

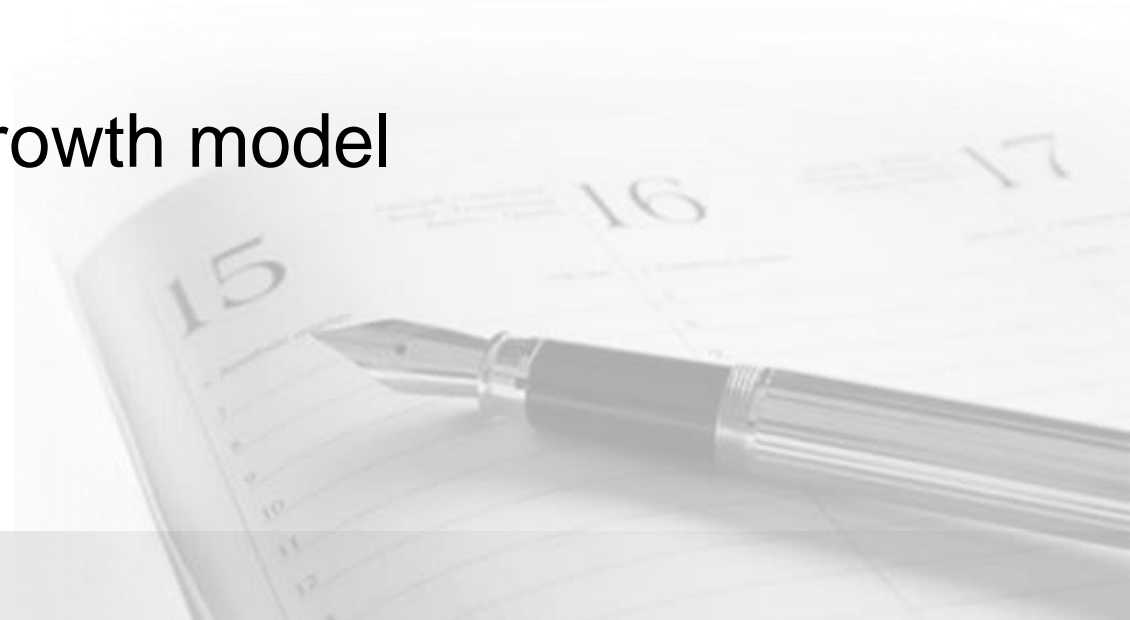
# Restarting Europe

April, 2016



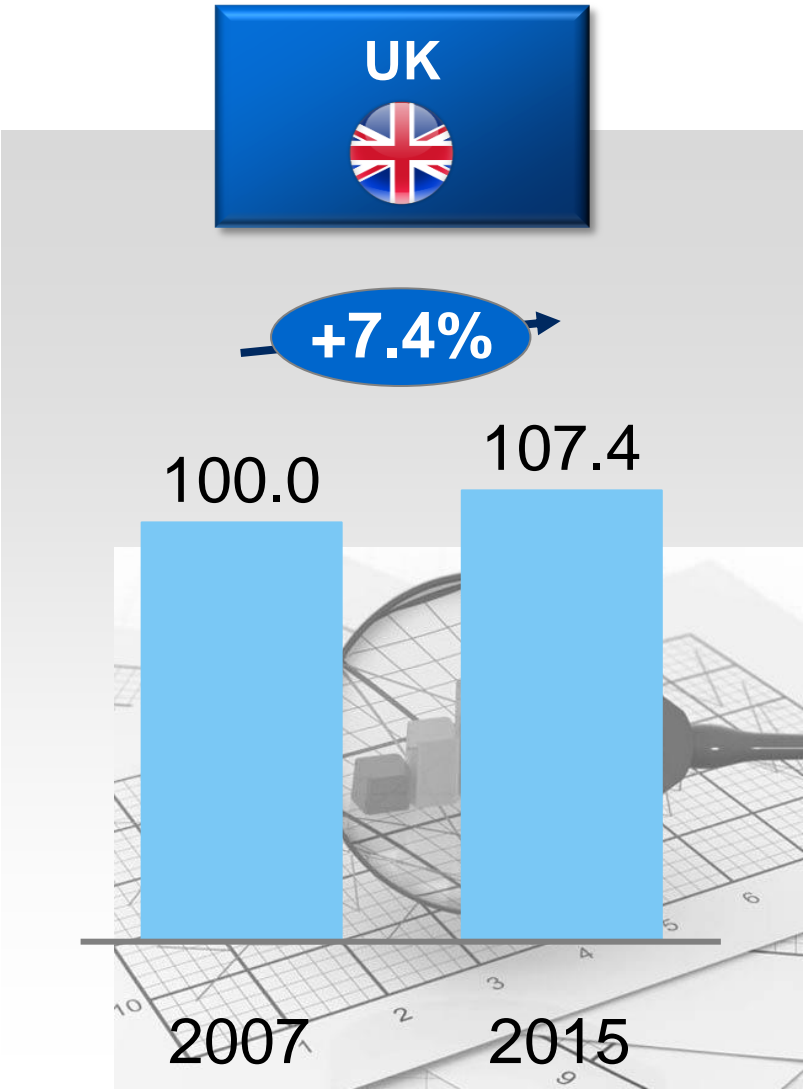
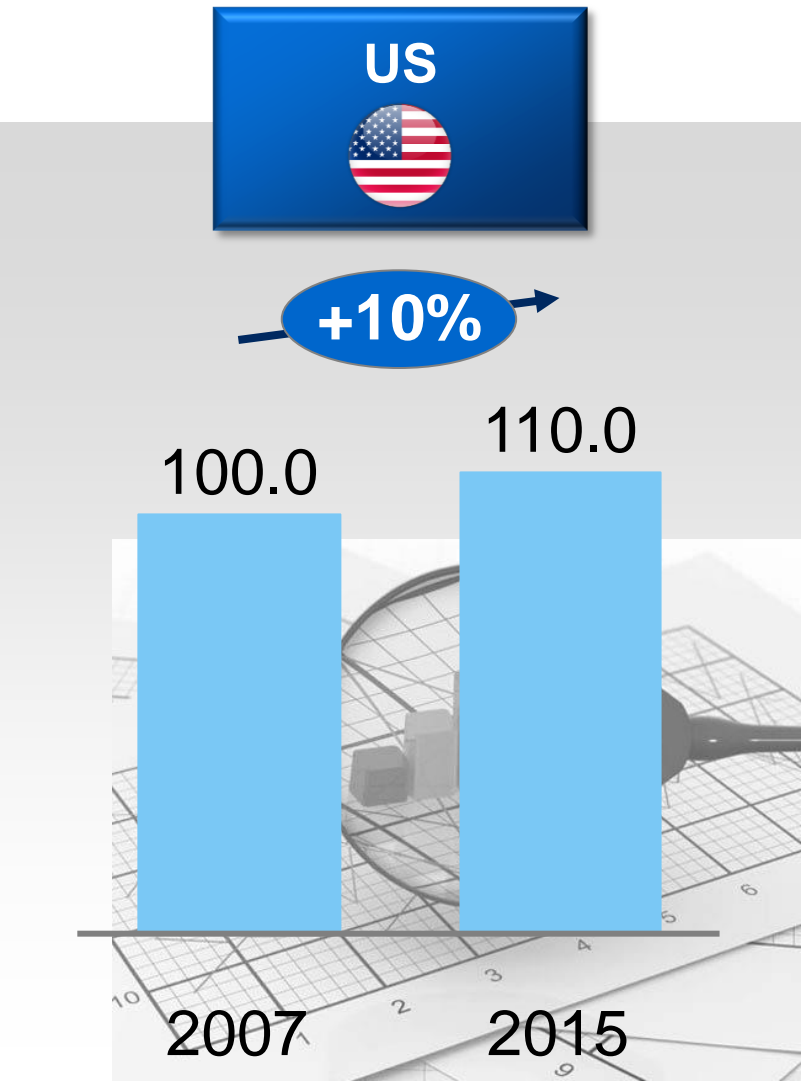
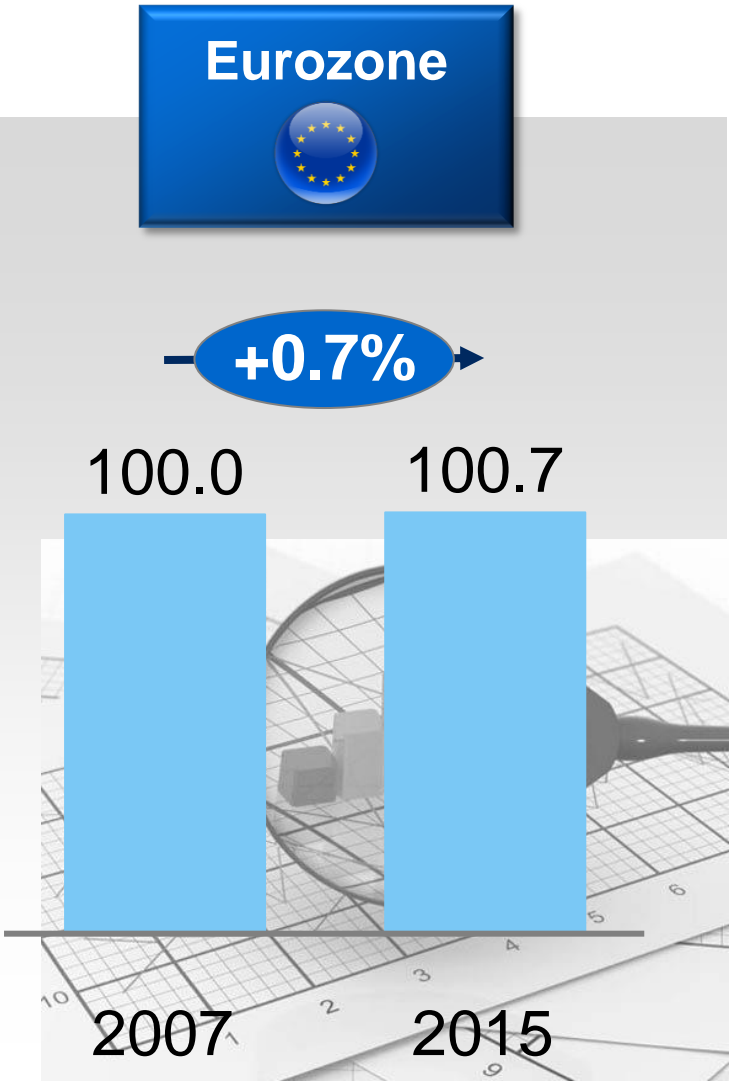
# Agenda

- **Europe is falling behind for structural reasons...**
- ...and challenging macro-economic environment
