



European  
Commission

**AIECE Spring Meeting**

28 May 2021

# ***The European Commission's Spring 2021 Economic Forecast***

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**European Commission, DG ECFIN**

**Economic Situation, Forecasts, Business and Consumer Surveys**

*Economic and  
Financial Affairs*

**Disclaimer: The views expressed in this presentation  
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Available at:  
[https://ec.europa.eu/info/sites/default/files/economy-finance/ip149\\_en.pdf](https://ec.europa.eu/info/sites/default/files/economy-finance/ip149_en.pdf)

*Spring 2021 Economic Forecast*

## ***"Rolling up sleeves"***

### **Key messages**

1. "The EU economy is set to **grow robustly** this year and next."
2. "**Employment** is expected to grow next year and unemployment to decline."
3. "**Fiscal measures** have sheltered the economy and pave the way for the recovery."
4. "**Inflation** is set to peak this year ... it is set to moderate again in 2022."
5. "The **uncertainty** ...will remain elevated. Overall, the **risks**, ...are considered to be broadly balanced."

Source: Remarks by Commissioner Gentiloni at the press conference on the Spring 2021 Economic Forecast, 12 May 2021.  
[https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_21\\_2463](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_2463)

*Spring 2021 Forecast*

# Setting the scene

**COVID-19,  
vaccination, and  
SF21 assumptions**



**A brighter global  
outlook and  
spillovers**



**Economic support  
policies and  
NGEU/RRF**



**Determinants of  
private  
consumption**



**Scars and long-  
term effects of the  
pandemic**





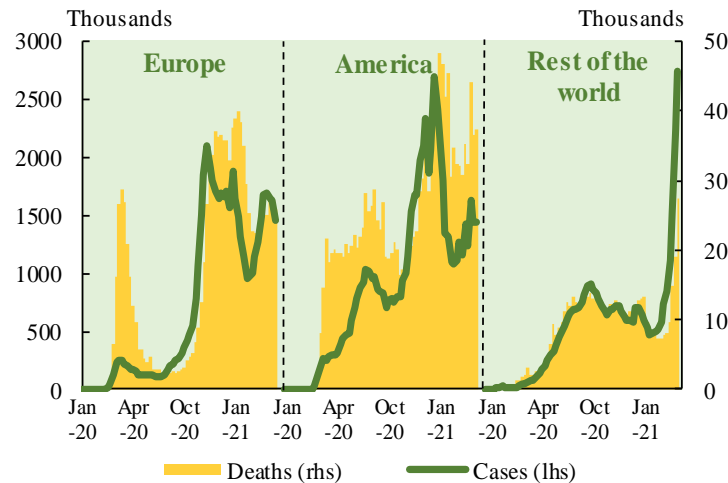
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# The pandemic, ...

## The COVID-19 pandemic continues setting the course...

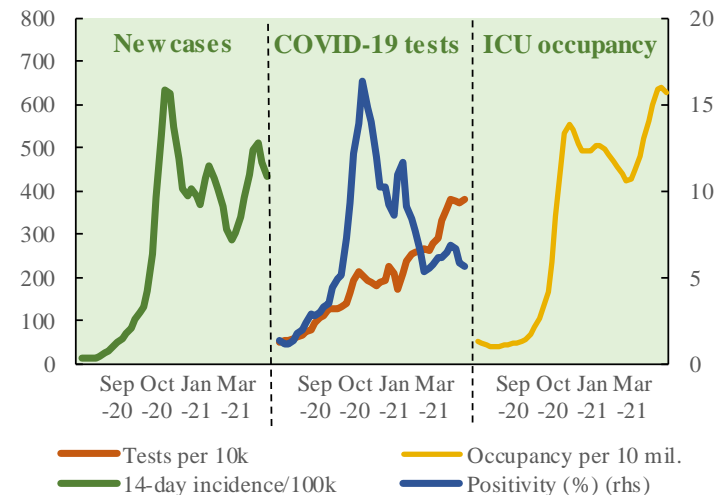
Graph: COVID-19 cases and deaths, Europe, America and rest of the world, weekly data



Source: ECDC.

## ...with indicators in the EU reflecting the 'third wave'

Graph: COVID-19 features (new cases, tests, ICU occupancy), EU, weekly data



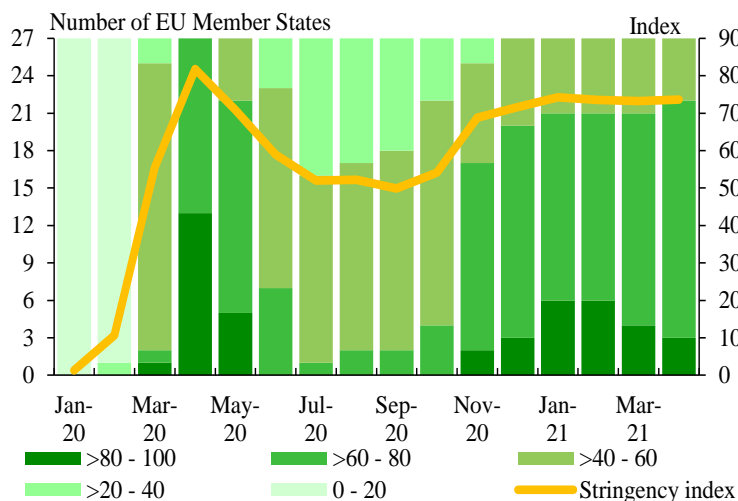
Source: ECDC, Our World in Data, own calculations.

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## ... containment measures, ...

The **stringency** of measures has remained high in early 2021...

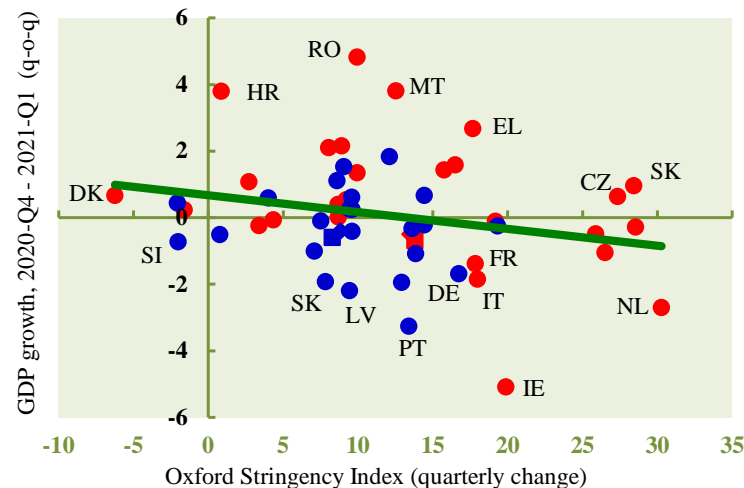
Graph: Oxford Stringency Index, EU and Member States, January 2020-April 2021



Source: Oxford Government Response dataset (30 April 2021).

...with somewhat weaker **linkages** between tighter measures and GDP growth.

Graph: Oxford Stringency Index and GDP, quarterly developments, 20-Q4 and 21-Q1, EU Member States



Source: Oxford Government Response data, European Commission.

