

# Macroeconomic and financial developments and policies in the EU in 2021

**Benchmarking  
Working Europe  
2021  
Unequal Europe**



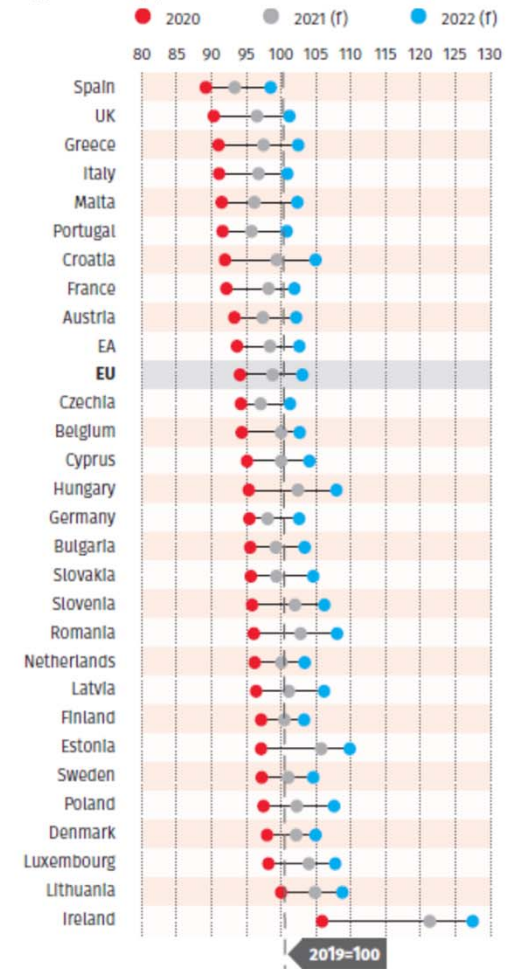
Sotiria  
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## Uneven pandemic economic impacts and recoveries

- Real GDP losses in 2020 varied;
- Return to real GDP growth in 2021;
- But only 13 member states will have recovered to their 2019 real GDP levels in the course of this year;
- Only Spain not expected to have recovered even in 2022;
- Significant uncertainty remains due to epidemiological developments.

Figure 1.1 Change in real GDP (index: 2019=100%), EU, Euro area, member states and the UK, 2020, 2021 (f) and 2022 (f)

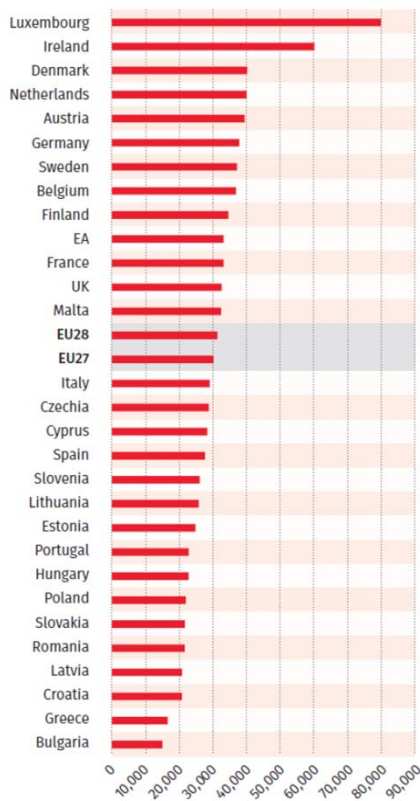


Note: axis does not start at 0.  
Source: own calculations using AMECO database OVG D series.



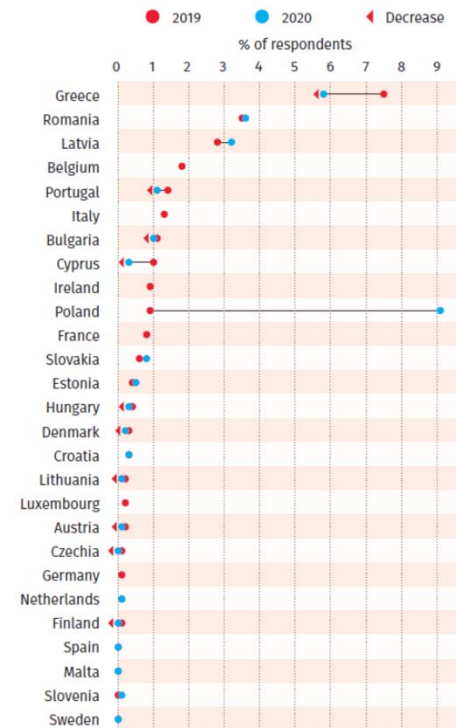
# Inequalities in living standards and quality of life across and within member states

Figure 1.2 GDP per capita (PPS), EU member states and the UK, 2019



Source: Eurostat nama\_10\_pc series.

Figure 1.3 Self-reported unmet needs for medical examination (% of respondents, aged 16 and over), EU member states 2019 and 2020



Note: No 2020 data available for IE, FR, IT; 2020 data omitted for BE, DE, LU due to structural break in the series; 2020 data for PL and LV provisional. Eurostat hlth\_slhc\_14 series.



