



KEY FIGURES ON GROWTH, JOBS AND COMPETITIVENESS

**Background information prepared for the
informal European Council of 30 January 2012**

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1. Policy context

Europe 2020: the EU's growth strategy

Strengthened EU economic governance

Macro-economic &
fiscal surveillance

Regulation of
financial services

Targets and guidance
for structural reforms

Flagships for smart, sustainable and inclusive growth

Digital
Agenda

Youth
on the Move

Innovation
Union

New
Industrial Policy

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and new Jobs

Platform against
Poverty

Resource
Efficiency

Modernised EU levers for growth and jobs

Single Market Act

Trade and
external policies

Structural Funds
and future EU budget

EU recommendations for action at national level

	Public finances				Labour market				Structural policies						Financial stability	
	Fiscal consolidation	Long-term Sustainability	Fiscal framework	Taxation	Wage Setting	Active Labour Market Policy	Labour Market participation	Education	Network industries	Energy efficiency	Service sector	Business environment and SMEs	R & D and innovation	Public services and cohesion policy	Banking	Housing market
AT																
BE																
BG																
CY																
CZ																
DE																
DK																
EE																
ES																
FI																
FR																
HU																
IT																
LT																
LU																
MT																
NL																
PL																
SE																
SI																
SK																
UK																

Note: Recommendations adopted by the EU in July 2011 for 2011-2012. For IE, LV, EL, PT and RO, the only recommendation is to implement existing commitments under EU/IMF financial assistance programmes. More information at: http://ec.europa.eu/europe2020/index_en.htm

National commitments under the Euro Plus Pact

	Foster competitiveness					Foster employment						Sustainability of public finances			Reinforce financial stability
	Wage setting mechanisms	Public sector wage developments	Competition in services	Education, R&D, innovation	Business environment	Labour market flexibility	Labour participation	Undeclared work	Life-long learning	Lower labour taxes	Participation of 2nd earners	Align pensions to demography	Incentives for older workers	National fiscal rule	National legislation for banking resolution and other financial stabilisation measures
AT															
BE															
BG															
CY															
DE															
DK															
EE															
EL															
ES															
FI															
FR															
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LU															
LV															
MT															
NL															
PL															
PT															
RO															
SI															
SK															

Note: this table summarises commitments taken by Member States participating in the Euro Plus Pact since Spring 2011.

Roadmap to stability and growth

Put forward by the Commission on 12 October 2011 to map out next steps in Europe's comprehensive response to the crisis.

Five elements	Key recent actions / initiatives
1. Give a decisive response to the problems of Greece	<ul style="list-style-type: none">▪ A new financing plan▪ Extended maturities and lower interest rate▪ Negotiations on private sector involvement
2. Enhance the Euro area's backstops against the crisis	<ul style="list-style-type: none">▪ EFSF leverage▪ Earlier start of ESM▪ IMF contributions
3. Strengthen the banking system, namely through recapitalisation	<ul style="list-style-type: none">▪ New solvency requirements and rules▪ Banks "stress tests" coordinated by the EBA▪ ECB liquidity support
4. Frontload stability and growth enhancing policies	<ul style="list-style-type: none">▪ Recommendations & actions at national level▪ Annual Growth Survey 2012▪ Fast-tracking at EU level of key growth items
5. Build a more robust and integrated economic governance	<ul style="list-style-type: none">▪ European Semester 2012▪ "Six-Pack" entry into force▪ "Two-pack" proposals to complement▪ Treaty on stability and coordination in EMU

Annual Growth Survey 2012

Put forward by the Commission on 23 November 2011 to map out the EU's growth and jobs priorities in 2012 and launch a new European Semester.

Five priorities

Key areas for action

1. Pursuing differentiated growth-friendly fiscal consolidation

- Pursue country-specific strategies to fit national fiscal and macro-financial situation
- Adopt right mix of expenditure and tax shifts to maximise positive impact on growth

2. Restoring normal lending to the economy

- Strengthen capital positions of key banks
- Facilitate more direct access to financing

3. Promoting growth and competitiveness

- Tap into existing sources: digital single market, internal market for services, trade
- Mobilise EU funds in support of growth
- Fast-track key EU initiatives (cf. AGS annex)

4. Tackling unemployment and the social consequences of the crisis

- Pursue reforms for a growth-rich recovery
- Supporting employment, notably through a Youth Opportunities Initiative
- Protecting the vulnerable

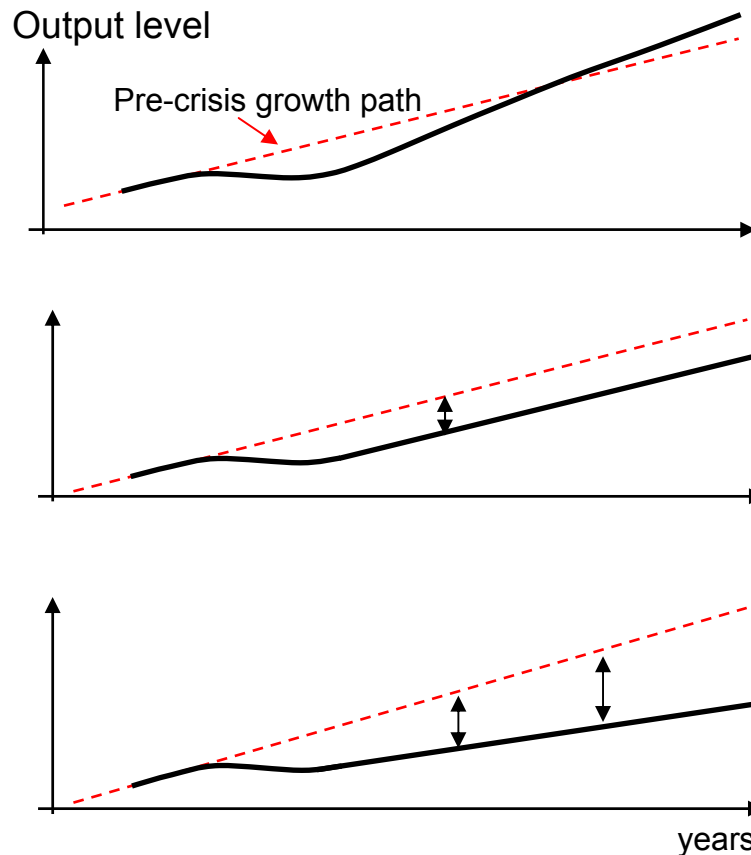
5. Modernising public administration

- Improve business environment
- Facilitate absorption of EU funds

2. Growth challenges

Europe faces a choice

2010-2020: a decade of sluggish growth?



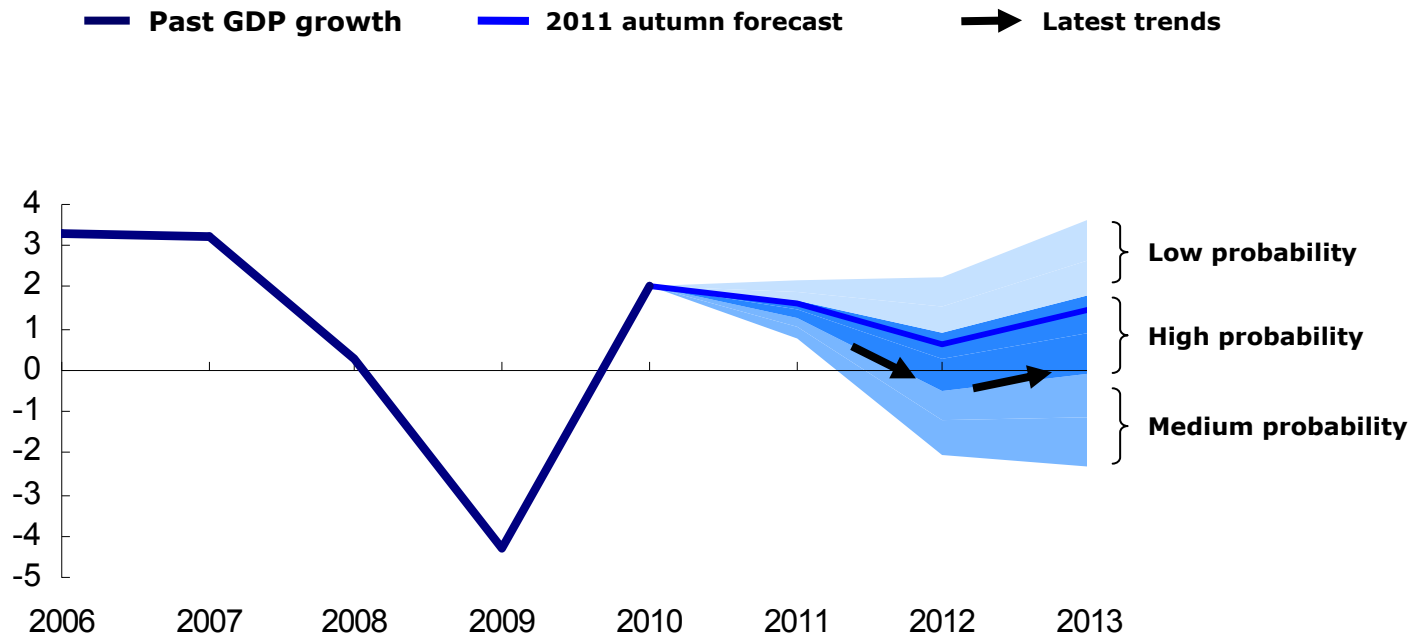
« Strong recovery » :
a full return to earlier growth path
and a capacity to go beyond

« Sluggish recovery » :
a permanent loss in wealth and
stagnation on a lower growth path

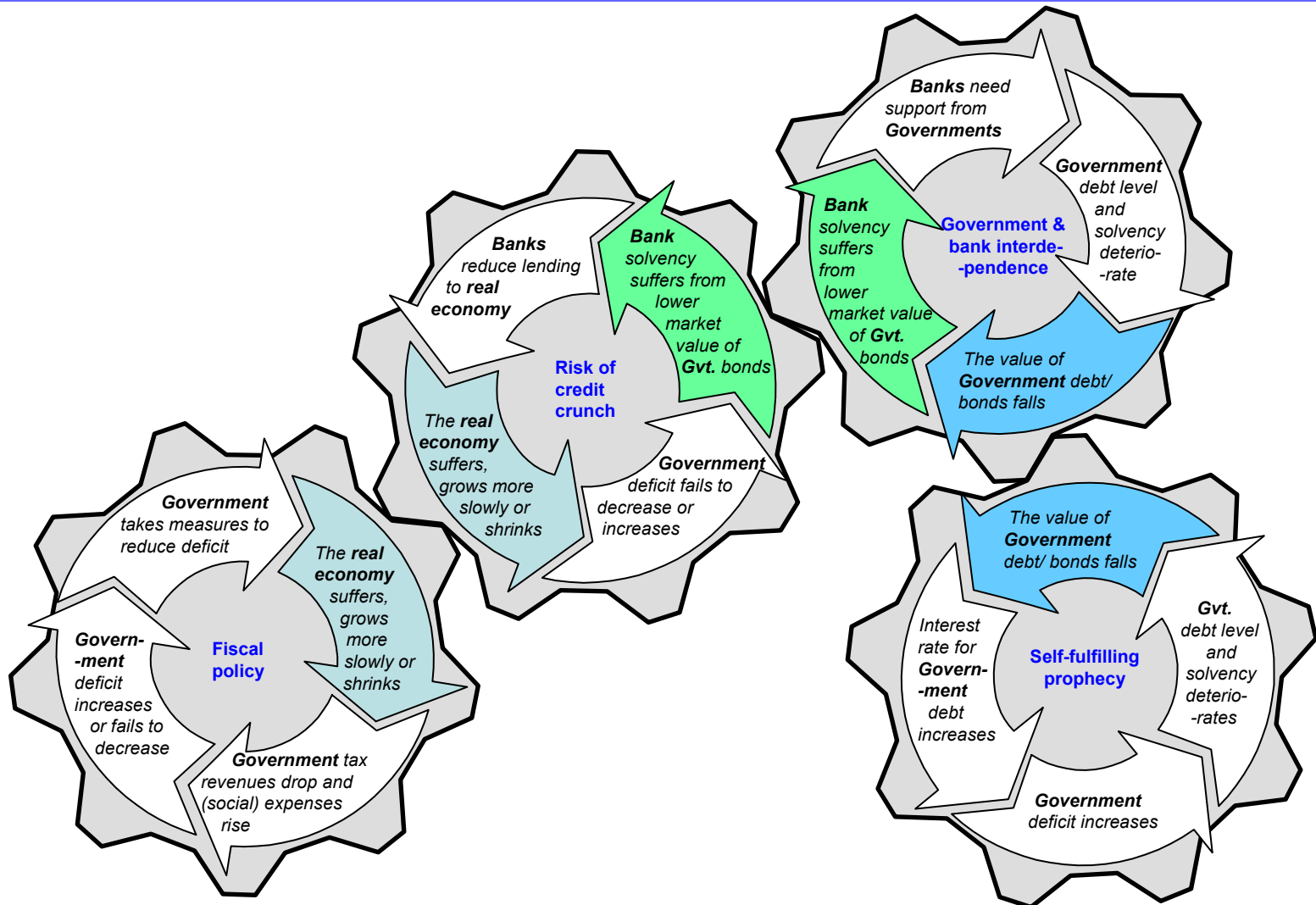
« Lost decade » :
a permanent loss in wealth and an
eroded potential for future growth

Restoring growth: a pressing priority

EU growth trends and outlook (annual GDP growth rates)



