

Association d'Instituts Européens de Conjoncture Economique (AIECE)

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Association d'Instituts Européens
de Conjoncture Economique (AIECE)

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We would like to thank all AIECE member institutes who participated in the AIECE General Report survey.

Their answers greatly contributed to this document. The AIECE General Report is published to elicit comment and to encourage debate. The views expressed are those of the author(s) alone and do not necessarily reflect the views of their Institutes.



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1. The external environment

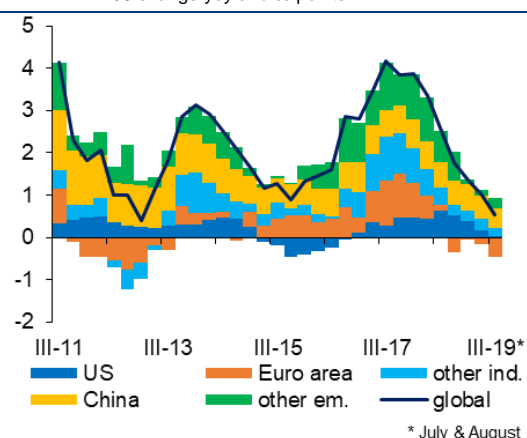
Tradable sector in the doldrums... Prolonged uncertainties related to rising protectionism, geopolitical risks and vulnerability in some emerging countries are dampening firms' expectations worldwide. The tradable sector is suffering the most, being directly involved in trade disputes and changing global value chains, while, so far, the service sector has lost relatively less pace. Global industrial production growth is decelerating and has reached growth rates in line with those recorded during the European sovereign debt crisis in 2012 and 2013 and the Chinese financial crisis in 2015 and 2016 (Fig. 1.1). At those times, major economic policy interventions, both monetary and fiscal, were successful in promoting a new global expansionary phase.

... and global trade in recession. Deceleration is now widespread among the industrialized and emerging economies and the European countries also are deeply involved. Even in the US, the "short term pain for long term gains" of Trump's administration is locked into the short term pain phase. In September 2019, the US industrial production index for the manufacturing sector was 1 per cent lower than December 2018. The global crisis in the manufacturing sector is reflected in the contraction of global trade in the second and third quarters of 2019, the first since 2009, according to CPB World Trade Monitor.

Something is slowly improving. The possibility of a truce in the trade dispute between the US and China could increase confidence. Few positive signs have appeared. The manufacturing PMI for the global economy, in September and October releases, is below the threshold of 50, but is on an upward trend (Fig. 1.2).

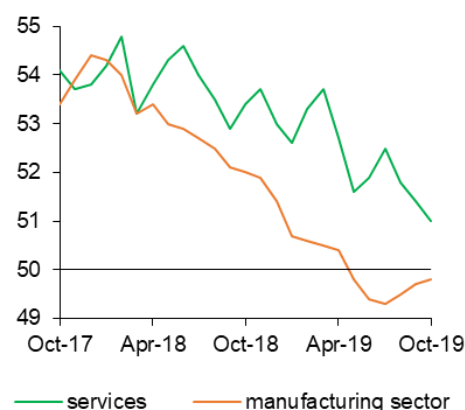
Monetary policies again at play. Central banks are intervening in a massive and widespread way: the Fed, the ECB and the central banks of several emerging countries have been reducing interest rates, but the modest improvement of survey information between September and October are not sufficient yet to anticipate a recovery.

Fig. 1.1 Global Industrial production
% change yoy and % points



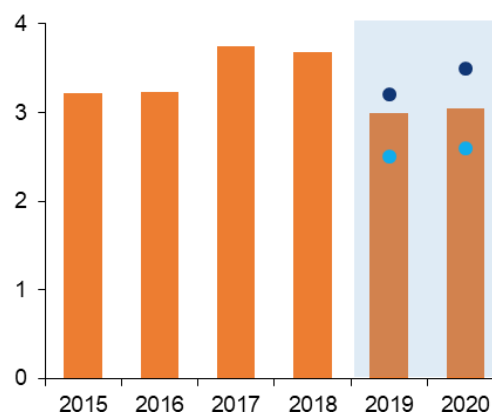
Source: Prometeia' calculation on CPB data

Fig. 1.2 PMI for the global economy
net



Source: Refinitiv

Fig. 1.3 World GDP
% annual growth



Source: AIECE Institutes forecasts on IMF data
Dots indicate minimum and maximum forecasts among the Institutes

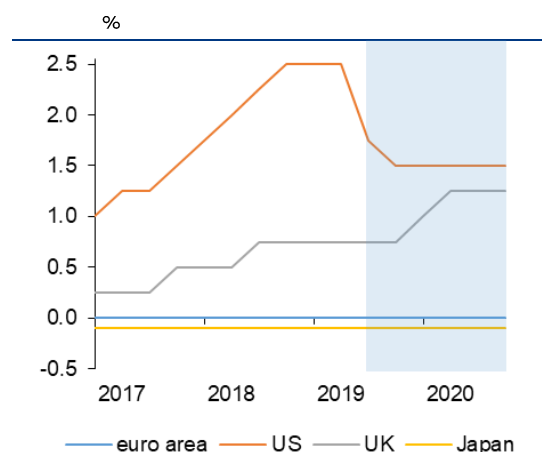
Some optimism in the last IMF forecasts... IMF, in its World Economic Outlook of October 2019, forecasts a global recovery in 2020 (3.4 per cent annual growth in world GDP, 3.0 per cent in 2019), but the source of this improvement is not clear, apart from the effects of the aggressive easing of monetary policy already delivered, whose efficacy is already in doubt.

...not shared by the AIECE Institutes. The Association Institutes are less optimistic. On average, they expect substantial stabilization of global growth in 2020 with respect to 2019 (Fig. 1.3) and almost 30 per cent of the Institutes expect a deceleration in 2020. Several risks relate to extra-Europe regions, spanning from a stronger slowdown in China and/or some emerging countries to more protectionism, which could trigger another downturn.

Institutes expect monetary policy to remain expansionary... Monetary policy in the bigger industrialized countries is expected to remain very expansionary. No AIECE Institute expects an increase in monetary policy interest rates until the end of 2020, rather there is the possibility of further cuts by the Federal Reserve (Fig. 1.4) and few Institutes seem to anticipate negative values for interest rates on the main refinancing operations in the euro area.

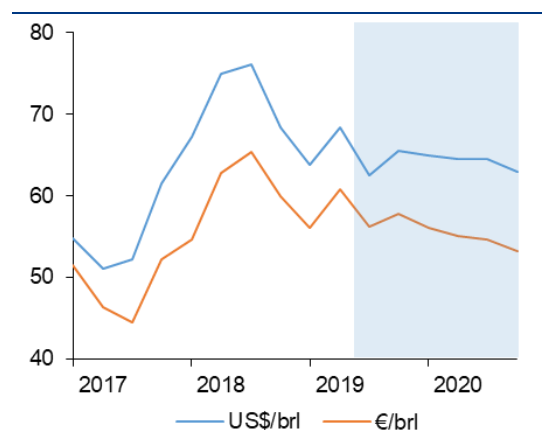
...and the Brent oil price is low. Another possible element sustaining the recovery in 2020 could come from a prolonged low Brent oil price in both dollars and in euros, forecast by the majority of the Institutes (Fig. 1.5). Nevertheless, even in this case, it would seem unlikely a prolonged period of low oil prices would be sufficient to lead to recovery of a global industrial sector burdened by expected weak future growth.

Fig. 1.4 Monetary policy Interest rates



Source: AIECE Institutes' forecasts on Central Banks data

Fig. 1.5 Brent oil price



Source: AIECE Institutes' forecasts on Refinitiv data

2. The outlook for Europe

2.1 The euro area

Stabilization of GDP growth in Q3 2019 according to Eurostat...

As of beginning November 2019, no clear signs of an upward economic cycle inversion are evident for the euro area, but there are some causes for limited optimism. The deceleration that began in the second half of 2017 and intensified during 2018 seems to have halted in Q3 2019. According to the Eurostat flash estimate, euro area GDP grew by 0.2 per cent qoq in Q3 2019, similar to in Q2 2019, and almost in line with AIECE Institutes' expectations. The available information on individual countries' GDP confirms persistent heterogeneity of the economic cycle, reinforced by the even larger dispersion of industrial production development (Fig. 2.1.1).

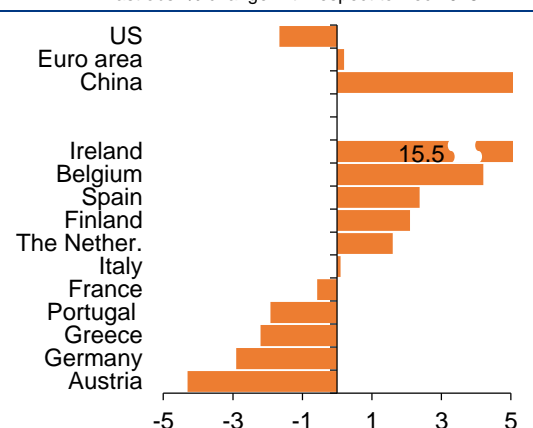
...and few positive signs from surveys, but... Survey data continue to anticipate positive, but moderate growth at the end of 2019 in the euro area. According to European Commission surveys and the Purchasing Manager Indices for the manufacturing sector, in October, firm's confidence reduced the pace of deterioration or even improved in some countries and in France and Ireland PMI improved. Households' confidence remained fairly stable.

... not enough to anticipate a recovery yet. However, taking into account a larger set of short terms indicators it would seem too early to anticipate a recovery. Prometeia's nowcasting indicators for the four biggest euro area countries (Germany, France, Italy and Spain) anticipate substantial stabilization of industrial production in the Q4 2019 (Fig. 2.1.2).

Stabilization of growth in the Institutes' forecasts...

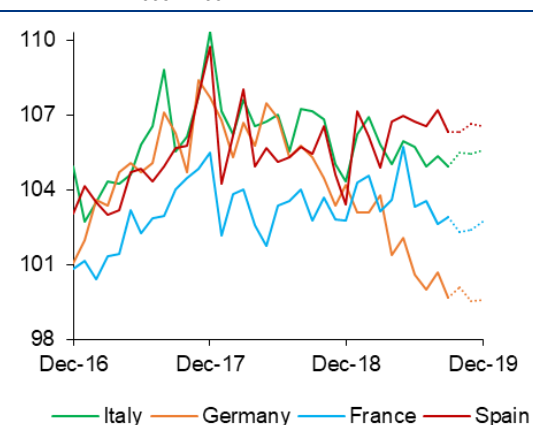
According to the Institutes, the euro area economic cycle should not worsen in the coming quarters. On average, in 2020, annual GDP growth is expected to remain stable at 1.15 per cent, as in 2019 (Fig.2.1.3), implying an acceleration qoq in the course of next year. The distribution of the forecasts reflects widespread relative optimism, with 50 per cent of the Institutes predicting acceleration, albeit modest, in 2020, and six Institutes

Fig. 2.1.1 Industrial production index
last obs. % change with respect to Dec.2018



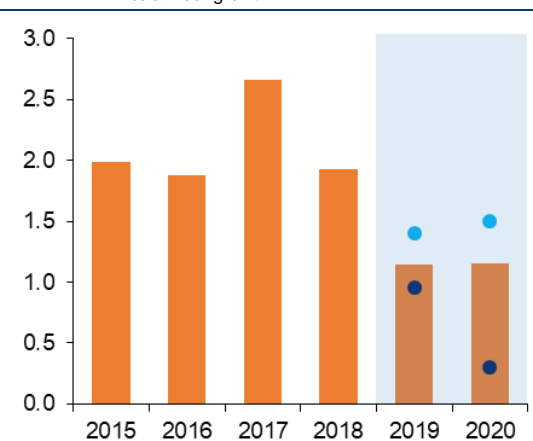
Source: Eurostat

Fig. 2.1.2 Industrial Production Index
– nowcasting indicators
2005 = 100



Source: Prometeia

Fig. 2.1.3 Euro area GDP
% annual growth



Source: AIECE Institutes

expecting the same annual growth rate as in 2019.

