

Box 1.1.1: Key assumptions underlying the forecast

In a context of still high uncertainty, forecasts continue to rely heavily on ad-hoc assumptions.

Russian invasion of Ukraine and geopolitical tensions

The economic impact of Russia's war against Ukraine remains highly uncertain and depends crucially on its evolution. The central scenario assumes that geopolitical tensions in the region and sanctions against Russia remain in place throughout the forecast horizon. At the same time, it is assumed that the conditions for a gradual increase in early reconstruction efforts in Ukraine will be in place as from end-2024/early 2025.

Impact of Middle East crisis

This forecast assumes that the conflict in the Middle East does not escalate geographically. It also assumes that trade disruptions in the Red Sea will persist over the forecast horizon, however, extending lead times should not morph into stagflationary supply bottlenecks that would hamper production and add additional pressures on prices.

People fleeing the war in Ukraine to the EU

The number of beneficiaries of temporary protection in the EU reached about 4.3 million by end 2023, and remained roughly constant in the first two months of 2024⁽¹⁾. It is assumed that the number of active temporary protection registrations will stay broadly stable over 2024 before decreasing to 3.9 million by the end of 2025. Over 2024, new registrations are expected to be counterbalanced by attrition of previous registrations (i.e. data revisions by Member States reflecting people who returned to Ukraine, moved on to another country, or attained another status in their country of residence). This results in the projection of an annual average of people seeking protection of about 4.3 million in 2024 and 4.1 million in 2025, slightly above the assumptions used in the Autumn 2023 and Winter 2024 Forecasts. Assumptions on the geographical distribution of people fleeing the war reflect their current distribution across Member States as new inflows and onward movements have slowed. Finally, assumptions regarding the labour market integration of people fleeing the war remain broadly unchanged.

⁽¹⁾ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Temporary_protection_for_persons_fleeing_Ukraine_-_monthly_statistics.