



From recovery to expansion, amid headwinds

European Commission Autumn Forecast 2021

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Key messages

1. Domestic demand set to pull the economy through temporary headwinds
2. Unemployment returning to pre-pandemic levels and declining further
3. After peaking this year, inflation expected to moderate
4. Government deficits narrow as emergency measures unwind
5. Risks to the outlook tilted to the downside

Headline figures

	Autumn 2021 forecast			<i>Summer Interim 2021 forecast</i>		
	2021	2022	2023	2021	2022	2023

Gross domestic product, volume

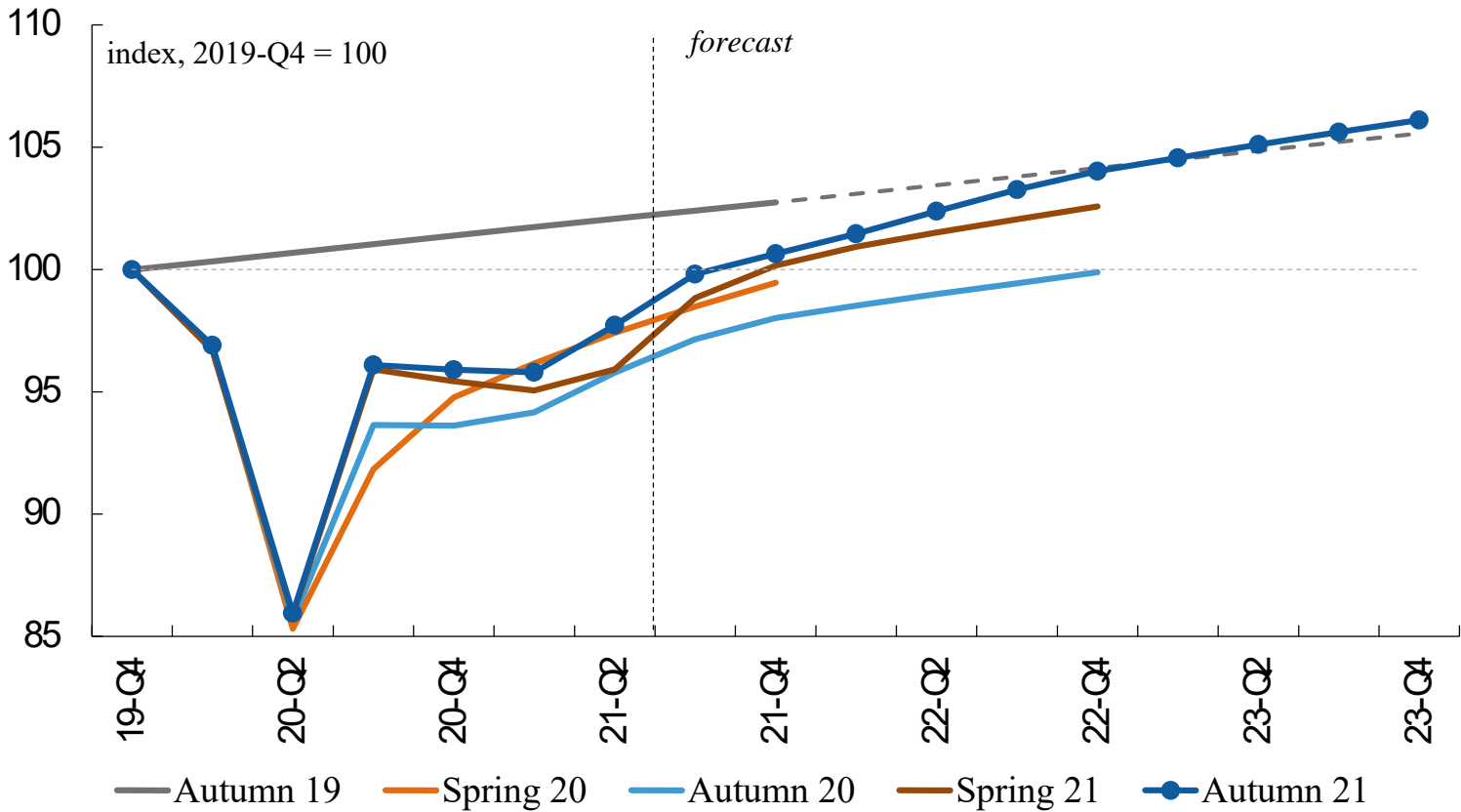
Euro area	5.0	4.3	2.4	4.8	4.5	:
EU	5.0	4.3	2.5	4.8	4.5	:

