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The European economy: prospects and challenges

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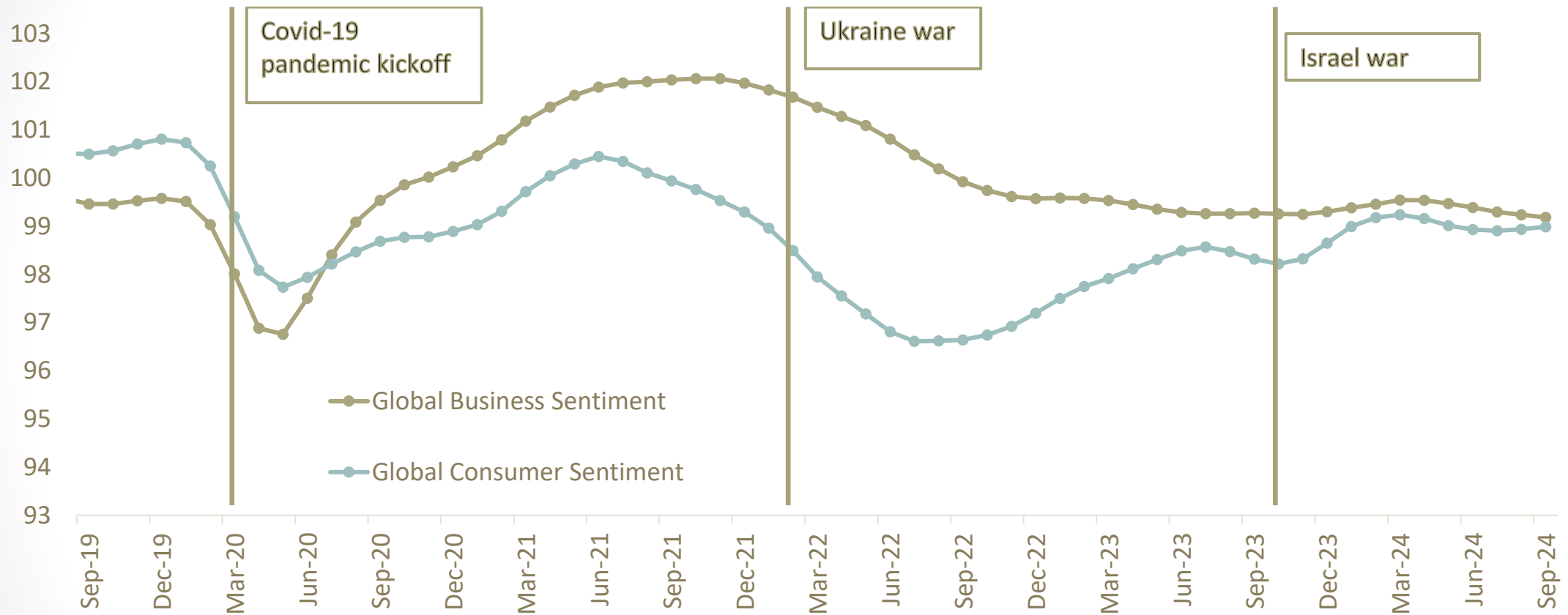
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15th LIMASSOL ECONOMIC FORUM 18/10/24

Limassol, 18 October 2024

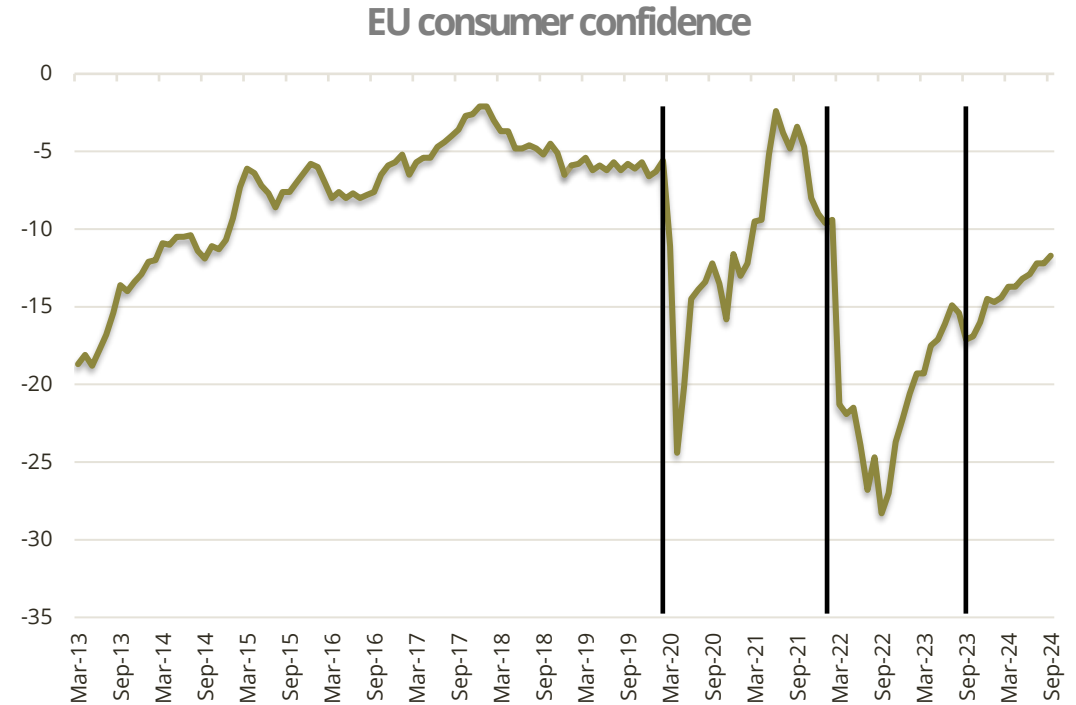
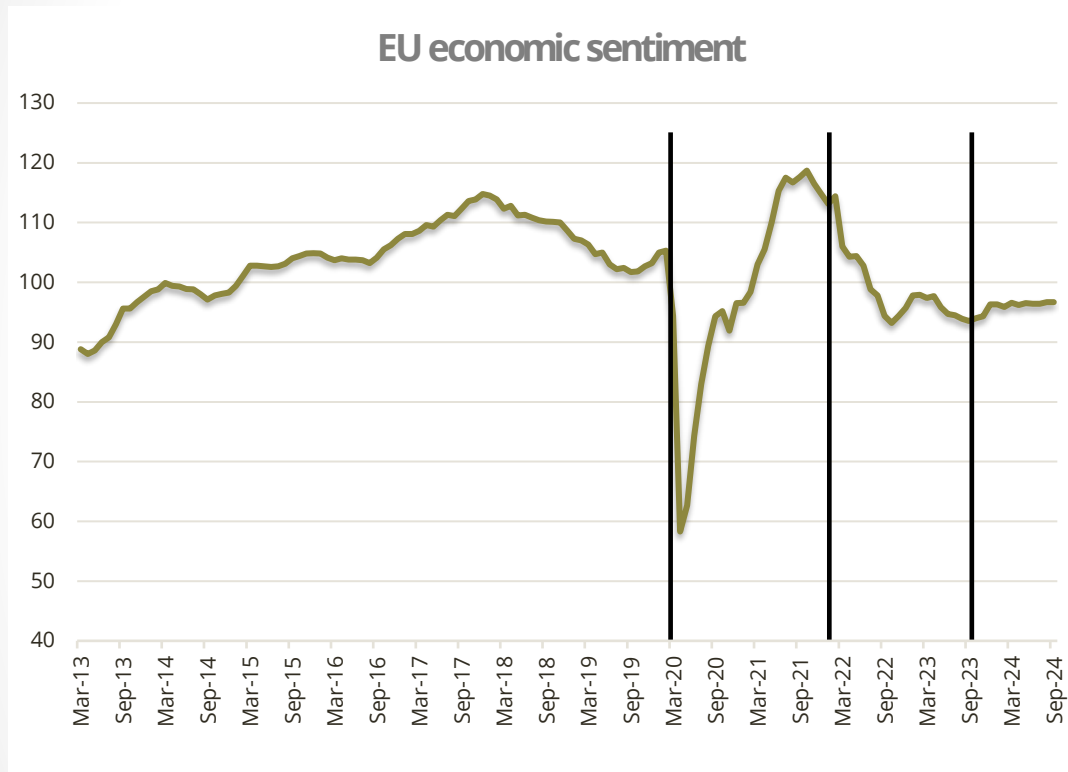
ECONOMIC SENTIMENT