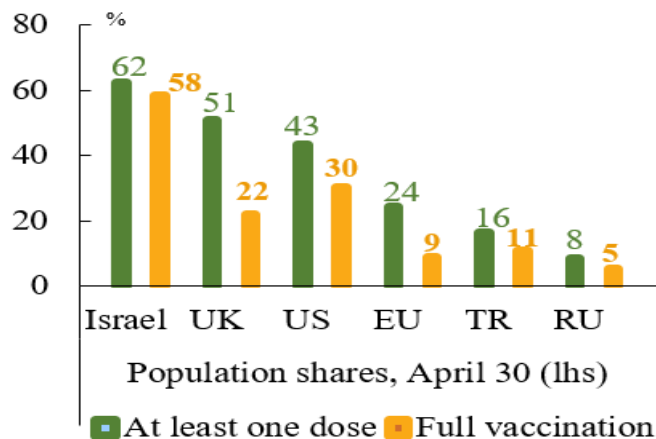
Note: 2020-Q4 red dots, 2021-Q1 blue dots (prel. flash. and forecasts).

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# ...the vaccination progress in 2021,...

## The uptake of COVID-19 vaccines varied globally...

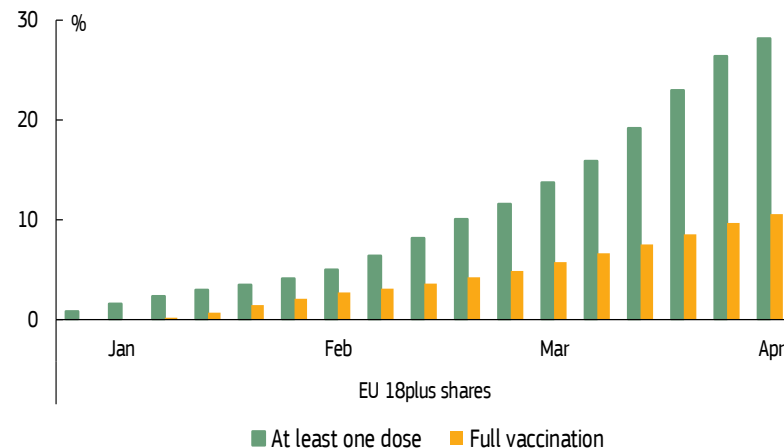
Graph: Shares of people that have been vaccinated and that have been fully vaccinated



Sources: 'Our World in Data' (pop. shares).

## ...and in the EU the uptake increased quickly...

Graph: Vaccine uptake of adult population (18 and older) in the EU, cumulative shares of people, weekly data



Sources: ECDC.

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# ...and the EU vaccination campaign...

...which is reflecting the  
**European vaccination  
campaign...**

Source: Speech by President von der Leyen at the State of the Union conference of the European University Institute, 6 May 2021.

*"It is clear that **our European vaccination campaign is a success.** Because what counts is neither the blaring headlines in certain countries abroad, nor the social media stunts of so-called vaccine diplomacy. What counts is the steadily increasing, daily delivery of vaccines to our people – and to the world."*

[https://ec.europa.eu/commission/presscorner/detail/en/SPEECH\\_21\\_2284](https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_21_2284)

...and should allow reducing  
the numbers of **infections  
and deaths.**

Table: Cases, deaths, and share of vaccinated people in selected countries, February-April

	Vaccinated people, at lease one dose (% of pop.)						
	February 28			March 31		April 30	
ISR	54.5			60.6		62.4	
US	14.9			29.2		43.3	
UK	29.9			45.9		50.6	
EU	5.2			12.0		24.3	
	Cases per million			Deaths per million			Deaths
	Feb.	Mar.	Apr.	Feb.	Mar.	Apr.	Apr.
ISR	15293	6620	621	110	53	18	154
US	7256	5479	5694	198	114	72	23736
UK	5312	2521	1064	246	57	12	820
EU	6399	9677	8957	168	160	162	71883
Source: Our World in Data, own calculations							

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# ...result in SF21 pandemic assumptions.

Assumptions	Risks
<p data-bbox="376 525 1093 654"><b>Spring 2021 (May)</b> "This forecast assumes for the EU that, following a marginal easing of restrictions in the course of the <b>second quarter</b>, ...</p> <p data-bbox="498 682 1093 903">...progress in vaccination will enable a more marked easing of restrictions in the <b>second half of the year</b>, when a substantial share of the adult population should be vaccinated and spare capacity in health care systems returns towards pre-pandemic levels.</p> <p data-bbox="498 932 1093 1182"><b>In 2022</b>, a risk of infection will remain, despite the high share of the population being vaccinated (including refreshed protection when needed, for example due to new variants). It is therefore assumed that some limited containment measures will be in place as needed."</p> <p data-bbox="498 1200 753 1220">SOURCE: page 9 (SF21)</p>	<p data-bbox="1159 525 1593 782"><b>"Downside and upside risks related to the epidemiological situation primarily concern the evolution of the pandemic and the efficiency and effectiveness of vaccination programmes. ...</b></p> <p data-bbox="1159 811 1593 968"><b>The global dimension of COVID-19. Unless COVID-19 is controlled everywhere, it cannot be under control anywhere."</b></p> <p data-bbox="1159 986 1425 1005">SOURCE: page 43 (SF21)</p>



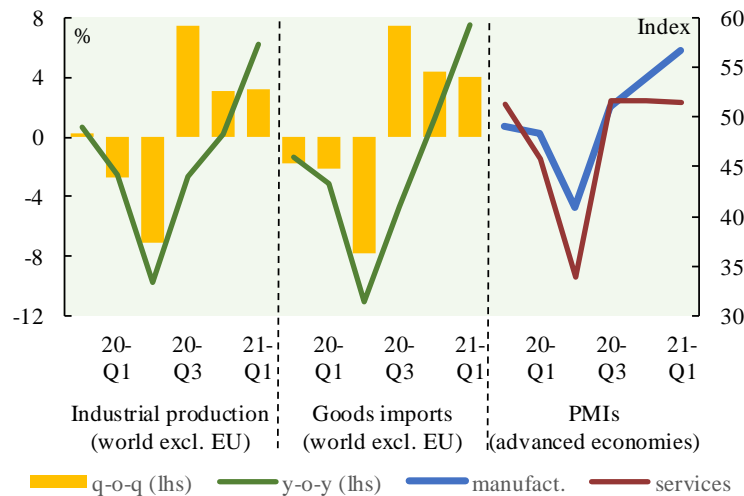


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# A brighter global outlook...

