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PRESS RELEASE

The **European Forecasting Network** publishes its **Spring Report** is available online:

"The Economic Outlook for the Euro Area in 2012 and 2013"

The Highlights of this Report are:

- In the first months of 2012 there were some mild signs of improvement in the world economy, to a large degree due to political measures taken in the euro area at the end of 2011. In particular, the ECB secured financing of banks by offering liquidity for as long as three years and by easing standards for collateral.
- However, the southern countries of the euro area will stay in recession for most of the year 2012: planned fiscal consolidation in Spain and Italy has a magnitude of about 3% relative to GDP, in Portugal and Greece the restriction is even larger. The structural reforms need time to take beneficial effects, and the real sector is largely out of reach of the expansive monetary policy.
- It is still uncertain whether another solvency crisis of a euro area member state can be avoided. The main risk is now that deep recessions in the southern countries caused by the drastic consolidation programs might undermine confidence of financial investors in the viability of the reform processes.
- In spite of recessions in the southern countries, euro area GDP is forecast to stagnate in 2012, mainly because demand in some member states (notably in Germany and, to a lesser extent, in France) and from abroad will expand moderately.
- Although our inflation forecasts have risen considerably since last report, the ECB mandate for price stability in the medium term has not been significantly threatened in the last few months. The year-on-year HICP rate is expected to be around 2% already in December this year. Considering the external and transient nature of the recent inflationist tensions and the weak economic situation in the euro area, the ECB is not expected to change its expansive monetary policy stance in the short or medium term.

The Spring 2012-2013 Report is freely downloadable from the EFN website: <http://efn.eui.eu>

For further information, please contact Professor Massimiliano Marcellino at +39 055 4685 956 or 739. Comments and suggestions are welcome.

The European Forecasting Network (EFN) is a research group of European Institutions.

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- Robert Schuman Centre for Advanced Studies, European University Institute (Coordinator)
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- Global Insight
- The Halle Institute for Economic Research (IWH)
- The Department of Economics, European University Institute (EUI)
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