European
Commission

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

European Economic Forecast

Spring 2015

EUROPEAN ECONOMY 2|2015

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

Luxembourg: Publications Office of the European Union, 2015

KC-AR-15-002-EN-N (online)
ISBN 978-92-79-44744-0 (online)
doi:10.2765/757712 (online)

KC-AR-15-002-EN-C (print)
ISBN 978-92-79-44745-7 (print)
doi:10.2765/176015 (print)

European Commission
Directorate-General for Economic and Financial Affairs

European Economic Forecast

Spring 2015

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	Luxembourg
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

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

ESI	Economic Sentiment Indicator
GDP	Gross Domestic Product
GNI	Gross National Income
HICP	Harmonised Index of Consumer Prices
NAWRU	Non-Accelerating Wage Rate of Unemployment
PMI	Purchasing Managers' Index
TFP	Total Factor Productivity
VAT	Value-Added Tax

CPB	Centraal Planbureau
EC	European Commission
ECB	European Central Bank

Fed	Federal Reserve, US
FOMC	Federal Open Market Committee
IEA	International Energy Agency
IMF	International Monetary Fund
OECD	Organisation for Economic Cooperation and Development
OPEC	Organisation of the Petroleum Exporting Countries

Other abbreviations

APP	Asset purchase programme
BLS	Bank Lending Survey
DSGE	Dynamic stochastic general equilibrium [model]
FDI	Foreign Direct Investment
ICE	Intercontinental Exchange
NFC	Non-Financial Corporations
SME	Small and medium-sized enterprises
QE	Quantitative Easing

Graphs/Tables/Units

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
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
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
RMB	renmimbi
TRY	Turkish lira
USD	US dollar

CONTENTS

LIST OF TABLES

LIST OF GRAPHS

LIST OF BOXES

FOREWORD

The near-term outlook for the EU economy has clearly improved. After hitting a soft patch last spring, GDP growth in the EU picked up again towards the end of 2014. Survey indicators and recent hard data suggest that the momentum is continuing, underpinned by three factors that boost GDP growth in the short run. Firstly, the sharp fall in oil prices has increased real household income and boosted consumer confidence; this is reflected in the recent strength of retail sales. Firms are also benefitting from lower energy costs, but strong signs of a pick-up in investment have still to materialise. Secondly, macroeconomic policy has become more supportive of growth. The aggregated fiscal policy stance has been neutral since last year and more recently, the ECB and several other central banks in the EU have decided measures to provide more ample monetary stimulus. The expanded asset purchase programme adopted by the ECB has lowered interest rates while stabilising inflation expectations, thus reducing the real interest rate. Thirdly, the euro's exchange rate has depreciated strongly amid the ECB's quantitative easing and the expectation that the US Fed will adopt a less accommodative stance. This is expected to benefit the exports of euro area Member States while increasing import prices. Inflation is expected to pick up gradually and the risk of falling into outright deflation has markedly decreased.

Indeed, the EU economy has rarely benefited from such a strong conjunction of support factors and risks to the near-term outlook now appear broadly balanced. But will the economy be able to generate a self-sustained and balanced expansion once these temporary tailwinds fade? The answer is not self-evident. The legacy of the crisis will continue to be felt for years to come. To be sure, sectoral and external adjustment in countries with large pre-crisis imbalances has made good progress in recent years. Financial fragmentation is receding and the credit contraction is ending. The labour market situation is gradually improving, not least due to the structural reforms implemented in several Member States in recent years. But unemployment looks set to remain intolerably high for a long time. The level of debt, in particular corporate and sovereign, remains very high. The share of non-performing bank loans is elevated and continues to rise in some Member States. The shortfall of investment over the past six years has reduced economic growth potential. And, in a more medium-term perspective, the trend of declining productivity growth has not yet been reversed and population ageing will hamper the expansion of the labour force ever more strongly.

To make the recovery sustainable and avoid the risk of falling back into anaemic growth, it will be essential to invigorate more permanent growth drivers. Three sets of actions are imperative. First, a coordinated boost to investment. This could be achieved by re-orienting public expenditure towards more growth-enhancing investment and by swiftly implementing the Investment Plan for Europe. Second, a renewed commitment to growth-enhancing structural reforms, i.e. reforms in product, services and labour markets that increase productivity and foster investment. Reforms implemented in recent years in some Member States are starting to bear fruit and accommodative monetary policies help facilitate their implementation and enhance their effectiveness. Third, the continued pursuit of fiscal responsibility. The current broadly-neutral aggregate fiscal stance is appropriate in light of the gradual recovery. Yet, in order to address both the short and medium-term challenges Europe faces, Member States with fiscal space should foster productive investment as those with large deficits and/or debt consolidate. Everywhere, the composition of public finances can be designed in a more growth-friendly manner.

Ensuring robust growth beyond the benign outlook for the near-term presented in this forecast heavily depends on the success of this policy agenda.

Marco Buti

Director General
Economic and Financial Affairs

OVERVIEW

A cyclical upswing is underway favoured by several temporary tailwinds …

The outlook for economic growth in the EU has brightened. Recent hard and soft indicators confirm that a cyclical upswing driven by private consumption is underway and most data suggest that growth may still strengthen in the near term, as the economy receives an extra boost from tailwind factors such as low oil prices, a weaker euro and quantitative easing (QE) from the European Central Bank. But despite the flattering effect of these positive factors, the pick-up in activity has yet to spread to a broad range of sectors and clouds loom over the horizon. Geopolitical tensions with Russia and high unemployment rates in some Member States continue to weigh on GDP growth.

…whose strength underpins an upward revision to the growth forecast this year …

The combined strength of a number of positive factors blowing in the EU's direction underpin a slight upward revision for GDP growth this year. Real GDP growth in the euro area is now expected to pick up from 0.9 % last year to 1.5% in 2015 and 1.9% in 2016. In the EU, GDP growth is now forecast to rise from 1.4% in 2014 to 1.8% this year and 2.1% in 2016.

One of the main factors working in the EU's favour is the price of oil, which remains exceptionally low, even after having bounced back since the winter.

Table 1:
Overview - the spring 2015 forecast

	Real GDP				Inflation				Unemployment rate			
	2013	2014	2015	2016	2013	2014	2015	2016	2013	2014	2015	2016
Belgium	0.3	1.0	1.1	1.5	1.2	0.5	0.3	1.3	8.4	8.5	8.4	8.1
Germany	0.1	1.6	1.9	2.0	1.6	0.8	0.3	1.8	5.2	5.0	4.6	4.4
Estonia	1.6	2.1	2.3	2.9	3.2	0.5	0.2	1.9	8.6	7.4	6.2	5.8
Ireland	0.2	4.8	3.6	3.5	0.5	0.3	0.4	1.5	13.1	11.3	9.6	9.2
Greece	-3.9	0.8	0.5	2.9	-0.9	-1.4	-1.5	0.8	27.5	26.5	25.6	23.2
Spain	-1.2	1.4	2.8	2.6	1.5	-0.2	-0.6	1.1	26.1	24.5	22.4	20.5
France	0.3	0.4	1.1	1.7	1.0	0.6	0.0	1.0	10.3	10.3	10.3	10.0
Italy	-1.7	-0.4	0.6	1.4	1.3	0.2	0.2	1.8	12.1	12.7	12.4	12.4
Cyprus	-5.4	-2.3	-0.5	1.4	0.4	-0.3	-0.8	0.9	15.9	16.1	16.2	15.2
Latvia	4.2	2.4	2.3	3.2	0.0	0.7	0.7	2.2	11.9	10.8	10.4	9.4
Lithuania	3.3	2.9	2.8	3.3	1.2	0.2	-0.4	1.7	11.8	10.7	9.9	9.1
Luxembourg	2.0	3.1	3.4	3.5	1.7	0.7	0.8	2.1	5.9	5.9	5.7	5.4
Malta	2.7	3.5	3.6	3.2	1.0	0.8	1.3	1.9	6.4	5.9	5.9	5.9
Netherlands	-0.7	0.9	1.6	1.7	2.6	0.3	0.2	1.3	7.3	7.4	7.1	6.9
Austria	0.2	0.3	0.8	1.5	2.1	1.5	0.8	1.9	5.4	5.6	5.8	5.7
Portugal	-1.6	0.9	1.6	1.8	0.4	-0.2	0.2	1.3	16.4	14.1	13.4	12.6
Slovenia	-1.0	2.6	2.3	2.1	1.9	0.4	0.1	1.7	10.1	9.7	9.4	9.2
Slovakia	1.4	2.4	3.0	3.4	1.5	-0.1	-0.2	1.4	14.2	13.2	12.1	10.8
Finland	-1.3	-0.1	0.3	1.0	2.2	1.2	0.2	1.3	8.2	8.7	9.1	9.0
Euro area	**-0.4**	**0.9**	**1.5**	**1.9**	**1.4**	**0.4**	**0.1**	**1.5**	**12.0**	**11.6**	**11.0**	**10.5**
Bulgaria	1.1	1.7	1.0	1.3	0.4	-1.6	-0.5	1.0	13.0	11.4	10.4	9.8
Czech Republic	-0.7	2.0	2.5	2.6	1.4	0.4	0.2	1.4	7.0	6.1	5.6	5.5
Denmark	-0.5	1.1	1.8	2.1	0.5	0.3	0.6	1.7	7.0	6.6	6.2	5.9
Croatia	-0.9	-0.4	0.3	1.2	2.3	0.2	0.1	1.3	17.3	17.3	17.0	16.6
Hungary	1.5	3.6	2.8	2.2	1.7	0.0	0.0	2.5	10.2	7.7	6.8	6.0
Poland	1.7	3.4	3.3	3.4	0.8	0.1	-0.4	1.1	10.3	9.0	8.4	7.9
Romania	3.4	2.8	2.8	3.3	3.2	1.4	0.2	0.9	7.1	6.8	6.6	6.4
Sweden	1.3	2.1	2.5	2.8	0.4	0.2	0.7	1.6	8.0	7.9	7.7	7.6
United Kingdom	1.7	2.8	2.6	2.4	2.6	1.5	0.4	1.6	7.6	6.1	5.4	5.3
EU	**0.0**	**1.4**	**1.8**	**2.1**	**1.5**	**0.6**	**0.1**	**1.5**	**10.9**	**10.2**	**9.6**	**9.2**
USA	**2.2**	**2.4**	**3.1**	**3.0**	1.5	1.6	0.4	2.2	7.4	6.2	5.4	5.0
Japan	**1.6**	**0.0**	**1.1**	**1.4**	0.4	2.7	0.5	0.9	4.0	3.6	3.6	3.5
China	**7.6**	**7.4**	**7.0**	**6.8**	2.6	2.0	2.5	3.0	:	:	:	:
World	**3.3**	**3.4**	**3.5**	**3.9**	:	:	:	:	:	:	:	:

At the same time, the effective exchange rate of the euro has continued to fall, boosting firms' competitiveness and profit margins.

Financial markets and asset prices are also benefiting by more than expected from the substantial liquidity being created by the ECB's expanded asset purchase programme (APP). The ECB's QE has prevented an increase in real interest rates by re-anchoring inflation expectations. This in turn is likely to make the impact of low oil prices on domestic demand larger than it would otherwise have been and to further facilitate deleveraging in the euro area. Moreover, easier financing conditions should support lending, confidence, investment and ultimately economic growth. Outside the euro area, several European central banks have also acted to ease monetary conditions further.

These tailwinds, combined with the broadly neutral fiscal stance of the euro area and the EU as a whole, enhance GDP growth this year and next, even though underlying weaknesses and legacies from the crisis remain.

…while structural and crisis-related weaknesses still affect the medium-term outlook.

Stronger economic growth should lead to further improvements in labour market conditions, which in turn should feed private consumption. Higher demand and a somewhat lower need for balance-sheet adjustment, should support investment and thereby help the economic recovery to become more sustainable. Whether the pace of economic activity growth can be sustained beyond this short term outlook, however, will depend on potential growth and thus on a sustained rebound in investment. Structural reforms implemented so far are starting to bear fruit in some Member States but overall remain insufficient to definitively overcome legacies of the crisis and significantly increase medium-term growth potentials.

Global growth is set to accelerate only moderately …

The outlook for economic growth around the world is uneven. Income transfers from oil producers to oil consumers, monetary policy easing in several places and exchange rate movements contribute to this differentiated outlook.

Pushed by the gradual recovery in advanced economies, global growth (excluding the EU) is expected to stabilise at 3.8% this year and pick up moderately to 4.3% in 2016, just a notch lower than expected in the winter. Despite the weather-related weakness at the start of the year, the robust momentum of economic growth in the US is expected to strengthen throughout 2015, as private consumption is boosted by a strong labour market and real income gains stemming from low oil prices and the strong dollar, although the US currency's strength will likely act as a drag on net exports and activity going forward. After having stagnated last year, economic activity in Japan is expected to rebound in 2015 and 2016, triggered by accommodative monetary policy and low oil prices.

Growth in emerging markets economies (EMEs) is expected to remain steady overall in 2015 and to pick up a little in 2016. The improved outlook for India contrasts with weaker prospects for many other EMEs on the back of geopolitical tensions, lower prices for commodity exports and the incidence of some structural domestic bottlenecks and imbalances. In China, GDP growth appears to be slowing in a remarkably controlled manner towards the authorities' target of 7% following their deliberate strategy to rebalance growth.

...supporting some acceleration of EU Member States export markets ...

The momentum of world trade weakened at the turn of the year as imports in EMEs were particularly weak (mainly in Russia and oil exporting countries), but world trade is expected to accelerate moderately, triggered by the expansion of the global economy, and will underpin an acceleration of EU Member States' export markets over the forecast horizon.

Expectations about a divergence in monetary policy between the euro area and other large economies, itself driven by delayed recovery in the former, have become a key factor for foreign exchange rates. The euro has experienced large swings vis-à-vis some other major currencies since the beginning of this year. While the euro has weakened substantially against the US dollar and the pound sterling, it has experienced more limited movements against most other EU currencies in the context of accommodative monetary policy actions taken by several central banks in the EU.

...while the ECB's QE has eased financial conditions.

Financial conditions in the euro area have eased since November, when expectations about QE became stronger. These movements continued after the announcement of the expanded APP in January 2015 and its actual implementation in March. The effects of these non-standard monetary policy tools on financial markets have been even stronger than expected. Euro area sovereign bond yields have been driven down significantly and sovereign yield curves, which constitute a benchmark for the pricing of a vast array of credit instruments and forms of external finance for the private sector, have flattened. Supported also by more positive news on economic activity, stock markets across the EU have firmed strongly since the start of the year and corporate bond spreads have tightened, lowering financing costs for European companies.

Bank lending to the private sector continues to recover, with net lending flows to non-financial corporations becoming gradually less negative and credit standards on loans to enterprises easing further. The ECB's expanded APP is expected to add some further momentum by improving the liquidity position of banks. Last year's asset quality review showed that banks are, overall, better capitalised than during the crisis and hence, in a better position to withstand losses on outstanding loans to the private sector. However, in some Member States, relatively low capital buffers and high levels of non-performing loans may impair the transmission of the ECB's QE into bank lending.

Tailwinds will push activity in EU Member States to a different degree ...

All countries in the EU are set to benefit from a rare conjunction of positive factors, but not necessarily to the same degree. Differences in the pass-through of lower oil prices and, in the euro area, a varying effect of the depreciation of the euro according to the price elasticity of exports and the openness to trade with non-euro area countries will modulate their impact. Transmission channels for QE, other than the exchange rate, are also likely to differ across countries. The decline in real interest rates should, for instance, be larger in peripheral countries that had wider spreads before QE was announced. On the other hand, in some peripheral countries, the fragility of financial systems and the high level of non-performing loans may hinder the conversion of extra liquidity into more lending to the private sector.

Among the largest Member States, GDP growth is expected to be above the EU average in Poland, Spain and the UK. Economic activity should stay robust in *Poland* on the back of solid domestic demand. In *Spain*, the recovery is accelerating this year, supported by improved labour market and financing conditions, although a moderation in growth is expected next year.

Growth in the *UK* is expected to remain robust but to slow this year and next as investment growth cools. In *Germany*, economic growth is expected to be driven by exceptionally robust domestic demand with private consumption underpinned by an improving labour market. Economic activity in *France* is expected to slowly gain momentum thanks to private consumption, but the delay in the recovery of investment is keeping GDP growth below the euro area average. *Italy*'s economy is expected to return to growth this year, thanks to increasing external demand, and to strengthen next year once investment picks up. Although short-term deleveraging pressures are expected to abate in *the Netherlands*, they will continue to limit the potential for a faster recovery.

Among the euro area Member States that have, or have had, adjustment programmes, growth is expected to remain robust in *Ireland* but to turn positive only next year in *Cyprus*. Economic growth is gathering momentum in *Portugal* thanks to improved domestic demand and strong exports. In *Greece*, policy uncertainty has already weakened confidence and is affecting the pace of the incipient recovery.

…but will broadly support domestic demand …

Domestic demand is expected to accelerate over the forecast horizon and to remain the main contributor to GDP growth in the EU and the euro area. This mainly reflects the expansion of private consumption expected this year and a rebound of investment next year.

Although some crisis-related factors continue to weigh on investment, particularly in the euro area, investment is forecast to slightly strengthen this year and to resurge more strongly in 2016. Equipment investment should gain traction supported by stronger domestic and external demand, improved business sentiment, wider profit margins due to lower energy prices, and lower funding costs. The capacity of companies to fund themselves with internal resources should strengthen thanks to the accumulation of significant cash positions and growing gross operating surpluses, while external funding costs should fall, thanks to the relaxation in lending condition and the decrease in real longer-term interest rates underpinned by the ECB's QE. By reducing the funding costs of investment projects and improving investment conditions, the Investment Plan for Europe should have a positive impact on equipment and construction investment both in the public and private sectors in the coming years. Lower mortgage rates and easing financing conditions are set to lift residential construction, but ongoing adjustments in the housing market are likely to continue acting as a drag in several countries, albeit to a lesser extent in 2016 than in 2015.

Enhanced by the rise in nominal compensation being driven by slight improvements in labour market conditions and strong growth in non-labour incomes, households' nominal disposable incomes should register a marked rise. At the same time, the very low rate of inflation will translate into strong increases in real disposable incomes. Household's more favourable financial situation and more favourable financing conditions should impact positively on household spending decisions. A slight increase in their saving ratio is nevertheless projected this year, since households are expected to save a portion of the energy price windfall in an attempt to smoothen inter-temporal consumption. As oil prices are assumed to rebound gradually, the large purchasing power lift to households should slowly fade next year, cooling private consumption. However, with deleveraging needs diminishing, consumer confidence picking up and unemployment declining further, the saving ratio should stop increasing in 2016, and private consumption growth should only slightly decelerate.

…while the lower euro is an opportunity for exporters to restore their profit margins …

Helped by stronger global import demand and the euro's depreciation (about 9% in nominal effective terms in 2015 compared to 2014), EU exports should accelerate this year and next. However, increased price competitiveness due to the euro's depreciation is expected to translate only partly into higher sales volumes. Indeed, euro area exporters, as well as firms that compete with importers in the domestic market, are expected to also restore their profit margins. Still, countries that have implemented structural reforms are expected to see an improvement in their export performance. In line with the strengthening in domestic and external demand, imports of goods and services are set to accelerate over the forecast horizon. Overall, net exports should have an almost neutral impact on GDP growth in both areas and both years.

…and will also help normalise inflation.

Inflation in the EU and the euro area fell in late 2014 and early 2015, dropping below zero in December on account of the continued sharp fall in energy prices. Despite the recent rebound in oil prices, which has been stronger in euro terms, inflation is expected to be negative for the first half of this year, partly due to negative base effects from the earlier fall of the HICP energy component. Later this year, and more noticeably in 2016, the expected strengthening of domestic demand, combined with a narrowing of the output gap, fading effects of lower commodity prices and progressively higher import prices triggered by the depreciation of the euro, should result in gradually higher inflation rates. Inflation expectations, which recovered when the ECB announced its expanded APP, signal low but positive inflation in the next few years. Annual HICP inflation in both the EU and the euro area is expected to rise from 0.1 % this year to 1.5 % next year.

The fiscal outlook is improving and the aggregated stance will be broadly neutral …

The fiscal outlook is improving. The deficit–to-GDP ratio in the EU and the euro area is estimated to have decreased to 2.9% and 2.4% respectively in 2014. In the euro area, the non-standard monetary policy measures taken by the ECB are expected to have some positive impact on the fiscal outlook through the decline in borrowing costs and the higher inflation outlook. Supported by the cyclical strengthening of economic activity and to a lesser extent by the further reduction in interest payments on public debt, government deficit ratios are projected to continue falling over this year and next to reach 2.0% of GDP in the EU and 1.7% in the euro area in 2016. Following the substantial fiscal adjustment achieved over the last few years, the aggregated fiscal policy stance in 2014 and 2015 in the EU and the euro area is expected to be broadly neutral. The debt-to-GDP ratio is estimated to have peaked at 88.6% in the EU and at 94.2% in the euro area in 2014, and is expected to decline this year and even more so next year, as nominal GDP growth picks up.

…while progress in the labour market is gradually broadening.

The recovery of the labour market in the EU is progressing and is becoming fairly broad-based across sectors. There are also some signs of convergence among Member States, as employment growth last year was driven to a large extent by improvements in countries with relatively high unemployment rates. Looking ahead, with economic growth expected to strengthen in 2015 and 2016 and wage increases to remain moderate, modest improvements in the labour market are set to continue. Employment is expected to grow in both areas by 0.9 % this year and by 1% in the EU and 1.1% in the euro area next year. The recovery in employment is expected to be relatively strong in countries that recently implemented labour market reforms (e.g. Spain). The unemployment rate is projected to decline somewhat to 9.2% in the EU and 10.5% in the euro area in 2016, reflecting the persistence of high structural unemployment and large unemployment gaps, as the rise in economic activity is not strong enough for a more marked improvement.

Uncertainty is high but risks are broadly balanced

Overall, the uncertainty surrounding the economic outlook remains high, but risks to the upside and those to the downside are broadly balanced.

On the upside, new developments in oil production could delay the assumed rebound in oil prices and keep the oil-price stimulus in the EU intact for longer than expected. The boost from lower oil prices could also be stronger than currently expected. The impact of the ECB's QE could be larger than forecast if companies' decisions in the euro area are more interest-rate sensitive than assumed and bank lending reacts more strongly than projected, or if the implementation of QE depresses the external value of the euro beyond the technical assumption in this forecast. Finally, pending the finalisation of the on-going discussion on the Investmen Plan for Europe, only a cautious estimate of its impact has been retained in this forecast. This may underestimate the positive impact on total investment growth in the EU and in particular countries.

On the downside, geopolitical tensions in Ukraine and parts of the Middle East and Northern Africa remain high and could further impede economic growth in Europe if they escalate. If oil production adjusts faster than expected to low prices, oil prices could rebound faster than assumed and erase the windfall gains from lower energy prices. Renewed bouts of financial market volatility associated with the expected normalisation of monetary policy in the US, or with a correction in asset values, or stemming from developments related to Greece, could jeopardise the expected improvements in financing costs. Finally, a delay in the implementation of structural reforms would make the rotation of growth drivers from temporary tailwinds towards fundamentally more sound growth determinants more difficult and raise the risk of a long period of very subdued economic growth or stagnation.

Risks surrounding the inflation outlook have moderated as a result of the ECB's quantitative easing and in response to the upward revisions to the growth outlook. This applies in particular to the risk of a substantial decline of longer-term inflation expectations and of negative second-round effects on income stemming from a protracted period of very low or negative inflation.

PART I

EA and EU outlook

TAILWINDS SUPPORTING THE RECOVERY

In spring 2015 the outlook for the EU economy looks brighter than it has at any time since the deep economic and financial crisis of 2008-09. The recovery from the crisis and the double-dip recession has been a long and tedious one, marked by numerous setbacks, but now there are clear indications that a cyclical upswing is underway, supported by economic tailwinds. These tailwinds include low oil prices, a lower external value of the euro, and increased policy support, including the ECB's non-standard monetary policy measures (quantitative easing) with their strong liquidity injections and the fall in interest rates. Furthermore, over the forecast horizon the structural reforms implemented so far (such as labour market reforms in vulnerable countries) should bear fruit. On the downside, some obstacles for stronger economic growth (crisis legacy) remain in place but with diminishing weight.

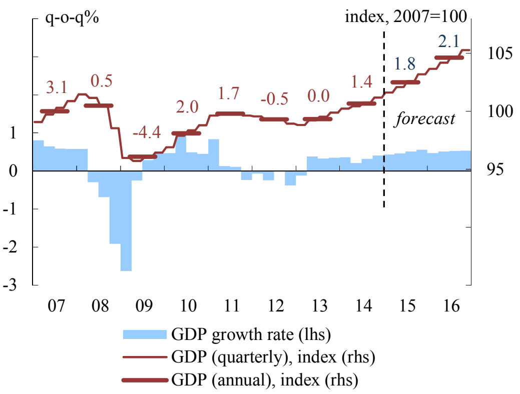
Stronger tailwinds, mainly driving private consumption, result in an upward revision to the growth forecast for this year. Next year, tailwinds should remain strong enough to mitigate the impact of a slightly weaker global growth outlook than earlier expected, less dynamic global trade, and a stronger rebound in oil prices, which keeps the growth forecast unchanged. Real GDP growth is now expected to increase in the euro area and in the EU to 1.5% and 1.8% respectively in 2015 and further to 1.9% and 2.1% in 2016, which implies an upward revision in 2015 from the winter forecast by 0.2 pps. in the euro area and 0.1 pps. in the EU. As a result, economic output in both regions is now expected to exceed its pre-crisis peaks in 2016.

Labour market conditions should continue improving against the background of accelerating economic activity in the forecast years.

Although inflation dynamics weakened in recent months, dragging inflation below zero, HICP inflation is expected to rise from an average annual rate of 0.1% this year to 1.5% in both the euro area and the EU in 2016, as the impact of the fall in oil prices fades, economic slack diminishes, and the depreciation of the euro raises import prices.

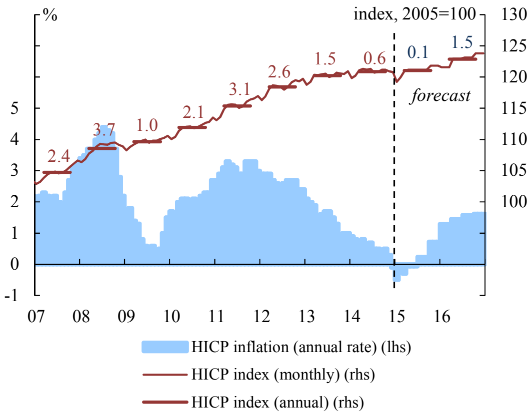
Risks to the growth outlook remain elevated but appear to be broadly balanced. Some previously discussed risks have partly materialised and entered the main scenario (faster and larger-than-assumed rebound in oil prices) or appear to have diminished (de-anchoring inflation expectations). Risks to the inflation outlook have declined in response to the ECB's non-standard monetary policy and appear to be balanced.

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



Figures above horizontal bars are annual growth rates.

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



1. PUTTING THE SPRING FORECAST INTO PERSPECTIVE: THE ECB'S QUANTITATIVE EASING AND THE EURO AREA ECONOMY

In spring 2015, the economic recovery in the euro area is underpinned by a number of factors that include low oil prices, the depreciation of the euro, and non-standard monetary policy in the euro area. All these factors are interrelated, but they affect the forecast differently. While the impact of oil prices and exchange rates was analysed in greater detail in the winter forecast, [1] this section looks at the impact of non-standard monetary policy on the macroeconomic outlook.

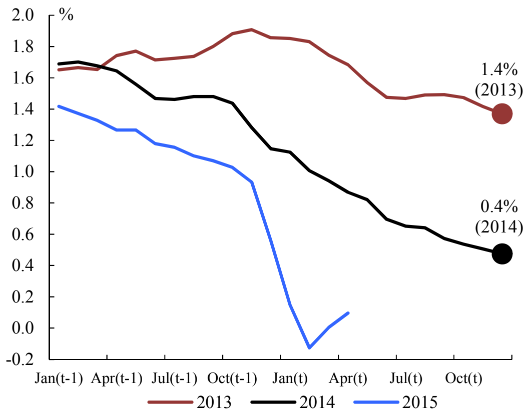
While in normal times, monetary policy enters macroeconomic forecasts through assumptions on short and long-term (nominal) interest rates, it is not straightforward how non-standard tools (e.g. forward rate guidance and asset purchases) enter the forecast. [2] It therefore seems useful to take a closer look at the main transmission channels of monetary policy and potential cross-country differences to gauge the impact on the outlook for economic growth and inflation.

Quantitative easing (QE) in the euro area...

Over a number of years, inflationary pressures in the global economy have diminished and inflation expectations have fallen. The recent sharp drop in oil prices had accentuated the decline and increased the risk of a prolonged period of falling prices. In the euro area, by late 2014, not only headline inflation and inflation expectations had been on a downward trend for two years. So too had forecasts, including for the current year (see Graph I.3). Weaker inflation dynamics had begun to affect inflation expectations not only in the short term, but also for longer horizons.

As short-term nominal interest rates had already fallen close to the zero lower bound, on 22 January 2015 the ECB Governing Council decided to extend the use of non-standard tools, [3] which so far had mainly addressed market dysfunctions as well as impaired monetary policy transmission channels. [4] The ECB launched an expanded asset purchase programme (APP), encompassing the existing purchase programmes for asset-backed securities and covered bonds, as well as purchases of euro-denominated investment-grade securities issued by euro area governments, agencies and European institutions in the secondary market. The amount of monthly purchases under the APP was set at €60 billion. Purchases are intended to be continued until at least the end of September 2016 or until the identification of a sustained adjustment in the path of inflation, consistent with price stability. [5]

Graph I.3: **HICP inflation forecasts 2013-15, euro area, Consensus means**



In commencing large-scale asset purchases on 9 March 2015, the ECB became the last major central bank to adopt 'quantitative easing' (QE) after central banks in the US (2008-14), the UK (2009-12) and Japan (since 2001 in various formats), which had increasingly turned to the strategy in response to the 2008-09 crisis. Up to September 2016, in the euro area QE should amount to roughly 12% of annual GDP, making it about half the size of the QE programmes followed in the UK and the US. What differs substantially is the starting position for QE in the euro area. Whereas in the US, the deep fall in economic

(1) See section I.1 ('Putting the winter forecast into perspective: lower oil prices and the EU economy') and Box I.2 ('Impact of euro exchange rate movements') in European Commission (DG ECFIN), Winter 2015 forecast, *European Economy*, 2015, No 1.

(2) See also, ECB, 'The inclusion of the recent non-standard monetary policy measures in the projections' (Box 1), *ECB staff macroeconomic projections for the euro area*, 5 March 2015.

(3) Some observers regard ECB President Draghi's speech at Jackson Hole in August 2014 as the trigger for QE; see e.g. IMF, Navigating Monetary Policy Challenges and Managing Risks, *Global Financial Stability Report*, April 2015, p. 15.

(4) Non-standard measures included the SMP in May 2010, the OMT in August 2012 (not activated), and in 2009 and 2011 two Covered Bond Purchase Programmes (CBPP1 and CBPP2). Variations of LTROs and, as of July 2013, forward guidance could also be interpreted as non-standard.

(5) For details (e.g. risks sharing, limits) see ECB, 'The Governing Council's expanded asset purchase programme' (Box 1), *Economic Bulletin* (ECB), 2015, No 1, pp. 15–18.

activity triggered policy action, in the euro area, the economic recovery had already been underway for more than a year while inflation expectations had fallen substantially. While in the US and the UK, QE started from relatively high interest rate levels and was accompanied by cuts in policy interest rates; in the euro area, interest rates of different maturity had already reached historical lows when the measures were taken.

...has started affecting the economy via a number of channels.

The impact of both the announcement and implementation of QE depends on a number of transmission channels. The main channels are the portfolio balance channel, the signalling channel, and the confidence (or uncertainty) channel. [6] Although these channels are the same as in other jurisdictions, their relative importance in the euro area is different because of specific characteristics, such as the lower dependence of non-financial companies on market financing. In addition, analysts have described several other channels (e.g. exchange rate, wealth, and fiscal channel), but most of them are closely linked to the three main channels and describe specific elements therein.

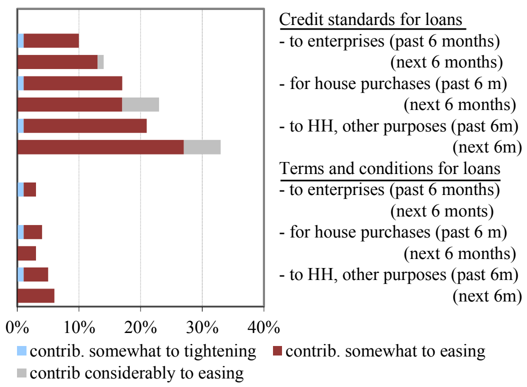
Through the portfolio balance channel...

The ECB's purchases of government debt lower yields at the maturities purchased through the compression of term premia (term premium channel). [7] Since sovereign yields are important for a large variety of other financial assets and contracts, QE triggers price effects, but also quantity effects, as private investors use the additional liquidity to rebalance their portfolios (*portfolio balance channel*). Arbitrage affects the returns on similar assets as investors attempt to buy these instead. Falling returns should induce some investors to switch to riskier assets with the rebalancing depending on the substitutability of the assets that are purchased by the central bank. In the current low-interest rate environment, the type of assets purchased by the ECB and cash and bank deposits are close substitutes. Nevertheless, there should be a portfolio reallocation towards equity and foreign-currency assets, which increases the price of corporate equity (rising stock prices) [8] and also the price of foreign currency (*exchange rate channel*). In addition, the impact of QE on the market value of sovereign bonds affects the financing conditions of governments (*fiscal channel*).

...QE lowers financing costs and encourages bank lending...

In the euro area, higher asset prices and lower interest rates have lowered borrowing costs in capital markets and thereby supported bank lending, as banks had more funds available. In the April 2015 Bank Lending Survey, almost half of the banks assessed their financing conditions as having improved in the past six months as a result of QE and almost the same share expected further improvements over the next six months. Many of them described their liquidity position as improved, driven by their sales of assets and by increased deposits from households and enterprises. The additional liquidity resulted in an easing of credit standards in the past and was expected to lead to further easing in the coming months (see Graph I.4).

Graph I.4: **Impact of the ECB's QE on banks' lending behaviour, euro area, past/next 6 months**



Source: ECB Bank Lending Survey, April 2015

The impact of QE on lending behaviour became visible in how banks used the additional liquidity (see Graphs I.5 and I.6) and intend to do so in the coming months. The responses to the ad hoc questions of the Bank Lending Survey point to a

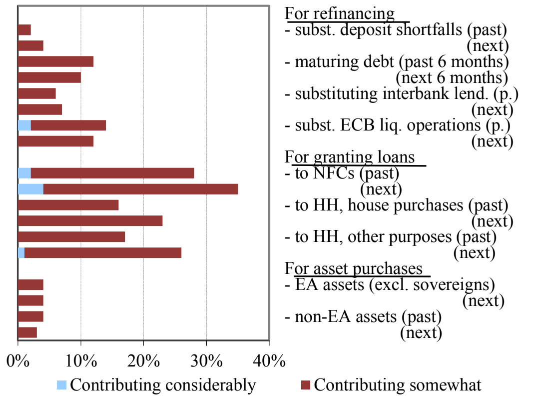
(6) See e.g. M. Weale and T. Wieladek, 'What are the Macroeconomic Effects of Asset Purchases?', *CEPR Discussion Paper* No 10495, March 2015.

(7) For a discussion see J.H.E. Christensen and G.D. Rudebusch, 'The response of interest rates to US and UK quantitative easing', *Economic Journal*, November 2012, Vol. 122, No 564, pp. F385–F414.

(8) Several studies have questioned the ability of declines in sovereign bond yields to be transmitted into other asset prices (e.g. G. Eggertsson and M. Woodford, 'The Zero Bound on Interest Rates and Optimal Monetary Policy', *Brookings Papers on Economic Activity*, 2013, No 1, pp. 139-211). A. Krishnamurthy and A. Vissing-Jorgenson, The ins and outs of LSAPs, Jackson Hole Economic Policy Symposium, August 22-24, 2013, *Conference Proceedings (Federal Reserve Bank of Kansas City)*, pp. 57–111.

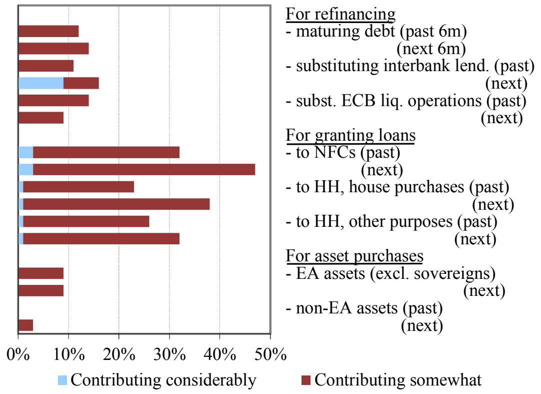
positive impact on lending to enterprises and households, while only a relatively small expansion of asset purchases was reported.

Graph I.5: **Banks' use of additional liquidity from QE asset sales, euro area, past/next 6 months**



Source: ECB Bank Lending Survey, April 2015

Graph I.6: **Banks' use of additional liquidity from increased customer deposits, past/next 6 months**



Source: ECB Bank Lending Survey, April 2015

The impact of QE on bank lending is particularly important in a bank-centred lending environment such as the euro area. But the market-based funding of enterprises is also positively affected by QE. Higher stock prices should directly reduce the financing costs of firms and, by dampening the required return on capital, induce higher investment. However, the spread between sovereign and investment grade corporate bond yields was also at very low levels before the ECB announced QE and has since fallen further.

Moreover, the impact on gross fixed capital formation (investment) depends on its interest rate elasticity. The fact that investment activity has been weak in recent years despite relatively low financing costs suggests that the elasticity could be rather low. To the extent that weak investment is related to low expectations of future demand, the projected pick-up of activity should lead to a recovery of investment. However, since the crisis, deleveraging in the private sector has been a key reason for the subdued rate of credit expansion. This factor remains in place though with diminishing weight for investment decisions.

As regards asset holders, higher prices of financial assets raise their financial wealth (*wealth channel*). This should induce households to reduce precautionary savings and to raise consumption spending, but the effects are likely to be limited given that wealth effects in the euro area generally are rather small. Increased financial wealth could also affect companies, which could raise investment and take more risk. Increased asset values should also tend to improve the health of balance sheets. In the case of financial institutions, higher asset prices can support recapitalisation. The counterpart to these effects could be increased risks for institutions that usually exploit the slope of the yield curve (banks with a large role of maturity transformation in their business models) and financial corporates that have guaranteed pay-outs on their liabilities such as European life insurance companies. (9) Additional risks are associated with interest rates turning negative and remaining at such levels for a protracted period. In such a situation, borrowers could be expected to build up excessive leverage, with possible implications in particular for housing markets.

…while it supports the depreciation of the euro.

The recent depreciation of the euro cannot be attributed exclusively to QE, as monetary policy decisions in other jurisdictions have also strengthened 'monetary divergence'. In particular the future path of the euro exchange rate should depend on the timing of monetary policy 'normalisation' in the US (10) and its impact on interest rate expectations (Graph I.7). This might suggest that the exchange rate channel should be especially powerful during the forecast years. (11) The depreciation of the euro should have a direct positive effect on inflation and an indirect effect by

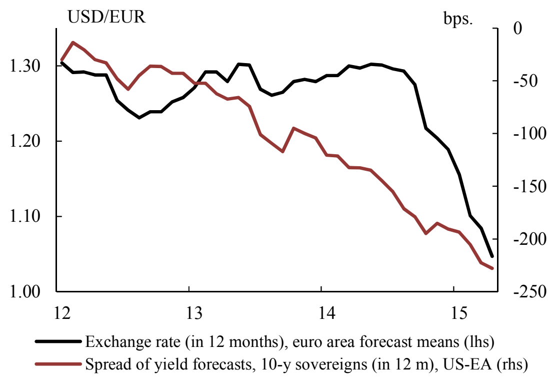
(9) See also IMF, *Global Financial Stability Report*, April 2015, pp. 22–24.

(10) Historical evidence of the link between QE and a depreciation of the currency is mixed, see e.g. C.J. Neely, 'Unconventional monetary policy had large international effects', *Journal of Banking & Finance*, March 2015, Vol. 52, pp. 101–111.

(11) Due to the technical assumption for exchange rates, no further exchange rates movements after the cut-off date are included in the spring forecast, which implies that a further depreciation of the euro should be seen as an upside risk to the central scenario.

raising price competitiveness vis-à-vis companies in non-euro area economies (such exports make up about 20% of the euro area GDP). Increased price competitiveness affects foreign markets (via exports) and the domestic market (via competition with imports from outside the euro area). Companies could raise profit margins or aim to increase their market share. The impact on export volumes depends on openness, trade structure, and the price elasticity of trade flows.

Graph I.7: **Interest rate forecasts and exchange rate expectations, US and euro area (in 12 months)**



Source: Consensus Economics

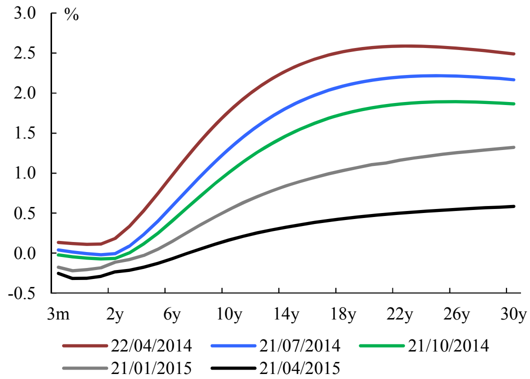
The aforementioned effects should raise inflation expectations and thereby lower real interest rates, which should counteract an unwarranted tightening of financial conditions.

The ECB's QE could also affect economic activity and monetary policy outside the euro area, as experiences from other jurisdictions hint at spillovers. [12] The removal of the cap on the exchange rate of the Swiss franc, one week before the announcement of QE details, was closely linked to developments in the euro area. Some central banks in non-euro area Member States also saw a need to respond (see Section I.3).

QE flattens the yield curve via the signalling channel…

The ECB's asset purchases are a strong signal that the policy interest rate will be kept close to the effective lower bound for some time (*signalling channel*). [13] This channel, which had already become effective with the extension of forward guidance in 2013, was strengthened by the announcement of the APP in January 2015, which lowered the expected average short-term interest rate and thereby the long-term rate via the expectations hypothesis. As a result, the yield curve of AAA-rated sovereign bonds has flattened in the euro area (Graph I.8). [14] This has important implications because the curve constitutes a benchmark for the pricing a vast array of credit instruments and forms of external finance for the private sector, for example bank loans, corporate loans and equity.

Graph I.8: **Euro area yield curve, AAA-rated sovereign bonds, selected dates**



Source: ECB

…and exerts positive effects via the confidence channel.

By conducting QE, the ECB's Governing Council also reassured households and companies of its determination to use all available tools within its mandate to address the risks of a prolonged period of low inflation. As a result, not only financial market uncertainty but also general economic uncertainty has diminished as upward movements of confidence indicators suggest (*confidence channel*). Lower uncertainty should encourage spending and investment by households and companies.

While the impact of QE should differ across countries…

Analyses of the non-standard monetary policy measures that were preceding the current QE

(12) Such studies have evaluated the impact of QE in the US on global asset prices and portfolio flows, see M. Fratzscher, M. Lo Duca, and R. Straub, 'On the international spillovers of US quantitative easing', *ECB Working Paper Series*, No 1557, June 2013.

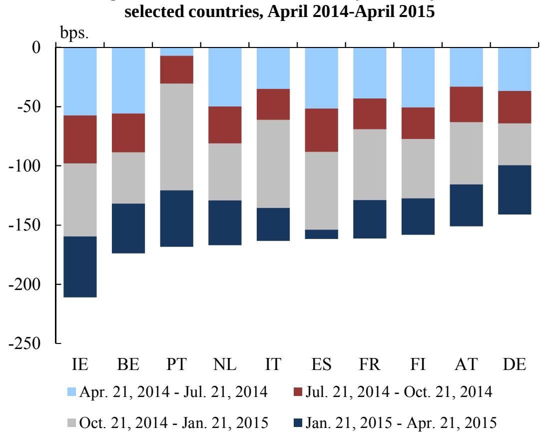
(13) See M.D. Bauer and G.D. Rudebusch, 'The signaling channel for Federal Reserve bond purchases', *International Journal of Central Banking*, September 2014, Vol. 10, No 3, pp. 233–289.

(14) For details on the euro area yield curve, see www.ecb.europa.eu/stats/money/yc/html/index.en.html.

suggest that there are likely to be significant differences across countries. The *differentiated impact of the euro's depreciation* is the most obvious example of a country-specific impact of QE. Countries with price-sensitive exports can be expected to see a stronger impact. Germany's exports are found to have a relatively low price elasticity, whereas for exports from Italy and Spain they are estimated to be higher, [15] which could suggest support for intra-euro area rebalancing. Moreover, the openness to trade with non-euro area countries is crucial (see Table I.57 in the Statistical Annex). In terms of export-market growth and bilateral exchange rates, countries with strong trade links to the US (e.g. Ireland, Germany and Italy) should benefit more than those which trade more with Russia, such as the Baltic countries and Finland.

The *decline in nominal and real interest rates* should be larger in countries that had wider spread vis-à-vis the benchmark before QE was announced. This could apply to nominal yields (see Graph I.9) and to real yields. This could suggest that peripheral Member States that have been under market pressure during the crisis might now benefit more from QE through the effects on real interest rates and the real value of their debt.

Graph I.9: **Decline in sovereign bond yields, 10 years, selected countries, April 2014-April 2015**



The bank lending channel has been particularly distorted in countries of the euro area's periphery, where aspects other than yields may still matter more (e.g. capitalisation of banks). This could suggest *a differentiated impact of QE on bank lending* (see also Box I.2). Analyses of previous central bank balance sheet shocks in the euro area found a stronger impact in countries that are generally less affected by the financial crisis. [16] For instance, non-performing loans (NPL) are unevenly distributed in the euro area. In six euro area countries (Cyprus, Greece, Italy, Portugal, Slovenia, Ireland) NPLs take up 10% or more of banks' balance sheets, according to the ECB's Asset Quality Review. Many banks in peripheral countries had not been able to convert extra liquidity into more lending to the private sector because of their financial fragility and low capitalisation. There has been a positive correlation between bank capital and the rise in bank lending to households and firms after an expansion in the ECB's balance sheet, in particular with respect to lending to non-financial corporations. Moreover, disintermediation can be expected to differ regionally, depending on the structure of the private sector, particularly in terms of the weight of SMEs and large non-financial corporates.

...the positive overall impact on economic activity and inflation should be sizeable.

It is too soon for a full assessment of the overall impact of the ECB's QE. Up to the cut-off date of the spring forecast, several of the aforementioned transmission channels appear to be already at work in the euro area, impacting on euro area banks, [17] on financial markets (see Section I.3), and on economic activity. Quantifying the impact is rather difficult due to the need to disentangle QE-induced effects from other causes of fluctuations in financial and real variables and results from empirical research on QE are mixed (see Box I.2).

Almost all empirical studies confirm a QE-induced reduction in long-term interest rates, but the magnitude of the effects differs widely across studies. [18] Accordingly, empirical studies on the impact of QE on inflation and economic activity provide a variety of results for the US, the UK, and

(15) See European Commission (DG ECFIN), 'Differences in Member States' export performance', *Quarterly Report on the Euro Area*, March 2010, Vol. 9, No 1, pp. 23–27, and European Commission (DG ECFIN), 'Member State vulnerability to changes in the euro exchange rate', *Quarterly Report on the Euro Area*, October 2014, Vol. 13, No 3, pp. 27–33.

(16) Boeckx, Dossche and Peersman (2014) found the effects of a central bank balance-sheet shock on output to be relatively large in DE, FI, EE, IE, SI, SK and LU; much more subdued in FR, IT, AT and BE, and negligible in ES, NL, PT and CY; see J. Boeckx, M. Dossche and G. Peersman, 'Effectiveness and transmission of the ECB's balance sheet policies', *National Bank of Belgium Working Paper* No 275, December 2014.

(17) See ECB, *Bank Lending Survey*, April 2015 (chapter 3.3).

(18) For a comparison of empirical studies on QE in the US, see J.C. Williams, 'Monetary Policy at the Zero Lower Bounds: Putting Theory into Practice', Hutchins Center on Fiscal & Monetary Policy at Brookings, January 2014.

Japan. This includes studies applying either theory-based models [19] or types of vector autoregression (VAR) methods. [20] For the US and the UK, evidence has been presented that suggests that QE results in a depreciation of the domestic currency similar to the one induced by standard monetary policy measures. [21] However, no significant impact on the currency has been found in Japan in the first years of QE. [22]

Overall, QE is expected to have a positive impact on inflation and economic activity over the forecast horizon. The substantial size of the ECB's programme suggests that the effects on real GDP growth and HICP inflation will be sizeable this year and next. While there is already evidence of the impact in the short run, towards the end of the forecast horizon the impact could also depend on the way in which monetary policy normalisation is signalled once the asset purchase programme is assessed as having been successful. [23]

(19) For example, using a version of the Fed's FRB/US model, Chung et al. (2011) claim that the first two rounds of QE increased real GDP by 3% and inflation by 1 pp., whereas Chen et al. (2012) use a DSGE model and find that QE2 increased GDP growth by less than ⅓ pps. and that the effect on inflation was close to zero. See H. Chung, J.-P. Laforte, D. Reifschneider, and J.C. Williams, 'Have We Underestimated the Likelihood and Severity of Zero Lower Bound Events?', *FRBSF Working Paper* 11-01, January 2011; and H. Chen, V. Curdia, and A. Ferrero, 'The Macroeconomic Effects of Large-scale Asset Purchase Programmes,' *Economic Journal*, November 2012, Vol. 122, No 564, pp. F289–F315.

(20) Weale and Wieladek (2015) find "that an asset purchase announcement shock worth 1% of nominal GDP, leads a rise of about .58% (.25%) of real GDP and .62% (.32%) in CPI in the US (UK)" (p. 4), and assess their results as similar to those presented by Baumeister and Benati (2013) and Kapetanios et al. (2012); G. Kapetanios, H. Mumtaz, I. Stevens, and K. Theodoridis, 'Assessing the economy-wide effects of quantitative easing', *Economic Journal*, November 2012, Vol. 122, No 564, pp. F316–347. C. Baumeister and L. Benati, 'Unconventional monetary policy and the Great Recession: estimating the macroeconomic effects of a spread compression at the zero lower bound', *International Journal of Central Banking*, June 2013, Vol. 9, No 2, pp. 165–212.

(21) For the US see Neely (2015), ibid.; for the UK see M.A.S. Joyce, A. Lasaosa, I. Stevens, and M. Tong, 'The financial market impact of quantitative easing in the United Kingdom', *International Journal of Central Banking*, September 2011, Vol. 7, No 3, pp. 113–161.

(22) See H. Schenkelberg and S. Watzka, 'Real effects of quantitative easing at the zero lower bound: structural VAR-based evidence from Japan', *Journal of International Money and Finance*, March 2013, Vol. 33, pp. 327–357.

(23) P. Turner, 'The exit from non-conventional monetary policy: What challenges?', *BIS Working Paper*, No 448, May 2014.

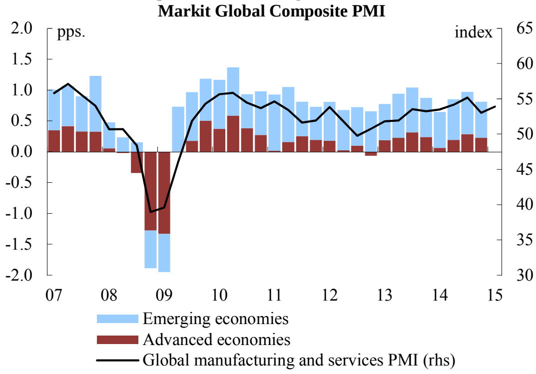
2. THE EXTERNAL ENVIRONMENT

Following a slight slowdown in the fourth quarter of 2014, global growth and world trade are expected to strengthen modestly. While growth in emerging markets is expected to remain steady in 2015 and to pick up a little in 2016, the gradual recovery in advanced economies should push global activity in 2015 and 2016.

Global economic growth is expected to accelerate in 2015-16…

In 2014-Q4, the global economy slowed marginally, after two quarters of rapid growth. It weakened to 0.8% q-o-q (from 1.0% in 2014-Q2 and 1.1% in 2014-Q3). This slackening pace mainly reflected some deceleration in the US and Canada, although there was also a slower fourth quarter in some of the largest emerging markets (China and India). In 2014 as a whole, the global economy (excluding the EU) is expected to have grown by 3.8%, compared to 4.0% in 2013.

Graph I.10: **Growth in global GDP and Markit Global Composite PMI**



Source: Own calculations based on data from OECD and national statistical offices, Markit Group Limited

Leading indicators continue to suggest that global growth should strengthen. After some weakening in the second half of 2014, business confidence improved in the first three months of 2015, lifting the JP Morgan Global Manufacturing and Services PMI index in March to 54.8, firmly in the expansionary area and a six-month high (See Graph I.10). Improvements were broad-based and reflected rising confidence in both the services and the manufacturing sectors in most parts of the world, with a notable exception of Japan where the Composite PMI fell below 50 in March.

All in all, global growth (excluding the EU) is expected to accelerate to 3.8% in 2015 and 4.3% in 2016, almost unchanged from the winter forecast.

Table I.1:

International environment

(Annual percentage change)	(a)	2011	2012	2013	Spring 2015 forecast 2014	2015	2016	Winter 2015 forecast 2014	2015	2016
					Real GDP growth					
USA	16.5	1.6	2.3	2.2	**2.4**	**3.1**	**3.0**	*2.4*	*3.5*	*3.2*
Japan	4.6	-0.5	1.8	1.6	**0.0**	**1.1**	**1.4**	*0.4*	*1.3*	*1.3*
Asia (excl.Japan)	32.9	7.4	6.2	6.6	**6.5**	**6.4**	**6.5**	*6.2*	*6.4*	*6.5*
- China	15.8	9.4	7.8	7.6	**7.4**	**7.0**	**6.8**	*7.4*	*7.1*	*6.9*
- India	6.6	7.9	4.9	6.9	**7.2**	**7.6**	**7.9**	*6.0*	*6.6*	*7.1*
Latin America	8.7	4.5	2.9	2.8	**1.2**	**1.0**	**2.3**	*1.0*	*1.5*	*2.5*
- Brazil	3.0	2.7	1.0	2.5	**0.2**	**-0.9**	**1.3**	*0.2*	*0.7*	*1.8*
MENA	7.0	3.0	3.4	1.5	**2.6**	**3.0**	**3.7**	*2.7*	*3.3*	*3.8*
CIS	4.9	4.8	3.5	2.1	**0.8**	**-2.7**	**0.9**	*0.5*	*-2.3*	*1.0*
- Russia	3.4	4.3	3.4	1.3	**0.6**	**-3.5**	**0.2**	*0.5*	*-3.5*	*0.2*
Sub-Saharan Africa	3.1	4.4	4.4	5.9	**4.2**	**4.8**	**5.0**	*4.1*	*5.2*	*5.2*
Candidate Countries	1.6	8.0	1.9	4.0	**2.6**	**3.0**	**3.5**	*2.5*	*3.4*	*3.8*
World (incl.EU)	100.0	4.0	3.2	3.3	**3.4**	**3.5**	**3.9**	*3.3*	*3.6*	*4.0*
					World merchandise trade volumes					
World import growth		6.5	2.7	3.1	**2.6**	**3.8**	**5.1**	*2.6*	*4.3*	*5.3*
Extra EU export market growth		5.1	2.6	4.1	**3.0**	**3.9**	**4.8**	*3.2*	*4.5*	*5.2*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2013.

…with pronounced differences across and within regions…

Among advanced economies, growth momentum in the US remains robust. The US economy saw a slower fourth quarter in 2014 as the stronger dollar weighed on export, and activity was also held back in early 2015 by adverse weather conditions. But growth is expected to strengthen over the course of 2015, driven mainly by private consumption, underpinned by a strong labour market and real income gains in a low inflation environment. The outlook is nevertheless less buoyant than before, with oil prices recovering from their January 2015 lows and the stronger dollar likely to act as a drag on net exports.

In Japan, pronounced weakness in mid-2014 and weaker-than-expected growth in the fourth quarter brought yearly growth to zero. Underpinned by accommodative monetary policy and the impact of lower oil prices, economic activity is expected to rebound in 2015 and 2016. All in all, economic growth in advanced economies is expected to accelerate from 1.8% in 2014 to 2.3% in 2015 and 2.5% in 2016.

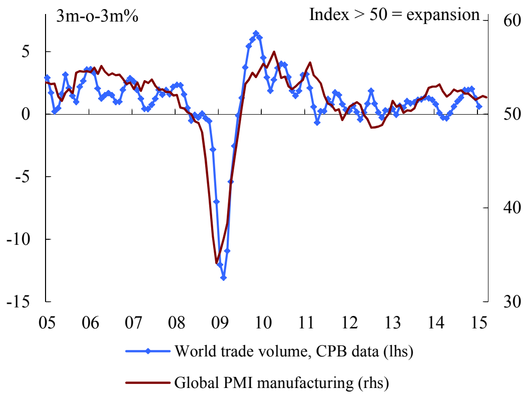
Emerging markets are expected to grow by 4.4% in 2015 and to pick up to 5.0% in 2016. The outlook is little changed in aggregate terms relative to the winter forecast, though there has been some worsening of the prospects for EU candidate countries, the MENA region and Sub Saharan Africa, largely reflecting exposure to geopolitical tensions and commodity price shifts. The outlook for Latin America too has worsened in 2015 as a result of commodity price developments and tightening monetary conditions, but the outlook for 2016 looks more positive and is almost unchanged. In India sharp upward revisions to historical data and the outlook are largely due to methodological revisions in the country's national accounts data (e.g. shifting the base year, switching to GDP at market prices from factor cost, incorporating more detailed data). In China, economic growth of around 7% is expected in 2015 and 2016. Recent high frequency data point to renewed weakness in domestic demand, however, this is likely to lead to further policy responses from the government to keep growth within range of its target of 7%.

…underpinned by stronger growth in world trade…

The momentum of world trade weakened at the turn of the year (see Graph I.11), with weaker imports by emerging economies, mainly in Asia, overshadowing some moderate improvement in advanced economies, primarily the euro area and Japan. According to the world trade volume indicator of the Netherlands Bureau for Economic Policy Analysis (CPB), trade momentum (three months on three months) slowed to 0.6% in January, its lowest in seven months and significantly down from 2.0% in November 2014.

In 2015 and 2016, a gradual rebound in world trade is expected with trade growth rising from 2.6% in 2014 to 3.8% and 5.1% in 2015 and 2016. Compared to the winter forecast, the strength of the rebound has been revised down by 0.5 pps. and 0.2 pps. respectively, reflecting cyclical factors, such as the weakness in equipment investment, and structural factors that determine the long-term relationship of economic growth and global trade. (24) In terms of the regional composition, downward revisions were relatively minor among advanced economies (mainly the US), but larger among emerging markets, where the Commonwealth of Independent States (CIS), the Middle East and Northern Africa (MENA), Latin America and some Asian economies were affected.

Graph I.11: **World trade and Global PMI manufacturing output**

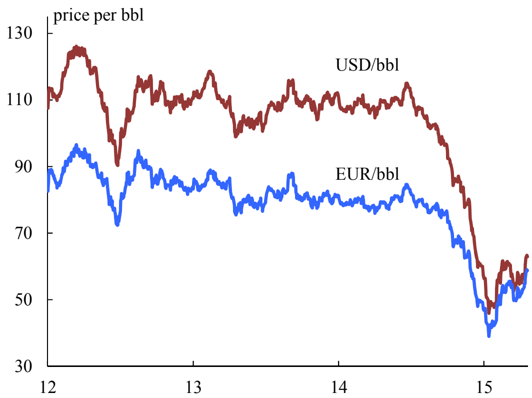


...and a gradual rebound in oil prices...

Oil prices have recovered from the lows of January, but the bounce back has been limited, and uncertainty around the course of oil prices remains high due to the large number of factors that could exert upward or downward pressures (e.g. changes in the global outlook, supply disruptions, supply extensions by several producers, OPEC policy).

Oil market developments have been dominated by the sharp decline in prices between mid-2014 and January 2015. (25) After falling below 50 USD/bbl in mid-January, oil spot prices rebounded to some USD 60/bbl in February (see Graph I.12). This development was supported by the market's expectation that US rig counts would decline and the perception that US economic data was rather positive. But in March, market participants became increasingly sceptical that the sharp drop in US oil-targeted drilling activity would curb shale production, which has substantially grown in recent years. Moreover, progress in the negotiations between Iran and a group of permanent members of the UN Security Council and Germany (P5+1) on the use of nuclear energy created expectations of a future increase of oil supply from Iran. These factors exerted downward pressure on crude oil prices.

Graph I.12: **Brent oil spot prices, USD and euro**



Source: ICE

Compared to the winter forecast, the assumptions for Brent prices have been revised upwards to USD 59.4/bbl in 2015 and to USD 66.0/bbl in 2016. Uncertainty around this technical projection for the oil price remains high in the short and medium run, due to geopolitical tensions, possible changes in OPEC strategy and the break-even price for different oil producers. In euro terms the oil price assumption has been revised up by 21% in 2015 and 17% in 2016.

The assumption for most other commodity markets is that prices will continue to fall in 2015-16. Metal prices fell on average by 11% in 2014, owing to less dynamic industrial performance in China, the world's largest metals market, and ample stockpiles of most metals. Most metal prices continued to decline in the first quarter of 2015,

(24) For a discussion of global trade developments see also Box I.1 ('Understanding the weakness in global trade') in European Commission (DG ECFIN), Winter 2015 forecast, *European Economy*, 2015, No 1, pp. 46–49. See also, IMF, 'Understanding the role of cyclical and structural factors in the global trade slowdown', *IMF World Economic Outlook – April 2015*, Box I.2, pp. 39–42; and ECB, Understanding the weakness in world trade, *Economic Bulletin* (ECB), 2015, No 3, pp. 33–42.

(25) See also the analysis of the impact of the oil price decline in European Commission (DG ECFIN), Winter 2015 forecast, *European Economy*, 2015, No 1, Section I.1.

hence the outlook for metal prices is negative for 2015.

With the exception of a few products, the prices of most agricultural commodities were on a downward trend in 2014. Owing to a comfortable production outlook, most food prices, notably soybeans and main cereals, are projected to decline further in 2015 before stabilising somewhat in 2016.

…with the global outlook subject to a number of related key risks.

Differences in the pace of recovery among advanced economies raise the prospect of divergent trends in monetary policy with some risk of abrupt adjustment in exchange rates and greater financial market volatility if weaker growth persists in the EU and Japan while monetary policy in the US is gradually normalised. Financial market turbulence linked to the normalisation of US rates also remains a risk factor for the more vulnerable emerging market economies.

Although GDP growth in China appears to be slowing in a remarkably controlled manner, the credit and debt overhang from recent years continues to raise concerns about financial stability, particularly given the weakness of the property market. Recent high frequency data are following a recurrent pattern of early-year weakness with growth picking up in the remainder of the year. But a sharper-than-expected adjustment cannot be ruled out.

Although there is substantial uncertainty about the path of future oil prices, the positive impact of lower oil prices on global growth may turn out to be stronger than currently anticipated because supply-side factors may have played a larger role for the decline than initially assumed.

Geopolitical factors play a major role in the supply side of the oil market as a source of both upside and downside risk to the oil price and thereby to the global growth outlook. Geopolitical risks also remain elevated in the Russia/Ukraine context, where performance has already deteriorated sharply, and further volatility cannot be discounted.

3. FINANCIAL MARKETS

The euro depreciated further…

The euro exchange rate has experienced large swings against some other major currencies since the beginning of this year amid cyclical and monetary policy differentials in an environment of declining commodity prices and geopolitical tensions. The euro has followed a downward trend against the US dollar since May 2014. It fell to its lowest level in more than 12 years, close to 1.05 in mid-March, before firming somewhat and fluctuating in the 1.05-1.10 range thereafter. The euro also fell considerably against the Swiss franc following the Swiss National Bank's decision to discontinue its minimum exchange rate target of 1.20 Swiss francs per euro in mid-January 2015. At the same time, the euro appreciated strongly against the Russian rouble, which came under marked pressure amid geopolitical tensions related to the situation in Ukraine. While the euro weakened substantially against the pound sterling, it experienced more limited movements against most other EU currencies in the context of a number of monetary policy actions taken by several central banks in the EU.

…amid diverging cyclical conditions and monetary policy stances across major economies.

While the ECB and the People's Bank of China have announced further monetary easing measures, the US Federal Reserve and the Bank of Japan's policies have remained broadly unchanged. In January, the ECB announced new measures aiming at providing a sufficient degree of monetary policy accommodation with the view to pursuing its price stability mandate (see Section I.1).

The transmission of the additional monetary easing resulting from the implementation of the ECB's expanded asset purchase programme (APP) to the real economy should contribute to a further improvement in the outlook for economic growth. On 9 March 2015, the ECB started the effective purchases under the Public Sector Purchase Programme (PSPP) which targets securities with maturities between two and 30 years and with a yield not lower than the ECB's deposit facility rate of -0.20%. By purchasing a significant amount of private and public assets, the ECB expects to improve financing conditions in the euro area economy. Outright purchases should have a positive impact on asset valuations and investors' confidence, which in turn should support money supply and credit growth. Lower funding costs, improved asset valuations and confidence effects should stimulate investment and consumption and thus contribute to an increase in inflation rates towards the ECB's objective as well as to the underpinning of medium to long-term inflation expectations.

In non-euro area EU Member States, several central banks took further monetary accommodation measures. The Sveriges Riksbank cut its repo rate by 10 bps. to -0.1% and announced a government bond-buying programme in February. In mid-March, it cut its policy rate further by 15 bps. to -0.25% and scaled up its government bond purchases by SEK 30 bn. (around 0.75% of GDP) to prevent an appreciating krona from hindering an uptick in inflation. In the same vein, Danmarks Nationalbank lowered the deposit rate in four steps to -0.75% (from -0.05%) between January and February and conducted large-scale interventions in foreign exchange markets to defend the Danish krona's peg to the euro amid appreciation pressure. Furthermore, the Danish Ministry of Finance decided to suspend the issuance of domestic and foreign bonds until further notice so as to limit foreign capital inflows. Conventional monetary easing measures were also taken by central banks in Romania, Poland and Hungary, which cut their key policy rates to historically low levels amid lower inflation expectations.

Financial markets have performed strongly…

Since the start of the year, euro area sovereign bond yields have decreased significantly, fuelled first by declining inflation expectations and speculation about the launch of a sovereign bond purchase program by the ECB, and later on by the announcement of the ECB's expanded APP and its actual implementation. The 10-year German Bund yield declined to a historical low of 0.15% in mid-April.

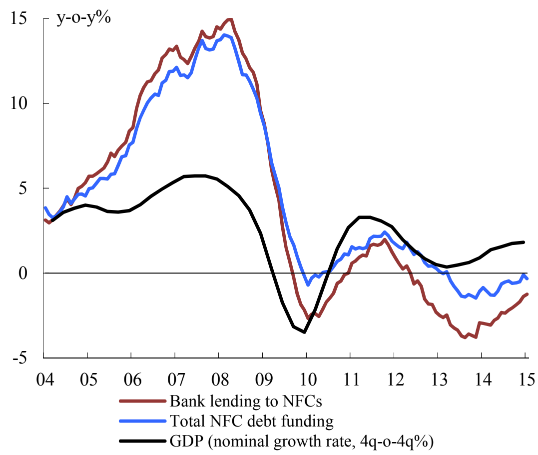
As of late-March, part of the decline in peripheral sovereign bond yields that had been observed before, was undone due to technical factors (e.g. an increased number of bond issuances, thin liquidity and some rewinding of positions taken ahead of the ECB's asset purchase programme), and some re-pricing associated with the assessment of Greece.

Supported by the twin pillars of supplementary non-standard monetary policy tools and the pick-up in macroeconomic growth, EU equity and corporate bond prices firmed strongly. Almost all general stock market indices in EU Member States have risen since the start of the year, many by over 20%, while market volatility indices have dropped significantly. In parallel with increasing equity prices, corporate bond spreads have tightened and default perception indices have declined. Outside the EU, Asian markets outperformed global stock markets. Meanwhile, looming US monetary policy tightening and softening growth have been the main drivers of the underperformance of US stock markets.

…while bank lending continues to recover.

Net lending flows to households continued on a stable but positive trend while those for non-financial corporations (NFCs) have gradually become less negative (see Graph I.13). The credit cycles of households and NFCs are rather asynchronous and correlate differently with economic cycles.

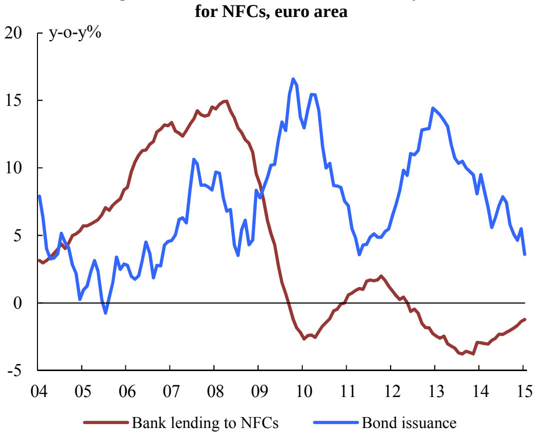
Graph I.13: **Economic and credit cycles for NFCs, euro area**



The credit cycle to households has been stagnant since 2013 even though nominal GDP has risen. The correlation which existed in the past has broken down due to specific factors, such as house price corrections in some countries, the increased use of self-funding for house purchases and weaker consumer credit. For NFCs the current bank credit cycle is relatively weaker compared to previous cycles, but follows historical relationships with economic cycles in terms of timing, i.e. it lags the economic cycle by several quarters. This suggests that the corporate sector in the euro area has become less dependent on bank credit as alternative funding sources have been developing. First, corporations are more intensively using internal funds for their investment, particularly during the early stages of economic cycles. Second, large corporations have increasingly turned to the market for direct funding via bonds, thereby lowering their needs for bank loans.

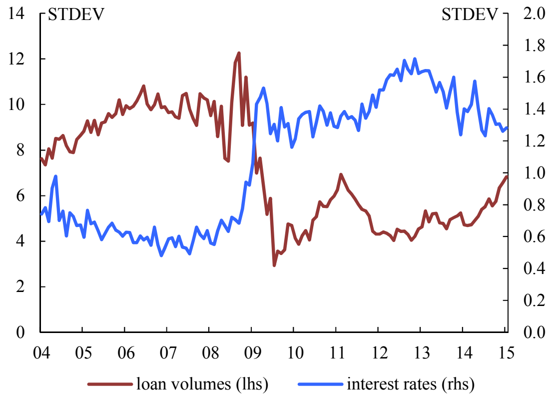
The transition towards market financing has emerged as a dominant trend since the crisis, but this process is slowing down as bank lending recovers. The cycles of bank credit and bond issuance appear negatively correlated since the beginning of the crisis while they grew in parallel before 2008 (Graph I.14). During episodes of bank lending contraction, market funding was rising more rapidly, thus cushioning the overall external funding gap while during periods of recovery in bank lending, market funding tended to grow less rapidly. This feature is being reproduced in the current context of bank lending recovery as the annual grow rate of net issuance of debt securities by NFCs is decelerating (3.6% in January 2015 from 9.5% in January 2014). It remains however important to note that bank and market funding are not perfect substitutes as only large corporations have access to bond markets. Given the importance of SMEs in the euro area, it seems crucial that smaller corporations resort more intensively to bank credit for the economic recovery to gain momentum.

Graph I.14: **Bank credit vs bond issuance cycles for NFCs, euro area**



The rebounding trend in lending volumes for NFCs hides growing differences between countries. Unlike for lending rates, divergences in lending volumes have risen over the last two years (see Graph I.15). This suggests ongoing consolidation in some countries despite more favourable price and non-price lending conditions (see Box I.1). The relatively high level of corporate savings compared to investments in vulnerable Member States points to weak demand for credit.

Graph I.15: **Cross-country dispersion (NFCs, euro area)**



At the aggregate level, bank lending in the euro area is expected to recover further. Besides the boost given to lending from the cyclical upturn, the ECB's latest Bank Lending Survey points to a further net easing of credit standards on loans to enterprises but a slight net tightening of credit standards on loans to households for house purchases. The ECB's expanded asset purchase programme is expected to add some further momentum, improving the liquidity position of banks. Last year's asset quality review showed that banks are, on the whole, better capitalised than during the crisis and hence in a better position to withstand losses on their outstanding lending to the private sector. However, relatively low capital buffers and high levels of non-performing loans in a number of Member States may impair the transmission channel of the ECB's QE into bank lending (see Box I.2 for more details).

4. GDP AND ITS COMPONENTS

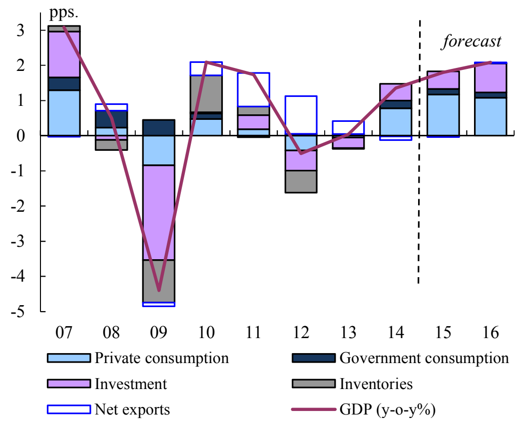
The recovery from the economic and financial crisis, the sovereign debt crisis and the second leg of the protracted double-dip recession has been a long and tedious process, marked by several disappointments and unfulfilled expectations. The post-crisis legacy and EU-specific factors, such as high levels of public and private debt, have been blamed for the very subdued recovery from the troughs reached in 2008-09. [26] So far, structural weaknesses have not been overcome everywhere in the EU and even years after the start of the economic and financial crisis, the implementation of structural reforms remains unfinished. But the situation has changed with the sharp decline in oil prices in the second half of last year and with increased policy support in recent months, not only on the monetary side but also the fiscal side, as the neutral fiscal policy stance of the EU will weigh less on growth and the Investment Plan for Europe should help stimulate investment.

Economic recovery remains on track...

In 2014, the EU's economic recovery stayed on track. Since its beginning in the second quarter of 2013, economic activity in the EU and in the euro area has increased moderately but steadily. After moderating in the first half of last year, GDP growth picked up slightly for two consecutive quarters. With real GDP growth rising to 0.4% (q-o-q) in the EU and to 0.3% in the euro area in the fourth quarter of 2014, the annual rate of economic growth increased to 1.4% in the EU and 0.9% in the euro area.

The breakdown of GDP growth shows that in 2014 domestic demand became the main contributor (see Graph I.16), mainly reflecting the expansion of private consumption. With higher real gross disposable income and some improvements in the labour market, private consumption accelerated substantially. Investment, however, remained weak because of moderate demand, low levels of capacity utilisation, heightened economic and policy uncertainty, as well as corporate deleveraging and persistent funding constraints in some countries. In the last quarter of 2014, however, investment growth strengthened. After three years as the main engine of growth, net trade detracted slightly from the EU's GDP growth in 2014, although it continued to benefit growth in the euro area.

Graph I.16: **Real GDP growth and its components, EU**



...with several tailwinds in its favour...

A number of factors are expected to support economic activity going forward.

On the external side, *low oil prices*, although somewhat higher than in the winter, will continue to have a positive impact through their favourable effect on real disposable income and on firms' production costs. [27] In an environment of very low inflation with nominal interest rates close to zero, the overall effect may be smaller than under more regular circumstances when the disinflationary impact provides space for lower nominal interest rates, which cushion the impact on real interest rates. However, real interest rates have recently been lowered by the rebound in inflation expectations. Given the expected pass-through of lower oil prices to the economy, the impact on economic activity should already have set in last year and should continue over the forecast horizon.

The *depreciation of the euro* should continue boosting external demand, by improving the price competitiveness of euro area firms. [28] The impact on euro area Member States will differ according

---

(26) The reasons have been looked at in greater detail in the autumn 2014 forecast; see European Commission (DG ECFIN), European Economic Forecast — Autumn 2014, *European Economy*, 2014, No 7, pp. 8–12.

(27) See European Commission (DG ECFIN), European Economic Forecast — Winter 2015, *European Economy*, 2015, No 1, pp. 10-17. See also, IMF, 'The oil price collapse: demand or supply?', *World Economic Outlook*, April 2015, Box I.1, pp. 36–38.

(28) See European Commission (DG ECFIN), 'Impact of the euro exchange rate movements', European Economic Forecast – Winter 2015, *European Economy*, 2015, No 1, Box I.2, pp. 50–52.

Table I.2:

Composition of growth - EU

(Real annual percentage change)

	2013								Spring 2015 forecast		
	bn Euro	Curr. prices	% GDP	2009	2010	2011	2012	2013	2014	2015	2016
				Real percentage change							
Private consumption		7708.5	57.1	-1.5	0.8	0.3	-0.7	-0.1	**1.4**	**2.1**	**1.9**
Public consumption		2836.4	21.0	2.2	0.7	-0.2	0.3	0.2	**1.0**	**0.8**	**0.8**
Gross fixed capital formation		2596.7	19.2	-11.9	0.2	2.0	-2.8	-1.5	**2.5**	**2.6**	**4.2**
Change in stocks as % of GDP		-0.1	0.0	-0.8	0.3	0.7	0.0	0.0	**0.0**	**0.0**	**0.0**
Exports of goods and services		5789.2	42.8	-11.9	10.5	6.6	2.2	2.2	**3.7**	**4.2**	**5.2**
Final demand		18930.9	140.2	-6.4	4.0	2.5	-0.5	0.4	**2.2**	**2.6**	**3.1**
Imports of goods and services		5429.5	40.2	-11.7	9.7	4.3	-0.4	1.4	**4.2**	**4.6**	**5.6**
GDP		13518.1	100.0	-4.4	2.1	1.7	-0.5	0.0	**1.4**	**1.8**	**2.1**
GNI		13537.0	100.1	-4.1	2.4	1.8	-0.6	-0.1	**1.2**	**1.8**	**2.1**
p.m. GDP euro area		9928.8	73.4	-4.5	2.0	1.6	-0.8	-0.4	**0.9**	**1.5**	**1.9**
				Contribution to change in GDP							
Private consumption				-0.8	0.5	0.2	-0.4	-0.1	**0.8**	**1.2**	**1.1**
Public consumption				0.4	0.2	0.0	0.1	0.0	**0.2**	**0.2**	**0.2**
Investment				-2.7	0.0	0.4	-0.6	-0.3	**0.5**	**0.5**	**0.8**
Inventories				-1.2	1.0	0.2	-0.6	0.0	**0.0**	**0.0**	**0.0**
Exports				-4.7	3.7	2.6	0.9	0.9	**1.6**	**1.8**	**2.3**
Final demand				-8.9	5.4	3.4	-0.7	0.6	**3.0**	**3.6**	**4.3**
Imports (minus)				4.5	-3.3	-1.6	0.2	-0.6	**-1.7**	**-1.8**	**-2.3**
Net exports				-0.1	0.4	0.9	1.1	0.4	**-0.1**	**0.0**	**0.0**

to export elasticity and trade patterns. For instance, in some economies, growing participation in global value chains may reduce the exchange rate pass-through to the terms of trade, which could reduce the overall impact of a weaker euro. [29] At the same time, the depreciation of the euro will raise import prices, which in turn should stimulate demand for domestic goods. In the euro area, it reduces the impact of declines in dollar-denominated commodity prices such as oil, and enlarges the impact of their rebound.

In assessing the overall impact, some limiting factors have to be taken into account. Apart from changing patterns in world trade, the specific situation of exporters in countries with close trade links to Russia could dampen the impact. Moreover, empirical analyses suggest that only about half of the change in exchange rates is usually passed on to export prices and that the growth of export markets is more important for export growth than price competitiveness. [30] It is projected that the fall in the real effective exchange rate of the euro area in 2015 (by about 9%), is not only used to gain market shares, but also to widen profit margins of exporters.

In addition to these external factors, policy support for economic growth in the EU has increased, including additional measures taken by the ECB, a smaller fiscal drag in several Member States, and the Investment Plan for Europe.

The *ECB's non-standard monetary policy* is expected to strengthen economic activity in the euro area (see Section I.1). Through its influence on the euro exchange rate, its signalling effect and its impact on interest rates, bank lending and equity prices; domestic demand should strengthen. The impact of the ECB's policies is expected to vary across the euro area as both exchange rate effects and interest rate effects will depend on each country's pre-QE nominal interest rate and inflation expectations (see also section I.1). The effect of QE on bank lending may also vary across countries according to the fragility of their financial systems, their bank capitalisation and private indebtedness levels, and the prevalence of non-performing loans.

(29) For empirical evidence for several EU Member States see for instance, P. Ollivaud, E. Rusticelli, and C. Schwellnus, 'The changing role of the exchange rate for macroeconomic adjustment', *OECD Economics Department Working Papers*, No 1190, March 2015.

(30) For large Member States, see R. Baldwin and T. Ito, 'Quality competition versus price competition goods: an empirical classification', *Journal of Economic Integration*, March 2011. Vol. 26, No 1, pp. 110–135; for the euro-area aggregate see N. Balta et al., 'The export performance of the euro area', *Quarterly Report on the Euro Area*, 2010, Vol. 9, No 2, pp. 7–18.

Table I.3:
Composition of growth - euro area

(Real annual percentage change)

	2013 bn Euro Curr. prices	2013 % GDP	2009	2010	2011	2012	2013	Spring 2015 forecast 2014	2015	2016
			Real percentage change							
Private consumption	5565.8	56.1	-1.1	0.8	0.2	-1.3	-0.7	**1.0**	**1.8**	**1.6**
Public consumption	2096.7	21.1	2.3	0.8	-0.2	-0.1	0.3	**0.7**	**0.6**	**0.8**
Gross fixed capital formation	1939.2	19.5	-11.2	-0.4	1.7	-3.7	-2.5	**1.1**	**1.7**	**4.0**
Change in stocks as % of GDP	-15.2	-0.2	-0.7	0.3	0.7	-0.1	-0.2	**-0.2**	**-0.3**	**-0.2**
Exports of goods and services	4357.2	43.9	-12.7	11.1	6.6	2.5	2.1	**3.8**	**4.4**	**5.4**
Final demand	13943.6	140.4	-6.5	4.0	2.4	-0.9	0.1	**1.8**	**2.4**	**3.1**
Imports of goods and services	4015.9	40.4	-11.5	9.8	4.4	-1.0	1.3	**3.9**	**4.6**	**5.9**
GDP	9928.8	100.0	-4.5	2.0	1.6	-0.8	-0.4	**0.9**	**1.5**	**1.9**
GNI	9976.7	100.5	-4.1	2.2	1.7	-0.6	-0.6	**0.9**	**1.6**	**1.9**
p.m. GDP EU	13518.1	136.2	-4.4	2.1	1.7	-0.5	0.0	**1.4**	**1.8**	**2.1**
			Contribution to change in GDP							
Private consumption			-0.6	0.5	0.1	-0.7	-0.4	**0.5**	**1.0**	**0.9**
Public consumption			0.5	0.2	0.0	0.0	0.1	**0.1**	**0.1**	**0.2**
Investment			-2.6	-0.1	0.3	-0.8	-0.5	**0.2**	**0.3**	**0.8**
Inventories			-1.2	0.9	0.3	-0.8	0.0	**-0.1**	**-0.1**	**0.0**
Exports			-5.1	3.9	2.6	1.1	0.9	**1.7**	**1.9**	**2.5**
Final demand			-9.0	5.3	3.3	-1.3	0.1	**2.5**	**3.4**	**4.3**
Imports (minus)			4.5	-3.3	-1.6	0.4	-0.5	**-1.6**	**-1.9**	**-2.4**
Net exports			-0.6	0.6	0.9	1.5	0.4	**0.1**	**0.1**	**0.0**

The pace of *fiscal consolidation* has slowed and thereby the fiscal drag has diminished (for details see section I.8).

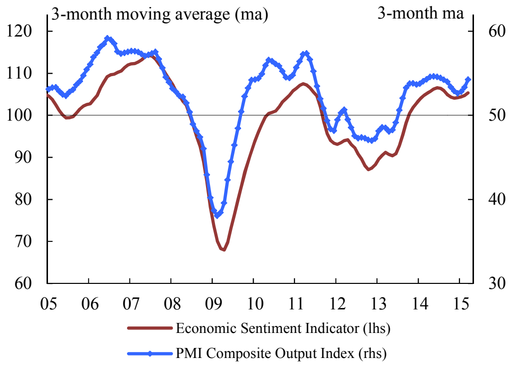
The *Investment Plan for Europe* should mobilise investment. However, as the plan will take time to roll out and the benefits from such investments may take time to realise, the Investment Plan is expected to have a much greater effect in 2016 and beyond than this year. Moreover, no information is available about the sectoral and geographical allocation of the investment projects. The treatment of the plan in the present projections is therefore prudent, with risks on the upside.

Despite the fact that some crisis-related obstacles remain in place, the positive impact of these factors on GDP growth should dominate the short-term outlook.

...that should help further strengthen the recovery in the near term...

For the first quarter of 2015, *survey indicators* point towards an acceleration of economic activity and reinforce the outlook of solid growth. Both the Commission's Economic Sentiment Indicator (ESI) and the PMI Composite Index improved more strongly in the first quarter of 2015 than in the last quarter of 2014, pointing to a pick-up in economic growth in the EU and the euro area (see Graph I.17). Positive sentiment and confidence should be a spur to domestic demand components. In March, the OECD's leading indicator showed higher momentum in the euro area for the fourth month in a row.

Graph I.17: **Economic Sentiment Indicator and PMI Composite Output Index, EU**



Source: EC, Markit Group Limited

Hard data for the first quarter corroborates this positive picture, pointing to a slight strengthening of activity. In February, the three month-on-three month growth rate of industrial production continued increasing (up by 0.1 pps.) and stood at 0.9% in the EU and in the euro area. On average, in the first two months, industrial production was 0.7% higher in the euro area and 0.6% higher in the EU than in the last quarter of 2014.

Monetary developments in January and February as well as the ECB's April Bank Lending Survey show that credit flows are picking up, continuing a development that began in mid-2014, before the ECB's latest round of non-standard measures. These measures, however, seem to have accelerated credit developments and money supply growth. This is evident in the strong annual growth of the most liquid monetary aggregate M1.

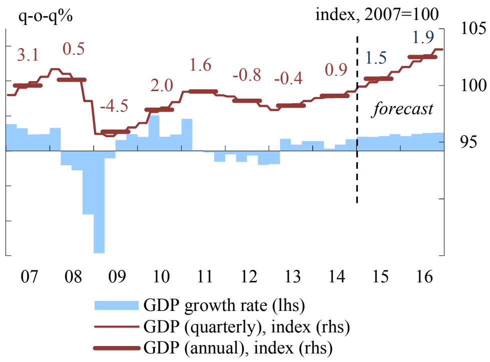
...and accelerate growth over the forecast horizon.

In 2015, economic tailwinds will provide an extra boost to the cyclical recovery underway, which is supported by more durable factors such as the fruits of previously implemented reforms and the broadly neutral fiscal stance. Under these conditions, economic growth is expected to continue gaining pace throughout the year. Accelerating economic activity should allow for further improvements in labour market conditions, from which private consumption will benefit. Increased demand and somewhat lower balance-sheet adjustment needs should support greater investment, helping the economic recovery to become more sustainable. Exports too should benefit from the strengthening of global demand and the depreciation of the euro. The strength in GDP growth will, however, continue to be restrained for some time by the impact of some adverse factors. These include high unemployment rates in some countries and geopolitical tensions with Russia.

In 2016, the lagged competitive impulse stemming from the exchange rate developments will likely continue to boost export growth. Moreover, while oil futures suggest a partial recovery in prices, oil is expected to remain relatively cheap. Also, the ECB's monetary policy measures are expected to continue to support activity at least until their earliest exit date in September 2016. On top of these factors, the Investment Plan should take effect next year, lifting both public and private investment. In parallel, continued improvements in labour market conditions and lower balance-sheet adjustment needs will further strengthen domestic demand. Finally, GDP growth in 2016 should continue benefitting from previously-implemented reforms and the lower fiscal drag.

Overall, real GDP is projected to grow by 1.8% in the EU and by 1.5% in the euro area in 2015 before rising to 2.1% and 1.9% respectively in 2016 (see Graphs I.1 and I.18).

Graph I.18: **Real GDP, euro area**



Figures above horizontal bars are annual growth rates.

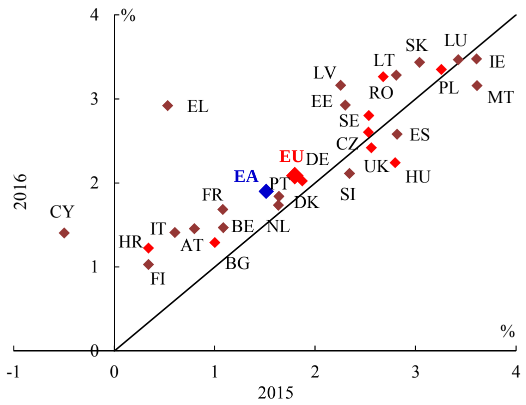
Projections for 2016 should be seen against the background of the no-policy-change assumption. Potential output is set to edge up to about only 1% in both the EU and the euro area, as the contributions from capital, labour and TFP remain low, which implies that the EU and the euro area should grow above potential in both years. Whether the pace of GDP growth, bolstered by demand growth, can be sustained beyond the forecast horizon will depend on potential growth and thus on a rebound in investment and the implementation of reforms. Expectations about potential output should already affect the behaviour of companies and consumers towards the end of the forecast horizon. In that regard, a weak medium-term outlook could negatively affect the near-term forecast and thereby limit the scope for investment, weakening GDP growth during the forecast years.

The current tide is lifting all boats in the EU...

EU economies grow at different rates for a number of well-investigated reasons. [31] Against this background the present situation appears to be unique as the current tide of positive forces appears to be lifting all boats at the same time, either by sustaining solid positive growth or, at least, by raising the growth rate (see Graph I.19).

(31) For detailed analysis see European Commission (DG ECFIN), 'Growth differences between euro area Member States since the crisis', *Quarterly Report on the Euro Area*, June 2014, Vol. 13, No 2, pp. 7–20.

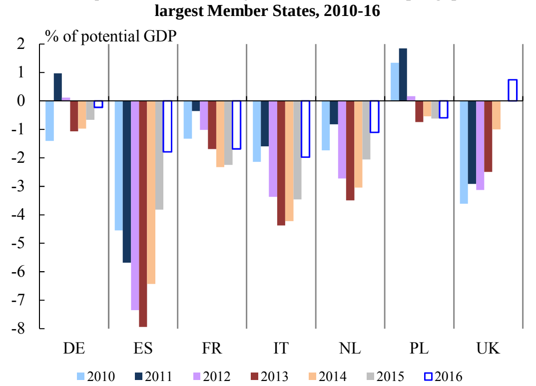
Graph I.19: **Real GDP growth in 2015 and 2016, EU and Member States**



In the fourth quarter of 2014, growth momentum came mainly from Germany, Poland, the UK, Spain and the Netherlands, while real GDP in France and Italy barely moved. Four countries reported negative growth rates (q-o-q): Cyprus (-0.6%), Greece (-0.4%), Austria and Finland (-0.2%). The highest real GDP growth rates were reported in Estonia (1.2%) and Sweden (1.1%).

Country-specific structural features (e.g. catching-up in some Member States) and different cyclical positions (e.g. between countries inside and outside the euro area) result in growth differences. In fact, the most recent data for GDP growth suggest that the recovery in the EU has continued to broaden with the output gap having narrowed last year in about two thirds of the Member States. A further narrowing is expected over the forecast horizon, including the largest Member States (see Graph I.20).

Graph I.20: **Cross-country differences in the output gap, largest Member States, 2010-16**



...but the waves differ across Member States.

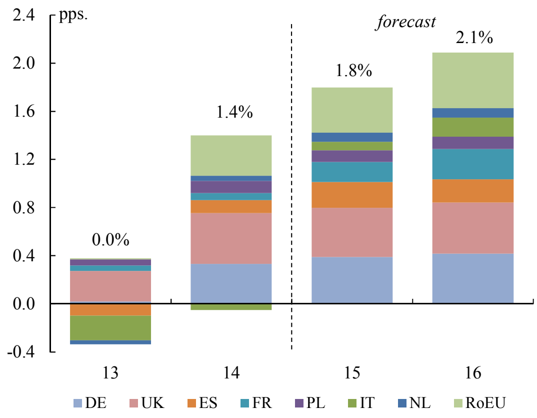
Economic growth rates in the EU's Member States will continue to differ as economic performance is greatly influenced by idiosyncratic features. These include different rates of progress in tackling structural weakness and in implementing reforms. In recent months, differences in the pass-through of lower oil prices and, in the euro area, different responses to the depreciation of the euro, have become differentiating factors. They add to other factors such as differences in balance-sheet adjustment, deleveraging in the private sector, [32] and consolidation efforts in the public sector.

Among the largest Member States, activity should be dynamic over the forecast horizon in Poland, Spain and the UK with growth rates well above the EU average. Economic activity should stay robust in Poland on the back of solid domestic demand. In Spain, the recovery is accelerating this year, supported by improved labour-market and financing conditions, although a moderation in growth is expected next year. Growth in the UK is expected to remain robust but to calm this year and next as investment growth cools. In Germany, economic growth is expected to be driven by exceptionally robust domestic demand with private consumption underpinned by an improving labour market. Economic activity in France is expected to slowly gain momentum thanks to private consumption, but the delay in the recovery of investment is keeping GDP growth below the euro area average. Italy's economy is expected to return to growth this year, thanks to increasing external demand, and to strengthen next year once investment picks up. Although short-term deleveraging pressures are expected to abate in the Netherlands, they will continue to limit the potential for a faster recovery.

Among the euro area Member States that have or have had adjustment programmes, growth is expected to remain robust in Ireland but to turn positive only next year in Cyprus. Economic growth is gathering momentum in Portugal thanks to improved domestic demand and strong exports. In Greece, policy uncertainty has already weakened confidence and affects the pace of the incipient recovery.

(32) For a detailed analysis see C. Cuerpo et al., 'Private sector deleveraging in Europe', *Economic Modelling*, January 2015, Vol. 44, pp. 372–383.

Graph I.21: **EU real GDP growth, contributions by Member States**



The differences between countries can also be seen in their respective contributions to the EU's economic growth (see Graph I.21). Over the forecast horizon, the largest contributions are expected from Germany and the UK, whereas the contributions of some other large economies remain smaller than what their country weights would suggest.

Investment is still a weak spot in the recovery…

In line with the usual patterns following deep financial crises, the recovery of investment has been subdued, as some crisis-related factors continue to weigh (e.g. balance-sheet repair, persisting uncertainty). [33] While several factors can start a recovery (e.g. exports, private consumption), an increase in investment is a necessary condition for a recovery's sustainability, which otherwise would depend on temporary or purely cyclical factors.

In 2014, total investment remained subdued, particularly in the euro area. It grew by 2.5% in the EU and by 1.1% in the euro area. This reflected moderate demand growth, low levels of capacity utilisation (economic slack), economic and policy uncertainty associated with geopolitical concerns [34], as well as corporate deleveraging and remaining credit supply constraints in some countries. In the fourth quarter of 2014, however, investment finally picked up and contributed positively to GDP growth. It increased by 0.4% (q-o-q) in both the EU and the euro area. The breakdown of total investment shows that this pick-up was only driven by developments in construction investment, which strongly rebounded in both the EU and the euro area. By contrast, investment in equipment decelerated strongly and remained broadly flat in both regions.

Many analysts have argued that a large investment gap has built up in the EU. An extensive literature has identified output dynamics, the user cost of capital, uncertainty, financial constraints, and corporate leverage as key factors explaining the weakness of private non-residential investment across the euro area. [35]

To address this weakness of investment, the *Investment Plan for Europe* [36] was announced in November 2014 with the target of generating EUR 315 bn. of new investment within three years. As of spring 2015, the plan appears to be on track and the EIB is expected to start financing the first SME projects soon. In principle, the impact should start entering the outlook in the second half of 2015, but without information about implementation details, in particular the selection of projects to be financed, it remains impossible to pencil in its effects on individual countries. A sizeable impact should be observed in 2016 and thereafter, with the time profile depending on decision, implementation and disbursement lags. Moreover, cross-country differences should depend on countries' general investment conditions, the involvement of national promotional banks (public investment banks), the pipeline of projects, and investment platforms.

Overall, total investment is forecast to grow by 2.6% in the EU and 1.7% in the euro area in 2015. In 2016, total investment is expected to accelerate to 4.2% in the EU and 4.0% in the euro area.

(33) See also the analysis of crisis-related factors behind the subdued recovery in the EU; European Commission (DG ECFIN), European Economic Forecast — Autumn 2014, *European Economy*, 2014, No 7.

(34) The *European Policy Uncertainty Index* increased from 110 in June to 199 in September (annual average was 150), driven by developments in Germany and the UK where the year's peak was recorded in September.

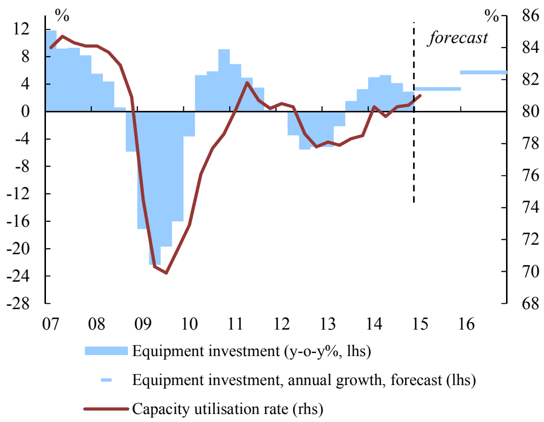
(35) For analyses see IMF, 'Private investment: What's the holdup? ', *World Economic Outlook* — April 2015, chapter 4; Balta, N., 'Investment dynamics in the euro area since the crisis', *Quarterly Report on the Euro Area* (European Commission — DG ECFIN), April 2015, Vol. 14, No 1, pp. 35–43; B. Barkbu et al., 'Investment in the euro area: why has it been weak?', *IMF Discussion Paper*, No 2015/32, February 2015; and Banerjee, Ryan, Kearns, Jonathan, and Mario Lombardi, '(Why) Is investment weak?', *BIS Quarterly Review*, March 2015, pp. 67–82.

(36) See European Commission, An Investment Plan for Europe. Communication from the Commission COM(2014) 903 final, 26 November 2014.

...despite the expected pick-up in equipment investment...

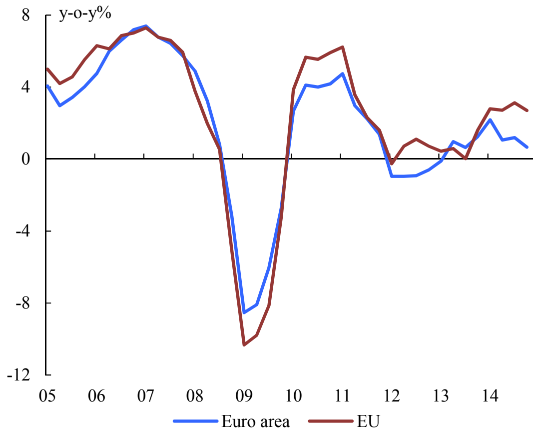
Since the beginning of the recovery in spring 2013, equipment investment has outperformed GDP growth in both the EU (cumulated growth of 7.3% up to the fourth quarter of 2014 versus cumulated GDP growth of 2.4%) and in the euro area (5.8% vs. 1.7%), but taking into account that the fall in investment was deeper than declines in other GDP components, the recovery is still far from reaching the levels GDP has recorded. Also, as compared to long-term averages, investment growth has by far not been sufficient for a substantial rebound (see Graph I.22).

Graph I.22: **Equipment investment and capacity utilisation, EU**



In the near term, the growth in equipment investment should exceed that of real GDP in both the euro area and the EU. This outlook is supported by surveys such as the positive assessment in the first quarter of 2015 of total and export order books in the EU and the euro area, which continue to exceed their long-term averages. Also, hard data shows that compared to the last quarter of 2014, the industrial production of capital goods in January and February (average), increased by 0.5% in the EU and by 0.4% in the euro area. Finally, after having been constrained by low capacity utilisation and weak demand, equipment investment is expected to gain traction over the forecast horizon. Among the supporting factors are strengthening domestic and external demand, improved business sentiment, and improved profit margins (e.g. due to lower energy prices, wage moderation and lower funding costs). [37]

Graph I.23: **Profit growth, euro area and EU**



The need to renovate the stock of capital should also act as an incentive. The relatively low level of investment ('investment gap') since the crisis suggests the existence of pent-up demand for private investment. The financing scope for such investment appears favourable. While internal funding is expected to be backed by significant cash positions and growing gross operating surpluses, external funding should benefit from the relaxation in lending conditions which the April 2015 Bank Lending Survey signalled in the euro area. In the euro area, support could also be seen in rising profits (see Graph I.23) and the flattening of the yield curve (see Graph I.8), which should have a more pronounced effect on real longer-term interest rates than usually attributed to conventional monetary policy stimulus. [38] Thus, although the interest rate sensitivity of investment plans might be rather low, [39] the accommodative monetary policy strengthened by the ECB's non-standard monetary policy measures and in particular by the APP, could help to increase capital spending in 2015 and beyond. In the same vein, by reducing funding costs for investment projects, the Investment Plan for Europe could have a positive impact on both public and private

[37] The ECB has recently reported improvements for euro-area companies. See ECB, Trends in profit margins of euro area non-financial corporations, *Economic Bulletin* (ECB), 2015, No 1, Box 6, pp. 29–32.

[38] See S. Gilchrist, D. López-Salido, and E. Zakrajšek, 'Monetary policy and real borrowing costs at the zero lower bound', *American Economic Journal: Macro-economics*, January 2015, Vol. 7, No 1, pp. 77–109.

[39] Following the decline in long-term interest rates in the US in the wake of the Fed's quantitative easing, a very low sensitivity had been found with 68% of respondents not expecting that any decline in interest rates would induce more investment; see S.A. Sharpe and G.A. Suarez, 'The insensitivity of investment to interest rates: evidence from a survey of CFOs', *Finance and Economics Discussion Series* (Federal Reserve Board), 2014-2. For euro-area countries, an IMF study reported estimation results that real lending rates were either insignificant or had wrongly signed coefficients; see B. Barkbu et al. (2015), ibid., p. 13.

investment in 2016, in particular, as it entails projects that meet the 'additionality' criterion.

The factors influencing equipment investment and its growth vary considerably across the Member States. Among the only five euro area countries where equipment investment has grown in both 2013 and 2014 are Spain, Portugal, and Ireland. In these countries, improved cost competitiveness has raised exports and lifted corporate investment. The other two countries were Lithuania and Malta. As regards the largest EU Member States, in 2015 the downward revisions in the forecasts for UK (by 2.4 pps.), France (by 1.1 pps.), and Germany (by 0.8 pps.) contribute to the explanation of the moderation of growth in equipment investment (from 4.9% in 2014 to 3.3% in 2015). Moreover, in some countries special factors raised equipment investment in 2014 (e.g. delivery of vessels in Belgium) and result now, even if high levels are sustained, in only moderate growth rates.

...and the ongoing rebound in construction investment.

While construction investment in the euro area has contracted in each of the last three years, it expanded in the EU last year, thanks to substantial growth in almost all non-euro area Member States. The most recent data from the fourth quarter of 2014 suggest that the euro area has now also entered an expansion period. Investment in construction grew by 0.9% (q-o-q) in the EU and by 0.8% in the euro area.

In the first two months of 2015, construction output increased 0.5% in the euro area and fell 0.1% in the EU, compared to the average of the fourth quarter. Leading indicators suggest only moderate growth going forward. According to the Commission's surveys, managers in the construction sector were slightly less optimistic in the first quarter of 2015 than in the last quarter of 2014 and their assessment of order books has remained almost unchanged in the EU and deteriorated in the euro area.

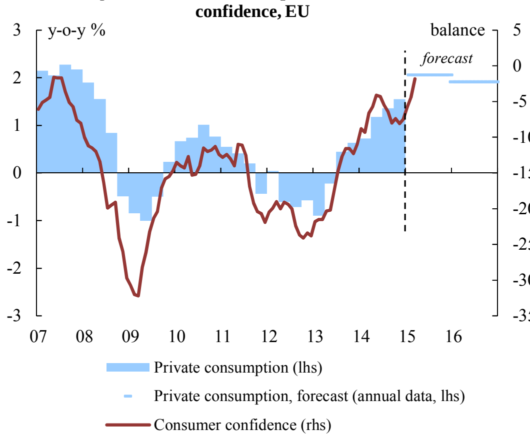
The Investment Plan for Europe should eventually have a positive impact on construction investment, but, as in the case of equipment investment, the impact will become more meaningful towards the end of the forecast horizon, as decisions about projects, implementation and disbursement will take time.

As regards residential construction, with (real) house prices moving up, a key ingredient for growing construction activity has taken hold. The latest data for house prices point to an ongoing rebound in the EU (up 2.6% y-o-y in 2014-Q4) and the euro area (up 1.1%), with prices in some hard-hit countries, notably Spain, showing signs of stabilisation. The pick-up in household real disposable income, the low and declining mortgage rates in some countries, and easing financing conditions should have a positive impact from 2015. But ongoing adjustments in the housing market are expected to continue to act as a drag on residential investment in several countries (Greece, France, Italy, Slovakia and Bulgaria) though to a lesser extent in 2016 than in 2015.

Private consumption continues to be the main growth driver...

Since private consumption is the cornerstone of the EU economy, accounting for roughly two-thirds of GDP, it has been an important factor in the recent acceleration in GDP. Although the impact of the oil price decline in the second half of last year may have catalysed the stronger growth of private consumption, other factors have also contributed markedly. Helped by increases in real gross disposable income and some improvements in labour market conditions, last year private consumption last year grew 1.4% in the EU and 1.0% in the euro area (see Graph I.24).

