# The Weekly Observer

A selection of economic publications
by our Knowledge Management team

**May 10, 2019**

## European Commission - European Economic Forecast Spring 2019

### Growth continues at a more moderate pace

The forces that had strengthened economic growth in Europe in recent years, such as world trade, private consumption and investment have all lost momentum last year. This has lowered the pace of growth markedly and diminished expectations about the strength of future growth.
Looking ahead, the economic expansion in the euro area is forecast to continue at an annual rate of 1.2% this year (1.4% in the EU). The fading of certain adverse domestic factors, the prolongation of favourable financing conditions, and a rebound in activity outside the EU are expected to support growth in the second half of 2019 and in 2020. GDP is forecast to grow by 1.5% in 2020 in the euro area (1.7% in EU27), helped in part by calendar effects. Despite the expected fall in unemployment and stronger wage growth, inflation is expected to remain subdued with the near-term profile shaped mainly by oil price developments. HICP inflation in the euro area is forecast at 1.4% in both 2019 and in 2020, which is lower than expected in the winter and reflects in part lower oil-price assumptions.

Read: https://ec.europa.eu/info/sites/info/files/economy-finance/ip102_en.pdf

## Amundi - Who Will Lead the World Economy?

When we talk about leadership, we also talk about rivalry… and 2018 was undoubtedly a particularly emblematic year of rivalry, especially between the United States and China, and to some extent, between the United States and Europe. Power, leadership and domination (three different concepts) can be expressed in many ways, but this discussion paper focuses on two major concerns: the power / leadership of the country and the power / leadership of the currency. It addresses therefore two major questions:

- Question #1: will China and Europe compete with the US as the world's leading power?
- Question #2: will the US dollar cease to be the "unique" international currency?

It is far from the time when only two or three countries (or even one) represented power / hyper power. These countries have not lost their power, they are "simply" forced to share it now ... The shift in global power might mean a shift in global governance. Hard power and soft power (and the combination of the two, smart power) point that the US still represent a hegemonic power, while some powers emerge gradually. Power is no more in the hands of one country and we already live in a multipolar world. With China, other countries merge in some characteristics of power. Europe needs to push integration further to be perceived as a block.

Read: http://research-center.amundi.com/page/Publications/Discussion-Paper/2019/Who-will-lead-the-World-Economy?

## ADB - Debt and Depth of Recessions

This paper empirically investigates the relationship between the speed of the buildup of private debt—household and corporate debt—and the depth of recessions.
To do this, it differentiates between financial recessions and normal recessions on the basis of the speed of the debt buildup. It finds that financial recessions are deeper than normal recessions in advanced economies and that the differences become more pronounced when emerging market economies are added to the sample. It finds that the buildup of corporate debt—and not just household debt—can worsen recessions, especially in emerging market economies.

Read: https://www.adb.org/sites/default/files/publication/499211/ewp-579-debt-depth-recessions.pdf

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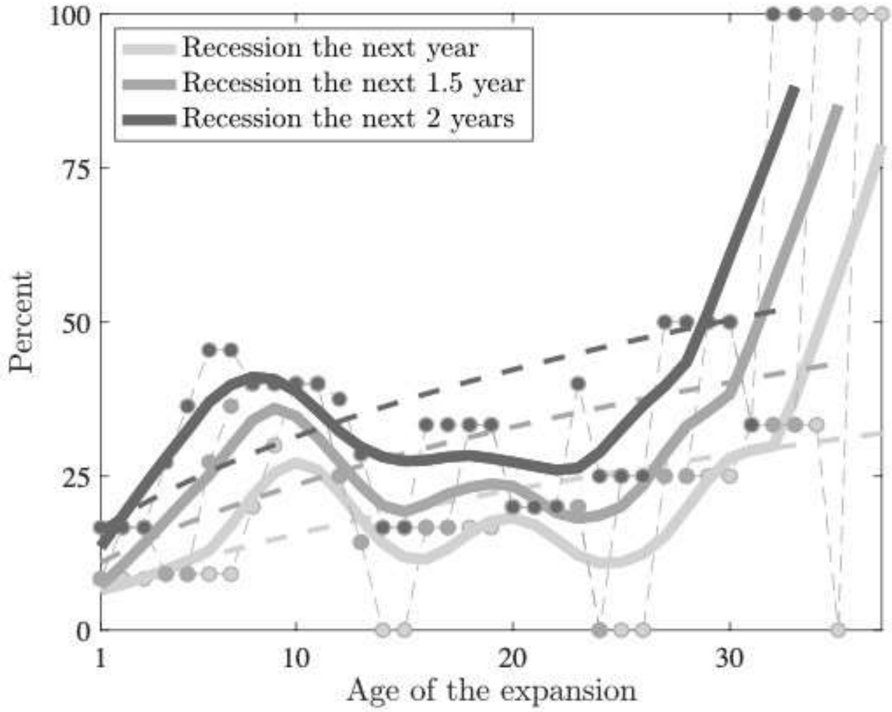
### P. Beaudry & F. Portier - Duration Dependence in US Expansions:
### A re-examination of the evidence

Probability of an expansion ending in the next year, next year and a half, or next two years
(parametric and non-parametric approach)




Read: https://fportier.files.wordpress.com/2019/05/nextrecession.v5.pdf