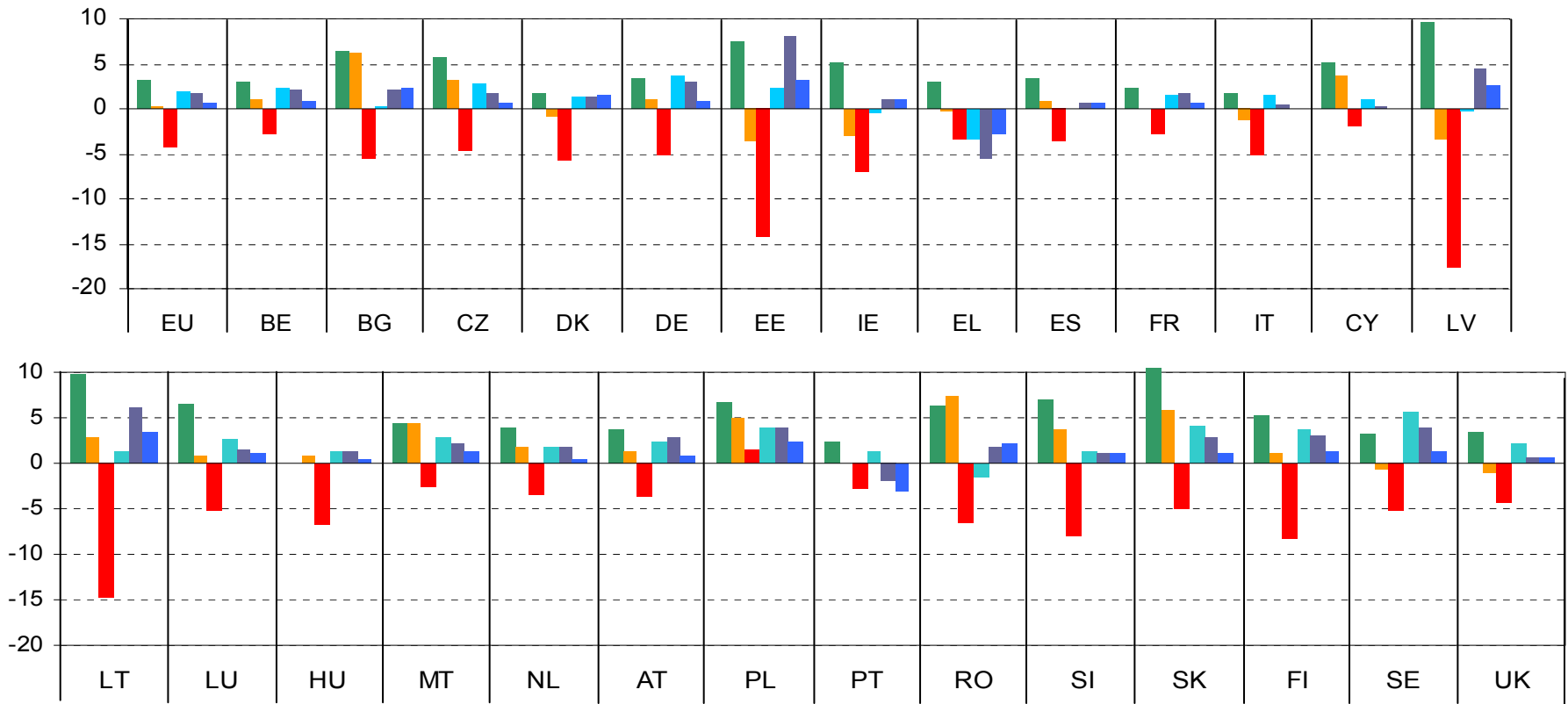
Several vicious circles reinforce each other



Recovery is limited for all

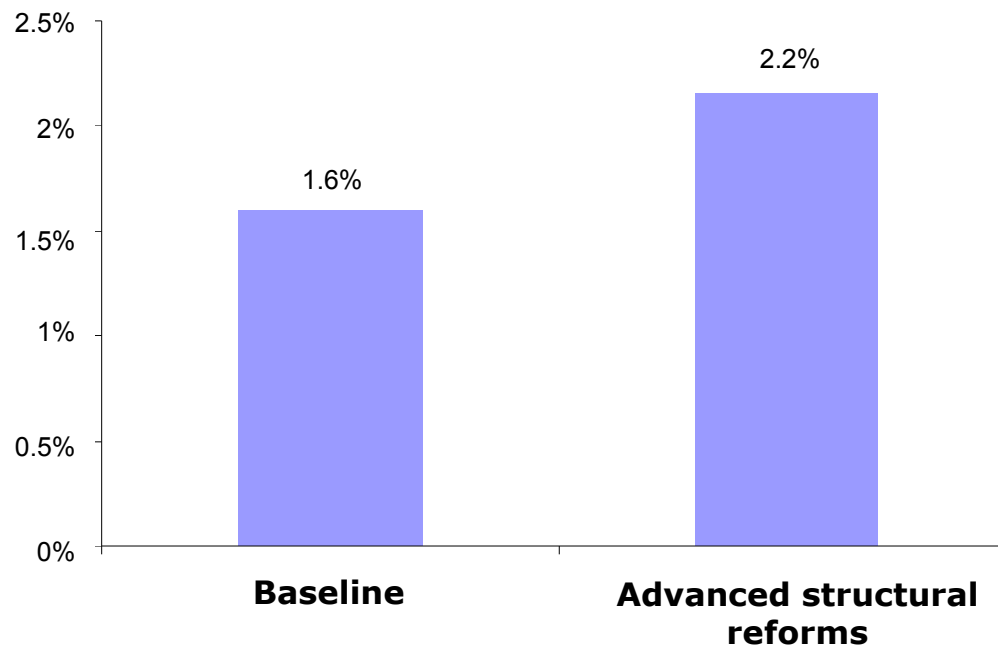
Annual GDP growth rates in the EU (in%, past trends and forecasts as of Autumn 2011)

■ 2007 ■ 2008 ■ 2009 ■ 2010 ■ 2011 ■ 2012



What if we meet our Europe 2020 targets?

Average annual GDP growth: scenarios for 2010-2020



Reaching the Europe 2020 targets will raise growth significantly. This requires structural reforms together with fiscal consolidation efforts so as to increase growth by half a percentage point every year.

3. Employment challenges

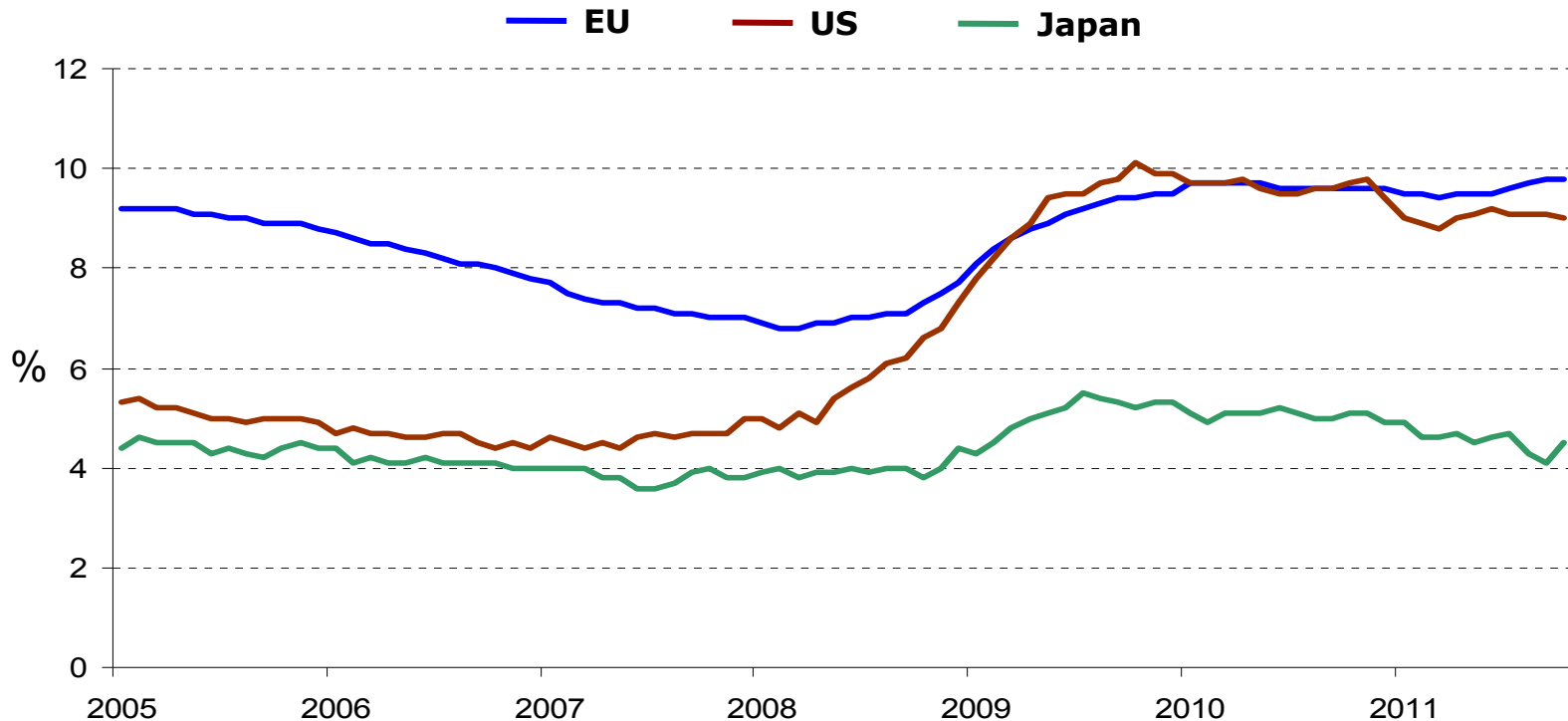
Unemployment is high, notably among young people

Unemployment rates and numbers of unemployed, overall and among young people (under 25) (November 2011)

	Unemployment rates in % (total population)	Number of persons unemployed (rounded)	Youth unemployment rates in %	Number of young unemployed (rounded)		Unemployment rates in % (total population)	Number of persons unemployed (rounded)	Youth unemployment rates in %	Number of young unemployed (rounded)
EU	9.8	23 674 000	22.3	5 579 000	LT	15.3	247 000	31.1	43 000
BE	7.2	351 000	21.1	84 000	LU	4.9	12 000	14.7	2 000
BG	10.9	361 000	25.6	61 000	HU	10.7	457 000	25.9	78 000
CZ	6.7	351 000	19.0	72 000	MT	6.4	12 000	14.3	4 000
DK	7.8	229 000	14.9	70 000	NL	4.9	437 000	8.6	121 000
DE	5.5	2 339 000	8.1	393 000	AT	4.0	174 000	8.3	49 000
EE	11.3	79 000	21.8	17 000	PL	10.0	1 776 000	27.8	456 000
IE	14.6	303 000	29.3	58 000	PT	13.2	720 000	30.7	143 000
EL	18.8	934 000	46.6	145 000	RO	7.3	727 000	23.4	204 000
ES	22.9	5 333 000	49.6	990 000	SI	8.2	83 000	15.2	13 000
FR	9.8	2 850 000	23.8	722 000	SK	13.5	367 000	35.1	78 000
IT	8.6	2 142 000	30.1	459 000	FI	7.4	201 000	19.6	63 000
CY	9.1	37 000	23.1	8 000	SE	7.4	374 000	23.2	148 000
LV	14.8	169 000	29.9	34 000	UK	8.3	2 665 000	22.0	1 023 000

It is now at 10% on average

Unemployment rates in Europe and other countries

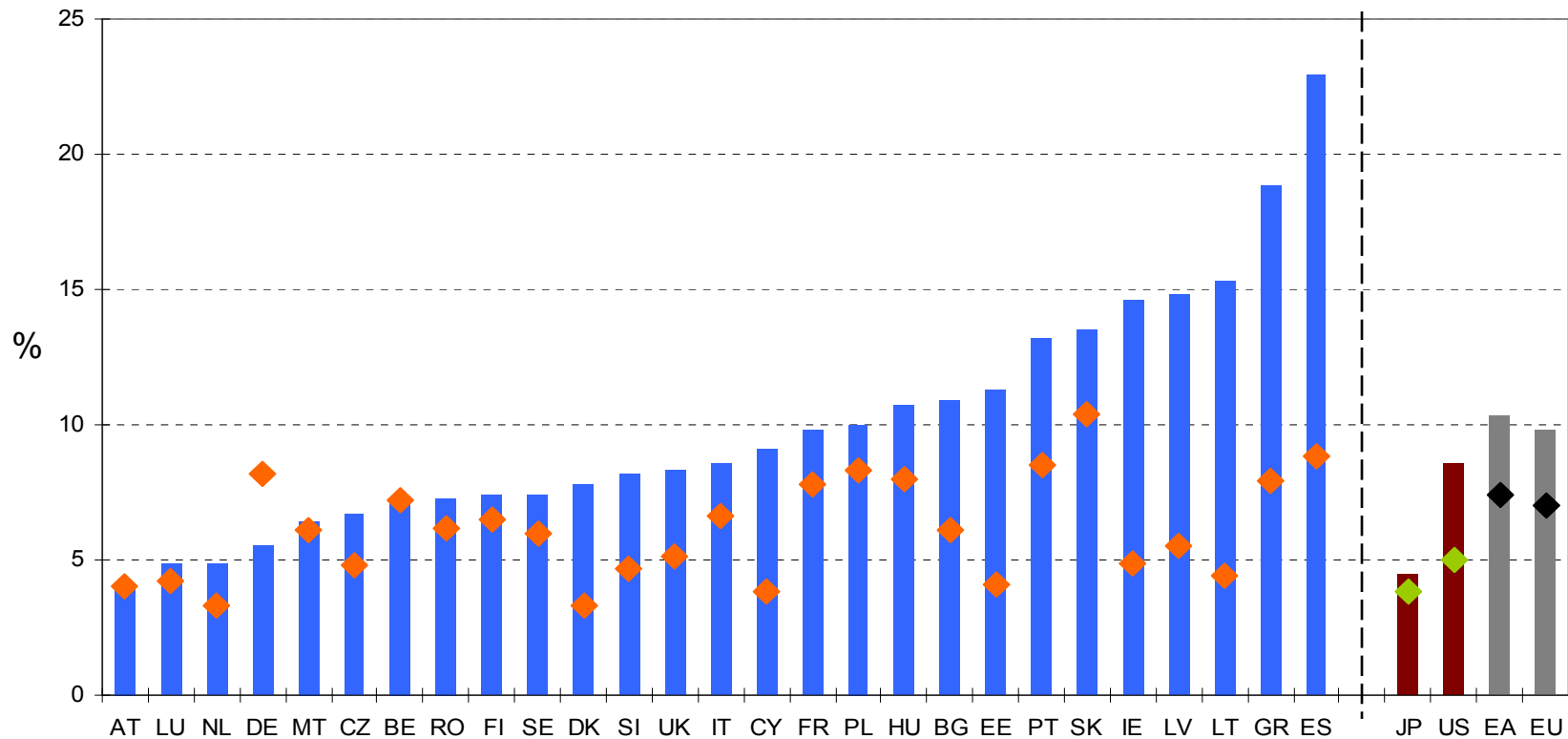


Unemployment has increased since the crisis - by more than 7 million compared to early 2008 to reach about 23.7 million today – and the progress of previous years has been lost.