Graph I.24: **Private consumption and consumer confidence, EU**



...supported by higher real disposable incomes...

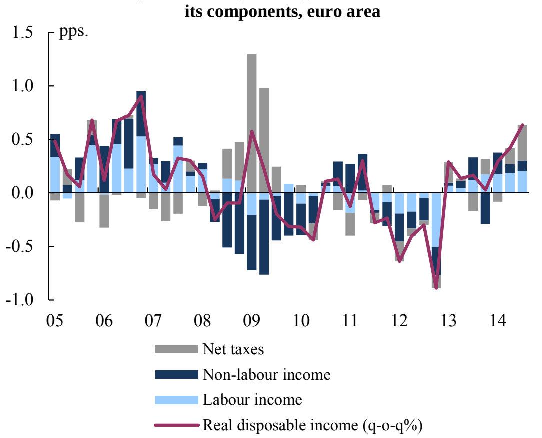
In 2014, the expansion of real gross disposable incomes in both the EU and the euro area was due to stronger growth in compensations alongside low or even negative inflation (see Graph I.25).

- On the nominal side, growth in *compensation of employees* increased in 2014, driven by improved labour market conditions, which resulted in higher employment and higher increases in compensation per employee. Moreover, *transfers* increased again at an annual rate of about 2%. *Non-labour incomes*, which include profit income, followed an upward trend.

- The *purchasing power* of incomes was raised by the impact of last year's fall in the prices of energy and unprocessed food. This cut out less of the nominal increases in the years before so that households' real disposable incomes increased.

- *Private wealth* increased on the back of rebounding house and financial asset prices. Moreover, the continued decline in interest rates lowered the costs of servicing household debt, which lowered the negative impact of the consumption channel of the financial crisis.

Graph I.25: **Real gross disposable income and its components, euro area**



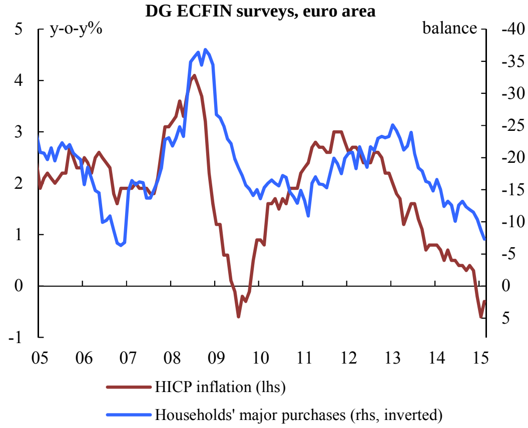
The only moderate increase in the savings rate in the second half of last year (from 12.7% to 12.9% in the euro area) meant that these gains in disposable incomes translated to a substantial extent into higher spending.

…and increased consumer confidence…

In the near term, the expansion of private consumption should remain underpinned by improving labour market conditions, notably the favourable impact of rising wage growth on the back of increasing employment, and low consumer price inflation.

Leading indicators for the first quarter of 2015 suggest a strengthening of private consumption growth. The Commission's *Consumer Confidence indicator* improved markedly in the first quarter of 2015, reaching the highest level since the Great Recession in 2008-09 (see Graph I.24). This mainly reflected a more optimistic assessment of the past and expected general economic situation as well as lower *unemployment fears*, which have fallen to their lowest level since mid-2007. Also, consumer *price expectations* declined significantly, factoring in low oil prices. In addition, in March the number of households planning *major purchases* increased to their highest level since October 2007 in the EU and since April 2008 in the euro area (see Graph I.26), which could hint at a positive impact of increasing inflation expectations and the readiness to spend on durables. [40] In a similar vein, *retail confidence* improved significantly in the first quarter compared to the previous quarter, reflecting an improved assessment of both the present and future business situation. If sustained, given the historical relationship between surveys and private consumption, the latest readings bode well for private consumption in 2015.

Graph I.26: **Inflation and households' major purchases, DG ECFIN surveys, euro area**



The first incoming hard data seem to confirm the positive outlook for private consumption.

- *Retail sales* have been rising since autumn last year, driven by increasing consumer confidence and gains in purchasing power. In February, retail sales were 3.0% (euro area) and 3.6% (EU) higher than one year before and

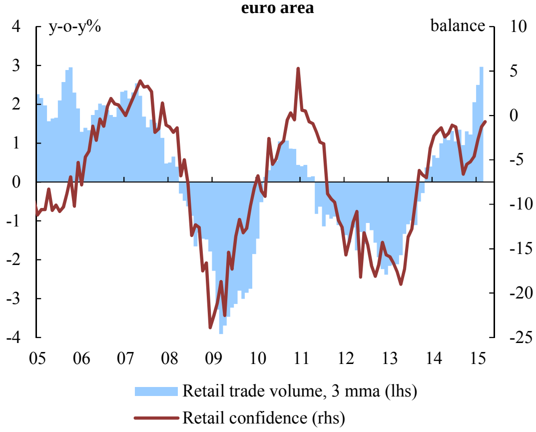
(40) Supportive evidence for this QE-related effect at the zero-lower bound been provided for Japan, see H. Ichiue and S. Nishiguchi, 'Inflation expectations and consumer spending at the zero bound; micro evidence', *Economic Inquiry*, April 2015, Vol. 53, No 2, pp. 1086–1107.

the three-month-on-three-month growth rate had increased to 1.6% in the euro area and 1.8% in the EU (see Graph I.27).

- In February, EU *passenger car registrations* recorded growth for the eighteenth consecutive month (7.3% year-on-year) with all major markets contributing positively; the increase in the euro area was even stronger (7.6%). However, this increase includes corporate car purchases, which would show up as investment rather than private consumption.

- Finally, in the euro area the annual growth rate of *loans to households* has continued to increase in January and February, whereas the volume of credit for consumption remained stable.

Graph I.27: **Retail trade volumes and retail confidence, euro area**



The combination of increasing real disposable income and higher consumer confidence is expected to continue supporting private consumption in 2015. The compensation of employees should rise by 2.3% in the euro area and, partly reflecting the appreciation of currencies in non-euro area Member States, by 4.5% in the EU. Enhanced by strong growth in non-labour incomes this lifts nominal disposable incomes markedly. Given the outlook for low inflation in 2015, nominal increases translate into strong real increases in disposable incomes. Due to higher financial asset prices and further improvements in housing markets, financial and housing wealth should impact positively on household spending decisions, underpinned by favourable financing conditions.

The annual household savings ratio is expected to increase by 0.2 pps. in 2015 in both the euro area and in the EU, partly reflecting the partial saving of the windfall from energy prices in an attempt to smoothen inter-temporal consumption. At the same time, other effects drive the savings rate, which includes relatively low interest rates (discouraging savings), an improving labour market (less forced dissaving), declining uncertainty (less precautionary saving), and household deleveraging needs in several Member States. [41]

These developments provide plenty of scope for private consumption to accelerate towards annual rates of 2.1% in the EU and 1.8% in the euro area in 2015.

...with the outlook for strong growth over the forecast horizon.

Looking further ahead, the pick-up in the growth rate of private consumption should continue at more or less the same rate. But with energy prices rebounding, consumer price inflation is expected to move up gradually. As a result, the forces underlying consumption dynamics should change, as wage increases, non-labour incomes and the labour market situation become the most important drivers of future real disposable incomes.

With oil prices rebounding, the large purchasing power lift to households should gradually fade from the scene in 2016. However, with deleveraging needs gradually diminishing, with consumer confidence picking up and unemployment gradually declining further, the savings ratio should stop increasing in 2016. Experience from previous periods of strong financial asset price growth (2002, 2007) suggest direct wealth effects on consumption may not to be perceptible in the euro area [42] and may contribute only to a very limited extent elsewhere in the EU. However, financial market developments (see

(41) See also ECB, ‘Factors behind recent household saving patterns in the euro area’, *Economic Bulletin* (ECB), 2015, No 2, Box 4, pp. 45–47.

(42) Slacalek, J., ‘What drives personal consumption? The role of housing and financial wealth’, *European Central Bank Working Paper Series*, No 1117, November 2009; A. Ludwig and T. Sløk, ‘The relationship between stock prices, house prices and consumption in OECD countries’, *B.E. Journal of Macroeconomics*, March 2004, Vol. 4, No 1; Carroll, C.D., Otsuka, M., and J. Slacalek, ‘How large are housing and financial wealth effects? A new approach’, *Journal of Money, Credit and Banking*, February 2011, Vol. 43, No 1, pp. 55–79.

Section I.3) could affect consumption indirectly, through increased private sector confidence. [43]

All these factors should translate into a slight deceleration of private consumption to 1.9% in the EU and 1.6% in the euro area in 2016.

A modest contribution from government consumption…

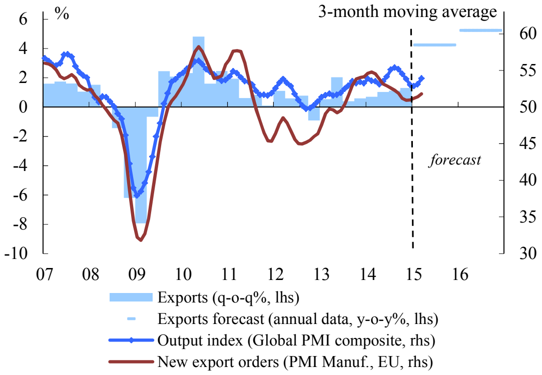
Government consumption expenditure was more supportive to economic growth last year than in any of the three years before. Steady expansion in the euro area (0.2% q-o-q in all quarters) and more volatile expansion in the EU (between 0.2% and 0.5% q-o-q) resulted in annual growth rates of 0.7% and 1.0% respectively. In 2015, government consumption in both areas is set to increase at a slower pace (0.6% and 0.8%, respectively). As consolidation needs subsist in several Member States, shrinking government consumption is expected in seven Member States, including Italy and France.

Further out, public consumption is expected to grow in 2016 by 0.8% in both the euro area and in the EU (see also Section I.8). Public consumption is only expected to shrink in Cyprus, Greece and Hungary. However, the forecast for 2016 is based on a no-policy-change assumption, according to which fiscal measures are only factored in if they have already been adopted by national parliaments or are known in sufficient detail.

…and only a marginal growth impact of net exports…

The acceleration of global economic activity and world trade in 2014 has expanded EU and euro area export markets by about 3% and thus by more than the two years before combined. This has given a boost to export growth (goods and services) in both areas, supported in the euro area by the depreciation of the effective exchange rate of the euro towards the end of last year. However, the stronger domestic demand resulted in an even stronger boost to imports growth rates which almost tripled in both areas in 2014 and exceeded export growth. As a result the contribution of net exports to GDP growth fell markedly from 0.4 pps. in both areas in 2013 to 0.1 pps. in the euro area and -0.1 pps. in the EU last year.

Graph I.28: **Global demand, EU exports and new export orders**



Source: EC, Markit Group Limited

…as strong growth of exports…

As regards the near-term outlook, external trade indicators are sending mixed signals. The first hard data for the first quarter of 2015 show that in January, euro-area merchandise exports were 1.5% below the average of the fourth quarter. By contrast, the assessment of export order books in both the Commission's manufacturing survey and in the PMI, improved in the first quarter of 2015, compared to the previous quarter in both the EU and the euro area.

Supported by a further strengthening of global demand and the euro depreciation in the first quarter of 2015, EU exports should accelerate this year and next (see Graph I.28). EU export market shares are set to increase over the forecast horizon thanks to improved price competitiveness, which is only partly used to widen profit margins. Countries that have implemented structural reforms are expected to see particular improvements in their export performance. [44]

Export growth prospects in 2015, however, continue to be held back somewhat by the impact of tensions with Russia. While the overall effect should remain modest, countries with high exposure to Russia will be more affected. Due to the technical assumption about the continuation of tensions and sanctions until the end of July 2015, this effect will persist for some time.

Overall, EU exports of goods and services are expected to grow by 4.2% in the EU in 2015 and

[43] Sousa, Ricardo M., 'Wealth effects on consumption: evidence from the euro area', *ECB Working Paper Series*, No 1050, May 2009.

[44] For historical evidence of this link, see ECB, 'Progress with structural reforms across the euro area and their possible impacts', *Economic Bulletin* (ECB), 2015, No 2, pp. 59–71.

5.2% in 2016, while euro area exports are expected to rise by 4.4% this year and 5.4% next year.

...meets even stronger import growth.

In line with the recovery in domestic demand and goods exports, some of which have a high import content, and despite higher import prices, imports of goods and services are set to grow by 4.6% in the EU and by 4.6% in the euro area in 2015. They are then expected to accelerate to 5.6% and 5.9% respectively in 2016. Overall, net exports should have an almost neutral impact on GDP growth in both the euro area (0.1 pps. in 2015, 0.0% in 2016) and in the EU (0.0 pps. in both years).

5. THE CURRENT ACCOUNT

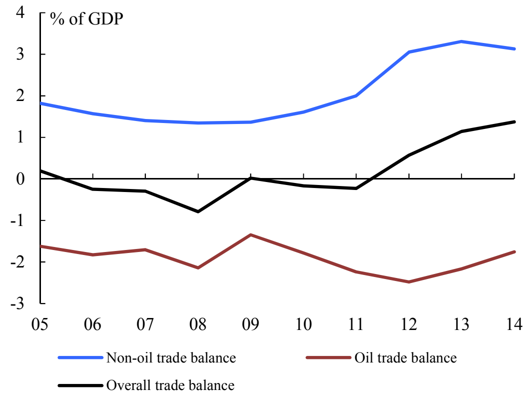
The current account surplus in the EU and the euro area has widened sharply over the past few years amid subdued domestic demand, the gradual recovery in global economic growth and recent windfall gains from plunging oil prices. Continued tailwinds from lower commodity prices but also the marked depreciation of the euro are set to further strengthen the current account surpluses of both areas over the forecast horizon.

Oil propels current account surplus to a record high in 2014...

The steep fall in oil prices since mid-2014 was the main driver of trade flows and current account movements last year. The shrinking deficit in the oil trade balance of the EU more than offset the decline in the non-oil trade balance and resulted in an increasing surplus in the overall trade balance (see Graph I.29). The dominant role of oil prices is also evident from developments in the balance of payments over the last four quarters. The balance of trade in goods increased steadily in both the EU (from 0.2% of GDP in 2014-Q1 to 0.6% in 2014-Q4) and the euro area (from 2.1% to 2.9%), whereas the surplus in the balance of trade in services steadily declined over the same period. Aggregated developments in the euro area, however, mask the process of intra-euro area rebalancing that has been continuing (see Box I.3).

Despite mitigating effects from the lower euro exchange rate, lower commodity prices have led to sharp declines in import prices, which gradually spread to domestic prices. The lower energy bill has had a more moderate impact on production input costs and export prices. Against this background in 2014, gradually abating pressures on the terms of trade, mostly in the EU, and improved export performance boosted the adjusted merchandise trade balance in the EU (to 0.3% of GDP) and the euro area (to 3.2% of GDP). [45]

Graph I.29: **Oil and non-oil merchandise trade balances, EU**



Note: Trade balances not adjusted for intra-EU trade

With the euro area's trade surplus surging, the adjusted current account balance increased in 2014 by 0.5 pps. to 3.0% of GDP, as a result of improved balances in most euro area Member States. While oil price and exchange rate developments supported rebalancing in countries that needed to strengthen their external positions, it also widened already existing surpluses. Sizeable current account surpluses of net creditor economies, particularly Germany and the Netherlands, accounted for more than half of the overall variation in the euro area current account balance in 2014. In the EU, the adjusted current account balance also moved to a higher surplus on aggregate, despite a larger-than-expected deficit in the UK and moderating surpluses in Sweden and Denmark.

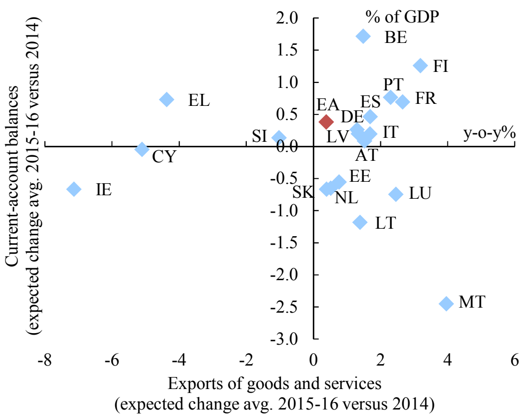
...while domestic and external factors underpin a bullish outlook in 2015-16.

The unwinding of both external and EU-specific factors is set to further widen the current account surplus in 2015 and 2016. First, lower oil prices are expected to continue to feed into lower import prices and hold back imports in nominal terms. The impact however from commodity prices should be partly mitigated by the expected stronger

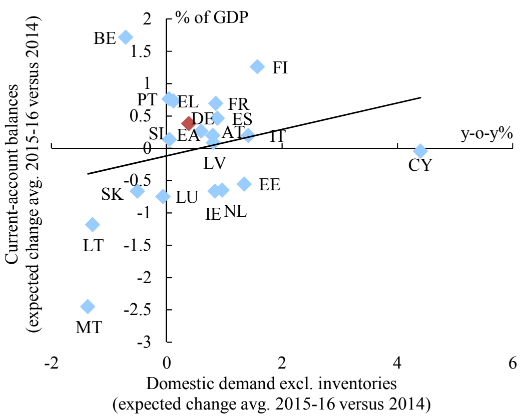
(45) Adjusted EU (euro area) balances take into account discrepancies between intra-EU (intra-euro area) exports and intra-EU (intra-euro area) imports that cause differences between the sum of the balances of the respective Member States and the aggregate balance.

pick up in domestic demand growth and the gradual acceleration of volumes of goods imports. Second, the sharp depreciation of the euro leaps to the fore. The depreciation of the euro exchange rate in both real and nominal trade-weighted terms should bolster cost competitiveness and widen the merchandise trade surplus by making exports cheaper and imports more expensive. Third, the expected pick-up in private investment is unlikely to reverse current account surpluses in EU countries with excess savings. Against this backdrop, the adjusted current account surplus is projected to widen further in 2015 to 1.5% of GDP in the EU and 3.5% of GDP in the euro area.

Graph I.30: **Current account balances vs exports of goods and services , euro area and Member States**



Graph I.31: **Current account balances vs domestic demand, euro area and Member States**



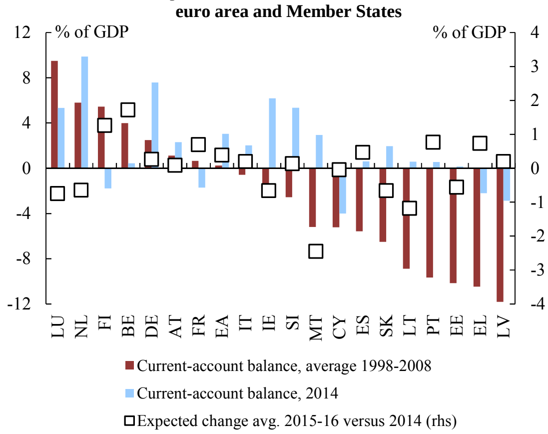
At the Member-State level, the overall impact of lower commodity prices and the weaker euro on the external sector balance should be heterogeneous, largely depending on the price elasticity of exports and the share of inputs imported from non-euro area countries. [46] Current account balances are forecast to improve by 0.2% to 0.7% of GDP in most euro area economies that had recorded high external sector deficits in the late 2000s (Spain, Latvia, Portugal, Greece, and Italy). In Portugal, the current account surplus is expected to increase further this year. Current account surpluses are forecast to widen further in Germany and moderate in the Netherlands.

The outlook for a higher current account surplus in the EU is, apart from developments in the euro area's current account, mainly due to shrinking deficits in the UK and Czech Republic and widening surpluses in Hungary, Bulgaria and Croatia.

Looking ahead, the build-up of the current account surplus should gradually peter out in 2016 as oil prices recover. The adjusted current account balance-to-GDP ratios of the EU and the euro area should move to 1.6% and 3.4% respectively, as private consumption growth and investment strengthen.

Overall, the expected change in the euro area's current account balance-to-GDP ratio in 2015-16 compared to 2014 will mostly be driven by stronger export growth, partly offset by higher domestic demand (see Graphs I.30 and I.31).

Graph I.32: **Current account balances, euro area and Member States**



Assessing the ongoing rebalancing process, oil price developments and exchange rate movements are expected to further narrow current account imbalances in the EU over the forecast horizon (see Graph I.32). The higher price elasticity of exports in some net debtor countries (notably

[46] Balta, N., K. Fischer, P. Nikolov and L. Vilmi, 'Member State vulnerability to changes in the exchange rate', *Quarterly Report on the Euro Area* (European Commission — DG ECFIN), October 2014, Vol. 13, No 3, pp. 27–33.

Spain and Italy) compared to net creditor economies, such as Germany, should facilitate, to some extent, this rebalancing process. Still, current account developments continue to mask considerable asymmetries in the adjustment process between net debtor and net creditor economies, reflecting mostly cyclical factors at play in the former group and weak investment activity in the latter. Structural reforms aimed at raising productivity growth but also the attractiveness of foreign direct investment could lead to sustained current account improvements and lower the stock of foreign liabilities, especially in peripheral countries (see Box I.3).

6. THE LABOUR MARKET

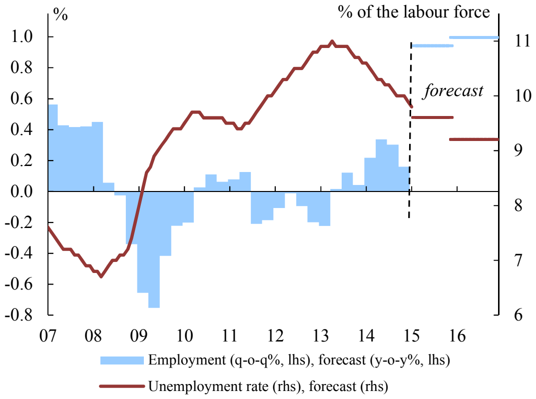
The labour market conditions in the EU continue to recover, but progress is subdued and the situation is very different across the Member States. Since mid-2013, employment has risen and unemployment has fallen in both the EU and the euro area. As economic growth strengthens, labour market conditions should improve further. Growth, however, is unlikely to strengthen enough to reduce unemployment rates significantly.

There is a generalised improvement in employment...

Since the start of the recovery, employment has picked up relatively more quickly and strongly in response to output developments than expected given historical elasticities of employment to overall activity. This likely reflects the supportive impact of past wage moderation and recent labour market reforms. Overall, in 2014 the number of people employed grew by 0.6% in the euro area and by 1.0% in the EU, the highest annual growth rates since 2008. In the fourth quarter, employment grew 0.1% (q-o-q) in the euro area and 0.2% in the EU (see Graph I.33). Compared to the same quarter of 2013, employment grew by 0.8% in the euro area and 0.9% in the EU.

At the Member State level, besides positive developments in the German labour market, employment growth was driven to a large extent by improvements in countries with relatively high unemployment rates such as Spain, Portugal and Greece. Wage restraint and recently-implemented labour market reforms were key determinants and have increased the labour intensity of economic growth. Substantial differences were observed in terms of changes in self-employment in 2014, with the increase in the UK exceeding that in the EU, and accounting for about one third of the increase in employment in the UK, [47] whereas self-employment in the four largest euro area economies shrank despite overall gains in employment.

Graph I.33: **Employment growth and unemployment rate, EU**



Forecast figures are annual data.

In 2014 as a whole, increases were not confined to specific sectors, but were rather broad based. In the euro area, employment improved particularly in the tradable and the non-tradable sectors (excluding construction) for the first time since 2009. Job losses were concentrated in three sectors (agriculture, construction, and financial and insurance activities) compared to 10 out of 11 sectors (NACE decomposition) in 2013. In the construction sector, the pace of employment destruction slowed markedly and the third quarter registered the first increase in headcount employment since the Great Recession. This could signal that the adjustment in the non-tradable sector is coming to an end.

...and unemployment rates have fallen...

Unemployment rates had continued to decline over the course of 2014 and during the first two months of this year. In February, the unemployment rate stood at 11.3% in the euro area and 9.8% in the EU, down from 11.8% and 10.5% a year earlier, shedding 1.2 pps. and 0.8 pps. respectively from their peaks in spring 2013. This decline reflects the combination of rising employment and a growing labour force. Over the course of the recovery, participation rates have moved up (added-worker effect). Ongoing declines in unemployment rates

(47) See also S. Tatomir, 'Self-employment: what can we learn from recent developments?', *Quarterly Bulletin* (Bank of England), Vol. 55, No 1, First Quarter 2015, pp. 56–66.

Table I.4:
Labour market outlook - euro area and EU

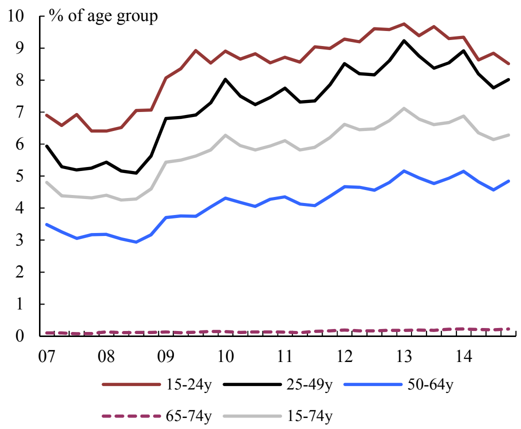
(Annual percentage change)	Euro area				*Winter 2015 forecast*			EU				*Winter 2015 forecast*		
	2013	2014	2015	2016	2014	2015	2016	2013	2014	2015	2016	2014	2015	2016
Population of working age (15-64)	0.0	0.1	0.1	0.1	*0.1*	*0.1*	*0.1*	0.0	0.1	0.1	0.1	*0.0*	*0.0*	*0.1*
Labour force	0.0	0.1	0.3	0.4	*0.1*	*0.3*	*0.4*	0.2	0.3	0.4	0.5	*0.2*	*0.3*	*0.4*
Employment	-0.8	0.6	0.9	1.1	*0.5*	*0.7*	*1.0*	-0.4	1.0	0.9	1.0	*0.9*	*0.7*	*0.9*
Employment (change in million)	-1.2	0.9	1.3	1.6	*0.8*	*1.0*	*1.4*	-0.8	2.2	2.1	2.2	*1.9*	*1.6*	*1.9*
Unemployment (levels in millions)	19.2	18.6	17.7	16.9	*18.6*	*18.0*	*17.1*	26.3	24.8	23.5	22.5	*24.8*	*23.9*	*22.8*
Unemployment rate (% of labour force)	12.0	11.6	11.0	10.5	*11.6*	*11.2*	*10.6*	10.9	10.2	9.6	9.2	*10.2*	*9.8*	*9.3*
Labour productivity, whole economy	0.4	0.3	0.6	0.8	*0.3*	*0.7*	*0.9*	0.4	0.3	0.8	1.1	*0.4*	*0.9*	*1.2*
Employment rate (a)	58.3	58.6	59.1	59.6	*58.6*	*58.9*	*59.4*	58.3	58.9	59.4	59.9	*58.8*	*59.2*	*59.7*

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

have occurred in most of the EU Member States, although substantial differences remain.

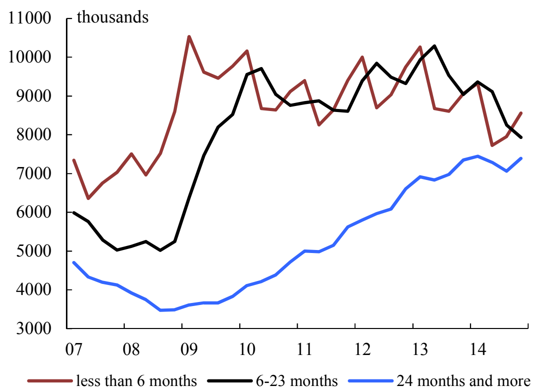
Unemployment rates differ markedly with respect to age groups and the duration of joblessness. The *unemployment rate of young people* not in education increased massively during the crisis years, reflecting a greater sensitivity of youth unemployment to developments in economic activity than that observed for other age groups. [48] In February 2015, unemployment among young people stood at 21.1% in the EU and 22.9% in the euro area (-1.8 pps. and -1.1 pps. than a year earlier), which is high by historical standards and in relation to other age groups (see Graph I.34).

Graph I.34: **Unemployment by age group, EU**



Long-term unemployment increased for a much longer period than unemployment rates for shorter durations (see Graph I.35). The proportion of people unemployed for 24 months or more remains high by historical standards. This bears the risk of long-term skill erosion and a negative impact on trend employment once unemployment becomes structural [49] or workers leave the labour force. This would be detrimental to potential output growth in the medium term.

Graph I.35: **Unemployment by duration, EU**



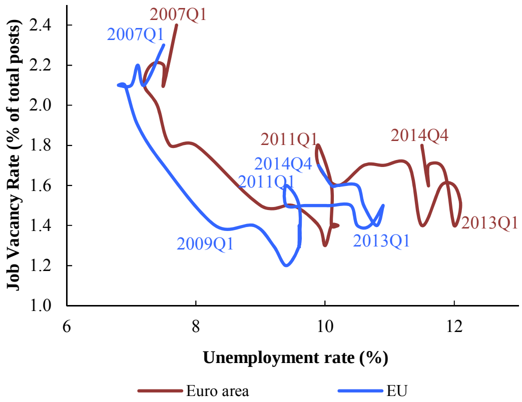
As regards developments in structural unemployment, the past decline in match efficiency is visible in the observed outward shift of the EU's and the euro area's Beveridge curves (which shows the negative relationship between the unemployment rate and the vacancy rate), which reveals that in 2014 there were more unemployed workers for a given level of vacancies than before the crisis (see Graph I.36). So far the economic recovery has not yet produced any reversal of the outward shift, which could signal an entrenched mismatch in parts of the European labour market. [50]

(48) See e.g. A. Banerji, H. Huidan Lin and S. Saksonovs, 'Youth unemployment in advanced Europe: Okun's law and beyond', *IMF Working Paper*, No 15/5, January 2015.

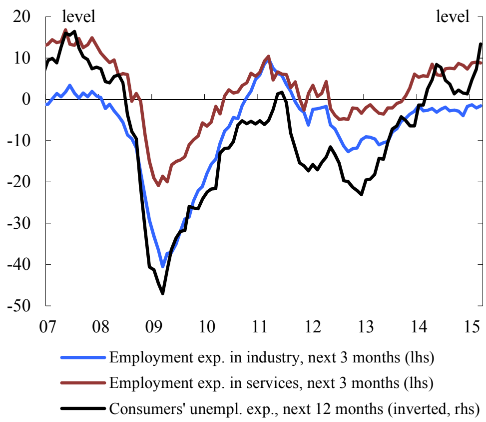
(49) For empirical evidence see A. Arpaia, A. Kiss and A. Turrini, 'Is unemployment structural or cyclical? Main features of job matching in the EU after the crisis', *European Economy — Economic Papers*, No 527, September 2014.

(50) See e.g. ECB, 'Comparisons and contrasts of the impact of the crisis on euro area labour markets', *ECB Occasional Paper Series*, No 159, February 2015, in particular chapter 3. For more information on seven other Member States see also B. Hobijn and A. Şahin, 'Beveridge curve shifts across

Graph I.36: **Beveridge curve, euro area and EU**



Graph I.37: **Employment expectations, DG ECFIN surveys, EU**



...and near-term prospects remaining favourable...

In the near term, survey data suggest that the labour market probably improved in the first quarter of 2015 and there are some positive signals for the second quarter of the year.

After having deteriorated in the second half of 2014 employment expectations in industry and services began to turn around in December. In March 2015, they were back to levels not seen since 2011 (see Graph I.37). In the construction sector, employment expectations continued to grow modestly in recent quarters, but remain at very low levels. In the first quarter of 2015, hiring intentions in services and industry in the euro area stood markedly above the level of the previous quarter, and slightly below for the construction sector. According to the latest survey readings (March 2015), hiring intentions in the EU were above their long-term averages in all sectors covered by the surveys. In the euro area they remained below the long-term average in the construction sector. Consumers' unemployment fears have decreased markedly at the beginning of 2015, in line with their more optimistic view about the general economic situation for the next twelve months. Since October 2014, the employment component of the euro area PMI has been steadily increasing.

---

countries since the Great Recession', *IMF Economic Review*, December 2013, Vol. 61, No 4, pp. 566–600.

...with the labour market recovery expected to continue in 2015 and 2016...

Further out, with growth expected to strengthen in 2015 but to remain uneven across countries, improvements in the labour market are set to continue but without being spectacular.

- In 2015, this is expected to result in employment growth of 0.9% in the EU and in the euro area, and a decline of unemployment rates to below the 10%-level in the EU (9.7%) and to 11.0% in the euro area. The recovery in employment is expected to be relatively strong in countries that implemented labour market reforms (e.g. Spain), while the German economy should continue creating new jobs but at a slower pace than in previous years, reflecting increasing supply bottlenecks in a context of very low unemployment rates. In Italy, the measures and reforms undertaken by the government at the beginning of 2015 should start translating into higher employment (see Section II.12).

- In 2016, the economic recovery should trigger further (net) job creation in the EU (1.0 %) and the euro area (1.1 %). Major recent reforms in the labour market, particularly in the stressed countries (including recent reforms in Italy) and the moderate degree of recent wage increases should continue to bear fruit and support job creation over the forecast horizon. This uptick in employment growth follows the narrowing of the negative output gap in both areas and is thus broadly compatible with Okun's law, which links growth of GDP with changes in unemployment. In that regard, the expected strengthening in private consumption may be particularly good news for employment, as it affects the GDP component that empirical studies have identified as having the largest positive employment effects. [51]

The labour force is expected to grow moderately over the forecast horizon, mirroring the entrance of certain segments of the population as a result of the improved economic situation, as well as the impact of positive net migration inflows.

The unemployment rate in the EU and the euro area is projected to decline somewhat over the forecast horizon, to 9.2% and 10.5% respectively in 2016, which remains well above the average levels observed between 2004 and 2008. The slow decline reflects cyclical factors such as an insufficiently strong and broad recovery but also the persistence of high structural unemployment. This is reflected in the historically high level of the NAWRU (Non Accelerating Wage Rate of Unemployment), which according to the Commission estimates has been increasing since 2007 in the euro area to 9.8% of the labour force in 2014 (and to 8.9% in the EU). The NAWRU is expected to broadly stabilise over the forecast horizon.

Labour productivity (output per person employed) is expected to increase gradually over the forecast horizon, reflecting the economic recovery and some lagged response of employment to developments in activity. In 2016, it is set to reach 1.1% and 0.8% in the EU and the euro area respectively.

...but unemployment receding unevenly across Member States.

In 2014, for the first time since the beginning of the economic and financial crisis, a timid convergence in labour market conditions across EU Member States started, with unemployment decreasing also in those Member States that had recorded the highest increases following the sovereign debt crisis (Greece, Spain, and Portugal). And this trend continued in the first two months of 2015. In February, unemployment rates in those countries were considerably below their summer 2013 peaks. By contrast, the unemployment rate remained broadly stable in low-unemployment countries (such as Germany, Austria or Luxembourg) and continued increasing in France and Italy. Looking ahead, labour market differences are expected to continue narrowing as the recovery strengthens in most EU Member States. Unemployment rates are expected to decrease in 2016 compared to 2015 in all EU countries but differences in levels and in the pace of decline will remain large. Unemployment rates are expected to range from less than 5% in Germany to more than 20% in Greece and Spain in 2016.

7. INFLATION

Inflation in the EU and the euro area fell in late 2014 and early 2015, dropping below zero in December. The important role of falling energy prices, reflecting the oil price decline between mid-last year and early this year, underscores the transitory nature of the decline in the inflation rate. [52]

Hints of a rebound in inflation rates…

HICP inflation in the EU and the euro area slipped below zero in December after falling quite steadily over the past three years and being very low throughout 2014 (see Graph I.38). In January 2015, mainly the sharp decline in energy prices was responsible for dragging headline HICP inflation to a low of -0.5% in the EU and -0.6% in the euro area. Other components of inflation also helped to keep inflation below zero. Inflation in non-energy industrial goods hovered marginally below zero and the volatile unprocessed food component also fell deeply in December and January. The remaining slack in the economy and relatively weak domestic demand have kept underlying price pressures low.

By February there were signals that annual headline inflation had bottomed out as it moved up to -0.2% in the EU and -0.3% the euro area, with inflation in all the main HICP components higher than in January. The rebound continued in March to -0.1% in both the EU and the euro area, mainly reflecting an increase in food price inflation, especially unprocessed food, and a smaller decline in energy prices.

(51) R. Anderton, T. Aranki, B. Bonthuis and V. Jarvis, 'Disaggregating Okun's law decomposing the impact of the expenditure components of GDP on euro area unemployment', *ECB Working Paper Series*, No 1747, December 2014.

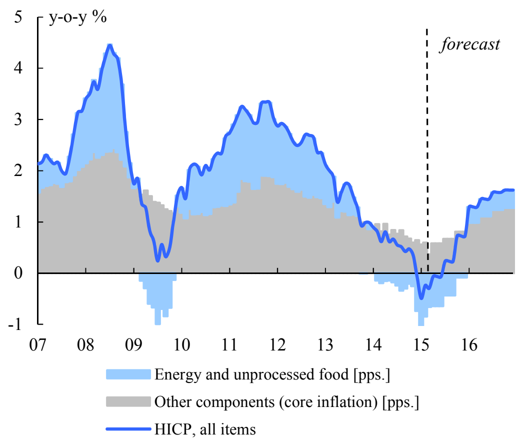
(52) For an analysis of the impact of falling oil prices see also European Commission (DG ECFIN), Winter 2015 forecast, *European Economy*, 2015, No 1, pp. 10–17.

Table I.5:

Inflation outlook - euro area and EU

(Annual percentage change)	Euro area				Winter 2015 forecast			EU				Winter 2015 forecast		
	2013	2014	2015	2016	2014	2015	2016	2013	2014	2015	2016	2014	2015	2016
Private consumption deflator	1.1	0.5	0.2	1.4	*0.5*	*0.1*	*1.3*	1.2	0.7	0.3	1.5	*0.6*	*0.3*	*1.4*
GDP deflator	1.3	1.0	0.9	1.5	*0.8*	*0.8*	*1.4*	1.4	1.1	1.0	1.5	*1.1*	*1.0*	*1.4*
HICP	1.4	0.4	0.1	1.5	*0.4*	*-0.1*	*1.3*	1.5	0.6	0.1	1.5	*0.6*	*0.2*	*1.4*
Compensation per employee	1.7	1.3	1.3	1.5	*1.4*	*1.3*	*1.5*	1.7	1.2	1.6	1.8	*1.6*	*1.6*	*1.9*
Unit labour costs	1.3	1.0	0.7	0.6	*1.1*	*0.6*	*0.6*	1.3	0.9	0.8	0.8	*1.2*	*0.7*	*0.7*
Import prices of goods	-2.1	-2.5	-1.5	1.3	*-2.1*	*-1.2*	*1.1*	-1.7	-2.4	-1.5	1.4	*-1.9*	*-1.0*	*1.1*

Graph I.38: **Inflation breakdown, EU**



Core inflation (all items excluding energy and unprocessed food) in the EU and the euro area, which had also been falling until January, ticked up in February but declined again in March as services inflation fell. Its weakness could be associated with muted labour cost developments, higher wage and price flexibility in some euro area countries as a result of structural reforms in labour and product markets in recent years, indirect effects of lower oil prices (e.g. via transportation services) [53], and, partly, the fading of last year's VAT increase in France. While core inflation is generally more stable, the low level of core inflation reflects historically low services inflation due to weak demand and contained wage pressures but also declining non-energy industrial goods inflation, which can be attributed to low input prices. In the first quarter of 2015, core inflation fell to 0.7% in the EU and 0.6% in the euro area, their lowest levels since the start of the series in 1997. Services inflation (having a weight of 43% in the euro area HICP, 42% in the EU), which is largely driven by domestic conditions, stood at 1.3% (EU) and 1.1% (euro area) and inflation of non-energy industrial goods (weight of 26% in the euro area, 27% in the EU) at -0.2% and at -0.1%, respectively.

…while external and producer price pressures remain weak…

External price pressures continued to weaken in 2014, mainly as a result of the decline in global commodity prices and also low price pressures along global supply chains. On the whole, import prices (measured by the deflator of goods imports) fell again in 2014, by around 2.5% in the EU and the euro area. This is in line with the fall in industrial import prices by 2.7% in 2014 in the euro area. The most recent information on industrial import prices points to a further fall in January 2015 and a small rebound in February.

In 2015, in the EU and the euro area, the assumed path for global commodity prices is expected to drag down goods import prices of the whole economy again, by around 1½% in both regions. In the euro area, the steep rate of decline of the euro is expected to dampen or even reverse the impact of low global prices, especially later in the year when global commodity price inflation is assumed to return to positive territory. In 2016, import prices are expected to increase by around 1.4% in both regions, consistent with the assumptions of both a low external value of the euro and also recovering global price pressures.

Consistent with remaining price pressures even at industry levels, annual *industrial producer price inflation* was consistently and strongly negative throughout 2014 and fell in January to -4.1% in the EU and -3.5% in the euro area before slightly moving up in February. Producer price inflation was driven lower especially by falling energy prices, which have a particularly strong impact at the industrial level. Declining producer prices were

[53] A study conducted by Eurosystem staff found that around one third of the impact of oil price changes would be due to effects on other HICP than energy. See ECB, 'Indirect effects of oil price developments on euro area inflation', *Monthly Bulletin* (ECB), December 2014, Box 3, pp. 54–56.

also evident in intermediate goods and non-durable consumer goods categories. However, reflecting narrowing output gaps as domestic demand picks up, prices in the final stages of the production chain, namely capital goods and durable consumer goods, rose slowly but still by less than 1% in both regions in February.

…but the recovering labour market supports a gradual increase in wage growth.

While employment is growing and unemployment rates are slowly declining across the EU, *wage growth* is still moderate. Data for the third and fourth quarters of 2014 show a slowing annual growth rate of wages and salaries in the euro area, whereas wage growth in the EU remains broadly unchanged as a number of non-euro area countries actually registered noticeable increases in wage growth. The growth in *compensation per employee* is projected to have slowed to 1.2% in the EU and 1.3% in the euro area in 2014.

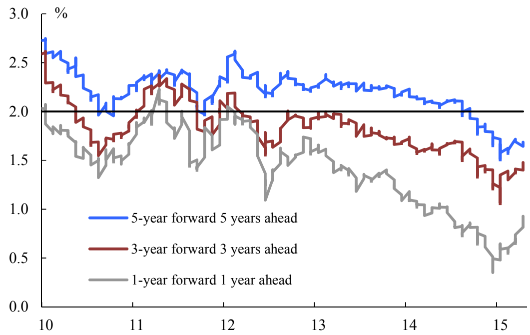
In 2015 and 2016, growth in compensation per employee is expected to increase to 1.6% and 1.8% in the EU, but to remain subdued at 1.3% and 1.5% in the euro area. With labour productivity projected to accelerate in both regions, *unit labour cost* growth is expected to remain stable at a rather low rate. Below average increases are expected in some Member States (e.g. Ireland, Spain, and Italy) that are adjusting, while in others (e.g. Germany) stronger increases are expected.

Inflation expectations recovered slightly in early 2015…

Expectations of future price developments play a major role in price-setting and wage-bargaining due to the fact that prices and wages are set at discrete intervals, so that firms and employees need to take a view on the evolution of prices and wages until the next opportunity to change them. This makes inflation expectations crucial in forecasting HICP inflation.

In recent months, short- and longer-term inflation expectations implied by financial markets declined rather rapidly as oil prices fell steeply but quickly recovered when the ECB announced its expanded asset purchase programme (APP) on 22 January. Nonetheless, according to market-based indicators, long-term inflation expectations appear to have recently become more responsive to the changes in the short-term inflation outlook. In mid-April inflation expectations stood markedly above their historical lows of January and signalled low but positive inflation in the next few years. For the short term, inflation-linked swap rates at the one-year-forward-one-year-ahead horizon stood at 0.9%. Swap rates at the three-year-forward-three-year-ahead horizon would imply an average inflation rate of 1.5% (taken at face value). On a longer horizon, the widely watched five-year-forward-five-year-ahead indicator recovered strongly from its low point in January and at the time of writing, suggests an inflation of 1.7%, a level which minimises concerns about a possible de-anchoring of inflation expectations (see Graph I.39).

Graph I.39: **Inflation expectations derived from inflation-linked swap rates**



Source: Bloomberg

The reversal in inflation expectations in early 2015 is confirmed by survey-based measures. According to the Commission's surveys, selling price expectations in both the retail and manufacturing sectors had fallen to troughs in January 2015, before picking up in February and March. The same pattern has been observed for consumers' expectations of price trends over the next 12 months (see also Box I.4). Survey-based measures of long-term inflation expectations such as the ECB's Survey of Professional Forecasters suggest that inflation rates will gradually return to levels close to 2%. Thus, survey-based measures appear to have declined less than market-based measures. This could be interpreted as evidence that respondents did not recognise changes in the inflation process and continue with their historical practice of giving more weight to recent inflation data. [54] But it could also hint on the existence of negative inflation risk premia, [55] i.e. inflation swap rates and break-even inflation rates are lower than expected inflation rates, reflecting the view

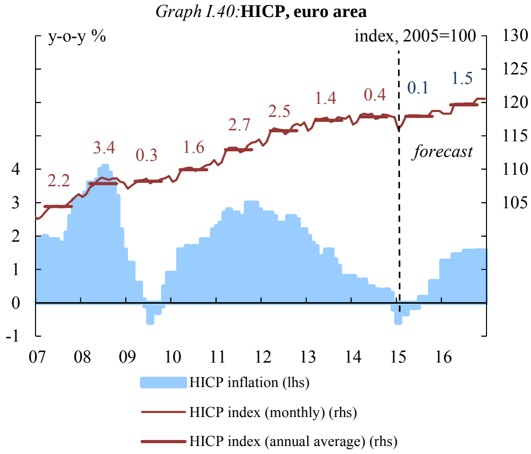
(54) See B. Trehan, 'Survey measures of expected inflation and the inflation process', *Journal of Money, Credit and Banking*, Vol. 47, No 1, February 2015, pp. 207–222.
(55) See ECB, *Economic Bulletin*, 2015, No 2, here p. 25.

that the central scenario is surrounded by a higher likelihood for lower rather than higher inflation outcomes.

...being in line with inflation gradually moving up over the forecast horizon...

In 2015, the assumed path of commodity prices and the remaining slack in the economy are expected to be a drag on the inflation outlook. The steep decline in energy prices since the second half of 2014 and the assumed path of oil prices will result in negative base effects in the HICP energy component in the first half of 2015, which are expected to outweigh the upward pressure the depreciation of the euro exerts on import prices. Later this year, the impact of low energy prices will gradually fade and the impact of the euro's depreciation and the narrowing of the output gap are expected to lift the other HICP components. Overall, inflation rates are projected to be marginally below zero in the second quarter of 2015 and to rebound towards 0.7% in the EU (see Graph I.2) and 0.6% in the euro area in the fourth quarter of 2015 (see Graph I.40), resulting in annual inflation rates of close to zero in both areas.

Graph I.40: **HICP, euro area**

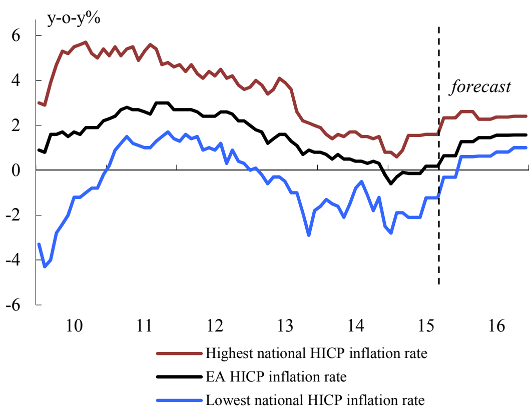


In 2016, internal and external sources of inflation should work in tandem to push inflation noticeably higher. The gradual increase in the assumed path for both energy and non-energy commodity prices should have the opposite effect on HICP inflation in 2016 thanks to positive base effects. Stronger wage growth, more robust domestic demand, and a low euro filtering into several imported consumer prices are set to feed into increasing underlying price pressures. Moreover, the ECB's quantitative easing programme has reduced concerns of deflation risks and instead helped to anchor inflation expectations, while the ensuing monetary growth should support credit channels, activity, asset prices and general price levels. Headline inflation is projected to move up to 1.6% in the fourth quarter of 2016 in both regions, lifting annual inflation to 1.5% in both the euro area and in the EU.

...but with low inflation even in countries that register relatively high economic growth.

Aggregate HICP inflation rates in the EU and the euro area mask substantial differences between Member States (see Graph I.41) though these differences are much lower than in the past.

Graph I.41: **Inflation dispersion, current euro area Member States**



In 2015, HICP inflation rates in the Member States are expected to range from -1.5% in Greece to 1.3% in Malta. Among the seven largest Member States, rates vary from -0.6% in Spain and 0.4% in the UK. The difference in rates reflect several factors including GDP growth, wage growth pressures, convergence in price levels, and the different impact of exchange rate and commodity price movements, which depend on the composition of national HICPs and industrial structures.

Another factor behind inflation differences are relative price adjustments within the euro area. In several stressed countries, external re-balancing required increases in price competitiveness that had to be achieved through a relative adjustment of prices. The observation that the largest gains in export performance among euro-area economies were last year observed in Ireland, Greece and Cyprus points to the strength of the rebalancing. As a result, not only producer prices, but also consumer prices increased slower than the euro-area average. This is reflected in inflation dispersion that should help restore relative price adjustment especially within the euro area but also across Member States. The low levels of euro area inflation make the continuation of this process more difficult and suggest that it will go on over the forecast horizon.

8. PUBLIC FINANCES

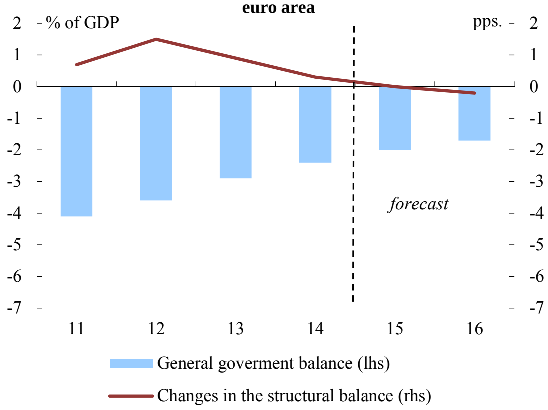
General government deficits continue to decline…

The fiscal outlook is expected to continue improving in the EU and the euro area, backed by the gradual recovery in economic activity and lower interest payments on public debt. In 2014, the general government deficit has reached 2.9% and 2.4% of GDP in the EU and the euro area respectively. For the first time since 2008, the EU general government deficit has therefore turned out below the Treaty reference value of 3% of GDP.

In the euro area, the non-standard monetary policy measures of the ECB are expected to have some impact on the fiscal outlook. These measures should exercise downward pressure on sovereign bond yields and provide some support to sovereign ratings. In effect, this could lead to budgetary savings owing to a decline in the implicit interest rates on government borrowing. In 2016, an additional positive effect may stem from the distribution of profits made by the Eurosystem on its sovereign debt holdings. Moreover, the re-anchoring of inflation expectations should support lower general government deficit and debt ratios via a higher inflation outlook. Tax revenue would also be expected to indirectly benefit from the resulting pick-up in economic growth, mostly underpinned by stronger domestic demand, boosted asset prices and a weaker euro exchange rate, even if this effect might be somehow reduced by the impact on tax revenue of lower interest incomes.

Overall, the general government deficit is expected to continue declining over the forecast horizon in both areas (see Graph I.42). In 2015, the general government deficit is projected to fall to 2.5% and 2.0% of GDP in the EU and the euro area respectively. Under a no-policy-change assumption, the general government deficit is projected to decline to 2.0% and 1.7% of GDP in the EU and the euro area in 2016.

Graph I.42: **Budgetary developments, euro area**



…and structural balances stabilise in 2015.

The improvement in the general government deficit in both the EU and the euro area in 2015 and 2016 is expected to continue to be driven by the strengthening economic recovery and, to a lesser extent, by a further reduction in interest payments on public debt. Hence, the euro area economic cycle is projected to contribute 0.4 pps. to the improvement in the general government budget balance-to-GDP ratio in 2015 compared to 2014, while lower interest expenditure is set to contribute by 0.2 pps. (see Graph I.43). In 2016,

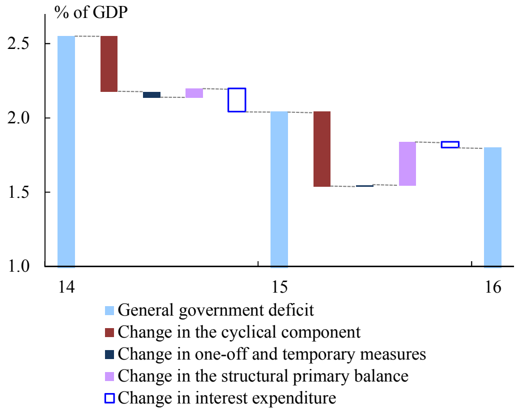
Table I.6:

General Government budgetary position - euro area and EU

(% of GDP)	Euro area				Winter 2015 forecast			EU				Winter 2015 forecast		
	2013	2014	2015	2016	*2014*	*2015*	*2016*	2013	2014	2015	2016	*2014*	*2015*	*2016*
Total receipts (1)	46.6	46.6	46.6	46.2	*46.6*	*46.6*	*46.4*	45.4	45.2	45.0	44.6	*45.2*	*45.0*	*44.8*
Total expenditure (2)	49.4	49.0	48.6	48.0	*49.2*	*48.8*	*48.3*	48.6	48.1	47.4	46.7	*48.1*	*47.6*	*47.0*
Actual balance (3) = (1)-(2)	-2.9	-2.4	-2.0	-1.7	*-2.6*	*-2.2*	*-1.9*	-3.2	-2.9	-2.5	-2.0	*-3.0*	*-2.6*	*-2.2*
Interest expenditure (4)	2.8	2.6	2.5	2.4	*2.7*	*2.5*	*2.5*	2.7	2.5	2.4	2.3	*2.6*	*2.5*	*2.4*
Primary balance (5) = (3)+(4)	-0.1	0.2	0.4	0.7	*0.1*	*0.4*	*0.6*	-0.5	-0.3	-0.1	0.3	*-0.4*	*-0.1*	*0.2*
Cyclically-adjusted budget balance	-1.2	-0.9	-0.9	-1.1	*-1.1*	*-1.0*	*-1.2*	-1.7	-1.6	-1.6	-1.6	*-1.6*	*-1.7*	*-1.8*
Cyclically-adjusted primary balance	1.6	1.7	1.6	1.3	*1.6*	*1.6*	*1.3*	1.0	1.0	0.8	0.7	*0.9*	*0.8*	*0.7*
Structural budget balance	-1.1	-0.8	-0.9	-1.1	*-1.0*	*-1.0*	*-1.2*	-1.6	-1.6	-1.6	-1.6	*-1.7*	*-1.7*	*-1.7*
Change in structural budget balance	0.9	0.3	0.0	-0.2	*0.1*	*0.1*	*-0.3*	1.0	0.0	0.0	0.0	*-0.1*	*0.0*	*-0.1*
Gross debt	93.2	94.2	94.0	92.5	*94.3*	*94.4*	*93.2*	87.3	88.6	88.0	86.9	*88.4*	*88.3*	*87.6*

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-reducing impact stemming from stronger economic growth is expected to slightly increase (to 0.5 pps.), and the continued decline in interest expenditure is projected to lower the deficit-to-GDP ratio further by 0.1 pps.

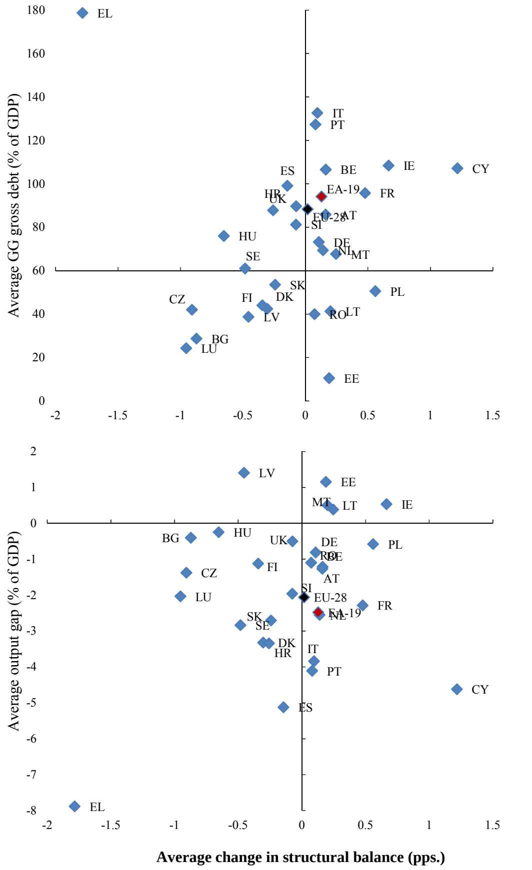
Graph I.43: **Breakdown of the change in the general government deficit in the euro area, 2015-16**



Following a substantial fiscal adjustment over the last few years, the fiscal policy stance, as measured by the change in the general government budget balance corrected for cyclical factors, one-offs and other temporary measures, has been broadly neutral in 2014 in the EU, while some further tightening is estimated for the euro area. The difference in the fiscal adjustment between the EU and the euro area is explained by the sizeable deterioration in the structural budget balance in some non-euro area Member States, in particular Bulgaria, Hungary, Sweden, the Czech Republic, the United Kingdom and Sweden. In 2015, the structural balance is projected to remain roughly stable in the EU and the euro area, on account of lower interest payments more than compensating for the estimated deterioration in the structural primary balance.

Notwithstanding the broadly neutral fiscal stance expected on aggregate in the EU and in the euro area in 2015, there are considerable differences across Member States. As regards output stabilisation, a *counter-cyclical* fiscal stance in 2015 is projected in seventeen Member States, whereby these are projected to loosen (tighten) their fiscal policies in view of negative (positive) output gaps (see Graph I.44.a). In turn, eleven Member States are expected to undertake *pro-cyclical* fiscal policies in that year, whereby fiscal policies are expected to reinforce the impact stemming from the cycle. With respect to sustainability requirements, although Member States with a higher general government gross debt are in general expected to deliver higher fiscal effort in 2015, this is not always the case (see Graph I.44.b).

Graph I.44: **Fiscal stance in the EU in 2014-2015 – structural balance vs. debt ratio and output gap**



Looking ahead into 2016, under a no-policy-change assumption, the structural balance is expected to remain broadly unchanged in the EU, while a slight deterioration is forecast for the euro area.

Decrease in both government expenditure- and revenue-to-GDP ratios…

Up until 2013, the reduction of the general government deficit was mostly driven by revenue increases in the EU and the euro area. Since 2014, expenditure has become the main factor underlying of the expected decline in the general government deficit in both areas (see Graph I.45). This should support the overall credibility of the envisaged fiscal adjustment, given that expenditure-based

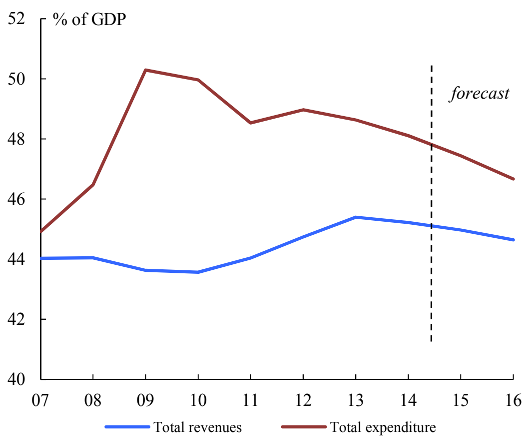
Table I.7:
Euro-area debt dynamics

	average 2004-10	2011	2012	2013	2014	2015	2016
Gross debt ratio[1] (% of GDP)	**71.3**	**86.5**	**91.1**	**93.2**	**94.2**	**94.0**	**92.5**
Change in the ratio	2.1	2.6	4.6	2.2	1.0	-0.2	-1.5
Contributions to the change in the ratio:							
1. Primary balance	**0.2**	**1.2**	**0.6**	**0.1**	**-0.2**	**-0.4**	**-0.7**
2. "Snow-ball" effect[2]	**0.6**	**0.8**	**2.6**	**1.9**	**1.0**	**0.2**	**-0.7**
Of which:							
Interest expenditure	2.9	3.0	3.0	2.8	2.6	2.5	2.4
Growth effect	-2.1	-1.3	0.7	0.4	-0.8	-1.4	-1.7
Inflation effect	-0.3	-0.9	-1.1	-1.2	-0.9	-0.8	-1.3
3. Stock-flow adjustment	**1.2**	**0.6**	**1.3**	**0.1**	**0.3**	**0.0**	**-0.1**

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.

fiscal consolidation tends to have more durable effects. (56)

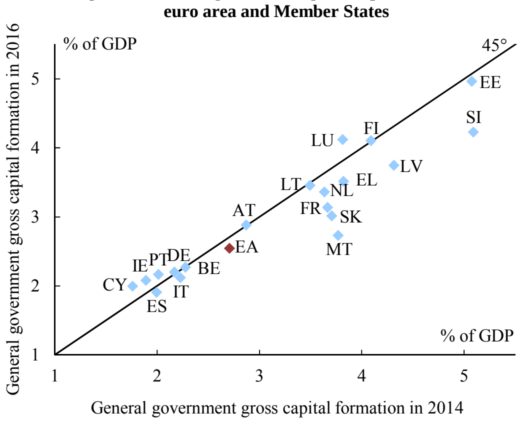
Graph I.45: **General government revenues and expenditure, EU**



The revenue-to-GDP ratio in the EU peaked at 45.4% of GDP in 2013 and is expected to gradually decrease over the forecast horizon as a result of lower net social contributions as a percentage of GDP. In the euro area, however, revenues have slightly increased in 2014 to 46.6% of GDP, largely due to broad-based higher revenues from indirect taxes as a result of stronger private consumption. The revenue ratio in the euro area is set to stabilise in 2015 and decrease in 2016, on the back of lower net social contributions. In a number of countries, reforms to reduce the tax wedge on labour are expected to contribute to this effect and play a role in raising employment and supporting economic activity.

The expenditure-to-GDP ratio is projected to remain on a downward path in the EU over the forecast horizon, from 48.1% of GDP in 2014, to 46.7% of GDP in 2016, mainly benefiting from cost-containment in public wages and the diminishing impact of automatic stabilisers as the economic recovery progresses. Similarly, the expenditure ratio is also set to decrease in the euro area, from 49.0% of GDP in 2014, to 48.0% of GDP in 2016. The estimated decrease results from declining interest payments, stemming from the accommodative monetary policy stance, lower social transfers due to the upswing in the business cycle, but also restraint in public wages and investment. Indeed, only in seven euro area Member States is public investment projected to expand faster than nominal GDP growth over 2014-2016 (see Graph I.46).

Graph I.46: **General government gross capital formation, euro area and Member States**



The transmission channels through which the envisaged monetary policy would affect the economy of the euro area would be reinforced if the growth friendliness of fiscal policy were

(56) N. Carnot, 'The composition of fiscal adjustments: some principles', *ECFIN Economic Briefs*, No 23, May 2013.

strengthened, by preserving public investment and possibly other budget components with similar strong positive spillovers.

...and public debt ratio set on a downward path.

The non-consolidated debt-to-GDP ratio is expected to have peaked in 2014, reaching 88.6% and 94.2% in the EU and the euro area respectively. In the euro area, the smaller debt-reducing effect stemming from lower inflation has been more than compensated by higher real GDP growth compared to 2013, while the contribution of the primary balance has also somewhat improved (see Table I.7). Nevertheless, these debt-reducing effects have been offset by the interest burden on the high debt load, so the debt ratio increased, despite the very low level of interest rates.

The expected continued increase in the primary surplus, combined with the improved macroeconomic outlook and a more moderate debt-increasing impact from interest payments, is projected to set the debt ratio on a downward path in both areas in 2015, when the debt-to-GDP ratio is forecast to slightly decrease to 88.0% and 94.0% in the EU and the euro area respectively. In 2016, the debt ratio is projected to continue declining in both areas, on the back of the projected pick-up in inflation, accelerating economic activity and higher primary surpluses.

9. RISKS

Risks to the outlook appear broadly balanced. Some previously discussed risks have partly materialised and entered the main scenario (e.g. the stronger-than-expected depreciation of the euro and the faster rebound of oil prices) or appear to have diminished (de-anchoring inflation expectations).

Risks to the growth outlook remain elevated but are broadly balanced...

The link between the ECB's ongoing QE and the external value of the euro has increased upward risks to the growth outlook that are associated with the technical exchange rate assumption (see Box I.5 for details), which should exceed the downside risks that would materialise should the euro appreciate. Geopolitical tensions are high on the agenda and risks associated with oil prices remain elevated, but they are also two-sided.

Downside risks include:

- *Oil price developments.* A faster-than-assumed rebound in oil prices could erase the windfall gains from lower energy prices, lower households' real disposable incomes and negatively affect private consumption. It would also raise companies' costs and thereby deteriorate their price competitiveness.

- *Geopolitical risks.* Events in Ukraine and parts of the Middle East and Northern Africa could lead to an escalation of tensions and become an impediment to economic growth in Europe, by for instance, directly impacting energy and commodity markets and indirectly by hampering business and consumer confidence. Moreover, the economic impact of sanctions against Russia and Russia's counter-sanctions could be larger than expected, in particular if they go on for longer than currently assumed.

- *Financial-market disruptions.* Risks continue to surround the assumed normalisation of monetary policy outside the EU, notably in the US, which could trigger abrupt financial market responses, including capital outflows from emerging markets. Also, an increasing mismatch between the valuation of financial assets and their underlying fundamentals, or developments in Greece could trigger disruptions in financial markets.

- *Reform fatigue.* Despite additional reforms implemented in some Member States in recent months, there is a risk that stronger economic growth may tempt governments to ease the pace of reform. A delay would also make the rotation of growth drivers from temporary tailwinds (oil price decline, euro depreciation, the fall in funding costs) towards fundamentally more sound growth determinants more difficult.

On the upside, the most salient risks are:

- *Oil price developments.* New developments in oil production or the market access of additional oil producers could delay the assumed rebound in oil prices and keep the oil-price stimulus in the EU intact for longer than expected. Moreover, the boost from lower oil prices could be stronger than currently expected.

- *The impact of the ECB's QE.* Companies' decisions in the euro area may be more interest-rate sensitive than assumed in the central scenario and bank lending may react more strongly than projected, which would allow for a stronger impact of QE on the real economy than envisaged. QE could also trigger a continued depreciation of the euro, with positive effects on exports and growth that would go beyond developments expected under the technical exchange rate assumption.

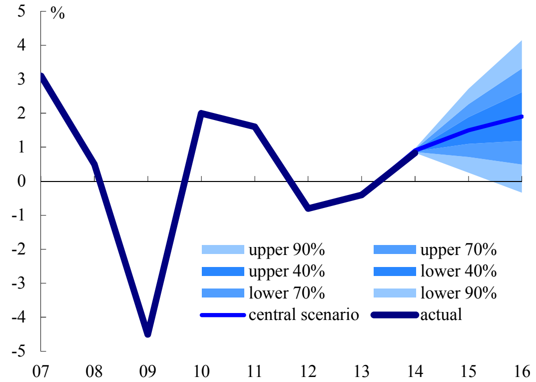
- *Global growth acceleration.* Stronger-than-expected global growth would further support EU exports. The impetus from strong export growth to domestic demand could also prove stronger than expected.

- *Structural reforms.* The positive impact of structural reforms on economic growth could set-in earlier than currently envisaged.

- *The Investment Plan for Europe.* The cautious approach to incorporating the impact of the Investment Plan for Europe may underestimate the positive impact on total investment growth in the EU.

Overall, uncertainty around the growth outlook remains elevated, but risks appear to be broadly balanced. This is visualised in the fan chart (see Graph I.47) that depicts the probabilities associated with various outcomes for euro area economic growth over the forecast horizon. While the darkest area indicates the most likely development, the shaded areas represent the different probabilities of future economic growth within the growth ranges given on the y-axis. Due to the balanced composition of risks, the fan shows symmetric confidence intervals around the central scenario.

Graph I.47: **Euro area GDP forecast - Uncertainty linked to the balance of risks**



…whereas risks to the inflation outlook have fallen.

With a key role in this forecast played by technical assumptions on exchange rates and oil prices, any deviation from their assumed paths have the potential to cause substantial deviations from the inflation forecast for the EU and the euro area. Such risks are two-sided. Other risks surrounding the inflation outlook have moderated as a result of the ECB's quantitative easing and in response to the upward revisions to the growth outlook, notably the increase in domestic demand. This applies in particular to the risk of a substantial decline of longer-term inflation expectations and of negative second-round effects on income stemming from a protracted period of very low or negative inflation.

Box I.1: Illustrative decomposition of the 2015 GDP forecast

The forecast for euro area GDP growth in 2015 is boosted by a conjunction of tailwinds. This box provides a rough quantification of the different factors affecting the growth outlook for this year based on simulations with the Commission's QUEST model. It should be noted however that the decomposition derived from the model is not necessarily identical with the impact of the same factors in the forecast, which incorporates expert judgement.

In view of the interlinkages between growth drivers, any breakdown can only give a rough idea of the contribution of single factors and so is somewhat rudimentary and subject to large uncertainties. But it is indicative in that it highlights the positive tailwinds boosting euro area growth at the current juncture. Therefore, the growth decomposition reported here is purely illustrative.

Potential euro area GDP growth is calculated at 0.8% in 2015, according to the agreed EU methodology. Output growth is boosted beyond this by a number of positive shocks, most prominently the decline in oil prices and more ample monetary conditions, while the stance of fiscal policy in the euro area is broadly neutral. A negative impact stems from events in Ukraine and related tensions with Russia.

Oil prices have fallen from USD 110 in June 2014 to around USD 60 at present, while in euro terms the fall has been around 30%. Lower oil prices boost households' disposable incomes and reduce firms' costs. The assumption of an only moderate rebound in oil prices implies that the positive impact on economic activity will continue for the rest of the year. For the year as a whole, this factor can raise GDP growth by around half a percentage point.

Looser monetary conditions comprise the impact of the ECB's recent non-standard policy measures on interest rates and their impact on the euro's exchange rate, taking into account the expected tightening of monetary policy in the US. In the simulations, quantitative easing affects euro area growth through a lower term premium, higher demand for riskier assets and via the exchange rate of the euro (cf. section I.1). The impact of QE on the euro's exchange rate cannot easily be disentangled from the exchange-rate impact of the less accommodative monetary policy expected in the US, reflecting the more advanced recovery, and from other factors that have affected investors' preferences. Together, these have driven the euro down by about 10% in effective terms since May 2014. The effect of more accommodative monetary conditions is estimated to be a boost to euro area growth this year of around ¾ pps. By increasing inflation expectations and thus preventing an unwarranted increase in real interest rates, QE has also accentuated the positive impact of the oil price fall on the economy. [1]

On the negative side, geopolitical tensions relating to Ukraine and the ensuing imposition of sanctions on Russia have had an impact on confidence and also some direct impact on trade, investment and on financial markets. [2] These tensions are estimated to lower growth by around ¼ pps in 2015.

The remaining residual of -0.4% reflects a variety of factors. On the downside they include the legacy of the crisis, ongoing deleveraging pressures and elevated uncertainty in the euro area. On the upside, the residual covers factors such as the acceleration of global growth and world trade, and calendar effects.

Table 1:
Euro area GDP growth decomposition

	2015
Euro area GDP growth	**1.5**
- Potential output growth	0.8
- Oil price decline	0.5
- Monetary conditions	0.8
- Geopolitical tensions	-0.2
- *Residual*	-0.4

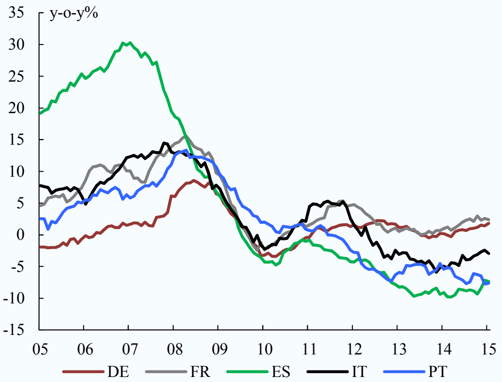
(1) An expected increase of real interest rates with monetary policy constrained at the zero-lower-bound was one of the main reasons for assessing the impact of the oil price fall cautiously in the winter forecast.
(2) Assumed to expire in July 2015 (cf. explanations in the main text).

Box I.2: Corporate lending prospects in the euro area Member States

Bank lending to non-financial corporations (NFCs) in the euro area has been weak for the last few years because adjustments in the banking system curtailed the supply of credit and because the weakness of the economy and the need to deleverage reduced NFCs demand for credit. Nevertheless, the Comprehensive Assessment of the banking system carried out by the ECB last year showed that banks are well capitalised.

Since the announcement and implementation of the ECB's expanded asset purchase program (APP), the cost of capital has declined and there has been an improvement in non-price credit terms. At the same time, improved cyclical prospects have led to higher demand for credit. Historical experience suggests that credit volumes tend to lag the business cycle and that although quantitative easing (QE) tends to influence financial prices rather quickly, its impact on lending volumes takes time to become apparent. [1] Moreover, QE is likely to be more effective in stimulating corporate lending if deleveraging pressures are no longer weighing on credit demand and supply.

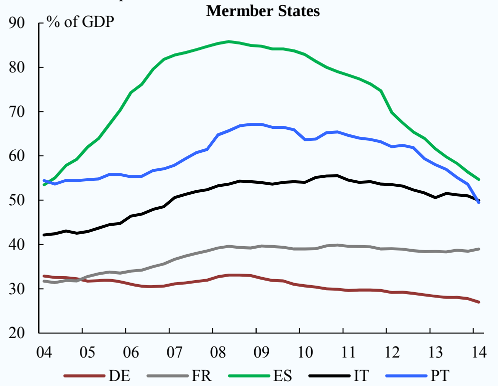
Graph 1: **Credit cycles for NFCs**



Source: ECB

Credit developments in individual countries have been quite different (see Graph 1) and have mainly followed the adjustment needs of the corporate and banking sectors in the aftermath of the financial crisis. [2] Consistent with the notion that lending has been weak over the last few years because of deleveraging, corporate credit growth has been weaker in those countries where it had increased by most prior to the financial crisis, such as Ireland, Spain and Portugal. This can also be seen in the evolution of credit to GDP ratios in Graph 2 and by the fact that changes in corporate saving ratios have been greatest in those countries where the ratios had been particularly low before 2008 (e.g. Spain, Italy, and Portugal). Differences in the scale of deleveraging by the banking sector are also broadly consistent with bank lending volumes, across the euro area.

Graph 2: **NFCs bank debt to GDP ratio, selected Mermber States**



Source: ECB, Eurostat

This box highlights a number of economic variables that help to explain how the economies of the euro area have adjusted to deleveraging pressure. The more countries have adjusted, the more they should be able to benefit from QE. Looking at adjustments in both the corporate and the banking sector should help to determine whether credit volumes have been curtailed by demand and/or supply factors. For example, structural sectoral changes may have led to a permanently lower reliance of the economy on bank lending. At the same time, legacy assets from the crisis that banks still hold on their balance sheets may still be impairing their ability to provide new credit.

Lending and adjustment in the corporate sector

The sectoral structures of economies have a strong influence on their corporate sectors' overall reliance on bank lending (see Graph 3). The manufacturing sector is less reliant on bank lending than other sectors. Industrial firms, by generating relatively stable revenues from their sales, are better able to fund themselves internally and rely therefore less on external funding. By contrast, construction firms are often facing one-off projects, which need external financing.

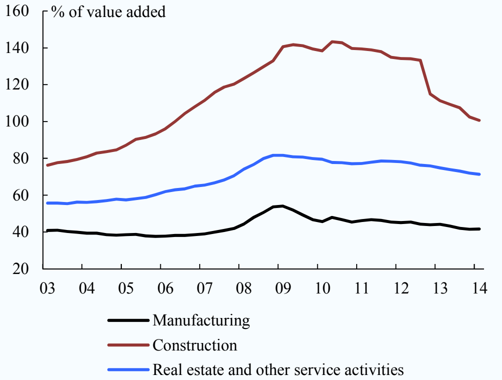
[1] See IMF Global Financial Stability Report April 2015.

[2] See also Box I.2 ('Financing conditions and credit growth') in European Commission (DG ECFIN), Spring 2014 forecast, *European Economy*, 2014, No 3, pp. 30–33.

(Continued on the next page)

Box (continued)

Graph 3: **Bank debt to value added ratio, euro area**



Source: ECB, Eurostat

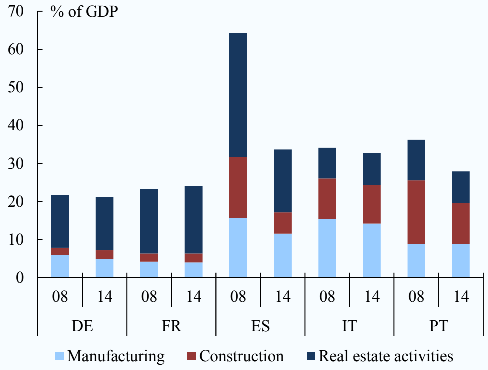
Credit intensity – expressed either as bank credit relative to value added or to total assets – has declined across sectors, but more so in those sectors that are more reliant on bank lending, such as construction. The calculations in Table 1 show that sectoral changes, such as the shrinkage of credit-intensive sectors explain only part of the decline in bank lending since 2008 (see Graph 4). Although this effect is pronounced in countries like Spain and Portugal which had relatively large credit-intensive construction sectors before the crisis, it is less evident elsewhere. In Germany, which has a strong manufacturing sector but a relatively less important construction sector, for example, there, have been no significant sectoral adjustments since 2008. The difference between the actual (Table 1, 1st row) and simulated effects (2nd and 3rd row) indicates that bank lending has declined more than the sectoral adjustments alone would suggest.

Table 1:
Bank lending and sectoral effect (change 2008 - 2014)

	DE	FR	IT	ES	PT
Actual change in outstanding lending	-1%	11%	-2%	-31%	-13%
- due to changing sectoral size	14%	7%	-2%	-6%	-3%
- due to changing sectoral composition	-2%	-2%	-4%	-2%	-6%

An important determinant of bank reliance, not fully covered by the sectoral decomposition, is the share of SMEs in an economy. As SMEs tend to have no access to capital markets and rely solely on bank lending for their external funding, a higher share of value added from SMEs in total GDP leads to a higher dependency on bank lending. In countries such as Greece, Spain and Italy, SMEs play a significantly larger-than-average role. The smaller share of larger firms in these countries impacts their ability to substitute bank lending for market funding. Research confirms that the development of corporate bond markets is correlated with the share of large firms in an economy, as well as other factors such as GDP per capita, labour productivity growth and openness. Indeed, access to corporate bond markets has improved in those countries where bond issuance was already high before the crisis. (3)

Graph 4: **Sectoral distribution of bank lending (sectors with major changes 2008-14)**



Source: Eurostat, national central banks.

Table 2 reports key indicators of the corporate sector's reliance on bank lending, relative to the euro area average in selected Member States. (4) The last column summarizes the information into a composite index of relative reliance on bank lending. Based on this unweighted average of the four indicators in Table 2, Spain and Italy still seem significantly more dependent on bank lending than other euro area countries. By contrast, bank dependency is no longer particularly high in those countries that had been exposed to weak credit growth such as Ireland, Greece and Portugal. After years of adjustment, several countries have reduced their previously very high dependency on banks thanks to a sectoral shift and higher corporate savings.

Table 2:
Bank lending dependency indicators (positive numbers signal less

	Corporate debt level (2)	NFCs saving rates	Market funding vs bank lending	Large vs small NFCs (3)	Composite index (average of indicators)
	Standardised difference relative to the euro area				
BE	-0.6	1.5	0.1	-0.2	0.2
DE	0.7	-0.1	-0.4	1.1	0.3
IE	-1.5	0.8	-1.0	1.9	0.0
EL	0.4	3.1	-1.0	-1.8	0.2
ES	-0.3	0.6	-1.1	-0.6	-0.3
FR	-0.1	-0.7	2.1	-0.2	0.3
IT	0.4	-0.2	-0.4	-1.3	-0.4
NL	-0.4	1.3	-0.3	0.6	0.3
AT	0.2	0.7	1.0	0.5	0.6
PT	-0.2	-0.3	0.8	-0.4	0.0
FI	0.0	-0.4	1.1	0.2	0.2

(1) latest available data, (2) % of GDP, (3) share in value added.

(3) The notable exception is Portugal. Corporate bond issuance over the last years was much higher in Portugal than predicted by the country's starting position before the financial crisis.

(4) SMEs are often considered less credit dependent than larger corporations as they are more likely to fund investments with internal savings.

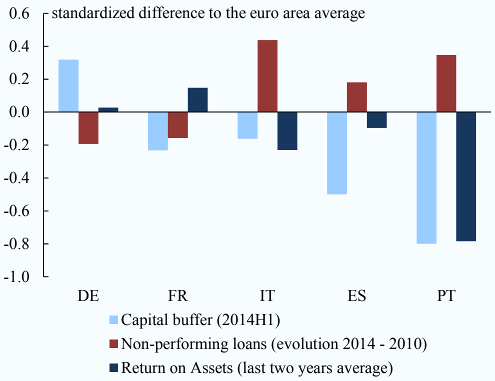
(Continued on the next page)

Box (continued)

Lending and adjustment in the banking sector

Besides the structural changes in the corporate sector, the prospects of a rebound in the lending cycle crucially depend on how the banking sector has digested the legacies of the crisis and adapted to the new regulatory environment. It equally depends on banks' responsiveness to ECB's QE. While QE is likely to have a positive overall impact on euro area banks, it remains unclear whether this positive impact will be translated into higher lending to households and companies. Three indicators relating to lending capacity help to shed light on the pace of adjustment in the banking sector and its ability to expand lending to the corporate sector (see Graph 5).

Graph 5: **Banking indicators**



Source: ECB

First, the capital buffer of banks indicates their capacity to withstand loan losses and/or to provide more loans while remaining within regulatory boundaries. [5] Capital buffers can also determine the capacity of banks to replace zero-risk-weight sovereign bonds with lending to the private sector, for which regulatory capital must be held. The higher the capital buffer, the better the potential transmission of the ECB's purchase of sovereign bonds under its QE policy to lending to the private non-financial sector.

Second, non-performing loans (NPL) are a key metric not only for corporate debt distress, but also as a credit supply indicator. Banks usually lend less and at higher interest rates when NPLs are high or rising. The level of NPLs may therefore partly explain the current differences in lending rates and volumes.

Third, the profitability of banks deteriorated during the financial crisis and they have had to scrutinise the viability of their business model. The success of their restructuring efforts should ultimately be visible in a rebound of profitability.

When compared against the euro area average, these indicators point to relatively weaker banking sectors in Italy, Spain, Portugal and Greece. NPLs in these countries have risen by more than the euro area average since 2010 and capital buffers in these countries are also below the euro area average. Moreover, returns on assets are lower, suggesting that structural changes in their banking sectors are still ongoing. Overall, this suggests that the banking systems in these countries will find it harder to provide lending to the private sector.

The French banking system has relatively low capital buffers but it does not need to cover rising levels of distressed loans. The indicators for Germany look particularly favourable with higher-than-average capital buffers and a better-than-average evolution of NPLs.

Synthesis and conclusions

Averaging the different indicators of bank reliance in the corporate sector on the one hand, and of progress with adjustment in the banking sector on the other hand can help identify Member States that could benefit most from the favourable development on financial markets (see Graph 6). Countries with a high reliance on bank lending but whose banks have only limited lending capacity such as Italy and to a lesser extend Spain, are in a rather uncomfortable situation (NW quadrant in Graph 6). Greece and Portugal have banking systems with limited space to increase credit supply but their corporate sectors are less reliant on bank lending than other euro area countries. Finally, although Germany, Ireland, the Netherlands and Finland have banks with relatively large lending capacities, demand for credit appears more limited (SE quadrant in Graph 6).

Overall, the presence of legacy issues from the financial crisis may impair the transmission of the positive impulse set by QE to bank lending. Countries in which the adjustment in the banking sector is more advanced should be better positioned to make use of the additional liquidity provided by QE to banks. Countries, in which corporate deleveraging is still on going, may encounter a

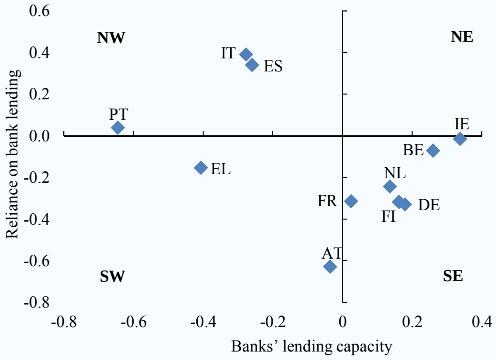
(5) The capital buffer used in Graph 5 is defined as banks' total own funds for solvency purposes relative to capital requirements.

(Continued on the next page)

Box (continued)

limited demand for bank lending even if QE leads to more favourable financing conditions and higher aggregate demand. Whether QE is more effective when corporates' reliance on bank lending is low seems to depend on the reasons for the low reliance. If it is due to corporates making stronger use of market funding, such as corporate bond issuance, QE can be very effective, as the costs of bond issuance have come down considerably. The impact could, however, be limited if firms reacted to past credit constraints by intensifying their use of internal funding, e.g. funding their investments with own revenues, because they want to avoid reliance on external funding sources.

Graph 6: **Corporate reliance on bank lending vs banks' lending capacity (difference from euro area in standardised values)**



Source: ECB, Eurostat

Box I.3: **Rebalancing in the euro area: an update**

Current accounts in a majority of euro area countries are now close to balance or in surplus. As shown in Table 1, current account deficits exceeding 1 % of GDP in 2015 are foreseen only in Greece, Cyprus and Latvia. The euro area should register a record surplus of 3.5% of GDP in 2015, which is in value (about EUR 360 billion) one of the largest in the world. In light of their output gaps, which are larger than those of their competitors, Ireland, the Baltics and Malta exhibit bigger current account surpluses if adjusted for the cyclical component, while the opposite holds for Greece, Spain, Cyprus and Slovakia. For the remaining euro area Member States, cyclical factors play a minor role in determining present current account figures.

Current account balances improved substantially since the start of the financial crisis, with double-digit improvements recorded in the current account/GDP ratio of broadly half the euro area Member States, namely those that had sizable deficits in the late 2000s. As for the countries that recorded surpluses at the start of the crisis, only those of Germany and the Netherlands have grown.

Current account improvements in deficit countries since the start of the crisis are only partly explained by cyclical developments, since the output contraction in these countries was largely accompanied by reduced potential output. [1] In Germany, by contrast, cyclical developments have worked towards reducing the surplus, but this has been overwhelmed by an increase in the non-cyclical component of the German surplus. [2]

Two broad phases can be distinguished in the rebalancing process since the financial crisis. The first phase largely coincided with market-driven sudden stops and reversals of large current account deficits and the deterioration of public finances, which, in some cases, was followed by tensions in government bond markets and fiscal consolidation measures. The second phase started in the second half of 2012 and was characterised by easing financial market tensions, falling spreads, and a reduced pace of fiscal consolidation.

Table 1:
Cyclically adjusted current accounts and trade-weighted output gaps

	CA 2015	Cycl. adj. CA 2015	CA change 2007-15	Cycl. contr. 2007-15	CA change 2013-15	Cycl. contr. 2013-15
BE	2.1	2.4	-1.8	-0.5	3.5	-0.2
DE	7.9	8.6	0.9	-1.6	1.0	-0.2
EE	-0.3	3.0	15.3	7.7	0.1	0.2
IE	5.7	8.7	11.2	-1.2	1.3	-3.6
EL	-1.6	-4.2	14.2	3.8	0.7	-3.0
ES	1.2	0.2	10.8	1.5	-0.3	-1.5
FR	-0.9	-1.3	0.2	0.6	1.1	0.4
IT	2.2	1.4	3.6	0.6	1.3	-0.3
CY	-3.9	-5.2	7.2	2.8	-1.8	0.5
LV	-2.3	0.5	18.9	4.2	-0.3	-1.4
LT	-0.2	2.4	14.6	2.5	-1.8	-1.5
LU	4.6	5.6	-5.5	1.0	-0.3	-4.8
MT	0.6	5.1	4.5	-6.9	-2.4	-0.3
NL	9.0	8.3	1.7	-0.2	0.5	-1.1
AT	2.4	2.6	-0.8	-1.2	0.2	0.6
PT	1.2	0.4	11.2	0.0	0.3	-1.5
SI	5.4	6.2	9.4	3.2	0.6	-3.7
SK	1.8	0.5	7.3	7.2	1.0	-0.4
FI	-0.7	-1.5	-4.8	1.2	1.2	-0.3
EA19	3.5	3.3	3.1	0.0	1.0	-0.4

Note: current account data refers to the national account concept; NIIP data are based on BoP6. Cyclically-adjusted budget balances control for domestic and foreign output gap only. For the methodology to purge current account balances from the cyclical component see Salto and Turrini (2010). Data source: European Commission, Ameco, Eurostat.

As shown in Table 1, starting from 2013, current account improvements in countries that started with large deficits has continued at a much slower pace, stopped, or even reversed. The improvement in the output gaps of these countries imply that the deterioration of current account balances was largely due to the beginning recovery of the business cycle. Over the same period, however, the euro area's surplus increased rapidly to more than 3.3 % of GDP, mainly due to dynamics in the largest Member States. In Italy, declining demand as a result of weak growth led to a substantial improvement in the current account balance. Germany's surplus increased further due to muted corporate investment, which offset a slight improvement in household demand. By contrast, the narrowing of France's current account deficit was led by lower construction investment. In all three countries, current account improvements were mainly due to developments in the private sector, but also helped by a tightened fiscal stance.

In light of the strong contraction of domestic demand during the early phase of adjustment, current account improvements in deficit countries were to a large extent linked to reduced imports (see Graph 1), although this trend has recently reversed somewhat. Regarding exports, with the exception of Ireland, growth was relatively subdued or even negative before 2012, and the

(1) See also European Commission (2014), *European Economy* no. 2, European Economic Forecast, Winter 2014. For another perspective see Tressel and Wang (2014): 'Rebalancing in the Euro Area and Cyclicality of Current Account Adjustments' *IMF Working Papers* 14/130: If the definition of 'cyclical' encompasses not only the business cycle, but also property and financial indicators, a far larger portion of current account adjustment is due 'cyclical' factors.

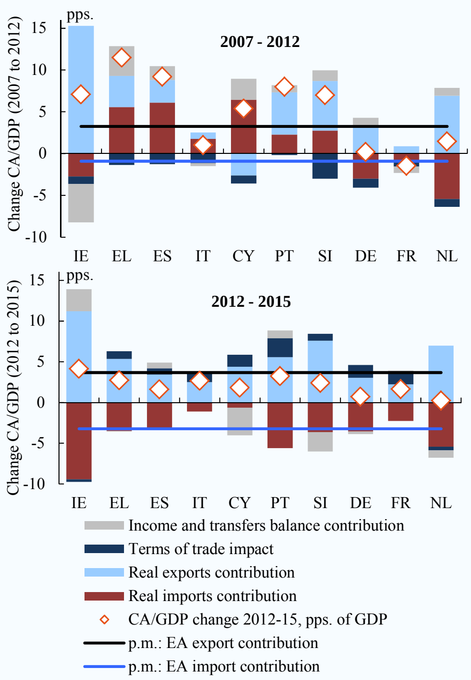
(2) See also European Commission (2015), *Country Report Germany 2015*.

(Continued on the next page)

Box (continued)

positive contribution to current account dynamics was due the fact that GDP growth remained below export growth. Export growth resumed after 2012 and has since been by far the strongest determinant of current account improvements in most countries. The contribution of exports to current account changes over the 2012-15 period was stronger in most countries than in the 2007-12 period. Moreover, declining oil prices in 2014 contributed to the improvement through terms-of-trade effects.

Graph 1: **Contributions to current account adjustment: current account components**

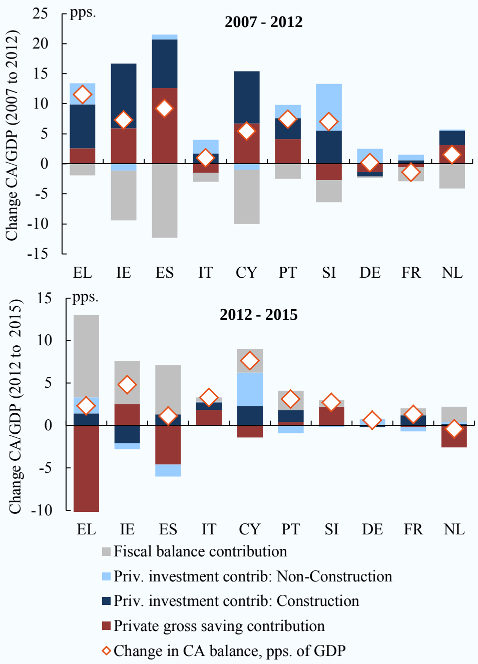


Source: AMECO, European Commission

The different role played by domestic demand during rebalancing can be gauged from Graph 2, which disentangles different components of the savings-investment balance in selected euro area economies. The early phase of rebalancing was largely driven by the contraction of private domestic demand components across the board. Private investment contracted in most countries, notably those running large current account deficits. The contraction was particularly pronounced in construction investment.

Private consumption generally contributed to current account improvements as well: its share of GDP fell, considerably in countries such as Spain and Ireland. The contribution of government savings by contrast was negative because of the recession-driven deterioration in fiscal balances.

Graph 2: **Contributions to current account adjustment: savings - investment balance**



Source: AMECO, European Commission

The picture changes substantially in more recent years. Investment stopped providing a positive contribution to current account dynamics, not only because of the stabilisation in construction investment, but also because of the recovery in non-construction investment in countries such as Ireland, Spain and Portugal. While the productive investment recovery has had a negative effect on recent current account dynamics in these countries, it should create the basis for a stronger tradable sector in the future. The recovery in consumption implied deteriorating current account balances in most countries, apart from Italy, where declining consumption was a major driver of current account developments. Conversely, progress in fiscal consolidation has translated into current account improvements, with considerable gains recorded in Greece and Spain. It is unlikely that a similar positive contribution by the government sector to current account dynamics would be maintained in the coming years.

Despite current account positions having moved close to balance or in surplus in most euro area countries, stock external imbalances remain high, as revealed by Net International Investment Positions (see Table 2). After years of major deteriorations, the Net International Investment Position (NIIP) of most countries with large stocks of net foreign liabilities is stabilising, but progress towards a more prudent position remains minor,

(Continued on the next page)

Box (continued)

while the NIIP of countries with largely positive positions such as Germany and the Netherlands has been growing for years. At present, on the basis of the forecast for potential growth and inflation, current account positions expressed in cyclically-adjusted terms are above the levels required to stabilise the NIIP in almost all euro area countries, in particular in the former deficit countries (with the exceptions of Greece and Cyprus). However, more prudent current account balances may be required in some cases to ensure a satisfactory pace of reducing net foreign liabilities. As a benchmark, achieving a NIIP/GDP ratio of -35 % over a 10-year period would require medium-term current account improvements in Greece, Cyprus, Spain, and Portugal.

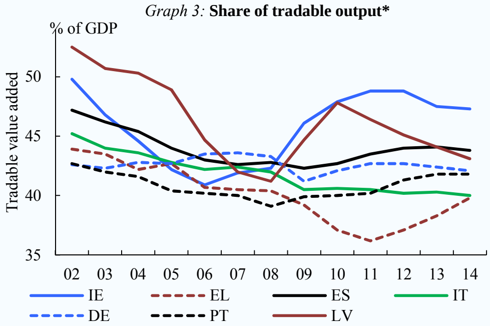
Table 2:
Current account balances required for external sustainability

	NIIP as % of GDP, end-2014	Cyclically adjusted CA as % of GDP 2015	CA required to stabilise NIIP 2015-16	CA req. to reduce NIIP to -35% until 2024
BE	54.0	2.4	1.0	:
DE	36.0	8.6	1.1	:
EE	-42.0	3.0	-4.7	-3.8
IE	-97.0	8.7	-3.5	3.7
EL	-109.0	-4.2	-0.1	4.8
ES	-88.0	0.2	-1.2	3.1
FR	-16.0	-1.3	-0.3	:
IT	-26.0	1.4	-0.3	:
CY	-156.0	-5.2	0.2	9.4
LV	-62.0	0.5	-5.8	-2.5
LT	-44.0	2.4	-5.4	-3.7
LU	43.0	5.6	1.8	:
MT	38.0	5.1	-0.2	:
NL	64.0	8.3	1.5	:
AT	2.0	2.6	0.2	:
PT	-105.0	0.4	-2.7	3.5
SI	-44.0	6.2	-0.6	-0.4
SK	-68.0	0.5	-3.8	-0.2
FI	12.0	-1.5	0.1	:

Note: current account data refers to the national account concept. The current account required to stabilise the NIIP is based on GDP deflator and potential GDP growth for the 2015-16 period. The current account required to reduce the NIIP/GDP ratio below -35% is the average current account required over the 2015-2024 period based on the current forecasts for GDP deflator and potential until 2016, DG ECFIN's medium-term forecasts until 2021, and assumptions underlying DG ECFIN's debt sustainability analysis until 2024. All current account benchmarks assumes zero valuation effects on average and a capital account balance as a share of GDP equal to the median value over the 2012-14 period.

Once the rebalancing process in the euro area has run its course, countries with large net foreign liabilities will need to maintain sufficient current account surpluses. The success of policies put in place by the ECB and a domestic demand recovery in core euro area countries should contribute towards this end. Rebalancing will be compatible with a recovery in potential growth in net debtor countries provided that growth is sufficiently export-driven. For this to happen, the necessary shift from non-tradable to tradable activities needs to continue in these economies. As shown in Graph 3, while this shift has started only recently in Greece, it appears to have peaked in Ireland and Spain, and reversed in countries that went through current account rebalancing at an earlier stage, like Latvia. Price and cost competitiveness gains would help such a shift, but developments in REER indicate that competitiveness improvements since 2013 have slowed down in countries like Spain and Portugal. The major slowdown in inflation recorded in competitor countries since 2014 is also reducing the extent of competitiveness gains in Greece and Cyprus.

Graph 3: **Share of tradable output***



Source: European Commission computations on data from Ameco and Eurostat.
* Tradable output is defined as the sum of manufacturing, agriculture, transport and trade services.

Rebalancing should also be helped by structural reforms. In countries with large stocks of foreign liabilities, further structural reforms should raise productivity growth and facilitate the reallocation of capital and labour toward exporting firms. However, the scope for exports also depends on external demand. Weak demand in the core euro area implies that debtor countries have to focus relatively more on dampening import demand rather than expanding exports in order to reduce their net external liabilities. For the relatively closed economies in the euro area's south, that would weigh on GDP growth, which in turn would require higher current account surpluses to narrow the NIIP as a share of GDP. Conversely, structural reforms to reinvigorate domestic demand and growth in surplus countries would also help to ease the debt burden in the euro area periphery, not only by increasing demand for exports, but by raising euro area inflation closer to 2%.

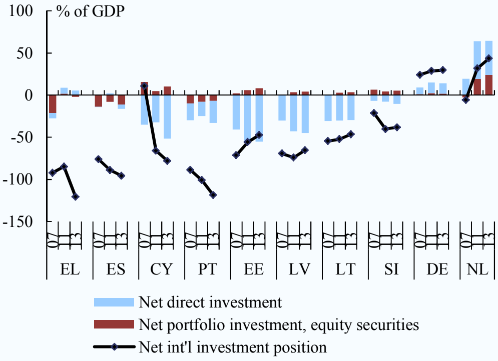
In the external debtor countries, structural reforms should also improve attractiveness to foreign direct investment, which offers an alternative route

(Continued on the next page)

Box (continued)

towards the easing the burden of negative NIIPs. Net foreign liabilities in the euro area periphery are largely in the form of net market debt, except those in Ireland [3] and the Baltic countries (see Graph 4). A stronger reliance on FDI and equity inflows in the euro area's periphery would contribute to the stability of foreign investment and to the extent of risk sharing with foreign investors.

Graph 4: **NIIP composition (based on BoP6)**



Source: European Commission computations based on data from AMECO and Eurostat.

---

[3] Note that the Irish NIIP indeed is characterised by large FDI positions from non-EU investors. However, it is also strongly affected by Ireland's status as a centre of European bond funds, which are accounted for as debt assets matching equity liabilities. For this reason, the Irish net equity liabilities would be beyond scale in Graph 4.

Box I.4: What do survey data tell us about future price developments?

Inflation today is low by historical standards in most advanced economies. Survey-based data on price expectations provide timely information on current developments but can also signal future developments. As expectations that prices will fall in the future could lower current inflation, e.g. by encouraging consumers to delay purchases until prices fall, it is important to carefully monitor various measures of price expectations.

Against this background, this box explores the usefulness of qualitative survey data for monitoring price developments in the EU and the euro area and investigates whether inflation, after years of decline, has bottomed out or started to recover. Two main sets of survey data are analysed: the first consists in data that can detect price pressure at an early stage of price formation, such as managers' selling price expectations. The second set includes data on consumer price expectations, which could reveal whether the recent decline in consumer-price inflation (as measured by the HICP) has had an impact on inflation expectations.

Price pressures along the supply chain

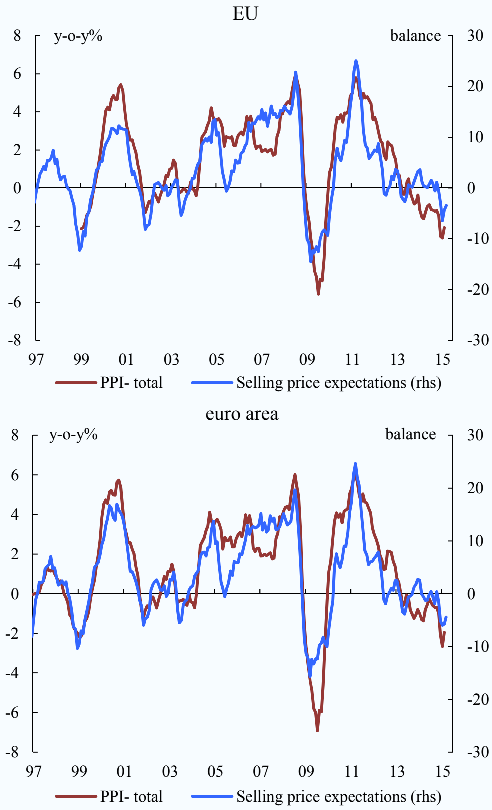
Producer prices are of particular interest since they can help to identify price pressures at an early stage of the value chain that could subsequently be passed on to finished goods and hence consumers.

Two sorts of data are used to check the information contained in survey data with regard to future producer price developments: the business surveys conducted by the European Commission in the framework of the Harmonised Business and Consumer surveys (BCS) and Markit Economics' PMI.

Question 6 of the European Commission's monthly Industry Survey [1] reads: 'How do you expect your selling prices to change over the next three months? They will increase, remain unchanged or decrease'. As the question relates to manufacturing, the assessment is made against the Producer Price Index for the manufacturing sector, which represents 84 % of 'total industry excluding construction' in both the EU and the euro area.

Graph 1 demonstrates the close co-movement of selling price expectations and producer prices. After a period of relative stabilisation in early 2014, both series were on a downward trend in November, following the oil price decreases registered since mid-2014, and picked up in February 2015. In March, selling price expectations increased further in both the EU and the euro area.

Graph I.1: **Selling price expectations (balance statistic) and producer prices in the manufacturing sector, EU and euro area**



Source: European Commission

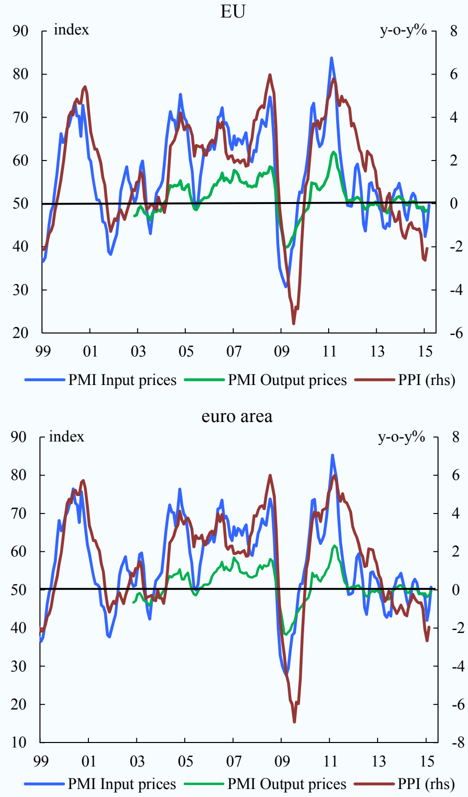
Markit Economics' PMI survey asks managers about their buying (input) prices and the prices they charge for their goods (output prices). Graph 2 shows PMI input and output prices along with year-on-year changes of producer prices, again testifying a close co-movement between the series. Focusing on the most recent developments, while PMI output prices have been fluctuating around a level of 50 between mid-2012 and mid-2014, which represents stable producer prices, they registered an important decline from November 2014 to January 2015. In line with the European Commission's survey results, PMI output prices picked up in February and March, rising above the threshold of 50 for the euro area, thus indicating easing deflationary pressure.

[1] For more information, see http://ec.europa.eu/economy_finance/db_indicators/surveys/index_en.htm .