## Short-term indicators show strong rebound,...

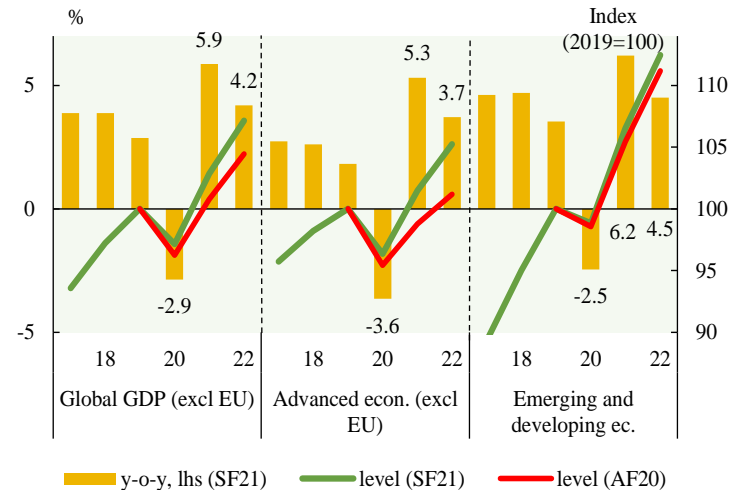
Graph: Selected global indicators (industrial production, imports, PMIs)



Sources: IHS Markit and CPB; data for 2021-Q1 are averages of available monthly data.

## ...reflected in upward revisions to projections.

Graph: Real GDP forecast for the EU's external environment

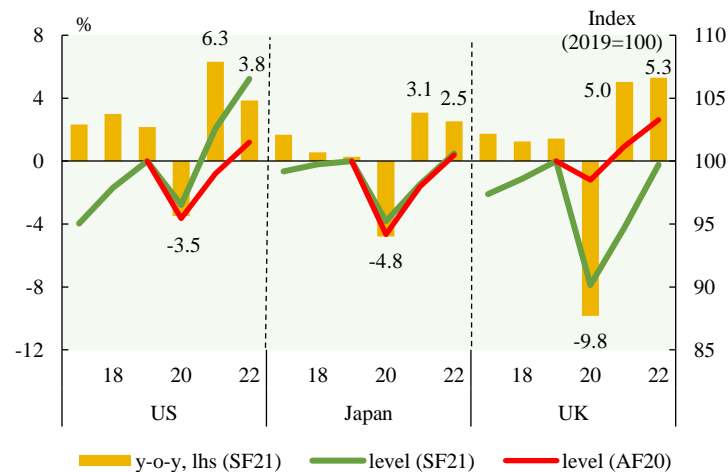


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# ...and spillovers to the EU economy.

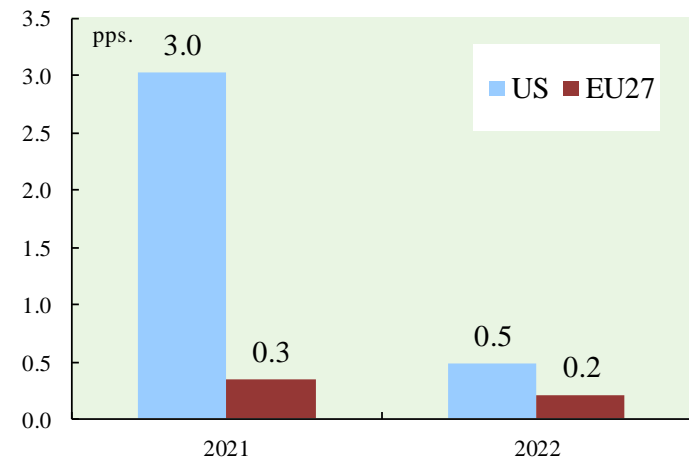
...but a **divergent impact** of the crisis and strength of the rebound...

Graph: Real GDP forecast for the US, Japan and the UK



...with stronger US growth creating **spillovers to the EU.**

Graph: Impact of US stimulus on real GDP (model-based results from the SF21)



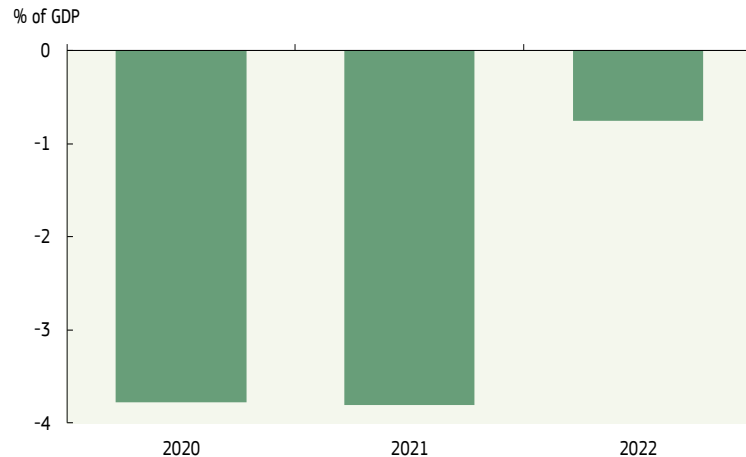
Note: The chart reports the level deviation from the no-stimulus scenario.

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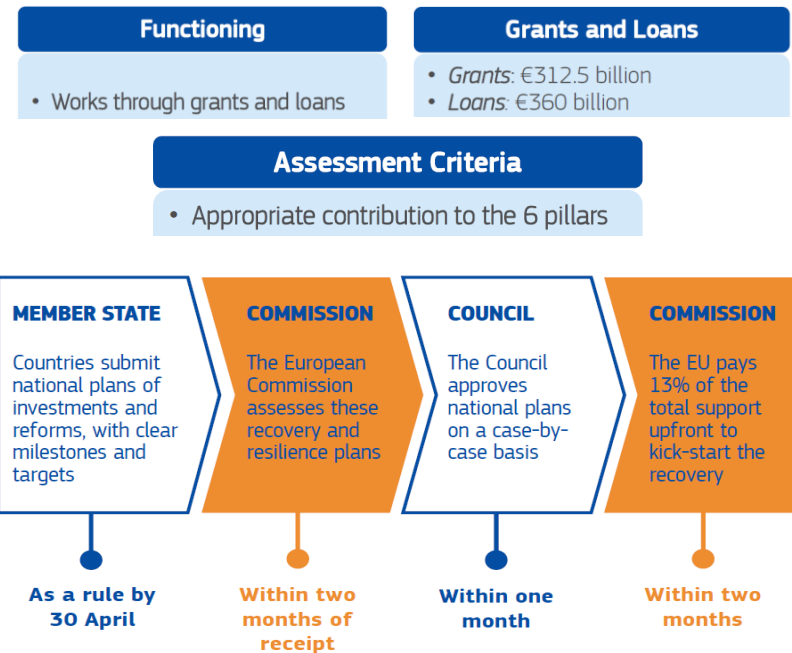
# Fiscal policy and NGEU/RRF...

