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European Economic Forecast

Spring 2014

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

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ABBREVIATIONS

Countries and regions

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

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 Stability 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
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 EU economic outlook is strengthening. While leading indicators point to GDP growth gaining momentum in the near term, the conditions for a sustained recovery in the medium term are also improving. In view of the crisis legacy, growth is still set to remain moderate, but a gradual easing of the drag related to deleveraging, financial fragmentation, adjustment of external imbalances and uncertainty is noticeable. The improved economic outlook encompasses the vulnerable euro-area Member States, where the impact of the crisis and adjustment needs had been the strongest. However, challenges and vulnerabilities remain and require continued monitoring and policy action. Moreover, support from the external side may turn out to be weaker than earlier anticipated. While growth in advanced economies is generally firming, emerging market economies register a moderate deceleration, and world trade has hit a soft patch amid a continued appreciation of the euro exchange rate. New geopolitical risks have emerged on the back of tensions with Russia.

In the EU, the rotation towards domestic demand that started in the second half of 2013 is progressing. Private consumption is again expanding, though at a slow pace. Improved confidence and falling energy inflation provide some support in the short run. Sustained consumption growth will however depend crucially on improvements in the labour-market situation. Even though joblessness is projected to decline only slowly, there are encouraging signs of employment growth setting in, and of recent labour-market reforms in vulnerable Member States starting to bear fruit. Investment has picked up more robustly than consumption, and is set to strengthen further from a very low basis. The constraints that caused the large investment shortfall since 2008 are gradually fading, as capacity utilisation is normalising, corporate debt deleveraging has made progress and uncertainty has been abating. At present, the investment recovery is however not supported by credit. This is not necessarily a major constraint in the very short run, as firms typically use internal funds to finance investment in the early stages of a recovery. Further ahead, credit supply conditions are expected to ease, as banks have been progressing with the repair of their balance sheets and their funding conditions are good. Finally, after several years of frontloaded adjustment, domestic demand also benefits from a broadly neutral budgetary policy for the euro area and the EU as a whole.

Overall, the outlook has improved, but it remains conditional on continued credible action on several fronts at national and EU levels. Recent structural reforms have increased the adaptability of labour and product markets in a number of Member States. Even so, important adjustment challenges remain: record-high unemployment, concerns about a fair distribution of the adjustment costs, as well as a pace of the recovery which is much slower than in other advanced economies could erode the support for implementing further reforms. The necessary competitiveness adjustment and debt reduction in vulnerable countries are more difficult to achieve with very low EU-wide inflation, in particular if it were to persist over too prolonged a period. In "core" countries, reforms to strengthen domestic demand are needed. Supervisors should encourage banks to exploit the benign market conditions to strengthen their capital base so as to be in a better position to deal with the outcome of the AQR and stress tests this autumn. At EU level, reforms to deepen capital markets so as to provide a complement to bank credit and strengthen SMEs' financing will be important to sustain the recovery beyond the short term.

The present forecast is encouraging. But it would be a mistake to think that the efforts to rebuild the European economy are behind us and one can relax the reform focus.

Marco Buti
Director General
Economic and Financial Affairs

OVERVIEW

The economic outlook is improving…

After being hit by a double-dip recession since 2008, there are genuine signs that a more lasting recovery is now taking place in the EU and the euro area. In recent months, confidence has improved and business indicators have remained above their long-term levels supporting our central scenario of a recovery that is gradually gaining strength and spreading across the EU. Growth indeed turned positive in a large majority of Member States over the course of last year and the outlook has improved even in the more vulnerable ones. Revisions to the winter forecast are minor. Real GDP growth is projected to advance with moderate momentum in 2014, at 1.6% and 1.2% respectively in the EU and the euro area, before gaining some further speed to respectively 2.0% and 1.7% in 2015. As expected, domestic demand is strengthening as the legacy of the economic and financial crisis (deleveraging and adjustment of external imbalances, uncertainty and financial fragmentation) gradually fades. Labour market conditions have started to improve and unemployment should continue to decline albeit very gradually in most Member States. On the back of somewhat stronger-than expected disinflationary trends in the first quarter of 2014, the forecast for inflation has

Table 1:

Overview - the spring 2014 forecast

	Real GDP				Inflation				Unemployment rate			
		Spring 2014 forecast				Spring 2014 forecast				Spring 2014 forecast		
	2012	2013	2014	2015	2012	2013	2014	2015	2012	2013	2014	2015
Belgium	-0.1	0.2	1.4	1.6	2.6	1.2	0.9	1.3	7.6	8.4	8.5	8.2
Germany	0.7	0.4	1.8	2.0	2.1	1.6	1.1	1.4	5.5	5.3	5.1	5.1
Estonia	3.9	0.8	1.9	3.0	4.2	3.2	1.5	3.0	10.0	8.6	8.1	7.5
Ireland	0.2	-0.3	1.7	3.0	1.9	0.5	0.6	1.1	14.7	13.1	11.4	10.2
Greece	-7.0	-3.9	0.6	2.9	1.0	-0.9	-0.8	0.3	24.3	27.3	26.0	24.0
Spain	-1.6	-1.2	1.1	2.1	2.4	1.5	0.1	0.8	25.0	26.4	25.5	24.0
France	0.0	0.2	1.0	1.5	2.2	1.0	1.0	1.1	9.8	10.3	10.4	10.2
Italy	-2.4	-1.9	0.6	1.2	3.3	1.3	0.7	1.2	10.7	12.2	12.8	12.5
Cyprus	-2.4	-5.4	-4.8	0.9	3.1	0.4	0.4	1.4	11.9	15.9	19.2	18.4
Latvia	5.2	4.1	3.8	4.1	2.3	0.0	1.2	2.5	15.0	11.9	10.7	9.6
Luxembourg	-0.2	2.1	2.6	2.7	2.9	1.7	1.4	2.4	5.1	5.8	5.7	5.5
Malta	0.6	2.4	2.3	2.3	3.2	1.0	1.2	1.9	6.4	6.5	6.5	6.5
Netherlands	-1.2	-0.8	1.2	1.4	2.8	2.6	0.7	0.9	5.3	6.7	7.4	7.3
Austria	0.9	0.4	1.6	1.8	2.6	2.1	1.6	1.7	4.3	4.9	4.8	4.7
Portugal	-3.2	-1.4	1.2	1.5	2.8	0.4	0.4	1.1	15.9	16.5	15.4	14.8
Slovenia	-2.5	-1.1	0.8	1.4	2.8	1.9	0.7	1.2	8.9	10.1	10.1	9.8
Slovakia	1.8	0.9	2.2	3.1	3.7	1.5	0.4	1.6	14.0	14.2	13.6	12.9
Finland	-1.0	-1.4	0.2	1.0	3.2	2.2	1.4	1.4	7.7	8.2	8.5	8.4
Euro area	**-0.7**	**-0.4**	**1.2**	**1.7**	**2.5**	**1.3**	**0.8**	**1.2**	**11.3**	**12.0**	**11.8**	**11.4**
Bulgaria	0.6	0.9	1.7	2.0	2.4	0.4	-0.8	1.2	12.3	13.0	12.8	12.5
Czech Republic	-1.0	-0.9	2.0	2.4	3.5	1.4	0.8	1.8	7.0	7.0	6.7	6.6
Denmark	-0.4	0.4	1.5	1.9	2.4	0.5	1.0	1.6	7.5	7.0	6.8	6.6
Croatia	-1.9	-1.0	-0.6	0.7	3.4	2.3	0.8	1.2	15.9	17.2	18.0	18.0
Lithuania	3.7	3.3	3.3	3.7	3.2	1.2	1.0	1.8	13.4	11.8	10.6	9.7
Hungary	-1.7	1.1	2.3	2.1	5.7	1.7	1.0	2.8	10.9	10.2	9.0	8.9
Poland	2.0	1.6	3.2	3.4	3.7	0.8	1.1	1.9	10.1	10.3	9.9	9.5
Romania	0.6	3.5	2.5	2.6	3.4	3.2	2.5	3.3	7.0	7.3	7.2	7.1
Sweden	0.9	1.5	2.8	3.0	0.9	0.4	0.5	1.5	8.0	8.0	7.6	7.2
United Kingdom	0.3	1.7	2.7	2.5	2.8	2.6	1.9	2.0	7.9	7.5	6.6	6.3
EU	**-0.4**	**0.1**	**1.6**	**2.0**	**2.6**	**1.5**	**1.0**	**1.5**	**10.4**	**10.8**	**10.5**	**10.1**
USA	2.8	1.9	2.8	3.2	2.1	1.5	1.7	1.9	8.1	7.4	6.4	5.9
Japan	1.4	1.5	1.5	1.3	0.0	0.4	2.5	1.6	4.3	4.0	3.8	3.8
China	7.7	7.7	7.2	7.0	2.6	2.6	2.4	2.4	:	:	:	:
World	**3.2**	**2.9**	**3.5**	**3.8**	:	:	:	:	:	:	:	:

been trimmed slightly since the winter. HICP inflation in the EU and the euro area is now expected to run at 1.0% and 0.8% respectively in 2014 and at 1.5% and 1.2% in 2015.

…despite a slightly less favourable external environment

Global growth is increasingly being driven by the improvements in advanced economies, primarily the US, while emerging markets have been decelerating amid growing uncertainty. Looking ahead, barring further geopolitical tensions, global growth is expected to accelerate from 2.9% in 2013 to 3.5% in 2014 and 3.8% in 2015. After some renewed softness in the first half of the year, mostly due to poor weather in the US, growth in advanced economies including the EU is expected to almost double between 2013 and 2014. In the US, the recovery is expected to take hold, supported by a lower fiscal drag and highly accommodative monetary policies. In Japan, growth is expected to be sustained in 2014, but to slow in 2015 because of additional fiscal consolidation measures and waning monetary stimulus. The situation in emerging markets remains differentiated, reflecting divergent cyclical patterns and structural vulnerabilities. The outlook for Russia, where a slowdown was already underway, has markedly deteriorated since the start of the crisis over Ukraine. To a lesser extent, the growth forecast for China has also been cut as the rebalancing of the economy towards a more balanced growth composition is likely to entail slower, but more sustainable, growth.

The recent weakness in world trade is expected to be temporary, as the recovery of trade-intensive sectors should cause trade to start expanding more rapidly than global output once again and add impetus to global growth. World import growth is set to accelerate from 2.2% in 2013 to 4.4% in 2014 and 5.7% in 2015, with much of the impetus coming from advanced economies. Strong demand from advanced economies also helped to keep Brent crude oil prices high throughout the winter but a significant rebound in prices is unlikely because supply remains sufficient and because of efficiency gains in oil consumption. According to futures markets, Brent oil prices are still expected to moderate over the forecast horizon though remaining at higher levels than assumed in February. The nominal exchange rate of the euro against main trading partners has appreciated slightly more than expected in the winter forecast. Looking ahead, the technical assumption is for the exchange rate to remain unchanged over the foreast horizon.

The recovery is broadening…

In contrast to the sharp but short-lived upturn in 2010, the current recovery in the EU and euro area is more balanced regionally, as it involves also most of the vulnerable Member States. Real GDP growth in most EU countries is projected to be positive as of this year (with the exception of Cyprus and Croatia) and all Member States are expected to register positive growth next year. Substantial, but receding, differences in economic performance will remain. Among the largest economies, economic growth is expected to be sustained in Germany while the recovery is firming in Spain and slowly gathering pace in France and Italy. In the UK, growth is becoming firmly established.

…and becoming more self-sustained

While during the crisis, the main positive contribution to economic activity in the EU and the euro area came from net exports, the recovery in most of the EU Member States is now becoming more self-sustained as domestic demand is firming up.

The expansion of gross fixed capital formation, notably equipment investment, should increasingly benefit from improving sentiment and lower uncertainty, continued benign funding conditions, and an improved outlook for demand. However, investment growth in many countries will continue to be dampened by high corporate debt levels and balance sheet consolidation needs. Construction investment is set to resume, though at a slow pace, as housing markets in most Member States with pronounced corrections have bottomed out or are expected to do so over the next two years.

The moderate recovery in private consumption is expected to gain momentum as confidence improves and disposable incomes rise as a result of mild labour market improvements, lower inflation and less fiscal drag. The recovery in private consumption should be more visible in 2015, once the improvements in labour market conditions, including both stronger net job creation and wage increases become more marked. Public consumption is expected to deliver a marginal contribution to growth.

Intra-euro-area rebalancing is progressing

In the euro area as a whole, net trade's contribution to growth is set to fall over the forecast horizon as the strengthening of domestic demand will draw in imports. The Member States that had large current-account deficits in the run-up to the crisis are expected to register further improvements in price competitiveness. Nonetheless, their reliance on net trade is also expected to slightly reduce as domestic demand picks-up more swiftly than expected earlier on.

Despite benign financial conditions bank lending remains weak

After a temporary weakening amid the emerging market turmoil early this year, financial markets have seized on the relative strength of corporate earnings to rebound to the point where the positivity of market sentiment may be running ahead of economic fundamentals. Statements by main central banks indicating their intentions to keep policy rates low until the economic recovery is well entrenched have helped ease pressure on sovereign-bond yields in the US and the euro area. Spreads within the euro area have narrowed further, as investors have picked up bonds from vulnerable Member States in the low interest rate environment. Euro-area corporate-bond spreads have also narrowed further but falling inflation in the euro area means that real interest rates have increased. The benign financial market developments contrast with the still very weak bank lending. The euro area recovery has indeed so far remained largely creditless, with firms financing their investment internally or by issuing debt securities. The firming economic recovery and successful Asset Quality Review and stress test exercises should however herald an improvement in lending volumes over the forecast horizon.

Fiscal consolidation is showing results

Following substantial fiscal consolidation in 2011-13, the fiscal policy stance is expected to be close to neutral in 2014. The deficit-to-GDP ratio is set to decrease further in both areas to around 2½% of GDP this year, as the recovery advances and additional deficit-reducing measures are being implemented by Member States. However, the fiscal effort, measured in terms of change of the structural balance, is expected to be broadly nil. The debt-to-GDP ratios of the EU and the euro area are expected to peak this year at 89.5% and 96.0% respectively, as continued improvement of primary surpluses, combined with stronger economic growth, are expected to put debt ratios on a downward path.

Labour markets improve timidly…

Labour market conditions also started to improve in the course of 2013. With output growth accelerating only slowly, and given the usual lagged response of employment, little net job creation is expected in the short term. Private employment growth is also still dampened by the remaining scope for firms to adjust working hours, while public employment growth is set to remain subdued. Employment growth in 2014 is expected to be limited, at 0.6% in the EU and 0.4% in the euro area, though slightly better than projected in winter. The unemployment rate is thus expected to decrease slightly in 2014 from its historical peak in 2013. In 2015, employment growth is set to accelerate to 0.7% in both areas, resulting in a further slight reduction of unemployment to around 10.1% in the EU and 11.4% in the euro area. Such a slow decline mirrors the gradual recovery but could also reflect a higher prevalence of structural unemployment than in the pre-crisis years. Large differences in labour market performance would persist although unemployment is set to decrease in a large majority of Member States.

…and price pressures remain very low

The current low level of inflation in the euro area and the EU is the result of both external factors, such as falling commodity prices and the euro's rising exchange rate, and internal ones, such as the weak economic environment, macroeconomic adjustment in a number of Member States, and the expiration of temporary increases of taxes and administered prices. Inflation at the aggregate level is projected to remain low in the next quarters. In the near term, quarterly inflation rates in some Member States are set to temporarily fall to zero or even below that. Looking ahead, as the recovery progresses, inflation is set to gradually rise - as unemployment falls and excess capacity shrinks - although at a slow pace. Import prices are expected to only slightly pick up in 2015, and limited inflation pressures are expected from labour costs, as productivity growth is set to accelerate and wage growth to stabilise. While in the short run, low inflation can support GDP growth by increasing real disposable incomes, too prolonged a period of very low inflation increases the real value of both private and public debt and can raise real interest rates. It also makes the necessary relative price adjustment in the vulnerable Member States more challenging.

Downside risks remain

Overall, risks to the growth outlook remain tilted to the downside. On the domestic side, as the recovery advances, the risk that reforms crucial to the recovery's continuation and strengthening may be put off increases. Risks to the outlook for emerging market economies persist, especially for those most exposed to tighter financial conditions. Uncertainty has increased regarding China's growth prospects and possibly its financial stability. Tensions with Russia have increased geopolitical risks. Their impact will depend on the duration and gravity of the situation.

HICP inflation could turn lower than envisaged in the central scenario, if labour market conditions and commodity prices turned out weaker than expected. However, the probability of outright deflation, defined as a generalised and self-enforcing fall in prices in the euro area as a whole, remains very low.

Upside risks to growth identified in the winter forecast are still valid. Stronger growth in domestic demand could materialise if confidence increases further and credit conditions improve faster than expected. The substantial structural reforms that were undertaken in recent years may also lead to better-than-expected labour-market results, particularly in the vulnerable Member States. This would also lead to a faster normalisation of inflation.

PART I

EA and EU outlook

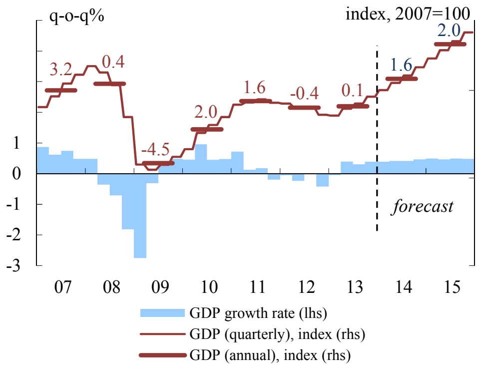
GROWTH BECOMING BROADER-BASED

Last year saw the EU and the euro area pulling out of recession with real GDP increasing in the last three quarters of the year. In the fourth quarter, real GDP grew by respectively 0.4% (q-o-q) in the EU and 0.2% in the euro area. Real GDP is expected to continue recovering over the forecast horizon in the EU and the euro area, with growth broadening across countries but also becoming more self-sustained as domestic demand strengthens. Economic growth continues to be dampened by high private and public debt, financial fragmentation, uncertainty and difficult adjustment, and it will take some more quarters before GDP is back to its pre-crisis level of 2008. Real GDP growth is projected to advance with moderate momentum in 2014, at 1.6% and 1.2% respectively in the EU and the euro area, before gaining some further speed in 2015, to 2.0% in the EU and 1.7% in the euro area.

Labour market conditions have started to improve in the course of 2013, somewhat earlier than expected. After declining for almost two years, employment showed some timid signs of revival at the end of 2013, while unemployment rates have stopped increasing. Looking ahead, unemployment should start gradually trending downwards, but remain at historically high levels, with large differences among Member States. HICP inflation, which has been on a downward trend for several quarters, is expected to remain low for some time, reflecting the existing slack in the economy together with the ongoing competitiveness adjustment in a number of Member States. HICP inflation is expected to be 0.8% in the euro area in 2014 and 1.2% in 2015, and to stand at respectively 1.0% and 1.5% in the EU.

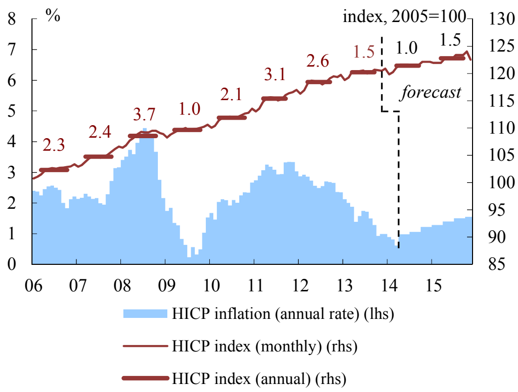
Downside risks to the growth outlook remain, due to uncertainty stemming from the external environment which has increased lately. On the domestic side, a stalling or only partial implementation of structural, fiscal and institutional reforms at the EU and Member States levels could endanger the recovery.

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



Figures above horizontal bars are annual growth rates.

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



1. RECOVERY IS SPREADING ACROSS THE EU

After being hit by a double-dip recession since 2008, there are genuine signs that a more lasting recovery is now taking place in the EU and the euro area. The recovery, however, remains gradual, as the legacy of the economic and financial crisis – high levels of debt, unemployment, uncertainty and fragmentation – continues to weigh. Revisions to the winter 2014 forecast are minor for GDP growth, as the latest incoming data have continued to support the central scenario of a gradual recovery in the EU, gaining strength as well as broadening across countries over the forecast horizon.

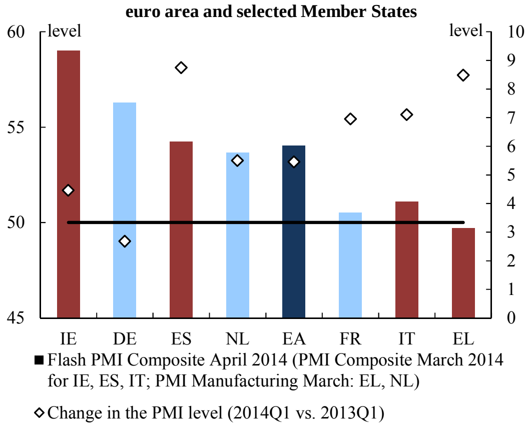
The current recovery is gradual and regionally balanced, involving also most of the vulnerable Member States (displayed in red in the following graphs of this section[1]. In the fourth quarter of 2013, only four EU Member States still registered

[1] The euro-area countries that have been most exposed to financial market stress in the recent years, i.e. the three programme countries plus Italy, Ireland, Spain and Slovenia.

negative growth, compared to 15 a year earlier. Supported by diminishing uncertainty and rising business and consumer confidence, growth returned in the course of last year, albeit hesitantly in some cases, in Spain, Portugal, Italy, Slovenia and Ireland. In Italy, real GDP continued shrinking until the fourth quarter, when it managed to grow by 0.1%. The recovery in Spain was very timid in the second half of 2013, and in France it remains in its early stages. So far growth in the EU as a whole has been primarily pulled by the UK and Germany, also in line with their respective large weights in the EU aggregate.

Economic expansion is set to continue in the EU Member States in the coming quarters and gain some strength as suggested by the latest readings of economic indicators. Cyclical indicators, notably the Purchasing Managers' Index (PMI), indeed picked-up strongly since last year and confirm that activity has swung back into expansionary territory in most countries, the rise being the strongest in the vulnerable euro-area Member States which suffered heavy output losses (see graph I.3).

Graph I.3: **PMI Composite Output Index, euro area and selected Member States**

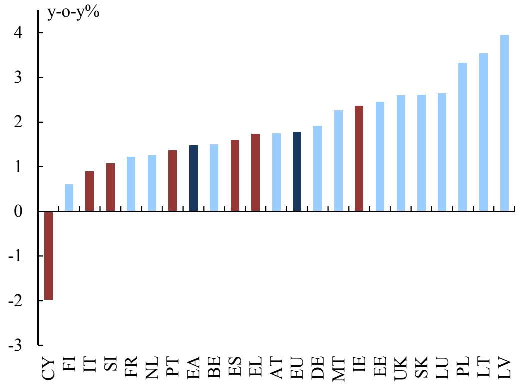


Recovery to strengthen in a large majority of EU countries …

Real GDP in most EU countries is projected to continue recovering in 2014 and 2015. Although substantial differences in economic performance will remain, the recovery is projected to become more broad-based (see graph I.4). On average, over the forecast period, most of the Member States are expected to record annual growth rates of at least 1%, the only exceptions being Cyprus, Croatia, Finland and Italy. The median growth rate is 1.8% in 2014-15, much higher than the 0.3% of 2013. The highest average annual growth rates over the forecast period are expected in Latvia [2], Lithuania and Poland. In 2015, growth in the vulnerable Member States is expected to approach the EU median for the first time since the start of the crisis.

Real GDP is expected to rise above its 2008 level for the first time at the end of 2014 in the EU and, in the course of 2015 in the euro area. In some of the vulnerable countries, however, GDP will remain quite far below pre-crisis levels.

