

News

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MOODY'S ANALYTICS: CAUTIOUSLY OPTIMISTIC OUTLOOK FOR EUROPE IN 2013

KIRSTEN KNIGHT
VP Communications Strategist
0044 20 7772 8657
kirsten.knight@moodys.com

LONDON, 12 December 2012 – Despite the ongoing recession in the euro zone and the likely continued stagnation next year, Moody's Analytics, a leading independent provider of economic forecasting, says there are reasons for cautious optimism. These include the commitment of policymakers and the European Central Bank (ECB) to tackle the crisis through fiscal consolidation and borrowing programmes.

These conclusions are discussed in a new report by Moody's Analytics, entitled "[Europe Outlook 2013: Cautious Optimism.](#)"

Moody's Analytics forecasts that the euro zone will only grow by 0.2% in 2013, with unemployment peaking above 12% in the middle of the year. The main driver of this growth will be Germany, which is expected to grow by 1.2% and have an average unemployment rate of 7.1%. However, Spain and Greece will contract by 1.5% and 4.2%, respectively, with unemployment rates of over 25% in both countries. Modest growth in the euro zone is likely to start by the end of 2013.

Nevertheless, while austerity has reduced output more than was expected, it has given some countries additional fiscal space – offering room for debt to rise before it reaches levels that require drastic changes in fiscal policy. Moody's Analytics estimates that Ireland, which began fiscal tightening early, recently gained about 58 percentage points of fiscal space in terms of the debt to GDP ratio. Elsewhere, the UK economy should benefit in 2013 from the Bank of England's growth-oriented stance. "Although growth in the smaller countries of Central and Eastern Europe will be largely determined by the pace in the euro zone's growth, Poland will be boosted by domestic demand, with growth of 2.7% expected there in 2013," said Mr. Zemcik. Spreads above fair rates are narrowing in Hungary, the Czech Republic, Poland and Russia, and are negative in the latter three countries, showing that investors now perceive them as safe havens.

Russia and Norway have benefited from recently elevated oil prices and will grow faster than the European core countries, with output increasing 3.7% for Russia and 2.4% for Norway. Despite recent progress, key short-term risks still include a potential Greek exit from the single-currency area and a further deterioration in Spain's fiscal position. Less probable risks include rising oil prices following an escalation of the geopolitical situation in the Middle East and a real estate bubble in Scandinavia.

For more information, visit Moody's Analytics [Dismal Scientist](#).

About Moody's Analytics

Moody's Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services and research, including proprietary analyses from Moody's Investors Service, Moody's Analytics integrates and customizes its offerings to address specific business challenges. Moody's Analytics is a subsidiary of Moody's Corporation (NYSE: MCO), which reported revenue of \$2.3 billion in 2011, employs approximately 6,700 people worldwide and has a presence in 28 countries. Further information is available at www.moodyanalytics.com.

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