- Need for a new growth model



# GDP evolution: Eurozone falling behind

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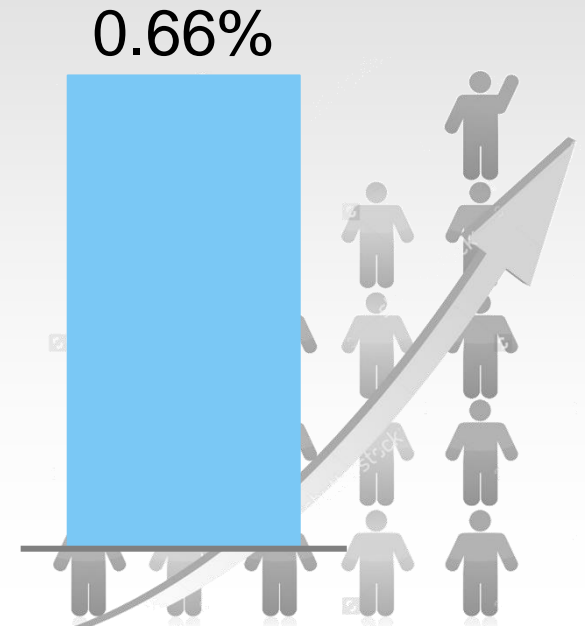
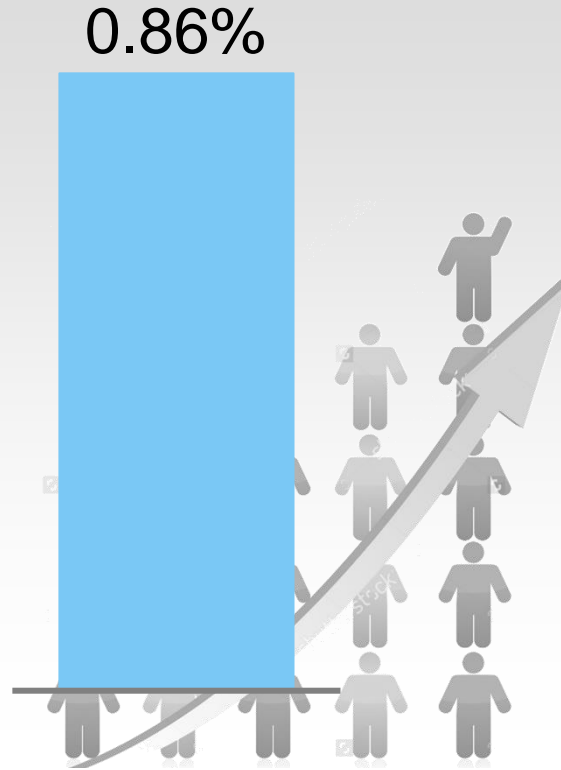
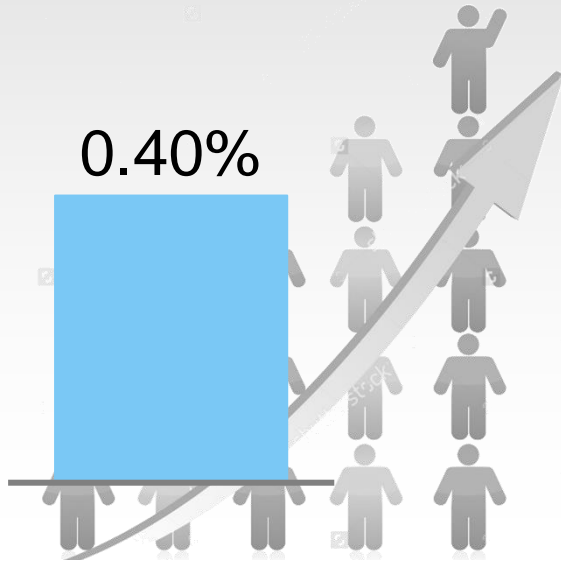
# Europe's structural barriers to growth