(Continued on the next page)

Box (continued)

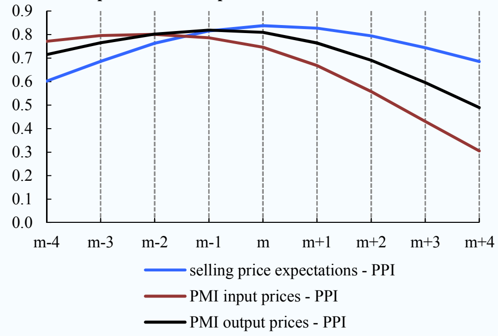
Graph 2: **PMI input, output prices and producer prices in the manufacturing sector, EU and euro area**



Source: European Commission

The visual inspection is corroborated by correlation analysis, which indicates that selling price expectations and PMI input and output price developments track producer prices in the manufacturing sector quite closely (see Graph 3). Correlations with year-on-year producer price changes achieve their maximum in a coincident or slightly leading (1 month) set-up, suggesting some leading properties for survey-based measures of selling price expectations ('m' and 'm-1' on the horizontal axis of the graph). In line with the theoretical leading behaviour in the supply chain, the PMI series on input prices shows a higher degree of correlation with the PPI when considering lags from one to four months ('m-1' to 'm-4'). The question about selling price expectations also features in the European Commission's services, retail trade and construction surveys. As shown in Graph 4, the trend of these series, albeit at different levels, is rather similar to that observed in the manufacturing sector.

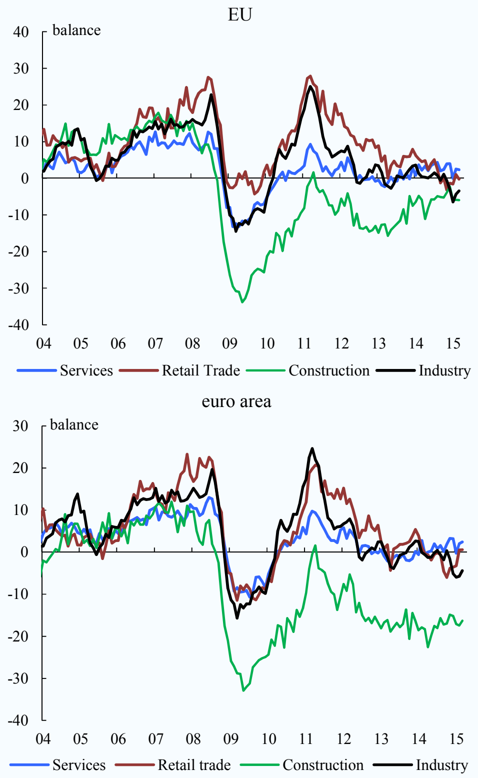
Graph 3: **Correlation between y-o-y% of 'Manufacturing PPI' and EC 'Selling price expectations' and PMI input and output prices – over the period Nov 2002 to Feb 2015**



Source: Markit Economics and European Commission.

Concerning recent developments, selling price expectations in the services sector have been see-sawing around a stabilising trend since the beginning of 2014.

Graph 4: **Selling price expectations in the services, industry, retail trade and construction sectors, EU and euro area**



Source: European Commission

Expectations about prices charged in the EU construction sector have been on a volatile upward path since April 2013, while in the euro area the series has shown a rather flat development. Finally, selling price expectations in the retail trade sector — which are highly correlated with year-on-year

(Continued on the next page)

Box (continued)

changes of the harmonised index of consumer prices (HICP) — have been on an upward trend since the end of 2014, mostly offsetting the decreases observable during the second half of 2014.

All in all, though manufacturing managers' selling price expectations and PMI input and output prices remain at relatively low levels, the latest increases suggest a bottoming out of price expectations. This is supported by the development of selling price expectations in the other business sectors that have either fluctuated around rather stable levels or seen slight upward revisions lately.

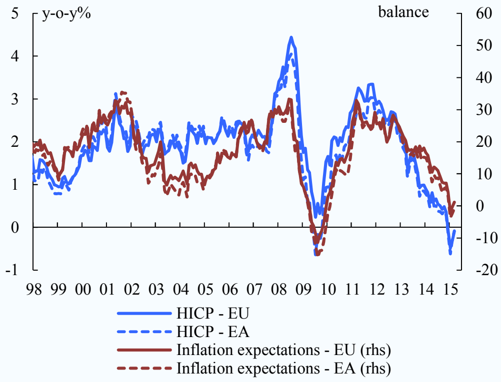
Inflation expectations

A second set of survey-based data is directly linked to consumer price developments.

The European Commission's consumer survey is qualitative and covers short-term inflation expectations. The ECB's quantitative Survey of Professional Forecasters (SPF) focuses on both short- and long-term expectations. The target population of these two surveys differs (consumers vs. professional forecasters). A third measure of inflation expectations is based on financial market products.

As shown in Graph 5, prior to the introduction of euro notes and coins in January 2002, there was a close relationship between consumer inflation expectations and actual inflation developments, with a correlation above 0.9. The close co-movement between the two series was disturbed by the changeover, but became stronger again from the beginning of 2008.[2] Since early 2014, inflation expectations have been declining again, in line with HICP inflation developments. Although euro area HICP inflation is at the same level as in 2009 (and at a lower level in the EU), the current level of inflation expectations is well above the historical low reached in 2009. In addition, the latest results show a slight increase in consumer inflation expectations (in line with the pick-up registered in HICP inflation in February and March [3]).

Graph 5: **Actual HICP inflation and consumers' inflation expectations, EU and euro area**



A disaggregate analysis of the evolution of inflation expectations over time also suggests that the present situation is different from the one observed in 2009, when a short period of negative inflation occurred in the euro area. Contrary to developments in 2009, the share of consumers expecting prices to fall has increased only marginally since 2011 and has remained very low (see Graph 6). This argues against additional deflationary pressures coming from consumers waiting for further price decreases. The only visible changes are an upward trend in the share of consumers expecting prices to remain broadly unchanged, and a decrease in the share of respondents expecting prices to increase more rapidly or at the same rate.

Overall, developments in consumer price expectations — at least for the short-term — do not point to a risk of 'self-fulfilling' dynamics which could eventually pull down inflation.

The quarterly ECB Survey of Professional Forecasters (SPF) collects information about forecasts for euro area HICP inflation one, two and five years ahead. In addition to the quantitative estimation of expected inflation, forecasters are asked to provide a probability distribution for

(2) In both the EU and the euro area the highest correlations between consumer price expectations and measured HICP is achieved in a coincident set up. For more information of the predictive power of inflation expectations, see Jonung, L. and Lindén, S. (2010), 'The forecasting horizon of inflationary expectations and perceptions in the EU Is it really 12 months?' *European Economy - Economic Paper No 435*.

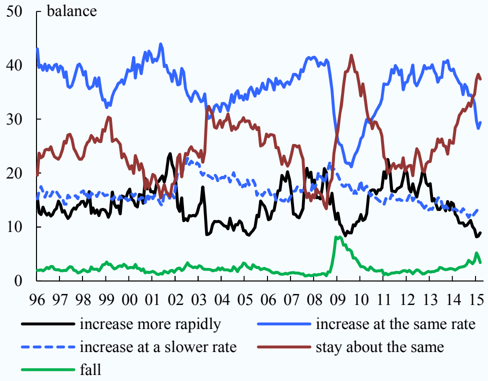
(3) The HICP inflation rate in both the EU and the euro area increased to -0.1 % in March from -0.3 % in February.

(Continued on the next page)

Box (continued)

expected inflation at both shorter and longer-term horizons. (4)

Graph 6: **Consumers' inflation expectations, disaggregate analysis, EU**



Standard measures of forecast performance, such as the root mean square error, show that SPF forecasts are more accurate than naïve forecasts based on inflation rates for the most recent past.

The latest SPF (2015Q2) indicates inflation expectations at 0.1 % for 2015, 1.2 % for 2016 and 1.6 % for 2017. Inflation forecasts were revised down for 2015, owing to oil price developments, but up for 2016 and 2017, supported by monetary policy measures and exchange rate developments. Compared with the previous SPF round, the aggregate probability distribution for expected inflation in 2015 moved further towards lower outcomes, while for 2016 and 2017, the probability associated with higher outcomes has increased. The most likely (modal) outcome lies in the 0.0-0.4 % range for 2015, in the 1.0-1.4 % range for 2016 and in the range of 1.5-1.9 % for 2017. According to survey participants, the probability of negative inflation in 2015 is now rather high (35 %), whilst for 2016 and 2017 it remains low (5 % and 2 %, respectively). Longer-term inflation expectations have remained unchanged at 1.8 % compared to the previous SPF survey. This confirms that longer-term inflation expectations of professional forecasters remain firmly anchored at levels consistent with the ECB's definition of price stability.

(4) The panel comprises more than 70 forecasters located across the EU. Around 60 % of the SPF panel are participants from the financial sector (mainly banks), while the remainder are non-financial research institutes, employers' associations and labour organisations.

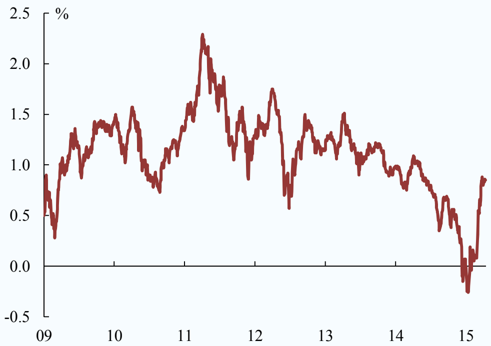
Market-based inflation expectations

Marked-based inflation expectations have the advantage of providing information over a longer-term horizon; on the downside, they might be distorted by unobservable risk and liquidity premia. (5)

Market-based inflation expectations are most commonly analysed by break-even inflation rates and inflation-linked swap rates.

Break-even inflation rates — derived from German government bonds of maturity five years ahead — have overcome the lows recorded in early January (below zero) and currently stand at 0.85 % (see Graph 7). Having increased steadily since mid-February, they suggest that the decline of expectations was largely driven by temporary factors and that fears of deflationary pressure have reduced recently.

Graph 7: **Inflation index-linked bonds maturity 5 years ahead, euro area**



Source: Bloomberg

This trend is confirmed by the evolution of inflation-linked swaps for a wide range of maturities, from which a euro area inflation curve can be drawn. Market-based short-term inflation expectations have recovered from the troughs they reached in January (see Graph 8).

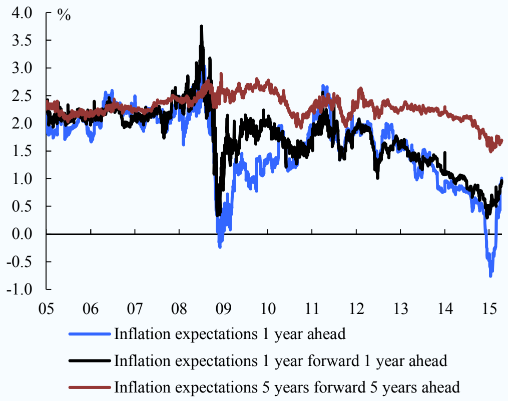
Long-term swap-based inflation expectations also bottomed out in January at historical lows and recovered slightly afterwards. Having fluctuated around its long-term average of 2.3 % for most of 2013, the 5-year forward five-years ahead implied rate declined in 2014. Currently it is hovering around 1.7 %, slightly lower than the ECB's SPF (2015Q1) results.

(5) See 'Inflation risk premia in market-based measures of inflation expectations', *Monthly Bulletin* (ECB), July 2014.

(Continued on the next page)

Box (continued)

Graph 8: **Swap-based inflation expectations, euro area**



Overall, market-based measures of inflation expectations bottomed out in January 2015 and have since recovered somewhat. Current very low swap-based inflation expectations can also be partly explained by the fall in inflation risk or liquidity premia. In any case, they indicate positive inflation rates later this year. Moreover, long-term inflation expectations point to increasing inflation rates over the coming years.

Conclusions

Survey data on managers' selling price expectations and consumers' inflation expectations provide useful short-term information on the evolution of prices along the supply chain to final consumer prices.

Though clearer signs of long-lasting upward revisions have to be confirmed in the next months, the February and March results of the European Commission's manufacturing selling price expectations and Markit Economics' PMI input and output prices suggest that the downward trend has bottomed out and that there are signs of recovering prices along the supply chain. Signs of a break in the downward trend of producer prices are broad-based across business sectors, especially in retail trade, where selling price expectations have increased recently.

Concerning inflation expectations, the analysis shows that consumers do not seem to expect inflation to fall further. SPF results indicate that HICP inflation should remain positive, although low, in 2015. This is consistent with financial market-based measures of inflation expectations that point to positive inflation rates later this year. These results are in line with the Commission's spring forecast, which foresees low but gradually positive HICP inflation rates in the second half of 2015.

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 21 April. The forecast incorporates validated public finance data as published in Eurostat's News Release 72/2015 of 21 April 2015.

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 6 and 17 April) 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 1.08 in 2015 and 1.07 2016. The average JPY/EUR is 129.73 in 2015 and 128.30 in 2016.

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 0.0% on average in 2015 and in 2016 in the euro area. Long-term euro area interest rates are assumed to be 0.2% on average in 2015 and 0.3% in 2016.

Commodity prices

Commodity price assumptions are also mostly based on market conditions. According to futures markets, prices for Brent oil are projected to be on average 59.4 USD/bbl in 2015 and 66.0 USD/bbl in 2016. This corresponds to an oil price of 54.8 EUR/bbl in 2015 and 61.7 EUR/bbl in 2016.

Budgetary data

Data up to 2014 are based on data notified by Member States to the European Commission before 1 April 2015 and are validated by Eurostat. The notification is based on the ESA 2010 system of national accounts.

Eurostat is expressing a reservation on the quality of the data reported by Bulgaria in relation to the sector classification of the Deposit Insurance Fund and the impact on the government deficit of the fund's repayment of the guaranteed deposits (3.7 bn BGN) in the Corporate Commercial Bank. The impact of the transaction will be assessed by Eurostat in cooperation with the Bulgarian statistical authorities during the coming months. This will most likely result in an increase of the government deficit.

Eurostat is also expressing a reservation on the quality of the data reported by Portugal in relation to the capitalisation of Novo Banco. In the third quarter of 2014, the Portuguese Resolution Fund injected 4.9 bn euro (2.8% of GDP) into Novo Banco. In this EDP notification, the transaction has provisionally been recorded by the Portuguese authorities as a financial transaction for its full amount (due to lack of information) without any impact on the government deficit. The final impact of the transaction will be assessed by Eurostat in cooperation with the Portuguese statistical authorities during the coming months following the outcome of the privatisation process of Novo Banco and the final amount which the Portuguese government will obtain from the sale. This will most likely result in an increase of the government deficit.

Eurostat has made no amendments to the data reported by Member States.

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.

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

(Continued on the next page)

Box (continued)

For 2015, the budgets adopted by the national parliaments and all other measures credibly announced and specified in sufficient detail are taken into consideration. For 2016, the 'no-policy-change' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are credibly announced and specified in sufficient detail.

European aggregates for general government debt in the forecast years 2015-16 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 2014, this implies a debt-to-GDP ratio in the euro area (EA19) which is 2.3 pps. (1.8 pps. in the EU) higher than the consolidated general government debt ratio published by Eurostat in its news release 72/2015 of 21 April 2015. General government debt projections for individual Member States in 2015-16 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.

(2) In line with the Eurostat decision of 27 January 2011 on the statistical recording of operations undertaken by the European Financial Stability Facility, see http://ec.europa.eu/eurostat/documents/2995521/5034386/2-27012011-AP-EN.PDF/25064294-4eae-4b50-a447-60165ca9718d?version=1.0

ESA2010

The current forecast is based on the ESA 2010 system of national accounts for all Member States, the EU and the euro area aggregates.

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 annual growth rates differ only marginally (by up to ±0.1 pps.). 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

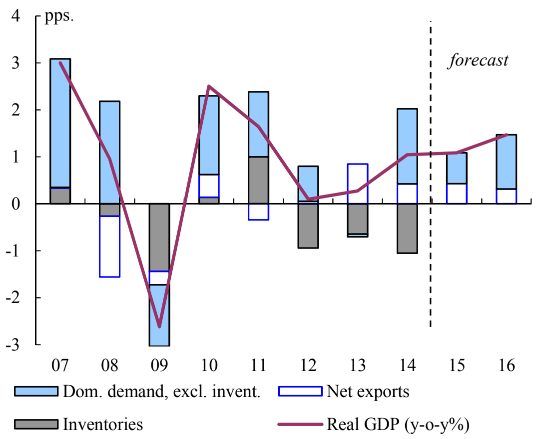
1. BELGIUM

Subdued domestic demand prevents clear acceleration

Belgium's economy is expected to continue growing at the cautious pace of 1.1% in 2015 and 1.5% in 2016. Moderate price pressures are supportive of private consumption in the short term, though limited wage growth dampens prospects over the medium term even as domestic activity starts to reap the early benefits of competitiveness-enhancing measures. The fiscal deficit is expected to fall to 2.6% of GDP this year and to 2.4% in 2016.

Belgium's economy grew by 1% in 2014. At 1.1%, GDP growth in 2015 is expected to be similar, and to reach 1.5% in 2016. This relatively flat profile reflects the combination of hesitant private consumption, a correction of investment after a boom in 2014 and the stable positive contribution of net exports to overall growth. Risks to the forecast scenario are tilted to the upside in case of more resilient household consumption in the face of low wage growth and a more dynamic than anticipated labour market improvement.

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



Limited wage growth weakens outlook for household consumption

Private consumption is expected to grow by 1.2% this year before slowing down in 2016. Modest labour income growth is being counterbalanced by growth in financial income, certain tax measures and low price pressures so that real disposable income should still rise by 1.4% in 2015. While inflation is forecast to pick up over the forecast horizon, it is not projected to put upward pressure on wages. Traditional transmission channels are being stifled following the temporary suspension of automatic wage indexation and the narrow margin for nominal wage increases. As a result, real disposable income growth is estimated to slow down to 0.3% in 2016 with private consumption growing by 0.9%.

Competitiveness measures set to materialise slowly in employment, investment and exports

Recent competitiveness-enhancing measures affect the projections in several ways. On top of the strategy of sustained wage moderation, the authorities have been reducing employer social security contributions. An important additional tranche takes effect next year. While this provides support to private job creation, employment growth is forecast to remain unspectacular against the background of a slow economic turnaround and reductions in public employment.

Investment was heavily skewed by large, one-off transactions in 2014. As a consequence, investment growth is projected to be flat this year. Aided by lower energy costs, modest labour cost growth should contribute towards higher profit margins. Together with rising capacity utilisation, easy financing conditions and a strengthening external environment, this brightens the outlook for corporate investment in 2016. As a result, capital formation is estimated to become an important contributor to GDP growth next year.

As their cost competitiveness improves, Belgian exporters are expected to benefit from the acceleration of global trade, also helped by a weaker euro exchange rate. Notwithstanding the rise in imports due to the strength of investment growth, net exports still added 0.4 pps. to total GDP growth last year. Comparable contributions are forecast for this and next year.

Negative inflation coming to an end

Headline inflation turned negative in recent months on the back of retreating energy prices. Price pressures appear close to a trough as temporary tax factors fade, a weaker euro exerts upward pressure on import prices, the year-on-year impact of lower energy prices starts disappearing gradually, and the eased monetary stance trickles through. Average inflation is forecast at 0.3% this year before rising to 1.3% next year.

Improving government balance

The general government deficit stood at 3.2% of GDP in 2014. Revenue growth was impacted by a fall in dividend revenue of 0.2% of GDP, while one-off factors such as a tax regularisation had a positive impact of 0.3% of GDP.

In 2015, the headline deficit is expected to improve to 2.6% of GDP. Revenues are boosted by a strong increase in corporate income taxation, thanks to the lower reference rate for notional interest deduction. On the other hand, the limited wage growth and measures to lower the tax burden on labour constrain the growth of personal income taxes and social contributions.

Current expenditure is expected to grow only modestly, thanks to low inflation and sizeable consolidation measures taken at all levels of government. Furthermore, interest expenditure is projected to fall by 0.3% of GDP thanks to the decline in market interest rates. After an exceptional tax reimbursement in 2014, capital expenditure is expected to drop sharply in 2015.

Overall, one-off measures and temporary factors are expected to have a positive impact of 0.4% of GDP on the government balance. This includes an additional impact of the 2013 tax regularisation, the anticipative taxation of pension savings and an extension of the temporary regime for the taxation of liquidation capital gains. The structural balance is forecast to improve by ½ %% of GDP in 2015.

In 2016, under the usual no-policy-change assumption, the headline deficit is expected to improve to 2.4% of GDP. The revenue-to-GDP ratio is expected to decline due to the drop in one-off revenues and an announced reduction in social contributions. This is more than offset by a further drop in the expenditure-to-GDP ratio, thanks to better cyclical conditions, the additional impact of consolidation measures and the freeze of social benefits and public wages. Interest expenditure is also expected to decline further. As a result, the structural balance is projected to improve by ¼% of GDP in 2016.

The debt ratio reached 106.5% of GDP at the end of 2014. It is projected to stabilise over the forecast horizon, also thanks to downward stock-flow adjustments such as projected debt issuances above nominal value and the reimbursement of a loan by a financial institution.

Table II.1.1:

Main features of country forecast - BELGIUM

		2013		Annual percentage change						
		bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		395.3	100.0	2.0	1.6	0.1	0.3	**1.0**	**1.1**	**1.5**
Private Consumption		204.0	51.6	1.6	0.6	0.8	0.3	**1.0**	**1.2**	**0.9**
Public Consumption		96.5	24.4	1.7	0.8	1.4	1.1	**0.4**	**0.1**	**0.4**
Gross fixed capital formation		88.0	22.3	2.5	4.0	0.0	-2.2	**4.5**	**0.0**	**2.7**
of which: equipment		27.4	6.9	2.7	2.6	-3.0	-5.8	**9.5**	**-2.9**	**3.4**
Exports (goods and services)		327.1	82.8	4.3	6.6	1.9	2.9	**3.3**	**3.9**	**5.7**
Imports (goods and services)		321.8	81.4	4.2	7.2	1.9	1.8	**2.8**	**3.5**	**5.5**
GNI (GDP deflator)		391.3	99.0	2.0	0.9	0.8	-2.5	**2.2**	**2.0**	**1.5**
Contribution to GDP growth:	Domestic demand			1.8	1.8	0.5	-0.2	**1.6**	**0.7**	**1.2**
	Inventories			-0.1	0.6	-0.7	-0.5	**-1.1**	**0.0**	**0.0**
	Net exports			0.2	-0.3	0.1	0.8	**0.4**	**0.4**	**0.3**
Employment				1.0	1.4	0.3	-0.3	**0.3**	**0.4**	**0.7**
Unemployment rate (a)				8.2	7.2	7.6	8.4	**8.5**	**8.4**	**8.1**
Compensation of employees / head				2.4	3.0	3.4	2.6	**0.8**	**0.5**	**0.5**
Unit labour costs whole economy				1.5	2.8	3.6	2.0	**0.1**	**-0.2**	**-0.3**
Real unit labour cost				-0.2	0.6	1.5	0.5	**-0.6**	**-1.3**	**-1.3**
Saving rate of households (b)				17.0	14.7	13.9	13.5	**13.7**	**13.9**	**13.4**
GDP deflator				1.7	2.2	2.1	1.5	**0.7**	**1.1**	**1.1**
Harmonised index of consumer prices				1.9	3.4	2.6	1.2	**0.5**	**0.3**	**1.3**
Terms of trade goods				-0.6	-1.8	0.2	0.4	**1.0**	**0.7**	**0.0**
Trade balance (goods) (c)				2.2	-1.5	-1.5	-0.7	**0.0**	**0.6**	**0.7**
Current-account balance (c)				3.7	0.3	0.6	-1.5	**0.4**	**2.1**	**2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.6	0.2	1.3	-1.5	**0.5**	**2.1**	**2.1**
General government balance (c)				-1.7	-4.1	-4.1	-2.9	**-3.2**	**-2.6**	**-2.4**
Cyclically-adjusted budget balance (d)				-2.0	-4.0	-3.5	-2.0	**-2.5**	**-1.9**	**-2.0**
Structural budget balance (d)				-	-3.6	-3.1	-2.6	**-2.8**	**-2.3**	**-2.1**
General government gross debt (c)				106.1	102.0	103.8	104.4	**106.5**	**106.5**	**106.4**

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

2. BULGARIA

Weak investment limits growth

Real GDP growth is expected to moderate from 1.7 % in 2014 to 1.0 % in 2015, before slightly picking up to 1.3 % in 2016. An expected slowdown in public investment and continued weak private investment is likely to weigh on the growth outlook. Inflation is projected to remain negative well into 2015, but to turn positive towards the end of the year. After reaching 2.8% of GDP in 2014, the general government deficit is set to remain at 2.9% of GDP in both 2015 and 2016.

Growth outlook remains subdued

In the fourth quarter of 2014, real GDP of Bulgaria expanded by 0.4%, in line with the growth recorded in the previous quarter. Quarterly private consumption increased by 1.1%, its fastest pace in six quarters, probably also thanks to the boost in confidence provided by the pay-out of the guaranteed deposits of the collapsed Corporate Commercial Bank. Net exports also contributed positively to quarterly growth. Overall, real GDP growth is projected to have grown by 1.7% in 2014, supported by public investment and some recovery in private consumption after the latter dropped strongly in 2013. Economic growth is projected to moderate to 1.0% in 2015, before picking up slightly to 1.3% in 2016.

Domestic demand is projected to slowdown

After benefitting from low inflation and the fall in fuel prices towards the end of 2014, private consumption is expected to slow down in 2015 in line with weak wage and employment growth.

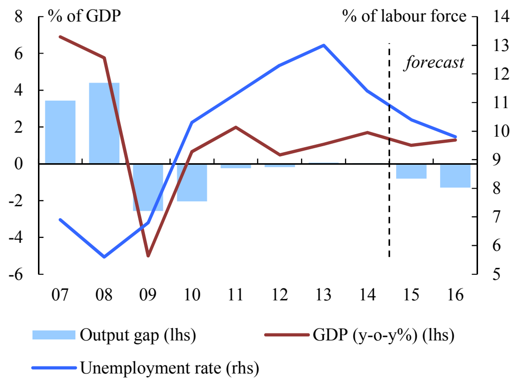
Private investment as a share of GDP has been declining since 2008, reflecting an unsupportive business environment and decreased risk appetite, also limiting foreign capital inflows. This situation is not expected to change noticeably in 2015 or 2016, as the uncertainty of the post-crisis period, prolonged by the domestic financial sector turbulence in 2014, is likely to continue to weigh on credit activity and investment decisions.

While public investment growth was the main driver of gross fixed capital formation in 2013 and 2014, mainly linked to increased use of available EU structural funds, its contribution to growth is projected to turn slightly negative in 2015, as the 2007-13 programming period is coming to an end and the government looks to implement important consolidation measures. Public investment is expected to weaken further in 2016 as EU co-financed projects under the new operational programmes take time to be implemented.

Net exports expected to contribute positively

Exports are expected to grow faster than imports over 2015 and 2016, as international demand increases and leads to a positive contribution of net exports to economic growth. Exporting industries are also expected to benefit from the depreciation of the euro, to which the level is pegged, especially given that a sizeable portion of Bulgarian exports goes to non-euro area countries. Imports growth is expected to remain modest, in line with weakening domestic demand.

Graph II.2.1: **Bulgaria - Real GDP growth, output gap and unemployment**



Labour market recovery remains slow

Employment stabilised in 2014, increasing by 0.4% after falling by the same amount the year before. The growth was mainly the result of an increased number of jobs in agriculture and trade. Employment in manufacturing also stabilised, increasing by 0.2%. Employment is expected to remain broadly unchanged in 2015 and 2016, while the decrease in the labour force should further reduce unemployment to below 10 % in 2016 after having peaked at 13% in 2013.

Inflation to remain negative well into 2015

Bulgaria recorded the strongest consumer price decline in the EU in 2014, with the HICP at -1.6%, due to a combination of domestic and external factors putting pressure on prices since mid-2013. The negative contribution coming from administratively-set prices faded away in 2014-Q4, largely due to the increase in electricity prices for households of around 10% in October. The contribution from import prices remained negative for a second consecutive year. Inflation is not expected to pick up until well into 2015, leaving the average rate for the year at around -0.5%, as private consumption weakens and international energy prices are projected to remain low. Nevertheless, consumer prices are expected to turn slightly positive in annual terms towards the end of 2015, as the base effects of administrative decreases, including in healthcare and telecommunications, drop out. Inflation is projected to pick up to 1.0% in 2016, once the effect from the previous fall in oil prices fades.

Risks appear to be balanced

On the positive side, private investment could turn out higher than expected if confidence and the business climate improve faster than expected. On the negative side, private consumption could be weaker if the observed labour market recovery, driven by volatile sectors like agriculture and trade, proves short-lived. Both consumer and business sector confidence remains fragile and could deteriorate in case of further signs of instability in the financial sector.

Budget deficit to remain elevated

The general government deficit is projected to have increased from 0.9% of GDP in 2013 to 2.8% of GDP in 2014, as a result of some expenditure over-runs and weaker-than-expected revenues. There is a risk to the final headline deficit concerning the statistical recording of the financial sector support measures. The government deficit is estimated at 2.9% of GDP in 2015, mostly due to weaker indirect tax revenue, and to stay at 2.9% in 2016, based on a no-policy-change assumption. Bulgaria's structural deficit is projected at around 2½% over 2014-16, reflecting the negative output gap. General government gross debt increased from 18.3% at end 2013 to 27.6% of GDP at end 2014, reflecting the support to the financial sector as well as the increased budget deficit. By the end of 2016, government debt is expected to reach 31.2% of GDP.

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

	2013		Annual percentage change						
	bn BGN Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	80.3	100.0	2.9	2.0	0.5	1.1	**1.7**	**1.0**	**1.3**
Private Consumption	50.2	62.6	3.0	1.8	3.9	-2.3	**2.0**	**1.0**	**1.5**
Public Consumption	13.3	16.5	-0.3	1.8	-1.0	2.8	**3.8**	**0.1**	**1.1**
Gross fixed capital formation	17.1	21.3	8.1	-6.6	4.2	-0.1	**2.8**	**-1.7**	**-2.9**
of which: equipment	7.3	9.1	-	26.9	-5.4	1.0	**2.0**	**-1.5**	**4.5**
Exports (goods and services)	54.9	68.4	-	12.3	0.1	9.2	**2.2**	**3.1**	**4.0**
Imports (goods and services)	55.4	69.0	-	8.5	4.5	4.9	**3.8**	**2.0**	**3.0**
GNI (GDP deflator)	78.7	98.1	-	0.6	2.3	1.3	**1.2**	**0.9**	**1.0**
Contribution to GDP growth: Domestic demand			3.8	-0.1	3.1	-1.1	**2.5**	**0.3**	**0.5**
Inventories			0.7	0.2	0.1	-0.5	**0.3**	**0.0**	**0.0**
Net exports			-	1.9	-2.8	2.6	**-1.1**	**0.7**	**0.7**
Employment			-	-2.2	-2.5	-0.4	**0.4**	**0.2**	**0.3**
Unemployment rate (a)			12.2	11.3	12.3	13.0	**11.4**	**10.4**	**9.8**
Compensation of employees / head			-	6.8	7.7	8.8	**1.5**	**1.8**	**2.5**
Unit labour costs whole economy			-	2.4	4.5	7.2	**0.2**	**1.0**	**1.5**
Real unit labour cost			-	-4.3	2.9	8.0	**-0.5**	**0.7**	**0.9**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			31.3	7.0	1.6	-0.8	**0.6**	**0.4**	**0.6**
Harmonised index of consumer prices			-	3.4	2.4	0.4	**-1.6**	**-0.5**	**1.0**
Terms of trade goods			-	2.9	-3.5	-0.8	**0.6**	**-0.4**	**-0.6**
Trade balance (goods) (c)			-11.2	-4.8	-9.9	-7.2	**-8.0**	**-7.6**	**-7.5**
Current-account balance (c)			-	0.9	-1.2	1.6	**0.9**	**1.3**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	2.1	0.1	2.9	**2.3**	**2.6**	**2.5**
General government balance (c)			-1.0	-2.0	-0.7	-0.9	**-2.8**	**-2.9**	**-2.9**
Cyclically-adjusted budget balance (d)			-1.3	-1.9	-0.6	-0.9	**-2.8**	**-2.7**	**-2.5**
Structural budget balance (d)			-	-1.9	-0.6	-0.9	**-2.6**	**-2.6**	**-2.5**
General government gross debt (c)			-	15.7	18.0	18.3	**27.6**	**29.8**	**31.2**

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

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

3. THE CZECH REPUBLIC

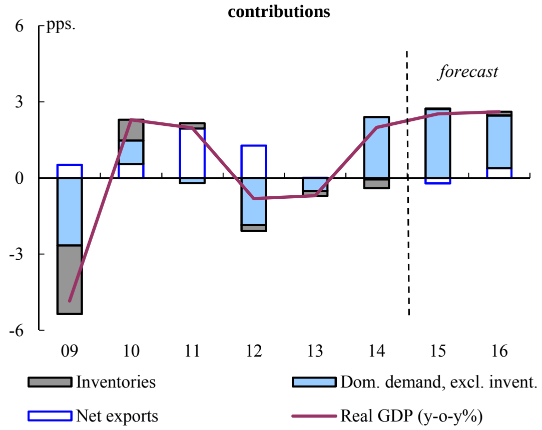
Domestic demand drives the rebound

The Czech Republic returned to growth in 2014. This was largely driven by domestic demand, with net exports detracting slightly. Domestic demand is expected to remain the main driver of growth in 2015 and 2016, with net exports projected to contribute negatively in 2015 but positively in 2016 as the external environment improves. The headline general government deficit is set to remain unchanged in 2015 and to decrease in 2016 due to a favourable macroeconomic environment.

Economic turnaround in 2014

There was a strong turnaround in the performance of the Czech economy in 2014, with real GDP growing 2.0% after a contraction of 0.7% in the previous year. The rebound in investment was particularly strong, although falling inventories weighed slightly on growth. Although export growth was buoyant, import growth was even greater and net exports had a slightly negative impact on real GDP growth. Confidence indicators have remained robust in the opening months of 2015, suggesting continued strength in domestic demand. Real GDP is expected to grow by 2.5% and 2.6% in 2015 and 2016, respectively.

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



Investment contributing strongly to growth

Recent data confirm the major role of investment growth in the rebound of the Czech economy. Investment rose by 4.5% in 2014, compared to a contraction of 4.4% in 2013. There was a particularly strong pick up in public investment, as the government made a renewed effort to co-finance projects before the expiry of EU funds. Investment is expected to continue fuelling growth in 2015 (1.3 pps. contribution to real GDP growth), with public investment buoyed by a sizeable one-off increase in military expenditure and increased absorption of available EU funds. The contribution is forecast to be slightly weaker in 2016 (0.8 pps.), with government investment expected to fall sharply due to the projected slowdown in the drawing of EU funds and the ensuing lower co-financing needs. Given the high import intensity of investment, this fall will contribute to an increased contribution of net exports to real GDP growth.

Rising wages fuel consumption growth

The renewed strength of the Czech economy has led to improved labour market conditions, with unemployment falling to 5.8% in the fourth quarter of 2014. Wage growth also started to strengthen, with compensation per employee rising by 3.0% in 2014, significantly outpacing growth in consumer prices. These conditions have boosted private consumption, which rose by 1.7% in 2014. A projected further decline in the unemployment rate is expected to contribute to tighter labour market conditions over the forecast horizon. Growth in compensation per employee is expected to remain strong, at around 3.0% per year, allowing for an acceleration of private consumption to 2.1% and 2.3% in 2015 and 2016, respectively.

Inflation to remain low in 2015

HICP inflation averaged 0.4% in 2014, less than the 2013 rate despite the intervention by the Czech National Bank in November 2013 to further ease the monetary policy stance via a weakening of the CZK exchange rate. The HICP inflation rate fell considerably at the end of 2014, mainly due to falling oil prices, and was negative during the first two months of 2015. The substantial decline in oil and other commodity prices since mid-2014 is forecast to continue to weigh on inflation in 2015. At the same time, tighter labour market conditions, the quantitative easing programme of the ECB, and the recent depreciation of the CZK vis-à-vis the USD are expected to partly offset this downward trend and exert some upward pressure. Administered prices are forecast to have an overall neutral effect over the forecast horizon, after having contributed positively last year. The annual HICP inflation rate is expected to ease to 0.2% in 2015 before rising again to 1.4% in 2016.

Structural budget balance to deteriorate in 2015

The general government deficit reached 2.0% of GDP in 2014. This worse-than-expected outcome was due to several factors. On the revenue side, income from excise duties on tobacco declined by almost 50% compared to 2013. This was mainly due to the introduction of a time limit on pre-stocking of tobacco products. On the expenditure side, a one-off payment was made from the Deposit Insurance Fund and public investment growth accelerated significantly towards the end of the year. The structural deficit reached 1.0% of GDP in 2014.

The headline deficit is expected to remain unchanged at 2.0% of GDP in 2015, but the structural deficit is projected to deteriorate by some ½ pp. to about 1½ % of GDP, reflecting a loosening of fiscal policy. Revenues are projected to be negatively affected by the reintroduction of tax credits for working pensioners and families with two or more children, as well as the introduction of a third (lower) VAT rate on books, medicines and child nutritional products. Revenues from excise duties on tobacco are projected to increase significantly, however, returning to their long-term trend. A higher public sector wage bill is expected to contribute to stronger government consumption, while higher indexation of pensions is expected to increase social outlays. Government investment is expected to increase by more than 20%, largely due to the higher absorption of available EU funds but also due to higher capital spending from domestic sources and exceptional military expenditure related to the lease of fighter jets.

The improvement in the projected general government deficit to 1.5% of GDP in 2016 is mainly due to a more favourable macroeconomic environment but also to a fall in public investment. Public investment related to EU funds is projected to decrease significantly from the 2015 peak due to an expected slowdown in the implementation of projects at the beginning of the new programming period. The forecast does not incorporate the impact of the not-yet-adopted measures that aim at improving tax collection. The fiscal position is expected to be broadly neutral. The debt-to-GDP ratio is forecast to fall to 41.6% in 2016 due to increased use of available cash buffers and better liquidity management.

Table II.3.1:

Main features of country forecast - CZECH REPUBLIC

		2013			Annual percentage change					
bn CZK		Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		4086.3	100.0	2.9	2.0	-0.8	-0.7	**2.0**	**2.5**	**2.6**
Private Consumption		2026.5	49.6	2.9	0.2	-1.8	0.4	**1.7**	**2.1**	**2.3**
Public Consumption		802.0	19.6	1.5	-2.9	-1.0	2.3	**2.3**	**2.2**	**1.7**
Gross fixed capital formation		1019.1	24.9	3.8	1.1	-2.9	-4.4	**4.5**	**5.0**	**2.5**
of which: equipment		444.8	10.9	5.2	4.2	-6.1	-2.1	**4.7**	**4.9**	**4.2**
Exports (goods and services)		3156.6	77.2	9.7	9.3	4.1	0.3	**8.8**	**6.6**	**7.0**
Imports (goods and services)		2919.3	71.4	9.7	6.7	2.4	0.3	**9.5**	**7.5**	**7.2**
GNI (GDP deflator)		3797.9	92.9	2.4	1.8	0.7	-1.5	**2.3**	**2.7**	**2.6**
Contribution to GDP growth:	Domestic demand			2.9	-0.2	-1.8	-0.5	**2.4**	**2.7**	**2.1**
	Inventories			0.0	0.2	-0.2	-0.2	**-0.3**	**0.0**	**0.1**
	Net exports			0.0	1.9	1.3	0.0	**-0.1**	**-0.2**	**0.4**
Employment				0.0	-0.3	0.4	0.4	**0.4**	**0.4**	**0.3**
Unemployment rate (a)				6.7	6.7	7.0	7.0	**6.1**	**5.6**	**5.5**
Compensation of employees / head				7.3	2.8	1.4	-0.6	**3.0**	**3.1**	**3.2**
Unit labour costs whole economy				4.2	0.6	2.6	0.5	**1.4**	**0.9**	**0.8**
Real unit labour cost				0.4	0.8	1.1	-1.2	**-1.0**	**-0.8**	**-0.8**
Saving rate of households (b)				11.7	11.1	11.3	9.7	**10.0**	**9.9**	**9.6**
GDP deflator				3.8	-0.2	1.4	1.7	**2.4**	**1.8**	**1.6**
Harmonised index of consumer prices				-	2.1	3.5	1.4	**0.4**	**0.2**	**1.4**
Terms of trade goods				0.2	-2.0	-0.6	1.4	**2.0**	**1.6**	**0.4**
Trade balance (goods) (c)				-4.0	1.9	3.1	4.0	**5.5**	**6.2**	**6.7**
Current-account balance (c)				-4.0	-4.6	-2.2	-2.2	**-0.9**	**0.4**	**0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.6	-2.9	-1.2	0.0	**1.0**	**2.3**	**2.0**
General government balance (c)				-4.3	-2.7	-3.9	-1.2	**-2.0**	**-2.0**	**-1.5**
Cyclically-adjusted budget balance (d)				-	-2.5	-3.1	0.1	**-1.2**	**-1.6**	**-1.6**
Structural budget balance (d)				-	-2.5	-1.4	0.2	**-1.0**	**-1.6**	**-1.6**
General government gross debt (c)				23.3	39.9	44.6	45.0	**42.6**	**41.5**	**41.6**

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

4. DENMARK

Recovery is expected to strengthen

Denmark's economic recovery gathered steam in the second half of 2014 and is expected to strengthen further. The economic activity is currently supported by a number of expansionary factors, such as historically low interest rates and the decline of the effective exchange rate. Together with a seven-year trend of improving competitiveness, Denmark is poised to continue recovering. The fiscal balance is expected to return to negative territory this year, but the deficit is forecast to remain below the 3% reference value.

The recovery is gathering speed

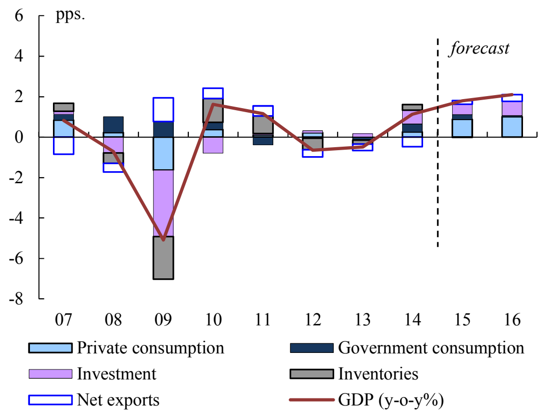
Real GDP grew by 1.1% in 2014, reflecting weak growth at the beginning of the year and a pick-up in the second half, with real GDP growing by 0.6% q-o-q in the third quarter and 0.5% in the fourth. On an annual basis, the increase in GDP was driven by domestic demand, while net exports was a drag on overall GDP growth for the third year in a row, due to a higher increase in imports than in exports.

GDP growth is forecast to increase to 1.8% in 2015 and 2.1% in 2016 as the recovery is expected to strengthen over the forecasting period on the back of very low interest rates and the drop in the effective exchange rate in the first months of the year. Compared to the 2015 winter forecast, the projected growth rate has thus been revised slightly upwards in 2015, while it remains unchanged for 2016.

Private consumption is expected to gradually play a larger role as households' disposable income is supported by growing real wages, low interest rates and benign developments in the labour market. Private consumption is also supported by an improvement in households' asset position as the housing market has been recovering since mid-2012, albeit with large geographical differences. Consumer confidence has stayed at a high level since the summer of 2013, and according to the European Commission's Business and Consumer Survey, it reached the highest level in the 30-year history of the series in March 2015.

The savings surplus in the private sector remains high, especially in the corporate sector. Since 2009, the net investment ratio has been negative in the private non-agricultural industries, reflecting idle capacity and low demand. Over the forecast years, business investment is expected to pick-up as the overall recovery becomes more firmly established and capacity utilisation increases. Exports are projected to pick up gradually over the next two years, supported by increased growth in Danish export markets, improved competitiveness - as measured by relative unit labour costs - and a marked decline in the effective exchange rate.

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



Labour market continues to perform well

The unemployment rate, which stood at 6.2% of the labour force in February 2015, has been on a declining trend since spring 2012. The strengthening of the economic recovery over the forecast horizon is expected to further lower the unemployment rate to 5.8% in 2016. Employment grew by 0.7% in 2014, driven by an improvement in private employment, and is set to increase further by 0.8% in 2015 and 0.9% in 2016.

The harmonised index of consumer prices (HICP) grew by 0.3% on an annual basis in March 2015 and is forecast to rise gradually as the effect from the decline in commodity prices tapers off and the economic recovery strengthens; the depreciation of the krone also plays a role. HICP inflation is expected to hit 0.6% in 2015 before rising to 1.7% in 2016.

Risks appear balanced

Macroeconomic risks to the forecast appear broadly balanced related on the one hand to external factors such as geopolitical tensions, mainly associated with developments in Ukraine, and on the other to a possible release of pent-up private consumption and investments as private savings have remained high despite the very low interest rates.

Deterioration of the fiscal balance is driven by temporary factors

The general government balance posted a surplus of 1.2% of GDP in 2014, to a large degree boosted by large one-off revenues from a capital pension taxation measure and high extraordinary revenues from the pension yield tax.

The surplus is expected to turn into a deficit of 1.5% in 2015. The deterioration is mainly due to lower one-off revenues from the pension taxation measure (decreasing by an estimated 2.4 pps.) and lower revenues from the pension yield tax. The drop in oil prices since last summer is also expected to yield a negative impact on public revenues. In 2016, the fiscal deficit is set to widen to 2.6% of GDP, as the one-off revenues come to a halt and revenues from the pension yield tax decrease.

The structural balance is expected to deteriorate from a surplus of about ½% of GDP in 2014 to a deficit of around ½% and 1½% of GDP in 2015 and 2016 respectively. The structural balance in Denmark is to a large degree influenced by large and volatile revenue items, such as revenues from oil and gas production and from the pension yield tax. The deterioration over the forecast horizon is mainly due to an expected drop in revenues from these items.

The general government gross debt level is expected to decrease from 45.2% of GDP in 2014 to 39.5% in 2015 and 39.2% in 2016. The significant reduction in debt in 2015 reflects the temporary suspension of issuance of government bonds that was put in place in January 2015 to dampen the appreciation pressure on the krone.

Table II.4.1:
Main features of country forecast - DENMARK

	2013			Annual percentage change						
bn DKK	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	1886.4	100.0	1.6	1.2	-0.7	-0.5	**1.1**	**1.8**	**2.1**
Private Consumption	920.3	48.8	1.5	0.2	0.4	0.0	**0.5**	**1.8**	**2.1**
Public Consumption	504.0	26.7	2.1	-1.4	-0.2	-0.5	**1.4**	**0.9**	**0.2**
Gross fixed capital formation	345.7	18.3	2.4	0.3	0.6	0.9	**3.7**	**2.7**	**3.7**
of which: equipment	104.5	5.5	1.9	-6.3	11.2	7.2	**4.8**	**3.7**	**5.5**
Exports (goods and services)	1023.8	54.3	4.0	7.3	0.1	0.8	**2.6**	**3.2**	**4.6**
Imports (goods and services)	915.5	48.5	4.9	7.1	0.9	1.5	**3.8**	**3.1**	**4.4**
GNI (GDP deflator)	1953.9	103.6	1.8	1.6	-0.5	0.8	**0.5**	**1.9**	**2.2**
Contribution to GDP growth:	Domestic demand		1.7	-0.2	0.3	0.0	**1.3**	**1.6**	**1.8**
	Inventories		0.0	0.9	-0.6	-0.2	**0.3**	**0.0**	**0.0**
	Net exports		-0.1	0.5	-0.4	-0.3	**-0.5**	**0.2**	**0.3**
Employment			0.4	-0.1	-0.3	0.0	**0.7**	**0.8**	**0.9**
Unemployment rate (a)			5.1	7.6	7.5	7.0	**6.6**	**6.2**	**5.9**
Compensation of employees / head			3.6	1.4	1.5	1.3	**1.8**	**2.0**	**2.2**
Unit labour costs whole economy			2.4	0.2	1.9	1.9	**1.3**	**0.9**	**0.9**
Real unit labour cost			0.2	-0.6	-0.6	0.3	**0.7**	**0.0**	**-0.6**
Saving rate of households (b)			5.7	7.8	7.1	6.7	**2.1**	**8.9**	**10.8**
GDP deflator			2.2	0.8	2.5	1.5	**0.6**	**1.0**	**1.6**
Harmonised index of consumer prices			2.0	2.7	2.4	0.5	**0.3**	**0.6**	**1.7**
Terms of trade goods			0.9	-1.8	0.6	1.7	**0.4**	**0.1**	**-0.5**
Trade balance (goods) (c)			2.9	3.1	2.8	2.8	**2.0**	**1.9**	**1.6**
Current-account balance (c)			2.9	5.7	5.6	7.2	**6.2**	**6.1**	**6.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			3.0	6.1	5.6	7.2	**6.2**	**7.0**	**5.3**
General government balance (c)			0.7	-2.1	-3.7	-1.1	**1.2**	**-1.5**	**-2.6**
Cyclically-adjusted budget balance (d)			0.0	-0.5	-1.5	1.6	**3.6**	**0.2**	**-1.4**
Structural budget balance (d)			-	-0.5	0.0	0.1	**0.4**	**-0.5**	**-1.4**
General government gross debt (c)			-	46.4	45.6	45.0	**45.2**	**39.5**	**39.2**

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

5. GERMANY

Temporary boost in activity followed by steady expansion

Germany's economic growth is expected to benefit from the robust labour market and the favourable financing conditions underpinning domestic demand. The recent decline in oil prices and the depreciation of the euro are projected to provide further impetus. Corporate investment is forecast to resume hesitantly, while public investment is expected to pick up. The general government budget is set to remain in surplus over the forecast horizon.

Acceleration of growth amplified by oil prices

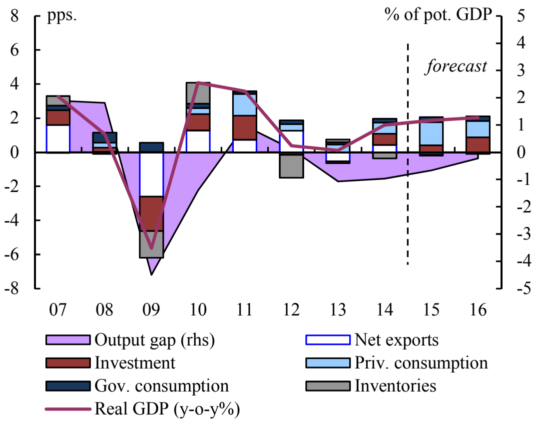
Real GDP climbed dynamically by 0.7% (q-o-q, seasonally and working-day adjusted) in the fourth quarter of 2014, after rising just 0.1% in the previous quarter. On average, real GDP expanded by 1.6% in 2014. Annual growth was mostly driven by private consumption and gross fixed capital formation. Net external trade contributed moderately to growth. The annual growth rates of GDP components, however, mask an uneven development in the course of the year. Notably, the recovery in private investment, which started in 2013, was interrupted in the second quarter of 2014 and private consumption was boosted by declining oil prices in the second half of the year.

Following dynamic economic growth in the fourth quarter of 2014, indicators suggest a deceleration of growth as the significant boost from the decline in oil prices fades. For the first quarter of 2015, still a considerable expansion is expected thanks to service and industrial production sectors. Declining industry orders in recent months, which are partly explained by the volatility of large contracts, point towards a weakened expansion of manufacturing output. However, the brightening of firms' business expectations above their long-term average since the end of 2014 indicates solid growth in the upcoming months. Driven by the robust labour market, the improving external environment including support from the weaker euro exchange rate, and favourable financing conditions, GDP growth is forecast to remain above potential growth. Helped by more working days and a stronger carry-over effect to the current year from activity in the final quarter of last year than thought in the winter, real GDP is expected to increase by 1.9% in 2015 and 2.0% in 2016.

Consumption growth bolstered by low inflation and the robust labour market

Employment growth benefits from buoyant economic activity which mitigates the effect of the new general minimum wage on job creation. Private consumption is forecast to grow strongly thanks to continued real wage growth, low unemployment, high net immigration, and low interest rates. The strong decline in energy prices has also widened the financial scope of households, much of which they are likely to use for spending, boosting consumption.

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



Hesitant recovery of business investment

Private equipment investment declined in the fourth quarter of 2014. The continued weakness is at odds with an environment of strong private consumption, improving external demand and favourable financing conditions. However, as domestic and external demand pick up and uncertainty eventually fades, the wait-and-see attitude among firms should give way to a recovery in corporate investment starting in the first half of this year. Pent-up replacement investment and expansions of firms' product lines provide incentives to invest in the near term, while raising production capacities may play an increasing role as capacity utilisation approaches normal levels. Housing investment has recently shown some renewed strength but is expected to moderate its rapid pace of expansion. Public sector investment is projected to gain some momentum, while remaining at a comparatively low level.

Rising trade surplus driven by goods prices

Firms' export expectations have noticeably recovered. Export growth is expected to rise along with improving demand growth in trading partners, also supported by the lower euro exchange rate. Import growth may be supported by consumption and the pick-up of investment. This is forecast to offset robust export growth, but the current account surplus is nonetheless set to rise further in 2015 due to improvements to the terms of trade.

Very low inflation determined by oil prices

The strong dampening effect of lower oil prices on energy prices should vanish by 2016 but may have some indirect effects on other consumer prices. Rising labour costs are expected to be supportive to core inflation. HICP inflation is projected at 0.3% in 2015 before rebounding to 1.8% in 2016.

Sizeable structural budget surplus

The general government budget recorded a surplus of 0.7% of GDP in 2014. The sound labour market and dynamic private consumption should result in buoyant tax revenue growth over the forecast horizon, despite an increase in the minimum income tax allowance and child allowances. In 2015, a rise in the long-term care contribution rate is offset by lower pension and health insurance contribution rates. Higher expenditure growth is projected, due in part to a small rise in infrastructure investment, higher spending on pensions, extended long-term care services and more funds for development aid.

Overall, the headline balance is expected to show a surplus also in 2015 and 2016, and the structural surplus should remain sizeable over the forecast horizon. As a result, the gross debt-to-GDP ratio is set to decrease rapidly. The on-going winding up of 'bad banks' could further reduce the debt stock.

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

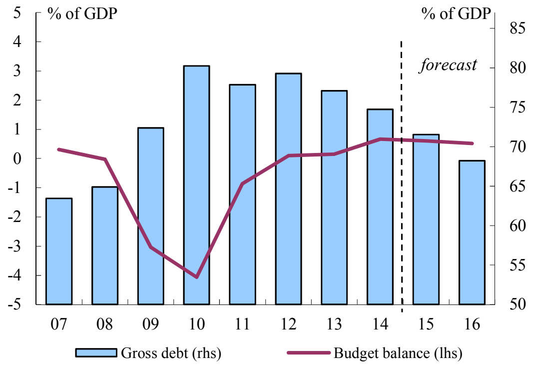


Table II.5.1:
Main features of country forecast - GERMANY

	2013			Annual percentage change					
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	2809.5	100.0	1.3	3.6	0.4	0.1	**1.6**	**1.9**	**2.0**
Private Consumption	1571.5	55.9	0.9	2.3	0.7	0.8	**1.2**	**2.4**	**1.8**
Public Consumption	541.2	19.3	1.4	0.7	1.2	0.7	**1.1**	**1.6**	**1.4**
Gross fixed capital formation	555.8	19.8	0.5	7.3	-0.7	-0.6	**3.4**	**2.1**	**4.4**
of which: equipment	177.9	6.3	2.8	6.1	-3.0	-2.4	**4.3**	**2.1**	**6.2**
Exports (goods and services)	1280.1	45.6	6.4	8.0	2.8	1.6	**3.9**	**4.7**	**5.6**
Imports (goods and services)	1116.9	39.8	5.5	7.2	0.0	3.1	**3.4**	**5.9**	**6.7**
GNI (GDP deflator)	2881.9	102.6	1.4	4.1	0.4	0.1	**1.4**	**1.9**	**2.0**
Contribution to GDP growth: Domestic demand			0.9	2.8	0.5	0.5	**1.5**	**2.1**	**2.1**
Inventories			0.0	0.0	-1.4	0.2	**-0.4**	**-0.1**	**0.0**
Net exports			0.4	0.7	1.3	-0.5	**0.4**	**-0.1**	**-0.1**
Employment			0.5	1.3	1.1	0.6	**0.9**	**0.7**	**0.7**
Unemployment rate (a)			8.8	5.8	5.4	5.2	**5.0**	**4.6**	**4.4**
Compensation of employees / head			1.3	2.9	2.5	1.9	**2.5**	**3.0**	**2.7**
Unit labour costs whole economy			0.5	0.6	3.3	2.4	**1.8**	**1.8**	**1.4**
Real unit labour cost			-0.3	-0.5	1.8	0.3	**0.1**	**0.1**	**-0.6**
Saving rate of households (b)			16.2	16.5	16.4	16.3	**16.6**	**16.6**	**16.3**
GDP deflator			0.9	1.1	1.5	2.1	**1.7**	**1.7**	**2.0**
Harmonised index of consumer prices			-	2.5	2.1	1.6	**0.8**	**0.3**	**1.8**
Terms of trade goods			0.0	-2.9	-0.5	1.9	**1.8**	**2.4**	**0.2**
Trade balance (goods) (c)			5.2	6.0	7.2	7.4	**7.9**	**8.6**	**8.6**
Current-account balance (c)			2.3	6.2	7.2	6.9	**7.6**	**7.9**	**7.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			2.3	6.1	7.3	7.0	**7.6**	**8.0**	**7.8**
General government balance (c)			-2.8	-0.9	0.1	0.1	**0.7**	**0.6**	**0.5**
Cyclically-adjusted budget balance (d)			-2.6	-1.4	0.0	0.7	**1.2**	**1.0**	**0.6**
Structural budget balance (d)			-	-1.2	0.2	0.8	**1.2**	**1.0**	**0.7**
General government gross debt (c)			63.2	77.9	79.3	77.1	**74.7**	**71.5**	**68.2**

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

6. ESTONIA

Growth despite external constraints

Estonia's economic growth is forecast to remain slightly above 2% in 2015, before rising to 2.9% in 2016 as external demand recovers. Unemployment is set to fall further in a tightening labour market. With nominal government budget close to balance, public debt is expected to fall below 10% of GDP by 2016.

Strong growth in 2014 despite external constraints

Estonia's real GDP growth reached 2.1% in 2014 despite growth weaknesses in its main trading partners, particularly Finland and Russia. Domestic trade and manufacturing contributed the most to growth, while the value added in transport and construction decreased. Consumption growth rose to 4.6%, led by strong wage increases, higher pensions, and low consumer price inflation. Investment activity fell sharply in the second half of 2014 in the energy and public sectors, resulting in a decline of 2.8% in gross fixed capital formation in 2014. Exports rose by 2.6% despite weak external demand and Russian retaliatory measures against EU's trade sanctions.

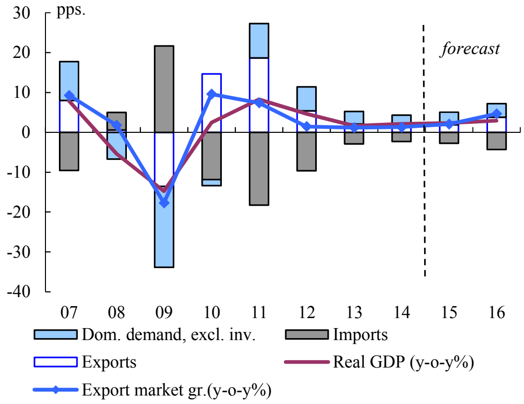
Buoyant private consumption continues

Real GDP is forecast to accelerate marginally in 2015 and then more substantially in 2016, to around 3%, as the global outlook improves. Private consumption is expected to remain vigorous over the forecast horizon as real income continues to be supported by low inflation and rising wages. Income tax cuts and higher family benefits in 2015 are projected to partly feed into a temporary hike in household savings.

Financing conditions remain favourable

Bank lending is projected to increase only moderately due to low, but rising demand for credit. Macro-prudential regulations that entered into force in March 2015 are not expected to tighten lending practices, as they are broadly in line with banks' internal credit regulations. Investment is forecast to increase only marginally in 2015 due to negative confidence effects from heightened geopolitical tensions and lingering excess capacity. In 2016, growing external demand is expected to increase corporate investment in equipment. Public investment is projected to gradually start growing again over the course of 2015 after disbursements under the new EU development fund programmes begin. Housing investment is forecast to regain momentum this year and next thanks to generally favourable financing terms and rising incomes.

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



Current account remains close to balance

So far, rising unit labour costs do not seem to be affecting Estonia's competitiveness. In 2014, net exports of services registered a remarkable surplus, notably in transport. As regards merchandise trade, exports of electrical equipment expanded further, especially to Sweden, accounting for a fifth of Estonia's total exports. After a fall of 15% in 2014, exports of goods to Russia are expected to further drop by more than 50% in 2015, reflecting lower demand and the sharp depreciation of the Russian rouble. However, the expected recovery in euro-area demand from mid-2015 is set to support exports and ensure a positive external balance of goods and services throughout the forecast period.

Downside risks to the forecast could stem from a further escalation of the tensions in Ukraine, which would further affect both trade flows with neighbouring Russia and inflows of foreign direct investment.

Unemployment swiftly declines

Labour supply constraints are building up, as emigration and low birth rates reduce Estonia's working age population, particularly in its

19-35 age category. This trend is expected to cut the unemployment rate to around 6% in 2016, down from 8.6% in 2013, and to keep nominal wage growth above 5% over the forecast period. Labour force participation remains high, at close to 70%, and is set to remain broadly stable in 2015 and 2016.

Inflation set to rebound

Annual inflation turned negative in mid-2014 largely because of steep declines in international commodity prices, in particular crude oil. At the same time, warm weather and easier access to cheaper regional energy networks resulted in lower electricity prices. However, the euro's depreciation against the US dollar in early 2015 is expected to keep annual average inflation at around 0.2% in 2015, a level very close to the one expected for the euro area as a whole. In 2016, further excise tax and administrative price increases, as well as continued strong wage growth, are expected to push inflation up to around 2%.

Budget close to balance in nominal terms

The general government budget reached a surplus of 0.6% of GDP in 2014, substantially above expectations. The over-performance was due to higher tax revenue, lower-than-planned social transfers and postponing of public investment.

In 2015, the fiscal position is expected to worsen to a deficit of 0.2% of GDP. This is caused by a substantial increase of family benefits in January 2015 and the regular pension indexation by 6.3% in April. Moreover, across-the-board tax relief measures for labour and capital entered into force in January 2015. These measures are expected to be partially compensated by higher dividends from state-owned enterprises and further increases in indirect taxes.

Under a no-policy-change assumption, the budget is expected to remain close to balance in 2016, in nominal terms.

In structural terms, the fiscal position is assessed to be in a small surplus in 2014, before deteriorating by about ½ pps. of GDP in 2015. In 2016, under a no-policy-change assumption, the structural deficit is projected to worsen by about ⅓ pps. of GDP due to the widening of a positive output gap and a smaller impact from one-off measures. Estonia's public debt is expected to fall below 10% of GDP in 2016.

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

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	18.7	100.0	4.5	8.3	4.7	1.6	**2.1**	**2.3**	**2.9**
Private Consumption	9.6	51.5	5.1	2.5	5.1	3.8	**4.6**	**4.8**	**4.3**
Public Consumption	3.6	19.1	2.3	1.7	3.3	2.8	**2.3**	**2.2**	**2.0**
Gross fixed capital formation	5.1	27.3	6.3	32.7	10.9	2.3	**-2.8**	**1.0**	**3.2**
of which: equipment	2.2	12.0	-	42.2	34.1	5.3	**-5.4**	**0.3**	**5.3**
Exports (goods and services)	16.1	86.1	9.1	24.9	6.2	2.4	**2.6**	**2.2**	**4.5**
Imports (goods and services)	15.9	84.6	9.4	26.5	11.8	3.3	**2.7**	**3.4**	**5.3**
GNI (GDP deflator)	18.3	97.5	4.2	8.3	5.9	3.2	**2.2**	**2.3**	**3.0**
Contribution to GDP growth: Domestic demand			5.4	8.6	6.0	3.1	**2.1**	**3.2**	**3.5**
Inventories			0.2	3.5	-1.3	-2.2	**2.6**	**0.0**	**0.0**
Net exports			-1.0	0.5	-4.2	-0.7	**0.0**	**-0.9**	**-0.5**
Employment			-1.4	6.5	1.6	1.2	**0.8**	**0.6**	**-0.3**
Unemployment rate (a)			10.2	12.3	10.0	8.6	**7.4**	**6.2**	**5.8**
Compensation of employees / head			14.1	0.8	6.5	7.2	**7.8**	**5.1**	**5.7**
Unit labour costs whole economy			7.7	-0.8	3.4	6.8	**6.4**	**3.4**	**2.4**
Real unit labour cost			-0.6	-3.7	0.7	2.2	**4.2**	**1.7**	**-0.4**
Saving rate of households (b)			1.9	10.3	8.0	8.7	**11.6**	**12.7**	**12.1**
GDP deflator			8.4	3.0	2.7	4.5	**2.1**	**1.7**	**2.8**
Harmonised index of consumer prices			-	5.1	4.2	3.2	**0.5**	**0.2**	**1.9**
Terms of trade goods			0.3	-1.8	-1.7	0.8	**0.0**	**0.3**	**0.1**
Trade balance (goods) (c)			-15.6	-2.1	-6.7	-5.1	**-5.2**	**-5.7**	**-6.1**
Current-account balance (c)			-8.4	1.4	-2.4	-0.4	**0.1**	**-0.3**	**-0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.5	5.5	1.1	2.4	**0.8**	**0.5**	**0.2**
General government balance (c)			-	1.2	-0.2	-0.2	**0.6**	**-0.2**	**-0.1**
Cyclically-adjusted budget balance (d)			-	1.5	-1.2	-0.9	**0.0**	**-0.7**	**-0.8**
Structural budget balance (d)			-	0.0	-0.2	-0.8	**0.2**	**-0.4**	**-0.7**
General government gross debt (c)			-	6.0	9.7	10.1	**10.6**	**10.3**	**9.8**

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

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

7. IRELAND

A revival of domestic demand supports solid growth

The Irish economy re-emerged in 2014 as one of Europe's top performers. Economic activity is forecast to remain resilient in 2015 and 2016, as domestic demand takes over net exports as main growth driver. Yet, due to the still high level of private debt the strength of private consumption remains uncertain. The government's deficit and debt are forecast to improve on the back of sustained economic activity.

The Irish economy surged in 2014, after near zero growth a year earlier. Real GDP grew by 4.8%, setting the ground for resilient growth over the forecast horizon, albeit at more moderate but still solid rates, of around 3½% in 2015 and 2016.

Exports and investment have been driving GDP but consumption is taking on a bigger role

Exceptionally strong net exports explain most of Ireland's GDP growth in 2014. Ireland benefitted from its improved competitiveness, its large base of multinationals, and its links with the dynamic UK and US economies. Exports grew by 12.6% in the year. However, some of these exports are explained by the production of goods abroad on behalf of Irish-domiciled multinationals. This so-called contracted production has less impact on tax revenue and jobs in Ireland. Imports, which include intermediate goods and services used as inputs in contracted production, accelerated with a lag, towards the end of 2014, when quarterly GDP growth slowed down markedly.

Over the forecast horizon, the weaker euro is expected to benefit indigenous firms the most, as multinationals are more exposed to increases in the cost of foreign inputs for which they are price takers. In addition, imports are set to accelerate in 2015 and 2016, as domestic demand recovers.

Investment grew by 11.3% in 2014 and is expected to continue to be one of the main drivers of GDP growth in 2015 and 2016, while remaining volatile. Ireland continues to attract investment from multinationals, and construction is expected to continue to recover from very low levels.

Consumption accelerated at the end of 2014 and is projected to strengthen further in 2015 and 2016, when domestic demand components are expected to take over from net exports as the main growth drivers. The recovery in employment and wages, tax reliefs in Budget 2015 and consumer confidence will support private consumption. Yet, indebtedness continues to weigh on households' propensity to consume.

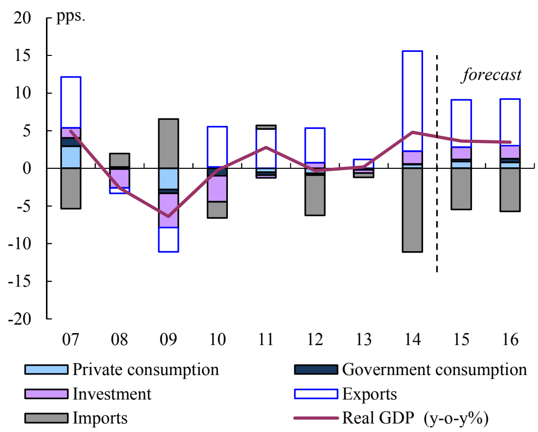
Bank net lending to households and non-financial companies continues to decline as demand remains subdued and Irish companies use retained earnings for investment. Nonetheless, the profitability of the domestic banks continues to improve, which should boost their capacity to extend credit.

Job creation will progress further, while inflation transitions to moderate levels

Ireland's unemployment rate is forecast to reach 9.2% in 2016, down from 11.3% in 2014. Labour market participation is expected to gradually pick up and moderate the pace at which unemployment is falling, while the weaker euro is forecast to boost labour-intensive indigenous production.

Inflation will remain very subdued in 2015, given that energy prices are still low. In 2016, inflation is forecast to rise in line with expectations in the euro area. Property prices rebounded in 2014 by 16.3%. Yet, the number of transactions is low and prices remain 38% below their 2007 peak. Macro-prudential limits to mortgage lending, recently introduced by the Central Bank of Ireland, help dampen price pressures. However, housing supply remains a concern, particularly in Dublin.

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



The risks for this forecast are balanced. A stronger recovery in the euro area could push net exports further. At the same time, accelerating household deleveraging could dampen private consumption. Wage increases, if not in line with productivity, would erode competitiveness.

Public finances improve thanks to buoyant tax revenues and interest expenditure savings.

In 2014, the general government deficit reached 4.1% of GDP, down from 5.8% of GDP in 2013. As revenues grew in line with buoyant GDP, the improvement mostly reflects a reduction of primary current expenditure in percent of GDP. Still, in nominal terms, total government expenditure increased for the first time since 2010, despite markedly lower interest expenditure. The increase reflects higher capital expenditure, including public infrastructure.

In 2015, the general government deficit is forecast at 2.8% of GDP, 0.1% of GDP lower than in the Commission 2015 winter forecast. The moderate downward revision in the face of strong economic activity reflects a combination of deficit increasing and decreasing factors. These are notably, on the one hand, a cash dividend from Allied Irish Banks, lower debt servicing costs and better than expected cash returns in the first months of 2015. On the other hand, infrastructure investment and expenditure in healthcare are expected to rise.

Under the usual no-policy-change assumption, the deficit is expected to reach 2.9% of GDP in 2016. The main risks around the deficit projections are persisting spending pressures linked to demographics and possible increases in public sector pay.

The structural deficit is expected to improve over the forecast horizon, reaching about 3¼ % in 2016 from around 4% of GDP in 2014. Public debt is projected to continue falling and reach 103.8% of GDP in 2016, down from 123.2% in 2013. This marked improvement largely reflects the liquidation of the Irish Banking Resolution Corporation.

Table II.7.1:
Main features of country forecast - IRELAND

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	174.8	100.0	5.1	2.8	-0.3	0.2	**4.8**	**3.6**	**3.5**
Private Consumption	78.9	45.2	4.6	-1.1	-1.4	-0.4	**1.1**	**2.1**	**1.9**
Public Consumption	30.4	17.4	4.0	-2.2	-1.3	0.0	**0.3**	**1.7**	**2.9**
Gross fixed capital formation	26.5	15.2	4.7	-2.2	5.2	-2.8	**11.3**	**9.8**	**9.9**
of which: equipment	6.8	3.9	4.8	2.1	-2.5	1.8	**31.0**	**10.0**	**11.0**
Exports (goods and services)	184.1	105.3	9.2	5.5	4.7	1.1	**12.6**	**5.6**	**5.4**
Imports (goods and services)	147.7	84.5	8.3	-0.6	6.9	0.6	**13.2**	**6.0**	**6.1**
GNI (GDP deflator)	148.7	85.1	4.5	-0.5	0.3	3.2	**5.9**	**2.2**	**3.3**
Contribution to GDP growth: Domestic demand			4.0	-1.3	-0.1	-0.6	**2.3**	**2.8**	**3.0**
Inventories			0.0	0.7	-0.3	0.4	**0.5**	**0.0**	**0.0**
Net exports			1.7	5.7	-0.8	0.6	**2.2**	**0.8**	**0.5**
Employment			2.7	-1.8	-0.6	2.4	**1.7**	**1.6**	**1.5**
Unemployment rate (a)			7.2	14.7	14.7	13.1	**11.3**	**9.6**	**9.2**
Compensation of employees / head			4.4	1.2	0.8	2.0	**3.8**	**3.2**	**2.8**
Unit labour costs whole economy			1.9	-3.2	0.5	4.2	**0.8**	**1.2**	**0.9**
Real unit labour cost			-0.7	-4.1	-0.8	3.2	**-0.4**	**-0.9**	**-0.7**
Saving rate of households (b)			-	11.8	12.9	12.7	**13.8**	**13.0**	**12.4**
GDP deflator			2.7	0.9	1.3	1.0	**1.2**	**2.2**	**1.5**
Harmonised index of consumer prices			2.4	1.2	1.9	0.5	**0.3**	**0.4**	**1.5**
Terms of trade goods			0.0	-6.2	-0.7	0.5	**-1.4**	**0.2**	**0.1**
Trade balance (goods) (c)			21.2	25.3	24.5	20.7	**24.8**	**25.5**	**24.8**
Current-account balance (c)			-0.8	0.8	1.6	4.4	**6.2**	**5.7**	**5.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-0.3	1.0	1.6	4.4	**6.3**	**5.3**	**4.9**
General government balance (c)			-2.4	-12.7	-8.1	-5.8	**-4.1**	**-2.8**	**-2.9**
Cyclically-adjusted budget balance (d)			-2.7	-12.1	-7.2	-4.5	**-4.2**	**-3.3**	**-3.3**
Structural budget balance (d)			-	-8.1	-7.2	-4.9	**-4.1**	**-3.6**	**-3.3**
General government gross debt (c)			45.9	111.2	121.7	123.2	**109.7**	**107.1**	**103.8**

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

8. GREECE

The recovery fails to accelerate amid high political uncertainty

In 2014, the real GDP of Greece grew for the first time since 2007, expanding by 0.8%. The conditions to support growth are in place but uncertainty and tighter financing conditions are holding back the recovery and weighing on public finances.

Uncertainty and illiquidity hinder growth prospects

The forecast figures for Greece are subject to a high degree of uncertainty and take into account developments up until the cut-off date of 21 April.

In 2014, private consumption and net exports drove economic activity, prompting a long-awaited return to growth, which measured 0.8% in terms of real GDP. Backed by falling prices and the adjustment of the labour market, private consumption increased for the first time after five years of continuous contraction. Exports of services improved strongly thanks to the tourism and shipping sectors, goods exports also improved, although stronger domestic demand meant that imports also rose. Investment increased for the first time since 2008, mainly due to the increase in equipment investment.

The positive momentum has, however, been hurt by uncertainty since the announcement of snap elections in December. The current lack of clarity on the policy stance of the government vis-à-vis the country's policy commitments in the context of the EU/IMF support arrangements worsens uncertainty further. Greece's economic sentiment indicator (ESI) deteriorated in March due to falling confidence in all business sectors, although consumer confidence remained at relatively high levels. Greece's purchasing managers index (PMI), recorded a further deterioration in business conditions for manufacturing in March, suggesting that the sector is still in depression, with new export orders and output falling.

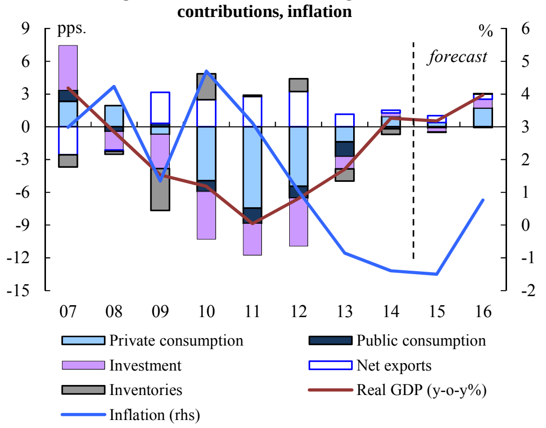
Conditional on agreement with the EU/IMF by June and assuming that business confidence returns along with the liquidity of the government and banking sector, the economy is now forecast to grow by around ½% in 2015, considerably lower than in the previous forecast. Private consumption should benefit slightly from the drop in oil prices and the return of 'under-the-mattress' deposits to the economy. Export growth is expected to continue in 2015 as tourism and shipping should benefit from the weaker euro. Uncertainty, however, is taking a heavy toll on investment, which is also suffering from limited credit supply from the financial sector and a build-up of arrears from the public sector. In 2016, real GDP growth is projected to strengthen to 2.9%, as investment rebounds on the back of structural reforms.

Greece's current account balance is expected to improve further in the forecast horizon supported by past and ongoing structural and institutional reforms, as well as by the weaker euro. The current account deficit is forecast to shrink to 1.6% of GDP in 2015 and to 1.3% in 2016.

The unemployment rate fell to 26.5% in 2014 reflecting the creation of about 100 000 new jobs. In 2015, the unemployment rate is projected to fall moderately to 25.6%, as the recovery remains muted. When growth picks up in 2016, the unemployment rate should fall further to 23.2%.

Prices fell by 1.4% in 2014 and inflation is expected to remain below zero this year, due to weak domestic demand, before turning positive in 2016 as the recovery gains pace.

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



Public finances affected by weaker growth, lower tax compliance and policy changes

The rise in uncertainty since the autumn of 2014 and the slowdown in the recovery have had a significant impact on Greece's public finances, resulting in a significant shortfall in state revenues at the end of 2014 and in the first two months of 2015. The poor revenue collection around the turn of the year resulted in a significantly weaker-than-expected fiscal outcome for 2014. The general government balance at -3.5% of GDP in 2014, is substantially worse than expected in the winter forecast. The headline balance in 2014 is, nevertheless, much better than in previous years, as it is no longer affected by the large one-off effects of bank recapitalisations recorded in 2012 and especially 2013.

Given the existing uncertainty about the timely implementation of necessary reforms and budget commitments, projections for 2015 and 2016 are based on a no-policy-change assumption.

Accordingly, the forecasts for the headline balance in 2015 and 2016 have been lowered to -2.1% of GDP and -2.2% respectively. This reflects weaker-than-expected revenues due to lower growth prospects offsetting a rebound in collection after the first quarter of the year. The projection assumes that profits from Eurosystem securities transactions (the SMP and ANFA programmes) are transferred, which in turn presumes that new fiscal measures will be taken. Expenditure ceilings were binding in 2014 and are expected to remain so in the future as well.

The government's debt-to-GDP ratio is expected to peak in 2015 before declining in 2016. Favourable interest rates, better cash management together with the back-loaded payment schedule for loans from the European Financial Stability Facility (EFSF) will help to keep interest expenditure low for a long period, despite the high stock of debt.

Graph II.8.2: **Greece - General Government Revenue, Expenditure and Deficit**

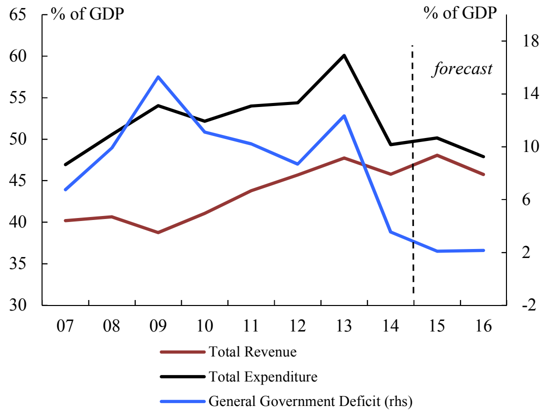


Table II.8.1:

Main features of country forecast - GREECE

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	182.4	100.0	2.4	-8.9	-6.6	-3.9	0.8	0.5	2.9
Private Consumption	129.9	71.2	2.6	-10.6	-7.8	-2.0	1.3	0.6	2.4
Public Consumption	36.5	20.0	2.9	-6.6	-5.0	-6.5	-0.9	-0.6	-0.3
Gross fixed capital formation	20.5	11.2	2.4	-16.8	-28.7	-9.5	2.7	-3.1	7.2
of which: equipment	7.9	4.4	7.3	-22.8	-29.2	-4.4	28.1	2.7	8.0
Exports (goods and services)	55.1	30.2	5.7	0.0	1.2	2.1	9.0	4.1	5.1
Imports (goods and services)	60.6	33.2	5.5	-9.0	-9.1	-1.6	7.4	2.0	3.6
GNI (GDP deflator)	182.4	100.0	2.1	-9.5	-3.4	-4.5	0.4	1.3	3.1
Contribution to GDP growth:	Domestic demand		2.9	-11.8	-11.0	-3.9	1.0	-0.1	2.4
	Inventories		0.0	0.1	1.2	-1.1	-0.5	0.0	0.0
	Net exports		-0.5	2.8	3.2	1.1	0.2	0.6	0.5
Employment			0.8	-6.9	-7.8	-3.8	0.7	0.5	2.9
Unemployment rate (a)			10.1	17.9	24.5	27.5	26.5	25.6	23.2
Compensation of employees / head			6.3	-2.3	-2.0	-7.1	-1.6	0.1	1.7
Unit labour costs whole economy			4.6	-0.2	-3.3	-7.0	-1.6	0.1	1.7
Real unit labour cost			0.6	-0.9	-3.4	-4.9	1.0	1.4	1.0
Saving rate of households (b)			-	-	-	-	-	-	-
GDP deflator			4.0	0.8	0.1	-2.3	-2.6	-1.2	0.7
Harmonised index of consumer prices			4.1	3.1	1.0	-0.9	-1.4	-1.5	0.8
Terms of trade goods			-0.1	1.5	-0.2	1.6	0.9	-0.6	0.4
Trade balance (goods) (c)			-14.8	-12.6	-10.9	-10.6	-11.7	-11.9	-11.7
Current-account balance (c)			-9.3	-10.4	-4.4	-2.3	-2.2	-1.6	-1.3
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.8	-8.5	-2.6	0.3	-0.4	0.3	0.5
General government balance (c)			-	-10.2	-8.7	-12.3	-3.5	-2.1	-2.2
Cyclically-adjusted budget balance (d)			-	-5.8	-2.8	-6.2	1.0	1.0	-1.4
Structural budget balance (d)			-	-6.3	-0.6	2.2	0.4	-1.4	-2.3
General government gross debt (c)			-	171.3	156.9	175.0	177.1	180.2	173.5

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

9. SPAIN

Growth rising on the back of robust employment growth

Robust job creation, easier financing conditions, enhanced confidence and low oil prices are set to keep fuelling domestic demand and economic growth in Spain. The drag of negative net exports on growth is expected to diminish over the forecast horizon as Spain's competitiveness improves. The government deficit is expected to continue to narrow.

Domestic demand still driving growth

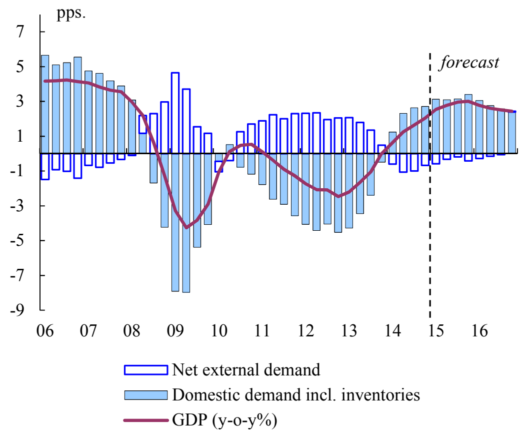
After a long recession, growth in Spain resumed in 2014. Growth is set to gather further momentum, backed by improved labour market prospects, loosening financial conditions and renewed confidence, but also helped by favourable external developments and a less restrictive fiscal stance. These factors are expected to sustain growth over the forecast horizon, despite the continued drag from high levels of private and public indebtedness and deleveraging. The adjustment of Spain's external imbalances is also expected to accelerate compared to 2014.

After having expanded by 0.6% and 0.7% q-o-q in the third and fourth quarters of 2014, economic activity is expected to have accelerated further in the first quarter of 2015. Although growth is expected to moderate in the second half of this year, GDP is now projected to expand by 2.8% in 2015 and 2.6% in 2016, mainly driven by domestic demand. The drag from the external sector observed in 2014 is expected to narrow in 2015 and turn broadly neutral in 2016.

According to hard data on economic activity and soft data from confidence indicators, private consumption has remained quite resilient in the first quarter of 2015, with consumer confidence reaching historical highs. Such resilience is expected to persist as a result of faster-than-foreseen employment growth and rising real gross disposable income, which are expected to also benefit from falling price levels throughout most of 2015 and low inflation thereafter. The household saving rate, currently at low levels, is set to increase moderately in the short term. Household leverage is set to keep falling as nominal GDP and real disposable incomes expand.

Positive demand prospects, easing financing conditions and the projected rebound in exports are expected to underpin investment in equipment, despite the ongoing balance-sheet correction of non-financial corporations. After seven years of adjustment, a modest pick-up in construction, including residential investment, is expected to gather some strength in 2015 and 2016. Public investment is set to contribute only modestly to the increase in total investment in construction.

Graph II.9.1: **Spain - Contributions to growth**



Exports are expected to accelerate in 2015 and 2016, backed by continued improvements in price and non-price competitiveness and the projected recovery in Spain's main export markets. At the same time, after a sharp expansion in 2014 partly due to temporary factors, imports are forecast to moderate and align with long-term final demand elasticities. The current-account surplus is set to widen to 1.2% of GDP in 2015 and then decline to 1.0% in 2016 as the impact from the decline in oil prices and the depreciation of the euro gradually fade. In turn, net external lending is expected to rise to 1.6% and 1.4% of GDP in 2015 and 2016.

Inflation is expected to remain negative in the short term at -0.6% in 2015 dragged down by falling oil prices, although this effect has been partly mitigated by the depreciation of the euro. In 2016, however, inflation is forecast to turn positive, but remain low, as the economy's output gap remains very large.

Sustained employment growth

Job creation gathered steam in the second half of 2014, while the size of the labour force continued to contract, resulting in the unemployment rate declining to 23.7% in the fourth quarter of 2014. These positive trends are expected to intensify over the forecast horizon, helped by continued wage moderation and only modest increases in nominal unit labour costs. The labour force has started to grow again and unemployment is forecast to fall to 20.5% at the end of 2016.

Upward risks related to stronger private consumption and investment, especially in equipment, would prevail in the short term over increased volatility in financial markets and deceleration in some emerging economies.

Deficit reduction helped by recovery

Thanks to the strong economic recovery and the enhanced financing conditions, public finances continued to improve in 2014. According to Eurostat data, the general government deficit narrowed to 5.7% of GDP last year, down from 6.3% of GDP in 2013 (net of bank recapitalisations in both years). The improvement stemmed from both the revenue and the expenditure side, indirect tax revenues being boosted by stronger domestic demand and falling unemployment reining in social transfers.

Going forward, the reduction of the deficit is relying mostly on the improving macroeconomic outlook. The government deficit is expected to fall to around 4.5% in 2015 and to fall by a further percentage point in 2016, despite the impact of recently-implemented tax cuts. The reduction in the deficit is held back by subdued nominal GDP growth, which is acting as a drag on revenue developments. Risks stem from uncertainty regarding the actual impact of the tax reform on revenues, contingent liabilities in the motorway sector and implementation risks in an election year.

While pension expenditures are forecast to continue rising, falling unemployment should limit the growth of social transfers in the near future. Thanks to lower interest rates, interest expenditure should moderate over the forecast horizon.

Spain's structural deficit is expected to widen by about ½ pp. over the forecast period, reaching 2½% of GDP in 2016. With low nominal GDP growth and a still-sizable budget deficit, the public debt ratio is expected to rise above 100% in 2015 and to reach 101.4% in 2016.

Table II.9.1:

Main features of country forecast - SPAIN

	2013		Annual percentage change						
bn EUR	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	1049.2	100.0	2.8	-0.6	-2.1	-1.2	**1.4**	**2.8**	**2.6**
Private Consumption	610.3	58.2	2.5	-2.0	-2.9	-2.3	**2.4**	**3.5**	**2.8**
Public Consumption	204.2	19.5	4.1	-0.3	-3.7	-2.9	**0.1**	**0.4**	**0.3**
Gross fixed capital formation	194.3	18.5	3.4	-6.3	-8.1	-3.8	**3.4**	**5.5**	**5.1**
of which: equipment	60.6	5.8	4.5	0.9	-9.1	5.3	**12.2**	**8.8**	**7.9**
Exports (goods and services)	331.1	31.6	5.2	7.4	1.2	4.3	**4.2**	**5.5**	**6.2**
Imports (goods and services)	295.3	28.1	5.8	-0.8	-6.3	-0.5	**7.6**	**7.2**	**7.1**
GNI (GDP deflator)	1041.9	99.3	2.8	-0.9	-1.2	-1.1	**1.5**	**3.3**	**2.6**
Contribution to GDP growth: Domestic demand			3.1	-2.7	-4.2	-2.7	**2.1**	**3.2**	**2.7**
Inventories			0.0	0.0	-0.1	0.0	**0.2**	**0.0**	**0.0**
Net exports			-0.3	2.1	2.2	1.4	**-0.8**	**-0.4**	**-0.1**
Employment			2.0	-2.6	-4.4	-3.3	**1.2**	**2.7**	**2.5**
Unemployment rate (a)			13.8	21.4	24.8	26.1	**24.5**	**22.4**	**20.5**
Compensation of employees / f.t.e.			3.5	0.9	-0.6	1.7	**-0.2**	**0.3**	**0.4**
Unit labour costs whole economy			2.7	-1.1	-3.0	-0.4	**-0.4**	**0.3**	**0.3**
Real unit labour cost			-0.3	-1.2	-3.2	-1.1	**0.1**	**0.1**	**-0.5**
Saving rate of households (b)			11.4	11.9	9.5	10.4	**9.8**	**10.2**	**10.3**
GDP deflator			3.1	0.1	0.2	0.7	**-0.5**	**0.2**	**0.8**
Harmonised index of consumer prices			2.9	3.1	2.4	1.5	**-0.2**	**-0.6**	**1.1**
Terms of trade goods			0.3	-4.3	-0.9	1.4	**-0.3**	**2.8**	**-0.3**
Trade balance (goods) (c)			-5.5	-4.1	-2.7	-1.2	**-2.0**	**-1.7**	**-1.8**
Current-account balance (c)			-4.5	-3.3	-0.4	1.5	**0.6**	**1.2**	**1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.8	-2.9	0.1	2.1	**1.0**	**1.6**	**1.4**
General government balance (c)			-2.6	-9.4	-10.3	-6.8	**-5.8**	**-4.5**	**-3.5**
Cyclically-adjusted budget balance (d)			-3.0	-6.4	-6.4	-2.5	**-2.3**	**-2.5**	**-2.6**
Structural budget balance (d)			-	-6.1	-3.4	-2.1	**-2.0**	**-2.4**	**-2.6**
General government gross debt (c)			52.5	69.2	84.4	92.1	**97.7**	**100.4**	**101.4**

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

10. FRANCE

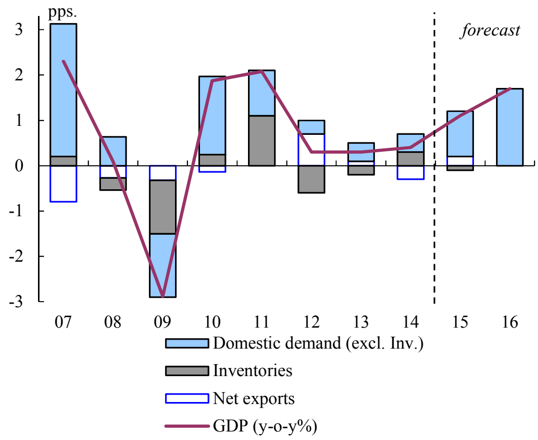
Tailwinds pushing up domestic demand

France's economic growth is expected to gain momentum over 2015 and 2016, mainly due to private consumption. Inflation is projected to reach zero in 2015 due to the fall in oil prices. The positive impact of the euro's depreciation on net exports will likely remain limited. The government's headline deficit reached 4.0% of GDP in 2014 and is expected to continue receding in 2015 as growth picks up.

Emerging from stagnation

After three years of economic standstill, improved household confidence is pointing again towards expansion, which, in turn, will bolster business confidence. GDP growth is thus set to gain traction and reach 1.1% and 1.7% in 2015 and 2016 respectively, mainly driven by private consumption on the back of lower energy prices, while the acceleration in investment would remain slow and the improvement in net exports stemming from the euro's depreciation is likely to be limited.

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



Domestic demand remains the key driver

In line with improving household confidence, private consumption is expected to accelerate, supported by sustained wage growth, a reduced energy bill and low inflation. In addition, households are expected to consume over the forecast horizon the savings accumulated in 2014 (as a result of the unanticipated increase in real disposable income), leading to a decline in their saving ratio.

Falling oil prices and the on-going policy measures to reduce labour costs, namely the *Tax Credit for Competitiveness and Employment* (CICE) and the *Responsibility and Solidarity Pact* (RSP) are expected to gradually strengthen firms' profit margins and their capacity to invest, while credit conditions, already favourable, are assumed to be further eased by the ECB's accommodative monetary policy. However, as business confidence remains weak and capacity utilisation is still low, the acceleration in aggregate demand is projected to drive up equipment investment with a lag. Meanwhile, construction investment is projected to contract further in 2015 before picking up somewhat in 2016. All in all, total investment is projected to recover from 2016 onwards, further boosted by the Investment Plan for Europe and the government's investment plan.

Limited support from net exports

The assumed acceleration in world demand is projected to give some impulse to exports from 2015 onwards, while the depreciation of the euro is expected to provide some stimulus to export competitiveness. However, with the gradual acceleration in domestic demand, imports are expected to expand, bringing the growth contribution of net exports to zero in 2016.

Labour market improves, inflation bottoms out

The positive impact of economic growth on employment, accentuated by the labour cost reductions associated with the CICE and the RSP, is expected to materialise gradually, as employers are likely to give first priority to increasing productivity over job creation. Thus, unemployment is expected to only slightly decrease from 2016.

The incidence of the recent slump in oil prices on inflation is alleviated by the imported inflationary pressure stemming from the euro's depreciation. Headline inflation is thus expected to avoid negative territory and fall to zero in 2015, before increasing again in 2016, on the back of a narrowing output gap.

Balanced risks to the growth outlook

A lower pace of structural reforms could jeopardise the nascent improvement in household and business confidence and weaken the fragile recovery. On the upside, an earlier-than-expected improvement in business confidence would boost the economy further.

General government deficit continues its gradual reduction

Despite the negative impact of low inflation on government finances, the general government deficit declined to 4.0% of GDP in 2014, 0.1 pps. below the 2013 level. Current public revenues grew by 2.0% in 2014, compared to 3.3% in 2013. Meanwhile, public expenditure growth was contained to 1.6%, the lowest rate recorded since 1998, after 1.8% in 2013. The slowdown in public expenditure was achieved in spite of increasing costs linked to the ramp-up of the CICE. In particular, investment by local governments plummeted due to the combined effect of the electoral cycle and the reduction in the transfers from the central government. The – temporary – reduction in France's contribution to the EU budget also contributed to the low expenditure growth.

In 2015, the improving macroeconomic outlook is set to result in a decrease in the general government deficit to 3.8% of GDP. Nominal GDP is set to pick up in 2015, with a positive impact on tax bases. Due to a lower amount of discretionary measures than in 2014 and to still low tax elasticities, current revenues as a share of GDP would decrease somewhat. Taking into account the expenditure cuts planned for 2015, including the additional measures announced in the stability programme, and recent developments in interest rates, total public expenditures are expected to increase by only 1.4%, a further slowdown compared to 2014. Regarding 2016, the rebound in inflation and the higher tax content of GDP growth are set to boost revenues despite the further reduction in social security contributions planned as part of the RSP. Meanwhile, the government intends to take measures to further reduce public expenditures. However, these remain largely unspecified and could thus not be fully incorporated in the forecast. Under a no-policy-change assumption, the headline deficit in 2016 is set to decrease further to 3.5% of GDP.

Overall, the structural balance is estimated to have improved by about ¾ pps. of GDP in 2014. In 2015, in spite of the additional measures announced, the improvement would remain close to ¼ pp.

The high government headline deficit and low nominal GDP growth are expected to lead to a further increase in the public debt-to-GDP ratio, to 97.0% of GDP by 2016.

Table II.10.1:

Main features of country forecast - FRANCE

		2013						Annual percentage change		
bn EUR		Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		2113.7	100.0	1.8	2.1	0.3	0.3	**0.4**	**1.1**	**1.7**
Private Consumption		1169.9	55.3	2.1	0.5	-0.4	0.2	**0.6**	**1.6**	**1.5**
Public Consumption		509.9	24.1	1.4	1.0	1.7	2.0	**1.9**	**0.8**	**0.8**
Gross fixed capital formation		466.9	22.1	2.2	2.1	0.3	-1.0	**-1.5**	**-0.6**	**3.0**
of which: equipment		100.4	4.7	2.8	1.4	0.9	-1.4	**0.3**	**0.7**	**5.2**
Exports (goods and services)		597.8	28.3	4.3	6.9	1.1	2.2	**2.7**	**4.7**	**5.9**
Imports (goods and services)		629.1	29.8	5.0	6.3	-1.3	1.7	**3.6**	**3.8**	**5.8**
GNI (GDP deflator)		2150.4	101.7	1.9	2.3	-0.4	0.5	**0.4**	**1.1**	**1.7**
Contribution to GDP growth:	Domestic demand			1.9	1.0	0.3	0.4	**0.4**	**1.0**	**1.6**
	Inventories			0.0	1.1	-0.6	-0.2	**0.3**	**-0.1**	**0.0**
	Net exports			-0.1	0.0	0.7	0.1	**-0.3**	**0.2**	**0.0**
Employment				0.7	0.5	-0.1	-0.2	**0.2**	**0.5**	**1.0**
Unemployment rate (a)				9.1	9.2	9.8	10.3	**10.3**	**10.3**	**10.0**
Compensation of employees / f.t.e.				2.5	2.5	2.3	1.6	**1.2**	**0.5**	**0.9**
Unit labour costs whole economy				1.5	0.9	1.8	1.1	**1.0**	**-0.1**	**0.3**
Real unit labour cost				0.0	-0.1	0.6	0.3	**0.1**	**-1.1**	**-0.7**
Saving rate of households (b)				15.1	15.2	14.9	14.7	**15.1**	**14.9**	**14.6**
GDP deflator				1.5	0.9	1.2	0.8	**1.0**	**1.0**	**1.0**
Harmonised index of consumer prices				1.7	2.3	2.2	1.0	**0.6**	**0.0**	**1.0**
Terms of trade goods				-0.1	-2.8	-0.4	1.5	**1.8**	**3.0**	**-0.7**
Trade balance (goods) (c)				0.0	-2.9	-2.4	-1.9	**-1.6**	**-0.7**	**-1.0**
Current-account balance (c)				0.5	-2.2	-2.5	-2.0	**-1.7**	**-0.9**	**-1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.5	-2.2	-2.7	-2.0	**-1.6**	**-0.8**	**-1.0**
General government balance (c)				-3.4	-5.1	-4.8	-4.1	**-4.0**	**-3.8**	**-3.5**
Cyclically-adjusted budget balance (d)				-3.8	-4.9	-4.2	-3.1	**-2.6**	**-2.4**	**-2.4**
Structural budget balance (d)				-	-5.0	-4.2	-3.2	**-2.6**	**-2.3**	**-2.3**
General government gross debt (c)				64.3	85.2	89.6	92.3	**95.0**	**96.4**	**97.0**

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

11. CROATIA

External factors nudge the economy into a subdued recovery

After six years of recession, economic growth is set to creep into positive territory in 2015, thanks to external demand. In 2016 growth should accelerate to just above 1%, as investments are expected to lead a mild recovery of internal demand. Employment nevertheless is set to stagnate, while the need for further consolidation of public finances in 2016 will weigh on Croatia's fragile growth.

The pick-up in activity signals the end of the recession, but uncertainty remains

Croatia's economy further contracted by 0.4% in 2014. In the third quarter of 2014, seasonally adjusted GDP was up by 0.2% q-o-q, but stagnated again in the last quarter of 2014. Yet in year-on-year terms, real GDP in the last quarter of 2014 was up by 0.4%, the first expansion since the beginning of the recession in 2009. This timid recovery, however, remains fragile, as it relies exclusively on external demand. Exports of goods and services grew by slightly more than 6% in 2014, but internal demand continued to drag on growth, with the rate of contraction even accelerating in the fourth quarter.

High frequency indicators for the first quarter of 2015 are sending mixed signals. On the positive side, sentiment indicators point towards an improvement in expectations, also confirmed by a pick-up in retail trade. In contrast, industrial production registered a steep fall of 4% in January, partially offset by a rebound in February. All in all, these indicators suggest that the economy should stagnate in the first quarter of 2015.

The economy is set to simmer in 2015, on the back of the positive external environment

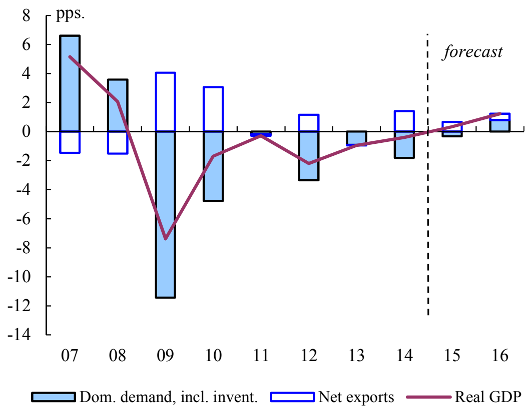
Croatia's economy is expected to grow in 2015 at a modest rate of 0.3%. The marginal upward revision of 0.1 pp. since the previous forecast is attributable to the improved growth prospects in Croatia's trading partners, partially offset by additional fiscal consolidation measures. Internal demand is expected to detract from growth for one more year, though the pace of the contraction should gradually abate to -0.3%. In particular, investment is set to further contract by 1.8%, mainly as a result of the strong contraction registered in the last quarter of 2014, but also taking into account the planned withdrawal of profits from SOEs. In addition, low absorption of EU funds, on-going deleveraging pressures and weak private demand are set to still hold back investment activity in 2015.

Despite continuing weak labour market performance, the contraction in private consumption is set to come to an end in 2015, thanks to the positive impact of reforms to personal income taxation and lower oil prices. Employment is set to stagnate in 2015, while the mild reduction of the unemployment rate to 17% will be driven by a reduction in the labour force.

After a particularly strong 2014, exports are expected to grow by 3.7%, driven by improved cost-competitiveness and especially the acceleration of the recovery in the rest of the EU. On the back of weak internal demand, imports are expected to grow at a moderate pace of 2.4%, thus increasing Croatia's current-account surplus.

In 2015, price dynamics are expected to be almost flat, as opposed to the winter forecast, due to the earlier-than-expected recovery in energy prices. Core inflation is expected to remain subdued due to weak demand.

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



The long-awaited pick-up in investment is set to accelerate growth in 2016

Growth is set to pick-up somewhat to 1.2% in 2016, as the contraction in all domestic demand components is expected to come to an end. Investment, in particular, is set to rebound as a result of increased absorption of EU structural and investment funds and improving expectations. Net external demand should continue contributing positively to GDP growth, though more moderately, as imports are set to accelerate.

A slight increase in employment, in a context of a stable labour force, should result in a mild contraction of the unemployment rate to 16.6% in 2016, while the acceleration of core inflation and the recovery of energy and commodity prices is set to spur HICP inflation to 1.3%.

Risks to this forecast scenario are mainly tilted to the downside, as additional consolidation measures, necessary to rein in public finances and bring the general government debt on a sustainable path, could dampen from growth in 2016.

A broadly neutral fiscal stance in 2015, with additional efforts needed in 2016

The general government deficit was 5.7% of GDP in 2014, compared to 5.4% in 2013. The slight deterioration was mostly caused by a decline of tax revenue, which more than offset an increase of social contributions due to the change of health contributions rate. Both indirect and direct tax revenues declined in 2014 reflecting the continually weak domestic economic activity. On the other hand, although expenditure increased only slightly, underlying developments of individual components were quite different; higher spending in social transfers and intermediate consumption was offset by lower expenditure on wages and subsidies.

In 2015, the personal income tax rebate will be off-set by consolidation measures presented in April, while the pick-up in growth should bring the budget deficit to 5.6% of GDP. In 2016, the deficit is forecast to remain broadly unchanged, in spite of the moderate pick-up in growth. After having attained -4.0% of GDP in 2014, the structural deficit is therefore forecast to deteriorate only mildly in 2015 and more significantly in 2016 (-0.2 and -0.5 pps. respectively).

The ratio of general government debt to GDP grew by 4.5 pps. of GDP in 2014 to reach 85% at the end of the year. This was essentially the result of the budget deficit and minor stock adjustments in the environment of low nominal growth. In 2015 and 2016, public debt is forecast to rise further to above 90% of GDP mainly as a result of underlying deficit trends.

