
EU Commission: Economic Forecast. GDP expected to recover. Gentiloni, “but wars increase uncertainty”

“Following broad economic stagnation in 2023, better-than-expected growth at the start of 2024 and the ongoing reduction in inflation set the scene for a gradual expansion of activity over the forecast horizon”. Thus begins the statement that accompanies the Economic Forecast presented by Commissioner Paolo Gentiloni in Brussels today. According to the European Commission’s Spring Economic Forecast, GDP growth will stand at 1.0% in the EU and 0.8% in the euro area in 2024. In 2025, GDP is forecast to accelerate to 1.6% in the EU and to 1.4% in the euro area. At the EU-27 level, inflation is expected to fall from 6.4% in 2023 to 2.7% in 2024 and 2.2% in 2025. In the euro area, it is projected to decelerate from 5.4% in 2023 to 2.5% in 2024 and to 2.1% in 2025. “The EU economy perked up markedly in the first quarter” of this year, indicating “that we have turned a corner after a very challenging 2023. We expect a gradual acceleration in growth over the course of this year and next, as private consumption is supported by declining inflation, recovering purchasing power and continued employment growth”. Public deficits should – according to Gentiloni – “inch lower following the withdrawal of almost all energy support measures, but public debt is set to increase slightly next year, pointing to a need for fiscal consolidation while protecting investment”. The Commissioner for Economy then pointed out: “Our forecast remains subject to high uncertainty and – with two wars continuing to rage not far from home – downside risks have increased”.

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