- 1 Low population growth
- 2 high taxation, and growing in the aftermath of the crisis
- 3 Rigid labor market though recently improving



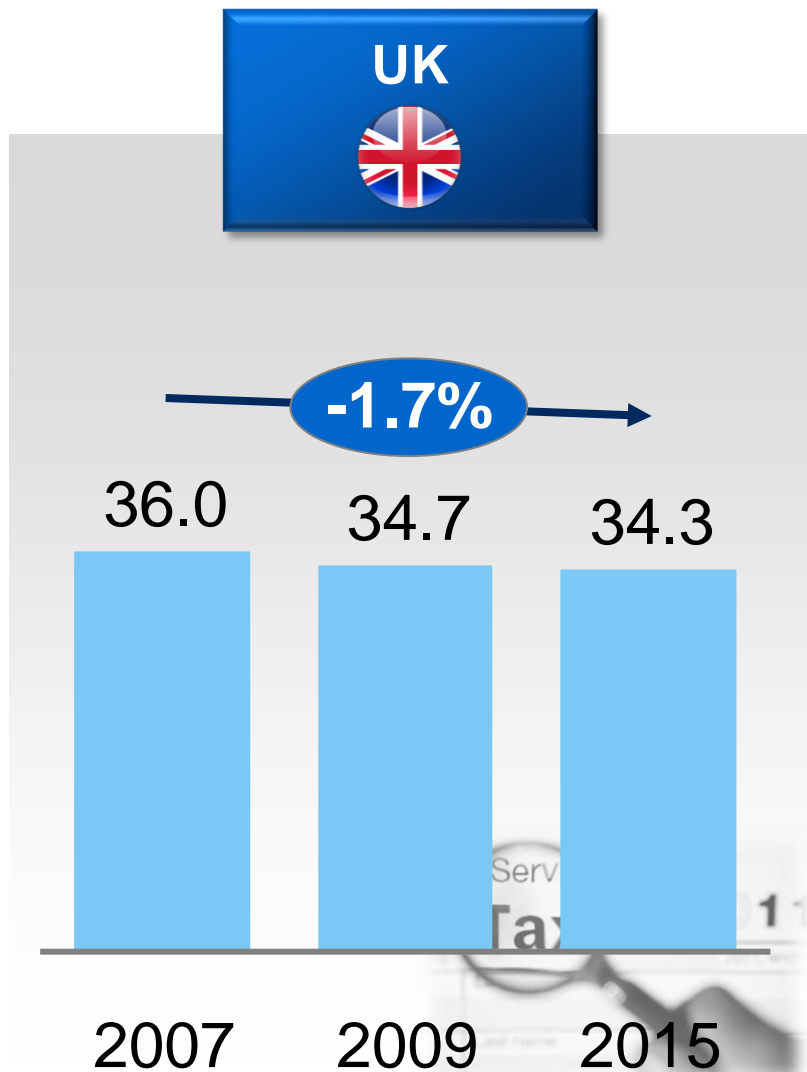
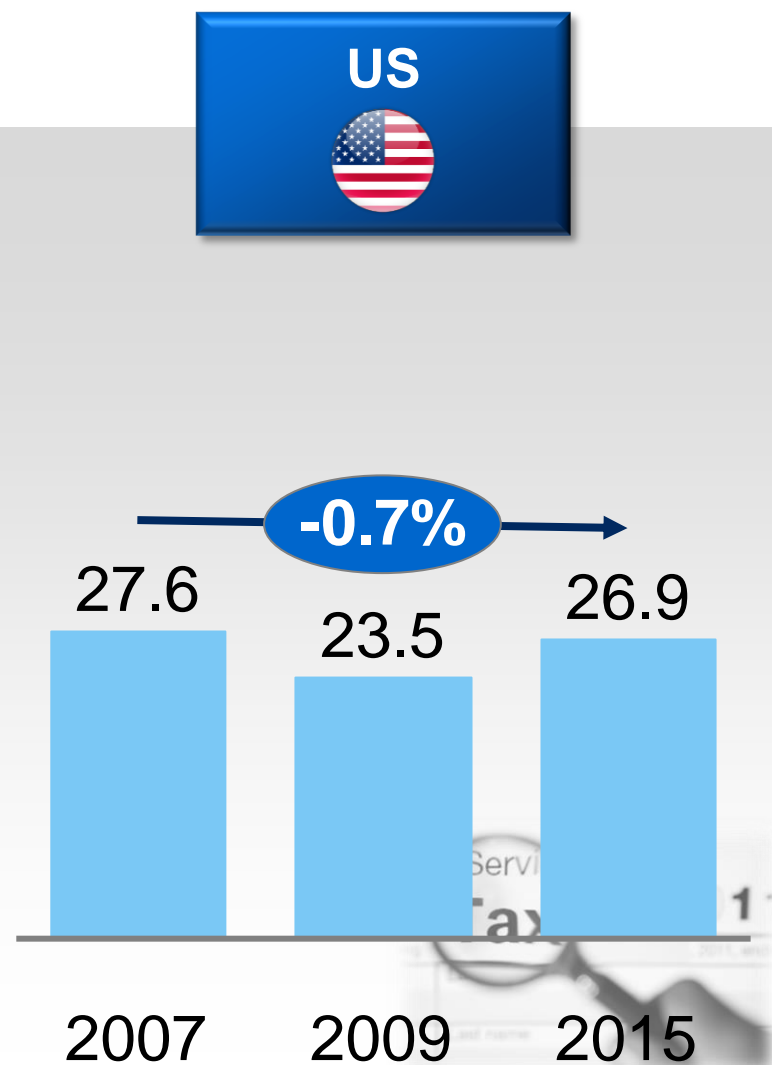
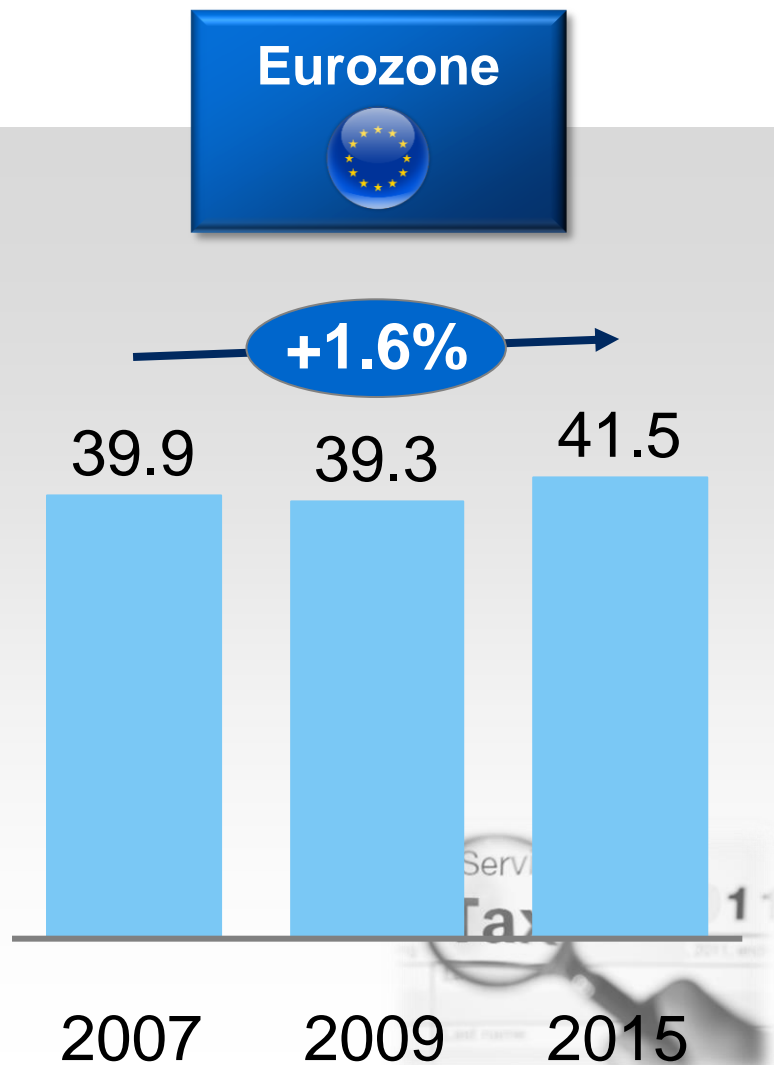
# 1 Population growth: Eurozone is weaker

