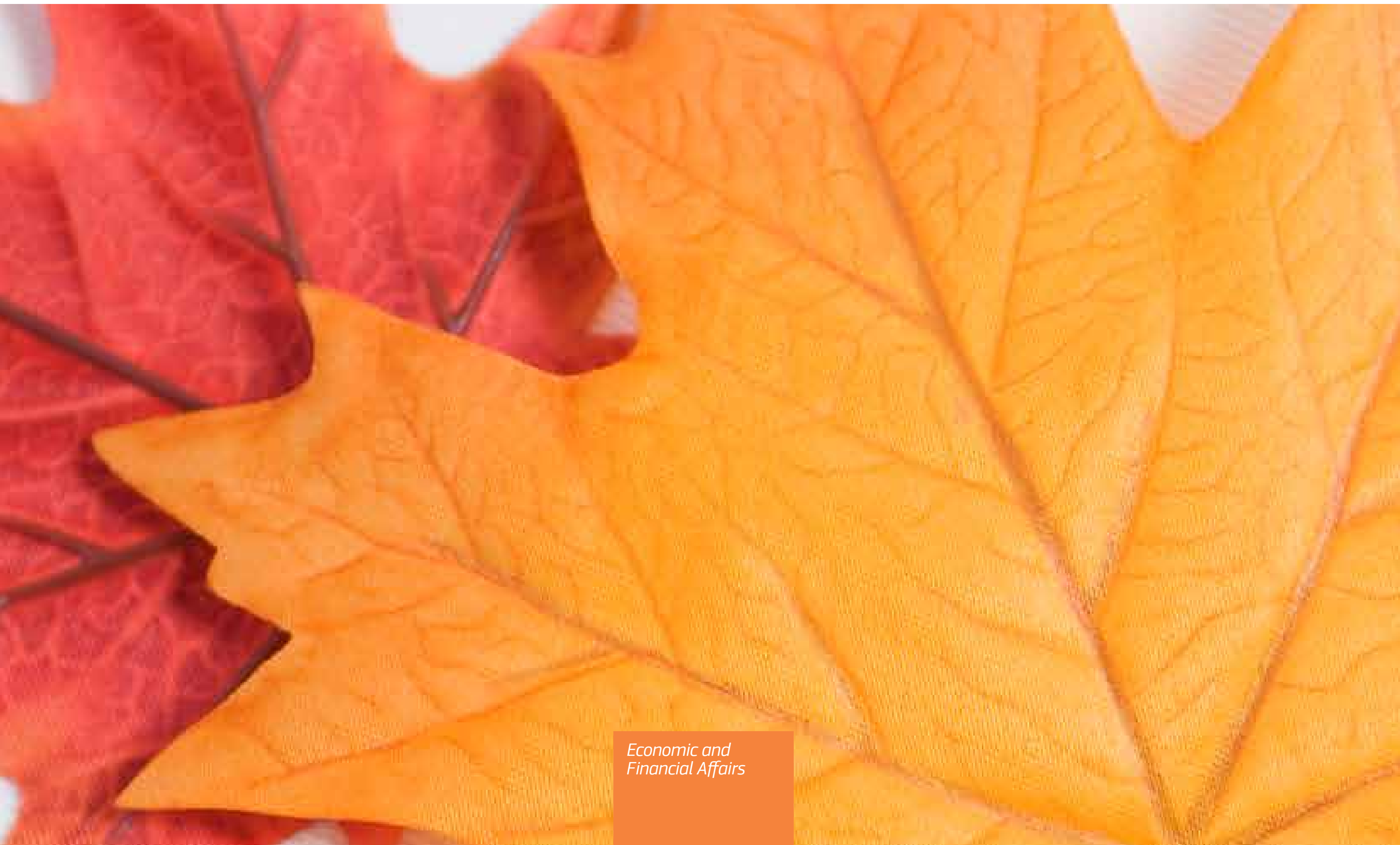
European
Commission

1725-3217

# European Economic Forecast

## Autumn 2013

EUROPEAN ECONOMY 7|2013



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European Commission

Directorate-General for Economic and Financial Affairs

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# Autumn 2013

EUROPEAN ECONOMY 7/2013

# ABBREVIATIONS

## Countries and regions

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

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

## Economic variables and institutions

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

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

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

## Other abbreviations

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

## Graphs/Tables/Units

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

## Currencies

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

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# EDITORIAL

The signs of hope that we saw last spring have started to turn into tangible positive outcomes. After six consecutive quarters of stagnation or contraction, the EU economy has posted positive growth in the second quarter of 2013. The recovery is expected to continue, and to gather some speed next year. However, it is too early to declare the crisis over. Growth is set to remain subdued on account of various adjustment needs. Risks and uncertainty remain elevated. Policy action continues to be warranted to improve the growth outlook going forward and to make the EU economy more resilient to domestic and external shocks.

In recent months, the composition of global economic growth has shifted, and the external environment for the EU economy has become more challenging. Growth in some key emerging market economies has slowed down: triggered by the anticipation of less expansive monetary policies in the US, structural weaknesses have surfaced and financial-market volatility has ensued. Many emerging markets appear vulnerable to sudden stops of external financing. In the first half of 2013, advanced economies have made a larger contribution to global growth than emerging markets. Economic activity has accelerated in the US and Japan, but a medium-term strategy for putting public finances back on a sustainable path is still missing, and the US might be headed for a damaging repetition of the stand-off over the debt ceiling. Europe has meanwhile also returned to positive GDP growth. Whereas one and a half years ago a risk of catastrophic outcomes was tangible, and even a break-up of the euro area seemed imaginable, such tail risks have now all but disappeared. But also within the EU, the recovery occurs at multiple speeds, and the previous "core-periphery" pattern has become more diversified. Growth in the coming quarters will still be held back by the deleveraging needs, financial fragmentation, sectoral adjustment and high unemployment associated with the crisis legacy. These impediments to growth are not expected to disappear over the forecast horizon. But they will gradually weaken. Balance-sheet repair has to continue among banks, non-financial firms and households, but it will be easier in a context of expanding economic activity. Following the substantial fiscal effort in 2011 and 2012, the intensity of fiscal consolidation has been reduced in 2013 and is expected to further wane in the coming years. Internal and external adjustment are progressing. Net exports contribute substantially to the turnaround in Member States that previously posted large current-account deficits.

Further policy effort is needed to accompany the various dimensions of adjustment, remove vulnerabilities to internal and external shocks and increase the sustainable pace of growth going forward. Delivery is essential to underpin the recovery and stay clear of tensions in financial markets and feedback loops between the financial sector and public finances. The most immediate issue at the European level is therefore the completion of the Banking Union. This is not only needed to strengthen macro-financial stability by breaking the feedback loops between sovereigns and banks. It is also crucial in order to overcome financial fragmentation. Within a monetary union with well-integrated financial markets, firms with a similar risk profile should face similar credit conditions and interest rates irrespective of the Member State in which they are located. That this is currently not the case penalises in particular SMEs, which are key to overcoming the unemployment challenge. In fiscal policy, the focus should further be shifted from the quantity towards the quality of the adjustment. At the Member State level, the drive for structural reform has to be maintained – and in some cases should be more ambitious – in order to allow the recovery to shift up a gear and to repair the damage that the crisis has caused to potential output. Determined policy follow-through and implementation at European and Member-State level could also do a lot to further reduce the still elevated uncertainty that is weighing on investment and consumption.

Marco Buti
Director General
Economic and Financial Affairs

# OVERVIEW

A slow recovery has set in

The EU economy has returned to positive GDP growth. Following a slow and still vulnerable expansion of economic activity during the remainder of 2013, growth is set to become gradually more domestic demand-driven and more robust in the course of 2014 and into 2015. The legacy of the crisis – deleveraging, financial fragmentation, elevated uncertainty and rebalancing needs – will continue weighing on growth. Its impact is however expected to gradually subside over the forecast horizon as progress is made with the correction of the accumulated macroeconomic imbalances, and domestic demand is expected to take over as the main engine of growth. External demand is expected to pick up over the coming quarters, but less than earlier expected, on account of a weakened outlook for growth in emerging market economies and the appreciation of the euro. Reflecting the carry-over from the weakness of economic activity last winter, GDP in annual terms is expected to remain unchanged in the EU and contract by ½% in the euro area in 2013. Next year, economic activity is projected to expand by 1½% in the EU and 1% in the euro area before accelerating to 2% and 1¾%, respectively,

*Table 1:*

**Overview - the autumn 2013 forecast**

| | Real GDP | | | | Inflation | | | | Unemployment rate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Autumn 2013 forecast | | | | Autumn 2013 forecast | | | | Autumn 2013 forecast | | |
| | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 | 2012 | 2013 | 2014 | 2015 |
| Belgium | -0.1 | 0.1 | 1.1 | 1.4 | 2.6 | 1.3 | 1.3 | 1.5 | 7.6 | 8.6 | 8.7 | 8.4 |
| Germany | 0.7 | 0.5 | 1.7 | 1.9 | 2.1 | 1.7 | 1.7 | 1.6 | 5.5 | 5.4 | 5.3 | 5.1 |
| Estonia | 3.9 | 1.3 | 3.0 | 3.9 | 4.2 | 3.4 | 2.8 | 3.1 | 10.2 | 9.3 | 9.0 | 8.2 |
| Ireland | 0.2 | 0.3 | 1.7 | 2.5 | 1.9 | 0.8 | 0.9 | 1.2 | 14.7 | 13.3 | 12.3 | 11.7 |
| Greece | -6.4 | -4.0 | 0.6 | 2.9 | 1.0 | -0.8 | -0.4 | 0.3 | 24.3 | 27.0 | 26.0 | 24.0 |
| Spain | -1.6 | -1.3 | 0.5 | 1.7 | 2.4 | 1.8 | 0.9 | 0.6 | 25.0 | 26.6 | 26.4 | 25.3 |
| France | 0.0 | 0.2 | 0.9 | 1.7 | 2.2 | 1.0 | 1.4 | 1.3 | 10.2 | 11.0 | 11.2 | 11.3 |
| Italy | -2.5 | -1.8 | 0.7 | 1.2 | 3.3 | 1.5 | 1.6 | 1.5 | 10.7 | 12.2 | 12.4 | 12.1 |
| Cyprus | -2.4 | -8.7 | -3.9 | 1.1 | 3.1 | 1.0 | 1.2 | 1.6 | 11.9 | 16.7 | 19.2 | 18.4 |
| Latvia | 5.0 | 4.0 | 4.1 | 4.2 | 2.3 | 0.3 | 2.1 | 2.1 | 15.0 | 11.7 | 10.3 | 9.0 |
| Luxembourg | -0.2 | 1.9 | 1.8 | 1.1 | 2.9 | 1.8 | 1.7 | 1.6 | 5.1 | 5.7 | 6.4 | 6.5 |
| Malta | 0.8 | 1.8 | 1.9 | 2.0 | 3.2 | 1.1 | 1.8 | 2.1 | 6.4 | 6.4 | 6.3 | 6.3 |
| Netherlands | -1.2 | -1.0 | 0.2 | 1.2 | 2.8 | 2.7 | 1.7 | 1.6 | 5.3 | 7.0 | 8.0 | 7.7 |
| Austria | 0.9 | 0.4 | 1.6 | 1.8 | 2.6 | 2.2 | 1.8 | 1.8 | 4.3 | 5.1 | 5.0 | 4.7 |
| Portugal | -3.2 | -1.8 | 0.8 | 1.5 | 2.8 | 0.6 | 1.0 | 1.2 | 15.9 | 17.4 | 17.7 | 17.3 |
| Slovenia | -2.5 | -2.7 | -1.0 | 0.7 | 2.8 | 2.1 | 1.9 | 1.5 | 8.9 | 11.1 | 11.6 | 11.6 |
| Slovakia | 1.8 | 0.9 | 2.1 | 2.9 | 3.7 | 1.7 | 1.6 | 1.9 | 14.0 | 13.9 | 13.7 | 13.3 |
| Finland | -0.8 | -0.6 | 0.6 | 1.6 | 3.2 | 2.2 | 1.9 | 1.8 | 7.7 | 8.2 | 8.3 | 8.1 |
| **Euro area** | **-0.7** | **-0.4** | **1.1** | **1.7** | **2.5** | **1.5** | **1.5** | **1.4** | **11.4** | **12.2** | **12.2** | **11.8** |
| Bulgaria | 0.8 | 0.5 | 1.5 | 1.8 | 2.4 | 0.5 | 1.4 | 2.1 | 12.3 | 12.9 | 12.4 | 11.7 |
| Czech Republic | -1.0 | -1.0 | 1.8 | 2.2 | 3.5 | 1.4 | 0.5 | 1.6 | 7.0 | 7.1 | 7.0 | 6.7 |
| Denmark | -0.4 | 0.3 | 1.7 | 1.8 | 2.4 | 0.6 | 1.5 | 1.7 | 7.5 | 7.3 | 7.2 | 7.0 |
| Croatia | -2.0 | -0.7 | 0.5 | 1.2 | 3.4 | 2.6 | 1.8 | 2.0 | 15.9 | 16.9 | 16.7 | 16.1 |
| Lithuania | 3.7 | 3.4 | 3.6 | 3.9 | 3.2 | 1.4 | 1.9 | 2.4 | 13.4 | 11.7 | 10.4 | 9.5 |
| Hungary | -1.7 | 0.7 | 1.8 | 2.1 | 5.7 | 2.1 | 2.2 | 3.0 | 10.9 | 11.0 | 10.4 | 10.1 |
| Poland | 1.9 | 1.3 | 2.5 | 2.9 | 3.7 | 1.0 | 2.0 | 2.2 | 10.1 | 10.7 | 10.8 | 10.5 |
| Romania | 0.7 | 2.2 | 2.1 | 2.4 | 3.4 | 3.3 | 2.5 | 3.4 | 7.0 | 7.3 | 7.1 | 7.0 |
| Sweden | 1.0 | 1.1 | 2.8 | 3.5 | 0.9 | 0.6 | 1.3 | 1.8 | 8.0 | 8.1 | 7.9 | 7.4 |
| United Kingdom | 0.1 | 1.3 | 2.2 | 2.4 | 2.8 | 2.6 | 2.3 | 2.1 | 7.9 | 7.7 | 7.5 | 7.3 |
| **EU** | **-0.4** | **0.0** | **1.4** | **1.9** | **2.6** | **1.7** | **1.6** | **1.6** | **10.5** | **11.1** | **11.0** | **10.7** |
| USA | 2.8 | 1.6 | 2.6 | 3.1 | 2.1 | 1.5 | 1.9 | 2.1 | 8.1 | 7.5 | 6.9 | 6.5 |
| Japan | 2.0 | 2.1 | 2.0 | 1.3 | 0.0 | 0.3 | 2.6 | 1.2 | 4.3 | 4.0 | 3.9 | 3.8 |
| China | 7.8 | 7.5 | 7.4 | 7.4 | 2.6 | 3.0 | 3.0 | : | : | : | : | : |
| World | 3.3 | **3.22** | **3.95** | **4.35** | : | : | : | : | : | : | : | : |

in 2015. Only a very modest improvement of the labour-market situation is expected over the forecast horizon.

Shifting patterns in the global economy…

On the back of an acceleration of economic growth in major advanced economies and a marked deceleration in a number of emerging market economies, in the first half of 2013 the latter have no longer provided the largest contribution to global GDP growth. In the US, the underlying growth dynamics remain robust despite the short-term impact of fiscal tightening and the uncertainty related to the only postponed debt ceiling issue, while uncertainty about the future path of monetary policy has caused volatility in international financial markets. In Japan, near-term growth is boosted by monetary and fiscal stimuli. By contrast, structural weaknesses and imbalances in emerging markets suggest that the pace of GDP growth realised in recent years cannot be maintained over the medium term. They have increasingly come under the scrutiny of international investors, and, as the prospect of less accommodative US monetary policy has sent benchmark interest rates higher, capital outflows have exacerbated the reduction of growth prospects in emerging markets.

Overall, the external environment has become somewhat more challenging than projected last spring. Economic activity outside the EU is now expected to grow at a more measured pace than anticipated half a year ago, at 3½% in 2013, accelerating to 4% in 2014 and 4½% in 2015. Reflecting the trade intensity of GDP growth in emerging market economies, world trade growth is revised down to 2¾% in 2013, 5¼% in 2014 and 6% in 2015. At the same time, oil prices have increased above the levels assumed in May, though they are assumed to decrease gradually, and the nominal effective exchange rate of the euro assumed to prevail in 2014 is now 3% higher than last spring (based on the technical assumption of unchanged nominal exchange rates).

… and within the EU

The projections for the EU and euro-area aggregates mask substantial differences of growth and – even more so – labour market perspectives across Member States. These reflect the unequal severity of the initial crisis and the related differences in adjustment needs, as well as more long-standing trends in the determinants of potential growth. Among EU Member States, some small open economies (e.g. the Lithuania and Latvia) have resumed the catching-up process, and some countries of the euro-area "core" (e.g. Austria and Germany) are emerging from a temporary slowdown with strong growth prospects over the coming quarters. Other countries of the so-called "core" (e.g. Finland and the Netherlands) have experienced a double-dip recession and are faced with more subdued growth prospects. The picture is even less homogeneous for the vulnerable and programme countries, among which Ireland is expected to register growth above the EU average, Portugal has technically moved out of recession in the second quarter and others are projected to emerge from recession in the second half of 2013, e.g. Spain and Italy. At the same time, the internal and external adjustment in vulnerable Member States is progressing, underpinned in many cases by significant structural reforms and fiscal consolidation implemented in recent years, and the burden of the crisis legacy is starting to weigh less heavily on economic activity.

Among the largest Member States, the expansion of economic activity in *Germany* is set to continue on the back of robust private consumption and construction activity as well as a gradual pick-up in equipment investment. In *France*, consumption is expected to remain resilient, supported by relatively low inflation, while investment is projected to recover gradually and unemployment to persist. Domestic demand in *Italy* is expected to recover only very gradually, supported by improving confidence, while external demand is set to accelerate. In *Spain*, GDP growth is turning positive, as strong exports provide an impulse for investment in equipment and domestic demand exerts less of a drag. A muted recovery is expected in *the Netherlands* in 2014 as investment is projected to recover slowly but steadily, and exports provide support, while consumption continues to be held back by deleveraging and the housing-market adjustment. Outside the euro area, robust growth in the *United Kingdom* is expected to continue as consumption continues to expand, investment improves and net exports turn somewhat positive. Finally, in *Poland*, consumption is expected to pick up on the back of growing employment and rising wages, and investment is set to rebound allowing domestic demand to replace net exports as the main driver of growth.

Financial frictions weigh on investment …

Financial market developments in the EU have been generally benign in recent months, despite an increase in benchmark yields and international financial-market volatility related to the perspective of a less accommodative stance of US monetary policy. However, credit to firms has continued contracting, and the improvement suggested by survey data is set to be very gradual. Very ample average financing conditions still contrast with substantially higher loan rates and more difficult access to credit in some euro-area Member States. This financial fragmentation is rooted in continuing deleveraging in the banking sector as well as the constrained access of some banks to interbank refinancing, which is expected to recede only very gradually over the forecast horizon. For now, decreasing bank-lending volumes appear to be largely explained by low credit demand, but supply is a binding constraint in some Member States and may become more so once firms will want to expand investment at a faster pace. Differences in lending rates are expected to narrow further on the back of decreasing sovereign-yield spreads. Bank balance-sheet repair is a precondition for the normalisation of credit growth. In the short-run however, banks that attempt to shrink their balance sheets may remain restrictive in their credit conditions.

… as domestic demand is still affected by the crisis legacy

Households and non-financial corporations in a number of Member States also continue to be faced with a debt overhang holding back private consumption and investment. High debt levels will take time to be reduced. Improving prospects for incomes and profit should however help the deleveraging process.

In addition to deleveraging, uncertainty, and frictions related to the reallocation of resources in the process of adjustment of internal and external imbalances continue to affect domestic demand. Growth expectations have improved as indicated by the strong recovery of business and consumer confidence. Indicators of economic and policy uncertainty by contrast have receded but remain at elevated levels. Firms and households may thus still be reluctant to take irreversible investment and consumption decisions.

Internal and external rebalancing continues to progress in Member States with previously large current-account deficits underpinned by substantial competitiveness gains over the past years. As their current accounts have started registering surpluses while those of traditional surplus countries have not decreased, the EU and euro-area aggregate current accounts are displaying increasing surpluses. Frictions related to the reallocation of resources in the process of internal adjustment are still expected to weigh on growth in the short run. This drag should gradually fade, but the high levels of unemployment and unused resources will take time to be absorbed.

All in all, the projected growth of domestic demand remains subdued. Both total investment and private consumption are expected to continue their gradual expansion over the coming quarters. But while investment is projected to pick up more strongly towards the end of the forecast horizon on the back of higher capacity utilisation, improved financing conditions and increasing profits, consumption growth is set to remain modest and below its long-term trend, as employment and wages are set to increase only slowly. The dynamics of domestic demand are however expected to be sufficient to make it the main driver of GDP growth already next year.

Slower pace of fiscal consolidation

Following the front-loaded fiscal consolidation in the EU, in particular in the years 2011 and 2012, the pressure from fiscal adjustment has now started decreasing. The change in the structural deficit in both the EU and the euro area is expected to have declined to ½% of GDP in 2013 and is expected to decrease further to ¼% of GDP next year. As of next year, a combination of expiring temporary tax hikes, planned tax cuts and lower cyclical expenditure is expected to shift the improvement of public finances more towards the expenditure side. The debt-to-GDP ratio is now expected to peak in 2014, at 90% in the EU and 96% in the euro area.

Labour market improvement at a snail's pace

Unemployment has stabilised at high levels for the past half year, as employment losses have petered out. Employment expectations in manufacturing and services have started improving from low levels. However, an early turnaround of the labour market is not expected. Rather, employment is set to follow the recovery of GDP growth with a lag as firms have scope to increase hours worked before hiring new staff and uncertainty also weighs on hiring decisions. Employment in the EU and the euro area is projected to expand by ¼% in 2014, which will not yet be sufficient to curb high unemployment. In 2015, employment growth is set to accelerate to ¾% in both areas, resulting in a slight reduction of unemployment to 10¾% in the EU and 11¾% in the euro area. The differences in labour-market performance across Member States are expected to remain extremely large, with unemployment expected to range from 5% in Austria to 26½% in Spain in 2014.

Low and stable inflation ahead

On the back of easing energy price increases, consumer-price inflation has continued to slow down in the course of 2013, standing at 1.5% in the EU and 1.3% in the euro area in the third quarter. Core inflation (i.e. excluding energy and unprocessed food), which has also decreased slightly reflecting the weakness of domestic demand, is expected to remain stable in 2014, picking up only slightly towards the end of the forecast horizon on account of a slow reduction in output gaps. The impact of past increases of taxes and administered prices on headline inflation will continue to fade in the coming quarters. Under the technical assumption of slowly decreasing oil prices and unchanged exchange rates, headline inflation is expected to remain at the current low levels over the forecast horizon.

Lower domestic but higher external risks

Irrespective of the mostly positive news coming from the latest economic data, downside risks to the GDP forecast still prevail as the macro-financial situation remains fragile. Domestically, the continued implementation of structural reforms and further steps to strengthen the EMU architecture remain crucial to prevent a return of stress in financial markets and negative feedback loops. However, risks to the integrity of the euro area have all but disappeared over the past 15 months, and more upside risks have recently emerged. In particular, a positive feedback loop could emerge between confidence, investment and credit; or already implemented structural reforms could bear fruit earlier than expected. At the same time, negative risks on the external side have increased. The EU might become affected to a larger extent than in recent months and currently expected for the time ahead by volatility and risk aversion in international financial markets. The uncertainty related to the path of monetary and fiscal policy in the US could lead to larger spillovers through financial markets, confidence and real-economy linkages.

The risks to the inflation outlook are broadly balanced. On the one hand, geopolitical tensions could lead to a surge in energy prices and higher imported inflation. On the other hand, the recent decrease in core inflation, which had remained remarkably stable in the presence of large output gaps over the past years, could lead to a downward adjustment of short-term inflation expectations.

# PART I

## Economic developments at the aggregated level

# EMERGING FROM RECESSION

*In the second quarter of 2013, GDP has started to expand in the EU and in the euro area by 0.3% q-o-q, signalling the end of recession. Economic indicators for the EU have provided mostly positive signals since April, and suggest a continued but modest expansion in the second half of the year. The recovery remains subdued and fragile as the impediments stemming from the financial and economic crisis continue weighing on economic activity, while the global growth outlook has weakened.*

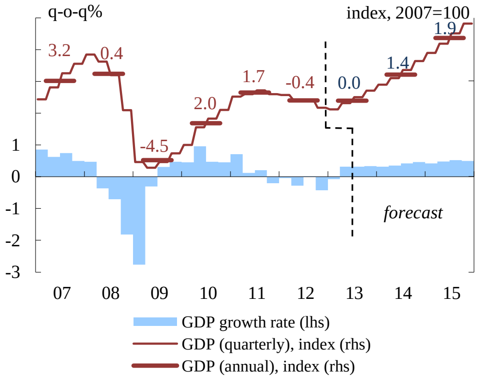
*Based on the assumption that continued policy effort will sustain improvements in business and consumer confidence, financial conditions and Member States' economic adjustment capacity, economic activity in the EU is expected to continue recovering in the coming quarters. But major drags acting on domestic demand will fade only gradually. Despite financing conditions that are benign on average, financial fragmentation has led to large differences across Member States and across firms of different size, and bank lending has continued to contract. The speed of fiscal consolidation is expected to slow down but further private-sector deleveraging is still likely in a number of Member States. Frictions related to the on-going adjustment processes exacerbate unemployment and the under-utilisation of capital. Still elevated uncertainty hampers private investment and consumption. As a result, domestic demand is expected to turn into a key motor of growth only very slowly. Meanwhile, on the back of continued price competitiveness gains in a number of Member States, exports are expected to remain supportive to growth, albeit the euro has appreciated and the economic outlook in emerging markets has weakened.*

*A moderate expansion of economic activity is expected in the second half of 2013 amid low inflation pressures. As lingering effects from the crisis are expected to fade only gradually and financial fragmentation recedes, economic activity is expected to accelerate moderately in 2014 to around 1½% in the EU and 1% in the euro area, before growing more robustly in 2015 at respectively close to 2% and 1¾%, as also the positive impact of undertaken structural reforms starts showing more visibly. The recovery is expected to occur at multiple speeds with diverging growth patterns outside the EU and persistent growth differentials across EU Member States.*

*Headline inflation has decreased markedly in the first three quarters of 2013, on the back of slower energy-price increases and gradually easing core inflation. In 2013, HICP inflation is expected to ease to 1.7% in the EU and 1.5% in the euro area and to remain close to 1½% in both areas in 2014-15.*

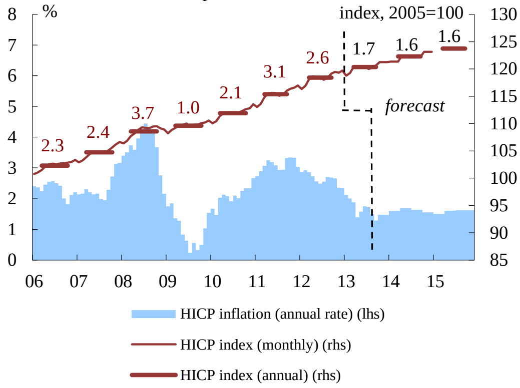
*Risks have become more balanced over recent months but downside risks to economic activity continue to prevail. Compared to a year ago, tail risks related to the sovereign-debt crisis have faded, but risks in the external environment, stemming notably from fiscal-policy uncertainty in the US and vulnerabilities in emerging market economies, have risen. The risks to the inflation outlook appear broadly balanced.*

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




*Figures above horizontal bars are annual growth rates.*

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



## 1. AT THE EARLY STAGES OF A GRADUAL AND MULTI-SPEED RECOVERY

The second quarter of 2013 is likely to have marked the end of the protracted recession that started at the end of 2011 and was linked to the financial crisis and the unsustainable debt developments. In the second quarter, the euro area [(1)] witnessed GDP growth for the first time since six quarters, while the EU [(2)] showed a marked expansion after a year and a half of either falling or stagnating GDP. The latest readings of leading indicators suggest a continuation of the recovery, showing positive signals that the long-awaited recovery is eventually materialising. In addition to this improvement in short-term indicators, the recent revival of domestic demand in the second quarter might even point to stronger underlying economic dynamics than envisaged in spring.

However, balance sheet recessions tend to be characterised by deeper downturns as well as shallower recoveries and are often associated with substantial and permanent output losses. While potential output growth is expected to recover gradually, the negative shift of the output level related to the double-dip recession is likely to be permanent [(3)]. In mid-2013 GDP in the EU and the euro area is respectively 2.4% and 3.1% below the pre-crisis levels of early 2008. As growth is expected to strengthen only gradually over the forecast horizon, at the end of 2015, cumulated losses in the level of the euro-area GDP as compared to its pre-crisis and actual trends will still be of a large magnitude (see Graph I.3).

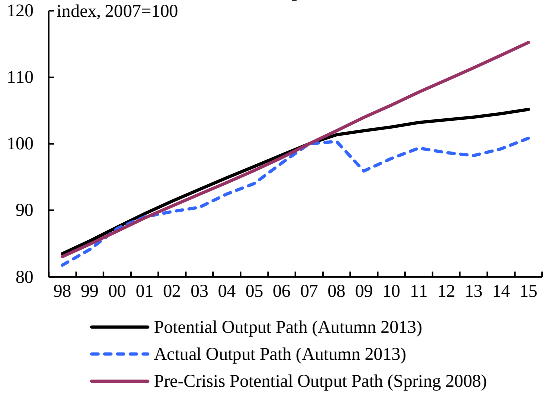
Revisions to the spring 2013 forecast are mild and the earlier projection that growth would increasingly be driven by domestic demand is confirmed.

(1) As of 1st of January 2014, Latvia will become the 18th Member State of the euro area. The figures shown in this document for the euro area include Latvia both for the past and the forecast years. For information, the weight of Latvia in total euro-area GDP is 0.23% (based on 2012 values in euros).

(2) Croatia became the 28th Member State of the EU on July 1st 2013. The figures shown in this document for the EU include Croatia both for the past and the forecast years. For information, the weight of Croatia in total EU GDP is 0.34% (based on 2012 values in euros).

(3) For a detailed analysis of the impact of the crisis on potential output, please see, *European Economy*, European economic forecast spring 2013, 2013, No.2, pp. 11-13.

*Graph I.3:* **Euro Area : Various Potential and Actual Output Paths**

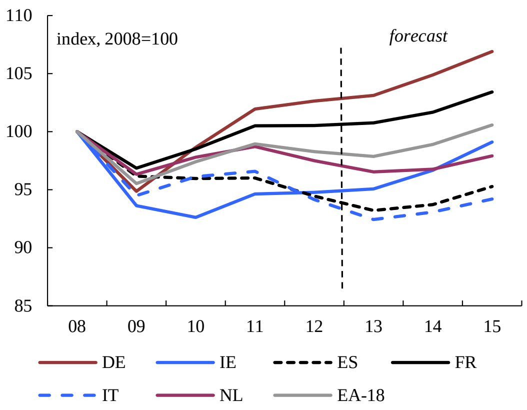



### The multi-speed recovery …

The aggregate picture of a gradual recovery in the EU over the coming quarters masks marked differences in developments across Member States. While growth performance among the Member States of the euro-area "periphery" has been heterogeneous for some time, growing divergences have meanwhile emerged within the "core" (see Graph I.4). Some countries as Germany and Austria, but also Poland experienced only short-lived slowdowns and are expected to resume solid growth early on. The strongest growth over the forecast horizon is projected in small export-oriented economies where the process of real convergence is expected to resume. Other Member States are emerging only gradually from deep recessions or prolonged stagnation. However, some signs of a turnaround are also visible in the vulnerable countries with output decline slowing in the second quarter and growth turning positive in some. Over the forecast horizon, the recovery is expected to become broad-based.

The Netherlands, and to a lesser extent Finland, have over recent quarters experienced more protracted and steeper declines of GDP than Germany and France. The relatively weak outlook for the Netherlands reflects a decline in property prices and a protracted balance sheet adjustment of highly indebted households. Also for vulnerable countries, the outlook has brightened. Among them, the Irish economy is projected to outgrow its peers at a rate above the EU average, thanks to improved labour and property markets. Spain is also expected to have exited the recession, though its growth prospects for the near-term are still subdued, given the still large adjustment needs that constrain the strength of the recovery.

*Graph I.4:* **Real GDP, selected countries and euro area**




### ... reflects a differentiated legacy from the crisis as well as longer-standing trends ...

During the 2008-09 recession and to a lesser extent during the 2011-12 sovereign-debt crisis, large spillovers via financial markets, trade and confidence [(4)] added to country-specific challenges. As economic activity in the EU gradually resumes growing, country-specific determinants of economic growth are again becoming more visible and are expected to shape the pattern of the recovery going forward.

In some Member States, housing markets and the construction sector are still in the process of adjusting. More generally, the size of internal and external imbalances following significant increases in debt in the pre-crisis period is related to the consequent need to repair balance sheets of private and public agents, though the speed of that adjustment also differs across countries. Negative feedback-loops between private-sector debt overhangs, bank funding problems and government financing constraints still exist and constitute a risk to economic prospects over the forecast horizon.

Deleveraging needs among households and non-financial corporations continue to be substantial at the current juncture. Generally, savings have adjusted, but further progress is needed to redress the large cumulated stocks of external debt and improve private sector balance sheets. The pace and extent of the required adjustment varies, however, across countries. At a sectoral level, the majority of the recent adjustment can be attributed to households' deleveraging efforts. Flows have also adjusted in the non-financial corporate sector, which has posted net savings since 2010. However, the debt-to-GDP ratios in both the corporate and the household sectors remain high and they adjust very slowly (also due to a denominator effect) so that deleveraging needs are still sizeable. Over the forecast horizon, improved prospects for incomes and profits, as well as the return of GDP growth should help a further decrease in debt ratios, but deleveraging will continue weighing on domestic demand.

The need for front-loaded fiscal consolidation in the countries under market pressure had a detrimental impact on growth in the short-term but is expected to unfold its positive impact in the medium-term. Substantial improvements in public finances have been achieved in the EU in the years 2011 and 2012 with differentiated budgetary adjustments under the strengthened EU framework. Going forward, the speed of fiscal consolidation is set to decrease.

### ... as well as different adjustment needs in the financial sector...

Large adjustment needs in the financial sector exacerbate the prevailing financial frictions. Although bank-funding conditions have generally improved, access to longer-term funding at sustainable costs remains a challenge for several small euro-area banks, in particular in Member States that remain under intense market scrutiny due to lingering concerns about fiscal sustainability. Moreover, banks that find it difficult to improve their capital position (for example by retaining earnings or raising capital on financial markets) may still be reluctant to extend credit to the private sector. Banks have also tended to prioritise deleveraging on their cross-border activity and to ring-fence their domestic business.

Different public and private deleveraging needs, negative feedback loops between the sovereign and the banking sectors, and links between financial and non-financial private sector deleveraging have led to financial fragmentation within the euro area. This has resulted in persistent differences in borrowing cost and credit availability across Member States that are difficult to explain by differences in risk alone.

[(4)] See Dedola L., Lombardo G. Financial frictions, financial integration and the international propagation of shocks, *Economic Policy*, Volume 27, Issue 70, pages 319-359, April 2012.
See Dees S., Soares Brinca P., Consumer confidence as a predictor of consumption spending: evidence for the US and the euro area, *International economics*, Volume 134, August 2013, pages 1-14.

Although financing conditions in the EU are overall benign, credit constraints related to financial fragmentation also weigh on the reallocation of resources from the production of non-tradable goods and services towards tradables in Member States that had large current-account deficits in the run-up to the crisis. This bears the risk of long unemployment spells and an associated loss of skills. Looking forward, however, financial fragmentation should gradually recede further in line with easing tensions in sovereign-debt markets and slowly vanishing frictions in the banking sector.

The relative ease at which vulnerable Member States can attenuate the impact of private sector deleveraging on economic activity and switch towards more export-oriented industries as an engine for growth depends, however, not only on the direct impact of the financial crisis on credit markets, but also on long-standing structural features. Rigidities in labour and product markets have hindered competitiveness adjustment, efficient resource allocation and productivity growth and partly explain the divergence in potential growth rates across Member States. Moreover, inefficiencies in the insolvency framework for households and firms may have slowed down deleveraging, delaying losses recognition and impeding credit flows for solvent corporates and individuals. Recently, however, many vulnerable Member States have implemented wide-ranging reforms to correct the imbalances built in the past and shift the economy onto a more sustainable growth path. [5] Some reforms in the labour market have already started to pay off, notably reforms that allow real wages to better play in favour of the re-absorption of unemployment [6], or pension and tax and benefit systems reforms that might explain part of the increased participation of elderly workers. All in all, the positive impact of the substantial reforms undertaken is expected to become gradually more important over the forecast horizon.

### ... with substantial cross-country labour market differences persisting...

While growth differentials are expected to narrow over the forecast horizon on the back of a broad-based recovery, large differences in labour market performances are set to persist. In 2015, unemployment rates are still expected to range from 4 ¾% in Austria to 25 ¼% in Spain.

In addition to the divergent output developments, the difference of unemployment rates across countries is driven by different responses of employment to output. In the crisis years, various factors including structural and institutional features linked to employment regulations, intensity of temporary employment, or presence of short-term working schemes, might have accounted for most deviations of unemployment changes from Okun-law predictions. However, since 2012 employers' expectations on the economic outlook seem also to have played a major role, notably in the countries experiencing deleveraging and credit tightening. There, the labour market worsened more than what can be explained on the basis of GDP growth. An additional factor explaining the cross-country differences could also be the ongoing corporate balance sheet repairs. In fact, during the corporate balance-sheet adjustment process, companies reduced equipment investment and cut costs to raise profitability, lowering employment, particularly in Member States under the most intense market pressure and/or with limited wage flexibility. [7]

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

### ... while policy challenges remain substantial in a context of receding but elevated uncertainty

Uncertainty reached extremely high levels in end-2011 and in the first half of 2012 when tails risks sky-rocketed as the integrity of the euro area was

(5) See Reform responsiveness in peripheral countries, *OECD Economic Policy Reforms*, Going for growth 2013.

(6) See Labour market developments in Europe, 2013, *European Economy*, October 2013, pages 42-46.

(7) For a review of empirical evidence see B. B. Baker and L. Zeng, Dismal employment growth in EU countries: The role of corporate balance sheet repair and dual labor markets, *IMF Working Paper* No.13/179, August 2013.

widely questioned. Since then, on the back of the decisive political achievements in terms of crisis-management and reforms of the economic governance in the euro-area, uncertainty has receded but remains elevated. Uncertainty can depress economic activity by giving households and companies incentives to postpone consumption and investment decisions. [8] At the current juncture, receding but still high uncertainty adds to more structural weaknesses that weigh on the recovery such as banks' weak balance sheets and companies' deleveraging needs. [9] Recently, financial markets appear to have become less sensitive to adverse policy news from vulnerable countries supporting the hypothesis that the available policy instruments for crisis management have proved effective so far. Under the assumption of smooth policy implementation, uncertainty is expected to continue its gradual decline over the coming quarters.

## 2. THE EXTERNAL ENVIRONMENT

Global growth picked up in the second quarter of 2013 to 0.4% q-o-q, the highest quarterly growth rate since the start of 2012. Despite this pick-up in activity the global outlook has weakened due mainly to underperformance in a number of emerging market economies (EMEs). This weakness implies a reduction in non-EU growth in 2013 and 2014 as compared to the spring forecast (see Box I.1). Non-EU growth is now expected to be 3.5% in 2013 rising to 4.1% in 2014 and to 4.4% in 2015.

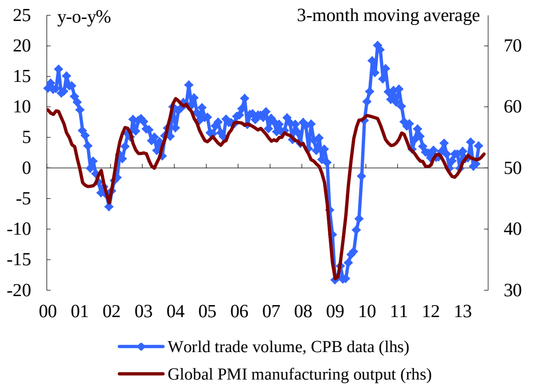
In sharp contrast to recent years, when emerging markets were the main driver of global growth, the relative contribution of advanced economies in the first half of 2013 was significant and growing. In the second quarter, they even accounted for two thirds of global growth. Looking ahead, survey indicators suggest a persistence of this pattern. While in recent months, Purchasing Managers' Indices (PMIs) in advanced economy have edged up, the composite PMI for emerging markets has been trending down since 2010, though it has slightly improved in September (see Graph I.5).

(8) See Gilchrist, S., Sim, J. and Zakrajsek, E., *Uncertainty, financial friction and investment dynamics*, Working paper, February 2010.
On the role of uncertainty, also see, Assessing the impact of uncertainty on consumption and investment, *Quarterly Report on the euro area* Vol. 12, no. 2.2013, pages 7-16.

(9) The underlying mechanism would be that it forces banks to restrain credit further and companies to hold back investment, even if not liquidity constrained, to minimise the risks of irreversible decisions.

The divergence in momentum between emerging and advanced economies is mirrored in recent trade data. The latest CPB data show that the merchandise trade volumes have increased in advanced economies, at the fastest rate over the last two and a half years in July, while the trade momentum in emerging markets has weakened considerably since November 2012. Looking forward, trade volumes are expected to accelerate modestly, reflecting the gradual pick-up in global activity, notably in advanced economies. Non-EU export volumes are expected to grow by 3.6% in 2013, and then accelerate to 5.7% in 2014 and to 6.0% in 2015.

*Graph I.5:* **World trade and Global PMI manufacturing output**




### Emerging markets to grow less robustly than in the past

The latest GDP readings have disappointed most notably in Indonesia, Mexico, Russia and India. China's GDP also saw a slight deceleration in the second quarter, but it was counterbalanced by a slight acceleration in the third, suggesting that on average, growth appears to be stabilising at around 7.5%, compared to growth rates of above 9% in the recent past. The drivers of the recent economic slowdown vary, and both cyclical and structural factors are at work. In China and Russia the growth models that allowed for past good economic performances seem to have reached some limit. The overreliance of the Russian model on commodities does not appear sustainable, and without modernising the economy subdued growth is expected. In China, smoothly shifting the growth model from investment spending towards consumption spending seems a more viable way to ensure strong economic expansion in the longer-term. Besides, in the first half of 2013, in Russia and Mexico domestic investment has been extremely weak, while in India and Brazil tighter

*Table I.1:*

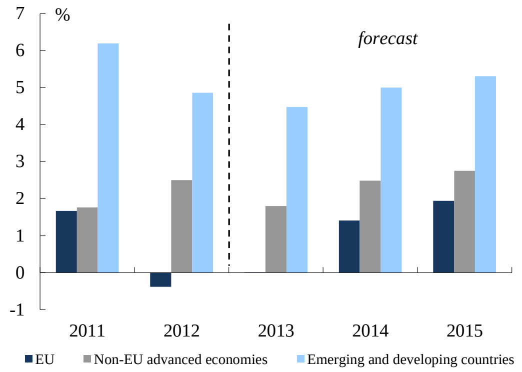
**International environment**

| (Annual percentage change) | ( a ) | 2010 | 2011 | 2012 | Autumn 2013 forecast 2013 | 2014 | 2015 | *Spring 2013 forecast 2013* | *2014* |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **Real GDP growth** | | | | |
| USA | 19.9 | 2.5 | 1.8 | 2.8 | **1.6** | **2.6** | **3.1** | *1.9* | *2.6* |
| Japan | 5.8 | 4.7 | -0.6 | 2.0 | **2.1** | **2.0** | **1.3** | *1.4* | *1.6* |
| Asia (excl.Japan) | 27.8 | 10.3 | 7.5 | 6.0 | **5.7** | **6.0** | **6.3** | *6.5* | *6.8* |
| - China | 13.4 | 11.6 | 9.4 | 7.8 | **7.5** | **7.4** | **7.4** | *8.0* | *8.1* |
| - India | 5.5 | 11.2 | 7.7 | 3.8 | **2.9** | **4.0** | **5.3** | *5.7* | *6.6* |
| Latin America | 8.6 | 6.1 | 4.5 | 2.9 | **2.6** | **3.1** | **3.5** | *3.1* | *3.5* |
| - Brazil | 2.9 | 7.5 | 2.7 | 0.9 | **2.2** | **2.5** | **3.1** | *3.0* | *3.6* |
| MENA | 5.4 | 3.5 | 3.9 | 3.4 | **2.4** | **3.6** | **3.8** | *3.0* | *3.9* |
| CIS | 4.2 | 4.9 | 4.8 | 3.3 | **2.3** | **3.3** | **3.6** | *3.3* | *4.0* |
| - Russia | 3.0 | 4.5 | 4.3 | 3.4 | **1.9** | **3.0** | **3.4** | *3.3* | *3.8* |
| Sub-Saharan Africa | 2.5 | 5.4 | 4.8 | 4.8 | **5.0** | **5.3** | **5.5** | *5.4* | *5.5* |
| Candidate Countries | 1.4 | 8.2 | 8.1 | 1.8 | **3.3** | **2.9** | **4.1** | *2.9* | *3.7* |
| World (incl.EU) | 100.0 | 5.2 | 3.9 | 3.1 | **2.8** | **3.6** | **3.9** | *3.1* | *3.8* |
| | | | | | **World merchandise trade volumes** | | | | |
| World import growth | | 12.6 | 5.4 | 2.0 | **2.8** | **5.2** | **6.0** | *3.2* | *5.6* |
| Extra EU export market growth | | 15.1 | 6.3 | 2.4 | **3.6** | **5.7** | **6.0** | *4.6* | *5.9* |

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2009.

monetary conditions, weak private consumption and persistent structural problems on the supply side have combined to create stagflation.

*Graph I.6:* **Real GDP growth in EU, non-EU advanced and emerging economies**




Looking ahead, the recent rise in global benchmark yields is set to act as a drag on growth, though the impact will be partly dampened by currency depreciation. Moreover, international investors recently appear to have differentiated across EMEs, taking specific country risk more stringently into account. A further gradual normalisation of global monetary conditions is thus likely to place particular pressure on more fragile emerging markets, notably in Russia, India, Brazil and Indonesia while China's relatively closed capital account provides insulation from global monetary currents. Output growth in emerging markets and developing economies as a whole is forecast to accelerate modestly from 4.5% in 2013 to 5.0% and 5.3% in 2014 and 2015.

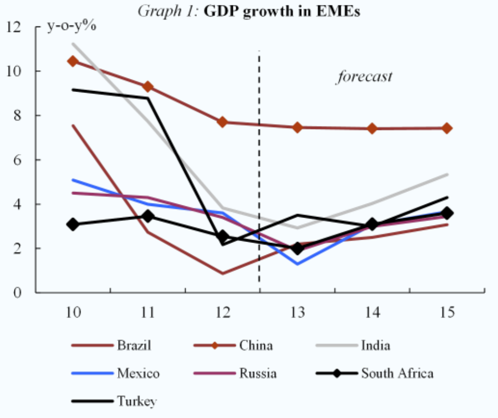
Among advanced economies outside the EU, growth in the US will remain subdued in 2013 as a result of a sizeable fiscal consolidation and the impact of a persistent deadlock over fiscal policies that led to a 16-day partial government shutdown and brought the country on the edge of default, weighing heavily on consumer and business confidence. Growth is expected to accelerate further over the forecast horizon, reflecting a slower pace of fiscal consolidation, firming household consumption and private investment.

This is subject to the assumption that a consensus regarding fiscal policies will emerge going forward. In Japan, the good performance of the first half of 2013 is likely to be maintained through the rest of the year and into 2014. Economic expansion is expected to be underpinned by the on-going recovery in private non-residential investment and resilient private consumption on the back of continued fiscal and monetary stimuli, which will offset most of the negative impact of the forthcoming tax hikes on growth in 2014. All in all, output in advanced economies outside the EU is expected to expand by 1.8% in 2013, before increasing more robustly by 2.5% and 2.8%, in 2014 and 2015 respectively.

### *Box I.1:* Impact of the slowdown in emerging markets on the EU economy

Compared to the 2010-11 period, GDP growth in several emerging market economies (EMEs) has moderated in 2012 [(1)], especially in countries with weaker macroeconomic fundamentals. Given that economic activity in EMEs is projected to expand at only modest rates over the forecast horizon (see Graph 1), this box attempts to gauge the potential impact of the EME slowdown on the EU economy by following two complementary lines of reasoning. More precisely, simulations based on a general-equilibrium approach focus on the aggregate level, while the partial analysis of trade relations between Member States and EMEs aims to identify possible differences across individual EU countries.

*Graph 1:* **GDP growth in EMEs**




#### A modest impact on the EU economy

The potential impact of the EME slowdown is analysed by applying the revised GDP growth projections for EMEs in the Autumn 2013 forecast as a shock to the main scenario in the Spring 2013 forecast. [(2)] The simulation uses a version of DG ECFIN's QUEST III model including both tradable and non-tradable sectors and three country blocks: the EU, the group of EMEs that are the main EU trading partners (i.e. Brazil, Russia, India, China, Hong Kong, South Korea, Turkey, Mexico, Middle East and Northern Africa) and the rest of the world. [(3)]

The analysis assumes that monetary policy in advanced economies does not react to lower import demand from EMEs and the resulting lower price pressures by reducing interest rates.

Weighted by the share of the individual EME in total EU exports to emerging markets, the EME slowdown is associated with a contraction in EU export markets in EMEs by 0.9% in 2013 and by another 0.9% in 2014 compared to the spring projections. Over the whole 2-year period, this implies a decline in EU export markets in the EMEs by 1.7%.

*Table 1:*
**EU real GDP level compared to Spring 2013 forecast**

(Cumulative percentage change)

| | 2013 | 2014 |
|---|---|---|
| Main scenario | -0.1 | -0.2 |
| Downside scenario | -0.2 | -0.4 |

The aggregate spillover to real GDP growth in the EU is -0.1% in 2013 and another -0.1% in 2014, so that EU real GDP is 0.2% below the baseline in 2014 (see Table 1) [(4)]. The EME slowdown does not only affect EU export growth, as indicated by the deterioration of the trade balance, but also domestic demand (see Graph 2). Lower domestic demand is the result of rising real interest rates that are implied by unchanged policy rates and declining price pressures.

Downside risks could add to the deterioration in EMEs' growth, such as a further deceleration of global demand, a sharp fall in investment in China, or further monetary policy tightening warranted by inflation developments in India or Brazil. In order to capture the impact of these potential negative developments on the EU economy, a downside scenario is also examined, in which the initial shock to EMEs' GDP is assumed to be significantly larger: trade-weighted annual EME growth is revised downwards by 1.9 pps. instead of 0.9 pp. In such a downside scenario, the impact on the EU economy would approximately double and real GDP would be 0.4% below the baseline level by end-2014.

(1) IMF, *World Economic Outlook*, October 2013, pp. 41-44.

(2) European Commission, *European economic forecast* - Spring 2013.

(3) Details on the QUEST III model and its use for policy analysis are available at http://ec.europa.eu/economy_finance/research/macroeconomic_models_en.htm.

(4) The aggregate impact includes first-round effects from EME domestic demand slowdown on EME demand for EU exports as well as effects of related relative price adjustment and indirect spillovers via the rest of the world on EU trade and activity.

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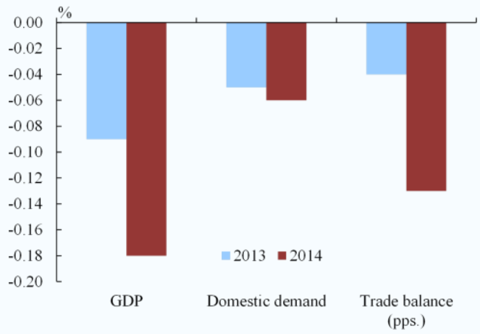
Box (continued)

*Graph 2:* **Spillover to EU real GDP and components, deviation from baseline**




Note: The graph shows level effects; 2014 therefore indicates the cumulated growth impact over 2013 and 2014.

Taken together, the growth spillover from an EME slowdown to EU GDP is rather modest given the relatively limited trade exposure of the aggregate EU economy to EMEs. The deceleration could however affect individual Member States to different degrees, depending on their geographical export orientation and trade openness.

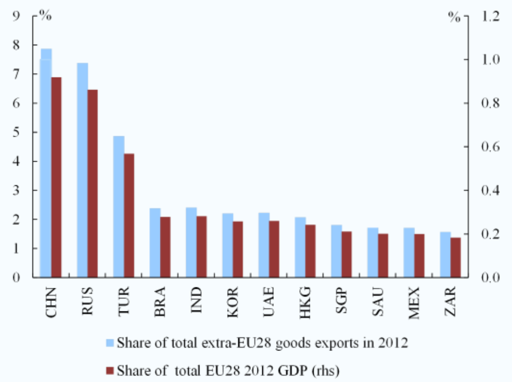
### A differentiated impact across individual Member States

As a complement to the general-equilibrium approach in the previous section, a partial-equilibrium analysis based on trade flows between EU Member States and their major trade partners in emerging markets was conducted in order to capture cross-country differences in the exposure to an EME slowdown. The trade channel analysis assumes unit elasticity of imports with respect to GDP: a 1% reduction in the GDP levels of emerging markets is associated with a 1% decrease in their imports from the EU, implying a 1% fall in Member States' exports to those markets. Due to the limited availability of data on services exports, the analysis is based on a trade matrix compiling the 2012 goods exports [5] of individual Member States to each of the twelve largest EME trade partners. [6]

The purpose of the trade channel analysis is to qualify, rather than quantify, divergences across Member states in GDP exposure to an EME slowdown. Obtaining precise estimates of the overall impact on Member States' GDP is therefore outside the scope of the study. First, this would require the trade matrix to differentiate between (i) the exports of goods manufactured in a Member State and (ii) re-exports of goods in transit to a different end-destination country, as the latter inflate export volumes in trade hubs (Rotterdam-Antwerp effect). Second, other factors would have to be taken into account, such as spillovers between Member States, repercussions on capital flows, or second-round GDP effects, i.e. the transmission from external trade to domestic demand.

Among the twelve emerging economies included in the analysis, EU exports appear particularly vulnerable to a potential slowdown in China, Russia and Turkey, as these three markets represent 20% of total extra-EU goods exports and 2.3% of EU GDP (see Graph 3). The study of the trade matrix shows that trade ties with emerging markets are highly heterogeneous across Member States: while the twelve selected EME trade partners account for more than 50% of extra-EU exports in the case of Latvia, Estonia and Lithuania, less than 20% of Croatian, Irish or Maltese exports to non-EU countries are shipped to this country group (see Graph 4).

*Graph 3:* **Main emerging export markets for EU28 goods**




Based on the revisions of EME growth projections compared to the 2013 Spring Forecast, the impact of a deceleration in EMEs on GDP differs quite substantially across EU Member States. Among the largest EU countries, the direct impact of an EME slowdown would be below the EU average for France, the United Kingdom, Italy and Spain, while it would be above the average in the case of Germany and the Netherlands (see Graph 5).

(5) IMF DOTS world trade database, extracted from COMEXT database.

(6) The countries included are China, Russia, Turkey, Brazil, India, South Africa, Saudi Arabia, the United Arab Emirates, Mexico, South Korea, Hong Kong and Singapore. Altogether, these countries account for about 60% of EU exports to non-advanced economies and nearly 40% of total extra-EU exports.

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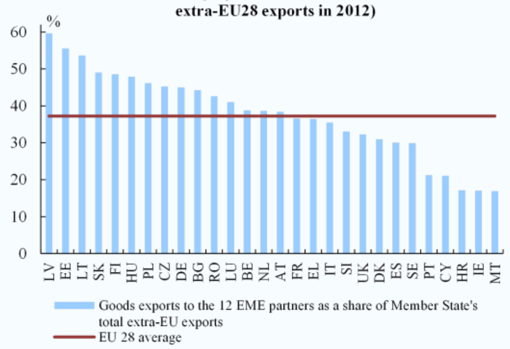
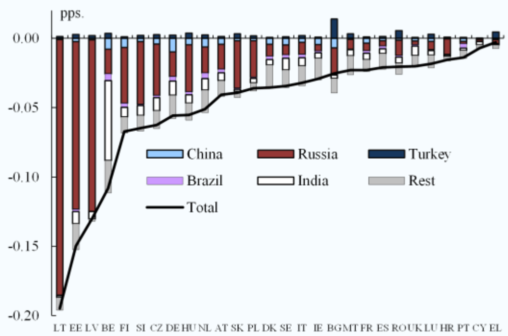
*Box (continued)*

*Graph 4:* **Member States' exports of goods to the selected 12 emerging markets (as a share of their total extra-EU28 exports in 2012)**



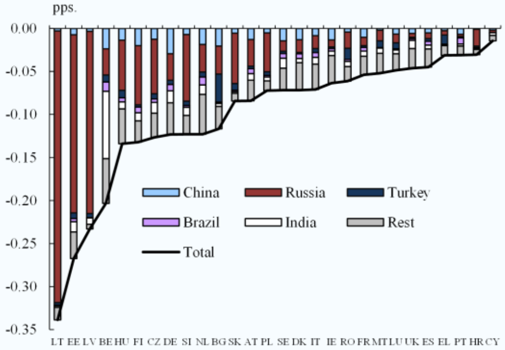

*Graph 5:* **Impact of revisions in EME growth forecasts on the 2013 GDP growth of EU Member States Main scenario**




While the downward revision of GDP growth in Russia is less abrupt than in India, Mexico or Saudi Arabia, the impact of the deceleration of the Russian economy appears to be greater than those of any other EME, owing to the fact that Russia remains the main extra-EU trade partner for a large number of Member States. The same applies to China, i.e. the country is a very important trade partner for most Member States. But China is expected to experience only a relatively small slowdown resulting in a limited negative impact on Member States' GDP. By contrast, improving prospects in Singapore, the United Arab Emirates and Turkey are expected to have a positive impact on the GDP of their EU trade partners.

In the case of a downside scenario, where GDP growth in each EME would be lower by 1 pp. compared to the Autumn 2013 forecast, the slowdown would result in a fall in Member states' exports to all of the selected EMEs (with the exception of Singapore). Although the impact of the EME deceleration would remain limited for the EU as a whole, which is consistent with the model-based analysis in the previous section, it could become more significant for some Member States, in particular the Baltic countries.

*Graph 6:* **Impact of revisions in EME growth forecasts on the 2013 GDP growth of EU Member States Downside scenario**




Overall, given the limited trade exposure of the EU economy to emerging markets, the EME slowdown appears to affect EU GDP growth only to a modest extent. However, the magnitude of the impact on aggregate EU GDP also depends on the policy environment in the EU. Given the limited fiscal and monetary space in many EU Member States at the current juncture, the potentially negative repercussions of the EME deceleration on EU GDP growth are likely to be reinforced. While indirect effects or other transmission channels would need to be taken into account to obtain a more precise assessment of the potential impact on GDP levels, the trade channel analysis highlights the extent to which the vulnerability to the EME slowdown varies across EU Member States.

Due to domestic factors supporting the pick-up of activity in the EU economy, the deceleration currently observed in EMEs does not appear to be sufficiently large to derail the projected further recovery of the EU economy. However, any further deterioration of prospects in emerging markets could jeopardise the recovery path and put into question the recent upward revision in the European economic outlook.

### Moderate decrease in commodities prices

Reacting to the geopolitical tensions in the MENA region, Brent prices reached USD 116/bbl. in early September before easing back to USD 108/bbl. Due to unexpected temporary outages of oil production in Libya, Iraq and Nigeria, oil supply growth should be slightly lower than demand growth in 2013 but given the still high level of stocks, this should not create supply shortages. Geopolitical risks to supply however exist. Brent prices are expected to average USD 108.8/bbl. in

2013 and to decline to USD 105.8/bbl. in 2014 and USD 99.7/bbl. in 2015. Other commodity markets are set to remain bearish this year. Food prices are projected to ease in 2013-15. Prices of metals and raw materials are not expected to recover in 2013 due to abundant supplies and weakened demand conditions. Moderate price gains are expected for 2014-15 in tandem with global recovery.

Global inflation is likely to remain relatively stable over the forecast horizon. In advanced economies outside the EU, the gradual pick-up is unlikely to translate into higher prices and inflation is set to remain below 2%. In the emerging markets inflation is expected to remain around 6% on the back of decreasing oil prices, weakness in other commodity prices, and the fairly modest acceleration in growth in 2014 and 2015. It should be noted, however, that inflation rates differ significantly across the emerging markets, and the outlook is more dependent on supply side constraints.

## 3. FINANCIAL MARKETS IN EUROPE

In recent months, financial markets conditions in the EU have been marked by an increase of yields on benchmark bonds while riskier market segments have performed better. The eye-catching development over the recent months has been the trend reversal in benchmark sovereign-bond yields, on the back of improving macroeconomic data in the US, the UK and the EU, and a widening of the term premium demanded by investors as safe haven-flows abated (see Box I.3).

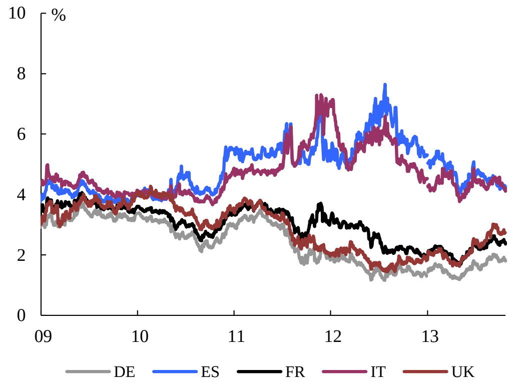
### Signs of improvement …

In the sovereign-bond markets of vulnerable EU Member States, more signs of stabilisation and normalisation have emerged, amid a less negative assessment of their macroeconomic prospects as well as market confidence in a timely implementation of adjustment programmes and prospects of Banking Union (see Graph I.7).

EU and US stock markets have followed a volatile path upwards, as improving sentiment supported by macroeconomic data and strong corporate earnings data was mitigated by uncertainty about the decision for tapering of the asset purchase programme by the US Federal Reserve.

EU corporate bond spreads have narrowed somewhat, and credit insurance costs decreased across most sectors and risk classes. Especially for larger corporations, bond issuance has developed into a suitable alternative to bank lending. Meanwhile, several emerging bond and equity markets have underperformed significantly, suffering from important capital outflows and currency depreciation.

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




### … as monetary policy remains accommodative …

Monetary policy has remained accommodative throughout the EU. In the euro area, in May 2013 the Governing Council of the ECB cut the main refinancing rate to the historically low level of 0.50% (the deposit facility rate stands at 0%) and clarified that refinancing operations would be conducted at fixed-rate full allotment procedures for as long as necessary, but at least until 8 July 2014. In July 2013, the Governing Council announced that it expected "the key ECB interest rates to remain at the present or lower levels for an extended period of time". This forward guidance was based on an overall subdued outlook for inflation extending into the medium term, given the broad-based weakness in the economy and subdued monetary dynamics. A number of central banks in the CEE region decreased their key monetary policy rates, with Hungary and Romania providing the most pronounced easing. The Bank of England said that it intended not to raise the Bank Rate from its current level of 0.5% and not to reduce its stock of asset purchases financed by central bank reserves at least until the unemployment rate reaches 7% - provided that inflationary pressures, medium-term inflation expectations and risks to financial stability remain contained.

Euro-area money market rates eased somewhat as the upward pressure stemming from expectations of an imminent decrease in asset purchases by the US Federal Reserve abated. While monthly repayments of the two 3-year LTROs (Longer Term Refinancing Operations) had constantly declined from January to August, they accelerated in September.

### … but financial fragmentation affects bank funding …

While the amount of central bank liquidity provided through open-market operations continued to decline in recent months in the euro area – thereby suggesting a gradual improvement in banks' funding conditions – for several smaller banks in vulnerable euro-area Member States getting access to medium- and longer-term funding at sustainable costs remains a challenge. This signals that, in spite of some progress, financial fragmentation in the banking sector remains significant as banks in stressed countries still have to pay a premium on bank debt compared to their peers in core countries. The decline in total net issuance of bank debt securities from 2012 does not only reflect on-going balance sheet deleveraging and a shift towards deposit funding, but also some banks' limited access to debt markets. As equity issuance by euro-area banks has only marginally increased over the last couple of months, capital positions for several euro-area banks remain weak.

The weak macroeconomic situation and subdued corporate earnings, especially in countries under stress, have lowered asset quality and generated additional loan impairments. The rise of non-performing loans at a faster pace than the available provision coverage has attracted market attention and forced banks to increase provisions. Meanwhile banks' efforts to cut costs had only a small effect on aggregate cost-to-income ratios, the main gauge of their productivity. In this context, capital generation through internal funding remains subdued and a challenge for banks in countries under stress.

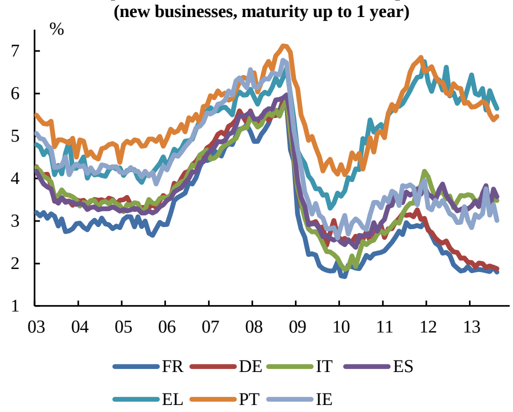
Financial fragmentation in the banking sector is expected to gradually abate over the forecast horizon, as the improvement in the economic situation in the most vulnerable Member States lowers sovereign-bond yields spreads and non-performing loan rates. Moreover, the forthcoming Asset Quality Review (AQR) and subsequent stress tests [10] are expected to lead to the identification and tackling of remaining weaknesses in the banking sector and to improve market sentiment by restoring transparency, which is a precondition for credit growth to resume. In the run-up, however, additional deleveraging pressures in several euro-area countries cannot be excluded, particularly if recapitalisation through equity issuance remains weak.

### … which is reflected in lending volumes and conditions …

Despite some improvements in banks' funding conditions and signs of economic recovery, in the past months bank lending to the private sector fell further (by -1.5% y-o-y in August, adjusted for sales and securitisation) with lending volumes to the non-financial corporate sector falling even sharper (-2.9%) and loans to households growing modestly (0.4%) supported by lending for house purchases. Heterogeneity among euro-area countries persists as regards lending volumes and interest rates for enterprises.

Heterogeneity in lending conditions across euro-area countries has slightly receded but remains high. Interest rates for loans to enterprises in core countries like Germany and France have stopped falling while they have slid slightly in fragile countries like Greece and Portugal (see Graph I.8). However, differences in interest rates for enterprises between countries like Italy or Spain and Germany have not yet started to narrow and the level of differences across euro-area countries remains overall significant.

*Graph I.8:* **Interest rates on loans to enterprises (new businesses, maturity up to 1 year)**




(10) The AQRs are planned to take place in the second quarter of 2014 but communication on the results should follow only later in 2014 together with the results on the stress tests.

## *Box I.2:* **Financial fragmentation and SMEs' financing conditions**

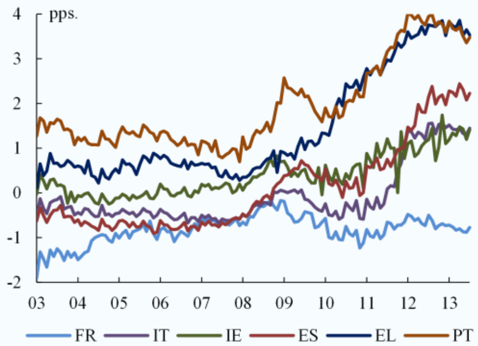
Since the introduction of the Euro and until the outbreak of the global financial crisis, the euro area banking sector experienced a process of integration, mostly in capital markets and wholesale banking. The eruption of the financial crisis and, more specifically, the sovereign-debt crisis has reversed this process leading, inter alia, to weakened cross-border inter-bank lending and more home-biased asset portfolios of banks. At the same time, banks' funding costs on wholesale markets and the cost of credit insurance (CDS) started to depend much more on the perceived solvency of the country where the respective bank is located as reflected by sovereign bond yields.

Financial market fragmentation [1] has become particularly detrimental for banks located in vulnerable Member States, which found it increasingly difficult to obtain funding from their counterparts in other euro area Member States. As a consequence, the Eurosystem's accommodative monetary policy stance is not passing through to bank-lending rates in a number of euro-area countries, while lending volumes to non-financial corporations dropped significantly in the euro area, most notably in Spain, Portugal and Greece. [2]

Small and medium-sized enterprises (SMEs) are usually more exposed to economic downturns and asymmetric shocks as they are typically more specialized, sectorally and geographically. In addition, SME funding is particularly dependent on bank lending: unlike large corporations, they have hardly access to any alternative sources of financing. [3] Given that SMEs are essential for economic growth and job creation, financial fragmentation could impede the economic recovery in the vulnerable Member States and amplify cyclical divergences within the euro area.

The latest survey on the access to finance of SMEs in the euro area (SAFE) [4] shows that vulnerable countries (Spain, Greece, Ireland, Italy, Portugal) reported the largest share of SMEs indicating that access to finance is their greatest concern at the current juncture. Firms in these countries also mention more frequently that interest rate expenses are increasing, in line with ECB data which illustrate that particularly firms in the southern euro area face higher borrowing rates on loans below a volume of 1m EUR, a proxy usually used for loans to SMEs (see Graph 1). The survey also shows that SMEs are confronted with higher rejection rates compared with larger corporations, a feature magnified in vulnerable Member States.

*Graph 1:* **SMEs Interest Rate spreads to Germany (loans up to €1m with maturity of up to 1 year)**




While banks generally charge higher rates for loans to SMEs than for loans to larger corporations, this interest-spread has increased in the euro area,

(1) Financial fragmentation could be defined as differences in the functioning and performance of financial markets of different jurisdictions caused by obstacles to the free movement of capital and/or financial services across borders. For a more detailed analysis on fragmentation, see *European Economic Forecast*, Autumn 2012, Box 1.2: Assessing the impact of diverging financing conditions within the euro area, pp. 34-36 and Al-Eyd, A. and S. Pelin Berkmen, Fragmentation and Monetary Policy in the Euro Area, *IMF Working Paper* No 13/208, October 2013.

(2) See ECB, Assessing the retail interest rate pass through in the euro area in times of financial fragmentation, *Monthly Bulletin*, August 2013, pp. 75-91.

(3) Smaller firms are over-proportionally subject to financial constraints, see for example Iyer, R. et al., Interbank liquidity crunch and the firm credit crunch: Evidence from the 2007-2009 crisis, *Barcelona GSE Working Paper*, No. 867, April 2013.

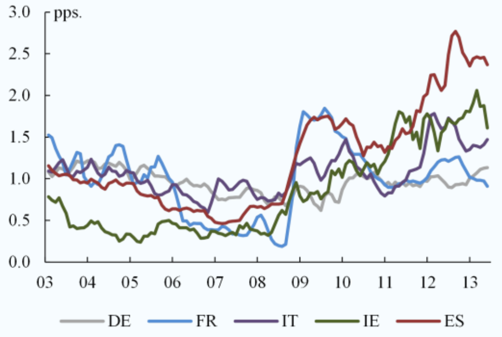
(4) See ECB, The perceived external financing gap indicator for small and Medium-sized enterprises in the euro area, *Monthly Bulletin*, August 2013, pp. 19-24. See Canton, E. and P. van der Zwan, Financing the real economy: Perceived access to bank loans for EU firms in times of crisis, in: European Commission, *Product Market Review 2013* (forthcoming). In the Commission's annual investment survey at the end of 2012 manufacturing firms from vulnerable Member States reported that financing conditions were less favourable compared to those in core countries. The size breakdown, however, did not suggest that SMEs were systematically more affected than large corporations.

(Continued on the next page)

*Box (continued)*

notably in vulnerable Member States (see Graph 2). [5]

*Graph 2:* **Interest Rate Spread between Smaller and Larger Loans to NFCs (loans up to €1m vs above €1m, 3m moving average)**

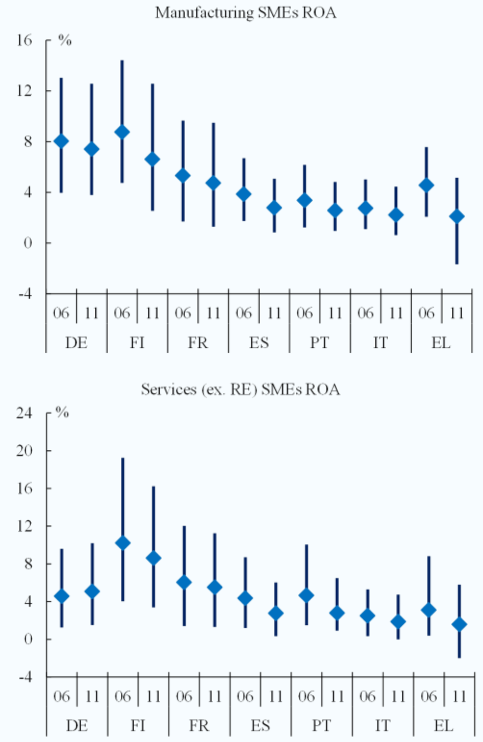



Bank lending volumes have significantly declined in the euro area periphery, but there is no clear indication that lending volumes for SMEs have fallen more rapidly than those for larger enterprises. However, this comparison may be misleading because larger enterprises crucially benefit from the access to market funding via bond issuance which they have intensively used as a complement or substitute for bank loans in the past years.

Alongside financial fragmentation on the loan supply side, other factors such as cross-country differences in SME's profitability or indebtedness are acting on both supply and demand of credit and are likely to contribute to the divergence in interest rates and lending volumes. The identification of the particular impact of financial fragmentation on credit-market conditions thus requires controlling for SMEs' fundamental variables. The subsequent analysis shows that there are still differences in funding conditions between comparable enterprises that are located in two different euro area countries.

The sample [6] covers independent SMEs (no majority-controlled subsidiaries) in vulnerable countries (Italy, Spain, Portugal, and Greece) and in core countries (Germany, France, Finland, and Belgium). [7] The visible cross-country differences in profitability as measured by the after-tax return on assets (ROA) for both manufacturing and services firms indicate that part of the difference in lending rates may be explained by the SMEs' different credit risks (see Graph 3).

*Graph 3:* **SME profitability (after-tax ROA) Medians, 1st and 3rd quartiles**




Source: ORBIS, own calculations.

Controlling for differences in profitability is important because SMEs' profitability acts on both the supply and the demand side of the bank credit market. On the supply side, banks request a higher risk premium for loans to businesses with lower profitability, while loan demand can also be negatively affected by low profitability, particularly when SMEs are facing generally high funding costs. The firm-level data on profitability suggest that SMEs in core countries are more profitable

(5) According to qualitative information, there was a pronounced increase in the rate of loans to riskier SMEs, which suggests that the average rates recorded in statistics may give a too benign picture of the credit costs many SMEs are facing, see Institute of International Finance (IIF)/Bain & Company, Restoring Financing and Growth to Europe's SMEs, 2013.

(6) Firm-level data are from the ORBIS database.

(7) Results need to be interpreted with caution given cross-country differences in firm coverage in the database, reflecting both differences in the number of existing firms and different institutional frameworks on data reporting.

*(Continued on the next page)*

*Box (continued)*

than those in vulnerable Member States [8] but that profitability declined moderately in almost all countries covered between 2006 and 2011 (last available financial year in the database). The only exception is Greece, which experienced a sharp deterioration. Differences in profitability are therefore rather country-specific and cannot be sufficiently explained by different cyclical patterns across the euro area. Instead, they could be due to, for example, the share of value-added in the produced goods, the technology used (the mix of capital and labour), R&D (and the possibility to finance it) and country infrastructures and institutional differences.

Next, SMEs' financing conditions are assessed by examining whether firms' investment levels correctly reflect their fundamentals. This analysis is based on the assumption that funding flows are typically used for investment purposes. [9] The approach consists of comparing the investment rates of SMEs in the vulnerable countries to those of their closest possible match among firms operating in core countries. Specifically, the matching procedure looks for the most similar firm operating in Germany, France, Finland, or Belgium within the same industry as the vulnerable country's firm, and with the closest possible fundamentals: profitability, sales growth, company size, capital intensity and leverage.

Table 1 presents the results for two important industries: (i) the construction sector is an example of a disinvesting sector (at least in countries like Spain); (ii) the manufacturing industry, which produces mainly tradable goods, is more reliant on the global economic context and could absorb resources from sectors that are currently downsizing. The table shows that companies in both sectors operating in vulnerable Member States were underinvesting in 2011, compared to their peers in the core countries, after controlling for their current operating performance and financial strength. These results suggest that other factors, beyond existing fundamentals, seem to limit current investment in the manufacturing sector, possibly including credit supply tightness due to financial fragmentation.

Given that the analysis takes into account firm indebtedness (thereby controlling for "simple" deleveraging pressures in highly indebted firms) these results can only be explained by more specific demand-related deleveraging pressures (firms' general prudence with debt-financing due to economic uncertainty). This would, however, not be completely consistent with the above survey-based evidence. Besides, the table also shows that the underinvestment in the construction sector does not in all cases exceed the one in manufacturing. Notably, the underinvestment of Spanish construction firms compared to their core peers is not statistically significant, possibly suggesting that their current disinvestment is broadly in line with their deteriorated fundamentals while the credit supply constraint is less binding.

*Table 1:*

**Average difference in net investment rates between firms in vulnerable MS and comparable firms in non-vulnerable MS, 2011**

| | Manufacturing | Construction |
|---|---|---|
| Spain | -0.057***<br>(-4.03) | -0.031<br>(-1.23) |
| Greece | -0.091***<br>(-5.82) | -0.142**<br>(-3.13) |
| Portugal | -0.052*<br>(-2.47) | -0.076*<br>(-2.51) |
| Italy | -0.024<br>(-1.41) | -0.026<br>(-1.06) |

Note: investment measured as growth rate of fixed assets. t-statistics in parentheses.
Source: ORBIS, Commission calculations.

A different analytical approach to identify the impact of financial market fragmentation on SMEs was followed by IMF (2013). [10] It estimates the impact of variables that proxy for financial fragmentation on the lending rates charged to SMEs, controlling for the business cycle, the corporate credit risk and the monetary policy stance. The variables that reflect financial fragmentation measure sovereign risk and bank health. [11] The difference between the actual lending rate and the hypothetical one that would arise if the variables of sovereign risk and bank stress were zero, indicates by how much lending rates would be lower if fragmentation did not exist. The estimation was done for France, Italy and Spain and revealed that lending rates in Italy and

(8) German SMEs' profitability shows more cross-sectoral differences compared to other euro area countries. However, this may be due to the database coverage of German firms which differs from those of other Member States. In terms of staff, the median size of a German SME in the sample is around 60 employees, whereas the median size is below 20 employees in all other Member States. This could explain, at least partially, the observed differences in profitability.

(9) IIF/Bain & Co (2013) points to the fact that SMEs' capital needs have recently shifted from the financing of long-term investment to the financing of working capital.

(10) See Chapter 2 and Annex 1.1 in IMF, *Global Financial Stability Report*, Autumn 2013, pp. 63-103 and 53-56.

(11) More specifically, the trend deviation of the 10-year sovereign-yield spread and the banking system's price-to-book ratio. The business cycle is controlled for by adding industrial production and monetary policy by adding an interest rate to the estimation.

*(Continued on the next page)*

*Box (continued)*

Spain are between 100 bps. and 200 bps. above their theoretically justified value.

Thus, the above analyses suggest that the geographical location of the firm emerges as a decisive factor in corporate lending and investment. On the supply side, financial fragmentation appears to play a role in constraining access to finance and/or in driving up lending costs for SMEs in vulnerable Member States. [12] However, financial fragmentation should not be considered as fully accountable for the wide differences in funding costs of SMEs across euro area countries. As shown, cross-country differences in the average credit quality of the SMEs as measured, inter alia, by profitability is also an important contributing factor. Finally, deleveraging pressures may also contribute, although there is no clear evidence of higher SME indebtedness ratios in vulnerable Member States relative to core countries. Indeed, other demand-related factors could partially explain lower lending volumes as SMEs in the vulnerable countries are operating in a more uncertain economic environment and may be more prudent with respect to debt financing at the current juncture.

Looking forward, the expected scenario of improved economic and financial conditions in vulnerable Member States should benefit SMEs in both tradable on non-tradable sectors. SMEs confidence should return on revived internal and external demand while credit supply constraints should also become less binding. However, SMEs will most probably remain in a weaker position in terms of funding compared with larger corporations as their higher bank dependency means that external funding will be reliant on full balance-sheet repair in the banking sector. Targeted public intervention aimed at improving funding for SMEs seems therefore justified in this context.

Various policy initiatives are under way to address financial fragmentation and the fragility of the banking system. For example, the creation of the single supervisory mechanism (SSM) aims to address the reasons behind the fragmentation of banking markets. More stringent capital requirements for banks are expected to foster the repair of banks' balance sheets, which should ultimately support their capability to lend to SMEs. [13] Various other policy initiatives aim at reducing the bank dependency of the EU economy, which may benefit SMEs indirectly as it increases the amount of bank lending available to SMEs. [14]

Since these measures are likely to be effective only in the medium term, policy makers have also engaged in initiatives to facilitate SME borrowing in the short term. The EU already provides quantitatively relevant financing to SMEs, including, inter alia, grants and other financial instruments such as loans, guarantees, securitisation and equity/venture capital products. [15] Under discussion is how EU institutions can support the recovery of securitisation markets for SME loans. This would help banks to securitise parts of their SME loan portfolios, thereby incentivising them to step up lending to SMEs. Moreover, for the EU 2014-20 Multiannual Financial Framework, a proposal is being evaluated for a new SME initiative, based on financial instruments jointly funded by the EU central budget and EU Structural and Investment Funds allocations.

(12) See Pontuch, P., Capital reallocation into tradable sectors: incentives and obstacles, European Commission, *Product Market Review 2013* (forthcoming).

(13) Some observers argue, however, that higher capital requirements may temporarily reduce banks' willingness to lend to SMEs, see OECD, *Financing SMEs and entrepreneurs 2012: An OECD scoreboard*, Paris 2012.

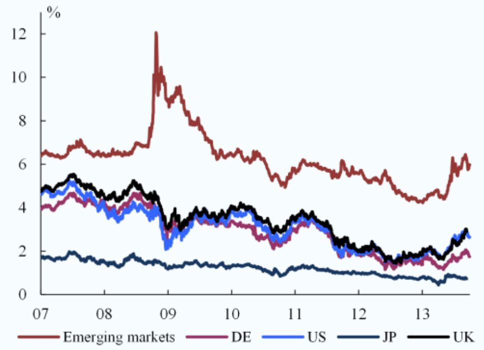
(14) For an overview of policy initiatives, see IIF/Bain & Co (2013) and IMF, *Global Financial Stability Report*, October 2013.

(15) The European Investment Bank (EIB) and the European Investment Fund (EIF) are already significantly contributing to financing SMEs by using own resources and EU budget funds. Several Member States operate similar SME schemes through national business development banks. It has raised some attention that KfW, the German business development bank, joined forces with its Spanish counterpart ICO to provide EUR 1.6 billion of financing to Spanish SMEs.

## *Box I.3:* Impact of an upward adjustment in long-term benchmark interest rates on the euro-area economy

Since early-May 2013, yields of long-term sovereign bonds that are used as a benchmark for risk-free interest rates in the US and the euro area have moved up considerably. Particularly bond and currency markets in some emerging economies have been affected by the upward pressure on yields in advanced capital markets. [1] While the level of benchmark interest rates in advanced economies is, in perspective, still close to their historical trough, the increase has been relatively steep and may imply a trend towards durably higher long-term interest rates on global capital markets (see Graph 1).

*Graph 1:* **Ten-year global benchmark yields**




Note: The yield on emerging market bonds is proxied by the EMBI+ spread
Source: Data Insight

The 1994 bond market turbulences are widely regarded as a precedent on how quickly interest rate risk can spread across economies and impact on economic activity. [2] At that time, yields on US bonds moved up quickly after an extended period of low interest rates. While the initial trigger for the increase was a rate hike by the US Federal Reserve following the end of a recession, yields increased further on rising inflation and policy rate expectations. Global bond holders realised significant capital losses and their efforts to adjust asset portfolios led to higher interest rates on capital markets also outside the US. GDP growth in several economies weakened significantly.

In theory, there is no reason why domestic yields should increase if yields abroad do. Exchange rate adjustment may isolate domestic bond yields, imposing the adjustment burden predominantly on the export-oriented sectors. Moreover, interest rates are no exogenous factor, but respond endogenously to economic developments. This applies in particular to policy rates which central banks set in accordance with the projected economic and monetary developments. Therewith in contrast, market analysts sometimes ascribe bond market developments to the expected stance of monetary policy, which they consider a quasi-exogenous force. Endogeneity is a decisive factor because the extent to which changes in capital market rates impact on GDP growth crucially depends on the main driving force behind this increase, i.e. whether higher interest rates are driven by higher risk premia or by an anticipation of higher inflation and/or stronger economic activity in the future.

Against this background, this box first examines the potential drivers of the recent pick-up in yields, in particular, whether it was due to a possible normalisation in risk premia or a positive demand shock stemming from improved growth and inflation expectations. In a second step, model simulations are used to gauge how a further rise in yields would affect the euro-area economy differently depending on the main driver behind the rise.

### Identifying the factors behind the increase in the euro-area benchmark yield

The trend decline of risk-free benchmark yields recorded in advanced economies since the onset of the global financial crisis (see Graph 1) has been underpinned by global investors' increased risk aversion, i.e. their willingness to accept very low yields on assets perceived as safe. Thus, the recent reversal in long-term interest rates could be explained by a normalisation in risk premia.

Beyond rising risk aversion, various other factors contributed to lower capital market rates during the financial crisis. Low growth limited the scope for inflation pick-ups, which allowed central banks to reduce policy rates. Liquidity on global markets was ample, also because investment opportunities were scarce in an environment of low growth and high corporate credit risk. In the euro area, a rise in sovereign risk in vulnerable Member States led to a reallocation of savers' and institutional investors'

(1) The term capital market is used here for the market on which long-term debt securities are issued and traded. Financial instruments with a maturity below one year are traditionally seen as traded on money markets. Sovereign bonds with a ten year maturity are considered the "benchmark" for the capital market.
(2) See for example Box 1: Interest rate risk and the Federal Reserve's tightening cycle: Comparison with the events of 1994, in: ECB, *Financial Stability Report*, June 2010, pp. 22-23.

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Box (continued)

portfolios towards "safe" benchmark bonds. Besides, banks piled up bond holdings, inter alia, to strengthen liquidity buffers, and on wholesale funding markets the share of collateralised lending increased. As a result of these factors, yields on benchmark bonds decreased.

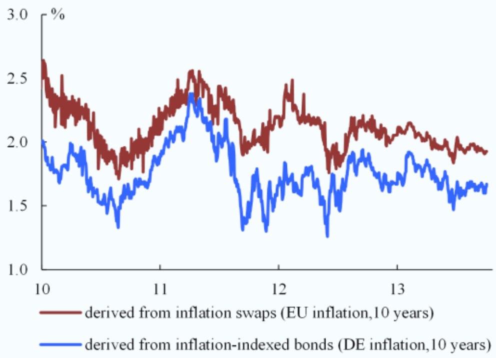
However, at the beginning of May 2013, this widespread trend in declining benchmark yields seems to have halted. As the increase in yields was particularly pronounced in the USA and upticks in yields tended to occur at times of news about developments in the US, the improving growth outlook in the US, expectations about changes in the pace of Federal Reserve's bond purchases and its monetary policy stance, and more recently, uncertainty about the fiscal situation are likely to be the main drivers. The international transmission of higher US yields varied considerably across countries. Especially emerging economies with high current account deficits or a growth model becoming increasingly obsolete were the most affected. Therewith in contrast, the rebound in benchmark yields in the EU has taken place amid significant adjustment efforts in some Member States that have led to an improvement in their external positions.

If market developments were entirely driven by US-specific factors that had little impact on economic conditions in the euro area, one could expect to observe a rise in US bond yields and a marked change in the USD/EUR exchange rate while euro area bond yields would remain unaffected. [3] Now, while the euro exchange rate has appreciated somewhat, the high correlation of US and euro-area benchmark bond yields is striking. It may suggest that international bond holders' risk perception changed irrespective of the origin of the debt issuer and the macroeconomic conditions the issuer is exposed to. Such a transmission of higher US yields to rising risk premia in European bond yields could be driven by psychological factors ("animal spirits"). Alternatively, it could reflect that the appetite for holding safe assets has globally declined, implying a normalisation of benchmark yields from previously low, or even negative, risk premia. It would be consistent with the observed decline in the yield spread of vulnerable euro-area Member States' bonds over the German Bund and with the rising importance of corporations tapping the bond market. In short, investors' portfolio adjustments toward a higher share of higher-yielding riskier assets at the expense of lower-yielding benchmark bonds are one possible explanation for the increase in benchmark yields.

An alternative, or rather complementary, hypothesis is that both US and euro-area yields are driven by common fundamental factors. Since the timing in the turnaround broadly corresponds to the release of more optimistic euro-area business cycle surveys and an improving outlook for growth in the US, the rise in yields could also be due to expectations of strengthening economic growth, higher inflation and/or a tightening of the monetary policy stance on both sides of the Atlantic. [4]

While there was a notable turnaround in indications from business surveys, actual growth predictions for the euro area have hardly been revised upwards. This holds for the present Commission forecast for 2014 as well as for the Consensus forecast, which incorporates financial institutions' predictions. The main scenario remains the one of a gradual recovery of economic growth in the euro area. At the same time, market prices of 10-year inflation-indexed bonds and 10-year inflation swaps (see Graph 2) do not suggest a sudden increase in inflation expectations over the summer 2013 that would motivate higher nominal bond yields in the euro area. In fact, inflation expectations derived from financial market prices have trended marginally lower.

*Graph 2:* **Expected inflation as implied in financial market prices**




(3) For example, rising inflation expectations in the US could be neutral to fiscal positions and monetary policy in the euro area and therewith find reflection in higher US capital market rates, but not necessarily in euro area bond yields.

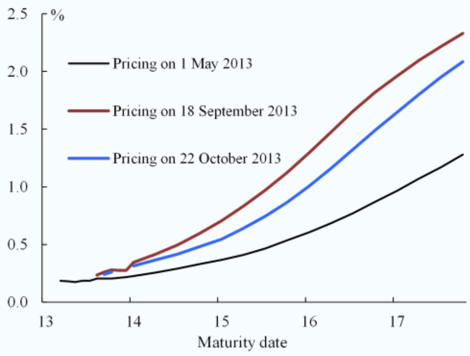
(4) These three variables broadly match a decomposition applied in the literature of the bond yield into monetary stance, inflation expectations, and term premium. See Bernanke, B, Long-Term Interest Rates, Speech at the Annual Monetary/Macroeconomics Conference San Francisco, 1 March 2013.

(Continued on the next page)

Box (continued)

The change in short-term forward rates recorded over the summer suggests that markets may have started to anticipate an increase in the ECB's policy rates from their current low levels. [5] This discounting of expected monetary tightening is illustrated by an upward shift of the 3-month Euribor futures curve (see Graph 3). Between early May and October 2013, the price for the December 2017 futures contract moved up by 80 bps., which may partly explain the observed increase in long-term bond yields. [6]

*Graph 3:* **Three-month Euribor Futures rates**




Source: Bloomberg

The increase in short-term forward rates, however, does not seem to be aligned with the expected path of macroeconomic indicators the ECB normally takes into account for policy-rate decisions. As in other advanced economies, the transition towards a normalisation of monetary policy in the euro area will depend on the return to sustained growth and the re-emergence of inflation pressures. For the time being, however, this point has not been reached. Developments in inflation forecasts and expectations suggest that price pressures remain contained in the euro area. Indeed, one of the objectives of the ECB's forward guidance is to ensure that short-term forward rates are not overly influenced by news that is unrelated to the economic fundamentals of the euro area.

While the rise in yields thus does not appear to be caused by expectations of strengthening economic growth, higher inflation and/or a tightening of the monetary policy stance, it could be attributed to an increase in the term premium. [7] This premium reflects the additional compensation that investors require to hold a long-term asset rather than simply rolling over a series of short-term investments. However, it is ambiguous whether this change was caused by a higher risk premium, respectively the reversal of the low risk premium seen before, or implied by macroeconomic fundamentals. Market comments suggest that spill over effects are more likely to stem from an increased US risk premium than from an upward revision of macroeconomic fundamentals. Particularly the discussion about the gradual phasing out of the FED's bond purchases may have induced some portfolio reallocation, as the global demand for liquid AAA government bonds decreased. It is also notable that the volatility of bond yields increased, which led risk-averse investors to reduce the share of bonds in their portfolio. Both factors might have reduced the net demand for German Bunds, thereby driving rates upwards. The notion of an increase in the risk premium inherent in the German Bund is, however, not supported by the broadly constant spread between the Bund and the swap rate. [8]

### Quantifying the impact of higher long-term interest rates on economic activity

In order to demonstrate that the GDP effects depends on the underlying reasons of rising long-term interest rates the macro simulations [9] consider two different scenarios. In the first scenario, the increase in long-term interest rates is driven by an exogenous increase in the risk premium. This scenario mimics the market perception of reduced safe-haven investment in advanced economies and could be interpreted as the normalisation of a previously extremely low risk premium on safe assets, driven by exogenous factors such as "animal spirits". It could also be understood as a higher permanent risk premium emerging from uncertainty about the US debt ceiling and spilling over to sovereign risk in other advanced economies. The second scenario builds

(5) The upward shift in the Euribor forward rates may also in part reflect expectations of a further decline in excess liquidity owing to the continued repayments of the 3-year LTROs.

(6) This comparison can only be made for the period covered by future contracts, i.e. the change in returns implied by 3-months futures up to 2017 was approximately half of the increase in the 4-year bond yield. Note that the market for more distant future contracts is not very liquid, which reduces the reliability of the information derived from these contracts.

(7) See for example IMF, *Global Financial Stability Report*, October 2013, chapter 1 and BIS, Markets precipitate tightening, *Quarterly Review*, September 2013, pp. 1-11.

(8) The price paid for swapping fixed and flexible interest payment streams can be considered an alternative measure for the safe interest rate. It has been higher than the Bund and widened during past crisis episodes, indicating the safe-haven character of German sovereign bonds.

(9) For the simulations, a four-region version (euro area, other EU, US, rest of the world) of DG ECFIN's QUEST III model was used.

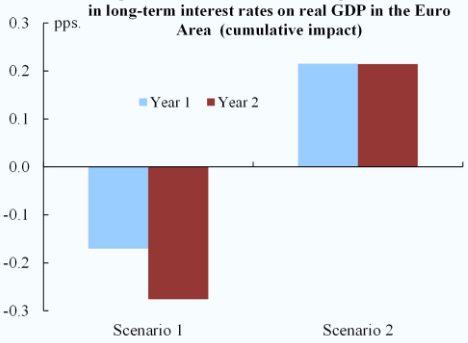
(Continued on the next page)

*Box (continued)*

on an improvement in the medium-term economic outlook, and the increase in long-term yields is derived from an expected standard monetary policy reaction, i.e. future monetary tightening. The scenarios abstract from particular financial factors such as banks' exposure to interest rate risk or the fact that market participants may already have priced in rising interest rates.

The scenarios show the impact on GDP in the euro area and EU28 of a 50 bps. increase in long-term interest rates in advanced economies. Since the objective is to analyse the impact of higher government bond yields, it is assumed that the German Bund yield increases by 50 bps. and the spreads of other Member States' sovereign bonds to the German Bund yield are kept constant. The two scenarios yield very different GDP effects in the short term (see Graph 4), indicating that the impact of a rise in long-term interest rates on economic activity indeed depends on the underlying forces.

*Graph 4:* **Simulations of a 50 basis points increase in long-term interest rates on real GDP in the Euro Area (cumulative impact)**




Scenario 1: due to decline of safe-haven status
Scenario 2: expected economic recovery

In the first scenario, the increase in risk premia tempers euro-area GDP growth by 0.2 pp. in the first year and by another 0.1 pp. in the second year. The adverse effect on GDP is driven by a fall in private investment and interest-sensitive consumption (in favour of higher savings) in response to higher current and future yields. The scenario also assumes an increase in yields in other advanced economies, so that there is no offsetting increase in external demand to soften the impact on GDP in the EU.

In the second scenario, euro-area GDP growth increases by 0.2 pps. in the first year and remains unchanged in the second year. The scenario is based on the expectation of an upswing in the medium term. Households and firms anticipate the increase in future income and partly frontload consumption demand. The improvement in the economic outlook goes hand in hand with a return to a standard pre-crisis monetary policy that reacts to inflation and the business cycle. Due to the scenario's assumption of an improvement in the economic outlook and a similar monetary tightening across all regions, exchange rates remain fairly unchanged, so that net exports contribute little to GDP growth.

The above-described simulations used a structured analytical framework to gauge the aggregate impact on real GDP of a rise in interest rates and the underlying macro-economic dynamics. The actual outcome will also be influenced by factors that are not part of the macro-simulation model used here, for example financial structures, changes to risk preferences and uncertainty.

Key for assessing the impact of higher capital market interest rates on economic activity is the determinant of the risk premium. If the risk premium is primarily driven by "animal spirits" or uncertainty, the effects on economic activity are likely to be negative. If, on the other hand, the risk premium only reflects the price for risk-taking that fluctuates in line with economic variables such as GDP growth or expected inflation, then there is little reason to expect any detrimental net effects on economic growth.

The July 2013 euro-area bank lending survey indicated a moderate tightening of lending standards for non-financial corporations (NFCs), in the second quarter. As regards households, the degree of net tightening declined for housing loans while recording a slight net easing for consumer credits. For both NFCs and households, risk assessment and macroeconomic uncertainty remained the main factors curbing lending policies. However, compared with the previous survey round, banks reported a somewhat reduced perception of risks and balance-sheet constraints. The assessment of loan demand remains weak although signs of bottoming out are becoming visible. For NFCs, the weakness of demand was driven mainly by a substantial negative impact of fixed investment on the financing needs of firms. Looking forward to the third quarter of 2013, the bank lending survey suggests a further moderation of the credit standards tightening and a less negative demand for both NFCs and households. Credit standards and demand for NFCs are thus expected to reach a neutral stance.

*Table I.2:*

**Composition of growth - EU**

(Real annual percentage change)

| | 2012 | | | 2008 | 2009 | 2010 | 2011 | 2012 | Autumn 2013 forecast 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | bn Euro | Curr. prices | % GDP | Real percentage change | | | | | | | |
| Private consumption | | 7800.3 | 58.4 | 0.4 | -1.6 | 1.1 | 0.3 | -0.8 | **-0.1** | **0.9** | **1.5** |
| Public consumption | | 2879.8 | 21.6 | 2.3 | 2.2 | 0.6 | -0.2 | -0.1 | **0.1** | **0.3** | **0.7** |
| Gross fixed capital formation | | 2373.0 | 17.9 | -1.4 | -13.4 | -0.2 | 1.6 | -3.0 | **-2.9** | **2.5** | **4.0** |
| Change in stocks as % of GDP | | 25.1 | 0.2 | 1.0 | -19.4 | 5.0 | 3.1 | -2.9 | **-2.0** | **3.9** | **6.0** |
| Exports of goods and services | | 5928.4 | 44.9 | 1.5 | -11.7 | 11.0 | 6.5 | 2.3 | **1.5** | **4.1** | **5.4** |
| Final demand | | 19005.7 | 143.0 | 0.6 | -6.5 | 4.1 | 2.5 | -0.4 | **0.1** | **2.1** | **2.9** |
| Imports of goods and services | | 5683.8 | 42.9 | 1.1 | -11.5 | 9.8 | 4.4 | -0.3 | **0.2** | **3.7** | **5.3** |
| GDP | | 12967.5 | 100.0 | 0.4 | -4.5 | 2.0 | 1.7 | -0.4 | **0.0** | **1.4** | **1.9** |
| GNI | | 12971.1 | 11753.1 | 0.2 | -4.4 | 2.1 | 1.7 | -0.6 | **-0.1** | **1.3** | **1.8** |
| p.m. GDP euro area | | 9612.2 | 71.5 | 0.4 | -4.5 | 1.9 | 1.6 | -0.7 | **-0.4** | **1.1** | **1.7** |
| | | | | Contribution to change in GDP | | | | | | | |
| Private consumption | | | | 0.2 | -0.9 | 0.6 | 0.2 | -0.4 | **-0.1** | **0.5** | **0.9** |
| Public consumption | | | | 0.5 | 0.5 | 0.1 | 0.0 | 0.0 | **0.0** | **0.1** | **0.2** |
| Investment | | | | -0.3 | -2.8 | 0.0 | 0.3 | -0.6 | **-0.5** | **0.4** | **0.7** |
| Inventories | | | | -0.2 | -1.1 | -0.8 | 0.3 | -0.5 | **-0.1** | **0.1** | **0.0** |
| Exports | | | | 0.6 | -4.8 | 4.0 | 2.6 | 1.0 | **0.7** | **1.8** | **2.4** |
| Final demand | | | | 0.8 | -9.2 | 5.6 | 3.4 | -0.5 | **0.1** | **2.9** | **4.2** |
| Imports (minus) | | | | 0.4 | -4.7 | 3.5 | 1.7 | -0.1 | **0.1** | **1.6** | **2.3** |
| Net exports | | | | 0.2 | -0.1 | 0.5 | 0.9 | 1.1 | **0.6** | **0.3** | **0.2** |

### ... and contributes to the outlook for a "creditless" recovery.

Bank lending so far has remained weak and it has not benefitted from the positive developments in financial markets over the last couple of months. Deep economic and financial crises are usually followed by creditless recoveries, so that the current delayed lending response could be rather normal as a post post-crisis development. [11] Creditless recoveries are also typically slow, and this is reflected in the present forecast of subdued domestic demand growth. The weakness of the bank lending to the non-financial corporate sector has been partly offset by lasting dynamics of the market for debt securities, which remain consistent with a transition towards market financing by larger companies, whereas most small and medium-sized enterprises (SMEs) remain reliant on banks and thus are in a very fragile position (see box I.2).

All in all, the short-term outlook is for a "creditless" recovery, notably in some euro-area Member States, after a deep crisis episode. However, survey-based signals seem currently more encouraging than lending data, suggesting a possible improvement in lending conditions in the near future. As the economic recovery progresses, the demand for loans could strengthen, which would impact positively on lending to both NFCs and households.

## 4. THE EU ECONOMY

After declining in first quarter, GDP in the second quarter of 2013, expanded by 0.3% q-o-q, in both the EU and the euro area. The recovery was relatively broad-based across Member States, including in some of the large Member States (most notably in Germany and France), though resulting to some extent from temporary factors. Growth also rebounded in some more vulnerable countries. In Portugal, GDP grew by a strong 1% q-o-q (after -0.4% in the first quarter). In Spain, the pace of contraction slowed down considerably (-0.1% q-o-q), thanks to buoyant exports. The GDP breakdown also shows further progress in intra-euro-area rebalancing with a strong export performance in some vulnerable Member States and signs of strengthening domestic demand in surplus countries. At the aggregate level, the second quarter data shows a gradual return of domestic demand, with consumption and investment growth turning positive. Overall, these are positive signs that an economic turnaround for

(11) See Transition challenges to stability, *Global Financial Stability Report, IMF*, October 2013 (chapter 2).
See also N. Sugawara, J. Zalduendo., Credit-less recoveries neither a rare nor an insurmountable challenge, *Policy Research Working Paper* no. 6459 (World Bank) May 2013.

*Table I.3:*
**Composition of growth - Euro area**

(Real annual percentage change) — Autumn 2013 forecast

| | 2012 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn Euro Curr. prices | % GDP | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| | | | Real percentage change | | | | | | | |
| Private consumption | 5455.1 | 57.5 | 0.4 | -1.0 | 1.0 | 0.3 | -1.4 | **-0.7** | **0.6** | **1.3** |
| Public consumption | 2041.3 | 21.5 | 2.3 | 2.6 | 0.6 | -0.1 | -0.5 | **0.0** | **0.3** | **0.7** |
| Gross fixed capital formation | 1740.6 | 18.3 | -1.4 | -12.8 | -0.5 | 1.6 | -4.0 | **-3.3** | **1.9** | **3.6** |
| Change in stocks as % of GDP | 9.8 | 0.1 | 0.1 | -19.2 | 5.6 | 4.6 | -4.8 | **-2.9** | **3.7** | **6.1** |
| Exports of goods and services | 4348.6 | 45.9 | 1.1 | -12.4 | 11.6 | 6.5 | 2.5 | **1.3** | **4.2** | **5.6** |
| Final demand | 13595.7 | 143.3 | 0.5 | -6.3 | 4.1 | 2.5 | -0.7 | **-0.3** | **1.9** | **2.9** |
| Imports of goods and services | 4101.8 | 43.3 | 0.8 | -11.0 | 10.0 | 4.5 | -0.9 | **-0.1** | **3.9** | **5.7** |
| GDP | 9505.8 | 100.0 | 0.4 | -4.5 | 1.9 | 1.6 | -0.7 | **-0.4** | **1.1** | **1.7** |
| GNI | 9536.0 | 8592.7 | -0.2 | -4.1 | 2.2 | 1.6 | -0.5 | **-0.5** | **1.0** | **1.6** |
| p.m. GDP euro area | 13067.6 | 132.0 | 0.4 | -4.5 | 2.0 | 1.7 | -0.4 | **0.0** | **1.4** | **1.9** |
| | | | Contribution to change in GDP | | | | | | | |
| Private consumption | | | 0.2 | -0.6 | 0.6 | 0.2 | -0.8 | **-0.4** | **0.3** | **0.7** |
| Public consumption | | | 0.5 | 0.5 | 0.1 | 0.0 | -0.1 | **0.0** | **0.1** | **0.2** |
| Investment | | | -0.3 | -2.8 | -0.1 | 0.3 | -0.8 | **-0.6** | **0.3** | **0.6** |
| Inventories | | | -0.1 | -0.9 | -1.4 | 0.3 | -0.5 | **-0.1** | **0.1** | **0.0** |
| Exports | | | 0.4 | -5.2 | 4.3 | 2.7 | 1.1 | **0.6** | **1.9** | **2.6** |
| Final demand | | | 0.7 | -8.9 | 5.6 | 3.5 | -1.0 | **-0.5** | **2.7** | **4.2** |
| Imports (minus) | | | 0.3 | -4.5 | 3.5 | 1.8 | -0.4 | **-0.1** | **1.6** | **2.5** |
| Net exports | | | 0.1 | -0.7 | 0.7 | 0.9 | 1.5 | **0.6** | **0.3** | **0.2** |

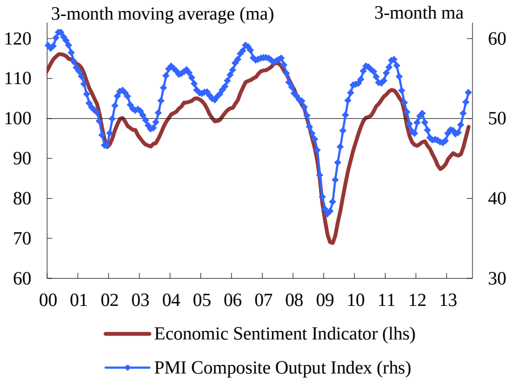
the EU and the euro area is at hand and that the recession has now given way to a modest recovery.

## A modest recovery …

Figures for the second quarter probably over-estimate the underlying economic dynamics, with a positive impact of weather-related factors. As these temporary factors dissipate but lingering effects from the crisis remain, and in a context of subdued external demand, GDP growth in the EU is likely to be moderate in the second half of 2013. The latest high-frequency and survey indicators point indeed to a gradual but modest revival in economic activity in the third quarter. In September, the euro-area PMI Composite Output Index rose to 52.2, signalling the fastest rate of growth in over two years. The Economic Sentiment Indicator (ESI) also further increased in September standing above its long-term average for the first time since July 2011 in the EU (see Graph I.9). Measures of economic and policy uncertainty have decreased somewhat, reflecting progress with the implementation of policy measures at the EU and Member States level. In contrast, industrial production has broadly stagnated in the first two months of the third quarter in the EU and the euro area, suggesting a still fragile recovery in the manufacturing sector.

