European Commission

ISSN 1725-3217 (online)
ISSN 0379-0991 (print)

European Economic Forecast

Winter 2014

EUROPEAN ECONOMY 2|2014

Economic and Financial Affairs

The **European Economy series** contains important reports and communications from the Commission to the Council and the Parliament on the economy and economic developments.

Unless otherwise indicated the texts are published under the responsibility of the

European Commission
Directorate-General for Economic and Financial Affairs
Unit Communication
B-1049 Brussels
Belgium
E-mail: ecfin-info@ec.europa.eu

This paper exists in English only and can be downloaded from http://ec.europa.eu/economy_finance/publications/.

More information on the European Union is available on http://europa.eu.

KC-AR-14-002-EN-N
ISBN 978-92-79-35344-4
doi: 10.2765/75614 (online)

KC-AR-14-002-EN-C
ISBN 978-92-79-36003-9
doi: 10.2765/76570 (print)

European Commission
Directorate-General for Economic and Financial Affairs

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ABBREVIATIONS

Countries and regions

EU	European Union
EA	euro area
BE	Belgium
BG	Bulgaria
CZ	Czech Republic
DK	Denmark
DE	Germany
EE	Estonia
IE	Ireland
EL	Greece
ES	Spain
FR	France
HR	Croatia
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxemburg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
JP	Japan
US	United States of America

BRICS	Brazil, Russia, India, China and South Africa
CEE	Central and Eastern Europe
CIS	Commonwealth of Independent States
EFTA	European Free Trade Association
MENA	Middle East and North Africa
ROW	Rest of the World

Economic variables and institutions

BCS	Business and Consumer Surveys
CDS	Credit Default Swaps
EDP	Excessive Deficit Procedure
ESI	Economic Sentiment Indicator
Euribor	European Interbank Offered Rate
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
Libor	London Interbank Offered Rate

NAWRU	Non-Accelerating Wage Rate of Unemployment
PMI	Purchasing Managers' Index
REER	Real Effective Exchange Rate
SGP	Stability and Growth Pact
VAT	Value-Added Tax

CPB	Centraal Planbureau, the Netherlands Bureau for Economic Policy Analysis
ECB	European Central Bank
EIB	European Investment Bank
EFSF	European Financial Stabilisation Facility
EMU	Economic and Monetary Union
ESM	European Stability Mechanism
FOMC	Federal Open Market Committee, US
Fed	Federal Reserve, US
IMF	International Monetary Fund
OBR	Office for Budget Responsibility, UK
OECD	Organisation for Economic Cooperation and Development
WTO	World Trade Organisation

Other abbreviations

AQR	Asset Quality Review
BLS	Bank Lending Survey
CFCI	Composite Financing Cost Indicator
DSGE	Dynamic stochastic general equilibrium [model]
FDI	Foreign Direct Investment
FLS	Funding for Lending Scheme, UK
FY	Financial year
JPA	Job Protection Plan, Hungary
LFS	Labour Force Survey
LTRO	Longer-Term Refinancing Operation
MRO	Main Refinancing Operations
NFC	Non-Financial Corporations
OMT	Outright Monetary Transactions
SME	Small and medium-sized enterprises
SMP	Securities Market Programme, ECB
QUEST	Quarterly Estimation and Simulation Tool, DG ECFIN's DSGE model

Graphs/Tables/Units

a.a.	Annual average
bbl	Barrel
bn	Billion
bps	Basis points
lhs	Left hand scale
pp. / pps.	Percentage point / points
pts	Points
Q	Quarter
q-o-q%	Quarter-on-quarter percentage change
rhs	Right hand scale
SAAR	Seasonally-Adjusted Annual Rate
tn	Trillion
y-o-y%	Year-on-year percentage change

Currencies

EUR	Euro
ECU	European currency unit
BGN	Bulgarian lev
CNY	Chinese yuan, renminbi
CZK	Czech koruna
DKK	Danish krone
GBP	Pound sterling
HUF	Hungarian forint
HRK	Croatian kuna
ISK	Icelandic krona
LTL	Lithuanian litas
LVL	Latvian lats
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	New Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
CHF	Swiss franc
JPY	Japanese yen
TRY	Turkish lira
USD	US dollar

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EDITORIAL

The recovery is broadening. GDP growth in the EU, which has turned positive in the second quarter of last year, is increasingly driven by domestic demand. This year, domestic consumption and investment are set to expand further, reducing the dependency of the recovery on the external sector. Growth has also returned in many of the vulnerable Member States, and growth differentials across EU Member States are expected to narrow.

At the same time as we are observing more balanced growth prospects across the EU, the global economy is becoming more differentiated. Among advanced economies, the US has displayed a strong resilience to domestic fiscal shocks and the related uncertainty. Assessing the upswing there as sufficiently robust, the Federal Reserve has initiated the gradual shift towards a less expansionary monetary stance. In turn, the prospect of a gradual normalisation of benchmark interest rates and global liquidity has led international investors to discriminate more strongly among emerging market economies, and capital flows to countries with sizeable external imbalances and domestic weaknesses have dried up. This reallocation of capital flows has led to financial market tensions in mid-2013 and again in early 2014. They are a reminder that the global economy remains vulnerable, even as growth and trade are accelerating.

Within the EU economy, welcome recent improvements point to a path towards gradual normalisation. However, the consequences of the crisis are still holding back growth and job creation and could do so for some time. On the one hand, there are positive developments on several fronts. After years of necessary front-loaded fiscal consolidation, the aggregate fiscal stance is now close to neutral, although efforts are still required in a number of Member States. The ECB's comprehensive assessment of the banking sector provides an opportunity to finalise the overdue repair of bank balance sheets that is a precondition for overcoming financial fragmentation in the euro area and for getting credit to support the real economy. There are first signs that recent reforms in a number of Member States start bearing fruit as they facilitate internal and external adjustment and, crucially, improve the prospects for employment growth. On the other hand, as long as debt in several sectors of the economy remains too high, unemployment is at record levels and the adjustment of previous imbalances is incomplete, there is a serious risk of growth remaining stuck in low gear. Indeed, should the impetus for reforms at EU and Member State level falter, we would squander the opportunity to put the EU economy back on a higher growth trajectory. The present very low inflation - well below the ECB definition of price stability - could exacerbate the risk of protracted lacklustre growth if it becomes entrenched. Disinflation may have the positive effect of improving real incomes and supporting demand. However, it also makes the competitiveness adjustment in vulnerable Member States more challenging, as the required negative inflation differential to the rest of the euro area could adversely affect debt dynamics. Going forward, much depends on the stability of inflation expectations for the medium term. Should they shift lower, the corresponding increase of real interest rates and the debt burden would make it harder for growth to accelerate.

Making 2014 the first year of a sustained recovery therefore requires continued and determined policy efforts: bold structural reforms in both vulnerable and core countries to tackle slow growth and facilitate rebalancing via demand rotation; full and effective implementation of the Banking Union to overcome financial fragmentation, sever sovereign-bank links and unlock credit in support of the recovery; improvement in the quality of public finances to boost investment and favour job creation. It can be done, provided that policy makers at national and EU level do not mistake the recent signs of improvement as definite normalisation. There is still some sailing to do before we reach harbour.

Buti

Marco Buti
Director General
Economic and Financial Affairs

OVERVIEW

The EU recovery is firming …

Europe's economic recovery, which began in the second quarter of 2013, is expected to continue spreading across countries and gaining strength while at the same time becoming more balanced across growth drivers. As it is typical following deep financial crises, however, the recovery remains fragile. Nevertheless, recent positive economic news means that the forecasts for GDP growth this year and next have been raised slightly since the autumn. EU GDP, which rose 0.1% in 2013, is now expected to rise 1.5% this year and 2.0% next year, while growth in the euro area, which was -0.4% for 2013 as a whole, is expected to be 1.2% in 2014 and 1.8% in 2015. After two years of contraction, domestic demand is gently firming, as the crisis' legacy of excessive debt, financial fragmentation, economic uncertainty and the need for adjustment and fiscal consolidation fades, and confidence is improving. The fiscal stances of the EU and euro area this year are expected to be broadly neutral. At the same time, rising import demand means that external trade's contribution to growth will become more muted. In line with these developments, unemployment should fall slightly from its peak, as the labour market turns the corner. The forecast for inflation in the EU and the euro area

Table 1:

Overview - the winter 2014 forecast

	Real GDP				Inflation				Unemployment rate			
		Winter 2014 forecast				Winter 2014 forecast				Winter 2014 forecast		
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Belgium	-0.1	0.2	1.4	1.7	2.6	1.2	0.9	1.4	7.6	8.4	8.5	8.2
Germany	0.7	0.4	1.8	2.0	2.1	1.6	1.4	1.4	5.5	5.3	5.2	5.1
Estonia	3.9	0.7	2.3	3.6	4.2	3.2	1.8	2.8	10.2	8.8	8.3	7.7
Ireland	0.2	0.3	1.8	2.9	1.9	0.5	0.8	1.1	14.7	13.1	11.9	11.2
Greece	-6.4	-3.7	0.6	2.9	1.0	-0.9	-0.6	0.2	24.3	27.3	26.0	24.0
Spain	-1.6	-1.2	1.0	1.7	2.4	1.5	0.3	0.9	25.0	26.4	25.7	24.6
France	0.0	0.3	1.0	1.7	2.2	1.0	1.2	1.2	10.2	10.8	11.0	11.0
Italy	-2.5	-1.9	0.6	1.2	3.3	1.3	0.9	1.3	10.7	12.2	12.6	12.4
Cyprus	-2.4	-6.0	-4.8	0.9	3.1	0.4	0.4	1.4	11.9	16.0	19.2	18.4
Latvia	5.2	4.0	4.2	4.3	2.3	0.0	1.9	2.1	15.0	11.9	10.5	9.2
Luxembourg	-0.2	2.1	2.2	2.5	2.9	1.7	1.5	1.7	5.1	5.9	6.0	5.9
Malta	0.9	2.0	2.1	2.1	3.2	1.0	1.2	1.9	6.4	6.5	6.4	6.4
Netherlands	-1.2	-0.8	1.0	1.3	2.8	2.6	1.1	1.3	5.3	6.7	7.4	7.2
Austria	0.9	0.3	1.5	1.8	2.6	2.1	1.8	1.8	4.3	4.9	4.8	4.7
Portugal	-3.2	-1.6	0.8	1.5	2.8	0.4	0.8	1.2	15.9	16.5	16.8	16.5
Slovenia	-2.5	-1.6	-0.1	1.3	2.8	1.9	0.8	1.3	8.9	10.2	10.8	10.7
Slovakia	1.8	0.8	2.3	3.2	3.7	1.5	0.7	1.6	14.0	14.2	13.9	13.4
Finland	-1.0	-1.5	0.2	1.3	3.2	2.2	1.7	1.6	7.7	8.2	8.3	8.1
Euro area	**-0.7**	**-0.4**	**1.2**	**1.8**	**2.5**	**1.4**	**1.0**	**1.3**	**11.4**	**12.1**	**12.0**	**11.7**
Bulgaria	0.8	0.6	1.7	2.0	2.4	0.4	0.5	1.8	12.3	12.9	12.7	12.1
Czech Republic	-1.0	-1.2	1.8	2.2	3.5	1.4	1.0	1.8	7.0	7.0	6.8	6.6
Denmark	-0.4	0.3	1.7	1.8	2.4	0.5	1.5	1.7	7.5	7.0	6.9	6.7
Croatia	-2.0	-0.7	0.5	1.2	3.4	2.3	1.3	1.5	15.9	17.6	17.6	17.2
Lithuania	3.7	3.2	3.5	3.9	3.2	1.2	1.1	1.9	13.4	11.8	10.4	9.6
Hungary	-1.7	1.1	2.1	2.1	5.7	1.7	1.2	2.8	10.9	10.2	9.6	9.3
Poland	1.9	1.6	2.9	3.1	3.7	0.8	1.4	2.0	10.1	10.4	10.3	10.1
Romania	0.7	3.5	2.3	2.5	3.4	3.2	2.4	3.4	7.0	7.2	7.2	7.1
Sweden	0.9	0.9	2.5	3.3	0.9	0.4	0.9	1.8	8.0	8.0	7.7	7.3
United Kingdom	0.3	1.9	2.5	2.4	2.8	2.6	2.0	2.0	7.9	7.6	6.8	6.5
EU	**-0.4**	**0.1**	**1.5**	**2.0**	**2.6**	**1.5**	**1.2**	**1.5**	**10.5**	**10.9**	**10.7**	**10.4**
USA	2.8	1.9	2.9	3.2	2.1	1.5	1.6	1.9	8.1	7.4	6.5	5.8
Japan	1.4	1.6	1.6	1.3	0.0	0.4	2.5	1.2	4.3	4.0	3.8	3.8
China	7.8	7.7	7.4	7.4	2.6	2.5	2.4	2.4	:	:	:	:
World	**3.1**	**2.9**	**3.6**	**3.9**	:	:	:	:	:	:	:	:

has been lowered significantly since the autumn. Inflation in the EU is now expected to dip to 1.2% in 2014 before rising again to 1.5% in 2015. In the euro area, inflation is seen at 1.0% in 2014 and 1.3% in 2015.

…while the global environment is differentiated

The world economy picked up in the second half of last year, driven by stronger growth in advanced economies, especially in the US, but also by a rebound in some emerging market economies. Growth is expected to accelerate for most advanced economies outside the EU. In the US where the headwinds from fiscal policy have been waning, private consumption is gaining speed benefitting from robust job creation and rising house prices, while the Federal Reserve has initiated a gradual shift towards less accommodative monetary policy. In Japan, growth is expected to remain relatively stable in 2014. Among emerging market economies, the picture is uneven. There are continued signs of weakness in Russia and Brazil, some stabilisation at more sustainable growth rates in China and an improved outlook for India. Recent financial tensions have so far mostly affected emerging markets with relatively weak macroeconomic fundamentals, such as Argentina, Turkey and South Africa, while the EU Member States have been largely spared so far.

After lacklustre 2013, economic activity outside the EU is expected to accelerate to about 4% this year and 4½% in 2015. Global trade is forecast to rise more than GDP, with world import growth doubling from 2½% in 2013 to about 5% in 2014 and rising to 6% in 2015, reflecting both the strengthening of the global recovery and the impetus from trade-intensive sectors. Over the forecast horizon, oil prices are forecast to continue declining along the same path as assumed in November, supported by adequate supply. The nominal exchange rate of the euro against main trading partners (based on the technical assumption of unchanged nominal exchange rates) is now projected about 2% higher than last autumn.

Adjustments within the EU begin to bear fruit

The recovery in Europe is expected to be broad-based across EU Member States as activity has also started to strengthen in the vulnerable countries of the euro-area periphery. Growth differentials persist but the gap is projected to narrow. In 2014, only *Cyprus* and *Slovenia* are still expected to register negative annual GDP growth rates. By 2015 all EU economies are expected to be growing again. Internal and external adjustment in vulnerable Member States is progressing, underpinned in many cases by significant structural reforms that are starting bearing fruit. *Ireland* has successfully completed its financial assistance programme in December 2013. Driven by strong exports, growth is significantly firming in *Spain* and *Portugal*, while a moderate rebound is expected in *Greece*. Among the bigger economies, a steady domestic demand-driven expansion is expected over the forecast horizon in *Germany*, while in *France* economic growth is only slowly recovering, supported by a timid pick up in private consumption. Mild economic recoveries in the *Netherlands* and in *Italy* are set to be driven by net exports and investment. Strong growth is foreseen in the *United Kingdom* and in *Poland* on the back of increasingly robust domestic demand.

Final demand is rebalancing …

The rebalancing of Europe's growth engines is confirmed as domestic demand overtakes exports as main thruster. The strengthening of domestic demand, though still expected to be modest in 2014, will be fuelled by all components, both private and public.

Investment growth, in particular investment in equipment, is projected to significantly strengthen, as the main impediments to firms' demand and profits (uncertainty, financing conditions, deleveraging needs) are slowly receding, and the improvement in the economic outlook is confirmed. Uncertainty has significantly receded over the past year and a half and should continue to do so under the assumption of smooth policy implementation at the EU and Member-State levels. Financing conditions are also expected to improve and to support further investment spending.

Private consumption showed only marginal growth at the onset of the recovery but is expected to gain momentum over 2014-2015, as the labour market slightly improves, real disposable incomes benefits from low consumer price inflation and the drag of fiscal consolidation diminishes. In line with improved confidence and lower precautionary savings, households are expected to spend most of the increase in real income. Public consumption is also expected to pick up as fiscal consolidation needs become less acute.

…and external imbalances are receding in vulnerable Member States

The current-account surpluses of both the EU and the euro area increased in 2013 and are expected to remain broadly stable (at respectively 1½% and 2¼% of GDP) this year and next. Most of the recent strengthening is the result of significant adjustment, involving improved exports but also a largely permanent contraction in domestic demand, in the euro-area Member States that previously recorded high deficits. This external rebalancing is supported by enhanced price competitiveness resulting from lower unit labour costs. High external indebtedness, however, requires the external adjustment in some Member States to go further still.

Financial market conditions are improving…

Financial market conditions in the EU improved in 2013, as a result of the better macroeconomic outlook and sustained low-interest rate environment. Financial fragmentation considerably receded in the sovereign- and corporate-debt markets, with most bond spreads of vulnerable Member States continuing to narrow, thanks to investor confidence in the success of the ongoing fiscal adjustment and economic reforms. However, despite some normalisation in bank funding conditions, financial fragmentation on the euro-area lending market continues to impair the transmission of monetary policy, hurting mainly small and medium-sized enterprises. The ECB's comprehensive assessment of banks' balance sheets and a smooth implementation of the Banking Union should further reinforce confidence in European banks and fan the recovery.

…and the fiscal stance is now close to neutral

Substantial improvements in public finances have been achieved in the EU since 2011. On the basis of policy measures already approved by national parliaments or known with sufficient detail, the fiscal stance is expected to be close to neutral over the forecast horizon. The fiscal effort this year, measured in terms of change of the structural balance, is indeed expected to be broadly neutral in the EU and in the euro area. At the same time, fiscal consolidation is expected to move gradually from revenue measures to expenditure control. Headline fiscal deficits are set to shrink further in 2014 (to around 2¾% of GDP in the EU and 2½% of GDP in the euro area) before stabilising in 2015 under the assumption of no policy change. The debt-to-GDP ratio is expected to peak in 2014 at 90% in the EU and at 96% in the euro area.

Labour markets improve only slowly …

Labour market conditions stabilised in mid-2013 but only a small improvement is expected in 2014 and 2015 because labour markets typically react with a certain lag to rebounds in economic activity and the recovery remains modest. In the early phase of the recovery, private employment growth is expected to be dampened by the usual adjustment in working hours. Decisive structural reforms implemented in some Member States may shorten this period and help prevent the very high level of unemployment from becoming structural. Employment in the EU and the euro area is expected to start rising modestly in 2014 by ½% and about ¼% respectively, slightly better than projected last autumn. This increase will not yet be sufficient to meaningfully curb unemployment in the EU, but it will trigger a stabilisation of the unemployment rate in the euro area. In 2015, employment growth is set to accelerate to ¾% in both areas, resulting in a slight reduction of unemployment to 10.4% in the EU and 11.7% in the euro area. Labour markets will continue to perform differently across Member States.

…and inflation remains subdued

Headline inflation decreased markedly over the course of 2013, particularly in the last quarter of the year, due to falling energy and commodity prices, weak demand, the fading impact of some temporary factors, and the continued appreciation of the euro. The expectation that the output gap will close only slowly suggests that weak demand will continue to contribute to low inflation. Subdued pressures are expected to keep consumer price inflation down to 1.2% in the EU and 1.0% in euro area in 2014. Only a slight increase is expected for 2015 when economic growth gains momentum. Low inflation is expected to support private consumption because it boosts real disposable incomes. However, since inflation expectations have been sagging, real interest rates have actually risen since the autumn. Moreover, low aggregate inflation makes it harder for vulnerable countries to gain price competitiveness and increases the real value of both public and private debts.

A risk of protracted low growth

Risks to the growth outlook have become slightly more balanced, but still weigh more heavily on the downside. The main risk to the forecast would be stalling or partial implementation of structural, fiscal and institutional reforms at Member States or European level, resulting in low actual and potential growth and protracted high unemployment. A weaker than projected labour market would have both short- and medium-term detrimental effects on private consumption and also on potential growth. Moreover, the debt overhang, the investment shortfall in recent years and slowing total factor productivity could hurt growth in the medium term if they are inadequately addressed by structural reforms, resulting in an extended period of low growth. The risk of low growth would be exacerbated in the short term by lower than expected inflation and a slower reduction in financial fragmentation.

Inflation could turn out lower than the current forecast if economic agents were to perceive the current very weak price pressures as becoming entrenched. Lower inflation would increase real interest rates with negative effects on growth and on the real debt burden. However, confidence is rising and growth is picking up so there is only a marginal probability of shocks large enough to initiate outright EU or euro-area wide deflation.

Credit growth could remain anaemic if the implementation of the Banking Union and the Asset Quality Review (AQR) and stress tests were to fail to clean up balance sheets and restore confidence, also given the still elevated deleveraging needs in the private sector. The resulting prolonged weakness of credit supply would impose a limit on the recovery of investment. Downside risks could also stem from heightened financial instability in emerging markets.

The recovery could also be stronger than envisaged if firmer domestic demand in the core countries helps further the rebalancing process, while the competitiveness boost in peripheral countries is larger than envisaged. In the medium-term, the implementation of additional and bold structural reforms could lift further the potential growth of Member States, with positive impact also in the short-term, notably through increased confidence. Positive confidence effects could lead to a stronger rebound of investment in particular if financial fragmentation is reduced to a greater extent following a successful AQR and the introduction of the Single Supervisory Mechanism.

PART I

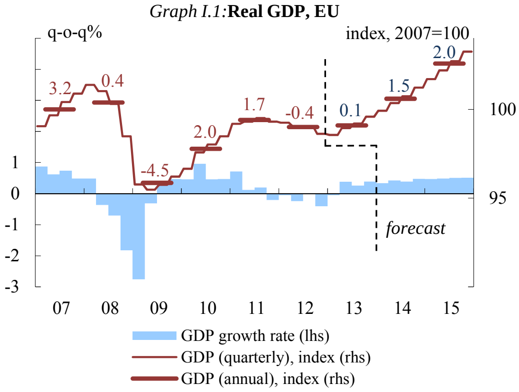
EA and EU outlook

RECOVERY GAINING GROUND

The EU economy returned to positive growth in the second quarter of 2013, and continued to recover in the second half of the year, gathering pace towards the end. Short-term indicators suggest a continued economic expansion in the coming quarters. However, the main impediments to growth stemming from the crisis – high debt, financial fragmentation, uncertainty and difficult adjustment – are only slowly receding, and the global economy is projected to grow at just a moderate pace. Looking ahead, GDP is expected to grow by 1.5% in the EU and 1.2% in the euro area this year, before speeding up more markedly in 2015 to 2.0% and 1.8% respectively.

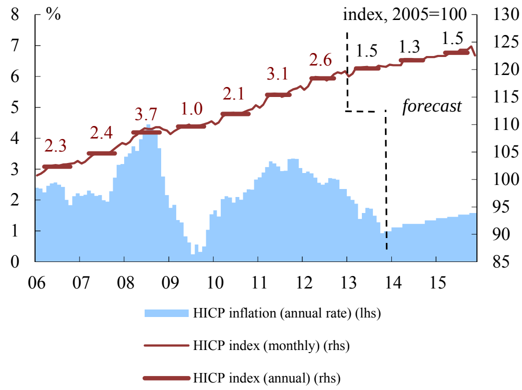
The recovery is expected to become increasingly driven by domestic demand and to spread across EU Member States. Domestic investment and consumption are set to continue firming this year and next, replacing net exports as the main driver of growth. Differences in the expected rates of growth across the EU should narrow, particularly as the recovery has now reached the large majority of Member States, including those most affected by the crisis. Unemployment, however, is set to remain high, with large differences among countries. Inflation, which has recently fallen faster than earlier anticipated, is expected to remain low for some time before increasing slightly in 2015 on the back of decreasing unemployment and excess capacity.

Graph I.1: **Real GDP, EU**



Figures above horizontal bars are annual growth rates.

Graph I.2: **HICP, EU**



1. THE RECOVERY IS FIRMING IN THE EU

A slow and fragile recovery is taking place in the EU and the euro area. GDP growth continued to be positive in the third quarter and gathered pace in the fourth. Survey-based confidence indicators have continued to improve in recent months suggesting a continuation of the gradual recovery.

Revisions to the autumn 2013 forecast are mild but slightly positive, and the earlier projection that growth would become broader-based across countries and increasingly driven by domestic demand has been confirmed.

A broader-based recovery across countries and drivers of growth …

In the second half of 2013, the recovery continued to broaden regionally. In the last quarter of 2013, GDP increased by 0.4% q-o-q in the EU and 0.3% q-o-q in the euro area, with the cyclical improvement fairly widespread across the EU countries. Only three of the EU economies that reported quarterly GDP data [(1)] are estimated to still be contracting, down from eight in the second quarter of 2013. High frequency indicators also show strong signs of improvements, with PMIs expanding in a majority of countries.

[(1)] On 14 February, Eurostat News Release on GDP flash estimates for 2013-Q4 did not include data for Denmark, Ireland, Greece, Croatia, Luxembourg, Malta, Slovenia and Sweden.

Growth differentials among euro-area Member States have fallen back to their 2010 levels but remain larger than they were between 2000 and 2007, before the crisis. The remaining differentials are a reflection of countries' different experiences during the crisis and their related adjustment needs, including in the financial sector. Unaddressed rigidities in labour and product markets also play a role in a number of Member States. As the recovery proceeds, growth differentials are expected to decrease further as the drags on growth that weighted particularly on vulnerable Member States recede and domestic demand firms up.

Growth is becoming less dependent on external demand. As anticipated in the autumn forecast, domestic demand is firming, though its dynamics now appear slightly stronger than previously expected. All components of domestic demand showed positive growth rates in the third quarter of 2013, and are expected to have increased further in the fourth quarter [(2)], with investment notably starting to pick-up more firmly. However, the investment to GDP ratio in the EU stabilised at around 18.9% in the third quarter of 2013, and remains far below its share of about 21% in the early 2000s. The fall in investment between 2008 and 2013 was extremely severe compared with previous downturns, particularly driven by sharp declines in business investment and, in some countries where there were housing bubbles, construction investment.

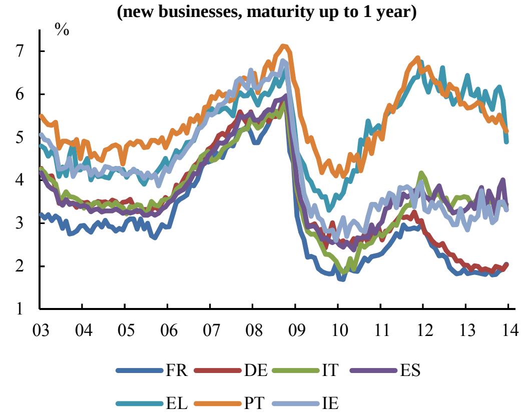
In most Member States, investment growth is expected to strengthen more significantly over the forecast horizon. Business investment, which should be one of the main drivers of growth in a period of recovery, contracted in recent years because of weak fundamental factors, such as low demand and profits, as well as abundant spare capacity. Those weaknesses coupled with legacies from the financial crisis such as high uncertainty, tight financing conditions and the deleveraging needs of firms are gradually fading and this is unlocking business investment.

... as impediments to growth are slowly receding.

As pointed out in previous forecasts, recoveries from deep financial crises are slower and more fragile than typical cyclical recoveries. Public and private balance-sheet adjustment, financial fragmentation, uncertainty and resource reallocation during internal and external rebalancing, have temporarily dampened investment and consumption, and this is fading only gradually.

In particular, the recovery of domestic demand has so far coexisted with a continued contraction of bank credit in the euro area. The absence of credit growth has been a symptom of low cyclical demand, compounded by non-financial corporations' deleveraging. During the early phase of the recovery, creditless growth is therefore not necessarily a major issue at the aggregate level. [(3)] Financial market conditions in the EU have continued to strengthen since the autumn, with both sovereign and corporate spreads receding substantially. However, data on bank lending volumes and interest rates suggest that the euro-area lending market is still fragmented (see graph I.3), with detrimental effects for small and medium-sized enterprises (see section I.3). Looking ahead, the ECB's comprehensive assessment of banks' balance sheets and the smooth implementation of the Banking Union should help further sever the links between sovereigns and banks, with positive implications for credit growth, particularly for SMEs.

Graph I.3: **Interest rates on loans to enterprises (new businesses, maturity up to 1 year)**



Substantial improvements in public finances have been achieved in the EU since 2011, with differentiated budgetary adjustments under the strengthened EU framework. Those efforts have allowed for a gradually reduced aggregate pace of fiscal consolidation since 2013. An analysis of measures already approved by national parliaments

(2) The break-down by GDP components for the fourth quarter will be released by Eurostat on 5 March 2014.

(3) See E. Taktás, C. Upper, Credit and growth after financial crisis, *BIS Working Papers*, n°416, July 2013.

or adequately detailed, shows that the pace of fiscal consolidation is set to further decrease. The need for front-loaded fiscal consolidation in the countries under market pressure had a detrimental impact on growth in the short term but the benefits are expected in the medium term.

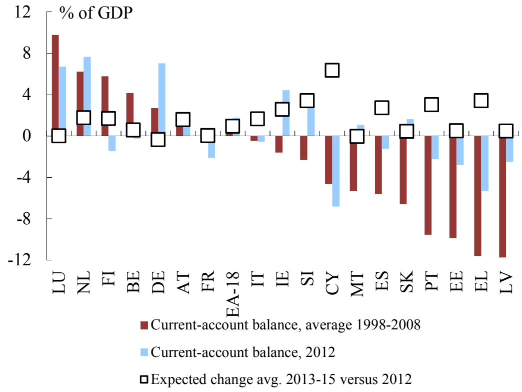
The negative impact of extreme uncertainty has been fading, but further reductions would release additional demand of goods and services. Policy uncertainty became extremely high in the euro area in 2011 and remained at high levels in the first half of 2012 when the integrity of the euro area was questioned. Since then, decisive crisis-management measures, reforms of the euro area's economic governance, and further steps towards Banking Union, have significantly reduced uncertainty. At the start of this year, policy uncertainty stood well below its average during the crisis years of 2008-13, but still above pre-crisis levels. Assuming smooth and continued policy implementation, uncertainty should continue declining, encouraging consumption and investment decisions. [4] This would also have immediate positive effects on manufacturing in the euro area, through increased industrial new orders (see box I.1).

Finally, the adjustment of external and internal imbalances is progressing, but very high unemployment will continue to hold back growth in a number of vulnerable countries.

Significant progress in the reduction of imbalances in the vulnerable Member States has been achieved in recent years. Gains in competitiveness due to decreases in unit labour costs, allowed for solid export performance as firms successfully turned to export markets. Moreover, prices and wages have developed differently in the tradable and non-tradable sectors. Non-tradables have seen deeper reductions in wages, while tradables have seen comparatively stronger price increases, a trend that should help rebalancing. [5] The adjustment in competitiveness and prices in vulnerable Member States is expected to continue, along with higher growth, still mostly led by exports.

Evidence suggests that a significant part of the current-account adjustment achieved so far is structural, though largely due to a permanent fall of domestic demand (see box I.3). However, in several countries the adjustment of the structural current-account balance is not yet sufficient to significantly reduce large negative net international investment positions. Moreover, the reallocation of labour to more productive activities has proven difficult given weak economic growth, so unemployment is expected to retreat very gradually from extremely high levels.

Graph I.4: **Current-account balances, euro area and Member States**



2. THE EXTERNAL ENVIRONMENT

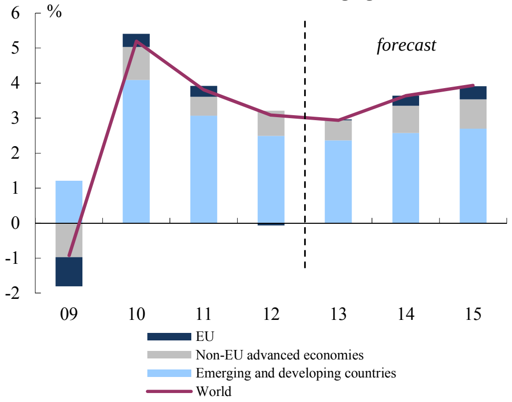
World GDP growth picked up in the third quarter of 2013 to 0.9% q-o-q, up from 0.8% in the second. Growth is increasingly being driven by the improved performance in advanced economies, primarily the US. In the third quarter, the contribution from emerging market economies (EME) remained unchanged, as a rising contribution from China and India was notably counterbalanced by the weaker performance of Latin America.

Looking ahead, survey indicators suggest a persistence of this pattern. Most Purchasing Managers' Indices (PMI) in advanced economies came out strongly in January while weakness was concentrated in the emerging markets, with the composite EME PMI edging down for the second month in a row on the back of the deterioration in China, Russia and Turkey. All in all, global GDP growth is now expected to have reached 2.9% in 2013 and to accelerate to 3.6% in 2014 and to 3.9% in 2015 (see graph I.5 and table I.1).

(4) M. Buti and P. C. Padoan, How to make Europe's incipient recovery durable: end policy uncertainty, VoxEU.org, 12 September 2013; 'Assessing the impact of uncertainty on consumption and investment', *Quarterly Report of the Euro Area*, June 2013, Vol. 12, No. 2, pp. 7-16.

(5) See 'Labour costs pass-through, profits and rebalancing in vulnerable Member States,' *Quarterly Report on the Euro Area,* October 2012, Vol. 12, No.3, pp. 19-25.

Graph I.5:Contributions to World GDP growth from EU, non-EU advanced and emerging economies



Global trade growth is accelerating …

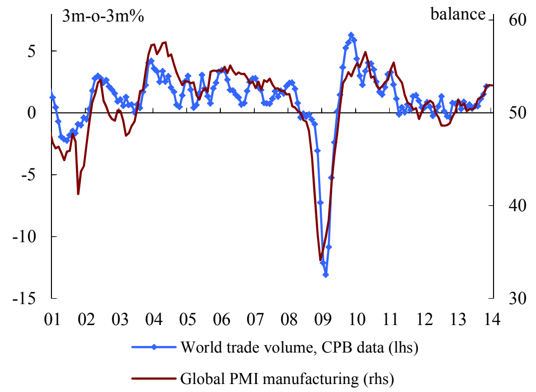
Mirroring the improvement in world GDP, global trade growth strengthened at the end of 2013, with improved outcomes for both advanced and emerging economies (see graph I.6). According to the CPB world trade indicator, trade volumes grew sharply in the 3 months to November, increasing by 2.1% over the previous 3 month period, the fastest growth in almost 3 years. While trade grew for both advanced and emerging economies, most of the recorded improvement came from emerging markets, primarily in Asia, which saw positive trade growth in the 3 months to November, after negative readings in the summer. This contrasts with the forward looking PMI measures that indicate stronger dynamics in advanced economies.

In 2012 and 2013, global trade growth was somewhat below the growth of global output. In 2014-15, global trade is expected to resume growing more rapidly than GDP, as trade-intensive sectors among which investment, provide a greater impetus to economic expansion. Growth in trade volumes is thus expected to accelerate, also reflecting the gradual strengthening of the global recovery, notably in advanced economies. Total world export growth is now expected to have been 2.7% in 2013, and to accelerate more markedly to 5.1% in 2014 and 5.8% in 2015.

… as advanced economies outside the EU are gathering speed …

Among advanced economies outside the EU, activity has been gathering momentum faster than expected in the US as headwinds from fiscal policy wane, and private consumption gains speed, benefitting from robust job creation and rising house prices.

Graph I.6:World trade and Global PMI manufacturing output



The domestic short-term risks from fiscal and monetary policy uncertainty in the US have also clearly diminished following the budget deal in December, the decision to extend the debt limit up to 2015 in February, as well as the reinforcement of forward guidance by the Fed. Momentum is expected to improve over the forecast horizon with fading fiscal drag, improving business investment and steady recovery in the housing market. Japan's economy is expected to grow in 2014 at the same pace as in 2013, with some variability in the near term reflecting the impact of fiscal policy decisions. In 2015, GDP growth is forecast to slow down on the back of fading monetary stimulus and additional fiscal measures. All in all, output growth in advanced economies is forecast to accelerate from 1.2% in 2013 to 2.2% in 2014 and 2.5% in 2015.

… while growth prospects in emerging markets have become more differentiated.

The situation in emerging markets has become more and more differentiated. Late January 2014 saw renewed financial turbulence, with sharp currency drops for a number of EMEs with weak economic fundamentals (particularly Argentina, South Africa, and Turkey) and sharp falls in stock markets in both developing and developed economies. Renewed uncertainty about the pace of US monetary tapering, concerns over Chinese growth dynamics, as well as political tensions in some countries, have, among other factors, contributed to the observed shift in market sentiment.

This variation in cyclical and structural vulnerabilities is also reflected in revisions to the forecast. While the outlook for Turkey and Russia has deteriorated recently, on the back of tightened financial conditions mirroring macro-economic vulnerabilities and weak policy frameworks, it has improved for other EU candidate countries and India. China's economy continued to grow rapidly in 2013, at 7.7%, with investment recovering sharply from a weak first quarter to provide the major contribution to growth. In 2014-15, China's growth is forecast to slow down to around 7½% as the composition of demand shifts away from investment towards higher consumption. However, achieving a smooth rotation of demand remains a challenge, particularly in the context of a fragile financial system**.** Emerging markets as a group are expected to grow at 5% in 2014 and 5.3% in 2015, following growth of 4.6% in 2013.

Moderation of commodity prices ahead

Brent prices increased in the third quarter of 2013 but subsequently eased in January 2014 to USD107 per barrel and are expected to continue declining gradually over the forecast horizon. Though global growth is picking up, a significant rebound in oil prices is unlikely due to sufficient supply, substitution of oil by other cheaper fuels and efficiency gains in oil consumption. A possible escalation of geopolitical tensions in the MENA region remains a risk factor. The assumptions for Brent prices are the following: USD 104.1/bbl in 2014, decreasing to USD 99.6/bbl in 2015, compared to a price of USD 108.8/bbl in 2013 (see Box I.5).

The performance of other commodity markets was mainly weak in 2013. A slight increase of the price of the food aggregate in 2013 was driven by higher prices of seafood and meat whereas the prices of main cereals, maize, rice and wheat, declined. Owing to an improved outlook for supply, food prices are projected to ease in 2014. Prices of metals and raw materials were on a declining trend in 2013 due to abundant supply and weak demand conditions. A modest recovery of prices is expected in 2014-15 supported by increasing demand in both advanced and emerging countries.

3. FINANCIAL MARKETS IN EUROPE

Financial markets, globally and in the EU, have, until recently, continued to perform strongly on the back of an improving economic outlook, while the sustained low-interest rate environment and positive corporate reports supported risk appetite. Positive market sentiment was further underpinned by progress with the repair of bank balance sheets. Most recently, however, market tensions in some emerging market economies have arisen, while investors have started to ponder the potential negative impact of the Federal Reserve's tapering. The EU Member States have been largely spared by these events.

Table I.1:

International environment

(Annual percentage change)					Winter 2014 forecast			*Autumn 2013 forecast*		
	(a)	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
					Real GDP growth					
USA	19.5	2.5	1.8	2.8	**1.9**	**2.9**	**3.2**	*1.6*	*2.6*	*3.1*
Japan	5.5	4.7	-0.5	1.4	**1.6**	**1.6**	**1.3**	*2.1*	*2.0*	*1.3*
Asia (excl.Japan)	29.5	10.3	7.4	5.9	**5.9**	**6.1**	**6.3**	*5.7*	*6.0*	*6.3*
- China	14.7	11.6	9.4	7.8	**7.7**	**7.4**	**7.4**	*7.5*	*7.4*	*7.4*
- India	5.7	11.2	7.7	3.8	**4.0**	**4.7**	**5.4**	*2.9*	*4.0*	*5.3*
Latin America	8.7	6.0	4.5	2.9	**2.6**	**3.1**	**3.4**	*2.6*	*3.1*	*3.5*
- Brazil	2.8	7.5	2.7	0.9	**2.2**	**2.3**	**2.9**	*2.2*	*2.5*	*3.1*
MENA	5.3	3.4	2.5	3.5	**2.4**	**3.6**	**3.8**	*2.4*	*3.6*	*3.8*
CIS	4.3	4.9	4.8	3.4	**1.9**	**2.8**	**3.1**	*2.3*	*3.3*	*3.6*
- Russia	3.0	4.5	4.3	3.4	**1.3**	**2.3**	**2.7**	*1.9*	*3.0*	*3.4*
Sub-Saharan Africa	2.6	5.4	4.8	4.8	**5.0**	**5.3**	**5.5**	*5.0*	*5.3*	*5.5*
Candidate Countries	1.5	8.2	8.1	1.8	**3.6**	**2.4**	**2.9**	*3.3*	*2.9*	*4.1*
World (incl.EU)	100.0	5.2	3.8	3.1	**2.9**	**3.6**	**3.9**	*2.8*	*3.6*	*3.9*
					World merchandise trade volumes					
World import growth		12.6	5.4	2.2	**2.5**	**4.9**	**6.0**	*2.8*	*5.2*	*6.0*
Extra EU export market growth		15.0	6.4	2.6	**3.4**	**5.6**	**6.0**	*3.6*	*5.7*	*6.0*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2012.

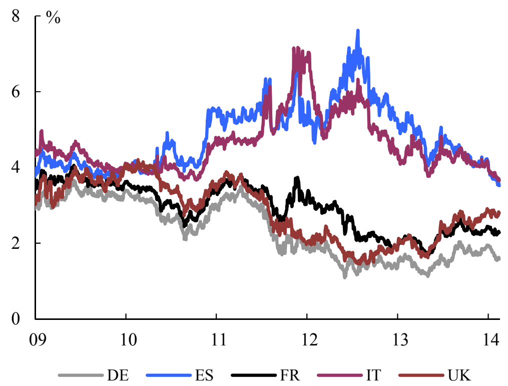
The ECB further eased monetary policy …

While the phasing out of unconventional monetary stimulus started end-2013 in the US and market expectations of interest rate hikes in the UK increased, the ECB lowered its main policy rate (MRO) by 25bps in November amid a subdued outlook for inflation in the euro area. It extended its fixed-rate tender procedures with full allotment at least until the end of the second quarter of 2015, thereby ensuring that euro-area banks would retain access to central- bank liquidity at the MRO rate well after the end of the two 3-year LTROs. In addition, the Governing Council reiterated its forward guidance and committed to maintain a high degree of monetary accommodation by taking further decisive action if needed.

… which contributes to keeping benchmark funding costs very low in the euro area.

Reflecting the tapering of the asset purchase programme by the US Federal Reserve and the more muted outlook for inflation in the euro area, the gap between the US 10-year Treasury yield and the German 10-year Bund yield increased somewhat further. Meanwhile, most euro-area peripheral sovereign-bond spreads continued to tighten significantly amid ongoing adjustment of fiscal fundamentals (see graph I.7). Debt auctions met high demand in a sign of investor confidence in the success of the ongoing fiscal adjustment and economic reforms.

Graph I.7: **Ten-year government-bond yield, selected Member States**



In the euro-area corporate bond markets, spreads have narrowed and the issuance of subordinated debt (corporates and banks) has increased strongly in 2013. Money market conditions remained stable although some upward pressure was observed on EONIA bank-to-bank lending rates amid falling excess liquidity in the EU banking system late in 2013.

Benign financial market conditions in the euro-area internalise high expectations …

Investors seem currently confident in further economic expansion, a smooth implementation of the Banking Union, governments' continued commitment to structural, fiscal and institutional reforms, and the sustained balance-sheet repair in the different sectors of the economy. Given the modest economic growth, high public debt, and, in some cases, the persistent nexus between banks and sovereigns, the risk of another increase in sovereign spreads remains.

… while banks are facing important challenges this year.

The 2014 AQR and stress tests as well as the advancement of Banking Union will take place in the context of an improved situation in the European banking sector, but lingering uncertainties over the quality of banks' assets. There has been progress in the solvency positions of euro-area banks while funding conditions at the aggregate euro-area level continued to normalise. Banks reduced their reliance on central-bank funding [6] while turning to more stable funding sources such as deposits, including in several vulnerable Member States. However, profit generation continues to be a challenge. Interest margins are still compressed while poor credit quality persists in the countries where high private-sector indebtedness interacts with subdued economic growth and high unemployment. Banks increased the recognition of loan losses, with non-performing loans provisioning contributing significantly to their low profitability.

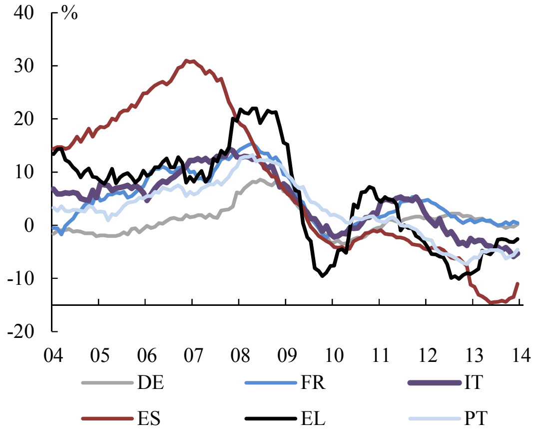
The general improvement notwithstanding, access to medium- and long-term market funding at sustainable costs remains a challenge for a number of mid-sized and small euro-area banks in vulnerable countries. Investors' prudence regarding bank balance sheets is reflected in banks' valuations remaining below the book value since 2009, while the valuations of US peers have risen above par during 2013. Some of this difference may relate to subdued profitability prospects for

(6) Around half of the initial amount of the three-year longer-term refinancing operations (LTROs) has been repaid before maturity.

euro-area banks but it also relates to investor uncertainty over the quality of banks' assets.

So far, the recovery has remained essentially creditless (see graph I.8). Credit flows to the private sector shrank over the last months (-2.1% y-o-y in December, adjusted for sales and securitisation), and lending volumes to non-financial corporations continued falling. However, net issuance of long-term debt securities by non-financial corporations continued to be buoyant (11% y-o-y in November), partly offsetting the weakness in bank lending as larger corporations continued the transition towards market financing. The bank lending weakness is influenced by temporary factors on both the supply and demand side. The upcoming AQR is expected to create the incentive for banks to clean up their balance sheets, recognise non-performing assets and strengthen their capital basis. Banks' willingness to frontload balance sheet adjustments [7] has likely contributed to the weak supply of credit most recently. Weak credit demand can be partially explained by the early stage of the economic expansion where firms tap internal funding to finance investment. Moreover, high corporate indebtedness may continue to weigh on demand for some time.

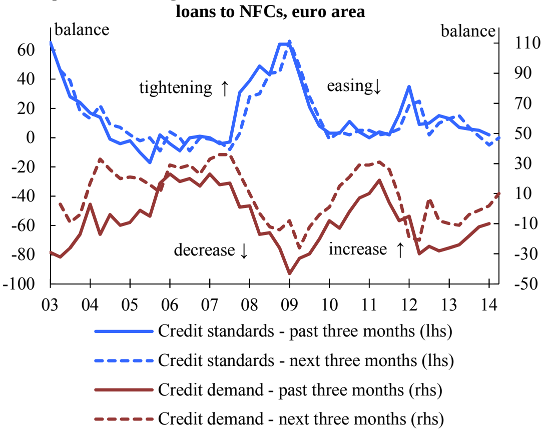
Graph I.8: **Loans to enterprices (index of national stocks y-o-y growth rate)**



The outlook for lending seems to be slowly improving

The January 2014 euro-area Bank Lending Survey conveys a somewhat more positive message. For the first quarter of 2014, banks predict an end to the net tightening of credit standards on loans to NFCs and a more intense easing for loans to households (see graph I.9). Loan demand was expected to strongly rebound in first months of 2014. The survey also points to a slight reduction in lending condition disparities across euro-area countries, a trend also visible in most recent data on lending volumes and interest rates. However, heterogeneity of lending conditions remains very high as banks are not yet translating the improved funding conditions into better lending conditions.

Graph I.9: **Net changes in credit standards and credit demand for loans to NFCs, euro area**



All in all, the more upbeat survey-based signals together with the reinforcement of the economic cycle herald a gradual improvement in lending volumes over the forecast horizon.

4. GDP AND COMPONENTS IN THE EU

The rebound in GDP growth has been confirmed ...

Economic activity in Europe has passed an inflection point in the first half of 2013 with positive real GDP growth, albeit weak and uneven, returning to the EU and the euro area. Following six quarters without positive growth, GDP started rising in the second quarter of 2013 in the EU and the euro area, and the upward trend was confirmed throughout the year. In the fourth quarter, Eurostat's flash estimates for GDP growth has been 0.4% in the EU and 0.3% in the euro area. However, for 2013 as a whole, due to large negative carry-over effects from 2012, GDP is expected to have only slightly increased in the EU (0.1%) and declined in the euro area (-0.4%) (see table I.2 and table I.3). The recovery is at its early stages and output volumes are still markedly below the pre-crisis levels of the first half of 2008 in both the EU and the euro area (by about 1½% in the EU and 2½% in the euro area). This is

(7) The AQR will be based on end-2013 balance sheet data.

Table I.2:

Composition of growth - EU

(Real annual percentage change)

	2012							Winter 2014 forecast		
	bn Euro Curr. prices	% GDP	2008	2009	2010	2011	2012	2013	2014	2015
			Real percentage change							
Private consumption	7804.7	58.4	0.4	-1.6	1.1	0.3	-0.7	**0.0**	**1.1**	**1.7**
Public consumption	2878.6	21.6	2.3	2.2	0.6	-0.2	-0.2	**0.4**	**0.6**	**0.7**
Gross fixed capital formation	2374.4	17.9	-1.4	-13.4	-0.2	1.6	-3.0	**-2.5**	**3.0**	**4.2**
Change in stocks as % of GDP	23.7	0.2	0.7	-0.6	0.2	0.7	0.2	**0.2**	**0.3**	**0.3**
Exports of goods and services	5930.9	44.9	1.5	-11.7	11.0	6.5	2.3	**1.4**	**4.1**	**5.5**
Final demand	19011.3	143.0	0.6	-6.5	4.1	2.4	-0.3	**0.2**	**2.2**	**3.0**
Imports of goods and services	5684.4	42.9	1.1	-11.5	9.8	4.4	-0.3	**0.5**	**4.0**	**5.6**
GDP	12970.8	100.0	0.4	-4.5	2.0	1.7	-0.4	**0.1**	**1.5**	**2.0**
GNI	12975.5	100.0	0.2	-4.4	2.1	1.7	-0.5	**0.2**	**1.4**	**1.9**
p.m. GDP euro area	9599.7	71.4	0.4	-4.5	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.8**
			Contribution to change in GDP							
Private consumption			0.2	-0.9	0.6	0.2	-0.4	**0.0**	**0.7**	**1.0**
Public consumption			0.5	0.5	0.1	0.0	0.0	**0.1**	**0.1**	**0.2**
Investment			-0.3	-2.8	0.0	0.3	-0.6	**-0.5**	**0.5**	**0.7**
Inventories			-0.2	-1.2	0.8	0.3	-0.5	**0.1**	**0.0**	**0.0**
Exports			0.6	-4.8	4.0	2.6	1.0	**0.6**	**1.8**	**2.5**
Final demand			0.8	-9.2	5.6	3.4	-0.5	**0.3**	**3.2**	**4.3**
Imports (minus)			-0.4	4.7	-3.5	-1.7	0.1	**-0.2**	**-1.7**	**-2.4**
Net exports			0.2	-0.1	0.5	0.9	1.1	**0.4**	**0.2**	**0.1**

nevertheless, in line with empirical evidence of full recoveries following deep financial crisis. [8]

As regards GDP components in 2013 the rebound has increasingly benefitted from positive contributions from domestic demand. [9] In the euro area, in the third quarter all components of domestic demand expanded, at least modestly. While private consumption expanded only marginally (0.1% q-o-q), gross fixed capital formation moved up 0.4% and changes in inventories made a substantial contribution. For the first time since the beginning of 2010, net exports put a drag on growth as export growth declined in response to moderate global activity outside the EU while imports grew more strongly.

The strengthening of economic activity has been observed in most Member States, but so far growth was primarily supported by developments in the UK and Germany, also in line with their respective weights in the EU aggregate. Most vulnerable countries also managed a return to positive growth in the second or third quarter of 2013, in particular Spain and Portugal, which was confirmed in the fourth. Italy emerged from recession in the fourth quarter, though very timidly. Moreover, available information about developments in GDP components point to progress in intra-euro-area rebalancing with a strong export performance in some vulnerable Member States and signs of strengthening domestic demand in surplus countries.

... with moderate growth expected in the short term ...

The short-term outlook for GDP is for a continuation of moderate growth in the EU and the euro area (unchanged at 0.3% q-o-q in the euro area and 0.4% in the EU in the first quarter). In fact, in recent months, business indicators have increased further. Continuing along its upward trend since May 2013, the Commission's Economic Sentiment Indicator has passed its long-term average in September in the EU and in December in the euro area. In January 2014, business sentiment has kept on increasing but the pace of improvement has slightly moderated and was less broad-based across sectors than in the few months before, suggesting a still fragile recovery. Other recent indicators also suggest that economic activity keeps strengthening. In January, the euro-area PMI Composite Output Index reached its highest level since mid-2011 (52.9), signalling

(8) Analysing 100 banking crises, Reinhart and Rogoff estimated that it takes about eight years to reach pre-crisis levels of income, while the median is about 6½ years. See C. M. Reinhart and K. S. Rogoff, Recovery from financial crises: evidence from 100 episodes, *NBER Working Paper* no. 19823, January 2014.

(9) The breakdown of GDP for the EU and the euro area is only available for the first three quarters of 2013.

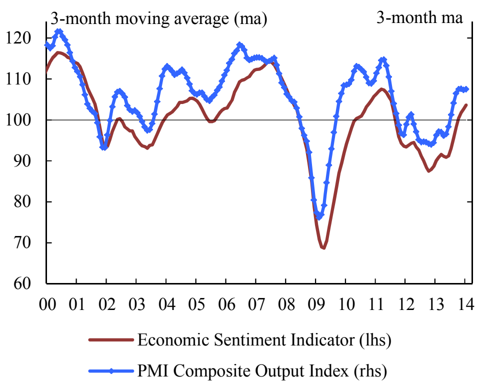
Table I.3:
Composition of growth - euro area

(Real annual percentage change)

	2012							Winter 2014 forecast		
	bn Euro Curr. prices	% GDP	2008	2009	2010	2011	2012	2013	2014	2015
			Real percentage change							
Private consumption	5455.2	57.5	0.4	-1.0	1.0	0.3	-1.4	**-0.7**	**0.7**	**1.4**
Public consumption	2041.3	21.5	2.3	2.6	0.6	-0.1	-0.5	**0.3**	**0.5**	**0.7**
Gross fixed capital formation	1741.0	18.3	-1.4	-12.8	-0.4	1.6	-4.0	**-3.0**	**2.3**	**3.6**
Change in stocks as % of GDP	9.2	0.1	0.7	-0.6	0.2	0.6	0.1	**0.1**	**0.2**	**0.2**
Exports of goods and services	4348.5	45.9	1.1	-12.4	11.6	6.5	2.5	**1.3**	**4.2**	**5.7**
Final demand	13595.4	143.3	0.5	-6.3	4.1	2.5	-0.7	**-0.2**	**2.1**	**3.0**
Imports of goods and services	4102.1	43.3	0.8	-11.0	10.0	4.5	-0.9	**0.2**	**4.1**	**5.9**
GDP	9505.8	100.0	0.4	-4.5	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.8**
GNI	9536.6	100.3	-0.2	-4.1	2.2	1.6	-0.5	**-0.4**	**1.1**	**1.7**
p.m. GDP euro area	13074.7	132.0	0.4	-4.5	2.0	1.7	-0.4	**0.1**	**1.5**	**2.0**
			Contribution to change in GDP							
Private consumption			0.2	-0.6	0.6	0.2	-0.8	**-0.4**	**0.4**	**0.8**
Public consumption			0.5	0.5	0.1	0.0	-0.1	**0.1**	**0.1**	**0.2**
Investment			-0.3	-2.8	-0.1	0.3	-0.8	**-0.6**	**0.4**	**0.6**
Inventories			-0.1	-1.0	0.6	0.3	-0.5	**0.0**	**0.1**	**0.0**
Exports			0.4	-5.2	4.3	2.7	1.1	**0.6**	**1.9**	**2.7**
Final demand			0.7	-8.9	5.5	3.4	-1.0	**-0.3**	**2.9**	**4.3**
Imports (minus)			0.3	-4.5	3.5	1.8	-0.4	**0.1**	**1.7**	**2.5**
Net exports			0.1	-0.7	0.7	0.9	1.5	**0.5**	**0.2**	**0.2**

expansion of activity, notably reflecting strong readings in manufacturing (see graph I.10).

Graph I.10: **Economic Sentiment Indicator and PMI Composite Output Index, EU**

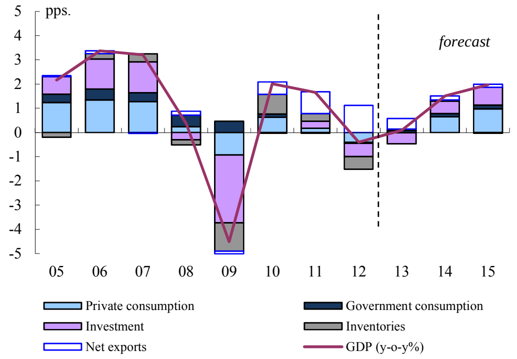


... and strengthening over the forecast horizon.

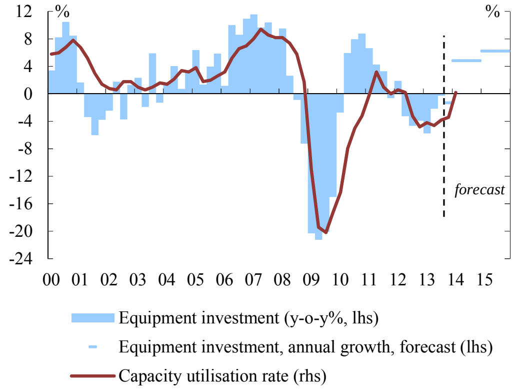
Over the forecast horizon, real GDP is expected to continue the recovery at moderate pace, on the back of a further gradual strengthening of domestic demand. In 2014, the GDP growth forecast stands at 1.5% for the EU and 1.2% for the euro area. Domestic demand is notably expected to benefit from the gradual weakening of the impediments stemming from the financial and economic crisis (see section I). The expansion of gross fixed capital formation should be supported by improving sentiment and lower uncertainty, more favourable funding conditions, higher domestic and external demand, together with the need to replace an ageing capital stock after a marked adjustment phase. Private consumption is expected to gain some momentum as the stabilisation in labour markets continues; real disposable incomes benefit from lower consumer price inflation and the drag of fiscal consolidation diminishes. Following two years of declining public consumption, a very moderate expansion was seen in 2013 that is expected to continue as fiscal consolidation decelerates.

In 2015, a further acceleration of GDP growth is expected in the EU and the euro area of 2.0% and 1.8%, respectively. The recovery though gaining speed would remain low by historical standards. The expansion should reflect a stronger contribution from domestic demand. Gross fixed capital formation is expected in particular to become more robust and private consumption growth to get support from slightly improving labour market conditions whereas public consumption continues its modest expansion (see graph I.11). The impact of already implemented structural reforms is also expected to reinforce those positive developments in 2015.

Graph I.11: **GDP growth and its components, EU**



Graph I.12: **Equipment investment and capacity utilisation, EU**



Gross fixed capital formation has started rebounding …

After declining strongly for several quarters, gross fixed capital formation has started to rebound timidly in the first half of 2013 and is expected to have gained some momentum up to the final quarter of 2013. For 2013 as whole, due to substantial declines in late 2012 and early 2013, the annual growth rate would remain in negative territory in the EU (-2.5%) and in the euro area (-3.0%). Investment volumes are still relatively low at this early stage of the rebound, dampened by weak fundamentals and the crisis legacy.

… on the back of a revival in equipment investment.

For early 2014, available indicators suggest a continued but moderate expansion for equipment investment. Production expectations and confidence indicators from the Commission's survey in manufacturing have increased above their long-term average and capacity utilisation rates have moderately moved up, though remaining at low levels (see graph I.12). The euro-area manufacturing PMI reached a 32-month high in January, signalling expansion.

Over the forecast horizon, financing conditions are expected to become more benign and support funding needs of companies, also in the vulnerable countries. Improved financing conditions, together with increasing margins and widening profits as the recovery advances are set to support equipment investment spending further. However, since inflation expectations have been sagging, real interest rates are somewhat higher than in the autumn. In 2014, equipment investment is set to grow by 4.6% in the euro area and 4.8% in the EU, accelerating to about 6% in 2015 in both areas in line with a firming domestic demand.

After falling for a few years, construction investment is projected to resume growing in 2014 and accelerate further in 2015. It is however set to remain weak on the back of still depressed euro-area housing markets. A contraction in construction investment is even expected to persist in Spain in 2015. Overall, in 2015, total gross fixed capital formation is set to increase, mainly supported by the rebound in equipment investment, by 4.2% in the EU and by 3.6% in the euro area.

Private consumption exhibited marginal growth at the onset of the recovery …

Recent developments in private consumption, the largest GDP component, suggest that it will become an important driver of the ongoing recovery. After falling during the recession years, private consumption growth had become marginally positive in the second quarter of 2013 and kept on increasing in the third quarter though still modestly. All in all in 2013, private consumption stagnated in the EU and receded in the euro area (-0.7%).

A key reason for weak consumption growth so far has been the large squeeze on real gross disposable incomes, mainly attributable to muted wage growth alongside a weak labour market situation. On the nominal side, growth in compensation of employees fell to 0.2% in 2013 in the EU in the context of shrinking employment (-0.4% in the number of persons employed) and moderate increases in wages per head (1.6% in the EU). Moreover, non-labour incomes, which include profit income, increased only slightly. Private wealth remained constrained by weak housing market developments after the financial crisis had wiped out a substantial part of the net worth of debtors. This resulted in tight borrowing constraints and low liquidity, which forced some households to cut back on consumption, particularly in countries with highly leveraged households.

Developments in the households' saving rates are also key for private consumption growth. Households can respond to a fall in income in two ways: by increasing precautionary savings or, by lowering savings to uphold consumption. During the 2012-13 recession, high uncertainty might have raised precautionary savings [10], but relatively low real interest rates could also have favoured current consumption, partly offsetting the previous effect. In total, the households saving rate remained broadly unchanged in the euro area and the EU.

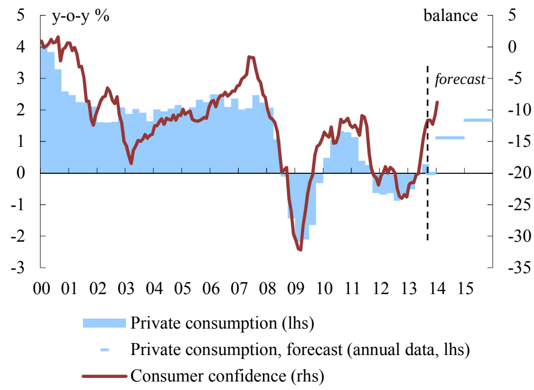
As regards private consumption, both recent developments and the outlook differ markedly across Member States. Focusing on the seven largest economies, growth rates varied in 2013 from -2½% (Italy and Spain) to 2½% (UK). This reflects differences in developments in disposable incomes with increases in Germany and France and losses in Italy and Spain; and in deleveraging needs.

… but is expected to rebound stronger as the recovery takes ground.

In the near-term private consumption is expected to grow moderately, in line with a gradually increasing real disposable income. Short-term indicators point to continued muted developments in private consumption. The consumer confidence indicator increased almost steadily since spring 2013 and has surpassed the long-term average (see graph I.13). In January 2014, the Commission's retail trade confidence indicator reached the highest level since mid-2013, standing clearly above its long-term averages in both areas. However, the indicator of households' intentions to make major purchases remained at low levels, suggesting that consumers are still cautious in deciding to purchase durable goods.

Over 2014, private consumption is expected to gain some strength as nominal disposable income turns visibly positive, on the back of improved employment prospects and increased wages. A slower pace of fiscal consolidation and higher consumer confidence are also expected to boost households spending. Moreover, lower HICP inflation is expected to lift households' real disposable income. However, in some Member States, the need for deleveraging should continue weighing on private consumption. There, the strength of private consumption will depend on the spending patterns of households simultaneously engaged in deleveraging processes. [11] At the aggregate level, most of the increase in disposable incomes is expected to be spent, leaving the saving rate constant. Overall, private consumption is expected to rebound by 1.1% in the EU and to 0.7% in the euro area. In 2015, with labour market conditions starting to improve more markedly and wages increasing, private consumption is set to accelerate to 1.7% in the EU and 1.4% in the euro area.

Graph I.13: **Private consumption and consumer confidence, EU**



Public consumption back to tiny expansion as the pace of fiscal consolidation slows down

In line with fiscal consolidation needs, government consumption had decreased in the EU and the euro area during 2011-12, but returned to positive growth rates in 2013. Increases were notably recorded since the second quarter of 2013, after a stable outcome in the first quarter. For 2013 as a whole, government consumption is expected to have increased in the EU by 0.4% (0.3% in the euro area). Looking at the components of government consumption, in the euro area compensation of employees shifted from declining to increasing nominal expenditure, on the back of past wage agreements in the public sector (-0.3% in 2012 to 1.0% in 2013). Disinflation is set to

(10) See e.g. A. Mody, A., F. Ohnsorge and D. Sandri, Precautionary savings in the Great Recession, *IMF Economic Review*, April 2012, Vol. 60, No. 1, pp. 114-38.

(11) For an overview of deleveraging in the euro area see e.g. IMF, Indebtedness and deleveraging in the euro area, *IMF Country Report* No 13/232, July 2013.

amplify the impact on real government consumption.

Over the forecast horizon, with weaker consolidation needs, public consumption is expected to gain traction in the EU and the euro area. However, declines in public consumption in 2014 and 2015 are still expected in Ireland, Greece, Spain, Cyprus, and Portugal. The forecast for 2015 is based on the no-policy-change assumption, which implies that only measures adopted by national parliaments or known in sufficient details are accounted for.

Net exports supported the rebound in GDP in the first half of 2013, …

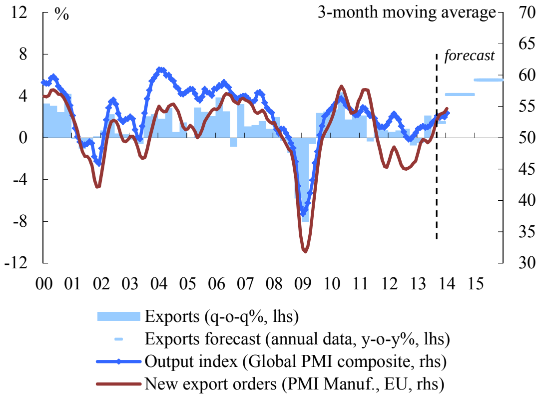
Following the very strong expansion of exports of goods and services by about 2% (q-o-q) in the second quarter of 2013 in both the EU and the euro area, the third quarter saw exports stagnating in the EU and growing by just ¼% in the euro area. The latest decline in export growth was mainly driven by slowing extra-EU demand, but also by the nominal appreciation of the euro. The growth of total imports had also turned positive in both areas in the second and third quarters (1½% and 1¼% respectively) reflecting the strengthening of domestic demand. With imports growing more strongly than exports, the contribution from net exports to GDP growth turned negative in the third quarter.

… but will diminish over the forecast horizon …

In the short term, further export growth is expected in line with the increasing foreign demand for EU products. In fact, manufacturing export order books from the Commission's surveys have improved further in the latest months, being above their long-term averages, and so did new export orders in the manufacturing PMI (see graph I.14).

For the year 2013 as a whole, EU export growth is expected to have slowed to 1½%, before accelerating in 2014 (4%) and 2015 (5½%) on the back of a rebound in economic activity outside the EU. Following moderate growth in 2013 (½%), import growth is expected to expand almost in parallel to exports. This is also related to the expected acceleration in investment, which is more import intensive than other GDP components. [12]

Graph I.14: **Global demand, EU exports and new export orders**



Export growth outperformed import growth in 2013, and net exports should have contributed positively to GDP growth. This picture is expected to change over the forecast as imports strengthen in line with the pick-up in domestic demand. Net exports' contribution would be more than halved in 2014-15 compared to 2013, though remaining slightly positive.

… with some cross-country differences.

The ongoing restructuring of the corporate sector in vulnerable Member States is supporting their performance on foreign markets and enables them to take advantage of the expansion of world trade. This has already been visible in recent export growth rates with vulnerable countries outperforming others (see graph I.15). However, due to still relative small export shares in some of these countries, the positive impact on overall GDP growth remains limited.

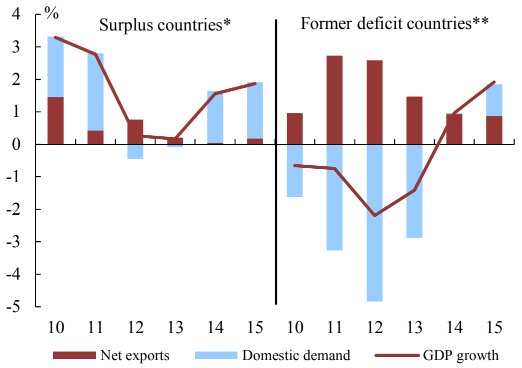
Strengthening current-account surplus in the euro area

The trade balances of the euro area and the EU were positively affected by the increase in export volumes in 2013. Moreover, the long-lasting weakening of economic activity in the EU and shrinking private consumption volumes have left their mark on imports. Import prices declining faster than export prices supported the widening of

(12) See e.g. M. Bussière et al., Estimating trade elasticites: demand composition and the trade collapse, *American Economic Journal: Macroeconomics*, July 2013, Vol. 5, No. 3, pp. 118-151.

the surplus in the adjusted merchandise trade balance in 2013.

Graph I.15: **Growth contributions in surplus and former deficit countries**



* BE, DE, AT, LU, NL, FI; ** IE, EL, ES, CY, MT, PT, SI

After years of having a roughly balanced external position, the current-account balance of both the EU and the euro area has now shifted into a more marked surplus (in adjusted terms) and is expected to have been close to 1¼% and 2¼% of GDP, respectively in 2013. Moreover, it is forecast to stay broadly at those levels in 2014 and 2015.

Most of the strengthening in the euro-area current account is the result of significant adjustment in the vulnerable countries, which previously recorded high deficits. External rebalancing in vulnerable euro-area Member States is supported by gains in price competiveness due to lower unit labour costs as well as by the permanent contraction of domestic demand induced by reductions in overblown construction investments, corrections in future income expectations and increases in structural unemployment (see box I.3). Going forward, the expected recovery in domestic demand is set to slow down the growth of net exports so that the pace of improvement in current accounts of vulnerable Member Sates starts reducing.

5. LABOUR MARKET CONDITIONS IN THE EU

After declining for almost two years, employment (i.e. the number of persons employed) stabilised in the second quarter of 2013 and remained unchanged in the third quarter, while unemployment rates have stopped increasing since mid-2013.

Labour market conditions have stabilised since the second half of 2013 ...

In the second half of 2013, the unemployment rate remained broadly unchanged in the EU and the euro area, after being on the rise for the last five years. In December, the unemployment rate declined very timidly in the EU to 10.7% (from 10.8% in November) while it stood unchanged at 12.0 % in the euro area (after peaking at 12.1% in the summer), remaining in both areas at historically high levels. Since the summer, the youth unemployment rate has also started to recede in the EU and to stabilise in the euro area, but this partly reflects a falling participation rate. In December 2013, it reached 23.2% in the EU and 23.9% in the euro area, compared to 23.7% and 24.2% a year earlier.

With output growth accelerating only slowly and in view of the lagged response of employment to the cycle, little net job creation is expected to take place in the short term. Most of the latest survey measures of hiring intentions have continued to increase in recent months, but remain at low levels. According to Commission surveys, in industry employment expectations in the EU and euro area have steadily increased up to January 2014 and slightly exceed the long-term average, whereas expectations in the services sector despite being on an upward trend remain low. In the construction sector, hiring intentions have been more volatile and are still below their long-term average. Consumers' unemployment fears have almost steadily declined from the peaks observed in late 2012, having fallen below their long-term averages (see graph I.16).

Graph I.16: **Employment expectations, DG ECFIN surveys, EU**

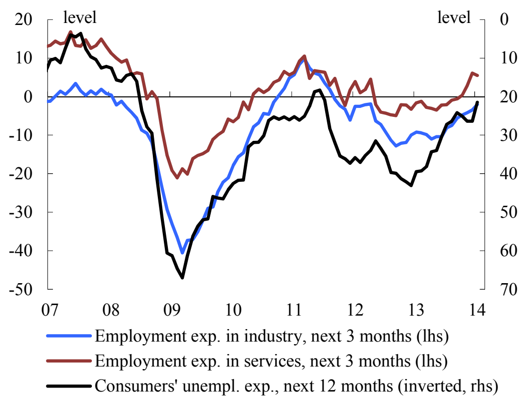


Table I.4:

Labour market outlook - euro area and EU

(Annual percentage change)	Euro area				*Autumn 2013 forecast*			EU				*Autumn 2013 forecast*		
	2012	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Population of working age (15-64)	0.0	0.0	0.0	0.0	*0.1*	*0.1*	*0.1*	0.0	0.1	0.1	0.1	*0.1*	*0.1*	*0.1*
Labour force	0.7	-0.1	-0.1	0.3	*0.0*	*0.2*	*0.2*	0.7	0.1	0.0	0.4	*0.2*	*0.2*	*0.3*
Employment	-0.8	-0.9	0.3	0.7	*-0.9*	*0.2*	*0.7*	-0.3	-0.4	0.5	0.7	*-0.4*	*0.3*	*0.7*
Employment (change in million)	-0.6	-0.8	0.2	0.7	*-0.9*	*0.2*	*0.7*	-0.2	-0.4	0.4	0.7	*-0.4*	*0.3*	*0.7*
Unemployment (levels in millions)	18.2	19.3	19.2	18.6	*19.5*	*19.6*	*19.0*	25.5	26.6	26.1	25.4	*27.0*	*26.9*	*26.1*
Unemployment rate (% of labour force)	11.4	12.1	12.0	11.7	*12.2*	*12.2*	*11.8*	10.5	10.9	10.7	10.4	*11.1*	*11.0*	*10.7*
Labour productivity, whole economy	0.2	0.5	0.9	1.0	*0.4*	*0.8*	*1.0*	-0.1	0.5	1.0	1.2	*0.4*	*1.0*	*1.2*
Employment rate (a)	58.3	57.8	58.0	58.4	*57.8*	*57.9*	*58.2*	58.4	58.1	58.3	58.6	*57.9*	*58.0*	*58.3*

(a) As a percentage of population of working age. Definition according to structural indicators. See also note 6 in the Statistical Annex

... and limited improvements are expected in 2014-15.

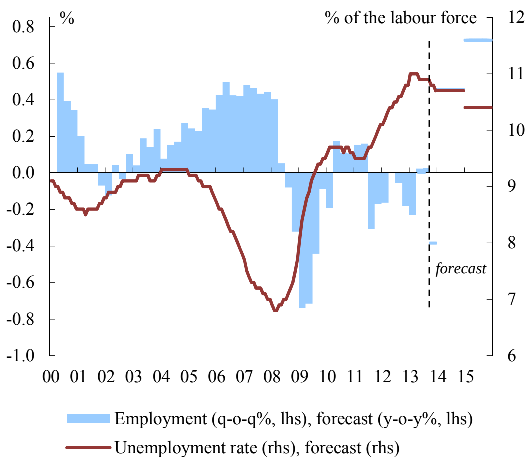
The subdued recovery of economic activity is expected to lead to only a minor positive impact on employment in 2014 (0.3% and 0.5% respectively in the euro area and the EU) but more visible ones in 2015 (0.7% in both zones) (see table I.4). Private employment growth is projected to still be dampened by the scope for firms to increase hours per employee, which are still below their pre-crisis level, before hiring new staff. Besides, the limited access to funding for SMEs in some countries, could also negatively impact their hiring decisions; and those firms usually have a leading role in employment creation.

The labour force in the EU and the euro area is estimated to grow moderately in 2013-15, in line with population of working age. The "added worker effect" (resulting from the need of an additional income for households hit by the crisis) which characterised the response of participation until 2012 is set to be more than offset by stronger discouragement effects and falling participation of the youth, in particular in the countries with high long-term unemployment rates. [13]

Unemployment is set to decline timidly at the end of the forecast horizon ...

After being on the rise since 2009, the unemployment rate is expected to remain unchanged in 2014, at 12.0% in the euro area, while slightly receding to 10.7% in the EU. In 2015, the unemployment rate is expected to slightly decline in both areas, to 11.7% in the euro area and 10.4% in the EU, remaining at historically high levels (see graph I.17). Such a slow decline mirrors first the fragility of the economic recovery but could reflect inter-alia a higher structural unemployment than in the pre-crisis years. Low productivity gains, the impact of long-term unemployment on skills and future employability of youth, labour market mismatches due to the sectoral adjustment process in some countries, together with a decline in production capacity are preventing unemployment declining markedly. This is also mirrored by the rise in the NAWRU, which according to the Commission estimates has increased substantially since 2008. [14]

Graph I.17: **Employment growth and unemployment rate, EU**



Forecast figures are annual data.

... with marked differences across Member States.

While growth differentials are expected to narrow over the forecast horizon, large differences in labour market performances are set to persist. In 2015, unemployment rates are expected to range from 4.7% in Austria to 24.6% in Spain, reflecting

(13) See European Commission (DG ECFIN), Labour Market Developments in Europe 2013, *European Economy*, 6/2013.

(14) However, variations in the NAWRU might also reflect some cyclical factors.

divergent output developments, as well as different responses of employment to output. However, the unemployment rate should see a decline in most of the EU Member States by the end of the forecast horizon.

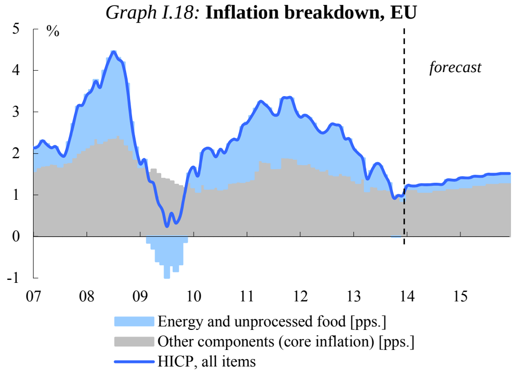
The variable labour market conditions across countries are also reflected in diverging wage developments. Since 2011, real wage increases have lagged behind productivity growth in most high-unemployment countries facing substantial internal and external adjustment needs. Looking ahead, wage moderation is set to continue in vulnerable Member States allowing for a further gradual improvement in price competitiveness. On the other hand a notable rise in unit labour costs was observed in countries with relatively low unemployment and real wages per head are set to grow faster than in the pre-crisis years, notably in Germany.

6. INFLATION IN THE EU

Inflation slowed down in 2013 …

In the EU and the euro area, consumer-price inflation has been trending downwards throughout 2013 on the back of falling energy prices, together with still weak economic conditions. In 2013, HICP inflation averaged 1.5% and 1.4% respectively in the EU and the euro area, compared to 2.6% and 2.5% in 2012 (see Graph I.18). The easing of price pressures was accentuated towards the end of the year by the fading impact of temporary factors – past increases in taxation in a number of Member States linked to fiscal consolidation needs and some volatility in commodity prices. Also a marked appreciation of the euro, contributed to decreasing price pressures from imported goods in 2013.

Graph I.18: **Inflation breakdown, EU**



… and so did underlying inflation.

Core inflation, i.e. all-item HICP inflation excluding energy and unprocessed food, remained quite persistent in the first three quarters of 2013 (at 1.5% in the EU and 1.3% in the euro area over that period), as the underlying inflation pressures were still distorted by second-round effects from previous hikes in energy prices and changes in taxation in a number of Member States. In the fourth quarter, as those factors faded away, core inflation decreased to 1.1% in the EU and 1.0% in the euro area. Notably, the impact of tax hikes and administrated prices was smaller in the fourth quarter than during the rest of 2013. The inflation measure adjusted for tax changes [15] stood at 1.1% in the EU and 1% in the euro area in 2013. Moreover, the theoretical impact of changes in taxation on inflation varied in 2013 from -0.1 pp. in Denmark and Lithuania to 1.4 pps. in Spain, masking somewhat the underlying price pressures.

A protracted period of low inflation …

Looking ahead, with the underlying price trend likely to remain subdued and continued downward trend in commodity prices, average annual HICP inflation in 2014 is predicted to ease further to around 1% in both areas on the back of weak demand in the current cyclical phase, reinforced by relative price adjustments. Inflation appears to have become more reactive to the output gap recently, possibly driven by a reduction of nominal rigidities, in particular in vulnerable Member States that have implemented significant structural reforms in the recent past (see Box I.4).

With a gradual reduction of the output gap over the forecast horizon, the dampening cyclical impact on price pressures is likely to fade, and a muted increase in HICP inflation is expected in the course of 2015. Average HICP inflation in 2015 in the EU and euro area is set to increase slightly to 1.5% and 1.3% respectively.

… driven by restrained wage pressures, …

On average in 2013, compensation per employee in the euro area rose at a muted pace (1½% in the three first quarters of 2013). As labour productivity growth gained momentum in the course of 2013,

(15) This measure assumes full and immediate pass-through of tax changes to prices. It may therefore overestimate the impact of tax changes on inflation.

the growth in unit labour costs has decelerated substantially to 1.0% in the third quarter of 2013. With improved economic prospects ahead, productivity gains are set to accelerate towards the end of the forecast horizon to 1% in the euro area and 1.2% in the EU. Combined with a modest recovery in wage growth (to about 2% in 2015 in both areas), growth in unit-labour-cost is set to stabilise below 1% per year, indicating modest inflation pressures from the labour market. However, the overall outlook for wage pressures masks quite divergent situations across Member States.

… and producer price inflation turning negative.

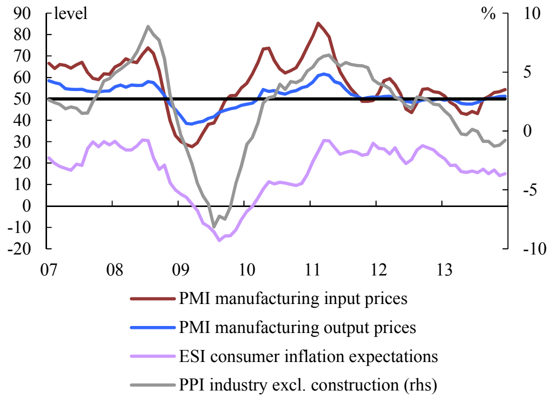
The subdued inflation outlook is corroborated by developments in upstream price pressures which have been declining since spring 2011. Producer prices excluding construction, fell further and turned negative in mid-2013 both in the EU and the euro area. In December, they declined by 0.6% y-o-y in the EU. Assuming a partial pass-through of producer prices to consumer prices, this foreshadows continuing disinflationary pressures in the months ahead, given the overall weakness in economic conditions and the assumptions for commodity-price developments.

Stable long-run inflation expectations

Survey indicators of producer and consumer price expectations seem to signal low but positive inflation developments in the short term. As regards producers' expectations, the PMI manufacturing input price index, after recording a trough in mid-2013, revived substantially and stands slightly above the 50-mark in January, indicating an increase in future prices, amid better economic news. By contrast, output price expectations (i.e. selling prices) proved very stable over the same period hovering around the 50-mark, suggesting a feeble pricing power of companies due to weak demand prospects. In the course of 2013, consumers' inflation expectations followed the inflation trend downward and suggest low inflation in the short term (see graph I.19).

The market-based euro-area inflation expectations seem to corroborate the survey-based indications. Inflation expectations derived from swap rates have been trending downwards at all maturities since spring 2011, although an uptick is visible since mid-December 2013. Taken at face value, the spot rates of inflation-linked swaps observed in January 2014 imply an average annual inflation rate of 1.1% over 2014-16. Over the medium term, inflation expectations derived from inflation-linked swap rates at the three-years-forward-three-years-ahead horizon, imply an average inflation rate of 1.7% in 2017-19. At the same time, five-year inflation-linked swap rates five years ahead, the most widely used measure of long-term inflation expectations, have been relatively stable at slightly above 2%. The marked-based indicators suggest that long-term inflation expectations are being well-anchored at the current juncture on the back of high central bank credibility. In the short to medium term, however, markets expect inflation to remain low.

Graph I.19: **Euro-area PPI and survey inflation expectations**



7. PUBLIC FINANCES IN THE EU

Consolidation of public finances continuing but at a slower pace

After significant fiscal consolidation in recent years, headline deficits are projected to keep falling, although at a gradually slowing pace, over the forecast horizon. This pattern of consolidation is consistent with the ongoing correction of excessive deficits. [16]

The reduction in the headline deficit in 2013 stemmed mainly from continuous underlying fiscal effort, as the uptick in economic activity remained modest in 2013. As a result of the significant fiscal consolidation achieved by several Member States,

[16] With regard to EU budgetary surveillance all Member States except Bulgaria, Estonia, Finland, Germany, Hungary, Italy, Latvia, Lithuania, Luxemburg, Romania, and Sweden are currently subject to the Excessive Deficit Procedure (EDP).

Table I.5:

General Government budgetary position - euro area and EU

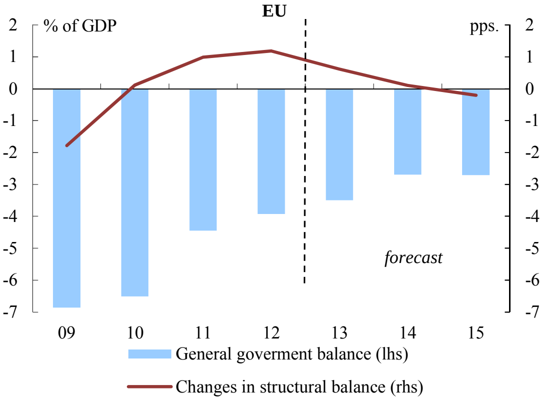
(% of GDP)	Euro area				Autumn 2013 forecast			EU				Autumn 2013 forecast		
	2012	2013	2014	2015	2013	2014	2015	2012	2013	2014	2015	2013	2014	2015
Total receipts (1)	46.2	46.8	46.8	46.5	46.7	46.7	46.4	45.4	45.7	45.9	45.3	45.6	45.8	45.2
Total expenditure (2)	49.9	49.9	49.4	49.0	49.8	49.3	48.8	49.3	49.2	48.5	48.0	49.1	48.5	47.9
Actual balance (3) = (1)-(2)	-3.7	-3.1	-2.6	-2.5	-3.1	-2.5	-2.4	-3.9	-3.5	-2.7	-2.7	-3.5	-2.7	-2.6
Interest expenditure (4)	3.1	3.0	3.0	3.1	3.0	3.0	3.1	2.9	2.9	2.8	2.9	2.9	2.9	2.9
Primary balance (5) = (3)+(4)	-0.6	-0.1	0.5	0.6	-0.1	0.5	0.7	-1.0	-0.6	0.2	0.2	-0.7	0.2	0.2
Cyclically-adjusted budget balance	-2.6	-1.6	-1.3	-1.8	-1.6	-1.3	-1.6	-2.7	-2.0	-1.6	-2.1	-2.1	-1.5	-2.0
Cyclically-adjusted primary balance	0.5	1.4	1.7	1.3	1.4	1.8	1.5	0.2	0.8	1.2	0.7	0.8	1.3	0.9
Structural budget balance	-2.1	-1.5	-1.3	-1.7	-1.5	-1.3	-1.5	-2.6	-2.0	-1.9	-2.1	-2.1	-1.8	-1.9
Change in structural budget balance	1.5	0.6	0.1	-0.4	0.6	0.2	-0.3	1.2	0.6	0.1	-0.2	0.6	0.3	-0.1
Gross debt	92.6	95.5	95.9	95.4	95.5	95.9	95.4	86.6	89.4	89.7	89.5	89.8	90.2	90.1

The structural budget balance is the cyclically-adjusted budget balance net of one-off and other temporary measures estimated by the European Commission

the deficit-to-GDP ratio in 2013 is forecast to have decreased by 0.3 pp. in the EU and by 0.4 pp. in the euro area, reaching 3.5% and 3.1% of GDP respectively (see table I.5).

Headline deficits are set to shrink further in 2014 and to stabilise in 2015, as the recovery slowly broadens, and given further deficit-reducing measures included by Member States in their budgets for this year. While showing some differentiation, reflecting varying degrees of financial and fiscal stress, the improvement in budget balances is likely to be broad-based across Member States in 2014. As a result, the fiscal deficit is expected to fall to 2.7% of GDP in 2014 in the EU and to 2.6% in the euro area, and to remain roughly at these levels in 2015 (see graph I.20).

Graph I.20: **Budgetary developments, EU**



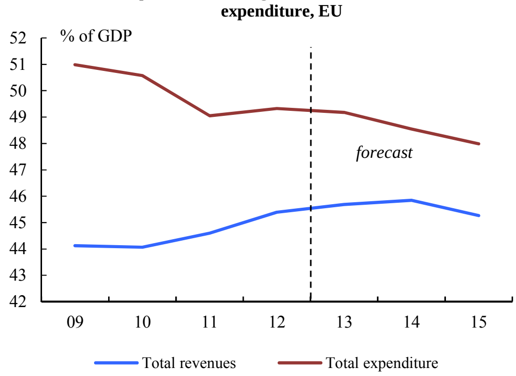
Structural deficit to decline more slowly

The fiscal policy stance is expected to be close to neutral over the forecast horizon. The reduction of the structural budget deficit, i.e. the general government deficit corrected for cyclical factors, one-offs and other temporary measures, is forecast to have remained at above ½ pp. of GDP in both areas in 2013, but it is expected to slow down in 2014. In 2015, under the usual no-policy-change assumption, the structural deficit is expected to widen.

Fiscal consolidation moving from revenue increases to expenditure-based

The fiscal adjustment in 2013 has been mainly revenue-based in both the EU and the euro area, as it was the case in the previous two years. The increase in public revenues has been driven by tax receipts on income and wealth and as a result, the revenue-to-GDP ratio is set to have risen further before reaching a peak in 2014 in the EU and euro area at 45.9% and 46.8% respectively. Further ahead, the revenue-to-GDP ratio is forecast to decline, reflecting the phasing-out of temporary tax-increasing measures and some tax cuts planned in a number of Member States (see graph I.21).

Graph I.21: **General government revenues and expenditure, EU**



The expenditure-to-GDP ratio has remained broadly stable in 2013 and is expected to decrease afterwards in both areas, to become the main

Table I.6:
Euro-area debt dynamics

	average 2004-08	2009	2010	2011	2012	2013	2014	2015
Gross debt ratio [1] (% of GDP)	**69.0**	**79.9**	**85.6**	**87.9**	**92.6**	**95.5**	**95.9**	**95.4**
Change in the ratio	0.2	9.8	5.7	2.4	4.6	2.9	0.4	-0.5
Contributions to the change in the ratio:								
1. Primary balance	**-1.1**	**3.5**	**3.4**	**1.1**	**0.6**	**0.1**	**-0.5**	**-0.6**
2. "Snow-ball" effect [2]	**0.2**	**5.4**	**0.7**	**0.7**	**2.5**	**2.1**	**0.8**	**0.1**
Of which:								
Interest expenditure	3.0	2.9	2.8	3.0	3.1	3.0	3.0	3.1
Growth effect	-1.4	3.2	-1.5	-1.3	0.6	0.4	-1.1	-1.6
Inflation effect	-1.3	-0.7	-0.6	-1.0	-1.2	-1.3	-1.1	-1.3
3. Stock-flow adjustment	**1.0**	**0.9**	**1.6**	**0.5**	**1.5**	**0.7**	**0.1**	**0.0**

[1] *End of period.*
[2] *The "snow-ball effect" captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.*

driver of the fiscal consolidation in 2014. In 2014 expenditure cuts are expected to take the form of discretionary fiscal measures involving mainly wages and salaries, as well as intermediate consumption and, only to lesser extent, public investment. In 2015, the decrease in the expenditure-to-GDP would compensate the lower revenue-to-GDP ratio.

Debt ratios reaching a peak in 2014

The debt-to-GDP ratio is forecast to have increased in 2013 and move up further in 2014, though at a somewhat lower pace. In 2014, debt is expected to reach a peak 89.7% of GDP in the EU and 95.9% in the euro area (see table I.6). In 2015, it is set to start decreasing in both areas. The increase of the debt-to-GDP ratio in 2014 for the euro area is mainly due to the strong contribution of the interest expenditure and the stock-flow adjustment. In 2014 and 2015, the faster economic growth and the higher primary surpluses will start having a reducing impact on the public debt-to-GDP ratio.

8. RISKS

The recent string of positive economic news has helped to balance the risks to the growth outlook since the autumn forecast, but on the whole downside risks continue to prevail (see graph I.22).

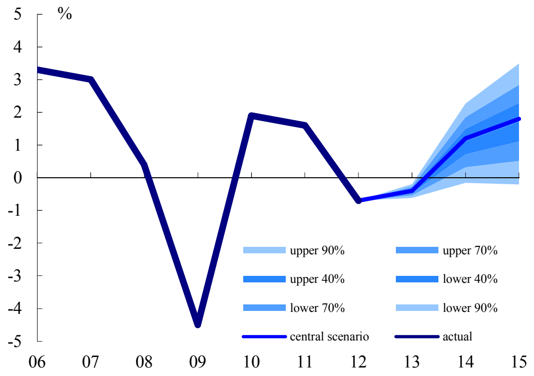
The main risk to the forecast would be stalling or partial implementation of structural, fiscal and institutional reforms at Member States or European level, resulting in low actual and potential growth and protracted high unemployment. A weaker than projected labour market would have both short- and medium-term detrimental effects on private consumption and also on potential growth. Moreover, the debt overhang, the investment shortfall in recent years and slowing total factor productivity could hurt growth in the medium term if they are inadequately addressed by structural reforms (see box I.2), resulting in an extended period of low growth. The expectation of lower potential growth could feed back into investment and consumption, thus dampening growth also in the short term.

This risk of low growth would be exacerbated in the short term if inflation were to turn out lower-than-expected and the reduction in financial fragmentation were to be less than anticipated.

Inflation could turn out even lower than expected in the central scenario. Slower import price increases could come from a more pronounced weakness of emerging markets, particularly if combined with even lower commodities prices and a further appreciation of the euro. Within the EU, inflation could be dragged down if economic agents were to judge that very weak price pressures were becoming entrenched. This would affect real interest rates, hurt demand and increase the real debt burden. The risk of deflation in the EU, i.e. the emergence of a broad-based and self-sustaining downward trend in prices, cannot not be totally ruled out, but given the gradually strengthening recovery, the increase in confidence and the ongoing efforts to improve the health of the banking system, it is very unlikely.

The materialisation of the central scenario, in a context of still elevated deleveraging needs in the private and banking sectors, depends on further decreases of financial fragmentation. An improvement in lending conditions this year and next rests on the success of the AQR and stress tests in cleaning balance sheets and removing uncertainty about the health of euro-area banks. Smooth implementation of the Banking Union, which should improve confidence, is also crucial.

Graph I.22: **Euro-area GDP forecasts - Uncertainty linked to the balance of risks**



Downside risks could also come from heightened instability in emerging markets' financing conditions. The impact has so far centred on emerging market economies with relatively weak fundamentals. Continued and more generalised turmoil could hit the EU economy through lower trade, and the portfolio and banking channels. A more generalised re-assessment of risks could notably lead to a flight of capital to the highest rated countries in the euro area, raising sovereign-bond spreads in the periphery. Continued turmoil would also trigger a slowdown in EMEs, together with an appreciation of the euro, putting a drag on the recovery which is still dependent on exports in many countries. Overall, the EU banking sector seems relatively shielded by its small exposure to major EMEs, but some Member States are more exposed than others.

The recovery could also be stronger than envisaged. Upside risks are related to positive feedback loops between confidence, GDP and investment growth, and the ability of the banking sector to lend. Positive reinforcing feedbacks between these factors would reduce further the drags stemming from the crisis, and boost growth. More precisely, economic expansion could be stronger than envisaged in the central scenario if domestic demand is firmer in the core countries and helps further the rebalancing process; if confidence effects lead to a stronger rebound of investment; if the competitiveness boost in peripheral countries is larger than envisaged and finally if financial fragmentation is reduced to a greater extent in 2015, following a successful AQR and the introduction of the Single Supervisory Mechanism. In the medium term, the implementation of additional and bold structural reforms could lift further the potential growth of Member States, with positive impact also in the short term, notably through increased confidence. Eventually, a stronger economic recovery than envisaged in the central scenario would raise the inflation projections, in particular if recent structural reforms result in a faster reduction in unemployment than expected.

