

**For immediate diffusion – 6 October 2011**



**PRESS RELEASE**

The **European Forecasting Network** publishes its **Autumn Report** online : *"The Economic Outlook for the Euro Area in 2011 and 2012"*

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The European Forecasting Network (EFN) is a research group of European institutions<sup>[1]</sup>, founded in 2001 under the auspices of the European Commission, and currently partly financially supported by the European University Institute (EUI, based in Florence, Italy), which is coordinating the report under the responsibility of Prof. Massimiliano Marcellino. The objective of the EFN is to provide updated forecasts and analyses of the macroeconomic situation for the Euro area. It publishes four quarterly reports.

**The Highlights of this Report are:**

- High growth dynamics and demand coming from emerging markets will slow only modestly in the rest of 2011 and in 2012, but the intensification of the financial turmoil and the doubts about the ability of the European Union to contain the consequences of possible defaults will hamper world economic growth considerably in our forecasting horizon.
- For the euro area, we expect GDP to grow by around 1.6% in 2011 and 0.8% in 2012, not enough to bring the unemployment rate back below 10% and substantially less for 2012 than in our Summer report. Many private households and firms will adopt a wait-and-see attitude while, to restore confidence in the euro area sovereign debt, fiscal policy will become even more restrictive.
- Our industrial production forecast has also been revised downwards with respect to the Summer report, now we expect a growth rate of 3.7% in 2011 and 1.6% in 2012, mostly due to the relative deterioration of the euro area external demand.
- Because of energy prices and aggregate demand moderation, our inflation forecasts for 2011 and 2012 are reduced to 2.6% and 1.3% respectively.
- Lower inflation and growth forecasts, combined with the intensification of the financial turmoil and the announced restrictive fiscal policy in many euro area countries, make us suggest that the next interest rate decision of the ECB should be a fast and substantial cut, notwithstanding the September value for HICP inflation.

**The Autumn 2011 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 928. Comments and suggestions are welcome.

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- RSCAS, European University Institute (EUI), Italy
- Centre d'Etudes Prospectives et d'Informations Internationales (CEPII), France
- University of Birmingham, Department of Economics
- The Halle Institute for Economic Research (IWH), Germany
- The Department of Economics, European University Institute (EUI), Italy
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