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PRESS RELEASE

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

The European Forecasting Network (EFN) is a research group of European institutions, founded in 2001 under the auspices of the European Commission, and currently partly financially supported by the Schuman Centre at the European University Institute. The objective of the EFN is to provide a critical analysis of the current economic situation in the euro area, short-term forecasts of the main macroeconomic and financial variables, policy advice, and in-depth study of topics of particular relevance for the working of the European Economic and Monetary Union. The EFN publishes four quarterly reports.

The Highlights of the Summer Report are:

- The worldwide upswing has lost momentum, but it will overcome the present slowdown. Monetary policy is overall still accommodative, and growth dynamics continue to be high in emerging market countries.
- For the euro area, we expect GDP to grow by around 1.9% in 2011 and 1.7% in 2012, not enough to bring the unemployment rate back significantly below 10%. In fact, in a large core region of the euro area the upswing is also well under way; this region includes, apart from Germany and some smaller economies, France, Belgium and the Netherlands. However, the crisis of confidence in the ability of EU institutions to master the fiscal crises is a major threat to the continuation of the upswing.
- Our industrial production growth forecast remains stable at 3.6% for 2012, while the slight upwards revision for this year, up to 5.8%, is due to the expected improvement in investment dynamics this year that compensates the downwards revision of our external demand forecast.
- In a context of energy prices moderation, the upwards revision of our core inflation expectations is responsible for the increase in our total inflation forecasts for 2011 and 2012, up to 2.7% and 1.7% respectively. However, we still believe that the reduction in the expansive stance of monetary policy will be slow, due to the potential damaging effects that a too quick monetary policy normalization might have on exports, industrial production and growth.

The Summer Report 2011 is freely downloadable from the EFN website: <http://efn.eui.eu>.

For further information, please see the EFN website: <http://efn.eui.eu> or contact the EUI secretary or Professor Massimiliano Marcellino at +39 055 4685 956 or 928.

Comments and suggestions are welcome.

The participating institutions are:

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- University of Birmingham, Department of Economics
- The Halle Institute for Economic Research (IWH), Germany
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