Box I.1: The economic effects of policy uncertainty

Since the outbreak of the crisis, the interest in the effects of uncertainty on the real economy has dramatically increased. Whereas most studies focus on the effects of uncertainty on GDP [(1)] or investment and consumption [(2)] decisions, this box attempts to assess its impact on industrial new orders, which is a variable commonly agreed to be leading the business cycle. It is assumed that increased uncertainty induces companies to lower their orders in anticipation of lower demand from investors and consumers [(3)]. While economic agents can be confronted with uncertainty from a number of different sources, this box focusses on the effect of uncertainty generated by major events related to the financial and sovereign-debt crisis. The analysis suggests that there are immediate, statistically significant and economically sizeable negative effects from crisis-related uncertainty on new orders.

How to measure uncertainty produced by the financial and sovereign-debt crisis?

In the absence of an indicator that directly maps major events and decisions related to the financial and sovereign-debt crisis, the analysis relies on the "Economic Policy Uncertainty Index" (EPUI) for the EU, developed at Stanford University [(4)]. This index combines a news-based indicator (counting crisis-related words that appear in EU newspapers) with others based on the dispersion of consumer-price / budget-deficit forecasts.

Graph 1 shows that the EPUI adequately captures the uncertainty caused by major crisis-related events. Furthermore, Graph 2 suggests that uncertainty significantly and negatively weighs on important macro-economic variables, such as investment.

It can be noted that, after the peak at the end of 2011, the index has been following a downward path; the current level of uncertainty, however, is still significantly higher than it was on average in the pre-crisis period.

An appropriate framework to analyse the effect of uncertainty on new orders

To distil the effect of uncertainty on industrial new orders, the EPUI is added as an explanatory variable in the model developed by de Bondt, Dieden, Muzikarova and Vincze (BDMV), which is used by the ECB to produce official estimates of

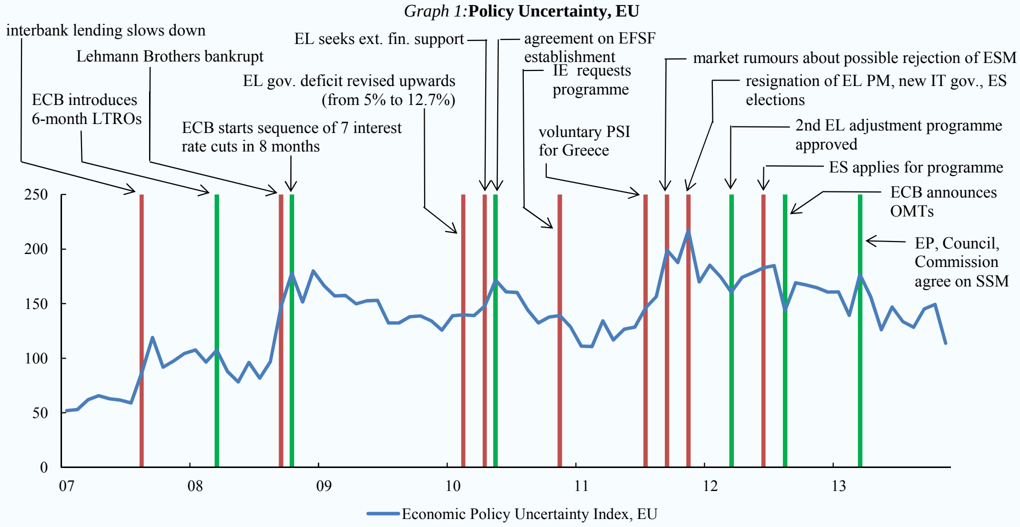
(1) Denis, S., Kannan, P., 2013. *The Impact of Uncertainty Shocks on the UK Economy*, IMF Working Paper, 13/66.

(2) *Quarterly report on the Euro Area*, Volume 12 No. 2 (2013), DG ECFIN, European Commission.

(3) According to economic theory, high uncertainty gives agents an incentive to postpone or cancel their investment, consumption or employment decisions when the latter are costly to revert (e.g. due to fixed and adjustment costs), thereby depressing economic activity. See e.g. Bernanke, B., 1983. *Irreversibility, uncertainty, and cyclical investment*, The Quarterly Journal of Economics, MIT Press, Vol. 98(1), pp. 85-106, February.

(4) Baker, S., N. Bloom and S. Davis, 2013. *Measuring economic policy uncertainty*, Chicago Booth Research Paper, 13-02.

Graph 1: **Policy Uncertainty, EU**



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Box (continued)

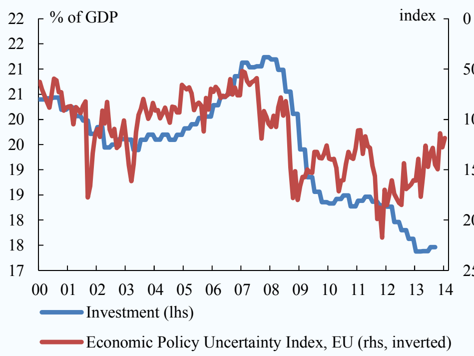
new orders [5]. The augmented model reads as follows:

$$no_t = \beta_0 + \beta_1\Delta_3 ob_t + \beta_2\Delta\Delta_3 ob_t + \beta_3\mu_t^{PMI} + \beta_4\mu_t^{\Delta PMI} + \beta_5 to_t + \beta_6 to_{t-1} + \beta_7(no_{t-1}/to_{t-1}) + \beta_8 no_{t-1} + \beta_9 no_{t-2} + \beta_{10} epui_t + \varepsilon_t$$

where *no*, *ob*, *to* and *epui* stand for new orders (m-o-m growth), manufacturing managers' assessment of order books (from EU BCS survey), industrial turnover (m-o-m growth) and the Economic Policy Uncertainty Index, respectively; t indexes time, while Δ is the first difference operator and Δ_3 indicates 3-month changes. The term μ_t^{PMI} ($\mu_t^{\Delta PMI}$) is the residual from regressing the (first difference of the) manufacturing PMI new orders index on the (first difference of the) 3-month change in manufacturing managers' assessment of order books [6]; finally, ε_t is a residual term.

The analysis is conducted for the euro area, as well as its three largest Member States (Germany, France, Italy), which are likely to be affected by the financial/euro crisis to different degrees.

Graph 2: **Investment and policy uncertainty, EU**



Source: Eurostat and Baker, Bloom and Davis at www.PolicyUncertainty.com

Uncertainty matters for new orders

We find that the EPUI has a significantly negative contemporaneous impact on new orders growth in case of all entities examined. Adding the uncertainty indicator to the baseline BDMV model [7] drives up the adjusted R^2 by 4-5 points. The results are robust to the inclusion of a dummy for the period 2008m1-2009m12 in order to control for the effects of the global recession. Thus, the diagnosed uncertainty effect is not just a result of extreme increases in uncertainty registered in the years 2008/09 which coincided with sharp drops in new orders growth.

The magnitude of the uncertainty coefficient (over the full sample 1997-2013) is quite similar for the euro area aggregate and Germany, while the Italian coefficient is around two and the French 2½ times larger (see Table 1 – first row). One would indeed expect core countries like Germany, which are supposedly less exposed to the euro crisis, to register a considerably lower uncertainty effect than a more vulnerable country like Italy. A seemingly surprising finding is that the effect of EU uncertainty on French new orders growth is slightly higher than in Italy. This result must be put into the context of the volatility level of new orders growth, which substantially differs among the examined countries. The standard deviation of new orders growth in France, for example, is particularly high, owing to the significant impact of new orders in the aircraft industry. Re-running the regressions with the dependent variable in standardised form changes the picture: Germany registers the lowest uncertainty effect and is followed by France, the euro area and Italy.

Uncertainty exerts *substantial and immediate* effects on new orders

Using the baseline results (Table 1 – first row), it is possible to get a flavour of the sizeable negative impact that uncertainty can have on new orders growth. Applying the sharpest month-on-month rise registered since the outbreak of the financial crisis (bankruptcy of Lehman Brothers) to the estimated coefficients suggests that new orders growth would contract by around 1 pp. in the euro area and Germany, and 2 to 2½ pps. in Italy and France (see Table 1 – second row).

(5) Several Member States discontinued the production of official data on industrial new orders in 2012. The ECB stepped in with a model producing estimates of new orders for these countries. These are then combined with hard-data series on new orders from Member States still collecting such data through their statistical institutes. See de Bondt et al., 2013. *Introducing the ECB indicator on euro area industrial new orders*, ECB Occasional Paper Series No 149 / June 2013. The resulting aggregate euro-area new orders indicator can be downloaded from the ECB Statistical Data Warehouse.

(6) Using the regression residuals is necessary since the PMI new orders index and the EU BCS question on order books are potentially multi-collinear. By contrast, no multi-collinearity was found between the Economic Policy Uncertainty Index and the 3-month change of the BCS question on order books (as well as its first difference).

(7) Depending on data availability the sample period starts between 1997m7/2000m3, and ends in 2013m9. In the case of France, the sample period ends in 2012m12 when France discontinued the collection of data on new orders.

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Box (continued)

Table 1:
The effect of the Stanford Policy Uncertainty Index (EU) on new orders
(m-o-m growth rates)

	Euro area	Germany	France	Italy
Effect of Stanford Policy Uncertainty Index (EU):	-0.020**	-0.019***	-0.051***	-0.038**
If the sharpest m-o-m rise since 2006 (+50.97) repeated itself, new orders would decline by…	-1.02 pps.	-0.97 pp.	-2.60 pps.	-1.94 pps.
If uncertainty eased from the January 2014 level (118.43) to the average pre-crisis level (90.24), new orders would increase by…	+0.56 pp.	+0.54 pp.	+1.44 pps.	+1.07 pps.
R^2 with uncertainty (R^2 without uncertainty)	0.55 (0.51)	0.43 (0.38)	0.41 (0.37)	0.50 (0.44)

*** significant at 1% level ** significant at 5% level * significant at 10% level

To check for the speed of the uncertainty effects on new orders growth, lags of EPUI are included into the baseline model. In all countries examined, the effects of uncertainty are exclusively contemporaneous. When re-conducting the analysis for the pre-crisis period prior to 2008 and afterwards, the results do not significantly change. Taken together this suggests that (i) uncertainty has a very fast effect on new orders and (ii) there is no evidence that the speed of the effect has changed during the crisis.

Vanishing uncertainty could drive up orders

Considering the magnitude of the uncertainty effects described above and the (still high) current level of the EPUI, new orders growth could substantially increase, once uncertainty eases from its current to the average pre-crisis level. Applying the coefficients of Table 1, new orders growth in the EA and Germany could gain around ½ pp. m-o-m (i.e. some 6 pps. over the year), while Italy and France would potentially see order growth increasing by 1 – 1½ pps. m-o-m (i.e. 12–18 pps. over the year). These findings underline the potential benefits of further policy action to reduce uncertainty.

Box I.2: **Post-crisis total factor productivity trends in the EU**

Introduction

This box looks at the impact the crisis is likely to have on the longer-term total factor productivity trends in the EU. Increasing total factor productivity, i.e. the increase of GDP that is not explained by the expansion of either labour or capital inputs, is the key driver of long-run changes in living standards.[(1)] Consequently, the likely impact of the crisis on its current and future development is the subject of close scrutiny by the economics profession. Unfortunately, however, theory does not give a clear answer as to what the expected impact of the crisis on long-run TFP might be.[(2)] Besides a number of mechanisms that tend to dampen TFP in the aftermath of a crisis (including pro-cyclical R&D spending and rising risk aversion resulting in more expensive bank lending, drying capital markets and higher risk premiums for venture capital financing), there are also arguments that downturns can have a positive TFP impact as they can induce a process of essential restructuring and cleansing in the economy.

Consequently, ex ante, the expected effect of the crisis on TFP is ambiguous, with a range of specific factors making any definitive assessment of the fallout from the current crisis particularly uncertain. These factors include the need to allow, on the one hand, for the expected "one-off" downward shifts in the level of TFP associated with industrial restructuring, with some crisis-related industries (e.g. financial services and construction) likely to experience permanent reductions in the level of their activities as a result of the crisis and, on the other hand, potential upwards shifts due to freeing scarce resources having been locked into relatively unproductive activities; the difficulty in estimating realistic capital obsolescence rates; the uncertainties regarding the financial crisis impact on R&D spending and on the financing of R&D; and finally the possibility of a crisis-induced shift away from the relatively-high-TFP growth manufacturing sector towards services. In summary therefore the impact of the crisis on TFP is largely an empirical question, with the extent to which individual EU countries are affected by the different factors listed earlier dictating their relative TFP performance in the post-crisis period.

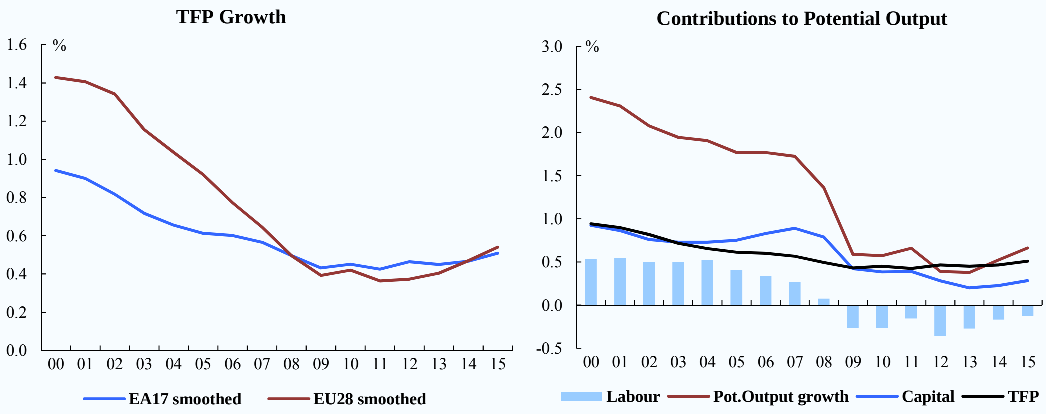
Overview for the EU as a whole

Graph 1 shows the latest winter 2014 forecasts for trend TFP growth in the EU28 and the euro area, as well as the evolution of the labour, capital and TFP components of potential growth since 2000 in the euro area (the patterns are similar for EU28). Graph 1 illustrates that the TFP results support the a priori assumption that the final impact of the crisis is dependent on a range of offsetting positive and negative factors, with this balancing act appearing to produce a slightly negative overall impact from the crisis so far (i.e. over the period 2008-13). However, it is still too early to establish whether this small decline in the EU's underlying TFP growth rate is genuinely linked to the crisis itself (due to some combination of factors discussed

(1) See for instance the overview in Hulten, C. R. "Total factor productivity. A short biography." New developments in productivity analysis. University of Chicago Press, 2001. 1-54.

(2) E.g. Abiad, A., R. Balakrishnan, P. Koeva-Brooks, D. Leigh and I. Tytell (2009) "What's the Damage? Medium-term Output Dynamics After Banking Crises", IMF, Working Paper No. 09/245.

*Graph 1:***TFP and non-TFP contributions to EU Potential Growth : 2000-15**



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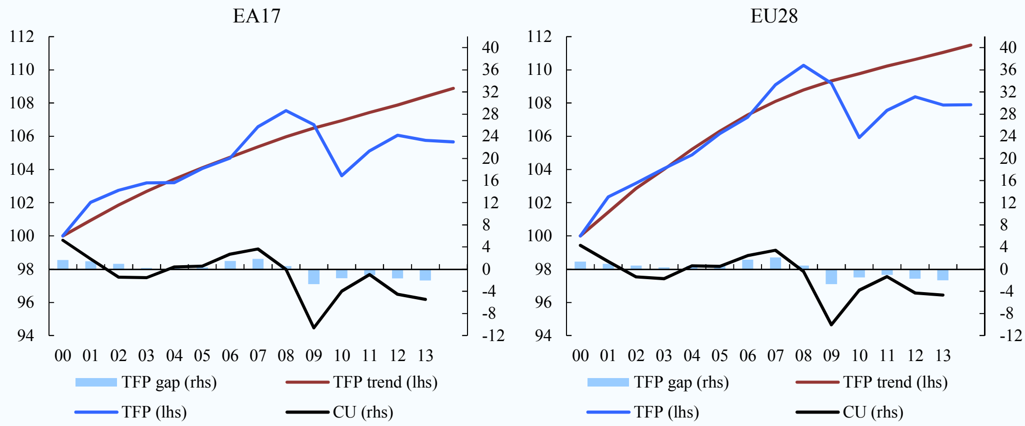
Graph 2: **TFP levels and TFP gap**



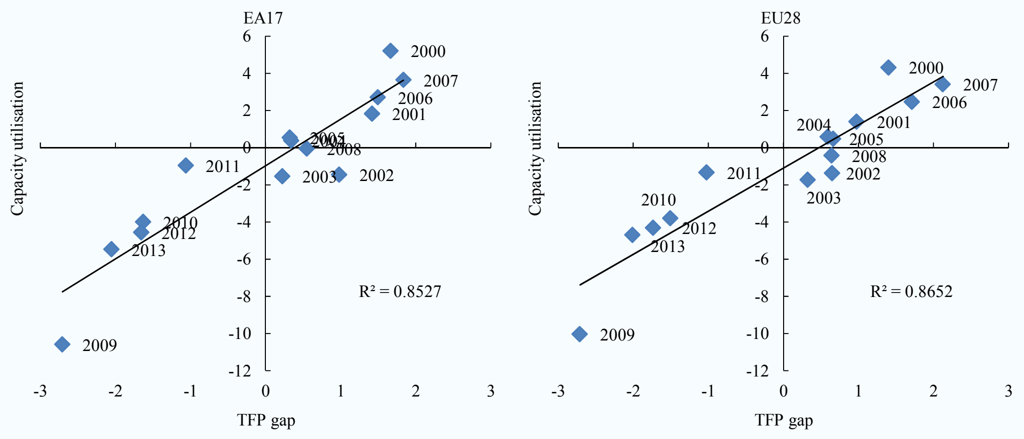
above) or whether it simply reflects a continuation of the well-established downward pre-crisis trend (part of which reflects developments in both the knowledge drivers of TFP and in the skills composition of the EU's labour force).

Whilst a definitive understanding of post-crisis TFP trends is still elusive, what is not in doubt however is that the halving in potential growth rates following the crisis has much more to do with the sharp deterioration in the contributions from capital and labour than from any negative drag from TFP.

In addition, the short run forecasts for 2014 and 2015 suggest trend TFP growth rates will remain relatively stable and close to their pre-crisis rates, whereas the sluggish recovery in both investment and labour market trends from the impact of the crisis will ensure that their contributions to overall potential growth will remain substantially lower than in the pre-crisis period. The small slowdown in trend TFP growth rates across the EU has necessarily had an impact on the level of TFP. However, the level of trend TFP has been substantially less affected than the level of actual TFP since, by definition, it has been corrected for the effects of the cycle. Indeed, as shown in Graph 2, the level of actual TFP in the EU28 fell by a total of 1.1% during the crisis (i.e. over the period 2008-13) whereas the level of trend TFP is estimated to have increased by 2.2% over the same time period.

This gap between the actual TFP level and its trend level, the so called TFP gap (see Graph 2), captures that part of the TFP slowdown which is of a purely cyclical nature. According to the theory behind the TFP trend estimation methodology applied in DG ECFIN, the cyclical part of TFP should be closely linked to capacity utilisation (CU) fluctuations in

Graph 3: **Capacity utilisation (CU) versus TFP**



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Box (continued)

the same period. [3] Hence, one test of the effectiveness of the methodology is to check how much of the observed widening of the gap is explained by the reduction in capacity utilisation during the crisis. It can be calculated that capacity utilisation explains about 81% of the observed increase in the TFP gap in the EU28 (and above 95% in the EA17). [4] The very strong link between the capacity utilisation indicator used in the estimation and the TFP gap is illustrated in Graph 3. Clearly, the cyclical movements in TFP across time are very well reflected in changes in the utilisation of productive capacity by companies.

The trend TFP growth rates for the individual EU Member States for the historical 2000-07 and 2008-13 periods, as well as the forecasts for 2014-15 are given in Table 1.

Some factors correlating with TFP performances of individual EU countries since the crisis

It is yet too early (and much beyond the scope of this box) to investigate the impact on the future TFP performance of the identified in the introduction various mechanisms that are at work during the crisis. It is, nonetheless, interesting to highlight two clear data regularities that seem to have emerged during the crisis in the EU15 countries. [5]

1. Graph 4 plots TFP trend growth rates differentials (average TFP trend growth rate in 2008-13 minus average TFP trend growth rate in 2003-07) against tradable sector employment share differentials between both periods (calculated analogically), for 14 EU Member States. [6]

Table 1:

Trend TFP growth rates for Member States and EU

	2000-07	2008-13	2014-15
Austria	1.2	0.5	0.4
Belgium	0.6	0.2	0.2
Bulgaria	2.2	0.7	0.8
Cyprus	0.6	-0.3	-0.4
Czech Republic	2.8	1.1	0.8
Germany	1.0	0.6	0.7
Denmark	0.7	1.3	0.6
Estonia	2.3	0.7	1.1
Greece	2.4	-0.8	-1.3
Spain	0.2	0.8	0.7
Finland	1.8	0.0	0.2
France	0.8	0.4	0.4
Croatia	1.1	-0.6	0.2
Hungary	1.9	0.2	0.3
Ireland	1.8	0.4	0.8
Italy	0.1	-0.1	0
Lithuania	3.7	1.5	1.6
Luxembourg	0.6	-1.3	-0.9
Latvia	3.6	1.2	1.5
Malta	0.1	-0.1	0.2
Netherlands	1.1	0.1	0.0
Poland	2.5	1.2	1.1
Portugal	0.4	0.9	0.9
Romania	4.3	0.5	0.5
Sweden	1.8	0.6	0.8
Slovenia	1.7	0.4	0.3
Slovakia	3.3	2.4	2.1
UK	1.5	-0.1	0.1
EU-28	1.2	0.4	0.4

Two facts are worth emphasizing. First, compared with the period before the crisis, the share of employed in the tradable sector in total employed has dropped in all considered countries, which indicates closing up of the EU economies during the crisis. Second, countries in which this share has fallen relatively less are also characterized by relatively more benign dynamics of trend TFP (the trend line on the graph has a slope of 0.75 which is significant on the 5% confidence level; the R^2 coefficient is 0.33).

(3) For the details of the methodology, see D'Auria, F., C. Denis, K. Havik, K. Mc Morrow, C. Planas, R. Raciborski, W. Röger and A. Rossi (2010), "The production function methodology for calculating potential growth rates and output gaps", ECFIN Economic Papers, No. 420.

(4) According to the methodology used for extracting trend TFP for each country it must hold that Δtfp-Δtfp_trend=Δtfp_gap=(1/beta)×capacity_utilisation+error where the estimated coefficient beta measures the country-specific strength of the link between the capacity utilisation and TFP gap. From the above identity it follows that for the method to explain the data well it is required that the ratio of (1/beta)×capacity_utilisation and the growth rate of the TFP gap to be close to 100%, which would be consistent with a small estimation error. The EU-wide ratios are found by using a weighted average of national betas.

(5) Unfortunately, due to their extreme heterogeneity, a scatter plot analysis similar to that carried out for the EU15 Member States was not possible for the new Member States.

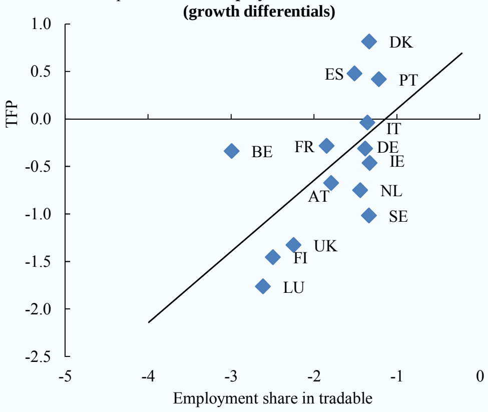
(6) Tradable goods are goods produced in Agriculture, Forestry and Fishing (ISIC A-B), Industry (ISIC C-E) and Trade, Transport and Communication (ISIC G-I). Greece was found to be a clear outlier and was excluded from this and the following calculations.

(Continued on the next page)

Box (continued)

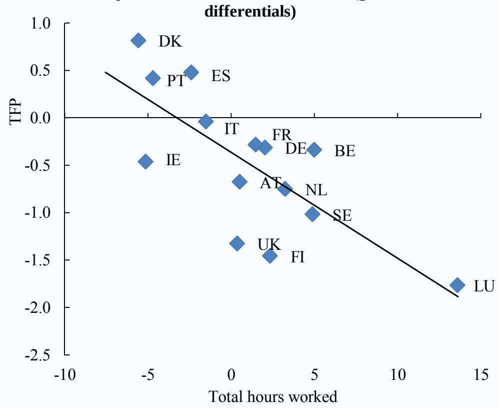
This is in line with the economic intuition that sectors open to competition from abroad will tend to be more efficient. More generally, these findings support the hypothesis that sectoral shifts currently taking place in the EU, and in particular shrinking of the tradable sector in virtually all EU Member States, bear on the performance of aggregate productivity.

Graph 4: **TFP vs. employment share in tradable (growth differentials)**



2. Graph 5 illustrates a close relationship between TFP trend growth rate differentials and total hours worked.[7] A highly significant negative slope and a very high coefficient R^2=0.56 suggest that TFP slowed down less during the crisis in those Member States in which hours worked fell more. In so far as hours worked losses are in a significant part due to firms' default, this finding is in line with the prediction that these are the less efficient firms that are more likely to default during the crisis and that the cleansing process contributes to a more benign dynamics of TFP trend during a crisis. A complementary explanation, based on the 'discipline device role of unemployment' hypothesis (e.g. Riggi, 2012)[8], would posit that employees tend to increase their effort at work when the risk of becoming unemployed increases.

Graph 5: **TFP vs. total hours worked (growth differentials)**



Concluding remarks

This box shows that at the EU level, the effect of the crisis on TFP has, so far, been relatively muted, with negative and positive effects broadly balancing each other out. This generally stable performance at the EU level is not necessarily replicated at the individual Member State level, with some countries seeing positive shifts in their TFP trends over the crisis period, whereas others have experienced significant setbacks. Among the 28 Member States, there are only three countries (Denmark, Spain and Portugal) which have managed to have a TFP growth rate over the period 2008-13 which was higher than in the pre-crisis period but only Spain and Portugal are forecast to sustain this good performance in 2014 and 2015. As the analysis on sectoral employment shares and on hours worked in the EU15 Member States has highlighted, those countries which have managed to shift resources out of relatively low productivity sectors towards the tradables sector, whilst at the same time improving overall labour efficiency, appear to be emerging from the crisis in a much healthier economic condition. The "cleansing" benefits of the crisis are particularly in evidence in Spain and Portugal, with their ongoing, positive, TFP performances reflecting the fact that they have wisely used the crisis to carry out essential economic restructuring.

(7) Calculated as the average of log total hours worked in 2008-13 minus the average log total hours worked in 2003-07.

(8) Riggi, M. (2012), "Capital Destruction, Jobless Recoveries, and the Discipline Device Role of Unemployment", Bank of Italy Temi di Discussione (Working Paper) No. 871.

Box I.3: **The cyclical component of current-account balances**

This box shows data on the cyclically-adjusted current-account balances in the EU Member States. These data are particularly useful to the discussion of the nature of the adjustment in the vulnerable euro-area countries (Ireland, Greece, Spain, Cyprus, Portugal and Slovenia). For these countries, a key policy question is whether the current-account adjustment over the latest number of years has been cyclical (*i.e.* transitory) or non-cyclical (*i.e.* more permanent). If most of the reduction in the current-account deficits were cyclical, then one would expect the large deficits to reappear as soon as their economies recover and output gaps close. The available estimates suggest that most of the adjustment in the euro-area periphery has been non-cyclical. Therefore, one should not expect the current-account deficits in these countries to deteriorate over the foreseeable future to levels any close to those observed before the crisis. [(1)]

The cycle, output, and demand

The business cycle consists of temporary movements in output and demand. The difference between output and domestic demand constitutes the trade balance, which in turn is the most important part of the current account. In that sense, the cyclical component of the trade balance directly follows from the cyclical components of changes in output and domestic demand. However, the trade balance is not only affected by the cyclical changes in domestic aggregates, but also by the cyclical movements in foreign demand and output. [(2)] In this manner, imports reflect the cyclical component of domestic demand and foreign output. In contrast, exports reflect (inter alia) cyclical effects in domestic output and foreign demand.

Table 1:
Current-account and cyclically-adjusted current-account balances

(% of GDP)	Current-account balance					Cycl.-adj. Current-account balance				
	2007	2009	2011	2013	Δ07-13	2007	2009	2011	2013	Δ07-13
BE	3.9	0.7	0.5	0.1	-3.9	3.9	2.4	1.3	0.4	-3.4
BG	-25.2	-9.0	0.1	2.0	27.3	-20.8	-8.3	0.0	2.8	23.7
CZ	-5.1	-3.3	-3.5	-2.4	2.8	-2.0	-1.8	-3.0	-3.7	-1.8
DK	1.4	3.4	5.9	7.0	5.6	2.1	2.8	4.1	4.9	2.8
DE	7.5	6.1	6.3	7.0	-0.5	6.7	5.7	7.6	7.8	1.1
EE	-15.7	4.0	0.3	-2.1	13.6	-6.5	0.0	3.1	2.1	8.6
IE	-5.5	-2.3	1.2	7.0	12.5	-4.4	-3.2	1.4	8.5	12.9
EL	-17.6	-14.4	-11.7	-2.3	15.3	-16.8	-14.1	-15.8	-7.2	9.6
ES	-10.0	-4.8	-4.0	1.1	11.1	-10.0	-5.2	-5.6	-0.2	9.8
FR	-1.4	-1.8	-2.5	-1.9	-0.6	-1.2	-1.6	-2.5	-2.3	-1.1
HR	-6.9	-4.5	-1.1	0.8	7.7	-5.3	-4.0	-1.7	0.8	6.1
IT	-1.3	-2.0	-3.1	0.9	2.2	-1.0	-2.1	-3.2	-0.1	0.9
CY	-11.6	-10.7	-3.5	-1.7	9.9	-11.2	-9.0	-1.6	-1.4	9.9
LV	-22.4	8.6	-2.3	-1.6	20.8	-14.1	3.4	-7.4	-0.1	14.0
LT	-15.0	2.1	-3.9	0.1	15.1	-8.2	-2.4	-6.7	1.7	9.9
LU	10.1	7.3	6.6	6.4	-3.6	12.9	5.6	5.8	6.2	-6.7
HU	-7.4	-0.1	0.6	2.9	10.3	-7.1	-1.5	-1.3	1.4	8.5
MT	-4.0	-8.9	-1.0	1.7	5.7	-4.8	-6.6	0.5	4.2	9.0
NL	8.4	3.2	7.4	9.2	0.8	7.5	4.4	7.4	7.8	0.3
AT	4.0	2.7	1.5	2.9	-1.1	3.3	3.2	2.1	3.7	0.5
PL	-6.1	-3.1	-4.5	-1.6	4.5	-6.1	-0.5	-3.5	-1.5	4.6
PT	-10.2	-10.8	-7.2	0.4	10.6	-10.7	-10.7	-7.5	-0.8	9.9
RO	-13.6	-4.2	-4.5	-1.0	12.6	-10.8	-2.5	-5.1	-0.4	10.3
SI	-4.6	-0.4	0.2	4.9	9.5	-1.3	-1.1	-0.7	3.3	4.6
SK	-5.6	-2.5	-2.6	2.0	7.7	0.1	-0.9	-3.8	0.1	0.0
FI	4.2	2.0	-1.5	-0.2	-4.4	5.3	0.8	-1.6	-1.6	-6.9
SE	8.6	6.9	6.2	6.2	-2.3	8.4	5.7	6.8	6.3	-2.1
UK	-2.2	-1.4	-1.5	-3.8	-1.6	-2.0	-2.3	-2.7	-4.1	-2.1

Source : European Commission estimates

Table 1 displays the non-adjusted and the cyclically-adjusted current-account balances, [(3)] which would prevail if both the country in question and its trading partners closed their output gaps. Accounting for the cyclical component leads to a higher surplus or smaller deficit in 2013 in the economies whose output gap exceeds that of their trading partners, taking into account their external openness. For 2013, this is the case of Bulgaria, Germany, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta and a few others. For the countries for which their output gap is inferior to the output gap of their trading partners, the closing of domestic and foreign output gaps would lead to smaller surpluses or larger deficits; this is notably the case of the Czech Republic, Denmark, Greece, Spain, Cyprus, Hungary, Netherlands, Portugal, Slovakia and a few others.

(1) For a similar assessment see Guillemette, Y. and D. Turner (2013), 'Policy Options to Durably Resolve Euro Area Imbalances,' OECD Economics Department Working Paper, 1035; Mersch, Y. (2013) 'The Overhaul of the Architecture of the Euro Area and the Return of Investor Confidence,' speech at the CFA Institute, London, and ECB *Monthly Bulletin* (Jan. 2014: 47-50). For a somehow different perspective, see IMF *World Economic Outlook* (Oct. 2013: 45-8, and Ollivaud, P. and C. Schwellnus (2013), 'The Post-crisis Narrowing of International Imbalances–Cyclical or Durable?' OECD Economics Department Working Paper, 1062.

(2) The current account also adjusts in response to other factors (such as interest rates or the terms of trade) that also reflect the cycle. But usually, the cyclical component of the current account is estimated given the response of real aggregates (supply and demand).

(3) These are estimates based on the methodology described in Salto, M. and A. Turrini (2010), 'Comparing Alternative Methodologies for Real Exchange Rate Assessment,' *European Economy-Economic Papers*, 427. The assessment is based on the Commission estimates for output gaps (see Table 14 of the statistical annex): output gaps for trading partners not available in AMECO are from the OECD. Estimates on the basis of IMF data and methodology (Phillips, S. *et al.* (2013), 'The External Balance Assessment (EBA) Methodology,' IMF Working Paper, 13/272) point to similar figures.

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Box (continued)

Adjustment in vulnerable countries

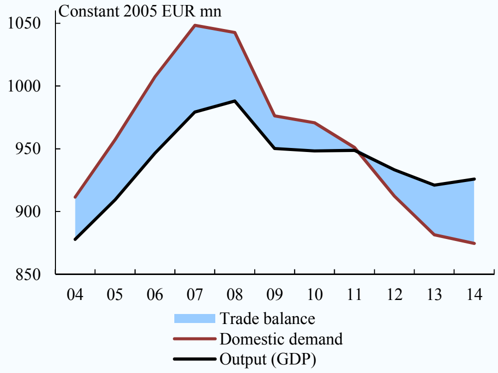
In 2007-13, there has been a substantial adjustment in the euro-area vulnerable Member States. [4] On average, the current-account balances of Ireland, Greece, Spain, Cyprus, Portugal and Slovenia improved by more than 9 pps., and Spain, Ireland, Portugal and Slovenia now run surpluses. This adjustment is forecast to continue through 2015 (see Table 50 of the statistical annex), though with differences among these countries.

To discuss whether the adjustment of current-account deficits in the euro-area periphery has been cyclical or not raises two key questions: *(1)* Has the adjustment been rather due to a decline in domestic demand (and, by implication, imports) – or to changes in foreign demand (and thus exports and output)? *(2)* To what extent have these changes in domestic demand, output, and foreign demand been cyclical? The data show that most of the rebalancing in the vulnerable economies has been due to a contraction in their domestic demand (and thus imports). But much of this contraction has been non-cyclical, which may seem counter-intuitive at first sight.

The rebalancing of trade (and thus current-account) balances in the vulnerable countries is reflected in domestic demand declining faster than output (Graph 1 illustrates this for Spain.) Contracting private investment, particularly construction, was the main driver of this decline; private consumption has generally declined more than GDP and contributed to raising saving rates. [5] The counter-cyclical increases in fiscal deficits initially slowed the narrowing of current-account deficits in a number of vulnerable countries, but fiscal consolidation has contributed to improving their current-account balances since 2009-10.

In several vulnerable euro-area countries, rebalancing and output also benefited from robust exports, despite sluggish world demand, thanks to gains in price and cost competitiveness (changes in relative prices) and non-cost competitiveness. Relative price developments within and among economies facilitate the necessary reallocation of resources from non-tradable to tradable sectors. In all the vulnerable countries, GDP deflators have risen at a slower pace than export prices, which in turn rise slower than import prices, reflecting those relative changes in prices. [6] This pattern is likely to be maintained for some years, with the terms of trade, therefore, expected to support competitiveness.

Graph 1: **Spain: Output and Demand**



Source: European Commission

Graph 2 shows the sizeable contribution from real export growth to current-account adjustment in most vulnerable countries. [7] Portugal, Spain and Ireland outperformed average real export growth in the euro area in 2007-13, though their real exports grew slightly less than Germany's. In Greece and Cyprus, real exports did decline in 2007-13 (though less than GDP, thus leading to the positive contribution to the changes in current account depicted in the graph).

(4) Here, the reference year is 2007 is used since it was the last year of the pre-crisis boom in global trade. In contrast, 2008 figures are partly affected by the trade slump in response to the crisis.

(5) This behaviour runs counter the textbook response to a negative cyclical shock: consumption smoothing would entail a widening, rather than a narrowing, of the current-account deficit. Instead, the behaviour is consistent with a structural break in potential GDP (see for a discussion Aguiar, M. and G. Gopinath (2007), 'Emerging Market Business Cycles: The Cycle Is the Trend.' *Journal of Political Economy*, 115(1): 69-102).

(6) See 'Labour Costs Pass-Through, Profits and Rebalancing in Vulnerable Member States,' *Quarterly Report on the Euro Area*, (2013-3):19-25, 'Ongoing Adjustment in the Euro Area Periphery,' box I.1 in the autumn 2012 forecasts, and 'Labour Costs, Margins and Prices in Rebalancing Economies,' box I.3 in the spring 2013 forecasts.

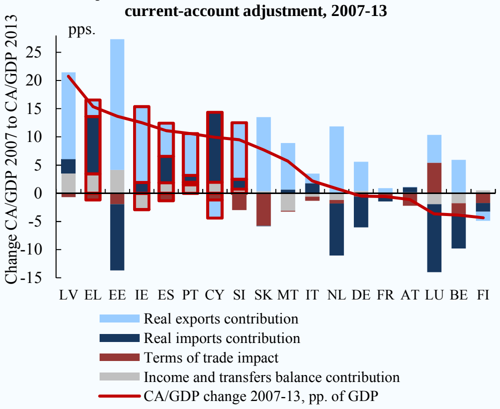
(7) The Graph is based on differentials with respect to GDP growth. I.e., exports growing faster (or declining more slowly) than GDP contribute positively to the change in the current-account balance (in % of GDP). Likewise, imports contracting faster than GDP result into a positive contribution.

(Continued on the next page)

Box (continued)

In contrast to exports, the vulnerable countries' imports have differed markedly from the patterns observed in the core euro-area countries, as well as from their pre-crisis trends.[8] In the vulnerable countries, real imports receded strongly in 2007-13, which resulted in the positive contribution visible in Graph 2.[9] A combined reading thus implies that the slump in domestic demand and imports dominates the adjustment in the vulnerable economies,[10] though some of them also benefitted from improved export performance.

Graph 2: **Euro-area Member States: contributions to current-account adjustment, 2007-13**



Source: European Commission

Non-cyclical is not the same as good news

While much of the current-account adjustment has been induced by domestic demand contractions, the question is how much of this stems from cyclical factors knowing that demand changes are typically associated with cyclical fluctuations. This may have led some observers to conclude that the current adjustment has been largely cyclical. During most business cycles, domestic demand fluctuates more than output, thus generating cyclical movements in current-account balances. However, the boom years before 2007 saw not only inflated domestic demand in the euro-area periphery; potential output also swelled (in particular in the construction sector) due to overly optimistic expectations resting on abundant credit and soaring asset prices. Arguably, the correction of these growth expectations driven by the reassessment of risk premia is permanent. The large domestic demand declines during the crisis have been mirrored in a significant slowdown of potential output. Consequently, the output gap measured against the estimated potential output is much smaller than the gap against the pre-crisis growth trend. Moreover, the output gap developments in the vulnerable countries do not differ much from their trading partners – but their current-account balances do. For example, in Ireland and Portugal output gaps dropped between 5 and 5½ pps. in 2007-13, which is as much or even less than in economies with milder gyrations of macroeconomic aggregates, such as France, the Netherlands or Denmark. Hence, current-account adjustment in most vulnerable countries appears largely non-cyclical because it is associated mainly with the deceleration in their potential output. Graph 3 illustrates this for Spain where the deviation of actual GDP from its pre-crisis trend has been much more substantial than the decline from the 2007 peak. Moreover, only part of the growth gap between Spain and its partners is due to output gap differentials. Instead, most of this growth divergence is due to the relative changes in potential GDP. The rebalancing thus owes a lot to the contraction in domestic demand, which in turn reflects a structural break in potential output.[11]

Outlook

Once domestic output reaches or exceeds potential again, the ensuing demand will lead to a cyclical worsening of current-account balances. This could be particularly strong if output in these countries recovers faster than in their main partners. For

(8) See also Kang and Shambaugh (2013), 'The Evolution of Current Account Deficits in the Euro Area Periphery and the Baltics: Many Paths to the Same Endpoint,' IMF Working Papers, 13/169.

(9) In Spain, for instance, real exports growth slowed from cumulated +29% over 2001-07 to +14% during 2007-13 (compare with +36% and +9% in the euro area). In contrast, the Spanish real import growth of +55% during 2001-07 was followed by a decline of -21% during 2007-13 (compare with +36% and +2% in the euro area).

(10) Note that a certain part of imported intermediate goods and services serves just to sustain exports. (This import content of exports varies between 22% for Spain and 43% in Ireland.) In that sense, the decline in imports hides an even stronger impact coming from the contraction in domestic final demand.

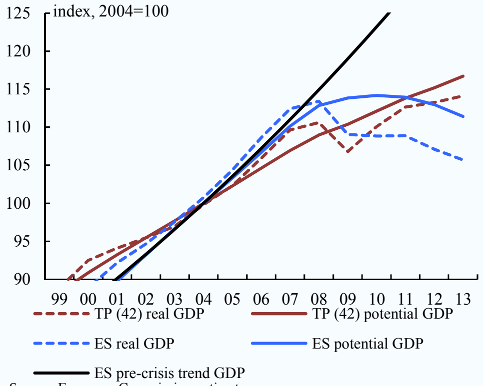
(11) Greece has, in this respect, been an exception. Much more of its output decline is currently attributed to cyclical factors: Its output gap declined from +3¼% of GDP in 2007 to -12¾% 2013, a number that exceeds the euro-area output gap by almost 10 pps. As a result, much more of its adjustment is estimated to be due to cyclical factors. This shows that conclusions on the cyclical and non-cyclical nature of rebalancing crucially hinge on the correctness of output gap estimates.

(Continued on the next page)

Box (continued)

instance, the output gap in Ireland already closed vis-à-vis its partners, thus inducing a current-account balance that is slightly below its surplus in cyclically-adjusted terms. However, such cyclical worsening is unlikely to bring current-account balances to the pre-crisis levels any time soon.

Graph 3: **Potential output: Spain (ES) and trade partners (TP)**



Source: European Commission estimates

The boom-and-crisis has left the euro-area periphery with a large stock of outstanding external debt. Among the vulnerable Member States, the current-account adjustment is only now stabilising their negative international investment position and external debt with respect to GDP. But the debt stocks continue to constrain the borrowing capacity and demand prospects of the private and public sectors in these economies. A return of large current-account deficits is thus unlikely, as it would further rack up external debt. Instead, the vulnerable economies may require current-account surpluses over the medium term to bring down external indebtedness to sounder levels. The required extent of such surpluses in turn depends on the countries' growth prospects.

The question is thus not whether deficits reappear, but whether the surpluses will be sustained by permanently compressed imports and demand, or by expanding exports and output. This in turn will depend on the reforms in these countries as well as the behaviour of domestic demand in trading partners in the euro area and beyond. In view of deleveraging pressures on domestic demand, exports and export-oriented investment are the demand components with scope to underpin a resumption of potential growth and employment in the medium run. However, an export-led recovery requires further reallocation of labour and capital in the structural composition of the economy. Structural reforms that facilitate such re-orientation and changes in relative prices will boost potential output and export capacity – and thus relieve the pressure on imports to offset negative income balances. [12]

[12] See 'The Euro Area's Growth Prospects over the Coming Decade' and 'The Growth Impact of Structural Reforms,' *Quarterly Report on the Euro Area*, 2013 (4), 7-16 and 17-27.

Box I.4: Analysing current disinflationary trends in the euro area

Annual HICP inflation in the euro area has been trending downwards since end-2011, averaging 2.5% in 2012 and 1.4% in 2013. A gradual decline in euro-area inflation had been widely expected given the fall in commodity prices in recent years and the amount of slack in the euro-area economy. Particularly the fourth-quarter figures of 2013, however, surprised on the downside, with annual HICP inflation falling to 0.8%. Similar tendencies have been observed outside the euro area, as reflected by a broad decline in global headline inflation since mid-2011.

This box sheds light on the driving forces behind the current disinflation in the euro area and inquires whether it appears to be a temporary or a more persistent phenomenon. The analysis briefly touches upon the fading away of temporary factors before focusing on cyclical and structural elements.

Temporary factors are fading away…

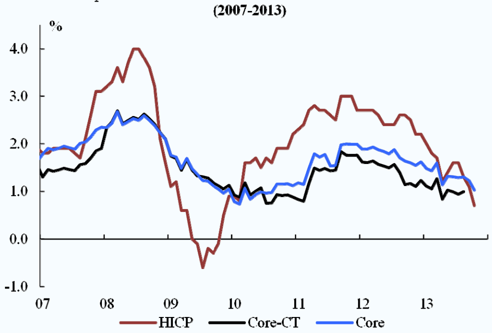
Part of the recent drop in euro area inflation has been due to the fading away of temporary factors, namely the increases in indirect taxes and administered prices (linked to fiscal consolidation needs in many Member States) and the pass-through from past commodity-price hikes (oil and unprocessed food in particular). In the fourth quarter of 2013, core inflation, defined as all-item HICP inflation excluding energy and unprocessed food, decreased markedly to 1% (from 1.3% in the three previous quarters). Notably, the impact of tax hikes was smaller than during the rest of the year (0.1 pp. compared to an average of 0.4 pp. in 2013)[1], and so was the contribution of administered prices (which in 2013 declined to its long-term average of 0.3 pp., after being substantially above in 2011-12). HICP inflation adjusted for tax changes stood at 1% throughout 2013, having dropped through 2012.[(1)] (see Graph 1 and Section I.6 of the main text).

… while cyclical and structural factors related to the ongoing price adjustment in the euro area are at work

The abatement of temporary factors, however, is not the only driving force behind the current disinflation in the euro area. Cyclical and structural factors, related to the fragile recovery and the ongoing relative price adjustment in the euro area, also are at play.

(1) Constant-tax inflation rates assume a full and immediate pass-through of tax changes to prices, and could hence be seen as an upper bound to the actual impact of tax changes.

Graph 1: **Euro area HICP core inflation at constant taxes (2007-2013)**



Source: Eurostat, own calculations

Unit labour costs can explain much of the cyclical pattern of underlying inflation as measured by the GDP deflator (see Graph 2). Annual growth in unit labour costs decreased further to 1.0% in the third quarter of 2013, from 2.1% in the third quarter of 2012. Taking the typical pattern of previous recoveries as a guide, the slow pace of "cost-push inflation" stemming from unit labour costs can be expected to continue over the next few quarters. In the initial stages of a recovery, productivity typically tends to increase, while wages pick up only later. As productivity growth is currently still very low, there is much room for productivity increases. Only after some quarters, employment is likely to become a more significant driver of growth, thus curbing productivity growth. Together with a rise in labour compensation (from 1.6% in the third quarter 2013), this would push up unit labour costs. This cyclical perspective points to subdued price pressures in the pipeline, but also to their temporary nature. [(2)]

Apart from its cyclical behaviour, the disinflation in the more vulnerable Member States might be influenced by structural shifts that could amplify its magnitude. Indeed, the relative decline in inflation rates in these countries (see Graph 3) coincides with substantial structural reform efforts that

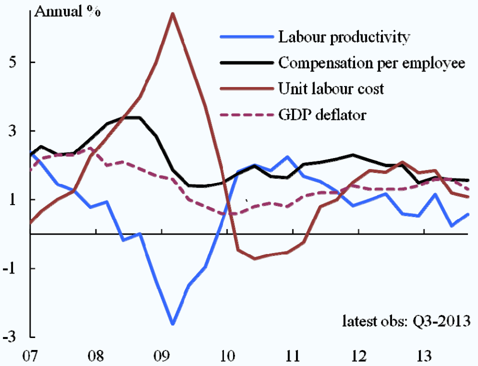
(2) As prices reflect not only labour costs but also profit margins, price pressures will also be influenced by the outlook for the latter. Measured as the gross operating surplus, profit margins fell in the euro area in 2012 (-0.8%), but increased in 2013 (+0.5% in the first two quarters). With the economic recovery continuing to take shape, a gradually higher contribution of corporate margins to price changes can be expected.

(Continued on the next page)

Box (continued)

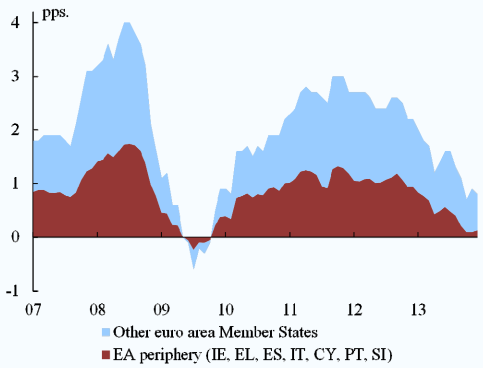
explicitly targeted nominal rigidities in prices and wages. [3]

Graph 2: **Labour cost and productivity in the euro area**



Source: EcoWin Reuters, Eurostat, ECB, own calculations

Graph 3: **Contribution to euro are HICP inflation 2004-13**



Source: Eurostat, own calculations

At the same time, the current disinflation in the euro area may be related to an increasing impact of the output gap on inflation. Empirical evidence suggests that the Phillips curve, which describes the relation between the output gap and inflation, had flattened over the last two decades. Various measures of inflation had become less sensitive to the slack in the economy. [4] In recent years, however, the output gap elasticity of inflation appears to have increased again. This could possibly mirror non-linearity, i.e. inflation might only react significantly to the output gap if it is large and persistent. Alternatively, the steepening of the Phillips curve could be the result of the elements described above, such as enhanced wage flexibility or its previous disguise by temporary factors like hikes in indirect taxes. [5] The recent steepening of the curve has however not completely reversed the long-term flattening trend.

A simple framework based on a New Keynesian Phillips curve with time-varying parameters of euro-area inflation at the aggregate level offers useful insights. [6] The estimates use quarterly data on exchange-rate-adjusted oil prices, the output gap, past inflation and inflation expectations based on inflation swaps. [7]

The estimation results suggest that the output gap plays a more important role in accounting for inflation developments than before the crisis. During the past two years, the inflation elasticity of the output gap appears to have surged particularly in vulnerable Member States, arguably due to structural reforms. [8] The assumption that the output gap will continue to close only slowly points to a continuing drag of weak demand on inflation but does not necessarily add further disinflationary momentum.

The Phillips-curve estimates also suggest a gradually increasing role of inflation expectations in explaining price developments. Market-based euro-area inflation expectations (see Graph 4) derived from swap rates have been trending downwards at all maturities since spring 2011. Taken at face value, the spot rates of inflation-linked swaps observed in January 2014 imply an average annual inflation rate of 1.1% over 2014-16. Regarding the medium-term outlook, inflation expectations derived from inflation-linked swap rates at the three-years-forward-three-years-ahead horizon imply an average inflation rate of 1.7% in 2017-19. At the same time, five-year inflation-linked swap rates five years ahead, the most widely

(3) It seems, however, too early to draw clear conclusions about the precise impact of these structural reforms on price and wage dynamics.

(4) See IMF (2013), "The dog that didn't bark: Has inflation been muzzled or was it just sleeping", *IMF World Economic Outlook*, Chapter 3, April, and Acedo-Montoya, L., B. Doehring (2011), "The improbable renaissance of the Phillips curve: The crisis and euro area inflation dynamics", *European Commission Economic Papers*, No 446, October.

(5) Oinonen, S., M. Paloviita and L. Vilmi (2013), "How have inflation dynamics changed over time? Evidence from the euro area and the US." *Bank of Finland Research Discussion Paper* 6/2013.

(6) The Phillips curve $\pi_t = \alpha_t^{FL} E_t \pi_{t+1} + \alpha_t^{BL} \pi_{t-1} + \lambda_t gap_t + \gamma_t \Delta \ln(e_t oil_t) + \varepsilon_t$ is estimated by using state-space methods that apply the Kalman filter and allow parameters to vary over time. Parameters are assumed to follow random walk processes with uncorrelated and normally distributed error terms.

(7) The output gap is based on the European Commission's production function approach.

(8) While tax increases in vulnerable Member States may also contribute to the explanation, the timing of their fading out is different from the timing of the rise of the inflation elasticity of the output gap.

(Continued on the next page)

Box (continued)

used measure of long-term inflation expectations, have been broadly stable at slightly above 2% (all January 2014 averages).

Graph 4: **Inflation expectations derived from implied forward inflation-linked swap rates**

Source: Bloomberg

Market-based indicators hence suggest that, in the short- to medium-term, markets expect inflation in the euro area to remain well below 2% and to only slowly return to that level over time. At the same time, long-term inflation expectations remain well-anchored on the back of high central bank credibility. Yet, as the Japanese experience with a long-lasting period of mostly mild deflation since the mid-1990s shows, long-term inflation expectations do not necessarily provide full assurance on future inflation developments. Most available measures suggest that long-term inflation expectations in Japan (six to ten years ahead) declined only gradually in the early 1990s and remained positive throughout the last two decades, despite a prolonged period of negative or very low inflation. In contrast to the euro area, however, long-term inflation expectations did not appear well-anchored in Japan, reflecting inter alia the absence of a quantitative inflation target at the time.

Deflation risks low

On the basis of the above considerations, the baseline scenario is one of a protracted period of low inflation in the quarters ahead. Only a muted increase in inflation is expected within the forecast horizon, in line with the ongoing recovery.

For a scenario of outright euro-area-wide deflation, i.e. the emergence of a broad-based and self-sustaining downward trend in the price level, to materialise, a strong shock to the forecast assumptions would be required, driving underlying inflation in the euro-area core to unprecedented near-zero levels. At the same time, in the context of continuing disinflationary pressures in many Member States and the current downward trend in commodity prices, the sensitivity of the inflation outlook to shocks appears to have increased. Low core inflation and sizeable output gaps, as well as a reduction in nominal rigidities in some Member States, may well have reduced some of the downward stickiness that inflation in the euro area experienced at low levels in the past.

Even in the absence of outright deflation, an inflation rate persistently below the ECB's definition of price stability over the medium term, defined as "a year-on-year increase in the HICP for the euro area of below, but close to, 2%", would not be without risks for the Member States at the lower range of the inflation dispersion. A protracted period of very low inflation increases the real value of both public and private debt and results in higher real interest rates, making the ongoing internal adjustment in a number of Member States more difficult and the deleveraging process more challenging. [9]

[9] See, for instance, King, M. (1994),"Debt-Deflation: Theory and Evidence", *European Economic Review*, Vol. 38(3-4), pp. 419-45.

Box I.5: **Some technical elements behind the forecast**

The cut-off date for taking new information into account in this European Economic Forecast was 17 February. The forecast incorporates validated public finance data as published in Eurostat's News Release 152/2013 of 21 October 2013.

External assumptions

This forecast is based on a set of external assumptions, reflecting market expectations at the time of the forecast. To shield the assumptions from possible volatility during any given trading day, averages from a 10-day reference period (between 31 January and 13 February) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption as regards exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.36 in 2014 and 2015. The average JPY/EUR rates are 138.58 in 2014 and 138.31 in 2015.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro-area interest rate is taken for both short- and long-term rates. As a result, short-term interest rates are assumed to be 0.3% on average in 2014 and 0.4% in 2015 in the euro area. Long-term euro-area interest rates are assumed to be 1.8% on average in 2014 and 2.1% in 2015.

Commodity prices

Commodity price assumptions are also, as far as possible, based on market conditions. According to futures markets, prices for Brent oil are projected to be on average 104.1 USD/bbl in 2014 and 99.6 USD/bbl in 2015. This would correspond to an oil price of 76.5 EUR/bbl in 2014 and 73.2 EUR/bbl in 2015.

Budgetary data

Data up to 2012 are based on data notified by Member States to the European Commission on 1 October and validated by Eurostat on 21 October 2013.

Eurostat has expressed its reservation on the quality of the data reported by Austria, due to uncertainties on the statistical impact of the conclusions of the Federal Audit Office's report on the Land Salzburg, published on 9 October 2013. The report revealed deficiencies with regard to financial management and to completeness of the public accounts of the Land Salzburg. The statistical implications of the audit for EDP data are being investigated by Statistics Austria in collaboration with Eurostat, in order to clarify the precise impacts on 2012 and also on preceding years. It is possible that this will lead to an upward revision of government debt of up to half a percent of GDP, with more minor revisions to the government deficit, based on the information available at the time of the validation.

For the forecast, measures in support of financial stability have been recorded in line with the Eurostat Decision of 15 July 2009.[1] Unless reported otherwise by the Member State concerned, capital injections known in sufficient detail have been included in the forecast as financial transactions, i.e. increasing the debt, but not the deficit. State guarantees on bank liabilities and deposits are not included as government expenditure, unless there is evidence that they have been called on at the time the forecast was finalised. Note, however, that loans granted to banks by the government, or by other entities classified in the government sector, usually add to government debt.

For 2014, budgets adopted or presented to national parliaments and all other measures known in sufficient detail are taken into consideration. In particular, all the information included in the Draft Budgetary Plans submitted by 15 October is reflected in this forecast. For 2015, the 'no-policy-change' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

The general government balances that are relevant for the Excessive Deficit Procedure may be slightly different from those published in the national accounts. The difference concerns settlements under swaps and forward rate agreements (FRA).

(1) Eurostat News Release N° 103/2009.

(Continued on the next page)

Box (continued)

According to ESA95 (amended by regulation No. 2558/2001), swap- and FRA-related flows are financial transactions and therefore excluded from the calculation of the government balance. However, for the purposes of the excessive deficit procedure, such flows are recorded as net interest expenditure. European aggregates for general government debt in the forecast years 2013-15 are published on a non-consolidated basis (i.e. not corrected for intergovernmental loans). To ensure consistency in the time series, historical data are also published on the same basis. For 2012, this implies a debt-to-GDP ratio in the euro area which is 2.1 pp. (1.5 pp. in the EU) higher than the consolidated general government debt ratio published by Eurostat in its news release 152/2013 of 21 October 2013. General government debt projections for individual Member States in 2013-15 include the impact of guarantees to the EFSF, [2] bilateral loans to other Member States, and the participation in the capital of the ESM as planned on the cut-off date of the forecast (subject to approval).

(2) In line with the Eurostat decision of 27 January 2011 on the statistical recording of operations undertaken by the European Financial Stability Facility, available at: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-27012011-AP/EN/2-27012011-AP-EN.PDF.

Calendar effects on GDP growth and output gaps

The number of working days may differ from one year to another. The Commission's annual GDP forecasts are not adjusted for the number of working days, but quarterly forecasts are.

However, the working-day effect in the EU and the euro area is estimated to be limited over the forecast horizon, implying that adjusted and unadjusted growth rates differ only marginally (by up to ±0.1 pp.). The calculation of potential growth and the output gap does not adjust for working days. Since the working-day effect is considered as temporary, it should not affect the cyclically-adjusted balances.

PART II

Prospects by individual economy

Member States

1. BELGIUM

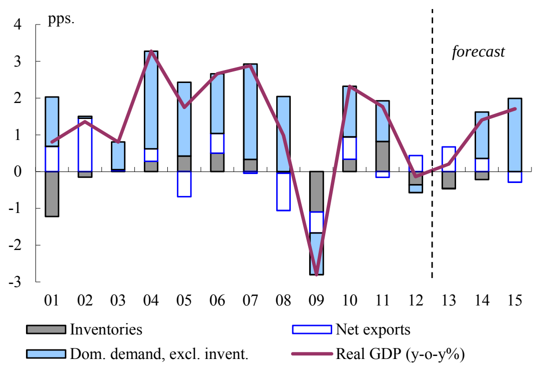
Growth expectations up, inflation down

Rising net exports and household consumption helped the Belgian economy to end 2013 on a positive note. GDP rose by 0.4% in the final quarter, bringing the annual rate to 0.2% and ending two years of stagnation. GDP growth is expected to reach 1.4% in 2014 before rising to 1.7% in 2015. Despite an improving economy, government deficit levels are expected to remain broadly unchanged.

With the noteworthy exception of the construction sector, confidence indices have been improving in recent quarters and have reached the highest level since the summer of 2011. This soft indicator trend has been confirmed by recent hard data and points to a continuation of the positive performance in upcoming quarters.

More robust than anticipated private consumption in the second half of 2013 provides 2014 with substantial carry-over. Household spending is expected to accelerate further towards the end of the year, in parallel with labour market prospects. More solid income growth is forecast to underpin consumer spending in 2015.

Graph II.1.1: **Belgium - Real GDP growth and contributions**



After falling by 2.5% in 2013 due to a weak start, capital formation is expected to continue its recent recovery, led by company investments. Industrial production has been pointing to a modest turnaround, while the industry's capacity utilisation is close to the long-term average. Inversely, construction is still sluggish at best, with confidence at the lowest level in over 15 years and both order books and expected employment weak. A real pick-up in activity is only expected for 2015. This reflects depressed housing investments as well as a cyclical correction in public investment following the 2012 local elections.

Net exports are expected to have contributed 0.7 pp. to overall growth in 2013. This year, export growth is projected to outpace import growth, helped by modest gains in competitiveness. With domestic demand strengthening over the forecast horizon, import growth is forecast to accelerate as well. As a consequence, net trade would become a negative contributor in 2015.

The pace of the recovery in Belgium remains closely linked to developments in the euro area. The main domestic downside risk would be tighter credit conditions resulting in more subdued investment growth.

Unhurried labour market turnaround, inflation set to remain moderate over forecast horizon

Despite an apparent stabilisation towards the end of last year, unemployment is set to rise further from an average of 8.4% in 2013 to 8.5% in 2014 as job creation is projected to feature a considerable lag to the economic cycle after a prolonged period of sluggish activity. Somewhat stronger employment growth is projected to push back unemployment to 8.2% in 2015, a level still high from an historic perspective.

Meanwhile, price pressures have been retreating and a further decrease is expected in upcoming quarters. This reflects the generally low inflationary environment as well as specific Belgian elements, in particular the lowering of the VAT rate on electricity consumption by households as of April next. With low price pressures delaying wage indexation for most workers and real wages frozen, nominal wage growth is set to be confined. In combination with a pick-up in productivity this leads to unit labour costs growing much slower than has been the case in recent years.

Broadly flat public finance outlook

The general government deficit is estimated to have reached 2.7% of GDP in 2013, 0.1 pp. lower than expected in the autumn forecast. The improvement stems from higher than expected economic growth in the last quarter, as well as from positive revenue surprises from a fiscal amnesty and from taxation of financial assets. The structural balance is expected to have improved by around ¾% of GDP in 2013, while one-off factors (such as the fiscal amnesty and the sale of telecom licences) amount to around ½% of GDP.

In 2014, the deficit is expected to decline slightly further to 2.6% of GDP. Expenditure growth is modest due to the low inflation environment as well as measures taken in health care and reductions in administrative spending. Tax revenues are boosted by the improving economic environment and by consolidation measures in the 2014 budget such as the introduction of VAT on services from lawyers, an increase in excise duties and a minimum corporate income tax. The fiscal amnesty is expected to yield additional one-off revenues in 2014, although lower than in 2013. On the other hand, a reduction in the VAT rate on electricity will weigh on indirect tax revenues. In 2014, the overall deficit impact of this measure is broadly neutral due to its inflation-reducing impact, which will postpone the automatic indexation of public wages and social benefits until the beginning of 2015. In that year, the net budgetary cost of the measure will be above 0.1% of GDP. Since the autumn forecast, the government also agreed on a reduction of social security charges of 0.1% of GDP in 2015. Overall, the deficit is expected to remain broadly stable in 2015 under the usual no-policy-change assumption, despite the projected strengthening of economic growth.

The structural improvement of the budget balance is projected at around ¼% of GDP in 2014, to then deteriorate again by ½% of GDP in 2015 due to the impact of the above-mentioned government measures and the autonomously rising trend in social expenditure.

General government debt is estimated to have reached 99.8% of GDP in 2013. The positive impact of the reimbursement of a loan by KBC (0.5% of GDP) and the sale of government assets (1.3% of GDP) is partly offset by negative stock-flow adjustments, such as the contribution to the EFSF/ESM (0.7% of GDP). The debt ratio is forecast to rise again in 2014, to just above 100% of GDP, mostly due to stock-flow adjustments (EFSF/ESM), and to start declining in 2015.

Table II.1.1:

Main features of country forecast - BELGIUM

		2012			Annual percentage change					
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		375.9	100.0	2.0	2.3	1.8	-0.1	**0.2**	**1.4**	**1.7**
Private Consumption		198.9	52.9	1.7	2.8	0.2	-0.3	**0.6**	**1.5**	**1.9**
Public Consumption		93.8	25.0	1.8	0.6	0.7	1.4	**0.6**	**0.5**	**1.4**
Gross fixed capital formation		76.5	20.4	2.2	-1.1	4.1	-2.0	**-2.5**	**1.7**	**3.2**
of which: equipment		28.2	7.5	2.9	-10.9	4.8	-3.2	**-1.7**	**3.2**	**5.5**
Exports (goods and services)		323.7	86.1	3.9	8.1	6.4	1.8	**1.9**	**3.6**	**4.7**
Imports (goods and services)		319.6	85.0	3.8	7.5	6.8	1.3	**1.2**	**3.2**	**5.2**
GNI (GDP deflator)		376.9	100.3	1.9	4.8	1.0	-0.8	**0.1**	**1.3**	**1.7**
Contribution to GDP growth:	Domestic demand			1.7	1.4	1.1	-0.2	**0.0**	**1.3**	**2.0**
	Inventories			0.0	0.3	0.8	-0.4	**-0.5**	**-0.2**	**0.0**
	Net exports			0.2	0.6	-0.2	0.4	**0.7**	**0.4**	**-0.3**
Employment				0.9	0.7	1.4	0.2	**-0.3**	**0.3**	**0.8**
Unemployment rate (a)				8.3	8.3	7.2	7.6	**8.4**	**8.5**	**8.2**
Compensation of employees / head				2.6	1.4	3.1	3.4	**2.3**	**0.6**	**1.9**
Unit labour costs whole economy				1.6	-0.3	2.7	3.7	**1.8**	**-0.5**	**1.0**
Real unit labour cost				-0.1	-2.3	0.7	1.8	**0.5**	**-1.8**	**-0.6**
Saving rate of households (b)				17.3	15.2	14.1	15.2	**14.9**	**14.6**	**14.3**
GDP deflator				1.7	2.1	2.0	1.9	**1.3**	**1.4**	**1.6**
Harmonised index of consumer prices				1.9	2.3	3.4	2.6	**1.2**	**0.9**	**1.4**
Terms of trade goods				-0.5	-2.1	-2.1	0.2	**-0.3**	**0.4**	**0.0**
Trade balance (c)				2.6	-0.8	-1.6	-1.5	**-1.4**	**-1.1**	**-1.6**
Current-account balance (c)				4.1	2.6	0.5	-0.2	**0.1**	**0.6**	**0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.9	2.5	0.3	-0.3	**0.3**	**0.7**	**0.4**
General government balance (c)				-1.6	-3.7	-3.7	-4.0	**-2.7**	**-2.6**	**-2.7**
Cyclically-adjusted budget balance (c)				-1.9	-3.3	-3.5	-3.2	**-1.7**	**-2.0**	**-2.5**
Structural budget balance (c)				-	-3.3	-3.3	-2.9	**-2.2**	**-2.0**	**-2.5**
General government gross debt (c)				106.3	95.7	98.0	99.8	**99.8**	**100.5**	**100.0**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

2. BULGARIA

Economic growth resuming, but labour market still weak

The economic recovery in Bulgaria is expected to broaden in 2014 and 2015 as domestic demand gradually joins exports as the main engine of growth. But with growth expected to be modest, the labour market will likely remain weak. After a fiscal stimulus in 2013, fiscal policy is forecast to turn broadly neutral this year and next.

Growth broadens

Preliminary GDP data for 2013 indicates a slight pick-up in growth in the second half of the year. Growth was driven by net exports and a surge in public expenditure, whereas household consumption contracted. Annual growth is projected to have reached 0.6% in 2013. This remains well below the estimated potential growth rate of the economy.

Going forward, the economic recovery is expected to be more broad-based, with domestic demand forecast to reinforce the export-driven growth momentum. GDP growth is forecast to reach 1.7% in 2014 and 2% in 2015. The recovery is expected to be slow compared to many other converging economies, as a significant population decline (due to ageing and emigration) continues to erode the growth potential.

Domestic demand poised for a rebound

Even though the purchasing power of households has been buoyed by growth in wages in a low inflation environment and by a discretionary pensions hike of over 9% in April 2013, households have so far remained cautious in spending. However, consumer confidence appears to be gradually firming, as indicated by recent surveys. Also, retail trade recorded strong growth over the second half of 2013, which suggests an imminent recovery in household consumption. Household consumption is therefore forecast to rebound over 2014-15.

The recovery in private investment is forecast to be gradual given that the rebound in economic activity is expected to be modest. However, investment is supported by the relatively strong financial sector, which has been capable of upholding credit to the private sector over the crisis years. Also, both deposit and lending interest rates have continued on a downward trend, implying an improvement in lending conditions and credit availability.

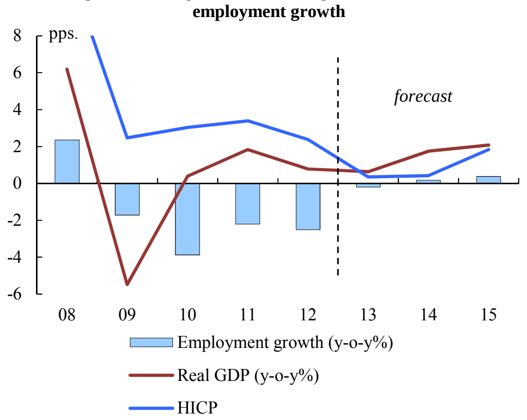
Exports to remain buoyant

Exports are forecast to remain relatively strong also over 2014-15, upheld by an economic recovery in the EU. Nevertheless, the rebound in domestic consumption and investment would also drive up imports and turn the growth contribution from net exports slightly negative. The current account surplus is forecast to have reached about 2% of GDP in 2013, but is projected to diminish to close-to-balance by 2015.

Risks are broadly balanced

Risks to this macroeconomic forecast seem broadly balanced. The most significant downside risk is related to the expected recovery in household consumption, which could prove weaker than expected given that the Bulgarian labour market and household sentiment are still fragile. However, as observed over the recent years, in periods of weaker domestic demand the Bulgarian economy has been able to partly compensate this with higher net exports.

Graph II.2.1: **Bulgaria - Real GDP growth, inflation and employment growth**



The labour market remains in distress

After four consecutive years of falling employment, labour market statistics indicate first signs of stabilisation since the second half of 2013. This is mainly thanks to the traditionally volatile agricultural sector, which benefited from a good harvest in 2013. While employment in service sectors appears also stabilising, manufacturing and construction sectors continue to shed labour. Going forward, the labour market is projected to improve only gradually since notable labour market mismatches have built up over the extended crisis years. Unemployment is expected to have peaked at almost 13% of the labour force in 2013 and decline slowly to about 12% by 2015.

Sharply decelerating inflation in 2013

Average inflation amounted to only 0.4% in 2013. Inflation fell sharply over 2013, turning even negative in the second half of the year, driven by falling import prices, decreases in the administratively-set energy prices and the good harvest that led to lower food prices. As the base effects from these factors fade, inflation is forecast to rebound in the second half of 2014. Nevertheless, inflationary pressures are expected to remain low also in 2014, with average annual inflation projected to reach 0.5%. Inflation is forecast to accelerate in 2015 to 1.8%, in line with the projected recovery in domestic demand and the ongoing convergence of prices towards the EU average.

Fiscal expansion in 2013, turning broadly neutral thereafter

Following three years of consolidation, the general government deficit is estimated to have increased from 0.8% of GDP in 2012 to 1.9% of GDP in 2013. This was due to a combination of a soft patch in economic recovery and additional spending for social expenditure (including the increase in pensions) and various current expenditure items. The general government deficit is set to remain unchanged at 1.9% of GDP in 2014 and slightly decline to 1.7% in 2015. In structural terms, the deficit is estimated to deteriorate by 1 pp. of GDP in 2013, but remain broadly stable in 2014 and 2015. This reflects the expansionary fiscal stance in 2013, and a broadly neutral one in 2014-15. The general government gross debt is forecast to increase from 18.5% in 2012 to about 24% of GDP in 2015.

Table II.2.1:
Main features of country forecast - BULGARIA

		2012			Annual percentage change					
	bn BGN	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		77.6	100.0	2.9	0.4	1.8	0.8	**0.6**	**1.7**	**2.0**
Private Consumption		49.9	64.3	3.2	0.1	1.5	2.6	**-0.4**	**1.4**	**1.7**
Public Consumption		12.1	15.5	-0.9	1.9	1.6	-1.4	**3.1**	**2.2**	**2.3**
Gross fixed capital formation		16.6	21.4	-	-18.3	-6.5	0.8	**1.7**	**2.4**	**4.2**
of which: equipment		7.7	9.9	-	-11.2	24.5	9.0	**4.8**	**2.6**	**5.1**
Exports (goods and services)		51.7	66.6	-	14.7	12.3	-0.4	**8.2**	**5.6**	**6.4**
Imports (goods and services)		54.6	70.3	-	2.4	8.8	3.7	**5.0**	**5.5**	**6.8**
GNI (GDP deflator)		75.8	97.7	-	0.6	0.4	1.9	**0.9**	**1.4**	**1.7**
Contribution to GDP growth:	Domestic demand			-	-4.9	-0.3	1.6	**0.6**	**1.7**	**2.3**
	Inventories			-	-0.3	0.3	1.9	**-1.9**	**0.0**	**0.0**
	Net exports			-	5.6	1.8	-2.7	**1.9**	**0.0**	**-0.3**
Employment				-	-3.9	-2.2	-2.5	**-0.2**	**0.2**	**0.4**
Unemployment rate (a)				-	10.3	11.3	12.3	**12.9**	**12.7**	**12.1**
Compensation of employees / head				-	9.9	6.8	2.9	**4.4**	**3.5**	**3.6**
Unit labour costs whole economy				-	5.2	2.5	-0.5	**3.6**	**1.9**	**1.9**
Real unit labour cost				-	2.4	-2.2	-2.6	**1.4**	**1.0**	**0.0**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				36.5	2.8	4.9	2.2	**2.2**	**0.9**	**2.0**
Harmonised index of consumer prices				-	3.0	3.4	2.4	**0.4**	**0.5**	**1.8**
Terms of trade goods				-	2.3	1.8	-0.3	**1.4**	**-0.4**	**-0.2**
Trade balance (c)				-10.2	-7.7	-5.6	-9.1	**-6.1**	**-6.5**	**-7.2**
Current-account balance (c)				-7.2	-0.4	0.1	-1.3	**2.0**	**1.3**	**0.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-7.2	0.3	1.3	0.0	**3.3**	**2.7**	**1.3**
General government balance (c)				-1.3	-3.1	-2.0	-0.8	**-1.9**	**-1.9**	**-1.7**
Cyclically-adjusted budget balance (c)				-	-2.3	-1.5	-0.3	**-1.3**	**-1.4**	**-1.2**
Structural budget balance (c)				-	-2.2	-1.5	-0.3	**-1.3**	**-1.4**	**-1.2**
General government gross debt (c)				-	16.2	16.3	18.5	**19.4**	**22.7**	**24.1**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

3. THE CZECH REPUBLIC

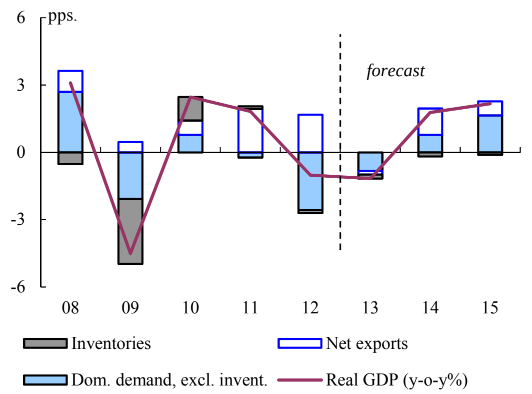
Economic activity to strengthen in 2014

The economic recovery that started in the second quarter of 2013 is expected to strengthen in 2014, sustained by the improving global economy. The labour market is set to improve while the general government deficit is forecast to worsen slightly, mainly because of higher government consumption expenditure and a planned labour tax reform in 2015.

The recovery is firming up...

In the third quarter of 2013, real GDP expanded at a modest pace of 0.2%, confirming the recovery that had started in the second quarter. A significant weakening of the koruna in November 2013 is expected to have propped up domestic demand growth in the fourth quarter of 2013 as in particular investment purchases were advanced in response to expectations of increased prices. According to the flash release of 14 February by the Czech Statistical Office, real GDP grew by 1.6% in the fourth quarter. Economic activity, supported by a brightening outlook for the global economy, is expected to continue improving in the following quarters.

Graph II.3.1: **Czech Republic - Real GDP growth and contributions**



Exports to drive growth in 2014...

While signs confirming the inversion in the cycle have already been discernible in high-frequency indicators for a few months, value added growth in manufacturing and other industry still remains subdued. Looking ahead, industrial production is forecast to pick up in 2014, benefitting from further improvement in confidence, a sustained inflow of new orders and restored profit margins.

On the back of the weakened koruna and a gradual acceleration in economic growth of its main EU trading partners, export-oriented sectors are expected to be the main drivers of growth in 2014.

Lingering effects from the crisis are likely to persist in construction, but declining unit labour cost in this sector is expected to buttress its recovery.

...while domestic demand is set to strengthen appreciably in 2015

Household consumption is firming but it is expected to grow somewhat less dynamically than envisaged in the autumn in view of still weak growth in real disposable income. Stabilisation of labour market conditions in 2014 and moderate improvement over the forecast horizon will be a supportive factor, but the projected fall in the population of working age is set to become a permanent drag on employment growth. In a context of spare production capacities and limited credit growth, which only very recently started picking up, the contribution of gross fixed capital formation to GDP growth is expected to remain subdued in 2014.

Looking further ahead, growth is expected to rebalance towards domestic drivers in 2015, along with strengthening confidence in both the corporate and household sectors. The associated rise in imports is projected to decrease the contribution of net exports to growth and to slow the ongoing improvement in the current-account balance.

Inflation

The Czech National Bank loosened further its monetary policy in November by weakening the koruna and has signalled its intention to maintain a supportive policy stance at least throughout 2014. The latest inflation figures show that the pass-through from the exchange rate to prices is fairly quick, with inflation as measured by the HICP rising from 0.9% in October to 1.4% in December 2013. However, the fading out of past increases in indirect taxes together with a drop in regulated prices of electricity are set to dampen price growth throughout 2014. Stronger domestic demand is expected to stoke up inflation in 2015.

General government deficit to worsen slightly

The general government deficit is expected to have reached 2.7% of GDP in 2013. This outcome results from consolidation measures of approximately 0.7% of GDP and a projected year-on-year decline in public investment by more than 9%. Public investment has been on a steep declining path for four consecutive years and its share on GDP declined to 2.9% in 2013 compared with a long-term average of 4.2%. . The available cash data indicate lower-than-expected revenues from corporate income taxes and excise duties but strong VAT revenues.

The general government deficit will stabilise at 2.8% of GDP in 2014. Growth in government consumption is set to remain strong on account of the planned increase in the public sector wage bill and in the intermediate consumption (total fiscal impact of approximately 0.2% of GDP). The forecast also factors in a moderate rebound in public investment and the planned withdrawal of earlier consolidation measures (0.2% of GDP). The main deficit-reducing measures include lower indexation of pensions, an increase in excise duties and one-off revenue from the sale of newly released frequency ranges (total fiscal impact of approximately 0.5% of GDP). The structural balance is forecast to deteriorate in the context of a narrowing output gap.

On unchanged policies, the deficit is expected to widen to 3.3% of GDP and the structural balance is forecast to deteriorate further. The already adopted reform of the personal income tax entering in force in 2015 will be the main deficit-increasing measure (0.4% of GDP).

The debt-to-GDP ratio stabilised at around 46% in 2013 due to the sale of financial assets amounting to approximately 3% of GDP. The ratio is expected to increase over the forecast horizon, reaching 48.6% in 2015.

Table II.3.1:

Main features of country forecast - CZECH REPUBLIC

	2012			Annual percentage change						
	bn CZK	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		3845.9	100.0	3.1	2.5	1.8	-1.0	**-1.2**	**1.8**	**2.2**
Private Consumption		1944.2	50.6	3.1	0.9	0.5	-2.1	**-0.4**	**0.4**	**2.0**
Public Consumption		788.8	20.5	1.7	0.2	-2.7	-1.9	**1.4**	**1.5**	**0.8**
Gross fixed capital formation		887.9	23.1	4.2	1.0	0.4	-4.5	**-4.0**	**1.2**	**2.2**
of which: equipment		393.7	10.2	5.5	3.7	6.7	-5.6	**-0.7**	**2.0**	**2.7**
Exports (goods and services)		3000.9	78.0	8.4	15.4	9.5	4.5	**0.4**	**5.7**	**6.1**
Imports (goods and services)		2785.6	72.4	8.5	15.4	7.0	2.3	**0.7**	**4.6**	**5.8**
GNI (GDP deflator)		3561.0	92.6	2.6	1.5	2.7	-1.7	**-1.2**	**1.7**	**2.1**
Contribution to GDP growth:	Domestic demand			3.1	0.8	-0.2	-2.6	**-0.8**	**0.8**	**1.6**
	Inventories			0.0	1.0	0.1	-0.1	**-0.2**	**-0.2**	**-0.1**
	Net exports			0.0	0.6	1.9	1.7	**-0.2**	**1.2**	**0.6**
Employment				0.1	-1.0	0.0	0.4	**1.0**	**0.2**	**0.6**
Unemployment rate (a)				6.5	7.3	6.7	7.0	**7.0**	**6.8**	**6.6**
Compensation of employees / head				8.4	3.1	2.3	2.3	**-1.0**	**2.0**	**2.2**
Unit labour costs whole economy				5.2	-0.4	0.5	3.8	**1.1**	**0.5**	**0.7**
Real unit labour cost				0.7	1.2	1.4	2.1	**-0.2**	**-0.9**	**-1.2**
Saving rate of households (b)				10.3	10.7	9.9	10.6	**10.6**	**10.8**	**10.7**
GDP deflator				4.5	-1.6	-0.9	1.6	**1.3**	**1.3**	**1.9**
Harmonised index of consumer prices				-	1.2	2.1	3.5	**1.4**	**1.0**	**1.8**
Terms of trade goods				0.4	-2.3	-2.1	-0.6	**0.6**	**0.2**	**0.5**
Trade balance (c)				-2.2	1.5	2.4	3.8	**4.5**	**5.6**	**6.3**
Current-account balance (c)				-3.6	-5.0	-3.5	-2.6	**-2.4**	**-1.5**	**-0.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.3	-2.9	-1.6	-1.4	**-0.9**	**-0.1**	**0.6**
General government balance (c)				-	-4.7	-3.2	-4.4	**-2.7**	**-2.8**	**-3.3**
Cyclically-adjusted budget balance (c)				-	-4.3	-3.1	-3.7	**-1.4**	**-1.9**	**-2.9**
Structural budget balance (c)				-	-4.5	-3.1	-1.9	**-1.3**	**-2.2**	**-2.9**
General government gross debt (c)				-	38.4	41.4	46.2	**46.1**	**47.2**	**48.6**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

4. DENMARK

Moving out of stagnation

After three years of economic standstill, the indicators are pointing to an improvement in the Danish economy. GDP-growth has been positive in the two latest quarters, unemployment has edged downwards and confidence indicators have improved across consumers and different business sectors. But despite these clear signs of improvement, it is still too early to conclude that the recovery has gained a firm footing.

Economic recovery is gaining traction

Real GDP is estimated to have grown by 0.3% in 2013. The weak growth rate is primarily due to the negative carry-over effects from 2012 and a weak development at the beginning of the year. In the course of the year, GDP growth has picked up, with two consecutive quarters of growth in the second and third quarter of 2013. Growth is estimated to have been primarily driven by domestic demand, while strong imports have led to a negative growth contribution from net exports.

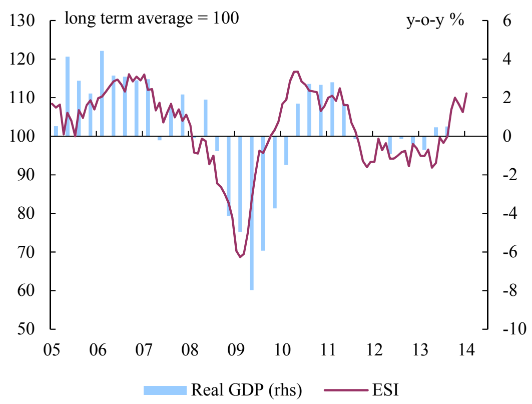
At the beginning of 2014, confidence indicators are pointing to increased momentum in the Danish economy, (II.4.1). Real GDP is forecast to grow by 1.7% in 2014 and 1.8% in 2015, which is unchanged compared to the projection in the autumn forecast. In 2014 and 2015, domestic demand is expected to remain the main growth driver. Export growth is expected to pick-up markedly in 2014 and 2015, but a simultaneous increase in imports reduces the positive growth contributions from net exports.

Private consumption has been stable at a low level since 2010, as income growth has been low, uncertainty widespread, and Danish households have been consolidating after the housing bubble burst. However, consumer confidence has improved significantly since last summer, house prices have stabilised and even increased in the largest cities, interest rates are low and there have been early signs of improvement in the labour market. Hence, there is a potential for increased private consumption, which is forecast to expand by 1.4-1.7% on an annual basis in the forecast period.

Exports are expected to have grown by just 0.9% in 2013, after even weaker growth in 2012. The low growth rate for 2013 is partly a hangover from an export drop in the last half of 2012, as growth over the course of 2013 itself has been more solid. On an annual basis, exports growth is expected to rise to 3.1% in 2014 and 4.0% in 2015, in line with the expected improvement in external demand.

Business investment has been weak since the outbreak of the crisis and savings in the corporate sector have been stable at a very high level over the last three years. In 2013, business investment was arguably boosted by the 'investment window' tax breaks, which ended by the turn of the year. Private investment is expected to further accelerate in the forecast period, supported by low interest rates and in line with the further recovery in private consumption and exports.

Graph II.4.1: **Denmark - ESI and Real GDP growth**



Unemployment is edging downwards

The pick-up in economic activity is set to lead to moderate growth in employment by about 0.5% annually in the forecast period. Despite a steep increase in 2008 and 2009, the unemployment rate never reached the same heights as in previous downturns in the early 1980s and 1990s. Job churning has stayed at a high level during the crisis, with close to 20% of the employed changing job every year. There are correspondingly high in- and outflows of unemployment and thus a relative low level of long-term unemployment (1.7% of the active population in the third quarter of 2013).

Unemployment has been on a downward trend since spring 2012 and is projected to decline further in the forecast period, in line with employment trends. According to the European Commission's consumer survey, consumers have become more optimistic with regard to future developments in the labour market, with a majority now expecting decreasing unemployment over the next 12 months. Compared to consumers in other EU-countries, the Danes have been the most optimistic on this topic in the last eight months.

HICP inflation has picked-up slightly at the end of 2013 following a declining trend in the three first quarters of the year. In 2013, inflation was dragged down by food prices (due to excise tax cuts at the beginning of the year), as well as dampening effects from the energy price development and insurance prices. HICP inflation is expected to increase gradually in the course of 2014, in line with the gradual strengthening of the economic activity, reaching 1.5% for the year as a whole.

The risks to the macroeconomic outlook appear to be broadly balanced. Denmark is a small and open economy, and any shocks abroad would have a direct impact on the Danish economy. On the domestic side, there are upward risks related to a possible release of pent-up of demand, primarily in private consumption, but also in business investments. There are both positive and negative risks related to the ongoing consolidation process in the households and in the corporate sector.

Fiscal outlook is stable

The general government deficit is estimated to have reached 0.3% of GDP in 2013, 1.4 pps. lower than in the autumn forecast. The revision is partly related to higher than expected one-off revenues from the possibility to move forward taxation of existing capital pension schemes at favourable conditions. This measure will also have a positive impact on the fiscal balance in 2014, where the budget deficit, however, is forecast to increase to 1.3%. The one-off effects from the capital pension measure will not have an impact in 2015, and the fiscal deficit is expected to increase to 2.7%.

Table II.4.1:

Main features of country forecast - DENMARK

		2012			Annual percentage change						
		bn DKK	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP			1825.6	100.0	1.7	1.4	1.1	-0.4	**0.3**	**1.7**	**1.8**
Private Consumption			895.6	49.1	1.8	1.3	-0.7	-0.1	**0.4**	**1.4**	**1.7**
Public Consumption			519.5	28.5	2.1	0.2	-1.4	0.4	**0.3**	**1.5**	**0.6**
Gross fixed capital formation			317.4	17.4	3.1	-2.1	3.3	0.8	**1.7**	**2.7**	**3.1**
of which: equipment			117.9	6.5	3.7	1.6	-5.3	7.9	**4.9**	**1.3**	**4.9**
Exports (goods and services)			1000.4	54.8	4.4	3.0	7.0	0.4	**0.9**	**3.1**	**4.0**
Imports (goods and services)			907.7	49.7	5.6	3.5	5.9	0.9	**2.5**	**3.0**	**3.8**
GNI (GDP deflator)			1880.7	103.0	1.9	2.1	1.5	-0.1	**0.5**	**1.4**	**1.7**
Contribution to GDP growth:	Domestic demand				2.0	0.4	-0.2	0.2	**0.6**	**1.6**	**1.5**
	Inventories				0.0	1.1	0.4	-0.3	**0.4**	**-0.2**	**0.0**
	Net exports				-0.3	-0.1	0.9	-0.2	**-0.7**	**0.3**	**0.3**
Employment					0.7	-2.5	-0.2	-0.3	**0.1**	**0.5**	**0.5**
Unemployment rate (a)					5.1	7.5	7.6	7.5	**7.0**	**6.9**	**6.7**
Compensation of employees / head					3.5	3.5	1.3	1.4	**1.2**	**1.8**	**2.0**
Unit labour costs whole economy					2.5	-0.5	0.0	1.5	**1.0**	**0.7**	**0.6**
Real unit labour cost					0.4	-4.5	-0.7	-0.8	**-1.4**	**-0.6**	**-0.9**
Saving rate of households (b)					6.3	7.7	7.7	6.6	**2.0**	**3.6**	**5.0**
GDP deflator					2.1	4.3	0.7	2.3	**2.4**	**1.3**	**1.5**
Harmonised index of consumer prices					2.0	2.2	2.7	2.4	**0.5**	**1.5**	**1.7**
Terms of trade goods					0.9	1.3	-1.8	0.3	**3.1**	**-0.1**	**-0.6**
Trade balance (c)					3.2	2.9	3.0	2.7	**3.2**	**3.0**	**2.7**
Current-account balance (c)					2.1	5.8	5.9	6.0	**7.0**	**6.8**	**6.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)					2.2	5.9	6.3	6.0	**7.0**	**6.8**	**6.8**
General government balance (c)					0.9	-2.5	-1.9	-3.8	**-0.3**	**-1.3**	**-2.7**
Cyclically-adjusted budget balance (c)					0.3	-0.1	0.2	-1.0	**2.6**	**1.3**	**-0.5**
Structural budget balance (c)					-	-0.1	0.2	0.6	**1.1**	**-0.3**	**-0.5**
General government gross debt (c)					51.1	42.8	46.4	45.4	**42.4**	**41.6**	**43.1**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

5. GERMANY

Accelerated growth in the offing

Economic growth is expected to accelerate, powered by domestic demand. Favourable financing conditions and dissipating uncertainty should lead to a gradual recovery in investment in equipment after disappointing outcomes in 2012-13, while low interest rates and a robust labour market should further support private consumption and housing investment. The general government budget is forecast to remain balanced and the gross debt-to-GDP ratio to decline.

Marked growth this year and next

Following uneven economic activity in the first half of 2013, real GDP growth broadly stabilised in the second half of the year. The third quarter saw a 0.3% (q-o-q, seasonally and working-day adjusted) increase and was followed by a 0.4% expansion in the final quarter according to the official flash estimate. In 2013 as a whole, real GDP rose by 0.4%. Annual growth was driven by private and government consumption. Investment continued to show weakness and together with net external trade contributed negatively to growth.

For the first quarter of 2014 and beyond, indicators point to some acceleration of economic growth followed by stabilisation at quite robust rates. Business expectations reveal high optimism in the economy as a whole and orders as well as production expectations indicate significant growth contributions from manufacturing. Compared to the autumn projection, growth contributions are expected to remain broadly unchanged from net exports and to increase from domestic demand. Real GDP is projected to expand by 1.8% in 2014 and by 2.0% in 2015. The acceleration of activity in 2015 is almost entirely due to more working days than this year.

Robust consumption and labour market

Real private consumption is supported by low interest rates and weaker than previously projected consumer price increases. Robust labour market developments underpin households' high propensity to buy. Rising labour supply, largely due to high net migration, is set to be more than offset by labour demand. This is reflected in a gradual reduction in the unemployment rate and reaccelerating wage growth this year and next.

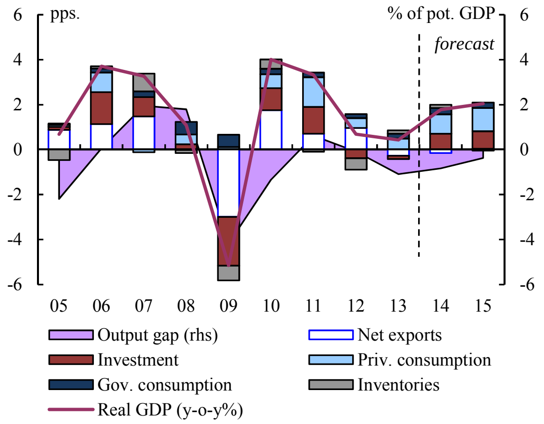
Investment on a rising path

The investment outlook is favourable. Following a protracted decline, investment in equipment saw a moderate turnaround in mid-2013. An upward trend in domestic orders of capital goods and a continued rise in firms' investment plans amid dissipating uncertainty and favourable financing conditions suggest a further pick-up. Corporate construction investment should move in line with investment in equipment in the medium term, while vibrant housing investment is expected to reduce its pace of expansion somewhat.

Import growth fuelled by domestic demand

Rising industrial orders from abroad and optimistic export expectations indicate slightly stronger export growth than projected in the autumn. Along with reaccelerating investment in equipment, imports are set to rise more dynamically than exports, hence contributing to a limited narrowing of the current-account surplus.

Graph II.5.1: **Germany - real GDP growth and contributions, output gap**



Inflation broadly stable at moderate levels

Inflation dropped markedly at the end of 2013. The lowering impact of further easing food and energy price pressure on headline inflation is expected to be largely offset by gradually rising core inflation on the back of a narrowing output gap and rising labour costs. Overall, consumer prices are projected to increase by 1.4% per year in 2014 and 2015.

Fiscal stance turning slightly expansionary

According to the preliminary official estimate, the general government budget remained broadly balanced with a slight deficit of 0.1% of GDP in 2013 after a surplus of 0.1% in 2012.

Given the outlook for more dynamic economic activity compared to recent years, revenue growth is projected to accelerate somewhat over the forecast horizon, despite the second step of the increase in the minimum income tax allowance this year.

Expenditure is projected to increase equally, in particular due to higher pension increases, the restructuring fund set up in response to last year's flood disaster, wage increases in the public sector and the new childcare allowance for parents not making use of childcare facilities. The projections also include pension reform proposals of the new federal government that foresee additional benefits for certain groups of pensioners. Consequently, the pension contribution rate has not been further lowered this year as planned in autumn. Further expenditure measures announced in the coalition agreement of the new federal government such as increased spending on childcare facilities, transport infrastructure and research have not yet been sufficiently specified and hence not been taken into account, but should not change substantially the projections. Overall, the general government budget is forecast to remain broadly balanced and the structural balance to remain in surplus, though decreasing slightly over the forecast horizon, resulting in a declining gross debt-to-GDP ratio. The ongoing winding up of "bad banks" could further reduce the debt stock.