Annual growth rate, % 2000-2015



## 2 Fiscal pressure: Eurozone high and going up

% of GDP



# Agenda

- Europe is falling behind for structural reasons...
- **...and challenging macro-economic environment**
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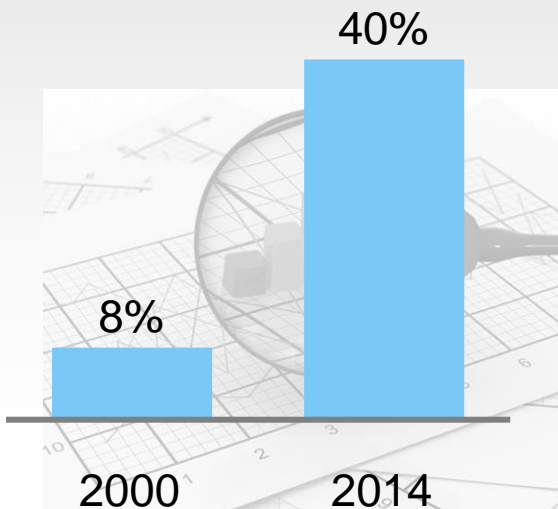
# Challenging macro-economic environment

- 1 China's slow down
- 2 Low inflation reducing the fiscal maneuver space of governments



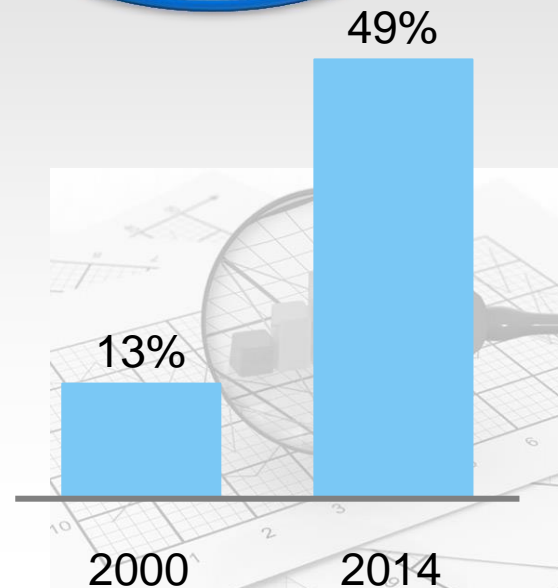
# ① Given China's key role in driving global growth...

