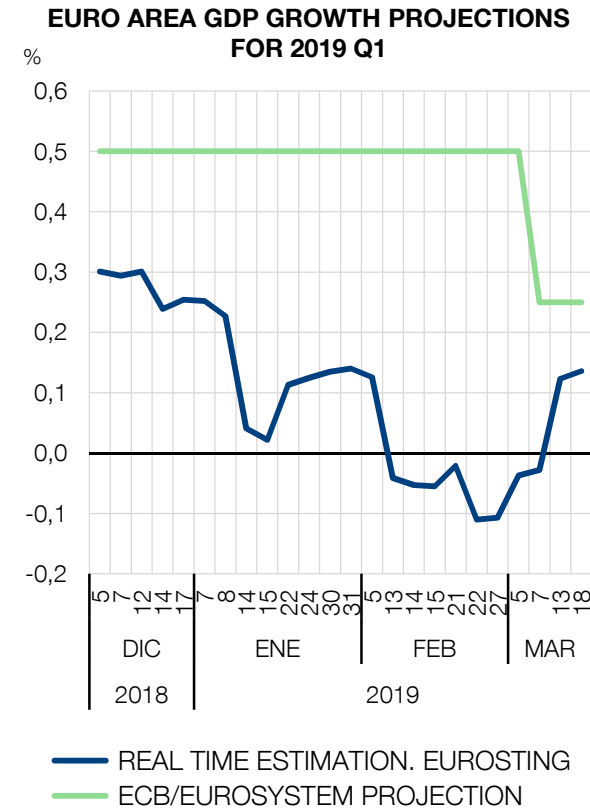
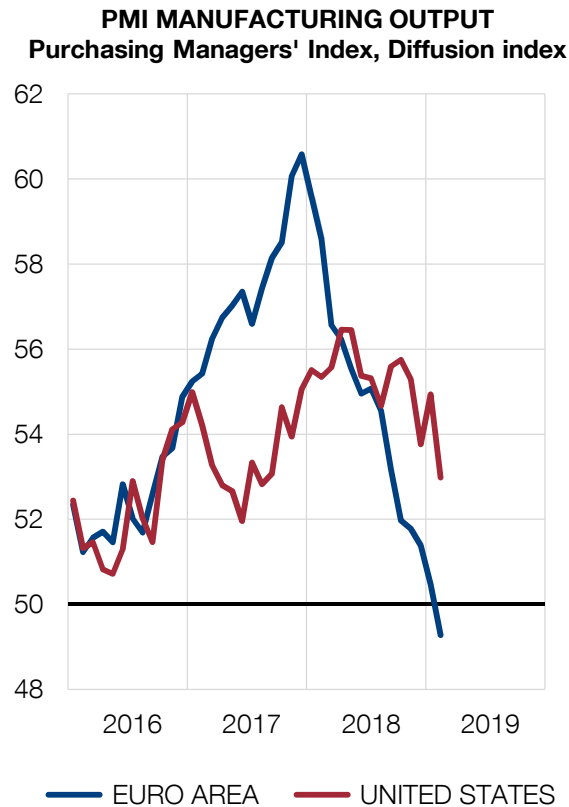
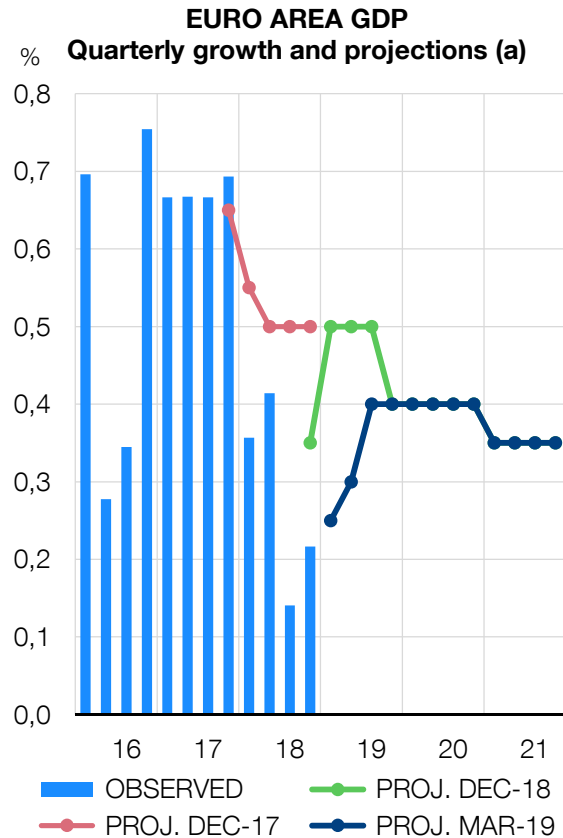