Graph II.5.2: **Germany - General government budget balance and gross debt**

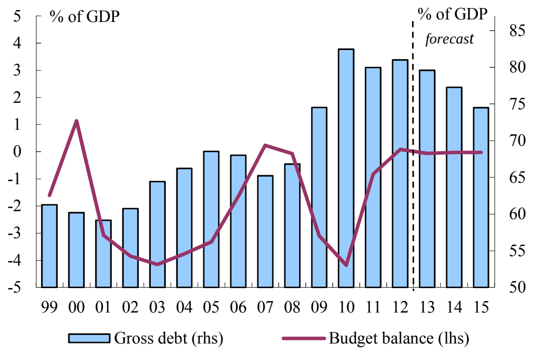


Table II.5.1:

Main features of country forecast - GERMANY

	2012			Annual percentage change					
	bn EUR Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	2666.4	100.0	1.2	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**
Private Consumption	1533.9	57.5	0.9	1.0	2.3	0.8	**0.9**	**1.5**	**1.8**
Public Consumption	514.4	19.3	1.4	1.3	1.0	1.0	**1.1**	**1.5**	**1.2**
Gross fixed capital formation	470.6	17.6	0.4	5.7	6.9	-2.1	**-0.8**	**4.1**	**4.4**
of which: equipment	175.0	6.6	2.2	10.0	5.8	-4.0	**-2.2**	**4.8**	**7.1**
Exports (goods and services)	1381.0	51.8	6.2	15.2	8.0	3.2	**0.6**	**4.9**	**6.8**
Imports (goods and services)	1223.1	45.9	5.5	12.5	7.4	1.4	**1.3**	**5.9**	**7.6**
GNI (GDP deflator)	2730.1	102.4	1.3	3.7	3.4	0.8	**0.3**	**1.7**	**1.9**
Contribution to GDP growth:	Domestic demand		0.9	1.9	2.7	0.2	**0.5**	**1.9**	**2.0**
	Inventories		0.0	0.4	-0.1	-0.5	**0.1**	**0.1**	**0.0**
	Net exports		0.3	1.7	0.7	1.0	**-0.3**	**-0.2**	**0.0**
Employment			0.4	0.5	1.4	1.1	**0.6**	**0.5**	**0.6**
Unemployment rate (a)			9.0	7.1	5.9	5.5	**5.3**	**5.2**	**5.1**
Compensation of employees / head			1.3	2.4	3.0	2.6	**2.0**	**2.8**	**3.1**
Unit labour costs whole economy			0.5	-1.1	1.0	3.1	**2.2**	**1.6**	**1.7**
Real unit labour cost			-0.4	-2.1	-0.2	1.6	**-0.1**	**0.0**	**0.0**
Saving rate of households (b)			16.2	16.9	16.4	16.4	**16.1**	**16.0**	**15.9**
GDP deflator			0.9	1.0	1.2	1.5	**2.2**	**1.6**	**1.7**
Harmonised index of consumer prices			-	1.2	2.5	2.1	**1.6**	**1.4**	**1.4**
Terms of trade goods			0.2	-2.5	-2.7	-0.4	**1.9**	**0.5**	**0.0**
Trade balance (c)			5.0	6.3	5.9	6.7	**6.8**	**6.6**	**6.6**
Current-account balance (c)			2.0	6.4	6.3	7.0	**7.0**	**6.7**	**6.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			2.0	6.4	6.1	7.0	**7.0**	**6.6**	**6.4**
General government balance (c)			-2.7	-4.2	-0.8	0.1	**-0.1**	**0.0**	**0.0**
Cyclically-adjusted budget balance (c)			-2.6	-3.4	-1.2	0.1	**0.5**	**0.4**	**0.2**
Structural budget balance (c)			-	-2.2	-1.0	0.3	**0.6**	**0.5**	**0.2**
General government gross debt (c)			62.3	82.5	80.0	81.0	**79.6**	**77.3**	**74.5**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

6. ESTONIA

GDP growth regaining momentum with recovering exports

Real GDP growth slowed to 0.7% in 2013 but is expected to regain momentum to reach 2.3% in 2014 and 3.6% in 2015, as external demand recovers. Estonia's public debt is expected to remain close to 10% of GDP and only small fiscal deficits are forecast this year and next.

Growth picking up again in the second half of 2013

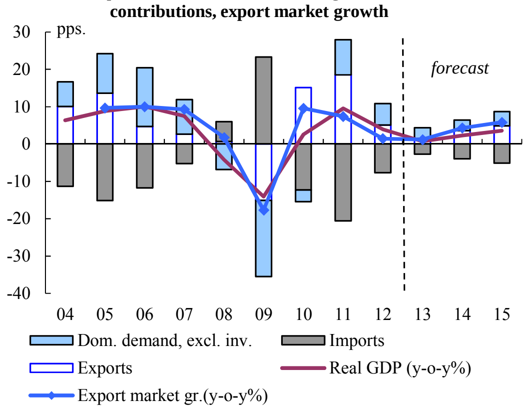
Real GDP growth dropped to 0.7% in 2013, from 3.9% in 2012. However, the slowdown in economic growth has stabilised as seasonally adjusted GDP remained broadly unchanged in the fourth quarter of 2013 compared to the previous one. Private investments picked up again in the second half of 2013, over-compensating a decline in government investment due to the end of a number of environmental projects and the completion of most EU co-funded programmes. Consumption continued to support economic growth as household income has been strengthening thanks to strong real wage growth, rising employment and higher pensions. On the negative side, lower domestic demand in Estonia's main trading partners together with the diversion of oil-related transit trade to new Russian ports led to quasi-stagnation in Estonia's exports volumes of services, while imports continued to grow.

Positive growth outlook for 2014 and 2015

With external demand progressively recovering, the economy is expected to regain momentum with growth forecast at 2.3% in 2014 and 3.6% in 2015. Capacity utilisation is now close to its long-term average, which is expected to prompt an increase in production capacity from 2014 as demand has started recovering.

Consumption growth is forecast to remain vigorous, supported by strong real income growth, including from income tax cuts in 2015. Household borrowing is projected to increase only moderately despite very low interest rates, as banks will remain cautious towards the still relatively high private sector indebtedness. Finally, Estonia's recovering export growth to its main trading partners is expected to maintain the trade balance slightly positive, despite domestic demand gathering pace, with investment progressively recovering. Downside risks to the forecast could stem from wages rising faster than productivity, thereby limiting competitiveness and corporate investment.

Graph II.6.1: **Estonia - Real GDP growth and contributions, export market growth**



Large wage increases in a tightening labour market ...

Despite the slowing output growth, employment expanded further in 2013, which is partly explained by the lagged effect of more vigorous growth in 2012. At the same time, the unemployment rate fell to 8.8%, down from 10.2% a year earlier. Employment is expected to grow further and unemployment to continue contracting over the forecast horizon, but at a much slower pace in a tightening labour market. Labour force participation is high at close to 70% and is set to increase slightly over the forecast horizon, given the changing age structure of the working age population. Nominal wage growth accelerated to 8.8% in the third quarter of 2013, with real wage growth reaching 5.4%. This is driven partly by persistent skill mismatches and rising vacancies, recent minimum wage increases, pay agreements for health workers and teachers as well as fast wage catching up in traded services. In 2015, nominal wage growth is expected to stabilise at around 7% and real wage growth at around 4%, reflecting solid output growth, further minimum wage increases by 10% each year and unemployment hovering around its natural rate.

... while inflation stabilises at lower levels

With the impact of earlier global commodity price increases fading out, HICP inflation receded to 3.2% in 2013. The assumed decline in global commodity prices is expected to ensure that inflation will continue its slow decline, just below 2.0% in 2014. However, rising core inflation reflecting strong wage growth and a further excise tax increase on alcohol are set to push inflation back to around 3% in 2015.

Small fiscal deficit continuing

The general government balance is forecast to show a small deficit of 0.4% of GDP in 2013. The postponement of the dividend distribution from state owned companies to the government had a negative effect on the fiscal outcome. However, tax revenue remained strong despite relatively slow real GDP growth.

In 2014, the deficit is projected to remain unchanged at 0.4% of GDP. On the one hand, the public wage bill is projected to increase by 5.1% and pensions by 5.8%, while the compensation mechanism for the second pillar pension contributions will negatively affect the revenue. On the other hand, a sizeable revenue-enhancing package will enter into force that is expected to compensate the expenditure increase. This includes further excise tax increases and a rescheduling of dividend distribution from state-owned companies. However, some implementation risks have appeared for VAT-enhancing measures, initially planned to take effect as of mid-2014.

On a no-policy-change basis, an unchanged government balance is projected for 2015. In the course of the year, public investment is expected to revert to growth as the 2014-20 package of EU funds will start being implemented. The income tax rate cut by 1 pp. to 20% scheduled for 1 January 2015 will contribute to a decline in the tax burden.

In structural terms, the fiscal position is forecast to have deteriorated by 0.3 pp. in 2013 and to improve by 0.4 pp. of GDP in 2014; in 2015, on a no-policy-change basis, it is expected to deteriorate by 0.3 pp. of GDP. The debt-to-GDP ratio is expected to remain close to 10% of GDP in 2014-15.

Table II.6.1:
Main features of country forecast - ESTONIA

	2012			Annual percentage change					
	bn EUR Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	17.4	100.0	4.3	2.6	9.6	3.9	**0.7**	**2.3**	**3.6**
Private Consumption	8.9	51.2	5.4	-2.6	3.8	4.9	**4.5**	**4.3**	**4.2**
Public Consumption	3.3	19.2	2.6	-0.8	1.3	3.8	**0.9**	**1.0**	**1.2**
Gross fixed capital formation	4.4	25.2	6.8	-7.3	37.6	10.9	**1.4**	**1.7**	**5.4**
of which: equipment	2.0	11.5	-	-16.2	122.8	11.7	**6.5**	**6.0**	**8.0**
Exports (goods and services)	15.8	90.6	6.2	23.7	23.4	5.6	**1.7**	**4.1**	**5.6**
Imports (goods and services)	15.7	90.3	7.0	21.1	28.4	8.8	**3.0**	**4.6**	**5.8**
GNI (GDP deflator)	16.6	95.2	4.1	0.0	9.9	4.5	**1.6**	**2.3**	**3.9**
Contribution to GDP growth: Domestic demand			5.8	-3.1	9.4	5.8	**2.8**	**2.9**	**3.8**
Inventories			0.0	3.2	2.8	-0.5	**-0.6**	**-0.2**	**0.0**
Net exports			-1.4	2.8	-2.0	-2.6	**-1.2**	**-0.4**	**-0.2**
Employment			-1.2	-4.8	7.0	2.2	**1.4**	**0.2**	**0.3**
Unemployment rate (a)			9.5	16.9	12.5	10.2	**8.8**	**8.3**	**7.7**
Compensation of employees / head			17.0	2.3	0.5	6.0	**6.7**	**6.0**	**6.8**
Unit labour costs whole economy			10.8	-5.0	-1.8	4.2	**7.5**	**3.9**	**3.4**
Real unit labour cost			0.4	-5.3	-4.7	0.9	**2.4**	**0.9**	**0.0**
Saving rate of households (b)			1.7	10.1	11.1	4.5	**5.2**	**5.3**	**5.3**
GDP deflator			10.4	0.3	3.0	3.3	**5.0**	**3.0**	**3.5**
Harmonised index of consumer prices			-	2.7	5.1	4.2	**3.2**	**1.8**	**2.8**
Terms of trade goods			0.4	-1.6	-2.2	-1.9	**1.1**	**0.2**	**0.2**
Trade balance (c)			-15.5	-2.5	-4.4	-6.6	**-5.2**	**-5.1**	**-5.0**
Current-account balance (c)			-8.7	3.5	0.3	-2.8	**-2.1**	**-2.4**	**-2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.9	7.0	4.4	0.7	**0.8**	**0.1**	**0.1**
General government balance (c)			0.5	0.2	1.1	-0.2	**-0.4**	**-0.4**	**-0.4**
Cyclically-adjusted budget balance (c)			-	2.1	0.8	-1.2	**-0.8**	**-0.4**	**-0.5**
Structural budget balance (c)			-	-0.9	-0.8	-0.2	**-0.5**	**-0.1**	**-0.4**
General government gross debt (c)			-	6.7	6.1	9.8	**10.0**	**10.1**	**9.8**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

7. IRELAND

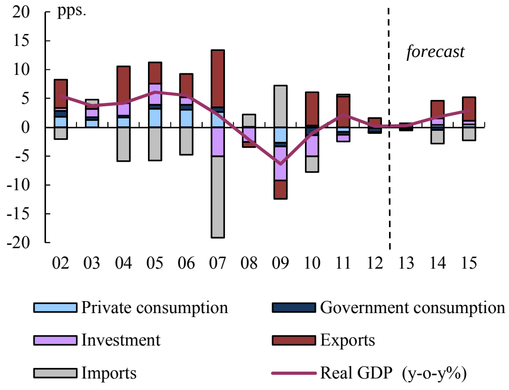
Adjustment supported by stronger economic growth

A modest pick-up in economic growth is expected in 2014 and the labour market is continuing to show welcome signs of improvement. Fiscal adjustment is on track, but includes temporary deficit-improving factors in 2014 and is not yet fully specified for 2015.

Virtuous cycle of domestic recovery builds up

After a slow start to 2013, growth began to pick up in the third quarter. High-frequency data suggest that further improvements can be expected in the final quarter and this underpins the forecast annual growth of 0.3% for 2013. There are indications domestic demand is starting to perform more strongly, as the labour market has continued along a steady path of improvement across different sectors.

Graph II.7.1: **Ireland - Real GDP growth and contributions**



Unemployment fell to 12.4% in December 2013, its lowest level since June 2009. Employment gains seen earlier in 2013 mainly in the part-time and casual sectors of the labour force have moved into full-time employment gains, although this has not yet translated into wage pressure. Inflation remains below the euro-area average extending recent improvements in competitiveness.

Real GDP growth in 2014 is forecast at 1.8%, as economic recovery in key trading partners is expected to sustain positive export growth, particularly for services, while further improvements in the labour market and a rise in investment, from low levels, are expected to support domestic demand. Growth is forecast to rise further in 2015 to 2.9%, on foot of a stabilisation of domestic demand and better net trade as conditions improve in key export markets.

Balanced macroeconomic risks

Persistent weakness in merchandise trade highlights the importance for growth of sustaining the ongoing recovery in service exports, as well as a stronger contribution to growth from domestic demand. The dependence of goods export on the performance of the pharmaceutical sector constitutes a risk to net exports, especially if the effects of patent expiry on trade volumes are not sufficiently offset by growth in new product lines. Given the importance of UK trade, in particular for indigenous Irish firms, the accelerated rate of UK recovery represents an important upside risk for growth, employment and the current-account position.

The lack of wage pressure, while beneficial to competitiveness, heightens the challenge of reducing private sector indebtedness, which, although on a gradual downward path, continues to weigh on growth. A stronger contribution from investment to growth will depend on improvements in the supply of new credit, especially to SMEs and to the construction sector, for which output must begin to rise in centres of economic activity in order to satisfy medium-term housing and commercial property demand.

Deficit correction stabilises public debt

The 2013 fiscal deficit is estimated at 7.2% of GDP based on end-year cash data, which were slightly better than expected. Consumption-related revenue continued to be weak, while direct tax revenue on labour and corporate income fared better. Overall, the expenditure outturn was broadly in line with budget plans, while some overruns in the health sector were offset by savings elsewhere. The forecast assumes that a dividend payment from Allied Irish Bank (AIB) in ordinary shares to the government improves the 2013 deficit by 0.2% of GDP, but the statistical treatment of this transaction will be reviewed by Eurostat in April 2014.

In 2014, the general government deficit is projected at 4.8% of GDP. The forecast includes the discretionary measures presented in the 2014 budget of 1.5% of GDP, and other deficit improving elements, some of which are temporary. Discretionary measures include tax increases on alcohol and tobacco, on bank deposits, on pension fund assets and on financial institutions. Expenditure measures include further public sector wage savings, and tighter eligibility for social benefits and medical services.

In 2015, following established practice, the general government deficit is projected at 4.3% of GDP on a no-policy-change assumption, that is, it includes consolidation measures that had been announced with a sufficient degree of detail at the cut-off date of the forecast. Specifically, the forecast assumes tax revenues will grow in line with the respective tax base and that nominal expenditure is kept constant in level terms, with the exception of some adjustments for demographic factors. The 2015 deficit forecast includes a negative carry-over of around 0.4% of GDP largely due to one-off measures having impact on 2014 and the reduction in the pension fund levy. The cyclically-adjusted budget balance net of one-off and other temporary measures is projected to decline from 6.5% of GDP in 2013 to 4.7% in 2015. [17]

Government debt is estimated to have peaked at 122% of GDP in 2013 and is projected to decline to 120% in 2014 due to a fall in high precautionary cash balances. Given the no-policy-change assumption, the debt ratio will stabilise at 120% for 2015, as a primary surplus is partly offset by a negative growth-interest differential.

Uncertainty over growth is among the main risks to the fiscal forecast. Further risks relate to effective implementation of the 2014 budget, in particular in the health sector given past overruns. Also, the government may have to compensate any possible shortfall in the asset sales linked to the winding-up of the Irish Banking Resolution Corporation (IBRC).

[17] One-off measures include one-off guarantee payments related to the liquidation of IBRC in 2013 (0.7% of GDP), one-off revenue from the sale of mobile telephone licenses in 2013 (0.4% of GDP), one-off revenue from the sale of the National Lottery licence in 2014 (0.2% of GDP), as well as one-off financial sector measures for credit unions in 2014 and 2015 (less than 0.1% of GDP in each year).

Table II.7.1:

Main features of country forecast - IRELAND

		2012		Annual percentage change						
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		163.9	100.0	5.7	-1.1	2.2	0.2	**0.3**	**1.8**	**2.9**
Private Consumption		78.3	47.8	4.9	0.4	-1.4	-0.3	**-0.6**	**0.8**	**1.0**
Public Consumption		29.4	18.0	4.6	-4.9	-2.9	-3.2	**-1.0**	**-2.8**	**-0.4**
Gross fixed capital formation		17.5	10.7	5.4	-22.7	-9.1	-0.6	**3.8**	**10.5**	**5.4**
of which: equipment		6.8	4.2	6.5	-11.2	-1.5	2.3	**9.2**	**12.0**	**6.5**
Exports (goods and services)		176.7	107.8	9.7	6.4	5.4	1.6	**0.3**	**2.8**	**3.7**
Imports (goods and services)		137.0	83.6	9.0	3.6	-0.4	0.0	**0.1**	**2.8**	**2.6**
GNI (GDP deflator)		133.9	81.7	5.1	-0.2	-1.4	0.8	**2.7**	**1.0**	**2.1**
Contribution to GDP growth:	Domestic demand			4.3	-2.8	-3.5	-1.5	**-0.1**	**1.1**	**1.1**
	Inventories			0.1	-1.1	2.1	0.3	**0.2**	**0.0**	**0.0**
	Net exports			1.7	3.1	5.7	1.6	**0.2**	**0.7**	**1.8**
Employment				3.1	-4.1	-1.8	-0.6	**2.2**	**1.5**	**1.4**
Unemployment rate (a)				7.2	13.9	14.7	14.7	**13.1**	**11.9**	**11.2**
Compensation of employees / head				4.7	-3.8	-0.1	0.8	**-0.3**	**-0.6**	**0.6**
Unit labour costs whole economy				2.1	-6.7	-4.0	0.0	**1.6**	**-0.8**	**-0.8**
Real unit labour cost				-0.4	-5.3	-4.6	-0.6	**1.0**	**-1.5**	**-1.9**
Saving rate of households (b)				-	13.2	11.2	10.2	**12.7**	**11.3**	**12.0**
GDP deflator				2.6	-1.5	0.7	0.7	**0.6**	**0.7**	**1.1**
Harmonised index of consumer prices				-	-1.6	1.2	1.9	**0.5**	**0.8**	**1.1**
Terms of trade goods				0.1	-3.6	-6.2	-0.7	**0.2**	**0.2**	**-0.1**
Trade balance (c)				19.9	22.6	22.6	22.2	**20.4**	**18.9**	**18.5**
Current-account balance (c)				-0.5	1.1	1.2	4.4	**7.0**	**6.8**	**7.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.1	0.7	1.1	3.2	**6.8**	**7.2**	**6.9**
General government balance (c)				-0.5	-30.6	-13.1	-8.2	**-7.2**	**-4.8**	**-4.3**
Cyclically-adjusted budget balance (c)				-0.8	-28.2	-12.2	-7.7	**-6.6**	**-4.7**	**-4.7**
Structural budget balance (c)				-	-8.9	-8.1	-7.7	**-6.4**	**-4.9**	**-4.6**
General government gross debt (c)				47.0	91.2	104.1	117.4	**122.3**	**120.3**	**119.7**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

8. GREECE

First signs of recovery

Recent data support expectations that Greece should return to growth in 2014. Confidence indicators continue to improve, whilst hard data releases suggest the first signs of recovery. Structural reforms undertaken in labour and product markets have underpinned improved competitiveness leading to expectations for strengthened exports and investment.

Gains in fiscal stability and competitiveness support confidence and recovery

During the second half of 2013 the recession has continued to soften, as real GDP contracted at a decelerating y-o-y pace: from -5.5% in the first quarter 2013 to the fourth quarter flash reading of -2.6%. The strong revival of tourism since the last spring with its spillovers on the economy helped this trend, which has continued despite a high concentration of tax payments in the last quarter of 2013 affecting consumption. Overall, real GDP growth in 2013 is projected to have contracted by -3.7%, revised upwards from -4% in the autumn forecast.

The Economic Sentiment Indicator resumed its upward path in January 2014 pulled by services and retail, and the Purchasing Managers Index, passing the level of 50 for the first time since August 2009.This indicates further an expansion in output and new orders. The repayment of government arrears and the faster absorption of the EU and EIB funds through the re-launch of major projects such as motorway construction are expected to help alleviate liquidity constraints and support investment in 2014. The bank recapitalisation process and fiscal stabilisation are also supportive. Led by exports and investment, real GDP is expected to expand in 2014 at an annual growth rate of 0.6%. However, private consumption is expected to still decline in line with disposable income, with the ongoing fall in prices somewhat moderating the impact of recent wage adjustments.

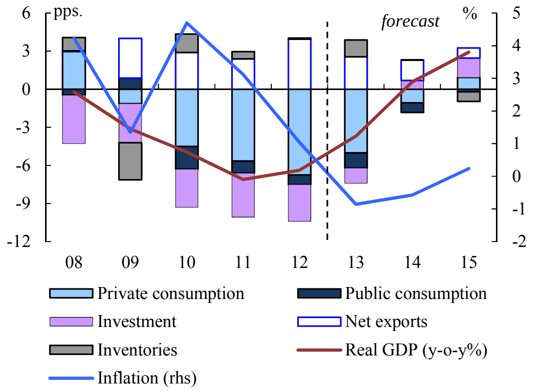
The recovery is forecast to gain strength in 2015, as investment takes over as the main engine of the recovery, also attracted by the opportunities created by the ongoing structural reforms. The euro-area recovery should support a revival in goods exports, as well as stronger shipping and tourism revenues. With consumption recovering, real GDP growth is projected at 2.9%.

The unemployment rate is estimated to reach 27.3% for 2013. Wage setting reforms have already contributed to a sharp improvement in cost competitiveness which together with the announced programmes of employment support, and the pick-up in investment should lead to a relatively strong projected decrease of unemployment to 26.0% in 2014 and 24.0% in 2015.

Consumer prices fell moderately by 0.9% in 2013 and are expected to fall by 0.6% in 2014, reflecting weak domestic demand, falling unit labour costs and the implementation of product market reforms. As the economic recovery gains pace, prices are expected to increase only weakly by 0.2% in 2015.

The current-account deficit is projected at -2.3% of GDP for 2013 and is expected to narrow to -1.8% in 2014 and -1.6% in 2015, as exports and imports pick up along with the economic recovery also facilitated by ongoing reforms to simplify trade activities.

Graph II.8.1: **Greece - Real GDP growth and contributions, inflation**



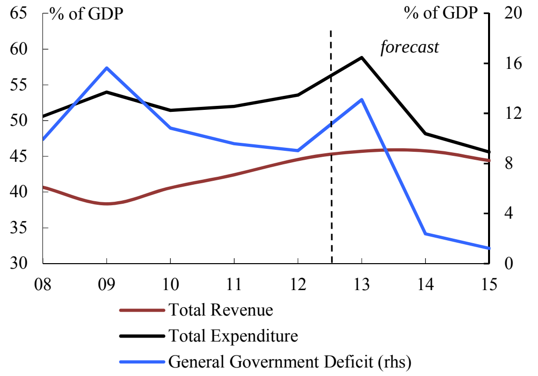
Risks on the upside are related to better performance of exports, stronger tourism performance and/or a stronger liquidity impact of the arrears clearance. On the downside, policy implementation slippages could undermine confidence, affecting investment and exports. Risks have to be re-evaluated in light of the release by ELSTAT on 11 March 2014 of the fourth quarter 2013 GDP and components.

Budgetary situation is improving

In 2013, the headline overall balance is expected to have deteriorated to 13.1% of GDP from 9.0% of GDP in 2012. This deterioration is mainly driven by the one-off costs of bank recapitalization (11% of GDP) which more than offsets the improvement of the underlying fiscal situation and higher transfers received by Member States corresponding to profits on Greek Bonds held by the Eurosystem Central Banks and other small factors. The structural balance is forecast to have turned into a surplus of 1.7% of GDP, 1.8 percentage points higher than in 2012.

Current projections assume that programme objectives for 2014 and 2015 are fulfilled through measures to be discussed during the ongoing review. The headline deficit is thus projected to fall to 2.2% of GDP in 2014 and 1.0% of GDP in 2015.

Graph II.8.2: **General Government Revenue, Expenditure and Balance**



After peaking in 2013, the ratio of government debt to GDP is expected to fall slightly in 2014, before declining more markedly in 2015 and beyond the forecast horizon as the fiscal balance continues to improve and economic growth resumes.

Table II.8.1:

Main features of country forecast - GREECE

	2012			Annual percentage change						
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		193.7	100.0	2.9	-4.9	-7.1	-6.4	**-3.7**	**0.6**	**2.9**
Private Consumption		142.8	73.7	3.1	-6.2	-7.7	-9.1	**-7.2**	**-1.6**	**1.4**
Public Consumption		34.4	17.8	3.1	-8.7	-5.2	-4.2	**-6.1**	**-4.0**	**-1.2**
Gross fixed capital formation		25.5	13.1	4.3	-15.0	-19.6	-19.2	**-8.7**	**5.3**	**11.3**
of which: equipment		10.5	5.4	8.6	-8.2	-18.1	-17.3	**-3.0**	**8.8**	**13.0**
Exports (goods and services)		52.3	27.0	4.5	5.2	0.3	-2.4	**2.5**	**4.6**	**5.5**
Imports (goods and services)		62.1	32.0	4.9	-6.2	-7.3	-13.8	**-6.8**	**-1.3**	**2.7**
GNI (GDP deflator)		194.7	100.5	2.8	-5.3	-7.2	-3.1	**-4.4**	**-0.3**	**2.3**
Contribution to GDP growth: Domestic demand				3.5	-9.3	-10.1	-10.4	**-7.5**	**-1.2**	**2.3**
Inventories				-0.2	1.5	0.7	0.1	**1.0**	**0.0**	**-0.2**
Net exports				-0.5	2.9	2.4	4.0	**2.8**	**1.8**	**0.8**
Employment				1.2	-2.6	-5.6	-8.3	**-3.7**	**0.6**	**2.6**
Unemployment rate (a)				9.8	12.6	17.7	24.3	**27.3**	**26.0**	**24.0**
Compensation of employees / head				6.6	-2.6	-3.4	-4.2	**-7.8**	**-1.5**	**0.0**
Unit labour costs whole economy				4.8	-0.1	-1.8	-6.2	**-7.8**	**-1.5**	**-0.3**
Real unit labour cost				0.1	-1.3	-2.9	-5.5	**-5.3**	**-1.0**	**-0.7**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.7	1.1	1.0	-0.8	**-2.6**	**-0.5**	**0.4**
Harmonised index of consumer prices				-	4.7	3.1	1.0	**-0.9**	**-0.6**	**0.2**
Terms of trade goods				0.0	1.8	0.6	-1.0	**0.2**	**-0.1**	**0.2**
Trade balance (c)				-16.2	-14.3	-14.0	-11.3	**-9.9**	**-8.9**	**-8.4**
Current-account balance (c)				-9.1	-12.8	-11.7	-5.3	**-2.3**	**-1.8**	**-1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-11.0	-9.8	-2.9	**-0.3**	**-0.1**	**0.2**
General government balance (c)				-6.6	-10.7	-9.5	-9.0	**-13.1**	**-2.2**	**-1.0**
Cyclically-adjusted budget balance (c)				-7.0	-8.5	-5.3	-3.3	**-7.2**	**2.2**	**1.0**
Structural budget balance (c)				-	-8.9	-5.9	-0.1	**1.7**	**0.7**	**-0.1**
General government gross debt (c)				103.2	148.3	170.3	156.9	**177.3**	**177.0**	**171.9**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

9. SPAIN

The recovery becomes firmer while the rebalancing of the economy continues

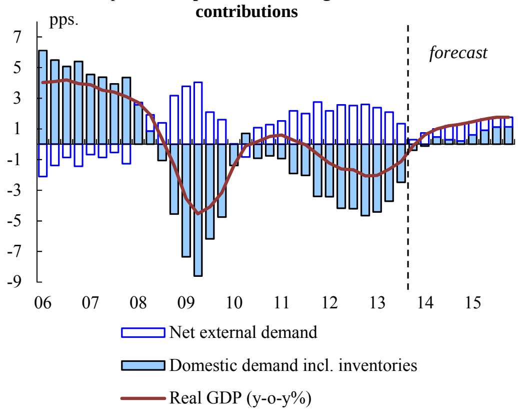
The incipient economic recovery is forecast to get firmer in the coming quarters, backed by improved confidence and some easing of financing conditions. While the rebalancing of the economy is expected to continue, the growth contribution from external demand is expected to narrow. Employment is forecast to start growing, and the unemployment rate to retreat gradually, amidst continued moderation in unit labour costs. The budget deficit is set to narrow in 2014 but government debt will still rise.

Spain returned to positive growth territory since the third quarter of 2013 amidst improved confidence and some relaxation of financial conditions. Spain successfully exited the Financial Assistance Programme for the Recapitalisation of Financial Institutions and the stabilisation of Spanish financial markets continues, with sovereign-bond yields at new lows. In general, financing conditions have improved, although they remain onerous for some borrowers, especially for SMEs. Despite these improvements, the still large debt levels and high unemployment weigh on growth prospects and a source of vulnerability to adverse shocks.

Domestic demand to offset narrowing net exports

GDP growth accelerated to 0.3% q-o-q in the last quarter of 2013 and the recovery is foreseen to consolidate gradually over 2014. While GDP contracted by 1.2% in 2013, it is expected to grow by 1% in 2014 and to gain some further momentum in 2015.

Graph II.9.1: **Spain - Real GDP growth and contributions**



The narrowing contribution from the external sector in the second half of 2013 has been more than offset by a less negative contribution from domestic demand. This more balanced growth composition is expected to continue over the coming quarters, with domestic demand gaining some momentum while net external demand provides a positive but declining contribution.

Deleveraging in the private sector will continue to constrain private consumption and investment. Nevertheless, private consumption is forecast to rise, backed by increases in disposable income, improved employment prospects and higher confidence. The projected increase in real gross disposable income, also helped by low inflation (0.3% in 2014), should also allow for a rising – albeit still low – household saving rate over the forecast horizon.

Private investment in equipment is foreseen to benefit from the improved economic outlook and the relative strength of exports, which is one of its most important drivers. By contrast, the adjustment of residential investment, while well advanced, has not reached its inflection point yet, with building permits at historical lows and still falling. Housing transactions seem to have stabilised at very low levels.

Despite a recent deceleration, export growth is set to remain robust, backed by ongoing improvements in price and cost-competitiveness and healthy foreign markets growth. At the same time, imports are forecast to accelerate in line with final demand. As a result of the rising current-account surplus, Spain's net lending is projected to expand over the forecast horizon to around 2.3% of GDP in 2015.

Employment growth back to positive territory

Having peaked at 27.2% in the first quarter of 2013, the unemployment rate retreated to 26% at the end of last year, mainly due to the decline in the labour force, whereas employment kept falling. However, the process of job destruction is bottoming out and employment is expected to start registering positive growth rates in 2014, contributing to a moderate fall in unemployment. Although productivity growth is expected to decelerate, wage moderation should allow for further improvements in nominal unit labour costs and competitiveness gains.

Downside risks to the growth forecast include a possible stronger-than-expected slowdown of emerging economies and in particular South America, where the exposure of the banking sector is significant. On the upside, a faster-than-expected easing of financing conditions could boost domestic demand.

Budget deficit reduction set to continue, helped by recovery

Outturn data for 2013 suggest that fiscal consolidation continued last year, but at a more moderate pace than in 2012. The general government deficit is expected to reach 6.7% of GDP for the full year (net of bank recapitalisation costs of about 0.5% of GDP), as the latest data indicate that current revenues may underperform expectations and some expenditure posts might not have fallen as much as planned, inter alia government investment.

The slightly improved macroeconomic outlook contributes to the expected reduction in the general government deficit to 5.8% of GDP in 2014. In addition to the measures presented in the 2014 Budget, further measures of about ¼% of GDP have been announced at the end of last year, including a widening of the base for social security contributions to previously exempt benefits in kind such as transportation aid, lunch vouchers and company cars, as well as the introduction of direct billing. On the expenditure side, cuts were announced regarding some severance payments. While interest and pension expenditure are expected to rise further, falling unemployment and the change in the pension indexation formula should contribute to a deceleration of social transfers in 2014.

Under the no-policy-change assumption, the headline deficit is expected to widen to 6.5% of GDP in 2015. This projection assumes that some temporary tax measures will expire in 2014. The structural deficit is estimated to be close to 4¼% of GDP in both 2013 and 2014 before rising to 5¾% in 2015. Large public deficits and low nominal GDP growth are projected to push the general government gross debt to 99% of GDP in 2014 and 103% of GDP in 2015.

Table II.9.1:

Main features of country forecast - SPAIN

	2012		Annual percentage change						
bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	1029.0	100.0	2.9	-0.2	0.1	-1.6	**-1.2**	**1.0**	**1.7**
Private Consumption	610.4	59.3	2.7	0.2	-1.2	-2.8	**-2.4**	**0.6**	**1.1**
Public Consumption	207.7	20.2	4.0	1.5	-0.5	-4.8	**-1.1**	**-0.9**	**-0.2**
Gross fixed capital formation	197.5	19.2	3.6	-5.5	-5.4	-7.0	**-5.6**	**0.1**	**2.0**
of which: equipment	60.7	5.9	4.3	5.0	5.5	-3.9	**1.2**	**5.8**	**6.7**
Exports (goods and services)	336.0	32.7	5.8	11.7	7.6	2.1	**4.9**	**5.4**	**6.4**
Imports (goods and services)	328.3	31.9	6.7	9.3	-0.1	-5.7	**0.2**	**3.3**	**4.9**
GNI (GDP deflator)	1017.0	98.8	2.8	0.4	-0.7	-0.8	**-0.8**	**0.5**	**1.3**
Contribution to GDP growth:	Domestic demand		3.2	-0.9	-2.0	-4.1	**-2.7**	**0.2**	**0.9**
	Inventories		0.0	0.3	-0.1	0.0	**0.0**	**0.0**	**0.0**
	Net exports		-0.3	0.4	2.1	2.5	**1.6**	**0.8**	**0.7**
Employment			2.0	-2.3	-2.2	-4.8	**-3.3**	**0.1**	**1.1**
Unemployment rate (a)			13.7	20.1	21.7	25.0	**26.4**	**25.7**	**24.6**
Compensation of employees / f.t.e.			3.5	0.4	1.3	0.2	**0.5**	**0.6**	**0.6**
Unit labour costs whole economy			2.8	-1.7	-1.0	-3.0	**-1.6**	**-0.4**	**0.0**
Real unit labour cost			-0.5	-1.8	-1.0	-2.9	**-1.9**	**-0.9**	**-0.7**
Saving rate of households (b)			-	13.9	12.7	10.4	**10.4**	**10.6**	**10.9**
GDP deflator			3.4	0.1	0.0	0.0	**0.3**	**0.5**	**0.7**
Harmonised index of consumer prices			3.0	2.0	3.1	2.4	**1.5**	**0.3**	**0.9**
Terms of trade goods			0.4	-2.3	-3.5	-2.3	**0.6**	**1.3**	**-0.1**
Trade balance (c)			-5.3	-4.6	-4.2	-2.5	**-1.2**	**-0.4**	**-0.2**
Current-account balance (c)			-4.3	-4.4	-4.0	-1.2	**1.1**	**1.6**	**1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.4	-3.8	-3.5	-0.6	**1.9**	**2.2**	**2.3**
General government balance (c)			-	-9.6	-9.6	-10.6	**-7.2**	**-5.8**	**-6.5**
Cyclically-adjusted budget balance (c)			-	-7.4	-7.5	-8.2	**-4.7**	**-4.3**	**-6.3**
Structural budget balance (c)			-	-7.4	-7.2	-5.1	**-4.3**	**-4.2**	**-5.8**
General government gross debt (c)			53.7	61.7	70.5	86.0	**94.3**	**98.9**	**103.3**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

10. FRANCE

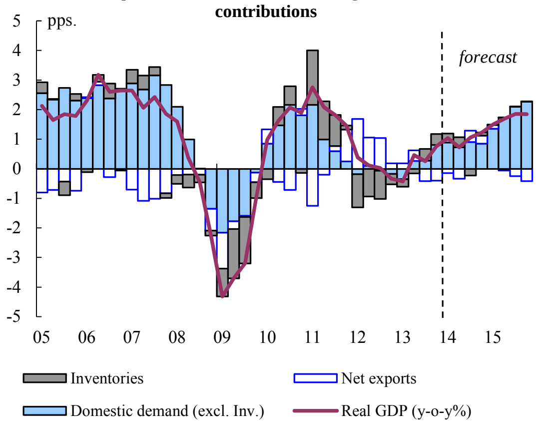
Recovery remains slow amid sizeable budget deficits

The incipient recovery is expected to firm up somewhat in the course of 2014 and in 2015, mainly supported by a timid pick-up in domestic demand, on the back of increasing confidence. Unemployment is set to decelerate and inflation to remain low, but no improvement in the current account balance is in sight. The general government balance is expected to improve only slightly in 2014.

A long way towards recovery

After eight quarters of economic stagnation, GDP rebounded at the end of 2013, although partly driven by temporary factors. Activity is thus expected to slow down during the first quarter of this year, before accelerating again, at first stimulated by stronger external demand, relieved afterwards by private consumption supported by improved confidence, and in turn, by firms' investment. All in all, after 0.3% in 2013, real GDP growth is forecast to accelerate gradually to 1.0% in 2014 and, under the no-policy-change assumption, 1.7% in 2015.

Graph II.10.1: **France - Real GDP growth and contributions**



Improving consumer confidence

Private consumption, the traditional growth driver of the French economy, is expected to keep accelerating, growing by 0.6% in 2014 and 1.6% in 2015, largely explaining GDP growth projections as a whole. In 2014 and driven by the expected stabilisation of unemployment, household confidence should further improve, pushing down the saving rate slightly. This, coupled with low inflation levels, helps explain the projected private consumption growth.

Entrepreneurs slowly gaining confidence

After two years of contraction, the rebound in investment in equipment observed since mid-2013 is expected to continue, eased by favourable corporate lending conditions. The unexpected relative resilience of economic growth in 2013 as a whole seems to have boosted business confidence, and the tax credit for competitiveness is expected to have gradually a positive effect on firms' financial situation. However, the full impact of this measure on investment may take some time to materialise. The expected rise in aggregate demand and in capacity utilisation is set to translate into a firm turnaround in investment only from 2015. The "Responsibility Pact" announced in January 2014 has not been taken into account in this forecast, as it is not sufficiently specified yet.

Limited improvement in export performance

Exports are projected to accelerate from 2014 on the back of the assumed rebound in world demand. The recent competitiveness reforms could gradually reduce the pace of losses in export market shares, albeit without reversing the trend. Export growth is projected to remain slightly below that of world demand over the forecast horizon. With imports picking up due to the gradual increase in domestic demand, net exports are expected to provide a nil contribution to growth in 2014 and to dampen it again in 2015.

Decelerating unemployment, low inflation

In a context of subdued growth, employers are likely to favour increasing productivity over job creation throughout 2014. In addition, the potential positive impact of the recent labour market reform is only expected to be visible from 2015. Only subsidised job schemes in the public sector are assumed to stimulate total employment in 2014. Meanwhile, the persistent expansion of the labour force should maintain the unemployment rate at a high level over the forecast horizon.

The moderate price increase at the end of 2013 (0.8% y-o-y in December), contracting energy prices and still modest activity growth are set to mitigate the impact of the VAT increases on inflation, which is set to reach 1.2% in 2014, after having bottomed out at 1.0% in 2013. In 2015, inflation is expected to stabilise on the back of a gradual closure of the output gap.

Room for measured optimism

In case of a job-richer recovery, private consumption could accelerate further. In addition, an earlier specification of the announced "Responsibility Pact" could improve business confidence, with positive impact on investment.

Deficit targets at risk

In 2013, the general government deficit is expected to have decreased to 4.2% of GDP based on the latest data available. In particular, the outcome for the state budget showed a 0.1% of GDP deviation from the forecast underpinning the draft budget for 2014. Shortfalls in tax revenue proved higher than expected while spending was kept under control. In addition, preliminary information suggests that healthcare spending was slightly below target.

In 2014, the deficit is set to decrease further on the back of the measures adopted notably as part of the budget. On top of existing spending rules (central government and healthcare), measures include new provisions on how annual pension increases are linked to inflation. In addition, the 2010 pension reform, which will (with some exceptions) gradually lead to an increase in the minimum retirement age from 60 to 62, will bring additional savings. Contrary to previous years, the tax burden is forecast to remain broadly unchanged at around 46% of GDP. Overall, the deficit is forecast to reach 4.0% of GDP in 2014.

The structural balance is estimated to improve by ¾% and ½% of GDP in 2013 and 2014, respectively. Overall, the structural effort is projected to fall short of the levels recommended by the Council in both years. Under the no-policy-change assumption, the general government balance is set to improve in 2015, reflecting recovering tax revenues partly offset by projected expenditure developments.

The general government debt to GDP ratio, which is projected to have almost reached 94% of GDP in 2013, will continue to rise on the back of still high public deficits relative to nominal GDP growth.

Table II.10.1:

Main features of country forecast - FRANCE

	2012			Annual percentage change					
	bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	2032.3	100.0	1.7	1.7	2.0	0.0	**0.3**	**1.0**	**1.7**
Private Consumption	1172.3	57.7	1.9	1.6	0.6	-0.3	**0.4**	**0.6**	**1.6**
Public Consumption	502.7	24.7	1.3	1.8	0.4	1.4	**1.7**	**1.2**	**1.4**
Gross fixed capital formation	401.8	19.8	2.3	1.4	2.9	-1.2	**-1.9**	**0.9**	**3.3**
of which: equipment	105.4	5.2	3.0	11.2	8.2	-3.0	**-2.0**	**3.2**	**5.1**
Exports (goods and services)	557.6	27.4	3.8	9.5	5.4	2.4	**0.6**	**4.4**	**5.6**
Imports (goods and services)	602.6	29.7	4.7	8.9	5.1	-1.1	**0.7**	**4.0**	**5.8**
GNI (GDP deflator)	2067.2	101.7	1.8	1.9	2.1	-0.4	**0.2**	**0.9**	**1.7**
Contribution to GDP growth: Domestic demand			1.8	1.6	1.0	-0.1	**0.3**	**0.8**	**1.9**
Inventories			0.1	0.1	1.1	-0.8	**0.1**	**0.1**	**0.0**
Net exports			-0.2	0.0	0.0	1.0	**-0.1**	**0.0**	**-0.2**
Employment			0.7	0.0	0.7	0.0	**-0.4**	**0.3**	**0.5**
Unemployment rate (a)			9.5	9.7	9.6	10.2	**10.8**	**11.0**	**11.0**
Compensation of employees / f.t.e.			2.5	2.5	2.5	2.2	**1.6**	**1.3**	**1.6**
Unit labour costs whole economy			1.5	0.7	1.2	2.1	**1.0**	**0.7**	**0.4**
Real unit labour cost			-0.1	-0.3	-0.1	0.6	**-0.1**	**-0.6**	**-0.9**
Saving rate of households (b)			15.0	15.6	15.6	15.2	**15.0**	**14.7**	**14.6**
GDP deflator			1.6	1.0	1.3	1.5	**1.1**	**1.3**	**1.3**
Harmonised index of consumer prices			1.7	1.7	2.3	2.2	**1.0**	**1.2**	**1.2**
Terms of trade goods			0.0	-2.3	-2.6	-1.0	**0.6**	**-0.9**	**-0.1**
Trade balance (c)			-0.1	-2.6	-3.6	-3.1	**-2.8**	**-2.9**	**-3.1**
Current-account balance (c)			0.4	-1.9	-2.5	-2.1	**-1.9**	**-2.0**	**-2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			0.4	-1.8	-2.5	-2.2	**-1.9**	**-2.0**	**-2.1**
General government balance (c)			-3.5	-7.1	-5.3	-4.8	**-4.2**	**-4.0**	**-3.9**
Cyclically-adjusted budget balance (c)			-3.8	-5.9	-4.6	-3.6	**-2.6**	**-2.5**	**-2.7**
Structural budget balance (c)			-	-5.7	-4.7	-3.6	**-2.8**	**-2.3**	**-2.7**
General government gross debt (c)			61.6	82.4	85.8	90.2	**93.9**	**96.1**	**97.3**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

11. CROATIA

Muted growth prospects amid a high fiscal deficit and rising debt

After five years of recession, Croatia's real GDP is forecast to grow by 0.5% in 2014, supported by exports and investments. Growth is expected to strengthen in 2015 as a result of a mild upturn in domestic demand. The headline general government deficit is expected to improve in 2014 and 2015 mainly due to one off effects.

Economic activity declines further

Real GDP is forecast to have contracted by 0.7% in 2013, which would be the fifth year of recession, with real GDP being almost 12% lower compared to 2008. Both domestic demand and net exports are expected to have contributed negatively to growth in 2013.

After decreasing by 0.6% y-o-y in the third quarter of 2013, real GDP is expected to have remained negative in the fourth quarter, according to available indicators. Retail trade activity fell markedly in the fourth quarter while monthly trade data also showed sharp declines. By contrast, after a decline in the second and third quarter, industrial production improved slightly in the fourth quarter.

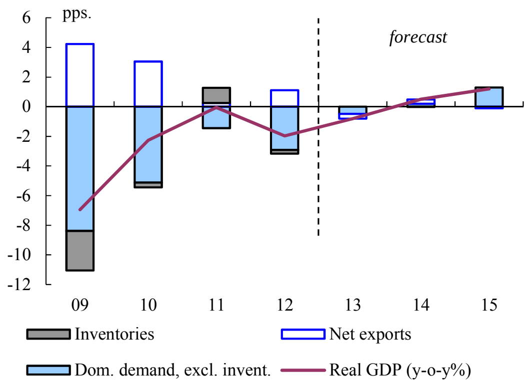
Muted recovery in 2014

In 2014, real GDP is forecast to grow by 0.5%, on current policies. Net exports of goods and services and investment are expected to be the main contributors to growth. The projected pick-up in investment in 2014 is expected to be led by the public sector, assuming increased recourse to EU funds. Growth in private investment is expected to remain constrained due to fragile domestic demand and ongoing bank deleveraging. Croatian exports are forecast to benefit from the gradual economic recovery in the EU, but to a limited extent because of comparatively less favourable developments in Italy and Slovenia, two of the country's major trading partners. Furthermore, goods exports will be held back by the narrow manufacturing base and still ongoing restructuring in some important industries.

Private consumption is expected to contribute negatively to growth in 2014, due to a worsening labour market situation and ongoing deleveraging of households. Employment fell in the last part of 2013 and is expected to stagnate in 2014. Wage growth dynamics would remain weak in view of the muted recovery. However, low inflation is forecast to provide a partial cushion, limiting losses in purchasing power.

In 2015, a modest recovery is expected on the back of a mild upturn in domestic demand. Recent legislative changes to improve the business conditions and the increased availability of EU funds are expected to underpin investment activity. Owing to a high foreign component, the foreseen pick-up of investment in 2015 is expected to drive up imports.

Graph II.11.1: **Croatia - Real GDP growth and contributions**



Inflation expected to remain low

Weak economic activity is set to lead to stagnation in employment in 2014, followed by a mild improvement in 2015; the unemployment rate is expected to stabilise in 2014 at around 17.6% and to decline somewhat in 2015.

Inflation slowed down significantly towards the end of the year. This reflects the combined effect of absence of import price pressures, weak domestic demand and lower processed food prices. Producer prices have also been declining on a y-o-y basis since August. It is expected that consumer price inflation will remain low over the forecast horizon. It is forecast to be at 1.3% in 2014, partly owing to the fading out of the impact of the preferential VAT rate increase from 0% to 5% in January 2013, and increase slightly in 2015. The hike in the intermediate VAT rate from 10% to 13% in January 2014 is expected to lead to a limited upward impact on prices.

Risks are mainly on the downside

Heightened competitive pressures in the wake of EU accession are already apparent in some sectors of the economy, like retail trade, and it may take longer to restore trade flows affected by the exit from the CEFTA area. A further contraction in domestic credit, especially to SMEs, may also pose a growth risk. Furthermore, the capacity to absorb EU funds in the near-term will be a key factor determining the achievability of projected investment gains.

High fiscal deficit and rising debt

The general government deficit is expected to have reached 6.0% of GDP in 2013. On the revenue side this deterioration mainly reflects shortfalls in corporate income tax and social contributions and on the expenditure side increases in social benefits and interest expenses. Measures such as the reduction in public sector wage bill dampened the expenditure increase in 2013.

For 2014 this forecast incorporates the 2014 budget act and the legislative changes to the pension system adopted by parliament in January, but not the budget revision or any additional measures still under discussion. Under the ESA95 accounting rules, the headline general government deficit is expected to improve to 5.4% and 4.8% of GDP in 2014 and 2015, respectively, mainly as a result of the one off effect of transferring a part of the second pillar to the first pillar in these two years. Under the new accounting rules that will come into force this autumn (ESA2010), such transfers will not count as revenue anymore. The structural balance is expected to deteriorate in 2014 due to the combination of increases in general government expenditure, such as investment and interest expenditure. On the revenue side, the collection of indirect taxes is expected to recover somewhat.

The ratio of public debt to GDP is forecast to increase over the forecast period, from 55.5% in 2012 to 68.7% in 2015 on the back of persistently high deficits and subdued nominal GDP growth. Risks to the fiscal forecast seem skewed to the downside, mainly owing to worse than expected macro-economic prospects.

Table II.11.1:
Main features of country forecast - CROATIA

	2012				Annual percentage change					
	bn HRK	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		330.2	100.0	-	-2.3	0.0	-2.0	**-0.7**	**0.5**	**1.2**
Private Consumption		198.7	60.2	-	-1.3	0.2	-2.9	**-0.7**	**-0.5**	**0.5**
Public Consumption		65.3	19.8	-	-2.1	-0.6	-0.8	**0.0**	**0.3**	**0.5**
Gross fixed capital formation		60.7	18.4	-	-15.0	-6.4	-4.6	**-0.3**	**2.0**	**4.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		143.3	43.4	-	4.8	2.0	0.4	**-1.3**	**2.5**	**3.0**
Imports (goods and services)		140.9	42.7	-	-2.8	1.3	-2.1	**-0.7**	**1.7**	**3.2**
GNI (GDP deflator)		318.7	96.5	-	-1.9	-0.8	-1.9	**0.4**	**0.4**	**0.7**
Contribution to GDP growth:	Domestic demand			-	-5.0	-1.4	-2.8	**-0.5**	**0.2**	**1.2**
	Inventories			-	-0.1	1.1	-0.2	**0.0**	**0.0**	**0.0**
	Net exports			-	2.9	0.3	1.1	**-0.3**	**0.3**	**0.0**
Employment				-	-5.1	-2.3	-3.9	**-2.5**	**-0.2**	**0.5**
Unemployment rate (a)				-	11.8	13.5	15.9	**17.6**	**17.6**	**17.2**
Compensation of employees / head				-	1.9	3.0	3.2	**2.2**	**1.0**	**1.8**
Unit labour costs whole economy				-	-1.1	0.7	1.2	**0.4**	**0.3**	**1.1**
Real unit labour cost				-	-1.9	-1.3	-0.8	**-1.4**	**-1.1**	**-0.6**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	0.8	2.0	2.0	**1.9**	**1.4**	**1.8**
Harmonised index of consumer prices				8.2	1.1	2.2	3.4	**2.3**	**1.3**	**1.5**
Terms of trade goods				-	0.4	0.7	0.0	**0.7**	**1.0**	**0.5**
Trade balance (c)				-	-13.9	-14.5	-14.3	**-14.7**	**-14.4**	**-14.6**
Current-account balance (c)				-	-0.9	-1.1	-0.2	**0.8**	**1.3**	**0.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-0.9	-1.1	-0.2	**0.8**	**1.3**	**0.9**
General government balance (c)				-	-6.4	-7.8	-5.0	**-6.0**	**-5.4**	**-4.8**
Cyclically-adjusted budget balance (c)				-	-5.1	-7.1	-4.0	**-5.2**	**-4.9**	**-4.4**
Structural budget balance (c)				-	-5.1	-7.1	-4.0	**-4.7**	**-5.7**	**-5.0**
General government gross debt (c)				-	44.9	51.6	55.5	**64.9**	**67.4**	**68.7**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

12. ITALY

A slow recovery is underway

After contracting 1.9% in 2013, Italy's economy is expected to stage a slow recovery in 2014, driven by stronger external demand. As credit conditions ease, growth is expected to rise further in 2015. Unemployment peaked in late 2013 while inflation remains low. The government structural primary surplus – i.e. adjusted for the cycle and one-offs – is expected to stabilise at around 4½% of GDP over 2013-15.

After a severe recession, the economy returned to growth at the end of 2013

The contraction in output recorded since mid-2011 came to a halt with economic activity posting a moderate increase in the last quarter of 2013. Over the year, real GDP is estimated to have declined by 1.9% (after -2.5% in 2012). The strong fall in domestic demand acted as a drag on the economy due to persistently tight financing conditions and high uncertainty holding back consumption and investments.

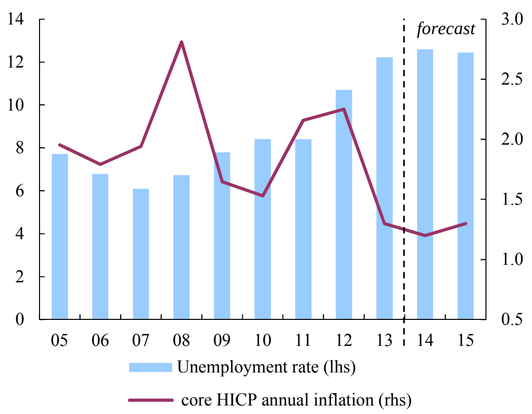
In 2014 a recovery is expected to set in driven by the tradable sector. Confidence in manufacturing points to expansion thanks to new export orders. As external demand strengthens – also from euro-area trade partners – industrial activity is expected to increase and the service sector is set to follow suit. As a result, real GDP is projected to grow by 0.6%. Domestic demand is also forecast to contribute positively to output growth, mainly driven by investment in equipment as capacity utilisation is projected to increase, in particular in exporting firms. Investment in construction, instead, is forecast to further decline also in light of persistently tight credit conditions. With still difficult labour market conditions, private consumption is expected to rise only marginally and by less than disposable income as households restore their savings.

Italian banks are expected to continue adjusting their balance sheets, which should pave the way to more favourable credit conditions for firms and households. This is set to support domestic demand and ultimately output growth in 2015, at 1.2%. As also imports accelerate, the current-account surplus is forecast to stabilise slightly above 1% of GDP in 2014-15.

Feeble demand and high unemployment are set to keep inflation low

The labour market is set to adjust with a lag to improving economic conditions and the recovery to start from a rise in working hours. After the significant drop recorded in 2013, headcount employment is expected to fall further in 2014, although only marginally. As labour supply remains fairly stable, unemployment is set to decline only slightly from the 12.8% peak recorded in November 2013. Sustained unemployment is expected to decrease wage pressures and to restrain wage growth. This, coupled with slightly improving productivity, entails only moderate increases in nominal unit labour cost. As the economy strengthens in 2015, unemployment is set to decline to 12.4% and wage dynamics to be more sustained mainly on the back of the renewal of public sector contracts.

Graph II.12.1: **Italy - Unemployment and core inflation**



The limited labour cost pressures together with weak consumption and stable energy prices lead the forecast for HICP inflation to fall to 0.9% in 2014, and then increase to 1.3% in 2015 as the economic recovery strengthens.

Government deficit on a decreasing path

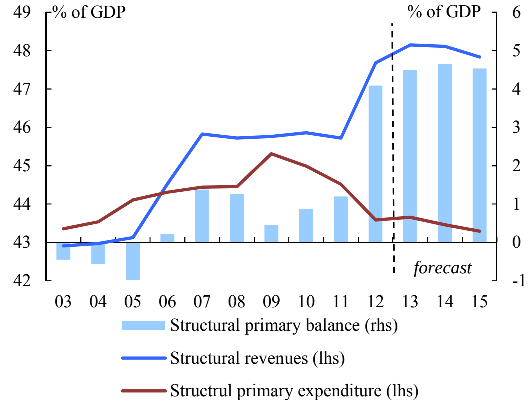
The general government deficit is estimated at 3% of GDP in 2013, unchanged from 2012. Primary expenditure is estimated to have increased by nearly 1% y-o-y (after declining by around 1.5% over 2010-12) as the government settled overdue trade debt, which raised investment expenditure in

2013 (by around 0.5% of GDP). However, government finances benefitted from declining yields on sovereign bonds, leading to a decrease in interest expenditure (to 5.3% of GDP from 5.5% in 2012). As a result total expenditure is set to have risen only marginally. Higher revenues are set to compensate for the spending rise thanks also to additional taxation on the financial sector offsetting the reduction in property taxes.

In 2014, the headline deficit is projected at 2.6% of GDP. Interest expenditure is expected to stabilise and the primary surplus to continue improving to 2.7% of GDP. The moderate year-on-year increase in primary expenditure is forecast to be more than offset by an increase in current revenues in line with nominal GDP growth, while capital revenues are set to fall on the back of expiring one-offs. In 2015, the deficit is forecast to narrow to 2.2% of GDP under a no-policy-change assumption mainly thanks to higher growth.

The structural balance is estimated to have further improved in 2013. An additional marginal improvement (to -0.6% of GDP) is also expected in 2014, while the structural balance is set to worsen in 2015, under a no-policy-change assumption. The structural primary balance is set to stabilise at around 4½% of GDP in 2013-15.

Graph II.12.2: **Italy - Structural primary balance and determinants (% of GDP)**



After incorporating further 1.6% of GDP trade debt arrear settlements and 0.5% privatisation proceeds, the general government debt-to-GDP ratio is set to peak in 2014 (at nearly 134%) and then decline slightly in 2015 thanks to the higher primary surplus and nominal GDP growth.

Table II.12.1:
Main features of country forecast - ITALY

	2012			Annual percentage change						
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		1567.0	100.0	1.0	1.7	0.5	-2.5	**-1.9**	**0.6**	**1.2**
Private Consumption		953.7	60.9	1.2	1.5	-0.3	-4.1	**-2.5**	**0.1**	**0.9**
Public Consumption		315.0	20.1	1.0	-0.4	-1.2	-2.7	**-0.6**	**-0.6**	**0.4**
Gross fixed capital formation		280.7	17.9	1.4	0.6	-2.2	-8.3	**-5.5**	**1.6**	**3.7**
of which: equipment		113.7	7.3	2.1	8.1	-0.7	-11.4	**-4.3**	**5.3**	**5.8**
Exports (goods and services)		473.5	30.2	2.5	11.4	6.2	2.0	**0.1**	**3.3**	**4.9**
Imports (goods and services)		455.8	29.1	3.5	12.6	0.8	-7.4	**-2.9**	**3.0**	**5.5**
GNI (GDP deflator)		1556.8	99.3	1.1	1.7	0.4	-2.6	**-1.9**	**0.6**	**1.3**
Contribution to GDP growth: Domestic demand				1.2	0.9	-0.8	-4.6	**-2.6**	**0.3**	**1.3**
Inventories				0.0	1.1	-0.1	-0.7	**-0.1**	**0.1**	**0.0**
Net exports				-0.1	-0.4	1.4	2.8	**0.9**	**0.2**	**0.0**
Employment				0.4	-1.1	0.1	-1.1	**-1.8**	**0.1**	**0.5**
Unemployment rate (a)				9.1	8.4	8.4	10.7	**12.2**	**12.6**	**12.4**
Compensation of employees / f.t.e.				2.9	2.8	1.3	1.0	**1.3**	**1.1**	**1.5**
Unit labour costs whole economy				2.3	0.0	1.0	2.5	**1.3**	**0.7**	**0.8**
Real unit labour cost				-0.4	-0.4	-0.4	0.8	**0.0**	**-0.4**	**-0.6**
Saving rate of households (b)				17.3	12.4	11.9	11.6	**12.8**	**13.1**	**13.2**
GDP deflator				2.8	0.4	1.4	1.7	**1.3**	**1.1**	**1.4**
Harmonised index of consumer prices				2.6	1.6	2.9	3.3	**1.3**	**0.9**	**1.3**
Terms of trade goods				-0.2	-3.9	-3.6	-1.0	**1.6**	**1.0**	**0.0**
Trade balance (c)				1.4	-1.3	-1.1	1.1	**2.3**	**2.8**	**2.8**
Current-account balance (c)				0.1	-3.5	-3.1	-0.5	**0.9**	**1.3**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.3	-3.5	-3.0	-0.3	**0.9**	**1.4**	**1.3**
General government balance (c)				-3.9	-4.5	-3.8	-3.0	**-3.0**	**-2.6**	**-2.2**
Cyclically-adjusted budget balance (c)				-4.4	-3.5	-3.1	-1.3	**-0.6**	**-0.6**	**-0.9**
Structural budget balance (c)				-	-3.7	-3.8	-1.4	**-0.8**	**-0.6**	**-0.8**
General government gross debt (c)				111.0	119.3	120.7	127.0	**132.7**	**133.7**	**132.4**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

13. CYPRUS

Recession bottoms out while adjustments are underway

The unwinding of macroeconomic imbalances weighed significantly on economic activity and sentiment in 2013. The recession is expected to ease in 2014 and growth is set to return in 2015 as domestic demand recovers. Following a better-than-expected performance last year, the fiscal situation is set to improve further this year and next.

Note: This forecast was finalised early February, after the third quarterly review of the Economic Adjustment Programme, and will be revisited during the fourth quarterly review.

The recession in 2013...

Economic activity is expected to have contracted by 6.0% in 2013, which is significantly lower than projected in the autumn 2013 forecast. This reflects on one hand, resilient performance of the tourism and professional service sectors, and, on the other hand, a smaller-than-anticipated decline in private consumption. A substantial adjustment in prices and wages also helped curb the decline in real GDP. Nevertheless, several factors continued to weight on economic growth, including tight credit conditions, private and public sector deleveraging and worsening labour market conditions. Reflecting the significant contraction in domestic demand, imports fell further, leading to a positive contribution of external demand to GDP growth. The fourth-quarter flash estimate released after the finalisation of this forecast suggests a milder recession than envisaged in the third review mission.

... will extend into 2014...

Business sentiment and consumer confidence indicators suggest a continuation of the recession. The real GDP is projected to decline by -4.8% in 2014, with domestic demand weighed down by the need for an adjustment of private and public sector debt from currently high levels. Tight credit conditions will continue to act as a drag on growth. Downward wage adjustments are expected to continue, weighing on disposable income. On the back of further shrinking of imports and a lesser fall in exports, a positive contribution to growth is expected from net trade.

...before coming to an end in 2015.

In 2015, the recession is expected to come to an end, with growth seen to resuming gradually, as private domestic demand regains strength. The restoration of a sound and well-capitalised banking sector and the gradual deleveraging of both households and corporates are expected to progressively remove the impediments to more balanced growth. Export of goods and services are forecast to grow, accompanied by a marginal increase in imports.

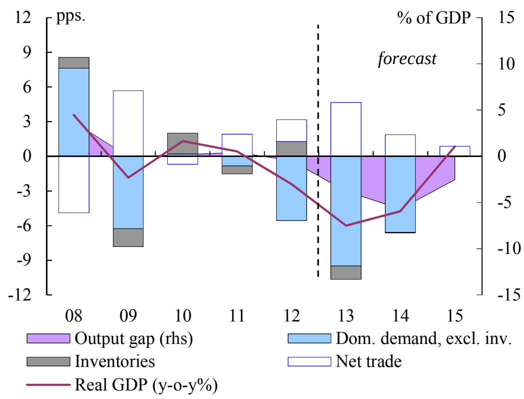
Labour market conditions to improve from 2015

Unemployment is projected to peak in 2014 before falling slightly in 2015. Unit labour costs are expected to edge further down, driven by a further decline in compensation of employees. The associated weak domestic cost pressure and sizeable spare capacity will contain HICP inflation over the forecast horizon, despite indirect tax rate hikes in 2013 and 2014.

Downside risks remain

Risks are tilted to the downside. On the domestic front, a more protracted period of tight credit supply conditions could pose considerable risks to the real economy. In addition, a slower reduction of households' debt could prolong the needed deleveraging process. Moreover, a further worsening of labour market conditions may lead to a more prolonged weakness of business and consumer confidence.

Graph II.13.1: **Cyprus - Real GDP growth and contributions**



Fiscal adjustment underway

Against the background of the milder recession and thanks to the significant consolidation efforts undertaken in line with the programme requirements, the general government deficit for 2013 is estimated to be significantly better than projected earlier, reaching 5.5% of GDP. However, the deficit is project to widen slightly to -5.8% of GDP in 2014. This is mainly due to falling profits as well as declining wages and employment in the private and public sectors that are expected to translate into lower revenues from direct taxes. Further drop in private consumption is set to weigh on the revenues from indirect taxes. On the expenditure side, further effort to reduce the public sector wage bill, intermediate consumption and other current expenditure is projected to outweigh the increase in social transfers driven by the further worsening labour market conditions.

In 2015, the improving macroeconomic situation and better labour market conditions are expected to support revenue from taxes and social contributions, while total expenditure is projected to remain largely unchanged, with higher pension payments in the private pension scheme, largely offset by a deceleration of the retirement wave in the public sector.

After a sharp increase in 2013, the debt-to-GDP ratio is expected to further increase in 2014 and 2015, broadly reflecting the macroeconomic conditions.

Table II.13.1:

Main features of country forecast - CYPRUS

	2012			Annual percentage change					
	mio EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	17886.8	100.0	3.8	1.3	0.4	-2.4	**-6.0**	**-4.8**	**0.9**
Private Consumption	12087.3	67.6	-	1.5	1.3	-2.5	**-7.5**	**-6.3**	**0.7**
Public Consumption	3438.2	19.2	-	1.0	-0.2	-3.1	**-6.0**	**-1.5**	**-2.7**
Gross fixed capital formation	2430.0	13.6	-	-4.9	-8.7	-19.6	**-24.0**	**-18.1**	**1.3**
of which: equipment	757.3	4.2	-	-6.9	-15.4	-15.5	**-22.5**	**-14.0**	**3.0**
Exports (goods and services)	7710.2	43.1	-	3.8	4.4	-2.7	**-4.8**	**-2.7**	**1.9**
Imports (goods and services)	8180.1	45.7	-	4.8	-0.2	-6.4	**-14.7**	**-7.2**	**0.2**
GNI (GDP deflator)	17296.2	96.7	3.7	2.4	5.6	-7.3	**-5.8**	**-6.2**	**2.2**
Contribution to GDP growth:	Domestic demand		-	0.2	-0.8	-5.6	**-9.8**	**-6.7**	**0.1**
	Inventories		-	1.8	-0.7	1.2	**-0.6**	**0.1**	**0.0**
	Net exports		-	-0.7	1.9	1.9	**4.7**	**1.9**	**0.8**
Employment			-	-0.2	0.5	-4.2	**-5.7**	**-4.4**	**0.8**
Unemployment rate (a)			-	6.3	7.9	11.9	**16.0**	**19.2**	**18.4**
Compensation of employees / head			-	2.6	2.5	-0.9	**-5.0**	**-3.0**	**0.9**
Unit labour costs whole economy			-	1.1	2.5	-2.7	**-4.7**	**-2.6**	**0.8**
Real unit labour cost			-	-0.9	-0.3	-4.6	**-2.5**	**-3.2**	**-0.7**
Saving rate of households (b)			-	19.2	15.2	12.8	**9.9**	**12.2**	**14.7**
GDP deflator			2.9	1.9	2.8	1.9	**-2.3**	**0.6**	**1.5**
Harmonised index of consumer prices			-	2.6	3.5	3.1	**0.4**	**0.4**	**1.4**
Terms of trade goods			-	-0.9	-1.8	-1.1	**-1.3**	**-0.4**	**-0.5**
Trade balance (c)			-	-26.8	-24.2	-21.5	**-18.3**	**-16.9**	**-16.7**
Current-account balance (c)			-	-9.2	-3.5	-6.8	**-1.7**	**0.0**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-9.0	-3.3	-6.7	**0.2**	**1.0**	**1.3**
General government balance (c)			-	-5.3	-6.3	-6.3	**-5.5**	**-5.8**	**-6.1**
Cyclically-adjusted budget balance (c)			-	-5.3	-6.4	-6.0	**-4.0**	**-3.5**	**-5.2**
Structural budget balance (c)			-	-5.3	-6.2	-6.4	**-3.8**	**-4.5**	**-5.2**
General government gross debt (c)			-	61.3	71.1	85.8	**112.0**	**121.5**	**125.8**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

14. LATVIA

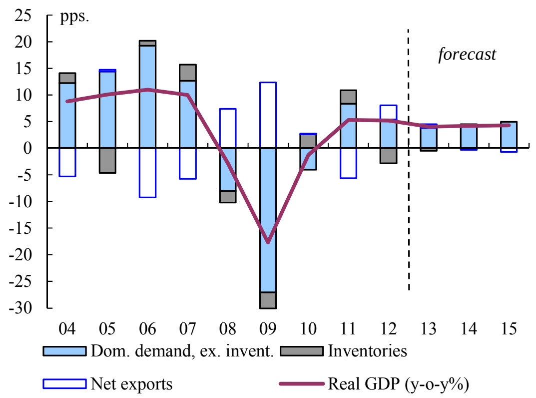
Economic growth and job creation continue at a sound pace

Growth is expected to marginally exceed 4% over the forecast horizon, driven by domestic demand, rebounding exports, and improved business sentiment supported by the recent euro changeover. Job creation is set to continue, bringing unemployment below 10% by 2015 amid moderate inflation. The outlook for public finances remains stable with a low deficit of around 1% of GDP and a declining public debt ratio.

GDP growth remains strong

Latvia's economy expanded by 4% in 2013, according to the latest flash estimate, slower than the 5.2% growth in 2012 but still at the fastest rate in the EU. Private and public consumption as well as net exports supported the overall economic growth while investments and negative changes in inventories weighed on the downside.

*Graph II.14.1:***Latvia - Real GDP growth and contributions**



Growth is projected to remain high at 4.2% in 2014 and 4.3% in 2015 as investments are set to rebound on the basis of improving business sentiment and higher external demand. Positive business reactions to the recent euro changeover are also seen as supportive to investment. Corporate profits and EU funding are likely to remain major financing sources for investors as banking sector deleveraging is still under way. Overall, domestic demand and exports are projected to increase at similar rates. However, investment in capital goods is expected to push imports to a higher growth rate than exports, resulting in a slightly negative net external contribution to GDP growth.

External position keeps improving

The current-account deficit is forecast to remain below 3% of GDP over the forecast horizon. Net inflows in the capital account, linked mostly to EU structural funds, are set to exceed the current-account outflow, keeping the country's net external debt on a downward path. Suspended production at the metallurgical plant in Liepaja weighed heavily on both exports and imports in 2013. Consequently, export performance relative to growth in trading partners deteriorated in gross terms but in net terms, taking out Liepaja's re-exports, the country's external sustainability indicators improved.

Unemployment to drop below 10% by 2015

Unemployment dropped to 11.9% in 2013 from 15% in 2012 and the downward trend is set to continue over the forecast period. The minimum wage hike in 2014 and some shortage of skills on specific labour segments are likely to accelerate wage growth and restrain job creation. Nevertheless, unemployment is expected to fall below 10% by 2015, marking a steep improvement from the peak of 19.5% in 2010 but well above the record low of 6.1% in 2007. Unit labour costs are projected to retain a moderate growth in 2014-15, broadly in line with the dynamics in trading partners.

Electricity and service prices set to rise

HICP inflation was close to zero in 2013, mainly due to falling energy prices, which offset the gradual increase in core inflation. However, the forthcoming deregulation of household electricity prices as of April 2014 and the steady advance in service prices are set to push up inflation to 1.9% in 2014 and 2.1% in 2015. The first price monitoring reports on the euro adoption at the beginning of 2014 show minor inflation effects related to rounding and passing on of changeover costs to consumers. The overall one-off impact from the changeover is therefore expected to remain within the previously forecast range of 0.2 – 0.3 pp.

Favourable borrowing conditions reflect markets' confidence

In the last months of 2013 the cash balance of the general government expectedly turned negative, resulting in an annual cash deficit of 0.5% of GDP. This cash deficit is mostly attributable to local governments, whereas the central government's position was near-balanced. The adjusted general government deficit according to EDP reporting requirements is expected to be higher, at 1.3% of GDP, reflecting notably a guarantee call of 0.3% of GDP, involving the Liepaja metallurgical plant that is currently in a standstill, as well as other adjustments.

The general government deficit is expected to stabilise at around 1% of GDP in 2014 and 2015 based on current policies. For 2014, these policies are fixed in the 2014 budget law that was adopted by the Parliament on 7 November 2013. For 2015, the planned measures include a 1 pp. cut in the personal income tax rate and a 1 pp. increase in state contributions to the privately managed funded pension scheme. These revenue-reducing measures are partly offset by a conservative pension indexation rule. It is, however, not excluded that this rule could be revised in the context of 2015 budget negotiations. Falling interest expenditure from 2015 provides another significant cause of decline in the expenditure-to-GDP ratio.

As borrowing initially planned for the end of 2013 took place only in early 2014, the debt-to-GDP ratio did not increase in 2013, as previously expected. In January 2014, the authorities issued a 7-year bond in the amount of EUR 1 billion (around 4% of GDP) with a favourable yield of 2.815%. The issuance aims to finance the first repayment, covering one-third of the outstanding obligations to the EU, under the balance-of-payments facility. This repayment is due in March 2014. Subject to continuous favourable market sentiment, the authorities intend to borrow further in the course of 2014, in order to pre-finance another large repayment to the EU due in 2015. After this repayment will be made and the need to keep the current high level of precautionary financial buffers elapses, debt is expected to decline to around 33% of GDP by end-2015.

Table II.14.1:

Main features of country forecast - LATVIA

	2012			Annual percentage change						
mio EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	22082.6	100.0	4.1	-1.3	5.3	5.2	**4.0**	**4.2**	**4.3**
Private Consumption	13772.3	62.4	-	2.3	4.8	5.8	**5.5**	**4.9**	**5.1**
Public Consumption	3542.8	16.0	-	-7.9	1.1	-0.2	**2.7**	**2.0**	**1.7**
Gross fixed capital formation	5033.0	22.8	-	-18.1	27.9	8.7	**-0.2**	**5.2**	**6.9**
of which: equipment	1867.4	8.5	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	13600.4	61.6	-	12.5	12.4	9.4	**0.9**	**4.5**	**5.9**
Imports (goods and services)	14470.9	65.5	-	11.8	22.3	4.5	**-0.3**	**4.8**	**6.7**
GNI (GDP deflator)	22054.5	99.9	4.6	-6.5	3.8	4.5	**4.0**	**4.0**	**4.2**
Contribution to GDP growth: Domestic demand			-	-4.0	8.3	5.4	**3.8**	**4.5**	**5.0**
Inventories			-	2.6	2.6	-2.8	**-0.5**	**0.0**	**0.0**
Net exports			-	0.1	-5.6	2.6	**0.7**	**-0.3**	**-0.7**
Employment			-1.8	-6.7	1.5	1.4	**2.1**	**2.0**	**2.0**
Unemployment rate (a)			13.2	19.5	16.2	15.0	**11.9**	**10.5**	**9.2**
Compensation of employees / head			15.3	-4.9	5.0	7.3	**4.3**	**5.0**	**4.6**
Unit labour costs whole economy			8.8	-10.1	1.2	3.5	**2.3**	**2.8**	**2.3**
Real unit labour cost			-0.4	-9.3	-4.6	0.1	**0.7**	**0.5**	**0.0**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			9.3	-0.9	6.0	3.3	**1.6**	**2.3**	**2.3**
Harmonised index of consumer prices			-	-1.2	4.2	2.3	**0.0**	**1.9**	**2.1**
Terms of trade goods			-	1.1	5.8	-3.8	**0.3**	**0.0**	**0.0**
Trade balance (c)			-15.9	-7.0	-10.8	-10.4	**-9.2**	**-9.3**	**-9.8**
Current-account balance (c)			-7.9	2.9	-2.3	-2.5	**-1.6**	**-1.9**	**-2.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-6.6	4.9	-0.2	0.5	**0.9**	**0.6**	**0.0**
General government balance (c)			-1.9	-8.1	-3.6	-1.3	**-1.3**	**-1.0**	**-1.0**
Cyclically-adjusted budget balance (c)			-	-4.7	-1.7	-0.7	**-1.3**	**-1.5**	**-1.8**
Structural budget balance (c)			-	-3.0	-1.5	-0.2	**-1.3**	**-1.5**	**-1.8**
General government gross debt (c)			-	44.4	41.9	40.6	**38.4**	**38.7**	**32.7**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

15. LITHUANIA

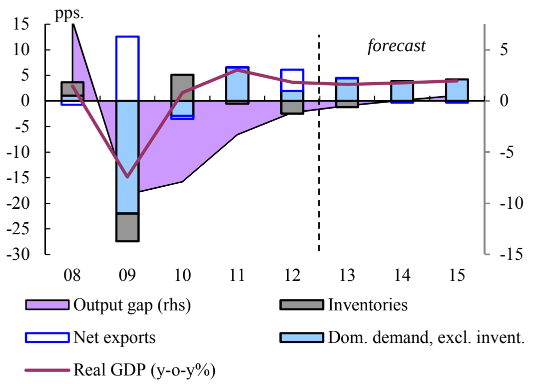
Solid growth continues in a context of macroeconomic stability

Growth remained strong in 2013 and is set to continue at a steady pace in 2014 and 2015 with strong domestic demand as the main growth engine. Unemployment is forecast to decline, but remain high, while inflation, which slowed significantly in 2013 due to weak energy and food prices, is set to pick up moderately.

In 2013 domestic demand gradually replaced net exports as the main growth engine

GDP growth remained strong in 2013 and is estimated to have reached 3.2% despite a slowdown in the second half of the year. While in the first quarter net exports were the main growth driver, the situation reversed in the second quarter when the trade contribution turned negative and domestic demand took over as the main engine for growth. Private consumption strengthened, supported by a substantial increase in wages, low inflation, a robust labour market and strong confidence indicators. Investment soared in the second half of the year on the back of high capacity utilisation rates and positive sentiment.

Graph II.15.1: **Lithuania - Real GDP growth and contributions, output gap**



Growth is set to accelerate on the back of robust domestic demand

Looking ahead, GDP is forecast to grow by 3.5% in 2014 and 3.9% in 2015. Private consumption is set to continue benefitting from further increases in disposable income of households due to the recovering labour market, accelerating wage growth and low inflation. Investment is expected to grow as interest rates are low and companies have significant financial reserves to finance investments. Moreover, EU co-financed projects will continue to support public investment over the forecast horizon.

Risks to the growth forecast are broadly balanced: a further slowdown in Russia might hamper sentiment and exports, while investment growth might stall as some of it – both public and private – was of a one-off nature, connected to regulatory changes and the Lithuanian EU Presidency. On the upside, credit growth could pick-up.

Net exports likely to remain a drag on growth

Export growth is set to remain subdued in early 2014 before picking up in accordance with an improving external environment. The positive effect of the strong 2012 harvest on exports came to an end in the second quarter of 2013. In addition, in the second half of 2013, the weak performance of the fertiliser and refined petroleum product industry started weighing on export performance.

Import growth has been fairly stable and is expected to increase as private consumption and investment strengthen. Overall, the contribution of net exports to growth is expected to remain negative over the forecast horizon. The current account is expected to show a slight surplus in 2013, before reverting to a moderate deficit in 2014 and 2015.

Inflation set to remain below the long-term average

HICP Inflation slowed to 1.2% in 2013, due to exceptionally weak energy and food price developments. This trend is forecast to continue in early 2014 with a slight pick-up expected thereafter. Inflation in the service sector is likely to accelerate on the back of sustained wage growth, while energy and food inflation are set to remain below average levels. Overall, HICP is forecast to grow by 1.1% in 2014 and 1.9% in 2015.

Financial sector – credit growth still subdued

Private sector deposits continued to grow in 2013, but credit to households stayed flat while credit to enterprises marginally contracted. Thus, despite sufficient liquidity, banks remain cautious in their lending. However, households and enterprises were able to finance a large amount of investments from their own resources.

Fiscal consolidation continues

In 2013, fiscal consolidation was supported by a solid increase in direct taxes, in particular corporate income tax, which compensated for a shortfall in indirect taxes, while expenditure growth at central government level was ultimately contained. Fiscal results of local governments, however, are expected to be weaker than a year before. An improving situation in the labour market led to a smaller-than-planned deficit of the social insurance fund. Overall, the general government deficit is set to reach 2.7% of GDP in 2013.

Going forward, the deficit is forecast to decrease to 2.3% of GDP in 2014 mainly because of limited expenditure increase. Revenue losses from an increase in non-taxable allowance are set to be only partially compensated by an increase in excise taxes on alcohol and tobacco products in spring. For 2015, under a no-policy-change assumption, the general government deficit is set to reach 1.7% of GDP.

Following the judgement of the Lithuanian constitutional court on the compensation of pension and public wage cuts, the Lithuanian government is expected to specify this spring when and how it intends to compensate. Thus, there is a risk that the general government deficit may turn out higher than currently projected.

The structural deficit is estimated to have decreased from 3% of GDP in 2012 to 2.5% in 2013, and to continue decreasing over the forecast horizon, to 1.8% in 2015. General government debt is estimated to have decreased slightly from 40.5% of GDP in 2012 to 39.5% in 2013. It is projected to increase to 42.2% in 2014 due to the pre-financing of a 2015 eurobond redemption before falling back to 41.4% in 2015.

Table II.15.1:

Main features of country forecast - LITHUANIA

	2012		**Annual percentage change**						
bn LTL	**Curr. prices**	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	113.7	100.0	3.6	1.6	6.0	3.7	**3.2**	**3.5**	**3.9**
Private Consumption	72.0	63.3	-	-3.6	4.8	3.9	**4.7**	**3.8**	**4.3**
Public Consumption	20.0	17.6	-	-3.4	0.3	0.6	**1.5**	**1.6**	**1.7**
Gross fixed capital formation	18.9	16.6	-	1.9	20.7	-3.6	**7.2**	**6.5**	**6.9**
of which: equipment	6.1	5.4	-	20.6	37.2	-4.8	**13.5**	**9.0**	**9.7**
Exports (goods and services)	95.5	83.9	-	17.4	14.1	11.8	**6.5**	**6.6**	**6.9**
Imports (goods and services)	94.5	83.1	-	17.9	13.7	6.1	**6.6**	**7.0**	**7.4**
GNI (GDP deflator)	110.1	96.8	-	-2.2	4.2	4.2	**5.0**	**3.1**	**3.7**
Contribution to GDP growth: Domestic demand			-	-2.9	6.5	1.9	**4.4**	**3.9**	**4.3**
Inventories			-	5.1	-0.5	-2.5	**-1.2**	**0.0**	**0.0**
Net exports			-	-0.6	0.0	4.2	**0.0**	**-0.3**	**-0.3**
Employment			-0.8	-11.9	0.5	1.8	**1.5**	**1.5**	**1.3**
Unemployment rate (a)			10.2	17.8	15.4	13.4	**11.8**	**10.4**	**9.6**
Compensation of employees / head			16.3	7.2	6.3	3.8	**4.4**	**3.8**	**4.6**
Unit labour costs whole economy			11.4	-7.0	0.7	1.9	**2.6**	**1.7**	**1.9**
Real unit labour cost			1.6	-9.1	-4.4	-0.7	**0.9**	**0.1**	**-0.6**
Saving rate of households (b)			-	8.2	4.2	0.9	**-**	**-**	**-**
GDP deflator			9.5	2.3	5.4	2.6	**1.7**	**1.6**	**2.5**
Harmonised index of consumer prices			-	1.2	4.1	3.2	**1.2**	**1.1**	**1.9**
Terms of trade goods			-	1.4	-0.6	-1.0	**0.4**	**0.1**	**0.3**
Trade balance (c)			-10.5	-4.8	-5.8	-2.8	**-2.5**	**-2.8**	**-3.0**
Current-account balance (c)			-	-0.4	-3.9	-1.1	**0.1**	**-0.5**	**-0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	3.4	-0.6	1.9	**3.0**	**2.3**	**2.0**
General government balance (c)			-3.1	-7.2	-5.5	-3.2	**-2.7**	**-2.3**	**-1.7**
Cyclically-adjusted budget balance (c)			-	-4.8	-4.5	-2.9	**-2.6**	**-2.3**	**-1.9**
Structural budget balance (c)			-	-4.8	-4.5	-3.0	**-2.5**	**-2.2**	**-1.8**
General government gross debt (c)			-	37.8	38.3	40.5	**39.5**	**42.2**	**41.4**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

16. LUXEMBOURG

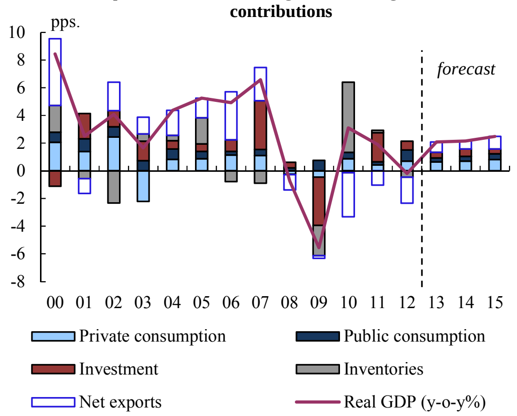
Robust growth above the euro-area average

Economic output is expected to continue growing significantly faster than the euro-area average. While the potential growth of the financial sector could have been dented, its contribution should remain positive. Job creation looks set to continue, albeit at a moderate pace. Windfall revenues from e-commerce related activities are set to gradually fade out from 2015 onwards.

Growth is picking up

GDP in 2013 is projected to have grown by 2.1%, significantly higher than the euro-area average. After a disappointing performance at the beginning of last year, economic activity rebounded strongly in the second and third quarters, growing by 2.0% and 0.2% q-o-q, respectively. In the last quarter of 2013 and in line with soft and hard indicators, output is projected to have accelerated again, signalling that the economy could have entered a period of relatively sustained expansion. However, the recovery is expected to be fragile and uneven across sectors.

Graph II.16.1: **Luxembourg - Real GDP growth and contributions**



Set for a gradual recovery

Overall, output is expected to grow by 2.2% in 2014 and 2.5% in 2015. The full impact of the new financial rules should be visible by 2015 and, although the potential of the financial sector to expand is expected to be smaller than in the past, it is still projected to remain a positive contributor to growth. This, coupled with higher households' confidence on the back of an improved labour market, as well as stronger investment backed by better euro-area growth prospects, is expected to support domestic demand. Moreover, manufacturing output is expected to have bottomed out in 2013, and a mild recovery is projected over the forecast horizon.

Private consumption, in the absence of new fiscal consolidation measures, is expected to accelerate somewhat to 2.3% in 2014 and 2.6% in 2015, broadly in line with the increase in disposable income. Still, consumption is hampered by concerns about relatively weak labour market developments, given that job creation is projected to be just sufficient to stabilise the unemployment rate.

With financial conditions remaining tight, coupled with a historically low level of capacity utilisation and still weak demand from the main trading partners, firms are expected to postpone or freeze their investment plans. Investment is expected to be led by specific sectors, in particular purchases from the aeronautic and satellite industry.

Exports are set to improve, on the back of better prospects for external demand. The contribution to growth from external trade is projected to remain positive throughout the forecast horizon. However, it is set to decline slightly in 2014, as imports are projected to record a more robust growth, on the back of buoyant internal demand.

Risks relate to the capacity of the financial sector to further expand

Risks to the forecast mainly stem from the capacity of the financial sector to adapt to the changing business and regulatory environment. It will determine, not only the prospects for this industry, but, given the size of the sector, also the outlook for the economy as a whole.

Lower inflation and moderate job creation

Headline inflation has been falling during 2013 and is estimated to have reached 1.7%. Increases in administered prices partially offset less dynamic oil prices. Inflation is expected to marginally abate in 2014, to 1.5% before bouncing back slightly in 2015.

Job creation in 2013 weakened to 1.7%, due to labour shedding in the construction and the industrial sectors. Employment creation is projected to remain weak with a financial sector undergoing an overhaul, following the implementation of new regulations, which implies labour adjustments. Employment growth is then projected to stabilise in 2014 at 1.7%, and to accelerate slightly in 2015 to 1.9%, mainly thanks to better prospects in the financial sector. The unemployment rate, after peaking at 6.0% in 2014, is expected to drop to 5.9% in 2015.

Buoyant revenues have a temporary positive effect on government deficit

The general government deficit is projected to have reached 0.2% of GDP in 2013, down from 0.6% in 2012, mostly due to windfall revenues coming from e-commerce VAT-related activities and to a lesser extent from the implementation of the fiscal measures contained in the budget. Expenditure did not contribute much to the improvement of the fiscal position, given that the consolidation package adopted by the government with the 2013 budget was not able to contain the rapid growth of government consumption expenditure.

In 2014, under the usual no-policy-change assumption, *i.e.* that does not include the upcoming budget, the deficit is expected to increase marginally to 0.5% of GDP, mainly reflecting the dynamic growth in social spending.

In 2015, the deficit is projected to increase substantially to 2.4% of GDP, as VAT revenues from e-commerce will start to fade away. The initial budgetary impact of the drop in VAT revenues is estimated at least at 1½% of GDP. Under the afore-mentioned no-policy-change assumption, the announced increase in general VAT rates is not incorporated in this forecast, as the measure is not yet sufficiently specified.

The surplus in the structural balance is expected to stabilise in 2013, to fall by ¾ pp. in 2014 and to turn into a deficit in 2015, following a drop by more than 2 pps.

Government debt is projected to rise from around 24% of GDP in 2013 to slightly above 28% in 2015, as the surplus of the social security sector cannot be used to finance the deficit of the central government.

Table II.16.1:

Main features of country forecast - LUXEMBOURG

	2012			Annual percentage change					
	mio EUR Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	42899.2	100.0	3.6	3.1	1.9	-0.2	**2.1**	**2.2**	**2.5**
Private Consumption	13773.5	32.1	2.5	2.6	1.3	2.2	**2.0**	**2.3**	**2.6**
Public Consumption	7503.9	17.5	4.0	2.5	1.3	4.8	**1.7**	**1.9**	**2.5**
Gross fixed capital formation	8275.3	19.3	4.1	-0.7	12.1	3.5	**2.1**	**2.9**	**1.8**
of which: equipment	3541.4	8.3	2.9	21.7	22.4	18.3	**4.0**	**3.8**	**1.2**
Exports (goods and services)	76087.8	177.4	6.4	7.2	5.4	-1.9	**2.3**	**3.6**	**4.9**
Imports (goods and services)	63589.4	148.2	6.6	11.4	7.4	-1.0	**2.3**	**3.9**	**5.3**
GNI (GDP deflator)	29224.4	68.1	1.4	8.0	1.5	-1.2	**2.5**	**2.6**	**3.1**
Contribution to GDP growth: Domestic demand			2.6	1.2	2.8	2.2	**1.3**	**1.6**	**1.6**
Inventories			-0.1	5.1	0.2	-0.4	**0.0**	**0.0**	**0.0**
Net exports			1.2	-3.2	-1.0	-1.9	**0.7**	**0.6**	**0.9**
Employment			3.5	1.8	3.0	2.5	**1.7**	**1.7**	**1.9**
Unemployment rate (a)			3.5	4.6	4.8	5.1	**5.9**	**6.0**	**5.9**
Compensation of employees / head			2.9	2.6	2.4	2.0	**1.5**	**3.1**	**2.5**
Unit labour costs whole economy			2.8	1.4	3.4	4.7	**1.1**	**2.6**	**2.0**
Real unit labour cost			0.2	-5.4	-0.7	1.7	**-2.6**	**-0.2**	**-0.7**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	7.2	4.2	3.0	**3.9**	**2.8**	**2.7**
Harmonised index of consumer prices			-	2.8	3.7	2.9	**1.7**	**1.5**	**1.7**
Terms of trade goods			0.1	5.1	2.2	-0.6	**-1.7**	**0.9**	**0.1**
Trade balance (c)			-10.6	-10.2	-12.3	-14.2	**-15.0**	**-15.3**	**-15.7**
Current-account balance (c)			10.1	7.7	6.6	6.7	**6.4**	**6.7**	**7.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	7.3	6.3	6.2	**6.0**	**6.6**	**7.1**
General government balance (c)			2.4	-0.8	0.1	-0.6	**-0.2**	**-0.5**	**-2.4**
Cyclically-adjusted budget balance (c)			2.1	0.3	0.8	1.0	**1.0**	**0.3**	**-2.1**
Structural budget balance (c)			-	0.3	0.8	1.0	**1.0**	**0.3**	**-2.1**
General government gross debt (c)			7.6	19.5	18.7	21.7	**24.3**	**25.5**	**28.1**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

17. HUNGARY

A mild recovery, sustained by domestic demand

Hungary emerged from recession in 2013 with GDP growing by 1.1%. Growth is expected to accelerate to around 2% in 2014 and 2015, primarily driven by domestic demand. Preliminary annual data indicate a government deficit at around 2½% in 2013, but it is forecast to rebound to around 3% of GDP this year and next.

Continued economic growth, partially boosted by indirect fiscal stimuli

After re-entering into recession in 2012, with a 1.7% decline, Hungary experienced a real GDP growth of 1.1% in 2013, partly reflecting the correction of one-off adverse developments in agriculture. In 2013 investment turned positive mainly as a result of public investment, but corporate investment also started to accelerate on the back of the acceleration in the absorption of EU funds and to some extent the central bank's extended Funding for Growth Scheme (FGS, providing subsidised lending to SMEs). A sharp decline in inflation contributed to increasing households' real disposable income, but the still high unemployment and ongoing deleveraging continued to put a drag on consumer spending. Altogether domestic demand became the main driver of growth in 2013.

Real GDP growth is expected to reach 2.1% both in 2014 and 2015, driven by a further pick-up in domestic demand, while net exports are projected to provide a nil contribution. Yearly household consumption is expected to return to positive territory from 2014 due to further improvements in real disposable income, partly linked to the regulated price cuts and increasing public sector wages, but also looser lending conditions as a consequence of new subsidised mortgage schemes. However, due to an oversupply in the market, housing investment is forecast to recover only modestly. Credit supply conditions to the corporate sector will be only temporarily eased by the FGS and together with a high absorption of EU funds, will contribute to a pick-up in investment activity as well as a slight growth in firms' net borrowing.

Decreasing unemployment and low inflation

Despite a continuous increase in the participation rate, unemployment dropped below 10% by the fourth quarter of 2013, as Labour Force Survey (LFS) based employment increased by 1.6% in 2013. The continuous expansion of the Public Work Scheme, the increasing number of frontier workers and the whitening of the economy contributed to the improvement in the labour market. [18] As the economy recovers, domestic employment in the private sector is also expected to pick up and the unemployment rate is projected to fall further below 10% over the forecast period.

Inflation reached a historically low rate of 0.7% in the last quarter of 2013 reflecting three successive waves of cuts in regulated energy and other utility prices. Underlying inflation has also been on a downward trend, due to a negative output gap and declining imported inflation. However, as the output gap closes and the effect of utility price cuts fades away, inflation is expected to increase gradually towards the central bank's 3% target by 2015. The recent depreciation of the forint entails some upward risk to the inflation projections.