HICP (% change on preceding year)

Euro area	2.4	2.2	1.4	1.9	1.4	:
EU	2.6	2.5	1.6	2.2	1.6	:

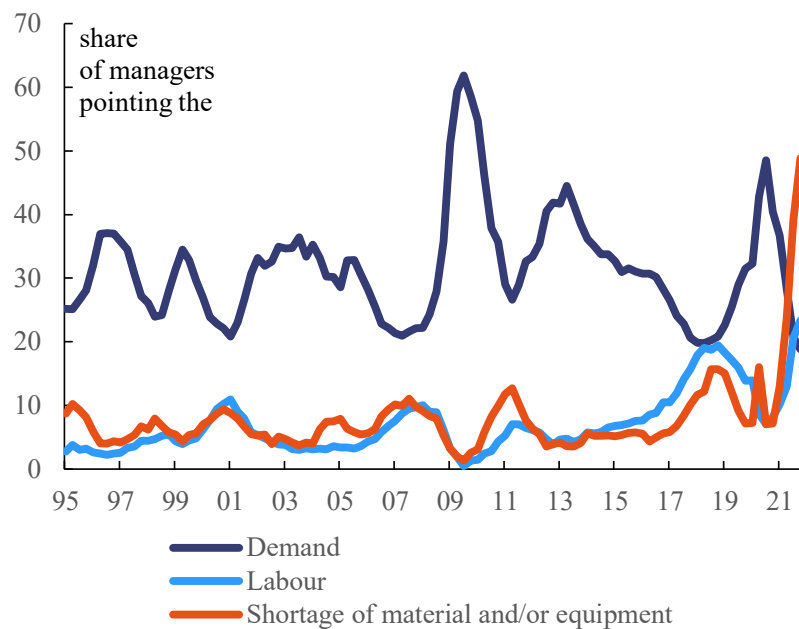
The EU economy is moving from recovery to expansion...

