



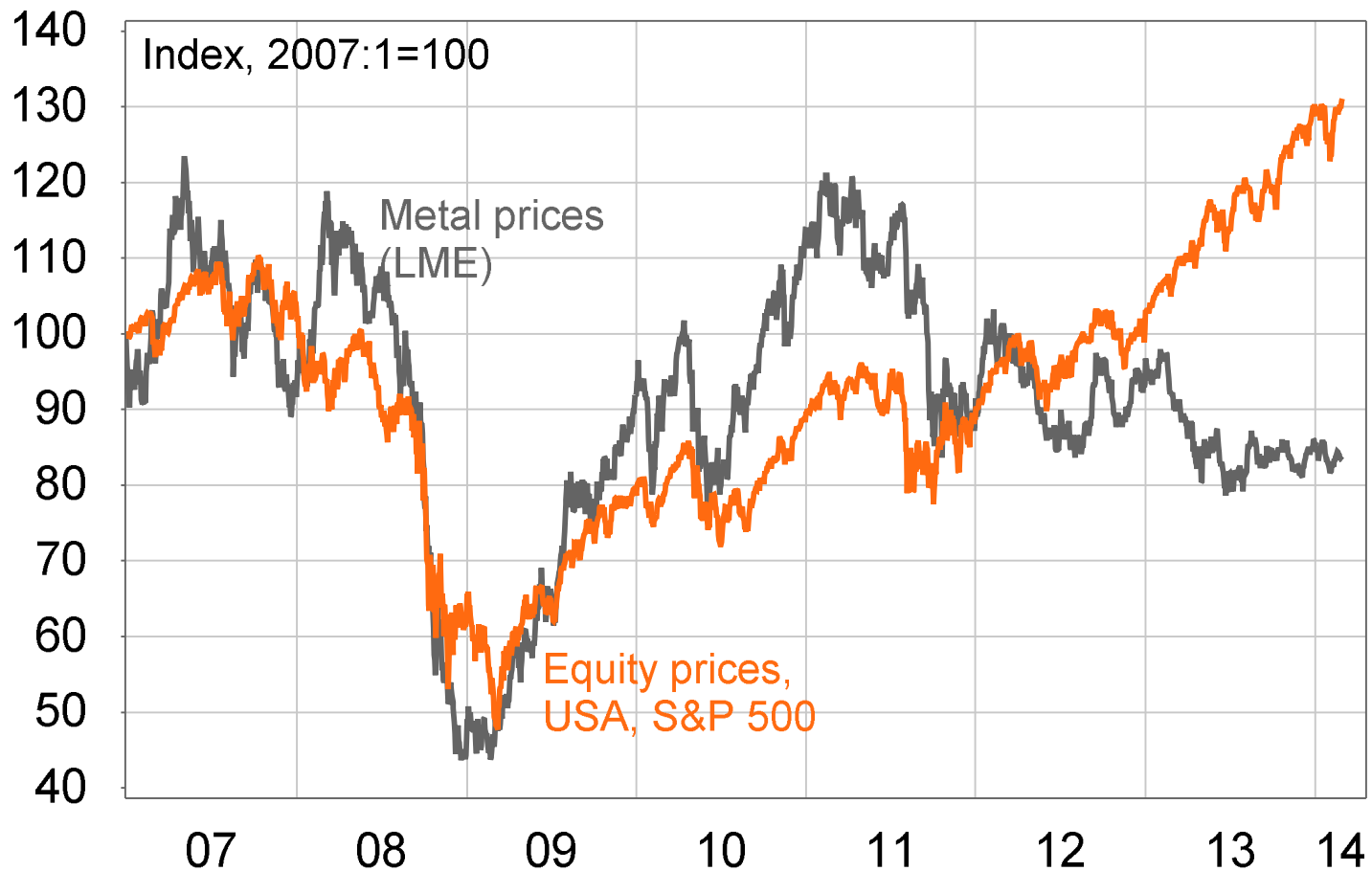
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Economic Outlook
of the Euro Area