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

	2013		Annual percentage change						
bn HRK	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	330.1	100.0	-	-0.3	-2.2	-0.9	**-0.4**	**0.3**	**1.2**
Private Consumption	200.2	60.6	-	0.3	-3.0	-1.2	**-0.7**	**0.1**	**0.5**
Public Consumption	66.1	20.0	-	-0.3	-1.0	0.5	**-1.9**	**0.0**	**0.9**
Gross fixed capital formation	63.7	19.3	-	-2.7	-3.3	-1.0	**-4.0**	**-1.8**	**1.6**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	141.8	42.9	-	2.2	-0.1	3.0	**6.3**	**3.7**	**4.6**
Imports (goods and services)	140.2	42.5	-	2.5	-3.0	3.2	**3.0**	**2.4**	**4.0**
GNI (GDP deflator)	323.9	98.1	-	-0.1	-2.6	0.3	**-1.6**	**0.7**	**1.3**
Contribution to GDP growth: Domestic demand			-	-0.4	-2.7	-0.8	**-1.6**	**-0.3**	**0.8**
Inventories			-	0.3	-0.7	-0.1	**-0.2**	**0.0**	**0.0**
Net exports			-	-0.1	1.2	0.0	**1.4**	**0.7**	**0.4**
Employment			-	-3.9	-3.6	-2.6	**2.7 (e)**	**0.0**	**0.5**
Unemployment rate (a)			-	13.7	16.0	17.3	**17.3**	**17.0**	**16.6**
Compensation of employees / head			-	4.3	0.2	1.1	**-5.3**	**-1.4**	**1.5**
Unit labour costs whole economy			-	0.6	-1.3	-0.6	**-2.4**	**-1.7**	**0.8**
Real unit labour cost			-	-1.1	-2.8	-1.4	**-2.4**	**-1.8**	**-0.5**
Saving rate of households (b)			-	11.8	12.0	9.5	**9.5**	**9.7**	**10.1**
GDP deflator			-	1.7	1.6	0.9	**0.0**	**0.0**	**1.2**
Harmonised index of consumer prices			3.4	2.2	3.4	2.3	**0.2**	**0.1**	**1.3**
Terms of trade goods			-	4.3	-0.4	-1.5	**-0.8**	**-0.2**	**-0.2**
Trade balance (goods) (c)			-19.2	-14.3	-14.3	-15.1	**-14.4**	**-14.5**	**-15.0**
Current-account balance (c)			-4.8	-0.6	0.0	0.1	**0.6**	**2.0**	**3.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-4.8	-0.6	0.0	0.1	**0.4**	**1.8**	**2.8**
General government balance (c)			-	-7.5	-5.3	-5.4	**-5.7**	**-5.6**	**-5.7**
Cyclically-adjusted budget balance (d)			-	-7.0	-4.1	-3.9	**-4.1**	**-4.1**	**-4.7**
Structural budget balance (d)			-	-7.0	-4.1	-3.6	**-4.0**	**-4.2**	**-4.7**
General government gross debt (c)			-	63.7	69.2	80.6	**85.0**	**90.5**	**93.9**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a % of GDP. (d) as a % of potential GDP. (e) break in time series.

12. ITALY

A gradual recovery ahead

Supported by positive external factors, Italy's economy is expected to return to growth in 2015 and the recovery to strengthen in 2016. Prices are forecast to remain broadly unchanged in 2015, while labour cost pressures remain limited. In 2015, the government deficit is projected to decline to 2.6% of GDP and public debt to peak at 133.1%.

The economy is set to return to growth in 2015

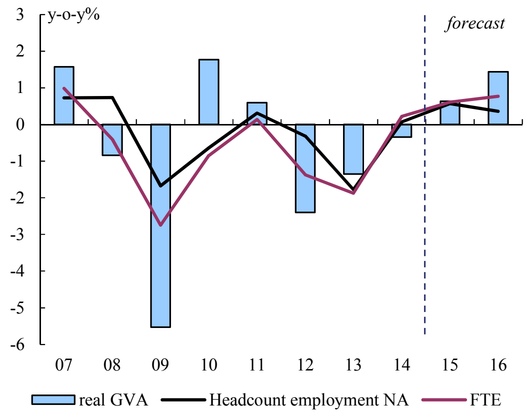
Real GDP contracted by 0.4% in 2014, with a stabilisation in the final quarter of the year. However, the carry-over for change in real GDP in 2015 remains marginally negative. While confidence indicators have steadily improved in recent months, the fluctuations of hard indicators suggest that the recovery should be gradual. Real GDP is expected to increase by 0.6% in 2015, with exports being the main driver of growth, aided by the depreciation of the euro. Although banks are still burdened with non-performing loans and real interest rates are projected to remain relatively high, the pick-up in exports is forecast to slowly trigger new investment in equipment, as spare capacity wanes and credit conditions gradually improve. However, construction investment is set to continue contracting albeit at a reduced pace. Private consumption is forecast to increase slightly as households restore their savings.

The recovery is set to strengthen in 2016. Real GDP growth is forecast to accelerate to 1.4% as Italy benefits from increasing external demand and investment picks up. In fact, the normalisation of financing conditions together with reduced uncertainty on economic prospects support higher private investment, including in construction. The current account balance is set to stabilise just above 2% of GDP over the forecast horizon, as the expected increase in investment is offset by higher savings. The sharp depreciation of the euro could feed into stronger-than-expected gains in competitiveness. This poses some upside risks to the baseline scenario for exports and growth.

Employment improves very gradually

Even though output declined in 2014, both the number of people in employment and the number of hours worked increased. The social contribution exemption for new permanent hires in 2015 is expected to support headcount employment as firms have an incentive to bring forward recruitments to 2015. As recovery gathers strength, employment is projected to increase further in 2016 (despite the absence of the employers' social contributions incentive), in particular in terms of full-time equivalent. The unemployment rate is forecast to marginally decline in 2015 and stabilise in 2016, as previously discouraged people are expected to join the labour force. Upward pressure on labour costs is projected to remain limited thanks to the enacted cuts to the labour tax wedge, while labour productivity is forecast to improve. Nominal unit labour costs are thus set to stabilise.

Graph II.12.1: **Italy - Employment and real GVA**



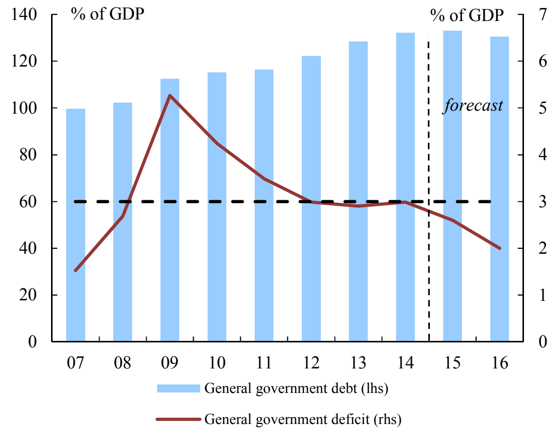
Inflation bottoms out in mid-2015

In 2015, the fall in energy prices is forecast to be partly counterbalanced by higher import prices for other goods and services resulting from the depreciation of the euro. As a result, HICP inflation is forecast at 0.2% in 2015 and core inflation broadly stabilises at low levels. The HICP inflation forecast for 2016 of 1.8% incorporates a further increase in import prices, including energy, as well as the hike in VAT rates enshrined in the 2015 budget law to safeguard the achievement of fiscal targets. In the 2015 Stability Programme, the government committed to partly replace the VAT hike with savings and lower tax expenditure that however will be detailed in the 2016 budget law.

The government deficit is set to decline

The 2014 deficit was at 3% of GDP, slightly up from 2.9% in 2013. A fall in interest expenditure of around 0.2 pps. of GDP only partially offsets the erosion of the primary surplus. This was affected by negative real growth, low inflation, and reduced tax revenues from the financial sector. Primary expenditure increased by 1.2% year-on-year mainly due to tax credits to low-wage employees recorded as social transfers, while revenues increased marginally more than nominal GDP, thanks to higher intakes from VAT and property taxation. In 2015, the deficit is projected to decline to 2.6% of GDP, supported by falling interest expenditure and a marginally higher primary surplus. In nominal terms, total primary expenditure is set to rise slightly (0.8% year-on-year). Namely, current primary expenditure is projected to increase by 1.3% mainly due to tax credits to low-wage employees and the extended coverage of unemployment benefits, while public wages remain frozen. Public investment is expected to continue contracting also due to expenditure savings at local level. Revenues are expected to increase less than nominal GDP because of the cuts to the labour tax wedge. The structural balance is set to improve by around ¼ pps. of GDP in 2015. In 2016, under a no-policy change assumption, the deficit is projected to narrow further to 2.0% of GDP, while the structural balance slightly worsens. Risks to these budgetary projections are related to possible additional expansionary measures announced in the 2015 Stability Programme but not yet detailed.

Graph II.12.2: **Italy - Public finances**



Debt-to-GDP ratio rose to 132.1% in 2014 due to weak nominal growth and the settlement of trade debt arrears. The debt ratio is forecast to peak at around 133% in 2015, despite around 0.5% of GDP privatisation proceeds. A decline is set to take place in 2016 thanks to higher nominal growth and primary surplus.

Table II.12.1:

Main features of country forecast - ITALY

		2013			Annual percentage change						
		bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		1609.5	100.0	1.0	0.6	-2.8	-1.7	**-0.4**	**0.6**	**1.4**
Private Consumption		977.9	60.8	1.2	0.0	-3.9	-2.8	**0.3**	**0.6**	**0.6**
Public Consumption		315.7	19.6	0.9	-1.8	-1.2	-0.3	**-0.9**	**-0.5**	**0.7**
Gross fixed capital formation		280.3	17.4	1.6	-1.9	-9.3	-5.8	**-3.3**	**1.1**	**4.1**
of which: equipment		92.2	5.7	2.4	0.2	-13.6	-5.5	**-2.5**	**3.0**	**5.4**
Exports (goods and services)		463.8	28.8	2.6	5.2	2.3	0.5	**2.7**	**3.8**	**4.9**
Imports (goods and services)		426.4	26.5	3.8	0.5	-8.1	-2.3	**1.8**	**3.0**	**5.0**
GNI (GDP deflator)		1606.2	99.8	1.1	0.5	-2.7	-1.7	**-0.4**	**0.6**	**1.4**
Contribution to GDP growth:	Domestic demand			1.2	-0.8	-4.5	-2.9	**-0.6**	**0.4**	**1.2**
	Inventories			0.0	0.2	-1.2	0.4	**-0.1**	**-0.1**	**0.1**
	Net exports			-0.2	1.2	3.0	0.8	**0.3**	**0.3**	**0.1**
Employment				0.4	0.1	-1.4	-1.9	**0.2**	**0.6**	**0.8**
Unemployment rate (a)				8.9	8.4	10.7	12.1	**12.7**	**12.4**	**12.4**
Compensation of employees / f.t.e.				3.1	1.1	0.4	0.9	**0.6**	**0.5**	**0.6**
Unit labour costs whole economy				2.5	0.7	1.9	0.7	**1.2**	**0.5**	**0.0**
Real unit labour cost				-0.1	-0.8	0.5	-0.6	**0.4**	**-0.1**	**-1.5**
Saving rate of households (b)				15.1	10.7	9.6	11.3	**11.0**	**11.5**	**11.8**
GDP deflator				2.6	1.5	1.4	1.4	**0.8**	**0.5**	**1.5**
Harmonised index of consumer prices				2.5	2.9	3.3	1.3	**0.2**	**0.2**	**1.8**
Terms of trade goods				-0.3	-3.4	-1.4	2.1	**2.9**	**0.5**	**-0.8**
Trade balance (goods) (c)				1.1	-1.1	1.0	2.2	**3.1**	**3.5**	**3.3**
Current-account balance (c)				-0.3	-3.1	-0.4	0.9	**2.0**	**2.2**	**2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.2	-3.0	-0.2	0.9	**2.2**	**2.4**	**2.4**
General government balance (c)				-3.6	-3.5	-3.0	-2.9	**-3.0**	**-2.6**	**-2.0**
Cyclically-adjusted budget balance (d)				-3.8	-2.6	-1.2	-0.6	**-0.8**	**-0.7**	**-0.9**
Structural budget balance (d)				-	-3.3	-1.3	-0.8	**-0.9**	**-0.7**	**-0.8**
General government gross debt (c)				107.1	116.4	123.1	128.5	**132.1**	**133.1**	**130.6**

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

13. CYPRUS

Progress on structural reforms promises new steam to a delayed economic recovery

The recession moderated significantly in 2014 with the second half of the year being weaker than the first. Low oil prices are expected to support growth in 2015 but external demand will still be exposed to headwinds from the Russian economy. Recent progress on structural reforms should underpin the economic recovery. Fiscal adjustment is expected to continue.

The recession continued into 2014 but at a more moderate pace…

Despite renewed weakness in real GDP growth towards the end of the year, the recession lost some of its grip on the economy, with the GDP decline easing to 2.3% in 2014 as a whole. This represents a substantially milder recession than that of 2013 when the economy contracted by 5.4%. The improvement is largely due to an increase in private consumption, which more than offset the decline in other domestic demand components. However, the increase in private consumption mainly reflects a base effect following its sharp contraction in 2013. Imports also rose significantly, following a sharp decline in 2013, outweighing a nevertheless solid increase in exports. As a result, the contribution of net exports to growth was negative in 2014.

Unemployment increased marginally in 2014, as the reduction in employment was largely offset by a fall in the labour force. HICP inflation turned negative in 2014, as energy prices decreased strongly in end-2014 while inflationary pressure remained weak, on the back of downward wage adjustments and low rates of capacity utilisation.

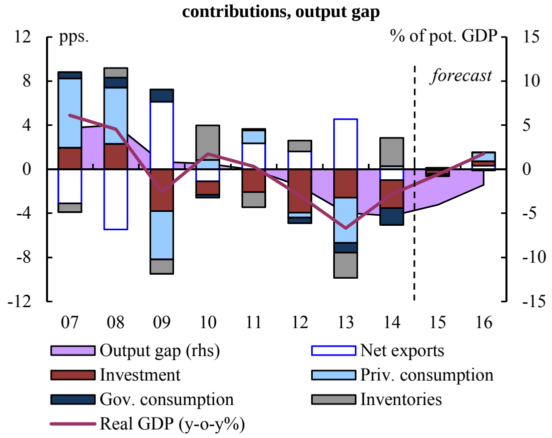
…however, 2015 will still see negative growth.

Although available short-term indicators for economic activity in the beginning of 2015 suggest a slowly improving growth momentum, the economy is not expected to grow before 2016. Despite low oil prices, domestic demand is forecast to contribute negatively to growth, which, together with a modest negative contribution from net exports, will lead to a real GDP contraction by 0.5%. Unemployment is forecast to remain broadly stable, reflecting a further adjustment of the labour force, and low energy prices will keep HICP inflation in negative territory in 2015.

The growth momentum will gradually pick up in 2016…

In 2016, the gradual deleveraging of both households and corporates should remove impediments to a more balanced growth. At the same time, the insolvency and foreclosure framework adopted in April 2015 should allow for more effective tools to deal with the high ratio of non-performing loans and will help restore the health of the banking sector, loosen credit supply conditions and support a moderate pick-up in domestic demand. The ensuing growth momentum is expected to gradually ease unemployment. HICP inflation is forecast to turn positive in 2016, as energy prices rebound.

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



…with risks remaining on the downside.

Risks to the recovery remain tilted to the downside. A failure to address high NPL ratios could lead to a more prolonged period of tight credit supply conditions, stalling the recovery of investment and weakening domestic demand. On the external side, the recession in Russia could have larger negative effects on exports than anticipated.

Strong fiscal adjustment continues

In 2014, both the primary and the headline balance for the general government improved by about 4.5% of GDP, on the back of consolidation measures and prudent budget execution, excluding the impact of a one-off banking recapitalisation amounting to 8.6% of GDP. The revenue ratio increased compared to 2013, driven by consolidation measures, high dividends from the Central Bank of Cyprus, and improved tax collection. These factors more than offset the negative impact of reduced private consumption and adverse labour market developments. Total expenditure net of one-off banking recapitalisation costs decreased reflecting tight expenditure control, measures to reduce the public sector wage bill as well as a deceleration in the public sector retirement wave resulting in lower cost for lump-sum pension payments.

The general government balance is expected to worsen in 2015, when the one-off effects from banking recapitalisation in 2014 are excluded. This reflects the prolonged economic recession, impacting mostly on tax revenues, but also other factors, such as location rules regarding VAT for e-commerce services and a decrease in dividend income from the Central Bank of Cyprus. In 2016, the general government balance is forecast to improve in line with better economic conditions.

The structural balance is expected to remain in positive territory over the entire forecast horizon. The worsening in 2015 is driven by the decrease in both general government balance and potential GDP. In 2016, the structural balance is expected to stay nearly unchanged, despite an improved general government balance, due to a decreasing output gap as growth picks up. The debt-to-GDP ratio is expected to increase slightly over the forecast horizon.

Table II.13.1:

Main features of country forecast - CYPRUS

	2013			Annual percentage change						
mio EUR	Curr. prices	% GDP		95-10	2011	2012	2013	2014	2015	2016
GDP	18118.9	100.0		3.7	0.3	-2.4	-5.4	**-2.3**	**-0.5**	**1.4**
Private Consumption	12312.5	68.0		5.2	1.8	-0.7	-6.0	**0.4**	**0.2**	**1.1**
Public Consumption	3160.2	17.4		4.0	0.7	-2.7	-4.9	**-8.7**	**-0.9**	**-0.8**
Gross fixed capital formation	2432.0	13.4		2.3	-9.4	-20.7	-17.1	**-18.8**	**-3.6**	**3.6**
of which: equipment	784.9	4.3		1.5	-16.4	-26.1	-10.8	**-46.3**	**-3.2**	**4.4**
Exports (goods and services)	9209.9	50.8		2.4	4.2	-1.7	-5.0	**5.7**	**-0.3**	**1.5**
Imports (goods and services)	8759.7	48.3		3.1	-0.6	-4.6	-13.6	**8.1**	**-0.2**	**1.0**
GNI (GDP deflator)	17566.8	97.0		3.9	5.3	-6.1	-5.6	**-4.5**	**-1.0**	**0.9**
Contribution to GDP growth:	Domestic demand			4.3	-0.7	-4.9	-7.6	**-3.8**	**-0.4**	**1.1**
	Inventories			-0.2	-1.4	1.0	-2.3	**2.6**	**0.0**	**0.0**
	Net exports			-0.4	2.3	1.6	4.5	**-1.0**	**-0.1**	**0.3**
Employment				-	0.5	-4.2	-5.2	**-1.9**	**-0.4**	**1.2**
Unemployment rate (a)				4.1	7.9	11.9	15.9	**16.1**	**16.2**	**15.2**
Compensation of employees / head				-	2.5	-0.8	-6.0	**-4.7**	**-0.3**	**1.1**
Unit labour costs whole economy				-	2.7	-2.6	-5.9	-4.3	-0.2	0.9
Real unit labour cost				-	0.7	-4.6	-4.6	**-3.2**	**0.0**	**0.3**
Saving rate of households (b)				9.1	9.1	1.9	-7.6	**-3.8**	**-6.6**	**-5.6**
GDP deflator				2.7	2.0	2.0	-1.4	**-1.2**	**-0.2**	**0.7**
Harmonised index of consumer prices				-	3.5	3.1	0.4	**-0.3**	**-0.8**	**0.9**
Terms of trade of goods				-	-1.5	-1.3	0.7	**6.9**	**1.2**	**-0.4**
Trade balance (goods) (c)				-25.3	-23.2	-20.8	-17.7	**-17.4**	**-16.9**	**-16.9**
Current-account balance (c)				-6.2	-3.4	-5.7	-2.0	**-4.0**	**-3.9**	**-4.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.0	-3.2	-5.6	-0.7	**-13.1**	**-4.7**	**-4.8**
General government balance (c)				-2.7	-5.8	-5.8	-4.9	**-8.8**	**-1.1**	**-0.1**
Cyclically-adjusted budget balance (d)				-	-5.7	-4.8	-2.4	**-6.1**	**0.9**	**0.5**
Structural budget balance (d)				-	-5.5	-5.2	-2.2	**1.5**	**0.4**	**0.0**
General government gross debt (c)				55.8	66.0	79.5	102.2	**107.5**	**106.7**	**108.4**

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

14. LATVIA

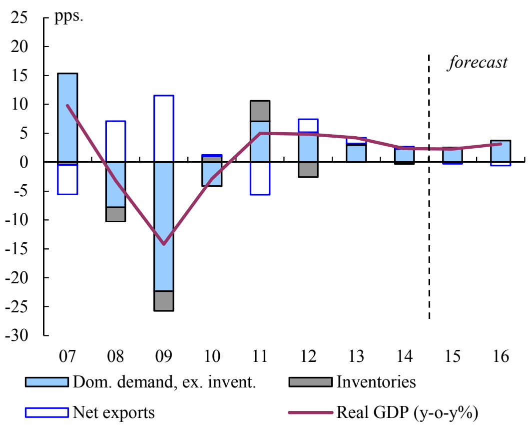
Growth momentum sustained by domestic demand

The fall in fuel prices and the strong rise in household incomes are set to sustain private consumption. However, the growth outlook for 2015 is expected to be overshadowed by the fallout from economic turbulence in Russia. Unemployment is set to drop further in 2015 and 2016, but the shrinking population is dampening the employment outlook. The government deficit remains at around 1½% of GDP over the forecast horizon.

Resilient growth despite external shocks

Real GDP growth slowed to 2.4% in 2014 after having exceeded 4% over the last three years. The slowdown largely reflects the negative external economic shock from developments in Russia. Economic sentiment indicators have gradually worsened over the past year but remain above their long-term averages. The growth outlook for 2015 is expected to be overshadowed by the fallout from economic turbulence in Russia, which constrains production and business investment in some sectors. Real GDP growth is forecast to gradually accelerate from 2.3% in 2015 to 3.2% in 2016, assuming a revival of economic sentiment and a recovery in the euro area. However, risks remain tilted to the downside due to the high uncertainty of the external environment.

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



Household consumption holding up growth

Growth is expected to be driven by household consumption, which is held up by strong income growth and lower oil prices. The latter implies a significant boost to household real incomes given that fuel and heating costs account for about 10% of household spending. This appears to be confirmed by the strength of retail trade volumes in early 2015. Private investment growth is expected to remain suppressed in 2015 due to uncertainties about the external outlook and a slowdown in the real estate market. However, assuming that these uncertainties abate in 2016, investment, along with household consumption, should accelerate.

Exporters shifting markets

The sharp depreciation of the Russian rouble and trade sanctions are adversely affecting some exporters and tourism. About one tenth of Latvian exports of goods are directed to Russia. Trade statistics suggest that the drop in exports to Russia has been partly offset by strong growth in electronics and wood industries. Export growth is forecast to accelerate in 2016 when the decline in exports to Russia is assumed to have bottomed out and demand from the EU strengthens. As a significant share of exporters is integrated into global production chains through EU manufacturers, the euro's depreciation should support Latvia's exports via its main EU trading partners. As a positive development, Latvia's largest steel factory is set to resume production in 2015, boosting both export and import volumes. Nevertheless, a slightly negative net export is projected in 2015 and 2016, given that strong household consumption should drive up imports.

Dwindling workforce affecting labour market

National accounts data show a sudden 1.4% fall in employment in 2014. However, data on the number of taxpayers and occupied posts suggest that employment was more stable. The divergence is related to methodological changes in statistics. Unemployment continued to decline over 2014 to 10.8% of the labour force. Labour market outcomes are influenced by the significant decline in the working age population. Employment growth is thus expected to remain modest in 2015 and 2016 even as labour demand increases. At the same time, unemployment is projected to continue to fall to 9.4% in 2016. The tightening of the labour market and the minimum wage hike in 2015 are building up wage pressures.

One-off factors influence inflation

HICP inflation is caught between opposing forces. On the one hand, lower fuel prices are estimated to directly cut inflation by over 1 pp. and also lead to lower heating prices with a lag. On the other, household electricity prices increased strongly after deregulation took effect in January 2015, pushing up inflation by 0.8 pps. Also, an increase in public transport prices will add to inflation by about 0.3 pps. in 2015. Overall, HICP inflation is forecast to remain low in 2015 at 0.7% before accelerating in 2016 to 2.2%, assuming a recovery in global oil prices. Core inflation, however, looks significantly higher in 2015, due to strong wage growth and the depreciation of the euro.

Weaker fiscal outlook

The general government deficit stood at 1.4% of GDP in 2014, including a one-off payment to the European Bank for Reconstruction and Development for bank restructuring related expenses during the crisis (0.4% of GDP).

The 2015 deficit is estimated at 1.4% of GDP, worse than in the winter forecast mostly due to lower tax revenues. Tax revenues were below their budget targets in the first quarter of 2015 and this shortfall is expected to persist in full-year, in line with the revised GDP projections.

The 2016 deficit is projected at 1.6% of GDP, including an additional defence spending of 0.3% of GDP announced in the stability programme. The tax-to-GDP ratio is expected to decrease due to a scheduled personal income tax cut by 1 pp. and the shift in social security contributions to private pension schemes from 5% in 2015 to 6% in 2016. However, insufficient details are specified on the announced progressive differentiation of the personal income tax basic allowance for it to be included in the forecast. The current expenditure growth rate is expected to be similar to that in 2015, with social expenditure expanding in line with indexation rules and public wage growth tracking the private sector. Capital spending is projected to be impacted by a slow roll-out of the new EU funded projects. Latvia's structural deficit is estimated to increase from about 1½% of GDP in 2014 to 2% in 2015 and 2¼% in 2016.

Government debt is projected at about 37% of GDP in 2015, but increasing to some 40% in 2016, mainly due to the build-up of the cash resource for a large repayment in early 2017.

Table II.14.1:

Main features of country forecast - LATVIA

	2013			Annual percentage change						
	mio EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	23221.9	100.0	4.0	5.0	4.8	4.2	**2.4**	**2.3**	**3.2**
Private Consumption	14375.8	61.9	-	2.9	3.0	6.2	**2.3**	**3.3**	**3.9**
Public Consumption	3991.4	17.2	-	3.1	0.4	2.9	**3.4**	**2.2**	**2.0**
Gross fixed capital formation	5401.1	23.3	-	24.2	14.5	-5.2	**1.3**	**0.5**	**4.4**
of which: equipment	1873.7	8.1	-	45.5	12.0	-16.9	**-7.2**	**-**	**-**
Exports (goods and services)	13793.2	59.4	-	12.0	9.8	1.4	**2.2**	**2.6**	**4.6**
Imports (goods and services)	14470.7	62.3	-	22.0	5.4	-0.2	**1.6**	**2.9**	**5.4**
GNI (GDP deflator)	23138.6	99.6	4.1	3.7	4.2	4.6	**1.9**	**2.1**	**3.1**
Contribution to GDP growth: Domestic demand			-	7.1	5.2	3.0	**2.3**	**2.5**	**3.7**
Inventories			-	3.5	-2.6	0.3	**-0.3**	**0.0**	**0.0**
Net exports			-	-5.6	2.3	1.0	**0.4**	**-0.3**	**-0.6**
Employment			-1.5	1.5	1.4	2.3	**-1.4**	**0.2**	**0.5**
Unemployment rate (a)			13.4	16.2	15.0	11.9	**10.8**	**10.4**	**9.4**
Compensation of employees / head			11.2	3.7	6.1	9.4	**8.7**	**5.2**	**4.8**
Unit labour costs whole economy			5.3	0.2	2.7	7.3	4.7	3.1	2.1
Real unit labour cost			-1.1	-5.8	-0.9	6.2	**3.5**	**1.5**	**0.2**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			6.5	6.4	3.6	1.1	**1.2**	**1.6**	**1.9**
Harmonised index of consumer prices			-	4.2	2.3	0.0	**0.7**	**0.7**	**2.2**
Terms of trade of goods			-	5.8	-3.7	1.3	**-0.8**	**0.7**	**-0.6**
Trade balance (goods) (c)			-17.2	-12.4	-12.0	-10.9	**-10.1**	**-9.6**	**-10.3**
Current-account balance (c)			-8.5	-3.1	-3.5	-2.0	**-2.9**	**-2.3**	**-3.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.7	-1.0	-0.5	0.5	**2.3**	**2.5**	**1.6**
General government balance (c)			-2.3	-3.3	-0.8	-0.7	**-1.4**	**-1.4**	**-1.6**
Cyclically-adjusted budget balance (d)			-	-0.9	0.0	-1.0	**-2.0**	**-1.9**	**-2.2**
Structural budget balance (d)			-	-0.9	0.0	-1.0	**-1.6**	**-1.9**	**-2.2**
General government gross debt (c)			16.2	42.7	40.9	38.2	**40.0**	**37.3**	**40.4**

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

15. LITHUANIA

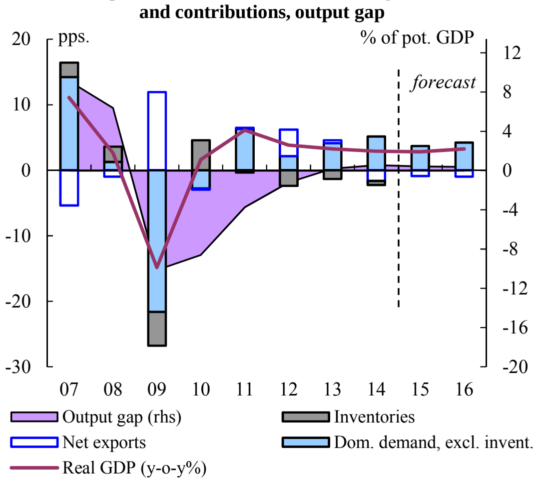
Domestic demand keeps the economy on course

Lithuania's economy is expected to maintain growth of 2.8% in 2015, despite a fall in exports to Russia. With employment and real disposable incomes rising, domestic demand is expected to remain the main growth engine. Expected pick up in investment is set to boost real GDP growth to 3.3% in 2016. Inflation remains low. The improvement in public finances is expected to pause in 2015.

Weaker yet still robust economic performance in 2014...

Real GDP grew by 2.9% in 2014, a slower pace than in 2013, as the Russian crisis weakened exports and investment significantly in the second half of the year. However, private consumption continued to grow strongly as falling unemployment, rising wages, disinflation, triggered by the falling oil price, increased consumers' disposable income.

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



...is set to continue in 2015, and strengthen in 2016 led by private demand.

Real GDP growth is forecast to remain broadly stable at 2.8% in 2015 and to pick up to 3.3% in 2016. Domestic demand, in particular private consumption, is expected to remain the driving force as both employment and wages are forecast to increase, while inflation is set to remain low. Investment spending is forecast to stay subdued in 2015 due to continued geopolitical uncertainties. Only towards the end of the forecast horizon is investment expected to improve on the back of high capacity utilisation, the resumption of growth in the EU, and the use of EU structural funds.

Net exports are forecast to reduce real GDP growth by 0.9 pps. and 1.0 pp. in 2015 and 2016, respectively. Robust private consumption and gradual pickup in investment spending are set to lift imports; however exports are expected to remain subdued during 2015 due to weak demand from Russia. Export growth is forecast to accelerate in 2016 as exporters are expected to redirect goods and services to other markets and demand from the EU strengthens.

As employment is set to continue expanding, the annual average unemployment rate is forecast to improve further, albeit at a slower pace than in 2014, falling to 9.9% in 2015 and 9.1% in 2016.

Decline in energy prices is set to push inflation below zero

Average annual HICP inflation slowed in 2014 to 0.2%, and is expected to fall further to -0.4% in 2015, largely because of the decline in energy and unprocessed food prices. Inflation in the services sector is likely to accelerate on the back of sustained wage growth. For 2016, HICP inflation is expected to grow again by 1.7% as the effect of the fall in oil prices fades out.

Credit growth continues to disappoint

Despite a small pick-up in mortgage lending and consumer credit, overall credit remained flat in 2014. Weak credit demand and strict lending conditions appear to be the main factors behind sluggish credit growth. Demand is expected to pick up due to increased investment spending towards the end of the forecast horizon.

Risks to the forecast are broadly balanced. A continuation or worsening of tensions with Russia could delay a pick-up in investment and exports, while a stronger-than expected recovery in the EU could work in the opposite direction.

Fiscal improvement set to pause in 2015

In 2014, the general government deficit dropped to 0.7% of GDP from 2.6% of GDP in 2013. Tax revenues were slightly higher than planned by the government, while general government expenditures and the deficit of the social insurance fund, SoDra, were lower. In addition, the deposit insurance fund achieved a surplus of 1.2% of GDP on account of liquidation proceeds, while the law on pension compensation following a Constitutional Court ruling added 0.8% of GDP on the expenditure side.

In 2015, the general government deficit is estimated to increase to 1.5% of GDP, largely because of higher social spending (0.2 pps.) and a substantial increase in defence expenditure (0.3 pps.) not covered by new revenue measures. In addition, tax revenues are expected to grow slowly, due to lower-than-expected nominal GDP growth in 2015.

Under a no-policy-change assumption, the general government deficit is forecast to return to 0.9% of GDP in 2016, mainly on the back of robust economic growth and the expected limited increase in expenditures. Risks to the forecast are on the downside, in particular for 2015 as the Lithuanian government might decide compensate public wage cuts executed during the economic crisis and considered unlawful by the constitutional court. If enacted, this would increase the 2015 deficit by around 0.3 pps.

Lithuania's structural deficit is estimated to have decreased from about 2¼% of GDP in 2013 to about 1¼% in 2014. A deterioration is expected for 2015 due to the additional expenditure measures, while in 2016 the structural deficit is expected to fall back to about 1¼% of GDP.

General government debt increased from 38.8% of GDP in 2013 to 40.9% in 2014, due to the pre-financing of bond redemptions. In 2015, debt will edge to 41.7% of GDP due to higher-than-usual pre-financing of EU fund expenditures and the end of year pre-financing of 2016 bond redemptions. Lithuania's debt is set to fall to 37.3% of GDP in 2016 as the pre-financing ends.

Table II.15.1:

Main features of country forecast - LITHUANIA

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	35.0	100.0	4.4	6.1	3.8	3.3	**2.9**	**2.8**	**3.3**
Private Consumption	22.0	62.8	-	4.6	3.6	4.2	**5.6**	**3.8**	**4.3**
Public Consumption	5.9	16.8	-	0.3	1.2	1.8	**1.3**	**2.3**	**2.4**
Gross fixed capital formation	6.4	18.2	6.9	19.4	-1.6	7.0	**8.0**	**4.3**	**5.8**
of which: equipment	2.1	6.1	-	36.4	2.1	10.1	**0.9**	**2.7**	**7.3**
Exports (goods and services)	29.4	84.1	-	14.9	12.2	9.4	**3.4**	**3.1**	**6.4**
Imports (goods and services)	29.0	82.8	-	14.2	6.6	9.0	**5.4**	**4.2**	**7.7**
GNI (GDP deflator)	34.0	97.4	-	4.2	4.6	3.7	**2.5**	**2.9**	**3.2**
Contribution to GDP growth: Domestic demand			-	6.3	2.2	4.2	**5.2**	**3.7**	**4.3**
Inventories			-	-0.4	-2.4	-1.3	**-0.6**	**0.0**	**0.0**
Net exports			-	0.2	4.0	0.4	**-1.6**	**-0.9**	**-1.0**
Employment			-1.2	0.5	1.8	1.3	**2.0**	**1.2**	**1.2**
Unemployment rate (a)			11.0	15.4	13.4	11.8	**10.7**	**9.9**	**9.1**
Compensation of employees / head			13.1	6.3	4.2	5.0	**4.4**	**4.6**	**4.7**
Unit labour costs whole economy			7.0	0.7	2.2	3.0	**3.4**	**3.0**	**2.6**
Real unit labour cost			0.5	-4.2	-0.5	1.4	**2.6**	**1.2**	**0.3**
Saving rate of households (b)			3.2	3.7	1.4	2.2	**-**	**-**	**-**
GDP deflator			6.4	5.2	2.7	1.6	**0.9**	**1.7**	**2.3**
Harmonised index of consumer prices			-	4.1	3.2	1.2	**0.2**	**-0.4**	**1.7**
Terms of trade goods			-	-0.6	-0.9	0.0	**0.6**	**2.1**	**0.3**
Trade balance (goods) (c)			-10.7	-6.6	-3.3	-2.6	**-4.0**	**-3.3**	**-3.9**
Current-account balance (c)			-7.7	-3.8	-0.9	1.5	**0.6**	**-0.2**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-6.7	-0.6	2.0	4.5	**3.3**	**1.8**	**0.9**
General government balance (c)			-	-8.9	-3.1	-2.6	**-0.7**	**-1.5**	**-0.9**
Cyclically-adjusted budget balance (d)			-	-7.4	-2.7	-2.7	**-0.9**	**-1.7**	**-1.0**
Structural budget balance (d)			-	-3.7	-2.7	-2.3	**-1.2**	**-1.9**	**-1.2**
General government gross debt (c)			19.9	37.2	39.8	38.8	**40.9**	**41.7**	**37.3**

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

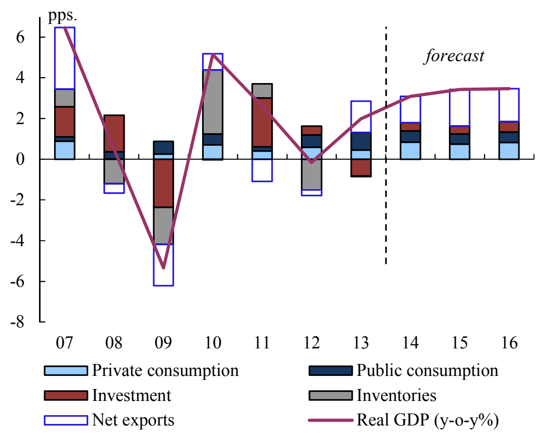
16. LUXEMBOURG

Growth heading towards pre-crisis levels

Luxembourg's economy is projected to grow by 3.4% this year and further accelerate to 3.5% next year. Growth is expected to be balanced, with almost equal contribution from domestic demand and net export. In line with robust job creation, the unemployment rate is projected to decline while inflation will remain subdued despite a rise in VAT rates. Public finances are projected to remain in balance, despite the drop in VAT revenues, linked to a change in EU legislation related to e-commerce.

Real GDP growth averaged 3.1% in 2014 after having accelerated well above 3% in annual terms in the second part of the year, compared to 1.9% in the first six months. It is, however, worthwhile to note that anticipation effects associated with the VAT rates increase taking effect in January 2015 could have played a role and boosted household consumption and investment at the end of the year. All demand components provided a positive contribution.

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



Successful transition of the financial sector

Looking forward, soft and hard indicators signal a firming recovery. Luxembourg is well positioned to benefit from favourable changes underway in the external economic environment. The profitability of the country's main growth engine, the financial sector, suffered in recent years due to the adjustment to new regulatory financial standards but this transition can be considered now as almost completed. At the same time, the investment fund industry is gaining momentum, also boosted by the ECB's non-conventional monetary policy measures. Against this background and in light of the expected improvement in the external economic environment, output growth is expected to pick up to 3.4% in 2015 and to accelerate marginally to 3.5% in 2016.

On the demand side, lower oil prices and positive employment prospects will continue to support household purchasing power and private consumption. However, consolidation measures in the 2015 budget, including a 2 pps. increase in VAT rates, act in the opposite direction, temporarily dampening household spending growth. As the economy picks up and the effect of the VAT hike fades, private consumption is projected to accelerate in 2016. As capacity utilisation remains low, the gradually improving external environment and the Investment Plan for Europe, combined with more accommodative credit conditions, are likely to provide only a mild boost to investment growth in 2015, although an acceleration is projected in 2016. Public investment, by contrast, is expected to surge by more than 10% this year, mainly due to the execution of large infrastructure projects.

The contribution of net exports to growth is expected to remain highly positive in 2015, backed by the sustained performance of services and despite the acceleration of imports. As global economic conditions gradually improve, external trade should gather further strength in 2016.

In 2014, employment increased by 2.4%. Labour creation was buoyant in most sectors, and growth of frontier workers returned to outpace that of residents. Overall, labour market prospects are projected to remain positive, with employment growth set to average around 2½% per year over the forecast horizon, driven by the solid economic outlook. The unemployment rate is expected to start declining already in 2015 and to further drop in 2016, reflecting the dynamism of economic activity.

Looking for a stable regulatory environment

The main risk relates to the financial sector's capacity to protect its comparative advantages amid risks of significant shifts in the regulatory environment.

Inflation set to remain low, in spite of the increase in VAT rates,

In 2014, inflation averaged just 0.7%. In December headline inflation dipped below zero for the first time in several years and remained negative in the first quarter of this year. Overall, in 2015 it is expected that the sharp fall in oil prices will offset the impact of the legislated rise in VAT rates, leading to an annual HICP inflation rate of 0.8%. Inflation, however, should bounce back to 2.1% in 2016, in line with sustained demand and also boosted by the quantitative easing programme of the ECB.

The government balance weakens in 2015

In 2014, the general government surplus came in at 0.6% of GDP compared to 0.9% in 2013. In 2015, the general government balance is expected to further weaken, mostly due to a change in EU legislation on e-commerce services. According to the new rules, VAT on sales of e-commerce services will accrue to the country where the consumer is located and not any longer to the country where the supplier is established. This will entail for the government a drop in VAT revenues estimated at around 1½% of GDP.

The implementation of measures in the most recent consolidation package, including the hike of all VAT rates by 2 pps., the new 'impôt d'équilibrage budgétaire temporaire' levied on personal income and the implementation of measures from the expenditure review will improve the government's accounts by around 1.0% of GDP, therefore substantially, but not fully, compensating for the loss. Nevertheless, the upward revision of the macro-economic scenario is expected to boost fiscal revenues while low inflation will help in containing expenditure. All in all, the headline balance in 2015 is projected to turn into a balanced budget. This also factors in a sharp increase of public investment in infrastructure projects.

In 2016, the incremental effect of measures adopted with the 2015 budget should further strengthen government's finances and lead to a small surplus. The surplus of the government's structural balance is expected to narrow by 1% of GDP in 2015 and broadly stabilise in 2016.

In spite of a regular primary surplus, the debt-to-GDP ratio is set to increase to 25.3% of GDP over the forecast horizon, mirroring developments in the deficit of the central government.

Table II.16.1:

Main features of country forecast - LUXEMBOURG

		2013		Annual percentage change						
	mio EUR	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		45288.1	100.0	3.7	2.6	-0.2	2.0	**3.1**	**3.4**	**3.5**
Private Consumption		14067.3	31.1	2.7	1.2	1.9	1.5	**2.7**	**2.4**	**2.7**
Public Consumption		7826.4	17.3	3.9	1.2	3.7	5.0	**3.2**	**2.9**	**2.9**
Gross fixed capital formation		7725.5	17.1	3.3	14.4	2.4	-4.5	**2.4**	**2.4**	**3.0**
of which: equipment		3123.6	6.9	4.1	23.9	19.4	-7.1	**2.3**	**-0.5**	**3.1**
Exports (goods and services)		92080.4	203.3	6.5	5.0	2.9	5.6	**2.4**	**4.4**	**5.3**
Imports (goods and services)		76137.6	168.1	6.7	6.9	3.8	5.8	**2.1**	**4.3**	**5.5**
GNI (GDP deflator)		28763.1	63.5	2.6	3.0	-1.5	0.1	**1.6**	**2.7**	**3.7**
Contribution to GDP growth:	Domestic demand			2.4	3.0	1.6	0.5	**1.8**	**1.6**	**1.8**
	Inventories			0.1	0.7	-1.5	0.0	**0.0**	**0.0**	**0.0**
	Net exports			1.2	-1.1	-0.3	1.5	**1.3**	**1.8**	**1.6**
Employment				3.4	2.9	2.4	2.0	**2.4**	**2.5**	**2.3**
Unemployment rate (a)				3.6	4.8	5.1	5.9	**5.9**	**5.7**	**5.4**
Compensation of employees / head				2.9	2.1	1.5	3.6	**2.3**	**1.7**	**2.3**
Unit labour costs whole economy				2.7	2.4	4.2	3.6	1.6	0.8	1.2
Real unit labour cost				0.3	-2.4	0.7	2.2	**0.7**	**0.6**	**-0.5**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.3	5.0	3.5	1.4	**0.9**	**0.2**	**1.7**
Harmonised index of consumer prices				-	3.7	2.9	1.7	**0.7**	**0.8**	**2.1**
Terms of trade of goods				0.0	2.5	-1.3	-0.2	**-0.5**	**-0.3**	**0.0**
Trade balance (goods) (c)				-7.9	0.4	2.0	5.0	**4.9**	**5.1**	**4.9**
Current-account balance (c)				9.6	5.8	5.7	4.9	**5.3**	**4.6**	**4.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	5.4	4.8	3.4	**5.4**	**4.8**	**4.9**
General government balance (c)				2.2	0.4	0.1	0.9	**0.6**	**0.0**	**0.3**
Cyclically-adjusted budget balance (d)				2.0	1.0	1.8	2.5	**1.8**	**0.6**	**0.4**
Structural budget balance (d)				-	1.0	1.8	2.5	**1.6**	**0.6**	**0.4**
General government gross debt (c)				8.7	19.1	21.9	24.0	**23.6**	**24.9**	**25.3**

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

17. HUNGARY

Deceleration in growth, a switch from investment to consumption

Hungary's real GDP grew by an impressive 3.6% in 2014, but is set to slow down to more sustainable levels of 2.8% in 2015 and 2.2% in 2016 as growth-supporting factors, such as a record EU funds absorption, lose strength. Unemployment has fallen significantly and is expected to continue decreasing, while inflation is forecast to bottom out this year. The general government deficit will remain firmly below 3% of GDP over the forecast horizon.

Better-than-expected GDP in 2014 but weaker growth dynamics lies ahead

In 2014, the Hungarian economy grew by 3.6%, well above government and market expectations thanks to domestic demand, which contributed 4.0 pps. to growth, while net exports weighed it down by 0.4 pps. Within domestic demand, gross capital formation was the main contributor. The surge in both public and private investment was supported by the accelerated absorption of EU funds and the central bank's Funding for Growth Scheme of subsidised loans to SMEs. On the production side, all sectors contributed to growth: industrial production (which contributed 1.5 pps.), the service sector (1.1 pps.) and agriculture (0.5 pps.).

Signs of a slowdown in GDP were already visible in the second half of 2014. The deceleration in growth is projected to continue throughout the forecast horizon as the impact of high EU fund inflows (see below) and of the subsidised loan scheme fade away. GDP is set to expand by 2.8% in 2015 and 2.2% in 2016. Domestic demand is expected to remain the main driver of economic growth, but with a shift from investment to private consumption. New mortgage rules are expected to raise households' real disposable income as banks will have to reimburse revenues considered to have been unfairly collected. In addition, in a context of low inflation, real wages are projected to increase throughout the forecast horizon. From 2016, only the structural funds from the new Multiannual Financial Framework period will be available, implying a significant drop in EU fund inflows, weighing on investment activity. Export growth is forecast to increase and net exports will contribute to growth in 2015 and even more in 2016. The country's current account surplus is expected to increase further throughout the forecast horizon.

Unemployment should continue to fall while inflation gradually picks up

In 2014, the unemployment rate decreased to a low of 7.7% and is forecast to decline further. With real growth being high, private sector job creation was significant in 2014 and this is set to continue, albeit to a lesser extent. The employment rate is expected to keep on growing, and so will the activity rate. Employment gains should also be supported by public works, which are planned to be further increased.

Inflation in 2014 turned out to be 0%, and stood at -0.6% in March 2015. This is due to subdued imported inflation, low food prices, regulated energy price cuts and while inflation expectations were declining. In the second half of 2015, inflation is expected to turn positive as these effects diminish and the inflation for the year as a whole will be close to zero. As the output gap closes, inflationary pressures from the real economy will drive up inflation to 2.5% in 2016.

More risks on the upside

Improved confidence stemming from the current strong growth and investments could lead to higher gross fixed capital formation and consumption. Lending flows and investments could be further supported by a full take-up of the Funding for Growth Scheme (recently extended to cover riskier SMEs) as well as by the full implementation of the announced policy commitments towards the financial sector. Sunday closure of retail stores could lower consumption for a short period.

The general government deficit is projected to decrease below 2.5% of GDP

The general government deficit reached 2.6% of GDP in 2014, i.e. 0.3 pp. below the government target. Tax and social security receipts as a whole exceeded the budgeted number by 0.9% of GDP thanks to the strong economic recovery and improvements in tax administration. The extra revenues were partly absorbed by additional spending, while the switch to ESA2010 accounting resulted in a deterioration of the headline figure.

The 2015 deficit is forecast at 2.5% of GDP. Expenditure increases incorporated in the April amendment of the budget are projected to be more than offset by the improved revenue outlook since the winter forecast due to the more favourable base effects and higher consumption growth. Compared to the previous year, interest outlays are expected to decrease considerably, but it is largely counterbalanced by the deterioration in the primary balance. This also reflects the deficit-increasing impact stemming from the assumed shortfall of budgeted one-off revenues from asset sales, a measure which remains unspecified by the authorities.

The government deficit is projected to decrease to 2.2% of GDP in 2016, which is based on a no-policy change assumption as the new convergence programme was not released by the cut-off date of the forecast. The phasing-out of temporary expenditure items, the projected savings in social transfers and a further reduction in interest outlays would contribute to the lowering of the deficit. This is expected to be partly offset by revenue-decreasing measures amounting to some 0.3% of GDP, of which two-thirds are linked to the reduction of the bank levy.

Overall, budgetary risks are rather tilted towards a lower deficit over the forecast horizon, which is related to potential favourable developments on the revenue side. The outturn data for the first quarter of 2015 point to an upward risk in tax receipts, while further revenue gains may also arise from recent measures combatting VAT avoidance. On the negative side, EU-funded projects should be mentioned as both the pending financial corrections and the domestic financing requirements (linked to the overbooking of the available envelopes to ensure maximum absorption) may turn out higher than currently planned.

The structural balance is estimated to have deteriorated by 1¼ pp. in 2014 to -2½% of GDP, and then to broadly stabilise at this level. In 2014, despite the solid nominal GDP growth and the low deficit, the government debt-to-GDP ratio decreased only by 0.4 pps. to 76.9%. The limited reduction was chiefly due to the weakening of the exchange rate. With the assumed re-strengthening of the forint and unchanged state deposits, the debt ratio is forecast to decline by more than 1 pp. annually in both 2015 and 2016, decreasing below 74% of GDP by the end of the forecast horizon.

Table II.17.1:

Main features of country forecast - HUNGARY

	2013		Annual percentage change						
bn HUF	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	29846.3	100.0	2.3	1.8	-1.5	1.5	**3.6**	**2.8**	**2.2**
Private Consumption	15725.2	52.7	-	0.8	-1.9	-0.1	**1.6**	**3.0**	**2.7**
Public Consumption	5937.8	19.9	0.6	0.0	-1.3	3.2	**2.4**	**0.9**	**-0.5**
Gross fixed capital formation	5949.2	19.9	2.7	-2.2	-4.2	5.2	**11.7**	**4.6**	**-1.0**
of which: equipment	2563.6	8.6	-	7.1	3.5	4.7	**10.0**	**4.5**	**1.0**
Exports (goods and services)	26491.9	88.8	13.6	6.6	-1.5	5.9	**8.7**	**7.3**	**7.5**
Imports (goods and services)	24225.5	81.2	11.6	4.5	-3.3	5.9	**10.0**	**7.5**	**6.8**
GNI (GDP deflator)	28980.6	97.1	2.0	1.7	-0.9	3.0	**4.0**	**4.0**	**2.2**
Contribution to GDP growth: Domestic demand			1.6	0.0	-2.1	1.6	**3.6**	**2.7**	**1.0**
Inventories			0.0	-0.2	-0.7	-0.5	**0.5**	**-0.3**	**0.0**
Net exports			0.7	2.0	1.4	0.4	**-0.4**	**0.4**	**1.2**
Employment			-	0.0	0.1	0.9	**3.2**	**1.9**	**1.2**
Unemployment rate (a)			7.8	11.0	11.0	10.2	**7.7**	**6.8**	**6.0**
Compensation of employees / head			-	3.4	1.8	1.5	**3.2**	**4.9**	**3.0**
Unit labour costs whole economy			-	1.6	3.4	0.9	**2.7**	**3.9**	**2.0**
Real unit labour cost			-	-0.6	0.1	-2.0	**-0.4**	**1.2**	**-0.8**
Saving rate of households (b)			12.8	12.2	10.2	10.7	**10.7**	**9.8**	**9.3**
GDP deflator			9.3	2.2	3.4	3.0	**3.1**	**2.7**	**2.8**
Harmonised index of consumer prices			-	3.9	5.7	1.7	**0.0**	**0.0**	**2.5**
Terms of trade goods			-	-1.6	-1.2	0.8	**1.0**	**1.6**	**0.5**
Trade balance (goods) (c)			-4.0	2.8	3.0	3.5	**2.9**	**3.8**	**4.8**
Current-account balance (c)			-5.9	0.8	1.7	4.2	**4.4**	**5.5**	**6.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.4	3.2	4.3	7.8	**8.0**	**8.6**	**7.8**
General government balance (c)			-6.0	-5.5	-2.3	-2.5	**-2.6**	**-2.5**	**-2.2**
Cyclically-adjusted budget balance (d)			-	-4.4	-0.5	-1.1	**-2.2**	**-2.6**	**-2.4**
Structural budget balance (d)			-	-4.2	-1.2	-1.2	**-2.5**	**-2.5**	**-2.4**
General government gross debt (c)			65.0	81.0	78.5	77.3	**76.9**	**75.0**	**73.5**

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

18. MALTA

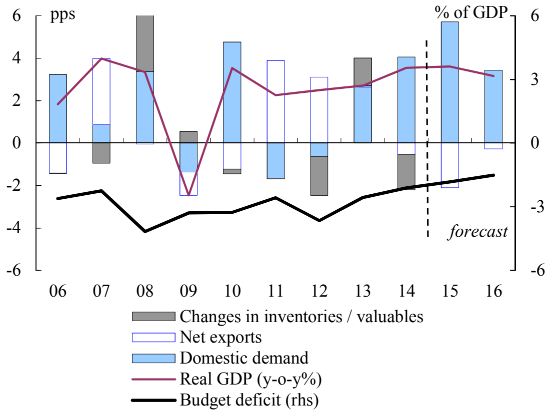
Economic performance remains robust

Economic growth is projected to remain robust over the forecast period, driven by strong domestic demand. Job creation and the unemployment rate are projected to outperform euro-area peers. The favourable macroeconomic outlook is set to result in a further decline in the budget deficit.

Growth stronger than expected in 2014…

Real GDP growth reached 4% y-o-y in the final quarter of the year, the highest rate of growth since 2010, driven by a spur in private consumption, stronger investment and by government expenditure. Net exports had a negative contribution to economic growth, but nevertheless the current account balance remained in surplus.

Graph II.18.1: **Malta - Contributions to Real GDP growth and budget deficit**

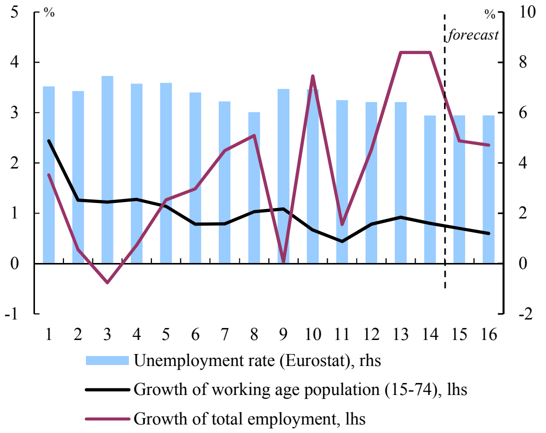


…and is projected to remain strong…

After reaching 3.5% for the year as a whole in 2014, real GDP growth is forecast to accelerate slightly to 3.6% in 2015 before moderating to 3.2% in 2016. The main drivers of growth over 2015 and 2016, similar to 2014, are projected to be investment, benefiting from a number of large-scale construction and energy projects and EU fund absorption (mostly in 2015), and private consumption, on the back of increasing disposable incomes and favourable consumer sentiment. Falling interest rates, bringing about a reduction in the cost of financing for firms, are expected to ease access to finance for firms, in particular for micro and small enterprises. Banks' lending standards, however, remain tight.

Risks related to this macroeconomic forecast are broadly balanced. Delays in the energy investment projects could result in lower-than-expected economic growth. At the same time, stronger-than-expected responsiveness of the export sector, particularly for services, to the euro depreciation could provide a further boost to exports.

Graph II.18.2: **Malta - Labour market developments**



…reflecting also robust job creation…

Employment growth surprised positively in 2014, reflecting also a strong increase in public sector jobs. It is projected to moderate somewhat thereafter, but to remain well above the euro-area average and thereby effectively contributing to economic growth. Unemployment is forecast to continue edging down and to average 5.9% over the forecast horizon.

…while inflation is projected to rebound.

Price inflation in Malta is forecast to exceed that in the euro area over the forecast horizon. The expiration of the base effect from the reduction in electricity tariffs for households in 2014 as well as the euro depreciation, offsetting downward price pressures on international markets, are projected to result in a rebound in HICP inflation to 1.3% in 2015. A rebound in energy prices in 2016 is projected to contribute to a further increase in overall HICP inflation to 1.9%.

Budget deficit moderates

In 2014, the budget deficit decreased to 2.1% of GDP, from 2.6% in 2013. This reduction is explained by the higher current revenue, by 1.5 pps. of GDP, due to both the favourable macroeconomic outlook and higher intakes from government measures. Among these measures, the regularisation scheme for past irregular declarations of income amounted to 0.4% of GDP. Current expenditure is reported to have increased by 7.3% year-on-year in nominal terms (up by 0.8 pps. of GDP), driven by higher spending for public wages, intermediate consumption and subsidies (including to the public transport system) and net capital expenditure linked to EU funds.

The 2015 Budget, delivered in November, pursues fiscal consolidation mainly by way of revenue-increasing measures while envisaging several social measures, which are only partly compensated by some restraint on public wages. Overall, the current revenue ratio is projected to increase by 0.4 pps. of GDP (including the International Investor Programme). On the expenditure side, current expenditure is expected to remain stable in terms of GDP. Net capital expenditure is set to increase marginally in terms of GDP since higher subsidies (due to a further capital injection into Air Malta of 0.5% of GDP) are compensated by lower net co-financed investments. Overall, in 2015 the deficit is expected to narrow to 1.8% of GDP and to further decrease to 1.5% of GDP in 2016, on a no-policy-change assumption, also thanks to favourable nominal GDP growth and the expected decrease in net capital expenditure.

The structural deficit improved by more than 1 pp. of GDP in 2013 and is estimated to have remained stable in 2014. It is projected to improve by ½ pp. of GDP in both 2015 and 2016.

In 2014, also thanks to the expected repayment of tax arrears from Enemalta (the public energy utility corporation), the debt ratio decreased to 68.0% of GDP and is projected to further decrease to 65.4% of GDP by 2016.

Downside risks are linked to higher-than-expected subsidies to Malta's new public transport service provider.

Table II.18.1:

Main features of country forecast - MALTA

	2013		Annual percentage change						
mio EUR	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	7571.4	100.0	3.1	2.3	2.5	2.7	**3.5**	**3.6**	**3.2**
Private Consumption	4249.7	56.1	-	2.7	0.6	1.6	**3.4**	**3.0**	**2.7**
Public Consumption	1480.9	19.6	-	3.1	5.7	-0.2	**7.3**	**1.5**	**3.7**
Gross fixed capital formation	1317.7	17.4	-	-17.8	-1.1	2.7	**14.0**	**19.9**	**5.6**
of which: equipment	505.8	6.7	-	-17.2	-13.8	6.9	**11.3**	**-**	**-**
Exports (goods and services)	11767.8	155.4	-	2.3	6.6	-1.0	**-0.2**	**4.6**	**3.0**
Imports (goods and services)	11353.3	150.0	-	-0.3	4.7	-1.1	**0.1**	**6.3**	**3.2**
GNI (GDP deflator)	7259.1	95.9	2.7	3.4	1.3	2.9	**3.5**	**3.8**	**3.4**
Contribution to GDP growth: Domestic demand			-	-1.6	1.2	1.4	**5.6**	**5.7**	**3.4**
Inventories			-	0.0	-1.8	1.2	**-1.6**	**0.0**	**0.0**
Net exports			-	3.9	3.0	0.1	**-0.5**	**-2.2**	**-0.3**
Employment			1.0	2.8	2.3	4.2	**4.2**	**2.4**	**2.4**
Unemployment rate (a)			6.6	6.4	6.3	6.4	**5.9**	**5.9**	**5.9**
Compensation of employees / head			4.1	3.7	4.5	-0.4	**0.9**	**2.0**	**2.0**
Unit labour costs whole economy			2.0	4.2	4.2	1.0	1.5	0.8	1.2
Real unit labour cost			-0.5	1.9	2.1	-0.9	**0.0**	**-0.6**	**-0.7**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	2.3	2.1	2.0	**1.5**	**1.4**	**1.8**
Harmonised index of consumer prices			-	2.5	3.2	1.0	**0.8**	**1.3**	**1.9**
Terms of trade of goods			-	-0.3	-2.8	0.2	**1.9**	**-1.4**	**0.1**
Trade balance (goods) (c)			-17.0	-16.6	-14.2	-13.2	**-12.8**	**-16.3**	**-17.3**
Current-account balance (c)			-6.2	-1.7	3.5	3.0	**2.9**	**0.6**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.2	-0.6	5.3	4.7	**4.7**	**2.3**	**1.9**
General government balance (c)			-5.2	-2.6	-3.6	-2.6	**-2.1**	**-1.8**	**-1.5**
Cyclically-adjusted budget balance (d)			-5.2	-2.4	-3.6	-2.5	**-2.3**	**-2.0**	**-1.5**
Structural budget balance (d)			-	-2.9	-3.9	-2.6	**-2.6**	**-2.1**	**-1.6**
General government gross debt (c)			59.9	69.7	67.4	69.2	**68.0**	**67.2**	**65.4**

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

19. THE NETHERLANDS

Economic recovery finally gains ground

The economy of the Netherlands grew strongly in the fourth quarter of 2014, driven by domestic consumption and a jump in investment. Early indicators suggest that domestic demand should strengthen further in 2015 and that the export sector should benefit from the depreciation of the euro. HICP inflation is expected to bottom out at 0.2% this year before increasing above 1% next year. The general government deficit is expected to fall to 1.7% in 2015 and 1.2% in 2016.

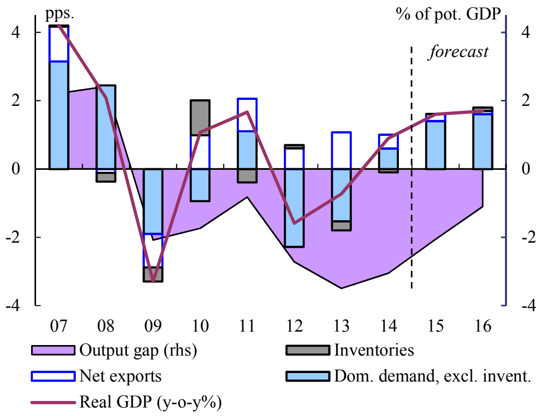
Growth has been firming

Recent data show that the Dutch economy grew at a quarterly rate of 0.3% in the third quarter of 2014 and 0.8% in the fourth quarter. Relatively strong consumption growth and a recovery in investment activity, in particular in the construction sector, contributed to these developments. Over the course of 2014, both housing and labour markets improved, providing a boost to economic sentiment.

Strengthening domestic demand working in tandem with a weak euro

According to soft indicators as well as the most recent data for GDP components, industrial production and the labour market, the economic recovery is projected to continue in 2015. Over the forecast horizon, substantial growth in real disposable income is expected to support consumption growth. Although pressures to reduce household debt are expected to abate slightly, they will continue to limit consumption growth in the years to come and to give rise to an increase in the savings rate of households. Investment activity is set to recover on the back of the improved general economic conditions. Largely fuelled by the expiry of a temporary tax break, construction investment surged in the final months of 2014, leading to strong annual growth of 5.6%. Over the course of 2015 and 2016, investment in construction is expected to maintain much of the momentum and grow by around 4% annually. Investment in equipment is assumed to have reached a through in 2014 and is expected to rebound to a growth rate above 5% in 2015 and 2016, on the back of higher profit margins and the improved growth outlook. Despite these expectations, total investment is forecast to remain substantially below pre-crisis levels over the entire forecast horizon, as capacity utilisation rates are low compared to long term averages and commercial real estate markets remain depressed. The already buoyant export-oriented sectors of the Dutch economy are benefiting from the added stimulus provided by the weakening of the exchange rate of the euro. Rising domestic demand is expected to lead to substantial import growth as the economic cycle matures, resulting in a relatively small contribution of net exports to economic growth in 2015 and 2016. Overall, GDP is expected to grow by 1.6% in 2015 and 1.7% in 2016.

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



Labour market boosted by the economic recovery

Labour market conditions have been improving over the last year, with both the number of new vacancies and total employment steadily increasing. These trends are set to continue in line with the strengthening of domestic production, leading to increasing demand for labour. The unemployment rate is expected to decline only gradually, as more people enter the labour market adding to the growth of the labour force.

Inflation gradually returns from below zero

HICP dipped below zero in the first three months of 2015. However, risks of a prolonged period of negative inflation are contained, as inflationary pressures are expected to rise somewhat, stoked by robust wage growth and a depreciating euro. The slight increase in oil prices and rising domestic demand should also prevent prices from falling further. All in all, inflation is expected to bottom out in early 2015 and to increase steadily thereafter, leading to annual average inflation of 0.2% in 2015 and 1.3% in 2016.

Headline deficit set to improve further

In 2014, the headline general government budget deficit came out at 2.3% of GDP. For 2015 and 2016, it is set to decrease to 1.7% and 1.2% of GDP, respectively, mainly due to improving macroeconomic conditions but also due to consolidation measures taken in recent years. The strong pickup in domestic demand will lead to a tax-rich economic recovery. The government has also limited the tax-deductibility of contributions to the second pension pillar, increasing revenues from the personal income tax and improving the budget balance. Important budgetary savings come from lower healthcare expenditure (over 0.3% of GDP). The decentralisation of parts of long-term care to municipalities and cuts in public expenditure in this area are expected to result in a further improvement of public finances. Finally, the lower price of natural gas and the reduction of production ceilings have a negative impact on the government's finances. The effect of the reduction of the production ceilings on the budget are limited (less than 0.05% of GDP in 2015 and 2016), whereas the effect of the drop in the gas price is more substantial (around 0.2% of GDP).

The structural deficit is expected to hover around ½% of potential GDP in both 2015 and 2016. The gross government debt ratio is forecast to peak just below 70% of GDP in 2015 before starting to decline in 2016.

Risks to the fiscal forecast are largely balanced and mirror macroeconomic risks, although the volatility of revenues from the production of natural gas may create additional uncertainties. With more stringent rules on the public finances of local governments in place, the budget cuts implemented as part of the decentralisation of some long-term care expenditure appear to be achievable. Finally, a possible re-privatisation of parts of ABN-Amro is not included in the forecast but could have positive effects on the debt ratio of the government.

Table II.19.1:
Main features of country forecast - NETHERLANDS

		2013			Annual percentage change						
	bn EUR	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		642.9	100.0	2.3	1.7	-1.6	-0.7	**0.9**	**1.6**	**1.7**
Private Consumption		289.6	45.0	1.9	0.2	-1.4	-1.6	**0.1**	**1.6**	**1.7**
Public Consumption		169.3	26.3	3.0	-0.2	-1.6	-0.3	**-0.3**	**-0.5**	**0.0**
Gross fixed capital formation		117.3	18.2	2.3	5.6	-6.0	-4.0	**3.4**	**4.5**	**4.2**
of which: equipment		34.4	5.4	3.4	17.0	-3.4	-3.0	**0.5**	**5.2**	**5.6**
Exports (goods and services)		533.2	82.9	5.1	4.4	3.3	2.0	**4.0**	**4.1**	**5.0**
Imports (goods and services)		466.8	72.6	5.4	3.5	2.8	0.8	**4.0**	**4.3**	**5.5**
GNI (GDP deflator)		644.2	100.2	2.3	1.1	-0.4	-1.7	**1.7**	**1.6**	**1.6**
Contribution to GDP growth:	Domestic demand			2.2	1.1	-2.3	-1.5	**0.6**	**1.4**	**1.6**
	Inventories			0.0	-0.4	0.1	-0.3	**-0.1**	**0.0**	**0.1**
	Net exports			0.1	0.9	0.6	1.1	**0.4**	**0.2**	**0.1**
Employment				1.1	0.6	-0.6	-1.4	**-0.2**	**0.9**	**1.1**
Unemployment rate (a)				5.1	5.0	5.8	7.3	**7.4**	**7.1**	**6.9**
Compensation of employees / f.t.e.				3.0	2.4	2.6	2.3	**1.2**	**0.7**	**1.5**
Unit labour costs whole economy				1.9	1.3	3.6	1.6	**0.1**	**0.0**	**0.9**
Real unit labour cost				-0.3	1.2	2.3	0.5	**-1.0**	**0.5**	**-1.0**
Saving rate of households (b)				14.5	13.3	13.5	14.7	**14.9**	**15.2**	**16.3**
GDP deflator				2.2	0.1	1.3	1.1	**1.1**	**-0.4**	**1.9**
Harmonised index of consumer prices				2.0	2.5	2.8	2.6	**0.3**	**0.2**	**1.3**
Terms of trade goods				0.5	-1.7	-0.5	0.6	**1.1**	**-0.8**	**1.2**
Trade balance (goods) (c)				7.9	10.1	10.7	11.6	**11.8**	**11.7**	**12.7**
Current-account balance (c)				6.0	7.1	8.8	8.5	**9.9**	**9.0**	**9.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.7	6.8	7.8	7.9	**9.8**	**9.1**	**9.6**
General government balance (c)				-1.7	-4.3	-4.0	-2.3	**-2.3**	**-1.7**	**-1.2**
Cyclically-adjusted budget balance (d)				-1.6	-3.8	-2.2	0.0	**-0.3**	**-0.3**	**-0.4**
Structural budget balance (d)				-	-3.8	-2.2	-0.6	**-0.2**	**-0.3**	**-0.4**
General government gross debt (c)				55.5	61.3	66.5	68.6	**68.8**	**69.9**	**68.9**

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

20. AUSTRIA

Lingering uncertainty hampers a stronger rebound

The likelihood of a considerable pick-up in economic activity seems slim, as Austria's growth in 2014 remained weak and business and consumer confidence have continued to slide. The low investment growth could also handicap the economy's readiness to benefit from a recovery in international trade. Bank restructuring costs and income tax reform plans create uncertainties about the fiscal outlook.

Lingering weakness

Austria's economic growth hardly picked up in 2014. The dynamics of activity were uneven but weak across all sectors. Exports continued to grow at a subdued rate, so the contribution of foreign trade to growth turned negative. The slight increase in domestic demand was supported by a short-lived, tax-related investment rally early in 2014 and by public consumption and otherwise reflects developments in 2013, rather than the current situation.

Fragile outlook subject to uncertainty

No tangible acceleration of growth is expected in the early quarters of 2015 and thus GDP growth for the year as a whole is expected to be around 0.8%. Business and consumer sentiment indicators for the beginning of the year indicate more weakness over the next few months.

GDP growth in 2016 is forecast to strengthen to 1.5%, essentially supported by domestic demand, although this will also depend on a pick-up in international trade and a more vigorous response from investment and consumption to supportive factors such as the low interest rate environment. The latest monetary policy measures are expected to favour both these channels. The low interest rate environment is supportive of investment, but capacity utilisation rates and order-book levels indicate some degree of slack. Low interest rates are also forecast to benefit housing demand, which, together with rising house prices in recent years, are expected to revive construction activity.

The evolution of foreign demand over the forecast horizon is set to present opportunities for Austrian exporters, who have broadly maintained productivity growth, and enable them to benefit from their strong integration in international production chains. However, subdued investment over the last three years may have left Austrian companies less well placed to profit from such a recovery. The improving outlook for exports is nevertheless expected to help restart investment growth. With both exports and imports picking up, net exports are projected to contribute positively to growth in 2015-16, unlike in 2014. Slowing inflation and a stable labour market are expected to support consumer purchasing power until growth consolidates and sentiment improves in 2016. The income tax relief taking effect next year is expected to lead to an increase of both consumption and household savings.

Consumption supported by a stable labour market

With sluggish economic activity, employment growth was just below 1% in 2014, supported by job creation in service sectors. Employers' expectations suggest job creation could remain slow in 2015 but it is projected to pick up in 2016 when GDP growth is expected to be stronger. Unemployment, however, could be slow to decline, as labour supply is likely to keep increasing on account of immigration. Real wages are likely to be boosted by slowing inflation in 2015, whereas less generous wage settlements are expected in 2016.

Core inflation stable despite cheaper energy

Consumer price inflation plunged to 0.6% in the first quarter of 2015, reflecting a strong disinflationary impact from energy prices. The momentum in the remaining components, in particular services related to housing, hospitality and recreation, has remained largely unaffected due to unabated demand in these sectors, keeping core inflation at 1.6%. These trends are expected to remain in place over the forecast horizon, especially as demand strengthens. Energy prices are expected to decline further in 2015 but regain some ground in 2016. All in all, headline inflation is projected at 0.8% in 2015 and 1.9% in 2016.

Positive fiscal outlook suffers from uncertainty ahead over bank restructuring and tax reform

The general government deficit stood at 2.4% of GDP in 2014. This favourable outcome compared to previous expectations is explained by positive revision of 2013 data and to lower expenditure in 2014. This has allowed partly offsetting the additional costs arising from HETA, the asset management company into which Hypo Adria Bank has been converted to wind-down its impaired assets. The first results of the independent evaluation of the impaired assets point to lower economic value, leading to a larger deficit impact (1.4% of GDP) compared to the previous estimate (1.2% of GDP). However, the final impact on the deficit remains however uncertain as it will depend on the finalisation of the independent asset evaluation as well as to the lawsuits related to the cancelation of part of HETA's subordinated debt.

The deficit is forecast to decline to 2.0 % of GDP in 2015. Persistent weak cyclical conditions are expected to negatively affect public finances in particular by lowering tax revenue. The government deficit is projected to remain unchanged at 2.0 % in 2016. This forecast is based on the Commission's own estimation of the net effect of a tax reform aimed at reducing the tax burden on labour announced by the government on 17 March this year. In this respect, the current forecast assumes, on the basis of the provisional tax reform plan, that the EUR 5.2 billion (1.5% of GDP) of tax relief and additional spending will be only partly financed by compensatory measures, and so will add to the deficit. In particular, the Commission's forecast prudentially factors in only part (EUR 900 million) of the additional revenue expected from fighting tax fraud and does not explicitly include extra tax revenue expected from second-round effects of the reform linked to expansion in internal demand.

The structural deficit improved by an estimated ¾% of GDP in 2014 to around ½% of GDP, while it is expected to deteriorate by more than ⅓% of GDP in 2015 and by around another ½% of GDP in 2016.

Government debt is projected to increase to 84.5% of GDP in 2014 and to 87.0% of GDP in 2015 and then decline to 85.8% of GDP in 2016. The increase in debt in 2014 is due to the inclusion into government's liabilities of HETA's assets worth about 4.3% GDP while in 2015 it reflects assets transferred from Kommunalkredit to KA Finanz worth about 2.0% of GDP.

Table II.20.1:

Main features of country forecast - AUSTRIA

	2013		Annual percentage change						
	bn EUR Curr. prices	**% GDP**	**95-10**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
GDP	322.6	100.0	2.0	3.1	0.9	0.2	**0.3**	**0.8**	**1.5**
Private Consumption	173.8	53.9	1.7	0.7	0.6	-0.1	**0.2**	**0.6**	**1.0**
Public Consumption	64.0	19.8	1.8	0.1	0.4	0.7	**0.5**	**1.1**	**0.6**
Gross fixed capital formation	71.6	22.2	0.8	6.8	0.5	-1.5	**0.5**	**0.9**	**3.2**
of which: equipment	23.1	7.2	1.2	9.8	-0.6	-1.5	**1.5**	**1.4**	**5.2**
Exports (goods and services)	172.5	53.5	5.5	6.6	1.3	1.4	**1.5**	**2.1**	**3.9**
Imports (goods and services)	161.0	49.9	4.3	6.4	0.7	-0.3	**2.4**	**2.1**	**4.0**
GNI (GDP deflator)	322.3	99.9	2.1	2.6	1.4	-0.8	**0.4**	**0.8**	**1.4**
Contribution to GDP growth: Domestic demand			1.5	1.9	0.5	-0.3	**0.3**	**0.7**	**1.4**
Inventories			0.1	0.6	-0.2	-0.7	**-0.1**	**0.0**	**0.0**
Net exports			0.5	0.3	0.3	0.9	**-0.4**	**0.1**	**0.1**
Employment			0.5	1.4	1.3	0.7	**0.9**	**0.6**	**0.8**
Unemployment rate (a)			4.5	4.6	4.9	5.4	**5.6**	**5.8**	**5.7**
Compensation of employees / f.t.e.			2.4	2.4	2.6	2.1	**1.8**	**1.5**	**1.4**
Unit labour costs whole economy			0.9	0.8	3.1	2.6	**2.3**	**1.3**	**0.7**
Real unit labour cost			-0.5	-1.0	1.2	1.1	**0.6**	**0.4**	**-0.8**
Saving rate of households (b)			15.9	13.3	14.4	12.8	**12.6**	**13.4**	**14.1**
GDP deflator			1.5	1.8	1.9	1.5	**1.7**	**0.9**	**1.6**
Harmonised index of consumer prices			1.6	3.6	2.6	2.1	**1.5**	**0.8**	**1.9**
Terms of trade goods			-0.2	-2.3	-0.8	0.2	**1.2**	**0.5**	**-0.3**
Trade balance (goods) (c)			-0.9	-1.2	-1.0	-0.2	**0.1**	**0.4**	**0.4**
Current-account balance (c)			0.6	2.1	2.6	2.3	**2.3**	**2.4**	**2.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			0.5	2.0	2.4	2.2	**2.3**	**2.4**	**2.4**
General government balance (c)			-2.9	-2.6	-2.2	-1.3	**-2.4**	**-2.0**	**-2.0**
Cyclically-adjusted budget balance (d)			-2.7	-2.6	-2.2	-0.9	**-1.7**	**-1.3**	**-1.5**
Structural budget balance (d)			-	-2.4	-1.7	-1.1	**-0.4**	**-0.8**	**-1.4**
General government gross debt (c)			68.1	82.1	81.5	80.9	**84.5**	**87.0**	**85.8**

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

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

21. POLAND

Sustained economic growth supported by strong domestic demand

Economic activity is set to remain robust on the back of solid domestic demand, bolstered by improving labour market conditions and strong investment activity. Public finances are projected to improve gradually.

Solid economic activity in 2014...

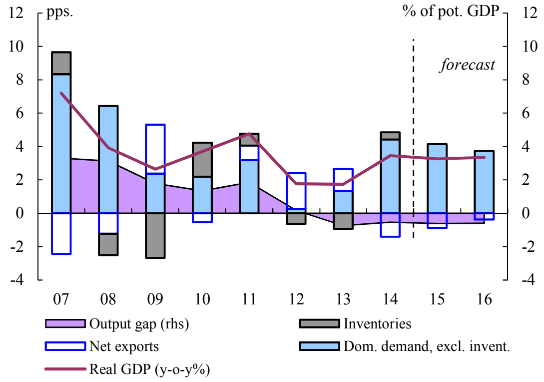
Poland's real GDP grew by 3.4% in 2014 despite external headwinds, such as the Russia-Ukraine conflict. Investment rose by 9.2%, mainly thanks to the corporate sector where firms increased their production capacity amid favourable financing conditions. Private consumption also contributed to economic growth. Consumer sentiment has been improving on the back of higher disposable incomes, as both employment and real wages increased. The saving rate of households narrowed while consumer credit expanded.

...is projected to continue.

Growth momentum is expected to remain robust over the forecast horizon, underpinned by solid domestic demand. Private consumption is set to strengthen further as real disposable incomes continue to rise on the back of favourable labour market developments and subdued inflation. The investment ratio is expected to continue increasing in light of low funding costs and various government measures supporting housing investment. However, the shift to the EU's Multiannual Financial Framework 2014-2020 is expected to temporarily slow the absorption of the EU funds, thus curbing the growth of both private and public investment in 2016. The domestic-demand driven increase in imports is expected to outweigh export growth, not least because the appreciation of the effective exchange rate is set to weigh on foreign demand for Polish goods and services.

Poland's labour market is forecast to benefit from the solid pace of economic activity and growing production capacity. The unemployment rate is set to decline from 9% in 2014 to 7.9% in 2016. A tighter labour market is expected to translate into higher nominal wage growth. However, the structural unemployment rate is estimated to decline over the forecast horizon, which may limit wage increases. As productivity rebounds strongly, unit labour costs are forecast not to significantly deteriorate over the forecast horizon.

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



The risks to the macroeconomic forecast are balanced. On the upside, some depreciation of the Polish złoty against the currencies of main trading partners, e.g. in the wake of the Russia-Ukraine crisis, would boost exports and support import substitution. On the downside, a further appreciation of the Polish currency vis-à-vis main trading partners in the wake of the ECB's expanded asset purchases programme could hamper exports growth.

Vanishing inflation

Consumer prices were stable in 2014 and are expected to decrease in 2015 as a result of falling energy and food prices. The decline of food prices is set to be driven by global trends, an exceptionally good harvest in 2014 and the impact of the Russian embargo on various agricultural products. In general, neither demand nor supply side developments justify dynamic price increases; output potential is still forecast to exceed demand while labour costs are projected to increase broadly in line with productivity growth. Overall, prices are expected to decrease by 0.4% in 2015. Monthly inflation rates are expected to turn positive only at the end of 2015 and prices are forecast to rise by 1.1% in 2016 as a whole.

Public finances are set to improve

The general government deficit narrowed to 3.2% of GDP in 2014, from 4% in 2013. The improvement was to a large extent driven by the partial reversal of the 1999 systemic pension reform. The reversal limits the role of private pension funds. This change increased the proportion of social contributions retained by the general government and decreased interest expenditure due to a transfer of half of the assets which had been accumulated in the private pension funds. Moreover, indirect and direct tax revenues rebounded after a weak 2013.

The general government deficit is projected to reach 2.8% of GDP in 2015. Social contributions are set to further increase on the back of the partial reversal of the 1999 pension reform. On the expenditure side, higher indexation of low-income pensions and the cost of restructuring of the mining sector will partially offset expenditure savings in other areas, such as the continued partial freeze of public wages.

In 2016, the general government deficit is projected to improve to 2.6% of GDP on a no-policy-change assumption. The expected fall in consumer prices in 2015 is forecast to curb social expenditure, some of which is indexed to inflation from the previous year. The restructuring of the mining sector poses a downside risk to our public finances forecast as its costs could turn out higher than currently estimated.

The structural deficit is set to improve over the forecast horizon, from around 3½% of GDP in 2013 to 2¼% in 2016. The general government debt-to-GDP ratio is set to fall from 55.7% in 2013 to 50.1% in 2014 due to the transfer of assets accumulated in private pension funds. The debt ratio is expected to increase to 50.9% in 2015 and to remain broadly stable in 2016. The projected debt figures are, however, subject to considerable uncertainty because of the potential impact of exchange rate fluctuations on the relatively high share of Poland's sovereign debt denominated in foreign currencies.

Table II.21.1:
Main features of country forecast - POLAND

	2013		Annual percentage change						
bn PLN	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	1662.7	100.0	4.5	4.8	1.8	1.7	**3.4**	**3.3**	**3.4**
Private Consumption	1012.3	60.9	4.4	2.9	0.9	1.2	**3.0**	**3.4**	**3.6**
Public Consumption	301.6	18.1	3.8	-2.3	0.2	2.1	**4.7**	**4.2**	**3.3**
Gross fixed capital formation	312.9	18.8	7.1	9.3	-1.5	1.1	**9.2**	**6.9**	**5.0**
of which: equipment	114.1	6.9	-	12.5	-4.4	-20.3	**13.1**	**7.0**	**6.0**
Exports (goods and services)	766.9	46.1	9.6	7.9	4.3	4.8	**5.7**	**6.3**	**6.7**
Imports (goods and services)	735.2	44.2	10.4	5.5	-0.6	1.8	**9.1**	**8.5**	**7.7**
GNI (GDP deflator)	1595.1	95.9	4.3	4.4	1.7	1.8	**3.4**	**3.2**	**3.4**
Contribution to GDP growth:	Domestic demand		4.8	3.2	0.3	1.3	**4.4**	**4.1**	**3.7**
	Inventories		0.0	0.7	-0.6	-0.9	**0.4**	**0.0**	**0.0**
	Net exports		-0.4	0.9	2.1	1.3	**-1.4**	**-0.9**	**-0.4**
Employment			0.3	0.6	0.1	-0.1	**1.7**	**0.7**	**0.6**
Unemployment rate (a)			13.7	9.7	10.1	10.3	**9.0**	**8.4**	**7.9**
Compensation of employees / head			10.0	5.3	3.5	2.6	**-0.3**	**2.0**	**3.3**
Unit labour costs whole economy			5.6	1.1	1.8	0.8	**-2.0**	**-0.5**	**0.5**
Real unit labour cost			-1.0	-2.0	-0.4	-0.4	**-2.5**	**-0.9**	**-0.5**
Saving rate of households (b)			10.7	2.1	4.8	3.6	**-0.1**	**-0.3**	**-1.3**
GDP deflator			6.7	3.2	2.2	1.1	**0.5**	**0.4**	**1.0**
Harmonised index of consumer prices			-	3.9	3.7	0.8	**0.1**	**-0.4**	**1.1**
Terms of trade goods			-0.6	-1.9	-1.4	2.2	**2.9**	**2.0**	**-0.2**
Trade balance (goods) (c)			-4.1	-3.5	-2.1	-0.1	**-0.6**	**-0.6**	**-1.2**
Current-account balance (c)			-3.5	-5.0	-3.8	-1.3	**-1.4**	**-1.8**	**-2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.0	-2.6	-1.6	1.0	**1.1**	**0.9**	**-0.1**
General government balance (c)			-4.5	-4.9	-3.7	-4.0	**-3.2**	**-2.8**	**-2.6**
Cyclically-adjusted budget balance (d)			-4.5	-5.9	-3.8	-3.6	**-2.9**	**-2.4**	**-2.3**
Structural budget balance (d)			-	-5.9	-3.9	-3.6	**-2.7**	**-2.5**	**-2.3**
General government gross debt (c)			44.1	54.8	54.4	55.7	**50.1**	**50.9**	**50.8**

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

22. PORTUGAL

The economic recovery consolidates further

Economic growth is gathering momentum. Domestic demand is expected to be the main driver of growth while the negative contribution from net exports will vanish over the forecast horizon. The general government deficit is forecast to slightly decrease, due to the improved macroeconomic outlook.

Economic recovery accelerates...

After three years of contraction, real GDP expanded by 0.9% in 2014, mainly driven by domestic demand, in particular private consumption. On the external side, imports increased more strongly than exports, causing a negative contribution from net exports for the first time since 2010.

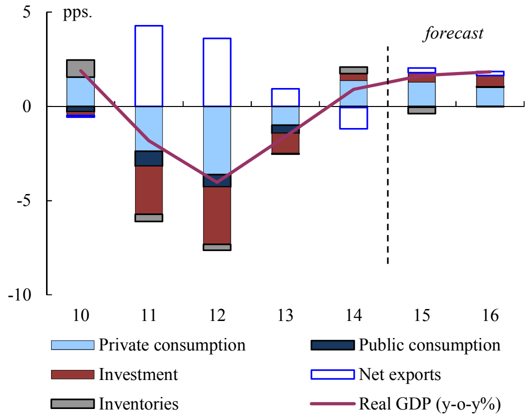
Most consumer confidence indicators, as well as data on car sales and on debit and credit cards purchases in the first quarter of 2015 point to a continuation of the strong domestic demand performance. Furthermore, low oil prices, an improved labour market, a gradual pick-up of wages and, albeit to a lesser extent, the burden-reducing reform of the personal income tax should lead to an increase of household disposable income, thereby supporting private consumption. The latter is projected to grow by 2.0% in 2015, and then gradually decelerate to 1.6% in 2016, as deleveraging pressures remain high. Although corporate indebtedness is still at an elevated range, the recent substantial increase in capacity utilisation, the accommodative monetary policy stance and the projected improvement in credit conditions should reinforce investment over the forecast horizon. In addition, the improved business environment due to the recent reform of the corporate income tax is expected to stimulate private investment activity as well. Following the significant oil inventory accumulation in 2014, a gradual reversal in inventory dynamics is expected in 2015.

...also driven by external demand.

Having been weaker than expected in 2014, exports are forecast to accelerate to 5-6% in 2015 and 2016, due to positive growth prospects in major trading partners and the weakening of the euro. In turn, import growth is forecast to decelerate in 2015 due to destocking but is expected to gain some momentum in 2016, on the back of strong domestic demand. As a result, external demand is expected to contribute positively to GDP growth in 2015 and 2016. Overall, real GDP growth is projected to rise to 1.6% in 2015 and to 1.8% in 2016.

The main obstacles to stronger economic growth are deleveraging needs owing to high levels of public and private debt. However, there are upside risks related to the positive impact of the euro depreciation and the accommodative monetary policy stance.

Graph II.22.1: **Portugal - Real GDP growth and contributions**



Labour market and inflation outlook improve

In 2014, notwithstanding the subdued GDP growth, job creation was relatively strong on account, among other factors, of the strong implementation of active labour market policies and the labour market reforms undertaken in past years. As these effects are expected to level off over the forecast horizon, employment creation is expected to decelerate to 0.6% in 2015 and to reach 0.7% in 2016. The unemployment rate is forecast to decline to 13.4% in 2015 and to 12.6% in 2016.

HICP inflation accelerated to 0.4% in March 2015, mainly on the back of one-off increases in transport services prices and the reinforcement of green taxes. However, low energy prices are expected to drag on HICP inflation during the coming months, while the depreciation of the euro and moderate wage increases are projected to generate upward pressures by the end of 2015.

Overall, HICP is forecast to grow by 0.2% in 2015 and to accelerate to 1.3% in 2016.

Public finances benefitting from the modest economic recovery

The general government deficit reached 4.5% of GDP in 2014, on the back of solid tax collection and effective expenditure control. There is however still a risk to the final headline deficit figure concerning the statistical recording of the financial sector support measure related to Banco Espírito Santo.

In 2015, the headline deficit is expected to decline further to 3.1% of GDP. The slight improvement relative to the winter forecast is the result of the revised macroeconomic outlook. In particular, due to higher private consumption and employment, revenues from both indirect and direct taxes, as well as from social contributions, are forecast to slightly increase. This forecast takes into account the consolidation package included in the budget for 2015, estimating its impact at 0.5% of GDP, and other measures, such as the reforms of the personal income tax and green taxation. The projections also take on board some improvement in the efficiency of revenue collection from the enhanced fight against tax fraud and evasion, while factoring in the uncertainty around the additional yields from these measures and the associated implementation risks. Under the no-policy-change assumption, the deficit is forecast to fall to 2.8% of GDP in 2016. Risks to the projections are broadly balanced: slightly positive concerning the macroeconomic outlook and potential additional savings in interest payments on the high public debt, but slightly negative related to the achievement of further efficiency gains in tax revenue collection, the implementation of the envisaged tax reforms in a budget-neutral fashion, and possible spending slippages in an election year.

The structural deficit is forecast to deteriorate by around ¾ pps. of GDP in 2015, as the reduction of the headline deficit is based on cyclical factors, rather than on additional structural measures.

The gross public debt-to-GDP ratio reached 130.2% by end-2014, driven by higher cash reserves and the euro depreciation, and is expected to fall to 124.4% by end-2015 and 123.0% by end-2016, supported by the projected economic recovery, the primary budget surplus and debt-reducing operations.

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

	2013			Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	169.4	100.0	1.9	-1.8	-4.0	-1.6	**0.9**	**1.6**	**1.8**
Private Consumption	111.1	65.6	2.1	-3.6	-5.5	-1.5	**2.1**	**2.0**	**1.6**
Public Consumption	32.3	19.1	2.3	-3.8	-3.3	-2.4	**-0.3**	**-0.3**	**0.2**
Gross fixed capital formation	24.7	14.6	1.7	-12.5	-16.6	-6.7	**2.5**	**3.5**	**4.0**
of which: equipment	7.0	4.1	3.7	-23.5	-17.0	7.7	**16.2**	**7.6**	**8.5**
Exports (goods and services)	67.1	39.6	4.8	7.0	3.4	6.4	**3.4**	**5.3**	**6.1**
Imports (goods and services)	65.6	38.7	4.8	-5.8	-6.3	3.9	**6.4**	**4.7**	**5.8**
GNI (GDP deflator)	167.7	99.0	1.6	-0.4	-4.4	-0.2	**0.8**	**1.2**	**1.9**
Contribution to GDP growth:	Domestic demand		2.3	-5.7	-7.3	-2.5	**1.7**	**1.7**	**1.6**
	Inventories		0.0	-0.4	-0.3	0.0	**0.3**	**-0.3**	**0.0**
	Net exports		-0.4	4.3	3.6	0.9	**-1.1**	**0.2**	**0.2**
Employment			0.4	-1.9	-4.1	-2.9	**1.4**	**0.6**	**0.7**
Unemployment rate (a)			7.8	12.9	15.8	16.4	**14.1**	**13.4**	**12.6**
Compensation of employees / head			4.4	-1.8	-3.1	3.8	**-1.4**	**0.5**	**1.1**
Unit labour costs whole economy			2.9	-2.0	-3.2	2.5	**-0.9**	**-0.5**	**0.0**
Real unit labour cost			-0.2	-1.7	-2.8	0.3	**-2.1**	**-1.8**	**-1.4**
Saving rate of households (b)			10.1	7.5	7.7	8.7	**6.9**	**6.5**	**7.5**
GDP deflator			3.1	-0.3	-0.4	2.2	**1.2**	**1.3**	**1.4**
Harmonised index of consumer prices			2.5	3.6	2.8	0.4	**-0.2**	**0.2**	**1.3**
Terms of trade goods			0.0	-2.2	0.7	1.5	**1.7**	**2.6**	**0.4**
Trade balance (goods) (c)			-10.6	-7.9	-5.0	-4.1	**-4.4**	**-3.4**	**-3.4**
Current-account balance (c)			-8.8	-5.6	-2.0	0.9	**0.5**	**1.2**	**1.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-7.1	-4.1	0.0	2.5	**2.0**	**2.6**	**2.8**
General government balance (c)			-5.1	-7.4	-5.6	-4.8	**-4.5**	**-3.1**	**-2.8**
Cyclically-adjusted budget balance (d)			-5.3	-5.8	-2.5	-1.4	**-1.9**	**-1.5**	**-2.1**
Structural budget balance (d)			-	-5.6	-2.4	-1.7	**-0.8**	**-1.5**	**-2.1**
General government gross debt (c)			63.3	111.1	125.8	129.7	**130.2**	**124.4**	**123.0**

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

23. ROMANIA
Domestic demand fuels robust growth, fiscal consolidation reversed

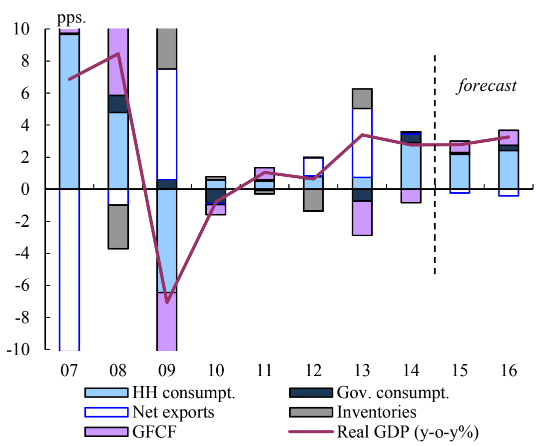
Economic growth in Romania is forecast to remain robust in 2015 and 2016, driven by strong private consumption and recovering investment. Inflation is expected to fall significantly in 2015 and remain low over the forecast horizon. The fiscal consolidation path is projected to be reversed in 2016.

Above-potential and accelerating growth

Romania's economy grew by 2.8% in 2014. The main engine was private consumption with marginal contributions from net exports and inventories. GDP growth is forecast to remain robust and above potential at 2.8% in 2015, mainly driven by private consumption and investment. Accelerating domestic demand, again boosted by cuts in indirect taxation, as well as a benign external environment, are expected to lift real GDP growth to 3.3% in 2016.

Consumer sentiment is at a post-crisis high and expected wage increases accompanied by a lower VAT rate for food as of June 2015, a more favourable labour market outlook and low inflation are set to raise household real disposable income. After two years in negative territory, investment ended 2014 on a positive note (+1.4% y-o-y in the last quarter of 2014). Private investment is likely to continue growing over the forecast horizon supported by lower borrowing costs, a tax exemption on reinvested profits, robust economic growth prospects, and economic sentiment levels which are at a seven-year-high. Public investment is expected to grow in 2015 with EU funds absorption picking up, before decreasing in 2016.

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



The growth contribution of net exports faded out to almost zero in 2014 as import growth picked up. It is forecast to turn negative in 2015 and remain so in 2016. Exports are expected to keep growing in 2015 and 2016, but at a slower pace, while increasing domestic demand stimulates even stronger imports. The current-account deficit improved to 0.5% of GDP in 2014. It is forecast to increase in 2015-2016, reflecting the deterioration in the trade balance driven by higher imports.

Record low inflation

Inflation declined significantly in 2014 with HICP falling to an average of 1.4%, mostly due to the VAT cut for bread, falling global oil prices and a good harvest in 2014. Annual average inflation is forecast to decelerate further to a record low of 0.2% in 2015 owing to the VAT reduction for food, low energy prices and the persistence of low inflation in the EU. Surging domestic demand is expected to exert upside pressure on inflation in 2016, but the 4 pps. across-the-board cut in VAT will work in the opposite direction, resulting in an annual average inflation of 0.9%.

Labour market with signs of improvement

Employment in Romania grew by 1% in 2014, this being the first yearly increase since the outbreak of the crisis. It is projected to continue growing in 2015 and 2016. The unemployment rate dropped to 6.8% in 2014 and is expected to decrease further to 6.4% by the end of the forecast period. Pushed by wage increases, compensation per head is expected to grow steadily in 2015 and 2016, despite the cut in social security contributions enacted in October 2014; against the background of low inflation, this will result in higher real wages. As productivity growth picks up again in 2016, unit labour costs increase but only moderately over the forecast horizon.

Balanced risks to the growth outlook

Downside risks stem mainly from households constraining consumption more than expected to reduce their indebtedness and from a possible escalation of the Russia-Ukraine crisis. Upside risks are related to a better-than-expected implementation of the EU investment plan.

Tax cuts to question fiscal consolidation

The 2014 deficit came out at 1.5% of GDP. Revenue was higher than in 2013, as a hike in fuel excise rates and the introduction of a special constructions tax outweighed the 5 pps. cut in social security contributions introduced in late 2014. Expenditure grew slower than GDP among a dent in public investment.

The government budget deficit is forecast to widen slightly to 1.6% of GDP in 2015, as a reduction in the tax revenue-to-GDP ratio more than offsets the reduction in the expenditure ratio. The revenue projection includes the full-year impact of the cut in social security contributions, the reduction in the special construction tax rate and the reduction of VAT rates for foodstuff and related services to be implemented starting June 2015. Savings occur as expenditure on goods and services and subsidies are expected to fall as a share of GDP. The public wage bill remains contained because of a partial wage freeze. This forecast assumes full use of the budget allocation for national EU funds co-financing, but under-execution of domestically financed capital expenditure given the low record in the first quarter.

For 2016, the headline deficit is expected to sharply deteriorate to 3.5% of GDP. This forecast incorporates the new draft fiscal code that was adopted by the government on 25 March but is awaiting parliamentary approval. The fiscal code includes an array of tax cuts, such as a reduction in VAT rates by 4 pps. in 2016, reduced excise rates, the abolition of dividend taxation and removal of the special constructions tax. The expiration of the current natural resource taxation regime and a further diversion of social security contributions towards the second pension pillar are taken into consideration. The expenditure side includes a reduction in capital expenditure, linked to the transition between programming periods for EU structural funds. Risks to the budget outlook are on the upside as the size of the envisaged tax cuts might be reduced. An amendment to alleviate cuts in excise rates and dividend taxation, as reportedly proposed by the senate budget committee, would bring the deficit close to 3% of GDP.

In structural terms, the deficit is forecast to remain stable at around 1¼% of GDP in 2014-15 and to worsen to 3½% of GDP in 2016. Government debt is set to increase from 39.8% of GDP in 2014 to 42.4% of GDP by 2016.

Table II.23.1:

Main features of country forecast - ROMANIA

		2013		Annual percentage change						
		bn RON Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		637.6	100.0	3.0	1.1	0.6	3.4	**2.8**	**2.8**	**3.3**
Private Consumption		395.0	62.0	5.6	0.8	1.2	1.2	**4.5**	**3.5**	**3.8**
Public Consumption		90.5	14.2	0.2	0.6	0.4	-4.8	**5.3**	**0.7**	**2.5**
Gross fixed capital formation		151.6	23.8	5.9	2.9	0.1	-7.9	**-3.5**	**3.2**	**4.2**
of which: equipment		52.1	8.2	5.1	19.6	-2.7	-7.2	**-4.1**	**4.0**	**4.9**
Exports (goods and services)		253.4	39.7	9.3	11.9	1.0	16.2	**8.1**	**6.0**	**5.9**
Imports (goods and services)		257.6	40.4	12.8	10.2	-1.8	4.2	**7.7**	**6.5**	**6.8**
GNI (GDP deflator)		621.9	97.5	3.0	1.0	0.2	2.7	**2.8**	**2.8**	**3.3**
Contribution to GDP growth:	Domestic demand			5.8	1.4	0.9	-2.1	**2.6**	**3.0**	**3.7**
	Inventories			-0.4	-0.2	-1.4	1.2	**0.1**	**0.0**	**0.0**
	Net exports			-2.2	-0.1	1.1	4.3	**0.1**	**-0.2**	**-0.4**
Employment				-1.8	-0.8	-4.8	-0.6	**1.0**	**1.2**	**1.4**
Unemployment rate (a)				6.9	7.2	6.8	7.1	**6.8**	**6.6**	**6.4**
Compensation of employees / head				34.5	-4.1	9.4	2.7	**2.0**	**2.5**	**2.8**
Unit labour costs whole economy				28.2	-5.8	3.5	-1.3	**0.3**	**0.9**	**1.0**
Real unit labour cost				-1.0	-10.1	-1.4	-4.5	**-1.5**	**-0.4**	**-0.7**
Saving rate of households (b)				-2.9	-7.0	-6.7	-9.2	**-11.4**	**-10.3**	**-10.6**
GDP deflator				29.5	4.7	4.9	3.4	**1.8**	**1.3**	**1.7**
Harmonised index of consumer prices				-	5.8	3.4	3.2	**1.4**	**0.2**	**0.9**
Terms of trade goods				2.4	1.8	-3.4	-1.1	**0.8**	**0.0**	**0.5**
Trade balance (goods) (c)				-7.9	-6.7	-5.8	-3.9	**-3.8**	**-4.2**	**-4.4**
Current-account balance (c)				-6.6	-4.7	-4.7	-1.2	**-0.5**	**-0.8**	**-1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.1	-4.2	-3.3	1.1	**1.9**	**1.6**	**1.4**
General government balance (c)				-3.6	-5.3	-2.9	-2.2	**-1.5**	**-1.6**	**-3.5**
Cyclically-adjusted budget balance (d)				-4.0	-4.4	-1.6	-1.5	**-1.0**	**-1.3**	**-3.4**
Structural budget balance (d)				-	-3.3	-2.1	-1.5	**-1.0**	**-1.3**	**-3.4**
General government gross debt (c)				18.1	34.2	37.3	38.0	**39.8**	**40.1**	**42.4**

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

24. SLOVENIA

Strong growth set to decelerate but become more broad-based

Following a strong 2.6% outturn in 2014, Slovenian economic growth is expected to moderate this year to 2.3% before further deceleration in 2016 to 2.1%. The government's fiscal position is expected to gradually improve throughout the forecast horizon but public debt is expected to continue to increase albeit at a slower pace.

Strong growth in 2014 in line with expectations

The Slovenian economy grew by 2.6% in 2014, significantly up from the -1.0% contraction in 2013. The turnaround was mainly driven by net exports, followed by investments in infrastructure projects co-funded by the EU. Real exports grew by a remarkable 6.3%, leading to a significant gain in Slovenian market shares. Investment overall grew by 4.8%, driven by an increase in public investment of 21.2%. However, machinery and equipment investment contracted, after the strong rebound recorded in 2013. Slowly rising employment supported a modest recovery in private consumption, which turned positive after three consecutive years of decline.

Broad-based yet slightly decelerating growth

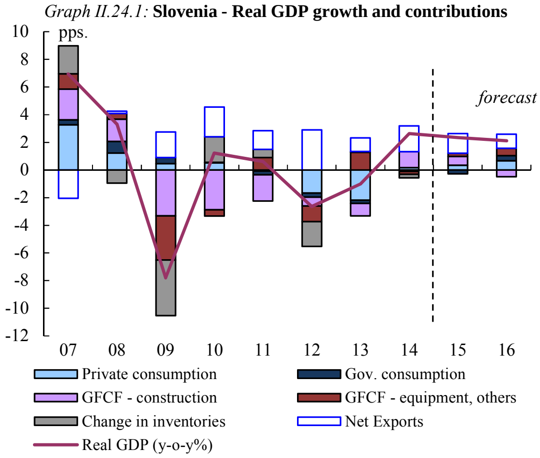
Exports and public investment are forecast to remain the dominant drivers of growth in 2015, although both are expected to be somewhat weaker than in 2014, leading to a slightly lower real GDP growth of 2.3% in 2015. Despite still dynamic exports, the contribution of net exports is expected to decrease further in 2016 due to rising imports triggered by higher domestic demand, leading to 2.1% real GDP growth in 2016.

Private investment, as indicated by exceptionally high capacity utilisation levels at the start of 2015, is projected to continuously rise over the forecast horizon. It is expected to flow into new machinery and equipment in the tradable sectors, driven by increasing external demand. Private consumption is also expected to strengthen, while government consumption (under a no-policy change assumption) is expected to increase strongly in 2016, ending a five-year decline. In contrast, public investment is set to contract considerably in 2016 (when the new EU fund programmes begin).

Supported by strong exports, the current account surplus is projected to rise steadily and is expected to remain high as long as deleveraging in the corporate sector continues. This deleveraging process is expected to last over the forecast horizon (albeit at a slower pace), consequently hampering the full recovery of private investment.

The risks to the forecast are broadly balanced. Improving business confidence and investment projects supported by the investment plan for Europe may result in higher-than-forecast growth rates for private investment. By contrast, slower absorption of funds under the new EU fund programmes may result in a greater decline in public investment in 2016 than currently anticipated.

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



Positive labour market trends and stagnant prices

Employment grew by 0.7% and unemployment fell to 9.7% in 2014. Both indicators are expected to improve further consistent with forecast economic growth. In 2015, wage growth in the private sector is expected to remain modest and public sector wages are set to remain contained. In 2016, more pressure on wage growth is assumed, especially in the public sector and sectors covered by collective wage bargaining.