Global sentiment evolved as a roller coaster around the pandemic and energy crises, has stabilized recently



Source: OECD

EU sentiment has been flat since 2022



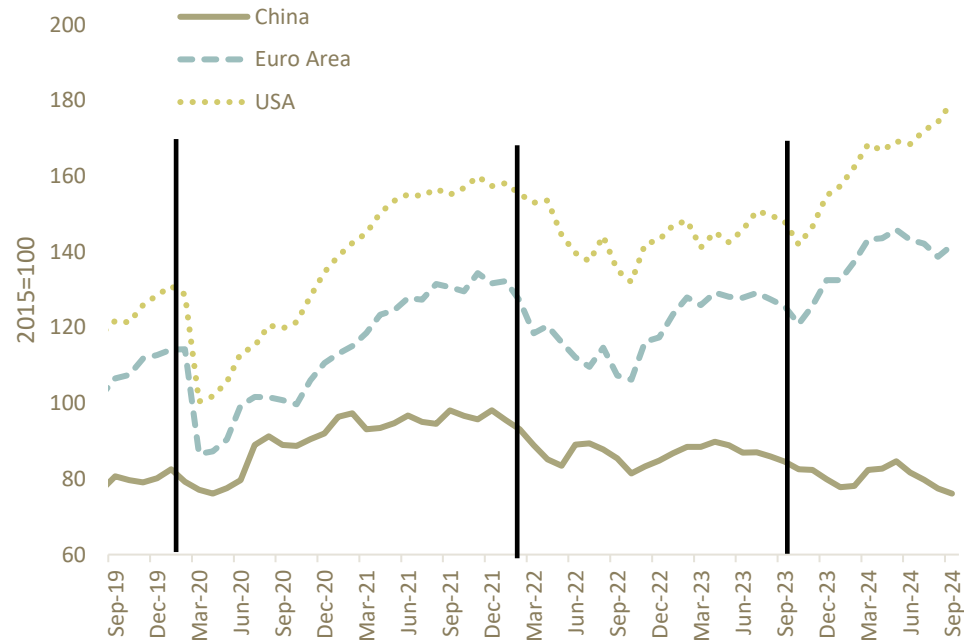
Source: European Commission, DG ECFIN

Mild recovery of consumer confidence in the EU since 2022, partially offset by weak business expectations, which translate into stable economic sentiment

GLOBAL OUTLOOK

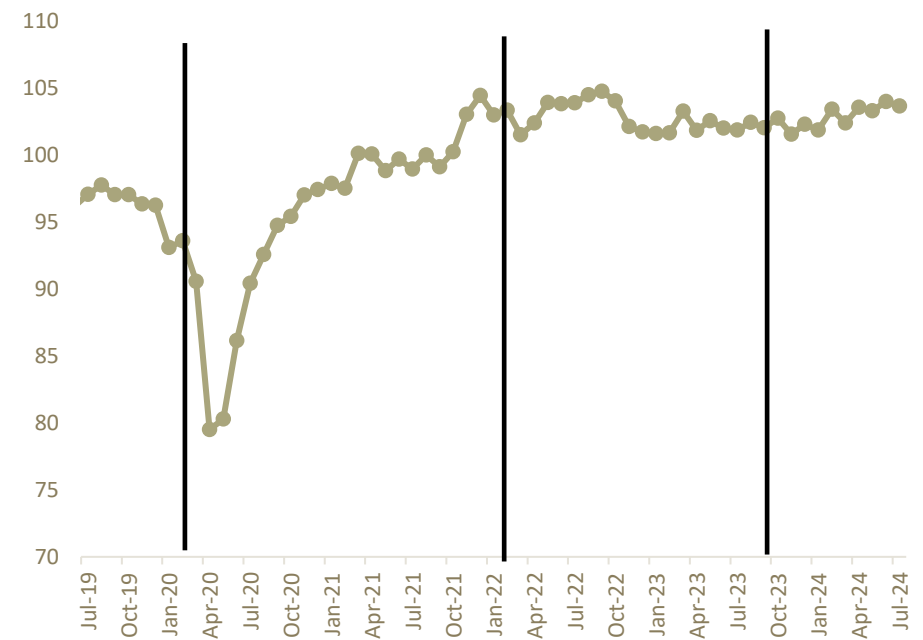
Markets have rallied in advanced economies since mid 2022...