## COVID-19 related emergency support measures in the EU...

Graph: COVID-19 related emergency measures in the EU, direct impact on the deficit level



## ...and the NGEU/RRF support economic growth.



[https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility\\_en](https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en)

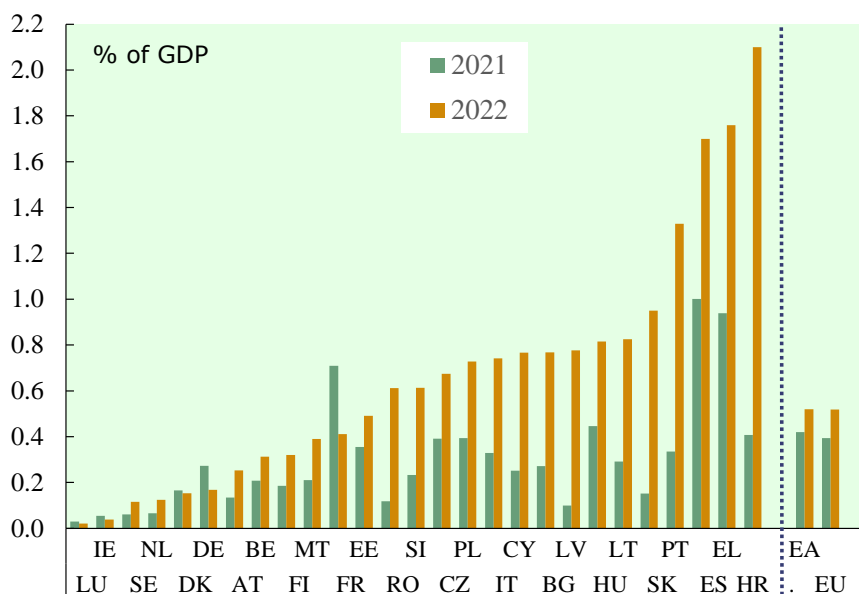
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# ...are set to generate GDP growth.

The expenditure financed  
by **Recovery and Resilience  
Facility grants**...

...is set to **generate growth**  
by end-2022 of about **1.2%**  
of the 2019 EU GDP.

Graph: Expenditure and other costs financed by  
RRF grants as incorporated in the forecast



The total EU expenditure expected to be **financed by RRF grants** over the forecast horizon amounts to EUR 140 billion, or just below 1% of 2019 GDP.

The total **economic impact** generated by the RRF over the forecast horizon is expected to be approximately 1.2% of 2019 EU real GDP.

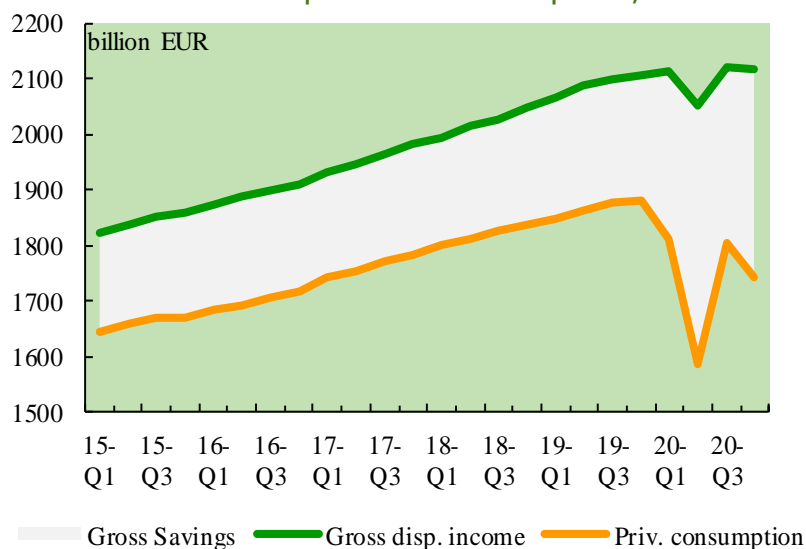
The EU's **public investment-to-GDP ratio** is forecast to rise to almost 3.5% in 2022, up from 3.0% in 2019.

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# High savings and pent-up spending...

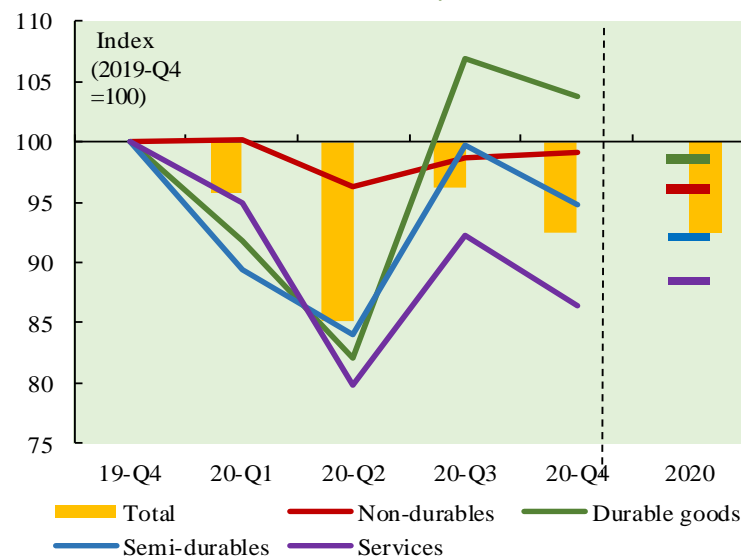
The household **saving rate** reached a historical high in 2020...

Graph: Households' savings, gross disposable income and private consumption, EU



...but the consumption of **durable goods** already recovered in 2020-H2...

Graph: Final consumption expenditure of households, EU



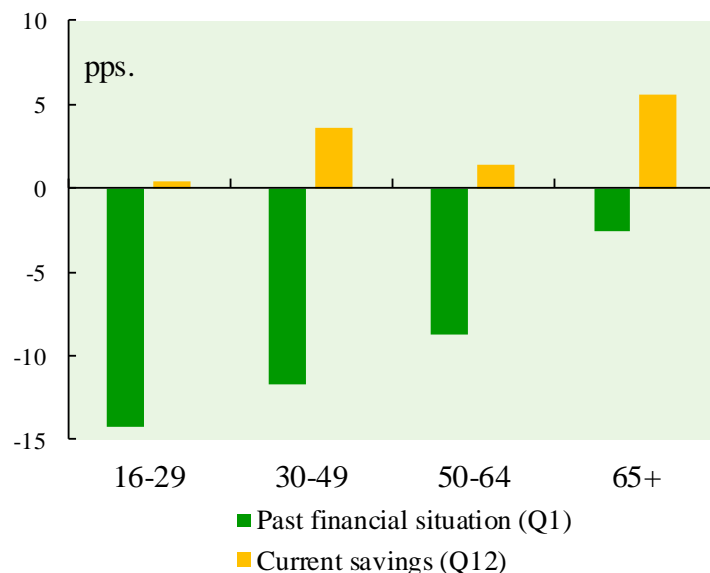


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## ...and why it might be limited

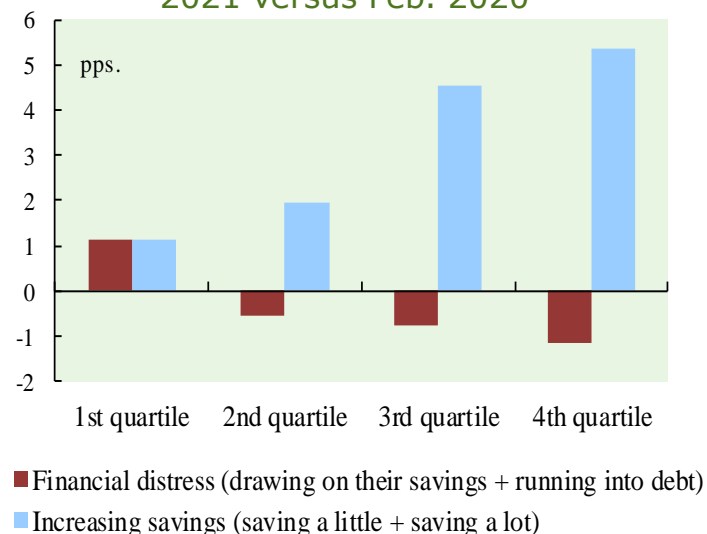
**...mainly older respondents improved their saving positions...**