Risks to the GDP forecast are overall tilted to the downside. A tightening in global monetary conditions may generate significant headwinds for Hungary, most notably through the revaluation of FX denominated debt. The main domestic risk is related to the possible adoption of a new comprehensive FX relief scheme with potential negative effects on the banking sector and investors' sentiment. As an upside risk, stimulus measures could have a bigger-than-expected effect on investment.

Government deficit expected to rebound to 3% of GDP

Cash-flow data for 2013 point to an overachievement of the 2.7% of GDP deficit target, with the general government deficit expected to reach 2.4% of GDP, i.e. 0.5% lower than in the autumn forecast. [19] The deficit-

(18) The effects of the latter two factors can be derived from the difference between the LFS-based and GDP-consistent employment figures, as the latter, which do not include these effects, grew at a slower pace. The table below provides the GDP-consistent employment figures.

(19) It is assumed that the budgetary transfer of 0.45% of GDP to the integration body of the savings cooperatives will be recorded as a transfer within the government sector. However, this is still subject to confirmation by Eurostat.

decreasing developments include higher tax and social security contribution proceeds (0.15% of GDP), one-off revenue resulting from the shift of the accounting method from public to total cost for national co-payments for EU funds (0.1% of GDP) as well as the end-year savings by budgetary institutions and chapters (0.2% of GDP).

The 2014 deficit is projected to reach 3.0% of GDP, i.e. slightly above the target of 2.9% of GDP. The better-than-expected budgetary outturn in 2013 has only a limited base effect, which is offset by additional spending measures, rising interest outlays and the modest nominal private consumption growth. Compared to the budgeted figures, tax revenues are projected to be lower by over 0.3% of GDP due to a lower-than-expected inflation as well as a more cautious assessment of measures aiming to enhance tax administration. The forecast is based on the assumption that the special reserve (0.3% of GDP) will not be spent.

In 2015 the deficit is expected to decrease somewhat to 2.9% of GDP. The effect of economic recovery and the assumed decline of public investment linked to the electoral cycle will largely be offset by the fall in one-off revenues from the sale of telecommunication licenses.

Regarding risks, in 2013 the possibly higher local government surplus could have further decreased the deficit, but the increased arrears in accrual terms could have had an opposite effect. For 2014 and beyond, the revenue effect of the change of method for the calculation of the national co-financing represents a positive risk, while a deficit-increasing effect could result from a further slowdown in inflation as well as an increase in sovereign yields.

After a moderate decrease of ¼ pp. in 2013, the structural balance is forecast to deteriorate further in 2014 by more than 1 pp. and to improve slightly in 2015. The debt-to-GDP ratio is forecast to have decreased in 2013 by 2 pps. to 77.8% of GDP, exclusively on account of the end-year reduction in the state cash deposits. Thereafter, it is projected to increase again due to the revaluation of the FX component.

Table II.17.1:

Main features of country forecast - HUNGARY

	2012			Annual percentage change					
	bn HUF Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	28048.1	100.0	2.3	1.1	1.6	-1.7	**1.1**	**2.1**	**2.1**
Private Consumption	15372.4	54.8	-	-3.0	0.4	-1.6	**0.0**	**1.5**	**1.6**
Public Consumption	5720.1	20.4	-0.1	-1.2	0.0	-1.2	**1.1**	**1.5**	**2.0**
Gross fixed capital formation	4880.8	17.4	3.7	-8.5	-5.9	-3.7	**3.2**	**6.0**	**4.4**
of which: equipment	2182.8	7.8	-	-3.1	6.0	3.8	**5.0**	**7.0**	**4.7**
Exports (goods and services)	26551.7	94.7	12.9	11.3	8.4	1.7	**5.1**	**5.3**	**6.1**
Imports (goods and services)	24490.8	87.3	10.7	10.9	6.4	-0.1	**5.0**	**5.9**	**6.6**
GNI (GDP deflator)	26541.5	94.6	2.0	0.7	1.0	-1.8	**2.1**	**2.2**	**2.1**
Contribution to GDP growth: Domestic demand			1.8	-3.7	-0.9	-1.8	**0.8**	**2.2**	**2.1**
Inventories			-0.1	3.8	0.4	-1.5	**-0.1**	**0.0**	**0.0**
Net exports			0.7	0.9	2.1	1.6	**0.4**	**-0.1**	**0.0**
Employment			-	0.8	0.3	0.1	**0.3**	**0.6**	**0.6**
Unemployment rate (a)			-	11.2	10.9	10.9	**10.2**	**9.6**	**9.3**
Compensation of employees / head			-	-0.5	3.6	0.8	**2.4**	**3.5**	**3.2**
Unit labour costs whole economy			-	-0.7	2.3	2.7	**1.6**	**2.0**	**1.7**
Real unit labour cost			-	-3.0	-0.3	-0.5	**-0.5**	**-0.1**	**-0.6**
Saving rate of households (b)			-	10.8	10.7	7.4	**9.0**	**9.0**	**7.9**
GDP deflator			10.4	2.4	2.6	3.2	**2.2**	**2.1**	**2.3**
Harmonised index of consumer prices			-	4.7	3.9	5.7	**1.7**	**1.2**	**2.8**
Terms of trade goods			-	-0.2	-1.7	-1.2	**0.3**	**0.1**	**0.1**
Trade balance (c)			-3.4	2.5	3.1	3.6	**4.0**	**3.7**	**3.5**
Current-account balance (c)			-6.2	0.4	0.6	1.1	**2.9**	**2.7**	**2.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.8	2.2	2.9	3.7	**6.1**	**5.6**	**5.3**
General government balance (c)			-	-4.3	4.3	-2.0	**-2.4**	**-3.0**	**-2.9**
Cyclically-adjusted budget balance (c)			-	-2.6	5.4	-0.2	**-0.9**	**-2.0**	**-2.4**
Structural budget balance (c)			-	-3.3	-4.1	-0.9	**-1.1**	**-2.4**	**-2.3**
General government gross debt (c)			-	82.2	82.1	79.8	**77.8**	**79.1**	**78.9**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

18. MALTA

Private consumption to drive growth

Real GDP growth is estimated to have reached 2% in 2013 and projected to maintain the same pace in 2014-15. Domestic demand is seen becoming the main driver of growth, largely on the back of recovering household consumption. The general government deficit is projected to stabilise below 3% of GDP.

Economic growth is projected to remain stable

Real GDP growth was relatively strong in the first three quarters of 2013, largely on the back of the change in inventories component, which is used as a residual item in national accounts. Gains in household consumption were offset by a further decline in investment activity, which is estimated to have contracted for the third consecutive year. Trade volumes surprised on the downside, but the decline in exports was milder than that in imports and thus external trade are seen to have had a slightly positive contribution to growth. Real GDP is estimated to have increased by 2% in 2013 as a whole, up from a mild 0.9% growth in 2012.

Real GDP growth is projected to remain largely unchanged, averaging 2.1% in 2014-15. Labour market participation is set to remain on an upward path, largely reflecting higher activity by women and older workers. The job market is expected to be able to fully absorb this inflow and the unemployment rate is set to decline slightly. Favourable labour market conditions and the positive impact of the announced reduction of electricity tariffs are projected to support a further improvement in household consumption. With capacity utilisation exceeding its long-term average, investment is projected to improve. The recovery, however, is set to be rather cautious in an environment of low credit growth and higher interest rates, compared to the euro area. Improving domestic demand is expected to boost import growth, but overall net exports are projected to continue to contribute positively to real GDP growth and the current account is forecast to remain in surplus over the forecast horizon.

Risks to the macroeconomic scenario are broadly balanced. The forecast assumes a stabilisation of the investment-to-GDP ratio and thus a continuation of the downward trend observed in recent years would present a downside risk. At the same time, the structural reforms that the government has committed to enact in the energy sector could lower costs for the economy and boost domestic demand, thus constituting an upside risk, particularly in 2015. No significant change in financing conditions is projected to occur over the forecast period.

Price inflation gradually picks up

HICP inflation came in slightly below expectations at 1% for the year as a whole in 2013, slowing down from 3.2% in 2012. Deceleration came on the back of lower prices of services offered in restaurants and hotels. This explains why the local measure of inflation, the Retail Price Index, which puts less emphasis on tourist services, decelerated less than HICP inflation. Energy prices also declined slightly, in line with developments on international markets.

In 2014, the reduction in electricity tariffs is projected to offset a rebound in services inflation and keep overall price inflation at a relatively moderate by Malta's historical standards 1.2%. With the output gap estimated to have closed in 2014, the HICP is forecast to accelerate further to 1.9% in 2015, above the euro-area average.

Budget deficit to stabilise

From 3.3% of GDP in 2012, the budget deficit is expected to decrease to 3.0% of GDP in 2013. Current primary expenditure relative to GDP is forecast to increase by 0.5 pp. despite the spending review at ministry level that started in July 2013. On the capital side, net expenditure, including the planned additional equity injection into Air Malta (0.6% of GDP), is expected to stabilise. Indirect taxes relative to GDP are projected to increase by 0.3 pp., driven also by the recovery in consumption in the second half of the year. Corporate profitability as well as a favourable labour market outlook is expected to drive income taxes, despite measures to gradually reduce the overall income tax levels.

The 2014 budget includes mostly revenue-increasing measures, among which increases in indirect taxation (mainly excise duties), a new programme to grant Maltese citizenship to foreign individuals and families (against the payment of a fee and investments in the country) and the introduction of a new tax regime for rental income. On the expenditure side, the budget envisages some restrictions on recruitment. Overall, the current revenue ratio is projected to increase by 0.2 pp. of GDP, while primary current expenditure is forecast to stabilise. The deficit is expected to narrow to 2.7% of GDP. In 2015, on a no-policy-change assumption, the deficit is projected to remain at 2.7% of GDP.

After having worsened by ½ pp. of GDP in 2012, the structural deficit is estimated to have improved by 0.7 pp. of GDP in 2013, despite the limited size of the consolidation measures. Thereafter, the structural deficit is projected to improve slightly by 0.2 pp. of GDP in 2014 before deteriorating by 0.3 pp. of GDP in 2015. The debt-to-GDP ratio is projected to reach 72.4% in 2014 and decrease to 71.5% in 2015, following the due repayment of part of a loan from Air Malta.

Downside risks relate to the financial situation of Enemalta (the public energy utility corporation) as well as higher than budgeted disbursement related to the car VAT refund scheme.

Graph II.18.1: **Malta - General government nominal and structural deficit**

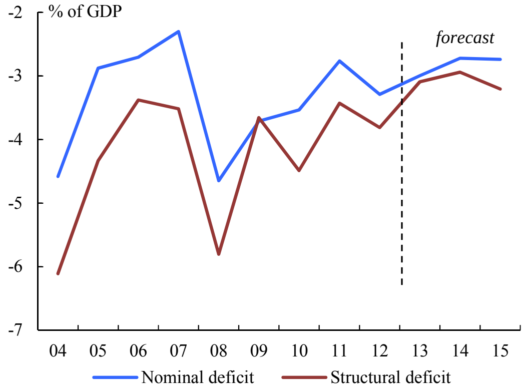


Table II.18.1:

Main features of country forecast - MALTA

	2012			Annual percentage change					
mio EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	6850.7	100.0	3.0	3.3	1.7	0.9	**2.0**	**2.1**	**2.1**
Private Consumption	4110.0	60.0	-	-0.3	3.3	-0.5	**0.6**	**1.9**	**2.2**
Public Consumption	1450.4	21.2	-	1.6	4.1	5.2	**1.2**	**1.0**	**0.8**
Gross fixed capital formation	1010.7	14.8	-	15.8	-21.5	-4.4	**-2.0**	**1.3**	**1.8**
of which: equipment	365.4	5.3	-	48.3	-47.3	-13.5	**-**	**-**	**-**
Exports (goods and services)	7025.9	102.6	-	17.4	3.4	8.1	**-2.9**	**4.0**	**5.9**
Imports (goods and services)	6612.0	96.5	-	15.3	0.1	5.4	**-3.9**	**3.7**	**5.9**
GNI (GDP deflator)	6441.5	94.0	2.3	4.2	3.8	-0.4	**1.6**	**1.7**	**1.7**
Contribution to GDP growth:	Domestic demand		-	2.5	-0.7	0.2	**0.4**	**1.5**	**1.7**
	Inventories		-	-0.6	-0.5	-1.9	**1.0**	**0.0**	**0.0**
	Net exports		-	1.4	2.9	2.6	**0.7**	**0.5**	**0.4**
Employment			0.9	2.1	2.5	2.4	**2.4**	**2.2**	**2.0**
Unemployment rate (a)			6.6	6.9	6.5	6.4	**6.5**	**6.4**	**6.4**
Compensation of employees / head			4.4	1.6	0.9	2.1	**1.4**	**1.5**	**1.7**
Unit labour costs whole economy			2.2	0.3	1.7	3.7	**1.8**	**1.6**	**1.6**
Real unit labour cost			-0.2	-3.3	-0.6	1.4	**-0.4**	**-0.1**	**-0.8**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	3.7	2.3	2.2	**2.2**	**1.7**	**2.4**
Harmonised index of consumer prices			-	2.0	2.5	3.2	**1.0**	**1.2**	**1.9**
Terms of trade goods			-	-1.7	1.7	-0.2	**0.5**	**0.1**	**0.1**
Trade balance (c)			-17.5	-19.2	-16.1	-13.6	**-12.3**	**-12.1**	**-12.5**
Current-account balance (c)			-	-5.4	-1.0	1.1	**1.7**	**0.9**	**0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-3.7	0.0	2.8	**3.9**	**3.2**	**2.9**
General government balance (c)			-	-3.5	-2.8	-3.3	**-3.0**	**-2.7**	**-2.7**
Cyclically-adjusted budget balance (c)			-	-3.4	-2.7	-2.9	**-2.8**	**-2.8**	**-3.1**
Structural budget balance (c)			-	-4.5	-3.4	-3.8	**-3.1**	**-2.9**	**-3.2**
General government gross debt (c)			-	66.7	69.3	71.1	**72.0**	**72.4**	**71.5**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

19. THE NETHERLANDS

Economic recovery takes shape after two years of recession

Economic growth turned positive in the second quarter of 2013 and is projected to gain momentum in 2014 and 2015. Driven mainly by investments in 2014, growth will accelerate in 2015 thanks to rising household consumption. Unemployment is set to level off before slowly decreasing at the end of the forecast horizon. The budget deficit of the government will remain close to 3% of GDP.

2013: the economy turning

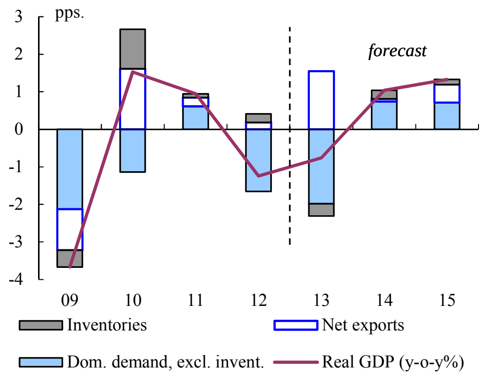
In 2013, real GDP contracted by 0.8% due to weak economic activity in the beginning of the year and the negative impact of contraction in 2012. The quarter-on-quarter economic growth turned positive in the second and third quarters and strengthened significantly in the fourth quarter. Growth of 0.7% was partly driven by exceptional factors, such as high investment in vehicles in anticipation of a change in taxation as of this year. In 2014, quarterly growth is projected to remain in positive territory, albeit with modest quarterly increases. Real GDP growth is forecast to reach 1.0% in 2014.

The fragile transition towards positive growth in 2013 was chiefly supported by net exports. By contrast, domestic demand remained a drag on activity, despite gross fixed capital formation rebounding in line with an improved business outlook, and is projected to remain sluggish in 2014. Private consumption will be still held back by the unfavourable development of employment and the incurred negative wealth effects over the past years. However, from the second half of 2013, onwards, soft indicators, including consumer confidence, have shown an almost continuous improvement, which support an improved economic outlook. In 2014 domestic demand is expected to gradually move towards positive territory and to overtake net exports as the main growth driver. In particular, investments are picking up, especially in the private sector.

Private consumption is forecast to continue shrinking, but at a rate of 0.5% the decline is much lower than in the past three years. Private consumption is projected to bottom out towards the end of 2014, reflecting the positive effects stemming from a gradually recovering housing market as well as from lower taxes on labour and lower pension and health care premiums. Following several years of negative developments, real disposable income is expected to modestly increase.

The forecast improvement of the economic situation in the euro area provides a boost to Dutch exports, which are expected to grow by 2.9% in 2014 compared to 1.3% in 2013. Imports would pick up in line with final demand. Net exports are expected to show a higher contribution to economic growth in 2015.

Graph II.19.1: **Netherlands - Real GDP growth and contributions**



Risks to the macroeconomic scenario stemming from domestic developments are predominantly on the downside. Higher than expected uncertainties on the policy side regarding the implementation and effects of foreseen measures, in particular related to health care and the labour market, may hamper the expected recovery of domestic demand. However, a faster stabilisation of the housing market could provide an additional boost.

Initially rising unemployment, subdued inflation

Unemployment rose sharply in the beginning of 2013 as a result of declining employment coupled with an increase in labour supply ("*added worker effect*"). Since mid-2013, the unemployment rate has been relatively stable but mainly due to a supply effect, as unemployed massively retreated from the labour market in response to negative prospects for an economic recovery ("*discouraged worker effect*"). The unemployment rate reached 6.7% in 2013. In view of the lagged response of the labour market to the cycle, the employment outlook remains fairly negative. The unemployment rate is forecast to increase in 2014 to 7.4%, mainly as a result of negative employment developments in the government and health care sectors. The unemployment rate is projected to only ease slightly in 2015, to 7.2%.

In 2012 and most of 2013, HICP inflation stood close to 3%, notably due to higher energy prices and the increased VAT rate as of October 2012. In October 2013, inflation fell markedly to 1.3% as the previous energy and tax increases dropped out of the figures. In line with the slow pickup in domestic demand over the forecast horizon, inflation is expected to ease further to 1.1% in 2014 before increasing slightly to 1.3% in 2015.

Deficit just below 3% of GDP in 2015

In 2014, the general government deficit is expected to rise slightly to 3.2% of GDP, from 3.1% in 2013. This rise masks ongoing fiscal tightening, as the 2013 headline deficit figures benefited from positive one-offs (notably the sale of 4G telecom licenses). Despite an additional consolidation package of around 1% of GDP, the 2014 general government deficit would slightly worsen in nominal terms, reflecting sluggish economic activity and the non-recurrence of temporary fiscal measures impacting 2013. In addition, the decision to lower natural gas production in the coming years is expected to have a limited deficit-increasing impact of about 0.1% of GDP in both 2014 and 2015. On the back of ongoing consolidation efforts and the expected improvement in economic activity, the headline deficit is forecast to decline to 2.9% of GDP in 2015. Following an improvement of 0.9% of GDP in 2013, the structural balance is expected to stabilise in 2014 and 2015. The gross government debt ratio is expected to increase from 74.3% of GDP in 2013 to around 75.6% of GDP in 2015.

Risks to the fiscal forecast mirror uncertainties on the macroeconomic outlook. However, there are also risks for the expected revenue from some of the fiscal measures in 2014 (notably the temporary tax reduction on accrued severance payments) and planned expenditure savings in 2015.

Table II.19.1:

Main features of country forecast - NETHERLANDS

		2012			Annual percentage change					
		bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		599.3	100.0	2.4	1.5	0.9	-1.2	**-0.8**	**1.0**	**1.3**
Private Consumption		273.3	45.6	2.0	0.3	-1.1	-1.6	**-2.1**	**-0.5**	**1.0**
Public Consumption		170.6	28.5	2.8	0.5	0.2	-0.7	**-0.7**	**0.3**	**-0.9**
Gross fixed capital formation		102.0	17.0	2.5	-7.4	6.1	-4.0	**-4.9**	**5.7**	**3.1**
of which: equipment		35.8	6.0	3.8	-3.0	9.5	1.5	**-5.0**	**5.7**	**4.0**
Exports (goods and services)		527.6	88.0	5.4	11.6	4.1	3.2	**1.3**	**2.9**	**5.0**
Imports (goods and services)		477.2	79.6	5.6	10.3	4.2	3.3	**-0.5**	**3.2**	**5.0**
GNI (GDP deflator)		605.0	100.9	2.2	2.4	2.8	-0.6	**-0.9**	**1.0**	**1.3**
Contribution to GDP growth:	Domestic demand			2.2	-1.1	0.6	-1.7	**-2.0**	**0.7**	**0.7**
	Inventories			0.0	1.1	0.1	0.2	**-0.3**	**0.2**	**0.1**
	Net exports			0.2	1.6	0.2	0.2	**1.5**	**0.1**	**0.5**
Employment				1.0	-0.6	0.5	-0.3	**-1.2**	**-0.4**	**0.6**
Unemployment rate (a)				4.4	4.5	4.4	5.3	**6.7**	**7.4**	**7.2**
Compensation of employees / f.t.e.				3.3	1.5	1.6	1.9	**0.2**	**1.9**	**1.3**
Unit labour costs whole economy				2.0	-0.6	1.2	2.9	**-0.3**	**0.5**	**0.6**
Real unit labour cost				-0.2	-1.4	0.0	1.5	**-2.0**	**-0.3**	**-1.6**
Saving rate of households (b)				14.5	10.5	11.6	10.7	**10.2**	**10.9**	**11.0**
GDP deflator				2.2	0.8	1.1	1.3	**1.7**	**0.8**	**2.2**
Harmonised index of consumer prices				2.1	0.9	2.5	2.8	**2.6**	**1.1**	**1.3**
Terms of trade goods				0.5	-1.4	0.2	-0.4	**1.1**	**-0.1**	**1.0**
Trade balance (c)				6.3	7.1	7.5	7.7	**9.3**	**9.1**	**9.8**
Current-account balance (c)				5.9	5.0	7.4	7.7	**9.2**	**9.1**	**10.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.6	4.5	7.0	7.4	**8.9**	**8.2**	**9.9**
General government balance (c)				-1.3	-5.1	-4.3	-4.1	**-3.1**	**-3.2**	**-2.9**
Cyclically-adjusted budget balance (c)				-1.2	-4.3	-3.7	-2.7	**-1.2**	**-1.7**	**-1.8**
Structural budget balance (c)				-	-4.1	-3.7	-2.7	**-1.8**	**-1.8**	**-1.8**
General government gross debt (c)				59.0	63.4	65.7	71.3	**74.3**	**75.3**	**75.6**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

20. AUSTRIA

Timid recovery expected to gain traction

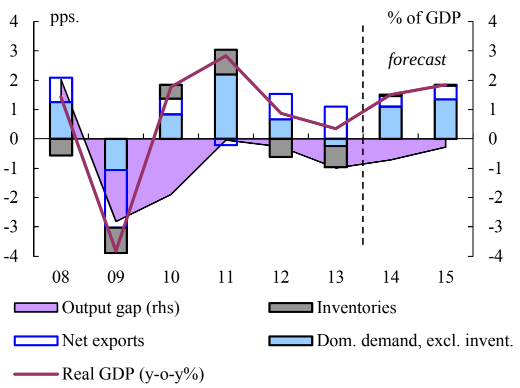
The second half of 2013 saw domestic demand growth resume. While signs of a sustained broad-based recovery are currently still scarce favourable financing conditions, an improving external environment and a stable labour market are expected to boost investment and consumption growth in the course of 2014-15. One-off measures are the main drivers of the reduction in the budget deficit in 2013, while permanent measures have been taken to limit the deficit increase in 2014.

Domestic demand momentum is still low...

The Austrian economy decelerated further in 2013. Investment growth turned negative, private consumption stagnated. Net exports turned out slightly better than the year before and helped avoid a recession.

Signs of a recovery are still difficult to detect in the data available at the start of 2014. On the whole, business and consumer sentiment have been trending up, albeit somewhat inconsistently. Manufacturing orders have been recovering throughout last year, but order-book levels remain thin. Capacity utilisation is still on a subsiding trend.

Graph II.20.1: **Austria - Real GDP growth and contributions, output gap**



...but brightening sentiment is expected to start bearing fruit

The projections for the following two years assume a consolidation of business and consumer confidence. For 2014 and 2015, growth is projected to regain some momentum and reach or exceed 1.5%, driven by a strengthening of domestic demand. Net exports are expected to contribute positively to growth on the back of higher export growth, but to a smaller extent than domestic demand due to a rebound in imports.

In the environment of the perceived uncertainty, slowing foreign and stagnating domestic demand that characterised 2012 and 2013, corporations have been revising investment plans downwards. However, low interest rates and solid corporate liquidity are expected to reassure companies in carrying out needed replacements and extensions of capacity. Credit growth is expected to remain subdued though, both on account of weak demand and deleveraging needs in the banking system.

The exporting sectors are forecast to benefit from progressively improving external demand conditions over the forecast horizon. Capitalising on non-cost competitiveness factors, exports of services have experienced an increase in market shares in 2013. Manufacturing productivity has been dented but wage growth has stayed moderate. Unit labour costs have thus increased in line with those of trading partners, leaving cost competitiveness seemingly unimpaired. All in all, the external balance is projected to stay positive and to provide a positive contribution to growth.

Dynamics of prices and wages to remain stable

Employment growth eased in 2013 reflecting stagnating output, but is expected to strengthen somewhat in 2014-15 as businesses do not indicate intentions to shed labour. However, the increase in the labour force will likely preclude a sizeable decline in the unemployment rate in the coming years.

Nominal wage growth hardly exceeded inflation in the latest quarters. The wage settlements applicable for the coming years are more moderate. However, with inflation easing over the forecast horizon and employment strengthening, real wage growth is projected to support consumption growth.

Consumer price inflation eased to 2.1% in 2013 due to slowing food and energy prices. Energy prices deflation is expected to help keep inflation below 2% in 2014-15. Core inflation is also expected to decelerate marginally thanks to moderate wage and domestic demand growth.

Upward trend in government deficit partially contained

A sizeable one-off (0.7% of GDP) arising from the sale of phone licences is the main driver of the better-than expected deficit outcome, forecast to reduce to 1.7% of GDP in 2013. This income coupled with the revenue from the tax agreement with Switzerland (0.3% of GDP), also recorded as positive one-off, has more than offset the negative impact of the support to the banking sector (0.6% of GDP). On the other hand low output growth spurred the deficit in 2013.

The government deficit is expected to increase to 2.1% in 2014 due to additional support required by Hypo Group (0.3% of GDP) and to stronger trend growth of pensions and unemployment expenditure coupled with weaker growth in tax revenues.. In January the new government adopted a tax-package submitted to Parliament's approval which is expected to raise revenue by about 0.2% of GDP in 2014 and 0.3% in 2015. The main measures involve closing loopholes in group taxation, reducing deductibility in income taxes and increasing some indirect taxes such as taxes on products and car registration tax. The effect of higher expenditure growth and lower trend in revenue will continue to have an impact in 2015 although the deficit is expected to decline to 1.8% of GDP.

The structural deficit is projected at 1.5% in 2013, and expected to remain broadly stable in the forecast horizon. The general government debt is expected to increase in 2013 reaching 74.6% of GDP in 2013, while it is projected to start decreasing in 2014 and further in 2015.

This forecast does not include any estimate regarding the cost stemming from the wind-down of the Hypo Group, which could entail an increase in the stock of government debt. The impact of any resolution model on the government deficit is still uncertain and it represents the main downside risk affecting current deficit projections.

Table II.20.1:

Main features of country forecast - AUSTRIA

	2012		Annual percentage change						
	bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	307.0	100.0	2.1	1.8	2.8	0.9	**0.3**	**1.5**	**1.8**
Private Consumption	169.0	55.1	1.6	2.0	0.8	0.5	**-0.2**	**0.8**	**1.0**
Public Consumption	58.4	19.0	1.9	0.2	0.3	0.2	**0.1**	**0.8**	**0.8**
Gross fixed capital formation	65.8	21.4	1.1	-1.4	8.5	1.6	**-0.7**	**2.4**	**3.2**
of which: equipment	25.1	8.2	1.6	2.1	14.3	2.1	**-1.7**	**3.3**	**4.8**
Exports (goods and services)	175.6	57.2	5.3	9.4	6.6	1.2	**2.3**	**4.8**	**6.0**
Imports (goods and services)	165.7	54.0	4.4	9.1	7.6	-0.3	**0.4**	**4.6**	**5.6**
GNI (GDP deflator)	305.1	99.4	2.1	2.8	2.1	0.9	**0.1**	**1.6**	**1.9**
Contribution to GDP growth: Domestic demand			1.5	0.8	2.2	0.7	**-0.2**	**1.1**	**1.3**
Inventories			0.1	0.5	0.8	-0.6	**-0.7**	**0.0**	**0.0**
Net exports			0.5	0.5	-0.2	0.9	**1.1**	**0.4**	**0.5**
Employment			0.5	0.6	1.4	1.3	**0.6**	**0.7**	**0.8**
Unemployment rate (a)			4.3	4.4	4.2	4.3	**4.9**	**4.8**	**4.7**
Compensation of employees / f.t.e.			2.5	1.2	2.4	2.6	**2.3**	**2.0**	**2.0**
Unit labour costs whole economy			0.9	0.0	1.0	3.0	**2.6**	**1.2**	**1.0**
Real unit labour cost			-0.5	-1.4	-1.0	1.3	**1.1**	**-0.7**	**-0.7**
Saving rate of households (b)			-	14.0	12.0	12.6	**13.0**	**13.6**	**14.1**
GDP deflator			1.3	1.4	2.0	1.7	**1.5**	**1.9**	**1.7**
Harmonised index of consumer prices			1.7	1.7	3.6	2.6	**2.1**	**1.8**	**1.8**
Terms of trade goods			-0.1	-1.5	-3.0	-1.4	**0.5**	**0.3**	**-0.1**
Trade balance (c)			-1.5	-1.0	-2.5	-2.3	**-1.5**	**-1.4**	**-1.3**
Current-account balance (c)			0.5	3.6	1.5	1.8	**2.9**	**3.4**	**3.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			0.4	3.7	1.4	1.6	**2.8**	**3.5**	**3.8**
General government balance (c)			-2.4	-4.5	-2.5	-2.5	**-1.7**	**-2.1**	**-1.8**
Cyclically-adjusted budget balance (c)			-2.4	-3.6	-2.4	-2.4	**-1.3**	**-1.7**	**-1.7**
Structural budget balance (c)			-	-3.2	-2.2	-1.6	**-1.5**	**-1.4**	**-1.5**
General government gross debt (c)			65.3	72.3	72.8	74.0	**74.6**	**74.3**	**73.7**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

21. POLAND

Regaining economic momentum

After a marked slowdown in 2012-13, economic activity in Poland picked up at the end of last year as external demand and economic sentiment improved. Domestic demand is expected to overtake net exports as the main engine of economic growth, as unemployment falls and inflation remains contained. The fiscal outlook is set to improve gradually.

Domestic demand rebounds at last

In the last three months of 2013, real GDP increased by 2.2% y-o-y, up from 0.8% in the first quarter. In 2013 as a whole the economy expanded by 1.6% in real terms. The rebound of aggregate economic activity was supported by robust export growth on the back of geographical reorientation towards dynamic markets and high cost-competitiveness, while sluggish domestic demand contained import growth. Private consumption was held back by weak, albeit recovering consumer confidence and a relatively high rate of unemployment. Improving external demand led to a pick-up in industrial output and fuelled corporate investments, offsetting the slowdown in public investment spending.

Recovery gathers steam in 2014 and 2015

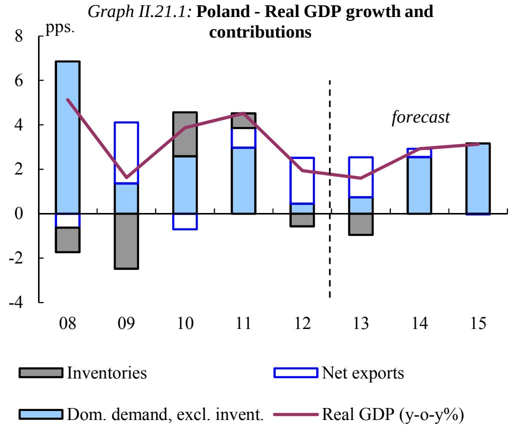
The improving economic outlook in the main trading partners and the resulting pick-up in Polish exports are set to invigorate private investment and the labour market, which in turn is expected to support the recovery of private consumption. Real GDP growth is forecast to accelerate to 2.9% in 2014 and to 3.1% in 2015, slightly above current estimates of potential output growth.

Private investment is set to remain buoyant over the forecast horizon, alongside the projected recovery of global demand and private consumption and on account of an already high rate of capacity utilisation in the manufacturing industry. Cash accumulated by non-financial companies and a gradual increase in credit supply is expected to provide the necessary financing.

Against the background of recovering economic activity and growing employment, the unemployment rate is forecast to fall from 10.4% in 2013 to 10.1% in 2015. Coupled with contained inflationary pressures, this improvement is likely to bolster real disposable income growth. However, the saving rate of private households is set to increase (net of the impact of the reversal of the systemic pension reform), as consumers are expected to gradually increase their savings.

Overall, the annual contribution of net exports to real GDP growth is forecast is expected to be significant in 2014, when domestic demand is still recovering, and to turn neutral in 2015. Against this backdrop, the current-account deficit is set to remain below 2% of GDP.

Graph II.21.1: **Poland - Real GDP growth and contributions**



The risks to the forecast are broadly balanced. On the upside, a stronger depreciation of the złoty would further boost exports and enhance import substitution. On the downside, higher inflation might dent real disposable incomes and slow down private consumption growth.

Supply side factors curb inflation

Falling energy prices, subdued food prices, and weak domestic demand drove average HICP inflation down to 0.8% in 2013. A moderate pick-is expected in 2014 and 2015, to 1.4% and 2% respectively, inter alia reflecting base effects in 2014 and moderate improvement in domestic demand.

Underlying fiscal outlook to improve gradually

In 2013, the deficit is forecast to have increased to 4.4% of GDP, up from 3.9% of GDP in 2012, mainly due to a weak performance of indirect and direct tax revenues.

Over the forecast horizon, the profile of the general government budget balance will be affected by the reversal of the systemic pension reform. It includes the following asset transfers from the second pension pillar: a one-off transfer of assets worth 8.5% of GDP in 2014 as well as gradual, annual transfers of assets of persons who retire within 10 years, starting in 2014. Under the current accounting rules (ESA95), such asset transfers are treated as general government revenue. Under the new rules that will come into force this autumn (ESA2010), such transfers will not count as revenue anymore.

In 2014 the general government budget balance is projected to turn into a surplus of 5% of GDP under ESA95, while it is set to post a deficit of 3.8% with these asset transfers not treated as revenue. Apart from the reversal of the pension reform, the main measures with a positive (and permanent) effect on general government balance in 2014 include increases in excise duties, a partial public wage freeze and a gradual increase in the retirement age. The expenditure savings will be partially offset by the costs of a legislated extension of maternity leave. In 2015, due to the one-off nature of the large improvement in 2014, the general government budget balance is expected to return into the red, posting a deficit of 2.9% of GDP under ESA95. Excluding regular asset transfers linked to the reversal of the pension reform, the deficit is projected to reach 3.5% of GDP in 2015. The structural deficit is estimated to gradually improve over the forecast horizon, from 3.6% of GDP in 2013 to 2.4% of GDP in 2015.

The general government debt-to-GDP ratio is forecast to fall from 57.8% in 2012 to 50.3% in 2014, mainly as a result of the transfer of pension fund assets, before increasing again to 51% in 2015. The projected debt figures are, however, subject to considerable uncertainty in view of possible valuation effects of the sovereign debt denominated in foreign currency via exchange rate fluctuations.

Table II.21.1:

Main features of country forecast - POLAND

	2012			Annual percentage change					
	bn PLN Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	1595.2	100.0	4.6	3.9	4.5	1.9	**1.6**	**2.9**	**3.1**
Private Consumption	980.4	61.5	4.3	3.1	2.6	1.2	**0.8**	**2.0**	**2.5**
Public Consumption	284.4	17.8	3.4	4.1	-1.7	0.2	**2.0**	**3.1**	**2.6**
Gross fixed capital formation	305.4	19.1	7.6	-0.4	8.5	-1.7	**-0.4**	**4.1**	**6.1**
of which: equipment	105.9	6.6	-	-3.3	11.6	-3.9	**3.4**	**4.5**	**7.2**
Exports (goods and services)	744.7	46.7	9.9	12.1	7.7	3.9	**4.7**	**5.2**	**6.3**
Imports (goods and services)	739.9	46.4	10.4	13.9	5.5	-0.7	**0.8**	**4.6**	**6.6**
GNI (GDP deflator)	1528.2	95.8	4.7	3.5	4.2	1.9	**1.7**	**2.9**	**3.1**
Contribution to GDP growth: Domestic demand			4.8	2.6	3.0	0.4	**0.8**	**2.5**	**3.2**
Inventories			0.0	2.0	0.7	-0.6	**-1.0**	**0.0**	**0.0**
Net exports			-0.3	-0.7	0.9	2.1	**1.8**	**0.4**	**0.0**
Employment			0.4	-2.7	0.6	0.1	**-0.3**	**0.2**	**0.4**
Unemployment rate (a)			14.0	9.7	9.7	10.1	**10.4**	**10.3**	**10.1**
Compensation of employees / head			11.8	8.2	5.1	3.4	**2.8**	**3.3**	**3.9**
Unit labour costs whole economy			7.2	1.4	1.1	1.5	**0.9**	**0.6**	**1.2**
Real unit labour cost			-1.3	0.0	-2.0	-0.8	**0.4**	**-0.8**	**-0.6**
Saving rate of households (b)			-	8.2	2.1	4.8	**7.0**	**7.0**	**5.5**
GDP deflator			8.7	1.4	3.2	2.4	**0.5**	**1.4**	**1.8**
Harmonised index of consumer prices			-	2.7	3.9	3.7	**0.8**	**1.4**	**2.0**
Terms of trade goods			-0.3	-1.4	-1.9	-1.5	**-0.6**	**-0.2**	**-0.5**
Trade balance (c)			-3.4	-1.8	-2.1	-0.8	**0.5**	**0.7**	**0.4**
Current-account balance (c)			-3.0	-4.3	-4.5	-3.3	**-1.6**	**-1.4**	**-1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.2	-2.7	-2.7	-1.6	**0.3**	**0.7**	**0.4**
General government balance (c)			-3.8	-7.9	-5.0	-3.9	**-4.4**	**5.0**	**-2.9**
Cyclically-adjusted budget balance (c)			-	-8.2	-5.3	-3.6	**-3.6**	**5.7**	**-2.4**
Structural budget balance (c)			-	-8.2	-5.3	-3.7	**-3.6**	**-2.9**	**-2.4**
General government gross debt (c)			-	54.8	56.2	55.6	**57.8**	**50.3**	**51.0**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

22. PORTUGAL
Gradual economic recovery

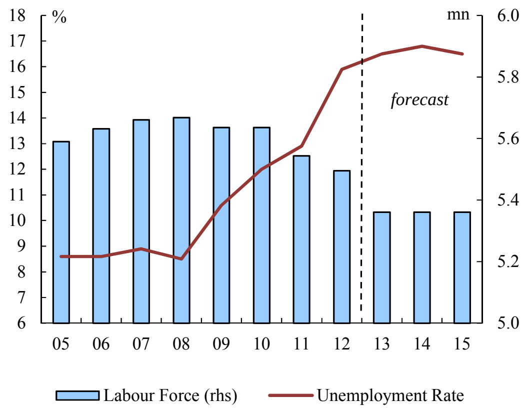
The economy seems to have turned the corner in the second half of 2013, showing positive growth rates for real GDP and employment. These positive trends are expected to continue in 2014 and 2015, along with external rebalancing. Portugal's recovery remains vulnerable to external risks and its high level of private sector indebtedness.

Note: This forecast was finalised at mid-December after the tenth review of the Economic Adjustment Programme, and will be revisited during the eleventh review. The text reflects recent developments.

Economic recovery gaining momentum

Following a strong 1.1% q-o-q expansion in the second quarter, real GDP increased by 0.2% q-o-q in the third quarter of 2013, when a negative growth contribution of net exports was more than offset by solid growth of domestic demand, in particular private consumption and gross fixed investment. Economic indicators for the last quarter of 2013 are consistent with a further stabilisation of the economic recovery towards the end of last year. As a consequence, the forecast for real GDP growth in 2013 was revised upwards since the autumn forecast by 0.2 pp. to -1.6%. The projection for the outer years remains broadly unchanged, with real GDP growth rates of 0.8% in 2014 and 1.5% in 2015.

Graph II.22.1: **Portugal - Labour Market Developments**



Labour market situation stabilised in 2013

Total employment expanded by 0.2% q-o-q in the fourth quarter of 2013. Much of this increase was in permanent job contracts, suggesting that the employment gain was not primarily a seasonal phenomenon. Total employment is therefore expected to expand further at a moderate pace. However, the annual average employment growth is projected to be still negative in 2014 due to a sizeable negative carry-over effect. With a rate of ½% employment growth in 2015 is not expected to bring down the relatively high rate of unemployment, which is expected to stay above 16% in the forecast period.

Weak inflationary pressure

HICP inflation declined to 0.4% in 2013, its lowest rate since 2009, reflecting subdued domestic demand and wage restraint in the private sector. Sizeable spare capacities and the expected sluggish economic recovery in the coming years should exert downward pressure on profit margins. Consumer prices are therefore projected to accelerate only slightly to just above 1% in 2015.

Current account turning into surplus

The current-account balance is estimated to have become positive in 2013, at around 0.5% of GDP. A strong export performance should continue to support the external adjustment towards the tradable sector in the forecast period. A projected further improvement in the external balance is set to exceed the deterioration of the primary income balance, contributing to a widening current-account surplus over the forecast period.

Risks to the economic outlook remain on the downside

While the baseline projection implies that the recovery is gradually becoming more entrenched, the pace of the recovery remains conditional on developments in the euro area and, in particular, in Portugal's main trading partners. Downside risks relate to the high levels of private sector indebtedness, which could drag on consumption and investment activity. Portugal remains also vulnerable to a significant deterioration in the financial market sentiment, linked either to uncertainties regarding policy implementation by the Portuguese authorities or a weaker than expected external environment.

Fiscal outlook

The tenth review of the Portuguese adjustment programme forecast a general government deficit of 5.5% of GDP in 2013 (excluding bank recapitalisation costs, 5.9% including them). On the back of the latest outturn data, an over-performance and some positive carry-over into 2014 cannot be excluded. Budget execution was supported by robust tax-revenue collection, which more than compensated expenditure growth and shortfalls on non-tax revenues during the year.

The 2014 Budget and other supporting legislation include discretionary measures worth 2.3% of GDP which are expected to bring the headline deficit down to 4% of GDP. The measures are mostly permanent and expenditure reducing, aimed mainly at the reduction of the public sector wage bill, reforms of the public pension systems and expenditure cuts across line ministries. The remaining effort is expected to be achieved through smaller-scale measures worth 0.5% of GDP, including some one-off operations. The forecast is also underpinned by the measures that the Government has taken to replace the provision of the pension reform ruled unconstitutional in December 2013, worth about 0.2% of GDP. In 2015 the fiscal balance is expected to reach -2.5% of GDP in 2015. The forecast is based on the assumption of discretionary measures worth about 1.2% of GDP which the Government plans to specify in the context of the Reform of the State.

These projections are consistent with a cumulated improvement in the structural balance of 2.5% of GDP over 2013-15.

The debt-to-GDP ratio is expected to peak at nearly 129½% in 2013 and to decline thereafter. The upward revision vis-à-vis the autumn forecast is mostly explained by a substantial increase in the Treasury's cash balance at the end of the year.

Downside risks to the fiscal projection are mostly of legal nature as key elements of the 2014 budget have been submitted to the Constitutional Court for review. In addition, implementation risks remain elevated in light of the ambitious reform package. On the other hand, a tax-richer environment might boost revenue collection beyond the budgeted levels. The fiscal outlook will be revisited at the eleventh programme review.

Table II.22.1:
Main features of country forecast - PORTUGAL

	2012			Annual percentage change					
	bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	165.1	100.0	1.9	1.9	-1.3	-3.2	**-1.6**	**0.8**	**1.5**
Private Consumption	108.5	65.7	2.1	2.5	-3.3	-5.3	**-1.8**	**0.1**	**0.8**
Public Consumption	30.1	18.2	2.6	0.1	-5.0	-4.7	**-2.0**	**-2.5**	**-1.9**
Gross fixed capital formation	26.5	16.0	1.6	-3.1	-10.5	-14.4	**-8.0**	**1.2**	**3.7**
of which: equipment	8.2	5.0	3.3	-2.6	-11.2	-9.8	**1.6**	**6.0**	**7.7**
Exports (goods and services)	63.9	38.7	4.8	10.2	6.9	3.2	**5.8**	**5.0**	**5.3**
Imports (goods and services)	64.9	39.3	4.9	8.0	-5.3	-6.6	**2.6**	**3.0**	**3.8**
GNI (GDP deflator)	160.6	97.2	1.6	2.6	-1.5	-2.3	**-1.0**	**0.0**	**0.9**
Contribution to GDP growth: Domestic demand			2.3	1.0	-5.3	-7.0	**-2.8**	**-0.2**	**0.7**
Inventories			0.0	0.9	-0.2	0.0	**0.0**	**0.1**	**0.0**
Net exports			-0.5	0.0	4.2	3.8	**1.2**	**0.8**	**0.7**
Employment			0.5	-1.5	-1.5	-4.2	**-3.2**	**-0.4**	**0.4**
Unemployment rate (a)			7.1	12.0	12.9	15.9	**16.5**	**16.8**	**16.5**
Compensation of employees / head			4.6	2.0	-0.6	-2.0	**2.7**	**-0.8**	**1.0**
Unit labour costs whole economy			3.2	-1.4	-0.9	-3.0	**1.0**	**-1.9**	**-0.1**
Real unit labour cost			0.0	-2.1	-1.1	-2.7	**-0.7**	**-2.8**	**-1.1**
Saving rate of households (b)			-	10.1	9.7	12.0	**12.4**	**11.8**	**11.4**
GDP deflator			3.3	0.6	0.3	-0.3	**1.7**	**0.9**	**1.0**
Harmonised index of consumer prices			2.8	1.4	3.6	2.8	**0.4**	**0.8**	**1.2**
Terms of trade goods			0.2	0.1	-1.0	0.2	**1.1**	**1.0**	**0.4**
Trade balance (c)			-10.2	-10.6	-7.7	-4.7	**-3.6**	**-2.8**	**-2.2**
Current-account balance (c)			-8.6	-10.4	-7.2	-2.2	**0.4**	**0.8**	**1.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-6.7	-9.0	-5.6	-0.1	**2.3**	**2.7**	**3.0**
General government balance (c)			-4.7	-9.8	-4.3	-6.4	**-5.9**	**-4.0**	**-2.5**
Cyclically-adjusted budget balance (c)			-4.8	-9.4	-3.4	-4.7	**-3.7**	**-2.5**	**-1.8**
Structural budget balance (c)			-	-8.7	-6.4	-4.0	**-3.6**	**-2.6**	**-1.8**
General government gross debt (c)			61.0	94.0	108.2	124.1	**129.4**	**126.6**	**125.8**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

23. ROMANIA

Export-led rebound turning into a more broad-based recovery

In 2013, strong growth of 3.5% was driven by exports and an abundant harvest. A gradual rebalancing of growth towards domestic demand is expected in 2014 and 2015 with real GDP growth forecast to be above 2%. Annual average inflation is projected to decelerate to 2.4% in 2014 while unemployment is expected to decrease only in 2015. The fiscal adjustment is forecast to continue.

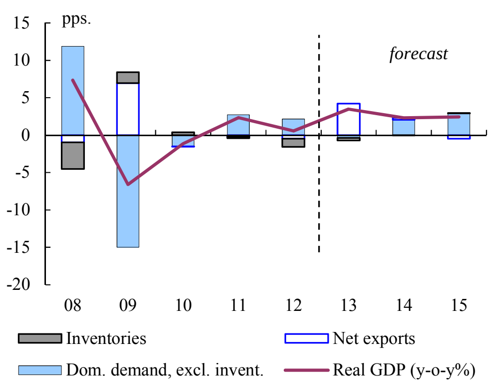
Stable outlook for growth and exports

Real GDP growth in 2013 has come out at 3.5% thanks to a strong export performance driven by a robust industrial output and an abundant harvest. Growth is forecast to decelerate in 2014, to 2.3%, before slightly recovering to 2.5% in 2015. It is projected to remain above potential over the forecast horizon, reflecting improved confidence and more supportive international conditions but also the payoff of product and labour market reforms implemented under the financial support programmes. Growth drivers are expected to gradually switch from (net) exports to domestic demand over the forecast horizon.

Rebalancing of growth towards investment...

Investment is projected to regain momentum, supported by better absorption of EU funds[20] as major infrastructure projects gain traction. Credit growth stayed in negative territory in 2013. It is expected to remain constrained by households' ongoing needs to repair their balance sheets and by the deleveraging process of the banking sector after a long period of deteriorating asset quality.

Graph II.23.1: **Romania- Real GDP growth and contributions**



(20) EU structural and cohesion funds absorption increased in 2013 to reach 33.7% at end-December 2013.

...and moderate improvement in private consumption...

Private consumption is projected to pick up moderately, on the back of improving consumer confidence and increasing disposable income as employment grows and real wages are expected to increase by up to 3% in 2014.

...support a gradual pick up in imports

The growth contribution of net exports is forecast to fade out in 2014 and turn negative in 2015. Imports are projected to pick up over the forecast horizon, alongside domestic demand, slightly outpacing export growth in 2015. Nonetheless, the external environment is expected to improve and to support continued, albeit slower, export growth. This follows a strong trade balance adjustment of 4.1% of GDP in 2013, on account of both strong exports and subdued imports.

Historically low inflation expected in the first half of 2014

HICP inflation sharply declined in the second half of 2013 to reach 1.3% (y-o-y) in December. This can be ascribed to a very good harvest, a reduction in VAT on flour and bakery products (applied in September 2013), and lower inflation expectations. Annual average inflation is projected to decelerate from 3.2% in 2013 to 2.4% in 2014 mainly due to falling food prices leading to historical lows in the first half of 2014. It is expected to return to the upper part of the central bank's target band (2.5%±1pp.) in the second half of the year. In 2015, a gradual recovery in domestic demand and continued price convergence towards the EU average are expected to translate into higher inflation, averaging 3.4%.

Limited prospects for labour market improvement in 2014

In 2013, the unemployment rate has risen somewhat to 7.2%. It is expected to remain at broadly the same level in 2014, before coming down slightly in 2015 when policy measures, especially those targeted at youth unemployment, would start showing effects. While the number of employment contracts marginally increased in 2013, the number of self-employed fell, leaving overall employment broadly unchanged in 2013. Given the expected slowdown in GDP growth in 2014, employment is projected to grow only slowly. Compensation per employee has grown moderately in 2013 driven by public sector wage increases. The trend is projected to be reversed in 2014 with private sector compensation growth overtaking the public sector. The increase in the minimum wage notwithstanding, overall compensation growth is forecast to remain moderate.

Fiscal adjustment to continue

The budget deficit in Romania is estimated to have been reduced to 2.6% of GDP in 2013, from 3% in 2012. It is slightly higher than previously projected, as it accommodates higher co-financing expenditure to support EU funds' absorption.

For 2014, the budget deficit is forecast at 2.2% of GDP, higher than previously projected, again reflecting higher co-financing expenditure for EU funds. The projection includes the indexation of pensions foreseen by law, a two-step increase in the minimum wage from 800 to 900 RON and another limited and targeted raise in public sector salaries. On the revenue side, the forecast takes into account the inflation indexation of excise duties, the excise rate hike for energy products, and the broadening of the basis for property tax.

For 2015, benefiting from the expected acceleration in economic activity and based on the customary no-policy-change assumption, the deficit is projected to decrease further, to 1.8% of GDP. The structural budget balance is expected to mildly improve over the forecast horizon by about 0.5% of GDP. Government debt is forecast to peak at just above 39% of GDP in 2014.

The main risks to the budget relate to: (i) less tax-rich growth associated with weak domestic demand; (ii) reduced expenditure control; and (iii) limited progress with restructuring state-owned enterprises that could result in renewed pressure on the budget.

Table II.23.1:

Main features of country forecast - ROMANIA

	2012			Annual percentage change						
bn RON	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015	
GDP	586.7	100.0	3.2	-1.1	2.2	0.7	**3.5**	**2.3**	**2.5**
Private Consumption	372.9	63.6	5.7	-0.3	1.1	1.1	**0.9**	**1.5**	**2.5**
Public Consumption	89.0	15.2	0.8	-4.7	0.2	1.7	**-1.5**	**1.8**	**1.5**
Gross fixed capital formation	154.3	26.3	7.0	-1.8	7.3	4.9	**-2.7**	**3.4**	**4.5**
of which: equipment	59.8	10.2	7.8	-19.1	23.6	4.1	**-2.0**	**3.5**	**4.5**
Exports (goods and services)	238.5	40.6	10.2	13.2	10.3	-3.0	**13.6**	**5.7**	**6.3**
Imports (goods and services)	266.1	45.4	12.3	11.1	10.0	-0.9	**2.9**	**5.0**	**7.3**
GNI (GDP deflator)	576.2	98.2	3.2	-1.0	2.1	0.2	**2.5**	**2.3**	**2.6**
Contribution to GDP growth:	Domestic demand		6.1	-1.5	2.7	2.9	**-0.4**	**2.1**	**2.9**
	Inventories		-0.9	0.4	-0.1	-1.4	**-0.3**	**0.0**	**0.0**
	Net exports		-1.9	0.0	-0.5	-0.8	**4.2**	**0.2**	**-0.5**
Employment			-2.1	-0.3	-0.8	1.3	**0.2**	**0.4**	**0.7**
Unemployment rate (a)			6.4	7.3	7.4	7.0	**7.2**	**7.2**	**7.1**
Compensation of employees / head			43.3	-3.3	-4.1	8.3	**5.8**	**5.6**	**4.5**
Unit labour costs whole economy			35.9	-2.4	-6.8	9.0	**2.4**	**3.6**	**2.7**
Real unit labour cost			-0.3	-7.7	-10.6	4.2	**-1.2**	**0.7**	**-0.1**
Saving rate of households (b)			-	-3.8	-7.0	-6.2	**-5.9**	**-5.1**	**-6.3**
GDP deflator			36.3	5.7	4.2	4.6	**3.6**	**2.9**	**2.7**
Harmonised index of consumer prices			-	6.1	5.8	3.4	**3.2**	**2.4**	**3.4**
Terms of trade goods			2.1	1.0	2.6	3.2	**-0.3**	**-0.7**	**-0.1**
Trade balance (c)			-7.5	-6.1	-5.6	-5.6	**-2.4**	**-2.5**	**-2.9**
Current-account balance (c)			-	-4.4	-4.5	-4.4	**-1.0**	**-1.2**	**-1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.8	-4.2	-3.9	-3.0	**0.0**	**-0.3**	**-0.7**
General government balance (c)			-	-6.8	-5.5	-3.0	**-2.6**	**-2.2**	**-1.8**
Cyclically-adjusted budget balance (c)			-	-6.0	-5.0	-2.0	**-2.1**	**-1.8**	**-1.6**
Structural budget balance (c)			-	-6.1	-3.8	-2.5	**-2.1**	**-1.8**	**-1.6**
General government gross debt (c)			-	30.5	34.7	38.0	**38.3**	**39.3**	**39.2**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

24. SLOVENIA

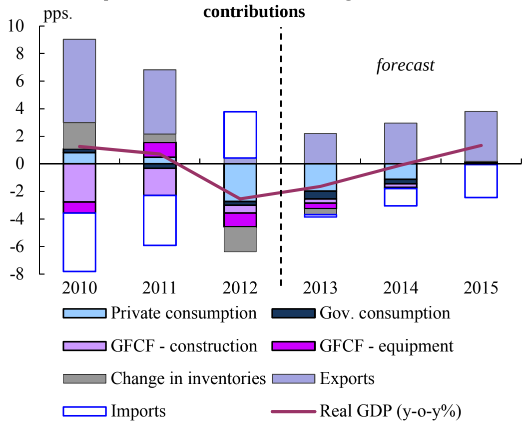
Easing market tensions but deleveraging still ongoing

Positive quarterly outturns in 2013 have reduced the pace of the recession. A fragile recovery is expected to start in the second half of 2014 supported by improving market conditions. Lending to the private sector remains restrained by the ongoing deleveraging in both financial and non-financial corporations. With subdued private consumption, the external side is expected to be the key driver of the recovery. The support to banks provided in 2013 largely explains the temporary surge in the deficit.

Gradual export-led recovery ahead

Despite the strong negative carry-over from the previous year, better-than-expected quarterly outturns in 2013 have eased the pace of real GDP contraction, from 2.5% in 2012 to an expected 1.6% in 2013. The growth outlook for 2014 and 2015 is revised upwards to -0.1% and 1.3% respectively, as export growth picks up while domestic demand is still dampened by the ongoing deleveraging process. The ensuing increasing current-account surplus is thus partly cyclical and driven by the ongoing rebalancing of the economy.

Graph II.24.1: **Slovenia - Real GDP growth and contributions**



Consumer confidence worsened again in the last quarter of 2013, with retail sales continuing to fall year-on-year. Private consumption retains a very negative outlook for 2014, due to expectations of further declines in employment and wages, and is projected to only stabilise in 2015.

Although investment in 2013 was supported by one-offs and EU-funded local projects, the trend for the year as a whole remained negative, mirroring the ongoing deleveraging. Financial market tensions eased at year-end, following the completion of the bank asset quality review and stress test, and the recapitalisations of the two largest state-owned banks. Financing conditions for corporates are nevertheless expected to remain constrained while balance sheets of domestic banks are still being repaired. In addition, low profit expectations and further corporate restructuring needs continue to soften credit demand. A fragile recovery in investment is expected to start only in the second half of 2014, driven by the need to rebuild production capacity.

Positive data in the first three quarters of 2013 prompted an upward revision of the export forecast, not matched by equivalent import growth. The external side is expected to continue to sustain the recovery, though with a somewhat muted contribution in 2015 linked to the gradual pick-up in domestic demand.

Risks to the growth forecast are tilted to the upside, related to easing financing conditions and accelerating investment, which in turn hinge upon the speed of the required restructuring and timely implementation of the announced privatisations.

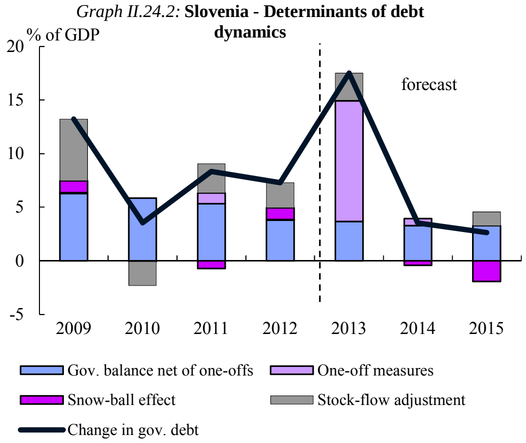
Labour market and price developments

The lagged adjustment in the labour market is expected to continue in 2014-15 with wages projected to remain subdued in 2014 and rise moderately in 2015. Public sector wages are temporarily affected by a court ruling which repealed the postponement of an increase due in 2010, accounted for in 2013 but effective in 2014-15. The profile of deflators for GDP and government consumption over 2013-14 is also affected by these wage arrears. Both HICP and core inflation are set to continue declining until the end of 2014, also reflecting the fading out of the July 2013 increase in VAT rates, and pick up steadily over 2015.

Bank support weighs on government finances

The general government deficit is estimated to increase from 3.8% in 2012 to 14.9% of GDP in 2013 (3.7% without the impact of one-off measures, mostly to recapitalise banks). The positive budgetary impact of the higher VAT rates, cuts to public wages and social benefits, adopted in 2013, are estimated to have been largely offset by higher interest and pension expenditure. The ruling on the public wage repeal and the new law providing for the compensation of persons removed from the register of residents after independence, added 0.9 pp. of GDP to the one-off deficit-increasing measures.

Graph II.24.2: **Slovenia - Determinants of debt dynamics**



For 2014, the recapitalisation of the third-largest state owned bank, Abanka, which is subject to state aid approval, is set to add 0.7pp. of GDP to the underlying deficit of 3.3%. The real estate tax introduced on 1 January 2014 and the temporary de-indexation of personal income tax allowances and tax brackets are set to increase the tax burden. Without new budgetary measures, i.e. under the no-policy-change assumption, the deficit would stand at 3.3% of GDP in 2015.

However, the structural balance is estimated to improve by only around $^{2}/3$ pp. over 2013-14, to -2% of GDP, then based on existing policies will revert to -2.5% of GDP in 2015. Public debt is set to have increased to 71.9% of GDP in 2013, from 54.4% in 2012, reflecting bank recapitalisations and the transfer of non-performing loans to the Bank Asset Management Company in December 2013 as well as negative output growth. The debt is forecast to increase to 78% in 2015, mainly due to primary deficits, including a further announced bank recapitalisation, subdued growth and higher debt servicing costs. The forecast does not include receipts from privatisations and the planned auction of network frequencies.

Table II.24.1:

Main features of country forecast - SLOVENIA

		2012			Annual percentage change					
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		35.3	100.0	3.5	1.3	0.7	-2.5	**-1.6**	**-0.1**	**1.3**
Private Consumption		20.1	56.9	3.4	1.5	0.8	-4.8	**-3.5**	**-2.0**	**-0.1**
Public Consumption		7.3	20.8	3.2	1.3	-1.6	-1.3	**-2.7**	**-1.6**	**0.3**
Gross fixed capital formation		6.3	17.8	6.0	-15.3	-5.5	-8.2	**-3.9**	**-2.1**	**0.7**
of which: equipment		2.7	7.6	7.6	-9.3	14.2	-8.3	**-4.1**	**-0.7**	**1.2**
Exports (goods and services)		26.9	76.1	6.2	10.2	7.0	0.6	**2.9**	**3.8**	**4.5**
Imports (goods and services)		25.2	71.3	6.6	7.4	5.6	-4.7	**0.2**	**1.7**	**3.3**
GNI (GDP deflator)		34.9	98.9	3.4	1.7	0.9	-2.6	**-2.0**	**-0.3**	**1.2**
Contribution to GDP growth:	Domestic demand			3.8	-2.4	-0.9	-4.5	**-3.2**	**-1.8**	**0.1**
	Inventories			0.0	1.9	0.6	-1.8	**-0.4**	**0.0**	**0.0**
	Net exports			-0.2	1.8	1.0	3.8	**2.0**	**1.7**	**1.2**
Employment				-	-2.2	-1.6	-0.8	**-2.0**	**-1.1**	**-0.3**
Unemployment rate (a)				-	7.3	8.2	8.9	**10.2**	**10.8**	**10.7**
Compensation of employees / head				-	3.9	1.6	-1.0	**1.0**	**-0.3**	**0.9**
Unit labour costs whole economy				-	0.4	-0.7	0.8	**0.7**	**-1.3**	**-0.7**
Real unit labour cost				-	1.5	-1.9	0.5	**-0.9**	**-1.9**	**-2.0**
Saving rate of households (b)				-	12.9	12.1	11.9	**13.5**	**14.8**	**15.4**
GDP deflator				7.6	-1.1	1.2	0.2	**1.6**	**0.7**	**1.3**
Harmonised index of consumer prices				-	2.1	2.1	2.8	**1.9**	**0.8**	**1.3**
Terms of trade goods				0.4	-4.8	-1.6	-1.2	**0.0**	**0.8**	**0.0**
Trade balance (c)				-3.8	-2.4	-2.7	-0.4	**1.0**	**2.7**	**3.6**
Current-account balance (c)				-1.5	-0.2	0.2	3.1	**4.9**	**6.9**	**7.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.6	-0.1	0.0	2.9	**4.9**	**7.5**	**8.6**
General government balance (c)				-	-5.9	-6.3	-3.8	**-14.9**	**-3.9**	**-3.3**
Cyclically-adjusted budget balance (c)				-	-4.7	-5.8	-2.6	**-13.5**	**-2.7**	**-2.5**
Structural budget balance (c)				-	-4.7	-4.8	-2.6	**-2.2**	**-2.0**	**-2.5**
General government gross debt (c)				-	38.7	47.1	54.4	**71.9**	**75.4**	**78.0**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

25. SLOVAKIA

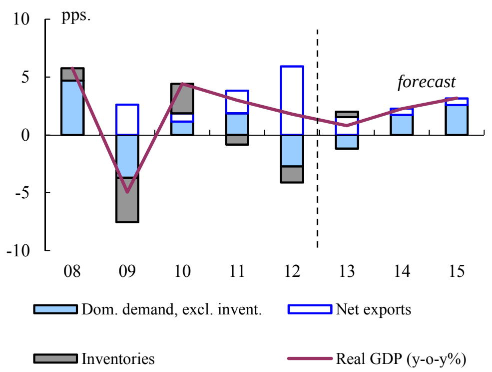
Growth to pick up in 2014

The Slovak economy slowed down in 2013 but growth is expected to gather pace reaching 2.3% in 2014 and 3.2% in 2015. The composition of growth will become more balanced as the main driving force shifts from net exports to domestic demand. Employment will grow only modestly over the forecast horizon and inflation will remain low.

Gradual recovery expected in 2014...

After robust growth in 2012, the Slovak economy slowed down in 2013, with real GDP increasing by 0.8%. Domestic demand continued to act as a drag on growth, mainly due to still falling investment and stagnating private consumption. Net exports continued to grow, albeit at a slower pace, and remained the main contributor to the overall positive growth rate. Over the forecast horizon, domestic demand is expected to recover and play a leading role in generating growth that is projected to accelerate to 2.3% in 2014 and 3.2% in 2015. The unemployment rate will stay above 13%.

Graph II.25.1: **Slovakia- Real GDP growth and contributions**



...as domestic demand becomes the main driver of growth

Following a strong rise in the second quarter of 2013, in the third quarter household consumption fell by 0.4% q-o-q. As a consequence, private consumption is expected to decline slightly for the year as a whole. Nevertheless, consumer confidence has steadily improved over the second half of 2013, reflecting a marked improvement in households' expectations about the future, and is now above its long-run average. Given the likely rise in real disposable income due to lower-than-expected inflation and some improvements on the labour market, private consumption is set to increase gradually in 2014 and 2015.

Investment collapsed at the beginning of 2013 and remained weak for the first three quarters of the year. Despite an expansion in equipment in the automotive industry in the fourth quarter, investment continued to decrease over the year as a whole. The credit outlook for firms remains poor, as the net flow of loans to non-financial corporations was negative in 2013. While a positive impulse is foreseen from motorway construction, investment is projected to stagnate in 2014 and a more substantial pickup is only expected in 2015.

Very strong export growth in the second quarter of 2013 led to a correction in the third quarter as exports declined. Nevertheless, exports of both goods and services are projected to have increased in the last quarter of 2013. Export growth in 2014 and 2015 will be boosted by declining export prices and improving demand in Slovakia's main trading partners. Imports are expected to increase in line with exports and, for 2014 and 2015, net exports are likely to give way to domestic demand as the main driver of growth.

The country-specific risks to the forecast are balanced. Downside risks could come from possible delays in the implementation of large infrastructure projects. Residential construction poses upside risks as residential property prices seem to have bottomed out in 2013 and loans to households have been growing at a robust rate.

Inflation decreases in 2014

Inflation decreased significantly in the second half of 2013, mainly due to the continued fall in energy prices, while pressures in the prices of foodstuff, especially unprocessed food, abated. Given declining commodity prices, the envisaged reduction of regulated energy prices for households and weak demand-pull pressures, inflation as measured by the HICP is projected to be only 0.7% in 2014. For 2015, given the foreseen recovery in domestic demand, inflation is expected to increase to 1.6%.

Public finances at a critical juncture

The general government deficit in 2013 is estimated to have reached 2.5% of GDP. Higher-than-budgeted VAT collection together with lower-than-budgeted public investment is expected to have contributed to this result. Moreover, a pay-out of dividends originally planned for 2014 took place already in 2013. The deficit outcome may be affected by the classification, currently under examination by Eurostat, of the government's sale of emergency oil reserves in national accounts.

The pick-up in household consumption and improved collection of VAT as a result of the measures to fight tax fraud, are projected to support tax revenues in 2014. The net effect of the introduction of a minimum lump-sum payment for the corporate income tax and the parallel reduction in the corporate income tax rate by 1 pp. is projected to be marginally positive. Moreover, the special levy on high-profit companies operating in a regulated environment, originally envisaged to expire in 2013, was retained. The sale of telecom licenses will be an additional (one-off) revenue source. On the expenditure side, measures to achieve envisaged large savings in the healthcare sector have not been sufficiently specified. In addition, major savings from the reform of the public administration (ESO) are subject to implementation risks. Therefore, the savings projected by the government are not taken on board in full in 2014.

Overall, also due to the fact that the impact of one-off measures in 2014 is lower than initially envisaged and lower than in 2013, on current policies the headline deficit is expected to increase again to 3.3% of GDP in 2014.

A slight deterioration in the headline deficit is projected 2015 as the growth in tax revenue supported by faster economic activity will not compensate for the expiry of the one-off revenues of 2014 and for the planned reduction in the VAT rate by 1 pp. (conditional upon the deficit outcome in 2013). While the structural balance improved in 2013, it is set to slightly worsen afterwards.

The general government debt is estimated to rise above 58% of GDP by the end of the forecast horizon, assuming that the planned sale of government's shares in the telecom sector in 2015 will be used for debt reduction.

Table II.25.1:

Main features of country forecast - SLOVAKIA

		2012			Annual percentage change					
	bn EUR	**Curr. prices**	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP		71.1	100.0	4.5	4.4	3.0	1.8	**0.8**	**2.3**	**3.2**
Private Consumption		41.0	57.7	-	-0.7	-0.5	-0.2	**-0.1**	**1.2**	**2.3**
Public Consumption		12.5	17.6	2.5	1.0	-4.3	-1.1	**1.3**	**5.6**	**3.4**
Gross fixed capital formation		14.3	20.1	2.9	6.5	14.2	-10.5	**-6.7**	**0.2**	**3.3**
of which: equipment		6.8	9.6	-	11.7	38.3	-11.5	**-6.0**	**-2.8**	**3.4**
Exports (goods and services)		68.7	96.6	8.0	16.0	12.2	9.9	**3.5**	**4.8**	**6.2**
Imports (goods and services)		65.0	91.4	6.9	14.9	9.7	3.3	**2.0**	**4.5**	**6.0**
GNI (GDP deflator)		69.4	97.6	4.5	2.6	3.4	1.6	**0.9**	**2.1**	**3.2**
Contribution to GDP growth:	Domestic demand			3.8	1.1	1.9	-2.7	**-1.2**	**1.7**	**2.6**
	Inventories			0.2	2.6	-0.8	-1.4	**0.5**	**0.0**	**0.0**
	Net exports			0.4	0.7	2.0	5.9	**1.5**	**0.6**	**0.6**
Employment				-	-1.5	1.8	0.1	**-0.8**	**0.5**	**0.7**
Unemployment rate (a)				-	14.5	13.7	14.0	**14.2**	**13.9**	**13.4**
Compensation of employees / head				-	5.1	2.0	2.8	**0.9**	**2.9**	**3.0**
Unit labour costs whole economy				-	-0.9	0.8	1.0	**-0.8**	**1.2**	**0.5**
Real unit labour cost				-	-1.4	-0.8	-0.2	**-1.4**	**0.5**	**-0.5**
Saving rate of households (b)				-	10.3	9.4	8.2	**7.9**	**7.7**	**7.7**
GDP deflator				5.2	0.5	1.6	1.3	**0.6**	**0.7**	**1.0**
Harmonised index of consumer prices				-	0.7	4.1	3.7	**1.5**	**0.7**	**1.6**
Terms of trade goods				-	-0.8	-1.5	-1.3	**-0.6**	**-0.1**	**-0.5**
Trade balance (c)				-5.2	0.8	1.0	4.7	**5.4**	**5.2**	**5.1**
Current-account balance (c)				-5.4	-3.7	-2.6	1.6	**2.0**	**1.9**	**2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-5.4	-2.1	-0.9	3.1	**3.2**	**3.6**	**3.7**
General government balance (c)				-5.5	-7.7	-5.1	-4.5	**-2.5**	**-3.3**	**-3.4**
Cyclically-adjusted budget balance (c)				-	-7.4	-4.5	-3.8	**-1.3**	**-2.1**	**-2.5**
Structural budget balance (c)				-	-7.3	-4.9	-3.9	**-2.3**	**-2.5**	**-2.5**
General government gross debt (c)				-	41.0	43.4	52.2	**54.3**	**57.8**	**58.4**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

26. FINLAND

Nascent recovery with consolidation needs ahead

Amid the ongoing restructuring of the economy, consumers remain cautious and investment is only gradually gaining strength. The expected tepid recovery in 2014-15 is largely dependent on developments in export markets. Disposable income grows slowly, holding back consumption. General government deficit remains above 2% over the forecast horizon and the debt ratio is set to exceed 60%.

Broad-based recession in 2012/13

In 2013 Finland's economy was in recession for the second year. Real GDP dropped by -1.5% after having decreased by -1% in 2012. The GDP decline was broad-based, affecting consumer spending, exports and particularly investments. Net external demand contributed positively to growth due to the strong decline in imports. This partly offset the negative contribution related to the strong decline in domestic demand. Unemployment continued to climb gradually, ending the year at 8.4%, back to the level last recorded in 2010 when the economy was just recovering from the 2009 crises.

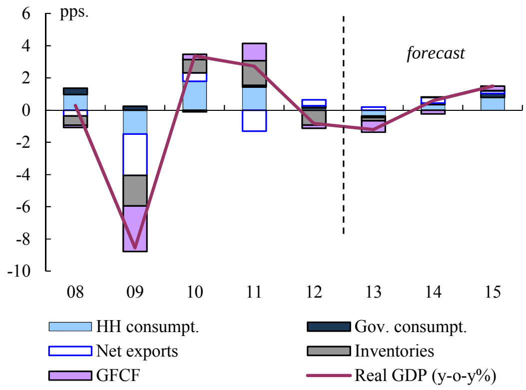
Gradual improvement ahead

Although towards the end of 2013 economic sentiment started improving, the economic activity declined again in the final quarter. Signals given by leading indicators still do not point to a recovery in domestic demand in the near future. An improving economic outlook for Finland's main export markets, with the notable exception of Russia, portends an export-driven recovery in 2014. Still, growth is projected to remain tepid and, influenced by negative growth momentum over the course of 2013, to reach 0.2% for the year as a whole, before accelerating to 1.3% in 2015.

Moderate wage growth and persistent unemployment are weighing on disposable income, limiting the growth of private consumption. Gross fixed capital formation is forecast to pick up only gradually as equipment investment is held back by low capacity utilisation and the limited number of building permits indicates a sluggish construction activity at least for 2014. Supply conditions continue to be influenced by industrial restructuring. New products and services in sectors such as chemicals and metals are gradually replacing production lost in ICT and paper industry.

Exports are forecast to increase over 2014-15, even though Finland is projected to lose further export market shares. Also the moderate wage agreement is a first step in restoring cost competiveness. In turn, weak domestic demand limits imports, resulting in a positive growth contribution from net exports. Consequently, the current-account balance is expected to continue improving, reaching positive territory in 2014.

Graph II.26.1: **Finland - Real GDP growth and contributions**



Risks to the economic outlook are balanced and mainly related to developments in export markets. Risks arising from financial market conditions appear limited and funding costs low.

Labour market weak, inflation slowing

Labour market conditions started to worsen in late 2012 and this process has continued during 2013 with both the number of employed persons and hours worked declining and the unemployment rate increasing. The number of registered unemployed is increasingly higher than the survey-based unemployment; this indicates that when labour market conditions improve, the number of active jobseekers might increase and the survey-based unemployment rate would remain elevated. Therefore, the unemployment rate is set to remain broadly stable over the forecast horizon despite the gradual economic improvement. The collective wage agreement for 2014-15 provides for moderate wage growth, resulting in a lower increase in unit labour costs than in the previous years. However, the wage restraint needs time to translate into positive employment growth.

Despite the consumption tax increase in 2013, inflation receded to 2.2%. From 2014, new indirect tax increases are applied, but due to lower wage increases, falling energy prices, and a stabilisation of prices for processed food and services, inflation is set to decline further to 1.7% in 2014 and 1.6% in 2015.

Public sector deficit continues to be high

Amid the worsened economic environment, the general government deficit widened despite the adjustment measures taken in 2013, from -1.8% of GDP in 2012 to -2.4% in 2013. The deficit is forecast to increase further in 2014 before improving to -2.3% of GDP in 2015.

Due to the persisting primary deficit and low nominal GDP growth, the debt-to-GDP ratio is forecast to go slightly above the 60% threshold in 2014 and increase further in 2015. The debt increase is higher than the annual fiscal deficits would suggest as the surpluses in social security funds are not used to reduce central government or local government debt. Debt issuance is carried out by the treasury based on the market conditions; and the existence of liquid reserves allows for some flexibility in the decisions to issue new debt.

The government is focusing on the implementation of the structural reforms programme concerning labour market, government efficiency and business environment in order to bring the level of public debt down in the medium term and to stimulate economic growth. Expenditure ceilings are used to control the development of public expenditure and further revenue increasing measures were introduced from the beginning of 2014. However, the tax burden is now reaching historic heights.

The output gap is estimated at -2.8% in 2013 and -2.6% in 2014. This results in a projection for the structural balance of -0.9% of GDP in 2013 and -1.2% in 2014. In 2015, the structural balance is forecast to reach -1.4% of GDP as the output gap declines to -1.6%.

Table II.26.1:

Main features of country forecast - FINLAND

	2012		Annual percentage change						
	bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	192.4	100.0	2.8	3.4	2.8	-1.0	**-1.5**	**0.2**	**1.3**
Private Consumption	108.5	56.4	2.9	3.3	2.5	0.3	**-1.0**	**-0.2**	**1.4**
Public Consumption	48.3	25.1	1.7	-0.4	0.5	0.5	**-0.8**	**-0.7**	**0.9**
Gross fixed capital formation	37.9	19.7	3.8	1.7	5.8	-0.8	**-4.4**	**-1.0**	**1.7**
of which: equipment	10.2	5.3	4.5	-12.2	10.5	14.0	**-3.7**	**-0.6**	**1.9**
Exports (goods and services)	78.1	40.6	6.0	7.9	2.8	-0.2	**-0.4**	**3.4**	**4.4**
Imports (goods and services)	80.0	41.6	6.1	6.8	6.2	-0.7	**-1.5**	**2.0**	**4.4**
GNI (GDP deflator)	193.3	100.5	3.3	3.3	1.6	-0.8	**-1.5**	**0.2**	**1.2**
Contribution to GDP growth: Domestic demand			2.6	2.0	2.6	0.1	**-1.7**	**-0.5**	**1.3**
Inventories			0.1	0.8	1.5	-0.9	**-0.2**	**0.2**	**-0.1**
Net exports			0.5	0.5	-1.3	0.2	**0.4**	**0.5**	**0.0**
Employment			1.2	-0.1	1.5	0.1	**-0.6**	**0.0**	**0.3**
Unemployment rate (a)			10.3	8.4	7.8	7.7	**8.2**	**8.3**	**8.1**
Compensation of employees / head			3.2	1.8	3.2	3.5	**2.4**	**1.6**	**1.6**
Unit labour costs whole economy			1.6	-1.6	1.9	4.6	**3.3**	**1.3**	**0.7**
Real unit labour cost			-0.1	-2.0	-0.8	1.6	**0.4**	**-0.8**	**-1.3**
Saving rate of households (b)			8.7	10.7	8.7	8.6	**10.5**	**11.1**	**10.2**
GDP deflator			1.7	0.3	2.7	2.9	**2.9**	**2.2**	**2.0**
Harmonised index of consumer prices			1.6	1.7	3.3	3.2	**2.2**	**1.7**	**1.6**
Terms of trade goods			-0.6	-2.6	-2.2	-1.7	**1.2**	**0.0**	**0.0**
Trade balance (c)			7.4	1.4	-0.7	0.0	**0.0**	**0.5**	**0.5**
Current-account balance (c)			4.9	1.7	-1.5	-1.4	**-0.2**	**0.5**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.0	1.8	-1.3	-1.3	**-0.1**	**0.6**	**0.5**
General government balance (c)			1.4	-2.5	-0.7	-1.8	**-2.4**	**-2.5**	**-2.3**
Cyclically-adjusted budget balance (c)			1.4	-1.1	-0.6	-1.0	**-0.9**	**-1.2**	**-1.4**
Structural budget balance (c)			-	-1.0	-0.5	-1.0	**-0.9**	**-1.2**	**-1.4**
General government gross debt (c)			45.6	48.7	49.2	53.6	**57.2**	**60.4**	**62.0**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Note : Contributions to GDP growth may not add up due to statistical discrepancies.

27. SWEDEN

Rebounding from a soft patch

Following sluggish economic growth of 0.9% in 2013, the Swedish economy is expected to pick up gradually and grow by 2.5% this year and 3.3% next year. While private consumption will remain an important driver, rebounding investment will provide additional impetus to GDP growth. By contrast, the contribution of net exports is expected to remain marginal.

Economic recovery ahead

After a weak growth performance in 2013, the Swedish economy now follows a more robust growth track and economic activity is expected to gradually accelerate. GDP growth is forecast to gradually increase to 2.5% in 2014 and to 3.3% in 2015 after 0.9% growth in 2013. Economic sentiment has steadily improved during the course of 2013, underpinning the projection for a more solid economic growth over the forecast horizon.

While household consumption was the main component to sustain the modest GDP growth in 2013 and is expected to stay strong, rebounding investments are forecast to provide an additional impetus to economic growth over the forecast horizon.

Consumption growth remains robust

Household consumption is likely to accelerate in 2014 and 2015, as improving labour market conditions, low interest rates and income tax cuts boost disposable incomes. Household saving is projected to have reached a new peak in 2013, but will gradually decline in the forthcoming years as economic uncertainties are waning, unemployment is starting to decrease at a more robust pace and baby-boomers retire.

Despite sluggish economic growth last year, the labour market proved to be resilient: employment continued to increase in 2013, while the unemployment rate stayed flat. As a fall in unemployment follows GDP growth only with some time lag, a more substantial drop in the unemployment rate is expected from the second half of 2014. Taking also into account the increasing labour force, the unemployment rate is forecast to decrease to 7.7% in 2014 and to 7.3% in 2015.

Rebounding investments: a new engine of economic growth

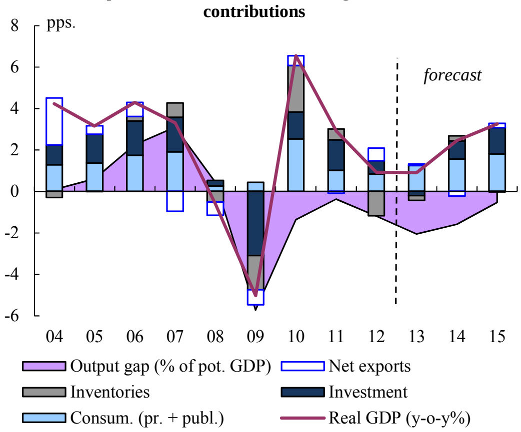
Following a decline in investments in 2013, gross fixed capital formation is expected to rebound sharply in the coming years adding a new engine to economic growth. Notably construction is likely to pick up, following several years of depressed levels.

Net exports will stay flat

In light of the weakness of the main European trading partners and the appreciating krona, Swedish export remained sluggish in 2013. Despite the relatively strong household consumption, imports are expected to shrink similarly to exports. Over the forecast horizon, with more solid economic growth of the main trading partners (most importantly in Europe), both export and import will resume. Compared to previous recovery periods, net exports will only contribute little to GDP growth, if at all.

The main risks highlighted in the previous forecasts remain valid. A correction in the high level of private debt, a fall in house prices or dynamically rising repo rates could dampen household consumption. A sharply appreciating krona could suppress exports performance and also negatively impact investments.

Graph II.27.1: **Sweden - Real GDP growth and contributions**



Low inflation on the horizon

HICP inflation dropped significantly from 0.9% in 2012 to 0.4% in 2013. The Riksbank cut the repo rate to 0.75% in December 2013 and the timing of initial tightening has been postponed until the first quarter of 2015. At this stage, no particular upward pressure is foreseen from any HICP component and wage developments are projected to remain at a moderate level. HICP is expected to reach 0.9% in 2014 and accelerating to 1.8% in 2015. Inflation is likely to moderately increase on the back of the rebounding economy.

General government budget provides stimulus in 2014

Fiscal stimuli (focusing on corporate taxation, raising disposable incomes, labour market incentives and infrastructure investments) will increase the budget deficit from -1.1% of GDP in 2013 to -1.5% of GDP in 2014. In light of the stronger GDP growth as well as the budget surplus target and the nominal expenditure ceiling embedded in the Swedish fiscal framework, no further stimulus is expected after 2014. Accordingly the general budget deficit is projected to shrink to -0.8% of GDP by 2015. The structural balance will deteriorate by 0.7% of GDP from 2013, turning negative in 2014 (-0.6% of GDP) due to the expansionary fiscal policy and the narrowing of the output gap. The deficit will remain moderate and will slightly improve in 2015 (-0.4% of GDP).

The declining trend in the general government debt has been reversed in 2013 by a one-off measure: an additional SEK 100 billion (approximately 2.8% of GDP) has been borrowed in order to strengthen the currency reserves of the Riksbank, raising debt to 41.3% of the GDP in 2013. The general government debt is still at a relatively low level compared with other EU countries and will further decline from 2015 onwards amidst a lower budget deficit and accelerating growth.

Table II.27.1:
Main features of country forecast - SWEDEN

	2012		Annual percentage change						
	bn SEK Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	3549.7	100.0	2.5	6.6	2.9	0.9	**0.9**	**2.5**	**3.3**
Private Consumption	1718.2	48.4	2.3	4.0	1.7	1.6	**1.9**	**2.7**	**3.3**
Public Consumption	955.7	26.9	0.7	2.1	0.8	0.3	**1.2**	**0.9**	**0.7**
Gross fixed capital formation	674.2	19.0	3.8	7.2	8.2	3.3	**-1.0**	**4.7**	**6.8**
of which: equipment	268.4	7.6	6.2	11.9	13.2	5.2	**-2.6**	**5.3**	**7.9**
Exports (goods and services)	1722.4	48.5	5.8	11.4	6.1	0.7	**-1.5**	**2.8**	**5.4**
Imports (goods and services)	1516.4	42.7	5.1	12.0	7.1	-0.6	**-1.9**	**3.7**	**5.6**
GNI (GDP deflator)	3640.2	102.5	2.9	6.9	2.9	1.2	**0.9**	**2.3**	**3.1**
Contribution to GDP growth: Domestic demand			2.0	3.8	2.5	1.5	**1.0**	**2.4**	**3.1**
Inventories			0.0	2.2	0.5	-1.2	**-0.2**	**0.2**	**0.0**
Net exports			0.6	0.5	-0.1	0.6	**0.1**	**-0.2**	**0.2**
Employment			0.5	1.0	2.1	0.7	**0.9**	**0.9**	**1.0**
Unemployment rate (a)			7.5	8.6	7.8	8.0	**8.0**	**7.7**	**7.3**
Compensation of employees / head			3.7	3.1	0.9	3.1	**2.4**	**2.8**	**3.1**
Unit labour costs whole economy			1.7	-2.3	0.1	2.9	**2.4**	**1.2**	**0.9**
Real unit labour cost			-0.1	-3.1	-1.2	1.9	**1.7**	**0.1**	**-0.8**
Saving rate of households (b)			8.3	11.3	13.1	14.8	**15.9**	**15.7**	**14.1**
GDP deflator			1.8	0.8	1.3	1.0	**0.7**	**1.2**	**1.7**
Harmonised index of consumer prices			1.8	1.9	1.4	0.9	**0.4**	**0.9**	**1.8**
Terms of trade goods			-0.6	-1.1	-1.3	-0.5	**-0.6**	**-0.7**	**-0.4**
Trade balance (c)			6.2	2.6	2.2	2.4	**2.1**	**1.6**	**1.5**
Current-account balance (c)			5.7	6.9	6.2	6.5	**6.2**	**5.6**	**5.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.4	6.8	6.1	6.3	**6.2**	**5.5**	**5.3**
General government balance (c)			-0.4	0.3	0.2	-0.2	**-1.1**	**-1.5**	**-0.8**
Cyclically-adjusted budget balance (c)			-0.1	1.1	0.4	0.5	**0.1**	**-0.6**	**-0.4**
Structural budget balance (c)			-	1.1	0.4	0.5	**0.1**	**-0.6**	**-0.4**
General government gross debt (c)			56.5	39.4	38.6	38.2	**41.5**	**41.8**	**40.8**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

28. THE UNITED KINGDOM

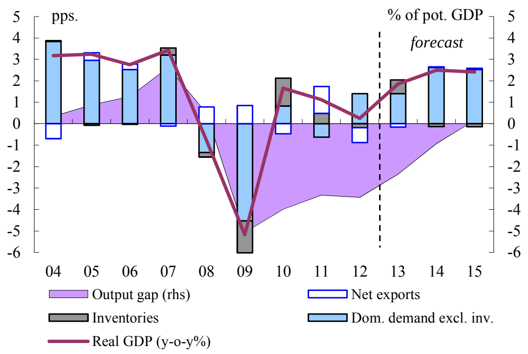
Recovery takes hold, fiscal imbalances still sizeable

Growth finally took hold in the UK in 2013 with strong domestic demand supressing the negative effect of weak export performance. UK GDP grew 1.9% in 2013 and is expected to grow by 2.5% in 2014 and 2.4% in 2015. Inflation declined throughout the year as did unemployment. Some progress has also been made on the fiscal side, but the debt ratio has yet to peak.

Strong growth finally making an appearance

Growth became more firmly established in 2013 with four continuous quarters of positive growth to leave the annual figure at 1.9%. Domestic demand was again the principal contributor to growth as had been the case for the marginally upward-revised 0.3% annual growth of 2012. Net trade is likely to have contributed somewhat negatively to growth over the year.

Graph II.28.1: **The United Kindom - Output gap and contributions to real GDP growth**



The outlook for growth is now stronger than has been in recent years, although growth is likely to continue to come almost exclusively from domestic demand with private consumption being the main contributor and investment playing a more important role as time progresses. In 2014 and 2015, growth is estimated at 2.5% and 2.4%, respectively. Net exports are expected to remain weak and improve only very slowly. There are both upside and downside risks to the forecast. Domestic demand may be more dynamic than estimated as sentiment indicators are high. However, the upturn in investment may fail to materialise and private consumption may decline sizeably, as a result of continued weak wage growth, interest rate rises or the household debt burden weighing down on spending.

Consumption is crucial

Economic growth in 2013 has been driven by private consumption and its contribution is likely to have been approximately three-quarters. Despite negative real wage growth, consumers are running down their savings in order to sustain their spending habits. Robust employment rates are likely to be the reason for this behaviour. The expectation is that consumers will continue spending, though less vigorously than was seen at the end of 2013, as inflation falls and real wage growth turns positive towards the end of 2014 and into 2015.

Strengthening investment

The first three quarters of 2013 saw positive, though modest, growth for investment. Nevertheless, this bodes well for the future as it was the first run of three expanding quarters since early 2007, albeit from low levels. Equipment investment was strongest earlier in the year but construction took over thereafter. The soft indicators reached highs during the second half of 2013. Combining this with the credit easing measures in place, strong cash reserves and returning confidence suggests that investment is likely to pick up more sturdily in 2014 and should be reinforced in 2015.

Weak net exports

Following a strongly negative contribution to growth in 2012 of -0.7 pp. and given the outturns to date in 2013, it is likely that net exports did not contribute positively to growth. That said, the outlook is that net exports will improve somewhat and at least not be such a drag on growth in 2014 and 2015 as trading partners' growth picks up. Growing exports to Ireland and China (the latter from low levels) should aid this improvement.

Inflation approaching target

During 2013, inflation fell steadily to reach 2.1% in the final quarter of 2013. The quick decline in prices was due to weak commodity and energy price growth, lower-than-expected increases in education costs, weak wage growth and an appreciation of sterling dampening import prices.

The outlook is for inflation to fall further and settle around the Bank of England's target of 2% given the spare capacity in the economy, an expectation of low inflation growth and only slowly increasing wage growth. The forecast estimates inflation at 2.0% in both 2014 and 2015.

Robust employment growth

The labour market has remained resilient since 2010 despite weak economic growth and redundancies in the public sector with 2013 being no exception. The average growth rate of total employment in the first three quarters of 2013 was 1.3%. The unemployment rate continued falling to 7.5% in the third quarter of 2013 and the outlook is for the rate to decline further though at a more subdued rate. This is likely as labour productivity is expected to recover in the short term and the slack in the system should allow activity to pick up through longer working hours without having to hire new staff. The forecast is for the unemployment rate to fall to 6.8% in 2014 and 6.5% in 2015.

Ongoing fiscal consolidation

The government continued with its original fiscal consolidation plans in the Autumn Statement 2013. The main taxation measures announced were a cancelation of the fuel duty rise in 2014 and of the employer national insurance contributions for employees less than 21 years, and an increase in the bank levy from January 2014. Further reductions on departmental spending were announced along with a cap on overall welfare spending, excluding the basic state pension which was increased marginally, and job seeker's allowance. As a result of revisions to GDP growth and borrowing estimates, the deficit is expected to reach 5.1% in 2014-15 and 4.2% in 2015-16. The structural balance is forecast at 4.0% in the latter year with the debt rate continuing to rise.

Table II.28.1:
General government projections on a financial-year basis

	Actual		Forecast		
	2011-12	2012-13*	2013-14	2014-15	2015-16
General government balance	-7.6	-5.2	**-5.9**	**-5.1**	**-4.2**
Structural budget balance	-6.0	-5.6	**-4.9**	**-4.5**	**-4.0**
General government gross debt	84.9	88.1	**90.0**	**92.2**	**94.7**

*Includes one-off transfer of Royal Mail pension fund and sale of 4G mobile phone licences

Table II.28.2:
Main features of country forecast - UNITED KINGDOM

	2012			Annual percentage change						
	bn GBP	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		1567.2	100.0	2.6	1.7	1.1	0.3	**1.9**	**2.5**	**2.4**
Private Consumption		1032.7	65.9	2.9	1.0	-0.4	1.5	**2.4**	**2.4**	**2.2**
Public Consumption		341.1	21.8	2.2	0.5	0.0	1.6	**0.5**	**0.5**	**0.4**
Gross fixed capital formation		225.2	14.4	2.7	2.8	-2.4	0.7	**-1.8**	**6.5**	**7.1**
of which: equipment		48.1	3.1	1.7	9.9	-21.7	12.9	**2.8**	**8.7**	**7.9**
Exports (goods and services)		494.3	31.5	4.4	6.7	4.5	1.1	**0.8**	**2.9**	**3.7**
Imports (goods and services)		527.9	33.7	4.9	7.9	0.3	3.1	**1.2**	**2.6**	**3.3**
GNI (GDP deflator)		1562.8	99.7	2.8	1.2	1.7	-1.3	**1.9**	**2.5**	**2.4**
Contribution to GDP growth:	Domestic demand			2.8	0.9	-0.6	1.4	**1.4**	**2.6**	**2.5**
	Inventories			0.0	1.3	0.5	-0.2	**0.6**	**-0.1**	**-0.1**
	Net exports			-0.2	-0.5	1.2	-0.7	**-0.2**	**0.0**	**0.1**
Employment				0.8	0.2	0.5	1.2	**1.0**	**1.3**	**1.0**
Unemployment rate (a)				6.2	7.8	8.0	7.9	**7.6**	**6.8**	**6.5**
Compensation of employees / head				3.9	3.1	2.0	1.9	**1.9**	**2.1**	**2.8**
Unit labour costs whole economy				2.1	1.7	1.4	2.9	**1.0**	**0.9**	**1.4**
Real unit labour cost				0.0	-1.4	-0.9	1.2	**-0.6**	**-1.0**	**-0.7**
Saving rate of households (b)				5.4	7.3	6.7	7.2	**6.4**	**6.1**	**5.7**
GDP deflator				2.2	3.1	2.3	1.7	**1.7**	**1.9**	**2.1**
Harmonised index of consumer prices				1.9	3.3	4.5	2.8	**2.6**	**2.0**	**2.0**
Terms of trade goods				-0.2	0.8	-1.3	-0.4	**0.4**	**0.4**	**0.7**
Trade balance (c)				-3.9	-6.6	-6.5	-6.9	**-6.9**	**-6.7**	**-6.6**
Current-account balance (c)				-1.6	-2.7	-1.5	-3.7	**-3.8**	**-3.3**	**-3.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.4	-2.4	-1.2	-3.5	**-3.6**	**-3.1**	**-3.0**
General government balance (c)				-3.0	-10.1	-7.7	-6.1	**-6.3**	**-5.2**	**-4.2**
Cyclically-adjusted budget balance (c)				-3.1	-8.1	-6.1	-4.4	**-5.1**	**-4.8**	**-4.3**
Structural budget balance (c)				-	-8.1	-6.1	-6.2	**-5.3**	**-4.8**	**-4.3**
General government gross debt (c)				45.4	78.4	84.3	88.6	**91.4**	**93.4**	**94.5**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Candidate Countries

29. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

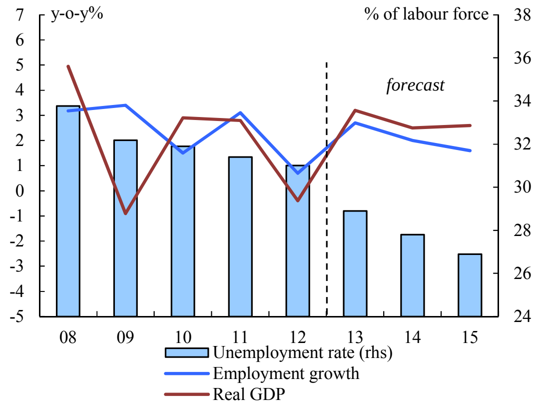
Recovery is gaining firm ground in spite of weaker Investment

The economic recovery strengthened in the first three quarters of 2013 and was supported by a strong contribution from net exports. Despite a remarkable pick up in private consumption, domestic demand provided only a small contribution to growth, given the major slump in investment. In line with projected developments in foreign direct investment, the forecast expects a turnaround in this profile for 2014 and 2015, with investment strengthening again and the foreign balance proving a drag on growth.