Stock Market Indices, 2015=100



Source: OECD, monthly average of closing prices for aggregate stock indices

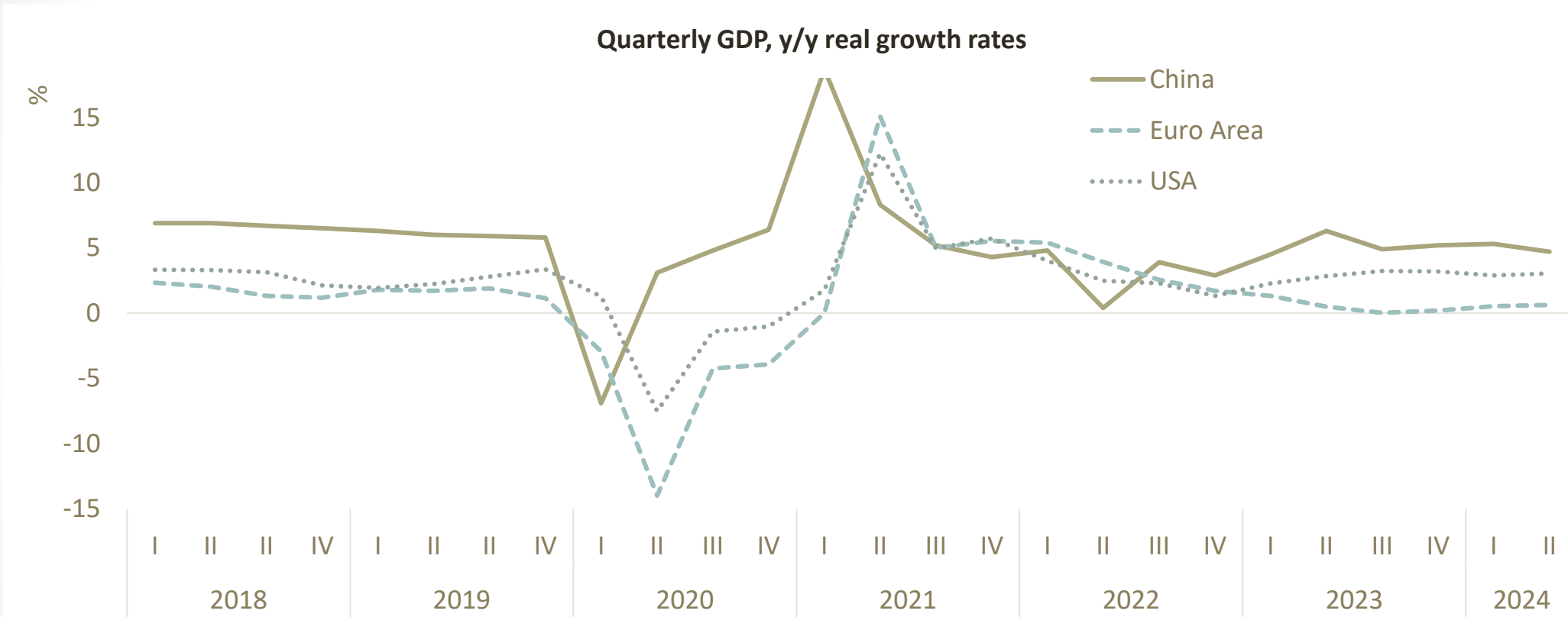
Volume Indicator of Global Trade (seasonally adjusted data, 2021=100)



Source: CPB Netherlands Bureau for Economic Policy Analysis

...while international trade volume has fully recovered from the pandemic crisis shock, albeit the trend has flattened after 2023

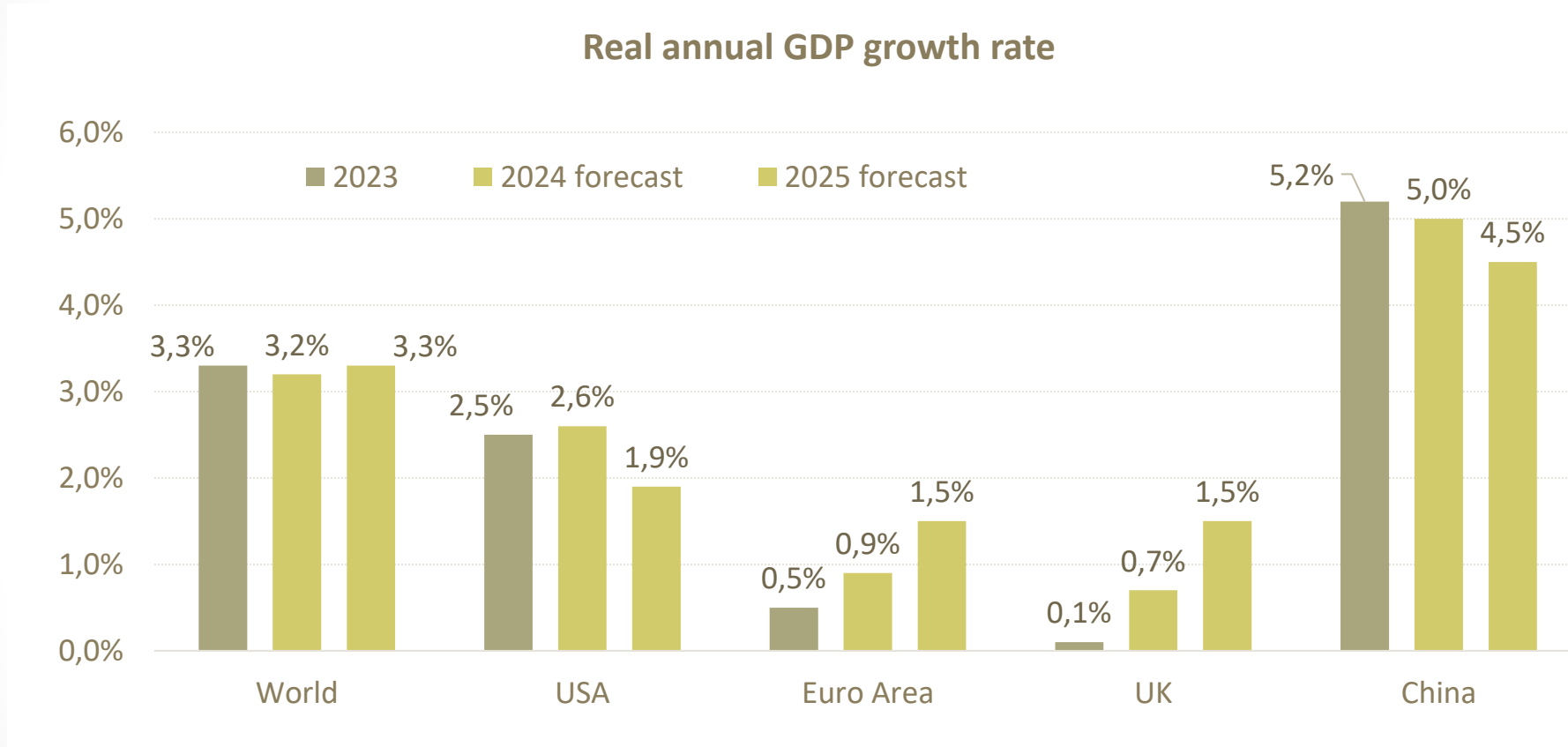
Growth rate momentum has been diverging across the globe



Source: OECD

During 2024, growth trend has only mildly recovered in Europe, stabilized in the US and emerging Asia

