

Press Release

Under embargo until 4 January 2024, 12:30 pm EST

Modest growth recovery expected, but Europe’s economic outlook remains challenging, according to UN flagship economic report

Growth is projected to remain subdued amid tight monetary and fiscal policies and geopolitical uncertainties

New York, 4 January – Europe is expected to see a mild economic recovery in 2024, but high interest rates, tighter fiscal policy and geopolitical conflicts will weigh on the region’s growth performance, according to the **UN World Economic Situation and Prospects (WESP) 2024**.

The UN’s flagship economic report presents a sombre global economic outlook for the near term. While the world economy proved more resilient than expected in 2023, this performance masks short-term risks and structural vulnerabilities. Global economic growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, well below the pre-pandemic growth rate of 3.0 per cent.

The prospect of a prolonged period of tighter credit conditions and higher borrowing costs present strong headwinds for a world economy saddled with debt, while in need of more investments to resuscitate growth, fight climate change and accelerate progress towards the [Sustainable Development Goals \(SDGs\)](#).

“2024 must be the year when we break out of this quagmire. By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all,” said António Guterres, United Nations Secretary-General. “We must build on the progress made in the past year towards an SDG Stimulus of at least \$500 billion per year in affordable long-term financing for investments in sustainable development and climate action.”

Growth projected to pick up in 2024, but macroeconomic headwinds persist

Europe will continue to feel the adverse impacts of monetary tightening, with past rate hikes and reduced liquidity affecting the real economy. Across the region, consumer and business confidence remain low even as the effects of the energy crisis have started to ease. Economic



growth in the European Union (EU) is projected to average 1.2 per cent in 2024, up from 0.5 per cent in 2023, but well below the pre-pandemic pace of about 2 per cent. The mild recovery will be supported by an upturn in consumer spending amid slowing inflation, rising real wages and robust labour markets. Demand for EU exports – which contracted substantially last year – is projected to pick up in 2024 as global trade gradually recovers. Fiscal policy will likely become more restrictive as Governments continue to scale back energy subsidies and inflation support measures and embark on gradual fiscal consolidation.

The report notes that amid an ongoing shift in consumer spending towards services, short-term growth prospects remain more favourable in the region's service-oriented economies – for example, in Greece, Portugal and Spain – than in countries with a larger manufacturing base, such as in Austria, Finland and Germany. Among Europe's large economies, Germany has been hit particularly hard by recent shocks, with GDP contracting by 0.1 per cent in 2023. While growth is forecast to recover to 0.7 per cent in 2024, the economy faces significant structural challenges, such as labour shortages, reliance on energy-intensive industries and lack of investment, for example in digital infrastructure. In the United Kingdom, high interest rates and fiscal tightening continue to pose significant headwinds to growth, which is projected to moderate from 0.5 per cent in 2023 to 0.4 per cent in 2024.

Labour markets have started to cool, but are expected to remain tight

Inflation is expected to further decline as the indirect effects of the energy shock continue to fade, food price pressures ease, and tighter monetary policy dampens demand. Average inflation in the European Union is forecast to decline from 5.9 per cent in 2023 to 3.1 per cent in 2024 and in the United Kingdom from 7.4 per cent to 3.6 per cent. Against this backdrop, Europe's major central banks have signalled that policy rates are close to their peak. But given strong nominal wage growth and upside risks to inflation, they are expected to keep monetary policy in restrictive territory until there is a clear indication that inflation is returning to target.

Labour markets in Europe have so far proven remarkably resilient to higher interest rates and a challenging economic environment. Signs of cooling have recently emerged, with employment growth slowing, job vacancy rates falling, and firms' employment expectations deteriorating. While unemployment rates are projected to edge up in 2024, labour markets are expected to remain tight by historical standards amid persistent labour shortages in both high-skilled and low-skilled occupations.



**United
Nations**

Department of
Economic and
Social Affairs

###

The full report will be available on 4 January 2024, 12:30 pm EST at:

<https://desapublications.un.org/>

Media contacts:

Sharon Birch, UN Department of Global Communications, birchs@un.org

Leah Kennedy, UN Department of Economic and Social Affairs, kennedy1@un.org