## SLOWING GROWTH IN EUROPE

**Pablo Hernández de Cos**  
Governor

CHICAGO BOOTH CONFERENCE ON THE GLOBAL ECONOMY AND FINANCIAL STABILITY  
Miami, 24th March 2019

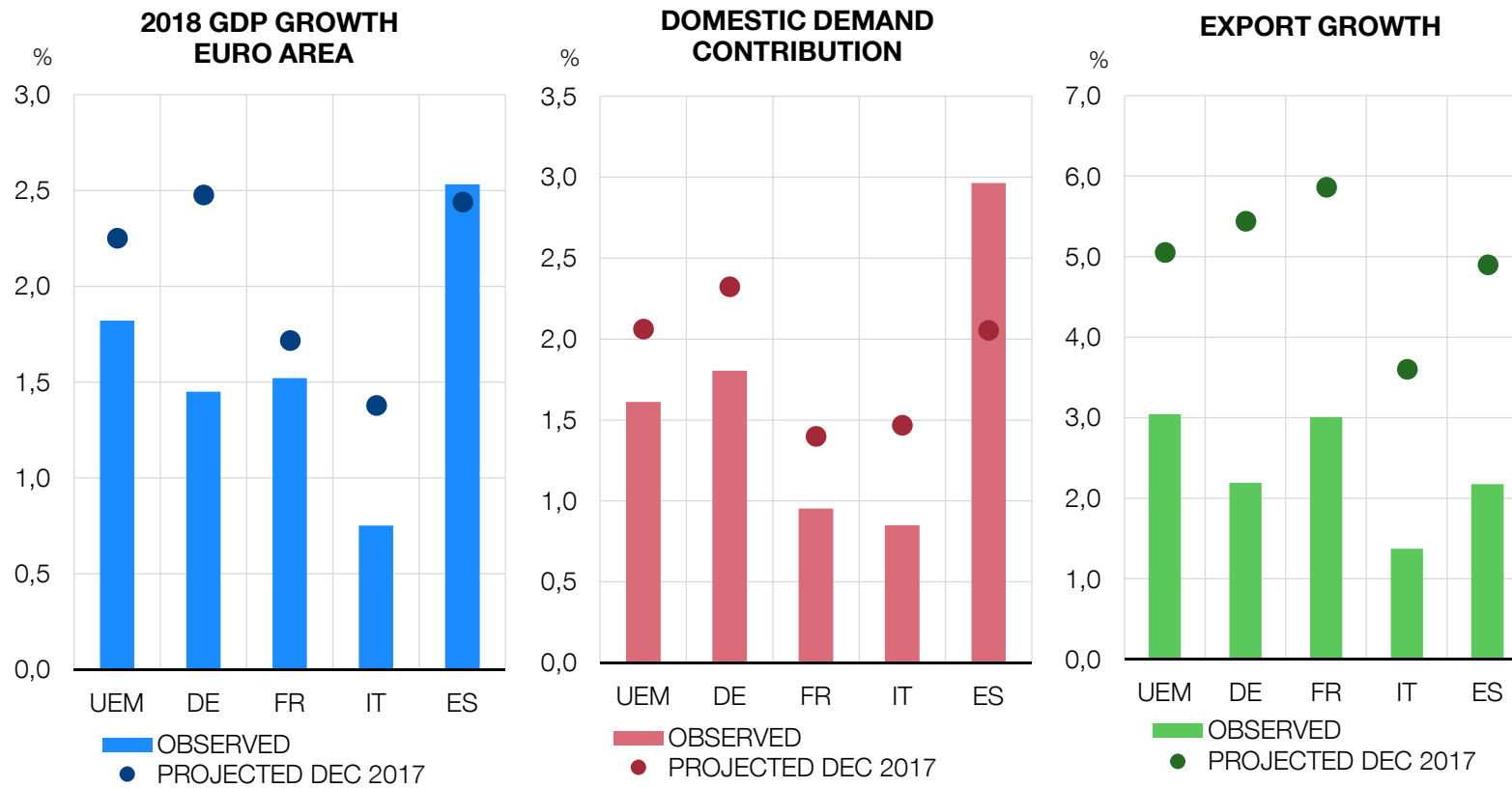
# THE ECONOMIC SLOWDOWN IN THE EURO AREA: SOONER AND DEEPER THAN EXPECTED



(a) ECB staff and Eurosystem projections

Sources: European Commission, IHS Markit, Eurosystem and ECB