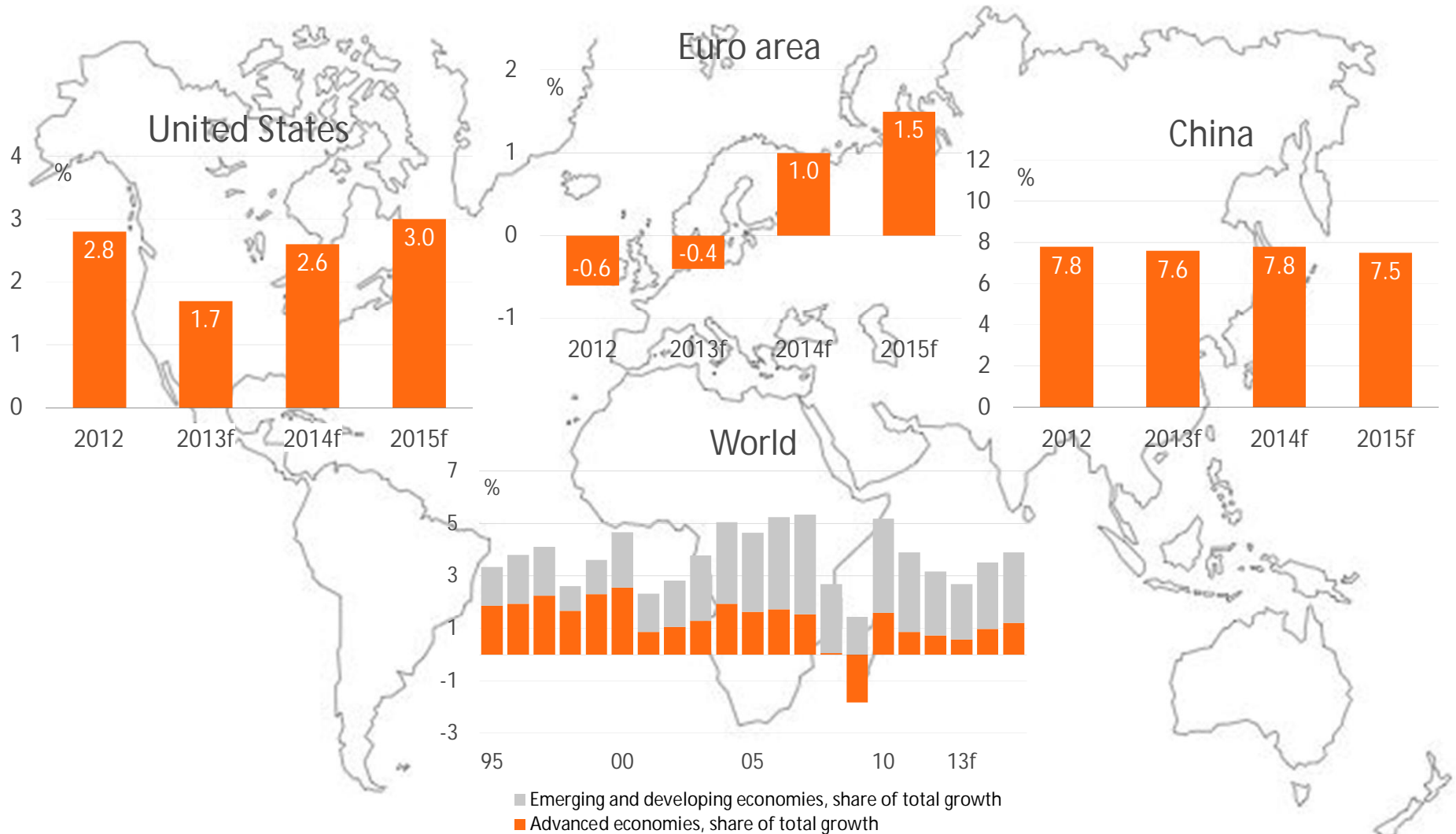
Reijo Heiskanen
Chief Economist



Markets point to uneven recovery in the global economy

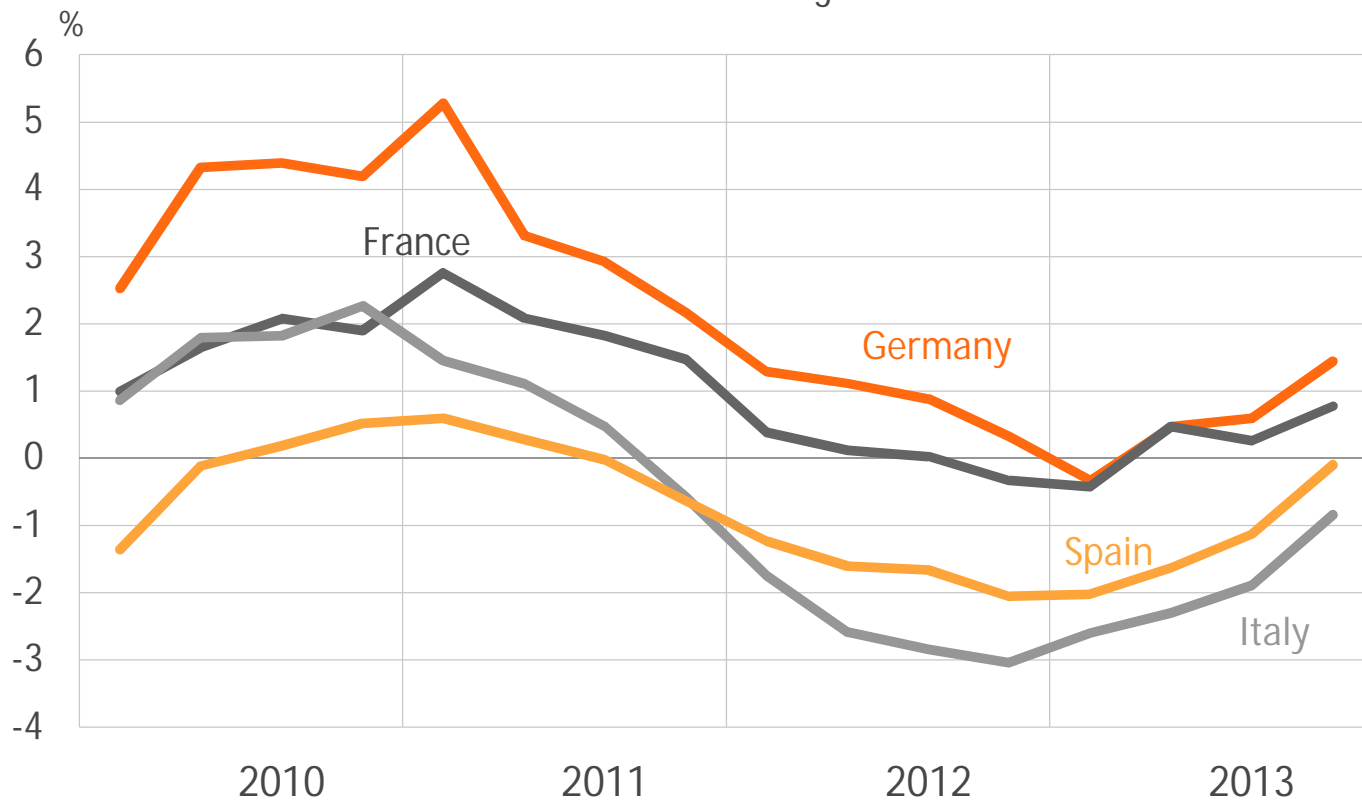


