

BUSINESSEUROPE



Outlook for Manufacturing in Europe

National Association of Business Economics,
Manufacturing Roundtable
December 10, 2019

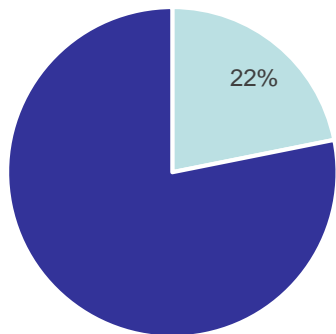
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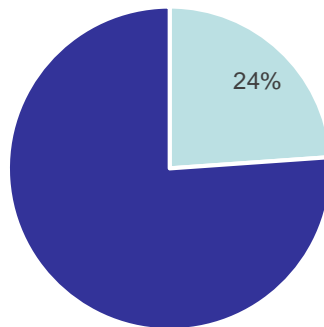
Share of world GDP 2018

European Union

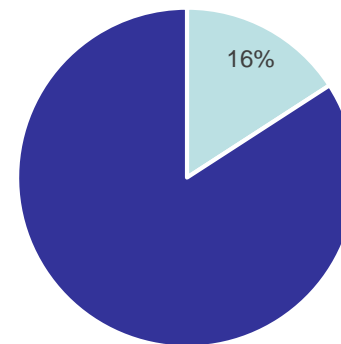


■ Share of world GDP ■

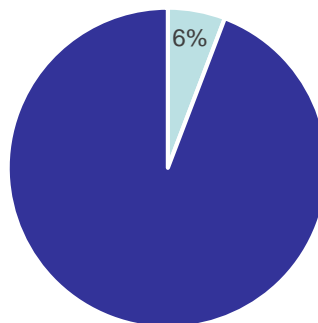
United States



China



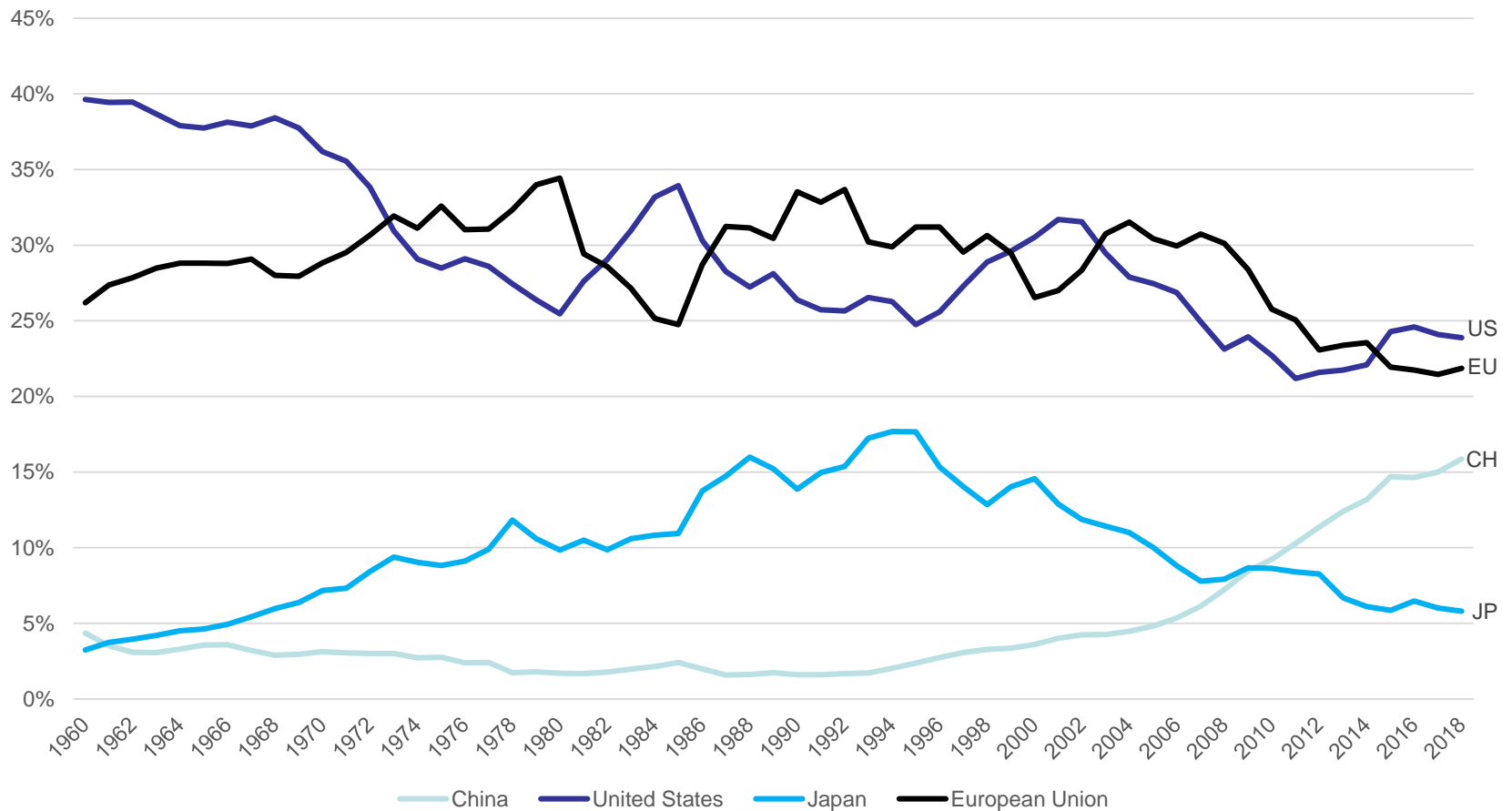
Japan



Calculations using World Bank data (non ppp adj.)



Share of world GDP

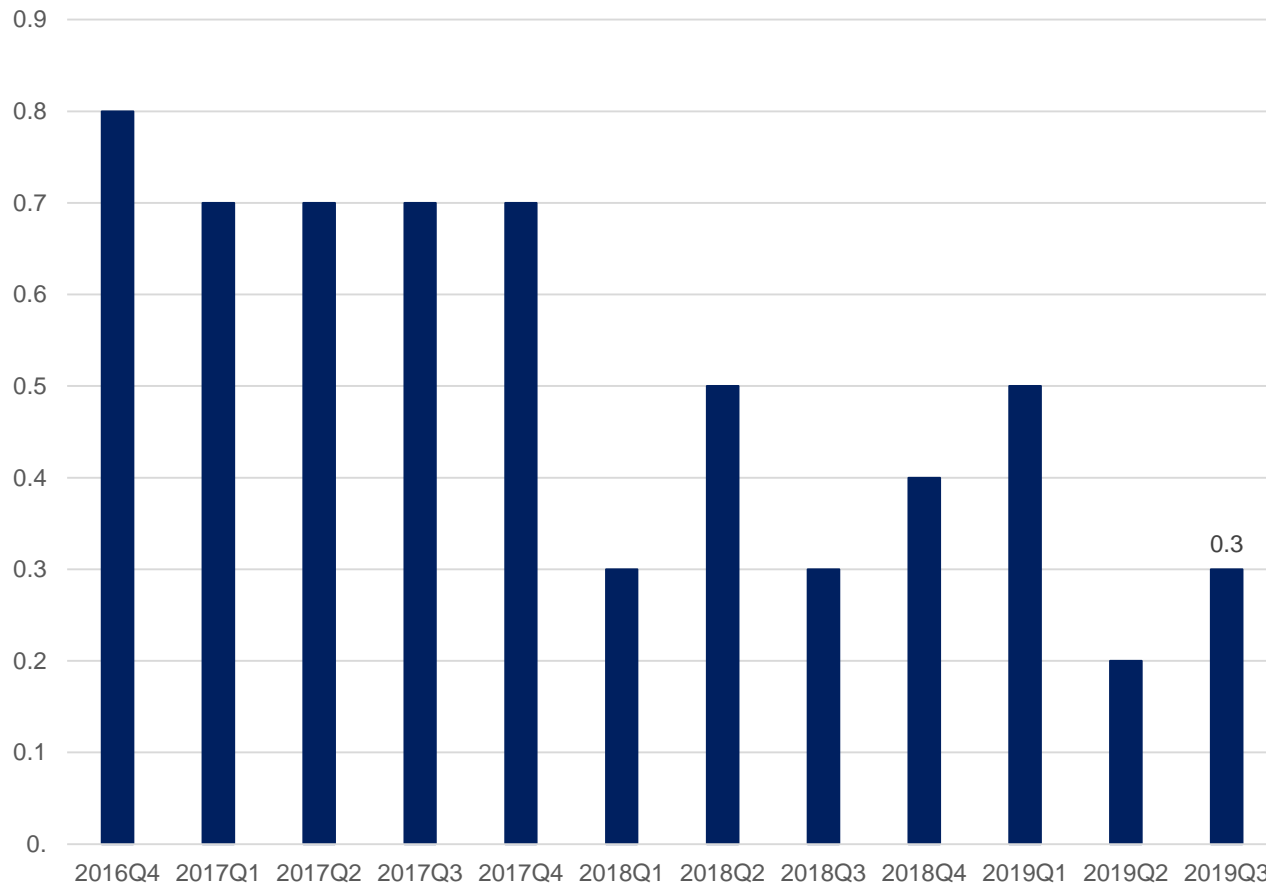


Calculations using World Bank data
(nominal, not PPP adj.)