As a result, for 2013 as a whole, the GDP growth forecast stands at 0% for the EU and -0.4% for the euro area, largely reflecting the negative carry-overs from the end of 2012. At the end of 2013, the carry-over is expected to stand respectively at 0.5% in the EU and 0.4% in the euro area, mirroring the improvement of the economic situation in the course of this year.

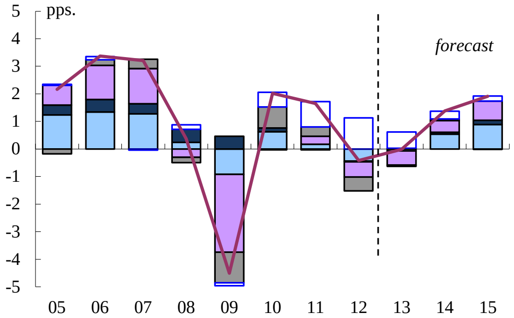
*Graph I.9:* **Economic Sentiment Indicator and PMI Composite Output Index, EU**




## … set to strengthen in 2014-15

Resting on the assumption that determined policy implementation will provide the basis for further improvements in confidence, abating financial fragmentation, and strengthened economic adjustment capacity of Member States, EU real GDP growth is forecast to gradually strengthen in the course of 2014. More precisely, after having been a drag on growth for the last year and a half, domestic demand is expected to turn into a key motor of growth, but only very slowly, benefitting from the gradual weakening of the impediments stemming from the financial and economic crisis (cf. section 1, see graph I.10). In fact, the combination of deleveraging needs which are notably still substantial in the private sector in a number of Member States, cross-country differences in financing conditions that are narrowing very slowly and the under-utilisation of resources related to the deep adjustments processes in some countries, will prevent economic activity from accelerating more markedly in the coming year. However, domestic demand is expected to show positive and moderate growth as consumer and business confidence improve further and uncertainty declines to levels compatible with more sustained spending decisions. In addition, the drag from fiscal consolidation is also expected to be further reduced, and low inflation will provide some relief for consumers and companies to spend and invest more than in 2013. Overall, compared to past recoveries, the current EU economic upturn is set to be subdued, with real GDP growing by 1.4% in the EU and by 1.1% in the euro area in 2014.

*Graph I.10:* **GDP growth and its components, EU**



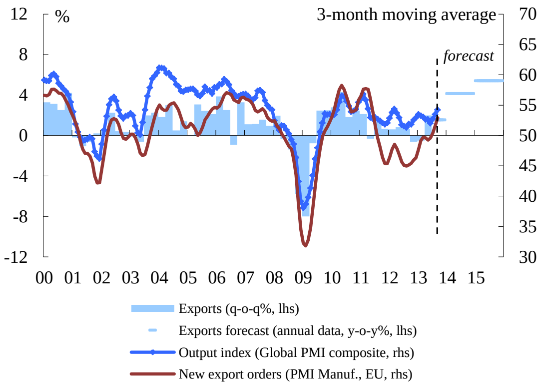

Further out, an acceleration of GDP growth is expected as the headwinds weighing on growth are expected to further abate. Gradually improving labour market conditions, more favourable financing conditions, fading deleveraging needs and lower uncertainty are expected to further strengthen the recovery. The impact of implemented structural reforms is expected to start showing more firmly in 2015, reinforcing these positive developments. Overall, real GDP is projected to grow by 1.9% in the EU and by 1.7% in the euro area in 2015, under the usual no-policy-change assumption.

## Growth to become less export-dependent

Following two consecutive quarters of contraction, exports of goods and services in both the EU and euro area rebounded by around 2% (q-o-q) in the second quarter of 2013. The CPB trade data show that stronger demand from advanced economies is behind this rebound, while demand from emerging economies lost some momentum. In the second half of the year, a further export expansion is expected, in line with the moderate growth of foreign demand for EU products. Export order books from the Joint Harmonised EU Programme of Business and Consumer Surveys (or Commission's surveys) have substantially improved in the third quarter, signalling a relatively bright short-term outlook for the EU external trade but less than in the spring forecast. In fact, due to the downward revision in global demand in line with the deceleration in the emerging markets and due to the continued appreciation of the euro exchange rate, export growth has been revised downward compared to the spring forecast (see box I.1). For 2013 as a whole, exports are set to grow by 1.5% in the EU and by 1.3% in the euro area. Nevertheless, exports will remain the key growth driver in 2013 in line with a still depressed domestic demand.

EU exports are projected to gain more momentum in 2014 and 2015, reflecting the gradual strengthening of external demand, more specifically the upturn in the advanced economies and some continuous competitiveness gains in the vulnerable Member States. Export growth is thus expected at around 4% in the EU and the euro area in 2014, before becoming more robust and reaching 5 ½% in 2015 (see Graph I.11).

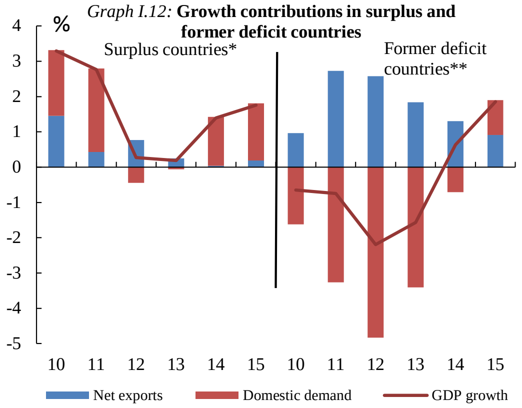
*Graph I.11:* **Global demand, EU exports and new export orders**




The short-term prospects for EU imports are restrained by still weak domestic demand. In the second quarter of 2013, imports increased by 1½% in the EU and the euro area. With increasing growth momentum and stronger domestic demand, import volumes are set to grow by about 4% in 2014 in the EU and the euro area and to further accelerate to 5 ½% in 2015.

Overall, net exports are expected to continue contributing positively to GDP growth over the period 2013-15. The support of net foreign demand to overall EU GDP growth is, however, set to decline in favour of domestic demand over the forecast horizon, but still with some noticeable differences between the euro-area "surplus" and "former deficit" countries (see Graph I.12).

*Graph I.12:* **Growth contributions in surplus and former deficit countries**



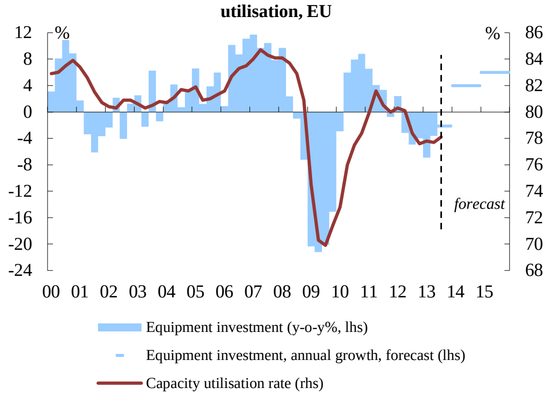

* BE, DE, AT, LU, NL, FI
** IE, EL, ES, CY, MT, PT, SI

## Investment finally unlocked...

After a continuous decline during two years, gross fixed capital formation finally increased in the second quarter of 2013, by 0.2% q-o-q in the EU and the euro area. The breakdown of investment shows a rebound of machinery and equipment investment, while construction investment continued to decline in the EU and stabilised in the euro area, driven by a strong contraction in non-residential investment. Besides, changes in inventories made a limited negative contribution to growth compared to the latest two years, suggesting that the scope for destocking is at the current juncture more limited. [12]

For the second half of the year, some modest growth in investment is expected as the typical sequence of external demand kick-starting investment could be lacking steam in the absence of a stronger impulse from global trade. For the third quarter of 2013, the available indicators support the view of a continued but moderate recovery of investment. The Commission's business survey in the industry shows confidence lifting above its long-term average in both the EU and the euro area in September. Moreover, capacity utilisation increased in the third quarter of 2013, though remaining at low levels (see Graph I.13). However, in the short term, overall uncertainty and ongoing deleveraging as well as still adverse financing conditions for the non-financial corporate sector, notably in some Member States will continue to dampen investment spending. Construction investment is likely to remain weak in the remainder of the year, as suggested by survey data. Overall for 2013, gross fixed capital formation is expected to still decline, mainly reflecting carry-over effects from the start of the year.

*Graph I.13:* **Equipment investment and capacity utilisation, EU**




## ... on the back of a rebound in equipment investment

Going forward, gross fixed capital formation is expected to rebound as from 2014, mainly supported by equipment investment. It should benefit from higher domestic and external demand, strengthening business confidence and lower uncertainty, the need to gradually replace an ageing capital stock after a marked adjustment phase, steadily easing financing conditions and increasing corporate profits as activity recovers. The pick-up in equipment investment in 2014 is, however, expected to be subdued compared to past recoveries as downside factors will continue being at play. These include the need for further corporate balance sheet restructuring and still not normalised financing conditions in some Member

(12) This assessment is in line with the latest Commission's business surveys, which show that companies' stocks in the manufacturing and retail sector are considered to be below their long-term average.

States. Construction investment is set to resume growing but will remain weak on the back of continuous corrections in some euro-area housing markets. A contraction will even persist in the countries facing the strongest housing corrections (notably in Spain). Overall, in 2014, gross fixed capital formation is set to increase by 2.5% in the EU and by 1.9% in the euro area.

In 2015, investment growth is expected to accelerate further to respectively 4% in the EU and 3.6% in the euro area as the recovery gains strength and in a context of more favourable financial conditions in vulnerable Member States. Besides, investment decisions should benefit from the impact on growth prospects of structural reforms undertaken during the crisis years.

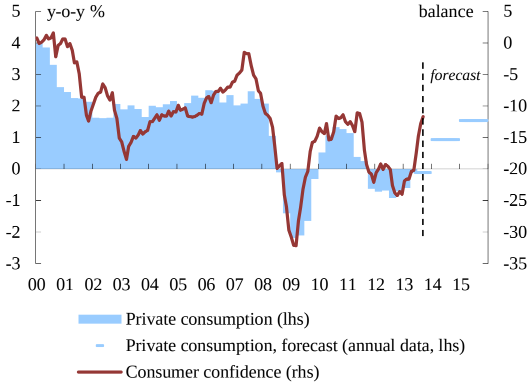
### Consumption set to stabilise before growing moderately

Private consumption increased by 0.2% and 0.1% respectively in the EU and the euro area in the second quarter of 2013, showing positive growth for the first time since autumn 2011. While sectoral data was not available at the cut-off date, [13] this development might mirror a slowdown in the pace of decline in households' real disposable income probably on the back of higher wages, low inflation and a more moderate fiscal drag. The improvement of consumer confidence in the second quarter might also have had a positive impact on the saving rate.

In the second half of 2013, private consumption is expected to grow slightly, in line with weak real disposable income growth and high precautionary savings. Short-term indicators point indeed towards some growth in private consumption. Retail sales in the EU in July and August stood ½% above the level recorded in the second quarter of 2013. As for soft data, the Commission's retail trade and consumer confidence indicators improved substantially during the third quarter, standing now above their long-term averages (see Graph I.14); this bodes well for the end of the year. Overall despite some improvements in the second half of the year, annual private consumption is forecast to fall by 0.1% in the EU and by 0.7% in the euro area in 2013.

[13] The cut-off date of the 2013 autumn forecast was on 22nd of October.

*Graph I.14:* **Private consumption and consumer confidence, EU**




Private consumption is expected to gain some limited momentum in 2014 as households' real disposable income growth turns positive. On the back of a stabilisation in labour market conditions, nominal wage growth is expected to pick up, which together with low consumer-price inflation will support real disposable income. Moreover, the slower pace of fiscal consolidation and higher consumer confidence are also expected to support household spending. However, the need for deleveraging should continue weighing on private consumption. Overall in 2014, private consumption is expected to grow moderately by 0.9% in the EU and 0.6% in the euro area. Looking further ahead, private consumption is expected to rebound by 1.5% in the EU and by 1.3% in the euro area in 2015 as labour market conditions start improving more visibly and the recovery gains strength.

### Public consumption recovering as the pace of fiscal tightening slows down

Government consumption increased in the second quarter of 2013, after stalling in the previous quarter. As significant consolidation needs subsist in some Member States, aggregate public consumption is, however, set to fall in the short term in both the EU and the euro area. For 2013 as a whole, government consumption is projected to remain broadly constant in both the EU and the euro area. Further ahead, with weaker consolidation needs, public consumption is expected to increase modestly in 2014 and 2015 at a rate well below GDP growth. Declines in 2014 and 2015 are still expected in Ireland, Greece, Spain, Cyprus, Portugal and Slovenia. The forecast for 2015 is based on the no-policy-change assumption, according to which consolidation measures are only factored in if they have been

*Table I.4:*

**Labour market outlook - euro area and EU**

| (Annual percentage change) | Euro area | | | | *Spring 2013 forecast* | | EU | | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Population of working age (15-64) | 0.1 | 0.1 | 0.1 | 0.1 | *0.1* | *0.0* | 0.1 | 0.1 | 0.1 | 0.1 | *0.1* | *0.1* |
| Labour force | 0.7 | 0.0 | 0.2 | 0.2 | *0.2* | *0.2* | 0.7 | 0.2 | 0.2 | 0.3 | *0.2* | *0.3* |
| Employment | -0.8 | -0.9 | 0.2 | 0.7 | *-0.7* | *0.3* | -0.3 | -0.4 | 0.3 | 0.7 | *-0.4* | *0.4* |
| Employment (change in million) | -0.6 | -0.9 | 0.2 | 0.7 | *-0.7* | *0.3* | -0.2 | -0.4 | 0.3 | 0.7 | *-0.4* | *0.4* |
| Unemployment (levels in millions) | 18.2 | 19.5 | 19.6 | 19.0 | *19.4* | *19.4* | 25.5 | 27.0 | 26.9 | 26.1 | *26.8* | *26.8* |
| Unemployment rate (% of labour force) | 11.4 | 12.2 | 12.2 | 11.8 | *12.2* | *12.1* | 10.5 | 11.1 | 11.0 | 10.7 | *11.1* | *11.1* |
| Labour productivity, whole economy | 0.2 | 0.4 | 0.8 | 1.0 | *0.3* | *0.9* | -0.1 | 0.4 | 1.0 | 1.2 | *0.3* | *1.0* |
| Employment rate (a) | 58.4 | 57.8 | 57.9 | 58.2 | *58.0* | *58.1* | 58.2 | 57.9 | 58.0 | 58.3 | *57.7* | *57.8* |

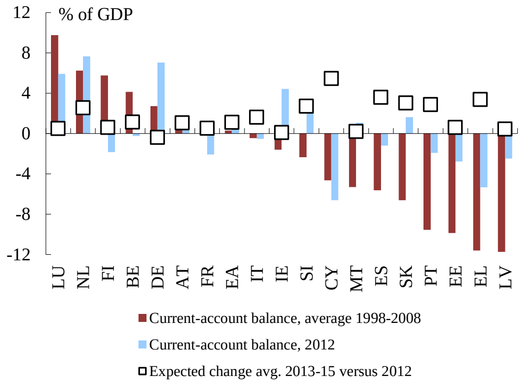
(a) As a percentage of population of working age. Definition according to structural indicators.
See also note 6 in the Statistical Annex

adopted by national parliaments or are known in sufficient details.

## Current-account surplus continues strengthening in the euro area in 2013…

After years of having a roughly balanced external position, the current-account balance of both the EU and the euro area has now shifted into a moderate surplus (in adjusted terms) and is forecast to be close to 1½% and 2½% of GDP , respectively in 2013. Moreover, it is expected to stay broadly at this level in 2014 and 2015 in the EU while expanding to above 2½% in the euro area.

*Graph I.15:* **Current-account balances, euro area and Member States**




Most of the strengthening in the euro-area current account is the result of significant adjustment in the vulnerable countries, which previously recorded high deficits (see Graph I.15). External rebalancing in vulnerable euro-area Member States is supported by gains in price competiveness due to lower unit labour costs as well as by the contraction of domestic demand. Going forward, the expected recovery in domestic demand is set to slow down the growth of net exports. However, sustained improvements in the current-account balances of vulnerable countries might be needed to reduce the still high degree of external indebtedness to more sustainable levels.

## … as structural adjustment in vulnerable countries is making progress

The process of external and internal adjustment in vulnerable Member States continues progressing, as unsustainable domestic demand, notably from residential investment, has been reduced and exports have picked up. Owing to wage moderation and rising labour productivity, unit labour costs in programme countries and other vulnerable Member States are set to go on decreasing over the forecast horizon, reversing the pre-crisis trend of eroding price competitiveness. This recent improvement allowed for a solid export performance in vulnerable economies as firms successfully turned to export markets. As a consequence, the current-account balance of all vulnerable countries but Cyprus and Greece is expected to turn positive in 2013 and increase over the forecast horizon, against the background of solid export performance.

Costs and prices are adjusting, with deeper reductions in wages in non-tradables, and more dynamic prices in tradables, which is favourable from the rebalancing point of view. [14] However, the progress in reallocating resources towards the production of tradables has been limited so far in most vulnerable countries. As the reallocation of labour to more productive activities has proven difficult, unemployment has often risen sharply.

(14) See 'Labour costs pass-through, profits and rebalancing in vulnerable Member States,' *Quarterly Report on the Euro Area*, 2012 (3), pages 19-25.

### After a long period of deterioration of labour market conditions …

Labour market conditions have deteriorated well into 2013, on the back of the weakness in economic activity and labour-market adjustments in several Member States. The number of employed persons fell in both the EU and the euro area during the past two years. In the second quarter of 2013, employment was 0.7% and 1.4% lower than two years before, when for the last time positive quarter-on-quarter growth rates had been registered. Unemployment rates reached unprecedented levels for both the EU and for the euro area, respectively to 11.0% and 12.1%. A special feature of this development has been the sharp rise in unemployment among young people to 23.5% (as a percentage of the labour force 15-24) in the EU and 23.9% in the euro area in the second quarter of 2013. At the same time, the divergence in the labour market performance across Member States has reached an unprecedented magnitude.

### … signs of stabilisation emerge …

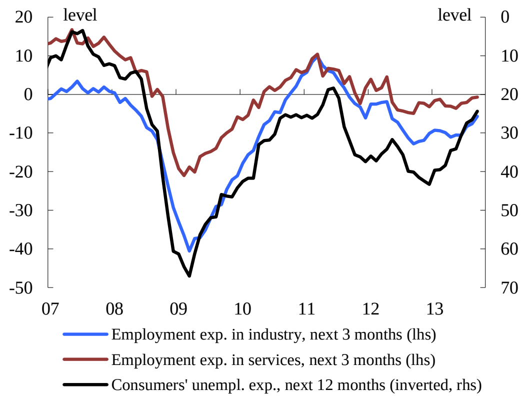
The latest labour market data point to some stabilisation. In the EU and the euro area, unemployment rates have come to a standstill respectively since May and July at 10.9% and 12%, levels confirmed up to August. In the second quarter, employment stagnated in the EU and only marginally declined in the euro area (-0.1% q-o-q).

Many forward-looking labour market indicators have also stopped deteriorating in recent months. According to Commission's surveys, employment expectations in the EU and euro-area industry have steadily increased for five months up to September and exceed the long-term average, whereas expectations in the services sector have started improving in the summer, but remain low (see Graph I.16). Consumers' unemployment fears have also steadily declined from the peaks observed in late 2012. The euro-area PMI employment index also shows some improvement recently, timidly pointing to the 50 threshold in all sectors but construction.

### … but only limited improvements are in sight for 2014 and 2015 …

Labour market developments typically lag behind economic activity, and employment therefore cannot be expected to start growing markedly in the very near term. But the outlook for a continued economic expansion over the forecast horizon constitutes the foundations for a more positive labour market development further out.

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




Employment is expected to only slightly decline in the euro area and remaining almost stable in the EU in the second half of 2013, after falling continuously for the last two years. The subdued recovery of economic activity is expected to come along with only a minor positive impact on employment in 2014 (¼%) but more visible ones in 2015 (¾%). The sluggishness of growth in private sector employment is driven by two factors: (i) the impact of working-hours adjustment that employers usually use before taking recruitment decisions, in particular as hours per employee are well below their pre-crisis level; and (ii) a still high level of uncertainty. Besides, the current specific problems of small and medium-sized businesses to get funding for their activities, could also negatively impact their hiring decisions, while in past recoveries, those firms took a leading role in employment creation.

The labour force in the EU and the euro area is forecast to grow more moderately this year and next, than in 2012. The underlying structural increase of the labour force is shaped by demographic factors and a continuous rising participation of the elderly. In the short-run , the "added worker effect" (resulting from the need of an additional income for households hit by the crisis) which characterised the response of participation in recent years is expected to be partly offset by stronger discouragement effects and falling participation of the young, in particular in the countries with high long-term unemployment rates.

Labour productivity (output per person employed) is usually growing strongly during a recovery [15] but this time the pace and patterns of the expected recovery are insufficient to generate a strong cyclical productivity pick-up over the forecast horizon. Besides the weakness of the on-going recovery, this could suggest that on average the scope for creating new jobs remains limited or that recruitment is skewed to activities with low productivity.

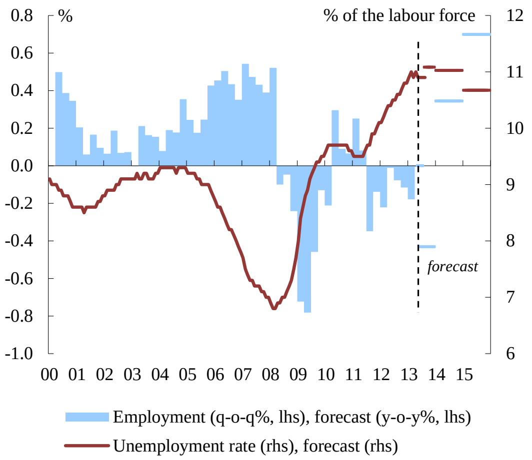
### ... as the unemployment rate will remain persistently high

The unemployment rate in the EU (euro area) is expected to rise further during the course of 2013 and to reach 11.0% (12.2%) on average over 2013. The unemployment rate is then expected to remain unchanged in 2014, before declining only modestly to 10.7% (11.8%) in 2015, thus remaining at very high levels (see Graph I.17). As a result, the unemployment rate during the forthcoming recovery years will be much higher than in the years 2004-08 (by 2½ pp. in the EU and 3½ pp. in the euro area). Structural unemployment is likely to have risen in the past years, reflecting low productivity gains, the impact of long-term unemployment on skills, growing labour-market mismatches due to sectoral adjustment processes - more specifically for low-skilled workers displaced from declining sectors and industries - and, more generally, a decline in production capacity. This is mirrored by the rise in the NAWRU, which according to the Commission estimates has increased substantially since 2008. However, variations in the NAWRU might also partly reflect cyclical factors. [16]

### Inflation declines faster than expected...

Consumer-price inflation continued to decline in the course of 2013, reaching 1.5% in the EU and 1.3% in the euro area in the third quarter, thanks to easing energy inflation and despite a temporarily higher-than-usual unprocessed food inflation. The drop in energy-price inflation reflected in turn the decline in oil prices and the appreciation of the euro over the past year, as well as downward base effects owing to the fading away of the impact of past increases in oil prices.

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




Forecast figures are annual data.

### ...as weak domestic demand finally inhibits core inflation as well

Core inflation, i.e. HICP inflation excluding energy and unprocessed food, has eased since last spring, after remaining stable at an elevated level during the crisis. Labour market rigidities, but also the pass-through of increases in indirect taxes and administrative prices in several Member States [17] as well as well-anchored inflation expectations have been identified as drivers of the persistence in core inflation. [18] Only since the spring 2013, the adjustment gained some speed and in the third quarter of 2013, core inflation seems more in line with economic activity, at 1.4% in the EU and 1.3% in the euro area. The broad stabilisation of core inflation at around 1½% in 2014-15 (Graph I.18) is consistent with the amount of slack in the economy and the expected pace of recovery.

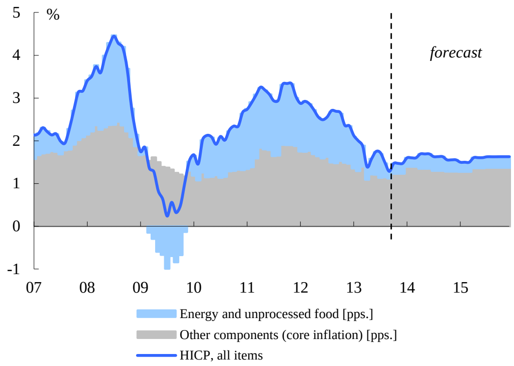
(15) Recent research even stresses that pro-cyclicality of movements in output and productivity has increased since the 2007, see e.g. M. C. Daly et al., Okun's macroscope: Changes in the cyclical behaviour of productivity and the comovement between output and unemployment, Federal Reserve Bank of San Francisco, 2013.

(16) See Labour market developments in Europe, 2013, *European Economy*, October 2013.

(17) The theoretical impact of tax increases on headline inflation was 0.4 pp. in 2012. In the first half of 2013, the impact was of a similar magnitude due to substantial tax hikes introduced late-2012 in Spain and the Netherlands.

(18) Acedo Montoya L., Döhring B., The improbable renaissance of the Philips Curve , *European Economy*, Economic papers 446, October 2011.

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




### Limited external price pressures, …

External price pressures eased substantially in the first half of 2013 thanks to the appreciation of the euro and the deceleration in commodity prices, Import prices measured by the deflator of imports of goods are projected to ease sharply in 2013 given the expected modest recovery and the exchange rate and commodity prices assumptions. In 2014-15, with the expected improvement in global economic activity, import-price inflation is set to accelerate somewhat, though remaining subdued compared to historical developments.

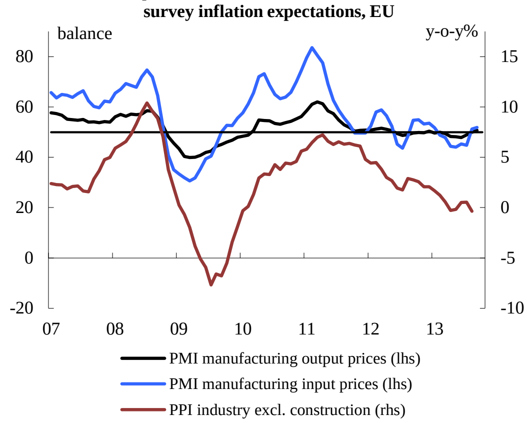
### … subdued wage growth …

Reflecting the overall weakness in economic activity, wage pressures continued to be subdued in the first half of 2013. In the euro area, the growth in compensation per employee slowed down slightly from 2.0% in 2012 to 1.5%, in the second quarter of 2013. On the back of a slight pick-up in productivity in the second quarter, unit-labour-cost growth decelerated to 1.0%, from 1.9% in 2012. Looking ahead, since the growth in compensation per employee is set to somewhat outpace the growth in labour productivity, unit labour costs are set to grow at a steady pace of around 1% per year in the euro area and in the EU over the forecast horizon, thus putting only a limited upward pressure on inflation.

### … and very low producer-price inflation …

The weakness in economic activity and the decline in energy-price inflation have kept the pipeline pressures in check in the first half of 2013. In August, annual industrial producer price inflation (excluding construction) even turned negative, falling to -¼% in the EU and -¾% in the euro area the lowest rates since early 2010. Similarly, the forward-looking survey indicators of price developments (both PMI and ESI components) point to tamed expectations both in terms of input and output prices in the short term (see Graph I.19).

*Graph I.19:* **Producer Price Inflation and survey inflation expectations, EU**




### … suggest subdued inflation going forward

Following the more benign developments since the spring forecast, the average annual HICP inflation in 2013 has been revised down to 1.7% in the EU and 1.5% in the euro area. Given that the pass-through from past increases in oil prices and hikes in taxation in many Member States is fading away and given the assumptions for commodity prices and exchange rates, inflation is set to remain rather stable until the end of the year.

Looking ahead into 2014-15, the projected subdued recovery is not likely to induce substantial inflationary pressures, given the amount of slack in the economy and well-anchored inflation expectations. Nevertheless, considering the outlook for a differentiated pace of recovery, cyclical position and the impact of implemented or planned fiscal consolidation measures across Member States, inflation dispersion in the EU is set to slightly increase within the forecast horizon. Under the no-policy-change assumption, HICP inflation in 2014-15 is set to stabilise at 1.6% in the EU and at around 1.5% in the euro area.

### General government balances continue to improve amid a subdued economic outlook

Fiscal consolidation is projected to continue over the forecast horizon in both the EU and the euro area. After impressive fiscal consolidation achieved over the past three years, its pace is expected to decelerate. This pattern of consolidation is consistent with a gradual

*Table I.5:*

**General Government budgetary position - euro area and EU**

| (% of GDP) | Euro area | | | | Spring 2013 forecast | | EU | | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Total receipts (1) | 46.2 | 46.7 | 46.7 | 46.4 | 46.8 | 46.5 | 45.4 | 45.6 | 45.8 | 45.2 | 45.8 | 45.5 |
| Total expenditure (2) | 49.9 | 49.8 | 49.3 | 48.8 | 49.7 | 49.3 | 49.3 | 49.1 | 48.5 | 47.9 | 49.2 | 48.7 |
| Actual balance (3) = (1)-(2) | -3.7 | -3.1 | -2.5 | -2.4 | -2.9 | -2.8 | -3.9 | -3.5 | -2.7 | -2.6 | -3.4 | -3.2 |
| Interest expenditure (4) | 3.1 | 3.0 | 3.0 | 3.1 | 3.1 | 3.1 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| Primary balance (5) = (3)+(4) | -0.6 | -0.1 | 0.5 | 0.7 | 0.2 | 0.3 | -1.0 | -0.7 | 0.2 | 0.2 | -0.5 | -0.3 |
| Cyclically-adjusted budget balance | -2.6 | -1.6 | -1.3 | -1.6 | -1.4 | -1.6 | -2.8 | -2.1 | -1.5 | -2.0 | -1.9 | -2.1 |
| Cyclically-adjusted primary balance | 0.5 | 1.4 | 1.8 | 1.5 | 1.7 | 1.5 | 0.1 | 0.8 | 1.3 | 0.9 | 1.0 | 0.8 |
| Structural budget balance | -2.1 | -1.5 | -1.3 | -1.5 | -1.4 | -1.5 | -2.7 | -2.1 | -1.8 | -1.9 | -2.0 | -2.1 |
| Change in structural budget balance | 1.5 | 0.6 | 0.2 | -0.3 | 0.8 | -0.2 | 1.2 | 0.6 | 0.3 | -0.1 | 0.8 | -0.1 |
| Gross debt | 92.6 | 95.5 | 95.9 | 95.4 | 95.5 | 96.0 | 86.6 | 89.8 | 90.2 | 90.1 | 89.8 | 90.6 |

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

correction of excessive deficits [19] and is the result of front-loaded fiscal adjustment, notably in the euro area.

Improvements in nominal government balances stem mainly from continuous underlying fiscal effort, as the economic activity is expected to remain weak this year. As a result of the significant fiscal consolidation measures already implemented by several Member States or the measures planned for the rest of this year, the nominal deficit-to-GDP ratio in 2013 is forecast to improve by 0.6 pp. in the EU and by 0.4 pp. in the euro area, reaching 3.5% and 3.1% of GDP respectively.

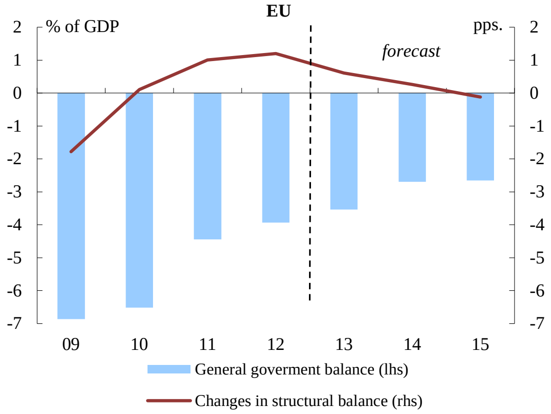
Assuming a gradual economic recovery in the course of 2014 and given the sizeable deficit-reducing measures included by Member States in their draft budgets for 2014, headline deficits are set to shrink further next year. More specifically, the fiscal deficit is expected to fall below the 3% threshold in both areas, notably to 2.7% of GDP in the EU and to 2.5% of GDP in the euro area.

In line with the projected moderate pick-up in economic activity and based on the usual no-policy-change assumption, the deficit-to-GDP ratio is set to decrease slightly further in 2015, in the EU as well as in the euro area. The projected improvement in nominal budget balances is likely to be broad-based across Member States over the forecast period.

## Structural balance expected to improve significantly in 2013

The structural budget deficit, i.e. the general government deficit corrected for cyclical factors, one-offs and other temporary measures, is forecast to decline significantly in 2013 by more than ½% of GDP in both areas, on the back of consolidation programmes implemented in several Member States. According to the currently available 2014 draft budgets, this improvement is set to continue in 2014 in both areas, but at a slower pace (see Graph I.20). This is partially explained by the fact that some major Member States have already achieved their respective Medium Term Objectives (MTOs) for their budgetary balances. In 2015, under the usual no-policy-change assumption, the structural deficits are expected to deteriorate slightly in both areas.

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

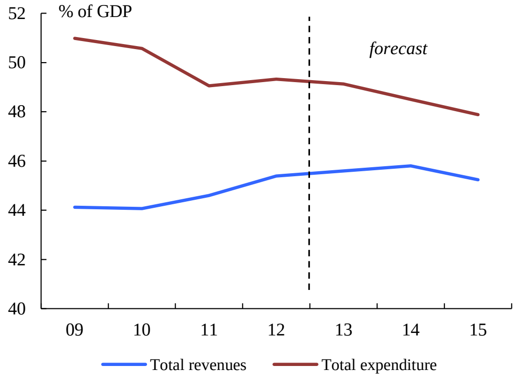



(19) With regard to EU budgetary surveillance all Member States except Bulgaria, Estonia, Finland, Germany, Hungary, Italy, Latvia, Lithuania, Luxemburg, Romania, and Sweden are currently subject to the Excessive Deficit Procedure (EDP).

### Fiscal consolidation moving from revenue increases to expenditure-based

In both the EU and the euro area, the fiscal adjustment in 2013 is likely to be mainly driven by increases in general government revenues as it was the case in the last two years. Tax receipts on income and wealth are notably projected to be the main driver of the increase in public revenues. As a result, the revenue-to-GDP ratio is set to reach a peak in 2013 in the euro area, and in 2014 in the EU of respectively 46.7% and 45.8%. Further ahead given that temporary tax-increasing measures phase out and a number of Member States intend to introduce limited tax cuts, the revenue-to-GDP ratio is forecast to decline. More precisely, the revenue-to-GDP ratio is set to decline in the EU and in the euro area in 2015 (see Graph I.21).

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




As for government spending, the expenditure-to-GDP ratio is forecast to begin diminishing, albeit slightly, already in 2013 in both areas and to decrease further over the forecast horizon, when the firmer pick-up in economic activity is likely to reduce cyclical expenditure items. Besides in 2014, expenditure cuts are expected to be the main driver of the consolidation, reinforcing this trend. Expenditure cuts will notably take the form of discretionary fiscal measures involving mainly wages and salaries, as well as intermediate consumption and, to a lesser extent, public investment.

### Due to the modest recovery, debt ratios are expected to increase until 2014

Despite the large deficit-reducing measures undertaken by a large majority of Member States, the debt-to-GDP ratio is forecast to increase in 2013 and 2014, albeit at a slower pace compared to previous years, reaching a peak of 90.2% in the EU and of 95.9% in the euro area in 2014 (see table I.6). Compared to the spring 2013 forecast, public debt has been revised slightly downwards, notably in 2014 for both areas [20]. The increase of the debt-to-GDP ratio in 2013 for the euro area is mainly due to the strong contribution of the interest expenditure, and the stock-flow adjustment. In 2014 only, interest expenditure and the stock-flow adjustment are expected to contribute much less to the public debt increase given a higher primary surplus and more robust growth prospects. In 2015, the public debt-to-GDP ratio is forecast to slightly decrease in both areas for the first time since 2007.

(20) The downward of revision of the EU debt-to GDP ratio in 2014 can be almost entirely explained by the impact of the pension reform in Poland, which is estimated to have a permanent impact on the EU debt ratio of around 0.3 pp. Theoretically, the impact on EU28 government net lending in 2014 of the Polish pension reform is the same of that related to public debt, i.e. around 0.3 pp. of GDP.

*Table I.6:*
**Euro-area debt dynamics**

| | average 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|---|---|
| **Gross debt ratio[1] (% of GDP)** | **69.0** | **79.9** | **85.6** | **87.9** | **92.6** | **95.5** | **95.9** | **95.4** |
| Change in the ratio | 0.2 | 9.8 | 5.7 | 2.4 | 4.6 | 3.0 | 0.4 | -0.6 |
| Contributions to the change in the ratio: | | | | | | | | |
| **1. Primary balance** | **-1.1** | **3.5** | **3.4** | **1.1** | **0.6** | **0.1** | **-0.5** | **-0.7** |
| **2. "Snow-ball" effect[2]** | **0.2** | **5.4** | **0.7** | **0.7** | **2.5** | **2.0** | **0.7** | **0.1** |
| Of which: | | | | | | | | |
| Interest expenditure | 3.0 | 2.9 | 2.8 | 3.0 | 3.1 | 3.0 | 3.0 | 3.1 |
| Growth effect | -1.4 | 3.2 | -1.5 | -1.3 | 0.6 | 0.4 | -1.0 | -1.6 |
| Inflation effect | -1.3 | -0.7 | -0.6 | -1.0 | -1.2 | -1.4 | -1.3 | -1.4 |
| **3. Stock-flow adjustment** | **1.0** | **0.9** | **1.6** | **0.5** | **1.5** | **0.9** | **0.2** | **0.1** |

[1] *End of period.*

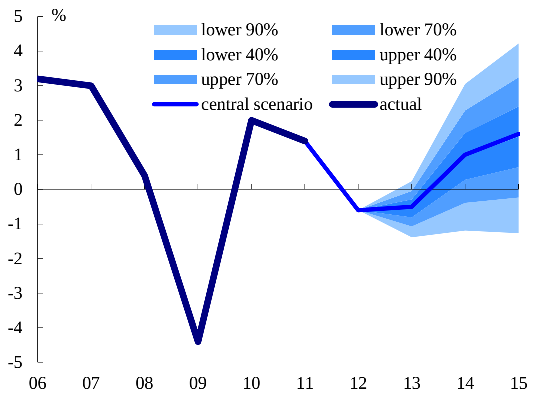
[2] *The "snow-ball effect" captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets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

## 5. RISKS

Irrespective of the mostly positive news coming from the latest economic data, uncertainty over economic, political and financial developments remains high, and downside risks to economic activity continue to prevail (see Graph I.22). While tail risks related to the sovereign-debt crisis have all but vanished, the main domestic risk remains financial stress and the re-activation of negative feedback loops stemming from policy slippage. Risks in the external environment have risen in importance.

The materialisation of the central scenario depends on further improvement in business and consumer confidence as well as a further decrease of financial fragmentation. The entering into force of the Single Supervisory Mechanism constitutes a major step forward towards the Banking Union. Yet, some challenges weighing on financial markets and on the banking sector have not been resolved yet. The forecast assumption of reduced uncertainty and improved funding conditions is based on progress with the banking union including proper backstops. Renewed financial market stress and loss of confidence cannot be excluded if reform fatigue gets the upper hand at Member State or European level.

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




Over the summer, EU financial markets have been under-proportionally affected by the volatility related to the perspective of tapering of quantitative easing by the US Fed, as market attention shifted from vulnerable euro-area Member States to emerging markets. However, uncertainty in global financial markets has increased. On the one hand, increased risk aversion by international investors could again drive up spreads between Bunds and bonds issued by vulnerable sovereigns with the risk of reactivating negative feedback loops. On the other hand, search for yield could benefit the vulnerable countries.

Slower than anticipated global growth, originating from weaknesses in emerging market economies cannot be excluded. Potential growth in EMEs might be lower than previously expected as past growth rates might have been inflated by stimulus programmes and rapid credit growth. Aside from current geopolitical risks, a renewed bout of financial turbulence and capital flow volatility would pose problems for many emerging markets. This could be aggravated by a further rise in global bond yields due to market overreaction to moves by the Federal Reserve or by a repeated political stand-off on the US federal budget. More specifically on the US, the debt ceiling will need to be raised again early 2014; failure to do so swiftly could seriously damage the global economy, also via increased uncertainty and financial headwinds. More broadly, inability to deliver reforms necessary to raise the underlying growth rate has emerged as a major risk in some EMEs (e.g. India, Brazil and Russia). While a sharp downturn in China appears unlikely in the short term, it remains a concern over the forecast horizon.

The strength of recoveries often surprises. Upside risks are related to positive feedback loops between confidence, growth (in particular of investment) and the ability of the banking sector to extend loans. Benign developments on financial markets might support confidence more strongly than envisaged in the baseline. More structural reforms than reflected in this forecast under the no-policy-change assumption may be adopted, and the reforms already implemented in vulnerable Member States could result in early positive effects and an accelerated adjustment process with positive impact on growth.

Risks to the inflation outlook appear broadly balanced over the forecast horizon. On the upside, unanticipated further increases in indirect taxes and administrative prices, as well as oil and commodities prices hikes due to geopolitical tensions could put additional pressure on prices. On the downside, weaker-than-expected economic activity in the EU and the global economy, possibly coupled with declining nominal rigidities induced by product and labour markets reforms might reduce price pressures even further. Besides, the recent decrease in core inflation in the presence of large output gaps could lead to a downward adjustment of short-term inflation expectations.

### *Box I.4:* **Some technical elements behind the forecast**

The cut-off date for taking new information into account in this European Economic Forecast was 22 October. The forecast incorporates validated public finance data as published in Eurostat's News Release 152/2013 of 21 October 2013.

#### External assumptions

This forecast is based on a set of external assumptions, reflecting market expectations at the time of the forecast. To shield the assumptions from possible volatility during any given trading day, averages from a 10-day reference period (between 7 and 18 October) 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 1.33 in 2013 and 1.36 both in 2014 and 2015. The average JPY/EUR rates are 128.75 in 2013 and 132.75 in 2014 and 2015.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro-area interest rate is taken for both short- and long-term rates. As a result, short-term interest rates are assumed to be 0.2% on average in 2013, 0.4% in 2014 and 0.7% in 2015 in the euro area. Long-term euro-area interest rates are assumed to be 1.6% on average in 2013, 2.1% in 2014 and 2.4% in 2015.

#### Commodity prices

Commodity price assumptions are also, as far as possible, based on market conditions. According to futures markets, prices for Brent oil are projected to be on average 108.8 USD/bbl in 2013, 105.8 USD/bbl in 2014 and 99.7 USD/bbl in 2015. This would correspond to an oil price of 82.0 EUR/bbl in 2013, 78.0 EUR/bbl and 73.4 EUR/bbl in 2015.

#### Budgetary data

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

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

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

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

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

*(Continued on the next page)*

*Box (continued)*

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

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

### Calendar effects on GDP growth and output gaps

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

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

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

# PART II

## Prospects by individual economy

# Member States

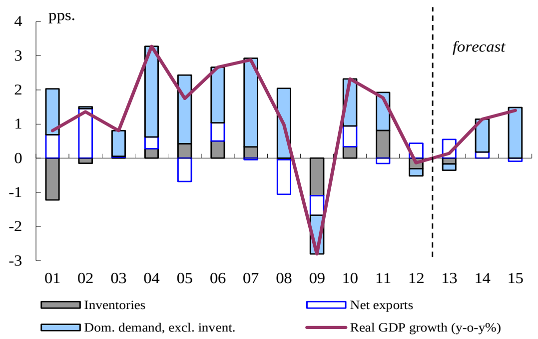
# 1. BELGIUM

## Shaking off stagnation

### Prudent recovery is underway

Following a flat activity rate in the first three months of 2013, real GDP expanded by 0.2% in the second quarter. This was the strongest growth rate in two years and broke a pattern of stagnating economic activity. The upturn was driven both by net exports and household consumption. Overall growth in 2013 is projected to reach 0.1% of GDP on the assumption of a continued gradual recovery during the second half of the year. While activity is expected to pick up over the forecast horizon on the back of stronger domestic demand, at 1.1% in 2014 and 1.4% in 2015, no acceleration towards past growth rates is projected. Nurturing this medium-term growth potential would require a stronger impetus to supply-side reforms. Credit conditions are not expected to tighten as compared to the current situation. Other short-term risks to the forecast scenario are primarily external in nature and balanced.

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




Confidence indices of industry, services and consumers as well as overall economic sentiment have been improving since spring, reaching their highest level in almost two years and moving close to their long-term averages. This soft indicator trend is forecast to foreshadow actual performance in upcoming quarters, also supported by the recent pick-up in activity in trading partner countries.

Weak labour market dynamics and continuing wage moderation dampen real disposable income growth, hampering the short-term outlook for private consumption. Household spending is expected to accelerate steadily in the course of 2014, in parallel with a bottoming-out on the labour market. More solid income growth is forecast to underpin consumer spending in 2015.

Reflecting partly an important carry-over from 2012, capital formation is forecast to fall by 2.6% in 2013 with both construction and equipment investment subsiding for a second year in a row. Construction is at odds with the general trend of more robust soft indicators with confidence at its weakest level in over 15 years. Activity in the sector is expected to contract again in 2013 and feature only modest growth in 2014. This reflects a correction in public investment due to the electoral cycle at local level as well as a contraction in housing investment for the third consecutive year.

Given its regional trade orientation, the Belgian economy is assumed to be only indirectly affected by the recent slowdown of global trade. Mild export growth combined with negative import growth results in net trade contributing 0.5 pp. to overall growth in 2013. Imports are set to catch up with domestic demand and exports in coming years, causing the goods deficit to widen again.

### Labour dynamics to remain frail in short-term

As companies have been moving from labour hoarding to labour shedding, job losses have been larger than in 2009-10 with recent layoffs more concentrated in smaller companies. Also the public sector (which in 2009-10 partly offset private sector job losses) has been shrinking its payroll and is expected to continue to do so in upcoming years. The unemployment rate is projected to average 8.6% in 2013 and rise further to 8.7% in 2014 as job creation is outpaced by the growth in the labour force. The turnaround in the labour market towards 2015 is thus anticipated to be still modest, raising the spectre of a jobless recovery.

Meanwhile, inflation has further abated to a level close to that in neighbouring countries. With low price pressures delaying wage indexation for most workers and real wages frozen, nominal wage growth is set to be confined. This is translated into unit labour costs advancing more slowly than in the past, also because of a pick-up in productivity.

### Turning point for public finances

The general government deficit is projected to reach 2.8% of GDP in 2013, 0.1 pp. lower than expected in the spring forecast. The improvement results from 0.2% of GDP of new consolidation measures announced at the end of June, which are however, partly offset by a downward revision in the local government accounts.

Total government revenue is expected to rise from 51.0% of GDP in 2012 to 51.2% in 2013. Indirect tax revenues are expected to increase only modestly, on the back of low inflation, sluggish consumption growth and a loss of one-off revenues from the nuclear energy sector which boosted the 2012 revenues. Direct tax revenues are more dynamic, due to modifications in the corporate tax regime and an increase in financial income taxation.

Total expenditure is expected to drop marginally, from 54.2% of GDP in 2012 (excluding the 0.8% of GDP impact from the recapitalisation of *Dexia*) to 54.1% of GDP in 2013, due to a fall in interest expenditure and lower public investment linked to the electoral cycle at local level. The structural balance is expected to improve by around ¾% of GDP in 2013, while one-off factors (such as a fiscal amnesty and the sale of telecom licences) amount to around 0.4% of GDP.

In 2014, the deficit is expected to decline further to 2.6% of GDP. The improving economic environment is projected to boost tax revenues, while new consolidation measures of around 0.5% of GDP more than offset one-off factors that impacted 2013. In addition, low inflation in 2013 and 2014 will contribute to curbing the rise in government expenditure. The structural balance is expected to improve by ½% of GDP in 2014.

Under the no-policy-change assumption, the deficit is expected to broadly stabilise in 2015, despite the projected strengthening of economic growth. The structural balance is forecast to deteriorate slightly due to the increasing trend in social expenditure.

General government debt is projected to increase from 99.8% of GDP in 2012 to 100.4% in 2013. The positive impact of the reimbursement of a loan by KBC (0.5% of GDP) and the sale of Royal Park Investments (0.2% of GDP) is almost entirely offset by other stock-flow adjustments, such as the contribution to the EFSF/ESM. The debt-to-GDP ratio is forecast to rise further in 2014, mostly due to stock-flow adjustments, and to start declining in 2015.

*Table II.1.1:*

**Main features of country forecast -BELGIUM**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 375.9 | 100.0 | 2.0 | 2.3 | 1.8 | -0.1 | 0.1 | 1.1 | 1.4 |
| Private Consumption | | 198.9 | 52.9 | 1.7 | 2.8 | 0.2 | -0.3 | 0.5 | 1.2 | 1.5 |
| Public Consumption | | 93.8 | 25.0 | 1.8 | 0.6 | 0.7 | 1.4 | 0.4 | 0.5 | 0.7 |
| Gross fixed capital formation | | 76.3 | 20.3 | 2.2 | -1.1 | 4.1 | -2.0 | -2.6 | 1.0 | 2.7 |
| of which: equipment | | 28.2 | 7.5 | 2.9 | -10.9 | 4.8 | -3.2 | -2.1 | 1.6 | 2.9 |
| Exports (goods and services) | | 323.7 | 86.1 | 3.9 | 8.1 | 6.4 | 1.8 | 0.2 | 4.2 | 4.8 |
| Imports (goods and services) | | 319.6 | 85.0 | 3.8 | 7.5 | 6.8 | 1.3 | -0.4 | 4.1 | 5.0 |
| GNI (GDP deflator) | | 376.9 | 100.3 | 1.9 | 4.8 | 1.0 | -0.8 | 0.2 | 1.1 | 1.4 |
| Contribution to GDP growth: | Domestic demand | | | 1.7 | 1.4 | 1.1 | -0.3 | -0.2 | 1.0 | 1.5 |
| | Inventories | | | 0.0 | 0.3 | 0.8 | -0.3 | -0.2 | 0.0 | 0.0 |
| | Net exports | | | 0.2 | 0.6 | -0.2 | 0.4 | 0.5 | 0.2 | -0.1 |
| Employment | | | | 1.0 | 0.7 | 1.4 | 0.2 | -0.5 | 0.4 | 0.8 |
| Unemployment rate (a) | | | | 8.3 | 8.3 | 7.2 | 7.6 | 8.6 | 8.7 | 8.4 |
| Compensation of employees / head | | | | 2.6 | 1.4 | 3.1 | 3.7 | 2.2 | 1.1 | 1.5 |
| Unit labour costs whole economy | | | | 1.6 | -0.3 | 2.7 | 4.1 | 1.6 | 0.4 | 0.9 |
| Real unit labour cost | | | | -0.1 | -2.3 | 0.7 | 2.1 | -0.4 | -0.9 | -0.6 |
| Saving rate of households (b) | | | | 17.3 | 15.2 | 14.1 | 15.2 | 15.0 | 14.6 | 14.6 |
| GDP deflator | | | | 1.7 | 2.1 | 2.0 | 1.9 | 2.1 | 1.2 | 1.6 |
| Harmonised index of consumer prices | | | | 1.9 | 2.3 | 3.4 | 2.6 | 1.3 | 1.3 | 1.5 |
| Terms of trade goods | | | | -0.5 | -2.1 | -2.1 | 0.2 | 0.9 | -0.1 | 0.0 |
| Trade balance (c) | | | | 2.6 | -0.8 | -1.6 | -1.5 | -0.4 | -0.6 | -0.9 |
| Current-account balance (c) | | | | 4.1 | 2.6 | 0.5 | -0.2 | 0.9 | 0.9 | 0.8 |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 3.9 | 2.5 | 0.3 | -0.3 | 1.1 | 1.0 | 0.9 |
| General government balance (c) | | | | -1.6 | -3.7 | -3.7 | -4.0 | -2.8 | -2.6 | -2.5 |
| Cyclically-adjusted budget balance (c) | | | | -1.8 | -3.3 | -3.6 | -3.4 | -1.9 | -1.8 | -2.0 |
| Structural budget balance (c) | | | | -1.7 | -3.3 | -3.3 | -3.0 | -2.2 | -1.8 | -2.0 |
| General government gross debt (c) | | | | 106.3 | 95.7 | 98.0 | 99.8 | 100.4 | 101.3 | 101.0 |

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

# 2. BULGARIA

## Muted economic recovery ahead

### Exports upholding modest growth in 2013

Real GDP growth remained weak over the first half of 2013, registering an increase of ¼% y-o-y (non-seasonally adjusted data). Growth was driven by net exports and a surge in public expenditure, whereas household consumption contracted. Relative to the pre-crisis peak levels in 2008, export volumes are by now one-fifth higher, while domestic demand and particularly investments are still markedly lower. The rebalancing of the economy towards the export sector is expected to lessen in the second half of 2013, with private consumption projected to strengthen in the coming quarters, as also indicated by the robust increase of retail trade recorded in July-August. The purchasing power of consumers is buoyed by the projected growth in real wages in a low inflation environment. Also, pensions were discretionarily hiked by over 9% in April 2013, after having been frozen over the previous years.

The pick-up of economic activity towards the end of the year is expected to be reinforced by the projected economic recovery in the EU. Nevertheless, GDP growth is expected to reach only 0.5% for the year as a whole, which remains well below the estimated potential growth rate of the economy, but the growth momentum towards the end of 2013 is forecast to entail a positive carry-over effect for next year.

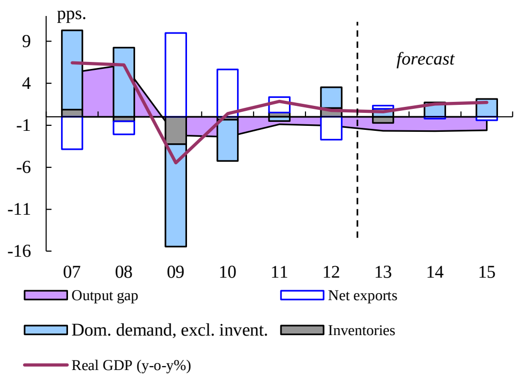
### Growth to accelerate in 2014-15

Economic activity is projected to strengthen over the forecast period, reaching 1.5% in 2014 and 1.8% in 2015. Household consumption and private investment are expected to increasingly contribute to growth, after an extended period of rebalancing following the economic crisis. The forecast assumes that the recent stabilisation of the labour market is sustained over the coming years, supporting household confidence and consumption. However, the recovery is expected to be relatively slow compared to many other converging economies, given that the significant population decline (due to ageing and emigration) continues to erode the growth potential and the consumption base.

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

Exports are forecast to remain relatively strong also over 2014-15, following the projected growth in global demand. In turn, the rebound in domestic consumption and investment would also drive up imports to some extent and turn the growth contribution from net exports slightly negative. The current-account balance is therefore forecast to turn into a small deficit of about ½% of GDP by 2015.

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




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

### Early signs of stabilisation of the labour market

After a marked drop in employment over the past four years, the situation in the labour market seems to be stabilising in 2013. This is mainly the result of developments in the traditionally volatile agricultural sector, reflecting a good harvest in 2013, but employment in other sectors of the economy also appears to be stabilising. Unemployment is expected to peak at almost 13% of the labour force in 2013 and decline slowly to below 12% by 2015.

### Sharply decelerating inflation in 2013

Inflation has decelerated sharply over 2013 and is projected to average 0.5% in the year. This is primarily driven by falling energy prices, given the global oil price trends and domestic measures to reduce administratively-set electricity prices. Also, the good agricultural harvest has led to lower unprocessed food prices. Furthermore, core inflation has decelerated over 2013. While inflation is forecast to rebound in 2014 as the base effects from the currently low energy and food prices fade, the overall inflationary pressures are expected to remain low also in that year. Inflation is forecast to accelerate slightly in 2015 to about 2%, in line with the projected recovery in domestic demand and the on-going convergence of prices towards EU average.

### Fiscal expansion in 2013

The general government deficit is set to increase substantially, from 0.8% of GDP in 2012 to 2% of GDP in 2013. This is due to a combination of weak economic growth and a fiscal stimulus implemented in 2013, following three years of fiscal consolidation. Additional spending is mainly for social expenditure (including the discretionary hike to pensions), investments and various current expenditure items.

The present forecast was finalised before the submission of the 2014 budget to parliament and thus does not reflect any new fiscal measures for 2014-15. The general government fiscal deficit is set to remain broadly at the 2013 level, at 2% of GDP in 2014 and 1.8% in 2015. In structural terms, the deficit is estimated to weaken from ½% of GDP in 2012 to 1½% of GDP in 2013 and to stay at about that level over 2014-15. This implies an expansionary fiscal stance in 2013 and a neutral one over 2014-15. The general government gross debt is forecast to increase from 18.5% in 2012 to 24% of GDP in 2015.

*Table II.2.1:*

**Main features of country forecast -BULGARIA**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| bn BGN | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 77.6 | 100.0 | 2.9 | 0.4 | 1.8 | 0.8 | **0.5** | **1.5** | **1.8** |
| Private Consumption | 49.9 | 64.3 | 3.2 | 0.1 | 1.5 | 2.6 | **-0.3** | **1.3** | **1.6** |
| Public Consumption | 12.1 | 15.5 | -0.9 | 1.9 | 1.6 | -1.4 | **3.0** | **2.2** | **2.1** |
| Gross fixed capital formation | 16.6 | 21.4 | - | -18.3 | -6.5 | 0.8 | **2.1** | **2.4** | **4.2** |
| of which: equipment | 7.9 | 10.1 | - | -11.2 | 24.5 | 9.0 | **10.0** | **11.0** | **13.0** |
| Exports (goods and services) | 51.7 | 66.6 | - | 14.7 | 12.3 | -0.4 | **4.9** | **3.4** | **5.5** |
| Imports (goods and services) | 54.6 | 70.3 | - | 2.4 | 8.8 | 3.7 | **4.1** | **3.7** | **5.9** |
| GNI (GDP deflator) | 75.8 | 97.7 | - | 0.6 | 0.4 | 1.9 | **0.6** | **1.5** | **1.9** |
| Contribution to GDP growth: | Domestic demand | | 4.4 | -4.9 | -0.3 | 1.6 | **0.7** | **1.7** | **2.2** |
| | Inventories | | 0.6 | -0.3 | 0.3 | 1.9 | **-0.6** | **0.0** | **0.0** |
| | Net exports | | -1.9 | 5.6 | 1.8 | -2.7 | **0.3** | **-0.2** | **-0.4** |
| Employment | | | 0.5 | -3.9 | -2.2 | -2.5 | **-1.0** | **0.2** | **0.5** |
| Unemployment rate (a) | | | 12.3 | 10.3 | 11.3 | 12.3 | **12.9** | **12.4** | **11.7** |
| Compensation of employees / head | | | - | 9.9 | 6.8 | 2.9 | **3.5** | **3.6** | **3.5** |
| Unit labour costs whole economy | | | - | 5.2 | 2.5 | -0.5 | **2.0** | **2.3** | **2.1** |
| Real unit labour cost | | | - | 2.4 | -2.2 | -2.6 | **-0.9** | **0.4** | **-0.1** |
| Saving rate of households (b) | | | -12.8 | -3.7 | - | - | **-** | **-** | **-** |
| GDP deflator | | | 36.5 | 2.8 | 4.9 | 2.2 | **2.9** | **1.9** | **2.2** |
| Harmonised index of consumer prices | | | - | 3.0 | 3.4 | 2.4 | **0.5** | **1.4** | **2.1** |
| Terms of trade goods | | | - | 2.3 | 1.8 | -0.3 | **2.5** | **0.0** | **-0.4** |
| Trade balance (c) | | | -10.2 | -7.7 | -5.6 | -9.1 | **-7.4** | **-7.7** | **-8.6** |
| Current-account balance (c) | | | -7.2 | -0.4 | 0.1 | -1.3 | **0.3** | **0.0** | **-0.6** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -7.2 | 0.3 | 1.3 | 0.0 | **1.8** | **1.7** | **1.2** |
| General government balance (c) | | | -1.3 | -3.1 | -2.0 | -0.8 | **-2.0** | **-2.0** | **-1.8** |
| Cyclically-adjusted budget balance (c) | | | -1.1 | -2.4 | -1.7 | -0.4 | **-1.5** | **-1.5** | **-1.3** |
| Structural budget balance (c) | | | -0.6 | -2.2 | -1.7 | -0.4 | **-1.5** | **-1.5** | **-1.3** |
| General government gross debt (c) | | | 48.5 | 16.2 | 16.3 | 18.5 | **19.4** | **22.6** | **24.1** |

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

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

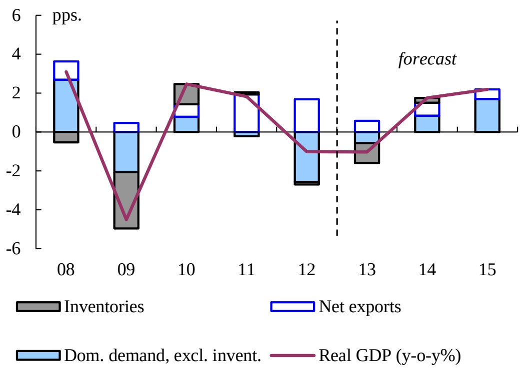
# 3. THE CZECH REPUBLIC

## Positive signals prevail but the recovery has yet to gain pace

### Economic activity is firming up

After six consecutive quarters of negative growth, real GDP increased by 0.6% in the second quarter of 2013, marking the end of the longest period of declining economic activity since 1993. In an economy already negatively affected by a weak external environment, recurring cuts in investment in the public sector, increases in energy and food prices and repeated hikes in indirect taxes negatively affected the disposable income of households and investment of firms. As these factors gradually ease off, growth is expected to resume. While stronger external demand and restocking are likely to support the recovery in 2014, household consumption and gross fixed capital formation are expected to become the key drivers of growth in 2015.

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




The profile of real GDP growth has recently been strongly influenced by anticipation effects of the January 2013 hikes in the value added tax and in excise taxes. Real GDP fell by 1.3% in the first quarter of 2013 compared to the last quarter of 2012, which was the largest quarter-on-quarter decrease observed since the beginning of 2009. Similarly, the increase in taxes on cigarettes in January 2014 is also expected to produce anticipation effects at the end of 2013 with repercussions on the following quarters.

### Recovery is still fragile...

Since the spring of 2013, surveys of economic sentiment, retail sales and new orders have mostly shown positive signals. However, the growth of value added has yet to strengthen. The highest contribution to output growth in the first half of 2013 was provided by financial and insurance activities, which account for a relatively small and volatile part of the economy, while value added in the manufacturing sector continued to fall. The large share of part-time workers in the growth of headcount employment is a further illustration that the recovery has yet to gain pace. Labour demand is still low, as evidenced by the persistently low level of vacancies. Credit conditions have remained broadly unchanged and credit supply is not considered a major factor limiting production.

### ...and the outlook for consumption and investment remains subdued

Household consumption is expected to grow by 1.0% in 2014 as current labour market conditions do not foreshadow a dynamic growth of nominal wages. In addition, employment growth is likely to remain constrained by the decrease in the population of working age. However, unlike in previous years, household income developments are not expected to be negatively affected by further discretionary increases in taxation. Lower inflation expected in 2014 is also likely to support real income growth. A more resolute improvement in consumption supported by drawing down savings is a positive risk for the forecast.

Gross fixed capital formation is likely to firm up only in the course of 2014 as the growing volume of new orders can still be accommodated within the existing production capacities. Moreover, surveys of lending conditions do not point to rising demand for credit in the short run and growth in residential construction is limited by the supply of unsold housing units. Overall, domestic demand is expected to appreciably strengthen only in 2015, along with improved labour market conditions and recovering confidence in the corporate sector.

On the back of the improving foreign demand and the sluggish growth in domestic demand expected for most of 2014, net exports provide a positive contribution to growth in 2014 and to some extent also in 2015. This is mirrored in the projected improvement in the current account balance over the forecast horizon. Risks to the development of net exports are broadly balanced.

### Limited inflationary pressures

Inflation is expected to average 1.4% in 2013, mostly due to increases in food prices and the hikes in indirect taxes mentioned above. The net-of-tax growth in prices of most consumer goods is already subdued. In 2014, inflation is projected to fall markedly to 0.5%, due to a large reduction in energy prices also because of the pre-announced drop in regulated prices of electricity. A somewhat stronger contribution of demand factors is expected to bolster inflation again in 2015. Over the forecast horizon, inflation is not expected to be substantially influenced by changes in indirect taxes and neither are prices of imported goods and services expected to become a significant source of cost pressures. In line with the subdued growth in nominal wages, unit labour costs are forecast to remain broadly stable.

### General government deficit to stabilise in 2014

The general government deficit is expected to reach 2.9% of GDP. This outcome is underpinned by consolidation measures of 0.7 pp. of GDP, of which about two thirds fall on the revenue side. The main measures include increases in both the reduced and standard VAT rate by 1 pp. and a lower indexation of pensions. Public investment is forecast to bottom out in 2013, at some 35% below its 2009 peak. The structural deficit is projected to improve by around ½ pp. to 1½% of GDP in 2013.

The general government deficit is forecast to stabilise at around 3% of GDP in 2014 and to increase in 2015 in the absence of additional measures. The forecast for 2014 factors in savings on the expenditure side due to lower indexation of pensions (0.2% of GDP), increases in several excises taxes (0.1% of GDP) and a one-off revenue from the sale of newly released frequency ranges (0.3% of GDP). The projected deterioration in the general government deficit in 2015 is largely due to the reform of the personal income tax adopted in 2011, with a deficit-increasing impact of about 0.4% of GDP. The structural deficit is expected to increase by around ¾ pp. in both 2014 and 2015.

The fiscal forecast is subject to risks of a higher deficit related to the substantial changes that may still affect the 2014 budget whilst a postponement of the income tax reform in 2015 would result in a lower-than-forecast general government deficit.

*Table II.3.1:*

**Main features of country forecast -CZECH REPUBLIC**

| | | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn CZK | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 3845.9 | 100.0 | 3.1 | 2.5 | 1.8 | -1.0 | **-1.0** | **1.8** | **2.2** |
| Private Consumption | | 1944.2 | 50.6 | 3.1 | 0.9 | 0.5 | -2.1 | **0.3** | **1.0** | **2.0** |
| Public Consumption | | 788.8 | 20.5 | 1.7 | 0.2 | -2.7 | -1.9 | **1.3** | **1.2** | **1.0** |
| Gross fixed capital formation | | 887.9 | 23.1 | 4.2 | 1.0 | 0.4 | -4.5 | **-4.4** | **0.3** | **2.2** |
| of which: equipment | | 393.7 | 10.2 | 5.5 | 3.7 | 6.7 | -5.6 | **-2.6** | **1.5** | **2.7** |
| Exports (goods and services) | | 3000.9 | 78.0 | 8.4 | 15.4 | 9.5 | 4.5 | **-0.3** | **3.8** | **4.8** |
| Imports (goods and services) | | 2785.6 | 72.4 | 8.5 | 15.4 | 7.0 | 2.3 | **-1.2** | **3.2** | **4.6** |
| GNI (GDP deflator) | | 3561.0 | 92.6 | 2.6 | 1.5 | 2.7 | -1.7 | **-1.1** | **1.6** | **2.2** |
| Contribution to GDP growth: | Domestic demand | | | 3.1 | 0.8 | -0.2 | -2.6 | **-0.6** | **0.8** | **1.7** |
| | Inventories | | | 0.0 | 1.0 | 0.1 | -0.1 | **-1.0** | **0.2** | **0.0** |
| | Net exports | | | 0.0 | 0.6 | 1.9 | 1.7 | **0.6** | **0.7** | **0.5** |
| Employment | | | | 0.1 | -1.0 | 0.0 | 0.4 | **1.1** | **0.0** | **0.6** |
| Unemployment rate (a) | | | | 6.5 | 7.3 | 6.7 | 7.0 | **7.1** | **7.0** | **6.7** |
| Compensation of employees / head | | | | 8.4 | 3.1 | 2.3 | 2.3 | **-0.9** | **1.7** | **1.9** |
| Unit labour costs whole economy | | | | 5.2 | -0.4 | 0.5 | 3.8 | **1.2** | **-0.1** | **0.2** |
| Real unit labour cost | | | | 0.7 | 1.2 | 1.4 | 2.1 | **0.0** | **-0.9** | **-1.1** |
| Saving rate of households (b) | | | | 10.3 | 10.7 | 9.9 | 10.6 | **10.5** | **10.7** | **10.7** |
| GDP deflator | | | | 4.5 | -1.6 | -0.9 | 1.6 | **1.2** | **0.8** | **1.3** |
| Harmonised index of consumer prices | | | | - | 1.2 | 2.1 | 3.5 | **1.4** | **0.5** | **1.6** |
| Terms of trade goods | | | | 0.4 | -2.3 | -2.1 | -0.6 | **0.7** | **0.1** | **-0.1** |
| Trade balance (c) | | | | -2.2 | 1.5 | 2.4 | 3.8 | **4.6** | **4.9** | **5.0** |
| Current-account balance (c) | | | | -3.6 | -5.0 | -3.5 | -2.6 | **-1.6** | **-1.1** | **-1.0** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -3.3 | -2.9 | -1.6 | -1.4 | **-0.2** | **0.3** | **0.5** |
| General government balance (c) | | | | -4.5 | -4.7 | -3.2 | -4.4 | **-2.9** | **-3.0** | **-3.5** |
| Cyclically-adjusted budget balance (c) | | | | -4.4 | -4.3 | -3.1 | -3.7 | **-1.6** | **-2.0** | **-3.0** |
| Structural budget balance (c) | | | | -4.1 | -4.5 | -3.1 | -1.9 | **-1.5** | **-2.2** | **-3.0** |
| General government gross debt (c) | | | | 22.9 | 38.4 | 41.4 | 46.2 | **49.0** | **50.6** | **52.3** |

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

# 4. DENMARK

## Growth set to recover amidst improved confidence

### Turnaround after three years of standstill

The recovery of the Danish economy came to a halt in 2012 and GDP fell by 0.4%. Exports were weak due to headwinds in the international economy and widespread uncertainty held back private domestic demand.

After three years of economic standstill, indicators are now pointing to an improvement in the Danish economy, with positive readings of confidence indicators, growing industrial production and increasing house prices. Real GDP is, however, only expected to grow by 0.3% in 2013, primarily due to negative carry-over effects from the end of last year and a weak development at the beginning of this year. In 2014 and 2015, growth is expected to be mainly driven by domestic demand, supported by mildly positive growth contributions from net exports. Real GDP is forecast to grow by 1¾% in 2014 and 2015, respectively.

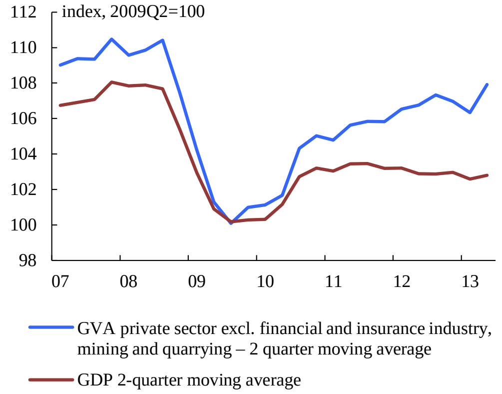
Private consumption is supported by growth in households' real disposable income, partly due to positive effects from the 2012 tax reform, lower interest rates and the drop in inflation. Consumer confidence – including the consumer's view on the labour market prospects – has improved significantly over the summer and is expected to support private consumption.

Exports are projected to pick-up in line with the expected improvement in external demand and the wage competitiveness losses over the last 10 years being partly reversed, enabling Danish companies to take better advantage of growth in Danish export markets.

Business investment has been weak since the outbreak of the financial crisis and savings in the corporate sector are historically high. The 'investment window' tax breaks – which will continue until the end of this year – provide incentives for businesses to frontload their investments to 2013. In combination with the measures included in the "Growth Plan DK" and an improved outlook for external demand this is expected to lead to a temporary boost of business investment in the second half of 2013.

The pick-up in economic activity is set to lead to moderate growth in employment in the forecast period. Overall, the labour market has been relatively stable despite the weak recovery since 2009. One possible explanation is the influence of an adjustment in sectors with relatively low employment intensity, such as North Sea oil extraction and the financial sector. Looking beyond these two capital intensive sectors, the recovery in the remaining part of the private sector – which stands for 95% of private employment – has been much more pronounced.

*Graph II.4.1:* **Denmark – Real GDP and GVA excl. selected industries**




### Competitiveness is improving

HICP inflation has decreased significantly in the first three quarters of 2013 and stood at 0.2% in September. The low inflation is partly related to excise tax cuts at the beginning of this year as well as a reduction of insurance prices.

Wage growth has been historically low, reflecting the slack in the labour market, and external price competitiveness has improved significantly over the last couple of years due to a more moderate wage growth compared to Denmark's main trading partners, as well as a pick-up in productivity growth. The improvement in the external price competitiveness is projected to continue in the forecast period.

The risks to the macroeconomic outlook appear to be broadly balanced. As a small and open economy, Denmark is highly dependent on developments abroad. The high private debt level makes the economy vulnerable to sudden increases in interest rates. On the other hand, the high saving rate in the non-financial corporate sector may lead to higher investment in case of a more pronounced improvement in sentiment.

### Public finances are improving

The general government balance is expected to be around -1¾% of GDP in 2013 and 2014 and to deteriorate to -2¾% in 2015, still below 3%, but with a significantly smaller safety margin.

The upward revision of the fiscal balance for 2014 compared to the spring forecast is the consequence of the extension of the possibility to move forward taxation of existing capital pension schemes at favourable conditions from the end of 2013 to the end of 2014. This measure has been assumed to increase government revenues temporarily by DKK 20bn (around 1% of GDP) in both 2013 and 2014.

Public consumption is projected to grow moderately over the forecast horizon. The expenditure ceilings adopted by the Danish parliament in June 2013 are expected to improve the fiscal control at central, regional and local level. Public investment has a somewhat volatile profile in the forecast years. In 2012, it reached the highest level since the early 1980s, due to frontloading of investments related to the 'kick-start' package. This frontloading will come to an end in 2013, leading to a steep fall in public investment in this year. The Government has planned a new increase in public investments in 2014.

The structural balance is projected to be stable at close to 0% in 2013 and 2014 and to decrease again thereafter to -¼% in 2015. Excluding very volatile items, such as revenues from North Sea oil extraction and from the pension yield taxes, the structural balance is set to improve by ¼-½% of GDP annually on average from 2011 to 2013.

The general government gross debt is expected to remain below 50% of GDP over the forecast period.

*Table II.4.1:*

**Main features of country forecast -DENMARK**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn DKK | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 1824.0 | 100.0 | 1.7 | 1.6 | 1.1 | -0.4 | **0.3** | **1.7** | **1.8** |
| Private Consumption | | 900.7 | 49.4 | 1.8 | 1.7 | -0.5 | 0.5 | **0.3** | **1.4** | **1.7** |
| Public Consumption | | 521.6 | 28.6 | 2.1 | 0.4 | -1.5 | 0.7 | **0.4** | **0.6** | **0.6** |
| Gross fixed capital formation | | 312.6 | 17.1 | 3.1 | -2.4 | 2.9 | -0.1 | **0.2** | **2.7** | **3.1** |
| of which: equipment | | 115.4 | 6.3 | 3.7 | -0.9 | -3.1 | 5.8 | **2.2** | **0.6** | **2.8** |
| Exports (goods and services) | | 991.8 | 54.4 | 4.4 | 3.0 | 6.5 | 0.2 | **0.8** | **3.4** | **4.0** |
| Imports (goods and services) | | 901.3 | 49.4 | 5.6 | 3.2 | 5.6 | 1.0 | **1.6** | **3.1** | **3.8** |
| GNI (GDP deflator) | | 1878.3 | 103.0 | 1.9 | 2.3 | 1.2 | 0.2 | **0.4** | **1.6** | **1.8** |
| Contribution to GDP growth: | Domestic demand | | | 2.0 | 0.5 | -0.2 | 0.4 | **0.3** | **1.3** | **1.5** |
| | Inventories | | | 0.0 | 1.0 | 0.5 | -0.5 | **0.3** | **0.0** | **0.0** |
| | Net exports | | | -0.3 | 0.0 | 0.8 | -0.4 | **-0.3** | **0.3** | **0.3** |
| Employment | | | | 0.7 | -2.4 | -0.3 | -0.3 | **0.0** | **0.4** | **0.5** |
| Unemployment rate (a) | | | | 5.1 | 7.5 | 7.6 | 7.5 | **7.3** | **7.2** | **7.0** |
| Compensation of employees / head | | | | 3.5 | 3.5 | 1.3 | 1.5 | **1.4** | **1.8** | **2.1** |
| Unit labour costs whole economy | | | | 2.5 | -0.6 | 0.0 | 1.6 | **1.1** | **0.5** | **0.8** |
| Real unit labour cost | | | | 0.4 | -4.6 | -0.7 | -0.6 | **-0.3** | **-1.0** | **-0.8** |
| Saving rate of households (b) | | | | 6.3 | 7.4 | 7.2 | 6.8 | **5.6** | **5.7** | **7.6** |
| GDP deflator | | | | 2.1 | 4.1 | 0.6 | 2.2 | **1.4** | **1.5** | **1.6** |
| Harmonised index of consumer prices | | | | 2.0 | 2.2 | 2.7 | 2.4 | **0.6** | **1.5** | **1.7** |
| Terms of trade goods | | | | 0.9 | 1.0 | -1.7 | 0.5 | **1.3** | **0.1** | **0.1** |
| Trade balance (c) | | | | 3.2 | 3.0 | 3.1 | 2.6 | **2.6** | **2.7** | **2.6** |
| Current-account balance (c) | | | | 2.1 | 5.9 | 5.6 | 5.8 | **5.4** | **5.6** | **5.8** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 2.2 | 5.9 | 5.9 | 5.8 | **5.5** | **5.7** | **6.0** |
| General government balance (c) | | | | 0.9 | -2.5 | -1.8 | -4.1 | **-1.7** | **-1.7** | **-2.7** |
| Cyclically-adjusted budget balance (c) | | | | 0.2 | -0.3 | 0.0 | -1.6 | **1.1** | **0.9** | **-0.3** |
| Structural budget balance (c) | | | | 1.8 | -0.3 | 0.0 | 0.0 | **0.1** | **-0.1** | **-0.3** |
| General government gross debt (c) | | | | 51.1 | 42.7 | 46.4 | 45.4 | **44.3** | **43.7** | **45.1** |

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

# 5. GERMANY

## Steady expansion ahead

### Growth to settle at moderate rates

After a 0.5% (q-o-q, seasonally and working-day adjusted) decline in the fourth quarter of 2012, real GDP stabilised in the first quarter of 2013 and rose markedly in the second quarter (0.7%). The unusually harsh winter took its toll on activity in the first quarter, especially on construction, while significant catching-up effects boosted GDP growth in the second quarter. Domestic demand, in particular private consumption and changes in inventories, made the main contributions to growth in the first two quarters of 2013, while the contribution of gross fixed capital formation was negative.

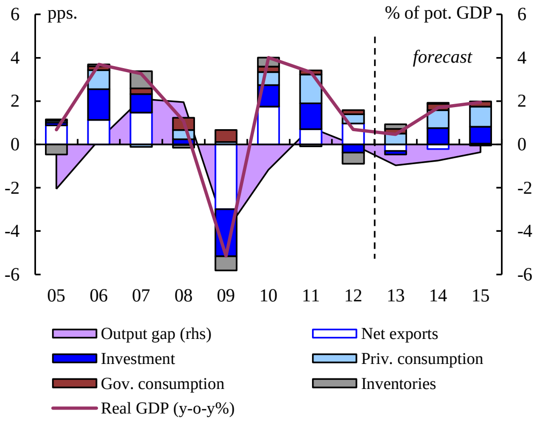
Going forward, indicators point to a continued expansion at a more moderate pace in the coming quarters, with weather-related catching-up effects in the second quarter of 2013 likely to have overstated the underlying growth dynamics. Manufacturing production signals only a slight increase in output in the third quarter of 2013, while orders indicate a further rise in the coming months. Recent surveys reflect overall positive sentiment of households and firms, with notably the latter expecting a continued increase in production for the coming months.

Overall, real GDP is projected to grow by 0.5% in 2013 and by 1.7% in 2014. This is 0.1 pp. higher and 0.1 pp. lower, respectively, than projected in spring. The revision for 2014 reflects slightly lower projected export growth in the coming quarters on the back of a slowdown of economic activity in non-EU countries and a slightly less favourable exchange rate development than assumed earlier. By contrast, the positive outlook for domestic demand remains unchanged. With private consumption supported by low interest rates, rising wages and robust employment growth, together with the expected gradual pick-up in investment, domestic demand is projected to continue to act as the main growth driver over the forecast horizon. In 2015, economic activity is expected to see only a further slight acceleration. Together with a higher number of working days, this should result in an annual growth rate of 1.9%.

### Investment to gradually pick up

Ending six quarters of contraction amid crisis-related uncertainty, the second quarter of 2013 saw a small increase in machinery and equipment investment. Dissipating uncertainty, slowly rising capacity utilisation and favourable financing conditions are set to underpin a further gradual recovery over the forecast horizon. The upswing could be less dynamic than in previous upturns, reflecting a lasting downward shift in sales expectations given adjustment processes in Europe and slower growth in emerging markets. In construction, catching-up is still on-going after the weather-related collapse in the first quarter of 2013, but the expansion should moderate going forward. With housing activity already at a high level, its growth rate is set to decelerate. This should only gradually be offset by the acceleration of other construction activity alongside capacity-increasing equipment investment.

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




### Negative net export contribution to growth on the back of strong domestic demand

Export growth is set to accelerate slightly less than projected in spring. Export expectations remain at a quite optimistic level but foreign industrial orders have not increased significantly lately. Import growth is set to increase more strongly than export growth as equipment investments pick up. This is expected to contribute to a stabilisation of the current-account surplus this year and to some narrowing by 2015.

### Net migration boosting supply in robust labour market

The unemployment rate is at a record low, yet a further gradual rise in employment is expected. Despite considerable net migration and the continuing trend increase in labour market participation, this is set to result in a further gradual reduction in the unemployment rate. After a temporary deceleration in 2013, growth in wages and compensation per employee is set to reaccelerate, so unit labour cost growth would remain above the euro-area average.

### Inflation moderating further

Consumer price growth is forecast to slow to 1.7% in 2013 and 2014 and further to 1.6% in 2015. Core inflation is projected to accelerate moderately on the back of rising scope for passing on higher labour costs to consumers. This is expected to be more than offset by the easing of energy and food price pressure over the forecast horizon.

### Broadly neutral fiscal stance

The growth of tax revenues has decelerated somewhat following the temporary weakening in economic activity. Revenue growth will also be slowed down by reductions in the pension contribution rate and increases in the minimum income tax allowance. Additional expenditure results mainly from the new childcare allowance for parents not making use of childcare facilities, the abolition of the expenditure-reducing quarterly fee for medical treatment, wage increases in the public sector and the set-up of a restructuring fund in response to this year's flood disaster. Overall, the general government budget is forecast to remain broadly balanced and the structural balance to stabilise at a small surplus over the forecast horizon, resulting in a declining gross debt-to-GDP ratio. The on-going winding up of "bad banks" could further reduce the debt stock.

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

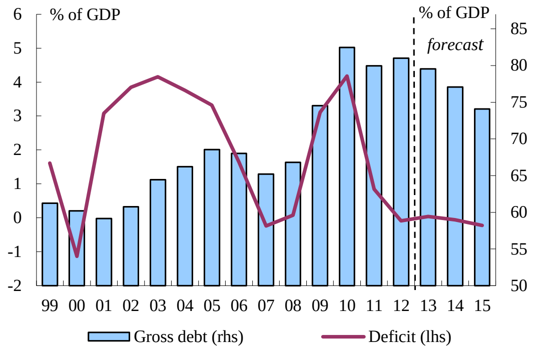



*Table II.5.1:*

**Main features of country forecast -GERMANY**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 2666.4 | 100.0 | 1.2 | 4.0 | 3.3 | 0.7 | **0.5** | **1.7** | **1.9** |
| Private Consumption | | 1533.9 | 57.5 | 0.9 | 1.0 | 2.3 | 0.8 | **0.9** | **1.4** | **1.6** |
| Public Consumption | | 514.4 | 19.3 | 1.4 | 1.3 | 1.0 | 1.0 | **1.1** | **1.5** | **1.2** |
| Gross fixed capital formation | | 470.6 | 17.6 | 0.4 | 5.7 | 6.9 | -2.1 | **-0.9** | **4.4** | **4.4** |
| of which: equipment | | 175.0 | 6.6 | 2.3 | 10.0 | 5.8 | -4.0 | **-2.7** | **5.0** | **7.1** |
| Exports (goods and services) | | 1381.0 | 51.8 | 6.2 | 15.2 | 8.0 | 3.2 | **0.3** | **4.6** | **6.8** |
| Imports (goods and services) | | 1223.1 | 45.9 | 5.5 | 12.5 | 7.4 | 1.4 | **1.0** | **5.7** | **7.6** |
| GNI (GDP deflator) | | 2730.1 | 102.4 | 1.3 | 3.7 | 3.4 | 0.8 | **0.5** | **1.7** | **1.8** |
| Contribution to GDP growth: | Domestic demand | | | 0.9 | 1.9 | 2.7 | 0.2 | **0.6** | **1.9** | **1.9** |
| | Inventories | | | 0.0 | 0.4 | -0.1 | -0.5 | **0.2** | **0.0** | **0.0** |
| | Net exports | | | 0.3 | 1.7 | 0.7 | 1.0 | **-0.3** | **-0.2** | **0.0** |
| Employment | | | | 0.4 | 0.5 | 1.4 | 1.1 | **0.5** | **0.5** | **0.6** |
| Unemployment rate (a) | | | | 9.0 | 7.1 | 5.9 | 5.5 | **5.4** | **5.3** | **5.1** |
| Compensation of employees / head | | | | 1.3 | 2.4 | 3.0 | 2.6 | **1.9** | **2.7** | **3.1** |
| Unit labour costs whole economy | | | | 0.5 | -1.1 | 1.0 | 3.1 | **2.0** | **1.5** | **1.8** |
| Real unit labour cost | | | | -0.4 | -2.1 | -0.2 | 1.6 | **-0.2** | **-0.2** | **0.0** |
| Saving rate of households (b) | | | | 16.2 | 16.9 | 16.4 | 16.4 | **16.1** | **15.9** | **15.8** |
| GDP deflator | | | | 0.9 | 1.0 | 1.2 | 1.5 | **2.2** | **1.7** | **1.8** |
| Harmonised index of consumer prices | | | | - | 1.2 | 2.5 | 2.1 | **1.7** | **1.7** | **1.6** |
| Terms of trade goods | | | | 0.2 | -2.5 | -2.7 | -0.4 | **1.6** | **0.4** | **0.0** |
| Trade balance (c) | | | | 5.0 | 6.3 | 5.9 | 6.7 | **6.8** | **6.5** | **6.5** |
| Current-account balance (c) | | | | 2.0 | 6.4 | 6.3 | 7.0 | **7.0** | **6.6** | **6.4** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 2.0 | 6.4 | 6.1 | 7.0 | **6.9** | **6.6** | **6.3** |
| General government balance (c) | | | | -2.7 | -4.2 | -0.8 | 0.1 | **0.0** | **0.1** | **0.2** |
| Cyclically-adjusted budget balance (c) | | | | -2.6 | -3.5 | -1.3 | 0.1 | **0.5** | **0.5** | **0.4** |
| Structural budget balance (c) | | | | -1.9 | -2.3 | -1.1 | 0.2 | **0.5** | **0.5** | **0.4** |
| General government gross debt (c) | | | | 62.3 | 82.5 | 80.0 | 81.0 | **79.6** | **77.1** | **74.1** |

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

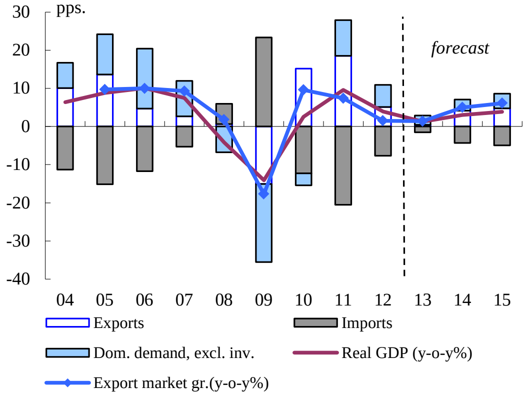
## 6. ESTONIA

### Domestic demand driving growth while trade surplus shrinking

#### Disappointing growth in the first half of 2013

Real GDP growth dropped to 1.2% y-o-y in the first half of 2013, from 3.9% in 2012. Investment growth came to a standstill as public investment fell with the end of a number of environmental projects and the completion of most EU co-funded projects, while weak demand continued to weigh on corporate investment. In parallel, lower domestic demand in Finland together with the diversion of oil-related transit trade from Baltic to new Russian ports led to quasi-stagnation in Estonia's exports volumes, in particular in services, while imports continued to grow. Moreover, as output growth decelerated and employment increased, productivity growth in the economy fell, while wage growth picked up substantially, leading to losses in competitiveness. Consumption continued to support economic growth, as household income is strengthening thanks to strong real wage growth, rising employment and higher pensions. Overall, economic growth is expected to be only 1.3% in 2013.

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




#### Positive growth outlook for 2014 and 2015

With investment and external demand progressively recovering, the economy is expected to regain momentum with growth forecast at 3.0% in 2014 and 3.9% in 2015. Capacity utilisation is now close to its long-term average. This is expected to prompt increases in production capacity from 2014 as demand has started recovering. Indeed, profitability has largely been restored, despite the recent wage increases. Public investment is expected to revert to growth in the course of 2015, when the 2014-20 package of EU funds will start being implemented.

Consumption growth is forecast to remain vigorous, supported by real income growth including from income tax cuts in 2015. Household borrowing is forecast to increase only moderately despite very low or negative interest rates, as banks will remain cautious towards the still relatively high private sector indebtedness. Finally, as domestic demand gathers pace, with investment progressively recovering, higher growth in imports than in exports is expected to feed into a slightly negative trade balance in 2015, despite Estonia's recovering exports growth to its main trading partners. Downside risks to the forecast could stem from wages rising faster than expected, thereby limiting competitiveness and corporate investment; also demand in both Finland and Russia could be lower than anticipated.

#### Large wage increases in a tightening labour market…

Despite the slowing output growth, employment expanded further in the first half of 2013, which is partly explained by the lagged effect of more vigorous growth in 2012. At the same time, the unemployment rate fell to 8% in the second quarter of 2013, down from over 10% a year earlier. Employment is expected to grow further and unemployment to continue contracting over the forecast horizon, as output growth regains momentum. Labour force participation is high at close to 69% and is set to slightly increase over the forecast horizon, given the changing age structure of the working age population. Nominal wage growth accelerated to 8.5% in the second quarter of 2013, with real wage growth reaching 4.8%. This is driven by persistent skill mismatches and rising vacancies, recent minimum wage increases, pay agreements for health workers and teachers as well as fast wage catching up in traded services. In 2014 and 2015, nominal wage growth is expected to stabilise at around 7% and real wage growth at around 4%, reflecting solid output growth, further minimum wage increases by 10% each year and unemployment hovering around its natural rate.

#### …while inflation stabilises around 3%

With the impact of earlier global commodity price increases fading out, annual HICP inflation receded to 2.6% in September, down from 4.1% in June. Inflation is expected to average 3.4% in 2013, despite recent price increases in unprocessed food and electricity and hikes in alcohol and tobacco excise duties. The assumed decline in global commodity prices and the fading impact of the recent electricity price increases are expected to ensure that inflation will continue its slow decline, so as to reach 2.8% in 2014. However, rising core inflation reflecting strong wage growth and a further excise tax increase on alcohol are set to push inflation back slightly above 3% in 2015.

### Small fiscal deficits continuing

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

In 2014 the deficit is forecast to narrow to 0.1% of GDP. On the one hand, the public wage bill is projected to increase by 5.1% and pensions by 5.8%, while the compensation mechanism for the second pillar pension contributions will have a negative effect on the revenue. On the other hand, a sizeable revenue-enhancing package will enter into force. This includes further excise tax increases, a rescheduling of dividend distribution from state-owned companies, limiting VAT deductibility for corporate cars and other measures aimed at improving tax collection. The VAT-related changes are announced to take effect as of mid-2014.

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

In structural terms, the fiscal position is forecast to have deteriorated by ½ pp. of GDP in 2013 and to improve by a similar amount in 2014; in 2015, on a no-policy-change basis, it is expected to widen by some ¼ pp. The debt-to-GDP ratio is expected to remain below 10% of GDP over the forecast horizon.

*Table II.6.1:*

**Main features of country forecast -ESTONIA**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 17.4 | 100.0 | 4.3 | 2.6 | 9.6 | 3.9 | **1.3** | **3.0** | **3.9** |
| Private Consumption | | 8.9 | 51.2 | 5.4 | -2.6 | 3.8 | 4.9 | **4.7** | **3.8** | **4.5** |
| Public Consumption | | 3.3 | 19.2 | 2.6 | -0.8 | 1.3 | 3.8 | **0.2** | **0.2** | **0.2** |
| Gross fixed capital formation | | 4.4 | 25.2 | 6.8 | -7.3 | 37.6 | 10.9 | **0.0** | **3.6** | **5.7** |
| of which: equipment | | 2.0 | 11.5 | - | -16.2 | 122.8 | 11.7 | **6.4** | **8.0** | **8.0** |
| Exports (goods and services) | | 15.8 | 90.6 | 6.2 | 23.7 | 23.4 | 5.6 | **0.5** | **4.8** | **5.5** |
| Imports (goods and services) | | 15.7 | 90.3 | 7.0 | 21.1 | 28.4 | 8.8 | **1.7** | **5.0** | **5.8** |
| GNI (GDP deflator) | | 16.6 | 95.2 | 4.1 | 0.0 | 9.9 | 4.5 | **2.2** | **3.1** | **4.2** |
| Contribution to GDP growth: | Domestic demand | | | 5.8 | -3.1 | 9.4 | 5.8 | **2.4** | **2.9** | **3.8** |
| | Inventories | | | 0.0 | 3.2 | 2.8 | -0.5 | **-0.1** | **0.2** | **0.2** |
| | Net exports | | | -1.4 | 2.8 | -2.0 | -2.6 | **-1.1** | **-0.2** | **-0.2** |
| Employment | | | | -1.1 | -4.8 | 7.0 | 2.2 | **1.6** | **0.3** | **0.8** |
| Unemployment rate (a) | | | | 9.5 | 16.9 | 12.5 | 10.2 | **9.3** | **9.0** | **8.2** |
| Compensation of employees / head | | | | 17.0 | 2.3 | 0.5 | 6.0 | **6.7** | **6.9** | **7.0** |
| Unit labour costs whole economy | | | | 10.8 | -5.0 | -1.8 | 4.2 | **7.0** | **4.1** | **3.9** |
| Real unit labour cost | | | | 0.4 | -5.3 | -4.7 | 0.9 | **2.1** | **0.7** | **0.6** |
| Saving rate of households (b) | | | | 1.7 | 10.1 | 11.1 | 4.5 | **5.4** | **5.9** | **6.2** |
| GDP deflator | | | | 10.4 | 0.3 | 3.0 | 3.3 | **4.9** | **3.4** | **3.3** |
| Harmonised index of consumer prices | | | | - | 2.7 | 5.1 | 4.2 | **3.4** | **2.8** | **3.1** |
| Terms of trade goods | | | | 0.4 | -1.6 | -2.2 | -1.9 | **0.7** | **0.2** | **0.0** |
| Trade balance (c) | | | | -15.5 | -2.5 | -4.4 | -6.6 | **-6.1** | **-5.9** | **-6.1** |
| Current-account balance (c) | | | | -8.7 | 3.5 | 0.3 | -2.8 | **-2.1** | **-2.2** | **-2.2** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -7.9 | 7.0 | 4.4 | 0.7 | **0.8** | **0.3** | **0.2** |
| General government balance (c) | | | | 0.5 | 0.2 | 1.1 | -0.2 | **-0.4** | **-0.1** | **-0.1** |
| Cyclically-adjusted budget balance (c) | | | | -0.2 | 2.1 | 0.8 | -1.1 | **-0.7** | **-0.3** | **-0.3** |
| Structural budget balance (c) | | | | -0.9 | -0.9 | -0.7 | -0.1 | **-0.5** | **0.0** | **-0.2** |
| General government gross debt (c) | | | | 5.7 | 6.7 | 6.1 | 9.8 | **10.0** | **9.7** | **9.1** |

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

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

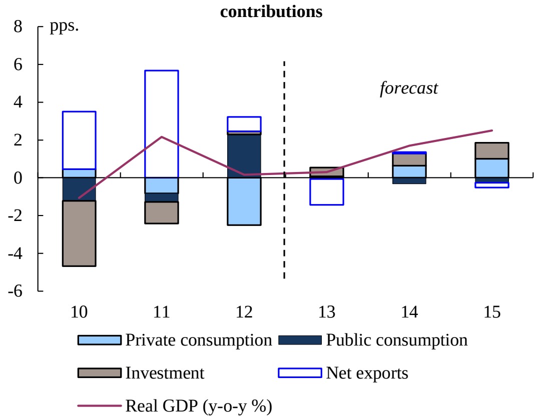
# 7. IRELAND

## Rebalancing on track

### Growth situation stabilising but more challenging than earlier thought

National accounts data for the first half of 2013 show that the economy continues to contract on an annual basis.[21] GDP growth, however, turned positive in quarterly terms in the second quarter, and a more robust performance is expected for the second half of the year which underpins the current forecast of 0.3% growth in 2013. High-frequency indicators through the third quarter paint a consistently more positive picture than the national accounts, while price developments were muted and competitiveness measures continued to improve. Sovereign-bond yields on the secondary market remained around pre-crisis levels and banks' funding situation improved, although lending to the economy continued to contract amid stable retail interest rates.

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




Unemployment has fallen by almost two percentage points since its crisis peak to 13.3% in September 2013, while outward migration is beginning to decline. Employment has been growing for three consecutive quarters, including full-time jobs. Earnings remain weak amid the still-considerable slack.

### Balanced macroeconomic risks

Real GDP growth rates have been revised down until 2015 compared to the spring 2013 forecast on the back of the weaker-than-expected developments in especially private consumption during the first half of the year. While projected merchandise exports are now lower (mainly on account of structural factors), the contribution of net exports to growth is virtually unchanged as the high import-export ratio for the expenditure category also prompts corresponding revisions to imports. The current-account surplus is expected to remain at historically very high levels, supported initially mainly by continuously elevated factor income flows and later also improving net exports. The unemployment rate is forecast to decline faster than previously thought, but remain elevated.

Uncertainty surrounding the timing and magnitude of the negative effects of the expiring pharmaceutical patents constitute a downside risk to goods' export performance over the projection period. The improving labour and property market situation should however gradually allow for both continued deleveraging and increasing private consumption, which is therefore subject to upside risks. Although core investment (excluding aircraft) has started to expand again, the investment-to-GDP ratio remains historically very low which suggests ample scope for further expansion, especially in the non-cash constrained multinational sector.

### Public finances count on growth pick-up

The 2013 deficit is estimated at 7.4% of GDP. Compared to the previous forecast, a lower denominator effect resulting from downward revisions to nominal GDP and a downward reassessment of tax revenue is offset by significant interest expenditure savings and a reclassification from 2012 to 2013 of revenues from the sale of mobile telephone licenses. Primary expenditure is expected to be in line with budget allocations and spending pressures in the health sector are expected to be addressed by contingency measures.

In 2014, the general government deficit is projected at 5.0% of GDP including consolidation measures of 1.5% of GDP, of which one-third is on the revenue side and two-thirds on expenditure. Revenue measures include higher excises on alcohol and tobacco, an increase in the deposit interest retention tax rate, increase in levy on pension fund assets and a new levy on financial institutions. Moreover, the full-year effect of the property tax and other tax measures from the last

[21] The estimated carry-over is -0.7% for 2013 as a whole after the second quarter The 2012 GDP growth rate has also been revised down from a first estimate of 0.9% to 0.2% since the spring 2013 forecast.

year will produce benefits in 2014. Expenditure measures include further wage savings from the renewed public service wage agreement, tighter eligibility for social benefits (benefits for young unemployed, maternity benefits, and supplementary payments to households), savings on the cost of medicines by increasing co-payments, restricting eligibility and reducing cost per item.

The deterioration of the 2014 deficit forecast by some 0.7 pp. of GDP, as compared to the spring forecast, reflects both the carry-over of weaker-than-expected trends in tax revenues in 2013 and lower economic growth in 2014, while windfall savings from the exchange of the promissory notes with long-dated government bonds are expected be used to accelerate deficit and debt reduction. A lower fiscal effort on the revenue and expenditure side is offset by one-off revenues from the sale of the National Lottery licence to be recorded in 2014, and interest rate savings on the back of a favourable interest rate environment and lower precautionary cash balances.

In 2015, the general government deficit is projected at 3.0% of GDP assuming a fiscal adjustment of 1.4% of GDP; 0.4% of GDP in revenue measures and 1% of GDP in expenditure measures. The structural fiscal balance is projected to narrow from 6.7% of GDP in 2013 to 3.3% of GDP.[22] Uncertainty around the growth prospects of the Irish economy are among the main risks to the fiscal forecast. Further risks relate to the effective implementation of the public service wage agreement and of structural reforms in the health sector. Finally, one-off costs may arise in 2013 in case of a possible shortfall in the asset sales linked to the winding-up of the Irish Banking Resolution Corporation (IBRC), which the government would have to compensate.

Government debt is projected to peak at 124% of GDP in 2013 and decline thereafter as primary surpluses are achieved and economic growth picks up. Moreover, a reduction in the currently high precautionary cash balances of around 13% of GDP at end-2013 to around 7% by 2015 will contribute to narrowing of the debt-to-GDP ratio.

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

*Table II.7.1:*

**Main features of country forecast -IRELAND**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 163.9 | 100.0 | 5.7 | -1.1 | 2.2 | 0.2 | **0.3** | **1.7** | **2.5** |
| Private Consumption | | 78.3 | 47.8 | 4.9 | 0.4 | -1.4 | -0.3 | **-0.6** | **0.5** | **1.0** |
| Public Consumption | | 29.4 | 18.0 | 4.6 | -4.9 | -2.9 | -3.2 | **-1.0** | **-2.8** | **-2.5** |
| Gross fixed capital formation | | 17.5 | 10.7 | 5.4 | -22.7 | -9.1 | -0.6 | **2.9** | **4.4** | **5.4** |
| of which: equipment | | 6.8 | 4.2 | 6.5 | -11.2 | -1.5 | 2.3 | **9.2** | **8.5** | **6.5** |
| Exports (goods and services) | | 176.7 | 107.8 | 9.7 | 6.4 | 5.4 | 1.6 | **0.5** | **2.5** | **3.7** |
| Imports (goods and services) | | 137.0 | 83.6 | 9.0 | 3.6 | -0.4 | 0.0 | **0.2** | **1.4** | **2.7** |
| GNI (GDP deflator) | | 133.9 | 81.7 | 5.1 | -0.2 | -1.4 | 0.8 | **-3.0** | **0.7** | **1.3** |
| Contribution to GDP growth: | Domestic demand | | | 4.3 | -2.8 | -3.5 | -1.5 | **-0.2** | **0.2** | **0.7** |
| | Inventories | | | 0.1 | -1.1 | 2.1 | 0.3 | **0.2** | **0.0** | **0.0** |
| | Net exports | | | 1.7 | 3.1 | 5.7 | 1.6 | **0.3** | **1.5** | **1.8** |
| Employment | | | | 3.2 | -4.1 | -1.8 | -0.6 | **1.2** | **1.3** | **1.3** |
| Unemployment rate (a) | | | | 7.2 | 13.9 | 14.7 | 14.7 | **13.3** | **12.3** | **11.7** |
| Compensation of employees / head | | | | 4.7 | -3.8 | -0.1 | 0.8 | **0.0** | **-0.6** | **-0.3** |
| Unit labour costs whole economy | | | | 2.1 | -6.7 | -4.0 | 0.0 | **0.9** | **-1.0** | **-1.5** |
| Real unit labour cost | | | | -0.4 | -5.3 | -4.6 | -0.6 | **0.1** | **-1.9** | **-2.5** |
| Saving rate of households (b) | | | | 9.1 | 12.0 | 10.7 | 11.1 | **13.5** | **14.1** | **13.7** |
| GDP deflator | | | | 2.6 | -1.5 | 0.7 | 0.7 | **0.7** | **0.8** | **1.1** |
| Harmonised index of consumer prices | | | | - | -1.6 | 1.2 | 1.9 | **0.8** | **0.9** | **1.2** |
| Terms of trade goods | | | | 0.1 | -3.6 | -6.2 | -0.7 | **-0.3** | **-0.3** | **-0.1** |
| Trade balance (c) | | | | 19.9 | 22.6 | 22.6 | 22.2 | **20.6** | **20.1** | **19.2** |
| Current-account balance (c) | | | | -0.5 | 1.1 | 1.2 | 4.4 | **4.1** | **4.6** | **4.9** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -0.1 | 0.7 | 1.1 | 3.2 | **3.0** | **4.1** | **4.7** |
| General government balance (c) | | | | -0.5 | -30.6 | -13.1 | -8.2 | **-7.4** | **-5.0** | **-3.0** |
| Cyclically-adjusted budget balance (c) | | | | -0.8 | -28.2 | -11.9 | -7.6 | **-6.9** | **-5.0** | **-3.4** |
| Structural budget balance (c) | | | | -1.9 | -8.9 | -7.7 | -7.6 | **-6.7** | **-5.2** | **-3.3** |
| General government gross debt (c) | | | | 47.0 | 91.2 | 104.1 | 117.4 | **124.4** | **120.8** | **119.1** |

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

# 8. GREECE

## Economic recovery in sight

### Strong tourism revival as Greece regains stability and competitiveness

The first half of 2013 was marked by an overall softening of the recession and the first signs of reaching the bottom of the cycle. For the last three quarters, real GDP has been contracting at a decelerating pace: by a -5.7% y-o-y in the final quarter of 2012 and -5.6% in the first quarter 2013 to -3.8% in the second quarter.

A strong revival of tourism has occurred over the summer. Greece has benefited from increased competitiveness against other popular holiday destinations. Following the sharp improvement of confidence and financial indicators (ESI, PMI, government bond spreads) in the first half of the year, and despite their temporary weakening in spring due to uncertainties over the Cypriot programme, tourism triggered the improvement in the second quarter of 2013 and should also support a good GDP reading in the next one. Despite a further concentration of tax payments in the last quarter of 2013, which is expected to weigh on consumption, real GDP growth has been revised upwards for 2013 and is now projected at -4.0%.

The repayment of government arrears and the faster absorption of the EU and EIB funds through the re-launch of major projects – such as motorway construction – is expected to help alleviate liquidity constraints and support investment in 2014. The bank recapitalisation process and economic stabilisation are also supportive. Led by exports and investment, real GDP is expected to expand in 2014 at an annual growth rate of 0.6%. In contrast, private consumption is expected to still decline, in line with aggregate disposable income.

In 2015, the recovery is forecast to gain strength, as investment becomes the main engine of the recovery. A rebound in exports in the context of the euro-area recovery should support a revival in goods export growth as well as stronger shipping and tourism revenues. With consumption no longer being a drag, real GDP growth is projected at 2.9%.

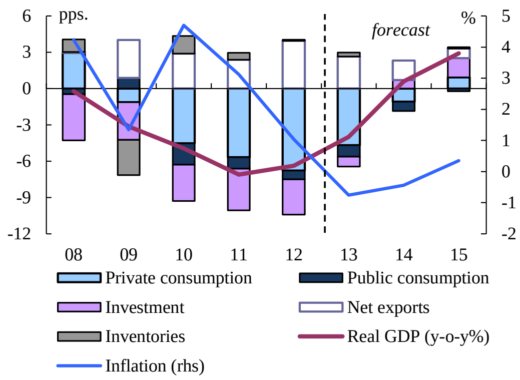
The unemployment rate is projected to reach 27.0% in 2013 owing to falling aggregate demand. However, wage setting reforms have already contributed to a sharp improvement in cost competitiveness leading to a relatively strong projected decrease of unemployment to 26.0% in 2014 and 24.0% in 2015.