The impact is far-reaching across the EU

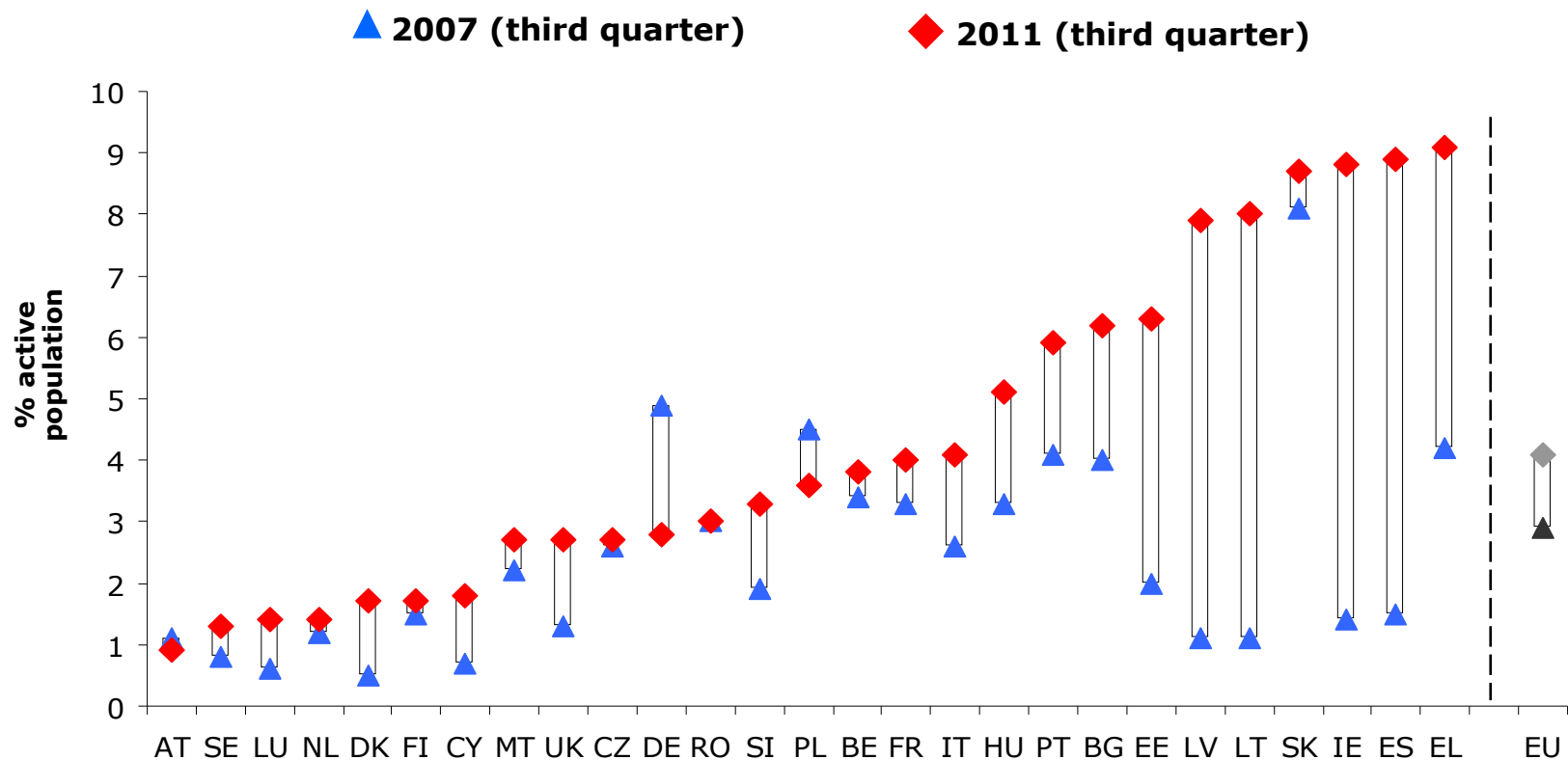
Unemployment rates in %

◆ December 2007 ■ November 2011



This is a radically new situation in most countries

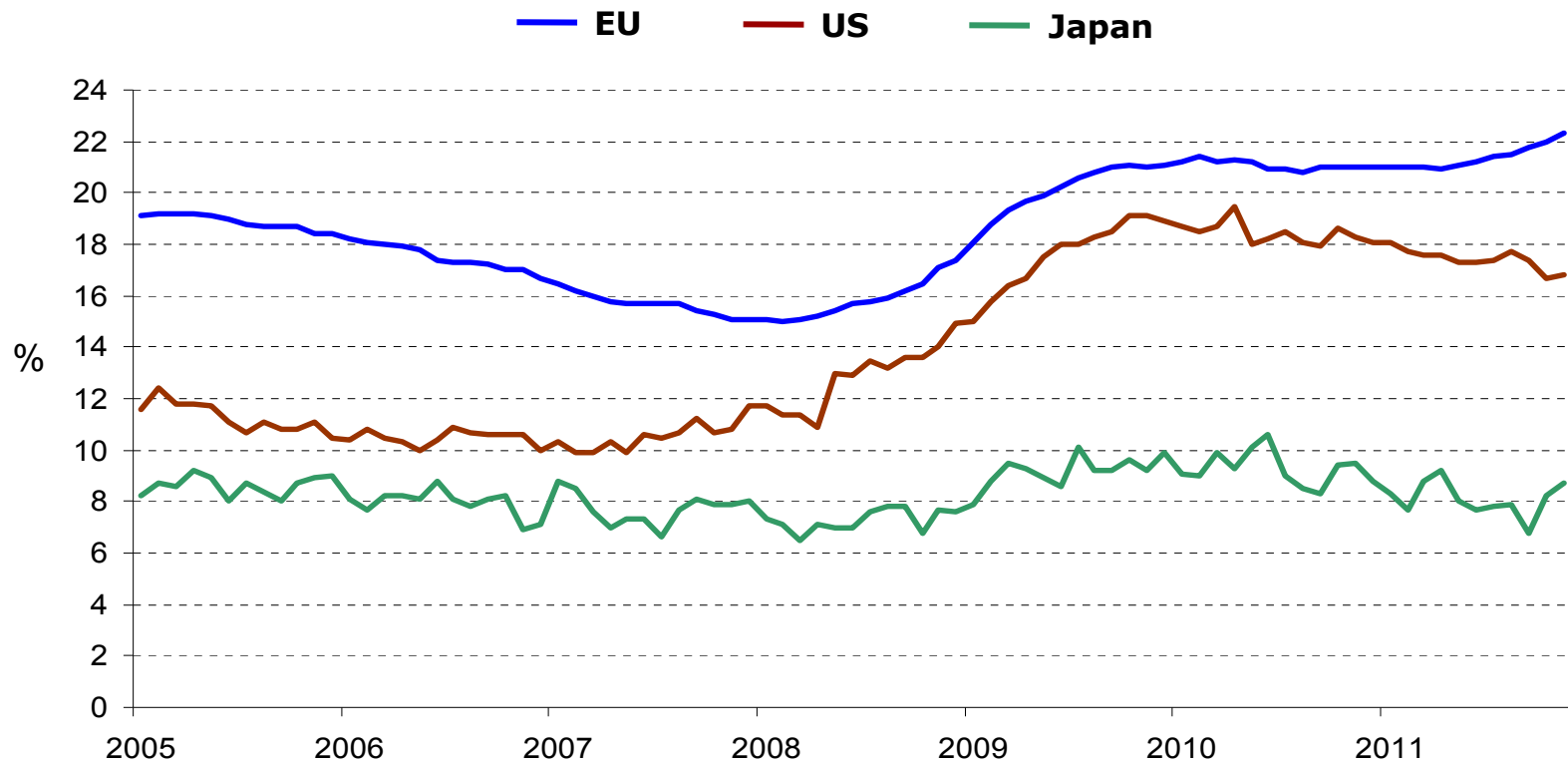
Evolution of long-term unemployment rates* across the EU between 2007 and 2011



* People unemployed for more than 12 months as a % of the active population

Unemployment is twice as high for young people

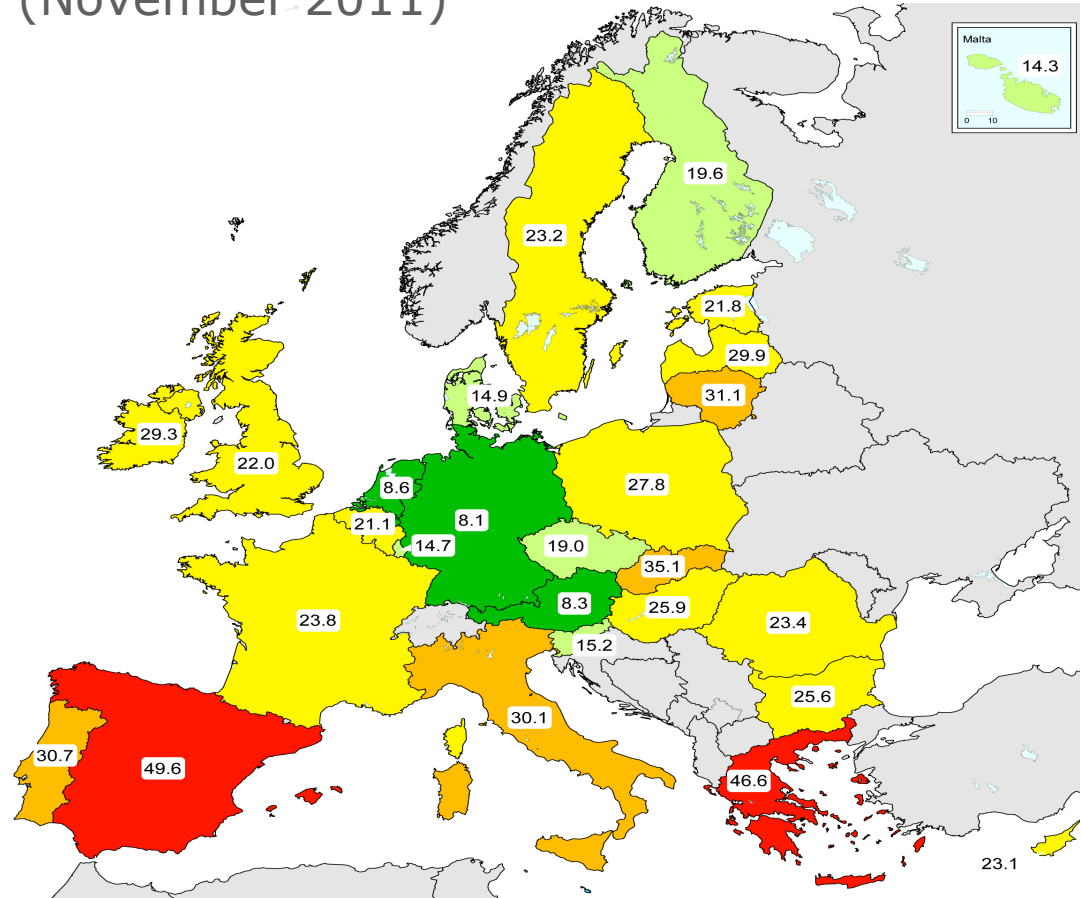
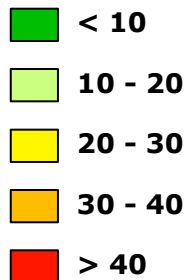
Youth unemployment rates in Europe and other countries (under 25 year-olds)



Youth unemployment is very high in some countries

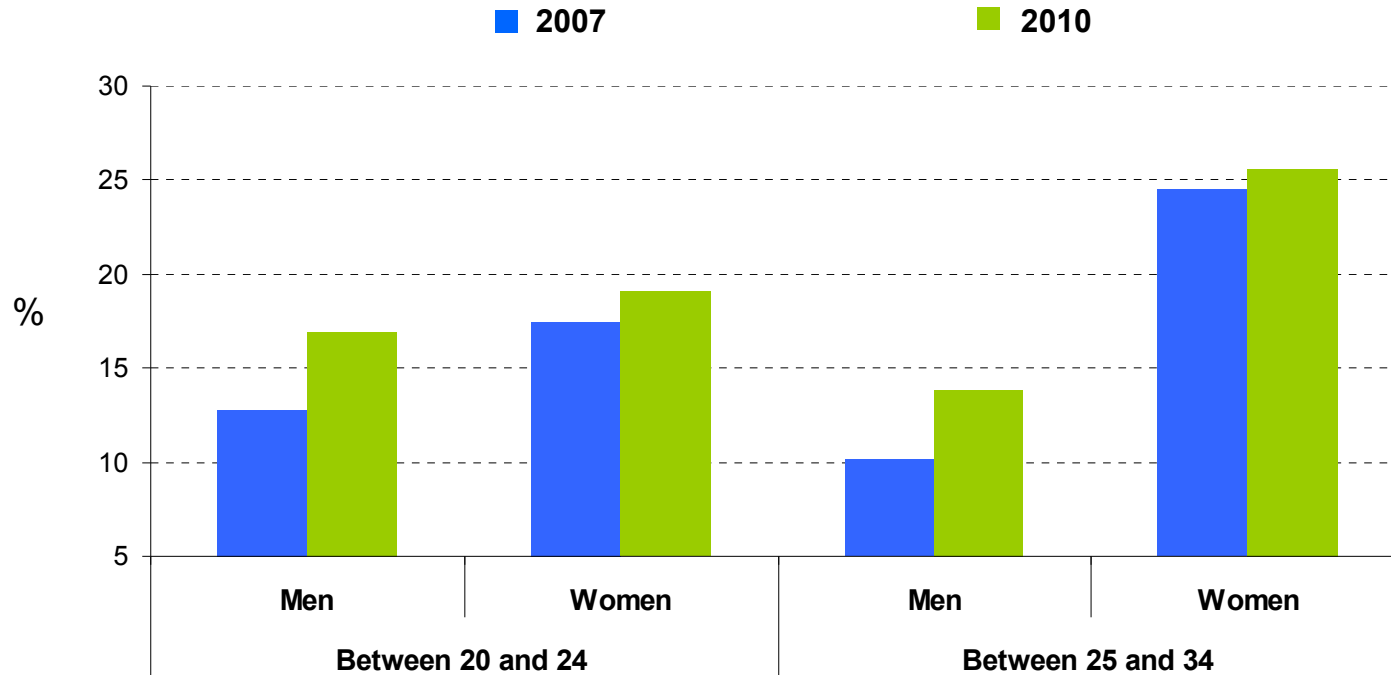
Youth unemployment rates (November 2011)

% of labour force



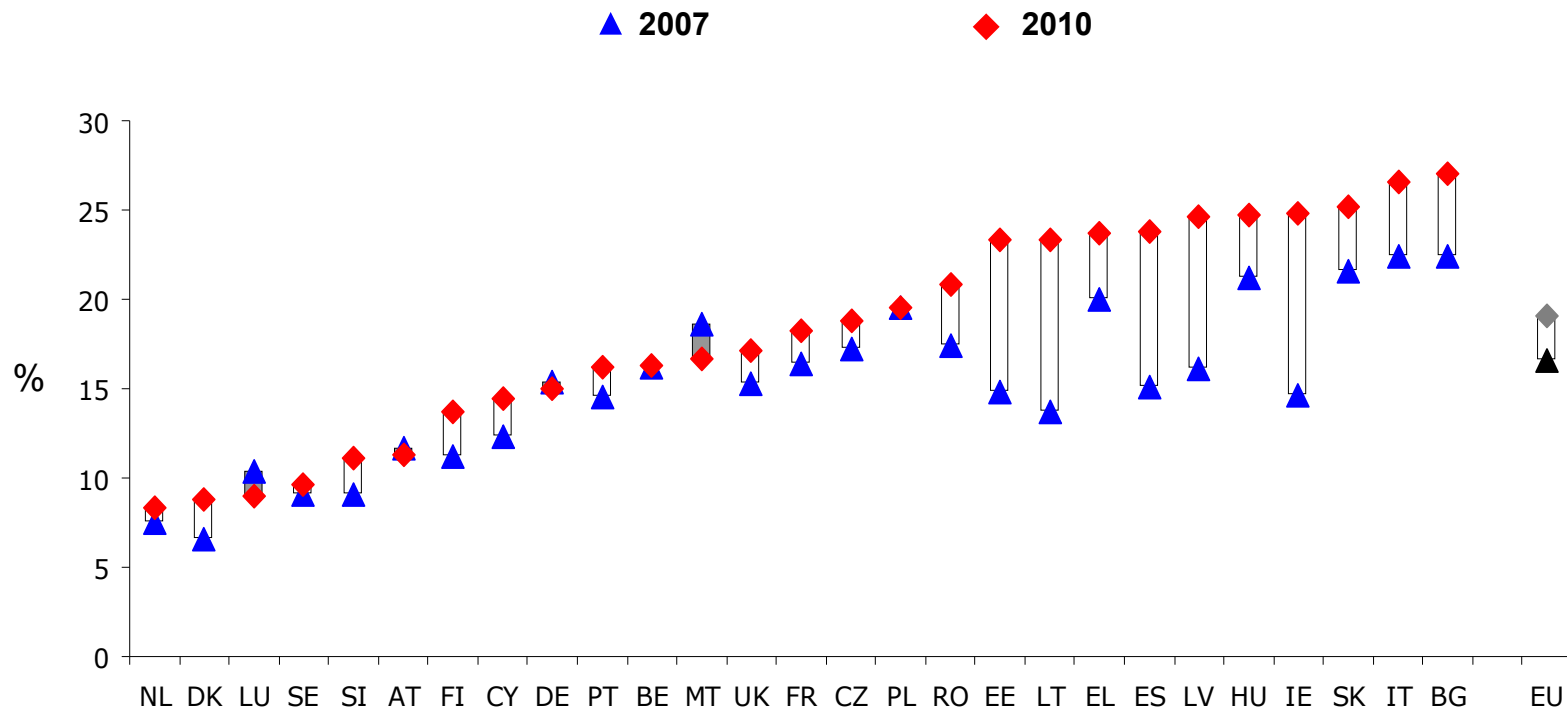
Risk of a lost generation?