Graph I.4: **Average growth rate of real GDP (2014-15), selected Member States**



… on the back of slowly converging growth drivers …

The recovery in most EU Member States is becoming more self-sustaining as domestic demand gradually firms.

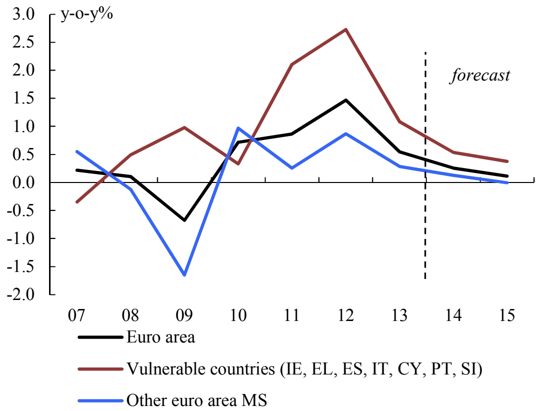
The contribution of net trade to growth is expected to become almost nil in 2015, and domestic demand is set to emerge as the key growth driver. As domestic demand rises, so do imports, mechanically lowering net trade's contribution. Private investment is expected to play a key role, supported by low interest rates and a revival of demand. Besides, private consumption is likely to regain some vigour as disposable income will be backed by some increase in wages, particularly in the countries where the unemployment rate is low (notably in Germany).

In the vulnerable Member States, economic expansion will remain primarily driven by net exports in the coming quarters although domestic demand also started to strengthen in the second half of 2013. During the crisis years, net trade

(2) See, Quarterly Report on the Euro Area, volume 13 N°1 (2014) "Latvia, maintaining sustainable growth after the boom-bust years".

prevented economic activity from tumbling while domestic demand shrunk sharply as a result of adjustments in the private and public sectors. [3] Over the forecast horizon, the reliance on net trade in these countries is expected to continue but to decline slightly (see graph I.5) as domestic demand gradually recovers. As confidence improves and easier financing conditions for sovereigns and banks slowly reaches borrowers, private investment and consumption should pick-up. Despite these positive developments, very high levels of private and public indebtedness and unemployment will continue to constrain borrowing capacities thereby limiting the potential of private and public demand.

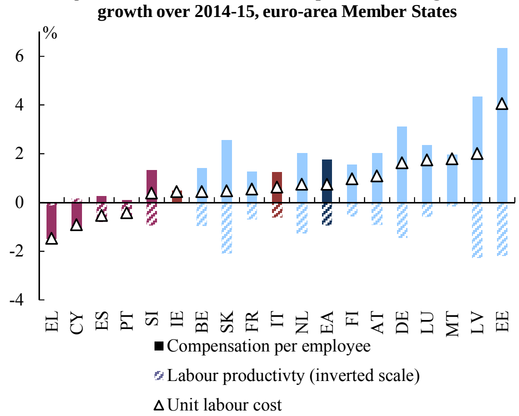
Graph I.5: **Contribution of net exports to GDP growth**



… while competitiveness gains continue in the vulnerable countries …

The strong export performance of the vulnerable countries in recent years is mainly due to sharp improvements in price competitiveness as measured by nominal unit labour costs, and this pattern is expected to continue (see graph I.6). This is in turn mainly due to more moderate developments in compensation per employee in both the public and private sectors, since productivity improvements are projected to remain slow. Wage growth would continue to be subdued, as the impact of high unemployment and subsequent adjustment needs affect private wages and consolidation pressures weigh on public wages. It also reflects the impact of reforms, including those modifying the wage bargaining system.

Graph I.6: **Unit labour cost and components: Average annual growth over 2014-15, euro-area Member States**



… leading to a further increase in the euro-area current-account surplus.

As export competitiveness continues to increase and domestic demand remains below unsustainable pre-crisis trends, the current account is expected to further improve in all vulnerable countries this year and next, albeit more slowly. This is in line with the need to further reduce the external vulnerabilities of those countries as they still have large negative net international positions.

While the current-account balance is projected to improve for most euro-area countries over the forecast horizon, particularly sizeable improvements are now only expected for Cyprus, Luxembourg and Ireland. For Germany, Estonia, Latvia and Germany, marginal decreases are expected on average over 2014-15 compared to 2013. As the countries that recorded the largest surpluses at the onset of the crisis are projected to continue doing so, the current-account surplus of the euro area should stand at about 3% of GDP in 2015, up from a roughly balanced position in 2008.

Most of the changes in current-account balances in the recent years have been due to non-cyclical factors. For instance, only about a quarter of Spain's current-account adjustment is estimated to be due to the business cycle. At the current juncture, the cycle contributes to increases in the 2014 surplus (or reductions in the deficit) in most vulnerable, net debtor, economies, but also in Denmark, France and the Netherlands. In contrast, the current-account surpluses of Belgium, Germany, Ireland and Austria would be even

(3) The concomitant impact of deleveraging in the private and public sectors drained domestic demand, leaving major unused capacities in their wake.

higher than the headline figure, in cyclically-adjusted terms (see table I.1). [4]

Table I.1:
Current-account and cyclically-adjusted current-account balances, EU Member States

(% of GDP)	Current-account balance					Cycl.-adj. current-account balance				
	2007	**2012**	**2013**	**2014**	**2015**	**2007**	**2012**	**2013**	**2014**	**2015**
Belgium	3.9	-0.2	-0.3	0.3	-0.3	3.7	0.1	0.3	1.1	0.5
Germany	7.5	7.0	7.4	7.3	7.0	6.6	8.3	8.3	8.2	7.7
Estonia	-15.7	-2.8	-1.8	-2.7	-2.8	-5.7	2.3	2.2	0.1	-0.4
Ireland	-5.5	4.4	6.6	7.4	8.9	-3.7	6.4	7.9	8.3	9.9
Greece	-17.6	-4.6	-2.4	-2.3	-2.2	-16.9	-9.9	-7.4	-5.7	-3.4
Spain	-10.0	-1.2	0.8	1.4	1.5	-9.6	-3.9	-1.9	-0.9	-0.2
France	-1.4	-2.1	-1.9	-1.8	-2.0	-0.9	-2.3	-2.2	-2.4	-2.7
Italy	-1.3	-0.4	0.9	1.5	1.5	-1.0	-1.0	0.0	0.8	0.9
Cyprus	-11.6	-7.0	-1.4	0.0	0.4	-11.2	-5.2	-1.4	-2.2	-1.2
Latvia	-22.4	-2.5	-0.8	-1.3	-2.0	-14.1	-3.7	0.6	1.3	1.3
Luxembourg	10.1	5.8	5.2	6.4	5.0	12.7	2.1	4.9	7.5	7.3
Malta	-4.0	1.1	0.6	0.3	1.0	-5.5	2.2	3.2	3.1	3.6
Netherlands	8.4	7.7	7.8	8.2	8.6	7.5	6.7	6.6	7.2	7.7
Austria	4.0	1.8	2.7	3.4	3.8	3.1	2.6	3.5	4.2	4.4
Portugal	-10.2	-2.2	0.4	1.0	1.4	-10.8	-3.7	-1.0	0.3	1.2
Slovenia	-4.6	3.1	5.3	6.0	6.2	-2.1	1.9	4.4	5.6	6.1
Slovakia	-5.6	1.6	2.5	2.4	2.4	0.5	0.8	0.9	-0.1	-0.3
Finland	4.2	-1.4	-0.8	-0.4	-0.2	5.1	-1.6	-1.5	-1.2	-0.9
Euro area	**0.4**	**1.8**	**2.6**	**2.9**	**2.9**					
Bulgaria	-25.2	-0.9	1.9	1.0	0.2	-22.1	0.7	3.6	2.0	0.1
Czech Republic	-5.1	-2.6	-1.2	-0.4	-0.2	-2.3	-3.2	-2.5	-1.2	-0.4
Denmark	1.4	6.0	7.3	6.9	6.8	2.0	3.6	5.2	4.8	4.7
Croatia	-6.9	-0.4	0.5	1.5	1.6	-4.1	-0.9	0.1	0.2	0.0
Lithuania	-15.0	-1.1	1.3	-0.8	-1.5	-9.4	-1.5	2.4	0.3	-0.8
Hungary	-7.4	1.1	3.1	3.0	2.7	-7.3	-2.3	1.4	2.7	2.9
Poland	-6.1	-3.4	-1.6	-1.7	-2.3	-6.0	-2.0	-0.9	-1.3	-2.3
Romania	-13.6	-4.4	-1.1	-1.2	-1.6	-10.7	-5.6	-0.6	-0.6	-1.2
Sweden	8.6	6.5	6.6	6.1	6.0	8.3	6.6	6.7	6.3	6.2
United Kingdom	-2.2	-3.8	-4.4	-3.8	-3.3	-2.0	-5.0	-4.8	-3.6	-2.8
EU	**-0.4**	**0.9**	**1.6**	**1.8**	**1.8**					

Source : European Commission estimates

Significant negative output gaps are expected to remain at the end of the forecast horizon in the vulnerable countries (except Ireland), while some other euro-area countries, such as Germany, Austria and Luxembourg are set to record close to zero output gaps in 2015.

The revision in the output gap estimates (see box I.1) implies an increase in the cyclical component of the current-account adjustment since 2007 in a number of Member States, though it is small for most economies.

All in all, recent hard and soft indicators point to less divergent growth patterns across Member States. However, financial conditions and adjustment needs continue to differ, and in some Member States, exports will continue to provide the largest impetus to growth for some time.

(4) The cyclically-adjusted current-account balance is the estimated balance if economic growth in both the economy concerned and its trading partners was at potential. The estimate relies on the output gap of a country relative to that of its trading partners. See 2014 Winter Forecast, box I.3 for more details on the methodology.

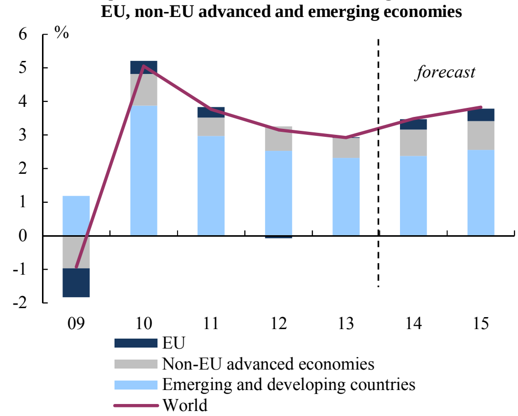
2. THE EXTERNAL ENVIRONMENT

The external environment has become less favourable than in the winter, as the outlook for some emerging markets economies has deteriorated, notably for Russia and to a lesser extent China reflecting recent data and events. Geopolitical risks are looming large.

Global growth remained firm at the end of 2013, as world GDP expanded by 0.8% q-o-q in the fourth quarter [5], down from 1.0% q-o-q in the third and second quarters. The contribution from advanced economies continued to strengthen, reaching close to 0.3 pp. in the fourth quarter, the most in almost four years, primarily driven by robust growth in the US and the nascent recovery in the EU.

The early months of 2014 saw some renewed softness in global activity. This reflected a mix of temporary factors, such as poor seasonal weather in the US, and what may be more medium-term developments, such as a gradual slowdown in growth in China. Looking ahead, barring further geopolitical tensions, the underlying momentum of global growth is expected to remain solid over the forecast horizon, increasingly driven by the improving performance of advanced economies. Global GDP growth is expected to have reached 2.9% in 2013 and to accelerate to 3.5% in 2014 and 3.8% in 2015, with much of the impetus coming from advanced economies.

Graph I.7: **Contributions to World GDP growth from EU, non-EU advanced and emerging economies**



Global trade growth to pick-up further

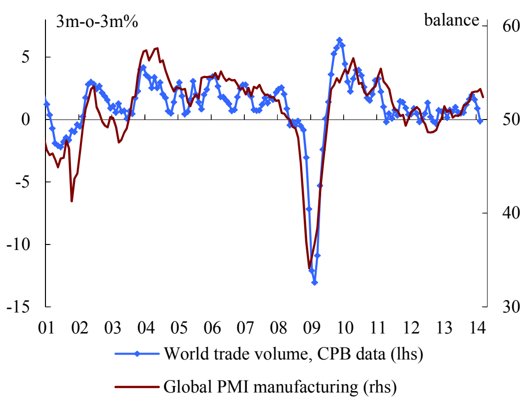
After accelerating markedly in the second half of 2013, global trade has been anaemic in early 2014,

(5) Provisional quarterly release based on data accounting for 90% of global GDP.

reflecting weaker activity in most parts of the world and a persistent pattern of subdued trade intensity of GDP growth. However, with global economic growth expected to rebound from its softer patch at the start of the year, global trade volumes are projected to pick-up as well and to accelerate faster than in 2013.

Looking ahead, trade growth is set to increase, reflecting the gradual strengthening of the global recovery, led by advanced economies. Moreover, world trade is expected to resume expanding more rapidly than global output in 2014 and 2015 as trade-intensive sectors, such as investment spending, start providing a greater impetus to global growth. Total world import growth is set to accelerate more markedly to 4.4% in 2014 and 5.7% in 2015, after 2.2% in 2013.

Graph I.8: **World trade and Global PMI manufacturing output**



Growth in advanced economies is strengthening …

Output growth in advanced economies including the EU is forecast to almost double from 1.2% in 2013 to 2.2% in 2014 and to further accelerate to 2.5% in 2015 (see Table I.2).

Among advanced economies outside the EU, activity has been gathering momentum, notably in the US, where a broad-based recovery is expected to take hold supported by a lower fiscal drag and the continuation of highly accommodative monetary policies. Private consumption is projected to firm thanks to an improving labour market and lower deleveraging pressures, while both business and residential investment are set to accelerate on the back of attractive financing conditions and improving business and consumer confidence.

In Japan, the current level of growth is expected to be sustained in 2014, with some variability in the near term due to the hike in consumption taxes this April. In 2015, growth is projected to slow on the back of additional fiscal consolidation measures and waning monetary stimulus.

… while emerging markets diverge and downside risks to activity have increased.

The situation in emerging markets remains differentiated, reflecting different cyclical patterns as well as structural vulnerabilities. The financial turbulence in January 2014 implied sharp currency drops for a number of them and caused stock markets to fall. Financial market pressure subsequently abated, but tensions over the situation in Ukraine have added to global uncertainty. For Russia, where a slowdown was already underway, the outlook has markedly deteriorated since the start of the year, though the precise impact of recent political developments will depend on the duration and intensity of geopolitical tensions. The outlook for countries in the Middle East and North Africa (MENA) has also worsened amid renewed political tensions.

China's economy continued to grow rapidly in 2013, at 7.7%, with investment recovering sharply from a low early in the year. However, GDP growth slowed again in the first three months of 2014, to 7.4% y-o-y. With recent extremely high rates of investment, the move of the economy towards a more balanced growth composition is likely to entail slower, but more sustainable, growth. Over the forecast horizon, growth is therefore projected to slow gradually to 7.2% in 2014 and 7.0% in 2015. In the short run, however, outcomes would depend significantly on the policy response to any sharp deterioration in activity. Concerns over financial stability also remain significant due to the build-up of credit in recent years.

All in all, growth in emerging markets as a group is still expected to accelerate, but more gradually than assumed earlier, to 4.7% in 2014 and 5.1% in 2015, following growth of 4.6% in 2013.

Commodity prices expected to moderate

Brent crude oil prices remained elevated in the winter, at USD 107-108/bbl., sustained by the pick-up in demand in advanced economies. Replenishing of stocks in the EU and higher

Table I.2:

International environment

(Annual percentage change)					Spring 2014 forecast			Winter 2014 forecast		
	(a)	2010	2011	2012	2013	2014	2015	2013	2014	2015
					Real GDP growth					
USA	19.5	2.5	1.8	2.8	**1.9**	**2.8**	**3.2**	*1.9*	*2.9*	*3.2*
Japan	5.5	4.7	-0.5	1.4	**1.5**	**1.5**	**1.3**	*1.6*	*1.6*	*1.3*
Asia (excl.Japan)	29.5	9.7	7.4	6.1	**5.9**	**6.0**	**6.1**	*5.9*	*6.1*	*6.3*
- China	14.7	10.4	9.3	7.7	**7.7**	**7.2**	**7.0**	*7.7*	*7.4*	*7.4*
- India	5.7	11.2	7.7	4.8	**3.9**	**4.7**	**5.4**	*4.0*	*4.7*	*5.4*
Latin America	8.7	6.0	4.5	3.0	**2.6**	**2.9**	**3.4**	*2.6*	*3.1*	*3.4*
- Brazil	2.8	7.5	2.7	1.0	**2.3**	**2.6**	**2.9**	*2.2*	*2.3*	*2.9*
MENA	5.3	3.4	1.8	3.6	**2.2**	**3.1**	**3.7**	*2.4*	*3.6*	*3.8*
CIS	4.2	4.9	4.8	3.4	**2.0**	**1.2**	**2.6**	*1.9*	*2.8*	*3.1*
- Russia	3.0	4.5	4.3	3.4	**1.3**	**1.0**	**2.0**	*1.3*	*2.3*	*2.7*
Sub-Saharan Africa	2.6	5.4	4.8	5.4	**5.0**	**5.3**	**5.5**	*5.0*	*5.3*	*5.5*
Candidate Countries	1.5	8.2	8.1	1.8	**3.9**	**2.5**	**3.2**	*3.6*	*2.4*	*2.9*
World (incl.EU)	100.0	5.1	3.8	3.2	**2.9**	**3.5**	**3.8**	*2.9*	*3.6*	*3.9*
					World merchandise trade volumes					
World import growth		12.6	5.4	2.3	**2.2**	**4.4**	**5.7**	*2.5*	*4.9*	*6.0*
Extra EU export market growth		15.0	6.5	2.8	**3.2**	**5.2**	**5.9**	*3.4*	*5.6*	*6.0*

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

heating demand in the US may be temporary, but the surge in US demand may also reflect a structural shift towards more energy intensive sectors. Despite stronger demand from those regions, a significant rebound in oil prices is unlikely due to sufficient supply and efficiency gains in oil consumption. Escalation of geopolitical tensions is a risk factor. According to futures markets, Brent prices are assumed to be the following on average: USD 107.6/bbl. in 2014 and USD 102.9/bbl. in 2015 (see box I.5).

The evolution of other commodity prices was mainly weak in 2013. Owing to an improved outlook for supply, food prices are expected to stay moderate in 2014. Prices of metals and raw materials declined in 2013. Metal prices are projected to fall further in 2014 due to abundant supply and weak demand conditions although a modest recovery is expected in 2015.

3. FINANCIAL MARKETS IN EUROPE

Financial markets, globally and in the EU, have regained strength after the emerging market turmoil at the end of January. Markets found support in the statements of central banks in the US, the UK and the euro area to keep policy rates low until the economic recovery is well-entrenched. Moreover, incoming corporate earnings were in general strong. To some extent, however, the current positive market sentiment seems to be running ahead of economic fundamentals, notably in Europe. More recently, concerns about the Ukraine crisis have weighed on market sentiment, although contagion to the EU has been very limited.

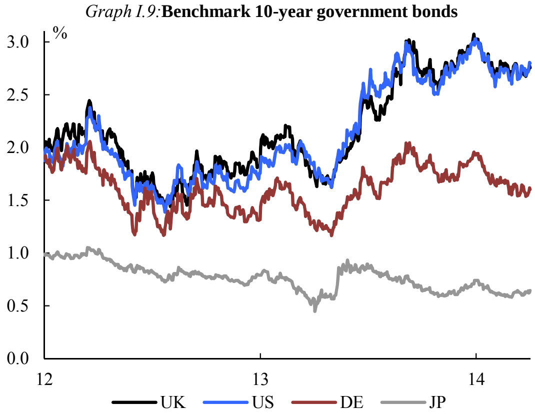
Monetary policy globally remains accommodative ...

The ECB in April kept its key policy rates unchanged at the record-low level of 0.25% that they have held since November 2013. Real short-term interest rates have however increased in recent months on the back of lower headline and expected inflation. At the same time, the Governing Council strengthened its forward guidance and unanimously committed "to using also unconventional instruments within its mandate," should the risks of a too prolonged period of low inflation become prominent. The ECB also signalled that, in assessing the outlook for price stability, it will closely monitor the possible implications of geopolitical risks and exchange rate developments. The ECB is pledging "to maintain a high degree of monetary accommodation and to act swiftly if required". In the US, the phasing out of unconventional monetary policy continued in March with the Federal Open Market Committee (FOMC) further tapering its monthly bond purchases to USD 55 bn. The US central bank also decided to shift from a threshold-based forward guidance to a qualitative forward guidance. US monetary policy is expected to remain highly accommodative over the forecast horizon, as the FOMC anticipates that interest rates will remain near zero "for a considerable time after the asset purchase program ends" at the end of this year.

… which keeps downward pressure on sovereign-bond yields in the US and the euro area …

Several factors contributed to the continuingly low level of benchmark bond yields (see graph I.9): somewhat disappointing macroeconomic data in the US, low inflation in the euro area, and the explicit commitment by central banks to keep policy rates low for as long as necessary. Sovereign-bond spreads in the euro area have meanwhile narrowed amid the ongoing adjustment of fiscal fundamentals and investors' search for higher yields. The persistently low interest rate environment has continued to make some bonds an attractive carry trade.

Graph I.9: **Benchmark 10-year government bonds**

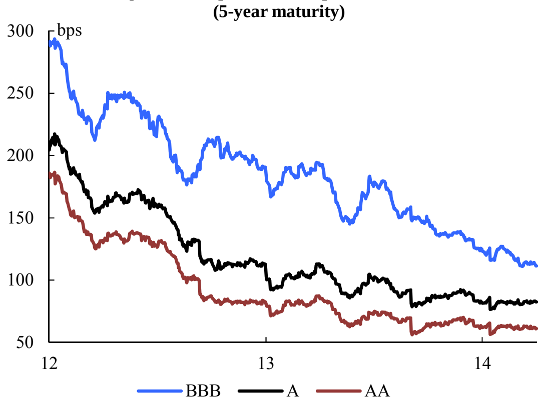


Source: Bloomberg

… while other market segments witnessed a rise in risk-taking and lower volatility.

In the euro-area corporate bond markets, spreads narrowed further, particularly in the higher-yield segment (see graph I.10). European stocks have risen on the back of strong corporate earnings. Investors currently seem confident of further economic expansion, a smooth implementation of banking union, governments' commitments to structural reforms, and the sustained balance sheet repair of the banking sector. However, risks persist, particularly among EU sovereigns. The spread improvements enjoyed by countries with modest economic growth, high levels of public indebtedness, and in some cases, incomplete bank balance-sheet adjustment, are fragile.

Graph I.10: **Corporate bond spreads, euro area (5-year maturity)**



Source: Bloomberg

The European banking sector is under intense scrutiny this year …

European banks are undergoing an Asset Quality Review (AQR) and an EU-wide stress test before the Single Supervisory Mechanism (SSM) will start operating in November 2014. Although euro-area banks have improved their solvency positions and turned to more stable funding sources, profitability remains poor because of narrow interest margins on the stocks of assets. It is particularly a problem in countries facing a combination of poor credit quality, high private sector indebtedness, high unemployment and subdued economic growth.

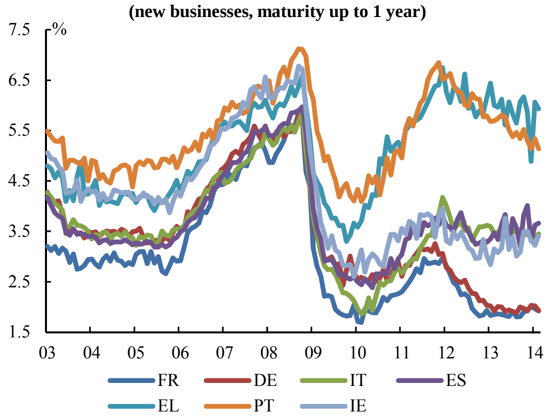
Investors remain cautious on European banks, pricing them on average below book value. Although poor valuation may relate to subdued profitability prospects for euro-area banks, it also relates to investor uncertainty over the quality of banks' assets. This caution applies also to the market funding for a number of mid-sized and smaller euro-area banks in vulnerable countries. While market funding has improved overall, some banks still find it difficult or too expensive to obtain medium- and longer-term funding.