Graph: Consumers' assessment of their financial situation, EU, April 2021 versus Feb. 2020



**...and mostly high-income households accumulated savings.**

Graph: Share of respondents who are in financial distress or are saving, EU, April 2021 versus Feb. 2020



For the detailed analysis, see section I.4.2 of the Spring 2021 Forecast document, and Roberta Friz and Fiona Morice (2021). 'Will consumers save the EU recovery? - Insights from the Commission's consumer survey'. *SUERF Policy Note 237*, May.  
[https://www.suerf.org/docx/f\\_4e21a35107f3ebeb38da1a3ee0a6d47f\\_25007\\_suerf.pdf](https://www.suerf.org/docx/f_4e21a35107f3ebeb38da1a3ee0a6d47f_25007_suerf.pdf)

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# Scars and long-term damage?

## Scars and long-term effects of the pandemic cannot be excluded...

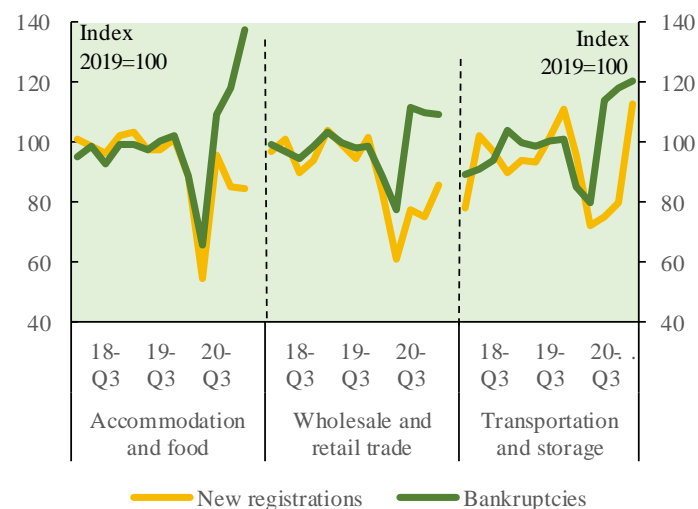
Even if the COVID-19 crisis ends soon, its economic consequences will not as there are several '**channels of (crisis) persistence**'.

Possible elements of the crisis' long-term effects on potential output:

- Lower capital accumulation (e.g. because of **bankruptcies**/ higher corporate debt levels).
- Labour input losses (e.g. due to skills obsolescence)
- TFP (resources locked in unproductive sectors, innovation impaired by lower R&D; reshoring of global value chains; accelerated digital transformation)

## Information content of **bankruptcy statistics** remains limited...

Graph: Bankruptcies and new registrations of businesses, selected sectors, EU

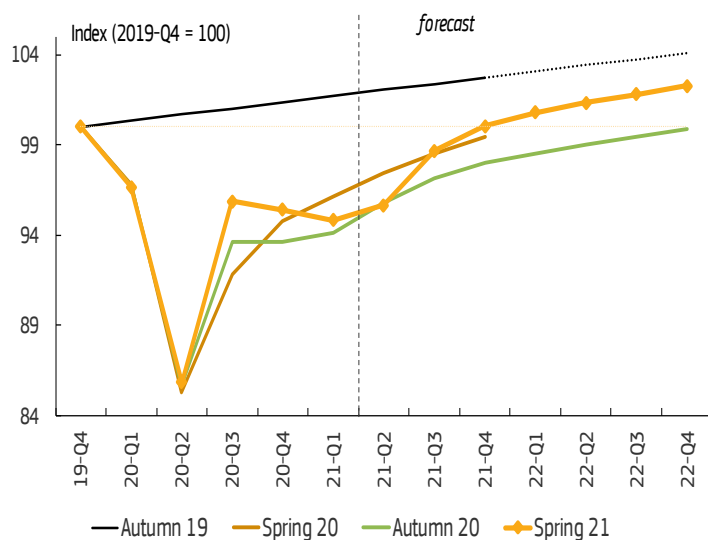


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# The growth outlook for the EU/EA

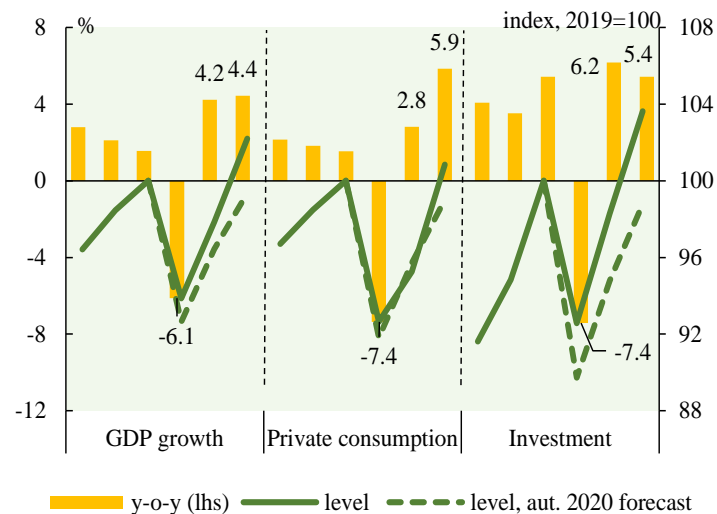
**Real GDP growth is under way in the EU/EA...**

