



EUROPEAN CENTRAL BANK

EUROSYSTEM

Key features of the September 2020 ECB Staff Projections

Presentation to the
European People's Party

23/10/2020



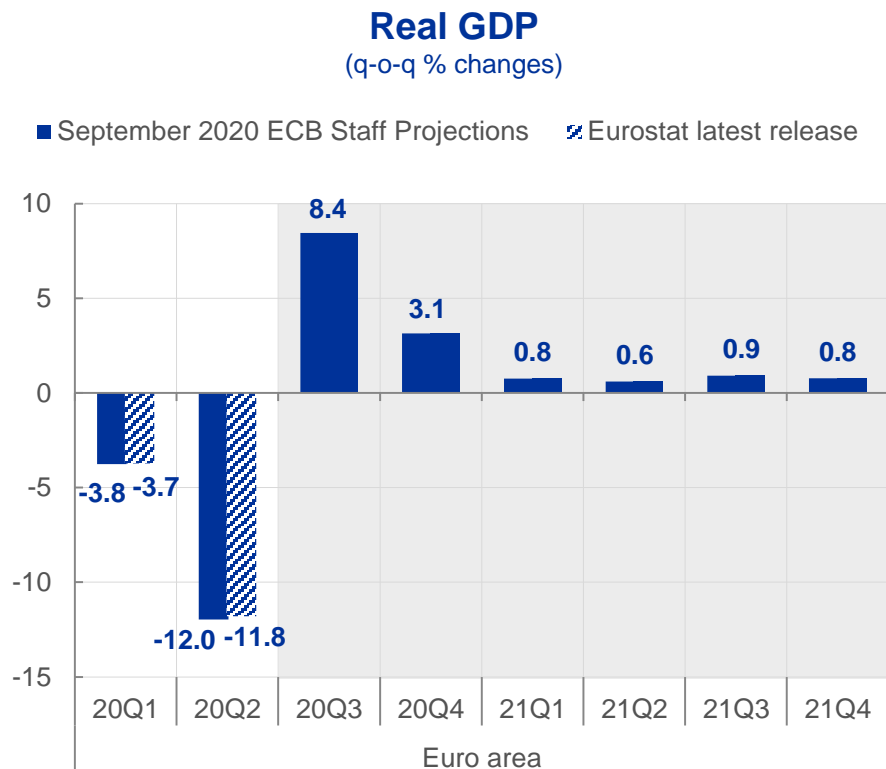
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Senior Adviser

Key messages

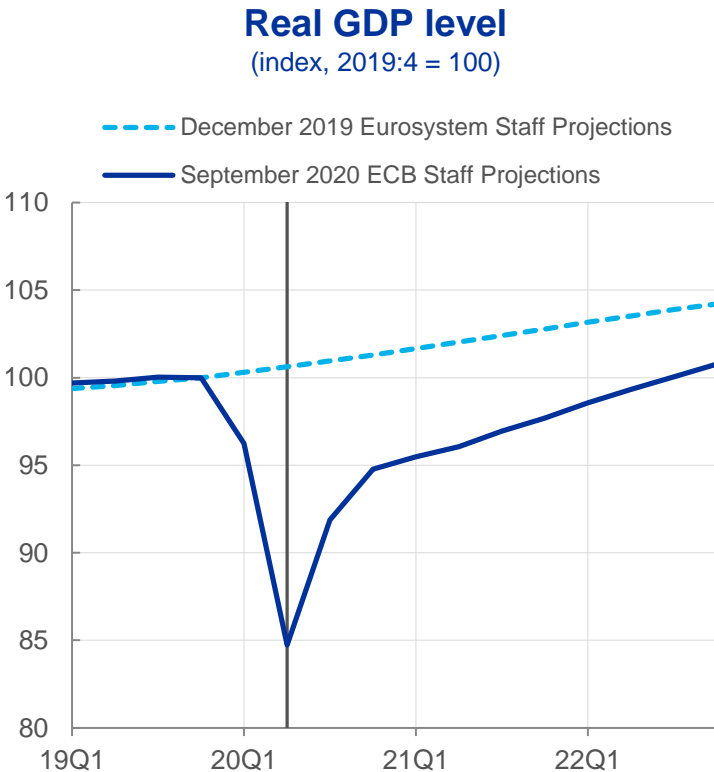
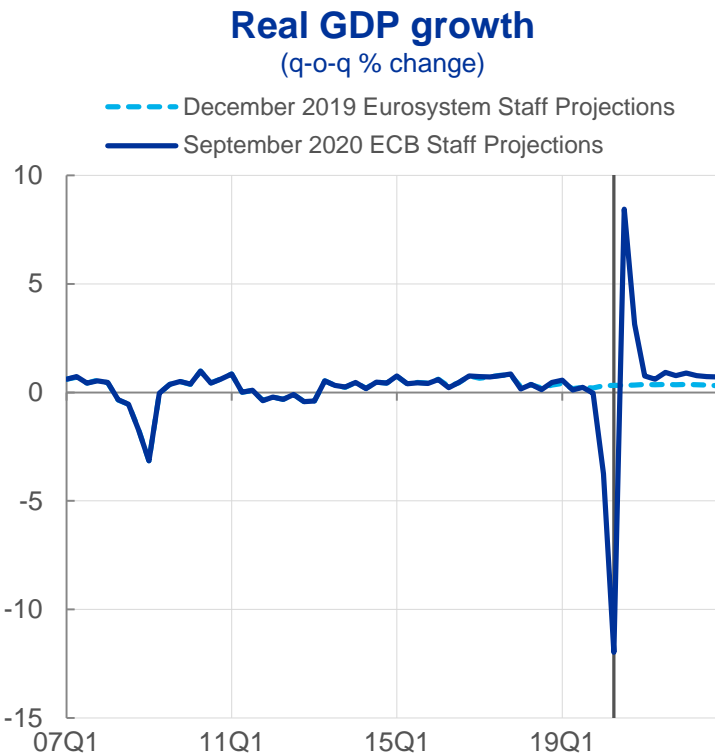
- The assumed evolution of the pandemic is the key driver of the projections
- Following the unprecedented fall in activity in the first half of 2020, an uncertain, incomplete and uneven recovery is expected
- Policy support is key to create the conditions for a recovery
- Inflation will be muted in the near term and will rise to 1.3% in 2022