China's growth  
as % of global  
GDP growth



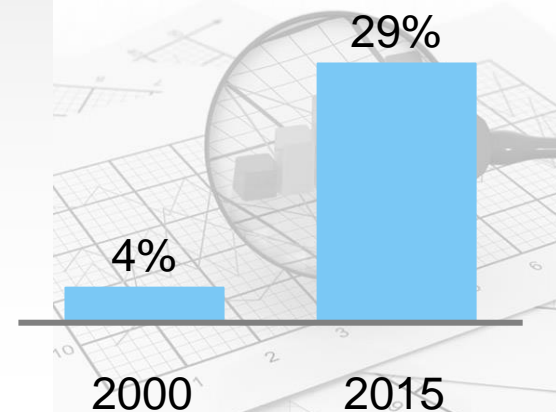
China's share  
of world steel  
production

87% of global  
growth driven  
by China



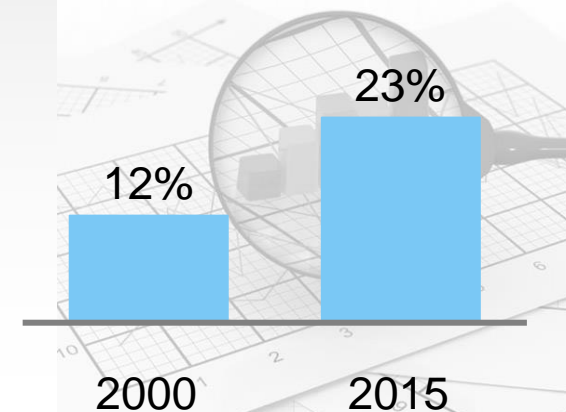
China's share  
of world vehicle  
sales

77% of global  
growth driven  
by China



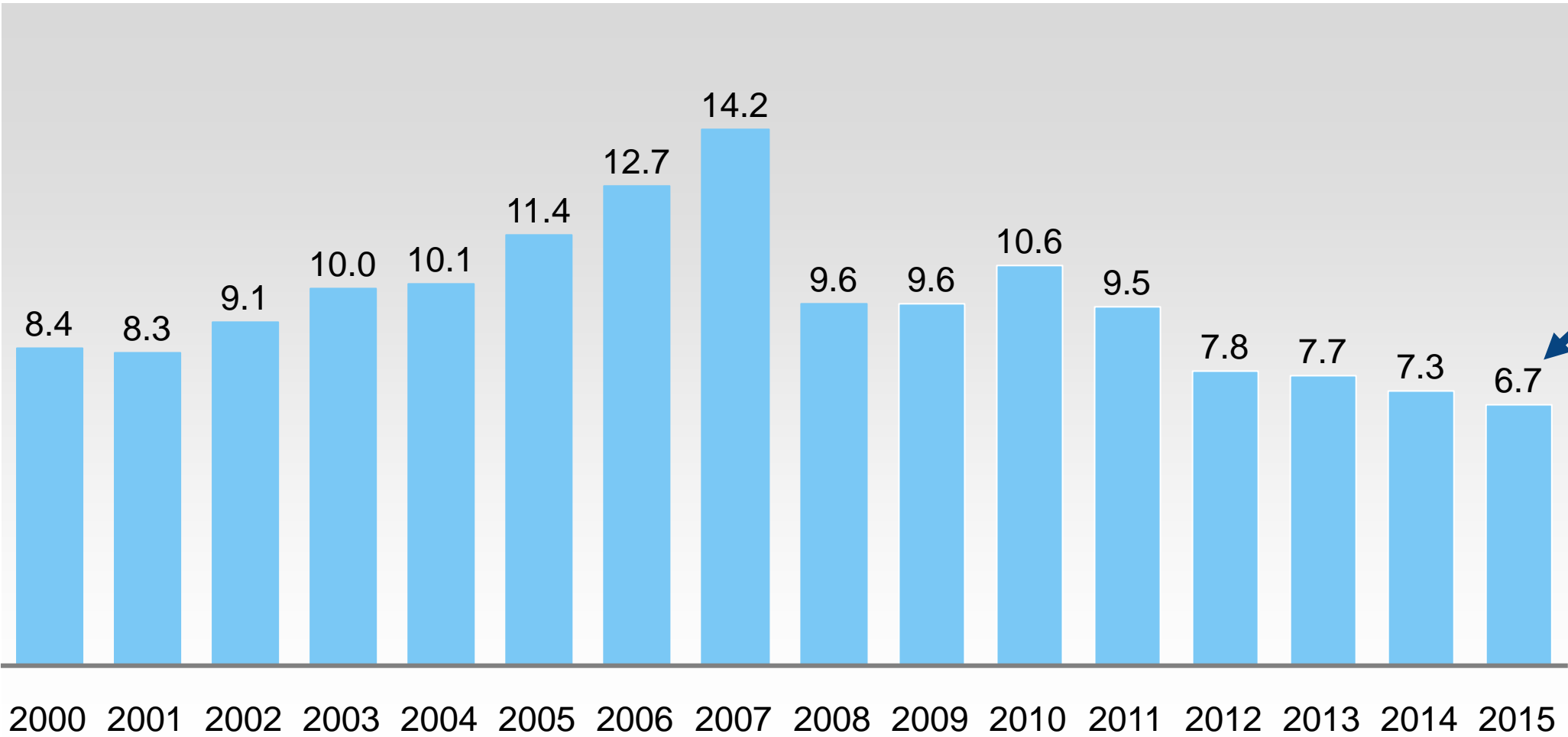
China's share  
of world energy  
consumption