Real GDP growth path, levels, EU

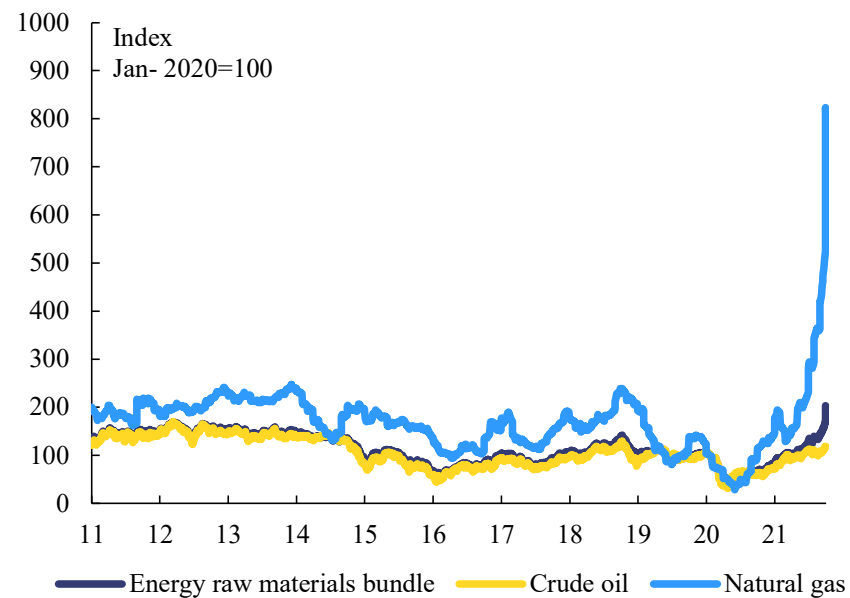


...amidst mounting headwinds

Factors limiting production in EU industry



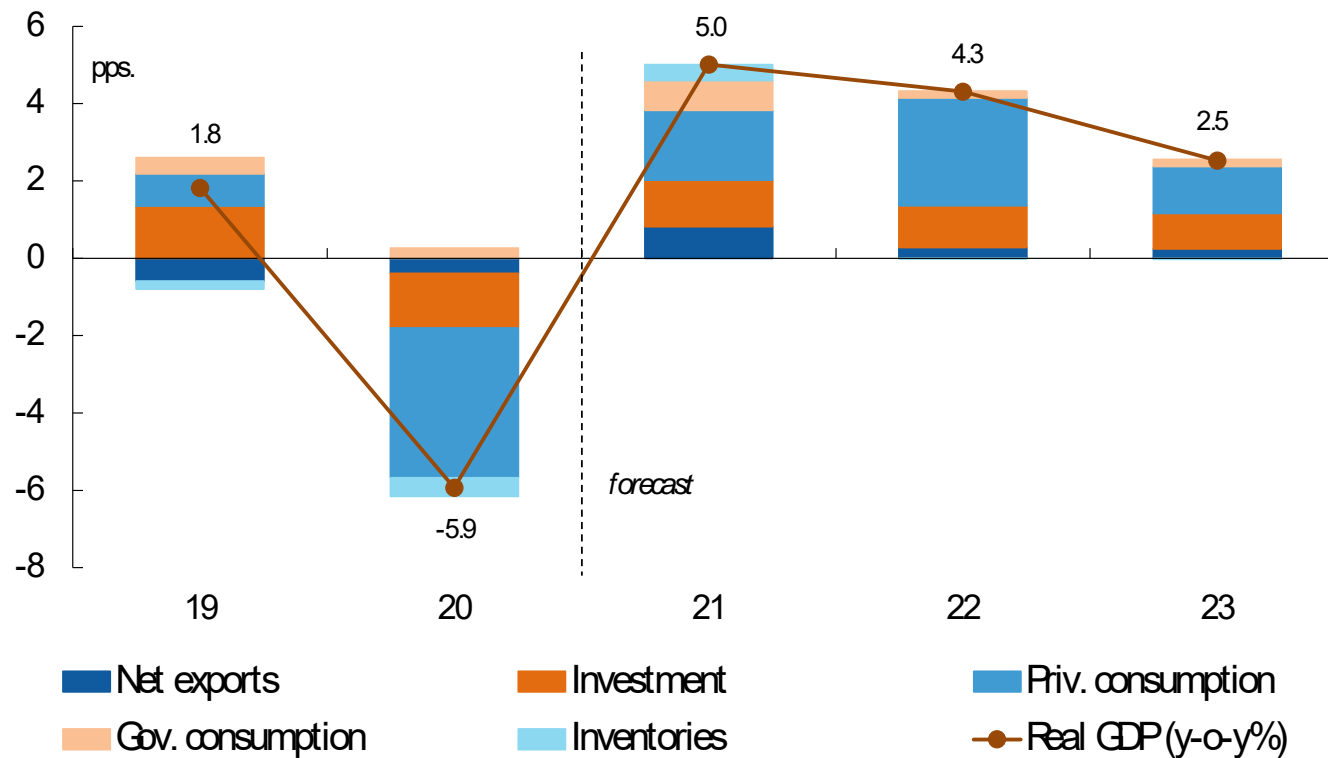