# SURPRISES ARISE BOTH FROM DOMESTIC AND EXTERNAL DEMAND, IN A DIFFERENTIATED MANNER BY COUNTRIES

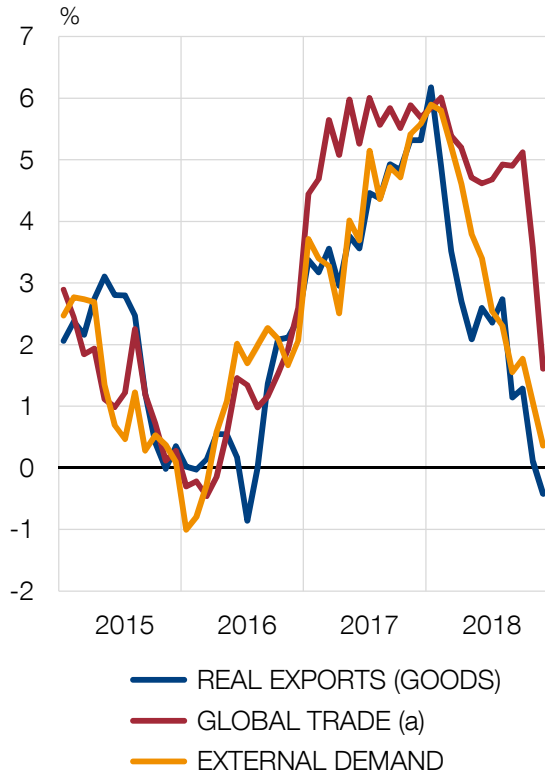


SOURCES: Eurostat and Eurosystem

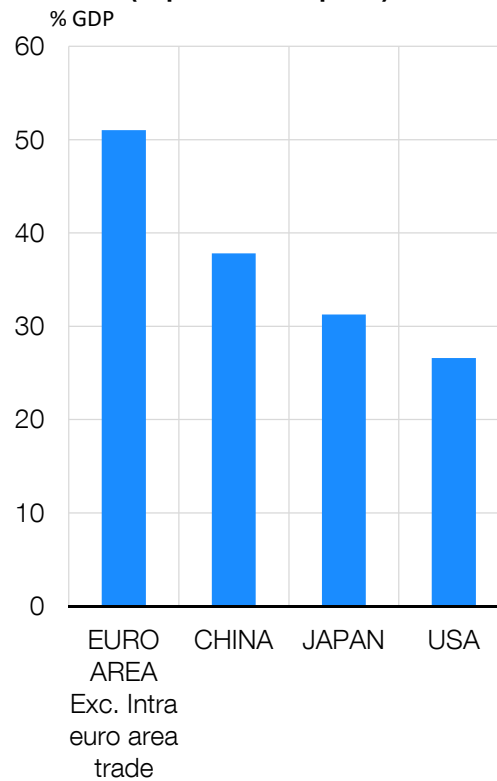
# THE EURO AREA IS PARTICULARLY EXPOSED TO GLOBAL TRADE MODERATION



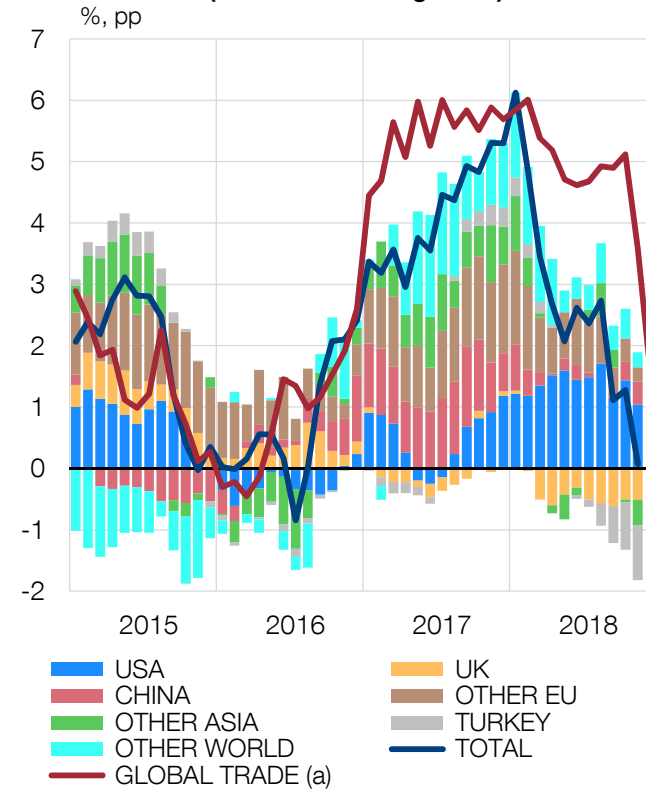
**EA EXPORTS AND FOREIGN DEMAND  
(3m-3m anual % growth)**