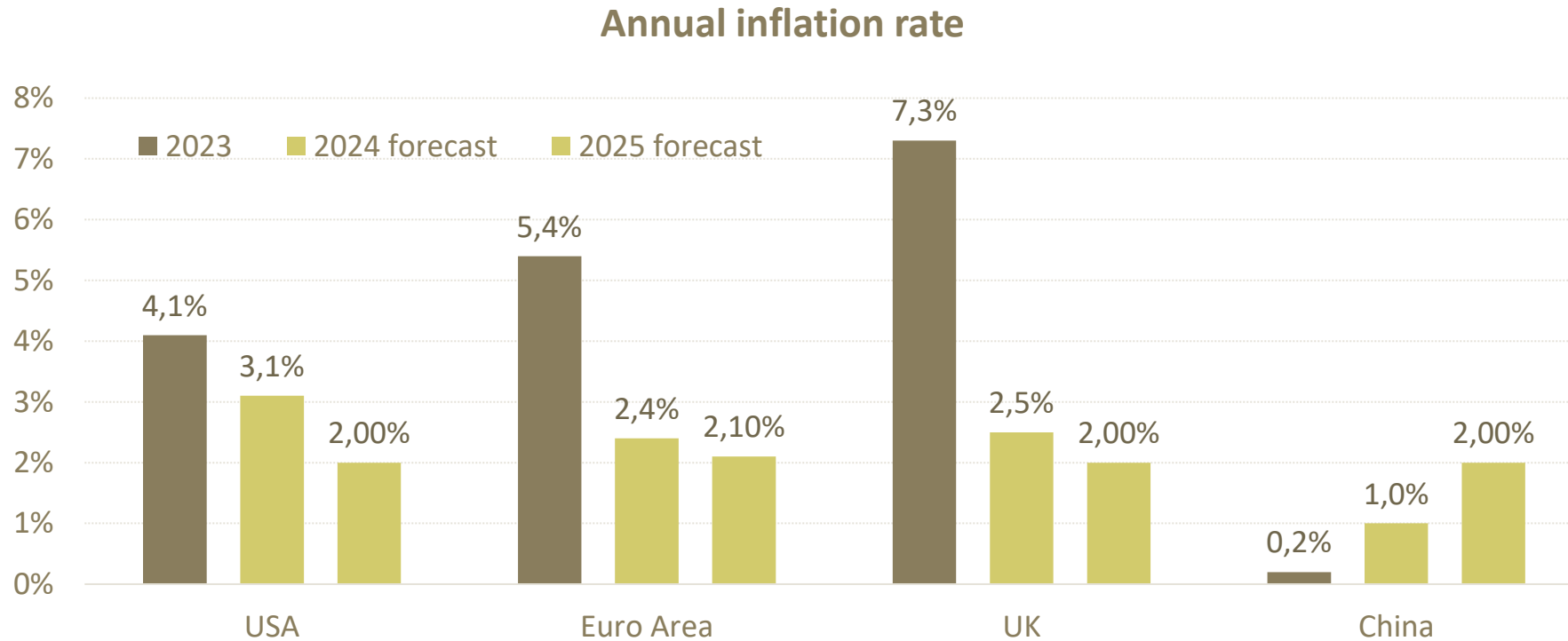
Global growth: Europe has been underperforming



Source: IMF World Economic Outlook (July 2024)

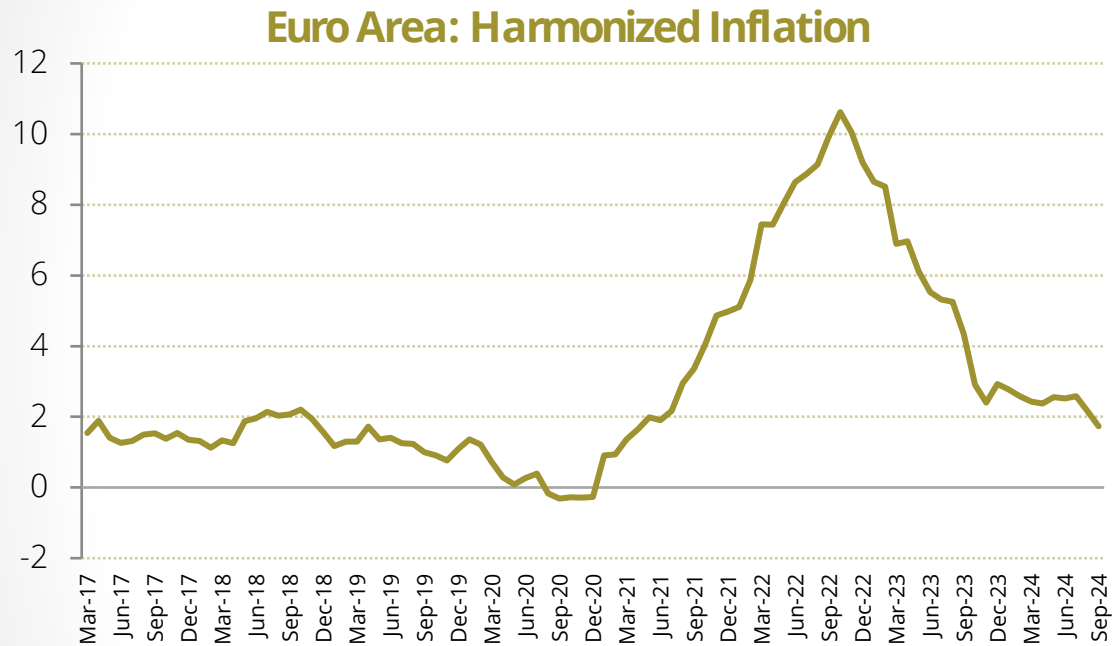
INFLATION

High inflation rates across the globe during 2022-23, except for China, are expected to converge back to target during 2025

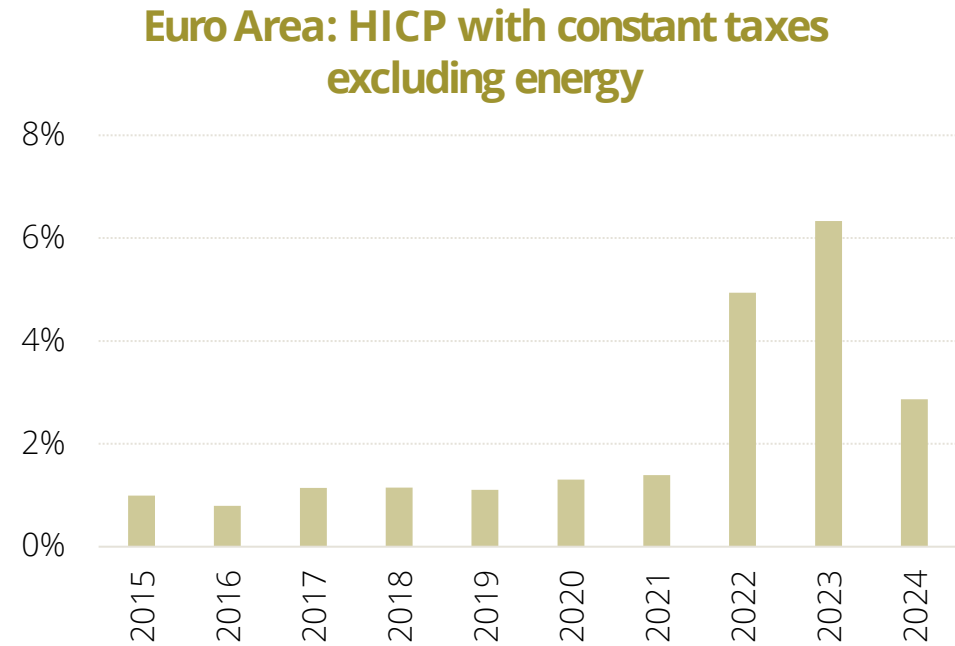


Source: IMF World Economic Outlook (April 2024)

Global inflationary pressures ease at a gradual pace, no longer primarily driven by energy goods