Graph: Real GDP growth path, EU



**...with annual GDP growth of about 4¼% in 2021-22.**

Graph: Forecasts for real GDP, private consumption and total investment, EU



	Real GDP		
	2020	2021	2022
Euro area	-6.6	4.3	4.4
EU	-6.1	4.2	4.4



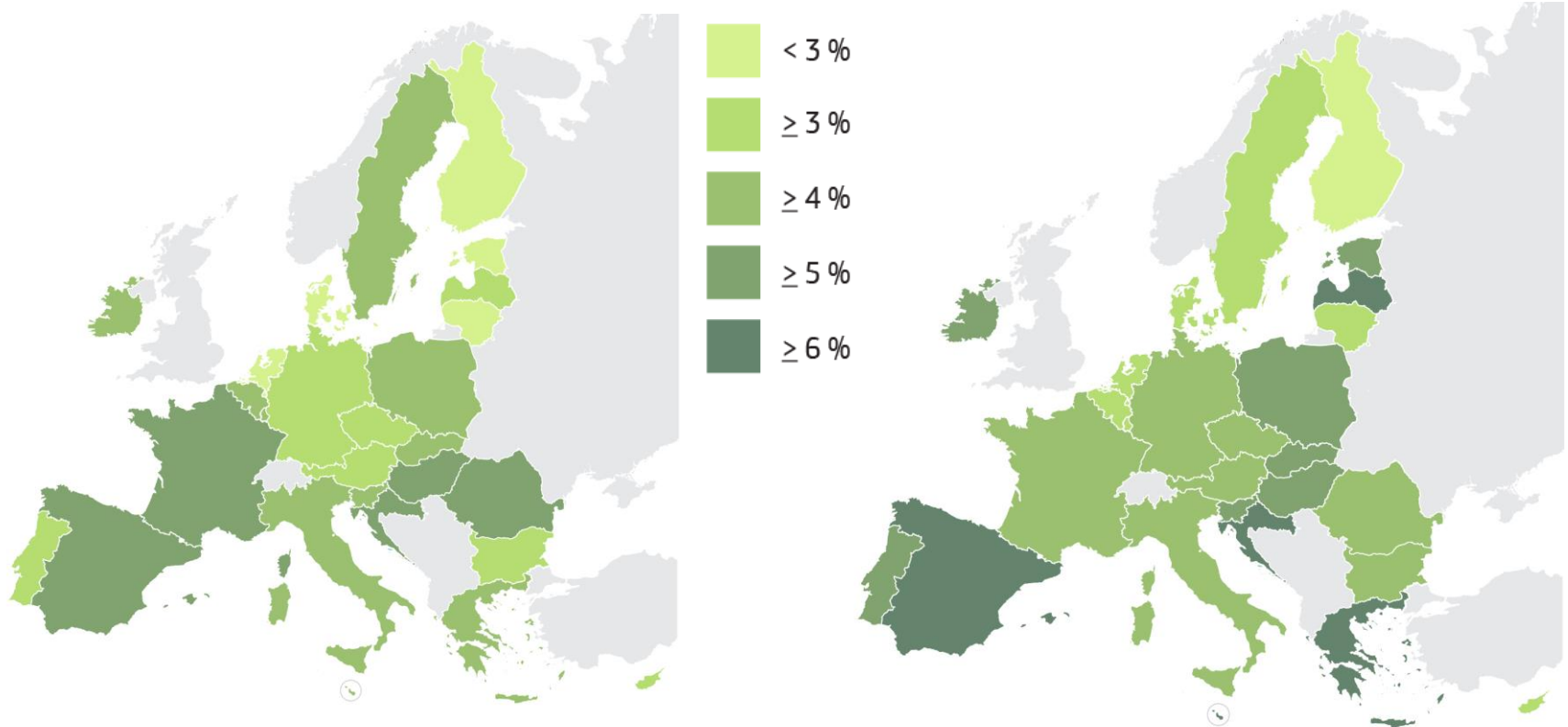
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# Real GDP growth map

**2021**

**2022**

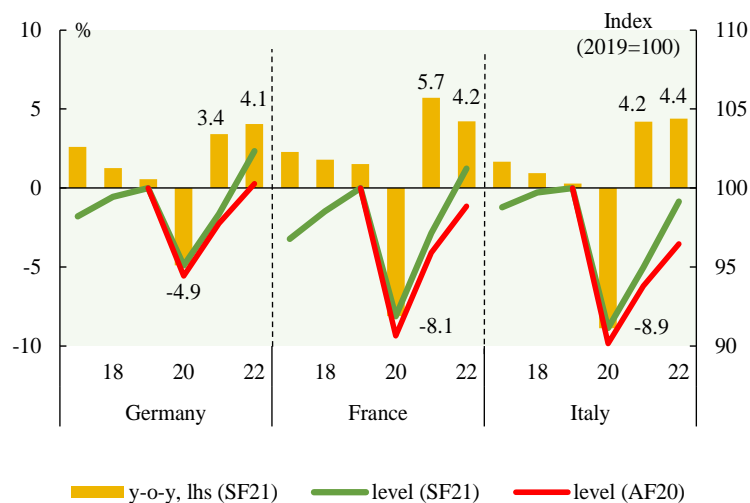


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# Growth outlook for Member States

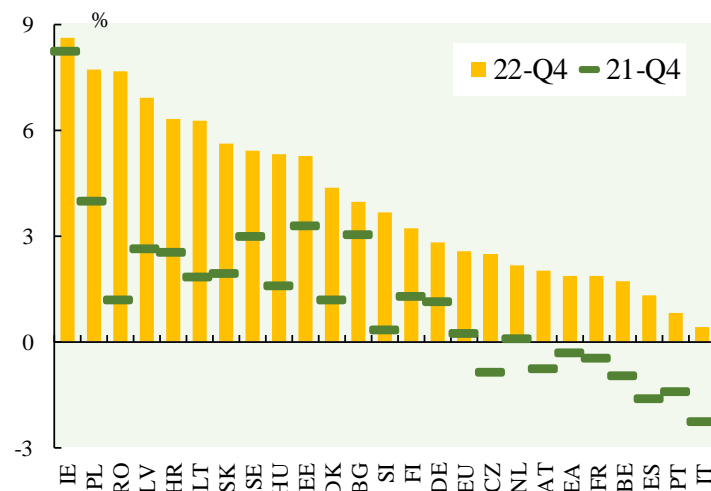
## GDP above pre-pandemic levels in 2022 in Germany and France, ...

Graph: GDP forecasts for Germany, France and Italy (SF21)



## ...and all Member States back at pre-pandemic GDP before the end of 2022.

Graph: GDP levels in 2022-Q4 in comparison to pre-pandemic levels in 2019-Q4



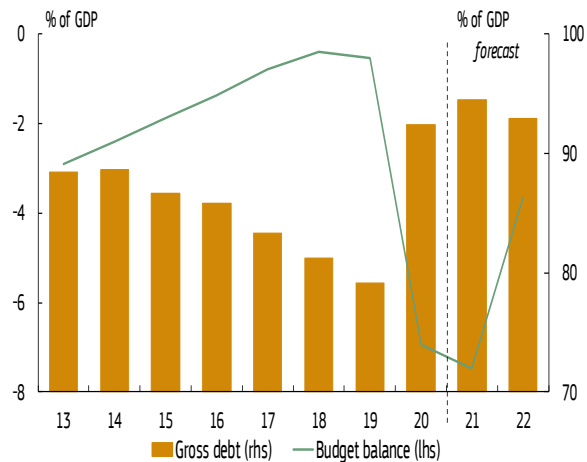
Note: No GDP quarterly forecasts are reported for CY, EL, MT and LU.