**TRADE OPENNESS (2017)  
(Exports and Imports)**



**EURO AREA REAL EXPORTS (EXTRA-UEM)  
(3m-3m anual % growth)**



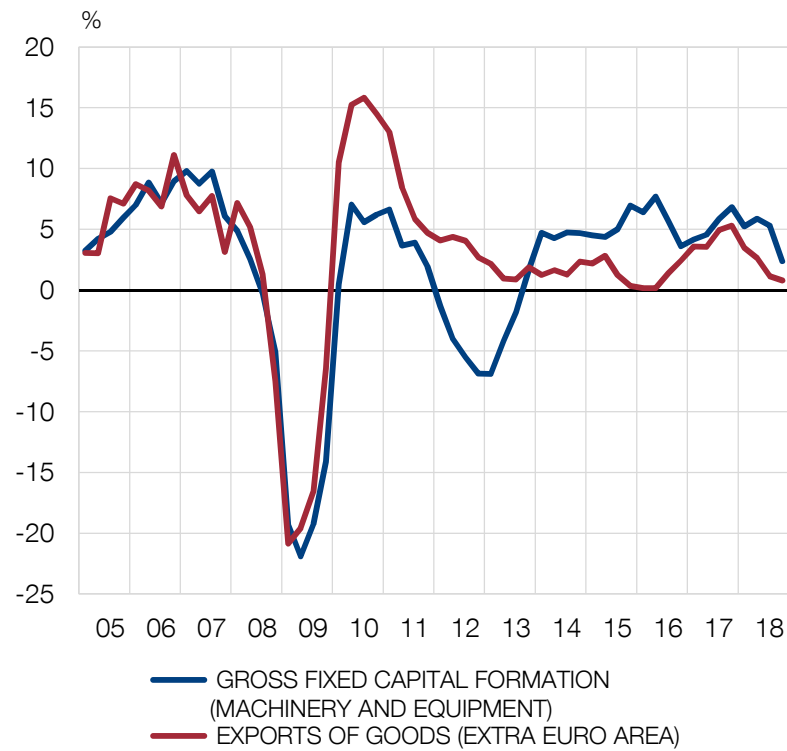
(a) Global imports excluding euro area

Sources: WTO, CPB and Eurostat

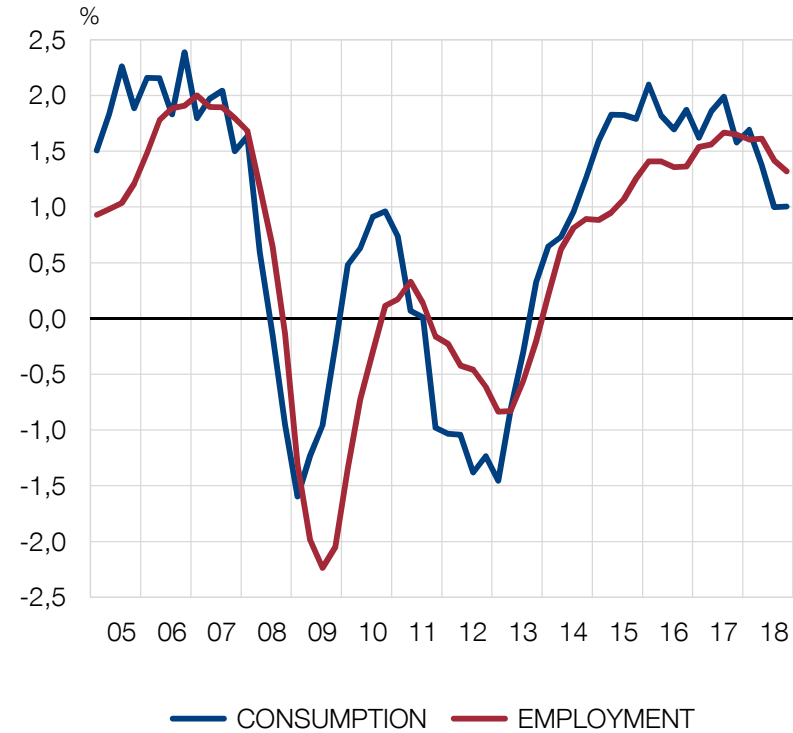
# PRIVATE INVESTMENT AND CONSUMPTION ARE ALSO STARTING TO SUFFER



**EURO AREA: INVESTMENT AND EXPORTS  
(year-on-year- growth)**



**EURO AREA: PRIVATE CONSUMPTION AND EMPLOYMENT  
(year-on-year- growth)**

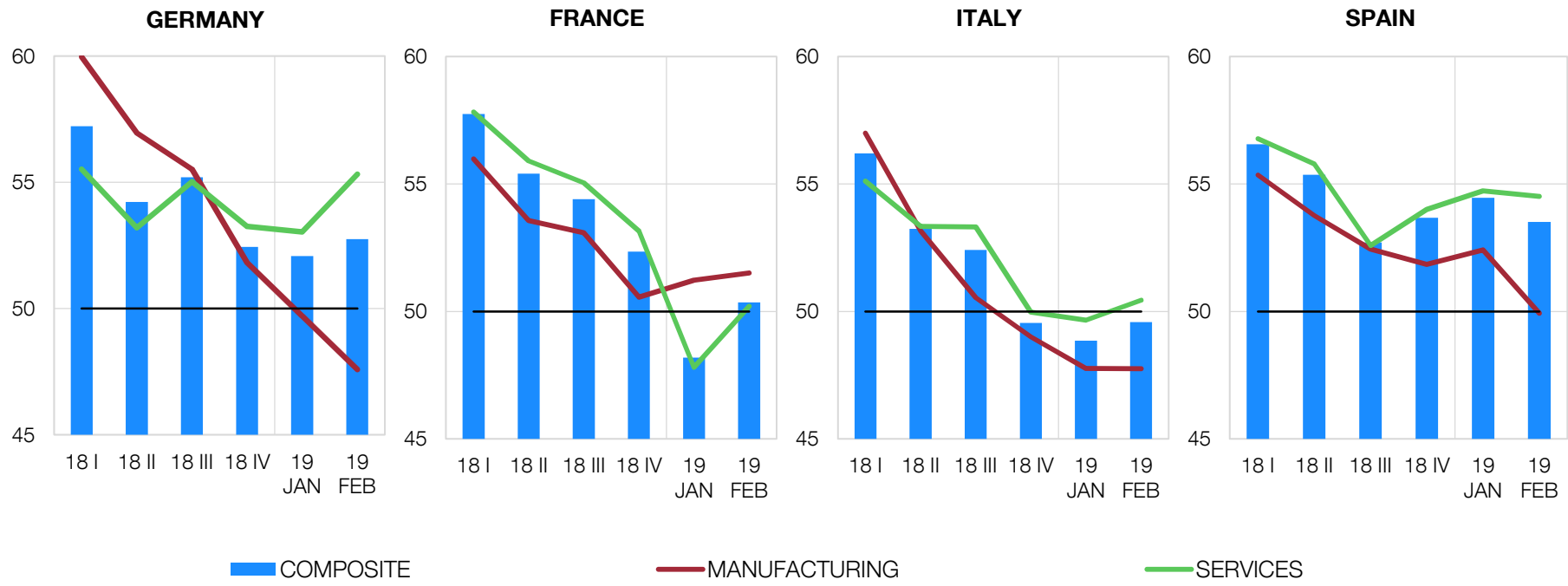


Source: Eurostat

