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PRESS RELEASE

**The European Forecasting Network publishes its Winter Report is available online:
"The Economic Outlook for the Euro Area in 2012 and 2013"**

The Highlights of this Report are:

- At the end of 2011, prospects for the world are clouded. The main cause for concern is that the euro area crisis of confidence has not reached its peak yet. It is doubtful whether Italian and Spanish debt service would be sustainable if yields stay at these levels for long. Even more critical are the financing conditions for European banks whose standing crucially depends on the valuation of the sovereign bonds they own. This uncertainty will continue inducing firms and households to postpone decisions on spending and investment, and fiscal policy will dampen demand further. Besides, financial conditions are also bound to deteriorate in most member countries. Moreover, weak demand from advanced economies is dampening the expansion in export-oriented emerging markets countries (in East-Asia, but also in Latin America). As a consequence, both our forecasts for the euro area exports and industrial production have been revised downwards.
- For the euro area, we expect GDP to grow by around 0.3% in 2012 and 1.2% in 2013, substantially less than in previous reports. Still, in our central scenario European policy will, in one way or another, prevent insolvencies of states or major banks because the political will to defend the common currency is in place.
- Due to weak growth dynamics and stagnating or falling commodity prices, worldwide and euro zone inflation will calm down in the coming months. Our inflation forecast is 1.8% for 2012 and 1.3% for 2013. This gives room for the ECB, and other central banks, for a clearer expansive monetary stance, as suggested in our previous report.

The Winter 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 928. Comments and suggestions are welcome.

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

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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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