Share of young people not in employment, education or training (NEET) as a % of the age groups 20-24 and 25-34



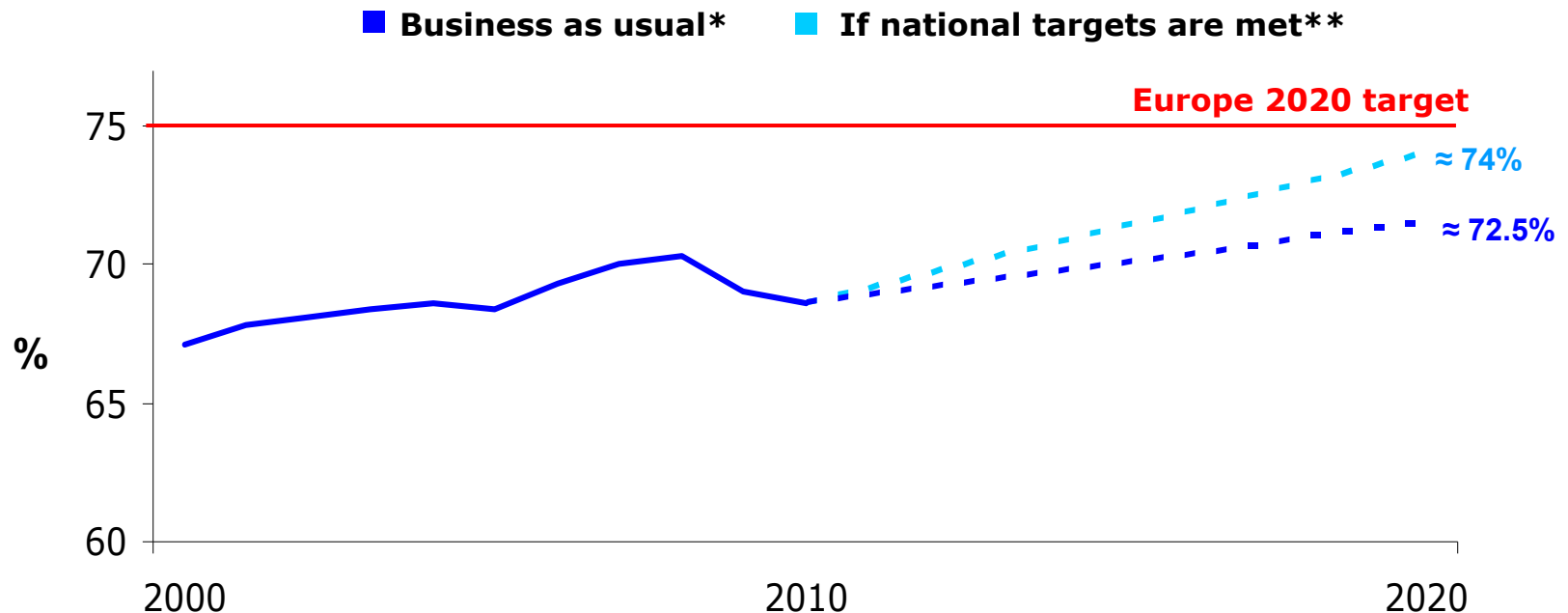
The phenomenon is striking in several countries

Evolution in the share of young people not in employment, education or training (NEET) as a % of the age group 20-34



Progress in employment rates is already stalling

EU employment rate in 2000, 2010 and 2020 (share of people employed in the 20-64 age group)



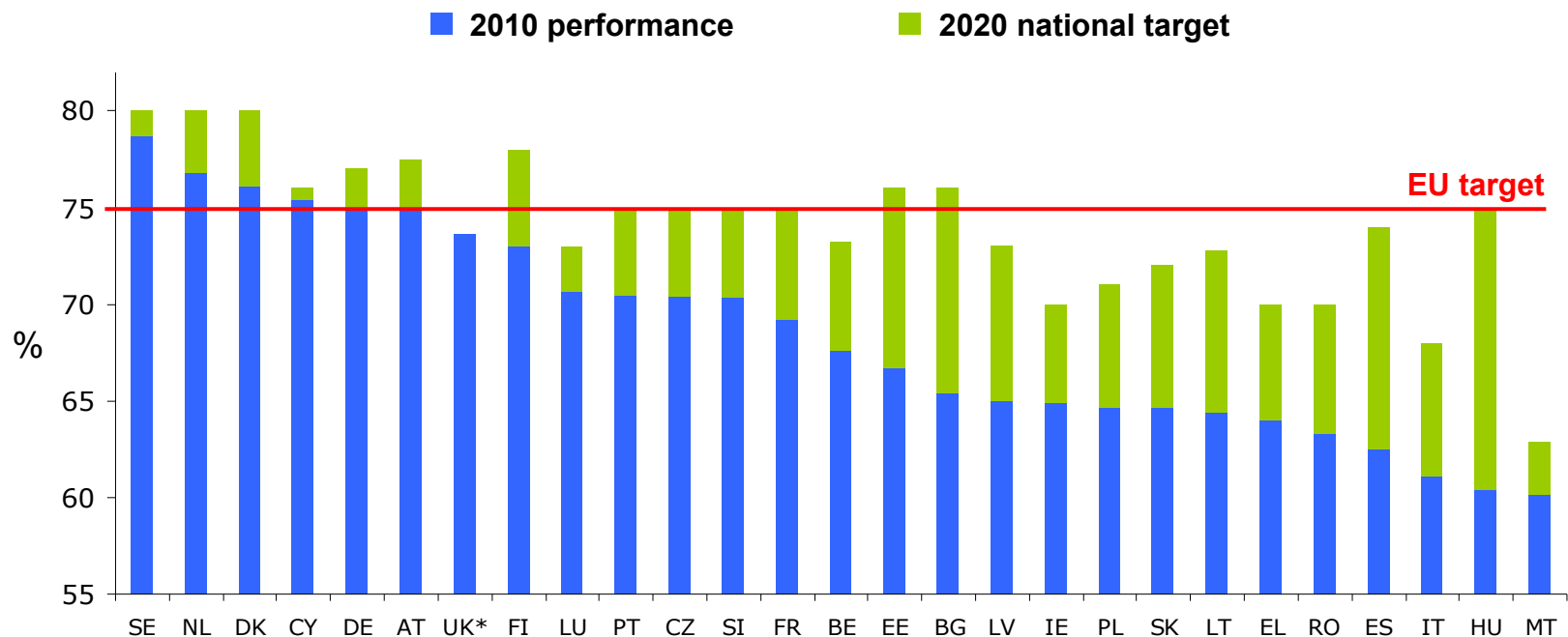
With current trends, the Europe 2020 target will not be met. The demographic reduction in the working age population (- 2 million over 2010-2020) makes it statistically easier to reach the target, but will hamper our growth potential.

** Based on an employment growth of 0.3% per year, as forecast for 2011-2013, and taking into account an annual 0.1% reduction in working age population*

*** No target set by the UK: the projection for the EU assumes 75% in 2020*

Achieving EU targets will require significant progress

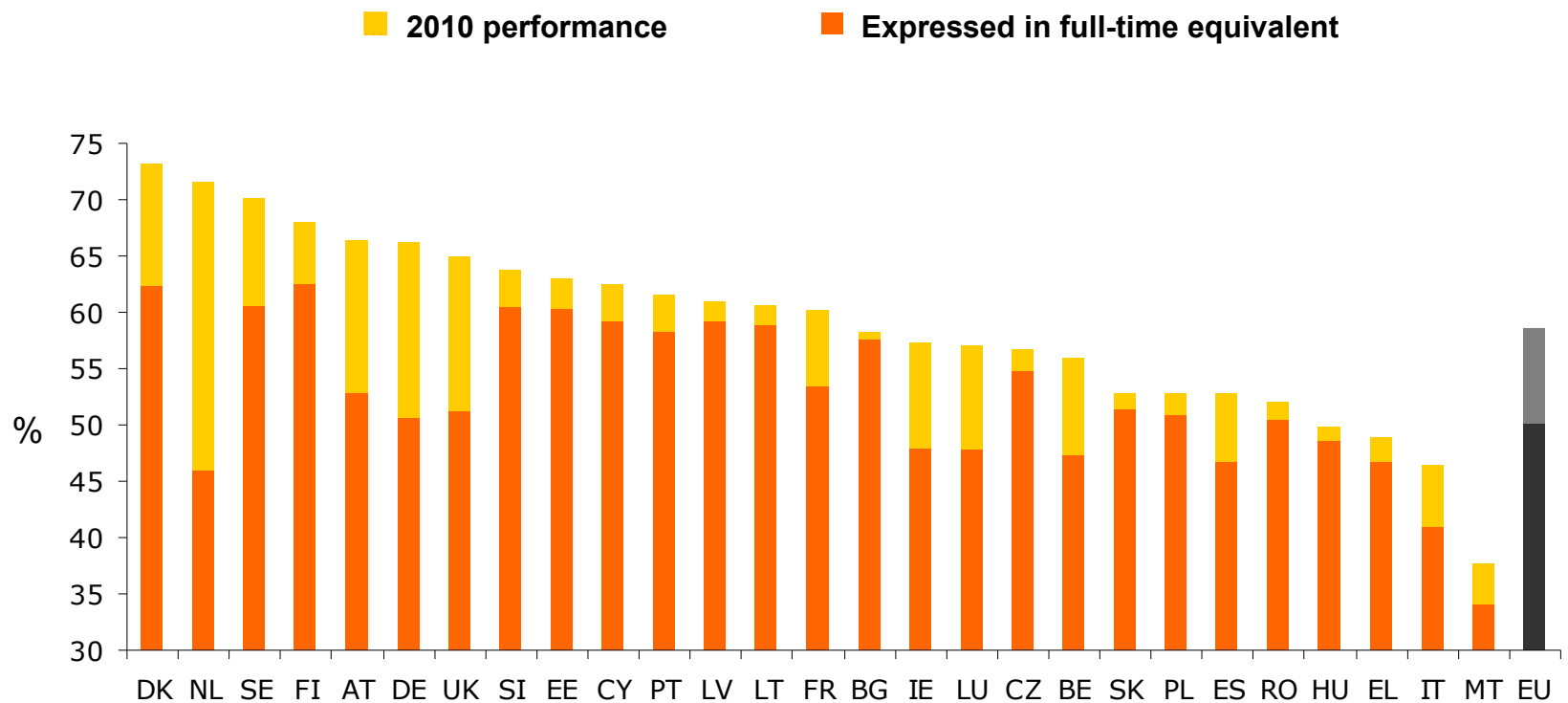
Employment rates across the EU (share of people employed in the 20-64 age group)



* No target set by the UK

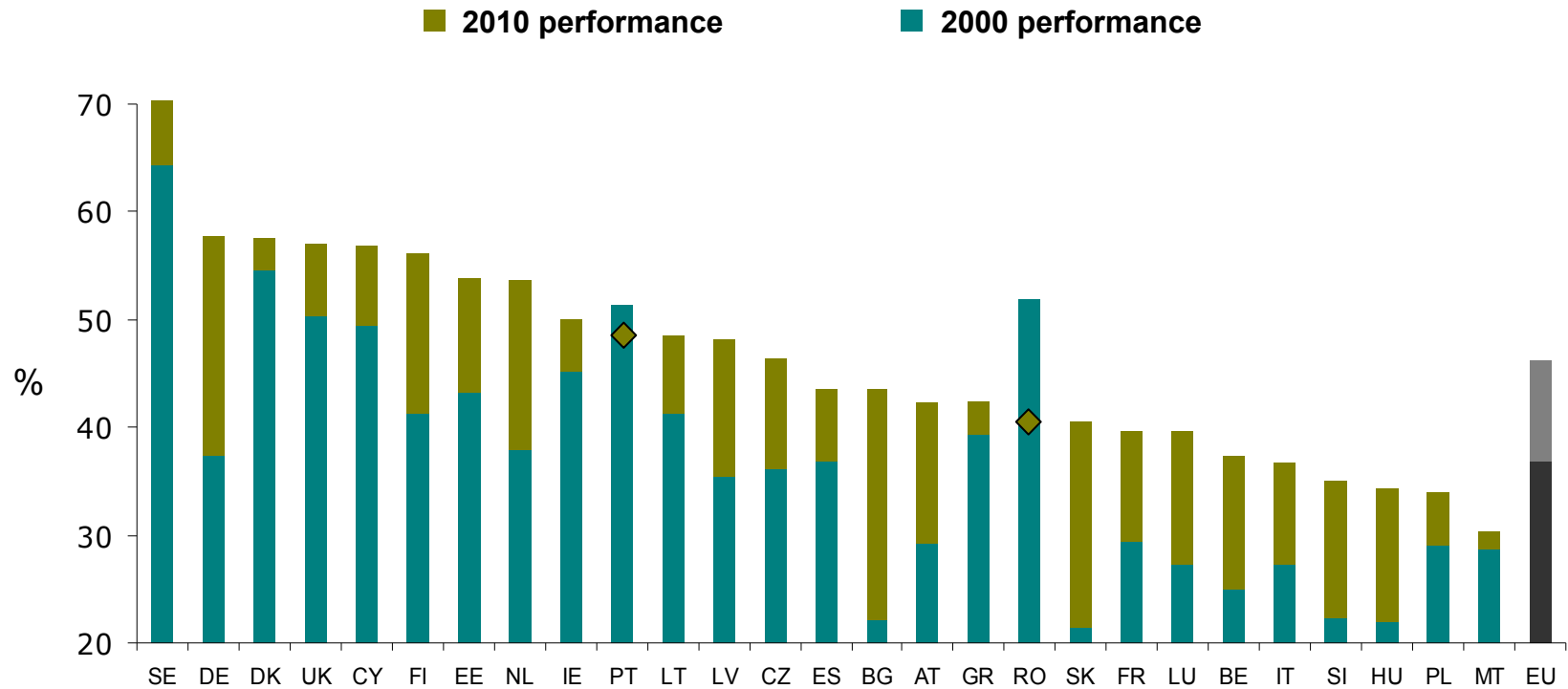
This is notably the case for female employment...

