

Europe's economy on a knife edge Apr 14,2022 – Last updated at Apr 14,2022 Europe's economy is finely poised between recession and growth. So far, however, the data show only a mild softening of demand and limited disruptions to supply. They signal nothing remotely resembling the collapse in activity that accompanied 2020–21 pandemic lockdowns. The OECD's weekly tracker of economic activity, which uses machine learning and Google Trends data to infer real-time changes, similarly points to only a mild slowdown. In response to the war and energy shock, the European Central Bank, appropriately, has downgraded its forecast for eurozone growth in 2022 from 4.3 per cent to somewhere in the 2.3 per cent to 3.7 per cent range, depending on what happens to oil and gas prices. Before Russian President Vladimir Putin's attack on Ukraine, Europe's recovery from the damage wrought by the COVID–19 pandemic was solidifying. Economic sentiment improved in the first half of February, surpassing pre-pandemic levels. But then the war dented consumer confidence by heightening uncertainty and raising energy and commodity prices. In mid-March, the European Commission's consumer confidence indicator fell to its lowest level since the start of the pandemic. Industrial production rose in January and retail trade rebounded. Data from the navigation service TomTom do not suggest much decline in mobility-related activity. The knife edge is sharp because European policymakers have exactly zero control over the outcome. Box office receipts are stable. Restaurant receipts are stable. Copyright: Project Syndicate, 2022.