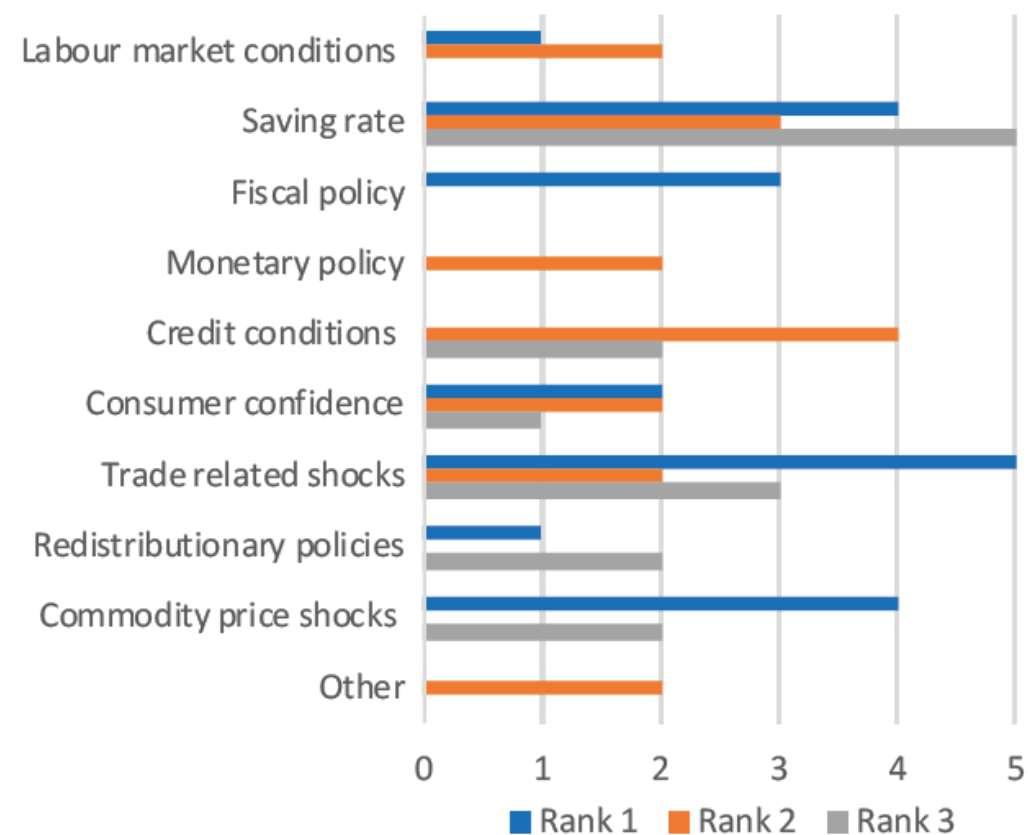
Source: AIECE insitutes (n=25)

Figure 2.5a: Most important factors according to their **POSITIVE** effect on private consumption up until 2020. 1-3. 1=most important



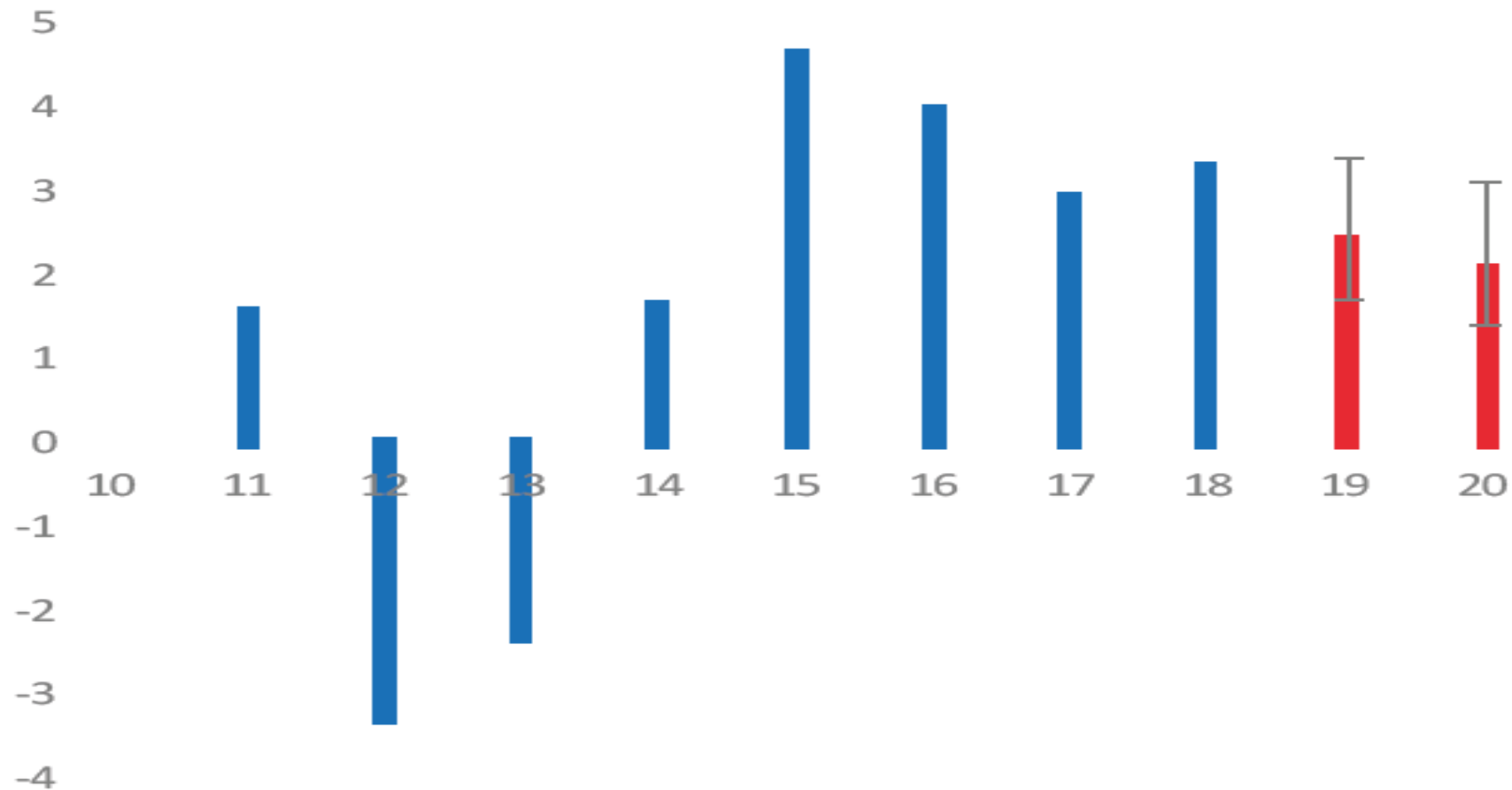
Source: AIECE institutes (n=25)

Figure 2.5b: Most important factors according to their **NEGATIVE** effect on private consumption up until 2020. 1-3. 1=most important



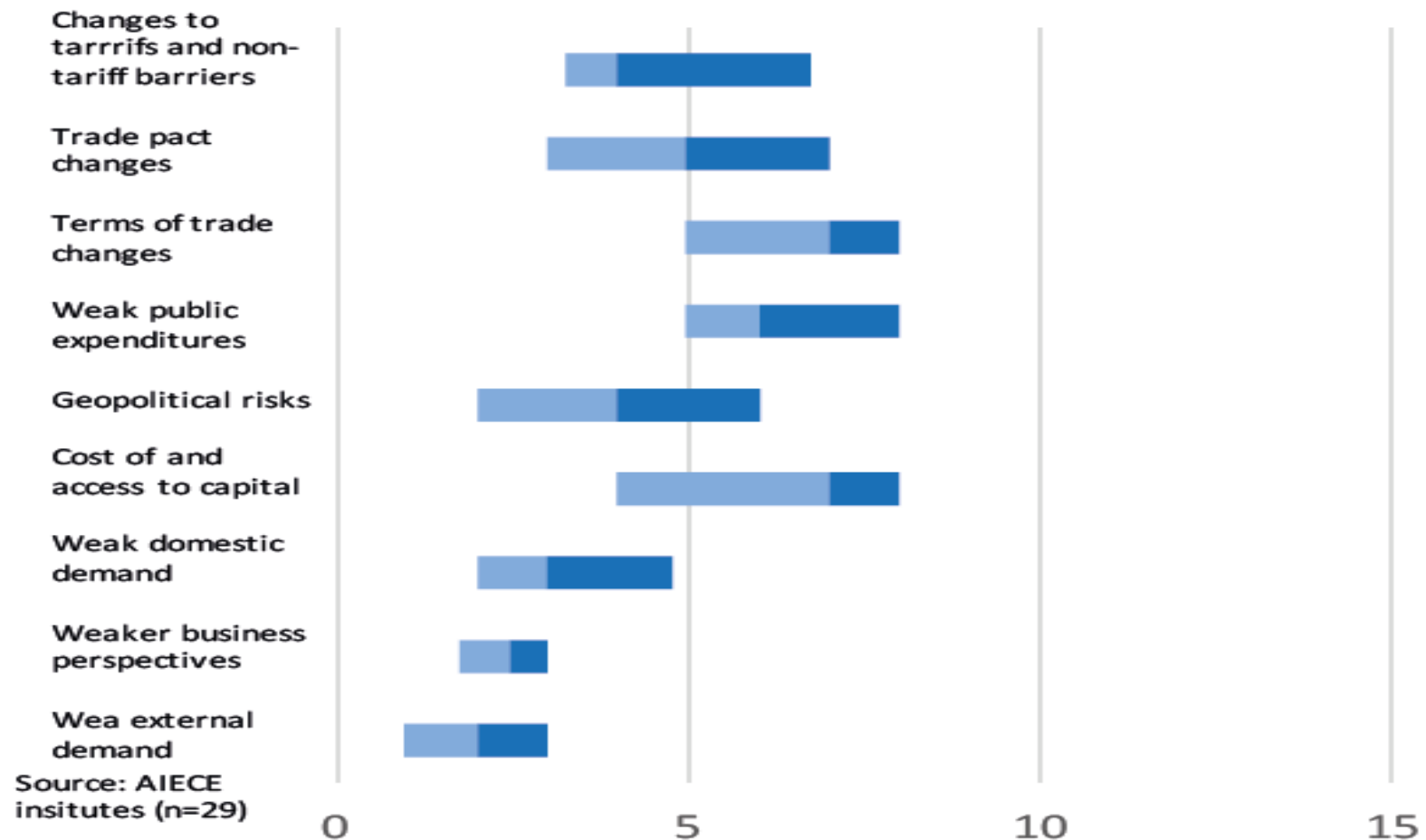
Source: AIECE institutes (n=17)

Figure 2.2: Gross fixed capital formation (Eurozone) per cent change, volume, Eurostat definition



Source: Macrobond and AIECE institutes (n=14 for 2018, n= 12 for 2019)