Consumer prices are expected to fall moderately by 0.8% in 2013 and 0.4% in 2014, reflecting weak domestic demand, falling unit labour costs and the implementation of product market reforms. As the economic recovery gains pace, prices are expected to increase weakly by 0.3% in 2015.

The current-account deficit is projected at -2.3% of GDP for 2013 and is expected to narrow to -1.9% in 2014 and -1.6% in 2015, as export and import growth pick up along with the economic recovery.

Risks, on the upside, are related to a faster return in confidence, more permanent spillovers by the positive tourism period and/or a stronger liquidity impact of the arrears clearance. On the downside, policy implementation slippages could undermine confidence, especially for 2014-15, affecting the extent and speed of investment and export recovery.

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




### Budgetary situation continues to improve

In structural terms, the budgetary adjustment has been very large, leading to a projected structural surplus in 2013, up from a deficit of nearly 15% in 2009, reflecting a clear turnaround in the fiscal position compared to the beginning of the crisis. The headline general government deficit is now estimated to be 9% of GDP in 2012, one percentage point lower than estimated at the time of the spring forecast, reflecting smaller one-off costs associated with the resolution of three banks.

The headline general government deficit in ESA95 terms is expected to stand at around 13.5% of GDP in 2013. This includes the bank recapitalisation costs (10.6% of GDP) increasing the deficit, the transfers received from Member States corresponding to profits on Greek bonds held by the Eurosystem Central Banks (about 1.5% of GDP) and other small factors. In programme terms, which exclude the factors above, the deficit is expected at around 4% of GDP.

In 2014, the headline deficit is expected to fall to 2% of GDP. If further bank recapitalisation costs have to be recorded in 2014, the headline deficit would increase beyond what is currently forecast. Current projections assume that any fiscal gaps for 2014 and 2015 are filled through measures to be discussed during the on-going review. In structural terms, the balance will remain more or less constant in 2014 compared with 2013. The headline deficit is expected to reach about 1% of GDP in 2015 in line with the programme targets.

The ratio of government debt to GDP is expected to peak at some 176% in 2013. After a marginal reduction in 2014, the debt ratio will decline more markedly in 2015 and beyond the forecast horizon as the fiscal balance continues to improve and economic growth resumes.

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

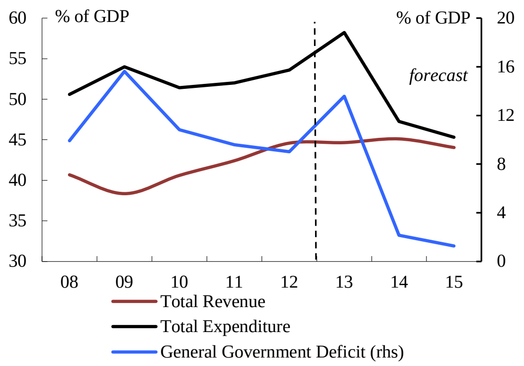



*Table II.8.1:*

**Main features of country forecast -GREECE**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 193.7 | 100.0 | 2.9 | -4.9 | -7.1 | -6.4 | **-4.0** | **0.6** | **2.9** |
| Private Consumption | | 142.8 | 73.7 | 3.1 | -6.2 | -7.7 | -9.1 | **-6.7** | **-1.6** | **1.4** |
| Public Consumption | | 34.4 | 17.8 | 3.1 | -8.7 | -5.2 | -4.2 | **-4.9** | **-4.0** | **-1.2** |
| Gross fixed capital formation | | 25.5 | 13.1 | 4.3 | -15.0 | -19.6 | -19.2 | **-5.9** | **5.3** | **11.3** |
| of which: equipment | | 10.5 | 5.4 | 8.6 | -8.2 | -18.1 | -17.3 | **-2.1** | **8.9** | **13.0** |
| Exports (goods and services) | | 52.3 | 27.0 | 4.5 | 5.2 | 0.3 | -2.4 | **2.5** | **4.6** | **5.5** |
| Imports (goods and services) | | 62.1 | 32.0 | 4.9 | -6.2 | -7.3 | -13.8 | **-7.1** | **-1.3** | **2.7** |
| GNI (GDP deflator) | | 194.7 | 100.5 | 2.8 | -5.3 | -7.2 | -3.1 | **-4.7** | **-0.3** | **2.3** |
| Contribution to GDP growth: | Domestic demand | | | 3.5 | -8.5 | -9.0 | -10.2 | **-6.5** | **-1.2** | **2.3** |
| | Inventories | | | -0.2 | 0.7 | -0.4 | 0.0 | **0.3** | **0.0** | **0.1** |
| | Net exports | | | -0.5 | 3.0 | 2.4 | 3.7 | **2.6** | **1.6** | **0.8** |
| Employment | | | | 1.2 | -2.6 | -5.6 | -8.3 | **-3.5** | **0.6** | **2.6** |
| Unemployment rate (a) | | | | 9.8 | 12.6 | 17.7 | 24.3 | **27.0** | **26.0** | **24.0** |
| Compensation of employees / head | | | | 6.6 | -2.6 | -3.4 | -4.2 | **-7.0** | **-1.5** | **0.0** |
| Unit labour costs whole economy | | | | 4.8 | -0.1 | -1.8 | -6.2 | **-6.5** | **-1.5** | **-0.3** |
| Real unit labour cost | | | | 0.1 | -1.3 | -2.9 | -5.5 | **-4.9** | **-1.0** | **-0.7** |
| Saving rate of households (b) | | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | | 4.7 | 1.1 | 1.0 | -0.8 | **-1.7** | **-0.5** | **0.4** |
| Harmonised index of consumer prices | | | | - | 4.7 | 3.1 | 1.0 | **-0.8** | **-0.4** | **0.3** |
| Terms of trade goods | | | | 0.0 | 1.8 | 0.6 | -1.0 | **0.2** | **-0.1** | **0.3** |
| Trade balance (c) | | | | -16.2 | -14.3 | -14.0 | -11.3 | **-9.6** | **-8.7** | **-8.2** |
| Current-account balance (c) | | | | -9.1 | -12.8 | -11.7 | -5.3 | **-2.3** | **-1.9** | **-1.6** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -8.3 | -11.0 | -9.8 | -2.9 | **-0.4** | **-0.1** | **0.2** |
| General government balance (c) | | | | -6.7 | -10.7 | -9.5 | -9.0 | **-13.5** | **-2.0** | **-1.1** |
| Cyclically-adjusted budget balance (c) | | | | -7.0 | -8.4 | -5.2 | -3.2 | **-7.5** | **2.6** | **0.9** |
| Structural budget balance (c) | | | | -8.3 | -8.9 | -5.8 | -1.0 | **1.2** | **1.0** | **-0.1** |
| General government gross debt (c) | | | | 103.8 | 148.3 | 170.3 | 156.9 | **176.2** | **175.9** | **170.9** |

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

# 9. SPAIN

## Return to positive growth

### Prospects of a moderate recovery, amidst continuing adjustment of imbalances

Following nine quarters of negative growth, the Spanish economy appears to be embarking on a moderate recovery in the second half of 2013, supported by the pick-up in the rest of the EU and policy progress at home. Net exports remain the main growth driver, while domestic demand is exerting less of a drag. The current account has moved into a surplus, which is projected to increase further over the forecast horizon, although at a slower pace than recently.

Still large adjustment needs will constrain the strength of the recovery. Credit continues contracting, driven to a large extent by weak demand but also by some frictions on the supply side. In spite of recent improvements in wholesale financial markets for the sovereign and banks (reducing significantly borrowing from the Eurosystem), financing conditions for households and companies remain relatively tight, in particular for smaller borrowers. The on-going bank restructuring and recapitalisation process, already well advanced in the context of the financial sector programme, is helping banks to regain the capacity to access capital markets at competitive rates and should support a gradual relaxation of lending conditions over time.

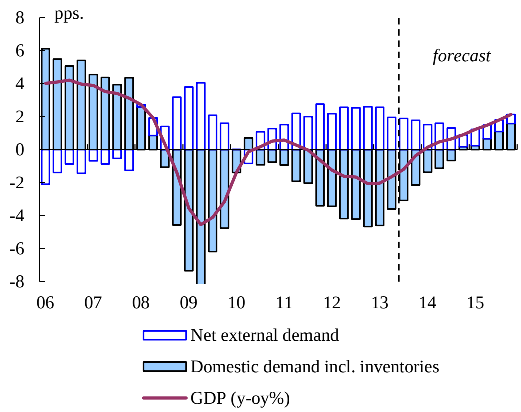
Real GDP is expected to contract by 1.3% in 2013, after -1.6% in 2012. Preliminary data indicate that GDP growth has turned marginally positive in the third quarter of 2013, driven by strong exports and some stabilisation in the labour market. The latter also point to a positive impact of the labour market reforms. These trends are expected to persist over the forecast horizon. As a result, GDP is set to grow by 0.5% in 2014. This rate of growth reflects stronger underlying dynamics than in the spring forecast, when the fiscal adjustment factored in the current forecast was not yet taken into account. In 2015, GDP growth is projected at 1.7%, which partly reflects the no-policy-change assumption. Indeed, some temporary tax measures are still set to expire that year, deteriorating the headline and structural budget balance. While challenges and vulnerabilities related to the adjustment process remain large, there is also some upside risks to the forecasts from a possible stronger pick-up in domestic demand than projected.

### Domestic demand slowly stabilising

Real gross disposable income and private consumption growth are expected to turn marginally positive in 2014 and the saving rate is projected to stabilise.

Investment in equipment is being supported by robust exports and the need for machine replacement after several years of sharply declining investment. Construction will however still contract at a high pace, and there is no sign yet of stabilisation in residential investment.

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




Exports have remained resilient. Lower recent demand from outside the EU has been compensated by a redirection towards European destinations. Going forward, imports are expected to strengthen on the back of growing exports and less subdued domestic demand. The trade surplus is projected to widen over the forecast horizon.

### Wages and inflation moderate

The unemployment rate declined to a still very high 26.0% in the third quarter of 2013. The decline was largely driven by a contraction of the labour force and some seasonal factors. Unemployment is projected to fall gradually over the forecast horizon, as the labour force continues to shrink and employment destruction reaches a turning point in the course of 2014. Productivity, which has in recent years been boosted by labour shedding and sectorial reallocation, is expected to decelerate. However, wage moderation will still allow for improvements in nominal ULC over the forecast horizon. Inflation is expected to remain low as the impact of fiscal measures taken in 2012 disappears, domestic demand remains weak and wages do not push up production costs.

### Fiscal consolidation set to continue, but at slower pace

The general government deficit for 2012 was revised down to 6.8% of GDP (from 7%), net of bank recapitalisations amounting to 3.8% of GDP. This revision essentially reflects a better budget balance for local communities than initially estimated. In 2013, fiscal consolidation is expected to continue, but at a more moderate pace. Discretionary measures of around 3% of GDP, including the full-year impact of VAT increases and further expenditure restraint, should more than offset the negative budgetary impact of the continued recession and rising social and interest expenditure. The general government deficit is currently expected to narrow to 6.5% of GDP for the full year (net of bank recapitalisation costs of about 0.3% of GDP), but considerable downside risks remain. Despite major consolidation measures having taken effect in the second half of 2012, the budgetary improvement in the first half of 2013 was limited to around 0.2 pp. Tax revenues in particular remained relatively weak so far and will have to pick up noticeably in the second half of the year.

The 2014 draft Budget Bill confirmed previously announced expenditure and revenue measures and against the background of positive, albeit weak, real GDP growth, the general government deficit is expected to shrink to 5.9% of GDP in 2014. This projection is underpinned by the extension of some tax measures that were previously expected to expire. While interest and pension expenditure are expected to rise further, falling unemployment and the change in the pension indexation formula should contribute to a deceleration of social transfers in 2014. Under a no-policy-change assumption, the headline deficit is expected to widen to 6.6% of GDP in 2015. The structural deficit is estimated to be close to -4¼% of GDP in 2013 and 2014 before rising to 5¾% in 2015.

Large public deficits and low nominal GDP growth are projected to push the general government gross debt to above 100% of GDP over the forecast horizon.

*Table II.9.1:*

**Main features of country forecast -SPAIN**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 1029.0 | 100.0 | 2.9 | -0.2 | 0.1 | -1.6 | **-1.3** | **0.5** | **1.7** |
| Private Consumption | | 610.4 | 59.3 | 2.7 | 0.2 | -1.2 | -2.8 | **-2.6** | **0.1** | **1.0** |
| Public Consumption | | 207.7 | 20.2 | 4.0 | 1.5 | -0.5 | -4.8 | **-3.0** | **-2.1** | **-0.1** |
| Gross fixed capital formation | | 197.5 | 19.2 | 3.6 | -5.5 | -5.4 | -7.0 | **-6.6** | **-2.4** | **1.9** |
| of which: equipment | | 60.7 | 5.9 | 4.3 | 5.0 | 5.5 | -3.9 | **-0.3** | **2.6** | **6.0** |
| Exports (goods and services) | | 336.0 | 32.7 | 5.8 | 11.7 | 7.6 | 2.1 | **4.5** | **5.2** | **5.7** |
| Imports (goods and services) | | 328.3 | 31.9 | 6.7 | 9.3 | -0.1 | -5.7 | **-1.9** | **1.5** | **4.0** |
| GNI (GDP deflator) | | 1017.0 | 98.8 | 2.8 | 0.4 | -0.7 | -0.8 | **-0.7** | **0.4** | **1.6** |
| Contribution to GDP growth: | Domestic demand | | | 3.2 | -0.9 | -2.0 | -4.1 | **-3.4** | **-0.8** | **0.9** |
| | Inventories | | | 0.0 | 0.3 | -0.1 | 0.0 | **0.0** | **0.0** | **0.0** |
| | Net exports | | | -0.3 | 0.4 | 2.1 | 2.5 | **2.1** | **1.3** | **0.8** |
| Employment | | | | 2.2 | -2.3 | -2.2 | -4.8 | **-3.6** | **-0.7** | **0.9** |
| Unemployment rate (a) | | | | 13.7 | 20.1 | 21.7 | 25.0 | **26.6** | **26.4** | **25.3** |
| Compensation of employees / f.t.e. | | | | 3.5 | 0.4 | 1.3 | 0.2 | **1.0** | **0.1** | **0.1** |
| Unit labour costs whole economy | | | | 2.8 | -1.7 | -1.0 | -3.0 | **-1.3** | **-1.1** | **-0.6** |
| Real unit labour cost | | | | -0.6 | -1.8 | -1.0 | -2.9 | **-1.7** | **-1.7** | **-1.3** |
| Saving rate of households (b) | | | | 12.4 | 13.9 | 12.7 | 10.4 | **10.5** | **10.5** | **11.4** |
| GDP deflator | | | | 3.4 | 0.1 | 0.0 | 0.0 | **0.4** | **0.6** | **0.7** |
| Harmonised index of consumer prices | | | | 3.0 | 2.0 | 3.1 | 2.4 | **1.8** | **0.9** | **0.6** |
| Terms of trade goods | | | | 0.4 | -2.3 | -3.5 | -2.3 | **-0.2** | **-0.1** | **-0.1** |
| Trade balance (c) | | | | -5.3 | -4.6 | -4.2 | -2.5 | **-0.8** | **0.2** | **0.7** |
| Current-account balance (c) | | | | -4.3 | -4.4 | -4.0 | -1.2 | **1.4** | **2.6** | **3.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -3.4 | -3.8 | -3.5 | -0.6 | **2.4** | **3.3** | **3.7** |
| General government balance (c) | | | | -2.2 | -9.6 | -9.6 | -10.6 | **-6.8** | **-5.9** | **-6.6** |
| Cyclically-adjusted budget balance (c) | | | | -2.4 | -7.4 | -7.5 | -8.2 | **-4.3** | **-4.3** | **-6.2** |
| Structural budget balance (c) | | | | -1.4 | -7.4 | -7.2 | -5.2 | **-4.1** | **-4.2** | **-5.8** |
| General government gross debt (c) | | | | 53.7 | 61.7 | 70.5 | 86.0 | **94.8** | **99.9** | **104.3** |

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

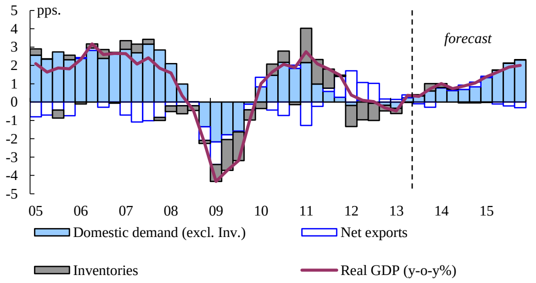
# 10. FRANCE

## Gradual recovery ahead

### Firm growth outlook only in the medium term

After two quarters of recession, real GDP growth rebounded sharply (0.5%) in the second quarter of 2013, partly driven by temporary factors. Activity is then expected to decelerate before slowly picking up again in 2014. The acceleration in external demand in 2014 is set to support exports, while private consumption is forecast to remain resilient despite on-going fiscal consolidation and investment is projected to increase only slightly. All in all, real GDP growth is forecast at 0.2% in 2013 and 0.9% in 2014.

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




In 2015, under the usual no-policy-change assumption and thanks to improved confidence, private consumption, the traditional growth driver of the French economy, is forecast to pick up and stimulate aggregate demand and in turn firms' investment, pushing real GDP growth up to 1.7%.

### Resilient private consumption

In 2013 and 2014, private consumption is expected to grow moderately (by 0.5% and 0.6%) in line with a relatively strong population increase (0.5%), therefore implying a stabilisation of consumption per capita. Real disposable income is set to benefit from low inflation, although it will also be dampened by the negative impact of rising unemployment and tax increases. In an environment where confidence improves, households are expected to draw somewhat on their savings to smooth their consumption spending. In 2015, the pick-up in real disposable income associated with moderate employment growth is forecast to lead to stronger private consumption (growth of 1.6%).

### Business confidence is improving

The resilience of economic growth in 2013 as a whole seems to have led to an improvement in business confidence in a context of stable lending conditions. However, entrepreneurs are likely to give priority to the restoration of their profit margins, before considering investing. The recent tax credit for competitiveness, aiming in particular at strengthening firms' financial situation, together with the expected rise in capacity utilisation are therefore set to slowly push up corporate investment during 2014. Only in 2015 with the increase in aggregate demand, together with strengthened profitability, should a firm pick up in investment take place.

### A relatively weak external sector

Export growth is set to accelerate as from 2014 on the back of an expected rebound in external demand. The recent competitiveness reforms are expected to gradually reduce the pace of losses in export market shares, although without fully reversing the trend. Export growth is therefore projected to remain slightly below that of world demand over the forecast horizon. With imports picking up due to the gradual increase in aggregate demand, net exports are expected to contribute only marginally to growth in 2014 (0.1 pp.) and to even slightly dampen it in 2015 (-0.1 pp.).

### Increasing unemployment, low inflation

In the current context of subdued growth, employers are likely to favour increasing productivity over job creation throughout 2014. However, subsidised job schemes in the public sector are assumed to stimulate somewhat total employment in 2014. The positive effects of the recent labour market reform are only expected to be visible from 2015. Meanwhile, the persistent expansion in the labour force, driven by demography, is forecast to imply a further moderate increase in unemployment, which is set to reach 11.3% in 2015 after 11.0% in 2013.

After a low level in 2013 (1.0%), inflation is set to slightly rise to 1.4% in 2014 on the back of the increases in VAT rates entering into force in January, before slowing to 1.3% in 2015.

### Some uncertainties remain

Risks to the forecast are broadly balanced. A stronger recovery could result from a quicker effect of structural reforms on employment and competitiveness. On the downside, a further deterioration of firms' profit margins might dampen export, investment and employment.

### Towards a shift in the composition of fiscal consolidation

In 2013, the general government deficit is forecast to reach 4.1% of GDP, down from 4.8% in 2012. The main reason for this is a significant package of revenue measures (1½% of GDP). Expenditure growth is projected to remain below historical levels, with savings mainly stemming from central government and social security funds (e.g. cuts in the wage bill and other operating costs, a freeze on transfers to local governments, savings on healthcare expenses). However, GDP growth significantly below potential and revenue shortfalls, which may be due to unusually low tax elasticity with respect to GDP, are having a negative impact on the nominal deficit.

In 2014, the deficit is expected to improve further on the back of the measures contained in the draft budget. The composition of consolidation will move towards expenditure savings; on top of existing spending rules (central government and healthcare), measures include new provisions on how annual pension increases are linked to inflation. However, public sector investment and wage developments are expected to result in higher expenditure growth compared with official plans. The tax burden is forecast to stay unchanged. Overall, the deficit is set to reach 3.8% of GDP.

These projections are consistent with a cumulated improvement in the structural balance of 1¾% of GDP in 2013-14.

Under the no-policy-change assumption, the general government balance is set to somewhat improve in 2015, reflecting higher recovery-driven tax receipts partly offset by projected expenditure developments.

The ratio of government debt to GDP, at 90% in 2012, will further increase on the back of still high deficits relative to nominal GDP growth.

*Table II.10.1:*

**Main features of country forecast -FRANCE**

| | 2012 | | Annual percentage change | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 2032.3 | 100.0 | 1.7 | 1.7 | 2.0 | 0.0 | **0.2** | **0.9** | **1.7** |
| Private Consumption | 1172.3 | 57.7 | 1.9 | 1.6 | 0.6 | -0.3 | **0.5** | **0.6** | **1.6** |
| Public Consumption | 502.7 | 24.7 | 1.3 | 1.8 | 0.4 | 1.4 | **1.7** | **1.2** | **1.4** |
| Gross fixed capital formation | 401.8 | 19.8 | 2.3 | 1.4 | 2.9 | -1.2 | **-2.3** | **0.6** | **3.4** |
| of which: equipment | 104.2 | 5.1 | 3.0 | 11.2 | 7.3 | -3.2 | **-3.7** | **1.1** | **5.1** |
| Exports (goods and services) | 557.6 | 27.4 | 3.8 | 9.5 | 5.4 | 2.4 | **1.4** | **4.3** | **5.6** |
| Imports (goods and services) | 602.6 | 29.7 | 4.7 | 8.9 | 5.1 | -1.1 | **1.4** | **3.5** | **5.8** |
| GNI (GDP deflator) | 2067.2 | 101.7 | 1.8 | 1.9 | 2.1 | -0.4 | **-0.1** | **0.9** | **1.7** |
| Contribution to GDP growth: Domestic demand | | | 1.8 | 1.6 | 1.0 | -0.1 | **0.2** | **0.7** | **1.9** |
| Inventories | | | 0.1 | 0.1 | 1.1 | -0.8 | **0.0** | **0.0** | **0.0** |
| Net exports | | | -0.2 | 0.0 | 0.0 | 1.0 | **0.0** | **0.1** | **-0.1** |
| Employment | | | 0.8 | 0.0 | 0.7 | 0.0 | **-0.2** | **0.3** | **0.4** |
| Unemployment rate (a) | | | 9.5 | 9.7 | 9.6 | 10.2 | **11.0** | **11.2** | **11.3** |
| Compensation of employees / f.t.e. | | | 2.5 | 2.5 | 2.5 | 2.2 | **1.4** | **1.3** | **1.5** |
| Unit labour costs whole economy | | | 1.5 | 0.7 | 1.2 | 2.1 | **1.0** | **0.7** | **0.3** |
| Real unit labour cost | | | -0.1 | -0.3 | -0.1 | 0.6 | **-0.5** | **-0.9** | **-1.2** |
| Saving rate of households (b) | | | 15.0 | 15.6 | 15.6 | 15.2 | **14.4** | **13.8** | **13.7** |
| GDP deflator | | | 1.6 | 1.0 | 1.3 | 1.5 | **1.5** | **1.6** | **1.5** |
| Harmonised index of consumer prices | | | 1.7 | 1.7 | 2.3 | 2.2 | **1.0** | **1.4** | **1.3** |
| Terms of trade goods | | | 0.0 | -2.3 | -2.6 | -1.0 | **1.7** | **0.2** | **0.1** |
| Trade balance (c) | | | -0.1 | -2.6 | -3.6 | -3.1 | **-2.5** | **-2.4** | **-2.4** |
| Current-account balance (c) | | | 0.4 | -1.9 | -2.5 | -2.1 | **-1.8** | **-1.5** | **-1.5** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | 0.4 | -1.8 | -2.5 | -2.2 | **-1.8** | **-1.4** | **-1.4** |
| General government balance (c) | | | -3.5 | -7.1 | -5.3 | -4.8 | **-4.1** | **-3.8** | **-3.7** |
| Cyclically-adjusted budget balance (c) | | | -3.8 | -6.0 | -4.7 | -3.6 | **-2.5** | **-2.2** | **-2.4** |
| Structural budget balance (c) | | | -4.6 | -5.8 | -4.8 | -3.7 | **-2.7** | **-2.0** | **-2.4** |
| General government gross debt (c) | | | 61.6 | 82.4 | 85.8 | 90.2 | **93.5** | **95.3** | **96.0** |

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

# 11. CROATIA

## Fiscal challenges amidst weak growth outlook

### From recession to stagnation

Real GDP is forecast to contract by 0.7% in 2013 on the back of weak demand in major export markets, adverse labour market conditions, and a debt overhang in the private sector.

Several specific factors, some of them linked to EU accession, affected GDP components in the first half of the year. Purchases in anticipation of higher excises on EU entry had an upward impact on private consumption. Moreover, imports increased on the back of expected changes in the system of excises and the effects of the common EU foreign trade policy on the prices of some imported goods. Exports also reacted: domestic producers increased exports to trading partners covered by the Central European Free Trade Agreement (CEFTA) in anticipation of the change in trade regime with these countries. Tourism contributed positively to growth and investment was boosted by outlays of some public companies. Furthermore, the increase in registered turnover in retail trade and restaurants after the introduction of fiscal cash registers may have also affected the consumption estimates.

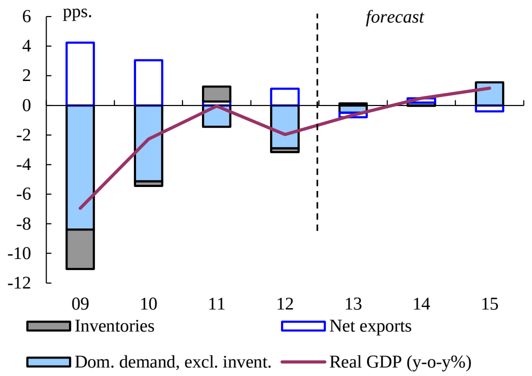
Going forward, some monthly indicators, notably on industrial production and construction, suggest that economic activity will remain weak. To some extent, this will be offset by the successful touristic season. Overall, the economy is expected to stagnate in the second half of 2013.

### Recovery towards the end of the forecast period

While inflation is forecast to ease, weak nominal wage growth and declining employment are expected to weigh negatively on real disposable household income and private consumption. Fragile domestic demand and on-going bank deleveraging, coupled with uncertainty, provide little support for private investment which is expected to return to positive territory only by the end of 2014. Real GDP is nevertheless forecast to increase slightly, by 0.5% in 2014, due to the positive contribution of net exports and investment.

In 2015, a modest recovery is expected on the back of an upturn in domestic demand, notably investment. Legislative changes such as the law on strategic investments and the availability of EU funds are expected to underpin investment activity. With some improvement in the labour market, private consumption is expected to start recovering in 2015. By contrast, on the external side exports of goods are projected to recover only gradually because of the small manufacturing base and the weak economic outlook for the main trading partners. Stronger domestic demand is forecast to drive up imports, resulting in a slightly negative net trade contribution to growth.

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




### High unemployment, subdued inflation

Weak economic activity is set to result in a further decline in employment in 2013, and stagnation in 2014, followed by modest gains in 2015 reflecting the recovery in domestic demand. Hence, the unemployment rate is expected to still rise in 2013, and decline somewhat in 2014 and particularly in 2015.

In the absence of demand-side pressures, with stable global energy prices and the effects of tax measures further fading out, inflation is projected to ease in both 2013 and 2014. A slight uptick in inflation is expected in 2015, in line with the recovery of domestic economic activity.

Risks remain tilted to the downside. Heightened competitive pressures in the wake of EU accession are already apparent in some sectors of the economy, like retail trade, and it may take longer to restore trade flows affected by the exit from the CEFTA area. A further contraction in domestic credit, especially to SMEs, may also pose a growth risk. Furthermore, the capacity to absorb EU funds in the near-term may be more limited than assumed in the forecast.

### General government deficit widening

Revised figures validated by Eurostat show a general government deficit of 6.4%, 7.8% and 5.0% of GDP in 2010, 2011 and 2012. Revisions stem, among others, from the transfer of debt of privatised shipyards to the government, impacting especially 2011 with an increase of the deficit of around 2% of GDP. At the end of 2012, the debt-to-GDP ratio stood at 55.5% of GDP.

The deficit is expected to widen to 5.4% of GDP in 2013. On the revenue side, this reflects shortfalls in corporate income tax, social contributions and VAT receipts. Corporate income tax revenue in the first three quarters of 2013 fell by almost one quarter (year-on-year). This fall primarily reflects the impact of the law on corporate profits, allowing corporations as of 2013 to reduce their taxable base by the amount of reinvested profits. In addition, an EU accession-related change in the date on which VAT on imported goods from EU countries is due for payment resulted in a shift in the time profile of VAT collection, implying a one-off shortfall of some 0.5% of GDP in 2013. On the other hand, measures like the reduction in public sector wages and bonuses dampened the trend in expenditure in 2013.

This forecast takes into account the fiscal and economic policy guidelines released by the Croatian government in late September 2013. However, the set of possible additional measures, released simultaneously, is not included, due to lack of detailed information. The 2014 draft budget bill was not available. Under this no-policy-change assumption the deficit and debt-to-GDP ratio are expected to deteriorate in 2014 and 2015, chiefly due to increases in expenditure. On the revenue side, the collection of indirect taxes is expected to recover in 2014. The ratio of public debt to GDP is forecast to continue to rise over the forecast period to above 60% of GDP on the back of high deficits and subdued nominal GDP growth. Risks to the fiscal forecast seem skewed to the downside. If the economy keeps performing poorly, there may be a further activation of government guarantees to state owned and public enterprises. Interest expenditure may also increase more than foreseen, also depending on liquidity conditions.

*Table II.11.1:*

**Main features of country forecast -CROATIA**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn HRK | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 330.2 | 100.0 | - | -2.3 | 0.0 | -2.0 | **-0.7** | **0.5** | **1.2** |
| Private Consumption | | 198.7 | 60.2 | - | -1.3 | 0.2 | -2.9 | **-0.5** | **-0.5** | **0.5** |
| Public Consumption | | 65.3 | 19.8 | - | -2.1 | -0.6 | -0.8 | **-1.0** | **0.5** | **0.5** |
| Gross fixed capital formation | | 60.7 | 18.4 | - | -15.0 | -6.4 | -4.6 | **0.0** | **2.0** | **5.5** |
| of which: equipment | | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | | 143.3 | 43.4 | - | 4.8 | 2.0 | 0.4 | **-0.7** | **2.5** | **3.0** |
| Imports (goods and services) | | 140.9 | 42.7 | - | -2.8 | 1.3 | -2.1 | **0.0** | **1.8** | **3.8** |
| GNI (GDP deflator) | | 318.7 | 96.5 | - | -1.9 | -0.8 | -1.9 | **-0.1** | **0.4** | **0.7** |
| Contribution to GDP growth: | Domestic demand | | | 3.8 | -5.1 | -1.4 | -2.9 | **-0.5** | **0.2** | **1.6** |
| | Inventories | | | 0.0 | -0.2 | 1.1 | -0.2 | **0.1** | **0.0** | **0.0** |
| | Net exports | | | -0.6 | 3.1 | 0.3 | 1.1 | **-0.3** | **0.3** | **-0.4** |
| Employment | | | | 0.7 | -5.1 | -2.3 | -3.9 | **-1.7** | **0.1** | **0.5** |
| Unemployment rate (a) | | | | 12.6 | 11.8 | 13.5 | 15.9 | **16.9** | **16.7** | **16.1** |
| Compensation of employees / head | | | | - | 1.9 | 3.0 | 3.2 | **1.0** | **1.5** | **2.0** |
| Unit labour costs whole economy | | | | - | -1.1 | 0.7 | 1.2 | **0.0** | **1.1** | **1.3** |
| Real unit labour cost | | | | - | -1.9 | -1.3 | -0.8 | **-1.7** | **-0.7** | **-0.6** |
| Saving rate of households (b) | | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | | - | 0.8 | 2.0 | 2.0 | **1.7** | **1.9** | **1.9** |
| Harmonised index of consumer prices | | | | 8.2 | 1.1 | 2.2 | 3.4 | **2.6** | **1.8** | **2.0** |
| Terms of trade goods | | | | - | 0.4 | 0.7 | 0.0 | **0.1** | **1.1** | **0.9** |
| Trade balance (c) | | | | -18.9 | -13.9 | -14.5 | -14.3 | **-14.8** | **-14.7** | **-15.2** |
| Current-account balance (c) | | | | -5.1 | -0.9 | -1.1 | -0.2 | **0.1** | **0.7** | **0.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -5.1 | -0.9 | -1.1 | -0.2 | **0.1** | **0.7** | **0.1** |
| General government balance (c) | | | | -5.3 | -6.4 | -7.8 | -5.0 | **-5.4** | **-6.5** | **-6.2** |
| Cyclically-adjusted budget balance (c) | | | | -4.4 | -4.9 | -7.0 | -3.9 | **-4.6** | **-6.0** | **-5.9** |
| Structural budget balance (c) | | | | - | -4.9 | -7.0 | -3.9 | **-4.1** | **-6.0** | **-5.9** |
| General government gross debt (c) | | | | 36.6 | 44.9 | 51.6 | 55.5 | **59.6** | **64.7** | **69.0** |

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

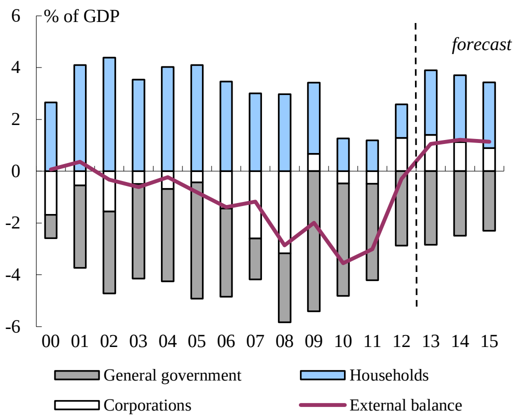
# 12. ITALY

## From recession to a mild export-led recovery

### After a further sharp contraction in 2012-13…

Against the background of persistently tight credit conditions, domestic demand continues to act as a major drag on growth and in 2013 economic activity is projected to contract by 1.8%, after -2.5% recorded in 2012. The downward revision to the real GDP outlook compared to the -1.3% expected in the spring forecast is mainly explained by significantly lower investment, a less dynamic external environment and a stronger exchange rate appreciation. Available indicators suggest that the recession may be close to bottoming out. Industrial production declined in July and August, pointing to a further moderate contraction in output in the third quarter. However, improved business confidence since the early summer, mainly driven by a positive assessment of export orders, foretells a gradual mild recovery in output as from the fourth quarter of 2013.

*Graph II.12.1:* **Italy - Sectoral balances**




### …economic activity is set to gradually recover in 2014-15.

In 2014, Italian banks are expected to continue adjusting their balance sheets also in the framework of the forthcoming asset quality review and stress test related to the launch of the Single Supervisory Mechanism. Therefore, credit conditions are projected to ease only gradually, while firms' liquidity is supported by the on-going settlement of government trade debt arrears. On the back of accelerating external demand, mainly from extra-EU trade partners, capacity utilisation of exporting firms is expected to increase, fostering investment in equipment. This, together with a more neutral fiscal stance, is set to turn the economy to a mild expansion with real GDP growth projected at 0.7% in 2014.

The current financial fragmentation in the euro area is expected to recede over time, implying more favourable credit conditions for households and firms and a stronger recovery in 2015, at 1.2%. This does not incorporate the benefits from the full implementation of the adopted structural reforms, as they could take more time to materialise. The projected acceleration in domestic demand reverts the negative reading in imports recorded over 2012-13, leading to a stabilisation of Italy's current-account surplus at around 1% of GDP.

### Employment lags behind, while inflation remains subdued

On the back of the deep and protracted recession, headcount employment is set to continue falling substantially in 2013, then stabilise in 2014 and recover only in 2015. Combined with a modest rise in the labour force, this brings the unemployment rate at a peak of 12.4% in 2014. Over 2014-15, productivity is set to recover as employment dynamics lag the output recovery. Also as a result of the projected moderate wage growth, unit labour costs decelerate in 2013-15, broadly in line with the rest of the euro area. However, the euro appreciation weighs on price competitiveness.

HICP inflation is set to average 1.5% in 2013 and remain fairly stable over the forecast horizon. In the short run, the upward pressure on consumer prices due to the 1 pp. increase in the standard VAT rate as of October 2013 is expected to offset the disinflationary effects stemming from weak unit labour cost growth and subdued demand.

### The budgetary correction slows down after the large effort in 2012

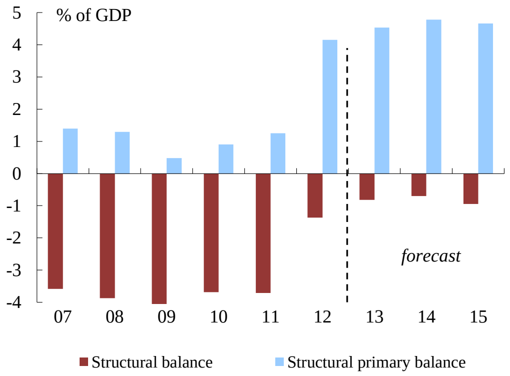
In 2013, the general government deficit is forecast to remain at 3.0% of GDP, including the full budgetary execution of consolidation measures enshrined in legislation. Interest expenditure is anticipated to fall thanks to the recent decline in the sovereign risk premium. After contracting over 2010-12, primary expenditure in nominal terms is projected to increase by around 1% y-o-y due to the settlement of trade debt arrears, which drives up investment expenditure by 0.5% of GDP in 2013. By contrast, the wage bill and intermediate consumption continue to be restrained. Revenues are projected to rise marginally thanks to the good performance of taxes on financial wealth and corporate income, including some one-offs.

In 2014, the headline deficit is forecast at 2.7% of GDP, after incorporating the draft budgetary plan as adopted by the government on 15 October. The primary surplus is expected to increase to 2.8% of GDP and interest expenditure to rise marginally. The increase in current primary expenditure is projected to remain moderate thanks to a further fall in the wage bill as public contracts remain frozen and hiring is restricted. Capital spending is set to recede as the investment expenditure related to the settlement of trade debt arrears fades out. Revenues are expected to grow less than nominal GDP mainly due to expiring one-offs.

On a no-policy-change basis another slight fall in the headline deficit is forecast in 2015, to 2.5% of GDP. The primary surplus is set to rise further, to 3.1% of GDP, as revenues benefit from the economic recovery.

The structural balance is projected to improve further in 2013 and 2014 – overall by around ¾% of GDP – but to remain negative. On a no-policy-change basis, the structural balance is forecast to worsen in 2015.

*Graph II.12.2:* **Italy - General government structural balances**




The general government gross debt is set to continue increasing, peaking at 134% of GDP by 2014, also due to the settlement of trade debt arrears. The debt ratio is then forecast to decline slightly in 2015.

*Table II.12.1:*

**Main features of country forecast -ITALY**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 1567.0 | 100.0 | 1.0 | 1.7 | 0.5 | -2.5 | **-1.8** | **0.7** | **1.2** |
| Private Consumption | | 953.7 | 60.9 | 1.2 | 1.5 | -0.3 | -4.1 | **-2.3** | **0.3** | **0.8** |
| Public Consumption | | 315.0 | 20.1 | 1.0 | -0.4 | -1.2 | -2.7 | **-1.2** | **-0.9** | **0.7** |
| Gross fixed capital formation | | 280.7 | 17.9 | 1.4 | 0.6 | -2.2 | -8.3 | **-5.2** | **2.7** | **3.8** |
| of which: equipment | | 113.7 | 7.3 | 2.1 | 8.1 | -0.7 | -11.4 | **-4.0** | **5.2** | **7.0** |
| Exports (goods and services) | | 473.5 | 30.2 | 2.5 | 11.4 | 6.2 | 2.0 | **0.1** | **3.6** | **4.8** |
| Imports (goods and services) | | 455.8 | 29.1 | 3.5 | 12.6 | 0.8 | -7.4 | **-3.5** | **3.6** | **5.4** |
| GNI (GDP deflator) | | 1556.8 | 99.3 | 1.1 | 1.7 | 0.4 | -2.6 | **-1.8** | **0.7** | **1.2** |
| Contribution to GDP growth: | Domestic demand | | | 1.2 | 0.9 | -0.8 | -4.6 | **-2.6** | **0.5** | **1.3** |
| | Inventories | | | 0.0 | 1.1 | -0.1 | -0.7 | **-0.3** | **0.1** | **0.0** |
| | Net exports | | | -0.1 | -0.4 | 1.4 | 2.8 | **1.1** | **0.1** | **0.0** |
| Employment | | | | 0.4 | -1.1 | 0.1 | -1.1 | **-1.6** | **0.2** | **0.5** |
| Unemployment rate (a) | | | | 9.1 | 8.4 | 8.4 | 10.7 | **12.2** | **12.4** | **12.1** |
| Compensation of employees / f.t.e. | | | | 2.9 | 2.8 | 1.3 | 1.0 | **1.3** | **1.2** | **1.6** |
| Unit labour costs whole economy | | | | 2.3 | 0.0 | 1.0 | 2.5 | **1.6** | **0.7** | **0.9** |
| Real unit labour cost | | | | -0.4 | -0.4 | -0.4 | 0.8 | **0.2** | **-0.7** | **-0.5** |
| Saving rate of households (b) | | | | 17.3 | 12.4 | 11.9 | 11.6 | **12.4** | **12.6** | **12.7** |
| GDP deflator | | | | 2.8 | 0.4 | 1.4 | 1.7 | **1.3** | **1.4** | **1.4** |
| Harmonised index of consumer prices | | | | 2.6 | 1.6 | 2.9 | 3.3 | **1.5** | **1.6** | **1.5** |
| Terms of trade goods | | | | -0.2 | -3.9 | -3.6 | -1.0 | **1.3** | **0.4** | **-0.1** |
| Trade balance (c) | | | | 1.4 | -1.3 | -1.1 | 1.1 | **2.4** | **2.5** | **2.5** |
| Current-account balance (c) | | | | 0.1 | -3.5 | -3.1 | -0.5 | **1.0** | **1.2** | **1.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 0.3 | -3.5 | -3.0 | -0.3 | **1.1** | **1.2** | **1.1** |
| General government balance (c) | | | | -3.9 | -4.5 | -3.8 | -3.0 | **-3.0** | **-2.7** | **-2.5** |
| Cyclically-adjusted budget balance (c) | | | | -4.4 | -3.5 | -3.0 | -1.3 | **-0.6** | **-0.7** | **-1.1** |
| Structural budget balance (c) | | | | -4.7 | -3.7 | -3.7 | -1.4 | **-0.8** | **-0.7** | **-0.9** |
| General government gross debt (c) | | | | 111.0 | 119.3 | 120.7 | 127.0 | **133.0** | **134.0** | **133.1** |

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

# 13. CYPRUS

## Recession deepens while adjustments are underway

**Note: This forecast was finalised at end-July, after the first quarterly review of the Economic Adjustment programme, and will be revisited during the second quarterly review. The text reflects recent developments.**

### Resilient households curbed the contraction…

Economic activity continued its decline in the first half of 2013, although to a lesser extent than foreseen in the Spring 2013 European Economic Forecast, as private consumption proved less weak than anticipated. The unwinding of macroeconomic imbalances, disruptions to credit intermediation, and private sector deleveraging continued to weigh on domestic demand. Uncertainty about future business prospects led firms to accelerate their destocking, weighing further on growth. On the other hand, on the back on a sharp contraction in import, net trade contributed positively to growth.

Consumer confidence and business sentiment indicators hit historically low levels following the agreement of an economic adjustment programme for Cyprus in April. Although some improvement in the indicators has been observed since, they continue to point to further contraction in activity for the coming quarters.

### … yet economic activity is expected to contract in 2013 and 2014 …

Amid high uncertainty, real GDP in 2013 and 2014 is expected to profoundly contract, to broadly the same extent cumulatively as expected in the Spring Forecast. The Cypriot economy will continue to face several headwinds. Domestic demand will continue to fall, amid declining credit and wage growth alongside further fiscal consolidation. On the back of further shrinking of import in 2013-14, a positive contribution to growth is expected from net trade, and the current-account balance is forecast to improve significantly.

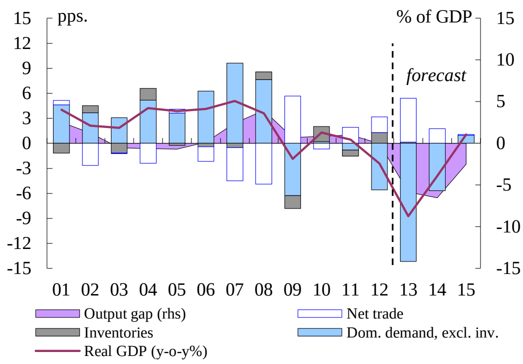
### …. but growth is set to resume in 2015

In 2015, the recession is expected to come to an end and growth is foreseen to resume gradually, as private domestic demand regains strength. The on-going deleveraging of both households and corporates will remove impediments to a more balanced growth over time. At the same time, the restoration of a sound and well-capitalised banking sector is expected to gradually loosen the tight credit conditions, supporting domestic demand. The rebound in domestic demand is expected to support imports, therefore limiting the positive contribution of net export to GDP and negatively impacting the current-account balance.

### Unemployment rates reach historical high levels while inflation remains weak

The profound contraction in economic activity in 2013 and 2014 is expected to weigh on employment and push unemployment to unprecedented levels. Subdued domestic cost pressure and sizeable spare capacity are projected to contain inflation in 2013 and 2014 despite higher indirect taxes. As domestic demand picks up in 2015, inflation is projected to accelerate, albeit remaining below 2%.

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




### Fiscal adjustments are underway

Despite the significant consolidation effort undertaken in line with the programme requirements, the general government deficit is expected to increase in 2013. This is largely due to a one-off compensation of provident and retirement funds in Cyprus Popular Bank, which amounts to 1.8% of GDP. The deficit is projected to stay flat in 2014 and to decline in 2015, in line with the annual targets set out in the context of the programme.

Developments in 2014 are expected to be largely driven by the continuation of the deep recession and the sizeable consolidation measures undertaken. This combination is likely to result in a decrease of broadly the same magnitude of both total revenue and total expenditure. On the revenue side, falling wages and employment in the private and public sectors as well as declining profits are forecast to lower revenues from direct taxes, while the measures undertaken to raise revenues from indirect taxes are unlikely to be sufficient to cushion the negative effect stemming from the drop in private consumption and imports. On the expenditure side, further restraint is expected from measures to reduce the public sector wage bill, continued compression in public investment, intermediate consumption and other current expenditure. Overall, expenditure-reducing measures are projected to outweigh the increase in social transfers connected to the adverse labour market developments.

In 2015, total revenue is expected to recover in line with the improving macroeconomic situation, while total expenditure is projected to decrease further on the back of better labour market conditions.

Debt is expected to sharply increase in 2013, mainly as a result of the participation of the government in the recapitalisation of the banking sector. The debt-to-GDP ratio is projected to further increase in 2014 and 2015, reflecting the weak GDP growth.

### Downside risks prevail

Risks are tilted to the downside. On the domestic front, a more protracted period of disruptions to efficient credit intermediation alongside tighter credit supply conditions and a further deterioration in the confidence in the banking sector could pose considerable risks to the real economy. Moreover, a further worsening of labour market conditions may lead to a more prolonged weakness of business and consumer confidence. On the fiscal front, weaker-than-expected growth could lead to revenue shortfalls.

*Table II.13.1:*

**Main features of country forecast - CYPRUS**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | mio EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 17720.3 | 100.0 | 3.8 | 1.3 | 0.4 | -2.4 | **-8.7** | **-3.9** | **1.1** |
| Private Consumption | | 12087.3 | 68.2 | - | 1.5 | 1.3 | -2.5 | **-12.4** | **-5.7** | **1.6** |
| Public Consumption | | 3438.2 | 19.4 | - | 1.0 | -0.2 | -3.1 | **-8.9** | **-3.7** | **-1.7** |
| Gross fixed capital formation | | 2430.0 | 4.3 | - | -4.9 | -8.7 | -19.6 | **-29.5** | **-11.9** | **2.2** |
| of which: equipment | | 757.3 | 4.3 | - | -6.5 | -15.8 | -16.0 | **-26.0** | **-14.3** | **1.4** |
| Exports (goods and services) | | 7710.2 | 43.5 | - | 3.8 | 4.4 | -2.7 | **-5.4** | **-2.5** | **1.7** |
| Imports (goods and services) | | 8180.1 | 46.2 | - | 4.8 | -0.2 | -6.4 | **-16.5** | **-6.7** | **1.7** |
| GNI (GDP deflator) | | 17184.8 | 97.0 | 3.7 | 2.4 | 4.8 | -6.3 | **-8.6** | **-5.9** | **-0.8** |
| Contribution to GDP growth: | | Domestic demand | | 4.0 | 0.2 | -0.8 | -5.6 | **-14.2** | **-5.7** | **1.0** |
| | | Inventories | | -0.2 | 1.8 | -0.7 | 1.3 | **0.2** | **0.0** | **0.0** |
| | | Net exports | | -0.6 | -0.7 | 1.9 | 1.9 | **5.3** | **1.8** | **0.1** |
| Employment | | | | 2.0 | -0.2 | 0.5 | -4.2 | **-7.8** | **-3.7** | **1.0** |
| Unemployment rate (a) | | | | 4.4 | 6.3 | 7.9 | 11.9 | **16.7** | **19.2** | **18.4** |
| Compensation of employees / head | | | | - | 2.6 | 2.5 | -0.9 | **-9.5** | **-4.6** | **-1.4** |
| Unit labour costs whole economy | | | | - | 1.1 | 2.5 | -2.7 | **-8.5** | **-4.4** | **-1.5** |
| Real unit labour cost | | | | - | -0.9 | 0.2 | -4.2 | **-9.0** | **-5.4** | **-3.0** |
| Saving rate of households (b) | | | | 11.0 | 13.6 | 8.8 | 12.4 | **3.3** | **7.4** | **5.0** |
| GDP deflator | | | | 2.9 | 1.9 | 2.3 | 1.6 | **0.6** | **1.1** | **1.5** |
| Harmonised index of consumer prices | | | | 2.6 | 2.6 | 3.5 | 3.1 | **1.0** | **1.2** | **1.6** |
| Terms of trade goods | | | | - | -0.9 | -1.8 | -1.1 | **-1.6** | **-1.0** | **-0.4** |
| Trade balance (c) | | | | -26.1 | -26.8 | -24.3 | -21.7 | **-17.9** | **-16.5** | **-16.7** |
| Current-account balance (c) | | | | -4.9 | -9.2 | -4.3 | -6.6 | **-2.0** | **-0.6** | **-0.9** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -4.7 | -9.0 | -4.6 | -4.8 | **-1.1** | **-0.8** | **-1.0** |
| General government balance (c) | | | | -2.8 | -5.3 | -6.3 | -6.4 | **-8.3** | **-8.4** | **-6.3** |
| Cyclically-adjusted budget balance (c) | | | | -3.2 | -5.7 | -6.8 | -6.4 | **-5.7** | **-5.5** | **-5.2** |
| Structural budget balance (c) | | | | -3.2 | -5.7 | -6.5 | -6.8 | **-5.5** | **-5.5** | **-5.2** |
| General government gross debt (c) | | | | 61.7 | 61.3 | 71.5 | 86.6 | **116.0** | **124.4** | **127.4** |

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

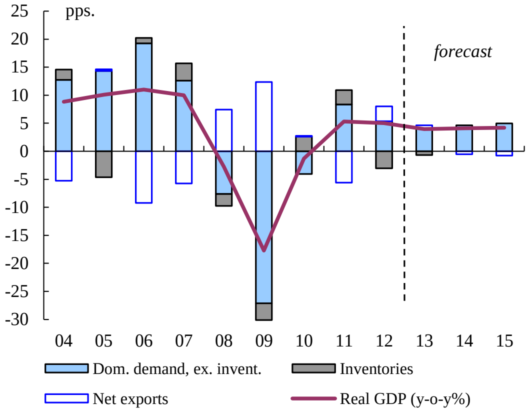
# 14. LATVIA

## Job creation lifts up consumer demand

### Growth rate flattens out

Economic growth slowed to 4.1% y-o-y in the first half of 2013 from a downward revised 5% in 2012. At the same time, private consumption growth accelerated to 6.2% from 5.8%, helped by employment and real wage gains. The latest retail trade indicators show that consumer demand is slightly slowing but the growth momentum is set to be sustained by increasing external demand over the forecast horizon. All in all, economic growth is now forecast to be relatively flat, rising only marginally from 4% in 2013 to 4.2% in 2015 amid broadly balanced risks.

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




In sharp contrast to consumer demand, investments declined in the first half of 2013 as weak external demand constrained corporate plans for capacity upgrades. The recent upturn in economic sentiment across Europe along with overall positive business expectations linked to the upcoming euro adoption at the beginning of 2014 are set to revive domestic investment. Corporate profits are forecast to remain the major source of investment as bank deleveraging is still underway. On the supply side, manufacturing is hit by the shutdown of the country's largest metal processing plant with further negative repercussions forecast for 2014. Economic growth is supported by construction and services in 2013, including a strong rebound in real estate activities and a continuous expansion in tourism. In 2014-15, growth is expected to be more broad-based across major business sectors.

On the external side, the steep contraction in the metal industry had broadly symmetric downward effects on exports and imports. As the drop in investment further dampened imports, the foreign trade balance improved substantially in the first half of 2013 and had an overall positive net contribution to GDP growth. Imports are nevertheless expected to pick up at a faster pace than exports over the forecast horizon on the basis of the projected rebound in investments.

### Unemployment drops steeply

Despite the slowdown in economic growth, unemployment dropped markedly to 13.0% in the first quarter of 2013 and 11.4% in the second quarter, relative to 16.3% in the corresponding periods of the previous year. Employment grew broadly in line with expectations by nearly 3% y-o-y in the first half of 2013 but the labour force unexpectedly contracted, most likely due to statistical adjustments to the survey reflecting the census in 2011. Unemployment is projected to decrease at a slower pace over the forecast horizon but is nevertheless likely to move below the EU average already in 2014. As labour demand is catching up with supply, wages are forecast to rise strongly, also pushing up unit labour costs. However, relative unit labour costs are seen as broadly stable due to similar labour market dynamics in major trading partners.

### Energy market weighs heavily on inflation

Annual HICP inflation is projected at 0.3% in 2013, down from 2.3% in 2012. The steep deceleration is largely linked to commodity prices, in particular crude oil. Price cuts due to efficiency upgrades in heating utilities as well as competitive pressures on the telecom and retail markets also played a role. The liberalisation of the electricity market as of April 2014 will remove certain limitations on household prices and is set to push up inflation along with possible changes to the feed-in tariff, network charges and market risks stemming from higher wholesale prices. The expected wage and employment growth is also likely to lift core inflation while commodities are assumed to have a further downward impact on prices. Inflation is therefore forecast to reach 2.1% in both 2014 and 2015, including a small one-off effect (0.2 - 0.3 pp.) from the euro changeover in 2014 to cover rounding effects and some administrative costs at corporate level.

### Low budget deficit and declining debt ratio

The general government deficit is estimated at 1.4% of GDP in 2013. While the results for the first half of 2013 suggest that tax revenue remains robust, the estimated outturn includes a guarantee call of 0.3% of GDP, involving a metallurgical company that is currently in a standstill.

The draft budget for 2014 was adopted by the government on 1 October. As part of the budgetary package, the government modified its earlier strategy of lowering labour taxes: instead of the previously planned reduction in the personal income tax rate by 2 pps. in 2014 and again in 2015, the rate will be maintained at 24% in 2014 and reduced by 1 pp. in 2015 and again in 2016, while the non-taxable thresholds (general and applicable to dependents) will be increased from 2014, thus lowering the tax burden on low wages and families. In parallel, the rate of social security contributions will be lowered by 1 pp. to 34.1% from 2014. To partially compensate the impact, some consumption and natural resource taxes are increased from 2014 and the respective tax bases broadened. Furthermore, the draft 2014 budget introduces a euro vignette and a tax on power producers. The latter will be used to offset price hikes from the full liberalisation of the electricity market, including financial support to low income families. Other important developments on the expenditure side are broad-based growth in public wages from 2014, including due to an increase in the minimum wage, and a resumption of pension indexation. The deficit is projected to remain around 1% of GDP in both 2014 and 2015; the latter projection is made on a no-policy-change basis, including the tax measures taking effect from 2015. This implies a slight deterioration in the structural balance in both years. Risks to the outlook are overall balanced, although the metallurgical company mentioned above and public companies remain sources of fiscal risk.

General government debt, which has increased from its pre-crisis level of 9% of GDP to above 40% of GDP, is projected to start declining in 2014 and in particular in 2015, as large repayments related to the international financial assistance programme will be made. These will be financed by accumulated assets and market borrowing, resulting in a decline in the debt ratio to around 33% by the end of the forecast horizon.

*Table II.14.1:*

**Main features of country forecast - LATVIA**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | mio EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 22082.6 | 100.0 | 4.1 | -1.3 | 5.3 | 5.0 | **4.0** | **4.1** | **4.2** |
| Private Consumption | | 13772.2 | 62.4 | - | 2.3 | 4.8 | 5.8 | **6.0** | **4.9** | **5.0** |
| Public Consumption | | 3542.8 | 16.0 | - | -7.9 | 1.1 | -0.2 | **1.7** | **2.0** | **1.7** |
| Gross fixed capital formation | | 5033.0 | 8.5 | - | -18.1 | 27.9 | 8.7 | **0.3** | **5.5** | **6.9** |
| of which: equipment | | 1867.4 | 8.5 | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | | 13600.4 | 61.6 | - | 12.5 | 12.4 | 9.4 | **2.8** | **4.7** | **6.2** |
| Imports (goods and services) | | 14470.9 | 65.5 | - | 11.8 | 22.3 | 4.5 | **1.8** | **5.4** | **7.1** |
| GNI (GDP deflator) | | 22054.5 | 99.9 | 4.6 | -6.5 | 3.8 | 4.3 | **3.9** | **3.9** | **4.2** |
| Contribution to GDP growth: | Domestic demand | | | 5.9 | -4.0 | 8.3 | 5.4 | **4.1** | **4.6** | **5.0** |
| | Inventories | | | -0.2 | 2.6 | 2.6 | -3.1 | **-0.7** | **0.0** | **0.0** |
| | Net exports | | | -1.0 | 0.1 | -5.6 | 2.6 | **0.6** | **-0.5** | **-0.8** |
| Employment | | | | -1.1 | -4.8 | -8.1 | 1.6 | **2.5** | **2.0** | **2.0** |
| Unemployment rate (a) | | | | 11.7 | 19.8 | 16.2 | 15.0 | **11.7** | **10.3** | **9.0** |
| Compensation of employees / head | | | | 14.7 | -6.7 | 16.1 | 6.9 | **4.3** | **5.0** | **4.6** |
| Unit labour costs whole economy | | | | 8.8 | -10.0 | 1.3 | 3.4 | **2.8** | **2.9** | **2.4** |
| Real unit labour cost | | | | -0.5 | -9.2 | -4.5 | -0.1 | **1.2** | **0.7** | **0.2** |
| Saving rate of households (b) | | | | 1.5 | 2.5 | -1.6 | -3.0 | **-1.5** | **-1.7** | **-1.8** |
| GDP deflator | | | | 9.3 | -0.9 | 6.0 | 3.5 | **1.6** | **2.2** | **2.2** |
| Harmonised index of consumer prices | | | | 5.6 | -1.2 | 4.2 | 2.3 | **0.3** | **2.1** | **2.1** |
| Terms of trade goods | | | | - | 1.1 | 5.8 | -3.8 | **0.5** | **-0.2** | **-0.1** |
| Trade balance (c) | | | | -16.8 | -7.0 | -10.8 | -10.4 | **-9.4** | **-9.9** | **-10.5** |
| Current-account balance (c) | | | | -6.4 | 2.9 | -2.3 | -2.5 | **-1.6** | **-2.0** | **-2.6** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -4.5 | 4.9 | -0.2 | 0.5 | **1.5** | **1.1** | **0.4** |
| General government balance (c) | | | | -1.7 | -8.1 | -3.6 | -1.3 | **-1.4** | **-1.0** | **-1.0** |
| Cyclically-adjusted budget balance (c) | | | | -2.2 | -4.6 | -1.6 | -0.7 | **-1.5** | **-1.5** | **-1.7** |
| Structural budget balance (c) | | | | -2.2 | -2.9 | -1.4 | -0.2 | **-1.5** | **-1.5** | **-1.7** |
| General government gross debt (c) | | | | 15.8 | 44.4 | 41.9 | 40.6 | **42.5** | **39.3** | **33.4** |

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

# 15. LITHUANIA

## Domestic demand set to drive growth

### Return of confidence boosts domestic demand

Real GDP expanded by 3.7% in 2012, being mainly driven by net exports. In 2013 domestic demand has taken over and is set to remain the principal growth engine going forward. Private consumption has been boosted by growing wages, slowing inflation, decreasing unemployment and improved confidence. Likewise, investment resumed growth on the back of improved sentiment and last year's export expansion, which pushed capacity utilisation above its historical maximum.

Overall, Lithuania's real GDP is forecast to grow by 3.4% in 2013, and accelerate to 3.6% in 2014 and 3.9% in 2015, with limited and balanced domestic risks. External risks are tilted to the downside as a further slowdown in Russia together with reinforced border controls could have a negative, yet limited, impact on trade.

### Financial sector stable but credit growth remains weak

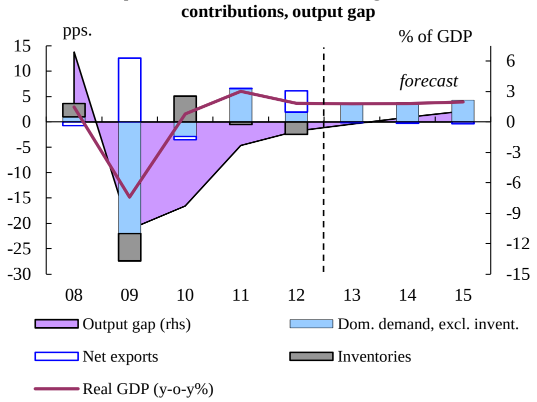
Domestic credit has hardly grown in 2013 as the private sector continued deleveraging and new loans to the non-financial corporate sector only picked up modestly. Although banks have sufficient liquidity, it seems that lending conditions, in particular to SMEs, construction and real estate sectors, remain tight. At the same time a majority of corporates relies on its own resources to finance investment.

### Steady growth ahead supported by robust private consumption and still fragile investment

Looking ahead, private consumption growth is expected to remain strong as disposable income of households is set to keep growing with the recovering labour market. However, employment growth is set to slow down, as certain sectors face increasing difficulties in hiring skilled workers. Indeed, an outward shift of the Beveridge curve points towards the existence of skill mismatches, which is likely to drive wages upward in the concerned sectors. This trend, together with low inflation and expected increases in the public wage bill, is set to result in real wage and consumption increases over the forecast horizon.

Even though investment resumed growth as expected, uncertainty remains around its sustainability. Growth of gross fixed capital formation in the first half of 2013 was reinforced by one-off public investments, while private investment growth was still limited. Nevertheless, the necessary conditions for renewed investment growth are in place. Recent high-frequency indicators signal a sustained improvement in domestic economic sentiment. Credit is projected to grow by 3-5% over the forecast horizon, interest rates remain at a historical low, and companies have significant reserves to finance potential investment. Public investment will continue to be supported by EU co-financed projects, although its share in GDP is likely to decrease.

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




### Net export contribution set to turn negative

The bumper harvest had a significant positive effect on export performance in 2012 and the first half of 2013. However, export growth is expected to slow significantly in the second half of this year due to the high base, and pick up only in 2014 in line with the improved external environment. Conversely, imports are expected to keep growing steadily due to the high import propensity of consumption and investment. As a result, although net exports supported growth until the second quarter of 2013, their contribution is anticipated to turn negative for the rest of the year. This trend is expected to continue over the forecast horizon. Current account was in surplus in the first half of 2013 but is expected to turn it into a slight deficit, which is set to deepen moderately in 2014 and 2015.

### Inflation moderated but is set to grow

Inflation (HICP) decreased to 3.2% in 2012 and is set to slow down further to 1.4% in 2013, reflecting weaker growth in food and energy prices. The moderating trend is expected to reverse this autumn due to the base effect, and inflation is set to pick up further over the forecast horizon on the back of accelerating inflation in the service sector, which is sensitive to wage increases. As food and energy inflation is set to remain moderate, core inflation may be slightly higher than the headline rate in 2014. Overall, HICP is forecast to grow by 1.9% in 2014 and 2.4% in 2015.

### Only limited progress in fiscal consolidation despite favourable economic environment

Despite robust economic growth, the fiscal position remains unchanged. The collection of VAT and excise taxes fell short of government estimates, mainly due to low inflation and weak tax compliance. Dividends from state-owned enterprises were lower than expected. Personal income tax collection was modestly above plan, while corporate income tax revenues outperformed expectations. In addition, the deficit of the social insurance fund SoDra was lower than expected, reflecting improving labour market conditions. Overall, revenues are set to be broadly on track this year. However, additional expenditure (payments to EU budget and agricultural subsidies) and a partial unfreeze of public wages resulted in an upward revision of general government deficit by 0.1pp. to 3.0% of GDP. The deficit is forecast to decrease to 2.5% of GDP in 2014 because of a limited expenditure increase. Lower tax revenues due to an increase in non-taxable allowance from 2014 will be only partially compensated by an increase in excise taxes on alcohol and tobacco products in spring 2014. For 2015 under a no-policy-change assumption the general government deficit is set to reach 1.9% of GDP.

As the constitutional court has ruled that previous pension and public wage cuts should be compensated, there is a fiscal risk as the exact timing and amount of compensations has not yet been decided. The structural deficit is estimated to decrease from 3.1% of GDP in 2012 to 3% in 2013, 2.6% in 2014 and 2.2% in 2015. General government debt is set to hover around 40% of GDP (39.9% in 2013, 40.2% in 2014 and 39.6% in 2015).

*Table II.15.1:*

**Main features of country forecast -LITHUANIA**

| | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn LTL Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 113.7 | 100.0 | 3.6 | 1.6 | 6.0 | 3.7 | **3.4** | **3.6** | **3.9** |
| Private Consumption | 72.0 | 63.3 | - | -3.6 | 4.8 | 3.9 | **4.8** | **3.8** | **4.5** |
| Public Consumption | 20.0 | 17.6 | - | -3.4 | 0.3 | 0.6 | **1.4** | **1.6** | **1.6** |
| Gross fixed capital formation | 18.9 | 16.6 | - | 1.9 | 20.7 | -3.6 | **4.9** | **6.8** | **6.8** |
| of which: equipment | 6.1 | 5.4 | - | 20.6 | 37.2 | -4.8 | **9.7** | **9.8** | **9.8** |
| Exports (goods and services) | 95.5 | 83.9 | - | 17.4 | 14.1 | 11.8 | **5.9** | **6.7** | **6.9** |
| Imports (goods and services) | 94.5 | 83.1 | - | 17.9 | 13.7 | 6.1 | **6.2** | **7.1** | **7.4** |
| GNI (GDP deflator) | 110.1 | 96.8 | 3.7 | -2.2 | 4.2 | 4.2 | **2.1** | **3.3** | **3.7** |
| Contribution to GDP growth: Domestic demand | | | 5.6 | -2.9 | 6.5 | 1.9 | **4.1** | **3.9** | **4.3** |
| Inventories | | | 0.3 | 5.1 | -0.5 | -2.5 | **-0.5** | **0.0** | **0.0** |
| Net exports | | | -1.0 | -0.6 | 0.0 | 4.2 | **-0.1** | **-0.3** | **-0.4** |
| Employment | | | -0.7 | -11.9 | 0.5 | 1.8 | **1.5** | **1.4** | **1.2** |
| Unemployment rate (a) | | | 10.0 | 18.0 | 15.4 | 13.4 | **11.7** | **10.4** | **9.5** |
| Compensation of employees / head | | | 16.3 | 7.2 | 6.3 | 3.8 | **4.3** | **3.8** | **4.5** |
| Unit labour costs whole economy | | | 11.4 | -7.0 | 0.7 | 1.9 | **2.4** | **1.6** | **1.8** |
| Real unit labour cost | | | 1.7 | -9.1 | -4.4 | -0.7 | **0.5** | **-0.8** | **-1.0** |
| Saving rate of households (b) | | | 2.3 | 9.2 | 1.2 | - | **-** | **-** | **-** |
| GDP deflator | | | 9.5 | 2.3 | 5.4 | 2.6 | **1.8** | **2.4** | **2.8** |
| Harmonised index of consumer prices | | | - | 1.2 | 4.1 | 3.2 | **1.4** | **1.9** | **2.4** |
| Terms of trade goods | | | - | 1.4 | -0.6 | -1.0 | **0.3** | **0.3** | **0.1** |
| Trade balance (c) | | | -10.5 | -4.8 | -5.8 | -2.8 | **-2.7** | **-2.8** | **-3.1** |
| Current-account balance (c) | | | -8.2 | -0.4 | -3.9 | -1.1 | **-0.5** | **-0.8** | **-1.4** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -7.4 | 3.4 | -0.6 | 1.9 | **1.8** | **1.4** | **0.8** |
| General government balance (c) | | | -3.1 | -7.2 | -5.5 | -3.2 | **-3.0** | **-2.5** | **-1.9** |
| Cyclically-adjusted budget balance (c) | | | -2.9 | -4.7 | -4.8 | -3.0 | **-3.0** | **-2.7** | **-2.2** |
| Structural budget balance (c) | | | -3.5 | -4.7 | -4.8 | -3.1 | **-3.0** | **-2.6** | **-2.2** |
| General government gross debt (c) | | | 19.1 | 37.8 | 38.3 | 40.5 | **39.9** | **40.2** | **39.6** |

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

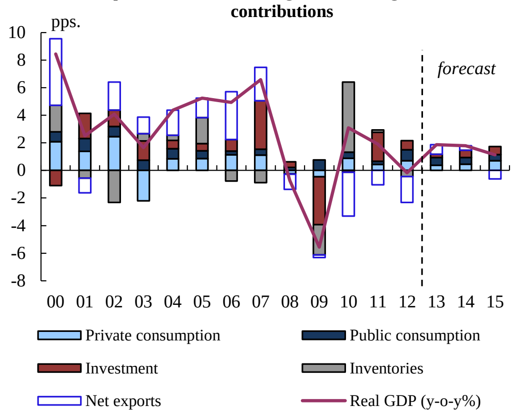
# 16. LUXEMBOURG

## Economic growth still depends on the financial sector

### Growth to remain subdued

After a contraction in 2012 of both industrial production and financial services, 2013 started with positive signals from several high-frequency indicators. But this did not materialise in positive growth, as unfavourable weather conditions and a prolonged weakness in the external environment weighed on economic activity. Real GDP growth declined by 0.6% (q-o-q) in the first quarter. In the second quarter, freed from those hindering factors, output increased by 1.6% (q-o-q). However, the recovery remains fragile and is uneven across sectors. Industrial output has stabilised but remains well below its long-term average level. The financial sector is adapting to a wave of new regulations (such as FATCA, Basel III, or CRD IV) and will need time to adjust and return to more sustained growth rates. A closer look shows that the slowdown has impacted more on intermediation activity than on the investment funds and insurance industry where activity remains dynamic.

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




In the second half of 2013, economic activity is expected to expand, but at a moderate pace. Both the consolidation measures included in the budget and the temporary agreement for wage growth moderation are set to weigh somewhat on households' disposable income. These modest income gains coupled with rising unemployment are projected to exert a dampening effect on private consumption. The relief provided by lower prices will not be sufficient to dodge a slowdown in real private consumption. Tighter financial conditions combined with a historically low level of capacity utilisation and still weak demand prospects from the main trading partners are putting a lid on firms' investment plans. Exports are expected to recover only gradually on the back of still low industrial output while imports will be affected by weak domestic demand. As a result, the contribution from external trade to growth is projected to turn positive. Overall, growth in 2013 is forecast at 1.9%, significantly higher than the euro-area average.

### Set for a slow recovery

Growth is projected to continue in 2014, although at a slightly more moderate pace. Investment will remain weak, on the back of still unfavourable financial conditions and mainly led by purchases from the aeronautic and satellite industry. In the absence of new consolidation measures adopted by the cut-off date, a mild recovery in private consumption can be expected. The implementation of the above-mentioned new regulations is expected to have an impact on the profitability of the financial sector, which has to adapt and reorient its business, at least of some segments of the industry. The contribution to growth from external trade is set to slightly decline, as import growth is projected to accelerate. For 2014 as a whole, output is expected to grow by 1.8%.

In 2015, real GDP growth is projected to decelerate to 1.1%. However, growth of economy-wide gross value added is expected to accelerate. This is because, as of 1$^{st}$ January 2015, new VAT rules regarding electronic services will enter into force. According to these rules, the VAT revenues generated from e-commerce activities will be transferred from the country where the supplier is located to that of the residence of the customer. Higher confidence on the back of an improved labour market is expected to support private consumption. Concerning financial sector developments, the bulk of the transition to the new rules should be completed by 2015 and, although its potential to expand is expected to be smaller than in the past, it is projected to remain a growth driver.

The main downside risk to the growth forecast lies precisely in the capacity of financial services to remain the main growth driver in the Grand Duchy.

### Lower inflation and moderate job creation

In 2013 headline inflation is projected to decline to 1.8% y-o-y as the dampening effect on inflation exerted by less dynamic oil prices is partially offset by a rise in administered prices. Over the forecast horizon, price dynamics are expected to progressively abate to 1.6% in 2015, mostly due to the absence of projected increases in administered prices and lower oil prices. Core inflation is projected to stall at 2.3% in 2013, but it will tend to close the gap with headline inflation in 2014 and 2015.

Job creation is expected to weaken in 2013, increasing by 1.7% after 2.3% in 2012. Most of the new jobs created in the first part of 2013 were in sheltered sectors, a sign of the weakening underlying trend, while labour shedding continued in the remaining sectors of the economy. Employment growth should bottom out in 2014 at 1.5%, to accelerate again in 2015 to 1.7%. In view of low employment growth coupled with an expanding active population, the unemployment rate is expected to increase throughout the forecast horizon, from 5.7% in 2013 to 6.5% in 2015.

### Government deficit on a rising path

The general government deficit is projected at 0.9% of GDP, up from 0.6% in 2012, thus continuing a deteriorating trend in public finances in spite of the implementation of the consolidation package adopted by the government with the 2013 budget. Buoyant VAT revenues from e-commerce related activities have been partially offset by a shortfall in corporation taxes. At the same time, government consumption expenditure has continued to rise very fast. In 2014, under the usual no-policy-change assumption the deficit is expected to increase to 1.0% of GDP, as government expenditure is projected to grow faster than revenues. In 2015 the deficit will increase to 2.7% of GDP as VAT revenues from e-commerce will start to fade away. The initial impact is estimated at 1.4% of GDP. The surplus in the structural balance is expected to decline from ¾% of GDP in 2012 to ¼% in 2013. It is then projected to turn to a deficit of ½% of GDP in 2014 and to further deteriorate in 2015.

Government debt is expected to rise to almost 29% in 2015.

*Table II.16.1:*

**Main features of country forecast - LUXEMBOURG**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | mio EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 42917.8 | 100.0 | 3.6 | 3.1 | 1.9 | -0.2 | **1.9** | **1.8** | **1.1** |
| Private Consumption | | 13773.5 | 32.1 | 2.5 | 2.6 | 1.3 | 2.2 | **1.2** | **1.4** | **2.3** |
| Public Consumption | | 7503.9 | 17.5 | 4.0 | 2.5 | 1.3 | 4.8 | **3.2** | **2.8** | **2.5** |
| Gross fixed capital formation | | 8275.3 | 8.3 | 4.1 | -0.7 | 12.1 | 3.5 | **1.1** | **2.7** | **3.1** |
| of which: equipment | | 3541.4 | 8.3 | 2.9 | 21.7 | 22.4 | 18.3 | **3.0** | **3.5** | **3.5** |
| Exports (goods and services) | | 76087.8 | 177.3 | 6.4 | 7.2 | 5.4 | -1.9 | **2.7** | **4.0** | **3.5** |
| Imports (goods and services) | | 63589.4 | 148.2 | 6.6 | 11.4 | 7.4 | -1.0 | **2.7** | **4.6** | **4.7** |
| GNI (GDP deflator) | | 29243.0 | 68.1 | 1.4 | 8.0 | 1.5 | -1.2 | **2.0** | **2.0** | **1.2** |
| Contribution to GDP growth: | Domestic demand | | | 2.7 | 1.2 | 2.8 | 2.2 | **1.2** | **1.5** | **1.7** |
| | Inventories | | | -0.1 | 5.1 | 0.2 | -0.4 | **0.0** | **0.0** | **0.0** |
| | Net exports | | | 1.3 | -3.2 | -1.0 | -1.9 | **0.7** | **0.3** | **-0.6** |
| Employment | | | | 3.5 | 1.8 | 3.0 | 2.5 | **1.7** | **1.5** | **1.7** |
| Unemployment rate (a) | | | | 3.4 | 4.6 | 4.8 | 5.1 | **5.7** | **6.4** | **6.5** |
| Compensation of employees / head | | | | 2.9 | 2.6 | 2.4 | 2.0 | **0.8** | **2.9** | **2.3** |
| Unit labour costs whole economy | | | | 2.8 | 1.4 | 3.4 | 4.7 | **0.7** | **2.6** | **2.8** |
| Real unit labour cost | | | | 0.3 | -5.4 | -0.7 | 1.6 | **-2.8** | **-0.1** | **0.2** |
| Saving rate of households (b) | | | | 14.4 | 19.7 | 17.3 | 13.1 | **13.4** | **14.3** | **15.0** |
| GDP deflator | | | | 2.5 | 7.2 | 4.2 | 3.0 | **3.6** | **2.7** | **2.6** |
| Harmonised index of consumer prices | | | | 2.3 | 2.8 | 3.7 | 2.9 | **1.8** | **1.7** | **1.6** |
| Terms of trade goods | | | | 0.1 | 5.1 | 2.2 | -0.6 | **-0.2** | **0.9** | **0.1** |
| Trade balance (c) | | | | -10.9 | -10.2 | -12.3 | -14.2 | **-14.0** | **-14.0** | **-14.2** |
| Current-account balance (c) | | | | 10.1 | 8.4 | 7.3 | 5.9 | **6.7** | **6.8** | **5.8** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 9.0 | 7.8 | 6.9 | 5.4 | **7.0** | **7.1** | **6.3** |
| General government balance (c) | | | | 2.3 | -0.8 | 0.1 | -0.6 | **-0.9** | **-1.0** | **-2.7** |
| Cyclically-adjusted budget balance (c) | | | | 2.1 | 0.2 | 0.7 | 0.8 | **0.2** | **-0.4** | **-2.1** |
| Structural budget balance (c) | | | | 2.1 | 0.2 | 0.7 | 0.8 | **0.2** | **-0.4** | **-2.1** |
| General government gross debt (c) | | | | 7.8 | 19.5 | 18.7 | 21.7 | **24.5** | **25.7** | **28.7** |

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

# 17. HUNGARY

## A gradual recovery ahead

### A gradual recovery partly on account of indirect fiscal stimulus measures

After a short pick-up in 2010-11, the economy entered into recession in 2012. The first quarters of 2013 brought a turnaround in economic activity, mostly in agriculture, but other sectors of the economy have also recovered. This is forecast to continue in the next quarters; therefore a mild real GDP growth rate of 0.7% is foreseen for 2013. Exports are projected to speed up partly on account of improving external demand, but also due to increasing market share linked to new production capacity in the machinery sector. Domestic demand is expected to be the main driver of growth. An increase in real disposable income, partly due to regulated price cuts, puts private consumption growth in positive territory, although high unemployment and ongoing deleveraging are projected to keep spending contained. The sharp fall in investment is forecast to stop on account of a strong increase in government investment, primarily driven by an increased absorption of EU funds. The change in private investment remains negative, reflecting the continued fall in lending and a weak housing market.

Real GDP growth is expected to reach 1.8% and 2.1% in 2014 and 2015 respectively. Exports are forecast to gain impetus in tandem with improving external demand. Improvement in domestic demand is again helped by some quasi-fiscal measures. Private investment is projected to turn positive primarily on account of the central bank's extended Funding for Growth Scheme (providing subsidized lending to SMEs). A strengthening of household consumption is expected to stem from a further improvement in real disposable income, partly linked to regulated price cuts and increasing public sector wages, as well as looser lending conditions.

Risks are broadly balanced: looser-than-expected financial conditions might improve the GDP outlook, but weak economic confidence might imply lower growth

### Resilient employment mainly due to subsidised job creation in the public sector

Despite a weak economy, national employment expanded by more than 1% in the first half of 2013 on a year-on-year basis. However, employment gains are still mainly occurring in the public sector, due to extensions of the Public Work Scheme and on account of the increasing number of Hungarian frontier workers. Meanwhile, employment in the domestic private sector is broadly stagnating. Companies are adjusting by containing wages, lowering average hours worked and to a smaller extent by laying off employees, to counterbalance the deterioration in profitability in 2012. Thus, a slight decline in domestic private sector employment is expected in 2013, followed by moderate growth in the outer years. Although the unemployment rate has been decreasing, it is projected to remain at two-digit levels in 2014 and 2015 due to increasing participation and moderate employment growth.

### Historically low inflation

Inflation has fallen to a historically low rate of 1.6% by the third quarter of 2013. This decline has occurred mostly on account of two waves of cuts in regulated energy and other utility prices introduced as of January and August, and the decision on a further cut in November is already adopted. Still, underlying inflation has been declining too, due to the negative output gap, a drop in imported inflation and decreasing expectations. Price increases are also expected to remain moderate throughout the forecast horizon due to a negative output gap.

### General government deficit expected to increase again to around 3% of GDP

In 2013 the general government deficit is expected to increase to 2.9% of GDP.[23] Compared to the budgeted figures, the forecast factors in lower tax revenues of 1% of GDP, after including the impact of the June 2013 tax-increasing measures of 0.4% of GDP. In addition, even after the implementation of expenditure cuts of 0.3% of GDP adopted in May, higher expenditure of close to 1% of GDP are expected compared to the budget. These developments have been less than fully offset by the budgetary reserves buffer of 1.6% of GDP and by higher revenues from the sale of broadcasting

(23) The forecast assumes that the planned capital injections of 0.3% of GDP in the integration body of the savings cooperatives will be recorded as financial transactions; however, this is subject to confirmation by Eurostat.

frequencies of 0.2% of GDP. The deficit forecast thus slightly exceeds the target of 2.7% of GDP.

Based on the draft budget bill, the 2014 deficit is projected to be 3.0% of GDP, i.e. slightly higher than the recently revised target of 2.9% of GDP. The higher deficit in 2014 compared to 2013 reflects the planned increase of wages in the public education sector, the increasing fiscal costs of the previously introduced simplified business taxes as well as the extension of the family tax allowances. These elements are forecast to be partly offset by a nominal freeze of public wages in most areas of public sectors, additional revenues from the new distance-based road toll system, the enhancement of the tax administration and the effect of economic recovery. In addition, the implementation of specific investment projects is announced to be conditional on the realisation of one-off revenues from the sale of telecommunication licences. The forecast is based on the important assumption that the totality of the extraordinary reserve (0.3% of GDP) and part of the general reserve (i.e. close to 0.1% of GDP) will not be spent.

In 2015, based on the usual no-policy-change assumption and the Convergence Programme, the deficit is projected to decrease to 2.7% of GDP, also on account of an assumed drop of public investment linked to the electoral cycle.

The forecast is subject to significant deficit-increasing risks. As usual, the forecast does not incorporate measures which are not yet decided or specified in sufficient detail. Such possible measures include a VAT rate cut for unprocessed meat, the extension of family benefits and a new programme to support foreign-exchange-indebted households. Further forecast uncertainties are related to accounting issues pertaining to the change from public to total cost for the calculation of the national co-financing as well as the budgetary impact of the introduction of online cash registers.

The structural balance is forecast to deteriorate in 2013 and 2014 by around 1½% of GDP in cumulative terms and, on a no-policy-change basis, to improve slightly in 2015. Government debt is forecast to increase to close to 81% of GDP in 2013, before decreasing by around a cumulative 1½ pps. in 2014 and 2015.

*Table II.17.1:*

**Main features of country forecast -HUNGARY**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn HUF Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 28048.1 | 100.0 | 2.3 | 1.1 | 1.6 | -1.7 | **0.7** | **1.8** | **2.1** |
| Private Consumption | 15372.4 | 54.8 | - | -3.0 | 0.4 | -1.6 | **0.5** | **1.2** | **1.5** |
| Public Consumption | 5720.1 | 20.4 | -0.1 | -1.2 | 0.0 | -1.2 | **0.8** | **1.5** | **2.0** |
| Gross fixed capital formation | 4880.8 | 17.4 | 3.7 | -8.5 | -5.9 | -3.7 | **-0.4** | **3.8** | **4.3** |
| of which: equipment | 2182.8 | 7.8 | - | -3.1 | 6.0 | 3.8 | **0.7** | **4.0** | **4.5** |
| Exports (goods and services) | 26551.7 | 94.7 | 12.9 | 11.3 | 8.4 | 1.7 | **3.7** | **5.3** | **6.1** |
| Imports (goods and services) | 24490.8 | 87.3 | 10.7 | 10.9 | 6.4 | -0.1 | **3.7** | **5.5** | **6.5** |
| GNI (GDP deflator) | 26541.5 | 94.6 | 2.0 | 0.7 | 1.0 | -1.8 | **-0.5** | **1.7** | **1.4** |
| Contribution to GDP growth: Domestic demand | | | 1.8 | -3.7 | -0.9 | -1.8 | **0.4** | **1.6** | **2.0** |
| Inventories | | | -0.1 | 3.8 | 0.4 | -1.5 | **0.0** | **0.0** | **0.0** |
| Net exports | | | 0.7 | 0.9 | 2.1 | 1.6 | **0.3** | **0.2** | **0.1** |
| Employment | | | 0.1 | 0.8 | 0.3 | 0.1 | **0.1** | **0.8** | **0.5** |
| Unemployment rate (a) | | | 7.6 | 11.2 | 10.9 | 10.9 | **11.0** | **10.4** | **10.1** |
| Compensation of employees / head | | | - | -0.5 | 3.6 | 0.8 | **-0.5** | **4.1** | **3.9** |
| Unit labour costs whole economy | | | - | -0.7 | 2.3 | 2.7 | **-1.1** | **3.1** | **2.3** |
| Real unit labour cost | | | - | -3.0 | -0.3 | -0.5 | **-3.8** | **0.4** | **0.1** |
| Saving rate of households (b) | | | 12.4 | 10.8 | 10.4 | 6.2 | **4.8** | **5.4** | **6.0** |
| GDP deflator | | | 10.4 | 2.4 | 2.6 | 3.2 | **2.8** | **2.7** | **2.3** |
| Harmonised index of consumer prices | | | - | 4.7 | 3.9 | 5.7 | **2.1** | **2.2** | **3.0** |
| Terms of trade goods | | | - | -0.2 | -1.7 | -1.2 | **0.3** | **0.1** | **-0.1** |
| Trade balance (c) | | | -3.4 | 2.5 | 3.1 | 3.6 | **3.8** | **3.8** | **3.5** |
| Current-account balance (c) | | | -6.2 | 0.4 | 0.6 | 1.1 | **3.0** | **2.7** | **1.8** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -5.8 | 2.2 | 2.9 | 3.7 | **6.2** | **5.8** | **5.0** |
| General government balance (c) | | | -6.2 | -4.3 | 4.3 | -2.0 | **-2.9** | **-3.0** | **-2.7** |
| Cyclically-adjusted budget balance (c) | | | -6.7 | -2.6 | 5.3 | -0.2 | **-1.3** | **-1.9** | **-2.1** |
| Structural budget balance (c) | | | -7.2 | -3.3 | -4.1 | -0.9 | **-1.4** | **-2.3** | **-2.1** |
| General government gross debt (c) | | | 64.9 | 82.1 | 82.1 | 79.8 | **80.7** | **79.9** | **79.4** |

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

# 18. MALTA

## The wind in the sails gains strength

### Economic growth speeds up in 2013

Despite weaker-than-expected domestic demand, real GDP surprised positively and grew by 2.8% in the first half of 2013, driven by higher net exports as imports contracted more than exports. A significant contribution came also from the change in inventories. As overall economic sentiment dipped in the third quarter, economic growth is projected to slow down in the second half of the year. Still, real GDP is forecast to grow by 1.8% in 2013 as a whole, up from 0.8% in 2012.

### Household consumption is expected to be the main driver of growth in 2014-15

Real GDP growth is projected to accelerate marginally and to average 2% in 2014-15. The delayed recovery in domestic demand registered in 2013 is forecast to gain pace over the forecast horizon. Rising disposable income, also thanks to tax incentives, is projected to support private consumption, which is forecast to become the main driver of economic growth, adding on average 1.2 pps. in 2014-15. At the same time, investment is projected to remain subdued and to increase only slightly from its currently low level. Difficult access to finance, due to a combination of high cost and tight lending standards, and restructuring of the economy towards less capital-intensive activities are seen to be the main factors behind the weak investment outlook.

Export growth is projected to pick up in line with the gradually recovering economic outlook in the euro area and the further expansion of the economy into export-oriented service activities. At the same time, recovery in the very import-intensive domestic demand will stimulate import growth, hence the contribution from net exports to GDP growth is projected to narrow, while remaining positive over the forecast horizon. Thus, the current account balance is forecast to decrease from its peak in 2012 but to remain positive.

The risks to this macroeconomic forecast are on the upside in 2013, if the positive momentum from the first two quarters is carried over, and broadly balanced thereafter. Given the very high trade openness of the Maltese economy, slower recovery in the main trading partners could further delay the fragile recovery in domestic demand. At the same time, a number of structural reforms, most notably in the energy sector, are likely to drive down industry costs if properly and timely implemented, and strengthen the medium-term growth outlook.

### Employment growth remains strong, while HICP inflation gradually strengthens

Job creation surprised positively in the first half of the year thanks to the tourist sector and the newly-emerging, labour-intensive activities in the services sector. These developments have been also supported by ongoing government measures to increase labour market participation of women. Employment growth is projected to moderate slightly over the forecast horizon, but to remain relatively strong at 1.8% per annum, well above the euro-area average. At the same time, the unemployment rate is projected to remain low and to average 6.3%, slightly lower than in 2012.

HICP inflation decelerated significantly in 2013 mainly as a result of decreasing prices in restaurants and hotels. Inflationary pressures are expected to strengthen gradually over the forecast horizon and thus price growth is projected to average 2% in 2014-15, higher than the euro-area average. The acceleration is projected to come predominantly from the services sector, where inflation would pick up in line with the assumed recovery in domestic demand. This forecast does not take into account the government plans to lower electricity tariffs in 2014, which could result in lower inflation.

### Deficit to increase marginally

After having widened to 3.3% of GDP in 2012, on account of slippages in current expenditure, the deficit in 2013 is expected to increase slightly to 3.4% of GDP. Current primary expenditure is forecast to increase by 0.3 pp. of GDP, due to higher subsidies and other current expenditure, while intermediate consumption is projected to decrease by 0.1 pp. of GDP thanks to the spending review at ministry level started in July 2013. On the capital side, net expenditure, including the planned additional equity injection into Air Malta (0.6% of GDP), is expected to stabilise. Despite the pick-up in economic activity, indirect taxes are projected to decrease by 0.1 pp. of GDP as the 2012 outcome benefitted from one-off revenues.

Income taxes are projected to continue growing, despite measures to gradually reduce the overall income tax levels, on the back of both improved corporate profitability as well as a favourable labour market outlook. As a result, current revenues are projected to rise by 0.3 pp. of GDP. In the absence of consolidation measures, as the 2014 budget was not adopted by the government before the cut-off date of this forecast, the deficit ratio in 2014 is expected to stay unchanged. The current revenue ratio is projected to stabilise, while primary current expenditure is forecast to drop by 0.2 pp. of GDP, reflecting a continuation of the tight recruitment policy in the public sector as well as less dynamic social transfers thanks to the gradual impact of the 2006 pension reform. Net capital expenditure is expected to grow by 0.1 pp. of GDP, also due to a lower equity injection into Air Malta. In 2015, the deficit is projected to increase marginally by 0.1 pp. of GDP, on account of higher net capital expenditure.

After having worsened by ½ pp. of GDP in 2012, the structural deficit is expected to improve by ½ pp. of GDP in 2013, and to deteriorate slightly in 2014. On a no-policy-change assumption, the structural deficit is expected to deteriorate by ½ pp. of GDP in 2015, as the headline deficit does not improve in a context of actual GDP growth exceeding its potential. The debt-to-GDP ratio is projected to continue increasing over the forecast horizon, as the primary balance remains insufficient to allow a reduction in the debt ratio. The main risk is related to the financial situation of Enemalta (the public energy utility corporation), which could entail additional subsidies.

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

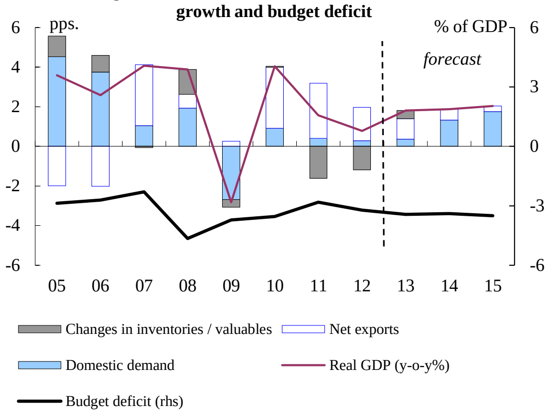



*Table II.18.1:*

**Main features of country forecast - MALTA**

| | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | mio EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 6829.5 | 100.0 | 3.0 | 4.0 | 1.6 | 0.8 | **1.8** | **1.9** | **2.0** |
| Private Consumption | 4094.6 | 60.0 | - | -0.6 | 3.2 | -0.2 | **0.6** | **1.7** | **2.2** |
| Public Consumption | 1447.4 | 21.2 | - | 1.7 | 4.1 | 5.0 | **1.2** | **1.0** | **0.8** |
| Gross fixed capital formation | 1008.3 | 5.4 | - | 6.2 | -14.6 | -3.9 | **-2.0** | **0.5** | **1.8** |
| of which: equipment | 365.4 | 5.4 | - | 30.8 | -40.2 | -13.5 | **-** | **-** | **-** |
| Exports (goods and services) | 6998.0 | 102.5 | - | 16.3 | 4.7 | 7.0 | **-1.6** | **4.5** | **5.6** |
| Imports (goods and services) | 6620.1 | 96.9 | - | 12.4 | 1.9 | 5.5 | **-2.7** | **4.2** | **5.6** |
| GNI (GDP deflator) | 6413.8 | 93.9 | 2.3 | 4.9 | 3.6 | -0.5 | **1.3** | **1.5** | **1.7** |
| Contribution to GDP growth: Domestic demand | | | 1.4 | 0.9 | 0.3 | 0.2 | **0.4** | **1.3** | **1.7** |
| Inventories | | | -0.4 | 0.0 | -1.5 | -1.1 | **0.4** | **0.0** | **0.0** |
| Net exports | | | 0.5 | 2.9 | 2.5 | 1.6 | **0.9** | **0.5** | **0.3** |
| Employment | | | 0.9 | 1.7 | 2.8 | 2.3 | **2.3** | **1.8** | **1.8** |
| Unemployment rate (a) | | | 7.0 | 6.9 | 6.5 | 6.4 | **6.4** | **6.3** | **6.3** |
| Compensation of employees / head | | | 4.4 | 1.5 | 0.6 | 2.2 | **2.1** | **1.7** | **2.0** |
| Unit labour costs whole economy | | | 2.2 | -0.7 | 1.8 | 3.7 | **2.6** | **1.6** | **1.7** |
| Real unit labour cost | | | -0.2 | -3.5 | -0.5 | 1.4 | **0.3** | **-0.7** | **-0.6** |
| Saving rate of households (b) | | | -7.5 | -6.9 | - | - | **-** | **-** | **-** |
| GDP deflator | | | 2.5 | 2.9 | 2.3 | 2.3 | **2.2** | **2.3** | **2.3** |
| Harmonised index of consumer prices | | | 2.7 | 2.0 | 2.5 | 3.2 | **1.1** | **1.8** | **2.1** |
| Terms of trade goods | | | - | -5.8 | 0.9 | 0.4 | **-0.1** | **0.1** | **0.1** |
| Trade balance (c) | | | -11.2 | -18.2 | -16.1 | -14.2 | **-12.4** | **-12.4** | **-12.7** |
| Current-account balance (c) | | | -6.3 | -5.4 | -1.0 | 1.1 | **1.8** | **1.4** | **0.6** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -5.3 | -3.7 | 0.0 | 2.8 | **4.0** | **3.7** | **2.9** |
| General government balance (c) | | | -5.5 | -3.5 | -2.8 | -3.3 | **-3.4** | **-3.4** | **-3.5** |
| Cyclically-adjusted budget balance (c) | | | -5.5 | -3.6 | -2.7 | -2.9 | **-3.2** | **-3.5** | **-4.0** |
| Structural budget balance (c) | | | -5.6 | -4.7 | -3.4 | -3.9 | **-3.5** | **-3.6** | **-4.1** |
| General government gross debt (c) | | | 58.4 | 66.8 | 69.5 | 71.3 | **72.6** | **73.3** | **74.1** |

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

# 19. THE NETHERLANDS

## Muted recovery in sight after two years of negative growth

### 2013: a transition year

With the exception of the second quarter of 2012, the Dutch economy has been contracting since the second quarter of 2011. The continued positive contribution of net exports to economic growth has been outweighed by depressed domestic demand.

Domestic demand is expected to remain weak in the remainder of 2013, as budget consolidation, pension cuts and negative wealth effects, predominantly emanating from the housing market, continue to pose a drag on the economy. The resulting negative real disposable income developments coupled with deleveraging pressures weigh on Dutch economic performance quite significantly, despite a positive contribution from net exports.

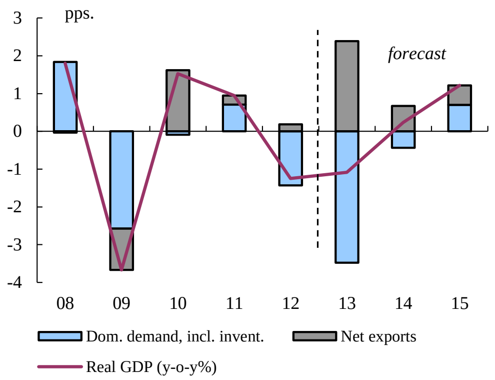
Following a contraction in real GDP in 2012, a further fall by 1% is expected in 2013. However, going forward, the quarter-on-quarter GDP growth is set to gradually move out of negative territory and to remain positive over the forecast horizon. The fragile transition towards higher growth is projected to stem initially from supportive trade developments with private consumption in particular lagging behind. Consumer confidence, whilst showing a slight improvement in recent months, remains markedly below the long-term average, underlining the weakness of consumption.

### Domestic demand set to strengthen over the forecast horizon

While for 2014 domestic demand growth is still expected to be negative, a gradual pick up is set to take place in the course of the year. Investment is forecast to grow steadily on the back of a recovery in production and profitability. The strong rises in the capacity utilisation rate in August and September 2013, coupled with improved producer confidence provide early signals in this regard. At the same time, tightened financing conditions may hamper credit supply, in particular for SMEs, holding back investment.

Conversely, private consumption is forecast to remain weak, albeit less markedly than in previous years, and to pick up only later. In 2014, the positive effects of a stabilisation in the housing market transactions would not suffice to offset the trends in real disposable income and the labour market. In addition, household savings are unable to cushion the negative impact on private consumption due to on-going balance sheet adjustments. The household debt-to-GDP ratio decreased in 2012 and is forecast to decline even further. Continued household deleveraging is forecast to dampen internal demand.

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




In 2014, net exports remain the main driver of economic growth, in line with improved international trade prospects. In 2015, domestic demand is projected to rebound, leading to a more balanced contribution of domestic and external demand to growth. In particular, private consumption is expected to recover substantially reflecting rising disposable income, partly due to lower pension contributions associated with reforms to the second pension pillar.

Risks to the macroeconomic scenario stemming from domestic developments are predominantly on the downside. If uncertainties regarding the implementation and effects of foreseen measures in areas such as pensions and the labour market materialise, this may hamper the recovery of domestic demand. On the other hand, a faster and more pronounced stabilisation of the housing market could provide an additional boost.

### Increasing unemployment, easing inflation

Unemployment rose sharply in the beginning of 2013 as a result of declining employment and the increase in labour supply which stems from attempts to cover for household income losses.

Whilst the rise in seasonally-adjusted unemployment has moderated over the summer months, the fragile economic outlook and a further rise in labour supply still imply a continued rise in the unemployment rate from around 7% in 2013 to 8% in 2014. In 2015, in line with improved cyclical prospects and the employment response lags, the unemployment rate is forecast to ease slightly.

In 2012 and the first three quarters of 2013, HICP inflation stood close to 3%, pushed up by increases in energy prices and discretionary tax measures, notably the higher VAT rate as of October 2012. As these upward effects are likely to drop out of the figures as from late-2013 and in view of weak domestic demand, inflation is expected to ease to below 2% in both 2014 and 2015.

### Deficit only slowly decreasing

In 2013, the general government deficit is expected to fall to 3.3% of GDP, from 4.1% in 2012. In 2013, the headline deficit is significantly influenced by one-offs, notably the sale of mobile telephony licenses (around 0.6% of GDP). The nationalisation of SNS Reaal is assumed to have only a limited impact on the deficit in 2013 (0.1% of GDP), in line with the estimates of Statistics Netherlands and pending a final decision on classification by Eurostat. In 2014, weak economic activity but also the fact that these one-offs fall out, imply that despite an additional consolidation package of around 1% of GDP ex ante the deficit would remain above 3% of GDP in 2014. On the back of further planned consolidation efforts and the expected improvement in economic activity, the deficit is forecast at around 3% of GDP in 2015. The structural balance is expected to improve by around ½% in both 2013 and 2014 and to remain broadly stable in 2015.

The gross government debt-to-GDP ratio increased from 65.7% of GDP in 2011 to 71.3% in 2012 and is expected to increase further over the forecast period to around 77% in 2015.

The risks to the fiscal forecast are mainly on the downside. They partly stem from uncertainties related to the macroeconomic forecast, but there is also uncertainty concerning the collection of revenue from some of the fiscal measures in 2014.

*Table II.19.1:*

**Main features of country forecast -NETHERLANDS**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 599.3 | 100.0 | 2.4 | 1.5 | 0.9 | -1.2 | **-1.0** | **0.2** | **1.2** |
| Private Consumption | 273.3 | 45.6 | 2.0 | 0.3 | -1.1 | -1.6 | **-2.1** | **-1.1** | **0.7** |
| Public Consumption | 170.6 | 28.5 | 2.8 | 0.5 | 0.2 | -0.7 | **-0.7** | **0.0** | **-0.5** |
| Gross fixed capital formation | 102.0 | 17.0 | 2.5 | -7.4 | 6.1 | -4.0 | **-8.5** | **0.9** | **2.7** |
| of which: equipment | 35.8 | 6.0 | 3.8 | -3.1 | 9.4 | 1.5 | **-8.6** | **1.8** | **4.0** |
| Exports (goods and services) | 527.6 | 88.0 | 5.4 | 11.6 | 4.1 | 3.2 | **2.8** | **3.2** | **4.5** |
| Imports (goods and services) | 477.2 | 79.6 | 5.6 | 10.3 | 4.2 | 3.3 | **0.1** | **2.7** | **4.5** |
| GNI (GDP deflator) | 605.0 | 100.9 | 2.2 | 2.4 | 2.8 | -0.6 | **-1.1** | **0.2** | **1.2** |
| Contribution to GDP growth: Domestic demand | | | 2.2 | -1.1 | 0.6 | -1.7 | **-2.6** | **-0.4** | **0.6** |
| Inventories | | | 0.0 | 1.1 | 0.1 | 0.2 | **-0.8** | **-0.1** | **0.1** |
| Net exports | | | 0.2 | 1.6 | 0.2 | 0.2 | **2.4** | **0.7** | **0.4** |
| Employment | | | 1.1 | -0.6 | 0.5 | -0.3 | **-1.2** | **-0.5** | **0.6** |
| Unemployment rate (a) | | | 4.4 | 4.5 | 4.4 | 5.3 | **7.0** | **8.0** | **7.7** |
| Compensation of employees / f.t.e. | | | 3.3 | 1.5 | 1.6 | 1.9 | **-0.1** | **1.7** | **1.4** |
| Unit labour costs whole economy | | | 2.0 | -0.6 | 1.2 | 2.9 | **-0.4** | **0.9** | **0.8** |
| Real unit labour cost | | | -0.2 | -1.4 | 0.0 | 1.5 | **-1.9** | **-0.5** | **-1.9** |
| Saving rate of households (b) | | | 14.5 | 10.5 | 11.6 | 10.7 | **9.7** | **9.4** | **10.0** |
| GDP deflator | | | 2.2 | 0.8 | 1.1 | 1.3 | **1.6** | **1.4** | **2.7** |
| Harmonised index of consumer prices | | | 2.1 | 0.9 | 2.5 | 2.8 | **2.7** | **1.7** | **1.6** |
| Terms of trade goods | | | 0.5 | -1.4 | 0.2 | -0.4 | **0.5** | **-0.1** | **1.0** |
| Trade balance (c) | | | 6.3 | 7.1 | 7.5 | 7.7 | **9.9** | **10.1** | **10.7** |
| Current-account balance (c) | | | 5.9 | 5.0 | 7.4 | 7.7 | **9.6** | **10.0** | **11.0** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | 5.6 | 4.5 | 7.0 | 7.4 | **9.3** | **9.2** | **10.8** |
| General government balance (c) | | | -1.3 | -5.1 | -4.3 | -4.1 | **-3.3** | **-3.3** | **-3.0** |
| Cyclically-adjusted budget balance (c) | | | -1.2 | -4.3 | -3.8 | -2.7 | **-1.5** | **-1.5** | **-1.6** |
| Structural budget balance (c) | | | -1.0 | -4.2 | -3.8 | -2.7 | **-2.1** | **-1.7** | **-1.6** |
| General government gross debt (c) | | | 59.0 | 63.4 | 65.7 | 71.3 | **74.8** | **76.4** | **76.9** |

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

# 20. AUSTRIA

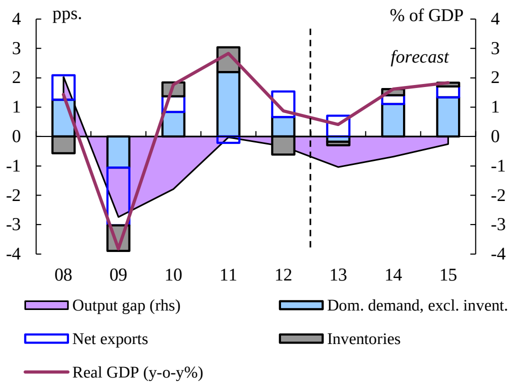
## Signs of recovery amid uncertainty

### Domestic demand has lost momentum...

The Austrian economy stagnated in the first half of 2013. Investment declined further by an average of 1% quarter on quarter. Private consumption growth remained slightly negative as in the second half of 2012. Export growth was subdued, but slumping imports prevented the recession of late 2012 from persisting.