		September 2020 ECB Staff Projections (annual % change)		
	2019	2020	2021	2022
Real GDP	1.3	-8.0	5.0	3.2
HICP	1.2	0.3	1.0	1.3
HICP excl. energy and food	1.0	0.8	0.9	1.1

Real GDP growth: A strong recovery in the second half of 2020



Permanent losses in real GDP vs the “pre-COVID-19” Dec.2019 Eurosystem Staff Projections



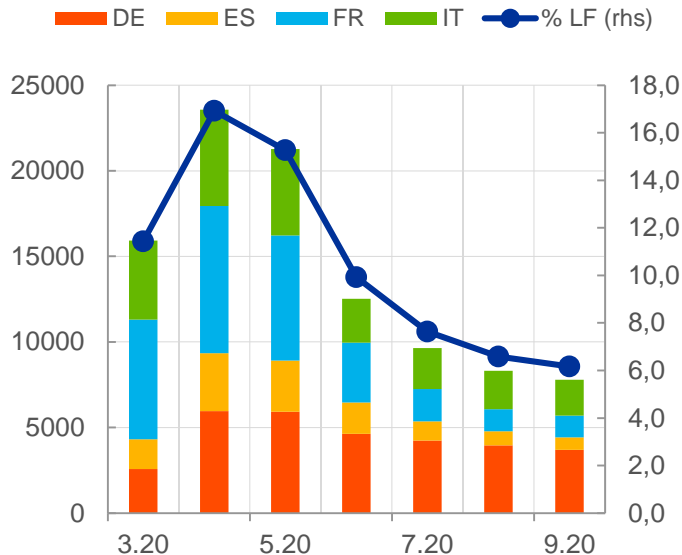
Policy support is key to limit the damage of the pandemic and create the conditions for a recovery

- **Monetary policy:**
 - ✓ Targeted longer-term refinancing operations (TLTRO III)
 - ✓ Pandemic Emergency Purchase Programme (PEPP)
 - ✓ Asset Purchase Programme (APP), with an additional EUR 120bn temporary envelop and EUR 20 bn monthly purchases
- **National fiscal policies:**
 - ✓ Discretionary measures, 4.5% of GDP in 2020 and automatic stabilizers
 - ✓ Bank guarantees: total envelope about 20% of GDP
- **Supervisory measures by the SSM**
- **Next Generation EU (NGEU), which is partly included in the projections**
- **Labour market measures**