...after the downward revision in the course of 2019.

Needless to say, this year, all the AIECE Institutes downward revised their forecasts for euro area GDP growth for 2020. The Institutes are divided between those that consider deceleration of the German economy the most important factor behind the revision (13 out of 25 Institutes) and those that indicate deterioration of the non-EU environment (12 out of 25) as the main cause (Fig. 2.1.4). Brexit is still one of the most important uncertainties. Overall, external factors play a key role in the progressive downward revision of euro area GDP.

Monetary policy the most important factor supporting euro area growth in 2020...

The main factors sustaining GDP growth in 2020 relate to economic policy and, in particular, monetary policy support (Fig. 2.1.5). However, at the single country level, domestic demand is the most important contributor to higher growth.

... and domestic demand in the single country specific.

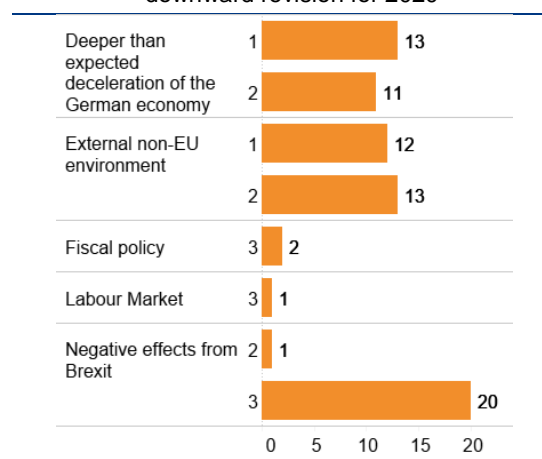
With respect to household consumption, most Institutes consider favourable labour market conditions (alongside fiscal policy) to be the main driver of growth. In contrast, the burdens on private consumption growth are concentrated on deterioration in confidence, likely related to trade shocks, which result in higher saving ratios.

Pessimism about investment growth in 2020... With respect to investment, most of the Institutes consider both private and public investment to be normal relative to their country's position in the business cycle, but only half are confident about consolidation of this growth in the future, the other half is pessimistic.

... despite the relatively good development with respect to their potential demand in recent years.

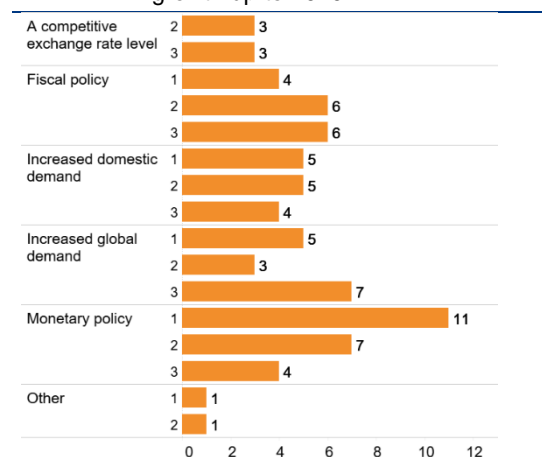
Since 2014, in most countries, the share of investment in machinery and equipment in GDP has increased despite the recent decelerating growth and the deterioration in firms' confidence (Fig. 2.1.6). On the other hand, potential demand for investment goods, approximated by the sum of exports of goods and domestic consumption, shows a clear negative trend over the last 18 months (Fig. 2.1.7), that moves close to zero between

Fig. 2.1.4 Main factors explaining the downward revision for 2020



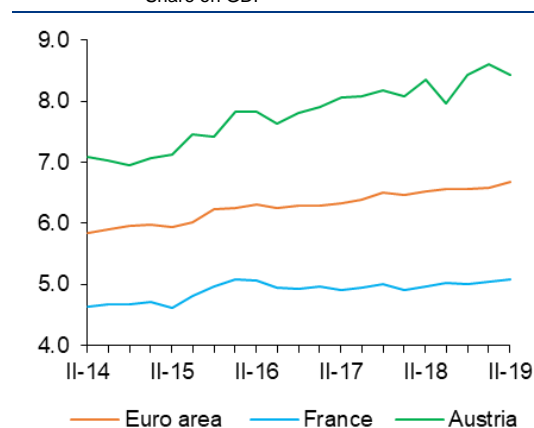
Source: AIECE Institutes

Fig. 2.1.5 Main factors sustaining euro area growth up to 2020



Source: AIECE Institutes

Fig. 2.1.6 Investments in machinery and equipment
Share on GDP



Source: Prometeia's calculations on Eurostat data
Austria and France represent the countries with respectively the maximum and minimum share in Q2-2019

the end of 2018 and the beginning of 2019 for some countries.

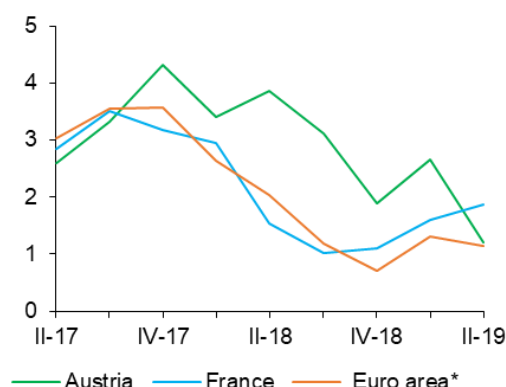
Other possible factors were at play... Other reasons than demand (effective and expected) might have affected the investments decisions of firms, hence. One possibility is the low cost of funding, due to the expansionary monetary policy. Another could be related to possible fiscal incentives, if any, and yet another could be the need to improve capital stock with major use of new technologies in order not to lose competitiveness and/or reduce the impact of pollution.

...but, according to the Institutes forecasts, they will not be sufficient to consolidate investment growth next year. Whatever the case, according to the Institute forecasts, it seems that in 2020 this share will reduce with respect to 2019, coherent with the pessimistic view of the investment cycle in many countries.

The external environment will continue to burden on business perspectives. Pessimism on the investment perspectives is based on weak business expectations most of which depends on extra-EU factors. They are not new factors but rather seem to be a matter of persistency. Among these factors, the Institutes indicate weaker external demand, geopolitical risks, trade protectionism, whereas weak domestic demand is relevant only for a small number of Institutes.

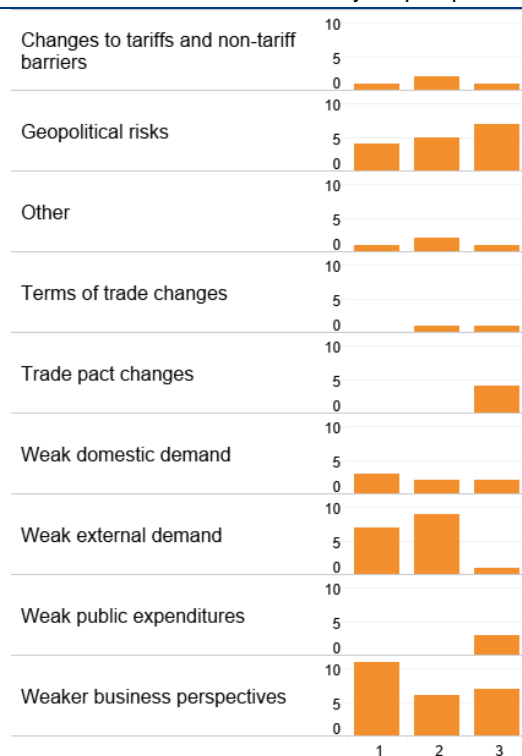
Not only a business cycle problem. Although in 2020, other expenditure items might compensate for this negative effect on GDP growth, it leaves several questions on the future development of Europe as an aging area, lagging in new technologies and relatively slow in to react to changing preferences especially with respect to pollution and climate change.

Fig. 2.1.7 Potential demand for investments
% yoy



Source: Prometeia's calculations on Eurostat data
*Euro area calculated as weighted average of Germany, France, Italy, Spain, Netherlands, Belgium.

Fig. 2.1.8 The most important factors limiting investments within a two-year perspective



Source: AIECE Institutes

2.2 Labour market

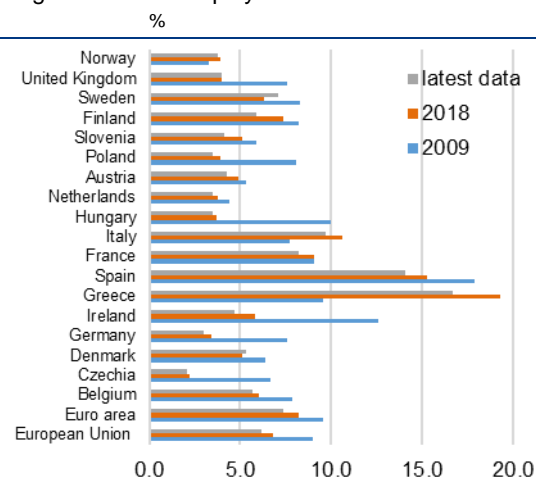
The slowdown in European economies is influencing labour market performance... Unemployment is currently at its lowest level since the financial crisis in all of the AIECE countries (Fig. 2.2.1), except Greece, Italy and, to a lesser extent, Norway. Nevertheless, the slowdown in the European business cycle has begun to be reflected in employment growth and can be seen clearly in the case of the euro area average and the largest countries (Fig. 2.2.2).

In fact, employment growth (in terms of total hours worked) in the EMU fell to 1 per cent in the Q2 this year from 1.6 per cent on average in 2018. Differences among countries remain. After years of records, the weakening of the German business cycle is affecting the labour market: while employment in the manufacturing sector has been declining since last spring, the strong growth that characterized private services and construction employment until a few months ago, is slowing. This has not prevented the unemployment rate from falling further and reaching an all-time low of 3 per cent in September, the second lowest among the AIECE countries after the Czech Republic (2.1 per cent). In fact, the greater caution shown by German companies over increasing their workforce has slowed supply (for instance, an observed reduction in migration flows from Eastern Europe, which are normally very reactive to job opportunities), thus, allowing a further reduction in the unemployment rate although the number of unemployed registered for administrative purposes has increased.

In Spain, a slowing of the increase in labour input emerged in Q2, when growth in hours worked halved compared to the average for the previous quarters (1.4 per cent versus 2.8 per cent). This slowdown might be linked also to the increase in the minimum wage which came into force at the beginning of 2019. This did not prevent a further reduction in the unemployment rate (14.1 per cent in September from an average 15.3 per cent in 2018), despite an increase in the labour supply due, also, to a recovery in migration flows.

