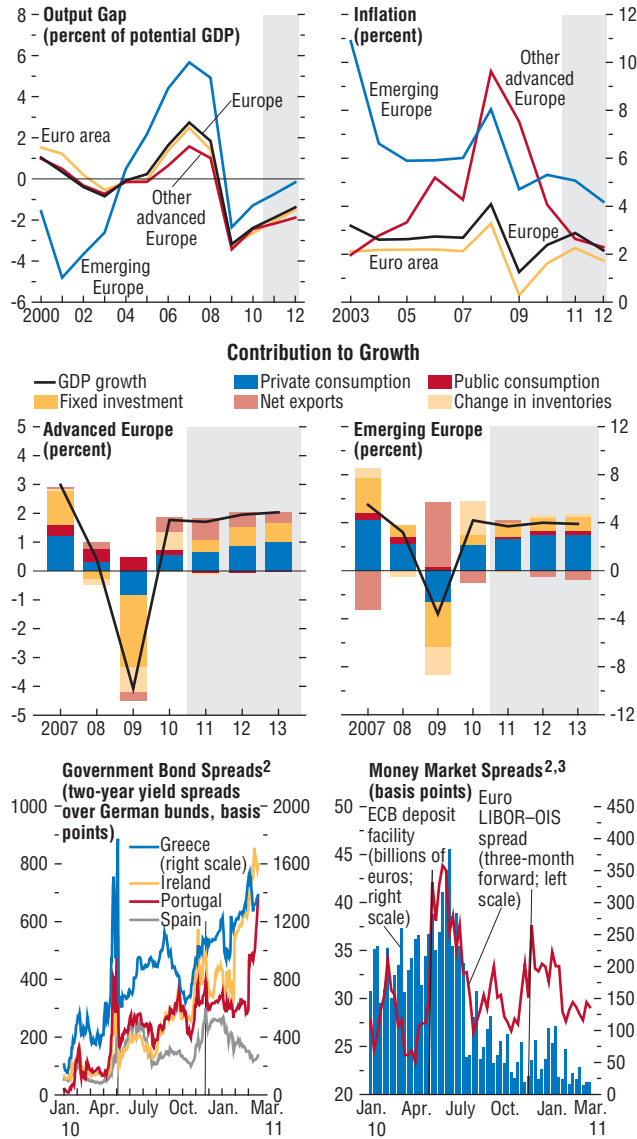


Figure 2.6. Europe: A Gradual and Uneven Recovery Continues¹

The recovery is proceeding at a moderate pace. Real activity in the region remains below its potential level, and inflation pressure is broadly contained. But there are substantial differences across economies. Growth has generally become more broad-based and self-sustained in both advanced and emerging Europe. In the euro area periphery, however, continued financial turbulence is dampening the outlook for these economies.



Sources: Bloomberg Financial Markets; and IMF staff estimates.

¹Euro Area: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Slovak Republic, Slovenia, and Spain. Emerging Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Latvia, Lithuania, Former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Serbia, and Turkey. Other advanced Europe comprises Czech Republic, Denmark, Estonia, Iceland, Norway, Portugal, Sweden, Switzerland, and United Kingdom. Aggregates are computed on the basis of purchasing-power-parity weights.

²Vertical lines on each panel correspond to May 10 and November 30, 2010.

³ECB: European Central Bank; LIBOR: London interbank offered rate; OIS: overnight index swap.