Signs of a recovery are still difficult to detect in the data available for the third quarter of this year. On the whole, business and consumer sentiment has improved compared to late last year, however falling short of a clear upswing. Manufacturing orders have been recovering since the first quarter, but production backlogs remain thin. Capacity utilisation is still on a subsiding trend.

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




### ...But brightening sentiment is expected to start bearing fruit

The projections for the remainder of 2013 and the following two years assume a consolidation of business and consumer confidence and a gradual reversal of the decline in investment and consumption. Taking into account the weak dynamics in the previous quarters, GDP growth will likely come to less than 0.5% in 2013. For 2014 and 2015, growth is projected to regain some momentum and exceed 1.5%, driven by a strengthening of domestic demand. Net exports are expected to contribute positively to growth on the back of higher export growth, but to a smaller extent than domestic demand due to a rebound in imports.

In the environment of perceived uncertainty, slowing foreign and stagnating domestic demand that characterised 2012 and early 2013, corporations seem to have put investment plans on hold, as manifested by four consecutive quarters of declining investment. With confidence taking time to rebuild, only a gradual reversal of the investment slump is likely for this year, despite low interest rates and solid corporate liquidity. Credit growth is expected to remain subdued both on account of weak demand and deleveraging needs in the banking system.

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

### Dynamics of prices and wages to remain contained

Employment growth eased in the first half of 2013 reflecting stagnating output, but is expected to strengthen somewhat in 2014-15. However, the increase in the labour force will likely preclude a sizeable decline in the unemployment rate in the coming years.

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

Consumer price inflation is forecast to slow to 2.2% in 2013 due to easing food and energy price pressure. Inflationary pressures are expected to dissipate further in the course of 2014-15 with inflation moving below 2%. Core inflation is also expected to remain in check thanks to moderate wage growth and domestic demand.

### Fiscal consolidation slows down due to financial sector support

After two years of better-than-expected general government balances, in 2013 the government deficit is estimated to remain unchanged compared to 2012. The deceleration in the consolidation path is mainly due to higher support to the banking group Hypo Group Alpe Adria (HGAA) in the framework of the new restructuring plan approved by the European Commission in September. The negative effect of the additional capital transfers to HGAA is likely to be partly offset by higher federal revenue and a better outcome expected in subnational budget balances. The robust dynamics of the household income tax and better than expected revenue from the tax agreement with Switzerland and from the sale of telephonic licenses constitute the main sources of additional revenue.

While the positive impact of the discretionary revenue measures approved with the 2012 Stability Package will largely fade out in 2014, the implementation of the planned saving in the pension system and health sector are assumed to contribute to public finances consolidation by more than 0.3% of GDP in 2014. The expected slowdown in expenditure growth coupled with the projected acceleration of economic activity will help to offset the preliminary estimations over the impact of the further support required by HGAA. The latter is projected to take place during the forecast horizon, although the exact quantification of the recapitalisation costs is still uncertain. An increase in the size of the required government support represents the main downside risk to the forecast scenario, which points to a deficit narrowing to 1.9% in 2014.

The continuing effect of planned saving on health and pensions coupled with higher GDP growth is expected to lead to a further reduction in the general government deficit in 2015. The structural deficit is estimated to remain broadly unchanged in 2012-14 while in 2015 it is estimated to decline by 0.3 pp. Following upward revisions in the 2012 debt figure, government debt is expected to increase further in 2013 to 74.8% of GDP. This is higher than estimated in the spring forecast due to a larger 2013 deficit and upward revisions in last year debt stock. The debt-to-GDP ratio is projected to start decreasing from 2014 onwards due to lower deficit and higher GDP growth.

*Table II.20.1:*

**Main features of country forecast -AUSTRIA**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 307.0 | 100.0 | 2.1 | 1.8 | 2.8 | 0.9 | **0.4** | **1.6** | **1.8** |
| Private Consumption | | 169.0 | 55.1 | 1.6 | 2.0 | 0.8 | 0.5 | **0.0** | **0.9** | **1.0** |
| Public Consumption | | 58.4 | 19.0 | 1.9 | 0.2 | 0.3 | 0.2 | **0.9** | **0.8** | **0.8** |
| Gross fixed capital formation | | 65.8 | 21.4 | 1.1 | -1.4 | 8.5 | 1.6 | **-1.7** | **2.2** | **3.0** |
| of which: equipment | | 25.1 | 8.2 | 1.6 | 2.1 | 14.3 | 2.1 | **-4.5** | **3.4** | **4.8** |
| Exports (goods and services) | | 175.6 | 57.2 | 5.3 | 9.4 | 6.6 | 1.2 | **1.6** | **4.7** | **5.8** |
| Imports (goods and services) | | 165.7 | 54.0 | 4.4 | 9.1 | 7.6 | -0.3 | **0.4** | **4.5** | **5.6** |
| GNI (GDP deflator) | | 305.1 | 99.4 | 2.1 | 2.8 | 2.1 | 0.9 | **0.2** | **1.7** | **1.9** |
| Contribution to GDP growth: | | Domestic demand | | 1.5 | 0.8 | 2.2 | 0.7 | **-0.2** | **1.1** | **1.3** |
| | | Inventories | | 0.1 | 0.5 | 0.8 | -0.6 | **-0.1** | **0.2** | **0.1** |
| | | Net exports | | 0.5 | 0.5 | -0.2 | 0.9 | **0.7** | **0.3** | **0.4** |
| Employment | | | | 0.5 | 0.6 | 1.4 | 1.3 | **0.5** | **0.7** | **0.8** |
| Unemployment rate (a) | | | | 4.3 | 4.4 | 4.2 | 4.3 | **5.1** | **5.0** | **4.7** |
| Compensation of employees / f.t.e. | | | | 2.5 | 1.2 | 2.4 | 2.6 | **2.3** | **1.9** | **1.9** |
| Unit labour costs whole economy | | | | 0.9 | 0.0 | 1.0 | 3.0 | **2.5** | **0.9** | **0.8** |
| Real unit labour cost | | | | -0.5 | -1.4 | -1.0 | 1.3 | **0.4** | **-0.8** | **-0.9** |
| Saving rate of households (b) | | | | 14.5 | 14.0 | 12.0 | 12.6 | **13.0** | **13.3** | **13.3** |
| GDP deflator | | | | 1.3 | 1.4 | 2.0 | 1.7 | **2.1** | **1.7** | **1.7** |
| Harmonised index of consumer prices | | | | 1.7 | 1.7 | 3.6 | 2.6 | **2.2** | **1.8** | **1.8** |
| Terms of trade goods | | | | -0.1 | -1.5 | -3.0 | -1.4 | **0.7** | **-0.3** | **-0.1** |
| Trade balance (c) | | | | -1.5 | -1.0 | -2.5 | -2.3 | **-1.7** | **-1.8** | **-1.9** |
| Current-account balance (c) | | | | 0.5 | 3.6 | 1.5 | 1.8 | **2.5** | **2.8** | **3.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 0.4 | 3.7 | 1.4 | 1.6 | **2.5** | **2.8** | **3.1** |
| General government balance (c) | | | | -2.4 | -4.5 | -2.5 | -2.5 | **-2.5** | **-1.9** | **-1.5** |
| Cyclically-adjusted budget balance (c) | | | | -2.4 | -3.6 | -2.4 | -2.4 | **-2.0** | **-1.6** | **-1.4** |
| Structural budget balance (c) | | | | -1.6 | -3.3 | -2.2 | -1.6 | **-1.6** | **-1.5** | **-1.2** |
| General government gross debt (c) | | | | 65.3 | 72.3 | 72.8 | 74.1 | **74.8** | **74.5** | **73.5** |

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

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

# 21. POLAND

## GDP growth rebounds but fiscal situation deteriorates

### Economic activity rebounds in the second quarter of 2013

Following three consecutive quarters of subdued growth, in the first quarter of 2013 real GDP grew by a mere 0.2% q-o-q, before rebounding to 0.4% q-o-q in the second one. The contraction of domestic demand, in particular of inventories, acted as the drag on growth in the first half of the year. Private consumption growth was lacklustre amid tumbling consumer confidence, increasing unemployment and subdued wage growth while gross fixed capital formation contracted under the impact of fiscal consolidation that curbed public investment. Net exports were the growth engine, as imports contracted amid falling domestic demand while exports increased by over 5% y-o-y.

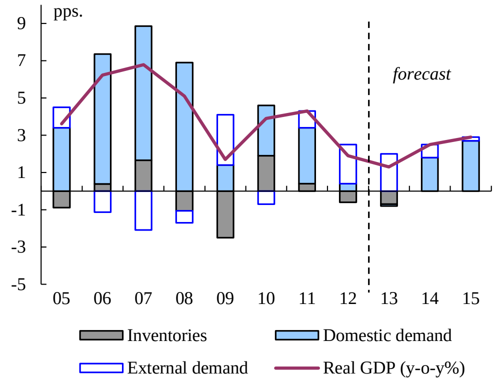
### Economic activity gradually picks up as domestic demand gathers steam

Improving consumer and business confidence and flattening unemployment suggest that private consumption and investment are regaining strength in the second half of the year, adding to the projected acceleration in economic activity. Overall, real GDP is forecast to increase by 1.3% in 2013. Economic activity is set to gradually gain steam over the forecast horizon, when the global economic outlook improves further translating into a pick-up in private investments and a moderate increase in employment. Real GDP growth is expected to reach 2.5% and 2.9% in 2014 and 2015 respectively, with domestic demand projected to gradually replace external trade as the main growth engine.

Private consumption is set to grow against the background of higher real wages as a result of contained inflationary pressures, falling costs of debt servicing and an improvement in labour market conditions expected in the outer years of the forecast horizon. The rate of increase is, however, forecast to remain below long-term averages as consumers are expected to rebuild savings from the very low level recorded in 2012.

Private gross fixed capital formation is set to increase slightly in the second half of 2013 as the nascent rebound in global demand amid high capacity utilisation and lower financing costs encourages corporates to invest. This process is expected to gain strength in 2014-15 as economic conditions brighten further. Public investment growth is projected to be strongly negative throughout 2013, also because less infrastructure projects financed from the previous EU financial perspective are expected to be completed compared to the previous year, and to stabilise in the outer years of the projection

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




Foreign trade is set to support growth over the whole forecast horizon but at a diminishing scale. In 2013, the effect is expected to be particularly strong as Polish exporters increasingly expand their sales into non-EU markets, while import growth lags behind. In 2014-15, imports are set to catch up on the back of higher private domestic demand. The current-account deficit is projected to improve considerably from 3.3% of GDP in 2012 to around 1½% of GDP in 2013 and remain at this level over the forecast horizon, reflecting improvement in the trade balance.

This scenario is subject to broadly balanced risks. On the upside, a weaker currency would further boost exports and enhance import substitution. On the downside, a pick-up in inflation might dent real incomes and lead to lower private consumption.

### Inflation remains contained over the forecast horizon

HICP inflation reached 3.7% in 2012, as a result of the zloty depreciation, high commodity prices and increases in administered prices. The inflation rate is expected to drop to 1% in 2013 due to declining commodity and gas prices as well as weak domestic demand. A moderate pick-up to 2% and further to 2.2% is forecast in 2014 and 2015 as a result of negative base effects in the first half of 2014 and improving domestic demand over the forecast horizon.

### Fiscal situation deteriorates

From 3.9% of GDP in 2012, the deficit is foreseen to increase to 4.8% of GDP in 2013, due to a revenue shortage, mainly as a result of declining indirect and direct tax revenues. In August, the authorities amended the 2013 state budget, which included expenditure cuts of 0.5% of GDP. However, general government expenditure in 2013 is set to fall only slightly compared to the spring forecast, with an increase in current expenditures partially offsetting a fall in capital expenditures.

In 2014 and 2015, the fiscal strategy is largely based on the planned pension reform. In 2014, the general government balance is projected to turn into a surplus of 4.6%. This is mainly due to a one-off transfer of assets from the second pillar of the pension system (8.5% GDP), which under the rules in force until next year (ESA-95) is treated as revenue. The main permanent measures on the revenue side with a positive effect on the fiscal balance include the increased social contributions due to the planned pension reform, increases in excise duties as well as a continuing freeze of Personal Income Tax thresholds. The main structural measures resulting in expenditure savings are the lower debt-financing costs due to the asset transfer from the second pension pillar, a wage freeze of central government employees as well as the gradual increase in retirement age. These savings will be partially offset by increased expenditure on the extension of maternity leave. In 2015, the general government balance is expected to turn back into a deficit of 3.3%, due to the one-off nature of the large improvement in 2014.

The structural deficit is set to deteriorate in 2013 to 4% of GDP before gradually improving to 2.7% of GDP in 2015. General government debt-to-GDP ratio is forecast to fall from 55.6% in 2012 to 51% in 2014, mainly as an effect of the announced transfer of pension funds' assets of 8.5% of GDP, before edging up to 52.5% in 2015. The projected debt figures are however subject to considerable uncertainty due to high exchange-rate volatility affecting the debt valuation.

*Table II.21.1:*

**Main features of country forecast -POLAND**

| | 2012 | | Annual percentage change | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn PLN Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 1595.2 | 100.0 | 4.6 | 3.9 | 4.5 | 1.9 | **1.3** | **2.5** | **2.9** |
| Private Consumption | 980.4 | 61.5 | 4.3 | 3.1 | 2.6 | 1.2 | **0.6** | **1.6** | **2.0** |
| Public Consumption | 284.4 | 17.8 | 3.4 | 4.1 | -1.7 | 0.2 | **1.7** | **1.9** | **2.3** |
| Gross fixed capital formation | 305.4 | 19.1 | 7.6 | -0.4 | 8.5 | -1.7 | **-3.8** | **2.9** | **5.7** |
| of which: equipment | 105.9 | 6.6 | - | -3.3 | 11.5 | -4.0 | **1.0** | **2.0** | **5.5** |
| Exports (goods and services) | 744.7 | 46.7 | 9.9 | 12.1 | 7.7 | 3.9 | **5.4** | **5.1** | **5.9** |
| Imports (goods and services) | 739.9 | 46.4 | 10.4 | 13.9 | 5.5 | -0.7 | **1.1** | **3.8** | **5.8** |
| GNI (GDP deflator) | 1528.2 | 95.8 | 4.7 | 3.5 | 4.2 | 1.9 | **1.0** | **2.4** | **2.8** |
| Contribution to GDP growth: Domestic demand | | | 4.8 | 2.6 | 3.0 | 0.4 | **-0.1** | **1.8** | **2.7** |
| Inventories | | | 0.0 | 2.0 | 0.7 | -0.6 | **-0.7** | **0.0** | **0.0** |
| Net exports | | | -0.3 | -0.7 | 0.9 | 2.1 | **2.0** | **0.7** | **0.2** |
| Employment | | | 0.4 | 0.5 | 1.0 | 0.2 | **-0.4** | **0.1** | **0.4** |
| Unemployment rate (a) | | | 14.0 | 9.7 | 9.7 | 10.1 | **10.7** | **10.8** | **10.5** |
| Compensation of employees / head | | | 11.8 | 4.7 | 4.6 | 4.1 | **2.5** | **3.1** | **3.4** |
| Unit labour costs whole economy | | | 7.2 | 1.3 | 1.1 | 2.3 | **0.8** | **0.6** | **0.9** |
| Real unit labour cost | | | -1.4 | -0.1 | -2.1 | -0.1 | **-0.2** | **-1.1** | **-1.0** |
| Saving rate of households (b) | | | 10.9 | 8.2 | 2.1 | 0.8 | **2.5** | **2.9** | **3.1** |
| GDP deflator | | | 8.7 | 1.4 | 3.2 | 2.4 | **1.0** | **1.8** | **1.9** |
| Harmonised index of consumer prices | | | - | 2.7 | 3.9 | 3.7 | **1.0** | **2.0** | **2.2** |
| Terms of trade goods | | | -0.3 | -1.4 | -1.9 | -1.5 | **0.0** | **-0.4** | **-0.5** |
| Trade balance (c) | | | -3.4 | -1.8 | -2.1 | -0.8 | **0.9** | **1.2** | **1.1** |
| Current-account balance (c) | | | -3.0 | -4.3 | -4.5 | -3.3 | **-1.5** | **-1.3** | **-1.4** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -2.2 | -2.7 | -2.7 | -1.6 | **0.0** | **0.6** | **0.3** |
| General government balance (c) | | | -3.8 | -7.9 | -5.0 | -3.9 | **-4.8** | **4.6** | **-3.3** |
| Cyclically-adjusted budget balance (c) | | | -4.6 | -8.2 | -5.3 | -3.6 | **-4.0** | **5.4** | **-2.7** |
| Structural budget balance (c) | | | -4.8 | -8.2 | -5.3 | -3.7 | **-4.0** | **-3.2** | **-2.7** |
| General government gross debt (c) | | | 44.1 | 54.8 | 56.2 | 55.6 | **58.2** | **51.0** | **52.5** |

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

# 22. PORTUGAL

## Tentative signs of a turnaround

### Moderate improvement in the economic outlook

Real GDP growth in the second quarter surprised on the upside, increasing by 1.1% q-o-q. GDP growth was primarily driven by domestic demand while the growth contribution of net exports fell as strong export growth was partly offset by fast growing imports. While recent short-term indicators are consistent with the projected turnaround of economic activity towards the end of the year, the acceleration of GDP in the second quarter was to a large extent driven by one-off factors. As a result, the macroeconomic outlook for 2013 and 2014 has been slightly revised upward compared with the spring 2013 projection, largely reflecting the mechanical impact of the better-than-expected second quarter growth on the annual average growth rates. Real GDP is now forecast to contract by 1.8% in 2013 and to expand by 0.8% in 2014. Net exports are expected to remain the main growth drivers while the growth contribution of domestic demand is forecast to turn positive in 2014. Real GDP growth is projected to reach 1.5% in 2015, with a broadly balanced contribution from external trade and domestic demand.

The situation in the labour market has stabilised in line with economic activity. However, tourism and agriculture were the main contributing sectors to the employment expansion in the second quarter of this year, raising questions regarding its durability. Employment is still forecast to contract by some 4% in 2013 and by another ½% in 2014 before starting to grow by around ½% in 2015. The unemployment rate started to decline in the second quarter of 2013 on the back of the recovery in employment but also due to a decline in labour market participation. The unemployment rate is now projected to average 17.4% in 2013, to peak at 17.7% in 2014 and to drop back to 17.3% in 2015.

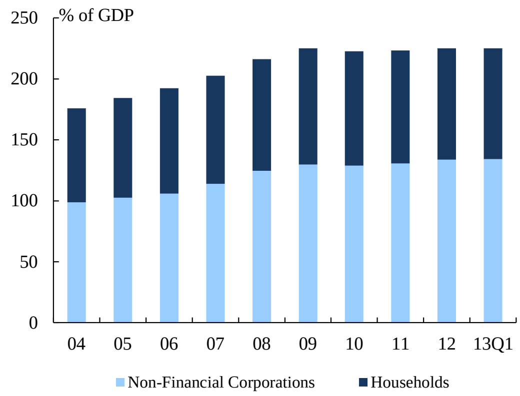
### Steady adjustment in external imbalances

Economic rebalancing towards the tradable sectors continues at a fast pace. Exports have been booming since the beginning of the year with a broad-based contribution of various production sectors and significant gains in shares in both goods and services export markets. At the same time, import growth is expected to decelerate in the short term as the strong increase in the second quarter reflects largely one-off factors. Over the forecast horizon, export growth is forecast to remain robust on the back of the recovery in Portugal's export markets while imports should pick up progressively in line with final demand. The current-account balance is now forecast to reach a surplus of close to 1% of GDP this year, upward revised from 0.1% of GDP in the spring 2013 forecast, and is expected to remain broadly constant over the forecast period.

### Inflation is decelerating

With HICP inflation remaining significantly below the euro-area rate in the first half of this year, the annual average inflation is forecast at 0.6% this year, 1% in 2014 and 1.2% in 2015. In 2013, the re-instatement of two monthly bonus payments in public-sector wages has a discernible effect on total economy labour costs and is expected to impact also on the GDP deflator in this year.

*Graph II.22.1:* **Portugal - Indebtedness**




### Risks to the macroeconomic outlook are tilted to the downside in 2014 and 2015

High frequency indicators suggest slight upward risks to the headline growth forecast for 2013. However, the sustainability of the projected recovery in 2014-15 is contingent on positive trade and financial market developments, which remain fragile. The ability of Portugal to progressively regain access to the sovereign-bond market at more favourable interest rates remains a key forecast assumption. In addition, household and corporate deleveraging pressures could weigh stronger on private consumption and investment than is currently assumed.

### Fiscal outlook

The general government deficit is expected to reach 5.5% of GDP in 2013, excluding a one-off capital injection into BANIF bank worth 0.4% of GDP. In spite of solid tax revenue performance and careful budget execution, a shortfall of 0.5% of GDP has been identified after the use of the budget reserves. The 2013 projection therefore accounts for corrective measures currently being implemented such as the reduction of available funds for investment and tighter control over intermediate consumption of line ministries. In addition, the government has announced a one-off "tax and social security contributions debt recovery scheme" with an expected yield of 0.4% of GDP.

The fiscal balance is expected to reach -4.0% of GDP in 2014 and -2.5% in 2015. The fiscal projections for 2014 are underpinned by consolidation measures worth about 2.3% of GDP, mostly permanent expenditure reductions. Most of these will be drawn from the public expenditure review (PER) with the main budgetary impact stemming from the reduction of the public sector wage bill, a comprehensive pension reform and sectoral expenditure cuts across line ministries and programmes. The remaining effort will be achieved through smaller-scale measures worth 0.4% of GDP, including some one-off operations. Most of the measures are defined in the 2014 draft Budget Law. The 2015 forecast is supported by measures worth slightly above 1% of GDP, mostly on the expenditure side.

Downside risks to the budget outlook are mostly of legal nature as some measures of the 2014 budget will be scrutinised by the Portuguese Constitutional Court. In contrast, macroeconomic risks to the budgetary outlook seem to be balanced, in particular in the short run.

The debt-to-GDP ratio is expected to peak slightly below 128% in 2013 and to decline thereafter. The upward revision with respect to the spring forecast is explained by a statistical correction of the 2012 debt data, the non-realisation of some short-term debt reducing operations and higher cash holdings.

*Table II.22.1:*

**Main features of country forecast -PORTUGAL**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 165.1 | 100.0 | 1.9 | 1.9 | -1.3 | -3.2 | **-1.8** | **0.8** | **1.5** |
| Private Consumption | 108.4 | 65.7 | 2.1 | 2.5 | -3.3 | -5.4 | **-2.5** | **0.1** | **0.7** |
| Public Consumption | 30.1 | 18.2 | 2.6 | 0.1 | -5.0 | -4.7 | **-4.0** | **-2.8** | **-2.2** |
| Gross fixed capital formation | 26.5 | 16.0 | 1.6 | -3.1 | -10.5 | -14.3 | **-8.5** | **1.2** | **3.7** |
| of which: equipment | 8.2 | 5.0 | 3.3 | -2.6 | -11.2 | -9.8 | **1.0** | **4.9** | **8.1** |
| Exports (goods and services) | 63.9 | 38.7 | 4.8 | 10.2 | 6.9 | 3.2 | **5.8** | **5.0** | **5.3** |
| Imports (goods and services) | 64.9 | 39.3 | 4.9 | 8.0 | -5.3 | -6.6 | **0.8** | **2.5** | **3.7** |
| GNI (GDP deflator) | 161.1 | 97.6 | 1.6 | 2.6 | -1.5 | -2.0 | **-3.0** | **-0.6** | **0.7** |
| Contribution to GDP growth: | Domestic demand | | 2.3 | 1.0 | -5.3 | -7.0 | **-3.7** | **-0.3** | **0.6** |
| | Inventories | | 0.0 | 0.9 | -0.2 | 0.1 | **0.0** | **0.0** | **0.0** |
| | Net exports | | -0.5 | 0.0 | 4.2 | 3.8 | **2.0** | **1.0** | **0.8** |
| Employment | | | 0.5 | -1.5 | -1.5 | -4.2 | **-3.9** | **-0.5** | **0.4** |
| Unemployment rate (a) | | | 7.1 | 12.0 | 12.9 | 15.9 | **17.4** | **17.7** | **17.3** |
| Compensation of employees / head | | | 4.6 | 2.0 | -0.6 | -2.0 | **2.5** | **-0.8** | **-0.2** |
| Unit labour costs whole economy | | | 3.2 | -1.4 | -0.9 | -3.1 | **0.3** | **-2.1** | **-1.2** |
| Real unit labour cost | | | 0.0 | -2.1 | -1.1 | -2.8 | **-1.6** | **-3.0** | **-2.2** |
| Saving rate of households (b) | | | 10.1 | 10.1 | 9.7 | 12.2 | **12.2** | **11.5** | **10.6** |
| GDP deflator | | | 3.3 | 0.6 | 0.3 | -0.3 | **1.9** | **0.9** | **1.0** |
| Harmonised index of consumer prices | | | 2.8 | 1.4 | 3.6 | 2.8 | **0.6** | **1.0** | **1.2** |
| Terms of trade goods | | | 0.2 | 0.1 | -1.0 | 0.2 | **1.6** | **0.8** | **0.4** |
| Trade balance (c) | | | -10.2 | -10.6 | -7.7 | -4.7 | **-2.9** | **-2.0** | **-1.4** |
| Current-account balance (c) | | | -8.6 | -10.4 | -7.2 | -1.9 | **0.9** | **0.9** | **1.0** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -6.7 | -9.0 | -5.6 | 0.2 | **3.6** | **3.6** | **3.5** |
| General government balance (c) | | | -4.7 | -9.8 | -4.3 | -6.4 | **-5.9** | **-4.0** | **-2.5** |
| Cyclically-adjusted budget balance (c) | | | -4.8 | -9.4 | -3.5 | -4.8 | **-3.8** | **-2.5** | **-1.7** |
| Structural budget balance (c) | | | -5.5 | -8.8 | -6.5 | -4.1 | **-3.7** | **-2.6** | **-1.7** |
| General government gross debt (c) | | | 61.0 | 94.0 | 108.2 | 124.1 | **127.8** | **126.7** | **125.7** |

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

# 23. ROMANIA

## Strong exports and weak domestic demand drive current-account adjustment in 2013

### Buoyant economic activity in 2013

In the first half of 2013, real GDP increased by 1.8% y-o-y. Activity was mainly driven by a stellar export performance of 11.9% y-o-y in real terms on account of a robust automotive industry. These positive developments, however, mask weak domestic demand, with consumption being flat and investment contracting in the first part of 2013. Growth is projected to accelerate in second half of 2013 thanks to a significant impact of the good harvest (especially in the third quarter of 2013) and a marginal recovery in domestic demand. These trends are expected to result in an annual growth of 2.2% in 2013. The current-account deficit is forecast to decline to 1.2% of GDP in 2013, mainly due to a much lower trade deficit.

### Growth drivers to gradually switch from net exports to domestic demand

Real GDP growth is forecast to continue at 2.1% in 2014 and to accelerate to 2.4% in 2015. Growth is projected to be slightly above potential over the forecast horizon reflecting the payoff of the product and labour market reforms as well as the improving global economic activity. Growth drivers are expected to gradually switch from net exports in 2013 to domestic demand in 2014.

Investment is projected to regain momentum supported by a better absorption of EU funds as major infrastructure projects are expected to gain traction. Although constrained by the continuing needs for repairing households' balance sheets,[24] private consumption is expected to pick up on the back for improving consumer confidence and increasing real disposable income as employment grows and inflation remains moderate. Public consumption is forecast to continue to be constrained by the need for further, albeit more gradual, fiscal consolidation.

Although the external environment is expected to improve and thus to support continued export growth, net exports are forecast to weigh on growth, as imports are also projected to pick up in 2014 and 2015. Consequently, the current-account deficit is expected to gradually widen over the forecast horizon.

### Inflationary pressures easing in 2013

Romania exhibited the highest inflation rate in the EU in the first half of 2013 mostly due to rising food and energy prices. Inflation declined during the summer to reach 1.1% y-o-y in September. This mainly reflected a sharp drop in food prices. Inflationary pressures are set to recede for the rest of 2013 and thus annual average inflation is forecast to be around 3.3% in 2013. Inflation is projected to decelerate further to an average of 2.5% in 2014 as falling food prices are expected to drive inflation to historical lows in the first half of 2014. In 2015, inflation is set to average 3.4% given the steady recovery in domestic demand and the on-going price convergence towards the EU average.

### Labour market remains subdued in 2013 with unemployment on the rise

After falling below 7% in the second half of 2012, the unemployment rate started increasing in early 2013. With growth expected to strengthen in the second half of 2013, unemployment growth is now slowing down. The average unemployment rate in 2013 is projected to be somewhat above 7% and to broadly remain at this level over the forecast horizon. Youth unemployment remains high at 23% but it is expected to fall supported by a number of policy measures elaborated in the National Job Plan to facilitate the entry into the labour market of young people.

The 2011 reform of the labour code has started producing results, albeit slowly, with the number of employment contracts growing by 0.4% in the first half of 2013. Growth among self-employed has been stronger. Employment is projected to grow only slowly as economic activity gradually recovers. Private sector compensation is expected to grow moderately in 2013. Due to relatively low inflation, real wages are set to increase by up to 2% in 2013.

[24] Many households still suffer from high debt-service-to-income ratios due to high interest rates and low incomes.

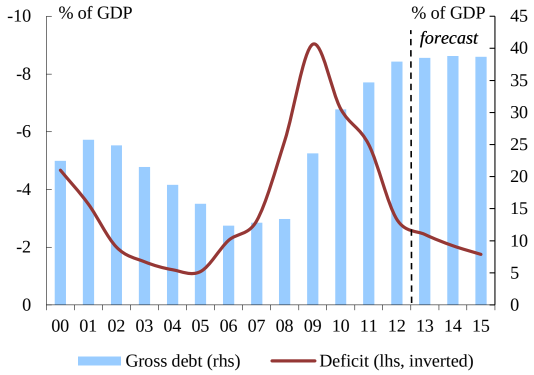
### Fiscal adjustment to continue

After falling to 3% in 2012, the budget deficit in Romania is expected to be further reduced to 2.5% of GDP in 2013. Some underperformance in revenue outcome has been counterbalanced by reduced domestic capital expenditure and reduced provisions for corrections linked to problems in EU funds absorption. The revenue shortfall partly stemmed from a less tax-rich growth pattern linked to the shift to export driven growth during 2013.

For 2014 the budget deficit is forecast at 2.0% of GDP,[25] incorporating partial information available regarding the draft budget likely to be passed in November. The projection includes a limited increase in pension payments as foreseen by the law, a raise in public sector salaries worth 3% of the total wage bill and a limited decrease in total capital expenditure, as compared with 2013.

Benefiting from the expected acceleration in economic activity and based on the customary no-policy-change assumption, the deficit is projected to decrease further to 1.8% of GDP in 2015. The structural deficit is forecast to mildly improve over the forecast horizon from about 2% in 2013 to 1½% in 2015. The public debt level is forecast to peak at just above 39% of GDP in 2015. The main risks to the budget over the forecast period relate to: (i) less tax rich economic growth associated with weak internal demand; (ii) renewed accumulation of arrears, especially at local government level; and (iii) limited progress with restructuring state-owned enterprises that could result in renewed pressure on the budget.

*Graph II.23.1:* **Romania - General government gross debt and deficit**




(25) The projection does not include the possible impact from applying the investment clause, which the authorities requested on 15 October 2013.

*Table II.23.1:*
**Main features of country forecast -ROMANIA**

| | 2012 | | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn RON | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 587.5 | 100.0 | 3.2 | -1.1 | 2.2 | 0.7 | **2.2** | **2.1** | **2.4** |
| Private Consumption | | 366.8 | 62.4 | 5.7 | -0.3 | 1.1 | 1.1 | **0.3** | **1.6** | **2.2** |
| Public Consumption | | 92.3 | 15.7 | 0.8 | -4.7 | 0.2 | 1.7 | **0.0** | **1.8** | **1.3** |
| Gross fixed capital formation | | 156.9 | 26.7 | 7.0 | -1.8 | 7.3 | 4.9 | **-2.0** | **3.5** | **4.4** |
| of which: equipment | | 57.7 | 9.8 | 7.8 | -19.1 | 7.5 | 5.7 | **-0.3** | **4.0** | **4.5** |
| Exports (goods and services) | | 235.0 | 40.0 | 10.2 | 13.2 | 10.3 | -3.0 | **9.6** | **5.0** | **6.1** |
| Imports (goods and services) | | 265.3 | 45.2 | 12.3 | 11.1 | 10.0 | -0.9 | **0.8** | **5.1** | **6.5** |
| GNI (GDP deflator) | | 582.5 | 99.1 | 3.2 | -1.0 | 2.1 | 1.2 | **1.6** | **2.1** | **2.4** |
| Contribution to GDP growth: | Domestic demand | | | 6.1 | -1.5 | 2.6 | 2.2 | **-0.3** | **2.2** | **2.7** |
| | Inventories | | | -0.9 | 0.4 | 0.1 | -0.7 | **-0.9** | **0.0** | **0.0** |
| | Net exports | | | -1.9 | 0.0 | -0.5 | -0.8 | **3.5** | **-0.1** | **-0.3** |
| Employment | | | | -2.1 | -0.3 | -1.1 | 1.5 | **0.6** | **0.6** | **0.7** |
| Unemployment rate (a) | | | | 6.6 | 7.3 | 7.4 | 7.0 | **7.3** | **7.1** | **7.0** |
| Compensation of employees / head | | | | 43.3 | -3.3 | 4.2 | 5.6 | **5.8** | **4.4** | **4.6** |
| Unit labour costs whole economy | | | | 35.9 | -2.4 | 0.9 | 6.5 | **4.1** | **2.9** | **2.9** |
| Real unit labour cost | | | | -0.3 | -7.7 | -3.1 | 1.6 | **-0.1** | **-0.1** | **0.2** |
| Saving rate of households (b) | | | | -2.8 | -3.8 | -7.0 | - | **-** | **-** | **-** |
| GDP deflator | | | | 36.3 | 5.7 | 4.1 | 4.8 | **4.2** | **3.0** | **2.6** |
| Harmonised index of consumer prices | | | | - | 6.1 | 5.8 | 3.4 | **3.3** | **2.5** | **3.4** |
| Terms of trade goods | | | | 2.1 | 1.0 | 2.6 | 3.2 | **0.1** | **-0.6** | **-0.1** |
| Trade balance (c) | | | | -7.5 | -6.1 | -5.6 | -5.6 | **-2.8** | **-3.0** | **-3.3** |
| Current-account balance (c) | | | | -6.6 | -4.4 | -4.5 | -4.0 | **-1.2** | **-1.5** | **-1.7** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -5.8 | -4.2 | -3.9 | -2.6 | **-0.2** | **-0.6** | **-0.8** |
| General government balance (c) | | | | -3.4 | -6.8 | -5.6 | -3.0 | **-2.5** | **-2.0** | **-1.8** |
| Cyclically-adjusted budget balance (c) | | | | -3.8 | -6.1 | -5.1 | -2.2 | **-1.9** | **-1.5** | **-1.4** |
| Structural budget balance (c) | | | | -4.6 | -6.1 | -3.9 | -2.7 | **-1.9** | **-1.5** | **-1.4** |
| General government gross debt (c) | | | | 17.5 | 30.5 | 34.7 | 37.9 | **38.5** | **39.1** | **39.5** |

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

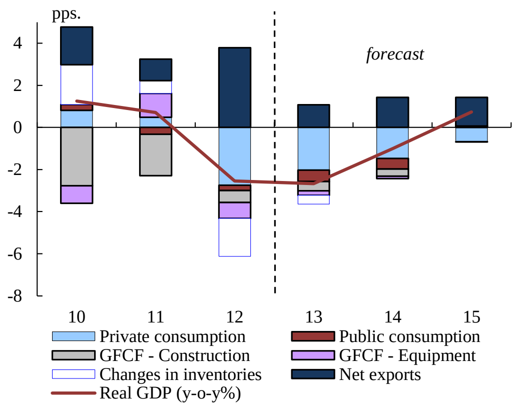
# 24. SLOVENIA

## Deleveraging and financing costs crucial to the economic outlook

### Downward revision with falling domestic demand and slower recovery of exports

In 2012, GDP contracted by 2.5% in real terms and stood at 8.5% below its 2008 peak level. Negative quarterly outturns in 2013 in the first half of the year, amounting to a 3.2% year-on-year contraction of real GDP, confirmed that the recession has deepened and prompted a downward revision to the growth outlook in the spring forecast. Real GDP is expected to drop by 2.7% this year and by a further 1% next year on the back of steadily declining domestic demand and a somewhat slower-than-expected export growth.

*Graph II.24.1:* **Slovenia - Contributions to GDP growth**




Downward revisions of 2012 national accounts data point at a much more severe retrenchment of private consumption than previously recorded, at 4.8%. Consumption is expected to continue its downfall throughout the forecast horizon on the back of weak fundamentals, notably rising unemployment and declining real disposable income. Positive data on purchases of durable goods and new car registrations in the second quarter of this year are considered temporary as the increase in the VAT rates and other tax measures that came into force on 1 July 2013 led to an anticipation of purchases.

Gross fixed capital formation was supported in the first two quarters of 2013 by the recently constructed coal power plant. However, over the year as a whole, investment is seen to contract further, mirroring the on-going deleveraging process in the economy, low profit expectations and tight financing conditions. In 2014, investment is projected to decline further, albeit at a slower pace of 2.7% as firms will need to start rebuilding their production capacity and the contraction of construction investment is projected to bottom out.

Positive export data in the beginning of 2013 were mainly driven by a large increase in volumes to non-EU countries. However, the trend reverted in the second quarter. Subdued growth of intra-EU exports is projected to lead the way to a fragile recovery throughout the forecast horizon. The contribution of net exports to growth in 2013 is somewhat further muted by the increase in imported goods related to the one-off investment in the coal power plant.

### The recession is projected to bottom out in 2014

A tepid recovery of the economy is forecast to start only in the second half of 2014 and to continue in 2015, albeit at a very slow pace. The rebound would be driven by net exports, as global economic conditions improve, while the deleveraging is set to continue weighing on domestic demand.

Risks to growth and domestic demand in particular, are related to the financing conditions for the overall economy, which in turn hinge upon the speed of the required deleveraging process and the implementation of the needed bold structural reforms.

### A lagged adjustment in the labour market

The unemployment rate rapidly increased to 10.8% in the first quarter of 2013, from just below 9% at the end of 2012, as a large number of temporary contracts expired and were not renewed. The lagged adjustment in the labour market is expected to continue, with employment contracting throughout the forecast horizon although at a gradually declining speed, following the required deleveraging in both the private and the public sector.

Real wages have been dropping as a result of the weak growth and labour market outlook as well as the budgeted cuts in public sector wages, resulting in a stabilisation of unit labour costs in 2013 followed by a small decline in both 2014 and 2015.

Core inflation is set to remain subdued, although this year's inflation will be marked by tax effects and is likely to stay just above 2%.

### Bank recapitalisations increase the general government deficit in 2013 and 2014

From 3.8% of GDP in 2012, the general government deficit for 2013 is projected to be at 5.8% of GDP (4% of GDP without bank recapitalisation) after including measures from successive consolidation packages. Overall, nominal cuts in public sector wages and work-related benefits, a reduction or freeze of social benefit rates and higher VAT rates are the main consolidation measures in 2013. Their positive budgetary impact is projected to be partially offset by the large increase in interest and pension expenditure (by a combined 0.8 pp. of GDP).

For 2014, the forecast incorporates the draft budget and new real estate tax as approved by the government in September and October, respectively, but not yet adopted by parliament. Including bank recapitalisation needs estimated by the government at 3.4% of GDP, the deficit in 2014 is projected to increase to 7.1% of GDP (3.6% of GDP without the recapitalisations). The tax-to-GDP ratio is projected to increase in particular because of the new real estate tax, the elimination of the indexation for personal income tax allowances and tax bracket thresholds. On the expenditure side, the freeze of social benefit rates, including pensions, will be extended to 2014 and 2015. Moreover, the May 2013 agreement to cut public sector wages will further reduce the wage bill in the first half of 2014. Under the usual no-policy-change assumption, the general government deficit for 2015 would stand at 3.8% of GDP. Measures underpinning the draft 2015 budget are not yet specified, negotiated and adopted.

The structural balance is forecast as broadly stable in 2013, before improving by ¾% of GDP in 2014 and deteriorating by ¾% of GDP in 2015.

The debt-to-GDP ratio is projected to reach 63% of GDP in 2013 and increase to 70% and 74% of GDP in 2014 and 2015, respectively, mainly due to primary deficits, including bank recapitalisations, subdued growth and higher debt servicing costs.

*Table II.24.1:*

**Main features of country forecast -SLOVENIA**

| | | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | bn EUR | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 35.3 | 100.0 | 3.5 | 1.3 | 0.7 | -2.5 | **-2.7** | **-1.0** | **0.7** |
| Private Consumption | | 20.1 | 56.9 | 3.4 | 1.5 | 0.8 | -4.8 | **-3.5** | **-2.6** | **-1.2** |
| Public Consumption | | 7.3 | 20.8 | 3.2 | 1.3 | -1.6 | -1.3 | **-2.7** | **-2.5** | **-0.1** |
| Gross fixed capital formation | | 6.3 | 17.8 | 6.0 | -15.3 | -5.5 | -8.2 | **-4.2** | **-2.7** | **0.4** |
| of which: equipment | | 2.7 | 7.6 | 7.6 | -9.3 | 14.2 | -8.3 | **-2.4** | **-1.2** | **0.8** |
| Exports (goods and services) | | 26.9 | 76.1 | 6.2 | 10.2 | 7.0 | 0.6 | **1.3** | **2.6** | **3.9** |
| Imports (goods and services) | | 25.2 | 71.3 | 6.6 | 7.4 | 5.6 | -4.7 | **-0.2** | **0.8** | **2.5** |
| GNI (GDP deflator) | | 34.9 | 98.9 | 3.4 | 1.7 | 0.9 | -2.6 | **-2.6** | **-1.0** | **0.7** |
| Contribution to GDP growth: | Domestic demand | | | 3.8 | -2.4 | -0.9 | -4.5 | **-3.3** | **-2.4** | **-0.6** |
| | Inventories | | | 0.0 | 1.9 | 0.6 | -1.8 | **-0.4** | **0.0** | **0.0** |
| | Net exports | | | -0.2 | 1.8 | 1.0 | 3.8 | **1.1** | **1.4** | **1.4** |
| Employment | | | | 0.5 | -2.2 | -1.6 | -0.8 | **-2.4** | **-1.3** | **-0.5** |
| Unemployment rate (a) | | | | 6.4 | 7.3 | 8.2 | 8.9 | **11.1** | **11.6** | **11.6** |
| Compensation of employees / head | | | | - | 3.9 | 1.6 | -1.0 | **-0.2** | **0.0** | **1.1** |
| Unit labour costs whole economy | | | | - | 0.4 | -0.7 | 0.8 | **0.0** | **-0.3** | **-0.2** |
| Real unit labour cost | | | | - | 1.5 | -1.9 | 0.5 | **-1.7** | **-1.4** | **-1.0** |
| Saving rate of households (b) | | | | 14.6 | 12.9 | 12.1 | 11.9 | **11.9** | **12.2** | **12.6** |
| GDP deflator | | | | 7.6 | -1.1 | 1.2 | 0.2 | **1.7** | **1.1** | **0.8** |
| Harmonised index of consumer prices | | | | - | 2.1 | 2.1 | 2.8 | **2.1** | **1.9** | **1.5** |
| Terms of trade goods | | | | 0.4 | -4.8 | -1.6 | -1.2 | **0.4** | **-0.4** | **-1.0** |
| Trade balance (c) | | | | -3.8 | -2.4 | -2.7 | -0.4 | **0.7** | **1.6** | **1.9** |
| Current-account balance (c) | | | | -1.5 | -0.2 | 0.2 | 3.1 | **5.0** | **6.0** | **6.5** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -1.6 | -0.1 | 0.0 | 2.9 | **3.1** | **2.5** | **6.8** |
| General government balance (c) | | | | -2.9 | -5.9 | -6.3 | -3.8 | **-5.8** | **-7.1** | **-3.8** |
| Cyclically-adjusted budget balance (c) | | | | -3.1 | -4.7 | -6.0 | -2.8 | **-4.3** | **-5.6** | **-2.8** |
| Structural budget balance (c) | | | | -3.1 | -4.7 | -4.9 | -2.7 | **-2.9** | **-2.1** | **-2.8** |
| General government gross debt (c) | | | | 25.3 | 38.7 | 47.1 | 54.4 | **63.2** | **70.1** | **74.2** |

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

# 25. SLOVAKIA

## Growth set to gather pace after 2013

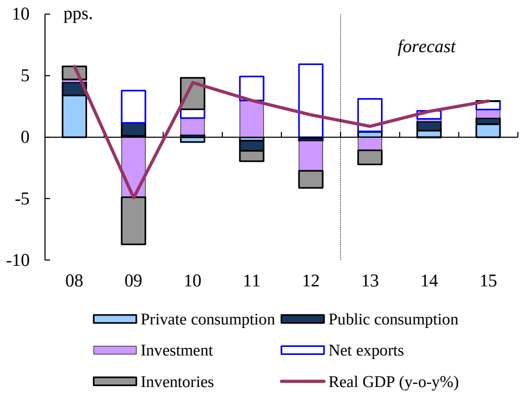
### Acceleration of economic activity after 2013…

Real GDP is projected to increase by 0.9% in 2013 supported by recovering household demand, with net exports driving growth through a strong positive contribution. Having plummeted in the beginning of the year, investment stabilised in the second quarter, but over the year 2013 as a whole it is still expected to exert a strong drag on growth. In 2014 and 2015, the Slovak economy is forecast to follow a firmer recovery path, with real GDP growing by 2.1% and close to 3%, respectively. Economic activity will be increasingly driven by domestic demand. The associated decline in the unemployment rate is projected to remain modest, however. Inflationary pressures are expected to remain weak over the forecast horizon.

### … with a more balanced growth composition

Private consumption expenditure picked up in the second quarter of 2013, growing by 1.1% q-o-q. However, the push came mainly from non-durables and services, while consumption of durables continued to stagnate. Given persistently weak labour market conditions and subdued growth in real disposable income, household consumption is expected to increase only gradually in 2014 and 2015.

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




Despite improving business confidence, corporate loans have decreased further in the second quarter and indications of business plans do not suggest a strong recovery in investment in the near future. In 2013, investment is projected to fall by 5.3% mainly on account of a plunge in equipment investment, which is set to decline, in spite of the completion of a large project in the car industry. This will weigh negatively on equipment investment in 2014, when it is projected to decrease further. On the other hand, construction activity is expected to recover somewhat. New residential construction should contribute to a gradual pick-up in housing investment already in 2014 after seven consecutive quarters of decline. In the same year, a positive impulse is also expected from motorway construction.

Exports grew strongly in the second quarter of 2013 and are expected to continue expanding in the second half of the year, albeit at a slower pace. Imports are projected to gradually pick up, although they may be dampened by the long run trend of diminishing import intensity of Slovak exports. The forecast shows a rebalancing in growth, with domestic demand replacing net exports as the more important contributor in 2014.

Country-specific risks to the forecast are broadly balanced. Downside risks come from potential delays in the implementation of large infrastructure projects. On the upside, the rebound in private consumption could prove to be more persistent, supported by a stable increase in consumer credit.

### Labour market conditions remain weak

Employment is foreseen to grow only modestly in 2014 and 2015 and the unemployment rate is expected to remain above 13% Most of the country's unemployment is long-term, suggesting that unemployment is more of a structural than cyclical nature. In addition, despite the large pool of jobless workers, compensation of employees is projected to grow modestly by 2% in 2013 and to gather pace in subsequent years, suggesting segmentation of the labour market. Thus, Slovakia's recovery is projected to be driven mainly by further productivity increases.

### Low inflation over the forecast horizon

Inflation decreased markedly in 2013 and is projected to remain below 2% over the forecast horizon, mainly due to decreasing commodity prices and the dampening effect of price regulation in the energy sector on inflation.

### Consolidation efforts set to slow after 2013

Most of the consolidation measures for 2013 were included in the 2013-15 budget and were concentrated on the revenue side. Additional measures were introduced in the course of the year in response to revenue shortfalls. The general government deficit is estimated to reach 3% of GDP in 2013, some 1.5 pps. lower than in 2012. This will have been achieved partly through one-off revenue measures, such as the sale of emergency oil reserves and the decision to enable moving assets from the statutory fully funded pillar to the public pension scheme.

The 2014-16 draft budget assumes a further improvement in public finances driven mainly by additional revenue. This is expected to come from a postponed pay-out of dividends and the extension of the levy on companies operating in a regulated environment, which was supposed to expire in 2013. Moreover, the government intends to introduce a minimum lump-sum corporate income tax, to be accompanied by a reduction of the corporate income tax rate from 23% to 22%. Overall, these measures are expected to boost tax revenue. Major expenditure savings are planned for health care and reforms in the public sector. However, information on measures to prevent repeated accumulation of hospitals' liabilities is not available in detail. There are also implementation risks with regard to the reform of the public sector. Hence, it is not expected that these measures have the full effect on public finances estimated by the government. Additional savings are expected mainly on public investment expenditure. In 2014, the deficit is projected to increase to 3.2% of GDP with risks tilted towards a lower deficit outturn. The structural balance is set to deteriorate, however.

Despite the expected cyclical recovery, and a more tax-rich GDP growth composition, the deficit is foreseen to increase further in 2015 as the VAT rate is set to decline from 20% to 19% – conditioned upon the deficit outcome in 2013 – and one-off measures adopted in 2014 are set to expire. On a no-policy-change basis, the debt-to-GDP ratio is projected to rise to 58% in 2015 despite the plans to use privatisation and extraordinary dividend proceeds for debt reduction.

*Table II.25.1:*

**Main features of country forecast -SLOVAKIA**

| | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 71.1 | 100.0 | 4.5 | 4.4 | 3.0 | 1.8 | **0.9** | **2.1** | **2.9** |
| Private Consumption | 41.0 | 57.7 | - | -0.7 | -0.5 | -0.2 | **0.8** | **0.9** | **1.9** |
| Public Consumption | 12.5 | 17.6 | 2.5 | 1.0 | -4.3 | -1.1 | **0.1** | **4.2** | **2.8** |
| Gross fixed capital formation | 14.3 | 20.1 | 2.9 | 6.5 | 14.2 | -10.5 | **-5.3** | **1.2** | **3.7** |
| of which: equipment | 6.8 | 9.6 | - | 11.7 | 38.3 | -11.5 | **-6.3** | **-0.5** | **4.3** |
| Exports (goods and services) | 68.7 | 96.6 | 8.0 | 16.0 | 12.2 | 9.9 | **4.6** | **4.6** | **6.0** |
| Imports (goods and services) | 65.0 | 91.4 | 6.9 | 14.9 | 9.7 | 3.3 | **1.9** | **4.3** | **5.8** |
| GNI (GDP deflator) | 69.4 | 97.6 | 4.5 | 2.6 | 3.4 | 1.6 | **1.0** | **2.1** | **2.9** |
| Contribution to GDP growth: Domestic demand | | | 3.8 | 1.1 | 1.9 | -2.7 | **-0.6** | **1.5** | **2.2** |
| Inventories | | | 0.2 | 2.6 | -0.8 | -1.4 | **-1.2** | **0.0** | **0.0** |
| Net exports | | | 0.4 | 0.7 | 2.0 | 5.9 | **2.7** | **0.6** | **0.7** |
| Employment | | | 0.3 | -1.5 | 1.8 | 0.1 | **-0.3** | **0.3** | **0.5** |
| Unemployment rate (a) | | | 14.8 | 14.5 | 13.7 | 14.0 | **13.9** | **13.7** | **13.3** |
| Compensation of employees / head | | | - | 5.1 | 2.0 | 2.8 | **2.0** | **3.0** | **3.0** |
| Unit labour costs whole economy | | | - | -0.9 | 0.8 | 1.0 | **0.8** | **1.3** | **0.6** |
| Real unit labour cost | | | - | -1.4 | -0.8 | -0.2 | **-0.6** | **-0.5** | **-1.2** |
| Saving rate of households (b) | | | 8.9 | 10.3 | 9.4 | 8.2 | **5.8** | **6.8** | **7.2** |
| GDP deflator | | | 5.2 | 0.5 | 1.6 | 1.3 | **1.5** | **1.8** | **1.8** |
| Harmonised index of consumer prices | | | - | 0.7 | 4.1 | 3.7 | **1.7** | **1.6** | **1.9** |
| Terms of trade goods | | | - | -0.8 | -1.5 | -1.3 | **0.0** | **-0.1** | **0.0** |
| Trade balance (c) | | | -5.2 | 0.8 | 1.0 | 4.7 | **7.3** | **7.6** | **8.0** |
| Current-account balance (c) | | | -5.4 | -3.7 | -2.6 | 1.6 | **4.3** | **4.3** | **5.4** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -5.4 | -2.1 | -0.9 | 3.1 | **5.6** | **5.4** | **6.0** |
| General government balance (c) | | | -5.5 | -7.7 | -5.1 | -4.5 | **-3.0** | **-3.2** | **-3.8** |
| Cyclically-adjusted budget balance (c) | | | -5.9 | -7.4 | -4.6 | -3.9 | **-1.9** | **-2.1** | **-2.9** |
| Structural budget balance (c) | | | -3.8 | -7.3 | -5.0 | -4.0 | **-2.3** | **-3.1** | **-2.9** |
| General government gross debt (c) | | | 36.9 | 41.0 | 43.4 | 52.2 | **54.3** | **57.2** | **58.1** |

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

# 26. FINLAND

## Slow recovery amid structural changes

### Economic atony to continue in 2013

The decline of the Finnish economy in 2012 was revised from an initially published -0.2% to -0.8%. With the contraction continuing in the first quarter of 2013, the economy was facing a recession for four consecutive quarters before returning to tepid growth in the second quarter of 2013. In light of the strong negative carry over from 2012, in 2013 as a whole the economy is projected to post negative growth of -0.6% despite an expected continued slow growth in the second half of the year.

Several quarters of negative growth appear to have depressed confidence of consumers and producers alike. Consumers have become cautious and are delaying the purchase of durable goods, especially cars. In addition, at the beginning of 2013 real disposable income was reduced by the 1 pp. increase in the VAT rates and an effective increase in income taxation. Credit growth has slowed down. Consequently, in contrast to previous years no positive growth contribution is expected from private consumption.

Investment has been held back by a weak outlook, as confirmed by low confidence indicators. The decline affects construction as well as machinery and equipment investments. Industrial production declined in 2012 and is at best stabilising. The traditionally high contribution from the electronics sector has reached a multi-decade low. Industrial growth is now led by the chemical and metal industries. Inventory depletion is forecast to continue in 2013, and a slow build-up is forecast for 2014.

Although export growth is weak, the decline in imports is even stronger, resulting in a positive contribution of net exports to growth. Consequently, it is rather the sluggish domestic demand than the strong export performance which is expected to improve the trade and current-account balances.

### Gradual recovery over 2014-15

For 2014 a 0.6% recovery in real GDP growth is forecast, in 2015 growth is expected to reach 1.6%. Private consumption continues to be held back by weak disposable income growth, as wage restraint needs time to translate into positive employment growth. A pick-up in investment is forecast for 2014 and 2015, as weak investment in previous years leaves room for catching-up once growth gains traction. This could be further facilitated by favourable lending conditions and low interest rates over the forecast period.

Finland is forecast to continue losing world market shares, though to a lesser extent than in recent years as some structural changes have already materialised and projected developments in cost competitiveness favour export growth. In turn, sluggish domestic demand will dampen the growth of imports. Consequently, the current-account balance is, though remaining negative, set to improve over the forecast period.

### Risks, mainly external, are balanced

Risks to the outlook are balanced and mainly connected to exports. Industrial restructuring could be in a more advanced phase than currently considered, which could result in stronger export growth, also taking into account the moderate wage agreement and a potentially stronger recovery in export markets. In contrast, export share losses could be larger than forecast as Finland's key industries face continued structural challenges and competitive pressures.

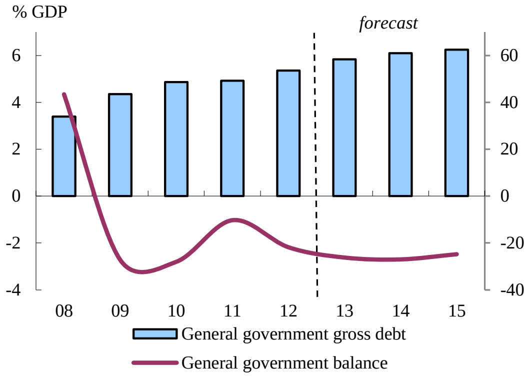
### Weak labour market and slowing inflation

The labour market started to deteriorate in late 2012. The number of employed and hours worked are declining. In 2013 the unemployment rate is set to increase to 8.2% and, with sluggish growth, will remain broadly stable until 2015.

In October, the social partners reached a national collective wage agreement where wage growth for 2014-15 is significantly lower than in the 2012-13 agreement. As a result, increase in unit labour costs will be lower than in previous years. Wage restraint, while weighing on consumption in the short term, could help strengthening net exports, employment and growth in the medium term.

Despite the consumption tax increase in 2013 and further indirect tax increases in 2014, inflation is set to recede to 2.2% in 2013 and to further decrease over 2014-15 owing to lower wage increases, a drop in energy prices and a stabilisation of the prices of processed food and services.

*Graph II.26.1:* **Finland - General government gross debt and balance**




### Public deficit worsens

The government adopted significant adjustment measures on the revenue side for 2013 and limited the growth in expenditure to strengthen the central government finances, but the general government deficit is still set to widen in 2013 compared to 2012 (from -1.8 to -2.2% of GDP) as the shortfall in revenues caused by weak economic growth offsets the impact of the consolidation measures. Longer-term outlook could be improved by the successful implementation of the structural reforms programme concerning labour market, government efficiency and business environment that was announced in August 2013.

In 2014, Finland will reduce the corporate income tax rate, increasing at the same time the taxation of dividends. Taxes on alcohol, sweets, tobacco and energy will also be increased. Due to the changes in corporate taxation and sluggish growth, the deficit is set to further widen to 2.3% of the GDP in 2014. With growth returning in 2015, public finances are set to improve with the deficit declining to 2% of GDP. The structural balance is estimated to deteriorate over the forecast horizon and reach -1¼% of GDP by 2015.

The debt-to-GDP ratio is influenced by the expected increasing annual deficits but also the downward revision to nominal GDP for 2012. Based on these developments, the general government debt is expected to reach 61% of GDP by 2014 and climb to 62.5% in 2015.

*Table II.26.1:*

**Main features of country forecast -FINLAND**

| | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 192.5 | 100.0 | 2.8 | 3.4 | 2.7 | -0.8 | **-0.6** | **0.6** | **1.6** |
| Private Consumption | 108.5 | 56.4 | 2.9 | 3.3 | 2.6 | 0.2 | **-0.6** | **0.3** | **1.4** |
| Public Consumption | 48.3 | 25.1 | 1.7 | -0.4 | 0.5 | 0.6 | **0.7** | **0.9** | **0.8** |
| Gross fixed capital formation | 37.7 | 19.6 | 3.8 | 1.7 | 5.7 | -1.0 | **-1.1** | **1.0** | **2.0** |
| of which: equipment | 10.2 | 5.3 | 4.3 | -12.5 | 11.1 | 14.2 | **-1.1** | **1.8** | **1.9** |
| Exports (goods and services) | 78.1 | 40.6 | 6.0 | 7.9 | 2.7 | -0.2 | **-1.4** | **3.5** | **4.4** |
| Imports (goods and services) | 79.8 | 41.4 | 6.1 | 6.8 | 6.2 | -1.0 | **-1.9** | **4.1** | **3.9** |
| GNI (GDP deflator) | 192.3 | 99.9 | 3.3 | 3.3 | 1.5 | -1.2 | **-0.6** | **0.6** | **1.6** |
| Contribution to GDP growth: Domestic demand | | | 2.6 | 2.0 | 2.6 | 0.1 | **-0.4** | **0.6** | **1.4** |
| Inventories | | | 0.1 | 0.8 | 1.5 | -0.9 | **-0.4** | **0.2** | **0.0** |
| Net exports | | | 0.5 | 0.5 | -1.3 | 0.4 | **0.2** | **-0.3** | **0.1** |
| Employment | | | 1.2 | -0.1 | 1.5 | 0.0 | **-0.6** | **0.0** | **0.3** |
| Unemployment rate (a) | | | 10.3 | 8.4 | 7.8 | 7.7 | **8.2** | **8.3** | **8.1** |
| Compensation of employees / head | | | 3.2 | 1.8 | 3.2 | 3.5 | **2.4** | **1.6** | **1.6** |
| Unit labour costs whole economy | | | 1.6 | -1.6 | 2.0 | 4.4 | **2.5** | **1.0** | **0.4** |
| Real unit labour cost | | | -0.1 | -2.0 | -0.7 | 1.5 | **0.2** | **-1.1** | **-1.6** |
| Saving rate of households (b) | | | 8.7 | 10.7 | 8.7 | 8.8 | **10.2** | **10.0** | **8.8** |
| GDP deflator | | | 1.7 | 0.3 | 2.8 | 2.9 | **2.3** | **2.2** | **2.0** |
| Harmonised index of consumer prices | | | 1.6 | 1.7 | 3.3 | 3.2 | **2.2** | **1.9** | **1.8** |
| Terms of trade goods | | | -0.6 | -2.6 | -2.3 | -1.7 | **0.7** | **0.1** | **-0.4** |
| Trade balance (c) | | | 7.4 | 1.4 | -0.7 | 0.1 | **0.3** | **0.2** | **0.2** |
| Current-account balance (c) | | | 4.9 | 1.7 | -1.5 | -1.8 | **-1.2** | **-1.3** | **-1.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | 5.0 | 1.8 | -1.3 | -1.7 | **-1.1** | **-1.2** | **-1.1** |
| General government balance (c) | | | 1.4 | -2.5 | -0.7 | -1.8 | **-2.2** | **-2.3** | **-2.0** |
| Cyclically-adjusted budget balance (c) | | | 1.4 | -1.0 | -0.4 | -0.8 | **-0.8** | **-1.0** | **-1.2** |
| Structural budget balance (c) | | | 2.5 | -0.9 | -0.3 | -0.7 | **-0.8** | **-1.0** | **-1.2** |
| General government gross debt (c) | | | 45.6 | 48.7 | 49.2 | 53.6 | **58.4** | **61.0** | **62.5** |

(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.
Note : Contributions to GDP growth may not add up due to statistical discrepancies.

# 27. SWEDEN

## A domestic-demand-driven recovery

### Signs of recovery after a weak first half of 2013

Following more robust than expected growth in the first quarter of 2013, the Swedish economy slowed down in the second quarter as household consumption decelerated and exports fell. Weak growth in aggregate demand led to stock building by firms. As domestic demand rebounds and fixed investment picks up, GDP growth is forecast to resume in the third quarter and accelerate in the fourth.

The latest survey indicators project positive signs for the near future. The Economic Sentiment Indicator has been above its historic average since June and reached 102.2 in September, mainly driven by consumer and services confidence indicators. However, industry, retail trade and construction confidence indicators remain low. Therefore, in the short term, growth is expected to be moderate.

### Accelerating growth over the forecast horizon

GDP growth is expected to pick up gradually over the forecast horizon, from 1.1% in 2013 to 2.8% in 2014 and 3.5% in 2015. Unlike in previous recoveries which were typically export-driven, the main push for growth is expected to come from domestic demand.

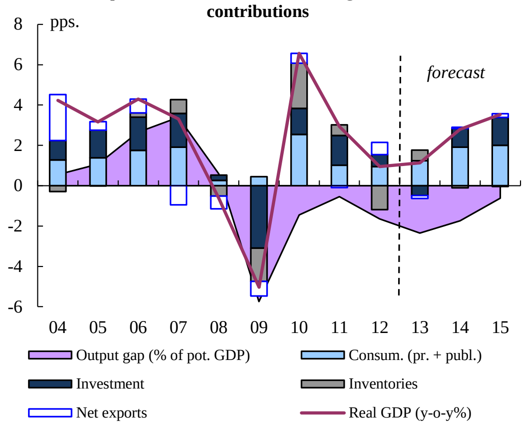
Household consumption is projected to be the main driver of growth in 2013 and projected to remain so in 2014 and 2015. Household spending is expected to become increasingly encouraged by improvements in the labour market, a low interest rate environment and income tax cuts announced in the 2014 draft budget. The household saving rate, which reached a record high level in 2012 due to a high unemployment rate and uncertainties about the euro-area outlook, is expected to decrease over the forecast horizon once uncertainty subsides and precautionary savings are reduced.

Fixed capital formation is set to resume gradually, becoming an important contributor to growth in 2014 and 2015. Residential investment is expected to rise during the forecast period given the housing backlog. Linked to the expected recovery in exports, industrial capacity utilisation is expected to rise, paving the way to investment outlays in 2014 and 2015.

Exports contracted further in the first half of 2013. This development reflects continued subdued demand from the EU countries as well as the strong krona. Exports are expected to remain weak in the second half of 2013 but to resume growth in the last quarter. Imports are expected to follow exports closely, given the strong import content of Swedish exports, and to grow fast as investment and domestic demand accelerates in 2014, increasing slightly stronger than exports in 2014 and 2015. As a result, the large external surplus is expected to decrease slightly over the forecast horizon.

Risks are broadly balanced. Concerns related to high private debt and a potential fall in house prices are still present. The strong krona may continue to weigh on Swedish external competitiveness although exporters have so far defended their position through squeezed margins. On the positive side, exports could rebound more strongly than expected given the evolution of the global business cycle.

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




### Recovering labour market and low inflationary pressures

Despite a weak economy, employment has continued to grow in 2012 and 2013 and is expected to continue growing over the forecast period. Unemployment stabilised in the first quarter of 2013 before decreasing slightly in the second quarter. This turnaround in the labour market is further supported by rising PMI employment expectations. Unemployment is expected to decrease slowly in 2014 and more significantly in 2015 in connection with stronger growth dynamics.

After having fluctuated around 0.9% in 2012, HICP inflation dropped in the first and second quarters of 2013 to 0.7 and 0.3% respectively on account of lower energy costs and contracting prices in the non-energy industrial goods sector. Given the assumed subdued outlook for energy and the continued impact of the strong krona, inflationary pressures are expected to remain comparatively low in 2014, accelerating to 1.8% in 2015 on the back of vigorous economic growth. Wage developments are expected to contribute to the low-inflation environment as the 2013 pay settlements, which run for three years, indicate a moderate rate of wage growth by historical standards. The current slack in the labour market also points to moderate growth in employee compensation.

### General government balance remains moderately negative

Lacklustre growth and expansionary policies focusing on corporate taxation, labour market measures and infrastructure investment are widening the headline deficit to 0.9% of GDP in 2013 from 0.2% in 2012. Taking into account the 2014 draft budget and its focus on improving household disposable income through tax cuts, the deficit is expected to reach 1.2% in 2014. The combination of accelerating growth and the nominal expenditure ceiling embedded in the Swedish fiscal framework will allow the deficit to improve to 0.5% of GDP in 2015 under the "no-policy-change assumption". The structural balance is estimated to turn slightly negative in 2014 and 2015 driven by an expansionary fiscal stance in 2014 and a narrowing of the output gap.

The decline in the government debt-to-GDP ratio will be reversed in 2013, also on account of additional borrowing of SEK 100 billion to strengthen the currency reserves of the Riksbank. In 2014, debt is expected to tick up before falling back in 2015.

*Table II.27.1:*

**Main features of country forecast -SWEDEN**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn SEK | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 3548.8 | 100.0 | 2.5 | 6.6 | 2.9 | 1.0 | **1.1** | **2.8** | **3.5** |
| Private Consumption | | 1718.2 | 48.4 | 2.3 | 4.0 | 1.7 | 1.6 | **2.0** | **3.3** | **3.7** |
| Public Consumption | | 955.9 | 26.9 | 0.7 | 2.1 | 0.8 | 0.7 | **1.0** | **1.1** | **0.7** |
| Gross fixed capital formation | | 672.9 | 19.0 | 3.8 | 7.2 | 8.2 | 3.1 | **-2.6** | **5.1** | **7.5** |
| of which: equipment | | 267.2 | 7.5 | 6.3 | 11.9 | 13.2 | 4.8 | **-3.9** | **6.2** | **8.9** |
| Exports (goods and services) | | 1722.4 | 48.5 | 5.8 | 11.4 | 6.1 | 0.7 | **-2.1** | **3.5** | **6.5** |
| Imports (goods and services) | | 1516.4 | 42.7 | 5.1 | 12.0 | 7.1 | -0.6 | **-2.1** | **3.9** | **6.9** |
| GNI (GDP deflator) | | 3628.2 | 102.2 | 2.9 | 6.9 | 3.3 | 0.6 | **1.1** | **2.8** | **3.6** |
| Contribution to GDP growth: | Domestic demand | | | 2.0 | 3.8 | 2.5 | 1.5 | **0.8** | **2.8** | **3.4** |
| | Inventories | | | 0.0 | 2.2 | 0.5 | -1.2 | **0.5** | **-0.1** | **0.0** |
| | Net exports | | | 0.6 | 0.5 | -0.1 | 0.6 | **-0.1** | **0.1** | **0.2** |
| Employment | | | | 0.5 | 1.0 | 2.3 | 0.7 | **0.8** | **0.9** | **1.0** |
| Unemployment rate (a) | | | | 7.5 | 8.6 | 7.8 | 8.0 | **8.1** | **7.9** | **7.4** |
| Compensation of employees / head | | | | 3.7 | 3.1 | 0.8 | 3.1 | **2.6** | **3.0** | **3.4** |
| Unit labour costs whole economy | | | | 1.7 | -2.3 | 0.2 | 2.9 | **2.3** | **1.0** | **0.9** |
| Real unit labour cost | | | | -0.1 | -3.1 | -1.1 | 1.9 | **0.9** | **-0.1** | **-0.5** |
| Saving rate of households (b) | | | | 8.3 | 11.3 | 13.1 | 14.7 | **15.4** | **14.6** | **13.3** |
| GDP deflator | | | | 1.8 | 0.8 | 1.3 | 1.0 | **1.4** | **1.1** | **1.4** |
| Harmonised index of consumer prices | | | | 1.8 | 1.9 | 1.4 | 0.9 | **0.6** | **1.3** | **1.8** |
| Terms of trade goods | | | | -0.6 | -1.1 | -1.3 | -0.4 | **-0.3** | **-1.1** | **-1.0** |
| Trade balance (c) | | | | 6.2 | 2.6 | 2.2 | 2.4 | **1.9** | **1.5** | **1.1** |
| Current-account balance (c) | | | | 5.7 | 6.9 | 6.6 | 6.2 | **5.9** | **5.6** | **5.3** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 5.4 | 6.8 | 6.4 | 6.1 | **6.0** | **5.4** | **5.2** |
| General government balance (c) | | | | -0.4 | 0.3 | 0.2 | -0.2 | **-0.9** | **-1.2** | **-0.5** |
| Cyclically-adjusted budget balance (c) | | | | -0.1 | 1.1 | 0.5 | 0.8 | **0.5** | **-0.2** | **-0.1** |
| Structural budget balance (c) | | | | 1.1 | 1.1 | 0.5 | 0.8 | **0.5** | **-0.2** | **-0.1** |
| General government gross debt (c) | | | | 56.5 | 39.4 | 38.6 | 38.2 | **41.3** | **41.9** | **41.0** |

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

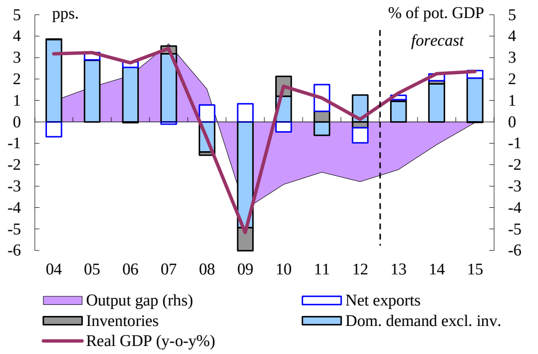
# 28. THE UNITED KINGDOM

## Tangible improvements but some lingering uncertainty

### Growth looking up

Following an especially weak performance in 2012 whereby annual growth was revised down to 0.1%, 2013 has thus far exceeded expectations and the outlook is quite bright. Growth of 1% in the first half of 2013 has stemmed mainly from domestic demand, namely private consumption. Net trade made a positive contribution of 0.3 pp. in the first quarter but this was as a result of a large decline in imports.

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




The outlook has improved substantially since spring with growth forecast at 1.3% in 2013. This is based on private consumption continuing to improve as inflation declines gradually. Investment should also grow more strongly in the second half of the year as credit becomes more easily available and uncertainty recedes further. Finally, a small but positive contribution from net trade is expected. Over the forecast horizon to 2015, growth is projected to improve with domestic demand remaining the main driver and net exports improving slowly but steadily. Growth is forecast at 2.2% in 2014 and 2.4% in 2015. The main risks to the forecast stem from an extension of weak real wage growth, investment being further postponed and the expected upturn in net exports failing to transpire.

### Consumption growing and improving

Private consumption contributed 0.5 pp. to the 1% growth during the first half of 2013. It has now increased in each of the last seven quarters and is expected to continue to do so over the forecast horizon. Whilst nominal wage growth has remained sluggish and inflation has only fallen back slowly, consumer confidence has improved as employment growth was very strong in 2012. The expectation is for consumers to dip into their savings and continue spending with the outlook for real wage growth to turn positive at the end of 2014 and into 2015. However, the debt burden of households remains a distinct risk to private consumption.

### Caution diminishing on the side of investors

During the first half of 2013, gross fixed capital formation contributed positively to growth but the second quarter highlighted the poor rate of business investment with only construction growing in that quarter. Dwelling investment increased from low levels. Soft indicators suggest that an improvement in business investment has been underway since mid-year along with positive but lower contributions from construction as a result of the credit easing measures put in place, strong cash reserves of larger companies and a decrease in euro-area tensions. The outlook for 2014 and 2015 is one of strengthening confidence and continuing improvements in credit supply.

### Marginal improvements in net exports

After a weak and volatile period for net exports since the depths of the crisis, there are finally some signs of improvement afoot. Net exports contributed by 0.3 pp. to growth in the first half of 2013 but this was entirely in the first quarter of the year and due to a large fall in imports. Exports grew strongly in the second quarter but imports followed suit. Since wage growth is low, the competitive position of the UK improves and import substitution is likely to play a role in rebalancing the economy. The outlook is that net exports should contribute positively to growth in 2013 with increases thereafter as uncertainty recedes in the euro area, the UK's main trading partner, and exports to non-euro-area countries strengthen.

### Inflation falling at a leisurely pace

Inflation had generally been on a downward trajectory since 2011 but the quarterly rate ticked upwards at the end of 2012 and the start of 2013 owing to a rise of tuition fees in England and increased prices for food and household goods.

However, despite the anticipated increase in regulated and administered prices, inflation is expected to generally fall over the forecast horizon with it reaching the Bank of England's target of 2% at the end of 2015. This is due to continued weak pay growth in the very short term, the elimination of the fuel duty escalator in September 2014 and the recent appreciation of sterling which should dampen import prices. Furthermore, given the spare capacity in the economy, the expectation is that growth can be achieved without overdue pressure on inflation in the short term. Inflation is forecast at 2.6% in 2013 but falling to 2.1% in 2015. The main risk to the forecast is renewed pressure from commodity prices.

## Resilient employment

Despite the anaemic growth of 2012 and the public sector job cuts, the employment rate actually grew by 1.2% over the period. This may imply that the current recovery will not see large falls in the unemployment rate as otherwise might have been expected. The expectation is for productivity to recover before tangible effects are felt in the labour market. Therefore, the forecast is for unemployment to decline slowly from 7.8% in 2013 to 7.3% in 2015.

## Deficit on the decline

The fiscal consolidation plan continues and the Spending Round 2013 details the measures until 2017-18. The large decline in the deficit from 11.4% in the financial year 2009-10 to 5.2% in 2012-13 is partly explained by transfers that were independent of the consolidation plan. The transfers from the Asset Purchase Facility into government accounts will continue to reduce the deficit over the entire forecast period, but in decreasing amounts. There is also a one-off reduction in the deficit of GBP 3.2 billion (0.2% of GDP) in 2013-14 owing to a tax cooperation agreement with Switzerland to clear past unpaid taxes but going forward the amounts are not expected to be significant. Nevertheless, owing to the improved macroeconomic outlook and allowing for a subsequent time lag in the fiscal data, the deficit is expected to fall over the forecast horizon to 4.4% in 2015-16. By contrast, the debt ratio will continue rising over the entire period.

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

| | Actual | | Forecast | | |
|---|---|---|---|---|---|
| | 2011-12 | 2012-13* | 2013-14~ | 2014-15 | 2015-16 |
| General government balance | -7.6 | -5.2 | -6.1 | -5.3 | -4.4 |
| Structural budget balance | -6.4 | -5.9 | -5.3 | -4.7 | -4.1 |
| General government gross debt | 85.1 | 88.1 | 92.8 | 95.2 | 97.8 |

*Includes one-off transfer of Royal Mail pension fund and sale of 4G mobile phone licences; ~Includes one-off revenue from Swiss tax agreement

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

| | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| bn GBP | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 1564.6 | 100.0 | 2.4 | 1.7 | 1.1 | 0.1 | 1.3 | 2.2 | 2.4 |
| Private Consumption | 1029.8 | 65.8 | 2.7 | 1.0 | -0.4 | 1.2 | 1.6 | 1.7 | 1.9 |
| Public Consumption | 341.2 | 21.8 | 2.2 | 0.5 | 0.0 | 1.7 | 0.0 | -0.1 | 0.2 |
| Gross fixed capital formation | 224.4 | 14.3 | 2.2 | 2.8 | -2.4 | 0.9 | -0.8 | 5.0 | 5.3 |
| of which: equipment | 47.8 | 3.1 | 1.9 | 9.9 | -21.7 | 12.2 | 3.3 | 6.9 | 4.8 |
| Exports (goods and services) | 493.9 | 31.6 | 4.5 | 6.7 | 4.5 | 1.0 | 2.7 | 3.4 | 3.6 |
| Imports (goods and services) | 528.5 | 33.8 | 4.8 | 7.9 | 0.3 | 3.1 | 1.9 | 2.3 | 2.4 |
| GNI (GDP deflator) | 1559.9 | 99.7 | 2.6 | 1.2 | 1.7 | -1.5 | 1.4 | 2.3 | 2.4 |
| Contribution to GDP growth: Domestic demand | | | 2.6 | 0.9 | -0.6 | 1.3 | 1.0 | 1.8 | 2.0 |
| Inventories | | | 0.0 | 1.3 | 0.5 | -0.3 | 0.1 | 0.1 | 0.0 |
| Net exports | | | -0.1 | -0.5 | 1.2 | -0.7 | 0.2 | 0.3 | 0.3 |
| Employment | | | 0.8 | 0.2 | 0.5 | 1.2 | 0.7 | 0.9 | 1.0 |
| Unemployment rate (a) | | | 6.2 | 7.8 | 8.0 | 7.9 | 7.7 | 7.5 | 7.3 |
| Compensation of employees / head | | | 3.9 | 3.1 | 2.0 | 1.9 | 1.3 | 1.7 | 2.8 |
| Unit labour costs whole economy | | | 2.3 | 1.7 | 1.4 | 3.0 | 0.7 | 0.3 | 1.4 |
| Real unit labour cost | | | 0.0 | -1.4 | -0.9 | 1.3 | -0.6 | -1.1 | -0.1 |
| Saving rate of households (b) | | | 5.4 | 7.3 | 6.7 | 6.8 | 6.2 | 6.1 | 6.0 |
| GDP deflator | | | 2.3 | 3.1 | 2.3 | 1.7 | 1.2 | 1.4 | 1.5 |
| Harmonised index of consumer prices | | | 1.9 | 3.3 | 4.5 | 2.8 | 2.6 | 2.3 | 2.1 |
| Terms of trade goods | | | -0.2 | 0.8 | -1.3 | -0.4 | -0.4 | -0.4 | -0.2 |
| Trade balance (c) | | | -3.9 | -6.6 | -6.5 | -6.9 | -6.4 | -6.1 | -5.9 |
| Current-account balance (c) | | | -1.6 | -2.7 | -1.5 | -3.8 | -4.3 | -4.4 | -4.3 |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | -1.4 | -2.4 | -1.2 | -3.6 | -4.1 | -4.2 | -4.2 |
| General government balance (c) | | | -3.0 | -10.1 | -7.7 | -6.1 | -6.4 | -5.3 | -4.3 |
| Cyclically-adjusted budget balance (c) | | | -3.2 | -8.7 | -6.6 | -4.7 | -5.3 | -4.8 | -4.3 |
| Structural budget balance (c) | | | -5.0 | -8.6 | -6.6 | -6.5 | -5.7 | -4.8 | -4.3 |
| General government gross debt (c) | | | 45.4 | 78.4 | 84.3 | 88.7 | 94.3 | 96.9 | 98.6 |

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

# Candidate Countries

# 29. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

## Nascent recovery gradually taking hold

### Resilient investment increases drive recovery

After the economy stagnated in 2012, output was 3.4% higher in the first half of 2013 than in the same period a year earlier. Even though the year-on-year growth rate of gross fixed capital formation has been declining for the last four quarters, investment remained the key driver of the recovery, with some 8% growth in the first six months. Private consumption stagnated in annual terms, after a decrease one year earlier. Export volumes increased by 3%, and imports declined slightly, probably reflecting the deceleration of import-intensive investment. Consequently, net exports proved less of a drag on growth than in the first half of the previous year. Performance in the construction sector was particularly strong, probably still benefiting from the substantial public construction projects in the country's capital. Early hopes for a turnaround in industrial production, based on strong growth in the first months of 2013, were dampened thereafter, and accumulated output increases remained subdued in the first half of the year.

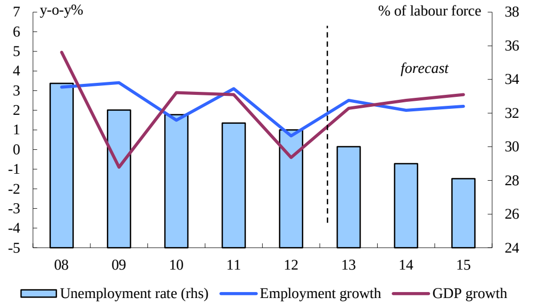
Economic growth is expected to accelerate, with real GDP projected to increase by some 2% in 2013, about 2½% in 2014, and 2¾% in 2015. Investment is likely to reaccelerate and provide the main contribution to growth over the forecast horizon, mainly on account of strong foreign direct investment and public investment spending. The recent and projected further increase in employment, and the rise in pensions and social transfers in early 2013 are drivers of a positive outlook for disposable incomes. A benign inflation scenario is expected to contribute to a stabilisation of real net wages. Complemented by resilient growth of consumer credit, this development is expected to lead to an increasingly positive contribution to domestic demand from private consumption over the forecast horizon.

### Net exports are not contributing to growth

After weighing negatively on growth in 2012 and 2013, the contribution of net exports to growth is projected to remain largely neutral in 2013, and to become negative again in the following two years as imports are set to pick up in connection with stronger investment growth. The merchandise trade deficit is likely to narrow somewhat this year, on account of relatively strong export growth, but to widen again in the two outer years of the forecast. Import growth will be boosted by strong investment dynamics over the forecast horizon, driven by the start of production of recently established foreign investment. With current transfers expected to stabilise at a lower level than 2012, when they attained 21.7% of GDP, the current-account deficit overall is likely to widen until 2015.

Foreign direct investment has been picking up again after the slump in the previous year. In the first half year, inflows amounted to 1.4% of projected full-year GDP, and are expected to reach some 3% of GDP at the end of the year. The forecast expects continued strong growth in foreign direct investment, which should somewhat mitigate the recently increased reliance on external borrowing to finance the current-account deficit.

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




### Renewed growth and recent fiscal stimulus provide impulse to labour market

Overall, the nascent recovery seems to offer some support to employment, which was 4.3% higher at the end of the first half of the year, compared to the end of 2012. In the same period, the unemployment rate decreased further, from 31% to 28.8%, which reflects to some extent increased participation of formerly unemployed persons in active labour market policies, as well as stricter registration procedures. In line with output developments, the major part of the new jobs was created in the construction sector. The labour market situation remained especially difficult for young people, with the unemployment rate for 15 to 24 year olds at 51.7%, down by only 1.3 pps. compared to the end of 2012. Given the expected re-acceleration of investment growth, and the continuation of active labour market policy programmes, employment is projected to increase somewhat further over the forecast horizon. The unemployment rate is likely to decline marginally, by about 1 pp. each year. In line with employment trends, average monthly gross wages are expected to gradually increase, while apparent labour productivity is likely to decline in 2013, and improve again somewhat in 2014, given the lower employment growth.

### Public debt expected to increase further

The fiscal position fell behind target between January and August 2013, when the central government deficit reached some 3% of full-year projected GDP. This was mainly due to the settlement of arrears owed to the private sector, the rise in pension and social transfer payments, and weaker than expected revenue collection. This prompted the government to raise the 2013 general government deficit target from 3.6% to 3.9%. This forecast assumes that the general government deficit will drop to 3.7% this year, and gradually decline by 0.2 pp. each year until 2015, on account of contained rises in government expenditure, in particular in public consumption. However, in spite of declining net lending, the central government debt level is expected to continue to rise. It increased by 13 pps. between 2008 and 2012, to 34% of GDP, and is projected to rise further to 39.4% by 2015. This figure excludes the debt of state-owned companies, such as the Road Fund, whose balance sheets are affected by the government's credit-financed infrastructure investments. Hence, the gradual decline in budget deficits is not sufficient to reduce or even stabilise the debt levels.

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

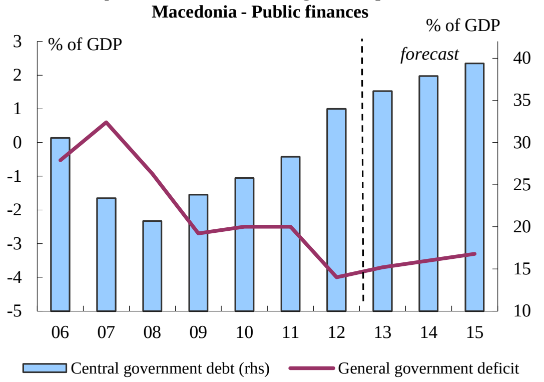



*Table II.29.1:*

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

| | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn MKD Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 458.6 | 100.0 | 2.2 | 2.9 | 2.8 | -0.4 | **2.1** | **2.5** | **2.8** |
| Private Consumption | 342.8 | 74.7 | - | 2.1 | 2.9 | -1.2 | **1.0** | **2.8** | **3.0** |
| Public Consumption | 84.8 | 18.5 | - | -2.0 | 0.6 | -2.2 | **0.0** | **0.5** | **1.0** |
| Gross fixed capital formation | 105.4 | 23.0 | - | -2.7 | 12.3 | 16.0 | **5.5** | **7.0** | **7.5** |
| of which: equipment | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 245.9 | 53.6 | - | 23.6 | 10.5 | 0.0 | **4.5** | **5.5** | **6.0** |
| Imports (goods and services) | 349.8 | 76.3 | - | 9.5 | 10.4 | 4.2 | **3.0** | **5.7** | **6.2** |
| GNI (GDP deflator) | 449.0 | 97.9 | - | 2.0 | 2.8 | 0.2 | **2.1** | **2.5** | **2.8** |
| Contribution to GDP growth: Domestic demand | | | 3.7 | 0.7 | 4.6 | 2.0 | **2.0** | **3.8** | **4.2** |
| Inventories | | | 0.4 | -1.2 | 0.0 | 0.7 | **0.0** | **0.0** | **0.0** |
| Net exports | | | -1.3 | 3.4 | -1.9 | -3.1 | **0.1** | **-1.3** | **-1.4** |
| Employment | | | 0.3 | 1.5 | 3.1 | 0.4 | **2.5** | **2.0** | **2.2** |
| Unemployment rate (a) | | | 34.1 | 32.0 | 31.4 | 31.0 | **30.0** | **29.0** | **28.1** |
| Compensation of employees / head | | | - | 6.0 | 11.9 | 0.8 | **2.5** | **3.1** | **3.6** |
| Unit labour costs whole economy | | | - | 4.6 | 12.3 | 1.6 | **2.9** | **2.7** | **3.1** |
| Real unit labour cost | | | - | 1.8 | 9.0 | 1.4 | **0.2** | **0.3** | **0.8** |
| Saving rate of households (b) | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | 10.5 | 2.7 | 3.1 | 0.2 | **2.7** | **2.4** | **2.3** |
| Consumer-price index | | | 8.3 | 1.6 | 3.9 | 3.3 | **3.0** | **2.7** | **2.5** |
| Terms of trade goods | | | - | -1.4 | 4.4 | -0.7 | **0.0** | **0.0** | **0.0** |
| Trade balance (c) | | | -16.3 | -20.8 | -22.5 | -23.9 | **-22.7** | **-22.9** | **-23.4** |
| Current-account balance (c) | | | -6.2 | -2.0 | -2.5 | -3.0 | **-4.5** | **-5.3** | **-6.5** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government balance (c) | | | -0.6 | -2.5 | -2.5 | -4.0 | **-3.7** | **-3.5** | **-3.3** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | 31.6 | 25.8 | 28.4 | 34.0 | **36.1** | **37.9** | **39.4** |

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

# 30. ICELAND

## Policy uncertainty weighs on growth

### Uncertainty weighs on domestic demand...

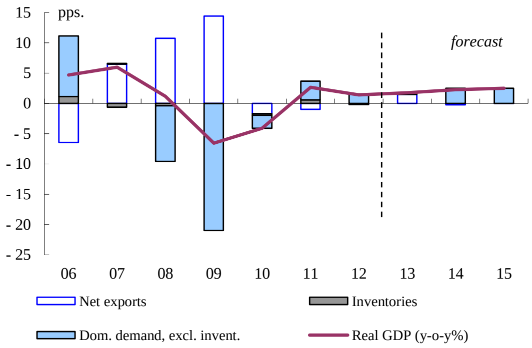
Following a growth rate of 1.4% in 2012, Iceland's economy expanded by 2.2% in the first half of 2013. However, the underlying dynamics are distorted by special factors, such as spending for one-off investments and fishing inventory the year before. So far, the recovery has been largely supported by private consumption, while investment remained weak. Commodity exports are losing pace, partly due to a weakening demand for aluminium. Record increases in tourist revenues largely compensated for weaker revenue from commodity exports. However, continued uncertainty concerning government promises to implement a household debt relief and entrenched inflationary expectations appear to dampen private consumption. Investment remained at historic lows (at some 14% of GDP), which probably reflects the currently uncertain global outlook but also a high degree of uncertainty concerning the timing and implementation of lifting capital controls. Inflation remained significantly above the 2.5% Central Bank target, with consumer prices rising by 4% in the first nine months of 2013. The labour market continued to perform well, with solid employment growth and declining unemployment. However, financial intermediation has declined, with credit growth coming virtually to a halt. Fiscal consolidation continued during 2013, although at a decelerating pace.

### ...and Iceland's growth trajectory

The economic outlook is somewhat weaker than in the spring forecast, reflecting a more hesitant consumer and investment sentiment. Private consumption growth is set to decelerate in 2013, reflecting lower real wage growth, largely as a result of still substantial inflation, eroding real disposable income and consumer confidence. Furthermore, uncertainty related to the promised household debt relief might lead households to delay consumption decisions. In 2014 and 2015, continued employment growth and decelerating inflation should support disposable incomes and thus also private consumption.

Public consumption is likely to remain limited, given the government's intentions to reduce the debt burden. The forecast expects some long-planned investment projects in the energy-intense and maritime sectors to be realised in 2014, which however will also lead to higher imports in the same year. The uncertainties related to the lifting of capital controls will probably continue, thus contributing to historically low investment ratios. Total exports are projected to strengthen due to an improved global outlook and continued growth of the tourism sector.

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




Overall, output growth is expected to remain below Iceland's long-term growth, reflecting uncertainties related to the implementation of the household debt relief and the lifting of capital controls, persistently high inflation and subdued global demand. Downside risks mainly result from continued policy uncertainty, which could further impede consumption and investment as well as risks from weaker global growth. However, in case of a swift and smooth lifting of capital controls, Iceland would be in a better position to realise its growth potential.

### Labour market conditions are improving...

Labour market conditions are expected to improve during 2014-15, however, the positive employment effect, which might have come with strong growth in tourism, might peter out in the coming years. However, still solid increases in employment should help to lower unemployment further, towards 4½% by 2015. Long-term unemployment will remain an important challenge.

### ...but inflationary pressures remain

In reaction to high inflation in 2012, monetary policy has remained tight since then. Inflationary pressures are expected to subside, benefiting from relatively low increases in import prices. However, domestic inflation inertia, such as inflation-index loans and wage pressures, driven by a few sectors, are likely to keep price increases rather high. As a result, annual inflation is expected to remain considerably above the Central Bank's inflation target of 2.5% over the forecast horizon.

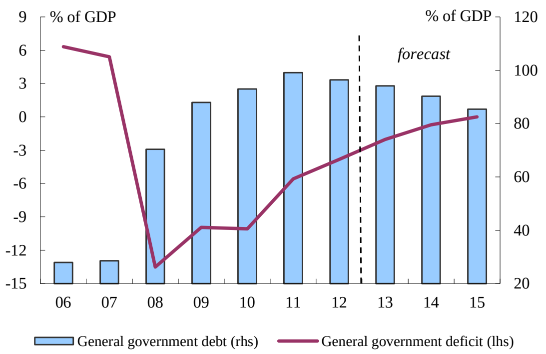
### Trade surplus is likely to decline

The surplus in trade in goods has recently narrowed, largely due to weaker export revenues, while the service balance benefited from increased tourism and declining service imports. In view of expected stronger domestic demand, imports are expected to accelerate again. However, the deterioration in the external balances is projected to continue, albeit at a slower pace, since exports are set to gain some strength as well.

### Reducing public debt remains a challenge

The general government deficit dropped from 5.6% of GDP in 2011 to 3.8% in 2012. During 2013, revenue growth remained below targets, largely reflecting weaker than expected growth. This might keep the 2013 end-year deficit at some 2% of GDP. The forecast assumes that the new government will respect its commitments towards continued fiscal consolidation, as described in the 2014 budget proposal presented on 1 October. The envisaged spending reductions should allow a lowering of the deficit to ¾% of GDP in 2014 and a largely balanced budget in 2015.

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




After reaching a peak of nearly 100% of GDP in 2011, the general government debt-to-GDP ratio started to decline in 2012. Thanks to substantial primary surpluses in 2014 and 2015, the debt ratio is likely to drop towards 85% of GDP by 2015.

*Table II.30.1:*

**Main features of country forecast -ICELAND**

| | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn ISK Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 1698.5 | 100.0 | 3.4 | -4.1 | 2.7 | 1.4 | **1.7** | **2.3** | **2.5** |
| Private Consumption | 912.9 | 53.7 | 2.7 | 0.1 | 2.6 | 2.4 | **1.3** | **1.5** | **2.0** |
| Public Consumption | 430.4 | 25.3 | 3.1 | -3.4 | -0.3 | -1.4 | **0.5** | **0.3** | **0.5** |
| Gross fixed capital formation | 246.9 | 14.5 | 1.6 | -9.4 | 14.3 | 5.0 | **-4.0** | **12.0** | **9.0** |
| of which: equipment | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 1009.5 | 59.4 | 5.5 | 0.5 | 3.8 | 3.8 | **2.5** | **3.3** | **4.0** |
| Imports (goods and services) | 905.5 | 53.3 | 4.0 | 4.5 | 6.7 | 4.7 | **0.0** | **4.2** | **4.5** |
| GNI (GDP deflator) | 1510.7 | 88.9 | 2.1 | -1.8 | 6.9 | 5.1 | **6.6** | **2.3** | **2.5** |
| Contribution to GDP growth: Domestic demand | | | 3.1 | -2.2 | 3.1 | 1.6 | **0.3** | **2.5** | **2.5** |
| Inventories | | | -0.1 | -0.2 | 0.6 | -0.1 | **0.0** | **0.0** | **0.0** |
| Net exports | | | 0.4 | -1.7 | -1.0 | -0.1 | **1.5** | **-0.2** | **0.0** |
| Employment | | | 1.2 | -0.3 | 0.0 | 1.1 | **2.8** | **1.7** | **1.5** |
| Unemployment rate (a) | | | 3.4 | 7.6 | 7.1 | 6.1 | **5.0** | **4.8** | **4.5** |
| Compensation of employees / head | | | 6.6 | 6.7 | 8.5 | 6.7 | **5.2** | **4.6** | **4.9** |
| Unit labour costs whole economy | | | 4.4 | - | - | - | **-** | **-** | **-** |
| Real unit labour cost | | | -0.4 | - | - | - | **-** | **-** | **-** |
| Saving rate of households (b) | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | 4.8 | 6.9 | 3.3 | 2.8 | **3.3** | **2.9** | **3.1** |
| Consumer-price index | | | - | 7.5 | 4.2 | 6.0 | **4.5** | **4.0** | **3.7** |
| Terms of trade goods | | | -1.1 | 8.5 | -2.9 | -5.6 | **0.0** | **0.0** | **0.0** |
| Trade balance (c) | | | -2.2 | 7.8 | 6.0 | 4.6 | **3.7** | **3.0** | **2.6** |
| Current-account balance (c) | | | -8.4 | -8.0 | -6.3 | -5.5 | **-0.2** | **-0.7** | **-1.0** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government balance (c) | | | -1.0 | -10.1 | -5.6 | -3.8 | **-2.0** | **-0.7** | **0.0** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | 48.2 | 93.0 | 99.1 | 96.4 | **94.2** | **90.2** | **85.4** |

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

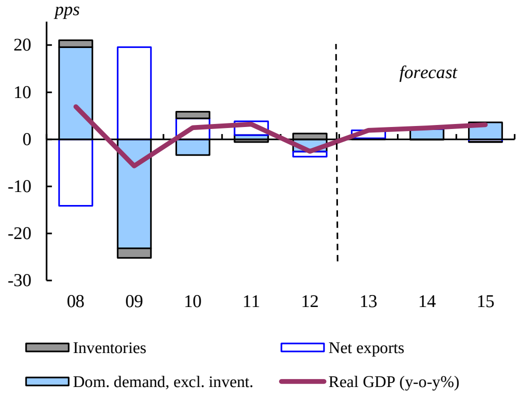
# 31. MONTENEGRO
## Adjusting to a new reality

### A deeper recession than expected

In 2012, adverse weather conditions and the persistence of banks' credit tightening resulted in a deeper than foreseen decline in agriculture, construction and manufacturing. As a result, the statistical office (MONSTAT) revised GDP growth for 2012 down to -2.5% compared to preliminary -0.5%.

In the first six months of 2013 the economy grew by 2.4% y-o-y, largely driven by base effect in the first quarter and the surge of electricity exports in the second quarter due to exceptional weather conditions and a boost in hydropower production. Therefore, compared to the spring, the autumn forecast presents a slightly faster growth scenario in 2013.

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




### Rekindling consumption and investments

Overall, private consumption is expected to reduce significantly its pace of contraction in 2013 and to switch into positive growth in the outer years. Tourism, although halving from past year double-digit growth rates, will still provide additional support to private consumption together with a revival of credit activity which, after four years of contraction, has been registering positive growth rates since beginning of the year.

A few but large tourism investments have been launched in October 2013, setting the basis for gross fixed capital formation expansion in the coming years. Some minor preparatory works for the highway section Smokovac–Mateševo could already start in 2014 and increase progressively afterwards. In the energy sector, preliminary works for the interconnection cable with Italy commenced on the Montenegrin side. However, the short-term net contribution from these investments remains difficult to ascertain given the small size of the country and its high import dependence.

The unemployment rate is set to fall by around 1 pp. during the forecast period, but it remains high at around 19%, while, employment will maintain positive but subdued growth rates until 2015, when investments speed up. Weak labour market dynamics have also been reflected in the moderation of wages, contracting in real annual terms since 2011. We expect wages to increase broadly in line with a possible recovery of demand for local labour.

In the first three quarters of 2013, average inflation totalled 2.9% compared to 3.8% a year before, and if the current trend is maintained, it may decrease further to settle at some 2% by the end of the year. The improvement in domestic demand may have a limited impact on prices as private consumption remains mostly driven by tourists' expenditure as domestic wages and bank loans growth recover only gradually during the forecast period.

In the first three quarter of 2013 the current-account deficit has been narrowing and could close below – the still very high – 17% of GDP by the end of the year. Yet, the improvement of the trade deficit could reverse in the next years as exports' base effects fade out and new capacities in tourism and energy are yet under construction. The forecast expects a deterioration of the income and transfers balances as more foreign workers will be employed. The increased broadening of the current-account gap in 2015 should be fully financed by net FDI inflows.

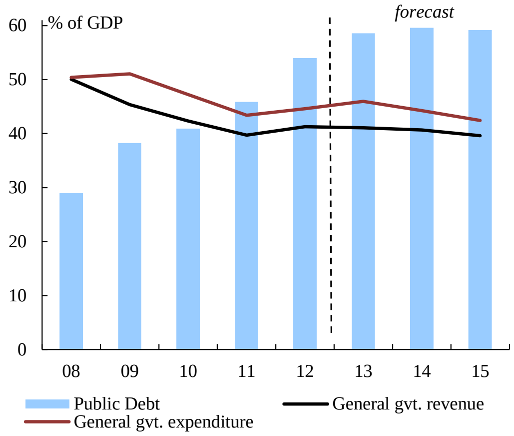
Overall, the economy might be entering a new phase where the weight of the old industrial giants has been considerably reduced and replaced by a new paradigm based on tourism, energy and services. Several risks cannot however be ignored, such as those related to the financing of a major highway project, the liquidation of the aluminium factory, and the high level non-performing loans.

## Slowed down consolidation

Budget performance has been improving markedly in 2013. In the first eight months total revenue grew by 7% y-o-y, supported by accelerating economic activity but also more efficient revenue collection boosted by the increases of the personal income tax and VAT rates. However, at the end of August 2013, the government paid EUR 103 million state guarantees resulting from the bankruptcy of the aluminium factory KAP, raising total budget expenditure by 8% above the plan and derailing the deficit target by two percentage points of GDP. Despite some extra costs related to KAP bankruptcy overflowing into the 2014 budget and some EUR 30 million increase in capital spending for the highway in 2015, current expenditure should decline in real terms while budget revenue remain constant. Overall, we expect the budget deficit to decline in the coming years, from around 5% of GDP in 2013 to less than 3% in 2015.

The surge in external liabilities resulting from the bank loans to cover KAP guarantees also pushed public debt further up, and it could exceed 58% by the end of 2013 as the government needs to borrow around EUR 100 million to close the budget gap.

*Graph II.31.2:* **Montenegro - general government balances and debt**




In July 2013, the government adopted a budget and fiscal responsibility law (i.e. fiscal rules) setting upper limits for public debt and budget deficit at 60% and 3% of GDP respectively. The rules would be applied with the 2015 budget. As a consequence, the consolidated deficit and debt levels for that year might remain below these limits. However, the rapid pace of growth of public indebtedness remains the most important risk in our forecast.

*Table II.31.1:*

**Main features of country forecast - MONTENEGRO**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | mio EUR Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 3148.9 | 100.0 | - | 2.5 | 3.2 | -2.5 | **1.9** | **2.3** | **3.1** |
| Private Consumption | 2632.0 | 83.6 | - | 2.0 | 4.2 | -3.2 | **-0.7** | **1.8** | **2.6** |
| Public Consumption | 679.1 | 21.6 | - | -0.3 | -1.6 | 3.1 | **2.1** | **1.1** | **3.1** |
| Gross fixed capital formation | 583.8 | 0.0 | - | -18.5 | -10.3 | -3.3 | **1.7** | **2.7** | **4.5** |
| of which: equipment | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 1389.4 | 44.1 | - | 7.5 | 14.1 | -1.2 | **3.0** | **1.9** | **2.5** |
| Imports (goods and services) | 2166.4 | 68.8 | - | -3.1 | 3.1 | 0.9 | **-0.6** | **1.0** | **2.4** |
| GNI (GDP deflator) | 3203.1 | 101.7 | - | 5.9 | 3.8 | -0.7 | **1.1** | **2.2** | **3.1** |
| Contribution to GDP growth: | Domestic demand | | -1.8 | -3.4 | 0.9 | -2.6 | **0.2** | **2.2** | **3.6** |
| | Inventories | | -0.9 | 1.4 | -0.6 | 1.2 | **0.0** | **0.0** | **0.0** |
| | Net exports | | 2.7 | 4.5 | 2.9 | -1.1 | **1.7** | **0.2** | **-0.5** |
| Employment | | | 4.9 | -1.9 | -6.4 | 2.8 | **1.4** | **2.1** | **2.7** |
| Unemployment rate (a) | | | 23.1 | 19.7 | 19.7 | 19.6 | **19.8** | **19.5** | **18.9** |
| Compensation of employees / head | | | - | -0.1 | 1.1 | 0.7 | **-1.4** | **1.3** | **2.3** |
| Unit labour costs whole economy | | | - | - | - | - | **-** | **-** | **-** |
| Real unit labour cost | | | - | - | - | - | **-** | **-** | **-** |
| Saving rate of households (b) | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | - | -0.8 | -0.7 | -1.0 | **-0.1** | **0.2** | **1.0** |
| Consumer-price index | | | 4.4 | 0.5 | 3.1 | 4.1 | **2.0** | **2.1** | **2.9** |
| Terms of trade goods | | | - | 13.6 | -7.8 | -12.5 | **4.4** | **0.5** | **0.0** |
| Trade balance (c) | | | -42.4 | -40.8 | -40.4 | -44.1 | **-42.3** | **-42.7** | **-42.8** |
| Current-account balance (c) | | | -23.5 | -22.9 | -17.7 | -18.6 | **-16.9** | **-16.3** | **-17.1** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government balance (c) | | | 4.1 | -4.9 | -3.7 | -3.3 | **-4.9** | **-3.6** | **-2.8** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | 40.9 | 40.9 | 45.9 | 54.0 | **58.6** | **59.6** | **59.2** |

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

# 32. SERBIA

## In uncharted waters

### A fragile recovery...

The economy expanded by 2.7% and 0.2% (y-o-y) in the first two quarters. Exports were the only driver of growth, boosted mainly by the automotive industry. Domestic demand fell across the board as consumption declined and investments plummeted, especially in the second quarter. Mirroring the lack of demand, imports stagnated.

High frequency indicators point at a continuous weakness of domestic demand. Investments, in particular, are set to fall further in the short-term on the back of steep contraction in bank lending and government investment cuts. Nevertheless, strong exports are likely to prevail and keep the economy on a growth trajectory in 2013.

On the supply side, a good agricultural season (recovering from bad weather in 2012) and manufacturing activity has supported a rebalancing of growth. However, the good performance of manufacturing has been concentrated in a few industries (automotive, pharmaceutical, chemical and petroleum), while about two-thirds of its subsectors continued to decline, pointing to the fragility of the ongoing recovery.

### ...in uncharted waters

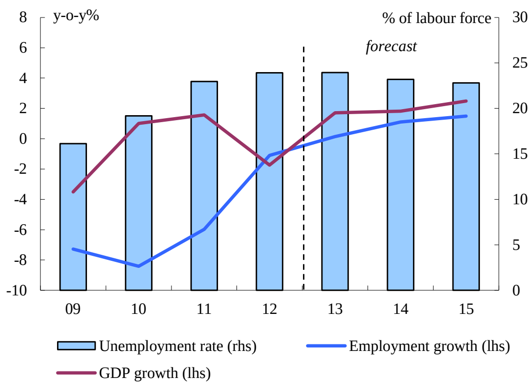
A series of fiscal consolidation and structural reform measures, put forward in 2013, is expected to support further rebalancing of the economy away from consumption to investments and exports. The expectation, however, is that this process will be slow and with significant implementation risks.

Growth is likely to remain constrained as the latest measures take their toll on consumption. Further improvements in the business environment, increased government investments and confidence effects would underpin an acceleration of gross capital formation, albeit from a very low level. The investment cycle would also depend crucially on a recovery in bank lending, foreseen to start next year.