Female employment rates across the EU (share of women employed in the 20-64 female age group)



... and for older workers

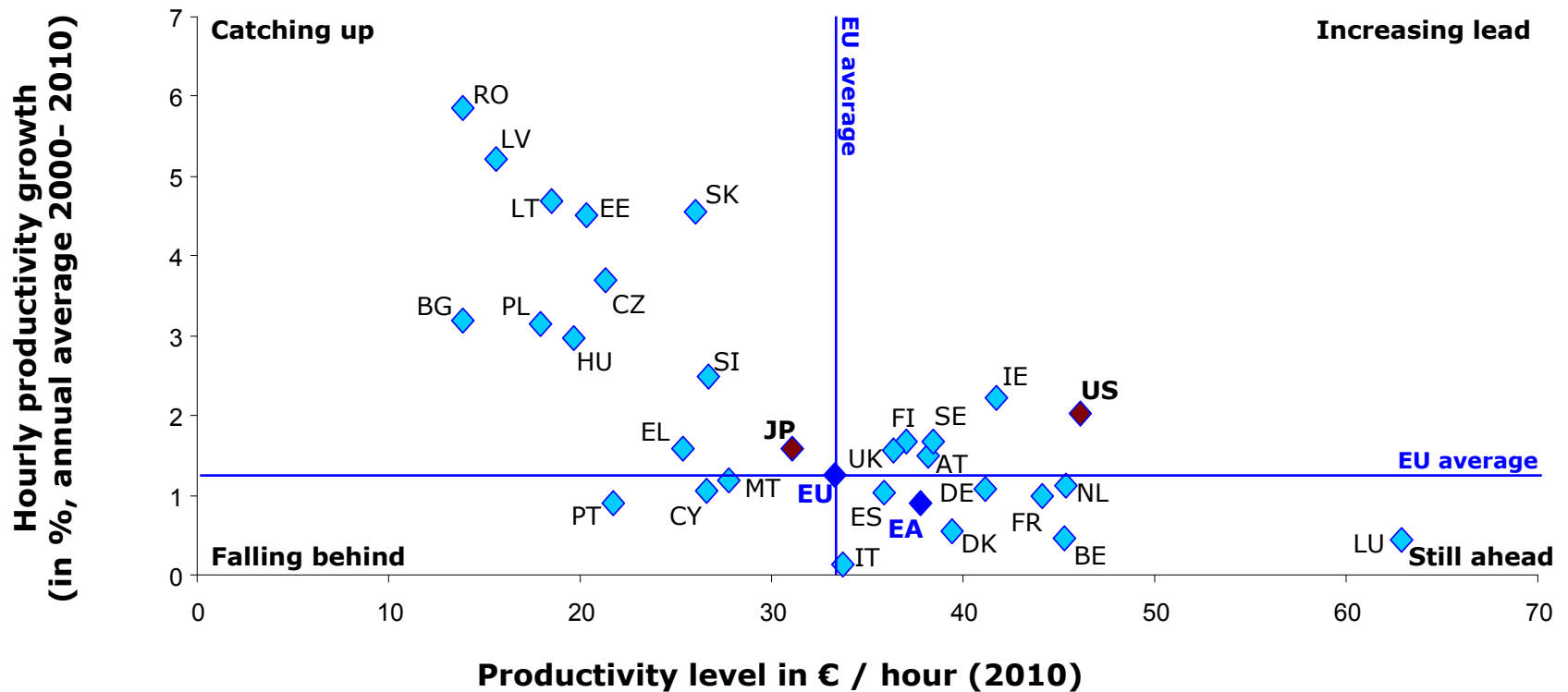
Older workers' employment rates across the EU (share of people employed in the 55-64 age group)



4. External and internal imbalances

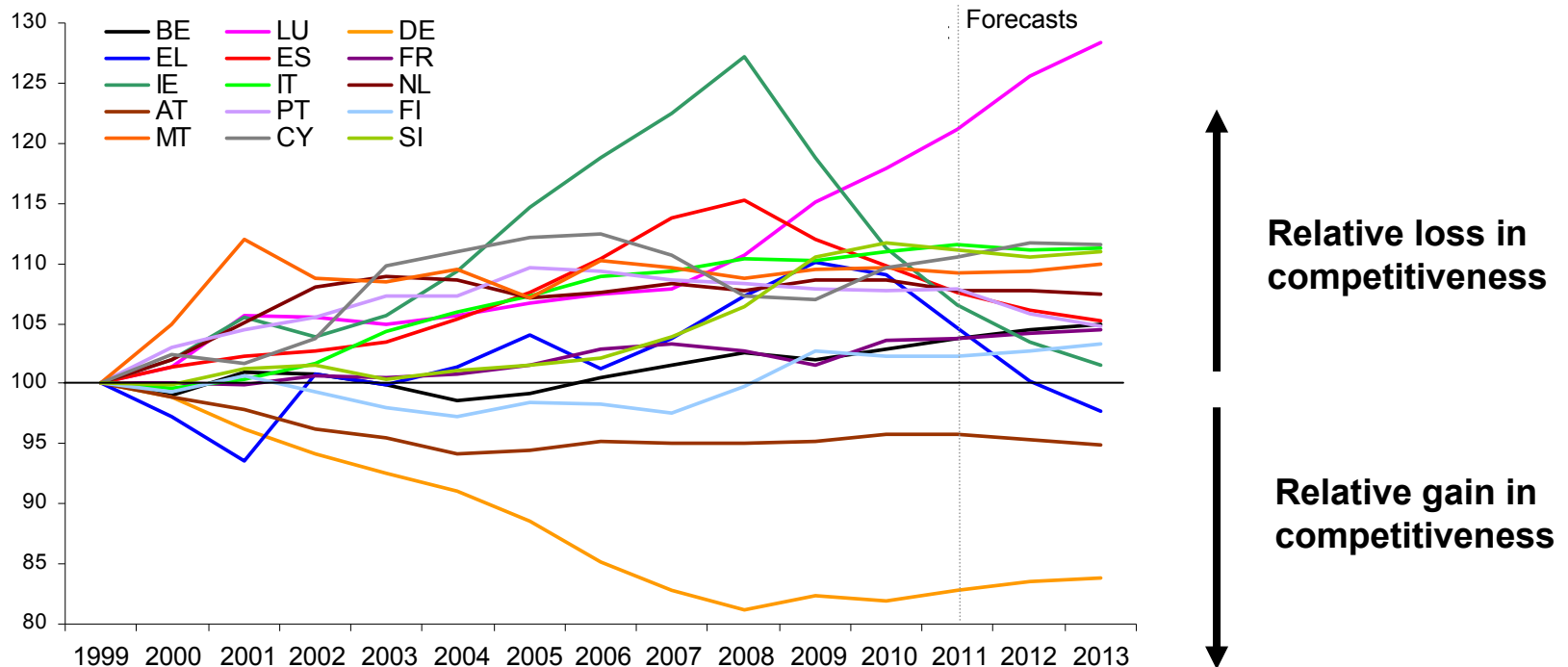
Long-term performances vary across the EU

Productivity levels in 2010 and growth over 2000-2010



Cost trajectories have been very diverse

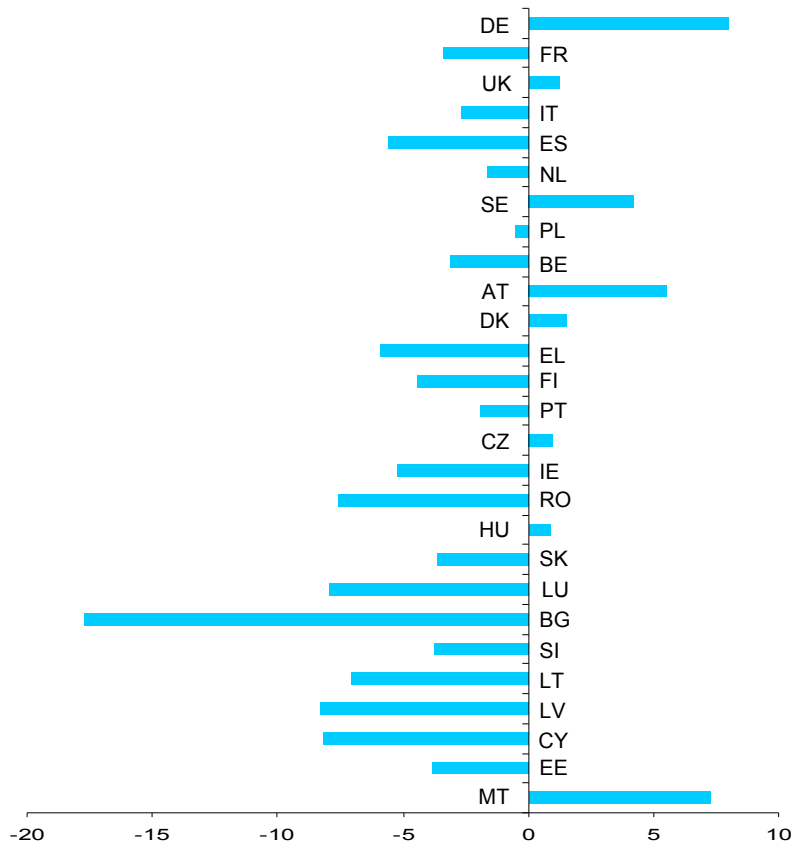
**Real effective exchange rates*
vis-à-vis the Euro area average (Euro area = 100)**



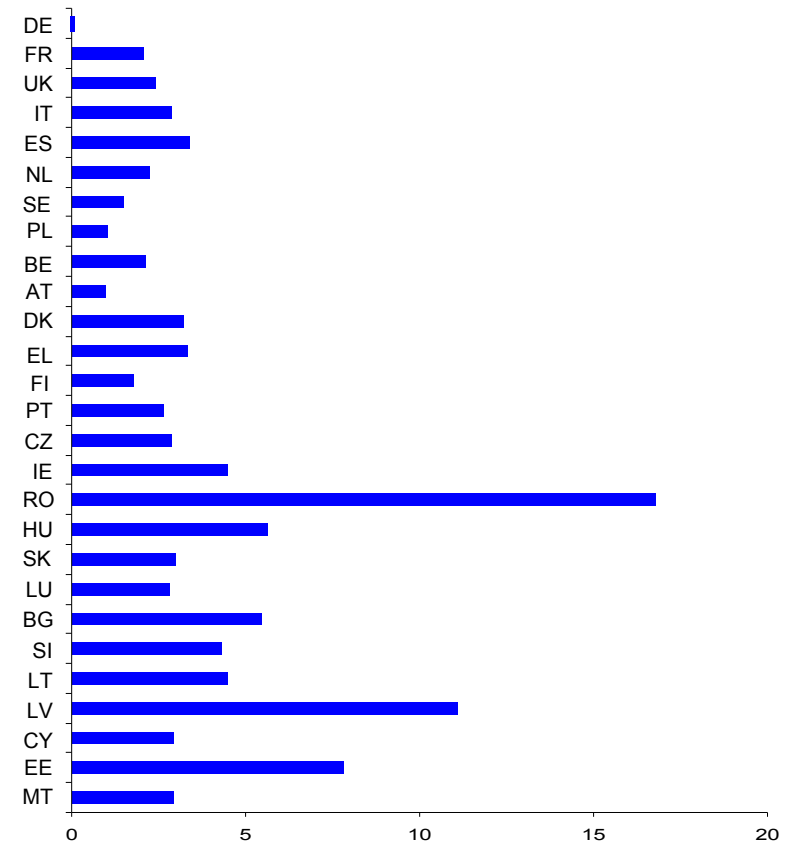
* This indicator measures changes in price competitiveness relative to other countries.
EE and SK missing due to high values: 145 and 183 respectively in 2011.

