

News

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MOODY'S ANALYTICS' EUROPEAN SUBNATIONAL OUTLOOK: MAJOR METRO AREAS, TECHNOLOGY LEAD RECOVERY

LONDON 13 January 2015 — Moody's Analytics, a leading provider of economic forecasting, says that European economies are headed towards recovery in 2015, led by good growth in the largest cities, but expectations for economic expansion vary greatly by region, and risks persist.

According to the firm's "[European Subnational Outlook 2015: Pockets of Growth](#)," the gateway metropolitan areas of London and Paris, as well as several of the largest cities in Germany (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich), will propel Europe's economic rebound. Some smaller metropolitan areas, particularly in Central and Eastern Europe, will also contribute to growth.

"The major metro areas in the UK, France and Germany will continue to lead the recovery, thanks to strong population, employment and income growth," says Anna Zabrodzka, an economist at Moody's Analytics. "Despite persistently high unemployment, Spanish, Portuguese and Greek cities are showing signs of economic revival, although their recovery has a long way to go."

In many European cities, the information and communication technology sector is evolving into an important growth driver. Berlin, Dublin and Manchester have emerged as leaders in this space, with a surge in technology startups. The largest increase in the sector's employment, however, has been in the metropolitan areas of Central and Eastern Europe, where highly educated workforces and low labour costs are attracting leading international companies.

Europe still faces serious risks, including the possibility of prolonged EU-imposed trade sanctions on Russia, which prohibit exports of many manufacturing goods into Russia. The industrial belt that stretches from central and southern Germany through Austria and the Czech Republic is especially vulnerable to trade sanctions. In addition, Russia's ban on EU agricultural goods has negative implications for those countries that rely heavily on agriculture. As a result, nearly all of Poland and Hungary fall into the high-risk quintile of Moody's Analytics' Risk Index for Agriculture.

In the long run, the most significant risk to Europe's recovery will be demographics. Dwindling populations in many metropolitan areas in Portugal, Greece, Spain, Germany and Central and Eastern Europe will shrink the available labour force and thus impede growth.

For more information, visit [Moody's Analytics Dismal Scientist](#).

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