Beat: Business

Europe will experience an economic slowdown in 2023 due to war and inflation

Experts consider it an adjustment

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USPA NEWS - Europe will experience an economic slowdown in 2023, more pronounced in countries with runaway inflation. The war in Ukraine generates uncertainty, according to experts, who nevertheless believe that the crisis will not last.

According to Antonio Molina Palencia, senior manager of Economy and International Markets at Caixabank Research, inflation will be the protagonist of 2023 in Europe and will cause an economic slowdown in which, however, the Spanish Government does not believe. This week, when taking stock of the year that is ending, Prime Minister Pedro Sánchez announced that the Spanish economy will close 2022 with a growth of more than 5 percent, above the latest government forecast, half a point more than the forecast of the Central Bank of Spain and well above what international agencies forecast.

“Inflation, which stood at 6.8 percent in Spain at the end of November, together with the disbelief caused by the war in Ukraine and doubts about the extent to which the EU central banks will be able to contain inflation, will draw a scenario of economic slowdown throughout the European Union”, explains Antonio Molina Palencia to USPA News. The other question, he adds, is "how will China evolve?"

The chief economist for International Economy and Markets points out that "in the entire Eurozone we will see a drop in growth" throughout 2023. "It will not be a lasting crisis, rather an adjustment," he adds, "but until the end of 2024 we will not see inflation at 2 percent.” In his opinion, "the Spanish economy is holding up better than expected" and opportunities will be created. But 2023 will be a year of transition.

"Consumption will be one of the major victims in 2023," explains Gregorio Izquierdo, General Director of the Institute of Economic Studies and Director of the Department of Economics of the Spanish Confederation of Business Organizations (CEOE in its acronym in Spanish), to USPA News. This expert believes, however, that "the problems are beginning to end: the prices of raw materials, interest rates and seasonal indicators" present better figures. Exports are down, but investment is up, especially in sectors such as real estate, funds and the EU.

The situation, however, is delicate. Spain, recalls Gregorio Izquierdo, ends 2022 with 11,000 fewer companies than twelve months earlier. The consequences of the war in Ukraine have forced the closure of many small and medium-sized companies that have not been able to resist the rise in prices of raw materials and energy, and the decline in consumption. In particular, companies that were experiencing economic problems due to the pandemic.

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Editorial program service of General News Agency:
United Press Association, Inc.
3651 Lindell Road, Suite D168
Las Vegas, NV 89103, USA
(702) 943.0321 Local
(702) 943.0233 Facsimile
info@unitedpressassociation.org
info@gna24.com
www.gna24.com