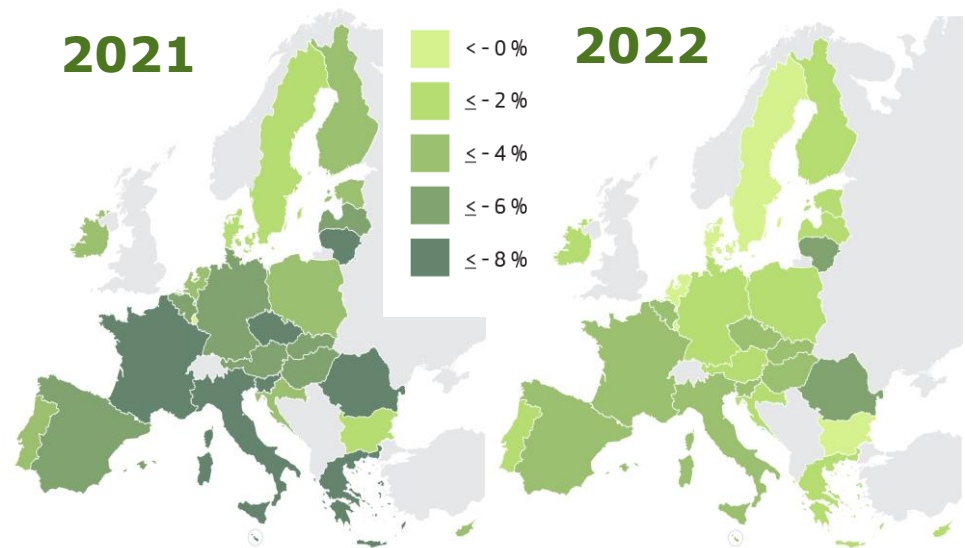
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# Budgetary outlook

## EU aggregates



## Member States

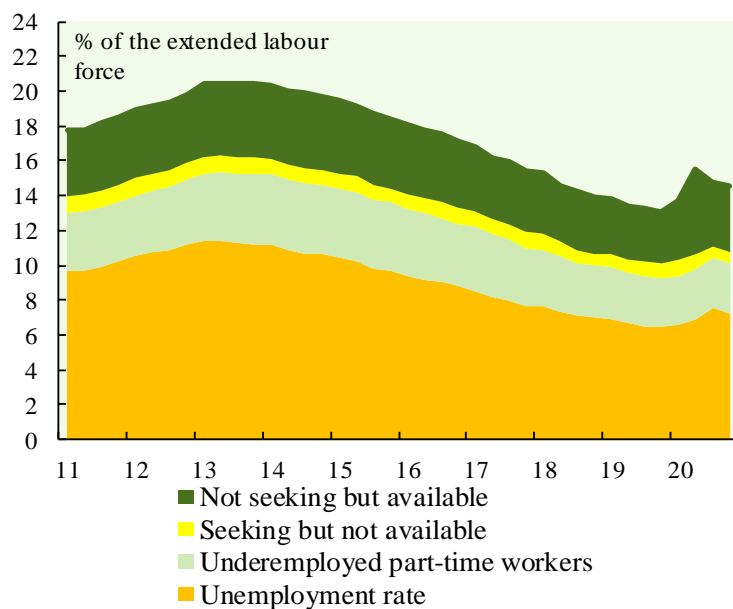


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# Labour market outlook

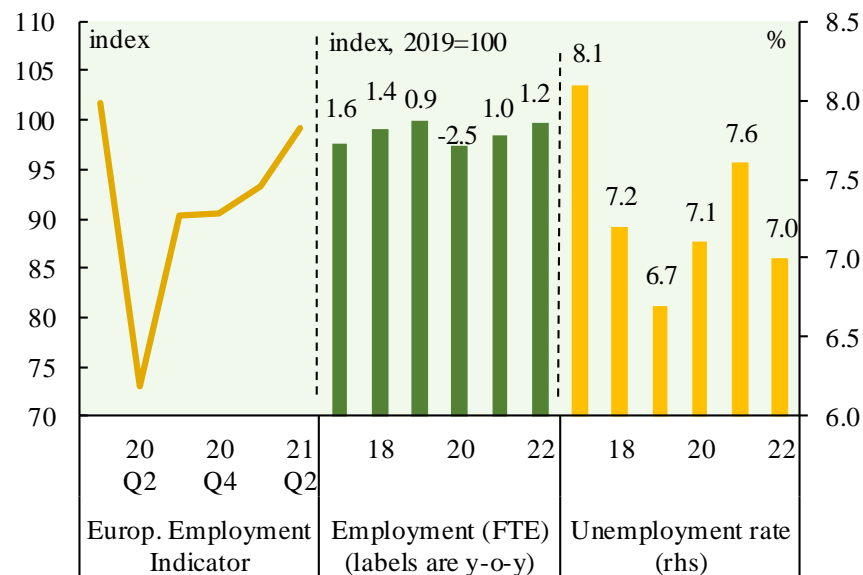
Labour market **slack** above pre-pandemic levels...

Graph: Total labour market slack, EU



...but the **outlook** is for improvements by 2022.

Graph: Selected labour market indicators, EU



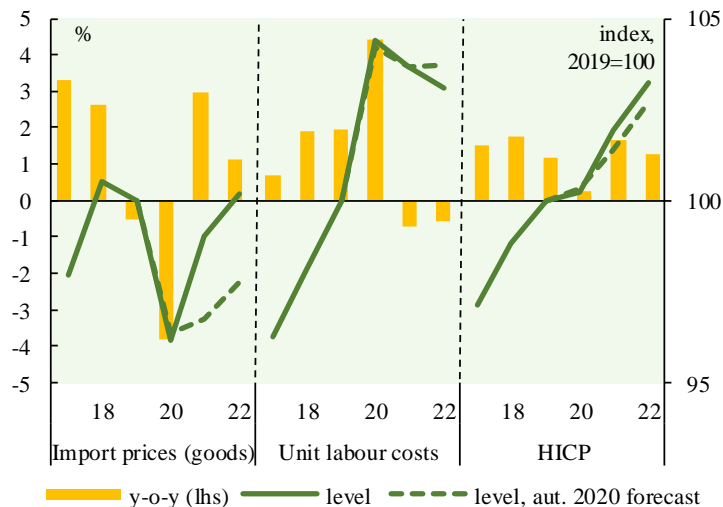


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# Inflation projections

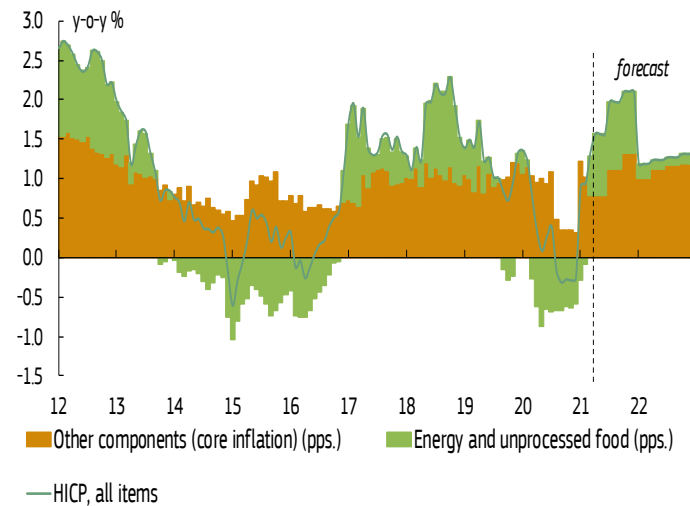
**Inflation** is set to remain moderate...

*Graph: Import prices, unit labour costs, and HICP, euro area*



...as impact of **energy price** inflation is diminishing.