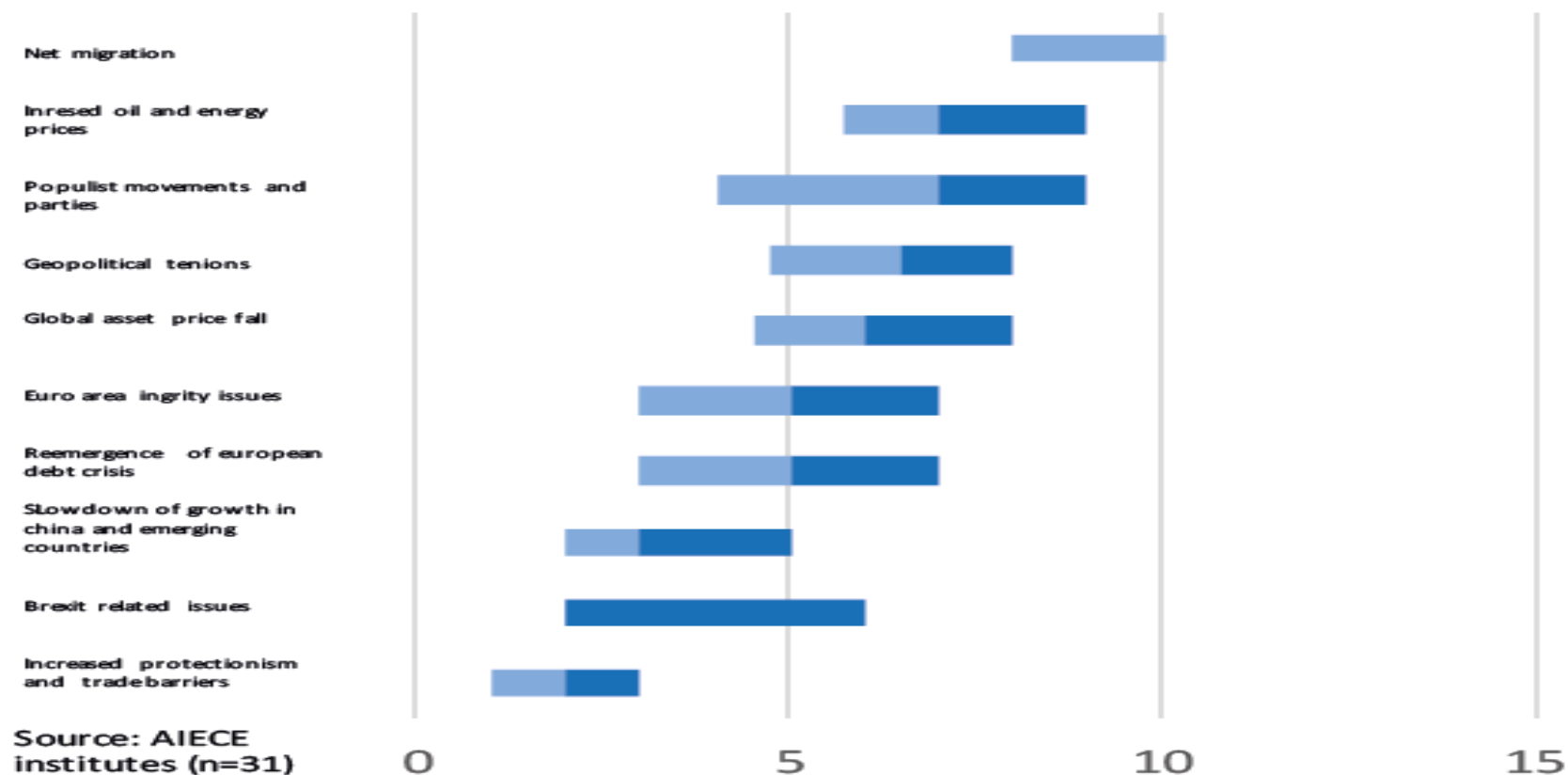
Figure 2.6: Most important factors limiting investment in your country within two years



For each factor the figure shows a boxplot with the 25%-quartile, the median and the 75%-quartile

Source: AIECE insitutes (n=27)

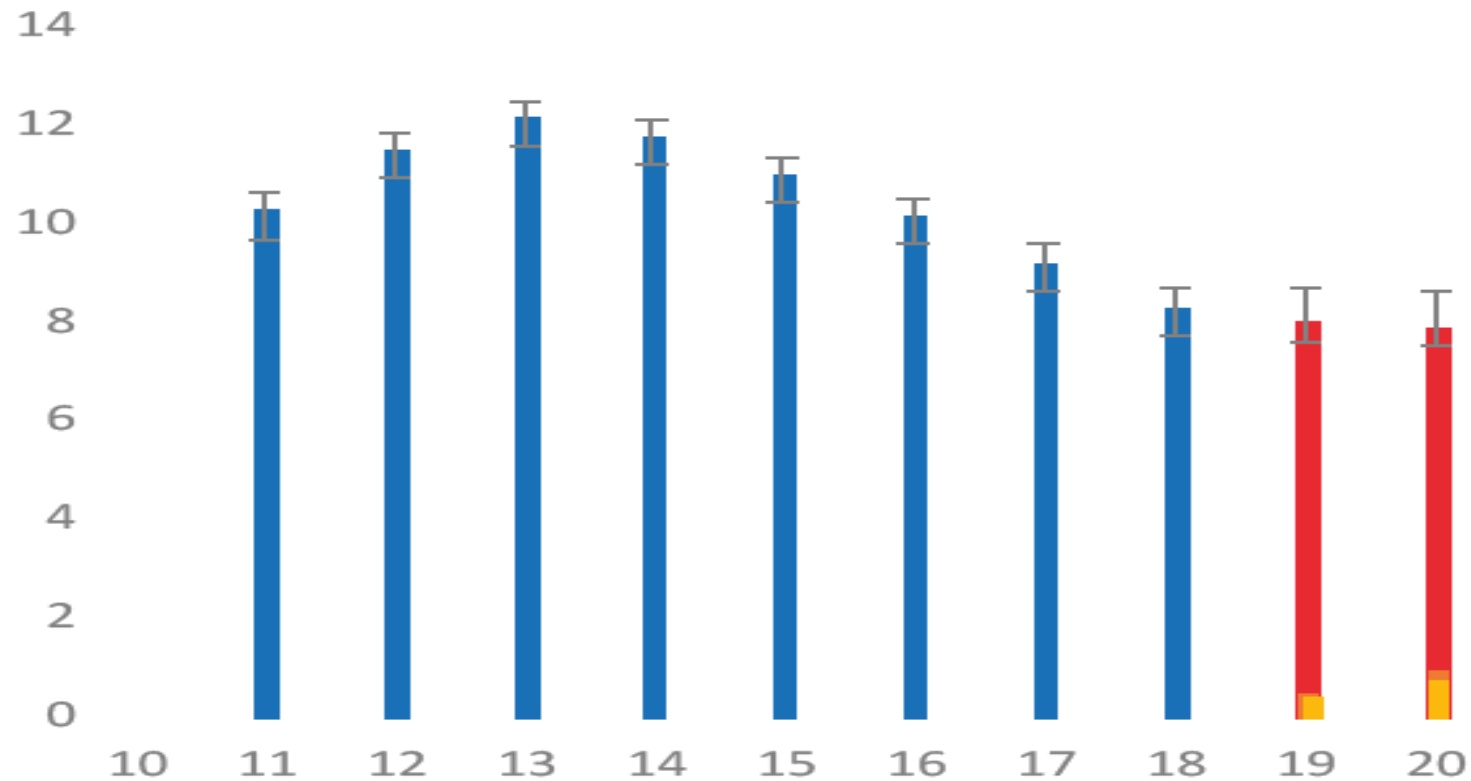
Figure 2.7: Main downside risks for the projections for your country the coming two years



Source: AIECE institutes (n=29)

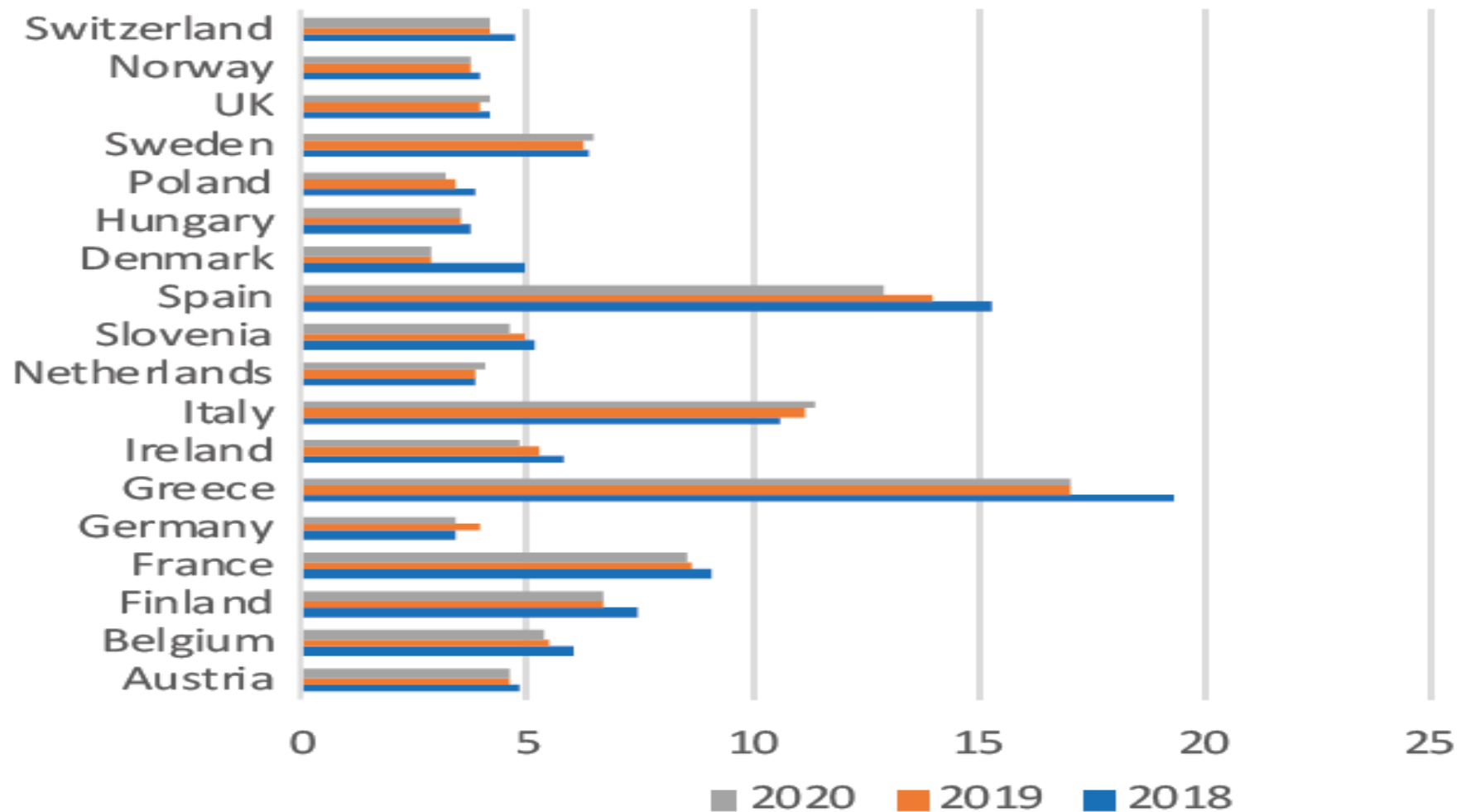


Figure 2.8: Unemployment rate (Eurozone) per cent of total labour force (Eurostat definition)



Source: Macrobond, AIECE institutes (n=11). Error bar indicate the upper and lower extremes of the institutes projections.