Energy commodity price indices



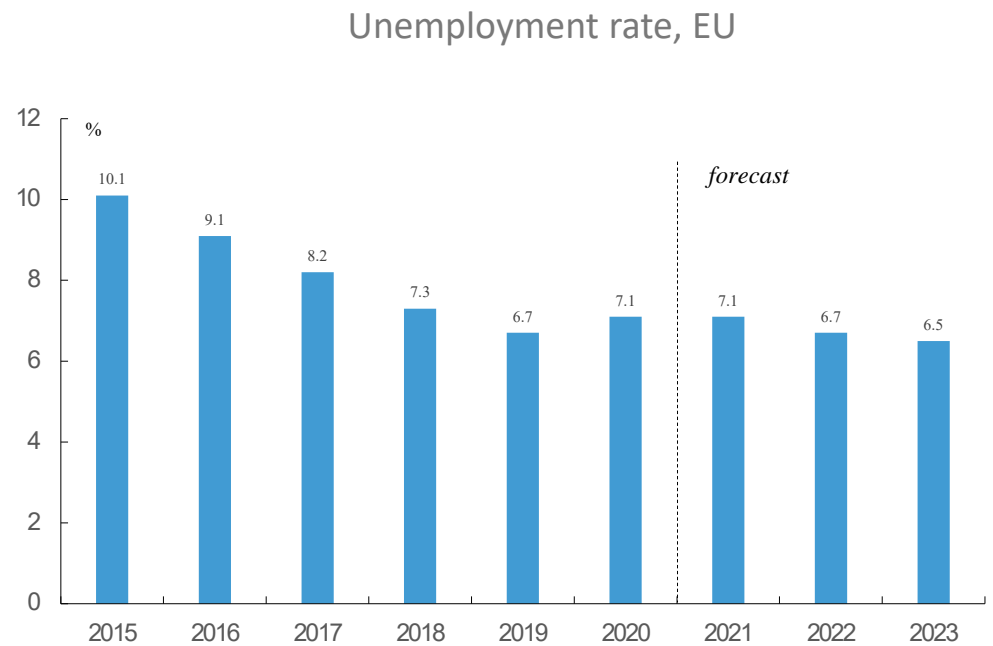
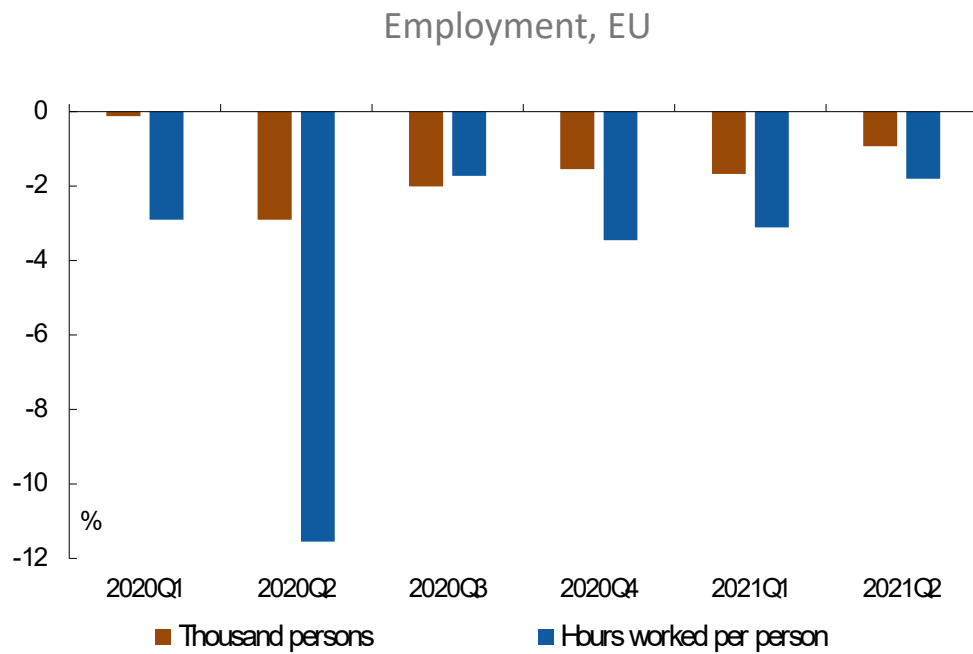
Source: Hamburg Institute of International Economics (HWWI)