The job retention schemes have helped to stabilise the labour market

Job retention schemes

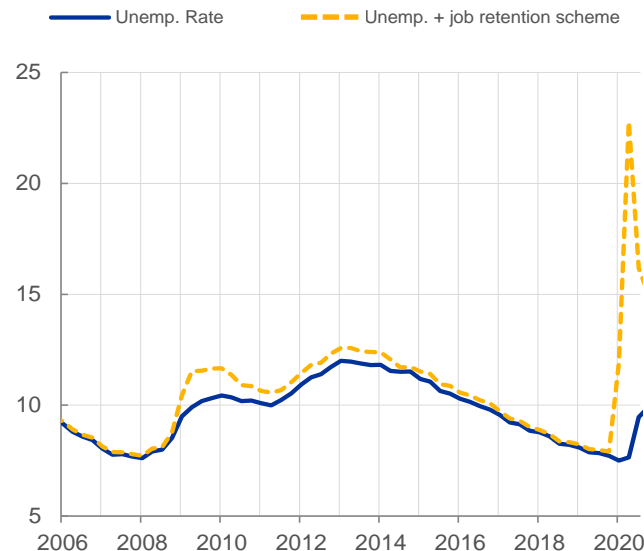
(LHS: 1000 persons and RHS: percentages)



Source: ECB calculations based on information from Eurostat; IAB; ifo Institut; Ministère du Travail, de L'Emploi et de L'Insertion; INPS; Ministerio de Inclusión, Seguridad Social y Migraciones.

Unemployment

(% of labour force)



Source: Sources: Eurostat, national statistical office and ECB staff calculations. Latest observation: Q2 2020.

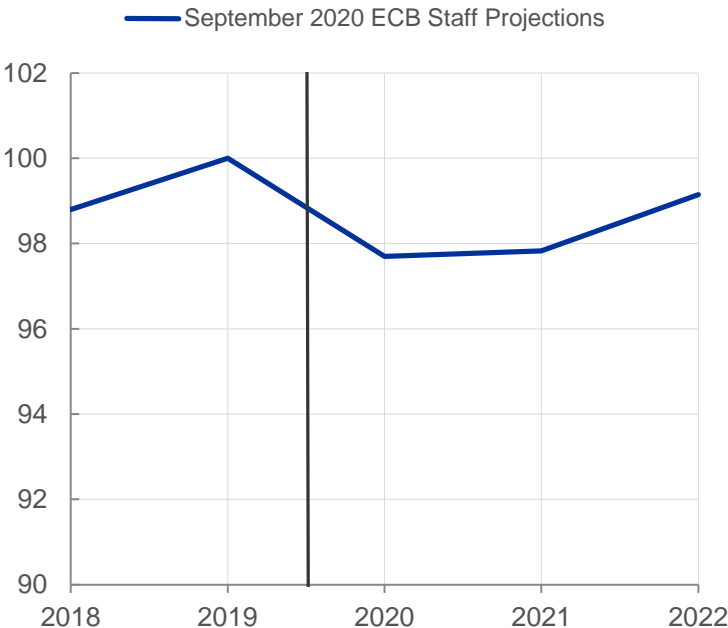
Real GDP growth outlook

	September 2020 ECB Staff Projections (annual % change)			
	2019	2020	2021	2022
GDP	1.3	-8.0	5.0	3.2
Private Consumption	1.3	-8.0	5.9	3.4
Government Consumption	1.8	1.8	1.8	1.0
Investment	5.0	-12.3	6.3	6.1
Exports	2.5	-13.7	7.4	4.5
Imports	3.9	-11.7	7.0	5.0

A rise in the rate of unemployment in the next few quarters

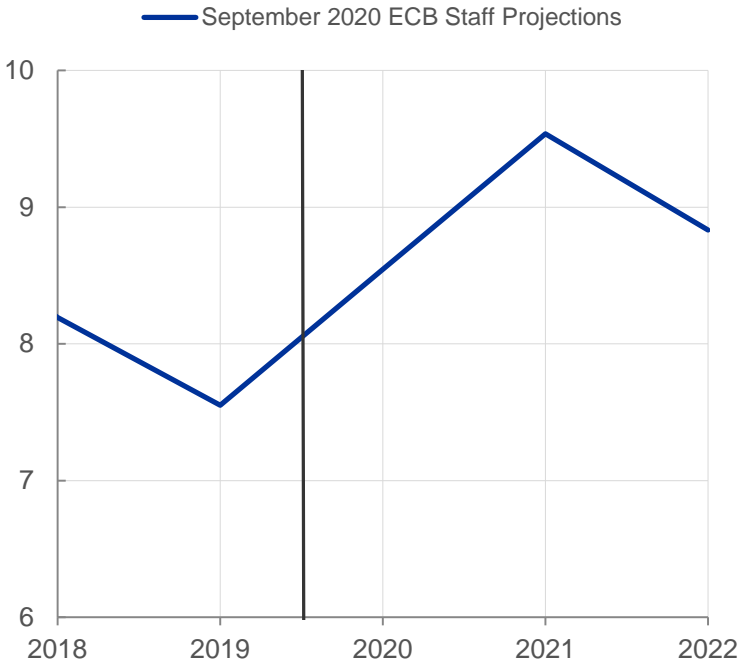
Employment

(index, 2019 = 100)