Support from external sector to firming recovery in 2013...

The feeble recovery of output growth which had begun in the second half of 2012 gained firm ground in the first three quarters of 2013. Real GDP increased by 3.2% compared to the previous year, with net exports and private consumption taking over from investment as growth drivers. Contrary to earlier official estimates, gross capital formation declined in each of the three quarters, in annual terms, and by a total of 15% on the year.

Graph II.29.1: **The former Yugoslav Republic of Macedonia - Labour market**



Stimulated by supportive fiscal measures, private consumption increased by an accumulated 5.1% in the first three quarters. Supported by a benign external environment and by new foreign direct investment, net exports of goods and services contributed positively to output growth for the first time since 2010. Among the sectors, the construction industry largely outperformed manufacturing and grew by 33% on the year, after average growth of 4.8% in 2012.

...is not likely to be sustained

The profile of growth is expected to change again over the forecast horizon, with a renewed pick-up in gross capital formation, and further gains in household consumption taking the lead. Both, public and foreign direct investment are projected to increase, coupled with gradual strengthening in credit extension to the corporate sector. Household consumption is likely to post resilient growth rates over the horizon, in line with expectations for disposable income, deriving from a positive employment trend, higher social transfers, and stable remittances. With new foreign investors taking up production over the horizon, the forecast expects a renewed strengthening of import demand. Notwithstanding the further improvement in major export markets, a renewed, gradual deterioration of the merchandise balance is likely. Hence, net exports would impact negatively on growth in both years. This drag could prove sizeable, if FDI, the main source of the country's exports, evolves less vigorously than expected.

Slight labour market stimulation will continue

Aided by the firming recovery and official employment programmes, the number of unemployed had decreased by 4.5% at the end of September 2013, compared to a year earlier. With a significantly smaller increase in the labour force, this lowered the unemployment rate to 28.7%, down from 30.6% a year earlier. The number of employed persons increased by 4%, bringing the employment rate to 40.8%, up by 1.7pp from a year earlier, with virtually no change in the total working age population. However, the unemployment rate for 15 to 24 olds remained largely unchanged at 52% over the year. Driven primarily by the expected pick up of public and foreign direct investment, as well as by a continuation of active labour market policies, employment is expected to rise further, albeit less strongly, while the unemployment rate would drop further over the forecast horizon.

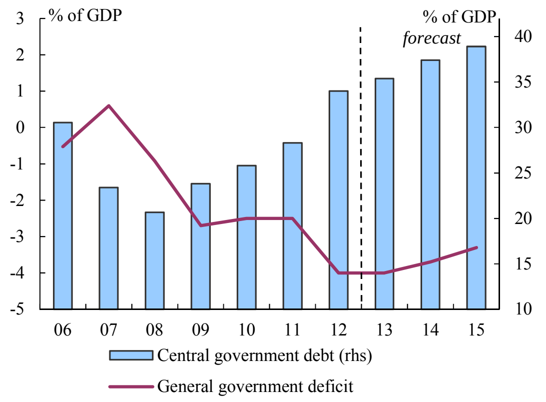
Current account still balanced but deteriorating

While the current-account deficit presumably narrowed somewhat in 2013, due to an improving trade balance, in spite of lower private transfers, the forecast expects it to deteriorate again, due to renewed widening of the merchandise deficit. However, the need for external borrowing to finance the current-account deficit was mitigated in 2013 by a renewed pick up in FDI, and is likely to remain so over the forecast horizon. At the end of the third quarter, FDI inflows reached 3.3% of accumulated GDP, compared to 0.9% at the same time in 2012. Given the increasingly benign investment trends in the country's major trade partners, and the government's active recruitment, the forecast expects FDI to remain elevated.

Lower deficits needed to sustain public debt

The general government deficit for 2013 was revised in the autumn from 3.6% to 3.9%, following the adoption of a supplementary budget. In view of anticipated consolidation measures, the forecast expects the deficit to gradually narrow to around 3.6% in 2015. After having jumped in 2012 by 5.6pp to 34% of GDP, the general government debt ratio is expected to have increased by somewhat less in 2013. However, overall public debt, which includes the debt of state-owned enterprises, public agencies and public financial institutions is likely to be significantly higher.

Graph II.29.2: **The former Yugoslav Republic of Macedonia - Public finances**



It would also comprise the newly established Public Enterprise for State Roads through which the government channels the increasingly important road infrastructure expenditure – and which can borrow on its own behalf with its debt guaranteed by the government. In conclusion, in order for general government debt levels to stabilise, fiscal deficits would have to decrease more substantially than targeted. This is likely to prove difficult in view of recently implemented pension increases, public wage rises as of this year, and an increase in social transfers.

Table II.29.1:

Main features of country forecast - THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

	2012		Annual percentage change						
	bn MKD Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	458.6	100.0	2.2	2.9	2.8	-0.4	**3.2**	**2.5**	**2.6**
Private Consumption	342.8	74.7	-	2.1	2.9	-3.0	**4.4**	**2.5**	**2.7**
Public Consumption	84.8	18.5	-	-2.0	0.6	-1.4	**-2.8**	**1.0**	**1.2**
Gross fixed capital formation	105.4	23.0	-	-2.7	12.3	16.0	**-9.0**	**7.3**	**7.7**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	245.9	53.6	-	23.6	10.5	0.0	**3.7**	**6.4**	**6.6**
Imports (goods and services)	349.8	76.3	-	9.5	10.4	4.2	**-0.8**	**6.1**	**6.5**
GNI (GDP deflator)	449.5	98.0	-	3.4	2.4	-0.6	**3.0**	**2.3**	**2.4**
Contribution to GDP growth: Domestic demand			-	0.7	4.6	0.8	**0.7**	**3.5**	**3.7**
Inventories			-	-0.6	0.0	0.0	**0.0**	**0.0**	**0.0**
Net exports			-	3.4	-1.9	-3.1	**2.6**	**-1.0**	**-1.2**
Employment			-	1.5	3.1	0.9	**2.7**	**2.0**	**1.5**
Unemployment rate (a)			-	31.8	31.6	31.1	**28.9**	**27.8**	**26.9**
Compensation of employees / head			-	6.0	-2.1	2.8	**4.1**	**4.8**	**3.3**
Unit labour costs whole economy			-	4.6	-1.7	4.1	**3.6**	**4.2**	**2.2**
Real unit labour cost			-	1.8	-4.6	4.0	**2.0**	**2.4**	**0.6**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			10.5	2.7	3.1	0.1	**1.5**	**1.8**	**1.6**
Consumer-price index			8.3	1.6	3.9	3.3	**2.8**	**3.3**	**3.0**
Terms of trade goods			-	-1.4	1.4	-7.1	**0.0**	**0.0**	**0.0**
Trade balance (c)			-	-20.8	-22.5	-23.9	**-20.8**	**-20.9**	**-21.3**
Current-account balance (c)			-	-0.7	-1.4	-2.7	**-2.3**	**-2.6**	**-3.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-6.8	-3.1	-3.9	**-4.0**	**-3.8**	**-3.6**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	25.8	28.4	34.0	**35.4**	**37.4**	**38.9**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

30. ICELAND

Helped by tourism, but held back by capital controls

Third quarter growth in 2013 was much stronger than expected as a result of high tourism revenues and resilient private consumption. In 2014 and 2015, output growth likely to remain close to 3%, supported by tourism and related construction, strengthened disposable income, and stronger international demand. However, the continued uncertainty related to the lifting of capital controls is likely to impede more dynamic growth.

A stronger second half of 2013 ...

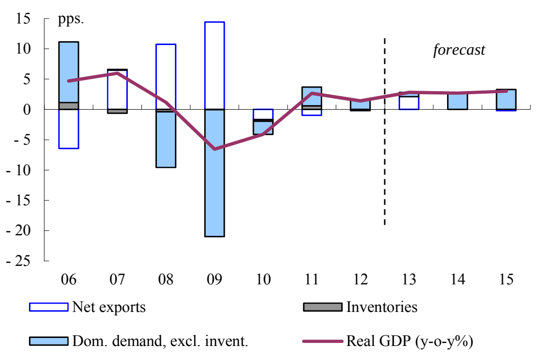
Overall economic activity received a marked boost from record high tourism earnings, contributing more than one third to the economy's output growth of some 3% in the first three quarters of 2013. Private and public consumption each contributed about ½ pp. to overall growth. Investments were lower than a year before, which was partly due to high spending for ships and airplanes in 2012. High frequency indicators, such as credit card turnover, point to rather stable consumption during the last months of the year. However, a bigger than usual share of those purchases might have been used for imports, which would dampen output growth in the fourth quarter. The labour market situation continued to improve, with employment increasing by more than 3%, while unemployment dropped from 6% in 2012 to 5.4% in 2013.

Inflationary pressures subsided markedly towards the end of 2013, partly reflecting decelerating import prices, in particular for oil. With the exception of housing prices, domestic price dynamics now seems to head towards the Central Bank's inflation target of 2.5%. The end-year wage agreements were in line with the declining inflation expectations. This rather new trend could strengthen disposable income and facilitate job creation.

... although the outlook is still for contained growth ahead

Key determinants for Iceland's growth performance in 2014-15 will be tourism and related construction activities as well as private consumption, benefitting from lower inflation and government measures to boost disposable income, such as the announced household debt relief programme but also the extended possibility to use third-pillar pension savings for consumption. Some long-planned investment projects in the energy-intense and maritime sectors could further increase domestic demand. However, the existence of capital controls has a negative effect on investment, in particular from abroad. Total exports are projected to benefit from an improved global outlook and a flourishing tourism sector. However, higher imports due to stronger domestic demand will largely offset the positive effects of higher tourism revenues.

Graph II.30.1: **Iceland - Real GDP growth and contributions**



Unemployment declines further ...

Labour market conditions are expected to improve during 2014-15, benefitting from moderate wage developments and new opportunities in the tourism sector. This should help to lower unemployment below 5% by 2015. The long-term unemployment will remain a crucial challenge.

...while inflationary pressures subside.

Inflationary pressures are expected to subside in 2014, thanks to relatively low increases in import prices but also contained wage agreements. However, in 2015, this trend could reverse, as a result of strengthening import prices but also stronger domestic demand.

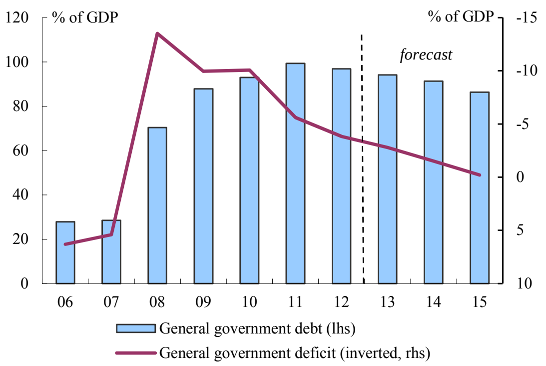
External balance is likely to deteriorate

As a result of stronger domestic demand, the surplus in trade in goods will shrink, while the service balance is expected to continue benefitting further from expanding tourism. A large part of the current-account deficit accounts for net income from banks in winding up proceedings. Corrected for these, the "underlying" current account will remain closer to balance.

Reducing public debt remains a challenge

The general government deficit dropped from 5.6% of GDP in 2011 to 3.8% in 2012. During 2013, fiscal consolidation remained behind targets, largely reflecting the weaker-than-expected revenue growth. As a result, the 2013 end-year deficit is likely to be close to 2¾% of GDP.

Graph II.30.2: **Iceland - Public finances**



The forecast assumes that the new government will respect its commitments towards continued fiscal consolidation, as described in the 2014 budget adopted in December. The envisaged spending reductions should allow a lowering of the deficit to around 1½% of GDP in 2014 and only a slight deficit in 2015. After reaching a peak of nearly 100% of GDP in 2011, the general government debt-to-GDP ratio started to decline in 2012. Thanks to substantial primary surpluses in 2014 and 2015, the debt ratio is likely to drop towards 86% by the end of the forecast horizon.

Risks and uncertainties are still elevated

Increased domestic demand as a result of government measures, such as the household debt relief programme, could translate into a sharp widening of external imbalances, creating pressure on the exchange rate and domestic price stability. Moreover, the Icelandic economy is still shielded by extensive capital controls and their removal remains a huge challenge.

Table II.30.1:

Main features of country forecast - ICELAND

		2012			Annual percentage change					
	bn ISK	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		1698.5	100.0	3.4	-4.1	2.7	1.4	**2.8**	**2.7**	**3.0**
Private Consumption		912.9	53.7	2.7	0.1	2.6	2.4	**1.5**	**3.5**	**3.8**
Public Consumption		430.4	25.3	3.1	-3.4	-0.3	-1.4	**1.5**	**0.8**	**0.5**
Gross fixed capital formation		246.9	14.5	1.6	-9.4	14.3	5.0	**-3.5**	**5.0**	**8.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1009.5	59.4	5.5	0.5	3.8	3.8	**4.1**	**4.0**	**4.2**
Imports (goods and services)		905.5	53.3	4.0	4.5	6.7	4.7	**0.6**	**4.6**	**5.3**
GNI (GDP deflator)		1510.7	88.9	2.1	-1.8	6.9	5.1	**2.8**	**2.7**	**3.0**
Contribution to GDP growth:	Domestic demand			3.1	-2.2	3.1	1.6	**0.7**	**2.7**	**3.3**
	Inventories			-0.1	-0.2	0.6	-0.1	**0.0**	**0.0**	**0.0**
	Net exports			0.4	-1.7	-1.0	-0.1	**2.1**	**0.0**	**-0.2**
Employment				1.3	-0.4	0.0	1.1	**3.5**	**2.4**	**2.7**
Unemployment rate (a)				3.4	7.6	7.1	6.1	**5.4**	**4.6**	**4.1**
Compensation of employees / head				6.6	6.7	8.5	6.7	**5.9**	**3.0**	**3.4**
Unit labour costs whole economy				4.4	10.9	5.6	6.4	**6.6**	**2.7**	**3.1**
Real unit labour cost				-0.4	3.7	2.3	3.5	**3.4**	**0.6**	**0.2**
Saving rate of households (b)				-	-26.0	-16.2	-13.0	**-11.8**	**-11.3**	**-10.5**
GDP deflator				4.8	6.9	3.3	2.8	**3.1**	**2.1**	**2.9**
Consumer-price index				-	5.4	4.0	5.2	**3.9**	**3.0**	**3.3**
Terms of trade goods				-1.1	8.5	-2.9	-5.6	**-0.1**	**-0.1**	**-0.3**
Trade balance (c)				-2.2	7.8	6.0	4.6	**5.0**	**4.3**	**3.7**
Current-account balance (c)				-8.4	-8.0	-6.3	-5.5	**-4.0**	**-4.6**	**-5.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-10.1	-5.6	-3.8	**-2.8**	**-1.5**	**-0.2**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	93.0	99.3	96.9	**94.2**	**91.3**	**86.4**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

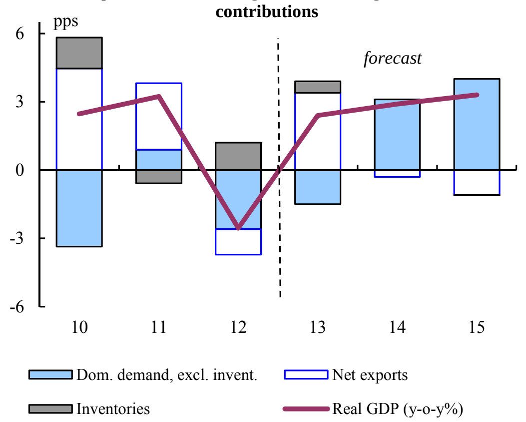
31. MONTENEGRO
A new wave of investment

Stronger-than-expected growth in 2013 confirmed the positive contribution of a number of sectors besides electricity production. A rebalancing of growth from net exports towards domestic consumption is expected following a new wave of major investments and, to a lesser extent, a mild recovery in private consumption. The adoption of fiscal rules seems to confirm the continuity of consolidation efforts.

A faster recovery

In the third quarter of 2013, real GDP grew by 4% y-o-y, accelerating from a 3.4% real growth in the second quarter and 1.1% expansion in the first quarter. Growth was largely driven by net exports of electric energy and tourism services. A continuation of this growth could be expected in the last quarter of 2013 too, supported by preliminary data on construction, utilities and agriculture, but also a successful tourism post-season and its positive effect on retail trade, leading to an average expansion of GDP of around 2.5% for the whole year. Compared to the autumn, the winter forecast presents a slightly faster growth scenario for 2014 and 2015 too.

Graph II.31.1: **Montenegro - Real GDP growth and contributions**



Two major uncertainties

Yet, there are two major unknowns which may call for further revision in later forecasts. The first one is the pace of credit growth. In 2013, bank's loans grew 3% y-o-y, reversing a three-year period of decline. However, credit supply remains constrained by tight credit conditions stirred up by the high level of non-performing loans (around 18% of total loans at the end of 2013). As a result, private consumption is expected to remain subdued during the forecast horizon.

The second factor of uncertainty will be the pace of investments and its real contribution to gross fixed capital formation in the coming years. There are several important tourism, energy and infrastructure projects in the pipeline, which if successfully implemented, may set a broader base for future growth. So far, the construction of the tourism resorts in Lustica, Tivat and Kumbor and the electricity interconnection cable with Italy are in progress, while preparatory works for the highway, the second block for the thermal plant and two windmill farms are expected to start in 2014. However, the short-term net contribution from these investments remains difficult to ascertain given the small size of the country and its high import dependence.

Weak labour market and price dynamics

The unemployment rate is forecast to fall below 19%, while employment will maintain positive but subdued growth rates until 2015, when the pace of investments speeds up. Weak labour market dynamics have also been reflected in the moderation of wages, contracting by almost 4% in real annual terms in 2013. We expect wages to increase broadly in line with the recovery of demand for local labour. In 2013, average inflation totalled 2.2% compared to 4.1% a year before. Future improvement of domestic demand may have a limited impact on prices as private consumption would still remain mostly driven by tourists' expenditure whereas domestic wages and bank loans growth improve only gradually during the forecast period.

Large external imbalances

In the first three quarters of 2013 the current-account deficit has been narrowing and could close below 17% of GDP by the end of the year. Yet, the improvement of the trade deficit could reverse in the next years as exports' base effects fade out and new capacities in tourism and energy are yet under construction. The forecast also expects a deterioration of the income and transfers net balances as more foreign workers will be employed in construction. The external gap would continue being fully financed by FDI inflows.

By mid-2014, the authorities could put into practice a voluntary financial restructuring programme to reduce payment arrears between companies, banks and tax administration, reinforcing the sustainability of the banking sector, public finances and real sector liquidity. The recovery of domestic demand could benefit to the extent that this programme proves successful. Meanwhile, the re-emergence of investors' risk aversion to emerging markets, following the indications from the Federal Reserve's tapering of monetary stimulus, might also delay some investments in Montenegro.

Sustained fiscal consolidation efforts

In the autumn forecast we anticipated the government would borrow additional EUR 100 million to close the budget gap after paying in August two bank loans to cover the guarantees of the bankrupt aluminium factory (KAP). However, budget performance improved markedly during 2013, supported by increases of the personal income tax and VAT rates, resulting in a 10% average expansion of revenue compared to a year before. As a result, the government avoided a rebalance of the budget to increase the borrowing ceiling to pay for those guarantees (totalling 3.2% of GDP). Yet, despite the freezing of pensions and public sector wages, the budget deficit reached 4% of GDP at the end of 2013.

We foresee the broadening of the tax base to have lasting effects throughout the next two years, and therefore, budget deficits to fade by the end of 2015. However, this scenario will depend on the extent to which GDP growth (i.e. denominator effect) might outpace the expansion of public spending and debt as the government starts borrowing to finance the highway project.

In our view, further expansion of the public debt remains a serious risk. Apart from relying on growth, the government also plans for 2014 a major overhaul of the stock of public debt (especially two Eurobonds issues maturing in 2015 and 2016) to improve debt sustainability through more favourable terms.

Table II.31.1:

Main features of country forecast - MONTENEGRO

	2012			Annual percentage change					
mio EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	3148.9	100.0	-	2.5	3.2	-2.5	**2.4**	**2.7**	**3.0**
Private Consumption	2632.0	83.6	-	2.0	4.2	-3.2	**-1.7**	**2.0**	**2.5**
Public Consumption	679.1	21.6	-	-0.3	-1.6	3.1	**-1.9**	**1.1**	**1.3**
Gross fixed capital formation	583.8	18.5	-	-18.5	-10.3	-3.3	**1.7**	**6.7**	**9.3**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1389.4	44.1	-	7.5	14.1	-1.2	**5.1**	**2.2**	**2.0**
Imports (goods and services)	2166.4	68.8	-	-3.1	3.1	0.9	**-1.7**	**2.0**	**3.0**
GNI (GDP deflator)	3203.1	101.7	-	5.9	3.8	-0.7	**2.3**	**2.5**	**3.6**
Contribution to GDP growth: Domestic demand			-	-3.4	0.9	-2.6	**-1.5**	**3.1**	**4.0**
Inventories			-	1.4	-0.6	1.2	**0.5**	**0.0**	**0.0**
Net exports			-	4.5	2.9	-1.1	**3.4**	**-0.3**	**-1.1**
Employment			-	-1.9	-6.4	2.8	**1.8**	**2.3**	**2.7**
Unemployment rate (a)			-	19.7	19.7	19.6	**19.6**	**19.2**	**18.5**
Compensation of employees / head			-	2.3	0.9	0.7	**-1.0**	**1.4**	**1.8**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	19.6	17.2	21.0	**20.9**	**19.2**	**18.5**
GDP deflator			-	-0.8	-0.7	-1.0	**-0.1**	**0.3**	**0.1**
Consumer-price index			-	0.5	3.1	4.1	**2.2**	**2.3**	**2.6**
Terms of trade goods			-	-	-	-	**-**	**-**	**-**
Trade balance (c)			-	-40.8	-40.4	-44.1	**-40.8**	**-40.9**	**-41.9**
Current-account balance (c)			-	-22.9	-17.7	-18.6	**-15.1**	**-15.3**	**-15.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.9	-5.4	-5.6	**-4.1**	**-2.5**	**-1.1**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	40.9	46.0	54.0	**56.8**	**57.9**	**59.0**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

32. SERBIA

Key reforms ahead

After a year of strong export-led growth, Serbia's economy is expected to slow down in 2014 before picking up again in 2015, driven by increased investment linked to the country's EU accession prospects and reforms. Early parliamentary elections, scheduled for mid-March, however, are delaying the implementation of key reforms. While exports are expected to remain robust, households consumption is poised to recover slowly, hampered by fiscal consolidation measures and low net employment creation.

Growth in 2013: stronger than expected

The exports driven growth accelerated strongly to 3.7% (y-o-y) in the third quarter, following an upward revision of data in the first two quarters to 3.0% and 0.6%. However, domestic demand remained weak with a steady fall in private consumption and more pronounced drop in investments. There was also a significant revision of 2012 data, in particular regarding growth of investments (from -3.4% to 14.4%), exports (from 4.5% to 1.8%) and imports (from 4.2% to 1.9%).

The robust economic performance is estimated to have continued in the last quarter of 2013, bringing the annual growth above 2%, higher than expected. Households consumption is likely to have stabilised in the last quarter of the year, but its recovery is poised to be slow and uneven, impeded by a weak labour market and bouts of fiscal consolidation efforts. The latter are also expected to keep public consumption growth negative throughout the forecast period.

Continuing rebalancing towards exports and investments...

The ongoing rebalancing of the economy away from consumption is expected to continue, with investments playing an increasingly important role. However, this process may be uneven as it is linked to pursuing the announced far-reaching structural reforms, which are subject to significant implementation risks.

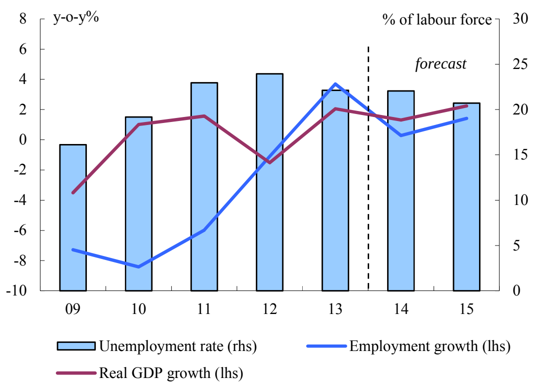
Base effects are expected to drive exports growth temporarily down in 2014 but improving external demand would be supporting an overall robust exports performance over the forecast horizon. The beginning of EU accession negotiations and increased membership prospects, supported by stronger FDI and reforms improving the business environment are foreseen to lead to a pronounced hike in investment activity, albeit from a very low level. Gross capital formation is also likely to be supported by higher government investments, after they have hit a bottom at 2.3% of GDP in 2013. In line with growing demand, imports are envisaged to slowly catch-up, turning the net exports contribution to growth slightly negative in the outer year of the forecast.

...but major hurdles ahead

The forecast assumes that Serbia would move on with the implementation of a number of already announced major structural reforms as of the second half of this year. However, the actual timing and sequencing of these reforms brings uncertainty to the forecast scenario, especially with regard to investments, labour market and budget performance.

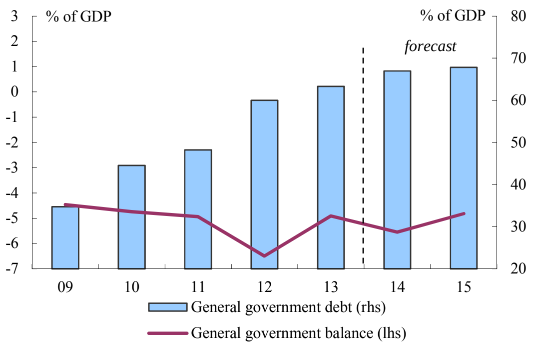
As economic activity strengthens, the labour market is foreseen to become more dynamic, although any gains in employment are likely to be largely offset by job losses in the public sector. As a result, the unemployment rate would remain very high. Discrepancies between different sources of data on the labour market have increased, as the Labour force survey registered a significant drop in unemployment, while registered unemployment continued to rise.

Graph II.32.1: **Serbia - Labour market**



Since early December, the dinar has depreciated slightly against the euro. Over the forecast horizon, it is expected to balance between medium-term appreciation pressures, related to increased portfolio and foreign direct investment inflows, and transient depreciation episodes linked to external factors or bouts of domestic policy uncertainty. Thus, it is likely to provide a major anchor for inflation expectations and, along with weak domestic demand, reduce inflation volatility. Despite solid exports growth, the space for improving the current-account deficit is expected to be exhausted by 2015, as domestic demand and imports start to slowly recover.

Graph II.32.2: **Serbia - Public finances**



Fiscal consolidation: still a long way to go

The 2013 budget deficit turned out below the revised budget target and much lower than expected in the autumn. Although revenue underperformed, significant across-the-board current and investment expenditure cuts have contained the overall deficit to an estimated 4.9% of GDP.

The 2014 budget foresees new consolidation measures, almost equally split between the revenue and expenditure side. A hiring freeze in the public sector would also contribute to containing expenditure pressures. However, higher interest and investment spending and social expenditure related to the envisaged restructuring of public enterprises are expected to keep total spending and the budget deficit high. Despite more prudent planning, there are also important downside risks to budget execution. The revenue-poor structure of growth and lower GDP deflator may threaten revenue collection and delaying key reforms could create additional risks to meeting the deficit target. Absent further consolidation measures, the deficit would remain high and, together with payments on bank recapitalisations and activated government guarantees, would be keeping government debt on an upward trajectory.

Table II.32.1:

Main features of country forecast - SERBIA

	2012		Annual percentage change						
	bn RSD Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	3348.7	100.0	-	1.0	1.6	-1.5	**2.1**	**1.3**	**2.2**
Private Consumption	2579.0	77.0	-	-0.9	-1.1	-1.8	**-1.6**	**-0.7**	**0.1**
Public Consumption	666.0	19.9	-	0.4	1.0	1.7	**-1.9**	**-1.4**	**-0.7**
Gross fixed capital formation	717.2	21.4	-	-5.5	8.4	14.4	**-8.7**	**6.7**	**11.2**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1348.3	40.3	-	15.3	3.4	1.8	**15.9**	**4.9**	**5.7**
Imports (goods and services)	1950.1	58.2	-	3.1	7.0	1.9	**2.1**	**2.6**	**4.9**
GNI (GDP deflator)	3260.6	97.4	-	0.3	1.5	-1.9	**1.6**	**0.9**	**1.9**
Contribution to GDP growth: Domestic demand			-	-1.7	0.8	1.6	**-3.5**	**0.5**	**2.3**
Inventories			-	-0.3	3.3	-2.8	**0.3**	**0.0**	**0.1**
Net exports			-	3.0	-2.5	-0.3	**5.2**	**0.7**	**-0.1**
Employment			-	-8.4	-6.0	-1.1	**3.7**	**0.0**	**0.8**
Unemployment rate (a)			-	19.2	23.0	23.9	**22.1**	**22.3**	**21.4**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	4.9	9.6	6.0	**6.3**	**4.5**	**5.0**
Consumer-price index			-	6.1	11.1	7.3	**7.9**	**4.3**	**5.0**
Terms of trade goods			-	-1.8	4.6	1.4	**1.3**	**-0.3**	**0.0**
Trade balance (c)			-	-17.1	-16.9	-18.5	**-12.5**	**-11.9**	**-11.8**
Current-account balance (c)			-	-7.6	-8.8	-10.6	**-4.9**	**-4.7**	**-4.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.7	-4.9	-6.5	**-4.9**	**-5.9**	**-5.2**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	44.5	48.2	60.0	**63.4**	**70.0**	**72.8**

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

33. TURKEY

Depreciation, monetary tightening and external rebalancing

Growth was somewhat faster than expected in 2013, but the outlook for economic activity over the next two years has deteriorated against the background of recent developments. Monetary conditions have tightened and the stock market has suffered a major correction. The lira's sharp depreciation is stoking inflation and curbing consumers' purchasing power, but should also help the economy to rebalance gradually towards external demand.

Domestic-demand based growth in 2013

Following a pronounced slowdown in 2012, Turkey's economy re-accelerated in the first half of 2013. This was helped by monetary policy accommodation and a relatively large increase in public spending, particularly investment. In the third quarter, the quarter-on-quarter growth slowed to 0.9% as public spending was reined in. Monthly data suggest a further moderate slowdown in the fourth quarter.

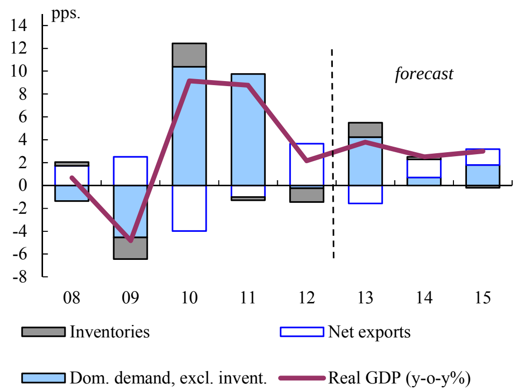
For 2013 as a whole, GDP growth is projected at 3.8%. Consumer spending – fuelled by sharply higher bank lending and substantial employment growth – made the largest contribution. Net exports of goods and services subtracted from overall growth due to a sharp turnaround in Turkey's trade in non-monetary gold related to international sanctions on Iran. Net imports of gold worth 1.4% of GDP widened Turkey's current-account deficit to 7.8% of GDP in 2013. In terms of GDP growth, gold imports were partly offset by the related positive contribution from inventories.

Depreciation and tighter financial conditions

Turkey's financial markets and the lira have been under strong downward pressure since May 2013 in the context of the Federal Reserve's tapering of asset purchases, two domestic political crises, and geo-political tensions related to the Syrian civil war. By mid-February, the yield on the two-year benchmark government note had risen by 600 basis points to close to 11% and the major index on the Istanbul stock exchange had fallen by 30%. The lira depreciated by 16.4% in real effective terms between April 2013 and January 2014.

In addition to heavy lira-supporting interventions in the foreign exchange market, the central bank has reacted to the market turmoil by tightening monetary policy. Following initial moves last summer towards a less accommodative monetary policy stance, the central bank took more aggressive action in January. The overnight lending rate was raised from 7.75% to 12% and the one-week repo rate was hiked from 4.5% to 10%. The central bank has signalled that it will maintain a tight monetary policy stance until there is a significant improvement in the inflation outlook.

Graph II.33.1: **Turkey- Real GDP growth and contributions**



Rebalancing towards external demand

Looking forward, final domestic demand will be significantly dampened by recent developments. The pass-through of the lira depreciation to domestic prices will reduce both private and public consumption in real terms. Consumer spending will also be hit by higher interest rates, recent macro-prudential measures to lower household borrowing, some indirect tax hikes, a negative wealth effect, and declining confidence. Business investment will be curbed by higher interest rates, by higher funding costs due the stock market correction, and by deteriorating balance sheets for companies with debt in foreign exchange.

On the external side, the lira's depreciation will improve the international price competitiveness of Turkish goods and services, thereby re-directing economic activity towards exports and import-substituting output. This, combined with the recovery in Turkey's export markets, will gradually offset the reduction in domestic demand growth and lead to some rebalancing of the economy.

Slower growth, higher inflation, but a smaller current-account deficit

In 2014, the economy is projected to continue the slowdown already noticeable in the second half of 2013. The annual GDP growth rate is projected at 2.5% with net exports starting to contribute positively. In 2015, growth is expected to increase to 3.0% as domestic demand recovers gradually. Considering the domestic political uncertainty and the possibility of a further sell-off in Turkish financial assets in context of a normalisation of monetary conditions in developed markets, the risks to this growth projection are biased to the downside.

Annual inflation will be pushed up to 8.7% in 2014 spurred mainly by the pass-through from the recent currency depreciation, but also by some adjustments of indirect taxes. When these effects peter out, below-potential output growth will help to lower inflation somewhat. Nevertheless, in view of the current inflation expectations, the inflation rate is projected to remain significantly above the central bank's 5% medium-term target throughout the forecast period.

Employment growth already slowed in the second half of 2013. Given the structural increase of the labour force, the unemployment rate is projected to rise to 10.5% in 2014 before levelling off. The lira depreciation and the rebalancing of the economy are projected to narrow the current-account deficit gradually to 4.4% of GDP by 2015.

Public debt ratio raised by the depreciation

In 2013, the fiscal deficit of general government was held in check by surging revenues partly resulting from earlier changes to indirect taxation and the social security regime. The forecast projects the deficit to widen to almost 3% of GDP in 2014 due to much slower revenue growth. Some narrowing of the deficit is forecast for 2015 when economic activity and revenue growth pick up again. The debt ratio of general government has suffered from the recent lira depreciation which has increased the book value of foreign currency debt. This, in conjunction with the upwardly revised deficit projection, implies a stabilisation of the debt ratio around 36% of GDP rather than a continued downward trend as previously forecast.

Table II.33.1:

Main features of country forecast - TURKEY

		2012		Annual percentage change						
	bn TRY	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		1415.8	100.0	3.2	9.2	8.8	2.2	**3.8**	**2.5**	**3.0**
Private Consumption		994.3	70.2	3.5	6.7	7.7	-0.6	**4.2**	**0.0**	**1.2**
Public Consumption		210.2	14.8	4.1	2.0	4.7	6.1	**5.1**	**3.2**	**2.7**
Gross fixed capital formation		286.9	20.3	2.1	30.5	18.0	-2.7	**3.4**	**1.3**	**3.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		373.2	26.4	7.8	3.4	7.9	16.7	**0.7**	**7.4**	**9.0**
Imports (goods and services)		446.1	31.5	6.3	20.7	10.7	-0.3	**6.9**	**0.7**	**3.3**
GNI (GDP deflator)		1403.0	99.1	3.2	9.6	8.7	2.3	**3.5**	**2.4**	**2.9**
Contribution to GDP growth:	Domestic demand			3.5	10.4	9.8	-0.2	**4.2**	**0.7**	**1.8**
	Inventories			-0.2	2.7	0.0	-1.2	**1.1**	**0.2**	**-0.2**
	Net exports			0.1	-4.0	-1.0	3.6	**-1.6**	**1.6**	**1.4**
Employment				0.9	6.2	6.7	3.0	**3.0**	**2.0**	**2.7**
Unemployment rate (a)				8.3	11.9	9.8	9.2	**9.8**	**10.5**	**10.4**
Compensation of employees / head				38.8	7.0	-2.1	11.8	**10.7**	**7.8**	**8.1**
Unit labour costs whole economy				35.7	4.1	-3.9	12.7	**9.9**	**7.3**	**7.8**
Real unit labour cost				-2.8	-1.5	-11.5	5.5	**4.2**	**-0.1**	**-0.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				39.9	5.7	8.6	6.8	**5.4**	**7.4**	**8.1**
Consumer-price index				-	8.6	6.5	8.9	**7.5**	**8.7**	**7.4**
Terms of trade goods				-0.9	-3.2	-4.4	-1.1	**-0.3**	**-0.5**	**1.7**
Trade balance (c)				-5.3	-7.8	-11.3	-8.1	**-9.6**	**-8.8**	**-6.8**
Current-account balance (c)				-2.1	-6.3	-9.5	-5.9	**-7.8**	**-6.5**	**-4.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-6.3	-9.5	-5.9	**-7.8**	**-6.5**	**-4.4**
General government balance (c)				-	-2.9	-0.8	-1.5	**-1.6**	**-2.9**	**-2.5**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	43.1	39.9	36.2	**36.0**	**36.7**	**36.2**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

Other non-EU Countries

34. THE UNITED STATES OF AMERICA
Recovery gathering momentum

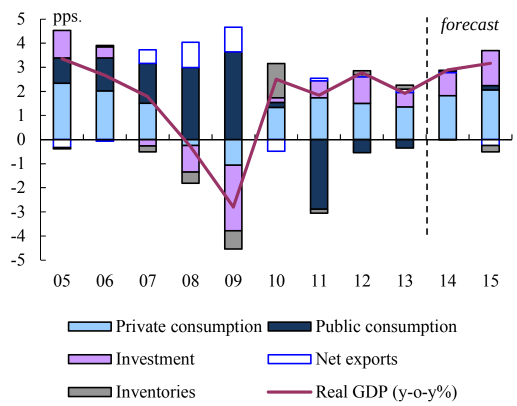
The outlook for the US economy has improved since the autumn forecast, as the negative impact of last October's budget crisis proved much less severe than expected and the recent budget and debt ceiling agreements dissipated fiscal policy uncertainty, boosting confidence. Growth is now expected to climb from 1.9% in 2013 to 2.9% this year and 3.2% next year, 0.3 pp. and 0.1 pp. higher than previously forecast, reflecting the waning fiscal drag, firming investment and a steady housing market recovery.

Recovery firming amid waning fiscal drag and continued support from monetary policy

Economic activity in the US is gathering momentum as the headwinds from fiscal policy wane and household consumption gains speed, benefitting from robust job creation, recovering house prices and buoyant stock markets. Over the forecast horizon, the recovery is expected to consolidate and broaden to encompass business investment, which has yet to recover to pre-crisis levels. With the continued support of near-zero interest rates and firming external demand, this should reinforce virtuous circles between construction activity, household spending and employment expansion, bringing GDP growth back to around potential by 2015.

Real GDP growth strengthened to 1.0% q-o-q in the third quarter and 0.8% in the fourth despite significant fiscal drag and uncertainty related to the government shutdown and the debt-ceiling standoff in October. Growth in the second half of the year was driven by private consumption, sizeable inventory investment (third quarter) and net exports (fourth quarter).

Graph II.34.1: **US - Real GDP growth and contributions**



The brighter outlook for the US economy combined with still subdued inflation led the Fed in December to decide to gradually reduce its asset purchases from January, with a view of finishing the programme by the end of 2014. The decision to unwind quantitative easing was complemented by reinforced forward guidance on the interest rate which is now likely to remain near-zero "well past the time that the unemployment declines below 6½%". Most recent Fed projections would therefore suggest that the federal funds rate is unlikely to be raised before 2015.

An increasingly broad-based recovery

Private consumption accelerated gradually in the course of the year to 0.6% q-o-q in the fourth quarter (the fastest rate in three years). This is in line with rising consumer confidence, which recovered quickly after a temporary shake-up in the autumn linked with the fiscal policy uncertainty. Consumption is projected to gather speed in 2014 and 2015 underpinned by the steady recovery of the labour and housing market and robust household incomes.

Government spending continued to weigh down on GDP, subtracting 0.4 pp. from growth in 2013 as a whole, as tax increases imposed by the fiscal-cliff-deal interacted with sequestration-related expenditure cuts to produce the second-steepest consolidation in post-war history. However, headwinds from fiscal policy are expected to wane over the forecast horizon, with fiscal consolidation easing to less than 1% of GDP in 2014 and 0.5% in 2015 in terms of headline balances. Moreover, thanks to the recent budget and debt ceiling deals, the policy outlook has become much clearer. Nevertheless, the debt-to-GDP ratio will continue to exceed 100% over the forecast horizon.

Business investment remained feeble throughout 2013, expanding by a mere 2.6%, the weakest since 2010, likely depressed by continued monetary and fiscal policy uncertainty and severe federal spending cuts. As this uncertainty recedes, investment is expected to gradually accelerate to rates more than double the GDP growth – driven by expanding domestic and external demand.

Despite continuously rising home prices, construction activity and property sales stalled in the summer of 2013, as rising mortgage rates began to curb demand. Momentum in the sector resumed towards the end of the year, but housing investment posted its first negative growth contribution in the fourth quarter in more than three years. Going forward, activity and sales are expected to gradually resume their robust pace, supported by historically low inventory levels, steady population growth and progress in household deleveraging, as mortgage debt (as a share of disposable income) fell by 23 pps. from its early-2009 peak until the third quarter.

Falling unemployment and participation rates

The labour market continued its recovery throughout 2013, but job growth weakened markedly in December (partly due to harsh weather conditions) and in January 2014. The unemployment rate continued to fall, reaching 6.6% in January 2014 (the lowest since October 2008). However, this reduction occurred against the background of persistently low and falling labour force participation, predominantly due to demographic reasons. Employment is expected to advance in 2014 and 2015, driving the unemployment rate down, amid a mild cyclical recovery in labour participation (from 2015).

Inflationary pressures remain subdued

Headline consumer inflation fell to a four-year low in October (0.7 and 1.0% for the PCE deflator and the CPI, respectively). While consumer prices accelerated somewhat since then, inflation remains well below the Fed's 2% target and is not expected to reach it until mid-2015. Real wages remained subdued in 2013, rising by a mere 1.5%, but are projected to pick up gradually over the forecast horizon in line with the shrinking labour market slack.

Some downside risks prevail

Recently observed weaker dynamics in the labour and housing market could have partly been weather-related, but also raise some uncertainty about the underlying strength of the economic recovery. If these concerns persist, they could spill over to household confidence and consumption and contribute to a more gradual recovery than currently expected.

Table II.34.1:
Main features of country forecast - USA

		2012		Annual percentage change						
		bn USD Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		16244.6	100.0	2.6	2.5	1.8	2.8	**1.9**	**2.9**	**3.2**
Private Consumption		11149.6	68.6	3.0	2.0	2.5	2.2	**2.0**	**2.7**	**3.0**
Public Consumption		2548.0	15.7	1.8	0.1	-2.7	-0.2	**-2.1**	**-0.2**	**1.1**
Gross fixed capital formation		3028.1	18.6	2.7	1.1	3.4	5.5	**3.3**	**5.2**	**7.8**
of which: equipment		1063.3	6.5	4.1	12.8	9.6	6.3	**2.4**	**6.3**	**8.0**
Exports (goods and services)		2195.9	13.5	4.7	11.5	7.1	3.5	**2.8**	**6.2**	**5.7**
Imports (goods and services)		2743.1	16.9	5.5	12.8	4.9	2.2	**1.4**	**4.7**	**6.3**
GNI (GDP deflator)		16497.5	101.6	2.8	2.9	2.2	2.7	**1.9**	**2.9**	**3.2**
Contribution to GDP growth:	Domestic demand			2.9	1.6	2.0	2.5	**1.6**	**2.8**	**3.8**
	Inventories			-0.1	1.4	-0.2	0.1	**0.2**	**0.0**	**-0.3**
	Net exports			-0.2	-0.5	0.1	0.1	**0.1**	**0.1**	**-0.2**
Employment				0.8	-0.6	0.6	1.8	**1.0**	**1.5**	**1.6**
Unemployment rate (a)				5.4	9.6	8.9	8.1	**7.4**	**6.5**	**5.8**
Compensation of employees / f.t.e.				3.6	2.8	3.1	2.1	**1.7**	**2.4**	**3.2**
Unit labour costs whole economy				1.8	-0.3	1.8	1.1	**0.8**	**1.0**	**1.5**
Real unit labour cost				-0.3	-1.5	-0.2	-0.6	**-0.7**	**-0.5**	**-0.3**
Saving rate of households (b)				10.3	11.3	11.1	10.9	**9.4**	**9.2**	**9.1**
GDP deflator				2.0	1.2	2.0	1.7	**1.5**	**1.5**	**1.8**
Consumer-price index				2.5	1.6	3.1	2.1	**1.5**	**1.6**	**1.9**
Terms of trade goods				-0.2	-1.6	-1.1	-0.1	**0.9**	**-0.1**	**-0.4**
Trade balance (c)				-4.1	-4.5	-4.9	-4.7	**-4.3**	**-4.1**	**-4.3**
Current-account balance (c)				-3.5	-3.3	-2.6	-2.6	**-2.3**	**-2.1**	**-2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.5	-3.3	-2.6	-2.6	**-2.3**	**-2.1**	**-2.3**
General government balance (c)				-3.8	-12.0	-10.6	-9.2	**-6.2**	**-5.4**	**-4.8**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				64.5	95.2	99.4	102.7	**103.8**	**104.8**	**104.5**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

(*) Employment data from the BLS household survey.

35. JAPAN
A bumpy road ahead

Japan's economy is expected to sustain its current rate of growth in 2014 thanks to continued monetary expansion and fiscal stimulus. Fiscal policy decisions have the potential to cause some variability in the near term, while in the medium term, additional consolidation measures and the uncertainty surrounding structural reforms are expected to dampen growth in 2015.

Short-term dynamics driven by fiscal policy measures

The near-term outlook is largely driven by announced fiscal policy changes. Private consumption is expected to support growth on the back of the front-loading of expenditure ahead of the consumption tax hike in April 2014. A similar consumption pattern should materialise before the expected October 2015 tax hike. The negative growth effects from the 2014 tax hike should be partly offset by a ¥5.5 tn (around 1% of GDP) stimulus package expected to support private and public investment and low-income earners. Over the forecast horizon uncertainty surrounding structural reforms may hold back private non-residential investment, whilst households may scale down consumption should wage growth fail to pick up consistently.

Monetary policy remains accommodative

Japan's accommodative monetary stance has remained unchanged since the inception of the Bank of Japan's Quantitative and Qualitative Monetary Easing in April 2013. Monetary policy and financial conditions are expected to remain broadly supportive over the forecast horizon. Average lending rates are below 1% and persist on a mildly downward trend despite rising inflationary pressures, while lending volumes keep growing.

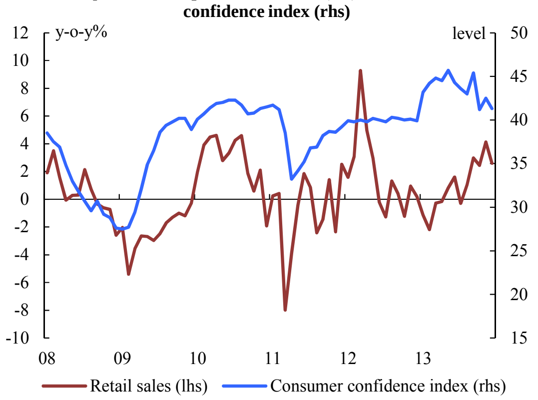
Regarding inflation, 'core-core' CPI inflation (excluding food and energy) is trending upward (0.7% y-o-y in December, after 0.6% in November), and both survey- and market-based measures of inflation expectations support further inflationary pressures ahead. Front-loaded consumption in the run-up to April's tax hike and tightening labour market conditions should maintain upward pressure on prices. Total cash earnings are expected to gradually pick up over the medium term and prop up CPI inflation towards the stated inflation target of 2%.

Continued subdued real income growth in conjunction with the scheduled consumption tax hikes represents however a tangible downside risk to the effectiveness of ongoing reflationary efforts.

Private consumption is being front-loaded…

High-frequency indicators point to an acceleration in private consumption in anticipation of the April tax hike. Retail sales ended the year on an upward momentum, reaching their highest level since 2001 on an annual basis. Consumer confidence remains relatively strong, but has been trending downward recently.

Graph II.35.1: **Japan - Retail sales (lhs) and consumer confidence index (rhs)**



Source: METI; Cabinet Office

Labour market conditions are improving steadily and are expected to remain tight. However nominal wages remain sticky and have failed to significantly pick up so far. Total cash earnings should gradually accelerate and underpin private consumption in the medium term. But the basic wage component is likely to remain stickier for some time due to reluctance of employers to permanently raise labour costs. The recent downward trend in consumer confidence may reflect a concern that the April tax hike will further depress real incomes in the absence of higher wage growth. This corroborates the expected slump in private consumption in the second quarter of 2014.

...but the outlook for investment and net exports remains uncertain

Private non-residential investment picked up over the last three quarters of 2013, and investment conditions remain favourable, with restored corporate profitability buoyed by the weaker yen, and continued ultra-loose financial conditions. Machinery orders are on a near-term upward trend, which supports the view that business investment recovery is ongoing and should firm up over the coming quarters. Residential investment should remain resilient in the run-up to April's tax hike, before being scaled back in its immediate aftermath and gradually recover in the run-up to the October 2015 tax hike. Public investment is expected to remain sustained over the forecast horizon underpinned by fiscal stimulus measures.

Net exports contributed positively to growth over the first two quarters of 2013 (0.5% and 0.3% respectively), but sluggish exports to Asia (excl. China) and resilient energy imports implied a negative growth contribution in the second half of the year. Exports are expected to keep recovering in the near term, in line with latest survey indicators on export orders. In the medium term exports are expected to gradually improve on the back of ongoing recovery in the US and EU economies, and robust demand from China. Imports should also remain sustained on the back of continued resilience of fossil fuel imports, with imports of consumer goods possibly impacted by the scaling back of households' consumption decisions in the aftermath of April's tax hike. Overall net exports should add to growth over the forecast horizon as export demand is expected to gather pace and fully adjust to restored export competitiveness.

Risks remain elevated

Uncertainty surrounding the scope and depth of structural reform measures to be expected over the forecast horizon may drag on investment decisions ahead, and weigh on productivity growth. Continued negative or anaemic real wage growth would squeeze households' disposable incomes over the forecast horizon, with negative effects on consumption and inflation. On the external side, slower than expected recovery in the US and the EU and deterioration in Japan-China bilateral trade potentially spurred by a slowdown in the Chinese economy remain possible downside risks.

Table II.35.1:
Main features of country forecast - JAPAN

	2012				Annual percentage change					
	bn JPY	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		473777.1	100.0	0.6	4.7	-0.5	1.4	**1.6**	**1.6**	**1.3**
Private Consumption		287696.8	60.7	0.9	2.8	0.3	2.0	**2.0**	**0.5**	**0.6**
Public Consumption		96940.4	20.5	2.2	1.9	1.2	1.7	**2.1**	**1.5**	**0.9**
Gross fixed capital formation		100067.7	21.1	-1.4	-0.2	1.4	3.4	**2.7**	**5.2**	**2.5**
of which: equipment		-	-	0.6	2.6	3.4	-	**-**	**-**	**-**
Exports (goods and services)		69774.8	14.7	3.5	24.4	-0.4	-0.1	**1.6**	**3.4**	**4.0**
Imports (goods and services)		79156.5	16.7	3.0	11.1	5.9	5.3	**3.4**	**4.5**	**2.2**
GNI (GDP deflator)		488821.9	103.2	0.7	4.6	0.0	1.5	**2.1**	**2.0**	**1.6**
Contribution to GDP growth:	Domestic demand			0.5	2.0	0.7	2.3	**2.2**	**1.7**	**1.1**
	Inventories			-0.1	0.9	-0.2	0.1	**-0.3**	**0.2**	**0.0**
	Net exports			0.2	1.7	-0.9	-0.9	**-0.3**	**-0.3**	**0.2**
Employment				-0.2	-0.4	-0.2	0.0	**0.4**	**0.5**	**0.3**
Unemployment rate (a)				4.3	5.1	4.6	4.3	**4.0**	**3.8**	**3.8**
Compensation of employees / head				-0.6	0.4	0.6	-0.1	**0.0**	**1.5**	**0.9**
Unit labour costs whole economy				-1.5	-4.5	0.8	-1.6	**-1.1**	**0.4**	**-0.2**
Real unit labour cost				-0.5	-2.4	2.7	-0.6	**-0.6**	**-1.3**	**-1.4**
Saving rate of households (b)				12.1	8.7	9.0	7.8	**6.7**	**5.8**	**5.1**
GDP deflator				-0.9	-2.2	-1.9	-0.9	**-0.6**	**1.7**	**1.2**
Consumer-price index				0.0	-0.7	-0.3	0.0	**0.4**	**2.5**	**1.2**
Terms of trade goods				-2.2	-7.0	-8.8	-1.9	**-1.8**	**-1.8**	**0.0**
Trade balance (c)				2.2	1.7	-0.3	-1.2	**-1.9**	**-2.4**	**-2.2**
Current-account balance (c)				2.9	3.7	2.0	1.0	**0.7**	**0.5**	**1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.8	3.6	2.0	1.0	**0.6**	**0.5**	**1.0**
General government balance (c)				-5.6	-8.3	-8.8	-8.7	**-9.0**	**-7.5**	**-6.2**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				149.7	216.0	230.3	238.0	**244.7**	**244.9**	**245.7**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

36. CHINA

Steady growth, but risk factors remain significant

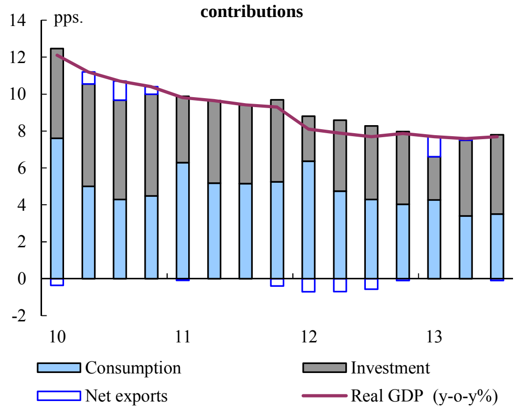
China's economy continues to grow rapidly, expanding by 7.7% in 2013, almost the same rate as in 2012 (7.8%). Nevertheless, there are rising concerns as the shift in composition of demand away from investment and towards consumption observed in 2012 was reversed during 2013. Warning signals have also emerged from the financial sector which has seen rapid credit growth and several recent spikes in inter-bank interest rates. Therefore, while high frequency indicators remain steady, and the short-term forecast is unchanged at 7.4% for both 2014 and 2015, underlying risks remain significant.

A return to investment-led growth in 2013

China's economy grew by 7.7% in 2013, compared to 7.8% growth in 2012. After a soft patch in the first half of the year, high frequency indicators picked up after the summer and the second half of the year saw a high degree of stability in the most commonly watched measures of activity, with retail sales, industrial production and PMI measures all moving in a narrow range. This pattern was reflected in the quarterly GDP readings, with a slightly weaker second quarter outturn of 7.5% (y-o-y) followed by 7.8% growth in the third quarter, and 7.7% in the fourth quarter. Inflation remained relatively subdued throughout 2013, though has edged up in recent months, to stand at around 3%.

The weakening of the economy in the early part of year, and the subsequent return to higher growth in the second half of the year, reflects significant developments in the composition of growth. During 2012 consumption had provided a somewhat larger contribution to growth than investment. This pattern, consistent with a "rebalancing" of China's growth model away from investment, persisted into the first quarter of 2013 with consumption providing 4.2 pps. of growth while investment proved extremely weak, contributing just 2.3 pps. Only an unusually large positive contribution from net exports kept the overall growth rate over 7% in the first quarter. The rest of the year however saw a marked shift in the pattern of growth and a return to investment led growth. Investment sharply increased its weight to 4.1 pps. of growth in the second and to 4.3 pps. in the third quarter, while consumption contributed somewhat less, at 3.4 pps. in the second and 3.5 pps. in the third quarter. After the positive first quarter, net exports made a negligible contribution to growth during the rest of 2013, held back in part by a rise in the RMB real effective exchange rate of 7% over the year, alongside sluggish growth in world trade volumes.

Graph II.36.1: **China - Real GDP growth and contributions**



Outlook stable, but risks are rising

During 2014 and 2015 a return to the modest rebalancing of demand seen in 2012 is expected, with slower investment growth and consequently slightly lower growth of GDP. Consumption growth is expected to remain fairly firm as nominal wage growth is picking up after a fall in 2012, real interest rates on household deposit holdings are fairly stable, and policy initiatives to raise consumption remain a political priority. The external sector however is likely to remain under pressure due to overall still relatively moderate recovery in many advanced economies, as well as the effects of appreciation of the RMB. The impact of recent financial turmoil on demand from other emerging markets remains to be seen, but the risks appear mainly on the downside.

While investment growth appears robust, there are major underlying concerns about sustainability. Not only is China's share of investment in GDP still extremely high (close to 50%), but in recent years China has also seen a surge in real estate investment, very rapid credit growth, and an increasing share of new credit coming from outside the traditional banking system (largely securitised loans). Important concerns remain regarding the implicit guarantees underpinning lending via securitised trust loans mediated by large banks. A significant fraction of such loans are due for repayment over the forecast horizon, and there are doubts about the quality of some of the underlying assets.

Increased signs of financial stress

Monetary policy remained accommodative throughout the early part of 2013, with inter-bank rates at around 3%, but mid-year saw an important turning point, with inter-bank interest rates spiking sharply in June to above 10%. Inter-bank rates fell subsequently on intervention by the People's Bank of China, but remain somewhat above the level seen in the first half of the year, at well over 4%. Further smaller spikes in inter-bank rates were seen in both December 2013 and January 2014.

Concerns over solvency and liquidity risks linked to excess investment and credit growth are not new, but have heightened during 2013, and the outlook hinges to some extent on how the need to curb a build-up of credit risk will be balanced with the short-term growth targets. A more rapid rise in household consumption could offset a slowdown in investment, but a smooth rotation of demand is challenging given the relative shares of investment and consumption in GDP. Reforms to raise the household share of national income and thus boost consumption do not yet seem to have had much sustained traction at the macroeconomic level.

China's real GDP is projected to continue to grow at just under 7.5% for 2014 and 2015. This reflects the view that China will gradually adjust to a lower trend growth rate, with lower investment growth and higher consumption growth, without a major slowdown. However, while some global risks linked to advanced economies have become more balanced, risks in other emerging markets have become more pronounced. Moreover, domestic downside risks from the financial sector appear to have been heighted, and the potential difficulties of achieving a successful rebalancing of demand are evident.

Table II.36.1:
Main features of country forecast - CHINA

	2012		Annual percentage change						
bn CNY	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	51932.2	100.0	10.3	11.6	9.4	7.8	**7.7**	**7.4**	**7.4**
Consumption	19042.4	36.0	-	-	-	-	-	-	-
Gross fixed capital formation	24175.7	45.7	-	-	-	-	-	-	-
Exports (goods and services)	14192.4	26.8	16.3	27.8	8.9	5.2	**4.1**	**6.0**	**7.0**
Imports (goods and services)	12729.2	24.1	15.3	20.1	10.1	6.2	**4.4**	**6.3**	**7.3**
GNI (GDP deflator)	-	-	-	-	-	-	-	-	-
Contribution to GDP growth: Domestic demand			-	-	-	-	-	-	-
Inventories			-	-	-	-	-	-	-
Net exports			-	-	-	-	-	-	-
Employment			1.0	-	-	-	-	-	-
Unemployment rate (a)			3.6	4.1	4.1	4.1	-	-	-
Compensation of employees / head			-	-	-	-	-	-	-
Unit labour costs whole economy			-	-	-	-	-	-	-
Real unit labour cost			-	-	-	-	-	-	-
Saving rate of households (b)			-	-	-	-	-	-	-
GDP deflator			5.4	2.4	7.3	2.4	**3.0**	**3.0**	**3.0**
Consumer-price index			4.9	3.3	5.4	2.6	**2.6**		
Terms of trade goods			-	-	-	-	-	-	-
Merchandise trade balance (c)			3.0	4.3	3.5	3.8	**2.9**	**3.4**	**3.5**
Current-account balance (c)			3.5	4.0	1.9	2.3	**2.6**	**2.7**	**2.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	-	-	-
General government balance (c)			-	-	-	-	-	-	-
Cyclically-adjusted budget balance (c)			-	-	-	-	-	-	-
Structural budget balance (c)			-	-	-	-	-	-	-
General government gross debt (c)			-	-	-	-	-	-	-

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

37. EFTA

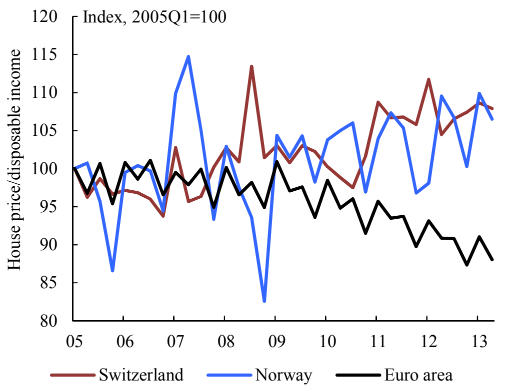
Outperformance comes with a risk

The EFTA region continues to outperform the EU by a sizeable margin with both Norway and Switzerland benefiting from strong domestic demand and growing trade. Any change in risk perceptions, however could jeopardise these countries' success.

In both Switzerland and Norway, the competitiveness of the domestic economy outside the best-performing sectors has deteriorated as a consequence of low productivity growth and high wage increases alongside appreciation of the national currency. From 2001 to 2012, the real effective exchange rate, based on unit labour costs, appreciated by 7.9% annually in Norway and by 6.0% in Switzerland while for the simple average of the euro area was 5.1%. The disparity with the euro area and an average of OECD countries has become particularly large since 2008.

Both Norway and Switzerland see a division between the more and the less successful parts of the economy. In Norway there is the obvious divide between the off- and the on-shore sectors. At the same time, the disparity in unemployment developments between regions like Zurich and Ticino since 2009 is bigger than between the best and worst performing in Norway.

Graph II.37.1: **Developments in house prices vs. disposable income**



The effect of lose monetary policy and capital inflows on the housing market continues to be a concern. Credit to households has risen to high levels in both countries. On the asset side of households there has been strong wealth creation through increasing house prices. The rise in house prices has outpaced growth in disposable income as shown in graph II.37.1. Regardless of the high volatility, which is partly due to the data not being seasonally adjusted, there is a clear upward trend in both countries. Conversely, for the euro area as a whole, the trend has been to the downwards since the global economic and financial crisis.

Switzerland

Since the autumn forecast, the economic projections for Switzerland have become slightly more benign. The estimation for GDP growth in 2013 has been revised upwards after surprisingly positive figures for the third quarter of 2013. These GDP growth figures also showed a broad based growth. Although indications are for a moderation in the fourth quarter of 2013, the expectation is that this year and next, the Swiss economy will grow above its potential output growth rate. This is the result of continued robust growth in domestic demand and an increasing contribution from net trade.

Still, growth is mostly demand driven and comes at a time of strong immigration and loose monetary conditions. The comparison between real GDP growth and real GDP growth per capita gives an indication of the strength of the labour force growth. The recovery of real GDP per capita to the 2008 level took indeed four years while real GDP more than recovered after a year. One major concern is that labour productivity growth has not kept pace with these demand developments. Most forecasters currently suggest potential growth of Switzerland to be around or just under 2.0%. However, hourly labour productivity growth decreased from an average of 0.8% annually since 1999 to -0.2% since 2008. The current situation seems neither supportive of further high labour growth nor of further increases in capital inflows through heightened risk aversion within the developed markets portfolio of investors. Productivity growth will hence be key to maintaining high economic growth.

Norway

The expectation at the time of the autumn forecast that the growth dip registered end 2012 and early 2013 was temporary, has come true. However, the recovery was not as speedily as expected, in particular in fixed investment and exports. As a consequence, estimated GDP growth for 2013 has been revised downwards. The outlook for 2014 and 2015 is more favourable on the back of increased expectations for export growth. The new government has presented amendments to the budget that are slightly more expansionary. Monetary policy is accommodative although the tightening of capital requirements is a welcome counterbalance. Off-shore investment will continue to provide an impetus, albeit at a moderated pace, to manufacturing production but the competitiveness of traditional manufacturing will, in parallel, come under further pressure. Private consumption demand will feel the strain from less wealth effects stemming from house price developments that appear to have reached a high in 2013.

Real estate developments in Norway have gone through two phases until 2013. First, between mid-2007 and mid-2009 banks have increased total credit by around 15% of mainland GDP of which a large part to households, while house prices fell by about 15% relative to disposable income. Banks' balance sheets were thus expanded at a time when the value of houses was falling in a context of declining interest rates. As a consequence, housing had become more affordable. This created room for house price increases even if banks' balance sheets had deteriorated. When in the second phase, from mid-2009, house prices started to rise faster than disposable income, this was supported by an increasing share of credit to households on banks' balance sheets in a low interest rate environment.

The biggest risk to the Norwegian economy is now for a rise in interest rates to coincide with a housing market that already started to cool down in anticipation of increases in capital requirements. Moreover, the net asset value of certain groups of home owners is now relatively highly exposed to changes in housing prices and interest rate developments.

Table II.37.1:
Main features of country forecast - EFTA

		Norway					Switzerland				
(Annual percentage change)		**2011**	**2012**	**2013**	**2014**	**2015**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP		1.3	2.9	1.3	2.7	2.6	1.8	1.0	1.8	2.1	2.2
Private Consumption		2.6	3.0	2.4	1.7	1.6	1.1	2.4	2.2	2.0	1.8
Public Consumption		1.1	1.8	2.2	2.0	1.9	1.2	3.2	2.2	1.0	1.0
Gross fixed capital formation		7.7	8.3	5.9	3.9	3.5	4.5	-0.4	1.1	0.8	1.3
of which: equipment		6.9	2.3	9.5	5.0	3.5	7.7	1.7	3.5	1.2	1.2
Exports (good and services)		-0.7	1.1	-1.7	3.9	5.7	3.8	2.5	1.9	4.5	4.1
Imports (goods and services)		3.8	2.3	2.6	3.0	5.3	4.2	3.1	1.8	4.1	3.2
GNI (GDP deflator)		0.7	4.3	1.3	2.7	2.6	-3.4	3.1	2.2	2.4	2.5
Contribution to GDP growth:	Domestic demand	2.8	3.2	2.7	2.0	1.8	1.6	1.6	1.8	1.4	1.4
	Inventories	-0.1	-0.1	0.0	0.0	0.0	-0.1	-0.6	-0.2	0.0	0.0
	Net exports	-1.4	-0.2	-1.4	0.7	0.8	0.2	0.0	0.2	0.6	0.8
Employment		1.6	2.2	1.3	1.1	1.2	2.4	1.5	1.5	1.0	1.1
Unemployment rate (a)		3.2	3.1	3.2	3.3	3.5	3.8	3.9	3.5	3.5	3.0
Compensation of employee/head		4.9	4.1	4.3	4.1	5.2	1.5	1.8	1.2	1.1	1.1
Unit labour cost whole economy		5.2	3.4	4.4	2.6	3.8	2.2	2.2	0.9	0.1	0.0
Real unit labour cost		-1.4	0.6	2.5	0.3	0.9	1.8	2.1	-1.4	-3.1	-3.5
Saving rate of households (b)		12.3	13.7	14.7	16.2	18.6	18.1	23.4	22.5	22.0	22.2
GDP deflator		6.7	2.8	1.8	2.2	2.8	0.4	0.1	2.3	3.3	3.7
Harmonized index of consumer prices		1.2	0.4	1.5	1.9	1.9	0.1	-0.7	0.0	1.1	1.1
Terms of trade goods		13.8	2.2	-1.5	-0.8	1.1	-2.0	-0.4	0.6	2.2	2.1
Trade balance (c)		13.9	13.8	12.1	12.5	13.1	2.5	2.6	2.7	3.5	4.5
Current account balance (c)		13.1	14.1	11.9	12.0	12.7	10.5	12.3	12.7	14.1	15.5
Net lending (+) or borrowing (-) vis-a-vis ROW		13.1	14.0	11.9	12.0	12.7	10.2	12.9	12.7	13.9	15.2
General government balance (c)		13.4	13.8	13.5	13.1	12.9	0.7	0.5	0.0	-0.4	-0.9
Cyclically adjusted budget balance (c)		-	-	-	-	-	-	-	-	-	-
Structural budget balance (c)		-	-	-	-	-	-	-	-	-	-
General government gross debt (c)		28.7	27.8	27.4	26.4	24.9	35.2	34.7	34.0	33.3	33.0

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

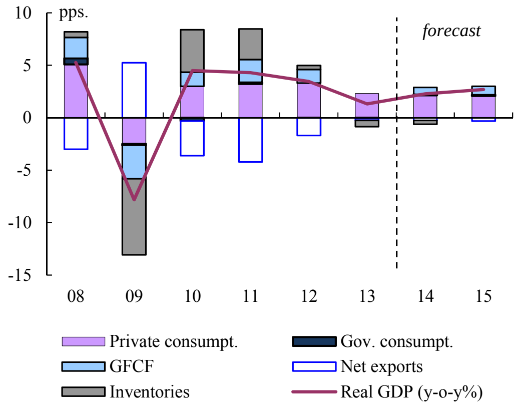
38. RUSSIAN FEDERATION
Boosting investment remains a challenge

Russia recovered briskly after the financial crisis of 2008-09, but the pace of growth has since slowed, reflecting both domestic and external weaknesses, such as the economy's over-reliance on commodity exports, low investment, and lagging competitiveness. GDP growth dropped from 3.4% in 2012 to 1.3% in 2013 but is expected to recover to around 2.3% in 2014 and 2.7% in 2015.

Weak performance in 2013

Real GDP growth slowed to reach 1.2% y-o-y in the third quarter of 2013, and 1.3% for the year as a whole. Economic growth was weighed down by slowing private consumption, which decelerated from close to 8% growth in 2012 to below 5% in 2013. However, the biggest negative surprise came from private investment, which contracted by 0.3% in 2013, compared to 6.4% growth in 2012. Completion of large infrastructure projects carried out by state owned companies (facilities for the Winter Olympic Games in Sochi, the North Stream pipeline) added to this slump.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Trade has followed a trend of import growth exceeding that of exports, although the gap seems to be closing with the growth of exports picking up to 3.8% in 2013 (from 1.4% in 2012) and growth of imports declining from 8.8% in 2012 to 5.9% in 2013.

Fiscal and monetary policy

As half of the federal budget revenues come from oil and gas related sources, the Russian economy remains vulnerable to developments in oil prices. The fiscal rule, which bases spending plans on the long-term average oil price and caps the budget deficit at 1% of GDP, has so far not led to a significant reduction in the non-oil deficit. The latter decreased marginally in 2013 to 10.1%, from 10.5% in 2012.

A shift in the monetary policy strategy to inflation targeting and a floating exchange rate is to be completed by 2015. To increase exchange rate flexibility, the Central Bank of Russia (CBR) announced in January 2014 the end of "targeted" intervention (aimed at neutralizing the volatility in exchange rate arising from the external environment), while "non-targeted" interventions (aimed at non-fundamental factor driven fluctuations) would still remain. After falling to 6.1% in September, inflation has picked up slightly in recent months, reaching 6.5% in December 2013, exceeding the CBR target range of 5-6% for 2013.

A moderate pickup ahead

The prospect for 2014 is a moderate pick-up in growth, reflecting both an improving global outlook and positive expectations for the domestic economy – as measured by a rising composite Russian PMI at 52.5 in December 2013 (the highest level since March 2013).

Household consumption growth is expected to remain strong, albeit moderating slowly due to a slightly negative trend in employment and an increasing household debt burden, which puts pressure on real disposable incomes. Government consumption is expected to pick up slightly over the forecast horizon, supported by government plans to boost investment in infrastructure through public-private partnerships, using money from the National Welfare Fund.

A rebound in investment should be among the main drivers of GDP growth in 2014-15. Private investment is expected to return to positive territory as the temporary factors that have dragged the 2013 investment growth down (completion of large one-off investment projects) will expire. Russia's economy is widely considered to be running close to capacity, which should underpin a recovery in investment, though this is expected to be gradual given remaining weaknesses in the business climate.

Export volume growth is expected to accelerate in 2014 and 2015 mirroring the anticipated recovery in main export markets. Imports are set to pick up on the back of higher final demand, although at a slower pace than in the past, due to a weaker exchange rate. The current-account surplus is expected to gradually diminish by 2015.

A minor contraction in employment levels is expected due to both demographic developments (continuing decline in working age population) and the lagged effect of the current slowdown. Unemployment is expected to rise from 5.5% in 2013 to 5.9% in 2014 and to 6.2% in 2015. The government aims to keep the federal budget deficit at 0.5% of GDP in 2014 (unchanged from 2013), increasing it to 1% of GDP for 2015.

The actual outcome of the budget balance depends heavily on the price of oil, which is expected to remain at above USD 100/barrel, although gradually decreasing over the forecast horizon.

Inflation is expected to subside gradually in 2014-15, supported by a freeze in tariffs for natural monopolies and broadly in line with CBR end-year inflation targets of 5% in 2014 and 4.5% in 2015. The weakening of the ruble, a consequence of CBR's transition towards fully flexible exchange rate and uncertainty in emerging market economies, poses a risk of a rise in imported inflation. However, given relatively strong economic fundamentals, recent financial turmoil is not expected to cause major disruptions.

Table II.38.1:
Main features of country forecast - RUSSIA

	2012		**Annual percentage change**						
	bn RUB Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	62599.1	100.0	-	4.5	4.3	3.4	**1.3**	**2.3**	**2.7**
Private Consumption	30806.7	49.2	-	5.5	6.3	6.7	**4.7**	**4.2**	**4.0**
Public Consumption	11664.8	18.6	-	-1.5	0.8	-0.2	**-0.1**	**0.5**	**0.5**
Gross fixed capital formation	13164.2	21.0	-	6.4	10.4	6.3	**-0.3**	**3.2**	**4.0**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	18428.0	29.4	-	7.0	0.3	1.4	**3.8**	**4.2**	**5.0**
Imports (goods and services)	13860.1	22.1	-	25.8	20.3	9.5	**5.9**	**6.5**	**7.3**
GNI (GDP deflator)	60627.3	96.9	-	4.6	4.3	3.5	**1.1**	**2.7**	**2.9**
Contribution to GDP growth: Domestic demand			-	4.0	5.6	4.6	**2.2**	**2.9**	**3.0**
Inventories			-	4.0	2.9	0.4	**-0.6**	**-0.3**	**0.0**
Net exports			-	-3.3	-4.2	-1.7	**-0.2**	**-0.3**	**-0.3**
Employment			-	0.7	1.3	1.1	**-0.2**	**-0.6**	**-0.7**
Unemployment rate (a)			-	7.5	6.6	5.5	**5.5**	**5.9**	**6.2**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	14.2	15.5	8.5	**6.5**	**5.3**	**5.2**
Consumer-price index			-	6.9	8.4	5.1	**6.8**	**5.9**	**5.0**
Terms of trade goods			-	21.2	22.0	3.9	**-3.8**	**-3.8**	**-1.9**
Trade balance (c)			-	10.0	10.5	9.7	**8.5**	**7.7**	**7.4**
Current-account balance (c)			-	4.7	5.2	3.8	**2.0**	**1.0**	**0.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			6.8	4.6	5.2	3.6	**2.0**	**1.0**	**0.1**
General government balance (c)			-	-1.2	4.2	1.6	**0.6**	**0.1**	**-0.5**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	11.0	11.7	12.5	**14.0**	**14.5**	**14.9**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

ACKNOWLEDGEMENTS

This report was prepared in the Directorate-General for Economic and Financial Affairs under the direction of Marco Buti – Director-General, Servaas Deroose – Deputy Director-General, and Elena Flores – Director "Policy strategy and co-ordination".

Executive responsibilities were attached to Björn Döhring – Head of Unit "Economic situation, forecasts, business and consumer surveys", Evelyne Hespel – Head of Sector "Macro-economic forecasts and short-term economic developments", and the forecast coordinators – Marco Fioramanti and Michał Narożny.

The Overview was prepared by Evelyne Hespel. Chapter 1 on "The EU economy: Recovery gaining ground" was prepared by Suzanne Casaux under the responsibility of Björn Döhring. This chapter benefited from contributions by Chris Bosma, Oliver Dieckmann, Salvador Ferrandis Vallterra, Marco Fioramanti, Marco Iezzi, Joao Liborio, Michał Narożny, Bartosz Przywara, Bjorn Roelstraete, Rupert Willis, Przemysław Woźniak and Alexandru Zeana. Boxes were contributed by Andreas Breitenfellner, Christina Jordan, Kieran Mc Morrow, Cecilia Moretti, Rafal Raciborski, Andreas Reuter and Stefan Zeugner.

The sections on "Member States" were prepared under the supervision of Matthias Mors, István Pál Székely and Peter Weiss, Directors for the "Economies of the Member States". These sections benefited from contributions by Frode Aasen, Wojciech Balcerowicz, Davide Balestra, Antonino Barbera Mazzola, Paolo Battaglia, Barbara Bernardi, Piotr Bogumił, Ivan Csaba, Nicolae Dragos Biea, Peghe Braila, Raphaël Cancé, Jakob Christensen, Ben Deboeck, Francisco de Castro, Gatis Eglitis, Riccardo Ercoli, Raffaele Fargnoli, Miroslav Florián, Norbert Gaál, Ana Agúndez García, Julien Genet, Svetoslava Georgieva, Michael Grams, Oskar Grevesmühl, Valeska Gronert, Renata Hrůzová, Michiel Humblet, Duy Huynh-Olesen, László Jankovics, Alexandra Janovskaia, Markita Kamerta, Csanád Sándor Kiss, Mitja Košmrl, Bozhil Kostov, Mihály Kovács, Robert Kraemer, Radoslav Krastev, Bettina Cvetan Kyulanov, Vileta Kyviene, Baudouin Lamine, Jessica Larsson, Julia Lendvai, Joanna Leszczuk, Milan Lisický, Erki Lohmuste, Mart Maiväli, Janis Malzubris, Anton Mangov, Helena Marrez, Dan Matei, Fabrizio Melcarne, Olivia Mollen, Alexander Molzahn, Daniel Monteiro, Magdalena Morgese Borys, Radostin Neykov, Stelios Panagiotou, Christos Paschalides, Presiyan Petkov, Nicolas Philiponnet, Dominik Pripužić, Alexandra Puţinelu, Diana Radu, Vito Ernesto Reitano, David Marco Riquelme, Alexia Schmiliver, Ralph Schmitt-Nilson, Martin Schroeder, Giedrius Sidlauskas, Peeter Soidla, Vladimír Solanič, Klara Stoviček, Graham Stull, Alina Tănasă-Troaşe, Ingrid Toming, Roberta Torre, Tsvetan Tsalinski, Christoph Ungerer, Thomas Usher, Henk Van Noten, Rafał Wielądek and Andreas Zenthöfer. Coordination and editorial support was provided by Barbara Kauffmann, Head of Unit "Coordination of country-specific policy surveillance", Judit Antal, Kai Behrens, Paolo Biraschi, Martin Dederke, Tiziana Fabris, Jörn Griesse, Paz Guzman Caso de los Cobos, Joao Liborio and Bartosz Przywara.

The sections on "Candidate Countries" and "Other non-EU countries" were prepared under the supervision of Peter Bekx, Director of the "International economic and financial relations, global governance". These sections, and forecasts for all other non-EU economies, benefited from contributions by Concha Artola, Eglė Bajorinienė, Bernhard Böhm, Davide Cicero, Hans Feddersen, Matteo Fumerio, Clara Galliani, Plamen Kaloyanchev, Willem Kooi, Safwan Naser, Roxanne Rua, Antonio Sanchez Pareja, Barbara Stearns-Blasing, Rupert Willis and Przemysław Woźniak.

Support on the communication and publication of this report by Sabine Berger, Robert Gangl, Anne-Françoise Knuts, Jens Matthiessen, Irena Novakova ,Yasmina Quertinmont and Roman Schönwiesner is gratefully acknowledged. IT support was provided by Youssef Tiani and Rudy Druine.

Follow-up calculations were performed by Karel Havik, Kieran Mc Morrow, Fabrice Orlandi, Rafał Raciborski, Werner Röger, Anna-Elisabeth Thum and Valerie Vandermeulen. Forecast assumptions were prepared by Lucian Briciu, Roberta Friz, Clara Galliani, Dalia Grigonyte, Gerda Symens, André

Verbanck and Przemysław Woźniak. Statistical support for the production of the forecast tables was provided by Antoine Avdoulos, Noël Doyle, Salvador Ferrandis and Bjorn Roelstrate. Further statistical and layout assistance was provided by Yves Bouquiaux, Paolo Covelli, Andrzej Erdmann, Laszlo Elod Fejer, Georgios Gavanas, Julien Genet, Michel Gerday, Susanne Hoffmann, Jan Kattevilder, Johann Korner, Oscar Gomez Lacalle, Anders Lindqvist, Vasiliki Michou, Simona Pojar, Daniela Porubská, Ulrike Stierle-von Schuetz, Jacek Szelożyński, Zinovia Tsikalaki.

Valuable comments and suggestions by Ronald Albers, Christopher Allen, Alfonso Arpaia, Laura Bardone, Moreno Bertoldi, Gerrit Bethuyne, Suzanne Casaux, Nathalie Darnaut, Oliver Dieckmann, Marie Donnay, Patrick D'Souza, Marco Fioramanti, Jakob Wegener Friis, Carole Garnier, Gabriele Giudice, Peter Grasmann, Heinz Jansen, Marco Iezzi, Barbara Kauffmann, Joost Kuhlmann, Stefan Kuhnert, Martin Larch, Géraldine Mahieu, Mary McCarthy, Cecilia Moretti, Michał Narożny, Elena Reitano, Uwe Stamm, Michael Stierle, Massimo Suardi, Michael Thiel, Alessandro Turrini, Charlotte Van Hooydonk, Christian Weise, Peter Weiss, Norbert Wunner and Javier Yaniz Igal are gratefully acknowledged.

Secretarial support for the finalisation of this report was provided by Károly Csiszar and Els Varblane.

