EU economy projected to avoid recession

A more positive picture of the EU economy has been predicted: it is to avoid recession with lower inflation and higher growth than had been forecast.

The bloc will now avoid a technical recession, the EU said in its winter economic forecast, which is when the economy goes through a six-month period of economic contraction.

Recession had been forecast in the EU's last economic forecast in November, but instead the annual growth rate for 2022 is estimated to be 3.5%.

Growth will continue throughout this year, the latest forecast says. The economy across the 27 countries will grow 0.8% in 2023, the union now expects – up from the 0.3% predicted in the autumn economic forecast.

The growth rate for 2024 remains unchanged at 1.6%.

Similarly, inflation has reached its peak and also been revised downwards for both this year and next, and unemployment remains at an all-time low at 6.1%

The rate of price increases dropped from 11.1% in November to 10.4% in December last year, but it's still up from 5.3% a year before.

More on Energy Crisis



Energy companies halt forced instalment of prepayment meters



Martin Lewis urges Jeremy Hunt to scrap energy price cap rise



Energy crunch: UK’s largest gas supplier warns output is at capacity

Related Topics:

- Energy Crisis
- European Union

The decline was mostly driven by the slowing rate of **energy price increases**. Next year, inflation is forecast to fall to 6.4% in 2023 and to 2.8% in 2024, meaning higher prices will remain.

The more positive outlook is down to a reduced reliance on **gas** combined with lower gas prices, despite energy costs overall remaining high. More power was sourced from elsewhere and gas consumption dropped, which along with cheaper wholesale gas prices has helped growth.

Advertisement

‘This doesn’t mean a positive overall outlook’

But Paolo Gentiloni, the European commissioner for the economy, warned that times were still tough, with inflation only releasing “its grip on purchasing power” in a gradual way.

While the outlook is “less negative than we expected”, Mr Gentiloni said, “this doesn’t mean we have a positive overall outlook”.

Following **Russia’s invasion of Ukraine**, EU countries rushed to reduce their dependency on the gas bought mostly from Moscow. This involved reducing power consumption by measures such as not lighting certain buildings at night and not heating gas-powered private swimming pools.

Member states had agreed a voluntary plan to **reduce gas consumption by 15%**.

Gas prices skyrocketed following the invasion and reached a high in August as Vladimir Putin threatened to cut supplies, before he actually did so at the end of the month.