But despite all this, the recovery has been weak and the closing of the output gap is delayed again. We expect, as we detail in chapter 1 of this report, that economic growth is going to slow down in 2017 and in 2018 (Table 3 of chapter 1 in this report). Tailwinds are changing into headwinds (see chapter 1 in this report and Table 1). Oil prices are up again, and seem to stabilize around 55$/b. The effective exchange rate of the euro has been stable against the dollar (Figure 1). Not much more can be expected in terms of competitiveness gains through this channel. The sharp depreciation of sterling after the Brexit referendum is indeed reversing the trend and will lead to a slightly increasing real exchange rate in the next quarters. More importantly the slowdown of international trade and the slowing growth of emerging countries (as compared to before the crisis) reduce the external demand growth (Table 1) of the European Union and hence another positive factor is waning.

![Figure 1. Euro effective exchange rate, real and nominal](image-url)

This slowing and elusive recovery comes with consequences. Unemployment has reached a high level, peaking in the second quarter of 2013 at more than 12% for the euro area and 11% for the UE28. As we document in chapter 2 of this report, high unemployment is one face of many aspects of a profound social crisis. After the 2013 peak, unemployment started to decrease. Figure 2 is showing the number of years needed, given the current pace of reduction in unemployment, to go back to the rate prevailing in 2007. The recent slowdown