… and bank lending remains weak.

The latest bank lending data confirm that the euro area's recovery has so far remained largely creditless. Credit flows to the private sector shrank over the past few months (-2% y-o-y in February in the euro area once adjusted for sales and securitisation) on the back of still extremely weak lending volumes to non-financial corporates (NFCs). However, net issuance of long-term debt securities by non-financial corporations have remained buoyant (+10% y-o-y in February in the euro area), partly offsetting the weakness in bank lending. While larger corporations have continued their transition towards market financing, those that are more dependent on banks, particularly SMEs, have seen their external funding decrease. The current weakness in bank lending is influenced by both supply and demand factors. At the same time, weak credit demand can still be partly explained by the current cyclical position, as credit to business tends to lag the business cycle and internal funding plays a relatively large role in the first stages of economic recoveries. More structural factors, such as high corporate indebtedness and the need to deleverage also dampen credit demand and may continue to do so for a longer period of time.

Bank lending conditions, although improving slightly, are expected to remain highly fragmented, in contrast to other market segments, such as the sovereign- and corporate-debt markets (see graph I.11), where fragmentation has declined significantly. Regulatory uncertainties and banks' efforts to advance with balance-sheet adjustments ahead of the AQR and the stress test have likely contributed to the limited supply of credit in some countries. However, a successful AQR and stress test could be instrumental in overcoming credit supply constraints, with positive impact on loans growth also in the vulnerable countries where financial fragmentation is still elevated. Survey data also convey a somewhat more positive message than data on lending volumes and interest rates. Since the beginning of 2014, banks have started to predict an end to the net tightening of credit standards on loans to NFCs, further easing for loans to households and a pick-up in loan demand.

Graph I.11: **Interest rates on loans to enterprises (new businesses, maturity up to 1 year)**



All in all, the more upbeat survey-based signals and the firming economic recovery could herald an improvement in lending volumes. However, the amplitude of the expected recovery of credit may be smaller than in previous credit cycles. (see box I.2).

4. GDP AND COMPONENTS

The recovery of GDP is gradually broadening …

Last year saw the EU and the euro area pulling out of recession with real GDP increasing from the second quarter on. Although in the fourth quarter, real GDP in the EU was 1.1% higher than in the first quarter, respectively 0.7% for the euro area, due to a large negative carry-over from 2012 the resumption of growth was somewhat masked in the 2013 annual GDP growth rates that stood at 0.1% in the EU and -0.4% in the euro area. Full recovery from the Great Recession of 2008/2009 is also still some time away in both areas. Compared to the pre-crisis peak of the first quarter of 2008, real GDP in EU and in the euro area was still 1.7% and 2.0% lower in the fourth quarter of 2013. Real GDP in both areas is likely to return to pre-crisis levels by end 2014 at the earliest, a duration in keeping with the experience of similar deep financial crises.

Domestic demand became an increasingly important source of growth in 2013. While net exports were the main driver of the EU and euro area's revival in the second quarter, it was the rise in total investment that led domestic demand and GDP growth in the third. Gross fixed capital formation gathered pace in the fourth quarter, while private consumption continued to expand marginally. Changes in inventories were a substantial drag on growth in the fourth quarter, arguably mirroring the strong positive contribution of net trade and cancelling it out. [6]

(6) A strong negative correlation is regularly observed between net trade and inventories, broadly reflecting the mechanical impact of export and import flows on inventories when goods cross borders. Thus, the acceleration in trade flows results in net trade contributions to growth that are partly offset by changes in inventories.

Table I.3:

Composition of growth - EU

(Real annual percentage change) **Spring 2014 forecast**

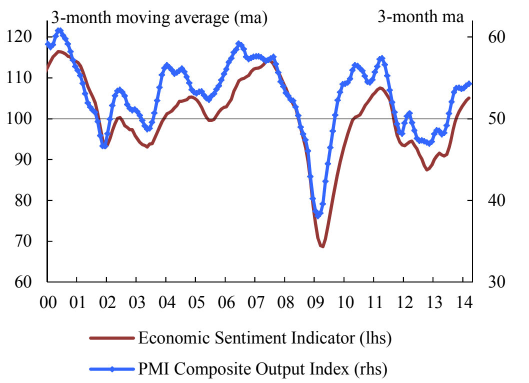
	2012		2008	2009	2010	2011	2012	2013	2014	2015
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	7797.0	58.4	0.4	-1.6	1.1	0.3	-0.7	**0.0**	**1.2**	**1.6**
Public consumption	2873.2	21.6	2.3	2.2	0.6	-0.2	-0.2	**0.4**	**0.7**	**0.6**
Gross fixed capital formation	2375.4	17.9	-1.4	-13.4	-0.2	1.6	-2.9	**-2.3**	**3.1**	**4.7**
Change in stocks as % of GDP	23.7	0.2	0.7	-0.6	0.2	0.7	0.2	**0.1**	**0.1**	**0.1**
Exports of goods and services	5829.4	44.9	1.5	-11.7	11.0	6.5	2.4	**1.6**	**4.0**	**5.1**
Final demand	18774.2	143.1	0.6	-6.6	4.0	2.4	-0.3	**0.2**	**2.2**	**2.9**
Imports of goods and services	5582.9	43.0	1.1	-11.5	9.8	4.4	-0.2	**0.4**	**3.7**	**5.2**
GDP	12959.9	100.0	0.4	-4.5	2.0	1.6	-0.4	**0.1**	**1.6**	**2.0**
GNI	12965.2	100.0	0.2	-4.4	2.1	1.7	-0.5	**0.0**	**1.5**	**1.9**
p.m. GDP euro area	9601.3	71.5	0.4	-4.5	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.7**
			Contribution to change in GDP							
Private consumption			0.2	-0.9	0.6	0.2	-0.4	**0.0**	**0.7**	**0.9**
Public consumption			0.5	0.5	0.1	0.0	0.0	**0.1**	**0.2**	**0.1**
Investment			-0.3	-2.8	0.0	0.3	-0.5	**-0.4**	**0.5**	**0.8**
Inventories			-0.2	-1.2	0.8	0.3	-0.5	**-0.1**	**0.0**	**0.0**
Exports			0.6	-4.7	3.9	2.6	1.0	**0.7**	**1.7**	**2.3**
Final demand			0.8	-9.2	5.3	3.3	-0.5	**0.3**	**3.1**	**4.1**
Imports (minus)			-0.4	4.6	-3.4	-1.7	0.1	**-0.2**	**-1.5**	**-2.2**
Net exports			0.2	-0.1	0.5	0.9	1.1	**0.5**	**0.2**	**0.1**

... with subdued growth continuing in the short term, before gathering pace.

The economic recovery is expected to continue this year, slowly gathering pace. In the first quarter, GDP should grow in the EU and the euro area, at respectively 0.4% q-o-q and 0.3%, in line with the latest positive signals from economic indicators. In recent months, business indicators have increased further, stabilising above their long-term levels. In the first quarter of this year, confidence rose in the services and retail sectors as well as for consumers. By contrast, industrial confidence remained almost stable, at a level mildly above average suggesting a gradual recovery. The euro area Flash Composite PMI index showed a more optimistic picture, signalling the highest rate of expansion in almost three years in April (see graph I.12). These mixed signals underpin the expectation that the recovery should continue to be uneven in the short term.

As domestic demand expands and global growth strengthens, GDP is forecast to rise by 1.6% in the EU and 1.2% in the euro area this year. While stronger global growth should support exports and thereby economic activity, domestic demand will increasingly take centre stage as the legacy of the financial and economic crisis fades. The expansion of gross fixed capital formation should benefit from improving sentiment and lower uncertainty, further normalising funding conditions, and an improved outlook for demand. Private consumption is expected to gain some momentum as labour markets stabilise and real disposable incomes increase in a context of low inflation. Progress with fiscal consolidation should also allow public consumption to deliver a marginally positive contribution to growth after contracting in 2011 and 2012 and expanding only modestly in 2013.

Graph I.12: **Economic Sentiment Indicator and PMI Composite Output Index, EU**



A further acceleration of GDP growth is expected in 2015, to 2.0% in the EU and 1.7% in the euro area. The expansion is expected to remain powered by domestic demand as gross fixed capital formation grows more strongly and private

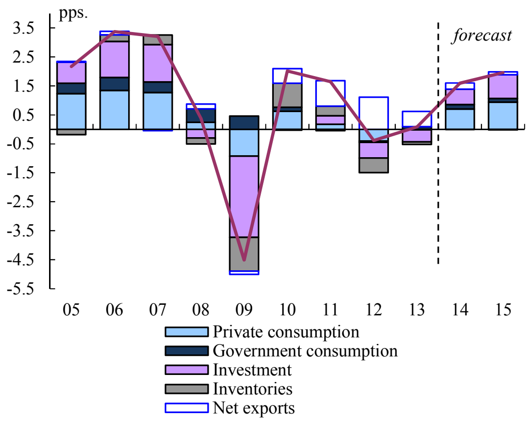
Table I.4:

Composition of growth - euro area

(Real annual percentage change)	2012		2008	2009	2010	2011	2012	Spring 2014 forecast 2013	2014	2015
	bn Euro Curr. prices	% GDP	Real percentage change							
Private consumption	5456.1	57.5	0.4	-1.0	1.0	0.3	-1.3	**-0.7**	**0.8**	**1.3**
Public consumption	2036.2	21.5	2.3	2.6	0.6	-0.1	-0.6	**0.2**	**0.7**	**0.5**
Gross fixed capital formation	1740.9	18.4	-1.4	-12.8	-0.4	1.6	-4.0	**-2.9**	**2.3**	**4.2**
Change in stocks as % of GDP	10.2	0.1	0.7	-0.6	0.2	0.6	0.1	**0.0**	**0.0**	**0.0**
Exports of goods and services	4246.0	45.9	1.1	-12.4	11.6	6.5	2.5	**1.4**	**4.0**	**5.3**
Final demand	13369.0	143.3	0.5	-6.4	3.9	2.4	-0.8	**-0.2**	**2.0**	**2.8**
Imports of goods and services	4000.2	43.3	0.8	-11.0	10.0	4.5	-0.9	**0.2**	**3.8**	**5.5**
GDP	9505.5	100.0	0.4	-4.5	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.7**
GNI	9539.3	100.4	-0.2	-4.1	2.2	1.5	-0.5	**-0.4**	**1.2**	**1.7**
p.m. GDP EU	13067.6	132.0	0.4	-4.5	2.0	1.6	-0.4	**0.1**	**1.6**	**2.0**
			Contribution to change in GDP							
Private consumption			0.2	-0.6	0.6	0.2	-0.8	**-0.4**	**0.5**	**0.8**
Public consumption			0.5	0.5	0.1	0.0	-0.1	**0.0**	**0.1**	**0.1**
Investment			-0.3	-2.8	-0.1	0.3	-0.8	**-0.5**	**0.4**	**0.8**
Inventories			-0.1	-1.0	0.6	0.3	-0.5	**-0.1**	**0.0**	**0.0**
Exports			0.4	-5.1	4.2	2.6	1.1	**0.6**	**1.8**	**2.4**
Final demand			0.7	-8.9	5.2	3.3	-1.1	**-0.3**	**2.8**	**4.0**
Imports (minus)			-0.3	4.4	-3.5	-1.8	0.4	**-0.1**	**-1.6**	**-2.3**
Net exports			0.1	-0.7	0.7	0.9	1.5	**0.5**	**0.3**	**0.1**

consumption gains from slightly improving labour market conditions (see graph I.13). The benefits of structural reforms are also expected to have a positive effect on developments in 2015.

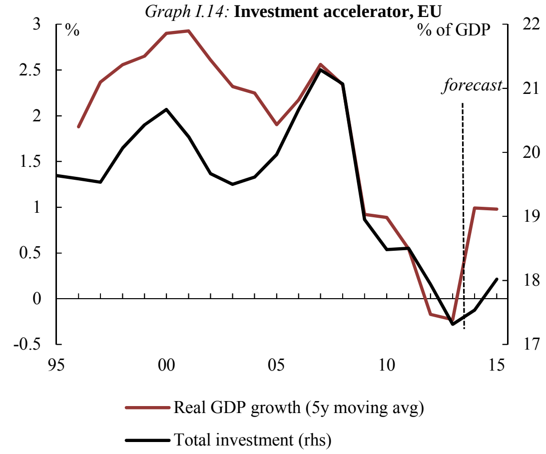
Graph I.13: **Real GDP growth and its components, EU**



Gross fixed capital formation is gaining momentum ...

Investment has shrunk sharply since its peak in 2008 and this has contributed significantly to the decline in GDP since then. In 2013, with uncertainty diminishing gradually, a brighter growth outlook and more favourable financing conditions in many parts of the EU, the foundations were laid for a recovery in investment (see graph I.14). The importance of these factors can be seen in the timid but strengthening rebound in investment, which is a key factor behind the ongoing recovery, adding up to 0.2 pp. to GDP growth in the past three quarters. However, due to earlier substantial declines, the annual growth rate remained markedly negative in 2013 for the EU (-2.3%) and the euro area (-2.9%).

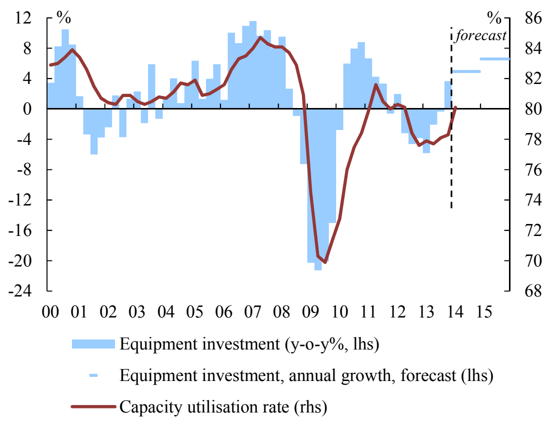
Graph I.14: **Investment accelerator, EU**



... helped by increasing demand and diminishing uncertainty.

A further acceleration in gross fixed capital formation, notably in equipment investment is expected in the short term, as suggested by the latest indicators. This is notably supported by the positive assessment of export order books in EU and euro area industry, which clearly exceed their long-term levels. Production expectations and confidence indicators from the Commission's manufacturing survey have also increased above their long-term averages and capacity utilisation rates have started to move up moderately, although they remain at low levels (see graph I.15).

Graph I.15: **Equipment investment and capacity utilisation, EU**



Investment growth should accelerate over the forecast horizon as domestic demand picks up and uncertainty further abates. Improved financing conditions should support equipment investment, as will the continued availability of internal funding, which should grow as margins and profits improve along with the economy. In addition, the replacement of ageing capital stocks following years of sharp investment declines, should more than offset the ongoing process of production offshoring. However, investment growth will continue to be dampened by high corporate debt levels and balance sheet consolidation needs in many countries, as well as the rise in real interest rates caused by recent disinflation. All in all, in 2014, equipment investment is expected to grow by 4.9% in the EU and by 4.7% in the euro area, accelerating to around 6½% in both areas in 2015, still below pre-crisis levels.

Construction investment is set to resume expanding in 2014 and to accelerate in 2015. Housing market adjustment is expected to provide less drag (see box I.3) but disposable income growth is expected to remain limited. A strong decline in construction investment is still expected for Cyprus and Spain in 2014. Public investment is expected to remain rather subdued on average over the forecast years, stabilising in the EU and contracting in the euro area, because governments still need to shore up their finances. Overall, in 2015, total gross fixed capital formation is set to increase by 4.7% in the EU and by 4.2% in the euro area, mainly supported by the pick-up in equipment investment.

Inventories: any support to growth in the current recovery?

The modest pick-up in growth in the EU since spring 2013 may have impacted on the levels of companies' inventories. The rebound brought not only the end of destocking [7], which was observed in the first half of 2013 when inventories were kept almost unchanged, but also the build-up of inventories, notably in the third quarter. Further out, the decline in inventories throughout the latest recession provides scope for some restocking ahead in line with a standard inventory cycle. Survey-based information on the assessment of stocks levels, such as in the Commission surveys and the PMI also support this interpretation but still need to be confirmed by hard data.

Only marginal private consumption dynamics at the onset of the recovery …

Private consumption has also started to recover very modestly, increasing at an average quarterly rate of 0.1% in the EU and euro area over the last three quarters of 2013. The improvement was broad-based across countries, with consumption also returning to positive territory in vulnerable countries such as Spain and Portugal, after several quarters of sharp falls. In the EU, the resumption of growth over the course of 2013 offsets the negative carry-over from 2012 to end up with a flat annual development (0.0%), while in the euro area, the annual growth rate remained negative (-0.7%) but much less so than in 2012.

The subdued private consumption dynamics in 2013 mirrored the squeeze in real gross disposable incomes, linked to muted labour market developments. More precisely, nominal compensation of employees grew only marginally in the EU and the euro area on the back of moderate rises in compensation per employee (1.7% in both areas) and shrinking employment (-0.4% and -0.9% respectively). Besides, non-labour incomes increased only slightly and private wealth was constrained by still weak housing markets. Tight borrowing constraints and low liquidity forced households to cut back on consumption, particularly in countries with highly leveraged households. At the same time,

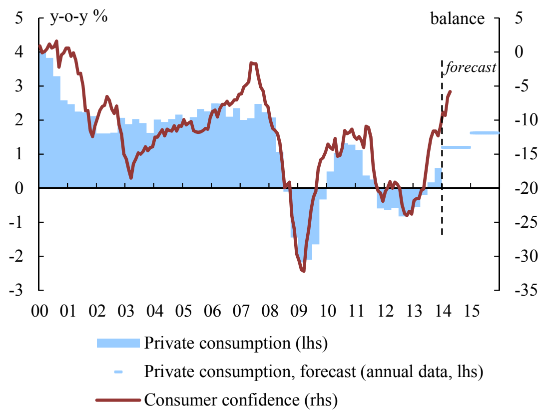
[7] In terms of contribution to GDP growth.

households' saving rates remained unchanged at around 11% in the EU and 13% in the euro area in 2013. Increased precautionary savings in a context of still elevated uncertainty might have offset the negative impact of lower interest rates on savings.

… to be followed by a stronger expansion as the recovery takes ground.

Private consumption is set to continue growing moderately in the coming quarters. Short-term indicators support this outlook. The consumer and retail trade confidence indicators from the Commission survey notably increased steadily for the last year, and were well above their long-term averages in March (see graph I.16). Yet, households' intentions to make major purchases stayed below their long-term averages, suggesting that consumers are still cautious.

Graph I.16: **Private consumption and consumer confidence, EU**



Over the forecast horizon, private consumption is expected to gain some momentum from rising real disposable incomes, being the result of slightly improving labour market conditions, lower inflation, in particular in 2014, as well as a diminishing fiscal drag. However, many constraining factors remain in place preventing a marked pick-up in household spending. Deleveraging has not been completed yet and households in several countries still face credit constraints, a problem that is reflected in high levels of non-performing loans. Despite high unemployment, the saving rate is expected to decline in 2014 at the EU and the euro levels as households dip somewhat into their savings to sustain spending behaviours. The saving rate of households would broadly stabilise in 2015 in both areas. Overall, private consumption this year is expected to rebound only slightly by 1.2% in the EU and 0.8% in the euro area. In 2015, with labour market conditions starting to improve more markedly, including both stronger job creation and increase in wages as unemployment diminishes, private consumption should accelerate to 1.6% in the EU and 1.3% in the euro area.

Public consumption to deliver a limited but positive contribution to growth

Following the years 2011 and 2012 that were dominated by major fiscal consolidation government consumption resumed expansion in 2013 in both the EU (0.4%) and the euro area (0.2%). Looking at the components of government consumption, expenditure related to compensation of employees declined in real terms, in comparison to social transfers, which account for about half of public expenditure and which increased relatively strongly by about 2½%.

As the need for fiscal consolidation diminishes, about half of the Member States, including five of the seven largest, should be able to expand general government consumption, at least moderately more than in 2013. However, declines in public consumption are still expected in Ireland, Greece, Spain, Cyprus, and Portugal throughout the forecast horizon. All in all, at the aggregate level, government consumption is set to continue growing in 2014 by 0.7% in both the EU and the euro area. In 2015, under the no-policy-change assumption, a similar moderate increase in both areas is expected.

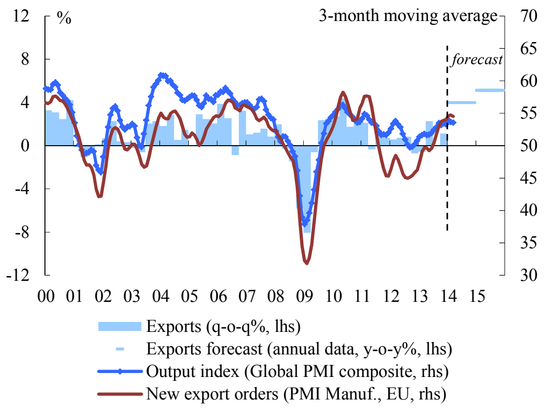
The recovery has so far been mostly export-led …

Over the course of 2013, net trade lifted growth by 0.5 pp. in both the EU and the euro area, while domestic demand (excluding inventories) continued to act as a strong drag. Looking at quarterly developments within the year, this picture remains broadly valid, indicating that the recovery has so far been mostly export-led. Exports grew relatively strongly, particularly in the fourth quarter. Despite the high volatility in export figures, it seems that the ongoing appreciation of the euro was more than offset by competitiveness gains and the pick-up in external demand, notably led by the US economy. Import growth was much lower over the year, despite the revival of domestic demand, so net trade growth was positive.

… but the contribution of net exports should lessen going forward.

In the short term, further export growth is expected from increasing foreign demand for EU products. In fact, manufacturing export order books from the Commission's surveys have markedly improved, and remained above their long-term average in March in both areas (see graph I.17). EU exports are expected to increase 4.0% in 2014 and 5.1% in 2015, whereas euro area exports are expected to rise slightly faster, by 4.0% and 5.3% over the same time periods.

Graph I.17: **Global demand, EU exports and new export orders**



A similar acceleration is expected for import growth, which should go up markedly in 2014 and 2015 to about 3¾% and about 5½% respectively in both areas, as domestic investment, which tends to be relatively import-intensive compared to consumption, spurs domestic demand growth. The contribution of net exports is expected to diminish over time from ½ pp. in 2013 to ¼ pp. in 2014 and further to 0.1 pp. in 2015 in both areas.

5. LABOUR MARKET CONDITIONS

Labour market conditions started to improve in 2013, albeit from a particularly bad situation. After declining for almost two years, employment (*i.e.* the number of persons employed) increased slightly in the fourth quarter of 2013, by 0.1% (q-o-q) in both the EU and the euro area, while unemployment rates stopped increasing in early 2013.

Labour market conditions stopped deteriorating in 2013 …

The unemployment rate began to stabilise in early 2013 in the euro area, at a peak level of close to 12%. In the EU, the unemployment rate started to fall from its peak of 10.9% and reached 10.6% in February 2014, still a very high level.

The youth unemployment rate has also started to decline. In February 2014, it fell to 22.9% in the EU and 23.5% in the euro area, respectively 0.7 pp. and 0.5 pp. lower than a year earlier. Though youth unemployment reacts particularly strongly to the economic cycle [8], this recent decline should not be interpreted too positively as it also reflects some discouragements effects.

The timid improvement in net job creation at the end of 2013 does not make itself felt in the annual figures and employment fell by 0.4% in the EU (-0.9% in the euro area) in 2013. In both zones, labour shedding was concentrated in the industry and construction sectors while net job creation picked up in the service sector in the EU. At the end of 2013, aggregate employment in the EU, remained six million below its 2008 level, and its recovery is set to be protracted.