US economy driving the recovery



South is catching up

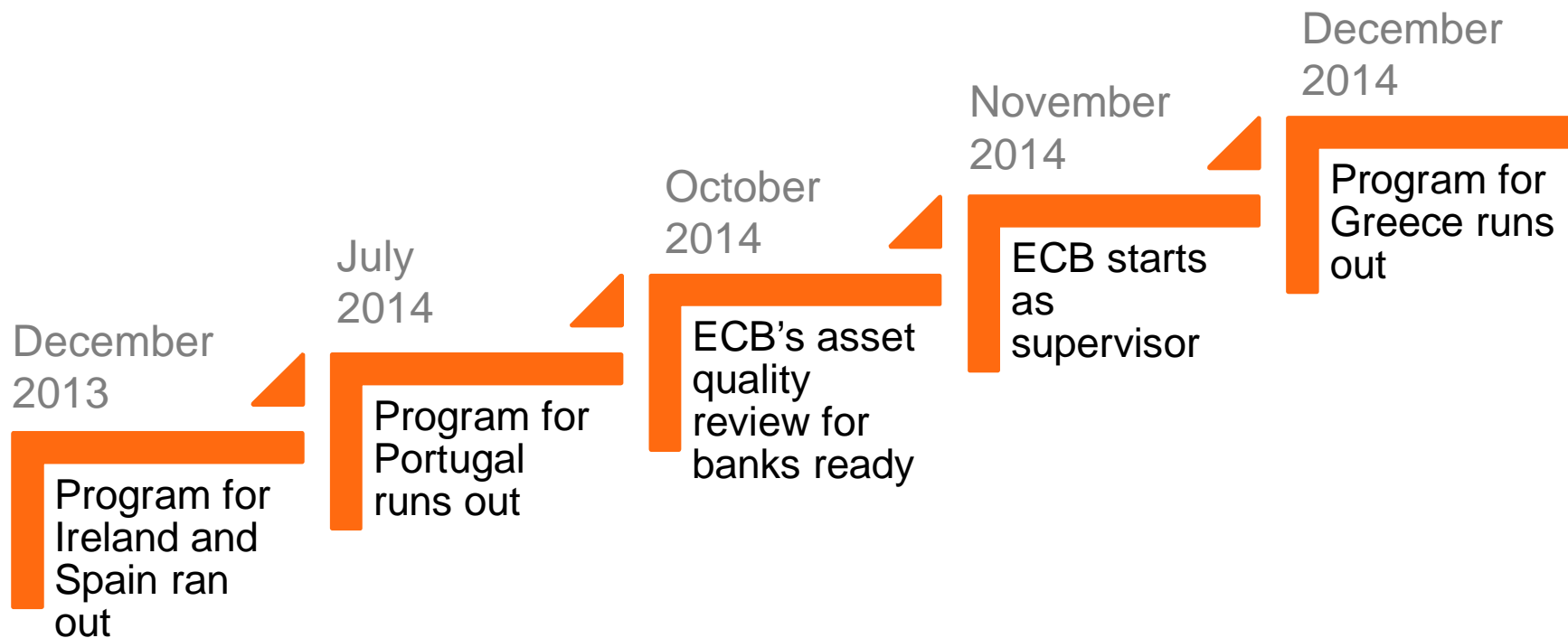
GDP volume
annual change



Source: Reuters EcoWin

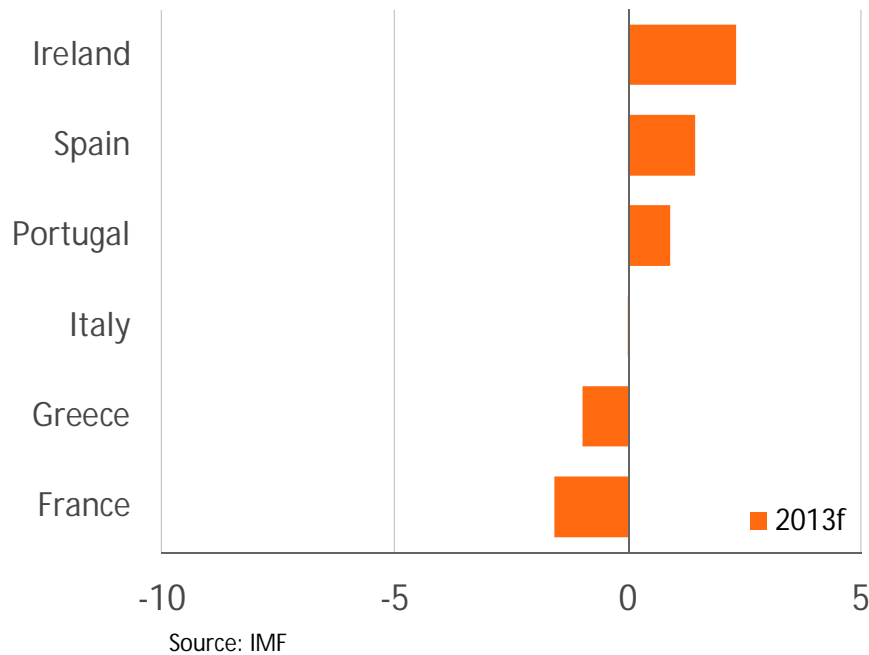