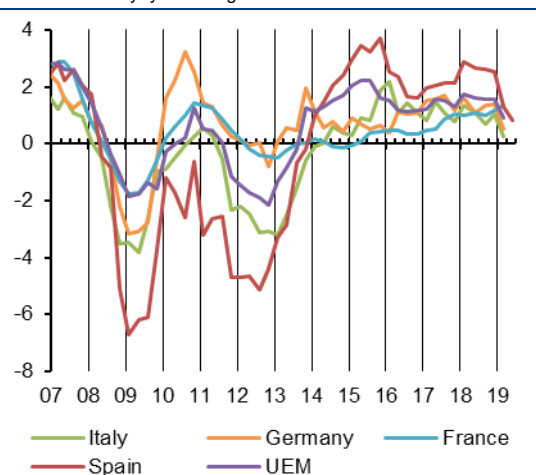
... but with some differences. In France, while economic growth has been weakening, employment

Figure 2.2.1 Unemployment rate



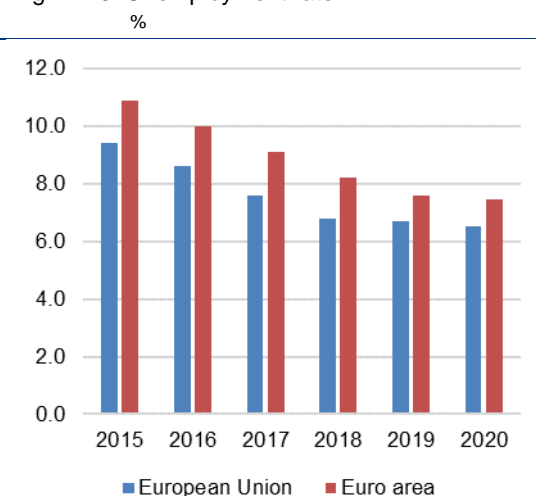
Source: Eurostat

Fig. 2.2.2 Employment (hours worked)
yoy % change



Source: Eurostat

Fig. 2.2.3 Unemployment rate



Source: AIECE Institutes and Eurostat

growth has remained solid. This could be explained by the delayed impact of the strong growth up to end 2017. However, the intensity of the phenomenon, especially at the beginning of 2019, is surprising and could be linked to the measures adopted in recent years to (perhaps temporarily) increase economic growth employment intensity. In Italy, also, employment has continued to grow, despite the stagnant economic activity since the second half of 2018. Against this stagnating GDP growth from the Q2 of 2018 (-0.1%), total employment (full-time equivalent) grew by 0.5 per cent and the unemployment rate fell to 9.9 per cent (10.6 per cent in 2018).

In perspective. The question now is how much the labour market will reflect the economic slowdown. According to the AIECE Institutes, unemployment in the euro area is expected to continue to decline, but at a slower pace than previously (Fig. 2.2.3). The mean of the respondents forecast is an unemployment rate in 2020 of 6.5 per cent in the EU, 7.5 per cent in the euro area, down from 6.8 per cent and 8.2 per cent in 2018 respectively, with all responding Institutes expecting unemployment to continue to decline slightly from 2019 to 2020.

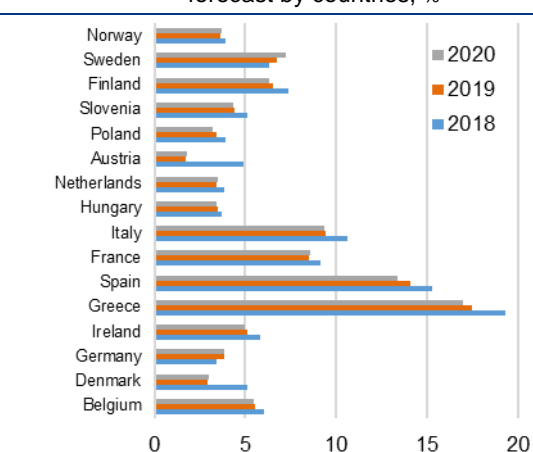
Differences among countries are expected to remain almost unchanged, with all the Institutes forecasting stable or only slightly decreasing unemployment rates for their respective countries (Fig. 2.2.4). In particular, comparing countries with high and low unemployment shows that the reduction in EU and euro area unemployment will derive from a reduction in the already low unemployment countries, for example, Germany.

These differences could explain why the responses of the Institutes, when asked to judge the currently implemented measures to reduce unemployment in their countries, were split equally between insufficient and appropriate (Fig. 2.2.5).

Wages still growing in the EU. The progressive improvement in European labour market conditions, yet to be affected significantly by the current cyclical slowdown, has a trend of increasing wages in Europe (Fig. 2.2.6.).

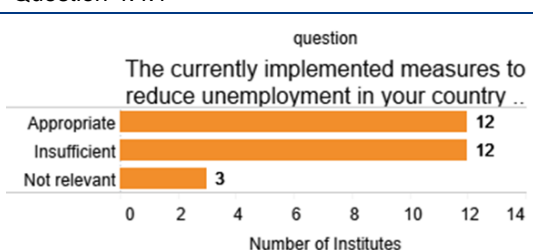
In particular, in Germany, wage growth in the private

Figure 2.2.4 Unemployment rate – forecast by countries, %



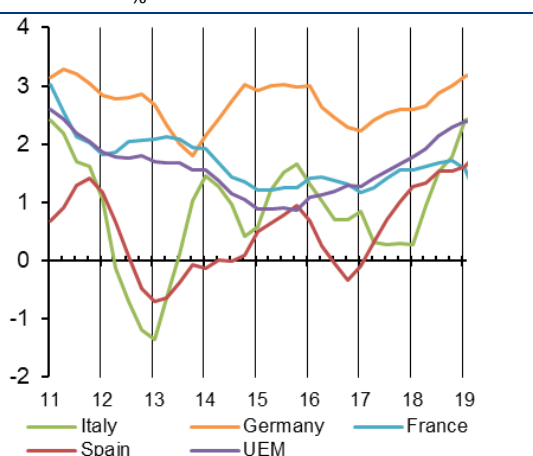
Source: AIECE Institutes and Eurostat

Fig. 2.2.5 Opinion on Unemployment policy: Question 4.4.1



Source: AIECE Institutes

Fig. 2.1.6 Per-capita nominal wage %



Source: Eurostat

sector has continued to accelerate, reaching 3.2 per cent in the first half of this year. Application of very limited increases provided for the collective agreements is slowing growth in negotiated wages, but is not reflected

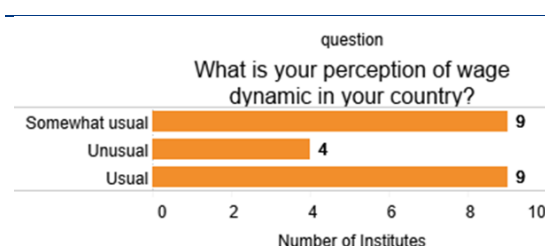
in actual wages. Moreover, this is a temporary slow-down, as contracts (services, trade, banks) being signed at the moment, include higher wage increases than under the 2016 and 2017 agreements, while also, in several cases, allowing for individual employees to choose between more leisure time and an increase in wages. Therefore, wage developments so far continue to reflect a very strong labour market rather than a slow-down in economic activity growth. Even in Spain, where the unemployment rate persists at above 10 per cent, wage growth is still on the rise, driven by improved macroeconomic conditions and a parallel improvement in the labour market, which is reflected, also, in the strong recovery of migration inflows. In Italy, the strong increase in de facto wages in the private sector (2 per cent on average in the first half of the year), double that of negotiated wages (0.9 per cent), implies an increase in the wage drift. The negative rebound observed in France, the only country to record a reduction in the rate of growth in Q2, seems to be a reflection, mainly, of one-off fiscal measures.

These developments, coherent with the labour market conditions, are deemed by most of the Institutes to be 'usual or somewhat usual' (question 4.4.4, Fig. 2.2.7), and in two cases only were considered to be outside the range of possibility (very unusual).

In perspective. According to AIECE Institutes, wage growth in the euro area and in the EU is expected to decelerate in 2020.

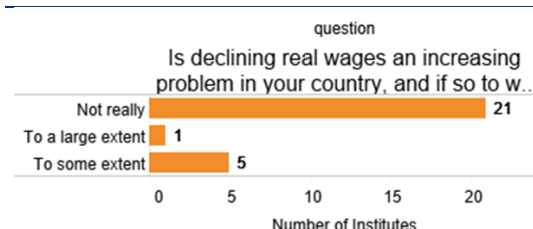
Nevertheless, the Institutes for the most part, responded that declining real wages were not a problem in their country (question 4.4.5, Figure 2.2.8)

Fig. 2.2.7 Opinion on wage dynamic: Question 4.4.4



Source: AIECE Institutes

Fig. 2.2.8 Opinion on real wage dynamic: Question 4.4.5



Source: AIECE Institutes

Focus: Labour markets beyond unemployment rates

Labour market improvements have been widespread in Europe, but with marked differences among countries, beyond unemployment rate figures. It is worth focusing on some of these different measures of labour market 'health'.

According to SAFE, Survey on Access to Finance by Enterprises, collected by the ECB, availability of skilled labour, along with the difficulty involved in finding customers, is the dominant concern for euro area enterprises, while access to finance was considered the least important obstacle (see Fig. 2.2.F1). In the last survey round, 25 per cent of euro area SMEs cited availability of skilled labour as their main problem (down marginally from 26 per cent in the previous survey round). Among countries, Germany is certainly the most affected one, even if in France as well the shortage of skilled staff is considered an increasing obstacle for firms.

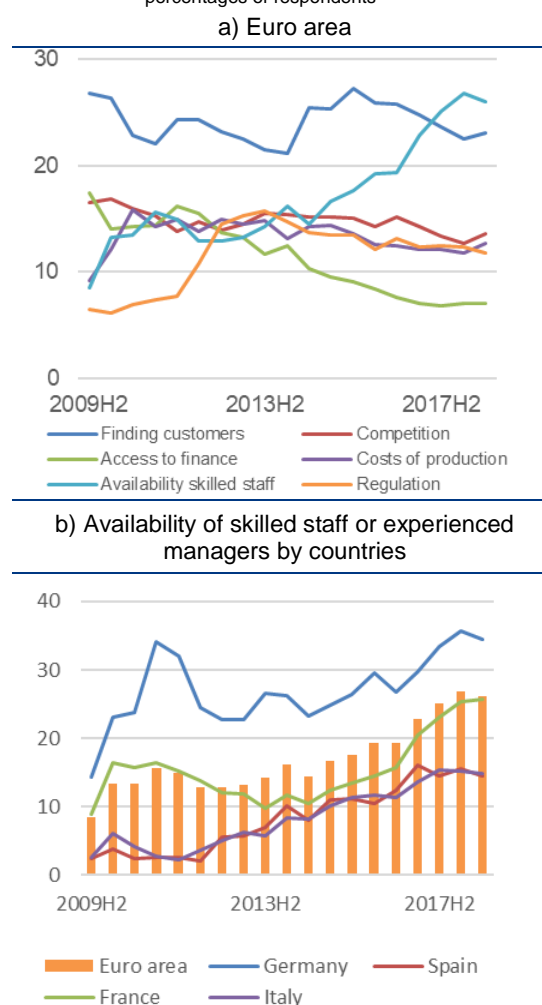
Notwithstanding the level of unemployment, labour mismatches are a problem for most of the AIECE Institutes. When asked about the extent to which shortage of appropriate labour was a problem, only two Institutes considered their country to be unaffected (Question 4.4.2).

Labour market performance can be evaluated also, based on the composition of employment in terms of tenure and working times.

Temporary employees, for instance, represent a share of total employees (Fig. 2.2.F2) ranging from around 5 per cent in the UK to more than 25 per cent in Poland and Spain, and this share has increased over the last ten years in those countries more affected by the crisis. In this respect and country particularities apart, it can be considered a measure of labour market uncertainty and fragility, especially if workers are unable to find permanent jobs (Fig. 2.2.F3). This applies to the Spanish and Italian cases, where almost all temporary employees would prefer to be in permanent jobs, but is less evident in other countries.