Internal imbalances increased prior to the crisis

**Current account as a % of GDP
(change 2000-2008)**



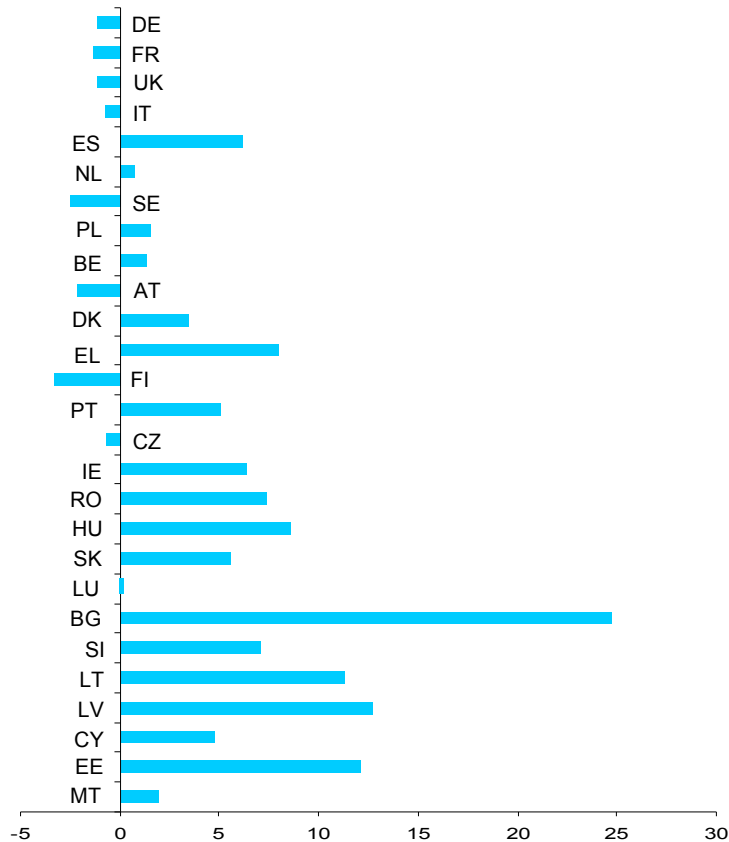
**Nominal unit labour costs
(average annual growth 2000-2008)**



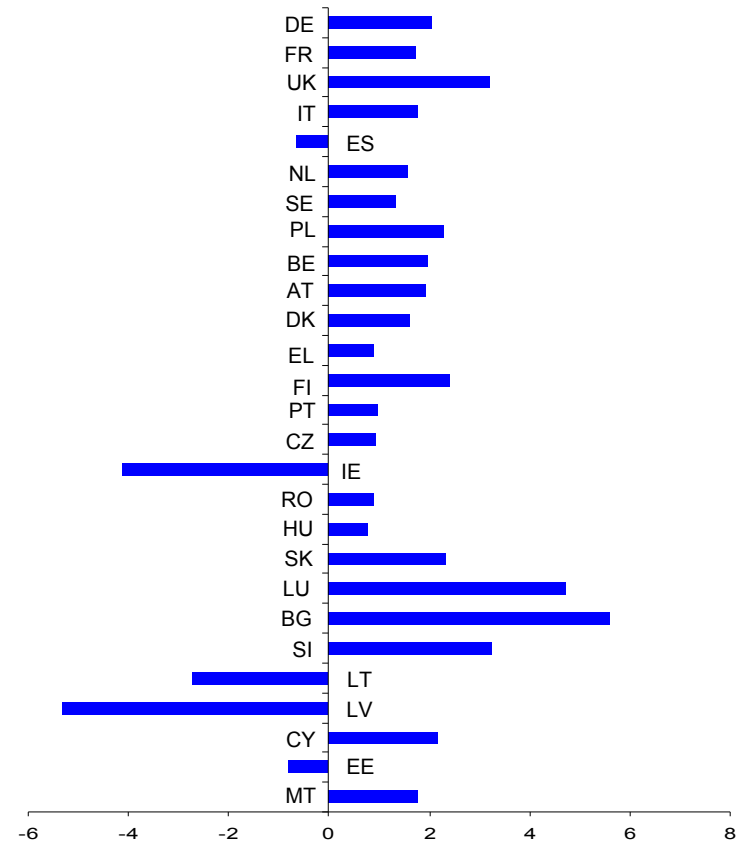
Note: The current account is the sum of the balance of trade (exports minus imports of goods and services), net factor income (such as interest and dividends) and net transfer payments. Nominal Unit labour costs (ULC) measure the average nominal cost of labour per unit of output. Growth in nominal ULCs shows the pace of growth of nominal wages relative to productivity.

Corrections are taking place in recent years

**Current account as a % of GDP
(change 2008-2011)**



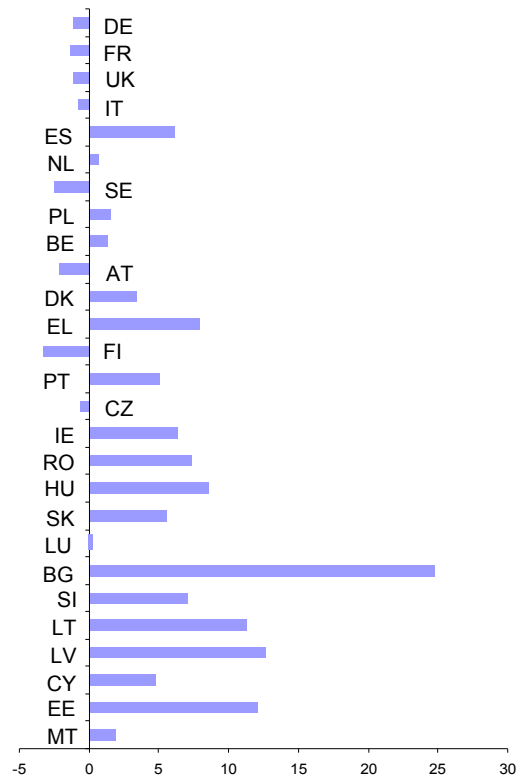
**Nominal unit labour costs
(average annual growth 2008-2011)**



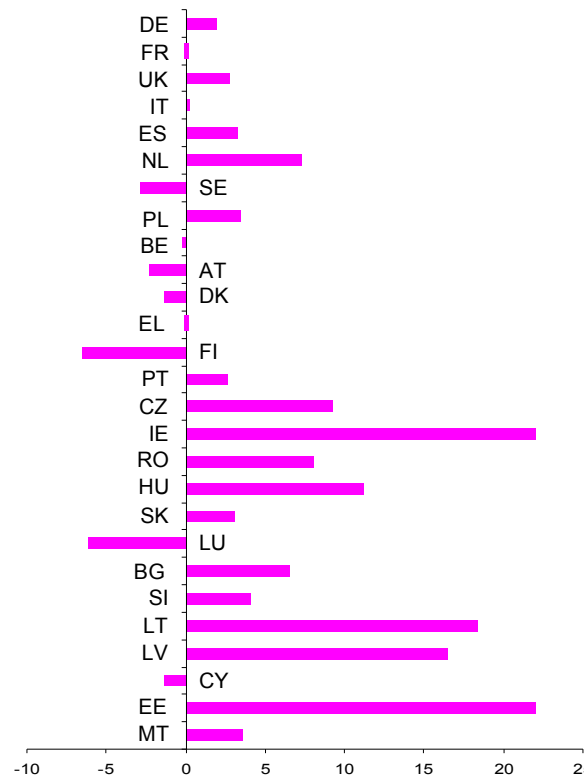
Note: see definitions and explanations on slide 30

Low demand/imports for most, rising exports for some

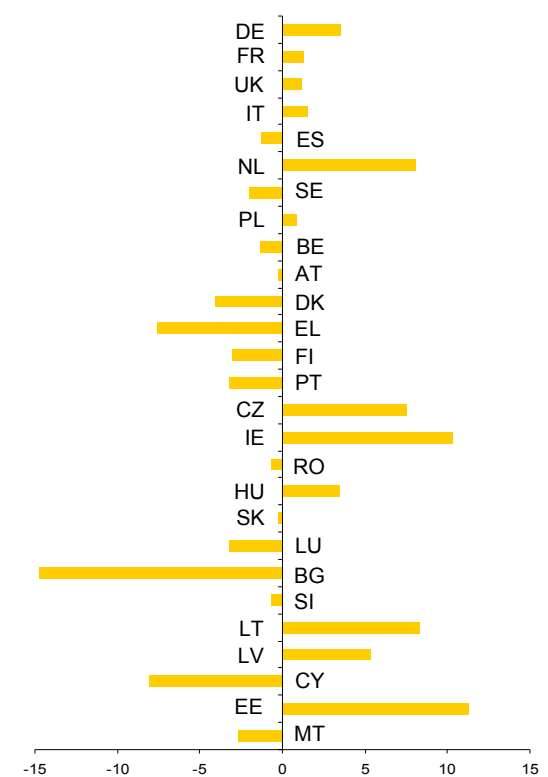
**Current account
as a % of GDP
(change 2008-2011)**



**Exports of goods and
services as a % of GDP
(change 2008-2011)**



**Imports of goods and
services as a % of GDP
(change 2008-2011)**



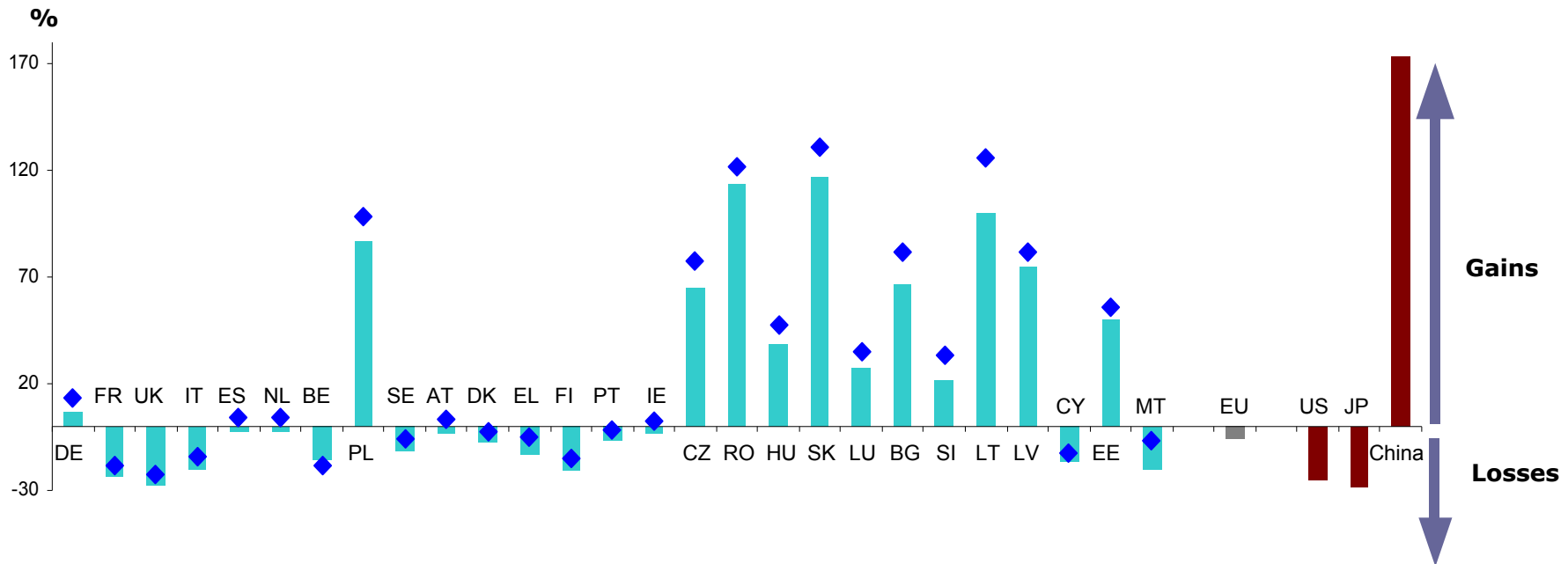
Note: see definitions and explanations on slide 30

Competitiveness is key to EU's global position

Export performance 2000-2010

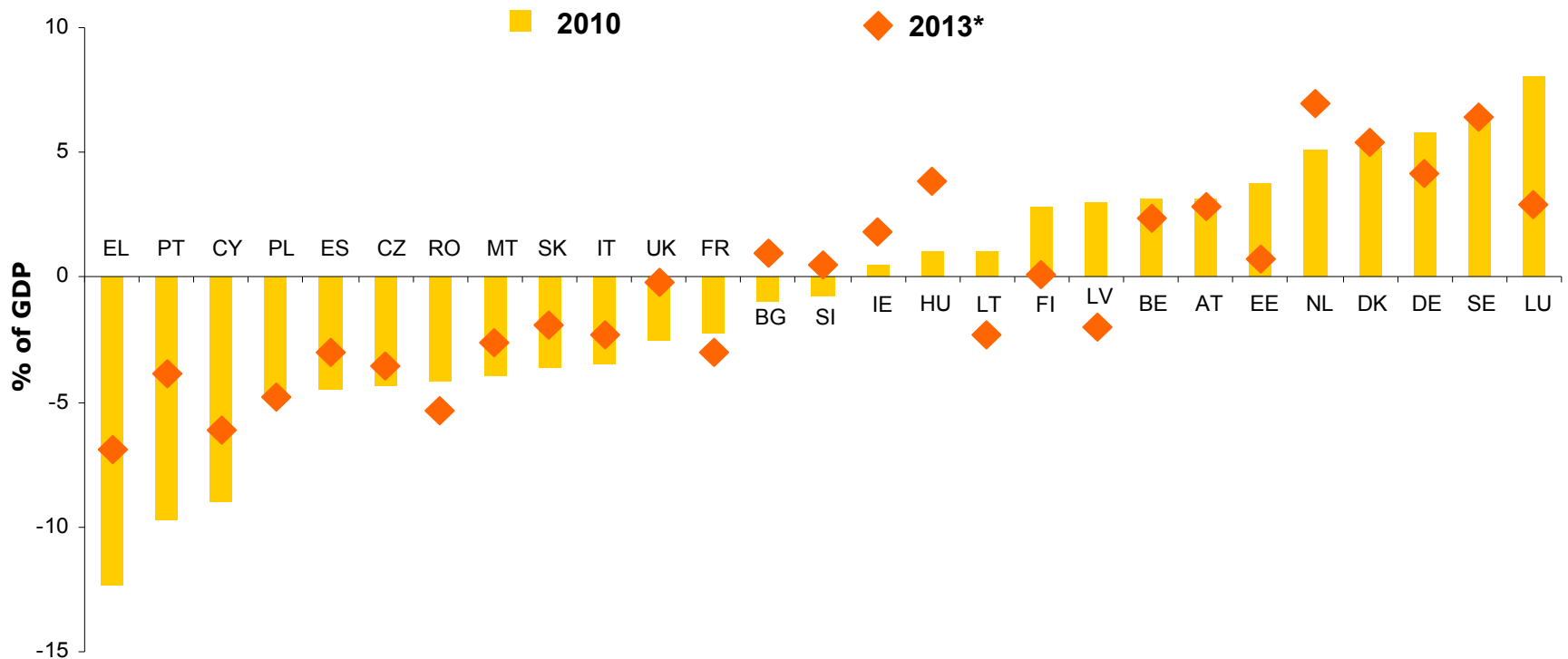
■ Changes in the share of the world export market (in %, 2000-2010)

◆ Changes in the share of the total exports of EU countries (in %, 2000-2010)