# WEAKNESS IS FURTHER COMPOUNDED BY COUNTRY AND SECTOR SPECIFIC FACTORS WITH LONGER THAN EXPECTED EFFECTS

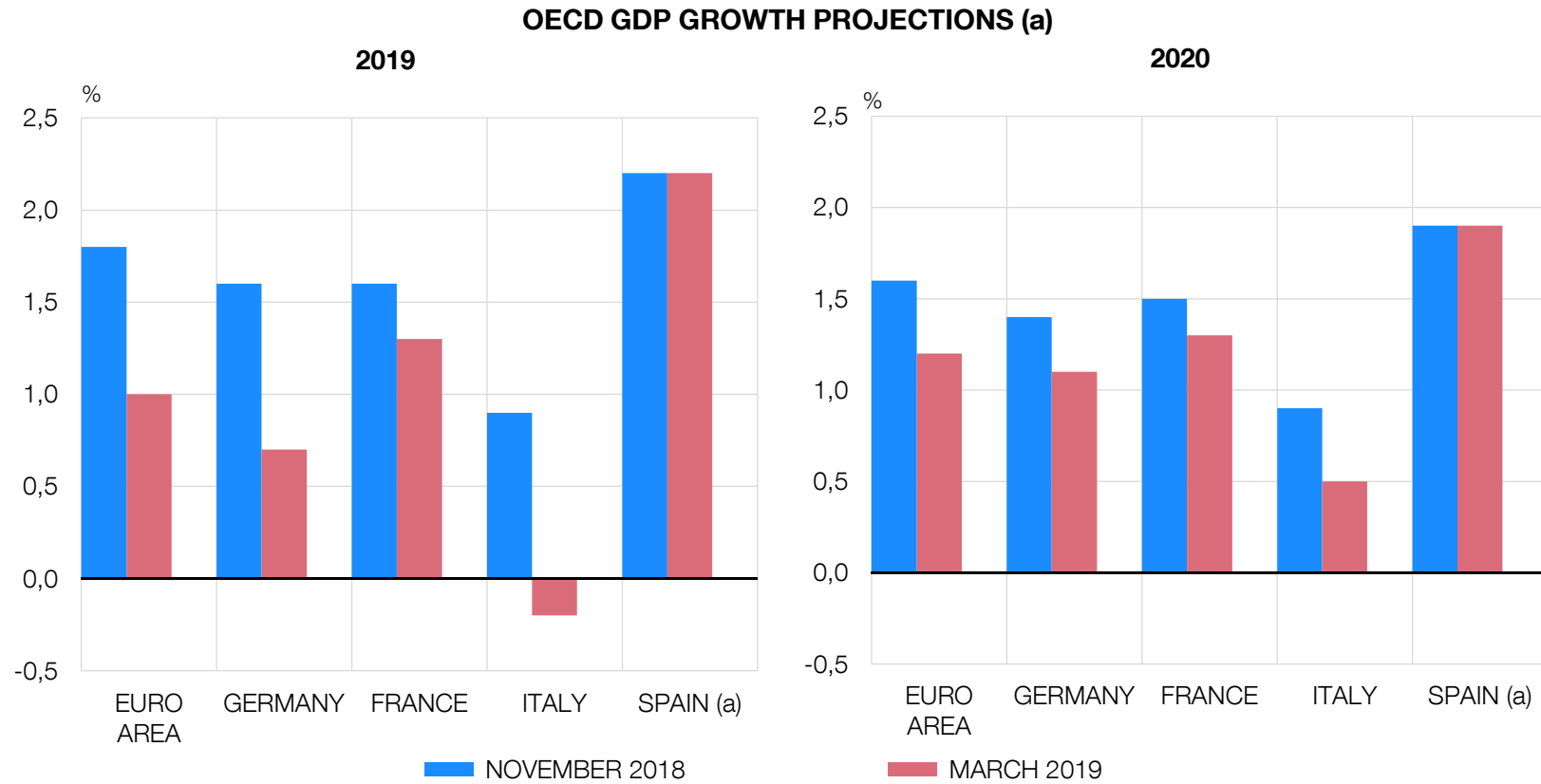


## PURCHASING MANAGERS' INDEX (PMI)



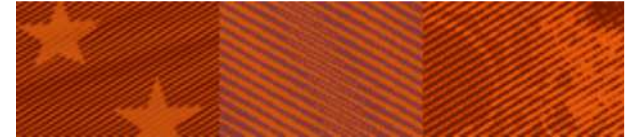
Source: IHS Markit.

# GROWTH OUTLOOK HAS BEEN REVISED DOWNWARDS, ESPECIALLY IN 2019



(a) For Spain, Banco de España's macroeconomic projections. They refer to December 2018 and March 2019 reports

## THE EXPANSIONARY PHASE IS EXPECTED TO CONTINUE AT A MORE MODERATE PACE, ALTHOUGH RISKS ARE STILL TILTED TO THE DOWNSIDE



- After temporary factors fade out, the expansionary phase in the euro area is expected to continue, supported by favorable financial conditions, increases in employment and wages and a more expansionary fiscal policy in some countries
- However, risks around the economic outlook are still tilted to the downside.
  - Risks mainly stem from: (i) further protectionist measures, (ii) Brexit outcome, (iii) vulnerabilities in emerging countries and (iv) potential worsening of market sentiment against a background of high indebtedness.