Comments on the report would be gratefully received and should be sent to:
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European Economic Forecast – Winter 2014

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Table 1: Gross domestic product, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.6	2.0	1.1	2.3	1.8	-0.1	**0.2**	**1.4**	**1.7**	*0.1*	*1.1*	*1.4*
Germany	1.6	1.1	0.7	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**	*0.5*	*1.7*	*1.9*
Estonia	5.7	7.3	1.2	2.6	9.6	3.9	**0.7**	**2.3**	**3.6**	*1.3*	*3.0*	*3.9*
Ireland	10.1	5.8	1.5	-1.1	2.2	0.2	**0.3**	**1.8**	**2.9**	*0.3*	*1.7*	*2.5*
Greece	3.0	4.5	1.6	-4.9	-7.1	-6.4	**-3.7**	**0.6**	**2.9**	*-4.0*	*0.6*	*2.9*
Spain	3.6	3.6	1.6	-0.2	0.1	-1.6	**-1.2**	**1.0**	**1.7**	*-1.3*	*0.5*	*1.7*
France	2.4	2.0	0.6	1.7	2.0	0.0	**0.3**	**1.0**	**1.7**	*0.2*	*0.9*	*1.7*
Italy	1.8	1.5	-0.4	1.7	0.5	-2.5	**-1.9**	**0.6**	**1.2**	*-1.8*	*0.7*	*1.2*
Cyprus	4.7	3.4	2.9	1.3	0.4	-2.4	**-6.0**	**-4.8**	**0.9**	*-8.7*	*-3.9*	*1.1*
Latvia	4.2	7.3	1.5	-1.3	5.3	5.2	**4.0**	**4.2**	**4.3**	*4.0*	*4.1*	*4.2*
Luxembourg	4.7	4.2	2.0	3.1	1.9	-0.2	**2.1**	**2.2**	**2.5**	*1.9*	*1.8*	*1.1*
Malta	4.5	1.8	2.2	3.3	1.7	0.9	**2.0**	**2.1**	**2.1**	*1.8*	*1.9*	*2.0*
Netherlands	3.9	1.7	1.5	1.5	0.9	-1.2	**-0.8**	**1.0**	**1.3**	*-1.0*	*0.2*	*1.2*
Austria	3.0	1.9	1.4	1.8	2.8	0.9	**0.3**	**1.5**	**1.8**	*0.4*	*1.6*	*1.8*
Portugal	3.9	1.4	0.3	1.9	-1.3	-3.2	**-1.6**	**0.8**	**1.5**	*-1.8*	*0.8*	*1.5*
Slovenia	4.3	3.7	2.3	1.3	0.7	-2.5	**-1.6**	**-0.1**	**1.3**	*-2.7*	*-1.0*	*0.7*
Slovakia	4.3	3.8	5.1	4.4	3.0	1.8	**0.8**	**2.3**	**3.2**	*0.9*	*2.1*	*2.9*
Finland	4.5	3.1	0.8	3.4	2.8	-1.0	**-1.5**	**0.2**	**1.3**	*-0.6*	*0.6*	*1.6*
Euro area	2.4	1.9	0.7	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.8**	*-0.4*	*1.1*	*1.7*
Bulgaria	-0.3	5.4	3.9	0.4	1.8	0.8	**0.6**	**1.7**	**2.0**	*0.5*	*1.5*	*1.8*
Czech Republic	2.2	3.6	3.5	2.5	1.8	-1.0	**-1.2**	**1.8**	**2.2**	*-1.0*	*1.8*	*2.2*
Denmark	2.8	1.5	0.1	1.4	1.1	-0.4	**0.3**	**1.7**	**1.8**	*0.3*	*1.7*	*1.8*
Croatia	:	4.4	1.8	-2.3	0.0	-2.0	**-0.7**	**0.5**	**1.2**	*-0.7*	*0.5*	*1.2*
Lithuania	4.6	6.9	2.3	1.6	6.0	3.7	**3.2**	**3.5**	**3.9**	*3.4*	*3.6*	*3.9*
Hungary	2.4	4.2	0.3	1.1	1.6	-1.7	**1.1**	**2.1**	**2.1**	*0.7*	*1.8*	*2.1*
Poland	6.0	3.2	4.7	3.9	4.5	1.9	**1.6**	**2.9**	**3.1**	*1.3*	*2.5*	*2.9*
Romania	0.5	5.4	3.7	-1.1	2.2	0.7	**3.5**	**2.3**	**2.5**	*2.2*	*2.1*	*2.4*
Sweden	3.4	2.9	1.0	6.6	2.9	0.9	**0.9**	**2.5**	**3.3**	*1.1*	*2.8*	*3.5*
United Kingdom	3.6	3.2	0.6	1.7	1.1	0.3	**1.9**	**2.5**	**2.4**	*1.3*	*2.2*	*2.4*
EU	:	2.2	0.9	2.0	1.7	-0.4	**0.1**	**1.5**	**2.0**	*0.0*	*1.4*	*1.9*
USA	4.1	2.7	0.9	2.5	1.8	2.8	**1.9**	**2.9**	**3.2**	*1.6*	*2.6*	*3.1*
Japan	0.8	1.4	-0.3	4.7	-0.5	1.4	**1.6**	**1.6**	**1.3**	*2.1*	*2.0*	*1.3*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2013-15) 17.02.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	0.0	0.2	0.3	0.4	0.4	0.5	0.4	0.4	0.5	0.5	0.4	0.4
Germany	0.0	0.7	0.3	0.4	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5
Estonia	-0.3	-0.3	0.5	-0.1	0.5	0.9	1.0	1.0	0.9	0.8	0.7	0.7
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-0.4	-0.1	0.1	0.3	0.4	0.3	0.4	0.4	0.5	0.5	0.5	0.4
France	0.0	0.6	0.0	0.3	0.2	0.3	0.3	0.5	0.5	0.4	0.5	0.5
Italy	-0.6	-0.3	0.0	0.1	0.3	0.3	0.4	0.4	0.3	0.3	0.2	0.2
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	1.7	0.0	1.2	0.7	1.0	1.0	1.1	1.1	1.0	1.0	1.1	1.1
Luxembourg	-0.7	2.0	0.2	0.4	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.7
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.3	0.1	0.3	0.7	0.0	0.1	0.2	0.3	0.3	0.4	0.5	0.6
Austria	0.1	0.0	0.2	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7
Portugal	-0.4	1.1	0.2	0.0	0.1	0.2	0.2	0.3	0.4	0.4	0.5	0.6
Slovenia	-0.3	-0.1	0.0	0.0	-0.1	0.0	0.3	0.4	0.4	0.4	0.4	0.5
Slovakia	0.3	0.3	0.3	0.4	0.6	0.9	0.8	1.0	0.8	0.7	0.8	0.9
Finland	-0.4	0.0	-0.2	-0.8	0.4	0.3	0.2	0.2	0.3	0.3	0.3	0.4
Euro area	-0.2	0.3	0.1	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Bulgaria	0.1	-0.1	0.5	0.4	0.5	0.5	0.6	0.6	0.5	0.6	0.6	0.6
Czech Republic	-1.3	0.3	0.2	1.6	0.3	0.6	0.6	0.7	0.8	0.9	0.9	1.0
Denmark	-0.1	0.5	0.4	0.2	0.5	0.5	0.5	0.5	0.4	0.4	0.4	0.5
Croatia	0.0	-0.2	-0.1	:	:	:	:	:	:	:	:	:
Lithuania	1.0	0.8	0.3	1.2	1.6	1.7	1.7	1.8	1.4	1.5	1.5	1.6
Hungary	1.1	0.3	0.8	0.6	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5
Poland	0.4	0.6	0.7	0.5	0.7	0.8	0.8	0.8	0.7	0.7	0.8	0.8
Romania	0.6	0.8	1.6	1.7	-0.4	0.2	0.2	0.5	0.6	0.8	1.0	0.8
Sweden	0.5	-0.1	0.1	0.8	0.6	0.8	0.8	0.8	0.9	0.9	0.8	0.7
United Kingdom	0.5	0.8	0.8	0.7	0.6	0.6	0.5	0.5	0.6	0.7	0.7	0.8
EU	0.0	0.4	0.3	0.4	0.4	0.5	0.4	0.5	0.5	0.5	0.5	0.6
USA	0.3	0.6	1.0	0.8	0.4	0.8	0.8	0.8	0.7	0.8	0.9	0.9
Japan	1.1	0.9	0.3	0.3	1.5	-1.1	0.6	0.4	0.4	0.4	0.9	-0.2

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2013-15) 17.02.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	-0.5	0.1	0.4	0.9	1.3	1.5	1.7	1.7	1.7	1.7	1.7	1.7
Germany	-0.3	0.5	0.6	1.4	1.9	1.6	1.7	1.7	1.7	1.7	1.8	1.8
Estonia	1.4	1.2	0.5	-0.2	-0.7	-1.5	-1.9	-2.7	-3.0	-2.9	-2.7	-2.5
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-2.0	-1.6	-1.1	-0.1	0.6	1.0	1.2	1.3	1.5	1.7	1.8	1.8
France	-0.4	0.5	0.3	0.8	1.1	0.8	1.1	1.3	1.6	1.7	1.9	1.9
Italy	-2.6	-2.3	-1.9	-0.8	0.0	0.5	0.9	1.1	1.1	1.2	1.1	0.9
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	6.7	4.5	4.0	3.6	2.9	3.8	3.7	4.0	4.0	4.0	4.1	4.2
Luxembourg	0.8	2.8	2.8	2.0	3.1	1.6	1.9	2.1	2.3	2.4	2.5	2.7
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-1.4	-1.7	-0.6	0.7	1.0	1.1	1.0	0.6	0.8	1.0	1.3	1.6
Austria	0.5	0.3	0.4	0.5	1.0	1.6	2.0	2.3	2.3	2.3	2.4	2.5
Portugal	-4.1	-2.0	-1.0	0.9	1.4	0.4	0.4	0.8	1.1	1.3	1.6	2.0
Slovenia	-3.0	-1.8	-1.3	-0.4	-0.3	-0.2	0.1	0.6	1.1	1.5	1.7	1.7
Slovakia	0.7	0.8	0.9	1.3	1.7	2.4	3.0	3.7	4.0	3.8	3.8	3.8
Finland	-2.8	-1.4	-1.1	-1.4	-0.5	-0.1	0.3	1.8	1.7	1.8	2.0	2.3
Euro area	-1.2	-0.6	-0.3	0.5	1.2	1.1	1.3	1.4	1.6	1.6	1.8	1.7
Bulgaria	0.4	0.2	0.7	1.0	1.4	1.9	1.9	2.1	2.1	2.2	2.2	2.2
Czech Republic	-2.3	-1.7	-1.2	0.8	2.9	3.0	3.2	1.8	2.6	3.1	3.6	4.1
Denmark	-0.7	0.5	0.5	1.0	1.6	1.5	1.6	2.0	1.9	1.8	1.8	1.7
Croatia	-1.5	-0.8	-0.6	:	:	:	:	:	:	:	:	:
Lithuania	4.0	4.0	2.3	3.3	3.3	3.8	4.7	5.5	5.3	4.9	4.7	4.4
Hungary	-0.1	0.6	1.7	2.8	2.4	2.4	2.0	1.8	1.9	2.0	2.1	2.2
Poland	0.8	1.3	1.8	2.2	2.5	2.8	3.0	3.3	3.3	3.2	3.2	3.2
Romania	2.3	1.6	4.1	4.7	3.8	3.2	1.7	0.6	1.6	2.1	3.0	3.2
Sweden	1.6	0.6	0.3	1.3	1.4	2.4	3.2	3.1	3.4	3.5	3.4	3.4
United Kingdom	0.7	2.0	1.9	2.8	2.9	2.6	2.4	2.2	2.2	2.3	2.5	2.8
EU	-0.7	-0.1	0.2	1.0	1.5	1.5	1.6	1.7	1.8	1.9	2.0	2.0
USA	1.3	1.6	2.0	2.7	2.8	3.0	2.8	2.8	3.1	3.2	3.2	3.3
Japan	-0.1	1.3	2.4	2.7	3.1	0.9	1.2	1.3	0.2	1.7	2.1	1.4

Table 4: Gross domestic product per capita (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.4	1.6	0.4	1.4	0.9	-0.8	**-0.4**	**0.9**	**1.1**	*-0.6*	*0.4*	*0.7*
Germany	1.4	1.0	0.8	4.2	3.3	0.5	**0.2**	**1.6**	**1.9**	*0.3*	*1.5*	*1.9*
Estonia	7.1	7.8	1.3	2.6	9.5	4.0	**1.1**	**2.7**	**4.0**	*1.4*	*3.1*	*3.9*
Ireland	9.0	4.1	-0.7	-1.5	1.8	-0.1	**0.3**	**0.9**	**1.8**	*-0.5*	*0.8*	*1.5*
Greece	2.3	4.1	1.1	-5.2	-7.0	-6.3	**-3.7**	**0.6**	**2.9**	*-4.0*	*0.6*	*2.9*
Spain	3.3	2.2	0.1	-0.5	-0.1	-1.7	**-0.7**	**1.6**	**2.2**	*-1.1*	*0.8*	*1.9*
France	2.0	1.3	0.0	1.2	1.5	-0.5	**-0.3**	**0.5**	**1.2**	*-0.3*	*0.4*	*1.2*
Italy	1.7	1.3	-0.9	1.4	0.3	-2.8	**-2.3**	**0.2**	**0.9**	*-2.3*	*0.3*	*0.9*
Cyprus	3.2	2.2	0.8	-1.3	-2.1	-3.9	**-6.9**	**-5.7**	**-0.1**	*-9.7*	*-4.9*	*0.1*
Latvia	5.3	8.4	2.6	0.8	7.3	6.5	**5.1**	**5.2**	**5.1**	*4.9*	*5.0*	*5.0*
Luxembourg	3.4	2.9	0.3	1.2	-0.4	-2.4	**0.4**	**0.6**	**1.0**	*0.2*	*0.2*	*-0.4*
Malta	3.8	1.1	1.7	2.8	1.3	0.1	**1.5**	**1.8**	**1.9**	*1.3*	*1.6*	*1.8*
Netherlands	3.3	1.1	1.2	1.0	0.5	-1.6	**-0.9**	**0.8**	**1.0**	*-1.3*	*0.0*	*0.9*
Austria	2.8	1.5	1.0	1.5	2.5	0.4	**0.0**	**1.2**	**1.5**	*0.0*	*1.2*	*1.4*
Portugal	3.6	0.8	0.1	1.9	-1.1	-2.8	**-0.8**	**0.9**	**1.6**	*-1.0*	*0.9*	*1.6*
Slovenia	4.4	3.5	1.9	0.9	0.5	-2.7	**-1.8**	**-0.3**	**1.2**	*-2.8*	*-1.2*	*0.6*
Slovakia	4.1	3.9	5.0	4.2	3.6	1.6	**0.7**	**1.9**	**2.8**	*0.6*	*1.8*	*2.6*
Finland	4.2	2.9	0.3	2.9	2.3	-1.5	**-1.9**	**-0.2**	**0.8**	*-1.1*	*0.1*	*1.1*
Euro area	2.2	1.4	0.3	1.7	1.4	-0.9	**-0.6**	**1.0**	**1.6**	*-0.7*	*0.8*	*1.5*
Bulgaria	0.2	6.5	4.4	1.1	4.4	1.4	**1.3**	**2.4**	**2.7**	*1.4*	*2.6*	*2.9*
Czech Republic	2.3	3.7	3.0	2.2	2.0	-1.1	**-1.2**	**1.7**	**2.0**	*-1.1*	*1.7*	*2.0*
Denmark	2.3	1.2	-0.3	0.9	0.7	-0.7	**0.0**	**1.3**	**1.5**	*0.1*	*1.3*	*1.5*
Croatia	:	4.7	1.8	-2.0	1.7	-0.3	**-0.6**	**0.6**	**1.4**	*-0.5*	*0.6*	*1.4*
Lithuania	5.4	7.9	3.6	3.7	8.5	5.1	**4.1**	**4.3**	**4.0**	*4.3*	*4.3*	*4.0*
Hungary	2.6	4.5	0.5	1.3	1.9	-1.2	**1.3**	**2.2**	**2.2**	*0.9*	*1.9*	*2.2*
Poland	5.9	3.3	4.7	2.9	4.5	1.9	**1.6**	**3.0**	**3.2**	*1.3*	*2.6*	*3.0*
Romania	0.7	6.1	3.9	-1.0	2.5	0.9	**3.7**	**2.5**	**2.7**	*2.4*	*2.3*	*2.6*
Sweden	3.2	2.6	0.3	5.7	2.2	0.2	**0.0**	**1.6**	**2.4**	*0.2*	*1.9*	*2.6*
United Kingdom	3.3	2.8	0.0	0.9	0.4	-0.6	**1.2**	**1.8**	**1.7**	*0.6*	*1.5*	*1.6*
EU	:	1.9	0.5	1.7	1.5	-0.6	**-0.1**	**1.3**	**1.8**	*-0.3*	*1.1*	*1.7*
USA	2.8	1.7	0.0	1.7	1.1	2.0	**1.2**	**2.2**	**2.5**	*0.8*	*1.9*	*2.4*
Japan	0.5	1.2	-0.3	4.2	-0.3	1.7	**1.7**	**1.7**	**1.4**	*2.2*	*2.0*	*1.3*

Table 5: Domestic demand, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.2	1.5	1.5	1.8	2.0	-0.6	**-0.5**	**1.1**	**2.0**	*-0.4*	*1.0*	*1.5*
Germany	1.6	0.1	0.6	2.4	2.8	-0.3	**0.7**	**2.1**	**2.1**	*0.8*	*2.0*	*2.0*
Estonia	6.2	9.7	-0.2	0.1	13.1	5.5	**2.3**	**2.7**	**3.8**	*2.4*	*3.2*	*4.1*
Ireland	8.4	5.1	1.0	-4.6	-1.8	-1.6	**0.1**	**1.4**	**1.4**	*0.0*	*0.2*	*0.9*
Greece	3.7	4.4	1.7	-7.0	-8.7	-9.6	**-5.9**	**-1.1**	**1.5**	*-6.0*	*-1.1*	*2.4*
Spain	4.2	4.2	1.4	-0.6	-2.0	-4.1	**-2.8**	**0.2**	**1.0**	*-3.4*	*-0.8*	*0.9*
France	2.2	2.2	1.1	1.7	2.0	-0.9	**0.3**	**0.9**	**1.9**	*0.2*	*0.8*	*1.8*
Italy	2.1	1.6	-0.3	2.1	-0.9	-5.2	**-2.7**	**0.4**	**1.3**	*-2.9*	*0.6*	*1.3*
Cyprus	4.4	4.5	3.6	1.9	-1.4	-4.2	**-10.5**	**-6.8**	**0.0**	*-13.7*	*-5.8*	*1.0*
Latvia	:	8.5	-0.6	-1.4	10.8	2.5	**3.2**	**4.4**	**4.8**	*3.3*	*4.5*	*4.8*
Luxembourg	5.1	3.1	1.1	9.1	4.2	2.5	**1.9**	**2.3**	**2.3**	*1.6*	*2.1*	*2.5*
Malta	:	1.8	2.1	1.9	-1.5	-2.0	**1.2**	**1.7**	**1.9**	*0.8*	*1.4*	*1.9*
Netherlands	4.3	1.1	1.5	-0.1	0.8	-1.6	**-2.5**	**1.1**	**0.9**	*-3.7*	*-0.5*	*0.8*
Austria	2.2	1.2	1.0	1.4	3.2	0.1	**-1.0**	**1.2**	**1.4**	*-0.3*	*1.4*	*1.5*
Portugal	4.8	1.1	0.3	1.8	-5.1	-6.6	**-2.8**	**-0.1**	**0.8**	*-3.7*	*-0.3*	*0.7*
Slovenia	6.2	3.1	1.6	-0.5	-0.3	-6.4	**-3.9**	**-1.9**	**0.1**	*-3.9*	*-2.6*	*-0.7*
Slovakia	5.9	3.7	3.8	3.7	1.0	-4.1	**-0.8**	**1.8**	**2.7**	*-1.9*	*1.6*	*2.5*
Finland	4.3	2.9	1.1	2.9	4.2	-0.8	**-1.9**	**-0.3**	**1.2**	*-0.8*	*0.8*	*1.4*
Euro area	:	1.7	0.8	1.2	0.8	-2.2	**-0.9**	**1.0**	**1.7**	*-1.1*	*0.8*	*1.6*
Bulgaria	1.3	7.6	4.2	-4.8	0.0	3.5	**-1.2**	**1.7**	**2.3**	*0.1*	*1.7*	*2.2*
Czech Republic	2.5	3.5	2.3	1.9	-0.1	-2.8	**-1.1**	**0.6**	**1.7**	*-1.7*	*1.2*	*1.8*
Denmark	2.9	1.8	0.5	1.6	0.2	-0.1	**1.0**	**1.5**	**1.6**	*0.6*	*1.4*	*1.6*
Croatia	:	5.2	1.7	-5.1	-0.3	-3.1	**-0.5**	**0.2**	**1.2**	*-0.4*	*0.2*	*1.5*
Lithuania	:	7.7	0.9	2.2	5.9	-0.5	**3.3**	**3.9**	**4.3**	*3.6*	*3.9*	*4.3*
Hungary	1.8	4.5	-1.8	0.2	-0.5	-3.5	**0.7**	**2.4**	**2.2**	*0.5*	*1.7*	*2.1*
Poland	7.5	2.3	4.5	4.6	3.6	-0.1	**-0.2**	**2.6**	**3.2**	*-0.7*	*1.9*	*2.7*
Romania	1.9	7.5	5.6	-1.1	2.5	1.4	**-0.7**	**2.0**	**2.9**	*-1.2*	*2.2*	*2.6*
Sweden	2.6	2.0	1.3	6.5	3.2	0.3	**0.9**	**2.8**	**3.2**	*1.4*	*2.9*	*3.5*
United Kingdom	4.2	3.6	0.2	2.1	-0.1	1.2	**2.0**	**2.4**	**2.3**	*1.0*	*1.9*	*2.0*
EU	:	2.1	0.9	1.5	0.8	-1.5	**-0.3**	**1.4**	**1.9**	*-0.6*	*1.1*	*1.8*
USA	4.5	3.1	0.4	3.0	1.7	2.6	**1.7**	**2.7**	**3.4**	*1.7*	*2.6*	*3.3*
Japan	0.7	1.0	-0.5	2.9	0.4	2.3	**1.8**	**1.7**	**1.0**	*1.9*	*1.6*	*1.0*

Table 6: Final demand, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	3.5	2.7	1.3	4.5	4.0	0.5	**0.6**	**2.2**	**3.3**	*-0.1*	*2.5*	*3.1*
Germany	2.8	1.9	1.4	6.3	4.5	0.9	**0.7**	**3.1**	**3.8**	*0.6*	*2.9*	*3.7*
Estonia	7.5	9.7	0.2	9.6	17.8	5.6	**2.0**	**3.4**	**4.6**	*1.5*	*3.9*	*4.8*
Ireland	12.3	6.7	1.9	1.3	2.2	0.2	**0.2**	**2.2**	**2.8**	*0.3*	*1.6*	*2.6*
Greece	4.6	4.5	1.2	-5.2	-7.2	-8.2	**-4.2**	**0.1**	**2.4**	*-4.3*	*0.1*	*3.1*
Spain	5.3	4.3	1.3	1.8	0.0	-2.6	**-0.9**	**1.6**	**2.4**	*-1.4*	*0.8*	*2.2*
France	3.1	2.5	0.8	3.2	2.7	-0.2	**0.4**	**1.7**	**2.7**	*0.5*	*1.5*	*2.7*
Italy	2.5	1.9	-0.4	3.9	0.6	-3.6	**-2.1**	**1.1**	**2.2**	*-2.2*	*1.3*	*2.1*
Cyprus	5.2	4.1	2.7	2.4	0.2	-3.8	**-8.8**	**-5.5**	**0.7**	*-11.2*	*-4.8*	*1.2*
Latvia	:	8.3	0.9	2.8	11.3	4.9	**2.3**	**4.4**	**5.2**	*3.1*	*4.6*	*5.3*
Luxembourg	7.2	5.8	2.5	7.8	5.1	-0.7	**2.2**	**3.2**	**4.2**	*2.4*	*3.5*	*3.2*
Malta	:	1.5	2.2	9.0	0.9	3.1	**-1.0**	**2.9**	**4.0**	*-0.5*	*3.0*	*3.8*
Netherlands	5.7	2.7	2.0	4.9	2.3	0.7	**-0.7**	**2.0**	**3.0**	*-0.5*	*1.3*	*2.7*
Austria	3.6	3.0	1.2	4.1	4.5	0.5	**0.2**	**2.6**	**3.2**	*0.4*	*2.6*	*3.1*
Portugal	5.4	1.7	0.6	3.6	-2.3	-4.2	**-0.4**	**1.4**	**2.1**	*-1.1*	*1.3*	*2.1*
Slovenia	5.8	4.8	2.7	3.5	2.6	-3.4	**-0.9**	**0.7**	**2.2**	*-1.6*	*-0.2*	*1.5*
Slovakia	6.8	5.7	4.6	8.8	6.0	2.5	**1.4**	**3.3**	**4.5**	*1.4*	*3.2*	*4.3*
Finland	5.9	3.7	1.3	4.3	3.8	-0.6	**-1.5**	**0.7**	**2.1**	*-1.0*	*1.6*	*2.2*
Euro area	:	2.7	1.0	4.1	2.5	-0.7	**-0.2**	**2.1**	**3.0**	*-0.3*	*1.9*	*2.9*
Bulgaria	:	6.4	4.0	1.1	4.4	2.0	**2.5**	**3.3**	**4.0**	*2.0*	*2.4*	*3.5*
Czech Republic	5.0	6.0	3.6	7.0	3.8	0.3	**-0.4**	**3.0**	**3.8**	*-1.1*	*2.3*	*3.2*
Denmark	3.7	2.6	1.2	2.0	2.6	0.1	**1.0**	**2.1**	**2.5**	*0.7*	*2.1*	*2.5*
Croatia	:	5.8	1.1	-2.5	0.3	-2.1	**-0.7**	**0.8**	**1.8**	*-0.5*	*0.9*	*2.0*
Lithuania	:	9.1	2.6	7.5	9.2	4.8	**4.7**	**5.1**	**5.5**	*4.7*	*5.2*	*5.5*
Hungary	:	6.8	2.1	5.2	3.7	-0.9	**2.9**	**3.9**	**4.2**	*2.1*	*3.6*	*4.2*
Poland	8.2	4.3	5.0	6.7	4.8	1.1	**1.4**	**3.4**	**4.2**	*1.2*	*2.9*	*3.8*
Romania	2.5	9.2	5.5	2.1	4.5	0.2	**3.3**	**3.1**	**3.9**	*1.8*	*3.0*	*3.6*
Sweden	4.5	3.1	1.4	8.2	4.2	0.5	**0.1**	**2.8**	**3.9**	*0.2*	*3.1*	*4.5*
United Kingdom	4.6	3.8	0.6	3.1	0.9	1.2	**1.7**	**2.5**	**2.6**	*1.4*	*2.3*	*2.4*
EU	:	3.0	1.2	4.1	2.4	-0.3	**0.2**	**2.2**	**3.0**	*0.1*	*2.1*	*2.9*
USA	4.8	3.0	0.7	3.8	2.3	2.7	**1.9**	**3.1**	**3.7**	*1.8*	*3.0*	*3.6*
Japan	1.0	1.7	-0.5	5.4	0.3	2.0	**1.8**	**1.9**	**1.5**	*2.1*	*2.2*	*1.4*

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.0	1.4	1.4	2.8	0.2	-0.3	**0.6**	**1.5**	**1.9**	*0.5*	*1.2*	*1.5*
Germany	1.5	0.7	0.5	1.0	2.3	0.8	**0.9**	**1.5**	**1.8**	*0.9*	*1.4*	*1.6*
Estonia	7.0	8.3	1.8	-2.6	3.8	4.9	**4.5**	**4.3**	**4.2**	*4.7*	*3.8*	*4.5*
Ireland	6.9	5.0	2.9	0.4	-1.4	-0.3	**-0.6**	**0.8**	**1.0**	*-0.6*	*0.5*	*1.0*
Greece	2.8	3.8	3.0	-6.2	-7.7	-9.1	**-7.2**	**-1.6**	**1.4**	*-6.7*	*-1.6*	*1.4*
Spain	3.4	3.6	1.4	0.2	-1.2	-2.8	**-2.4**	**0.6**	**1.1**	*-2.6*	*0.1*	*1.0*
France	2.1	2.2	1.5	1.6	0.6	-0.3	**0.4**	**0.6**	**1.6**	*0.5*	*0.6*	*1.6*
Italy	2.4	1.0	0.3	1.5	-0.3	-4.1	**-2.5**	**0.1**	**0.9**	*-2.3*	*0.3*	*0.8*
Cyprus	7.3	4.3	3.5	1.5	1.3	-2.5	**-7.5**	**-6.3**	**0.7**	*-12.4*	*-5.7*	*1.6*
Latvia	:	7.9	2.4	2.3	4.8	5.8	**5.5**	**4.9**	**5.1**	*6.0*	*4.9*	*5.0*
Luxembourg	3.6	2.2	1.3	2.6	1.3	2.2	**2.0**	**2.3**	**2.6**	*1.2*	*1.4*	*2.3*
Malta	:	2.7	2.3	-0.3	3.3	-0.5	**0.6**	**1.9**	**2.2**	*0.6*	*1.7*	*2.2*
Netherlands	4.2	1.4	0.3	0.3	-1.1	-1.6	**-2.1**	**-0.5**	**1.0**	*-2.1*	*-1.1*	*0.7*
Austria	1.6	1.7	1.3	2.0	0.8	0.5	**-0.2**	**0.8**	**1.0**	*0.0*	*0.9*	*1.0*
Portugal	3.8	1.8	1.0	2.5	-3.3	-5.3	**-1.8**	**0.1**	**0.8**	*-2.5*	*0.1*	*0.7*
Slovenia	4.9	2.5	2.6	1.5	0.8	-4.8	**-3.5**	**-2.0**	**-0.1**	*-3.5*	*-2.6*	*-1.2*
Slovakia	5.2	3.9	5.0	-0.7	-0.5	-0.2	**-0.1**	**1.2**	**2.3**	*0.8*	*0.9*	*1.9*
Finland	3.8	3.2	1.9	3.3	2.5	0.3	**-1.0**	**-0.2**	**1.4**	*-0.6*	*0.3*	*1.4*
Euro area	:	1.7	1.0	1.0	0.3	-1.4	**-0.7**	**0.7**	**1.4**	*-0.7*	*0.6*	*1.3*
Bulgaria	0.3	6.6	3.8	0.1	1.5	2.6	**-0.4**	**1.4**	**1.7**	*-0.3*	*1.3*	*1.6*
Czech Republic	2.9	3.1	2.9	0.9	0.5	-2.1	**-0.4**	**0.4**	**2.0**	*0.3*	*1.0*	*2.0*
Denmark	1.7	1.5	1.3	1.3	-0.7	-0.1	**0.4**	**1.4**	**1.7**	*0.3*	*1.4*	*1.7*
Croatia	:	4.6	1.4	-1.3	0.2	-2.9	**-0.7**	**-0.5**	**0.5**	*-0.5*	*-0.5*	*0.5*
Lithuania	:	8.0	3.0	-3.6	4.8	3.9	**4.7**	**3.8**	**4.3**	*4.8*	*3.8*	*4.5*
Hungary	:	5.2	-0.5	-3.0	0.4	-1.6	**0.0**	**1.5**	**1.6**	*0.5*	*1.2*	*1.5*
Poland	6.1	3.1	3.9	3.1	2.6	1.2	**0.8**	**2.0**	**2.5**	*0.6*	*1.6*	*2.0*
Romania	3.5	8.1	6.4	-0.3	1.1	1.1	**0.9**	**1.5**	**2.5**	*0.3*	*1.6*	*2.2*
Sweden	2.6	2.7	1.8	4.0	1.7	1.6	**1.9**	**2.7**	**3.3**	*2.0*	*3.3*	*3.7*
United Kingdom	4.2	3.9	0.5	1.0	-0.4	1.5	**2.4**	**2.4**	**2.2**	*1.6*	*1.7*	*1.9*
EU	:	2.3	1.1	1.1	0.3	-0.7	**0.0**	**1.1**	**1.7**	*-0.1*	*0.9*	*1.5*
USA	4.2	3.4	1.3	2.0	2.5	2.2	**2.0**	**2.7**	**3.0**	*1.9*	*2.3*	*2.8*
Japan	1.0	1.0	0.4	2.8	0.3	2.0	**2.0**	**0.5**	**0.6**	*1.9*	*0.8*	*0.8*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.7	2.1	1.7	0.6	0.7	1.4	**0.6**	**0.5**	**1.4**	*0.4*	*0.5*	*0.7*
Germany	1.6	0.6	1.8	1.3	1.0	1.0	**1.1**	**1.5**	**1.2**	*1.1*	*1.5*	*1.2*
Estonia	2.0	2.2	3.3	-0.8	1.3	3.8	**0.9**	**1.0**	**1.2**	*0.2*	*0.2*	*0.2*
Ireland	4.9	6.0	2.9	-4.9	-2.9	-3.2	**-1.0**	**-2.8**	**-0.4**	*-1.0*	*-2.8*	*-2.5*
Greece	2.6	4.9	2.7	-8.7	-5.2	-4.2	**-6.1**	**-4.0**	**-1.2**	*-4.9*	*-4.0*	*-1.2*
Spain	2.7	5.0	5.1	1.5	-0.5	-4.8	**-1.1**	**-0.9**	**-0.2**	*-3.0*	*-2.1*	*-0.1*
France	0.8	1.8	1.6	1.8	0.4	1.4	**1.7**	**1.2**	**1.4**	*1.7*	*1.2*	*1.4*
Italy	-0.1	2.7	0.9	-0.4	-1.2	-2.7	**-0.6**	**-0.6**	**0.4**	*-1.2*	*-0.9*	*0.7*
Cyprus	4.6	2.3	4.9	1.0	-0.2	-3.1	**-6.0**	**-1.5**	**-2.7**	*-8.9*	*-3.7*	*-1.7*
Latvia	:	1.2	0.7	-7.9	1.1	-0.2	**2.7**	**2.0**	**1.7**	*1.7*	*2.0*	*1.7*
Luxembourg	4.8	4.9	2.8	2.5	1.3	4.8	**1.7**	**1.9**	**2.5**	*3.2*	*2.8*	*2.5*
Malta	:	2.8	2.9	1.6	4.1	5.2	**1.2**	**1.0**	**0.8**	*1.2*	*1.0*	*0.8*
Netherlands	1.9	2.5	4.2	0.5	0.2	-0.7	**-0.7**	**0.3**	**-0.9**	*-0.7*	*0.0*	*-0.5*
Austria	2.9	0.5	2.2	0.2	0.3	0.2	**0.1**	**0.8**	**0.8**	*0.9*	*0.8*	*0.8*
Portugal	3.7	2.5	1.7	0.1	-5.0	-4.7	**-2.0**	**-2.5**	**-1.9**	*-4.0*	*-2.8*	*-2.2*
Slovenia	3.4	3.1	3.3	1.3	-1.6	-1.3	**-2.7**	**-1.6**	**0.3**	*-2.7*	*-2.5*	*-0.1*
Slovakia	2.5	2.9	4.9	1.0	-4.3	-1.1	**1.3**	**5.6**	**3.4**	*0.1*	*4.2*	*2.8*
Finland	2.4	1.5	1.3	-0.4	0.5	0.5	**-0.8**	**-0.7**	**0.9**	*0.7*	*0.9*	*0.8*
Euro area	:	2.0	2.2	0.6	-0.1	-0.5	**0.3**	**0.5**	**0.7**	*0.0*	*0.3*	*0.7*
Bulgaria	-4.6	5.1	-0.7	1.9	1.6	-1.4	**3.1**	**2.2**	**2.3**	*3.0*	*2.2*	*2.1*
Czech Republic	0.5	2.8	1.3	0.2	-2.7	-1.9	**1.4**	**1.5**	**0.8**	*1.3*	*1.2*	*1.0*
Denmark	2.5	1.8	1.9	0.2	-1.4	0.4	**0.3**	**1.5**	**0.6**	*0.4*	*0.6*	*0.6*
Croatia	:	0.9	2.4	-2.1	-0.6	-0.8	**0.0**	**0.3**	**0.5**	*-1.0*	*0.5*	*0.5*
Lithuania	:	2.2	1.2	-3.4	0.3	0.6	**1.5**	**1.6**	**1.7**	*1.4*	*1.6*	*1.6*
Hungary	-1.8	3.2	0.0	-1.2	0.0	-1.2	**1.1**	**1.5**	**2.0**	*0.8*	*1.5*	*2.0*
Poland	2.9	2.8	4.9	4.1	-1.7	0.2	**2.0**	**3.1**	**2.6**	*1.7*	*1.9*	*2.3*
Romania	0.7	-2.0	1.9	-4.7	0.2	1.7	**-1.5**	**1.8**	**1.5**	*0.0*	*1.8*	*1.3*
Sweden	0.9	0.4	1.1	2.1	0.8	0.3	**1.2**	**0.9**	**0.7**	*1.0*	*1.1*	*0.7*
United Kingdom	1.6	3.8	1.6	0.5	0.0	1.6	**0.5**	**0.5**	**0.4**	*0.0*	*-0.1*	*0.2*
EU	:	2.3	2.0	0.6	-0.2	-0.2	**0.4**	**0.6**	**0.7**	*0.1*	*0.3*	*0.7*
USA	1.4	2.5	1.9	0.1	-2.7	-0.2	**-2.1**	**-0.2**	**1.1**	*-1.8*	*-0.2*	*0.2*
Japan	2.6	2.9	0.8	1.9	1.2	1.7	**2.1**	**1.5**	**0.9**	*1.4*	*0.6*	*0.5*

Table 9: Total investment, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	3.4	1.8	1.6	-1.1	4.1	-2.0	**-2.5**	**1.7**	**3.2**	*-2.6*	*1.0*	*2.7*
Germany	1.7	-1.7	0.4	5.7	6.9	-2.1	**-0.8**	**4.1**	**4.4**	*-0.9*	*4.4*	*4.4*
Estonia	9.6	15.2	-3.9	-7.3	37.6	10.9	**1.4**	**1.7**	**5.4**	*0.0*	*3.6*	*5.7*
Ireland	14.9	5.0	-4.0	-22.7	-9.1	-0.6	**3.8**	**10.5**	**5.4**	*2.9*	*4.4*	*5.4*
Greece	7.9	6.8	-0.5	-15.0	-19.6	-19.2	**-8.7**	**5.3**	**11.3**	*-5.9*	*5.3*	*11.3*
Spain	7.4	5.2	-1.3	-5.5	-5.4	-7.0	**-5.6**	**0.1**	**2.0**	*-6.6*	*-2.4*	*1.9*
France	3.7	2.5	0.7	1.4	2.9	-1.2	**-1.9**	**0.9**	**3.3**	*-2.3*	*0.6*	*3.4*
Italy	3.6	2.6	-2.0	0.6	-2.2	-8.3	**-5.5**	**1.6**	**3.7**	*-5.2*	*2.7*	*3.8*
Cyprus	1.1	5.7	4.5	-4.9	-8.7	-19.6	**-24.0**	**-18.1**	**1.3**	*-29.5*	*-11.9*	*2.2*
Latvia	:	14.0	-3.5	-18.1	27.9	8.7	**-0.2**	**5.2**	**6.9**	*0.3*	*5.5*	*6.9*
Luxembourg	8.1	3.6	1.5	-0.7	12.1	3.5	**2.1**	**2.9**	**1.8**	*1.1*	*2.7*	*3.1*
Malta	:	2.7	-2.3	15.8	-21.5	-4.4	**-2.0**	**1.3**	**1.8**	*-2.0*	*0.5*	*1.8*
Netherlands	7.7	-1.4	1.6	-7.4	6.1	-4.0	**-4.9**	**5.7**	**3.1**	*-8.5*	*0.9*	*2.7*
Austria	1.9	1.0	-0.6	-1.4	8.5	1.6	**-0.7**	**2.4**	**3.2**	*-1.7*	*2.2*	*3.0*
Portugal	8.2	-1.2	-1.7	-3.1	-10.5	-14.4	**-8.0**	**1.2**	**3.7**	*-8.5*	*1.2*	*3.7*
Slovenia	12.3	3.3	1.0	-15.3	-5.5	-8.2	**-3.9**	**-2.1**	**0.7**	*-4.2*	*-2.7*	*0.4*
Slovakia	6.6	0.8	2.6	6.5	14.2	-10.5	**-6.7**	**0.2**	**3.3**	*-5.3*	*1.2*	*3.7*
Finland	9.7	2.6	0.1	1.7	5.8	-0.8	**-4.4**	**-1.0**	**1.7**	*-1.1*	*1.0*	*2.0*
Euro area	:	1.4	-0.3	-0.4	1.6	-4.0	**-3.0**	**2.3**	**3.6**	*-3.3*	*1.9*	*3.6*
Bulgaria	2.7	14.3	10.7	-18.3	-6.5	0.8	**1.7**	**2.4**	**4.2**	*2.1*	*2.4*	*4.2*
Czech Republic	4.1	3.7	3.3	1.0	0.4	-4.5	**-4.0**	**1.2**	**2.2**	*-4.4*	*0.3*	*2.2*
Denmark	7.1	2.0	-0.6	-2.1	3.3	0.8	**1.7**	**2.7**	**3.1**	*0.2*	*2.7*	*3.1*
Croatia	:	9.0	3.1	-15.0	-6.4	-4.6	**-0.3**	**2.0**	**4.0**	*0.0*	*2.0*	*5.5*
Lithuania	14.7	8.6	-1.5	1.9	20.7	-3.6	**7.2**	**6.5**	**6.9**	*4.9*	*6.8*	*6.8*
Hungary	5.3	4.8	-0.7	-8.5	-5.9	-3.7	**3.2**	**6.0**	**4.4**	*-0.4*	*3.8*	*4.3*
Poland	15.6	-1.6	9.3	-0.4	8.5	-1.7	**-0.4**	**4.1**	**6.1**	*-3.8*	*2.9*	*5.7*
Romania	1.2	9.0	8.4	-1.8	7.3	4.9	**-2.7**	**3.4**	**4.5**	*-2.0*	*3.5*	*4.4*
Sweden	6.5	2.4	2.0	7.2	8.2	3.3	**-1.0**	**4.7**	**6.8**	*-2.6*	*5.1*	*7.5*
United Kingdom	7.0	2.3	-1.8	2.8	-2.4	0.7	**-1.8**	**6.5**	**7.1**	*-0.8*	*5.0*	*5.3*
EU	:	1.7	0.0	-0.2	1.6	-3.0	**-2.5**	**3.0**	**4.2**	*-2.9*	*2.5*	*4.0*
USA	7.5	2.7	-2.5	1.1	3.4	5.5	**3.3**	**5.2**	**7.8**	*3.5*	*6.3*	*7.8*
Japan	-0.5	-1.2	-2.5	-0.2	1.4	3.4	**2.7**	**5.2**	**2.5**	*2.9*	*4.6*	*2.4*

Table 10: Investment in construction, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.1	0.5	1.4	6.0	3.9	-2.4	**-2.9**	**0.7**	**1.8**	*-3.3*	*0.7*	*2.4*
Germany	-1.1	-3.9	-0.5	3.2	7.8	-1.4	**-0.3**	**3.6**	**2.8**	*-0.1*	*4.1*	*2.7*
Estonia	:	14.2	-2.1	-3.0	3.8	10.5	**-2.9**	**-2.2**	**2.9**	*-6.0*	*-0.6*	*3.4*
Ireland	14.1	6.6	-5.7	-29.6	-15.6	-4.1	**-1.4**	**8.9**	**2.5**	*-2.2*	*0.8*	*2.6*
Greece	5.0	4.1	-3.0	-19.2	-21.0	-22.7	**-13.5**	**2.4**	**9.9**	*-10.0*	*2.5*	*9.9*
Spain	4.7	6.2	-1.7	-9.9	-10.8	-9.7	**-10.0**	**-4.1**	**-1.9**	*-10.5*	*-5.8*	*-0.9*
France	0.9	2.7	0.9	-3.2	1.4	-0.8	**-2.5**	**-0.8**	**1.5**	*-2.6*	*-0.8*	*1.8*
Italy	1.1	4.0	-1.9	-4.5	-3.7	-6.4	**-6.8**	**-1.4**	**1.8**	*-6.2*	*0.8*	*1.0*
Cyprus	:	5.5	3.4	-4.8	-7.9	-20.3	**-24.9**	**-13.8**	**1.4**	*-30.9*	*-11.2*	*2.8*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	5.6	5.8	1.9	-10.0	4.0	-6.1	**0.6**	**2.3**	**2.4**	*-0.4*	*2.3*	*3.0*
Malta	:	:	-2.9	0.6	-8.7	-4.7	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	3.1	-0.9	1.2	-11.9	4.9	-7.6	**-4.7**	**5.5**	**2.5**	*-8.4*	*0.4*	*1.9*
Austria	0.1	0.2	-1.3	-3.9	2.5	2.5	**0.2**	**1.9**	**2.2**	*0.4*	*1.5*	*2.0*
Portugal	7.3	-1.5	-3.6	-4.2	-11.5	-18.1	**-13.6**	**-2.2**	**0.9**	*-14.8*	*-1.6*	*0.0*
Slovenia	9.3	1.6	1.6	-20.5	-18.5	-6.5	**-3.7**	**-3.4**	**0.2**	*-5.4*	*-4.4*	*0.1*
Slovakia	:	-1.7	5.3	-7.7	7.4	-8.5	**-6.9**	**2.0**	**3.4**	*-4.5*	*2.4*	*3.4*
Finland	8.3	2.9	-0.4	7.2	4.9	-5.2	**-3.6**	**-1.2**	**1.6**	*-1.1*	*0.6*	*2.0*
Euro area	1.2	1.2	-0.7	-4.1	-0.3	-4.2	**-3.9**	**0.6**	**1.8**	*-4.0*	*0.6*	*1.8*
Bulgaria	:	12.2	17.8	-21.6	-22.2	-6.2	**-1.0**	**2.4**	**3.4**	*-2.0*	*1.4*	*2.1*
Czech Republic	1.9	1.3	1.8	-0.1	-5.0	-5.3	**-7.5**	**0.3**	**1.7**	*-6.2*	*-1.0*	*1.7*
Denmark	5.6	1.5	-2.7	-7.1	9.6	-5.4	**-1.6**	**4.5**	**1.1**	*-1.9*	*4.8*	*3.8*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	5.0	0.8	-7.4	14.3	-4.0	**4.1**	**5.0**	**5.0**	*1.8*	*4.8*	*4.8*
Hungary	:	6.0	-1.7	-13.7	-13.3	-9.1	**4.3**	**5.6**	**4.2**	*-1.8*	*3.7*	*4.3*
Poland	:	-1.6	8.8	2.2	7.8	-1.0	**-2.7**	**3.9**	**5.4**	*-6.7*	*3.5*	*5.9*
Romania	0.8	8.1	9.7	11.3	-4.3	3.5	**-3.4**	**3.6**	**4.6**	*-3.1*	*3.3*	*4.4*
Sweden	-0.1	4.0	1.1	4.5	3.5	0.7	**0.7**	**4.0**	**5.5**	*-1.2*	*4.0*	*6.0*
United Kingdom	4.7	1.4	-1.4	2.2	3.6	-4.0	**-2.8**	**6.5**	**7.1**	*-1.3*	*4.3*	*5.6*
EU	1.7	1.3	-0.4	-3.1	0.4	-4.0	**-3.5**	**1.7**	**2.8**	*-3.6*	*1.4*	*2.7*
USA	4.4	2.2	-6.6	-7.4	-1.6	7.7	**3.8**	**4.6**	**7.7**	*3.4*	*5.4*	*7.5*
Japan	-3.4	-3.5	-4.5	-3.1	-0.1	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 11: Investment in equipment, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	6.4	2.2	1.4	-10.9	4.8	-3.2	**-1.7**	**3.2**	**5.5**	*-2.1*	*1.6*	*2.9*
Germany	6.0	0.7	0.7	10.0	5.8	-4.0	**-2.2**	**4.8**	**7.1**	*-2.7*	*5.0*	*7.1*
Estonia	:	16.4	-8.4	-16.2	122.8	11.7	**6.5**	**6.0**	**8.0**	*6.4*	*8.0*	*8.0*
Ireland	17.3	1.3	0.9	-11.2	-1.5	2.3	**9.2**	**12.0**	**6.5**	*9.2*	*8.5*	*6.5*
Greece	14.7	10.6	2.6	-8.2	-18.1	-17.3	**-3.0**	**8.8**	**13.0**	*-2.1*	*8.9*	*13.0*
Spain	12.1	2.0	-1.1	5.0	5.5	-3.9	**1.2**	**5.8**	**6.7**	*-0.3*	*2.6*	*6.0*
France	7.8	1.7	-0.8	11.2	8.2	-3.0	**-2.0**	**3.2**	**5.1**	*-3.7*	*1.1*	*5.1*
Italy	6.0	1.5	-2.5	8.1	-0.7	-11.4	**-4.3**	**5.3**	**5.8**	*-4.0*	*5.2*	*7.0*
Cyprus	6.1	5.2	6.4	-6.9	-15.4	-15.5	**-22.5**	**-14.0**	**3.0**	*-26.0*	*-14.3*	*1.4*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	12.9	-0.9	1.2	21.7	22.4	18.3	**4.0**	**3.8**	**1.2**	*3.0*	*3.5*	*3.5*
Malta	:	:	-4.7	48.3	-47.3	-13.5	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	11.5	-1.4	2.2	-3.0	9.5	1.5	**-5.0**	**5.7**	**4.0**	*-8.6*	*1.8*	*4.0*
Austria	3.4	1.1	0.0	2.1	14.3	2.1	**-1.7**	**3.3**	**4.8**	*-4.5*	*3.4*	*4.8*
Portugal	11.2	-1.4	1.7	-2.6	-11.2	-9.8	**1.6**	**6.0**	**7.7**	*1.0*	*4.9*	*8.1*
Slovenia	14.8	5.9	-0.3	-9.3	14.2	-8.3	**-4.1**	**-0.7**	**1.2**	*-2.4*	*-1.2*	*0.8*
Slovakia	6.0	2.7	0.1	11.7	38.3	-11.5	**-6.0**	**-2.8**	**3.4**	*-6.3*	*-0.5*	*4.3*
Finland	11.5	1.1	1.0	-12.2	10.5	14.0	**-3.7**	**-0.6**	**1.9**	*-1.1*	*1.8*	*1.9*
Euro area	7.5	1.3	-0.3	5.6	4.7	-4.8	**-2.2**	**4.6**	**6.0**	*-2.9*	*3.7*	*6.1*
Bulgaria	:	16.2	1.3	-11.2	24.5	9.0	**4.8**	**2.6**	**5.1**	*10.0*	*11.0*	*13.0*
Czech Republic	5.5	5.0	5.0	3.7	6.7	-5.6	**-0.7**	**2.0**	**2.7**	*-2.6*	*1.5*	*2.7*
Denmark	6.7	1.9	0.7	1.6	-5.3	7.9	**4.9**	**1.3**	**4.9**	*2.2*	*0.6*	*2.8*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	13.6	-7.9	20.6	37.2	-4.8	**13.5**	**9.0**	**9.7**	*9.7*	*9.8*	*9.8*
Hungary	:	3.4	-0.4	-3.1	6.0	3.8	**5.0**	**7.0**	**4.7**	*0.7*	*4.0*	*4.5*
Poland	:	-1.9	9.7	-3.3	11.6	-3.9	**3.4**	**4.5**	**7.2**	*1.0*	*2.0*	*5.5*
Romania	2.4	9.7	8.6	-19.1	23.6	4.1	**-2.0**	**3.5**	**4.5**	*-0.3*	*4.0*	*4.5*
Sweden	11.8	1.4	2.3	11.9	13.2	5.2	**-2.6**	**5.3**	**7.9**	*-3.9*	*6.2*	*8.9*
United Kingdom	7.8	1.1	-3.4	9.9	-21.7	12.9	**2.8**	**8.7**	**7.9**	*3.3*	*6.9*	*4.8*
EU	7.8	1.4	0.0	5.1	3.4	-2.8	**-1.3**	**4.8**	**6.2**	*-2.0*	*3.9*	*6.0*
USA	10.2	2.3	-1.0	12.8	9.6	6.3	**2.4**	**6.3**	**8.0**	*3.5*	*7.7*	*8.2*
Japan	2.4	1.0	-0.8	2.6	3.4	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 12: Public investment (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.8	1.7	1.6	1.6	1.8	1.8	**1.7**	**1.6**	**1.6**	*1.7*	*1.7*	*1.7*
Germany	2.0	1.7	1.5	1.7	1.7	1.5	**1.6**	**1.6**	**1.6**	*1.5*	*1.5*	*1.6*
Estonia	4.6	4.3	4.8	3.9	4.1	5.4	**4.4**	**4.0**	**4.0**	*4.6*	*4.1*	*3.9*
Ireland	2.6	3.8	4.2	3.4	2.4	1.9	**1.8**	**1.7**	**1.6**	*1.8*	*1.7*	*1.7*
Greece	3.0	3.5	3.3	2.3	1.7	1.8	**2.3**	**2.5**	**2.2**	*2.0*	*2.0*	*2.0*
Spain	3.3	3.4	4.0	4.0	3.0	1.7	**1.6**	**1.4**	**1.4**	*1.4*	*1.2*	*1.2*
France	3.0	3.0	3.3	3.1	3.1	3.1	**3.2**	**3.1**	**3.0**	*3.2*	*3.1*	*3.0*
Italy	2.2	2.3	2.4	2.1	2.0	1.9	**2.0**	**1.9**	**1.7**	*2.0*	*1.8*	*1.7*
Cyprus	3.1	3.3	3.3	3.8	3.5	2.5	**2.1**	**2.3**	**2.3**	*1.9*	*1.7*	*1.7*
Latvia	1.6	1.8	4.5	3.7	4.3	4.2	**4.3**	**4.0**	**3.6**	*4.3*	*4.0*	*3.7*
Luxembourg	4.1	4.4	3.7	4.1	3.8	3.8	**3.3**	**3.3**	**3.2**	*3.5*	*3.5*	*3.5*
Malta	3.7	3.9	3.4	2.1	2.5	3.1	**2.8**	**2.8**	**2.9**	*3.0*	*3.1*	*3.1*
Netherlands	3.1	3.3	3.4	3.6	3.3	3.3	**3.3**	**3.3**	**3.3**	*3.3*	*3.3*	*3.3*
Austria	2.3	1.3	1.1	1.1	1.0	1.0	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
Portugal	4.6	4.1	3.0	3.8	2.6	1.7	**1.9**	**1.8**	**1.7**	*1.9*	*1.8*	*1.7*
Slovenia	3.1	3.2	4.0	4.5	3.6	3.2	**3.4**	**3.5**	**3.5**	*3.1*	*3.5*	*3.5*
Slovakia	3.7	2.8	2.1	2.6	2.3	1.9	**1.2**	**1.3**	**1.3**	*1.6*	*1.3*	*1.3*
Finland	2.8	2.6	2.5	2.5	2.5	2.6	**2.6**	**2.6**	**2.6**	*2.6*	*2.6*	*2.5*
Euro area	2.5	2.5	2.6	2.6	2.4	2.1	**2.1**	**2.1**	**2.0**	*2.1*	*2.0*	*2.0*
Bulgaria	2.1	3.2	4.6	4.6	3.4	3.4	**3.7**	**3.9**	**3.8**	*4.0*	*4.2*	*4.4*
Czech Republic	4.1	4.1	4.5	4.2	3.6	3.2	**2.9**	**2.9**	**2.9**	*3.2*	*3.2*	*3.2*
Denmark	1.8	1.8	1.9	2.2	2.2	2.6	**2.4**	**2.5**	**2.2**	*2.3*	*2.4*	*2.3*
Croatia	:	:	:	2.4	2.3	2.0	**2.1**	**2.5**	**2.8**	*2.1*	*2.4*	*2.7*
Lithuania	2.6	2.8	4.3	4.6	4.4	3.7	**3.6**	**3.6**	**3.5**	*3.5*	*3.5*	*3.4*
Hungary	2.0	3.8	3.6	3.4	3.1	3.4	**4.1**	**4.9**	**4.4**	*4.1*	*4.8*	*4.4*
Poland	3.6	3.2	4.3	5.6	5.7	4.6	**3.9**	**4.0**	**3.9**	*3.6*	*3.5*	*3.3*
Romania	2.8	3.2	5.5	5.7	5.5	4.7	**4.5**	**4.4**	**4.4**	*4.5*	*4.4*	*4.6*
Sweden	3.3	2.9	3.2	3.5	3.4	3.5	**3.5**	**3.5**	**3.3**	*3.5*	*3.4*	*3.3*
United Kingdom	1.4	1.5	1.9	2.5	2.2	2.2	**2.0**	**2.0**	**2.0**	*2.2*	*2.2*	*2.2*
EU	:	:	:	2.7	2.5	2.3	**2.3**	**2.3**	**2.2**	*2.3*	*2.2*	*2.2*
USA	3.7	3.7	3.9	4.1	3.8	3.6	**2.7**	**2.7**	**2.6**	*2.7*	*2.6*	*2.6*
Japan	5.8	4.6	3.3	3.3	3.1	3.2	**3.5**	**3.8**	**3.8**	*3.9*	*4.0*	*4.0*

Table 13: Potential GDP, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.2	2.0	1.6	1.2	1.3	0.9	**0.6**	**0.7**	**1.1**	*0.7*	*0.9*	*0.9*
Germany	1.6	1.4	1.2	1.0	1.3	1.4	**1.5**	**1.5**	**1.6**	*1.4*	*1.5*	*1.5*
Estonia	:	5.8	3.9	-0.6	1.4	1.7	**2.8**	**3.3**	**3.5**	*2.9*	*3.5*	*3.7*
Ireland	8.8	6.6	2.4	-1.2	-1.0	-0.6	**0.4**	**0.9**	**1.7**	*-0.1*	*0.8*	*1.6*
Greece	2.8	4.7	1.9	-1.7	-2.9	-3.1	**-3.1**	**-2.8**	**-2.6**	*-3.4*	*-3.0*	*-2.7*
Spain	2.6	3.7	2.6	0.3	-0.2	-0.8	**-1.3**	**-1.1**	**-1.1**	*-1.3*	*-1.3*	*-1.1*
France	1.8	1.9	1.6	1.0	1.1	1.0	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
Italy	1.5	1.4	0.5	-0.2	0.1	-0.9	**-0.5**	**-0.2**	**0.0**	*-0.5*	*-0.1*	*0.1*
Cyprus	:	3.6	2.9	1.1	0.2	-1.4	**-2.7**	**-2.9**	**-2.7**	*-3.1*	*-3.2*	*-3.1*
Latvia	:	6.6	4.6	-2.0	-0.4	0.7	**2.0**	**2.6**	**3.2**	*1.8*	*2.6*	*3.5*
Luxembourg	4.3	4.8	3.0	0.3	1.1	1.6	**1.4**	**1.2**	**1.4**	*1.2*	*0.9*	*1.1*
Malta	:	2.3	2.1	2.3	1.5	1.7	**1.5**	**1.4**	**1.5**	*1.4*	*1.2*	*1.1*
Netherlands	3.3	2.4	1.6	0.4	0.5	0.2	**0.2**	**0.4**	**0.5**	*0.0*	*0.1*	*0.3*
Austria	2.5	2.3	1.8	0.8	0.9	1.1	**1.1**	**1.2**	**1.4**	*1.1*	*1.3*	*1.4*
Portugal	3.1	2.2	0.7	0.2	-0.1	-1.4	**-0.7**	**-0.7**	**-0.3**	*-0.8*	*-0.5*	*-0.1*
Slovenia	:	3.7	3.3	-0.1	-0.7	-1.0	**-1.2**	**-0.5**	**0.1**	*-1.9*	*-0.9*	*-0.5*
Slovakia	:	3.8	5.4	3.4	3.9	2.6	**2.2**	**2.1**	**2.3**	*2.2*	*2.1*	*2.3*
Finland	3.3	3.5	1.8	0.3	0.4	0.2	**-0.1**	**0.0**	**0.3**	*0.3*	*0.4*	*0.6*
Euro area	:	2.1	1.5	0.6	0.6	0.4	**0.4**	**0.5**	**0.7**	*0.4*	*0.5*	*0.7*
Bulgaria	:	3.8	4.9	1.1	0.8	0.9	**1.1**	**1.5**	**1.8**	*1.1*	*1.5*	*1.8*
Czech Republic	:	3.0	4.0	1.7	1.1	0.5	**0.4**	**0.7**	**1.0**	*0.6*	*0.8*	*1.1*
Denmark	2.3	1.6	1.3	0.6	0.7	0.7	**0.6**	**1.0**	**1.2**	*0.9*	*1.2*	*1.6*
Croatia	:	:	2.4	-1.1	-1.6	-1.4	**-0.9**	**-0.3**	**0.6**	*-1.0*	*-0.3*	*0.5*
Lithuania	:	5.5	4.8	0.2	1.0	1.4	**2.5**	**3.0**	**3.4**	*2.8*	*3.0*	*3.2*
Hungary	:	3.5	1.8	0.1	0.1	0.0	**0.4**	**0.8**	**1.1**	*0.3*	*0.7*	*0.9*
Poland	:	4.0	4.2	4.1	4.6	3.4	**2.9**	**2.7**	**2.6**	*2.7*	*2.5*	*2.5*
Romania	:	3.6	4.4	1.4	1.7	1.8	**1.9**	**2.0**	**2.1**	*1.6*	*1.8*	*2.0*
Sweden	2.7	3.1	2.2	1.8	1.9	1.8	**1.8**	**2.0**	**2.2**	*1.9*	*2.2*	*2.4*
United Kingdom	3.4	3.2	1.8	0.5	0.4	0.4	**0.7**	**1.0**	**1.3**	*0.8*	*1.0*	*1.3*
EU	:	:	1.6	0.7	0.7	0.5	**0.6**	**0.8**	**0.9**	*0.6*	*0.7*	*0.9*
USA	3.7	2.8	1.9	1.2	1.4	1.7	**2.0**	**2.3**	**2.6**	*2.0*	*2.4*	*2.7*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.1	0.7	1.0	-0.8	-0.3	-1.3	**-1.7**	**-1.1**	**-0.4**	*-1.7*	*-1.5*	*-1.0*
Germany	-0.3	-0.1	-0.5	-1.3	0.6	-0.1	**-1.1**	**-0.8**	**-0.4**	*-1.0*	*-0.7*	*-0.4*
Estonia	:	2.3	4.2	-6.5	1.1	3.2	**1.2**	**0.3**	**0.4**	*1.2*	*0.7*	*0.8*
Ireland	1.5	1.8	0.4	-4.8	-1.8	-1.0	**-1.2**	**-0.3**	**0.9**	*-0.9*	*-0.1*	*0.8*
Greece	1.2	0.4	1.1	-4.7	-8.8	-11.9	**-12.4**	**-9.4**	**-4.2**	*-12.8*	*-9.5*	*-4.3*
Spain	-0.9	1.8	0.2	-4.7	-4.4	-5.2	**-5.1**	**-3.1**	**-0.4**	*-5.2*	*-3.4*	*-0.7*
France	-0.7	2.0	1.1	-2.1	-1.2	-2.2	**-2.9**	**-2.9**	**-2.2**	*-2.9*	*-3.0*	*-2.3*
Italy	0.6	1.6	1.0	-1.7	-1.4	-3.0	**-4.3**	**-3.6**	**-2.4**	*-4.5*	*-3.7*	*-2.6*
Cyprus	:	0.6	1.5	0.0	0.3	-0.7	**-3.5**	**-5.3**	**-1.9**	*-5.8*	*-6.5*	*-2.5*
Latvia	:	0.2	3.9	-11.2	-6.1	-1.9	**0.1**	**1.7**	**2.8**	*0.2*	*1.6*	*2.4*
Luxembourg	-1.0	2.0	0.5	-2.4	-1.6	-3.3	**-2.7**	**-1.8**	**-0.7**	*-2.2*	*-1.2*	*-1.2*
Malta	-0.3	-0.1	0.8	-0.3	-0.1	-1.0	**-0.4**	**0.2**	**0.9**	*-0.5*	*0.2*	*1.1*
Netherlands	0.1	-0.4	0.0	-1.5	-1.0	-2.5	**-3.3**	**-2.7**	**-1.9**	*-3.4*	*-3.2*	*-2.3*
Austria	-0.2	0.1	0.2	-1.9	0.0	-0.3	**-1.0**	**-0.7**	**-0.3**	*-1.0*	*-0.7*	*-0.3*
Portugal	0.7	1.1	-0.5	-0.9	-2.1	-3.8	**-4.6**	**-3.3**	**-1.5**	*-4.6*	*-3.4*	*-1.9*
Slovenia	:	0.8	2.4	-2.5	-1.1	-2.7	**-3.1**	**-2.8**	**-1.6**	*-3.1*	*-3.2*	*-2.0*
Slovakia	:	-1.8	3.3	-0.7	-1.6	-2.4	**-3.7**	**-3.5**	**-2.7**	*-3.3*	*-3.4*	*-2.7*
Finland	-0.2	0.3	0.9	-2.6	-0.2	-1.5	**-2.8**	**-2.6**	**-1.6**	*-2.7*	*-2.5*	*-1.6*
Euro area	:	0.9	0.4	-2.1	-1.2	-2.2	**-3.0**	**-2.4**	**-1.3**	*-2.9*	*-2.4*	*-1.4*
Bulgaria	-4.5	0.9	3.6	-2.4	-1.4	-1.5	**-1.9**	**-1.7**	**-1.5**	*-1.7*	*-1.7*	*-1.6*
Czech Republic	:	0.1	3.4	-1.0	-0.3	-1.8	**-3.3**	**-2.3**	**-1.2**	*-3.4*	*-2.5*	*-1.4*
Denmark	1.0	1.1	1.3	-4.0	-3.6	-4.6	**-4.9**	**-4.2**	**-3.6**	*-4.7*	*-4.3*	*-4.0*
Croatia	:	:	2.2	-3.4	-1.9	-2.4	**-2.2**	**-1.5**	**-0.9**	*-2.1*	*-1.3*	*-0.7*
Lithuania	:	-1.5	4.3	-7.9	-3.3	-1.1	**-0.5**	**0.1**	**0.5**	*0.0*	*0.5*	*1.2*
Hungary	:	1.2	2.0	-3.7	-2.3	-3.9	**-3.2**	**-2.0**	**-1.1**	*-3.5*	*-2.4*	*-1.3*
Poland	:	-1.3	1.4	0.7	0.6	-0.8	**-2.0**	**-1.9**	**-1.4**	*-2.1*	*-2.0*	*-1.6*
Romania	:	-1.1	4.6	-2.3	-1.7	-2.9	**-1.4**	**-1.1**	**-0.8**	*-1.8*	*-1.5*	*-1.2*
Sweden	-1.1	0.0	0.1	-1.4	-0.4	-1.2	**-2.1**	**-1.6**	**-0.5**	*-2.3*	*-1.7*	*-0.6*
United Kingdom	0.8	0.2	0.0	-4.0	-3.3	-3.4	**-2.4**	**-0.9**	**0.2**	*-2.2*	*-1.1*	*0.0*
EU	:	:	0.5	-2.4	-1.5	-2.4	**-2.8**	**-2.1**	**-1.1**	*-2.8*	*-2.2*	*-1.2*
USA	-0.2	0.3	0.5	-2.3	-1.9	-0.9	**-0.9**	**-0.4**	**0.3**	*-1.2*	*-1.0*	*-0.6*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

[1] When comparing output gaps between the spring and the autumn forecast it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.9	2.0	2.1	2.1	2.0	1.9	**1.3**	**1.4**	**1.6**	*2.1*	*1.2*	*1.6*
Germany	0.7	0.8	0.9	1.0	1.2	1.5	**2.2**	**1.6**	**1.7**	*2.2*	*1.7*	*1.8*
Estonia	15.1	4.9	6.3	0.3	3.0	3.3	**5.0**	**3.0**	**3.5**	*4.9*	*3.4*	*3.3*
Ireland	3.3	4.6	0.1	-1.5	0.7	0.7	**0.6**	**0.7**	**1.1**	*0.7*	*0.8*	*1.1*
Greece	6.4	3.4	3.1	1.1	1.0	-0.8	**-2.6**	**-0.5**	**0.4**	*-1.7*	*-0.5*	*0.4*
Spain	3.2	4.0	2.8	0.1	0.0	0.0	**0.3**	**0.5**	**0.7**	*0.4*	*0.6*	*0.7*
France	1.0	1.9	2.0	1.0	1.3	1.5	**1.1**	**1.3**	**1.3**	*1.5*	*1.6*	*1.5*
Italy	3.3	2.7	2.1	0.4	1.4	1.7	**1.3**	**1.1**	**1.4**	*1.3*	*1.4*	*1.4*
Cyprus	2.0	3.3	3.1	1.9	2.8	1.9	**-2.3**	**0.6**	**1.5**	*0.6*	*1.1*	*1.5*
Latvia	8.7	4.0	10.4	-0.9	6.0	3.3	**1.6**	**2.3**	**2.3**	*1.6*	*2.2*	*2.2*
Luxembourg	1.6	2.4	3.3	7.2	4.2	3.0	**3.9**	**2.8**	**2.7**	*3.6*	*2.7*	*2.6*
Malta	1.9	2.5	2.8	3.7	2.3	2.2	**2.2**	**1.7**	**2.4**	*2.2*	*2.3*	*2.3*
Netherlands	1.9	3.2	1.7	0.8	1.1	1.3	**1.7**	**0.8**	**2.2**	*1.6*	*1.4*	*2.7*
Austria	0.6	1.4	1.8	1.4	2.0	1.7	**1.5**	**1.9**	**1.7**	*2.1*	*1.7*	*1.7*
Portugal	3.8	3.2	2.1	0.6	0.3	-0.3	**1.7**	**0.9**	**1.0**	*1.9*	*0.9*	*1.0*
Slovenia	11.1	6.0	3.1	-1.1	1.2	0.2	**1.6**	**0.7**	**1.3**	*1.7*	*1.1*	*0.8*
Slovakia	6.5	5.9	1.6	0.5	1.6	1.3	**0.6**	**0.7**	**1.0**	*1.5*	*1.8*	*1.8*
Finland	2.1	1.3	1.7	0.3	2.7	2.9	**2.9**	**2.2**	**2.0**	*2.3*	*2.2*	*2.0*
Euro area	1.8	2.1	1.8	0.8	1.2	1.3	**1.4**	**1.2**	**1.4**	*1.6*	*1.4*	*1.5*
Bulgaria	116.0	4.8	7.2	2.8	4.9	2.2	**2.2**	**0.9**	**2.0**	*2.9*	*1.9*	*2.2*
Czech Republic	7.8	2.7	1.5	-1.6	-0.9	1.6	**1.3**	**1.3**	**1.9**	*1.2*	*0.8*	*1.3*
Denmark	1.6	2.4	2.4	4.3	0.7	2.3	**2.4**	**1.3**	**1.5**	*1.4*	*1.5*	*1.6*
Croatia	:	4.0	4.0	0.8	2.0	2.0	**1.9**	**1.4**	**1.8**	*1.7*	*1.9*	*1.9*
Lithuania	14.5	0.5	5.5	2.3	5.4	2.6	**1.7**	**1.6**	**2.5**	*1.8*	*2.4*	*2.8*
Hungary	17.9	8.0	4.0	2.4	2.6	3.2	**2.2**	**2.1**	**2.3**	*2.8*	*2.7*	*2.3*
Poland	15.1	3.5	3.0	1.4	3.2	2.4	**0.5**	**1.4**	**1.8**	*1.0*	*1.8*	*1.9*
Romania	59.1	28.1	11.1	5.7	4.2	4.6	**3.6**	**2.9**	**2.7**	*4.2*	*3.0*	*2.6*
Sweden	1.5	1.5	2.2	0.8	1.3	1.0	**0.7**	**1.2**	**1.7**	*1.4*	*1.1*	*1.4*
United Kingdom	2.2	2.0	2.5	3.1	2.3	1.7	**1.7**	**1.9**	**2.1**	*1.2*	*1.4*	*1.5*
EU	:	2.3	2.1	1.2	1.5	1.5	**1.4**	**1.4**	**1.6**	*1.5*	*1.5*	*1.6*
USA	1.6	2.2	2.3	1.2	2.0	1.7	**1.5**	**1.5**	**1.8**	*1.4*	*1.3*	*1.8*
Japan	-0.4	-1.4	-1.0	-2.2	-1.9	-0.9	**-0.6**	**1.7**	**1.2**	*-0.3*	*2.0*	*1.2*

Table 16: Price deflator of private consumption (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.0	2.1	2.2	2.0	3.1	2.4	**1.2**	**0.8**	**1.5**	*1.1*	*1.2*	*1.3*
Germany	0.9	1.3	1.2	2.0	2.1	1.6	**1.6**	**1.5**	**1.6**	*1.7*	*1.7*	*1.8*
Estonia	13.7	3.6	4.9	2.4	4.9	3.6	**3.6**	**1.8**	**2.8**	*3.2*	*2.6*	*2.9*
Ireland	3.1	4.0	0.2	-2.1	1.7	0.5	**0.4**	**0.7**	**1.0**	*0.8*	*0.9*	*1.1*
Greece	5.9	3.8	2.9	4.0	3.4	0.9	**-1.3**	**-0.4**	**0.3**	*-1.0*	*-0.4*	*0.3*
Spain	3.0	3.4	2.5	1.9	2.5	2.5	**1.5**	**0.4**	**0.9**	*1.7*	*0.8*	*0.8*
France	0.7	1.9	1.6	1.1	2.1	1.8	**0.7**	**1.3**	**1.2**	*1.0*	*1.6*	*1.3*
Italy	3.2	2.8	2.0	1.5	2.8	2.8	**1.3**	**0.9**	**1.3**	*1.5*	*1.6*	*1.5*
Cyprus	1.3	2.7	2.9	2.1	3.3	2.4	**0.2**	**0.6**	**1.5**	*0.9*	*1.4*	*1.5*
Latvia	:	3.5	8.8	-1.7	4.9	3.1	**0.0**	**1.8**	**2.0**	*0.4*	*2.0*	*2.0*
Luxembourg	1.8	2.2	2.4	1.4	2.6	1.6	**1.7**	**1.7**	**1.8**	*1.7*	*1.9*	*1.8*
Malta	:	1.5	2.5	3.0	0.9	2.1	**1.0**	**1.2**	**1.9**	*1.1*	*1.8*	*2.1*
Netherlands	2.1	2.9	1.3	1.5	2.4	2.2	**2.2**	**1.4**	**1.5**	*2.8*	*2.0*	*2.2*
Austria	1.3	1.7	2.0	1.8	3.6	2.6	**2.2**	**1.7**	**1.8**	*2.2*	*1.8*	*1.8*
Portugal	3.1	3.1	1.8	1.3	2.5	1.5	**0.5**	**1.0**	**1.2**	*0.6*	*1.0*	*1.2*
Slovenia	11.1	6.0	3.0	1.5	1.7	1.6	**1.1**	**0.5**	**1.3**	*2.1*	*1.9*	*1.6*
Slovakia	7.3	6.1	2.9	1.0	3.8	3.4	**1.5**	**0.8**	**1.5**	*1.5*	*1.8*	*2.0*
Finland	1.4	1.7	1.9	1.9	3.5	2.9	**1.9**	**1.8**	**1.8**	*1.9*	*1.8*	*1.8*
Euro area	:	2.2	1.8	1.6	2.4	2.1	**1.3**	**1.1**	**1.4**	*1.5*	*1.5*	*1.5*
Bulgaria	111.6	3.6	5.3	2.4	4.6	3.5	**0.9**	**1.1**	**2.2**	*1.0*	*1.7*	*2.4*
Czech Republic	7.4	2.3	2.2	-0.2	0.5	2.7	**1.2**	**1.3**	**1.8**	*1.0*	*0.6*	*1.6*
Denmark	1.7	1.9	1.8	2.7	2.7	2.8	**0.8**	**1.7**	**1.9**	*0.9*	*1.5*	*1.5*
Croatia	:	3.3	3.7	1.6	2.6	3.5	**2.6**	**1.3**	**1.8**	*2.6*	*1.8*	*2.0*
Lithuania	:	-0.3	5.6	1.3	4.1	3.1	**1.2**	**1.1**	**1.9**	*1.4*	*1.9*	*2.4*
Hungary	:	7.2	4.6	3.9	4.2	6.1	**1.7**	**1.2**	**2.8**	*2.0*	*2.2*	*3.0*
Poland	15.2	4.0	2.5	2.5	4.9	3.7	**0.8**	**1.3**	**2.0**	*1.0*	*2.0*	*2.2*
Romania	57.9	23.8	6.0	7.7	4.5	4.4	**3.6**	**2.7**	**3.2**	*4.2*	*2.9*	*3.0*
Sweden	1.4	1.4	1.8	1.5	1.7	1.2	**0.6**	**1.1**	**1.8**	*1.0*	*1.5*	*1.7*
United Kingdom	2.1	1.1	2.6	4.0	3.9	2.6	**2.4**	**2.1**	**2.1**	*2.4*	*2.1*	*2.0*
EU	:	2.2	2.0	2.1	2.8	2.2	**1.4**	**1.3**	**1.6**	*1.6*	*1.6*	*1.6*
USA	1.6	2.0	2.2	1.7	2.4	1.8	**1.1**	**1.4**	**1.9**	*1.1*	*1.3*	*1.7*
Japan	0.0	-1.0	-0.8	-1.7	-0.8	-0.8	**-0.2**	**2.5**	**1.5**	*0.5*	*2.8*	*1.5*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	1.3	2.0	2.2	2.3	3.4	2.6	1.2	0.9	1.4	1.3	1.3	1.5
Germany	:	1.5	1.8	1.2	2.5	2.1	1.6	1.4	1.4	1.7	1.7	1.6
Estonia	:	3.5	5.2	2.7	5.1	4.2	3.2	1.8	2.8	3.4	2.8	3.1
Ireland	2.2	4.1	1.8	-1.6	1.2	1.9	0.5	0.8	1.1	0.8	0.9	1.2
Greece	5.8	3.4	3.1	4.7	3.1	1.0	-0.9	-0.6	0.2	-0.8	-0.4	0.3
Spain	2.8	3.2	2.7	2.0	3.1	2.4	1.5	0.3	0.9	1.8	0.9	0.6
France	1.3	2.0	1.7	1.7	2.3	2.2	1.0	1.2	1.2	1.0	1.4	1.3
Italy	3.0	2.5	2.1	1.6	2.9	3.3	1.3	0.9	1.3	1.5	1.6	1.5
Cyprus	:	3.1	2.2	2.6	3.5	3.1	0.4	0.4	1.4	1.0	1.2	1.6
Latvia	:	3.2	8.4	-1.2	4.2	2.3	0.0	1.9	2.1	0.3	2.1	2.1
Luxembourg	:	2.8	2.7	2.8	3.7	2.9	1.7	1.5	1.7	1.8	1.7	1.6
Malta	:	2.6	2.5	2.0	2.5	3.2	1.0	1.2	1.9	1.1	1.8	2.1
Netherlands	1.7	3.0	1.6	0.9	2.5	2.8	2.6	1.1	1.3	2.7	1.7	1.6
Austria	1.2	1.8	1.9	1.7	3.6	2.6	2.1	1.8	1.8	2.2	1.8	1.8
Portugal	2.6	3.3	1.9	1.4	3.6	2.8	0.4	0.8	1.2	0.6	1.0	1.2
Slovenia	:	6.9	3.0	2.1	2.1	2.8	1.9	0.8	1.3	2.1	1.9	1.5
Slovakia	:	7.8	2.8	0.7	4.1	3.7	1.5	0.7	1.6	1.7	1.6	1.9
Finland	1.1	1.8	1.8	1.7	3.3	3.2	2.2	1.7	1.6	2.2	1.9	1.8
Euro area	:	2.3	2.0	1.6	2.7	2.5	1.4	1.0	1.3	1.5	1.5	1.4
Bulgaria	:	6.4	7.1	3.0	3.4	2.4	0.4	0.5	1.8	0.5	1.4	2.1
Czech Republic	:	2.5	2.7	1.2	2.1	3.5	1.4	1.0	1.8	1.4	0.5	1.6
Denmark	1.9	2.1	2.0	2.2	2.7	2.4	0.5	1.5	1.7	0.6	1.5	1.7
Croatia	4.3	3.2	3.4	1.1	2.2	3.4	2.3	1.3	1.5	2.6	1.8	2.0
Lithuania	:	0.6	5.5	1.2	4.1	3.2	1.2	1.1	1.9	1.4	1.9	2.4
Hungary	:	7.1	5.1	4.7	3.9	5.7	1.7	1.2	2.8	2.1	2.2	3.0
Poland	:	4.3	2.8	2.7	3.9	3.7	0.8	1.4	2.0	1.0	2.0	2.2
Romania	:	26.0	6.8	6.1	5.8	3.4	3.2	2.4	3.4	3.3	2.5	3.4
Sweden	1.4	1.9	1.9	1.9	1.4	0.9	0.4	0.9	1.8	0.6	1.3	1.8
United Kingdom	2.0	1.2	2.5	3.3	4.5	2.8	2.6	2.0	2.0	2.6	2.3	2.1
EU	:	2.7	2.3	2.1	3.1	2.6	1.5	1.2	1.5	1.7	1.6	1.6
USA	:	2.5	2.6	1.6	3.1	2.1	1.5	1.6	1.9	1.5	1.9	2.1
Japan	-0.2	-0.1	0.0	-0.7	-0.3	0.0	0.4	2.5	1.2	0.3	2.6	1.2

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2013-15) 17.02.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	1.4	1.2	1.2	0.9	1.2	0.9	0.7	0.8	1.0	1.3	1.6	1.7
Germany	1.8	1.5	1.7	1.3	1.4	1.4	1.3	1.3	1.3	1.3	1.4	1.4
Estonia	3.8	3.7	3.4	2.1	1.9	1.5	1.3	2.5	2.6	2.8	2.9	3.0
Ireland	1.1	0.6	0.2	0.4	1.3	0.9	0.6	0.5	0.8	1.1	1.3	1.7
Greece	0.0	-0.4	-0.8	-2.2	-1.1	-0.7	-0.4	0.0	0.1	0.2	0.3	0.3
Spain	2.8	1.8	1.3	0.2	0.1	0.6	0.0	0.4	0.6	0.9	1.0	1.1
France	1.2	0.9	1.1	0.8	1.2	1.2	1.1	1.1	1.2	1.2	1.2	1.2
Italy	2.1	1.3	1.1	0.7	0.6	0.9	1.0	1.1	1.4	1.3	1.4	1.4
Cyprus	1.7	0.4	0.3	-0.8	0.0	0.3	0.7	0.9	1.2	1.4	1.5	1.6
Latvia	0.4	-0.1	0.0	-0.2	0.8	2.2	2.3	2.3	2.2	2.1	2.0	2.1
Luxembourg	2.2	1.7	1.7	1.2	1.2	1.5	1.4	1.7	1.7	1.8	1.7	1.8
Malta	1.9	0.8	0.7	0.6	1.3	0.9	1.2	1.3	1.5	2.0	2.0	2.1
Netherlands	3.2	3.0	2.8	1.3	0.9	0.7	1.2	1.4	1.1	1.0	1.2	1.7
Austria	2.6	2.2	2.0	1.6	1.6	1.7	1.8	1.9	1.8	1.8	1.8	1.8
Portugal	0.4	0.8	0.4	0.1	0.7	0.5	0.7	1.1	1.2	1.2	1.2	1.2
Slovenia	2.7	1.8	2.2	1.1	0.8	1.1	0.6	0.8	1.1	1.2	1.3	1.4
Slovakia	2.2	1.7	1.4	0.5	0.3	0.5	0.7	1.2	1.5	1.6	1.6	1.8
Finland	2.5	2.4	2.1	1.8	1.8	1.8	1.8	1.3	1.2	1.5	1.5	2.0
Euro area	1.8	1.4	1.4	0.8	1.0	1.1	1.0	1.1	1.2	1.2	1.3	1.4
Bulgaria	2.1	1.1	-0.7	-1.0	-0.9	0.0	1.1	1.7	1.9	1.9	1.8	1.7
Czech Republic	1.7	1.5	1.2	1.1	0.6	0.9	1.1	1.3	1.8	1.8	1.8	1.9
Denmark	0.9	0.5	0.2	0.4	1.0	1.6	1.6	1.8	1.7	1.7	1.8	1.7
Croatia	4.2	2.4	2.2	0.6	1.3	1.4	1.3	1.4	1.5	1.3	1.5	1.5
Lithuania	2.2	1.4	0.5	0.5	0.5	0.7	1.3	1.7	2.1	2.0	1.8	1.9
Hungary	2.7	1.9	1.6	0.7	0.6	1.1	1.1	1.8	2.7	2.7	2.9	2.9
Poland	1.3	0.5	0.9	0.6	0.8	1.3	1.5	1.8	2.0	2.1	2.1	2.0
Romania	4.8	4.4	2.4	1.3	1.2	1.7	3.2	3.5	3.3	3.4	3.4	3.5
Sweden	0.6	0.3	0.7	0.3	0.5	0.8	1.0	1.1	1.5	1.8	1.9	1.9
United Kingdom	2.8	2.7	2.7	2.1	2.0	2.0	2.0	2.1	2.0	2.0	2.1	2.1
EU	2.0	1.6	1.5	1.0	1.1	1.2	1.2	1.3	1.4	1.5	1.5	1.6
USA	1.6	1.2	1.6	1.2	1.3	1.7	1.5	1.8	1.8	1.9	1.9	2.0
Japan	-0.6	-0.3	0.9	1.4	1.6	3.2	2.8	2.4	2.3	0.2	0.3	1.8

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.1	0.9	1.3	4.9	4.4	1.6	**-0.8**	**0.1**	**1.3**	*0.6*	*0.4*	*1.3*
Germany	0.0	0.2	0.2	2.4	3.2	1.2	**-0.6**	**-0.3**	**0.9**	*-0.4*	*0.1*	*0.9*
Estonia	7.5	2.7	3.5	4.3	3.8	0.5	**0.2**	**0.9**	**1.7**	*0.4*	*1.1*	*2.0*
Ireland	1.5	-0.7	-0.9	1.1	-0.9	4.7	**0.1**	**0.5**	**1.1**	*1.0*	*1.2*	*1.1*
Greece	4.1	3.4	2.1	7.9	8.2	3.8	**-1.7**	**-0.4**	**0.1**	*-1.0*	*-0.4*	*0.1*
Spain	1.9	1.4	1.6	2.5	5.1	2.0	**-1.2**	**0.6**	**0.8**	*-1.4*	*0.3*	*0.9*
France	0.1	-0.6	0.8	2.3	3.8	1.1	**-0.4**	**-0.4**	**1.1**	*0.0*	*1.0*	*1.5*
Italy	2.2	1.7	1.3	2.9	4.2	1.8	**-0.3**	**0.1**	**1.2**	*-0.3*	*0.3*	*1.2*
Cyprus	:	1.1	2.8	1.3	1.2	1.0	**0.4**	**0.4**	**0.8**	*0.9*	*1.1*	*1.4*
Latvia	:	5.0	6.0	8.7	12.2	3.8	**1.2**	**1.1**	**1.4**	*2.1*	*1.2*	*1.4*
Luxembourg	-0.4	1.4	2.7	6.1	4.8	2.9	**-1.8**	**1.5**	**1.1**	*-0.3*	*1.5*	*1.1*
Malta	:	-0.2	1.3	0.8	10.7	-2.3	**2.0**	**-0.1**	**1.6**	*-1.5*	*-0.1*	*1.6*
Netherlands	-0.1	0.5	0.8	6.4	5.3	2.2	**-0.5**	**-0.9**	**2.0**	*-1.0*	*-0.1*	*2.0*
Austria	0.5	0.3	1.2	2.7	3.0	0.6	**-1.1**	**0.0**	**1.1**	*-1.0*	*0.0*	*1.1*
Portugal	1.0	0.8	0.7	5.1	6.8	1.6	**-0.3**	**1.0**	**1.0**	*-0.6*	*0.8*	*1.0*
Slovenia	5.8	5.3	1.2	2.2	4.5	1.0	**-0.3**	**0.6**	**1.4**	*1.0*	*1.3*	*1.2*
Slovakia	3.0	5.3	-0.2	3.1	3.9	0.9	**-2.0**	**-1.6**	**1.0**	*1.5*	*1.4*	*1.5*
Finland	-0.9	-1.1	-1.4	4.8	5.1	0.8	**-0.6**	**-0.1**	**1.0**	*0.2*	*0.8*	*1.2*
Euro area	:	0.5	0.7	3.3	3.9	1.5	**-0.6**	**-0.2**	**1.1**	*-0.3*	*0.4*	*1.2*
Bulgaria	:	2.8	4.6	11.0	11.7	3.7	**-2.5**	**-0.2**	**1.4**	*2.0*	*2.8*	*3.2*
Czech Republic	3.7	-0.4	-1.9	-1.3	0.9	3.1	**1.2**	**3.2**	**1.5**	*1.4*	*0.6*	*1.1*
Denmark	0.3	1.4	2.1	5.5	5.1	3.1	**0.5**	**0.1**	**1.2**	*0.3*	*2.0*	*2.2*
Croatia	:	4.4	2.4	2.1	6.5	3.7	**0.9**	**1.5**	**2.0**	*0.9*	*2.1*	*2.4*
Lithuania	:	1.6	2.9	12.4	13.5	3.6	**-1.7**	**-0.4**	**1.8**	*-0.2*	*1.5*	*2.2*
Hungary	:	0.9	0.7	1.7	3.4	3.0	**0.5**	**0.6**	**0.6**	*0.7*	*1.6*	*1.9*
Poland	9.7	4.5	2.6	0.4	7.4	4.2	**-0.1**	**0.8**	**1.3**	*0.8*	*0.8*	*1.3*
Romania	53.9	22.3	5.8	7.2	9.7	9.3	**-2.6**	**0.9**	**1.2**	*-0.5*	*0.7*	*1.5*
Sweden	-0.5	-0.3	2.5	-0.8	-1.6	-2.2	**-3.7**	**0.5**	**0.6**	*-2.2*	*0.1*	*0.2*
United Kingdom	-1.7	0.0	3.3	6.2	7.3	-1.1	**0.1**	**0.5**	**1.0**	*-0.7*	*-0.3*	*0.1*
EU	:	0.6	1.1	3.3	4.2	1.5	**-0.6**	**0.0**	**1.1**	*-0.3*	*0.4*	*1.1*
USA	-1.5	1.2	1.6	5.0	7.6	0.4	**-0.3**	**-0.1**	**0.6**	*-0.2*	*0.9*	*1.4*
Japan	-1.1	-1.9	-1.7	-1.8	-2.1	-2.1	**9.0**	**1.0**	**1.0**	*12.0*	*1.0*	*1.0*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.5	1.6	1.2	7.1	6.7	1.4	**-0.5**	**-0.3**	**1.2**	*-0.2*	*0.5*	*1.2*
Germany	-0.6	0.5	0.0	5.1	6.1	1.6	**-2.5**	**-0.7**	**0.9**	*-2.0*	*-0.2*	*0.9*
Estonia	9.5	0.6	2.2	6.0	6.1	2.5	**-0.9**	**0.7**	**1.5**	*-0.3*	*0.9*	*2.0*
Ireland	-0.1	-0.9	0.1	4.8	5.6	5.4	**-0.1**	**0.3**	**1.2**	*1.3*	*1.5*	*1.2*
Greece	4.0	3.4	2.9	5.9	7.6	4.8	**-1.9**	**-0.3**	**-0.1**	*-1.2*	*-0.3*	*-0.1*
Spain	1.1	1.4	0.9	4.9	8.9	4.4	**-1.8**	**-0.7**	**0.9**	*-1.2*	*0.4*	*1.0*
France	-0.1	-0.3	0.5	4.7	6.5	2.0	**-1.0**	**0.5**	**1.2**	*-1.6*	*0.9*	*1.3*
Italy	1.3	2.4	1.8	7.0	8.1	2.8	**-1.9**	**-0.9**	**1.2**	*-1.6*	*-0.1*	*1.3*
Cyprus	:	1.6	2.4	2.2	3.0	2.1	**1.7**	**0.8**	**1.3**	*2.5*	*2.1*	*1.8*
Latvia	:	5.9	5.9	7.6	6.1	8.0	**0.9**	**1.1**	**1.4**	*1.6*	*1.4*	*1.5*
Luxembourg	1.0	1.4	1.2	1.0	2.5	3.5	**-0.1**	**0.6**	**1.0**	*-0.1*	*0.6*	*1.0*
Malta	:	0.8	4.8	2.5	8.9	-2.2	**1.5**	**-0.2**	**1.5**	*-1.4*	*-0.2*	*1.5*
Netherlands	-0.7	-0.2	0.9	8.0	5.1	2.7	**-1.5**	**-0.8**	**1.0**	*-1.5*	*0.0*	*1.0*
Austria	0.9	0.1	1.5	4.3	6.2	2.1	**-1.6**	**-0.3**	**1.2**	*-1.7*	*0.3*	*1.2*
Portugal	0.6	1.2	0.4	5.0	7.9	1.4	**-1.5**	**0.1**	**0.6**	*-2.2*	*0.1*	*0.6*
Slovenia	4.7	5.5	1.3	7.3	6.1	2.2	**-0.2**	**-0.2**	**1.4**	*0.6*	*1.7*	*2.2*
Slovakia	4.1	4.9	0.9	4.0	5.5	2.2	**-1.4**	**-1.5**	**1.5**	*1.5*	*1.5*	*1.5*
Finland	-1.3	-0.3	0.5	7.6	7.5	2.6	**-1.8**	**-0.1**	**1.0**	*-0.5*	*0.7*	*1.6*
Euro area	:	0.8	0.8	5.7	6.6	2.3	**-1.7**	**-0.5**	**1.0**	*-1.4*	*0.2*	*1.1*
Bulgaria	:	2.6	4.7	8.5	9.7	4.0	**-3.8**	**0.2**	**1.6**	*-0.5*	*2.8*	*3.6*
Czech Republic	3.0	-0.6	-1.2	1.0	3.1	3.7	**0.6**	**3.0**	**1.0**	*0.7*	*0.5*	*1.2*
Denmark	-0.7	0.3	1.3	4.2	7.0	2.8	**-2.5**	**0.2**	**1.8**	*-1.0*	*1.9*	*2.1*
Croatia	:	2.5	1.9	1.6	5.8	3.6	**0.2**	**0.5**	**1.5**	*0.7*	*1.0*	*1.5*
Lithuania	:	-1.5	3.7	10.9	14.2	4.6	**-2.1**	**-0.5**	**1.5**	*-0.5*	*1.2*	*2.1*
Hungary	:	1.7	1.5	1.9	5.1	4.2	**0.2**	**0.5**	**0.4**	*0.4*	*1.5*	*2.0*
Poland	12.2	5.2	1.6	1.8	9.5	5.8	**0.5**	**1.0**	**1.8**	*0.8*	*1.2*	*1.8*
Romania	52.3	20.5	0.7	6.1	6.9	6.0	**-2.3**	**1.7**	**1.3**	*-0.6*	*1.3*	*1.6*
Sweden	0.1	1.0	2.5	0.3	-0.3	-1.8	**-3.1**	**1.2**	**1.0**	*-1.9*	*1.2*	*1.2*
United Kingdom	-2.0	-0.4	4.3	5.4	8.7	-0.7	**-0.3**	**0.1**	**0.3**	*-0.3*	*0.1*	*0.3*
EU	:	0.9	1.3	5.2	6.7	2.1	**-1.4**	**-0.2**	**1.0**	*-1.1*	*0.4*	*1.1*
USA	-2.0	1.7	2.4	6.7	8.8	0.6	**-1.2**	**0.1**	**0.9**	*-0.9*	*1.4*	*2.0*
Japan	0.1	0.5	1.9	5.7	7.3	-0.2	**11.0**	**2.8**	**1.0**	*15.5*	*2.8*	*1.0*

Table 21: Terms of trade of goods (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.7	-0.7	0.1	-2.1	-2.1	0.2	**-0.3**	**0.4**	**0.0**	*0.9*	*-0.1*	*0.0*
Germany	0.6	-0.2	0.2	-2.5	-2.7	-0.4	**1.9**	**0.5**	**0.0**	*1.6*	*0.4*	*0.0*
Estonia	-1.9	2.1	1.3	-1.6	-2.2	-1.9	**1.1**	**0.2**	**0.2**	*0.7*	*0.2*	*0.0*
Ireland	1.6	0.2	-1.0	-3.6	-6.2	-0.7	**0.2**	**0.2**	**-0.1**	*-0.3*	*-0.3*	*-0.1*
Greece	0.1	0.0	-0.8	1.8	0.6	-1.0	**0.2**	**-0.1**	**0.2**	*0.2*	*-0.1*	*0.3*
Spain	0.8	0.0	0.7	-2.3	-3.5	-2.3	**0.6**	**1.3**	**-0.1**	*-0.2*	*-0.1*	*-0.1*
France	0.2	-0.3	0.3	-2.3	-2.6	-1.0	**0.6**	**-0.9**	**-0.1**	*1.7*	*0.2*	*0.1*
Italy	0.9	-0.7	-0.4	-3.9	-3.6	-1.0	**1.6**	**1.0**	**0.0**	*1.3*	*0.4*	*-0.1*
Cyprus	:	-0.5	0.4	-0.9	-1.8	-1.1	**-1.3**	**-0.4**	**-0.5**	*-1.6*	*-1.0*	*-0.4*
Latvia	:	-0.8	0.1	1.1	5.8	-3.8	**0.3**	**0.0**	**0.0**	*0.5*	*-0.2*	*-0.1*
Luxembourg	-1.4	0.0	1.5	5.1	2.2	-0.6	**-1.7**	**0.9**	**0.1**	*-0.2*	*0.9*	*0.1*
Malta	:	-1.0	-3.3	-1.7	1.7	-0.2	**0.5**	**0.1**	**0.1**	*-0.1*	*0.1*	*0.1*
Netherlands	0.7	0.7	0.0	-1.4	0.2	-0.4	**1.1**	**-0.1**	**1.0**	*0.5*	*-0.1*	*1.0*
Austria	-0.4	0.2	-0.2	-1.5	-3.0	-1.4	**0.5**	**0.3**	**-0.1**	*0.7*	*-0.3*	*-0.1*
Portugal	0.4	-0.4	0.4	0.1	-1.0	0.2	**1.1**	**1.0**	**0.4**	*1.6*	*0.8*	*0.4*
Slovenia	1.1	-0.1	0.0	-4.8	-1.6	-1.2	**0.0**	**0.8**	**0.0**	*0.4*	*-0.4*	*-1.0*
Slovakia	-1.0	0.4	-1.1	-0.8	-1.5	-1.3	**-0.6**	**-0.1**	**-0.5**	*0.0*	*-0.1*	*0.0*
Finland	0.4	-0.8	-1.9	-2.6	-2.2	-1.7	**1.2**	**0.0**	**0.0**	*0.7*	*0.1*	*-0.4*
Euro area	:	-0.3	-0.1	-2.3	-2.5	-0.7	**1.2**	**0.3**	**0.1**	*1.2*	*0.2*	*0.1*
Bulgaria	:	0.2	-0.1	2.3	1.8	-0.3	**1.4**	**-0.4**	**-0.2**	*2.5*	*0.0*	*-0.4*
Czech Republic	0.8	0.2	-0.7	-2.3	-2.1	-0.6	**0.6**	**0.2**	**0.5**	*0.7*	*0.1*	*-0.1*
Denmark	1.1	1.1	0.8	1.3	-1.8	0.3	**3.1**	**-0.1**	**-0.6**	*1.3*	*0.1*	*0.1*
Croatia	:	1.8	0.5	0.4	0.7	0.0	**0.7**	**1.0**	**0.5**	*0.1*	*1.1*	*0.9*
Lithuania	:	3.1	-0.8	1.4	-0.6	-1.0	**0.4**	**0.1**	**0.3**	*0.3*	*0.3*	*0.1*
Hungary	:	-0.8	-0.8	-0.2	-1.7	-1.2	**0.3**	**0.1**	**0.1**	*0.3*	*0.1*	*-0.1*
Poland	-2.2	-0.6	1.0	-1.4	-1.9	-1.5	**-0.6**	**-0.2**	**-0.5**	*0.0*	*-0.4*	*-0.5*
Romania	1.1	1.5	5.1	1.0	2.6	3.2	**-0.3**	**-0.7**	**-0.1**	*0.1*	*-0.6*	*-0.1*
Sweden	-0.6	-1.3	0.1	-1.1	-1.3	-0.5	**-0.6**	**-0.7**	**-0.4**	*-0.3*	*-1.1*	*-1.0*
United Kingdom	0.3	0.5	-0.9	0.8	-1.3	-0.4	**0.4**	**0.4**	**0.7**	*-0.4*	*-0.4*	*-0.2*
EU	:	-0.2	0.0	-1.8	-2.2	-0.7	**1.1**	**0.2**	**0.1**	*1.1*	*0.0*	*0.1*
USA	0.5	-0.4	-0.8	-1.6	-1.1	-0.1	**0.9**	**-0.1**	**-0.4**	*0.7*	*-0.4*	*-0.6*
Japan	-1.3	-2.4	-3.6	-7.0	-8.8	-1.9	**-1.8**	**-1.8**	**0.0**	*-3.0*	*-1.8*	*0.0*

Table 22: Total population (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.2	0.4	0.7	0.9	0.9	0.7	**0.6**	**0.5**	**0.6**	*0.7*	*0.7*	*0.6*
Germany	0.2	0.1	-0.2	-0.1	0.0	0.2	**0.2**	**0.2**	**0.1**	*0.2*	*0.2*	*0.1*
Estonia	-1.4	-0.4	-0.2	0.0	0.0	0.0	**-0.4**	**-0.4**	**-0.4**	*-0.1*	*-0.1*	*-0.1*
Ireland	1.0	1.6	2.2	0.5	0.4	0.3	**0.0**	**0.9**	**1.0**	*0.8*	*0.9*	*1.0*
Greece	0.6	0.3	0.4	0.2	-0.1	-0.1	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Spain	0.3	1.3	1.5	0.3	0.1	0.1	**-0.5**	**-0.5**	**-0.6**	*-0.2*	*-0.2*	*-0.2*
France	0.4	0.7	0.6	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Italy	0.0	0.3	0.5	0.3	0.2	0.3	**0.4**	**0.4**	**0.3**	*0.4*	*0.4*	*0.3*
Cyprus	1.4	1.2	2.1	2.6	2.6	1.5	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
Latvia	-1.1	-1.1	-1.1	-2.1	-1.8	-1.2	**-1.0**	**-0.9**	**-0.8**	*-0.9*	*-0.9*	*-0.8*
Luxembourg	1.3	1.2	1.7	1.9	2.3	2.3	**1.7**	**1.6**	**1.5**	*1.7*	*1.6*	*1.5*
Malta	0.7	0.7	0.6	0.5	0.4	0.8	**0.5**	**0.3**	**0.2**	*0.5*	*0.3*	*0.2*
Netherlands	0.6	0.6	0.3	0.5	0.5	0.4	**0.1**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Austria	0.1	0.4	0.4	0.2	0.3	0.5	**0.3**	**0.3**	**0.3**	*0.4*	*0.4*	*0.4*
Portugal	0.3	0.6	0.2	0.0	-0.1	-0.4	**-0.7**	**-0.1**	**-0.1**	*-0.7*	*-0.1*	*-0.1*
Slovenia	-0.1	0.1	0.4	0.4	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Slovakia	0.2	0.0	0.1	0.2	-0.6	0.2	**0.1**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Finland	0.3	0.2	0.4	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Euro area	0.2	0.5	0.5	0.2	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Bulgaria	-0.6	-1.1	-0.5	-0.7	-2.5	-0.6	**-0.7**	**-0.7**	**-0.7**	*-0.9*	*-1.1*	*-1.0*
Czech Republic	-0.1	-0.1	0.6	0.2	-0.2	0.1	**0.0**	**0.0**	**0.1**	*0.0*	*0.0*	*0.1*
Denmark	0.4	0.3	0.4	0.4	0.4	0.4	**0.2**	**0.4**	**0.3**	*0.2*	*0.4*	*0.3*
Croatia	-0.6	-0.3	-0.1	-0.3	-1.7	-1.7	**-0.1**	**-0.2**	**-0.2**	*-0.1*	*-0.2*	*-0.2*
Lithuania	-0.7	-0.8	-1.3	-2.1	-2.2	-1.3	**-0.8**	**-0.7**	**-0.1**	*-0.8*	*-0.7*	*-0.1*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.3	-0.5	**-0.2**	**-0.1**	**-0.1**	*-0.1*	*-0.1*	*-0.1*
Poland	0.0	0.0	0.0	1.0	0.0	0.0	**0.0**	**0.0**	**-0.1**	*0.0*	*-0.1*	*-0.1*
Romania	-0.2	-0.7	-0.2	-0.2	-0.4	-0.2	**-0.3**	**-0.2**	**-0.2**	*-0.3*	*-0.2*	*-0.2*
Sweden	0.2	0.3	0.7	0.9	0.8	0.7	**0.9**	**0.9**	**0.9**	*0.9*	*0.9*	*0.9*
United Kingdom	0.3	0.4	0.6	0.8	0.8	0.8	**0.7**	**0.7**	**0.7**	*0.8*	*0.8*	*0.8*
EU	0.2	0.3	0.4	0.3	0.2	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
USA	1.2	1.0	0.9	0.8	0.7	0.7	**0.7**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*
Japan	0.3	0.2	0.0	0.4	-0.2	-0.2	**-0.2**	**-0.1**	**-0.1**	*-0.1*	*0.0*	*0.0*

Table 23: Total employment (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.1	0.8	1.2	0.7	1.4	0.2	**-0.3**	**0.3**	**0.8**	*-0.5*	*0.4*	*0.8*
Germany	0.6	0.2	0.7	0.5	1.4	1.1	**0.6**	**0.5**	**0.6**	*0.5*	*0.5*	*0.6*
Estonia	-3.0	0.4	-0.3	-4.8	7.0	2.2	**1.4**	**0.2**	**0.3**	*1.6*	*0.3*	*0.8*
Ireland	5.6	2.9	1.1	-4.1	-1.8	-0.6	**2.2**	**1.5**	**1.4**	*1.2*	*1.3*	*1.3*
Greece	0.7	1.3	1.4	-2.6	-5.6	-8.3	**-3.7**	**0.6**	**2.6**	*-3.5*	*0.6*	*2.6*
Spain	3.1	3.2	0.7	-2.3	-2.2	-4.8	**-3.3**	**0.1**	**1.1**	*-3.6*	*-0.7*	*0.9*
France	0.9	1.1	0.4	0.0	0.7	0.0	**-0.4**	**0.3**	**0.5**	*-0.2*	*0.3*	*0.4*
Italy	0.4	1.2	-0.1	-1.1	0.1	-1.1	**-1.8**	**0.1**	**0.5**	*-1.6*	*0.2*	*0.5*
Cyprus	:	2.7	2.1	-0.2	0.5	-4.2	**-5.7**	**-4.4**	**0.8**	*-7.8*	*-3.7*	*1.0*
Latvia	-2.0	0.8	-2.0	-6.7	1.5	1.4	**2.1**	**2.0**	**2.0**	*2.5*	*2.0*	*2.0*
Luxembourg	3.5	3.7	3.4	1.8	3.0	2.5	**1.7**	**1.7**	**1.9**	*1.7*	*1.5*	*1.7*
Malta	1.1	0.2	1.5	2.1	2.5	2.4	**2.4**	**2.2**	**2.0**	*2.3*	*1.8*	*1.8*
Netherlands	2.5	0.2	0.9	-0.6	0.5	-0.3	**-1.2**	**-0.4**	**0.6**	*-1.2*	*-0.5*	*0.6*
Austria	0.5	0.4	0.7	0.6	1.4	1.3	**0.6**	**0.7**	**0.8**	*0.5*	*0.7*	*0.8*
Portugal	1.5	0.8	-0.4	-1.5	-1.5	-4.2	**-3.2**	**-0.4**	**0.4**	*-3.9*	*-0.5*	*0.4*
Slovenia	:	0.8	1.0	-2.2	-1.6	-0.8	**-2.0**	**-1.1**	**-0.3**	*-2.4*	*-1.3*	*-0.5*
Slovakia	:	-0.1	1.4	-1.5	1.8	0.1	**-0.8**	**0.5**	**0.7**	*-0.3*	*0.3*	*0.5*
Finland	2.2	1.0	1.1	-0.1	1.5	0.1	**-0.6**	**0.0**	**0.3**	*-0.6*	*0.0*	*0.3*
Euro area	:	1.0	0.5	-0.6	0.2	-0.8	**-0.9**	**0.3**	**0.7**	*-0.9*	*0.2*	*0.7*
Bulgaria	:	0.5	2.0	-3.9	-2.2	-2.5	**-0.2**	**0.2**	**0.4**	*-1.0*	*0.2*	*0.5*
Czech Republic	-0.7	-0.3	1.2	-1.0	0.0	0.4	**1.0**	**0.2**	**0.6**	*1.1*	*0.0*	*0.6*
Denmark	1.1	0.0	0.8	-2.5	-0.2	-0.3	**0.1**	**0.5**	**0.5**	*0.0*	*0.4*	*0.5*
Croatia	:	1.2	1.5	-5.1	-2.3	-3.9	**-2.5**	**-0.2**	**0.5**	*-1.7*	*0.1*	*0.5*
Lithuania	-0.7	-0.4	-0.1	-11.9	0.5	1.8	**1.5**	**1.5**	**1.3**	*1.5*	*1.4*	*1.2*
Hungary	:	0.0	-0.7	0.8	0.3	0.1	**0.3**	**0.6**	**0.6**	*0.1*	*0.8*	*0.5*
Poland	0.2	-1.4	2.8	-2.7	0.6	0.1	**-0.3**	**0.2**	**0.4**	*-0.4*	*0.1*	*0.4*
Romania	-3.4	-2.7	-0.5	-0.3	-0.8	1.3	**0.2**	**0.4**	**0.7**	*0.6*	*0.6*	*0.7*
Sweden	0.7	0.7	0.5	1.0	2.1	0.7	**0.9**	**0.9**	**1.0**	*0.8*	*0.9*	*1.0*
United Kingdom	1.3	0.9	0.3	0.2	0.5	1.2	**1.0**	**1.3**	**1.0**	*0.7*	*0.9*	*1.0*
EU	:	0.6	0.6	-0.8	0.2	-0.3	**-0.4**	**0.5**	**0.7**	*-0.4*	*0.3*	*0.7*
USA	1.6	0.8	0.1	-0.6	0.6	1.8	**1.0**	**1.5**	**1.6**	*1.1*	*1.3*	*1.5*
Japan	-0.3	-0.4	-0.1	-0.4	-0.2	0.0	**0.4**	**0.5**	**0.3**	*0.4*	*0.5*	*0.3*