*Graph: HICP inflation rate and decomposition, euro area*



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# Risks

**Overall, broadly balanced  
risks to the outlook**

## ***Epidemiological side***

- + Faster vaccination with higher impact
- + More effective therapeutics
- New variants of concern
- Longer lasting restrictions globally

## ***Economic side***

- + Stronger impulse from the global economy
- + Unwinding of the accumulated savings
- Too early policy support withdrawal
- A pick-up in corporate insolvencies

# The Commission's Spring 2021 Forecast



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A nekigyürkőzés ideje



Pasiraitokime rankoves



Chegou o momento de lançar mãos à obra



Dags att kavla upp ärmarna



Laiks uzrotīt piedurknes



È ora di rimboccarsi le maniche



De mouwen worden opgestroopt



Vyhrňme si rukávy



Zavrնimo rukave!



Kääritään hihat



## Rolling up sleeves



Käärime Käised üles



Vzhůru do práce



*Vaccines and policy efforts pave  
the way for economic recovery*

Manos a la obra



Rolling up sleeves



Zavihajmo rokave



Gotowość do działania



Да запретнем ръкави



Die Ärmel werden hochgekrempelt



Ανάληψη δράσης



Immiddu jdejna



Retroussons nos  
manches



Să trecem la treabă



Ærmerne rulles op



Economic and  
Financial Affairs

Thank you for  
your attention



Spring 2021 Forecast

# Annex

## Overview - the spring 2021 forecast

	Real GDP			Inflation			Unemployment rate			Current account			Budget balance		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Belgium	-6.3	4.5	3.7	0.4	1.8	1.5	5.6	6.7	6.5	0.1	-0.1	-0.5	-9.4	-7.6	-4.9
Germany	-4.9	3.4	4.1	0.4	2.4	1.4	3.8	4.1	3.4	7.2	7.8	6.9	-4.2	-7.5	-2.5
Estonia	-2.9	2.8	5.0	-0.6	1.6	2.2	6.8	7.9	6.3	-1.0	1.9	1.7	-4.9	-5.6	-3.3
Ireland	3.4	4.6	5.0	-0.5	0.9	1.3	5.7	10.7	8.1	4.6	4.5	4.2	-5.0	-5.0	-2.9
Greece	-8.2	4.1	6.0	-1.3	-0.2	0.6	16.3	16.3	16.1	-7.8	-7.6	-5.3	-9.7	-10.0	-3.2
Spain	-10.8	5.9	6.8	-0.3	1.4	1.1	15.5	15.7	14.4	0.7	-0.1	0.3	-11.0	-7.6	-5.2
France	-8.1	5.7	4.2	0.5	1.4	1.1	8.0	9.1	8.7	-2.0	-1.7	-1.2	-9.2	-8.5	-4.7
Italy	-8.9	4.2	4.4	-0.1	1.3	1.1	9.2	10.2	9.9	3.5	2.9	3.1	-9.5	-11.7	-5.8
Cyprus	-5.1	3.1	3.8	-1.1	1.7	1.1	7.6	7.5	7.2	-11.8	-11.0	-8.9	-5.7	-5.1	-2.0
Latvia	-3.6	3.5	6.0	0.1	1.7	2.0	8.1	8.2	6.9	3.0	-0.4	-0.4	-4.5	-7.3	-2.0
Lithuania	-0.9	2.9	3.9	1.1	1.9	1.9	8.5	8.3	7.1	7.6	6.0	5.8	-7.4	-8.2	-6.0
Luxembourg	-1.3	4.5	3.3	0.0	2.1	1.6	6.8	7.4	7.3	6.5	7.9	8.6	-4.1	-0.3	-0.1
Malta	-7.0	4.6	6.1	0.8	1.2	1.5	4.3	4.3	3.8	-1.3	-1.9	0.1	-10.1	-11.8	-5.5
Netherlands	-3.7	2.3	3.6	1.1	1.6	1.4	3.8	4.3	4.4	7.8	8.1	8.6	-4.3	-5.0	-1.8
Austria	-6.6	3.4	4.3	1.4	1.8	1.6	5.4	5.0	4.8	2.7	2.2	2.7	-8.9	-7.6	-3.0
Portugal	-7.6	3.9	5.1	-0.1	0.9	1.1	6.9	6.8	6.5	-1.1	-0.8	-0.4	-5.7	-4.7	-3.4
Slovenia	-5.5	4.9	5.1	-0.3	0.8	1.7	5.0	5.0	4.8	5.4	4.3	3.3	-8.4	-8.5	-4.7
Slovakia	-4.8	4.8	5.2	2.0	1.5	1.9	6.7	7.4	6.6	-1.5	-0.3	-0.4	-6.2	-6.5	-4.1
Finland	-2.8	2.7	2.8	0.4	1.2	1.2	7.8	7.6	7.2	0.3	0.0	0.5	-5.4	-4.6	-2.1
Euro area	-6.6	4.3	4.4	0.3	1.7	1.3	7.8	8.4	7.8	3.0	3.1	3.1	-7.2	-8.0	-3.8
Bulgaria	-4.2	3.5	4.7	1.2	1.6	2.0	5.1	4.8	3.9	4.1	6.0	7.5	-3.4	-3.2	-1.9
Czechia	-5.6	3.4	4.4	3.3	2.4	2.2	2.6	3.8	3.5	0.1	-0.3	-0.8	-6.2	-8.5	-5.4
Denmark	-2.7	2.9	3.5	0.3	1.3	1.3	5.6	5.5	5.2	7.8	8.0	8.4	-1.1	-2.1	-1.4
Croatia	-8.0	5.0	6.1	0.0	1.3	1.3	7.5	7.2	6.6	-1.1	-2.0	-0.7	-7.4	-4.6	-3.2
Hungary	-5.0	5.0	5.5	3.4	4.0	3.2	4.3	4.3	3.8	-0.3	-0.6	-0.5	-8.1	-6.8	-4.5
Poland	-2.7	4.0	5.4	3.7	3.5	2.9	3.2	3.5	3.3	3.1	2.8	2.1	-7.0	-4.3	-2.3
Romania	-3.9	5.1	4.9	2.3	2.9	2.7	5.0	5.2	4.8	-5.0	-4.9	-4.6	-9.2	-8.0	-7.1
Sweden	-2.8	4.4	3.3	0.7	1.8	1.1	8.3	8.2	7.5	5.4	6.0	6.7	-3.1	-3.3	-0.5
EU	-6.1	4.2	4.4	0.7	1.9	1.5	7.1	7.6	7.0	3.0	3.1	3.1	-6.9	-7.5	-3.7
United Kingdom	-9.8	5.0	5.3	0.9	1.6	1.8	4.4	5.6	5.9	-3.5	-5.0	-4.8	-12.3	-11.8	-5.4
China	2.3	7.9	5.4	:	:	:	:	:	:	1.9	1.5	1.3	:	:	:
Japan	-4.8	3.1	2.5	0.0	0.3	0.9	3.0	2.9	2.6	2.6	3.3	3.2	-13.2	-9.5	-4.1
United States	-3.5	6.3	3.8	1.2	2.2	2.0	8.1	4.6	3.4	-2.9	-3.4	-3.4	-16.1	-16.0	-6.8
World	-3.4	5.6	4.3	:	:	:	:	:	:	:	:	:	:	:	: