



Economic growth and productivity gains in the EU

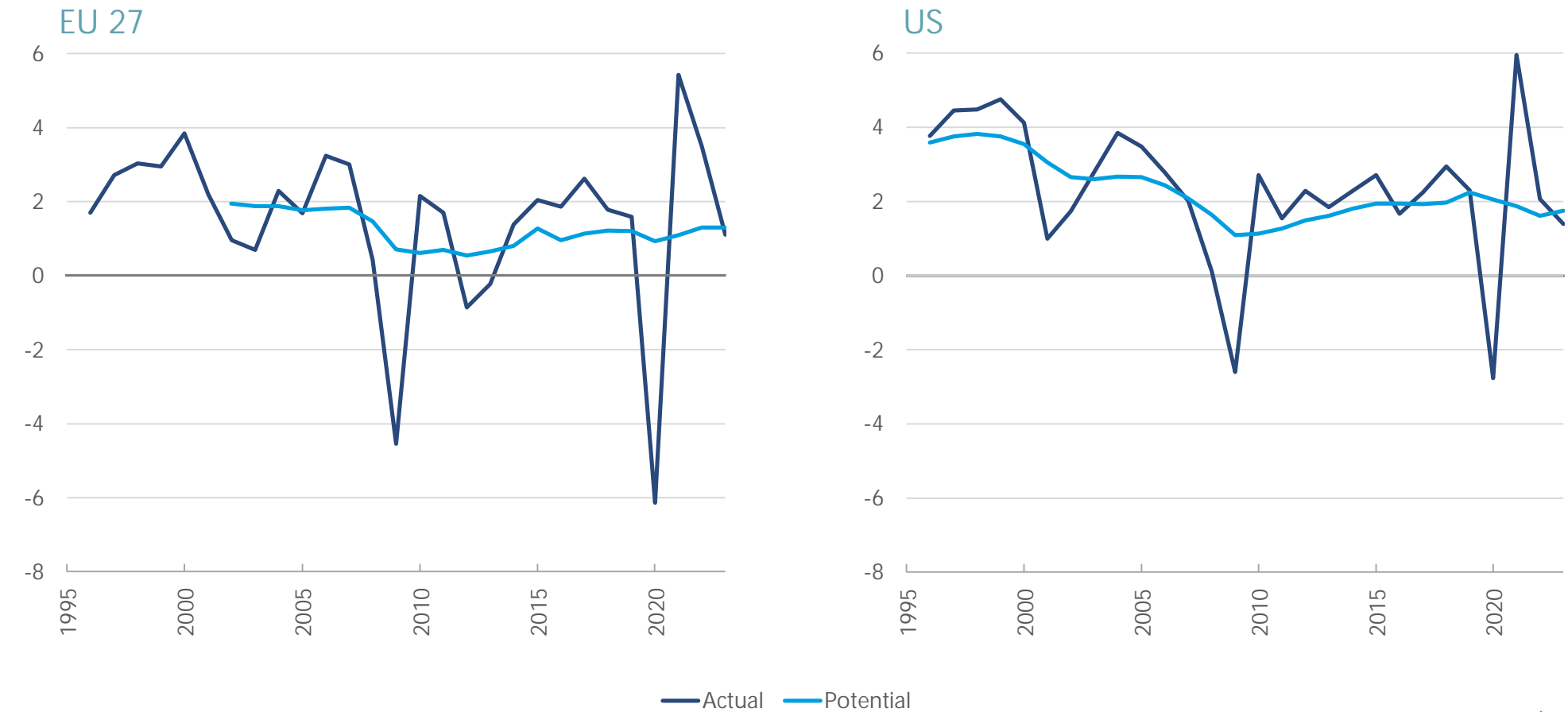
Patrick Bisciari, Research Department

Conference on the Future of Europe, 20 October 2023, Warsaw

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Real GDP slowed down in both the EU27 and the US and grew less rapidly in the EU

