

***European Economic and Social Committee***

***Europe 2020 Steering Committee***

Brussels, 13 April 2015

**INFORMATION NOTE**

on

**Independent Annual Growth Survey 2015, Third Report**[[1]](#footnote-1)

Coordinator: Xavier Timbeau, Principal Director of the French Observatory for Economic Conjunctures (OFCE)

General findings

* The recession continues despite the substantial response to the euro sovereign debt crisis.
* Enduring crisis has detrimental consequences in the economic, social and political fields.
* There is a need to address high unemployment levels, rising inequality, weak convergence between European regions and deflation.
* Private and public debt deleveraging needs to be accomplished.
* Action is vital to support the European project of a prosperous and inclusive society.
* It is important to improve fiscal policy coordination and circumvent the rules of the fiscal compact.
* Fiscal stimulus, which cannot be substituted by structural reforms, should be achieved while continuing to exert pressure on national public finance. Its possible short term impact on prices or activity should be considered with extreme care.
* The debt deflation dynamic is a present concern and the nominal adjustment needed as well as fiscal rules increase this risk.

Main ideas developed

* Inequality develops in the EU as the end of regional convergence, absolute poverty increases and long term unemployment draw a picture of divergence that goes beyond a sluggish macro outlook.
* Functioning in a fragmented financial system, the monetary policy alone will not change the course of the events, but quantitative easing is to be pushed forward. Monetary financing of public investment can be helpful.
* There is a need for “greening” the Investment Plan and a “carbon fiscal shock” is proposed to drive the European economy out of the crisis and towards low carbon pathway
* The magnitude of the nominal adjustment inside the euro area is evaluated. Adjusting only countries in deficit could increase the pressure toward deflation and ask for a balanced adjustment, involving surplus countries.

\_\_\_\_\_\_\_\_\_\_\_\_

1. Date of issue: 11.12.2014; Institution: French Observatory for Economic Conjunctures (OFCE); Available at: <http://www.iags-project.org/documents/iags_report2015.pdf> [↑](#footnote-ref-1)