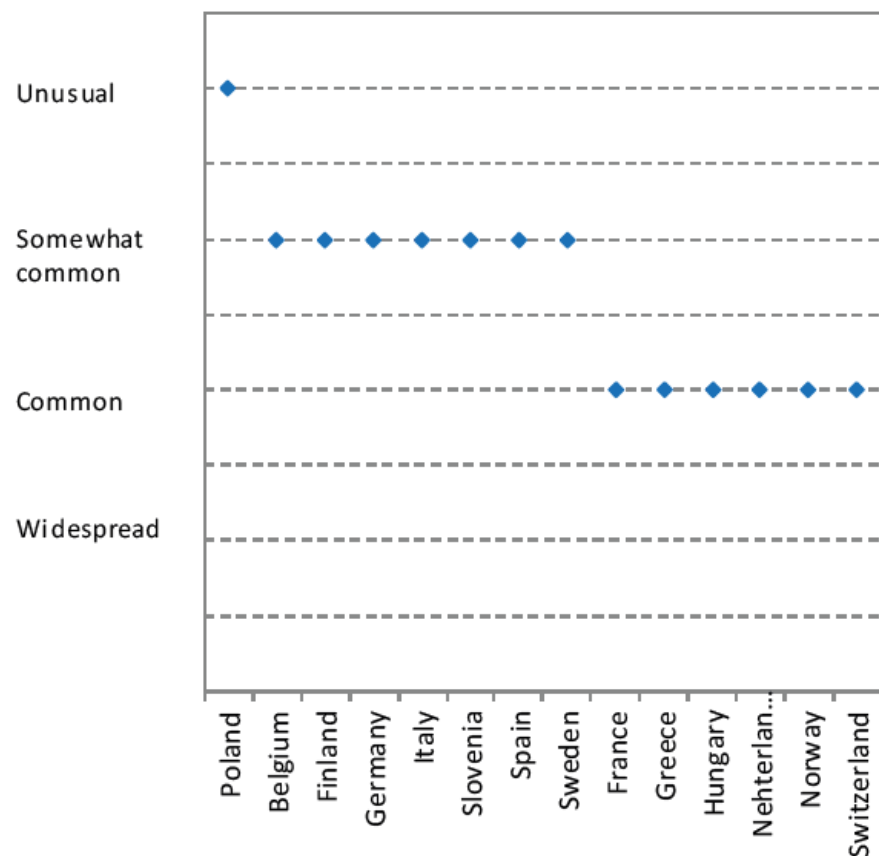
Figure 2.9: Unemployment rate in AIECE countries



Source: Macrobond/ILO, AIECE institutes (n=16)

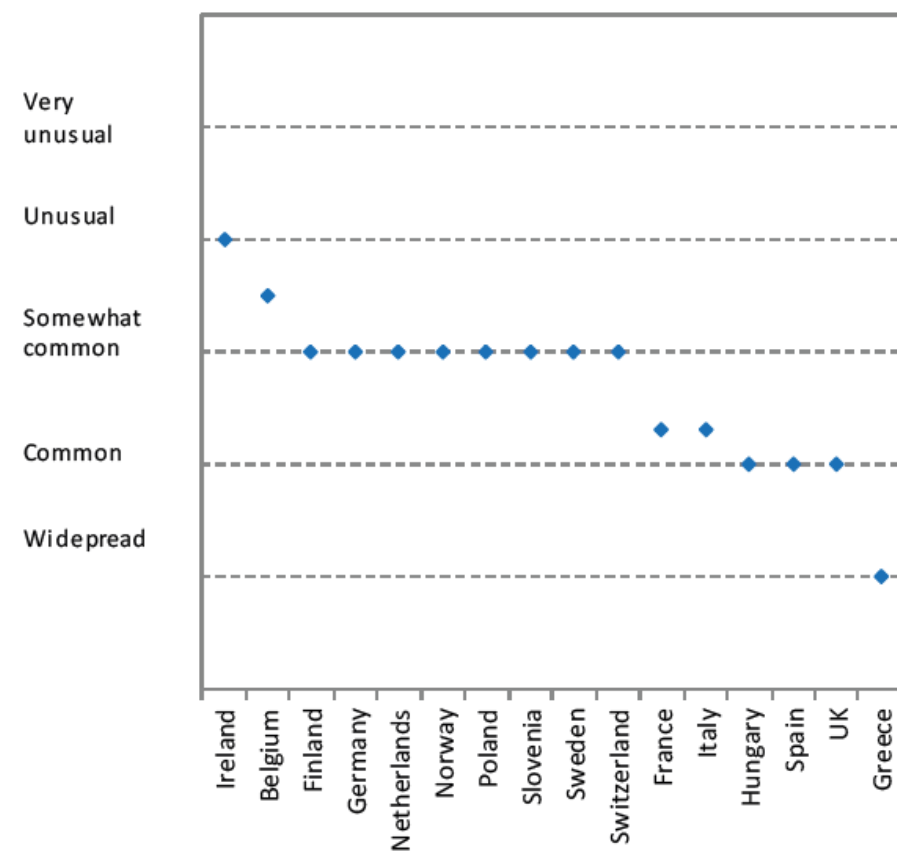


Figure 2.10: Perception of involuntary part time work in the euro area?



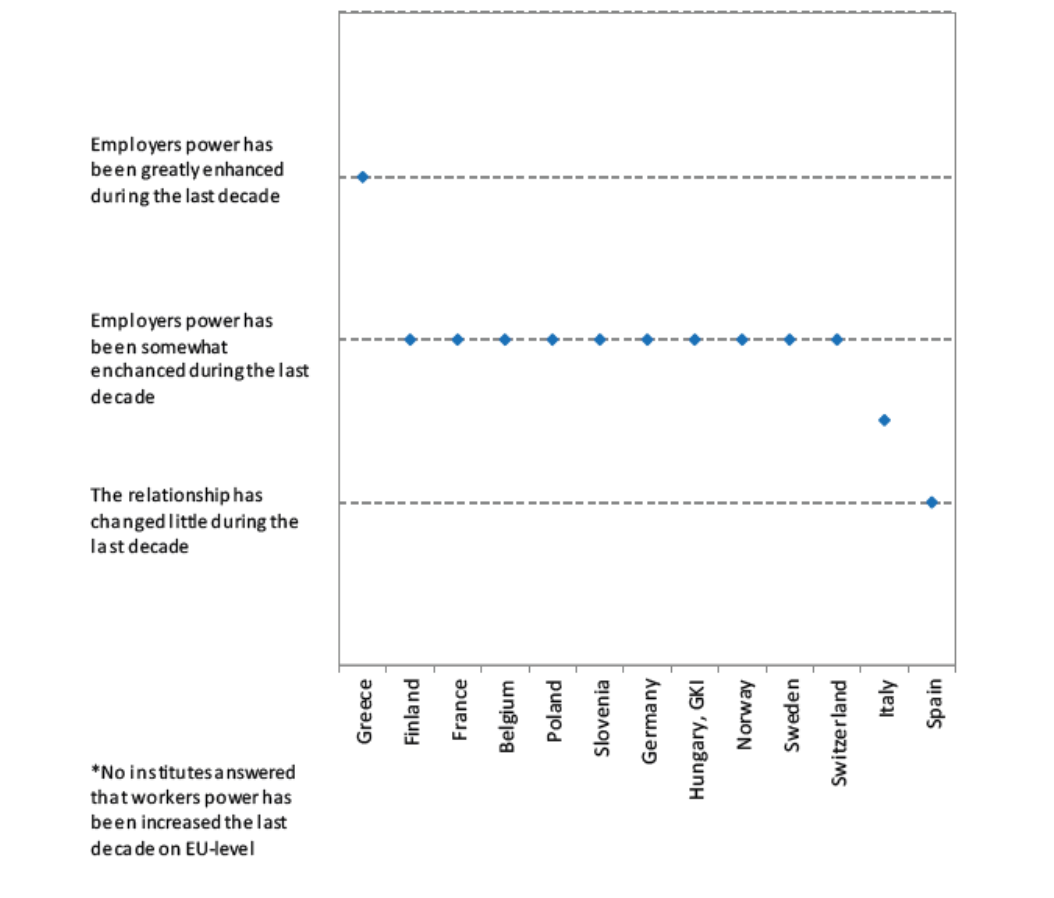
Source: AIECE institutes (n=18)

Figure 2.11: Perception of the extent of involuntary part time work in your country



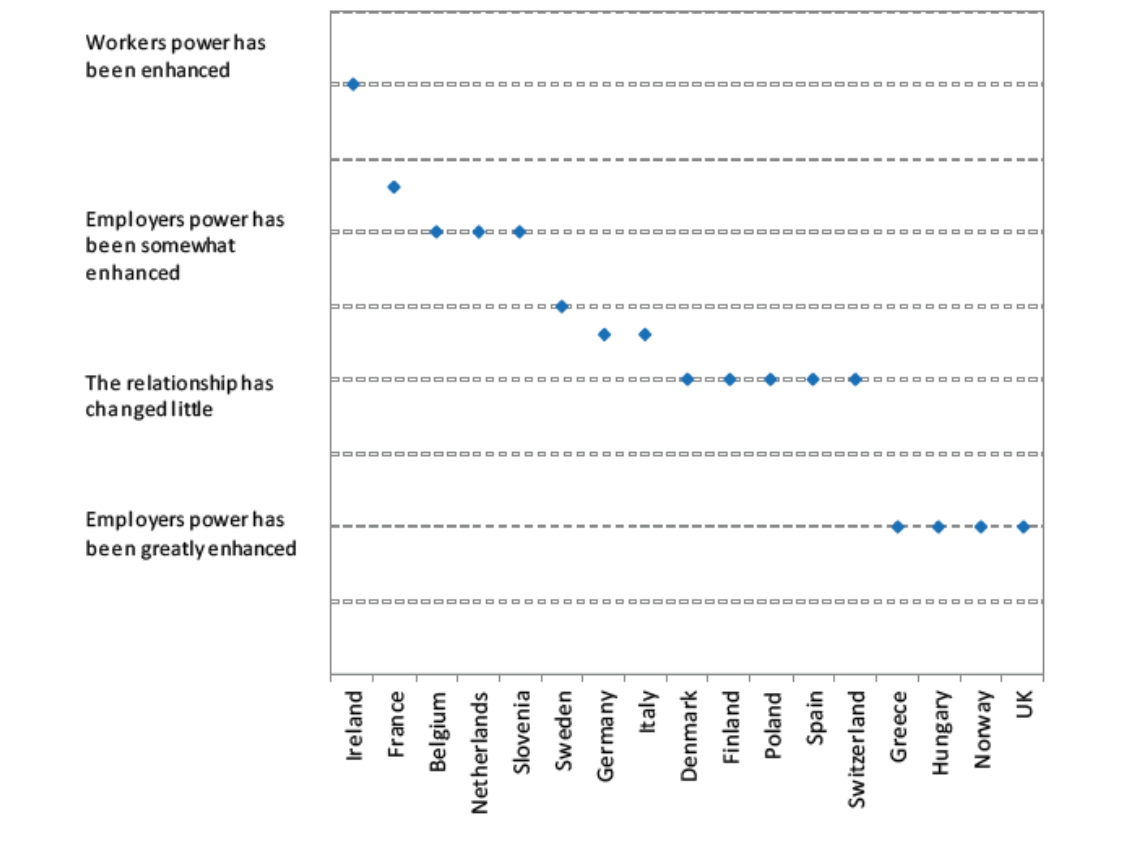
Source: AIECE institutes (n=26)

Figure 2.12: Perception of employer-worker power structures in the European labour market?