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	9.2	7.5	7.8	8.3	7.2	7.6	**8.4**	**8.5**	**8.2**	*8.6*	*8.7*	*8.4*
Germany	9.0	9.0	9.1	7.1	5.9	5.5	**5.3**	**5.2**	**5.1**	*5.4*	*5.3*	*5.1*
Estonia	10.0	11.3	7.5	16.9	12.5	10.2	**8.8**	**8.3**	**7.7**	*9.3*	*9.0*	*8.2*
Ireland	9.4	4.3	6.4	13.9	14.7	14.7	**13.1**	**11.9**	**11.2**	*13.3*	*12.3*	*11.7*
Greece	10.3	10.5	8.9	12.6	17.7	24.3	**27.3**	**26.0**	**24.0**	*27.0*	*26.0*	*24.0*
Spain	17.2	11.2	11.1	20.1	21.7	25.0	**26.4**	**25.7**	**24.6**	*26.6*	*26.4*	*25.3*
France	10.7	8.7	8.8	9.7	9.6	10.2	**10.8**	**11.0**	**11.0**	*11.0*	*11.2*	*11.3*
Italy	11.2	8.8	7.0	8.4	8.4	10.7	**12.2**	**12.6**	**12.4**	*12.2*	*12.4*	*12.1*
Cyprus	3.2	4.2	4.6	6.3	7.9	11.9	**16.0**	**19.2**	**18.4**	*16.7*	*19.2*	*18.4*
Latvia	16.5	12.7	9.7	19.5	16.2	15.0	**11.9**	**10.5**	**9.2**	*11.7*	*10.3*	*9.0*
Luxembourg	2.7	3.1	4.7	4.6	4.8	5.1	**5.9**	**6.0**	**5.9**	*5.7*	*6.4*	*6.5*
Malta	5.9	7.3	6.6	6.9	6.5	6.4	**6.5**	**6.4**	**6.4**	*6.4*	*6.3*	*6.3*
Netherlands	5.4	3.6	4.0	4.5	4.4	5.3	**6.7**	**7.4**	**7.2**	*7.0*	*8.0*	*7.7*
Austria	4.2	4.1	4.6	4.4	4.2	4.3	**4.9**	**4.8**	**4.7**	*5.1*	*5.0*	*4.7*
Portugal	6.3	5.9	9.0	12.0	12.9	15.9	**16.5**	**16.8**	**16.5**	*17.4*	*17.7*	*17.3*
Slovenia	7.1	6.4	5.5	7.3	8.2	8.9	**10.2**	**10.8**	**10.7**	*11.1*	*11.6*	*11.6*
Slovakia	13.2	18.7	12.6	14.5	13.7	14.0	**14.2**	**13.9**	**13.4**	*13.9*	*13.7*	*13.3*
Finland	12.9	9.2	7.5	8.4	7.8	7.7	**8.2**	**8.3**	**8.1**	*8.2*	*8.3*	*8.1*
Euro area	:	8.8	8.5	10.2	10.2	11.4	**12.1**	**12.0**	**11.7**	*12.2*	*12.2*	*11.8*
Bulgaria	13.3	16.0	7.7	10.3	11.3	12.3	**12.9**	**12.7**	**12.1**	*12.9*	*12.4*	*11.7*
Czech Republic	5.6	8.1	6.3	7.3	6.7	7.0	**7.0**	**6.8**	**6.6**	*7.1*	*7.0*	*6.7*
Denmark	5.7	4.9	4.4	7.5	7.6	7.5	**7.0**	**6.9**	**6.7**	*7.3*	*7.2*	*7.0*
Croatia	:	14.9	10.3	11.8	13.5	15.9	**17.6**	**17.6**	**17.2**	*16.9*	*16.7*	*16.1*
Lithuania	9.8	14.4	7.6	17.8	15.4	13.4	**11.8**	**10.4**	**9.6**	*11.7*	*10.4*	*9.5*
Hungary	8.9	5.9	8.0	11.2	10.9	10.9	**10.2**	**9.6**	**9.3**	*11.0*	*10.4*	*10.1*
Poland	12.0	18.7	11.3	9.7	9.7	10.1	**10.4**	**10.3**	**10.1**	*10.7*	*10.8*	*10.5*
Romania	5.3	7.1	6.7	7.3	7.4	7.0	**7.2**	**7.2**	**7.1**	*7.3*	*7.1*	*7.0*
Sweden	8.6	6.3	7.1	8.6	7.8	8.0	**8.0**	**7.7**	**7.3**	*8.1*	*7.9*	*7.4*
United Kingdom	7.0	5.0	5.7	7.8	8.0	7.9	**7.6**	**6.8**	**6.5**	*7.7*	*7.5*	*7.3*
EU	:	9.0	8.1	9.7	9.7	10.5	**10.9**	**10.7**	**10.4**	*11.1*	*11.0*	*10.7*
USA	4.9	5.2	5.9	9.6	8.9	8.1	**7.4**	**6.5**	**5.8**	*7.5*	*6.9*	*6.5*
Japan	3.7	5.0	4.3	5.1	4.6	4.3	**4.0**	**3.8**	**3.8**	*4.0*	*3.9*	*3.8*

[1] Series following Eurostat definition, based on the labour force survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.1	2.6	2.7	1.4	3.1	3.4	**2.3**	**0.6**	**1.9**	*2.2*	*1.1*	*1.5*
Germany	1.4	1.3	0.8	2.4	3.0	2.6	**2.0**	**2.8**	**3.1**	*1.9*	*2.7*	*3.1*
Estonia	22.1	11.4	10.9	2.3	0.5	6.0	**6.7**	**6.0**	**6.8**	*6.7*	*6.9*	*7.0*
Ireland	4.2	6.5	3.9	-3.8	-0.1	0.8	**-0.3**	**-0.6**	**0.6**	*0.0*	*-0.6*	*-0.3*
Greece	9.4	6.3	3.4	-2.6	-3.4	-4.2	**-7.8**	**-1.5**	**0.0**	*-7.0*	*-1.5*	*0.0*
Spain	2.8	3.2	4.6	0.4	1.3	0.2	**0.5**	**0.6**	**0.6**	*1.0*	*0.1*	*0.1*
France	2.1	2.8	2.7	2.5	2.5	2.2	**1.6**	**1.3**	**1.6**	*1.4*	*1.3*	*1.5*
Italy	3.1	3.0	2.7	2.8	1.3	1.0	**1.3**	**1.1**	**1.5**	*1.3*	*1.2*	*1.6*
Cyprus	:	4.9	2.8	2.6	2.5	-0.9	**-5.0**	**-3.0**	**0.9**	*-9.5*	*-4.6*	*-1.4*
Latvia	12.3	7.9	18.0	-4.9	5.0	7.3	**4.3**	**5.0**	**4.6**	*4.3*	*5.0*	*4.6*
Luxembourg	2.1	3.3	3.2	2.6	2.4	2.0	**1.5**	**3.1**	**2.5**	*0.8*	*2.9*	*2.3*
Malta	4.6	4.8	3.4	1.6	0.9	2.1	**1.4**	**1.5**	**1.7**	*2.1*	*1.7*	*2.0*
Netherlands	2.7	4.7	2.7	1.5	1.6	1.9	**0.2**	**1.9**	**1.3**	*-0.1*	*1.7*	*1.4*
Austria	2.3	1.9	3.0	1.2	2.4	2.6	**2.3**	**2.0**	**2.0**	*2.3*	*1.9*	*1.9*
Portugal	6.5	4.0	3.2	2.0	-0.6	-2.0	**2.7**	**-0.8**	**1.0**	*2.5*	*-0.8*	*-0.2*
Slovenia	:	9.1	5.3	3.9	1.6	-1.0	**1.0**	**-0.3**	**0.9**	*-0.2*	*0.0*	*1.1*
Slovakia	:	8.7	7.0	5.1	2.0	2.8	**0.9**	**2.9**	**3.0**	*2.0*	*3.0*	*3.0*
Finland	3.0	3.3	3.4	1.8	3.2	3.5	**2.4**	**1.6**	**1.6**	*2.4*	*1.6*	*1.6*
Euro area	:	2.6	2.5	2.0	2.2	2.0	**1.5**	**1.6**	**1.9**	*1.5*	*1.6*	*1.8*
Bulgaria	:	7.9	10.6	9.9	6.8	2.9	**4.4**	**3.5**	**3.6**	*3.5*	*3.6*	*3.5*
Czech Republic	11.2	8.0	3.9	3.1	2.3	2.3	**-1.0**	**2.0**	**2.2**	*-0.9*	*1.7*	*1.9*
Denmark	3.8	3.7	3.5	3.5	1.3	1.4	**1.2**	**1.8**	**2.0**	*1.4*	*1.8*	*2.1*
Croatia	:	5.7	4.5	1.9	3.0	3.2	**2.2**	**1.0**	**1.8**	*1.0*	*1.5*	*2.0*
Lithuania	26.6	6.1	8.8	7.2	6.3	3.8	**4.4**	**3.8**	**4.6**	*4.3*	*3.8*	*4.5*
Hungary	:	12.8	4.7	-0.5	3.6	0.8	**2.4**	**3.5**	**3.2**	*-0.5*	*4.1*	*3.9*
Poland	21.6	5.3	4.1	8.2	5.1	3.4	**2.8**	**3.3**	**3.9**	*2.5*	*3.1*	*3.4*
Romania	67.9	34.9	18.0	-3.3	-4.1	8.3	**5.8**	**5.6**	**4.5**	*5.8*	*4.4*	*4.6*
Sweden	3.7	4.3	2.7	3.1	0.9	3.1	**2.4**	**2.8**	**3.1**	*2.6*	*3.0*	*3.4*
United Kingdom	4.5	4.5	3.5	3.1	2.0	1.9	**1.9**	**2.1**	**2.8**	*1.3*	*1.7*	*2.8*
EU	:	3.4	2.7	2.6	2.1	2.0	**1.6**	**1.9**	**2.2**	*1.5*	*1.7*	*2.2*
USA	4.3	3.6	2.7	2.8	3.1	2.1	**1.7**	**2.4**	**3.2**	*1.5*	*2.5*	*3.1*
Japan	0.3	-1.2	-1.3	0.4	0.6	-0.1	**0.0**	**1.5**	**0.9**	*-0.7*	*2.5*	*1.3*

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.1	0.5	0.5	-0.6	0.0	0.9	**1.1**	**-0.1**	**0.4**	*1.1*	*-0.1*	*0.2*
Germany	0.5	0.0	-0.4	0.4	0.9	1.0	**0.4**	**1.3**	**1.4**	*0.2*	*1.0*	*1.3*
Estonia	7.4	7.5	5.8	-0.1	-4.2	2.2	**3.0**	**4.2**	**3.9**	*3.4*	*4.2*	*4.0*
Ireland	1.1	2.4	3.7	-1.7	-1.8	0.3	**-0.7**	**-1.3**	**-0.4**	*-0.8*	*-1.4*	*-1.4*
Greece	3.3	2.4	0.4	-6.3	-6.5	-5.1	**-6.6**	**-1.1**	**-0.3**	*-6.1*	*-1.1*	*-0.3*
Spain	-0.2	-0.1	2.0	-1.5	-1.1	-2.2	**-1.0**	**0.2**	**-0.3**	*-0.7*	*-0.7*	*-0.7*
France	1.4	0.8	1.1	1.3	0.4	0.4	**0.9**	**0.0**	**0.3**	*0.4*	*-0.3*	*0.2*
Italy	-0.1	0.2	0.7	1.3	-1.5	-1.7	**0.0**	**0.2**	**0.2**	*-0.2*	*-0.4*	*0.1*
Cyprus	:	2.2	-0.1	0.4	-0.8	-3.3	**-5.1**	**-3.6**	**-0.6**	*-10.3*	*-5.9*	*-2.9*
Latvia	:	4.2	8.4	-3.3	0.1	4.1	**4.3**	**3.2**	**2.6**	*3.8*	*3.0*	*2.6*
Luxembourg	0.4	1.0	0.8	1.3	-0.2	0.4	**-0.2**	**1.4**	**0.7**	*-0.9*	*1.0*	*0.4*
Malta	:	3.2	0.8	-1.4	0.0	0.0	**0.4**	**0.3**	**-0.2**	*1.0*	*-0.1*	*-0.1*
Netherlands	0.7	1.7	1.3	0.0	-0.8	-0.4	**-2.0**	**0.6**	**-0.2**	*-2.9*	*-0.3*	*-0.8*
Austria	0.9	0.2	1.0	-0.6	-1.2	0.0	**0.2**	**0.3**	**0.2**	*0.1*	*0.1*	*0.1*
Portugal	3.3	0.9	1.4	0.7	-3.0	-3.4	**2.3**	**-1.7**	**-0.3**	*1.9*	*-1.7*	*-1.4*
Slovenia	:	2.9	2.3	2.4	0.0	-2.5	**-0.1**	**-0.8**	**-0.4**	*-2.3*	*-1.8*	*-0.5*
Slovakia	:	2.4	4.0	4.1	-1.8	-0.6	**-0.6**	**2.1**	**1.5**	*0.5*	*1.2*	*1.0*
Finland	1.6	1.5	1.5	-0.1	-0.3	0.5	**0.5**	**-0.2**	**-0.2**	*0.5*	*-0.2*	*-0.2*
Euro area	:	0.4	0.7	0.3	-0.3	0.0	**0.3**	**0.5**	**0.5**	*0.0*	*0.1*	*0.4*
Bulgaria	:	4.1	5.0	7.3	2.1	-0.6	**3.5**	**2.4**	**1.4**	*2.5*	*1.8*	*1.1*
Czech Republic	3.5	5.5	1.7	3.3	1.9	-0.3	**-2.2**	**0.7**	**0.4**	*-1.9*	*1.0*	*0.3*
Denmark	2.1	1.8	1.7	0.8	-1.4	-1.3	**0.4**	**0.1**	**0.1**	*0.5*	*0.3*	*0.6*
Croatia	:	2.3	0.7	0.3	0.5	-0.2	**-0.4**	**-0.3**	**0.0**	*-1.5*	*-0.2*	*0.0*
Lithuania	:	6.5	3.0	5.9	2.1	0.6	**3.2**	**2.7**	**2.6**	*2.9*	*1.8*	*2.1*
Hungary	:	5.2	0.1	-4.2	-0.6	-4.9	**0.7**	**2.3**	**0.4**	*-2.5*	*1.9*	*0.9*
Poland	5.6	1.2	1.6	5.6	0.2	-0.3	**1.9**	**1.9**	**1.9**	*1.5*	*1.0*	*1.2*
Romania	6.3	8.9	11.3	-10.2	-8.2	3.7	**2.0**	**2.8**	**1.2**	*1.5*	*1.4*	*1.5*
Sweden	2.2	2.9	0.9	1.6	-0.7	1.9	**1.8**	**1.6**	**1.3**	*1.6*	*1.4*	*1.7*
United Kingdom	2.4	3.3	1.0	-0.8	-1.9	-0.6	**-0.5**	**0.0**	**0.7**	*-1.1*	*-0.4*	*0.8*
EU	:	1.2	0.7	0.5	-0.6	-0.3	**0.1**	**0.5**	**0.6**	*-0.1*	*0.1*	*0.5*
USA	2.7	1.5	0.5	1.1	0.7	0.3	**0.5**	**0.9**	**1.2**	*0.4*	*1.2*	*1.3*
Japan	0.3	-0.3	-0.5	2.1	1.4	0.7	**0.2**	**-1.0**	**-0.6**	*-1.2*	*-0.3*	*-0.2*

[1] Deflated by the price deflator of private consumption

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 27: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.4	1.1	-0.1	1.6	0.4	-0.3	**0.5**	**1.1**	**0.9**	*0.6*	*0.7*	*0.6*
Germany	1.0	0.9	0.0	3.5	1.9	-0.4	**-0.1**	**1.2**	**1.4**	*-0.1*	*1.2*	*1.3*
Estonia	8.9	6.9	1.7	7.7	2.4	1.7	**-0.7**	**2.1**	**3.3**	*-0.3*	*2.7*	*3.1*
Ireland	4.3	2.8	0.5	3.1	4.0	0.8	**-1.9**	**0.2**	**1.4**	*-0.9*	*0.4*	*1.2*
Greece	2.3	3.2	0.2	-2.4	-1.6	2.1	**0.0**	**0.0**	**0.3**	*-0.5*	*0.0*	*0.3*
Spain	0.5	0.3	1.0	2.2	2.3	3.3	**2.1**	**1.0**	**0.6**	*2.4*	*1.2*	*0.8*
France	1.5	0.8	0.3	1.8	1.3	0.1	**0.6**	**0.6**	**1.2**	*0.4*	*0.6*	*1.3*
Italy	1.3	0.3	-0.3	2.8	0.3	-1.5	**0.0**	**0.4**	**0.7**	*-0.2*	*0.5*	*0.7*
Cyprus	:	0.7	0.9	1.5	0.0	1.8	**-0.3**	**-0.4**	**0.1**	*-1.0*	*-0.2*	*0.1*
Latvia	6.4	6.4	3.8	5.7	3.7	3.7	**1.9**	**2.2**	**2.3**	*1.4*	*2.0*	*2.2*
Luxembourg	1.2	0.5	-1.3	1.3	-1.0	-2.6	**0.4**	**0.5**	**0.6**	*0.2*	*0.3*	*-0.5*
Malta	3.4	1.7	0.7	1.2	-0.8	-1.5	**-0.4**	**-0.1**	**0.1**	*-0.5*	*0.1*	*0.3*
Netherlands	1.4	1.5	0.6	2.1	0.4	-1.0	**0.4**	**1.4**	**0.7**	*0.2*	*0.7*	*0.6*
Austria	2.4	1.5	0.7	1.1	1.4	-0.4	**-0.3**	**0.8**	**1.1**	*-0.1*	*0.9*	*1.0*
Portugal	2.3	0.7	0.7	3.5	0.3	1.0	**1.7**	**1.1**	**1.1**	*2.2*	*1.3*	*1.0*
Slovenia	:	2.9	1.3	3.5	2.4	-1.7	**0.4**	**1.0**	**1.7**	*-0.2*	*0.3*	*1.2*
Slovakia	:	3.9	3.7	6.0	1.2	1.7	**1.6**	**1.8**	**2.5**	*1.2*	*1.8*	*2.4*
Finland	2.3	2.1	-0.3	3.4	1.3	-1.1	**-0.9**	**0.2**	**1.0**	*-0.1*	*0.6*	*1.3*
Euro area	:	0.9	0.2	2.6	1.4	0.2	**0.5**	**0.9**	**1.0**	*0.4*	*0.8*	*1.0*
Bulgaria	:	4.8	1.9	4.4	4.1	3.4	**0.8**	**1.6**	**1.6**	*1.5*	*1.2*	*1.4*
Czech Republic	3.0	3.9	2.3	3.5	1.9	-1.4	**-2.1**	**1.5**	**1.6**	*-2.1*	*1.7*	*1.6*
Denmark	1.7	1.5	-0.7	3.9	1.3	0.0	**0.2**	**1.1**	**1.3**	*0.2*	*1.3*	*1.3*
Croatia	:	3.1	0.3	3.0	2.4	2.0	**1.8**	**0.7**	**0.6**	*1.1*	*0.4*	*0.7*
Lithuania	5.3	7.4	2.4	15.3	5.5	1.9	**1.7**	**2.1**	**2.6**	*1.9*	*2.1*	*2.7*
Hungary	:	4.3	1.0	0.2	1.3	-1.8	**0.8**	**1.4**	**1.5**	*0.6*	*1.0*	*1.6*
Poland	5.8	4.7	1.8	6.7	3.9	1.8	**1.9**	**2.7**	**2.7**	*1.7*	*2.4*	*2.5*
Romania	4.1	8.4	4.2	-0.9	3.0	-0.6	**3.3**	**1.9**	**1.7**	*1.6*	*1.5*	*1.7*
Sweden	2.7	2.3	0.4	5.5	0.8	0.2	**0.0**	**1.5**	**2.2**	*0.3*	*1.9*	*2.5*
United Kingdom	2.3	2.2	0.3	1.5	0.6	-0.9	**0.8**	**1.2**	**1.4**	*0.6*	*1.3*	*1.4*
EU	:	1.7	0.3	2.8	1.4	-0.1	**0.5**	**1.0**	**1.2**	*0.4*	*1.0*	*1.2*
USA	2.5	1.8	0.8	3.1	1.3	1.0	**0.9**	**1.4**	**1.6**	*0.5*	*1.3*	*1.6*
Japan	1.1	1.8	-0.2	5.1	-0.3	1.4	**1.2**	**1.1**	**1.0**	*1.7*	*1.5*	*1.0*

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.7	1.5	2.8	-0.3	2.7	3.7	**1.8**	**-0.5**	**1.0**	*1.6*	*0.4*	*0.9*
Germany	0.4	0.4	0.8	-1.1	1.0	3.1	**2.2**	**1.6**	**1.7**	*2.0*	*1.5*	*1.8*
Estonia	12.1	4.2	9.1	-5.0	-1.8	4.2	**7.5**	**3.9**	**3.4**	*7.0*	*4.1*	*3.9*
Ireland	-0.1	3.6	3.4	-6.7	-4.0	0.0	**1.6**	**-0.8**	**-0.8**	*0.9*	*-1.0*	*-1.5*
Greece	7.0	3.0	3.2	-0.1	-1.8	-6.2	**-7.8**	**-1.5**	**-0.3**	*-6.5*	*-1.5*	*-0.3*
Spain	2.3	2.9	3.6	-1.7	-1.0	-3.0	**-1.6**	**-0.4**	**0.0**	*-1.3*	*-1.1*	*-0.6*
France	0.6	1.9	2.4	0.7	1.2	2.1	**1.0**	**0.7**	**0.4**	*1.0*	*0.7*	*0.3*
Italy	1.7	2.7	3.0	0.0	1.0	2.5	**1.3**	**0.7**	**0.8**	*1.6*	*0.7*	*0.9*
Cyprus	:	4.1	1.9	1.1	2.5	-2.7	**-4.7**	**-2.6**	**0.8**	*-8.5*	*-4.4*	*-1.5*
Latvia	5.5	1.4	13.6	-10.1	1.2	3.5	**2.3**	**2.8**	**2.3**	*2.8*	*2.9*	*2.4*
Luxembourg	1.0	2.7	4.6	1.4	3.4	4.7	**1.1**	**2.6**	**2.0**	*0.7*	*2.6*	*2.8*
Malta	1.1	3.1	2.6	0.3	1.7	3.7	**1.8**	**1.6**	**1.6**	*2.6*	*1.6*	*1.7*
Netherlands	1.4	3.1	2.0	-0.6	1.2	2.9	**-0.3**	**0.5**	**0.6**	*-0.4*	*0.9*	*0.8*
Austria	-0.1	0.3	2.2	0.0	1.0	3.0	**2.6**	**1.2**	**1.0**	*2.5*	*0.9*	*0.8*
Portugal	4.1	3.3	2.4	-1.4	-0.9	-3.0	**1.0**	**-1.9**	**-0.1**	*0.3*	*-2.1*	*-1.2*
Slovenia	:	6.0	4.0	0.4	-0.7	0.8	**0.7**	**-1.3**	**-0.7**	*0.0*	*-0.3*	*-0.2*
Slovakia	:	4.6	3.2	-0.9	0.8	1.0	**-0.8**	**1.2**	**0.5**	*0.8*	*1.3*	*0.6*
Finland	0.7	1.1	3.7	-1.6	1.9	4.6	**3.3**	**1.3**	**0.7**	*2.5*	*1.0*	*0.4*
Euro area	:	1.8	2.3	-0.6	0.7	1.8	**1.0**	**0.7**	**0.8**	*1.1*	*0.7*	*0.8*
Bulgaria	:	2.9	8.5	5.2	2.5	-0.5	**3.6**	**1.9**	**1.9**	*2.0*	*2.3*	*2.1*
Czech Republic	8.0	3.9	1.6	-0.4	0.5	3.8	**1.1**	**0.5**	**0.7**	*1.2*	*-0.1*	*0.2*
Denmark	2.1	2.2	4.2	-0.5	0.0	1.5	**1.0**	**0.7**	**0.6**	*1.1*	*0.5*	*0.8*
Croatia	:	2.6	4.1	-1.1	0.7	1.2	**0.4**	**0.3**	**1.1**	*0.0*	*1.1*	*1.3*
Lithuania	20.2	-1.2	6.2	-7.0	0.7	1.9	**2.6**	**1.7**	**1.9**	*2.4*	*1.6*	*1.8*
Hungary	:	8.2	3.6	-0.7	2.3	2.7	**1.6**	**2.0**	**1.7**	*-1.1*	*3.1*	*2.3*
Poland	14.9	0.6	2.2	1.4	1.1	1.5	**0.9**	**0.6**	**1.2**	*0.8*	*0.6*	*0.9*
Romania	61.3	24.4	13.3	-2.4	-6.8	9.0	**2.4**	**3.6**	**2.7**	*4.1*	*2.9*	*2.9*
Sweden	0.9	2.0	2.3	-2.3	0.1	2.9	**2.4**	**1.2**	**0.9**	*2.3*	*1.0*	*0.9*
United Kingdom	2.2	2.2	3.2	1.7	1.4	2.9	**1.0**	**0.9**	**1.4**	*0.7*	*0.3*	*1.4*
EU	:	2.2	2.6	-0.3	0.7	2.0	**1.0**	**0.8**	**0.9**	*1.0*	*0.7*	*0.9*
USA	1.8	1.8	1.9	-0.3	1.8	1.1	**0.8**	**1.0**	**1.5**	*1.0*	*1.2*	*1.4*
Japan	-0.8	-3.0	-1.0	-4.5	0.8	-1.6	**-1.1**	**0.4**	**-0.2**	*-2.3*	*1.0*	*0.3*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 29: Real unit labour costs [1] (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	-0.3	-0.6	0.7	-2.3	0.7	1.8	0.5	-1.8	-0.6	-0.4	-0.9	-0.6
Germany	-0.4	-0.4	-0.1	-2.1	-0.2	1.6	-0.1	0.0	0.0	-0.2	-0.2	0.0
Estonia	-2.6	-0.6	2.6	-5.3	-4.7	0.9	2.4	0.9	0.0	2.1	0.7	0.6
Ireland	-3.2	-0.9	3.3	-5.3	-4.6	-0.6	1.0	-1.5	-1.9	0.1	-1.9	-2.5
Greece	0.5	-0.3	0.1	-1.3	-2.9	-5.5	-5.3	-1.0	-0.7	-4.9	-1.0	-0.7
Spain	-0.9	-1.1	0.8	-1.8	-1.0	-2.9	-1.9	-0.9	-0.7	-1.7	-1.7	-1.3
France	-0.3	0.0	0.5	-0.3	-0.1	0.6	-0.1	-0.6	-0.9	-0.5	-0.9	-1.2
Italy	-1.6	-0.1	0.9	-0.4	-0.4	0.8	0.0	-0.4	-0.6	0.2	-0.7	-0.5
Cyprus	:	0.9	-1.1	-0.9	-0.3	-4.6	-2.5	-3.2	-0.7	-9.0	-5.4	-3.0
Latvia	-3.0	-2.5	3.0	-9.3	-4.6	0.1	0.7	0.5	0.0	1.2	0.7	0.2
Luxembourg	-0.7	0.4	1.3	-5.4	-0.7	1.7	-2.6	-0.2	-0.7	-2.8	-0.1	0.2
Malta	-0.8	0.6	-0.1	-3.3	-0.6	1.4	-0.4	-0.1	-0.8	0.3	-0.7	-0.6
Netherlands	-0.6	0.0	0.4	-1.4	0.0	1.5	-2.0	-0.3	-1.6	-1.9	-0.5	-1.9
Austria	-0.7	-1.0	0.4	-1.4	-1.0	1.3	1.1	-0.7	-0.7	0.4	-0.8	-0.9
Portugal	0.3	0.0	0.3	-2.1	-1.1	-2.7	-0.7	-2.8	-1.1	-1.6	-3.0	-2.2
Slovenia	:	0.0	0.9	1.5	-1.9	0.5	-0.9	-1.9	-2.0	-1.7	-1.4	-1.0
Slovakia	:	-1.2	1.6	-1.4	-0.8	-0.2	-1.4	0.5	-0.5	-0.6	-0.5	-1.2
Finland	-1.4	-0.2	1.9	-2.0	-0.8	1.6	0.4	-0.8	-1.3	0.2	-1.1	-1.6
Euro area	:	-0.3	0.5	-1.4	-0.5	0.4	-0.3	-0.5	-0.6	-0.5	-0.7	-0.7
Bulgaria	:	-1.8	1.2	2.4	-2.2	-2.6	1.4	1.0	0.0	-0.9	0.4	-0.1
Czech Republic	0.2	1.2	0.0	1.2	1.4	2.1	-0.2	-0.9	-1.2	0.0	-0.9	-1.1
Denmark	0.5	-0.2	1.7	-4.5	-0.7	-0.8	-1.4	-0.6	-0.9	-0.3	-1.0	-0.8
Croatia	:	-1.4	0.1	-1.9	-1.3	-0.8	-1.4	-1.1	-0.6	-1.7	-0.7	-0.6
Lithuania	4.9	-1.7	0.7	-9.1	-4.4	-0.7	0.9	0.1	-0.6	0.5	-0.8	-1.0
Hungary	:	0.2	-0.4	-3.0	-0.3	-0.5	-0.5	-0.1	-0.6	-3.8	0.4	0.1
Poland	-0.2	-2.8	-0.7	0.0	-2.0	-0.8	0.4	-0.8	-0.6	-0.2	-1.1	-1.0
Romania	1.4	-2.9	2.0	-7.7	-10.6	4.2	-1.2	0.7	-0.1	-0.1	-0.1	0.2
Sweden	-0.6	0.5	0.1	-3.1	-1.2	1.9	1.7	0.1	-0.8	0.9	-0.1	-0.5
United Kingdom	0.0	0.2	0.7	-1.4	-0.9	1.2	-0.6	-1.0	-0.7	-0.6	-1.1	-0.1
EU	:	-0.3	0.5	-1.5	-0.7	0.5	-0.4	-0.5	-0.6	-0.5	-0.8	-0.6
USA	0.2	-0.4	-0.4	-1.5	-0.2	-0.6	-0.7	-0.5	-0.3	-0.4	0.0	-0.4
Japan	-0.4	-1.6	0.0	-2.4	2.7	-0.6	-0.6	-1.3	-1.4	-2.1	-1.0	-0.9

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Nominal bilateral exchange rates against Ecu/euro (1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	0.9883	:	:	:	:	:	:	:	:	:	:	:
Germany	0.9891	:	:	:	:	:	:	:	:	:	:	:
Estonia	0.9889	:	:	:	:	:	:	:	:	:	:	:
Ireland	0.9981	:	:	:	:	:	:	:	:	:	:	:
Greece	0.9241	0.9976	:	:	:	:	:	:	:	:	:	:
Spain	0.9895	:	:	:	:	:	:	:	:	:	:	:
France	0.9998	:	:	:	:	:	:	:	:	:	:	:
Italy	1.0224	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.9992	0.9879	0.9930	:	:	:	:	:	:	:	:	:
Latvia	0.9489	0.8555	0.9963	1.0084	1.0049	0.9921	0.9981	:	:	0.9965	:	:
Luxembourg	0.9883	:	:	:	:	:	:	:	:	:	:	:
Malta	1.0330	0.9644	1.0003	:	:	:	:	:	:	:	:	:
Netherlands	0.9868	:	:	:	:	:	:	:	:	:	:	:
Austria	0.9892	:	:	:	:	:	:	:	:	:	:	:
Portugal	0.9902	:	:	:	:	:	:	:	:	:	:	:
Slovenia	0.7412	0.9377	0.9999	:	:	:	:	:	:	:	:	:
Slovakia	1.3249	1.3949	1.1352	:	:	:	:	:	:	:	:	:
Finland	0.9871	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.2279	1.9504	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558	1.9558
Czech Republic	35.6033	32.8417	27.4541	25.2840	24.5898	25.1491	25.9798	27.5227	27.5261	25.7140	25.6034	25.6034
Denmark	7.4212	7.4414	7.4528	7.4473	7.4506	7.4437	7.4579	7.4610	7.4610	7.4579	7.4592	7.4592
Croatia	7.0843	7.5206	7.3254	7.2891	7.4390	7.5217	7.5786	7.6274	7.6274	7.5760	7.6170	7.6170
Lithuania	4.7191	3.5285	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528	3.4528
Hungary	212.6594	252.9736	259.1018	275.4805	279.3726	289.2494	296.8700	309.2900	309.9400	296.3621	295.3624	295.3624
Poland	3.6904	4.0928	3.9085	3.9947	4.1206	4.1847	4.1975	4.1679	4.1678	4.1984	4.1873	4.1873
Romania	0.8205	3.1051	3.6809	4.2122	4.2391	4.4593	4.4190	4.5154	4.5155	4.4190	4.4502	4.4502
Sweden	8.8443	9.0220	9.6042	9.5373	9.0298	8.7041	8.6515	8.8591	8.8590	8.6286	8.7695	8.7695
United Kingdom	0.7340	0.6462	0.7474	0.8578	0.8679	0.8109	0.8493	0.8299	0.8299	0.8505	0.8463	0.8463
EU	:	:	:	:	:	:	:	:	:	:	:	:
USA	1.1797	1.0280	1.3471	1.3257	1.3920	1.2848	1.3281	1.3620	1.3619	1.3274	1.3572	1.3572
Japan	133.1808	118.3271	145.3816	116.2386	110.9586	102.4919	129.6627	142.2212	142.2150	128.7548	132.7554	132.7554

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.0	0.9	0.9	-2.4	0.3	-2.0	**2.3**	**1.2**	**0.0**	*2.2*	*0.6*	*0.0*
Germany	0.8	1.2	0.9	-3.6	0.1	-2.3	**3.1**	**1.7**	**0.0**	*3.0*	*0.8*	*0.0*
Estonia	0.9	0.6	1.0	-3.0	-0.4	-1.5	**1.4**	**1.4**	**0.0**	*1.3*	*0.6*	*0.0*
Ireland	-0.2	1.3	1.5	-3.5	0.8	-3.6	**3.1**	**1.2**	**0.0**	*3.1*	*0.8*	*0.0*
Greece	1.4	1.3	0.9	-2.4	1.0	-1.4	**2.1**	**1.8**	**0.0**	*2.1*	*0.8*	*0.0*
Spain	-0.2	1.1	0.9	-2.4	0.4	-1.8	**2.1**	**1.2**	**0.0**	*2.0*	*0.6*	*0.0*
France	0.7	1.1	1.0	-3.1	0.2	-2.4	**3.0**	**1.5**	**0.0**	*2.9*	*0.8*	*0.0*
Italy	1.1	1.4	0.9	-3.2	0.4	-2.1	**2.8**	**1.7**	**0.0**	*2.8*	*0.8*	*0.0*
Cyprus	7.5	1.4	1.1	-2.5	0.2	-2.0	**2.5**	**1.1**	**0.0**	*2.4*	*0.5*	*0.0*
Latvia	2.7	-0.8	-0.5	-2.9	0.4	0.1	**1.0**	**1.0**	**0.0**	*0.9*	*0.4*	*0.0*
Luxembourg	0.1	0.5	0.7	-2.0	0.0	-1.5	**1.6**	**0.7**	**0.0**	*1.5*	*0.3*	*0.0*
Malta	0.8	1.1	1.0	-3.6	0.3	-2.1	**2.6**	**1.0**	**0.0**	*2.6*	*0.5*	*0.0*
Netherlands	0.1	0.8	0.9	-2.4	0.2	-1.7	**2.0**	**1.0**	**0.0**	*2.0*	*0.5*	*0.0*
Austria	1.1	0.8	0.5	-2.5	-0.1	-1.3	**2.0**	**1.2**	**0.0**	*1.9*	*0.5*	*0.0*
Portugal	-0.2	0.6	0.7	-1.8	0.3	-1.5	**1.5**	**0.8**	**0.0**	*1.5*	*0.4*	*0.0*
Slovenia	-3.4	-3.4	0.3	-1.7	0.4	-0.6	**1.3**	**1.1**	**0.0**	*1.3*	*0.4*	*0.0*
Slovakia	-0.8	2.4	6.3	-2.2	0.2	-0.4	**1.3**	**1.1**	**0.0**	*1.2*	*0.3*	*0.0*
Finland	1.4	1.2	1.0	-3.9	-0.1	-2.7	**3.1**	**2.0**	**0.0**	*3.0*	*1.0*	*0.0*
Euro area	1.6	2.4	2.1	-6.7	0.5	-4.4	**6.1**	**3.3**	**0.0**	*5.9*	*1.6*	*0.0*
Bulgaria	-46.8	3.3	0.9	-2.2	1.3	-0.7	**2.1**	**2.2**	**0.0**	*2.0*	*1.0*	*0.0*
Czech Republic	0.3	3.6	4.3	2.6	3.1	-3.2	**-1.9**	**-4.9**	**0.0**	*-1.0*	*0.4*	*0.0*
Denmark	0.7	0.9	1.1	-4.0	-0.4	-2.5	**2.5**	**1.6**	**0.0**	*2.4*	*0.8*	*0.0*
Croatia	0.4	1.2	0.9	-1.2	-1.6	-2.2	**0.9**	**0.3**	**0.0**	*0.9*	*0.0*	*0.0*
Lithuania	5.0	5.6	0.7	-2.6	0.4	-1.4	**1.7**	**1.2**	**0.0**	*1.6*	*0.6*	*0.0*
Hungary	-11.5	0.9	-1.6	-0.2	-1.0	-4.5	**-0.9**	**-2.9**	**-0.2**	*-1.0*	*0.1*	*0.0*
Poland	-7.6	-0.8	1.5	6.2	-2.8	-2.7	**1.3**	**1.2**	**0.0**	*0.9*	*0.0*	*0.0*
Romania	-32.3	-15.2	-0.2	-1.3	0.4	-5.9	**2.8**	**0.5**	**0.1**	*2.7*	*-0.1*	*0.0*
Sweden	1.3	0.5	-2.1	7.4	5.9	1.1	**3.6**	**-0.1**	**0.0**	*4.1*	*0.4*	*0.0*
United Kingdom	4.1	0.7	-4.8	0.3	-0.9	4.4	**-1.8**	**4.6**	**0.0**	*-1.9*	*2.1*	*0.0*
EU	2.6	3.5	0.7	-7.3	1.0	-5.2	**8.2**	**6.0**	**-0.1**	*8.0*	*3.0*	*0.0*
USA	4.5	-1.4	-1.2	-3.1	-5.3	4.0	**3.2**	**2.5**	**0.0**	*3.1*	*0.0*	*0.0*
Japan	-0.4	-0.4	2.2	6.1	5.9	3.2	**-18.5**	**-4.1**	**0.2**	*-18.0*	*-1.5*	*0.0*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Table 32: Relative unit labour costs, to rest of a group[1] of industrialized countries (nat. curr) (percentage change over preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	-0.4	0.5	0.0	1.7	1.6	**0.6**	**-1.5**	**-0.1**	*0.5*	*-0.7*	*:*
Germany	:	-1.8	-1.8	-0.8	0.0	1.1	**1.1**	**0.7**	**0.6**	*1.0*	*0.5*	*:*
Estonia	:	2.4	5.6	-3.5	-2.9	1.3	**5.3**	**2.5**	**2.1**	*5.2*	*2.8*	*:*
Ireland	:	1.8	1.1	-6.5	-5.2	-1.8	**0.6**	**-1.7**	**-2.0**	*-0.1*	*-2.0*	*:*
Greece	:	-0.2	0.1	-0.2	-2.5	-8.5	**-9.1**	**-2.7**	**-1.8**	*-7.7*	*-2.6*	*:*
Spain	:	0.6	1.1	-1.6	-1.9	-4.9	**-2.9**	**-1.2**	**-1.1**	*-2.5*	*-2.0*	*:*
France	:	-0.1	0.0	1.2	0.3	0.2	**-0.1**	**-0.3**	**-0.8**	*-0.1*	*-0.3*	*:*
Italy	:	0.5	0.5	0.3	0.1	0.5	**0.1**	**-0.3**	**-0.4**	*0.5*	*-0.3*	*:*
Cyprus	:	1.5	-0.9	1.2	2.2	-3.2	**-4.1**	**-3.2**	**-0.1**	*-8.1*	*-4.9*	*:*
Latvia	:	-0.3	10.3	-8.7	0.4	0.9	**0.4**	**1.5**	**0.8**	*1.1*	*1.6*	*:*
Luxembourg	:	0.9	2.1	1.7	2.4	2.3	**-0.2**	**1.7**	**0.8**	*-0.5*	*1.7*	*:*
Malta	:	1.6	0.6	0.7	0.8	1.8	**1.0**	**0.8**	**0.5**	*1.9*	*0.8*	*:*
Netherlands	:	1.4	-0.3	-0.2	0.2	0.6	**-1.7**	**-0.5**	**-0.7**	*-1.7*	*0.0*	*:*
Austria	:	-1.6	-0.1	0.6	0.1	0.6	**1.2**	**0.1**	**-0.3**	*1.2*	*-0.2*	*:*
Portugal	:	1.2	-0.2	-0.9	-1.5	-4.2	**0.4**	**-2.6**	**-1.0**	*-0.4*	*-2.6*	*:*
Slovenia	:	4.0	1.4	0.8	-1.5	-1.7	**-0.8**	**-2.4**	**-2.0**	*-1.4*	*-1.4*	*:*
Slovakia	:	2.5	0.9	-0.6	0.0	-1.6	**-2.2**	**0.1**	**-0.7**	*-0.5*	*0.2*	*:*
Finland	:	-0.8	1.2	-1.1	0.9	2.4	**1.9**	**0.2**	**-0.6**	*1.1*	*-0.2*	*:*
Euro area	:	-0.7	-0.6	-0.7	-0.1	0.1	**-0.1**	**-0.6**	**-0.6**	*-0.1*	*-0.6*	*:*
Bulgaria	:	-1.1	5.2	5.5	2.7	-3.1	**2.3**	**0.5**	**0.3**	*0.6*	*0.9*	*:*
Czech Republic	:	2.2	-0.7	0.1	-0.5	1.3	**-0.3**	**-0.6**	**-0.6**	*-0.1*	*-1.2*	*:*
Denmark	:	0.5	1.7	0.0	-1.2	-0.8	**-0.5**	**-0.4**	**-0.6**	*-0.2*	*-0.6*	*:*
Croatia	:	0.2	1.5	-0.8	-0.2	-1.2	**-1.0**	**-0.7**	**-0.1**	*-1.4*	*0.0*	*:*
Lithuania	:	-3.2	2.8	-5.8	-0.2	-0.7	**0.9**	**0.4**	**0.4**	*0.8*	*0.3*	*:*
Hungary	:	6.1	1.1	-0.2	1.8	0.0	**0.2**	**0.9**	**0.4**	*-2.6*	*1.9*	*:*
Poland	:	-1.3	-0.2	2.0	0.3	-1.0	**-0.6**	**-0.6**	**-0.1**	*-0.6*	*-0.5*	*:*
Romania	:	20.8	10.3	-2.4	-7.5	6.2	**0.7**	**2.3**	**1.2**	*2.4*	*1.5*	*:*
Sweden	:	0.1	-0.5	-2.1	-1.2	0.6	**0.9**	**0.1**	**-0.5**	*0.9*	*-0.2*	*:*
United Kingdom	:	0.3	0.9	2.3	0.4	1.1	**-0.1**	**0.0**	**0.3**	*-0.4*	*-0.7*	*:*
EU	:	-0.4	0.2	-0.3	-0.3	0.4	**-0.3**	**-0.8**	**-0.9**	*-0.4*	*-1.2*	*:*
USA	:	-0.2	-0.5	0.1	0.2	-0.7	**-0.6**	**-0.4**	**0.0**	*-0.2*	*-0.3*	*:*
Japan	:	-4.9	-3.4	-4.8	-0.7	-3.4	**-2.4**	**-0.7**	**-1.6**	*-3.8*	*-0.4*	*:*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 33: Real effective exchange rate : ulc relative to rest of a group [1] of industrialised countries (USD) (% change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	0.5	1.3	-2.4	2.0	-0.4	**2.9**	**-0.4**	**-0.1**	*2.8*	*-0.1*	*:*
Germany	:	-0.6	-0.9	-4.4	0.1	-1.2	**4.2**	**2.4**	**0.6**	*4.0*	*1.3*	*:*
Estonia	:	3.1	6.6	-6.4	-3.3	-0.2	**6.8**	**3.9**	**2.1**	*6.5*	*3.4*	*:*
Ireland	:	3.2	2.6	-9.8	-4.5	-5.4	**3.7**	**-0.5**	**-2.0**	*3.0*	*-1.2*	*:*
Greece	:	1.1	1.0	-2.5	-1.4	-9.8	**-7.2**	**-0.9**	**-1.8**	*-5.7*	*-1.8*	*:*
Spain	:	1.7	2.1	-3.9	-1.5	-6.6	**-0.9**	**0.0**	**-1.1**	*-0.5*	*-1.4*	*:*
France	:	1.0	1.0	-1.9	0.5	-2.1	**2.9**	**1.3**	**-0.8**	*2.8*	*0.5*	*:*
Italy	:	1.9	1.4	-2.9	0.5	-1.6	**3.0**	**1.4**	**-0.4**	*3.2*	*0.5*	*:*
Cyprus	:	2.9	0.2	-1.3	2.4	-5.1	**-1.7**	**-2.1**	**-0.1**	*-5.9*	*-4.4*	*:*
Latvia	:	-1.1	9.8	-11.4	0.8	1.0	**1.3**	**2.5**	**0.8**	*2.0*	*2.0*	*:*
Luxembourg	:	1.4	2.9	-0.3	2.4	0.8	**1.4**	**2.4**	**0.8**	*1.0*	*2.0*	*:*
Malta	:	2.7	1.6	-2.9	1.1	-0.4	**3.6**	**1.8**	**0.5**	*4.5*	*1.3*	*:*
Netherlands	:	2.2	0.6	-2.6	0.4	-1.1	**0.3**	**0.5**	**-0.7**	*0.3*	*0.4*	*:*
Austria	:	-0.8	0.5	-2.0	0.0	-0.7	**3.3**	**1.3**	**-0.3**	*3.1*	*0.3*	*:*
Portugal	:	1.9	0.6	-2.7	-1.2	-5.6	**1.9**	**-1.7**	**-1.0**	*1.1*	*-2.2*	*:*
Slovenia	:	0.4	1.7	-0.9	-1.2	-2.3	**0.5**	**-1.3**	**-2.0**	*-0.1*	*-1.0*	*:*
Slovakia	:	5.0	7.3	-2.8	0.2	-2.0	**-1.0**	**1.2**	**-0.7**	*0.7*	*0.5*	*:*
Finland	:	0.5	2.2	-5.0	0.8	-0.4	**5.0**	**2.2**	**-0.7**	*4.2*	*0.7*	*:*
Euro area	:	1.7	1.5	-7.4	0.3	-4.3	**5.9**	**2.7**	**-0.6**	*5.8*	*0.9*	*:*
Bulgaria	:	2.1	6.2	3.2	4.1	-3.8	**4.4**	**2.8**	**0.3**	*2.6*	*1.9*	*:*
Czech Republic	:	5.9	3.6	2.7	2.6	-1.9	**-2.2**	**-5.5**	**-0.6**	*-1.1*	*-0.8*	*:*
Denmark	:	1.4	2.9	-4.0	-1.6	-3.3	**2.0**	**1.2**	**-0.7**	*2.2*	*0.2*	*:*
Croatia	:	1.4	2.5	-2.1	-1.7	-3.4	**0.0**	**-0.4**	**-0.1**	*-0.5*	*0.0*	*:*
Lithuania	:	2.2	3.5	-8.3	0.2	-2.1	**2.6**	**1.7**	**0.4**	*2.4*	*0.8*	*:*
Hungary	:	7.1	-0.6	-0.4	0.8	-4.5	**-0.7**	**-2.1**	**0.1**	*-3.6*	*2.0*	*:*
Poland	:	-2.1	1.2	8.3	-2.5	-3.7	**0.6**	**0.7**	**-0.1**	*0.3*	*-0.5*	*:*
Romania	:	2.5	10.1	-3.7	-7.1	-0.1	**3.5**	**2.8**	**1.3**	*5.2*	*1.4*	*:*
Sweden	:	0.6	-2.6	5.1	4.6	1.8	**4.5**	**0.0**	**-0.5**	*5.1*	*0.2*	*:*
United Kingdom	:	1.0	-3.9	2.7	-0.5	5.5	**-1.9**	**4.6**	**0.3**	*-2.3*	*1.3*	*:*
EU	:	3.1	0.9	-7.6	0.7	-4.8	**7.9**	**5.2**	**-0.9**	*7.6*	*1.7*	*:*
USA	:	-1.6	-1.7	-3.0	-5.2	3.3	**2.6**	**2.1**	**0.0**	*2.9*	*-0.4*	*:*
Japan	:	-5.3	-1.2	1.0	5.2	-0.2	**-20.4**	**-4.8**	**-1.4**	*-21.1*	*-1.9*	*:*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 34: Total expenditure, general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	51.2	49.6	50.3	52.4	53.3	54.9	**54.4**	**53.9**	**53.9**	*54.0*	*54.0*	*53.9*
Germany	49.7	47.2	45.6	47.9	45.2	44.7	**44.7**	**44.6**	**44.5**	*44.7*	*44.5*	*44.2*
Estonia	39.5	35.1	37.1	40.5	37.6	39.5	**38.7**	**38.3**	**37.7**	*38.6*	*37.6*	*36.7*
Ireland	37.2	33.0	39.2	65.5	47.2	42.7	**42.5**	**40.3**	**39.1**	*42.3*	*40.1*	*37.6*
Greece	44.7	45.5	48.2	51.3	51.9	53.6	**58.8**	**48.0**	**45.5**	*58.2*	*47.1*	*45.1*
Spain	42.1	38.8	40.7	46.3	45.7	47.8	**44.9**	**43.8**	**43.3**	*44.6*	*43.8*	*43.2*
France	53.7	52.6	53.8	56.5	55.9	56.6	**57.2**	**57.1**	**57.0**	*57.0*	*56.8*	*56.6*
Italy	50.2	47.2	48.9	50.5	49.9	50.7	**51.1**	**50.5**	**50.0**	*51.2*	*50.5*	*50.1*
Cyprus	35.7	40.4	43.1	46.2	46.0	45.3	**46.1**	**47.3**	**46.3**	*48.1*	*48.0*	*46.0*
Latvia	38.5	35.9	38.6	43.4	38.4	36.4	**36.2**	**35.7**	**35.1**	*36.2*	*35.7*	*35.2*
Luxembourg	40.3	40.3	40.1	43.5	42.6	44.3	**43.4**	**43.3**	**43.5**	*44.0*	*44.0*	*44.7*
Malta	40.9	42.3	42.8	41.6	41.6	43.3	**44.2**	**44.4**	**44.2**	*44.5*	*44.3*	*44.5*
Netherlands	48.2	45.8	46.6	51.4	49.9	50.5	**49.9**	**50.4**	**49.3**	*50.2*	*51.0*	*49.5*
Austria	54.4	51.6	49.8	52.8	50.8	51.7	**51.6**	**51.8**	**51.5**	*52.1*	*51.7*	*51.3*
Portugal	41.8	43.5	46.1	51.5	49.3	47.4	**49.1**	**46.8**	**45.3**	*49.1*	*46.8*	*45.3*
Slovenia	46.5	46.4	44.9	49.4	49.9	48.1	**59.9**	**49.3**	**48.0**	*50.1*	*52.0*	*48.4*
Slovakia	49.0	43.9	37.0	40.0	38.4	37.8	**36.9**	**37.7**	**37.3**	*36.0*	*37.0*	*36.2*
Finland	56.6	49.1	50.3	55.5	54.8	56.3	**57.6**	**57.8**	**57.9**	*57.5*	*58.0*	*57.9*
Euro area	49.8	47.2	47.6	51.0	49.5	49.9	**49.9**	**49.4**	**49.0**	*49.8*	*49.3*	*48.8*
Bulgaria	41.4	39.8	38.1	37.4	35.6	35.9	**38.0**	**38.6**	**38.7**	*37.6*	*38.1*	*38.4*
Czech Republic	44.5	44.9	42.4	43.8	43.2	44.5	**43.2**	**43.0**	**42.8**	*43.4*	*43.2*	*43.1*
Denmark	57.3	54.3	52.9	57.5	57.6	59.2	**56.9**	**56.3**	**55.4**	*58.0*	*57.0*	*56.2*
Croatia	:	:	:	46.9	47.9	45.5	**46.2**	**47.3**	**47.2**	*45.9*	*47.5*	*48.2*
Lithuania	40.6	36.1	37.3	42.2	38.7	36.0	**35.6**	**34.8**	**33.8**	*35.5*	*34.5*	*33.4*
Hungary	51.7	49.2	50.8	49.9	50.0	48.6	**50.1**	**51.3**	**50.0**	*50.2*	*50.8*	*49.6*
Poland	46.4	43.3	43.5	45.4	43.4	42.2	**41.8**	**41.3**	**41.0**	*41.5*	*40.7*	*40.3*
Romania	35.4	35.4	37.6	40.1	39.4	36.7	**36.2**	**36.1**	**36.0**	*36.3*	*36.2*	*36.3*
Sweden	61.1	54.9	52.7	52.0	51.3	51.8	**52.8**	**52.4**	**51.3**	*52.5*	*51.7*	*50.7*
United Kingdom	40.4	40.3	45.6	49.9	48.0	47.9	**47.1**	**46.0**	**44.7**	*47.2*	*46.1*	*44.9*
EU	:	:	:	50.6	49.0	49.3	**49.2**	**48.5**	**48.0**	*49.1*	*48.5*	*47.9*
USA	35.5	35.5	38.3	42.6	41.5	40.0	**38.8**	**38.4**	**38.4**	*37.5*	*37.1*	*36.7*
Japan	37.4	37.8	37.4	40.7	41.9	41.9	**42.4**	**42.3**	**41.9**	*44.3*	*43.5*	*43.0*

Table 35: Total revenue, general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	48.7	49.6	48.6	48.7	49.6	51.0	**51.7**	**51.3**	**51.2**	*51.2*	*51.4*	*51.4*
Germany	45.8	44.5	44.0	43.7	44.3	44.8	**44.6**	**44.6**	**44.5**	*44.6*	*44.5*	*44.4*
Estonia	39.2	35.8	37.4	40.6	38.7	39.2	**38.3**	**37.9**	**37.3**	*38.2*	*37.5*	*36.7*
Ireland	37.8	34.4	35.9	34.9	34.0	34.5	**35.3**	**35.4**	**34.8**	*34.9*	*35.1*	*34.7*
Greece	39.0	40.3	39.6	40.6	42.4	44.6	**45.7**	**45.8**	**44.4**	*44.6*	*45.1*	*44.0*
Spain	37.9	38.4	38.7	36.7	36.2	37.1	**37.7**	**38.0**	**36.8**	*37.8*	*37.8*	*36.6*
France	50.2	49.7	50.0	49.5	50.6	51.8	**53.1**	**53.1**	**53.1**	*52.9*	*53.0*	*52.9*
Italy	45.8	44.4	45.4	46.1	46.1	47.7	**48.2**	**48.0**	**47.7**	*48.1*	*47.8*	*47.6*
Cyprus	32.2	36.5	42.0	40.9	39.7	39.0	**40.6**	**41.5**	**40.2**	*39.8*	*39.6*	*39.7*
Latvia	37.6	33.9	35.5	35.3	34.9	35.1	**34.9**	**34.7**	**34.1**	*34.8*	*34.7*	*34.2*
Luxembourg	43.2	43.0	41.7	42.7	42.7	43.8	**43.2**	**42.8**	**41.1**	*43.2*	*43.0*	*42.0*
Malta	33.7	36.1	39.6	38.1	38.8	40.0	**41.2**	**41.6**	**41.5**	*41.0*	*41.0*	*41.0*
Netherlands	46.7	44.7	45.7	46.3	45.6	46.4	**46.9**	**47.2**	**46.4**	*46.9*	*47.6*	*46.6*
Austria	51.2	50.0	48.0	48.3	48.3	49.2	**49.8**	**49.7**	**49.6**	*49.6*	*49.7*	*49.8*
Portugal	37.6	39.7	40.5	41.6	45.0	40.9	**43.2**	**42.8**	**42.7**	*43.2*	*42.8*	*42.7*
Slovenia	43.1	43.4	42.7	43.6	43.6	44.2	**45.0**	**45.3**	**44.7**	*44.3*	*45.0*	*44.6*
Slovakia	42.6	37.5	33.5	32.3	33.3	33.2	**34.4**	**34.5**	**34.0**	*33.0*	*33.7*	*32.3*
Finland	55.1	53.4	53.2	53.0	54.1	54.5	**55.2**	**55.3**	**55.6**	*55.2*	*55.7*	*55.8*
Euro area	46.1	45.1	45.0	44.8	45.3	46.2	**46.8**	**46.8**	**46.5**	*46.7*	*46.7*	*46.4*
Bulgaria	38.0	40.0	38.4	34.3	33.6	35.2	**36.1**	**36.7**	**37.0**	*35.5*	*36.1*	*36.6*
Czech Republic	38.9	39.8	39.5	39.1	40.0	40.1	**40.5**	**40.2**	**39.5**	*40.5*	*40.3*	*39.6*
Denmark	56.5	55.5	56.0	55.0	55.7	55.5	**56.6**	**55.1**	**52.7**	*56.3*	*55.4*	*53.4*
Croatia	:	:	:	40.5	40.1	40.6	**40.2**	**41.8**	**42.4**	*40.4*	*41.0*	*42.0*
Lithuania	36.1	33.8	34.3	35.0	33.2	32.7	**32.9**	**32.5**	**32.0**	*32.5*	*32.0*	*31.6*
Hungary	45.2	43.2	44.6	45.6	54.3	46.6	**47.7**	**48.2**	**47.1**	*47.2*	*47.8*	*46.9*
Poland	42.3	38.3	39.3	37.5	38.4	38.3	**37.4**	**46.2**	**38.0**	*36.7*	*45.3*	*36.9*
Romania	31.9	32.8	33.4	33.3	33.9	33.7	**33.6**	**33.9**	**34.2**	*33.9*	*34.2*	*34.5*
Sweden	59.0	55.6	54.6	52.3	51.5	51.6	**51.8**	**50.9**	**50.5**	*51.6*	*50.5*	*50.3*
United Kingdom	38.1	39.3	40.6	39.8	40.3	41.8	**40.9**	**40.7**	**40.5**	*40.8*	*40.8*	*40.6*
EU	:	:	:	44.1	44.6	45.4	**45.7**	**45.9**	**45.3**	*45.6*	*45.8*	*45.2*
USA	33.6	32.2	32.2	30.6	30.9	30.8	**32.5**	**33.0**	**33.5**	*31.1*	*31.4*	*31.8*
Japan	31.0	30.7	33.6	32.4	33.1	33.2	**33.4**	**34.8**	**35.7**	*34.8*	*36.2*	*37.2*

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-2.5	0.0	-1.7	-3.7	-3.7	-4.0	**-2.7**	**-2.6**	**-2.7**	*-2.8*	*-2.6*	*-2.5*
Germany	-3.9	-2.7	-1.6	-4.2	-0.8	0.1	**-0.1**	**0.0**	**0.0**	*0.0*	*0.1*	*0.2*
Estonia	-0.2	0.7	0.3	0.2	1.1	-0.2	**-0.4**	**-0.4**	**-0.4**	*-0.4*	*-0.1*	*-0.1*
Ireland	0.6	1.4	-3.3	-30.6	-13.1	-8.2	**-7.2**	**-4.8**	**-4.3**	*-7.4*	*-5.0*	*-3.0*
Greece	-5.7	-5.2	-8.7	-10.7	-9.5	-9.0	**-13.1**	**-2.2**	**-1.0**	*-13.5*	*-2.0*	*-1.1*
Spain	-4.2	-0.4	-2.0	-9.6	-9.6	-10.6	**-7.2**	**-5.8**	**-6.5**	*-6.8*	*-5.9*	*-6.6*
France	-3.4	-2.8	-3.8	-7.1	-5.3	-4.8	**-4.2**	**-4.0**	**-3.9**	*-4.1*	*-3.8*	*-3.7*
Italy	-4.4	-2.8	-3.5	-4.5	-3.8	-3.0	**-3.0**	**-2.6**	**-2.2**	*-3.0*	*-2.7*	*-2.5*
Cyprus	-3.5	-3.9	-1.1	-5.3	-6.3	-6.3	**-5.5**	**-5.8**	**-6.1**	*-8.3*	*-8.4*	*-6.3*
Latvia	-0.9	-1.9	-3.1	-8.1	-3.6	-1.3	**-1.3**	**-1.0**	**-1.0**	*-1.4*	*-1.0*	*-1.0*
Luxembourg	2.8	2.7	1.5	-0.8	0.1	-0.6	**-0.2**	**-0.5**	**-2.4**	*-0.9*	*-1.0*	*-2.7*
Malta	-7.1	-6.3	-3.2	-3.5	-2.8	-3.3	**-3.0**	**-2.7**	**-2.7**	*-3.4*	*-3.4*	*-3.5*
Netherlands	-1.6	-1.0	-0.9	-5.1	-4.3	-4.1	**-3.1**	**-3.2**	**-2.9**	*-3.3*	*-3.3*	*-3.0*
Austria	-3.2	-1.7	-1.8	-4.5	-2.5	-2.5	**-1.7**	**-2.1**	**-1.8**	*-2.5*	*-1.9*	*-1.5*
Portugal	-4.2	-3.8	-5.6	-9.8	-4.3	-6.4	**-5.9**	**-4.0**	**-2.5**	*-5.9*	*-4.0*	*-2.5*
Slovenia	-3.4	-3.0	-2.2	-5.9	-6.3	-3.8	**-14.9**	**-3.9**	**-3.3**	*-5.8*	*-7.1*	*-3.8*
Slovakia	-6.5	-6.4	-3.6	-7.7	-5.1	-4.5	**-2.5**	**-3.3**	**-3.4**	*-3.0*	*-3.2*	*-3.8*
Finland	-1.5	4.3	2.9	-2.5	-0.7	-1.8	**-2.4**	**-2.5**	**-2.3**	*-2.2*	*-2.3*	*-2.0*
Euro area	-3.6	-2.2	-2.6	-6.2	-4.2	-3.7	**-3.1**	**-2.6**	**-2.5**	*-3.1*	*-2.5*	*-2.4*
Bulgaria	-3.4	0.2	0.3	-3.1	-2.0	-0.8	**-1.9**	**-1.9**	**-1.7**	*-2.0*	*-2.0*	*-1.8*
Czech Republic	-5.6	-5.1	-2.9	-4.7	-3.2	-4.4	**-2.7**	**-2.8**	**-3.3**	*-2.9*	*-3.0*	*-3.5*
Denmark	-0.9	1.3	3.2	-2.5	-1.9	-3.8	**-0.3**	**-1.3**	**-2.7**	*-1.7*	*-1.7*	*-2.7*
Croatia	:	:	:	-6.4	-7.8	-5.0	**-6.0**	**-5.4**	**-4.8**	*-5.4*	*-6.5*	*-6.2*
Lithuania	-4.5	-2.3	-2.9	-7.2	-5.5	-3.2	**-2.7**	**-2.3**	**-1.7**	*-3.0*	*-2.5*	*-1.9*
Hungary	-6.5	-6.0	-6.2	-4.3	4.3	-2.0	**-2.4**	**-3.0**	**-2.9**	*-2.9*	*-3.0*	*-2.7*
Poland	-4.1	-5.0	-4.1	-7.9	-5.0	-3.9	**-4.4**	**5.0**	**-2.9**	*-4.8*	*4.6*	*-3.3*
Romania	-3.5	-2.6	-4.2	-6.8	-5.5	-3.0	**-2.6**	**-2.2**	**-1.8**	*-2.5*	*-2.0*	*-1.8*
Sweden	-2.1	0.7	1.9	0.3	0.2	-0.2	**-1.1**	**-1.5**	**-0.8**	*-0.9*	*-1.2*	*-0.5*
United Kingdom	-2.3	-1.0	-5.1	-10.1	-7.7	-6.1	**-6.3**	**-5.2**	**-4.2**	*-6.4*	*-5.3*	*-4.3*
EU	:	:	:	-6.5	-4.4	-3.9	**-3.5**	**-2.7**	**-2.7**	*-3.5*	*-2.7*	*-2.6*
USA	-1.8	-3.3	-6.1	-12.0	-10.6	-9.2	**-6.2**	**-5.4**	**-4.8**	*-6.4*	*-5.7*	*-4.9*
Japan	-6.4	-7.1	-3.8	-8.3	-8.8	-8.7	**-9.0**	**-7.5**	**-6.2**	*-9.6*	*-7.2*	*-5.8*

Table 37: Interest expenditure, general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	7.8	5.7	3.9	3.4	3.3	3.4	**3.2**	**3.1**	**3.1**	*3.2*	*3.1*	*3.1*
Germany	3.4	3.0	2.8	2.5	2.5	2.4	**2.3**	**2.2**	**2.1**	*2.3*	*2.2*	*2.1*
Estonia	0.4	0.2	0.2	0.1	0.1	0.2	**0.2**	**0.1**	**0.1**	*0.2*	*0.1*	*0.1*
Ireland	3.9	1.5	1.3	3.1	3.3	3.7	**4.8**	**4.8**	**5.0**	*4.6*	*4.8*	*5.0*
Greece	9.3	5.8	4.7	5.8	7.1	5.0	**4.2**	**4.9**	**5.1**	*4.1*	*4.8*	*5.2*
Spain	4.5	2.7	1.7	1.9	2.5	3.0	**3.5**	**3.6**	**3.6**	*3.4*	*3.6*	*3.6*
France	3.3	2.9	2.6	2.4	2.6	2.5	**2.4**	**2.4**	**2.5**	*2.4*	*2.4*	*2.5*
Italy	9.3	5.6	4.8	4.6	5.0	5.5	**5.3**	**5.3**	**5.3**	*5.4*	*5.5*	*5.6*
Cyprus	2.6	3.4	3.0	2.2	2.4	3.1	**3.7**	**4.1**	**4.0**	*4.1*	*4.1*	*4.2*
Latvia	0.9	0.8	0.7	1.4	1.5	1.3	**1.4**	**1.4**	**1.3**	*1.5*	*1.5*	*1.4*
Luxembourg	0.4	0.3	0.3	0.4	0.5	0.5	**0.6**	**0.5**	**0.6**	*0.6*	*0.5*	*0.6*
Malta	2.7	3.4	3.3	2.9	3.0	3.1	**3.1**	**3.0**	**3.0**	*3.1*	*3.1*	*3.2*
Netherlands	5.0	2.9	2.2	2.1	2.1	1.9	**1.9**	**2.1**	**2.7**	*1.9*	*1.9*	*1.8*
Austria	3.7	3.1	2.7	2.7	2.6	2.6	**2.6**	**2.6**	**2.7**	*2.6*	*2.6*	*2.6*
Portugal	4.0	2.8	2.8	2.8	4.0	4.3	**4.3**	**4.4**	**4.4**	*4.3*	*4.4*	*4.4*
Slovenia	2.2	2.1	1.3	1.6	1.9	2.2	**2.7**	**3.0**	**3.2**	*2.7*	*3.1*	*3.2*
Slovakia	2.6	3.3	1.5	1.3	1.6	1.9	**1.6**	**1.5**	**1.5**	*1.9*	*1.8*	*1.8*
Finland	3.8	2.2	1.4	1.1	1.1	1.0	**1.1**	**1.1**	**1.1**	*1.0*	*1.0*	*1.0*
Euro area	4.9	3.5	2.9	2.8	3.0	3.1	**3.0**	**3.0**	**3.1**	*3.0*	*3.0*	*3.1*
Bulgaria	10.2	3.0	1.2	0.7	0.7	0.9	**1.0**	**1.1**	**1.1**	*0.8*	*0.9*	*0.9*
Czech Republic	1.1	1.0	1.1	1.4	1.4	1.5	**1.5**	**1.5**	**1.5**	*1.6*	*1.6*	*1.6*
Denmark	5.0	3.0	1.7	1.7	1.8	1.6	**1.4**	**1.3**	**1.3**	*1.6*	*1.4*	*1.4*
Croatia	:	:	:	2.2	2.6	3.0	**3.4**	**3.7**	**3.9**	*3.5*	*4.1*	*4.7*
Lithuania	0.9	1.3	0.8	1.8	1.8	1.8	**1.7**	**1.6**	**1.6**	*1.8*	*1.7*	*1.6*
Hungary	8.3	4.5	4.2	4.1	4.1	4.3	**4.2**	**3.9**	**3.9**	*4.2*	*4.0*	*3.9*
Poland	4.4	3.0	2.5	2.7	2.7	2.8	**2.7**	**2.2**	**2.2**	*2.7*	*2.2*	*2.2*
Romania	3.4	2.6	1.0	1.5	1.6	1.8	**1.8**	**1.7**	**1.7**	*1.8*	*1.8*	*1.8*
Sweden	4.9	2.5	1.5	0.8	1.0	0.7	**0.9**	**0.9**	**0.8**	*0.9*	*0.9*	*0.8*
United Kingdom	3.3	2.2	2.1	3.0	3.3	3.0	**3.0**	**2.9**	**2.8**	*3.0*	*3.0*	*2.9*
EU	:	:	:	2.7	2.9	2.9	**2.9**	**2.8**	**2.9**	*2.9*	*2.9*	*2.9*
USA	4.9	3.5	3.5	3.7	3.9	3.8	**3.7**	**3.8**	**4.0**	*3.9*	*4.1*	*4.1*
Japan	3.4	2.9	1.9	2.0	2.1	2.1	**2.1**	**2.1**	**2.0**	*2.0*	*1.9*	*1.8*

Table 38: Primary balance, general government [1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	5.4	5.7	2.1	-0.4	-0.4	-0.6	**0.5**	**0.5**	**0.4**	*0.3*	*0.5*	*0.5*
Germany	-0.5	0.3	1.2	-1.6	1.7	2.5	**2.2**	**2.1**	**2.1**	*2.3*	*2.2*	*2.3*
Estonia	0.2	0.9	0.5	0.3	1.3	-0.1	**-0.2**	**-0.2**	**-0.3**	*-0.2*	*0.1*	*0.1*
Ireland	4.5	2.9	-2.0	-27.5	-9.9	-4.5	**-2.4**	**0.0**	**0.7**	*-2.8*	*-0.2*	*2.0*
Greece	3.6	0.6	-3.9	-4.9	-2.4	-4.0	**-8.8**	**2.7**	**4.1**	*-9.4*	*2.8*	*4.1*
Spain	0.3	2.2	-0.3	-7.7	-7.0	-7.6	**-3.7**	**-2.2**	**-2.8**	*-3.3*	*-2.4*	*-3.0*
France	-0.1	0.1	-1.1	-4.7	-2.7	-2.3	**-1.8**	**-1.6**	**-1.4**	*-1.8*	*-1.4*	*-1.1*
Italy	5.0	2.7	1.3	0.1	1.1	2.5	**2.3**	**2.7**	**3.1**	*2.3*	*2.8*	*3.1*
Cyprus	-0.9	-0.6	2.0	-3.0	-3.9	-3.2	**-1.8**	**-1.8**	**-2.1**	*-4.2*	*-4.3*	*-2.1*
Latvia	0.0	-1.1	-2.4	-6.7	-2.1	0.0	**0.1**	**0.4**	**0.3**	*0.1*	*0.5*	*0.4*
Luxembourg	3.2	3.0	1.8	-0.4	0.5	-0.1	**0.4**	**0.0**	**-1.7**	*-0.3*	*-0.5*	*-2.0*
Malta	-4.4	-2.9	0.1	-0.6	0.3	-0.2	**0.1**	**0.3**	**0.2**	*-0.3*	*-0.3*	*-0.4*
Netherlands	3.4	1.9	1.3	-3.1	-2.3	-2.2	**-1.2**	**-1.1**	**-0.2**	*-1.4*	*-1.5*	*-1.1*
Austria	0.4	1.5	0.9	-1.8	0.2	0.1	**0.9**	**0.6**	**0.8**	*0.2*	*0.7*	*1.1*
Portugal	-0.1	-1.0	-2.8	-7.0	-0.3	-2.1	**-1.5**	**0.3**	**1.9**	*-1.6*	*0.3*	*1.8*
Slovenia	-1.2	-0.9	-0.9	-4.2	-4.4	-1.7	**-12.2**	**-0.9**	**-0.1**	*-3.0*	*-4.0*	*-0.6*
Slovakia	-3.8	-3.2	-2.1	-6.3	-3.5	-2.7	**-0.9**	**-1.7**	**-1.8**	*-1.1*	*-1.4*	*-2.0*
Finland	2.3	6.5	4.3	-1.4	0.4	-0.8	**-1.3**	**-1.4**	**-1.2**	*-1.2*	*-1.3*	*-1.1*
Euro area	1.2	1.3	0.3	-3.4	-1.1	-0.6	**-0.1**	**0.5**	**0.6**	*-0.1*	*0.5*	*0.7*
Bulgaria	6.8	3.1	1.4	-2.4	-1.2	0.1	**-0.9**	**-0.9**	**-0.7**	*-1.2*	*-1.1*	*-0.9*
Czech Republic	-4.5	-4.0	-1.8	-3.3	-1.8	-2.9	**-1.2**	**-1.3**	**-1.8**	*-1.3*	*-1.4*	*-1.9*
Denmark	4.2	4.3	4.8	-0.9	-0.1	-2.2	**1.1**	**0.1**	**-1.4**	*-0.1*	*-0.2*	*-1.3*
Croatia	:	:	:	-4.2	-5.2	-1.9	**-2.6**	**-1.7**	**-0.9**	*-1.9*	*-2.4*	*-1.5*
Lithuania	-3.6	-0.9	-2.1	-5.4	-3.7	-1.4	**-1.0**	**-0.7**	**-0.2**	*-1.2*	*-0.8*	*-0.2*
Hungary	1.8	-1.4	-1.9	-0.2	8.5	2.2	**1.8**	**0.9**	**1.0**	*1.3*	*0.9*	*1.2*
Poland	0.3	-2.0	-1.6	-5.2	-2.3	-1.1	**-1.8**	**7.2**	**-0.7**	*-2.2*	*6.7*	*-1.1*
Romania	-0.2	0.0	-3.2	-5.3	-3.9	-1.2	**-0.8**	**-0.4**	**-0.1**	*-0.7*	*-0.3*	*0.0*
Sweden	2.8	3.2	3.4	1.1	1.2	0.5	**-0.2**	**-0.6**	**0.1**	*0.0*	*-0.3*	*0.4*
United Kingdom	1.1	1.1	-3.0	-7.1	-4.4	-3.1	**-3.3**	**-2.3**	**-1.4**	*-3.4*	*-2.4*	*-1.4*
EU	1.3	1.3	-0.1	-3.8	-1.5	-1.0	**-0.6**	**0.2**	**0.2**	*-0.7*	*0.2*	*0.2*
USA	3.0	0.2	-2.6	-8.3	-6.7	-5.3	**-2.5**	**-1.5**	**-0.9**	*-2.5*	*-1.6*	*-0.8*
Japan	-3.0	-4.2	-1.9	-6.3	-6.7	-6.6	**-6.9**	**-5.4**	**-4.2**	*-7.6*	*-5.4*	*-4.0*

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	-2.4	-0.4	-2.3	-3.3	-3.5	-3.2	**-1.7**	**-2.0**	**-2.5**	*-1.9*	*-1.8*	*-2.0*
Germany	-3.7	-2.7	-1.3	-3.4	-1.2	0.1	**0.5**	**0.4**	**0.2**	*0.5*	*0.5*	*0.4*
Estonia	:	0.0	-0.9	2.1	0.8	-1.2	**-0.8**	**-0.4**	**-0.5**	*-0.7*	*-0.3*	*-0.3*
Ireland	-0.1	0.6	-3.5	-28.2	-12.2	-7.7	**-6.6**	**-4.7**	**-4.7**	*-6.9*	*-5.0*	*-3.4*
Greece	-6.3	-5.4	-9.2	-8.5	-5.3	-3.3	**-7.2**	**2.2**	**1.0**	*-7.5*	*2.6*	*0.9*
Spain	-3.8	-1.3	-2.1	-7.4	-7.5	-8.2	**-4.7**	**-4.3**	**-6.3**	*-4.3*	*-4.3*	*-6.2*
France	-3.1	-3.9	-4.4	-5.9	-4.6	-3.6	**-2.6**	**-2.5**	**-2.7**	*-2.5*	*-2.2*	*-2.4*
Italy	-4.7	-3.7	-4.1	-3.5	-3.1	-1.3	**-0.6**	**-0.6**	**-0.9**	*-0.6*	*-0.7*	*-1.1*
Cyprus	:	-4.2	-1.7	-5.3	-6.4	-6.0	**-4.0**	**-3.5**	**-5.2**	*-5.7*	*-5.5*	*-5.2*
Latvia	:	-2.0	-4.2	-4.7	-1.7	-0.7	**-1.3**	**-1.5**	**-1.8**	*-1.5*	*-1.5*	*-1.7*
Luxembourg	3.3	1.7	1.3	0.3	0.8	1.0	**1.0**	**0.3**	**-2.1**	*0.2*	*-0.4*	*-2.1*
Malta	-7.0	-6.2	-3.5	-3.4	-2.7	-2.9	**-2.8**	**-2.8**	**-3.1**	*-3.2*	*-3.5*	*-4.0*
Netherlands	-1.7	-0.8	-0.9	-4.3	-3.7	-2.7	**-1.2**	**-1.7**	**-1.8**	*-1.5*	*-1.5*	*-1.6*
Austria	-3.1	-1.7	-1.9	-3.6	-2.4	-2.4	**-1.3**	**-1.7**	**-1.7**	*-2.0*	*-1.6*	*-1.4*
Portugal	-4.5	-4.3	-5.4	-9.4	-3.4	-4.7	**-3.7**	**-2.5**	**-1.8**	*-3.8*	*-2.5*	*-1.7*
Slovenia	:	-3.4	-3.4	-4.7	-5.8	-2.6	**-13.5**	**-2.7**	**-2.5**	*-4.3*	*-5.6*	*-2.8*
Slovakia	:	-5.8	-4.7	-7.4	-4.5	-3.8	**-1.3**	**-2.1**	**-2.5**	*-1.9*	*-2.1*	*-2.9*
Finland	-1.4	4.1	2.4	-1.1	-0.6	-1.0	**-0.9**	**-1.2**	**-1.4**	*-0.8*	*-1.0*	*-1.2*
Euro area	-3.5	-2.7	-2.8	-5.1	-3.6	-2.6	**-1.6**	**-1.3**	**-1.8**	*-1.6*	*-1.3*	*-1.6*
Bulgaria	-2.0	-0.1	-0.9	-2.3	-1.5	-0.3	**-1.3**	**-1.4**	**-1.2**	*-1.5*	*-1.5*	*-1.3*
Czech Republic	:	-5.1	-4.2	-4.3	-3.1	-3.7	**-1.4**	**-1.9**	**-2.9**	*-1.6*	*-2.0*	*-3.0*
Denmark	-1.4	0.6	2.3	-0.1	0.2	-1.0	**2.6**	**1.3**	**-0.5**	*1.1*	*0.9*	*-0.3*
Croatia	:	:	:	-5.1	-7.1	-4.0	**-5.2**	**-4.9**	**-4.4**	*-4.6*	*-6.0*	*-5.9*
Lithuania	:	-1.8	-4.2	-4.8	-4.5	-2.9	**-2.6**	**-2.3**	**-1.9**	*-3.0*	*-2.7*	*-2.2*
Hungary	:	-6.5	-7.1	-2.6	5.4	-0.2	**-0.9**	**-2.0**	**-2.4**	*-1.3*	*-1.9*	*-2.1*
Poland	:	-4.5	-4.7	-8.2	-5.3	-3.6	**-3.6**	**5.7**	**-2.4**	*-4.0*	*5.4*	*-2.7*
Romania	:	-2.2	-5.7	-6.0	-5.0	-2.0	**-2.1**	**-1.8**	**-1.6**	*-1.9*	*-1.5*	*-1.4*
Sweden	-1.5	0.7	1.8	1.1	0.4	0.5	**0.1**	**-0.6**	**-0.4**	*0.5*	*-0.2*	*-0.1*
United Kingdom	-2.6	-1.1	-5.1	-8.1	-6.1	-4.4	**-5.1**	**-4.8**	**-4.3**	*-5.3*	*-4.8*	*-4.3*
EU	:	:	:	-5.3	-3.7	-2.7	**-2.0**	**-1.6**	**-2.1**	*-2.1*	*-1.5*	*-2.0*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 40: Cyclically-adjusted primary balance, general government[1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.4	5.4	1.6	0.1	-0.2	0.2	**1.4**	**1.1**	**0.6**	*1.3*	*1.3*	*1.1*
Germany	-0.4	0.3	1.5	-0.9	1.3	2.5	**2.8**	**2.6**	**2.3**	*2.8*	*2.6*	*2.5*
Estonia	:	0.2	-0.7	2.3	0.9	-1.0	**-0.6**	**-0.3**	**-0.4**	*-0.6*	*-0.1*	*-0.2*
Ireland	3.8	2.0	-2.2	-25.0	-9.0	-4.0	**-1.9**	**0.2**	**0.3**	*-2.3*	*-0.2*	*1.6*
Greece	3.0	0.4	-4.5	-2.7	1.8	1.6	**-2.9**	**7.1**	**6.1**	*-3.4*	*7.3*	*6.1*
Spain	0.8	1.4	-0.4	-5.4	-4.9	-5.1	**-1.3**	**-0.7**	**-2.6**	*-0.9*	*-0.7*	*-2.6*
France	0.3	-1.0	-1.7	-3.5	-2.0	-1.1	**-0.2**	**0.0**	**-0.1**	*-0.2*	*0.2*	*0.1*
Italy	4.6	1.9	0.7	1.1	1.9	4.2	**4.7**	**4.7**	**4.4**	*4.8*	*4.8*	*4.6*
Cyprus	:	-0.8	1.3	-3.1	-4.0	-2.9	**-0.3**	**0.6**	**-1.3**	*-1.6*	*-1.5*	*-1.0*
Latvia	:	-1.2	-3.6	-3.3	-0.2	0.6	**0.1**	**-0.1**	**-0.5**	*0.0*	*-0.1*	*-0.3*
Luxembourg	3.7	2.0	1.5	0.7	1.3	1.5	**1.6**	**0.8**	**-1.4**	*0.7*	*0.1*	*-1.5*
Malta	-4.3	-2.8	-0.2	-0.5	0.3	0.2	**0.2**	**0.2**	**-0.1**	*-0.1*	*-0.4*	*-0.8*
Netherlands	3.3	2.1	1.3	-2.2	-1.7	-0.8	**0.7**	**0.4**	**0.9**	*0.5*	*0.3*	*0.2*
Austria	0.5	1.4	0.8	-0.9	0.2	0.2	**1.4**	**0.9**	**1.0**	*0.7*	*1.0*	*1.3*
Portugal	-0.5	-1.6	-2.5	-6.6	0.7	-0.4	**0.6**	**1.8**	**2.6**	*0.6*	*1.9*	*2.7*
Slovenia	:	-1.3	-2.0	-3.1	-3.9	-0.4	**-10.8**	**0.3**	**0.7**	*-1.6*	*-2.5*	*0.3*
Slovakia	:	-2.6	-3.2	-6.1	-3.0	-1.9	**0.3**	**-0.5**	**-0.9**	*0.0*	*-0.3*	*-1.1*
Finland	2.4	6.3	3.8	0.0	0.5	0.0	**0.2**	**0.0**	**-0.3**	*0.2*	*0.1*	*-0.2*
Euro area	1.3	0.8	0.1	-2.3	-0.5	0.5	**1.4**	**1.7**	**1.3**	*1.4*	*1.8*	*1.5*
Bulgaria	8.2	2.8	0.3	-1.6	-0.8	0.6	**-0.2**	**-0.3**	**-0.2**	*-0.6*	*-0.6*	*-0.4*
Czech Republic	:	-4.1	-3.1	-2.9	-1.7	-2.2	**0.1**	**-0.4**	**-1.4**	*0.0*	*-0.4*	*-1.4*
Denmark	3.6	3.6	4.0	1.5	2.1	0.6	**4.1**	**2.6**	**0.7**	*2.8*	*2.4*	*1.1*
Croatia	:	:	:	-2.9	-4.5	-1.0	**-1.8**	**-1.2**	**-0.5**	*-1.1*	*-1.9*	*-1.2*
Lithuania	:	-0.5	-3.4	-3.0	-2.7	-1.1	**-0.9**	**-0.7**	**-0.3**	*-1.2*	*-1.0*	*-0.6*
Hungary	:	-2.0	-2.9	1.6	9.5	4.1	**3.3**	**1.9**	**1.5**	*2.9*	*2.0*	*1.8*
Poland	:	-1.5	-2.2	-5.5	-2.6	-0.8	**-0.9**	**7.9**	**-0.2**	*-1.3*	*7.6*	*-0.5*
Romania	:	0.4	-4.7	-4.5	-3.4	-0.2	**-0.4**	**0.0**	**0.2**	*-0.1*	*0.2*	*0.3*
Sweden	3.4	3.2	3.3	1.9	1.4	1.2	**1.0**	**0.3**	**0.4**	*1.4*	*0.7*	*0.7*
United Kingdom	0.7	1.1	-3.0	-5.2	-2.8	-1.4	**-2.1**	**-1.9**	**-1.5**	*-2.3*	*-1.9*	*-1.4*
EU	1.3	0.9	-0.4	-2.6	-0.8	0.2	**0.8**	**1.2**	**0.7**	*0.8*	*1.3*	*0.9*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Structural budget balance, general government[1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	:	:	-1.9	-3.3	-3.3	-2.9	**-2.2**	**-2.0**	**-2.5**	*-2.2*	*-1.8*	*-2.0*
Germany	:	:	-1.2	-2.2	-1.0	0.3	**0.6**	**0.5**	**0.2**	*0.5*	*0.5*	*0.4*
Estonia	:	:	-1.6	-0.9	-0.8	-0.2	**-0.5**	**-0.1**	**-0.4**	*-0.5*	*0.0*	*-0.2*
Ireland	:	:	-3.1	-8.9	-8.1	-7.7	**-6.4**	**-4.9**	**-4.6**	*-6.7*	*-5.2*	*-3.3*
Greece	:	:	-9.1	-8.9	-5.9	-0.1	**1.7**	**0.7**	**-0.1**	*1.2*	*1.0*	*-0.1*
Spain	:	:	-2.1	-7.4	-7.2	-5.1	**-4.3**	**-4.2**	**-5.8**	*-4.1*	*-4.2*	*-5.8*
France	:	:	-4.6	-5.7	-4.7	-3.6	**-2.8**	**-2.3**	**-2.7**	*-2.7*	*-2.0*	*-2.4*
Italy	:	:	-4.3	-3.7	-3.8	-1.4	**-0.8**	**-0.6**	**-0.8**	*-0.8*	*-0.7*	*-0.9*
Cyprus	:	:	-1.7	-5.3	-6.2	-6.4	**-3.8**	**-4.5**	**-5.2**	*-5.5*	*-5.5*	*-5.2*
Latvia	:	:	-4.1	-3.0	-1.5	-0.2	**-1.3**	**-1.5**	**-1.8**	*-1.5*	*-1.5*	*-1.7*
Luxembourg	:	:	1.3	0.3	0.8	1.0	**1.0**	**0.3**	**-2.1**	*0.2*	*-0.4*	*-2.1*
Malta	:	:	-4.1	-4.5	-3.4	-3.8	**-3.1**	**-2.9**	**-3.2**	*-3.5*	*-3.6*	*-4.1*
Netherlands	:	:	-0.9	-4.1	-3.7	-2.7	**-1.8**	**-1.8**	**-1.8**	*-2.1*	*-1.7*	*-1.6*
Austria	:	:	-1.9	-3.2	-2.2	-1.6	**-1.5**	**-1.4**	**-1.5**	*-1.6*	*-1.5*	*-1.2*
Portugal	:	:	-5.3	-8.7	-6.4	-4.0	**-3.6**	**-2.6**	**-1.8**	*-3.7*	*-2.6*	*-1.7*
Slovenia	:	:	-3.3	-4.7	-4.8	-2.6	**-2.2**	**-2.0**	**-2.5**	*-2.9*	*-2.1*	*-2.8*
Slovakia	:	:	-4.5	-7.3	-4.9	-3.9	**-2.3**	**-2.5**	**-2.5**	*-2.3*	*-3.1*	*-2.9*
Finland	:	:	2.4	-1.0	-0.5	-1.0	**-0.9**	**-1.2**	**-1.4**	*-0.8*	*-1.0*	*-1.2*
Euro area	:	:	-2.9	-4.4	-3.6	-2.1	**-1.5**	**-1.3**	**-1.7**	*-1.5*	*-1.3*	*-1.5*
Bulgaria	:	:	-0.8	-2.2	-1.5	-0.3	**-1.3**	**-1.4**	**-1.2**	*-1.5*	*-1.5*	*-1.3*
Czech Republic	:	:	-4.0	-4.5	-3.1	-1.9	**-1.3**	**-2.2**	**-2.9**	*-1.5*	*-2.2*	*-3.0*
Denmark	:	:	2.3	-0.1	0.2	0.6	**1.1**	**-0.3**	**-0.5**	*0.1*	*-0.1*	*-0.3*
Croatia	:	:	:	-5.1	-7.1	-4.0	**-4.7**	**-5.7**	**-5.0**	*-4.1*	*-6.0*	*-5.9*
Lithuania	:	:	-4.2	-4.8	-4.5	-3.0	**-2.5**	**-2.2**	**-1.8**	*-3.0*	*-2.6*	*-2.2*
Hungary	:	:	-6.8	-3.3	-4.1	-0.9	**-1.1**	**-2.4**	**-2.3**	*-1.4*	*-2.3*	*-2.1*
Poland	:	:	-4.8	-8.2	-5.3	-3.7	**-3.6**	**-2.9**	**-2.4**	*-4.0*	*-3.2*	*-2.7*
Romania	:	:	-5.6	-6.1	-3.8	-2.5	**-2.1**	**-1.8**	**-1.6**	*-1.9*	*-1.5*	*-1.4*
Sweden	:	:	1.8	1.1	0.4	0.5	**0.1**	**-0.6**	**-0.4**	*0.5*	*-0.2*	*-0.1*
United Kingdom	:	:	-5.0	-8.1	-6.1	-6.2	**-5.3**	**-4.8**	**-4.3**	*-5.7*	*-4.8*	*-4.3*
EU	:	:	-3.1	-4.8	-3.8	-2.6	**-2.0**	**-1.9**	**-2.1**	*-2.1*	*-1.8*	*-1.9*

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 42: Gross debt, general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	122.1	102.0	89.8	95.7	98.0	99.8	**99.8**	**100.5**	**100.0**	*100.4*	*101.3*	*101.0*
Germany	59.1	62.1	68.6	82.5	80.0	81.0	**79.6**	**77.3**	**74.5**	*79.6*	*77.1*	*74.1*
Estonia	7.1	5.3	4.9	6.7	6.1	9.8	**10.0**	**10.1**	**9.8**	*10.0*	*9.7*	*9.1*
Ireland	63.2	32.7	37.1	91.2	104.1	117.4	**122.3**	**120.3**	**119.7**	*124.4*	*120.8*	*119.1*
Greece	96.3	101.0	113.5	148.3	170.3	156.9	**177.3**	**177.0**	**171.9**	*176.2*	*175.9*	*170.9*
Spain	64.7	52.5	42.7	61.7	70.5	86.0	**94.3**	**98.9**	**103.3**	*94.8*	*99.9*	*104.3*
France	58.3	60.4	68.5	82.4	85.8	90.2	**93.9**	**96.1**	**97.3**	*93.5*	*95.3*	*96.0*
Italy	117.2	106.0	107.6	119.3	120.7	127.0	**132.7**	**133.7**	**132.4**	*133.0*	*134.0*	*133.1*
Cyprus	56.2	65.3	60.1	61.3	71.1	85.8	**112.0**	**121.5**	**125.8**	*116.0*	*124.4*	*127.4*
Latvia	12.4	13.9	17.8	44.4	41.9	40.6	**38.4**	**38.7**	**32.7**	*42.5*	*39.3*	*33.4*
Luxembourg	7.2	6.3	9.9	19.5	18.7	21.7	**24.3**	**25.5**	**28.1**	*24.5*	*25.7*	*28.7*
Malta	45.3	61.3	63.7	66.7	69.3	71.1	**72.0**	**72.4**	**71.5**	*72.6*	*73.3*	*74.1*
Netherlands	69.0	51.9	52.7	63.4	65.7	71.3	**74.3**	**75.3**	**75.6**	*74.8*	*76.4*	*76.9*
Austria	66.3	65.8	63.9	72.3	72.8	74.0	**74.6**	**74.3**	**73.7**	*74.8*	*74.5*	*73.5*
Portugal	55.2	56.5	72.2	94.0	108.2	124.1	**129.4**	**126.6**	**125.8**	*127.8*	*126.7*	*125.7*
Slovenia	22.0	27.0	26.7	38.7	47.1	54.4	**71.9**	**75.4**	**78.0**	*63.2*	*70.1*	*74.2*
Slovakia	33.8	45.3	31.5	41.0	43.4	52.4	**54.3**	**57.8**	**58.4**	*54.3*	*57.2*	*58.1*
Finland	52.3	43.3	38.8	48.7	49.2	53.6	**57.2**	**60.4**	**62.0**	*58.4*	*61.0*	*62.5*
Euro area	72.7	68.9	71.1	85.6	87.9	92.6	**95.5**	**95.9**	**95.4**	*95.5*	*95.9*	*95.4*
Bulgaria	:	54.4	18.9	16.2	16.3	18.5	**19.4**	**22.7**	**24.1**	*19.4*	*22.6*	*24.1*
Czech Republic	13.8	25.3	29.6	38.4	41.4	46.2	**46.1**	**47.2**	**48.6**	*49.0*	*50.6*	*52.3*
Denmark	65.4	48.8	34.2	42.8	46.4	45.4	**42.4**	**41.6**	**43.1**	*44.3*	*43.7*	*45.1*
Croatia	:	:	:	44.9	51.6	55.5	**64.9**	**67.4**	**68.7**	*59.6*	*64.7*	*69.0*
Lithuania	16.0	21.8	19.6	37.8	38.3	40.5	**39.5**	**42.2**	**41.4**	*39.9*	*40.2*	*39.6*
Hungary	68.5	56.6	69.5	82.2	82.1	79.8	**77.8**	**79.1**	**78.9**	*80.7*	*79.9*	*79.4*
Poland	42.8	41.8	47.6	54.9	56.2	55.6	**57.8**	**50.3**	**51.0**	*58.2*	*51.0*	*52.5*
Romania	14.1	22.7	15.6	30.5	34.7	38.0	**38.3**	**39.3**	**39.2**	*38.5*	*39.1*	*39.5*
Sweden	70.3	52.6	43.4	39.4	38.6	38.2	**41.5**	**41.8**	**40.8**	*41.3*	*41.9*	*41.0*
United Kingdom	47.6	38.8	49.4	78.4	84.3	88.6	**91.4**	**93.4**	**94.5**	*94.3*	*96.9*	*98.6*
EU	:	:	:	80.0	82.8	86.6	**89.4**	**89.7**	**89.5**	*89.7*	*90.2*	*90.0*