Many more steps ahead in the Euro area debt crisis

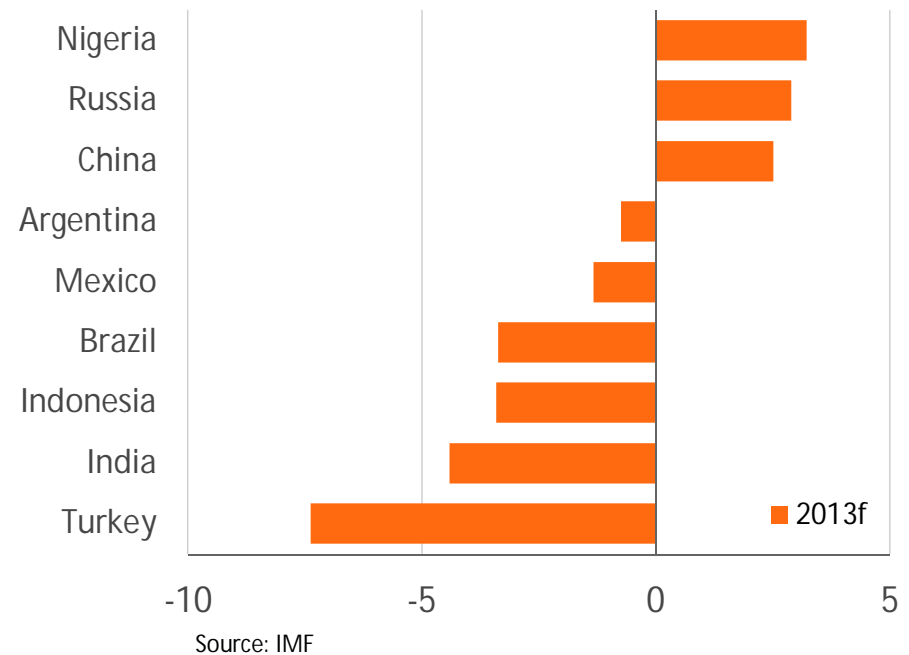


The economic balance in the euro area improved, risks now in the fragile emerging markets countries