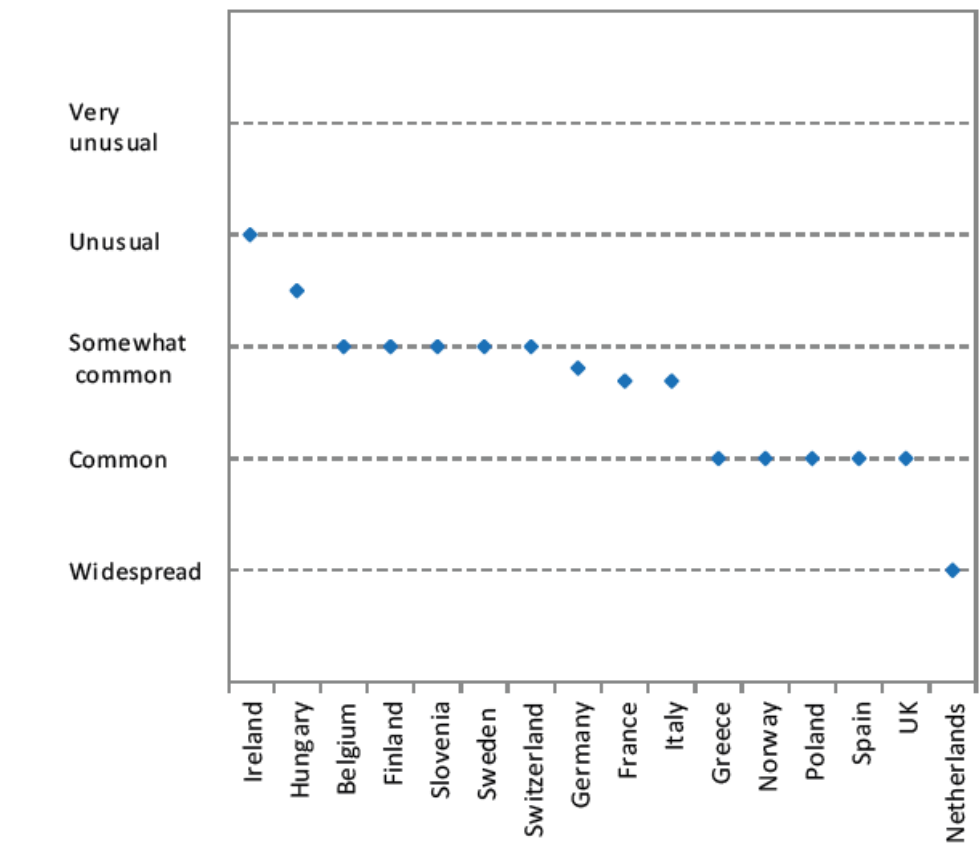
Source: AIECE institutes (n=16)

Figure 2.13: Perception of employer-worker power structures in your country's labour market?



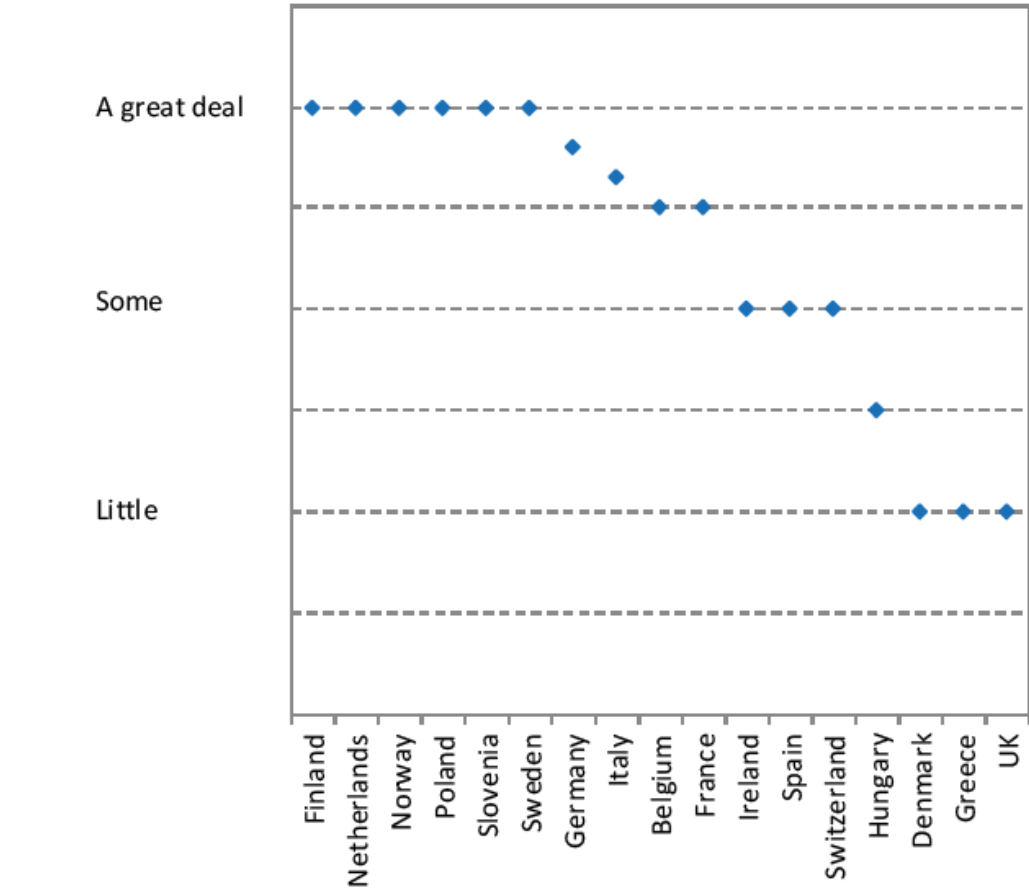
Source: AIECE institutes (n=26)

Figure 2.14: Perception of the extent of workers on temporary/zero hour contracts (precarious jobs) in your country



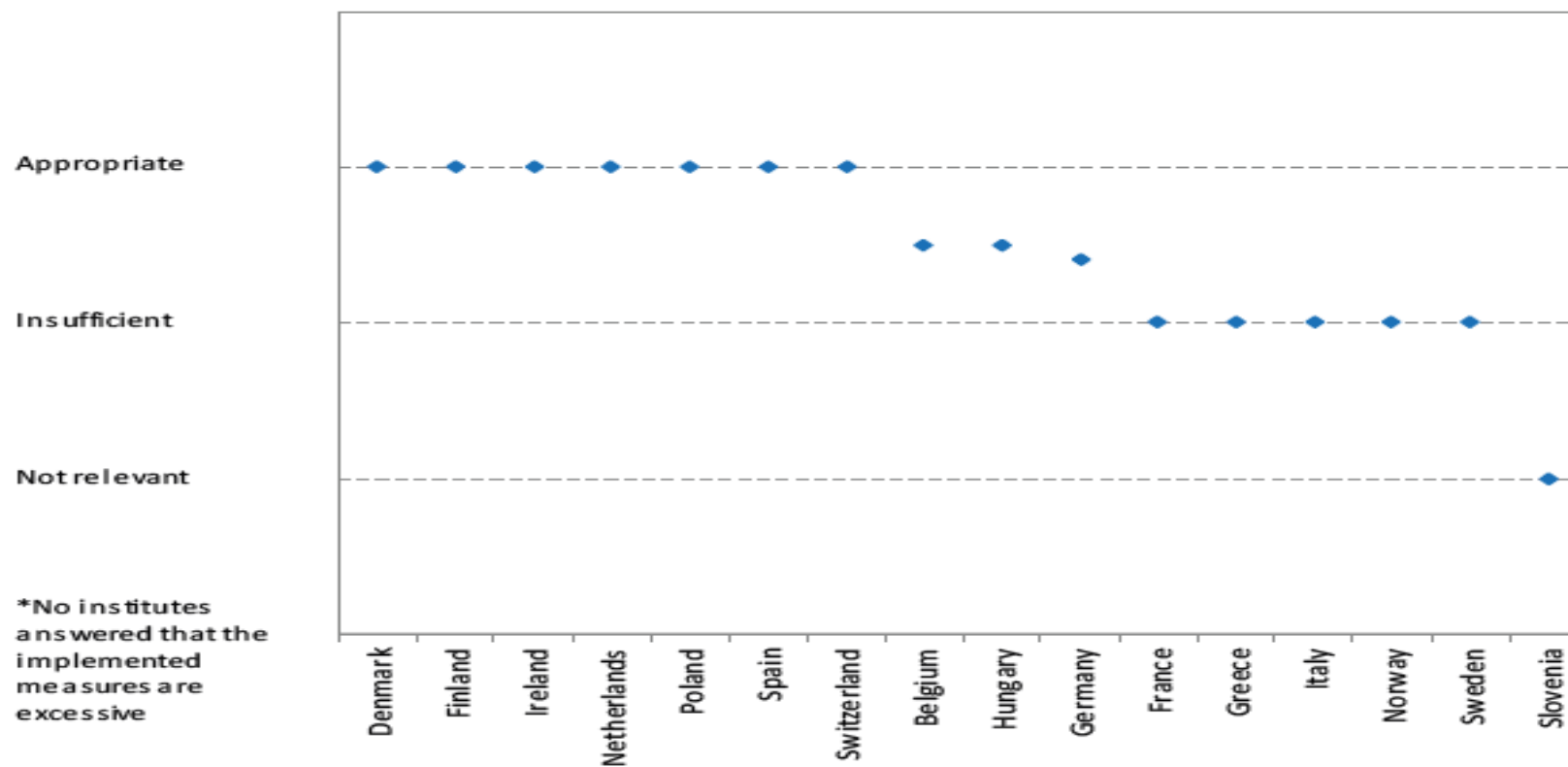
Source: AIECE institutes (n=26)

Figure 2.15: How much job security do workers in permanent full time employment enjoy in your country?



