EBF\_002243

Brussels, 28 May 2013

Press release

**Another tough year, say banking economists: Mid-year Outlook for 2013-2014**

The conjunction of recession and political turbulence offers challenging conditions for a euro area recovery. The Chief Economists who compose the Economic and Monetary Affairs Committee[[1]](#endnote-1) (EMAC) of the European Banking Federation (EBF) share a rather pessimistic view of the coming months in their Mid-year Outlook for 2013-2014, published today.

An average 12% **unemployment** rate, resulting in reduced spending and investing, supports this gloomy forecast. A timid light shines at the end of the tunnel, as EMAC specialists foresee that, while the Euro area **GDP** will contract by 0.4% in 2013, it is likely to shift back to positive in 2014, by 0.9%. Industrial production should also undergo gradual recovery.

Chief Economists also believe that the rate of **inflation** in the euro area will reach +1.6 to +1.8% throughout the forecast horizon, which is close to the ECB’s medium-term target of slightly below 2%.

“Several euro area countries will reach the goal of maximum 3% **government budget deficit**”, declared Pat McArdle, Chairman of EMAC. “This is a positive signal for our economy and it means that the required degree of austerity can lessen.”

EMAC members however highlight that the euro area’s **government debt** has now risen to 93%, and will continue growing to just about 96% by the end of 2014. Although this is inevitable in the context of a continued crisis, debt levels will have to come down in the medium term, thanks to economic growth, coupled with the objective of a primary fiscal surplus.

Exports will support economic growth too, since they are growing faster than imports. EMAC economists report that euro area **exports** are expected to grow by 2.6% this year and 4.7% next, while imports are forecast to grow by 1% in 2013, and will pick up to 3.8% in 2014.

In their Mid-year Outlook, Chief Economists go on to analyse inflation and monetary policy and make suggestions as to possible ways of stimulating growth against the backdrop of the global economy. They analyse risks both in Europe and in the global environment, outlining their importance in the current context. “Policy-makers must apply a sustainable and balanced approach to tackling the crisis, it is the only way to pull the euro area out of recession”, concluded McArdle.

Detailed information to be found at <http://www.zyyne.com/zh5/?nid=88475#p=0>

1. Members of EMAC are Chief Economists of major European banks and banking Associations [↑](#endnote-ref-1)