Current account % of GDP in 2013

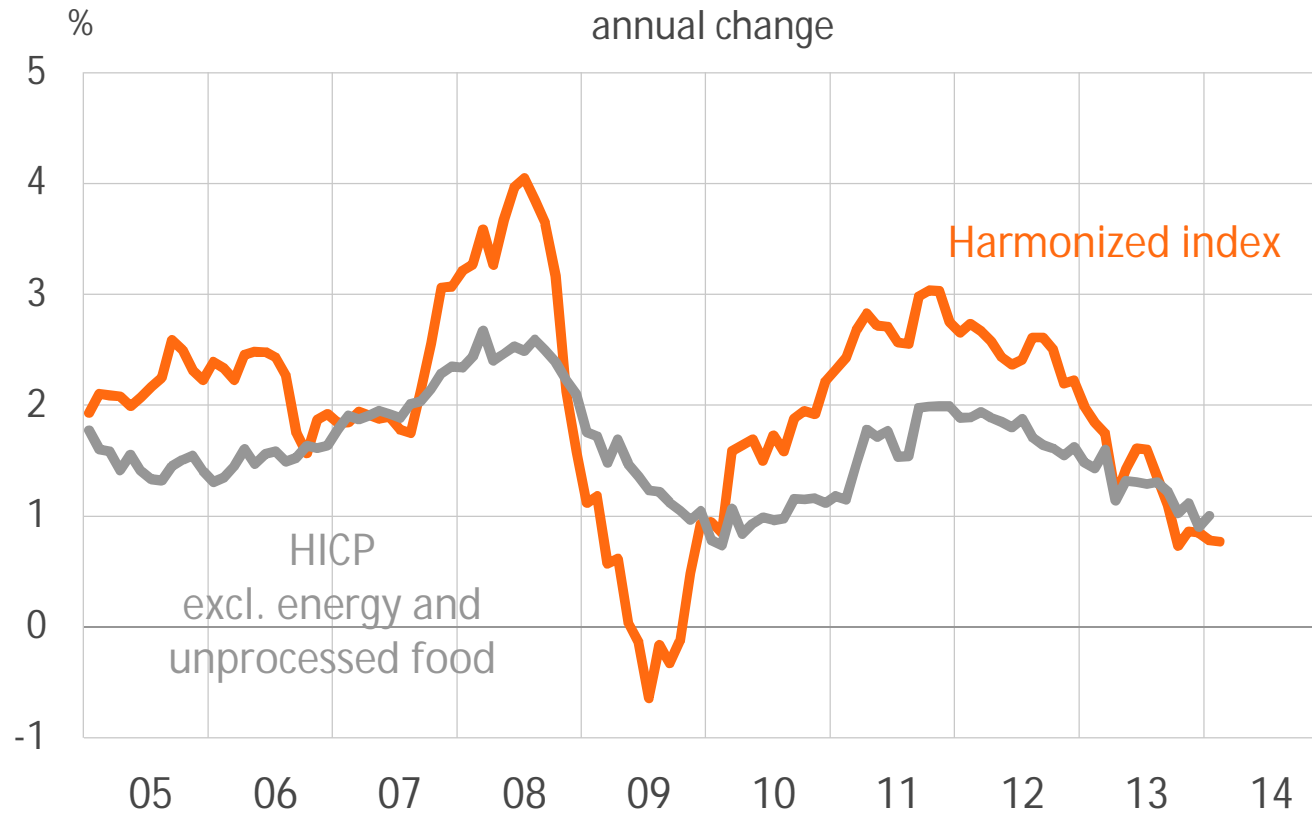


Current account % of GDP in 2013