… and the reallocation of resources from the non-tradable to the tradable sector is ongoing.

In the vulnerable countries, where unemployment has surged in recent years, there are some signs of improvement in the labour market. Over the course of 2013, employment in the tradable sector seems to have stopped declining, notably in Spain and Portugal, while in Ireland, net job creation even resumed. This means that the resources are being reallocated to the most productive sectors of the economy. In fact, employment in the non-tradable sector has continued to fall in parallel in Spain and Portugal, particularly in the construction sector, even if the speed of contraction has decelerated. In Ireland, the shrinking of employment in the non-tradable sector seems over, as employment is also growing there, including in construction. Overall, the reallocation of resources from the non-tradable to the tradable sectors should continue over the forecast horizon, but will likely remain gradual given the economic growth remains weak.

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[8] See Labour market developments in Europe, 2013, box in "youth unemployment, some basic facts", *European Economy* 6/2013.

Table I.5:

Labour market outlook - euro area and EU

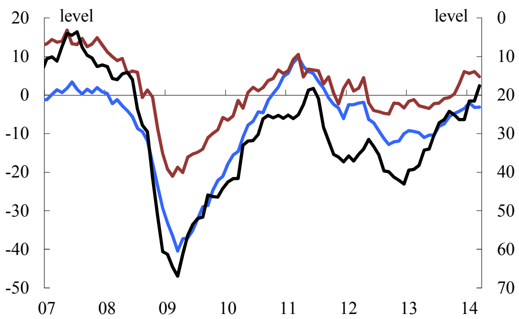
(Annual percentage change)	Euro area				*Winter 2014 forecast*			EU				*Winter 2014 forecast*		
	2012	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**	**2012**	**2013**	**2014**	**2015**	**2013**	**2014**	**2015**
Population of working age (15-64)	0.0	0.1	0.1	0.1	*0.0*	*0.0*	*0.0*	0.0	0.1	0.1	0.1	*0.1*	*0.1*	*0.1*
Labour force	0.7	-0.1	0.1	0.2	*-0.1*	*-0.1*	*0.3*	0.7	0.1	0.2	0.3	*0.1*	*0.0*	*0.4*
Employment	-0.8	-0.9	0.4	0.7	*-0.9*	*0.3*	*0.7*	-0.3	-0.4	0.6	0.7	*-0.4*	*0.5*	*0.7*
Employment (change in million)	-0.6	-0.9	0.3	0.7	*-0.8*	*0.2*	*0.7*	-0.2	-0.4	0.5	0.7	*-0.4*	*0.4*	*0.7*
Unemployment (levels in millions)	18.1	19.1	18.9	18.2	*19.3*	*19.2*	*18.6*	25.4	26.4	25.7	24.8	*26.6*	*26.1*	*25.4*
Unemployment rate (% of labour force)	11.3	12.0	11.8	11.4	*12.1*	*12.0*	*11.7*	10.4	10.8	10.5	10.1	*10.9*	*10.7*	*10.4*
Labour productivity, whole economy	0.2	0.5	0.9	1.0	*0.5*	*0.9*	*1.0*	0.0	0.5	1.0	1.2	*0.5*	*1.0*	*1.2*
Employment rate (a)	58.3	57.8	57.9	58.3	*57.8*	*58.0*	*58.4*	58.4	58.1	58.3	58.7	*58.1*	*58.3*	*58.6*

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

Continued slow improvements are expected in 2014-15

With output growth accelerating only slowly, and given the usual lagged response of employment to output fluctuations, little net job creation is expected in the short term. Most survey measures of hiring intentions have continued to increase in recent months but remain at low levels (see graph I.18). In industry and services, employment expectations in the EU and euro area exceeded their long-term averages in March, but they remain below in the construction sector. Consumers' unemployment fears have continued falling in recent months.

Graph I.18: **Employment expectations, DG ECFIN surveys, EU**



Employment growth in 2014 is expected to remain subdued, at 0.6% in the EU and 0.4% in the euro area. It is projected to accelerate to 0.7% in both areas in 2015 (see table I.5). Private employment growth will remain dampened by the remaining scope of firms to increase employees' working hours, which are still slightly below their pre-crisis level, before hiring new staff. Moreover, the still limited access to funding for SMEs in some countries could also have a negative impact on their hiring decisions; and those firms usually have a leading role in employment creation. In line with the projections for slow growth of public consumption (section 4), public employment growth, especially in the euro area, is set to remain subdued.

The labour force in the EU and the euro area is estimated to grow moderately in 2014-15 as in 2013, mirroring the evolution of the working age population. Cross-country differences are expected to remain significant, with the labour force growing strongly in some countries and declining sharply in some others, notably reflecting diverging migration flows in line with different labour market conditions.

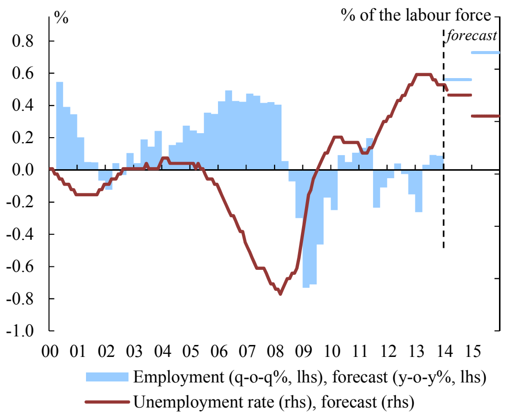
Labour productivity (output per person employed) is expected to increase gradually over the forecast horizon, as is usually the case in the first phases of a recovery, to respectively 1.2% and 1.0% in the EU and the euro area in 2015.

Unemployment is set to decline further but remain high ...

The unemployment rate is expected to decrease slightly in 2014 to 11.8% in the euro area, and 10.5% in the EU, after reaching historical peaks in 2013 of 12.0% and 10.8% respectively. In 2015, the unemployment rate is expected to further decline in line with the pick-up in employment, to 11.4% in the euro area and 10.1% in the EU, but to remain at very high levels (see graph I.19).

The slow decline reflects the fragility of the recovery and probably a higher prevalence of structural unemployment than in the pre-crisis years. There are concerns that long-term unemployment will have a long-lasting impact on skills and future employability, particularly for youth. Growing skills and sector mismatches have also been identified as drivers of structural unemployment. Those concerns are mirrored by the rise in the Non Accelerating Wage Rate of Unemployment (NAWRU) which is the level of unemployment associated with stable wages. According to Commission estimates, this rate has increased substantially since 2008 and will continue to rise slightly over the forecast horizon. Even when removing the cyclical component of the NAWRU, research shows that structural unemployment has been on the rise in recent years (see box I.4).

Graph I.19: **Employment growth and unemployment rate, EU**

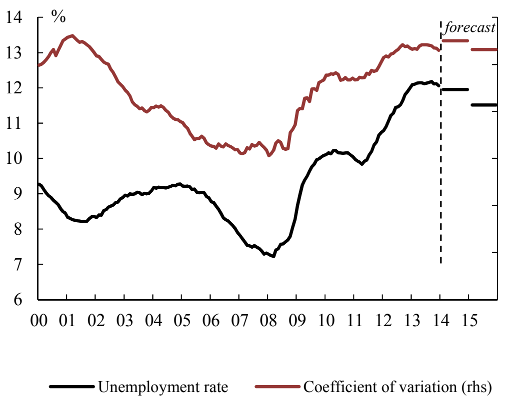


Forecast figures are annual data.

... with tiny improvements in most Member States.

While GDP growth differentials across EU Member states are expected to narrow over the forecast horizon, large differences in labour market performances, which sharply increased during the crisis years, are expected to persist (see graph I.20), although unemployment is set to start decreasing in the large majority of Member States. Unemployment rates are expected to range from 4.7% in Austria to 24.0% in Spain and Greece in 2015.

Graph I.20: **Average unemployment level and dispersion in the euro area**



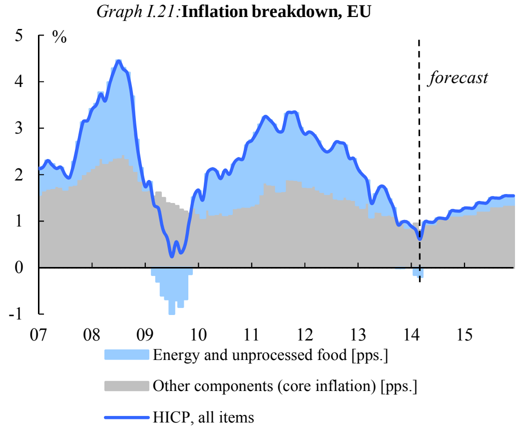
6. INFLATION DEVELOPMENTS

Annual consumer-price inflation in the EU and the euro area has fallen below 1% in the last quarter of 2013. The first quarter of 2014 witnessed a further decline to 0.6% in the euro area and 0.8% in the EU, with headline inflation in the euro area falling to a mere 0.5% in March (see graph I.21). Notwithstanding the general low-inflation environment, the March decline in prices can be partly attributed to statistical base effects linked to the timing of Easter in 2013. [9] Compared to the winter, HICP inflation in the euro area and the EU was revised slightly down, by 0.2 pp. in 2014 and the forecast remained broadly unchanged for 2015.

Inflation bottoming out

Low inflation in the euro area and the EU over the latest months appears to be the result of five main factors: a downward trend in commodity price inflation causing disinflation at a global scale, the appreciation of the euro, persistently large economic slack, competitiveness gains in vulnerable Member States only partly compensated by relatively higher inflation in the core, and the expiration of temporary increases in inflation due to past fiscal consolidation measures (mostly hikes in indirect taxes and administered prices).

Graph I.21: **Inflation breakdown, EU**



Core inflation (*i.e.* HICP inflation excluding energy and unprocessed food) declined steadily in the euro area from 1.5% in the first quarter of 2013 to 1.0% in the first quarter of 2014 (from 1.7% to 1.1% in the EU). This decline reflects historically

(9) In 2014, Easter was in April, whereas it was in March in 2013. The timing of Easter usually induces a seasonal increase in prices for travel, package holidays and other tourism services.

low services price inflation, owing to weak euro-area demand and contained price pressures from labour cost, and a substantial drop in non-energy industrial goods inflation, reflecting additionally declining import prices.

Very low external and pipeline price pressures

The appreciation of the euro, combined with decreases in global commodity price inflation, has driven external price pressures substantially down in 2013. [10] Import prices (measured by the deflator of imports of goods) fell by 1¾% in the EU and by close to 2% in the euro area and should continue declining in 2014, given the still weak domestic demand and the assumed paths of commodity prices and exchange rates. In 2015, with the expected stronger pick-up in global demand, import-price inflation is forecast to accelerate somewhat to 0.8% in both the EU and the euro area.

Price pressures on the side of producers have also diminished substantially over 2013, with annual producer price inflation falling by 1.7% in February 2014, driven by marked falls of prices in the energy and intermediate goods sectors. However, sale prices continued to increase in the final stages of the production chain (notably in non-durable consumer goods), suggesting some increase in margins. Assuming a partial pass-through of producer prices to consumer prices, this foreshadows continuing low inflationary pressures in the months ahead.

Price pressures from labour costs set to be limited amid weak labour markets

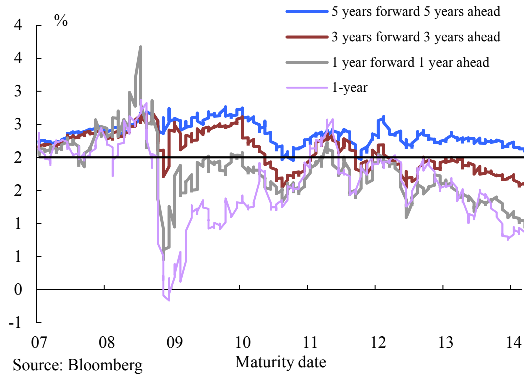
The slack in the labour market (see previous section) and the necessary competitiveness adjustment in many Member States are exerting an important downside strain on wage developments. Compensation per employee in the EU and the euro area slowed to 1.7% in 2013, outpacing productivity growth but, leading nevertheless to low labour cost growth of 1.2% in the EU (1.1%. in the euro area). As productivity growth is set to accelerate within the forecast horizon and wage growth to stabilise, unit labour cost growth is expected to decelerate even further, implying on average limited inflation pressures from labour costs. As the cyclical situation and institutional setup in labour markets differs substantially across Member States, price pressures will differ accordingly.

Sustained period of low inflation ahead

Economic agents' expectations as to future price developments play a major role in their price-setting and wage-bargaining behaviour, thus in explaining overall HICP inflation. [11] These expectations may be influenced by current low readings of headline inflation.

Short- and medium-term inflation expectations continued their downward trend in early 2014, signalling low but positive inflation developments in the years ahead. Inflation-linked swap rates at the one-year-forward-one-year-ahead horizon dropped slightly below 1% in March. At the three-years-forward-three-years-ahead horizon, they would currently imply an average inflation rate of 1.6% (taken at face value). Consumers' inflation expectations also trended downwards, reaching the lowest level in three and a half years in March, and continuing to indicate low inflation in the short term. Long-term inflation expectations based on inflation-linked swap rates (five-years-forward-five-years-ahead) remain well-anchored, although they declined very slightly to 2.1% in March (see graph I.22).

Graph I.22: **Inflation expectations derived from implied forward inflation-linked swap rates**



Source: Bloomberg

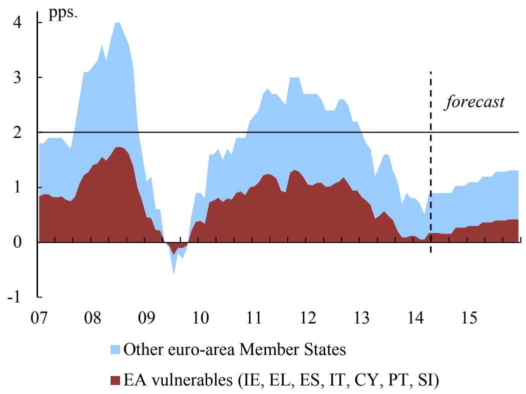
Looking ahead, as the recovery progresses, inflation is set to gradually rise, although at a slow pace. Reflecting the remaining slack in the economy and low external price pressures,

(10) Commission estimations suggest that the increase in the euro's nominal effective exchange rate by some 6% over the past year has an impact of around -0.3 pp. on the euro-area HICP inflation.

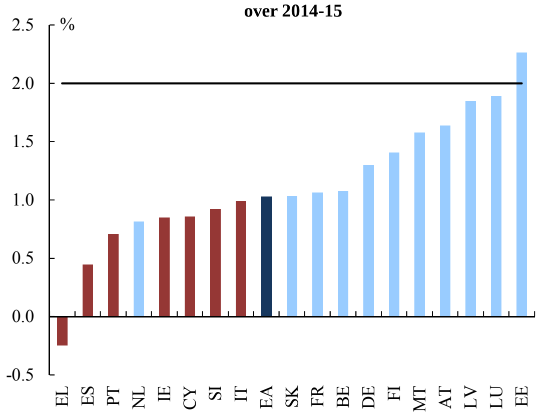
(11) For more details on the increasing impact of inflation expectations on price developments, see box 1.4 in European Economy no. 2, European Economic Forecast Winter 2014 'Analysing current disinflationary trends in the euro area'.

inflation is set to rise very progressively in the EU, from 0.8% in the first quarter of 2014 to 1.2% in the fourth quarter of the same year, before reaching 1.5% in the final quarter of 2015. In the euro area, the quarterly profile would be for the respective quarters 0.6%, 1.0% and finally 1.3%. All in all, HICP inflation is set to stand at 1.0% in the EU and 0.8% in the euro area in 2014 and at 1.5% and 1.2% respectively in 2015.

Graph I.23: **Contribution to euro-area HICP inflation 2007-15**



Graph I.24: **Annual HICP inflation in the euro area over 2014-15**



Inflation at the aggregate level is thus projected to remain low in the next quarters. In the near term, in some Member States, quarterly inflation rates are set to temporarily fall to zero or even below that (see graph I.23). In some countries, this is linked to the price adjustments necessary to restore competitiveness vis-à-vis trading partners (see graph I.24). In the short run, low inflation can support GDP growth by increasing real disposable incomes, which can in turn boost consumption. However, too prolonged a period of low inflation also increases the real value of both private and public debt and can raise real interest rates. This makes deleveraging more difficult and may eventually impact negatively on investment and consumption. Finally, very low aggregate euro-area inflation can make the necessary relative price adjustment in the vulnerable Member States more challenging.

7. PUBLIC FINANCES

In 2013, the general government deficit decreased by 0.6 pp. in the EU and by 0.7 pp. in the euro area, to 3.3% and 3.0% of GDP respectively. Given the modest nominal GDP growth in 2013, this reduction was mainly attributable to the implementation of sizeable consolidation measures. [12]

Headline deficits continue to fall …

Headline deficits are expected to continue falling in 2014 in the EU and the euro area, at a similar pace to 2013, as the recovery advances and given additional deficit-reducing measures having been adopted or being implemented by Member States. The deficit reduction in the EU (0.7 pp.) is slightly larger than in the euro area (0.5 pp.). [13] For the first time since 2008, the headline deficit is thus projected to decline below the Treaty deficit threshold of 3% of GDP and more precisely to 2.6% of GDP in the EU and to 2.5% in the euro area. Under the no-policy-change assumption, the general government deficit is projected to decrease only mildly in 2015 in the EU and the euro area (see graph I.25).

… but structural deficits are stabilising over the forecast period.

Following substantial fiscal consolidation measures in most Member States, in 2011-13, the fiscal policy stance is expected to be close to neutral in 2014. The reduction of the structural deficit, i.e. the general government deficit corrected for cyclical factors, one-offs and other temporary measures, was 0.8 pp. of GDP in the EU as a whole and the euro area in 2013, and it is set to be much smaller in the current year, with a

(12) With regard to EU budgetary surveillance 11 countries are not currently subject to the Excessive Deficit Procedure (EDP), namely: Bulgaria, Estonia, Finland, Germany, Hungary, Italy, Latvia, Lithuania, Luxembourg, Romania, and Sweden.

(13) This is attributable to the fact that Poland is moving from a deficit of 4.3% of GDP in 2013 to a surplus of 5.7% in 2014, largely due to a one-off operation related to the transfer of assets from the privately owned second pillar of the pension system to the first pillar located within the general government sector.

Table I.6:

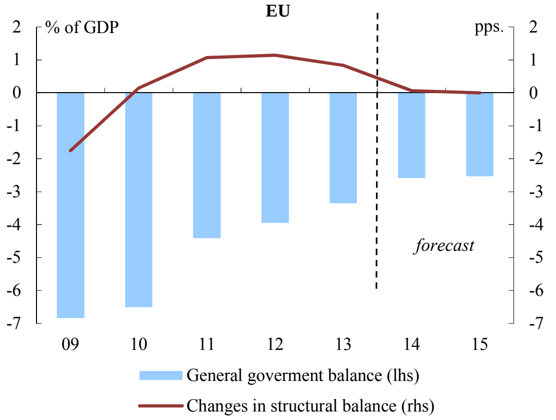
General Government budgetary position - euro area and EU

(% of GDP)	Euro area				Winter 2014 forecast			EU				Winter 2014 forecast		
	2012	2013	2014	2015	2013	2014	2015	2012	2013	2014	2015	2013	2014	2015
Total receipts (1)	46.2	46.8	46.7	46.5	46.8	46.8	46.5	45.4	45.7	45.8	45.2	45.7	45.9	45.3
Total expenditure (2)	49.9	49.8	49.2	48.7	49.9	49.4	49.0	49.4	49.1	48.4	47.7	49.2	48.5	48.0
Actual balance (3) = (1)-(2)	-3.7	-3.0	-2.5	-2.3	-3.1	-2.6	-2.5	-3.9	-3.3	-2.6	-2.5	-3.5	-2.7	-2.7
Interest expenditure (4)	3.1	2.9	2.9	2.9	3.0	3.0	3.1	2.9	2.8	2.7	2.7	2.9	2.8	2.9
Primary balance (5) = (3)+(4)	-0.6	-0.1	0.4	0.6	-0.1	0.5	0.6	-1.0	-0.5	0.2	0.2	-0.6	0.2	0.2
Cyclically-adjusted budget balance	-2.5	-1.4	-1.1	-1.3	-1.6	-1.3	-1.8	-2.7	-1.8	-1.4	-1.8	-2.0	-1.6	-2.1
Cyclically-adjusted primary balance	0.6	1.6	1.8	1.6	1.4	1.7	1.3	0.2	1.0	1.4	1.0	0.8	1.2	0.7
Structural budget balance	-2.1	-1.3	-1.1	-1.2	-1.5	-1.3	-1.7	-2.6	-1.8	-1.7	-1.7	-2.0	-1.9	-2.1
Change in structural budget balance	1.5	0.8	0.1	-0.1	0.6	0.1	-0.4	1.1	0.8	0.1	0.0	0.6	0.1	-0.2
Gross debt	92.7	95.0	96.0	95.4	95.5	95.9	95.4	86.7	88.9	89.5	89.2	89.4	89.7	89.5

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

minor projected improvement of 0.1-0.2 pp. of GDP in both areas. In 2015, under the usual no-policy-change assumption, the structural deficit in the EU is forecast to stabilise, while increasing slightly in the euro area.

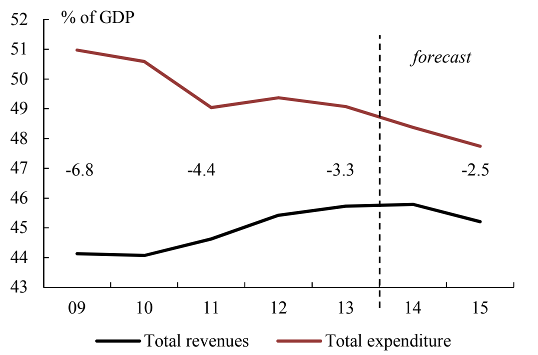
Graph I.25: **Budgetary developments, EU**



From revenue to expenditure-based fiscal consolidation

While in the EU as a whole, the reduction of general government expenditure and the increase in revenues contributed equally to the reduction of the headline deficit in 2013, in the euro area, the improvement of the headline deficit continued to be almost exclusively due to revenue-driven, as it was the case in the period 2011-12. In both areas, the main contribution to the increase in public revenues was provided by taxes on income and wealth. As of 2014, expenditure cuts are set to become the main factor underlying the improvement of the headline deficit in both areas, although in the EU revenue increases are expected still to contribute slightly to the budgetary adjustment.

Graph I.26: **General government revenues and expenditure, EU**



Numbers represent general government balances (as % of GDP)

The revenue ratio is projected to increase mildly this year in the EU, to 45.8% of GDP, before starting to come down in 2015, as temporary tax increases are projected to expire and limited tax cuts are planned in some Member States (see graph I.26). In the euro area, the forecast is for a small decrease of the revenue ratios in both years, to 46.5% of GDP in 2015. With regard to government spending, the expenditure-to-GDP ratio is set to decrease by more than ½ pp. in 2014 to 48.4% and 49.2% in the EU and the euro area respectively. This trend is likely to continue in both areas in 2015. The pick-up in economic activity is likely to induce a reduction in expenditure related to automatic stabilisers, alongside discretionary expenditure cuts via wages and intermediate consumption.

Public debt ratio reaching a peak in 2014

In the euro area, the increase of the debt-to-GDP ratio in 2013 could be mainly ascribed to the so-called snow-ball effect, in particular the contribution of interest expenditure – which was significant even if a bit lower than in previous

Table I.7:
Euro-area debt dynamics

	average 2004-08	2009	2010	2011	2012	2013	2014	2015
Gross debt ratio[1] (% of GDP)	**69.0**	**79.9**	**85.7**	**88.1**	**92.7**	**95.0**	**96.0**	**95.4**
Change in the ratio	0.2	9.8	5.8	2.4	4.6	2.3	1.0	-0.6
Contributions to the change in the ratio:								
1. Primary balance	**-1.1**	**3.5**	**3.4**	**1.1**	**0.6**	**0.1**	**-0.4**	**-0.6**
2. "Snow-ball" effect[2]	**0.2**	**5.4**	**0.7**	**0.7**	**2.5**	**2.0**	**0.6**	**0.1**
Of which:								
Interest expenditure	3.0	2.9	2.8	3.1	3.1	2.9	2.9	2.9
Growth effect	-1.4	3.2	-1.5	-1.3	0.6	0.4	-1.1	-1.6
Inflation effect	-1.3	-0.7	-0.6	-1.0	-1.2	-1.3	-1.1	-1.2
3. Stock-flow adjustment	**1.0**	**0.9**	**1.7**	**0.6**	**1.5**	**0.2**	**0.7**	**0.0**

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

years – and stock-flow adjustments (see table I.7). In 2014, the debt ratio is forecast to increase somewhat, as a higher primary surplus coupled with the strengthening economic recovery are expected to only partially compensate for the debt-increasing impact of the stock-flow adjustment and interest expenditure. Only at the end of the forecast period, the expected continued improvement of the primary surplus combined with a further strengthening of economic growth is forecast to put debt on a downward path. Following significant rises in recent years, the debt-to-GDP ratio is thus projected to increase somewhat further in 2014 in the euro area, to 96.0% of GDP, before decreasing slightly, to 95.4% in 2015. The EU is expected to follow a similar trend of another slight rise in the debt ratio in 2014, before an expected decrease will put an end to the upward movement in the debt ratio observed since 2008.

8. RISKS

The strengthening of the EU recovery in the latest quarters is manifest. Yet downside risks to the outlook remain. Since the winter forecast new downside risks have also emerged, mainly arising from external sources**.**

One of the main domestic risks to growth remains the stalling or only partial implementation of structural, fiscal and institutional reforms at the Member States and the EU level, which are crucial to sustain and strengthen the ongoing recovery. As the recovery advances with strong financial momentum and yield-hungry capital flowing into vulnerable countries, the pressure for implementing substantial but unpopular reforms is decreasing. Yet, recent benign financial market conditions could turn again more challenging if growth were to disappoint.

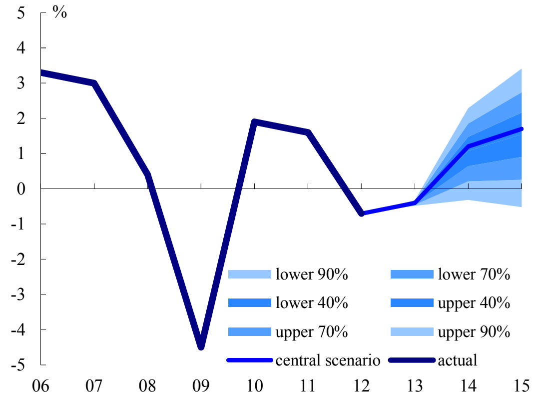
Risks of a less supportive external environment have recently increased. In China, very high credit growth has led to concerns about financial stability and the sustainability of the current growth momentum. Risks to the outlook for other emerging market economies persist. In particular, they remain exposed to tighter financial conditions resulting from the gradual normalisation of monetary policy in advanced economies, weaker commodity prices, as well as potentially a more marked slowdown in Chinese growth. More recently, tensions with Russia have increased geopolitical risks. They have already dented the growth outlook for Russia, but a sharper economic slowdown, due to financial disruption and confidence effects, cannot be excluded. Should further rising tensions with Russia lead to major disruptions in oil and gas supplies with a sharp rise in prices, the negative impact on a number of Member States could be sizeable.

As to HICP inflation, persistently weak labour-market conditions could put downward pressure on prices, which could be amplified by a further decline in short-term inflation expectations. Moreover, the large amount of economic slack in the economy may still add more pronounced disinflationary pressures than expected based on past experience. On the external side, slower growth in emerging markets could drive commodity prices lower.

The risk of outright deflation, defined as a generalised and self-reinforcing fall in prices in the euro area as a whole, remains low. For such a scenario to materialise, inflation would have to drop sharply to almost zero in the core countries of the euro area. Shocks that would trigger such a drop in core inflation are very unlikely.

Upside risks to growth identified in the winter forecast are still valid. Stronger domestic demand growth in both the core countries of the EU and the vulnerable ones could materialise if confidence increases further and credit conditions improve faster than expected. The overall improvement in financial market conditions could translate more quickly than assumed into improved bank lending conditions, and the AQR and stress tests could restore confidence in the banking system faster, boosting credit growth. A stronger-than-expected boost to growth could come from substantial structural reforms that were undertaken in recent years, which may lead to better-than-expected labour-market results particularly in the vulnerable Member States. Would such positive risks to growth materialise, the worrying prospect of persistently very low inflation would be correspondingly mitigated.

Graph I.27: **Euro area GDP forecasts - Uncertainty linked to the balance of risks**



Box I.1: The revised methodology for calculating output gaps

The production function methodology, endorsed by the ECOFIN Council, is the reference method for the calculation of the output gaps used by the Commission for a wide range of analytical and policy purposes, including for fiscal surveillance. A change to one specific part of the methodology, namely the method for calculating the non-cyclical component of unemployment, was recently unanimously approved by the EPC. Estimates based on the revised method are reported, for the first time, in the present forecast.

The non-cyclical part of unemployment is an important element of the overall potential growth rate calculation, with knock-on implications for the output gap and structural budget balance estimates. The present box explains the change in the method and highlights the impact on the latter variables. [1]

The Commission relies on the Phillips curve approach to estimate the non-cyclical part of unemployment. In such models, cyclical unemployment (*i.e.* the unemployment gap) is linked to labour cost developments, whilst non-cyclical unemployment is assumed not to be affected by labour cost developments and is commonly referred to as the 'non-accelerating wage rate of unemployment' (NAWRU). [2] Importantly, the Phillips curve can be specified in various ways, reflecting different assumptions regarding the formation of expectations.

The Commission has recently extended its Phillips curve framework by considering the case of rational expectations [3] whilst in the past only static or adaptive expectations were considered. The motivation for extending the framework stems from evidence that the rational expectations specification avoids producing excessively pro-cyclical NAWRUs under certain circumstances.

More specifically, the so-called traditional Keynesian Phillips (TKP) curve, based on static or adaptive expectations, implies that a positive unemployment gap ($ugap_t$) is associated with a fall in the *change of the growth rate of nominal unit labour costs* ($\Delta^2 nulc_t$) (and vice versa):

$$\Delta^2 \mathrm{nulc_t} = -\beta(\mathrm{ugap_t})\ (1)$$

A number of assumptions enter this formulation, namely that nominal wage growth fully adjusts to labour productivity growth and to expected inflation when there is no unemployment gap (with expected inflation proxied by nominal unit labour cost growth in the previous period). The new Keynesian Phillips (NKP) curve, based on rational expectations, implies that a positive unemployment gap is associated with a fall in the *growth rate of real unit labour costs* ($\Delta rulc_t$). Lagged effects are also relevant because some wage setters may use ad hoc rules and not fully optimise:

$$\Delta \mathrm{rulc_t} = \delta\Delta \mathrm{rulc_{t-1}} - \beta_1(\mathrm{ugap_t}) + \beta_2(\mathrm{ugap_{t-1}})\ (2)$$

As can be seen from eq. (1) [4], the TKP specification can only generate a positive unemployment gap if wage inflation declines over time (relative to labour productivity growth). The reason for this is an implicit assumption that wage setters expect inflation to adjust quickly to a fall in the growth rate of nominal wages. In these circumstances, a low but constant nominal wage growth would therefore indicate that wage setters are intent on stabilising expected real wage growth (and do not wish to further adjust real wages in order to close the unemployment gap). Thus only a deceleration of nominal wage growth (or nominal unit labour costs) is signalling a positive unemployment gap.

The NKP in contrast uses real unit labour cost growth directly (see eq. (2)) as an indicator of the unemployment gap and does not make a specific assumption about the speed of the price adjustment which wage setters expect when setting wages. Instead it is assumed that wage setters are well informed about current price inflation (*e.g.* by using information from professional forecasts).

(1) For further details on this methodological change, see "New estimates of Phillips curves and structural unemployment in the euro area", *Quarterly Report on the Euro Area*, Vol.13, Issue 1, April 2014, European Commission.
(2) The Phillips curve features a relationship between the unemployment gap and an inflation or labour cost variable. In the case of an inflation variable, the non-cyclical unemployment estimate obtained is usually referred to as the 'non-accelerating inflation rate of unemployment' (NAIRU), whilst with a labour cost variable, it is referred to as the 'non-accelerating wage rate of unemployment' (NAWRU).
(3) See J. Gali (2011), The return of the wage Phillips curve. *Journal of the European Economic Association* Vol 9/3, pp. 436-461. Note, however, Gali only considers the case with non stochastic productivity growth.

(4) In the estimation, additional explanatory variables are used, in particular a term of trade indicator, in order to capture the fact that wages may adjust to changes in consumer prices.

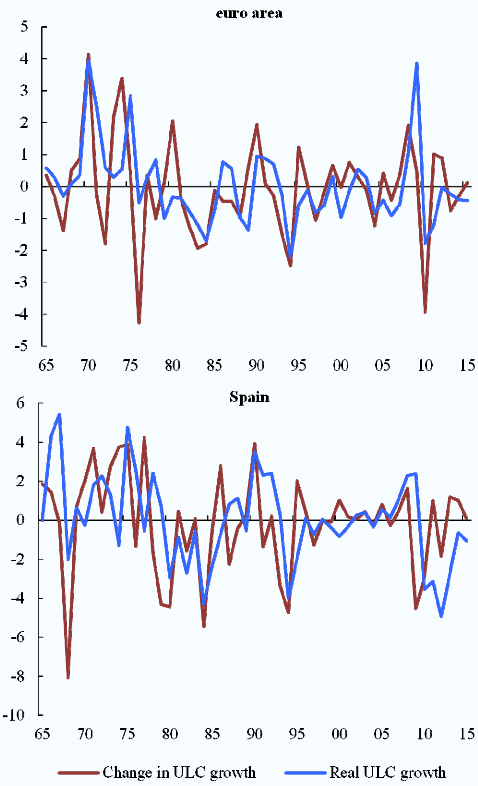
(Continued on the next page)

Box (continued)

Note that especially when nominal wages fall strongly and prices show some inertia, the NKP indicator (*i.e.* $\Delta rulc_t$) declines more strongly (and persistently) than the TKP indicator (*i.e.* $\Delta^2 nulc_t$), thus signalling a larger unemployment gap and a less pro-cyclical NAWRU.

The different behaviour of the two indicators in periods of large labour market adjustments can be illustrated by comparing $\Delta^2 nulc_t$ and $\Delta rulc_t$ for the case of Spain. Graph 1 shows that while the TKP indicator moved back rapidly to zero after 2009, the NKP indicator posted a more protracted negative development, indicating more persistent cyclical deviation in the Spanish labour market.

Graph 1: **Alternative labour cost indicators**

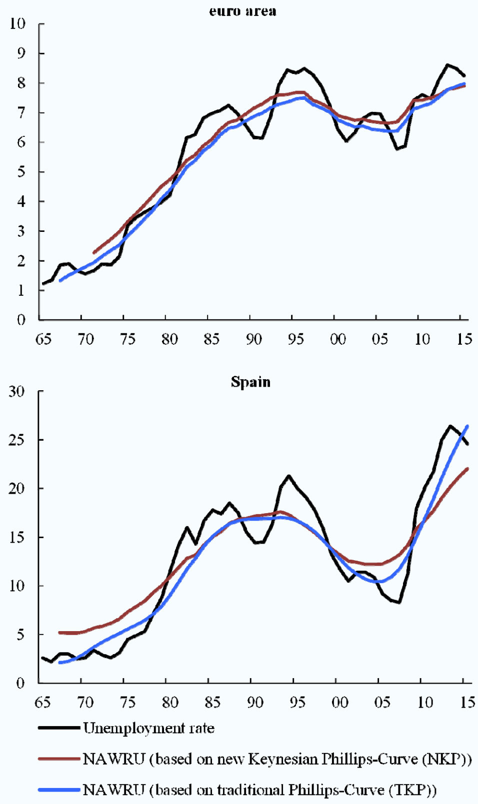


Note: GDP weighted average of euro-area countries for which long series are available for the alternative NAWRUs (*i.e.* AT, BE, DE, EL, ES, FI, FR, IE, IT, NL and PT).

Note that these two indicators only diverge occasionally, with Graph 1 pointing to similar developments in Spain before the crisis and for the EA as a whole, generally. This confirms that the different evolution across the two indicators is associated with episodes of large labour market adjustments. Overall this suggests that for most countries in the euro area, the NAWRU results are not overly sensitive to the specification of the Phillips curve (*i.e.* to assumptions regarding expectations formation).

Graph 2 shows that the differences amongst the two labour cost indicators are reflected in the NAWRU estimates based on the two alternative specifications. For Spain, the NAWRU based on the NKP posts a more moderate recent increase, reaching 22% by 2015, compared to the 26.4% estimate obtained using the TKP model. On the other hand, for the euro area as a whole, the results are more similar across the two models, with the two NAWRUs posting similar developments, reflecting the similar evolution of the two underlying labour cost indicators.

Graph 2: **Alternative NAWRUs**



In practice, the change in the method entails a shift to the NKP model for most countries. However, for seven countries (*i.e.* AT, BE, DE, IT, LU, MT and NL), the TKP model continues to be used in an effort to minimise unnecessary changes when econometric performance and the similarity of the results points to its validity. As the two models differ solely in terms of expectations assumptions, relying on a framework that features both the TKP and the NKP specifications can be interpreted as

(Continued on the next page)

Box (continued)

relying on a more encompassing implementation of the Phillips curve approach which covers a wider set of expectations assumptions.

Table 1 provides details regarding the impact of the methodological change on the key affected variables. [5] The table confirms that Spain is the most significantly affected country, with a downward revision in its NAWRU of 4.8 pps. in 2015. Downward revisions to the NAWRU are also noticeable, albeit to a lesser extent, for Ireland, Croatia, Cyprus and Portugal. [6] Two countries also witness a notable upward revision, namely Estonia and Poland. All these revisions reflect the reduced pro-cyclicality of the NAWRU estimates according to the NKP model compared to the previous estimates based on the TKP model.

Furthermore, as the NAWRU is a component of the production function approach which is used to compute output gaps, revisions to the NAWRU translate into revisions of the output gap estimates. On average, a 1.0 pp. change in the NAWRU translates into a 0.65 pp. change in the output gap. Revisions for the output gap are also shown in Table 1.

In turn, a revision to the output gap affects the structural balance estimates, with a 1 pp. revision leading, on average, to a -0.4 pp. revision to the structural balance. Revisions for this variable are also reported in the table.

(5) For 7 countries (AT, BE, DE, IT, LU, MT and NL) the NAWRU method remains unchanged (*i.e.* the TKP specification continues to be used) and thus the impact on the variables shown in Table 1 is zero for all of these 7 countries.

(6) Note: For Croatia, Cyprus and Bulgaria, the comparison is between the NKP and HP filtered NAWRUs.

Table 1:

Impact of methodological change on selected variables

(in pp.)	NAWRU			Output gap			Structural balance		
	2013	2014	2015	2013	2014	2015	2013	2014	2015
BE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BG	0.9	0.4	0.0	0.7	0.3	0.0	-0.2	-0.1	0.0
CZ	0.2	0.0	-0.2	0.2	0.0	-0.2	-0.1	0.0	0.1
DK	-0.2	-0.2	-0.3	-0.1	-0.2	-0.2	0.1	0.1	0.1
DE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EE	-0.2	0.6	1.2	-0.2	0.4	0.9	0.1	-0.1	-0.3
IE	-0.3	-0.7	-1.1	-0.2	-0.5	-0.8	0.1	0.3	0.4
EL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ES	-3.3	-4.1	-4.8	-2.5	-3.2	-4.0	1.2	1.5	1.9
FR	0.0	-0.2	-0.3	0.0	-0.1	-0.2	0.0	0.1	0.1
HR	-1.8	-2.1	-1.9	-1.4	-1.6	-1.4	0.6	0.6	0.6
IT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CY	-0.9	-1.7	-2.9	-0.6	-1.2	-2.3	0.3	0.5	1.0
LV	-0.4	-0.2	0.0	-0.3	-0.2	0.0	0.1	0.1	0.0
LT	-0.4	-0.5	-0.8	-0.3	-0.4	-0.6	0.1	0.1	0.2
LU	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
HU	0.0	0.1	0.2	0.0	0.1	0.1	0.0	0.0	-0.1
MT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NL	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PL	1.4	0.9	0.0	1.0	0.6	0.0	-0.4	-0.2	0.0
PT	-1.3	-1.2	-1.3	-1.0	-0.9	-0.9	0.4	.	.
RO	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0
SI	0.1	0.0	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
SK	0.1	-0.1	-0.4	0.1	-0.1	-0.3	0.0	0.0	0.1
FI	0.1	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
SE	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
UK	-0.1	-0.2	-0.3	-0.1	-0.2	-0.2	0.0	0.1	0.1
EA18	-0.6	-0.7	-0.9	-0.3	-0.4	-0.5	0.1	0.2	0.2
EU28	-0.3	-0.5	-0.7	-0.2	-0.3	-0.4	0.1	0.1	0.2

Source : European Commission estimates

Importantly, despite the fact that the structural balance figures are revised for some countries, the implications for the excessive deficit procedures (EDPs) under the fiscal surveillance framework are limited. In particular, for the purposes of assessing delivery of the policy commitments under the EDP, specifically the delivery of the recommended fiscal effort, the change in the structural balance is corrected in order to remove the impact of any changes in the country's potential growth compared to when the initial EDP recommendation was made. Effectively, this correction offsets the impact of any methodological change on the structural balance. This is designed to allow governments to make their medium-term fiscal plans with an appropriate degree of certainty. The impact of the methodological change on the adjusted structural balance is less than 0.1 pp. in all cases.

Box I.2: **Financing conditions and credit growth**

The current incipient economic recovery has so far not been supported by rising bank lending to the economy. Going forward, however, the capacity of banks to provide credit will be pivotal to the economic outlook.

This box, firstly, assesses to what extent the weak bank lending documented in the main body of this document is different than in past business cycles. Secondly, it discusses some special factors at the current juncture related to corporate indebtedness and banks' restructuring that could lead to persistently weak lending growth.

The emerging funding gap via bank lending implies that other forms of finance might play a larger role. The box therefore discusses subsequently the possible role of self-financing through retained earnings and of market financing through bond issuance as possible alternative sources of funding of the corporate sector.

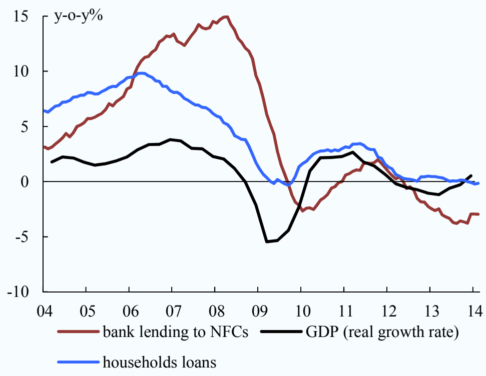
Credit and business cycles

Credit cycles are, though not perfectly, correlated with economic cycles, as both supply and demand for credit move together with economic activity. Households and companies increase their demand for credit as economic growth boosts consumer confidence and investment opportunities. On the supply side, banks' risk perception decreases when the economy is picking up. Better income prospects and the appreciation of the collateral offered by borrowers improve their creditworthiness and eventually the credit supply, in a process known as the financial accelerator.

The credit cycle for non-financial corporations (NFCs) tends to lag the economic cycle by several quarters (see graph 1), notwithstanding some cross-country differences. The graph also suggests that credit growth to NFCs is currently weaker than during the 2009 recession, despite the fact that the recession in 2012-13 was significantly milder. This warrants a closer look at current credit conditions in this box.

The cycle of household loans differs from that for corporate lending. Consistent with historical cycles, it evolved parallel with GDP during the 2009 economic downturn and subsequent recovery. This correlation has however recently broken, possibly due to specific factors, such as ongoing house price corrections in some countries, the increased use of self-funding for house purchases and less credit for the purchase of consumption goods.

Graph I:**Economic and credit cycles, euro area**



A close correlation with GDP growth in the same quarter emerges when the *change* in the flow of credit to NFC ("credit impulse") is used instead of the growth rate of the stock of credit. [(1)] In the euro area, during the cyclical upturns of early 2010 and in late 2013, loan growth for NFCs changed direction when GDP growth switched from negative to positive territory (see graph 2). If the past relationship between credit impulse and economic activity continues to hold, GDP growth accelerating this year and next means that credit to NFCs will gradually improve and eventually turn positive.

Creditless recoveries are not at all rare events, particularly when preceded by a combination of economic downturn, banking and financial stress and high private sector indebtedness. [(2)] Historical experiences with creditless recoveries may, however, provide only few lessons for the euro area as most of these took place in developing countries with less developed financial markets, and in many of them competitiveness gains via exchange rate

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(1) This follows Biggs, M., T. Mayer and A. Pick, 2009, "Credit and economic recovery", *DNB Working Paper* No 218. They argue that the change in credit transactions (called the "credit impulse") has a closer relationship with the economic cycle than a change in the stock of outstanding credit. They point out that, while the stock of credit is related to the economy's capital stock, it is the change in credit flows that drives the dynamics of the business cycle.

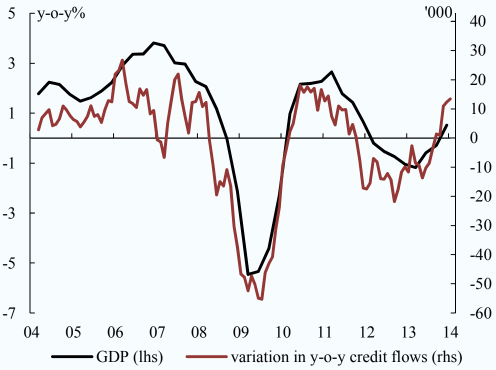
(2) See, Bijsterbosch, M. and T. Dahlhaus, Determinants of credit-less recoveries, *ECB Working Paper series* no. 1358, June 2011;

(Continued on the next page)

Box (continued)

depreciations played a key role. [3] Nevertheless, in general an economic recovery tends to be stronger and more broad-based if accompanied by credit growth.

Graph 2: **Economic cycle and lending growth dynamics (NFCs - euro area)**

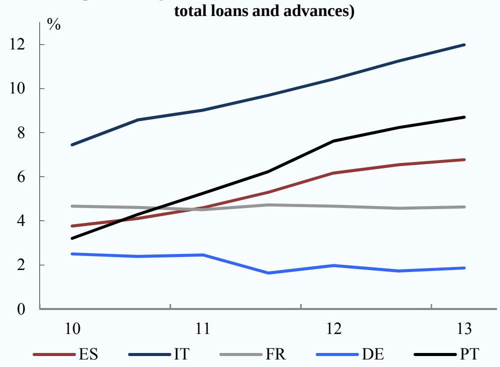


Corporate indebtedness and banks' balance sheet repair are special factors in the current cycle

Two specific factors suggest that the current economic rebound may rely less on bank lending than in past cycles. They relate to the level of indebtedness of the corporate sector and to the ongoing balance sheet repair in the banking sector.