Growth is faltering in Europe

Real GDP growth, quarter-on-quarter

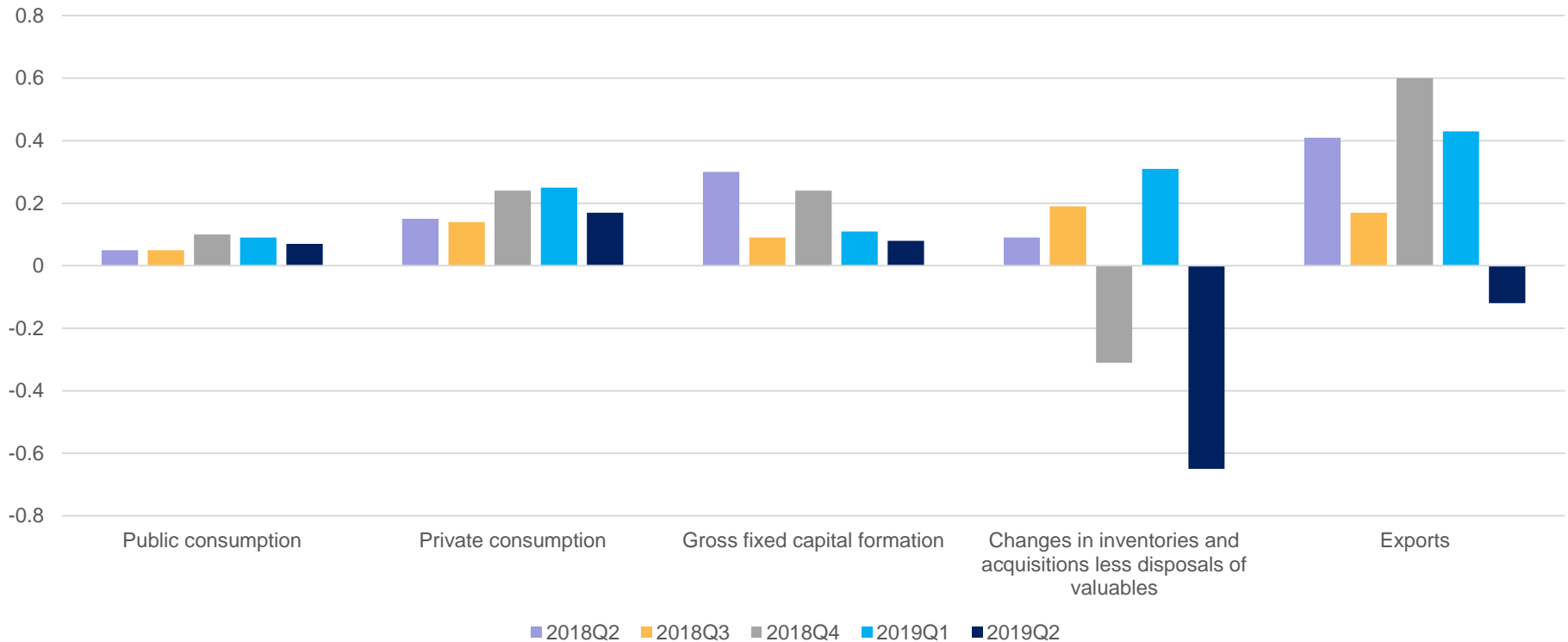


Eurostat data



Exports became a drag on growth in 2019Q2

Real GDP components growth, quarter-on-quarter



Eurostat data



Forecast for 2020: muted growth

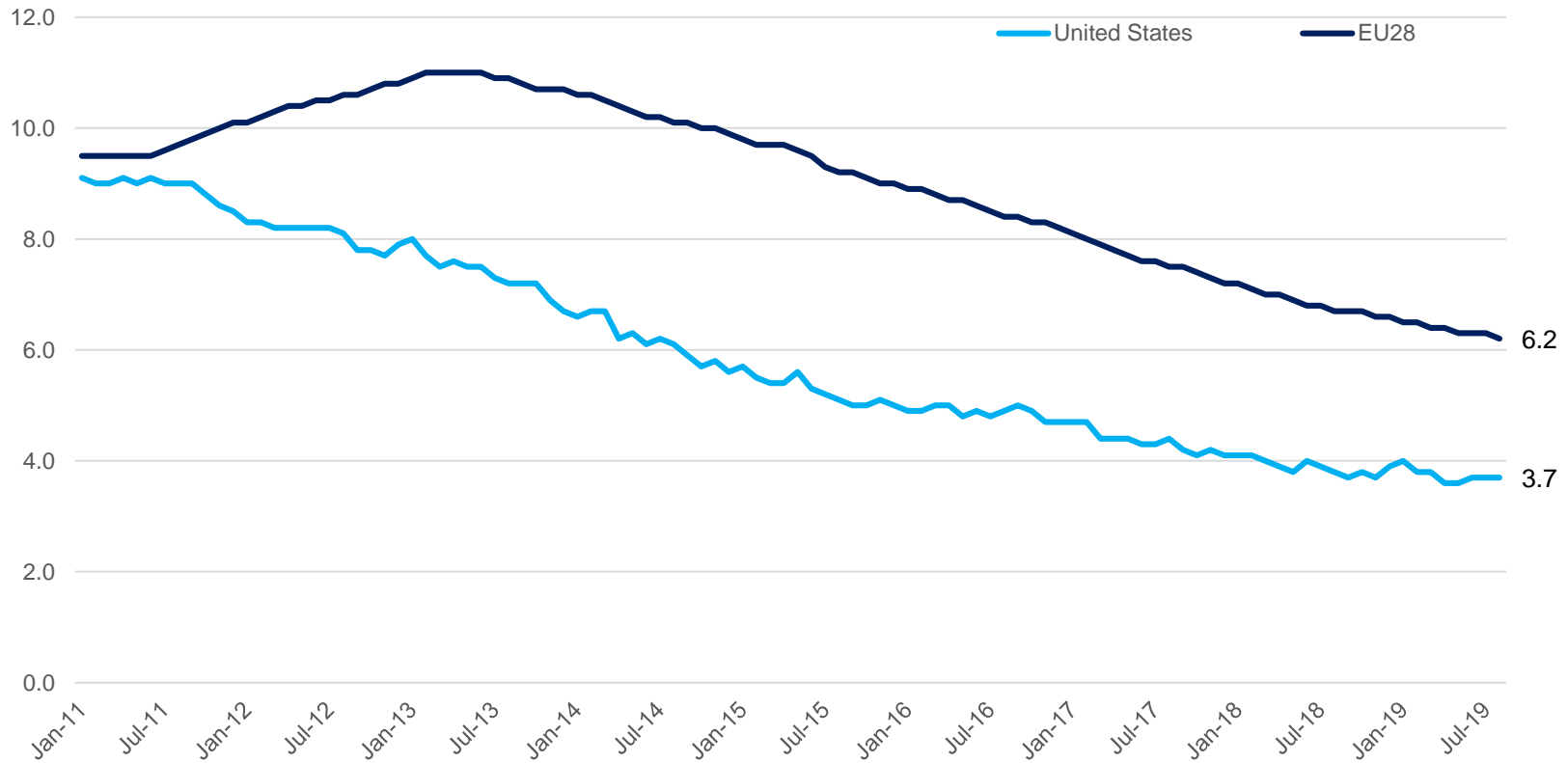
	EU		Euro Area	
	2019	2020	2019	2020
Main variables				
Real GDP (annual % growth)	1.3	1.2	1.1	1.0
Inflation (%)	1.5	1.6	1.3	1.4
Unemployment (%)	6.2	6.0	6.9	6.7
Government net lending (% of GDP)	0.0	-0.1	0.0	-0.1
Gross public debt (% of GDP)	80.8	79.5	86.6	85.1
	EU		Euro Area	
	2019	2020	2019	2020
GDP components				
Private consumption (annual % growth)	1.1	1.2	1.0	1.1
Public consumption (annual % growth)	1.3	1.1	1.2	1.1
Gross fixed capital formation (%)	1.6	1.1	1.4	0.5
Exports (annual % growth)	1.2	1.1	1.0	1.1
Imports (annual % growth)	2.1	1.2	1.2	1.3