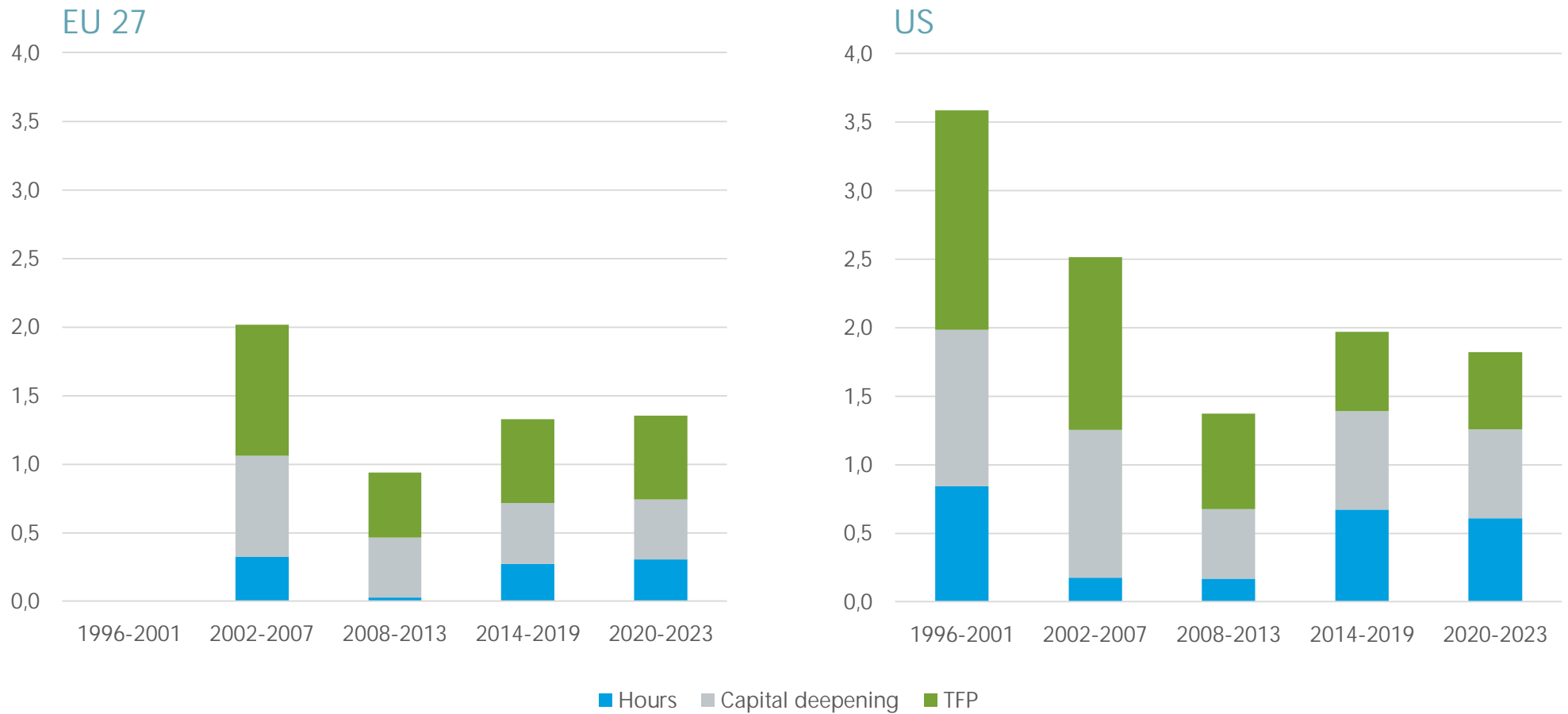
(annual % changes)



Source: EC, Spring forecast 2023.

TFP and capital deepening have been the main drivers of potential growth

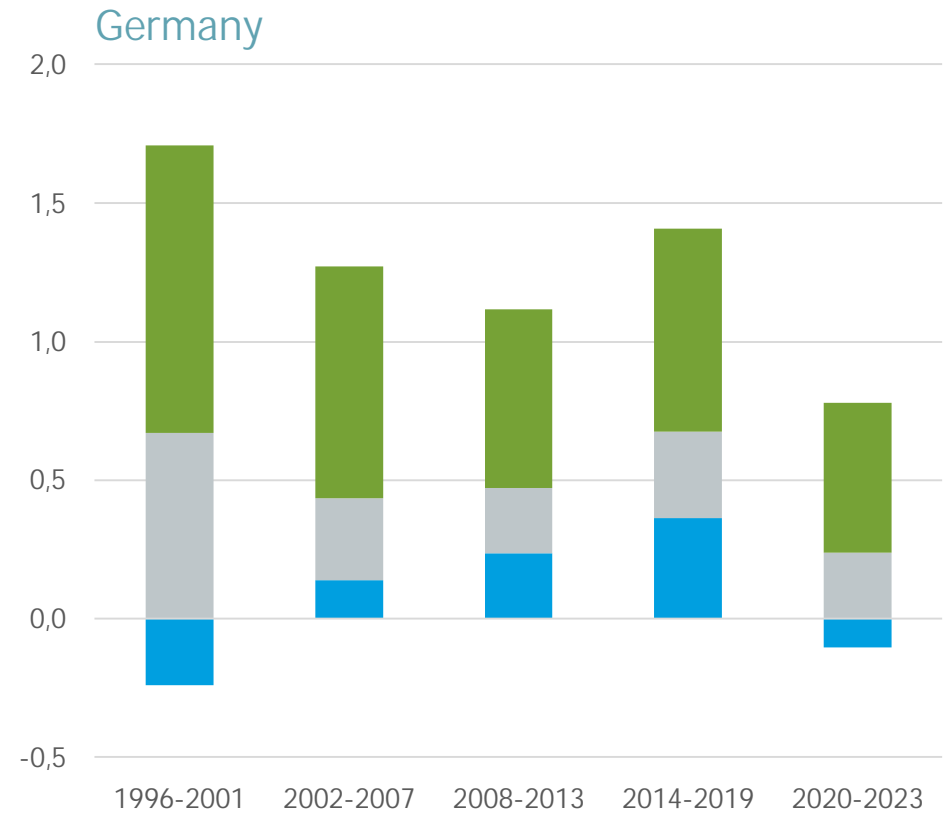
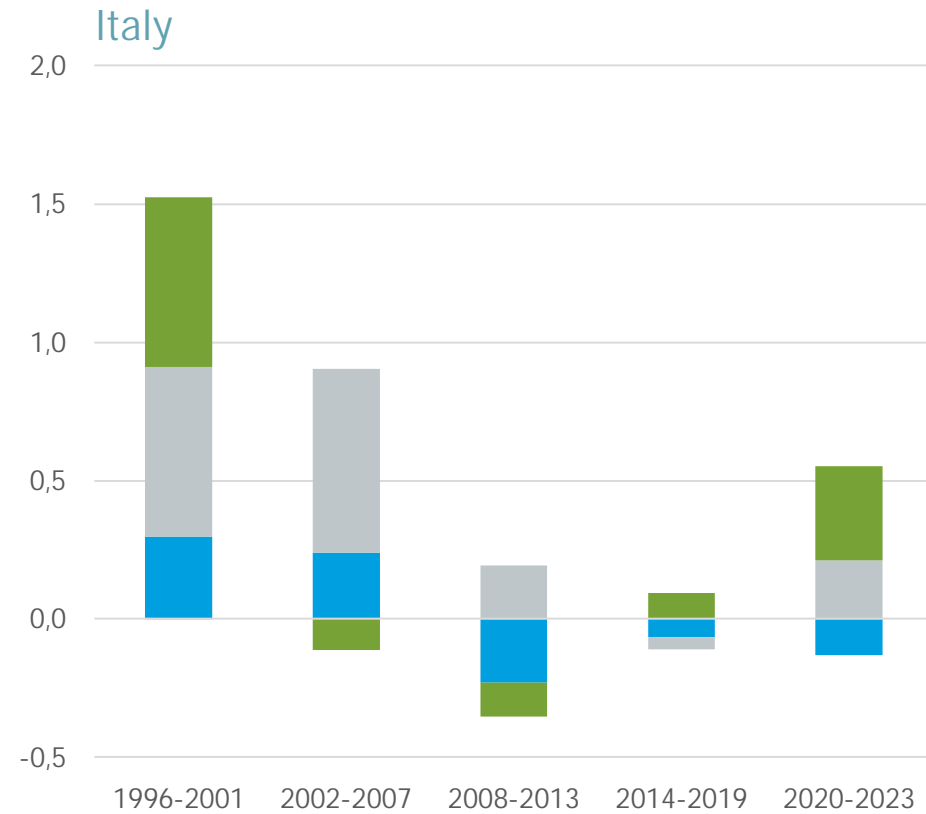
(contributions to annual % changes in potential GDP, averages)



Source: EC, Spring forecast 2023.

Cross-country differences: from worst to best – 1/2

(contributions to annual % changes in potential GDP, averages)

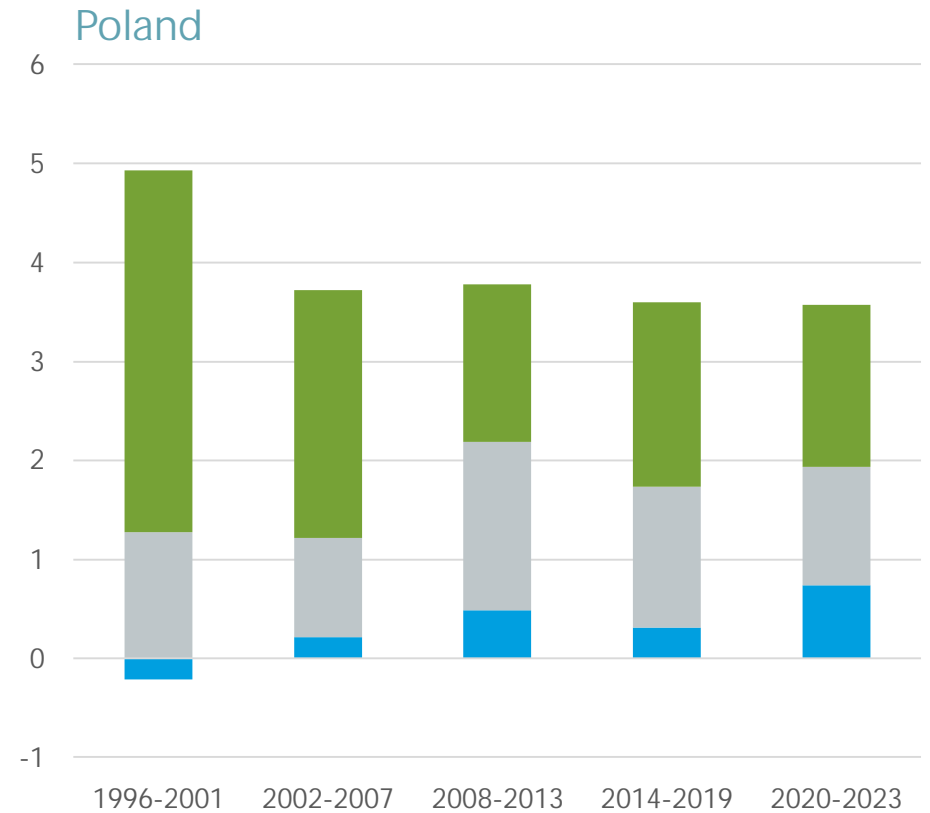
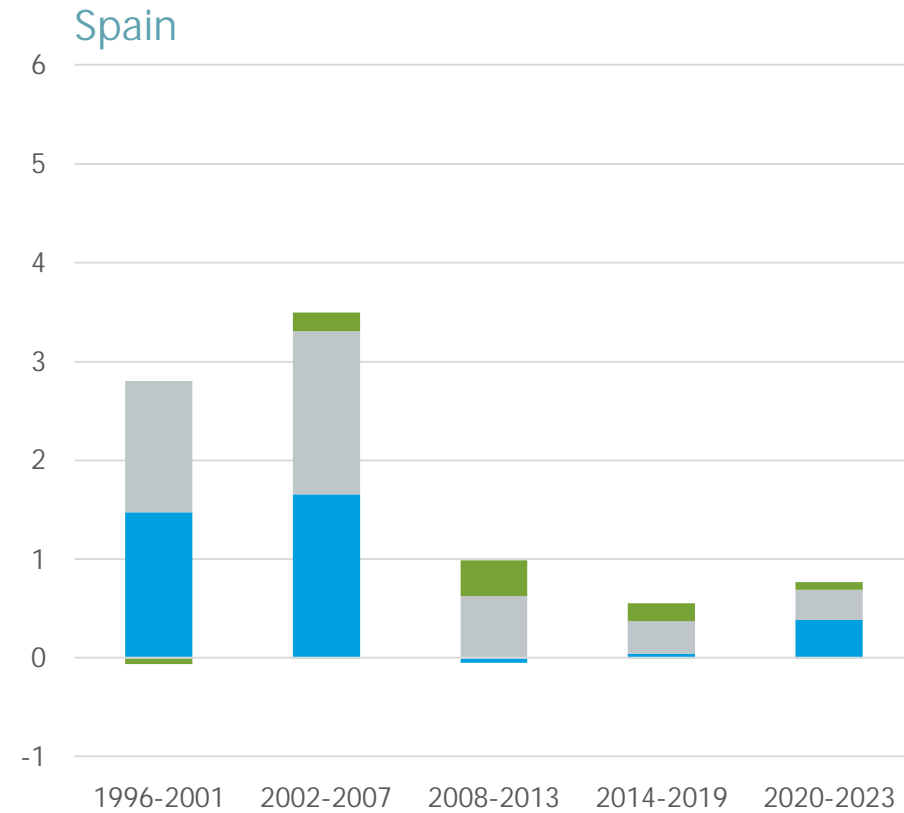


■ Hours ■ Capital deepening ■ TFP

Source: EC, Spring forecast 2023.

Cross-country differences: from worst to best – 2/2

(contributions to annual % changes in potential GDP, averages)

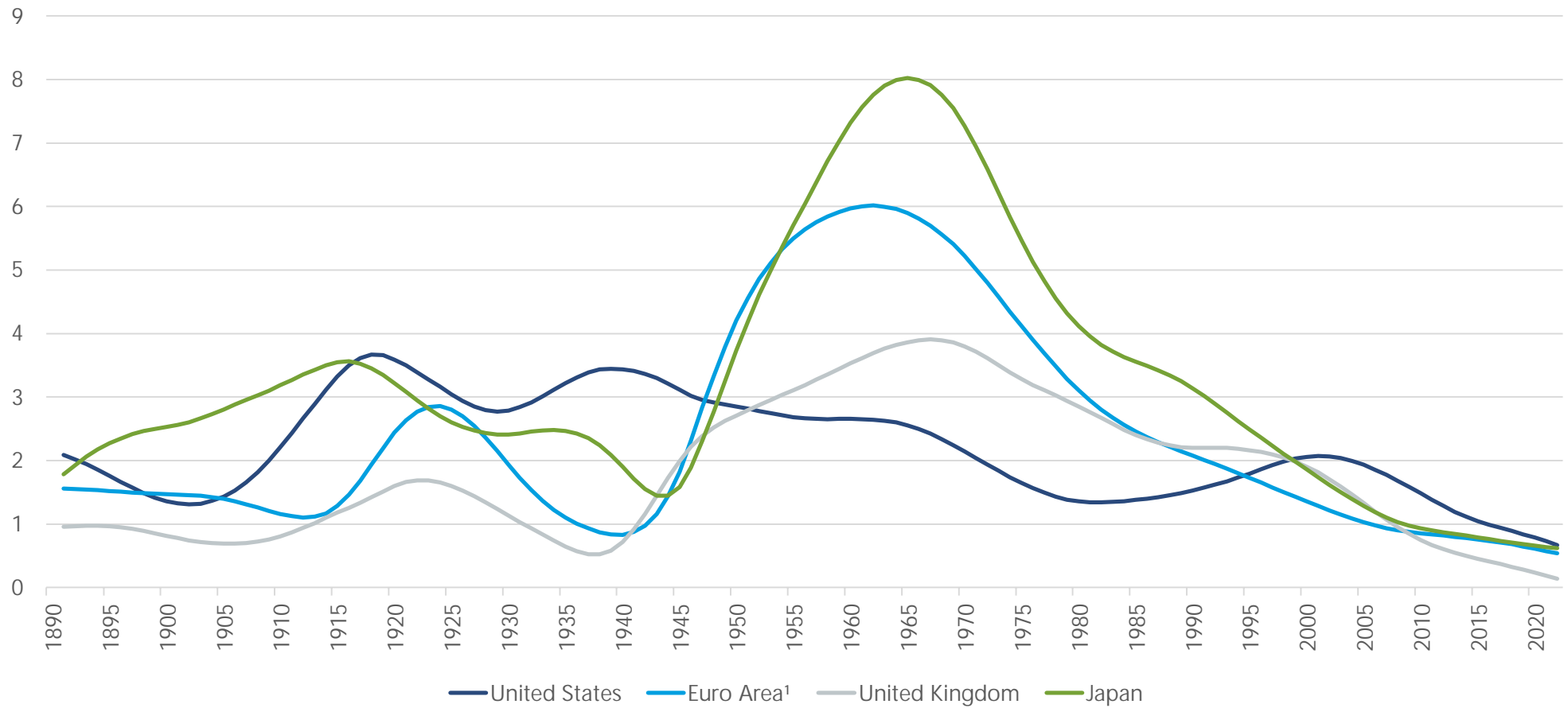


■ Hours ■ Capital deepening ■ TFP

Source: EC, Spring forecast 2023.