Table 43: Gross national saving (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	25.5	25.5	24.7	23.3	22.5	20.8	**20.1**	**20.6**	**20.5**	*21.0*	*21.0*	*21.2*
Germany	20.9	20.6	24.3	23.7	24.5	24.3	**24.0**	**24.0**	**24.1**	*24.0*	*24.1*	*24.2*
Estonia	20.9	22.3	22.7	23.4	26.8	26.6	**25.8**	**25.3**	**25.7**	*26.7*	*26.8*	*27.3*
Ireland	22.4	22.3	19.6	13.9	13.2	14.5	**17.7**	**18.5**	**19.3**	*14.7*	*15.4*	*16.2*
Greece	15.9	11.5	8.2	4.8	4.4	8.3	**10.8**	**12.0**	**13.1**	*10.8*	*12.0*	*13.1*
Spain	22.0	22.6	20.7	18.4	17.3	18.5	**19.3**	**19.5**	**19.7**	*19.5*	*19.9*	*20.5*
France	19.6	20.0	19.4	17.4	18.3	17.7	**17.6**	**17.9**	**18.1**	*17.5*	*17.8*	*18.2*
Italy	21.9	20.7	19.4	16.5	16.7	17.4	**17.9**	**18.7**	**19.2**	*17.9*	*18.5*	*18.9*
Cyprus	18.3	14.2	11.3	10.6	13.0	8.1	**9.8**	**10.0**	**10.6**	*10.4*	*11.0*	*11.1*
Latvia	15.6	19.1	20.5	22.8	22.5	23.0	**22.5**	**22.0**	**21.7**	*22.3*	*21.8*	*21.5*
Luxembourg	32.1	33.1	29.3	27.5	27.8	28.0	**27.0**	**27.1**	**27.1**	*27.5*	*27.4*	*26.6*
Malta	20.0	15.0	13.4	14.6	14.2	13.9	**14.5**	**14.3**	**14.2**	*14.9*	*14.7*	*14.2*
Netherlands	26.9	26.8	26.2	22.8	25.5	25.2	**25.5**	**26.4**	**27.7**	*24.9*	*25.3*	*26.4*
Austria	22.8	24.4	25.8	24.7	24.8	24.5	**24.5**	**25.2**	**25.8**	*24.6*	*25.2*	*25.8*
Portugal	20.2	16.9	11.6	9.8	11.3	14.4	**15.7**	**16.4**	**17.3**	*15.9*	*16.0*	*16.7*
Slovenia	23.8	24.6	25.4	20.4	20.4	20.6	**21.4**	**23.0**	**24.0**	*21.6*	*22.3*	*23.0*
Slovakia	24.8	21.1	20.1	18.8	21.3	21.1	**20.4**	**19.9**	**20.5**	*21.3*	*21.1*	*22.5*
Finland	23.4	27.2	24.9	20.2	19.1	18.1	**18.3**	**19.0**	**19.0**	*17.6*	*17.9*	*18.2*
Euro area	21.5	21.3	21.4	19.5	20.0	20.2	**20.4**	**20.8**	**21.2**	*20.4*	*20.7*	*21.1*
Bulgaria	:	15.3	14.8	22.5	22.0	22.5	**23.9**	**23.4**	**22.7**	*23.5*	*23.5*	*23.3*
Czech Republic	26.7	23.9	24.2	19.8	21.0	20.7	**19.9**	**20.3**	**20.6**	*19.7*	*20.0*	*20.1*
Denmark	21.0	23.1	24.2	22.7	23.7	23.4	**24.6**	**24.3**	**24.3**	*22.6*	*23.1*	*23.4*
Croatia	14.8	20.0	21.9	20.1	19.3	19.1	**20.1**	**20.8**	**21.0**	*19.6*	*20.4*	*20.6*
Lithuania	12.8	14.3	15.2	16.9	17.4	17.2	**18.0**	**18.2**	**18.7**	*17.5*	*17.9*	*18.1*
Hungary	20.0	17.7	16.5	19.6	19.8	18.6	**20.1**	**20.5**	**21.0**	*20.0*	*19.8*	*19.4*
Poland	20.3	17.2	17.6	16.7	17.6	17.1	**17.5**	**18.0**	**18.2**	*17.2*	*17.6*	*18.0*
Romania	14.0	17.6	17.7	21.2	22.4	21.5	**22.7**	**23.2**	**23.1**	*23.6*	*24.0*	*24.1*
Sweden	21.3	23.3	26.5	25.6	26.1	25.3	**24.3**	**24.3**	**24.6**	*24.4*	*24.4*	*24.7*
United Kingdom	16.8	15.3	15.0	12.3	13.5	10.8	**10.6**	**11.4**	**12.0**	*10.0*	*10.4*	*10.8*
EU	:	20.2	20.5	18.7	19.3	18.9	**19.1**	**19.5**	**19.9**	*19.0*	*19.3*	*19.7*
USA	20.2	18.6	16.8	15.1	15.8	16.4	**16.2**	**16.9**	**17.2**	*15.9*	*16.4*	*17.0*
Japan	29.4	26.2	25.9	23.5	22.2	21.8	**21.7**	**22.4**	**23.0**	*22.0*	*23.2*	*23.9*

Table 44: Gross saving, private sector (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	25.5	23.8	24.0	25.2	24.0	22.2	**21.4**	**21.6**	**21.6**	*22.2*	*21.9*	*21.9*
Germany	20.7	21.0	23.5	24.4	22.9	22.1	**22.0**	**22.0**	**22.1**	*22.0*	*22.0*	*22.0*
Estonia	16.5	17.4	17.8	21.2	23.5	22.4	**22.5**	**22.2**	**22.7**	*23.2*	*23.5*	*24.1*
Ireland	19.3	17.4	18.4	21.4	19.9	20.5	**22.5**	**21.9**	**21.8**	*19.7*	*18.9*	*17.6*
Greece	18.4	12.7	14.1	13.7	13.2	13.2	**11.6**	**12.8**	**12.5**	*12.6*	*12.6*	*12.4*
Spain	21.9	18.9	17.9	23.0	22.6	23.1	**24.0**	**23.2**	**24.1**	*24.0*	*24.0*	*25.2*
France	19.2	19.3	19.5	20.8	19.9	18.9	**18.2**	**18.5**	**18.6**	*18.0*	*18.1*	*18.5*
Italy	23.1	20.6	19.1	18.0	18.1	17.6	**18.2**	**18.5**	**18.9**	*18.1*	*18.5*	*18.8*
Cyprus	18.2	14.5	8.5	10.7	14.9	10.7	**13.6**	**13.0**	**13.8**	*16.5*	*16.3*	*14.4*
Latvia	14.3	17.9	18.4	26.4	22.4	21.0	**20.7**	**20.4**	**20.2**	*20.6*	*20.1*	*20.1*
Luxembourg	24.2	25.3	22.9	23.0	22.9	23.7	**23.0**	**23.4**	**25.4**	*23.8*	*23.9*	*24.7*
Malta	23.8	17.2	14.6	16.4	15.5	15.7	**16.0**	**15.5**	**15.2**	*16.8*	*16.5*	*15.9*
Netherlands	25.4	24.4	23.6	23.4	26.0	25.4	**25.4**	**25.7**	**27.3**	*25.0*	*24.3*	*25.6*
Austria	22.1	22.5	24.5	25.1	23.8	23.1	**22.8**	**23.6**	**24.0**	*23.2*	*23.5*	*23.8*
Portugal	20.1	17.9	14.5	16.8	16.2	19.5	**20.0**	**19.5**	**18.9**	*20.2*	*19.0*	*18.3*
Slovenia	21.4	23.3	22.9	21.4	21.5	21.0	**22.5**	**23.4**	**24.4**	*22.4*	*22.7*	*23.6*
Slovakia	23.4	21.7	20.5	23.5	23.7	23.4	**21.7**	**21.9**	**22.2**	*23.0*	*22.8*	*24.5*
Finland	21.3	20.4	19.6	20.5	17.6	17.7	**18.5**	**19.2**	**19.0**	*17.6*	*18.0*	*18.2*
Euro area	21.3	20.4	20.6	21.8	21.2	20.7	**20.7**	**20.8**	**21.1**	*20.6*	*20.6*	*21.0*
Bulgaria	:	11.5	10.1	22.2	21.6	21.0	**23.4**	**22.8**	**21.9**	*22.7*	*22.5*	*21.9*
Czech Republic	22.4	21.5	21.4	20.3	20.5	19.8	**19.4**	**20.2**	**20.8**	*19.1*	*19.7*	*20.1*
Denmark	19.9	20.4	19.3	23.0	23.2	23.0	**22.3**	**23.1**	**24.9**	*22.0*	*22.4*	*24.0*
Croatia	:	:	:	21.0	21.5	21.2	**23.5**	**24.3**	**23.5**	*22.6*	*24.2*	*24.0*
Lithuania	10.9	12.7	14.5	21.8	20.3	18.8	**18.8**	**18.5**	**18.5**	*18.7*	*18.5*	*18.1*
Hungary	20.9	17.7	18.4	22.0	22.2	18.7	**20.2**	**20.7**	**21.4**	*20.5*	*20.1*	*19.7*
Poland	19.9	18.3	17.1	19.5	18.1	17.4	**18.6**	**18.5**	**18.1**	*19.1*	*18.9*	*18.9*
Romania	13.9	15.7	15.8	22.1	20.6	19.6	**20.1**	**20.4**	**20.0**	*21.1*	*21.1*	*20.9*
Sweden	20.2	19.9	21.5	22.2	22.6	22.5	**22.3**	**22.4**	**22.1**	*22.3*	*22.3*	*21.9*
United Kingdom	17.1	14.8	17.0	18.9	18.4	15.9	**14.5**	**14.3**	**13.8**	*13.9*	*13.2*	*12.6*
EU	:	:	:	21.4	20.8	19.9	**19.8**	**19.8**	**20.0**	*19.7*	*19.6*	*19.8*
USA	18.6	18.3	18.8	22.6	22.3	21.9	**19.8**	**19.6**	**19.5**	*19.6*	*19.5*	*19.4*
Japan	27.5	27.6	27.0	28.9	27.5	26.7	**26.5**	**25.3**	**24.6**	*27.3*	*26.1*	*25.2*

Table 45: Saving rate of households (1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	18.3	16.8	16.3	15.2	14.1	15.2	14.9	14.6	14.3	15.0	14.6	14.6
Germany	16.0	15.6	16.8	16.9	16.4	16.4	16.1	16.0	15.9	16.1	15.9	15.8
Estonia	3.7	0.2	0.1	10.1	11.1	4.5	5.2	5.3	5.3	5.4	5.9	6.2
Ireland	:	:	10.7	13.2	11.2	10.2	12.7	11.3	12.0	13.5	14.1	13.7
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	13.2	11.3	12.6	13.9	12.7	10.4	10.4	10.6	10.9	10.5	10.5	11.4
France	15.0	15.1	15.1	15.6	15.6	15.2	15.0	14.7	14.6	14.4	13.8	13.7
Italy	19.4	15.9	15.4	12.4	11.9	11.6	12.8	13.1	13.2	12.4	12.6	12.7
Cyprus	12.7	13.6	13.7	19.2	15.2	12.8	9.9	12.2	14.7	3.3	7.4	5.0
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	17.0	13.4	12.4	10.5	11.6	10.7	10.2	10.9	11.0	9.7	9.4	10.0
Austria	14.4	13.5	15.7	14.0	12.0	12.6	13.0	13.6	14.1	13.0	13.3	13.3
Portugal	11.2	10.4	8.6	10.1	9.7	12.0	12.4	11.8	11.4	12.2	11.5	10.6
Slovenia	13.1	15.2	15.5	12.9	12.1	11.9	13.5	14.8	15.4	11.9	12.2	12.6
Slovakia	12.1	8.2	6.5	10.3	9.4	8.2	7.9	7.7	7.7	5.8	6.8	7.2
Finland	9.2	8.5	8.4	10.7	8.7	8.6	10.5	11.1	10.2	10.2	10.0	8.8
Euro area	:	14.1	14.2	13.8	13.2	12.9	13.0	13.1	13.1	13.1	13.0	13.0
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	11.5	9.6	10.2	10.7	9.9	10.6	10.6	10.8	10.7	10.5	10.7	10.7
Denmark	5.8	7.9	5.4	7.7	7.7	6.6	2.0	3.6	5.0	5.6	5.7	7.6
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	2.8	3.6	0.4	8.2	4.2	0.9	:	:	:	:	:	:
Hungary	16.8	10.3	10.0	10.8	10.7	7.4	9.0	9.0	7.9	4.8	5.4	6.0
Poland	14.5	11.0	7.1	8.2	2.1	4.8	7.0	7.0	5.5	2.5	2.9	3.1
Romania	2.6	-3.1	-8.0	-3.8	-7.0	-6.2	-5.9	-5.1	-6.3	:	:	:
Sweden	6.2	8.3	10.1	11.3	13.1	14.8	15.9	15.7	14.1	15.4	14.6	13.3
United Kingdom	7.4	4.6	3.5	7.3	6.7	7.2	6.4	6.1	5.7	6.2	6.1	6.0
EU	:	11.8	11.4	11.9	11.3	11.3	11.3	11.2	11.0	11.9	11.7	11.7
USA	10.7	9.9	10.0	11.3	11.1	10.9	9.4	9.2	9.1	3.8	4.9	5.8
Japan	16.0	10.7	8.3	8.7	9.0	7.8	6.7	5.8	5.1	6.6	5.7	5.2

Table 46: Gross saving, general government (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	0.0	1.7	0.7	-1.9	-1.5	-1.4	-1.3	-1.0	-1.1	-1.2	-0.9	-0.8
Germany	0.2	-0.4	0.8	-0.7	1.6	2.2	2.0	2.0	2.0	2.0	2.1	2.2
Estonia	4.5	4.9	5.0	2.2	3.3	4.2	3.3	3.1	2.9	3.5	3.3	3.2
Ireland	3.1	4.9	1.2	-7.5	-6.7	-6.0	-4.9	-3.3	-2.5	-5.1	-3.4	-1.4
Greece	-2.6	-1.2	-5.9	-9.0	-8.8	-5.0	-0.7	-0.8	0.6	-1.8	-0.6	0.6
Spain	0.2	3.7	2.8	-4.6	-5.4	-4.5	-4.6	-3.7	-4.4	-4.5	-4.0	-4.7
France	0.4	0.7	0.0	-3.4	-1.6	-1.2	-0.5	-0.5	-0.5	-0.5	-0.3	-0.3
Italy	-1.2	0.1	0.3	-1.5	-1.3	-0.2	-0.2	0.2	0.3	-0.2	0.0	0.1
Cyprus	0.1	-0.4	2.9	-0.1	-1.9	-2.6	-3.8	-3.0	-3.3	-6.1	-5.3	-3.3
Latvia	1.3	1.3	2.1	-3.7	0.2	2.0	1.8	1.6	1.4	1.7	1.7	1.4
Luxembourg	7.9	7.8	6.5	4.5	4.9	4.3	4.0	3.7	1.8	3.7	3.5	1.8
Malta	-3.8	-2.2	-1.2	-1.9	-1.3	-1.8	-1.5	-1.2	-1.0	-1.9	-1.7	-1.6
Netherlands	1.4	2.3	2.6	-0.6	-0.5	-0.2	0.1	0.7	0.3	-0.1	1.0	0.8
Austria	0.7	1.9	1.4	-0.4	1.0	1.4	1.7	1.6	1.8	1.4	1.6	2.0
Portugal	0.0	-1.0	-2.8	-7.0	-4.9	-5.1	-4.3	-3.0	-1.6	-4.3	-3.0	-1.6
Slovenia	2.4	1.3	2.5	-1.0	-1.2	-0.3	-1.1	-0.4	-0.4	-0.8	-0.3	-0.6
Slovakia	1.4	-0.6	-0.3	-4.6	-2.4	-2.4	-1.3	-1.9	-1.8	-1.7	-1.7	-2.1
Finland	2.2	6.8	5.2	-0.3	1.5	0.4	-0.1	-0.2	0.0	-0.1	-0.1	0.0
Euro area	0.1	0.9	0.8	-2.3	-1.2	-0.5	-0.2	0.0	0.0	-0.3	0.1	0.1
Bulgaria	-1.1	3.8	4.7	0.3	0.4	1.5	0.6	0.7	0.8	0.8	1.0	1.4
Czech Republic	4.3	2.4	2.8	-0.5	0.5	0.9	0.5	0.1	-0.2	0.6	0.3	-0.1
Denmark	1.1	2.7	4.9	-0.3	0.5	0.3	2.3	1.3	-0.5	0.6	0.7	-0.6
Croatia	:	:	:	-0.9	-2.1	-2.0	-3.4	-3.4	-2.5	-3.0	-3.8	-3.4
Lithuania	1.9	1.6	0.7	-4.8	-2.9	-1.6	-0.9	-0.4	0.2	-1.2	-0.6	0.0
Hungary	-0.9	0.0	-1.9	-2.4	-2.4	-0.1	0.0	-0.2	-0.4	-0.5	-0.3	-0.3
Poland	0.4	-1.1	0.5	-2.8	-0.6	-0.3	-1.1	-0.5	0.1	-1.8	-1.3	-0.9
Romania	0.1	1.9	1.9	-0.9	1.8	2.0	2.5	2.8	3.1	2.6	2.8	3.2
Sweden	1.1	3.5	5.0	3.4	3.5	2.9	2.0	1.9	2.5	2.1	2.1	2.8
United Kingdom	-0.3	0.5	-2.0	-6.6	-4.9	-5.2	-3.8	-2.8	-1.8	-3.9	-2.9	-1.9
EU	:	:	:	-2.7	-1.5	-1.0	-0.6	-0.3	-0.2	-0.7	-0.3	-0.1
USA	1.5	0.3	-1.9	-7.5	-6.4	-5.4	-3.6	-2.8	-2.3	-3.7	-3.1	-2.3
Japan	1.9	-1.4	-1.2	-5.4	-5.3	-4.9	-4.7	-2.9	-1.6	-5.2	-2.8	-1.3

Table 47: Exports of goods and services, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	5.6	4.3	1.1	8.1	6.4	1.8	**1.9**	**3.6**	**4.7**	*0.2*	*4.2*	*4.8*
Germany	7.5	7.3	3.3	15.2	8.0	3.2	**0.6**	**4.9**	**6.8**	*0.3*	*4.6*	*6.8*
Estonia	8.8	9.7	0.7	23.7	23.4	5.6	**1.7**	**4.1**	**5.6**	*0.5*	*4.8*	*5.5*
Ireland	17.7	8.3	2.5	6.4	5.4	1.6	**0.3**	**2.8**	**3.7**	*0.5*	*2.5*	*3.7*
Greece	9.7	4.8	-1.3	5.2	0.3	-2.4	**2.5**	**4.6**	**5.5**	*2.5*	*4.6*	*5.5*
Spain	10.0	4.8	0.8	11.7	7.6	2.1	**4.9**	**5.4**	**6.4**	*4.5*	*5.2*	*5.7*
France	7.4	3.9	-0.6	9.5	5.4	2.4	**0.6**	**4.4**	**5.6**	*1.4*	*4.3*	*5.6*
Italy	4.0	3.1	-0.9	11.4	6.2	2.0	**0.1**	**3.3**	**4.9**	*0.1*	*3.6*	*4.8*
Cyprus	6.5	3.2	0.5	3.8	4.4	-2.7	**-4.8**	**-2.7**	**1.9**	*-5.4*	*-2.5*	*1.7*
Latvia	:	7.8	4.9	12.5	12.4	9.4	**0.9**	**4.5**	**5.9**	*2.8*	*4.7*	*6.2*
Luxembourg	8.6	7.3	3.2	7.2	5.4	-1.9	**2.3**	**3.6**	**4.9**	*2.7*	*4.0*	*3.5*
Malta	:	1.4	2.3	17.4	3.4	8.1	**-2.9**	**4.0**	**5.9**	*-1.6*	*4.5*	*5.6*
Netherlands	8.0	5.0	2.6	11.6	4.1	3.2	**1.3**	**2.9**	**5.0**	*2.8*	*3.2*	*4.5*
Austria	7.6	6.9	1.5	9.4	6.6	1.2	**2.3**	**4.8**	**6.0**	*1.6*	*4.7*	*5.8*
Portugal	8.0	4.2	1.4	10.2	6.9	3.2	**5.8**	**5.0**	**5.3**	*5.8*	*5.0*	*5.3*
Slovenia	4.7	8.3	4.3	10.2	7.0	0.6	**2.9**	**3.8**	**4.5**	*1.3*	*2.6*	*3.9*
Slovakia	8.2	8.8	5.6	16.0	12.2	9.9	**3.5**	**4.8**	**6.2**	*4.6*	*4.6*	*6.0*
Finland	9.7	5.5	1.6	7.9	2.8	-0.2	**-0.4**	**3.4**	**4.4**	*-1.4*	*3.5*	*4.4*
Euro area	:	5.5	1.6	11.6	6.5	2.5	**1.3**	**4.2**	**5.7**	*1.3*	*4.2*	*5.6*
Bulgaria	:	3.9	3.8	14.7	12.3	-0.4	**8.2**	**5.6**	**6.4**	*4.9*	*3.4*	*5.5*
Czech Republic	10.4	10.4	5.5	15.4	9.5	4.5	**0.4**	**5.7**	**6.1**	*-0.3*	*3.8*	*4.8*
Denmark	5.5	4.3	2.5	3.0	7.0	0.4	**0.9**	**3.1**	**4.0**	*0.8*	*3.4*	*4.0*
Croatia	:	7.7	-0.6	4.8	2.0	0.4	**-1.3**	**2.5**	**3.0**	*-0.7*	*2.5*	*3.0*
Lithuania	:	12.2	5.7	17.4	14.1	11.8	**6.5**	**6.6**	**6.9**	*5.9*	*6.7*	*6.9*
Hungary	20.9	10.4	7.6	11.3	8.4	1.7	**5.1**	**5.3**	**6.1**	*3.7*	*5.3*	*6.1*
Poland	11.5	11.6	6.1	12.1	7.7	3.9	**4.7**	**5.2**	**6.3**	*5.4*	*5.1*	*5.9*
Romania	8.8	15.0	5.4	13.2	10.3	-3.0	**13.6**	**5.7**	**6.3**	*9.6*	*5.0*	*6.1*
Sweden	9.1	5.6	1.5	11.4	6.1	0.7	**-1.5**	**2.8**	**5.4**	*-2.1*	*3.5*	*6.5*
United Kingdom	6.1	4.2	2.0	6.7	4.5	1.1	**0.8**	**2.9**	**3.7**	*2.7*	*3.4*	*3.6*
EU	:	5.6	2.0	11.0	6.5	2.3	**1.4**	**4.1**	**5.5**	*1.5*	*4.1*	*5.4*
USA	7.4	2.2	3.9	11.5	7.1	3.5	**2.8**	**6.2**	**5.7**	*3.0*	*5.6*	*5.8*
Japan	3.9	7.1	-0.5	24.4	-0.4	-0.1	**1.6**	**3.4**	**4.0**	*3.6*	*5.8*	*3.7*

Table 48: Imports of goods and services, volume (percentage change on preceding year, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	5.2	3.8	1.7	7.5	6.8	1.3	**1.2**	**3.2**	**5.2**	*-0.4*	*4.1*	*5.0*
Germany	7.6	4.8	3.6	12.5	7.4	1.4	**1.3**	**5.9**	**7.6**	*1.0*	*5.7*	*7.6*
Estonia	9.5	12.7	-1.6	21.1	28.4	8.8	**3.0**	**4.6**	**5.8**	*1.7*	*5.0*	*5.8*
Ireland	17.0	7.5	1.8	3.6	-0.4	0.0	**0.1**	**2.8**	**2.6**	*0.2*	*1.4*	*2.7*
Greece	10.8	4.6	0.2	-6.2	-7.3	-13.8	**-6.8**	**-1.3**	**2.7**	*-7.1*	*-1.3*	*2.7*
Spain	12.3	7.0	0.1	9.3	-0.1	-5.7	**0.2**	**3.3**	**4.9**	*-1.9*	*1.5*	*4.0*
France	7.1	5.0	1.3	8.9	5.1	-1.1	**0.7**	**4.0**	**5.8**	*1.4*	*3.5*	*5.8*
Italy	6.3	3.7	-0.2	12.6	0.8	-7.4	**-2.9**	**3.0**	**5.5**	*-3.5*	*3.6*	*5.4*
Cyprus	6.0	5.4	2.1	4.8	-0.2	-6.4	**-14.7**	**-7.2**	**0.2**	*-16.5*	*-6.7*	*1.7*
Latvia	:	10.2	-0.5	11.8	22.3	4.5	**-0.3**	**4.8**	**6.7**	*1.8*	*5.4*	*7.1*
Luxembourg	9.7	7.1	2.9	11.4	7.4	-1.0	**2.3**	**3.9**	**5.3**	*2.7*	*4.6*	*4.7*
Malta	:	1.4	2.2	15.3	0.1	5.4	**-3.9**	**3.7**	**5.9**	*-2.7*	*4.2*	*5.6*
Netherlands	9.1	4.4	2.9	10.3	4.2	3.3	**-0.5**	**3.2**	**5.0**	*0.1*	*2.7*	*4.5*
Austria	5.6	5.9	0.7	9.1	7.6	-0.3	**0.4**	**4.6**	**5.6**	*0.4*	*4.5*	*5.6*
Portugal	9.8	2.6	1.3	8.0	-5.3	-6.6	**2.6**	**3.0**	**3.8**	*0.8*	*2.5*	*3.7*
Slovenia	8.3	7.0	3.2	7.4	5.6	-4.7	**0.2**	**1.7**	**3.3**	*-0.2*	*0.8*	*2.5*
Slovakia	11.1	8.3	3.9	14.9	9.7	3.3	**2.0**	**4.5**	**6.0**	*1.9*	*4.3*	*5.8*
Finland	8.0	6.2	2.7	6.8	6.2	-0.7	**-1.5**	**2.0**	**4.4**	*-1.9*	*4.1*	*3.9*
Euro area	:	5.0	1.9	10.0	4.5	-0.9	**0.2**	**4.1**	**5.9**	*-0.1*	*3.9*	*5.7*
Bulgaria	:	8.0	4.3	2.4	8.8	3.7	**5.0**	**5.5**	**6.8**	*4.1*	*3.7*	*5.9*
Czech Republic	10.6	10.1	3.6	15.4	7.0	2.3	**0.7**	**4.6**	**5.8**	*-1.2*	*3.2*	*4.6*
Denmark	6.4	5.6	3.6	3.5	5.9	0.9	**2.5**	**3.0**	**3.8**	*1.6*	*3.1*	*3.8*
Croatia	:	8.9	-0.4	-2.8	1.3	-2.1	**-0.7**	**1.7**	**3.2**	*0.0*	*1.8*	*3.8*
Lithuania	:	12.9	3.1	17.9	13.7	6.1	**6.6**	**7.0**	**7.4**	*6.2*	*7.1*	*7.4*
Hungary	17.6	10.6	4.5	10.9	6.4	-0.1	**5.0**	**5.9**	**6.6**	*3.7*	*5.5*	*6.5*
Poland	18.3	7.4	5.7	13.9	5.5	-0.7	**0.8**	**4.6**	**6.6**	*1.1*	*3.8*	*5.8*
Romania	11.6	19.3	9.2	11.1	10.0	-0.9	**2.9**	**5.0**	**7.3**	*0.8*	*5.1*	*6.5*
Sweden	7.8	3.7	2.4	12.0	7.1	-0.6	**-1.9**	**3.7**	**5.6**	*-2.1*	*3.9*	*6.9*
United Kingdom	8.4	5.8	0.3	7.9	0.3	3.1	**1.2**	**2.6**	**3.3**	*1.9*	*2.3*	*2.4*
EU	:	5.4	2.0	9.8	4.4	-0.3	**0.5**	**4.0**	**5.6**	*0.2*	*3.7*	*5.3*
USA	10.6	5.6	-0.6	12.8	4.9	2.2	**1.4**	**4.7**	**6.3**	*2.2*	*5.6*	*6.2*
Japan	4.4	4.7	-1.2	11.1	5.9	5.3	**3.4**	**4.5**	**2.2**	*2.6*	*4.0*	*2.4*

Table 49: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	3.5	0.8	-0.8	-1.6	-1.5	**-1.4**	**-1.1**	**-1.6**	*-0.4*	*-0.6*	*-0.9*
Germany	:	5.4	7.0	6.3	5.9	6.7	**6.8**	**6.6**	**6.6**	*6.8*	*6.5*	*6.5*
Estonia	:	-14.7	-12.9	-2.5	-4.4	-6.6	**-5.2**	**-5.1**	**-5.0**	*-6.1*	*-5.9*	*-6.1*
Ireland	:	24.9	14.8	22.6	22.6	22.2	**20.4**	**18.9**	**18.5**	*20.6*	*20.1*	*19.2*
Greece	:	:	-18.3	-14.3	-14.0	-11.3	**-9.9**	**-8.9**	**-8.4**	*-9.6*	*-8.7*	*-8.2*
Spain	:	-5.7	-7.3	-4.6	-4.2	-2.5	**-1.2**	**-0.4**	**-0.2**	*-0.8*	*0.2*	*0.7*
France	:	0.0	-2.0	-2.6	-3.6	-3.1	**-2.8**	**-2.9**	**-3.1**	*-2.5*	*-2.4*	*-2.4*
Italy	:	1.0	-0.1	-1.3	-1.1	1.1	**2.3**	**2.8**	**2.8**	*2.4*	*2.5*	*2.5*
Cyprus	:	-26.3	-28.0	-26.8	-24.2	-21.5	**-18.3**	**-16.9**	**-16.7**	*-17.9*	*-16.5*	*-16.7*
Latvia	:	-16.8	-18.7	-7.0	-10.8	-10.4	**-9.2**	**-9.3**	**-9.8**	*-9.4*	*-9.9*	*-10.5*
Luxembourg	:	-11.1	-9.9	-10.2	-12.3	-14.2	**-15.0**	**-15.3**	**-15.7**	*-14.0*	*-14.0*	*-14.2*
Malta	:	-13.5	-18.6	-19.2	-16.1	-13.6	**-12.3**	**-12.1**	**-12.5**	*-12.4*	*-12.4*	*-12.7*
Netherlands	:	6.4	7.4	7.1	7.5	7.7	**9.3**	**9.1**	**9.8**	*9.9*	*10.1*	*10.7*
Austria	:	-0.8	-0.3	-1.0	-2.5	-2.3	**-1.5**	**-1.4**	**-1.3**	*-1.7*	*-1.8*	*-1.9*
Portugal	:	-10.5	-11.2	-10.6	-7.7	-4.7	**-3.6**	**-2.8**	**-2.2**	*-2.9*	*-2.0*	*-1.4*
Slovenia	:	-3.2	-4.0	-2.4	-2.7	-0.4	**1.0**	**2.7**	**3.6**	*0.7*	*1.6*	*1.9*
Slovakia	:	-6.2	-2.6	0.8	1.0	4.7	**5.4**	**5.2**	**5.1**	*7.3*	*7.6*	*8.0*
Finland	:	8.8	4.1	1.4	-0.7	0.0	**0.0**	**0.5**	**0.5**	*0.3*	*0.2*	*0.2*
Euro area	:	1.9	0.6	0.5	0.3	1.4	**2.1**	**2.2**	**2.2**	*2.3*	*2.4*	*2.5*
Euro area, adjusted[2]	:	1.1	0.2	0.1	0.0	1.0	**1.7**	**1.8**	**1.9**	*1.9*	*2.0*	*2.1*
Bulgaria	:	-11.9	-21.0	-7.7	-5.6	-9.1	**-6.1**	**-6.5**	**-7.2**	*-7.4*	*-7.7*	*-8.6*
Czech Republic	:	-2.3	1.5	1.5	2.4	3.8	**4.5**	**5.6**	**6.3**	*4.6*	*4.9*	*5.0*
Denmark	:	4.4	1.4	2.9	3.0	2.7	**3.2**	**3.0**	**2.7**	*2.6*	*2.7*	*2.6*
Croatia	:	-22.7	-21.5	-13.9	-14.5	-14.3	**-14.7**	**-14.4**	**-14.6**	*-14.8*	*-14.7*	*-15.2*
Lithuania	:	-9.5	-11.3	-4.8	-5.8	-2.8	**-2.5**	**-2.8**	**-3.0**	*-2.7*	*-2.8*	*-3.1*
Hungary	:	-4.4	-1.0	2.5	3.1	3.6	**4.0**	**3.7**	**3.5**	*3.8*	*3.8*	*3.5*
Poland	:	-3.9	-2.6	-1.8	-2.1	-0.8	**0.5**	**0.7**	**0.4**	*0.9*	*1.2*	*1.1*
Romania	:	-6.8	-11.1	-6.1	-5.6	-5.6	**-2.4**	**-2.5**	**-2.9**	*-2.8*	*-3.0*	*-3.3*
Sweden	:	6.8	4.7	2.6	2.2	2.4	**2.1**	**1.6**	**1.5**	*1.9*	*1.5*	*1.1*
United Kingdom	:	-4.2	-5.9	-6.6	-6.5	-6.9	**-6.9**	**-6.7**	**-6.6**	*-6.4*	*-6.1*	*-5.9*
EU	:	0.7	-0.6	-0.6	-0.7	0.0	**0.6**	**0.7**	**0.7**	*0.9*	*1.0*	*1.0*
EU, adjusted[2]	:	-0.5	-1.3	-1.1	-1.2	-0.4	**0.2**	**0.2**	**0.3**	*0.4*	*0.6*	*0.6*
USA	:	-4.6	-5.5	-4.5	-4.9	-4.7	**-4.3**	**-4.1**	**-4.3**	*-4.5*	*-4.6*	*-4.8*
Japan	2.5	2.3	1.6	1.7	-0.3	-1.2	**-1.9**	**-2.4**	**-2.2**	*-1.6*	*-1.7*	*-1.5*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 50: Current-account balance[1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			*Autumn 2013 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	4.6	4.9	2.5	2.6	0.5	-0.2	**0.1**	**0.6**	**0.3**	*0.9*	*0.9*	*0.8*
Germany	-0.9	1.3	6.3	6.4	6.3	7.0	**7.0**	**6.7**	**6.4**	*7.0*	*6.6*	*6.4*
Estonia	-8.5	-8.7	-9.2	3.5	0.3	-2.8	**-2.1**	**-2.4**	**-2.3**	*-2.1*	*-2.2*	*-2.2*
Ireland	1.9	-0.1	-4.0	1.1	1.2	4.4	**7.0**	**6.8**	**7.2**	*4.1*	*4.6*	*4.9*
Greece	-2.6	-11.9	-14.9	-12.8	-11.7	-5.3	**-2.3**	**-1.8**	**-1.6**	*-2.3*	*-1.9*	*-1.6*
Spain	-0.8	-4.4	-8.2	-4.4	-4.0	-1.2	**1.1**	**1.6**	**1.8**	*1.4*	*2.6*	*3.1*
France	1.8	0.8	-1.3	-1.9	-2.5	-2.1	**-1.9**	**-2.0**	**-2.2**	*-1.8*	*-1.5*	*-1.5*
Italy	2.2	-0.3	-1.7	-3.5	-3.1	-0.5	**0.9**	**1.3**	**1.2**	*1.0*	*1.2*	*1.1*
Cyprus	-1.2	-3.8	-9.6	-9.2	-3.5	-6.8	**-1.7**	**0.0**	**0.4**	*-2.0*	*-0.6*	*-0.9*
Latvia	-5.8	-8.0	-12.4	2.9	-2.3	-2.5	**-1.6**	**-1.9**	**-2.5**	*-1.6*	*-2.0*	*-2.6*
Luxembourg	10.3	10.5	8.9	7.7	6.6	6.7	**6.4**	**6.7**	**7.0**	*6.7*	*6.8*	*5.8*
Malta	-7.3	-4.4	-7.2	-5.4	-1.0	1.1	**1.7**	**0.9**	**0.5**	*1.8*	*1.4*	*0.6*
Netherlands	4.7	6.5	6.6	5.0	7.4	7.7	**9.2**	**9.1**	**10.0**	*9.6*	*10.0*	*11.0*
Austria	-2.2	1.0	3.4	3.6	1.5	1.8	**2.9**	**3.4**	**3.8**	*2.5*	*2.8*	*3.1*
Portugal	-6.1	-9.0	-10.9	-10.4	-7.2	-2.2	**0.4**	**0.8**	**1.1**	*0.9*	*0.9*	*1.0*
Slovenia	-1.2	-1.2	-3.0	-0.2	0.2	3.1	**4.9**	**6.9**	**7.8**	*5.0*	*6.0*	*6.5*
Slovakia	-6.0	-6.1	-6.3	-3.7	-2.6	1.6	**2.0**	**1.9**	**2.3**	*4.3*	*4.3*	*5.4*
Finland	4.9	7.2	3.5	1.7	-1.5	-1.4	**-0.2**	**0.5**	**0.4**	*-1.2*	*-1.3*	*-1.1*
Euro area	0.7	0.4	0.1	0.3	0.4	1.8	**2.7**	**2.7**	**2.7**	*2.7*	*2.9*	*3.0*
Euro area, adjusted[2]	:	0.0	-0.3	0.0	0.1	1.4	**2.2**	**2.3**	**2.3**	*2.3*	*2.5*	*2.6*
Bulgaria	-0.2	-5.0	-17.3	-0.4	0.1	-1.3	**2.0**	**1.3**	**0.0**	*0.3*	*0.0*	*-0.6*
Czech Republic	-3.8	-4.5	-3.2	-5.0	-3.5	-2.6	**-2.4**	**-1.5**	**-0.9**	*-1.6*	*-1.1*	*-1.0*
Denmark	0.8	2.7	3.0	5.8	5.9	6.0	**7.0**	**6.8**	**6.6**	*5.4*	*5.6*	*5.8*
Croatia	-5.2	-3.8	-6.2	-0.9	-1.1	-0.2	**0.8**	**1.3**	**0.9**	*0.1*	*0.7*	*0.1*
Lithuania	-10.0	-6.0	-8.7	-0.4	-3.9	-1.1	**0.1**	**-0.5**	**-0.7**	*-0.5*	*-0.8*	*-1.4*
Hungary	-4.8	-7.6	-6.0	0.4	0.6	1.1	**2.9**	**2.7**	**2.6**	*3.0*	*2.7*	*1.8*
Poland	-2.4	-3.4	-4.2	-4.3	-4.5	-3.3	**-1.6**	**-1.4**	**-1.8**	*-1.5*	*-1.3*	*-1.4*
Romania	-5.9	-4.3	-9.7	-4.4	-4.5	-4.4	**-1.0**	**-1.2**	**-1.6**	*-1.2*	*-1.5*	*-1.7*
Sweden	4.3	5.7	7.8	6.9	6.2	6.5	**6.2**	**5.6**	**5.5**	*5.9*	*5.6*	*5.3*
United Kingdom	-0.9	-2.2	-1.8	-2.7	-1.5	-3.7	**-3.8**	**-3.3**	**-3.2**	*-4.3*	*-4.4*	*-4.3*
EU	0.4	-0.1	-0.3	-0.1	0.2	0.9	**1.7**	**1.7**	**1.7**	*1.6*	*1.7*	*1.8*
EU, adjusted[2]	:	-0.7	-1.2	-0.6	-0.3	0.5	**1.3**	**1.4**	**1.4**	*1.3*	*1.4*	*1.4*
USA	-2.1	-3.7	-4.6	-3.3	-2.6	-2.6	**-2.3**	**-2.1**	**-2.3**	*-2.6*	*-2.7*	*-3.0*
Japan	2.3	2.9	3.7	3.7	2.0	1.0	**0.7**	**0.5**	**1.0**	*1.2*	*1.8*	*2.3*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 51: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 1995-2015) 17.02.2014

	5-year averages						Winter 2014 forecast			Autumn 2013 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	4.5	4.8	2.2	2.5	0.3	-0.3	**0.3**	**0.7**	**0.4**	*1.1*	*1.0*	*0.9*
Germany	-0.9	1.4	6.2	6.4	6.1	7.0	**7.0**	**6.6**	**6.4**	*6.9*	*6.6*	*6.3*
Estonia	-7.9	-8.2	-7.5	7.0	4.4	0.7	**0.8**	**0.1**	**0.1**	*0.8*	*0.3*	*0.2*
Ireland	2.9	0.4	-4.1	0.7	1.1	3.2	**6.8**	**7.2**	**6.9**	*3.0*	*4.1*	*4.7*
Greece	-1.2	-10.3	-13.2	-11.0	-9.8	-2.9	**-0.3**	**-0.1**	**0.2**	*-0.4*	*-0.1*	*0.2*
Spain	0.2	-3.4	-7.6	-3.8	-3.5	-0.6	**1.9**	**2.2**	**2.3**	*2.4*	*3.3*	*3.7*
France	1.9	0.8	-1.3	-1.8	-2.5	-2.2	**-1.9**	**-2.0**	**-2.1**	*-1.8*	*-1.4*	*-1.4*
Italy	2.4	-0.1	-1.6	-3.5	-3.0	-0.3	**0.9**	**1.4**	**1.3**	*1.1*	*1.2*	*1.1*
Cyprus	-1.2	-3.4	-9.4	-9.0	-3.3	-6.7	**0.2**	**1.0**	**1.3**	*-1.1*	*-0.8*	*-1.0*
Latvia	-5.7	-7.5	-10.7	4.9	-0.2	0.5	**0.9**	**0.6**	**0.0**	*1.5*	*1.1*	*0.4*
Luxembourg	:	:	9.0	7.3	6.3	6.2	**6.0**	**6.6**	**7.1**	*7.0*	*7.1*	*6.3*
Malta	-6.6	-3.9	-5.3	-3.7	0.0	2.8	**3.9**	**3.2**	**2.9**	*4.0*	*3.7*	*2.9*
Netherlands	4.4	6.2	6.2	4.5	7.0	7.4	**8.9**	**8.2**	**9.9**	*9.3*	*9.2*	*10.8*
Austria	-2.3	0.9	3.3	3.7	1.4	1.6	**2.8**	**3.5**	**3.8**	*2.5*	*2.8*	*3.1*
Portugal	-3.7	-7.2	-9.6	-9.0	-5.6	-0.1	**2.3**	**2.7**	**3.0**	*3.6*	*3.6*	*3.5*
Slovenia	-1.2	-1.5	-3.2	-0.1	0.0	2.9	**4.9**	**7.5**	**8.6**	*3.1*	*2.5*	*6.8*
Slovakia	-6.2	-6.5	-5.8	-2.1	-0.9	3.1	**3.2**	**3.6**	**3.7**	*5.6*	*5.4*	*6.0*
Finland	5.0	7.3	3.6	1.8	-1.3	-1.3	**-0.1**	**0.6**	**0.5**	*-1.1*	*-1.2*	*-1.1*
Euro area	:	:	0.2	0.4	0.5	1.9	**2.8**	**2.9**	**2.9**	*2.9*	*3.0*	*3.1*
Euro area, adjusted[2]	:	:	-0.2	0.1	0.1	1.5	**2.4**	**2.5**	**2.5**	*2.5*	*2.6*	*2.7*
Bulgaria	-0.7	-4.8	-16.9	0.3	1.3	0.0	**3.3**	**2.7**	**1.3**	*1.8*	*1.7*	*1.2*
Czech Republic	-3.8	-4.2	-2.5	-2.9	-1.6	-1.4	**-0.9**	**-0.1**	**0.6**	*-0.2*	*0.3*	*0.5*
Denmark	0.9	2.7	3.0	5.9	6.3	6.0	**7.0**	**6.8**	**6.8**	*5.5*	*5.7*	*6.0*
Croatia	-5.2	-3.8	-6.2	-0.9	-1.1	-0.2	**0.8**	**1.3**	**0.9**	*0.1*	*0.7*	*0.1*
Lithuania	-10.1	-5.7	-6.5	3.4	-0.6	1.9	**3.0**	**2.3**	**2.0**	*1.8*	*1.4*	*0.8*
Hungary	-4.8	-7.4	-5.2	2.2	2.9	3.7	**6.1**	**5.6**	**5.3**	*6.2*	*5.8*	*5.0*
Poland	-2.3	-3.3	-3.4	-2.7	-2.7	-1.6	**0.3**	**0.7**	**0.4**	*0.0*	*0.6*	*0.3*
Romania	-5.6	-3.8	-9.2	-4.2	-3.9	-3.0	**0.0**	**-0.3**	**-0.7**	*-0.2*	*-0.6*	*-0.8*
Sweden	3.8	5.6	7.7	6.8	6.1	6.3	**6.2**	**5.5**	**5.3**	*6.0*	*5.4*	*5.2*
United Kingdom	-0.8	-2.0	-1.7	-2.4	-1.2	-3.5	**-3.6**	**-3.1**	**-3.0**	*-4.1*	*-4.2*	*-4.2*
EU	:	:	-0.2	0.2	0.4	1.1	**1.9**	**2.0**	**2.0**	*1.9*	*1.9*	*2.0*
EU, adjusted[2]	:	:	-1.0	-0.3	-0.1	0.8	**1.6**	**1.7**	**1.7**	*1.5*	*1.6*	*1.7*
USA	-2.1	-3.7	-4.6	-3.3	-2.6	-2.6	**-2.3**	**-2.1**	**-2.3**	*-2.6*	*-2.7*	*-3.0*
Japan	2.1	2.8	3.6	3.6	2.0	1.0	**0.6**	**0.5**	**1.0**	*1.2*	*1.8*	*2.3*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 52: Current-account balance[1] (in billions of euro, 2007-15) 17.02.2014

							Winter 2014 forecast			Autumn 2013 forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	13.2	3.7	2.4	9.3	1.7	-0.9	**0.2**	**2.5**	**1.2**	*3.6*	*3.7*	*3.3*
Germany	182.5	152.1	145.1	159.5	163.2	187.9	**192.1**	**188.3**	**188.5**	*191.8*	*187.2*	*187.5*
Estonia	-2.5	-1.4	0.6	0.5	0.0	-0.5	**-0.4**	**-0.5**	**-0.5**	*-0.4*	*-0.4*	*-0.5*
Ireland	-10.4	-10.2	-3.8	1.8	2.0	7.3	**11.6**	**11.5**	**12.6**	*6.8*	*7.7*	*8.6*
Greece	-39.3	-41.9	-33.2	-28.4	-24.5	-10.3	**-4.2**	**-3.3**	**-3.0**	*-4.3*	*-3.4*	*-3.1*
Spain	-105.2	-104.3	-50.0	-45.7	-41.6	-12.5	**11.3**	**16.6**	**19.1**	*14.7*	*26.4*	*32.8*
France	-25.7	-36.6	-33.2	-36.1	-49.1	-42.4	**-39.9**	**-42.8**	**-47.2**	*-36.2*	*-30.8*	*-31.8*
Italy	-20.1	-44.9	-30.2	-54.5	-48.3	-8.4	**13.6**	**20.0**	**19.7**	*15.3*	*18.4*	*17.7*
Cyprus	-1.9	-2.1	-1.8	-1.6	-0.6	-1.2	**-0.3**	**0.0**	**0.1**	*-0.3*	*-0.1*	*-0.1*
Latvia	-4.7	-3.0	1.6	0.5	-0.5	-0.6	**-0.4**	**-0.5**	**-0.7**	*-0.4*	*-0.5*	*-0.7*
Luxembourg	3.8	2.0	2.6	3.0	2.8	2.9	**2.9**	**3.2**	**3.5**	*3.0*	*3.2*	*2.8*
Malta	-0.2	-0.3	-0.5	-0.3	-0.1	0.1	**0.1**	**0.1**	**0.0**	*0.1*	*0.1*	*0.0*
Netherlands	48.1	28.1	18.2	29.6	44.3	45.9	**55.7**	**55.8**	**63.9**	*58.1*	*61.4*	*69.9*
Austria	10.9	13.7	7.4	10.3	4.6	5.5	**9.0**	**11.0**	**12.7**	*8.0*	*9.2*	*10.6*
Portugal	-17.2	-21.7	-18.2	-17.9	-12.3	-3.7	**0.7**	**1.4**	**1.9**	*1.5*	*1.5*	*1.7*
Slovenia	-1.6	-2.3	-0.1	-0.1	0.1	1.1	**1.7**	**2.4**	**2.8**	*1.8*	*2.1*	*2.3*
Slovakia	-3.1	-4.0	-1.6	-2.5	-1.8	1.2	**1.5**	**1.4**	**1.8**	*3.1*	*3.2*	*4.3*
Finland	7.6	5.8	3.4	3.0	-2.7	-2.7	**-0.3**	**1.0**	**0.9**	*-2.4*	*-2.6*	*-2.4*
Euro area	34.0	-67.2	8.7	30.3	37.2	168.5	**254.9**	**268.4**	**277.5**	*263.9*	*286.2*	*303.0*
Euro area, adjusted[2]	8.3	-142.6	-21.6	0.6	5.5	128.1	**214.3**	**227.9**	**237.2**	*221.9*	*244.4*	*261.4*
Bulgaria	-7.8	-8.2	-3.1	-0.1	0.0	-0.5	**0.8**	**0.5**	**0.0**	*0.1*	*0.0*	*-0.3*
Czech Republic	-6.8	-4.5	-4.6	-7.5	-5.4	-4.0	**-3.5**	**-2.2**	**-1.4**	*-2.4*	*-1.8*	*-1.6*
Denmark	3.1	6.8	7.6	13.8	14.3	14.7	**17.6**	**17.5**	**17.6**	*13.4*	*14.5*	*15.3*
Croatia	-3.0	-3.9	-2.0	-0.4	-0.5	-0.1	**0.3**	**0.6**	**0.4**	*0.0*	*0.3*	*0.0*
Lithuania	-4.3	-4.2	0.5	-0.1	-1.2	-0.4	**0.0**	**-0.2**	**-0.3**	*-0.2*	*-0.3*	*-0.5*
Hungary	-7.4	-7.3	-0.1	0.3	0.6	1.1	**2.8**	**2.8**	**2.8**	*2.9*	*2.8*	*1.9*
Poland	-18.9	-20.5	-9.6	-15.2	-16.6	-12.5	**-6.2**	**-5.7**	**-7.6**	*-6.0*	*-5.1*	*-6.0*
Romania	-17.0	-16.0	-4.9	-5.5	-5.9	-5.9	**-1.5**	**-1.7**	**-2.4**	*-1.7*	*-2.2*	*-2.6*
Sweden	29.0	29.4	20.1	24.2	24.0	26.3	**26.0**	**23.8**	**24.3**	*24.8*	*24.1*	*24.2*
United Kingdom	-45.6	-17.3	-22.5	-46.6	-25.9	-72.1	**-71.7**	**-68.0**	**-68.2**	*-80.3*	*-86.4*	*-88.3*
EU	-44.6	-112.9	-10.1	-6.7	20.6	115.1	**219.7**	**235.7**	**242.7**	*214.6*	*232.2*	*245.2*
EU, adjusted[2]	-134.0	-276.7	-82.3	-68.7	-35.3	69.1	**173.6**	**189.6**	**196.6**	*165.0*	*182.3*	*195.7*
USA	-532.1	-528.6	-325.1	-375.3	-289.7	-328.5	**-294.9**	**-269.4**	**-317.4**	*-324.1*	*-351.7*	*-404.6*
Japan	154.6	109.3	105.4	153.9	86.1	47.1	**24.6**	**18.6**	**35.9**	*43.9*	*67.9*	*90.0*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 53: Export markets (a) (percentage change on preceding year, 2007-15) 17.02.2014

							Winter 2014 forecast			Autumn 2013 forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.3	2.1	-10.6	10.3	5.0	1.1	1.3	4.4	5.8	1.4	4.3	5.8
Germany	6.8	2.2	-11.7	10.5	5.2	1.2	1.7	4.3	5.6	1.7	4.4	5.6
Estonia	9.3	1.8	-17.7	9.6	7.4	1.5	1.2	4.3	5.9	1.4	4.9	6.1
Ireland	4.1	1.2	-11.5	10.7	4.6	1.3	1.9	4.3	5.4	1.7	4.1	5.1
Greece	5.7	1.7	-12.4	10.4	4.9	1.1	2.1	4.1	5.7	1.8	4.1	5.5
Spain	5.0	1.9	-10.6	9.8	4.2	0.5	1.9	4.3	5.6	1.9	4.2	5.5
France	5.9	1.8	-11.1	10.3	4.9	1.0	1.9	4.5	5.7	1.7	4.6	5.7
Italy	6.6	2.7	-11.0	9.9	5.4	1.6	2.1	4.6	5.8	2.1	4.6	5.9
Cyprus	6.7	2.2	-13.6	8.1	7.4	1.3	3.5	5.7	7.2	2.2	4.3	5.2
Latvia	8.9	3.8	-17.0	12.5	10.4	3.9	2.7	4.9	6.1	2.7	5.3	6.3
Luxembourg	4.9	1.6	-11.2	10.1	4.2	0.4	1.6	4.0	5.1	1.4	3.6	4.9
Malta	5.2	1.8	-11.7	10.3	4.4	0.8	2.2	4.3	5.5	2.0	4.2	5.3
Netherlands	5.5	2.3	-11.2	10.4	5.2	0.9	1.5	4.5	5.9	1.2	4.5	5.8
Austria	6.8	2.8	-11.5	11.3	5.9	1.1	1.7	4.8	6.2	1.4	4.7	6.2
Portugal	5.5	0.9	-12.6	9.7	3.9	-0.3	1.8	4.3	5.5	1.4	3.9	5.4
Slovenia	7.3	2.7	-13.1	9.8	5.5	0.4	1.0	4.4	5.9	0.9	4.5	6.0
Slovakia	8.3	3.2	-12.3	11.7	6.2	0.8	1.3	4.8	6.2	0.9	4.6	6.1
Finland	8.7	3.6	-12.2	11.9	7.7	2.7	2.2	4.8	6.1	2.3	5.0	6.2
Euro area (b)	6.1	2.2	-11.3	10.4	5.1	1.1	1.7	4.4	5.7	1.6	4.5	5.7
Bulgaria	8.5	2.4	-12.8	9.4	5.6	0.0	1.6	4.0	5.8	1.3	4.3	6.0
Czech Republic	7.0	3.2	-12.3	11.2	5.9	1.3	1.5	4.9	6.3	1.3	4.8	6.3
Denmark	6.4	2.4	-11.4	11.4	5.4	1.5	1.7	4.4	5.8	1.6	4.4	5.7
Croatia	6.9	1.5	-12.7	10.4	5.3	-0.4	1.4	4.1	5.6	0.8	3.8	5.4
Lithuania	11.1	2.5	-16.6	11.2	9.8	3.5	1.6	4.7	6.0	1.9	5.1	6.3
Hungary	7.8	3.5	-12.5	11.0	6.1	1.3	1.4	4.7	6.1	1.2	4.6	6.1
Poland	8.0	3.5	-12.4	11.4	6.2	1.7	1.4	4.6	6.0	1.2	4.7	6.1
Romania	7.0	1.7	-12.4	10.2	5.4	0.7	1.5	4.4	5.9	1.5	4.6	6.1
Sweden	5.9	2.3	-11.9	9.7	5.0	1.7	2.0	4.1	5.5	2.0	4.3	5.5
United Kingdom	6.2	1.6	-11.1	10.5	5.0	1.4	1.9	4.5	5.6	1.9	4.5	5.7
EU (b)	6.2	2.2	-11.5	10.5	5.2	1.2	1.7	4.4	5.7	1.6	4.5	5.7
USA	7.2	3.5	-11.2	13.1	6.6	3.3	3.3	5.1	5.6	3.6	5.1	5.8
Japan	7.7	3.7	-9.0	14.8	7.0	3.4	3.3	5.5	6.5	3.8	5.8	6.5

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

Table 54: Export performance (a) (percentage change on preceding year, 2007-15) 17.02.2014

							Winter 2014 forecast			Autumn 2013 forecast		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	-0.1	-0.7	1.4	-2.0	1.3	0.7	0.7	-0.8	-1.0	-1.2	-0.2	-0.9
Germany	1.1	0.6	-1.4	4.2	2.7	2.0	-1.0	0.6	1.2	-1.4	0.2	1.2
Estonia	-5.2	-0.8	-4.3	12.9	14.9	4.1	0.5	-0.2	-0.3	-0.8	-0.1	-0.5
Ireland	4.1	-2.3	8.7	-3.9	0.7	0.2	-1.7	-1.4	-1.6	-1.2	-1.6	-1.3
Greece	1.3	0.0	-8.0	-4.7	-4.4	-3.5	0.3	0.5	-0.1	0.6	0.5	0.0
Spain	1.6	-2.9	0.7	1.7	3.3	1.6	2.9	1.1	0.8	2.5	0.9	0.2
France	-3.4	-2.1	-1.1	-0.8	0.5	1.4	-1.4	-0.1	0.0	-0.3	-0.3	-0.1
Italy	-0.3	-5.4	-7.3	1.3	0.8	0.4	-1.9	-1.2	-0.8	-1.9	-0.9	-0.9
Cyprus	-0.5	-2.7	3.4	-4.0	-2.8	-4.0	-8.1	-7.9	-4.9	-7.5	-6.5	-3.3
Latvia	2.5	-1.4	4.7	0.0	1.8	5.2	-1.8	-0.4	-0.1	0.1	-0.6	-0.1
Luxembourg	3.9	2.8	-1.9	-2.6	1.2	-2.4	0.7	-0.4	-0.2	1.3	0.4	-1.3
Malta	-1.4	0.3	3.7	6.4	-1.0	7.3	-5.0	-0.3	0.4	-3.5	0.4	0.3
Netherlands	0.8	-0.3	3.9	1.1	-1.1	2.3	-0.2	-1.5	-0.8	1.6	-1.3	-1.3
Austria	1.9	-1.3	-4.6	-1.7	0.7	0.1	0.6	0.0	-0.2	0.2	0.0	-0.3
Portugal	1.9	-1.0	1.9	0.5	2.9	3.4	4.0	0.8	-0.2	4.4	1.1	0.0
Slovenia	6.0	1.3	-3.4	0.3	1.4	0.2	1.9	-0.6	-1.3	0.3	-1.8	-2.0
Slovakia	5.5	-0.1	-4.5	3.9	5.6	9.0	2.1	0.0	0.0	3.6	0.0	0.0
Finland	-0.5	2.1	-10.4	-3.6	-4.6	-2.8	-2.6	-1.4	-1.6	-3.6	-1.4	-1.7
Euro area (b)	0.5	-1.1	-1.2	1.1	1.3	1.4	-0.5	-0.2	0.0	-0.3	-0.3	-0.1
Bulgaria	-2.2	0.6	1.8	4.9	6.3	-0.3	6.5	1.5	0.6	3.6	-0.9	-0.5
Czech Republic	3.9	0.7	1.6	3.8	3.4	3.1	-1.0	0.8	-0.2	-1.6	-1.0	-1.4
Denmark	-3.4	0.9	2.2	-7.5	1.5	-1.1	-0.7	-1.3	-1.6	-0.6	-0.9	-1.6
Croatia	-3.0	0.2	-4.0	-5.0	-3.1	0.8	-2.7	-1.5	-2.5	-1.5	-1.3	-2.3
Lithuania	-7.2	8.7	4.8	5.6	3.9	8.0	4.8	1.8	0.8	3.9	1.5	0.5
Hungary	6.6	2.1	2.6	0.3	2.2	0.3	3.6	0.6	0.0	2.5	0.7	0.0
Poland	1.0	3.4	6.4	0.6	1.4	2.2	3.2	0.5	0.2	4.1	0.3	-0.2
Romania	0.8	6.5	6.8	2.7	5.9	-2.1	11.8	1.2	0.4	8.1	0.4	0.0
Sweden	-0.2	-0.5	-2.2	1.5	1.0	-1.0	-3.4	-1.3	0.0	-4.0	-0.7	1.0
United Kingdom	-7.8	-0.5	2.7	-3.5	-0.5	-0.3	-1.2	-1.6	-1.8	0.9	-0.9	-1.9
EU (b)	-0.5	-0.7	-0.2	0.4	1.2	1.1	-0.3	-0.3	-0.2	-0.1	-0.3	-0.3
USA	1.6	2.2	2.4	-1.4	0.4	0.2	-0.4	1.1	0.1	-0.6	0.5	0.1
Japan	0.9	-2.2	-16.7	8.3	-6.9	-3.4	-1.6	-2.0	-2.3	0.0	0.0	-2.6

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 55: World GDP, volume (percentage change on preceding year, 2009-15) 17.02.2014

	(a)	2009	2010	2011	2012	Winter 2014 forecast 2013	Winter 2014 forecast 2014	Winter 2014 forecast 2015	*Autumn 2013 forecast 2013*	*Autumn 2013 forecast 2014*	*Autumn 2013 forecast 2015*
EU	18.7	-4.5	2.0	1.7	-0.4	**0.1**	**1.6**	**2.0**	*0.0*	*1.4*	*1.9*
Euro area	13.2	-4.5	1.9	1.5	-0.7	**-0.4**	**1.2**	**1.8**	*-0.4*	*1.1*	*1.7*
Belgium	0.5	-2.8	2.3	1.8	-0.1	**0.2**	**1.4**	**1.7**	*0.1*	*1.1*	*1.4*
Bulgaria	0.1	-5.5	0.4	1.8	0.8	**0.6**	**1.7**	**2.0**	*0.5*	*1.5*	*1.8*
Czech Republic	0.3	-4.5	2.5	1.8	-1.0	**-1.2**	**1.8**	**2.2**	*-1.0*	*1.8*	*2.2*
Denmark	0.2	-5.7	1.4	1.1	-0.4	**0.3**	**1.7**	**1.8**	*0.3*	*1.7*	*1.8*
Germany	3.7	-5.1	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**	*0.5*	*1.7*	*1.9*
Estonia	0.0	-14.1	2.6	9.6	3.9	**0.7**	**2.3**	**3.6**	*1.3*	*3.0*	*3.9*
Ireland	0.2	-6.4	-1.1	2.2	0.2	**0.3**	**1.8**	**2.9**	*0.3*	*1.7*	*2.5*
Greece	0.3	-3.1	-4.9	-7.1	-6.4	**-3.7**	**0.6**	**2.9**	*-4.0*	*0.6*	*2.9*
Spain	1.6	-3.8	-0.2	0.1	-1.6	**-1.2**	**1.0**	**1.7**	*-1.3*	*0.5*	*1.7*
France	2.6	-3.1	1.7	2.0	0.0	**0.3**	**1.0**	**1.7**	*0.2*	*0.9*	*1.7*
Croatia	0.1	-6.9	-2.3	0.0	-2.0	**-0.7**	**0.5**	**1.2**	*-0.7*	*0.5*	*1.2*
Italy	2.1	-5.5	1.7	0.5	-2.5	**-1.9**	**0.6**	**1.2**	*-1.8*	*0.7*	*1.2*
Cyprus	0.0	-1.9	1.3	0.4	-2.4	**-6.0**	**-4.8**	**0.9**	*-8.7*	*-3.9*	*1.1*
Latvia	0.0	-17.7	-1.3	5.3	5.2	**4.0**	**4.2**	**4.3**	*4.0*	*4.1*	*4.2*
Lithuania	0.1	-14.8	1.6	6.0	3.7	**3.2**	**3.5**	**3.9**	*3.4*	*3.6*	*3.9*
Luxembourg	0.0	-5.6	3.1	1.9	-0.2	**2.1**	**2.2**	**2.5**	*1.9*	*1.8*	*1.1*
Hungary	0.2	-6.8	1.1	1.6	-1.7	**1.1**	**2.1**	**2.1**	*0.7*	*1.8*	*2.1*
Malta	0.0	-2.8	3.3	1.7	0.9	**2.0**	**2.1**	**2.1**	*1.8*	*1.9*	*2.0*
Netherlands	0.8	-3.7	1.5	0.9	-1.2	**-0.8**	**1.0**	**1.3**	*-1.0*	*0.2*	*1.2*
Austria	0.4	-3.8	1.8	2.8	0.9	**0.3**	**1.5**	**1.8**	*0.4*	*1.6*	*1.8*
Poland	0.9	1.6	3.9	4.5	1.9	**1.6**	**2.9**	**3.1**	*1.3*	*2.5*	*2.9*
Portugal	0.3	-2.9	1.9	-1.3	-3.2	**-1.6**	**0.8**	**1.5**	*-1.8*	*0.8*	*1.5*
Romania	0.3	-6.6	-1.1	2.2	0.7	**3.5**	**2.3**	**2.5**	*2.2*	*2.1*	*2.4*
Slovenia	0.1	-7.9	1.3	0.7	-2.5	**-1.6**	**-0.1**	**1.3**	*-2.7*	*-1.0*	*0.7*
Slovakia	0.2	-4.9	4.4	3.0	1.8	**0.8**	**2.3**	**3.2**	*0.9*	*2.1*	*2.9*
Finland	0.2	-8.5	3.4	2.8	-1.0	**-1.5**	**0.2**	**1.3**	*-0.6*	*0.6*	*1.6*
Sweden	0.5	-5.0	6.6	2.9	0.9	**0.9**	**2.5**	**3.3**	*1.1*	*2.8*	*3.5*
United Kingdom	2.7	-5.2	1.7	1.1	0.3	**1.9**	**2.5**	**2.4**	*1.3*	*2.2*	*2.4*
Candidate Countries	1.5	-4.7	8.2	8.1	1.8	**3.6**	**2.4**	**2.9**	*3.3*	*2.9*	*4.1*
- Turkey	1.3	-4.8	9.2	8.8	2.2	**3.8**	**2.5**	**3.0**	*3.5*	*3.0*	*4.3*
- The former Yugoslav Republic of Macedonia	0.0	-0.9	2.9	2.8	-0.4	**3.2**	**2.5**	**2.6**	*2.1*	*2.5*	*2.8*
- Iceland	0.0	-6.6	-4.1	2.7	1.4	**2.8**	**2.7**	**3.0**	*1.7*	*2.3*	*2.5*
- Montenegro	0.0	-5.7	2.5	3.2	-2.5	**2.4**	**2.7**	**3.0**	*1.9*	*2.3*	*3.1*
- Serbia	0.1	-3.5	1.0	1.6	-1.5	**2.1**	**1.3**	**2.2**	*1.7*	*1.5*	*2.0*
Potential Candidates	0.1	0.3	2.5	2.4	0.4	**1.1**	**2.2**	**3.0**	*1.5*	*2.5*	*3.1*
USA	19.3	-2.8	2.5	1.8	2.8	**1.9**	**2.9**	**3.2**	*1.6*	*2.6*	*3.1*
Japan	5.5	-5.5	4.7	-0.5	1.4	**1.6**	**1.6**	**1.3**	*2.1*	*2.0*	*1.3*
Canada	1.8	-2.8	3.2	2.4	1.8	**1.7**	**2.2**	**2.3**	*1.8*	*2.1*	*2.3*
Norway	0.3	-1.6	0.5	1.3	2.9	**1.3**	**2.7**	**2.6**	*1.9*	*2.6*	*2.7*
Switzerland	0.4	-1.9	3.0	1.8	1.0	**1.8**	**2.1**	**2.2**	*1.7*	*1.8*	*1.9*
Australia	1.2	2.1	2.4	3.4	3.5	**2.5**	**2.8**	**3.0**	*2.6*	*2.8*	*2.8*
New Zealand	0.2	0.8	1.2	1.3	3.6	**2.8**	**3.1**	**2.8**	*2.9*	*2.6*	*2.6*
Advanced economies	48.7	-3.7	2.7	1.7	1.3	**1.2**	**2.2**	**2.5**	*1.1*	*2.1*	*2.4*
CIS	4.3	-6.7	4.9	4.8	3.4	**1.9**	**2.8**	**3.1**	*2.3*	*3.3*	*3.6*
- Russia	3.0	-7.8	4.5	4.3	3.4	**1.3**	**2.3**	**2.7**	*1.9*	*3.0*	*3.4*
- Other CIS	1.3	-4.0	6.0	6.0	3.2	**3.3**	**4.0**	**4.2**	*3.3*	*4.0*	*4.2*
MENA	5.3	1.5	3.4	2.5	3.5	**2.4**	**3.6**	**3.8**	*2.4*	*3.6*	*3.8*
Asia	30.3	5.4	10.3	7.4	5.9	**5.9**	**6.1**	**6.3**	*5.7*	*6.0*	*6.3*
- China	15.4	9.2	11.6	9.4	7.8	**7.7**	**7.4**	**7.4**	*7.5*	*7.4*	*7.4*
- India	5.7	5.0	11.2	7.7	3.8	**4.0**	**4.7**	**5.4**	*2.9*	*4.0*	*5.3*
- Hong Kong	0.4	-2.5	6.8	4.9	1.5	**3.0**	**3.3**	**3.4**	*3.0*	*3.3*	*3.4*
- Korea	1.9	0.3	6.3	3.7	2.0	**2.8**	**3.7**	**3.8**	*2.8*	*3.7*	*3.8*
- Indonesia	1.5	4.6	6.2	6.5	6.2	**5.8**	**6.0**	**6.3**	*5.8*	*6.0*	*6.3*
Latin America	8.6	-1.3	6.0	4.5	2.9	**2.6**	**3.1**	**3.4**	*2.6*	*3.1*	*3.5*
- Brazil	2.8	-0.3	7.5	2.7	0.9	**2.2**	**2.3**	**2.9**	*2.2*	*2.5*	*3.1*
- Mexico	2.1	-4.7	5.2	3.9	3.9	**1.3**	**3.2**	**3.7**	*1.3*	*3.1*	*3.7*
Sub-Saharan Africa	2.7	2.7	5.4	4.8	4.8	**5.0**	**5.3**	**5.5**	*5.0*	*5.3*	*5.5*
Emerging and developing economies	51.3	2.4	8.0	6.0	4.9	**4.6**	**5.0**	**5.3**	*4.5*	*5.0*	*5.3*
World	100.0	-0.9	5.2	3.8	3.1	**2.9**	**3.6**	**3.9**	*2.8*	*3.6*	*3.9*
World excluding EU	81.3	0.1	6.1	4.4	3.9	**3.6**	**4.1**	**4.4**	*3.5*	*4.1*	*4.4*
World excluding euro area	86.8	-0.3	5.8	4.2	3.7	**3.5**	**4.0**	**4.3**	*3.3*	*3.9*	*4.3*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2012.

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2009-15) 17.02.2014

						Winter 2014 forecast			*Autumn 2013 forecast*		
	(a)	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
EU (b)	34.8	-11.7	11.0	6.5	2.3	**1.4**	**4.1**	**5.5**	*1.5*	*4.1*	*5.4*
Euro area (b)	26.2	-12.4	11.6	6.5	2.5	**1.3**	**4.2**	**5.7**	*1.3*	*4.2*	*5.6*
Candidate Countries	1.1	-5.3	4.6	7.5	14.5	**1.9**	**7.0**	**8.5**	*3.0*	*6.3*	*7.5*
- Turkey	0.9	-5.0	3.4	7.9	16.7	**0.7**	**7.4**	**9.0**	*2.2*	*6.6*	*7.9*
- The former Yugoslav Republic of Macedonia	0.0	-15.8	23.6	10.5	0.0	**3.7**	**6.4**	**6.6**	*4.5*	*5.5*	*6.0*
- Iceland	0.0	7.0	0.5	3.8	3.8	**4.1**	**4.0**	**4.2**	*2.5*	*3.3*	*4.0*
- Montenegro	0.0	-22.4	7.5	14.1	-1.2	**5.1**	**2.2**	**2.0**	*3.0*	*1.9*	*2.5*
- Serbia	0.1	-8.0	15.3	3.4	1.8	**15.9**	**4.9**	**5.7**	*12.9*	*5.1*	*5.9*
USA	10.1	-9.1	11.5	7.1	3.5	**2.8**	**6.2**	**5.7**	*3.0*	*5.6*	*5.8*
Japan	3.5	-24.2	24.4	-0.4	-0.1	**1.6**	**3.4**	**4.0**	*3.6*	*5.8*	*3.7*
Canada	2.6	-13.0	5.6	5.0	0.9	**2.5**	**5.4**	**5.0**	*2.7*	*5.0*	*5.0*
Norway	0.9	-4.2	0.4	-0.7	1.1	**-1.7**	**3.9**	**5.7**	*1.3*	*3.2*	*5.0*
Switzerland	1.5	-7.7	7.7	3.8	2.5	**1.9**	**4.5**	**4.1**	*2.1*	*3.7*	*4.0*
Australia	1.4	2.1	5.7	-0.6	5.8	**4.7**	**5.7**	**5.8**	*3.8*	*5.7*	*5.8*
New Zealand	0.2	2.4	3.9	2.4	2.3	**1.7**	**3.1**	**3.5**	*3.0*	*3.8*	*3.8*
Advanced economies	56.3	-11.6	11.2	5.6	2.6	**1.8**	**4.6**	**5.5**	*2.1*	*4.6*	*5.3*
CIS	4.0	-13.8	10.5	8.0	0.5	**2.7**	**4.5**	**4.9**	*1.6*	*4.9*	*5.0*
- Russia	2.7	-4.7	7.0	0.3	1.4	**3.8**	**4.2**	**5.0**	*2.1*	*4.9*	*5.2*
- Other CIS	1.4	-31.7	17.4	23.7	-1.3	**0.6**	**4.9**	**4.6**	*0.6*	*4.9*	*4.6*
MENA	5.4	-16.0	8.9	7.3	2.8	**4.5**	**5.0**	**5.3**	*4.5*	*5.0*	*5.3*
Asia	26.4	-8.1	20.3	7.4	3.5	**4.2**	**6.0**	**6.8**	*4.3*	*6.2*	*6.8*
- China	10.7	-10.3	27.8	8.9	5.2	**4.1**	**6.0**	**7.0**	*4.1*	*6.0*	*7.0*
- India	2.1	-6.9	12.7	12.8	8.1	**3.1**	**4.4**	**6.4**	*3.9*	*6.4*	*7.4*
- Hong Kong	2.6	-10.0	16.8	3.9	1.9	**6.3**	**7.9**	**8.1**	*6.3*	*7.9*	*8.1*
- Korea	3.1	-1.2	14.7	9.1	4.2	**4.3**	**5.8**	**5.9**	*5.0*	*5.8*	*6.0*
- Indonesia	1.0	7.8	8.7	5.8	-1.0	**5.0**	**7.8**	**9.2**	*5.0*	*7.8*	*9.2*
Latin America	5.8	-10.0	12.6	6.3	3.2	**4.0**	**5.6**	**6.3**	*3.7*	*5.5*	*6.3*
- Brazil	1.3	-3.6	11.3	4.9	3.4	**2.5**	**3.9**	**5.2**	*2.5*	*4.2*	*5.4*
- Mexico	1.8	-13.6	21.0	7.6	4.5	**3.1**	**6.1**	**7.4**	*2.1*	*5.7*	*7.4*
Sub-Saharan Africa	2.0	-32.2	17.1	13.7	-10.4	**2.8**	**5.6**	**5.3**	*2.8*	*5.6*	*5.3*
Emerging and developing economies	43.7	-11.3	16.9	7.6	2.4	**4.0**	**5.7**	**6.3**	*3.9*	*5.8*	*6.3*
World	100.0	-11.5	13.4	6.4	2.5	**2.7**	**5.1**	**5.8**	*2.9*	*5.1*	*5.8*
World excluding EU	65.2	-11.3	15.0	6.4	2.6	**3.4**	**5.6**	**6.0**	*3.6*	*5.7*	*6.0*
World excluding euro area	73.8	-11.1	14.2	6.4	2.5	**3.3**	**5.4**	**5.9**	*3.4*	*5.5*	*5.8*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2012

(b) Intra- and extra-EU trade.

Table 57: Export shares in EU trade (goods only - 2012) 17.02.2014

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	64.9	48.3	2.0	6.3	1.3	5.5	3.3	4.6	3.3	4.3	2.7	1.6
Euro area	64.5	47.7	1.9	6.3	1.4	5.4	3.6	4.6	3.0	4.6	2.9	1.7
Belgium	74.5	61.2	1.2	4.9	0.9	3.0	2.1	4.9	1.6	3.6	1.5	1.9
Bulgaria	62.1	46.4	14.9	1.9	0.3	1.8	3.1	2.0	6.4	5.5	0.7	1.3
Czech Republic	82.1	64.9	1.6	2.4	0.5	2.7	1.3	1.6	4.6	1.8	0.7	0.6
Denmark	65.4	37.1	1.2	6.8	2.2	8.9	2.8	4.5	2.5	2.7	2.3	0.7
Germany	59.3	39.0	2.0	7.2	1.5	7.1	6.0	5.1	3.9	3.5	3.1	1.2
Estonia	69.9	39.5	2.0	3.4	1.1	4.9	0.9	3.4	11.6	1.0	1.0	0.9
Ireland	57.8	38.3	0.7	20.8	2.7	7.7	2.2	2.8	1.0	1.8	1.6	0.9
Greece	50.0	34.0	17.3	3.6	0.3	1.8	1.5	4.4	3.2	15.9	0.9	1.2
Spain	65.4	53.2	2.3	4.1	1.2	4.2	2.0	2.8	1.9	7.8	6.5	1.8
France	59.2	46.9	1.7	6.6	2.0	5.1	3.8	6.7	2.4	6.9	3.0	2.7
Croatia	66.3	56.0	11.0	4.7	0.8	2.3	0.6	1.1	5.9	5.1	0.9	1.1
Italy	54.6	41.1	3.2	7.3	1.7	7.7	2.9	5.4	3.7	8.1	4.0	1.4
Cyprus	49.1	32.6	0.1	1.2	0.4	1.1	2.1	21.4	2.8	20.6	0.1	1.0
Latvia	67.2	34.0	1.5	1.5	0.6	3.6	0.5	2.6	16.3	5.3	0.7	0.2
Lithuania	65.5	46.5	0.9	3.1	0.4	3.2	0.3	0.9	21.9	2.2	0.4	1.1
Luxembourg	82.3	69.9	1.9	2.5	0.4	4.2	1.3	2.0	1.9	1.9	0.8	0.9
Hungary	78.1	55.8	3.0	2.7	0.7	1.9	1.8	1.8	5.4	2.5	1.1	1.0
Malta	43.4	34.2	3.8	3.9	1.7	1.8	10.7	18.0	1.4	12.6	1.3	1.3
Netherlands	78.8	62.7	1.0	3.7	0.7	2.9	1.5	3.4	1.7	2.7	1.9	1.6
Austria	71.4	54.4	1.6	5.1	1.0	6.5	2.5	3.1	3.7	2.2	2.2	0.7
Poland	78.3	54.1	2.1	2.1	0.4	3.0	1.1	1.5	8.6	1.4	1.0	0.6
Portugal	69.6	59.9	1.0	4.4	0.6	2.3	2.2	1.4	0.9	3.9	3.9	9.7
Romania	69.2	50.9	7.7	2.4	0.6	1.7	1.3	2.2	6.4	6.3	1.2	1.0
Slovenia	76.6	55.2	5.9	1.7	0.2	2.1	0.8	1.5	6.7	3.6	0.6	0.4
Slovakia	85.8	46.9	1.9	1.7	0.2	2.1	2.6	0.5	4.0	0.6	0.4	0.2
Finland	54.4	32.0	1.5	6.6	1.9	7.1	4.9	5.6	9.6	3.1	3.7	1.8
Sweden	60.4	40.3	1.4	5.8	1.4	12.2	3.6	4.6	2.3	3.6	2.9	1.8
United Kingdom	55.1	48.8	1.5	11.7	1.5	7.0	3.0	8.3	1.9	4.8	2.3	2.7

Table 58: World imports of goods and services, volume (percentage change on preceding year, 2009-15) 17.02.2014

						Winter 2014 forecast			*Autumn 2013 forecast*		
	(a)	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
EU (b)	33.0	-11.5	9.8	4.4	-0.3	**0.5**	**4.0**	**5.6**	*0.2*	*3.7*	*5.3*
Euro area (b)	24.4	-11.0	10.0	4.5	-0.9	**0.2**	**4.1**	**5.9**	*-0.1*	*3.9*	*5.7*
Candidate Countries	1.4	-15.4	17.7	10.2	0.1	**6.1**	**1.1**	**3.6**	*7.1*	*5.4*	*8.5*
- Turkey	1.2	-14.3	20.7	10.7	-0.3	**6.9**	**0.7**	**3.3**	*8.0*	*5.7*	*9.1*
- The former Yugoslav Republic of Macedonia	0.0	-14.3	9.5	10.4	4.2	**-0.8**	**6.1**	**6.5**	*3.0*	*5.7*	*6.2*
- Iceland	0.0	-24.0	4.5	6.7	4.7	**0.6**	**4.6**	**5.3**	*0.0*	*4.2*	*4.5*
- Montenegro	0.0	-30.2	-3.1	3.1	0.9	**-1.7**	**2.0**	**3.0**	*-0.6*	*1.0*	*2.4*
- Serbia	0.1	-19.1	3.1	7.0	1.9	**2.1**	**2.6**	**4.9**	*1.1*	*2.5*	*4.9*
USA	12.4	-13.7	12.8	4.9	2.2	**1.4**	**4.7**	**6.3**	*2.2*	*5.6*	*6.2*
Japan	4.2	-15.7	11.1	5.9	5.3	**3.4**	**4.5**	**2.2**	*2.6*	*4.0*	*2.4*
Canada	2.7	-12.0	9.9	5.5	0.2	**3.0**	**4.5**	**4.8**	*3.0*	*4.4*	*4.8*
Norway	0.6	-12.5	9.0	3.8	2.3	**2.6**	**3.0**	**5.3**	*3.0*	*3.0*	*5.3*
Switzerland	1.2	-5.2	8.4	4.2	3.1	**1.8**	**4.1**	**3.2**	*1.8*	*3.7*	*3.8*
Australia	1.5	-9.0	14.3	10.8	6.2	**1.4**	**4.8**	**5.6**	*4.0*	*5.6*	*6.4*
New Zealand	0.2	-14.4	10.8	6.6	2.0	**4.9**	**5.4**	**4.0**	*5.0*	*5.0*	*5.0*
Advanced economies	57.4	-12.2	10.7	4.9	0.9	**1.3**	**4.1**	**5.4**	*1.3*	*4.3*	*5.3*
CIS	3.4	-27.7	19.1	18.3	5.4	**3.6**	**6.2**	**6.6**	*5.0*	*7.6*	*7.7*
- Russia	2.1	-30.4	25.8	20.3	9.5	**5.9**	**6.5**	**7.3**	*8.2*	*8.7*	*9.0*
- Other CIS	1.3	-23.8	9.6	15.3	-1.1	**-0.2**	**5.6**	**5.5**	*-0.2*	*5.6*	*5.5*
MENA	5.0	-3.0	0.5	-0.4	2.4	**4.8**	**5.6**	**5.7**	*4.8*	*5.6*	*5.6*
Asia	26.0	-6.0	19.4	4.4	5.2	**3.8**	**6.0**	**7.0**	*4.6*	*6.4*	*7.1*
- China	9.8	4.2	20.1	10.1	6.2	**4.4**	**6.3**	**7.3**	*4.4*	*6.3*	*7.3*
- India	2.5	-0.6	15.4	-20.7	11.8	**-2.7**	**2.9**	**6.4**	*4.3*	*6.8*	*7.5*
- Hong Kong	2.8	-9.0	17.4	4.6	2.8	**6.4**	**7.8**	**7.9**	*6.4*	*7.8*	*7.9*
- Korea	2.9	-8.0	17.3	6.1	2.5	**3.5**	**5.0**	**5.7**	*4.2*	*5.5*	*5.6*
- Indonesia	1.0	-10.6	27.1	13.5	14.0	**2.0**	**5.7**	**7.4**	*2.0*	*5.7*	*7.4*
Latin America	5.9	-17.8	18.2	12.0	2.6	**5.3**	**6.6**	**7.1**	*5.8*	*6.6*	*7.1*
- Brazil	1.4	-13.5	27.7	7.4	-1.6	**5.7**	**6.9**	**7.4**	*5.7*	*7.0*	*7.5*
- Mexico	1.9	-17.6	18.3	7.3	4.9	**4.2**	**6.4**	**7.6**	*5.7*	*6.3*	*7.6*
Sub-Saharan Africa	2.2	-18.1	5.7	11.3	-3.6	**6.1**	**5.9**	**6.2**	*6.1*	*5.9*	*6.2*
Emerging and developing economies	42.6	-9.9	15.7	6.3	4.1	**4.3**	**6.0**	**6.8**	*4.9*	*6.4*	*6.9*
World	100.0	-11.4	12.6	5.4	2.2	**2.5**	**4.9**	**6.0**	*2.8*	*5.2*	*6.0*
World excluding EU	67.0	-11.3	14.3	6.0	3.6	**3.5**	**5.4**	**6.1**	*4.1*	*5.9*	*6.3*
World excluding euro area	75.6	-11.5	13.6	5.8	3.3	**3.3**	**5.2**	**6.0**	*3.8*	*5.6*	*6.1*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2012.

(b) Intra- and extra-EU trade.

Table 59: Import shares in EU trade (goods only - 2012) 17.02.2014

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	62.9	48.5	1.3	4.3	1.4	5.4	6.2	4.7	5.8	3.8	2.4	1.9
Euro area	62.7	48.1	1.2	4.3	1.4	4.7	6.1	4.7	5.7	4.5	2.7	2.0
Belgium	69.1	58.5	0.8	6.7	1.7	3.7	4.0	5.1	2.0	3.2	2.3	1.5
Bulgaria	60.5	43.5	6.8	0.7	0.2	1.5	3.2	1.6	22.0	1.4	2.0	0.2
Czech Republic	78.3	62.2	0.8	1.4	1.2	1.8	5.6	4.2	6.0	0.3	0.2	0.2
Denmark	72.0	47.5	1.3	2.5	0.4	8.0	6.8	3.7	1.6	1.4	1.9	0.5
Germany	66.4	46.8	1.4	4.0	1.8	6.9	6.5	4.5	4.0	1.5	1.8	1.2
Estonia	74.1	43.3	0.6	0.9	0.7	2.2	5.0	2.0	13.6	0.1	0.3	0.5
Ireland	70.2	25.9	0.5	12.2	1.3	4.3	3.5	3.4	0.3	1.9	1.9	0.5
Greece	48.1	37.9	3.0	1.2	0.3	2.2	5.3	6.4	13.7	17.7	1.5	0.5
Spain	56.3	47.0	1.3	2.9	0.8	2.7	5.7	4.2	3.4	10.4	7.7	4.7
France	69.4	58.3	1.0	4.3	1.0	4.4	4.5	4.0	3.0	5.0	1.4	2.1
Croatia	68.0	53.7	4.3	2.1	0.6	2.4	7.6	2.8	8.4	0.9	2.2	0.6
Italy	56.2	45.5	1.7	3.3	0.8	4.1	6.1	4.2	8.9	10.0	2.6	2.0
Cyprus	57.9	46.4	0.1	1.2	1.2	1.6	6.6	6.6	12.5	10.8	1.4	0.1
Latvia	58.0	29.8	0.5	1.4	0.2	1.3	3.9	2.0	32.2	0.2	0.3	0.0
Lithuania	60.4	40.1	0.9	1.7	0.1	1.4	4.0	1.5	28.8	0.4	0.4	0.4
Luxembourg	79.3	75.4	0.2	7.6	0.8	1.9	7.1	1.1	0.0	0.1	1.8	0.0
Hungary	73.0	56.8	1.1	1.5	1.3	1.2	7.0	4.0	9.5	0.3	1.0	0.1
Malta	45.2	37.2	4.6	2.2	2.5	1.8	10.9	20.3	10.4	1.4	0.4	0.2
Netherlands	44.7	32.8	0.8	6.2	2.5	5.0	10.5	7.1	10.8	4.4	4.8	3.1
Austria	80.2	66.7	1.1	2.0	0.6	5.3	2.2	2.1	4.0	1.5	0.2	0.8
Poland	70.9	56.7	1.0	1.5	0.7	1.9	5.8	3.5	13.2	0.5	0.8	0.3
Portugal	71.1	64.2	0.5	1.5	0.5	1.7	3.0	2.1	3.5	5.5	4.0	6.6
Romania	74.7	52.1	4.0	1.3	0.5	1.4	4.0	2.2	9.6	0.9	0.9	0.4
Slovenia	75.3	59.1	4.6	1.2	0.2	1.6	4.6	6.0	1.3	2.2	2.5	0.5
Slovakia	77.5	41.3	1.0	0.5	0.7	0.7	3.6	6.3	9.4	0.2	0.1	0.0
Finland	61.7	37.4	0.4	2.7	0.7	4.9	6.9	3.5	16.2	0.2	2.0	0.8
Sweden	70.1	48.9	0.8	3.3	1.1	9.1	4.6	3.3	5.0	0.4	1.2	1.1
United Kingdom	52.4	44.4	1.5	7.7	1.9	12.2	7.7	6.4	2.3	2.9	2.2	2.8

Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2008-15) 17.02.2014

						Winter 2014 forecast			Autumn 2013 forecast	
	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
EU	-221.7	-58.7	-90.2	-119.5	7.9	112.7	126.4	132.6	148.4	178.0	192.7
EU, adjusted[1]	-344.6	-133.5	-178.1	-210.6	-72.5	29.5	41.5	47.8	77.7	105.8	121.2
Euro area	23.1	73.2	67.0	45.2	174.4	265.5	292.1	305.6	290.4	322.2	341.5
Euro area, adjusted[1]	-29.7	35.7	11.9	-2.3	126.5	215.8	242.3	256.4	235.7	266.7	286.5
Candidate Countries	-69.4	-35.5	-65.7	-98.2	-73.9	-86.7	-77.2	-68.4	-84.0	-86.4	-98.9
USA	-848.6	-522.6	-672.9	-761.0	-758.5	-723.0	-716.6	-781.8	-749.7	-799.1	-870.5
Japan	38.9	43.2	91.0	-20.3	-72.9	-94.6	-112.7	-104.7	-82.0	-86.5	-78.4
Norway	78.9	45.7	50.0	68.1	69.2	61.8	63.5	70.7	65.7	67.7	73.3
Switzerland	11.0	12.5	12.7	16.3	16.5	17.9	25.3	34.0	19.3	25.4	31.8
Advanced economies	-975.0	-524.7	-664.7	-882.4	-828.1	-722.1	-692.0	-711.6	-702.3	-715.2	-762.2
CIS	195.1	109.7	164.1	231.8	229.7	210.6	199.8	202.7	205.1	206.4	211.4
- Russia	178.2	111.0	151.9	198.6	195.4	180.8	168.0	173.2	175.3	174.6	181.9
MENA	197.0	-26.1	105.3	213.1	197.5	169.7	143.8	122.4	175.3	145.6	118.5
Asia	217.9	233.7	174.5	78.3	55.8	141.8	192.7	233.9	99.8	116.3	117.5
- China	297.0	197.6	182.1	156.3	231.2	301.3	351.8	414.8	300.3	346.6	403.6
Latin America	41.0	50.5	48.2	88.1	65.4	42.7	23.3	11.4	30.6	9.9	-3.1
Sub-Saharan Africa	66.5	22.4	54.6	69.2	40.2	23.7	13.9	-3.4	23.7	13.9	-3.4
Emerging and developing economies	717.5	390.1	546.7	680.5	588.7	588.5	573.5	567.0	534.6	492.0	440.9
World	-257.4	-134.6	-118.0	-201.9	-239.4	-133.6	-118.5	-144.6	-167.7	-223.2	-321.3

[1] See note 8 on concepts and sources.

Table 61: World current-account balances (in billions of US dollar, 2008-15) 17.02.2014

							Winter 2014 forecast			Autumn 2013 forecast	
	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
EU	-166.1	-14.0	-8.9	28.6	147.9	291.8	319.9	329.4	284.9	315.1	332.8
EU, adjusted[1]	-407.0	-114.8	-91.1	-49.2	88.7	230.6	258.3	267.8	219.1	247.5	265.7
Euro area	-98.8	12.1	40.2	51.8	216.5	338.5	364.3	376.6	350.3	388.5	411.3
Euro area, adjusted[1]	-209.7	-30.1	0.7	7.7	164.6	284.6	310.4	323.1	294.5	331.7	354.8
Candidate Countries	-56.5	-18.8	-51.0	-78.8	-52.1	-66.7	-54.5	-42.0	-60.7	-60.3	-70.9
USA	-777.5	-453.4	-497.6	-403.3	-422.0	-391.7	-365.7	-430.8	-430.2	-477.3	-549.2
Japan	160.7	147.0	204.0	119.8	60.5	32.7	25.2	48.7	58.3	92.2	122.1
Norway	73.0	44.6	50.2	64.6	70.3	60.9	61.4	68.1	67.9	68.9	74.7
Switzerland	12.9	58.5	83.9	69.1	77.7	84.8	100.7	117.5	73.3	87.0	101.4
Advanced economies	-809.0	-325.4	-317.8	-288.6	-244.9	-100.6	-16.3	-5.3	-129.5	-92.5	-104.9
CIS	106.0	41.4	70.3	106.7	78.6	70.8	53.4	34.0	79.3	69.1	60.8
- Russia	102.3	48.7	71.0	99.4	77.5	42.8	21.2	3.2	51.2	36.9	30.0
MENA	138.4	-105.6	23.9	128.6	116.3	114.1	93.9	75.9	118.9	95.1	71.8
Asia	522.9	420.8	380.5	261.8	251.9	340.7	373.6	404.0	274.9	285.0	279.8
- China	420.6	243.3	237.8	136.1	193.1	244.6	282.1	329.6	243.6	277.0	318.4
Latin America	-35.2	-28.1	-58.4	-75.6	-99.4	-100.5	-124.5	-139.0	-112.4	-137.8	-153.5
Sub-Saharan Africa	-7.9	-32.2	-6.5	-10.2	-37.7	-24.6	-43.1	-42.3	-24.6	-43.1	-42.3
Emerging and developing economies	724.2	296.2	409.8	411.3	309.7	400.6	353.4	332.6	336.2	268.3	216.6
World	-84.8	-29.2	92.0	122.7	64.7	300.0	337.1	327.3	206.7	175.8	111.7

[1] See note 8 on concepts and sources.

Table 62: Primary commodity prices (in US dollar, percentage change on preceding year, 2008-15) 17.02.2014

STIC							Winter 2014 forecast			Autumn 2013 forecast	
Classification	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
Food	21.6	-11.1	11.5	17.5	-2.7	1.9	-5.0	1.2	-0.3	-6.2	-0.7
Basic materials	8.8	-23.6	39.8	19.1	-14.3	-4.8	1.4	1.4	-4.7	2.0	2.5
- of which:											
Agricultures non-food	7.7	-20.2	29.5	25.9	-11.8	-4.8	1.6	0.6	-5.5	1.0	1.0
- of which:											
Wood and pulp	3.0	-10.3	6.2	9.0	-5.8	0.7	0.2	1.4	2.4	2.7	2.0
Minerals and metals	9.5	-25.7	46.6	15.2	-15.8	-4.8	1.2	1.9	-4.2	2.6	3.5
Fuel products	38.1	-36.7	26.3	38.0	1.3	-2.9	-4.1	-4.0	-2.8	-2.5	-5.6
- of which:											
Crude petroleum	36.2	-36.9	28.8	38.3	0.8	-2.7	-4.3	-4.3	-2.7	-2.7	-5.8
Primary Commodities											
- Total excluding fuels	14.1	-18.0	26.2	18.5	-9.4	-1.8	-1.6	1.3	-2.7	-1.8	1.1
- Total including fuels	33.9	-34.0	26.3	34.5	-0.4	-2.7	-3.7	-3.3	-2.8	-2.4	-4.6
					Crude petroleum - price per barrel						
Brent (usd)	98.6	62.3	80.2	110.9	111.8	108.8	104.1	99.6	108.8	105.8	99.7
Brent (euro)	67.1	44.6	60.5	79.7	87.0	81.9	76.5	73.2	82.0	78.0	73.4

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Winter, Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2013, 2014 and 2015 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounting (ESA 1995). Most Member States have now introduced chain-linking in their national accounts to measure the development of economic aggregates in volume terms. For the USA and Japan the definitions are as in the SNA.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for USA and Japan, and for EU Member States and aggregates prior to 1996.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 23-29 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France Italy, the Netherlands and Austria report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA95). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2012.

9. Geographical zones are defined as follows :

Euro area :
EA18 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LU, MT, NL, AT, PT, SI, SK and FI).
European Union :
EU28 (EA18, BG, CZ, DK, HR, LT, HU, PL, RO, SE and UK).
Candidate countries :
Turkey, the former Yugoslav Republic of Macedonia Iceland, Montenegro and Serbia.
Potential candidates :
Albania, Bosnia-Herzegovina and Kosovo.
Advanced economies :
EU, candidate countries, USA, Japan, Canada, Norway, Switzerland, Australia and New Zealand.
MENA (Middle East and Northern Africa) :
Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, and the United Arab Emirates.
Asia :
All countries in that region except Japan and the Asian MENA countries.
Latin America :
All countries in that region.
Sub-Saharan Africa :
All countries in that region except the African MENA countries.

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