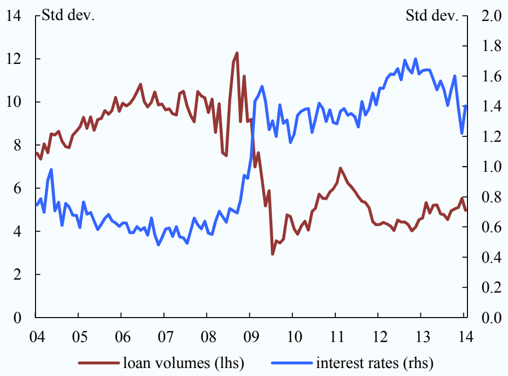
Outstanding corporate debt as percentage of GDP is, however, not necessarily a good indicator of the sustainability of corporate indebtedness, as it conceals structural differences across countries and heterogeneity across firms within a country. [4] The non-performing loan rate (NPL) informs directly about corporate debt distress. In addition to being an indicator of unsustainable debt, it is also a determinant for the supply of credit. Banks become more reluctant to lend and charge higher interest rates in an environment with increasing NPLs, as losses on loans erode their capital. As NPL levels display wide structural cross-country differences, [5] it is more useful to look at their changes over time (see graph 3).

Graph 3: **Share of gross total doubtful and non-performing loans (% of total debt instruments and total loans and advances)**



Since the start of the crisis, NPLs have increased in vulnerable Member States while remaining constant or even declining in Germany and France. This feature can partly explain the persistence of relatively high differences in lending rates and volumes across euro-area countries despite signs of declining market fragmentation on other financial markets (see graph 4). The recovery of the economies of the euro area's vulnerable Member States may lead to declining NPLs levels.

Graph 4: **NFCs cross-country dispersion, euro area Member States**



The current decline in loan volumes towards NFCs comes amid a broader need for some banks to deleverage. At the current juncture, deleveraging pressure may be increased by the ECB's comprehensive assessment of banks' balance sheets which comprises Asset Quality Reviews (AQRs) and stress tests. [6]

In the past, bank balance-sheet adjustments have not necessarily led to a reduction in lending. This is reflected in a weak cross-country correlation

(3) See Darvas, Z, Can Europe Recover without credit?, *Bruegel*, February 2013 on the former and Takáts, E. and C. Upper, Credit and growth after financial crisis, *BIS Working Papers* No 416, July 2013 on the latter point.

(4) For instance, the corporate debt ratio is highest in Luxembourg, Ireland and Belgium, because of the presence of multinationals and high inter-corporate lending, lower in Spain and Portugal and very low in Italy.

(5) This is due to differences in the definition of NPL.

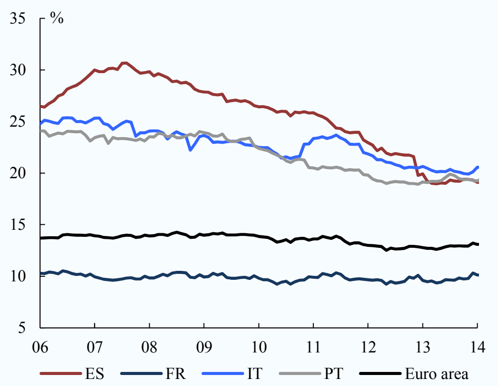
(6) The AQRs also bring to the fore the current heterogeneity as regards the definition and treatment of NPLs. Banks in some countries may be forced to record more NPLs than before.

(Continued on the next page)

Box (continued)

between bank deleveraging and changes to the credit/GDP ratio. Most of the adjustments of bank balance sheets in 2009-10 actually came from depletions of non-core assets, and since 2010 the loan-to-total-asset ratio fell only in some vulnerable Member States (see graph 5). However, adjustment through asset depletion now becomes more difficult as there are fewer marketable non-core assets available for sale. At the same time, low profitability reduces the scope for an increase in capital through retained earnings.

Graph 5: **Share of loans to NFCs in banks' total assets**

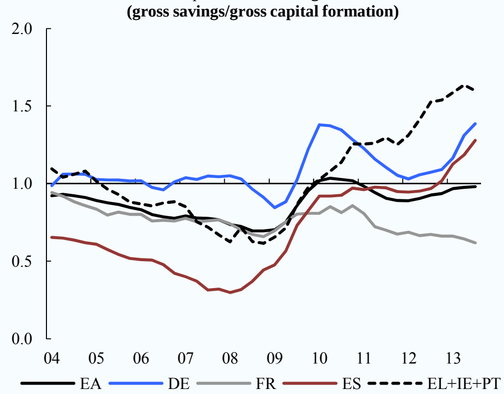


Shifts in corporate funding and savings

Empirical literature and evidence suggest that the dominant source of funding for corporate investment is usually internal funds, i.e. corporate savings, and even more so in times of financial distress and cyclical downturns. [7] Since the financial crisis, NFCs have massively self-funded their investments, while resorting less to external funding (see graph 6). The economic crisis brought both higher gross savings and a decline in investments, particularly in some vulnerable Member States. Companies have turned into aggregate net creditors in the euro area as of 2010 and were only marginally net borrowers at the end of 2013.

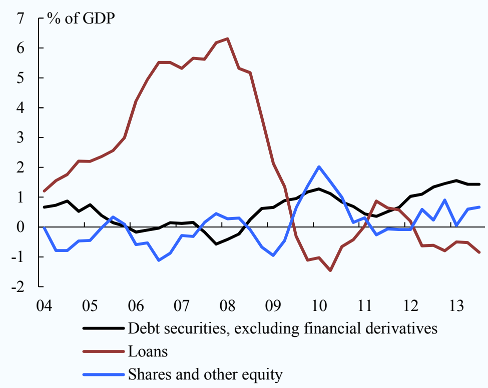
Since 2009, the euro-area economy at large has become less reliant on bank loans, as evidenced by a shift in the ratio of bank lending to GDP. This reflects to a large extent the declining investment share in 2012 and 2013. It is also due to the increased role of other forms of external funding since the start of the crisis. During both episodes of bank lending contraction, market funding through debt securities and shares cushioned the fall in external funding, although they did not stop it overall (see graph 7).

Graph 6: **Self funding ratio**
(gross savings/gross capital formation)



Capital market funding is unevenly developed across the euro area and does not suit all types of companies, particularly not SMEs. [8] However, market-based funding can have beneficial indirect effects for the SME sector. For example, if larger companies substitute bank lending by market funding, banks can channel the freed lending capacity to SMEs.

Graph 7: **Net funding flows to NFCs per instrument, euro area**



Beyond market financing, other forms of external funding, such as trade credit, inter-company loans or loans by non-bank financial institutions, already play a role in buffering the decline in bank lending. [9] Moreover, unquoted shares take a central stage in the euro area and are very often destined to SMEs funding.

(7) See ECB occasional paper series No 151, Corporate finance and economic activity in the euro area – structural issues report 2013, August 2013.

(8) See European Economic Forecast - Autumn 2013, Box 1.2: Financial fragmentation and SMEs' financing conditions, page 20.

(9) See Box 1 in ECB occasional paper series No 151, Corporate finance and economic activity in the euro area – structural issues report 2013, August 2013.

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Box (continued)

Outlook

In normal cycles bank lending takes a central role to fill external funding gaps. However, some specific features of the current credit cycle suggest that the economic upturn this year and next is likely to receive more limited support from bank lending compared with previous cycles. Starting from the current negative annual growth rate, bank lending volumes may turn positive only later this year and grow moderately next year.

Furthermore, the expected cyclical upturn and the rise in the investment ratio are likely to push the self-financing ratio lower and will thereby require an increase in external funding over the next few years. [10]

[10] Assuming the self-funding ratio in the euro area were to drop from 1.0 to 0.9 in 2015, the net external funding flows required to fill the gap would amount to around 1.1% of GDP.

The emerging funding gap will be mitigated by self-funding ratios expected to decline to a much lesser degree than during past cycles, especially in countries where corporate indebtedness is high. Furthermore, non-bank external funding is expected to play a relatively larger role during the current economic cycle. Corporate-bond issuance has become a more important funding tool for large firms, whereas the issuance of quoted shares though still under-developed in the euro area, has picked up somewhat over the last year.

However, because access to market funding is more limited for SMEs and is unevenly developed across euro-area countries, this could imply lingering funding constraints on parts of the corporate sector over the entire forecast period.

Box I.3: Housing market adjustment in the European Union

The magnitude and the pace of house price movements are matters of great importance for the overall business cycle. *First*, real-estate prices affect household consumption through wealth effects, owing to the considerable weight of real-estate assets in household wealth. Moreover, this direct impact could be enhanced by the possibility of collateralising the housing asset. This would suggest a higher impact of a fall in real-estate prices when compared to an equivalent decline in stock prices,[1] though this finding is not unchallenged.[2] *Second*, falling real-estate prices render housing investment less attractive and reduce the expected profitability of the construction sector. Although in some Member States the latter development was a necessary feature of ongoing rebalancing, subdued investment represents a drag on economic activity. Finally, both channels are reinforced via a financial accelerator effect. As lenders' willingness to supply credit increases in a housing boom, expenditure in housing and other durables increases, reinforcing the cycle through further rises in house prices and stronger credit growth. Conversely, in the bust period, the drop in house prices reduces the value of households' and firms' collateral, contributing to loan write-offs, weakening banks' balance sheets, and leading to a deceleration of credit flows. These effects can be macroeconomically significant, in particular if the adjustment follows a period of booming construction activity and rising indebtedness.[3]

Against this background, this box focuses on three main questions. *First*, it takes stock of the housing market cycle and depicts differences in trends across the Member States. *Second*, it assesses house price pressures and identifies likely determinants of prices going forward. *Third*, it discusses the relevance of these developments for the overall macroeconomic outlook.

(1) See for example Mishkin, F.S. (2008), "Housing and the Monetary Transmission Mechanism," *Housing, Housing Finance and Monetary Policy*. pp. 359–413.

(2) See *e.g.* Bassanetti, A and F. Zollino (2010), "The Effects of Housing and Financial Wealth on Personal Consumption: Aggregate Evidence for Italian Households," *in* O. de Bandt *et al.*, *Housing Markets in Europe-A Macroeconomic Perspective*, Springer, and Buiter, W. H. (2010), "Housing wealth isn't wealth", *Economics-The Open-Access, Open-Assessment E-Journal*, 4(22): 1-29.

(3) For an assessment of the impact of falling house prices on economic activity and bank balance sheets in Spain see Cuerpo, C. and P. Pontuch (2013), "Spanish housing market: adjustment and implications", *ECFIN Country Focus*, 10(8).

Ongoing adjustment in housing markets

The house price upswing preceding the crisis in the EU was particularly pronounced, with an average cumulated inflation-adjusted growth of over 40% since the last trough. Continued price increases were accompanied by spiking private sector indebtedness[4] and, in some cases, also led to an unsustainable growth of the construction sector. House prices peaked in most Member States in 2007-08 and entered into a phase of retrenchment, with divergences between countries reflecting heterogeneous institutional and regulatory frameworks in mortgage and housing markets and dissimilar macroeconomic conditions. Table 1 presents inflation-adjusted (or relative) house price developments using Eurostat's comparable house price series.

Table 1:
Relative House Price Index (HPI) growth rate - EU countries

		Relative HPI			
		2010	2011	2012	2013
Euro area	AT	-1.1	-7.8	5.0	4.7
	BE	1.2	0.9	-0.2	-0.6
	CY	-7.7	-9.6	-2.2	-7.9
	DE	-0.9	1.4	1.8	1.7
	EE	3.2	3.4	3.5	7.1
	EL	-6.5	-5.2	-11.7	-10.3
	ES	-3.6	-9.9	-16.8	-7.4
	FI	4.4	-0.4	-0.6	-0.4
	FR	3.7	3.7	-2.3	-2.1
	IE	-10.4	-15.3	-11.9	2.2
	IT	-1.4	-2.0	-5.4	-6.6
	LU	4.0	1.1	2.5	4.9
	LV	-9.5	4.8	-0.6	6.0
	MT	-1.9	-2.3	0.0	0.9
	NL	-3.0	-4.2	-8.7	-5.9
	PT	-0.6	-4.1	-8.6	-3.5
	SI	-1.3	1.0	-8.4	-6.9
	SK	-4.9	-5.2	-5.9	-0.6
	Euro area	**-0.9**	**-1.5**	**-4.1**	**-2.5**
Non Euro Area	BG	-12.3	-9.7	-5.3	-0.6
	CZ	-1.6	-0.4	-4.0	-1.9
	DK	0.2	-4.3	-5.3	-0.8
	HR	-9.4	-6.1	-2.3	-17.8
	HU	-6.1	-7.3	-9.3	-3.8
	LT	-8.6	2.4	-3.2	-0.7
	PL	-6.1	-5.4	-5.9	-2.9
	RO	-14.4	-17.9	-9.0	-2.6
	SE	6.7	0.6	-0.2	5.3
	UK	3.1	-4.7	-0.9	0.2
	EU	**-1.9**	**-2.4**	**-4.8**	**-0.6**

Source: Eurostat and BIS
Note: relative house prices are obtained by deflating the nominal index with the consumption deflator
Note: BIS is taken as the relevant source whenever ESTAT data is missing (i.e. AT and EL 2012 and 2013, as well as DE and PL 2013)

Throughout 2012, the reduction in house prices became widespread and gained pace, in line with tightened credit conditions and household deleveraging efforts. Only a handful of EU Member States recorded increases in the inflation-

(4) For a study of the historical association between boom-bust cycles in asset markets and movements in monetary and credit aggregates, see Adalid, R. and C. Detken (2007), "Liquidity shocks and asset price boom/bust cycles", *ECB Working Paper*, 732.

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Box (continued)

adjusted house prices in the course of 2012. In contrast, house prices in 2013 clearly show signs of stabilisation. Positive growth rates are not an exception anymore (*e.g.*, Estonia, Ireland, Latvia or Sweden), while a significant deceleration in the fall in house prices is observed in countries like Spain, Portugal, or the Netherlands. Nevertheless, Croatia, Slovenia, Italy, Cyprus and Greece still registered in 2013 significant house price corrections.

Have we bottomed out?

House price pressures can be analysed along two complementary dimensions: *(i)* the completeness of the house price cycle based on a comparison of the amplitude of the latest house price correction against the preceding upswing; and *(ii)* house price misalignment using several indicators of over- and undervaluation.

The cycle completeness measure is calculated as the distance of the current trough in the cyclical component of house prices (*i.e.*, the de-trended house price series) from the previous trough. For instance, if the amplitude of the previous cyclical upturn was 100 while in the current correction house prices had only an amplitude of 60, the distance from previous trough is 40%. (5) The misalignment indicator can be obtained as an average of three valuation gaps: *(1)* affordability gap (the distance to the long-term average of the price-to-income ratio); *(2)* yield gap (idem to the price-to-rental ratio); and *(3)* estimates of deviations of house prices from equilibrium values justified by housing demand and supply fundamentals. (6)

These two dimensions are represented in graph 1. *First*, house price misalignments are represented on the x-axis, where positive values point to estimated overvaluations. *Second*, the completeness of the price correction with respect to the previous cyclical trough is represented along the y-axis, with positive values signalling an incomplete correction. Member States are split into two sets: those still witnessing a cyclical adjustment phase are represented by the red squares, while those where the cycle seems to have turned to positive growth rates are represented by the green circles. Moreover, clusters are defined taking into account underlying similarities in the data and help classifying the countries accordingly. (7)

The cluster of countries at the bottom of the graph (Portugal, the Netherlands, Slovakia and Denmark) appears to have over-corrected (*i.e.*, a downward overshooting in the latest adjustment phase) and shows at end-2013 negative or mild positive valuation misalignments. Upward medium-term forces can be expected to gradually take over, as is already the case in Denmark whose adjustment was swifter. Still, the fragility of private balance sheets, notably in Portugal, may extend the negative momentum for some time.

Countries in the top-left cluster (Estonia, Germany, Hungary, Ireland, and Croatia) present a potential for house price increases, owing to either a large undervaluation, or a significant cyclical correction, or both. Again, the materialisation of this upward potential hinges upon the state of the countries' credit markets and household balance sheets, likely putting Croatia among countries with a more subdued outlook.

In contrast, countries clustered on the top right end of the graph have in principle limited upside potential, due to the estimated persistent overvaluation and a milder cyclical correction achieved in the latest cycle. Downward medium-term forces related to the high valuation levels, in some cases coupled with elevated household indebtedness, might counteract the current upswing (as in Malta, Sweden and the United Kingdom), or may prolong the current mild downward momentum (as in France and Belgium). A significant outright correction of house prices seems, however, less likely in either case due to gradually improving credit supply and demand conditions.

(5) For more details on the methodology for extracting the cyclical component of house prices, see Cuerpo, C., M. Demertzis, L. Fernández and P. Pontuch, (2012), "Assessing the dynamics of house prices in the euro area", *Quarterly Report of the Euro Area*, 11(4). See also Agnello, L., and L. Schuknecht (2009), 'Booms and busts in housing markets: Determinants and implications', *ECB Working Papers*, 1071.

(6) One possibility is estimating Vector Error Correction Models. This can be estimated for a panel of 21 EU countries, using a system of five fundamental variables: the deflated house price, total population, real housing investment, real disposable income per capita and real long-term interest rate.

(7) See Balasko, B., J. Abonyi and B. Feil (2005), "Fuzzy Clustering and Data Analysis Toolbox", *Matlab Central File Exchange*.

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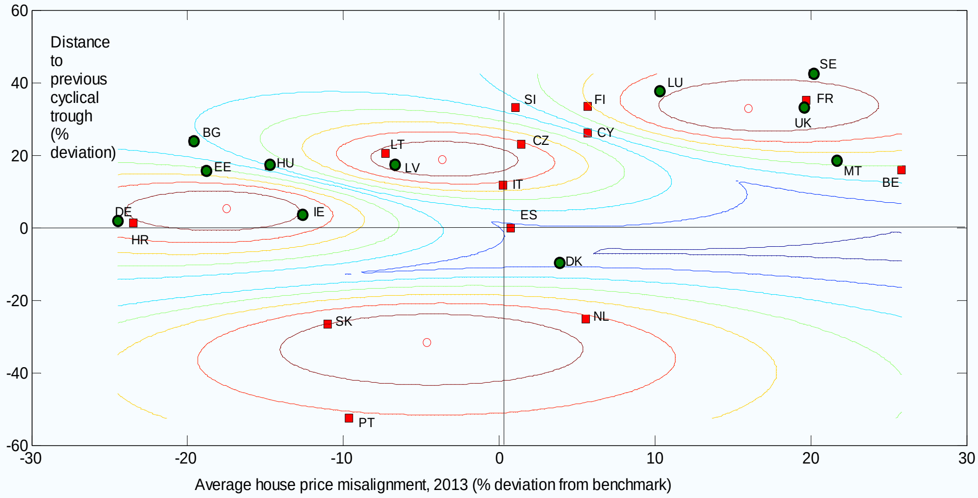
Box (continued)

Graph 1: **Relative House Price Dynamics - Selected EU Member States**



Note: The figures shows clusters of Member States taking into account estimated price misalignments (x-axis) and the deviation between the detrended deflated prices and the previous trough (y-axis). The round red markers concern Member States still witnessing a cyclical adjustment phase; those where the cycle seems to have turned to positive growth rates are represented by the square green markers.
Note: The short time availability of the data series for Austria, Greece and Poland did not allow for a sound cyclical analysis.

Finally, medium-term forces appear rather neutral in the top-middle cluster (including the Czech Republic, Latvia, Lithuania, Italy and Spain), with no apparent price misalignment and sufficient cyclical correction. Developments in the next quarters and years in these countries will likely be strongly driven by macroeconomic fundamentals and credit. The prospects for Latvia and Lithuania could be somewhat more optimistic owing to the estimated undervaluations.

Relevance for the macroeconomic outlook

The analysis of upward or downward house price pressures, complemented with an appraisal of the state of the households' balance sheets and the credit market conditions, illustrates how the interaction between cyclical, structural and financial factors determines the short- to medium-term housing-market outcomes. In particular, the households' ability to finance transactions through debt will continue to be a specifically relevant factor that will play a role in the market's outlook on top of valuation levels.

Given the feedback loops between house prices, banks' balance sheets, credit supply and economic activity, the housing market outlook also has a bearing on macroeconomic conditions. Housing markets in most Member States with pronounced corrections have already bottomed out or are likely to do so within the forecast horizon. This would imply less drag from the necessary housing market adjustment on private consumption and the construction sector than in the past few years.

Box I.4: **Structural unemployment**

The high and persistent unemployment rate in most euro-area countries has prompted concerns that structural unemployment has shifted upwards and that the increase in unemployment could persist even after the recovery is on a solid footing. The assessment of the structural component of unemployment is of key relevance. Indeed, whether unemployment is mostly cyclical or structural has important implications, and requires different policy responses. There is no single definition of structural unemployment. In principle, the concept refers to the level of unemployment that depends on institutional, structural, or behavioural elements, with no role for the economic cycle. However, the concepts that are most commonly used in practice cannot be fully delinked from the cycle.

The empirical Beveridge curve, which shows the relationship between the unemployment rate and job vacancies, provides a useful tool to interpret the changes of unemployment. Demand shocks appear as movements along the downward sloping portion of the curve. Changes in the efficiency of the matching process, a typical sign that unemployment is becoming increasingly structural, or the rate at which jobs are being destroyed, are reflected as shifts of the curve.

The Beveridge curve for the euro area (see graph 1a) shows that after the recession in the second-half of 2008, unemployment rose and vacancies fell, pointing to a negative demand shock, characterised by a downward movement along the curve. The incipient recovery at the end of 2009, however, was accompanied by a rise in vacancies without a concomitantly large drop in unemployment, which may suggest that employers are having difficulties in finding workers despite the high number of job seekers.

A second major demand shock took place in mid-2011, along a Beveridge curve that appears further away from the origin than it was at the beginning of the crisis. Starting from mid-2013, there are timid signs of a recovery in vacancies but the decline in unemployment is only limited.

Nevertheless, the outward shift of the Beveridge curve depicted in graph 1a is not sufficient to identify a permanent worsening of the efficiency of labour market matching and conclude that structural unemployment has increased. Indeed, such an outward shift could alternatively be linked to the relatively slow adjustment of unemployment to labour demand shocks (i.e. with vacancies responding more quickly to the cyclical improvement than unemployment does. [1] To better gauge persistent changes in structural unemployment, Graph 1b shows a measure of matching efficiency for the euro area, which is not influenced by cyclical fluctuations of the separation rate. It is computed from the Beveridge curve equation on the basis of an estimated elasticity of the matching function and keeping separation rates at their pre-crisis level. [2] The graph shows that while matching efficiency remained relatively stable before the crisis, a major drop was recorded in 2009, with evidence of stabilisation only after 2012.

Three factors have been identified in recent analysis as the main drivers of falling matching efficiency across the EU (European Commission, 2013): the rise in long-term unemployment, a growing skills mismatch, and sectoral mismatches. The role of long-term unemployment is confirmed by the strong negative co-movement between the matching efficiency indicator and the long-term unemployment series for the euro area (see graph 1b).

Regarding the role of skills mismatches, the evidence highlights strong patterns across countries. The growing mismatch between the skills of jobseekers and the skills demanded by employers has led to a worsening of the labour market's matching efficiency in Spain, Greece and Portugal. In Germany, by contrast, a reduced skills mismatch has helped to improve matching efficiency.

(1) Blanchard, O. and P. Diamond (1989), "The Beveridge curve." *Brookings papers on economic activity,* 1989 (1), 1-76.

(2) European Commission (2012). "Labour Market Developments in Europe, 2013", *European Economy* No.6, Directorate General for Economic and Financial Affairs.