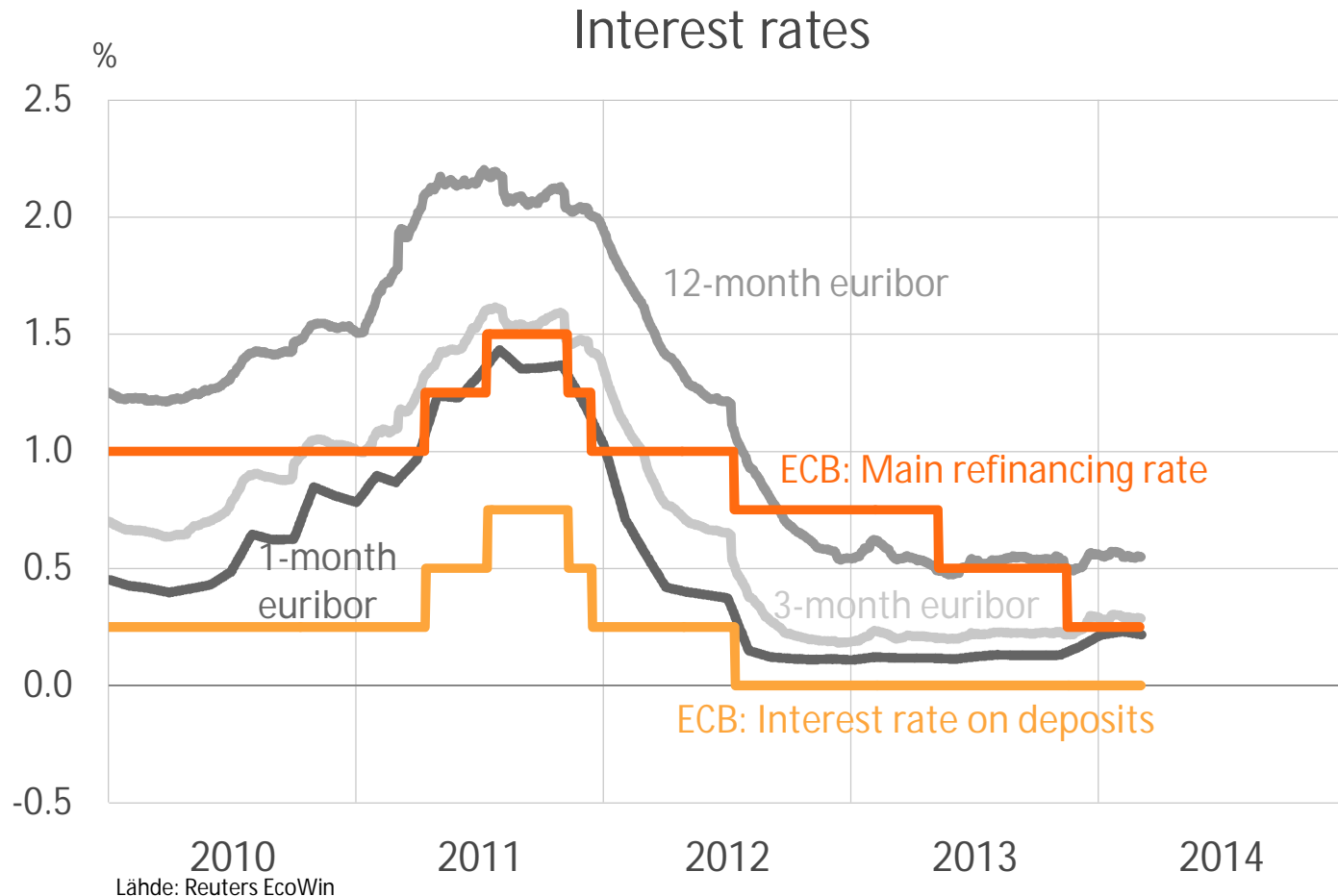
Inflation to stay subdued

Consumer prices in euro area



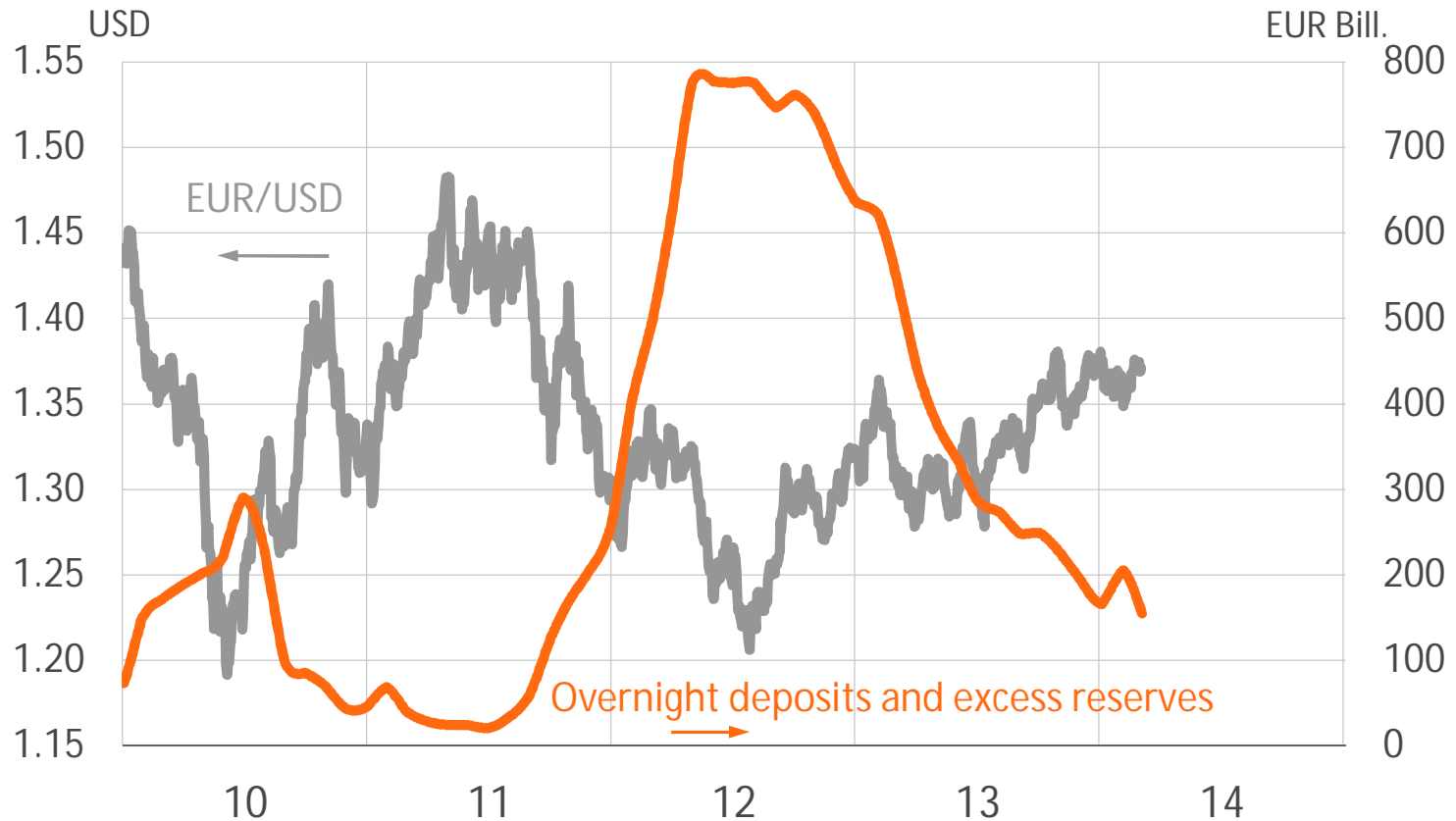
Source: Reuters EcoWin

Rates to stay low, further cuts most probably inefficient to have material impact