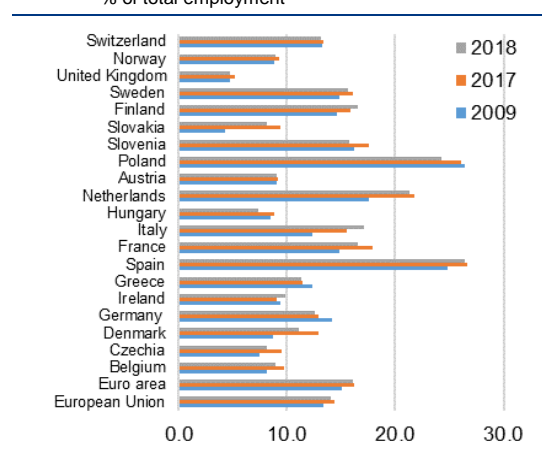
The increase in **part-time employees** is a common feature of European labour market evolution (Fig. 2.2.F4) and, currently, accounts for nearly 20 per cent of total

Fig. 2.2.F1 The most important problems faced by enterprises
percentages of respondents



Source: ECB, SAFE- Survey on Access to Finance by Enterprises

Fig. 2.2.F2 Temporary (fixed-term) employment
% of total employment



Source: Eurostat

employees, again with large country differences ranging from 50 per cent in the Netherlands to 4 per cent in the Czech Republic. In this context of large differences in traditions and attitudes, involuntary part-time working is a signal of the different weaknesses in different labour markets. In Greece, Italy and Spain involuntary part-time employment accounts for about half of total part-time jobs, whereas in the Netherlands it represents only 7 per cent.

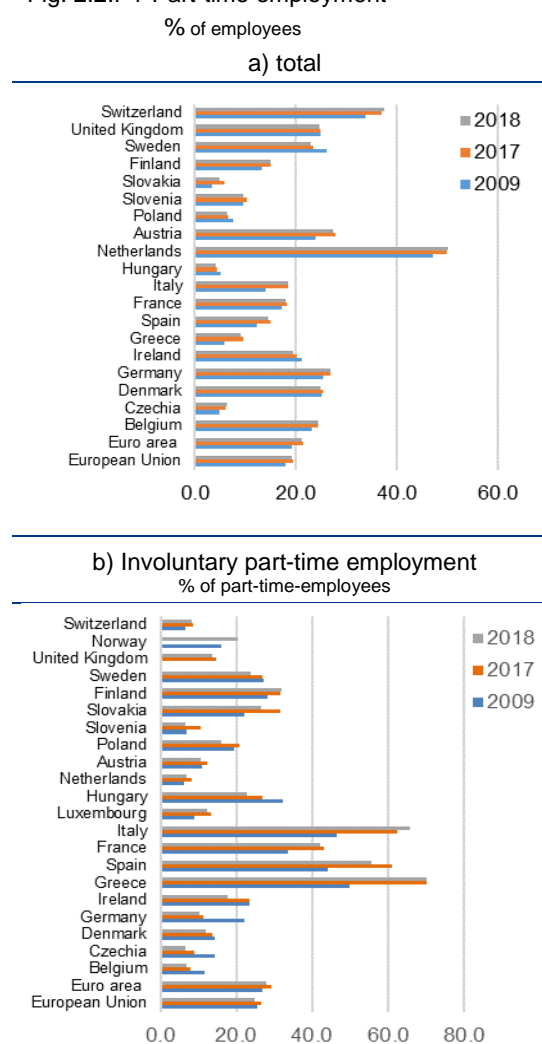
Nevertheless, when asked for their perception of the importance of workers in precarious jobs, six Institutes stated it was unusual, while the majority considered temporary contracts to be common (question 4.4.3).

Fig. 2.2.F3 Temporary employees that not find a permanent job



Source: Eurostat

Fig. 2.2.F4 Part-time employment



Source: Eurostat

2.3 Inflation development

Inflation in Europe. From over 2 per cent for some time during the last year (Fig. 2.3.1), inflation in Europe has been decreasing and in summer 2019, reached lows not seen in the last three years, as a consequence of lower energy prices and weak core components. In September, the latest available data, inflation in the EU was at 1.2 per cent, 0.8 per cent (down from 1 per cent in August) in EMU, well below the ECB target.

Focusing on the euro area, inflation is well below the ECB target, despite the different cyclical positions of the largest countries... Inflation has remained below target for the largest countries in the euro area (Fig. 2.3.2), regardless of cyclical phase or output gap: ranging from 1.1 per cent in France to 0.2 per cent in Spain, over 0.9 per cent in Germany and 0.3 per cent in Italy. It can be said with certainty that there are no signs of inflation in Europe.

... which is not explained mainly by the erratic components, energy and unprocessed food, ... An absence of inflationary pressure, stems, primarily, from core components, since the more erratic ones of energy and fresh food are balanced. In the case of energy, in fact (Fig. 2.3.3), the weakening of the world economic cycle calmed the international price of oil (and raw materials, in general), reducing inflation not only compared to the peaks reached in mid-2018 but also compared to winter 2019. Unprocessed food moved in the opposite direction in the two biggest economies, that is, it accelerated in Germany and France.

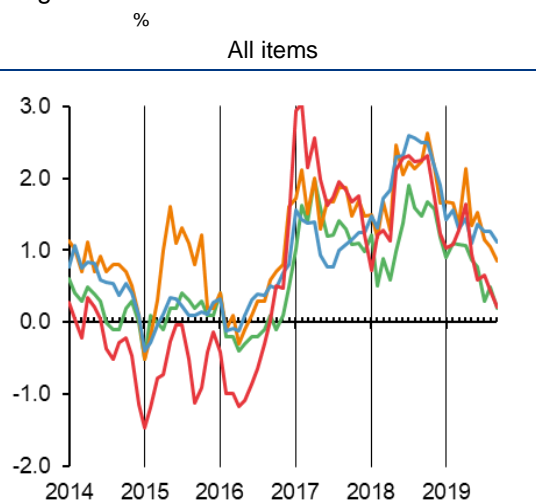
...but rather by core components. Therefore, the slowdown in overall inflation reflects a similar cooling in core inflation (Fig. 2.3.4). In fact, apart from some variability, it is clear that there is no tendency towards an increase in core inflation, even in Germany where spare capacity is low. On the contrary, considering the average for the last three months (July-September) compared to the same months in 2018, core inflation fell in Germany (to 1.1 per cent from 1.5 per cent), in France (1.2 per cent versus 1.4 per cent) and in Italy (0.5 per cent versus 0.9 per cent), and remained almost stable in Spain (1.1 per cent). In all countries, core inflation

Fig. 2.3.1 Consumer inflation



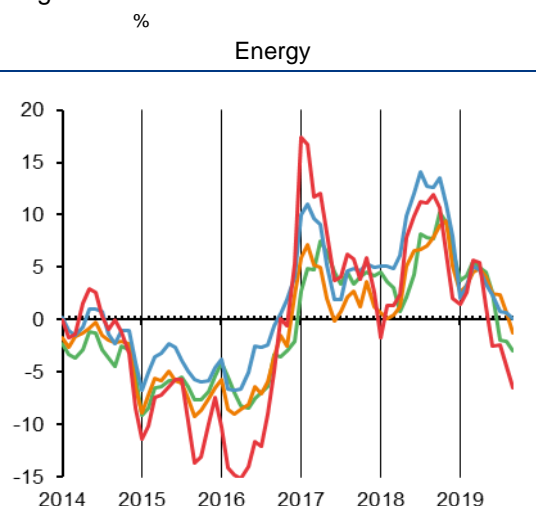
Source: Eurostat

Fig. 2.3.2 Consumer inflation



Source: Eurostat

Fig. 2.3.3 Consumer inflation



Source: Eurostat

struggles to cope with the, albeit limited pressures resulting from increases in labour costs, driven by wage increases and by a labour productivity dynamic squeezed by employment growth. Even profit margins, which are supposed to react to demand pressures and, thus, to a positive output gap, show no signs of an increase.

In perspective. There is some evidence supporting the idea that there are structural factors causing the decline of core inflation (see focus below) that will limit its growth in the coming years, even in the presence of an overall favourable macroeconomic context. In fact, according to AIECE members, in 2020 inflation in the euro area will stabilize (Fig. 2.3.5).

AIECE member Institutes expect inflation in the euro area and the EU to decrease in 2019 with respect to 2018, and to reach 1.3 per cent and 1.5 per cent respectively. On average, inflation is expected to decrease in 2019 with respect to 2018, almost everywhere but Ireland, the Netherlands and Poland.

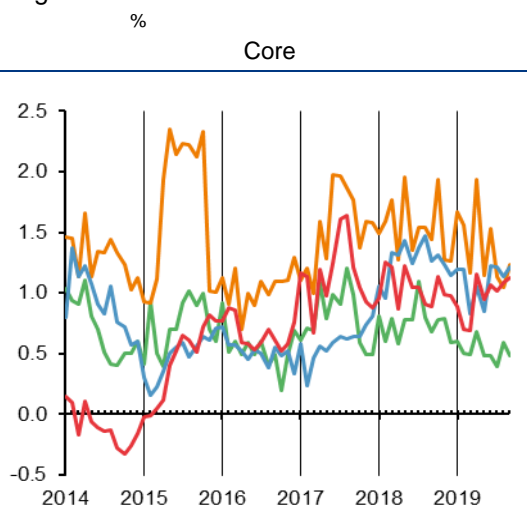
In 2020, inflation is expected to stabilize, in both the EU and the euro area, with little variability among Institutes which, on average, are concentrated around the average, with only two outliers (1.1 per cent and 1.7 per cent).

As for individual countries, for most the forecast is for either constant or increasing inflation, the exceptions being Hungary and the Netherlands, where inflation is expected to decrease. Nevertheless, the AIECE Institutes continue to expect substantial differences among individual countries in the levels of price inflation (Fig. 2.3.6).

Inflation will not exceed 2 per cent anywhere, except Poland (3 per cent), with six out of 22 Institutes predicting inflation at above 1.5 per cent for their particular country. The country with the highest inflation in absolute numbers is Poland followed by Slovenia (1.9 per cent) while the countries with the lowest project inflation are Italy, Greece, Spain and Switzerland.

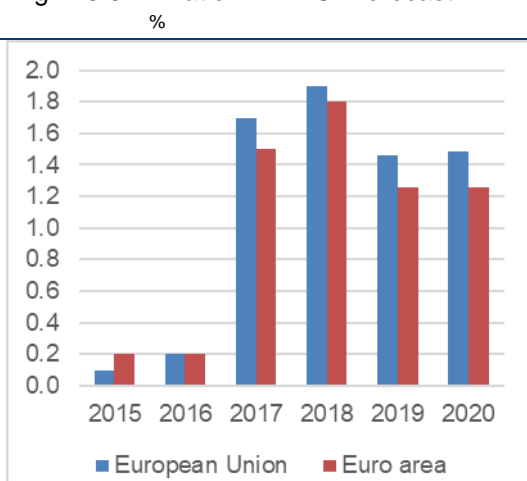
The lower level of inflation forecast by AIECE member Institutes compared to the spring report, might justify the more expansionary ECB monetary policy announced last summer.

Fig. 2.3.4 Consumer inflation



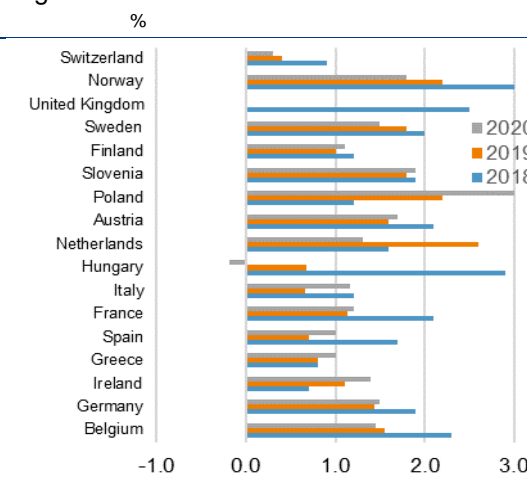
Source: Eurostat

Fig. 2.3.5 Inflation – AIECE forecast



Fonte: AIECE Institutes and Eurostat

Fig. 2.3.6 Inflation – AIECE forecast



Fonte: AIECE Institutes and Eurostat

Focus: What is keeping core inflation so low?