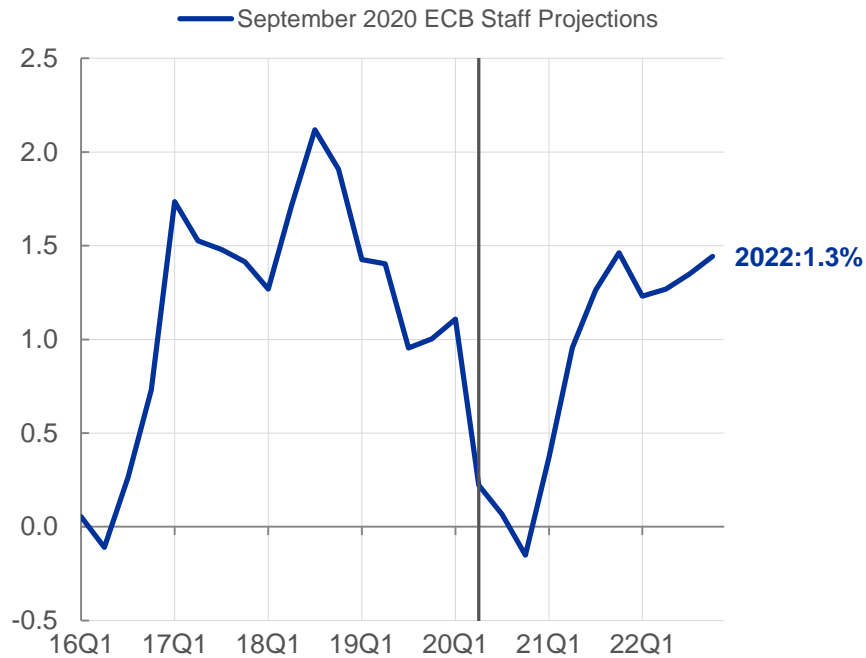
Unemployment rate

(% of labour force)

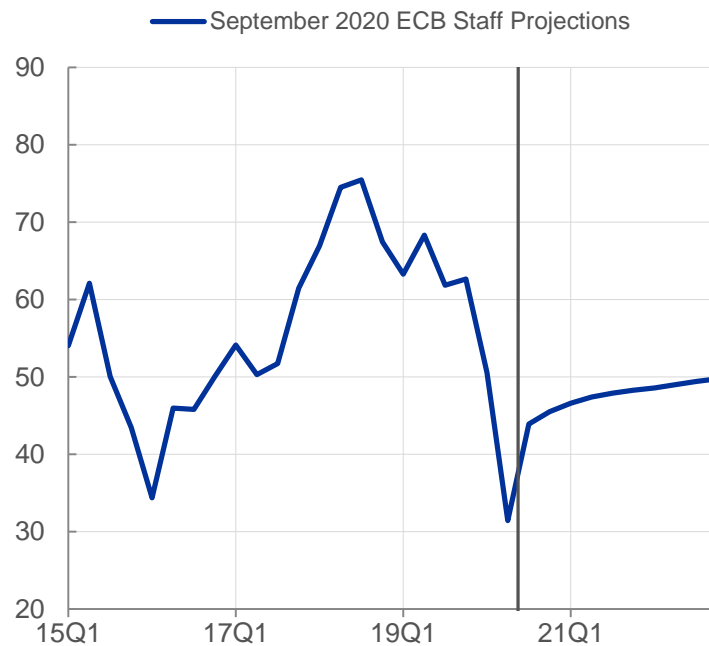


Inflation will be negative until end-20 and then gradually rise to 1.3% in 2022

HICP inflation (y-o-y % change)