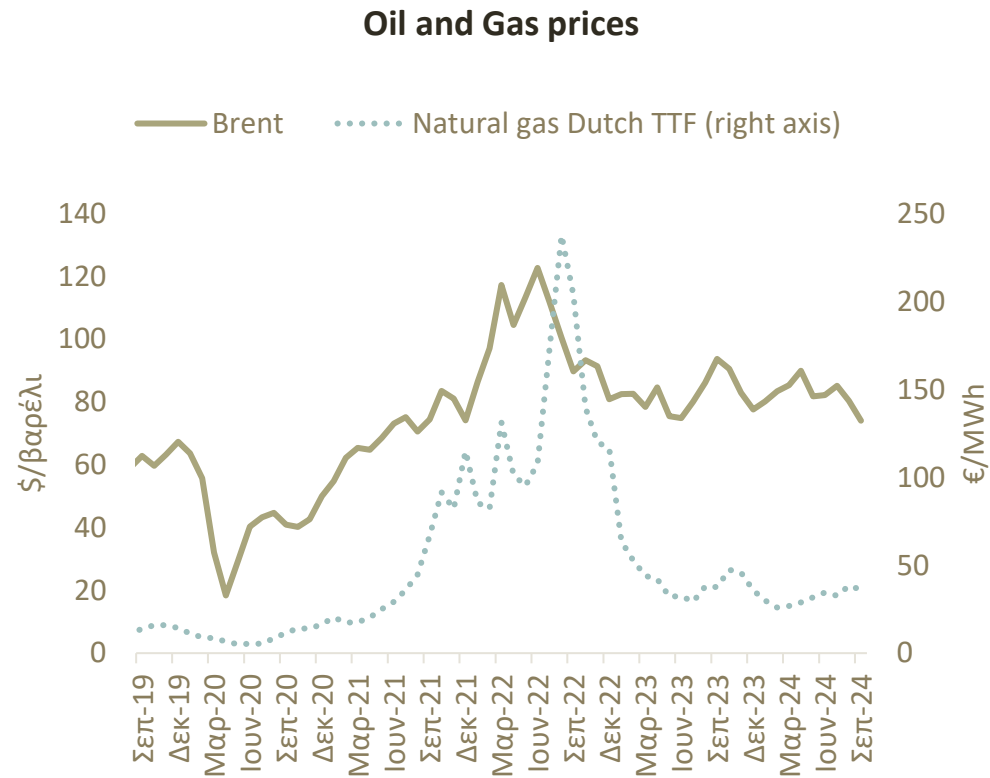


Source: Eurostat

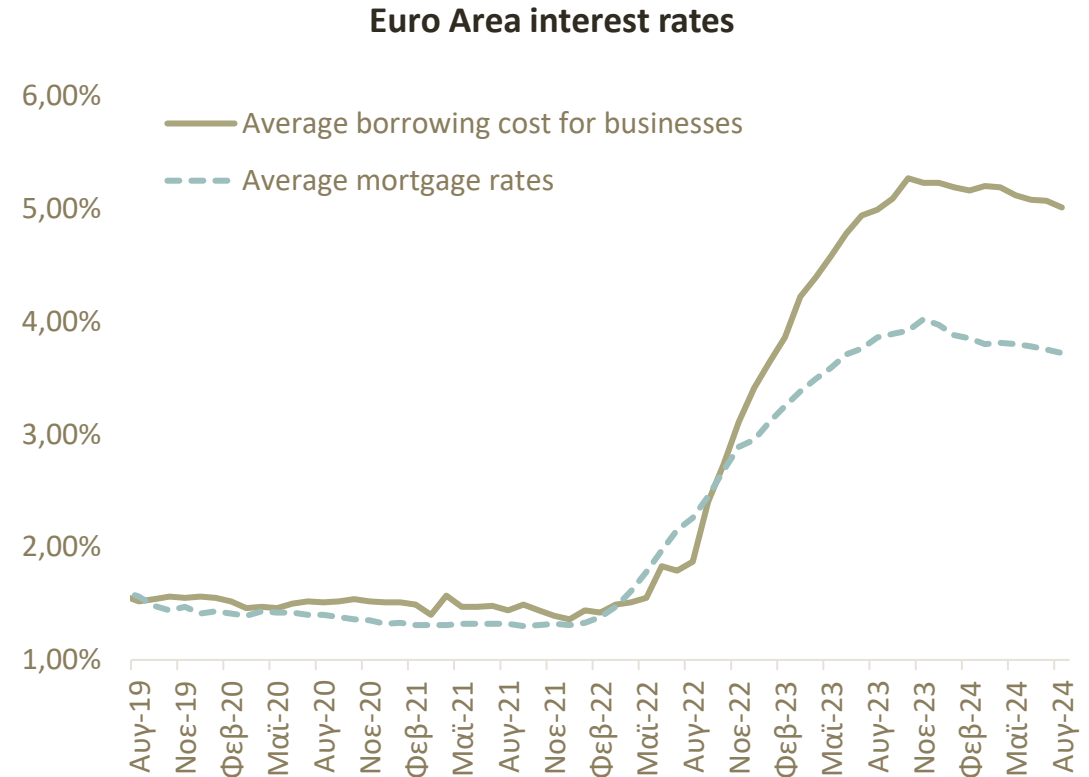


Eurozone: Inflation declined to 2,6% in September 2024, down from close to 5,5% a year ago.

Energy prices have largely eased after 2022...



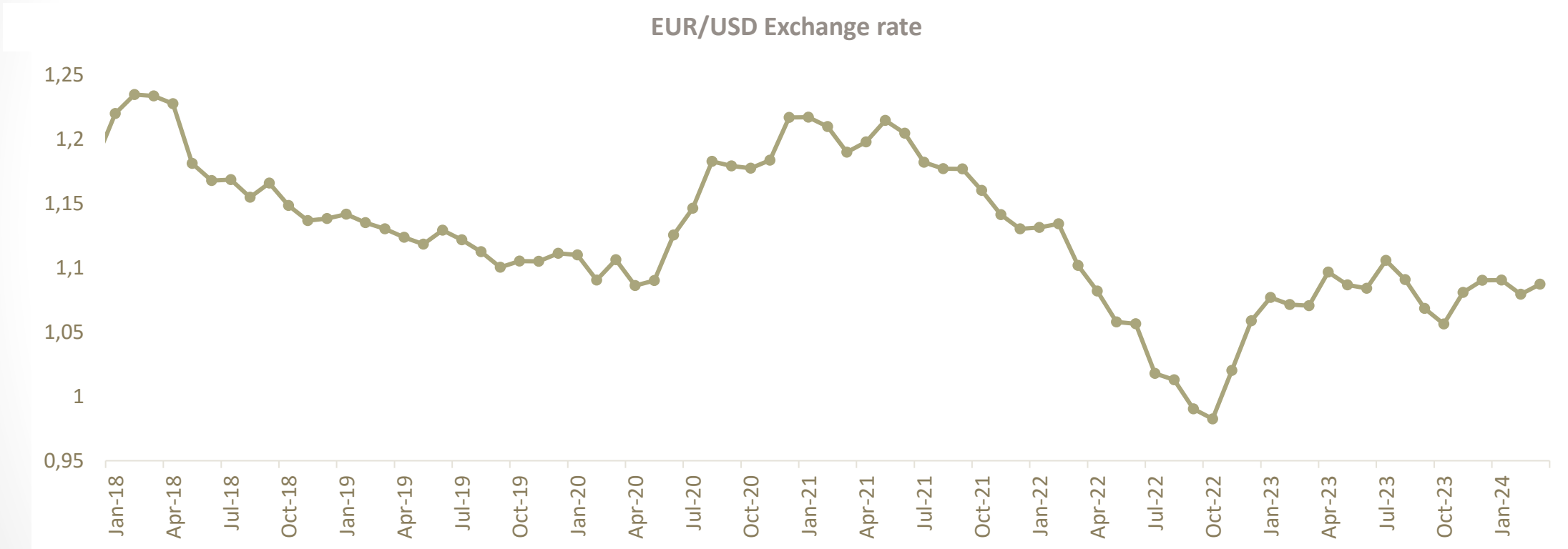
Source: EIA and NYMEX



Source: ECB

... while monetary stance has started to loosen, with borrowing costs gradually easing since end-2023