Debate on inflation is lively among central bankers and scholars on both sides of the Atlantic. Several issues have been explored, from wage behaviour, to the Phillips Curve, to internationally traded prices. While one could refer to the extensive literature on these issues, we want to focus on the dynamics of domestic components. Fig. 2.3.F1 compares inflation over a five-year average, from the start of monetary union to the latest available data, of the headline index, the core and its main components, services and non-energy products (composed of durable, semi-durable and non-durable goods). We consider the EMU as a whole, and Italy where inflation is the lowest among the largest countries.

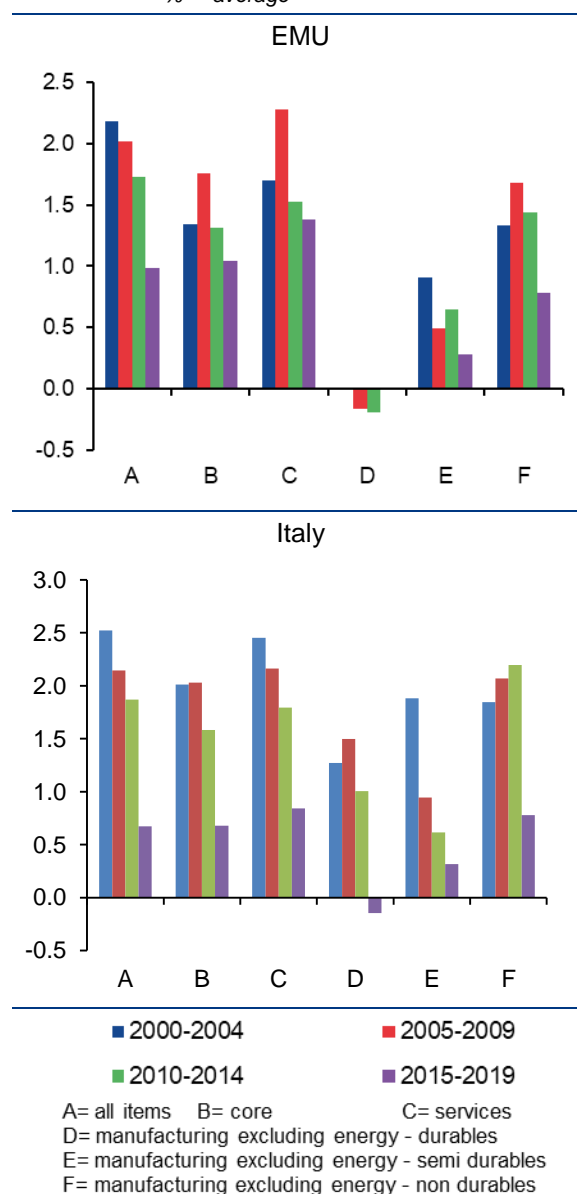
While a downward trend in EMU inflation is evident, it is clear, also, that the decline in Italian inflation has been more marked. While part of these differences likely reflect different output gaps and cyclical positions, observation of the differentials shows that the reduction in inflation gaps is widespread among the various categories of goods, and that there has been a clear reduction in inflation in both services and durable goods.

This depiction supports more in-depth empirical analyses (including Y. Abdi, L. Lin, A. Paret, "Understanding Euro Area Inflation Dynamics: Why So Low for So Long?", IMF WP/18/188; see also the bibliography cited in E. Ciapanna and C. Rondinelli, "Retail Market Structure And Consumer Prices In The Euro Area", Working Paper Series, n.1744/December 2014), which shows that increased competition in the supply of certain service sectors (transport, telecommunications, tourism, etc.) together with the spread of new forms of distribution (vertical integration in distribution chains and, more recently, e-commerce), have produced a transformation in existing forms of distribution by lowering the average prices of many durable and semi-durable goods (e.g., clothing and footwear). These phenomena are not limited to a single country, but in Italy, characterized in the past by structural inflation above average due to the existence of inefficiencies, profit rents, etc.,

have allowed the greatest reduction in prices, due, obviously, to an unprecedented economic crisis which has pushed many producers and retailers out of the market.

This is consistent with the AIECE Institutes' views. When asked about the main cause of the weak inflation outlook in Europe (see General Report, Part 2, 6.1.2 question), they ranked expectations first, followed by two structural reasons, technology/shopping on line and increasing international and domestic market competition.

Fig. 2.3.F1 Inflation in perspective
% – average



Source: Prometeia's calculations on Eurostat data

QUESTIONS FOR DISCUSSION

1. Credit conditions are favorable and are going to remain such for a long time; expectations of robust growth are missing; where could they come from?
2. In the case of real truce on trade between the US and China, would this be sufficient to improve firms 'confidence and give a positive impulse to investments next year?
3. Did we experience structural breaks (changes in the global value chains; digitalization process, etc.) and should expect lower growth for longer? In other words, is Europe on the brink of (or already in) a secular stagnation with very few possibilities to escape?
4. German Experts declare that in Germany traditional industry is experiencing digital disruption. How is the situation in other countries? Are governments aware of possible lags with respect to main competitors and are they intervening in order to support firms in this type of investments?
5. Increasing investments despite decelerating potential demand for investment goods: one possible explanation relates to fiscal incentives. Are there fiscal incentives in any country beside Italy? Can fiscal incentives really support investments?
6. The dimension of European firms, with few exclusions in the automotive sector, is not comparable to that of the US and Chinese giants; will this be a problem for European growth?
7. According to several studies (ie ECB model published in its April Economic Bulletin) core inflation should have picked up some time ago, driven by diminishing labour market slack. As a consequence, one can say that the equilibrium unemployment rate/NAIRU in the euro area is lower than usually measured. What is your opinion? Is the equilibrium unemployment rate in your country in line with official estimate?
8. Most of the increase in employment over the last ten years was due to the rise of alternative/non standard work arrangements (temporary employment, on-call workers, part-time, independent contractors/freelancers). Is this true for your country? Why there is such a widespread perception of insecurity on the labour market notwithstanding historical lows unemployment rate?
9. Several Institutes judge the wage growth trend in their countries unusual. Could you elaborate on this? Is this linked to the widespread perception of insecurity on the labour market and/or to institutional changes (reforms, etc.)?
10. Signs of weaker inflation outlook for the near future are emerging again. Do you think there is an increasing risk of deflation/very low inflation in Europe? Focusing on core inflation, which are the main determinant of such a weak growth? Are there other possible explanations?
11. Assuming there is a risk of deflation, what will be the consequences for the European economies? Should the ECB change his target?

2.4 Non euro area countries

Denmark

High uncertainty and lower growth rates on the Danish export market is expected to reduce Danish growth in particularly 2020. Labour market pressure has been reduced the past year, but remains relatively high, and employment is expected to continue to grow the coming years. Both GDP and employment growth is however expected to be below potential in 2020.

Sweden

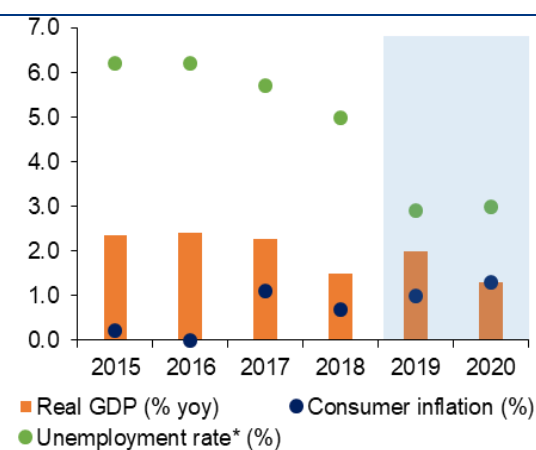
The Swedish economy is in a clear slowdown phase, and the output gap will close next year after gradually narrowing this year. International trade disputes and uncertainty around Brexit are weighing on the global economy, which is affecting Swedish exporters. The investment cycle in Sweden has also peaked. Employment has decreased this year, and unemployment increased rapidly over the summer. Mildly expansionary fiscal policy will help prop up demand growth next year to some extent, but unemployment will continue to rise slightly and inflation will remain well below 2 per cent. The Riksbank is not therefore expected to raise the repo rate either this year or next.

Switzerland

The signals coming from the Swiss economy have deteriorated recently. KOF is lowering its forecast for economic growth this year and next. Capacity utilisation in Swiss industry is no longer quite as high as it was at the end of 2018. Although employment is currently rising overall and unemployment has continued to decline, growth in GDP will be slightly weaker than suggested in the spring. The slowdown in international business activity and the economic data for the first half of 2019 have prompted KOF to lower its forecast for economic growth in 2019 and 2020.

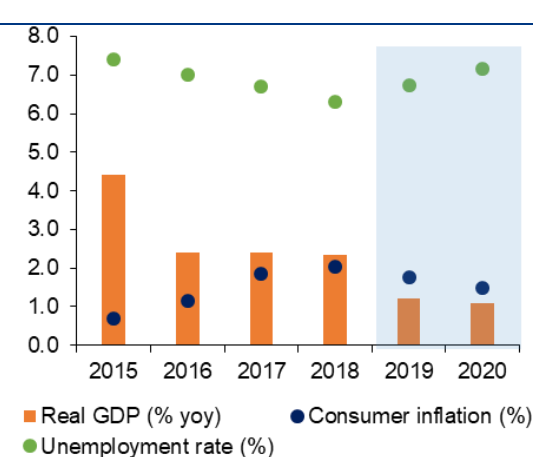
The continuing high level of uncertainty, the sluggish international economy and the recent appreciation of the Swiss franc will have a negative impact on large sections of Swiss industry. The stronger Swiss franc will also act as a drag on the tourism sector, which is usually

Fig. 2.4.1 Outlook for Denmark



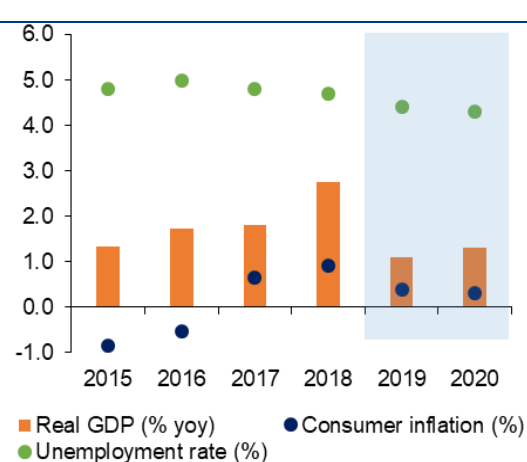
Source: Danish Economic Councils forecasts on Eurostat data

Fig. 2.4.2 Outlook for Sweden



Source: NIER forecasts on Eurostat data

Fig. 2.4.3 Outlook for Switzerland



Source: KOF forecasts on Eurostat data

affected by exchange-rate movements. Weaker economic growth will cause employment to increase more slowly, which will have a corresponding impact on unemployment. KOF expects the unemployment rate to rise modestly instead of continuing to fall.