Current account imbalances remain wide

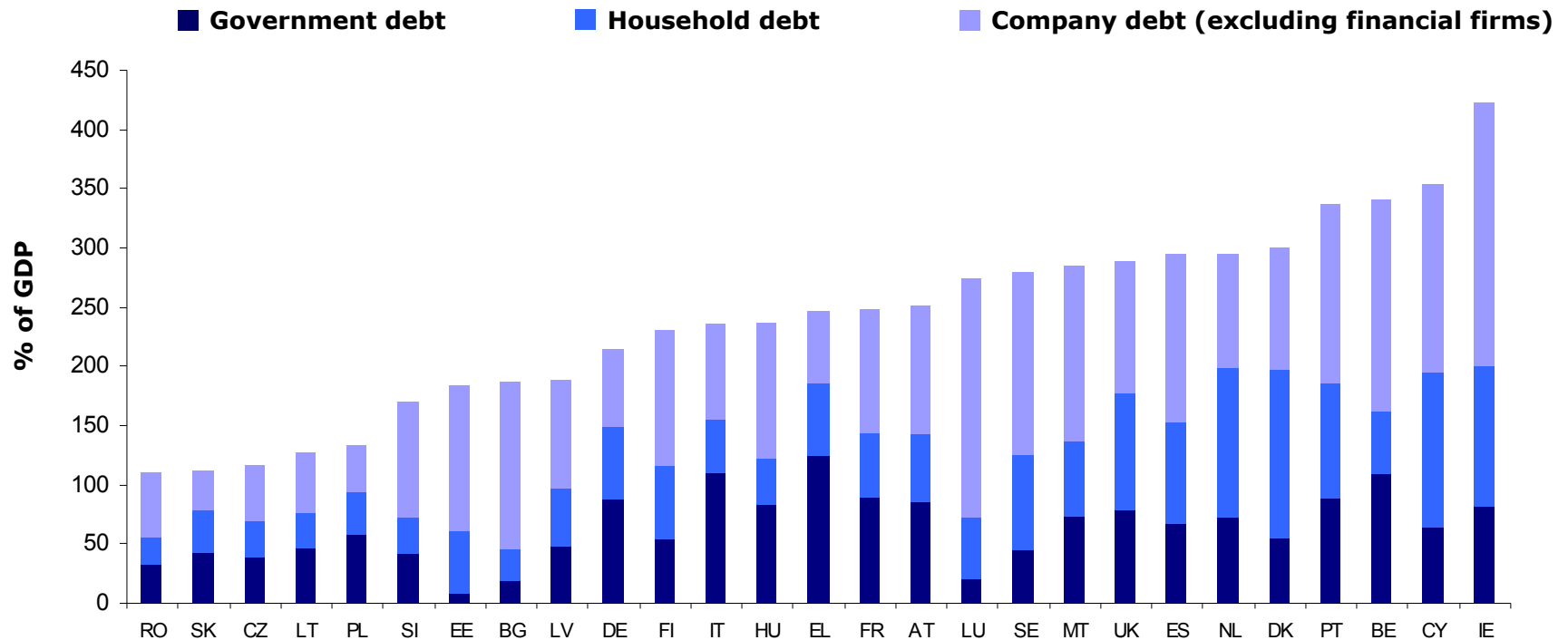
Current account balance as a % of GDP



* Forecasts

Rooms for manoeuvre are constrained

Stock of debts in the economy* (in % of GDP, 2010)

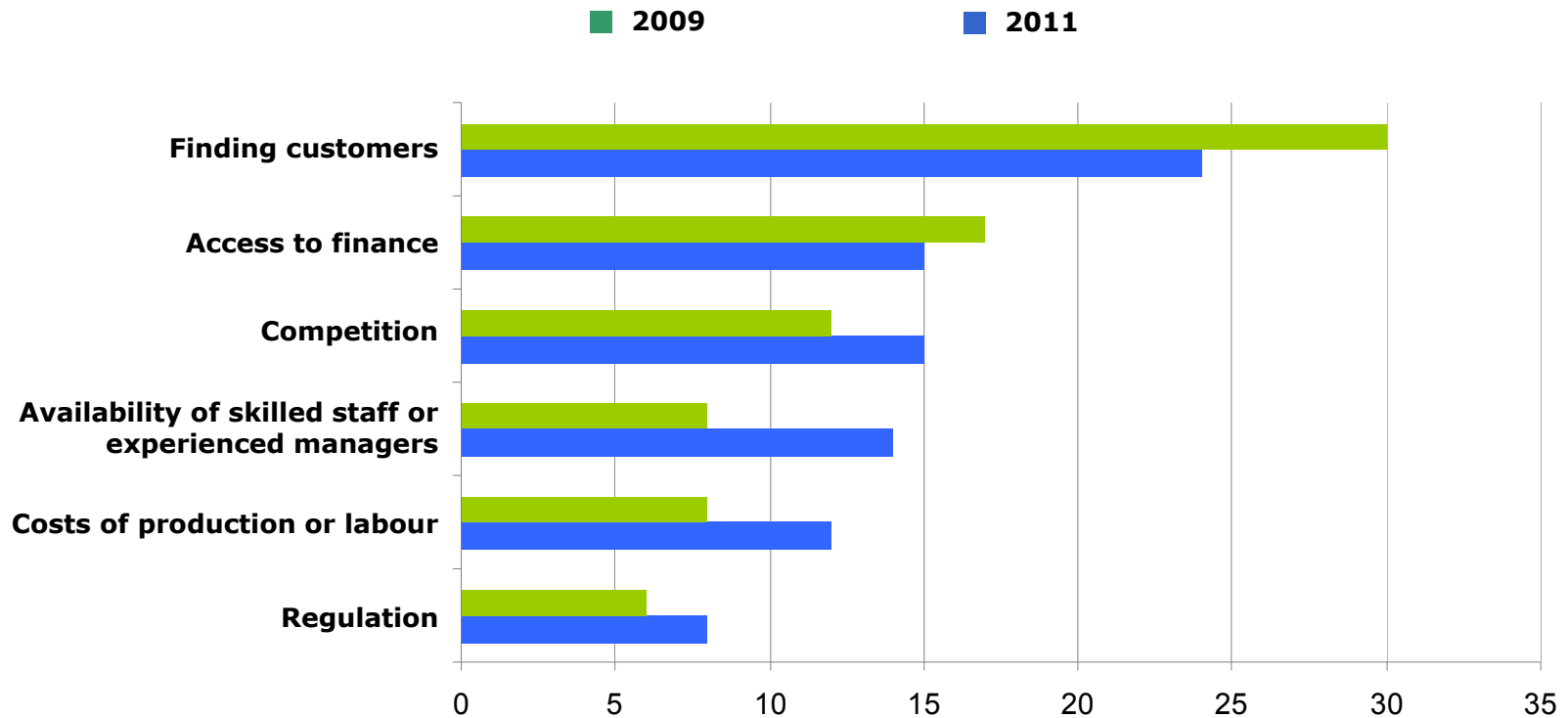


* These amounts do not take account of the value of assets and capacity to pay back of the various actors

5. Business environment

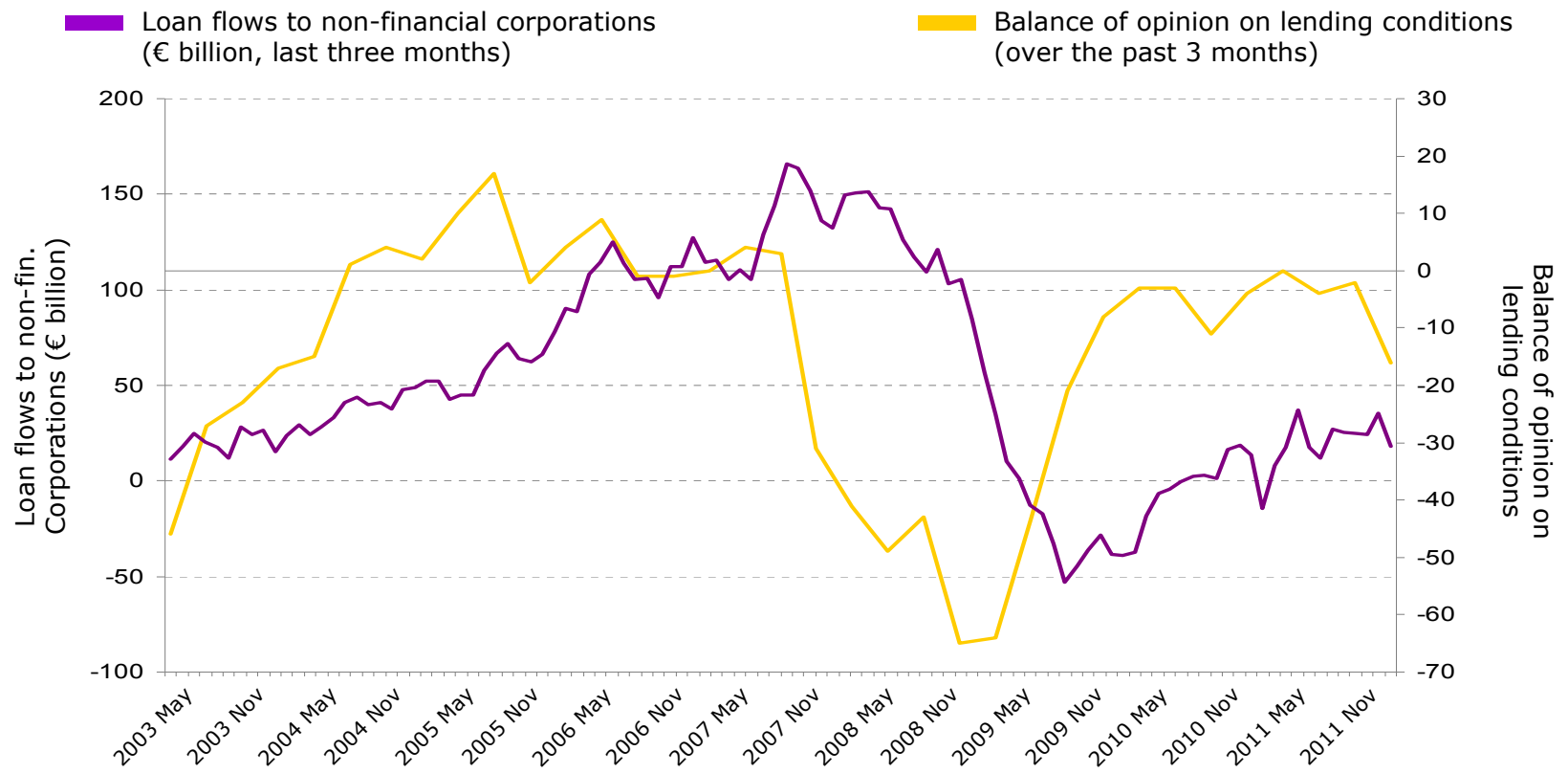
Entrepreneurs face many challenges today

What is the most pressing problem your firm is facing?
(all SMEs in the EU, %, survey from December 2011)



Financial conditions are tight

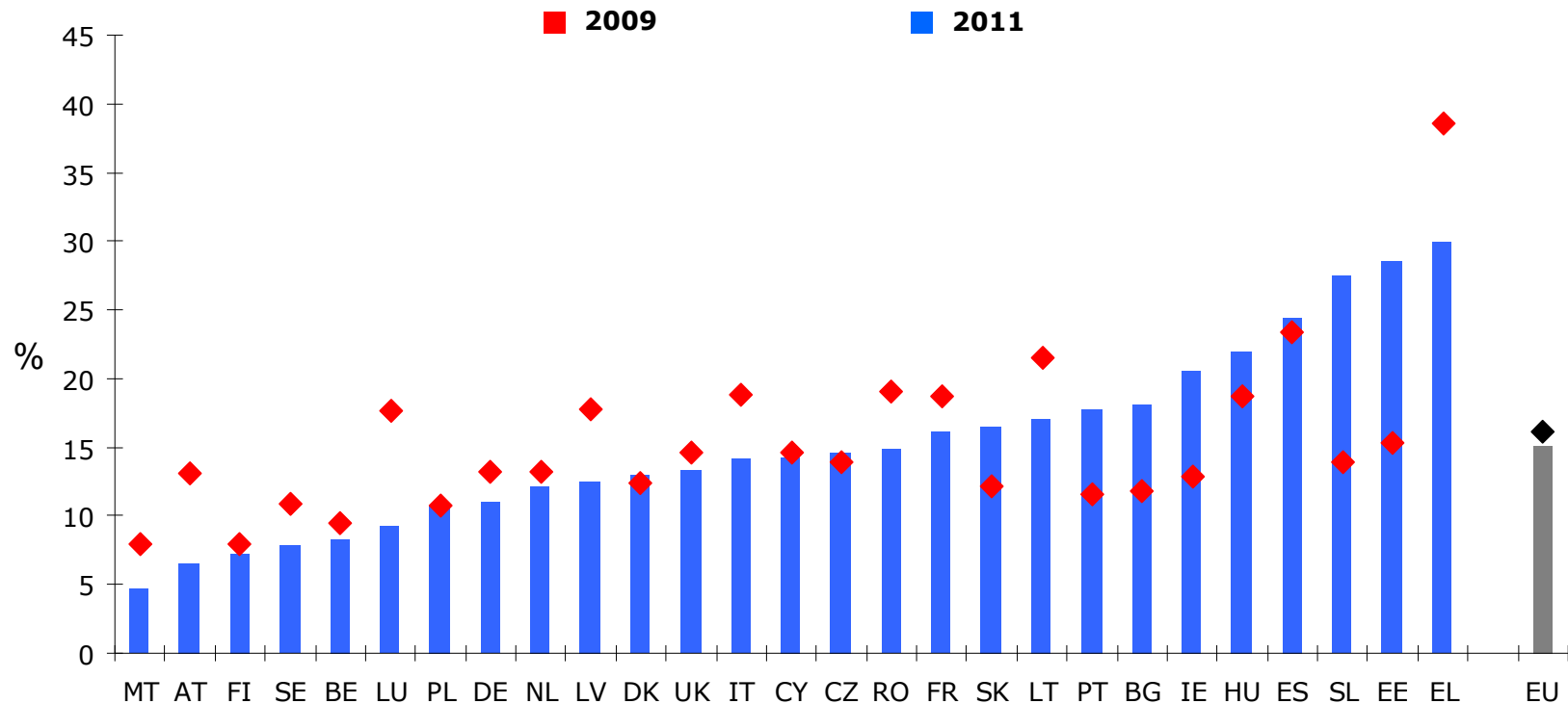
Loan flows to non-financial firms and bank lending conditions



Access by firms to finance is an issue in many countries

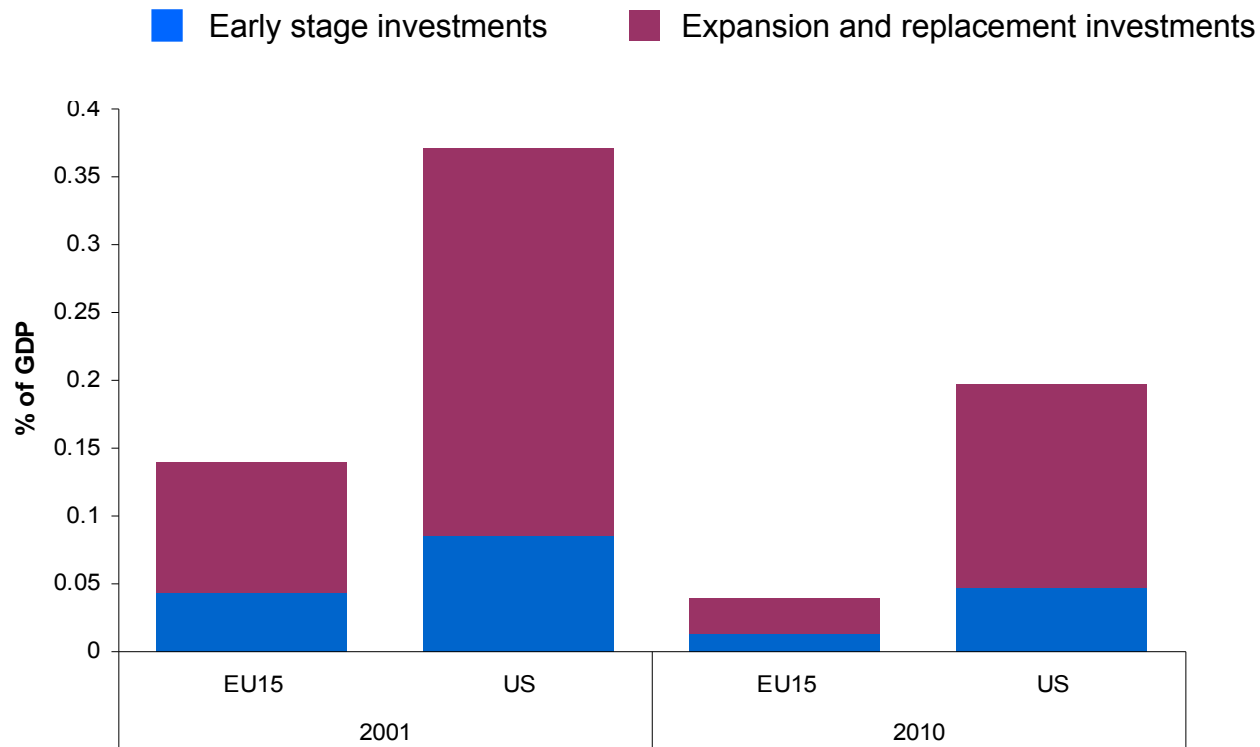
Share of companies considering that the most pressing problem is access to finance