BusinessEurope forecasts



Unemployment declining – but still well above US level

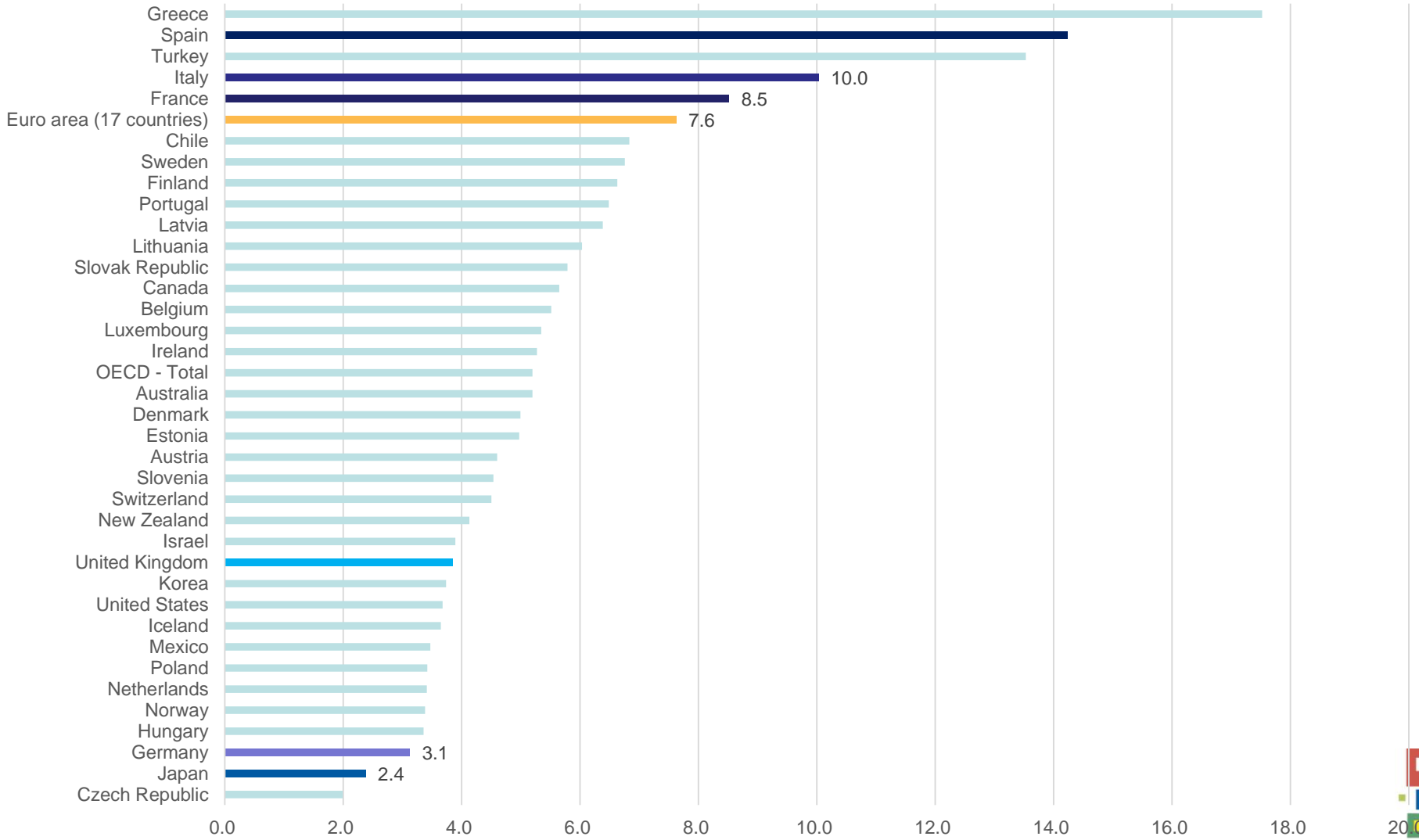
Unemployment rate, seasonally adjusted



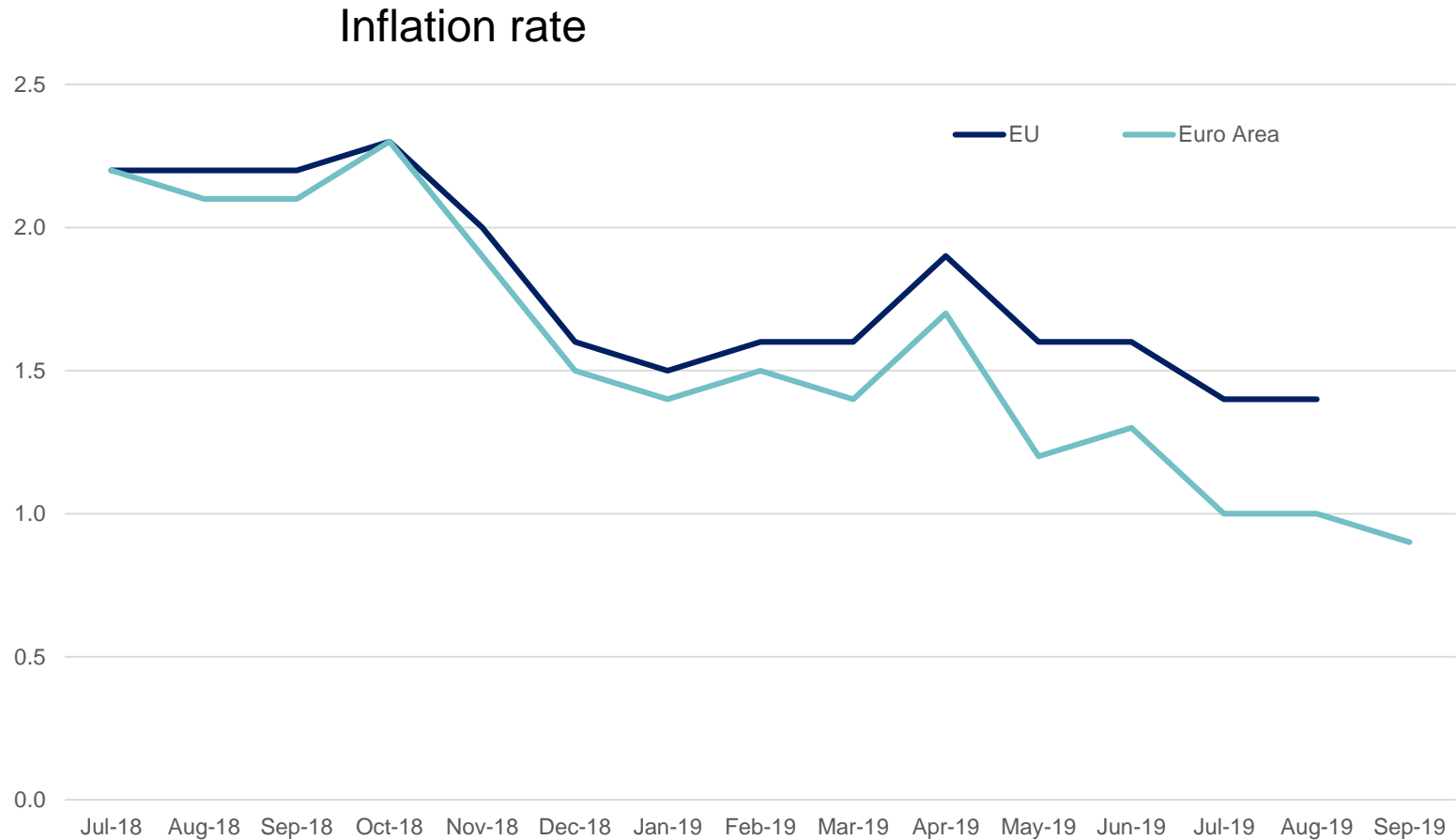
Eurostat



Unemployment still high in many EU countries



Inflation remains under 2% target, still falling



Eurostat

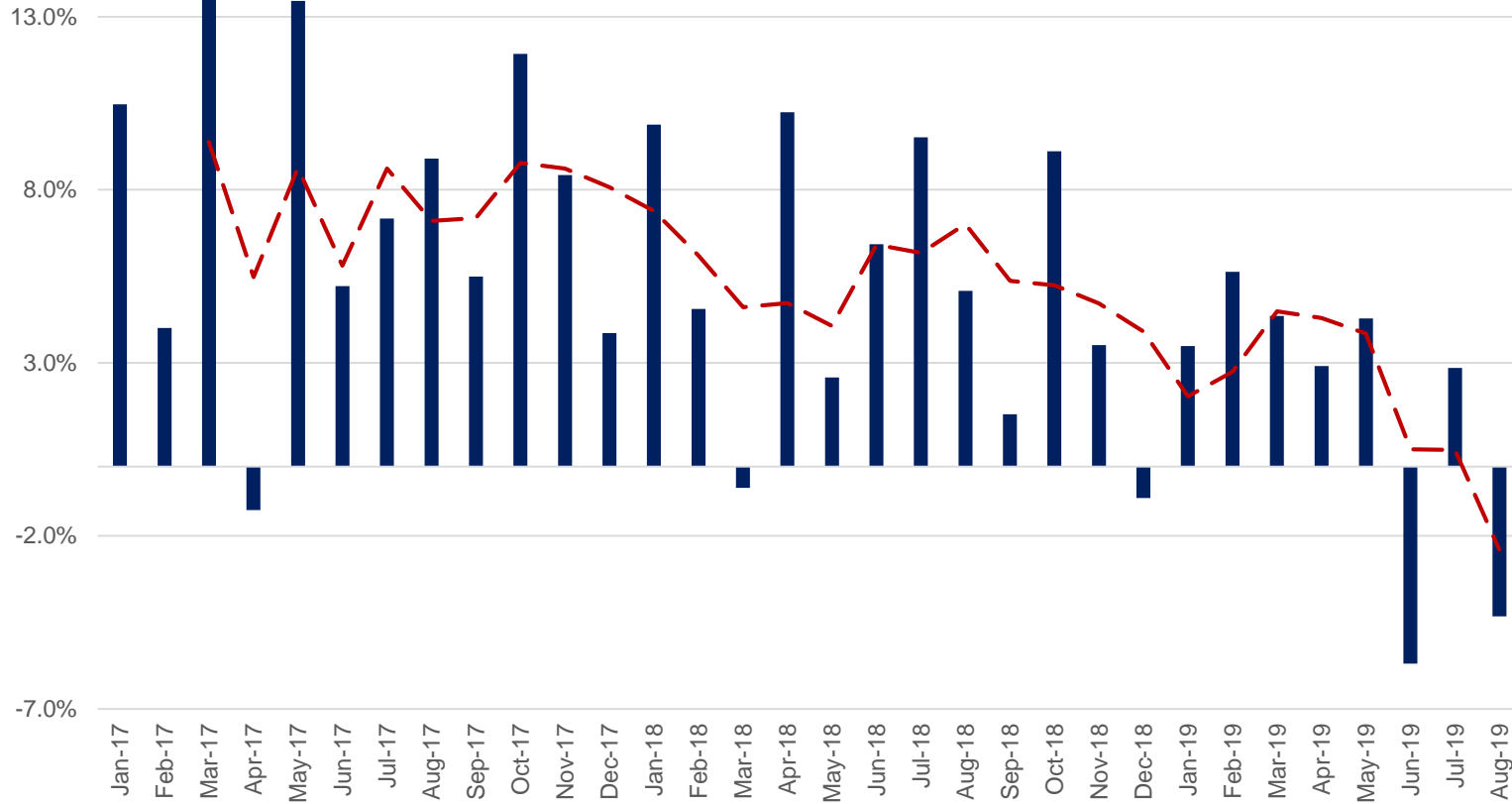


Economic situation across countries

	Real GDP growth		Inflation		Unemployment	
	2019	2020	2019	2020	2019	2020
EU28	1.3	1.2	1.5	1.6	6.2	6.0
Euro Area	1.1	1.0	1.3	1.4	6.9	6.7
Austria	1.5	1.3	1.5	1.5	4.6	4.8
Belgium	1.2	1.3	1.5	1.6	5.7	5.7
Bulgaria	3.3	3.4	2.4	1.7	5.0	4.8
Croatia	3.1	2.7	0.9	1.0	7.8	6.9
Cyprus	3.2	2.9	0.5	1.2	7.0	6.0
Czechia	2.7	2.0	2.6	2.5	2.0	2.0
Denmark	1.8	1.5	1.1	1.5	4.9	4.8
Estonia	3.0	1.9	2.3	1.9	4.9	5.9
Finland	1.1	0.9	1.0	1.1	6.5	6.3
France	1.3	1.2	1.3	1.4	8.4	8.2
Germany	0.5	0.5	1.4	1.5	2.9	2.9
Greece	2.0	2.8	0.6	0.7	15.9	14.0
Hungary	4.3	2.7	3.5	3.3	3.5	3.4
Ireland	4.0	3.4	3.1	2.5	5.4	5.0
Italy	0.0	0.0	0.7	1.8	9.8	9.7
Latvia	2.5	2.6	2.9	2.5	6.4	6.2
Lithuania	2.7	2.4	2.5	2.1	6.2	6.0
Luxembourg	2.5	2.6	1.8	1.6	5.3	5.2
Malta	5.3	4.8	1.8	1.9	3.8	3.9
Netherlands	1.6	1.5	2.5	1.4	3.5	3.6
Poland	4.4	3.6	2.1	2.7	3.8	3.5
Portugal	1.9	1.7	0.3	0.6	6.2	6.0
Romania	1.3	1.4	4.2	3.7	4.1	4.0
Slovakia	3.6	3.3	2.4	2.3	5.9	5.6
Slovenia	2.8	3.0	1.8	2.0	4.3	4.0
Spain	2.0	1.6	0.7	0.8	14.0	12.9
Sweden	1.7	1.5	1.7	1.6	6.4	6.4
United Kingdom	1.4	1.5	1.8	2.1	3.9	3.9