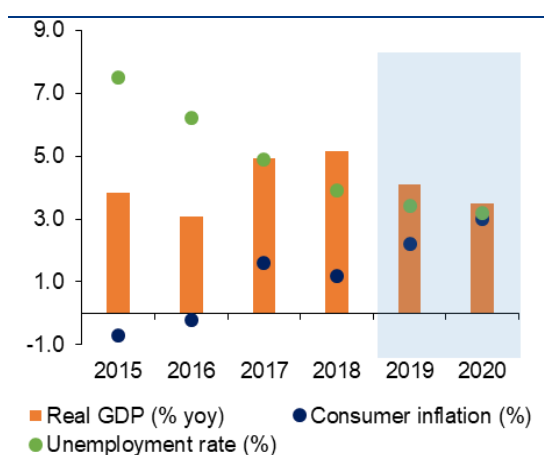
Poland

After the peak in GDP growth in 2018 (+5.1 per cent), Polish economy is gradually entering the slowdown phase, same as the whole EU economy. However the projected results for Poland are still relatively good - the forecast for GDP growth rate is 4.1 per cent in 2019 and 3.5 per cent in 2020. After several years of consumption-based growth, the private investments are taking the lead - they are expected to grow by 7.0 per cent in 2019 and 4.5 per cent in 2020. The impact of fiscal stimulus will be the most interesting issue to observe in the coming quarters in Poland. The government has planned to introduce new social programs and tax cuts worth altogether 1 per cent GDP in 2019 and 2 per cent GDP in 2020 (in comparison to 2018 level). As a result, the structural deficit of general government sector will increase from 1.2 per cent of GDP in 2018, to 2.5 per cent of GDP in 2019 and 1.6 per cent of GDP in 2020, as projected by the Polish Ministry of Finance.

Hungary

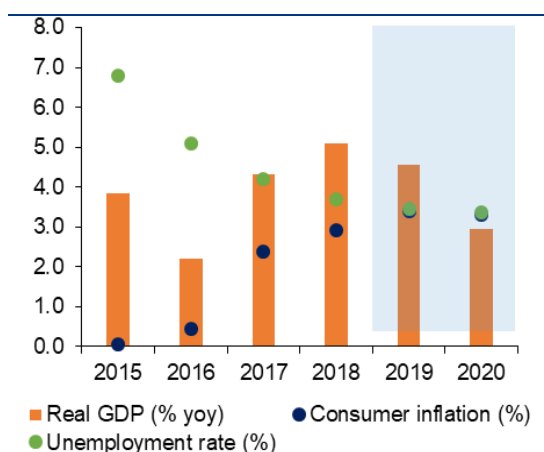
Economic growth is past its cyclical peak in Hungary: a deceleration can be seen in both industry and construction, even if the deceleration is mild so far. Economic growth will remain strong in the second half of 2019, due to strong domestic demand (private consumption, fixed investment). The next year, however, will see a substantial slowdown in investment growth, as EU funds will no longer drive the expansion of investments. Consumption, on the other hand, is expected to continue to expand at a relatively good pace, since wages will continue to rise at a considerable pace, due to the still challenging labour shortage. As a result, economic growth is expected to remain at or above 3 percent. The primary risk is external demand: if the ongoing gradual deterioration of European economic conditions accelerates, then Hungarian exports will take a larger hit than expected, and the

Fig. 2.4.4 Outlook for Poland



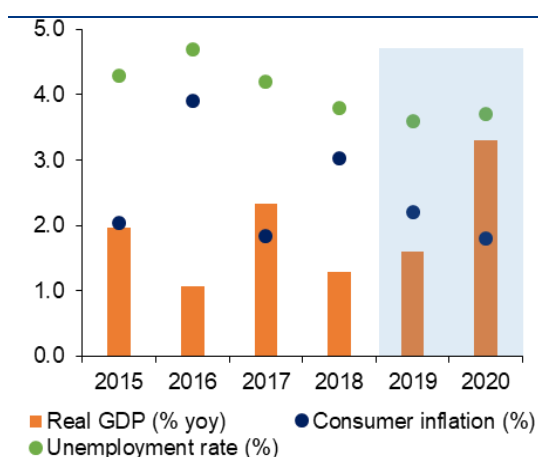
Source: Polski Instytut Ekonomiczny forecasts on Eurostat data

Fig. 2.4.5 Outlook for Hungary



Source: KOPINT-TÁRKI and GKI forecasts on Eurostat data

Fig. 2.4.6 Outlook for Norway



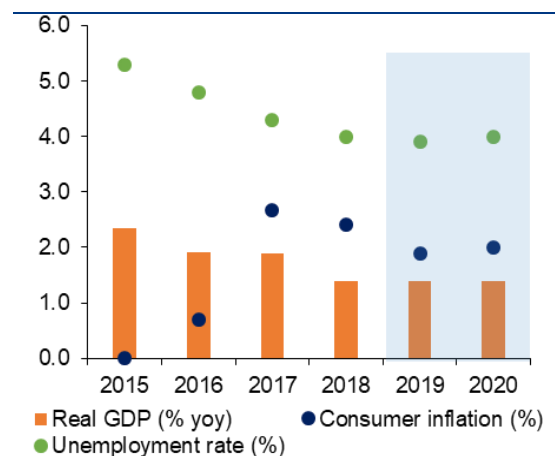
Source: Statistics Norway forecasts on Eurostat data

employment situation will worsen, instead of stagnate, as momentarily expected. This would bring about a drastic deceleration of consumption growth and more steep slowdown of GDP growth.

Norway

The Norwegian economy remains in a moderate cyclical upturn. According to the preliminary quarterly national accounts figures (QNA), GDP growth for mainland Norway has been higher for almost three years than annual trend growth, estimated at just under 2 per cent. Marked growth in petroleum and manufacturing investment is contributing to the upturn continuing this year, but the acceleration of the trade conflict between the USA and China and an imminent Brexit are likely to dampen growth from 2020 onwards. According to our projections, the Norwegian economy will nonetheless be close to cyclically neutral in the years up to 2022. Given these economic developments, we believe that Norges Bank will cancel the planned interest rate hikes, leaving the key policy rate at the current level until the end of the projection period. We assume that fiscal policy will remain close to cyclically neutral. The current cyclical upturn has also been driven by strong growth in business investment, which increased by an annual average of 9.5 per cent from 2015 to 2018. In 2019, investment growth is again expected to remain well over what we regard as trend economic growth.

Fig. 2.4.7 Outlook for United Kingdom



Source: NIESR forecasts on Eurostat data

QUESTIONS FOR DISCUSSION

1. Most of the European, non-euro area countries, are forecast to decelerate in 2020 and according to the Institutes, much of it depends on the deterioration of the external environment and in particular on the weak growth in other European countries. Is economic policy, and fiscal policy in the specific, planning to intervene in order to contrast the deceleration?
2. And following this, should euro area countries expect an impulse from the demand in the European non-euro countries?
3. In perspective, will a truce between US and China produce favorable effects or the uncertainty on US tariffs on imports from Europe could prevail?
4. In case of new significant global downturn several Institutes think that the most suitable policy to be fiscal one, automatic stabilizers and higher expenses, would be the case also for non-euro area countries?
5. It seems that hard Brexit, in the sense of disorderly exit of UK from EU, has been avoided. (Correct?) Does this mean that at least for the next two years (period of transition to the new agreements between UK and EU) we will continue to have high uncertainty on this? Should we expect negative effects on UK but also in the other European countries?

3. Policy environment

3.1 Monetary policy

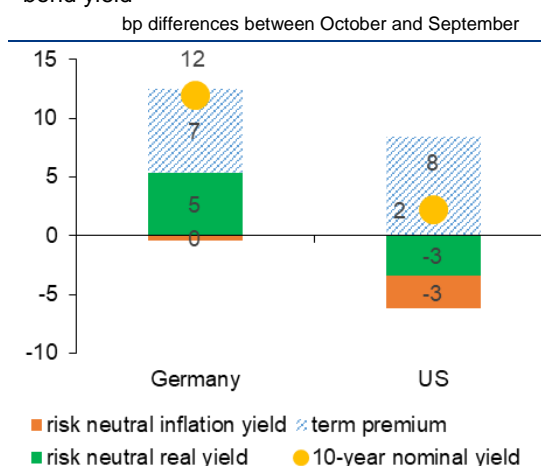
Further expansion by the ECB in September...

In September 2019, the ECB further increased its expansionary monetary policy stance. The conditions of TLTRO-III have eased, together with a further reduction of 10bp on the deposit facility rate. A two-tier system for excess liquidity started at the end of October. In November, the asset purchase programme (APP) restarted, limited to 20 billion euros a month, but with an unlimited period of application “to run as long as necessary”. Financial markets reacted positively. Term premiums reduced and expectations of growth improved, resulting in an increase in the ten-year Bund yield of 12bp on average between September and October (Fig. 3.1.1). However, the ‘political’ consensus was less broad than in the previous ECB interventions, and disagreements have emerged.

The most recent expansionary measures moved from a prolonged inflation time below the target and ongoing deterioration in growth expectations, which could further reduce the achievement of the target of future inflation. In line with its mandate, the ECB increased its support to underlying inflation pressures, to ensure the good functioning of the monetary policy transmission channels and avoid a tighter credit market.

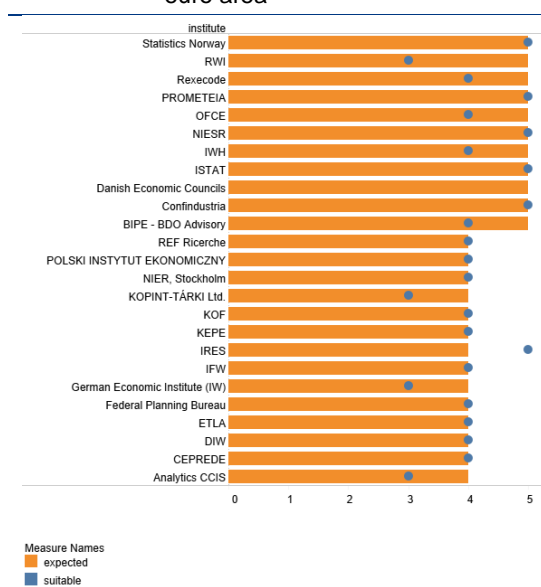
...criticized by some European economists. Criticism has emerged about the real efficacy of these additional measures. According to some European economists, the 2 per cent threshold as a symmetrical inflation target represents a departure from the ECB’s real target of price stability. The 2 per cent inflation target, according to these critics, masks the intent to protect indebted countries. In addition, ultra-low interest rates exert a negative impact on the banking system, insurance companies and pension funds. Extensive loans at extremely low interest rates keep banks, non-financial companies and the entire economy weak through the ‘zombification’ of firms. The longer the ultra-expansionary monetary policy continues, the more negative effects prevail and the more difficult is an exit from this

Fig. 3.1.1 Breakdown of the 10Y government bond yield



Source: Prometeia's calculations

Fig. 3.1.2 Monetary policy stance in the euro area



1 Contractionary 2 Very contractionary 3 Neutral
4 Expansionary 5 Very Expansionary

Source: AIECE Institutes

policy.

The AIECE Institutes believe monetary policy should be expansionary... According to the majority of the Institutes, present monetary policy in the euro area is very expansionary and does not represent the most appropriate stance, which would be expansionary. In two cases, a neutral monetary policy is considered the most suitable, compared to only one case which

considers the present monetary policy to be expansionary whereas very expansionary would be more effective (Fig. 3.1.2).

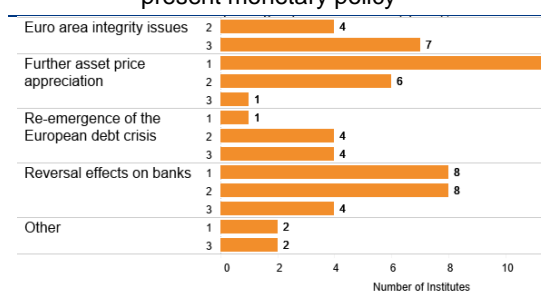
...in order to not feed the risk of asset price bubble, the highest ... The risks associated to a prolonged expansionary monetary policy stance are not negligible and, according to the AIECE Institutes, there could be a bubble in some asset prices, combined to possible reversal effects on banks (Fig. 3.1.3). So far, evidence of reversal effects linked to an ultra-expansionary monetary policy is limited, in all the countries. Nevertheless, the predominance of 'not yet' as the most frequent response, and the comments added, suggest that many Institutes expect some negative effects in the future. BIPE BDO Advisors consider that some reversal effects are already evident in France in the form of the higher costs final consumers are being required to pay to put savings into liquid assets. For the German IWH, this monetary policy could be dangerous for the national banking sector, which is far from robust.