Inflation is at historically low levels and is forecast to remain subdued over the forecast horizon. While core inflation is projected to remain positive (1.0% and 1.6% in 2015 and 2016 respectively), almost flat HICP rate is foreseen in 2015, mainly due to the fall in oil prices. HICP inflation is forecast to resume in 2016, supported by the gradual recovery in domestic demand and higher energy prices.

Fiscal deficit expected to decline

In 2014, the general government deficit was 4.9% of GDP (down from 14.9 % of GDP in 2013). The deficit was lower in 2014 than previously anticipated mainly due to a lower impact from the scheme to repay deposit holders of Ljubljanska Banka approved by the Government in December 2014. The timing of the payment of the interest relating to these deposits is unclear and represents a negative risk to the general government deficit over the forecast horizon.

For 2015, the general government deficit is forecast to stand at 2.9% of GDP. The expected reduction in the deficit is driven by the expiration of one-off exceptional items (1.1% of GDP in 2014) and savings mainly on the expenditure side, through a reform and reduction in the allocation of subsidies and the prolongation of measures to reduce the public sector wage bill.

In 2016, under a no-policy-change assumption, the general government deficit is expected to decline further to 2.8% of GDP. A significant increase in consumption expenditure is expected to be more than offset by a large reduction in gross fixed capital formation due to the end of the drawdown period from the 2007-2013 EU fund programmes, investment projects under the new 2014-2020 programme have yet to be commenced.

In structural terms, Slovenia's fiscal position deteriorated by approximately 0.3 pps. in 2014 and is expected to improve marginally by 0.1 pp. in 2015. In 2016, the structural balance is expected to deteriorate by some 0.5 pps. under the no-policy-change assumption.

General government debt grew by over 10 pps. to almost 81% of GDP in 2014 as the authorities took advantage of historically low interest rates and undertook considerable pre-financing. Public debt levels are expected to gradually grow throughout the forecast horizon due to continuing budget deficits. Proceeds from the ongoing privatisation process and a reduction in the accumulated cash buffer represent a positive risk to debt levels, which is not factored into the forecast.

Table II.24.1:

Main features of country forecast - SLOVENIA

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	36.1	100.0	3.2	0.6	-2.6	-1.0	**2.6**	**2.3**	**2.1**
Private Consumption	19.6	54.1	3.2	-0.1	-3.0	-3.9	**0.3**	**0.7**	**1.3**
Public Consumption	7.4	20.4	3.0	-1.3	-1.5	-1.1	**-0.5**	**-1.5**	**2.0**
Gross fixed capital formation	7.1	19.7	4.0	-4.6	-8.9	1.9	**4.8**	**4.3**	**0.3**
of which: equipment	3.0	8.4	5.3	13.3	-11.9	17.9	**-3.3**	**2.6**	**5.9**
Exports (goods and services)	27.0	74.7	6.4	7.0	0.3	2.6	**6.3**	**5.2**	**5.3**
Imports (goods and services)	24.8	68.7	6.5	5.0	-3.9	1.4	**4.1**	**3.8**	**4.5**
GNI (GDP deflator)	35.9	99.3	3.1	0.7	-2.5	-1.0	**1.8**	**2.0**	**2.1**
Contribution to GDP growth: Domestic demand			3.3	-1.3	-3.7	-2.0	**1.0**	**0.9**	**1.1**
Inventories			0.1	0.6	-1.8	0.1	**-0.2**	**0.0**	**0.0**
Net exports			-0.1	1.4	2.9	1.0	**1.9**	**1.4**	**1.0**
Employment			-	-1.6	-0.8	-1.5	**0.7**	**0.5**	**0.5**
Unemployment rate (a)			6.4	8.2	8.9	10.1	**9.7**	**9.4**	**9.2**
Compensation of employees / head			-	1.6	-1.2	1.9	**-0.2**	**1.6**	**1.9**
Unit labour costs whole economy			-	-0.7	0.6	1.4	**-2.1**	**-0.2**	**0.2**
Real unit labour cost			-	-1.8	0.3	0.0	**-2.5**	**-0.5**	**-0.9**
Saving rate of households (b)			13.8	13.1	11.4	14.4	**13.1**	**13.5**	**13.2**
GDP deflator			6.3	1.2	0.3	1.4	**0.4**	**0.3**	**1.1**
Harmonised index of consumer prices			-	2.1	2.8	1.9	**0.4**	**0.1**	**1.7**
Terms of trade goods			0.0	-1.6	-1.2	1.0	**0.8**	**-0.2**	**-0.7**
Trade balance (goods) (c)			-4.0	-1.8	0.2	1.2	**3.6**	**4.9**	**5.4**
Current-account balance (c)			-2.0	0.9	3.0	4.8	**5.3**	**5.4**	**5.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-2.1	0.9	3.1	4.8	**5.8**	**7.4**	**6.8**
General government balance (c)			-3.0	-6.6	-4.0	-14.9	**-4.9**	**-2.9**	**-2.8**
Cyclically-adjusted budget balance (d)			-	-5.9	-2.1	-12.7	**-3.6**	**-2.3**	**-2.7**
Structural budget balance (d)			-	-4.9	-2.1	-2.2	**-2.5**	**-2.4**	**-2.9**
General government gross debt (c)			25.7	46.5	53.7	70.3	**80.9**	**81.5**	**81.7**

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

25. SLOVAKIA

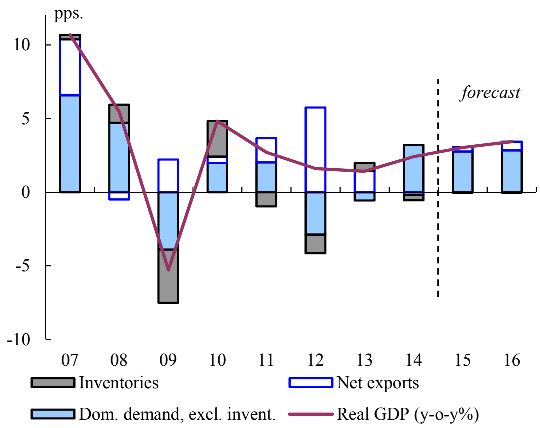
Recovery strengthens fuelled by steady domestic demand

Growth picked up in 2014 and is forecast to further strengthen on the back of a recovery in domestic demand. Labour market conditions are expected to continue improving, in line with the upturn in economic activity. Inflation was slightly negative in 2014 and is projected to recover only slowly. Slovakia's fiscal situation is expected to improve gradually, also thanks to its increasingly tax-rich growth structure.

Growth strengthens...

After slowing down in 2013, growth picked up in 2014 on the back of a strong recovery in private consumption and investment. Domestic demand is expected to continue strengthening and to remain the main motor of growth. Real GDP increased by 2.4% in 2014 and is projected to expand by 3.0% in 2015 and 3.4% in 2016. Labour market conditions improved in 2014 and are expected to further ameliorate in line with the pickup in economic activity. HICP inflation was slightly negative in 2014 and is forecast to increase only slowly.

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



...as domestic demand recovers.

After three consecutive years of decline, private consumption rebounded in 2014 to expand by 2.2% in real terms, driven by growing real disposable income, higher employment and improving consumer confidence. These factors are expected to continue to sustain private consumption growth, which could also be bolstered by a series of labour market reforms that have taken effect in 2015, including a rise in the minimum wage and a reduction in the social contributions paid by low-income workers. Private consumption is therefore expected to grow by 2.4% in 2015 and 2.7% in 2016.

Investment rebounded strongly after two years of decline and grew by 5.7% in real terms. Equipment investment and non-residential construction were the main drivers of investment growth, while housing construction contracted. Planned expansions in the automotive and telecommunications industries and ongoing motorway construction are expected to further support investment, which is projected to increase by 4.6% in 2015 and by 3.7% in 2016.

No boost from the external sector

Export growth slowed down in 2014, reflecting weak demand from Slovakia's main trading partners, and is only expected to recover in 2016. Imports increased faster than exports in 2014, reflecting the pick-up in investment and private consumption, and net exports acted as a drag on growth. Going forward, imports are forecast to evolve more in line with exports and Slovakia is projected to continue running a current-account surplus.

Labour market conditions improve

Growth in employment was strong throughout 2014 and labour market conditions are expected to further improve, in line with the upturn in economic activity. The unemployment rate fell from 14.2% in 2013 to 13.2% in 2014 and is expected to continue declining. The labour market reforms that came into force in 2015, including a reduction in the healthcare contributions of low-income workers and an expansion of in-work benefits, should further support the labour market's recovery.

Inflation slowly resurfaces

Inflation declined sharply in 2014 and was slightly negative for the year as a whole. The fall in inflation was caused mainly by declining energy and unprocessed food prices. Core inflation, however, remained well above zero. Inflation is expected to slowly increase as energy prices recover and the rebound in domestic demand puts upward pressure on the price of services.

Gradual budgetary consolidation continues

In 2014, the general government deficit deteriorated to 2.9% of GDP from 2.6% of GDP a year earlier. Stronger-than-budgeted tax revenues, expenditure freezes triggered by the first stage of the public debt brake and lower co-financing of EU-related projects were not sufficient to counterbalance the negative impact stemming primarily from dividend shortfalls, lower capital revenues and higher spending on public healthcare.

In 2015, the deficit is projected to decline to 2.7% of GDP. Strengthening private consumption and further compliance improvements are expected to lead to higher VAT collection. Higher corporate income tax revenue will be driven by rising profitability of companies and the broadening of the tax base. Support for R&D investment and the introduction of a healthcare contribution allowance for low-paid workers will, however, dampen the rise in tax revenues. On the expenditure side, the forecast pencils in the planned increase in spending on active labour market policies and education. The government has also announced the 'second social package', of which only the introduction of a minimum pension has been approved and quantified and is thus reflected in the forecast. Moreover, the forecast assumes and recent data corroborates a larger-than-budgeted drawing of EU funds and ensuing higher national co-financing of these expenditures, as 2015 is the last year to use available resources from the 2007-13 programming period. Tightening budget lines and expenditure freezes in the previous year have led to the build-up of some tension in public finances that may prove difficult to contain, especially in view of some additional pressure for social spending. Under an assumption of unchanged policies, the deficit is projected to decline to 2.5% of GDP in 2016, driven by improving macroeconomic environment.

The structural balance deteriorated by about ½ pp. in 2014 to -2% of GDP. The structural position is projected to slightly improve in the following years with the structural deficit reaching 1¾% of GDP in 2016. Public debt is expected to decline to 53.4% of GDP in 2015 and remain broadly at that level in 2016.

Table II.25.1:

Main features of country forecast - SLOVAKIA

	2013			Annual percentage change					
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	73.6	100.0	4.5	2.7	1.6	1.4	**2.4**	**3.0**	**3.4**
Private Consumption	41.7	56.7	4.6	-0.7	-0.4	-0.7	**2.2**	**2.4**	**2.7**
Public Consumption	13.3	18.1	3.6	-2.1	-2.0	2.4	**4.4**	**2.4**	**2.8**
Gross fixed capital formation	15.0	20.4	3.4	12.7	-9.3	-2.7	**5.7**	**4.6**	**3.7**
of which: equipment	7.3	9.9	3.8	34.5	-10.9	-1.3	**8.0**	**8.3**	**6.7**
Exports (goods and services)	68.4	93.0	8.1	12.0	9.3	5.2	**4.6**	**4.2**	**5.6**
Imports (goods and services)	65.1	88.4	8.2	9.7	2.6	3.8	**5.0**	**4.1**	**5.2**
GNI (GDP deflator)	72.1	98.0	4.4	3.1	1.5	1.5	**2.6**	**3.0**	**3.4**
Contribution to GDP growth: Domestic demand			4.3	2.0	-2.9	-0.6	**3.2**	**2.8**	**2.8**
Inventories			0.5	-1.0	-1.3	0.5	**-0.4**	**0.0**	**0.0**
Net exports			-0.2	1.7	5.8	1.4	**-0.2**	**0.3**	**0.6**
Employment			-	1.8	0.1	-0.8	**1.4**	**1.3**	**1.5**
Unemployment rate (a)			14.8	13.7	14.0	14.2	**13.2**	**12.1**	**10.8**
Compensation of employees / head			-	2.0	2.6	2.6	**3.4**	**2.4**	**3.2**
Unit labour costs whole economy			-	1.1	1.0	0.3	**2.3**	**0.6**	**1.2**
Real unit labour cost			-	-0.6	-0.2	-0.2	**2.6**	**0.5**	**-0.1**
Saving rate of households (b)			9.1	8.5	7.2	8.5	**8.7**	**8.6**	**8.5**
GDP deflator			4.3	1.6	1.3	0.5	**-0.2**	**0.1**	**1.3**
Harmonised index of consumer prices			-	4.1	3.7	1.5	**-0.1**	**-0.2**	**1.4**
Terms of trade goods			-0.7	-1.5	-1.3	-0.5	**0.0**	**0.0**	**0.0**
Trade balance (goods) (c)			-6.1	-0.6	3.1	4.3	**4.0**	**4.0**	**4.5**
Current-account balance (c)			-6.0	-3.8	0.3	0.8	**1.9**	**1.8**	**0.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-6.0	-2.2	1.8	2.3	**2.8**	**2.6**	**1.5**
General government balance (c)			-5.6	-4.1	-4.2	-2.6	**-2.9**	**-2.7**	**-2.5**
Cyclically-adjusted budget balance (d)			-	-3.6	-3.3	-1.4	**-1.7**	**-1.8**	**-1.8**
Structural budget balance (d)			-	-4.0	-3.4	-1.4	**-2.0**	**-1.9**	**-1.8**
General government gross debt (c)			36.8	43.4	52.1	54.6	**53.6**	**53.4**	**53.5**

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

26. FINLAND

Recovery fails to accelerate despite improving external environment

Finland's three-year downturn is expected to come to an end this year with the economy forecast to start growing again gradually. Consumption and exports are expected to increase, helped by the euro's depreciation and lower oil prices, but investment still looks sluggish. The budget deficit is forecast to remain above 3% of GDP in 2015-16 and public debt is expected to exceed 60% of GDP in 2015.

Recession coming to an end...

Preliminary data show that Finland's economy narrowly failed to escape its protracted downturn in 2014, as GDP contracted by 0.1%. Last year was thus the third year of decreasing economic activity. In 2014, all demand components – final consumption, investment and export – continued to contract. The biggest driver of the fall in demand was private investment, which contracted by 6.5%. Domestic demand decreased by 0.8% but net export increased as the fall in import was larger than the fall in export. Reflecting the prolonged recession, the number of workers decreased and core inflation decelerated. On the production side, the volume of gross value added remained unchanged from 2013; it decreased in manufacturing and in construction while the value added in service industries increased.

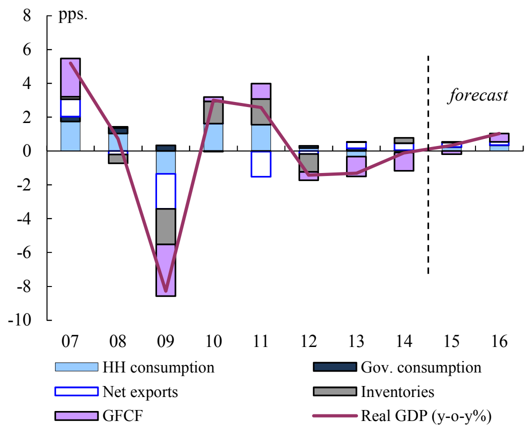
...but only gradual recovery is in sight.

As the economy unexpectedly lost momentum at the end of the last year, the starting point for this year is weak. Momentum is unlikely to pick up until later in the year and altogether, real GDP is forecast to grow by 0.3% in 2015 and then 1.0% in 2016. In 2015, real value added is forecast to increase in manufacturing on the back of sturdier order books. Services production continues to increase while the outlook for construction remains weak.

Foreign trade to increase this year

Over the past few years, Finland has been losing export market shares due to competitiveness losses, especially in its electronics industry. Although the euro has depreciated, demand from the main trading partners is expected to increase and cost-competitiveness is assumed to improve gradually, the growth of exports is projected to remain rather moderate over the forecast period. Also the volume of goods imported is forecast to remain subdued due to sluggish domestic demand.

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



Thanks to lower oil and import prices, the balance of goods and services is expected to swing from deficit of 0.4% of GDP in 2014 to surplus of 0.5% of GDP this year. Still, Finland's current account is expected to remain in deficit but is forecast to improve from -1.8% of GDP in 2014 to -0.7% in 2015. In 2016, the current account is expected to improve only marginally as favourable effects from lower oil price and the weaker euro diminish.

Although export is projected to increase, equipment investment is not expected to increase in 2015 because there is spare capacity in the manufacturing sector and the abundance of office space limits the need for new non-residential investment. As economic activity gradually increases in 2015 and 2016, investment should return to growth in 2016.

Private consumption turns to growth

The consumer confidence indicator reached its highest level since mid-2011 in February, approaching its long-term average. This suggests that households are becoming more optimistic about the economic outlook.

Developments in the labour market are mixed. While the number of people employed has recently fallen, so has the number of working age people outside the labour force, as more people have started to look for a job. This resulted in higher unemployment. The average unemployment rate is expected to increase to 9.1% in 2015 and then fall moderately in 2016. Employment is expected to increase marginally this year and somewhat more in 2016. Gradually increasing employment, near zero inflation, small but positive wage increases and income tax reductions are supporting the growth of households' real disposable incomes this year. Private consumption is expected to grow by 0.4% in 2015 and by 0.6% in 2016.

Risks to the outlook are broadly balanced. On the one hand, external demand could deteriorate if demand from Russia surprised negatively. In 2016, fiscal policy could be tighter than is currently expected under the no-policy change assumption. On the other hand, the euro area could benefit from ECB's recent measures or lower oil prices more than expected. Finally, private consumption could get a temporary boost as the largest banks in Finland began offering borrowers a one-year mortgage repayment holiday early this year.

Unexpectedly high deficit in 2014

At 3.2% of GDP the general government deficit outcome for 2014 was, according to preliminary figures, 0.5 pps. higher than expected in previous forecasts. The surprise outcome is explained by lower-than-expected indirect tax revenue and lower sales and other current revenue, but is also due to higher-than-expected intermediate consumption and other expenditure.

In 2015, the wage-income tax brackets have been adjusted for wage inflation after a temporary freeze, but only for the three lower income categories. On the other hand, the progressivity of income taxation was increased, some tax subsidies were eliminated, and excise duties and real-estate taxes increased. Despite the measures, the deficit is expected to increase to 3.3% of GDP. In 2016, assuming no changes in policy, the deficit is projected to decline to 3.2% of GDP on the back of increasing economic activity.

The structural balance is expected to remain at about -1¾% of GDP in 2015 and to worsen by about ½ pp. of GDP in 2016. Gross government debt is set to reach 62.6% of GDP in 2015 and 64.8% in 2016. Debt is increasing due to the high primary deficit, but also because the social security sector surplus is not used to reduce the debt.

Table II.26.1:

Main features of country forecast - FINLAND

	2013		Annual percentage change						
	bn EUR Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	202.0	100.0	2.9	2.6	-1.4	-1.3	**-0.1**	**0.3**	**1.0**
Private Consumption	111.2	55.0	3.0	2.9	0.3	-0.6	**-0.2**	**0.4**	**0.6**
Public Consumption	50.2	24.8	1.8	-0.1	0.5	0.6	**0.2**	**0.1**	**0.1**
Gross fixed capital formation	42.7	21.1	3.8	4.1	-2.2	-5.3	**-5.1**	**-1.0**	**2.5**
of which: equipment	9.9	4.9	2.9	11.5	10.2	-4.1	**-10.7**	**-1.5**	**4.8**
Exports (goods and services)	77.6	38.4	5.7	2.0	1.2	-0.7	**-0.4**	**1.7**	**3.9**
Imports (goods and services)	79.4	39.3	5.7	6.0	1.6	-1.6	**-1.4**	**1.1**	**3.5**
GNI (GDP deflator)	202.6	100.3	3.3	1.7	-1.4	-1.5	**-0.5**	**0.4**	**1.0**
Contribution to GDP growth: Domestic demand			2.7	2.4	-0.2	-1.3	**-1.1**	**0.1**	**0.8**
Inventories			0.0	1.5	-1.1	0.0	**0.3**	**0.0**	**0.0**
Net exports			0.4	-1.5	-0.2	0.4	**0.4**	**0.2**	**0.2**
Employment			1.3	1.3	0.9	-1.5	**-0.3**	**0.2**	**0.4**
Unemployment rate (a)			9.8	7.8	7.7	8.2	**8.7**	**9.1**	**9.0**
Compensation of employees / head			3.1	3.6	2.8	2.0	**1.4**	**1.0**	**0.9**
Unit labour costs whole economy			1.5	2.3	5.2	1.9	**1.1**	**0.8**	**0.3**
Real unit labour cost			-0.1	-0.3	2.2	-0.6	**0.0**	**-0.4**	**-1.1**
Saving rate of households (b)			8.8	8.1	7.8	8.2	**7.4**	**8.5**	**8.4**
GDP deflator			1.7	2.6	3.0	2.5	**1.1**	**1.2**	**1.4**
Harmonised index of consumer prices			1.6	3.3	3.2	2.2	**1.2**	**0.2**	**1.3**
Terms of trade goods			-0.8	-2.1	-1.3	0.6	**1.2**	**2.8**	**0.0**
Trade balance (goods) (c)			6.7	-0.8	-0.4	0.0	**0.3**	**1.3**	**1.5**
Current-account balance (c)			4.7	-1.5	-1.9	-1.9	**-1.8**	**-0.7**	**-0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			4.8	-1.4	-1.8	-1.8	**-1.7**	**-0.6**	**-0.3**
General government balance (c)			1.5	-1.0	-2.1	-2.5	**-3.2**	**-3.3**	**-3.2**
Cyclically-adjusted budget balance (d)			1.5	-0.9	-1.2	-0.9	**-1.5**	**-1.8**	**-2.2**
Structural budget balance (d)			-	-0.8	-1.1	-0.8	**-1.6**	**-1.8**	**-2.2**
General government gross debt (c)			43.5	48.5	52.9	55.8	**59.3**	**62.6**	**64.8**

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

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

27. SWEDEN

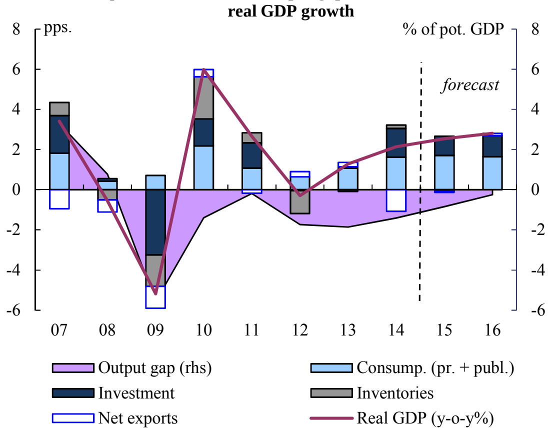
Strong investment and brightening outlook for exports

Sweden's real GDP growth is forecast to rise in the coming years thanks to robust domestic demand and an improved outlook for exports. The Swedish central bank's monetary easing is expected to kindle a gradual rise in inflation. After its peak in 2014, the general government deficit should gradually narrow as the economy strengthens and the fiscal policy stance is kept broadly neutral.

Investments rebounded in 2014

Sweden's real GDP increased by 2.1% in 2014, its highest rate since 2011. Consumption remained an important engine of growth, but in addition, the sharp rebound in investment came as a positive surprise. Domestic demand will remain strong over the forecast horizon but the economy is also set to benefit from higher exports, thanks to stronger economic growth in the euro area and a weaker krona. By contrast, the plunge in oil and energy prices is likely to have only a limited positive impact on the Swedish economy because of the country's relatively low energy intensity and high energy taxes.

Graph II.27.1: **Sweden - Output gap and contributions to real GDP growth**



Consumption remains a stable growth engine

Supported by low interest rates, strong employment growth, steadily growing disposable incomes, record high savings rate of households and rising housing prices, private consumption is forecast to remain robust. Government consumption is projected to continue growing at a high pace in the coming years because of increased spending related to immigration, education and elderly care.

Investment expected to moderate

Following a contraction of 0.4% in 2013, investments expanded at a rate of 6.5% in 2014, the highest rate since 2007. The acceleration was driven by housing investment and construction, which rose last year by 20.3% and 7.6%, respectively. In addition, a large one-off R&D investment in the fourth quarter of 2014 temporarily boosted investment growth. By contrast, machinery and equipment investment contracted by 1.7% in 2014. Construction investment is projected to slow down in the coming years, while machinery investment is forecast to increase only moderately, due to still fragile developments in the EU. As the impact of the temporary boost also disappears, investment growth is projected to rise at a slower pace of 4.1% in 2015 and 4.5% in 2016.

More positive outlook for exports

Since almost 70% of Sweden's exports go to Europe, stronger economic performance in the EU and a weaker exchange rate will benefit Swedish exporters. Exports are forecast to increase by 4.1% in 2015 and 5.3% in 2016. On the back of strong household consumption growth, imports are projected to grow even faster throughout the forecast horizon. Nevertheless, net trade should start to contribute positively to economic growth in 2016.

Slow decline of unemployment

Labour supply continues to increase swiftly, mainly due to an exceptionally high number of immigrants and asylum seekers settling in Sweden. Despite fairly strong employment growth deriving mainly from services and the public sector, unemployment has been stuck at around 8% for several years. A widening skills and geographical mismatch on the labour market will slow the decline in unemployment over the coming years and could potentially increase the natural rate of unemployment. Unemployment is forecast to fall gradually to 7.7% in 2015 and then to 7.6% in 2016.

Expansionary monetary policy

In February 2015, the Swedish central bank implemented further monetary easing by bringing repo rates into negative territory and started its asset purchase programme to fight deflationary pressures exacerbated by falling oil prices. The central bank expects its expansive monetary policy to help lifting inflation towards its 2% target. Nevertheless, HICP inflation is projected at 0.7% in 2015, although it should reach 1.6% in 2016 when the impact of lower energy prices wanes.

Important risks to consider

On the positive side, the Riksbank's expansionary monetary policy could result in a stronger depreciation of the currency, which would boost exports. Low oil prices could provide a stronger lift to the economy than projected. On the negative side, increased geopolitical uncertainties, including a possible further escalation of the Russian crisis pose a negative risk, because it could negatively impact growth in Sweden's several main trading partners and undermine business confidence. Exports could remain weaker if investment remains subdued in Sweden's main trading partners, as investment goods represent a large proportion of Swedish exports. A correction in house prices, which rose to new historical highs set in 2014, could dampen household consumption and construction investment.

Gradually improving public finances

The general government deficit is forecast to gradually improve from 1.9% of GDP in 2014 to 1.5% of GDP in 2015 and under a no-policy-change assumption to 1.0% of GDP in 2016, while the output gap gradually closes. The structural deficit will stay around 1.0% of GDP in 2015 and 2016. The main negative risks to the budget could come from higher costs associated with migration, integration and sickness benefit. General government debt rose to 43.9% of GDP in 2014, due to the increasing budget deficit and the weakening of the SEK, but is expected to remain broadly unchanged in 2015 and 2016.

Table II.27.1:

Main features of country forecast - SWEDEN

	2013		Annual percentage change						
	bn SEK Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	3775.0	100.0	2.7	2.7	-0.3	1.3	**2.1**	**2.5**	**2.8**
Private Consumption	1761.5	46.7	2.5	1.9	0.8	1.9	**2.4**	**2.6**	**2.6**
Public Consumption	988.5	26.2	0.9	0.8	1.1	0.7	**1.9**	**1.8**	**1.7**
Gross fixed capital formation	834.2	22.1	3.6	5.7	-0.2	-0.4	**6.5**	**4.1**	**4.5**
of which: equipment	279.0	7.4	4.9	12.4	2.8	1.5	**-1.7**	**1.3**	**4.5**
Exports (goods and services)	1660.1	44.0	5.6	6.1	1.0	-0.2	**3.3**	**4.1**	**5.3**
Imports (goods and services)	1470.0	38.9	5.0	7.3	0.5	-0.7	**6.5**	**4.7**	**5.6**
GNI (GDP deflator)	3911.7	103.6	3.0	2.8	0.0	1.8	**2.2**	**2.4**	**2.7**
Contribution to GDP growth: Domestic demand			2.2	2.3	0.6	1.0	**3.0**	**2.7**	**2.7**
Inventories			0.0	0.5	-1.1	0.1	**0.2**	**-0.1**	**0.0**
Net exports			0.5	-0.2	0.3	0.2	**-1.1**	**-0.1**	**0.1**
Employment			0.6	2.1	0.7	1.0	**1.4**	**1.2**	**1.2**
Unemployment rate (a)			7.4	7.8	8.0	8.0	**7.9**	**7.7**	**7.6**
Compensation of employees / head			3.7	3.2	3.1	1.6	**2.3**	**2.3**	**2.5**
Unit labour costs whole economy			1.6	2.6	4.1	1.4	**1.5**	**1.0**	**0.9**
Real unit labour cost			-0.1	1.4	3.0	0.2	**0.2**	**-0.5**	**-0.7**
Saving rate of households (b)			9.5	15.3	17.8	18.1	**18.4**	**18.4**	**18.1**
GDP deflator			1.8	1.2	1.1	1.2	**1.3**	**1.6**	**1.6**
Harmonised index of consumer prices			1.7	1.4	0.9	0.4	**0.2**	**0.7**	**1.6**
Terms of trade goods			-0.7	-1.3	0.2	0.5	**0.8**	**0.0**	**0.0**
Trade balance (goods) (c)			7.0	3.4	3.7	3.8	**3.2**	**3.1**	**3.1**
Current-account balance (c)			5.9	5.9	6.3	6.9	**5.8**	**5.8**	**5.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			5.7	5.7	6.2	6.7	**5.7**	**5.7**	**5.4**
General government balance (c)			0.0	-0.1	-0.9	-1.4	**-1.9**	**-1.5**	**-1.0**
Cyclically-adjusted budget balance (d)			0.3	0.0	0.1	-0.3	**-1.1**	**-1.0**	**-0.8**
Structural budget balance (d)			-	0.0	0.1	-0.3	**-1.1**	**-1.0**	**-0.9**
General government gross debt (c)			51.8	36.2	36.6	38.7	**43.9**	**44.2**	**43.4**

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

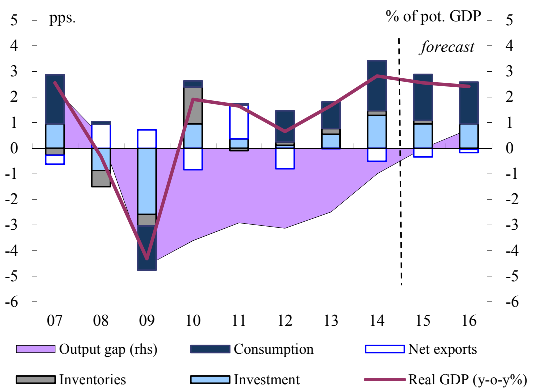
28. THE UNITED KINGDOM
Domestic demand continues to support strong growth

Economic growth maintains its healthy pace supported by a fall in oil prices, rising employment, low borrowing costs and household disposable income growth. GDP growth is expected to be driven by domestic demand in 2015 and 2016 with net exports likely to detract from growth. Inflation is forecast to fall again in 2015 but should rise somewhat in 2016. The budget deficit continues to fall and debt nears its peak.

Buoyant growth in 2014

GDP grew by 2.8% in 2014, notably more than its 1.7% increase in 2013. Domestic demand was the main factor, contributing 3.2 pps. whereas net exports detracted 0.5 pps. and have not contributed to growth since 2011. While the composition of growth broadened significantly in 2014 to include business investment, which more than doubled compared to 2013, the widening of growth is yet to extend to the external sector.

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



Outlook remains strong

In the near term, growth is expected to continue at a similar rate to that in late 2014. Although rises in industrial production have slowed in recent months, signals from the services sector remain positive. Forward expectations of business activity in the major business surveys indicate that momentum will continue in the first half of 2015.

Healthy private consumption growth continues

Private consumption growth is projected at 2.6% in both 2015 and 2016. Further rises in real household disposable income should underpin private consumption, which is supported by higher incomes rather than reductions in saving, as the household saving ratio is expected to remain around 6% in 2015 and 2016. An upside risk is that the fall in retail fuel and energy prices could boost consumption by more than projected. However, a downside risk may be unexpectedly low wage growth.

Business investment growth cooling slightly

Investment growth is expected to gently abate in 2015 and 2016 to around 5.5%. Nevertheless, it is projected to remain well above GDP growth, as business investment is sustained by solid fundamentals including strong corporate balance sheets, healthy profits, low borrowing costs, buoyant demand and an increasingly resilient financial sector. However, a downside risk is that credit growth to businesses contracts further and that certain businesses, for instance, small and medium-sized enterprises, continue to report difficulties in access to finance and therefore postpone investment decisions.

External sector drags growth down

The weakness in exports and imports is expected to unwind in 2015 and 2016 however net exports are not projected to contribute to growth. Imports are expected to increase as domestic demand continues to expand and the appreciation of sterling dampens the relative price of imports. Exports are also projected to strengthen modestly as demand from major trading partners offsets the impact of the appreciation of sterling.

Unemployment to fall further and wages to rise

The labour market remains robust as employment continues to rise solidly and the unemployment rate, which is forecast to drop to 5.4% and 5.3% in 2015 and 2016 respectively, continues to decline. The tightening in the labour market is expected to lead to a modest rise in employee compensation, which should further underpin growth in private consumption. However, a risk is that productivity stays at current low levels, which would depress wage growth.

Inflation to fall further in 2015

Inflation has been weaker than projected in the winter forecast and is now expected at 0.4% in 2015 before rising modestly to 1.6% in 2016. The fall in retail energy prices, the appreciation of sterling and compression of retailers' margins in the supermarket sector have contributed to continued low inflation in 2014. However, should core inflation and inflation expectations fall further, there is a risk that inflation becomes entrenched at historically low rates.

Public finances continue to improve

The 2015 budget, delivered in March, continued the ongoing fiscal consolidation plan. Some small additional fiscal tightening amounting to 0.05% of GDP was announced for the financial years 2015-16 and 2017-18, with a small loosening of 0.08% of GDP in 2018-19 and 2019-20. New taxation measures include cuts to alcohol duty and a continuation of the freeze on fuel duty, an increase in the personal income tax allowance and tax cuts for the North Sea oil sector. These measures were offset by an increase in the bank levy from 0.156% to 0.21% and further measures to reduce tax evasion and avoidance.

On the spending side, a new ‘Help to Buy’ Individual Savings Account (ISA) was announced. The aim of the scheme is to encourage first-time buyers to save for a deposit for a home. The scheme will give a government bonus of 25% on top of the amount saved up to a maximum contribution of GBP 3'000, with minimal effect on the deficit. The main sources of the decline in the budget balance in 2016-17 are previously announced measures cutting departmental spending and increases in social contributions.

The government deficit is forecast to fall to 4.1% of GDP in 2015-16 and further to 2.7% of GDP in 2016-17 on a no-policy change basis given the current macroeconomic outlook. This implies an average improvement in the structural balance of around ¾ pps. of GDP per year over the 2-year period. The debt ratio is estimated to continue rising, though marginally, to 89.3% of GDP in 2016-17.

Table II.28.2:
General government projections on a financial-year basis

ESA10	Actual			Forecast	
	2012-13	2013-14	2014-15	2015-16	2016-17
General government balance~	-7.6	-5.9	-5.2	**-4.1**	**-2.7**
Structural budget balance	-5.9	-4.6	-4.7	**-4.2**	**-3.2**
General government gross debt	85.4	87.8	88.4	**89.2**	**89.3**

~APF transfers included

Table 2.1.1:
Main features of country forecast - UNITED KINGDOM

	2013			Annual percentage change						
	bn GBP	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		1713.1	100.0	2.2	1.6	0.7	1.7	**2.8**	**2.6**	**2.4**
Private Consumption		1111.5	64.9	2.8	0.1	1.1	1.7	**2.5**	**2.6**	**2.6**
Public Consumption		345.2	20.1	2.1	0.0	2.3	-0.3	**1.7**	**0.4**	**-0.2**
Gross fixed capital formation		282.1	16.5	1.1	2.3	0.7	3.4	**7.8**	**5.6**	**5.5**
of which: equipment		68.9	4.0	2.2	-1.0	2.8	4.7	**14.3**	**4.8**	**5.2**
Exports (goods and services)		515.9	30.1	4.3	5.6	0.7	1.5	**0.6**	**1.7**	**2.9**
Imports (goods and services)		549.6	32.1	5.0	1.0	3.1	1.4	**2.2**	**2.7**	**3.2**
GNI (GDP deflator)		1697.4	99.1	2.4	1.7	-0.8	1.1	**1.5**	**2.3**	**2.8**
Contribution to GDP growth:	Domestic demand			2.4	0.4	1.3	1.6	**3.2**	**2.8**	**2.6**
	Inventories			0.0	-0.1	0.1	0.2	**0.2**	**0.1**	**0.0**
	Net exports			-0.3	1.3	-0.8	0.0	**-0.5**	**-0.3**	**-0.1**
Employment				0.9	0.5	1.1	1.2	**2.3**	**1.2**	**0.8**
Unemployment rate (a)				6.1	8.1	7.9	7.6	**6.1**	**5.4**	**5.3**
Compensation of employees / head				4.2	1.0	1.9	1.9	**1.5**	**2.4**	**2.8**
Unit labour costs whole economy				2.8	-0.1	2.4	1.4	**0.9**	**1.0**	**1.2**
Real unit labour cost				0.3	-2.2	0.7	-0.4	**-0.8**	**-0.4**	**-0.5**
Saving rate of households (b)				9.0	8.6	8.0	6.4	**6.0**	**6.0**	**5.8**
GDP deflator				2.5	2.1	1.7	1.8	**1.7**	**1.5**	**1.7**
Harmonised index of consumer prices				2.0	4.5	2.8	2.6	**1.5**	**0.4**	**1.6**
Terms of trade goods				0.0	-1.4	0.0	0.4	**-0.3**	**3.0**	**-0.2**
Trade balance (goods) (c)				-4.1	-6.0	-6.6	-6.6	**-6.7**	**-6.2**	**-6.4**
Current-account balance (c)				-1.9	-1.7	-3.7	-4.5	**-5.5**	**-4.9**	**-4.1**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.8	-1.6	-3.7	-4.4	**-5.4**	**-4.8**	**-4.0**
General government balance (c)				-3.4	-7.6	-8.3	-5.7	**-5.7**	**-4.5**	**-3.1**
Cyclically-adjusted budget balance (d)				-3.4	-5.9	-6.5	-4.3	**-5.1**	**-4.4**	**-3.5**
Structural budget balance (d)				-	-5.9	-6.5	-4.3	**-5.3**	**-4.4**	**-3.5**
General government gross debt (c)				46.2	81.8	85.8	87.3	**89.4**	**89.9**	**90.1**

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

Candidate Countries

29. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Firming domestic demand spurs further acceleration of growth

Output growth accelerated in 2014, driven by exports of foreign investors and public infrastructure investment. Solid gains in household spending further bolstered domestic demand. Given high investment- and trade-related import demand, the foreign balance weighed down on economic activity. Further gains in domestic demand are likely to set GDP growth at an even higher pace in 2015 and 2016, while the negative contribution from net exports is expected to diminish. The government remains supportive, with plans for further infrastructure projects, and increases in entitlement spending, relaxing its mid-term fiscal consolidation strategy.

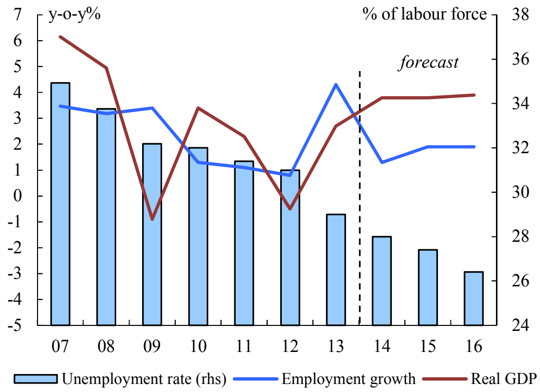
Exports and investment drive growth in 2014

Large-scale public infrastructure projects and a surge in exports, mainly driven by foreign companies established in the country, carried the marked acceleration of real GDP growth in 2014. Given the high import content of investment and exports, the external balance made a negative contribution to growth, after having been its main support in 2013. Strong increases in overall gross fixed capital formation in the first three quarters of 2014 were followed by slack towards the end of the year, yet, on average, investment activity recovered markedly after its sharp drop in the preceding year. As of the second quarter, household spending, supported by rising real net wages, stable private transfer inflows and improved access to credit, turned into a solid second pillar of domestic demand growth. The merchandise trade balance improved in 2014, in terms of GDP, compared to the previous year. This, in combination with an increased surplus in the services balance, and stable private transfer inflows, accounted for a narrowing in the current account deficit, by 0.5 pps. to 1.3% of GDP. Job creation in the manufacturing sector, bolstered by active labour market measures, was the main driver of further, though decelerated employment growth, and a further decline in the unemployment rate. Labour market participation remained low, at 57% overall, and particularly so for women. There was no improvement in the situation of young workers, with almost half of the workforce between 15 and 24 years old registered as unemployed.

Spending pressures weigh on budget

Fiscal performance disappointed further in the second half of 2014. While tax revenues recovered, increased entitlement spending, as well as unexpected additional expenditure for Transport Corridor X road construction, led to pressures even after a supplementary budget was adopted in September. In addition to increases in entitlement spending that entered into force earlier in the year, the government supported private demand by a further rise in public wages in the autumn. At the end of the year, the general government deficit amounted to 4.2% of GDP, exceeding the revised target by 0.5 pps. The increase in government debt remained contained in 2014, but borrowing by state-owned enterprises drove up public debt levels as well as contingent liabilities of the government, which provides guarantees for their loans.

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

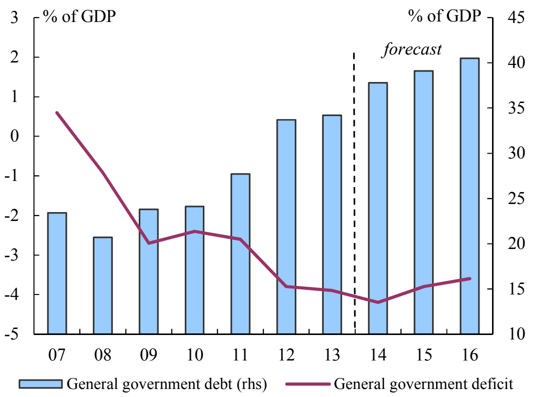


Drag from external balance likely to diminish

Domestic demand is expected to remain the sole growth driver over the forecast horizon. Investment activity, driven by public expenditure on transport and energy projects, as well as the construction of new foreign investment facilities, is projected to post further solid gains, even though growth rates are slowing down to their long-term average. Household spending, benefitting from sound fundamentals, is likely to firm up further, and set to become the main source of output growth in 2015 and 2016.

Export performance is projected to remain solid, mainly driven by foreign exporters which are putting new production lines in operation. With investment-related imports relenting somewhat, the merchandise trade balance is likely to improve slightly this year and next, mitigating the negative contribution to GDP growth from the external balance. Still, the current account deficit is set to widen somewhat, largely accounted for by an expected normalisation of private transfer inflows to more moderate, average levels.

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



Public expenditure continues to support domestic demand

The government is expected to continue providing a positive fiscal impulse to domestic demand this year and next, by further increasing social transfers, pensions, and public wages. At the same time, significant budget funds, and financing by state-owned enterprises, are earmarked for further public infrastructure investment. The fiscal outcome for this year may well exceed the government's deficit target of 3.3% by some 0.5 pps. The recent and envisaged increases in entitlement spending are already leaving their mark on budget performance - in the first two months of 2015, the accumulated budget deficit amounted to some 25% of the full-year budget target, or 0.8% of projected GDP. A number of revenue-enhancing measures have been planned for 2015, but these may not compensate for the planned rise in current spending, including a recent decision by the government to raise social transfers as of July by 5% more than foreseen in the budget. Hence, the need for a supplementary budget, providing for cuts in budgeted growth-enhancing capital expenditure is not unlikely.

Table II.29.1:

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

	2013		Annual percentage change						
bn MKD	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	499.6	100.0	2.7	2.3	-0.5	2.7	**3.8**	**3.8**	**3.9**
Private Consumption	359.2	71.9	-	-5.4	1.2	2.1	**2.3**	**2.8**	**2.9**
Public Consumption	88.5	17.7	-	1.2	2.4	2.5	**-1.2**	**2.0**	**2.2**
Gross fixed capital formation	89.4	17.9	-	13.3	6.5	-16.6	**13.5**	**8.5**	**7.1**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	218.7	43.8	-	16.1	2.0	-2.7	**17.0**	**8.8**	**9.9**
Imports (goods and services)	309.3	61.9	-	8.0	8.2	-10.0	**14.5**	**6.5**	**7.8**
GNI (GDP deflator)	484.9	97.1	-	1.8	0.0	2.6	**4.4**	**3.4**	**3.7**
Contribution to GDP growth: Domestic demand			-	-0.8	2.8	-1.9	**3.9**	**3.9**	**3.8**
Inventories			-	1.3	1.2	-0.9	**1.4**	**0.0**	**0.3**
Net exports			-	1.8	-4.5	5.5	**-1.5**	**-0.1**	**-0.2**
Employment			-	1.1	0.8	4.3	**1.3**	**1.9**	**1.9**
Unemployment rate (a)			-	31.4	31.0	29.0	**28.1**	**27.4**	**26.4**
Compensation of employees / head			-	0.0	2.0	1.2	**2.2**	**3.1**	**3.6**
Unit labour costs whole economy			-	-1.2	3.3	2.8	**-0.3**	**1.2**	**1.7**
Real unit labour cost			-	-4.8	2.3	-1.4	**-1.7**	**0.3**	**0.4**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			3.9	3.7	1.0	4.3	**1.5**	**0.9**	**1.3**
Consumer-price index			3.2	3.9	3.3	2.8	**-0.3**	**1.2**	**1.7**
Terms of trade goods			-	10.8	3.3	-0.8	**1.8**	**-0.1**	**0.0**
Trade balance (goods) (c)			-16.2	-25.2	-26.5	-22.9	**-21.7**	**-21.5**	**-21.3**
Current-account balance (c)			-5.8	-2.5	-2.9	-1.8	**-1.3**	**-1.4**	**-1.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-2.6	-3.8	-3.9	**-4.2**	**-3.8**	**-3.6**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	27.7	33.7	34.2	**37.8**	**39.1**	**40.5**

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

30. ICELAND

Tourism, investment and low inflation support growth

Domestic demand was the main driver of growth in 2014, benefitting from spill-overs from the tourism boom in 2013 but also from a strong increase in real disposable income. These supporting factors are likely to continue bolstering growth in the coming years. The overall favourable economic environment and reforms to Iceland's tax system will support public finances and a continued debt reduction.

Strong domestic demand drove growth in 2014

After mainly externally driven output growth of 3.6% in 2013, domestic demand was the main driving factor in 2014, resulting in GDP growth of 1.9%. Spill-overs from the tourism boom in the previous year played an important role, for example, via boosting tourism related construction activity. However, the largest growth contribution came from private consumption, which benefitted from low inflation, the start of a government's household debt relief scheme but also increased employment and income, in particular in tourism related sectors.

The labour market situation continued to improve, with employment increasing by 1.6% in 2014. However, job creation took mainly place in low-skilled and low-wage sectors, partly reflecting the expansion of tourism. The decline in unemployment continued in the first two months of 2015, with a decline in the seasonally-adjusted unemployment rate to 4.5% on average in January-February, compared to 5.5% on average a year before.

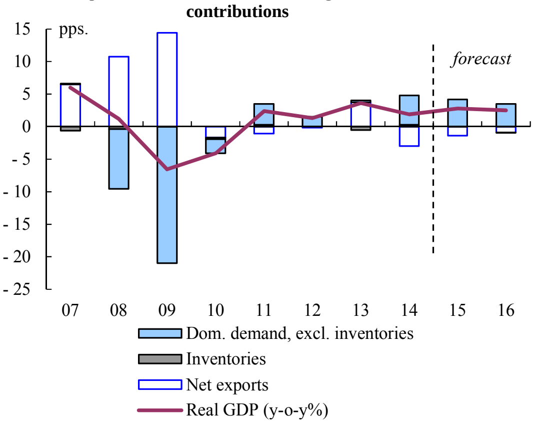
Inflation dropped markedly in 2014, reaching 2% on annual average, compared to 3.9% in 2013. Towards the end of 2014 and in early 2015 inflation remained low, registering an overall 12-months increase by 1.1% in the first three months of 2015, compared to 2.5% the year before. The main reasons for this deceleration are lower oil prices, a strong currency and moderate wage agreements. As a result, real wages increases were significant. Together with strong employment growth, low inflation contributed to a marked increase in real disposable income.

After a general government deficit of 1.7% of GDP in 2013, preliminary public sector accounts registered a deficit of some 0.2% of GDP in 2014. The main underlying factors were a one-off dividend payment of a largely state-owned bank, but also strong growth of direct taxes.

In 2015-16, tourism, investment and real disposable income are expected to support growth

Key factors for output growth in 2015-16 are expected to be tourism and private consumption, benefitting from lower inflation and government measures to boost disposable income, such as the household debt relief programme. Investment is likely to be strong reflecting tourism-related construction, capital renewal in the fishing industry and silicon related investment projects reaching the implementation phase. Total exports are projected to benefit from a flourishing tourism sector. However, the positive effects of higher tourism revenues are likely to be partly offset by higher imports due to stronger domestic and tourism related demand.

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



Thanks to solid growth and new employment opportunities in tourism and construction, labour market conditions are likely to continue improving. Annual average unemployment thus could drop to close to 4% by 2016. However, most new jobs are likely to be in lower wage segments.

Inflation is likely to accelerate in the near future

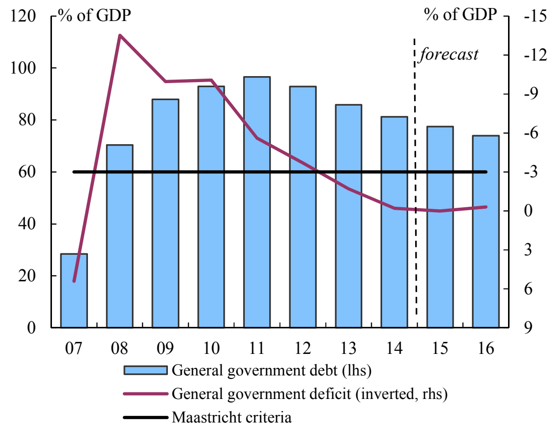
Inflation is likely to remain close to the Central Bank target of 2.5% in 2015, reflecting reduced inflation expectations, but also benefitting from government plans to reduce tax rates on VAT and to abolish commodity taxes. However, in 2016, temporary factors, such as the currently low import prices, are expected to fade out, which could push inflation again above the Central Bank target.

As a result of stronger domestic demand, the deficit in commodity trade is expected to widen, while the services balance is expected to continue benefitting from expanding tourism. Overall, the current account situation is likely to deteriorate in 2015- 2016.

Primary surpluses contribute to debt reduction

The government's fiscal target for 2015 of a largely balanced budget is well in line with the underlying economic growth projections. However, plans to lower the tax burden might result in a slight deficit in 2016, of about 0.3% of GDP. Substantial primary surpluses (of some 3% of GDP) should help to reduce the general government debt-to-GDP ratio to close to 74% by 2016. Government plans to sell state assets in order to lower the public debt burden could lead to an even faster reduction in the debt ratio.

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



Uncertainties and risks stemming from the 2008 crisis are not overcome yet

Settling still existing claims towards banks in insolvency could lead to substantial current-account outflows. Lifting capital controls thus still remains a major challenge. Furthermore, higher imports due to strong domestic demand could create additional pressure on external accounts, the exchange rate and domestic price stability.

Table II.30.1:

Main features of country forecast - ICELAND

		2013			Annual percentage change					
		bn ISK Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		1880.9	100.0	3.3	2.4	1.3	3.6	**1.9**	**2.8**	**2.5**
Private Consumption		984.3	52.3	3.0	2.6	2.0	0.5	**3.7**	**3.5**	**3.0**
Public Consumption		457.5	24.3	2.7	1.2	-1.7	0.7	**1.8**	**1.5**	**1.3**
Gross fixed capital formation		290.5	15.4	1.3	11.6	5.6	-1.0	**13.7**	**12.0**	**9.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1045.9	55.6	4.8	3.4	3.7	6.9	**3.1**	**4.7**	**5.5**
Imports (goods and services)		892.4	47.4	3.5	6.9	4.7	0.3	**9.9**	**8.3**	**7.9**
GNI (GDP deflator)		1852.4	98.5	2.3	6.6	4.8	13.0	**1.4**	**2.3**	**2.0**
Contribution to GDP growth:	Domestic demand			3.0	3.2	1.5	0.3	**4.5**	**4.2**	**3.5**
	Inventories			0.0	0.3	0.0	-0.5	**0.3**	**0.0**	**0.0**
	Net exports			0.3	-1.1	-0.2	3.7	**-3.0**	**-1.4**	**-0.9**
Employment				1.2	0.0	1.1	3.3	**1.6**	**1.4**	**0.8**
Unemployment rate (a)				3.6	7.1	6.1	5.4	**5.0**	**4.5**	**4.3**
Compensation of employees / head				-	8.7	5.7	3.4	**6.0**	**4.6**	**4.5**
Unit labour costs whole economy				-	6.1	5.5	3.1	**5.7**	**3.2**	**2.7**
Real unit labour cost				-	3.4	2.2	1.1	**1.6**	**1.2**	**0.0**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				4.9	2.6	3.2	2.0	**4.0**	**2.0**	**2.7**
Consumer-price index				-	4.0	5.2	3.9	**2.0**	**1.5**	**2.7**
Terms of trade goods				-0.7	-3.0	-5.6	-4.5	**4.6**	**-0.7**	**-0.6**
Trade balance (goods) (c)				-3.5	2.1	0.7	0.4	**-0.6**	**-2.6**	**-4.4**
Current-account balance (c)				-8.6	-5.3	-4.4	5.8	**3.6**	**2.0**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-5.6	-3.7	-1.7	**-0.2**	**0.0**	**-0.3**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	96.5	92.8	85.9	**81.2**	**77.4**	**73.8**

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

31. MONTENEGRO
Tourism resorts, tunnels and bridges

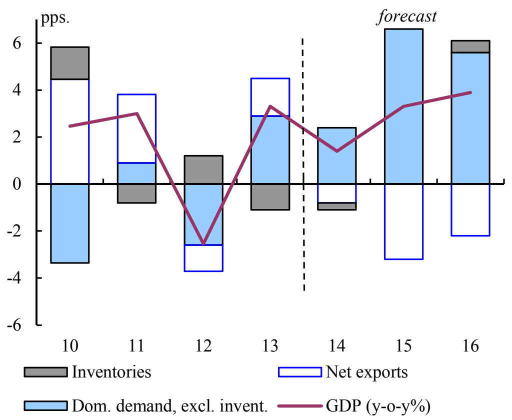
Growth is expected to accelerate driven by investment; notably in a motorway with numerous (and expensive) tunnels and bridges, several tourist resorts, and some recovery of banks' lending activity supporting private consumption. However, the debt-financed highway will also strain on government finances, fuelling budget deficits and public debt levels, in particular in case of cost overruns.

Economic activity slowed down in 2014 compared to the previous year

Several factors contributed to dampening growth performance in 2014, including the negative effects of floods in neighbouring countries, delay of some important investment projects and weaker than expected external demand. Overall, private consumption and gross fixed capital formation were the main drivers of growth in 2014.

The methodological revision of GDP data by the national statistical office (MONSTAT) might result on some upward revision of 2014 real GDP growth from the Commission's current estimate of 1.4% up to around 2%.

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



The macroeconomic outlook seems to improve

Key drivers of economic growth identified in the winter forecast continue supporting the expansion of economic activity in 2015. As a result, growth could reach 3%, and steer gradually above potential in 2016, on account of the 4-year construction of a highway (worth about 20% of GDP) as well as ongoing works on several large tourism resorts. Private consumption seems also set to strengthen, thanks to some recovery of credit growth stimulated by the entry of three new banks in the market and the implementation of domestic banks' strategies for reduction of non-performing loans. Unsolved issues in the aluminium smelter and ongoing capital overhaul in the steel factory will linger during 2015, postponing to 2016 the recovery of stocks.

External imbalances will temporarily deepen

The current account deficit will broaden in the coming years fuelled by internal demand and the strong import-dependency of investments, while industrial production remains weak. In 2015, works on several tourism resorts and on the highway are worth about 7% and 5% of GDP respectively. Similar – if not higher – amounts could be expected for 2016 too, driving up construction-related imports, and broadening the trade deficit. Early indicators show that the number of tourists might grow in 2015; suggesting the services balance could perform better than a year before, with positive spill-over effects on retail trade, transport, accommodation and catering. On the other hand, an increase in the number of foreign workers would have a negative impact on factor income and transfers balances. The financing of the external deficit appears supported in the medium-term by FDI inflows (mostly into real estate and tourism) together with a loan securing 85% of the highway financing, which includes a 6-year grace period.

Construction will support employment

Accelerating economic activity should allow for further improvements in labour market conditions. However, it is not yet clear to which extent the local workforce may benefit given its limited mobility and the employers preference for cheaper foreign labour. Besides, the highway agreement foresees 70% of the work to be realised by Chinese companies.

Inflation is shaped by lower euro and oil prices

2014 was characterised by deflationary trends, mostly reflecting a prolonged decline in food and oil prices, two items portraying the largest weight in the consumer's basket. Preliminary data for early 2015 signals an end to disinflation. Further acceleration of headline inflation could be expected after mid-year, benefitting from low base effects of oil prices. The recovery of private consumption and employment could also further reinforce consumer prices in 2016.

2014 budget execution presents a significant improvement compared with previous year

In 2014, the deficit declined to 1.5% of GDP compared to revised 5.3% of GDP a year before, offering a primary surplus of 0.8% of GDP. The improvement appears concentrated on the revenue side, expanding by 8% y-o-y to 46% of GDP driven by the strong performance of VAT, social security contributions, fees and personal income tax. The expenditure side increased more moderately, by 1.2% y-o-y, to 47.3% of GDP. The deviation with the plan results from the increase of state equity in the electric power company and the disbursement of state guarantees.

Main risks appear on the fiscal side

The financing of the highway will challenge fiscal stability. Based on rough preliminary estimates from the capital budget, we project the budget deficit and the public debt levels to stretch well above the Montenegrin fiscal rules limits of 3% and 60% of GDP for 2015 and 2016, respectively. Yet, these projections could worsen in case of unanticipated cost overruns. The fiscal position of municipalities also appears particularly exposed, with growing contingent liabilities related to payment arrears to their providers, but also towards the tax administration and social security funds.

Table II.31.1:

Main features of country forecast - MONTENEGRO

		2013			Annual percentage change					
	mio EUR	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		3327.1	100.0	-	3.0	-2.5	3.3	**1.4**	**3.3**	**3.9**
Private Consumption		2712.0	81.5	-	4.2	-3.2	1.1	**0.8**	**2.2**	**3.0**
Public Consumption		660.2	19.8	-	-1.6	3.1	1.4	**1.4**	**1.9**	**2.6**
Gross fixed capital formation		638.7	19.2	-	-10.3	-3.3	8.8	**7.8**	**21.8**	**11.8**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1390.1	41.8	-	14.1	-1.2	-1.3	**-0.7**	**1.2**	**2.0**
Imports (goods and services)		2065.5	62.1	-	3.1	0.9	-3.1	**0.8**	**6.1**	**4.9**
GNI (GDP deflator)		-	-	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand			-	0.9	-2.6	2.9	**2.4**	**6.6**	**5.6**
	Inventories			-	-0.8	1.2	-1.1	**-0.3**	**0.0**	**0.5**
	Net exports			-	2.9	-1.1	1.6	**-0.8**	**-3.2**	**-2.2**
Employment				-	-6.4	2.8	0.1	**2.9**	**2.0**	**2.3**
Unemployment rate (a)				-	19.7	19.6	19.6	**18.2**	**17.3**	**16.1**
Compensation of employees / head				-	-6.6	2.2	1.2	**-1.5**	**0.8**	**1.8**
Unit labour costs whole economy				-	-	-	-	-	-	-
Real unit labour cost				-	-16.1	7.9	-4.1	**-0.2**	**-4.9**	**-1.1**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	-	-	-	**-**	**-**	**-**
Consumer-price index				-	3.1	4.1	2.2	**-0.3**	**1.2**	**1.8**
Terms of trade of goods				-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (c)				-	-40.4	-44.1	-39.9	**-40.2**	**-40.7**	**-42.1**
Current-account balance (c)				-	-17.7	-18.7	-14.6	**-15.5**	**-15.1**	**-16.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-5.4	-6.1	-4.6	**-1.4**	**-4.5**	**-4.0**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	45.9	54.0	58.1	**59.9**	**62.0**	**65.7**

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

32. SERBIA
Sprouts of growth

The economy is expected to slowly emerge from the recession but growth prospects remain fragile. Base effects, lower oil prices, and increased confidence, following the recently approved 3-year agreement with the IMF are likely to underpin a rebound of gross capital formation, while stronger external demand is foreseen to pull exports up. However, uncertainties abound and employment and private consumption are set to remain weak.

Some signs of a turnaround…

Weak domestic and external demand, elevated uncertainty and heavy floods in the spring have pushed the economy into a recession in 2014. Real GDP contracted by 1.8% as both private consumption and gross fixed capital formation growth remained negative. However, in the last quarter of the year recessionary forces seem to have abated and the economy expanded by a seasonally adjusted 0.4% in comparison to the previous quarter. The contraction decelerated across all sectors and some of them, like construction, even turned to growth. Exports, which have declined in the third quarter, recovered albeit still marginally. After falling for about two years, investments levelled off.

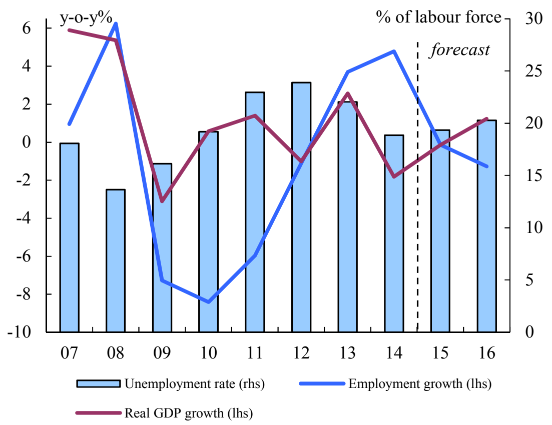
High frequency indicators have also signalled a possible turnaround of economic activity. Since the last quarter of 2014, there was a clear pick-up in industrial and, in particular, manufacturing activity. Exports continued to make gains also in early 2015 and labour market indicators improved further. In addition, retail trade and government revenue performance turned out better than expected.

…but not out of the woods yet.

Economic activity in the fourth quarter of 2014 was supported by a revival of credit, underpinned by a programme of government subsidised lending, and an increase in government expenditure. As both have been of transitory nature, and government spending is set to fall under the current agreement with the IMF, the expected recovery is envisaged to be protracted.

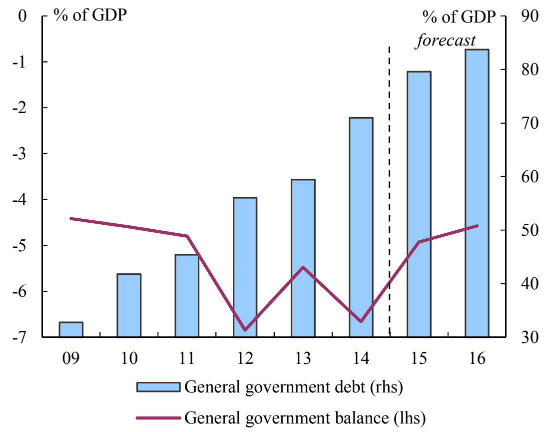
The planned fiscal consolidation and far-reaching structural reforms have a decisive impact on the forecast profile. On one hand, they are expected to dent private and public consumption, which are forecast to contribute negatively to growth in the next two years, despite gains from lower oil prices. On the other hand, they should also reduce the country's risk premium, boost potential growth and rebuild the basis for sustainable economic growth. In line with this, the forecast foresees a progressive strengthening of investment activity, spurred by improvements in the business environment and reduced risk and uncertainty. A strengthening of external demand from the EU – Serbia's most important trade partner, is expected to support continuing exports growth and the ongoing rebalancing away from consumption. However, balancing fiscal consolidation and the ambitious structural reforms agenda against short-term growth prospects, in a highly uncertain international environment, would remain a key challenge. Indeed, there is a non-negligible risk that the first offshoots of growth fade out before the economy sets on a stable growth path.

Graph II.32.1: **Serbia - Labour market**



Labour market indicators continued to improve in the fourth quarter and unemployment fell to 16.8% according to the Labour force survey. However, employment gains in 2014 were driven predominantly by informal employment, while formal private sector employment declined. As the announced restructuring of state-owned enterprises gathers pace and the government revisits public employment, unemployment is foreseen to increase from a still very high level. Weak demand is likely to remain a major disinflationary factor and price stability is expected to be preserved throughout the forecast period. Nevertheless, domestic prices would still be subject to pressure and uncertainties stemming from further adjustments of administered prices and food price dynamics.

Graph II.32.2: **Serbia - Public finances**



Strong consolidation efforts

Fiscal imbalances increased as the slow pace of reforms continued to weigh on the budget and the overall deficit expanded to reach 6.7% of GDP in 2014. However, the 2014 budget deficit was lower than planned in the initial and the supplementary budgets. The better than expected outturn came as a result of significant under-execution of capital expenditure and of social expenditure savings due to delays in the restructuring of public enterprises.

The budget deficit is foreseen to come down significantly as a result of a sizeable current expenditure retrenchment. The main adjustment is from the reduction in pensions and public sector wages, adopted in 2014, pension and wage freezes, lower subsidies and public enterprises reform. As a result, the budget deficit is expected to fall below 5% of GDP in 2015. Further cuts in the deficit would depend on the implementation of the announced public administration reform and the restructuring of state-owned enterprises.

Despite strong consolidation efforts, government debt will most likely continue increasing, surpassing 80% of GDP. Debt reducing effects from real GDP growth and inflation are forecasted to remain rather small, while rising interest payments put a burden on the debt. Exchange rate volatility would remain a major factor of uncertainty regarding future debt dynamics.

Table II.32.1:

Main features of country forecast - SERBIA

	2013			Annual percentage change					
	bn RSD Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	3876.4	100.0	-	1.4	-1.0	2.6	**-1.8**	**-0.1**	**1.2**
Private Consumption	2918.8	75.3	-	0.9	-2.0	-0.6	**-1.3**	**-1.7**	**-0.4**
Public Consumption	688.6	17.8	-	0.9	1.9	-1.1	**0.1**	**-3.8**	**-0.8**
Gross fixed capital formation	668.4	17.2	-	4.6	13.2	-12.0	**-2.7**	**5.8**	**6.3**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1597.1	41.2	-	5.0	0.8	21.3	**3.9**	**4.7**	**4.9**
Imports (goods and services)	2012.2	51.9	-	7.9	1.4	5.0	**3.3**	**2.4**	**3.2**
GNI (GDP deflator)	3716.6	95.9	-	1.4	-1.4	0.8	**-1.8**	**-0.4**	**0.9**
Contribution to GDP growth: Domestic demand			-	1.8	1.2	-3.2	**-1.4**	**-1.0**	**0.7**
Inventories			-	1.8	-1.9	0.6	**-0.3**	**0.0**	**0.0**
Net exports			-	-2.1	-0.4	5.2	**-0.1**	**0.8**	**0.5**
Employment			-	-6.0	-1.1	3.7	**4.8**	**-0.1**	**-1.3**
Unemployment rate (a)			-	23.0	23.9	22.1	**18.9**	**19.3**	**20.3**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	9.6	6.3	5.4	**1.9**	**2.0**	**3.3**
Consumer-price index			-	11.1	7.3	7.8	**2.1**	**2.4**	**4.1**
Terms of trade goods			-	1.6	2.3	-2.3	**3.2**	**0.7**	**0.0**
Trade balance (goods) (c)			-	-15.8	-17.1	-11.6	**-11.3**	**-10.2**	**-10.0**
Current-account balance (c)			-	-8.3	-10.1	-5.6	**-5.0**	**-3.8**	**-3.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.8	-6.8	-5.5	**-6.7**	**-4.9**	**-4.6**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	45.4	56.1	59.4	**71.0**	**79.6**	**83.7**

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

33. TURKEY
Lower oil price provides much-needed support

The economic slowdown, which started in the spring of 2014, has turned out to be more protracted than previously expected. The real appreciation of the Turkish lira is likely to hamper export growth, but at the same time the economy will benefit from the lower oil price. Inflation is expected to decline moderately, growth is projected to strengthen by the rise in consumers' purchasing power, and the reduced outlay for imported energy should narrow the current account deficit.

A rebalancing of growth in 2014

Economic activity in Turkey decelerated to an annual growth rate of 2.9% in 2014. Consumer spending softened mainly in response to macro-prudential measures to rein in household borrowing. Private investment remained very subdued for a third consecutive year. Public investment retrenched after a surge in the preceding year which meant that overall public spending hardly contributed to GDP growth.

Sluggish domestic demand was to a large extent offset by improving net exports which benefitted from a more competitive exchange rate in the early part of the year and from sharply lower imports of non-monetary gold. Overall exports of goods and services increased by almost 7% in spite of declining exports to Russia, Ukraine and Iraq which are important trading partners of Turkey.

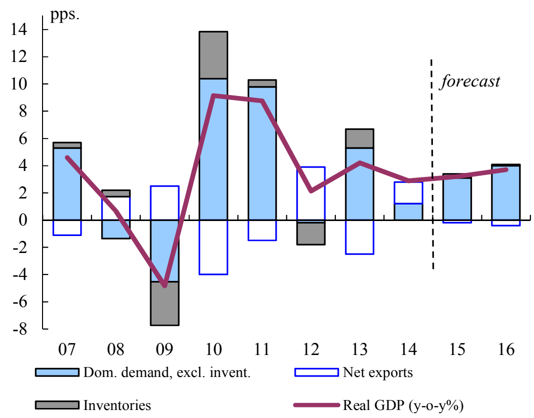
The central bank has resumed easing

When Turkey's financial markets and the lira came under strong downward pressure in the winter of 2013-14, the central bank tightened monetary policy significantly. Subsequently, the currency recovered and the risk premium on Turkish assets declined, allowing the central bank to lower the main policy rate, the one-week repo rate, gradually to 8.25% by July. With headline inflation hovering around 9%, the central bank refrained from additional cuts in its key policy rate in the remainder of the year. In January and February 2015, however, the central bank lowered the one-week repo rate in two steps to 7.5% following slightly improving inflation data and pressure from the president and parts of the government.

Private domestic demand will again become the main driver of growth

Despite the recent depreciation against the US dollar, the Turkish lira was up by 7.4% year-on-year in real effective terms in March 2015. This has once more reduced Turkey's international price competitiveness and is expected to impede the export performance in the forecasting period. Exports will also be hurt by lower energy prices which tend to suppress growth in many of Turkey's traditional markets (Russia, Middle East). At the same time, imports will be stimulated by improving terms of trade. Consequently, the contribution from net exports to GDP growth is projected to turn negative again.

Graph II.33.1: **Turkey - Real GDP growth and contributions**



On the domestic side, private consumption expenditure is likely to recover from last year's sluggishness in the context of the lower oil price and stronger employment growth. The recent easing of monetary policy should also provide some stimulus to consumption through lower bank lending rates although the macro-prudential measures from 2013-14 will continue to restrain household borrowing. Gross fixed capital formation is projected to increase moderately over the forecast period in view of the improving prospects for consumer demand and lower interest rates and production costs.

Firmer growth and somewhat lower inflation

Economic data for the first months of 2015 have been relatively weak. Business and consumer sentiments have even fallen to the lowest level since the recession in 2009, possibly related to the uncertainties about the outcome of general elections on 7 June. The present forecast expects that underlying growth-supporting conditions will result in some strengthening of domestic demand in the course of 2015. Hence, annual GDP growth is projected to increase to 3.2% in 2015 and further to 3.7% in 2016. One downside risk to this forecast is the possibility of a renewed sell-off in Turkish financial assets when the Federal Reserve starts raising its policy rate. This could require a tightening of Turkish monetary policy with negative repercussions for domestic demand. Another risk is a renewed worsening of the conflicts in the Middle East and Ukraine.

Employment growth is expected to run somewhat below output growth consistent with relatively slow trend growth in labour productivity in recent years. Annual average unemployment is projected at around 10½% for the labour force aged 15-64 years, based on the assumption that the labour force will increase at around the trend growth rate of recent years. Helped by the lower oil price, annual average consumer price inflation is expected to fall to 7% in 2015, i.e. still 2 pps. above target. Inflation is projected to rise again in 2016 as GDP growth approaches its potential.

Turkey's large current account deficit narrowed to 5.7% of GDP in 2014, much helped by lower imports of non-monetary gold. In 2015, the lower oil price should reduce the deficit further to a projected 4.4% of GDP. In 2016, the assumed firming of the oil price and continued strengthening of domestic demand should result in a modest widening of the current account deficit.

Public finances remain stable and sustainable

The central government recorded a budget deficit of 1.3% of GDP in 2014, up by 0.1 pps. from the preceding year, but lower than the initial and revised official targets of 1.9% and 1.4%, respectively. The better-than-planned performance was helped by privatisation revenues. The forecast estimates a general government deficit of 1.5% of GDP in 2014 and projects it to decline slightly in the following two years in tune with firmer GDP growth and accelerating tax revenues.

The public debt-to-GDP ratio continued its downward trend in 2014, falling to 33.5%. On the basis of the current projections for the fiscal deficit and nominal GDP, the debt ratio should decline further in the following two years.

Table II.33.1:

Main features of country forecast - TURKEY

	2013		Annual percentage change						
	bn TRY Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	1567.3	100.0	4.2	8.8	2.1	4.2	**2.9**	**3.2**	**3.7**
Private Consumption	1109.7	70.8	4.2	7.7	-0.5	5.1	**1.3**	**2.9**	**3.9**
Public Consumption	236.6	15.1	4.6	4.7	6.1	6.5	**4.6**	**4.8**	**4.8**
Gross fixed capital formation	318.6	20.3	4.9	18.0	-2.7	4.4	**-1.3**	**2.3**	**3.5**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	401.8	25.6	7.1	6.5	18.3	-0.3	**6.8**	**3.2**	**4.5**
Imports (goods and services)	504.3	32.2	9.2	10.9	-0.5	9.0	**-0.2**	**3.5**	**5.5**
GNI (GDP deflator)	1544.6	98.6	4.2	8.3	2.4	3.9	**2.9**	**3.1**	**3.4**
Contribution to GDP growth: Domestic demand			4.7	9.8	-0.2	5.3	**1.2**	**3.1**	**4.0**
Inventories			0.2	0.5	-1.6	1.4	**0.0**	**0.3**	**0.1**
Net exports			-0.5	-1.5	3.9	-2.5	**1.6**	**-0.2**	**-0.4**
Employment			0.8	6.6	3.1	2.8	**1.6**	**2.5**	**3.1**
Unemployment rate (a)			8.3	9.0	8.3	8.9	**10.1**	**10.6**	**10.5**
Compensation of employees / head			35.7	-2.1	12.8	10.9	**10.7**	**9.2**	**9.4**
Unit labour costs whole economy			31.3	-4.1	13.8	9.4	**9.4**	**8.4**	**8.8**
Real unit labour cost			-2.0	-11.6	6.5	3.1	**0.8**	**0.7**	**1.8**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			34.2	8.6	6.9	6.2	**8.5**	**7.6**	**6.9**
Consumer-price index			-	6.5	8.9	7.5	**8.9**	**7.0**	**7.3**
Terms of trade goods			-1.0	-3.1	-3.1	3.7	**1.3**	**4.7**	**-0.4**
Trade balance (goods) (c)			-5.7	-11.3	-8.1	-9.4	**-7.6**	**-6.3**	**-6.5**
Current-account balance (c)			-2.6	-9.9	-6.1	-7.8	**-5.7**	**-4.4**	**-5.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-9.9	-6.1	-7.8	**-5.7**	**-4.4**	**-5.0**
General government balance (c)			-	-0.8	-0.3	-1.6	**-1.5**	**-1.4**	**-1.3**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	39.1	36.2	36.1	**33.5**	**31.7**	**30.4**

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

34. ALBANIA

Gradual upturn underway

The latest data confirm that the gradual pick-up in growth, driven by private domestic demand, continues. It is supported by the continuing clearance of government arrears as well as monetary accommodation. A stronger revival in lending to the economy requires tackling non-performing loans, to which the authorities have expressed renewed commitment. Fiscal consolidation is projected to continue along with some major reforms, including in the energy sector, which could boost long-term growth prospects.

Economic activity strengthens in 2014

Economic recovery continued in the fourth quarter of 2014, with real gross value added (GVA) rising 2.4% y-o-y. Buoyant construction activity, which was lifted by a year-end acceleration of public investment projects, as well as a continuing increase in services, contributed most to growth. On the other hand, industry's expansion was subdued, partly due to the negative impact of falling oil prices on extraction activity.

The statistical institute will publish its preliminary estimate for GDP growth in 2014 only at a later stage, but based on quarterly GVA data (and taking also into account the upward revision of third-quarter growth to 3.9%), the economy expanded by 1.9% in 2014, compared with 1.4% a year earlier.

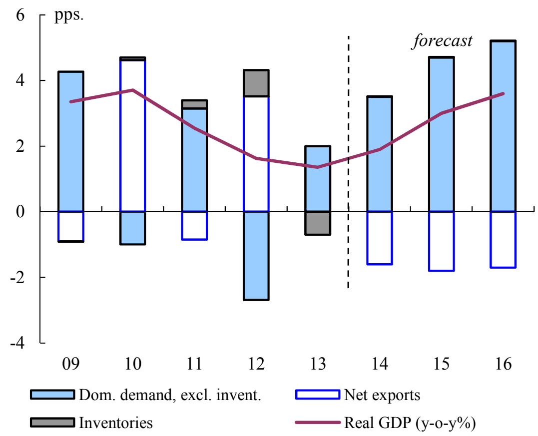
Domestic demand spurs growth

A continued improvement in economic sentiment and retail trade indicators in October to December suggests that the upturn in growth is being driven by domestic demand. Household confidence weakened somewhat, but the pace of job creation remained healthy in the fourth quarter, even if the expansion in the labour force has meant that the unemployment rate also increased.

Consumers' purchasing power continues to benefit from low inflation. The fall in the oil price, low inflation in trading partners and subdued inflation expectations have kept the annual rate of price increase in the first quarter at 1.9%, below the lower band of the central bank's target range of 3% ±1 pp. Given that the economy still has scope to eliminate slack, inflation is expected to return only gradually towards the target.

The upswing in the business cycle gets support from a reform-minded government, which is making good progress on clearing the large stock of arrears it owes to businesses, boosting private-sector liquidity. Some large projects in the energy sector, such as the construction of the Trans-Adriatic Pipeline's Albanian section, will further lift investment in the years to come.

Graph II.34.1: **Albania - Real GDP growth and contributions**



On the other hand, the timid uptick in lending is vulnerable to the still unfinished repair of bank balance sheets. Despite continued monetary accommodation and a record-low policy rate of 2%, credit growth remains sluggish (3% y-o-y in February). One of the main factors behind this is the high proportion of non-performing loans, peaking at 24.9% in the third quarter of 2014, which makes banks reluctant to extend new credit. Recently, the government and the central bank have pledged to redouble efforts to tackle this issue, which also features prominently under Albania's current IMF programme. Therefore, we expect NPLs to decline and lending activity to pick up gradually.

On the supply side, negative shocks such as floods that hit Southern Albania in February, and the slowdown in oil extraction in the wake of sharply lower oil prices, are expected to be offset by an improved contribution of electricity production to growth.

External deficit set to rise

The fall in oil prices sharply reduced growth in the value of exports and imports in the second half of 2014. Overall, bigger deficits in the trade and primary income balances could not be offset by a pick-up in remittances from abroad, and the current account shortfall rose to 13% of GDP in 2014. The increase in domestic absorption is likely to lead to a further widening of the external deficit; however, it is expected to be financed mainly by foreign direct investment inflows, mitigating external vulnerabilities.

Fiscal consolidation to continue

Tax rises and continuing tax collection gains are expected to underpin a reduction in the headline budget deficit in 2015. Should revenues underperform, sizeable contingency reserves would cushion the impact on the deficit, although they would mostly mean a reduction in public investment, which is undesirable given Albania's significant need to increase its capital stock. On the expenditure side, the gradual phasing out of expenses linked to arrears clearance will also help improve the budget balance in the years to come.

The projected trajectory of the budget deficit, which is largely in line with official targets, would contribute to slightly lowering debt as a percentage of GDP already in 2015. A marked fall in the debt ratio is however not expected before 2016.

Contingent liabilities originating from the hydropower-based electricity sector and the property compensation scheme still constitute downside risks to the outlook. However, the government has introduced a number of measures to reform the energy sector, with some first positive signs of a turnaround already visible, such as a fall in distribution losses and improved bill collection rates. Sustained and successful reform efforts in this field may ultimately eliminate a key fiscal risk and remove a major obstacle to long-term growth.

Table II.34.1:

Main features of country forecast - ALBANIA

	2013			Annual percentage change					
	bn ALL Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	1364.8	100.0	-	2.5	1.6	1.4	**1.9**	**3.0**	**3.6**
Private Consumption	1071.8	78.5	-	1.8	0.7	1.8	**3.0**	**3.6**	**3.7**
Public Consumption	148.2	10.9	-	0.7	0.5	2.9	**1.7**	**2.0**	**0.9**
Gross fixed capital formation	353.9	25.9	-	5.9	-11.3	1.2	**3.8**	**6.0**	**7.9**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	478.6	35.1	-	7.4	-0.6	7.9	**6.9**	**6.7**	**7.8**
Imports (goods and services)	722.8	53.0	-	6.1	-6.6	5.0	**7.6**	**7.6**	**8.1**
GNI (GDP deflator)	1366.6	100.1	-	-	-	-	**-**	**-**	**-**
Contribution to GDP growth:	Domestic demand		-	3.1	-2.7	2.0	**3.5**	**4.7**	**5.2**
	Inventories		-	0.3	0.8	-0.7	**0.0**	**0.0**	**0.0**
	Net exports		-	-0.8	3.5	0.0	**-1.6**	**-1.8**	**-1.7**
Employment			-	-0.7	-10.6	-9.7	**1.2**	**2.3**	**2.9**
Unemployment rate (a)			-	10.9	14.3	16.4	**17.5**	**16.8**	**15.5**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	2.3	1.0	0.8	**0.5**	**1.5**	**2.5**
Harmonised index of consumer prices			-	3.4	2.0	1.9	**1.6**	**2.1**	**2.6**
Terms of trade goods			-	-	-	-	**-**	**-**	**-**
Trade balance (goods) (c)			-	-24.2	-20.8	-17.7	**-19.0**	**-19.8**	**-20.8**
Current-account balance (c)			-	-13.2	-10.2	-10.5	**-13.0**	**-13.6**	**-14.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-3.5	-3.3	-4.9	**-5.2**	**-4.0**	**-2.8**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	59.4	62.0	70.2	**72.7**	**72.5**	**70.5**

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

Other non-EU Countries

35. THE UNITED STATES OF AMERICA

Solid growth amid a strengthening dollar

The outlook for the US economy remains strong, although weakened somewhat since the winter as the boost from low energy prices is moderated by the negative impact of the stronger dollar. However, the continued support from accommodative monetary policy and a gradually waning fiscal drag should help push growth above potential in the forecast horizon. Real GDP growth is revised down to 3.1% (from 3.5% in the Winter Forecast) in 2015, and to 3.0% (from 3.2%) in 2016.

Robust recovery

The US recovery remains on track, despite a weaker-than-expected start of the year, as a broad-based recovery continues, led by private consumption and investment. Growth is expected to remain strong in the forecast horizon, as the cycle matures amid a buoyant labour market, low energy prices, a continued support from accommodative monetary policy and a waning fiscal drag. However, the near-term outlook moderated somewhat compared to the Winter Forecast, as severe winter became a drag on activity in the first quarter, while the rebound in energy prices and the appreciating dollar is set to weigh on consumption and net exports.

Real GDP expanded by a somewhat weaker-than-expected 0.5% q-o-q in the fourth quarter of 2014, much less than in the previous two quarters, putting growth at 2.4% for the year as a whole. Growth in the fourth quarter was driven by private consumption which rose 1.0% (the most since 2006Q1), as gains from cheaper energy interacted with a strong labour market to boost household spending. However, a stronger dollar weighed on net exports, which erased 0.3 pps. from growth.

Labour market recovery advances

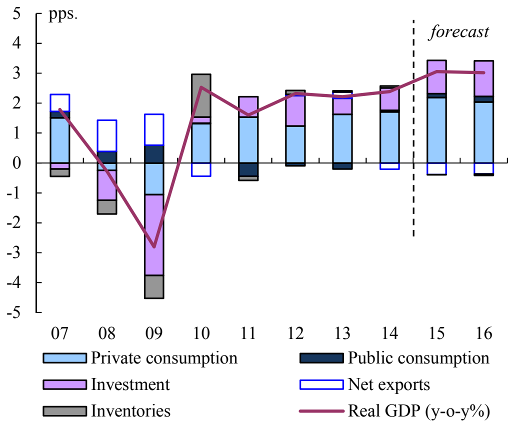
The recovery in the labour market is in full swing, with strong job gains in early 2015 despite difficult winter conditions in many parts of the country. Hiring has averaged 275,000 over the twelve months up to February 2015, the best 12-monthly outturn in 15 years. The unemployment rate fell to 5.5% in February, back to the pre-crisis level, and close to estimates of the NAIRU. However, labour force participation remained largely flat since early 2014, indicating that a cyclical pick-up in participation has only just been sufficient to offset the negative demographic trend.

As the economy strengthens, job creation is expected to remain solid, bringing the unemployment rate down to 5% in 2016. A cyclical expansion of the labour force is likely to prevent more decisive declines in the unemployment rate in the forecast horizon.

Buoyant labour market gradually generates prices and wage pressures

Despite the recovery in the labour market, nominal wage growth remains subdued, while consumer prices are temporarily dragged down by cheap energy. Lower inflation is set to boost real wages in 2015, which otherwise have been surprisingly weak given the stage of the cycle (around 2% y-o-y and roughly flat for 2 years). Further in the course of the forecast horizon, both price and wage pressures are expected to pick up, as the effect of the falling energy prices wanes, and the unemployment gap gradually turns positive.

Graph II.35.1: **US - Real GDP growth and contributions**



Buoyant domestic demand

Private consumption is expected to advance considerably in 2015, as lower inflation will interact with a buoyant labour market to boost spending. Domestic demand will be further supported by the expected gradual rebound in government spending.

Business investment is expected to strengthen gradually. A temporary weakness in the energy sector will likely be offset by a stronger rebound in other sectors, where a positive energy-related supply shock interacts with firming domestic demand, still conducive financing conditions and record-high corporate profits. Despite disappointing recent activity and sales, the housing market is expected to advance its hesitant recovery. Pent-up demand for new homes should unfold gradually, in line with the expected acceleration in household formation, supported by secure employment prospects and largely healed balance sheets.

Deteriorating net exports

However, the outlook for net exports has deteriorated further due to the progressively strengthening dollar, which appreciated, since early July 2014, by as much as 25% against the euro and roughly 15% on average against its major trade partners. While both imports and exports are still expected to accelerate in the forecast horizon, imports have been marked up from the previous forecast, in line with the exchange rate developments. This implies a downward revision of net exports, which are now expected to subtract 0.4 pps. from growth in both 2015 and 2016.

Supportive policy mix despite the nearing monetary normalisation

The policy environment is expected to remain broadly unchanged, with a progressively shrinking fiscal drag and a continued highly accommodative monetary policy set to support activity in the forecast horizon. The general government deficit fell below 5% in 2014, for the first time since 2007, and fiscal consolidation is expected to continue in the forecast horizon at a significantly milder pace compared to previous years. Smaller deficits will lead to a stabilisation of the debt level just below 105% of GDP.

In its forward guidance accompanying the March statement the Fed dropped the pledge to be "patient" before deciding to raise interest rate. However, the timing of the "lift-off" is by no means clear, as the decision has been further complicated by the strengthening dollar, and the overall difficulty of gauging the stage of the cycle given the continued absence of wage pressures and slowing inflation. While Fed's projections continue to point to 2015 as the start of the cycle of cautious interest rates increases, market expectations have widened considerably to include 2016.

Table II.35.1:

Main features of country forecast - USA

	2013			Annual percentage change						
	bn USD	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP		16768.1	100.0	2.5	1.6	2.3	2.2	**2.4**	**3.1**	**3.0**
Private Consumption		11484.3	68.5	2.9	2.3	1.8	2.4	**2.5**	**3.2**	**3.0**
Public Consumption		2547.6	15.2	1.8	-2.7	-0.6	-1.3	**0.4**	**0.9**	**1.3**
Gross fixed capital formation		3170.2	18.9	2.4	3.7	5.3	2.7	**3.7**	**5.6**	**5.9**
of which: equipment		1093.5	6.5	4.5	10.3	5.4	3.3	**3.9**	**5.6**	**6.6**
Exports (goods and services)		2262.2	13.5	4.9	6.9	3.3	3.0	**3.1**	**3.2**	**3.8**
Imports (goods and services)		2770.4	16.5	5.6	5.5	2.3	1.1	**3.9**	**5.1**	**5.3**
GNI (GDP deflator)		16992.4	101.3	2.7	1.8	2.1	2.2	**2.3**	**3.1**	**2.9**
Contribution to GDP growth:	Domestic demand			2.8	1.8	2.1	1.9	**2.5**	**3.4**	**3.4**
	Inventories			0.0	-0.1	0.1	0.1	**0.2**	**0.1**	**0.0**
	Net exports			-0.2	0.0	0.0	0.2	**-0.2**	**-0.4**	**-0.3**
Employment				0.6	1.0	1.8	1.9	**2.3**	**2.5**	**1.9**
Unemployment rate (a)				5.6	8.9	8.1	7.4	**6.2**	**5.4**	**5.0**
Compensation of employees / f.t.e.				3.6	2.6	2.2	0.7	**1.5**	**2.6**	**3.7**
Unit labour costs whole economy				1.7	1.9	1.6	0.3	**1.5**	**2.0**	**2.6**
Real unit labour cost				-0.3	-0.1	-0.1	-1.2	**0.0**	**0.4**	**0.3**
Saving rate of households (b)				10.3	11.5	12.5	10.4	**9.8**	**10.3**	**10.0**
GDP deflator				2.0	2.1	1.8	1.5	**1.4**	**1.6**	**2.2**
Consumer-price index				2.4	3.1	2.1	1.5	**1.6**	**0.4**	**2.2**
Terms of trade goods				-0.3	-1.1	-0.1	0.6	**-0.2**	**4.9**	**-0.1**
Trade balance (goods) (c)				-4.2	-5.0	-4.8	-4.4	**-4.4**	**-3.9**	**-4.0**
Current-account balance (c)				-3.6	-3.1	-3.0	-2.5	**-2.6**	**-2.2**	**-2.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.6	-3.1	-2.9	-2.5	**-2.6**	**-2.2**	**-2.4**
General government balance (c)				-4.3	-10.6	-8.9	-5.6	**-4.9**	**-4.2**	**-3.8**
Cyclically-adjusted budget balance (d)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				66.0	99.1	102.9	104.7	**104.8**	**104.9**	**104.7**

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

(*) Employment data from the BLS household survey.

36. JAPAN

A mild recovery ahead

2014 growth turned out at 0.0% due to weaker-than-expected domestic demand in the wake of the consumption tax hike. Economic activity is set to pick up moderately on the back of moderate wage growth ahead, accommodative monetary policy, and resilient external demand. Real GDP growth is expected at 1.1% in 2015, rising to 1.4% in 2016 as domestic demand firms up.

Moderate growth after a weak 2014 outturn…

Annual real GDP growth came in at of 0.0% in 2014. The weak outturn was mainly due to two consecutive quarters of negative growth in the wake of April's consumption tax hike. Growth of 0.4% quarter-on-quarter in the fourth quarter of 2014 surprised to the downside due to softness in domestic demand. Private consumption – which accounts for 59% of GDP – recovered only weakly following the slump in the second quarter of 2014 in the wake of the consumption tax hike. Overall in 2014 private consumption declined 1.2% year-on-year, subtracting 0.7 pps. to annual growth. Gross fixed capital formation and changes in inventory levels added to growth despite a pullback in private investment from the second quarter of 2014, whilst improved export performance led to a positive contribution from net exports.

In 2015 and 2016 domestic demand is set to gradually strengthen underpinned by a recovery in private consumption and investment spurred by a moderate pick-up in wage growth, postponed fiscal consolidation, accommodative monetary policy, and favourable investment conditions. Net exports will contribute to lift growth underpinned by firmer global demand and further improving external competitiveness. Real GDP growth is forecast at 1.1% in 2015, and is expected to pick up at 1.4% in 2016.

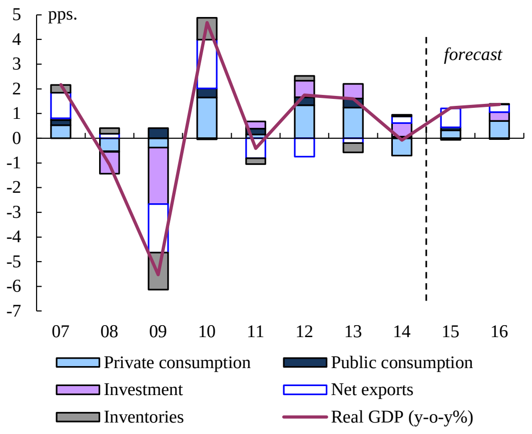
…on the back of a recovery in domestic demand…

The monthly private consumption integrated estimate still points to some weakness in consumer spending stretching into 2015. However consumer sentiment has been improving in recent months, the unemployment rate is stable at a low level (3.5% in February), and total cash wages have been rising moderately (0.5% y-o-y in February). Labour market conditions and wage data thus suggest a gradual recovery ahead. Firmer corporate activity and a shrinking working age population are set to keep labour market conditions tight, with an unemployment rate of around 3.5% over the forecast horizon. High labour market dualism will continue however to dampen wage growth ahead. Against this backdrop wage growth is expected to pick up only moderately but remain above CPI inflation, underpinning private consumption.

Public investment is set to be scaled back as fiscal consolidation progresses. However, its decline should be more than offset by a pick-up in business investment spurred by improving domestic and external demand, favourable investment conditions, a more benign tax environment ahead, and higher corporate profitability further supported by lower oil price levels.

Private residential investment is projected to gradually recover underpinned by favourable lending conditions. However, growth will not be strong enough to offset the negative carryover from 2014, entailing a return to positive year-on-year growth only in 2016.

Graph II.36.1: **Japan - Real GDP growth and contributions**



…resilient external demand…

Export volumes have been on a recovery trend over the second half of 2014. Export performance in the first months of 2015 has been mixed due to seasonal factors. However, export growth is expected to firm up over the forecast horizon on the back of regained and continued external competitiveness, further underpinned by firmer external demand from advanced economies, in particular the US and the EU.

...and the postponement of the consumption tax hike.

The postponement of the second consumption tax hike from October 2015 to April 2017 will entail a deceleration in the pace of fiscal consolidation. This will contribute to lift the near-term growth trajectory, further underpinned by a ¥3.1 trillion (0.6% of GDP) stimulus package, the third one implemented since the onset of Abenomics. At the same time, the consolidation path will have to be steepened over the medium term if the target of a primary surplus by FY 2020 is still to be achieved.

Slowing CPI inflation

Headline CPI inflation accelerated throughout 2013 and peaked at 3.7% (1.7% excluding the effect from the consumption tax hike) in May 2014. Since then it has steadily declined on the back of base effects from past currency depreciation, coming in at 2.2% y-o-y in February (0.2% excluding the effect from the consumption tax hike), unchanged since November. Core-core CPI inflation (excluding fresh food and energy) has been declining as well, pointing to weak underlying inflation dynamics. Lower energy prices and the waning effect from the 2014 consumption tax hike are set to keep headline CPI inflation below 1% in 2015, and close to 1% in 2016 on the back of only a moderate pick-up in nominal wage growth. Monetary policy is expected to remain accommodative over the forecast period.

Risks

Risks are mainly tilted to the downside and domestic. The Japanese economy remains exposed to negative confidence effects related to the Abenomics agenda, and to the need to draw up a detailed and credible medium-term fiscal plan to rein in Japan's high debt-to-GDP ratio. In particular, investment and wages may continue to respond only weakly to continued favourable financing conditions due to the subdued medium-term growth outlook and structural reform being perceived as too timid.

Table II.36.1:

Main features of country forecast - JAPAN

	2013		Annual percentage change						
bn JPY	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	480128.0	100.0	0.9	-0.5	1.8	1.6	**0.0**	**1.1**	**1.4**
Private Consumption	293549.6	61.1	0.9	0.3	2.3	2.1	**-1.2**	**0.2**	**1.2**
Public Consumption	98773.7	20.6	2.1	1.2	1.7	1.9	**0.3**	**0.5**	**-0.2**
Gross fixed capital formation	104318.5	21.7	-1.3	1.4	3.4	3.2	**2.6**	**-0.1**	**1.7**
of which: equipment	-	-	1.0	4.4	4.7	-	**-**	**-**	**-**
Exports (goods and services)	77547.4	16.2	4.7	-0.4	-0.2	1.5	**8.2**	**6.8**	**5.6**
Imports (goods and services)	91181.4	19.0	3.1	5.9	5.3	3.1	**7.2**	**3.9**	**4.5**
GNI (GDP deflator)	497774.3	103.7	1.0	0.0	1.8	2.1	**0.3**	**1.3**	**1.5**
Contribution to GDP growth:	Domestic demand		0.6	0.6	2.3	2.2	**-0.4**	**0.3**	**1.0**
	Inventories		0.0	-0.2	0.1	-0.4	**0.0**	**0.0**	**0.0**
	Net exports		0.3	-0.8	-0.7	-0.2	**0.3**	**0.8**	**0.4**
Employment			-0.3	-0.2	0.0	0.6	**0.4**	**0.2**	**0.1**
Unemployment rate (a)			4.4	4.6	4.3	4.0	**3.6**	**3.6**	**3.5**
Compensation of employees / head			-0.7	0.6	-0.2	0.1	**0.3**	**0.7**	**1.0**
Unit labour costs whole economy			-1.8	0.8	-1.9	-0.9	**0.8**	**-0.2**	**-0.3**
Real unit labour cost			-0.7	2.7	-0.9	-0.3	**-0.9**	**-0.5**	**-1.1**
Saving rate of households (b)			11.5	9.0	7.7	6.4	**6.3**	**6.4**	**5.9**
GDP deflator			-1.0	-1.9	-0.9	-0.5	**1.7**	**0.3**	**0.8**
Consumer-price index			-0.1	-0.3	0.0	0.4	**2.7**	**0.5**	**0.9**
Terms of trade goods			-2.7	-8.8	-1.9	-2.2	**-1.3**	**1.3**	**0.3**
Trade balance (goods) (c)			2.1	-0.3	-1.2	-2.2	**-2.5**	**-2.0**	**-1.8**
Current-account balance (c)			3.0	2.0	1.0	0.7	**0.6**	**1.4**	**1.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			2.9	2.0	1.0	0.5	**0.5**	**1.3**	**1.6**
General government balance (c)			-5.8	-8.8	-8.7	-8.5	**-7.8**	**-7.1**	**-6.5**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			159.3	229.8	236.7	243.2	**247.0**	**250.8**	**251.9**

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

37. CHINA

Growth holds up, despite investment slowdown

China's economy grew by 7.4% in 2014, weathering the effects of a sharp property market downturn remarkably well, with consumption growing steadily and exports growing rapidly, largely offsetting the effects of slower growth in investment. Early 2015 saw renewed weakness in high frequency indicators, but growth is expected to remain close to 7% this year, underpinned by lower oil prices, faster growth in the Asia region, with the likelihood of further policy loosening should domestic demand continue to flag.

China's economy grew by 7.4% in 2014, following growth of 7.8% in 2013. Although growth continues to edge down from the peak of over 10% reported in 2010, the outcome in 2014 proved remarkably solid given the ongoing downturn in the property market. Looser monetary policy and fiscal stimulus measures helped to prop up growth in mid-year, before a rebound in exports in the second half of the year pushed growth back towards the official target for 2014 of 7.5%. Consumption grew solidly, contributing 51% of growth, while net exports made a positive contribution to growth for the first time in several years. In contrast, investment slowed down notably, with (nominal) growth in fixed asset investment dropping to 15% annually by year-end, from around 20% or higher in recent years. However, full official data on contributions to growth for 2014 is not yet available.

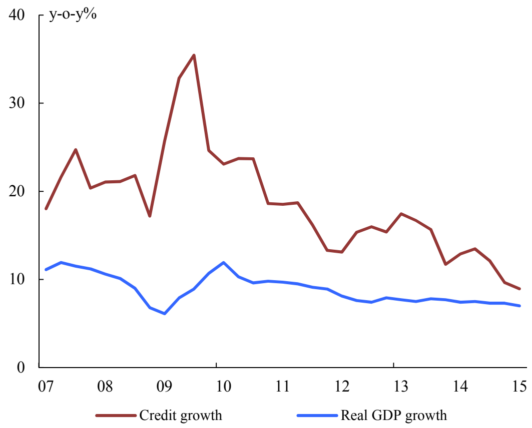
Early 2015 saw some deterioration in high frequency indicators. Industrial value added dropped sharply, with growth of just 5.6% in March, compared to rates of over 8% seen during most of 2014. PMIs also worsened, with the official NBS measure moving below 50 in February for the first time since 2012. Growth of retail sales fell below 11% for the first time in nearly ten years, though if deflated by consumer prices the real growth rate appears similar to that seen through much of 2014. Real estate data continued to show weakness, with the growth of investment continuing to slow. Exports remained buoyant, however, and despite the weak data, 2015-Q1 GDP came in at 7%, in line with the official growth target for 2015 of "approximately 7%" set at the March National Peoples' Conference.

The forecast is for growth to moderate further in 2015 to 7.0% and 6.8% in 2016. This assumes a relatively benign correction in the property market, stabilization of growth in fixed asset investment, and continued steady growth of consumption. Lower oil prices should provide support, while policy is likely to respond flexibly if growth appears to be moving too far out of line with the official growth target.

Monetary policy likely to remain steady, while fiscal policy will be flexible

Monetary policy was eased in early 2014 as signs of slowing growth emerged, and interbank rates remained well below 4% throughout 2014. November also saw the first cut in headline policy rates for over two years, with a further 25 bps. cut in February 2015. However, with falling inflation, real rates have remained fairly stable. The pace of credit growth slowed substantially in 2014, but remained faster than GDP growth. Looking forward, monetary policy is likely to remain on a steady course provided demand does not weaken dramatically. While lower policy rates would help support the property sector and investment, this would lower deposit income for households, thereby restraining consumption.

Graph II.37.1: **China's credit slowdown**



Fiscal policy is likely to be flexible and responsive in 2015. Although the official budget deficit is notionally set to widen from 2.1% to 2.4%, this figure does not capture shifts in off-balance sheet spending by local government. Falling property related revenues may lead to some slowing of the growth of local government spending during 2015, introducing some fiscal drag. However, the annual growth target remains highly symbolic, and signs of significant weakness in domestic demand are likely to lead with a fine-tuning of the flow of investment approvals, or other targeted fiscal measures to keep growth near its target.

Lower oil prices will provide useful support

The recent fall in the oil price will help support growth, with lower energy prices reinforcing the downward pressure on CPI inflation, which had already fallen to around 1.5% at the end of 2014. Household income growth was marginally faster than GDP growth in 2014, and this trend is expected to continue through 2015. Lower oil prices should also ease pressure on the industrial sector which continues to face a difficult environment, with persistent excess capacity in some key sectors and producer prices that have been falling for over two years. Producer prices for early 2015 show a fall of nearly 5% y-o-y, raising some concerns over debt deflation. Growth in investment is expected to stabilise at rates close to those seen in late 2014, though the weakness in the property market may have further to run.

China's imports were flat in value terms during 2014, while exports grew by 6% over the same period, picking up sharply from June onwards. This divergence continued into early 2015. Low import demand appears to reflect weak domestic demand in general as well as some structural shifts due to the investment slowdown. The strong export performance in the second half of 2014 and early 2015 came in spite of a 6% rise in the real effective exchange rate between December 2013 and December 2014, though most of this strengthening of the RMB came in the last quarter of the year. The outperformance by exports may continue well into 2015 due to the continuing recovery in the US, and the prospect of faster growth in the Asian region, where a number of other economies will also benefit substantially from lower oil prices.

Risks remain tilted to the downside

The major short term risk factors remain those linked to accumulated imbalances, notably the legacy of debt from high levels of investment spending, the risk of a worsening of outlook for the property sector, and risks to the financial sector from exposure to overleveraged borrowers. The deflationary environment faced by producers is likely to accentuate these risks. However, balanced against this is the possibility of outperformance due to the positive impacts of lower oil prices, both for China itself and for buyers of Chinese exports.

Table II.37.1:

Main features of country forecast - CHINA

	2013		Annual percentage change						
bn CNY	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	58667.3	100.0	9.9	9.3	7.7	7.8	**7.4**	**7.0**	**6.8**
Consumption	21218.8	36.2	-	-	-	-	-	-	-
Gross fixed capital formation	26907.5	45.9	-	-	-	-	-	-	-
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	-	-	-	-	-	-	-	-	-
Exports (goods and services)	14579.4	24.9	17.0	10.3	7.0	8.7	**4.1**	**5.5**	**5.5**
Final demand	-	-	-						
Imports (goods and services)	13164.2	22.4	14.8	12.0	8.0	10.8	**2.9**	**4.5**	**5.3**
GNI (GDP deflator)	-	-	-	-	-	-	-	-	-
Contribution to GDP growth : Domestic demand			-	-	-	-	-	-	-
Inventories			-	-	-	-	-	-	-
Net exports			-	-	-	-	-	-	-
Employment			-	-	-	-	-	-	-
Unemployment (a)			3.6	4.1	4.1	4.1	-	-	-
Compensation of employees/head			-	-	-	-	-	-	-
Unit labour costs			-	-	-	-	-	-	-
Real unit labour costs			-	-	-	-	-	-	-
Saving rate of households			-	-	-	-	-	-	-
GDP deflator			3.9	7.8	2.0	1.7	**2.0**	**2.0**	**2.0**
Private consumption deflator			-	-	-	-	-	-	-
Index of consumer prices (c)			3.0	5.4	2.6	2.6	-	-	-
Merchandise trade balance (b)			4.4	2.1	2.8	2.7	**3.6**	**4.9**	**5.0**
Current-account balance (b)			4.0	1.9	2.6	1.9	**2.3**	**3.6**	**3.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)			-	-	-	-	**-**	**-**	**-**
General government balance (b)			-	-	-	-	**-**	**-**	**-**
General government gross debt (b)			-	-	-	-	**-**	**-**	**-**

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

38. EFTA

Moderation follows the year-end bonus

Economic growth in the fourth quarter of 2014 was relatively strong for both Norway and Switzerland but is expected to lose momentum in 2015 in both countries. The appreciation of the Swiss franc vis-à-vis the euro will weigh on foreign demand while domestic demand already lost traction. In Norway, domestic demand has been more solid. However, the halving of the oil price since the middle of last year will impact on-shore investment and employment dynamics. The fall in the Norwegian Krone will have a positive impact on the non-oil trade balance.

Although GDP growth for the fourth quarter 2014 surprised to the upside compared with forecasts for both Switzerland and Norway, the driving forces were different. In the case of Switzerland, the surprise was due to net foreign demand. In the case of Norway, the surprise was due to domestic demand. In both countries we expect that the forces behind the growth surprises will lose some of their vigour.

Switzerland

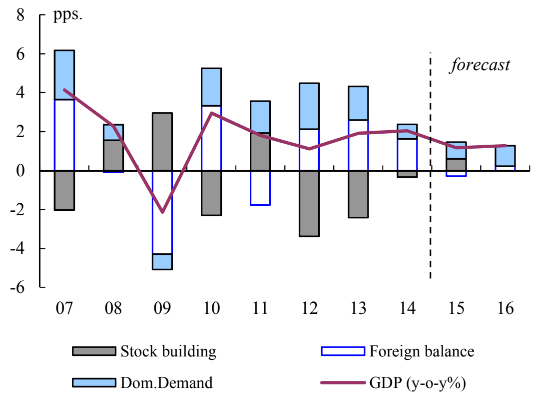
Professional forecasters have significantly reduced their growth forecast numbers in response to the SNB abandoning the EURCHF floor on 15 January. On average they expect 0.6% growth in 2015 and 1.1% in 2016. However, given the strengthening of growth at the end of 2014, this would imply a recession in 2015.

Although a recession cannot be excluded, the expectation in this forecast is that it will be avoided. Swiss exporters have had to deal with an appreciating currency for many years already. It has led to export specialization in niche markets that shielded Switzerland from the worst of the global financial and the euro-area sovereign debt crises. Foreign competition is more likely to come from innovations, like the smart watch, than from price competition. Moreover, the first impact on net trade of the Swiss franc's appreciation will likely be positive through a J-curve effect that limits the negative impact of the appreciation in the first half of 2015. This view is supported by January's increase in the trade surplus.

Over the full year 2014 the contribution of domestic demand to economic growth was the lowest since the global financial crisis. Private consumption has been an important driver of economic growth in Switzerland but registered growth of only 0.4% in 2014 (average 2010-13: 1.8%). According to SECO's consumer confidence survey, consumer confidence was improving ahead of the SNB decision on 15 January. Following the SNB decision, consumers have become particularly pessimistic in their intentions to consume goods with a high price tag. This is likely to have an impact on consumption. After three years of negative contributions, stock building will again contribute positively to economic growth.

In light of the relatively subdued domestic demand, the impact of the appreciation of the Swiss franc on net exports and the recent adverse developments in consumer sentiment, a slowing-down of economic growth to 1.2% is expected in 2015. For 2016, economic growth would slightly increase to 1.3% which is well below the potential growth rate of the Swiss economy.

Graph II.38.1: **Switzerland - Real GDP growth and contributions**



Deflation will be reinforced by both the direct effects of the appreciation of the Swiss franc and indirect effects like the stock building mentioned above and second round effects from the labour market.

Norway

Even though the fourth quarter of 2014 presented a positive surprise, the Norwegian economic outlook has become less bright. The positive fourth quarter result was accompanied by a revision of earlier quarters that leads to a carry-over into 2015.

The indications for household consumption are conflicting as the last quarter of 2014 still showed robust consumer demand but consumer confidence was at the lowest level since 2010 in January of this year. The robustness of consumer demand can be explained in part by the low interest rates that push the purchase of consumer durables. As the labour market conditions become more difficult, private consumption will come under pressure.

The main driver of the slowdown in domestic demand growth in 2015 is investment which is also the domestic demand component most directly impacted by the fall in the oil price.

Over the past two years the Krona depreciated almost 20%. It has more recently appreciated against the euro while the depreciation momentum against the USD seems to have waned. Nonetheless, the improvement in price competitiveness due to the nominal and real effective depreciation over the past year will allow Norwegian companies to profit from growth in export markets.

Although the depreciation increases the prices of imported goods, the cooling of the economy and the lower oil prices are expected to have a bigger impact on the inflation rate. The HICP inflation rate is expected to decrease to just above two percent in 2015 and 2016.

Graph II.38.2: **Norway - Real GDP growth and contributions**

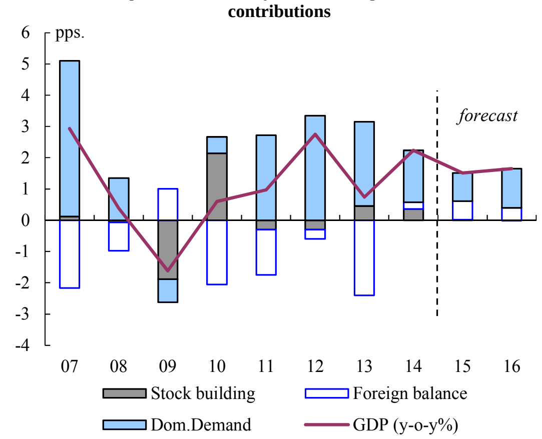


Table II.38.1:
Main features of country forecast - EFTA

(Annual percentage change)		Norway 2012	Norway 2013	Norway 2014	Norway 2015	Norway 2016	Switzerland 2012	Switzerland 2013	Switzerland 2014	Switzerland 2015	Switzerland 2016
GDP		2.7	0.7	2.2	1.5	1.6	1.1	1.9	2.0	1.2	1.3
Private Consumption		3.5	2.1	2.1	1.5	1.3	2.8	2.2	0.4	0.3	0.6
Public Consumption		1.6	1.7	2.5	2.7	3.2	2.9	1.4	1.7	1.9	2.0
Gross fixed capital formation		7.6	6.8	1.2	-1.2	0.2	2.4	1.7	1.3	2.1	2.2
of which: equipment		-0.3	3.4	0.0	0.8	3.0	-0.4	2.6	1.3	1.9	2.6
Exports (good and services)		1.4	-3.0	1.7	2.9	3.3	0.8	15.3	0.5	-1.3	2.4
Imports (goods and services)		3.1	4.3	1.6	1.7	2.9	-2.8	13.5	-2.1	-1.1	2.6
GNI (GDP deflator)		3.8	0.3	2.2	1.5	1.6	2.1	4.6	2.0	1.2	1.3
Contribution to GDP growth:	Domestic demand	3.3	2.7	1.7	0.9	1.3	2.4	1.7	0.7	0.9	1.0
	Inventories	-0.3	0.5	0.4	0.0	0.0	-3.4	-2.4	-0.3	0.6	0.0
	Net exports	-0.3	-2.4	0.2	0.6	0.4	2.1	2.6	1.6	-0.3	0.2
Employment		2.1	1.2	1.9	0.6	0.6	1.5	1.3	1.6	0.9	0.1
Unemployment rate (a)		3.1	3.4	2.8	3.1	3.6	4.2	4.4	3.7	3.7	3.9
Compensation of employee/head		4.5	5.4	4.2	3.5	3.5	1.0	0.4	1.8	-1.4	-1.5
Unit labour cost whole economy		3.8	5.9	3.9	2.5	2.5	1.4	-0.2	1.4	-1.7	-2.6
Real unit labour cost		0.5	3.1	3.4	0.4	0.4	1.5	0.0	1.8	-1.1	-1.8
Saving rate of households (b)		15.2	16.9	17.2	17.8	18.7	22.2	22.3	23.5	24.0	24.0
GDP deflator		3.4	2.7	0.4	2.1	2.1	-0.1	-0.2	-0.4	-0.6	-0.8
Harmonized index of consumer prices		0.4	2.0	2.5	2.1	2.1	-0.7	0.1	-0.1	-1.0	-0.7
Terms of trade goods		3.2	-0.5	-7.2	0.0	0.0	-0.9	0.7	0.0	1.1	0.0
Trade balance (goods) (c)		13.5	11.1	9.6	9.8	9.8	6.0	7.8	9.0	8.9	8.9
Current account balance (c)		13.9	10.5	8.9	9.2	9.3	10.2	14.7	16.2	16.1	16.2
Net lending (+) or borrowing (-) vis-a-vis ROW		13.9	10.5	8.8	9.2	9.3	11.2	16.1	16.0	15.9	16.1
General government balance (c)		13.6	10.7	10.5	9.4	8.3	0.3	0.1	0.7	0.2	-0.2
Cyclically adjusted budget balance (d)		-	-	-	-	-	-	-	-	-	-
Structural budget balance (d)		-	-	-	-	-	-	-	-	-	-
General government gross debt (c)		28.8	29.2	27.9	27.5	28.2	35.1	35.2	35.5	35.1	35.0

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

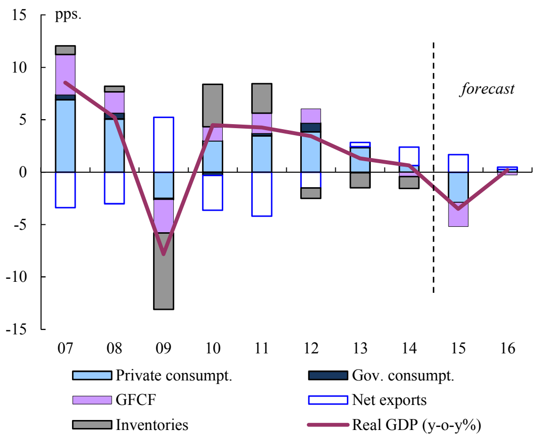
39. RUSSIAN FEDERATION
Recession triggered by low oil prices and sanctions

After a pronounced slow-down already in 2014, Russia is moving into recession in 2015 due to the combined effect of the collapse in oil prices and economic sanctions, which exacerbated pre-existing structural weaknesses. Some stabilisation is expected to follow in 2016 on the back of base effects and a slight pick-up in oil price.

Recession materialising amidst lower oil prices and sanctions…

Economic growth in Russia has been on a declining trend for some time as diversification of the economy away from the energy sector made little progress and investment stalled. These trends were exacerbated by the collapse in oil prices and economic sanctions, which led to severe market turbulence, record rouble depreciation and a sharp deterioration of economic confidence towards the end of 2014.

Graph II.39.1: **Russia - Real GDP growth and contributions**



In this context real GDP growth slowed down to 0.6% in 2014 due to a contraction of investment and a deceleration of private consumption, on the back of record capital outflows, soaring borrowing costs and rising inflation. Some support came from net exports and resilience in manufacturing and finance.

The combination of much lower oil prices and economic sanctions are pushing the Russian economy into recession in 2015, with several key indicators having fallen in negative territory in the first months of the year (e.g. retail sales and industrial production). For 2016 some stabilisation is projected, based on the technical assumption of sanctions expiring in July 2015 and also given the slight rebound in oil prices. At the same time, market pressures have somewhat subsided since the start of 2015 amid stabilising oil prices and a lighter payment schedule on foreign debt, with the rouble recovering part of its earlier loss and renewed investors' interest on Russian assets.

…triggered by a collapse in investment and a fall in consumption.

The fall in investment is expected to deepen sharply in 2015, reflecting sanctions which continue to constrain access to Western capital markets for major Russian banks and corporations, increased borrowing costs, persistent (albeit somewhat subsiding) capital outflows, political and economic uncertainty and a deteriorated business environment.

Private consumption is expected to fall in 2015 for the first time since 1999 (with the exception of the 2009 crisis), reflecting a slump in real wages (which has started to materialise in December) mainly resulting from soaring inflation caused by rouble depreciation and the ban on certain Western food imports. Moreover, the room for public wages and pensions increase is constrained by fiscal consolidation pressures to tackle the foreseen increase of the federal deficit. A moderate consumption recovery is expected in 2016 amid a gradual return to growth and moderating inflation.

After remaining flat in 2014 (-0.1% growth) export growth is expected to turn negative in 2015, as pre-existing structural bottlenecks and collapsing investments prevent Russian firms from reaping the benefit of a falling rouble. Within energy-related exports (by far the biggest export item) a reduction of crude oil exports in 2014 was by and large offset by an increase in exports of refined petroleum products. Exports are set to recover somewhat in 2016 given the assumed easing of geopolitical tension and a gradual pick up of oil prices as well as a strengthening of external demand. Imports are expected to experience a double digit contraction in 2015, on the back of falling domestic demand and sharp rouble depreciation, whereas only a small effect is expected from the so-called "import substitution strategy" (including measures such as preference to domestic goods in public procurement and support to SMEs and the automotive industry).

Negative effects on a so far tight labour market

A contraction of employment is expected in both 2015 and 2016 as a result of the recession and the decline in working age population. Similarly, unemployment is set to increase in 2015 and, to a lesser extent, in 2016. Nonetheless, employment losses will remain relatively contained overall, as the Russian labour market is very tight and tends to adjust mainly through wages.

Surge in inflation followed by moderation later in the year

Despite some recovery since February 2015, the value of the rouble remains 40% below the mid-2014 level. The depreciation (and restrictions in food imports) resulted in a sharp pick-up of inflation from 7.8% in June 2014 to 16.9% in March 2015. However, as suggested by falling month-on-month rates since January, inflation appears to have peaked and is set to moderate in the coming months, resulting in an average annual rate of 12.5% in 2015. Further slow-down to 8% in 2016 is projected on the back of base effects and a still weak economic environment.

Sharp monetary tightening throughout 2014, with the aim of fighting inflation and stem market turbulence, (albeit tempered by liquidity provision and support to the banking sector in December 2014) was followed by two consecutive cuts of the key policy rate in early 2015 (by a total of 300 bps.) based on the rouble stabilisation and the tilting of the balance of risks towards the economic slow-down.

A worsening fiscal outlook

Despite recent budget revisions including spending cuts, the general government balance is set to sharply deteriorate in 2015, due to the recession and the recently adopted anti-crisis plan, and to remain negative in 2016. Capital injections to ailing banks and corporates should weigh on public finances (e.g. the bank recapitalisation scheme funded by federal bonds included in the anti-crisis plan), although a part could be accommodated by tapping existing fiscal buffers.

Table II.39.1:

Main features of country forecast - RUSSIA

	2013		Annual percentage change						
bn RUB	Curr. prices	% GDP	95-10	2011	2012	2013	2014	2015	2016
GDP	66755.3	100.0	-	4.3	3.4	1.3	**0.6**	**-3.5**	**0.2**
Private Consumption	34675.2	51.9	-	6.7	7.9	4.7	**1.2**	**-5.5**	**0.5**
Public Consumption	13047.5	19.5	-	1.4	4.6	0.5	**-0.1**	**0.0**	**0.0**
Gross fixed capital formation	13764.2	20.6	-	9.2	6.7	-0.2	**-2.0**	**-11.7**	**-1.5**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	18936.7	28.4	-	0.3	1.4	4.2	**-0.1**	**-2.0**	**1.0**
Imports (goods and services)	15014.1	22.5	-	20.3	8.8	3.7	**-7.9**	**-10.0**	**0.5**
GNI (GDP deflator)	64204.1	96.2	-	4.3	3.2	0.9	**0.9**	**-3.2**	**0.4**
Contribution to GDP growth: Domestic demand			-	5.6	6.0	2.4	**0.2**	**-5.2**	**0.0**
Inventories			-	2.8	-1.0	-1.4	**-1.1**	**0.0**	**0.0**
Net exports			-	-4.2	-1.5	0.4	**1.7**	**1.7**	**0.2**
Employment			-	1.3	0.4	0.6	**0.3**	**-1.3**	**-0.4**
Unemployment rate (a)			-	6.6	5.6	5.5	**5.2**	**6.2**	**6.4**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	15.9	7.5	5.9	**7.2**	**7.4**	**7.1**
Consumer-price index			-	8.4	5.1	6.8	**7.8**	**12.5**	**8.0**
Terms of trade goods			-	22.0	3.0	-6.7	**-4.0**	**-14.4**	**-1.0**
Trade balance (goods) (c)			12.0	10.4	9.7	8.7	**9.8**	**9.4**	**8.9**
Current-account balance (c)			7.4	4.9	3.5	1.6	**3.1**	**2.9**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			6.9	4.9	3.3	1.6	**3.1**	**2.9**	**2.7**
General government balance (c)			-	3.8	2.0	0.2	**0.3**	**-1.8**	**-1.4**
Cyclically-adjusted budget balance (d)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (d)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	11.6	12.7	13.9	**17.9**	**19.7**	**20.9**

(a) as % of total labour force. (b) gross saving divided by gross disposable income. (c) as a % of GDP. (d) as a % of potential 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". It has benefitted from the close collaboration with Directorate-General for Financial Stability, Financial Services and Capital Markets Union.

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 – Reuben Borg, Suzanne Casaux and Laura González Cabanillas.

The Overview was prepared by Evelyne Hespel. Chapter 1 on "Tailwinds supporting the recovery" was prepared by Oliver Dieckmann under the responsibility of Björn Döhring. This chapter benefited from contributions by Paolo Biraschi, Reuben Borg, Chris Bosma, Lucian Briciu, Joao Capella Ramos, Suzanne Casaux, Salvador Ferrandis Vallterra, Laura González Cabanillas, Marco Iezzi, Bjorn Roelstraete, Anastasia Theofilakou, Lauri Vilmi, Rupert Willis, Przemysław Woźniak and Alexandru Zeana. Boxes were contributed by Maria Demertzis, Björn Döhring, Roberta Friz, Jan in 't Veld, Michael Thiel, Alessandro Turrini, Alexandru Zeana and Stefan Zeugner.

The sections on "Member States" were prepared under the supervision of Declan Costello, Carlos Martínez Mongay and István Pál Székely, Directors for the "Economies of the Member States". These sections benefited from contributions by Frode Aasen, Emiel Afman, Olfa Alouini, Hanna Aspegren, Wojciech Balcerowicz, Antonino Barbera Mazzola, Francisco Barros Castro, Barbara Bernardi, Stefan Bohner,Nicolae Dragos Biea, Peghe Braila, Raphaël Cancé, Stylianos Dendrinos, Felipe De la Mota, Leonor Coutinho, Iván Csaba, Ben Deboeck, Francisco de Castro Fernández, Mirzha de Manuel Aramendía, Marek Dobrovolný, Marek Doval, Gatis Eglitis, Raffaele Fargnoli, Miroslav Florián, Norbert Gaál, Olivia Galgau, Julien Genet, Svetoslava Georgieva, Michael Grams, Oskar Grevesmühl, Valeska Gronert, Zoltan Gyenes, Nora Hesse, Renata Hrůzová, Duy Huynh-Olesen, László Jankovics, Alexandra Janovskaia, Tobias Ketterer, Csanád Sándor Kiss, Violeta Klyviene, Juho Kostiainen, Bozhil Kostov, Robert Kraemer, Radoslav Krastev, Cvetan Kyulanov, Baudouin Lamine, Jessica Larsson, Joanna Leszczuk, Martin Löeffler, Erki Lohmuste, Dimitri Lorenzani, Mart Maiväli, Janis Malzubris, Dorin Emil Mantescu, Helena Marrez, Dan Matei, Francisco Maya Sepulveda, Fabrizio Melcarne, Vasiliki Michou, Olivia Mollen, Alexander Molzahn, Allen Monks, Daniel Monteiro, Marie Mulvihill, Hans Naudts, Kristian Orsini, Mona Papadakou, Christos Paschalides, Presiyan Petkov, Nicolas Philiponnet, Samuli Pietiläinen, Dominik Pripužić, Diana Radu, Vito Ernesto Reitano, David Marco Riquelme, Stefano Santacroce, Ralph Schmitt-Nilson, Giedrius Sidlauskas, Peeter Soidla, Vladimír Solanič, Matija Šušković, Peter Symons, Alina Tănasă-Troaşe, Roberta Torre, Tsvetan Tsalinski, Ismael Valdés Fernández, Henk Van Noten, Windy Vandevyvere, Irene Vlachaki, Rafał Wielądek and Andreas Zenthöfer, Ingars Zustrup. Coordination and editorial support was provided by Barbara Kauffmann, Head of Unit "Coordination of country-specific policy surveillance", Judit Antal, Paolo Biraschi, Joao Capella Ramos, Tiziana Fabbris, Paz Guzman Caso de los Cobos, Markita Kamerta and Joao Liborio.

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, Judita Cuculić Župa, Hans Feddersen, Angelo Luisi, Matteo Fumerio, Clara Galliani, Matteo Governatori, Sarah Jurreit, Plamen Kaloyanchev, Willem Kooi, Safwan Naser, Roxanne Rua, Antonio Sanchez Pareja, Barbara Stearns-Blasing, András Tari, Rupert Willis, Przemysław Woźniak and Norbert Wunner.

Support on the communication and publication of this report by Peter Koh, Nicolas Carpentiers, Andrea Pascal, Robert Gangl, is gratefully acknowledged. IT support was provided by Rudy Druine and Youssef Tiani.

Follow-up calculations were performed by Laura Fernández Vilaseca, Karel Havik, Kieran Mc Morrow, Rafał Raciborski, Werner Röger, Anna-Elisabeth Thum, Valerie Vandermeulen and Stefan Zeugner. 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 Vallterra and Bjorn Roelstraete. 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, Simona Pojar, Marc Puig, Ulrike Stierle-von Schuetz, Jacek Szelożyński, Ingrid Toming and Tomasz Zdrodowski.

Valuable comments and suggestions by Christopher Allen, Laura Bardone, Moreno Bertoldi, Gerrit Bethuyne, Reuben Borg, Suzanne Casaux, Nathalie Darnaut, Oliver Dieckmann, Marie Donnay, Marek Doval, Patrick D'Souza, Luis Fau Sebastian, Jakob Wegener Friis, Carole Garnier, Gabriele Giudice, Laura González Cabanillas, Peter Grasmann, Marco Iezzi, Heinz Jansen, Barbara Kauffmann, Joost Kuhlmann, Stefan Kuhnert, Paul Kutos, Martin Larch, Pim Lescrauwaet, Géraldine Mahieu, Balázs Párkányi, Elena Reitano, Uwe Stamm, Michael Stierle, Anastasia Theofilakou, Michael Thiel, 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 María Dolores Burgueño Domínguez and Károly Csiszár.

Comments on the report would be gratefully received and should be sent to:
Directorate-General for Economic and Financial Affairs
Unit A4: Economic situation, forecasts, business and consumer surveys
European Commission
B-1049 Brussels
E-mail: ecfin-forecasts@ec.europa.eu

Statistical Annex

European Economic Forecast – Spring 2015

Contents

Output : GDP and its components

Prices

Wages, population and labour market

Exchange rates

General Government

Saving

Trade and international payments

World economy

Table 1: Gross domestic product, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.9	1.7	1.3	1.6	0.1	0.3	**1.0**	**1.1**	**1.5**	*1.0*	*1.1*	*1.4*
Germany	1.9	0.6	1.2	3.6	0.4	0.1	**1.6**	**1.9**	**2.0**	*1.5*	*1.5*	*2.0*
Estonia	6.7	7.1	-0.3	8.3	4.7	1.6	**2.1**	**2.3**	**2.9**	*1.9*	*2.3*	*2.9*
Ireland	9.6	4.9	0.1	2.8	-0.3	0.2	**4.8**	**3.6**	**3.5**	*4.8*	*3.5*	*3.6*
Greece	3.7	3.9	-0.3	-8.9	-6.6	-3.9	**0.8**	**0.5**	**2.9**	*1.0*	*2.5*	*3.6*
Spain	4.1	3.4	1.1	-0.6	-2.1	-1.2	**1.4**	**2.8**	**2.6**	*1.4*	*2.3*	*2.5*
France	2.9	1.7	0.8	2.1	0.3	0.3	**0.4**	**1.1**	**1.7**	*0.4*	*1.0*	*1.8*
Italy	2.0	0.9	-0.3	0.6	-2.8	-1.7	**-0.4**	**0.6**	**1.4**	*-0.5*	*0.6*	*1.3*
Cyprus	3.9	3.6	2.4	0.3	-2.4	-5.4	**-2.3**	**-0.5**	**1.4**	*-2.8*	*0.4*	*1.6*
Latvia	5.0	8.4	-0.2	5.0	4.8	4.2	**2.4**	**2.3**	**3.2**	*2.6*	*2.9*	*3.6*
Lithuania	4.7	7.8	1.2	6.1	3.8	3.3	**2.9**	**2.8**	**3.3**	*3.0*	*3.0*	*3.4*
Luxembourg	6.1	3.1	2.2	2.6	-0.2	2.0	**3.1**	**3.4**	**3.5**	*3.0*	*2.6*	*2.9*
Malta	4.5	2.1	2.0	2.3	2.5	2.7	**3.5**	**3.6**	**3.2**	*3.3*	*3.3*	*2.9*
Netherlands	4.1	1.2	1.5	1.7	-1.6	-0.7	**0.9**	**1.6**	**1.7**	*0.7*	*1.4*	*1.7*
Austria	3.0	1.7	1.3	3.1	0.9	0.2	**0.3**	**0.8**	**1.5**	*0.2*	*0.8*	*1.5*
Portugal	4.1	0.9	0.6	-1.8	-4.0	-1.6	**0.9**	**1.6**	**1.8**	*1.0*	*1.6*	*1.7*
Slovenia	4.3	3.6	1.7	0.6	-2.6	-1.0	**2.6**	**2.3**	**2.1**	*2.6*	*1.8*	*2.3*
Slovakia	3.5	5.0	4.6	2.7	1.6	1.4	**2.4**	**3.0**	**3.4**	*2.4*	*2.5*	*3.2*
Finland	5.1	2.6	0.8	2.6	-1.4	-1.3	**-0.1**	**0.3**	**1.0**	*0.0*	*0.8*	*1.4*
Euro area	2.8	1.5	0.8	1.6	-0.8	-0.4	**0.9**	**1.5**	**1.9**	*0.8*	*1.3*	*1.9*
Bulgaria	0.8	5.2	2.9	2.0	0.5	1.1	**1.7**	**1.0**	**1.3**	*1.4*	*0.8*	*1.0*
Czech Republic	1.8	3.9	2.4	2.0	-0.8	-0.7	**2.0**	**2.5**	**2.6**	*2.3*	*2.5*	*2.6*
Denmark	3.0	1.3	0.0	1.2	-0.7	-0.5	**1.1**	**1.8**	**2.1**	*0.8*	*1.7*	*2.1*
Croatia	3.4	4.5	0.5	-0.3	-2.2	-0.9	**-0.4**	**0.3**	**1.2**	*-0.5*	*0.2*	*1.0*
Hungary	3.0	4.2	-0.1	1.8	-1.5	1.5	**3.6**	**2.8**	**2.2**	*3.3*	*2.4*	*1.9*
Poland	5.3	3.1	4.7	4.8	1.8	1.7	**3.4**	**3.3**	**3.4**	*3.3*	*3.2*	*3.4*
Romania	-0.3	5.8	2.9	1.1	0.6	3.4	**2.8**	**2.8**	**3.3**	*3.0*	*2.7*	*2.9*
Sweden	3.6	2.6	1.6	2.7	-0.3	1.3	**2.1**	**2.5**	**2.8**	*1.8*	*2.3*	*2.6*
United Kingdom	3.1	2.9	0.5	1.6	0.7	1.7	**2.8**	**2.6**	**2.4**	*2.6*	*2.6*	*2.4*
EU	2.9	1.9	0.9	1.7	-0.5	0.0	**1.4**	**1.8**	**2.1**	*1.3*	*1.7*	*2.1*
USA	4.3	2.5	0.8	1.6	2.3	2.2	**2.4**	**3.1**	**3.0**	*2.4*	*3.5*	*3.2*
Japan	0.8	1.2	0.3	-0.5	1.8	1.6	**0.0**	**1.1**	**1.4**	*0.4*	*1.3*	*1.3*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2014-16) 21.4.2015

	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4	2016/1	2016/2	2016/3	2016/4
Belgium	0.4	0.1	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.4	0.4	0.5
Germany	0.8	-0.1	0.1	0.7	0.5	0.4	0.3	0.4	0.5	0.5	0.5	0.5
Estonia	0.2	1.0	0.4	1.2	0.2	0.5	0.5	0.5	0.7	0.9	1.0	1.0
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	0.3	0.5	0.5	0.7	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.6
France	-0.1	-0.1	0.3	0.1	0.4	0.3	0.4	0.4	0.5	0.5	0.4	0.4
Italy	-0.1	-0.2	-0.1	0.0	0.1	0.2	0.4	0.5	0.1	0.4	0.5	0.6
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	0.2	0.8	0.5	0.6	0.4	0.6	0.8	0.8	0.8	0.8	0.8	0.8
Lithuania	0.5	0.8	0.5	0.6	0.1	0.8	1.5	1.6	0.5	0.4	0.6	0.6
Luxembourg	1.0	0.5	2.3	0.8	0.5	0.6	0.7	0.7	0.8	1.0	1.0	1.2
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.4	0.7	0.3	0.8	0.3	0.3	0.3	0.3	0.5	0.5	0.6	0.5
Austria	-0.1	0.0	0.1	-0.2	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Portugal	-0.5	0.5	0.2	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.6	0.6
Slovenia	0.0	1.0	0.6	0.3	0.5	0.7	0.7	0.4	0.2	0.7	0.7	0.9
Slovakia	0.6	0.6	0.6	0.6	0.8	0.8	0.9	0.9	0.9	0.8	0.8	0.7
Finland	-0.2	0.2	0.1	-0.2	-0.1	0.3	0.2	0.2	0.2	0.3	0.3	0.3
Euro area	0.3	0.1	0.2	0.3	0.4	0.4	0.4	0.5	0.4	0.5	0.5	0.5
Bulgaria	0.1	0.3	0.4	0.4	0.3	0.2	0.1	0.2	0.2	0.4	0.3	0.4
Czech Republic	0.3	0.3	0.4	0.4	0.7	0.7	0.8	1.3	0.1	0.5	0.7	0.8
Denmark	0.3	0.1	0.6	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.5	0.6
Croatia	0.3	-0.2	0.2	0.0	-0.1	0.1	0.2	0.3	0.3	0.3	0.4	0.4
Hungary	1.1	1.0	0.4	0.8	0.7	0.7	0.6	0.5	0.5	0.5	0.5	0.5
Poland	1.0	0.6	0.8	0.7	0.8	0.8	0.9	0.9	0.9	0.7	0.7	0.7
Romania	0.3	-0.6	2.1	0.7	0.4	0.5	0.8	0.6	1.2	0.6	0.9	0.8
Sweden	0.3	0.6	0.5	1.1	0.2	0.5	0.7	0.8	0.7	0.7	0.6	0.5
United Kingdom	0.9	0.8	0.6	0.6	0.5	0.6	0.8	0.8	0.5	0.5	0.5	0.5
EU	0.4	0.2	0.3	0.4	0.4	0.5	0.5	0.6	0.5	0.5	0.5	0.5
USA	-0.5	1.1	1.2	0.5	0.4	1.0	0.8	0.9	0.5	0.7	0.7	0.8
Japan	1.3	-1.6	-0.7	0.4	0.9	0.4	0.4	0.6	0.2	0.3	0.2	0.3

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2014-16) 21.4.2015

	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4	2016/1	2016/2	2016/3	2016/4
Belgium	1.2	1.0	1.0	1.0	1.0	1.1	1.1	1.3	1.2	1.4	1.5	1.7
Germany	2.4	1.4	1.2	1.4	1.2	1.7	1.9	1.7	1.7	1.8	2.0	2.2
Estonia	0.4	2.6	2.4	2.9	2.9	2.3	2.4	1.7	2.1	2.6	3.2	3.6
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	0.6	1.2	1.6	2.0	2.5	2.8	3.0	3.0	2.8	2.6	2.5	2.4
France	0.8	0.0	0.4	0.2	0.7	1.1	1.1	1.5	1.6	1.7	1.7	1.7
Italy	-0.1	-0.3	-0.5	-0.5	-0.2	0.2	0.8	1.3	1.3	1.4	1.5	1.6
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	2.3	3.3	2.4	2.1	2.3	2.1	2.4	2.6	3.0	3.2	3.2	3.2
Lithuania	3.4	3.3	2.7	2.5	2.1	2.1	3.1	4.1	4.5	4.0	3.1	2.1
Luxembourg	2.5	1.3	3.8	4.6	4.0	4.2	2.6	2.6	2.9	3.3	3.6	4.2
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	0.0	1.1	1.0	1.4	2.0	1.7	1.7	1.2	1.4	1.6	1.9	2.0
Austria	0.8	0.5	0.3	-0.2	0.2	0.6	0.8	1.3	1.3	1.4	1.5	1.6
Portugal	0.9	0.9	1.2	0.7	1.7	1.6	1.7	1.6	1.5	1.7	1.9	2.1
Slovenia	1.9	2.8	3.1	2.0	2.4	2.1	2.2	2.4	2.1	2.0	2.0	2.5
Slovakia	2.3	2.4	2.5	2.4	2.7	2.9	3.2	3.5	3.5	3.5	3.5	3.3
Finland	-0.1	0.0	-0.2	-0.2	0.0	0.1	0.2	0.7	1.0	0.9	1.0	1.2
Euro area	1.1	0.8	0.8	0.9	1.0	1.4	1.6	1.7	1.7	1.8	1.9	2.0
Bulgaria	1.5	1.8	1.5	1.3	1.5	1.3	1.0	0.9	0.7	0.9	1.0	1.3
Czech Republic	2.3	2.1	2.2	1.4	1.8	2.2	2.6	3.5	2.9	2.7	2.6	2.1
Denmark	0.4	1.3	1.2	1.6	1.6	1.9	1.8	1.8	2.0	2.0	2.1	2.2
Croatia	-0.4	-1.0	-0.6	0.4	0.0	0.3	0.4	0.7	1.0	1.1	1.3	1.4
Hungary	3.7	4.0	3.4	3.4	3.0	2.7	2.9	2.6	2.4	2.2	2.1	2.1
Poland	3.5	3.3	3.3	3.2	3.0	3.2	3.2	3.5	3.6	3.5	3.3	3.0
Romania	4.1	1.8	2.9	2.6	2.7	3.9	2.6	2.4	3.2	3.3	3.3	3.5
Sweden	1.6	2.4	2.3	2.6	2.5	2.4	2.6	2.3	2.8	3.0	2.9	2.6
United Kingdom	2.7	2.9	2.8	3.0	2.6	2.4	2.5	2.7	2.7	2.6	2.3	2.0
EU	1.4	1.3	1.2	1.3	1.5	1.7	1.9	2.0	2.0	2.1	2.1	2.0
USA	1.9	2.6	2.7	2.4	3.3	3.2	2.8	3.1	3.3	3.0	2.9	2.8
Japan	2.1	-0.4	-1.4	-0.7	-1.0	1.0	2.1	2.3	1.6	1.5	1.3	1.0

Table 4: Gross domestic product per capita (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.7	1.3	0.5	0.8	-0.6	-0.2	**0.6**	**0.6**	**1.0**	*0.5*	*0.6*	*0.9*
Germany	1.8	0.5	1.4	3.6	0.2	-0.1	**1.2**	**1.5**	**1.8**	*1.1*	*1.2*	*1.7*
Estonia	7.3	7.8	0.1	8.6	5.0	2.0	**2.4**	**2.7**	**3.3**	*2.3*	*2.6*	*3.3*
Ireland	8.4	3.0	-1.7	2.4	-0.6	-0.1	**4.5**	**2.8**	**2.6**	*4.4*	*2.7*	*2.7*
Greece	3.2	3.5	-0.4	-8.6	-6.3	-3.3	**1.1**	**0.5**	**2.9**	*1.0*	*2.5*	*3.6*
Spain	3.6	1.7	-0.2	-1.0	-2.2	-0.9	**1.7**	**3.0**	**2.7**	*1.7*	*2.4*	*2.7*
France	2.4	0.9	0.2	1.6	-0.1	-0.2	**-0.1**	**0.6**	**1.2**	*-0.1*	*0.5*	*1.3*
Italy	2.0	0.5	-0.9	0.2	-3.2	-2.2	**-0.7**	**0.3**	**1.1**	*-0.9*	*0.2*	*1.0*
Cyprus	2.6	2.3	0.1	-2.3	-3.9	-5.1	**-1.6**	**-0.9**	**1.0**	*-3.1*	*0.0*	*1.2*
Latvia	6.0	9.6	1.1	7.0	6.1	5.3	**3.3**	**3.0**	**3.8**	*3.5*	*3.6*	*4.2*
Lithuania	5.4	8.9	2.6	8.5	5.2	4.3	**3.9**	**3.3**	**3.6**	*4.2*	*3.5*	*3.8*
Luxembourg	4.8	1.8	0.5	0.3	-2.4	-0.6	**0.8**	**1.1**	**1.2**	*0.6*	*0.5*	*0.9*
Malta	3.9	1.4	1.5	1.8	1.7	2.0	**2.4**	**3.4**	**3.0**	*3.0*	*3.1*	*2.7*
Netherlands	3.5	0.7	1.2	1.2	-1.9	-1.0	**0.5**	**1.2**	**1.3**	*0.3*	*1.0*	*1.3*
Austria	2.9	1.2	1.0	2.7	0.4	-0.4	**-0.4**	**0.2**	**0.8**	*-0.5*	*0.5*	*1.2*
Portugal	3.5	0.5	0.5	-1.7	-3.6	-1.1	**1.5**	**2.2**	**2.4**	*1.6*	*2.2*	*2.3*
Slovenia	4.3	3.5	1.2	0.4	-2.8	-1.1	**2.5**	**2.2**	**2.0**	*2.5*	*1.7*	*2.2*
Slovakia	3.4	5.1	4.5	3.3	1.4	1.3	**2.3**	**3.0**	**3.4**	*2.3*	*2.5*	*3.2*
Finland	4.8	2.3	0.4	2.1	-1.9	-1.8	**-0.5**	**-0.1**	**0.6**	*-0.5*	*0.3*	*0.9*
Euro area	2.5	1.0	0.4	1.4	-1.1	-0.6	**0.7**	**1.2**	**1.7**	*0.6*	*1.1*	*1.7*
Bulgaria	1.4	6.4	3.4	4.6	1.1	1.6	**2.2**	**1.7**	**2.0**	*2.1*	*1.5*	*1.7*
Czech Republic	1.9	4.0	1.9	2.2	-0.9	-0.7	**1.9**	**2.3**	**2.4**	*2.2*	*2.4*	*2.6*
Denmark	2.6	1.0	-0.4	0.7	-1.0	-0.9	**0.6**	**1.4**	**1.7**	*0.3*	*1.4*	*1.7*
Croatia	4.4	5.0	0.5	0.0	-1.9	-0.7	**0.2**	**0.5**	**1.4**	*-0.2*	*0.4*	*1.2*
Hungary	3.2	4.5	0.0	2.1	-1.0	1.8	**3.9**	**3.0**	**2.4**	*3.4*	*2.5*	*2.1*
Poland	5.3	3.1	4.5	4.7	1.7	1.8	**3.5**	**3.3**	**3.4**	*3.4*	*3.3*	*3.5*
Romania	0.0	6.8	4.0	1.6	1.1	3.8	**3.0**	**3.0**	**3.5**	*3.2*	*2.9*	*3.1*
Sweden	3.5	2.3	0.8	1.9	-1.0	0.4	**1.1**	**1.3**	**1.5**	*0.8*	*1.1*	*1.6*
United Kingdom	2.8	2.4	-0.2	0.8	0.0	1.0	**2.2**	**1.9**	**1.8**	*2.1*	*2.0*	*1.8*
EU	2.7	1.5	0.5	1.5	-0.7	-0.1	**1.1**	**1.5**	**1.8**	*1.0*	*1.4*	*1.9*
USA	3.1	1.6	-0.2	0.8	1.6	1.5	**1.7**	**2.3**	**2.2**	*1.7*	*2.7*	*2.4*
Japan	0.6	1.1	0.3	-0.3	2.0	1.8	**0.1**	**1.3**	**1.6**	*0.6*	*1.5*	*1.5*

Table 5: Domestic demand, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	2.5	1.2	1.3	2.4	-0.2	-0.7	0.6	0.7	1.2	0.6	1.0	1.1
Germany	1.7	-0.4	1.1	3.0	-0.9	0.7	1.3	2.2	2.2	1.2	1.5	2.3
Estonia	7.2	9.0	-1.5	12.9	4.8	0.9	4.8	3.2	3.5	4.6	3.0	3.4
Ireland	8.9	5.5	-1.5	-0.7	-0.6	-0.3	3.6	3.6	3.9	2.2	3.3	3.6
Greece	4.3	3.6	-0.2	-10.7	-9.2	-4.8	0.5	-0.1	2.4	0.7	1.9	3.1
Spain	4.5	4.2	0.4	-2.7	-4.2	-2.7	2.3	3.3	2.8	2.3	2.6	2.6
France	2.9	1.9	1.1	2.0	-0.3	0.2	0.7	0.9	1.7	0.7	1.0	2.1
Italy	2.5	1.1	-0.1	-0.6	-5.6	-2.5	-0.7	0.3	1.3	-0.8	0.3	1.3
Cyprus	3.2	4.3	3.5	-2.0	-3.8	-9.7	-1.2	-0.4	1.1	-3.2	-0.8	0.9
Latvia	5.2	9.8	-1.9	10.5	2.4	3.1	1.9	2.5	3.6	2.3	3.4	4.0
Lithuania	6.1	9.0	-0.1	5.8	-0.2	2.9	4.6	3.7	4.3	4.3	4.0	4.3
Luxembourg	5.9	2.4	1.8	5.6	0.2	0.7	2.8	2.5	2.9	2.7	2.0	2.8
Malta	3.6	1.3	2.1	-1.6	-0.6	2.8	4.3	6.1	3.6	4.4	3.1	2.5
Netherlands	4.4	0.9	1.4	0.8	-2.4	-2.0	0.5	1.6	1.8	0.3	1.1	1.6
Austria	2.3	1.3	1.0	2.6	0.3	-1.0	0.2	0.7	1.4	0.7	0.7	1.4
Portugal	5.0	0.7	0.5	-5.7	-7.3	-2.5	2.1	1.4	1.7	1.8	1.6	1.5
Slovenia	4.6	3.0	1.1	-0.8	-5.6	-2.1	0.8	1.0	1.2	1.2	1.3	2.2
Slovakia	4.3	5.3	3.0	1.0	-4.1	0.0	3.0	2.9	3.0	2.7	2.5	3.0
Finland	4.2	2.8	0.9	4.0	-1.2	-1.3	-0.8	0.1	0.8	-0.6	0.5	1.0
Euro area	2.8	1.4	0.7	0.8	-2.3	-0.9	0.8	1.5	1.9	0.8	1.3	2.0
Bulgaria	1.6	7.7	1.9	0.1	3.3	-1.5	2.8	0.3	0.5	2.0	0.1	0.4
Czech Republic	2.1	3.6	1.9	0.0	-2.2	-0.7	2.2	2.9	2.4	2.5	2.6	2.3
Denmark	2.7	1.9	0.2	0.7	-0.3	-0.2	1.7	1.7	1.9	1.1	1.7	1.9
Croatia	2.8	5.9	-0.2	-0.2	-3.3	-0.9	-1.8	-0.3	0.8	-1.5	-0.3	0.9
Hungary	3.6	4.1	-1.8	-0.2	-3.0	1.2	4.3	2.6	1.1	4.5	2.2	0.9
Poland	6.5	2.3	5.1	3.8	-0.4	0.4	4.9	4.2	3.8	4.2	3.8	3.9
Romania	0.8	8.1	4.2	1.1	-0.5	-0.9	2.6	3.0	3.7	2.4	2.7	3.1
Sweden	3.1	1.8	2.0	3.0	-0.6	1.1	3.4	2.7	2.8	2.9	2.7	2.7
United Kingdom	3.8	3.3	0.3	0.3	1.4	1.8	3.3	2.8	2.5	3.2	2.8	2.5
EU	3.0	1.9	0.8	0.8	-1.6	-0.3	1.5	1.9	2.1	1.4	1.7	2.2
USA	4.9	2.9	0.3	1.6	2.2	1.9	2.5	3.3	3.3	2.5	3.7	3.5
Japan	0.6	0.8	-0.1	0.4	2.6	1.9	0.0	0.2	1.0	0.0	0.7	1.1

Table 6: Final demand, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	4.4	2.1	1.7	4.2	0.8	0.9	1.8	2.1	3.3	1.8	2.2	2.8
Germany	3.2	1.2	2.0	4.6	0.3	1.0	2.1	3.0	3.4	2.0	2.6	3.3
Estonia	9.5	9.8	0.8	18.2	5.4	1.6	3.7	2.8	3.9	3.4	2.7	4.1
Ireland	13.1	5.5	0.7	2.6	2.3	0.5	8.8	4.8	4.8	8.2	4.5	4.8
Greece	5.8	3.4	-0.1	-8.9	-7.2	-3.3	2.4	0.9	3.0	2.2	2.8	3.5
Spain	5.6	4.0	0.7	-0.7	-3.0	-1.1	2.8	3.8	3.6	2.8	3.3	3.5
France	4.0	2.0	1.1	3.0	0.0	0.6	1.1	1.7	2.6	1.0	1.7	2.9
Italy	2.8	1.2	0.0	0.6	-4.0	-1.8	0.0	1.1	2.2	-0.3	1.0	2.0
Cyprus	3.8	2.7	2.3	-0.1	-3.1	-8.1	1.1	-0.4	1.3	-2.0	0.2	1.5
Latvia	6.1	10.1	-0.2	11.0	5.0	2.5	2.1	2.5	4.0	2.0	3.2	4.3
Lithuania	6.2	10.7	2.2	9.4	5.0	5.8	4.0	3.4	5.2	3.7	3.7	5.3
Luxembourg	8.6	4.4	3.5	5.1	2.2	4.4	2.5	4.0	4.7	2.4	3.6	4.6
Malta	3.5	1.0	6.8	0.7	3.9	0.4	1.5	5.2	3.2	2.3	4.1	4.2
Netherlands	5.9	1.8	2.1	2.4	0.2	-0.1	2.2	2.8	3.4	2.1	2.7	3.2
Austria	4.0	2.5	1.5	4.0	0.7	-0.2	0.6	1.2	2.3	0.5	1.2	2.6
Portugal	5.4	1.1	1.1	-2.9	-4.7	-0.1	2.4	2.5	3.0	2.4	2.6	2.6
Slovenia	5.4	4.9	2.3	2.3	-3.2	0.0	3.2	2.9	3.1	3.3	2.6	3.6
Slovakia	4.3	8.4	4.6	5.8	2.1	2.5	3.7	3.5	4.3	3.5	3.3	4.3
Finland	6.2	3.1	1.1	3.4	-0.6	-1.1	-0.7	0.5	1.7	-0.1	0.9	1.8
Euro area	4.1	2.1	1.2	2.4	-0.9	0.1	1.8	2.4	3.1	1.6	2.2	3.0
Bulgaria	0.6	8.2	3.3	4.4	2.0	2.6	2.6	1.4	2.0	1.3	1.3	1.8
Czech Republic	3.8	6.8	3.7	3.8	0.5	-0.3	5.1	4.7	4.6	4.7	3.4	4.4
Denmark	4.0	2.4	0.7	3.0	-0.1	0.2	2.0	2.2	2.9	1.7	2.2	2.8
Croatia	4.0	6.2	-0.1	0.5	-2.4	0.3	0.6	1.0	2.1	0.8	0.7	2.1
Hungary	7.9	6.4	2.3	3.0	-2.3	3.5	6.5	4.9	4.3	6.2	4.1	3.8
Poland	7.5	3.4	5.8	5.0	1.0	1.8	5.2	4.9	4.7	4.4	3.9	4.4
Romania	2.7	9.1	4.3	3.6	-0.1	3.6	4.2	3.9	4.3	4.0	3.6	3.9
Sweden	4.9	2.7	2.0	4.0	-0.1	0.7	3.4	3.1	3.6	2.8	3.0	3.4
United Kingdom	4.2	3.4	0.6	1.5	1.3	1.7	2.7	2.6	2.6	2.2	2.7	2.7
EU	4.2	2.5	1.3	2.5	-0.5	0.4	2.2	2.6	3.1	2.0	2.4	3.0
USA	5.0	2.8	0.7	2.1	2.3	2.1	2.6	3.3	3.4	2.6	3.8	3.6
Japan	1.1	1.4	0.2	0.3	2.2	1.8	1.1	1.2	1.8	1.1	1.3	1.6

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.2	1.0	1.6	0.6	0.8	0.3	**1.0**	**1.2**	**0.9**	*0.9*	*1.0*	*0.7*
Germany	1.6	0.4	0.5	2.3	0.7	0.8	**1.2**	**2.4**	**1.8**	*1.1*	*2.0*	*2.0*
Estonia	7.6	8.4	-0.5	2.5	5.1	3.8	**4.6**	**4.8**	**4.3**	*4.4*	*4.3*	*4.2*
Ireland	8.3	4.3	1.4	-1.1	-1.4	-0.4	**1.1**	**2.1**	**1.9**	*0.5*	*2.4*	*1.8*
Greece	3.4	4.4	0.2	-10.6	-7.8	-2.0	**1.3**	**0.6**	**2.4**	*1.4*	*1.7*	*2.2*
Spain	3.8	3.4	0.6	-2.0	-2.9	-2.3	**2.4**	**3.5**	**2.8**	*2.3*	*2.7*	*2.6*
France	2.7	2.1	1.4	0.5	-0.4	0.2	**0.6**	**1.6**	**1.5**	*0.6*	*1.5*	*1.6*
Italy	2.5	0.8	0.2	0.0	-3.9	-2.8	**0.3**	**0.6**	**0.6**	*0.3*	*0.5*	*0.5*
Cyprus	4.4	4.1	3.4	1.8	-0.7	-6.0	**0.4**	**0.2**	**1.1**	*-1.2*	*-0.5*	*1.1*
Latvia	3.5	8.0	1.2	2.9	3.0	6.2	**2.3**	**3.3**	**3.9**	*3.2*	*4.3*	*4.5*
Lithuania	5.8	8.9	0.3	4.6	3.6	4.2	**5.6**	**3.8**	**4.3**	*5.0*	*4.0*	*4.3*
Luxembourg	4.2	2.3	1.8	1.2	1.9	1.5	**2.7**	**2.4**	**2.7**	*2.5*	*1.4*	*2.5*
Malta	4.9	2.1	1.0	2.7	0.6	1.6	**3.4**	**3.0**	**2.7**	*2.3*	*2.3*	*2.4*
Netherlands	4.8	0.8	0.1	0.2	-1.4	-1.6	**0.1**	**1.6**	**1.7**	*-0.1*	*1.2*	*1.6*
Austria	2.3	1.7	1.2	0.7	0.6	-0.1	**0.2**	**0.6**	**1.0**	*0.4*	*0.6*	*0.9*
Portugal	4.1	1.2	1.1	-3.6	-5.5	-1.5	**2.1**	**2.0**	**1.6**	*2.1*	*1.8*	*1.5*
Slovenia	3.3	2.7	2.3	-0.1	-3.0	-3.9	**0.3**	**0.7**	**1.3**	*0.6*	*1.1*	*1.4*
Slovakia	4.9	5.0	3.8	-0.7	-0.4	-0.7	**2.2**	**2.4**	**2.7**	*2.1*	*2.2*	*2.7*
Finland	3.5	3.3	2.0	2.9	0.3	-0.6	**-0.2**	**0.4**	**0.6**	*0.1*	*0.9*	*1.0*
Euro area	2.6	1.5	0.8	0.2	-1.3	-0.7	**1.0**	**1.8**	**1.6**	*0.9*	*1.6*	*1.6*
Bulgaria	0.3	6.2	3.4	1.8	3.9	-2.3	**2.0**	**1.0**	**1.5**	*1.4*	*0.8*	*1.4*
Czech Republic	2.8	3.4	2.2	0.2	-1.8	0.4	**1.7**	**2.1**	**2.3**	*1.4*	*1.9*	*2.1*
Denmark	1.6	2.3	0.5	0.2	0.4	0.0	**0.5**	**1.8**	**2.1**	*0.3*	*1.7*	*2.1*
Croatia	2.4	4.8	0.3	0.3	-3.0	-1.2	**-0.7**	**0.1**	**0.5**	*-0.6*	*0.0*	*0.6*
Hungary	2.8	5.1	-1.7	0.8	-1.9	-0.1	**1.6**	**3.0**	**2.7**	*1.8*	*2.8*	*2.2*
Poland	5.8	2.8	4.6	2.9	0.9	1.2	**3.0**	**3.4**	**3.6**	*3.0*	*3.1*	*3.2*
Romania	1.2	9.9	4.6	0.8	1.2	1.2	**4.5**	**3.5**	**3.8**	*5.0*	*3.0*	*2.7*
Sweden	3.4	2.2	2.2	1.9	0.8	1.9	**2.4**	**2.6**	**2.6**	*2.5*	*2.6*	*2.6*
United Kingdom	4.7	3.7	0.3	0.1	1.1	1.7	**2.5**	**2.6**	**2.6**	*2.3*	*2.7*	*2.3*
EU	3.0	2.1	0.8	0.3	-0.7	-0.1	**1.4**	**2.1**	**1.9**	*1.3*	*1.9*	*1.8*
USA	4.6	3.1	1.0	2.3	1.8	2.4	**2.5**	**3.2**	**3.0**	*2.5*	*3.8*	*3.3*
Japan	0.8	1.2	0.6	0.3	2.3	2.1	**-1.2**	**0.2**	**1.2**	*-1.0*	*0.6*	*1.0*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.9	1.6	1.7	0.8	1.4	1.1	**0.4**	**0.1**	**0.4**	*1.0*	*0.1*	*0.5*
Germany	1.6	0.4	2.0	0.7	1.2	0.7	**1.1**	**1.6**	**1.4**	*1.0*	*1.0*	*1.1*
Estonia	-1.0	3.3	2.5	1.7	3.3	2.8	**2.3**	**2.2**	**2.0**	*1.3*	*1.6*	*1.3*
Ireland	6.0	5.1	1.1	-2.2	-1.3	0.0	**0.3**	**1.7**	**2.9**	*1.6*	*-0.1*	*2.9*
Greece	3.1	4.2	1.1	-6.6	-5.0	-6.5	**-0.9**	**-0.6**	**-0.3**	*-1.1*	*-0.9*	*-0.5*
Spain	3.1	4.9	4.5	-0.3	-3.7	-2.9	**0.1**	**0.4**	**0.3**	*0.5*	*0.3*	*0.1*
France	1.2	1.7	1.6	1.0	1.7	2.0	**1.9**	**0.8**	**0.8**	*1.6*	*0.8*	*1.4*
Italy	1.4	1.7	0.4	-1.8	-1.2	-0.3	**-0.9**	**-0.5**	**0.7**	*-0.7*	*-0.5*	*0.7*
Cyprus	6.8	4.4	4.1	0.7	-2.7	-4.9	**-8.7**	**-0.9**	**-0.8**	*-4.7*	*-0.9*	*-2.5*
Latvia	1.3	4.0	-1.6	3.1	0.4	2.9	**3.4**	**2.2**	**2.0**	*0.9*	*1.2*	*1.3*
Lithuania	0.7	2.9	-0.2	0.3	1.2	1.8	**1.3**	**2.3**	**2.4**	*2.2*	*2.2*	*2.4*
Luxembourg	4.8	4.6	2.3	1.2	3.7	5.0	**3.2**	**2.9**	**2.9**	*3.2*	*2.7*	*3.0*
Malta	1.5	1.0	3.1	3.1	5.7	-0.2	**7.3**	**1.5**	**3.7**	*5.8*	*1.2*	*4.9*
Netherlands	1.8	2.7	4.5	-0.2	-1.6	-0.3	**-0.3**	**-0.5**	**0.0**	*0.0*	*-0.2*	*0.0*
Austria	2.1	1.1	2.2	0.1	0.4	0.7	**0.5**	**1.1**	**0.6**	*0.9*	*0.9*	*0.8*
Portugal	4.0	2.7	0.4	-3.8	-3.3	-2.4	**-0.3**	**-0.3**	**0.2**	*-0.4*	*-0.3*	*0.2*
Slovenia	3.8	2.8	2.5	-1.3	-1.5	-1.1	**-0.5**	**-1.5**	**2.0**	*-1.8*	*-1.7*	*3.9*
Slovakia	3.1	3.5	4.3	-2.1	-2.0	2.4	**4.4**	**2.4**	**2.8**	*4.3*	*1.6*	*2.3*
Finland	2.1	1.9	1.1	-0.1	0.5	0.6	**0.2**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Euro area	1.8	1.8	2.0	-0.2	-0.1	0.3	**0.7**	**0.6**	**0.8**	*0.7*	*0.4*	*0.9*
Bulgaria	-2.6	3.8	-0.4	1.8	-1.0	2.8	**3.8**	**0.1**	**1.1**	*2.1*	*0.2*	*1.0*
Czech Republic	0.6	3.3	1.1	-2.9	-1.0	2.3	**2.3**	**2.2**	**1.7**	*1.7*	*2.2*	*1.7*
Denmark	2.6	1.4	2.3	-1.4	-0.2	-0.5	**1.4**	**0.9**	**0.2**	*0.9*	*1.6*	*0.1*
Croatia	0.6	2.0	2.3	-0.3	-1.0	0.5	**-1.9**	**0.0**	**0.9**	*-2.1*	*-0.1*	*0.6*
Hungary	-0.2	3.8	-0.3	0.0	-1.3	3.2	**2.4**	**0.9**	**-0.5**	*1.4*	*0.0*	*-0.2*
Poland	3.7	3.4	4.1	-2.3	0.2	2.1	**4.7**	**4.2**	**3.3**	*2.2*	*4.0*	*3.3*
Romania	1.1	-0.9	0.1	0.6	0.4	-4.8	**5.3**	**0.7**	**2.5**	*2.5*	*0.3*	*3.2*
Sweden	0.8	0.6	1.4	0.8	1.1	0.7	**1.9**	**1.8**	**1.7**	*1.6*	*1.7*	*1.5*
United Kingdom	1.7	3.6	1.3	0.0	2.3	-0.3	**1.7**	**0.4**	**-0.2**	*1.5*	*0.6*	*0.4*
EU	1.8	2.1	1.9	-0.2	0.3	0.2	**1.0**	**0.8**	**0.8**	*0.9*	*0.6*	*0.9*
USA	1.7	2.3	1.8	-2.7	-0.6	-1.3	**0.4**	**0.9**	**1.3**	*0.5*	*1.1*	*1.2*
Japan	2.6	2.2	1.0	1.2	1.7	1.9	**0.3**	**0.5**	**-0.2**	*0.3*	*0.4*	*0.3*

Table 9: Total investment, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	3.8	2.5	0.9	4.0	0.0	-2.2	4.5	0.0	2.7	3.6	1.7	2.8
Germany	2.3	-1.9	1.4	7.3	-0.7	-0.6	3.4	2.1	4.4	3.1	2.1	4.3
Estonia	11.8	14.8	-6.2	32.7	10.9	2.3	-2.8	1.0	3.2	-1.0	1.5	3.7
Ireland	12.9	8.5	-8.1	-2.2	5.2	-2.8	11.3	9.8	9.9	8.6	9.7	8.9
Greece	8.6	1.3	-2.4	-16.8	-28.7	-9.5	2.7	-3.1	7.2	0.8	8.4	15.0
Spain	7.1	5.8	-3.2	-6.3	-8.1	-3.8	3.4	5.5	5.1	3.2	4.7	5.2
France	4.4	1.9	0.5	2.1	0.3	-1.0	-1.5	-0.6	3.0	-1.6	0.6	4.3
Italy	3.7	2.1	-1.9	-1.9	-9.3	-5.8	-3.3	1.1	4.1	-2.6	1.0	4.1
Cyprus	-0.6	5.1	3.0	-9.4	-20.7	-17.1	-18.8	-3.6	3.6	-11.1	-1.6	4.5
Latvia	20.7	14.7	-7.3	24.2	14.5	-5.2	1.3	0.5	4.4	1.2	2.6	4.8
Lithuania	9.7	12.9	-2.7	19.4	-1.6	7.0	8.0	4.3	5.8	7.0	5.6	6.1
Luxembourg	7.4	2.4	1.3	14.4	2.4	-4.5	2.4	2.4	3.0	2.4	2.4	3.0
Malta	0.6	3.4	1.9	-17.8	-1.1	2.7	14.0	19.9	5.6	10.0	8.0	0.0
Netherlands	6.5	-0.7	0.5	5.6	-6.0	-4.0	3.4	4.5	4.2	1.7	3.0	4.0
Austria	3.1	0.1	-0.6	6.8	0.5	-1.5	0.5	0.9	3.2	1.0	1.0	3.2
Portugal	8.2	-1.9	-1.2	-12.5	-16.6	-6.7	2.5	3.5	4.0	2.4	2.9	3.1
Slovenia	8.7	3.4	-2.3	-4.6	-8.9	1.9	4.8	4.3	0.3	5.5	4.7	2.5
Slovakia	3.8	5.9	1.0	12.7	-9.3	-2.7	5.7	4.6	3.7	3.9	4.0	4.5
Finland	8.4	1.9	-0.2	4.1	-2.2	-5.3	-5.1	-1.0	2.5	-4.2	0.0	2.2
Euro area	4.2	1.3	-0.6	1.7	-3.7	-2.5	1.1	1.7	4.0	0.9	2.0	4.4
Bulgaria	6.2	16.1	1.0	-6.6	4.2	-0.1	2.8	-1.7	-2.9	2.3	-2.3	-2.8
Czech Republic	1.7	4.0	2.3	1.1	-2.9	-4.4	4.5	5.0	2.5	3.4	4.1	3.0
Denmark	6.0	1.5	-1.6	0.3	0.6	0.9	3.7	2.7	3.7	2.1	2.3	3.8
Croatia	10.0	10.3	-1.3	-2.7	-3.3	-1.0	-4.0	-1.8	1.6	-3.6	-1.0	2.1
Hungary	7.7	4.5	-2.5	-2.2	-4.2	5.2	11.7	4.6	-1.0	13.7	3.1	-1.0
Poland	12.8	-0.3	7.4	9.3	-1.5	1.1	9.2	6.9	5.0	9.3	5.9	6.3
Romania	1.4	10.7	5.7	2.9	0.1	-7.9	-3.5	3.2	4.2	-5.4	3.5	4.1
Sweden	5.6	2.7	1.8	5.7	-0.2	-0.4	6.5	4.1	4.5	4.7	4.4	4.5
United Kingdom	3.1	1.8	-1.2	2.3	0.7	3.4	7.8	5.6	5.5	7.4	6.9	6.3
EU	4.2	1.5	-0.4	2.0	-2.8	-1.5	2.5	2.6	4.2	2.2	3.0	4.6
USA	7.7	2.6	-3.3	3.7	5.3	2.7	3.7	5.6	5.9	3.8	5.4	5.8
Japan	-0.6	-1.1	-2.7	1.4	3.4	3.2	2.6	-0.1	1.7	2.9	1.2	2.1

Table 10: Investment in construction, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	0.6	1.7	1.5	6.7	1.2	-0.7	1.4	1.7	2.5	1.9	1.7	2.3
Germany	-1.4	-4.1	0.7	8.4	0.6	-0.1	3.6	2.3	3.1	3.4	1.7	2.9
Estonia	10.6	16.4	-8.2	29.5	-2.3	0.2	-3.2	1.8	1.3	-2.4	1.4	2.0
Ireland	12.7	7.8	-14.5	-15.1	-1.3	14.1	8.9	9.4	8.5	10.2	9.4	9.4
Greece	5.1	0.2	-5.5	-13.8	-29.6	-16.1	-17.2	-7.9	6.3	-7.3	5.8	13.0
Spain	5.2	6.1	-5.3	-10.6	-9.3	-9.2	-1.5	4.3	3.9	-2.8	2.6	2.6
France	2.8	2.4	-0.3	1.8	-1.2	-1.7	-3.9	-2.5	1.3	-4.0	-1.9	1.5
Italy	1.9	3.2	-2.9	-3.7	-9.3	-7.2	-4.9	-0.6	2.8	-3.4	-0.6	3.0
Cyprus	0.0	8.3	0.4	-8.9	-18.3	-27.0	-3.5	-3.2	2.8	-18.8	-4.8	1.2
Latvia	15.0	16.7	-6.4	14.1	20.0	-1.1	5.0	:	:	:	:	:
Lithuania	2.8	11.3	-2.7	14.1	-4.3	8.4	10.6	5.2	5.0	8.5	5.2	5.0
Luxembourg	5.5	1.9	1.3	10.4	-5.3	-1.8	2.9	4.8	3.2	2.9	4.8	3.2
Malta	:	8.0	-2.8	-24.3	7.9	-4.5	17.0	:	:	:	:	:
Netherlands	4.5	-0.6	-1.2	1.6	-9.0	-6.5	5.2	4.0	3.6	2.1	2.7	4.4
Austria	0.8	-0.4	-2.3	2.6	1.2	-2.2	0.4	0.5	2.4	0.4	0.2	2.3
Portugal	6.9	-2.5	-4.1	-10.3	-20.0	-14.8	-4.1	1.5	1.7	-3.4	0.4	0.8
Slovenia	8.1	1.5	-3.7	-17.3	-7.0	-10.3	14.4	6.9	-5.0	15.1	7.5	1.1
Slovakia	4.3	1.7	1.2	5.5	-8.8	-1.6	3.3	1.8	0.9	-0.1	2.3	3.5
Finland	9.2	2.0	0.0	5.1	-5.6	-4.1	-4.3	-1.1	2.2	-3.5	-0.1	1.9
Euro area	:	1.1	-2.0	0.2	-4.3	-3.5	-0.6	0.9	2.7	-0.7	0.7	2.7
Bulgaria	:	11.8	8.1	-20.6	9.5	-0.8	3.4	-1.8	-8.6	:	:	:
Czech Republic	-3.6	3.7	0.9	-3.8	-4.1	-4.1	4.7	6.0	1.2	2.9	3.5	2.3
Denmark	5.5	1.9	-5.4	8.0	-6.8	-1.8	4.5	1.9	1.7	2.1	0.8	1.7
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	3.1	5.5	-5.2	-7.9	-7.7	1.9	13.8	4.5	-1.4	13.8	3.7	-1.5
Poland	10.5	-0.1	7.8	8.7	-0.7	0.1	7.0	6.3	4.2	8.9	5.6	5.2
Romania	-3.4	10.8	8.7	-4.3	15.2	-8.1	-3.2	3.7	4.0	-5.3	3.3	4.3
Sweden	1.6	4.7	1.5	1.1	-0.3	-2.6	12.7	6.6	3.8	9.4	5.5	4.0
United Kingdom	5.6	2.1	-2.4	3.3	-0.4	1.5	4.3	5.9	5.6	5.4	7.7	6.9
EU	2.3	1.4	-1.7	0.7	-3.4	-2.7	0.9	2.1	3.2	0.8	2.1	3.5
USA	4.9	2.2	-8.6	-1.1	7.5	3.7	4.0	5.7	5.4	3.6	4.2	5.0
Japan	-3.0	-4.6	-3.9	-0.4	1.8	:	:	:	:	:	:	:

Table 11: Investment in equipment, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	7.1	1.9	-1.6	2.6	-3.0	-5.8	9.5	-2.9	3.4	8.0	1.9	3.8
Germany	7.4	-0.3	1.6	6.1	-3.0	-2.4	4.3	2.1	6.2	3.7	2.9	6.0
Estonia	13.3	12.7	-6.2	42.2	34.1	5.3	-5.4	0.3	5.3	-2.1	2.0	6.0
Ireland	13.4	4.6	-5.9	2.1	-2.5	1.8	31.0	10.0	11.0	17.0	10.0	8.5
Greece	18.6	1.8	2.2	-22.8	-29.2	-4.4	28.1	2.7	8.0	10.8	12.5	16.5
Spain	10.7	3.3	-1.5	0.9	-9.1	5.3	12.2	8.8	7.9	13.4	7.9	8.7
France	7.8	0.3	0.2	1.4	0.9	-1.4	0.3	0.7	5.2	0.6	1.8	5.9
Italy	5.4	1.1	-1.0	0.2	-13.6	-5.5	-2.5	3.0	5.4	-2.2	2.6	5.2
Cyprus	-1.1	-1.7	8.4	-16.4	-26.1	-10.8	-46.3	-3.2	4.4	-1.5	2.5	4.4
Latvia	27.2	13.4	-10.6	45.5	12.0	-16.9	-7.2	:	:	:	:	:
Lithuania	18.3	16.5	-6.4	36.4	2.1	10.1	0.9	2.7	7.3	4.9	6.2	8.0
Luxembourg	7.2	4.3	1.3	23.9	19.4	-7.1	2.3	-0.5	3.1	2.3	-0.5	3.1
Malta	:	-3.1	4.5	-17.2	-13.8	6.9	11.3	:	:	:	:	:
Netherlands	8.6	-2.1	2.4	17.0	-3.4	-3.0	0.5	5.2	5.6	1.8	4.3	4.5
Austria	4.7	-0.6	-0.5	9.8	-0.6	-1.5	1.5	1.4	5.2	3.2	2.0	5.1
Portugal	12.0	-1.9	1.7	-23.5	-17.0	7.7	16.2	7.6	8.5	14.3	7.4	7.0
Slovenia	10.9	6.0	-3.2	13.3	-11.9	17.9	-3.3	2.6	5.9	-1.4	3.0	4.5
Slovakia	3.0	9.9	-0.8	34.5	-10.9	-1.3	8.0	8.3	6.7	7.1	5.5	6.0
Finland	5.6	1.1	-2.0	11.5	10.2	-4.1	-10.7	-1.5	4.8	-8.0	-0.2	4.0
Euro area	:	0.7	0.1	3.5	-5.3	-1.9	3.6	2.9	6.0	3.5	3.5	6.1
Bulgaria	:	21.2	-8.3	26.9	-5.4	1.0	2.0	-1.5	4.5	:	:	:
Czech Republic	6.8	4.2	4.1	4.2	-6.1	-2.1	4.7	4.9	4.2	4.3	4.6	3.5
Denmark	5.1	-0.1	-1.0	-6.3	11.2	7.2	4.8	3.7	5.5	3.5	3.9	5.8
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Hungary	13.2	2.9	-0.8	7.1	3.5	4.7	10.0	4.5	1.0	10.0	2.4	1.0
Poland	14.4	-0.8	6.4	12.5	-4.4	-20.3	13.1	7.0	6.0	9.8	6.5	8.0
Romania	6.0	11.8	0.4	19.6	-2.7	-7.2	-4.1	4.0	4.9	-5.9	4.0	4.5
Sweden	8.0	2.9	1.9	12.4	2.8	1.5	-1.7	1.3	4.5	1.0	3.2	4.4
United Kingdom	6.1	0.3	-1.0	-1.0	2.8	4.7	14.3	4.8	5.2	13.8	7.2	5.7
EU	7.5	0.9	0.2	3.9	-3.9	-1.6	4.9	3.3	5.7	4.6	4.1	5.9
USA	10.3	2.5	-0.3	10.3	5.4	3.3	3.9	5.6	6.6	4.1	6.9	7.0
Japan	1.5	2.0	-2.2	4.4	4.7	:	:	:	:	:	:	:

Table 12: Public investment (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.2	2.1	2.1	2.3	2.4	2.2	2.3	2.3	2.3	2.1	2.2	2.1
Germany	2.4	2.1	2.1	2.3	2.3	2.2	2.2	2.2	2.2	2.2	2.3	2.3
Estonia	:	5.0	5.7	5.0	6.3	5.5	5.1	5.3	5.0	5.3	5.1	5.0
Ireland	2.9	3.8	4.1	2.4	2.0	1.8	1.9	2.0	2.1	1.6	1.5	1.5
Greece	:	:	4.2	2.5	2.5	2.7	3.8	3.6	3.5	3.5	3.2	3.0
Spain	3.7	4.0	4.7	3.7	2.4	2.1	2.0	2.0	1.9	2.2	2.1	2.1
France	3.9	3.9	4.0	4.0	4.1	4.0	3.7	3.3	3.1	3.9	3.7	3.5
Italy	2.8	2.9	3.0	2.8	2.6	2.4	2.2	2.1	2.1	2.2	2.2	2.1
Cyprus	3.9	3.6	3.5	3.7	2.6	2.0	1.8	1.8	2.0	2.1	2.1	2.1
Latvia	2.0	2.6	5.1	5.0	4.8	4.3	4.3	4.0	3.7	3.9	3.4	3.2
Lithuania	:	:	4.9	4.7	3.9	3.7	3.5	3.5	3.5	3.6	3.6	3.5
Luxembourg	4.0	4.6	4.0	4.2	4.0	3.5	3.8	4.2	4.1	3.6	3.9	3.9
Malta	4.0	4.1	3.0	2.8	3.2	2.8	3.8	3.8	2.7	3.0	3.0	3.0
Netherlands	3.7	4.0	4.1	4.0	3.7	3.6	3.6	3.5	3.4	3.7	3.6	3.4
Austria	3.0	2.5	3.1	3.0	2.9	3.0	2.9	2.9	2.9	3.0	3.0	3.0
Portugal	5.0	4.5	3.9	3.5	2.5	2.1	2.0	2.3	2.2	2.0	2.0	2.5
Slovenia	3.8	3.8	4.7	4.1	4.0	4.3	5.1	5.5	4.2	5.1	5.5	4.8
Slovakia	4.6	3.5	3.5	3.7	3.0	3.0	3.7	4.1	3.0	3.6	3.0	3.0
Finland	4.0	3.7	3.6	3.8	4.0	4.2	4.1	4.1	4.1	4.1	4.1	4.1
Euro area	:	:	3.3	3.1	2.9	2.8	2.7	2.6	2.5	2.8	2.7	2.7
Bulgaria	2.7	3.5	5.0	3.5	3.5	4.1	5.0	4.8	4.0	5.1	4.8	4.0
Czech Republic	4.3	4.9	4.9	4.1	3.9	3.5	3.9	4.5	3.8	3.7	4.2	3.7
Denmark	2.8	2.8	3.1	3.3	3.9	3.7	3.9	3.8	3.7	3.8	3.8	3.6
Croatia	:	:	:	3.5	3.5	3.7	3.6	3.4	3.5	3.4	3.4	3.4
Hungary	3.1	4.2	3.9	3.4	3.7	4.4	5.2	4.9	3.4	4.5	4.6	3.2
Poland	2.9	2.9	4.8	5.9	4.7	4.1	4.4	4.6	4.5	3.9	4.0	3.9
Romania	2.7	3.0	6.0	5.4	4.8	4.5	4.3	4.3	4.0	4.3	4.3	4.0
Sweden	4.4	4.2	4.3	4.4	4.6	4.5	4.5	4.5	4.4	4.7	4.7	4.8
United Kingdom	1.8	2.1	3.0	3.0	2.8	2.6	2.8	2.8	2.8	2.7	2.8	2.8
EU	:	:	:	3.3	3.0	2.9	2.9	2.9	2.8	2.9	2.9	2.8
USA	3.6	3.8	4.0	3.9	3.6	3.3	3.4	3.3	3.3	3.4	3.3	3.3
Japan	5.6	4.3	3.2	3.1	3.2	3.5	3.7	3.4	3.0	3.6	3.6	3.4

Table 13: Potential GDP, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.4	2.0	1.5	1.3	1.0	0.7	**0.9**	**0.9**	**1.0**	*0.8*	*0.9*	*1.0*
Germany	1.6	1.3	1.0	1.2	1.2	1.3	**1.5**	**1.6**	**1.6**	*1.4*	*1.5*	*1.5*
Estonia	4.2	5.7	2.5	1.3	1.7	2.2	**2.4**	**2.6**	**2.5**	*2.4*	*2.7*	*2.7*
Ireland	8.6	5.5	1.2	-0.3	0.2	0.9	**2.1**	**2.8**	**3.6**	*2.2*	*2.7*	*3.5*
Greece	3.6	4.0	0.3	-3.1	-3.5	-3.4	**-2.8**	**-2.6**	**-2.2**	*-2.5*	*-2.1*	*-1.6*
Spain	2.8	3.5	2.5	0.6	-0.3	-0.6	**-0.2**	**0.0**	**0.5**	*-0.2*	*-0.1*	*0.4*
France	2.0	1.9	1.4	1.1	1.0	1.0	**1.0**	**1.0**	**1.1**	*1.0*	*1.0*	*1.1*
Italy	1.6	1.2	0.2	0.0	-1.0	-0.7	**-0.6**	**-0.2**	**-0.1**	*-0.5*	*-0.3*	*-0.1*
Cyprus	:	3.5	2.7	1.0	-0.6	-2.4	**-1.9**	**-1.8**	**-1.3**	*-1.7*	*-1.5*	*-1.0*
Latvia	:	7.0	3.4	-0.9	0.4	1.2	**1.7**	**2.2**	**2.9**	*2.0*	*2.6*	*3.2*
Lithuania	:	6.0	3.8	0.8	1.2	1.8	**2.6**	**3.0**	**3.3**	*2.5*	*2.8*	*3.3*
Luxembourg	4.6	4.3	2.7	2.0	2.3	1.9	**2.0**	**2.1**	**2.3**	*1.8*	*1.9*	*2.1*
Malta	3.7	2.4	2.3	1.8	2.3	2.7	**3.0**	**3.6**	**3.6**	*2.8*	*3.0*	*2.8*
Netherlands	3.3	2.1	1.5	0.7	0.3	0.1	**0.4**	**0.6**	**0.8**	*0.2*	*0.4*	*0.7*
Austria	2.5	2.3	1.5	1.0	1.0	0.9	**0.9**	**0.8**	**1.0**	*0.9*	*0.8*	*1.0*
Portugal	3.2	1.9	0.8	-0.4	-1.0	-1.0	**-0.8**	**-0.4**	**0.0**	*-0.6*	*-0.3*	*0.0*
Slovenia	:	3.3	2.6	0.0	-0.2	-0.3	**0.6**	**0.8**	**0.9**	*0.4*	*0.7*	*0.9*
Slovakia	:	4.3	4.9	3.6	2.7	2.2	**2.3**	**2.5**	**2.7**	*2.2*	*2.4*	*2.6*
Finland	3.7	3.2	1.3	0.2	0.0	-0.1	**-0.1**	**0.1**	**0.1**	*0.0*	*0.3*	*0.3*
Euro area	:	2.0	1.2	0.7	0.4	0.4	**0.6**	**0.8**	**0.9**	*0.6*	*0.7*	*0.9*
Bulgaria	1.6	5.0	3.4	0.2	0.4	0.8	**1.7**	**1.9**	**1.8**	*1.6*	*1.7*	*1.6*
Czech Republic	:	3.4	3.2	1.4	0.4	0.4	**1.0**	**1.4**	**1.5**	*1.3*	*1.3*	*1.6*
Denmark	2.5	1.5	1.2	0.4	0.3	0.4	**0.6**	**0.8**	**1.1**	*0.6*	*0.8*	*1.1*
Croatia	:	:	1.1	-0.5	-0.7	-0.3	**-0.1**	**0.0**	**0.1**	*-0.2*	*-0.3*	*0.0*
Hungary	:	3.5	1.3	0.0	0.0	0.6	**1.4**	**1.9**	**2.1**	*1.5*	*1.8*	*2.0*
Poland	5.1	3.8	3.9	4.2	3.5	2.7	**3.2**	**3.3**	**3.3**	*3.0*	*3.1*	*3.2*
Romania	1.6	3.7	4.3	1.4	1.8	1.5	**1.9**	**2.4**	**2.6**	*1.7*	*2.3*	*2.6*
Sweden	2.8	3.0	1.9	1.4	1.3	1.4	**1.7**	**2.0**	**2.2**	*1.5*	*1.8*	*1.9*
United Kingdom	3.0	2.9	1.5	0.9	0.9	1.0	**1.3**	**1.5**	**1.7**	*1.3*	*1.6*	*1.8*
EU	:	:	1.4	0.8	0.6	0.6	**0.8**	**1.0**	**1.2**	*0.8*	*1.0*	*1.2*
USA	3.7	2.6	1.4	1.2	1.7	1.9	**2.2**	**2.6**	**2.8**	*2.3*	*2.7*	*3.0*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	0.4	0.4	0.8	-0.2	-1.1	-1.5	**-1.3**	**-1.1**	**-0.7**	*-1.3*	*-1.0*	*-0.6*
Germany	0.0	-0.8	-0.4	1.0	0.1	-1.1	**-1.0**	**-0.7**	**-0.2**	*-0.9*	*-0.8*	*-0.4*
Estonia	-3.4	3.1	2.6	-0.7	2.2	1.6	**1.3**	**1.0**	**1.3**	*1.3*	*0.9*	*1.1*
Ireland	2.1	0.9	-0.1	-1.3	-1.8	-2.5	**0.1**	**0.9**	**0.8**	*-0.1*	*0.7*	*0.7*
Greece	0.6	-0.1	1.4	-9.2	-12.1	-12.6	**-9.4**	**-6.4**	**-1.6**	*-10.3*	*-6.1*	*-1.1*
Spain	0.1	2.7	-0.1	-5.7	-7.4	-7.9	**-6.4**	**-3.8**	**-1.8**	*-6.1*	*-3.9*	*-1.9*
France	-0.2	1.7	0.7	-0.4	-1.0	-1.7	**-2.3**	**-2.3**	**-1.7**	*-2.3*	*-2.3*	*-1.6*
Italy	0.4	0.8	-0.2	-1.6	-3.4	-4.4	**-4.2**	**-3.5**	**-2.0**	*-4.3*	*-3.5*	*-2.1*
Cyprus	:	1.1	2.8	-0.1	-1.9	-4.9	**-5.2**	**-3.9**	**-1.3**	*-6.0*	*-4.3*	*-1.7*
Latvia	:	1.5	0.2	-6.3	-2.2	0.7	**1.4**	**1.4**	**1.6**	*1.1*	*1.4*	*1.8*
Lithuania	:	-0.1	0.4	-3.7	-1.2	0.2	**0.6**	**0.4**	**0.4**	*0.4*	*0.6*	*0.7*
Luxembourg	0.7	1.0	0.0	-1.4	-3.8	-3.7	**-2.7**	**-1.4**	**-0.2**	*-2.3*	*-1.6*	*-0.8*
Malta	0.0	0.2	0.2	-0.4	-0.2	-0.1	**0.4**	**0.4**	**0.0**	*0.2*	*0.4*	*0.5*
Netherlands	0.5	-1.2	0.2	-0.8	-2.7	-3.5	**-3.0**	**-2.1**	**-1.1**	*-3.0*	*-2.0*	*-1.0*
Austria	0.2	-0.6	-0.3	0.1	0.0	-0.7	**-1.2**	**-1.3**	**-0.9**	*-1.2*	*-1.2*	*-0.7*
Portugal	2.8	0.6	-0.9	-3.2	-6.1	-6.7	**-5.1**	**-3.1**	**-1.4**	*-4.9*	*-3.1*	*-1.4*
Slovenia	:	0.9	2.6	-1.6	-4.0	-4.7	**-2.7**	**-1.2**	**-0.1**	*-2.6*	*-1.4*	*-0.1*
Slovakia	:	-1.5	3.3	-1.3	-2.3	-3.1	**-3.0**	**-2.5**	**-1.8**	*-2.6*	*-2.5*	*-1.9*
Finland	0.6	0.0	0.5	-0.2	-1.7	-2.9	**-2.9**	**-2.7**	**-1.9**	*-3.1*	*-2.6*	*-1.5*
Euro area	:	0.5	0.1	-1.1	-2.3	-3.1	**-2.8**	**-2.1**	**-1.1**	*-2.8*	*-2.2*	*-1.2*
Bulgaria	1.6	0.5	0.9	-0.3	-0.2	0.1	**0.0**	**-0.8**	**-1.4**	*0.0*	*-0.9*	*-1.5*
Czech Republic	-1.1	0.7	2.5	-0.5	-1.8	-2.8	**-1.9**	**-0.9**	**0.2**	*-1.9*	*-0.8*	*0.1*
Denmark	1.9	1.2	0.4	-2.6	-3.5	-4.3	**-3.8**	**-2.8**	**-1.9**	*-3.9*	*-2.9*	*-2.0*
Croatia	:	-0.1	3.1	-1.1	-2.6	-3.2	**-3.5**	**-3.2**	**-2.1**	*-3.1*	*-2.7*	*-1.6*
Hungary	:	1.6	0.3	-2.2	-3.7	-2.8	**-0.7**	**0.2**	**0.4**	*-0.7*	*-0.1*	*-0.3*
Poland	1.5	-3.3	1.9	1.9	0.2	-0.7	**-0.5**	**-0.6**	**-0.6**	*-0.8*	*-0.7*	*-0.4*
Romania	-2.2	1.2	3.9	-2.8	-3.9	-2.1	**-1.3**	**-0.9**	**-0.3**	*-1.2*	*-0.8*	*-0.5*
Sweden	-0.5	-0.4	-0.1	-0.2	-1.7	-1.9	**-1.4**	**-0.8**	**-0.3**	*-1.5*	*-1.0*	*-0.3*
United Kingdom	0.4	0.6	-0.7	-2.9	-3.1	-2.5	**-1.0**	**0.0**	**0.7**	*-1.1*	*-0.1*	*0.6*
EU	:	0.5	0.1	-1.3	-2.4	-2.9	**-2.4**	**-1.7**	**-0.8**	*-2.4*	*-1.8*	*-0.9*
USA	0.5	0.0	-0.2	-1.4	-0.8	-0.5	**-0.3**	**0.1**	**0.3**	*-0.6*	*0.1*	*0.4*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

[1] When comparing output gaps between the spring and the winter 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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.1	2.1	2.0	2.2	2.1	1.5	**0.7**	**1.1**	**1.1**	*0.7*	*0.8*	*1.2*
Germany	0.3	1.1	1.1	1.1	1.5	2.1	**1.7**	**1.7**	**2.0**	*1.8*	*1.4*	*2.0*
Estonia	10.0	5.3	5.8	3.0	2.7	4.5	**2.1**	**1.7**	**2.8**	*2.3*	*2.1*	*2.5*
Ireland	4.5	4.4	-0.6	0.9	1.3	1.0	**1.2**	**2.2**	**1.5**	*0.4*	*0.4*	*0.6*
Greece	4.8	3.1	2.9	0.8	0.1	-2.3	**-2.6**	**-1.2**	**0.7**	*-2.2*	*-0.2*	*0.9*
Spain	2.9	4.0	2.0	0.1	0.2	0.7	**-0.5**	**0.2**	**0.8**	*-0.7*	*0.2*	*1.0*
France	1.0	1.9	1.7	0.9	1.2	0.8	**1.0**	**1.0**	**1.0**	*0.8*	*0.8*	*1.0*
Italy	2.6	2.8	1.8	1.5	1.4	1.4	**0.8**	**0.5**	**1.5**	*0.5*	*0.4*	*1.1*
Cyprus	2.6	3.2	2.8	2.0	2.0	-1.4	**-1.2**	**-0.2**	**0.7**	*-1.7*	*0.8*	*1.3*
Latvia	5.6	6.0	6.2	6.4	3.6	1.1	**1.2**	**1.6**	**1.9**	*1.2*	*1.7*	*2.3*
Lithuania	6.3	1.6	4.7	5.2	2.7	1.6	**0.9**	**1.7**	**2.3**	*1.4*	*2.9*	*2.4*
Luxembourg	1.6	2.0	3.4	5.0	3.5	1.4	**0.9**	**0.2**	**1.7**	*1.5*	*0.5*	*2.1*
Malta	1.7	2.4	3.0	2.3	2.1	2.0	**1.5**	**1.4**	**1.8**	*1.6*	*1.5*	*1.7*
Netherlands	2.5	2.6	1.6	0.1	1.3	1.1	**1.1**	**-0.4**	**1.9**	*0.5*	*0.5*	*1.3*
Austria	0.8	1.7	1.8	1.8	1.9	1.5	**1.7**	**0.9**	**1.6**	*2.0*	*1.3*	*1.8*
Portugal	3.4	3.4	1.9	-0.3	-0.4	2.2	**1.2**	**1.3**	**1.4**	*1.0*	*1.0*	*1.4*
Slovenia	7.8	5.3	2.6	1.2	0.3	1.4	**0.4**	**0.3**	**1.1**	*0.4*	*0.2*	*1.0*
Slovakia	6.2	4.5	1.2	1.6	1.3	0.5	**-0.2**	**0.1**	**1.3**	*0.0*	*0.8*	*1.3*
Finland	1.5	1.2	1.8	2.6	3.0	2.5	**1.1**	**1.2**	**1.4**	*1.1*	*1.2*	*1.4*
Euro area	1.5	2.2	1.6	1.1	1.3	1.3	**1.0**	**0.9**	**1.5**	*0.8*	*0.8*	*1.4*
Bulgaria	94.9	4.7	6.3	7.0	1.6	-0.8	**0.6**	**0.4**	**0.6**	*0.6*	*0.3*	*0.6*
Czech Republic	6.6	2.5	1.5	-0.2	1.4	1.7	**2.4**	**1.8**	**1.6**	*2.3*	*1.5*	*1.3*
Denmark	2.0	2.3	2.5	0.8	2.5	1.5	**0.6**	**1.0**	**1.6**	*0.7*	*1.1*	*1.8*
Croatia	5.4	3.8	3.5	1.7	1.6	0.9	**0.0**	**0.0**	**1.2**	*-0.2*	*0.2*	*1.2*
Hungary	14.6	6.4	4.0	2.2	3.4	3.0	**3.1**	**2.7**	**2.8**	*2.2*	*2.4*	*2.8*
Poland	10.9	2.5	3.0	3.2	2.2	1.1	**0.5**	**0.4**	**1.0**	*1.1*	*0.6*	*1.4*
Romania	60.8	22.0	9.7	4.7	4.9	3.4	**1.8**	**1.3**	**1.7**	*2.4*	*2.3*	*2.5*
Sweden	1.2	1.4	2.3	1.2	1.1	1.2	**1.3**	**1.6**	**1.6**	*1.6*	*1.7*	*1.7*
United Kingdom	2.3	2.3	2.7	2.1	1.7	1.8	**1.7**	**1.5**	**1.7**	*2.2*	*1.4*	*1.5*
EU	2.4	2.3	2.0	1.3	1.4	1.4	**1.1**	**1.0**	**1.5**	*1.1*	*1.0*	*1.4*
USA	1.7	2.4	1.9	2.1	1.8	1.5	**1.4**	**1.6**	**2.2**	*1.5*	*0.9*	*1.9*
Japan	-0.5	-1.4	-1.2	-1.9	-0.9	-0.5	**1.7**	**0.3**	**0.8**	*1.6*	*0.4*	*0.8*

Table 16: Price deflator of private consumption (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.4	1.9	2.1	3.1	2.2	1.2	**0.7**	**0.4**	**1.2**	*0.4*	*0.4*	*1.0*
Germany	0.8	1.5	1.2	1.9	1.5	1.2	**0.9**	**0.4**	**1.6**	*1.0*	*0.3*	*1.6*
Estonia	9.5	4.1	5.0	5.2	3.4	3.1	**0.7**	**0.2**	**1.9**	*0.8*	*0.4*	*1.6*
Ireland	3.5	3.4	-0.5	1.7	0.5	2.0	**0.4**	**1.5**	**1.6**	*1.2*	*1.0*	*1.3*
Greece	4.8	2.8	3.1	2.4	0.7	-1.6	**-2.1**	**-1.5**	**0.5**	*-1.4*	*-0.3*	*0.7*
Spain	2.7	3.3	2.3	2.7	2.4	0.9	**-0.1**	**-0.5**	**1.1**	*-0.2*	*-0.9*	*1.1*
France	0.9	1.7	1.3	1.8	1.4	0.7	**0.5**	**0.0**	**1.0**	*0.5*	*0.0*	*1.0*
Italy	2.7	2.6	1.8	2.9	2.7	1.1	**0.2**	**0.3**	**1.8**	*0.2*	*-0.3*	*1.5*
Cyprus	2.3	2.6	2.8	3.0	3.0	-0.1	**-1.4**	**-1.2**	**0.9**	*-1.0*	*0.6*	*1.1*
Latvia	6.4	5.9	5.4	6.0	3.4	0.4	**0.6**	**0.5**	**2.1**	*0.6*	*1.1*	*2.1*
Lithuania	5.8	0.5	5.4	4.1	3.1	1.0	**0.1**	**-0.4**	**1.7**	*0.2*	*0.4*	*1.6*
Luxembourg	2.2	2.0	1.7	2.5	1.9	0.3	**0.5**	**0.9**	**1.9**	*0.5*	*0.9*	*1.9*
Malta	2.2	2.4	2.3	2.4	2.4	1.2	**0.0**	**1.3**	**1.9**	*1.4*	*1.2*	*1.9*
Netherlands	2.2	2.3	1.3	2.1	1.4	1.9	**1.3**	**0.5**	**1.2**	*0.9*	*1.0*	*0.9*
Austria	1.1	1.8	1.8	3.3	2.4	2.2	**1.8**	**0.8**	**1.9**	*1.4*	*1.1*	*2.1*
Portugal	2.9	3.4	1.9	1.7	1.8	1.0	**0.7**	**0.2**	**1.3**	*0.6*	*0.1*	*1.1*
Slovenia	7.9	5.1	2.9	1.7	1.4	0.6	**0.3**	**0.1**	**1.7**	*0.4*	*-0.3*	*0.9*
Slovakia	6.5	5.0	2.6	3.9	3.4	1.3	**-0.1**	**-0.2**	**1.4**	*-0.3*	*0.4*	*1.0*
Finland	1.8	1.3	2.0	3.2	2.8	2.5	**1.5**	**0.2**	**1.3**	*1.1*	*0.5*	*1.3*
Euro area	1.7	2.1	1.6	2.3	1.9	1.1	**0.5**	**0.2**	**1.4**	*0.5*	*0.1*	*1.3*
Bulgaria	100.7	3.9	4.1	4.5	3.6	-2.1	**-0.4**	**0.3**	**0.9**	*-0.9*	*0.1*	*0.8*
Czech Republic	6.1	1.8	2.2	1.6	2.5	1.0	**0.3**	**0.3**	**1.4**	*0.3*	*0.8*	*1.4*
Denmark	1.9	1.7	2.1	2.4	2.6	1.0	**0.7**	**0.6**	**1.6**	*0.6*	*0.7*	*1.8*
Croatia	4.8	2.9	3.3	2.4	3.2	1.9	**-0.4**	**-0.3**	**1.1**	*-0.3*	*-0.3*	*1.1*
Hungary	14.9	5.7	4.7	3.7	6.2	2.5	**0.8**	**0.9**	**2.5**	*-0.2*	*0.8*	*2.8*
Poland	11.9	2.6	2.6	4.8	3.2	0.7	**-0.4**	**-0.4**	**1.1**	*0.1*	*-0.3*	*1.4*
Romania	58.3	17.7	6.1	4.2	4.6	3.7	**1.3**	**0.5**	**1.1**	*1.7*	*1.9*	*2.6*
Sweden	1.1	1.4	1.9	1.7	0.5	0.8	**0.7**	**1.1**	**1.3**	*0.7*	*0.8*	*1.3*
United Kingdom	1.8	1.5	3.1	3.4	2.1	1.9	**1.6**	**0.6**	**1.8**	*1.0*	*0.9*	*1.5*
EU	2.5	2.1	2.0	2.6	2.0	1.2	**0.7**	**0.3**	**1.5**	*0.6*	*0.3*	*1.4*
USA	1.7	2.1	2.0	2.5	1.8	1.2	**1.3**	**0.5**	**2.2**	*1.3*	*-0.1*	*1.8*
Japan	-0.1	-1.0	-1.0	-0.8	-0.9	-0.2	**2.0**	**0.6**	**0.9**	*1.9*	*0.5*	*0.9*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.6	2.0	2.2	3.4	2.6	1.2	**0.5**	**0.3**	**1.3**	*0.5*	*0.1*	*1.1*
Germany	1.1	1.6	1.6	2.5	2.1	1.6	**0.8**	**0.3**	**1.8**	*0.8*	*0.1*	*1.6*
Estonia	9.0	3.5	4.9	5.1	4.2	3.2	**0.5**	**0.2**	**1.9**	*0.5*	*0.4*	*1.6*
Ireland	2.7	3.4	1.1	1.2	1.9	0.5	**0.3**	**0.4**	**1.5**	*0.3*	*0.3*	*1.3*
Greece	4.6	3.5	3.3	3.1	1.0	-0.9	**-1.4**	**-1.5**	**0.8**	*-1.4*	*-0.3*	*0.7*
Spain	2.6	3.2	2.5	3.1	2.4	1.5	**-0.2**	**-0.6**	**1.1**	*-0.2*	*-1.0*	*1.1*
France	1.3	2.0	1.7	2.3	2.2	1.0	**0.6**	**0.0**	**1.0**	*0.6*	*0.0*	*1.0*
Italy	2.4	2.4	2.0	2.9	3.3	1.3	**0.2**	**0.2**	**1.8**	*0.2*	*-0.3*	*1.5*
Cyprus	:	2.5	2.3	3.5	3.1	0.4	**-0.3**	**-0.8**	**0.9**	*-0.3*	*0.7*	*1.2*
Latvia	:	4.1	6.8	4.2	2.3	0.0	**0.7**	**0.7**	**2.2**	*0.7*	*0.9*	*1.9*
Lithuania	8.6	0.9	5.2	4.1	3.2	1.2	**0.2**	**-0.4**	**1.7**	*0.2*	*0.4*	*1.6*
Luxembourg	1.7	2.8	2.5	3.7	2.9	1.7	**0.7**	**0.8**	**2.1**	*0.7*	*0.6*	*1.8*
Malta	:	2.5	2.4	2.5	3.2	1.0	**0.8**	**1.3**	**1.9**	*0.8*	*1.0*	*1.9*
Netherlands	1.9	2.8	1.5	2.5	2.8	2.6	**0.3**	**0.2**	**1.3**	*0.3*	*0.4*	*0.7*
Austria	1.2	1.9	1.8	3.6	2.6	2.1	**1.5**	**0.8**	**1.9**	*1.5*	*1.1*	*2.2*
Portugal	2.4	3.2	1.7	3.6	2.8	0.4	**-0.2**	**0.2**	**1.3**	*-0.2*	*0.1*	*1.1*
Slovenia	8.2	5.6	3.0	2.1	2.8	1.9	**0.4**	**0.1**	**1.7**	*0.4*	*-0.3*	*0.9*
Slovakia	8.2	5.9	2.3	4.1	3.7	1.5	**-0.1**	**-0.2**	**1.4**	*-0.1*	*0.4*	*1.3*
Finland	1.6	1.4	2.0	3.3	3.2	2.2	**1.2**	**0.2**	**1.3**	*1.2*	*0.5*	*1.3*
Euro area	1.8	2.2	1.9	2.7	2.5	1.4	**0.4**	**0.1**	**1.5**	*0.4*	*-0.1*	*1.3*
Bulgaria	:	5.5	6.5	3.4	2.4	0.4	**-1.6**	**-0.5**	**1.0**	*-1.6*	*-0.5*	*1.0*
Czech Republic	6.5	2.0	2.6	2.1	3.5	1.4	**0.4**	**0.2**	**1.4**	*0.4*	*0.8*	*1.4*
Denmark	2.0	1.9	2.1	2.7	2.4	0.5	**0.3**	**0.6**	**1.7**	*0.3*	*0.4*	*1.6*
Croatia	4.3	2.9	3.0	2.2	3.4	2.3	**0.2**	**0.1**	**1.3**	*0.2*	*-0.3*	*1.0*
Hungary	15.2	5.9	5.3	3.9	5.7	1.7	**0.0**	**0.0**	**2.5**	*0.0*	*0.8*	*2.8*
Poland	:	2.7	2.9	3.9	3.7	0.8	**0.1**	**-0.4**	**1.1**	*0.1*	*-0.2*	*1.4*
Romania	68.8	18.6	6.2	5.8	3.4	3.2	**1.4**	**0.2**	**0.9**	*1.4*	*1.2*	*2.5*
Sweden	1.1	1.8	2.1	1.4	0.9	0.4	**0.2**	**0.7**	**1.6**	*0.2*	*0.5*	*1.0*
United Kingdom	1.6	1.5	2.7	4.5	2.8	2.6	**1.5**	**0.4**	**1.6**	*1.5*	*1.0*	*1.6*
EU	:	2.5	2.3	3.1	2.6	1.5	**0.6**	**0.1**	**1.5**	*0.6*	*0.2*	*1.4*
USA	:	2.5	2.2	3.1	2.1	1.5	**1.6**	**0.4**	**2.2**	*1.6*	*-0.1*	*2.0*
Japan	0.3	-0.4	-0.1	-0.3	0.0	0.4	**2.7**	**0.5**	**0.9**	*2.7*	*0.6*	*0.9*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2014-16) 21.4.2015

	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4	2016/1	2016/2	2016/3	2016/4
Belgium	1.0	0.8	0.4	0.0	-0.4	0.3	0.5	1.0	1.3	1.2	1.4	1.5
Germany	1.0	0.9	0.8	0.4	-0.2	0.1	0.3	0.8	1.5	1.8	1.9	2.0
Estonia	1.1	0.6	0.0	0.2	-0.3	-0.1	0.1	0.9	2.1	1.9	1.8	1.8
Ireland	0.2	0.4	0.5	0.1	-0.3	0.3	0.4	1.4	1.3	1.3	1.7	1.7
Greece	-1.3	-1.7	-0.7	-1.9	-2.2	-2.1	-1.2	-0.3	0.6	0.6	0.8	1.0
Spain	0.0	0.2	-0.4	-0.6	-1.1	-0.7	-0.6	0.2	0.9	1.0	1.2	1.2
France	0.9	0.8	0.5	0.3	-0.2	-0.4	0.2	0.5	0.8	1.1	1.1	1.1
Italy	0.5	0.4	-0.1	0.1	-0.1	0.0	0.4	0.7	1.7	1.8	1.9	1.9
Cyprus	-1.2	-0.1	0.6	-0.2	-1.0	-1.1	-0.7	-0.3	0.7	0.9	1.0	1.1
Latvia	0.4	0.8	0.9	0.7	0.1	0.6	0.7	1.5	2.0	1.9	2.4	2.4
Lithuania	0.3	0.2	0.2	0.2	-1.3	-0.8	0.1	0.5	1.9	1.5	1.8	1.8
Luxembourg	1.0	1.2	0.7	-0.1	-0.5	0.3	1.0	2.3	2.6	2.3	2.0	1.7
Malta	1.3	0.5	0.7	0.6	0.6	1.6	1.6	1.6	1.7	1.8	1.9	2.0
Netherlands	0.4	0.4	0.3	0.2	-0.5	-0.1	0.2	1.1	1.4	1.2	1.4	1.0
Austria	1.5	1.6	1.5	1.3	0.6	0.7	0.8	1.2	1.9	1.9	1.9	1.9
Portugal	-0.1	-0.2	-0.3	0.0	0.0	0.1	0.3	0.4	1.1	1.3	1.3	1.4
Slovenia	0.6	0.8	0.1	0.0	-0.5	-0.1	0.2	0.7	1.5	1.6	1.8	1.7
Slovakia	-0.1	-0.1	-0.1	-0.1	-0.5	-0.5	-0.2	0.2	1.0	1.3	1.6	1.6
Finland	1.6	1.1	1.2	0.9	-0.1	0.3	0.1	0.5	1.3	1.3	1.2	1.3
Euro area	0.6	0.6	0.4	0.2	-0.3	-0.1	0.2	0.6	1.3	1.5	1.6	1.6
Bulgaria	-1.8	-1.6	-1.2	-1.8	-1.7	-0.7	-0.5	0.5	0.9	0.9	1.1	1.3
Czech Republic	0.3	0.2	0.7	0.5	0.0	-0.1	0.1	0.6	1.0	1.3	1.6	1.9
Denmark	0.4	0.4	0.3	0.2	0.0	0.6	0.8	1.1	1.7	1.6	1.7	1.8
Croatia	0.1	0.3	0.3	0.2	-0.3	0.1	0.3	0.4	1.0	1.3	1.4	1.4
Hungary	0.4	-0.1	0.1	-0.4	-0.9	0.1	0.0	0.8	2.4	2.5	2.5	2.3
Poland	0.6	0.3	-0.1	-0.4	-1.2	-0.4	-0.5	0.2	1.0	0.9	1.2	1.4
Romania	1.3	1.3	1.5	1.4	0.5	0.7	-0.2	0.3	0.4	0.1	1.4	1.8
Sweden	0.0	0.3	0.2	0.3	0.6	0.7	0.7	1.0	1.5	1.6	1.6	1.7
United Kingdom	1.8	1.7	1.5	0.9	0.1	0.1	0.5	1.1	1.4	1.5	1.7	1.8
EU	0.8	0.7	0.5	0.2	-0.3	-0.1	0.2	0.7	1.3	1.4	1.6	1.6
USA	1.4	2.1	1.8	1.2	-0.1	0.1	0.4	1.2	2.5	2.2	2.1	2.0
Japan	1.5	3.6	3.3	2.5	2.2	-0.1	-0.2	0.2	0.7	0.8	1.0	1.2