Oil price futures



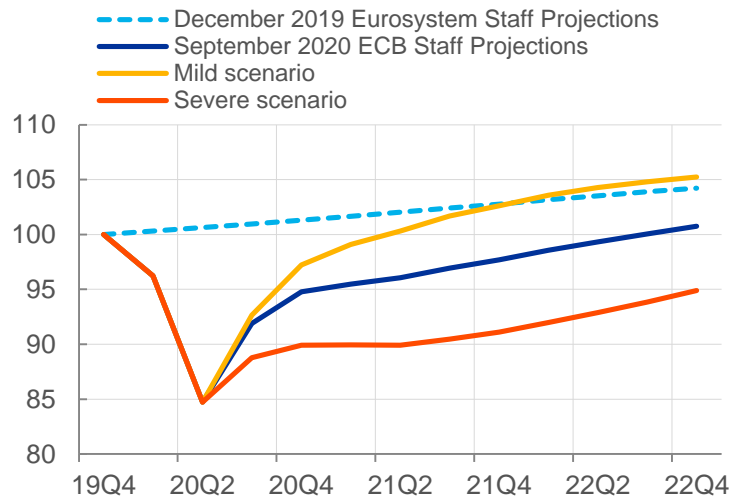
HICP inflation outlook

	September 2020 ECB Staff Projections (annual % change)			
	2019	2020	2021	2022
HICP	1.2	0.3	1.0	1.3
HICP excluding energy and food	1.0	0.8	0.9	1.1

Alternative scenarios: GDP and Inflation

Real GDP

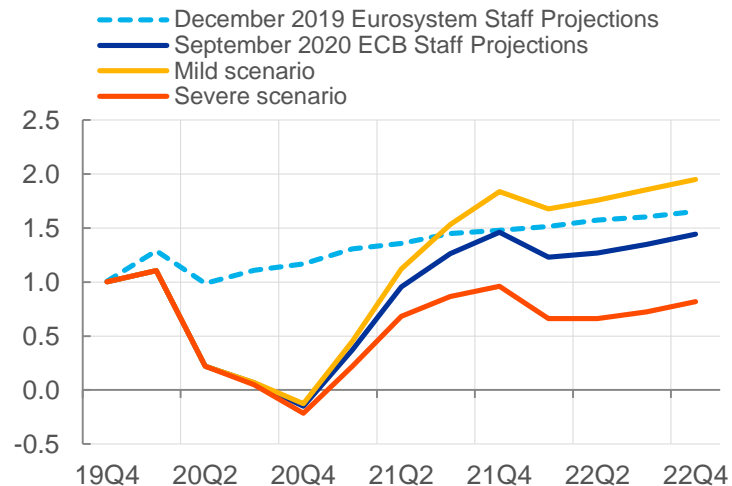
(index, 2019:4 = 100)



GDP y-o-y, %	September 2020 ECB Staff Projections		
	mild	baseline	severe
2020	-7.2	-8.0	-10.0
2021	8.9	5.0	0.5
2022	3.5	3.2	3.4

HICP inflation

(y-o-y growth rates, in %)



Inflation y-o-y, %	September 2020 ECB Staff Projections		
	mild	baseline	severe
2020	0.3	0.3	0.3
2021	1.2	1.0	0.7
2022	1.8	1.3	0.7

Our projections for 2020/21 are broadly in line with other forecasters

	GDP growth			HICP inflation		
	2020	2021	2022	2020	2021	2022
ECB Staff projections (September 2020)	-8.0	5.0	3.2	0.3	1.0	1.3
Euro Zone Barometer (September 2020) ¹⁾	-8.0	5.7	1.9	0.4	1.1	1.4
Consensus Economics (October 2020) ²⁾	-7.5	5.3	2.8	0.3	0.9	1.3
European Commission (July 2020) ³⁾	-8.7	6.1	-	0.3	1.1	-
IMF (October 2020) ⁴⁾	-8.3	5.2	-	0.2	0.9	-
SPF 2020Q3 (July 2020) ⁵⁾	-8.3	5.7	2.4	0.4	1.0	1.3
OECD (September 2020) ⁶⁾	-7.9	5.1	-	0.4	0.5	-

¹⁾ Euro Zone Barometer, survey date 24 Sep 2020.

²⁾ Consensus Economics of 15 Oct 2020. Values for 2022 taken from October survey.

³⁾ European Commission: Summer 2020 (Interim) Economic Forecast. Forecasts are not working day adjusted.

⁴⁾ IMF: Data for GDP is taken from World Economic Outlook, 13 October 2020. Data for HICP is taken from the WEO update of 24 June 2020.

⁵⁾ ECB's Survey of Professional Forecasters, conducted between 30 June and 6 July 2020.

⁶⁾ OECD: values for GDP are taken from the Interim Report of September 2020. Values for HICP are taken from June 2020 Economic Outlook 107, single-hit scenario.

Thank you