... but the present monetary policy of the ECB is the appropriate response to prolonged inflation below the target. Debate over the real efficacy of monetary policy, at this stage raises questions about the appropriate response of the ECB in the case of inflation falling below the target for a further prolonged period, and about the efficacy of new measures. The thinking of most Institutes is in line with ECB monetary policy and the choice to maintain the present conditions for as long as necessary in the case of below target inflation for a prolonged period. Nevertheless, some Institutes have suggested that it could be useful to modify the ECB's target, in line with the US Federal Reserve dual mandate of inflation and full employment (Fig. 3.1.4).

Some doubts about the efficacy of monetary policy in case of a new significant downturn. According to the Institutes, in the case of a new significant downturn, the most appropriate response for the home country would rely mainly on fiscal policy through both the existing automatic stabilizers and higher fiscal expenditure. This might suggest that further support from the ECB might have a smaller effect compared to the past.

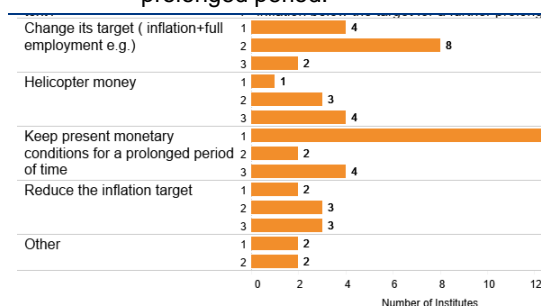
At country level, the majority of the Institutes consider

Fig. 3.1.3 Higher risks associated to prolonged present monetary policy



Source: AIECE Institutes

Fig. 3.1.4 Appropriate ECB action in case of inflation below the target for a further prolonged period.



Source: Prometeia's calculations on Eurostat data

Austria and France represent the countries with respectively the maximum and minimum share in Q2-2019

Source: AIECE Institutes

the national monetary policy expansionary stance suited to their home economies. However, note that, for some non-euro area countries, namely Poland and Norway, national monetary policy is considered to be respectively, neutral and contractionary. In Poland's case, this stance is suitable, in Norway, it is suggested that an expansionary stance would be more appropriate.

3.2 Fiscal policy

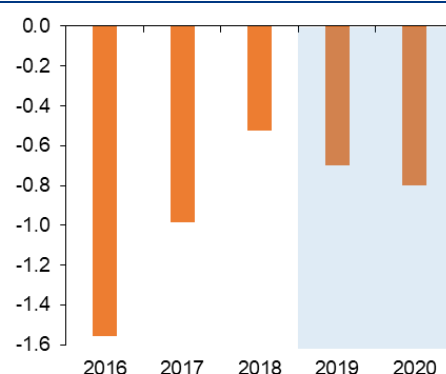
Higher deficit in the euro area in 2019, for the first time since 2010. According to the latest state budgetary data up to and including September 2019, only in France and Spain did state financial needs worsen in the first nine months of 2019, while they improved in Germany and Italy. In addition, the most recent draft budgetary plans, presented to the European Commission, show that the German budget surplus should be in line with the 2018 surplus, at 1.25 per cent of GDP. This contrasts with the forecast in the Stability and Growth Pact issued at the beginning of the year, which envisaged a reduction in the surplus from +1.7 per cent of GDP in 2018 to 0.75 per cent of GDP in 2019, suggesting consistent expansionary measures.

Overall, for the euro area in 2019, the aggregate deficit is expected to increase slightly for the first time since 2010, from -0.5 per cent of GDP in 2018 to -0.7 per cent. This is due mainly to a one-off decrease in budgetary public revenues in France and a lack of significant consolidation efforts in Spain and Italy (Fig. 3.2.1)

Slight expansionary fiscal policy stance in 2020 for the euro area from the most recent documents presented to the Commission... Looking ahead, the new information contained in the recent Draft Budgetary plans, presented to the European Commission, show a further marginal increase in euro area public deficit, from -0.8 per cent of GDP in 2019 to -0.9 per cent of GDP in 2020. Although in no major country have the new government headline deficit targets set for next year been relaxed substantially, the expected decrease in the German surplus, of 0.75 per cent of GDP according to the document presented, and the worsening public deficit in Belgium, will affect the overall results.

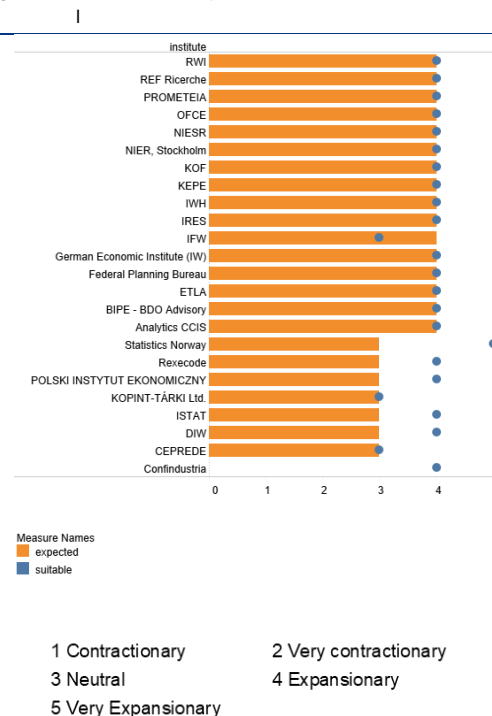
Overall, in 2020, a slightly expansionary fiscal stance in the euro area results from the most recent documents presented to the Commission, mostly thanks to the German fiscal stimulus financed not by borrowing, but by lower savings. Nevertheless, some caution is advised since experience shows that Germany has several times delivered less of a stimulus than indicated by the government in the annual Stability and Growth Pact.

Fig. 3.2.1 Euro area general government deficit as % of GDP



Source: European Commission

Fig. 3.2.2 Fiscal policy stance in the euro area



Source: AIECE Institutes

... stance shared by the Institutes. The majority of Institutes expect an expansionary fiscal stance in 2020 in the euro area overall, and most Institutes consider this stance to be appropriate (Fig. 3.2.2).

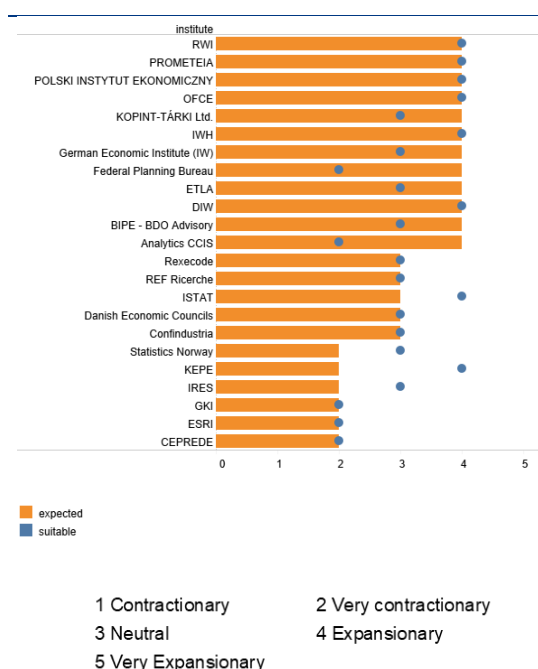
Neutral fiscal policy stance is the appropriate stance at single country level. When moving to fiscal policy at the national level, the most appropriate stance appears to be a neutral one, as if other countries than the home country need the support of public finances to sustain economic growth. This would imply a relatively

less supportive impulse given that the expected fiscal stance is deemed expansionary (Fig. 3.2.3).

That said, the majority of the Institutes think that the current balance between fiscal and monetary policy is appropriate and only a small minority consider that national public debt is not a relevant problem; most of the Institutes think public debt is too high.

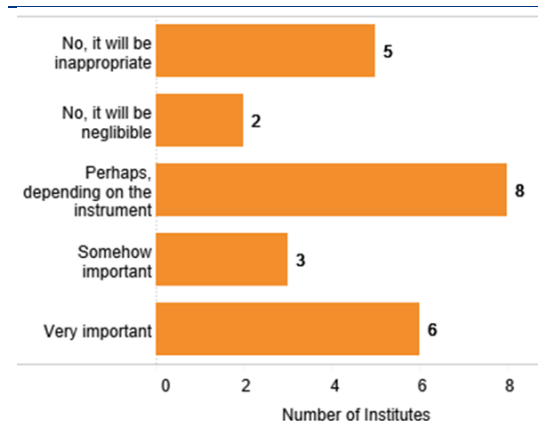
Lack of consensus among the Institutes on the need to coordinated fiscal policy. With respect to the possibility of a coordinated package of expansionary measures at the European level, to counteract the present slowdown, responses varied, with a lack of consensus. Only 6 out of 24 Institutes consider a coordinated fiscal stabilization would be useful to counteract the slowdown, irrespective of the instrument selected, while a few discriminated among instruments (Fig. 3.2.4). Finally, almost all Institutes agree that countries with fiscal space should act to reduce the risk of recession. In this case, there is evidence that the main beneficiaries would be the countries that adopted measures to support the economy, but positive spillovers to the other European countries would not be negligible (see focus below).

Fig. 3.2.3 Fiscal policy stance in home country



Source: Prometeia's calculations on Eurostat data
Austria and France represent the countries with respectively the maximum and minimum share in Q2-2019

Fig. 3.2.4 Usefulness of coordinated fiscal measures



Source: AIECE Institutes

Focus: “Governments with fiscal space should act...”: estimated effect on EMU countries

The President of the ECB has recently recommended that governments with fiscal space facing a slowdown act in an effective and timely manner.

But, what is the fiscal space, how can it be used and how can it affect the EMU activity?

Different possible measures of fiscal space. There is no single definition of fiscal space; it can be described as a country's ability to take budgetary discretionary actions without jeopardizing the sustainability of its public finances. For the EMU countries, the fiscal space cannot be separated from the European and national fiscal rules designed to ensure sound public finances.

We approximate the potential fiscal space for 2020 in all major EMU countries using two different metrics, as reported in Table 1. In case (a) fiscal space is obtained as the gap between the European Commission (EC) estimated primary balance at unchanged policies for 2020 – for Italy we use our forecast –and our estimation of debt-stabilizing primary balance. In case (b) fiscal

space is defined as the gap between the EC projected structural balance in 2020 – again for Italy we use our projections –and the country specific medium-term budgetary objective (MTOs); i.e. the country specific budgetary target set in the Stability Pact and that all EU countries are expected to reach or be heading towards.

Case (a) can be seen as a mechanical tool for gauging consolidation needs under unchanged economic conditions, given a certain debt/GDP ratio. Accordingly, in the group of ten countries considered, only Italy and Spain would have no margin for any intervention. Case (b) is a more prudent interpretation of fiscal space; it is derived from a systematic in-depth assessment of country specific structural conditions, and it takes into account the need to achieve sustainable debt level, while ensuring governments have enough room of manoeuvre. In this case, there would be only four countries -Germany, the Netherlands, Ireland and Austria - that could carry out public interventions contrasting the economic slowdown being experienced by the economy (as in the case of Germany) without affecting the sustainability of public debt.