Base effects are expected to drive exports growth temporarily down in 2014 but improving external demand would support an overall robust exports performance. Imports are envisaged to slowly catch-up, in line with increasing demand, turning the net exports contribution to growth slightly negative in the outer year of the forecast.

Rekindling investments and continuing good exports performance may start relieving some of the labour market pressures but only by the end of 2014. However, labour creation could easily get overwhelmed by job losses in the envisaged restructuring of the highly inefficient state-owned enterprises and, even in a benign scenario, unemployment is likely to remain very high over the forecast horizon.

*Graph II.32.1:* **Serbia - Labour market**

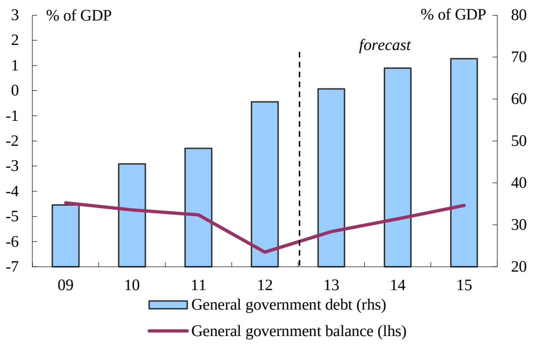



The dinar has been broadly stable this year, with limited interventions by the central bank to smoothen excessive daily volatility. This, along with weak demand, food price moderation and base effects supported a rapid disinflation and the inflation entered the central bank tolerance band already in September. Looking ahead, weak demand is likely to continue exerting disinflationary pressure, although inflation is expected to remain inherently volatile due to structural factors.

### External imbalances improving faster than expected

Weaker than foreseen domestic demand and additional fiscal consolidation measures are envisaged to lead to slower than previously expected imports growth. However, despite solid exports growth, the space for improving the current-account deficit is likely to be exhausted by the end of the forecast horizon, as domestic demand and imports start to build-up again.

*Graph II.32.2:* **Serbia - Public finances**




## Fiscal sustainability: entering a danger zone

There were several rounds of fiscal consolidation and structural reform measures throughout the year – in May, in July (a budget revision) and in early October (proposed as part of the preparation of the draft 2014 budget). However, revenue underperformance and spiralling interest payments have undermined government efforts to reign in the deficit, and the 2013 deficit is likely to overshoot both the initial and the revised targets. The consolidation measures, proposed in the framework of the draft 2014 budget, envisage increasing the reduced rate of the VAT from 8% to 10%, introducing higher progressivity in wage taxation of public employees, and cutting subsidies to enterprises in restructuring. These, and indexations of wages and pensions below the expected inflation rate, are expected to bring about a 1.5 percentage points reduction in the deficit in 2014. However, higher interest and investment spending and additional social expenditure related to the restructuring of public enterprises would keep the budget deficit high.

Absent further consolidation measures, the government debt is on a path to reach above 70% of GDP. Significant implicit liabilities, related to underperforming public enterprises could potentially put additional pressure on the debt. Furthermore, slippages or delayed implementation of announced reforms could also derail the envisaged consolidation path.

*Table II.32.1:*

**Main features of country forecast -SERBIA**

| | 2012 | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **bn RSD Curr. prices** | **% GDP** | **94-09** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| GDP | 3386.2 | 100.0 | - | 1.0 | 1.6 | -1.7 | **1.7** | **1.5** | **2.0** |
| Private Consumption | 2586.2 | 76.4 | - | -0.9 | -1.1 | -1.9 | **-1.4** | **-0.3** | **0.6** |
| Public Consumption | 682.6 | 20.2 | - | 0.4 | 1.0 | 1.8 | **-2.9** | **-1.1** | **0.0** |
| Gross fixed capital formation | 604.3 | 17.8 | - | -5.5 | 8.4 | -3.4 | **-7.6** | **7.3** | **9.9** |
| of which: equipment | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 1349.6 | 39.9 | - | 15.3 | 3.4 | 4.5 | **12.9** | **5.1** | **5.9** |
| Imports (goods and services) | 1952.9 | 57.7 | - | 3.1 | 7.0 | 4.2 | **1.1** | **2.5** | **4.9** |
| GNI (GDP deflator) | 3292.9 | 97.2 | - | 0.3 | 1.5 | -2.2 | **1.4** | **1.2** | **1.6** |
| Contribution to GDP growth: Domestic demand | | | - | -1.7 | 0.8 | -1.8 | **-3.0** | **0.7** | **2.1** |
| Inventories | | | - | -0.3 | 3.3 | 0.6 | **0.1** | **0.0** | **0.0** |
| Net exports | | | - | 3.0 | -2.5 | -0.6 | **4.5** | **0.8** | **-0.1** |
| Employment | | | - | -8.4 | -6.0 | -1.1 | **0.0** | **0.3** | **1.0** |
| Unemployment rate (a) | | | - | 19.2 | 23.0 | 23.9 | **24.0** | **24.0** | **23.1** |
| Compensation of employees / head | | | - | - | - | - | **-** | **-** | **-** |
| Unit labour costs whole economy | | | - | - | - | - | **-** | **-** | **-** |
| Real unit labour cost | | | - | - | - | - | **-** | **-** | **-** |
| Saving rate of households (b) | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | - | 4.9 | 9.6 | 7.4 | **7.6** | **4.9** | **5.3** |
| Consumer-price index | | | - | 6.1 | 11.1 | 7.3 | **8.2** | **4.9** | **5.3** |
| Terms of trade goods | | | - | -1.8 | 4.6 | 1.4 | **1.3** | **0.0** | **0.0** |
| Trade balance (c) | | | - | -17.1 | -16.9 | -18.3 | **-12.9** | **-12.3** | **-12.3** |
| Current-account balance (c) | | | - | -7.6 | -8.8 | -10.2 | **-4.9** | **-4.7** | **-5.2** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government balance (c) | | | - | -4.7 | -4.9 | -6.4 | **-5.6** | **-5.3** | **-4.6** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | - | 44.5 | 48.2 | 59.3 | **62.7** | **68.8** | **71.1** |

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

# 33. TURKEY

## A moderate setback for growth

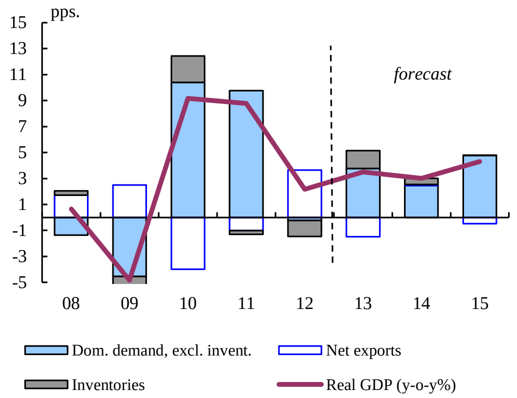
### Accelerating growth in the first half of 2013

Following the post-recession bounce-back at the beginning of the current decade, economic growth slowed to an almost complete standstill in the last two quarters of 2012. Helped by a move to a more accommodative monetary policy and a rapid increase in public spending, economic activity picked up again in the first half of 2013. For the six-month period as a whole, GDP was 3.7% higher year-on-year. The renewed upturn in the output cycle has been driven by three factors. The largest contribution came from consumer spending (2.8 pps.) which expanded strongly on the back of accelerating bank lending. The stock of outstanding consumer loans was 25% higher year-on-year at the end of June, up by about 10 pps. from the beginning of the year. The second most important contribution was government spending, particularly public fixed investment, which added 2.6 pps. to growth. Finally, a switch from destocking to inventory accumulation raised the overall growth rate by 1.2 pps. As a sign that the economic upturn was relatively fragile, private fixed investments continued to decline and subtracted a full percentage point from growth. Net exports exerted an even bigger drag on growth (-1.8 pps.) as export growth declined while import growth increased. The worsening trade performance was to a large extent caused by a switch from net exports to net imports of non-monetary gold unrelated to developments in Turkey's international competitiveness.

### Tighter financial conditions are curbing domestic demand

Turkey's financial markets and the lira were under strong downward pressure between May and August. Growing expectations that US monetary policy might become less accommodative reduced the relative attractiveness of high-yielding emerging market assets. In the case of Turkey, investors' risk sentiment may also have suffered from the domestic political unrest which started in late May. In August, the escalation of the civil war in neighbouring Syria added to the sell-off of Turkish assets, reflecting – inter alia – the country's dependence on energy imports from the Middle East. In this context, the central bank switched to a less accommodative monetary policy stance in the summer months to counter capital outflows and the lira's depreciation. The upper band of the interest rate corridor (the overnight lending rate) was raised in two steps from 6.5% to 7.75%. By early autumn, net capital inflows had resumed and the pressure on Turkish assets had eased, resulting in a partial recovery for stocks and bonds. Nevertheless, by mid-October, the main Istanbul stock index was still 18% lower than in May while the yield on the two-year benchmark government note was about 3 pps. higher. In addition, regulatory measures were introduced in October designed to rein in the expansion of consumer loans, particularly credit card loans. Overall, a significant tightening of financial conditions has taken place since the spring which is likely to curb domestic demand in the second half of 2013 and beyond. The lira's 11% depreciation in real effective terms between April and September will support exports and dampen imports, but only with a lag.

*Graph II.33.1:* **Turkey- Real GDP growth and contributions**




In the second half of 2013, economic activity is expected to be close to stagnation on a seasonally-adjusted quarter-on-quarter basis. In addition to the impact from tighter financial conditions, there will be a dampening effect from lower inventory accumulation and sharply reduced growth in public investments. Due to the expansion in the first two quarters, the annual growth rate should nevertheless reach 3.5%. Next year, output growth is expected to increase gradually, helped by the recent depreciation. A low starting point would result in a relatively moderate annual growth rate of 3.0%. In 2015, stronger private consumption and investment should bring GDP growth to reach 4.3%, close to most estimates of potential growth.

### Unemployment, inflation, and external deficit to remain stubbornly high

In contrast to the pattern in 2012, employment growth is projected to be lower than output growth in the forecast period. At first, unemployment will edge higher as the labour force continues to increase, partly because of a rising participation rate. Only in 2015 will output growth be sufficiently strong to permit a modest reduction in the annual unemployment rate to 9.2%.

Annual consumer price inflation is projected to decline from 9.0% in 2012 to 7.7% in 2013. Since July, the pass-through from the lira depreciation has started to raise domestic prices. Lower international energy prices should help to keep inflation in the 7–8% range in 2014 and 2015 which is significantly above the central bank's 5%-target.

Little change is also forecast regarding Turkey's large external deficits. Following last year's improvement, the current-account deficit started to widen again in the first half of 2013 when economic growth re-accelerated and net exports of gold turned into net imports. For the year as a whole, a deficit corresponding to 7.0% of GDP is projected. It is expected in the current projections that lira depreciation and lower energy prices will narrow the deficit somewhat in 2014 before stronger domestic demand will result in a renewed widening in 2015.

### A continuing decline in the public debt ratio

In the context of sharply lower GDP growth in 2012, the fiscal deficit of general government widened significantly. In the current year, the deficit is forecast to decline to 1.7% of GDP, much helped by rapidly rising tax revenues. Taking account of the government's "Medium Term Programme for 2014-2016" from October 2013, the forecast expects the deficit to continue fluctuating around 2% of GDP in conjunction with the projected path for output growth. Specifically, it means that the deficit will rise to 2.3% of GDP in 2014 before falling back to 1.9% in 2015. For the ratio of general government debt to GDP, it means that the on-going downward trend can be maintained throughout the forecast period. By 2015, public debt is projected to have receded to 32.5% of GDP which is about 14 pps. less than in 2009.

*Table II.33.1:*

**Main features of country forecast -TURKEY**

| | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn TRY Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 1415.8 | 100.0 | 3.2 | 9.2 | 8.8 | 2.2 | **3.5** | **3.0** | **4.3** |
| Private Consumption | 994.3 | 70.2 | 3.5 | 6.7 | 7.7 | -0.6 | **3.4** | **1.5** | **3.1** |
| Public Consumption | 210.2 | 14.8 | 4.1 | 2.0 | 4.7 | 6.1 | **7.5** | **6.0** | **6.0** |
| Gross fixed capital formation | 286.9 | 20.3 | 2.1 | 30.5 | 18.0 | -2.7 | **2.3** | **3.1** | **8.8** |
| of which: equipment | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 373.2 | 26.4 | 7.8 | 3.4 | 7.9 | 16.7 | **2.2** | **6.6** | **7.9** |
| Imports (goods and services) | 446.1 | 31.5 | 6.3 | 20.7 | 10.7 | -0.3 | **8.0** | **5.7** | **9.1** |
| GNI (GDP deflator) | 1403.8 | 99.2 | 3.2 | 9.6 | 8.7 | 2.3 | **3.4** | **3.1** | **4.2** |
| Contribution to GDP growth: Domestic demand | | | 3.5 | 10.4 | 9.8 | -0.2 | **3.8** | **2.5** | **4.8** |
| Inventories | | | -0.2 | 2.0 | -0.3 | -1.2 | **1.4** | **0.5** | **0.0** |
| Net exports | | | 0.1 | -4.0 | -1.0 | 3.6 | **-1.5** | **0.1** | **-0.5** |
| Employment | | | 1.5 | 6.2 | 6.7 | 3.0 | **3.0** | **2.6** | **3.7** |
| Unemployment rate (a) | | | 8.3 | 11.9 | 9.8 | 9.2 | **9.6** | **9.9** | **9.2** |
| Compensation of employees / head | | | 38.8 | 7.0 | -2.1 | 11.8 | **10.7** | **8.2** | **9.0** |
| Unit labour costs whole economy | | | 35.7 | 4.1 | -3.9 | 12.7 | **10.1** | **7.8** | **8.3** |
| Real unit labour cost | | | -3.0 | -1.5 | -11.5 | 5.5 | **3.7** | **0.9** | **1.2** |
| Saving rate of households (b) | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | 39.9 | 5.7 | 8.6 | 6.8 | **6.2** | **6.7** | **7.0** |
| Consumer-price index | | | - | 8.6 | 6.5 | 9.0 | **7.7** | **7.2** | **7.5** |
| Terms of trade goods | | | -0.9 | -3.2 | -5.0 | -2.7 | **1.9** | **0.7** | **1.0** |
| Trade balance (c) | | | -5.3 | -7.5 | -11.1 | -8.2 | **-9.1** | **-8.9** | **-9.2** |
| Current-account balance (c) | | | -2.1 | -6.3 | -9.5 | -5.8 | **-7.0** | **-6.6** | **-6.9** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | - | -6.3 | -9.5 | -5.8 | **-7.0** | **-6.6** | **-6.9** |
| General government balance (c) | | | -6.5 | -2.9 | -0.8 | -2.4 | **-1.7** | **-2.3** | **-1.9** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | 54.5 | 43.1 | 39.9 | 36.2 | **34.6** | **33.8** | **32.2** |

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

# Other non-EU Countries

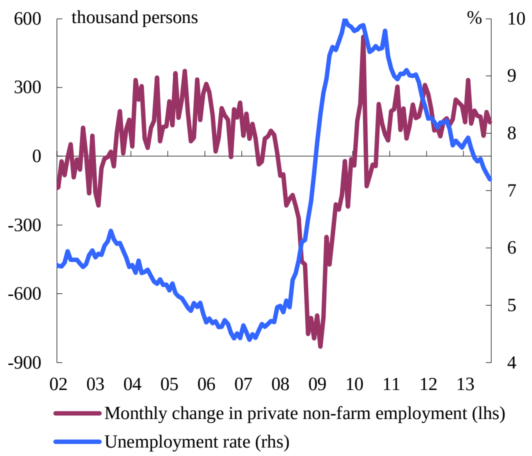
# 34. THE UNITED STATES OF AMERICA
## Political uncertainty affects growth

### Political gridlock over fiscal policies dampens the growth outlook in the short term

The growth forecast for the US has been revised down to 1.6% in 2013 (from 1.9% in the spring) as a weaker-than-expected first half of the year was followed by the political crisis in the autumn that led to the government shutdown and increased the risk of a default. Growth is expected to accelerate to 2.6% in 2014 (unchanged from the spring forecast) and to 3.1% in 2015 reflecting the steadily waning fiscal drag, as well as recovering confidence, spending and investment.

According to the third (final) estimate, real GDP growth accelerated to 0.6% q-o-q in the second quarter, twice the rate registered in the first quarter (0.3%). Consumer spending remained modest (0.5% q-o-q), while private investment showed strength (1.6%), driven by improvement in both residential and non-residential investment. The negative contribution of the government sector eased to -0.02 pp., markedly less than in the prior two quarters.

*Graph II.34.1:* **US - Monthly change in private employment and the unemployment rate**




Employment growth averaged a strong 214,000 a month in the six months to April, but weakened gradually to 143,000 on average in the third quarter (the weakest since the first quarter of 2012). Moreover, most of the jobs tend to be in the low paying service sector with limited impact on wealth and spending (services accounted for nearly 98% of all jobs created in the second and third quarters). The unemployment rate declined to 7.2% in September, a recovery-low. However, this happened largely on the back of the participation rate falling to a 35-year-low of 63.2% as a weak labour market (more drop-outs from the labour force; extending the education) interacts with the ageing population (retirement of the baby-boom generation).

### Momentum strengthened over the summer but signs of weakness emerge

Industry came out strong in recent surveys. The ISM manufacturing index hit a 2½-year-high of 56.2 in September, while the non-manufacturing index rose to 58.6 in August, the highest since December 2005, to decline to 54.4 in September. On the other hand, confidence among households started to weaken after reaching recovery highs in June/July and is likely to deteriorate further in the autumn reflecting the effects of the shutdown.

The housing market continues its recovery although signs of weakness emerged in late summer, most likely reflecting rising mortgage rates. The Case-Shiller 20-City Home Price Index has continued to grow at above 12% y-o-y since April, amid rising sales and activity, resulting in an average contribution of the sector to GDP growth of around 0.1 pp. over the past four quarters. However, housing starts and new home sales slowed visibly in August and September, as rising mortgage rates are starting to curb demand. Moreover, the government shutdown put a brake on the new mortgage approval process thus further weakening the momentum in the sector.

### Policy deadlock clouds the outlook…

Following the failure of the US Congress to extend the government's spending authority into the fiscal year 2014, "nonessential" parts of the US Federal Government were shut down on 1 October. The agreement reached in Congress on 16 October put an end to the shutdown by providing funding for the government through 15 January 2014 and raised the debt limit (just one day before its expiration), but only until 7 Feb. 2014. This potentially sets up another confrontation over fiscal issues early next year. To facilitate negotiations, a conference committee was established to reconcile major differences on the FY2014 budget and suggest the direction of fiscal policies going forward.

The consensus view is that direct macroeconomic effects of the shutdown will be modest, in the range of -0.1 to -0.2 pp. taken off fourth-quarter GDP growth. However, to the extent that the standoff took a toll on household and business confidence, the negative impact will be higher and may resurface in early 2014 as the fiscal debate resumes around the new deadlines. Reflecting these effects, and the weaker-than-expected growth in the first half of the year, the GDP growth forecast for 2013 is revised down to 1.6% (from 1.9% in the spring), while that for 2014 is kept unchanged at 2.6%. Growth is expected to accelerate to 3.1% in 2015. Regarding the fiscal outlook, the underlying assumption is that policymakers will put in place temporary solutions averting major new crises (shutdown and/or default) but that there will be no "Grand Bargain"-type of agreement.

### ... and complicates exit from QE

The most recent bout of political brinkmanship and the ensuing policy uncertainty adds to the complexity faced by the Fed in timing and communicating the exit from quantitative easing (QE) and, subsequently, from near-zero interest rates. The damage to economic activity and confidence caused by the political standoff will inevitably weigh on the Fed's decision about when to slow its asset purchase programme from the current rate of USD 85 bn a month. Given that during the September meeting the Fed reaffirmed its current policies "until the outlook for the labour market has improved substantially", the weakening of job creation over the summer, exacerbated by the impact of the shutdown, increases the likelihood of postponing the "tapering" until 2014.

### Fiscal policy risks increase – yet again

Policy uncertainty has increased significantly in recent weeks and skewed the balance of domestic risks to the negative. If the political standoff is repeated yet again around new fiscal deadlines, then this will dramatically reduce the chances of reaching a durable fiscal deal that addresses debt sustainability, leaving the US with a steep and badly structured fiscal consolidation in future years. Furthermore, the Fed's monetary policy constitutes a potential source of risk to the forecast given the sensitivity of markets to the timing and communication of the elements of its exit strategy.

*Table II.34.1:*

**Main features of country forecast -USA**

| | 2012 | | | | Annual percentage change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn USD | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 16245.6 | 100.0 | 2.6 | 2.5 | 1.8 | 2.8 | **1.6** | **2.6** | **3.1** |
| Private Consumption | | 11149.6 | 68.6 | 3.0 | 2.0 | 2.5 | 2.2 | **1.9** | **2.3** | **2.8** |
| Public Consumption | | 2713.2 | 16.7 | 1.8 | 0.2 | -2.9 | -0.5 | **-1.8** | **-0.2** | **0.2** |
| Gross fixed capital formation | | 2863.0 | 17.6 | 2.7 | 1.1 | 4.2 | 6.3 | **3.5** | **6.3** | **7.8** |
| of which: equipment | | 1084.5 | 6.7 | 4.1 | 13.0 | 10.3 | 6.2 | **3.5** | **7.7** | **8.2** |
| Exports (goods and services) | | 2196.8 | 13.5 | 4.7 | 11.5 | 7.1 | 3.5 | **3.0** | **5.6** | **5.8** |
| Imports (goods and services) | | 2743.1 | 16.9 | 5.5 | 12.7 | 4.8 | 2.2 | **2.2** | **5.6** | **6.2** |
| GNI (GDP deflator) | | 16498.5 | 101.6 | 2.8 | 2.9 | 2.2 | 2.7 | **1.5** | **2.5** | **3.0** |
| Contribution to GDP growth: | Domestic demand | | | 2.9 | 1.4 | 1.8 | 2.3 | **1.5** | **2.5** | **3.1** |
| | Inventories | | | -0.1 | 1.2 | -0.1 | 0.1 | **0.1** | **0.0** | **0.0** |
| | Net exports | | | -0.2 | -0.3 | 0.2 | 0.1 | **0.1** | **-0.1** | **-0.1** |
| Employment | | | | 0.5 | -0.6 | 0.6 | 1.8 | **1.1** | **1.3** | **1.5** |
| Unemployment rate (a) | | | | 5.4 | 9.6 | 8.9 | 8.1 | **7.5** | **6.9** | **6.5** |
| Compensation of employees / f.t.e. | | | | 3.6 | 2.9 | 3.1 | 2.1 | **1.5** | **2.5** | **3.1** |
| Unit labour costs whole economy | | | | 1.8 | -0.3 | 1.8 | 1.1 | **1.0** | **1.2** | **1.4** |
| Real unit labour cost | | | | -0.3 | -1.4 | -0.2 | -0.6 | **-0.4** | **0.0** | **-0.4** |
| Saving rate of households (b) | | | | - | 4.7 | 4.8 | 5.0 | **3.8** | **4.9** | **5.8** |
| GDP deflator | | | | 2.0 | 1.2 | 2.0 | 1.8 | **1.4** | **1.3** | **1.8** |
| Consumer-price index | | | | 2.5 | 1.6 | 3.1 | 2.1 | **1.5** | **1.9** | **2.1** |
| Terms of trade goods | | | | -0.2 | -1.6 | -1.1 | -0.1 | **0.7** | **-0.4** | **-0.6** |
| Trade balance (c) | | | | -4.1 | -4.5 | -4.9 | -4.7 | **-4.5** | **-4.6** | **-4.8** |
| Current-account balance (c) | | | | -3.5 | -3.0 | -2.9 | -2.7 | **-2.6** | **-2.7** | **-3.0** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | -3.5 | -3.0 | -2.9 | -2.7 | **-2.6** | **-2.7** | **-3.0** |
| General government balance (c) | | | | -2.8 | -11.9 | -10.5 | -9.1 | **-6.4** | **-5.7** | **-4.9** |
| Cyclically-adjusted budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | | 64.5 | 95.2 | 99.4 | 102.7 | **104.7** | **105.2** | **103.8** |

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

(*) Employment data from the BLS household survey.

# 35. JAPAN
## Stimulus-driven growth firms up

### Stimulus-driven growth firms up…

Japan's growth forecast has been revised up to 2.1% for 2013 (from 1.4% in the spring forecast) and to 2.0% for 2014 (from 1.6% in the spring forecast). In 2015 real GDP is expected to grow by 1.3%. The growth momentum accelerated in the first half of the year on the back of the first two arrows of 'Abenomics' – bold monetary easing and expansionary fiscal policy.

Growth of 1.0% q-o-q in the first quarter was mainly supported by private consumption and net exports (0.5 pp. growth contribution each). Non-residential investment finally started picking up in the second quarter (0.9% q-o-q overall growth), adding 0.2 pp. to growth. Near-term growth is projected to firm up in the second half of the year and remain sustained in 2014, as the consumption tax hike from 5% to 8% scheduled for the second quarter of 2014 should be partly offset by a planned JPY 5 tn (EUR 38 bn) stimulus package (1.0% of GDP).

Further efforts on the structural reform and fiscal consolidation fronts leading to a full implementation of the Abenomics strategy will be however necessary if Japan is to achieve its stated real GDP growth and inflation targets.

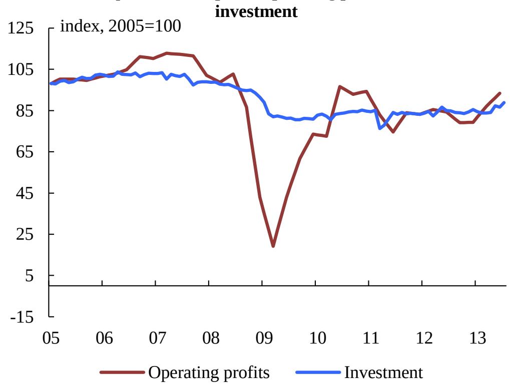
### …underpinned by resilient private consumption…

Private consumption is expected to remain resilient in the run-up to the consumption tax hike. Retail sales have been edging up on an annual basis, whilst the rebound in household sentiment should be supported by rising stock prices (the Nikkei 225 is up 43% since last December's elections) and signs of recovery in property prices. Nominal wages remain sluggish despite stronger corporate profits, but the unemployment rate keeps trending marginally down – though recently edging up due to new inflows into the labour force – and is projected to remain low. The expected drag on consumption from the tax hike should also be partly softened by the planned new stimulus measures.

### …and investment recovery

Private non-residential (business) investment rebounded 1.3% q-o-q in the second quarter after four consecutive negative quarters and stagnant growth in the first quarter. Machinery orders data support the view that business investment recovery is extending into the third quarter. Rising corporate profits buoyed by restored export competitiveness, continued easing in financial conditions and stronger corporate sentiment prelude to a gradual recovery in business investment ahead. Corporate tax breaks expected in the new stimulus package should also underpin capital expenditure over the forecast horizon.

*Graph II.35.1:* **Japan - Operating profits and investment**




Source: ESRI, METI

Housing starts have been trending up into the third quarter pointing to moderate near-term growth in residential investment ahead of the consumption tax hike. The projected decline in the second quarter of next year should be partly offset by tax breaks for home purchases expected with the planned stimulus package. Public investment – which added 0.1 pp. to growth in both the first and second quarter – should remain sustained for the remainder of the year on the back of on-going fiscal stimulus, whilst new stimulus measures are expected to support public investment into next year.

### Net exports keep recovering

Net exports were a strong contribution to growth over the first two quarters (0.5 pp. and 0.3 pp. respectively). A recent rebound in the new export orders component in Japan's PMI suggests on-going export growth momentum, which is likely to outpace resilient import volumes ahead. Over the forecast horizon net exports are expected to gradually improve on the back of the on-going recovery in global demand and restored export competitiveness (the yen's real effective exchange rate has dropped to its 2007 level).

### Monetary stimulus goes on…

Monetary policy has remained loose since the inception of the Bank of Japan's Quantitative and Qualitative Monetary Easing early April, and should remain accommodative over the forecast horizon. Bank lending rates persist on a declining trend, and financial conditions are expected to remain broadly supportive. Lending volumes have kept rising since 2011(outstanding loans by major and regional banks were up 2.3% y-o-y in September), which reinforces expectations of a gradual pick-up in private non-residential investment.

### …but the 2% inflation target remains difficult to achieve

In the second quarter core CPI inflation (excluding fresh food) started trending upward. Survey- and market-based indicators point to a gradual reversal in deflationary expectations, and core-core (excluding food and energy) CPI inflation has recently pulled out of negative territory.

Inflationary pressures have been however mainly cost-push so far, driven by pricier imports due to the weaker yen. In the near term front-loaded consumption in anticipation of next year's tax hike should maintain upward pressure on prices, as well as above-potential GDP growth over the forecast horizon. The 2% inflation target net of the tax hike effect remains however difficult to achieve, and subdued nominal wage growth does not bode well for sustaining demand-driven inflation.

### Risks

In the near term the risk of enduring negative growth effects from the 2014 tax hike has been partly offset by the stimulus measures announced. Over the medium term the main downside risks concern a lack of implementation on the structural reform and fiscal consolidation fronts, which may bring Japan's growth back to current potential, hamper the achievement of its GDP growth and CPI inflation targets, and ultimately engender negative knock-on effects on Japan's fiscal stance and debt sustainability.

*Table II.35.1:*

**Main features of country forecast -JAPAN**

| | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | bn JPY Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | 475572.6 | 100.0 | 0.6 | 4.7 | -0.6 | 2.0 | **2.1** | **2.0** | **1.3** |
| Private Consumption | 289721.9 | 60.9 | 0.9 | 2.8 | 0.4 | 2.3 | **1.9** | **0.8** | **0.8** |
| Public Consumption | 97314.9 | 20.5 | 2.2 | 1.9 | 1.4 | 2.4 | **1.4** | **0.6** | **0.5** |
| Gross fixed capital formation | 100679.7 | 21.2 | -1.4 | -0.2 | 1.2 | 4.2 | **2.9** | **4.6** | **2.4** |
| of which: equipment | - | - | 0.6 | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | 69702.2 | 14.7 | 3.5 | 24.4 | -0.4 | -0.1 | **3.6** | **5.8** | **3.7** |
| Imports (goods and services) | 79149.8 | 16.6 | 3.0 | 11.1 | 5.9 | 5.4 | **2.6** | **4.0** | **2.4** |
| GNI (GDP deflator) | 490658.3 | 103.2 | 0.7 | 4.6 | -0.1 | 2.0 | **2.9** | **2.7** | **1.6** |
| Contribution to GDP growth: Domestic demand | | | 0.5 | 2.0 | 0.8 | 2.7 | **2.0** | **1.5** | **1.0** |
| Inventories | | | -0.1 | 0.9 | -0.4 | 0.0 | **-0.2** | **0.1** | **0.0** |
| Net exports | | | 0.2 | 2.0 | -0.8 | -0.8 | **0.2** | **0.4** | **0.3** |
| Employment | | | -0.3 | -0.4 | -0.2 | 0.4 | **0.4** | **0.5** | **0.3** |
| Unemployment rate (a) | | | 4.3 | 4.9 | 4.5 | 4.3 | **4.0** | **3.9** | **3.8** |
| Compensation of employees / head | | | -0.5 | 0.1 | 0.4 | 0.0 | **-0.7** | **2.5** | **1.3** |
| Unit labour costs whole economy | | | -1.4 | -4.8 | 0.8 | -1.5 | **-2.3** | **1.0** | **0.3** |
| Real unit labour cost | | | -0.5 | -2.7 | 2.8 | -0.6 | **-2.1** | **-1.0** | **-0.9** |
| Saving rate of households (b) | | | 12.7 | 9.6 | 9.5 | 8.2 | **6.6** | **5.7** | **5.2** |
| GDP deflator | | | -0.9 | -2.2 | -1.9 | -0.9 | **-0.3** | **2.0** | **1.2** |
| Consumer-price index | | | 0.0 | -0.7 | -0.3 | 0.0 | **0.3** | **2.6** | **1.2** |
| Terms of trade goods | | | -2.2 | -7.0 | -8.8 | -1.4 | **-3.0** | **-1.8** | **0.0** |
| Trade balance (c) | | | 2.2 | 1.7 | -0.3 | -1.2 | **-1.6** | **-1.7** | **-1.5** |
| Current-account balance (c) | | | 2.9 | 3.7 | 2.0 | 1.0 | **1.2** | **1.8** | **2.3** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | 2.8 | 3.6 | 2.0 | 1.0 | **1.2** | **1.8** | **2.3** |
| General government balance (c) | | | -5.6 | -8.3 | -8.9 | -9.6 | **-9.6** | **-7.2** | **-5.8** |
| Cyclically-adjusted budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | 149.7 | 216.0 | 230.3 | 238.0 | **243.4** | **242.0** | **242.6** |

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

# 36. CHINA

## Growth stabilises, but rebalancing slows

### Steady and unspectacular growth

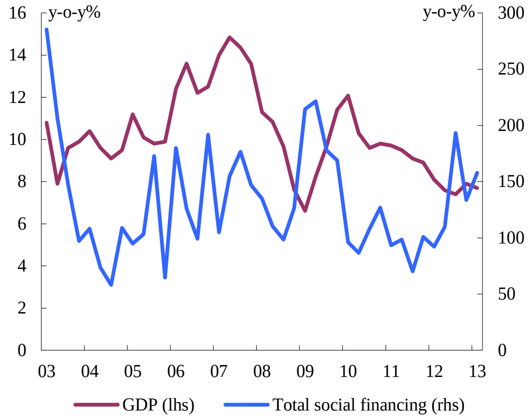
After growing by 7.8% in 2012, China's economy expanded by 7.7% and 7.5% respectively in the first and second quarter of 2013. High-frequency indicators show that the slowdown bottomed out over the summer (aided by the July stimulus package), leading to a pick-up in growth to the estimated 7.8% in the third quarter.

Domestic consumption was the main driver of growth in 2012. Consumption (public and private combined) contributed some 4.3 pps. to overall growth. Investment contributed 4.0 pps., while net exports made a negative contribution of 0.6 pp. Retail sales figures also showed a significant pick-up towards the end of the year, and the relative strength of consumption and overall activity was expected to be carried over into 2013. However, activity faltered early on in 2013, falling from 7.9% in the last quarter of 2012 to 7.7% in the first quarter of 2013. The most significant factor was a weakening on the investment side, though consumption also moderated slightly. Exports surpassed expectations however, picking up very sharply. Overall in the first quarter of 2013, consumption contributed 4.3 pps. to growth, with investment 2.3 pps. and net exports 1.1 pps.

The rapid growth of net exports seen in the first quarter did not carry over into the next one. Exports grew by only 3.8% in value terms (down from 18.4% in the first quarter) while imports grew at 5% (8.5% in the first quarter). This was partly offset by a rebound in investment activity, but the reduction in net exports and weaker consumption pushed the overall growth rate down to 7.5%. Over the first half of the year taken as a whole, consumption contributed to GDP growth 3.4 pps., investment 4.3 pps., and net exports just 0.1 pp.

This pattern of weakening consumption and net exports, offset by rising investment appears to have continued into the third quarter. Taking the first three quarters together, consumption contributed 3.5 pps. to overall growth, investment contributed 4.3 pps., while net exports made a small negative contribution of -0.1 pp. The general pattern in the first half of 2013 has therefore been one of steady but subdued growth in consumption, a falling contribution to growth from net exports, and a rise in investment that allowed economic growth to recover from the soft patch in the second quarter.

*Graph II.36.1:* **China - GDP and credit growth**




### Looking forward

Domestically, consumption should be supported somewhat through the rest of 2013 by positive real interest rates on savings deposits, and a continued roll-out of measures to broaden the social security net. However, urban income growth is now slowing as wage inflation moderates and has fallen below the growth of GDP. Consumption growth is therefore expected to continue at a steady rate.

As regards investment, official data on fixed asset investment shows little volatility over the last two years, despite shifts in the contribution to growth of gross fixed capital formation. High-frequency investment data is therefore only a limited guide to the outlook, particularly since some investment spending is used as a form of countercyclical policy. As concerns private investment, severe overcapacities remain in some key industrial sectors, while overall investment levels remain very high as a percentage of GDP. This suggests that an abrupt downward adjustment in demand is possible.

Monetary policy remained accommodative through the first half of the year, and credit growth has continued at a rapid pace, while inflation has lingered at a little over 2%. Policy rates have remained unchanged since July 2012, and interbank rates moved in a narrow range between 3 and 4%. In June, however, the PBoC instigated a liquidity squeeze and allowed the interbank rate to spike sharply, while warning market participants to be more alert to credit risk. The interbank rate remained high for several days before the PBoC reversed course. This attempt by the PBoC to adjust market participants' expectations indicates substantial concerns about the volume and quality of new credit issuance. Credit growth been high for several years, and a significant and growing part of new lending (estimated at 40%) is non-standard, or part of the "shadow banking" system. In addition, marginal adjustments in market rates may have limited traction on overall credit expansion given prevailing incentive structures.

As regards the external environment, the reduction in export and import growth seen in the second quarter of 2013 is unlikely to be reversed. The real exchange rate of the RMB has risen by around 7% since the start of this year. In recent months the RMB has remained very stable against the US dollar, while many emerging markets currencies, including those of other Asian producers, have fallen sharply. As global GDP is expected to pick up only modestly over the forecast horizon the outlook for trade remains subdued.

Overall, China is expected to grow at 7.5% in 2013, dropping to 7.4% in 2014 and 2015. This forecast reflects two key assumptions. The first is that China is gradually shifting to a lower trend growth path, due to the fading of technological catch-up, falling returns on marginal investment and the onset of a decline in the overall labour force. The second is that China can manage this adjustment relatively smoothly and avoid any abrupt slow down due to accumulated imbalances.

### Risks to the outlook

While China remains exposed to global currents the major risk factors remain domestic. Rapid credit growth over recent years, while real activity has been on a declining trend, suggests a growth of stress in the financial system. Moreover, there are persistent concerns about overinvestment. In this respect, the pick-up in investment in the second and third quarter is potentially a mixed blessing, as it reverses the limited progress in rebalancing of demand seen to date. The underlying requirement is for a rotation of demand away from investment towards higher consumption. However, achieving this adjustment smoothly is a major policy challenge and the risk of disorderly adjustment remains real.

*Table II.36.1:*

**Main features of country forecast -CHINA**

| | | 2012 | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn CNY | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 51932.2 | 100.0 | 10.3 | 11.6 | 9.4 | 7.8 | **7.5** | **7.4** | **7.4** |
| Total Consumption | | 22474.1 | 43.3 | - | 9.2 | 11.0 | 8.4 | **-** | **-** | **-** |
| Public Consumption | | - | - | - | - | - | - | **-** | **-** | **-** |
| Gross fixed capital formation | | 21519.7 | 41.4 | - | 11.4 | 9.1 | 10.0 | **-** | **-** | **-** |
| of which: equipment | | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | | 14172.7 | 27.3 | 16.3 | 27.8 | 8.8 | 5.4 | **4.1** | **6.0** | **7.0** |
| Imports (goods and services) | | 13254.9 | 25.5 | 15.3 | 20.1 | 9.5 | 6.7 | **4.4** | **6.3** | **7.3** |
| GNI (GDP deflator) | | - | - | - | - | - | - | **-** | **-** | **-** |
| Contribution to GDP growth: | Domestic demand | | | - | - | - | - | **-** | **-** | **-** |
| | Inventories | | | - | - | - | - | **-** | **-** | **-** |
| | Net exports | | | - | - | - | - | **-** | **-** | **-** |
| Employment | | | | - | - | - | - | **-** | **-** | **-** |
| Unemployment rate (a) | | | | 3.6 | 4.1 | 4.1 | 4.1 | **-** | **-** | **-** |
| Compensation of employees / head | | | | - | - | - | - | **-** | **-** | **-** |
| Unit labour costs whole economy | | | | - | - | - | - | **-** | **-** | **-** |
| Real unit labour cost | | | | - | - | - | - | **-** | **-** | **-** |
| Saving rate of households (b) | | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | | 5.4 | 6.6 | 7.8 | 1.8 | **3.0** | **3.0** | **3.0** |
| Consumer-price index | | | | 4.9 | 3.3 | 5.4 | 2.7 | **-** | **-** | **-** |
| Terms of trade goods | | | | - | - | - | - | **-** | **-** | **-** |
| Trade balance (c) | | | | 3.0 | 3.1 | 2.1 | 2.8 | **2.5** | **2.9** | **3.0** |
| Current-account balance (c) | | | | 3.5 | 4.0 | 1.9 | 2.3 | **2.6** | **2.7** | **2.8** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | - | - | - | - | **-** | **-** | **-** |
| General government balance (c) | | | | -1.4 | -0.9 | -0.2 | -0.9 | **-** | **-** | **-** |
| Cyclically-adjusted budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | | - | - | - | - | **-** | **-** | **-** |

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

# 37. EFTA

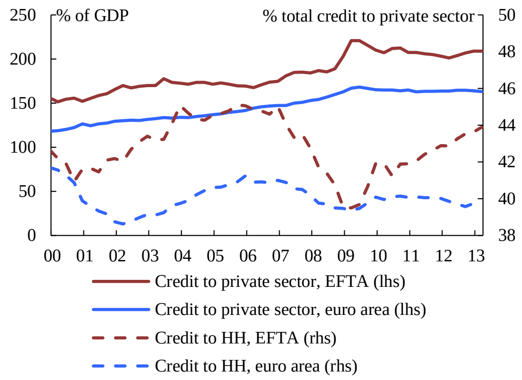
## Sustaining elevated structural growth and addressing new risks

Norway and Switzerland continue to have economic characteristics that appear almost exceptional in Europe. Both structural and cyclical indicators point to these two EFTA countries being at the forefront of current economic developments. They have a sound macro-economic policy record and proven comparative advantages. They have weathered the crisis relatively well and have low unemployment rates, low inflation rates, and strong domestic demand. They benefit both from their safe-haven status in case of increases in the global risk premium in financial markets.

All this is reflected in relatively strong growth performances over the last years which have also raised their expected structural growth of which estimates are well above those for the euro area. Domestic demand has been a major driver of that performance although the external sector has not been as much a drag as the historical ties with the euro area would have suggested.

EFTA states are highly open economies and economic developments will vary with economic developments abroad. Domestic demand has proven an important cushion to those external developments but has also been associated with rising house prices and easy domestic financial conditions in the context of capital inflows and low interest rates. Relatedly, credit to the private sector continues to be at relatively high levels and rising. More importantly, the share of credit to households is increasing on the banks' balance sheets. This comes at the expense of the share of the non-financial corporate sector.

*Graph II.37.1:* **Credit to private sector - EFTA and euro area**




Source: BIS, Eurostat

The total credit to the private sector relative to GDP is one third higher than in the euro area (see Graph II.37.1). This is equivalent to 50% of GDP. At the same time, the share of credit to households, which dipped during the 2008 financial crisis to a level comparable with the euro area, is rising. This aggregate figure reflects a continuously high share of household credit in Switzerland and an increasing share in Norway. According to the figures from the BIS, credit to households grew at a quarterly rate of 1.0% in Switzerland and 1.6% in Norway since the end of 2008. According to the figures from the SNB, the share of credit allocated to manufacturing and industry has halved in the last decade and was in the first quarter of 2013 only 3% of total credit to the non-financial corporate sector.

Property prices are rising relatively fast and domestic demand growth is relatively strong at the same time as household credit is expanding robustly. This leads to a concern over unsustainable developments. In both Switzerland and Norway increases in capital requirements will help to attenuate the risk of a housing bubble. Still, the high share of funds made available to households risks being at the cost of productive investments and competitiveness in the non-financial corporate sector. Given the pressure on competitiveness from appreciated currencies, one would expect companies to use the loose financial conditions to increase productivity in order to lower production costs.

Strong domestic demand in the context of low interest rates may have biased long-term growth perceptions upwards. Actual potential output growth may prove to be lower. Indeed, labour productivity growth seems not to have kept pace with GDP growth in recent years. In the case of Switzerland this has been associated with a low growth in total factor productivity for some time (no comparable data for Norway available).

### Swiss economic outlook

The Swiss economy will grow this year and next year around its potential growth rate. Domestic demand will continue to be an important pillar of Swiss economic growth and net exports are foreseen to contribute as exports grow more than imports.

Private consumption growth has been remarkable in Switzerland while uncertainty in the external environment has had limited impact. Some moderation is expected in the coming quarters as domestic financial conditions normalise. Business investment has been weak despite easy financing conditions, and only moderate growth is expected over the forecast horizon.

Externally, Switzerland is exposed to any slowdown in demand from emerging markets, while capital inflows associated with Switzerland's "safe haven" status are expected to recede as risk perceptions change for Europe. This provides room for export growth in sectors other than niche products, but will also tighten financial conditions. A tightening of financial conditions would generate some risk for domestic asset prices, particularly housing, which have seen relatively high price rises in recent years.

Liechtenstein's economy has been underperforming relative to the Swiss economy which can be partly attributed to the absence of large commodity traders. Its economic development will follow that of the Swiss economy.

### Norwegian economic outlook

Economic growth disappointed in the fourth quarter of last year and in the first quarter of this year. The recent deceleration in economic growth is expected to be temporary and a pick-up in export demand and continued growth in domestic consumption will support growth over the forecast horizon. A modest acceleration in growth is further supported by increased activity in the oil industry spilling over into the mainland economy. Investment plans support such a bolstering of private investment growth.

The housing market has been identified as a risk in previous forecasts, but has recently been letting off some steam owing to healthy construction activity and regulatory action. The support from the housing market for economic growth will continue, albeit at a slower pace.

Although the oil price has shown downward rigidity, new impetus for economic growth will likely have to come from higher shipments than from higher prices. The oil price itself poses rather a downside risk to the economic outlook for Norway.

*Table II.37.1:*
**Main features of country forecast - EFTA**

| | | Norway | | | | | Switzerland | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **(Annual percentage change)** | | **2011** | **2012** | **2013** | **2014** | **2015** | **2011** | **2012** | **2013** | **2014** | **2015** |
| GDP | | 1.2 | 3.1 | 1.9 | 2.6 | 2.7 | 1.8 | 1.0 | 1.7 | 1.8 | 1.9 |
| Private Consumption | | 2.5 | 3.0 | 2.3 | 2.3 | 2.5 | 1.1 | 2.5 | 2.0 | 2.0 | 1.8 |
| Public Consumption | | 1.8 | 1.8 | 2.2 | 2.0 | 2.0 | 1.2 | 0.5 | 1.7 | 1.0 | 1.0 |
| Gross fixed capital formation | | 7.6 | 8.0 | 3.7 | 3.9 | 3.5 | 4.5 | -0.2 | -0.1 | 0.8 | 1.3 |
| of which: equipment | | -0.5 | 2.9 | 3.0 | 5.0 | 3.5 | 7.7 | 1.7 | 2.0 | 1.2 | 1.2 |
| Exports (good and services) | | -1.8 | 1.6 | 1.3 | 3.2 | 5.0 | 3.8 | 1.1 | 2.1 | 3.7 | 4.0 |
| Imports (goods and services) | | 3.8 | 2.3 | 3.0 | 3.0 | 5.3 | 4.2 | 2.2 | 1.8 | 3.7 | 3.8 |
| GNI (GDP deflator) | | 0.6 | 4.7 | 1.9 | 2.7 | 2.7 | -3.6 | 2.9 | 2.0 | 2.1 | 2.2 |
| Contribution to GDP growth: | Domestic demand | 2.9 | 3.2 | 2.2 | 2.2 | 2.2 | 1.6 | 1.5 | 1.3 | 1.4 | 1.4 |
| | Inventories | 0.1 | -0.2 | 0.0 | 0.0 | 0.0 | -0.1 | -0.2 | 0.0 | 0.0 | 0.0 |
| | Net exports | -1.8 | 0.0 | -0.3 | 0.4 | 0.5 | 0.2 | -0.3 | 0.3 | 0.4 | 0.5 |
| Employment | | 1.4 | 2.2 | 0.8 | 1.1 | 1.2 | 2.5 | 1.3 | 1.0 | 1.7 | 1.6 |
| Unemployment rate (a) | | 3.2 | 3.1 | 3.1 | 3.3 | 3.5 | 3.7 | 3.9 | 3.9 | 3.5 | 3.8 |
| Compensation of employee/head | | 5.0 | 4.1 | 4.0 | 4.1 | 5.2 | 1.5 | 1.2 | 1.6 | 0.2 | 2.3 |
| Unit labour cost whole economy | | 5.1 | 3.2 | 2.9 | 2.6 | 3.7 | 2.2 | 1.6 | 0.9 | 0.2 | 1.9 |
| Real unit labour cost | | -1.6 | 0.6 | 1.1 | 0.4 | 0.8 | 1.9 | 1.5 | -1.4 | -3.0 | -1.7 |
| Saving rate of households (b) | | 12.3 | 13.6 | 14.5 | 15.5 | 17.2 | 10.2 | 14.8 | 15.3 | 15.8 | 17.9 |
| GDP deflator | | 6.8 | 2.5 | 1.8 | 2.2 | 2.8 | 0.4 | 0.1 | 2.3 | 3.3 | 3.7 |
| Harmonized index of consumer prices | | 1.2 | 0.4 | 1.5 | 1.9 | 1.9 | 0.1 | -0.7 | 0.0 | 1.1 | 1.1 |
| Terms of trade goods | | 13.2 | 1.8 | -1.5 | -0.8 | 1.1 | -2.0 | -0.1 | 0.6 | 2.2 | 2.1 |
| Trade balance (c) | | 13.5 | 13.7 | 12.8 | 12.8 | 13.1 | 2.5 | 2.7 | 2.9 | 3.6 | 4.2 |
| Current account balance (c) | | 12.8 | 14.3 | 13.2 | 13.0 | 13.4 | 9.4 | 10.5 | 11.1 | 12.2 | 13.5 |
| Net lending (+) or borrowing (-) vis-a-vis ROW | | 12.7 | 14.3 | 13.2 | 13.0 | 13.4 | 9.2 | 12.0 | 11.0 | 12.1 | 13.2 |
| General government balance (c) | | 13.3 | 13.6 | 13.6 | 13.1 | 12.9 | 0.1 | 0.4 | 0.1 | 0.0 | 0.0 |
| Cyclically adjusted budget balance (c) | | - | - | - | - | - | - | - | - | - | - |
| Structural budget balance (c) | | - | - | - | - | - | - | - | - | - | - |
| General government gross debt (c) | | 28.5 | 27.2 | 27.1 | 26.0 | 24.4 | 35.8 | 35.4 | 34.7 | 33.7 | 32.6 |

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

# 38. RUSSIAN FEDERATION

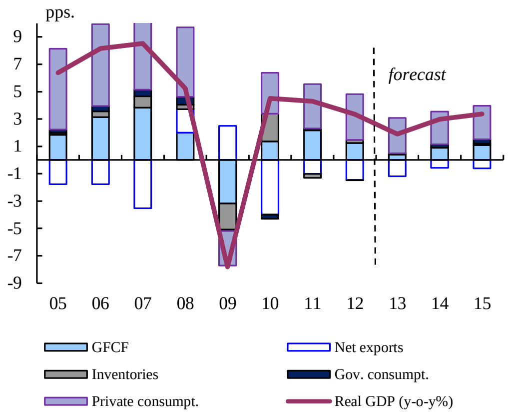
## Growing pressure for structural reforms

Growth in Russia slowed more drastically in the first half of 2013 than expected in the spring forecast, reflecting weakness across the components, though mostly domestic and particularly in investment. Russia is now projected to grow 1.9% in 2013, 3.0% in 2014 and 3.4% in 2015, implying a rebound to close to potential growth, partly on the basis of the still favourable oil price. Achieving these growth rates requires rapid and tangible improvements in the business environment, however, so the balance of risks is skewed to the downside.

### Weak start to 2013

While real GDP expanded by 3.4% in 2012, the pace of growth in year-on-year terms has weakened steadily since the last quarter of 2011, and has continued into 2013, with growth at 1.6% y-o-y in the first quarter and 1.2% y-o-y in the second (the lowest rate since 2009). This slowdown was evident across private and public consumption as well as net exports, but was most pronounced in gross fixed capital formation.

*Graph II.38.1:* **Russia - Real GDP growth and contributions**




Private consumption declined the least as the unemployment rate remains at historically low levels (5.2% in September), and employment is still expanding slightly. In line with the tight labour market, real wage growth remained buoyant at 8.2% y-o-y in September. Retail sales grew at 3% y-o-y in September, however, down from the growth levels of last year as concerns over the household debt burden have risen. Inflation has remained above 7% over the first half of 2013, and has only recently moderated to 6.1% y-o-y in September. Consumer sentiment declined at the start of the year, but has improved recently.

Investment growth has fallen sharply as state-owned enterprises in the energy sector slowed or stopped spending, with investment in productive capacity down by 1.6% y-o-y in September. Industrial production stagnated at 0.1% y-o-y over the period of January to September, while company profitability and corporate borrowing are both lower amid continued high net capital outflows of USD 48.1 billion in the first three quarters of 2013. Exports in the first half of 2013 declined by 3.8% y-o-y on weaker external demand, while imports rose by 4.4% in the same period. This resulted in a further narrowing of the trade surplus to USD 91.6 billion. This broad slowdown has also affected government revenues, with the federal budget deficit reaching 1.2% of GDP in the first half of 2013.

### Policy fine-tuned

Against the backdrop of the faster than expected pace of the slowdown and President Putin's spending promises, the revenue shortfall has given rise to renewed discussion of channelling pension or reserve fund money into the budget. The 2014-16 budget now foresees government borrowing at 0.7% of GDP in 2013, 0.5% in 2014 and 1% in 2015. Underlying GDP growth estimates have also been reduced to slightly above 3% for the coming years, and the non-oil deficit is set to remain at around 10% of GDP.

As inflation remained at elevated levels, the Central Bank of Russia kept its benchmark refinancing rate steady. At the first meeting under the new Governor in July, the CBR did however introduce a new lending facility against non-marketable collateral that provided a limited amount of liquidity. The CBR also introduced some additional flexibility in the ruble band and reconfirmed its commitment to a floating exchange rate by 2015. While the inflation target for 2014 was raised to 5%, the commitment to inflation targeting by 2015 was reconfirmed. Price pressure is subsiding due in part to a good harvest this year, and inflation is expected to continue its moderate downward path to 5% in 2014 and 2015, giving some room for a more accommodative monetary policy. The administration's decision to reduce scheduled rises in tariffs charged to household will also slow price increases, at least in the short term.

## Outlook

Expectations for the remainder of 2013 are for a moderate turn-around in growth, in line with the global picture and as measured by the composite PMI, at 51.2 in September. Supported by government plans to release limited stimulus measures centred on transport infrastructure as well as the Winter Olympics in early 2014, the trend in fixed capital investment is expected to change. The upwardly revised oil price assumptions for 2013 should underpin this improvement in the short term. The oil price is then set to gradually decrease over the next two years, but is expected to remain at historically high levels.

Over the forecast horizon, underlying trends are largely set to resurface: investment is expected to recover on high capacity utilisation and government consumption is expected to contribute only to a limited extent to growth. With the fiscal rule linking expenditure to long-term oil prices introduced only in January 2013, fiscal consolidation measures are to be weighed carefully against proposed spending to support education, healthcare and infrastructure projects.

Export volume growth is expected to be moderate in 2013, but increase at an accelerating pace in 2014 and 2015, while imports will grow around trend. The negative contribution of net exports is projected to lessen over the forecast horizon. Household consumption growth is set to moderate due to concerns over the debt burden, somewhat slower wage growth and the emerging decline in the workforce due to demographic trends. Even as the growth rate is projected to recover from 1.9% in 2013 to 3% in 2014 and 3.4% in 2015, the Russian economy is set to expand at a substantially lower pace than the average of 7.5% between 2003 and 2007.

Amid intensifying structural challenges in the longer term and without the support of rising commodity prices, the crucial issues for Russia remain the modernisation of the economy and the needed improvements in the enabling of business and innovation.

*Table II.38.1:*

**Main features of country forecast -RUSSIA**

| | 2012 | | | Annual percentage change | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | bn RUB | Curr. prices | % GDP | 94-09 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
| GDP | | 63350.7 | 100.0 | - | 4.5 | 4.3 | 3.4 | **1.9** | **3.0** | **3.4** |
| Private Consumption | | 32773.1 | 51.7 | - | 5.5 | 6.3 | 6.8 | **5.0** | **4.5** | **4.5** |
| Public Consumption | | 10692.7 | 16.9 | - | -1.5 | 0.8 | -0.1 | **0.0** | **1.5** | **1.8** |
| Gross fixed capital formation | | 13031.1 | 20.6 | - | 6.4 | 10.4 | 6.0 | **2.0** | **4.4** | **5.4** |
| of which: equipment | | - | - | - | - | - | - | **-** | **-** | **-** |
| Exports (goods and services) | | 18227.1 | 28.8 | - | 7.0 | 0.3 | 1.7 | **2.1** | **4.9** | **5.2** |
| Imports (goods and services) | | 13739.4 | 21.7 | - | 25.8 | 20.3 | 9.0 | **8.2** | **8.7** | **9.0** |
| GNI (GDP deflator) | | 61260.1 | 96.7 | - | 4.2 | 4.6 | 3.2 | **1.9** | **3.0** | **3.4** |
| Contribution to GDP growth: | | Domestic demand | | 3.9 | 4.0 | 5.6 | 4.6 | **3.0** | **3.6** | **3.9** |
| | | Inventories | | -0.3 | 4.0 | 2.9 | 0.2 | **0.1** | **0.0** | **0.1** |
| | | Net exports | | 0.0 | -3.3 | -4.2 | -1.5 | **-1.2** | **-0.6** | **-0.6** |
| Employment | | | | 0.7 | 0.3 | 2.0 | 0.4 | **0.7** | **-0.5** | **-0.5** |
| Unemployment rate (a) | | | | 8.7 | 8.2 | 6.5 | 6.0 | **5.4** | **5.9** | **6.4** |
| Compensation of employees / head | | | | - | - | - | - | **-** | **-** | **-** |
| Unit labour costs whole economy | | | | - | - | - | - | **-** | **-** | **-** |
| Real unit labour cost | | | | - | - | - | - | **-** | **-** | **-** |
| Saving rate of households (b) | | | | - | - | - | - | **-** | **-** | **-** |
| GDP deflator | | | | - | 14.2 | 15.5 | 9.8 | **6.5** | **6.4** | **6.9** |
| Consumer-price index | | | | - | 6.9 | 8.4 | 6.6 | **5.5** | **5.0** | **5.0** |
| Terms of trade goods | | | | - | 21.2 | 22.0 | 2.3 | **1.0** | **0.5** | **2.0** |
| Trade balance (c) | | | | 12.2 | 10.0 | 10.5 | 9.2 | **8.1** | **7.5** | **7.0** |
| Current-account balance (c) | | | | 7.5 | 4.4 | 5.2 | 3.7 | **2.4** | **1.6** | **1.2** |
| Net lending (+) or borrowing (-) vis-a-vis ROW (c) | | | | 6.8 | 3.6 | 4.5 | 3.1 | **1.8** | **1.0** | **0.7** |
| General government balance (c) | | | | - | -2.3 | -1.8 | -2.6 | **-2.5** | **-2.4** | **-2.4** |
| Cyclically-adjusted budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| Structural budget balance (c) | | | | - | - | - | - | **-** | **-** | **-** |
| General government gross debt (c) | | | | - | 9.5 | 7.9 | 5.2 | **3.4** | **2.2** | **0.9** |

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

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# Statistical Annex

European Economic Forecast – Autumn 2013

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## Output : GDP and its components



## Prices



## Wages, population and labour market



## Exchange rates

## General Government



## Saving



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## World economy

Table 1: Gross domestic product, volume (percentage change on preceding year, 1994-2015) 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 2.5 | 2.0 | 2.3 | -2.8 | 2.3 | 1.8 | -0.1 | **0.1** | **1.1** | **1.4** | *0.0* | *1.2* |
| **Germany** | 1.7 | 1.2 | 2.0 | -5.1 | 4.0 | 3.3 | 0.7 | **0.5** | **1.7** | **1.9** | *0.4* | *1.8* |
| **Estonia** | 5.4 | 6.0 | 5.6 | -14.1 | 2.6 | 9.6 | 3.9 | **1.3** | **3.0** | **3.9** | *3.0* | *4.0* |
| **Ireland** | 9.1 | 7.1 | 3.7 | -6.4 | -1.1 | 2.2 | 0.2 | **0.3** | **1.7** | **2.5** | *1.1* | *2.2* |
| **Greece** | 2.7 | 4.3 | 3.1 | -3.1 | -4.9 | -7.1 | -6.4 | **-4.0** | **0.6** | **2.9** | *-4.2* | *0.6* |
| **Spain** | 3.2 | 3.8 | 3.1 | -3.8 | -0.2 | 0.1 | -1.6 | **-1.3** | **0.5** | **1.7** | *-1.5* | *0.9* |
| **France** | 2.2 | 2.1 | 1.8 | -3.1 | 1.7 | 2.0 | 0.0 | **0.2** | **0.9** | **1.7** | *-0.1* | *1.1* |
| **Italy** | 1.9 | 1.5 | 1.1 | -5.5 | 1.7 | 0.5 | -2.5 | **-1.8** | **0.7** | **1.2** | *-1.3* | *0.7* |
| **Cyprus** | 4.9 | 3.6 | 4.2 | -1.9 | 1.3 | 0.4 | -2.4 | **-8.7** | **-3.9** | **1.1** | *-8.7* | *-3.9* |
| **Latvia** | 4.0 | 6.1 | 7.3 | -17.7 | -1.3 | 5.3 | 5.0 | **4.0** | **4.1** | **4.2** | *3.8* | *4.1* |
| **Luxembourg** | 3.8 | 5.0 | 4.1 | -5.6 | 3.1 | 1.9 | -0.2 | **1.9** | **1.8** | **1.1** | *0.8* | *1.6* |
| **Malta** | 4.8 | 2.7 | 2.8 | -2.8 | 4.0 | 1.6 | 0.8 | **1.8** | **1.9** | **2.0** | *1.4* | *1.8* |
| **Netherlands** | 3.5 | 2.2 | 2.7 | -3.7 | 1.5 | 0.9 | -1.2 | **-1.0** | **0.2** | **1.2** | *-0.8* | *0.9* |
| **Austria** | 2.7 | 2.1 | 2.8 | -3.8 | 1.8 | 2.8 | 0.9 | **0.4** | **1.6** | **1.8** | *0.6* | *1.8* |
| **Portugal** | 3.4 | 1.9 | 1.2 | -2.9 | 1.9 | -1.3 | -3.2 | **-1.8** | **0.8** | **1.5** | *-2.3* | *0.6* |
| **Slovenia** | 4.3 | 3.9 | 4.9 | -7.9 | 1.3 | 0.7 | -2.5 | **-2.7** | **-1.0** | **0.7** | *-2.0* | *-0.1* |
| **Slovakia** | 5.6 | 2.8 | 7.2 | -4.9 | 4.4 | 3.0 | 1.8 | **0.9** | **2.1** | **2.9** | *1.0* | *2.8* |
| **Finland** | 4.5 | 3.1 | 3.4 | -8.5 | 3.4 | 2.7 | -0.8 | **-0.6** | **0.6** | **1.6** | *0.3* | *1.0* |
| **Euro area** | 2.3 | 2.1 | 2.1 | -4.5 | 1.9 | 1.6 | -0.7 | **-0.4** | **1.1** | **1.7** | *-0.4* | *1.2* |
| **Bulgaria** | -0.4 | 4.4 | 6.5 | -5.5 | 0.4 | 1.8 | 0.8 | **0.5** | **1.5** | **1.8** | *0.9* | *1.7* |
| **Czech Republic** | 2.5 | 3.0 | 5.5 | -4.5 | 2.5 | 1.8 | -1.0 | **-1.0** | **1.8** | **2.2** | *-0.4* | *1.6* |
| **Denmark** | 3.4 | 1.5 | 1.8 | -5.7 | 1.6 | 1.1 | -0.4 | **0.3** | **1.7** | **1.8** | *0.7* | *1.7* |
| **Croatia** | : | 3.3 | 4.1 | -6.9 | -2.3 | 0.0 | -2.0 | **-0.7** | **0.5** | **1.2** | *-1.0* | *0.2* |
| **Lithuania** | 2.7 | 5.2 | 7.1 | -14.8 | 1.6 | 6.0 | 3.7 | **3.4** | **3.6** | **3.9** | *3.1* | *3.6* |
| **Hungary** | 2.3 | 3.9 | 2.7 | -6.8 | 1.1 | 1.6 | -1.7 | **0.7** | **1.8** | **2.1** | *0.2* | *1.4* |
| **Poland** | 6.1 | 3.0 | 5.4 | 1.6 | 3.9 | 4.5 | 1.9 | **1.3** | **2.5** | **2.9** | *1.1* | *2.2* |
| **Romania** | 1.4 | 3.6 | 6.8 | -6.6 | -1.1 | 2.2 | 0.7 | **2.2** | **2.1** | **2.4** | *1.6* | *2.2* |
| **Sweden** | 3.3 | 3.0 | 2.9 | -5.0 | 6.6 | 2.9 | 1.0 | **1.1** | **2.8** | **3.5** | *1.5* | *2.5* |
| **United Kingdom** | 3.4 | 3.1 | 2.4 | -5.2 | 1.7 | 1.1 | 0.1 | **1.3** | **2.2** | **2.4** | *0.6* | *1.7* |
| **EU** | : | 2.3 | 2.3 | -4.5 | 2.0 | 1.7 | -0.4 | **0.0** | **1.4** | **1.9** | *-0.1* | *1.4* |
| **USA** [1] | : | : | 2.3 | -2.8 | 2.5 | 1.8 | 2.8 | **1.6** | **2.6** | **3.1** | *1.9* | *2.6* |
| **Japan** | : | 0.9 | 1.3 | -5.5 | 4.7 | -0.6 | 2.0 | **2.1** | **2.0** | **1.3** | *1.4* | *1.6* |

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2013-15) 8.11.2013

| | 2013/1 | 2013/2 | 2013/3 | 2013/4 | 2014/1 | 2014/2 | 2014/3 | 2014/4 | 2015/1 | 2015/2 | 2015/3 | 2015/4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Belgium** | 0.0 | 0.2 | 0.3 | 0.2 | 0.2 | 0.3 | 0.4 | 0.4 | 0.4 | 0.3 | 0.4 | 0.4 |
| **Germany** | 0.0 | 0.7 | 0.3 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.5 | 0.5 |
| **Estonia** | -0.1 | -0.2 | 0.2 | 0.8 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 |
| **Ireland** | : | : | : | : | : | : | : | : | : | : | : | : |
| **Greece** | : | : | : | : | : | : | : | : | : | : | : | : |
| **Spain** | -0.4 | -0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.5 | 0.5 | 0.5 | 0.6 |
| **France** | -0.1 | 0.5 | 0.1 | 0.3 | 0.1 | 0.2 | 0.2 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Italy** | -0.6 | -0.3 | -0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 |
| **Cyprus** | : | : | : | : | : | : | : | : | : | : | : | : |
| **Latvia** | 1.8 | 0.1 | 0.2 | 0.6 | 1.3 | 1.4 | 1.3 | 1.3 | 1.0 | 1.0 | 0.8 | 0.8 |
| **Luxembourg** | -0.6 | 1.6 | 0.3 | 0.2 | 0.3 | 0.4 | 0.6 | 0.6 | -0.4 | 0.5 | 0.5 | 0.5 |
| **Malta** | : | : | : | : | : | : | : | : | : | : | : | : |
| **Netherlands** | -0.4 | -0.1 | 0.2 | 0.3 | -0.1 | 0.0 | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 |
| **Austria** | 0.1 | 0.1 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| **Portugal** | -0.4 | 1.1 | 0.0 | 0.0 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Slovenia** | -0.5 | -0.3 | -0.9 | -0.6 | 0.0 | -0.2 | 0.0 | 0.1 | 0.2 | 0.2 | 0.3 | 0.4 |
| **Slovakia** | 0.2 | 0.3 | 0.2 | 0.2 | 0.6 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 0.9 | 0.9 |
| **Finland** | -0.2 | 0.2 | 0.7 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.4 | 0.7 | 0.7 | 0.9 |
| **Euro area** | -0.2 | 0.3 | 0.2 | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| **Bulgaria** | 0.1 | -0.1 | 0.2 | 0.3 | 0.0 | 0.6 | 0.7 | 0.6 | 0.3 | 0.3 | 0.3 | 0.3 |
| **Czech Republic** | -1.3 | 0.6 | 0.4 | 0.5 | 0.2 | 0.4 | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | 0.6 |
| **Denmark** | -0.2 | 0.6 | 0.3 | 0.7 | 0.3 | 0.3 | 0.4 | 0.5 | 0.4 | 0.5 | 0.6 | 0.6 |
| **Croatia** | 0.0 | -0.2 | : | : | : | : | : | : | : | : | : | : |
| **Lithuania** | 1.1 | 0.7 | 0.4 | 0.6 | 0.9 | 1.1 | 1.1 | 1.2 | 0.9 | 0.9 | 0.9 | 1.0 |
| **Hungary** | 0.6 | 0.1 | 0.7 | 0.7 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 0.6 | 0.6 | 0.6 |
| **Poland** | 0.2 | 0.4 | 0.6 | 0.7 | 0.6 | 0.6 | 0.6 | 0.6 | 0.8 | 0.7 | 0.8 | 0.8 |
| **Romania** | 0.4 | 0.5 | 1.2 | 0.1 | 0.4 | 0.5 | 0.8 | 0.5 | 0.5 | 0.6 | 0.8 | 0.6 |
| **Sweden** | 0.3 | -0.2 | 0.8 | 1.3 | 0.6 | 0.5 | 0.6 | 0.6 | 0.9 | 1.1 | 1.3 | 1.2 |
| **United Kingdom** | 0.4 | 0.7 | 0.7 | 0.6 | 0.5 | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | 0.7 | 0.6 |
| **EU** | -0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 | 0.5 | 0.4 | 0.5 | 0.5 | 0.5 |
| **USA** | 0.3 | 0.6 | 0.5 | 0.5 | 0.6 | 0.7 | 0.8 | 0.9 | 0.7 | 0.8 | 0.8 | 0.8 |
| **Japan** | 1.0 | 0.9 | 0.8 | 1.0 | 0.9 | -0.8 | 0.6 | 0.0 | 0.3 | 0.7 | 0.9 | -0.2 |

**Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2013-15)** 8.11.2013

| | 2013/1 | 2013/2 | 2013/3 | 2013/4 | 2014/1 | 2014/2 | 2014/3 | 2014/4 | 2015/1 | 2015/2 | 2015/3 | 2015/4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | -0.6 | 0.0 | 0.4 | 0.7 | 0.9 | 1.1 | 1.1 | 1.3 | 1.5 | 1.5 | 1.4 | 1.4 |
| Germany | -0.3 | 0.5 | 0.6 | 1.6 | 2.0 | 1.6 | 1.7 | 1.6 | 1.6 | 1.7 | 1.7 | 1.8 |
| Estonia | 1.5 | 1.5 | 0.4 | 0.6 | 1.7 | 2.8 | 3.6 | 3.8 | 3.8 | 3.9 | 3.9 | 4.0 |
| Ireland | : | : | : | : | : | : | : | : | : | : | : | : |
| Greece | : | : | : | : | : | : | : | : | : | : | : | : |
| Spain | -2.0 | -1.6 | -1.2 | -0.4 | 0.2 | 0.5 | 0.7 | 0.9 | 1.2 | 1.5 | 1.8 | 2.1 |
| France | -0.5 | 0.4 | 0.3 | 0.7 | 1.0 | 0.7 | 0.9 | 1.0 | 1.4 | 1.6 | 1.9 | 2.0 |
| Italy | -2.5 | -2.2 | -1.9 | -0.7 | 0.1 | 0.7 | 1.1 | 1.2 | 1.3 | 1.1 | 1.0 | 0.9 |
| Cyprus | : | : | : | : | : | : | : | : | : | : | : | : |
| Latvia | 6.7 | 4.6 | 2.9 | 2.7 | 2.2 | 3.5 | 4.7 | 5.4 | 5.0 | 4.6 | 4.1 | 3.6 |
| Luxembourg | 1.2 | 2.4 | 2.5 | 1.5 | 2.5 | 1.3 | 1.5 | 1.9 | 1.2 | 1.2 | 1.2 | 1.0 |
| Malta | : | : | : | : | : | : | : | : | : | : | : | : |
| Netherlands | -1.4 | -1.9 | -0.8 | 0.1 | 0.3 | 0.4 | 0.2 | 0.1 | 0.6 | 1.0 | 1.4 | 1.7 |
| Austria | 0.3 | 0.1 | 0.3 | 0.7 | 1.1 | 1.6 | 1.8 | 2.0 | 2.0 | 1.9 | 1.9 | 1.9 |
| Portugal | -4.1 | -2.1 | -1.3 | 0.6 | 1.2 | 0.3 | 0.6 | 0.9 | 1.1 | 1.4 | 1.6 | 1.7 |
| Slovenia | -3.2 | -2.2 | -2.6 | -2.2 | -1.8 | -1.6 | -0.7 | -0.1 | 0.1 | 0.5 | 0.8 | 1.1 |
| Slovakia | 0.8 | 0.8 | 0.8 | 1.0 | 1.4 | 1.9 | 2.5 | 3.0 | 3.2 | 3.2 | 3.3 | 3.5 |
| Finland | -2.8 | -1.1 | -0.1 | 1.1 | 1.3 | 1.1 | 0.5 | 0.1 | 0.5 | 1.2 | 1.8 | 2.7 |
| Euro area | -1.2 | -0.6 | -0.2 | 0.4 | 0.9 | 0.9 | 1.1 | 1.4 | 1.5 | 1.6 | 1.7 | 1.6 |
| Bulgaria | 0.4 | 0.2 | 0.4 | 0.6 | 0.6 | 1.2 | 1.7 | 2.0 | 2.3 | 2.0 | 1.6 | 1.2 |
| Czech Republic | -2.3 | -1.3 | -0.6 | 0.3 | 1.8 | 1.6 | 1.7 | 1.8 | 2.1 | 2.2 | 2.3 | 2.2 |
| Denmark | -0.8 | 0.6 | 0.1 | 1.4 | 1.9 | 1.6 | 1.8 | 1.6 | 1.6 | 1.8 | 1.9 | 2.0 |
| Croatia | -1.0 | -0.8 | : | : | : | : | : | : | : | : | : | : |
| Lithuania | 4.1 | 4.2 | 2.8 | 2.8 | 2.6 | 3.1 | 3.8 | 4.4 | 4.4 | 4.1 | 3.9 | 3.7 |
| Hungary | -0.5 | 0.1 | 0.8 | 2.1 | 1.9 | 2.3 | 1.9 | 1.6 | 1.7 | 1.9 | 2.1 | 2.4 |
| Poland | 0.7 | 1.1 | 1.3 | 2.0 | 2.3 | 2.6 | 2.7 | 2.6 | 2.7 | 2.8 | 3.0 | 3.1 |
| Romania | 2.3 | 1.4 | 3.1 | 2.2 | 2.2 | 2.2 | 1.8 | 2.2 | 2.3 | 2.4 | 2.4 | 2.5 |
| Sweden | 1.3 | 0.1 | 0.7 | 2.1 | 2.4 | 3.1 | 2.9 | 2.2 | 2.5 | 3.2 | 4.0 | 4.6 |
| United Kingdom | 0.2 | 1.3 | 1.4 | 2.4 | 2.5 | 2.3 | 2.2 | 2.0 | 2.1 | 2.3 | 2.4 | 2.6 |
| EU | -0.7 | -0.1 | 0.2 | 0.9 | 1.3 | 1.3 | 1.4 | 1.6 | 1.7 | 1.8 | 1.9 | 1.9 |
| USA | 1.3 | 1.6 | 1.4 | 1.9 | 2.2 | 2.4 | 2.7 | 3.1 | 3.1 | 3.2 | 3.1 | 3.0 |
| Japan | 0.1 | 1.3 | 3.1 | 3.8 | 3.7 | 1.9 | 1.7 | 0.6 | 0.0 | 1.5 | 1.9 | 1.7 |

**Table 4: Gross domestic product per capita (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 2.3 | 1.7 | 1.7 | -3.5 | 1.4 | 0.9 | -0.8 | **-0.6** | **0.4** | **0.7** | *-0.7* | *0.5* |
| Germany | 1.5 | 1.1 | 2.1 | -4.9 | 4.2 | 3.3 | 0.5 | **0.3** | **1.5** | **1.9** | *0.2* | *1.7* |
| Estonia | 7.1 | 6.5 | 5.8 | -14.1 | 2.6 | 9.5 | 4.0 | **1.4** | **3.1** | **3.9** | *3.1* | *4.0* |
| Ireland | 8.2 | 5.5 | 1.3 | -7.3 | -1.5 | 1.8 | -0.1 | **-0.5** | **0.8** | **1.5** | *0.3* | *1.3* |
| Greece | 2.0 | 3.9 | 2.7 | -3.5 | -5.2 | -7.0 | -6.3 | **-4.0** | **0.6** | **2.9** | *-4.2* | *0.6* |
| Spain | 2.9 | 2.7 | 1.4 | -4.5 | -0.5 | -0.1 | -1.7 | **-1.1** | **0.8** | **1.9** | *-1.3* | *1.2* |
| France | 1.8 | 1.4 | 1.1 | -3.6 | 1.2 | 1.5 | -0.5 | **-0.3** | **0.4** | **1.2** | *-0.6* | *0.6* |
| Italy | 1.9 | 1.3 | 0.5 | -5.9 | 1.4 | 0.3 | -2.8 | **-2.3** | **0.3** | **0.9** | *-1.7* | *0.3* |
| Cyprus | 3.3 | 2.4 | 2.3 | -4.5 | -1.3 | -2.1 | -3.9 | **-9.7** | **-4.9** | **0.1** | *-9.6* | *-4.9* |
| Latvia | 5.3 | 7.2 | 8.4 | -16.3 | 0.8 | 7.4 | 6.2 | **4.9** | **5.0** | **5.0** | *4.6* | *4.9* |
| Luxembourg | 2.5 | 3.7 | 2.4 | -7.3 | 1.2 | -0.4 | -2.4 | **0.2** | **0.2** | **-0.4** | *-0.9* | *0.0* |
| Malta | 4.1 | 2.0 | 2.2 | -3.8 | 4.2 | 1.3 | -0.1 | **1.3** | **1.6** | **1.8** | *1.5* | *1.8* |
| Netherlands | 3.0 | 1.5 | 2.4 | -4.2 | 1.0 | 0.5 | -1.6 | **-1.3** | **0.0** | **0.9** | *-1.3* | *0.5* |
| Austria | 2.5 | 1.8 | 2.2 | -4.1 | 1.5 | 2.5 | 0.4 | **0.0** | **1.2** | **1.4** | *0.1* | *1.4* |
| Portugal | 3.1 | 1.3 | 0.9 | -3.0 | 1.9 | -1.1 | -2.8 | **-1.0** | **0.9** | **1.6** | *-2.1* | *0.6* |
| Slovenia | 4.4 | 3.7 | 4.6 | -8.8 | 0.9 | 0.5 | -2.7 | **-2.8** | **-1.2** | **0.6** | *-2.2* | *-0.3* |
| Slovakia | 5.3 | 2.9 | 7.1 | -5.1 | 4.2 | 3.6 | 1.6 | **0.6** | **1.8** | **2.6** | *0.7* | *2.5* |
| Finland | 4.1 | 2.8 | 3.0 | -9.0 | 2.9 | 2.3 | -1.3 | **-1.1** | **0.1** | **1.1** | *-0.2* | *0.5* |
| Euro area | 2.1 | 1.6 | 1.6 | -4.8 | 1.7 | 1.4 | -0.9 | **-0.7** | **0.8** | **1.5** | *-0.7* | *1.0* |
| Bulgaria | 0.2 | 5.6 | 6.9 | -5.0 | 1.1 | 4.4 | 1.4 | **1.4** | **2.6** | **2.9** | *1.9* | *2.7* |
| Czech Republic | 2.6 | 3.2 | 5.0 | -5.1 | 2.2 | 2.0 | -1.1 | **-1.1** | **1.7** | **2.0** | *-0.5* | *1.6* |
| Denmark | 2.9 | 1.2 | 1.4 | -6.2 | 1.1 | 0.7 | -0.8 | **0.1** | **1.3** | **1.5** | *0.5* | *1.4* |
| Croatia | : | 3.7 | 4.1 | -6.8 | -2.0 | 0.3 | -1.8 | **-0.5** | **0.6** | **1.4** | *-1.5* | *0.2* |
| Lithuania | 3.4 | 6.0 | 8.5 | -13.9 | 3.7 | 8.5 | 5.1 | **4.3** | **4.3** | **4.0** | *3.9* | *4.3* |
| Hungary | 2.5 | 4.2 | 2.9 | -6.6 | 1.3 | 1.9 | -1.4 | **0.9** | **1.9** | **2.2** | *0.3* | *1.5* |
| Poland | 6.0 | 3.1 | 5.5 | 1.5 | 2.9 | 4.5 | 1.9 | **1.3** | **2.6** | **3.0** | *1.1* | *2.3* |
| Romania | 1.6 | 4.3 | 7.1 | -6.4 | -1.0 | 2.5 | 0.9 | **2.4** | **2.3** | **2.6** | *1.8* | *2.4* |
| Sweden | 3.0 | 2.8 | 2.3 | -5.8 | 5.7 | 2.2 | 0.2 | **0.2** | **1.9** | **2.6** | *0.8* | *1.8* |
| United Kingdom | 3.1 | 2.8 | 1.7 | -5.8 | 0.9 | 0.4 | -0.7 | **0.6** | **1.5** | **1.6** | *-0.2* | *0.9* |
| EU | : | 2.1 | 1.9 | -4.8 | 1.7 | 1.5 | -0.7 | **-0.3** | **1.1** | **1.7** | *-0.4* | *1.2* |
| USA | : | : | 1.3 | -3.7 | 1.7 | 1.1 | 2.0 | **0.8** | **1.9** | **2.4** | *1.2* | *1.7* |
| Japan | : | 0.7 | 1.3 | -5.4 | 4.6 | -0.7 | 2.2 | **2.2** | **2.0** | **1.3** | *1.5* | *1.7* |

**Table 5: Domestic demand, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 2.3 | 1.3 | 2.6 | -2.2 | 1.8 | 2.0 | -0.6 | **-0.4** | **1.0** | **1.5** | *-0.4* | *1.1* |
| **Germany** | 1.6 | 0.6 | 1.1 | -2.3 | 2.4 | 2.8 | -0.3 | **0.8** | **2.0** | **2.0** | *0.2* | *1.9* |
| **Estonia** | 7.6 | 7.3 | 6.2 | -21.4 | 0.1 | 13.1 | 5.5 | **2.4** | **3.2** | **4.1** | *2.6* | *3.7* |
| **Ireland** | 7.8 | 6.0 | 4.2 | -10.8 | -4.6 | -1.8 | -1.6 | **0.0** | **0.2** | **0.9** | *-0.6* | *0.5* |
| **Greece** | 3.1 | 4.7 | 3.3 | -5.5 | -7.0 | -8.7 | -9.6 | **-6.0** | **-1.1** | **2.4** | *-5.6* | *-1.1* |
| **Spain** | 3.2 | 4.5 | 3.7 | -6.4 | -0.6 | -2.0 | -4.1 | **-3.4** | **-0.8** | **0.9** | *-4.1* | *-0.4* |
| **France** | 2.0 | 2.4 | 2.2 | -2.6 | 1.7 | 2.0 | -0.9 | **0.2** | **0.8** | **1.8** | *-0.2* | *1.2* |
| **Italy** | 1.9 | 1.9 | 0.9 | -4.4 | 2.1 | -0.9 | -5.2 | **-2.9** | **0.6** | **1.3** | *-2.5* | *0.6* |
| **Cyprus** | : | 3.6 | 6.5 | -7.0 | 1.9 | -1.4 | -4.1 | **-13.7** | **-5.8** | **1.0** | *-13.8* | *-5.8* |
| **Latvia** | : | 6.4 | 8.3 | -26.5 | -1.4 | 10.8 | 2.2 | **3.3** | **4.5** | **4.8** | *4.4* | *4.9* |
| **Luxembourg** | 4.0 | 4.0 | 3.4 | -7.7 | 9.1 | 4.2 | 2.5 | **1.6** | **2.1** | **2.5** | *0.4* | *1.8* |
| **Malta** | : | 2.6 | 3.1 | -3.0 | 0.9 | -1.2 | -0.9 | **0.8** | **1.4** | **1.9** | *1.2* | *1.7* |
| **Netherlands** | 3.9 | 2.0 | 2.2 | -2.8 | -0.1 | 0.8 | -1.6 | **-3.7** | **-0.5** | **0.8** | *-1.6* | *0.3* |
| **Austria** | 2.3 | 1.4 | 1.8 | -2.0 | 1.4 | 3.2 | 0.1 | **-0.3** | **1.4** | **1.5** | *0.2* | *1.5* |
| **Portugal** | 4.1 | 1.7 | 1.6 | -3.3 | 1.8 | -5.1 | -6.6 | **-3.7** | **-0.3** | **0.7** | *-4.2* | *0.0* |
| **Slovenia** | 5.6 | 3.8 | 4.9 | -10.3 | -0.5 | -0.3 | -6.4 | **-3.9** | **-2.6** | **-0.7** | *-4.5* | *-1.2* |
| **Slovakia** | 6.2 | 1.2 | 6.6 | -7.4 | 3.7 | 1.0 | -4.1 | **-1.9** | **1.6** | **2.5** | *0.3* | *1.5* |
| **Finland** | 4.8 | 2.5 | 3.1 | -6.2 | 2.9 | 4.2 | -0.8 | **-0.8** | **0.8** | **1.4** | *0.3* | *0.9* |
| **Euro area** | : | 2.0 | 2.0 | -3.8 | 1.2 | 0.8 | -2.2 | **-1.1** | **0.8** | **1.6** | *-1.2* | *1.0* |
| **Bulgaria** | : | 7.5 | 8.8 | -12.8 | -4.8 | 0.0 | 3.5 | **0.1** | **1.7** | **2.2** | *2.0* | *2.7* |
| **Czech Republic** | 3.9 | 3.2 | 3.9 | -5.1 | 1.9 | -0.1 | -2.8 | **-1.7** | **1.2** | **1.8** | *-0.6* | *1.6* |
| **Denmark** | 4.4 | 0.9 | 2.9 | -7.0 | 1.6 | 0.3 | 0.0 | **0.6** | **1.4** | **1.6** | *1.3* | *1.3* |
| **Croatia** | : | 3.8 | 4.7 | -10.1 | -5.1 | -0.3 | -3.1 | **-0.4** | **0.2** | **1.5** | *-1.4* | *0.4* |
| **Lithuania** | : | 5.0 | 9.4 | -24.5 | 2.2 | 5.9 | -0.5 | **3.6** | **3.9** | **4.3** | *3.3* | *3.9* |
| **Hungary** | 1.4 | 4.4 | 1.4 | -10.5 | 0.2 | -0.5 | -3.5 | **0.5** | **1.7** | **2.1** | *-0.2* | *0.8* |
| **Poland** | 7.3 | 2.1 | 6.0 | -1.1 | 4.6 | 3.6 | -0.1 | **-0.7** | **1.9** | **2.7** | *0.2* | *1.6* |
| **Romania** | 2.4 | 4.4 | 10.8 | -12.0 | -1.1 | 2.5 | 1.4 | **-1.2** | **2.2** | **2.6** | *2.3* | *2.7* |
| **Sweden** | 2.6 | 2.3 | 2.7 | -4.6 | 6.5 | 3.2 | 0.4 | **1.4** | **2.9** | **3.5** | *1.5* | *2.4* |
| **United Kingdom** | 3.5 | 3.7 | 2.2 | -5.9 | 2.1 | -0.1 | 1.0 | **1.0** | **1.9** | **2.0** | *0.6* | *1.3* |
| **EU** | : | 2.3 | 2.3 | -4.4 | 1.5 | 0.8 | -1.5 | **-0.6** | **1.1** | **1.8** | *-0.7* | *1.2* |
| **USA** | : | : | 2.0 | -3.7 | 2.8 | 1.7 | 2.5 | **1.7** | **2.6** | **3.3** | *1.8* | *2.6* |
| **Japan** | : | 0.7 | 0.6 | -3.9 | 2.9 | 0.3 | 2.8 | **1.9** | **1.6** | **1.0** | *1.0* | *1.3* |

**Table 6: Final demand, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 3.9 | 2.4 | 3.4 | -5.4 | 4.5 | 4.0 | 0.5 | **-0.1** | **2.5** | **3.1** | *0.1* | *2.1* |
| **Germany** | 2.8 | 2.0 | 3.3 | -5.9 | 6.5 | 4.6 | 0.9 | **0.6** | **2.9** | **3.7** | *0.9* | *3.4* |
| **Estonia** | 8.5 | 7.1 | 7.1 | -21.4 | 9.6 | 17.8 | 5.6 | **1.5** | **3.9** | **4.8** | *3.3* | *4.9* |
| **Ireland** | 11.9 | 7.8 | 4.5 | -7.0 | 1.3 | 2.2 | 0.2 | **0.3** | **1.6** | **2.6** | *1.4* | *2.4* |
| **Greece** | 3.8 | 4.7 | 3.8 | -7.9 | -5.2 | -7.2 | -8.2 | **-4.3** | **0.1** | **3.1** | *-3.8* | *0.1* |
| **Spain** | 4.8 | 4.7 | 3.7 | -7.1 | 1.8 | 0.0 | -2.6 | **-1.4** | **0.8** | **2.2** | *-2.1* | *1.2* |
| **France** | 3.0 | 2.7 | 2.4 | -4.5 | 3.2 | 2.7 | -0.2 | **0.5** | **1.5** | **2.7** | *0.1* | *2.0* |
| **Italy** | 2.7 | 1.9 | 1.6 | -7.3 | 3.9 | 0.6 | -3.6 | **-2.2** | **1.3** | **2.1** | *-1.5* | *1.4* |
| **Cyprus** | : | 3.7 | 5.7 | -8.1 | 2.4 | 0.2 | -3.7 | **-11.2** | **-4.8** | **1.2** | *-11.0* | *-4.7* |
| **Latvia** | : | 5.9 | 8.8 | -22.7 | 3.0 | 11.3 | 4.7 | **3.1** | **4.6** | **5.3** | *4.5* | *5.3* |
| **Luxembourg** | 5.9 | 6.5 | 6.7 | -11.5 | 7.8 | 5.1 | -0.7 | **2.4** | **3.5** | **3.2** | *0.8* | *3.4* |
| **Malta** | : | 2.3 | 3.8 | -5.6 | 8.0 | 1.7 | 3.1 | **-0.5** | **3.0** | **3.8** | *1.7* | *3.2* |
| **Netherlands** | 5.2 | 3.2 | 3.8 | -5.0 | 5.0 | 2.3 | 0.7 | **-0.5** | **1.3** | **2.7** | *0.8* | *2.1* |
| **Austria** | 3.6 | 2.9 | 3.7 | -7.3 | 4.1 | 4.5 | 0.5 | **0.4** | **2.6** | **3.1** | *1.1* | *3.0* |
| **Portugal** | 5.1 | 2.2 | 2.2 | -5.1 | 3.6 | -2.3 | -4.2 | **-1.1** | **1.3** | **2.1** | *-2.8* | *1.3* |
| **Slovenia** | 6.2 | 4.6 | 7.0 | -12.6 | 3.5 | 2.6 | -3.4 | **-1.6** | **-0.2** | **1.5** | *-2.0* | *0.8* |
| **Slovakia** | : | 4.4 | 8.5 | -11.4 | 8.8 | 6.0 | 2.5 | **1.4** | **3.2** | **4.3** | *1.7* | *3.9* |
| **Finland** | 6.1 | 3.5 | 4.8 | -11.8 | 4.6 | 3.8 | -0.7 | **-1.0** | **1.6** | **2.2** | *0.4* | *1.5* |
| **Euro area** | : | 2.8 | 3.1 | -6.3 | 4.1 | 2.5 | -0.7 | **-0.3** | **1.9** | **2.9** | *-0.1* | *2.3* |
| **Bulgaria** | : | 5.2 | 8.7 | -12.3 | 1.1 | 4.4 | 2.0 | **2.0** | **2.4** | **3.5** | *2.3* | *3.4* |
| **Czech Republic** | 5.8 | 5.2 | 6.6 | -7.4 | 7.0 | 3.8 | 0.3 | **-1.1** | **2.3** | **3.2** | *0.2* | *3.2* |
| **Denmark** | 4.6 | 2.4 | 3.6 | -7.9 | 2.1 | 2.5 | 0.1 | **0.7** | **2.1** | **2.5** | *1.2* | *2.4* |
| **Croatia** | : | 4.6 | 4.6 | -11.8 | -2.5 | 0.3 | -2.1 | **-0.5** | **0.9** | **2.0** | *-0.6* | *1.3* |
| **Lithuania** | : | 5.8 | 9.5 | -20.4 | 7.5 | 9.2 | 4.8 | **4.7** | **5.2** | **5.5** | *4.2* | *5.3* |
| **Hungary** | : | 6.5 | 6.1 | -10.4 | 5.2 | 3.7 | -0.9 | **2.1** | **3.6** | **4.2** | *1.5* | *3.6* |
| **Poland** | 8.5 | 3.4 | 7.2 | -2.7 | 6.7 | 4.8 | 1.1 | **1.2** | **2.9** | **3.8** | *1.0* | *2.8* |
| **Romania** | 2.9 | 6.5 | 10.6 | -10.8 | 2.1 | 4.5 | 0.2 | **1.8** | **3.0** | **3.6** | *2.4* | *3.1* |
| **Sweden** | 4.4 | 3.1 | 4.1 | -8.0 | 8.1 | 4.2 | 0.5 | **0.2** | **3.1** | **4.5** | *1.4* | *3.1* |
| **United Kingdom** | 4.4 | 3.8 | 2.7 | -6.5 | 3.1 | 0.9 | 1.0 | **1.4** | **2.3** | **2.4** | *0.8* | *1.9* |
| **EU** | : | 3.0 | 3.3 | -6.5 | 4.1 | 2.5 | -0.4 | **0.1** | **2.1** | **2.9** | *0.2* | *2.3* |
| **USA** | : | : | 2.5 | -4.3 | 3.6 | 2.3 | 2.6 | **1.8** | **3.0** | **3.6** | *2.0* | *3.0* |
| **Japan** | : | 1.1 | 1.6 | -6.9 | 5.5 | 0.2 | 2.4 | **2.1** | **2.2** | **1.4** | *1.4* | *2.1* |

**Table 7: Private consumption expenditure, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 2.1 | 1.5 | 1.6 | 0.6 | 2.8 | 0.2 | -0.3 | 0.5 | 1.2 | 1.5 | 0.0 | 1.2 |
| Germany | 1.3 | 1.1 | 0.5 | 0.2 | 1.0 | 2.3 | 0.8 | 0.9 | 1.4 | 1.6 | 0.8 | 1.4 |
| Estonia | 7.0 | 6.8 | 6.7 | -14.8 | -2.6 | 3.8 | 4.9 | 4.7 | 3.8 | 4.5 | 3.3 | 3.5 |
| Ireland | 5.9 | 6.2 | 4.8 | -5.4 | 0.4 | -1.4 | -0.3 | -0.6 | 0.5 | 1.0 | -0.1 | 1.2 |
| Greece | 2.7 | 3.5 | 4.1 | -1.6 | -6.2 | -7.7 | -9.1 | -6.7 | -1.6 | 1.4 | -6.9 | -1.6 |
| Spain | 2.6 | 3.9 | 3.0 | -3.7 | 0.2 | -1.2 | -2.8 | -2.6 | 0.1 | 1.0 | -3.1 | -0.1 |
| France | 1.8 | 2.6 | 1.8 | 0.3 | 1.6 | 0.6 | -0.3 | 0.5 | 0.6 | 1.6 | -0.1 | 0.9 |
| Italy | 2.2 | 1.4 | 0.7 | -1.6 | 1.5 | -0.3 | -4.1 | -2.3 | 0.3 | 0.8 | -2.0 | 0.4 |
| Cyprus | : | 3.5 | 6.5 | -7.5 | 1.5 | 1.3 | -2.5 | -12.4 | -5.7 | 1.6 | -12.3 | -5.5 |
| Latvia | : | 6.8 | 9.8 | -22.6 | 2.3 | 4.8 | 5.8 | 6.0 | 4.9 | 5.0 | 3.9 | 4.1 |
| Luxembourg | 3.7 | 2.4 | 2.1 | -1.4 | 2.6 | 1.3 | 2.2 | 1.2 | 1.4 | 2.3 | 0.1 | 1.5 |
| Malta | : | 3.7 | 2.4 | 0.6 | -0.6 | 3.2 | -0.2 | 0.6 | 1.7 | 2.2 | 0.9 | 1.3 |
| Netherlands | 3.5 | 2.3 | 0.9 | -2.1 | 0.3 | -1.1 | -1.6 | -2.1 | -1.1 | 0.7 | -2.4 | -0.1 |
| Austria | 1.6 | 1.7 | 1.5 | 0.9 | 2.0 | 0.8 | 0.5 | 0.0 | 0.9 | 1.0 | 0.4 | 1.0 |
| Portugal | 2.9 | 2.3 | 2.0 | -2.3 | 2.5 | -3.3 | -5.4 | -2.5 | 0.1 | 0.7 | -3.3 | 0.1 |
| Slovenia | 4.4 | 3.2 | 3.3 | -0.1 | 1.5 | 0.8 | -4.8 | -3.5 | -2.6 | -1.2 | -3.7 | -1.9 |
| Slovakia | : | 3.1 | 6.0 | 0.2 | -0.7 | -0.5 | -0.2 | 0.8 | 0.9 | 1.9 | 0.0 | 0.9 |
| Finland | 3.7 | 3.0 | 3.2 | -2.9 | 3.3 | 2.6 | 0.2 | -0.6 | 0.3 | 1.4 | 0.7 | 0.8 |
| Euro area | : | 2.0 | 1.5 | -1.0 | 1.0 | 0.3 | -1.4 | -0.7 | 0.6 | 1.3 | -0.9 | 0.7 |
| Bulgaria | -1.9 | 6.9 | 7.1 | -7.6 | 0.1 | 1.5 | 2.6 | -0.3 | 1.3 | 1.6 | 1.4 | 2.5 |
| Czech Republic | 3.3 | 2.9 | 3.6 | 0.2 | 0.9 | 0.5 | -2.1 | 0.3 | 1.0 | 2.0 | -0.4 | 1.4 |
| Denmark | 3.1 | 0.5 | 2.9 | -3.6 | 1.7 | -0.5 | 0.5 | 0.3 | 1.4 | 1.7 | 0.8 | 1.8 |
| Croatia | : | 3.1 | 3.8 | -7.5 | -1.3 | 0.2 | -2.9 | -0.5 | -0.5 | 0.5 | -2.0 | -0.5 |
| Lithuania | : | 6.7 | 9.5 | -17.8 | -3.6 | 4.8 | 3.9 | 4.8 | 3.8 | 4.5 | 2.9 | 3.8 |
| Hungary | : | 6.2 | 1.2 | -6.6 | -3.0 | 0.4 | -1.6 | 0.5 | 1.2 | 1.5 | 0.2 | 1.0 |
| Poland | 5.7 | 3.3 | 4.5 | 2.0 | 3.1 | 2.6 | 1.2 | 0.6 | 1.6 | 2.0 | 0.8 | 1.5 |
| Romania | 4.9 | 4.1 | 11.9 | -10.1 | -0.3 | 1.1 | 1.1 | 0.3 | 1.6 | 2.2 | 1.9 | 2.0 |
| Sweden | 2.2 | 3.0 | 2.4 | -0.3 | 4.0 | 1.7 | 1.6 | 2.0 | 3.3 | 3.7 | 1.8 | 2.6 |
| United Kingdom | 3.3 | 4.3 | 1.9 | -3.6 | 1.0 | -0.4 | 1.2 | 1.6 | 1.7 | 1.9 | 0.8 | 1.3 |
| EU | : | 2.5 | 1.8 | -1.6 | 1.1 | 0.3 | -0.8 | -0.1 | 0.9 | 1.5 | -0.4 | 1.0 |
| USA | : | 3.7 | 2.4 | -1.6 | 2.0 | 2.5 | 2.2 | 1.9 | 2.3 | 2.8 | 1.7 | 2.2 |
| Japan | : | 1.0 | 0.8 | -0.7 | 2.8 | 0.4 | 2.3 | 1.9 | 0.8 | 0.8 | 1.0 | 0.6 |

**Table 8: Government consumption expenditure, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 1.5 | 2.4 | 1.5 | 1.9 | 0.6 | 0.7 | 1.4 | 0.4 | 0.5 | 0.7 | 0.3 | 0.7 |
| Germany | 2.0 | 0.9 | 1.0 | 3.0 | 1.3 | 1.0 | 1.0 | 1.1 | 1.5 | 1.2 | 1.6 | 1.6 |
| Estonia | 2.9 | 2.0 | 4.1 | -2.6 | -0.8 | 1.3 | 3.8 | 0.2 | 0.2 | 0.2 | 0.8 | 0.3 |
| Ireland | 4.6 | 6.7 | 3.9 | -2.9 | -4.9 | -2.9 | -3.2 | -1.0 | -2.8 | -2.5 | -2.5 | -2.8 |
| Greece | 2.0 | 4.7 | 2.4 | 4.9 | -8.7 | -5.2 | -4.2 | -4.9 | -4.0 | -1.2 | -4.0 | -6.2 |
| Spain | 2.0 | 4.5 | 5.5 | 3.7 | 1.5 | -0.5 | -4.8 | -3.0 | -2.1 | -0.1 | -3.7 | -0.4 |
| France | 0.6 | 1.7 | 1.5 | 2.5 | 1.8 | 0.4 | 1.4 | 1.7 | 1.2 | 1.4 | 1.3 | 1.3 |
| Italy | -0.7 | 2.5 | 1.3 | 0.8 | -0.4 | -1.2 | -2.7 | -1.2 | -0.9 | 0.7 | -1.5 | -0.8 |
| Cyprus | : | 5.2 | 2.3 | 6.8 | 1.0 | -0.2 | -3.1 | -8.9 | -3.7 | -1.7 | -8.9 | -3.6 |
| Latvia | : | 0.7 | 3.1 | -9.4 | -7.9 | 1.1 | -0.2 | 1.7 | 2.0 | 1.7 | 1.5 | 2.0 |
| Luxembourg | 3.4 | 5.6 | 2.7 | 4.9 | 2.5 | 1.3 | 4.8 | 3.2 | 2.8 | 2.5 | 1.8 | 1.3 |
| Malta | : | 2.5 | 3.6 | -2.7 | 1.7 | 4.1 | 5.0 | 1.2 | 1.0 | 0.8 | 1.9 | 2.1 |
| Netherlands | 1.7 | 3.1 | 3.2 | 5.0 | 0.5 | 0.2 | -0.7 | -0.7 | 0.0 | -0.5 | -0.1 | 0.4 |
| Austria | 2.7 | 1.0 | 2.3 | 0.7 | 0.2 | 0.3 | 0.2 | 0.9 | 0.8 | 0.8 | 0.8 | 1.0 |
| Portugal | 3.4 | 2.8 | 1.2 | 4.7 | 0.1 | -5.0 | -4.7 | -4.0 | -2.8 | -2.2 | -4.2 | -2.0 |
| Slovenia | 3.1 | 3.1 | 3.5 | 2.5 | 1.3 | -1.6 | -1.3 | -2.7 | -2.5 | -0.1 | -2.5 | -0.2 |
| Slovakia | 1.7 | 1.9 | 3.1 | 6.1 | 1.0 | -4.3 | -1.1 | 0.1 | 4.2 | 2.8 | -0.5 | 1.3 |
| Finland | 2.3 | 1.5 | 1.4 | 1.1 | -0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 0.8 | 0.8 | 0.5 |
| Euro area | : | 2.1 | 2.0 | 2.6 | 0.6 | -0.1 | -0.5 | 0.0 | 0.3 | 0.7 | 0.0 | 0.5 |
| Bulgaria | -7.6 | 5.1 | 1.3 | -6.5 | 1.9 | 1.6 | -1.4 | 3.0 | 2.2 | 2.1 | 3.3 | 3.3 |
| Czech Republic | 0.4 | 4.4 | -0.1 | 4.0 | 0.2 | -2.7 | -1.9 | 1.3 | 1.2 | 1.0 | 0.3 | 0.4 |
| Denmark | 2.5 | 1.9 | 1.8 | 2.1 | 0.4 | -1.5 | 0.7 | 0.4 | 0.6 | 0.6 | 1.1 | 0.7 |
| Croatia | : | 0.7 | 3.1 | 0.4 | -2.1 | -0.6 | -0.8 | -1.0 | 0.5 | 0.5 | -1.3 | -0.7 |
| Lithuania | : | 0.5 | 2.3 | -1.4 | -3.4 | 0.3 | 0.6 | 1.4 | 1.6 | 1.6 | 1.4 | 1.6 |
| Hungary | -3.6 | 3.2 | 0.2 | 0.7 | -1.2 | 0.0 | -1.2 | 0.8 | 1.5 | 2.0 | -0.5 | 0.5 |
| Poland | 2.6 | 2.7 | 5.1 | 2.1 | 4.1 | -1.7 | 0.2 | 1.7 | 1.9 | 2.3 | 1.2 | 1.4 |
| Romania | -0.4 | 3.0 | -0.5 | 3.1 | -4.7 | 0.2 | 1.7 | 0.0 | 1.8 | 1.3 | 1.8 | 1.9 |
| Sweden | 0.4 | 0.9 | 0.6 | 2.2 | 2.1 | 0.8 | 0.7 | 1.0 | 1.1 | 0.7 | 1.1 | 0.9 |
| United Kingdom | 1.1 | 3.6 | 2.2 | 0.7 | 0.5 | 0.0 | 1.7 | 0.0 | -0.1 | 0.2 | 0.4 | -0.5 |
| EU | : | 2.3 | 2.0 | 2.2 | 0.6 | -0.2 | -0.1 | 0.1 | 0.3 | 0.7 | 0.2 | 0.4 |
| USA | : | : | 1.8 | 3.6 | 0.2 | -2.9 | -0.5 | -1.8 | -0.2 | 0.2 | -1.7 | -0.6 |
| Japan | : | 3.4 | 0.7 | 2.3 | 1.9 | 1.4 | 2.4 | 1.4 | 0.6 | 0.5 | 1.2 | 1.1 |