Slowdown in hourly productivity: a long-term view

(Average annual growth rate in %, HP filter)

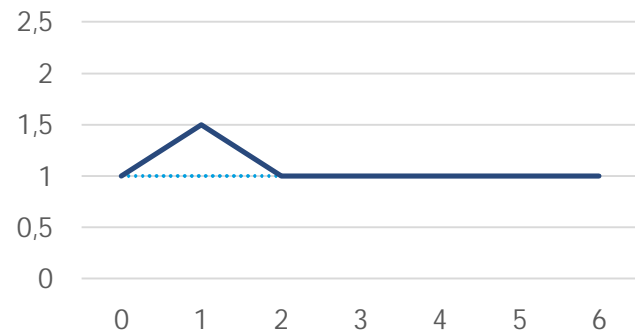


Source: www.longtermproductivity.com

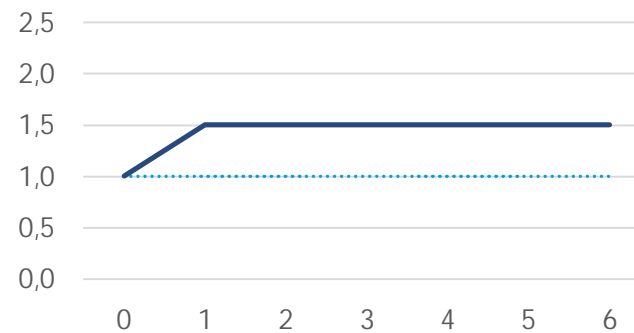
What happens to the level of productivity in various scenarios?

