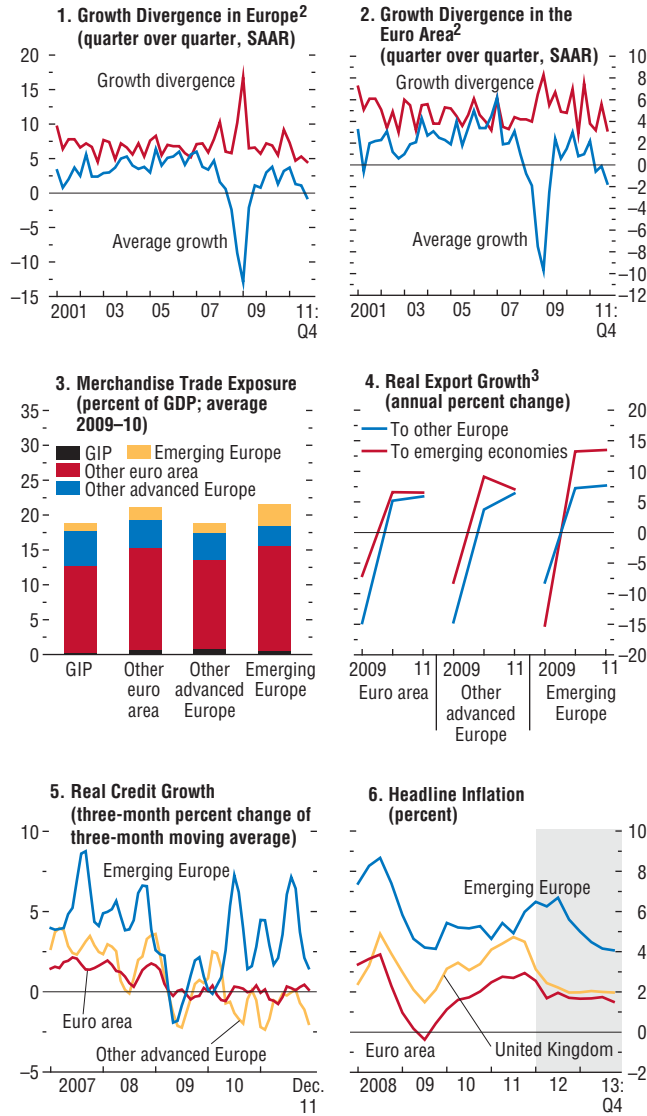


## Figure 2.4. Europe: Back in Recession<sup>1</sup>

Europe tipped back into recession, resulting from renewed escalation of perceived euro area crisis risks in late 2011. The aggregate masks growth divergences in the region, with sharp recessions forecast for the euro area crisis economies. Strong regional trade and financial linkages imply a weaker outlook for the rest of Europe as well. Credit conditions are weak and may tighten further. Inflation is expected to retreat throughout the region, as domestic demand remains weak.



Sources: IMF, *Direction of Trade Statistics*; IMF, *International Financial Statistics (IFS)*; and IMF staff estimates.

<sup>1</sup>GIP: Greece, Ireland, Portugal. Other advanced Europe: Czech Republic, Denmark, Iceland, Norway, Sweden, Switzerland, United Kingdom. Emerging Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Kosovo, Latvia, Lithuania, former Yugoslav Republic of Macedonia, Montenegro, Poland, Romania, Serbia, Turkey.

<sup>2</sup>Growth divergence is 85th percentile growth minus 15th percentile growth. SAAR: seasonally adjusted annual rate.

<sup>3</sup>Nominal trade values are deflated using world export price deflators from the IFS database. The country composition of "other Europe" differs for each export group and consists of all European economies not in that export group. Export growth for 2011 is calculated as year-over-year growth from November 2010 through November 2011.