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The structural decline in the Eurozone's growth potential

The euro crisis had a negative effect in some member states that lasts to this day, with potential economic output in a structural decline



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Executive summary

In the eurozone, the negative output gap (the amount by which actual economic output falls short of its potential) will have closed by the end of this year, according to the European Commission. This is the case even in some of the countries that experienced the deepest recessions such as Spain and Portugal. Is this a cause for celebration? Perhaps not.

The reason for this remarkable closing of the output gap is the belief that the potential growth rate of the economy has structurally declined.

In this report, we look at the factors holding back the eurozone economy, what can be done to boost potential output and what it all means for fiscal and monetary policy.

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