52% of global  
growth driven  
by China




# 1 ...China's (hopefully) soft landing...

China GDP growth rate, %

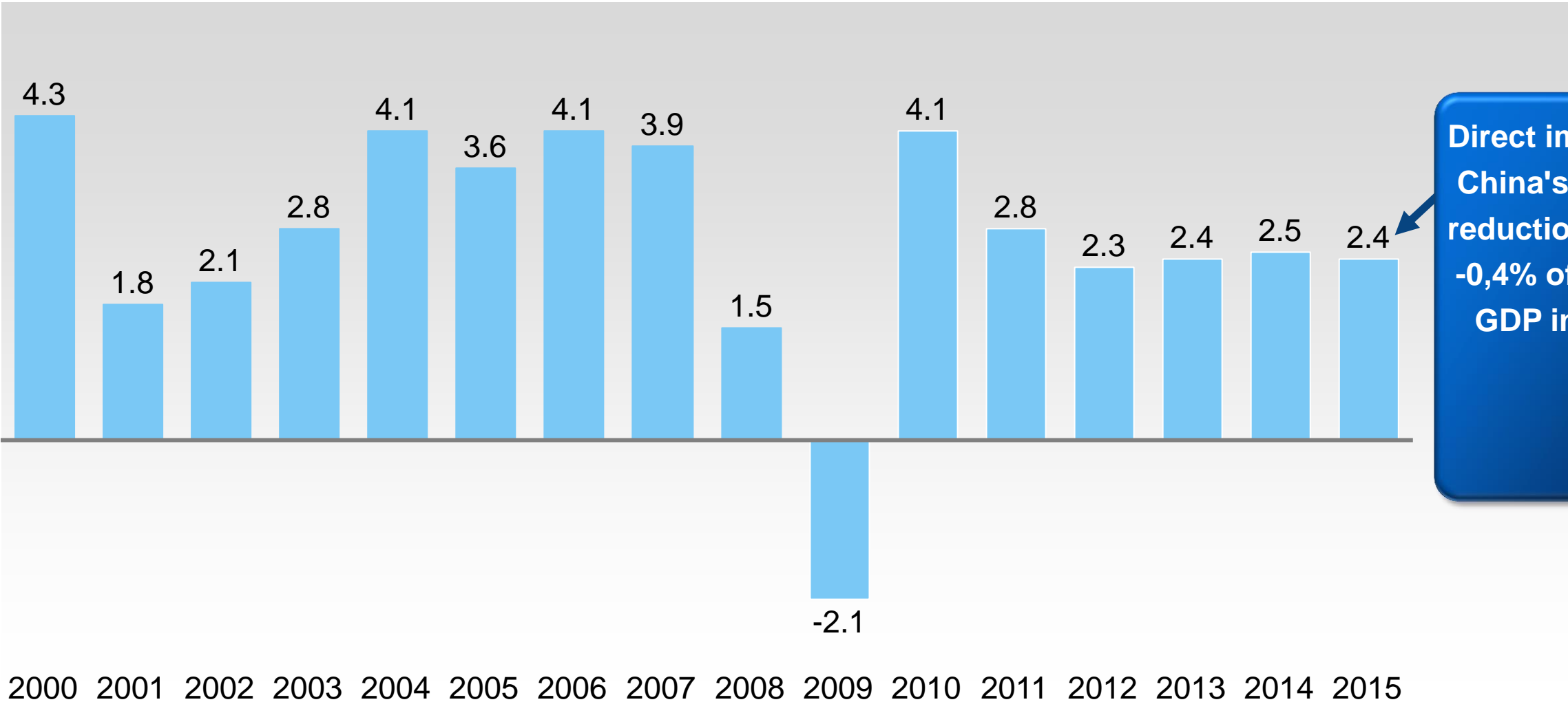


0,5% electric consumption growth in 2015 raises questions on actual 2015 growth




# 1 ...is slowing down the world economy

Global GDP growth rate, %



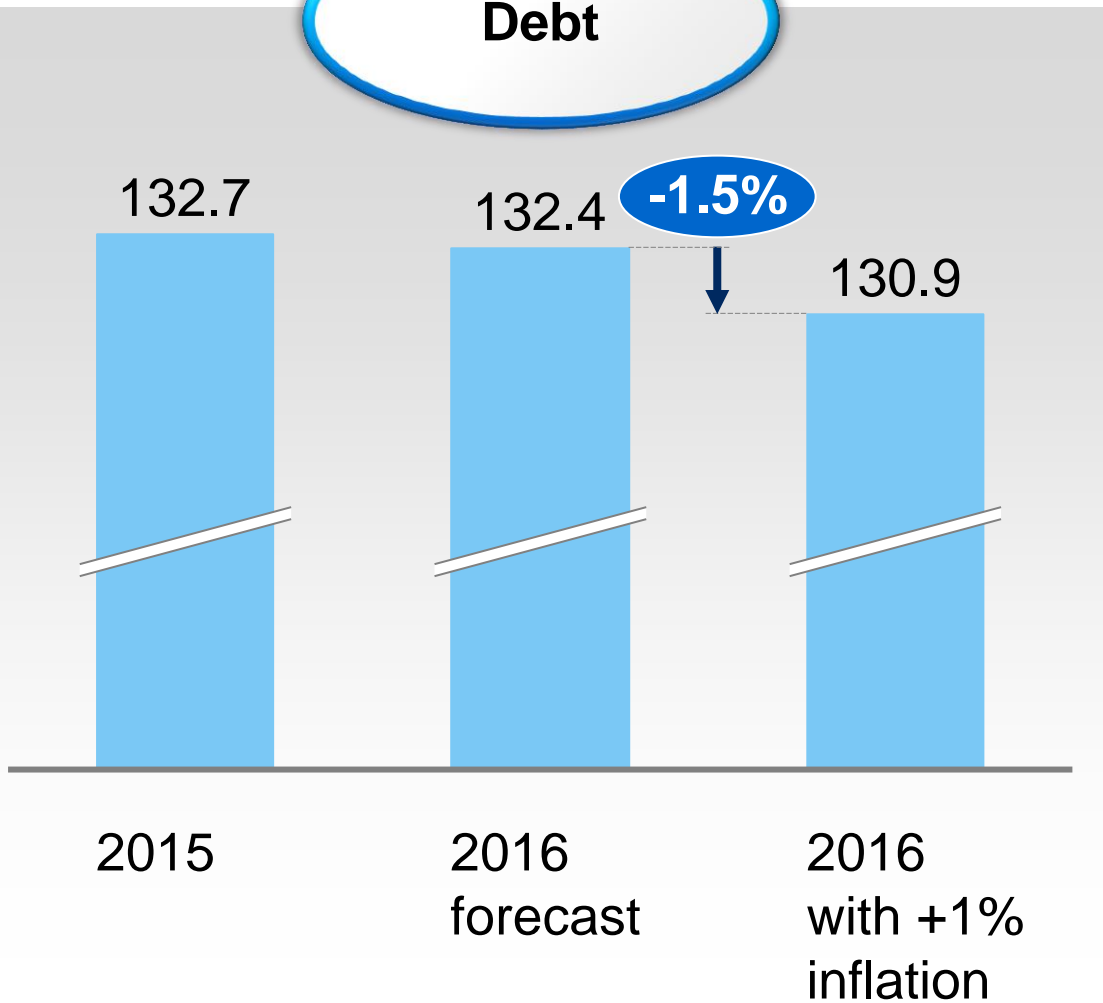
**Direct impact of China's import reduction worth -0,4% of global GDP in 2015**