Fundamentals pushing economic expansion remain solid

Real GDP growth and contributions, EU

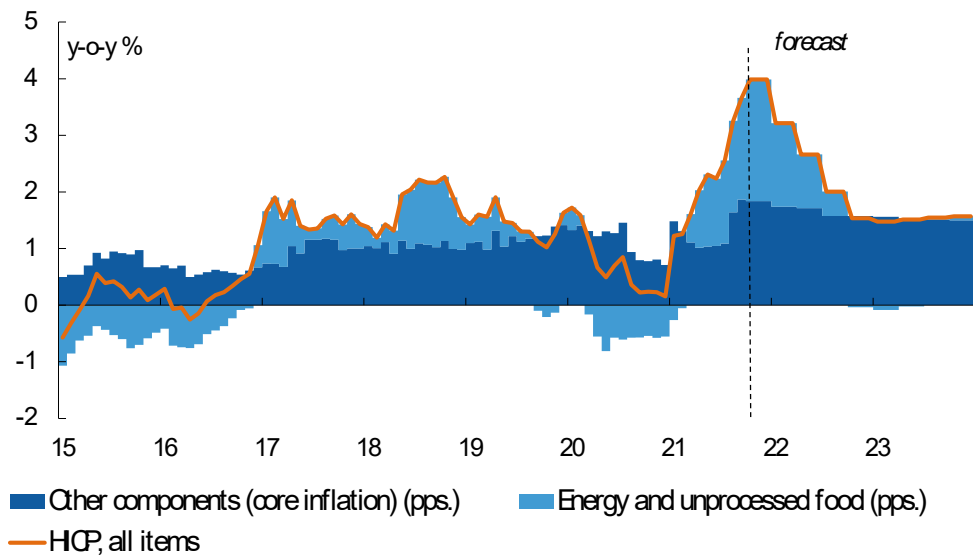


Labour market recovery set to continue

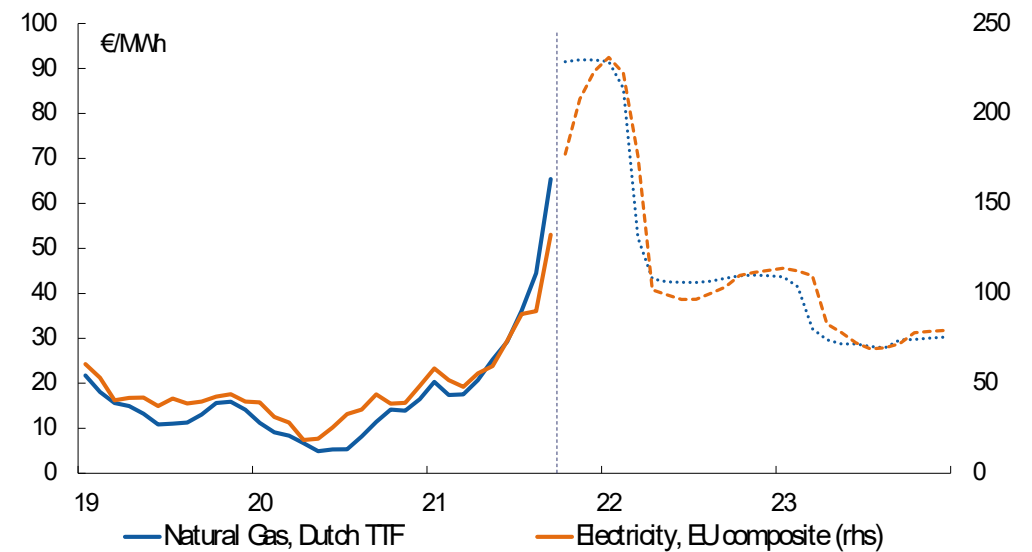


Inflation running high, but expected to ease in 2022

Inflation rate, EU

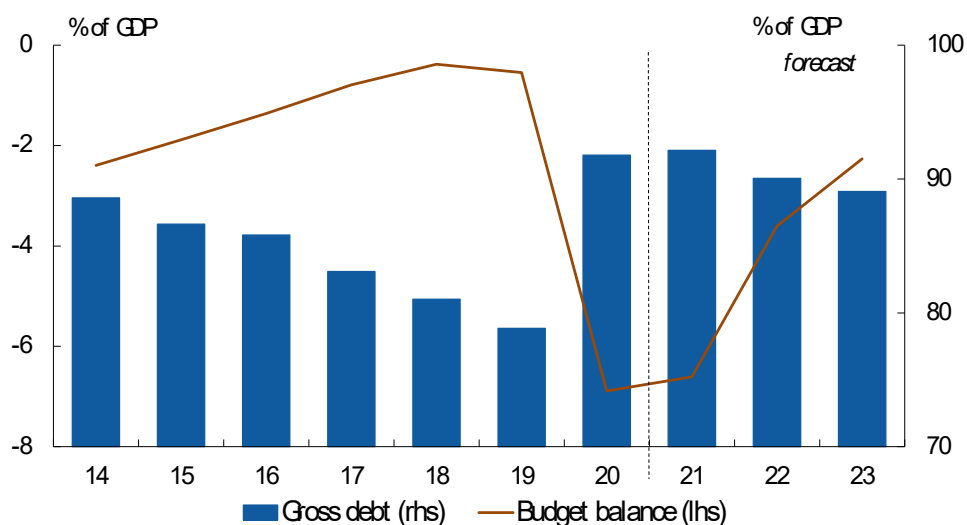


Spot and futures prices, EU

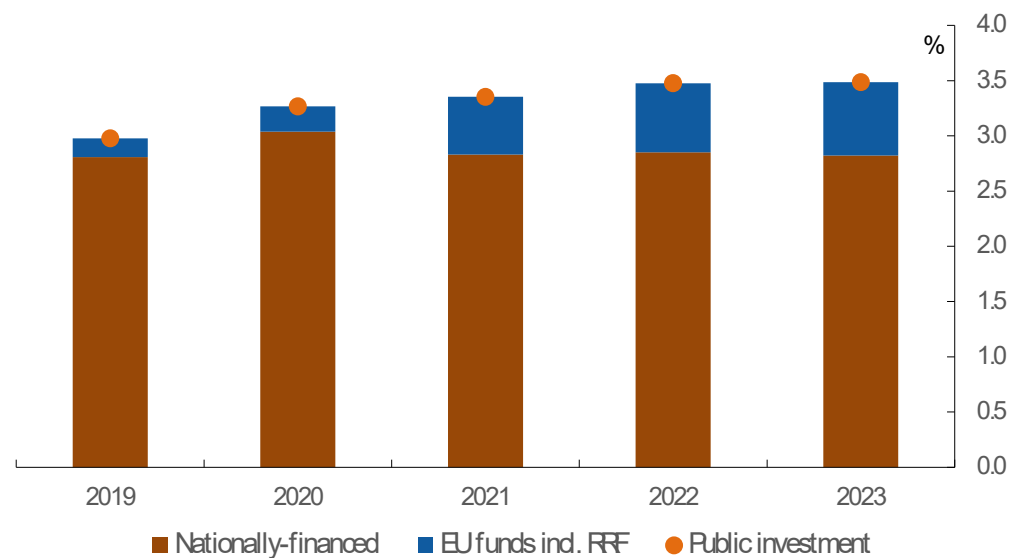


Aggregate deficit in the EU set to half in 2022, amidst rising public investment

General government budget balance and debt-to-GDP ratio, EU



Public investment share in GDP, EU



Uncertainty and risks

- New COVID outbreaks and/or new variants leading to new restrictions
- Supply-side bottlenecks lasting longer than expected
- More persistent cost pressures
- + Higher spending of household savings accumulated during lockdown
- + Stronger boost from the RRF and decarbonisation investments

A new uncertainty index