Liquidity boost would be more helpful

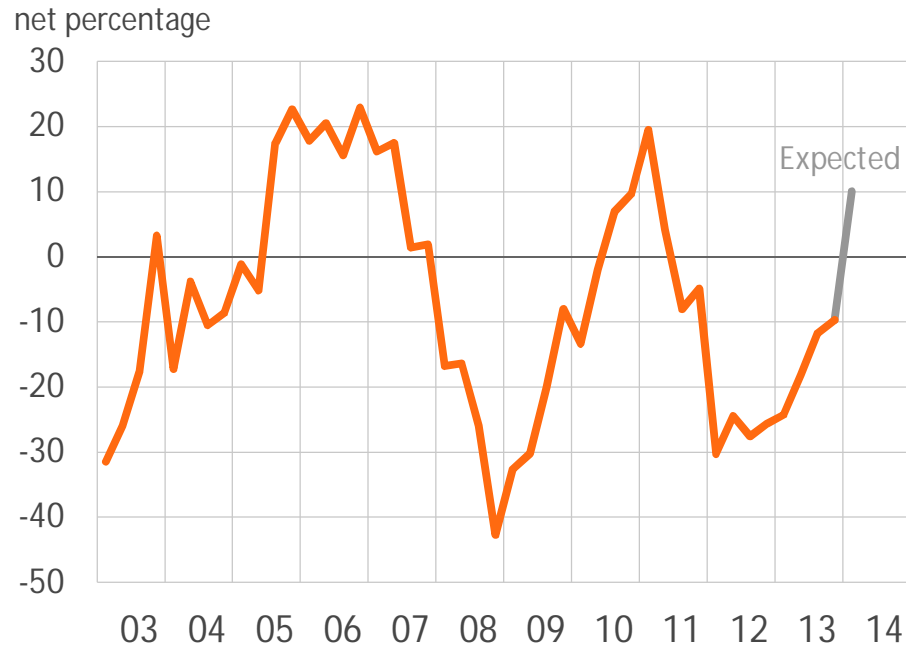
Exchange rate and excess liquidity



Source: Reuters EcoWin

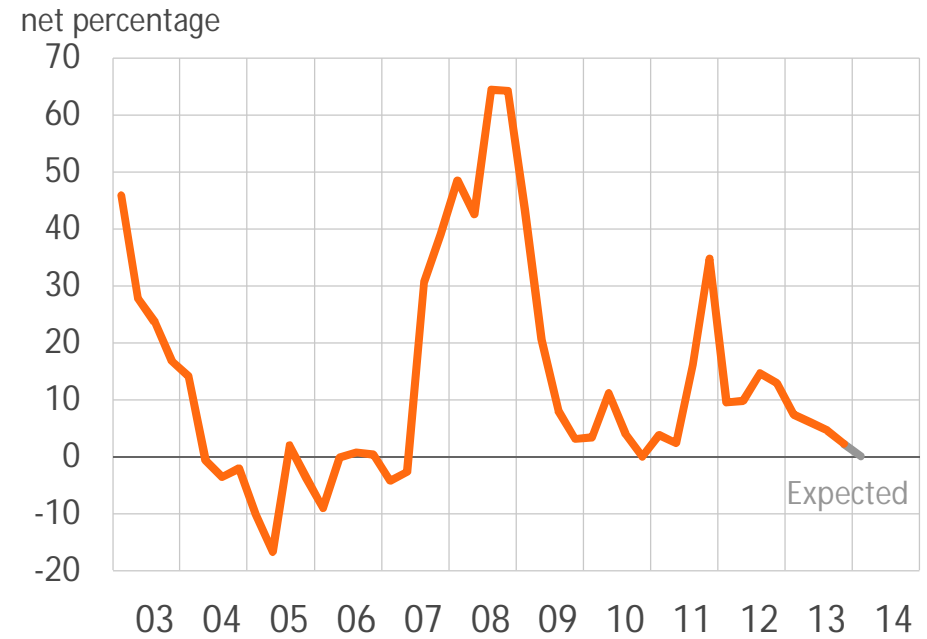
Signs of improvement in the bank credit market

Demand for bank loans to enterprises in the euro area



Source: The euro area bank lending survey

Tightening of credit standards for bank loans to enterprises in the euro area



Source: The euro area bank lending survey

Recovery to continue at modest pace

- The global economy is set to recover moderately in the course of the year. Yet, the recovery will be uneven.
- The euro area economy will grow after two years of recession.
- Yet, many more steps need to be taken and the euro area economy is still in a fragile state and vulnerable to outside shocks.
- The risks to the recovery have diminished and currently the main risks stem from the fragile emerging market countries with large current account and public sector deficits.
- The ECB has been in a central position to calm down the euro area government debt markets. Its room to act is not too wide any the ECB will most probably remain in a wait and see mode for a while.
- On the whole the global economy and the euro area economy are moving gradually to better direction. The risks are smaller than earlier. However, the economies are not yet very resilient and may need further policy support in case that any risks would realize.





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Thank you!