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	0.6	0.9	1.3	4.8	1.6	-0.6	**-1.4**	**0.1**	**1.4**	*-0.4*	*0.7*	*1.4*
Germany	0.2	-0.2	0.5	3.1	1.5	-0.6	**-0.6**	**0.3**	**1.2**	*-0.5*	*0.4*	*1.3*
Estonia	6.1	1.8	3.6	3.9	0.6	-0.1	**-1.7**	**-0.7**	**1.8**	*-1.2*	*-2.2*	*1.2*
Ireland	2.4	-1.7	-0.8	-0.9	4.7	-1.3	**-0.7**	**3.0**	**1.0**	*-0.5*	*0.5*	*0.6*
Greece	3.7	1.6	2.8	9.0	4.7	-2.0	**-2.3**	**-1.5**	**0.3**	*-1.5*	*0.4*	*0.3*
Spain	2.2	0.7	1.6	4.8	2.6	-1.4	**-2.2**	**0.6**	**0.9**	*-2.2*	*0.6*	*0.9*
France	0.4	-0.7	0.9	3.7	1.6	-0.6	**-1.1**	**0.1**	**1.0**	*-1.1*	*0.9*	*1.2*
Italy	1.2	1.1	1.5	4.2	1.9	-0.2	**-0.4**	**1.3**	**1.7**	*0.4*	*1.1*	*1.3*
Cyprus	2.2	2.0	3.2	1.4	0.6	2.1	**1.3**	**-1.2**	**1.3**	*-1.4*	*1.0*	*1.5*
Latvia	0.5	7.4	5.7	12.1	3.8	1.8	**-1.4**	**-1.7**	**1.5**	*-1.5*	*-1.8*	*1.3*
Lithuania	3.0	1.3	3.3	13.5	3.6	-1.9	**-3.3**	**-2.1**	**1.2**	*-2.6*	*-1.2*	*1.6*
Luxembourg	0.3	2.0	3.9	7.1	1.3	0.4	**-1.3**	**0.1**	**0.8**	*-1.3*	*0.1*	*0.8*
Malta	5.4	-1.9	2.4	10.1	-4.1	-4.7	**-6.7**	**4.0**	**3.2**	*-1.5*	*-1.8*	*1.7*
Netherlands	1.3	-0.2	1.4	6.2	2.9	-0.9	**-2.1**	**-2.0**	**2.0**	*-2.4*	*-1.3*	*1.3*
Austria	0.6	0.5	1.3	3.9	0.8	-1.0	**-0.4**	**-1.0**	**0.7**	*0.0*	*0.0*	*1.1*
Portugal	1.1	0.1	1.3	5.8	1.7	-0.9	**-1.1**	**1.4**	**2.0**	*-1.9*	*-0.9*	*1.5*
Slovenia	6.3	3.7	1.2	4.5	1.0	-0.8	**-0.6**	**0.8**	**1.2**	*-0.5*	*0.3*	*1.1*
Slovakia	3.9	2.3	0.1	3.9	0.9	-2.2	**-3.7**	**-2.0**	**0.0**	*-4.0*	*-2.0*	*0.0*
Finland	-1.4	-1.4	-0.6	5.1	0.7	-1.6	**-1.4**	**-1.5**	**1.5**	*-0.9*	*-0.9*	*1.5*
Euro area	0.8	0.0	0.9	4.1	1.9	-0.8	**-1.1**	**0.1**	**1.3**	*-0.9*	*0.2*	*1.2*
Bulgaria	94.2	2.2	9.1	12.1	0.2	-3.6	**-2.1**	**-0.8**	**0.8**	*-1.7*	*-2.0*	*0.3*
Czech Republic	3.7	-1.4	-1.5	0.8	3.4	1.4	**3.9**	**-0.6**	**0.8**	*4.3*	*-0.7*	*0.6*
Denmark	1.3	1.2	2.3	5.0	3.1	-0.5	**-0.2**	**-0.2**	**1.7**	*-0.8*	*-0.3*	*1.7*
Croatia	6.8	1.3	2.7	11.0	2.5	-1.8	**-1.7**	**-0.2**	**0.8**	*-1.6*	*-0.2*	*1.0*
Hungary	11.8	-1.1	1.3	3.3	3.0	0.2	**1.0**	**-2.0**	**1.3**	*0.7*	*0.0*	*-0.5*
Poland	7.8	3.6	3.4	7.4	4.3	0.5	**0.0**	**0.0**	**1.5**	*0.6*	*0.1*	*1.5*
Romania	54.2	14.6	7.6	7.9	3.8	-3.8	**-1.0**	**1.0**	**2.0**	*-2.1*	*-0.5*	*1.5*
Sweden	-1.6	-0.2	1.9	-1.6	-1.7	-3.4	**1.9**	**3.0**	**1.6**	*3.9*	*3.2*	*1.7*
United Kingdom	-1.9	0.3	3.9	6.9	-0.5	1.0	**-4.5**	**0.4**	**1.5**	*0.1*	*0.7*	*1.5*
EU	1.2	0.2	1.4	4.3	1.8	-0.6	**-1.1**	**0.1**	**1.3**	*-0.5*	*0.3*	*1.2*
USA	-1.6	1.6	1.9	7.6	0.4	-0.5	**-0.7**	**-2.6**	**0.4**	*-0.5*	*-1.5*	*0.5*
Japan	-1.6	-0.6	-2.5	-2.1	-2.1	9.6	**2.7**	**3.4**	**2.2**	*4.5*	*3.4*	*2.2*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.6	1.1	1.7	6.7	1.4	-1.0	**-2.3**	**-0.6**	**1.4**	*-0.8*	*0.2*	*1.2*
Germany	0.9	-0.7	0.4	6.1	2.0	-2.5	**-2.3**	**-2.0**	**1.1**	*-2.3*	*-1.2*	*0.9*
Estonia	6.0	-0.3	3.1	5.7	2.4	-0.9	**-1.7**	**-1.0**	**1.7**	*-1.6*	*-2.5*	*1.1*
Ireland	0.7	-2.3	0.9	5.6	5.5	-1.8	**0.7**	**2.8**	**0.9**	*0.5*	*1.2*	*1.1*
Greece	3.9	2.0	3.1	7.4	4.9	-3.6	**-3.1**	**-0.9**	**-0.1**	*-2.5*	*0.0*	*-0.1*
Spain	2.5	-0.1	1.6	9.5	3.6	-2.7	**-1.9**	**-2.1**	**1.2**	*-1.5*	*-1.8*	*1.3*
France	1.0	-0.8	0.8	6.7	2.0	-2.1	**-2.9**	**-2.9**	**1.8**	*-2.4*	*-1.4*	*1.4*
Italy	1.3	1.2	2.0	7.9	3.4	-2.3	**-3.3**	**0.8**	**2.6**	*-2.8*	*-1.8*	*2.0*
Cyprus	2.7	2.1	2.0	2.9	1.9	1.4	**-5.2**	**-2.3**	**1.7**	*-0.5*	*1.3*	*1.6*
Latvia	4.5	6.8	5.0	6.0	7.8	0.5	**-0.5**	**-2.4**	**2.1**	*-1.4*	*-2.0*	*1.3*
Lithuania	-0.1	-0.7	4.1	14.2	4.6	-1.9	**-4.0**	**-4.1**	**0.9**	*-3.0*	*-3.7*	*0.9*
Luxembourg	2.2	2.0	1.8	4.5	2.6	0.7	**-0.8**	**0.4**	**0.8**	*-2.7*	*-0.5*	*0.2*
Malta	4.6	-0.7	1.0	10.5	-1.3	-4.9	**-8.5**	**5.5**	**3.1**	*-2.0*	*-2.2*	*1.6*
Netherlands	0.4	-0.8	1.7	8.1	3.4	-1.5	**-3.2**	**-1.2**	**0.8**	*-2.5*	*-1.2*	*0.8*
Austria	1.2	0.2	1.7	6.4	1.7	-1.2	**-1.6**	**-1.5**	**1.0**	*-1.6*	*0.0*	*1.2*
Portugal	1.9	0.2	0.8	8.2	1.0	-2.3	**-2.7**	**-1.2**	**1.6**	*-3.1*	*-2.3*	*1.0*
Slovenia	6.5	3.6	1.7	6.2	2.2	-1.7	**-1.4**	**1.1**	**1.9**	*-1.3*	*0.2*	*1.4*
Slovakia	4.8	2.5	1.4	5.5	2.2	-1.7	**-3.8**	**-2.0**	**0.0**	*-4.3*	*-2.3*	*0.0*
Finland	-0.1	-0.4	0.8	7.4	2.0	-2.2	**-2.6**	**-4.2**	**1.5**	*-0.8*	*-2.5*	*1.5*
Euro area	1.3	-0.1	1.3	7.1	2.5	-2.1	**-2.5**	**-1.5**	**1.3**	*-2.1*	*-1.2*	*1.1*
Bulgaria	101.7	2.5	4.8	9.0	3.8	-2.8	**-2.7**	**-0.5**	**1.4**	*-2.0*	*-1.6*	*1.2*
Czech Republic	3.0	-2.0	-0.8	2.9	4.0	0.0	**1.8**	**-2.2**	**0.4**	*2.2*	*-1.2*	*0.5*
Denmark	0.3	0.3	1.3	7.0	2.5	-2.1	**-0.6**	**-0.3**	**2.2**	*-1.2*	*-0.3*	*2.2*
Croatia	4.5	0.8	1.8	6.3	2.9	-0.3	**-0.9**	**0.0**	**1.0**	*-0.7*	*-0.4*	*1.0*
Hungary	12.7	-0.5	1.6	5.0	4.3	-0.6	**0.0**	**-3.5**	**0.8**	*0.0*	*-1.0*	*-0.6*
Poland	9.8	3.2	2.8	9.5	5.8	-1.6	**-2.8**	**-2.0**	**1.8**	*-2.0*	*-1.5*	*1.5*
Romania	48.6	12.6	2.9	6.0	7.5	-2.8	**-1.9**	**1.0**	**1.5**	*-2.0*	*-0.5*	*0.8*
Sweden	-0.1	1.1	1.6	-0.3	-1.9	-3.9	**1.1**	**3.0**	**1.6**	*3.9*	*2.8*	*1.4*
United Kingdom	-2.1	-0.3	4.0	8.3	-0.5	0.6	**-4.2**	**-2.5**	**1.7**	*-3.5*	*-1.0*	*1.0*
EU	1.6	0.0	1.7	6.9	2.3	-1.7	**-2.4**	**-1.5**	**1.4**	*-1.9*	*-1.0*	*1.1*
USA	-1.5	1.9	2.4	8.8	0.6	-1.1	**-0.5**	**-7.2**	**0.5**	*-0.9*	*-3.9*	*0.9*
Japan	0.3	2.6	0.8	7.3	-0.2	12.1	**4.1**	**2.1**	**1.9**	*4.8*	*2.4*	*1.9*

Table 21: Terms of trade of goods (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	-1.0	-0.2	-0.4	-1.8	0.2	0.4	1.0	0.7	0.0	0.3	0.4	0.1
Germany	-0.7	0.5	0.0	-2.9	-0.5	1.9	1.8	2.4	0.2	1.8	1.6	0.4
Estonia	0.1	2.1	0.4	-1.8	-1.7	0.8	0.0	0.3	0.1	0.4	0.3	0.1
Ireland	1.7	0.6	-1.7	-6.2	-0.7	0.5	-1.4	0.2	0.1	-1.0	-0.7	-0.5
Greece	-0.1	-0.4	-0.3	1.5	-0.2	1.6	0.9	-0.6	0.4	1.0	0.4	0.4
Spain	-0.2	0.8	0.0	-4.3	-0.9	1.4	-0.3	2.8	-0.3	-0.7	2.4	-0.4
France	-0.5	0.1	0.1	-2.8	-0.4	1.5	1.8	3.0	-0.7	1.4	2.3	-0.2
Italy	-0.1	-0.2	-0.4	-3.4	-1.4	2.1	2.9	0.5	-0.8	3.3	2.9	-0.7
Cyprus	-0.5	-0.1	1.1	-1.5	-1.3	0.7	6.9	1.2	-0.4	-0.9	-0.3	0.0
Latvia	-3.8	0.5	0.6	5.8	-3.7	1.3	-0.8	0.7	-0.6	-0.1	0.2	0.0
Lithuania	3.1	2.0	-0.7	-0.6	-0.9	0.0	0.6	2.1	0.3	0.4	2.6	0.7
Luxembourg	-1.8	-0.1	2.1	2.5	-1.3	-0.2	-0.5	-0.3	0.0	1.4	0.6	0.6
Malta	0.8	-1.2	1.3	-0.3	-2.8	0.2	1.9	-1.4	0.1	0.5	0.4	0.1
Netherlands	0.9	0.6	-0.3	-1.7	-0.5	0.6	1.1	-0.8	1.2	0.1	-0.1	0.5
Austria	-0.6	0.3	-0.4	-2.3	-0.8	0.2	1.2	0.5	-0.3	1.6	0.0	-0.1
Portugal	-0.8	-0.1	0.5	-2.2	0.7	1.5	1.7	2.6	0.4	1.3	1.4	0.5
Slovenia	-0.2	0.1	-0.5	-1.6	-1.2	1.0	0.8	-0.2	-0.7	0.8	0.1	-0.3
Slovakia	-0.8	-0.2	-1.3	-1.5	-1.3	-0.5	0.0	0.0	0.0	0.3	0.3	0.0
Finland	-1.3	-1.0	-1.4	-2.1	-1.3	0.6	1.2	2.8	0.0	-0.1	1.6	0.0
Euro area	-0.3	0.2	-0.3	-2.8	-0.6	1.3	1.4	1.6	0.0	1.2	1.4	0.1
Bulgaria	-3.8	-0.3	4.1	2.9	-3.5	-0.8	0.6	-0.4	-0.6	0.3	-0.4	-0.9
Czech Republic	0.6	0.6	-0.7	-2.0	-0.6	1.4	2.0	1.6	0.4	2.1	0.5	0.1
Denmark	0.9	0.9	1.0	-1.8	0.6	1.7	0.4	0.1	-0.5	0.4	0.0	-0.5
Croatia	2.2	0.5	0.9	4.3	-0.4	-1.5	-0.8	-0.2	-0.2	-0.9	0.2	0.0
Hungary	-0.8	-0.7	-0.3	-1.6	-1.2	0.8	1.0	1.6	0.5	0.7	1.0	0.1
Poland	-1.8	0.4	0.5	-1.9	-1.4	2.2	2.9	2.0	-0.2	2.7	1.6	0.0
Romania	3.8	1.8	4.5	1.8	-3.4	-1.1	0.8	0.0	0.5	-0.1	0.0	0.7
Sweden	-1.5	-1.3	0.3	-1.3	0.2	0.5	0.8	0.0	0.0	0.0	0.4	0.3
United Kingdom	0.2	0.6	-0.1	-1.4	0.0	0.4	-0.3	3.0	-0.2	3.7	1.7	0.5
EU	-0.3	0.2	-0.1	-2.4	-0.7	1.3	1.1	1.2	-0.1	1.2	1.2	0.1
USA	-0.1	-0.4	-0.5	-1.1	-0.1	0.6	-0.2	4.9	-0.1	0.4	2.6	-0.4
Japan	-1.9	-3.1	-3.2	-8.8	-1.9	-2.2	-1.3	1.3	0.3	-0.3	1.0	0.3

Table 22: Total population (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	0.2	0.4	0.8	0.9	0.7	0.5	0.5	0.4	0.4	0.5	0.5	0.5
Germany	0.1	0.1	-0.2	0.0	0.2	0.2	0.4	0.3	0.2	0.4	0.3	0.2
Estonia	-0.6	-0.6	-0.4	-0.3	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4
Ireland	1.1	1.8	1.9	0.4	0.3	0.3	0.3	0.7	0.9	0.4	0.7	0.9
Greece	0.5	0.3	0.1	-0.3	-0.3	-0.6	-0.3	0.0	0.0	0.0	0.0	0.0
Spain	0.4	1.6	1.3	0.4	0.1	-0.4	-0.3	-0.1	-0.1	-0.3	-0.1	-0.1
France	0.5	0.7	0.6	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5
Italy	0.0	0.4	0.6	0.4	0.5	0.5	0.2	0.3	0.3	0.4	0.3	0.3
Cyprus	1.3	1.3	2.3	2.6	1.5	-0.2	-0.7	0.4	0.4	0.4	0.4	0.4
Latvia	-1.0	-1.1	-1.3	-1.8	-1.2	-1.0	-0.9	-0.7	-0.6	-0.9	-0.7	-0.6
Lithuania	-0.7	-1.0	-1.4	-2.2	-1.3	-1.0	-1.0	-0.4	-0.3	-1.2	-0.4	-0.4
Luxembourg	1.3	1.3	1.7	2.3	2.3	2.6	2.3	2.3	2.2	2.3	2.0	2.0
Malta	0.6	0.7	0.5	0.4	0.8	0.7	1.1	0.2	0.2	0.3	0.2	0.2
Netherlands	0.6	0.5	0.4	0.5	0.4	0.3	0.4	0.4	0.4	0.4	0.4	0.4
Austria	0.2	0.5	0.3	0.3	0.5	0.6	0.7	0.6	0.6	0.7	0.3	0.3
Portugal	0.5	0.4	0.1	-0.1	-0.4	-0.5	-0.6	-0.5	-0.5	-0.6	-0.5	-0.5
Slovenia	0.0	0.1	0.5	0.2	0.2	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Slovakia	0.1	-0.1	0.2	-0.6	0.2	0.1	0.1	0.0	0.0	0.1	0.0	0.0
Finland	0.3	0.3	0.4	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Euro area	0.3	0.5	0.4	0.3	0.3	0.2	0.2	0.3	0.2	0.3	0.2	0.2
Bulgaria	-0.6	-1.1	-0.5	-2.5	-0.6	-0.5	-0.5	-0.7	-0.7	-0.7	-0.7	-0.7
Czech Republic	-0.1	-0.1	0.5	-0.2	0.1	0.0	0.1	0.2	0.2	0.0	0.1	0.0
Denmark	0.4	0.3	0.5	0.4	0.4	0.4	0.5	0.4	0.3	0.5	0.4	0.3
Croatia	-1.0	-0.5	-0.1	-0.3	-0.3	-0.3	-0.6	-0.2	-0.2	-0.3	-0.2	-0.2
Hungary	-0.2	-0.2	-0.2	-0.3	-0.5	-0.3	-0.3	-0.2	-0.1	-0.1	-0.1	-0.1
Poland	0.0	0.0	0.2	0.0	0.0	-0.1	0.0	0.0	0.0	-0.1	-0.1	-0.1
Romania	-0.2	-1.0	-1.0	-0.5	-0.4	-0.4	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Sweden	0.1	0.4	0.8	0.8	0.7	0.9	1.0	1.2	1.3	1.0	1.1	1.0
United Kingdom	0.3	0.5	0.8	0.8	0.7	0.6	0.6	0.6	0.6	0.5	0.6	0.6
EU	0.2	0.3	0.4	0.2	0.2	0.2	0.2	0.3	0.2	0.2	0.2	0.2
USA	1.2	0.9	0.9	0.8	0.7	0.7	0.7	0.8	0.8	0.7	0.8	0.8
Japan	0.2	0.1	0.0	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2

Table 23: **Total employment (percentage change on preceding year, 1996-2016)** 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.2	0.7	1.0	1.4	0.3	-0.3	**0.3**	**0.4**	**0.7**	*0.3*	*0.5*	*0.6*
Germany	1.0	-0.3	0.8	1.3	1.1	0.6	**0.9**	**0.7**	**0.7**	*0.9*	*0.5*	*0.6*
Estonia	-2.0	0.9	-2.1	6.5	1.6	1.2	**0.8**	**0.6**	**-0.3**	*0.0*	*-0.2*	*-0.2*
Ireland	5.7	3.0	-0.7	-1.8	-0.6	2.4	**1.7**	**1.6**	**1.5**	*2.0*	*2.2*	*1.9*
Greece	0.8	1.5	0.2	-6.9	-7.8	-3.8	**0.7**	**0.5**	**2.9**	*0.6*	*2.6*	*4.0*
Spain	3.7	3.1	-0.3	-2.6	-4.4	-3.3	**1.2**	**2.7**	**2.5**	*0.8*	*1.8*	*2.0*
France	1.4	0.7	0.3	0.5	-0.1	-0.2	**0.2**	**0.5**	**1.0**	*0.2*	*0.2*	*0.8*
Italy	0.8	0.8	-0.3	0.1	-1.4	-1.9	**0.2**	**0.6**	**0.8**	*0.0*	*0.4*	*0.7*
Cyprus	1.2	3.1	1.3	0.5	-4.2	-5.2	**-1.9**	**-0.4**	**1.2**	*-1.8*	*0.2*	*1.3*
Latvia	-0.6	1.8	-3.7	1.5	1.4	2.3	**-1.4**	**0.2**	**0.5**	*0.1*	*0.5*	*0.9*
Lithuania	-1.1	0.3	-2.5	0.5	1.8	1.3	**2.0**	**1.2**	**1.2**	*2.5*	*1.2*	*1.2*
Luxembourg	4.1	3.1	3.2	2.9	2.4	2.0	**2.4**	**2.5**	**2.3**	*2.2*	*2.1*	*2.2*
Malta	0.2	0.7	1.6	2.8	2.3	4.2	**4.2**	**2.4**	**2.4**	*2.7*	*2.0*	*1.9*
Netherlands	2.5	-0.1	1.0	0.6	-0.6	-1.4	**-0.2**	**0.9**	**1.1**	*-0.5*	*0.6*	*0.7*
Austria	0.8	0.3	0.7	1.4	1.3	0.7	**0.9**	**0.6**	**0.8**	*0.9*	*0.6*	*1.0*
Portugal	2.2	0.0	-0.7	-1.9	-4.1	-2.9	**1.4**	**0.6**	**0.7**	*1.8*	*0.7*	*0.7*
Slovenia	-0.2	0.3	0.7	-1.6	-0.8	-1.5	**0.7**	**0.5**	**0.5**	*0.4*	*0.6*	*0.9*
Slovakia	-0.8	0.6	0.8	1.8	0.1	-0.8	**1.4**	**1.3**	**1.5**	*0.8*	*0.7*	*0.6*
Finland	2.3	1.0	0.6	1.3	0.9	-1.5	**-0.3**	**0.2**	**0.4**	*-0.4*	*0.3*	*0.7*
Euro area	1.4	0.7	0.2	0.0	-0.8	-0.8	**0.6**	**0.9**	**1.1**	*0.5*	*0.7*	*1.0*
Bulgaria	-1.6	1.5	0.7	-2.2	-2.5	-0.4	**0.4**	**0.2**	**0.3**	*0.0*	*0.0*	*0.3*
Czech Republic	-1.0	0.3	0.6	-0.3	0.4	0.4	**0.4**	**0.4**	**0.3**	*0.4*	*0.2*	*0.3*
Denmark	1.0	0.2	0.1	-0.1	-0.3	0.0	**0.7**	**0.8**	**0.9**	*0.7*	*0.6*	*0.9*
Croatia	:	1.5	0.9	-3.9	-3.6	-2.6	**2.7**	**0.0**	**0.5**	*0.0*	*0.0*	*0.5*
Hungary	1.1	-0.3	-0.8	0.0	0.1	0.9	**3.2**	**1.9**	**1.2**	*3.7*	*1.1*	*1.3*
Poland	-0.3	-0.6	1.8	0.6	0.1	-0.1	**1.7**	**0.7**	**0.6**	*1.7*	*0.4*	*0.5*
Romania	-1.5	-2.9	-0.2	-0.8	-4.8	-0.6	**1.0**	**1.2**	**1.4**	*0.2*	*0.3*	*0.4*
Sweden	0.8	0.2	0.7	2.1	0.7	1.0	**1.4**	**1.2**	**1.2**	*1.5*	*1.3*	*1.3*
United Kingdom	1.3	1.0	0.3	0.5	1.1	1.2	**2.3**	**1.2**	**0.8**	*1.9*	*1.4*	*0.8*
EU	:	0.5	0.3	0.1	-0.6	-0.4	**1.0**	**0.9**	**1.0**	*0.9*	*0.7*	*0.9*
USA	2.0	0.4	-0.8	1.0	1.8	1.9	**2.3**	**2.5**	**1.9**	*2.5*	*2.9*	*2.5*
Japan	-0.5	-0.1	-0.3	-0.2	0.0	0.6	**0.4**	**0.2**	**0.1**	*0.5*	*0.3*	*0.3*

Table 24: **Unemployment rate [1] (number of unemployed as a percentage of total labour force, 1996-2016)** 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	8.7	7.8	7.8	7.2	7.6	8.4	**8.5**	**8.4**	**8.1**	*8.5*	*8.3*	*8.1*
Germany	8.9	9.5	8.1	5.8	5.4	5.2	**5.0**	**4.6**	**4.4**	*5.0*	*4.9*	*4.8*
Estonia	10.9	10.5	9.2	12.3	10.0	8.6	**7.4**	**6.2**	**5.8**	*7.7*	*6.8*	*5.9*
Ireland	7.8	4.4	8.3	14.7	14.7	13.1	**11.3**	**9.6**	**9.2**	*11.1*	*9.6*	*8.8*
Greece	10.7	10.3	9.5	17.9	24.5	27.5	**26.5**	**25.6**	**23.2**	*26.6*	*25.0*	*22.0*
Spain	16.0	10.8	13.2	21.4	24.8	26.1	**24.5**	**22.4**	**20.5**	*24.3*	*22.5*	*20.7*
France	10.0	8.4	8.5	9.2	9.8	10.3	**10.3**	**10.3**	**10.0**	*10.3*	*10.4*	*10.2*
Italy	10.9	8.3	7.1	8.4	10.7	12.1	**12.7**	**12.4**	**12.4**	*12.8*	*12.8*	*12.6*
Cyprus	3.6	4.3	4.8	7.9	11.9	15.9	**16.1**	**16.2**	**15.2**	*16.2*	*15.8*	*14.8*
Latvia	15.6	11.9	11.6	16.2	15.0	11.9	**10.8**	**10.4**	**9.4**	*11.0*	*10.2*	*9.2*
Lithuania	11.7	12.6	9.5	15.4	13.4	11.8	**10.7**	**9.9**	**9.1**	*9.5*	*8.7*	*7.9*
Luxembourg	2.6	3.6	4.7	4.8	5.1	5.9	**5.9**	**5.7**	**5.4**	*6.3*	*6.4*	*6.3*
Malta	6.3	7.4	6.6	6.4	6.3	6.4	**5.9**	**5.9**	**5.9**	*6.0*	*5.9*	*5.9*
Netherlands	5.4	4.6	4.5	5.0	5.8	7.3	**7.4**	**7.1**	**6.9**	*6.9*	*6.6*	*6.4*
Austria	4.1	4.6	4.9	4.6	4.9	5.4	**5.6**	**5.8**	**5.7**	*5.0*	*5.2*	*5.0*
Portugal	6.5	7.0	9.9	12.9	15.8	16.4	**14.1**	**13.4**	**12.6**	*14.2*	*13.4*	*12.6*
Slovenia	7.0	6.4	5.7	8.2	8.9	10.1	**9.7**	**9.4**	**9.2**	*9.8*	*9.5*	*8.9*
Slovakia	14.4	18.2	12.2	13.7	14.0	14.2	**13.2**	**12.1**	**10.8**	*13.4*	*12.8*	*12.1*
Finland	11.7	8.9	7.5	7.8	7.7	8.2	**8.7**	**9.1**	**9.0**	*8.7*	*9.0*	*8.8*
Euro area	:	8.8	8.6	10.1	11.4	12.0	**11.6**	**11.0**	**10.5**	*11.6*	*11.2*	*10.6*
Bulgaria	14.2	14.7	7.7	11.3	12.3	13.0	**11.4**	**10.4**	**9.8**	*11.7*	*10.9*	*10.4*
Czech Republic	6.6	7.9	6.2	6.7	7.0	7.0	**6.1**	**5.6**	**5.5**	*6.1*	*6.0*	*5.9*
Denmark	5.2	5.0	4.9	7.6	7.5	7.0	**6.6**	**6.2**	**5.9**	*6.6*	*6.5*	*6.4*
Croatia	13.4	14.4	10.2	13.7	16.0	17.3	**17.3**	**17.0**	**16.6**	*17.0*	*16.8*	*16.4*
Hungary	8.2	6.1	8.8	11.0	11.0	10.2	**7.7**	**6.8**	**6.0**	*7.7*	*7.4*	*6.6*
Poland	12.5	19.0	9.7	9.7	10.1	10.3	**9.0**	**8.4**	**7.9**	*9.1*	*8.8*	*8.3*
Romania	6.3	7.7	6.5	7.2	6.8	7.1	**6.8**	**6.6**	**6.4**	*7.0*	*6.9*	*6.8*
Sweden	8.0	6.7	7.3	7.8	8.0	8.0	**7.9**	**7.7**	**7.6**	*7.8*	*7.7*	*7.5*
United Kingdom	6.4	4.9	6.3	8.1	7.9	7.6	**6.1**	**5.4**	**5.3**	*6.3*	*5.6*	*5.4*
EU	:	9.0	8.2	9.7	10.5	10.9	**10.2**	**9.6**	**9.2**	*10.2*	*9.8*	*9.3*
USA	4.6	5.4	6.8	8.9	8.1	7.4	**6.2**	**5.4**	**5.0**	*6.2*	*5.4*	*4.9*
Japan	4.1	5.0	4.4	4.6	4.3	4.0	**3.6**	**3.6**	**3.5**	*3.7*	*3.7*	*3.6*

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.4	2.6	2.7	3.0	3.4	2.6	**0.8**	**0.5**	**0.5**	*0.7*	*0.4*	*0.1*
Germany	1.0	1.0	1.3	2.9	2.5	1.9	**2.5**	**3.0**	**2.7**	*2.6*	*2.9*	*2.9*
Estonia	16.9	10.9	9.6	0.8	6.5	7.2	**7.8**	**5.1**	**5.7**	*5.6*	*4.9*	*5.1*
Ireland	5.2	6.1	2.1	1.2	0.8	2.0	**3.8**	**3.2**	**2.8**	*-1.3*	*1.7*	*1.9*
Greece	8.2	7.1	2.2	-2.3	-2.0	-7.1	**-1.6**	**0.1**	**1.7**	*-1.5*	*0.0*	*1.7*
Spain	2.6	3.5	4.2	0.9	-0.6	1.7	**-0.2**	**0.3**	**0.4**	*0.5*	*0.7*	*0.8*
France	2.0	2.9	2.7	2.5	2.3	1.6	**1.2**	**0.5**	**0.9**	*1.4*	*0.4*	*0.7*
Italy	2.9	3.4	2.7	1.1	0.4	0.9	**0.6**	**0.5**	**0.6**	*0.8*	*0.5*	*0.6*
Cyprus	4.7	4.1	2.9	2.5	-0.8	-6.0	**-4.7**	**-0.3**	**1.1**	*-4.6*	*0.2*	*1.2*
Latvia	11.9	11.2	11.1	3.7	6.1	9.4	**8.7**	**5.2**	**4.8**	*6.2*	*4.6*	*5.0*
Lithuania	14.1	9.3	7.3	6.3	4.2	5.0	**4.4**	**4.6**	**4.7**	*3.7*	*5.0*	*5.5*
Luxembourg	2.9	3.2	3.0	2.1	1.5	3.6	**2.3**	**1.7**	**2.3**	*2.3*	*1.6*	*2.3*
Malta	4.1	3.8	3.4	3.7	4.5	-0.4	**0.9**	**2.0**	**2.0**	*2.4*	*1.8*	*2.2*
Netherlands	3.5	3.4	2.5	2.4	2.6	2.3	**1.2**	**0.7**	**1.5**	*1.6*	*0.8*	*2.1*
Austria	2.2	2.1	2.7	2.4	2.6	2.1	**1.8**	**1.5**	**1.4**	*2.0*	*2.1*	*2.0*
Portugal	5.8	3.8	2.5	-1.8	-3.1	3.8	**-1.4**	**0.5**	**1.1**	*-0.5*	*0.7*	*0.8*
Slovenia	10.6	8.3	4.9	1.6	-1.2	1.9	**-0.2**	**1.6**	**1.9**	*0.8*	*1.5*	*2.1*
Slovakia	11.9	7.9	6.2	2.0	2.6	2.6	**3.4**	**2.4**	**3.2**	*3.3*	*2.3*	*3.0*
Finland	3.2	2.9	3.0	3.6	2.8	2.0	**1.4**	**1.0**	**0.9**	*1.5*	*1.4*	*1.5*
Euro area	2.2	2.5	2.6	2.2	1.8	1.7	**1.3**	**1.3**	**1.5**	*1.4*	*1.3*	*1.5*
Bulgaria	98.2	7.8	10.7	6.8	7.7	8.8	**1.5**	**1.8**	**2.5**	*2.3*	*2.0*	*2.4*
Czech Republic	9.9	7.1	3.8	2.8	1.4	-0.6	**3.0**	**3.1**	**3.2**	*3.0*	*3.0*	*3.0*
Denmark	3.7	3.6	3.5	1.4	1.5	1.3	**1.8**	**2.0**	**2.2**	*2.0*	*2.1*	*2.3*
Croatia	:	5.4	3.3	4.3	0.2	1.1	**-5.3**	**-1.4**	**1.5**	*1.8*	*1.2*	*1.5*
Hungary	15.7	11.2	3.6	3.4	1.8	1.5	**3.2**	**4.9**	**3.0**	*3.8*	*3.9*	*3.0*
Poland	17.1	3.5	5.6	5.3	3.5	2.6	**-0.3**	**2.0**	**3.3**	*2.3*	*3.7*	*3.9*
Romania	66.5	27.6	11.4	-4.1	9.4	2.7	**2.0**	**2.5**	**2.8**	*4.7*	*3.4*	*4.1*
Sweden	4.3	3.7	3.4	3.2	3.1	1.6	**2.3**	**2.3**	**2.5**	*2.6*	*2.7*	*2.8*
United Kingdom	5.0	4.3	3.5	1.0	1.9	1.9	**1.5**	**2.4**	**2.8**	*1.9*	*2.0*	*2.4*
EU	3.7	3.2	2.8	2.0	2.0	1.7	**1.2**	**1.6**	**1.8**	*1.6*	*1.6*	*1.9*
USA	4.5	3.5	3.2	2.6	2.2	0.7	**1.5**	**2.6**	**3.7**	*1.3*	*1.9*	*2.8*
Japan	0.1	-1.4	-1.1	0.6	-0.2	0.1	**0.3**	**0.7**	**1.0**	*0.5*	*0.7*	*0.9*

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	0.9	0.7	0.6	-0.1	1.2	1.4	**0.1**	**0.0**	**-0.7**	*0.2*	*0.0*	*-1.0*
Germany	0.2	-0.5	0.2	1.0	1.0	0.6	**1.6**	**2.6**	**1.1**	*1.6*	*2.6*	*1.3*
Estonia	6.8	6.6	4.4	-4.1	3.0	4.0	**7.0**	**4.9**	**3.7**	*4.7*	*4.5*	*3.4*
Ireland	1.7	2.6	2.6	-0.5	0.3	0.1	**3.4**	**1.7**	**1.2**	*-2.5*	*0.7*	*0.6*
Greece	3.3	4.2	-0.8	-4.6	-2.7	-5.6	**0.5**	**1.7**	**1.2**	*-0.1*	*0.4*	*1.0*
Spain	-0.1	0.2	1.8	-1.8	-2.9	0.7	**-0.1**	**0.9**	**-0.7**	*0.7*	*1.6*	*-0.3*
France	1.1	1.2	1.3	0.7	0.9	1.0	**0.7**	**0.5**	**-0.1**	*0.9*	*0.4*	*-0.3*
Italy	0.2	0.8	0.9	-1.7	-2.2	-0.2	**0.4**	**0.1**	**-1.2**	*0.6*	*0.8*	*-0.8*
Cyprus	2.4	1.4	0.1	-0.5	-3.7	-5.9	**-3.3**	**0.9**	**0.2**	*-3.7*	*-0.4*	*0.0*
Latvia	5.2	5.0	5.4	-2.2	2.7	9.0	**8.1**	**4.6**	**2.6**	*5.6*	*3.5*	*2.9*
Lithuania	7.8	8.8	1.8	2.1	1.1	4.0	**4.3**	**5.0**	**2.9**	*3.4*	*4.6*	*3.8*
Luxembourg	0.7	1.2	1.2	-0.4	-0.4	3.3	**1.8**	**0.8**	**0.4**	*1.8*	*0.7*	*0.4*
Malta	1.9	1.4	1.1	1.2	2.0	-1.5	**0.8**	**0.6**	**0.1**	*1.0*	*0.5*	*0.3*
Netherlands	1.3	1.0	1.1	0.3	1.2	0.3	**-0.1**	**0.2**	**0.3**	*0.7*	*-0.2*	*1.2*
Austria	1.1	0.2	0.8	-0.9	0.2	-0.1	**0.0**	**0.7**	**-0.5**	*0.6*	*0.9*	*-0.1*
Portugal	2.8	0.3	0.6	-3.5	-4.9	2.8	**-2.1**	**0.3**	**-0.2**	*-1.2*	*0.6*	*-0.3*
Slovenia	2.5	3.1	2.0	-0.1	-2.6	1.3	**-0.5**	**1.6**	**0.2**	*0.4*	*1.8*	*1.2*
Slovakia	5.0	2.7	3.6	-1.8	-0.8	1.2	**3.4**	**2.6**	**1.7**	*3.6*	*1.9*	*2.0*
Finland	1.4	1.6	1.1	0.4	0.0	-0.4	**-0.2**	**0.8**	**-0.4**	*0.4*	*0.9*	*0.2*
Euro area	0.6	0.4	0.9	-0.2	0.0	0.6	**0.7**	**1.2**	**0.1**	*0.9*	*1.2*	*0.2*
Bulgaria	-1.2	3.7	6.4	2.2	4.0	11.1	**1.9**	**1.5**	**1.6**	*3.3*	*1.9*	*1.6*
Czech Republic	3.5	5.2	1.5	1.2	-1.1	-1.6	**2.6**	**2.7**	**1.7**	*2.7*	*2.2*	*1.5*
Denmark	1.7	1.9	1.3	-0.9	-1.1	0.3	**1.0**	**1.4**	**0.6**	*1.3*	*1.4*	*0.5*
Croatia	:	2.4	0.0	1.9	-2.9	-0.8	**-5.0**	**-1.1**	**0.4**	*2.1*	*1.5*	*0.4*
Hungary	0.7	5.2	-1.0	-0.3	-4.2	-1.0	**2.3**	**3.9**	**0.5**	*4.1*	*3.0*	*0.2*
Poland	4.6	0.9	2.9	0.5	0.3	1.9	**0.1**	**2.5**	**2.1**	*2.2*	*4.1*	*2.5*
Romania	5.2	8.4	5.0	-7.9	4.6	-1.0	**0.7**	**1.9**	**1.6**	*2.9*	*1.5*	*1.4*
Sweden	3.2	2.2	1.5	1.5	2.5	0.9	**1.5**	**1.3**	**1.2**	*1.8*	*1.8*	*1.4*
United Kingdom	3.1	2.7	0.4	-2.3	-0.1	0.0	**-0.1**	**1.7**	**1.0**	*0.9*	*1.1*	*0.8*
EU	1.1	1.0	0.8	-0.5	0.0	0.5	**0.5**	**1.3**	**0.3**	*1.0*	*1.4*	*0.5*
USA	2.8	1.4	1.2	0.1	0.3	-0.5	**0.2**	**2.1**	**1.5**	*0.0*	*2.0*	*1.0*
Japan	0.1	-0.4	-0.1	1.4	0.7	0.4	**-1.6**	**0.1**	**0.1**	*-1.3*	*0.2*	*0.0*

[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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.7	1.0	0.3	0.2	-0.2	0.5	**0.7**	**0.6**	**0.8**	*0.8*	*0.7*	*0.8*
Germany	0.9	0.9	0.4	2.2	-0.7	-0.5	**0.7**	**1.1**	**1.3**	*0.6*	*1.0*	*1.3*
Estonia	8.9	6.2	1.9	1.6	3.0	0.4	**1.3**	**1.6**	**3.2**	*1.9*	*2.4*	*3.1*
Ireland	3.7	1.8	1.0	4.6	0.3	-2.1	**3.0**	**2.0**	**2.0**	*2.7*	*1.3*	*1.7*
Greece	2.9	2.3	-0.5	-2.1	1.4	-0.1	**0.0**	**0.0**	**0.0**	*0.4*	*-0.1*	*-0.4*
Spain	0.4	0.3	1.5	2.0	2.4	2.1	**0.2**	**0.1**	**0.1**	*0.7*	*0.4*	*0.5*
France	1.5	0.9	0.5	1.6	0.5	0.5	**0.1**	**0.6**	**0.7**	*0.1*	*0.7*	*1.0*
Italy	1.2	0.2	0.0	0.5	-1.4	0.2	**-0.6**	**0.0**	**0.6**	*-0.5*	*0.2*	*0.7*
Cyprus	2.6	0.5	1.1	-0.2	1.8	-0.1	**-0.4**	**-0.1**	**0.2**	*-0.9*	*0.2*	*0.3*
Latvia	5.6	6.5	3.8	3.4	3.3	1.9	**3.8**	**2.0**	**2.6**	*2.5*	*2.4*	*2.7*
Lithuania	5.9	7.4	3.8	5.6	2.0	1.9	**0.9**	**1.6**	**2.1**	*0.5*	*1.8*	*2.2*
Luxembourg	1.9	0.0	-0.9	-0.3	-2.5	0.0	**0.7**	**0.9**	**1.1**	*0.7*	*0.5*	*0.7*
Malta	4.3	1.4	0.4	-0.5	0.2	-1.4	**-0.6**	**1.1**	**0.8**	*0.6*	*1.3*	*1.0*
Netherlands	1.6	1.2	0.5	1.0	-1.0	0.7	**1.1**	**0.7**	**0.6**	*1.2*	*0.8*	*1.0*
Austria	2.2	1.4	0.6	1.6	-0.4	-0.5	**-0.5**	**0.2**	**0.6**	*-0.7*	*0.2*	*0.5*
Portugal	1.9	0.9	1.3	0.1	0.1	1.3	**-0.5**	**1.0**	**1.1**	*-0.7*	*0.9*	*1.0*
Slovenia	4.4	3.3	1.0	2.3	-1.8	0.5	**2.0**	**1.8**	**1.6**	*2.2*	*1.2*	*1.4*
Slovakia	4.4	4.4	3.8	0.9	1.6	2.2	**1.0**	**1.7**	**1.9**	*1.5*	*1.8*	*2.6*
Finland	2.7	1.6	0.2	1.3	-2.3	0.2	**0.2**	**0.2**	**0.6**	*0.4*	*0.5*	*0.7*
Euro area	1.3	0.8	0.6	1.6	0.0	0.4	**0.3**	**0.6**	**0.8**	*0.3*	*0.7*	*0.9*
Bulgaria	2.5	3.6	2.2	4.3	3.1	1.5	**1.3**	**0.8**	**1.0**	*1.4*	*0.8*	*0.7*
Czech Republic	2.8	3.7	1.9	2.2	-1.2	-1.1	**1.6**	**2.1**	**2.3**	*1.9*	*2.2*	*2.3*
Denmark	2.0	1.2	0.0	1.2	-0.4	-0.5	**0.4**	**1.0**	**1.2**	*0.1*	*1.1*	*1.2*
Croatia	:	3.0	-0.4	3.7	1.5	1.7	**-3.0**	**0.3**	**0.7**	*-0.5*	*0.2*	*0.5*
Hungary	1.9	4.5	0.7	1.8	-1.6	0.6	**0.4**	**0.9**	**1.0**	*-0.4*	*1.3*	*0.7*
Poland	5.7	3.8	2.9	4.2	1.6	1.8	**1.7**	**2.5**	**2.7**	*1.6*	*2.8*	*2.9*
Romania	1.3	9.0	3.2	1.9	5.7	4.0	**1.7**	**1.6**	**1.8**	*2.8*	*2.4*	*2.5*
Sweden	2.7	2.4	0.9	0.5	-1.0	0.3	**0.7**	**1.3**	**1.6**	*0.3*	*1.0*	*1.3*
United Kingdom	1.8	1.9	0.3	1.1	-0.4	0.5	**0.5**	**1.3**	**1.6**	*0.7*	*1.2*	*1.6*
EU	:	1.4	0.6	1.7	0.1	0.4	**0.3**	**0.8**	**1.1**	*0.4*	*0.9*	*1.2*
USA	2.2	2.2	1.6	0.6	0.5	0.4	**0.1**	**0.6**	**1.1**	*0.0*	*0.6*	*0.7*
Japan	1.3	1.3	0.6	-0.3	1.7	1.0	**-0.4**	**0.9**	**1.3**	*-0.1*	*1.0*	*1.0*

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	0.7	1.6	2.4	2.8	3.6	2.0	**0.1**	**-0.2**	**-0.3**	*-0.1*	*-0.3*	*-0.7*
Germany	0.1	0.1	1.0	0.6	3.3	2.4	**1.8**	**1.8**	**1.4**	*1.9*	*1.8*	*1.5*
Estonia	7.4	4.5	7.6	-0.8	3.4	6.8	**6.4**	**3.4**	**2.4**	*3.6*	*2.4*	*1.9*
Ireland	1.5	4.2	1.1	-3.2	0.5	4.2	**0.8**	**1.2**	**0.9**	*-3.9*	*0.4*	*0.3*
Greece	5.1	4.7	2.8	-0.2	-3.3	-7.0	**-1.6**	**0.1**	**1.7**	*-1.9*	*0.2*	*2.1*
Spain	2.2	3.2	2.7	-1.1	-3.0	-0.4	**-0.4**	**0.3**	**0.3**	*-0.2*	*0.2*	*0.3*
France	0.5	2.0	2.2	0.9	1.8	1.1	**1.0**	**-0.1**	**0.3**	*1.3*	*-0.3*	*-0.4*
Italy	1.6	3.2	2.7	0.7	1.9	0.7	**1.2**	**0.5**	**0.0**	*1.4*	*0.3*	*-0.1*
Cyprus	2.0	3.6	1.8	2.7	-2.6	-5.9	**-4.3**	**-0.2**	**0.9**	*-3.7*	*0.0*	*0.9*
Latvia	6.0	4.4	7.0	0.2	2.7	7.3	**4.7**	**3.1**	**2.1**	*3.6*	*2.2*	*2.2*
Lithuania	7.7	1.7	3.3	0.7	2.2	3.0	**3.4**	**3.0**	**2.6**	*3.1*	*3.1*	*3.2*
Luxembourg	1.0	3.2	3.9	2.4	4.2	3.6	**1.6**	**0.8**	**1.2**	*1.6*	*1.2*	*1.6*
Malta	-0.2	2.4	3.0	4.2	4.2	1.0	**1.5**	**0.8**	**1.2**	*1.8*	*0.5*	*1.2*
Netherlands	1.9	2.1	1.9	1.3	3.6	1.6	**0.1**	**0.0**	**0.9**	*0.4*	*0.0*	*1.1*
Austria	0.1	0.7	2.0	0.8	3.1	2.6	**2.3**	**1.3**	**0.7**	*2.7*	*1.9*	*1.5*
Portugal	3.8	2.9	1.2	-2.0	-3.2	2.5	**-0.9**	**-0.5**	**0.0**	*0.2*	*-0.2*	*-0.2*
Slovenia	5.9	4.9	3.8	-0.7	0.6	1.4	**-2.1**	**-0.2**	**0.2**	*-1.3*	*0.3*	*0.7*
Slovakia	7.2	3.4	2.3	1.1	1.0	0.3	**2.3**	**0.6**	**1.2**	*1.8*	*0.4*	*0.4*
Finland	0.5	1.3	2.8	2.3	5.2	1.9	**1.1**	**0.8**	**0.3**	*1.2*	*1.0*	*0.8*
Euro area	1.0	1.9	2.0	0.5	1.8	1.3	**1.0**	**0.7**	**0.6**	*1.1*	*0.6*	*0.6*
Bulgaria	93.4	4.0	8.3	2.4	4.5	7.2	**0.2**	**1.0**	**1.5**	*1.0*	*1.2*	*1.7*
Czech Republic	6.9	3.3	1.8	0.6	2.6	0.5	**1.4**	**0.9**	**0.8**	*1.1*	*0.7*	*0.7*
Denmark	1.7	2.4	3.4	0.2	1.9	1.9	**1.3**	**0.9**	**0.9**	*1.9*	*1.0*	*1.1*
Croatia	:	2.3	3.7	0.6	-1.3	-0.6	**-2.4**	**-1.7**	**0.8**	*2.3*	*0.9*	*1.0*
Hungary	13.6	6.4	2.9	1.6	3.4	0.9	**2.7**	**3.9**	**2.0**	*4.2*	*2.5*	*2.3*
Poland	10.8	-0.3	2.6	1.1	1.8	0.8	**-2.0**	**-0.5**	**0.5**	*0.7*	*0.9*	*1.0*
Romania	64.4	17.1	8.0	-5.8	3.5	-1.3	**0.3**	**0.9**	**1.0**	*1.8*	*0.9*	*1.5*
Sweden	1.5	1.2	2.5	2.6	4.1	1.4	**1.5**	**1.0**	**0.9**	*2.2*	*1.7*	*1.5*
United Kingdom	3.1	2.3	3.2	-0.1	2.4	1.4	**0.9**	**1.0**	**1.2**	*1.2*	*0.8*	*0.8*
EU	:	2.0	2.3	0.5	2.0	1.3	**0.9**	**0.8**	**0.8**	*1.2*	*0.7*	*0.7*
USA	2.2	1.3	1.5	1.9	1.6	0.3	**1.5**	**2.0**	**2.6**	*1.4*	*1.3*	*2.1*
Japan	-1.3	-2.6	-1.7	0.8	-1.9	-0.9	**0.8**	**-0.2**	**-0.3**	*0.7*	*-0.3*	*-0.1*

[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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	-0.4	-0.5	0.4	0.6	1.5	0.5	**-0.6**	**-1.3**	**-1.3**	*-0.7*	*-1.1*	*-1.8*
Germany	-0.1	-1.0	-0.1	-0.5	1.8	0.3	**0.1**	**0.1**	**-0.6**	*0.1*	*0.4*	*-0.5*
Estonia	-2.4	-0.7	1.7	-3.7	0.7	2.2	**4.2**	**1.7**	**-0.4**	*1.2*	*0.3*	*-0.6*
Ireland	-2.9	-0.2	1.7	-4.1	-0.8	3.2	**-0.4**	**-0.9**	**-0.7**	*-4.3*	*0.0*	*-0.4*
Greece	0.3	1.6	-0.1	-0.9	-3.4	-4.9	**1.0**	**1.4**	**1.0**	*0.3*	*0.4*	*1.2*
Spain	-0.6	-0.8	0.7	-1.2	-3.2	-1.1	**0.1**	**0.1**	**-0.5**	*0.5*	*0.0*	*-0.7*
France	-0.5	0.1	0.5	-0.1	0.6	0.3	**0.1**	**-1.1**	**-0.7**	*0.5*	*-1.2*	*-1.3*
Italy	-1.0	0.4	0.9	-0.8	0.5	-0.6	**0.4**	**-0.1**	**-1.5**	*0.9*	*-0.1*	*-1.2*
Cyprus	-0.5	0.4	-1.0	0.7	-4.6	-4.6	**-3.2**	**0.0**	**0.3**	*-2.0*	*-0.8*	*-0.5*
Latvia	0.3	-1.5	0.8	-5.8	-0.9	6.2	**3.5**	**1.5**	**0.2**	*2.4*	*0.5*	*-0.1*
Lithuania	1.3	0.1	-1.3	-4.2	-0.5	1.4	**2.6**	**1.2**	**0.3**	*1.7*	*0.3*	*0.8*
Luxembourg	-0.6	1.2	0.4	-2.4	0.7	2.2	**0.7**	**0.6**	**-0.5**	*0.0*	*0.6*	*-0.6*
Malta	-1.9	0.0	0.0	1.9	2.1	-0.9	**0.0**	**-0.6**	**-0.7**	*0.3*	*-1.0*	*-0.5*
Netherlands	-0.6	-0.5	0.3	1.2	2.3	0.5	**-1.0**	**0.5**	**-1.0**	*-0.1*	*-0.6*	*-0.1*
Austria	-0.8	-1.0	0.3	-1.0	1.2	1.1	**0.6**	**0.4**	**-0.8**	*0.7*	*0.6*	*-0.3*
Portugal	0.4	-0.5	-0.7	-1.7	-2.8	0.3	**-2.1**	**-1.8**	**-1.4**	*-0.8*	*-1.2*	*-1.5*
Slovenia	-1.8	-0.4	1.2	-1.8	0.3	0.0	**-2.5**	**-0.5**	**-0.9**	*-1.7*	*0.1*	*-0.3*
Slovakia	1.0	-1.1	1.1	-0.6	-0.2	-0.2	**2.6**	**0.5**	**-0.1**	*1.8*	*-0.3*	*-0.9*
Finland	-1.0	0.1	1.0	-0.3	2.2	-0.6	**0.0**	**-0.4**	**-1.1**	*0.0*	*-0.3*	*-0.6*
Euro area	-0.6	-0.5	0.4	-0.5	0.6	0.1	**0.0**	**-0.2**	**-0.8**	*0.3*	*-0.2*	*-0.8*
Bulgaria	-0.7	-0.7	1.9	-4.3	2.9	8.0	**-0.5**	**0.7**	**0.9**	*0.3*	*1.0*	*1.1*
Czech Republic	0.3	0.8	0.4	0.8	1.1	-1.2	**-1.0**	**-0.8**	**-0.8**	*-1.2*	*-0.8*	*-0.7*
Denmark	-0.3	0.1	0.9	-0.6	-0.6	0.3	**0.7**	**0.0**	**-0.6**	*1.1*	*-0.1*	*-0.7*
Croatia	:	-1.4	0.2	-1.1	-2.8	-1.4	**-2.4**	**-1.8**	**-0.5**	*2.5*	*0.8*	*-0.3*
Hungary	-0.9	-0.1	-1.0	-0.6	0.1	-2.0	**-0.4**	**1.2**	**-0.8**	*1.9*	*0.2*	*-0.5*
Poland	-0.1	-2.7	-0.3	-2.0	-0.4	-0.4	**-2.5**	**-0.9**	**-0.5**	*-0.4*	*0.3*	*-0.5*
Romania	2.3	-4.0	-1.6	-10.1	-1.4	-4.5	**-1.5**	**-0.4**	**-0.7**	*-0.6*	*-1.4*	*-0.9*
Sweden	0.4	-0.2	0.2	1.4	3.0	0.2	**0.2**	**-0.5**	**-0.7**	*0.7*	*0.0*	*-0.2*
United Kingdom	0.8	0.0	0.5	-2.2	0.7	-0.4	**-0.8**	**-0.4**	**-0.5**	*-1.0*	*-0.6*	*-0.7*
EU	:	-0.6	0.3	-0.9	0.4	-0.1	**-0.2**	**-0.3**	**-0.8**	*0.1*	*-0.3*	*-0.8*
USA	0.5	-1.0	-0.4	-0.1	-0.1	-1.2	**0.0**	**0.4**	**0.3**	*-0.2*	*0.4*	*0.2*
Japan	-0.8	-1.3	-0.5	2.7	-0.9	-0.3	**-0.9**	**-0.5**	**-1.1**	*-0.9*	*-0.7*	*-1.0*

[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 (1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	:	:	:	:	:	:	:	:	:	:	:	:
Germany	:	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.6055	15.6466	15.6466	:	:	:	:	:	:	:	:	:
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	321.6052	:	:	:	:	:	:	:	:	:	:	:
Spain	:	:	:	:	:	:	:	:	:	:	:	:
France	:	:	:	:	:	:	:	:	:	:	:	:
Italy	:	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.5813	0.5788	:	:	:	:	:	:	:	:	:	:
Latvia	0.6408	0.6286	0.7027	0.7063	0.6973	0.7015	:	:	:	:	:	:
Lithuania	4.4118	3.4800	3.4528	3.4528	3.4528	3.4528	**3.4528**	:	:	*3.4528*	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4320	0.4192	:	:	:	:	:	:	:	:	:	:
Netherlands	:	:	:	:	:	:	:	:	:	:	:	:
Austria	:	:	:	:	:	:	:	:	:	:	:	:
Portugal	:	:	:	:	:	:	:	:	:	:	:	:
Slovenia	187.9596	231.2923	:	:	:	:	:	:	:	:	:	:
Slovakia	40.6603	41.2208	:	:	:	:	:	:	:	:	:	:
Finland	:	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	1.6008	1.9511	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czech Republic	35.7840	31.6782	26.5545	24.5898	25.1491	25.9797	**27.5359**	**27.4785**	**27.4305**	*27.5359*	*28.0135*	*28.0188*
Denmark	7.4463	7.4410	7.4519	7.4506	7.4437	7.4579	**7.4548**	**7.4644**	**7.4689**	*7.4548*	*7.4377*	*7.4377*
Croatia	7.2456	7.4722	7.3030	7.4390	7.5217	7.5786	**7.6344**	**7.6127**	**7.5902**	*7.6344*	*7.6900*	*7.6903*
Hungary	231.7594	250.5756	264.5870	279.3726	289.2494	296.8730	**308.7061**	**300.9196**	**298.3510**	*308.7061*	*318.3625*	*318.3580*
Poland	3.8580	4.0958	3.9028	4.1206	4.1847	4.1975	**4.1843**	**4.0673**	**4.0266**	*4.1843*	*4.2984*	*4.2983*
Romania	1.1657	3.4309	3.7992	4.2391	4.4593	4.4190	**4.4437**	**4.4214**	**4.4116**	*4.4437*	*4.4981*	*4.4981*
Sweden	8.6669	9.1894	9.6552	9.0298	8.7041	8.6515	**9.0985**	**9.3398**	**9.3272**	*9.0985*	*9.4555*	*9.4558*
United Kingdom	0.6901	0.6610	0.7822	0.8679	0.8109	0.8493	**0.8061**	**0.7285**	**0.7237**	*0.8061*	*0.7706*	*0.7704*
EU	:	:	:	:	:	:	:	:	:	:	:	:
USA	1.1029	1.0921	1.3635	1.3920	1.2848	1.3281	**1.3285**	**1.0845**	**1.0710**	*1.3285*	*1.1690*	*1.1686*
Japan	128.4734	125.8020	141.2594	110.9586	102.4919	129.6627	**140.3061**	**129.7269**	**128.3030**	*140.3*	*137.7*	*137.6*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	-1.7	1.5	0.4	0.3	-1.9	2.4	0.7	-3.9	-0.3	0.6	-1.9	0.0
Germany	-1.5	2.0	0.3	0.1	-2.3	3.2	1.1	-5.0	-0.4	1.1	-2.4	0.0
Estonia	-0.8	1.3	0.4	-0.5	-1.7	1.5	1.5	-1.9	-0.2	1.4	-0.2	0.0
Ireland	-1.5	2.5	0.9	0.8	-3.6	3.1	0.1	-7.0	-0.5	0.1	-4.2	0.0
Greece	0.3	2.2	0.6	1.0	-1.7	3.1	2.1	-3.8	-0.2	1.2	-1.8	0.0
Spain	-1.1	1.6	0.5	0.4	-1.9	2.3	0.8	-3.9	-0.3	0.7	-1.8	0.0
France	-1.0	1.8	0.4	0.2	-2.4	3.1	1.0	-4.7	-0.4	0.9	-2.4	0.0
Italy	1.9	2.1	0.3	0.4	-2.1	2.9	1.1	-4.9	-0.4	1.1	-2.5	0.0
Cyprus	6.3	2.0	0.5	0.2	-2.1	2.8	0.5	-4.3	-0.3	0.5	-1.7	0.0
Latvia	4.3	-3.2	0.0	0.4	0.1	1.1	1.0	-2.2	-0.3	0.8	-0.5	0.0
Lithuania	8.8	3.1	0.3	0.4	-1.3	1.8	0.8	-2.5	-0.3	0.9	-0.9	0.0
Luxembourg	-1.4	0.9	0.4	0.0	-1.5	1.8	0.7	-3.0	-0.2	0.2	-1.5	0.0
Malta	0.0	1.3	0.4	0.3	-2.1	2.6	0.8	-3.6	-0.3	0.4	-1.8	0.0
Netherlands	-1.5	1.3	0.5	0.2	-1.8	2.0	0.5	-3.4	-0.3	0.5	-1.6	0.0
Austria	-0.4	1.1	0.2	-0.1	-1.3	2.0	0.9	-3.3	-0.3	0.8	-1.5	0.0
Portugal	-1.1	1.1	0.4	0.3	-1.5	1.7	0.4	-3.2	-0.3	0.4	-1.5	0.0
Slovenia	-5.0	-2.2	0.2	0.4	-0.6	1.4	0.8	-2.0	-0.2	0.8	-0.7	0.0
Slovakia	-0.6	2.4	5.3	0.2	-0.4	1.2	0.8	-1.9	-0.2	0.9	-0.4	0.0
Finland	-1.8	2.0	0.3	-0.1	-2.6	3.1	1.6	-4.2	-0.4	1.6	-1.9	0.0
Euro area	-1.7	4.0	0.9	0.5	-4.4	6.1	2.1	-8.7	-0.7	2.1	-4.6	0.0
Bulgaria	-44.1	3.0	0.7	1.3	-0.7	2.2	1.8	-2.7	-0.2	1.6	-1.4	0.0
Czech Republic	0.4	4.5	3.6	3.1	-3.2	-1.8	-5.2	-2.3	-0.1	-5.3	-2.6	0.0
Denmark	-1.3	1.7	0.4	-0.4	-2.6	2.6	1.5	-4.0	-0.5	1.4	-1.1	0.0
Croatia	-1.5	1.8	0.5	-1.6	-2.2	1.0	0.2	-2.5	0.1	0.1	-2.1	0.0
Hungary	-7.8	2.0	-1.8	-1.0	-4.4	-1.1	-3.1	0.2	0.6	-3.1	-4.1	0.0
Poland	-4.2	0.8	0.4	-2.8	-2.8	1.4	1.1	0.5	0.8	1.1	-3.6	0.0
Romania	-31.9	-9.6	-2.5	0.4	-5.9	2.8	0.7	-2.1	0.0	0.8	-2.5	0.0
Sweden	1.1	0.0	-0.2	5.9	1.2	3.6	-3.8	-6.3	-0.2	-3.8	-5.4	0.0
United Kingdom	5.5	-0.2	-4.5	-0.9	4.4	-1.7	6.9	5.3	0.3	6.8	1.8	0.0
EU	-0.7	5.4	-0.6	1.1	-5.2	8.0	4.6	-10.7	-0.8	4.6	-7.0	-0.1
USA	5.2	-2.7	-1.4	-5.3	4.1	2.8	3.8	16.2	0.6	3.8	10.9	0.0
Japan	0.7	-3.1	4.0	5.9	3.3	-18.4	-6.6	-1.8	0.4	-6.7	-3.9	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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	:	-0.2	0.3	2.0	1.3	0.6	-1.1	-1.1	-1.3	-1.5	-1.1	-1.6
Germany	:	-1.9	-1.3	-0.2	1.3	1.2	0.7	1.0	0.5	0.6	1.2	0.8
Estonia	:	2.7	4.8	-2.1	0.4	4.7	4.8	2.1	1.2	1.7	1.1	0.6
Ireland	:	2.5	-0.9	-4.3	-1.5	3.1	-0.3	0.3	-0.2	-5.1	-0.3	-0.6
Greece	:	1.8	0.0	-0.7	-5.8	-8.9	-3.3	-1.5	-0.1	-3.5	-0.9	0.9
Spain	:	1.1	0.5	-1.7	-4.9	-1.9	-1.6	-0.6	-0.7	-1.6	-0.4	-0.4
France	:	0.1	0.0	0.1	-0.2	-0.1	-0.1	-1.1	-0.8	-0.1	-1.2	-1.3
Italy	:	1.3	0.6	0.0	-0.2	-0.6	0.0	-0.6	-1.1	-0.1	-0.6	-1.0
Cyprus	:	1.0	-0.7	2.2	-3.5	-5.6	-4.9	-1.1	-0.3	-4.4	-0.8	-0.3
Latvia	:	2.6	4.3	-0.7	-0.1	5.4	3.2	1.7	0.8	1.7	0.8	0.9
Lithuania	:	-0.3	0.5	-0.2	-0.5	0.9	1.9	1.7	1.4	1.3	1.9	2.0
Luxembourg	:	1.5	1.7	1.6	1.6	2.0	0.3	-0.2	0.3	0.2	0.4	0.8
Malta	:	1.0	1.2	3.5	2.5	-0.4	0.2	-0.3	0.0	0.7	-0.2	0.4
Netherlands	:	0.4	-0.1	0.5	1.3	0.1	-1.1	-1.0	-0.1	-1.0	-0.9	0.3
Austria	:	-1.1	0.0	0.0	0.7	1.2	1.1	0.3	-0.3	1.2	1.0	0.6
Portugal	:	0.9	-1.0	-2.4	-4.4	1.5	-1.8	-1.4	-0.9	-0.9	-0.8	-0.9
Slovenia	:	2.9	1.5	-1.4	-1.7	-0.1	-3.3	-1.1	-0.8	-3.0	-0.7	-0.3
Slovakia	:	1.6	0.1	0.4	-1.5	-1.2	1.2	-0.4	0.2	0.1	-0.6	-0.6
Finland	:	-0.4	0.6	1.2	2.7	0.3	-0.2	-0.3	-0.9	-0.4	-0.1	-0.3
Euro area	:	-0.4	-0.6	-0.2	0.2	0.5	-0.2	-0.3	-0.6	-0.8	-0.3	-0.5
Bulgaria	:	0.2	5.4	2.5	1.8	5.9	-1.4	-0.5	-0.1	-1.0	-0.1	0.3
Czech Republic	:	1.8	-0.2	-0.2	0.1	-1.1	0.1	-0.2	-0.2	-0.5	-0.3	-0.3
Denmark	:	0.9	1.2	-1.1	-0.5	0.3	0.1	-0.2	-0.2	0.3	0.0	0.0
Croatia	:	0.1	1.4	-0.1	-3.7	-2.1	-3.7	-2.9	-0.3	0.8	-0.1	0.0
Hungary	:	4.6	0.6	1.2	0.9	-0.6	1.5	2.8	0.9	2.6	1.5	1.3
Poland	:	-2.0	0.4	0.4	-0.7	-0.9	-3.4	-1.7	-0.6	-0.9	-0.1	-0.1
Romania	:	14.0	5.3	-6.3	0.7	-3.0	-1.2	-0.4	-0.3	-0.2	-0.3	0.4
Sweden	:	-0.5	0.0	1.4	1.7	-0.4	0.3	-0.1	-0.3	0.6	0.7	0.5
United Kingdom	:	0.6	1.3	-1.1	0.4	0.1	-0.3	0.1	0.1	0.0	0.0	-0.1
EU	:	0.1	0.3	-0.6	0.2	0.2	-1.0	-0.7	-1.0	-1.1	-0.4	-0.7
USA	:	-0.4	-0.5	0.5	-0.2	-0.9	0.5	1.4	2.0	0.3	0.9	1.6
Japan	:	-4.3	-3.8	-0.6	-3.8	-1.9	-0.4	-1.4	-1.6	-0.5	-1.1	-1.3

[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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	:	1.4	0.7	2.3	-0.6	3.0	**-0.5**	**-5.0**	**-1.6**	*-0.9*	*-3.0*	*-1.6*
Germany	:	0.0	-1.0	-0.2	-1.1	4.4	**1.8**	**-4.0**	**0.1**	*1.7*	*-1.2*	*0.8*
Estonia	:	4.0	5.2	-2.5	-1.3	6.3	**6.4**	**0.1**	**1.0**	*3.1*	*0.9*	*0.6*
Ireland	:	5.1	-0.1	-3.6	-5.1	6.3	**-0.2**	**-6.7**	**-0.7**	*-5.0*	*-4.5*	*-0.6*
Greece	:	4.0	0.6	0.4	-7.5	-6.1	**-1.2**	**-5.2**	**-0.3**	*-2.4*	*-2.8*	*0.9*
Spain	:	2.7	1.0	-1.3	-6.7	0.4	**-0.9**	**-4.5**	**-1.0**	*-0.9*	*-2.3*	*-0.4*
France	:	2.0	0.4	0.4	-2.5	3.0	**0.8**	**-5.8**	**-1.2**	*0.9*	*-3.6*	*-1.3*
Italy	:	3.4	0.9	0.4	-2.3	2.3	**1.1**	**-5.4**	**-1.5**	*0.9*	*-3.0*	*-1.0*
Cyprus	:	3.1	-0.3	2.4	-5.5	-3.0	**-4.4**	**-5.3**	**-0.6**	*-4.0*	*-2.5*	*-0.3*
Latvia	:	-0.7	4.3	-0.2	0.0	6.5	**4.2**	**-0.5**	**0.5**	*2.6*	*0.3*	*0.9*
Lithuania	:	2.7	0.9	0.2	-1.8	2.7	**2.8**	**-0.9**	**1.1**	*2.2*	*1.0*	*2.0*
Luxembourg	:	2.4	2.1	1.6	0.1	3.8	**1.0**	**-3.2**	**0.0**	*0.4*	*-1.1*	*0.8*
Malta	:	2.3	1.6	3.8	0.4	2.2	**1.0**	**-3.9**	**-0.2**	*1.1*	*-2.0*	*0.4*
Netherlands	:	1.7	0.3	0.7	-0.4	2.1	**-0.6**	**-4.4**	**-0.4**	*-0.5*	*-2.6*	*0.3*
Austria	:	0.0	0.2	0.0	-0.6	3.2	**2.0**	**-3.1**	**-0.5**	*2.0*	*-0.6*	*0.6*
Portugal	:	2.0	-0.7	-2.1	-5.8	3.2	**-1.3**	**-4.5**	**-1.1**	*-0.5*	*-2.3*	*-0.9*
Slovenia	:	0.7	1.7	-1.0	-2.3	1.3	**-2.5**	**-3.2**	**-1.0**	*-2.3*	*-1.5*	*-0.3*
Slovakia	:	4.0	5.4	0.6	-1.9	0.0	**1.9**	**-2.4**	**0.0**	*1.0*	*-1.0*	*-0.6*
Finland	:	1.6	0.9	1.1	0.1	3.4	**1.4**	**-4.5**	**-1.3**	*1.2*	*-1.9*	*-0.4*
Euro area	:	3.6	0.3	0.3	-4.2	6.6	**1.8**	**-9.1**	**-1.3**	*1.3*	*-4.9*	*-0.5*
Bulgaria	:	3.2	6.1	3.8	1.1	8.2	**0.4**	**-3.1**	**-0.3**	*0.6*	*-1.5*	*0.3*
Czech Republic	:	6.4	3.4	2.9	-3.1	-2.9	**-5.1**	**-2.5**	**-0.3**	*-5.7*	*-2.9*	*-0.4*
Denmark	:	2.6	1.6	-1.5	-3.1	3.0	**1.5**	**-4.1**	**-0.6**	*1.8*	*-1.1*	*0.0*
Croatia	:	1.9	1.9	-1.7	-5.8	-1.1	**-3.5**	**-5.3**	**-0.2**	*0.9*	*-2.1*	*0.0*
Hungary	:	6.7	-1.2	0.2	-3.5	-1.7	**-1.7**	**3.0**	**1.5**	*-0.6*	*-2.7*	*1.3*
Poland	:	-1.3	0.8	-2.4	-3.5	0.4	**-2.4**	**-1.2**	**0.2**	*0.1*	*-3.7*	*-0.1*
Romania	:	3.0	2.6	-5.9	-5.3	-0.3	**-0.6**	**-2.5**	**-0.3**	*0.6*	*-2.8*	*0.3*
Sweden	:	-0.5	-0.2	7.4	2.9	3.2	**-3.5**	**-6.4**	**-0.5**	*-3.2*	*-4.7*	*0.4*
United Kingdom	:	0.3	-3.3	-2.0	4.8	-1.7	**6.6**	**5.4**	**0.4**	*6.8*	*1.8*	*-0.1*
EU	:	5.5	-0.4	0.5	-4.9	8.3	**3.5**	**-11.3**	**-1.8**	*3.5*	*-7.4*	*-0.7*
USA	:	-3.1	-1.9	-4.8	3.9	1.8	**4.3**	**17.7**	**2.6**	*4.1*	*11.9*	*1.6*
Japan	:	-7.3	0.0	5.2	-0.7	-19.9	**-7.0**	**-3.2**	**-1.2**	*-7.2*	*-5.0*	*-1.2*

[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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	50.4	49.4	50.0	53.4	54.8	54.5	**54.3**	**53.3**	**52.6**	*54.4*	*53.5*	*53.0*
Germany	47.4	46.9	45.1	44.6	44.2	44.3	**43.9**	**43.7**	**43.5**	*44.1*	*44.3*	*43.9*
Estonia	:	34.9	38.8	38.0	39.8	38.8	**38.8**	**40.2**	**39.8**	*38.9*	*39.5*	*39.4*
Ireland	35.1	33.2	45.1	46.3	42.3	40.7	**39.0**	**37.2**	**36.8**	*39.1*	*37.4*	*36.9*
Greece	:	:	49.7	54.0	54.4	60.1	**49.3**	**50.2**	**47.9**	*48.6*	*46.4*	*43.8*
Spain	40.9	38.5	41.9	45.4	47.3	44.3	**43.6**	**42.4**	**41.4**	*43.8*	*42.9*	*42.0*
France	52.7	52.3	54.2	55.9	56.8	57.0	**57.2**	**56.9**	**56.5**	*57.7*	*57.5*	*57.3*
Italy	48.5	47.1	48.6	49.1	50.8	50.9	**51.1**	**50.6**	**49.9**	*50.7*	*50.1*	*49.6*
Cyprus	34.0	38.3	40.3	42.8	42.1	41.4	**49.1**	**40.7**	**39.6**	*42.1*	*41.5*	*39.9*
Latvia	37.6	34.4	38.9	38.8	36.5	36.0	**36.9**	**36.1**	**35.6**	*35.7*	*34.6*	*33.8*
Lithuania	:	:	39.0	42.5	36.1	35.5	**34.9**	**33.9**	**33.4**	*35.5*	*34.2*	*33.6*
Luxembourg	38.5	41.1	41.2	42.3	43.5	43.6	**44.0**	**44.4**	**43.8**	*44.1*	*44.6*	*44.3*
Malta	41.4	42.5	41.8	40.9	42.4	42.3	**43.8**	**44.3**	**42.4**	*43.0*	*43.6*	*42.8*
Netherlands	44.5	43.7	45.3	47.0	47.5	46.8	**46.6**	**46.5**	**45.7**	*47.5*	*46.9*	*46.4*
Austria	52.2	51.4	51.2	50.8	50.9	50.9	**52.3**	**52.0**	**51.2**	*52.7*	*52.1*	*51.5*
Portugal	42.7	45.2	47.4	50.0	48.5	50.1	**49.0**	**48.0**	**47.2**	*48.6*	*47.1*	*47.0*
Slovenia	45.0	45.8	45.6	50.0	48.6	59.9	**49.8**	**47.7**	**46.2**	*50.3*	*47.2*	*46.4*
Slovakia	49.3	41.1	39.4	40.6	40.2	41.0	**41.8**	**42.4**	**40.1**	*40.8*	*40.7*	*39.5*
Finland	53.4	48.8	50.6	54.4	56.1	57.8	**58.7**	**58.9**	**58.7**	*58.6*	*58.5*	*58.1*
Euro area	:	:	47.8	49.0	49.5	49.4	**49.0**	**48.6**	**48.0**	*49.2*	*48.8*	*48.3*
Bulgaria	37.5	38.5	37.6	34.7	35.2	38.3	**39.2**	**39.3**	**39.1**	*40.5*	*40.4*	*40.1*
Czech Republic	41.1	43.9	41.5	42.4	43.8	41.9	**42.0**	**42.0**	**40.8**	*41.5*	*42.1*	*41.2*
Denmark	55.3	52.8	52.8	56.8	58.8	57.1	**57.2**	**56.3**	**54.9**	*56.5*	*56.1*	*54.6*
Croatia	:	:	:	48.5	47.0	47.7	**48.0**	**48.3**	**48.6**	*48.3*	*48.9*	*48.9*
Hungary	49.5	49.3	50.3	49.9	48.7	49.8	**50.1**	**49.2**	**46.0**	*50.0*	*49.8*	*46.9*
Poland	45.6	44.8	44.7	43.9	42.9	42.2	**41.8**	**41.7**	**41.3**	*41.2*	*41.0*	*40.5*
Romania	36.1	34.2	38.5	39.1	36.4	35.2	**34.9**	**34.7**	**34.3**	*34.8*	*34.2*	*33.9*
Sweden	57.6	53.4	51.3	51.4	52.6	53.3	**53.0**	**52.7**	**52.3**	*54.2*	*53.8*	*53.4*
United Kingdom	38.7	41.1	46.2	46.9	47.0	45.5	**44.4**	**43.2**	**41.9**	*43.7*	*42.8*	*42.0*
EU	:	:	:	48.5	49.0	48.6	**48.1**	**47.4**	**46.7**	*48.1*	*47.6*	*47.0*
USA	34.8	36.0	39.5	41.5	40.1	38.7	**38.2**	**37.6**	**37.3**	*38.2*	*37.9*	*37.7*
Japan	38.0	37.4	38.3	41.9	41.8	42.3	**42.7**	**42.4**	**41.8**	*42.4*	*42.3*	*41.9*

Table 35: Total revenue, general government (as a percentage of GDP, 1996-2016) — 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	48.8	48.6	48.0	49.3	50.7	51.5	51.1	50.7	50.2	51.2	50.9	50.7
Germany	45.5	43.3	43.4	43.7	44.3	44.5	44.6	44.3	44.0	44.5	44.5	44.2
Estonia	:	36.1	39.0	39.2	39.6	38.5	39.4	39.9	39.6	38.5	39.0	38.8
Ireland	37.2	34.0	35.1	33.5	34.2	34.9	34.9	34.4	33.9	35.1	34.5	33.9
Greece	:	:	39.9	43.8	45.7	47.8	45.8	48.1	45.8	46.1	47.6	45.3
Spain	38.0	38.4	37.8	36.0	37.0	37.5	37.8	37.9	37.8	38.2	38.4	38.3
France	50.2	49.3	49.8	50.8	52.0	52.9	53.2	53.1	53.1	53.4	53.5	53.2
Italy	45.3	43.6	45.2	45.6	47.8	48.0	48.1	48.0	47.9	47.7	47.6	47.7
Cyprus	30.4	34.7	38.8	37.0	36.3	36.5	40.3	39.6	39.4	39.1	38.5	38.4
Latvia	36.5	33.0	34.4	35.5	35.7	35.3	35.5	34.7	34.0	34.2	33.5	32.8
Lithuania	:	:	34.9	33.6	33.0	32.9	34.3	32.4	32.5	34.3	32.8	32.7
Luxembourg	42.0	42.6	42.8	42.7	43.6	44.4	44.7	44.4	44.1	44.6	44.2	44.4
Malta	34.1	37.0	38.7	38.3	38.7	39.7	41.7	42.5	40.9	40.7	41.6	40.9
Netherlands	44.2	42.2	43.3	42.7	43.5	44.5	44.3	44.8	44.5	44.7	44.7	44.7
Austria	49.4	49.2	48.2	48.2	48.7	49.6	49.9	50.0	49.1	49.9	50.1	50.1
Portugal	38.9	40.2	41.0	42.6	42.9	45.2	44.5	45.0	44.4	44.0	43.9	44.2
Slovenia	42.6	43.2	42.6	43.3	44.6	45.0	45.0	44.8	43.4	44.9	44.3	43.7
Slovakia	41.1	36.6	34.8	36.4	36.0	38.4	38.9	39.6	37.5	37.8	37.8	36.9
Finland	54.5	52.0	52.2	53.3	54.0	55.2	55.5	55.6	55.5	56.0	56.0	56.0
Euro area	:	:	44.5	44.8	45.9	46.6	46.6	46.6	46.2	46.6	46.6	46.4
Bulgaria	35.8	39.0	37.1	32.6	34.5	37.4	36.4	36.4	36.2	37.1	37.4	37.2
Czech Republic	37.5	39.1	38.5	39.7	39.9	40.8	40.1	40.0	39.3	40.2	40.1	39.7
Denmark	55.0	54.4	54.3	54.8	55.1	56.0	58.5	54.8	52.3	58.4	53.3	51.8
Croatia	:	:	:	41.0	41.7	42.4	42.3	42.7	42.9	43.3	43.4	43.3
Hungary	44.4	42.4	44.9	44.4	46.4	47.3	47.6	46.7	43.8	47.5	47.0	44.4
Poland	41.9	39.9	39.8	39.0	39.2	38.2	38.6	38.9	38.7	37.7	38.1	37.8
Romania	32.0	32.3	33.3	33.8	33.5	33.0	33.4	33.1	30.8	33.0	32.7	32.4
Sweden	57.7	53.6	52.6	51.4	51.7	51.9	51.1	51.2	51.3	52.0	52.2	52.4
United Kingdom	37.8	38.7	39.9	39.2	38.6	39.8	38.7	38.7	38.8	38.3	38.2	38.3
EU	:	:	:	44.0	44.7	45.4	45.2	45.0	44.6	45.2	45.0	44.8
USA	33.9	31.7	31.9	30.9	31.2	33.1	33.3	33.4	33.5	33.3	33.7	33.9
Japan	31.3	31.0	33.8	33.1	33.1	33.9	34.9	35.3	35.3	34.7	35.1	35.1

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1996-2016) — 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	-1.6	-0.9	-2.0	-4.1	-4.1	-2.9	-3.2	-2.6	-2.4	-3.2	-2.6	-2.4
Germany	-1.8	-3.6	-1.7	-0.9	0.1	0.1	0.7	0.6	0.5	0.4	0.2	0.2
Estonia	:	1.2	0.2	1.2	-0.2	-0.2	0.6	-0.2	-0.1	-0.4	-0.6	-0.6
Ireland	2.1	0.8	-10.1	-12.7	-8.1	-5.8	-4.1	-2.8	-2.9	-4.0	-2.9	-3.1
Greece	:	:	-9.8	-10.2	-8.7	-12.3	-3.5	-2.1	-2.2	-2.5	1.1	1.6
Spain	-2.9	0.0	-4.1	-9.4	-10.3	-6.8	-5.8	-4.5	-3.5	-5.6	-4.5	-3.7
France	-2.6	-3.0	-4.4	-5.1	-4.8	-4.1	-4.0	-3.8	-3.5	-4.3	-4.1	-4.1
Italy	-3.2	-3.5	-3.5	-3.5	-3.0	-2.9	-3.0	-2.6	-2.0	-3.0	-2.6	-2.0
Cyprus	-3.6	-3.6	-1.4	-5.8	-5.8	-4.9	-8.8	-1.1	-0.1	-3.0	-3.0	-1.4
Latvia	-1.1	-1.4	-4.4	-3.3	-0.8	-0.7	-1.4	-1.4	-1.6	-1.5	-1.1	-1.0
Lithuania	:	:	-4.0	-8.9	-3.1	-2.6	-0.7	-1.5	-0.9	-1.2	-1.4	-0.9
Luxembourg	3.5	1.6	1.6	0.4	0.1	0.9	0.6	0.0	0.3	0.5	-0.4	0.1
Malta	-7.2	-5.5	-3.1	-2.6	-3.6	-2.6	-2.1	-1.8	-1.5	-2.3	-2.0	-1.8
Netherlands	-0.4	-1.5	-2.0	-4.3	-4.0	-2.3	-2.3	-1.7	-1.2	-2.8	-2.2	-1.8
Austria	-2.8	-2.2	-3.0	-2.6	-2.2	-1.3	-2.4	-2.0	-2.0	-2.9	-2.0	-1.4
Portugal	-3.8	-5.0	-6.4	-7.4	-5.6	-4.8	-4.5	-3.1	-2.8	-4.6	-3.2	-2.8
Slovenia	-2.5	-2.5	-3.0	-6.6	-4.0	-14.9	-4.9	-2.9	-2.8	-5.4	-2.9	-2.8
Slovakia	-8.1	-4.5	-4.7	-4.1	-4.2	-2.6	-2.9	-2.7	-2.5	-3.0	-2.8	-2.6
Finland	1.1	3.3	1.6	-1.0	-2.1	-2.5	-3.2	-3.3	-3.2	-2.7	-2.5	-2.2
Euro area	:	:	-3.3	-4.1	-3.6	-2.9	-2.4	-2.0	-1.7	-2.6	-2.2	-1.9
Bulgaria	-1.7	0.5	-0.6	-2.0	-0.7	-0.9	-2.8	-2.9	-2.9	-3.4	-3.0	-2.9
Czech Republic	-3.6	-4.8	-3.0	-2.7	-3.9	-1.2	-2.0	-2.0	-1.5	-1.3	-2.0	-1.5
Denmark	-0.3	1.6	1.5	-2.1	-3.7	-1.1	1.2	-1.5	-2.6	1.8	-2.8	-2.7
Croatia	:	:	:	-7.5	-5.3	-5.4	-5.7	-5.6	-5.7	-5.0	-5.5	-5.6
Hungary	-5.1	-6.9	-5.5	-5.5	-2.3	-2.5	-2.6	-2.5	-2.2	-2.6	-2.7	-2.5
Poland	-3.7	-5.0	-4.8	-4.9	-3.7	-4.0	-3.2	-2.8	-2.6	-3.6	-2.9	-2.7
Romania	-4.0	-1.9	-5.2	-5.3	-2.9	-2.2	-1.5	-1.6	-3.5	-1.8	-1.5	-1.5
Sweden	0.0	0.2	1.3	-0.1	-0.9	-1.4	-1.9	-1.5	-1.0	-2.2	-1.6	-1.0
United Kingdom	-0.9	-2.4	-6.3	-7.6	-8.3	-5.7	-5.7	-4.5	-3.1	-5.4	-4.6	-3.6
EU	:	:	:	-4.5	-4.2	-3.2	-2.9	-2.5	-2.0	-3.0	-2.6	-2.2
USA	-0.8	-4.3	-7.6	-10.6	-8.9	-5.6	-4.9	-4.2	-3.8	-4.9	-4.2	-3.8
Japan	-6.7	-6.4	-4.5	-8.8	-8.7	-8.5	-7.8	-7.1	-6.5	-7.7	-7.2	-6.8

Table 37: Interest expenditure, general government (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	7.3	5.2	3.7	3.4	3.4	3.1	**3.1**	**2.8**	**2.7**	*3.0*	*2.8*	*2.7*
Germany	3.2	2.9	2.6	2.5	2.3	2.0	**1.7**	**1.6**	**1.5**	*1.8*	*1.7*	*1.6*
Estonia	:	0.2	0.2	0.1	0.2	0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.2*
Ireland	3.2	1.2	1.7	3.4	4.1	4.4	**4.0**	**3.6**	**3.5**	*4.1*	*3.9*	*3.8*
Greece	:	:	5.0	7.3	5.0	4.0	**3.9**	**4.2**	**3.9**	*4.2*	*3.7*	*3.6*
Spain	4.0	2.3	1.7	2.4	2.9	3.3	**3.3**	**3.1**	**3.0**	*3.3*	*3.2*	*3.2*
France	3.1	2.8	2.5	2.6	2.6	2.3	**2.2**	**2.1**	**2.1**	*2.2*	*2.2*	*2.2*
Italy	8.1	5.1	4.6	4.7	5.2	4.8	**4.7**	**4.3**	**4.2**	*4.7*	*4.3*	*4.3*
Cyprus	2.7	3.1	2.6	2.2	2.9	3.1	**2.8**	**2.9**	**2.7**	*3.1*	*3.2*	*3.1*
Latvia	0.9	0.7	0.9	1.8	1.6	1.5	**1.4**	**1.2**	**1.2**	*1.4*	*1.3*	*1.2*
Lithuania	:	:	1.0	1.8	2.0	1.8	**1.6**	**1.4**	**1.4**	*1.8*	*1.6*	*1.5*
Luxembourg	0.5	0.3	0.3	0.5	0.5	0.4	**0.4**	**0.4**	**0.3**	*0.4*	*0.4*	*0.4*
Malta	3.0	3.7	3.4	3.1	3.0	2.9	**2.9**	**2.7**	**2.6**	*2.8*	*2.8*	*2.7*
Netherlands	4.1	2.5	2.0	1.8	1.7	1.5	**1.4**	**1.4**	**1.3**	*1.5*	*1.4*	*1.3*
Austria	3.6	3.3	3.1	2.8	2.6	2.5	**2.4**	**2.3**	**2.3**	*2.5*	*2.5*	*2.5*
Portugal	3.6	2.7	2.9	4.3	4.9	4.9	**5.0**	**4.9**	**4.5**	*5.0*	*4.9*	*4.8*
Slovenia	2.2	1.9	1.3	1.9	2.0	2.5	**3.3**	**3.1**	**2.9**	*3.3*	*3.2*	*3.0*
Slovakia	2.9	2.7	1.4	1.5	1.8	1.9	**1.9**	**1.6**	**1.6**	*1.8*	*1.7*	*1.6*
Finland	3.4	1.9	1.4	1.4	1.4	1.3	**1.3**	**1.2**	**1.2**	*1.3*	*1.2*	*1.2*
Euro area	:	:	2.8	3.0	3.0	2.8	**2.6**	**2.5**	**2.4**	*2.7*	*2.5*	*2.5*
Bulgaria	7.4	2.4	1.0	0.7	0.8	0.8	**0.7**	**1.0**	**1.0**	*0.8*	*0.8*	*0.9*
Czech Republic	1.0	1.0	1.1	1.3	1.4	1.3	**1.3**	**1.2**	**1.2**	*1.3*	*1.3*	*1.2*
Denmark	4.6	2.8	1.7	2.0	1.8	1.7	**1.6**	**1.5**	**1.3**	*1.5*	*1.5*	*1.4*
Croatia	:	:	:	3.0	3.4	3.5	**3.5**	**3.7**	**3.7**	*3.9*	*4.1*	*4.1*
Hungary	7.3	4.2	4.1	4.2	4.6	4.6	**4.1**	**3.6**	**3.4**	*4.1*	*3.8*	*3.6*
Poland	3.8	2.8	2.3	2.5	2.7	2.5	**2.0**	**1.8**	**1.6**	*2.0*	*2.0*	*1.9*
Romania	3.8	2.0	1.0	1.6	1.7	1.7	**1.6**	**1.6**	**1.6**	*1.6*	*1.6*	*1.6*
Sweden	4.3	2.2	1.4	1.1	0.9	0.8	**0.7**	**0.7**	**0.7**	*0.8*	*0.8*	*0.9*
United Kingdom	3.1	2.0	2.3	3.2	2.9	2.9	**2.7**	**2.7**	**2.6**	*2.8*	*2.7*	*2.7*
EU	:	:	:	2.9	2.9	2.7	**2.5**	**2.4**	**2.3**	*2.6*	*2.5*	*2.4*
USA	4.5	3.4	3.6	3.9	3.8	3.6	**3.7**	**3.5**	**3.5**	*3.7*	*3.7*	*3.8*
Japan	3.3	2.1	1.9	2.1	2.1	2.1	**2.0**	**2.0**	**1.9**	*2.0*	*2.0*	*1.9*

Table 38: Primary balance, general government [1] (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	5.7	4.3	1.7	-0.7	-0.8	0.2	**-0.2**	**0.2**	**0.3**	*-0.1*	*0.2*	*0.4*
Germany	1.4	-0.7	1.0	1.6	2.4	2.2	**2.4**	**2.2**	**2.0**	*2.2*	*2.0*	*1.9*
Estonia	:	1.4	0.3	1.3	-0.1	-0.1	**0.7**	**-0.1**	**0.0**	*-0.2*	*-0.4*	*-0.4*
Ireland	5.2	2.0	-8.4	-9.3	-4.0	-1.4	**-0.1**	**0.7**	**0.6**	*0.1*	*0.9*	*0.8*
Greece	:	:	-4.9	-3.0	-3.7	-8.3	**0.4**	**2.1**	**1.8**	*1.7*	*4.8*	*5.2*
Spain	1.1	2.3	-2.5	-7.0	-7.4	-3.5	**-2.5**	**-1.4**	**-0.6**	*-2.3*	*-1.3*	*-0.5*
France	0.6	-0.3	-1.9	-2.5	-2.2	-1.8	**-1.8**	**-1.7**	**-1.3**	*-2.1*	*-1.9*	*-1.8*
Italy	5.0	1.6	1.1	1.2	2.2	1.9	**1.6**	**1.7**	**2.3**	*1.6*	*1.7*	*2.4*
Cyprus	-0.9	-0.5	1.1	-3.6	-2.9	-1.8	**-6.0**	**1.7**	**2.6**	*0.1*	*0.2*	*1.7*
Latvia	-0.2	-0.7	-3.5	-1.6	0.8	0.7	**-0.1**	**-0.2**	**-0.4**	*-0.1*	*0.2*	*0.2*
Lithuania	:	:	-3.0	-7.1	-1.2	-0.9	**0.9**	**0.0**	**0.5**	*0.6*	*0.2*	*0.6*
Luxembourg	3.9	1.8	1.9	0.9	0.6	1.3	**1.0**	**0.3**	**0.6**	*0.9*	*0.0*	*0.5*
Malta	-4.2	-1.8	0.3	0.6	-0.7	0.3	**0.8**	**0.9**	**1.1**	*0.5*	*0.7*	*0.9*
Netherlands	3.8	1.0	0.0	-2.6	-2.3	-0.8	**-0.8**	**-0.3**	**0.1**	*-1.3*	*-0.8*	*-0.4*
Austria	0.8	1.1	0.1	0.2	0.5	1.2	**0.0**	**0.3**	**0.3**	*-0.3*	*0.5*	*1.1*
Portugal	-0.3	-2.3	-3.5	-3.0	-0.7	0.1	**0.5**	**1.8**	**1.7**	*0.4*	*1.6*	*2.0*
Slovenia	-0.2	-0.6	-1.7	-4.8	-2.0	-12.3	**-1.6**	**0.2**	**0.2**	*-2.0*	*0.3*	*0.2*
Slovakia	-5.2	-1.7	-3.3	-2.6	-2.4	-0.7	**-0.9**	**-1.1**	**-1.0**	*-1.2*	*-1.2*	*-1.0*
Finland	4.6	5.2	3.0	0.4	-0.7	-1.3	**-1.9**	**-2.1**	**-2.1**	*-1.4*	*-1.2*	*-1.0*
Euro area	2.1	0.6	-0.5	-1.2	-0.6	-0.1	**0.2**	**0.4**	**0.7**	*0.1*	*0.4*	*0.6*
Bulgaria	5.7	2.9	0.4	-1.3	0.2	-0.1	**-2.1**	**-2.0**	**-1.9**	*-2.6*	*-2.2*	*-2.0*
Czech Republic	-2.6	-3.7	-1.9	-1.4	-2.5	0.2	**-0.7**	**-0.8**	**-0.3**	*0.0*	*-0.7*	*-0.2*
Denmark	4.3	4.4	3.3	-0.1	-1.8	0.7	**2.8**	**-0.1**	**-1.3**	*3.3*	*-1.3*	*-1.4*
Croatia	:	:	:	-4.5	-1.9	-1.9	**-2.2**	**-1.9**	**-2.0**	*-1.1*	*-1.5*	*-1.5*
Hungary	2.2	-2.6	-1.3	-1.3	2.3	2.1	**1.5**	**1.1**	**1.2**	*1.6*	*1.0*	*1.2*
Poland	0.1	-2.1	-2.5	-2.4	-1.1	-1.5	**-1.2**	**-1.0**	**-1.0**	*-1.5*	*-0.9*	*-0.7*
Romania	-0.2	0.2	-4.2	-3.7	-1.2	-0.4	**0.1**	**0.0**	**-1.9**	*-0.2*	*0.2*	*0.2*
Sweden	4.4	2.4	2.8	1.0	0.0	-0.6	**-1.2**	**-0.8**	**-0.3**	*-1.4*	*-0.9*	*-0.1*
United Kingdom	2.2	-0.4	-4.0	-4.4	-5.4	-2.9	**-2.9**	**-1.8**	**-0.5**	*-2.7*	*-1.9*	*-1.0*
EU	2.2	0.4	-1.0	-1.6	-1.4	-0.5	**-0.3**	**-0.1**	**0.3**	*-0.4*	*-0.1*	*0.2*
USA	3.7	-0.9	-4.1	-6.7	-5.1	-2.0	**-1.3**	**-0.7**	**-0.3**	*-1.2*	*-0.5*	*-0.1*
Japan	-3.5	-4.3	-2.5	-6.7	-6.6	-6.4	**-5.7**	**-5.1**	**-4.5**	*-5.7*	*-5.2*	*-4.9*

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of potential GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	-1.8	-1.1	-2.5	-4.0	-3.5	-2.0	**-2.5**	**-1.9**	**-2.0**	*-2.4*	*-2.0*	*-2.0*
Germany	-1.8	-3.2	-1.4	-1.4	0.0	0.7	**1.2**	**1.0**	**0.6**	*0.9*	*0.7*	*0.5*
Estonia	:	-0.2	-1.0	1.5	-1.2	-0.9	**0.0**	**-0.7**	**-0.8**	*-0.9*	*-1.0*	*-1.1*
Ireland	1.0	0.4	-10.0	-12.1	-7.2	-4.5	**-4.2**	**-3.3**	**-3.3**	*-3.9*	*-3.3*	*-3.4*
Greece	:	:	-10.5	-5.8	-2.8	-6.2	**1.0**	**1.0**	**-1.4**	*2.5*	*4.1*	*2.1*
Spain	-3.0	-1.5	-4.1	-6.4	-6.4	-2.5	**-2.3**	**-2.5**	**-2.6**	*-2.3*	*-2.4*	*-2.7*
France	-2.4	-4.1	-4.8	-4.9	-4.2	-3.1	**-2.6**	**-2.4**	**-2.4**	*-2.9*	*-2.7*	*-3.1*
Italy	-3.4	-3.9	-3.3	-2.6	-1.2	-0.6	**-0.8**	**-0.7**	**-0.9**	*-0.7*	*-0.7*	*-0.9*
Cyprus	:	-4.2	-2.9	-5.7	-4.8	-2.4	**-6.1**	**0.9**	**0.5**	*0.2*	*-0.8*	*-0.5*
Latvia	:	-2.0	-4.5	-0.9	0.0	-1.0	**-2.0**	**-1.9**	**-2.2**	*-1.9*	*-1.6*	*-1.7*
Lithuania	:	:	-4.2	-7.4	-2.7	-2.7	**-0.9**	**-1.7**	**-1.0**	*-1.3*	*-1.6*	*-1.2*
Luxembourg	3.2	1.1	1.6	1.0	1.8	2.5	**1.8**	**0.6**	**0.4**	*1.5*	*0.4*	*0.5*
Malta	-7.2	-5.6	-3.2	-2.4	-3.6	-2.5	**-2.3**	**-2.0**	**-1.5**	*-2.3*	*-2.2*	*-2.1*
Netherlands	-0.7	-0.7	-2.1	-3.8	-2.2	0.0	**-0.3**	**-0.3**	**-0.4**	*-0.9*	*-0.9*	*-1.1*
Austria	-3.0	-1.9	-2.9	-2.6	-2.2	-0.9	**-1.7**	**-1.3**	**-1.5**	*-2.2*	*-1.3*	*-1.0*
Portugal	-5.2	-5.3	-6.0 :	-5.8	-2.5	-1.4	**-1.9**	**-1.5**	**-2.1**	*-2.1*	*-1.7*	*-2.1*
Slovenia	:	-3.0	-4.3	-5.9	-2.1	-12.7	**-3.6**	**-2.3**	**-2.7**	*-4.1*	*-2.2*	*-2.8*
Slovakia	:	-3.9	-5.9	-3.6	-3.3	-1.4	**-1.7**	**-1.8**	**-1.8**	*-2.0*	*-1.9*	*-1.9*
Finland	0.8	3.2	1.3	-0.9	-1.2	-0.9	**-1.5**	**-1.8**	**-2.2**	*-0.9*	*-1.0*	*-1.3*
Euro area	:	:	-3.4	-3.6	-2.4	-1.2	**-0.9**	**-0.9**	**-1.1**	*-1.1*	*-1.0*	*-1.2*
Bulgaria	-2.2	0.3	-0.9	-1.9	-0.6	-0.9	**-2.8**	**-2.7**	**-2.5**	*-3.4*	*-2.7*	*-2.5*
Czech Republic	-3.1	-5.1	-4.1	-2.5	-3.1	0.1	**-1.2**	**-1.6**	**-1.6**	*-0.5*	*-1.7*	*-1.5*
Denmark	-1.4	0.9	1.3	-0.5	-1.5	1.6	**3.6**	**0.2**	**-1.4**	*4.2*	*-1.0*	*-1.5*
Croatia	:	:	:	-7.0	-4.1	-3.9	**-4.1**	**-4.1**	**-4.7**	*-3.5*	*-4.3*	*-4.8*
Hungary	:	-7.7	-5.6	-4.4	-0.5	-1.1	**-2.2**	**-2.6**	**-2.4**	*-2.2*	*-2.7*	*-2.4*
Poland	-4.5	-3.3	-5.8	-5.9	-3.8	-3.6	**-2.9**	**-2.4**	**-2.3**	*-3.1*	*-2.6*	*-2.4*
Romania	-3.3	-2.3	-6.6	-4.4	-1.6	-1.5	**-1.0**	**-1.3**	**-3.4**	*-1.4*	*-1.2*	*-1.3*
Sweden	0.4	0.4	1.4	0.0	0.1	-0.3	**-1.1**	**-1.0**	**-0.8**	*-1.3*	*-1.0*	*-0.8*
United Kingdom	-1.1	-2.8	-5.9	-5.9	-6.5	-4.3	**-5.1**	**-4.5**	**-3.5**	*-4.8*	*-4.6*	*-4.0*
EU	:	:	:	-3.8	-3.0	-1.7	**-1.6**	**-1.6**	**-1.6**	*-1.6*	*-1.7*	*-1.8*

[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 potential GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	5.4	4.1	1.2	-0.6	-0.1	1.1	**0.6**	**0.9**	**0.7**	*0.6*	*0.8*	*0.7*
Germany	1.4	-0.3	1.2	1.1	2.3	2.7	**2.9**	**2.6**	**2.1**	*2.7*	*2.4*	*2.1*
Estonia	:	0.0	-0.8	1.6	-1.0	-0.8	**0.2**	**-0.6**	**-0.6**	*-0.8*	*-0.8*	*-0.9*
Ireland	4.1	1.6	-8.4	-8.6	-3.1	-0.1	**-0.1**	**0.2**	**0.2**	*0.2*	*0.6*	*0.4*
Greece	:	:	-5.6	1.5	2.2	-2.3	**4.9**	**5.2**	**2.5**	*6.6*	*7.8*	*5.7*
Spain	1.1	0.8	-2.4	-3.9	-3.4	0.7	**0.9**	**0.6**	**0.4**	*1.0*	*0.8*	*0.5*
France	0.7	-1.3	-2.3	-2.3	-1.6	-0.8	**-0.4**	**-0.3**	**-0.3**	*-0.7*	*-0.5*	*-0.9*
Italy	4.8	1.2	1.2	2.0	4.0	4.2	**3.9**	**3.6**	**3.3**	*4.0*	*3.6*	*3.5*
Cyprus	:	-1.1	-0.3	-3.5	-1.9	0.8	**-3.2**	**3.8**	**3.3**	*3.2*	*2.4*	*2.6*
Latvia	:	-1.3	-3.6	0.8	1.7	0.4	**-0.6**	**-0.7**	**-1.0**	*-0.5*	*-0.3*	*-0.5*
Lithuania	:	:	-3.2	-5.6	-0.7	-1.0	**0.7**	**-0.2**	**0.3**	*0.5*	*0.0*	*0.4*
Luxembourg	3.6	1.4	1.9	1.5	2.3	2.9	**2.2**	**0.9**	**0.7**	*1.9*	*0.8*	*0.9*
Malta	-4.2	-1.9	0.2	0.8	-0.6	0.4	**0.6**	**0.7**	**1.1**	*0.5*	*0.5*	*0.7*
Netherlands	3.5	1.8	-0.1	-2.0	-0.5	1.5	**1.1**	**1.0**	**0.9**	*0.6*	*0.5*	*0.2*
Austria	0.7	1.4	0.2	0.2	0.5	1.6	**0.7**	**1.1**	**0.8**	*0.3*	*1.2*	*1.5*
Portugal	-1.7	-2.6	-3.0 :	-1.4	2.4	3.5	**3.1**	**3.4**	**2.4**	*2.9*	*3.2*	*2.7*
Slovenia	:	-1.0	-2.9	-4.0	-0.1	-10.1	**-0.3**	**0.8**	**0.2**	*-0.8*	*0.9*	*0.3*
Slovakia	:	-1.2	-4.6	-2.1	-1.5	0.5	**0.2**	**-0.1**	**-0.3**	*-0.2*	*-0.2*	*-0.2*
Finland	4.2	5.2	2.7	0.5	0.3	0.4	**-0.2**	**-0.5**	**-1.0**	*0.4*	*0.3*	*-0.1*
Euro area	2.0	0.3	-0.5	-0.6	0.6	1.6	**1.7**	**1.6**	**1.3**	*1.6*	*1.6*	*1.3*
Bulgaria	5.2	2.7	0.1	-1.2	0.2	-0.1	**-2.1**	**-1.7**	**-1.5**	*-2.6*	*-1.9*	*-1.6*
Czech Republic	-2.2	-4.0	-2.9	-1.2	-1.7	1.4	**0.2**	**-0.4**	**-0.4**	*0.8*	*-0.4*	*-0.3*
Denmark	3.2	3.6	3.0	1.5	0.3	3.3	**5.2**	**1.7**	**-0.2**	*5.7*	*0.5*	*-0.2*
Croatia	:	:	:	-4.0	-0.7	-0.4	**-0.6**	**-0.4**	**-1.0**	*0.4*	*-0.2*	*-0.7*
Hungary	:	-3.4	-1.5	-0.2	4.1	3.5	**1.9**	**1.0**	**1.0**	*1.9*	*1.1*	*1.3*
Poland	-0.7	-0.4	-3.5	-3.3	-1.2	-1.1	**-1.0**	**-0.7**	**-0.7**	*-1.1*	*-0.5*	*-0.5*
Romania	0.5	-0.3	-5.5	-2.8	0.1	0.3	**0.6**	**0.3**	**-1.8**	*0.3*	*0.4*	*0.4*
Sweden	4.7	2.6	2.8	1.1	1.0	0.5	**-0.3**	**-0.3**	**-0.1**	*-0.6*	*-0.3*	*0.1*
United Kingdom	2.0	-0.8	-3.6	-2.7	-3.5	-1.4	**-2.3**	**-1.8**	**-0.9**	*-2.0*	*-1.9*	*-1.3*
EU	2.1	0.2	-1.0	-0.9	-0.1	1.0	**1.0**	**0.8**	**0.7**	*0.9*	*0.8*	*0.7*