percentage changes wrt previous period) - (indices t0= 100)

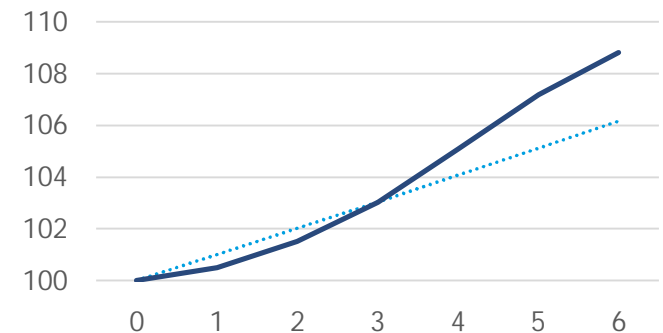
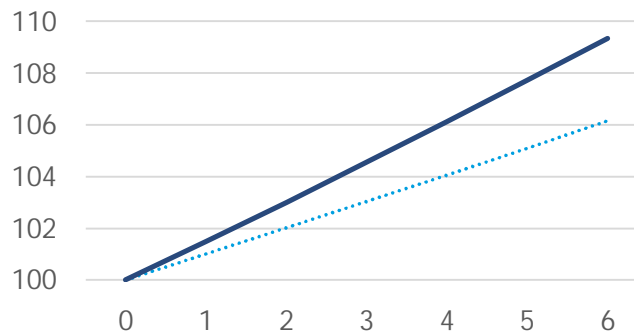
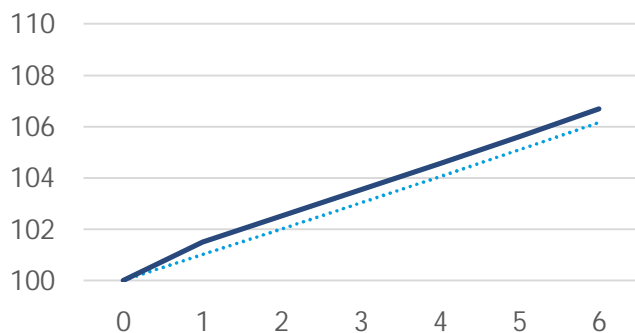
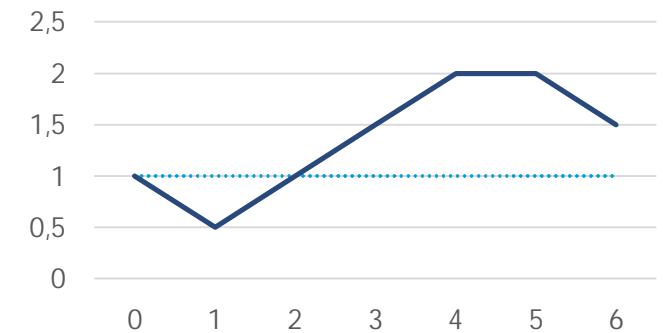
1. Temporary positive shock



2. Permanent positive shock



3. GPT with diffusion delays and learning curve



..... Benchmark — Scenario

What to expect for economic growth?

Tailwinds

Headwinds

Employment rate (limits)	Demography and ageing -> working-age population
Capital deepening (limits)	Hours per worker
GPTs (4th industrial revolution)	but less transformative than in the past but developed elsewhere than in Europe but human-replacing innovations (vs enhancing)
expected complementary innovations	but organisational changes and new skills needed
Diffusion to laggards	but obstacles (competition, costs of intangible assets)
	Limits to rising educational attainment Deglobalisation and fragmentation
A more sustainable growth	Climate change and biodiversity (long-run and extreme events) Negative supply shocks (war, energy,...)
Policies	Inhibiting factors (shortage of skilled workers, access to financing,...) Role of inequalities (income and wealth) Crisis-related factors (adverse feedback loop, debt overhang, hysteresis, zombies)
Mismeasurement, scars from the pandemic, impact of ageing on productivity, green transition	

Thank you!

References

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