The euro has appreciated against the dollar since 2022, inter alia reflecting varying expectations on future interest rate paths

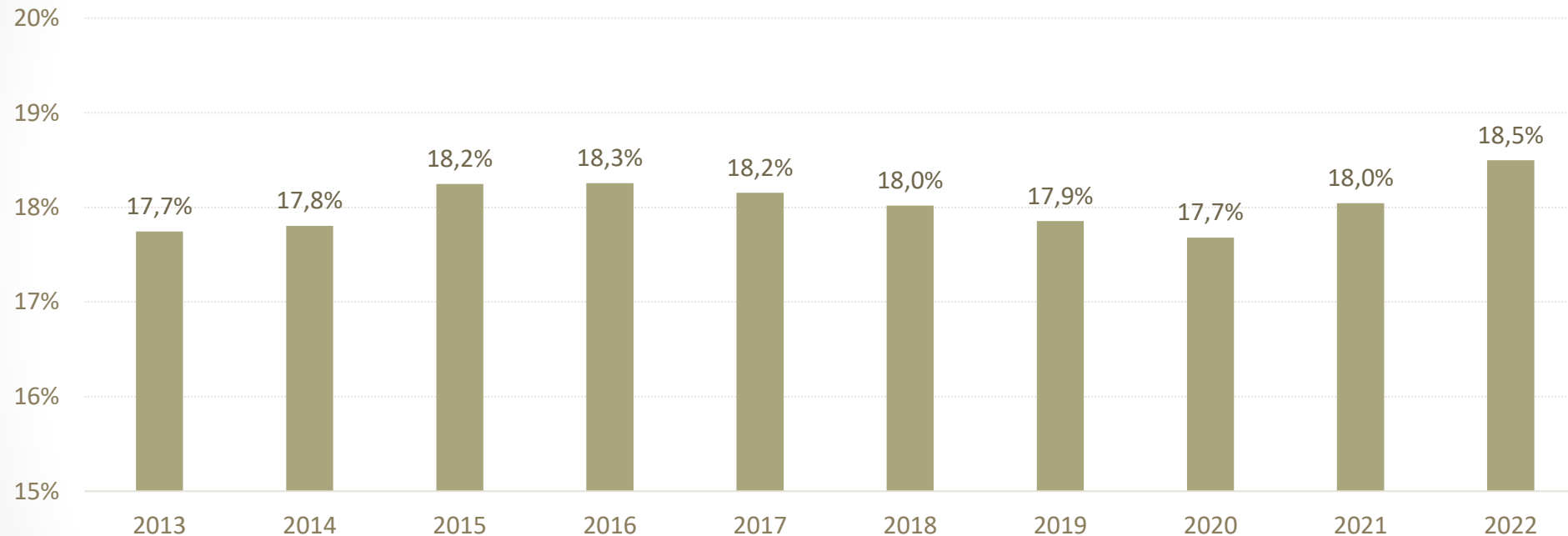


Source: ECB

MANUFACTURING

The European industry has recovered the losses after the pandemic...

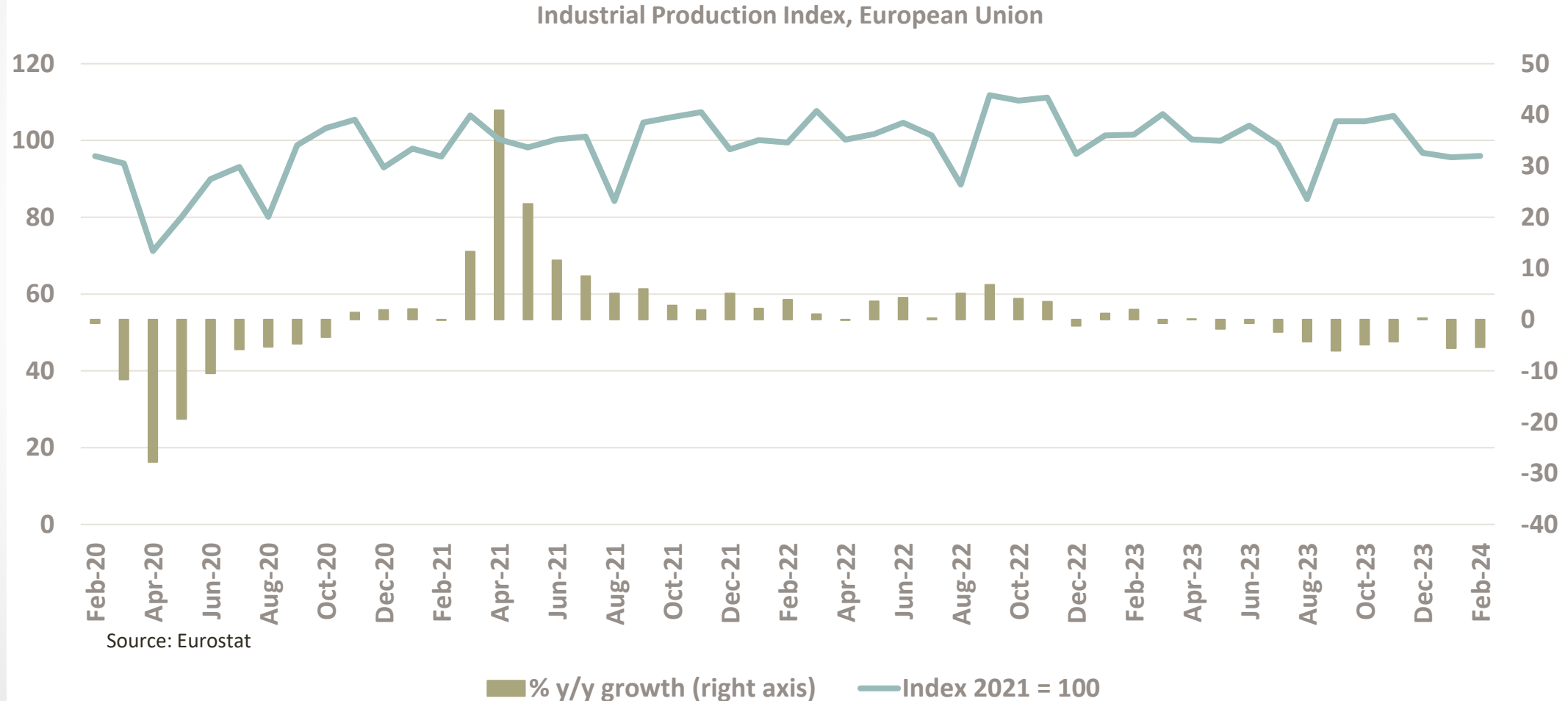
Gross Value Added of Industry, as % of GDP, European Union