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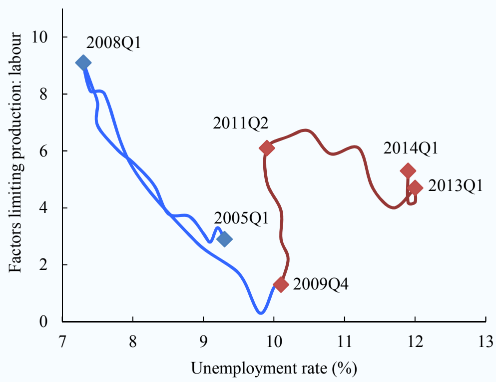
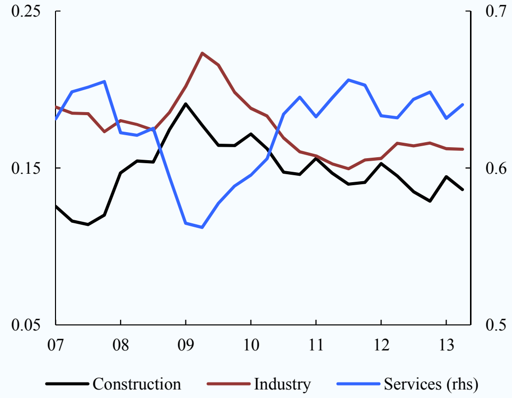
Box (continued)

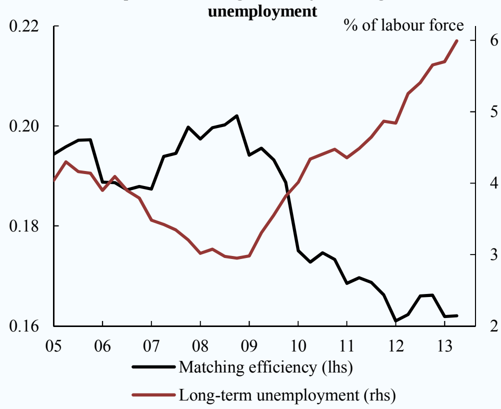
Graph 1a: **The Beveridge curve for the euro area**



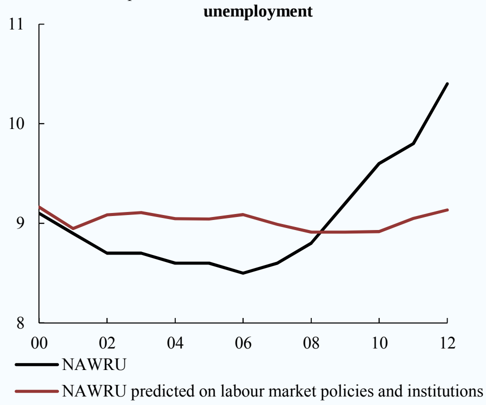
Graph 1b: **Share of sectors in unemployment**



Graph 1c: **Matching efficiency and long-term unemployment**



Graph 1d: **Different measures of structural unemployment**



Source: LFS, DG ECFIN Business and Consumer Survey. Note: vacancies are proxied by the series factors limiting production in Industry; For unemployment the 2014 figure refers to the average of first two months.

The growing sectoral mismatch was relatively broad-based across euro-area countries, concentrated in the 2009-10 period, and mostly linked to the sudden increase in layoffs from the industry and construction sectors. Graph 1c displays the evolution of the share of unemployed originating from the main economic sectors for the euro area. It shows that although the vast majority of unemployment normally originates from services, in the aftermath of the crisis, there was a sudden increase in the share of unemployed coming from industry and construction. By the end of 2010, the distribution of unemployment across main sectors is back to values in line with those recorded before the crisis. To complement our analysis, it would be useful to look at the measure of unemployment that only depends on institutional, structural, behavioural elements, with no role for the economic cycle. To do this, we compare the Non-Accelerating Wage Rate of Unemployment (NAWRU) of the euro area with predictions for the NAWRU based on policies and institutions alone. The NAWRU, a common gauge of structural unemployment, represents the unemployment level consistent with stable inflation. As explained in the Box "The revised methodology for calculating the output gaps", the NAWRU incorporates cyclical elements while structural unemployment should evolve solely on the basis of structural factors such as institutions, policies, technology, etc. The cyclicality of the NAWRU is linked to fact that, in the presence of real rigidities, real wages adjust slowly to labour demand shocks, so that the adjustment to labour demand fluctuations over the business cycle takes place partly in terms of unemployment.[3] Structural factors in the NAWRU determinants can be obtained from the predictions of the NAWRU based on a regression of the NAWRU on the main policies and institutions affecting unemployment (the tax wedge, unemployment benefits, and active labour

(3) Estrella, A. and F.S. Mishkin (2000), "Rethinking the Role of NAIRU in Monetary Policy: Implications of Model Formulation and Uncertainty", *NBER Working Paper* No. 6518; Orlandi, F. and W. Roeger (2013), "On the relationship between the NAWRU and structural unemployment" European Commission, *European Economy, Economic Papers*, forthcoming.

(Continued on the next page)

Box (continued)

market policies). Graph 1d compares the euro-area NAWRU with the predicted NAWRU on the basis of policies and institutions, following the methodology agreed in the Economic Policy Committee. [4] As expected, the predicted NAWRU exhibits a much more stable path than the NAWRU itself, and increased only moderately after the crisis. While before the crisis the NAWRU was slightly above the NAWRU predicted on the basis of policies and institutions, after the crisis it was more than one percentage point greater.

Cyclical unemployment may be higher than the comparison of actual unemployment with the NAWRU suggests. The important share of cyclical slack in the labour market suggests that unemployment may respond well to the projected acceleration in GDP growth. However, the deterioration of labour market matching and the corresponding lengthening of unemployment spells may translate into higher structural unemployment, with cyclical unemployment not reabsorbed by the end of the forecast period. Efforts directed towards improving matching efficiency and the employability of workers of becoming long-term unemployed could reduce this risk.

(4) Orlandi, F. (2012), "Structural unemployment and its determinants in the EU countries", European Commission, *European Economy, Economic Papers* 455.

Box I.5: Some technical elements behind the forecast

The cut-off date for taking new information into account in this European Economic Forecast was 24 April. The forecast incorporates validated public finance data as published in Eurostat's News Release 64/2014 of 23 April 2014.

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 3 and 16 April) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption as regards exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.38 in 2014 and 2015. The average JPY/EUR rates are 141.22 in 2014 and 141.35 in 2015.

Interest-rate assumptions are market-based. Short-term interest rates for the euro area are derived from futures contracts. Long-term interest rates for the euro area, as well as short- and long-term interest rates for other Member States are calculated using implicit forward swap rates, corrected for the current spread between the interest rate and swap rate. In cases where no market instrument is available, the fixed spread vis-à-vis the euro-area interest rate is taken for both short- and long-term rates. As a result, short-term interest rates are assumed to be 0.3% on average in 2014 and 0.4% in 2015 in the euro area. Long-term euro-area interest rates are assumed to be 1.6% on average in 2014 and 1.9% 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 107.6 USD/bbl in 2014 and 102.9 USD/bbl in 2015. This would correspond to an oil price of 78.0 EUR/bbl in 2014 and 74.4 EUR/bbl in 2015.

Budgetary data

Data up to 2013 are based on data notified by Member States to the European Commission on 1 April and validated by Eurostat on 23 April 2014.

Eurostat has withdrawn its specific reservation on the quality of the EDP data reported by Austria, which had been expressed in Eurostat's News Release of 21 October 2013 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. Following investigations by the Austrian statistical authorities, the necessary revisions have been introduced in the reported deficit and debt data.

Eurostat has expressed its reservation on the quality of the government deficit data reported by the Netherlands, due to uncertainties on the statistical impact of the government interventions relating to the nationalisation and restructuring of SNS Reaal in 2013. The size of the impact is being clarified with the Dutch statistical authorities. Based on currently available information, Eurostat expects that the resulting increase in the government deficit for 2013 would not exceed 0.3% of GDP.

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, the national budgets adopted by the national parliaments, including revised Draft Budgetary Plans submitted to the Commission by Luxembourg and Germany, as well as all other measures known in sufficient detail by the cut-off date of the Forecast are taken into consideration. For 2015, the 'no-policy-change' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

The general government balances that are relevant for the Excessive Deficit Procedure may be slightly

[1] Eurostat News Release N° 103/2009.

(Continued on the next page)

Box (continued)

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 2013, this implies a debt-to-GDP ratio in the euro area which is 2.4 pps. (1.8 pps. in the EU) higher than the consolidated general government debt ratio published by Eurostat in its news release 64/2014 of 23 April 2014. General government debt projections for individual Member States in 2013-15 include the impact of guarantees to the EFSF, [2] bilateral loans to other Member States, and the participation in the capital of the ESM as planned on the cut-off date of the forecast (subject to approval).

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

The current forecast is based on ESA95 system of national accounts. ESA2010 system will be first introduced as of the autumn 2014 forecast

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.

As of this spring 2014 forecast, a slightly revised methodology for calculating output gaps is used. Changes to the methodology, namely the method for calculating the non-cyclical component of unemployment, have been unanimously endorsed by the Member States in the Economic Policy Committee (EPC). For details see Box I.1 - The revised methodology for calculating output gaps.

PART II

Prospects by individual economy

Member States

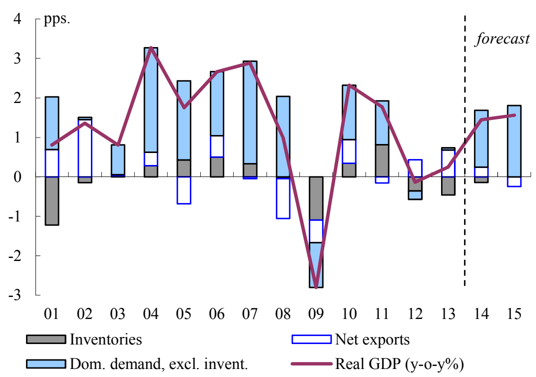
1. BELGIUM

Towards broad-based growth

A steady rebound in economic activity is projected to slowly speed up over the forecast horizon with real GDP growth reaching 1.4% in 2014 and 1.6% in 2015. Consumer spending is projected to remain the main driver of growth, supported by more vigorous investment growth towards 2015. A combination of modest wage growth, lower energy prices and tax measures is set to keep inflationary pressures at bay. No further improvement in public finances is expected.

The fourth quarter of 2013 upheld the pattern displayed in preceding quarters of firming domestic demand reinforcing an export-driven recovery. Quarterly growth reached 0.5%, the strongest in almost three years, while annual growth reached a modest 0.2%. The good performance towards the end of the year provides the Belgian economy with a robust starting position for 2014.

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



Household spending and company investment to become growth engines

Household consumption growth in the first half of 2014 is not expected to match the strong figures of recent quarters with consumer spending held back by lagging labour market dynamics and slow disposable income growth. As these factors slowly unwind in the slipstream of a mending economy, consumption growth is forecast to bolster towards the end of the year. In 2015 consumer spending is projected to contribute 1pp. to GDP growth.

Equipment investment is forecast to spearhead capital formation, which, after two years of negative growth, is projected to expand by 1.6% in 2014 and 3.2% in 2015. Soft indicators point to a continuation of the measured growth in industrial production. The latter has pushed the industry's capacity utilisation to the long-term average level, heralding acceleration in corporate investment. This would result in higher credit demand. Risks of credit supply falling short of demand appear contained, considering the recent positive trend for credit conditions. Prospects for construction remain weak despite the first cautious signs of a materialising recovery in the sector.

Convalescing business cycles in trading partner economies are reflected in export projections. At the same time, more robust domestic demand is expected to push up import growth and make the recovery less export-driven, with net trade contributing negatively to overall growth in 2015.

Slow-moving labour market and low inflation environment

The latest labour market parameters sketch a roughly stable situation. On the one hand, a recent string of company closures and restructurings is expected to exert further upward pressure on the unemployment rate. On the other hand, leading indicators seem to bear positive news with data for temporary unemployment and interim employment pointing towards a slow turnaround. Still, job creation in the private sector is projected to remain modest in the short term, while the public sector is forecast to feature continued job losses. All in all, unemployment would rise slightly in 2014 and average 8.5%, as compared to 8.4% in 2013. Faster job creation in 2015 would reverse these dynamics, though the unemployment rate is still expected to average 8.2% next year.

Falling energy prices and low price pressures from unprocessed food items largely account for headline inflation of around 1% in recent quarters. Core inflation, which makes abstraction of both categories, has been stable at a higher level, given steady price growth for other items, notably services. The lowering of the VAT on electricity consumption by households since April will exert further downward pressure on inflation over the coming quarters. Projections put inflation at 0.9% in 2014 and 1.3% in 2015. This low inflation environment confines overall wage growth, which not only limits price pressures, but also results in lower growth of unit labour costs.

No further improvement in public finances expected

The general government deficit reached 2.6% of GDP in 2013. The revenue ratio increased from 51.0% of GDP in 2012 to 52.0% in 2013, partly due to one-off revenue measures (0.6% of GDP) such as temporary regimes for tax regulation and taxes on dividends. Total government expenditure rose from 54.3% of GDP (excluding a 0.8% of GDP one-off impact of a capital transfer to Dexia) to 54.7%. The biggest drivers for the increase were the public wage bill and social benefits, which were both impacted by strong past inflation through the indexation mechanism. On the other hand, two factors had a downward impact on expenditure: interest expenditure which fell by 0.2% of GDP due to the decline in interest rates, and the impact of the electoral cycle on public investment of local government which dropped by 0.1% of GDP.

In 2014, the deficit is expected to stabilise. Expenditure growth is forecast to be limited due to the low inflation environment, expenditure reducing measures taken at different levels of government, and a further decline in investment by local government. Also revenues are projected to increase less than GDP, due to lower impact of one-off measures compared to 2013, low wage growth, and the decrease of the VAT rate on electricity (-0.1% of GDP).

In 2015, the deficit is expected to deteriorate to 2.8% of GDP under the usual no-policy-change assumption, despite the projected strengthening of economic growth. This is due to the expiration of one-off measures, the impact of expansionary measures already decided upon (such as the VAT reduction on electricity and the reduction in social security contributions), and an autonomously rising trends in social expenditure. After having improved by ¾% of GDP in 2013, the structural balance is not expected to show further improvement in 2014. In 2015, it is expected to deteriorate by about ¼% of GDP due to the above-mentioned factors.

The general government debt has been substantially revised upwards since the winter 2014 forecast due to the reclassification of a number of corporations into the government sector. The debt ratio came out at 101.4% of GDP at the end of 2013 and is forecast to rise slightly further in 2014, almost entirely due to stock-flow adjustment, and to start declining in 2015.

Table II.1.1:
Main features of country forecast - BELGIUM

		2012		Annual percentage change						
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	**2013**	**2014**	**2015**
GDP		375.9	100.0	2.0	2.3	1.8	-0.1	**0.2**	**1.4**	**1.6**
Private Consumption		198.9	52.9	1.7	2.8	0.2	-0.3	**0.7**	**1.6**	**1.9**
Public Consumption		93.8	25.0	1.8	0.6	0.7	1.4	**0.7**	**1.0**	**0.7**
Gross fixed capital formation		76.5	20.4	2.2	-1.1	4.1	-2.0	**-2.5**	**1.6**	**3.2**
of which: equipment		28.2	7.5	2.9	-10.9	4.8	-3.2	**-1.7**	**3.1**	**4.9**
Exports (goods and services)		323.7	86.1	3.9	8.1	6.4	1.8	**1.7**	**3.0**	**4.7**
Imports (goods and services)		319.6	85.0	3.8	7.5	6.8	1.3	**0.9**	**2.7**	**5.1**
GNI (GDP deflator)		376.9	100.3	1.9	4.8	1.0	-0.8	**-0.2**	**1.3**	**1.6**
Contribution to GDP growth:	Domestic demand			1.7	1.4	1.1	-0.2	**0.1**	**1.4**	**1.8**
	Inventories			0.0	0.3	0.8	-0.4	**-0.5**	**-0.1**	**0.0**
	Net exports			0.2	0.6	-0.2	0.4	**0.7**	**0.2**	**-0.2**
Employment				0.9	0.7	1.4	0.2	**-0.2**	**0.3**	**0.8**
Unemployment rate (a)				8.3	8.3	7.2	7.6	**8.4**	**8.5**	**8.2**
Compensation of employees / head				2.6	1.4	3.1	3.7	**2.0**	**0.6**	**2.2**
Unit labour costs whole economy				1.6	-0.3	2.7	4.1	**1.5**	**-0.6**	**1.4**
Real unit labour cost				-0.1	-2.3	0.7	2.1	**0.3**	**-2.0**	**0.1**
Saving rate of households (b)				17.3	15.2	14.1	15.2	**13.9**	**13.7**	**13.8**
GDP deflator				1.7	2.1	2.0	1.9	**1.2**	**1.4**	**1.4**
Harmonised index of consumer prices				1.9	2.3	3.4	2.6	**1.2**	**0.9**	**1.3**
Terms of trade goods				-0.5	-2.1	-2.1	0.2	**-0.3**	**0.5**	**-0.2**
Trade balance (c)				2.6	-0.8	-1.6	-1.5	**-1.4**	**-1.0**	**-1.6**
Current-account balance (c)				4.1	2.6	0.5	-0.2	**-0.3**	**0.3**	**-0.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				3.9	2.5	0.3	-0.3	**-0.4**	**0.4**	**-0.3**
General government balance (c)				-1.6	-3.8	-3.8	-4.1	**-2.6**	**-2.6**	**-2.8**
Cyclically-adjusted budget balance (c)				-1.9	-3.4	-3.7	-3.3	**-1.7**	**-2.0**	**-2.5**
Structural budget balance (c)				-	-3.4	-3.5	-3.0	**-2.3**	**-2.3**	**-2.5**
General government gross debt (c)				106.3	96.6	99.2	101.1	**101.5**	**101.7**	**101.5**

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

2. BULGARIA

Economic growth accelerates, but downside risks remain

The economic recovery in Bulgaria is expected to firm in 2014 and 2015 as domestic demand gradually strengthens. After a deflationary period in 2014, inflation is projected to gradually pick up in 2015. Following a fiscal stimulus in 2013, the fiscal stance is forecast to remain expansionary in 2014 before turning marginally contractionary in 2015.

Growth to pick up

Bulgaria's economy expanded by 0.9% in 2013 while GDP growth for 2012 was revised marginally down to 0.6%. Thus, the economy continues to operate well below its potential. Private consumption and investment contracted last year, while exports and public expenditure supported the modest economic growth. Growth is projected to broaden and increase gradually to 1.7% in 2014 and 2.0% in 2015, as domestic demand is forecast to recover and complement exports, which have been the main driver of growth thus far.

Investment to boost domestic demand

Rising consumer confidence has yet to translate into higher household consumption. In fact, private consumption contracted by around 2% in 2013, despite the increased purchasing power of households following an increase in pensions by over 9% in April 2013 and the stable growth of real wages amid low inflation. Recent monthly retail data, however, suggest that private consumption should stage a gradual recovery in 2014 and 2015. After contracting last year, overall investment this year and next is set to resume growth driven by both public and private investment, thanks in part to accelerated absorption of EU funds. Investment growth should be accommodated by the relative strength of the financial sector, which has been accumulating liquidity on the back of increases in domestic deposits over the last couple of years. Also, interest rates on both new loans and deposits have been declining, implying an improvement in lending conditions and credit availability.

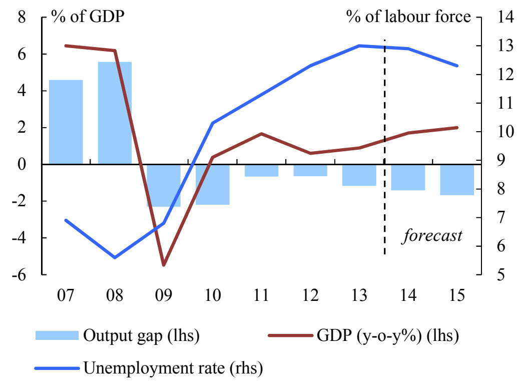
Export growth to be sustained

Exports are set to continue growing at a moderate pace in 2014 and 2015, sustained by the recovery of the EU as a whole. Modest gains in market shares are also expected to continue. Nevertheless, the contribution of net exports to overall economic growth is projected to turn slightly negative in 2014, as the recovery in domestic demand causes imports to rise. The current-account balance reached a surplus of about 2% of GDP in 2013 and, while expected to remain positive, is set to decline gradually towards balance by 2015.

Risks are tilted to the downside

Risks to this macroeconomic forecast seem tilted to the downside. Most significantly, the country's energy dependence on Russian gas imports could become a burden to growth in case of supply disruptions. Also, the expected recovery in private consumption could prove weaker than expected, given that the Bulgarian labour market is still fragile.

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



Labour market to remain weak

After four years of adverse labour market trends, unemployment appears to have peaked in 2013 at about 13% of the working age population. Employment still contracted in 2013, but this was partly driven by strong decline in the working age population, due to negative demographic trends. While the manufacturing and construction sectors continued to shed labour, overall labour market outcomes in 2013 were supported by a good harvest which boosted employment in the agricultural sector. In 2014 and 2015, the labour market is expected to stabilise further but remain weak overall. Unemployment is projected to decline only marginally to 12.5% in 2015 since many of the unemployed have difficulties re-entering the labour market.

Prices to decline in 2014 but to rise again 2015

The inflation rate turned negative since summer 2013, reflecting specific domestic and international factors and cautious consumer behaviour in spite of rising real purchasing power. Import prices have fallen significantly over 2013, reflecting lower global energy and food prices, as well as the appreciation of Bulgaria's euro-fixed currency against its main trading partners in the Balkans. An exceptionally good harvest in 2013 also reduced food prices. The government lowered some administratively set prices (most notably electricity charges), which lowered HICP in 2013 by about 0.3 pp. in total, but more strongly since second half of the year. The latest cut to electricity price was made in early 2014, with an estimated impact on HICP of about 0.3 pp. Inflation is forecast to gradually return to positive territory towards the end of 2014, as the base effects from the administrative prices and previous years' exceptionally good harvest fade and in line with the expected pick up in domestic demand. HICP inflation is expected to average -0.8% in 2014 and to rebound to 1.2% in 2015. A scheduled increase in tobacco excise in 2015 is estimated to contribute to inflation by about 0.2 pp.