**Table 9: Total investment, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 2.9 | 0.8 | 5.0 | -8.4 | -1.1 | 4.1 | -2.0 | **-2.6** | **1.0** | **2.7** | *-1.6* | *1.6* |
| Germany | 1.7 | -0.8 | 2.9 | -11.7 | 5.7 | 6.9 | -2.1 | **-0.9** | **4.4** | **4.4** | *-0.6* | *3.9* |
| Estonia | 15.4 | 10.1 | 7.3 | -39.0 | -7.3 | 37.6 | 10.9 | **0.0** | **3.6** | **5.7** | *3.0* | *7.3* |
| Ireland | 14.5 | 5.7 | 4.1 | -27.0 | -22.7 | -9.1 | -0.6 | **2.9** | **4.4** | **5.4** | *0.9* | *2.8* |
| Greece | 5.4 | 9.0 | 2.6 | -13.7 | -15.0 | -19.6 | -19.2 | **-5.9** | **5.3** | **11.3** | *-4.0* | *8.4* |
| Spain | 5.7 | 6.2 | 3.7 | -18.0 | -5.5 | -5.4 | -7.0 | **-6.6** | **-2.4** | **1.9** | *-7.6* | *-1.1* |
| France | 2.4 | 3.5 | 3.7 | -10.6 | 1.4 | 2.9 | -1.2 | **-2.3** | **0.6** | **3.4** | *-2.1* | *1.7* |
| Italy | 3.0 | 3.0 | 0.9 | -11.7 | 0.6 | -2.2 | -8.3 | **-5.2** | **2.7** | **3.8** | *-3.5* | *2.5* |
| Cyprus | : | 3.3 | 9.0 | -9.7 | -4.9 | -8.7 | -19.6 | **-29.5** | **-11.9** | **2.2** | *-29.5* | *-12.0* |
| Latvia | : | 7.7 | 10.6 | -37.4 | -18.1 | 27.9 | 8.7 | **0.3** | **5.5** | **6.9** | *6.9* | *8.1* |
| Luxembourg | 3.9 | 7.2 | 5.8 | -16.2 | -0.7 | 12.1 | 3.5 | **1.1** | **2.7** | **3.1** | *-0.2* | *2.7* |
| Malta | : | 3.5 | 0.7 | -14.2 | 6.2 | -14.6 | -3.9 | **-2.0** | **0.5** | **1.8** | *1.5* | *2.5* |
| Netherlands | 6.3 | 0.6 | 3.9 | -12.0 | -7.4 | 6.1 | -4.0 | **-8.5** | **0.9** | **2.7** | *-3.3* | *1.6* |
| Austria | 2.7 | 1.2 | 1.2 | -7.8 | -1.4 | 8.5 | 1.6 | **-1.7** | **2.2** | **3.0** | *1.1* | *2.5* |
| Portugal | 7.1 | 0.0 | 0.1 | -8.6 | -3.1 | -10.5 | -14.3 | **-8.5** | **1.2** | **3.7** | *-7.6* | *2.5* |
| Slovenia | 12.2 | 5.2 | 7.7 | -23.8 | -15.3 | -5.5 | -8.2 | **-4.2** | **-2.7** | **0.4** | *-4.9* | *0.1* |
| Slovakia | 9.7 | -3.4 | 8.2 | -19.7 | 6.5 | 14.2 | -10.5 | **-5.3** | **1.2** | **3.7** | *1.4* | *3.0* |
| Finland | 8.9 | 2.3 | 4.0 | -13.2 | 1.7 | 5.7 | -1.0 | **-1.1** | **1.0** | **2.0** | *-1.5* | *1.8* |
| Euro area | : | 2.2 | 2.9 | -12.8 | -0.5 | 1.6 | -4.0 | **-3.3** | **1.9** | **3.6** | *-2.6* | *2.3* |
| Bulgaria | : | 15.2 | 18.0 | -17.6 | -18.3 | -6.5 | 0.8 | **2.1** | **2.4** | **4.2** | *3.0* | *3.1* |
| Czech Republic | 6.8 | 2.6 | 6.4 | -11.0 | 1.0 | 0.4 | -4.5 | **-4.4** | **0.3** | **2.2** | *-3.2* | *2.3* |
| Denmark | 8.9 | 1.2 | 3.7 | -15.9 | -2.4 | 2.9 | -0.1 | **0.2** | **2.7** | **3.1** | *2.5* | *0.7* |
| Croatia | : | 7.0 | 7.4 | -14.2 | -15.0 | -6.4 | -4.6 | **0.0** | **2.0** | **5.5** | *-0.5* | *4.0* |
| Lithuania | : | 4.1 | 12.1 | -39.5 | 1.9 | 20.7 | -3.6 | **4.9** | **6.8** | **6.8** | *4.8* | *6.7* |
| Hungary | 6.3 | 4.8 | 3.1 | -11.1 | -8.5 | -5.9 | -3.7 | **-0.4** | **3.8** | **4.3** | *-1.5* | *0.8* |
| Poland | 16.2 | -1.5 | 10.9 | -1.2 | -0.4 | 8.5 | -1.7 | **-3.8** | **2.9** | **5.7** | *-2.6* | *2.2* |
| Romania | 5.5 | 6.3 | 18.2 | -28.1 | -1.8 | 7.3 | 4.9 | **-2.0** | **3.5** | **4.4** | *3.4* | *5.0* |
| Sweden | 6.2 | 3.0 | 6.6 | -15.5 | 7.2 | 8.2 | 3.1 | **-2.6** | **5.1** | **7.5** | *1.4* | *3.9* |
| United Kingdom | 6.4 | 1.5 | 3.1 | -16.7 | 2.8 | -2.4 | 0.9 | **-0.8** | **5.0** | **5.3** | *1.8* | *4.5* |
| EU | : | 2.1 | 3.5 | -13.4 | -0.2 | 1.6 | -3.0 | **-2.9** | **2.5** | **4.0** | *-1.7* | *2.6* |
| USA | : | : | 1.3 | -13.9 | 1.1 | 4.2 | 6.3 | **3.5** | **6.3** | **7.8** | *6.9* | *7.8* |
| Japan | : | -1.5 | -0.2 | -10.7 | -0.2 | 1.2 | 4.2 | **2.9** | **4.6** | **2.4** | *0.6* | *2.1* |

**Table 10: Investment in construction, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 1.8 | -1.4 | 4.6 | -7.6 | 6.0 | 3.9 | -2.4 | **-3.3** | **0.7** | **2.4** | *-2.2* | *1.5* |
| Germany | 0.0 | -2.9 | -0.7 | -3.2 | 3.2 | 7.8 | -1.4 | **-0.1** | **4.1** | **2.7** | *1.0* | *2.9* |
| Estonia | : | 8.3 | 10.2 | -35.9 | -3.0 | 3.8 | 10.5 | **-6.0** | **-0.6** | **3.4** | *-2.7* | *2.8* |
| Ireland | 14.4 | 6.9 | 3.7 | -31.2 | -29.6 | -15.6 | -4.1 | **-2.2** | **0.8** | **2.6** | *-2.7* | *0.0* |
| Greece | 3.0 | 5.8 | -0.9 | -12.8 | -19.2 | -21.0 | -22.7 | **-10.0** | **2.5** | **9.9** | *-5.1* | *7.0* |
| Spain | 3.2 | 7.1 | 3.0 | -16.6 | -9.9 | -10.8 | -9.7 | **-10.5** | **-5.8** | **-0.9** | *-9.0* | *-1.9* |
| France | -0.3 | 3.2 | 3.3 | -7.8 | -3.4 | 1.9 | -0.8 | **-2.6** | **-0.8** | **1.8** | *-1.1* | *0.6* |
| Italy | -0.4 | 4.1 | 0.4 | -8.8 | -4.5 | -3.7 | -6.4 | **-6.2** | **0.8** | **1.0** | *-3.4* | *-0.1* |
| Cyprus | : | 3.8 | 8.7 | -14.1 | -4.7 | -7.7 | -20.3 | **-30.9** | **-11.2** | **2.8** | *-30.9* | *-11.1* |
| Latvia | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |
| Luxembourg | 4.8 | 8.9 | 1.4 | -5.3 | -10.0 | 4.0 | -6.1 | **-0.4** | **2.3** | **3.0** | *-1.9* | *2.5* |
| Malta | : | : | 0.3 | -14.9 | -6.4 | -1.8 | -4.7 | **:** | **:** | **:** | *:* | *:* |
| Netherlands | 2.6 | 0.6 | 2.9 | -9.8 | -11.9 | 4.9 | -7.6 | **-8.4** | **0.4** | **1.9** | *-6.3* | *0.7* |
| Austria | 1.3 | -0.1 | 0.4 | -7.1 | -3.9 | 2.5 | 2.5 | **0.4** | **1.5** | **2.0** | *1.4* | *1.7* |
| Portugal | 6.6 | -0.2 | -2.7 | -6.6 | -4.2 | -11.5 | -18.1 | **-14.8** | **-1.6** | **0.0** | *-10.5* | *1.2* |
| Slovenia | 7.6 | 3.5 | 6.6 | -20.8 | -20.5 | -18.5 | -6.5 | **-5.4** | **-4.4** | **0.1** | *-10.1* | *-2.6* |
| Slovakia | : | -4.8 | 9.7 | -12.9 | -7.7 | 7.4 | -8.5 | **-4.5** | **2.4** | **3.4** | *1.9* | *2.9* |
| Finland | 6.4 | 2.7 | 4.1 | -15.0 | 7.8 | 4.8 | -5.3 | **-1.1** | **0.6** | **2.0** | *-1.4* | *1.6* |
| Euro area | 0.9 | 1.7 | 1.6 | -9.8 | -4.2 | -0.2 | -4.3 | **-4.0** | **0.6** | **1.8** | *-2.4* | *1.0* |
| Bulgaria | : | 9.1 | 25.3 | 1.1 | -21.6 | -22.2 | -8.0 | **-2.0** | **1.4** | **2.1** | *:* | *:* |
| Czech Republic | -8.0 | -0.4 | 2.9 | -4.1 | -0.1 | -5.0 | -5.3 | **-6.2** | **-1.0** | **1.7** | *-4.7* | *1.3* |
| Denmark | 6.5 | 0.2 | 2.2 | -18.4 | -5.8 | 6.8 | -5.4 | **-1.9** | **4.8** | **3.8** | *-0.3* | *2.7* |
| Croatia | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |
| Lithuania | : | 2.1 | 11.9 | -37.1 | -7.4 | 14.3 | -4.0 | **1.8** | **4.8** | **4.8** | *1.8* | *4.8* |
| Hungary | : | 3.1 | 1.6 | -5.9 | -13.7 | -13.3 | -9.1 | **-1.8** | **3.7** | **4.3** | *-3.1* | *-1.2* |
| Poland | : | -1.3 | 8.9 | 4.9 | 2.2 | 7.8 | -1.0 | **-6.7** | **3.5** | **5.9** | *-6.8* | *0.6* |
| Romania | 4.2 | 5.1 | 19.9 | -28.7 | 11.3 | 7.2 | 4.4 | **-3.1** | **3.3** | **4.4** | *3.2* | *4.9* |
| Sweden | -2.1 | 3.2 | 4.8 | -11.7 | 4.4 | 3.4 | 0.8 | **-1.2** | **4.0** | **6.0** | *-0.8* | *2.1* |
| United Kingdom | 3.6 | -0.5 | 4.4 | -16.6 | 2.2 | 3.6 | -3.5 | **-1.3** | **4.3** | **5.6** | *-0.3* | *4.4* |
| EU | 1.4 | 1.3 | 2.5 | -10.7 | -3.1 | 0.6 | -3.9 | **-3.6** | **1.4** | **2.7** | *-2.2* | *1.6* |
| USA | : | : | -0.2 | -11.4 | -4.6 | 0.6 | 6.3 | **3.4** | **5.4** | **7.5** | *7.1* | *6.8* |
| Japan | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |

**Table 11: Investment in equipment, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 3.9 | 2.5 | 5.2 | -11.1 | -10.9 | 4.8 | -3.2 | **-2.1** | **1.6** | **2.9** | *-1.3* | *1.8* |
| Germany | 4.0 | 1.6 | 6.9 | -22.7 | 10.0 | 5.8 | -4.0 | **-2.7** | **5.0** | **7.1** | *-3.5* | *5.4* |
| Estonia | : | 12.5 | 3.3 | -47.0 | -16.2 | 122.8 | 11.7 | **6.4** | **8.0** | **8.0** | *9.5* | *11.7* |
| Ireland | 15.7 | 2.7 | 7.1 | -17.5 | -11.2 | -1.5 | 2.3 | **9.2** | **8.5** | **6.5** | *4.8* | *5.0* |
| Greece | 10.3 | 14.0 | 7.9 | -18.4 | -8.2 | -18.1 | -17.3 | **-2.1** | **8.9** | **13.0** | *-3.4* | *10.0* |
| Spain | 11.1 | 3.2 | 5.6 | -24.5 | 5.0 | 5.5 | -3.9 | **-0.3** | **2.6** | **6.0** | *-5.8* | *0.1* |
| France | 6.4 | 3.8 | 3.5 | -18.1 | 11.2 | 7.3 | -3.2 | **-3.7** | **1.1** | **5.1** | *-4.3* | *4.2* |
| Italy | 6.8 | 2.0 | 1.7 | -16.8 | 8.1 | -0.7 | -11.4 | **-4.0** | **5.2** | **7.0** | *-4.0* | *6.1* |
| Cyprus | : | 2.1 | 9.2 | -2.2 | -6.5 | -15.8 | -16.0 | **-26.0** | **-14.3** | **1.4** | *-26.0* | *-14.2* |
| Latvia | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |
| Luxembourg | 1.1 | 1.9 | 14.3 | -29.8 | 21.7 | 22.4 | 18.3 | **3.0** | **3.5** | **3.5** | *2.0* | *3.5* |
| Malta | : | : | -3.1 | -13.9 | 30.8 | -40.2 | -13.5 | **:** | **:** | **:** | *:* | *:* |
| Netherlands | 9.3 | 1.3 | 5.4 | -16.4 | -3.1 | 9.4 | 1.5 | **-8.6** | **1.8** | **4.0** | *0.7* | *3.0* |
| Austria | 3.9 | 1.7 | 1.9 | -10.8 | 2.1 | 14.3 | 2.1 | **-4.5** | **3.4** | **4.8** | *0.4* | *3.7* |
| Portugal | 9.1 | -0.7 | 5.4 | -13.0 | -2.6 | -11.2 | -9.8 | **1.0** | **4.9** | **8.1** | *-3.8* | *4.5* |
| Slovenia | 15.9 | 7.5 | 9.1 | -30.2 | -9.3 | 14.2 | -8.3 | **-2.4** | **-1.2** | **0.8** | *-0.5* | *2.3* |
| Slovakia | : | -1.6 | 6.5 | -24.4 | 11.7 | 38.3 | -11.5 | **-6.3** | **-0.5** | **4.3** | *1.0* | *3.0* |
| Finland | 12.6 | 0.0 | 4.2 | -11.7 | -12.5 | 11.1 | 14.2 | **-1.1** | **1.8** | **1.9** | *-2.1* | *1.9* |
| Euro area | 6.3 | 2.4 | 4.7 | -19.2 | 5.6 | 4.6 | -4.8 | **-2.9** | **3.7** | **6.1** | *-3.2* | *4.3* |
| Bulgaria | : | 23.0 | 13.1 | -45.1 | -11.2 | 24.5 | 9.0 | **10.0** | **11.0** | **13.0** | *:* | *:* |
| Czech Republic | 7.0 | 5.0 | 10.2 | -18.8 | 3.7 | 6.7 | -5.6 | **-2.6** | **1.5** | **2.7** | *-1.8* | *3.2* |
| Denmark | 9.7 | 1.0 | 5.0 | -16.1 | -0.9 | -3.1 | 5.8 | **2.2** | **0.6** | **2.8** | *6.3* | *-2.0* |
| Croatia | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |
| Lithuania | : | 6.4 | 12.0 | -50.0 | 20.6 | 37.2 | -4.8 | **9.7** | **9.8** | **9.8** | *9.7* | *9.8* |
| Hungary | : | 5.6 | 4.8 | -17.3 | -3.1 | 6.0 | 3.8 | **0.7** | **4.0** | **4.5** | *0.0* | *1.9* |
| Poland | : | -2.6 | 14.2 | -10.8 | -3.3 | 11.5 | -4.0 | **1.0** | **2.0** | **5.5** | *1.0* | *4.5* |
| Romania | 6.4 | 8.2 | 17.9 | -27.7 | -19.1 | 7.5 | 5.7 | **-0.3** | **4.0** | **4.5** | *3.7* | *5.3* |
| Sweden | 14.1 | 3.2 | 8.7 | -22.7 | 11.9 | 13.2 | 4.8 | **-3.9** | **6.2** | **8.9** | *3.0* | *5.0* |
| United Kingdom | 9.7 | 0.6 | 0.7 | -20.4 | 9.9 | -21.7 | 12.2 | **3.3** | **6.9** | **4.8** | *7.1* | *4.5* |
| EU | 7.2 | 2.1 | 5.0 | -19.4 | 5.0 | 3.1 | -2.9 | **-2.0** | **3.9** | **6.0** | *-1.4* | *4.2* |
| USA | : | : | 4.5 | -18.7 | 13.0 | 10.3 | 6.2 | **3.5** | **7.7** | **8.2** | *6.8* | *8.5* |
| Japan | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |

**Table 12: Public investment (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 1.8 | 1.8 | 1.6 | 1.7 | 1.6 | 1.8 | 1.8 | **1.7** | **1.7** | **1.7** | *1.6* | *1.6* |
| Germany | 2.1 | 1.8 | 1.5 | 1.8 | 1.7 | 1.7 | 1.5 | **1.5** | **1.5** | **1.6** | *1.5* | *1.5* |
| Estonia | 4.7 | 4.3 | 4.6 | 5.1 | 3.9 | 4.1 | 5.4 | **4.6** | **4.1** | **3.9** | *5.0* | *4.2* |
| Ireland | 2.4 | 3.7 | 4.2 | 3.7 | 3.4 | 2.4 | 1.9 | **1.8** | **1.7** | **1.7** | *1.7* | *1.6* |
| Greece | 2.9 | 3.5 | 3.4 | 3.1 | 2.3 | 1.7 | 1.8 | **2.0** | **2.0** | **2.0** | *1.9* | *2.0* |
| Spain | : | 3.4 | 3.7 | 4.5 | 4.0 | 3.0 | 1.7 | **1.4** | **1.2** | **1.2** | *1.4* | *1.3* |
| France | 3.1 | 3.0 | 3.2 | 3.4 | 3.1 | 3.1 | 3.1 | **3.2** | **3.1** | **3.0** | *3.2* | *3.1* |
| Italy | 2.2 | 2.3 | 2.3 | 2.5 | 2.1 | 2.0 | 1.9 | **2.0** | **1.8** | **1.7** | *2.1* | *1.6* |
| Cyprus | : | 3.0 | 3.3 | 4.2 | 3.8 | 3.6 | 2.5 | **1.9** | **1.7** | **1.7** | *2.0* | *1.8* |
| Latvia | 2.0 | 1.5 | 4.3 | 4.3 | 3.7 | 4.3 | 4.2 | **4.3** | **4.0** | **3.7** | *3.8* | *3.6* |
| Luxembourg | 4.0 | 4.4 | 3.8 | 3.9 | 4.1 | 3.8 | 3.8 | **3.5** | **3.5** | **3.5** | *3.6* | *3.7* |
| Malta | : | 4.0 | 3.7 | 2.3 | 2.1 | 2.5 | 3.1 | **3.0** | **3.1** | **3.1** | *3.1* | *3.2* |
| Netherlands | 3.1 | 3.3 | 3.3 | 3.8 | 3.6 | 3.3 | 3.3 | **3.3** | **3.3** | **3.3** | *3.4* | *3.3* |
| Austria | 2.6 | 1.4 | 1.1 | 1.2 | 1.1 | 1.0 | 1.0 | **1.0** | **1.0** | **1.0** | *1.0* | *1.0* |
| Portugal | 4.4 | 4.2 | 3.2 | 3.0 | 3.8 | 2.6 | 1.7 | **1.9** | **1.8** | **1.7** | *1.8* | *1.8* |
| Slovenia | : | 3.2 | 3.8 | 4.6 | 4.5 | 3.6 | 3.2 | **3.1** | **3.5** | **3.5** | *3.3* | *2.8* |
| Slovakia | 4.0 | 2.9 | 2.1 | 2.3 | 2.6 | 2.3 | 1.9 | **1.6** | **1.3** | **1.3** | *1.6* | *1.6* |
| Finland | 2.8 | 2.6 | 2.5 | 2.8 | 2.5 | 2.5 | 2.6 | **2.6** | **2.6** | **2.5** | *2.6* | *2.6* |
| Euro area | : | 2.5 | 2.5 | 2.8 | 2.6 | 2.4 | 2.1 | **2.1** | **2.0** | **2.0** | *2.1* | *2.0* |
| Bulgaria | 1.7 | 3.4 | 4.3 | 4.9 | 4.6 | 3.4 | 3.4 | **4.0** | **4.2** | **4.4** | *4.1* | *4.5* |
| Czech Republic | : | 3.9 | 4.3 | 5.1 | 4.2 | 3.6 | 3.2 | **3.2** | **3.2** | **3.2** | *3.3* | *3.5* |
| Denmark | 1.8 | 1.7 | 1.9 | 2.0 | 2.2 | 2.2 | 2.5 | **2.3** | **2.4** | **2.3** | *2.3* | *2.1* |
| Croatia | : | : | : | 3.6 | 2.4 | 2.3 | 2.0 | **2.1** | **2.4** | **2.7** | *1.5* | *1.6* |
| Lithuania | 2.7 | 2.6 | 4.3 | 3.9 | 4.6 | 4.4 | 3.7 | **3.5** | **3.5** | **3.4** | *3.7* | *3.6* |
| Hungary | : | 3.7 | 3.7 | 3.1 | 3.4 | 3.1 | 3.4 | **4.1** | **4.8** | **4.4** | *4.0* | *4.8* |
| Poland | 3.5 | 3.2 | 3.9 | 5.2 | 5.6 | 5.7 | 4.6 | **3.6** | **3.5** | **3.3** | *3.8* | *3.6* |
| Romania | : | 2.9 | 4.9 | 5.9 | 5.7 | 5.5 | 4.7 | **4.5** | **4.4** | **4.6** | *4.6* | *4.6* |
| Sweden | 3.5 | 3.0 | 3.1 | 3.5 | 3.5 | 3.4 | 3.5 | **3.5** | **3.4** | **3.3** | *3.5* | *3.5* |
| United Kingdom | 1.6 | 1.4 | 1.7 | 2.7 | 2.5 | 2.2 | 2.2 | **2.2** | **2.2** | **2.2** | *2.2* | *2.3* |
| EU | : | : | : | 2.9 | 2.7 | 2.5 | 2.3 | **2.3** | **2.2** | **2.2** | *2.3* | *2.2* |
| USA | : | 3.0 | 3.0 | 3.3 | 3.2 | 3.0 | 2.8 | **2.7** | **2.6** | **2.6** | *2.1* | *2.0* |
| Japan | 5.9 | 5.0 | 3.4 | 3.4 | 3.3 | 3.1 | 3.7 | **3.9** | **4.0** | **4.0** | *3.9* | *4.0* |

**Table 13: Potential GDP, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 2.2 | 2.2 | 1.7 | 1.1 | 1.1 | 1.2 | 0.7 | **0.7** | **0.9** | **0.9** | *0.9* | *0.9* |
| **Germany** | 1.7 | 1.5 | 1.3 | 0.7 | 1.0 | 1.3 | 1.5 | **1.4** | **1.5** | **1.5** | *1.3* | *1.3* |
| **Estonia** | : | 5.1 | 5.4 | -0.9 | -0.6 | 1.4 | 2.0 | **2.9** | **3.5** | **3.7** | *3.2* | *3.9* |
| **Ireland** | 8.1 | 7.5 | 3.5 | -1.3 | -0.6 | -0.3 | -1.0 | **-0.1** | **0.8** | **1.6** | *0.0* | *1.1* |
| **Greece** | 2.4 | 4.6 | 2.7 | -0.3 | -1.4 | -2.6 | -3.0 | **-3.4** | **-3.0** | **-2.7** | *-3.1* | *-2.8* |
| **Spain** | 2.4 | 3.7 | 3.2 | 0.9 | 0.3 | -0.3 | -0.8 | **-1.3** | **-1.3** | **-1.1** | *-1.4* | *-1.5* |
| **France** | 1.8 | 1.9 | 1.7 | 1.0 | 1.0 | 1.1 | 1.1 | **1.0** | **1.0** | **1.0** | *0.9* | *1.0* |
| **Italy** | 1.5 | 1.5 | 0.8 | -0.3 | -0.1 | 0.1 | -0.8 | **-0.5** | **-0.1** | **0.1** | *-0.4* | *-0.2* |
| **Cyprus** | : | 3.4 | 3.3 | 1.3 | 1.2 | 0.3 | -1.4 | **-3.1** | **-3.2** | **-3.1** | *-2.6* | *-2.5* |
| **Latvia** | : | 6.1 | 6.6 | -1.5 | -2.2 | -0.6 | 0.4 | **1.8** | **2.6** | **3.5** | *2.0* | *3.0* |
| **Luxembourg** | 3.9 | 5.0 | 3.7 | 0.6 | 0.2 | 1.0 | 1.4 | **1.2** | **0.9** | **1.1** | *0.9* | *1.0* |
| **Malta** | : | 2.7 | 2.1 | 1.8 | 2.1 | 1.9 | 1.5 | **1.4** | **1.2** | **1.1** | *1.4* | *1.5* |
| **Netherlands** | 3.2 | 2.8 | 1.7 | 0.9 | 0.4 | 0.5 | 0.2 | **0.0** | **0.1** | **0.3** | *0.0* | *0.3* |
| **Austria** | 2.4 | 2.4 | 2.1 | 0.9 | 0.8 | 1.0 | 1.2 | **1.1** | **1.3** | **1.4** | *1.2* | *1.3* |
| **Portugal** | 2.9 | 2.5 | 1.0 | -0.1 | 0.0 | -0.3 | -1.4 | **-0.8** | **-0.5** | **-0.1** | *-1.2* | *-0.4* |
| **Slovenia** | : | 3.7 | 3.8 | 1.2 | -0.2 | -1.0 | -1.0 | **-1.9** | **-0.9** | **-0.5** | *-1.0* | *-0.4* |
| **Slovakia** | : | 3.6 | 5.5 | 3.6 | 3.2 | 3.6 | 2.6 | **2.2** | **2.1** | **2.3** | *2.8* | *3.2* |
| **Finland** | 2.8 | 3.7 | 2.4 | 0.4 | 0.4 | 0.5 | 0.4 | **0.3** | **0.4** | **0.6** | *0.5* | *0.6* |
| **Euro area** | : | 2.2 | 1.7 | 0.6 | 0.6 | 0.7 | 0.4 | **0.4** | **0.5** | **0.7** | *0.4* | *0.5* |
| **Bulgaria** | : | 3.0 | 5.6 | 2.6 | 0.6 | 0.3 | 0.9 | **1.1** | **1.5** | **1.8** | *1.1* | *1.5* |
| **Czech Republic** | : | 2.4 | 4.4 | 2.4 | 1.6 | 1.1 | 0.6 | **0.6** | **0.8** | **1.1** | *0.6* | *0.7* |
| **Denmark** | 2.2 | 1.9 | 1.3 | 0.8 | 0.7 | 0.6 | 0.7 | **0.9** | **1.2** | **1.6** | *0.8* | *1.1* |
| **Croatia** | : | : | 3.2 | 0.0 | -1.1 | -1.6 | -1.4 | **-1.0** | **-0.3** | **0.5** | *-0.8* | *0.0* |
| **Lithuania** | : | 4.7 | 6.0 | 1.7 | -1.0 | -0.5 | 2.2 | **2.8** | **3.0** | **3.2** | *2.4* | *2.5* |
| **Hungary** | : | 3.3 | 2.5 | 0.4 | 0.1 | 0.1 | 0.1 | **0.3** | **0.7** | **0.9** | *0.2* | *0.5* |
| **Poland** | : | 4.2 | 4.1 | 3.9 | 4.0 | 4.6 | 3.5 | **2.7** | **2.5** | **2.5** | *2.9* | *2.7* |
| **Romania** | : | 2.9 | 5.3 | 1.0 | 0.8 | 1.3 | 1.7 | **1.6** | **1.8** | **2.0** | *2.1* | *2.6* |
| **Sweden** | 2.4 | 3.0 | 2.5 | 1.4 | 1.9 | 2.0 | 2.1 | **1.9** | **2.2** | **2.4** | *1.8* | *1.9* |
| **United Kingdom** | 2.7 | 3.1 | 2.1 | 0.4 | 0.4 | 0.5 | 0.6 | **0.8** | **1.0** | **1.3** | *0.7* | *0.9* |
| **EU** | : | : | 1.9 | 0.7 | 0.7 | 0.8 | 0.6 | **0.6** | **0.7** | **0.9** | *0.5* | *0.7* |
| **USA** | 3.6 | 3.0 | 2.1 | 1.0 | 1.1 | 1.4 | 1.8 | **2.0** | **2.4** | **2.7** | *:* | *:* |
| **Japan** | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |

**Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | -0.4 | 0.6 | 1.4 | -1.9 | -0.8 | -0.3 | -1.1 | **-1.7** | **-1.5** | **-1.0** | *-1.9* | *-1.5* |
| **Germany** | -0.2 | 0.4 | 0.1 | -4.0 | -1.2 | 0.8 | 0.0 | **-1.0** | **-0.7** | **-0.4** | *-1.0* | *-0.5* |
| **Estonia** | : | 0.9 | 6.7 | -9.4 | -6.5 | 1.0 | 2.9 | **1.2** | **0.7** | **0.8** | *1.2* | *1.3* |
| **Ireland** | 0.3 | 2.6 | 1.2 | -4.4 | -4.8 | -2.5 | -1.3 | **-0.9** | **-0.1** | **0.8** | *-0.3* | *0.8* |
| **Greece** | 1.1 | 0.7 | 1.3 | -1.2 | -4.7 | -9.1 | -12.2 | **-12.8** | **-9.5** | **-4.3** | *-13.2* | *-10.2* |
| **Spain** | -1.9 | 1.9 | 1.2 | -4.2 | -4.7 | -4.4 | -5.1 | **-5.2** | **-3.4** | **-0.7** | *-4.6* | *-2.3* |
| **France** | -1.2 | 1.9 | 2.0 | -2.7 | -2.0 | -1.1 | -2.1 | **-2.9** | **-3.0** | **-2.3** | *-3.4* | *-3.3* |
| **Italy** | 0.4 | 1.5 | 1.9 | -3.6 | -1.8 | -1.5 | -3.2 | **-4.5** | **-3.7** | **-2.6** | *-4.0* | *-3.2* |
| **Cyprus** | : | 1.0 | 1.0 | 0.7 | 0.8 | 1.0 | 0.0 | **-5.8** | **-6.5** | **-2.5** | *-6.2* | *-7.6* |
| **Latvia** | : | -0.1 | 6.6 | -12.3 | -11.6 | -6.2 | -1.9 | **0.2** | **1.6** | **2.4** | *0.6* | *1.7* |
| **Luxembourg** | -1.5 | 2.5 | 1.3 | -5.0 | -2.2 | -1.3 | -2.8 | **-2.2** | **-1.2** | **-1.2** | *-2.0* | *-1.5* |
| **Malta** | : | 0.3 | 0.5 | -1.7 | 0.1 | -0.1 | -0.9 | **-0.5** | **0.2** | **1.1** | *-0.4* | *-0.1* |
| **Netherlands** | -0.3 | 0.4 | 0.1 | -2.5 | -1.4 | -0.9 | -2.4 | **-3.4** | **-3.2** | **-2.3** | *-3.3* | *-2.7* |
| **Austria** | -0.7 | 0.5 | 0.6 | -2.7 | -1.8 | 0.0 | -0.3 | **-1.0** | **-0.7** | **-0.3** | *-0.9* | *-0.5* |
| **Portugal** | -0.3 | 1.9 | -0.3 | -2.7 | -0.9 | -1.8 | -3.6 | **-4.6** | **-3.4** | **-1.9** | *-4.5* | *-3.5* |
| **Slovenia** | : | 0.7 | 3.3 | -3.9 | -2.5 | -0.8 | -2.3 | **-3.1** | **-3.2** | **-2.0** | *-3.7* | *-3.4* |
| **Slovakia** | : | -1.7 | 3.5 | -1.9 | -0.7 | -1.3 | -2.1 | **-3.3** | **-3.4** | **-2.7** | *-2.9* | *-3.2* |
| **Finland** | -1.4 | 0.8 | 2.0 | -5.6 | -2.8 | -0.6 | -1.8 | **-2.7** | **-2.5** | **-1.6** | *-2.2* | *-1.8* |
| **Euro area** | : | 1.2 | 1.1 | -3.4 | -2.1 | -1.1 | -2.2 | **-2.9** | **-2.4** | **-1.4** | *-2.9* | *-2.2* |
| **Bulgaria** | : | -0.5 | 4.4 | -2.2 | -2.4 | -0.9 | -1.0 | **-1.7** | **-1.7** | **-1.6** | *-1.6* | *-1.4* |
| **Czech Republic** | : | -0.6 | 4.0 | -1.8 | -1.0 | -0.2 | -1.8 | **-3.4** | **-2.5** | **-1.4** | *-3.3* | *-2.4* |
| **Denmark** | 0.7 | 1.5 | 2.7 | -4.4 | -3.6 | -3.1 | -4.1 | **-4.7** | **-4.3** | **-4.0** | *-4.6* | *-4.0* |
| **Croatia** | : | : | 2.8 | -2.3 | -3.4 | -1.9 | -2.4 | **-2.1** | **-1.3** | **-0.7** | *-2.9* | *-2.6* |
| **Lithuania** | : | -2.7 | 6.5 | -10.5 | -8.1 | -2.1 | -0.7 | **0.0** | **0.5** | **1.2** | *0.2* | *1.3* |
| **Hungary** | : | 0.6 | 3.6 | -4.5 | -3.6 | -2.2 | -3.9 | **-3.5** | **-2.4** | **-1.3** | *-3.9* | *-3.1* |
| **Poland** | : | -0.5 | 0.9 | 1.0 | 0.8 | 0.8 | -0.7 | **-2.1** | **-2.0** | **-1.6** | *-2.4* | *-2.8* |
| **Romania** | : | -3.0 | 5.4 | -0.2 | -2.2 | -1.4 | -2.3 | **-1.8** | **-1.5** | **-1.2** | *-2.6* | *-3.0* |
| **Sweden** | -2.4 | 0.2 | 1.7 | -5.7 | -1.4 | -0.5 | -1.6 | **-2.3** | **-1.7** | **-0.6** | *-1.6* | *-1.1* |
| **United Kingdom** | -0.1 | 0.3 | 2.0 | -4.1 | -2.9 | -2.4 | -2.8 | **-2.2** | **-1.1** | **0.0** | *-2.6* | *-1.8* |
| **EU** | : | : | 1.4 | -3.5 | -2.2 | -1.3 | -2.2 | **-2.8** | **-2.2** | **-1.2** | *-2.8* | *-2.1* |
| **USA** | -0.7 | 0.5 | 1.6 | -3.4 | -2.1 | -1.7 | -0.7 | **-1.2** | **-1.0** | **-0.6** | *:* | *:* |
| **Japan** | : | : | : | : | : | : | : | **:** | **:** | **:** | *:* | *:* |

[1] When comparing output gaps between the spring and the autumn forecast it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

**Table 15: Deflator of gross domestic product (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 1.3 | 1.7 | 2.3 | 1.2 | 2.1 | 2.0 | 1.9 | **2.1** | **1.2** | **1.6** | *1.6* | *1.7* |
| **Germany** | 1.2 | 0.6 | 0.9 | 1.2 | 1.0 | 1.2 | 1.5 | **2.2** | **1.7** | **1.8** | *1.5* | *1.7* |
| **Estonia** | 21.4 | 5.3 | 7.2 | 0.2 | 0.3 | 3.0 | 3.3 | **4.9** | **3.4** | **3.3** | *3.1* | *3.3* |
| **Ireland** | 2.8 | 4.9 | 1.4 | -3.8 | -1.5 | 0.7 | 0.7 | **0.7** | **0.8** | **1.1** | *1.2* | *1.4* |
| **Greece** | 8.0 | 3.4 | 3.2 | 2.3 | 1.1 | 1.0 | -0.8 | **-1.7** | **-0.5** | **0.4** | *-1.1* | *-0.4* |
| **Spain** | 3.4 | 3.8 | 3.6 | 0.1 | 0.1 | 0.0 | 0.0 | **0.4** | **0.6** | **0.7** | *1.6* | *1.0* |
| **France** | 1.2 | 1.6 | 2.2 | 0.7 | 1.0 | 1.3 | 1.5 | **1.5** | **1.6** | **1.5** | *1.4* | *1.7* |
| **Italy** | 3.7 | 2.6 | 2.2 | 2.1 | 0.4 | 1.4 | 1.7 | **1.3** | **1.4** | **1.4** | *1.5* | *1.5* |
| **Cyprus** | 2.5 | 3.1 | 3.7 | 0.1 | 1.9 | 2.3 | 1.6 | **0.6** | **1.1** | **1.5** | *0.6* | *1.1* |
| **Latvia** | 15.2 | 3.1 | 12.2 | -1.3 | -0.9 | 6.0 | 3.5 | **1.6** | **2.2** | **2.2** | *1.9* | *2.2* |
| **Luxembourg** | 1.3 | 3.1 | 3.5 | 0.8 | 7.2 | 4.2 | 3.0 | **3.6** | **2.7** | **2.6** | *2.5* | *2.7* |
| **Malta** | 2.3 | 2.6 | 2.5 | 2.8 | 2.9 | 2.3 | 2.3 | **2.2** | **2.3** | **2.3** | *2.2* | *2.3* |
| **Netherlands** | 2.0 | 3.4 | 1.8 | 0.1 | 0.8 | 1.1 | 1.3 | **1.6** | **1.4** | **2.7** | *1.4* | *1.7* |
| **Austria** | 1.0 | 1.1 | 1.9 | 1.6 | 1.4 | 2.0 | 1.7 | **2.1** | **1.7** | **1.7** | *2.0* | *1.7* |
| **Portugal** | 4.5 | 3.4 | 2.4 | 0.9 | 0.6 | 0.3 | -0.3 | **1.9** | **0.9** | **1.0** | *1.8* | *1.3* |
| **Slovenia** | 14.3 | 6.7 | 3.1 | 3.3 | -1.1 | 1.2 | 0.2 | **1.7** | **1.1** | **0.8** | *1.4* | *1.0* |
| **Slovakia** | 7.7 | 6.2 | 3.0 | -1.2 | 0.5 | 1.6 | 1.3 | **1.5** | **1.8** | **1.8** | *2.5* | *2.0* |
| **Finland** | 2.2 | 1.4 | 1.5 | 1.5 | 0.3 | 2.8 | 2.9 | **2.3** | **2.2** | **2.0** | *1.9* | *1.9* |
| **Euro area** | 2.1 | 1.9 | 2.0 | 1.0 | 0.8 | 1.2 | 1.3 | **1.6** | **1.4** | **1.5** | *1.5* | *1.5* |
| **Bulgaria** | 139.2 | 4.7 | 7.2 | 4.3 | 2.8 | 4.9 | 2.2 | **2.9** | **1.9** | **2.2** | *2.2* | *2.6* |
| **Czech Republic** | 9.8 | 2.4 | 1.9 | 2.3 | -1.6 | -0.9 | 1.6 | **1.2** | **0.8** | **1.3** | *1.3* | *0.7* |
| **Denmark** | 1.6 | 2.2 | 2.8 | 0.7 | 4.1 | 0.6 | 2.2 | **1.4** | **1.5** | **1.6** | *1.4* | *1.6* |
| **Croatia** | : | 4.0 | 4.2 | 2.9 | 0.8 | 2.0 | 2.0 | **1.7** | **1.9** | **1.9** | *2.0* | *1.5* |
| **Lithuania** | 26.4 | -0.3 | 6.8 | -3.4 | 2.3 | 5.4 | 2.6 | **1.8** | **2.4** | **2.8** | *2.4* | *3.0* |
| **Hungary** | 20.4 | 8.5 | 4.4 | 3.6 | 2.4 | 2.6 | 3.2 | **2.8** | **2.7** | **2.3** | *3.3* | *3.5* |
| **Poland** | 21.2 | 3.8 | 3.1 | 3.7 | 1.4 | 3.2 | 2.4 | **1.0** | **1.8** | **1.9** | *1.4* | *1.7* |
| **Romania** | 74.7 | 34.9 | 13.4 | 4.2 | 5.7 | 4.1 | 4.8 | **4.2** | **3.0** | **2.6** | *4.4* | *3.6* |
| **Sweden** | 1.8 | 1.6 | 1.8 | 2.1 | 0.8 | 1.3 | 1.0 | **1.4** | **1.1** | **1.4** | *1.4* | *2.1* |
| **United Kingdom** | 2.4 | 2.0 | 2.5 | 2.2 | 3.1 | 2.3 | 1.7 | **1.2** | **1.4** | **1.5** | *1.7* | *1.6* |
| **EU** | : | 2.2 | 2.2 | 1.3 | 1.2 | 1.4 | 1.5 | **1.5** | **1.5** | **1.6** | *1.6* | *1.6* |
| **USA** | : | : | 2.7 | 0.8 | 1.2 | 2.0 | 1.8 | **1.4** | **1.3** | **1.8** | *1.6* | *2.2* |
| **Japan** | : | -1.4 | -1.2 | -0.5 | -2.2 | -1.9 | -0.9 | **-0.3** | **2.0** | **1.2** | *-0.3* | *1.5* |

**Table 16: Price deflator of private consumption (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 1.4 | 1.7 | 2.8 | -0.7 | 2.0 | 3.1 | 2.4 | **1.1** | **1.2** | **1.3** | *1.3* | *1.6* |
| **Germany** | 1.3 | 1.2 | 1.4 | 0.0 | 2.0 | 2.1 | 1.6 | **1.7** | **1.7** | **1.8** | *1.6* | *1.8* |
| **Estonia** | 20.1 | 3.8 | 5.6 | -0.4 | 2.4 | 4.9 | 3.6 | **3.2** | **2.6** | **2.9** | *3.3* | *3.2* |
| **Ireland** | 3.0 | 4.3 | 2.0 | -7.0 | -2.1 | 1.7 | 0.5 | **0.8** | **0.9** | **1.1** | *1.3* | *1.5* |
| **Greece** | 7.6 | 3.7 | 3.4 | 0.7 | 4.0 | 3.4 | 0.9 | **-1.0** | **-0.4** | **0.3** | *-0.8* | *-0.4* |
| **Spain** | 3.5 | 3.1 | 3.5 | -1.1 | 1.9 | 2.5 | 2.5 | **1.7** | **0.8** | **0.8** | *1.7* | *1.0* |
| **France** | 1.1 | 1.4 | 2.2 | -0.6 | 1.1 | 2.1 | 1.8 | **1.0** | **1.6** | **1.3** | *1.6* | *2.0* |
| **Italy** | 3.8 | 2.7 | 2.6 | -0.1 | 1.5 | 2.8 | 2.8 | **1.5** | **1.6** | **1.5** | *1.6* | *1.5* |
| **Cyprus** | : | 2.9 | 3.1 | 0.7 | 2.1 | 3.3 | 2.4 | **0.9** | **1.4** | **1.5** | *0.9* | *1.4* |
| **Latvia** | : | 2.5 | 9.7 | 3.1 | -1.7 | 4.9 | 3.1 | **0.4** | **2.0** | **2.0** | *1.9* | *2.3* |
| **Luxembourg** | 1.8 | 2.2 | 2.7 | 1.1 | 1.4 | 2.6 | 1.6 | **1.7** | **1.9** | **1.8** | *1.7* | *1.7* |
| **Malta** | : | 1.4 | 2.4 | 2.7 | 3.0 | 0.9 | 1.8 | **1.1** | **1.8** | **2.1** | *1.8* | *1.9* |
| **Netherlands** | 2.2 | 3.1 | 1.6 | -0.5 | 1.5 | 2.4 | 2.2 | **2.8** | **2.0** | **2.2** | *2.6* | *2.0* |
| **Austria** | 1.7 | 1.4 | 2.3 | 0.4 | 1.8 | 3.6 | 2.6 | **2.2** | **1.8** | **1.8** | *2.3* | *1.8* |
| **Portugal** | 4.0 | 3.0 | 2.8 | -2.2 | 1.3 | 2.5 | 1.5 | **0.6** | **1.0** | **1.2** | *0.5* | *1.0* |
| **Slovenia** | 13.9 | 6.7 | 3.4 | 0.6 | 1.5 | 1.7 | 1.6 | **2.1** | **1.9** | **1.6** | *2.0* | *1.4* |
| **Slovakia** | : | 6.6 | 4.4 | 0.1 | 1.0 | 3.8 | 3.4 | **1.5** | **1.8** | **2.0** | *1.9* | *1.9* |
| **Finland** | 1.2 | 1.9 | 1.6 | 1.4 | 1.9 | 3.5 | 3.0 | **1.9** | **1.8** | **1.8** | *1.9* | *1.8* |
| **Euro area** | : | 2.0 | 2.3 | -0.4 | 1.6 | 2.4 | 2.1 | **1.5** | **1.5** | **1.5** | *1.6* | *1.6* |
| **Bulgaria** | 137.4 | 3.4 | 5.7 | 1.5 | 2.4 | 4.6 | 3.5 | **1.0** | **1.7** | **2.4** | *2.5* | *2.7* |
| **Czech Republic** | 8.9 | 2.0 | 2.7 | 0.8 | -0.2 | 0.5 | 2.7 | **1.0** | **0.6** | **1.6** | *1.9* | *1.2* |
| **Denmark** | 1.9 | 2.0 | 1.7 | 1.5 | 2.5 | 2.5 | 2.5 | **0.9** | **1.5** | **1.5** | *1.5* | *1.5* |
| **Croatia** | : | 3.7 | 3.5 | 3.2 | 1.6 | 2.6 | 3.5 | **2.6** | **1.8** | **2.0** | *3.2* | *1.8* |
| **Lithuania** | : | -0.5 | 4.7 | 4.5 | 1.3 | 4.1 | 3.1 | **1.4** | **1.9** | **2.4** | *2.0* | *2.7* |
| **Hungary** | : | 7.9 | 5.0 | 3.9 | 3.9 | 4.2 | 6.1 | **2.0** | **2.2** | **3.0** | *2.7* | *3.0* |
| **Poland** | 21.4 | 4.7 | 2.6 | 2.5 | 2.5 | 4.9 | 3.7 | **1.0** | **2.0** | **2.2** | *1.4* | *2.0* |
| **Romania** | 74.9 | 30.2 | 7.8 | 3.7 | 7.7 | 4.3 | 2.9 | **4.2** | **2.9** | **3.0** | *4.1* | *3.1* |
| **Sweden** | 1.7 | 1.5 | 1.5 | 2.1 | 1.5 | 1.7 | 1.2 | **1.0** | **1.5** | **1.7** | *1.2* | *1.6* |
| **United Kingdom** | 2.7 | 1.0 | 2.6 | 1.9 | 4.0 | 3.9 | 2.6 | **2.4** | **2.1** | **2.0** | *1.9* | *1.9* |
| **EU** | : | 2.0 | 2.4 | 0.3 | 2.1 | 2.8 | 2.2 | **1.6** | **1.6** | **1.6** | *1.7* | *1.7* |
| **USA** | : | 1.8 | 2.7 | -0.1 | 1.7 | 2.4 | 1.8 | **1.1** | **1.3** | **1.7** | *1.4* | *1.9* |
| **Japan** | : | -1.0 | -0.4 | -2.5 | -1.7 | -0.8 | -0.6 | **0.5** | **2.8** | **1.5** | *0.5* | *2.2* |

**Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 1.6 | 1.9 | 2.6 | 0.0 | 2.3 | 3.4 | 2.6 | **1.3** | **1.3** | **1.5** | *1.3* | *1.6* |
| Germany | : | 1.3 | 2.1 | 0.2 | 1.2 | 2.5 | 2.1 | **1.7** | **1.7** | **1.6** | *1.8* | *1.6* |
| Estonia | : | 3.5 | 5.8 | 0.2 | 2.7 | 5.1 | 4.2 | **3.4** | **2.8** | **3.1** | *3.6* | *3.1* |
| Ireland | : | 4.1 | 2.6 | -1.7 | -1.6 | 1.2 | 1.9 | **0.8** | **0.9** | **1.2** | *1.3* | *1.3* |
| Greece | : | 3.2 | 3.4 | 1.3 | 4.7 | 3.1 | 1.0 | **-0.8** | **-0.4** | **0.3** | *-0.8* | *-0.4* |
| Spain | 3.3 | 3.0 | 3.4 | -0.2 | 2.0 | 3.1 | 2.4 | **1.8** | **0.9** | **0.6** | *1.5* | *0.8* |
| France | 1.5 | 1.7 | 2.2 | 0.1 | 1.7 | 2.3 | 2.2 | **1.0** | **1.4** | **1.3** | *1.2* | *1.7* |
| Italy | 3.5 | 2.4 | 2.4 | 0.8 | 1.6 | 2.9 | 3.3 | **1.5** | **1.6** | **1.5** | *1.6* | *1.5* |
| Cyprus | : | 2.9 | 2.5 | 0.2 | 2.6 | 3.5 | 3.1 | **1.0** | **1.2** | **1.6** | *1.0* | *1.2* |
| Latvia | : | 2.4 | 9.0 | 3.3 | -1.2 | 4.2 | 2.3 | **0.3** | **2.1** | **2.1** | *1.4* | *2.1* |
| Luxembourg | : | 2.4 | 3.3 | 0.0 | 2.8 | 3.7 | 2.9 | **1.8** | **1.7** | **1.6** | *1.9* | *1.7* |
| Malta | : | 2.5 | 2.6 | 1.8 | 2.0 | 2.5 | 3.2 | **1.1** | **1.8** | **2.1** | *1.9* | *1.9* |
| Netherlands | 1.7 | 3.1 | 1.7 | 1.0 | 0.9 | 2.5 | 2.8 | **2.7** | **1.7** | **1.6** | *2.8* | *1.5* |
| Austria | 1.6 | 1.6 | 2.2 | 0.4 | 1.7 | 3.6 | 2.6 | **2.2** | **1.8** | **1.8** | *2.0* | *1.8* |
| Portugal | 3.2 | 3.3 | 2.6 | -0.9 | 1.4 | 3.6 | 2.8 | **0.6** | **1.0** | **1.2** | *0.7* | *1.0* |
| Slovenia | : | 7.4 | 3.6 | 0.9 | 2.1 | 2.1 | 2.8 | **2.1** | **1.9** | **1.5** | *2.2* | *1.4* |
| Slovakia | : | 8.3 | 4.1 | 0.9 | 0.7 | 4.1 | 3.7 | **1.7** | **1.6** | **1.9** | *1.9* | *2.0* |
| Finland | 1.1 | 2.0 | 1.5 | 1.6 | 1.7 | 3.3 | 3.2 | **2.2** | **1.9** | **1.8** | *2.4* | *2.2* |
| Euro area | : | 2.1 | 2.4 | 0.3 | 1.6 | 2.7 | 2.5 | **1.5** | **1.5** | **1.4** | *1.6* | *1.5* |
| Bulgaria | : | 5.7 | 7.8 | 2.5 | 3.0 | 3.4 | 2.4 | **0.5** | **1.4** | **2.1** | *2.0* | *2.6* |
| Czech Republic | : | 2.3 | 3.1 | 0.6 | 1.2 | 2.1 | 3.5 | **1.4** | **0.5** | **1.6** | *1.9* | *1.2* |
| Denmark | 1.8 | 2.3 | 1.9 | 1.1 | 2.2 | 2.7 | 2.4 | **0.6** | **1.5** | **1.7** | *1.1* | *1.6* |
| Croatia | 24.9 | 3.5 | 3.4 | 2.2 | 1.1 | 2.2 | 3.4 | **2.6** | **1.8** | **2.0** | *3.1* | *2.0* |
| Lithuania | : | 0.7 | 4.9 | 4.2 | 1.2 | 4.1 | 3.2 | **1.4** | **1.9** | **2.4** | *2.1* | *2.7* |
| Hungary | : | 7.8 | 5.7 | 4.0 | 4.7 | 3.9 | 5.7 | **2.1** | **2.2** | **3.0** | *2.6* | *3.1* |
| Poland | : | 5.0 | 2.8 | 4.0 | 2.7 | 3.9 | 3.7 | **1.0** | **2.0** | **2.2** | *1.4* | *2.0* |
| Romania | : | 32.7 | 8.1 | 5.6 | 6.1 | 5.8 | 3.4 | **3.3** | **2.5** | **3.4** | *4.3* | *3.1* |
| Sweden | 1.9 | 1.8 | 1.7 | 1.9 | 1.9 | 1.4 | 0.9 | **0.6** | **1.3** | **1.8** | *0.9* | *1.4* |
| United Kingdom | 2.1 | 1.2 | 2.3 | 2.2 | 3.3 | 4.5 | 2.8 | **2.6** | **2.3** | **2.1** | *2.8* | *2.5* |
| EU | : | 2.6 | 2.6 | 1.0 | 2.1 | 3.1 | 2.6 | **1.7** | **1.6** | **1.6** | *1.8* | *1.7* |
| USA | : | : | 3.2 | -0.3 | 1.6 | 3.1 | 2.1 | **1.5** | **1.9** | **2.1** | *1.8* | *2.1* |
| Japan | : | -0.1 | 0.3 | -1.3 | -0.7 | -0.3 | 0.0 | **0.3** | **2.6** | **1.2** | *0.2* | *1.8* |

**Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2013-15)** 8.11.2013

| | 2013/1 | 2013/2 | 2013/3 | 2013/4 | 2014/1 | 2014/2 | 2014/3 | 2014/4 | 2015/1 | 2015/2 | 2015/3 | 2015/4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | 1.4 | 1.2 | 1.2 | 1.2 | 1.1 | 1.4 | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 1.5 |
| Germany | 1.8 | 1.5 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.6 | 1.6 | 1.5 | 1.6 | 1.6 |
| Estonia | 3.8 | 3.7 | 3.4 | 2.9 | 2.9 | 2.7 | 2.5 | 3.0 | 3.0 | 3.0 | 3.2 | 3.2 |
| Ireland | 1.1 | 0.6 | 0.2 | 1.1 | 1.5 | 1.0 | 0.6 | 0.5 | 0.8 | 1.1 | 1.3 | 1.7 |
| Greece | 0.0 | -0.4 | -0.8 | -1.8 | -1.0 | -0.6 | -0.2 | 0.1 | 0.2 | 0.3 | 0.4 | 0.5 |
| Spain | 2.8 | 1.8 | 1.3 | 1.1 | 0.9 | 1.7 | 1.0 | -0.2 | 0.0 | 0.6 | 0.8 | 1.0 |
| France | 1.2 | 0.9 | 1.1 | 0.9 | 1.7 | 1.3 | 1.2 | 1.3 | 1.1 | 1.4 | 1.4 | 1.4 |
| Italy | 2.1 | 1.3 | 1.1 | 1.5 | 1.4 | 1.9 | 1.8 | 1.5 | 1.6 | 1.5 | 1.5 | 1.5 |
| Cyprus | 1.7 | 0.4 | 0.3 | 1.5 | 1.3 | 1.1 | 1.1 | 1.4 | 1.4 | 1.9 | 1.4 | 1.6 |
| Latvia | 0.4 | -0.1 | 0.0 | 0.8 | 1.6 | 2.2 | 2.3 | 2.3 | 2.2 | 2.1 | 2.0 | 2.1 |
| Luxembourg | 2.2 | 1.7 | 1.7 | 1.6 | 1.7 | 1.8 | 1.8 | 1.6 | 1.6 | 1.6 | 1.7 | 1.7 |
| Malta | 1.9 | 0.8 | 0.7 | 0.8 | 1.4 | 1.6 | 2.1 | 2.1 | 1.9 | 2.1 | 2.2 | 2.3 |
| Netherlands | 3.2 | 3.0 | 2.8 | 1.9 | 1.9 | 1.4 | 1.4 | 2.1 | 1.6 | 1.7 | 1.6 | 1.5 |
| Austria | 2.6 | 2.2 | 2.0 | 1.8 | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 | 1.8 |
| Portugal | 0.4 | 0.8 | 0.4 | 0.8 | 0.9 | 0.9 | 1.1 | 1.1 | 1.2 | 1.2 | 1.2 | 1.2 |
| Slovenia | 2.7 | 1.8 | 2.2 | 1.8 | 1.9 | 1.9 | 1.9 | 1.8 | 1.5 | 1.5 | 1.5 | 1.5 |
| Slovakia | 2.2 | 1.7 | 1.4 | 1.2 | 1.4 | 1.5 | 1.7 | 1.7 | 1.8 | 1.8 | 1.9 | 2.0 |
| Finland | 2.5 | 2.4 | 2.1 | 1.9 | 1.9 | 1.8 | 1.8 | 1.9 | 1.8 | 1.8 | 1.7 | 1.8 |
| Euro area | 1.9 | 1.4 | 1.3 | 1.3 | 1.5 | 1.5 | 1.5 | 1.3 | 1.3 | 1.4 | 1.4 | 1.5 |
| Bulgaria | 2.1 | 1.1 | -0.7 | -0.4 | 0.3 | 1.3 | 2.1 | 2.2 | 2.0 | 2.0 | 2.1 | 2.3 |
| Czech Republic | 1.7 | 1.5 | 1.2 | 1.2 | 0.2 | 0.3 | 0.5 | 0.9 | 1.4 | 1.5 | 1.7 | 1.8 |
| Denmark | 0.9 | 0.5 | 0.2 | 0.6 | 1.1 | 1.6 | 1.7 | 1.8 | 1.7 | 1.7 | 1.8 | 1.7 |
| Croatia | 4.2 | 2.4 | 2.2 | : | : | : | : | : | : | : | : | : |
| Lithuania | 2.2 | 1.4 | 0.5 | 1.4 | 1.9 | 1.9 | 2.2 | 1.6 | 2.0 | 2.3 | 2.5 | 2.6 |
| Hungary | 2.7 | 1.9 | 1.6 | 2.0 | 1.9 | 2.1 | 2.5 | 2.1 | 2.4 | 2.8 | 3.4 | 3.5 |
| Poland | 1.3 | 0.5 | 0.9 | 1.1 | 1.5 | 2.2 | 2.1 | 2.3 | 2.2 | 2.2 | 2.3 | 2.0 |
| Romania | 4.8 | 4.4 | 2.4 | 1.6 | 1.4 | 1.7 | 3.3 | 3.5 | 3.3 | 3.4 | 3.4 | 3.3 |
| Sweden | 0.6 | 0.3 | 0.7 | 0.9 | 1.1 | 1.4 | 1.3 | 1.6 | 1.7 | 1.8 | 1.9 | 1.9 |
| United Kingdom | 2.8 | 2.7 | 2.7 | 2.5 | 2.4 | 2.4 | 2.2 | 2.3 | 2.2 | 2.2 | 2.1 | 2.0 |
| EU | 2.0 | 1.6 | 1.5 | 1.5 | 1.6 | 1.7 | 1.6 | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 |
| USA | 1.6 | 1.2 | 1.5 | 1.4 | 1.5 | 2.0 | 1.9 | 2.0 | 2.0 | 2.0 | 2.1 | 2.1 |
| Japan | -0.6 | -0.3 | 0.8 | 1.2 | 1.6 | 3.2 | 2.8 | 2.6 | 2.3 | 0.2 | 0.3 | 1.8 |

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 1994-2015) 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.1 | 0.7 | 3.0 | -6.5 | 4.9 | 4.4 | 1.6 | **0.6** | **0.4** | **1.3** | *0.6* | *1.2* |
| **Germany** | 0.3 | 0.1 | 0.7 | -2.5 | 2.4 | 3.2 | 1.2 | **-0.4** | **0.1** | **0.9** | *0.1* | *1.0* |
| **Estonia** | 14.9 | 2.1 | 4.6 | -2.1 | 4.3 | 3.8 | 0.5 | **0.4** | **1.1** | **2.0** | *1.1* | *1.9* |
| **Ireland** | 1.0 | 0.3 | -1.6 | 1.2 | 1.1 | -0.9 | 4.7 | **1.0** | **1.2** | **1.1** | *1.3* | *1.0* |
| **Greece** | 5.5 | 3.2 | 3.6 | -5.0 | 7.9 | 8.2 | 3.8 | **-1.0** | **-0.4** | **0.1** | *-0.6* | *-0.4* |
| **Spain** | 3.0 | 0.9 | 2.9 | -5.2 | 2.5 | 5.1 | 2.0 | **-1.4** | **0.3** | **0.9** | *0.4* | *0.8* |
| **France** | 0.4 | -1.0 | 1.9 | -4.8 | 2.3 | 3.8 | 1.1 | **0.0** | **1.0** | **1.5** | *1.2* | *0.8* |
| **Italy** | 2.7 | 1.6 | 2.1 | -3.1 | 2.9 | 4.2 | 1.8 | **-0.3** | **0.3** | **1.2** | *1.3* | *1.3* |
| **Cyprus** | : | 1.2 | 3.0 | 0.3 | 1.3 | 1.2 | 1.0 | **0.9** | **1.1** | **1.4** | *0.8* | *1.1* |
| **Latvia** | : | 1.6 | 10.9 | -9.4 | 8.7 | 12.2 | 3.8 | **2.1** | **1.2** | **1.4** | *2.0* | *2.1* |
| **Luxembourg** | 0.6 | -0.6 | 4.4 | -2.1 | 6.1 | 4.8 | 2.9 | **-0.3** | **1.5** | **1.1** | *1.2* | *1.5* |
| **Malta** | : | 2.5 | 0.6 | -7.6 | 0.4 | 7.8 | -2.4 | **-1.5** | **-0.1** | **1.6** | *-0.1* | *1.0* |
| **Netherlands** | 0.4 | 0.0 | 2.7 | -8.4 | 6.4 | 5.3 | 2.2 | **-1.0** | **-0.1** | **2.0** | *0.8* | *1.0* |
| **Austria** | 0.7 | 0.2 | 1.9 | -2.3 | 2.7 | 3.0 | 0.6 | **-1.0** | **0.0** | **1.1** | *0.2* | *0.9* |
| **Portugal** | 1.9 | 0.5 | 2.3 | -6.1 | 5.1 | 6.8 | 1.6 | **-0.6** | **0.8** | **1.0** | *0.6* | *1.4* |
| **Slovenia** | 8.9 | 5.1 | 2.2 | -2.0 | 2.2 | 4.5 | 1.0 | **1.0** | **1.3** | **1.2** | *0.6* | *1.0* |
| **Slovakia** | : | 4.5 | 1.4 | -5.4 | 3.1 | 3.9 | 0.9 | **1.5** | **1.4** | **1.5** | *1.7* | *1.6* |
| **Finland** | 0.6 | -2.1 | 0.3 | -8.6 | 4.8 | 5.1 | 0.8 | **0.2** | **0.8** | **1.2** | *2.1* | *2.1* |
| **Euro area** | : | 0.2 | 1.7 | -4.2 | 3.3 | 3.9 | 1.5 | **-0.3** | **0.4** | **1.2** | *0.6* | *1.0* |
| **Bulgaria** | : | 2.0 | 8.9 | -13.2 | 11.0 | 11.7 | 3.7 | **2.0** | **2.8** | **3.2** | *2.4* | *3.2* |
| **Czech Republic** | 4.3 | -0.8 | -1.3 | -0.5 | -1.3 | 0.9 | 3.1 | **1.4** | **0.6** | **1.1** | *0.5* | *0.0* |
| **Denmark** | 0.3 | 1.3 | 3.5 | -6.1 | 5.5 | 5.1 | 3.1 | **0.3** | **2.0** | **2.2** | *2.2* | *2.2* |
| **Croatia** | : | 5.1 | 4.3 | -4.7 | 2.1 | 6.5 | 3.7 | **0.9** | **2.1** | **2.4** | *1.5* | *2.0* |
| **Lithuania** | : | 0.1 | 8.4 | -16.7 | 12.4 | 13.5 | 3.6 | **-0.2** | **1.5** | **2.2** | *1.9* | *2.2* |
| **Hungary** | : | 2.1 | 0.0 | 2.1 | 1.7 | 3.4 | 3.0 | **0.7** | **1.6** | **1.9** | *1.3* | *1.5* |
| **Poland** | 14.7 | 3.8 | 1.8 | 13.5 | 0.4 | 7.4 | 4.2 | **0.8** | **0.8** | **1.3** | *0.8* | *1.5* |
| **Romania** | 64.4 | 31.6 | 7.8 | 3.4 | 7.2 | 9.7 | 9.3 | **-0.5** | **0.7** | **1.5** | *3.4* | *3.1* |
| **Sweden** | 0.7 | -0.6 | 2.1 | 1.2 | -0.8 | -1.6 | -2.2 | **-2.2** | **0.1** | **0.2** | *0.8* | *2.0* |
| **United Kingdom** | -1.3 | -0.3 | 3.1 | 1.2 | 6.2 | 7.3 | -1.1 | **-0.7** | **-0.3** | **0.1** | *-0.6* | *1.0* |
| **EU** | : | 0.4 | 1.8 | -2.9 | 3.3 | 4.2 | 1.5 | **-0.3** | **0.4** | **1.1** | *0.6* | *1.1* |
| **USA** | : | : | 3.8 | -6.7 | 5.0 | 7.6 | 0.5 | **-0.2** | **0.9** | **1.4** | *1.1* | *1.3* |
| **Japan** | : | -3.5 | 0.3 | -10.9 | -1.8 | -2.1 | -2.1 | **12.0** | **1.0** | **1.0** | *12.0* | *0.2* |

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 1994-2015) 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.7 | 1.4 | 3.9 | -9.6 | 7.1 | 6.7 | 1.4 | **-0.2** | **0.5** | **1.2** | *0.5* | *1.1* |
| **Germany** | -0.2 | 0.0 | 1.7 | -8.0 | 5.1 | 6.1 | 1.6 | **-2.0** | **-0.2** | **0.9** | *0.0* | *1.1* |
| **Estonia** | 17.1 | 0.5 | 3.4 | -4.2 | 6.0 | 6.1 | 2.5 | **-0.3** | **0.9** | **2.0** | *1.1* | *1.8* |
| **Ireland** | 0.8 | -0.8 | 0.6 | -4.7 | 4.8 | 5.6 | 5.4 | **1.3** | **1.5** | **1.2** | *1.3* | *1.1* |
| **Greece** | 4.7 | 3.3 | 3.7 | -1.5 | 5.9 | 7.6 | 4.8 | **-1.2** | **-0.3** | **-0.1** | *-0.5* | *-0.3* |
| **Spain** | 2.2 | 0.9 | 3.3 | -9.1 | 4.9 | 8.9 | 4.4 | **-1.2** | **0.4** | **1.0** | *0.3* | *0.5* |
| **France** | 0.4 | -0.8 | 2.4 | -7.9 | 4.7 | 6.5 | 2.0 | **-1.6** | **0.9** | **1.3** | *1.7* | *1.5* |
| **Italy** | 2.1 | 2.0 | 4.3 | -9.7 | 7.0 | 8.1 | 2.8 | **-1.6** | **-0.1** | **1.3** | *0.2* | *0.7* |
| **Cyprus** | : | 1.4 | 3.6 | -2.3 | 2.2 | 3.0 | 2.1 | **2.5** | **2.1** | **1.8** | *2.5* | *2.1* |
| **Latvia** | : | 3.1 | 9.1 | -6.7 | 7.6 | 6.1 | 8.0 | **1.6** | **1.4** | **1.5** | *2.0* | *2.1* |
| **Luxembourg** | 1.4 | 0.1 | 2.8 | -2.4 | 1.0 | 2.5 | 3.5 | **-0.1** | **0.6** | **1.0** | *1.2* | *1.3* |
| **Malta** | : | 1.6 | 4.8 | -2.9 | 6.6 | 6.8 | -2.8 | **-1.4** | **-0.2** | **1.5** | *-0.3* | *0.9* |
| **Netherlands** | -0.4 | -0.8 | 2.9 | -8.5 | 8.0 | 5.1 | 2.7 | **-1.5** | **0.0** | **1.0** | *1.0* | *1.0* |
| **Austria** | 1.0 | -0.1 | 2.6 | -4.6 | 4.3 | 6.2 | 2.1 | **-1.7** | **0.3** | **1.2** | *0.3* | *1.2* |
| **Portugal** | 1.3 | 0.7 | 3.1 | -10.6 | 5.0 | 7.9 | 1.4 | **-2.2** | **0.1** | **0.6** | *-0.5* | *0.5* |
| **Slovenia** | 7.2 | 4.9 | 3.3 | -5.8 | 7.3 | 6.1 | 2.2 | **0.6** | **1.7** | **2.2** | *0.6* | *1.3* |
| **Slovakia** | : | 4.4 | 2.4 | -4.7 | 4.0 | 5.5 | 2.2 | **1.5** | **1.5** | **1.5** | *0.9* | *1.6* |
| **Finland** | -1.1 | -1.1 | 3.1 | -9.9 | 7.6 | 7.5 | 2.6 | **-0.5** | **0.7** | **1.6** | *2.9* | *2.9* |
| **Euro area** | : | 0.4 | 2.8 | -8.1 | 5.7 | 6.6 | 2.3 | **-1.4** | **0.2** | **1.1** | *0.6* | *1.1* |
| **Bulgaria** | : | 2.2 | 9.1 | -13.7 | 8.5 | 9.7 | 4.0 | **-0.5** | **2.8** | **3.6** | *3.0* | *3.4* |
| **Czech Republic** | 2.3 | -0.5 | -0.3 | -2.9 | 1.0 | 3.1 | 3.7 | **0.7** | **0.5** | **1.2** | *0.3* | *0.1* |
| **Denmark** | -0.4 | 0.1 | 2.7 | -6.8 | 4.4 | 6.9 | 2.6 | **-1.0** | **1.9** | **2.1** | *2.1* | *2.1* |
| **Croatia** | : | 3.9 | 2.5 | -2.4 | 1.6 | 5.8 | 3.6 | **0.7** | **1.0** | **1.5** | *1.4* | *1.9* |
| **Lithuania** | : | -2.0 | 6.1 | -11.5 | 10.9 | 14.2 | 4.6 | **-0.5** | **1.2** | **2.1** | *1.7* | *2.2* |
| **Hungary** | : | 3.1 | 1.1 | 1.1 | 1.9 | 5.1 | 4.2 | **0.4** | **1.5** | **2.0** | *1.2* | *1.7* |
| **Poland** | 16.1 | 5.6 | 0.9 | 8.7 | 1.8 | 9.5 | 5.8 | **0.8** | **1.2** | **1.8** | *0.8* | *2.1* |
| **Romania** | 65.1 | 30.0 | 1.9 | 2.2 | 6.1 | 6.9 | 5.9 | **-0.6** | **1.3** | **1.6** | *2.0* | *1.9* |
| **Sweden** | 0.7 | 1.0 | 2.8 | -1.0 | 0.3 | -0.3 | -1.8 | **-1.9** | **1.2** | **1.2** | *0.8* | *1.5* |
| **United Kingdom** | -1.1 | -0.5 | 3.8 | 1.8 | 5.4 | 8.7 | -0.7 | **-0.3** | **0.1** | **0.3** | *1.3* | *3.2* |
| **EU** | : | 0.6 | 2.8 | -5.9 | 5.2 | 6.7 | 2.1 | **-1.1** | **0.4** | **1.1** | *0.8* | *1.4* |
| **USA** | : | : | 6.1 | -12.2 | 6.7 | 8.8 | 0.6 | **-0.9** | **1.4** | **2.0** | *0.6* | *1.9* |
| **Japan** | : | -1.8 | 8.1 | -23.2 | 5.7 | 7.3 | -0.6 | **15.5** | **2.8** | **1.0** | *15.5* | *0.5* |

**Table 21: Terms of trade of goods (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | -0.6 | -0.7 | -0.9 | 3.5 | -2.1 | -2.1 | 0.2 | **0.9** | **-0.1** | **0.0** | *0.0* | *0.0* |
| Germany | 0.5 | 0.0 | -1.0 | 6.0 | -2.5 | -2.7 | -0.4 | **1.6** | **0.4** | **0.0** | *0.1* | *0.0* |
| Estonia | -1.9 | 1.6 | 1.2 | 2.2 | -1.6 | -2.2 | -1.9 | **0.7** | **0.2** | **0.0** | *0.0* | *0.1* |
| Ireland | 0.2 | 1.1 | -2.2 | 6.2 | -3.6 | -6.2 | -0.7 | **-0.3** | **-0.3** | **-0.1** | *-0.1* | *-0.1* |
| Greece | 0.8 | -0.1 | -0.1 | -3.5 | 1.8 | 0.6 | -1.0 | **0.2** | **-0.1** | **0.3** | *-0.1* | *-0.1* |
| Spain | 0.8 | 0.0 | -0.4 | 4.4 | -2.3 | -3.5 | -2.3 | **-0.2** | **-0.1** | **-0.1** | *0.1* | *0.3* |
| France | 0.0 | -0.2 | -0.4 | 3.3 | -2.3 | -2.6 | -1.0 | **1.7** | **0.2** | **0.1** | *-0.5* | *-0.7* |
| Italy | 0.6 | -0.4 | -2.1 | 7.4 | -3.9 | -3.6 | -1.0 | **1.3** | **0.4** | **-0.1** | *1.1* | *0.6* |
| Cyprus | : | -0.2 | -0.5 | 2.7 | -0.9 | -1.8 | -1.1 | **-1.6** | **-1.0** | **-0.4** | *-1.6* | *-1.0* |
| Latvia | : | -1.4 | 1.7 | -2.9 | 1.1 | 5.8 | -3.8 | **0.5** | **-0.2** | **-0.1** | *0.0* | *0.0* |
| Luxembourg | -0.8 | -0.7 | 1.6 | 0.2 | 5.1 | 2.2 | -0.6 | **-0.2** | **0.9** | **0.1** | *0.0* | *0.1* |
| Malta | : | 0.9 | -4.1 | -4.9 | -5.8 | 0.9 | 0.4 | **-0.1** | **0.1** | **0.1** | *0.2* | *0.1* |
| Netherlands | 0.8 | 0.8 | -0.1 | 0.1 | -1.4 | 0.2 | -0.4 | **0.5** | **-0.1** | **1.0** | *-0.2* | *0.0* |
| Austria | -0.3 | 0.3 | -0.7 | 2.3 | -1.5 | -3.0 | -1.4 | **0.7** | **-0.3** | **-0.1** | *-0.1* | *-0.3* |
| Portugal | 0.6 | -0.1 | -0.8 | 5.0 | 0.1 | -1.0 | 0.2 | **1.6** | **0.8** | **0.4** | *1.1* | *0.9* |
| Slovenia | 1.5 | 0.2 | -1.1 | 4.0 | -4.8 | -1.6 | -1.2 | **0.4** | **-0.4** | **-1.0** | *0.0* | *-0.3* |
| Slovakia | : | 0.1 | -0.9 | -0.7 | -0.8 | -1.5 | -1.3 | **0.0** | **-0.1** | **0.0** | *0.8* | *0.0* |
| Finland | 1.8 | -1.0 | -2.7 | 1.4 | -2.6 | -2.3 | -1.7 | **0.7** | **0.1** | **-0.4** | *-0.8* | *-0.8* |
| Euro area | : | -0.1 | -1.1 | 4.3 | -2.3 | -2.5 | -0.7 | **1.2** | **0.2** | **0.1** | *0.1* | *0.0* |
| Bulgaria | : | -0.2 | -0.1 | 0.6 | 2.3 | 1.8 | -0.3 | **2.5** | **0.0** | **-0.4** | *-0.6* | *-0.2* |
| Czech Republic | 2.0 | -0.3 | -1.0 | 2.5 | -2.3 | -2.1 | -0.6 | **0.7** | **0.1** | **-0.1** | *0.2* | *-0.1* |
| Denmark | 0.8 | 1.2 | 0.8 | 0.8 | 1.0 | -1.7 | 0.5 | **1.3** | **0.1** | **0.1** | *0.1* | *0.1* |
| Croatia | : | 1.1 | 1.7 | -2.4 | 0.4 | 0.7 | 0.0 | **0.1** | **1.1** | **0.9** | *0.1* | *0.1* |
| Lithuania | : | 2.2 | 2.2 | -5.9 | 1.4 | -0.6 | -1.0 | **0.3** | **0.3** | **0.1** | *0.2* | *0.0* |
| Hungary | : | -1.0 | -1.1 | 1.1 | -0.2 | -1.7 | -1.2 | **0.3** | **0.1** | **-0.1** | *0.1* | *-0.2* |
| Poland | -1.2 | -1.8 | 1.0 | 4.4 | -1.4 | -1.9 | -1.5 | **0.0** | **-0.4** | **-0.5** | *0.0* | *-0.6* |
| Romania | -0.4 | 1.2 | 5.7 | 1.2 | 1.0 | 2.6 | 3.2 | **0.1** | **-0.6** | **-0.1** | *1.4* | *1.2* |
| Sweden | -0.1 | -1.6 | -0.7 | 2.2 | -1.1 | -1.3 | -0.4 | **-0.3** | **-1.1** | **-1.0** | *0.0* | *0.5* |
| United Kingdom | -0.2 | 0.2 | -0.6 | -0.6 | 0.8 | -1.3 | -0.4 | **-0.4** | **-0.4** | **-0.2** | *-1.9* | *-2.1* |
| EU | : | -0.1 | -0.8 | 3.6 | -1.8 | -2.2 | -0.7 | **1.1** | **0.0** | **0.1** | *0.1* | *-0.3* |
| USA | : | : | -2.2 | 6.2 | -1.6 | -1.1 | -0.1 | **0.7** | **-0.4** | **-0.6** | *0.5* | *-0.6* |
| Japan | : | -1.7 | -7.2 | 16.1 | -7.0 | -8.8 | -1.4 | **-3.0** | **-1.8** | **0.0** | *-3.0* | *-0.3* |

**Table 22: Total population (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 0.2 | 0.3 | 0.6 | 0.8 | 0.9 | 0.9 | 0.7 | **0.7** | **0.7** | **0.6** | *0.7* | *0.7* |
| Germany | 0.2 | 0.1 | -0.1 | -0.3 | -0.1 | 0.0 | 0.2 | **0.2** | **0.2** | **0.1** | *0.2* | *0.1* |
| Estonia | -1.6 | -0.5 | -0.2 | 0.0 | 0.0 | 0.0 | 0.0 | **-0.1** | **-0.1** | **-0.1** | *-0.1* | *0.0* |
| Ireland | 0.8 | 1.5 | 2.4 | 1.0 | 0.5 | 0.4 | 0.3 | **0.8** | **0.9** | **1.0** | *0.8* | *0.9* |
| Greece | 0.7 | 0.3 | 0.4 | 0.4 | 0.2 | -0.1 | -0.1 | **0.0** | **0.0** | **0.0** | *0.0* | *0.0* |
| Spain | 0.2 | 1.1 | 1.7 | 0.7 | 0.3 | 0.1 | 0.1 | **-0.2** | **-0.2** | **-0.2** | *-0.2* | *-0.2* |
| France | 0.4 | 0.7 | 0.7 | 0.5 | 0.5 | 0.5 | 0.5 | **0.5** | **0.5** | **0.5** | *0.5* | *0.5* |
| Italy | 0.0 | 0.1 | 0.5 | 0.5 | 0.3 | 0.2 | 0.3 | **0.4** | **0.4** | **0.3** | *0.4* | *0.4* |
| Cyprus | 1.6 | 1.1 | 1.8 | 2.7 | 2.6 | 2.6 | 1.5 | **1.0** | **1.0** | **1.0** | *1.0* | *1.0* |
| Latvia | -1.2 | -1.0 | -1.0 | -1.6 | -2.1 | -1.9 | -1.1 | **-0.9** | **-0.9** | **-0.8** | *-0.7* | *-0.7* |
| Luxembourg | 1.3 | 1.2 | 1.6 | 1.8 | 1.9 | 2.3 | 2.3 | **1.7** | **1.6** | **1.5** | *1.7* | *1.6* |
| Malta | 0.7 | 0.7 | 0.6 | 1.0 | -0.1 | 0.3 | 0.9 | **0.5** | **0.3** | **0.2** | *-0.1* | *0.0* |
| Netherlands | 0.5 | 0.7 | 0.3 | 0.5 | 0.5 | 0.5 | 0.4 | **0.3** | **0.3** | **0.3** | *0.5* | *0.4* |
| Austria | 0.2 | 0.4 | 0.5 | 0.2 | 0.2 | 0.3 | 0.5 | **0.4** | **0.4** | **0.4** | *0.4* | *0.4* |
| Portugal | 0.3 | 0.6 | 0.3 | 0.1 | 0.0 | -0.1 | -0.4 | **-0.7** | **-0.1** | **-0.1** | *-0.3* | *0.0* |
| Slovenia | -0.1 | 0.1 | 0.3 | 1.0 | 0.4 | 0.2 | 0.2 | **0.2** | **0.2** | **0.2** | *0.2* | *0.2* |
| Slovakia | 0.2 | 0.0 | 0.1 | 0.2 | 0.2 | -0.6 | 0.2 | **0.3** | **0.3** | **0.3** | *0.3* | *0.3* |
| Finland | 0.3 | 0.2 | 0.4 | 0.5 | 0.5 | 0.4 | 0.5 | **0.5** | **0.5** | **0.5** | *0.5* | *0.5* |
| Euro area | 0.2 | 0.4 | 0.5 | 0.3 | 0.2 | 0.2 | 0.2 | **0.2** | **0.2** | **0.2** | *0.3* | *0.2* |
| Bulgaria | -0.5 | -1.1 | -0.5 | -0.5 | -0.7 | -2.5 | -0.6 | **-0.9** | **-1.1** | **-1.0** | *-1.0* | *-1.0* |
| Czech Republic | -0.1 | -0.2 | 0.4 | 0.6 | 0.2 | -0.2 | 0.1 | **0.0** | **0.0** | **0.1** | *0.1* | *0.0* |
| Denmark | 0.4 | 0.3 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 | **0.2** | **0.4** | **0.3** | *0.3* | *0.3* |
| Croatia | -0.3 | -0.4 | 0.0 | -0.1 | -0.3 | -0.3 | -0.2 | **-0.1** | **-0.2** | **-0.2** | *0.5* | *0.0* |
| Lithuania | -0.7 | -0.8 | -1.3 | -1.1 | -2.1 | -2.2 | -1.3 | **-0.8** | **-0.7** | **-0.1** | *-0.8* | *-0.7* |
| Hungary | -0.2 | -0.3 | -0.2 | -0.2 | -0.2 | -0.3 | -0.3 | **-0.1** | **-0.1** | **-0.1** | *-0.1* | *-0.1* |
| Poland | 0.1 | 0.0 | 0.0 | 0.1 | 1.0 | 0.0 | 0.0 | **0.0** | **-0.1** | **-0.1** | *0.0* | *-0.1* |
| Romania | -0.2 | -0.7 | -0.2 | -0.2 | -0.2 | -0.4 | -0.2 | **-0.3** | **-0.2** | **-0.2** | *-0.2* | *-0.2* |
| Sweden | 0.3 | 0.2 | 0.6 | 0.9 | 0.9 | 0.8 | 0.7 | **0.9** | **0.9** | **0.9** | *0.7* | *0.6* |
| United Kingdom | 0.3 | 0.4 | 0.6 | 0.6 | 0.8 | 0.8 | 0.8 | **0.8** | **0.8** | **0.8** | *0.8* | *0.8* |
| EU | 0.2 | 0.3 | 0.4 | 0.3 | 0.3 | 0.2 | 0.3 | **0.2** | **0.2** | **0.2** | *0.3* | *0.2* |
| USA | : | 1.0 | 0.9 | 0.9 | 0.8 | 0.7 | 0.7 | **0.7** | **0.7** | **0.7** | *0.8* | *0.9* |
| Japan | : | 0.2 | 0.0 | -0.1 | 0.0 | 0.2 | -0.2 | **-0.1** | **0.0** | **0.0** | *-0.1* | *-0.1* |

**Table 23: Total employment (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.8 | 0.9 | 1.4 | -0.2 | 0.7 | 1.4 | 0.2 | **-0.5** | **0.4** | **0.8** | *0.1* | *0.6* |
| **Germany** | 0.2 | 0.4 | 0.7 | 0.1 | 0.5 | 1.4 | 1.1 | **0.5** | **0.5** | **0.6** | *0.5* | *0.5* |
| **Estonia** | -2.7 | -0.5 | 1.7 | -10.0 | -4.8 | 7.0 | 2.2 | **1.6** | **0.3** | **0.8** | *0.3* | *1.0* |
| **Ireland** | 5.0 | 3.5 | 3.3 | -7.8 | -4.1 | -1.8 | -0.6 | **1.2** | **1.3** | **1.3** | *0.1* | *0.9* |
| **Greece** | 1.0 | 0.9 | 2.0 | -0.6 | -2.6 | -5.6 | -8.3 | **-3.5** | **0.6** | **2.6** | *-3.5* | *0.6* |
| **Spain** | 2.1 | 3.6 | 2.5 | -6.2 | -2.3 | -2.2 | -4.8 | **-3.6** | **-0.7** | **0.9** | *-3.4* | *0.0* |
| **France** | 0.5 | 1.5 | 0.7 | -1.5 | 0.0 | 0.7 | 0.0 | **-0.2** | **0.3** | **0.4** | *0.0* | *0.4* |
| **Italy** | 0.1 | 1.2 | 0.5 | -2.9 | -1.1 | 0.1 | -1.1 | **-1.6** | **0.2** | **0.5** | *-1.1* | *0.3* |
| **Cyprus** | : | 2.3 | 3.0 | -0.4 | -0.2 | 0.5 | -4.2 | **-7.8** | **-3.7** | **1.0** | *-6.6* | *-3.1* |
| **Latvia** | -3.7 | 0.2 | 2.4 | -13.2 | -4.8 | -8.1 | 1.6 | **2.5** | **2.0** | **2.0** | *1.9* | *2.2* |
| **Luxembourg** | 3.1 | 4.2 | 3.6 | 0.9 | 1.8 | 3.0 | 2.5 | **1.7** | **1.5** | **1.7** | *1.6* | *1.3* |
| **Malta** | 1.1 | 0.2 | 1.6 | -0.2 | 1.7 | 2.8 | 2.3 | **2.3** | **1.8** | **1.8** | *1.8* | *2.1* |
| **Netherlands** | 2.0 | 0.9 | 0.9 | -1.1 | -0.6 | 0.5 | -0.3 | **-1.2** | **-0.5** | **0.6** | *-1.0* | *-0.1* |
| **Austria** | 0.3 | 0.4 | 1.2 | -1.5 | 0.6 | 1.4 | 1.3 | **0.5** | **0.7** | **0.8** | *0.7* | *1.0* |
| **Portugal** | 1.1 | 1.1 | 0.1 | -2.6 | -1.5 | -1.5 | -4.2 | **-3.9** | **-0.5** | **0.4** | *-3.9* | *-0.5* |
| **Slovenia** | : | 1.0 | 1.5 | -1.8 | -2.2 | -1.6 | -0.8 | **-2.4** | **-1.3** | **-0.5** | *-1.6* | *-0.6* |
| **Slovakia** | : | -0.5 | 1.8 | -2.0 | -1.5 | 1.8 | 0.1 | **-0.3** | **0.3** | **0.5** | *0.0* | *0.5* |
| **Finland** | 1.4 | 1.4 | 1.7 | -2.6 | -0.1 | 1.5 | 0.0 | **-0.6** | **0.0** | **0.3** | *-0.4* | *0.2* |
| **Euro area** | : | 1.2 | 1.1 | -2.1 | -0.6 | 0.1 | -0.8 | **-0.9** | **0.2** | **0.7** | *-0.7* | *0.3* |
| **Bulgaria** | : | -0.9 | 2.8 | -1.7 | -3.9 | -2.2 | -2.5 | **-1.0** | **0.2** | **0.5** | *-2.1* | *0.2* |
| **Czech Republic** | 0.0 | -0.7 | 1.5 | -1.8 | -1.0 | 0.0 | 0.4 | **1.1** | **0.0** | **0.6** | *0.0* | *0.2* |
| **Denmark** | 1.2 | 0.2 | 1.4 | -3.4 | -2.4 | -0.3 | -0.3 | **0.0** | **0.4** | **0.5** | *-0.2* | *0.3* |
| **Croatia** | : | 0.7 | 2.1 | -1.8 | -5.1 | -2.3 | -3.9 | **-1.7** | **0.1** | **0.5** | *-4.2* | *-1.8* |
| **Lithuania** | -1.4 | -0.8 | 1.3 | -6.8 | -11.9 | 0.5 | 1.8 | **1.5** | **1.4** | **1.2** | *1.3* | *1.4* |
| **Hungary** | : | 0.7 | -0.4 | -2.5 | 0.8 | 0.3 | 0.1 | **0.1** | **0.8** | **0.5** | *0.0* | *0.4* |
| **Poland** | 0.6 | -2.4 | 3.0 | 0.4 | 0.5 | 1.0 | 0.2 | **-0.4** | **0.1** | **0.4** | *-0.4* | *-0.2* |
| **Romania** | -2.6 | -3.3 | -0.4 | -2.0 | -0.3 | -1.1 | 1.5 | **0.6** | **0.6** | **0.7** | *0.5* | *0.8* |
| **Sweden** | 0.1 | 1.2 | 0.9 | -2.4 | 1.0 | 2.3 | 0.7 | **0.8** | **0.9** | **1.0** | *0.2* | *0.7* |
| **United Kingdom** | 1.2 | 1.0 | 0.9 | -1.6 | 0.2 | 0.5 | 1.2 | **0.7** | **0.9** | **1.0** | *0.5* | *1.1* |
| **EU** | : | 0.6 | 1.1 | -1.9 | -0.5 | 0.2 | -0.3 | **-0.4** | **0.3** | **0.7** | *-0.4* | *0.4* |
| **USA** | : | : | 1.1 | -3.8 | -0.6 | 0.6 | 1.8 | **1.1** | **1.3** | **1.5** | *1.0* | *1.7* |
| **Japan** | : | -0.8 | 0.3 | -1.5 | -0.4 | -0.2 | 0.4 | **0.4** | **0.5** | **0.3** | *0.1* | *0.2* |

**Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 9.5 | 7.5 | 7.9 | 7.9 | 8.3 | 7.2 | 7.6 | **8.6** | **8.7** | **8.4** | *8.0* | *8.0* |
| **Germany** | 9.0 | 8.6 | 9.7 | 7.8 | 7.1 | 5.9 | 5.5 | **5.4** | **5.3** | **5.1** | *5.4* | *5.3* |
| **Estonia** | : | 11.6 | 6.7 | 13.8 | 16.9 | 12.5 | 10.2 | **9.3** | **9.0** | **8.2** | *9.7* | *9.0* |
| **Ireland** | 11.1 | 4.6 | 4.9 | 12.0 | 13.9 | 14.7 | 14.7 | **13.3** | **12.3** | **11.7** | *14.2* | *13.7* |
| **Greece** | 9.7 | 10.8 | 9.1 | 9.5 | 12.6 | 17.7 | 24.3 | **27.0** | **26.0** | **24.0** | *27.0* | *26.0* |
| **Spain** | 18.8 | 11.6 | 9.6 | 18.0 | 20.1 | 21.7 | 25.0 | **26.6** | **26.4** | **25.3** | *27.0* | *26.4* |
| **France** | 10.9 | 9.0 | 8.8 | 9.5 | 9.7 | 9.6 | 10.2 | **11.0** | **11.2** | **11.3** | *10.6* | *10.9* |
| **Italy** | 11.1 | 9.4 | 7.1 | 7.8 | 8.4 | 8.4 | 10.7 | **12.2** | **12.4** | **12.1** | *11.8* | *12.2* |
| **Cyprus** | : | : | 4.4 | 5.4 | 6.3 | 7.9 | 11.9 | **16.7** | **19.2** | **18.4** | *15.5* | *16.9* |
| **Latvia** | : | 12.9 | 8.5 | 18.2 | 19.8 | 16.2 | 15.0 | **11.7** | **10.3** | **9.0** | *13.7* | *12.2* |
| **Luxembourg** | 2.9 | 2.6 | 4.7 | 5.1 | 4.6 | 4.8 | 5.1 | **5.7** | **6.4** | **6.5** | *5.5* | *5.8* |
| **Malta** | : | : | 6.8 | 6.9 | 6.9 | 6.5 | 6.4 | **6.4** | **6.3** | **6.3** | *6.3* | *6.1* |
| **Netherlands** | 5.9 | 3.3 | 4.3 | 3.7 | 4.5 | 4.4 | 5.3 | **7.0** | **8.0** | **7.7** | *6.9* | *7.2* |
| **Austria** | 4.2 | 3.9 | 4.6 | 4.8 | 4.4 | 4.2 | 4.3 | **5.1** | **5.0** | **4.7** | *4.7* | *4.7* |
| **Portugal** | 6.7 | 5.4 | 8.4 | 10.6 | 12.0 | 12.9 | 15.9 | **17.4** | **17.7** | **17.3** | *18.2* | *18.5* |
| **Slovenia** | : | 6.6 | 5.6 | 5.9 | 7.3 | 8.2 | 8.9 | **11.1** | **11.6** | **11.6** | *10.0* | *10.3* |
| **Slovakia** | : | 18.3 | 13.8 | 12.1 | 14.5 | 13.7 | 14.0 | **13.9** | **13.7** | **13.3** | *14.5* | *14.1* |
| **Finland** | 14.1 | 9.4 | 7.6 | 8.2 | 8.4 | 7.8 | 7.7 | **8.2** | **8.3** | **8.1** | *8.1* | *8.0* |
| **Euro area** | : | 8.8 | 8.4 | 9.6 | 10.1 | 10.1 | 11.4 | **12.2** | **12.2** | **11.8** | *12.2* | *12.1* |
| **Bulgaria** | : | : | 8.7 | 6.8 | 10.3 | 11.3 | 12.3 | **12.9** | **12.4** | **11.7** | *12.5* | *12.4* |
| **Czech Republic** | : | 8.1 | 6.6 | 6.7 | 7.3 | 6.7 | 7.0 | **7.1** | **7.0** | **6.7** | *7.5* | *7.4* |
| **Denmark** | 6.2 | 4.8 | 4.3 | 6.0 | 7.5 | 7.6 | 7.5 | **7.3** | **7.2** | **7.0** | *7.7* | *7.6* |
| **Croatia** | : | : | 11.2 | 9.1 | 11.8 | 13.5 | 15.9 | **16.9** | **16.7** | **16.1** | *19.1* | *20.1* |
| **Lithuania** | : | 14.9 | 6.7 | 13.6 | 18.0 | 15.4 | 13.4 | **11.7** | **10.4** | **9.5** | *11.8* | *10.5* |
| **Hungary** | : | 6.0 | 7.2 | 10.0 | 11.2 | 10.9 | 10.9 | **11.0** | **10.4** | **10.1** | *11.4* | *11.5* |
| **Poland** | : | 17.5 | 13.5 | 8.1 | 9.7 | 9.7 | 10.1 | **10.7** | **10.8** | **10.5** | *10.9* | *11.4* |
| **Romania** | : | 6.8 | 6.9 | 6.9 | 7.3 | 7.4 | 7.0 | **7.3** | **7.1** | **7.0** | *6.9* | *6.8* |
| **Sweden** | 9.2 | 6.1 | 6.9 | 8.3 | 8.6 | 7.8 | 8.0 | **8.1** | **7.9** | **7.4** | *8.3* | *8.1* |
| **United Kingdom** | 7.7 | 5.3 | 5.2 | 7.6 | 7.8 | 8.0 | 7.9 | **7.7** | **7.5** | **7.3** | *8.0* | *7.9* |
| **EU** | : | : | 8.2 | 9.0 | 9.7 | 9.7 | 10.5 | **11.1** | **11.0** | **10.7** | *11.1* | *11.1* |
| **USA** | : | 4.9 | 5.1 | 9.3 | 9.6 | 8.9 | 8.1 | **7.5** | **6.9** | **6.5** | *7.7* | *7.2* |
| **Japan** | 3.3 | 4.9 | 4.1 | 4.9 | 4.9 | 4.5 | 4.3 | **4.0** | **3.9** | **3.8** | *4.3* | *4.2* |

[1] Series following Eurostat definition, based on the labour force survey.