Source: AIECE institutes (n=27)

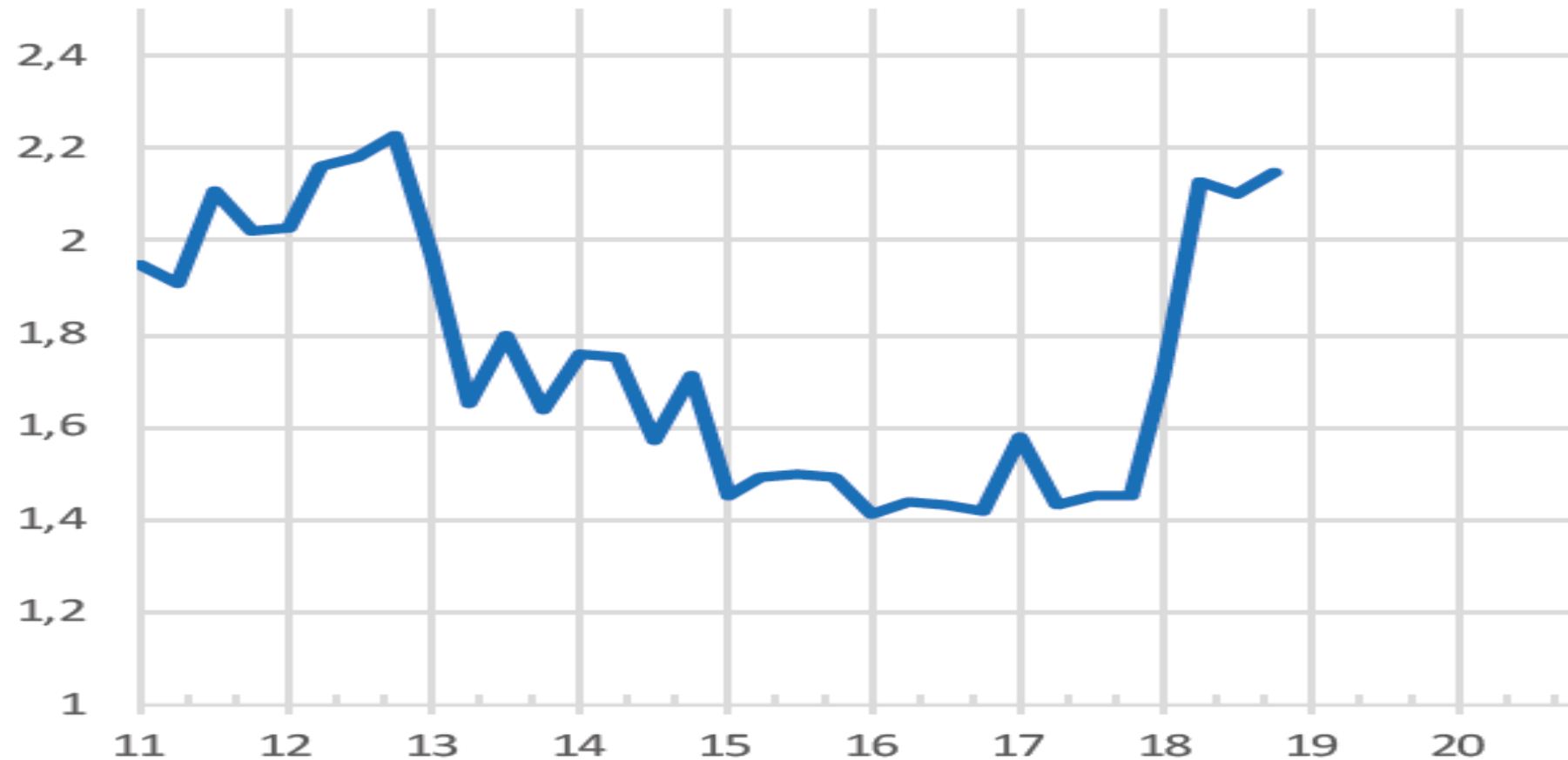
Figure 2.16: The implemented measures to reduce unemployment in your country are...



Source: AIECE institutes (n=25)



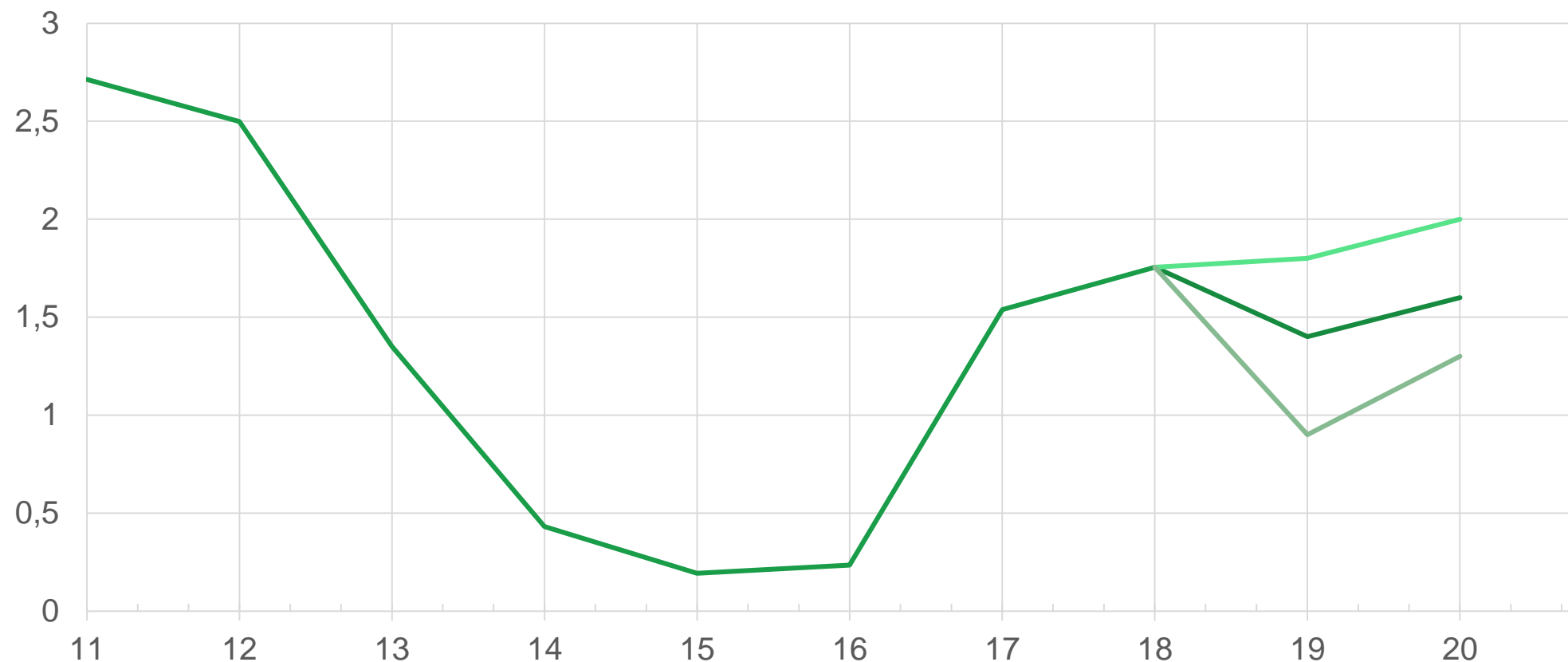
Figure 2.17 : Indicator of negotiated Wages, EA 19, percentage change Y/Y



Source: ECB and Macrobond



HICP (Eurozone) % change



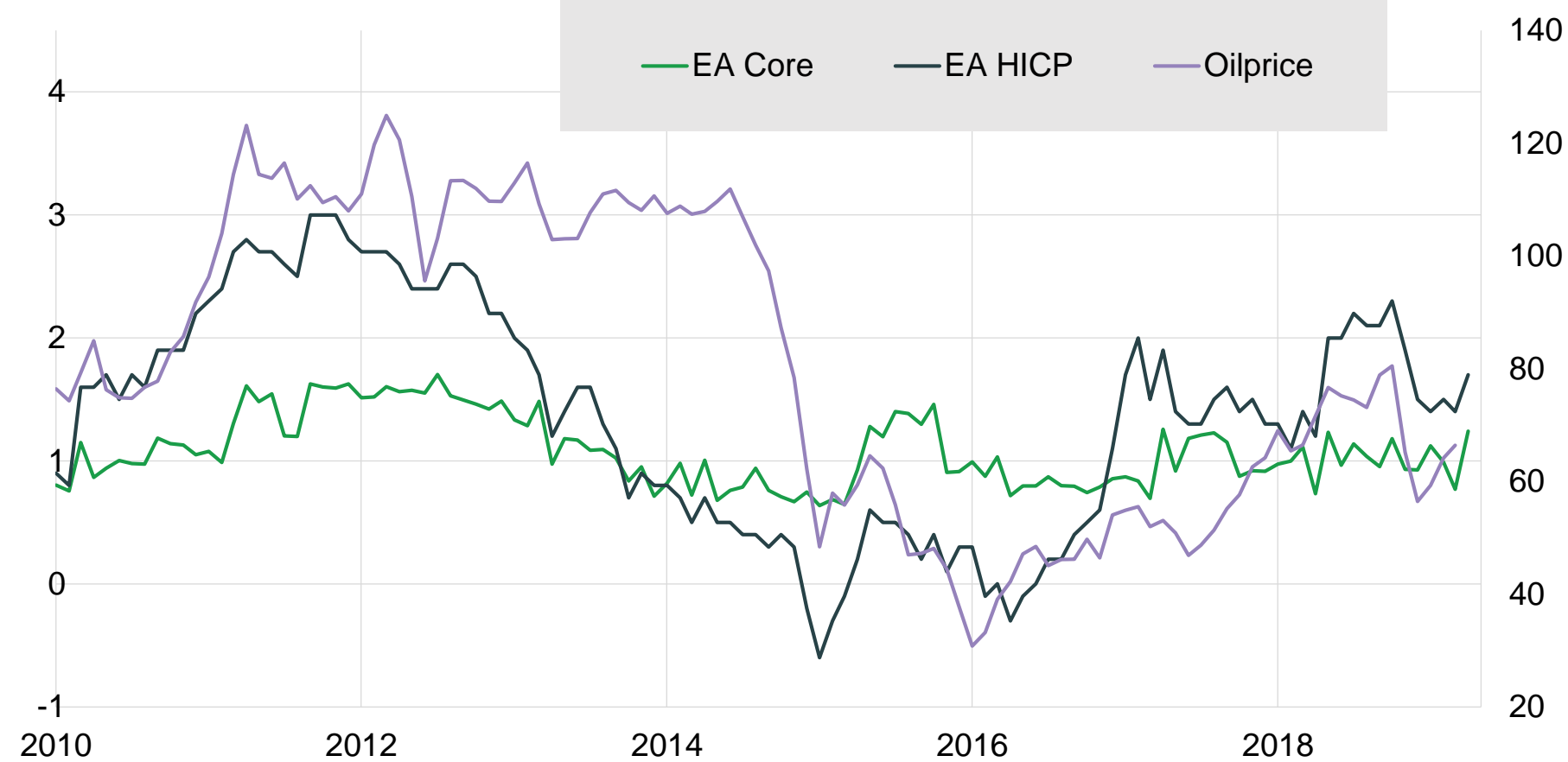
Source: Macrobond, AIECE institutes (n=18 for 2019, n=16 for 2020). Error bands indicate the upper and lower extremes of the institutes' projections.



