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PRESS RELEASE

The **European Forecasting Network** publishes its **Autumn Report** online : "*The Economic Outlook for the Euro Area in 2010 and 2011*"

The European Forecasting Network (EFN) is a research group of European institutions^[1], 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 the Autumn 2010 Report are:

- The euro area economy benefits from dynamic growth of exports to the emerging markets. Exports to Asia in particular have exceeded their peak level of spring 2008 as early as at the beginning of this year. Firms reacted by restocking and investing in equipment.
- The growth hike of the second quarter, however, will not be repeated, as it was favoured by special factors. We expect euro area GDP to grow by around 1.6% in 2010 and 2011. The upswing of world trade calms down in the second half of this year and the effects of fiscal consolidation in Europe become increasingly felt.
- For these reasons, the boom of industrial production is coming to an end. Annual growth rates have been declining since May and are expected to continue do so in the next months. The Industrial Production Index will grow more than 6% in 2010 but by only 1.3% in 2011. The production of intermediate goods is expected to slow down faster than other sectors while the production of capital goods will remain strong throughout 2010.
- The possibility of an intensifying crisis of confidence in the euro area is a significant downward risk for this forecast. That said, it is reassuring that financing costs recently receded for Spain, by far the largest among the peripheral states.
- Inflation expectations are well anchored and consumer prices are evolving according to our projections without major shocks in the non-energy components. Annual inflation rates are expected to reach 2.0% at the end of the current year and to stabilize soon after at around 1.8%.

The Autumn 2010 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.

[1] The participating institutions are:

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- 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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