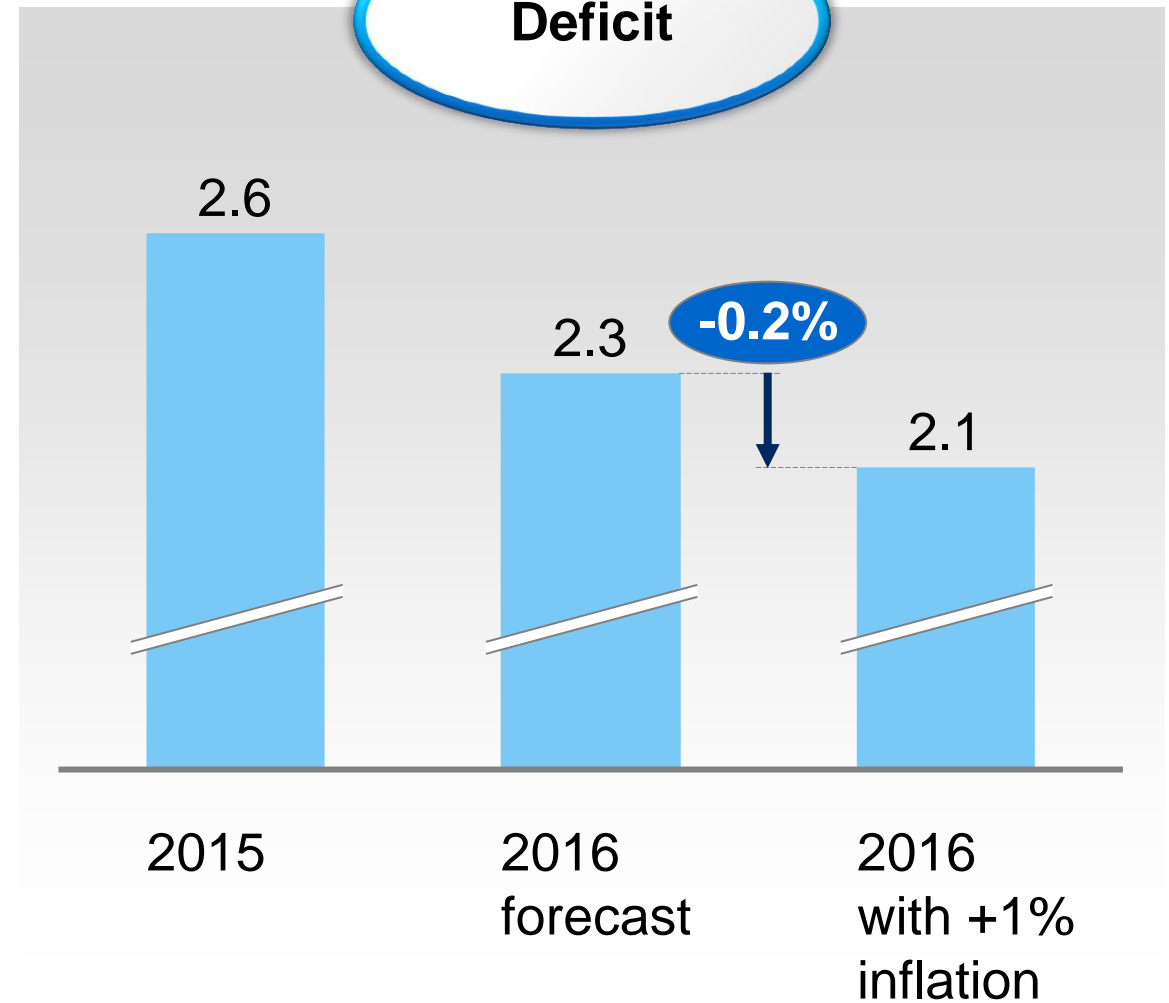
## 2 Inflation is a double whammy on public debt and deficit reduction