A boost ... If governments decide to use their fiscal spaces, as defined by the two metrics, in the form of

Tab. 1 Fiscal space in main EMU countries
billions of euros and percentage of GDP

	(a) fiscal space as difference between 2020 primary balance* and debt stabilizing primary balance**		(b) fiscal space as difference between 2020 structural balance and MTO for 2020-2022***	
	as % of GDP	billions of euros	as % of GDP	billions of euros
Germany	2.4	83.4	1.8	62.1
France	0.1	3.2	-1.5	-36.2
Italy*	-0.2	-4.2	-2.5	-44.4
Spain	-0.4	-4.7	-2.2	-27.4
Netherlands	2.1	16.6	1.2	9.6
Belgium	0.3	1.2	-1.8	-8.3
Ireland	1.8	6.1	0.5	1.7
Portugal	1.5	3.1	-0.5	-1.0
Austria	1.7	6.9	0.8	3.0
Finland	1.2	0.3	-0.4	-0.8

* European Commission April 2019 and Prometeia forecasts for Italy

** debt-stabilizing primary balance at 2018 value is derived using Prometeia estimation of structural long term nominal growth and the nominal interest rate paid on the existing debt in 2018

***MTO are given in "Vade Mecum on the Stability and Growth Pact – 2019 Edition"

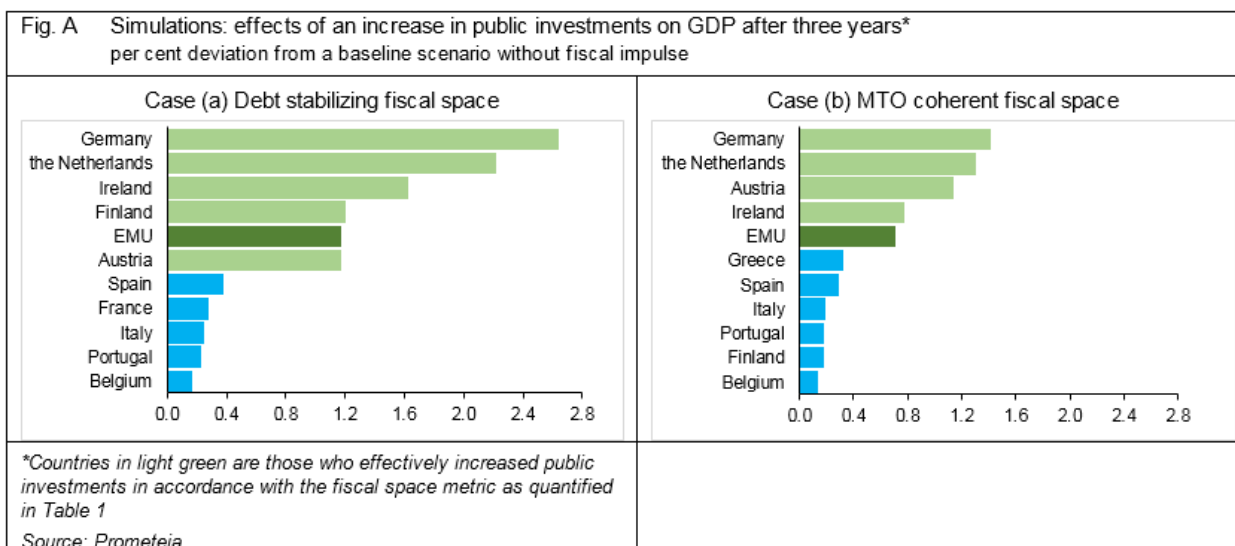
Source: Prometeia's calculations

public investment, it would represent a spending boost of around €120 billion and €80 billion respectively, i.e. 1 per cent and 0.6 per cent of EMU GDP of 2019.

To approximate the economic effect of higher public investments distributed over three years, a simulation exercise with Prometeia's International model has been run. The results show that the increase in public investments would entail a significant expansion in cumulative terms, taking EMU GDP respectively 1.2 per cent and 0.8 per cent above the baseline scenario after 3 years (Fig. A).

... for the countries that adopt the measures and spillover on the rest of the euro area. The main beneficiaries would be the countries that have adopted the measures to support the economy –in particular Germany–but the positive spillovers into the rest of the euro area would not be negligible.

Summing up: the potential impact on the economy of effective and timely higher public investments in countries with fiscal space could be significant. In particular, German GDP is estimated to expand by 1.9 per cent above the baseline scenario at the end of the third year in the case of interventions in line with the MTO budgetary target, at the cost of worsening the budget balance by 0.5pp of GDP on average per year, an amount that would not imply taking on additional public debt.



QUESTIONS FOR DISCUSSION

1. How should the ECB act in case of further prolonged inflation below the target? Some comments beside the response to the questionnaire
2. Does any Institute believe that a target of 1 per cent inflation would be much in line with the domestic and international conditions of the economic cycle?
3. "Price stability" as target of ECB without any specific numerical reference could be not sufficiently specific for financial markets and hence increase volatility. What do Institute think about it?
4. Which could be the disadvantages of coordinated fiscal policy, if adopted to contrast high risk of recession?

4. Risks

The challenges for the European automotive sector: low demand, technological issues and demographic changes

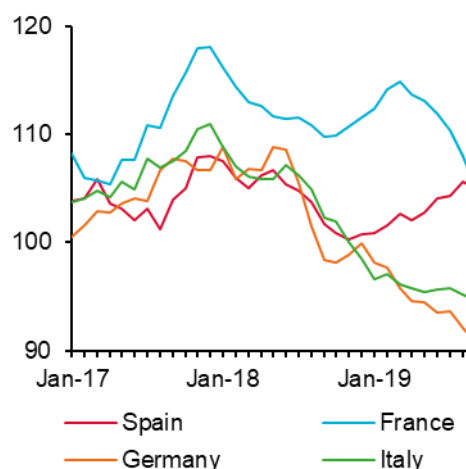
The automotive sector was partly responsible for the slowdown in the euro area in 2018 and 2019, particularly in Germany where it accounts for 20 per cent of manufacturing value added (6 per cent, 5 per cent and 8 per cent of value added in Italy, France and Spain respectively). During 2018, automotive sector activity was affected by numerous factors, some of which were temporary in nature, such as the new vehicle type-approval regulations and a natural decline in demand after years of expansion, while others were of a structural nature, such as the diffusion of electric/hybrid vehicles and car-sharing. In addition, the threat of US tariffs on cars could result in a redesign of the global automotive manufacturing structure.

In Germany, automotive production decreased by 9.8 per cent between May and October 2018, before recovering by 3 per cent in the following four months and then declining again. The automotive sectors in France and Spain declined by 6.8 per cent and 7 per cent respectively between 2017 and 2018, and then recovered. In Italy, there was no reversal of the negative trend and a fall of 15 per cent was recorded between December 2017 and September 2019 (Fig. 4.1).

Moreover, compliance with the European Union's emission limit of 95 g/km of CO₂ before 2021 is likely to induce an exponential increase in the supply of electric and hybrid vehicles, which should represent 30 per cent-40 per cent of total new registrations in 2030. This should make it possible to reduce the wide gap with the American and Chinese markets.

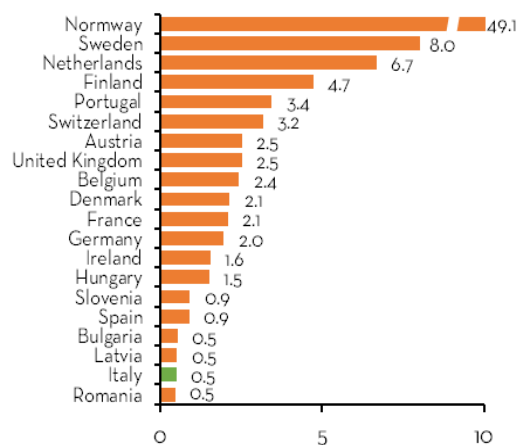
European car manufacturers will have to make significant investments to convert from the internal combustion engine to electric cars, in a context of weak overall demand in the sector. In Europe, electric cars are still marginal in total registrations, except in Norway where they have reached almost 50 per cent of total registrations (Fig. 4.2).

Fig. 4.1 Automotive manufacturing*
- index 2015=100, moving averages 3 months
on seasonally adjusted data



Source: * Vehicles, components and accessories
Source: Prometeia's calculations on Eurostat data.

Fig. 4.2 Share of electric cars* in total registrations in the main European countries in 2018. %



Source: *BEV (Battery Electric Vehicles) and PHEV (Plug-in Hybrid Electric Vehicles)
Source: Prometeia's calculations on ACEA data.

In addition, the ageing of the European population will lead in the medium and long term to a reduction in demand for cars. With increasing age, car use reduces significantly and replacements are postponed. At the same time, young people are moving increasingly to alternative forms of car use, such as rental or shared use, in order to reduce the significant costs associated with car ownership.

According to the majority of AIECE Institutes' opinion,

car industry performance will impact European economy for some time, as only two Institutes think that the restructuring of the automotive sector will last less than one year (Question 6.2.1). Nevertheless, for 9 Institutes the effects on their countries will be negligible.

More general risks

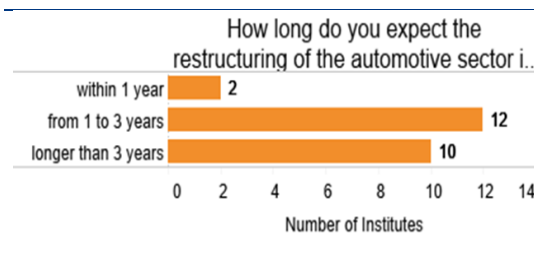
Turning to more general downside risks for the economies in Europe, for almost all Institutes, the greatest dangers arise from the international context, and in particular from increasing protectionism and a new round of trade barriers, from a slowdown in China and in the emerging countries, apart from a disordered Brexit (Question 6.1.1 in General Report Part. 2).

Accordingly, the large majority of Institutes consider a new round of US tariffs on European products likely (Question 6.3.1) with possible negative and asymmetric effects on the single countries. The higher tariffs on a selected sample of European products in place since October seem relatively most costly for France, depending on the typology of products and their incidence on the total exports of the single country.

Besides these negative effects on European exports, positive ones linked to trade diversion of US imports cannot be excluded. Preliminary work at Prometeia reveals that looking only at the US imports subject to higher tariffs that the in first nine months of this year were lower on a monthly average base with respect to same average in 2018, some trade diversions emerged. The countries that most took advantage were especially some Asian ones, namely Vietnam, Thailand and for some extent Japan. European countries, for the moment, do not seem to have substitute significantly Chinese exports in US even if the exports in US of the major euro area countries accelerate in the first nine months of 2019 with respect to the same period in 2018.

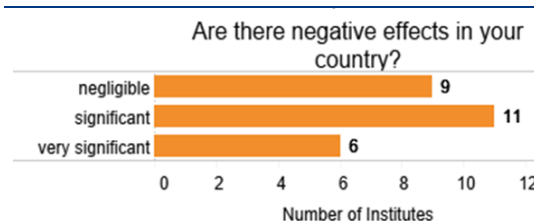
This is in line with not yet evident trade diversion effect signalled by the majority of the Institutes, even if some possibilities in the future cannot be excluded.

Fig. 4.3 Question 6.2.1



Source: AIECE Institutes

Fig. 4.4 Question 6.2.2



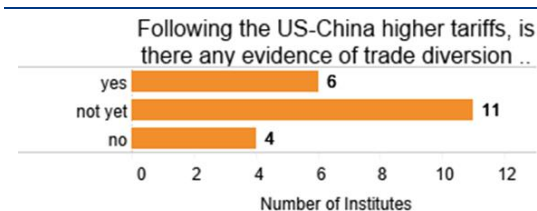
Source: AIECE Institutes

Fig. 4.5 Question 6.3.1



Source: AIECE Institutes

Fig. 4.6 Question 6.3.2



Source: AIECE Institutes

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