**Table 25: Compensation of employees per head (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 2.3 | 3.0 | 2.8 | 1.2 | 1.4 | 3.1 | 3.7 | **2.2** | **1.1** | **1.5** | *2.4* | *1.1* |
| **Germany** | 1.8 | 1.4 | 0.8 | 0.1 | 2.4 | 3.0 | 2.6 | **1.9** | **2.7** | **3.1** | *2.4* | *3.1* |
| **Estonia** | 31.4 | 10.7 | 14.2 | -3.1 | 2.3 | 0.5 | 6.0 | **6.7** | **6.9** | **7.0** | *5.7* | *6.1* |
| **Ireland** | 3.6 | 6.5 | 5.2 | -1.1 | -3.8 | -0.1 | 0.8 | **0.0** | **-0.6** | **-0.3** | *0.3* | *0.2* |
| **Greece** | 10.3 | 6.8 | 3.5 | 3.5 | -2.6 | -3.4 | -4.2 | **-7.0** | **-1.5** | **0.0** | *-7.0* | *-1.5* |
| **Spain** | 3.1 | 3.0 | 4.4 | 4.2 | 0.4 | 1.3 | 0.2 | **1.0** | **0.1** | **0.1** | *1.4* | *0.1* |
| **France** | 2.0 | 2.5 | 3.0 | 2.0 | 2.5 | 2.5 | 2.2 | **1.4** | **1.3** | **1.5** | *1.3* | *1.5* |
| **Italy** | 3.3 | 2.8 | 3.0 | 1.7 | 2.8 | 1.3 | 1.0 | **1.3** | **1.2** | **1.6** | *1.2* | *1.1* |
| **Cyprus** | : | 5.4 | 2.7 | 2.6 | 2.6 | 2.5 | -0.9 | **-9.5** | **-4.6** | **-1.4** | *-7.5* | *-5.0* |
| **Latvia** | 22.2 | 6.6 | 22.5 | -12.7 | -6.7 | 16.1 | 6.9 | **4.3** | **5.0** | **4.6** | *3.1* | *3.8* |
| **Luxembourg** | 2.1 | 3.4 | 3.5 | 1.8 | 2.6 | 2.4 | 2.0 | **0.8** | **2.9** | **2.3** | *2.2* | *3.0* |
| **Malta** | 5.2 | 5.1 | 3.1 | 3.2 | 1.5 | 0.6 | 2.2 | **2.1** | **1.7** | **2.0** | *1.8* | *1.8* |
| **Netherlands** | 2.6 | 4.8 | 2.9 | 2.5 | 1.5 | 1.6 | 1.9 | **-0.1** | **1.7** | **1.4** | *1.8* | *2.1* |
| **Austria** | 2.6 | 2.2 | 2.6 | 2.5 | 1.2 | 2.4 | 2.6 | **2.3** | **1.9** | **1.9** | *2.1* | *1.9* |
| **Portugal** | 6.6 | 4.5 | 3.2 | 2.8 | 2.0 | -0.6 | -2.0 | **2.5** | **-0.8** | **-0.2** | *3.1* | *0.0* |
| **Slovenia** | : | 9.3 | 6.5 | 1.8 | 3.9 | 1.6 | -1.0 | **-0.2** | **0.0** | **1.1** | *0.1* | *0.7* |
| **Slovakia** | : | 8.4 | 8.2 | 2.5 | 5.1 | 2.0 | 2.8 | **2.0** | **3.0** | **3.0** | *1.7* | *3.0* |
| **Finland** | 3.2 | 3.0 | 3.6 | 2.3 | 1.8 | 3.2 | 3.5 | **2.4** | **1.6** | **1.6** | *3.3* | *3.4* |
| **Euro area** | : | 2.6 | 2.6 | 1.8 | 2.0 | 2.2 | 2.0 | **1.5** | **1.6** | **1.8** | *1.8* | *1.8* |
| **Bulgaria** | : | 7.9 | 10.2 | 8.1 | 9.9 | 6.8 | 2.9 | **3.5** | **3.6** | **3.5** | *4.4* | *4.8* |
| **Czech Republic** | 13.9 | 7.6 | 5.7 | -0.6 | 3.1 | 2.3 | 2.3 | **-0.9** | **1.7** | **1.9** | *1.5* | *2.1* |
| **Denmark** | 3.3 | 3.8 | 3.5 | 3.3 | 3.5 | 1.3 | 1.5 | **1.4** | **1.8** | **2.1** | *1.4* | *2.1* |
| **Croatia** | : | 6.4 | 5.1 | 1.0 | 1.9 | 3.0 | 3.2 | **1.0** | **1.5** | **2.0** | *4.2* | *3.0* |
| **Lithuania** | 39.6 | 4.5 | 13.4 | -9.9 | 7.2 | 6.3 | 3.8 | **4.3** | **3.8** | **4.5** | *4.1* | *3.8* |
| **Hungary** | : | 12.0 | 7.1 | -1.7 | -0.5 | 3.6 | 0.8 | **-0.5** | **4.1** | **3.9** | *-0.4* | *5.4* |
| **Poland** | 27.0 | 7.6 | 3.8 | 3.5 | 4.7 | 4.6 | 4.1 | **2.5** | **3.1** | **3.4** | *2.6* | *3.3* |
| **Romania** | 83.2 | 42.6 | 21.6 | -1.9 | -3.3 | 4.2 | 5.6 | **5.8** | **4.4** | **4.6** | *5.9* | *5.5* |
| **Sweden** | 4.6 | 3.8 | 3.2 | 1.6 | 3.1 | 0.8 | 3.1 | **2.6** | **3.0** | **3.4** | *3.1* | *3.5* |
| **United Kingdom** | 3.5 | 4.6 | 3.9 | 2.4 | 3.1 | 2.0 | 1.9 | **1.3** | **1.7** | **2.8** | *2.6* | *2.8* |
| **EU** | : | 3.7 | 2.9 | 1.8 | 2.4 | 2.2 | 2.0 | **1.5** | **1.7** | **2.2** | *2.0* | *2.2* |
| **USA** | : | : | 3.6 | 0.2 | 2.9 | 3.1 | 2.1 | **1.5** | **2.5** | **3.1** | *1.5* | *2.2* |
| **Japan** | : | -1.1 | -0.8 | -3.8 | 0.1 | 0.4 | 0.0 | **-0.7** | **2.5** | **1.3** | *0.2* | *1.0* |

**Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.9 | 1.3 | -0.1 | 1.9 | -0.6 | 0.0 | 1.3 | **1.1** | **-0.1** | **0.2** | *1.0* | *-0.5* |
| **Germany** | 0.4 | 0.3 | -0.5 | 0.1 | 0.4 | 0.9 | 1.0 | **0.2** | **1.0** | **1.3** | *0.8* | *1.3* |
| **Estonia** | 9.5 | 6.6 | 8.1 | -2.7 | -0.1 | -4.2 | 2.2 | **3.4** | **4.2** | **4.0** | *2.3* | *2.8* |
| **Ireland** | 0.6 | 2.1 | 3.1 | 6.4 | -1.7 | -1.8 | 0.3 | **-0.8** | **-1.4** | **-1.4** | *-1.0* | *-1.2* |
| **Greece** | 2.5 | 3.0 | 0.1 | 2.8 | -6.3 | -6.5 | -5.1 | **-6.1** | **-1.1** | **-0.3** | *-6.2* | *-1.1* |
| **Spain** | -0.4 | 0.0 | 0.8 | 5.3 | -1.5 | -1.1 | -2.2 | **-0.7** | **-0.7** | **-0.7** | *-0.3* | *-0.9* |
| **France** | 0.9 | 1.1 | 0.8 | 2.7 | 1.3 | 0.4 | 0.4 | **0.4** | **-0.3** | **0.2** | *-0.3* | *-0.5* |
| **Italy** | -0.5 | 0.1 | 0.5 | 1.8 | 1.3 | -1.5 | -1.7 | **-0.2** | **-0.4** | **0.1** | *-0.4* | *-0.4* |
| **Cyprus** | : | 2.5 | -0.4 | 1.8 | 0.4 | -0.8 | -3.3 | **-10.3** | **-5.9** | **-2.9** | *-8.3* | *-6.4* |
| **Latvia** | : | 4.0 | 11.7 | -15.4 | -5.1 | 10.7 | 3.6 | **3.8** | **3.0** | **2.6** | *1.2* | *1.5* |
| **Luxembourg** | 0.3 | 1.1 | 0.8 | 0.7 | 1.3 | -0.2 | 0.4 | **-0.9** | **1.0** | **0.4** | *0.5* | *1.3* |
| **Malta** | : | 3.6 | 0.7 | 0.5 | -1.4 | -0.3 | 0.4 | **1.0** | **-0.1** | **-0.1** | *0.0* | *-0.1* |
| **Netherlands** | 0.4 | 1.6 | 1.2 | 3.0 | 0.0 | -0.8 | -0.4 | **-2.9** | **-0.3** | **-0.8** | *-0.8* | *0.1* |
| **Austria** | 0.9 | 0.9 | 0.3 | 2.1 | -0.6 | -1.2 | 0.0 | **0.1** | **0.1** | **0.1** | *-0.2* | *0.1* |
| **Portugal** | 2.5 | 1.4 | 0.4 | 5.1 | 0.7 | -3.0 | -3.4 | **1.9** | **-1.7** | **-1.4** | *2.6* | *-0.9* |
| **Slovenia** | : | 2.4 | 3.0 | 1.2 | 2.4 | 0.0 | -2.5 | **-2.3** | **-1.8** | **-0.5** | *-1.9* | *-0.7* |
| **Slovakia** | : | 1.7 | 3.6 | 2.4 | 4.1 | -1.8 | -0.6 | **0.5** | **1.2** | **1.0** | *-0.2* | *1.1* |
| **Finland** | 2.0 | 1.0 | 2.0 | 0.9 | -0.1 | -0.2 | 0.6 | **0.5** | **-0.2** | **-0.2** | *1.3* | *1.6* |
| **Euro area** | : | 0.6 | 0.3 | 2.3 | 0.3 | -0.2 | 0.0 | **0.0** | **0.1** | **0.4** | *0.2* | *0.2* |
| **Bulgaria** | : | 4.4 | 4.3 | 6.5 | 7.3 | 2.1 | -0.6 | **2.5** | **1.8** | **1.1** | *1.8* | *2.1* |
| **Czech Republic** | 4.6 | 5.5 | 2.9 | -1.4 | 3.3 | 1.9 | -0.3 | **-1.9** | **1.0** | **0.3** | *-0.4* | *0.9* |
| **Denmark** | 1.4 | 1.8 | 1.8 | 1.7 | 0.9 | -1.1 | -0.9 | **0.5** | **0.3** | **0.6** | *-0.1* | *0.5* |
| **Croatia** | : | 2.6 | 1.6 | -2.2 | 0.3 | 0.5 | -0.2 | **-1.5** | **-0.2** | **0.0** | *0.9* | *1.3* |
| **Lithuania** | : | 5.0 | 8.4 | -13.8 | 5.9 | 2.1 | 0.6 | **2.9** | **1.8** | **2.1** | *2.1* | *1.0* |
| **Hungary** | : | 3.7 | 2.1 | -5.4 | -4.2 | -0.6 | -4.9 | **-2.5** | **1.9** | **0.9** | *-3.1* | *2.3* |
| **Poland** | 4.6 | 2.8 | 1.2 | 0.9 | 2.2 | -0.3 | 0.4 | **1.5** | **1.0** | **1.2** | *1.2* | *1.3* |
| **Romania** | 4.7 | 9.5 | 12.8 | -5.4 | -10.2 | -0.1 | 2.6 | **1.5** | **1.4** | **1.5** | *1.7* | *2.3* |
| **Sweden** | 2.9 | 2.2 | 1.6 | -0.5 | 1.6 | -0.9 | 1.9 | **1.6** | **1.4** | **1.7** | *1.9* | *1.8* |
| **United Kingdom** | 0.9 | 3.6 | 1.3 | 0.5 | -0.8 | -1.9 | -0.7 | **-1.1** | **-0.4** | **0.8** | *0.6* | *0.9* |
| **EU** | : | 1.6 | 0.5 | 1.6 | 0.3 | -0.5 | -0.2 | **-0.1** | **0.1** | **0.5** | *0.3* | *0.4* |
| **USA** | : | : | 0.9 | 0.3 | 1.2 | 0.7 | 0.2 | **0.4** | **1.2** | **1.3** | *0.1* | *0.2* |
| **Japan** | : | -0.1 | -0.4 | -1.3 | 1.8 | 1.3 | 0.6 | **-1.2** | **-0.3** | **-0.2** | *-0.3* | *-1.1* |

[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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 1.8 | 1.1 | 0.9 | -2.6 | 1.6 | 0.4 | -0.3 | **0.6** | **0.7** | **0.6** | *-0.1* | *0.6* |
| **Germany** | 1.5 | 0.8 | 1.2 | -5.2 | 3.5 | 1.9 | -0.4 | **-0.1** | **1.2** | **1.3** | *-0.1* | *1.3* |
| **Estonia** | 8.4 | 6.5 | 3.9 | -4.5 | 7.7 | 2.4 | 1.7 | **-0.3** | **2.7** | **3.1** | *2.7* | *3.0* |
| **Ireland** | 3.9 | 3.5 | 0.3 | 1.6 | 3.1 | 4.0 | 0.8 | **-0.9** | **0.4** | **1.2** | *1.0* | *1.3* |
| **Greece** | 1.7 | 3.4 | 1.1 | -2.5 | -2.4 | -1.6 | 2.1 | **-0.5** | **0.0** | **0.3** | *-0.7* | *0.0* |
| **Spain** | 1.0 | 0.3 | 0.5 | 2.5 | 2.2 | 2.3 | 3.3 | **2.4** | **1.2** | **0.8** | *2.0* | *0.9* |
| **France** | 1.6 | 0.6 | 1.1 | -1.6 | 1.8 | 1.3 | 0.1 | **0.4** | **0.6** | **1.3** | *-0.1* | *0.7* |
| **Italy** | 1.8 | 0.3 | 0.5 | -2.7 | 2.8 | 0.3 | -1.5 | **-0.2** | **0.5** | **0.7** | *-0.2* | *0.4* |
| **Cyprus** | : | 1.3 | 1.2 | -1.4 | 1.5 | 0.0 | 1.8 | **-1.0** | **-0.2** | **0.1** | *-2.2* | *-0.8* |
| **Latvia** | 8.2 | 5.9 | 4.7 | -5.2 | 3.7 | 14.6 | 3.4 | **1.4** | **2.0** | **2.2** | *1.9* | *1.9* |
| **Luxembourg** | 0.7 | 0.7 | 0.4 | -6.4 | 1.3 | -1.0 | -2.6 | **0.2** | **0.3** | **-0.5** | *-0.8* | *0.3* |
| **Malta** | 3.8 | 2.5 | 1.1 | -2.6 | 2.3 | -1.2 | -1.5 | **-0.5** | **0.1** | **0.3** | *-0.4* | *-0.3* |
| **Netherlands** | 1.5 | 1.3 | 1.8 | -2.6 | 2.1 | 0.4 | -1.0 | **0.2** | **0.7** | **0.6** | *0.2* | *1.0* |
| **Austria** | 2.4 | 1.7 | 1.5 | -2.4 | 1.1 | 1.4 | -0.4 | **-0.1** | **0.9** | **1.0** | *-0.1* | *0.8* |
| **Portugal** | 2.3 | 0.9 | 1.1 | -0.3 | 3.5 | 0.3 | 1.1 | **2.2** | **1.3** | **1.0** | *1.6* | *1.1* |
| **Slovenia** | : | 2.8 | 3.4 | -6.2 | 3.5 | 2.4 | -1.7 | **-0.2** | **0.3** | **1.2** | *-0.3* | *0.5* |
| **Slovakia** | : | 3.4 | 5.4 | -3.0 | 6.0 | 1.2 | 1.7 | **1.2** | **1.8** | **2.4** | *0.9* | *2.3* |
| **Finland** | 3.0 | 1.7 | 1.7 | -6.1 | 3.4 | 1.2 | -0.8 | **-0.1** | **0.6** | **1.3** | *0.7* | *0.8* |
| **Euro area** | : | 0.8 | 1.0 | -2.4 | 2.6 | 1.4 | 0.2 | **0.4** | **0.8** | **1.0** | *0.3* | *0.9* |
| **Bulgaria** | : | 5.3 | 3.5 | -3.8 | 4.4 | 4.1 | 3.4 | **1.5** | **1.2** | **1.4** | *3.1* | *1.5* |
| **Czech Republic** | 2.5 | 3.7 | 3.9 | -2.8 | 3.5 | 1.9 | -1.4 | **-2.1** | **1.7** | **1.6** | *-0.4* | *1.4* |
| **Denmark** | 2.1 | 1.3 | 0.4 | -2.4 | 4.1 | 1.4 | -0.1 | **0.2** | **1.3** | **1.3** | *0.9* | *1.4* |
| **Croatia** | : | 2.6 | 1.9 | -5.2 | 3.0 | 2.4 | 2.0 | **1.1** | **0.4** | **0.7** | *3.3* | *2.1* |
| **Lithuania** | 4.2 | 6.2 | 5.8 | -8.6 | 15.3 | 5.5 | 1.9 | **1.9** | **2.1** | **2.7** | *1.8* | *2.1* |
| **Hungary** | : | 3.2 | 3.1 | -4.4 | 0.2 | 1.3 | -1.8 | **0.6** | **1.0** | **1.6** | *0.2* | *1.0* |
| **Poland** | 5.5 | 5.6 | 2.4 | 1.2 | 3.4 | 3.5 | 1.7 | **1.7** | **2.4** | **2.5** | *1.5* | *2.4* |
| **Romania** | 4.1 | 7.2 | 7.3 | -4.7 | -0.9 | 3.3 | -0.8 | **1.6** | **1.5** | **1.7** | *1.1* | *1.4* |
| **Sweden** | 3.2 | 1.8 | 2.0 | -2.7 | 5.5 | 0.6 | 0.2 | **0.3** | **1.9** | **2.5** | *1.4* | *1.7* |
| **United Kingdom** | 2.2 | 2.1 | 1.5 | -3.6 | 1.5 | 0.6 | -1.1 | **0.6** | **1.3** | **1.4** | *0.0* | *0.6* |
| **EU** | : | 1.7 | 1.2 | -2.6 | 2.6 | 1.5 | -0.1 | **0.4** | **1.0** | **1.2** | *0.3* | *1.0* |
| **USA** | : | : | 1.2 | 1.0 | 3.1 | 1.3 | 0.9 | **0.5** | **1.3** | **1.6** | *1.0* | *0.9* |
| **Japan** | : | 1.7 | 0.9 | -4.1 | 5.1 | -0.4 | 1.5 | **1.7** | **1.5** | **1.0** | *1.3* | *1.4* |

**Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.5 | 1.9 | 1.9 | 3.9 | -0.3 | 2.7 | 4.1 | **1.6** | **0.4** | **0.9** | *2.4* | *0.5* |
| **Germany** | 0.3 | 0.6 | -0.4 | 5.6 | -1.1 | 1.0 | 3.1 | **2.0** | **1.5** | **1.8** | *2.5* | *1.8* |
| **Estonia** | 21.3 | 3.9 | 10.0 | 1.5 | -5.0 | -1.8 | 4.2 | **7.0** | **4.1** | **3.9** | *2.9* | *3.0* |
| **Ireland** | -0.3 | 2.9 | 4.8 | -2.6 | -6.7 | -4.0 | 0.0 | **0.9** | **-1.0** | **-1.5** | *-0.6* | *-1.0* |
| **Greece** | 8.5 | 3.3 | 2.4 | 6.2 | -0.1 | -1.8 | -6.2 | **-6.5** | **-1.5** | **-0.3** | *-6.3* | *-1.5* |
| **Spain** | 2.1 | 2.8 | 3.8 | 1.6 | -1.7 | -1.0 | -3.0 | **-1.3** | **-1.1** | **-0.6** | *-0.6* | *-0.8* |
| **France** | 0.3 | 1.9 | 1.9 | 3.7 | 0.7 | 1.2 | 2.1 | **1.0** | **0.7** | **0.3** | *1.4* | *0.8* |
| **Italy** | 1.5 | 2.5 | 2.5 | 4.6 | 0.0 | 1.0 | 2.5 | **1.6** | **0.7** | **0.9** | *1.5* | *0.7* |
| **Cyprus** | : | 4.1 | 1.5 | 4.1 | 1.1 | 2.5 | -2.7 | **-8.5** | **-4.4** | **-1.5** | *-5.4* | *-4.2* |
| **Latvia** | 12.9 | 0.7 | 16.9 | -7.9 | -10.0 | 1.3 | 3.4 | **2.8** | **2.9** | **2.4** | *1.2* | *1.9* |
| **Luxembourg** | 1.4 | 2.6 | 3.1 | 8.7 | 1.4 | 3.4 | 4.7 | **0.7** | **2.6** | **2.8** | *3.1* | *2.7* |
| **Malta** | 1.4 | 2.6 | 1.9 | 6.0 | -0.7 | 1.8 | 3.7 | **2.6** | **1.6** | **1.7** | *2.2* | *2.1* |
| **Netherlands** | 1.0 | 3.4 | 1.0 | 5.3 | -0.6 | 1.2 | 2.9 | **-0.4** | **0.9** | **0.8** | *1.5* | *1.1* |
| **Austria** | 0.2 | 0.5 | 1.1 | 5.0 | 0.0 | 1.0 | 3.0 | **2.5** | **0.9** | **0.8** | *2.2* | *1.1* |
| **Portugal** | 4.1 | 3.5 | 2.0 | 3.1 | -1.4 | -0.9 | -3.1 | **0.3** | **-2.1** | **-1.2** | *1.5* | *-1.1* |
| **Slovenia** | : | 6.2 | 3.0 | 8.6 | 0.4 | -0.7 | 0.8 | **0.0** | **-0.3** | **-0.2** | *0.4* | *0.1* |
| **Slovakia** | : | 4.8 | 2.6 | 5.7 | -0.9 | 0.8 | 1.0 | **0.8** | **1.3** | **0.6** | *0.7* | *0.7* |
| **Finland** | 0.2 | 1.3 | 1.9 | 9.0 | -1.6 | 2.0 | 4.4 | **2.5** | **1.0** | **0.4** | *2.6* | *2.5* |
| **Euro area** | : | 1.8 | 1.5 | 4.3 | -0.6 | 0.8 | 1.9 | **1.1** | **0.7** | **0.8** | *1.4* | *0.8* |
| **Bulgaria** | : | 2.5 | 6.4 | 12.4 | 5.2 | 2.5 | -0.5 | **2.0** | **2.3** | **2.1** | *1.3* | *3.3* |
| **Czech Republic** | 11.1 | 3.8 | 1.7 | 2.2 | -0.4 | 0.5 | 3.8 | **1.2** | **-0.1** | **0.2** | *1.9* | *0.7* |
| **Denmark** | 1.2 | 2.5 | 3.1 | 5.8 | -0.6 | 0.0 | 1.6 | **1.1** | **0.5** | **0.8** | *0.5* | *0.7* |
| **Croatia** | : | 3.7 | 3.1 | 6.6 | -1.1 | 0.7 | 1.2 | **0.0** | **1.1** | **1.3** | *0.8* | *1.0* |
| **Lithuania** | 34.1 | -1.6 | 7.3 | -1.5 | -7.0 | 0.7 | 1.9 | **2.4** | **1.6** | **1.8** | *2.3* | *1.6* |
| **Hungary** | : | 8.5 | 3.9 | 2.8 | -0.7 | 2.3 | 2.7 | **-1.1** | **3.1** | **2.3** | *-0.6* | *4.3* |
| **Poland** | 20.5 | 1.9 | 1.4 | 2.2 | 1.3 | 1.1 | 2.3 | **0.8** | **0.6** | **0.9** | *1.0* | *0.9* |
| **Romania** | 76.0 | 33.0 | 13.3 | 2.9 | -2.4 | 0.9 | 6.5 | **4.1** | **2.9** | **2.9** | *4.7* | *4.0* |
| **Sweden** | 1.3 | 1.9 | 1.2 | 4.4 | -2.3 | 0.2 | 2.9 | **2.3** | **1.0** | **0.9** | *1.7* | *1.7* |
| **United Kingdom** | 1.3 | 2.5 | 2.4 | 6.2 | 1.7 | 1.4 | 3.0 | **0.7** | **0.3** | **1.4** | *2.5* | *2.2* |
| **EU** | : | 2.0 | 1.7 | 4.6 | -0.2 | 0.7 | 2.1 | **1.0** | **0.7** | **0.9** | *1.6* | *1.1* |
| **USA** | : | : | 2.5 | -0.7 | -0.3 | 1.8 | 1.1 | **1.0** | **1.2** | **1.4** | *0.6* | *1.2* |
| **Japan** | : | -2.7 | -1.7 | 0.3 | -4.8 | 0.8 | -1.5 | **-2.3** | **1.0** | **0.3** | *-1.1* | *-0.4* |

[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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | -0.7 | 0.2 | -0.4 | 2.6 | -2.3 | 0.7 | 2.1 | **-0.4** | **-0.9** | **-0.6** | *0.8* | *-1.2* |
| Germany | -0.9 | 0.0 | -1.3 | 4.4 | -2.1 | -0.2 | 1.6 | **-0.2** | **-0.2** | **0.0** | *1.0* | *0.1* |
| Estonia | -0.1 | -1.3 | 2.5 | 1.3 | -5.3 | -4.7 | 0.9 | **2.1** | **0.7** | **0.6** | *-0.2* | *-0.3* |
| Ireland | -3.0 | -1.9 | 3.4 | 1.3 | -5.3 | -4.6 | -0.6 | **0.1** | **-1.9** | **-2.5** | *-1.8* | *-2.4* |
| Greece | 0.4 | -0.1 | -0.8 | 3.8 | -1.3 | -2.9 | -5.5 | **-4.9** | **-1.0** | **-0.7** | *-5.3* | *-1.2* |
| Spain | -1.3 | -0.9 | 0.2 | 1.5 | -1.8 | -1.0 | -2.9 | **-1.7** | **-1.7** | **-1.3** | *-2.2* | *-1.8* |
| France | -0.8 | 0.3 | -0.3 | 3.0 | -0.3 | -0.1 | 0.6 | **-0.5** | **-0.9** | **-1.2** | *0.0* | *-0.9* |
| Italy | -2.1 | -0.1 | 0.3 | 2.4 | -0.4 | -0.4 | 0.8 | **0.2** | **-0.7** | **-0.5** | *-0.1* | *-0.8* |
| Cyprus | : | 0.9 | -2.2 | 4.0 | -0.9 | 0.2 | -4.2 | **-9.0** | **-5.4** | **-3.0** | *-5.9* | *-5.2* |
| Latvia | -1.9 | -2.3 | 4.3 | -6.7 | -9.2 | -4.5 | -0.1 | **1.2** | **0.7** | **0.2** | *-0.7* | *-0.3* |
| Luxembourg | 0.1 | -0.4 | -0.4 | 7.9 | -5.4 | -0.7 | 1.6 | **-2.8** | **-0.1** | **0.2** | *0.5* | *0.0* |
| Malta | -0.9 | 0.0 | -0.5 | 3.1 | -3.5 | -0.5 | 1.4 | **0.3** | **-0.7** | **-0.6** | *0.0* | *-0.2* |
| Netherlands | -0.9 | 0.0 | -0.7 | 5.2 | -1.4 | 0.0 | 1.5 | **-1.9** | **-0.5** | **-1.9** | *0.1* | *-0.6* |
| Austria | -0.9 | -0.5 | -0.8 | 3.3 | -1.4 | -1.0 | 1.3 | **0.4** | **-0.8** | **-0.9** | *0.2* | *-0.6* |
| Portugal | -0.3 | 0.2 | -0.4 | 2.2 | -2.1 | -1.1 | -2.8 | **-1.6** | **-3.0** | **-2.2** | *-0.4* | *-2.3* |
| Slovenia | : | -0.4 | -0.1 | 5.1 | 1.5 | -1.9 | 0.5 | **-1.7** | **-1.4** | **-1.0** | *-1.0* | *-0.9* |
| Slovakia | : | -1.3 | -0.4 | 7.0 | -1.4 | -0.8 | -0.2 | **-0.6** | **-0.5** | **-1.2** | *-1.7* | *-1.3* |
| Finland | -2.0 | -0.1 | 0.4 | 7.4 | -2.0 | -0.7 | 1.5 | **0.2** | **-1.1** | **-1.6** | *0.6* | *0.7* |
| Euro area | : | -0.2 | -0.4 | 3.3 | -1.4 | -0.4 | 0.5 | **-0.5** | **-0.7** | **-0.7** | *0.0* | *-0.6* |
| Bulgaria | : | -2.1 | -0.7 | 7.7 | 2.4 | -2.2 | -2.6 | **-0.9** | **0.4** | **-0.1** | *-0.9* | *0.7* |
| Czech Republic | 1.2 | 1.4 | -0.2 | -0.1 | 1.2 | 1.4 | 2.1 | **0.0** | **-0.9** | **-1.1** | *0.5* | *0.0* |
| Denmark | -0.4 | 0.3 | 0.3 | 5.1 | -4.6 | -0.7 | -0.6 | **-0.3** | **-1.0** | **-0.8** | *-0.9* | *-0.9* |
| Croatia | : | -0.4 | -1.0 | 3.6 | -1.9 | -1.3 | -0.8 | **-1.7** | **-0.7** | **-0.6** | *-1.1* | *-0.5* |
| Lithuania | 6.0 | -1.3 | 0.5 | 2.0 | -9.1 | -4.4 | -0.7 | **0.5** | **-0.8** | **-1.0** | *-0.2* | *-1.3* |
| Hungary | : | 0.0 | -0.5 | -0.7 | -3.0 | -0.3 | -0.5 | **-3.8** | **0.4** | **0.1** | *-3.8* | *0.8* |
| Poland | -0.6 | -1.8 | -1.6 | -1.4 | -0.1 | -2.1 | -0.1 | **-0.2** | **-1.1** | **-1.0** | *-0.3* | *-0.8* |
| Romania | 0.7 | -1.4 | 0.0 | -1.2 | -7.7 | -3.1 | 1.6 | **-0.1** | **-0.1** | **0.2** | *0.2* | *0.4* |
| Sweden | -0.5 | 0.3 | -0.6 | 2.3 | -3.1 | -1.1 | 1.9 | **0.9** | **-0.1** | **-0.5** | *0.3* | *-0.3* |
| United Kingdom | -1.1 | 0.5 | -0.1 | 3.9 | -1.4 | -0.9 | 1.3 | **-0.6** | **-1.1** | **-0.1** | *0.8* | *0.6* |
| EU | : | -0.2 | -0.6 | 3.2 | -1.4 | -0.7 | 0.6 | **-0.5** | **-0.8** | **-0.6** | *0.1* | *-0.4* |
| USA | : | : | -0.3 | -1.5 | -1.4 | -0.2 | -0.6 | **-0.4** | **0.0** | **-0.4** | *-1.0* | *-0.9* |
| Japan | : | -1.3 | -0.6 | 0.8 | -2.7 | 2.8 | -0.6 | **-2.1** | **-1.0** | **-0.9** | *-0.7* | *-1.9* |

[1] Nominal unit labour costs divided by GDP price deflator.

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

**Table 30: Nominal bilateral exchange rates against Ecu/euro (1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 39.7322 | : | : | : | : | : | : | : | : | : | : | : |
| Germany | 1.9283 | : | : | : | : | : | : | : | : | : | : | : |
| Estonia | 15.4223 | 15.6466 | 15.6466 | 15.6466 | 15.6466 | : | : | : | : | : | : | : |
| Ireland | 0.7873 | : | : | : | : | : | : | : | : | : | : | : |
| Greece | 307.3294 | : | : | : | : | : | : | : | : | : | : | : |
| Spain | 163.1475 | : | : | : | : | : | : | : | : | : | : | : |
| France | 6.5629 | : | : | : | : | : | : | : | : | : | : | : |
| Italy | 1975.4198 | : | : | : | : | : | : | : | : | : | : | : |
| Cyprus | 0.5858 | 0.5776 | : | : | : | : | : | : | : | : | : | : |
| Latvia | 0.6746 | 0.5933 | 0.6921 | 0.7057 | 0.7087 | 0.7063 | 0.6973 | **0.7004** | : | : | *0.7004* | *0.7006* |
| Luxembourg | 39.7322 | : | : | : | : | : | : | : | : | : | : | : |
| Malta | 0.4480 | 0.4136 | : | : | : | : | : | : | : | : | : | : |
| Netherlands | 2.1655 | : | : | : | : | : | : | : | : | : | : | : |
| Austria | 13.5670 | : | : | : | : | : | : | : | : | : | : | : |
| Portugal | 197.8092 | : | : | : | : | : | : | : | : | : | : | : |
| Slovenia | 169.2716 | 215.7784 | : | : | : | : | : | : | : | : | : | : |
| Slovakia | 38.7119 | 42.8416 | 36.1784 | : | : | : | : | : | : | : | : | : |
| Finland | 5.9181 | : | : | : | : | : | : | : | : | : | : | : |
| Euro area | : | : | : | : | : | : | : | : | : | : | : | : |
| Bulgaria | 0.8496 | 1.9509 | 1.9553 | 1.9558 | 1.9558 | 1.9558 | 1.9558 | **1.9558** | **1.9558** | **1.9558** | *1.9558* | *1.9558* |
| Czech Republic | 35.0566 | 33.8403 | 28.5453 | 26.4349 | 25.2840 | 24.5898 | 25.1491 | **25.7140** | **25.6034** | **25.6034** | *25.7801* | *25.8486* |
| Denmark | 7.4427 | 7.4405 | 7.4515 | 7.4462 | 7.4473 | 7.4506 | 7.4437 | **7.4579** | **7.4592** | **7.4592** | *7.4564* | *7.4557* |
| Croatia | 6.9946 | 7.5375 | 7.3567 | 7.3400 | 7.2891 | 7.4390 | 7.5217 | **7.5760** | **7.6170** | **7.6170** | *7.6050* | *7.6118* |
| Lithuania | 4.8127 | 3.6907 | 3.4528 | 3.4528 | 3.4528 | 3.4528 | 3.4528 | **3.4528** | **3.4528** | **3.4528** | *3.4528* | *3.4528* |
| Hungary | 187.1120 | 253.1959 | 253.3676 | 280.3270 | 275.4805 | 279.3726 | 289.2494 | **296.3621** | **295.3624** | **295.3624** | *296.6283* | *296.5654* |
| Poland | 3.3853 | 4.0329 | 3.9483 | 4.3276 | 3.9947 | 4.1206 | 4.1847 | **4.1984** | **4.1873** | **4.1873** | *4.1259* | *4.1150* |
| Romania | 0.5330 | 2.6218 | 3.6431 | 4.2399 | 4.2122 | 4.2391 | 4.4593 | **4.4190** | **4.4502** | **4.4502** | *4.3865* | *4.3857* |
| Sweden | 8.9154 | 8.9586 | 9.3053 | 10.6191 | 9.5373 | 9.0298 | 8.7041 | **8.6286** | **8.7695** | **8.7695** | *8.4195* | *8.3959* |
| United Kingdom | 0.7574 | 0.6422 | 0.7050 | 0.8909 | 0.8578 | 0.8679 | 0.8109 | **0.8505** | **0.8463** | **0.8463** | *0.8532* | *0.8540* |
| EU | : | : | : | : | : | : | : | : | : | : | : | : |
| USA | 1.2045 | 0.9924 | 1.3170 | 1.3948 | 1.3257 | 1.3920 | 1.2848 | **1.3274** | **1.3572** | **1.3572** | *1.3108* | *1.3082* |
| Japan | 133.1818 | 115.7016 | 146.2032 | 130.3366 | 116.2386 | 110.9586 | 102.4919 | **128.7548** | **132.7554** | **132.7554** | *127.1880* | *129.0444* |

**Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 0.8 | 0.5 | 0.9 | 1.0 | -2.4 | 0.3 | -2.0 | **2.2** | **0.6** | **0.0** | *1.6* | *0.0* |
| **Germany** | 1.6 | 0.7 | 1.0 | 1.3 | -3.6 | 0.1 | -2.3 | **3.0** | **0.8** | **0.0** | *2.1* | *0.0* |
| **Estonia** | 1.1 | 0.4 | 0.7 | 2.4 | -3.0 | -0.4 | -1.5 | **1.3** | **0.6** | **0.0** | *0.5* | *0.0* |
| **Ireland** | 0.3 | 0.3 | 1.9 | 0.7 | -3.5 | 0.8 | -3.6 | **3.1** | **0.8** | **0.0** | *2.4* | *0.0* |
| **Greece** | 0.6 | 1.6 | 0.8 | 1.9 | -2.4 | 1.0 | -1.4 | **2.1** | **0.8** | **0.0** | *1.2* | *0.0* |
| **Spain** | -1.0 | 0.7 | 0.9 | 1.3 | -2.4 | 0.4 | -1.8 | **2.0** | **0.6** | **0.0** | *1.4* | *0.0* |
| **France** | 1.4 | 0.6 | 1.1 | 0.8 | -3.1 | 0.2 | -2.4 | **2.9** | **0.8** | **0.0** | *2.1* | *0.0* |
| **Italy** | 1.0 | 1.0 | 1.0 | 1.0 | -3.2 | 0.4 | -2.1 | **2.8** | **0.8** | **0.0** | *1.9* | *0.0* |
| **Cyprus** | 8.8 | 1.0 | 0.9 | 1.8 | -2.5 | 0.2 | -2.0 | **2.4** | **0.5** | **0.0** | *1.8* | *0.0* |
| **Latvia** | 6.3 | 0.7 | -1.5 | 2.0 | -2.9 | 0.4 | 0.1 | **0.9** | **0.4** | **0.0** | *0.3* | *0.0* |
| **Luxembourg** | 0.7 | 0.3 | 0.5 | 1.6 | -2.0 | 0.0 | -1.5 | **1.5** | **0.3** | **0.0** | *1.1* | *0.0* |
| **Malta** | 1.3 | 0.5 | 1.5 | -0.9 | -3.6 | 0.3 | -2.1 | **2.6** | **0.5** | **0.0** | *2.0* | *0.0* |
| **Netherlands** | 0.6 | 0.5 | 0.8 | 1.5 | -2.4 | 0.2 | -1.7 | **2.0** | **0.5** | **0.0** | *1.4* | *0.0* |
| **Austria** | 1.6 | 0.6 | 0.5 | 1.3 | -2.5 | -0.1 | -1.3 | **1.9** | **0.5** | **0.0** | *1.3* | *0.0* |
| **Portugal** | -0.7 | 0.3 | 0.7 | 0.8 | -1.8 | 0.3 | -1.5 | **1.5** | **0.4** | **0.0** | *1.0* | *0.0* |
| **Slovenia** | -4.0 | -3.9 | -0.4 | 2.0 | -1.7 | 0.4 | -0.6 | **1.3** | **0.4** | **0.0** | *0.8* | *0.0* |
| **Slovakia** | 1.0 | -0.7 | 5.8 | 6.8 | -2.2 | 0.2 | -0.4 | **1.2** | **0.3** | **0.0** | *0.7* | *0.0* |
| **Finland** | 3.5 | 0.7 | 1.0 | 1.6 | -3.9 | -0.1 | -2.7 | **3.0** | **1.0** | **0.0** | *1.9* | *0.0* |
| **Euro area** | 2.6 | 1.5 | 2.2 | 2.8 | -6.7 | 0.5 | -4.4 | **5.9** | **1.6** | **0.0** | *4.2* | *0.1* |
| **Bulgaria** | -53.6 | 3.8 | 0.6 | 2.6 | -2.2 | 1.3 | -0.7 | **2.0** | **1.0** | **0.0** | *1.0* | *0.0* |
| **Czech Republic** | 1.3 | 3.2 | 5.2 | -3.6 | 2.6 | 3.1 | -3.2 | **-1.0** | **0.4** | **0.0** | *-1.6* | *-0.3* |
| **Denmark** | 1.2 | 0.4 | 0.9 | 2.3 | -4.0 | -0.4 | -2.5 | **2.4** | **0.8** | **0.0** | *1.4* | *0.0* |
| **Croatia** | -7.8 | -0.4 | 1.4 | -0.4 | -1.2 | -1.6 | -2.2 | **0.9** | **0.0** | **0.0** | *:* | *:* |
| **Lithuania** | 5.9 | 6.4 | 0.5 | 2.5 | -2.6 | 0.4 | -1.4 | **1.6** | **0.6** | **0.0** | *0.9* | *0.0* |
| **Hungary** | -12.5 | -0.4 | 0.4 | -8.4 | -0.2 | -1.0 | -4.5 | **-1.0** | **0.1** | **0.0** | *-1.4* | *0.0* |
| **Poland** | -10.1 | -2.1 | 5.0 | -17.7 | 6.2 | -2.8 | -2.7 | **0.9** | **0.0** | **0.0** | *2.5* | *0.3* |
| **Romania** | -35.4 | -22.0 | 0.9 | -11.5 | -1.3 | 0.4 | -5.9 | **2.7** | **-0.1** | **0.0** | *2.7* | *0.0* |
| **Sweden** | 1.6 | -0.1 | 0.1 | -8.4 | 7.4 | 5.9 | 1.1 | **4.1** | **0.4** | **0.0** | *5.3* | *0.3* |
| **United Kingdom** | 4.5 | -0.1 | -1.6 | -11.4 | 0.3 | -0.9 | 4.4 | **-1.9** | **2.1** | **0.0** | *-3.2* | *-0.1* |
| **EU** | 3.7 | 1.7 | 3.1 | -5.4 | -7.3 | 1.0 | -5.2 | **8.0** | **3.0** | **0.0** | *5.4* | *0.1* |
| **USA** | 4.6 | -0.1 | -3.7 | 6.4 | -3.1 | -5.3 | 4.0 | **3.1** | **0.0** | **0.0** | *2.3* | *0.3* |
| **Japan** | -1.9 | 2.5 | -0.5 | 16.1 | 6.1 | 5.9 | 3.2 | **-18.0** | **-1.5** | **0.0** | *-18.5* | *-1.6* |

[1] 37 countries : EU (excl. LU), 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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | : | -0.3 | 0.2 | -0.2 | 0.1 | 1.7 | 1.9 | **0.5** | **-0.7** | **:** | *0.9* | *-0.8* |
| **Germany** | : | -2.0 | -2.5 | 2.1 | -0.8 | -0.1 | 1.0 | **1.0** | **0.5** | **:** | *1.2* | *0.6* |
| **Estonia** | : | 1.8 | 7.1 | -2.1 | -3.5 | -2.9 | 1.3 | **5.2** | **2.8** | **:** | *1.1* | *1.3* |
| **Ireland** | : | 0.9 | 3.0 | -5.8 | -6.5 | -5.3 | -1.9 | **-0.1** | **-2.0** | **:** | *-2.0* | *-2.3* |
| **Greece** | : | -0.6 | 0.1 | 1.7 | -0.2 | -2.7 | -8.5 | **-7.7** | **-2.6** | **:** | *-7.7* | *-2.8* |
| **Spain** | : | 0.2 | 2.0 | -2.4 | -1.5 | -2.0 | -4.9 | **-2.5** | **-2.0** | **:** | *-2.2* | *-1.9* |
| **France** | : | -0.4 | 0.1 | 0.0 | 1.3 | 0.2 | 0.2 | **-0.1** | **-0.3** | **:** | *0.0* | *-0.4* |
| **Italy** | : | -0.1 | 0.6 | 0.8 | 0.4 | 0.0 | 0.5 | **0.5** | **-0.3** | **:** | *0.0* | *-0.6* |
| **Cyprus** | : | 1.0 | -0.6 | -0.4 | 1.2 | 2.0 | -3.2 | **-8.1** | **-4.9** | **:** | *-5.3* | *-6.9* |
| **Latvia** | : | -1.3 | 14.2 | -11.2 | -8.7 | 0.4 | 0.8 | **1.1** | **1.6** | **:** | *-0.6* | *0.4* |
| **Luxembourg** | : | 0.6 | 1.4 | 4.3 | 1.7 | 2.3 | 2.2 | **-0.5** | **1.7** | **:** | *1.3* | *1.4* |
| **Malta** | : | 0.9 | 0.4 | 2.6 | -0.3 | 0.8 | 1.8 | **1.9** | **0.8** | **:** | *0.9* | *1.1* |
| **Netherlands** | : | 1.4 | -0.6 | 1.2 | -0.2 | 0.1 | 0.6 | **-1.7** | **0.0** | **:** | *-0.1* | *-0.2* |
| **Austria** | : | -1.7 | -0.5 | 0.8 | 0.6 | -0.1 | 0.6 | **1.2** | **-0.2** | **:** | *0.5* | *-0.3* |
| **Portugal** | : | 1.4 | -0.1 | -0.3 | -0.9 | -1.5 | -4.2 | **-0.4** | **-2.6** | **:** | *0.3* | *-1.9* |
| **Slovenia** | : | 3.8 | 1.2 | 4.0 | 0.8 | -1.7 | -1.7 | **-1.4** | **-1.4** | **:** | *-1.3* | *-1.2* |
| **Slovakia** | : | 2.4 | 1.1 | 1.4 | -0.5 | -0.2 | -1.6 | **-0.5** | **0.2** | **:** | *-1.0* | *-0.7* |
| **Finland** | : | -0.9 | 0.0 | 5.2 | -1.0 | 0.9 | 2.1 | **1.1** | **-0.2** | **:** | *1.1* | *1.2* |
| **Euro area** | : | -1.3 | -1.0 | 1.6 | -0.6 | -0.3 | 0.0 | **-0.1** | **-0.6** | **:** | *0.3* | *-0.7* |
| **Bulgaria** | : | -2.7 | 4.0 | 7.4 | 5.5 | 2.1 | -3.0 | **0.6** | **0.9** | **:** | *-0.2* | *1.8* |
| **Czech Republic** | : | 1.7 | 0.3 | -2.1 | 0.1 | -0.6 | 1.3 | **-0.1** | **-1.2** | **:** | *0.1* | *-0.7* |
| **Denmark** | : | 0.6 | 1.4 | 1.7 | -0.1 | -1.3 | -0.6 | **-0.2** | **-0.6** | **:** | *-1.1* | *-0.7* |
| **Croatia** | : | 1.0 | 1.2 | 2.1 | -0.8 | -0.3 | -1.2 | **-1.4** | **0.0** | **:** | *:* | *:* |
| **Lithuania** | : | -4.0 | 4.2 | -4.5 | -5.8 | -0.3 | -0.8 | **0.8** | **0.3** | **:** | *0.6* | *0.1* |
| **Hungary** | : | 6.1 | 2.2 | -1.5 | -0.2 | 1.4 | 0.1 | **-2.6** | **1.9** | **:** | *-2.4* | *2.9* |
| **Poland** | : | -0.2 | -0.3 | -2.0 | 1.9 | 0.1 | -0.3 | **-0.6** | **-0.5** | **:** | *-0.7* | *-0.5* |
| **Romania** | : | 28.4 | 11.2 | -1.7 | -2.4 | 0.2 | 3.7 | **2.4** | **1.5** | **:** | *2.9* | *2.5* |
| **Sweden** | : | -0.3 | -1.0 | 0.4 | -2.1 | -1.3 | 0.5 | **0.9** | **-0.2** | **:** | *0.2* | *0.3* |
| **United Kingdom** | : | 0.3 | 0.5 | 3.2 | 2.4 | 0.3 | 1.1 | **-0.4** | **-0.7** | **:** | *1.3* | *1.1* |
| **EU** | : | -1.2 | -0.3 | 2.5 | -0.2 | -0.4 | 0.3 | **-0.4** | **-1.2** | **:** | *0.5* | *-0.4* |
| **USA** | : | -0.7 | 0.7 | -4.4 | 0.2 | 0.1 | -0.7 | **-0.2** | **-0.3** | **:** | *-0.8* | *-0.2* |
| **Japan** | : | -4.7 | -3.9 | -2.2 | -4.9 | -0.9 | -3.5 | **-3.8** | **-0.4** | **:** | *-2.5* | *-1.9* |

[1] 37 countries : EU (excl. LU), 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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | : | 0.3 | 1.1 | 0.9 | -2.4 | 2.0 | -0.1 | **2.8** | **-0.1** | **:** | *2.5* | *-0.8* |
| Germany | : | -1.2 | -1.5 | 3.5 | -4.4 | 0.0 | -1.3 | **4.0** | **1.3** | **:** | *3.3* | *0.7* |
| Estonia | : | 2.2 | 7.8 | 0.2 | -6.4 | -3.4 | -0.2 | **6.5** | **3.4** | **:** | *1.6* | *1.3* |
| Ireland | : | 1.3 | 4.9 | -5.1 | -9.7 | -4.5 | -5.4 | **3.0** | **-1.2** | **:** | *0.3* | *-2.3* |
| Greece | : | 0.9 | 0.8 | 3.6 | -2.5 | -1.7 | -9.8 | **-5.7** | **-1.8** | **:** | *-6.6* | *-2.8* |
| Spain | : | 0.9 | 2.9 | -1.1 | -3.9 | -1.6 | -6.6 | **-0.5** | **-1.4** | **:** | *-0.8* | *-1.9* |
| France | : | 0.2 | 1.1 | 0.8 | -1.8 | 0.5 | -2.2 | **2.8** | **0.5** | **:** | *2.1* | *-0.3* |
| Italy | : | 0.9 | 1.6 | 1.8 | -2.8 | 0.4 | -1.6 | **3.2** | **0.5** | **:** | *1.9* | *-0.5* |
| Cyprus | : | 2.1 | 0.3 | 1.4 | -1.3 | 2.3 | -5.1 | **-5.9** | **-4.4** | **:** | *-3.6* | *-6.8* |
| Latvia | : | -0.6 | 12.5 | -9.4 | -11.3 | 0.9 | 0.8 | **2.0** | **2.0** | **:** | *-0.2* | *0.3* |
| Luxembourg | : | 0.9 | 1.9 | 6.0 | -0.3 | 2.4 | 0.7 | **1.0** | **2.0** | **:** | *2.5* | *1.4* |
| Malta | : | 1.3 | 2.0 | 1.7 | -3.9 | 1.1 | -0.4 | **4.5** | **1.3** | **:** | *2.9* | *1.1* |
| Netherlands | : | 1.9 | 0.2 | 2.7 | -2.6 | 0.3 | -1.2 | **0.3** | **0.4** | **:** | *1.3* | *-0.2* |
| Austria | : | -1.1 | 0.0 | 2.1 | -1.9 | -0.1 | -0.7 | **3.1** | **0.3** | **:** | *1.9* | *-0.3* |
| Portugal | : | 1.7 | 0.6 | 0.5 | -2.7 | -1.2 | -5.6 | **1.1** | **-2.2** | **:** | *1.3* | *-1.9* |
| Slovenia | : | -0.3 | 0.8 | 6.1 | -0.9 | -1.3 | -2.3 | **-0.1** | **-1.0** | **:** | *-0.5* | *-1.2* |
| Slovakia | : | 1.8 | 7.0 | 8.3 | -2.8 | 0.0 | -2.0 | **0.7** | **0.5** | **:** | *-0.3* | *-0.7* |
| Finland | : | -0.2 | 1.0 | 6.8 | -4.9 | 0.9 | -0.6 | **4.2** | **0.7** | **:** | *3.0* | *1.2* |
| Euro area | : | 0.1 | 1.2 | 4.4 | -7.3 | 0.1 | -4.4 | **5.8** | **0.9** | **:** | *4.4* | *-0.6* |
| Bulgaria | : | 0.9 | 4.6 | 10.2 | 3.2 | 3.4 | -3.7 | **2.6** | **1.9** | **:** | *0.8* | *1.8* |
| Czech Republic | : | 4.9 | 5.4 | -5.7 | 2.7 | 2.5 | -1.9 | **-1.1** | **-0.8** | **:** | *-1.5* | *-0.9* |
| Denmark | : | 1.0 | 2.3 | 4.1 | -4.1 | -1.7 | -3.2 | **2.2** | **0.2** | **:** | *0.3* | *-0.7* |
| Croatia | : | 0.5 | 2.6 | 1.6 | -2.0 | -1.8 | -3.4 | **-0.5** | **0.0** | **:** | *:* | *:* |
| Lithuania | : | 2.1 | 4.7 | -2.1 | -8.2 | 0.1 | -2.1 | **2.4** | **0.8** | **:** | *1.5* | *0.1* |
| Hungary | : | 5.7 | 2.5 | -9.7 | -0.4 | 0.4 | -4.4 | **-3.6** | **2.0** | **:** | *-3.8* | *2.9* |
| Poland | : | -2.4 | 4.7 | -19.4 | 8.2 | -2.7 | -3.0 | **0.3** | **-0.5** | **:** | *1.7* | *-0.2* |
| Romania | : | 0.1 | 12.2 | -13.0 | -3.7 | 0.6 | -2.4 | **5.2** | **1.4** | **:** | *5.7* | *2.5* |
| Sweden | : | -0.4 | -0.9 | -8.1 | 5.2 | 4.6 | 1.7 | **5.1** | **0.2** | **:** | *5.5* | *0.6* |
| United Kingdom | : | 0.2 | -1.1 | -8.5 | 2.7 | -0.6 | 5.6 | **-2.3** | **1.3** | **:** | *-2.0* | *1.1* |
| EU | : | 0.5 | 2.8 | -3.0 | -7.5 | 0.7 | -4.9 | **7.6** | **1.7** | **:** | *5.9* | *-0.3* |
| USA | : | -0.8 | -3.1 | 1.7 | -2.9 | -5.2 | 3.4 | **2.9** | **-0.4** | **:** | *1.4* | *0.1* |
| Japan | : | -2.4 | -4.3 | 13.6 | 0.9 | 5.0 | -0.4 | **-21.1** | **-1.9** | **:** | *-20.5* | *-3.4* |

[1] 37 countries : EU (excl. LU), 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 [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 51.7 | 49.8 | 49.4 | 53.7 | 52.4 | 53.3 | 54.9 | **54.0** | **54.0** | **53.9** | *54.1* | *54.2* |
| Germany | 49.6 | 47.5 | 45.4 | 48.3 | 47.9 | 45.2 | 44.7 | **44.7** | **44.5** | **44.2** | *45.4* | *45.1* |
| Estonia | 40.0 | 36.3 | 35.0 | 44.8 | 40.5 | 37.6 | 39.5 | **38.6** | **37.6** | **36.7** | *39.6* | *37.6* |
| Ireland | 39.0 | 33.1 | 36.3 | 48.1 | 65.5 | 47.2 | 42.7 | **42.3** | **40.1** | **37.6** | *42.3* | *39.4* |
| Greece | 45.1 | 45.7 | 46.6 | 54.0 | 51.3 | 51.9 | 53.6 | **58.2** | **47.1** | **45.1** | *47.3* | *46.5* |
| Spain | : | 39.0 | 39.2 | 46.2 | 46.3 | 45.7 | 47.8 | **44.6** | **43.8** | **43.2** | *43.3* | *42.9* |
| France | 54.0 | 52.4 | 53.1 | 56.8 | 56.5 | 55.9 | 56.6 | **57.0** | **56.8** | **56.6** | *57.2* | *57.1* |
| Italy | 51.2 | 47.3 | 48.0 | 52.0 | 50.5 | 49.9 | 50.7 | **51.2** | **50.5** | **50.1** | *51.1* | *50.2* |
| Cyprus | : | 39.3 | 42.3 | 46.2 | 46.2 | 46.3 | 46.4 | **48.1** | **48.0** | **46.0** | *47.1* | *47.5* |
| Latvia | 37.7 | 37.0 | 37.0 | 43.8 | 43.4 | 38.4 | 36.4 | **36.2** | **35.7** | **35.2** | *35.5* | *34.7* |
| Luxembourg | 40.3 | 39.7 | 39.6 | 45.2 | 43.5 | 42.6 | 44.3 | **44.0** | **44.0** | **44.7** | *43.1* | *43.4* |
| Malta | : | 41.9 | 43.1 | 42.5 | 41.6 | 41.7 | 43.4 | **44.5** | **44.3** | **44.5** | *44.6* | *44.7* |
| Netherlands | 49.7 | 45.8 | 45.6 | 51.4 | 51.4 | 49.9 | 50.5 | **50.2** | **51.0** | **49.5** | *50.9* | *50.8* |
| Austria | 55.0 | 51.6 | 50.1 | 52.6 | 52.8 | 50.8 | 51.7 | **52.1** | **51.7** | **51.3** | *51.3* | *50.8* |
| Portugal | 41.9 | 42.8 | 45.2 | 49.7 | 51.5 | 49.3 | 47.4 | **49.1** | **46.8** | **45.3** | *48.6* | *46.6* |
| Slovenia | : | 46.5 | 44.3 | 48.7 | 49.4 | 49.9 | 48.1 | **50.1** | **52.0** | **48.4** | *50.3* | *49.1* |
| Slovakia | 50.9 | 46.0 | 36.3 | 41.6 | 40.0 | 38.4 | 37.8 | **36.0** | **37.0** | **36.2** | *36.9* | *36.3* |
| Finland | 58.9 | 49.4 | 49.2 | 55.9 | 55.5 | 54.8 | 56.2 | **57.5** | **58.0** | **57.9** | *56.3* | *56.7* |
| Euro area | 49.5 | 47.4 | 46.9 | 51.2 | 51.0 | 49.5 | 49.9 | **49.8** | **49.3** | **48.8** | *49.7* | *49.3* |
| Bulgaria | 43.5 | 40.1 | 37.6 | 41.4 | 37.4 | 35.6 | 35.9 | **37.6** | **38.1** | **38.4** | *37.5* | *38.2* |
| Czech Republic | : | 44.7 | 42.1 | 44.7 | 43.8 | 43.2 | 44.5 | **43.4** | **43.2** | **43.1** | *43.4* | *43.3* |
| Denmark | 58.2 | 54.4 | 52.2 | 58.0 | 57.5 | 57.5 | 59.4 | **58.0** | **57.0** | **56.2** | *57.8* | *56.8* |
| Croatia | : | : | : | 46.1 | 46.9 | 47.9 | 45.5 | **45.9** | **47.5** | **48.2** | *41.5* | *41.8* |
| Lithuania | 37.7 | 37.5 | 35.1 | 44.9 | 42.2 | 38.7 | 36.0 | **35.5** | **34.5** | **33.4** | *35.6* | *34.8* |
| Hungary | 47.4 | 49.2 | 50.3 | 51.5 | 49.9 | 50.0 | 48.6 | **50.2** | **50.8** | **49.6** | *49.6* | *50.3* |
| Poland | 46.8 | 43.3 | 43.1 | 44.6 | 45.4 | 43.4 | 42.2 | **41.5** | **40.7** | **40.3** | *41.6* | *41.0* |
| Romania | : | 36.5 | 36.0 | 41.1 | 40.1 | 39.5 | 36.6 | **36.3** | **36.2** | **36.3** | *36.6* | *36.8* |
| Sweden | 63.4 | 55.7 | 52.6 | 54.7 | 52.0 | 51.3 | 51.8 | **52.5** | **51.7** | **50.7** | *52.2* | *51.5* |
| United Kingdom | 41.3 | 39.5 | 44.0 | 50.9 | 49.9 | 48.0 | 47.9 | **47.2** | **46.1** | **44.9** | *48.5* | *47.8* |
| EU | 48.5 | 46.1 | 46.2 | 51.0 | 50.6 | 49.1 | 49.3 | **49.1** | **48.5** | **47.9** | *49.2* | *48.8* |
| USA | : | 33.7 | 35.4 | 41.3 | 41.0 | 39.8 | 38.4 | **37.5** | **37.1** | **36.7** | *39.6* | *39.1* |
| Japan | 37.8 | 39.6 | 38.0 | 43.8 | 42.5 | 43.9 | 44.1 | **44.3** | **43.5** | **43.0** | *42.8* | *42.3* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 35: Total revenue, general government [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 48.3 | 49.7 | 48.8 | 48.1 | 48.7 | 49.6 | 51.0 | **51.2** | **51.4** | **51.4** | *51.1* | *51.0* |
| **Germany** | 45.6 | 45.2 | 43.7 | 45.2 | 43.7 | 44.3 | 44.8 | **44.6** | **44.5** | **44.4** | *45.2* | *45.1* |
| **Estonia** | 41.3 | 36.0 | 36.0 | 42.8 | 40.6 | 38.7 | 39.2 | **38.2** | **37.5** | **36.7** | *39.3* | *37.8* |
| **Ireland** | 38.8 | 34.7 | 36.1 | 34.5 | 34.9 | 34.0 | 34.5 | **34.9** | **35.1** | **34.7** | *34.8* | *35.0* |
| **Greece** | 38.3 | 41.3 | 39.6 | 38.4 | 40.6 | 42.4 | 44.6 | **44.6** | **45.1** | **44.0** | *43.5* | *43.9* |
| **Spain** | : | 38.3 | 39.5 | 35.1 | 36.7 | 36.2 | 37.1 | **37.8** | **37.8** | **36.6** | *36.8* | *35.9* |
| **France** | 49.8 | 50.0 | 50.1 | 49.2 | 49.5 | 50.6 | 51.8 | **52.9** | **53.0** | **52.9** | *53.3* | *52.9* |
| **Italy** | 45.5 | 44.7 | 44.9 | 46.5 | 46.1 | 46.1 | 47.7 | **48.1** | **47.8** | **47.6** | *48.2* | *47.7* |
| **Cyprus** | : | 35.3 | 41.7 | 40.1 | 40.9 | 39.9 | 40.0 | **39.8** | **39.6** | **39.7** | *40.6* | *39.1* |
| **Latvia** | 37.4 | 34.5 | 35.7 | 34.0 | 35.3 | 34.9 | 35.1 | **34.8** | **34.7** | **34.2** | *34.3* | *33.8* |
| **Luxembourg** | 42.9 | 43.3 | 41.0 | 44.5 | 42.7 | 42.7 | 43.7 | **43.2** | **43.0** | **42.0** | *42.9* | *42.9* |
| **Malta** | : | 35.2 | 39.7 | 38.8 | 38.1 | 38.9 | 40.1 | **41.0** | **41.0** | **41.0** | *40.9* | *41.1* |
| **Netherlands** | 47.4 | 45.1 | 45.4 | 45.8 | 46.3 | 45.6 | 46.4 | **46.9** | **47.6** | **46.6** | *47.3* | *47.2* |
| **Austria** | 51.2 | 50.3 | 48.2 | 48.5 | 48.3 | 48.3 | 49.2 | **49.6** | **49.7** | **49.8** | *49.0* | *49.0* |
| **Portugal** | 37.0 | 39.1 | 40.9 | 39.6 | 41.6 | 45.0 | 40.9 | **43.2** | **42.8** | **42.7** | *43.1* | *42.6* |
| **Slovenia** | : | 43.3 | 42.9 | 42.3 | 43.6 | 43.6 | 44.2 | **44.3** | **45.0** | **44.6** | *45.0* | *44.2* |
| **Slovakia** | 44.7 | 38.5 | 33.8 | 33.5 | 32.3 | 33.3 | 33.2 | **33.0** | **33.7** | **32.3** | *33.9* | *33.2* |
| **Finland** | 55.8 | 53.6 | 53.0 | 53.4 | 53.0 | 54.1 | 54.4 | **55.2** | **55.7** | **55.8** | *54.5* | *55.2* |
| **Euro area** | 45.3 | 45.5 | 45.0 | 44.9 | 44.8 | 45.3 | 46.2 | **46.7** | **46.7** | **46.4** | *46.8* | *46.5* |
| **Bulgaria** | 39.0 | 39.9 | 39.1 | 37.1 | 34.3 | 33.6 | 35.2 | **35.5** | **36.1** | **36.6** | *36.2* | *36.9* |
| **Czech Republic** | : | 39.5 | 39.8 | 38.9 | 39.1 | 40.0 | 40.1 | **40.5** | **40.3** | **39.6** | *40.5* | *40.3* |
| **Denmark** | 56.5 | 55.6 | 56.3 | 55.3 | 55.0 | 55.7 | 55.3 | **56.3** | **55.4** | **53.4** | *56.1* | *54.1* |
| **Croatia** | : | : | : | 40.8 | 40.5 | 40.1 | 40.6 | **40.4** | **41.0** | **42.0** | *36.7* | *36.2* |
| **Lithuania** | 33.7 | 34.9 | 33.7 | 35.5 | 35.0 | 33.2 | 32.7 | **32.5** | **32.0** | **31.6** | *32.6* | *32.4* |
| **Hungary** | 41.9 | 43.5 | 43.7 | 46.9 | 45.6 | 54.3 | 46.6 | **47.2** | **47.8** | **46.9** | *46.6* | *47.0* |
| **Poland** | 44.3 | 38.9 | 39.3 | 37.2 | 37.5 | 38.4 | 38.3 | **36.7** | **45.3** | **36.9** | *37.6* | *36.9* |
| **Romania** | : | 33.3 | 33.4 | 32.1 | 33.3 | 33.9 | 33.6 | **33.9** | **34.2** | **34.5** | *34.1* | *34.4* |
| **Sweden** | 59.3 | 56.4 | 54.8 | 54.0 | 52.3 | 51.5 | 51.6 | **51.6** | **50.5** | **50.3** | *51.2* | *51.2* |
| **United Kingdom** | 37.5 | 39.4 | 40.5 | 39.5 | 39.8 | 40.3 | 41.8 | **40.8** | **40.8** | **40.6** | *41.7* | *41.5* |
| **EU** | 44.5 | 44.5 | 44.2 | 44.1 | 44.1 | 44.6 | 45.4 | **45.6** | **45.8** | **45.2** | *45.8* | *45.5* |
| **USA** | : | 31.6 | 30.8 | 28.7 | 29.1 | 29.3 | 29.3 | **31.1** | **31.4** | **31.8** | *32.7* | *33.1* |
| **Japan** | 32.2 | 32.3 | 34.8 | 34.9 | 34.2 | 34.9 | 34.6 | **34.8** | **36.2** | **37.2** | *33.3* | *34.7* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 36: Net lending (+) or net borrowing (-), general government [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | -3.4 | -0.1 | -0.7 | -5.6 | -3.7 | -3.7 | -4.0 | **-2.8** | **-2.6** | **-2.5** | *-2.9* | *-3.1* |
| **Germany** | -4.1 | -2.3 | -1.7 | -3.1 | -4.2 | -0.8 | 0.1 | **0.0** | **0.1** | **0.2** | *-0.2* | *0.0* |
| **Estonia** | 1.3 | -0.4 | 1.0 | -2.0 | 0.2 | 1.1 | -0.2 | **-0.4** | **-0.1** | **-0.1** | *-0.3* | *0.2* |
| **Ireland** | -0.2 | 1.7 | -0.3 | -13.7 | -30.6 | -13.1 | -8.2 | **-7.4** | **-5.0** | **-3.0** | *-7.5* | *-4.3* |
| **Greece** | -6.8 | -4.4 | -7.0 | -15.7 | -10.7 | -9.5 | -9.0 | **-13.5** | **-2.0** | **-1.1** | *-3.8* | *-2.6* |
| **Spain** | : | -0.7 | 0.2 | -11.1 | -9.6 | -9.6 | -10.6 | **-6.8** | **-5.9** | **-6.6** | *-6.5* | *-7.0* |
| **France** | -4.2 | -2.5 | -3.0 | -7.5 | -7.1 | -5.3 | -4.8 | **-4.1** | **-3.8** | **-3.7** | *-3.9* | *-4.2* |
| **Italy** | -5.8 | -2.5 | -3.1 | -5.5 | -4.5 | -3.8 | -3.0 | **-3.0** | **-2.7** | **-2.5** | *-2.9* | *-2.5* |
| **Cyprus** | : | -4.0 | -0.7 | -6.1 | -5.3 | -6.3 | -6.4 | **-8.3** | **-8.4** | **-6.3** | *-6.5* | *-8.4* |
| **Latvia** | -0.4 | -2.5 | -1.3 | -9.8 | -8.1 | -3.6 | -1.3 | **-1.4** | **-1.0** | **-1.0** | *-1.2* | *-0.9* |
| **Luxembourg** | 2.6 | 3.6 | 1.4 | -0.7 | -0.8 | 0.1 | -0.6 | **-0.9** | **-1.0** | **-2.7** | *-0.2* | *-0.4* |
| **Malta** | : | -6.7 | -3.4 | -3.7 | -3.5 | -2.8 | -3.3 | **-3.4** | **-3.4** | **-3.5** | *-3.7* | *-3.6* |
| **Netherlands** | -2.4 | -0.6 | -0.2 | -5.6 | -5.1 | -4.3 | -4.1 | **-3.3** | **-3.3** | **-3.0** | *-3.6* | *-3.6* |
| **Austria** | -3.8 | -1.2 | -1.9 | -4.1 | -4.5 | -2.5 | -2.5 | **-2.5** | **-1.9** | **-1.5** | *-2.2* | *-1.8* |
| **Portugal** | -5.0 | -3.6 | -4.4 | -10.2 | -9.8 | -4.3 | -6.4 | **-5.9** | **-4.0** | **-2.5** | *-5.5* | *-4.0* |
| **Slovenia** | : | -3.2 | -1.4 | -6.3 | -5.9 | -6.3 | -3.8 | **-5.8** | **-7.1** | **-3.8** | *-5.3* | *-4.9* |
| **Slovakia** | -6.2 | -7.4 | -2.5 | -8.0 | -7.7 | -5.1 | -4.5 | **-3.0** | **-3.2** | **-3.8** | *-3.0* | *-3.1* |
| **Finland** | -3.2 | 4.1 | 3.9 | -2.5 | -2.5 | -0.7 | -1.8 | **-2.2** | **-2.3** | **-2.0** | *-1.8* | *-1.5* |
| **Euro area** | : | -1.9 | -1.9 | -6.4 | -6.2 | -4.2 | -3.7 | **-3.1** | **-2.5** | **-2.4** | *-2.9* | *-2.8* |
| **Bulgaria** | -4.5 | -0.2 | 1.5 | -4.3 | -3.1 | -2.0 | -0.8 | **-2.0** | **-2.0** | **-1.8** | *-1.3* | *-1.3* |
| **Czech Republic** | : | -5.2 | -2.3 | -5.8 | -4.7 | -3.2 | -4.4 | **-2.9** | **-3.0** | **-3.5** | *-2.9* | *-3.0* |
| **Denmark** | -1.8 | 1.1 | 4.1 | -2.7 | -2.5 | -1.8 | -4.1 | **-1.7** | **-1.7** | **-2.7** | *-1.7* | *-2.7* |
| **Croatia** | : | : | : | -5.3 | -6.4 | -7.8 | -5.0 | **-5.4** | **-6.5** | **-6.2** | *-4.7* | *-5.6* |
| **Lithuania** | -4.1 | -2.5 | -1.4 | -9.4 | -7.2 | -5.5 | -3.2 | **-3.0** | **-2.5** | **-1.9** | *-2.9* | *-2.4* |
| **Hungary** | : | -5.8 | -6.5 | -4.6 | -4.3 | 4.3 | -2.0 | **-2.9** | **-3.0** | **-2.7** | *-3.0* | *-3.3* |
| **Poland** | -2.5 | -4.4 | -3.7 | -7.5 | -7.9 | -5.0 | -3.9 | **-4.8** | **4.6** | **-3.3** | *-3.9* | *-4.1* |
| **Romania** | : | -3.2 | -2.6 | -9.0 | -6.8 | -5.6 | -3.0 | **-2.5** | **-2.0** | **-1.8** | *-2.6* | *-2.4* |
| **Sweden** | -4.1 | 0.8 | 2.2 | -0.7 | 0.3 | 0.2 | -0.2 | **-0.9** | **-1.2** | **-0.5** | *-1.1* | *-0.4* |
| **United Kingdom** | -3.8 | -0.1 | -3.5 | -11.4 | -10.1 | -7.7 | -6.1 | **-6.4** | **-5.3** | **-4.3** | *-6.8* | *-6.3* |
| **EU** | : | : | : | -6.9 | -6.5 | -4.4 | -3.9 | **-3.5** | **-2.7** | **-2.6** | *-3.4* | *-3.2* |
| **USA** | : | -2.1 | -4.6 | -12.6 | -11.9 | -10.5 | -9.1 | **-6.4** | **-5.7** | **-4.9** | *-6.9* | *-5.9* |
| **Japan** | -5.5 | -7.3 | -3.2 | -8.8 | -8.3 | -8.9 | -9.6 | **-9.6** | **-7.2** | **-5.8** | *-9.5* | *-7.6* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 37: Interest expenditure, general government [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 8.3 | 6.2 | 4.1 | 3.6 | 3.4 | 3.3 | 3.4 | **3.2** | **3.1** | **3.1** | *3.2* | *3.2* |
| **Germany** | 3.4 | 3.1 | 2.8 | 2.7 | 2.5 | 2.5 | 2.4 | **2.3** | **2.2** | **2.1** | *2.4* | *2.3* |
| **Estonia** | 0.4 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.2 | **0.2** | **0.1** | **0.1** | *0.2* | *0.2* |
| **Ireland** | 4.6 | 1.7 | 1.1 | 2.0 | 3.1 | 3.3 | 3.7 | **4.6** | **4.8** | **5.0** | *5.0* | *5.0* |
| **Greece** | 10.4 | 6.4 | 4.7 | 5.2 | 5.8 | 7.1 | 5.0 | **4.1** | **4.8** | **5.2** | *3.8* | *4.4* |
| **Spain** | : | 3.0 | 1.7 | 1.8 | 1.9 | 2.5 | 3.0 | **3.4** | **3.6** | **3.6** | *3.3* | *3.5* |
| **France** | 3.4 | 2.9 | 2.7 | 2.4 | 2.4 | 2.6 | 2.5 | **2.4** | **2.4** | **2.5** | *2.5* | *2.5* |
| **Italy** | 10.3 | 5.9 | 4.8 | 4.7 | 4.6 | 5.0 | 5.5 | **5.4** | **5.5** | **5.6** | *5.3* | *5.5* |
| **Cyprus** | : | 3.3 | 3.2 | 2.6 | 2.2 | 2.4 | 3.2 | **4.1** | **4.1** | **4.2** | *4.1* | *4.1* |
| **Latvia** | 1.0 | 0.8 | 0.5 | 1.5 | 1.4 | 1.5 | 1.3 | **1.5** | **1.5** | **1.4** | *1.5* | *1.6* |
| **Luxembourg** | 0.4 | 0.3 | 0.2 | 0.4 | 0.4 | 0.5 | 0.5 | **0.6** | **0.5** | **0.6** | *0.5* | *0.5* |
| **Malta** | : | 3.4 | 3.4 | 3.1 | 2.9 | 3.0 | 3.1 | **3.1** | **3.1** | **3.2** | *3.2* | *3.2* |
| **Netherlands** | 5.2 | 3.3 | 2.3 | 2.2 | 2.1 | 2.1 | 1.9 | **1.9** | **1.9** | **1.8** | *1.9* | *1.9* |
| **Austria** | 3.7 | 3.2 | 2.8 | 2.8 | 2.7 | 2.6 | 2.6 | **2.6** | **2.6** | **2.6** | *2.6* | *2.6* |
| **Portugal** | 4.7 | 2.8 | 2.8 | 2.8 | 2.8 | 4.0 | 4.3 | **4.3** | **4.4** | **4.4** | *4.4* | *4.3* |
| **Slovenia** | : | 2.2 | 1.4 | 1.4 | 1.6 | 1.9 | 2.2 | **2.7** | **3.1** | **3.2** | *2.3* | *2.8* |
| **Slovakia** | 2.6 | 3.5 | 1.6 | 1.4 | 1.3 | 1.6 | 1.9 | **1.9** | **1.8** | **1.8** | *1.9* | *1.9* |
| **Finland** | 4.0 | 2.5 | 1.5 | 1.1 | 1.1 | 1.1 | 1.0 | **1.0** | **1.0** | **1.0** | *1.0* | *1.0* |
| **Euro area** | : | 3.7 | 3.0 | 2.9 | 2.8 | 3.0 | 3.1 | **3.0** | **3.0** | **3.1** | *3.1* | *3.1* |
| **Bulgaria** | 12.4 | 3.3 | 1.4 | 0.8 | 0.7 | 0.7 | 0.9 | **0.8** | **0.9** | **0.9** | *0.9* | *0.9* |
| **Czech Republic** | : | 1.0 | 1.1 | 1.3 | 1.4 | 1.4 | 1.5 | **1.6** | **1.6** | **1.6** | *1.6* | *1.6* |
| **Denmark** | 5.5 | 3.3 | 1.8 | 1.8 | 1.7 | 1.8 | 1.6 | **1.6** | **1.4** | **1.4** | *1.6* | *1.6* |
| **Croatia** | : | : | : | 2.0 | 2.2 | 2.6 | 3.0 | **3.5** | **4.1** | **4.7** | *3.2* | *3.5* |
| **Lithuania** | : | 1.5 | 0.8 | 1.3 | 1.8 | 1.8 | 1.8 | **1.8** | **1.7** | **1.6** | *1.8* | *1.8* |
| **Hungary** | : | 5.1 | 4.2 | 4.7 | 4.1 | 4.1 | 4.3 | **4.2** | **4.0** | **3.9** | *4.2* | *4.0* |
| **Poland** | 5.0 | 3.0 | 2.5 | 2.6 | 2.7 | 2.7 | 2.8 | **2.7** | **2.2** | **2.2** | *2.7* | *2.5* |
| **Romania** | : | 3.3 | 1.0 | 1.5 | 1.5 | 1.6 | 1.8 | **1.8** | **1.8** | **1.8** | *1.8* | *1.8* |
| **Sweden** | 5.3 | 3.0 | 1.6 | 1.0 | 0.8 | 1.0 | 0.7 | **0.9** | **0.9** | **0.8** | *0.7* | *0.7* |
| **United Kingdom** | 3.4 | 2.3 | 2.1 | 2.0 | 3.0 | 3.3 | 3.0 | **3.0** | **3.0** | **2.9** | *2.9* | *2.9* |
| **EU** | : | : | : | 2.6 | 2.7 | 2.9 | 2.9 | **2.9** | **2.9** | **2.9** | *2.9* | *2.9* |
| **USA** | : | 3.8 | 3.5 | 3.8 | 3.8 | 4.0 | 3.9 | **3.9** | **4.1** | **4.1** | *2.8* | *2.9* |
| **Japan** | 2.9 | 2.6 | 1.8 | 2.0 | 2.0 | 2.1 | 2.0 | **2.0** | **1.9** | **1.8** | *2.1* | *2.1* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 38: Primary balance, general government [1] [2] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 4.9 | 6.1 | 3.4 | -1.9 | -0.4 | -0.4 | -0.6 | **0.3** | **0.5** | **0.5** | *0.3* | *0.1* |
| **Germany** | -0.7 | 0.8 | 1.1 | -0.4 | -1.6 | 1.7 | 2.5 | **2.3** | **2.2** | **2.3** | *2.3* | *2.3* |
| **Estonia** | 1.7 | -0.2 | 1.2 | -1.8 | 0.3 | 1.3 | -0.1 | **-0.2** | **0.1** | **0.1** | *-0.1* | *0.4* |
| **Ireland** | 4.4 | 3.4 | 0.9 | -11.6 | -27.5 | -9.9 | -4.5 | **-2.8** | **-0.2** | **2.0** | *-2.4* | *0.6* |
| **Greece** | 3.6 | 2.0 | -2.3 | -10.5 | -4.9 | -2.4 | -4.0 | **-9.4** | **2.8** | **4.1** | *0.0* | *1.8* |
| **Spain** | : | 2.3 | 1.9 | -9.3 | -7.7 | -7.0 | -7.6 | **-3.3** | **-2.4** | **-3.0** | *-3.2* | *-3.6* |
| **France** | -0.8 | 0.5 | -0.3 | -5.1 | -4.7 | -2.7 | -2.3 | **-1.8** | **-1.4** | **-1.1** | *-1.4* | *-1.8* |
| **Italy** | 4.5 | 3.4 | 1.7 | -0.8 | 0.1 | 1.1 | 2.5 | **2.3** | **2.8** | **3.1** | *2.4* | *3.1* |
| **Cyprus** | : | -0.7 | 2.5 | -3.6 | -3.0 | -4.0 | -3.3 | **-4.2** | **-4.3** | **-2.1** | *-2.4* | *-4.3* |
| **Latvia** | 0.6 | -1.7 | -0.8 | -8.3 | -6.7 | -2.1 | 0.0 | **0.1** | **0.5** | **0.4** | *0.3* | *0.6* |
| **Luxembourg** | 3.0 | 3.9 | 1.6 | -0.3 | -0.4 | 0.5 | -0.1 | **-0.3** | **-0.5** | **-2.0** | *0.2* | *0.1* |
| **Malta** | : | -3.3 | 0.0 | -0.6 | -0.6 | 0.3 | -0.2 | **-0.3** | **-0.3** | **-0.4** | *-0.5* | *-0.4* |
| **Netherlands** | 2.8 | 2.7 | 2.1 | -3.4 | -3.1 | -2.3 | -2.2 | **-1.4** | **-1.5** | **-1.1** | *-1.7* | *-1.7* |
| **Austria** | 0.0 | 2.0 | 0.9 | -1.3 | -1.8 | 0.2 | 0.1 | **0.2** | **0.7** | **1.1** | *0.4* | *0.8* |
| **Portugal** | -0.3 | -0.8 | -1.6 | -7.3 | -7.0 | -0.3 | -2.1 | **-1.6** | **0.3** | **1.8** | *-1.1* | *0.3* |
| **Slovenia** | : | -0.9 | 0.0 | -5.0 | -4.2 | -4.4 | -1.7 | **-3.0** | **-4.0** | **-0.6** | *-2.9* | *-2.1* |
| **Slovakia** | -3.6 | -3.9 | -0.9 | -6.6 | -6.3 | -3.5 | -2.7 | **-1.1** | **-1.4** | **-2.0** | *-1.1* | *-1.2* |
| **Finland** | 0.8 | 6.6 | 5.3 | -1.3 | -1.4 | 0.4 | -0.7 | **-1.2** | **-1.3** | **-1.1** | *-0.8* | *-0.5* |
| **Euro area** | 0.8 | 1.8 | 1.1 | -3.5 | -3.4 | -1.1 | -0.6 | **-0.1** | **0.5** | **0.7** | *0.2* | *0.3* |
| **Bulgaria** | 7.9 | 3.1 | 2.9 | -3.6 | -2.4 | -1.2 | 0.1 | **-1.2** | **-1.1** | **-0.9** | *-0.4* | *-0.4* |
| **Czech Republic** | : | -4.2 | -1.2 | -4.5 | -3.3 | -1.8 | -2.9 | **-1.3** | **-1.4** | **-1.9** | *-1.3* | *-1.4* |
| **Denmark** | 3.7 | 4.5 | 5.9 | -0.9 | -0.8 | -0.1 | -2.5 | **-0.1** | **-0.2** | **-1.3** | *-0.1* | *-1.2* |
| **Croatia** | : | : | : | -3.3 | -4.2 | -5.2 | -1.9 | **-1.9** | **-2.4** | **-1.5** | *-1.5* | *-2.1* |
| **Lithuania** | -3.5 | -1.1 | -0.6 | -8.2 | -5.4 | -3.7 | -1.4 | **-1.2** | **-0.8** | **-0.2** | *-1.1* | *-0.7* |
| **Hungary** | : | -0.7 | -2.4 | 0.1 | -0.2 | 8.5 | 2.2 | **1.3** | **0.9** | **1.2** | *1.2* | *0.7* |
| **Poland** | 2.5 | -1.4 | -1.2 | -4.8 | -5.2 | -2.3 | -1.1 | **-2.2** | **6.7** | **-1.1** | *-1.3* | *-1.5* |
| **Romania** | : | 0.1 | -1.6 | -7.5 | -5.3 | -3.9 | -1.2 | **-0.7** | **-0.3** | **0.0** | *-0.8* | *-0.6* |
| **Sweden** | 1.2 | 3.7 | 3.8 | 0.2 | 1.1 | 1.2 | 0.5 | **0.0** | **-0.3** | **0.4** | *-0.3* | *0.4* |
| **United Kingdom** | -0.4 | 2.2 | -1.4 | -9.4 | -7.1 | -4.4 | -3.1 | **-3.4** | **-2.4** | **-1.4** | *-3.9* | *-3.4* |
| **EU** | : | 1.8 | 0.7 | -4.2 | -3.8 | -1.5 | -1.0 | **-0.7** | **0.2** | **0.2** | *-0.5* | *-0.3* |
| **USA** | : | 1.7 | -1.1 | -8.8 | -8.1 | -6.5 | -5.2 | **-2.5** | **-1.6** | **-0.8** | *-4.2* | *-3.0* |
| **Japan** | -2.6 | -4.7 | -1.4 | -6.8 | -6.3 | -6.8 | -7.6 | **-7.6** | **-5.4** | **-4.0** | *-7.4* | *-5.5* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

[2] Net lending/borrowing excluding interest expenditure.

**Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| **Belgium** | -3.1 | -0.4 | -1.5 | -4.5 | -3.3 | -3.6 | -3.4 | **-1.9** | **-1.8** | **-2.0** | *-1.9* | *-2.3* |
| **Germany** | -4.0 | -2.5 | -1.8 | -0.9 | -3.5 | -1.3 | 0.1 | **0.5** | **0.5** | **0.4** | *0.4* | *0.3* |
| **Estonia** | : | -0.6 | -1.0 | 0.8 | 2.1 | 0.8 | -1.1 | **-0.7** | **-0.3** | **-0.3** | *-0.6* | *-0.2* |
| **Ireland** | -0.4 | 0.4 | -0.9 | -11.4 | -28.2 | -11.9 | -7.6 | **-6.9** | **-5.0** | **-3.4** | *-7.3* | *-4.8* |
| **Greece** | -7.3 | -4.7 | -7.7 | -15.1 | -8.4 | -5.2 | -3.2 | **-7.5** | **2.6** | **0.9** | *2.4* | *2.2* |
| **Spain** | : | -1.6 | -0.4 | -9.1 | -7.4 | -7.5 | -8.2 | **-4.3** | **-4.3** | **-6.2** | *-4.3* | *-5.9* |
| **France** | -3.5 | -3.5 | -4.1 | -6.1 | -6.0 | -4.7 | -3.6 | **-2.5** | **-2.2** | **-2.4** | *-2.1* | *-2.5* |
| **Italy** | -6.0 | -3.4 | -4.2 | -3.5 | -3.5 | -3.0 | -1.3 | **-0.6** | **-0.7** | **-1.1** | *-0.7* | *-0.7* |
| **Cyprus** | : | -4.4 | -1.1 | -6.4 | -5.7 | -6.8 | -6.4 | **-5.7** | **-5.5** | **-5.2** | *-3.8* | *-5.1* |
| **Latvia** | : | -2.5 | -3.4 | -5.9 | -4.6 | -1.6 | -0.7 | **-1.5** | **-1.5** | **-1.7** | *-1.4* | *-1.5* |
| **Luxembourg** | 3.3 | 2.4 | 0.8 | 1.7 | 0.2 | 0.7 | 0.8 | **0.2** | **-0.4** | **-2.1** | *0.7* | *0.3* |
| **Malta** | : | -6.8 | -3.6 | -3.0 | -3.6 | -2.7 | -2.9 | **-3.2** | **-3.5** | **-4.0** | *-3.5* | *-3.6* |
| **Netherlands** | -2.2 | -0.8 | -0.2 | -4.2 | -4.3 | -3.8 | -2.7 | **-1.5** | **-1.5** | **-1.6** | *-1.8* | *-2.0* |
| **Austria** | -3.5 | -1.5 | -2.2 | -2.8 | -3.6 | -2.4 | -2.4 | **-2.0** | **-1.6** | **-1.4** | *-1.8* | *-1.6* |
| **Portugal** | -4.9 | -4.5 | -4.2 | -8.9 | -9.4 | -3.5 | -4.8 | **-3.8** | **-2.5** | **-1.7** | *-3.4* | *-2.3* |
| **Slovenia** | : | -3.5 | -2.9 | -4.6 | -4.7 | -6.0 | -2.8 | **-4.3** | **-5.6** | **-2.8** | *-3.6* | *-3.3* |
| **Slovakia** | : | -6.9 | -3.6 | -7.4 | -7.4 | -4.6 | -3.9 | **-1.9** | **-2.1** | **-2.9** | *-2.1* | *-2.0* |
| **Finland** | -2.4 | 3.7 | 2.8 | 0.5 | -1.0 | -0.4 | -0.8 | **-0.8** | **-1.0** | **-1.2** | *-0.6* | *-0.5* |
| **Euro area** | : | -2.5 | -2.5 | -4.5 | -5.1 | -3.6 | -2.6 | **-1.6** | **-1.3** | **-1.6** | *-1.4* | *-1.6* |
| **Bulgaria** | : | 0.0 | 0.1 | -3.6 | -2.4 | -1.7 | -0.4 | **-1.5** | **-1.5** | **-1.3** | *-0.8* | *-0.9* |
| **Czech Republic** | : | -5.0 | -3.8 | -5.1 | -4.3 | -3.1 | -3.7 | **-1.6** | **-2.0** | **-3.0** | *-1.6* | *-2.1* |
| **Denmark** | -2.2 | 0.2 | 2.5 | 0.0 | -0.3 | 0.0 | -1.6 | **1.1** | **0.9** | **-0.3** | *1.1* | *-0.3* |
| **Croatia** | : | : | : | -4.3 | -4.9 | -7.0 | -3.9 | **-4.6** | **-6.0** | **-5.9** | *:* | *:* |
| **Lithuania** | : | -1.7 | -3.3 | -6.2 | -4.7 | -4.8 | -3.0 | **-3.0** | **-2.7** | **-2.2** | *-3.0* | *-2.8* |
| **Hungary** | : | -6.1 | -8.2 | -2.5 | -2.6 | 5.3 | -0.2 | **-1.3** | **-1.9** | **-2.1** | *-1.1* | *-1.8* |
| **Poland** | : | -4.1 | -4.1 | -7.9 | -8.2 | -5.3 | -3.6 | **-4.0** | **5.4** | **-2.7** | *-3.0* | *-2.9* |
| **Romania** | : | -2.2 | -4.4 | -9.0 | -6.1 | -5.1 | -2.2 | **-1.9** | **-1.5** | **-1.4** | *-1.7* | *-1.4* |
| **Sweden** | -2.7 | 0.6 | 1.2 | 2.7 | 1.1 | 0.5 | 0.8 | **0.5** | **-0.2** | **-0.1** | *-0.1* | *0.3* |
| **United Kingdom** | -3.7 | -0.3 | -4.5 | -9.4 | -8.7 | -6.6 | -4.7 | **-5.3** | **-4.8** | **-4.3** | *-5.6* | *-5.4* |
| **EU** | : | : | : | -5.1 | -5.4 | -3.8 | -2.8 | **-2.1** | **-1.5** | **-2.0** | *-1.9* | *-2.1* |

[1]Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

**Table 40: Cyclically-adjusted primary balance, general government[1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| **Belgium** | 5.2 | 5.7 | 2.6 | -0.9 | 0.1 | -0.3 | 0.0 | **1.3** | **1.3** | **1.1** | *1.3* | *0.9* |
| **Germany** | -0.5 | 0.5 | 1.0 | 1.8 | -1.0 | 1.3 | 2.5 | **2.8** | **2.6** | **2.5** | *2.8* | *2.6* |
| **Estonia** | : | -0.4 | -0.8 | 1.0 | 2.3 | 1.0 | -0.9 | **-0.6** | **-0.1** | **-0.2** | *-0.5* | *0.0* |
| **Ireland** | 4.2 | 2.1 | 0.3 | -9.4 | -25.0 | -8.6 | -3.8 | **-2.3** | **-0.2** | **1.6** | *-2.3* | *0.2* |
| **Greece** | 3.1 | 1.7 | -3.0 | -9.9 | -2.6 | 1.9 | 1.8 | **-3.4** | **7.3** | **6.1** | *6.3* | *6.6* |
| **Spain** | : | 1.4 | 1.4 | -7.3 | -5.4 | -5.0 | -5.2 | **-0.9** | **-0.7** | **-2.6** | *-1.0* | *-2.5* |
| **France** | -0.1 | -0.6 | -1.4 | -3.6 | -3.6 | -2.1 | -1.1 | **-0.2** | **0.2** | **0.1** | *0.4* | *0.0* |
| **Italy** | 4.3 | 2.6 | 0.6 | 1.1 | 1.1 | 1.9 | 4.3 | **4.8** | **4.8** | **4.6** | *4.7* | *4.8* |
| **Cyprus** | : | -1.1 | 2.1 | -3.9 | -3.4 | -4.4 | -3.2 | **-1.6** | **-1.5** | **-1.0** | *0.3* | *-1.0* |
| **Latvia** | : | -1.7 | -2.8 | -4.4 | -3.2 | -0.2 | 0.6 | **0.0** | **-0.1** | **-0.3** | *0.1* | *0.1* |
| **Luxembourg** | 3.8 | 2.7 | 1.0 | 2.1 | 0.7 | 1.2 | 1.2 | **0.7** | **0.1** | **-1.5** | *1.2* | *0.8* |
| **Malta** | : | -3.5 | -0.2 | 0.1 | -0.7 | 0.3 | 0.2 | **-0.1** | **-0.4** | **-0.8** | *-0.3* | *-0.4* |
| **Netherlands** | 3.0 | 2.5 | 2.1 | -2.0 | -2.3 | -1.7 | -0.8 | **0.5** | **0.3** | **0.2** | *0.1* | *-0.1* |
| **Austria** | 0.3 | 1.8 | 0.5 | 0.0 | -1.0 | 0.2 | 0.2 | **0.7** | **1.0** | **1.3** | *0.8* | *1.0* |
| **Portugal** | -0.2 | -1.7 | -1.5 | -6.1 | -6.6 | 0.6 | -0.4 | **0.6** | **1.9** | **2.7** | *1.0* | *1.9* |
| **Slovenia** | : | -1.2 | -1.5 | -3.2 | -3.1 | -4.0 | -0.6 | **-1.6** | **-2.5** | **0.3** | *-1.2* | *-0.5* |
| **Slovakia** | : | -3.4 | -2.0 | -6.0 | -6.1 | -3.1 | -2.0 | **0.0** | **-0.3** | **-1.1** | *-0.2* | *-0.1* |
| **Finland** | 1.6 | 6.2 | 4.3 | 1.6 | 0.0 | 0.7 | 0.2 | **0.2** | **0.1** | **-0.2** | *0.4* | *0.5* |
| **Euro area** | 1.1 | 1.2 | 0.5 | -1.7 | -2.3 | -0.6 | 0.5 | **1.4** | **1.8** | **1.5** | *1.7* | *1.5* |
| **Bulgaria** | : | 3.3 | 1.5 | -2.9 | -1.6 | -1.0 | 0.4 | **-0.6** | **-0.6** | **-0.4** | *0.1* | *0.1* |
| **Czech Republic** | : | -4.0 | -2.8 | -3.8 | -2.9 | -1.7 | -2.2 | **0.0** | **-0.4** | **-1.4** | *0.0* | *-0.4* |
| **Denmark** | 3.3 | 3.6 | 4.2 | 1.7 | 1.3 | 1.8 | 0.0 | **2.8** | **2.4** | **1.1** | *2.7* | *1.3* |
| **Croatia** | : | : | : | -2.4 | -2.7 | -4.4 | -0.9 | **-1.1** | **-1.9** | **-1.2** | *:* | *:* |
| **Lithuania** | : | -0.3 | -2.6 | -5.0 | -2.9 | -3.1 | -1.2 | **-1.2** | **-1.0** | **-0.6** | *-1.2* | *-1.0* |
| **Hungary** | : | -1.0 | -4.1 | 2.2 | 1.5 | 9.5 | 4.1 | **2.9** | **2.0** | **1.8** | *3.1* | *2.1* |
| **Poland** | : | -1.2 | -1.5 | -5.2 | -5.5 | -2.6 | -0.8 | **-1.3** | **7.6** | **-0.5** | *-0.3* | *-0.4* |
| **Romania** | : | 1.1 | -3.4 | -7.4 | -4.5 | -3.5 | -0.4 | **-0.1** | **0.2** | **0.3** | *0.1* | *0.4* |
| **Sweden** | 2.6 | 3.6 | 2.9 | 3.6 | 2.0 | 1.5 | 1.5 | **1.4** | **0.7** | **0.7** | *0.6* | *1.0* |
| **United Kingdom** | -0.3 | 2.0 | -2.4 | -7.5 | -5.7 | -3.3 | -1.7 | **-2.3** | **-1.9** | **-1.4** | *-2.7* | *-2.5* |
| **EU** | : | 1.4 | 0.0 | -2.4 | -2.7 | -0.9 | 0.1 | **0.8** | **1.3** | **0.9** | *1.0* | *0.8* |

[1]Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

**Table 41: Structural budget balance, general government[1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | : | : | -1.4 | -3.8 | -3.3 | -3.3 | -3.0 | -2.2 | -1.8 | -2.0 | -2.3 | -2.3 |
| Germany | : | : | -1.7 | -0.9 | -2.3 | -1.1 | 0.2 | 0.5 | 0.5 | 0.4 | 0.4 | 0.3 |
| Estonia | : | : | -1.1 | -1.0 | -0.9 | -0.7 | -0.1 | -0.5 | 0.0 | -0.2 | -0.2 | 0.2 |
| Ireland | : | : | -0.8 | -9.4 | -8.9 | -7.7 | -7.6 | -6.7 | -5.2 | -3.3 | -6.9 | -4.8 |
| Greece | : | : | -7.7 | -14.8 | -8.9 | -5.8 | -1.0 | 1.2 | 1.0 | -0.1 | 2.0 | 2.0 |
| Spain | : | : | -0.4 | -9.1 | -7.4 | -7.2 | -5.2 | -4.1 | -4.2 | -5.8 | -4.4 | -5.5 |
| France | : | : | -4.3 | -6.1 | -5.8 | -4.8 | -3.7 | -2.7 | -2.0 | -2.4 | -2.2 | -2.3 |
| Italy | : | : | -4.5 | -4.2 | -3.7 | -3.7 | -1.4 | -0.8 | -0.7 | -0.9 | -0.5 | -0.7 |
| Cyprus | : | : | -1.1 | -6.4 | -5.7 | -6.5 | -6.8 | -5.5 | -5.5 | -5.2 | -5.4 | -5.1 |
| Latvia | : | : | -3.4 | -5.1 | -2.9 | -1.4 | -0.2 | -1.5 | -1.5 | -1.7 | -1.4 | -1.5 |
| Luxembourg | : | : | 0.8 | 1.7 | 0.2 | 0.7 | 0.8 | 0.2 | -0.4 | -2.1 | 0.7 | 0.3 |
| Malta | : | : | -4.1 | -3.7 | -4.7 | -3.4 | -3.9 | -3.5 | -3.6 | -4.1 | -3.8 | -3.7 |
| Netherlands | : | : | -0.2 | -4.2 | -4.2 | -3.8 | -2.7 | -2.1 | -1.7 | -1.6 | -2.0 | -2.3 |
| Austria | : | : | -1.6 | -2.8 | -3.3 | -2.2 | -1.6 | -1.6 | -1.5 | -1.2 | -1.6 | -1.7 |
| Portugal | : | : | -4.2 | -8.6 | -8.8 | -6.5 | -4.1 | -3.7 | -2.6 | -1.7 | -3.6 | -2.0 |
| Slovenia | : | : | -2.9 | -4.5 | -4.7 | -4.9 | -2.7 | -2.9 | -2.1 | -2.8 | -2.4 | -3.3 |
| Slovakia | : | : | -3.4 | -7.6 | -7.3 | -5.0 | -4.0 | -2.3 | -3.1 | -2.9 | -3.0 | -2.4 |
| Finland | : | : | 2.8 | 0.6 | -0.9 | -0.3 | -0.7 | -0.8 | -1.0 | -1.2 | -0.6 | -0.5 |
| Euro area | : | : | -2.6 | -4.6 | -4.4 | -3.6 | -2.1 | -1.5 | -1.3 | -1.5 | -1.4 | -1.5 |
| Bulgaria | : | : | 0.8 | -3.6 | -2.2 | -1.7 | -0.4 | -1.5 | -1.5 | -1.3 | -0.8 | -0.9 |
| Czech Republic | : | : | -3.5 | -5.1 | -4.5 | -3.1 | -1.9 | -1.5 | -2.2 | -3.0 | -1.6 | -2.1 |
| Denmark | : | : | 2.5 | 0.0 | -0.3 | 0.0 | 0.0 | 0.1 | -0.1 | -0.3 | 0.0 | -0.3 |
| Croatia | : | : | : | -4.3 | -4.9 | -7.0 | -3.9 | -4.1 | -6.0 | -5.9 | : | : |
| Lithuania | : | : | -3.2 | -6.6 | -4.7 | -4.8 | -3.1 | -3.0 | -2.6 | -2.2 | -2.8 | -2.8 |
| Hungary | : | : | -8.0 | -2.4 | -3.3 | -4.1 | -0.9 | -1.4 | -2.3 | -2.1 | -1.1 | -1.8 |
| Poland | : | : | -4.1 | -8.2 | -8.2 | -5.3 | -3.7 | -4.0 | -3.2 | -2.7 | -3.3 | -2.9 |
| Romania | : | : | -4.2 | -9.4 | -6.1 | -3.9 | -2.7 | -1.9 | -1.5 | -1.4 | -1.7 | -1.4 |
| Sweden | : | : | 1.0 | 2.7 | 1.1 | 0.5 | 0.8 | 0.5 | -0.2 | -0.1 | -0.1 | 0.3 |
| United Kingdom | : | : | -4.4 | -9.2 | -8.6 | -6.6 | -6.5 | -5.7 | -4.8 | -4.3 | -5.7 | -5.4 |
| EU | : | : | : | -5.1 | -4.9 | -3.9 | -2.7 | -2.1 | -1.8 | -1.9 | -2.0 | -2.1 |

[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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 125.8 | 105.9 | 89.4 | 95.7 | 95.7 | 98.0 | 99.8 | 100.4 | 101.3 | 101.0 | 101.4 | 102.1 |
| Germany | 56.5 | 61.2 | 67.0 | 74.5 | 82.5 | 80.0 | 81.0 | 79.6 | 77.1 | 74.1 | 81.1 | 78.6 |
| Estonia | : | 5.5 | 4.4 | 7.1 | 6.7 | 6.1 | 9.8 | 10.0 | 9.7 | 9.1 | 10.2 | 9.6 |
| Ireland | 71.3 | 36.2 | 30.0 | 64.4 | 91.2 | 104.1 | 117.4 | 124.4 | 120.8 | 119.1 | 123.3 | 119.5 |
| Greece | 97.7 | 101.0 | 107.6 | 129.7 | 148.3 | 170.3 | 156.9 | 176.2 | 175.9 | 170.9 | 175.2 | 175.0 |
| Spain | 64.2 | 55.8 | 41.1 | 54.0 | 61.7 | 70.5 | 86.0 | 94.8 | 99.9 | 104.3 | 91.3 | 96.8 |
| France | 56.4 | 59.2 | 65.7 | 79.2 | 82.4 | 85.8 | 90.2 | 93.5 | 95.3 | 96.0 | 94.0 | 96.2 |
| Italy | 118.9 | 107.9 | 105.0 | 116.4 | 119.3 | 120.7 | 127.0 | 133.0 | 134.0 | 133.1 | 131.4 | 132.2 |
| Cyprus | : | 63.0 | 62.5 | 58.5 | 61.3 | 71.5 | 86.6 | 116.0 | 124.4 | 127.4 | 109.5 | 124.0 |
| Latvia | : | 13.4 | 13.4 | 36.9 | 44.4 | 41.9 | 40.6 | 42.5 | 39.3 | 33.4 | 43.2 | 40.1 |
| Luxembourg | 7.0 | 6.3 | 8.0 | 15.5 | 19.5 | 18.7 | 21.7 | 24.5 | 25.7 | 28.7 | 23.4 | 25.2 |
| Malta | : | 58.4 | 64.4 | 66.5 | 66.8 | 69.5 | 71.3 | 72.6 | 73.3 | 74.1 | 73.9 | 74.9 |
| Netherlands | 72.0 | 53.6 | 51.1 | 60.8 | 63.4 | 65.7 | 71.3 | 74.8 | 76.4 | 76.9 | 74.6 | 75.8 |
| Austria | 65.8 | 66.3 | 63.1 | 69.2 | 72.3 | 72.8 | 74.0 | 74.8 | 74.5 | 73.5 | 73.8 | 73.7 |
| Portugal | 56.4 | 54.4 | 67.8 | 83.7 | 94.0 | 108.2 | 124.1 | 127.8 | 126.7 | 125.7 | 123.0 | 124.3 |
| Slovenia | : | 26.4 | 25.1 | 35.2 | 38.7 | 47.1 | 54.4 | 63.2 | 70.1 | 74.2 | 61.0 | 66.5 |
| Slovakia | : | 46.6 | 32.7 | 35.6 | 41.0 | 43.4 | 52.4 | 54.3 | 57.2 | 58.1 | 54.6 | 56.7 |
| Finland | 54.7 | 43.6 | 39.0 | 43.5 | 48.7 | 49.2 | 53.6 | 58.4 | 61.0 | 62.5 | 56.2 | 57.7 |
| Euro area | : | 69.3 | 69.0 | 79.9 | 85.6 | 87.9 | 92.6 | 95.5 | 95.9 | 95.4 | 95.5 | 96.0 |
| Bulgaria | : | 62.6 | 23.4 | 14.6 | 16.2 | 16.3 | 18.5 | 19.4 | 22.6 | 24.1 | 17.9 | 20.3 |
| Czech Republic | : | 22.6 | 28.4 | 34.6 | 38.4 | 41.4 | 46.2 | 49.0 | 50.6 | 52.3 | 48.3 | 50.1 |
| Denmark | 69.1 | 51.3 | 35.1 | 40.7 | 42.7 | 46.4 | 45.4 | 44.3 | 43.7 | 45.1 | 45.0 | 46.4 |
| Croatia | : | : | : | 36.6 | 44.9 | 51.6 | 55.5 | 59.6 | 64.7 | 69.0 | 57.9 | 62.5 |
| Lithuania | : | 22.5 | 17.6 | 29.3 | 37.8 | 38.3 | 40.5 | 39.9 | 40.2 | 39.6 | 40.1 | 39.4 |
| Hungary | : | 56.8 | 65.4 | 79.8 | 82.2 | 82.1 | 79.8 | 80.7 | 79.9 | 79.4 | 79.7 | 78.9 |
| Poland | : | 40.6 | 46.5 | 50.9 | 54.9 | 56.2 | 55.6 | 58.2 | 51.0 | 52.5 | 57.5 | 58.9 |
| Romania | : | 23.3 | 14.6 | 23.6 | 30.5 | 34.7 | 37.9 | 38.5 | 39.1 | 39.5 | 38.6 | 38.5 |
| Sweden | 71.9 | 55.4 | 45.0 | 42.6 | 39.4 | 38.6 | 38.2 | 41.3 | 41.9 | 41.0 | 40.7 | 39.0 |
| United Kingdom | 48.3 | 39.4 | 44.1 | 67.1 | 78.4 | 84.3 | 88.7 | 94.3 | 96.9 | 98.6 | 95.5 | 98.7 |
| EU | : | : | : | 74.3 | 80.0 | 82.9 | 86.6 | 89.7 | 90.2 | 90.0 | 89.8 | 90.6 |

**Table 43: Gross national saving (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| **Belgium** | 25.3 | 25.7 | 25.7 | 20.5 | 23.3 | 22.5 | 20.8 | **21.0** | **21.0** | **21.2** | *22.1* | *22.2* |
| **Germany** | 21.0 | 20.2 | 24.3 | 22.5 | 23.7 | 24.5 | 24.3 | **24.0** | **24.1** | **24.2** | *22.9* | *22.8* |
| **Estonia** | 20.7 | 22.1 | 22.5 | 22.7 | 23.4 | 26.8 | 26.6 | **26.7** | **26.8** | **27.3** | *25.4* | *26.0* |
| **Ireland** | 21.2 | 22.3 | 21.8 | 12.3 | 13.9 | 13.2 | 14.5 | **14.7** | **15.4** | **16.2** | *13.8* | *15.0* |
| **Greece** | 16.5 | 12.1 | 9.7 | 4.2 | 4.8 | 4.4 | 8.3 | **10.8** | **12.0** | **13.1** | *10.4* | *12.4* |
| **Spain** | 21.4 | 22.6 | 21.4 | 19.1 | 18.4 | 17.3 | 18.5 | **19.5** | **19.9** | **20.5** | *19.7* | *20.7* |
| **France** | 18.9 | 20.4 | 19.9 | 17.2 | 17.4 | 18.3 | 17.7 | **17.5** | **17.8** | **18.2** | *17.7* | *17.9* |
| **Italy** | 21.7 | 20.8 | 20.1 | 16.9 | 16.5 | 16.7 | 17.4 | **17.9** | **18.5** | **18.9** | *17.8* | *18.4* |
| **Cyprus** | : | 14.6 | 12.4 | 8.6 | 10.6 | 12.3 | 8.4 | **10.4** | **11.0** | **11.1** | *9.1* | *9.7* |
| **Latvia** | 18.8 | 18.2 | 18.6 | 29.1 | 22.8 | 22.5 | 23.0 | **22.3** | **21.8** | **21.5** | *24.5* | *24.9* |
| **Luxembourg** | 32.0 | 32.9 | 31.2 | 24.1 | 28.2 | 28.4 | 27.2 | **27.5** | **27.4** | **26.6** | *27.8* | *28.1* |
| **Malta** | : | 16.4 | 14.0 | 9.3 | 13.6 | 13.9 | 14.4 | **14.9** | **14.7** | **14.2** | *12.1* | *12.7* |
| **Netherlands** | 26.7 | 26.7 | 27.4 | 21.6 | 22.8 | 25.5 | 25.2 | **24.9** | **25.3** | **26.4** | *25.6* | *25.8* |
| **Austria** | 22.6 | 24.0 | 26.1 | 23.7 | 24.7 | 24.8 | 24.5 | **24.6** | **25.2** | **25.8** | *25.6* | *26.1* |
| **Portugal** | 19.4 | 17.7 | 12.9 | 9.4 | 9.8 | 11.3 | 14.8 | **15.9** | **16.0** | **16.7** | *14.7* | *15.1* |
| **Slovenia** | 23.7 | 24.5 | 26.0 | 21.7 | 20.4 | 20.4 | 20.6 | **21.6** | **22.3** | **23.0** | *20.4* | *20.4* |
| **Slovakia** | 25.3 | 21.9 | 20.7 | 17.1 | 18.8 | 21.3 | 21.1 | **21.3** | **21.1** | **22.5** | *22.8* | *23.7* |
| **Finland** | 21.8 | 27.2 | 26.0 | 20.5 | 20.2 | 19.0 | 17.5 | **17.6** | **17.9** | **18.2** | *17.5* | *17.6* |
| **Euro area** | : | 21.3 | 22.0 | 18.9 | 19.5 | 20.0 | 20.2 | **20.4** | **20.7** | **21.1** | *20.2* | *20.5* |
| **Bulgaria** | : | 14.9 | 14.0 | 20.4 | 22.5 | 22.0 | 22.5 | **23.5** | **23.5** | **23.3** | *21.7* | *20.8* |
| **Czech Republic** | 27.2 | 24.3 | 24.7 | 20.6 | 19.8 | 21.0 | 20.7 | **19.7** | **20.0** | **20.1** | *20.7* | *20.8* |
| **Denmark** | 20.5 | 22.8 | 24.8 | 20.3 | 22.7 | 23.2 | 22.8 | **22.6** | **23.1** | **23.4** | *22.4* | *22.5* |
| **Croatia** | : | 18.5 | 22.3 | 20.5 | 20.1 | 19.3 | 19.1 | **19.6** | **20.4** | **20.6** | *19.8* | *20.3* |
| **Lithuania** | : | 13.4 | 15.5 | 13.5 | 16.9 | 17.4 | 17.2 | **17.5** | **17.9** | **18.1** | *16.8* | *17.0* |
| **Hungary** | 19.3 | 18.1 | 16.2 | 17.9 | 19.6 | 19.8 | 18.6 | **20.0** | **19.8** | **19.4** | *19.8* | *19.2* |
| **Poland** | 19.9 | 18.3 | 17.1 | 17.3 | 16.7 | 17.6 | 17.1 | **17.2** | **17.6** | **18.0** | *17.4* | *17.6* |
| **Romania** | 16.5 | 16.2 | 17.1 | 21.2 | 21.2 | 22.4 | 23.0 | **23.6** | **24.0** | **24.1** | *23.5* | *24.1* |
| **Sweden** | 20.5 | 23.1 | 26.6 | 23.4 | 25.6 | 26.4 | 25.0 | **24.4** | **24.4** | **24.7** | *25.6* | *26.1* |
| **United Kingdom** | 16.7 | 15.4 | 15.5 | 12.7 | 12.3 | 13.5 | 10.8 | **10.0** | **10.4** | **10.8** | *11.8* | *12.9* |
| **EU** | : | 20.3 | 20.9 | 18.2 | 18.7 | 19.3 | 18.9 | **19.0** | **19.3** | **19.7** | *19.2* | *19.6* |
| **USA** | : | 17.7 | 16.2 | 13.7 | 14.2 | 14.4 | 15.3 | **15.9** | **16.4** | **17.0** | *13.2* | *14.2* |
| **Japan** | 30.1 | 26.4 | 26.6 | 22.6 | 23.5 | 22.0 | 21.6 | **22.0** | **23.2** | **23.9** | *22.5* | *23.5* |