(all SMEs in the EU, %, survey from December 2011)



Venture capital is in short supply in Europe

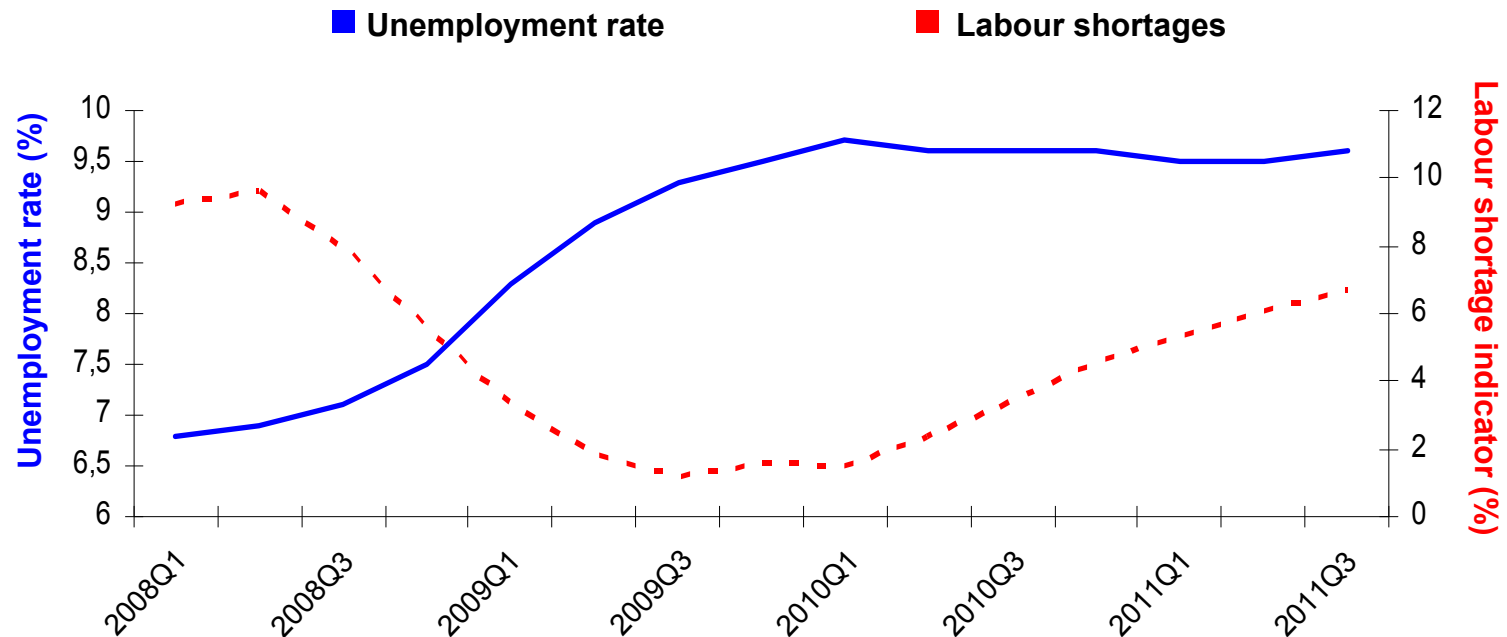
Venture capital investments by investment stage (% GDP)



EU firms have traditionally much less access to venture capital than their US counterparts. The crisis has further limited access.

Labour mismatches may hinder recovery

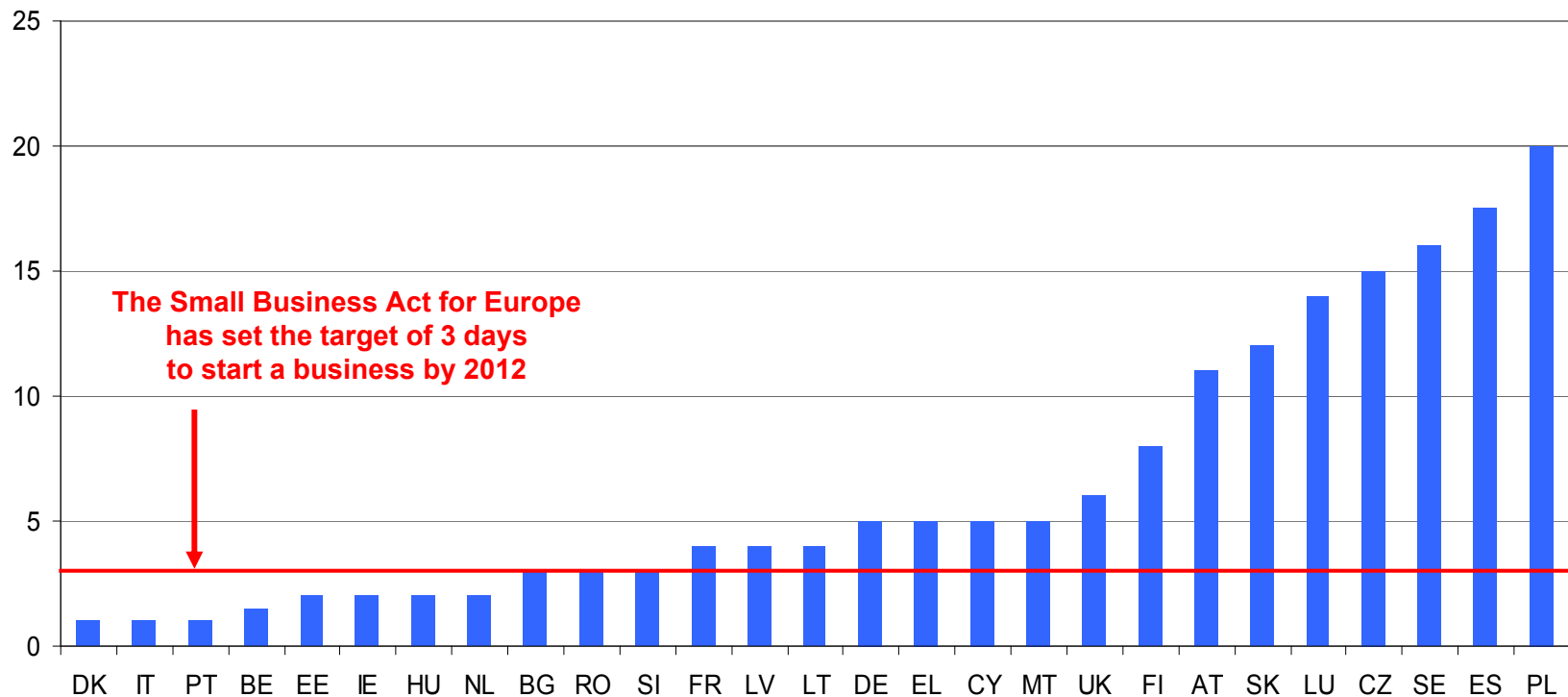
Evolution of unemployment rate and labour shortages in the EU (labour shortage = % of manufacturing firms indicating labour as a factor limiting the production)



While unemployment was reaching very high levels, unfilled vacancies also started to increase as of end 2009. This points to labour market mismatches, such as limited mobility or inadequate skills, across EU sectors and regions.

Reducing red tape (1)

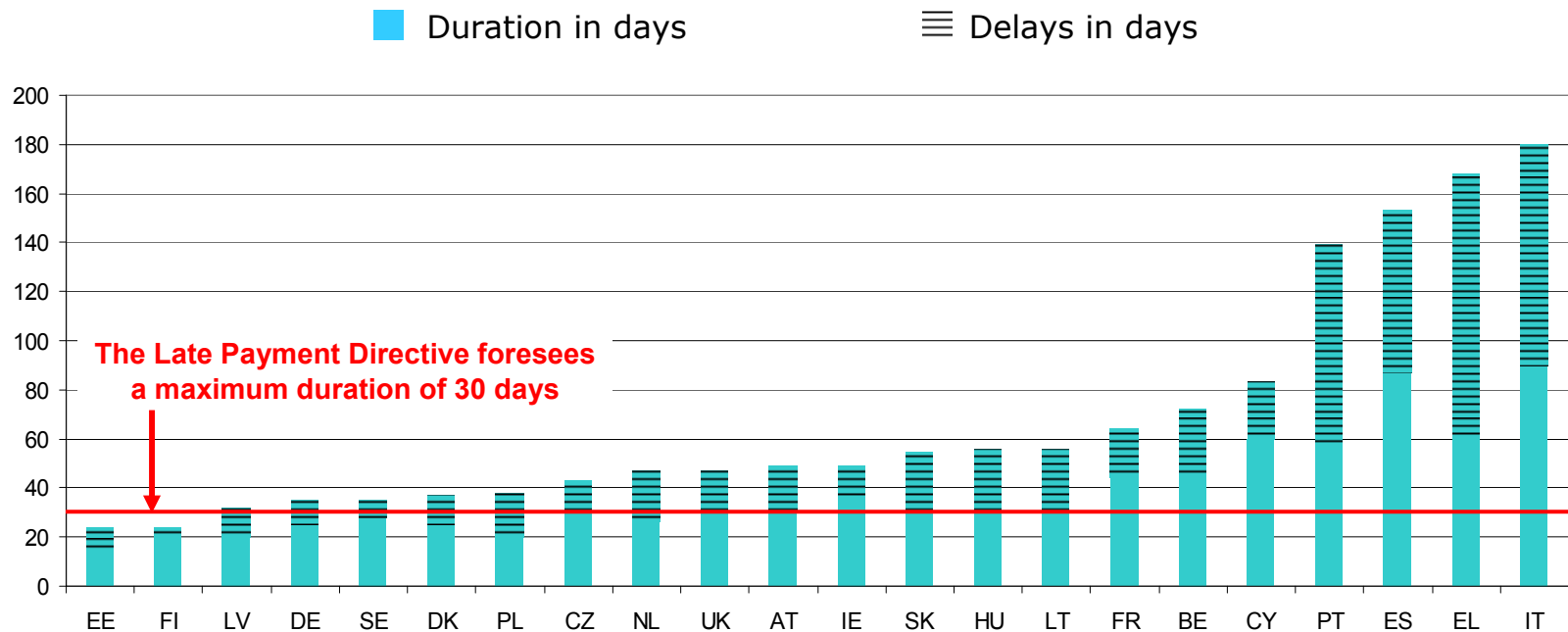
Time to start a business (calendar days)



It currently takes 6.5 days to start a business in Europe, at a cost of € 400. The agreed EU target is 3 days by 2012, for less than € 100.

Reducing red tape (2)

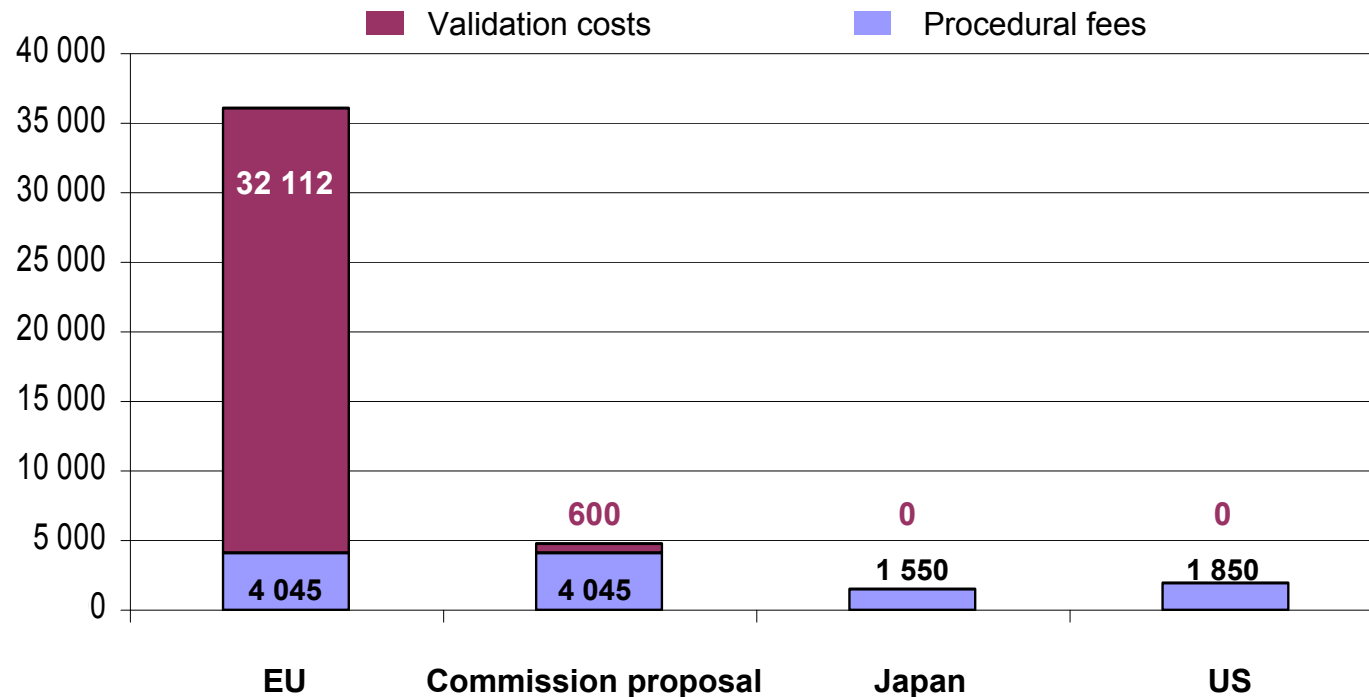
Average payment duration of bills by public administrations to business, including delays, in number of days in 2011



Late payments, including delays, are a major obstacle for firms to manage cash flows. Payments take several months in some countries, and large differences exist across the EU. The Late Payments Directive will help to tackle this problem.

EU patenting costs could drop drastically

Cost of patenting in Europe compared to elsewhere in the world (in €)



Today, the average EU costs of patenting is approximately € 35 000. Such costs could be reduced by 80% if the proposed “unitary patent” system is adopted.



EUROPE 2020