Source: Eurostat

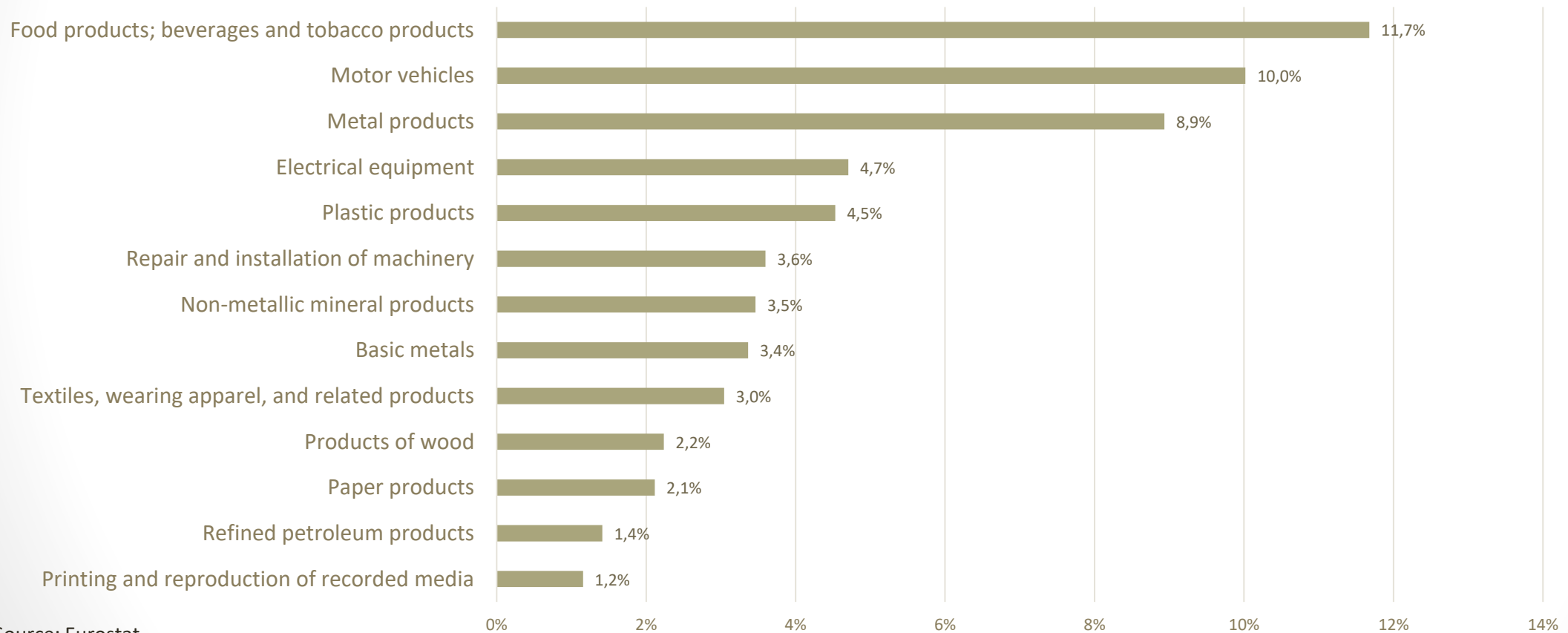
...reaching a 10-year high share of EU GDP in 2022

Nonetheless, the y/y momentum of EU industrial production volume has weakened



European manufacturing covers a wide range of sectors...

Gross value added per selected EU manufacturing sectors, as % of Total EU Manufacturing, 2021



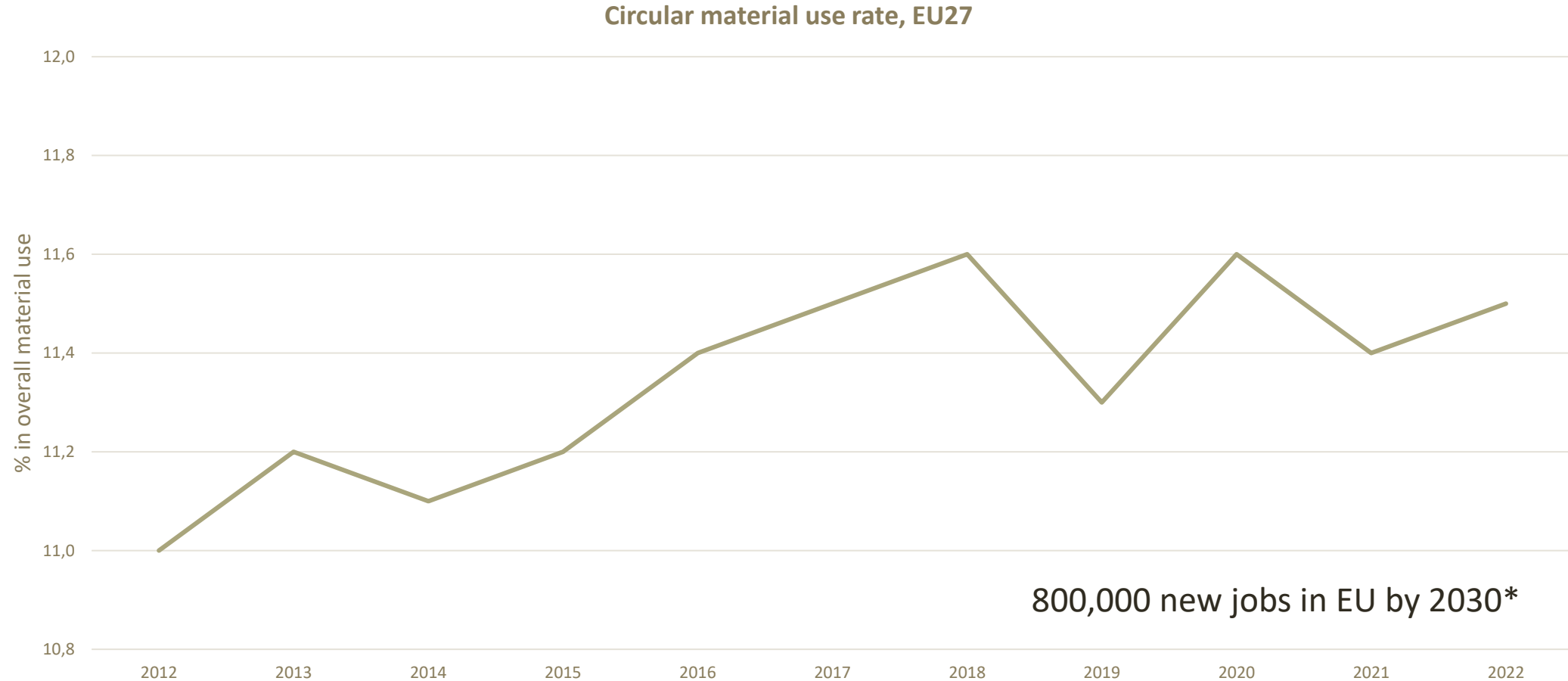
Source: Eurostat

Note: The graph shows the allocation of around 60% of EU manufacturing across selected sectors. Due to non-reporting, around 40% of manufacturing is allocated to other sectors, such as pharmaceuticals, chemicals, electronics, machinery and other manufacturing, for which the breakdown is not available and hence not included in the graph.