**Table 44: Gross saving, private sector [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| **Belgium** | 26.1 | 23.9 | 24.1 | 23.5 | 25.2 | 24.0 | 22.2 | **22.2** | **21.9** | **21.9** | *23.6* | *23.6* |
| **Germany** | 20.8 | 20.1 | 23.6 | 22.9 | 24.4 | 22.9 | 22.1 | **22.0** | **22.0** | **22.0** | *21.0* | *20.8* |
| **Estonia** | 14.2 | 18.0 | 16.9 | 20.7 | 21.2 | 23.5 | 22.4 | **23.2** | **23.5** | **24.1** | *21.3* | *22.3* |
| **Ireland** | 19.4 | 17.0 | 18.2 | 19.8 | 21.4 | 19.9 | 20.5 | **19.7** | **18.9** | **17.6** | *18.7* | *17.7* |
| **Greece** | 20.4 | 12.6 | 13.9 | 16.1 | 13.7 | 13.2 | 13.2 | **12.6** | **12.6** | **12.4** | *12.8* | *13.2* |
| **Spain** | : | 19.2 | 16.6 | 24.4 | 23.0 | 22.6 | 23.1 | **24.0** | **24.0** | **25.2** | *24.5* | *26.3* |
| **France** | 19.1 | 19.3 | 19.3 | 20.6 | 20.8 | 19.9 | 18.9 | **18.0** | **18.1** | **18.5** | *18.1* | *18.6* |
| **Italy** | 24.4 | 20.3 | 19.5 | 18.9 | 18.0 | 18.1 | 17.6 | **18.1** | **18.5** | **18.8** | *17.6* | *18.3* |
| **Cyprus** | : | 15.1 | 9.6 | 9.3 | 10.7 | 14.2 | 11.1 | **16.5** | **16.3** | **14.4** | *12.3* | *14.9* |
| **Latvia** | 17.0 | 17.5 | 15.0 | 34.1 | 26.4 | 22.4 | 21.0 | **20.6** | **20.1** | **20.1** | *22.3* | *22.6* |
| **Luxembourg** | 24.3 | 24.3 | 24.8 | 19.5 | 23.6 | 23.5 | 22.9 | **23.8** | **23.9** | **24.7** | *23.5* | *23.8* |
| **Malta** | : | 18.6 | 15.4 | 11.0 | 15.5 | 15.2 | 16.2 | **16.8** | **16.5** | **15.9** | *14.3* | *14.7* |
| **Netherlands** | 26.0 | 23.9 | 24.4 | 22.3 | 23.4 | 26.0 | 25.4 | **25.0** | **24.3** | **25.6** | *25.3* | *25.7* |
| **Austria** | 22.1 | 22.2 | 24.3 | 24.3 | 25.1 | 23.8 | 23.1 | **23.2** | **23.5** | **23.8** | *24.2* | *24.6* |
| **Portugal** | 20.4 | 18.0 | 14.8 | 16.4 | 16.8 | 16.2 | 19.8 | **20.2** | **19.0** | **18.3** | *19.3* | *17.9* |
| **Slovenia** | : | 23.2 | 22.9 | 22.7 | 21.4 | 21.5 | 21.0 | **22.4** | **22.7** | **23.6** | *21.4* | *22.6* |
| **Slovakia** | 23.7 | 22.4 | 20.1 | 21.0 | 23.5 | 23.7 | 23.4 | **23.0** | **22.8** | **24.5** | *23.8* | *25.0* |
| **Finland** | 21.0 | 20.4 | 19.8 | 20.3 | 20.5 | 17.5 | 17.2 | **17.6** | **18.0** | **18.2** | *17.3* | *17.2* |
| **Euro area** | : | 20.1 | 20.6 | 21.5 | 21.8 | 21.2 | 20.6 | **20.6** | **20.6** | **21.0** | *20.4* | *20.8* |
| **Bulgaria** | : | 11.3 | 8.1 | 20.8 | 22.2 | 21.6 | 21.0 | **22.7** | **22.5** | **21.9** | *20.1* | *19.0* |
| **Czech Republic** | : | 22.1 | 20.9 | 21.4 | 20.3 | 20.5 | 19.8 | **19.1** | **19.7** | **20.1** | *20.1* | *20.1* |
| **Denmark** | 20.2 | 20.1 | 19.2 | 21.0 | 22.9 | 22.7 | 22.8 | **22.0** | **22.4** | **24.0** | *21.8* | *23.5* |
| **Croatia** | : | : | : | 20.9 | 21.0 | 21.5 | 21.2 | **22.6** | **24.2** | **24.0** | *19.8* | *20.8* |
| **Lithuania** | : | 12.1 | 13.0 | 20.1 | 21.8 | 20.3 | 18.8 | **18.7** | **18.5** | **18.1** | *17.7* | *17.4* |
| **Hungary** | : | 17.8 | 18.2 | 19.5 | 22.0 | 22.2 | 18.7 | **20.5** | **20.1** | **19.7** | *20.4* | *19.8* |
| **Poland** | 19.6 | 18.8 | 16.6 | 19.0 | 19.5 | 18.1 | 17.4 | **19.1** | **18.9** | **18.9** | *18.4* | *18.9* |
| **Romania** | : | 15.3 | 13.9 | 24.2 | 22.1 | 20.7 | 21.0 | **21.1** | **21.1** | **20.9** | *20.8* | *21.2* |
| **Sweden** | 21.0 | 19.5 | 21.5 | 20.8 | 22.2 | 22.9 | 22.1 | **22.3** | **22.3** | **21.9** | *23.5* | *23.3* |
| **United Kingdom** | 18.2 | 14.1 | 16.4 | 19.3 | 18.9 | 18.4 | 16.0 | **13.9** | **13.2** | **12.6** | *15.9* | *16.4* |
| **EU** | : | : | : | 21.1 | 21.4 | 20.8 | 19.9 | **19.7** | **19.6** | **19.8** | *19.8* | *20.2* |
| **USA** | : | 17.0 | 17.7 | 22.1 | 22.5 | 21.6 | 21.5 | **19.6** | **19.5** | **19.4** | *17.8* | *17.9* |
| **Japan** | 27.2 | 27.3 | 27.1 | 28.4 | 28.9 | 27.4 | 27.2 | **27.3** | **26.1** | **25.2** | *27.6* | *26.5* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 45: Saving rate of households [1] (1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 18.9 | 17.3 | 15.7 | 18.2 | 15.2 | 14.1 | 15.2 | **15.0** | **14.6** | **14.6** | *15.1* | *15.0* |
| Germany | 16.3 | 15.5 | 16.6 | 17.0 | 16.9 | 16.4 | 16.4 | **16.1** | **15.9** | **15.8** | *16.3* | *15.9* |
| Estonia | 4.9 | 1.7 | -3.2 | 10.5 | 10.1 | 11.1 | 4.5 | **5.4** | **5.9** | **6.2** | *3.0* | *3.0* |
| Ireland | : | : | 8.8 | 14.9 | 12.0 | 10.7 | 11.1 | **13.5** | **14.1** | **13.7** | *10.2* | *9.7* |
| Greece | : | : | : | : | : | : | : | : | : | : | : | : |
| Spain | : | 11.5 | 11.2 | 17.8 | 13.9 | 12.7 | 10.4 | **10.5** | **10.5** | **11.4** | *8.0* | *8.9* |
| France | 15.0 | 14.8 | 15.0 | 16.1 | 15.6 | 15.6 | 15.2 | **14.4** | **13.8** | **13.7** | *15.4* | *15.4* |
| Italy | 20.8 | 15.7 | 15.9 | 14.3 | 12.4 | 11.9 | 11.6 | **12.4** | **12.6** | **12.7** | *11.7* | *12.0* |
| Cyprus | : | 12.7 | 9.6 | 11.1 | 13.6 | 8.8 | 12.4 | **3.3** | **7.4** | **5.0** | *9.9* | *11.4* |
| Latvia | 1.1 | 1.0 | 0.0 | 10.4 | 2.5 | -1.6 | -3.0 | **-1.5** | **-1.7** | **-1.8** | *-0.1* | *-0.3* |
| Luxembourg | : | : | : | : | : | : | : | : | : | : | : | : |
| Malta | : | : | : | : | : | : | : | : | : | : | : | : |
| Netherlands | 18.0 | 13.6 | 12.5 | 12.3 | 10.5 | 11.6 | 10.7 | **9.7** | **9.4** | **10.0** | *11.8* | *12.2* |
| Austria | : | 13.6 | 15.3 | 16.1 | 14.0 | 12.0 | 12.6 | **13.0** | **13.3** | **13.3** | *13.2* | *13.5* |
| Portugal | : | 10.6 | 8.4 | 10.9 | 10.1 | 9.7 | 12.2 | **12.2** | **11.5** | **10.6** | *12.3* | *12.4* |
| Slovenia | : | 14.5 | 15.5 | 14.7 | 12.9 | 12.1 | 11.9 | **11.9** | **12.2** | **12.6** | *12.4* | *13.6* |
| Slovakia | : | 9.3 | 6.3 | 6.9 | 10.3 | 9.4 | 8.2 | **5.8** | **6.8** | **7.2** | *5.5* | *6.5* |
| Finland | 9.1 | 8.5 | 8.0 | 11.7 | 10.7 | 8.7 | 8.8 | **10.2** | **10.0** | **8.8** | *7.8* | *8.4* |
| Euro area | 16.6 | 14.3 | 14.3 | 15.4 | 14.1 | 13.6 | 13.2 | **13.1** | **13.0** | **13.0** | *13.1* | *13.3* |
| Bulgaria | : | : | -19.3 | -3.0 | -3.7 | : | : | : | : | : | : | : |
| Czech Republic | 11.1 | 10.1 | 9.5 | 11.2 | 10.7 | 9.9 | 10.6 | **10.5** | **10.7** | **10.7** | *12.8* | *12.8* |
| Denmark | 6.2 | 7.2 | 5.0 | 8.4 | 7.4 | 7.2 | 6.8 | **5.6** | **5.7** | **7.6** | *3.1* | *5.2* |
| Croatia | : | : | : | : | : | : | : | : | : | : | : | : |
| Lithuania | : | 4.2 | -0.5 | 5.4 | 9.2 | 1.2 | : | : | : | : | : | : |
| Hungary | : | 10.9 | 10.0 | 10.2 | 10.8 | 10.4 | 6.2 | **4.8** | **5.4** | **6.0** | *8.3* | *8.4* |
| Poland | : | 12.0 | 6.9 | 9.0 | 8.2 | 2.1 | 0.8 | **2.5** | **2.9** | **3.1** | *3.0* | *3.1* |
| Romania | : | -2.8 | -9.0 | -1.3 | -3.8 | -7.0 | : | : | : | : | : | : |
| Sweden | 7.2 | 7.6 | 8.9 | 13.8 | 11.3 | 13.1 | 14.7 | **15.4** | **14.6** | **13.3** | *14.9* | *14.5* |
| United Kingdom | 8.1 | 4.8 | 2.9 | 7.0 | 7.3 | 6.7 | 6.8 | **6.2** | **6.1** | **6.0** | *7.0* | *6.9* |
| EU | : | 12.4 | 12.1 | 14.1 | 13.0 | 12.4 | 12.1 | **11.9** | **11.7** | **11.7** | *11.8* | *11.8* |
| USA | : | 3.7 | 2.8 | 5.3 | 4.7 | 4.8 | 5.0 | **3.8** | **4.9** | **5.8** | *7.3* | *7.8* |
| Japan | 17.2 | 14.1 | 9.3 | 10.2 | 9.6 | 9.5 | 8.2 | **6.6** | **5.7** | **5.2** | *7.4* | *6.4* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 46: Gross saving, general government [1] (as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | -0.8 | 1.9 | 1.6 | -3.0 | -1.9 | -1.5 | -1.4 | **-1.2** | **-0.9** | **-0.8** | *-1.5* | *-1.4* |
| Germany | 0.1 | 0.1 | 0.7 | -0.4 | -0.7 | 1.6 | 2.2 | **2.0** | **2.1** | **2.2** | *1.9* | *2.0* |
| Estonia | 6.5 | 4.1 | 5.6 | 2.0 | 2.2 | 3.3 | 4.2 | **3.5** | **3.3** | **3.2** | *4.1* | *3.7* |
| Ireland | 1.8 | 5.3 | 3.6 | -7.5 | -7.5 | -6.7 | -6.0 | **-5.1** | **-3.4** | **-1.4** | *-4.9* | *-2.7* |
| Greece | -3.9 | -0.5 | -4.1 | -11.8 | -9.0 | -8.8 | -5.0 | **-1.8** | **-0.6** | **0.6** | *-2.4* | *-0.8* |
| Spain | : | 3.4 | 4.8 | -5.3 | -4.6 | -5.4 | -4.5 | **-4.5** | **-4.0** | **-4.7** | *-4.7* | *-5.6* |
| France | -0.2 | 1.1 | 0.6 | -3.4 | -3.4 | -1.6 | -1.2 | **-0.5** | **-0.3** | **-0.3** | *-0.4* | *-0.7* |
| Italy | -2.7 | 0.5 | 0.6 | -2.0 | -1.5 | -1.3 | -0.2 | **-0.2** | **0.0** | **0.1** | *0.2* | *0.1* |
| Cyprus | : | -0.5 | 2.9 | -0.7 | -0.1 | -1.9 | -2.7 | **-6.1** | **-5.3** | **-3.3** | *-3.1* | *-5.2* |
| Latvia | 1.8 | 0.7 | 3.6 | -5.0 | -3.7 | 0.2 | 2.0 | **1.7** | **1.7** | **1.4** | *2.2* | *2.3* |
| Luxembourg | 7.7 | 8.6 | 6.5 | 4.6 | 4.5 | 4.9 | 4.3 | **3.7** | **3.5** | **1.8** | *4.3* | *4.2* |
| Malta | : | -2.3 | -1.4 | -1.7 | -1.9 | -1.3 | -1.8 | **-1.9** | **-1.7** | **-1.6** | *-2.2* | *-2.1* |
| Netherlands | 0.7 | 2.7 | 3.0 | -0.7 | -0.6 | -0.5 | -0.2 | **-0.1** | **1.0** | **0.8** | *0.3* | *0.1* |
| Austria | 0.5 | 1.8 | 1.9 | -0.6 | -0.4 | 1.0 | 1.4 | **1.4** | **1.6** | **2.0** | *1.4* | *1.5* |
| Portugal | -1.0 | -0.3 | -1.9 | -6.9 | -7.0 | -4.9 | -5.1 | **-4.3** | **-3.0** | **-1.6** | *-4.6* | *-2.8* |
| Slovenia | : | 1.3 | 3.1 | -1.0 | -1.0 | -1.2 | -0.3 | **-0.8** | **-0.3** | **-0.6** | *-1.0* | *-2.2* |
| Slovakia | 1.6 | -0.5 | 0.5 | -4.0 | -4.6 | -2.4 | -2.4 | **-1.7** | **-1.7** | **-2.1** | *-1.1* | *-1.4* |
| Finland | 0.8 | 6.8 | 6.2 | 0.2 | -0.3 | 1.5 | 0.4 | **-0.1** | **-0.1** | **0.0** | *0.3* | *0.5* |
| Euro area | : | 1.2 | 1.4 | -2.6 | -2.3 | -1.2 | -0.5 | **-0.3** | **0.1** | **0.1** | *-0.2* | *-0.3* |
| Bulgaria | -2.6 | 3.6 | 5.9 | -0.4 | 0.3 | 0.4 | 1.5 | **0.8** | **1.0** | **1.4** | *1.5* | *1.8* |
| Czech Republic | : | 2.2 | 3.7 | -0.8 | -0.5 | 0.5 | 0.9 | **0.6** | **0.3** | **-0.1** | *0.7* | *0.7* |
| Denmark | 0.2 | 2.6 | 5.7 | -0.6 | -0.3 | 0.6 | 0.0 | **0.6** | **0.7** | **-0.6** | *0.6* | *-0.9* |
| Croatia | : | : | : | -0.4 | -0.9 | -2.1 | -2.0 | **-3.0** | **-3.8** | **-3.4** | *0.0* | *-0.5* |
| Lithuania | : | 1.3 | 2.4 | -6.6 | -4.8 | -2.9 | -1.6 | **-1.2** | **-0.6** | **0.0** | *-1.0* | *-0.4* |
| Hungary | : | 0.3 | -2.0 | -1.6 | -2.4 | -2.4 | -0.1 | **-0.5** | **-0.3** | **-0.3** | *-0.6* | *-0.6* |
| Poland | 0.3 | -0.5 | 0.5 | -1.8 | -2.8 | -0.6 | -0.3 | **-1.8** | **-1.3** | **-0.9** | *-1.0* | *-1.3* |
| Romania | : | 0.9 | 3.2 | -3.0 | -0.9 | 1.8 | 2.0 | **2.6** | **2.8** | **3.2** | *2.7* | *2.9* |
| Sweden | -0.5 | 3.6 | 5.1 | 2.5 | 3.4 | 3.5 | 2.9 | **2.1** | **2.1** | **2.8** | *2.0* | *2.7* |
| United Kingdom | -1.6 | 1.3 | -0.9 | -6.6 | -6.6 | -4.9 | -5.2 | **-3.9** | **-2.9** | **-1.9** | *-4.1* | *-3.5* |
| EU | : | : | : | -2.9 | -2.7 | -1.4 | -1.0 | **-0.7** | **-0.3** | **-0.1** | *-0.7* | *-0.6* |
| USA | : | 0.7 | -1.5 | -8.4 | -8.4 | -7.2 | -6.2 | **-3.7** | **-3.1** | **-2.3** | *-4.6* | *-3.7* |
| Japan | 2.9 | -0.8 | -0.5 | -5.8 | -5.4 | -5.4 | -5.6 | **-5.2** | **-2.8** | **-1.3** | *-5.0* | *-3.1* |

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

**Table 47: Exports of goods and services, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 6.3 | 4.0 | 4.4 | -9.4 | 8.1 | 6.4 | 1.8 | **0.2** | **4.2** | **4.8** | *0.8* | *3.3* |
| **Germany** | 8.0 | 6.4 | 8.4 | -13.0 | 15.2 | 8.0 | 3.2 | **0.3** | **4.6** | **6.8** | *2.2* | *6.2* |
| **Estonia** | 9.4 | 6.9 | 8.6 | -21.3 | 23.7 | 23.4 | 5.6 | **0.5** | **4.8** | **5.5** | *4.1* | *6.2* |
| **Ireland** | 17.6 | 9.9 | 4.8 | -3.8 | 6.4 | 5.4 | 1.6 | **0.5** | **2.5** | **3.7** | *2.7* | *3.7* |
| **Greece** | 7.7 | 4.9 | 6.4 | -19.4 | 5.2 | 0.3 | -2.4 | **2.5** | **4.6** | **5.5** | *3.1* | *4.6* |
| **Spain** | 11.8 | 5.5 | 3.8 | -10.0 | 11.7 | 7.6 | 2.1 | **4.5** | **5.2** | **5.7** | *4.1* | *5.7* |
| **France** | 8.1 | 3.9 | 2.9 | -12.1 | 9.5 | 5.4 | 2.4 | **1.4** | **4.3** | **5.6** | *1.2* | *4.8* |
| **Italy** | 6.2 | 1.7 | 4.2 | -17.5 | 11.4 | 6.2 | 2.0 | **0.1** | **3.6** | **4.8** | *1.6* | *3.8* |
| **Cyprus** | : | 3.9 | 3.9 | -10.7 | 3.8 | 4.4 | -2.7 | **-5.4** | **-2.5** | **1.7** | *-5.0* | *-2.5* |
| **Latvia** | : | 4.6 | 9.8 | -13.1 | 12.5 | 12.4 | 9.4 | **2.8** | **4.7** | **6.2** | *4.6* | *6.2* |
| **Luxembourg** | 7.4 | 7.9 | 8.3 | -12.9 | 7.2 | 5.4 | -1.9 | **2.7** | **4.0** | **3.5** | *1.0* | *4.1* |
| **Malta** | : | 2.5 | 4.6 | -8.4 | 16.3 | 4.7 | 7.0 | **-1.6** | **4.5** | **5.6** | *2.2* | *4.6* |
| **Netherlands** | 8.0 | 5.2 | 5.9 | -7.7 | 11.6 | 4.1 | 3.2 | **2.8** | **3.2** | **4.5** | *3.3* | *3.9* |
| **Austria** | 7.5 | 6.2 | 7.1 | -15.6 | 9.4 | 6.6 | 1.2 | **1.6** | **4.7** | **5.8** | *2.8* | *5.6* |
| **Portugal** | 9.3 | 4.1 | 4.6 | -10.9 | 10.2 | 6.9 | 3.2 | **5.8** | **5.0** | **5.3** | *0.9* | *4.4* |
| **Slovenia** | 6.9 | 6.1 | 10.6 | -16.1 | 10.2 | 7.0 | 0.6 | **1.3** | **2.6** | **3.9** | *1.3* | *3.2* |
| **Slovakia** | 8.7 | 9.8 | 11.0 | -16.3 | 16.0 | 12.2 | 9.9 | **4.6** | **4.6** | **6.0** | *3.0* | *6.2* |
| **Finland** | 10.2 | 6.1 | 8.2 | -21.3 | 7.9 | 2.7 | -0.2 | **-1.4** | **3.5** | **4.4** | *0.5* | *3.1* |
| **Euro area** | : | 5.1 | 5.9 | -12.4 | 11.6 | 6.5 | 2.5 | **1.3** | **4.2** | **5.6** | *2.2* | *4.9* |
| **Bulgaria** | : | 0.6 | 8.7 | -11.2 | 14.7 | 12.3 | -0.4 | **4.9** | **3.4** | **5.5** | *2.8* | *4.5* |
| **Czech Republic** | 10.0 | 8.8 | 10.8 | -10.9 | 15.4 | 9.5 | 4.5 | **-0.3** | **3.8** | **4.8** | *1.1* | *5.1* |
| **Denmark** | 4.9 | 6.0 | 5.2 | -9.5 | 3.0 | 6.5 | 0.2 | **0.8** | **3.4** | **4.0** | *1.1* | *4.3* |
| **Croatia** | : | 6.7 | 4.1 | -16.2 | 4.8 | 2.0 | 0.4 | **-0.7** | **2.5** | **3.0** | *1.3* | *3.5* |
| **Lithuania** | : | 7.4 | 9.5 | -12.6 | 17.4 | 14.1 | 11.8 | **5.9** | **6.7** | **6.9** | *5.4* | *6.9* |
| **Hungary** | 21.4 | 9.6 | 13.1 | -10.2 | 11.3 | 8.4 | 1.7 | **3.7** | **5.3** | **6.1** | *3.2* | *6.2* |
| **Poland** | 14.8 | 8.2 | 10.5 | -6.8 | 12.1 | 7.7 | 3.9 | **5.4** | **5.1** | **5.9** | *2.6* | *5.5* |
| **Romania** | 10.1 | 14.7 | 9.6 | -6.4 | 13.2 | 10.3 | -3.0 | **9.6** | **5.0** | **6.1** | *2.5* | *4.0* |
| **Sweden** | 10.3 | 4.9 | 6.7 | -13.8 | 11.4 | 6.1 | 0.7 | **-2.1** | **3.5** | **6.5** | *1.3* | *4.6* |
| **United Kingdom** | 7.7 | 3.9 | 4.9 | -8.7 | 6.7 | 4.5 | 1.0 | **2.7** | **3.4** | **3.6** | *1.3* | *3.9* |
| **EU** | : | 5.1 | 6.1 | -11.7 | 11.0 | 6.5 | 2.3 | **1.5** | **4.1** | **5.4** | *2.0* | *4.9* |
| **USA** | : | : | 7.8 | -9.0 | 11.5 | 7.1 | 3.5 | **3.0** | **5.6** | **5.8** | *3.5* | *5.8* |
| **Japan** | : | 4.7 | 8.0 | -24.2 | 24.4 | -0.4 | -0.1 | **3.6** | **5.8** | **3.7** | *4.0* | *6.9* |

**Table 48: Imports of goods and services, volume (percentage change on preceding year, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 6.1 | 3.1 | 4.9 | -8.8 | 7.5 | 6.8 | 1.3 | **-0.4** | **4.1** | **5.0** | *0.2* | *3.3* |
| **Germany** | 7.6 | 4.8 | 7.0 | -7.8 | 12.5 | 7.4 | 1.4 | **1.0** | **5.7** | **7.6** | *2.1* | *7.0* |
| **Estonia** | 13.2 | 8.4 | 9.0 | -31.1 | 21.1 | 28.4 | 8.8 | **1.7** | **5.0** | **5.8** | *3.6* | *5.9* |
| **Ireland** | 17.6 | 8.2 | 5.7 | -9.8 | 3.6 | -0.4 | 0.0 | **0.2** | **1.4** | **2.7** | *1.8* | *2.7* |
| **Greece** | 8.1 | 6.4 | 6.0 | -20.2 | -6.2 | -7.3 | -13.8 | **-7.1** | **-1.3** | **2.7** | *-6.5* | *-1.9* |
| **Spain** | 11.9 | 7.7 | 5.9 | -17.2 | 9.3 | -0.1 | -5.7 | **-1.9** | **1.5** | **4.0** | *-4.0* | *2.0* |
| **France** | 7.5 | 5.1 | 4.6 | -9.6 | 8.9 | 5.1 | -1.1 | **1.4** | **3.5** | **5.8** | *0.6* | *4.8* |
| **Italy** | 7.0 | 3.7 | 3.6 | -13.4 | 12.6 | 0.8 | -7.4 | **-3.5** | **3.6** | **5.4** | *-2.2* | *3.8* |
| **Cyprus** | : | 4.0 | 8.5 | -18.6 | 4.8 | -0.2 | -6.4 | **-16.5** | **-6.7** | **1.7** | *-16.0* | *-6.5* |
| **Latvia** | : | 5.7 | 10.8 | -31.7 | 11.8 | 22.3 | 4.5 | **1.8** | **5.4** | **7.1** | *5.5* | *7.2* |
| **Luxembourg** | 8.1 | 7.7 | 8.8 | -15.4 | 11.4 | 7.4 | -1.0 | **2.7** | **4.6** | **4.7** | *0.9* | *4.7* |
| **Malta** | : | 2.4 | 4.9 | -8.4 | 12.4 | 1.9 | 5.5 | **-2.7** | **4.2** | **5.6** | *2.0* | *4.7* |
| **Netherlands** | 9.1 | 5.1 | 5.6 | -7.1 | 10.3 | 4.2 | 3.3 | **0.1** | **2.7** | **4.5** | *2.9* | *3.6* |
| **Austria** | 6.7 | 4.9 | 5.7 | -13.6 | 9.1 | 7.6 | -0.3 | **0.4** | **4.5** | **5.6** | *2.2* | *5.4* |
| **Portugal** | 10.2 | 2.9 | 5.0 | -10.0 | 8.0 | -5.3 | -6.6 | **0.8** | **2.5** | **3.7** | *-3.9* | *3.1* |
| **Slovenia** | 9.4 | 5.9 | 10.4 | -19.2 | 7.4 | 5.6 | -4.7 | **-0.2** | **0.8** | **2.5** | *-2.1* | *2.0* |
| **Slovakia** | 9.9 | 6.7 | 10.1 | -18.9 | 14.9 | 9.7 | 3.3 | **1.9** | **4.3** | **5.8** | *2.4* | *5.1* |
| **Finland** | 9.8 | 5.6 | 8.2 | -17.2 | 6.8 | 6.2 | -1.0 | **-1.9** | **4.1** | **3.9** | *0.6* | *2.9* |
| **Euro area** | : | 5.0 | 5.7 | -11.0 | 10.0 | 4.5 | -0.9 | **-0.1** | **3.9** | **5.7** | *0.5* | *4.7* |
| **Bulgaria** | : | 6.4 | 12.2 | -21.0 | 2.4 | 8.8 | 3.7 | **4.1** | **3.7** | **5.9** | *4.3* | *5.8* |
| **Czech Republic** | 12.6 | 9.0 | 8.4 | -12.1 | 15.4 | 7.0 | 2.3 | **-1.2** | **3.2** | **4.6** | *1.0* | *5.2* |
| **Denmark** | 8.2 | 4.7 | 7.9 | -12.3 | 3.2 | 5.6 | 1.0 | **1.6** | **3.1** | **3.8** | *2.2* | *3.7* |
| **Croatia** | : | 7.3 | 5.5 | -21.4 | -2.8 | 1.3 | -2.1 | **0.0** | **1.8** | **3.8** | *0.4* | *3.7* |
| **Lithuania** | : | 6.9 | 13.3 | -28.1 | 17.9 | 13.7 | 6.1 | **6.2** | **7.1** | **7.4** | *5.6* | *7.3* |
| **Hungary** | 16.9 | 10.2 | 10.8 | -14.8 | 10.9 | 6.4 | -0.1 | **3.7** | **5.5** | **6.5** | *3.0* | *6.1* |
| **Poland** | 20.6 | 4.5 | 11.8 | -12.4 | 13.9 | 5.5 | -0.7 | **1.1** | **3.8** | **5.8** | *0.6* | *4.3* |
| **Romania** | 11.5 | 14.4 | 19.0 | -20.5 | 11.1 | 10.0 | -0.9 | **0.8** | **5.1** | **6.5** | *4.0* | *5.0* |
| **Sweden** | 9.4 | 3.4 | 7.0 | -14.3 | 12.0 | 7.1 | -0.6 | **-2.1** | **3.9** | **6.9** | *1.3* | *4.7* |
| **United Kingdom** | 8.0 | 5.9 | 4.0 | -10.7 | 7.9 | 0.3 | 3.1 | **1.9** | **2.3** | **2.4** | *1.3* | *2.6* |
| **EU** | : | 5.3 | 6.0 | -11.5 | 9.8 | 4.4 | -0.3 | **0.2** | **3.7** | **5.3** | *0.8* | *4.5* |
| **USA** | : | : | 4.5 | -13.6 | 12.7 | 4.8 | 2.2 | **2.2** | **5.6** | **6.2** | *2.7* | *6.2* |
| **Japan** | : | 3.8 | 3.8 | -15.7 | 11.1 | 5.9 | 5.4 | **2.6** | **4.0** | **2.4** | *2.0* | *5.0* |

**Table 49: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 3.2 | 3.6 | 1.5 | -0.4 | -0.8 | -1.6 | -1.5 | **-0.4** | **-0.6** | **-0.9** | *-0.3* | *-0.4* |
| Germany | 2.9 | 4.6 | 7.3 | 5.5 | 6.3 | 5.9 | 6.7 | **6.8** | **6.5** | **6.5** | *6.8* | *6.7* |
| Estonia | -19.2 | -14.3 | -15.2 | -4.4 | -2.5 | -4.4 | -6.6 | **-6.1** | **-5.9** | **-6.1** | *-6.0* | *-5.1* |
| Ireland | 19.0 | 25.6 | 15.1 | 20.0 | 22.6 | 22.6 | 22.2 | **20.6** | **20.1** | **19.2** | *22.9* | *23.4* |
| Greece | -12.6 | -17.6 | -18.6 | -16.1 | -14.3 | -14.0 | -11.3 | **-9.6** | **-8.7** | **-8.2** | *-9.6* | *-8.4* |
| Spain | -2.9 | -5.4 | -7.7 | -4.0 | -4.6 | -4.2 | -2.5 | **-0.8** | **0.2** | **0.7** | *-0.4* | *0.6* |
| France | 1.3 | 0.3 | -1.6 | -2.2 | -2.6 | -3.6 | -3.1 | **-2.5** | **-2.4** | **-2.4** | *-3.1* | *-3.4* |
| Italy | 3.4 | 1.2 | 0.0 | 0.1 | -1.3 | -1.1 | 1.1 | **2.4** | **2.5** | **2.5** | *2.6* | *2.9* |
| Cyprus | : | -25.8 | -28.1 | -25.5 | -26.8 | -24.3 | -21.7 | **-17.9** | **-16.5** | **-16.7** | *-18.1* | *-16.8* |
| Latvia | -12.6 | -15.5 | -21.4 | -7.1 | -7.0 | -10.8 | -10.4 | **-9.4** | **-9.9** | **-10.5** | *-10.1* | *-10.6* |
| Luxembourg | -10.1 | -11.8 | -10.0 | -8.8 | -10.2 | -12.3 | -14.2 | **-14.0** | **-14.0** | **-14.2** | *-13.2* | *-12.6* |
| Malta | -13.8 | -4.7 | -17.8 | -18.9 | -18.2 | -16.1 | -14.2 | **-12.4** | **-12.4** | **-12.7** | *-15.7* | *-16.1* |
| Netherlands | 5.3 | 5.9 | 7.5 | 6.3 | 7.1 | 7.5 | 7.7 | **9.9** | **10.1** | **10.7** | *8.9* | *9.3* |
| Austria | -3.4 | -1.2 | -0.1 | -1.1 | -1.0 | -2.5 | -2.3 | **-1.7** | **-1.8** | **-1.9** | *-2.0* | *-2.2* |
| Portugal | -8.3 | -10.7 | -11.2 | -10.0 | -10.6 | -7.7 | -4.7 | **-2.9** | **-2.0** | **-1.4** | *-2.7* | *-2.2* |
| Slovenia | -3.7 | -3.6 | -4.5 | -1.3 | -2.4 | -2.7 | -0.4 | **0.7** | **1.6** | **1.9** | *1.3* | *1.8* |
| Slovakia | -6.8 | -6.6 | -3.6 | 1.1 | 0.8 | 1.0 | 4.7 | **7.3** | **7.6** | **8.0** | *6.0* | *7.2* |
| Finland | 9.0 | 9.3 | 5.0 | 1.8 | 1.4 | -0.7 | 0.1 | **0.3** | **0.2** | **0.2** | *-0.8* | *-1.0* |
| Euro area | 1.8 | 1.5 | 0.8 | 0.6 | 0.6 | 0.3 | 1.4 | **2.3** | **2.4** | **2.5** | *2.2* | *2.4* |
| Euro area, adjusted[2] | : | : | : | 0.3 | 0.2 | 0.0 | 1.0 | **1.9** | **2.0** | **2.1** | *1.7* | *1.9* |
| Bulgaria | 1.7 | -10.4 | -21.5 | -12.0 | -7.7 | -5.6 | -9.1 | **-7.4** | **-7.7** | **-8.6** | *-10.7* | *-12.1* |
| Czech Republic | -5.8 | -2.8 | 1.1 | 2.3 | 1.5 | 2.4 | 3.8 | **4.6** | **4.9** | **5.0** | *4.1* | *4.1* |
| Denmark | 3.6 | 4.5 | 1.6 | 2.8 | 3.0 | 3.1 | 2.6 | **2.6** | **2.7** | **2.6** | *0.9* | *0.7* |
| Croatia | : | -18.3 | -21.4 | -16.8 | -13.9 | -14.5 | -14.3 | **-14.8** | **-14.7** | **-15.2** | *-14.3* | *-14.7* |
| Lithuania | -10.1 | -10.0 | -12.7 | -3.3 | -4.8 | -5.8 | -2.8 | **-2.7** | **-2.8** | **-3.1** | *-2.9* | *-3.3* |
| Hungary | -4.6 | -4.5 | -2.3 | 2.5 | 2.5 | 3.1 | 3.6 | **3.8** | **3.8** | **3.5** | *4.4* | *4.5* |
| Poland | -3.0 | -4.8 | -2.8 | -1.0 | -1.8 | -2.1 | -0.8 | **0.9** | **1.2** | **1.1** | *-0.1* | *0.2* |
| Romania | -5.0 | -5.8 | -11.7 | -5.8 | -6.1 | -5.6 | -5.6 | **-2.8** | **-3.0** | **-3.3** | *-5.7* | *-5.7* |
| Sweden | 6.8 | 6.8 | 5.4 | 3.1 | 2.6 | 2.2 | 2.4 | **1.9** | **1.5** | **1.1** | *2.5* | *2.6* |
| United Kingdom | -1.8 | -3.8 | -5.8 | -5.9 | -6.6 | -6.5 | -6.9 | **-6.4** | **-6.1** | **-5.9** | *-7.3* | *-7.7* |
| EU | 1.2 | 0.5 | -0.5 | -0.4 | -0.5 | -0.7 | 0.0 | **0.9** | **1.0** | **1.0** | *0.6* | *0.7* |
| EU, adjusted[2] | : | : | : | -0.7 | -1.0 | -1.1 | -0.4 | **0.4** | **0.6** | **0.6** | *0.1* | *0.2* |
| USA | : | -4.2 | -5.8 | -3.6 | -4.5 | -4.9 | -4.7 | **-4.5** | **-4.6** | **-4.8** | *-4.6* | *-4.8* |
| Japan | 2.5 | 2.3 | 2.0 | 0.9 | 1.7 | -0.3 | -1.2 | **-1.6** | **-1.7** | **-1.5** | *-1.7* | *-1.6* |

[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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| Belgium | 4.7 | 5.0 | 3.2 | 0.7 | 2.6 | 0.5 | -0.2 | **0.9** | **0.9** | **0.8** | *1.4* | *1.4* |
| Germany | -0.9 | 0.1 | 6.0 | 6.1 | 6.4 | 6.3 | 7.0 | **7.0** | **6.6** | **6.4** | *6.3* | *6.1* |
| Estonia | -8.8 | -7.4 | -12.3 | 4.0 | 3.5 | 0.3 | -2.8 | **-2.1** | **-2.2** | **-2.2** | *-2.2* | *-2.0* |
| Ireland | 2.4 | -0.1 | -3.6 | -2.3 | 1.1 | 1.2 | 4.4 | **4.1** | **4.6** | **4.9** | *3.1* | *4.0* |
| Greece | -1.4 | -10.8 | -14.2 | -14.4 | -12.8 | -11.7 | -5.3 | **-2.3** | **-1.9** | **-1.6** | *-2.8* | *-1.7* |
| Spain | -0.6 | -3.8 | -8.4 | -4.8 | -4.4 | -4.0 | -1.2 | **1.4** | **2.6** | **3.1** | *1.6* | *2.9* |
| France | 1.4 | 1.3 | -0.9 | -1.8 | -1.9 | -2.5 | -2.1 | **-1.8** | **-1.5** | **-1.5** | *-1.6* | *-1.7* |
| Italy | 2.2 | 0.0 | -1.4 | -2.0 | -3.5 | -3.1 | -0.5 | **1.0** | **1.2** | **1.1** | *1.0* | *1.1* |
| Cyprus | : | -2.8 | -8.6 | -10.7 | -9.2 | -4.3 | -6.6 | **-2.0** | **-0.6** | **-0.9** | *-1.9* | *-0.6* |
| Latvia | -3.1 | -7.2 | -16.7 | 8.6 | 2.9 | -2.3 | -2.5 | **-1.6** | **-2.0** | **-2.6** | *-2.1* | *-2.6* |
| Luxembourg | 10.9 | 9.8 | 9.8 | 7.3 | 8.4 | 7.3 | 5.9 | **6.7** | **6.8** | **5.8** | *6.3* | *6.4* |
| Malta | : | -3.9 | -6.5 | -8.9 | -5.4 | -1.0 | 1.1 | **1.8** | **1.4** | **0.6** | *0.0* | *0.0* |
| Netherlands | 4.9 | 5.6 | 7.6 | 3.2 | 5.0 | 7.4 | 7.7 | **9.6** | **10.0** | **11.0** | *8.6* | *8.9* |
| Austria | -2.5 | 0.3 | 3.3 | 2.7 | 3.6 | 1.5 | 1.8 | **2.5** | **2.8** | **3.1** | *3.1* | *3.2* |
| Portugal | -5.6 | -9.1 | -10.4 | -10.8 | -10.4 | -7.2 | -1.9 | **0.9** | **0.9** | **1.0** | *0.1* | *0.1* |
| Slovenia | 0.3 | -1.5 | -3.5 | -0.4 | -0.2 | 0.2 | 3.1 | **5.0** | **6.0** | **6.5** | *4.8* | *4.7* |
| Slovakia | -4.1 | -5.5 | -7.1 | -2.5 | -3.7 | -2.6 | 1.6 | **4.3** | **4.3** | **5.4** | *2.5* | *3.3* |
| Finland | 3.7 | 7.3 | 4.3 | 2.0 | 1.7 | -1.5 | -1.8 | **-1.2** | **-1.3** | **-1.1** | *-1.7* | *-1.8* |
| Euro area | : | 0.2 | 0.3 | 0.1 | 0.3 | 0.4 | 1.8 | **2.7** | **2.9** | **3.0** | *2.5* | *2.7* |
| Euro area, adjusted[2] | : | : | : | -0.2 | 0.1 | 0.1 | 1.3 | **2.3** | **2.5** | **2.6** | *1.9* | *2.0* |
| Bulgaria | 0.1 | -4.5 | -16.8 | -9.0 | -0.4 | 0.1 | -1.3 | **0.3** | **0.0** | **-0.6** | *-2.6* | *-3.6* |
| Czech Republic | -3.5 | -4.1 | -3.4 | -3.3 | -5.0 | -3.5 | -2.6 | **-1.6** | **-1.1** | **-1.0** | *-2.4* | *-2.5* |
| Denmark | 0.8 | 2.5 | 2.9 | 3.4 | 5.9 | 5.6 | 5.8 | **5.4** | **5.6** | **5.8** | *4.5* | *5.0* |
| Croatia | : | -4.0 | -6.1 | -4.5 | -0.9 | -1.1 | -0.2 | **0.1** | **0.7** | **0.1** | *0.4* | *0.0* |
| Lithuania | : | -6.7 | -10.6 | 2.1 | -0.4 | -3.9 | -1.1 | **-0.5** | **-0.8** | **-1.4** | *-1.0* | *-1.5* |
| Hungary | -4.7 | -7.2 | -7.9 | -0.1 | 0.4 | 0.6 | 1.1 | **3.0** | **2.7** | **1.8** | *2.5* | *2.6* |
| Poland | -0.9 | -3.3 | -4.6 | -3.1 | -4.3 | -4.5 | -3.3 | **-1.5** | **-1.3** | **-1.4** | *-2.5* | *-2.4* |
| Romania | : | -3.9 | -10.1 | -4.2 | -4.4 | -4.5 | -4.0 | **-1.2** | **-1.5** | **-1.7** | *-3.9* | *-3.8* |
| Sweden | 3.7 | 5.2 | 7.8 | 6.9 | 6.9 | 6.6 | 6.2 | **5.9** | **5.6** | **5.3** | *7.0* | *7.2* |
| United Kingdom | -0.4 | -2.3 | -2.0 | -1.4 | -2.7 | -1.5 | -3.8 | **-4.3** | **-4.4** | **-4.3** | *-2.7* | *-2.0* |
| EU | : | -0.2 | -0.2 | -0.1 | -0.1 | 0.2 | 0.9 | **1.6** | **1.7** | **1.8** | *1.6* | *1.9* |
| EU, adjusted[2] | : | : | : | -0.7 | -0.5 | -0.3 | 0.5 | **1.3** | **1.4** | **1.4** | *1.2* | *1.4* |
| USA | : | -3.9 | -5.2 | -2.6 | -3.0 | -2.9 | -2.7 | **-2.6** | **-2.7** | **-3.0** | *-2.8* | *-3.0* |
| Japan | 2.3 | 2.6 | 3.9 | 2.9 | 3.7 | 2.0 | 1.0 | **1.2** | **1.8** | **2.3** | *1.8* | *2.5* |

[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, 1994-2015)** 8.11.2013

| | 5-year averages | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1994-98 | 1999-03 | 2004-08 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 4.6 | 4.9 | 3.0 | 0.3 | 2.5 | 0.3 | -0.3 | 1.1 | 1.0 | 0.9 | 1.9 | 1.7 |
| Germany | -0.9 | 0.2 | 6.0 | 6.1 | 6.4 | 6.1 | 7.0 | 6.9 | 6.6 | 6.3 | 6.3 | 6.0 |
| Estonia | -8.5 | -7.0 | -11.1 | 7.4 | 7.0 | 4.4 | 0.7 | 0.8 | 0.3 | 0.2 | 0.4 | 0.4 |
| Ireland | 3.4 | 0.5 | -3.5 | -3.1 | 0.7 | 1.1 | 3.2 | 3.0 | 4.1 | 4.7 | 1.8 | 3.5 |
| Greece | : | -9.2 | -12.4 | -13.3 | -11.0 | -9.8 | -2.9 | -0.4 | -0.1 | 0.2 | -1.1 | 0.0 |
| Spain | 0.3 | -2.8 | -7.7 | -4.4 | -3.8 | -3.5 | -0.6 | 2.4 | 3.3 | 3.7 | 2.2 | 3.5 |
| France | 1.4 | 1.2 | -0.9 | -1.7 | -1.8 | -2.5 | -2.2 | -1.8 | -1.4 | -1.4 | -1.4 | -1.5 |
| Italy | 2.4 | 0.2 | -1.3 | -2.0 | -3.5 | -3.0 | -0.3 | 1.1 | 1.2 | 1.1 | 1.1 | 1.3 |
| Cyprus | : | -2.6 | -8.2 | -10.6 | -9.0 | -4.6 | -4.8 | -1.1 | -0.8 | -1.0 | -2.1 | -0.7 |
| Latvia | -1.1 | -6.8 | -15.3 | 11.1 | 4.9 | -0.2 | 0.5 | 1.5 | 1.1 | 0.4 | 0.9 | 0.4 |
| Luxembourg | : | : | 9.6 | 6.5 | 7.8 | 6.9 | 5.4 | 7.0 | 7.1 | 6.3 | 6.3 | 6.4 |
| Malta | : | -3.6 | -4.7 | -7.2 | -3.7 | 0.0 | 2.8 | 4.0 | 3.7 | 2.9 | 1.1 | 1.2 |
| Netherlands | 4.6 | 5.4 | 7.3 | 2.7 | 4.5 | 7.0 | 7.4 | 9.3 | 9.2 | 10.8 | 7.7 | 8.7 |
| Austria | -2.6 | 0.1 | 3.2 | 2.7 | 3.7 | 1.4 | 1.6 | 2.5 | 2.8 | 3.1 | 3.1 | 3.1 |
| Portugal | -3.3 | -7.2 | -9.0 | -9.6 | -9.0 | -5.6 | 0.2 | 3.6 | 3.6 | 3.5 | 1.8 | 1.8 |
| Slovenia | 0.3 | -1.7 | -3.7 | -0.4 | -0.1 | 0.0 | 2.9 | 3.1 | 2.5 | 6.8 | 4.8 | 5.2 |
| Slovakia | -4.2 | -6.1 | -6.8 | -1.7 | -2.1 | -0.9 | 3.1 | 5.6 | 5.4 | 6.0 | 4.0 | 4.5 |
| Finland | 3.7 | 7.4 | 4.5 | 2.1 | 1.8 | -1.3 | -1.7 | -1.1 | -1.2 | -1.1 | -1.4 | -1.5 |
| Euro area | : | : | 0.5 | 0.2 | 0.4 | 0.5 | 1.9 | 2.9 | 3.0 | 3.1 | 2.6 | 2.8 |
| Euro area, adjusted[2] | : | : | : | -0.1 | 0.2 | 0.2 | 1.5 | 2.5 | 2.6 | 2.7 | 2.0 | 2.2 |
| Bulgaria | -0.4 | -4.4 | -16.6 | -7.6 | 0.3 | 1.3 | 0.0 | 1.8 | 1.7 | 1.2 | -1.1 | -1.9 |
| Czech Republic | -3.5 | -3.8 | -3.0 | -1.2 | -2.9 | -1.6 | -1.4 | -0.2 | 0.3 | 0.5 | -0.9 | -1.4 |
| Denmark | 0.8 | 2.6 | 3.0 | 3.4 | 5.9 | 5.9 | 5.8 | 5.5 | 5.7 | 6.0 | 4.6 | 5.3 |
| Croatia | : | -4.0 | -6.1 | -4.5 | -0.9 | -1.1 | -0.2 | 0.1 | 0.7 | 0.1 | 0.4 | 0.0 |
| Lithuania | : | -6.5 | -9.1 | 6.4 | 3.4 | -0.6 | 1.9 | 1.8 | 1.4 | 0.8 | 1.3 | 0.7 |
| Hungary | -4.4 | -7.1 | -7.3 | 1.1 | 2.2 | 2.9 | 3.7 | 6.2 | 5.8 | 5.0 | 5.6 | 6.1 |
| Poland | 0.8 | -3.3 | -4.0 | -1.9 | -2.7 | -2.7 | -1.6 | 0.0 | 0.6 | 0.3 | -0.8 | -0.9 |
| Romania | -4.8 | -3.6 | -9.4 | -3.6 | -4.2 | -3.9 | -2.6 | -0.2 | -0.6 | -0.8 | -2.9 | -3.0 |
| Sweden | 3.4 | 4.9 | 7.7 | 6.7 | 6.8 | 6.4 | 6.1 | 6.0 | 5.4 | 5.2 | 6.9 | 7.1 |
| United Kingdom | -0.4 | -2.2 | -1.8 | -1.2 | -2.4 | -1.2 | -3.6 | -4.1 | -4.2 | -4.2 | -2.5 | -1.8 |
| EU | : | : | 0.0 | 0.1 | 0.2 | 0.4 | 1.1 | 1.9 | 1.9 | 2.0 | 1.9 | 2.1 |
| EU, adjusted[2] | : | : | : | -0.5 | -0.3 | -0.1 | 0.7 | 1.5 | 1.6 | 1.7 | 1.4 | 1.7 |
| USA | : | -3.9 | -5.2 | -2.6 | -3.0 | -2.9 | -2.7 | -2.6 | -2.7 | -3.0 | -2.8 | -3.0 |
| Japan | 2.2 | 2.5 | 3.8 | 2.8 | 3.6 | 2.0 | 1.0 | 1.2 | 1.8 | 2.3 | 1.8 | 2.5 |

[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, 2006-15)** 8.11.2013

| | | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Belgium | 10.8 | 13.2 | 3.7 | 2.4 | 9.3 | 1.7 | -0.9 | 3.6 | 3.7 | 3.3 | 5.4 | 5.5 |
| Germany | 150.0 | 182.5 | 152.1 | 145.1 | 159.5 | 163.2 | 187.9 | 191.8 | 187.2 | 187.5 | 170.8 | 168.9 |
| Estonia | -2.1 | -2.5 | -1.4 | 0.6 | 0.5 | 0.0 | -0.5 | -0.4 | -0.4 | -0.5 | -0.4 | -0.4 |
| Ireland | -6.6 | -10.4 | -10.2 | -3.8 | 1.8 | 2.0 | 7.3 | 6.8 | 7.7 | 8.6 | 5.2 | 6.9 |
| Greece | -28.7 | -39.3 | -41.9 | -33.2 | -28.4 | -24.5 | -10.3 | -4.3 | -3.4 | -3.1 | -5.1 | -3.1 |
| Spain | -88.9 | -105.2 | -104.3 | -50.0 | -45.7 | -41.6 | -12.5 | 14.7 | 26.4 | 32.8 | 16.9 | 31.0 |
| France | -14.8 | -25.7 | -36.6 | -33.2 | -36.1 | -49.1 | -42.4 | -36.2 | -30.8 | -31.8 | -32.2 | -35.3 |
| Italy | -22.3 | -20.1 | -44.9 | -30.2 | -54.5 | -48.3 | -8.4 | 15.3 | 18.4 | 17.7 | 15.0 | 18.0 |
| Cyprus | -1.1 | -1.9 | -2.1 | -1.8 | -1.6 | -0.8 | -1.2 | -0.3 | -0.1 | -0.1 | -0.3 | -0.1 |
| Latvia | -3.6 | -4.7 | -3.0 | 1.6 | 0.5 | -0.5 | -0.6 | -0.4 | -0.5 | -0.7 | -0.5 | -0.6 |
| Luxembourg | 3.5 | 3.8 | 2.0 | 2.6 | 3.3 | 3.0 | 2.5 | 3.0 | 3.2 | 2.8 | 2.9 | 3.1 |
| Malta | -0.5 | -0.2 | -0.3 | -0.5 | -0.3 | -0.1 | 0.1 | 0.1 | 0.1 | 0.0 | 0.0 | 0.0 |
| Netherlands | 48.7 | 48.1 | 28.1 | 18.2 | 29.6 | 44.3 | 45.9 | 58.1 | 61.4 | 69.9 | 52.1 | 55.3 |
| Austria | 8.3 | 10.9 | 13.7 | 7.4 | 10.3 | 4.6 | 5.5 | 8.0 | 9.2 | 10.6 | 10.0 | 10.5 |
| Portugal | -17.3 | -17.2 | -21.7 | -18.2 | -17.9 | -12.3 | -3.2 | 1.5 | 1.5 | 1.7 | 0.2 | 0.2 |
| Slovenia | -0.7 | -1.6 | -2.3 | -0.1 | -0.1 | 0.1 | 1.1 | 1.8 | 2.1 | 2.3 | 1.7 | 1.7 |
| Slovakia | -3.7 | -3.1 | -4.0 | -1.6 | -2.5 | -1.8 | 1.2 | 3.1 | 3.2 | 4.3 | 1.9 | 2.6 |
| Finland | 7.7 | 7.6 | 5.8 | 3.4 | 3.0 | -2.7 | -3.6 | -2.4 | -2.6 | -2.4 | -3.3 | -3.6 |
| Euro area | 38.8 | 34.0 | -67.2 | 8.7 | 30.6 | 37.3 | 167.9 | 263.9 | 286.2 | 303.0 | 240.6 | 261.2 |
| Euro area, adjusted[2] | -12.6 | 7.4 | -141.1 | -13.5 | 5.3 | 8.2 | 126.2 | 221.9 | 244.4 | 261.4 | 178.4 | 199.0 |
| Bulgaria | -4.7 | -7.8 | -8.2 | -3.1 | -0.1 | 0.0 | -0.5 | 0.1 | 0.0 | -0.3 | -1.1 | -1.6 |
| Czech Republic | -3.1 | -6.8 | -4.5 | -4.6 | -7.5 | -5.4 | -4.0 | -2.4 | -1.8 | -1.6 | -3.6 | -3.8 |
| Denmark | 6.5 | 3.1 | 6.8 | 7.6 | 13.9 | 13.6 | 14.1 | 13.4 | 14.5 | 15.3 | 11.3 | 12.9 |
| Croatia | -2.5 | -3.0 | -3.9 | -2.0 | -0.4 | -0.5 | -0.1 | 0.0 | 0.3 | 0.0 | 0.2 | 0.0 |
| Lithuania | -2.5 | -4.3 | -4.2 | 0.5 | -0.1 | -1.2 | -0.4 | -0.2 | -0.3 | -0.5 | -0.4 | -0.6 |
| Hungary | -6.8 | -7.4 | -7.3 | -0.1 | 0.3 | 0.6 | 1.1 | 2.9 | 2.8 | 1.9 | 2.5 | 2.7 |
| Poland | -10.9 | -18.9 | -20.5 | -9.6 | -15.2 | -16.6 | -12.5 | -6.0 | -5.1 | -6.0 | -10.0 | -9.9 |
| Romania | -10.4 | -17.0 | -16.0 | -4.9 | -5.5 | -5.9 | -5.3 | -1.7 | -2.2 | -2.6 | -5.6 | -5.8 |
| Sweden | 25.1 | 29.0 | 29.4 | 20.1 | 24.2 | 25.3 | 25.2 | 24.8 | 24.1 | 24.2 | 30.5 | 32.9 |
| United Kingdom | -56.2 | -45.6 | -17.3 | -22.5 | -46.6 | -25.9 | -73.8 | -80.3 | -86.4 | -88.3 | -49.6 | -38.7 |
| EU | -26.5 | -44.6 | -112.9 | -10.1 | -6.4 | 21.3 | 111.7 | 214.6 | 232.2 | 245.2 | 214.1 | 248.8 |
| EU, adjusted[2] | -147.1 | -130.4 | -260.8 | -79.0 | -63.2 | -32.0 | 62.3 | 165.0 | 182.3 | 195.7 | 153.2 | 187.9 |
| USA | -633.7 | -517.4 | -461.3 | -273.3 | -343.0 | -328.3 | -340.9 | -324.1 | -351.7 | -404.6 | -341.2 | -385.7 |
| Japan | 136.4 | 154.6 | 109.3 | 105.4 | 153.9 | 86.1 | 46.3 | 43.9 | 67.9 | 90.0 | 66.4 | 98.0 |

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

**Table 53: Export markets (a) (percentage change on preceding year, 2006-15)** 8.11.2013

| | | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | 8.8 | 5.3 | 2.1 | -10.6 | 10.3 | 5.0 | 1.1 | **1.4** | **4.3** | **5.8** | *2.0* | *5.1* |
| **Germany** | 8.7 | 6.8 | 2.2 | -11.7 | 10.5 | 5.2 | 1.2 | **1.7** | **4.4** | **5.6** | *2.3* | *4.9* |
| **Estonia** | 10.0 | 9.3 | 1.8 | -17.7 | 9.6 | 7.4 | 1.5 | **1.4** | **4.9** | **6.1** | *2.9* | *5.4* |
| **Ireland** | 8.3 | 4.1 | 1.2 | -11.5 | 10.7 | 4.6 | 1.3 | **1.7** | **4.1** | **5.1** | *1.9* | *4.8* |
| **Greece** | 8.7 | 5.7 | 1.7 | -12.4 | 10.4 | 4.9 | 1.1 | **1.8** | **4.1** | **5.5** | *2.0* | *4.9* |
| **Spain** | 8.3 | 5.0 | 1.9 | -10.6 | 9.8 | 4.2 | 0.5 | **1.9** | **4.2** | **5.5** | *1.8* | *5.0* |
| **France** | 8.6 | 5.9 | 1.8 | -11.1 | 10.3 | 4.9 | 1.0 | **1.7** | **4.6** | **5.7** | *2.1* | *5.1* |
| **Italy** | 9.2 | 6.6 | 2.7 | -11.0 | 9.9 | 5.4 | 1.6 | **2.1** | **4.6** | **5.9** | *2.5* | *5.3* |
| **Cyprus** | 10.8 | 6.7 | 2.2 | -13.6 | 8.1 | 7.4 | 1.3 | **2.2** | **4.3** | **5.2** | *3.1* | *5.3* |
| **Latvia** | 11.8 | 8.9 | 3.8 | -17.0 | 12.5 | 10.4 | 3.9 | **2.7** | **5.3** | **6.3** | *3.6* | *6.0* |
| **Luxembourg** | 7.9 | 4.9 | 1.6 | -11.2 | 10.1 | 4.2 | 0.4 | **1.4** | **3.6** | **4.9** | *1.5* | *4.7* |
| **Malta** | 8.6 | 5.2 | 1.8 | -11.7 | 10.3 | 4.4 | 0.8 | **2.0** | **4.2** | **5.3** | *2.1* | *4.9* |
| **Netherlands** | 8.8 | 5.5 | 2.3 | -11.2 | 10.4 | 5.2 | 0.9 | **1.2** | **4.5** | **5.8** | *1.7* | *5.1* |
| **Austria** | 10.0 | 6.8 | 2.8 | -11.5 | 11.3 | 5.9 | 1.1 | **1.4** | **4.7** | **6.2** | *2.1* | *5.6* |
| **Portugal** | 8.7 | 5.5 | 0.9 | -12.6 | 9.7 | 3.9 | -0.3 | **1.4** | **3.9** | **5.4** | *0.9* | *4.5* |
| **Slovenia** | 9.3 | 7.3 | 2.7 | -13.1 | 9.8 | 5.5 | 0.4 | **0.9** | **4.5** | **6.0** | *1.9* | *5.3* |
| **Slovakia** | 10.8 | 8.3 | 3.2 | -12.3 | 11.7 | 6.2 | 0.8 | **0.9** | **4.6** | **6.1** | *1.8* | *5.4* |
| **Finland** | 10.6 | 8.7 | 3.6 | -12.2 | 11.9 | 7.7 | 2.7 | **2.3** | **5.0** | **6.2** | *3.2* | *5.7* |
| **Euro area (b)** | 8.8 | 6.1 | 2.2 | -11.3 | 10.4 | 5.1 | 1.1 | **1.6** | **4.5** | **5.7** | *2.1* | *5.1* |
| **Bulgaria** | 9.4 | 8.5 | 2.4 | -12.8 | 9.4 | 5.6 | 0.0 | **1.3** | **4.3** | **6.0** | *2.0* | *5.1* |
| **Czech Republic** | 10.8 | 7.0 | 3.2 | -12.3 | 11.2 | 5.9 | 1.3 | **1.3** | **4.8** | **6.3** | *2.1* | *5.5* |
| **Denmark** | 8.8 | 6.4 | 2.4 | -11.4 | 11.4 | 5.4 | 1.5 | **1.6** | **4.4** | **5.7** | *2.3* | *5.2* |
| **Croatia** | 8.8 | 6.9 | 1.5 | -12.7 | 10.4 | 5.3 | -0.4 | **0.8** | **3.8** | **5.4** | *1.3* | *5.0* |
| **Lithuania** | 12.0 | 11.1 | 2.5 | -16.6 | 11.2 | 9.8 | 3.5 | **1.9** | **5.1** | **6.3** | *3.3* | *5.9* |
| **Hungary** | 10.2 | 7.8 | 3.5 | -12.5 | 11.0 | 6.1 | 1.3 | **1.2** | **4.6** | **6.1** | *2.3* | *5.5* |
| **Poland** | 10.5 | 8.0 | 3.5 | -12.4 | 11.4 | 6.2 | 1.7 | **1.2** | **4.7** | **6.1** | *2.2* | *5.6* |
| **Romania** | 8.4 | 7.0 | 1.7 | -12.4 | 10.2 | 5.4 | 0.7 | **1.5** | **4.6** | **6.1** | *2.1* | *5.5* |
| **Sweden** | 9.0 | 5.9 | 2.3 | -11.9 | 9.7 | 5.0 | 1.7 | **2.0** | **4.3** | **5.5** | *2.4* | *5.0* |
| **United Kingdom** | 7.8 | 6.2 | 1.6 | -11.1 | 10.5 | 5.0 | 1.4 | **1.9** | **4.5** | **5.7** | *2.4* | *5.2* |
| **EU (b)** | 8.8 | 6.2 | 2.2 | -11.5 | 10.5 | 5.2 | 1.2 | **1.6** | **4.5** | **5.7** | *2.1* | *5.1* |
| **USA** | 8.2 | 7.2 | 3.5 | -11.2 | 13.1 | 6.6 | 3.3 | **3.6** | **5.1** | **5.8** | *3.9* | *5.3* |
| **Japan** | 8.8 | 7.7 | 3.7 | -9.0 | 14.8 | 7.0 | 3.4 | **3.8** | **5.8** | **6.5** | *4.3* | *6.1* |

(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, 2006-15)** 8.11.2013

| | | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **Belgium** | -3.1 | -0.1 | -0.7 | 1.4 | -2.0 | 1.3 | 0.7 | **-1.2** | **-0.2** | **-0.9** | *-1.2* | *-1.7* |
| **Germany** | 4.0 | 1.1 | 0.6 | -1.4 | 4.2 | 2.7 | 2.0 | **-1.4** | **0.2** | **1.2** | *-0.1* | *1.2* |
| **Estonia** | -3.6 | -5.2 | -0.8 | -4.3 | 12.9 | 14.9 | 4.1 | **-0.8** | **-0.1** | **-0.5** | *1.1* | *0.7* |
| **Ireland** | -3.0 | 4.1 | -2.3 | 8.7 | -3.9 | 0.7 | 0.2 | **-1.2** | **-1.6** | **-1.3** | *0.8* | *-1.1* |
| **Greece** | -4.0 | 1.3 | 0.0 | -8.0 | -4.7 | -4.4 | -3.5 | **0.6** | **0.5** | **0.0** | *1.2* | *-0.3* |
| **Spain** | -1.5 | 1.6 | -2.9 | 0.7 | 1.7 | 3.3 | 1.6 | **2.5** | **0.9** | **0.2** | *2.3* | *0.6* |
| **France** | -3.1 | -3.4 | -2.1 | -1.1 | -0.8 | 0.5 | 1.4 | **-0.3** | **-0.3** | **-0.1** | *-0.9* | *-0.2* |
| **Italy** | -0.7 | -0.3 | -5.4 | -7.3 | 1.3 | 0.8 | 0.4 | **-1.9** | **-0.9** | **-0.9** | *-0.8* | *-1.4* |
| **Cyprus** | -6.5 | -0.5 | -2.7 | 3.4 | -4.0 | -2.8 | -4.0 | **-7.5** | **-6.5** | **-3.3** | *-7.8* | *-7.4* |
| **Latvia** | -4.8 | 2.5 | -1.4 | 4.7 | 0.0 | 1.8 | 5.2 | **0.1** | **-0.6** | **-0.1** | *1.0* | *0.2* |
| **Luxembourg** | 4.7 | 3.9 | 2.8 | -1.9 | -2.6 | 1.2 | -2.4 | **1.3** | **0.4** | **-1.3** | *-0.5* | *-0.6* |
| **Malta** | 5.7 | -1.4 | 0.3 | 3.7 | 5.4 | 0.3 | 6.2 | **-3.5** | **0.4** | **0.3** | *0.1* | *-0.3* |
| **Netherlands** | -1.4 | 0.8 | -0.3 | 3.9 | 1.1 | -1.1 | 2.3 | **1.6** | **-1.3** | **-1.3** | *1.5* | *-1.1* |
| **Austria** | -2.1 | 1.9 | -1.3 | -4.6 | -1.7 | 0.7 | 0.1 | **0.2** | **0.0** | **-0.3** | *0.6* | *0.0* |
| **Portugal** | 2.7 | 1.9 | -1.0 | 1.9 | 0.5 | 2.9 | 3.4 | **4.4** | **1.1** | **0.0** | *0.0* | *-0.1* |
| **Slovenia** | 3.0 | 6.0 | 1.3 | -3.4 | 0.3 | 1.4 | 0.2 | **0.3** | **-1.8** | **-2.0** | *-0.6* | *-2.0* |
| **Slovakia** | 9.2 | 5.5 | -0.1 | -4.5 | 3.9 | 5.6 | 9.0 | **3.6** | **0.0** | **0.0** | *1.2* | *0.8* |
| **Finland** | 1.4 | -0.5 | 2.1 | -10.4 | -3.6 | -4.6 | -2.7 | **-3.6** | **-1.4** | **-1.7** | *-2.6* | *-2.5* |
| **Euro area (b)** | 0.1 | 0.5 | -1.1 | -1.2 | 1.1 | 1.3 | 1.4 | **-0.3** | **-0.3** | **-0.1** | *0.1* | *-0.1* |
| **Bulgaria** | 37.7 | -2.2 | 0.6 | 1.8 | 4.9 | 6.3 | -0.3 | **3.6** | **-0.9** | **-0.5** | *0.7* | *-0.6* |
| **Czech Republic** | 2.7 | 3.9 | 0.7 | 1.6 | 3.8 | 3.4 | 3.1 | **-1.6** | **-1.0** | **-1.4** | *-0.9* | *-0.4* |
| **Denmark** | 0.2 | -3.4 | 0.9 | 2.2 | -7.6 | 1.1 | -1.2 | **-0.6** | **-0.9** | **-1.6** | *-1.2* | *-0.8* |
| **Croatia** | -2.6 | -3.0 | 0.2 | -4.0 | -5.0 | -3.1 | 0.8 | **-1.5** | **-1.3** | **-2.3** | *0.0* | *-1.4* |
| **Lithuania** | 0.2 | -7.2 | 8.7 | 4.8 | 5.6 | 3.9 | 8.0 | **3.9** | **1.5** | **0.5** | *2.0* | *0.9* |
| **Hungary** | 8.0 | 6.6 | 2.1 | 2.6 | 0.3 | 2.2 | 0.3 | **2.5** | **0.7** | **0.0** | *0.9* | *0.7* |
| **Poland** | 3.7 | 1.0 | 3.4 | 6.4 | 0.6 | 1.4 | 2.2 | **4.1** | **0.3** | **-0.2** | *0.4* | *-0.1* |
| **Romania** | 1.9 | 0.8 | 6.5 | 6.8 | 2.7 | 4.7 | -3.7 | **8.1** | **0.4** | **0.0** | *0.4* | *-1.4* |
| **Sweden** | 0.0 | -0.2 | -0.5 | -2.2 | 1.5 | 1.0 | -1.0 | **-4.0** | **-0.7** | **1.0** | *-1.1* | *-0.4* |
| **United Kingdom** | 3.9 | -7.8 | -0.5 | 2.7 | -3.5 | -0.5 | -0.4 | **0.9** | **-0.9** | **-1.9** | *-1.1* | *-1.2* |
| **EU (b)** | 0.9 | -0.5 | -0.7 | -0.2 | 0.4 | 1.2 | 1.1 | **-0.1** | **-0.3** | **-0.3** | *-0.1* | *-0.3* |
| **USA** | 0.7 | 1.6 | 2.2 | 2.5 | -1.5 | 0.4 | 0.2 | **-0.6** | **0.5** | **0.1** | *-0.4* | *0.6* |
| **Japan** | 1.0 | 0.9 | -2.2 | -16.7 | 8.3 | -6.9 | -3.4 | **0.0** | **0.0** | **-2.6** | *-0.3* | *0.8* |

(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, 2008-15)** 8.11.2013

| | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ( a ) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| **EU** | 19.2 | 0.6 | -4.5 | 2.0 | 1.7 | -0.4 | **0.0** | **1.4** | **1.9** | *-0.1* | *1.4* |
| **Euro area** | 13.6 | 0.4 | -4.5 | 1.9 | 1.5 | -0.7 | **-0.5** | **1.1** | **1.7** | *-0.4* | *1.2* |
| **Belgium** | 0.5 | 1.0 | -2.8 | 2.3 | 1.8 | -0.1 | **0.1** | **1.1** | **1.4** | *0.0* | *1.2* |
| **Bulgaria** | 0.1 | 6.2 | -5.5 | 0.4 | 1.8 | 0.8 | **0.5** | **1.5** | **1.8** | *0.9* | *1.7* |
| **Czech Republic** | 0.3 | 3.1 | -4.5 | 2.5 | 1.8 | -1.0 | **-1.0** | **1.8** | **2.2** | *-0.4* | *1.6* |
| **Denmark** | 0.3 | -0.8 | -5.7 | 1.6 | 1.1 | -0.4 | **0.3** | **1.7** | **1.8** | *0.7* | *1.7* |
| **Germany** | 3.8 | 1.1 | -5.1 | 4.0 | 3.3 | 0.7 | **0.5** | **1.7** | **1.9** | *0.4* | *1.8* |
| **Estonia** | 0.0 | -4.2 | -14.1 | 2.6 | 9.6 | 3.9 | **1.3** | **3.0** | **3.9** | *3.0* | *4.0* |
| **Ireland** | 0.2 | -2.2 | -6.4 | -1.1 | 2.2 | 0.2 | **0.3** | **1.7** | **2.5** | *1.1* | *2.2* |
| **Greece** | 0.3 | -0.2 | -3.1 | -4.9 | -7.1 | -6.4 | **-4.0** | **0.6** | **2.9** | *-4.2* | *0.6* |
| **Spain** | 1.7 | 0.9 | -3.8 | -0.2 | 0.1 | -1.6 | **-1.3** | **0.5** | **1.7** | *-1.5* | *0.9* |
| **France** | 2.7 | -0.1 | -3.1 | 1.7 | 2.0 | 0.0 | **0.2** | **0.9** | **1.7** | *-0.1* | *1.1* |
| **Croatia** | 0.1 | 2.1 | -6.9 | -2.3 | 0.0 | -2.0 | **-0.7** | **0.5** | **1.2** | *-1.0* | *0.2* |
| **Italy** | 2.2 | -1.2 | -5.5 | 1.7 | 0.5 | -2.5 | **-1.8** | **0.7** | **1.2** | *-1.3* | *0.7* |
| **Cyprus** | 0.0 | 3.6 | -1.9 | 1.3 | 0.4 | -2.4 | **-8.7** | **-3.9** | **1.1** | *-8.7* | *-3.9* |
| **Latvia** | 0.0 | -2.8 | -17.7 | -1.3 | 5.3 | 5.0 | **4.0** | **4.1** | **4.2** | *3.8* | *4.1* |
| **Lithuania** | 0.1 | 2.9 | -14.8 | 1.6 | 6.0 | 3.7 | **3.4** | **3.6** | **3.9** | *3.1* | *3.6* |
| **Luxembourg** | 0.1 | -0.7 | -5.6 | 3.1 | 1.9 | -0.2 | **1.9** | **1.8** | **1.1** | *0.8* | *1.6* |
| **Hungary** | 0.2 | 0.9 | -6.8 | 1.1 | 1.6 | -1.7 | **0.7** | **1.8** | **2.1** | *0.2* | *1.4* |
| **Malta** | 0.0 | 3.9 | -2.8 | 4.0 | 1.6 | 0.8 | **1.8** | **1.9** | **2.0** | *1.4* | *1.8* |
| **Netherlands** | 0.8 | 1.8 | -3.7 | 1.5 | 0.9 | -1.2 | **-1.0** | **0.2** | **1.2** | *-0.8* | *0.9* |
| **Austria** | 0.4 | 1.4 | -3.8 | 1.8 | 2.8 | 0.9 | **0.4** | **1.6** | **1.8** | *0.6* | *1.8* |
| **Poland** | 1.0 | 5.1 | 1.6 | 3.9 | 4.5 | 1.9 | **1.3** | **2.5** | **2.9** | *1.1* | *2.2* |
| **Portugal** | 0.3 | 0.0 | -2.9 | 1.9 | -1.3 | -3.2 | **-1.8** | **0.8** | **1.5** | *-2.3* | *0.6* |
| **Romania** | 0.3 | 7.3 | -6.6 | -1.1 | 2.2 | 0.7 | **2.2** | **2.1** | **2.4** | *1.6* | *2.2* |
| **Slovenia** | 0.1 | 3.4 | -7.9 | 1.3 | 0.7 | -2.5 | **-2.7** | **-1.0** | **0.7** | *-2.0* | *-0.1* |
| **Slovakia** | 0.2 | 5.8 | -4.9 | 4.4 | 3.0 | 1.8 | **0.9** | **2.1** | **2.9** | *1.0* | *2.8* |
| **Finland** | 0.2 | 0.3 | -8.5 | 3.4 | 2.7 | -0.8 | **-0.6** | **0.6** | **1.6** | *0.3* | *1.0* |
| **Sweden** | 0.5 | -0.6 | -5.0 | 6.6 | 2.9 | 1.0 | **1.1** | **2.8** | **3.5** | *1.5* | *2.5* |
| **United Kingdom** | 2.8 | -0.8 | -5.2 | 1.7 | 1.1 | 0.1 | **1.3** | **2.2** | **2.4** | *0.6* | *1.7* |
| **Candidate Countries** | 1.5 | 1.0 | -4.7 | 8.2 | 8.1 | 1.8 | **3.3** | **2.9** | **4.1** | *2.9* | *3.7* |
| **- Turkey** | 1.3 | 0.7 | -4.8 | 9.2 | 8.8 | 2.2 | **3.5** | **3.0** | **4.3** | *3.2* | *4.0* |
| **- The former Yugoslav Republic of Macedonia** | 0.0 | 5.0 | -0.9 | 2.9 | 2.8 | -0.4 | **2.1** | **2.5** | **2.8** | *1.5* | *2.0* |
| **- Iceland** | 0.0 | 1.2 | -6.6 | -4.1 | 2.7 | 1.4 | **1.7** | **2.3** | **2.5** | *1.8* | *3.0* |
| **- Montenegro** | 0.0 | 6.9 | -5.7 | 2.5 | 3.2 | -2.5 | **1.9** | **2.3** | **3.1** | *1.8* | *2.6* |
| **- Serbia** | 0.1 | 3.8 | -3.5 | 1.0 | 1.6 | -1.7 | **1.7** | **1.5** | **2.0** | *1.7* | *1.9* |
| **Potential Candidates** | 0.1 | 6.5 | 0.3 | 2.5 | 2.4 | 0.7 | **1.5** | **2.5** | **3.1** | *1.4* | *2.6* |
| **USA** | 19.5 | -0.3 | -2.8 | 2.5 | 1.8 | 2.8 | **1.6** | **2.6** | **3.1** | *1.9* | *2.6* |
| **Japan** | 5.5 | -1.1 | -5.5 | 4.7 | -0.6 | 2.0 | **2.1** | **2.0** | **1.3** | *1.4* | *1.6* |
| **Canada** | 1.8 | 0.7 | -2.8 | 3.2 | 2.4 | 1.8 | **1.8** | **2.1** | **2.3** | *1.8* | *2.1* |
| **Norway** | 0.3 | 0.1 | -1.6 | 0.5 | 1.2 | 3.1 | **1.9** | **2.6** | **2.7** | *2.6* | *2.5* |
| **Switzerland** | 0.4 | 2.2 | -1.9 | 3.0 | 1.8 | 1.0 | **1.7** | **1.8** | **1.9** | *1.4* | *1.9* |
| **Australia** | 1.2 | 1.6 | 2.1 | 2.4 | 3.4 | 3.5 | **2.6** | **2.8** | **2.8** | *3.0* | *2.9* |
| **New Zealand** | 0.2 | -1.1 | 0.8 | 1.2 | 1.3 | 3.6 | **2.9** | **2.6** | **2.6** | *3.2* | *2.9* |
| **Advanced economies** | 49.6 | 0.1 | -3.7 | 2.7 | 1.7 | 1.4 | **1.1** | **2.1** | **2.4** | *1.1* | *2.1* |
| **CIS** | 4.3 | 5.3 | -6.7 | 4.9 | 4.8 | 3.3 | **2.3** | **3.3** | **3.6** | *3.3* | *4.0* |
| **- Russia** | 3.0 | 5.2 | -7.8 | 4.5 | 4.3 | 3.4 | **1.9** | **3.0** | **3.4** | *3.3* | *3.8* |
| **- Other CIS** | 1.3 | 5.5 | -4.0 | 6.0 | 6.0 | 3.2 | **3.3** | **4.0** | **4.2** | *3.3* | *4.4* |
| **MENA** | 5.3 | 2.8 | 1.5 | 3.5 | 3.9 | 3.4 | **2.4** | **3.6** | **3.8** | *3.0* | *3.9* |
| **Asia** | 29.5 | 6.8 | 5.5 | 10.3 | 7.5 | 6.0 | **5.7** | **6.0** | **6.3** | *6.5* | *6.8* |
| **- China** | 14.7 | 9.6 | 9.2 | 11.6 | 9.4 | 7.8 | **7.5** | **7.4** | **7.4** | *8.0* | *8.1* |
| **- India** | 5.7 | 6.2 | 5.0 | 11.2 | 7.7 | 3.8 | **2.9** | **4.0** | **5.3** | *5.7* | *6.6* |
| **- Hong Kong** | 0.4 | 2.1 | -2.5 | 6.8 | 4.9 | 1.5 | **3.0** | **3.3** | **3.4** | *4.8* | *5.2* |
| **- Korea** | 1.9 | 2.3 | 0.3 | 6.3 | 3.7 | 2.0 | **2.8** | **3.7** | **3.8** | *3.1* | *3.7* |
| **- Indonesia** | 1.4 | 6.0 | 4.6 | 6.2 | 6.5 | 6.2 | **5.8** | **6.0** | **6.3** | *6.3* | *6.4* |
| **Latin America** | 8.7 | 4.2 | -1.7 | 6.1 | 4.5 | 2.9 | **2.6** | **3.1** | **3.5** | *3.1* | *3.5* |
| **- Brazil** | 2.8 | 5.2 | -0.3 | 7.5 | 2.7 | 0.9 | **2.2** | **2.5** | **3.1** | *3.0* | *3.6* |
| **- Mexico** | 2.2 | 1.2 | -6.0 | 5.3 | 3.9 | 3.8 | **1.3** | **3.1** | **3.7** | *3.5* | *3.5* |
| **Sub-Saharan Africa** | 2.6 | 5.4 | 2.7 | 5.4 | 4.8 | 4.8 | **5.0** | **5.3** | **5.5** | *5.4* | *5.5* |
| **Emerging and developing economies** | 50.4 | 5.6 | 2.3 | 8.0 | 6.2 | 4.9 | **4.5** | **5.0** | **5.3** | *5.2* | *5.6* |
| **World** | 100.0 | 2.5 | -0.9 | 5.2 | 3.9 | 3.1 | **2.8** | **3.6** | **3.9** | *3.1* | *3.8* |
| **World excluding EU** | 80.8 | 3.1 | 0.0 | 6.0 | 4.5 | 4.0 | **3.5** | **4.1** | **4.4** | *4.0* | *4.4* |
| **World excluding euro area** | 86.4 | 3.0 | -0.3 | 5.8 | 4.3 | 3.7 | **3.3** | **3.9** | **4.3** | *3.8* | *4.3* |

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

**Table 56: World exports of goods and services, volume (percentage change on preceding year, 2008-15)** 8.11.2013

| | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ( a ) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| EU (b) | 34.7 | 1.5 | -11.7 | 11.0 | 6.5 | 2.3 | **1.5** | **4.1** | **5.4** | *2.0* | *4.9* |
| Euro area (b) | 26.0 | 1.1 | -12.4 | 11.6 | 6.5 | 2.5 | **1.3** | **4.2** | **5.6** | *2.2* | *4.9* |
| Candidate Countries | 1.1 | 3.1 | -5.3 | 4.6 | 7.5 | 14.7 | **3.0** | **6.3** | **7.5** | *4.3* | *6.6* |
| - Turkey | 1.0 | 2.7 | -5.0 | 3.4 | 7.9 | 16.7 | **2.2** | **6.6** | **7.9** | *4.8* | *7.2* |
| - The former Yugoslav Republic of Macedonia | 0.0 | -6.3 | -15.8 | 23.6 | 10.5 | 0.0 | **4.5** | **5.5** | **6.0** | *4.1* | *6.4* |
| - Iceland | 0.0 | 7.0 | 7.0 | 0.5 | 3.8 | 3.8 | **2.5** | **3.3** | **4.0** | *2.5* | *3.0* |
| - Montenegro | 0.0 | -2.0 | -22.4 | 7.5 | 14.1 | -1.2 | **3.0** | **1.9** | **2.5** | *2.3* | *2.7* |
| - Serbia | 0.1 | 9.8 | -8.0 | 15.3 | 3.4 | 4.5 | **12.9** | **5.1** | **5.9** | *12.9* | *4.6* |
| USA | 10.2 | 5.7 | -9.0 | 11.5 | 7.1 | 3.5 | **3.0** | **5.6** | **5.8** | *3.5* | *5.8* |
| Japan | 4.1 | 1.4 | -24.2 | 24.4 | -0.4 | -0.1 | **3.6** | **5.8** | **3.7** | *4.0* | *6.9* |
| Canada | 2.5 | -2.8 | -13.0 | 5.6 | 5.0 | 0.9 | **2.7** | **5.0** | **5.0** | *2.1* | *2.3* |
| Norway | 0.9 | 0.1 | -4.2 | 0.4 | -1.8 | 1.6 | **1.3** | **3.2** | **5.0** | *1.6* | *4.5* |
| Switzerland | 1.5 | 2.9 | -7.7 | 7.7 | 3.8 | 1.1 | **2.1** | **3.7** | **4.0** | *2.7* | *3.8* |
| Australia | 1.4 | 3.6 | 2.1 | 5.7 | -0.6 | 6.3 | **3.8** | **5.7** | **5.8** | *4.7* | *5.5* |
| New Zealand | 0.2 | -1.0 | 2.4 | 3.9 | 2.4 | 2.5 | **3.0** | **3.8** | **3.8** | *3.7* | *3.7* |
| Advanced economies | 56.7 | 2.0 | -11.6 | 11.2 | 5.6 | 2.5 | **2.1** | **4.6** | **5.3** | *2.6* | *5.1* |
| CIS | 4.1 | 5.2 | -13.8 | 10.5 | 8.0 | 0.7 | **1.6** | **4.9** | **5.0** | *3.5* | *5.3* |
| - Russia | 2.7 | 0.6 | -4.7 | 7.0 | 0.3 | 1.7 | **2.1** | **4.9** | **5.2** | *3.2* | *5.2* |
| - Other CIS | 1.4 | 14.6 | -31.7 | 17.4 | 23.7 | -1.3 | **0.6** | **4.9** | **4.6** | *4.1* | *5.3* |
| MENA | 5.4 | 5.5 | -16.0 | 8.8 | 7.5 | 4.2 | **4.5** | **5.0** | **5.3** | *4.0* | *4.8* |
| Asia | 26.0 | 5.5 | -8.2 | 20.6 | 7.2 | 2.6 | **4.3** | **6.2** | **6.8** | *5.9* | *6.7* |
| - China | 10.4 | 8.4 | -10.3 | 27.8 | 8.8 | 5.4 | **4.1** | **6.0** | **7.0** | *6.2* | *6.6* |
| - India | 2.1 | 17.7 | -7.0 | 14.8 | 10.6 | -1.5 | **3.9** | **6.4** | **7.4** | *8.5* | *10.2* |
| - Hong Kong | 2.5 | 2.5 | -10.2 | 16.8 | 3.7 | 1.3 | **6.3** | **7.9** | **8.1** | *5.7* | *7.3* |
| - Korea | 3.1 | 6.6 | -1.2 | 14.7 | 9.5 | 3.7 | **5.0** | **5.8** | **6.0** | *4.8* | *6.2* |
| - Indonesia | 1.0 | 0.1 | 5.4 | 10.0 | 6.2 | -1.7 | **5.0** | **7.8** | **9.2** | *7.2* | *9.8* |
| Latin America | 5.8 | -1.1 | -10.0 | 13.0 | 6.3 | 3.1 | **3.7** | **5.5** | **6.3** | *5.4* | *6.2* |
| - Brazil | 1.3 | 2.1 | -2.9 | 11.9 | 4.7 | 2.6 | **2.5** | **4.2** | **5.4** | *4.8* | *5.7* |
| - Mexico | 1.8 | 1.2 | -13.6 | 20.9 | 7.5 | 4.5 | **2.1** | **5.7** | **7.4** | *5.8* | *6.8* |
| Sub-Saharan Africa | 2.1 | 15.9 | -32.2 | 17.1 | 13.7 | -10.4 | **2.8** | **5.6** | **5.3** | *2.9* | *5.6* |
| Emerging and developing economies | 43.3 | 5.1 | -11.3 | 17.1 | 7.5 | 2.1 | **3.9** | **5.8** | **6.3** | *5.2* | *6.2* |
| World | 100.0 | 3.2 | -11.5 | 13.5 | 6.4 | 2.3 | **2.9** | **5.1** | **5.8** | *3.7* | *5.5* |
| World excluding EU | 65.3 | 4.3 | -11.3 | 15.1 | 6.3 | 2.4 | **3.6** | **5.7** | **6.0** | *4.6* | *5.9* |
| World excluding euro area | 74.0 | 4.1 | -11.1 | 14.3 | 6.3 | 2.3 | **3.4** | **5.5** | **5.8** | *4.3* | *5.8* |

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2012.

(b) Intra- and extra-EU trade.

**Table 57: Export shares in EU trade (goods only - 2012)** 8.11.2013

| | EU | Euro area | Candidate Countries | USA | Japan | Other Advanced Economies | China | Resto of Asia | CIS | MENA | Latin America | Sub-Saharan Africa |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EU | 64.6 | 48.0 | 2.0 | 6.3 | 1.3 | 5.5 | 3.3 | 5.0 | 3.4 | 4.3 | 2.7 | 1.6 |
| Euro area | 64.2 | 47.5 | 1.9 | 6.3 | 1.4 | 5.4 | 3.6 | 5.0 | 3.1 | 4.6 | 2.9 | 1.7 |
| Belgium | 74.2 | 61.0 | 1.2 | 4.9 | 0.9 | 2.9 | 2.1 | 5.0 | 1.7 | 3.7 | 1.5 | 1.9 |
| Bulgaria | 61.7 | 46.1 | 14.8 | 1.9 | 0.3 | 1.8 | 3.1 | 2.2 | 6.8 | 5.6 | 0.7 | 1.3 |
| Czech Republic | 81.8 | 64.6 | 1.6 | 2.4 | 0.5 | 2.7 | 1.3 | 1.8 | 4.8 | 1.8 | 0.7 | 0.6 |
| Denmark | 65.2 | 37.0 | 1.2 | 6.8 | 2.2 | 8.9 | 2.8 | 4.8 | 2.5 | 2.7 | 2.3 | 0.7 |
| Germany | 59.0 | 38.8 | 2.0 | 7.2 | 1.5 | 7.0 | 5.9 | 5.7 | 3.9 | 3.5 | 3.1 | 1.2 |
| Estonia | 69.5 | 39.2 | 2.0 | 3.4 | 1.1 | 4.8 | 0.9 | 3.5 | 12.1 | 0.9 | 0.9 | 0.9 |
| Ireland | 57.8 | 38.3 | 0.6 | 20.7 | 2.7 | 7.7 | 2.2 | 3.1 | 0.9 | 1.7 | 1.6 | 0.9 |
| Greece | 49.6 | 33.8 | 17.1 | 3.6 | 0.3 | 1.8 | 1.4 | 4.7 | 3.4 | 16.0 | 0.9 | 1.2 |
| Spain | 65.2 | 53.0 | 2.3 | 4.1 | 1.2 | 4.2 | 2.0 | 3.0 | 1.8 | 7.9 | 6.5 | 1.8 |
| France | 58.8 | 46.6 | 1.6 | 6.6 | 2.0 | 5.1 | 3.8 | 7.0 | 2.3 | 7.1 | 3.0 | 2.7 |
| Croatia | 68.5 | 58.7 | 9.8 | 4.5 | 0.8 | 2.2 | 0.6 | 1.1 | 5.6 | 4.9 | 0.9 | 1.0 |
| Italy | 54.4 | 41.0 | 3.2 | 7.3 | 1.7 | 7.6 | 2.8 | 5.7 | 3.7 | 8.1 | 4.0 | 1.4 |
| Cyprus | 50.4 | 33.4 | 0.1 | 1.2 | 0.4 | 1.1 | 2.1 | 22.2 | 1.9 | 19.4 | 0.2 | 1.0 |
| Latvia | 66.8 | 33.8 | 1.5 | 1.4 | 0.6 | 3.6 | 0.5 | 2.6 | 16.7 | 5.5 | 0.6 | 0.2 |
| Lithuania | 65.0 | 46.1 | 0.9 | 3.1 | 0.4 | 3.2 | 0.3 | 1.0 | 22.7 | 1.9 | 0.4 | 1.0 |
| Luxembourg | 82.2 | 69.8 | 1.9 | 2.5 | 0.4 | 4.2 | 1.3 | 2.1 | 1.8 | 2.0 | 0.8 | 0.9 |
| Hungary | 77.5 | 55.3 | 3.0 | 2.7 | 0.7 | 1.9 | 1.8 | 1.9 | 6.1 | 2.5 | 1.1 | 0.9 |
| Malta | 44.6 | 35.1 | 3.9 | 4.0 | 1.7 | 1.8 | 10.9 | 19.3 | 1.1 | 9.9 | 1.4 | 1.4 |
| Netherlands | 78.3 | 62.3 | 1.0 | 3.7 | 0.7 | 2.9 | 1.5 | 4.0 | 1.8 | 2.7 | 2.0 | 1.6 |
| Austria | 71.1 | 53.9 | 1.6 | 5.1 | 1.0 | 6.4 | 2.5 | 3.4 | 3.8 | 2.2 | 2.1 | 0.7 |
| Poland | 77.7 | 53.7 | 2.1 | 2.1 | 0.4 | 2.9 | 1.0 | 1.6 | 9.2 | 1.4 | 1.0 | 0.6 |
| Portugal | 69.6 | 59.9 | 1.0 | 4.4 | 0.6 | 2.3 | 2.2 | 1.5 | 0.8 | 3.9 | 3.9 | 9.7 |
| Romania | 68.9 | 50.7 | 7.7 | 2.4 | 0.6 | 1.7 | 1.3 | 2.3 | 6.6 | 6.3 | 1.2 | 0.9 |
| Slovenia | 76.3 | 55.0 | 5.9 | 1.7 | 0.2 | 2.1 | 0.8 | 1.5 | 6.9 | 3.7 | 0.6 | 0.4 |
| Slovakia | 85.6 | 46.8 | 1.9 | 1.7 | 0.2 | 2.1 | 2.6 | 0.6 | 4.0 | 0.8 | 0.4 | 0.2 |
| Finland | 54.2 | 31.8 | 1.5 | 6.6 | 1.9 | 7.0 | 4.8 | 6.0 | 9.6 | 3.0 | 3.6 | 1.8 |
| Sweden | 60.2 | 40.1 | 1.4 | 5.8 | 1.4 | 12.2 | 3.6 | 5.0 | 2.2 | 3.7 | 2.9 | 1.8 |
| United Kingdom | 55.0 | 48.7 | 1.5 | 11.7 | 1.5 | 7.0 | 3.0 | 8.7 | 1.9 | 4.7 | 2.4 | 2.7 |

**Table 58: World imports of goods and services, volume (percentage change on preceding year, 2008-15)** 8.11.2013

| | | | | | | | Autumn 2013 forecast | | | *Spring 2013 forecast* | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ( a ) | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | *2013* | *2014* |
| EU (b) | 33.2 | 1.1 | -11.5 | 9.8 | 4.4 | -0.3 | **0.2** | **3.7** | **5.3** | *0.8* | *4.5* |
| Euro area (b) | 24.5 | 0.8 | -11.0 | 10.0 | 4.5 | -0.9 | **-0.1** | **3.9** | **5.7** | *0.5* | *4.7* |
| Candidate Countries | 1.3 | -2.9 | -15.4 | 17.7 | 10.2 | 0.3 | **7.1** | **5.4** | **8.5** | *5.2* | *7.5* |
| - Turkey | 1.2 | -4.1 | -14.3 | 20.7 | 10.7 | -0.3 | **8.0** | **5.7** | **9.1** | *5.8* | *8.0* |
| - The former Yugoslav Republic of Macedonia | 0.0 | 0.8 | -14.3 | 9.5 | 10.4 | 4.2 | **3.0** | **5.7** | **6.2** | *3.0* | *5.3* |
| - Iceland | 0.0 | -18.4 | -24.0 | 4.5 | 6.7 | 4.7 | **0.0** | **4.2** | **4.5** | *2.0* | *4.5* |
| - Montenegro | 0.0 | 15.3 | -30.2 | -3.1 | 3.1 | 0.9 | **-0.6** | **1.0** | **2.4** | *2.2* | *2.4* |
| - Serbia | 0.1 | 9.6 | -19.1 | 3.1 | 7.0 | 4.2 | **1.1** | **2.5** | **4.9** | *3.3* | *3.9* |
| USA | 12.7 | -2.6 | -13.6 | 12.7 | 4.8 | 2.2 | **2.2** | **5.6** | **6.2** | *2.7* | *6.2* |
| Japan | 4.6 | 0.3 | -15.7 | 11.1 | 5.9 | 5.4 | **2.6** | **4.0** | **2.4** | *2.0* | *5.0* |
| Canada | 2.7 | 1.0 | -12.0 | 9.9 | 5.5 | 0.2 | **3.0** | **4.4** | **4.8** | *2.6* | *2.6* |
| Norway | 0.6 | 3.9 | -12.5 | 9.0 | 3.8 | 2.3 | **3.0** | **3.0** | **5.3** | *2.5* | *5.0* |
| Switzerland | 1.2 | -0.3 | -5.2 | 8.4 | 4.2 | 2.2 | **1.8** | **3.7** | **3.8** | *2.9* | *3.6* |
| Australia | 1.5 | 11.3 | -9.0 | 14.3 | 10.7 | 6.8 | **4.0** | **5.6** | **6.4** | *6.9* | *7.8* |
| New Zealand | 0.2 | 3.1 | -14.4 | 10.8 | 6.7 | 1.6 | **5.0** | **5.0** | **5.0** | *2.1* | *2.9* |
| Advanced economies | 58.2 | 0.4 | -12.2 | 10.7 | 4.9 | 0.9 | **1.3** | **4.3** | **5.3** | *1.7* | *4.9* |
| CIS | 3.3 | 13.4 | -27.7 | 19.1 | 18.3 | 5.1 | **5.0** | **7.6** | **7.7** | *7.1* | *8.5* |
| - Russia | 2.1 | 14.8 | -30.4 | 25.8 | 20.3 | 9.0 | **8.2** | **8.7** | **9.0** | *9.1* | *9.2* |
| - Other CIS | 1.2 | 11.4 | -23.8 | 9.6 | 15.3 | -1.1 | **-0.2** | **5.6** | **5.5** | *3.9* | *7.3* |
| MENA | 4.7 | 12.0 | -3.1 | 0.6 | 0.0 | 4.0 | **4.8** | **5.6** | **5.6** | *5.4* | *5.7* |
| Asia | 25.8 | 6.2 | -6.2 | 19.5 | 4.3 | 4.1 | **4.6** | **6.4** | **7.1** | *5.3* | *6.6* |
| - China | 9.7 | 3.8 | 4.2 | 20.1 | 9.5 | 6.7 | **4.4** | **6.3** | **7.3** | *5.1* | *6.4* |
| - India | 2.6 | 27.8 | -0.6 | 15.4 | -20.6 | 0.2 | **4.3** | **6.8** | **7.5** | *6.6* | *9.3* |
| - Hong Kong | 2.7 | 2.2 | -9.0 | 17.4 | 4.6 | 2.5 | **6.4** | **7.8** | **7.9** | *6.1* | *7.7* |
| - Korea | 2.9 | 4.4 | -8.0 | 17.3 | 6.5 | 2.3 | **4.2** | **5.5** | **5.6** | *3.9* | *4.9* |
| - Indonesia | 1.0 | 19.5 | -14.9 | 28.6 | 14.0 | 14.0 | **2.0** | **5.7** | **7.4** | *7.4* | *9.7* |
| Latin America | 5.8 | 6.2 | -17.8 | 18.2 | 12.0 | 2.6 | **5.8** | **6.6** | **7.1** | *6.0* | *6.5* |
| - Brazil | 1.4 | 6.3 | -13.5 | 27.6 | 7.5 | -1.6 | **5.7** | **7.0** | **7.5** | *6.0* | *6.5* |
| - Mexico | 1.9 | 3.1 | -17.7 | 18.4 | 7.2 | 4.8 | **5.7** | **6.3** | **7.6** | *6.7* | *6.6* |
| Sub-Saharan Africa | 2.2 | 10.8 | -18.1 | 5.7 | 11.3 | -3.6 | **6.1** | **5.9** | **6.2** | *2.9* | *6.1* |
| Emerging and developing economies | 41.8 | 7.8 | -10.0 | 15.8 | 6.3 | 3.6 | **4.9** | **6.4** | **6.9** | *5.4* | *6.6* |
| World | 100.0 | 2.9 | -11.4 | 12.6 | 5.4 | 2.0 | **2.8** | **5.2** | **6.0** | *3.2* | *5.6* |
| World excluding EU | 66.8 | 4.1 | -11.4 | 14.3 | 6.0 | 3.2 | **4.1** | **5.9** | **6.3** | *4.5* | *6.2* |
| World excluding euro area | 75.5 | 3.8 | -11.6 | 13.6 | 5.7 | 3.0 | **3.8** | **5.6** | **6.1** | *4.1* | *5.9* |

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2012.

(b) Intra- and extra-EU trade.

**Table 59: Import shares in EU trade (goods only - 2012)** 8.11.2013

| | EU | Euro area | Candidate Countries | USA | Japan | Other Advanced Economies | China | Resto of Asia | CIS | MENA | Latin America | Sub-Saharan Africa |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EU | 62.7 | 48.4 | 1.3 | 4.3 | 1.4 | 5.4 | 6.1 | 5.1 | 5.6 | 3.7 | 2.4 | 1.9 |
| Euro area | 62.7 | 48.1 | 1.2 | 4.3 | 1.4 | 4.7 | 6.0 | 5.1 | 5.5 | 4.4 | 2.7 | 2.0 |
| Belgium | 69.0 | 58.5 | 0.8 | 6.6 | 1.7 | 3.6 | 4.0 | 5.3 | 2.0 | 3.2 | 2.3 | 1.5 |
| Bulgaria | 60.4 | 43.4 | 6.7 | 0.7 | 0.2 | 1.5 | 3.2 | 1.8 | 21.9 | 1.3 | 2.0 | 0.2 |
| Czech Republic | 77.9 | 61.8 | 0.8 | 1.4 | 1.2 | 1.8 | 5.6 | 4.6 | 6.2 | 0.3 | 0.2 | 0.2 |
| Denmark | 71.6 | 47.2 | 1.3 | 2.5 | 0.4 | 8.0 | 6.8 | 4.1 | 1.6 | 1.4 | 1.9 | 0.5 |
| Germany | 66.0 | 46.5 | 1.4 | 4.0 | 1.8 | 6.8 | 6.4 | 4.9 | 4.1 | 1.6 | 1.8 | 1.2 |
| Estonia | 74.0 | 43.2 | 0.6 | 0.9 | 0.6 | 2.1 | 5.0 | 2.7 | 13.4 | 0.1 | 0.3 | 0.0 |
| Ireland | 70.1 | 25.7 | 0.5 | 12.2 | 1.2 | 4.2 | 3.5 | 3.7 | 0.2 | 1.9 | 1.9 | 0.5 |
| Greece | 47.6 | 37.5 | 3.0 | 1.1 | 0.3 | 2.2 | 5.2 | 6.5 | 14.2 | 17.8 | 1.5 | 0.5 |
| Spain | 56.0 | 46.8 | 1.2 | 2.9 | 0.8 | 2.7 | 5.7 | 4.5 | 3.4 | 10.4 | 7.6 | 4.7 |
| France | 69.3 | 58.2 | 1.0 | 4.3 | 1.0 | 4.4 | 4.5 | 4.3 | 3.0 | 4.9 | 1.4 | 2.1 |
| Croatia | 69.5 | 55.7 | 3.8 | 2.1 | 0.6 | 2.3 | 7.4 | 2.9 | 7.8 | 0.9 | 2.2 | 0.6 |
| Italy | 57.3 | 46.4 | 1.8 | 3.3 | 0.8 | 4.2 | 6.3 | 4.7 | 7.7 | 9.1 | 2.7 | 2.0 |
| Cyprus | 59.2 | 47.4 | 0.1 | 1.2 | 1.2 | 1.6 | 6.7 | 7.1 | 11.3 | 10.0 | 1.4 | 0.1 |
| Latvia | 57.9 | 29.8 | 0.5 | 1.4 | 0.2 | 1.3 | 3.9 | 2.6 | 31.6 | 0.2 | 0.3 | 0.0 |
| Lithuania | 59.7 | 39.7 | 0.9 | 1.7 | 0.1 | 1.4 | 3.9 | 1.9 | 29.0 | 0.4 | 0.4 | 0.3 |
| Luxembourg | 79.2 | 75.3 | 0.2 | 7.5 | 0.8 | 1.9 | 7.1 | 1.2 | 0.0 | 0.1 | 1.8 | 0.0 |
| Hungary | 72.5 | 56.4 | 1.1 | 1.5 | 1.3 | 1.1 | 6.9 | 4.8 | 9.2 | 0.3 | 1.0 | 0.1 |
| Malta | 45.1 | 37.1 | 4.6 | 2.2 | 2.5 | 1.8 | 10.9 | 20.7 | 10.4 | 1.2 | 0.4 | 0.1 |
| Netherlands | 44.6 | 32.7 | 0.8 | 6.2 | 2.5 | 5.0 | 10.5 | 7.7 | 10.3 | 4.4 | 5.0 | 3.1 |
| Austria | 80.9 | 67.0 | 1.1 | 2.0 | 0.6 | 5.3 | 2.2 | 2.3 | 3.0 | 1.6 | 0.2 | 0.8 |
| Poland | 71.0 | 56.7 | 1.0 | 1.5 | 0.7 | 1.9 | 5.8 | 3.8 | 12.8 | 0.5 | 0.8 | 0.3 |
| Portugal | 71.3 | 64.4 | 0.5 | 1.5 | 0.5 | 1.7 | 3.0 | 2.4 | 3.4 | 5.0 | 4.0 | 6.7 |
| Romania | 74.8 | 52.2 | 4.0 | 1.3 | 0.5 | 1.4 | 4.0 | 2.4 | 9.3 | 0.9 | 0.9 | 0.4 |
| Slovenia | 74.9 | 58.8 | 4.6 | 1.2 | 0.2 | 1.6 | 4.5 | 6.4 | 1.4 | 2.1 | 2.5 | 0.5 |
| Slovakia | 77.2 | 41.2 | 1.0 | 0.5 | 0.7 | 0.7 | 3.6 | 6.7 | 9.4 | 0.2 | 0.1 | 0.0 |
| Finland | 61.0 | 37.0 | 0.4 | 2.7 | 0.7 | 4.8 | 6.9 | 4.5 | 16.0 | 0.2 | 2.0 | 0.8 |
| Sweden | 69.8 | 48.7 | 0.8 | 3.3 | 1.1 | 9.0 | 4.6 | 3.6 | 5.0 | 0.4 | 1.2 | 1.1 |
| United Kingdom | 51.9 | 44.0 | 1.5 | 7.6 | 1.9 | 12.1 | 7.6 | 7.1 | 2.2 | 2.8 | 2.4 | 2.8 |

**Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2007-15)** 8.11.2013

| | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| EU | -122.1 | -221.7 | -58.7 | -89.7 | -119.3 | 7.9 | 148.4 | 178.0 | 192.7 | 108.2 | 123.4 |
| EU, adjusted[1] | -219.0 | -326.1 | -120.1 | -166.8 | -195.9 | -60.8 | 77.7 | 105.8 | 121.2 | 18.9 | 34.3 |
| Euro area | 93.1 | 23.1 | 73.2 | 67.0 | 45.2 | 174.6 | 290.4 | 322.2 | 341.5 | 276.6 | 305.2 |
| Euro area, adjusted[1] | 57.8 | -32.2 | 42.8 | 20.7 | 3.3 | 122.0 | 235.7 | 266.7 | 286.5 | 214.1 | 242.9 |
| Candidate Countries | -62.2 | -68.2 | -33.9 | -63.9 | -96.8 | -75.2 | -84.0 | -86.4 | -98.9 | -94.0 | -102.5 |
| USA | -834.9 | -848.6 | -522.6 | -672.9 | -761.0 | -758.5 | -749.7 | -799.1 | -870.5 | -748.3 | -812.4 |
| Japan | 104.7 | 38.9 | 43.2 | 91.0 | -20.3 | -68.9 | -82.0 | -86.5 | -78.4 | -86.5 | -79.1 |
| Norway | 53.5 | 78.9 | 45.7 | 50.0 | 66.3 | 68.3 | 65.7 | 67.7 | 73.3 | 70.8 | 74.5 |
| Switzerland | 5.2 | 11.0 | 12.5 | 12.7 | 16.3 | 17.2 | 19.3 | 25.4 | 31.8 | 17.3 | 17.1 |
| Advanced economies | -833.6 | -973.3 | -523.2 | -662.4 | -883.1 | -825.5 | -702.3 | -715.2 | -762.2 | -748.0 | -799.7 |
| CIS | 136.1 | 195.1 | 109.7 | 164.1 | 231.8 | 221.0 | 205.1 | 206.4 | 211.4 | 220.5 | 224.4 |
| - Russia | 131.0 | 178.2 | 111.0 | 151.9 | 198.6 | 186.7 | 175.3 | 174.6 | 181.9 | 198.6 | 209.6 |
| MENA | 127.3 | 196.9 | -26.3 | 105.3 | 209.1 | 197.4 | 175.3 | 145.6 | 118.5 | 313.7 | 188.8 |
| Asia | 316.2 | 217.9 | 233.7 | 174.5 | 78.3 | 57.2 | 99.8 | 116.3 | 117.5 | 476.6 | 685.1 |
| - China | 261.6 | 297.0 | 197.6 | 182.1 | 156.3 | 231.2 | 300.3 | 346.6 | 403.6 | 404.0 | 468.0 |
| Latin America | 64.7 | 38.6 | 48.1 | 45.8 | 85.3 | 65.6 | 30.6 | 9.9 | -3.1 | 33.8 | 25.7 |
| Sub-Saharan Africa | 50.2 | 66.5 | 22.4 | 54.6 | 69.2 | 40.2 | 23.7 | 13.9 | -3.4 | 58.6 | 46.3 |
| Emerging and developing economies | 694.5 | 715.1 | 387.6 | 544.3 | 673.7 | 581.5 | 534.6 | 492.0 | 440.9 | 1103.2 | 1170.3 |
| World | -139.2 | -258.2 | -135.6 | -118.1 | -209.4 | -244.0 | -167.7 | -223.2 | -321.3 | 355.2 | 370.6 |

**Table 61: World current-account balances (in billions of US dollar, 2007-15)** 8.11.2013

| | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| EU | -61.1 | -166.0 | -14.0 | -8.4 | 29.6 | 143.5 | 284.9 | 315.1 | 332.8 | 280.7 | 325.5 |
| EU, adjusted[1] | -178.8 | -383.6 | -110.1 | -83.7 | -44.5 | 80.1 | 219.1 | 247.5 | 265.7 | 178.3 | 223.3 |
| Euro area | 46.6 | -98.8 | 12.1 | 40.5 | 51.9 | 215.8 | 350.3 | 388.5 | 411.3 | 315.4 | 341.7 |
| Euro area, adjusted[1] | 10.1 | -207.5 | -18.8 | 7.0 | 11.4 | 162.2 | 294.5 | 331.7 | 354.8 | 241.6 | 268.1 |
| Candidate Countries | -50.4 | -56.4 | -18.8 | -51.1 | -78.9 | -51.5 | -60.7 | -60.3 | -70.9 | -64.5 | -74.0 |
| USA | -709.1 | -678.4 | -381.2 | -454.7 | -457.0 | -438.0 | -430.2 | -477.3 | -549.2 | -447.2 | -504.6 |
| Japan | 211.9 | 160.7 | 147.0 | 204.0 | 119.8 | 59.5 | 58.3 | 92.2 | 122.1 | 84.8 | 128.2 |
| Norway | 49.1 | 73.0 | 44.6 | 50.2 | 62.8 | 71.5 | 67.9 | 68.9 | 74.7 | 72.5 | 76.3 |
| Switzerland | 39.9 | 12.9 | 58.5 | 83.9 | 62.4 | 66.0 | 73.3 | 87.0 | 101.4 | 82.9 | 85.0 |
| Advanced economies | -578.4 | -709.2 | -251.6 | -273.1 | -350.2 | -276.9 | -129.5 | -92.5 | -104.9 | -108.6 | -88.0 |
| CIS | 66.6 | 99.4 | 34.0 | 57.6 | 97.7 | 66.8 | 79.3 | 69.1 | 60.8 | 98.9 | 90.8 |
| - Russia | 78.1 | 102.3 | 48.7 | 67.3 | 99.4 | 74.6 | 51.2 | 36.9 | 30.0 | 75.5 | 74.2 |
| MENA | 98.5 | 138.3 | -105.8 | 23.9 | 124.6 | 116.2 | 118.9 | 95.1 | 71.8 | 256.0 | 215.2 |
| Asia | 537.5 | 522.9 | 420.8 | 382.8 | 266.1 | 256.1 | 274.9 | 285.0 | 279.8 | 305.3 | 447.3 |
| - China | 353.2 | 420.6 | 243.3 | 237.8 | 136.1 | 193.1 | 243.6 | 277.0 | 318.4 | 309.0 | 354.0 |
| Latin America | 8.5 | -35.1 | -27.7 | -57.7 | -73.8 | -95.9 | -112.4 | -137.8 | -153.5 | -100.0 | -111.2 |
| Sub-Saharan Africa | -0.2 | -7.9 | -32.2 | -6.5 | -10.2 | -37.7 | -24.6 | -43.1 | -42.3 | -23.9 | -42.3 |
| Emerging and developing economies | 711.0 | 717.7 | 289.1 | 400.1 | 404.4 | 305.4 | 336.2 | 268.3 | 216.6 | 536.3 | 599.8 |
| World | 132.6 | 8.4 | 37.5 | 127.0 | 54.2 | 28.6 | 206.7 | 175.8 | 111.7 | 427.7 | 511.8 |

**Table 62: Primary commodity prices (in US dollar, percentage change on preceding year, 2007-2015)**

| STIC | | | | | | | Autumn 2013 forecast | | | Spring 2013 forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Classification | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2013 | 2014 |
| Food | 12.6 | 21.6 | -11.1 | 11.5 | 17.5 | -2.7 | -0.3 | -6.2 | -0.7 | -4.4 | -2.5 |
| Basic materials | 12.3 | 8.8 | -23.6 | 39.8 | 19.1 | -14.3 | -4.7 | 2.0 | 2.5 | -1.0 | 1.9 |
| - of which: | | | | | | | | | | | |
| Agricultures non-food | 11.3 | 7.7 | -20.2 | 29.5 | 25.9 | -11.8 | -5.5 | 1.0 | 1.0 | -6.8 | 0.6 |
| - of which: | | | | | | | | | | | |
| Wood and pulp | 0.3 | 3.0 | -10.3 | 6.2 | 9.0 | -5.8 | 2.4 | 2.7 | 2.0 | -2.3 | 1.2 |
| Minerals and metals | 12.9 | 9.5 | -25.7 | 46.6 | 15.2 | -15.8 | -4.2 | 2.6 | 3.5 | 2.8 | 2.6 |
| Fuel products | 8.5 | 38.1 | -36.7 | 26.3 | 38.0 | 1.3 | -2.8 | -2.5 | -5.6 | -5.8 | -5.1 |
| - of which: | | | | | | | | | | | |
| Crude petroleum | 9.4 | 36.2 | -36.9 | 28.8 | 38.3 | 0.8 | -2.7 | -2.7 | -5.8 | -6.2 | -5.4 |
| Primary Commodities | | | | | | | | | | | |
| - Total excluding fuels | 12.4 | 14.1 | -18.0 | 26.2 | 18.5 | -9.4 | -2.7 | -1.8 | 1.1 | -2.5 | -0.1 |
| - Total including fuels | 9.2 | 33.9 | -34.0 | 26.3 | 34.5 | -0.4 | -2.8 | -2.4 | -4.6 | -5.3 | -4.4 |
| | | | | | Crude petroleum - price per barrel | | | | | | |
| Brent (usd) | 72.4 | 98.6 | 62.3 | 80.2 | 110.9 | 111.8 | 108.8 | 105.8 | 99.7 | 104.9 | 99.2 |
| Brent (euro) | 52.8 | 67.1 | 44.6 | 60.5 | 79.7 | 87.0 | 82.0 | 78.0 | 73.4 | 80.0 | 75.8 |

***Note on concepts and sources***

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Winter, Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2013, 2014 and 2015 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounting (ESA 1995). Most Member States have now introduced chain-linking in their national accounts to measure the development of economic aggregates in volume terms. For the USA and Japan the definitions are as in the SNA.

3. Tables 5 and 6 on domestic demand and final demand respectivel present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for U: and Japan, and for EU Member States and aggregates prior to 199.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase the capital stock and the difference between actual unemployme and the NAWRU play a key role.

6. Employment data used in tables 22-26, 28 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, Franc 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 FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA95). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. Howev intra-EU or intra-euro-area balances are non-zero because reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly 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 th "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN': forecasts based on the extrapolation of the discrepancies observed in 2012.

9. The comprehensive revision of the US National Income and Produc Accounts in July 2013 introduced major conceptual and methodol changes, including the update to the SNA2008 and a new treatme property rights, research and development, pension plans and mor interest. These changes led to significant changes in absolute level major national accounts components for the entire time span of th accounts (1929 to present), rendering some of teh indicators in the statistical annex tables incomparable to values from the spring 201 forecast.

10. Geographical zones are defined as follows :

**Euro area :**
EA18 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LU, MT, NL, AT, PT, SI, SK and
**European Union :**
EU28 (EA18, BG, CZ, DK, HR, LV ,LT, HU, PL, RO, SE and UK).
**Candidate countries :**
Turkey, the former Yugoslav Republic of Macedonia Iceland, Montenegro and Serbia.
**Potential candidates :**
Albania, Bosnia-Herzegovina and Kosovo.
**Advanced economies :**
EU, candidate countries, USA, Japan, Canada, Norway Switzerland, Australia and New Zealand.
**MENA (Middle East and Northern Africa) :**
Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, and the United Arab Emirates.
**Asia :**
All countries in that region except Japan and the Asian MENA countries.
**Latin America :**
All countries in that region.
**Sub-Saharan Africa :**
All countries in that region except the African MENA countries.

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