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Euro Area: Inflation and oilprice

Source: Macrobond



Questions for discussion

Euro Area Outlook

- 1. Why are both fiscal and monetary policy assumed to be of great importance for GDP growth in the Euro-area, while not that important for growth in the individual EU countries?
- 2. Climate politics is high on the agenda in many countries. Will strong policies to curb carbon emissions eventually lead to an economic downturn because of uncertainty and high energy/emission taxes? Or will massive investments and research in low emissions technologies lead to higher growth?



Questions for discussion

Euro Area Outlook

- 3. Will the coming election to the EU parliament have any/some effect on economic outcomes or will it business as usual thereafter?
- 4. If Great Britain leaves the EU – eventually – will that have any effect on the power balance in EU between countries and if so, what effects on EU economic politics can be expected?

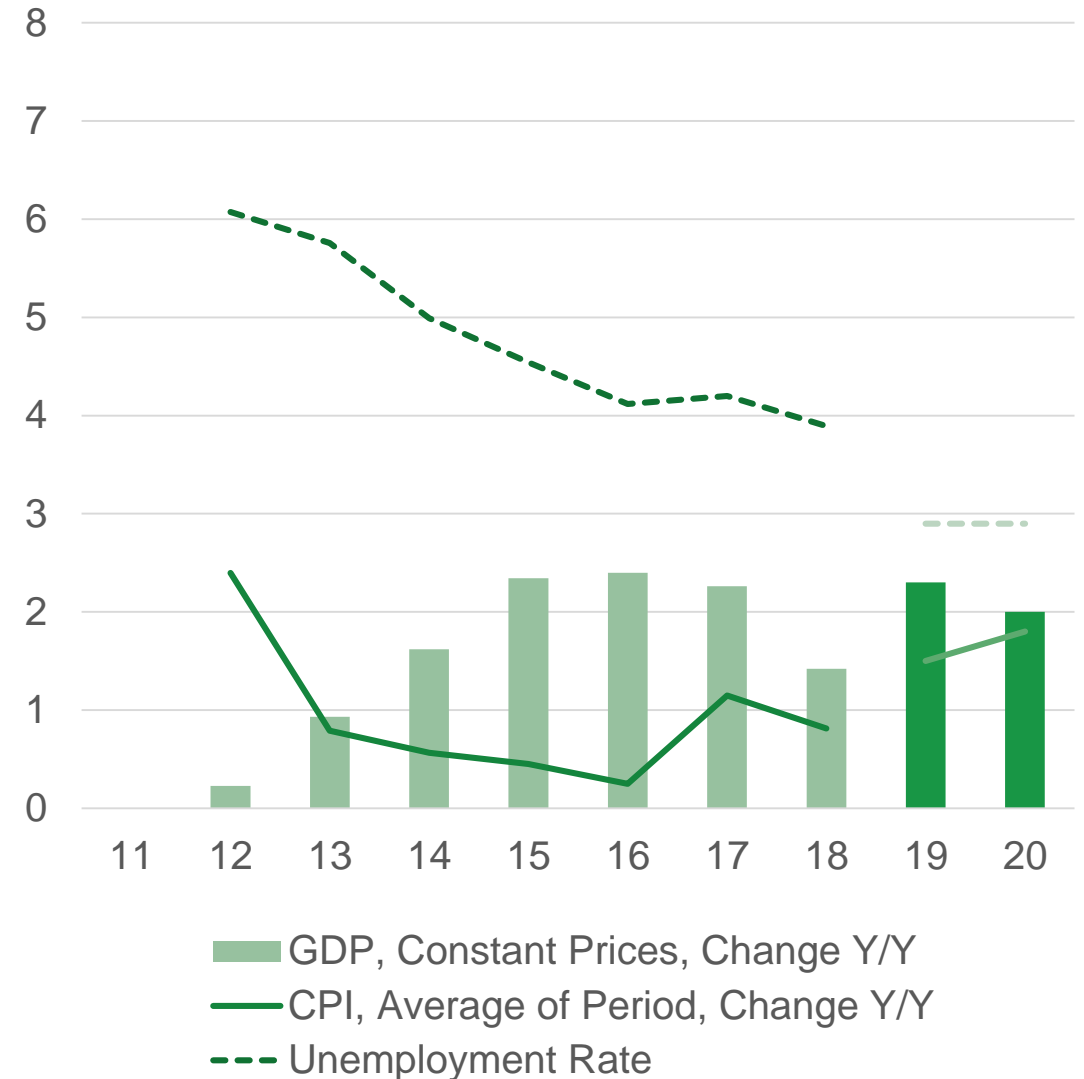


Denmark

Expectations towards 2020:

Growth and inflation somewhat up

Unemployment continues to fall

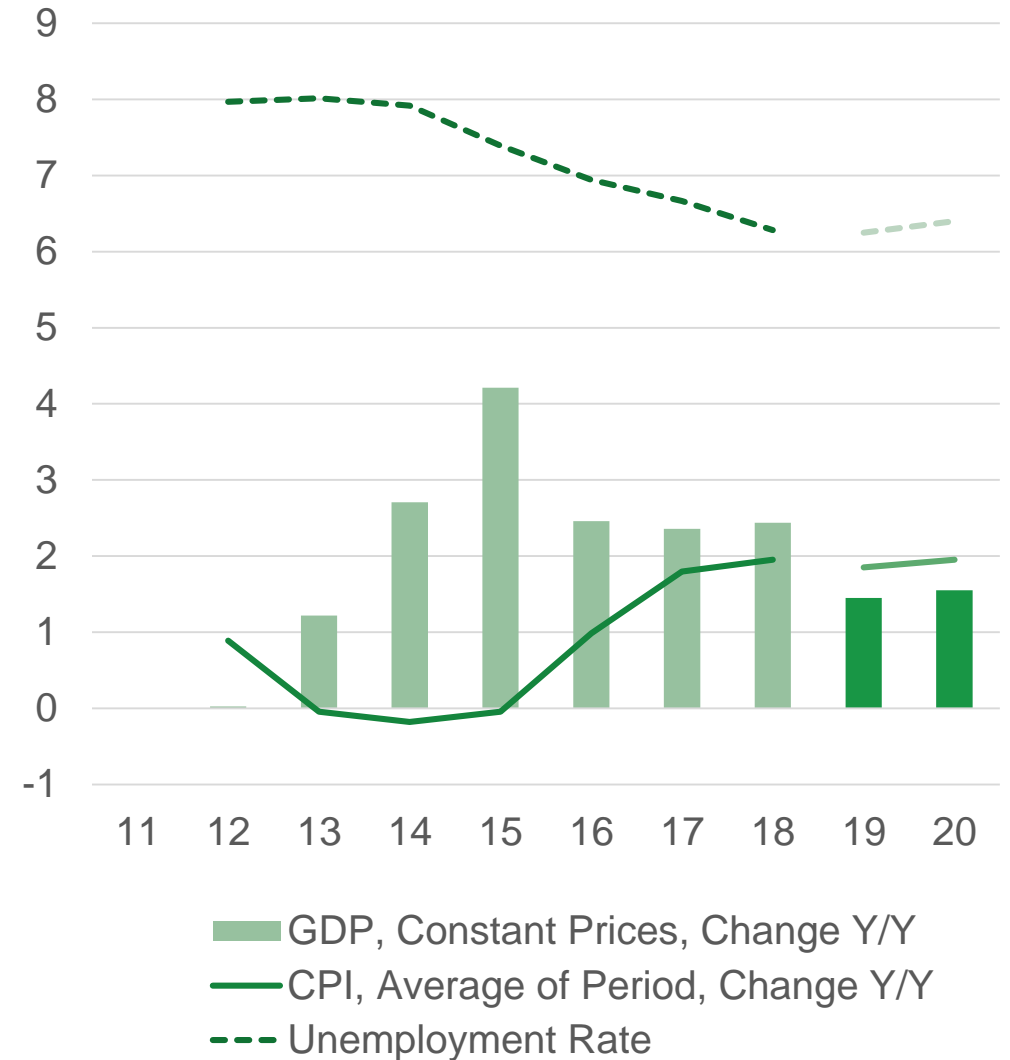


Source: Macrobond, AIECE-institutes

Sweden

Expectations towards 2020:

Growth is somewhat down
inflation and unemployment
remain stable



Source: Macrobond, AIECE-institutes

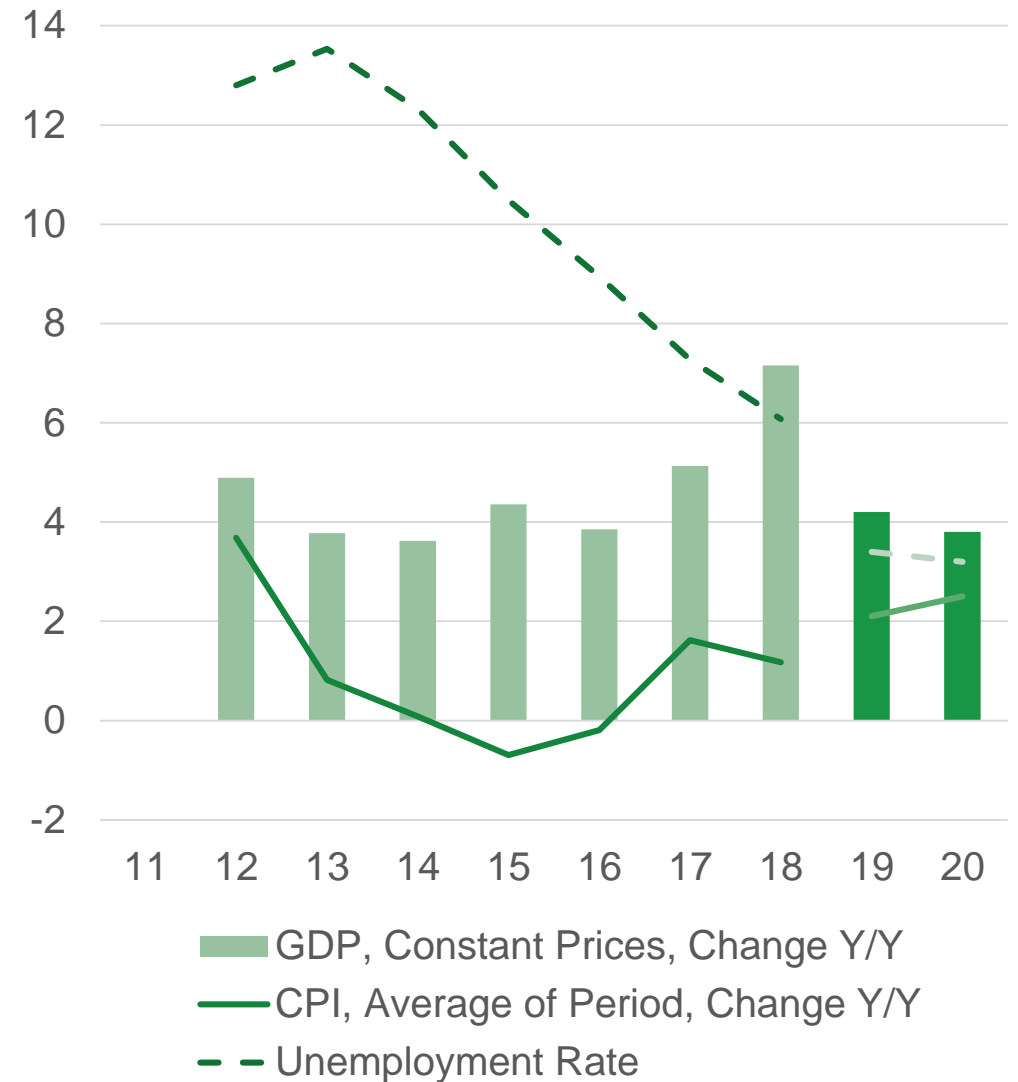
Poland

Expectations towards 2020:

Growth falls a bit

Inflation somewhat up

Unemployment continues to fall



Source: Macrobond, AIECE-institutes

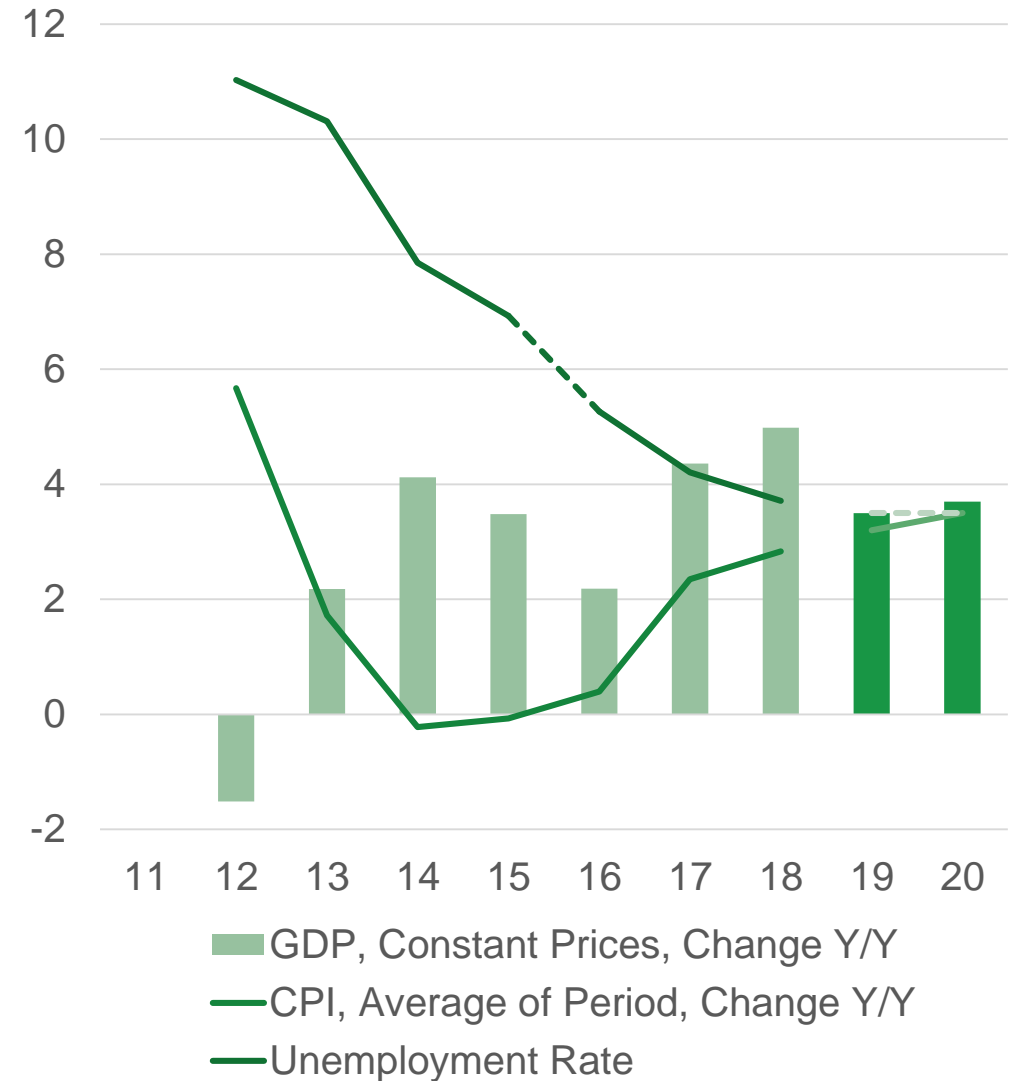
Hungary

Expectations towards 2020:

Growth falls a bit

inflation somewhat up

Unemployment stabilises



Source: Macrobond, AIECE-institutes



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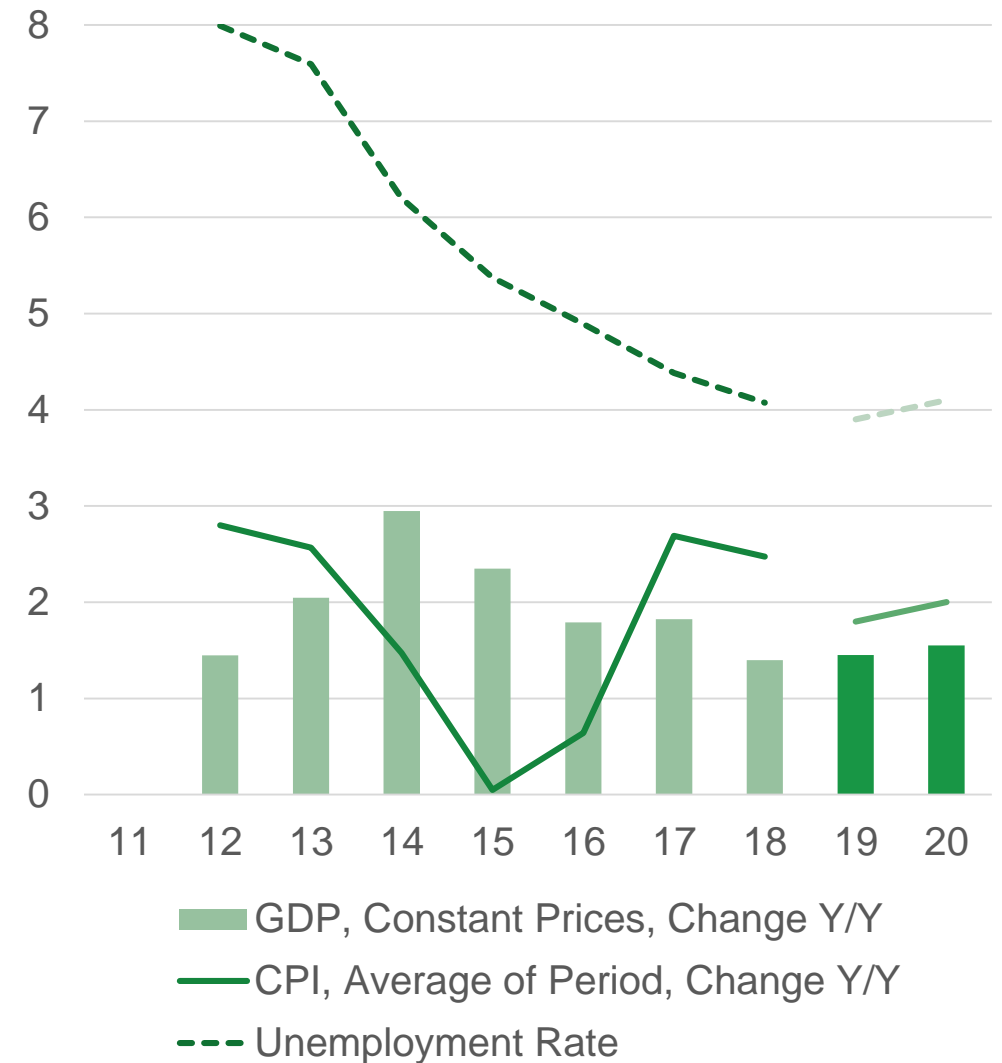
United Kingdom

Expectations towards 2020:

Growth stable

Inflation fall

Unemployment stabilises



Source: Macrobond, AIECE-institutes



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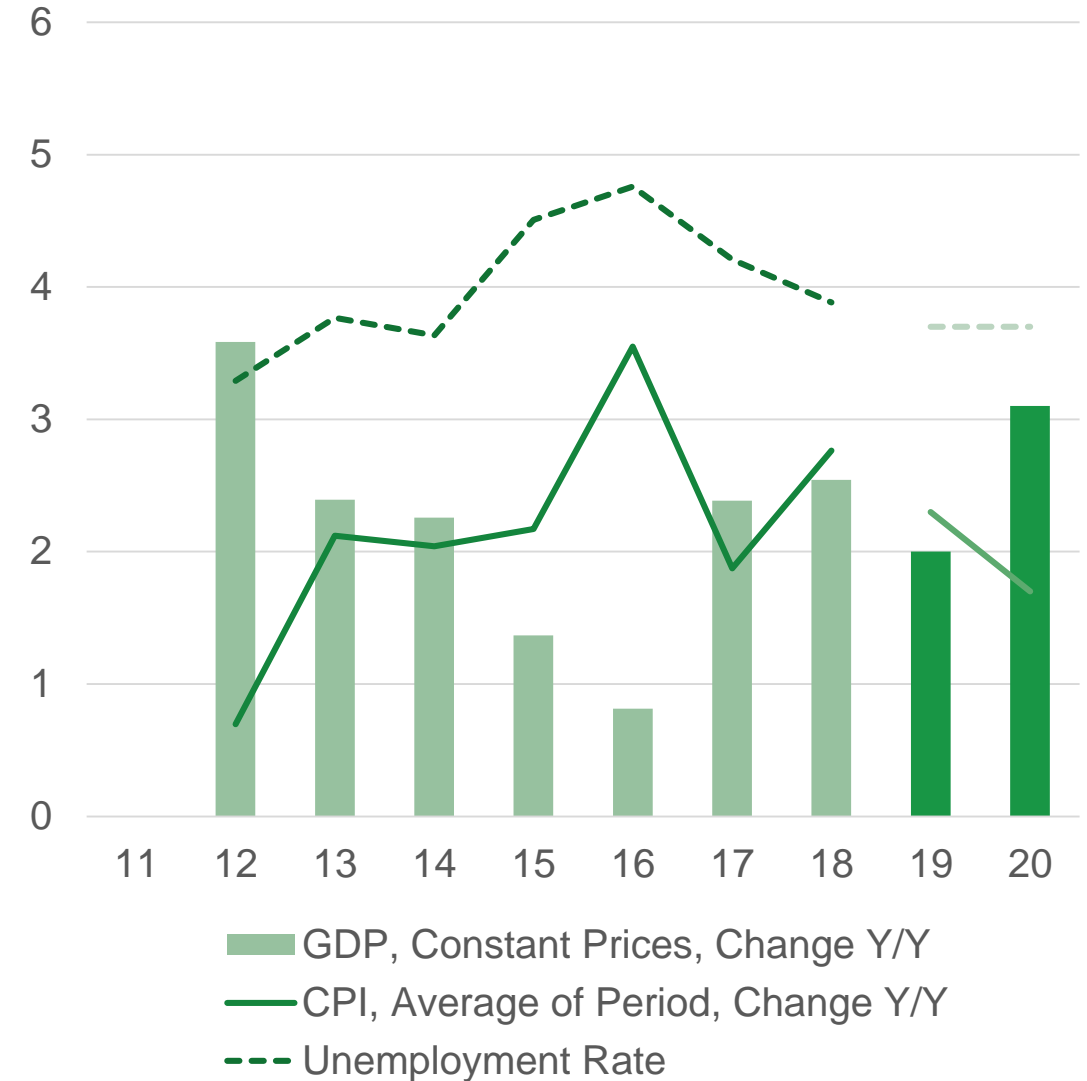
Norway

Expectations towards 2020:

Growth down in 2019 while increasing
in 2020

inflation fall

Unemployment stabilises



Source: Macrobond, AIECE-institutes



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Switzerland

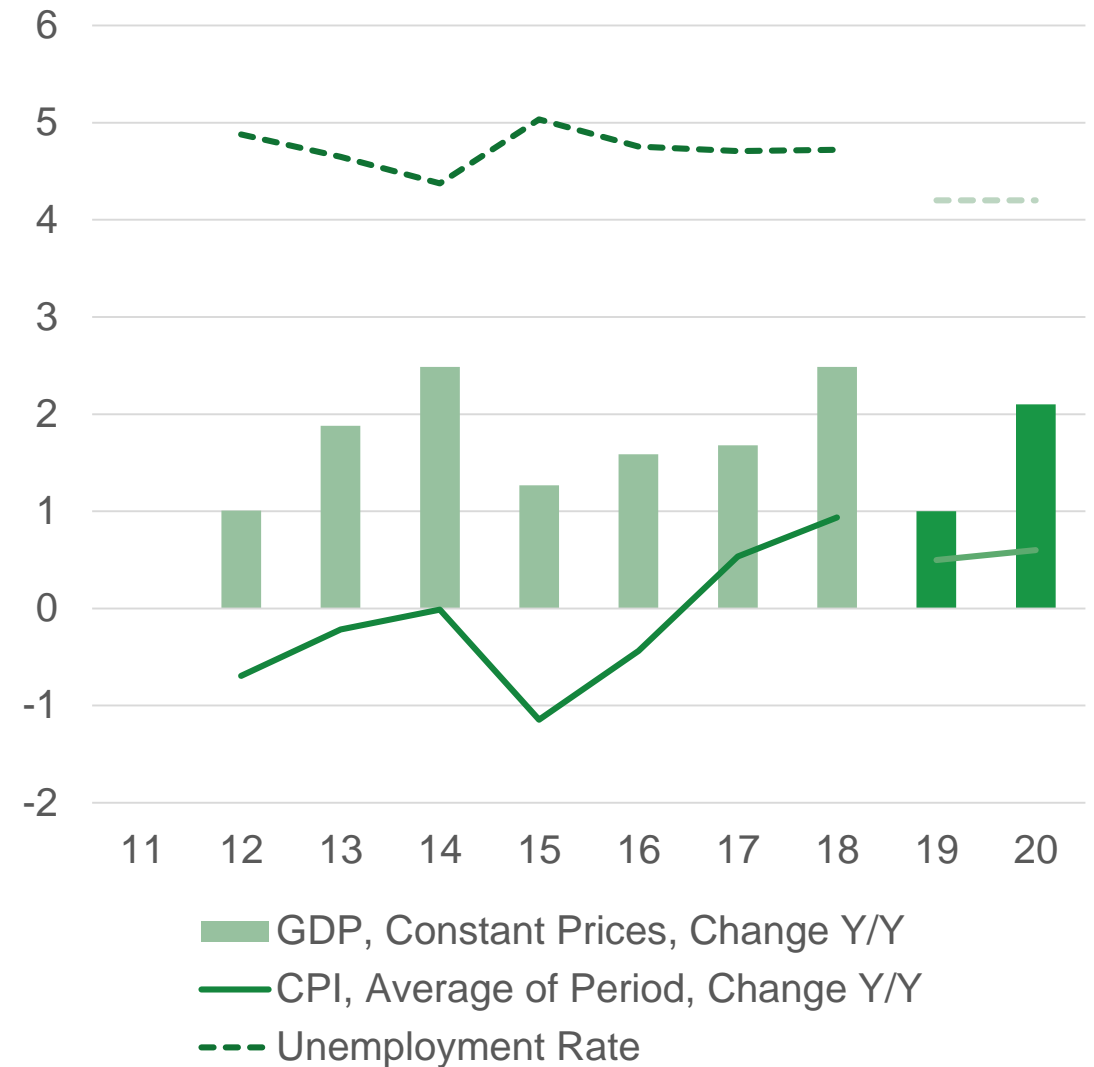
Expectations towards 2020:

Growth down in 2019

and up again in 2020

inflation remain at low levels

Unemployment fall somewhat



Source: Macrobond, AIECE-institutes



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Questions for discussion

Non-Euro Area Outlook

- Will possible obstacles to trade through more protectionism politics from the US and others harm Non-Euro countries more than Euro countries and what may be the likely policy response?
- 2. If there is sudden economic downturn in the world, on a scale comparable with the financial crises of 2008, what is the expected policy response in your country? Does this differ from what you see as the most suitable response?



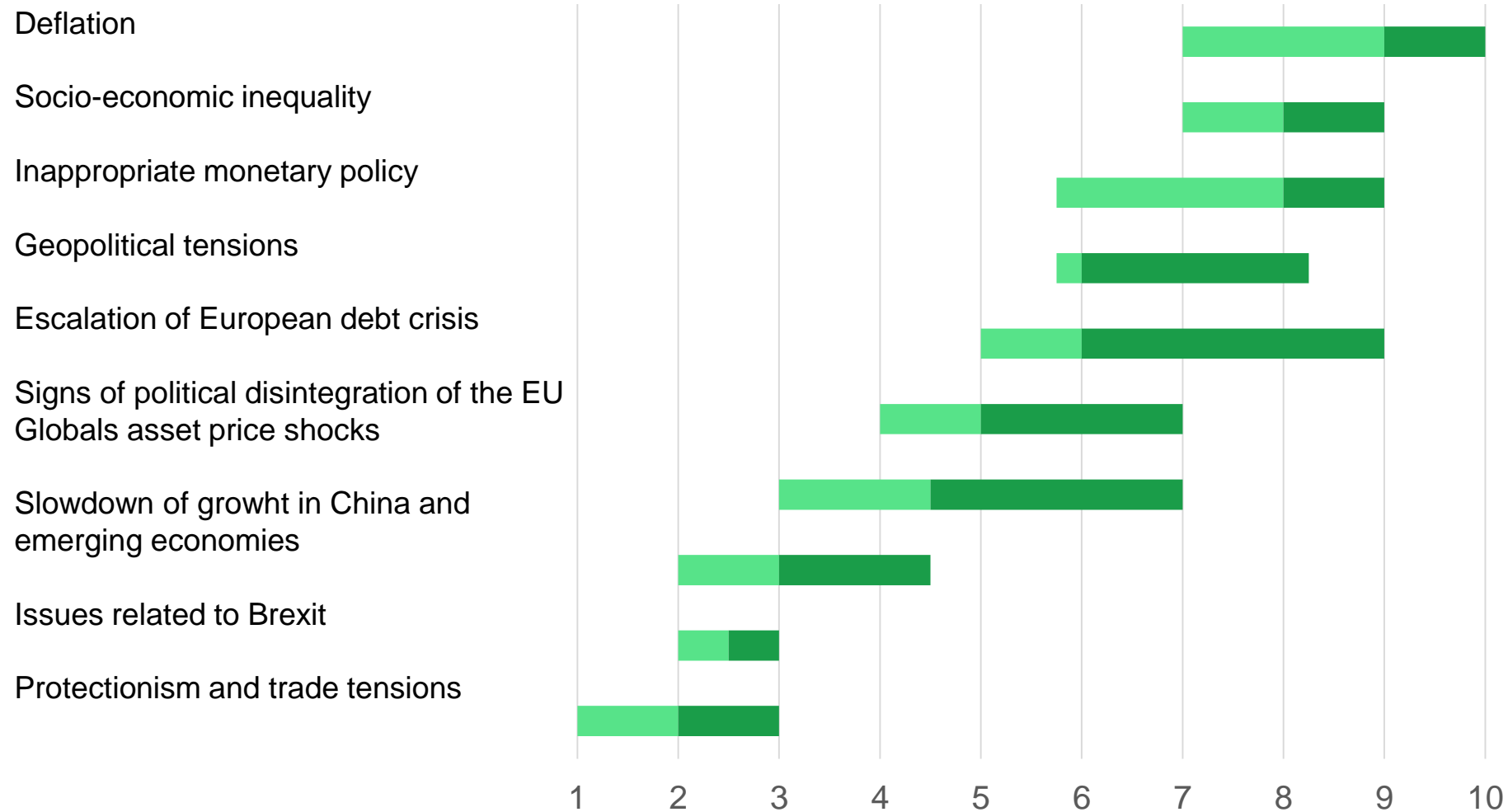
Questions for discussion

Non-Euro Area Outlook

- 3. Low interest rate politics in many countries has lasted for many years now - are these economies trapped in a low interest and low inflation equilibrium environment?
- 4. Will EU policy responses towards Eastern European member countries who are 'bad' and flout common norms and rules hamper or assist economic growth in these countries?



Risks to outlook, 25%-75% percentile, according to



Source: AIECE institutes (n=23)



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