Green Transition

Green transition targets call for sizable investments globally....
...and the EU Green Deal sets an ambitious pace

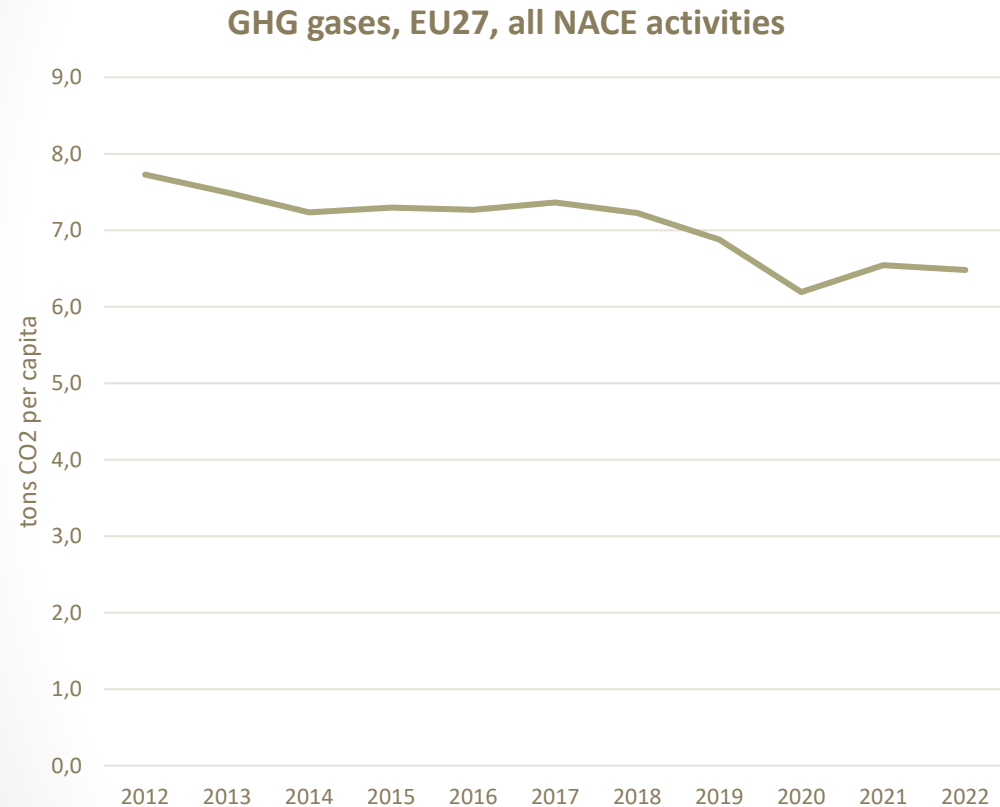
Circular economy: a challenge for EU manufacturing albeit with significant prospects



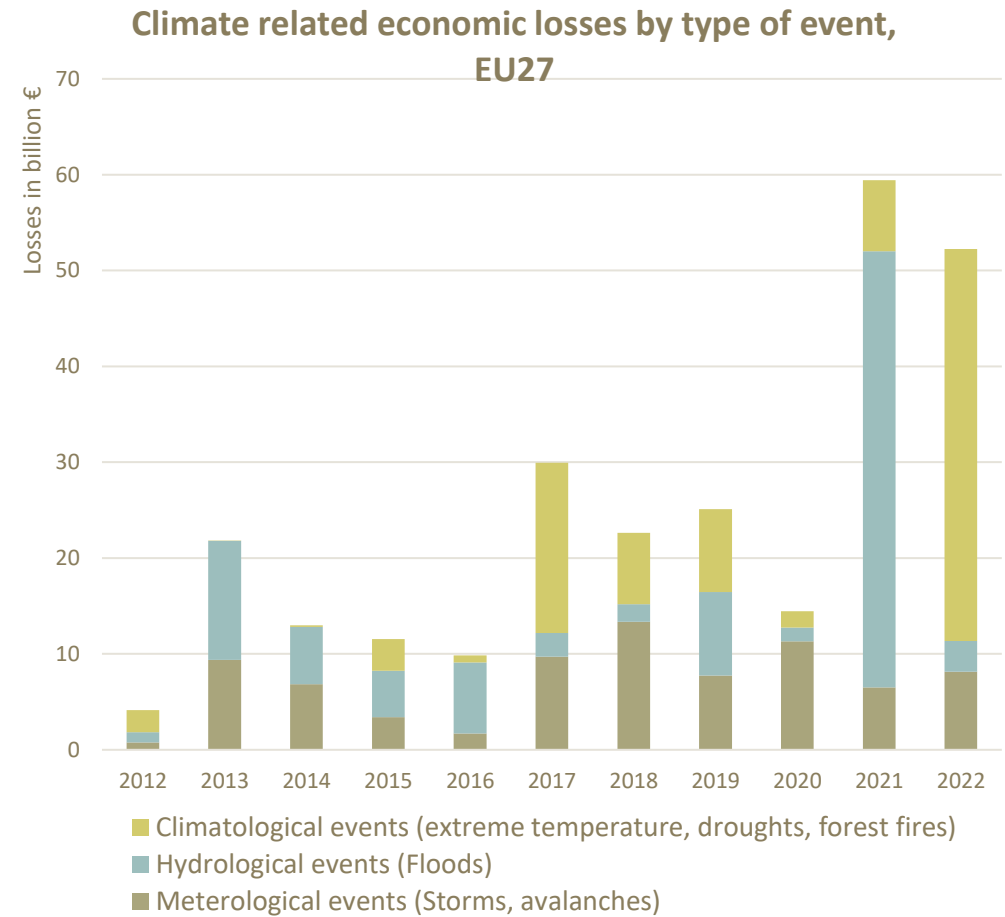
Source: Eurostat

*Impacts of circular economy policies on the labour market, 2018, European Commission

Climate change mitigation targets drive policy and investments. Increased and imminent spending needs for climate adaptation



Source: Eurostat



Looking ahead

Global economy

1. Accumulation and absorption of successive crises
2. Investing in higher-risk assets and at higher cost
3. Geopolitics: The West vs. China
4. Green transition: high upfront and finance costs

Europe

1. Lagging in productivity
2. Adverse demographic dynamics
3. Looking for direction: the 'political economy' of reforms is a major challenge
4. Technology









Annual Conference
on the Implementation of the Recovery and Resilience Plan for Greece
Athens | 14 March 2024

About I.O.B.E.



The Foundation for Economic & Industrial Research (IOBE) is a private, non-profit, public-benefit research organisation.

It was established in 1975 with the dual purpose of promoting research on current problems and prospects of the Greek economy and its sectors and of generating reliable info... [Read More](#)

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Notes on Economic Facts



Report on
The Greek Economy



Bulletin of trends in the Greek Industry Sector (October 2024)

Monthly bulletin of trends in the Greek industry secto...

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Impact of the Fit for 55 package on passenger shipping and the island economy of Greece

The study scope includes the assessment of the effects of the "Fit for 55" package on the operation of domestic passenger shipping and by extension to the economy of the island regions of the country. In particular, the study highlights the regulatory changes and their anticipated effects on passenger shipping operation, quantifies

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