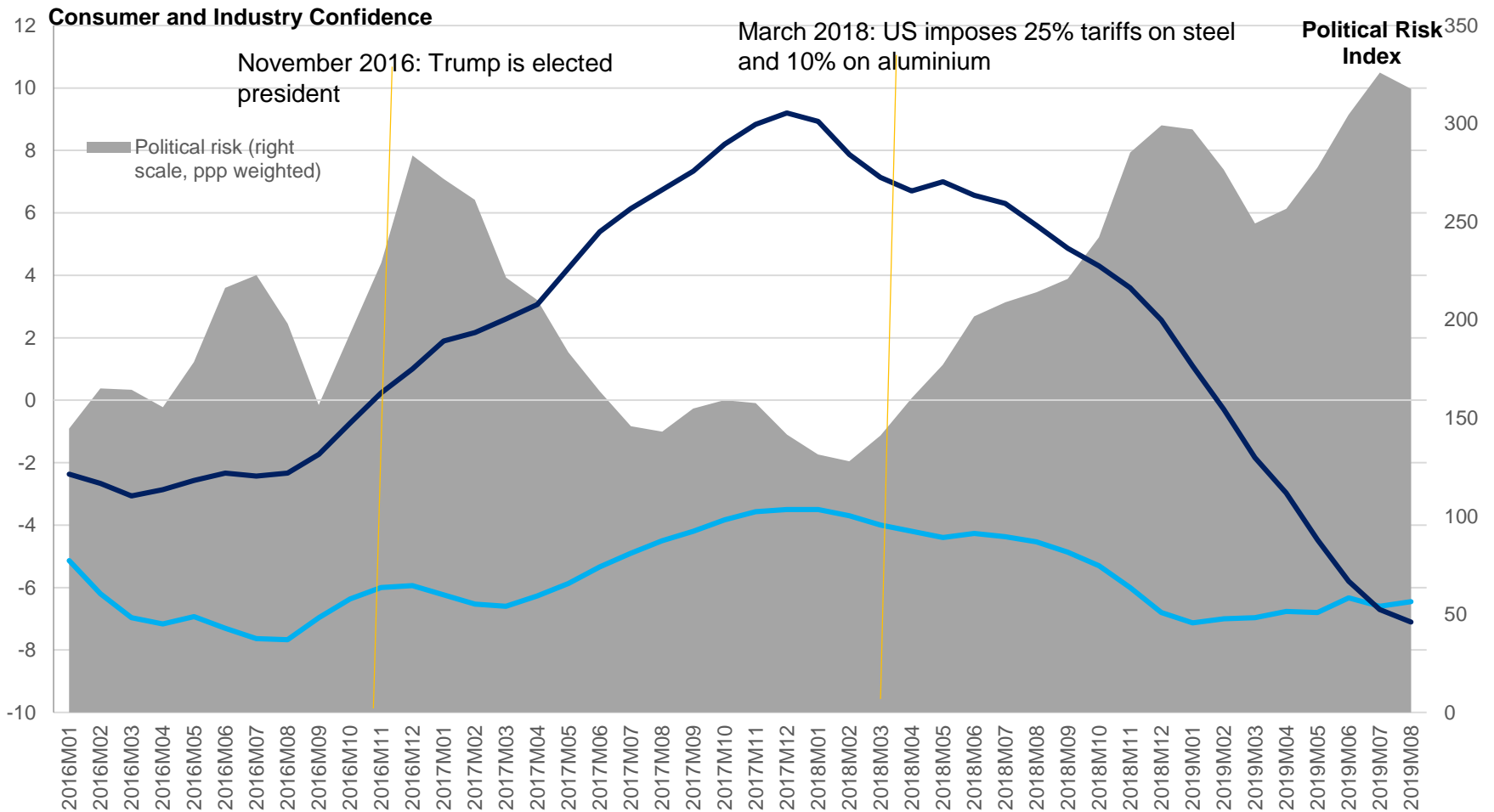
EU Exports now declining



Calculations based on Eurostat data



Confidence has plunged

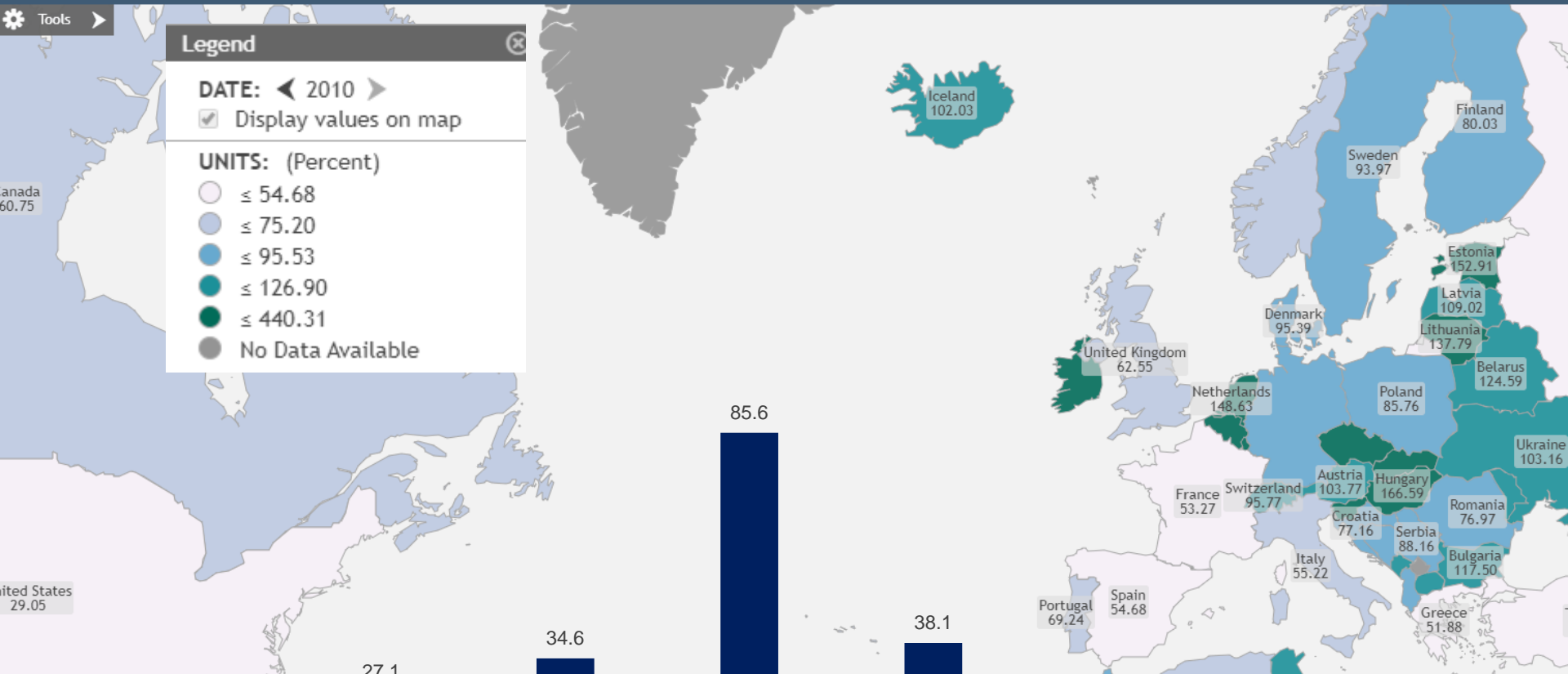


Calculations based on Eurostat data and <http://www.policyuncertainty.com/>.
 Seasonally corrected 3-months rolling average

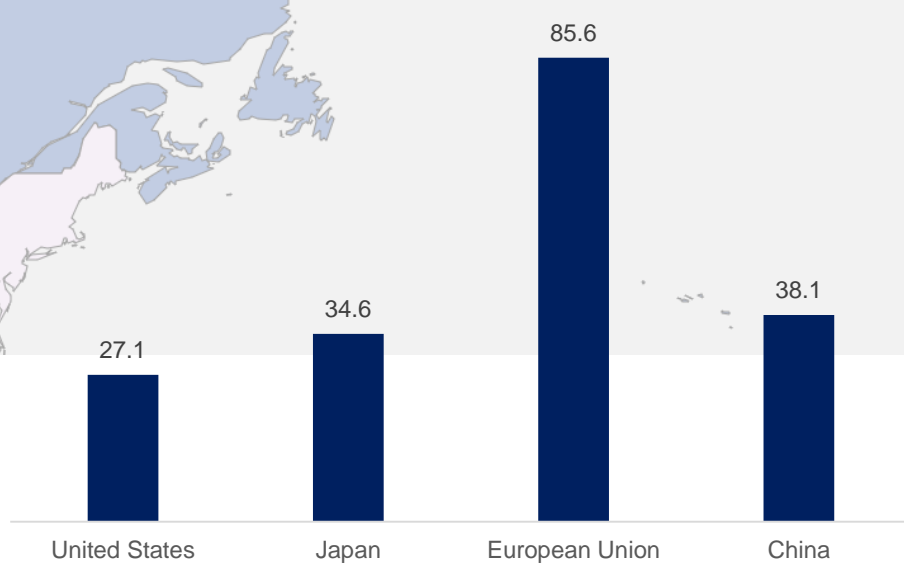


The EU is a very open trading bloc

2010 Openness at Current Prices by Nation (percent)



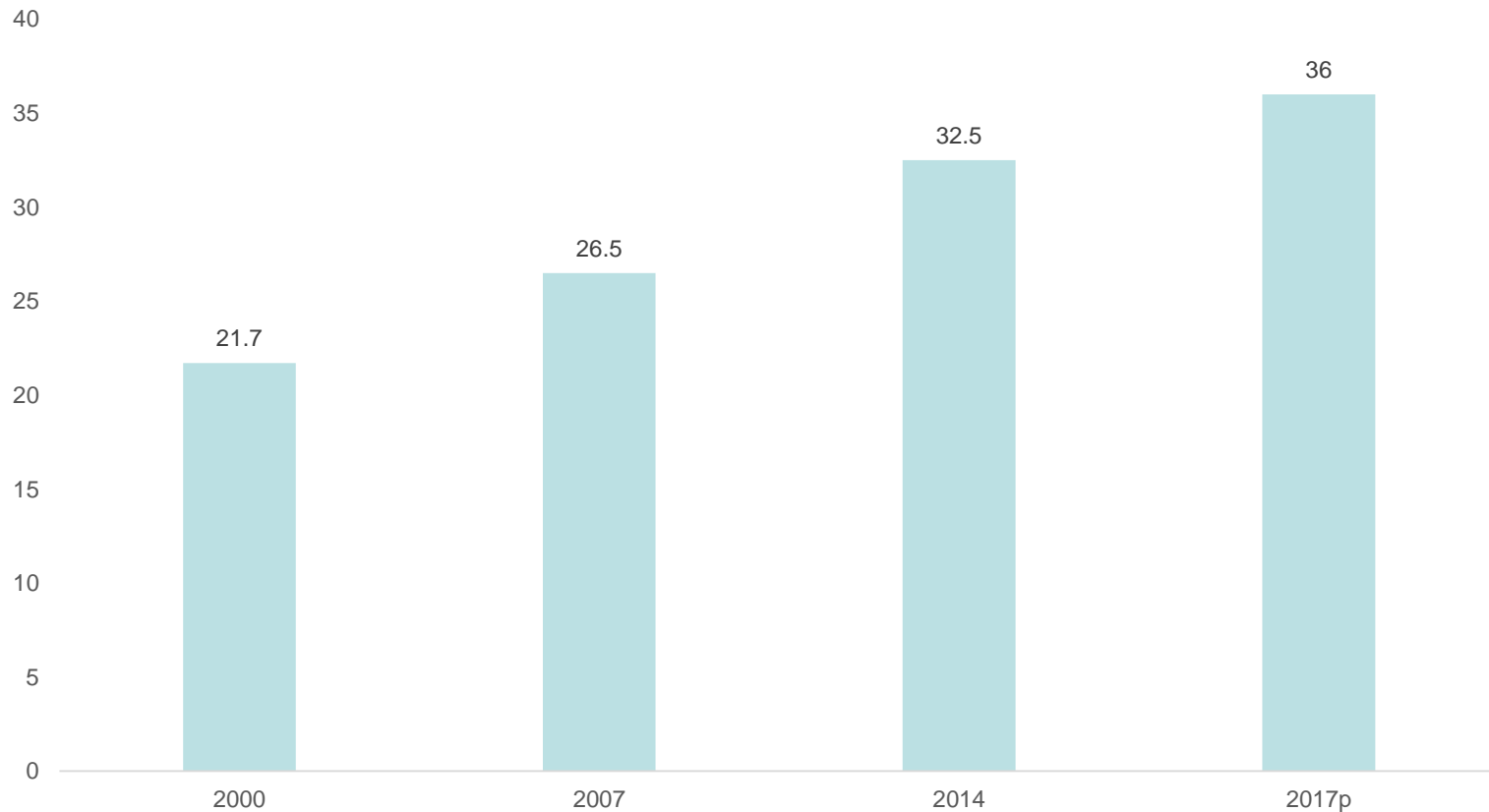
**Trade,
as % of GDP,
2017**



<https://fredblog.stlouisfed.org/2017/05/are-you-open/> and World Bank
Date (10-12-2019)

36 million EU jobs due to trade

Millions of jobs in the EU due to trade

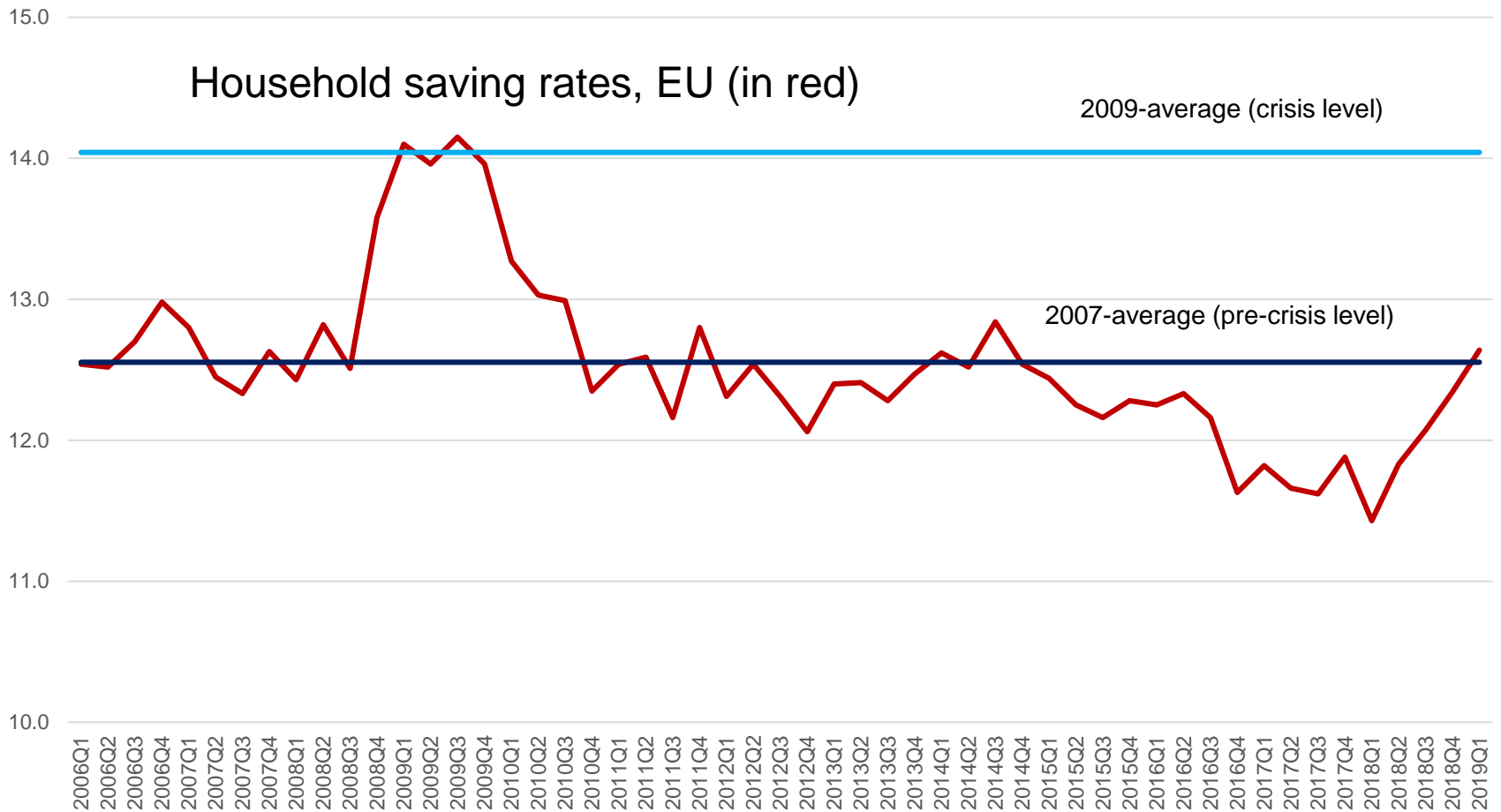


Calculations by European Commission. P=projected

https://trade.ec.europa.eu/doclib/docs/2018/november/tradoc_157517.pdf



Household saving rates climb sharply

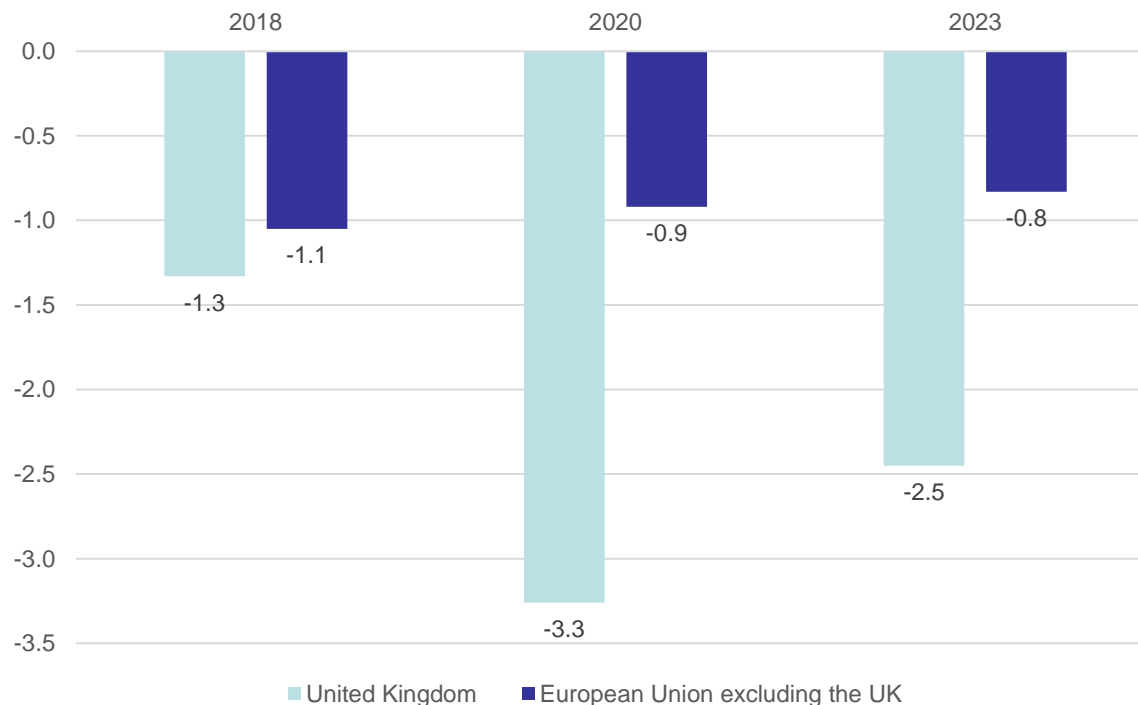


Calculations based on Eurostat data.



Brexit risks ...

GDP effects of hard Brexit (OECD model estimates under assumed scenario)

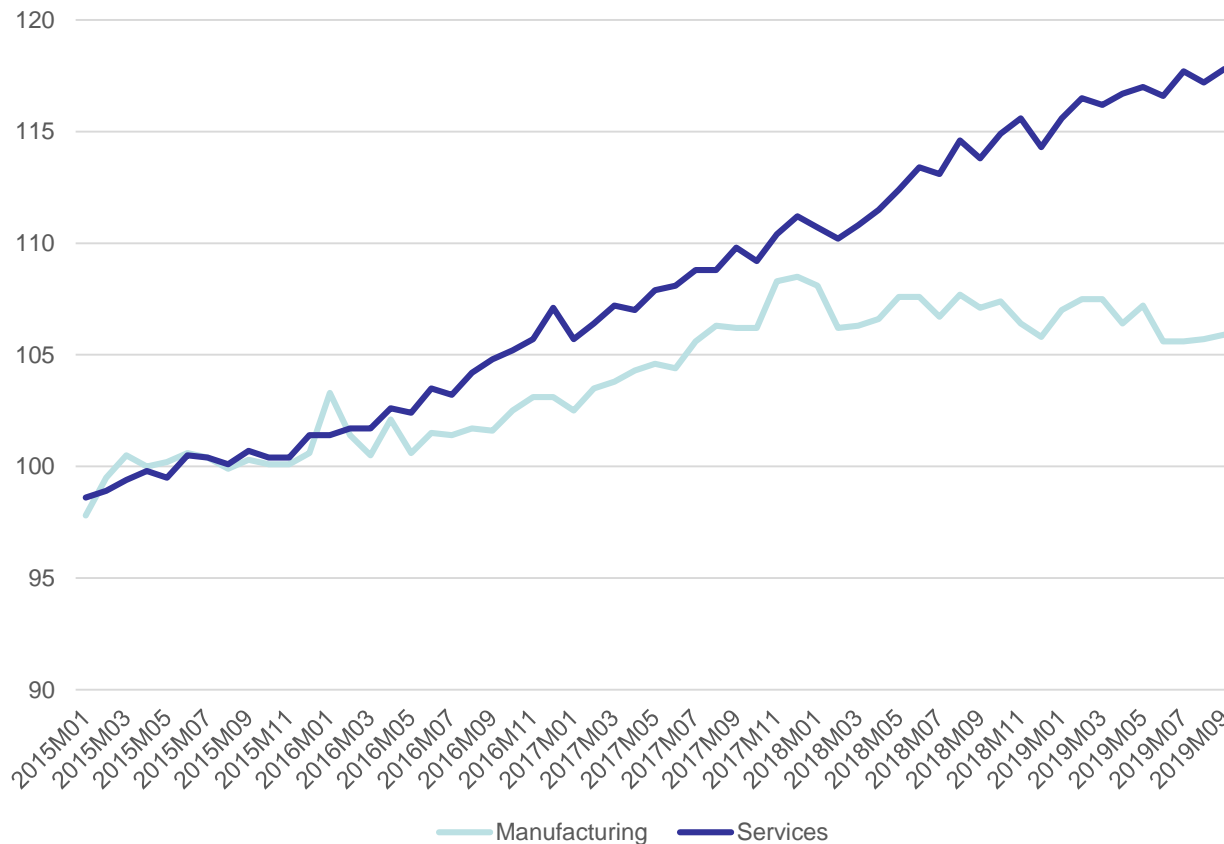


OECD Interim Economic Outlook, September 2019 - - Based on:
<https://www.oecd.org/economy/the-economic-consequences-of-brexit-a-taxing-decision.htm>



Services – Manufacturing split

Production volume. Index 2015 = 100, seasonally and calendar days adjusted

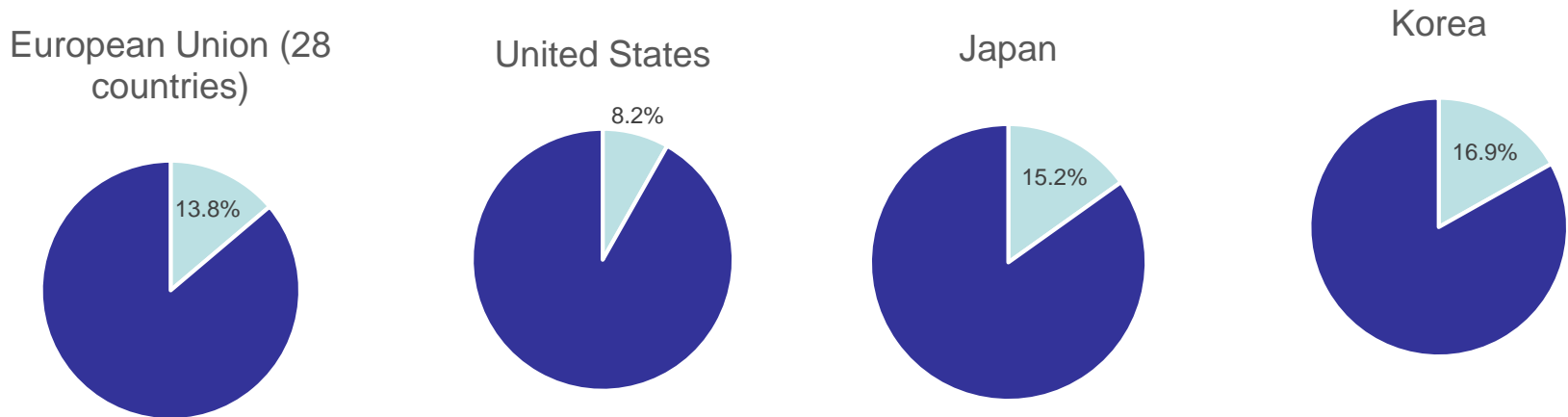


Calculations based on Eurostat data.



Relative importance of manufacturing

% of total employment in Manufacturing, 2017



■ Manufacturing ■ Non-manufacturing employment

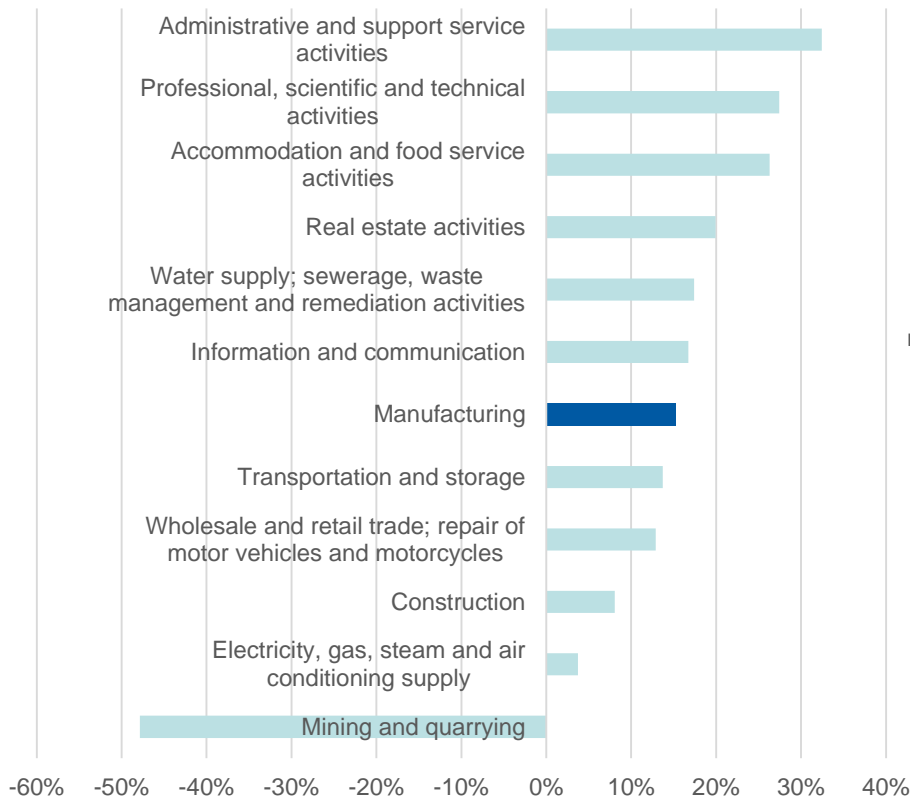
Calculations using OECD data



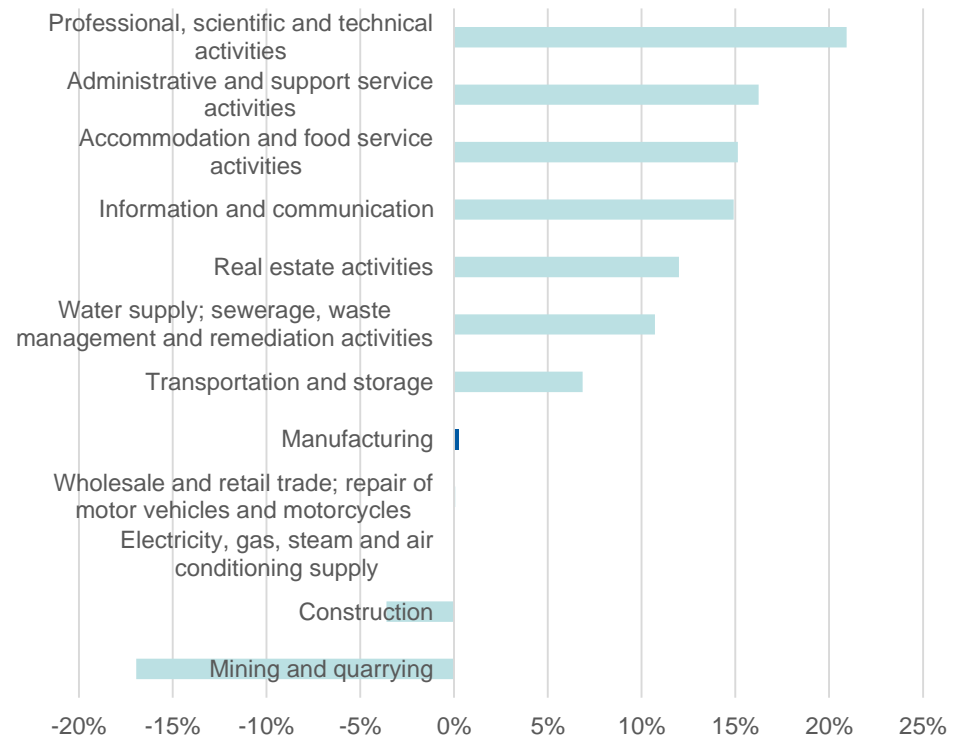
European Manufacturing

% Change, 2011 to 2016

Value added



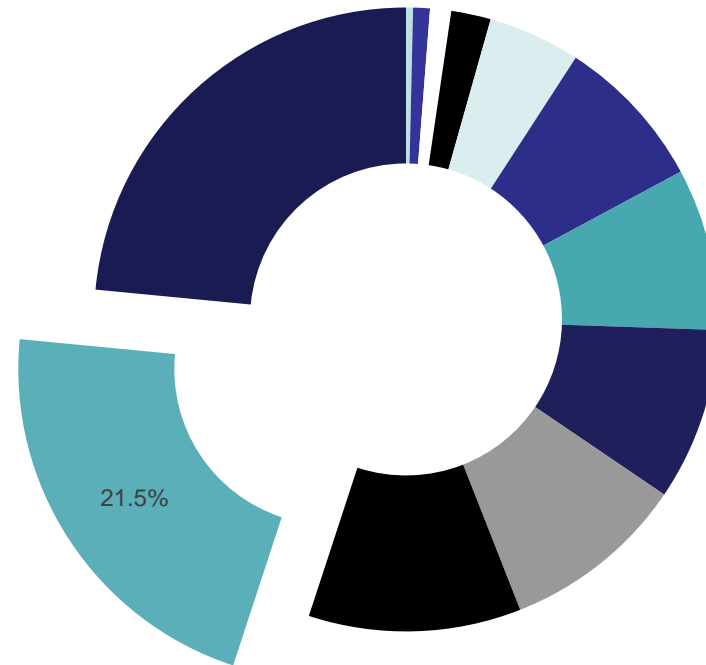
Employees



Calculations based on Eurostat data

European Manufacturing

Manufacturing share of total *business sector* employment, 2016

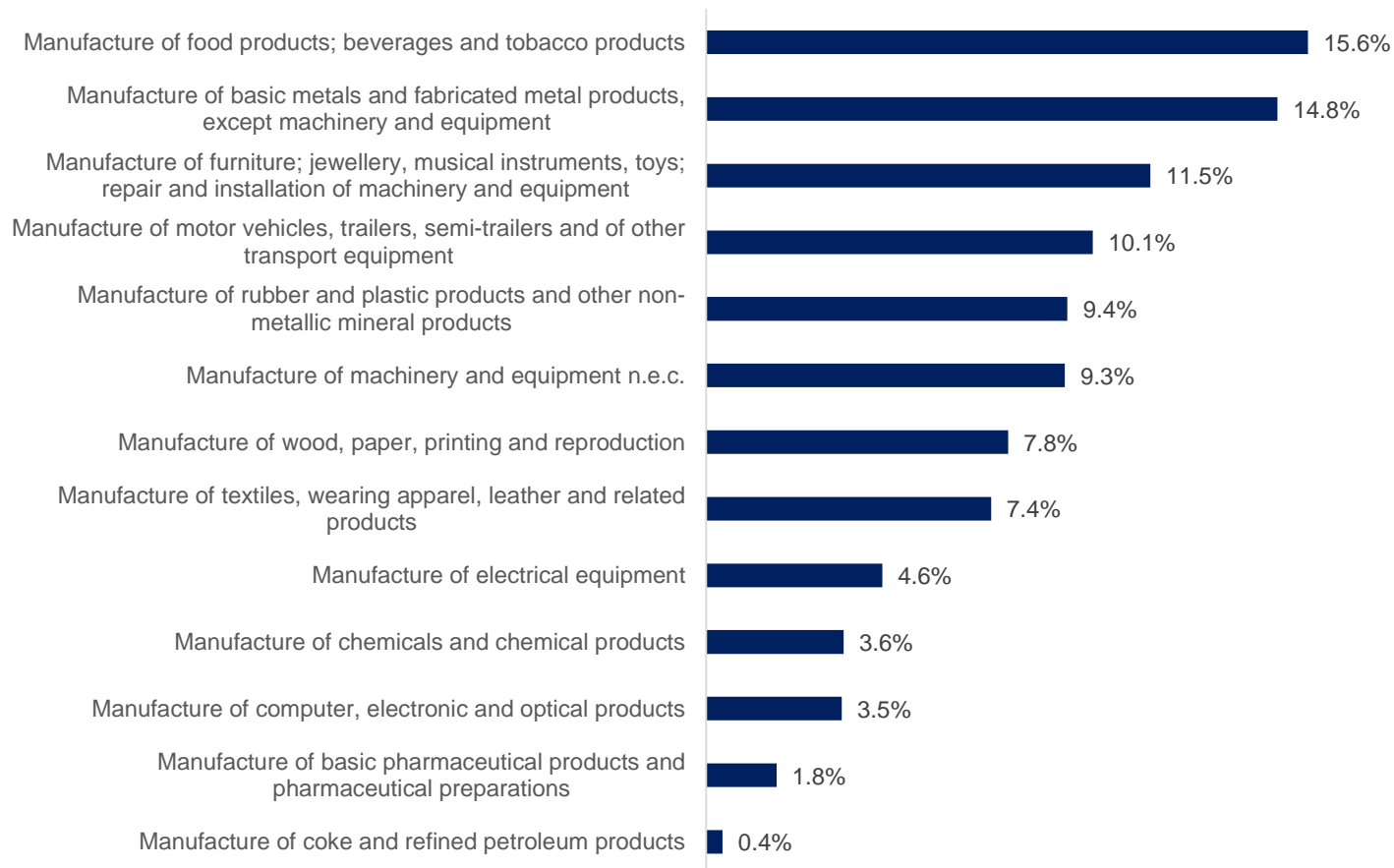


- Mining and quarrying
- Electricity, gas, steam and air conditioning supply
- Water supply; sewerage, waste management and remediation activities
- Real estate activities
- Information and communication
- Transportation and storage
- Accommodation and food service activities
- Construction
- Professional, scientific and technical activities
- Administrative and support service activities
- Manufacturing
- Wholesale and retail trade; repair of motor vehicles and motorcycles



European Manufacturing

% of total hours worked in manufacturing, 2016

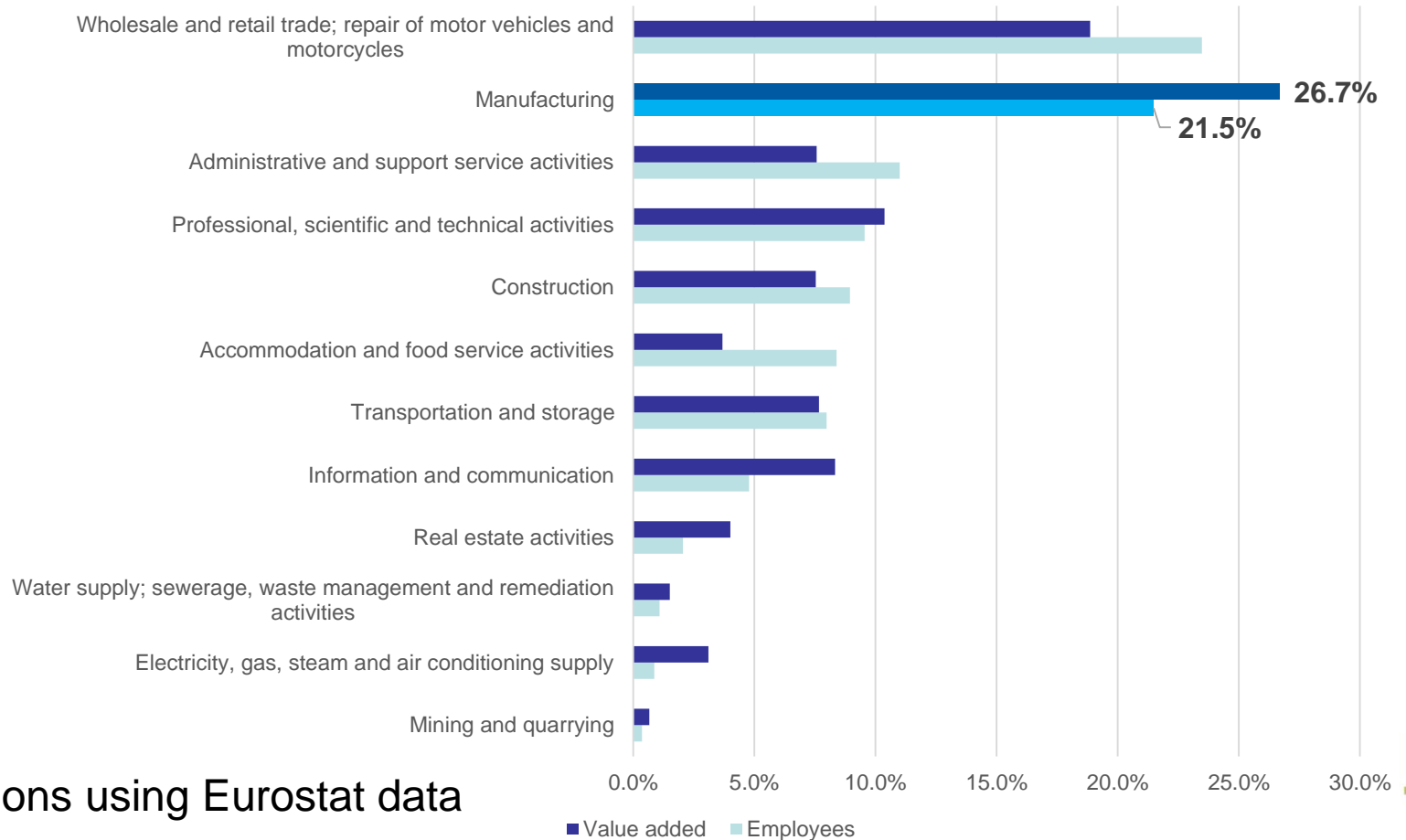


Calculations using Eurostat data



Value added relative to employees

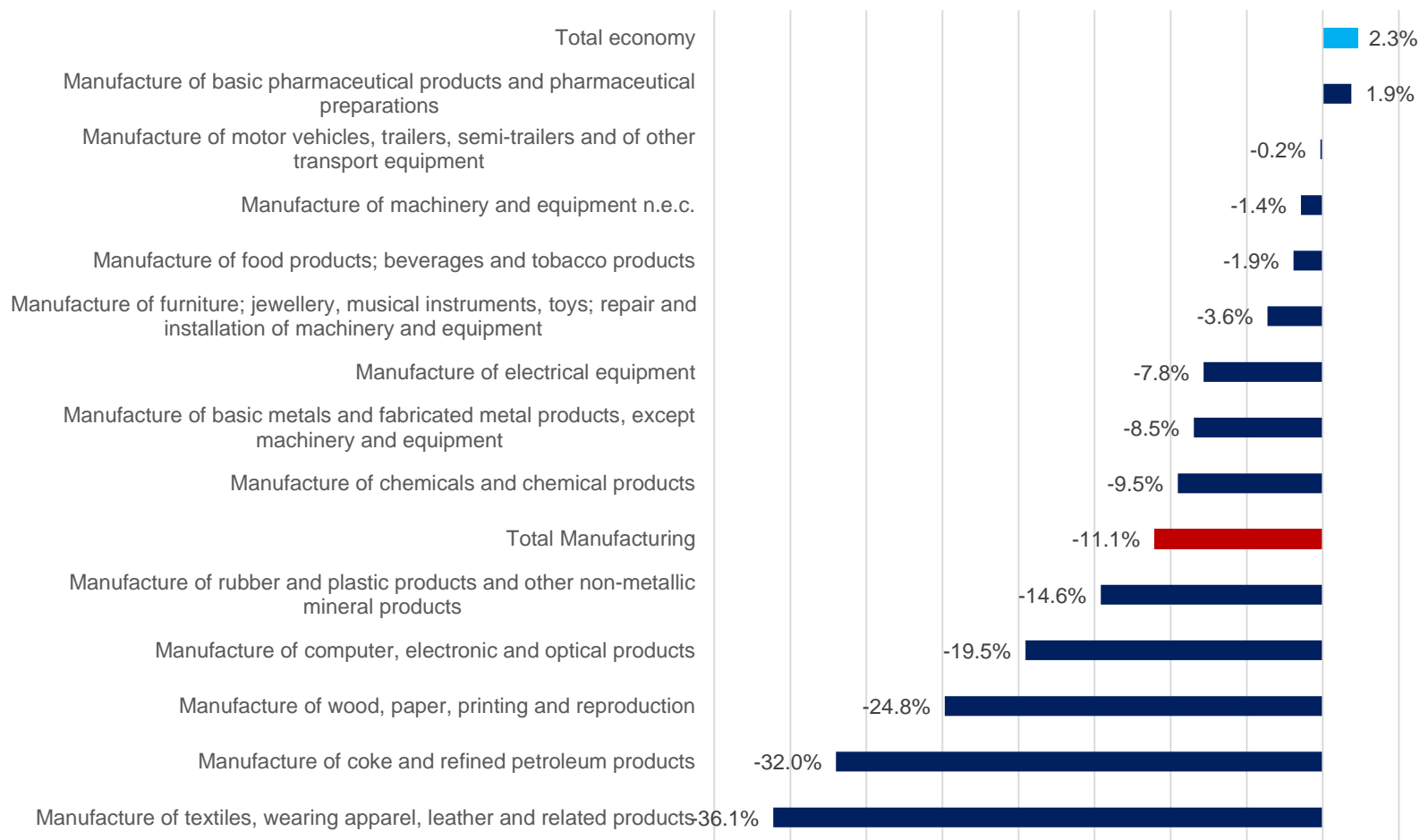
Share of total *business sector* employment / Value added, 2016



Calculations using Eurostat data

Uneven labour shift away from Manufacturing

Change in total hours worked from 2005 to 2016



Calculations using Eurostat data



Goods exports, selected categories

Share of world total exports, 2018

	Vehicles	Aircrafts	Electronics	Chemicals	Pharmaceuticals
World	100%	100%	100%	100%	100%
European Union	50%	41%	21%	38%	65%
United States	9%	41%	6%	9%	8%
Japan	10%	1%	4%	4%	1%
China*	5%	1%	24%	13%	2%
Other	27%	15%	45%	35%	24%

Change in absolute value of export from 2016 to 2018

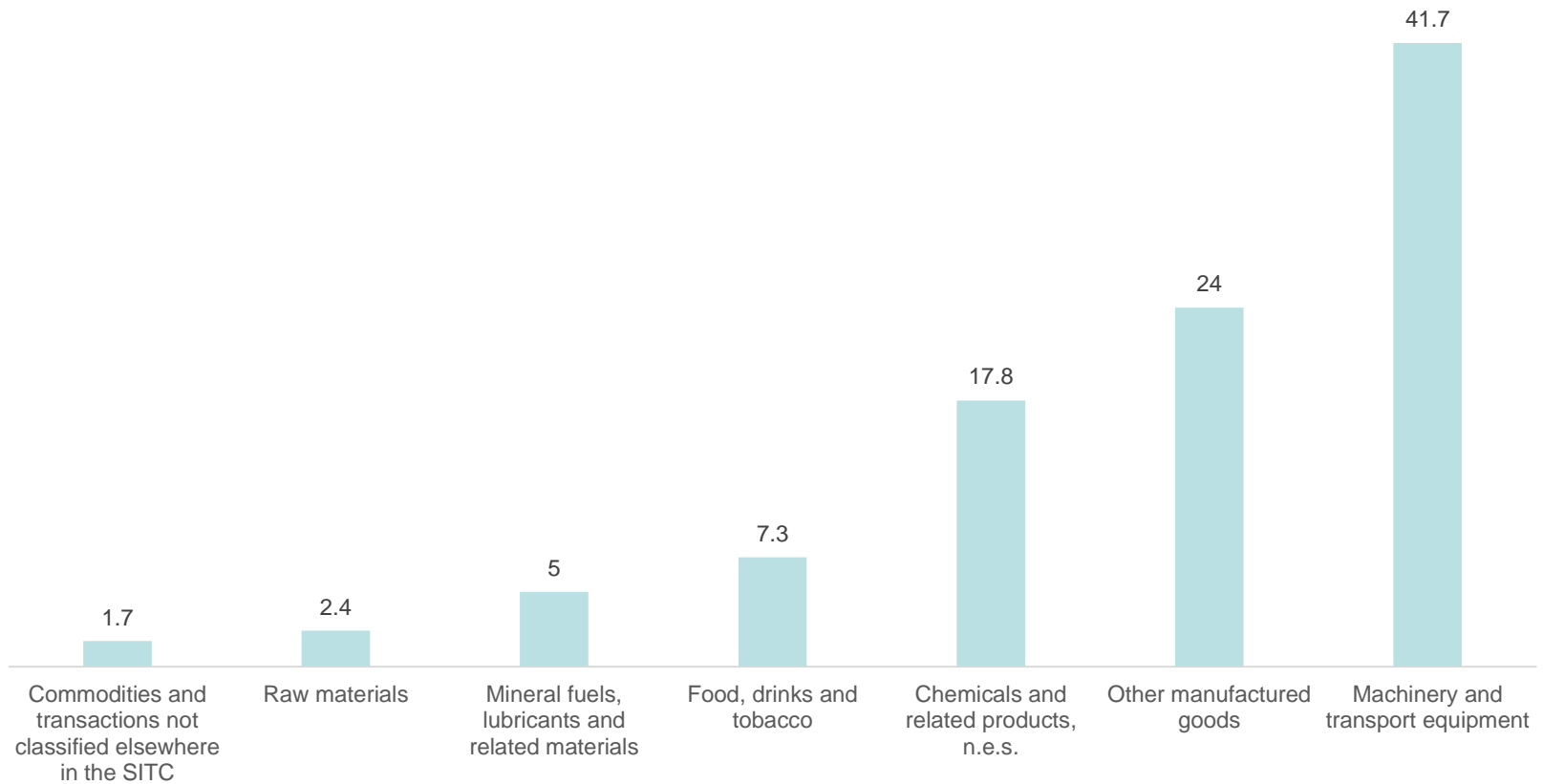
	Vehicles	Aircrafts	Electronics	Chemicals	Pharmaceuticals
World	+14%	+1%	+20%	+28%	+19%
European Union	+16%	-3%	+19%	+21%	+22%
United States	+5%	+3%	+6%	+19%	+3%
Japan	+9%	-15%	+11%	+19%	+36%
China*	+25%	+37%	+20%	+42%	+26%

Calculations based on ITC and UN COMTRADE
*ex Hong Kong



European exports

Euro Area exports, % of total Euro Area exports



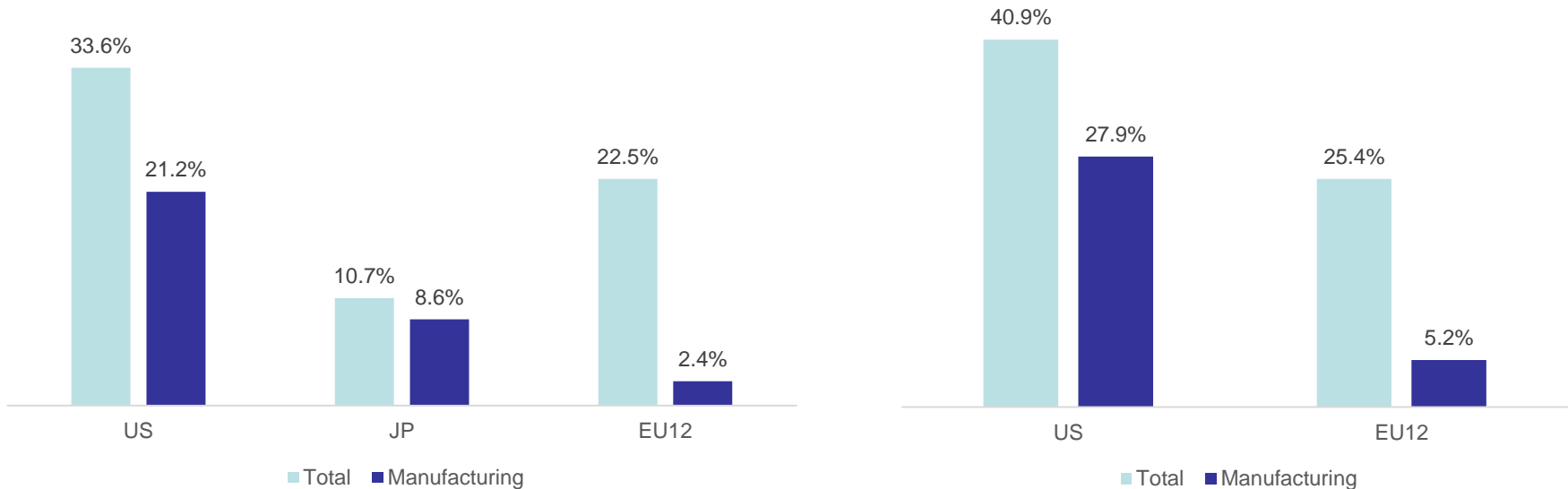
Eurostat



Total growth in capital stock

2000 – 2015 (left)

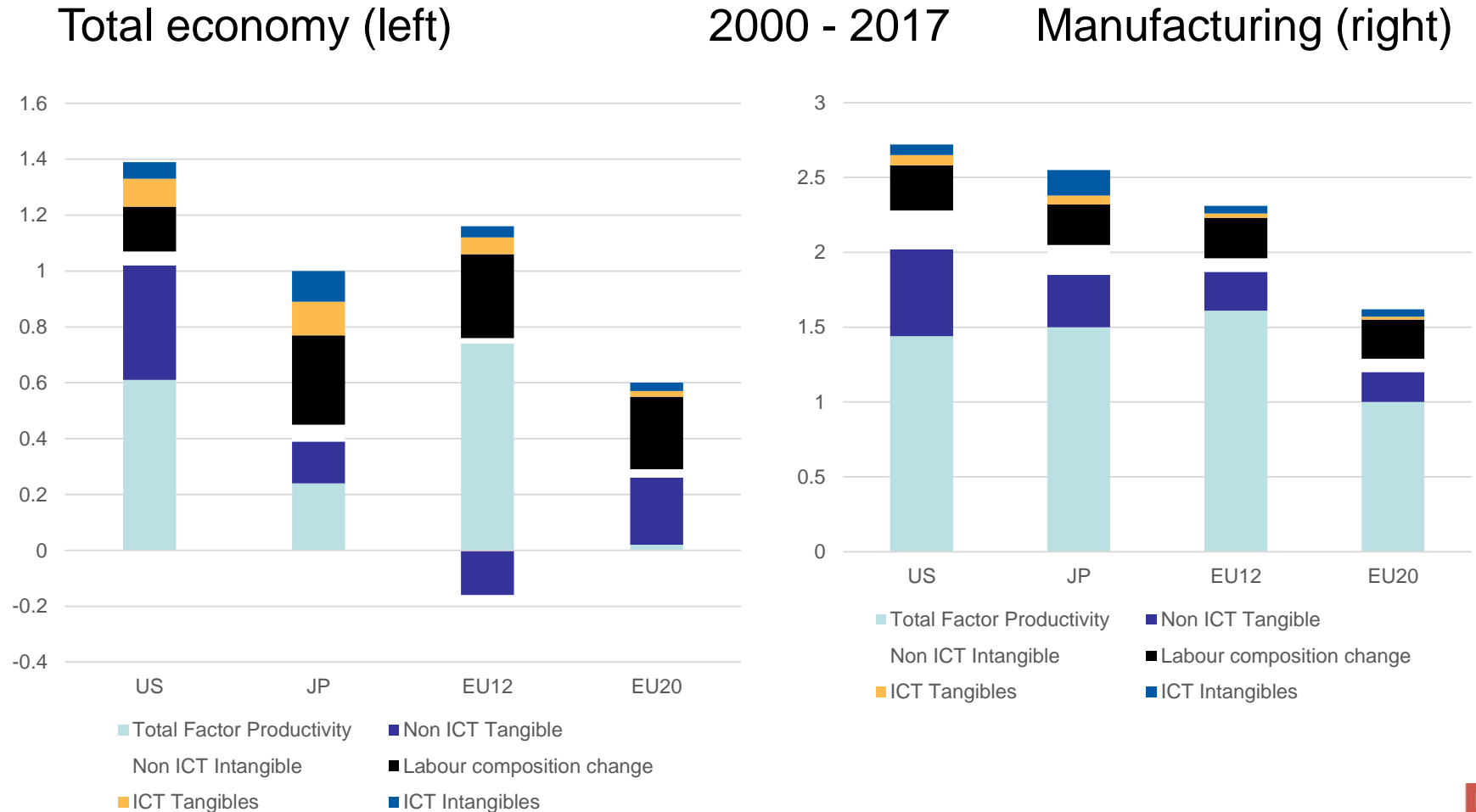
2000 to 2017 (right)



Calculations using the European Commission KLEMS database



Average yearly growth in productivity per hour



Calculations using the European Commission KLEMS database



Production value of manufacturing

Industry Value Added as % of GDP

	1998	2008	2017
World	17.5%	16.5%	15.6%
United States	15.8%	12.3%	11.2%
Japan	22.9%	21.4%	20.7%
European Union	17.2%	14.5%	14.3%
China	n/a	32.1%	29.3%

Calculations using World Bank data