Italy, % of GDP

### Debt



### Deficit



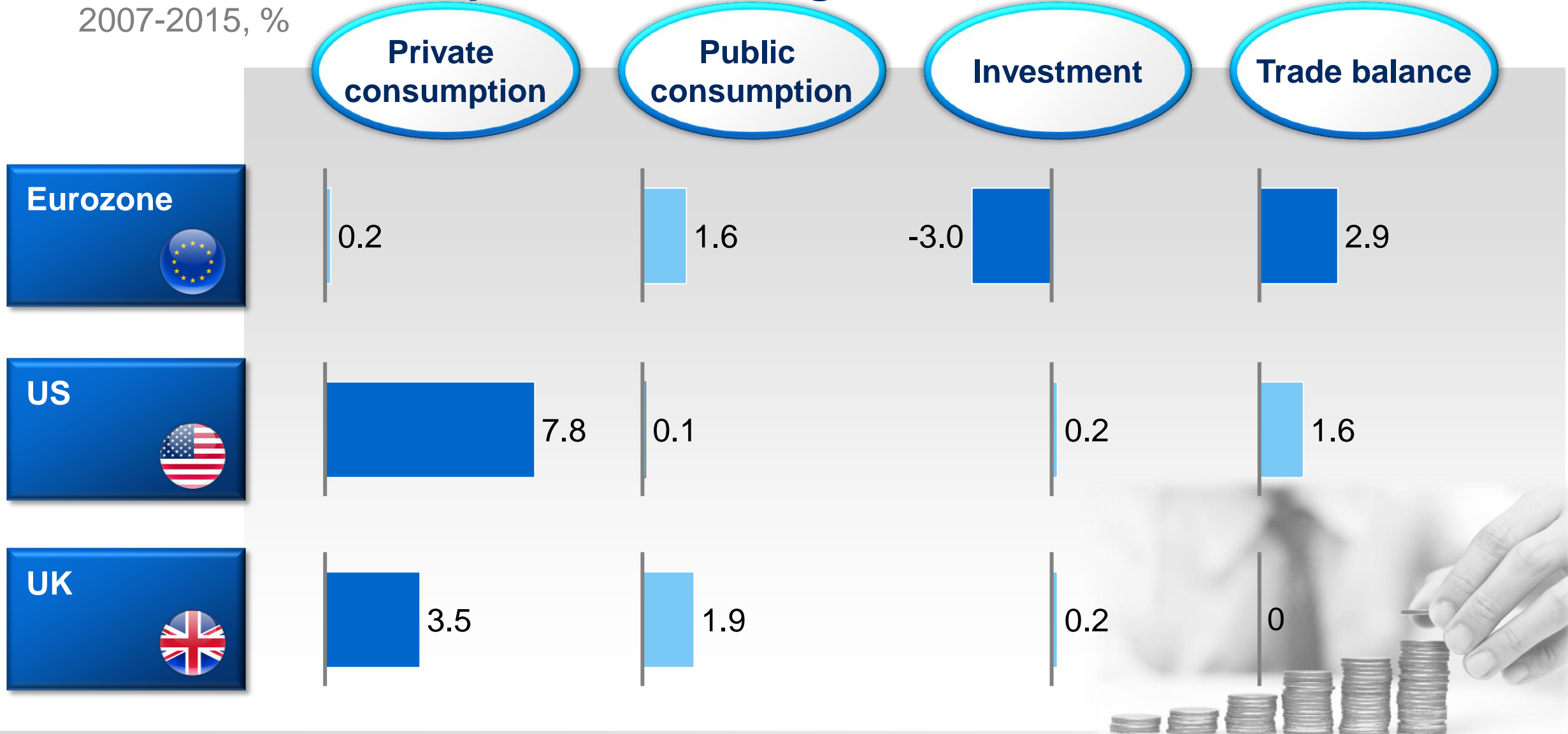
# Agenda

- Europe is falling behind for structural reasons...
- ...and challenging macro-economic environment
- **Need for a new growth model**



# 3 Contribution to GDP growth: Strong export cannot compensate for weak consumption and falling investment

2007-2015, %



# Priorities for launching domestic consumption and investments

- Reduce taxes through aggressive spending review:
  - Income tax, particularly on low wage earners
  - Corporate taxes
- Leverage immigration to compensate for low population growth
- Restore pre-crisis public investment levels, with focus on R&D
- Extend German best practice on wage management, apprenticeship & employment services
- When needed, fix product/market regulation, e.g.:
  - Local public services in Italy
  - Store opening regulation in Germany?

Impact on  
consumption



Impact on  
investments



# Agenda

## Additional charts



### 3 Public investment: Eurozone has fallen behind

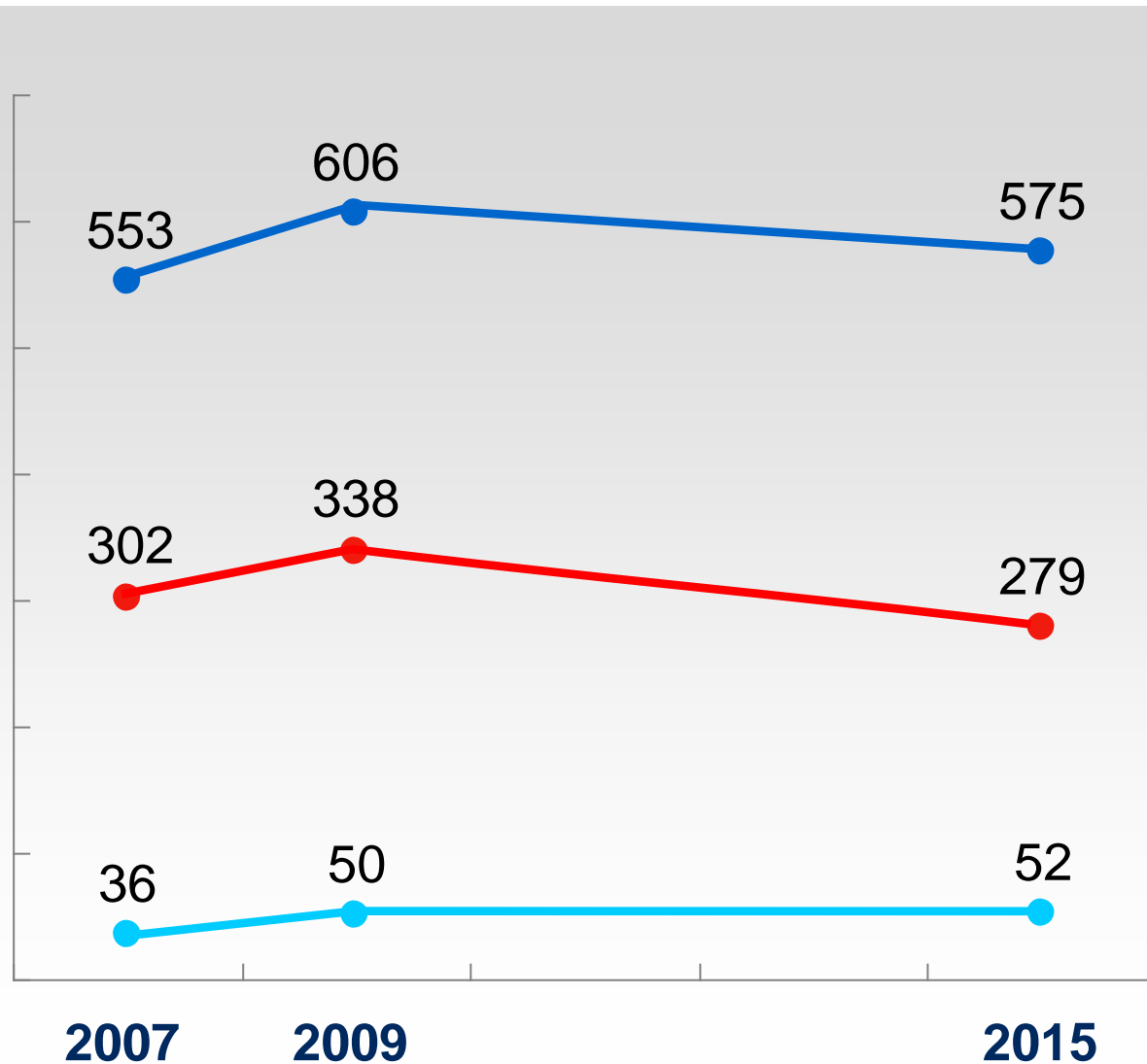
US  
(bil \$)



Eurozone  
(bil €)



UK  
(bil £)



% GDP  
(2015)

3.2%

Δ  
2007-2015

+4%

2.6%

-8%

2.8%

+44%



# Moderate wage dynamics matter more than fiscal wedge reduction

Italy, 2009-2016, %

