Chapter 4: Regional and social cohesion

**Inflation hurt everyone’s financial situation, especially poorer and younger households** that had accumulated less savings during the pandemic.

Merger and acquisition announcements appeared to slow more in countries closer to Russia, a possible sign that geopolitical uncertainty is dampening investment in Eastern Europe.

The integration of refugees into labour markets is likely to increase growth, but mostly in richer countries where employment opportunities tend to be better.

**Inflation could push more people in the European Union into poverty**, especially in Central and Eastern Europe.

Central and Eastern Europe contains more regions in which high energy prices are compounding existing challenges faced by energy-intensive and coal-related activities.

Crisis-related migration appears to be more challenging for municipalities with financial constraints.

**POLICY IMPLICATIONS**

- Social and regional cohesion need to be strengthened as soaring inflation exacerbates inequalities caused by the pandemic.
- Fiscal support for the energy crisis should focus on the most vulnerable groups while keeping intact incentives to save energy.
- Public investment and lower administrative and regulatory barriers can encourage firms to invest and innovate.
- To promote cohesion, public investment should boost social, transport, green, and digital infrastructure and continue to improve skills.