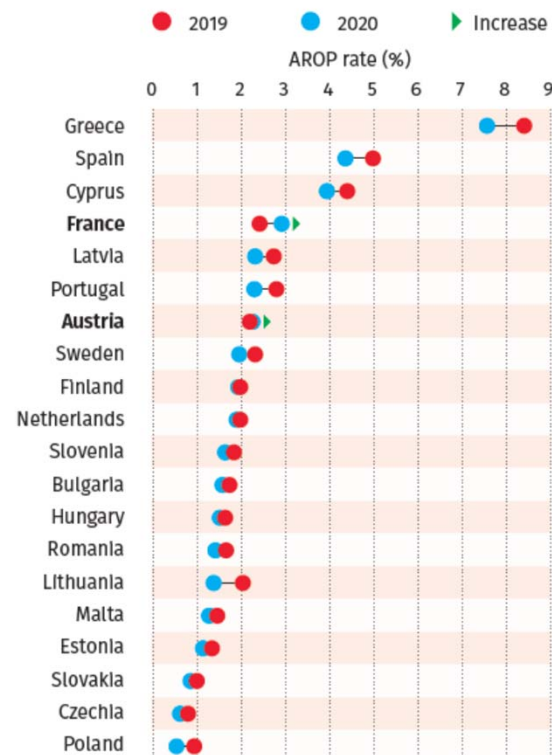
# Income inequality and risk of poverty held up during 2020...

Figure 1.9 Income quintile share ratio S80/S20 for disposable income, EU member states 2019 and 2020



Note: 2020 values are omitted for DE, DK, BE and LU due to structural breaks in the series; in IT and IE due to non-availability.  
Source: Eurostat ilc\_d111 series.

Figure 1.10 At-risk-of-poverty rate: share of persons with equivalised income lower than 60% of the median income (anchored at 2008), EU member states 2019-2020



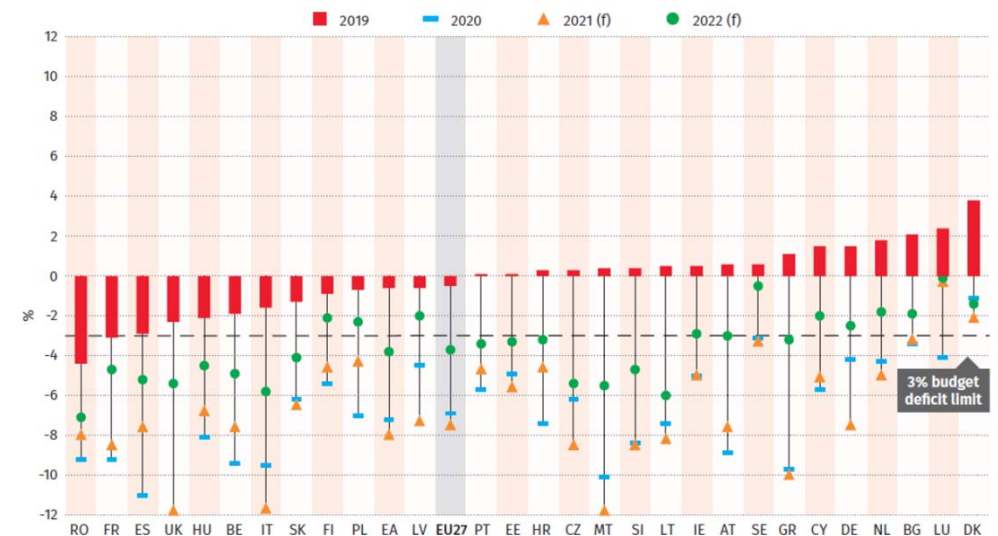
Note: DK, DE, BE and LU are omitted due to structural breaks in the data; IE and IT had no available data for 2020. AROP = at-risk-of-poverty.  
Source: EU-SILC ilc\_li22b.



## ... not least thanks to public policy responses at national and EU level

- Activation of general escape clause of Stability and Growth Pact until end of 2022;
- ECB support programs and interest rates and new monetary policy strategy;
- Changes in EU State-Aid framework;
- SURE;
- MFF-NGEU/RRF.

Figure 1.11 General government budget primary deficits (% of GDP) EU Member states and the UK, 2019-2022 (f)



Source: Ameco database ULBGE series.



# Lessons and open questions for public policies

- Policy responses to the pandemic have shown that if there is a will there is a way:
  - ‘Anything we can actually do, we can afford’ (JM Keynes, 1942)
- How can we harness fiscal and monetary policies in Europe to tackle inequalities and engineer a timely just transition to a decarbonized economy and society? Will we rethink the original Maastricht allocation of functions among them?
  - Ongoing EU economic governance review
  - ECBs’ new monetary policy strategy to be assessed and reviewed by 2024
  - Fiscal and monetary policy coordination?
  - How should the ECB pursue its secondary policy objectives (and should it decide that alone?)

Thank you for your attention!