[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 potential GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	:	:	:	-3.6	-3.1	-2.6	**-2.8**	**-2.3**	**-2.1**	*-2.8*	*-2.1*	*-2.0*
Germany	:	:	-1.2	-1.2	0.2	0.8	**1.2**	**1.0**	**0.7**	*0.9*	*0.7*	*0.5*
Estonia	:	:	-2.2	0.0	-0.2	-0.8	**0.2**	**-0.4**	**-0.7**	*-0.7*	*-0.8*	*-1.0*
Ireland	:	:	-5.3	-8.1	-7.2	-4.9	**-4.1**	**-3.6**	**-3.3**	*-3.9*	*-3.4*	*-3.4*
Greece	:	:	-10.6	-6.3	-0.6	2.2	**0.4**	**-1.4**	**-2.3**	*1.9*	*1.7*	*1.2*
Spain	:	:	:	-6.1	-3.4	-2.1	**-2.0**	**-2.4**	**-2.6**	*-2.1*	*-2.3*	*-2.7*
France	:	:	:	-5.0	-4.2	-3.2	**-2.6**	**-2.3**	**-2.3**	*-2.9*	*-2.6*	*-3.0*
Italy	:	:	-3.5	-3.3	-1.3	-0.8	**-0.9**	**-0.7**	**-0.8**	*-0.9*	*-0.6*	*-0.8*
Cyprus	:	:	:	-5.5	-5.2	-2.2	**1.5**	**0.4**	**0.0**	*-0.9*	*-1.4*	*-1.1*
Latvia	:	:	-4.0	-0.9	0.0	-1.0	**-1.6**	**-1.9**	**-2.2**	*-1.6*	*-1.6*	*-1.7*
Lithuania	:	:	-3.9	-3.7	-2.7	-2.3	**-1.2**	**-1.9**	**-1.2**	*-1.9*	*-1.7*	*-1.2*
Luxembourg	:	:	:	1.0	1.8	2.5	**1.6**	**0.6**	**0.4**	*1.3*	*0.4*	*0.5*
Malta	:	:	-3.8	-2.9	-3.9	-2.6	**-2.6**	**-2.1**	**-1.6**	*-2.7*	*-2.4*	*-2.2*
Netherlands	:	:	-2.1	-3.8	-2.2	-0.6	**-0.2**	**-0.3**	**-0.4**	*-0.7*	*-0.9*	*-1.1*
Austria	:	:	:	-2.4	-1.7	-1.1	**-0.4**	**-0.8**	**-1.4**	*-1.1*	*-1.0*	*-1.0*
Portugal	:	:	-5.4	-5.6	-2.4	-1.7	**-0.8**	**-1.5**	**-2.1**	*-1.2*	*-1.7*	*-2.1*
Slovenia	:	:	-4.2	-4.9	-2.1	-2.2	**-2.5**	**-2.4**	**-2.9**	*-2.5*	*-2.2*	*-2.9*
Slovakia	:	:	-5.9	-4.0	-3.4	-1.4	**-2.0**	**-1.9**	**-1.8**	*-2.4*	*-2.0*	*-1.9*
Finland	:	:	:	-0.8	-1.1	-0.8	**-1.6**	**-1.8**	**-2.2**	*-1.0*	*-1.0*	*-1.3*
Euro area	:	:	:	-3.5	-2.0	-1.1	**-0.8**	**-0.9**	**-1.1**	*-1.0*	*-1.0*	*-1.2*
Bulgaria	:	:	:	-1.9	-0.6	-0.9	**-2.6**	**-2.6**	**-2.5**	*-3.2*	*-2.7*	*-2.5*
Czech Republic	:	:	-4.1	-2.5	-1.4	0.2	**-1.0**	**-1.6**	**-1.6**	*-0.7*	*-1.7*	*-1.5*
Denmark	:	:	1.3	-0.5	0.0	0.1	**0.4**	**-0.5**	**-1.4**	*1.2*	*-1.8*	*-1.5*
Croatia	:	:	:	-7.0	-4.1	-3.6	**-4.0**	**-4.2**	**-4.7**	*-3.4*	*-4.3*	*-4.8*
Hungary	:	:	-5.4	-4.2	-1.2	-1.2	**-2.5**	**-2.5**	**-2.4**	*-2.6*	*-2.6*	*-2.4*
Poland	:	:	-5.9	-5.9	-3.9	-3.6	**-2.7**	**-2.5**	**-2.3**	*-3.0*	*-2.7*	*-2.4*
Romania	:	:	-6.4	-3.3	-2.1	-1.5	**-1.0**	**-1.3**	**-3.4**	*-1.3*	*-1.2*	*-1.3*
Sweden	:	:	1.4	0.0	0.1	-0.3	**-1.1**	**-1.0**	**-0.9**	*-1.3*	*-1.0*	*-0.9*
United Kingdom	:	:	-5.7	-5.9	-6.5	-4.3	**-5.3**	**-4.5**	**-3.5**	*-5.0*	*-4.6*	*-4.0*
EU	:	:	:	-3.8	-2.6	-1.6	**-1.6**	**-1.6**	**-1.6**	*-1.7*	*-1.7*	*-1.7*

[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, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	118.8	101.0	93.7	102.0	103.8	104.4	**106.5**	**106.5**	**106.4**	*106.4*	*106.8*	*106.6*
Germany	59.1	62.5	69.7	77.9	79.3	77.1	**74.7**	**71.5**	**68.2**	*74.2*	*71.9*	*68.9*
Estonia	:	5.2	5.2	6.0	9.7	10.1	**10.6**	**10.3**	**9.8**	*9.8*	*9.6*	*9.5*
Ireland	53.3	29.8	48.0	111.2	121.7	123.2	**109.7**	**107.1**	**103.8**	*110.8*	*110.3*	*107.9*
Greece	:	:	117.7	171.3	156.9	175.0	**177.1**	**180.2**	**173.5**	*176.3*	*170.2*	*159.2*
Spain	62.3	48.1	45.3	69.2	84.4	92.1	**97.7**	**100.4**	**101.4**	*98.3*	*101.5*	*102.5*
France	60.1	63.1	71.5	85.2	89.6	92.3	**95.0**	**96.4**	**97.0**	*95.3*	*97.1*	*98.2*
Italy	111.1	101.8	106.5	116.4	123.1	128.5	**132.1**	**133.1**	**130.6**	*131.9*	*133.0*	*131.9*
Cyprus	53.5	61.7	53.8	66.0	79.5	102.2	**107.5**	**106.7**	**108.4**	*107.5*	*115.2*	*111.6*
Latvia	11.5	13.4	24.0	42.7	40.9	38.2	**40.0**	**37.3**	**40.4**	*40.4*	*36.5*	*35.5*
Lithuania	18.4	20.4	22.6	37.2	39.8	38.8	**40.9**	**41.7**	**37.3**	*41.1*	*41.8*	*37.3*
Luxembourg	7.0	6.5	12.7	19.1	21.9	24.0	**23.6**	**24.9**	**25.3**	*22.7*	*24.4*	*25.1*
Malta	51.9	68.0	65.0	69.7	67.4	69.2	**68.0**	**67.2**	**65.4**	*68.6*	*68.0*	*66.8*
Netherlands	62.1	49.2	51.6	61.3	66.5	68.6	**68.8**	**69.9**	**68.9**	*69.5*	*70.5*	*70.5*
Austria	65.4	66.3	72.5	82.1	81.5	80.9	**84.5**	**87.0**	**85.8**	*86.8*	*86.4*	*84.5*
Portugal	53.6	59.5	77.8	111.1	125.8	129.7	**130.2**	**124.4**	**123.0**	*128.9*	*124.5*	*123.5*
Slovenia	23.2	26.6	28.6	46.5	53.7	70.3	**80.9**	**81.5**	**81.7**	*82.2*	*83.0*	*81.8*
Slovakia	38.8	41.4	33.1	43.4	52.1	54.6	**53.6**	**53.4**	**53.5**	*53.6*	*54.9*	*55.2*
Finland	48.2	41.3	38.7	48.5	52.9	55.8	**59.3**	**62.6**	**64.8**	*58.9*	*61.2*	*62.6*
Euro area	:	:	72.6	86.5	91.1	93.2	**94.2**	**94.0**	**92.5**	*94.3*	*94.4*	*93.2*
Bulgaria	:	44.4	16.3	15.7	18.0	18.3	**27.6**	**29.8**	**31.2**	*27.0*	*27.8*	*30.3*
Czech Republic	14.0	26.7	31.3	39.9	44.6	45.0	**42.6**	**41.5**	**41.6**	*44.1*	*44.4*	*45.0*
Denmark	:	45.1	35.1	46.4	45.6	45.0	**45.2**	**39.5**	**39.2**	*45.0*	*42.7*	*43.6*
Croatia	:	38.1	43.8	63.7	69.2	80.6	**85.0**	**90.5**	**93.9**	*81.4*	*84.9*	*88.7*
Hungary	61.8	56.9	72.4	81.0	78.5	77.3	**76.9**	**75.0**	**73.5**	*77.7*	*77.2*	*76.1*
Poland	39.7	43.5	48.3	54.8	54.4	55.7	**50.1**	**50.9**	**50.8**	*48.6*	*49.9*	*49.8*
Romania	17.2	21.2	18.3	34.2	37.3	38.0	**39.8**	**40.1**	**42.4**	*38.7*	*39.1*	*39.3*
Sweden	63.5	49.3	39.1	36.2	36.6	38.7	**43.9**	**44.2**	**43.4**	*41.4*	*41.3*	*40.6*
United Kingdom	44.0	38.2	56.0	81.8	85.8	87.3	**89.4**	**89.9**	**90.1**	*88.7*	*90.1*	*91.0*
EU	:	:	66.2	81.4	85.1	87.3	**88.6**	**88.0**	**86.9**	*88.4*	*88.3*	*87.6*

Table 43: Gross national saving (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	26.9	26.7	26.2	24.5	24.1	21.2	22.3	23.8	24.3	22.2	22.6	23.3
Germany	22.2	22.4	25.9	26.8	26.4	25.9	26.4	26.7	27.0	26.6	26.6	26.9
Estonia	21.4	23.3	23.4	26.2	26.9	27.6	26.0	25.3	25.2	25.1	24.9	24.7
Ireland	24.1	24.2	20.0	16.8	18.3	21.0	24.8	25.1	25.9	22.4	23.2	23.6
Greece	19.0	14.9	8.4	5.4	9.6	9.5	8.4	8.6	9.4	8.3	9.6	11.5
Spain	22.1	23.0	20.9	18.7	19.8	20.4	20.1	21.2	21.5	19.2	20.5	20.8
France	22.8	22.4	21.6	21.0	20.2	20.0	20.2	20.6	20.8	20.0	20.3	20.4
Italy	21.2	20.5	18.9	17.4	17.4	18.2	18.5	19.0	19.7	18.7	19.6	20.3
Cyprus	18.7	17.2	13.8	15.6	10.7	10.1	7.9	7.8	7.7	9.9	10.4	11.5
Latvia	14.3	20.8	21.5	21.2	22.5	21.8	21.0	21.3	20.8	20.6	20.3	20.0
Lithuania	12.6	15.3	16.3	18.0	18.2	20.6	19.3	18.8	18.6	19.5	20.8	20.7
Luxembourg	31.3	30.1	26.3	24.9	23.5	21.3	21.8	21.0	21.1	21.0	20.1	20.0
Malta	16.9	15.2	15.1	17.9	21.1	21.9	21.5	22.2	22.3	21.4	22.2	21.6
Netherlands	28.5	27.1	28.0	27.6	28.2	26.8	28.3	28.0	28.8	27.0	26.9	27.5
Austria	24.3	25.5	26.7	26.2	26.6	25.0	24.9	25.0	25.2	25.3	25.5	25.8
Portugal	19.7	16.0	11.6	13.0	13.7	15.4	15.4	15.9	16.5	15.2	16.1	16.7
Slovenia	24.5	25.6	26.0	22.6	22.0	24.3	25.1	25.8	25.7	26.2	26.8	26.5
Slovakia	25.9	21.8	20.7	21.3	21.3	21.5	22.6	22.7	21.6	21.9	21.9	22.2
Finland	27.1	29.1	26.4	22.0	20.6	19.1	18.4	19.2	19.8	18.7	19.2	19.7
Euro area	22.8	22.6	22.5	21.9	22.0	21.8	22.3	22.7	23.1	22.1	22.5	22.9
Bulgaria	17.1	16.8	16.3	22.3	21.0	23.1	22.4	22.2	21.2	23.3	22.9	21.7
Czech Republic	28.1	25.9	24.9	22.4	24.1	22.8	24.2	25.9	26.3	24.6	25.6	26.0
Denmark	23.5	25.5	25.5	25.2	24.6	26.0	25.6	25.8	26.2	25.7	26.0	26.3
Croatia	17.3	21.7	21.8	20.0	19.2	18.9	18.4	19.3	20.4	19.1	20.3	21.2
Hungary	21.2	18.1	18.7	21.2	20.9	24.0	26.4	27.3	27.4	25.6	25.8	26.3
Poland	20.5	16.8	17.2	17.2	16.9	17.7	18.7	18.9	18.8	18.8	19.2	19.2
Romania	14.1	18.0	20.1	23.1	22.3	23.4	22.5	22.7	22.8	22.2	22.6	22.7
Sweden	25.6	28.1	31.0	29.7	28.9	29.0	29.1	29.4	29.6	28.8	28.9	29.0
United Kingdom	17.7	16.9	14.6	14.7	12.8	12.5	12.2	13.2	14.4	13.6	14.4	15.4
EU	22.0	21.7	21.4	21.1	20.7	20.7	20.9	21.2	21.7	20.9	21.4	21.8
USA	20.6	18.0	16.3	15.7	17.5	18.1	17.1	18.0	18.2	17.2	17.9	18.1
Japan	28.9	25.9	25.4	22.2	21.9	21.8	22.4	22.9	23.3	22.3	22.8	23.2

Table 44: Gross saving, private sector (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	25.4	24.7	25.6	25.1	24.5	21.1	22.6	23.7	23.9	22.7	22.6	23.1
Germany	21.3	22.8	24.4	24.7	23.5	23.1	23.2	23.6	24.0	23.4	23.7	24.0
Estonia	:	17.2	18.0	22.1	21.8	23.2	20.4	20.5	20.5	20.9	21.0	21.0
Ireland	19.4	19.9	21.1	22.7	23.8	25.2	26.6	25.6	26.3	24.8	24.5	25.0
Greece	:	:	14.4	13.7	13.9	9.7	9.3	8.6	9.3	8.6	6.5	7.8
Spain	20.4	18.3	19.4	23.2	23.4	24.5	23.6	23.5	22.9	22.5	22.8	22.3
France	20.7	21.1	21.1	21.2	20.1	19.2	19.6	20.0	20.1	19.5	19.9	20.2
Italy	21.0	20.2	18.1	17.7	16.8	18.2	18.4	18.6	18.7	18.6	19.1	19.2
Cyprus	17.9	17.1	10.8	16.8	12.7	11.6	4.9	5.5	4.6	9.5	10.5	10.1
Latvia	12.6	18.6	21.0	20.3	20.0	19.5	19.3	20.1	19.9	17.1	16.9	16.7
Lithuania	:	:	16.5	20.3	19.3	20.6	18.0	16.7	15.9	19.9	20.2	19.4
Luxembourg	23.1	23.2	19.5	19.3	18.4	15.9	16.6	16.1	15.9	16.0	15.6	15.0
Malta	20.6	16.8	16.1	18.8	22.5	22.3	21.3	21.6	22.1	22.0	22.2	21.9
Netherlands	25.5	24.6	25.8	27.8	28.2	25.7	27.0	26.2	26.7	25.2	25.0	25.6
Austria	22.7	23.3	25.5	24.9	24.9	23.1	22.7	23.0	23.6	23.2	23.5	23.5
Portugal	18.9	17.2	14.2	17.1	17.9	18.1	17.4	17.2	17.6	17.4	17.7	17.7
Slovenia	21.9	23.3	23.8	24.1	22.1	24.3	24.7	25.0	25.1	24.9	24.6	24.9
Slovakia	24.4	21.3	21.4	22.2	22.8	21.6	21.7	21.3	21.1	21.2	21.3	21.4
Finland	21.6	22.2	21.3	19.3	18.8	17.7	17.4	18.4	18.9	17.4	17.7	17.9
Euro area	:	:	21.6	22.3	21.6	21.2	21.4	21.6	21.8	21.2	21.5	21.7
Bulgaria	15.8	12.4	12.2	21.8	19.3	21.8	22.7	22.3	21.4	23.8	23.3	22.4
Czech Republic	24.1	22.7	22.5	21.0	22.2	20.6	22.4	24.0	24.0	22.7	23.9	24.1
Denmark	20.7	21.3	20.8	23.5	22.7	23.2	20.2	23.5	25.0	19.9	25.0	25.4
Croatia	:	:	:	21.5	20.6	19.6	19.5	20.4	21.6	19.5	21.3	22.2
Hungary	20.6	19.0	19.8	22.7	20.1	23.3	25.1	25.5	26.0	24.7	24.8	25.4
Poland	20.6	18.2	17.1	17.6	16.9	18.5	18.5	18.3	17.9	19.0	19.0	18.8
Romania	14.6	15.4	18.9	21.3	20.3	20.6	19.2	19.5	21.6	19.2	19.4	19.7
Sweden	21.2	23.8	25.4	25.3	25.5	26.0	26.3	26.3	25.9	26.2	25.6	25.1
United Kingdom	16.2	16.5	16.9	18.8	17.2	15.2	14.7	14.5	14.4	16.1	16.0	15.9
EU	:	:	:	21.7	20.9	20.4	20.4	20.5	20.6	20.5	20.7	20.8
USA	18.1	18.7	19.6	22.1	22.6	20.4	18.7	19.0	18.8	18.8	18.8	18.7
Japan	27.4	27.4	27.4	27.5	26.9	26.0	25.7	25.9	26.1	25.6	25.7	25.8

Table 45: Saving rate of households (1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	17.3	16.5	16.8	14.7	13.9	13.5	**13.7**	**13.9**	**13.4**	*13.5*	*13.6*	*13.3*
Germany	15.8	16.0	16.7	16.5	16.4	16.3	**16.6**	**16.6**	**16.3**	*16.4*	*16.6*	*16.3*
Estonia	2.7	-2.9	4.7	10.3	8.0	8.7	**11.6**	**12.7**	**12.1**	*8.7*	*9.6*	*8.8*
Ireland	:	7.8	11.6	11.8	12.9	12.7	**13.8**	**13.0**	**12.4**	*7.5*	*7.0*	*6.7*
Greece	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Spain	12.3	11.2	10.2	11.9	9.5	10.4	**9.8**	**10.2**	**10.3**	*9.0*	*9.3*	*9.4*
France	14.9	15.2	15.0	15.2	14.9	14.7	**15.1**	**14.9**	**14.6**	*15.3*	*15.1*	*14.9*
Italy	16.4	14.7	13.2	10.7	9.6	11.3	**11.0**	**11.5**	**11.8**	*12.2*	*13.1*	*13.1*
Cyprus	9.5	9.9	8.3	9.1	1.9	-7.6	**-3.8**	**-6.6**	**-5.6**	*2.9*	*1.8*	*2.3*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	3.6	4.4	2.1	3.7	1.4	2.2	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Malta	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	15.4	14.2	13.1	13.3	13.5	14.7	**14.9**	**15.2**	**16.3**	*15.0*	*15.1*	*16.4*
Austria	16.1	14.6	16.2	13.3	14.4	12.8	**12.6**	**13.4**	**14.1**	*13.3*	*14.0*	*13.7*
Portugal	11.2	10.2	8.3	7.5	7.7	8.7	**6.9**	**6.5**	**7.5**	*9.5*	*9.6*	*9.2*
Slovenia	12.0	14.4	15.4	13.1	11.4	14.4	**13.1**	**13.5**	**13.2**	*14.2*	*14.7*	*15.2*
Slovakia	12.4	7.5	7.2	8.5	7.2	8.5	**8.7**	**8.6**	**8.5**	*6.9*	*7.2*	*7.4*
Finland	8.9	9.0	8.2	8.1	7.8	8.2	**7.4**	**8.5**	**8.4**	*7.5*	*8.0*	*7.8*
Euro area	:	14.4	13.9	13.1	12.9	13.3	**13.5**	**13.7**	**13.7**	*13.5*	*13.8*	*13.7*
Bulgaria	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Czech Republic	11.6	10.9	12.4	11.1	11.3	9.7	**10.0**	**9.9**	**9.6**	*10.4*	*10.3*	*9.9*
Denmark	3.4	6.8	6.4	7.8	7.1	6.7	**2.1**	**8.9**	**10.8**	*1.1*	*11.3*	*11.2*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Hungary	15.6	10.7	10.7	12.2	10.2	10.7	**10.7**	**9.8**	**9.3**	*10.6*	*10.8*	*10.0*
Poland	13.6	10.2	7.1	2.1	4.8	3.6	**-0.1**	**-0.3**	**-1.3**	*1.9*	*3.4*	*3.7*
Romania	2.6	-5.7	-6.4	-7.0	-6.7	-9.2	**-11.4**	**-10.3**	**-10.6**	*-13.3*	*-13.4*	*-14.2*
Sweden	5.7	9.5	13.3	15.3	17.8	18.1	**18.4**	**18.4**	**18.1**	*18.0*	*17.9*	*17.8*
United Kingdom	10.0	8.9	7.9	8.6	8.0	6.4	**6.0**	**6.0**	**5.8**	*7.4*	*7.7*	*7.8*
EU	:	12.3	11.5	11.1	10.8	10.9	**10.7**	**10.9**	**10.8**	*11.0*	*11.3*	*11.3*
USA	10.3	9.8	10.5	11.5	12.5	10.4	**9.8**	**10.3**	**10.0**	*9.7*	*9.7*	*9.5*
Japan	15.2	9.6	8.3	9.0	7.7	6.4	**6.3**	**6.4**	**5.9**	*6.0*	*5.5*	*4.7*

Table 46: Gross saving, general government (as a percentage of GDP, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	1.4	2.0	0.6	-0.6	-0.3	0.1	**-0.3**	**0.1**	**0.4**	*-0.4*	*0.0*	*0.2*
Germany	0.9	-0.4	1.5	2.1	2.9	2.8	**3.2**	**3.1**	**3.0**	*3.1*	*2.9*	*2.9*
Estonia	:	6.1	5.3	4.1	5.0	4.4	**5.6**	**4.8**	**4.7**	*4.2*	*3.9*	*3.8*
Ireland	4.7	4.3	-1.0	-6.0	-5.5	-4.1	**-1.9**	**-0.5**	**-0.4**	*-2.4*	*-1.4*	*-1.4*
Greece	:	:	-5.9	-8.4	-4.3	-0.2	**-0.9**	**0.0**	**0.2**	*-0.3*	*3.1*	*3.8*
Spain	1.7	4.7	1.5	-4.6	-3.7	-4.0	**-3.5**	**-2.4**	**-1.4**	*-3.3*	*-2.3*	*-1.5*
France	2.1	1.4	0.5	-0.3	0.1	0.8	**0.6**	**0.5**	**0.7**	*0.5*	*0.4*	*0.2*
Italy	0.2	0.3	0.8	-0.4	0.6	0.1	**0.1**	**0.4**	**1.0**	*0.1*	*0.5*	*1.0*
Cyprus	0.8	0.1	3.0	-1.2	-2.0	-1.5	**3.0**	**2.3**	**3.1**	*0.4*	*0.0*	*1.4*
Latvia	1.6	2.2	0.5	0.9	2.5	2.3	**1.7**	**1.2**	**0.9**	*3.6*	*3.4*	*3.3*
Lithuania	:	:	-0.1	-2.3	-1.1	0.1	**1.3**	**2.0**	**2.7**	*-0.4*	*0.6*	*1.3*
Luxembourg	8.2	6.9	6.8	5.6	5.1	5.4	**5.1**	**4.9**	**5.2**	*4.9*	*4.5*	*4.9*
Malta	-3.8	-1.7	-1.0	-0.9	-1.5	-0.5	**0.2**	**0.6**	**0.2**	*-0.5*	*0.0*	*-0.3*
Netherlands	3.0	2.5	2.1	-0.2	0.0	1.1	**1.3**	**1.9**	**2.1**	*1.7*	*1.9*	*1.9*
Austria	1.6	2.3	1.3	1.3	1.7	1.9	**2.2**	**2.0**	**1.6**	*2.0*	*2.0*	*2.3*
Portugal	0.8	-1.1	-2.6	-4.1	-4.2	-2.7	**-2.0**	**-1.3**	**-1.1**	*-2.2*	*-1.7*	*-1.0*
Slovenia	2.6	2.3	2.2	-1.4	-0.2	0.0	**0.4**	**0.8**	**0.6**	*1.3*	*2.1*	*1.7*
Slovakia	1.5	0.5	-0.8	-0.9	-1.5	-0.2	**0.9**	**1.5**	**0.6**	*0.6*	*0.6*	*0.8*
Finland	5.5	6.9	5.2	2.8	1.8	1.4	**1.0**	**0.8**	**0.9**	*1.3*	*1.5*	*1.8*
Euro area	:	:	1.0	-0.3	0.4	0.6	**0.8**	**1.1**	**1.3**	*0.8*	*1.0*	*1.2*
Bulgaria	1.3	4.3	4.0	0.5	1.7	1.3	**-0.3**	**-0.2**	**-0.3**	*-0.5*	*-0.4*	*-0.7*
Czech Republic	4.0	3.3	2.4	1.4	2.0	2.2	**1.8**	**1.9**	**2.2**	*1.9*	*1.7*	*2.0*
Denmark	2.8	4.2	4.7	1.7	1.9	2.8	**5.4**	**2.3**	**1.2**	*5.8*	*0.9*	*0.9*
Croatia	:	:	:	-1.5	-1.3	-0.7	**-1.1**	**-1.1**	**-1.2**	*-0.4*	*-1.0*	*-1.1*
Hungary	0.6	-0.9	-1.1	-1.4	0.9	0.7	**1.3**	**1.7**	**1.4**	*0.9*	*1.0*	*0.9*
Poland	-0.1	-1.4	0.1	-0.3	0.0	-0.7	**0.2**	**0.6**	**0.9**	*-0.2*	*0.2*	*0.5*
Romania	-0.5	2.6	1.2	1.8	2.0	2.8	**3.4**	**3.2**	**1.2**	*3.0*	*3.3*	*3.0*
Sweden	4.3	4.3	5.6	4.4	3.5	3.0	**2.8**	**3.2**	**3.6**	*2.6*	*3.2*	*3.9*
United Kingdom	1.4	0.4	-2.4	-4.1	-4.5	-2.7	**-2.6**	**-1.4**	**0.0**	*-2.5*	*-1.6*	*-0.5*
EU	:	:	:	-0.6	-0.2	0.3	**0.5**	**0.7**	**1.1**	*0.4*	*0.7*	*1.0*
USA	2.5	-0.6	-3.4	-6.4	-5.2	-2.3	**-1.5**	**-0.9**	**-0.6**	*-1.6*	*-0.9*	*-0.6*
Japan	1.5	-1.4	-2.0	-5.3	-5.0	-4.2	**-3.2**	**-2.9**	**-2.7**	*-3.3*	*-2.9*	*-2.7*

Table 47: Exports of goods and services, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	7.2	3.2	2.3	6.6	1.9	2.9	3.3	3.9	5.7	3.4	3.5	4.8
Germany	8.9	5.9	4.2	8.0	2.8	1.6	3.9	4.7	5.6	3.7	4.8	5.3
Estonia	13.0	11.1	4.2	24.9	6.2	2.4	2.6	2.2	4.5	2.0	2.4	4.8
Ireland	17.7	5.3	3.0	5.5	4.7	1.1	12.6	5.6	5.4	12.7	5.3	5.5
Greece	15.3	2.5	0.5	0.0	1.2	2.1	9.0	4.1	5.1	8.0	5.6	4.8
Spain	10.2	2.9	1.9	7.4	1.2	4.3	4.2	5.5	6.2	4.5	5.4	6.0
France	8.6	2.5	1.1	6.9	1.1	2.2	2.7	4.7	5.9	2.2	4.2	5.5
Italy	4.0	1.6	0.4	5.2	2.3	0.5	2.7	3.8	4.9	1.3	3.4	4.2
Cyprus	4.6	0.2	-0.1	4.2	-1.7	-5.0	5.7	-0.3	1.5	0.3	2.0	2.6
Latvia	8.5	10.8	4.3	12.0	9.8	1.4	2.2	2.6	4.6	1.4	2.9	4.8
Lithuania	6.3	14.4	6.4	14.9	12.2	9.4	3.4	3.1	6.4	3.1	3.4	6.4
Luxembourg	10.3	5.4	4.2	5.0	2.9	5.6	2.4	4.4	5.3	2.4	4.1	5.1
Malta	3.9	0.8	10.6	2.3	6.6	-1.0	-0.2	4.6	3.0	1.0	4.7	5.2
Netherlands	8.2	3.2	3.2	4.4	3.3	2.0	4.0	4.1	5.0	4.1	4.4	4.8
Austria	8.6	5.1	2.5	6.6	1.3	1.4	1.5	2.1	3.9	0.1	2.0	4.7
Portugal	6.7	2.7	3.4	7.0	3.4	6.4	3.4	5.3	6.1	3.8	5.0	5.4
Slovenia	7.3	8.5	4.4	7.0	0.3	2.6	6.3	5.2	5.3	5.8	4.2	5.3
Slovakia	4.6	13.8	6.9	12.0	9.3	5.2	4.6	4.2	5.6	4.4	4.1	5.6
Finland	11.2	3.8	1.7	2.0	1.2	-0.7	-0.4	1.7	3.9	1.3	2.1	3.9
Euro area	8.4	3.9	2.7	6.6	2.5	2.1	3.8	4.4	5.4	3.6	4.3	5.1
Bulgaria	-4.8	9.8	6.4	12.3	0.1	9.2	2.2	3.1	4.0	0.3	3.0	3.7
Czech Republic	7.9	13.0	6.5	9.3	4.1	0.3	8.8	6.6	7.0	7.5	4.3	6.8
Denmark	7.4	3.4	1.6	7.3	0.1	0.8	2.6	3.2	4.6	2.8	3.0	4.5
Croatia	8.4	7.2	0.1	2.2	-0.1	3.0	6.3	3.7	4.6	6.1	2.8	4.7
Hungary	16.8	10.3	7.9	6.6	-1.5	5.9	8.7	7.3	7.5	8.0	6.0	6.7
Poland	11.4	7.2	7.6	7.9	4.3	4.8	5.7	6.3	6.7	4.8	4.1	5.4
Romania	10.0	11.9	4.7	11.9	1.0	16.2	8.1	6.0	5.9	8.4	5.7	5.8
Sweden	9.1	4.6	2.1	6.1	1.0	-0.2	3.3	4.1	5.3	2.4	3.7	4.8
United Kingdom	6.0	4.1	1.7	5.6	0.7	1.5	0.6	1.7	2.9	-1.1	2.4	3.3
EU	8.1	4.3	2.8	6.6	2.2	2.2	3.7	4.2	5.2	3.2	4.1	5.0
USA	6.7	1.9	5.2	6.9	3.3	3.0	3.1	3.2	3.8	3.1	4.2	4.7
Japan	5.6	5.9	2.7	-0.4	-0.2	1.5	8.2	6.8	5.6	7.8	5.0	4.5

Table 48: Imports of goods and services, volume (percentage change on preceding year, 1996-2016) 21.4.2015

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	2014	2015	2016
Belgium	7.0	2.8	2.7	7.2	1.9	1.8	2.8	3.5	5.5	2.8	3.4	4.5
Germany	8.4	3.5	4.3	7.2	0.0	3.1	3.4	5.9	6.7	3.3	5.4	6.6
Estonia	13.4	14.5	1.5	26.5	11.8	3.3	2.7	3.4	5.3	2.2	3.3	5.5
Ireland	18.0	5.1	1.1	-0.6	6.9	0.6	13.2	6.0	6.1	12.2	5.6	6.0
Greece	14.1	1.9	0.4	-9.0	-9.1	-1.6	7.4	2.0	3.6	4.7	4.0	3.5
Spain	11.5	6.0	-0.6	-0.8	-6.3	-0.5	7.6	7.2	7.1	7.7	6.9	6.7
France	8.8	3.5	2.2	6.3	-1.3	1.7	3.6	3.8	5.8	3.3	4.3	6.3
Italy	6.4	2.4	1.4	0.5	-8.1	-2.3	1.8	3.0	5.0	0.3	2.6	4.6
Cyprus	3.6	1.4	2.0	-0.6	-4.6	-13.6	8.1	-0.2	1.0	-0.5	-0.1	1.3
Latvia	8.5	13.4	-0.5	22.0	5.4	-0.2	1.6	2.9	5.4	1.1	3.8	5.4
Lithuania	8.5	16.0	3.9	14.2	6.6	9.0	5.4	4.2	7.7	4.6	4.6	7.7
Luxembourg	11.0	5.5	4.4	6.9	3.8	5.8	2.1	4.3	5.5	2.1	4.2	5.6
Malta	2.9	0.1	10.6	-0.3	4.7	-1.1	0.1	6.3	3.2	1.7	4.7	5.0
Netherlands	9.3	3.0	3.2	3.5	2.8	0.8	4.0	4.3	5.5	4.1	4.5	5.1
Austria	6.3	4.5	2.0	6.4	0.7	-0.3	2.4	2.1	4.0	1.0	2.0	4.7
Portugal	9.1	2.0	2.4	-5.8	-6.3	3.9	6.4	4.7	5.8	5.9	4.9	4.8
Slovenia	7.8	7.3	3.3	5.0	-3.9	1.4	4.1	3.8	4.5	4.2	3.8	5.4
Slovakia	5.7	13.8	4.7	9.7	2.6	3.8	5.0	4.1	5.2	4.8	4.1	5.5
Finland	9.3	5.8	1.8	6.0	1.6	-1.6	-1.4	1.1	3.5	-0.4	1.3	3.0
Euro area	8.8	3.7	2.5	4.4	-1.0	1.3	3.9	4.6	5.9	3.6	4.5	5.7
Bulgaria	0.2	14.7	4.0	8.5	4.5	4.9	3.8	2.0	3.0	1.2	2.0	2.9
Czech Republic	8.4	12.5	5.8	6.7	2.4	0.3	9.5	7.5	7.2	8.2	4.6	6.8
Denmark	7.1	5.1	2.2	7.1	0.9	1.5	3.8	3.1	4.4	3.7	3.0	4.4
Croatia	5.6	10.3	-1.5	2.5	-3.0	3.2	3.0	2.4	4.0	3.8	1.8	4.5
Hungary	17.9	9.8	5.6	4.5	-3.3	5.9	10.0	7.5	6.8	9.8	6.1	6.1
Poland	16.4	4.2	8.4	5.5	-0.6	1.8	9.1	8.5	7.7	6.9	5.5	6.4
Romania	11.2	17.1	7.1	10.2	-1.8	4.2	7.7	6.5	6.8	6.6	5.8	6.3
Sweden	8.7	2.8	3.2	7.3	0.5	-0.7	6.5	4.7	5.6	5.1	4.9	5.3
United Kingdom	8.9	5.3	1.0	1.0	3.1	1.4	2.2	2.7	3.2	0.8	2.9	3.4
EU	8.9	4.3	2.6	4.3	-0.4	1.4	4.2	4.6	5.6	3.6	4.3	5.4
USA	11.4	4.5	0.6	5.5	2.3	1.1	3.9	5.1	5.3	3.9	5.9	5.8
Japan	4.3	3.4	0.1	5.9	5.3	3.1	7.2	3.9	4.5	6.5	3.0	3.8

Table 49: **Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 1996-2016)** **21.4.2015**

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.3	3.6	0.6	-1.5	-1.5	-0.7	**0.0**	**0.6**	**0.7**	*-0.2*	*0.0*	*0.2*
Germany	3.3	6.1	6.8	6.0	7.2	7.4	**7.9**	**8.6**	**8.6**	*7.9*	*8.5*	*8.4*
Estonia	-18.8	-16.7	-10.8	-2.1	-6.7	-5.1	**-5.2**	**-5.7**	**-6.1**	*-5.1*	*-5.1*	*-5.4*
Ireland	21.1	23.2	19.3	25.3	24.5	20.7	**24.8**	**25.5**	**24.8**	*22.6*	*21.6*	*20.4*
Greece	:	-15.6	-16.4	-12.6	-10.9	-10.6	**-11.7**	**-11.9**	**-11.7**	*-11.3*	*-11.5*	*-11.2*
Spain	-4.2	-6.1	-6.7	-4.1	-2.7	-1.2	**-2.0**	**-1.7**	**-1.8**	*-2.0*	*-1.7*	*-1.9*
France	1.3	0.1	-1.7	-2.9	-2.4	-1.9	**-1.6**	**-0.7**	**-1.0**	*-1.7*	*-1.2*	*-1.6*
Italy	2.5	0.7	-0.4	-1.1	1.0	2.2	**3.1**	**3.5**	**3.3**	*3.0*	*3.8*	*3.7*
Cyprus	-24.5	-24.2	-27.2	-23.2	-20.8	-17.7	**-17.4**	**-16.9**	**-16.9**	*-18.8*	*-18.6*	*-18.5*
Latvia	-16.1	-19.5	-16.6	-12.4	-12.0	-10.9	**-10.1**	**-9.6**	**-10.3**	*-10.4*	*-10.4*	*-10.8*
Lithuania	:	:	-10.5	-6.6	-3.3	-2.6	**-4.0**	**-3.3**	**-3.9**	*-3.6*	*-2.7*	*-3.1*
Luxembourg	:	-9.3	-2.6	0.4	2.0	5.0	**4.9**	**5.1**	**4.9**	*5.7*	*6.2*	*6.3*
Malta	-18.7	-13.1	-18.3	-16.6	-14.2	-13.2	**-12.8**	**-16.3**	**-17.3**	*-13.8*	*-13.7*	*-13.4*
Netherlands	6.3	8.4	9.4	10.1	10.7	11.6	**11.8**	**11.7**	**12.7**	*11.5*	*11.6*	*11.9*
Austria	-2.3	0.0	-0.1	-1.2	-1.0	-0.2	**0.1**	**0.4**	**0.4**	*0.9*	*0.9*	*0.8*
Portugal	-10.5	-10.8	-11.1	-7.9	-5.0	-4.1	**-4.4**	**-3.4**	**-3.4**	*-4.1*	*-3.7*	*-3.5*
Slovenia	-5.5	-3.1	-3.1	-1.8	0.2	1.2	**3.6**	**4.9**	**5.4**	*3.4*	*4.4*	*4.5*
Slovakia	-9.6	-7.4	-2.2	-0.6	3.1	4.3	**4.0**	**4.0**	**4.5**	*4.3*	*4.6*	*4.9*
Finland	9.3	7.1	3.2	-0.8	-0.4	0.0	**0.3**	**1.3**	**1.5**	*0.2*	*0.8*	*1.0*
Euro area	1.7	1.8	0.9	0.9	2.0	2.7	**3.1**	**3.8**	**3.7**	*3.1*	*3.5*	*3.4*
Euro area, adjusted[2]	1.7	1.8	0.9	0.9	2.1	2.7	**3.2**	**3.8**	**3.7**	*3.1*	*3.6*	*3.5*
Bulgaria	0.0	-18.8	-19.1	-4.8	-9.9	-7.2	**-8.0**	**-7.6**	**-7.5**	*-7.5*	*-7.1*	*-7.3*
Czech Republic	-7.9	-4.2	0.8	1.9	3.1	4.0	**5.5**	**6.2**	**6.7**	*5.4*	*5.6*	*5.8*
Denmark	3.3	3.7	1.5	3.1	2.8	2.8	**2.0**	**1.9**	**1.6**	*2.3*	*2.1*	*1.8*
Croatia	:	:	-19.0	-14.3	-14.3	-15.1	**-14.4**	**-14.5**	**-15.0**	*-15.6*	*-15.6*	*-16.0*
Hungary	-7.1	-4.7	0.3	2.8	3.0	3.5	**2.9**	**3.8**	**4.8**	*2.9*	*3.6*	*4.2*
Poland	-6.2	-3.1	-4.0	-3.5	-2.1	-0.1	**-0.6**	**-0.6**	**-1.2**	*0.0*	*0.1*	*-0.3*
Romania	-5.5	-7.8	-11.1	-6.7	-5.8	-3.9	**-3.8**	**-4.2**	**-4.4**	*-3.6*	*-3.6*	*-3.6*
Sweden	7.9	7.5	5.6	3.4	3.7	3.8	**3.2**	**3.1**	**3.1**	*3.1*	*2.9*	*2.8*
United Kingdom	:	-4.5	-6.0	-6.0	-6.6	-6.6	**-6.7**	**-6.2**	**-6.4**	*-6.3*	*-6.2*	*-6.1*
EU	1.0	0.6	-0.4	-0.2	0.5	1.1	**1.3**	**1.7**	**1.6**	*1.3*	*1.6*	*1.5*
EU, adjusted[2]	:	-0.5	-1.3	-1.1	-0.5	0.2	**0.3**	**0.8**	**0.7**	*0.4*	*0.7*	*0.6*
USA	-3.0	-5.0	-5.2	-5.0	-4.8	-4.4	**-4.4**	**-3.9**	**-4.0**	*-4.3*	*-4.1*	*-4.2*
Japan	2.5	2.2	1.5	-0.3	-1.2	-2.2	**-2.5**	**-2.0**	**-1.8**	*-2.3*	*-2.0*	*-1.8*

[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, 1996-2016)** **21.4.2015**

	5-year averages						Spring 2015 forecast			*Winter 2015 forecast*		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	4.1	4.6	2.2	0.3	0.6	-1.5	**0.4**	**2.1**	**2.2**	*-0.1*	*0.0*	*0.2*
Germany	-1.0	2.5	6.1	6.2	7.2	6.9	**7.6**	**7.9**	**7.7**	*7.7*	*8.0*	*7.7*
Estonia	-8.3	-10.3	-7.1	1.4	-2.4	-0.4	**0.1**	**-0.3**	**-0.5**	*-1.5*	*-1.7*	*-2.1*
Ireland	1.2	-0.7	-3.5	0.8	1.6	4.4	**6.2**	**5.7**	**5.3**	*5.0*	*4.6*	*3.9*
Greece	-5.7	-9.7	-14.0	-10.4	-4.4	-2.3	**-2.2**	**-1.6**	**-1.3**	*-2.0*	*-1.5*	*-0.9*
Spain	-1.9	-5.0	-7.2	-3.3	-0.4	1.5	**0.6**	**1.2**	**1.0**	*-0.1*	*0.6*	*0.5*
France	2.2	0.7	-1.3	-2.2	-2.5	-2.0	**-1.7**	**-0.9**	**-1.2**	*-1.8*	*-1.3*	*-1.7*
Italy	1.5	-0.5	-2.2	-3.1	-0.4	0.9	**2.0**	**2.2**	**2.2**	*1.8*	*2.6*	*2.6*
Cyprus	-3.9	-4.1	-10.3	-3.4	-5.7	-2.0	**-4.0**	**-3.9**	**-4.2**	*-1.2*	*-0.6*	*0.0*
Latvia	-7.8	-9.9	-9.1	-3.1	-3.5	-2.0	**-2.9**	**-2.3**	**-3.0**	*-2.5*	*-2.6*	*-2.9*
Lithuania	-9.3	-6.2	-7.3	-3.8	-0.9	1.5	**0.6**	**-0.2**	**-1.0**	*0.1*	*1.0*	*0.4*
Luxembourg	10.0	9.5	8.4	5.8	5.7	4.9	**5.3**	**4.6**	**4.6**	*4.8*	*3.8*	*3.6*
Malta	-7.6	-3.6	-6.6	-1.7	3.5	3.0	**2.9**	**0.6**	**0.4**	*3.3*	*3.5*	*3.6*
Netherlands	5.4	5.8	6.5	7.1	8.8	8.5	**9.9**	**9.0**	**9.4**	*8.5*	*8.0*	*8.1*
Austria	-1.9	1.3	3.1	2.1	2.6	2.3	**2.3**	**2.4**	**2.4**	*2.5*	*2.6*	*2.7*
Portugal	-7.7	-9.1	-10.8	-5.6	-2.0	0.9	**0.5**	**1.2**	**1.4**	*-0.2*	*0.4*	*0.6*
Slovenia	-2.5	-1.4	-2.2	0.9	3.0	4.8	**5.3**	**5.4**	**5.6**	*5.9*	*5.7*	*5.4*
Slovakia	-6.8	-7.1	-5.7	-3.8	0.3	0.8	**1.9**	**1.8**	**0.7**	*1.1*	*0.8*	*0.7*
Finland	5.5	6.0	2.9	-1.5	-1.9	-1.9	**-1.8**	**-0.7**	**-0.4**	*-1.4*	*-0.7*	*-0.4*
Euro area	0.5	0.5	0.1	0.5	1.9	2.5	**3.0**	**3.5**	**3.4**	*2.8*	*3.2*	*3.0*
Euro area, adjusted[2]	0.5	0.5	0.1	0.6	1.9	2.5	**3.0**	**3.5**	**3.4**	*2.8*	*3.2*	*3.1*
Bulgaria	:	-6.2	-15.1	0.9	-1.2	1.6	**0.9**	**1.3**	**1.2**	*1.7*	*2.1*	*1.8*
Czech Republic	-3.7	-4.0	-4.5	-4.6	-2.2	-2.2	**-0.9**	**0.4**	**0.7**	*-1.0*	*-0.3*	*0.1*
Denmark	1.9	3.8	3.3	5.7	5.6	7.2	**6.2**	**6.1**	**6.2**	*6.5*	*6.6*	*6.5*
Croatia	-4.5	-4.5	-5.6	-0.6	0.0	0.1	**0.6**	**2.0**	**3.0**	*0.9*	*2.4*	*3.2*
Hungary	-5.9	-7.7	-4.4	0.8	1.7	4.2	**4.4**	**5.5**	**6.2**	*4.1*	*4.4*	*4.9*
Poland	-3.6	-2.8	-5.2	-5.0	-3.8	-1.3	**-1.4**	**-1.8**	**-2.2**	*-1.3*	*-1.5*	*-2.0*
Romania	-5.7	-5.2	-9.1	-4.7	-4.7	-1.2	**-0.5**	**-0.8**	**-1.0**	*-0.9*	*-1.1*	*-1.1*
Sweden	4.3	6.2	7.8	5.9	6.3	6.9	**5.8**	**5.8**	**5.6**	*5.9*	*5.6*	*5.4*
United Kingdom	-1.2	-1.8	-2.8	-1.7	-3.7	-4.5	**-5.5**	**-4.9**	**-4.1**	*-4.1*	*-3.8*	*-3.3*
EU	:	0.1	-0.4	0.2	1.0	1.5	**1.6**	**1.9**	**1.9**	*1.6*	*1.9*	*1.9*
EU, adjusted[2]	:	-0.5	-1.1	-0.3	0.5	1.1	**1.2**	**1.5**	**1.6**	*1.3*	*1.6*	*1.5*
USA	-2.4	-4.6	-4.2	-3.1	-3.0	-2.5	**-2.6**	**-2.2**	**-2.4**	*-2.5*	*-2.3*	*-2.6*
Japan	2.4	3.1	3.7	2.0	1.0	0.7	**0.6**	**1.4**	**1.7**	*0.5*	*1.0*	*1.2*

[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, 1996-2016)** **21.4.2015**

	5-year averages						Spring 2015 forecast			Winter 2015 forecast		
	1996-00	2001-05	2006-10	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	4.1	4.5	2.0	0.2	1.3	-1.5	**0.5**	**2.1**	**2.1**	*-0.1*	*0.3*	*0.5*
Germany	-1.0	2.4	6.1	6.1	7.3	7.0	**7.6**	**8.0**	**7.8**	*7.8*	*8.0*	*7.8*
Estonia	-7.8	-9.8	-5.2	5.5	1.1	2.4	**0.8**	**0.5**	**0.2**	*1.0*	*0.7*	*0.3*
Ireland	2.1	-0.3	-3.4	1.0	1.6	4.4	**6.3**	**5.3**	**4.9**	*5.7*	*5.1*	*4.3*
Greece	-4.1	-8.4	-12.2	-8.5	-2.6	0.3	**-0.4**	**0.3**	**0.5**	*-0.3*	*0.3*	*0.8*
Spain	-1.0	-4.2	-6.8	-2.9	0.1	2.1	**1.0**	**1.6**	**1.4**	*0.3*	*1.0*	*0.9*
France	2.2	0.6	-1.3	-2.2	-2.7	-2.0	**-1.6**	**-0.8**	**-1.0**	*-1.8*	*-1.2*	*-1.5*
Italy	1.7	-0.4	-2.2	-3.0	-0.2	0.9	**2.2**	**2.4**	**2.4**	*1.9*	*2.7*	*2.7*
Cyprus	-3.9	-3.8	-10.2	-3.2	-5.6	-0.7	**-13.1**	**-4.7**	**-4.8**	*-2.1*	*-1.2*	*-0.6*
Latvia	-7.6	-9.2	-7.3	-1.0	-0.5	0.5	**2.3**	**2.5**	**1.6**	*0.4*	*-0.2*	*-0.6*
Lithuania	-9.3	-5.7	-4.6	-0.6	2.0	4.5	**3.3**	**1.8**	**0.9**	*4.5*	*4.0*	*3.2*
Luxembourg	:	9.5	7.7	5.4	4.8	3.4	**5.4**	**4.8**	**4.9**	*4.7*	*3.9*	*3.8*
Malta	-6.9	-2.6	-5.1	-0.6	5.3	4.7	**4.7**	**2.3**	**1.9**	*5.4*	*5.5*	*5.5*
Netherlands	5.2	5.8	6.0	6.8	7.8	7.9	**9.8**	**9.1**	**9.6**	*7.9*	*7.8*	*8.2*
Austria	-2.0	1.2	2.9	2.0	2.4	2.2	**2.3**	**2.4**	**2.4**	*2.4*	*2.7*	*2.7*
Portugal	-5.7	-7.3	-9.6	-4.1	0.0	2.5	**2.0**	**2.6**	**2.8**	*1.3*	*2.0*	*2.2*
Slovenia	-2.5	-1.8	-2.2	0.9	3.1	4.8	**5.8**	**7.4**	**6.8**	*5.4*	*6.5*	*6.2*
Slovakia	-7.1	-7.6	-4.8	-2.2	1.8	2.3	**2.8**	**2.6**	**1.5**	*1.8*	*1.2*	*1.1*
Finland	5.6	6.1	2.9	-1.4	-1.8	-1.8	**-1.7**	**-0.6**	**-0.3**	*-1.3*	*-0.7*	*-0.3*
Euro area	:	0.6	0.2	0.7	2.1	2.6	**3.2**	**3.7**	**3.6**	*2.9*	*3.4*	*3.3*
Euro area, adjusted[2]	:	0.6	0.2	0.7	2.1	2.6	**3.2**	**3.7**	**3.6**	*2.9*	*3.4*	*3.3*
Bulgaria	:	-5.9	-14.8	2.1	0.1	2.9	**2.3**	**2.6**	**2.5**	*3.1*	*3.4*	*3.1*
Czech Republic	-3.7	-3.8	-3.3	-2.9	-1.2	0.0	**1.0**	**2.3**	**2.0**	*1.4*	*2.2*	*2.4*
Denmark	2.1	3.8	3.3	6.1	5.6	7.2	**6.2**	**7.0**	**5.3**	*6.5*	*6.7*	*6.7*
Croatia	-4.5	-4.5	-5.6	-0.6	0.0	0.1	**0.4**	**1.8**	**2.8**	*0.7*	*2.2*	*3.3*
Hungary	-5.9	-7.5	-3.2	3.2	4.3	7.8	**8.0**	**8.6**	**7.8**	*7.8*	*8.4*	*7.7*
Poland	-3.7	-2.6	-3.5	-2.6	-1.6	1.0	**1.1**	**0.9**	**-0.1**	*0.6*	*0.7*	*0.0*
Romania	-5.5	-4.6	-8.7	-4.2	-3.3	1.1	**1.9**	**1.6**	**1.4**	*1.4*	*1.3*	*1.2*
Sweden	3.9	6.1	7.6	5.7	6.2	6.7	**5.7**	**5.7**	**5.4**	*5.6*	*5.3*	*5.1*
United Kingdom	-1.1	-1.8	-2.8	-1.6	-3.7	-4.4	**-5.4**	**-4.8**	**-4.0**	*-4.0*	*-3.8*	*-3.3*
EU	:	0.2	-0.3	0.4	1.2	1.7	**1.9**	**2.2**	**2.2**	*1.9*	*2.2*	*2.2*
EU, adjusted[2]	:	-0.4	-1.0	-0.1	0.8	1.3	**1.5**	**1.8**	**1.8**	*1.5*	*1.9*	*1.9*
USA	-2.4	-4.6	-4.2	-3.1	-2.9	-2.5	**-2.6**	**-2.2**	**-2.4**	*-2.5*	*-2.3*	*-2.6*
Japan	2.1	3.0	3.6	2.0	1.0	0.5	**0.5**	**1.3**	**1.6**	*0.4*	*1.0*	*1.1*

[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, 2008-16)** **21.4.2015**

							Spring 2015 forecast			Winter 2015 forecast		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	3.3	1.6	8.7	1.2	2.4	-5.8	**1.8**	**8.5**	**9.4**	*-0.3*	*-0.1*	*0.8*
Germany	149.1	148.1	151.2	166.7	198.5	194.1	**219.6**	**238.4**	**241.9**	*222.4*	*237.8*	*239.1*
Estonia	-1.5	0.4	0.3	0.2	-0.4	-0.1	**0.0**	**-0.1**	**-0.1**	*-0.3*	*-0.3*	*-0.4*
Ireland	-10.7	-5.1	0.9	1.4	2.7	7.6	**11.5**	**11.2**	**11.0**	*9.2*	*8.8*	*7.7*
Greece	-39.9	-31.5	-25.9	-21.7	-8.5	-4.2	**-4.0**	**-2.9**	**-2.4**	*-3.7*	*-2.8*	*-1.8*
Spain	-102.9	-46.5	-42.0	-35.0	-4.5	15.4	**6.5**	**12.8**	**11.0**	*-1.0*	*7.0*	*5.6*
France	-27.6	-31.2	-34.9	-46.0	-52.5	-41.9	**-36.5**	**-18.9**	**-26.1**	*-39.2*	*-29.3*	*-38.1*
Italy	-46.3	-30.4	-55.7	-50.4	-6.7	15.1	**32.5**	**36.5**	**36.6**	*28.6*	*42.6*	*42.9*
Cyprus	-2.4	-1.9	-1.8	-0.7	-1.1	-0.4	**-0.7**	**-0.7**	**-0.8**	*-0.2*	*-0.1*	*0.0*
Latvia	-3.1	1.5	0.4	-0.6	-0.8	-0.5	**-0.7**	**-0.6**	**-0.8**	*-0.6*	*-0.7*	*-0.8*
Lithuania	-4.3	0.6	-0.1	-1.2	-0.3	0.5	**0.2**	**-0.1**	**-0.4**	*0.0*	*0.4*	*0.2*
Luxembourg	2.8	2.8	2.7	2.5	2.5	2.2	**2.5**	**2.2**	**2.4**	*2.3*	*1.8*	*1.9*
Malta	-0.3	-0.5	-0.4	-0.1	0.3	0.2	**0.2**	**0.1**	**0.0**	*0.3*	*0.3*	*0.3*
Netherlands	28.7	34.4	47.2	45.4	56.2	54.4	**64.6**	**59.7**	**64.8**	*55.4*	*53.3*	*55.5*
Austria	12.0	5.9	9.1	6.5	8.1	7.4	**7.6**	**8.1**	**8.2**	*8.3*	*8.8*	*9.3*
Portugal	-22.5	-17.7	-18.7	-9.9	-3.4	1.5	**0.9**	**2.2**	**2.6**	*-0.4*	*0.7*	*1.2*
Slovenia	-2.0	-0.1	0.1	0.3	1.1	1.7	**2.0**	**2.1**	**2.2**	*2.2*	*2.2*	*2.1*
Slovakia	-4.4	-2.1	-3.2	-2.7	0.2	0.6	**1.5**	**1.4**	**0.6**	*0.8*	*0.6*	*0.6*
Finland	5.3	3.7	2.7	-2.9	-3.8	-3.8	**-3.7**	**-1.4**	**-0.8**	*-2.9*	*-1.5*	*-0.8*
Euro area	-66.6	32.0	40.6	53.2	190.0	244.1	**305.9**	**358.5**	**359.3**	*281.0*	*329.4*	*325.4*
Euro area, adjusted[2]	-62.3	31.4	40.7	54.4	190.3	243.6	**305.7**	**358.6**	**359.7**	*281.0*	*329.1*	*325.2*
Bulgaria	-8.3	-3.2	-0.7	0.4	-0.5	0.7	**0.4**	**0.6**	**0.5**	*0.7*	*0.9*	*0.8*
Czech Republic	-8.0	-5.7	-8.1	-7.6	-3.5	-3.4	**-1.4**	**0.6**	**1.2**	*-1.5*	*-0.5*	*0.1*
Denmark	6.4	7.6	13.8	14.1	14.1	18.2	**15.9**	**16.2**	**16.9**	*16.6*	*17.5*	*18.0*
Croatia	-4.2	-2.2	-0.4	-0.3	0.0	0.0	**0.2**	**0.9**	**1.3**	*0.4*	*1.0*	*1.4*
Hungary	-7.4	-0.8	0.3	0.8	1.7	4.2	**4.5**	**6.2**	**7.4**	*4.2*	*4.6*	*5.4*
Poland	-23.8	-12.2	-17.5	-19.0	-14.5	-5.3	**-5.9**	**-7.9**	**-10.2**	*-5.6*	*-6.4*	*-8.8*
Romania	-16.6	-5.5	-6.1	-6.3	-6.3	-1.7	**-0.7**	**-1.2**	**-1.7**	*-1.4*	*-1.8*	*-1.9*
Sweden	30.1	20.8	23.9	23.9	26.8	30.1	**24.7**	**25.3**	**25.4**	*25.4*	*23.9*	*24.1*
United Kingdom	-70.9	-46.5	-47.3	-31.1	-76.4	-90.3	**-121.5**	**-126.3**	**-110.9**	*-91.6*	*-92.2*	*-84.0*
EU	-169.2	-15.7	-1.6	28.1	131.4	196.7	**222.3**	**272.8**	**289.2**	*228.2*	*276.5*	*280.5*
EU, adjusted[2]	-276.7	-82.5	-66.8	-34.8	72.5	142.6	**168.1**	**218.7**	**235.1**	*178.1*	*226.4*	*230.4*
USA	-466.5	-270.5	-337.9	-345.2	-375.3	-317.9	**-345.4**	**-370.0**	**-432.0**	*-329.9*	*-363.7*	*-429.5*
Japan	109.3	105.4	153.9	86.1	47.1	24.9	**19.9**	**52.6**	**65.3**	*17.0*	*36.9*	*42.5*

[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, 2008-16) 21.4.2015

							Spring 2015 forecast			*Winter 2015 forecast*		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	2.1	-10.6	10.3	5.0	1.1	1.3	3.2	4.2	5.5	3.0	4.3	5.6
Germany	2.2	-11.7	10.5	5.2	1.2	1.7	2.9	3.6	5.1	2.4	3.7	5.1
Estonia	1.8	-17.7	9.6	7.4	1.5	1.2	1.3	2.1	4.7	1.6	2.4	4.6
Ireland	1.2	-11.5	10.7	4.6	1.3	1.9	2.9	4.3	4.9	2.4	4.0	5.2
Greece	1.7	-12.4	10.4	4.9	1.1	2.1	2.7	3.6	5.0	2.0	3.7	5.1
Spain	1.9	-10.6	9.8	4.2	0.5	1.9	2.9	3.6	5.2	2.4	3.9	5.2
France	1.8	-11.1	10.3	4.9	1.0	1.9	3.2	4.3	5.4	2.9	4.3	5.4
Italy	2.7	-11.0	9.9	5.4	1.6	2.1	2.9	3.8	5.3	2.6	4.1	5.4
Cyprus	2.2	-13.6	8.1	7.4	1.3	3.5	1.2	1.8	4.6	1.5	2.6	4.8
Latvia	3.8	-17.0	12.5	10.4	3.9	2.7	1.8	2.3	5.1	1.9	2.5	5.2
Lithuania	2.5	-16.6	11.2	9.8	3.5	1.6	0.4	1.4	4.7	0.9	1.9	4.8
Luxembourg	1.6	-11.2	10.1	4.2	0.4	1.6	3.5	4.3	5.2	2.8	3.8	5.3
Malta	1.8	-11.7	10.3	4.4	0.8	2.2	3.0	4.0	5.1	2.5	4.0	5.3
Netherlands	2.3	-11.2	10.4	5.2	0.9	1.5	3.6	4.2	5.5	3.3	4.3	5.5
Austria	2.8	-11.5	11.3	5.9	1.1	1.7	3.0	4.3	5.6	2.7	4.1	5.6
Portugal	0.9	-12.6	9.7	3.9	-0.3	1.8	3.9	4.5	5.7	3.7	4.7	5.6
Slovenia	2.7	-13.1	9.8	5.5	0.4	1.0	3.0	3.6	5.3	2.7	3.3	5.3
Slovakia	3.2	-12.3	11.7	6.2	0.8	1.3	4.6	4.7	5.9	4.0	4.0	5.7
Finland	3.6	-12.2	11.9	7.7	2.7	2.2	2.4	3.1	4.9	2.4	3.2	5.0
Euro area (b)	2.2	-11.3	10.4	5.1	1.1	1.7	3.1	3.9	5.3	2.7	4.0	5.3
Bulgaria	2.4	-12.8	9.4	5.6	0.0	1.6	2.9	3.5	5.4	2.5	3.8	5.3
Czech Republic	3.2	-12.3	11.2	5.9	1.3	1.5	3.4	4.1	5.6	3.1	4.0	5.6
Denmark	2.4	-11.4	11.4	5.4	1.5	1.7	3.5	4.4	5.1	3.4	4.3	5.3
Croatia	1.5	-12.7	10.4	5.3	-0.4	1.4	2.9	3.9	5.1	2.5	3.6	5.2
Hungary	3.5	-12.5	11.0	6.1	1.3	1.4	3.5	4.2	5.6	3.1	4.0	5.6
Poland	3.5	-12.4	11.4	6.2	1.7	1.4	2.8	3.6	5.5	2.8	3.6	5.4
Romania	1.7	-12.4	10.2	5.4	0.7	1.5	2.9	3.7	5.4	2.6	3.8	5.4
Sweden	2.3	-11.9	9.7	5.0	1.7	2.0	2.7	3.6	4.8	2.8	3.7	4.9
United Kingdom	1.6	-11.1	10.5	5.0	1.4	1.9	3.3	4.3	5.3	3.2	4.4	5.5
EU (b)	2.2	-11.5	10.5	5.2	1.2	1.7	3.1	4.0	5.3	2.8	4.0	5.3
USA	3.5	-11.2	13.1	6.6	3.3	3.3	2.6	3.4	4.7	2.8	4.1	4.9
Japan	3.7	-9.0	14.8	7.0	3.4	3.3	2.4	4.1	5.1	2.5	4.8	5.6

(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, 2008-16) 21.4.2015

							Spring 2015 forecast			*Winter 2015 forecast*		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
Belgium	-0.5	1.2	-0.3	1.5	0.8	1.6	0.1	-0.3	0.2	0.3	-0.8	-0.8
Germany	-0.3	-2.9	3.7	2.7	1.6	-0.1	0.9	1.1	0.5	1.3	1.1	0.1
Estonia	-0.9	-3.2	13.2	16.3	4.6	1.2	1.3	0.2	-0.2	0.4	0.0	0.2
Ireland	-2.1	8.5	-4.1	0.8	3.3	-0.8	9.4	1.2	0.4	10.0	1.3	0.3
Greece	1.8	-6.9	-5.2	-4.7	0.0	0.0	6.1	0.5	0.1	5.9	1.9	-0.3
Spain	-2.7	-0.5	-0.3	3.1	0.6	2.3	1.3	1.8	1.0	2.0	1.4	0.8
France	-1.4	-0.2	-1.2	1.9	0.1	0.2	-0.5	0.4	0.5	-0.6	-0.1	0.1
Italy	-5.6	-7.9	1.7	-0.2	0.8	-1.5	-0.2	0.0	-0.4	-1.3	-0.7	-1.1
Cyprus	-3.8	7.3	-5.1	-3.0	-3.0	-8.2	4.4	-2.1	-2.9	-1.2	-0.6	-2.1
Latvia	-1.4	5.0	0.8	1.5	5.6	-1.3	0.4	0.3	-0.5	-0.4	0.4	-0.4
Lithuania	10.6	4.6	7.0	4.6	8.4	7.7	2.9	1.7	1.7	2.2	1.5	1.6
Luxembourg	5.6	-1.7	-1.8	0.7	2.5	3.9	-1.0	0.1	0.1	-0.4	0.2	-0.2
Malta	17.3	12.8	-3.1	-2.0	5.8	-3.1	-3.1	0.5	-2.1	-1.4	0.6	-0.1
Netherlands	-0.8	3.6	-1.4	-0.8	2.4	0.5	0.4	-0.2	-0.5	0.8	0.1	-0.7
Austria	-0.5	-4.0	1.4	0.6	0.2	-0.3	-1.5	-2.1	-1.6	-2.5	-2.0	-0.8
Portugal	-1.2	2.7	-0.2	3.0	3.7	4.6	-0.5	0.7	0.4	0.1	0.3	-0.2
Slovenia	1.4	-4.0	0.3	1.4	-0.1	1.6	3.1	1.6	0.0	3.1	0.8	0.0
Slovakia	-0.2	-5.4	3.6	5.5	8.4	3.8	-0.1	-0.4	-0.2	0.4	0.1	-0.1
Finland	2.9	-9.0	-5.1	-5.3	-1.4	-2.9	-2.7	-1.3	-0.9	-1.1	-1.1	-1.1
Euro area (b)	-1.2	-1.6	0.6	1.4	1.4	0.3	0.7	0.4	0.1	0.8	0.3	-0.2
Bulgaria	0.1	1.2	7.1	6.4	0.1	7.5	-0.7	-0.4	-1.3	-2.1	-0.7	-1.6
Czech Republic	1.0	2.8	3.3	3.2	2.7	-1.1	5.2	2.5	1.3	4.2	0.3	1.2
Denmark	0.8	2.2	-8.5	1.8	-1.3	-0.9	-0.9	-1.2	-0.5	-0.5	-1.2	-0.7
Croatia	-0.7	-1.6	-3.8	-2.9	0.3	1.6	3.2	-0.2	-0.5	3.5	-0.8	-0.5
Hungary	3.3	1.2	0.3	0.4	-2.8	4.4	5.1	3.0	1.8	4.7	2.0	1.1
Poland	3.4	7.0	1.3	1.6	2.6	3.3	2.8	2.6	1.2	2.0	0.4	0.0
Romania	-4.8	8.1	4.6	6.2	0.3	14.5	5.1	2.2	0.4	5.6	1.9	0.4
Sweden	-0.3	-2.9	2.0	1.0	-0.7	-2.1	0.6	0.5	0.5	-0.4	0.0	-0.1
United Kingdom	0.0	3.2	-3.9	0.6	-0.7	-0.4	-2.6	-2.5	-2.3	-4.1	-1.9	-2.1
EU (b)	-0.7	-0.4	0.0	1.4	1.0	0.4	0.6	0.3	-0.1	0.4	0.1	-0.4
USA	2.2	2.7	-1.1	0.2	0.0	-0.2	0.5	-0.2	-0.9	0.3	0.2	-0.2
Japan	-2.2	-16.7	8.3	-6.9	-3.5	-1.7	5.7	:	:	5.2	0.2	-1.0

(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, 2010-16)** **21.4.2015**

						Spring 2015 forecast			*Winter 2015 forecast*		
	(a)	2010	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
EU	17.2	2.1	1.7	-0.5	0.0	**1.4**	**1.8**	**2.1**	*1.3*	*1.7*	*2.1*
Euro area	12.3	2.0	1.6	-0.8	-0.4	**0.9**	**1.5**	**1.9**	*0.8*	*1.3*	*1.9*
Belgium	0.4	2.5	1.6	0.1	0.3	**1.0**	**1.1**	**1.5**	*1.0*	*1.1*	*1.4*
Bulgaria	0.1	0.7	2.0	0.5	1.1	**1.7**	**1.0**	**1.3**	*1.4*	*0.8*	*1.0*
Czech Republic	0.3	2.3	2.0	-0.8	-0.7	**2.0**	**2.5**	**2.6**	*2.3*	*2.5*	*2.6*
Denmark	0.2	1.6	1.2	-0.7	-0.5	**1.1**	**1.8**	**2.1**	*0.8*	*1.7*	*2.1*
Germany	3.4	4.1	3.6	0.4	0.1	**1.6**	**1.9**	**2.0**	*1.5*	*1.5*	*2.0*
Estonia	0.0	2.5	8.3	4.7	1.6	**2.1**	**2.3**	**2.9**	*1.9*	*2.3*	*2.9*
Ireland	0.2	-0.3	2.8	-0.3	0.2	**4.8**	**3.6**	**3.5**	*4.8*	*3.5*	*3.6*
Greece	0.3	-5.4	-8.9	-6.6	-3.9	**0.8**	**0.5**	**2.9**	*1.0*	*2.5*	*3.6*
Spain	1.5	0.0	-0.6	-2.1	-1.2	**1.4**	**2.8**	**2.6**	*1.4*	*2.3*	*2.5*
France	2.5	2.0	2.1	0.3	0.3	**0.4**	**1.1**	**1.7**	*0.4*	*1.0*	*1.8*
Croatia	0.1	-1.7	-0.3	-2.2	-0.9	**-0.4**	**0.3**	**1.2**	*-0.5*	*0.2*	*1.0*
Italy	2.0	1.7	0.6	-2.8	-1.7	**-0.4**	**0.6**	**1.4**	*-0.5*	*0.6*	*1.3*
Cyprus	0.0	1.4	0.3	-2.4	-5.4	**-2.3**	**-0.5**	**1.4**	*-2.8*	*0.4*	*1.6*
Latvia	0.0	-2.9	5.0	4.8	4.2	**2.4**	**2.3**	**3.2**	*2.6*	*2.9*	*3.6*
Lithuania	0.1	1.6	6.1	3.8	3.3	**2.9**	**2.8**	**3.3**	*3.0*	*3.0*	*3.4*
Luxembourg	0.0	5.1	2.6	-0.2	2.0	**3.1**	**3.4**	**3.5**	*3.0*	*2.6*	*2.9*
Hungary	0.2	0.8	1.8	-1.5	1.5	**3.6**	**2.8**	**2.2**	*3.3*	*2.4*	*1.9*
Malta	0.0	3.5	2.3	2.5	2.7	**3.5**	**3.6**	**3.2**	*3.3*	*3.3*	*2.9*
Netherlands	0.8	1.1	1.7	-1.6	-0.7	**0.9**	**1.6**	**1.7**	*0.7*	*1.4*	*1.7*
Austria	0.4	1.9	3.1	0.9	0.2	**0.3**	**0.8**	**1.5**	*0.2*	*0.8*	*1.5*
Poland	0.9	3.7	4.8	1.8	1.7	**3.4**	**3.3**	**3.4**	*3.3*	*3.2*	*3.4*
Portugal	0.3	1.9	-1.8	-4.0	-1.6	**0.9**	**1.6**	**1.8**	*1.0*	*1.6*	*1.7*
Romania	0.4	-0.8	1.1	0.6	3.4	**2.8**	**2.8**	**3.3**	*3.0*	*2.7*	*2.9*
Slovenia	0.1	1.2	0.6	-2.6	-1.0	**2.6**	**2.3**	**2.1**	*2.6*	*1.8*	*2.3*
Slovakia	0.1	4.8	2.7	1.6	1.4	**2.4**	**3.0**	**3.4**	*2.4*	*2.5*	*3.2*
Finland	0.2	3.0	2.6	-1.4	-1.3	**-0.1**	**0.3**	**1.0**	*0.0*	*0.8*	*1.4*
Sweden	0.4	6.0	2.7	-0.3	1.3	**2.1**	**2.5**	**2.8**	*1.8*	*2.3*	*2.6*
United Kingdom	2.3	1.9	1.6	0.7	1.7	**2.8**	**2.6**	**2.4**	*2.6*	*2.6*	*2.4*
Candidate Countries	1.6	8.2	8.0	1.9	4.0	**2.6**	**3.0**	**3.5**	*2.5*	*3.4*	*3.8*
- Turkey	1.4	9.2	8.8	2.1	4.2	**2.9**	**3.2**	**3.7**	*2.8*	*3.7*	*4.0*
- The former Yugoslav Republic of Macedonia	0.0	3.4	2.3	-0.5	2.7	**3.8**	**3.8**	**3.9**	*3.5*	*3.5*	*3.6*
- Iceland	0.0	-3.1	2.4	1.3	3.6	**1.9**	**2.8**	**2.5**	*1.8*	*2.3*	*2.5*
- Montenegro	0.0	2.5	3.0	-2.5	3.3	**1.4**	**3.3**	**3.9**	*1.4*	*3.0*	*3.7*
- Serbia	0.1	0.6	1.4	-1.0	2.6	**-1.8**	**-0.1**	**1.2**	*-2.0*	*-0.3*	*1.2*
- Albania	0.0	3.7	2.5	1.6	1.4	**1.9**	**3.0**	**3.6**	*1.7*	*3.0*	*3.5*
Potential Candidates	0.1	1.9	1.9	0.0	1.6	**1.8**	**2.7**	**3.1**	*1.0*	*2.4*	*2.9*
USA	16.5	2.5	1.6	2.3	2.2	**2.4**	**3.1**	**3.0**	*2.4*	*3.5*	*3.2*
Japan	4.6	4.7	-0.5	1.8	1.6	**0.0**	**1.1**	**1.4**	*0.4*	*1.3*	*1.3*
Canada	1.5	3.4	2.5	1.7	2.0	**2.6**	**2.0**	**2.1**	*2.4*	*2.3*	*2.5*
Norway	0.3	0.6	1.0	2.7	0.7	**2.2**	**1.5**	**1.6**	*1.9*	*1.7*	*1.8*
Switzerland	0.4	3.0	1.8	1.1	1.9	**2.0**	**1.2**	**1.3**	*1.7*	*1.6*	*1.6*
Australia	1.0	2.3	3.7	2.5	2.5	**2.7**	**2.8**	**3.0**	*2.9*	*2.7*	*2.9*
New Zealand	0.1	0.7	2.3	2.5	2.5	**3.3**	**3.0**	**2.7**	*3.3*	*2.8*	*2.8*
Advanced economies	43.2	2.7	1.7	1.1	1.3	**1.8**	**2.3**	**2.5**	*1.8*	*2.4*	*2.6*
CIS	4.9	5.0	4.8	3.5	2.1	**0.8**	**-2.7**	**0.9**	*0.5*	*-2.3*	*1.0*
- Russia	3.4	4.5	4.3	3.4	1.3	**0.6**	**-3.5**	**0.2**	*0.5*	*-3.5*	*0.2*
- Other CIS	1.4	6.2	6.0	3.5	4.0	**1.3**	**-0.8**	**2.5**	*0.5*	*0.6*	*2.8*
MENA	7.0	16.3	3.0	3.4	1.5	**2.6**	**3.0**	**3.7**	*2.7*	*3.3*	*3.8*
Asia	32.9	9.7	7.4	6.2	6.6	**6.5**	**6.4**	**6.5**	*6.2*	*6.4*	*6.5*
- China	15.8	10.6	9.4	7.8	7.6	**7.4**	**7.0**	**6.8**	*7.4*	*7.1*	*6.9*
- India	6.6	11.0	7.9	4.9	6.9	**7.2**	**7.6**	**7.9**	*6.0*	*6.6*	*7.1*
- Hong Kong	0.4	6.8	4.8	1.7	2.9	**2.3**	**2.8**	**3.1**	*3.0*	*3.3*	*3.5*
- Korea	1.7	6.5	3.7	2.3	3.0	**3.3**	**3.3**	**3.4**	*3.5*	*3.9*	*4.0*
- Indonesia	2.3	6.4	6.2	6.0	5.6	**5.0**	**5.5**	**5.7**	*5.2*	*5.8*	*6.1*
Latin America	8.7	6.0	4.5	2.9	2.8	**1.2**	**1.0**	**2.3**	*1.0*	*1.5*	*2.5*
- Brazil	3.0	7.5	2.7	1.0	2.5	**0.2**	**-0.9**	**1.3**	*0.2*	*0.7*	*1.8*
- Mexico	2.0	5.2	3.9	4.0	1.4	**2.1**	**2.7**	**3.4**	*2.2*	*3.4*	*3.5*
Sub-Saharan Africa	3.1	5.8	4.4	4.4	5.9	**4.2**	**4.8**	**5.0**	*4.1*	*5.2*	*5.2*
Emerging and developing economies	56.8	9.3	5.9	5.0	4.9	**4.6**	**4.4**	**5.0**	*4.4*	*4.5*	*5.1*
World	100.0	6.2	4.0	3.2	3.3	**3.4**	**3.5**	**3.9**	*3.3*	*3.6*	*4.0*
World excluding EU	82.8	7.2	4.5	4.1	4.0	**3.8**	**3.8**	**4.3**	*3.7*	*4.0*	*4.4*
World excluding euro area	87.7	6.9	4.4	3.9	3.9	**3.7**	**3.8**	**4.2**	*3.6*	*4.0*	*4.3*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2013.

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2010-16) 21.4.2015

						Spring 2015 forecast			*Winter 2015 forecast*		
	(a)	2010	2011	2012	2013	2014	2015	2016	*2014*	*2015*	*2016*
EU (b)	34.1	10.5	6.6	2.2	2.2	**3.7**	**4.2**	**5.2**	*3.2*	*4.1*	*5.0*
Euro area (b)	25.6	11.1	6.6	2.5	2.1	**3.8**	**4.4**	**5.4**	*3.6*	*4.3*	*5.1*
Candidate Countries	1.1	4.8	6.5	15.6	1.4	**6.6**	**3.5**	**4.7**	*5.3*	*4.0*	*5.3*
- Turkey	1.0	3.4	6.5	18.3	-0.3	**6.8**	**3.2**	**4.5**	*5.3*	*3.8*	*5.1*
- The former Yugoslav Republic of Macedonia	0.0	23.7	16.1	2.0	-2.7	**17.0**	**8.8**	**9.9**	*14.0*	*12.5*	*10.4*
- Iceland	0.0	1.5	3.4	3.7	6.9	**3.1**	**4.7**	**5.5**	*4.7*	*5.0*	*5.5*
- Montenegro	0.0	7.5	14.1	-1.2	-1.3	**-0.7**	**1.2**	**2.0**	*-2.8*	*1.8*	*2.9*
- Serbia	0.1	15.0	5.0	0.8	21.3	**3.9**	**4.7**	**4.9**	*3.5*	*3.3*	*4.9*
- Albania	0.0	16.8	7.4	-0.6	7.9	**6.9**	**6.7**	**7.8**	*8.7*	*8.2*	*8.7*
USA	10.0	11.9	6.9	3.3	3.0	**3.1**	**3.2**	**3.8**	*3.1*	*4.2*	*4.7*
Japan	3.5	24.4	-0.4	-0.2	1.5	**8.2**	**6.8**	**5.6**	*7.8*	*5.0*	*4.5*
Canada	2.5	6.0	5.2	3.3	1.9	**5.4**	**5.6**	**5.7**	*5.3*	*5.8*	*5.9*
Norway	0.8	0.7	-0.8	1.4	-3.0	**1.7**	**2.9**	**3.3**	*3.3*	*2.5*	*2.5*
Switzerland	2.2	12.8	4.9	0.8	15.3	**0.5**	**-1.3**	**2.4**	*-4.6*	*-0.5*	*2.4*
Australia	1.4	5.6	-0.2	5.8	6.6	**6.7**	**5.3**	**5.8**	*4.0*	*5.5*	*6.0*
New Zealand	0.2	3.8	2.2	2.5	0.8	**2.7**	**3.0**	**2.5**	*2.5*	*4.0*	*4.4*
Advanced economies	55.9	11.2	5.7	2.5	2.8	**3.9**	**4.0**	**4.8**	*3.3*	*4.1*	*4.8*
CIS	3.5	8.5	4.4	2.2	1.2	**-1.4**	**-2.9**	**1.4**	*-0.9*	*-0.6*	*2.1*
- Russia	2.4	7.0	0.3	1.4	4.2	**-0.1**	**-2.0**	**1.0**	*0.4*	*-1.0*	*1.0*
- Other CIS	1.1	11.3	12.9	4.0	-4.9	**-4.3**	**-4.7**	**2.1**	*-3.7*	*0.1*	*3.7*
MENA	6.9	3.7	-3.0	-1.8	3.2	**1.4**	**3.3**	**4.4**	*1.9*	*4.2*	*4.8*
Asia	26.4	20.6	8.5	3.9	5.8	**3.4**	**5.2**	**5.7**	*4.1*	*5.9*	*6.1*
- China	11.0	27.7	10.3	7.0	8.7	**4.1**	**5.5**	**5.5**	*4.1*	*5.5*	*5.5*
- India	2.0	26.6	8.9	1.5	3.9	**3.8**	**7.2**	**8.2**	*6.2*	*7.2*	*8.2*
- Hong Kong	2.5	16.8	3.9	1.9	6.5	**1.0**	**2.8**	**5.2**	*6.3*	*7.9*	*8.1*
- Korea	3.1	12.7	15.1	5.1	4.3	**2.8**	**4.0**	**4.5**	*4.1*	*5.3*	*5.6*
- Indonesia	0.9	2.8	5.9	3.0	2.6	**1.0**	**5.1**	**5.2**	*-0.7*	*5.1*	*5.2*
Latin America	5.5	8.5	5.8	1.7	2.0	**1.2**	**3.0**	**3.9**	*2.3*	*3.9*	*4.3*
- Brazil	1.1	9.5	2.9	-0.3	3.1	**-0.8**	**-0.4**	**2.7**	*3.0*	*3.4*	*4.0*
- Mexico	1.8	21.6	7.5	3.5	1.2	**7.1**	**6.1**	**6.3**	*5.9*	*6.8*	*6.8*
Sub-Saharan Africa	1.8	4.3	-1.7	-0.1	3.6	**3.1**	**4.0**	**5.4**	*3.1*	*4.3*	*5.5*
Emerging and developing economies	44.1	14.7	5.6	2.4	4.4	**2.4**	**4.0**	**5.0**	*3.0*	*4.8*	*5.5*
World	100.0	12.6	5.7	2.5	3.5	**3.2**	**4.0**	**4.9**	*3.2*	*4.4*	*5.1*
World excluding EU	65.9	13.8	5.1	2.6	4.1	**3.0**	**3.9**	**4.8**	*3.2*	*4.5*	*5.2*
World excluding euro area	74.4	13.2	5.3	2.4	3.9	**3.0**	**3.9**	**4.8**	*3.1*	*4.4*	*5.1*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2013

(b) Intra- and extra-EU trade.

Table 57: Export shares in EU trade (goods only - 2013) 21.4.2015

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	64.3	47.9	2.1	6.2	1.2	5.8	3.3	4.6	3.5	4.6	2.7	1.7
Euro area	64.3	47.4	2.0	6.2	1.3	5.3	3.6	4.5	3.3	4.8	3.0	1.8
Belgium	74.0	60.6	1.2	4.6	0.8	2.8	2.0	5.0	1.6	3.9	1.8	2.3
Bulgaria	61.9	46.7	13.2	1.6	0.3	1.6	3.1	3.3	6.0	7.2	0.5	1.3
Czech Republic	81.5	64.1	1.9	2.3	0.5	2.7	1.4	1.6	5.0	1.8	0.8	0.5
Denmark	65.4	39.3	1.3	6.4	1.9	8.7	3.2	4.5	2.5	2.7	2.6	0.8
Germany	59.1	38.6	2.2	7.4	1.5	6.8	6.1	5.0	4.1	3.6	3.1	1.2
Estonia	73.6	48.4	1.8	2.4	0.7	5.2	1.1	2.0	10.9	1.1	0.8	0.5
Ireland	56.9	37.7	0.7	21.4	2.3	8.4	2.4	2.6	1.0	1.8	1.7	0.8
Greece	50.4	34.6	19.4	3.2	0.4	1.7	1.5	3.0	3.3	14.9	1.3	1.0
Spain	65.2	52.6	2.3	3.8	1.1	3.8	1.9	2.7	2.1	8.0	6.9	2.1
France	59.3	46.9	1.6	6.9	1.8	5.0	3.7	6.4	2.5	6.8	3.2	2.8
Croatia	68.9	58.2	10.2	3.7	0.6	3.0	0.9	1.0	4.8	5.1	0.7	1.2
Italy	53.5	40.1	3.5	7.3	1.7	7.3	3.0	5.4	4.0	8.8	4.0	1.5
Cyprus	51.1	32.4	0.3	1.7	0.5	1.3	1.4	23.2	3.7	14.6	0.9	1.4
Latvia	69.3	49.2	1.5	1.5	0.5	3.3	0.8	1.8	16.6	3.7	0.4	0.5
Lithuania	61.7	41.5	0.7	4.3	0.3	3.5	0.4	1.2	24.4	2.8	0.3	0.4
Luxembourg	82.7	73.0	1.6	2.9	0.4	4.1	1.3	2.0	1.6	2.0	0.9	0.7
Hungary	78.3	56.5	3.0	2.9	0.6	1.9	1.9	1.5	5.7	2.3	1.3	0.7
Malta	44.1	34.8	1.4	3.4	4.2	2.2	9.2	21.6	1.6	9.6	1.4	1.2
Netherlands	79.0	62.3	1.0	3.2	0.7	2.9	1.6	3.3	1.8	2.9	1.9	1.9
Austria	71.4	54.4	1.6	5.1	0.9	6.3	2.5	3.1	4.0	2.5	1.9	0.6
Poland	77.3	55.0	2.2	2.2	0.4	3.0	1.1	1.5	9.0	1.6	1.0	0.6
Portugal	69.3	59.6	1.0	4.5	0.5	2.5	1.9	1.4	1.1	4.5	3.6	9.9
Romania	68.8	51.0	6.8	2.2	0.6	1.7	1.4	2.3	7.2	6.6	1.4	0.9
Slovenia	77.0	55.1	5.1	1.7	0.2	2.3	0.8	1.5	6.9	3.5	0.6	0.4
Slovakia	84.5	46.1	2.2	1.5	0.2	2.4	2.4	0.5	4.7	0.9	0.4	0.2
Finland	55.9	33.5	1.6	6.2	1.8	6.8	5.0	5.5	9.6	3.3	3.2	1.1
Sweden	60.9	42.3	1.5	5.5	1.3	12.1	3.7	4.4	2.6	4.0	2.7	1.3
United Kingdom	50.5	44.7	1.6	10.3	1.3	12.1	3.1	8.4	2.0	6.1	2.2	2.3

Table 58: World imports of goods and services, volume (percentage change on preceding year, 2010-16) 21.4.2015

						Spring 2015 forecast			Winter 2015 forecast		
	(a)	2010	2011	2012	2013	2014	2015	2016	2014	2015	2016
EU (b)	32.8	9.7	4.3	-0.4	1.4	**4.2**	**4.6**	**5.6**	*3.6*	*4.3*	*5.4*
Euro area (b)	24.2	9.8	4.4	-1.0	1.3	**3.9**	**4.6**	**5.9**	*3.6*	*4.5*	*5.7*
Candidate Countries	1.4	17.3	10.2	-0.1	7.9	**0.8**	**3.7**	**5.5**	*-0.4*	*3.6*	*5.5*
- Turkey	1.1	20.7	10.9	-0.5	9.0	**-0.2**	**3.5**	**5.5**	*-1.5*	*3.4*	*5.5*
- The former Yugoslav Republic of Macedonia	0.0	10.4	8.0	8.2	-10.0	**14.5**	**6.5**	**7.8**	*12.6*	*11.0*	*9.0*
- Iceland	0.0	4.3	6.9	4.7	0.3	**9.9**	**8.3**	**7.9**	*8.7*	*7.1*	*6.4*
- Montenegro	0.0	-3.1	3.1	0.9	-3.1	**0.8**	**6.1**	**4.9**	*0.0*	*3.9*	*6.0*
- Serbia	0.1	4.4	7.9	1.4	5.0	**3.3**	**2.4**	**3.2**	*2.7*	*0.8*	*2.9*
- Albania	0.0	0.6	6.1	-6.6	5.0	**7.6**	**7.6**	**8.1**	*8.4*	*7.4*	*8.1*
USA	12.7	12.7	5.5	2.3	1.1	**3.9**	**5.1**	**5.3**	*3.9*	*5.9*	*5.8*
Japan	4.3	11.1	5.9	5.3	3.1	**7.2**	**3.9**	**4.5**	*6.5*	*3.0*	*3.8*
Canada	2.6	10.3	5.7	2.6	2.5	**1.7**	**3.3**	**3.4**	*2.9*	*3.2*	*3.4*
Norway	0.7	8.3	4.0	3.1	4.3	**1.6**	**1.7**	**2.9**	*4.3*	*2.9*	*3.1*
Switzerland	1.8	8.1	9.2	-2.8	13.5	**-2.1**	**-1.1**	**2.6**	*-6.5*	*-0.2*	*2.9*
Australia	1.4	15.2	10.9	6.4	-2.0	**-1.7**	**-2.9**	**1.5**	*1.0*	*3.1*	*4.1*
New Zealand	0.2	10.9	7.0	2.7	6.0	**8.0**	**4.0**	**3.5**	*3.8*	*3.4*	*3.4*
Advanced economies	57.9	10.7	5.1	0.9	2.0	**3.8**	**4.2**	**5.1**	*3.4*	*4.3*	*5.1*
CIS	3.0	18.5	18.8	9.3	2.2	**-8.9**	**-8.9**	**1.4**	*-6.0*	*-6.6*	*2.3*
- Russia	1.9	25.8	20.3	8.8	3.7	**-7.9**	**-10.0**	**0.5**	*-6.0*	*-10.0*	*0.5*
- Other CIS	1.1	8.1	16.5	10.1	-0.3	**-10.7**	**-7.1**	**2.9**	*-5.9*	*-1.1*	*4.5*
MENA	5.5	2.7	-0.9	5.9	4.5	**2.7**	**5.2**	**6.4**	*2.9*	*6.2*	*6.7*
Asia	25.9	18.8	8.9	5.0	5.3	**1.9**	**4.8**	**5.4**	*2.0*	*5.2*	*6.0*
- China	10.3	20.4	12.0	8.2	10.8	**2.9**	**4.4**	**5.3**	*0.7*	*4.5*	*5.3*
- India	2.3	14.6	8.0	1.9	-4.5	**-2.2**	**4.6**	**6.7**	*-0.6*	*4.6*	*6.7*
- Hong Kong	2.7	17.4	4.6	2.9	6.9	**1.0**	**3.2**	**5.1**	*6.4*	*7.8*	*7.9*
- Korea	2.8	17.3	14.3	2.4	1.6	**2.1**	**3.3**	**4.3**	*4.6*	*5.1*	*5.6*
- Indonesia	1.0	18.5	15.7	15.7	0.1	**2.2**	**3.7**	**4.4**	*-3.3*	*3.7*	*4.4*
Latin America	5.9	21.9	11.3	3.3	3.3	**0.3**	**0.1**	**3.5**	*1.7*	*3.0*	*3.7*
- Brazil	1.4	38.2	8.9	-2.3	8.6	**-0.9**	**-3.8**	**1.1**	*0.2*	*0.5*	*1.2*
- Mexico	1.9	20.3	8.2	4.4	1.8	**6.3**	**4.3**	**6.5**	*5.5*	*6.6*	*6.8*
Sub-Saharan Africa	1.9	6.1	8.8	6.7	3.4	**4.4**	**5.7**	**6.3**	*4.5*	*5.9*	*6.2*
Emerging and developing economies	42.1	16.2	8.6	5.3	4.6	**1.0**	**3.2**	**5.0**	*1.6*	*4.2*	*5.5*
World	100.0	12.7	6.5	2.7	3.1	**2.6**	**3.8**	**5.1**	*2.6*	*4.3*	*5.3*
World excluding EU	67.2	14.5	7.7	4.3	3.9	**1.9**	**3.4**	**4.9**	*2.1*	*4.2*	*5.3*
World excluding euro area	75.8	13.9	7.3	3.9	3.6	**2.2**	**3.5**	**4.8**	*2.3*	*4.2*	*5.2*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2013.
(b) Intra- and extra-EU trade.

Table 59: Import shares in EU trade (goods only - 2013) 21.4.2015

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	63.9	49.6	1.4	4.2	1.2	5.0	6.1	4.7	5.9	3.5	2.2	1.8
Euro area	63.4	48.7	1.4	4.3	1.3	4.6	5.9	4.7	6.1	4.1	2.5	1.9
Belgium	67.8	57.2	0.9	7.3	1.7	3.9	3.8	5.3	2.6	3.2	2.1	1.4
Bulgaria	63.4	45.0	8.1	0.9	0.2	1.6	3.3	1.9	17.1	1.1	1.7	0.6
Czech Republic	78.4	61.8	0.9	1.4	1.0	1.8	5.4	4.0	6.6	0.3	0.2	0.2
Denmark	72.4	48.7	1.3	2.2	0.4	8.2	6.0	4.0	1.7	1.2	1.6	1.1
Germany	66.8	47.0	1.5	3.9	1.6	6.5	6.2	4.6	4.7	1.5	1.6	1.1
Estonia	75.0	53.9	0.7	1.1	0.8	1.6	4.6	2.2	13.2	0.2	0.2	0.3
Ireland	72.5	28.2	0.5	9.6	1.5	4.5	3.8	3.7	0.5	0.9	1.9	0.5
Greece	49.1	38.3	3.4	1.1	0.3	1.9	5.0	4.7	17.4	15.4	1.5	0.4
Spain	57.0	47.5	1.5	3.1	0.7	2.8	5.7	4.2	3.6	9.8	7.2	4.6
France	69.8	58.8	1.1	4.4	0.9	4.3	4.4	3.8	3.0	5.1	1.3	1.9
Croatia	69.2	54.8	3.8	1.7	0.4	1.7	6.7	2.3	10.9	1.1	1.7	0.4
Italy	57.1	46.2	2.3	3.2	0.7	4.1	6.1	4.5	9.6	7.8	2.5	2.1
Cyprus	60.7	49.6	0.4	1.0	1.7	1.5	6.3	5.0	11.7	11.1	0.4	0.1
Latvia	61.0	45.5	0.6	1.3	0.1	1.4	3.9	2.0	28.7	0.3	0.6	0.0
Lithuania	59.4	40.1	1.1	1.8	0.1	1.5	3.7	1.2	30.0	0.4	0.7	0.1
Luxembourg	80.6	76.8	0.2	7.5	0.6	1.3	6.5	1.6	0.1	0.2	1.5	0.0
Hungary	73.6	56.7	1.2	1.5	1.2	0.9	6.4	4.0	9.4	0.5	1.1	0.1
Malta	42.2	33.3	4.5	3.1	1.1	2.7	11.8	11.9	18.3	3.8	0.2	0.5
Netherlands	46.1	34.4	0.9	6.6	2.2	5.1	10.8	7.1	9.6	4.0	4.7	2.8
Austria	80.5	66.6	1.1	2.0	0.5	5.1	2.3	2.9	3.1	1.3	0.3	0.9
Poland	72.4	58.5	1.1	1.6	0.7	2.0	5.8	3.4	11.7	0.3	0.7	0.3
Portugal	72.1	65.5	0.8	1.2	0.4	1.8	2.8	2.4	3.3	4.2	2.5	8.4
Romania	76.4	54.0	4.5	1.1	0.4	1.4	3.8	2.1	8.1	0.9	1.0	0.2
Slovenia	74.5	57.8	5.1	1.4	0.4	1.8	5.1	6.1	1.6	1.8	2.0	0.3
Slovakia	77.0	42.6	1.0	0.4	0.5	0.8	4.0	6.3	9.8	0.2	0.1	0.0
Finland	64.3	38.3	0.4	2.6	0.5	3.3	5.1	2.8	18.2	0.4	1.7	0.8
Sweden	72.0	51.5	0.9	2.7	0.9	8.4	4.8	3.4	3.9	0.5	1.3	1.3
United Kingdom	55.8	48.2	1.5	6.5	1.6	9.4	8.3	6.4	2.5	3.3	2.2	2.6

Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2009-16) 21.4.2015

						Spring 2015 forecast			Winter 2015 forecast		
	2009	2010	2011	2012	2013	2014	2015	2016	2014	2015	2016
EU	6.8	-28.5	-38.4	90.7	205.9	241.7	263.4	257.6	245.8	272.1	265.4
EU, adjusted[1]	-133.8	-178.5	-210.8	-78.4	28.9	64.6	118.8	114.9	69.3	116.8	110.1
Euro area	140.6	123.0	120.8	257.7	358.4	422.3	421.6	426.4	410.7	428.2	428.9
Euro area, adjusted[1]	142.3	125.2	123.7	259.1	359.6	424.2	422.9	428.1	412.4	429.4	430.4
Candidate Countries	-39.3	-68.6	-102.2	-77.3	-89.0	-73.0	-56.7	-63.9	-77.0	-59.1	-68.9
USA	-525.2	-670.3	-778.0	-777.7	-737.3	-771.7	-702.5	-768.4	-751.6	-738.2	-811.2
Japan	43.2	91.0	-20.3	-72.9	-109.3	-115.1	-83.0	-77.7	-108.3	-82.8	-79.8
Norway	45.1	49.3	66.8	69.0	57.7	47.9	40.2	41.7	57.5	48.0	48.6
Switzerland	11.8	34.2	29.5	39.9	53.7	63.8	60.0	59.8	57.0	57.3	56.8
Advanced economies	-470.3	-588.9	-817.5	-751.4	-619.8	-579.6	-442.6	-483.6	-571.1	-526.7	-588.4
CIS	109.9	161.8	224.3	208.6	185.3	192.8	110.9	117.4	177.8	62.5	39.3
- Russia	111.0	151.9	198.6	194.1	183.0	184.8	127.3	135.1	176.4	84.8	85.3
MENA	206.2	352.1	586.3	596.3	595.1	521.1	196.2	239.2	534.3	137.5	201.7
Asia	243.6	180.3	69.5	67.0	175.1	342.6	619.9	633.1	368.1	655.3	665.0
- China	197.6	182.1	156.3	231.2	259.9	374.2	559.5	610.6	422.0	596.0	649.4
Latin America	50.6	50.3	73.3	45.6	22.8	23.5	27.7	12.1	18.7	3.3	-7.7
Sub-Saharan Africa	41.4	80.5	95.0	74.1	79.5	63.9	-2.7	5.6	63.4	-12.7	-1.6
Emerging and developing economies	651.6	825.0	1048.4	991.5	1057.8	1143.9	951.9	1007.4	1162.3	846.0	896.7
World	181.3	236.1	230.9	240.1	438.1	564.2	509.4	523.8	591.2	319.3	308.4

[1] See note 8 on concepts and sources.

Table 61: World current-account balances (in billions of US dollar, 2009-16) 21.4.2015

						Spring 2015 forecast			Winter 2015 forecast		
	2009	2010	2011	2012	2013	2014	2015	2016	2014	2015	2016
EU	-21.9	-2.1	39.1	168.9	261.3	295.3	295.9	309.8	303.2	323.2	327.8
EU, adjusted[1]	-115.0	-88.6	-48.4	93.1	189.3	223.3	237.1	251.8	236.7	264.7	269.3
Euro area	44.6	53.9	74.1	244.1	324.2	406.4	388.8	384.8	373.4	385.1	380.2
Euro area, adjusted[1]	43.8	54.0	75.7	244.6	323.5	406.1	388.9	385.3	373.3	384.7	380.0
Candidate Countries	-20.1	-51.8	-83.8	-55.3	-68.1	-49.9	-36.2	-44.8	-52.0	-34.2	-43.0
USA	-377.3	-447.9	-480.5	-482.2	-422.2	-458.9	-401.3	-462.6	-438.3	-425.2	-502.0
Japan	147.0	204.0	119.8	60.5	33.1	26.5	57.0	70.0	22.6	43.1	49.7
Norway	41.6	48.1	63.5	71.0	55.0	44.4	38.0	39.7	54.3	45.7	46.5
Switzerland	42.6	86.3	54.1	67.7	101.0	114.1	108.3	109.4	107.1	105.7	106.6
Advanced economies	-280.3	-268.2	-384.9	-304.3	-150.1	-101.6	5.3	-8.7	-100.8	-57.6	-119.2
CIS	41.1	72.6	104.3	65.3	18.1	68.3	28.7	30.0	56.1	-7.2	-31.8
- Russia	48.7	71.0	93.7	69.4	33.8	58.8	39.5	41.5	55.0	14.8	14.4
MENA	61.7	188.2	423.8	431.9	354.6	316.2	164.9	134.1	308.4	102.1	87.9
Asia	419.5	372.2	255.0	273.4	311.5	434.8	697.4	716.2	537.4	810.7	816.9
- China	243.3	237.8	136.1	215.4	182.8	235.7	408.8	446.4	338.6	500.3	540.2
Latin America	-28.5	-62.9	-80.0	-105.7	-150.4	-89.2	-84.3	-101.5	-94.4	-112.3	-124.8
Sub-Saharan Africa	-24.3	-3.0	-2.5	-24.5	-34.1	-35.1	-45.2	-51.3	-35.1	-44.9	-50.7
Emerging and developing economies	469.5	567.2	700.6	640.3	499.7	695.0	761.4	727.6	772.3	748.5	697.6
World	189.2	299.0	315.7	336.0	349.5	593.4	766.7	718.8	671.5	690.9	578.4

[1] See note 8 on concepts and sources.

Table 62: Primary commodity prices (in US dollar, percentage change on preceding year, 2009-2016) 21.4.2015

STIC Classification						Spring 2015 forecast			Winter 2015 forecast		
	2009	2010	2011	2012	2013	2014	2015	2016	2014	2015	2016
Food	-12.5	9.8	13.1	0.2	3.2	-3.7	-8.4	5.4	-3.7	-5.7	0.7
Basic materials	-22.2	40.1	22.0	-15.9	-4.8	-4.7	-7.8	4.0	-4.7	0.7	2.0
- of which:											
Agricultures non-food	-17.0	31.1	32.5	-15.9	-4.7	3.8	-5.6	0.2	3.8	-1.4	0.2
- of which:											
Wood and pulp	-10.3	6.2	9.0	-5.8	1.2	2.6	-1.5	0.9	2.8	0.2	1.0
Minerals and metals	-25.7	46.6	15.2	-15.8	-4.9	-11.1	-9.7	7.3	-11.1	2.5	3.6
Fuel products	-36.7	26.3	38.0	1.3	-2.9	-7.8	-37.2	10.2	-7.8	-43.2	14.5
- of which:											
Crude petroleum	-36.9	28.8	38.3	0.8	-2.7	-8.3	-40.4	11.1	-8.3	-46.9	16.2
Primary Commodities											
- Total excluding fuels	-18.0	26.2	18.5	-9.7	-1.4	-4.3	-8.1	4.6	-4.3	-2.2	1.4
- Total including fuels	-34.0	26.3	34.5	-0.4	-2.7	-7.3	-32.9	9.1	-7.3	-37.1	11.5
					Crude petroleum - price per barrel						
Brent (usd)	62.3	80.2	110.9	111.8	108.8	99.7	59.4	66.0	99.7	53.0	61.5
Brent (euro)	44.6	60.5	79.7	87.0	81.9	75.1	54.8	61.7	75.0	45.3	52.6

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 2015 and 2016 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 Accounts (ESA 2010). US national accounts are based on SNA 2008, whilst the Japanese accounts use SNA 1993.

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 (ESA 2010). 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 2013.

9. Geographical zones are defined as follows :

Euro area :
EA19 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, MT, NL, AT, PT, SI, SK, and FI)

European Union :
EU28 (EA19, BG, CZ, DK, HR, HU, PL, RO, SE, and UK).

Candidate countries :
Turkey, the former Yugoslav Republic of Macedonia, Iceland, Montenegro, Serbia, and Albania.

Potential candidates :
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, Tunisia, Morocco, Libya, Egypt, Israel, Jordan, Lebanon, Syria, Iraq, Iran, Yemen, Saudi Arabia, Bahrain, Oman, United Arab Emirates, Kuwait, and Qatar.

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.

EUROPEAN ECONOMY SERIES

Previous titles in the European Economy series can be accessed and downloaded free of charge from the following address:
http://ec.europa.eu/economy_finance/publications/european_economy/index_en.htm

Alternatively, hard copies may be ordered via the "Print-on-demand" service offered by the EU Bookshop:
http://bookshop.europa.eu.

HOW TO OBTAIN EU PUBLICATIONS

Free publications:

- one copy:
  via EU Bookshop (http://bookshop.europa.eu);

- more than one copy or posters/maps:
  - from the European Union's representations (http://ec.europa.eu/represent_en.htm);
  - from the delegations in non-EU countries (http://eeas.europa.eu/delegations/index_en.htm);
  - by contacting the Europe Direct service (http://europa.eu/europedirect/index_en.htm) or calling 00 800 6 7 8 9 10 11 (freephone number from anywhere in the EU) (*).

(*) The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Priced publications:

- via EU Bookshop (http://bookshop.europa.eu).

KC-AR-15-002-EN-N

Publications Office