A temporary fiscal weakening in 2013-14

Following three years of consolidation, the general government deficit is estimated to have increased from 0.8% of GDP in 2012 to 1.5% in 2013 and is projected to increase further to 1.9% in 2014. This is driven by a soft patch in economic recovery in 2013 and additional discretionary spending over 2013 and 2014 for social expenditure (including the increase in pensions), various current expenditure items and public investment. The general government deficit is set to improve slightly to 1.8% of GDP in 2015, in line with the pick-up in economic activity, assuming no change in policy. In structural terms, the deficit is estimated to have deteriorated by over ½ pp. of GDP in 2013 and by a further ½ pp. in 2014, but to improve by about ¼ pp. in 2015. The general government gross debt is forecast to increase from 18.9% of GDP in 2013 to about 23% in 2015. The debt ratio fluctuates slightly over the forecast period, reflecting a planned refinancing operation of one large bond maturing in early 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		78.1	100.0	2.9	0.4	1.8	0.6	**0.9**	**1.7**	**2.0**
Private Consumption		51.4	65.8	3.2	0.1	1.5	3.7	**-2.3**	**1.3**	**1.7**
Public Consumption		12.1	15.5	-0.9	1.9	1.6	-0.5	**2.5**	**1.5**	**2.3**
Gross fixed capital formation		16.7	21.4	-	-18.3	-6.5	4.0	**-0.3**	**5.5**	**2.5**
of which: equipment		7.1	9.1	-	-11.2	24.5	1.0	**3.0**	**6.0**	**3.0**
Exports (goods and services)		52.1	66.7	-	14.7	12.3	-0.4	**8.9**	**4.9**	**6.5**
Imports (goods and services)		54.4	69.7	-	2.4	8.8	3.3	**5.7**	**5.5**	**6.4**
GNI (GDP deflator)		76.7	98.2	-	0.6	0.4	2.3	**0.6**	**0.9**	**1.7**
Contribution to GDP growth:	Domestic demand			-	-4.9	-0.3	3.1	**-1.2**	**2.2**	**2.0**
	Inventories			-	-0.4	0.3	0.0	**0.0**	**0.0**	**0.0**
	Net exports			-	5.6	1.8	-2.5	**2.0**	**-0.5**	**0.0**
Employment				-	-3.9	-2.2	-2.5	**-0.3**	**0.3**	**0.4**
Unemployment rate (a)				-	10.3	11.3	12.3	**13.0**	**12.8**	**12.5**
Compensation of employees / head				-	9.9	6.8	7.8	**6.0**	**3.6**	**3.3**
Unit labour costs whole economy				-	5.2	2.5	4.4	**4.8**	**2.2**	**1.6**
Real unit labour cost				-	2.4	-2.2	1.3	**5.7**	**1.2**	**0.1**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				36.5	2.8	4.9	3.1	**-0.8**	**0.9**	**1.6**
Harmonised index of consumer prices				-	3.0	3.4	2.4	**0.4**	**-0.8**	**1.2**
Terms of trade goods				-	2.3	1.8	-0.1	**0.1**	**0.3**	**-0.1**
Trade balance (c)				-10.2	-7.7	-5.6	-8.7	**-5.9**	**-6.0**	**-6.2**
Current-account balance (c)				-7.2	-0.4	0.1	-0.9	**1.9**	**1.0**	**0.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-7.2	0.3	1.3	0.4	**3.2**	**2.4**	**1.6**
General government balance (c)				-1.3	-3.1	-2.0	-0.8	**-1.5**	**-1.9**	**-1.8**
Cyclically-adjusted budget balance (c)				-	-2.4	-1.8	-0.6	**-1.1**	**-1.5**	**-1.2**
Structural budget balance (c)				-	-2.3	-1.8	-0.6	**-1.1**	**-1.5**	**-1.2**
General government gross debt (c)				-	16.2	16.3	18.4	**18.9**	**23.1**	**22.7**

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

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

3. THE CZECH REPUBLIC

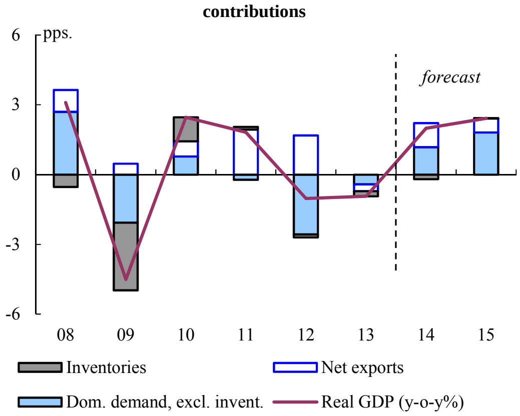
Signs of a sustainable recovery

The latest data point to a solid and broad-based recovery that is set to strengthen over the forecast horizon. In the first half of this year, net exports are expected to lead the way out of a prolonged recession with domestic demand set to take over as the main growth driver thereafter. Labour market prospects should improve while the general government deficit is projected to increase yet remain well below 3% of GDP.

A broad-based recovery is under-way

Real GDP contracted by 0.9% last year due to weak economic activity at the beginning of the year. Growth improved gradually from the second quarter of 2013 and strengthened markedly in the fourth quarter, when real GDP increased by 1.8%. This was partly driven by transitory factors such as the pre-stocking of tobacco in anticipation of a change in taxation and some advanced investment purchases in reaction to the significant weakening of the koruna by the Czech National Bank in November 2013. Soft indicators and the latest high-frequency data point to a solid and broad-based recovery, which should firm over the forecast horizon. Exports are expected to lead the way out of the prolonged recession in the first half of 2014 while domestic demand will take over as the main growth driver thereafter. Overall, real GDP is projected to increase by 2% in 2014 and 2.4% in 2015.

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



Household consumption set to rise

Household consumption stagnated in 2013 as real disposable income fell by 2% because of a decline in both nominal and real wages that resulted in a sharp drop in the saving rate as consumers tapped into their savings to sustain spending. After several years of stagnation or even negative growth, consumer spending has finally reached a turning point and is expected to start contributing positively to growth going forward thanks to an increase in real wages and improving labour market prospects and helped by low inflation.

Promising signs of a rebound in investment

Both public and private investment represented a significant drag on growth in the first three quarters of 2013. Some correction of the exceptional increase in investment in the fourth quarter of 2013 is expected in the first half of 2014. Nevertheless, recent data on corporate credit growth, business confidence, and industrial production indicate a more sustainable subsequent rebound in private investment. The upturn in public investment is expected to be substantially stronger on account of a surge in EU-funded investment projects.

Net exports to weaken in 2015

A strong upward trend in new orders from abroad, a projected gradual recovery in the main trading partners and the supportive monetary policy underpin the contribution of trade to the recovery of the Czech economy. Key export industries such as automotive and machinery production are expected to benefit most from rising external demand. Initially, imports are expected to be contained by the relatively weak household consumption and the price effect of the weaker koruna. However, once domestic demand starts to rise again, pushing up imports, the contribution of trade to growth will weaken in 2015.

Moderate inflation, improving labour market prospects

At the beginning of 2014, inflation was strongly influenced by a large cut in regulated energy prices. Inflation is projected to pick up again in the second half of 2014 on account of the significant weakening of the koruna following the Czech National Bank's foreign exchange market intervention. Stronger domestic demand and higher wages will push inflation up to just below 2% in 2015. The economic upturn is expected to lead only to a delayed and modest improvement in the labour market on the back of a rebound in productivity. The unemployment rate is forecast to decline slightly but to remain above 6% in 2015.

Significant fiscal contraction in 2013 followed by fiscal loosening

The general government balance posted a significantly better result than projected in the winter forecast and improved from -4.2% of GDP in 2012 to -1.5% of GDP in 2013. Several factors account for this outcome, notably somewhat stronger activity and associated higher tax revenues as well as lower government expenditure, particularly a significant drop in public investment and other capital expenditure, lower social benefits and lower interest payments.

The general government deficit is projected to deteriorate over the forecast horizon but to remain firmly below 3% of GDP. The deficit in 2014 is expected to increase to 1.9% of GDP while the structural deficit is projected to increase to -1.1% of GDP. After four years of double-digit declines, the forecast factors in a sharp increase in public investment as a strong rebound is expected in EU-financed investment projects. Deficit-reducing measures include lower indexation of pensions, an increase in excise duties and one-off revenue from the sale of newly released telecom spectrum ranges.

In 2015, the general government deficit is projected to reach 2.4%. This takes into account the effect of the already approved tax reform with a deficit-increasing impact of 0.4% of GDP. The government is currently preparing new measures for 2015 which include a significant modification of the tax reform. However, these were not reflected in the forecast. The structural balance is projected to deteriorate to -1.9% of GDP in 2015. The debt-to-GDP ratio is projected to stabilise at around 46% by 2015.

The fiscal forecast is subject to some risks. Firstly, the dynamics of public investment crucially depends on the expected rebound in domestic as well as EU-funded investment projects which may not be realised within the requisite time frame. Secondly, the forecast does not include a one-off expenditure related to a possible renewal of a lease contract for fighter jets in 2015 (0.5% of GDP).

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	**-0.9**	**2.0**	**2.4**
Private Consumption		1944.2	50.6	3.1	0.9	0.5	-2.1	**0.1**	**0.7**	**1.9**
Public Consumption		788.8	20.5	1.7	0.2	-2.7	-1.9	**1.6**	**1.5**	**1.3**
Gross fixed capital formation		887.9	23.1	4.2	1.0	0.4	-4.5	**-3.5**	**2.3**	**2.6**
of which: equipment		393.7	10.2	5.5	3.9	6.8	-5.6	**-1.3**	**2.9**	**3.4**
Exports (goods and services)		3000.9	78.0	8.4	15.4	9.5	4.5	**0.2**	**5.0**	**6.2**
Imports (goods and services)		2785.6	72.4	8.5	15.4	7.0	2.3	**0.6**	**4.0**	**6.0**
GNI (GDP deflator)		3561.0	92.6	2.6	1.5	2.7	-1.7	**-0.1**	**1.7**	**2.3**
Contribution to GDP growth:	Domestic demand			3.1	0.8	-0.2	-2.6	**-0.4**	**1.2**	**1.8**
	Inventories			0.0	1.0	0.1	-0.1	**-0.2**	**-0.2**	**0.0**
	Net exports			0.0	0.6	1.9	1.7	**-0.3**	**1.0**	**0.6**
Employment				0.1	-1.0	0.0	0.4	**0.9**	**0.2**	**0.4**
Unemployment rate (a)				6.5	7.3	6.7	7.0	**7.0**	**6.7**	**6.6**
Compensation of employees / head				8.4	3.1	2.3	1.9	**-1.9**	**2.1**	**2.4**
Unit labour costs whole economy				5.2	-0.4	0.5	3.3	**-0.1**	**0.3**	**0.4**
Real unit labour cost				0.7	1.2	1.4	1.7	**-2.0**	**-1.1**	**-1.3**
Saving rate of households (b)				10.3	10.7	9.9	10.6	**8.7**	**8.8**	**8.6**
GDP deflator				4.5	-1.6	-0.9	1.6	**1.9**	**1.3**	**1.7**
Harmonised index of consumer prices				-	1.2	2.1	3.5	**1.4**	**0.8**	**1.8**
Terms of trade goods				0.4	-2.3	-2.1	-0.6	**1.6**	**0.3**	**0.1**
Trade balance (c)				-2.2	1.5	2.4	3.8	**4.9**	**5.9**	**6.3**
Current-account balance (c)				-3.6	-5.0	-3.5	-2.6	**-1.2**	**-0.4**	**-0.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-3.3	-2.9	-1.6	-1.4	**1.1**	**2.4**	**3.1**
General government balance (c)				-	-4.7	-3.2	-4.2	**-1.5**	**-1.9**	**-2.4**
Cyclically-adjusted budget balance (c)				-	-4.4	-3.0	-3.5	**-0.2**	**-0.9**	**-1.9**
Structural budget balance (c)				-	-4.6	-3.0	-1.6	**-0.1**	**-1.1**	**-1.9**
General government gross debt (c)				-	38.4	41.4	46.2	**46.0**	**44.4**	**45.8**

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

4. DENMARK

First signs of recovery

Indicators are pointing to an improvement in the Danish economy. Confidence indicators have improved across sectors and unemployment has edged downwards as employment started growing again last year. The housing market has stabilised and since mid-2012 prices have been increasing in some segments of the market. After three years of weakness, GDP is expected to grow 1.5% in 2014 and 1.9% in 2015. The general government balance is expected to remain below 3% of GDP over the forecast horizon.

Pick-up in economic growth in 2014

Real GDP grew by 0.4% in 2013 with the growth driven mainly by domestic demand, particularly investments and public consumption. At the same time, a stronger increase in imports than in exports has led to a negative contribution from net exports. Although the year ended on a weak note with a 0.6% fall in GDP in the fourth quarter, indicators suggest that a pick-up in economic growth is to come. GDP growth has been strongly influenced by an ongoing decline in drilling activities in the North Sea, as GVA excluding mining and quarrying increased by 1.2% in 2013.

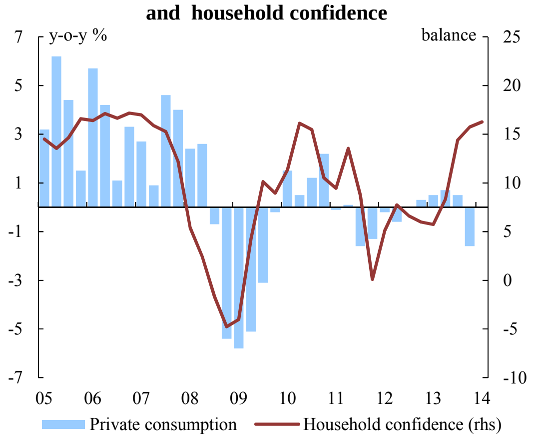
GDP is forecast to expand by 1.5% in 2014 and 1.9% in 2015, broadly in line with the winter forecast. Domestic demand is expected to be the main growth driver in the forecast period, but small positive contributions are also expected from net export.

Private consumption remained flat in 2013. Consumption has been stifled by widespread uncertainty, weak income growth and ongoing financial consolidation among Danish households, following asset losses during the economic crisis. The drop in private consumption at the end of the year was due to temporary technical reasons coming from insurance reimbursements after two storms in the fourth quarter. These conditions are expected to have had the opposite effect in the beginning of 2014, boosting private consumption.

Currently, a number of indicators are pointing to renewed growth in private consumption. Consumption is supported by continued low interest rates, low inflation and an increase in real disposable income and an improvement in the housing market with prices increasing relatively fast in some segments of the market. Consumer confidence has increased over the last year and stood in March 2014 at the second highest level in the EU (see Graph II.4.1). Spending by debit cards picked up significantly at the start of 2014. On the other hand, households' deleveraging efforts are expected to remain a drag on private consumption over the forecast horizon.

Exports are set to improve in line with the projected pick-up in external demand. On an annual basis, exports are forecast to grow by 3.1% in 2014 and 4.0% in 2015, implying continued export market losses. Danish exports are less sensitive towards the economic cycle compared to those of many other countries and losses of export market shares are, therefore, typically largest in years with relatively high growth in external demand.

Graph II.4.1: **Denmark - Private consumption and household confidence**



Gross fixed capital formation has stayed at a low level in the last five years, primarily reflecting weak business investments and high corporate savings. This mirrors idle capacity in the economy and expectations of only a gradual recovery in the coming years. Growth in gross fixed capital formation is expected to pick-up to 2.4% in 2014 and to 3.0% in 2015, in line with the economic recovery and supported by the low interest rates.

The labour market has improved

Unemployment has been edging downwards since spring 2012. This encouraging trend is expected to continue in 2014 and 2015 with unemployment falling gradually from 7.0% in 2013 to 6.8% in 2014 and 6.6% in 2015. According to the European Commission's consumer survey from March 2014, Danish consumers are the most optimistic in the EU regarding unemployment developments over the next 12 months. Employment is expected to grow by 0.5% annually in 2014 and 2015, reflecting the pick-up in economic activity.

HICP inflation has remained at a low level since spring 2013, reflecting a fall in prices of manufactured goods, energy and unprocessed food. Inflation is expected to increase gradually to 1.0% in 2014 and 1.6% in 2015, as the economy retains idle capacity.

The risks to the macroeconomic outlook remain broadly balanced. Denmark is a small and open economy and is, therefore, highly dependent on developments abroad. There are positive risks related to a possible release of pent-up demand in private consumption and in business investments.

Fiscal outlook stable

The general government deficit reached 0.8% of GDP in 2013, somewhat higher than expected in the winter forecast, mainly due to a revenue shortfall on the highly volatile pension yield tax revenues. Denmark's public finances have been heavily influenced by the one-off revenues created from a policy that gives the opportunity to pay off tax liability of future capital pensions at favourable conditions in 2013 and 2014. This measure boosted the fiscal balance by 1.5% of GDP in 2013 and is expected to have a broadly similar effect in 2014. In 2015, when the capital pension measure will have no impact, the fiscal deficit is expected to increase to 2.7% of GDP.

Regarding the structural balance, Denmark is expected to stay within its Medium Term Objective (MTO) of -0.5% of GDP over the forecast horizon. Denmark's general government gross debt level is forecast to remain broadly stable over the forecast horizon and to remain below 45% of GDP.

Table II.4.1:

Main features of country forecast - DENMARK

		2012		Annual percentage change						
bn DKK		Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		1825.6	100.0	1.7	1.4	1.1	-0.4	**0.4**	**1.5**	**1.9**
Private Consumption		895.6	49.1	1.8	1.3	-0.7	-0.1	**0.0**	**1.3**	**1.7**
Public Consumption		519.5	28.5	2.1	0.2	-1.4	0.4	**0.8**	**1.2**	**0.8**
Gross fixed capital formation		317.4	17.4	3.1	-2.1	3.3	0.8	**0.6**	**2.4**	**3.0**
of which: equipment		117.9	6.5	3.7	1.9	-3.8	8.4	**6.7**	**-0.1**	**5.5**
Exports (goods and services)		1000.4	54.8	4.4	3.0	7.0	0.4	**1.2**	**3.1**	**4.0**
Imports (goods and services)		907.7	49.7	5.6	3.5	5.9	0.9	**1.7**	**2.8**	**3.8**
GNI (GDP deflator)		1880.7	103.0	1.9	2.1	1.5	-0.1	**1.2**	**1.1**	**1.7**
Contribution to GDP growth:	Domestic demand			2.0	0.4	-0.2	0.2	**0.4**	**1.3**	**1.6**
	Inventories			0.0	1.1	0.4	-0.3	**0.2**	**-0.1**	**0.0**
	Net exports			-0.3	-0.1	0.9	-0.2	**-0.2**	**0.3**	**0.3**
Employment				0.7	-2.5	-0.2	-0.3	**0.4**	**0.5**	**0.5**
Unemployment rate (a)				5.1	7.5	7.6	7.5	**7.0**	**6.8**	**6.6**
Compensation of employees / head				3.5	3.5	1.3	1.4	**1.2**	**1.8**	**2.0**
Unit labour costs whole economy				2.5	-0.5	0.0	1.5	**1.2**	**0.7**	**0.7**
Real unit labour cost				0.4	-4.5	-0.7	-0.8	**-0.2**	**-0.7**	**-0.8**
Saving rate of households (b)				6.3	7.7	7.7	6.6	**7.0**	**6.0**	**6.8**
GDP deflator				2.1	4.3	0.7	2.3	**1.4**	**1.4**	**1.5**
Harmonised index of consumer prices				2.0	2.2	2.7	2.4	**0.5**	**1.0**	**1.6**
Terms of trade goods				0.9	1.3	-1.8	0.3	**4.4**	**0.0**	**-0.6**
Trade balance (c)				3.1	2.9	3.0	2.7	**2.7**	**2.6**	**2.3**
Current-account balance (c)				2.1	5.8	5.9	6.0	**7.3**	**6.9**	**6.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.2	5.9	6.3	6.0	**7.3**	**7.0**	**7.1**
General government balance (c)				0.9	-2.5	-1.9	-3.8	**-0.8**	**-1.2**	**-2.7**
Cyclically-adjusted budget balance (c)				0.4	-0.1	0.3	-1.0	**2.1**	**1.4**	**-0.5**
Structural budget balance (c)				-	-0.1	0.3	0.6	**0.6**	**-0.2**	**-0.5**
General government gross debt (c)				51.1	42.8	46.4	45.4	**44.5**	**43.5**	**44.9**

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

5. GERMANY

Dynamic domestic demand-driven expansion

Economic growth is expected to accelerate, powered by domestic demand. Favourable financing conditions should support a continued gradual recovery in equipment investment after disappointing outcomes in 2012 and early 2013, while low interest rates and a robust labour market should further support private consumption and housing investment. The general government budget is forecast to remain broadly balanced and the gross debt-to-GDP ratio to decrease.

Dynamic growth this year and next

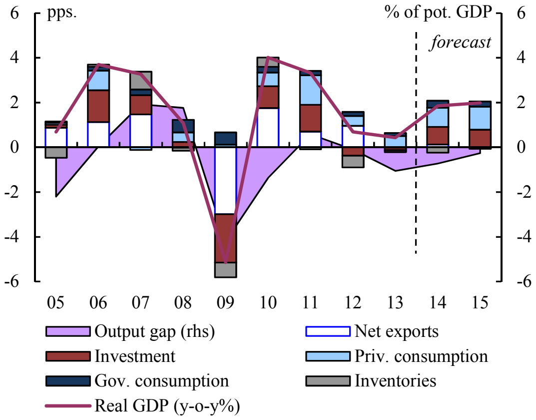
Real GDP rose by 0.4% (q-o-q, seasonally and working-day adjusted) in the fourth quarter of 2013, after 0.3% in the previous quarter. Unlike the domestically-driven expansion in the previous three quarters, growth in the last quarter of 2013 nearly exclusively reflected the strong positive growth contribution from net external trade. In 2013 as a whole, real GDP rose by 0.4%, driven by private and government consumption. Investment acted as a drag on annual growth, while net trade was neutral.

For the first quarter of 2014 and beyond, indicators point to some acceleration of growth followed by stabilisation at quite robust rates. The acceleration in the first quarter is likely to also have been boosted by extraordinarily mild weather that particularly benefitted the construction industry, which in turn helped lead an expansion of industrial production in the first two months of this year. A countervailing effect is set to dampen growth in the second quarter but regarding underlying dynamics, business expectations still reveal high optimism in the economy as a whole with orders and production expectations pointing upwards. The expansion is set to be essentially domestically-driven, given the still-supportive conditions for domestic demand. Overall, real GDP is projected to expand by 1.8% in 2014 and by 2.0% in 2015, where the acceleration of activity is almost entirely attributable to more working days.

Consumption and labour market remain robust

Private consumption is supported by low interest rates and consumer price inflation that is likely to be even less than previously forecast. Robust labour market developments underpin households' high propensity to buy. The unemployment rate is set to drop slightly as demand for labour outpaces the growth in the labour force, which is largely the result of high net migration. The reacceleration of wage growth is set to be slightly stronger than earlier envisaged.

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



Investment upswing continues

The investment outlook remains favourable. An upward trend in domestic capital goods orders and a continued rise in firms' investment plans amid dissipating uncertainty and favourable financing conditions suggest a further pick-up in equipment investment. Corporate construction investment should move in line with investment in equipment in the medium term, while vibrant housing investment is expected to decelerate somewhat.

Import growth fuelled by domestic demand

Export growth is set to remain dynamic, as indicated by increasing foreign industrial orders and optimistic export expectations. Along with reaccelerating investment in equipment, imports are set to rise more dynamically than exports, thereby contributing to a limited narrowing of the large current-account surplus, which has been revised upwards in the latest statistical update.

Moderate inflation with strengthening core rate

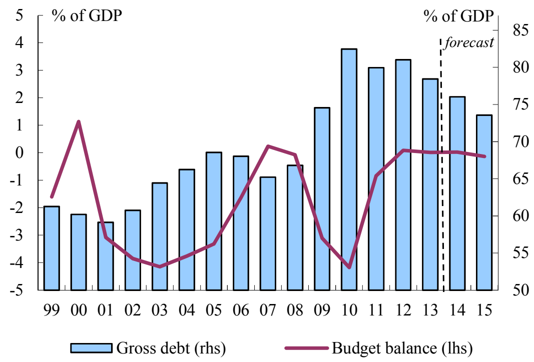
Inflation continued to surprise on the downside in the first quarter of 2014, when it decelerated to 1.0% y-o-y. This largely reflected a stronger-than-expected drop in energy prices, also on the back of the euro's appreciation. Over the forecast horizon, the dampening impact of easing commodity price pressures on headline inflation is set to be largely offset by core inflation, which is rising gradually from a moderate level as labour costs increase and the output gap narrows. Overall, HICP inflation of 1.1% in 2014 and 1.4% in 2015 is projected.

Fiscal stance turning slightly expansionary

The general government budget was balanced in 2013 after a small surplus of 0.1% in 2012. Given the outlook for more dynamic economic activity compared to recent years, revenue growth is projected to accelerate somewhat over the forecast horizon, despite the second step of the increase in the minimum income tax allowance this year. Contrary to the plans of last autumn, the pension contribution rate has not been further lowered this year, in order to finance pension reform plans.

Expenditure growth is also projected to rise, in particular due to higher pension increases, wage rises in the public sector, the restructuring fund set up in response to last year's flood disaster, and the new childcare allowance for parents not making use of childcare facilities. Moreover, the expenditure projections include pension reform proposals of the new federal government that foresee additional benefits for certain groups of pensioners as well as planned additional spending on transport infrastructure, urban development, research, and development assistance.

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



Overall, the general government budget is forecast to remain broadly balanced over the forecast horizon, resulting in a decreasing gross debt-to-GDP ratio. The ongoing winding up of 'bad banks' could further reduce the debt stock. The structural balance is projected to remain in surplus, but to decrease moderately.

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

		2012		Annual percentage change						
		bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		2666.4	100.0	1.2	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**
Private Consumption		1533.9	57.5	0.9	1.0	2.3	0.8	**0.9**	**1.5**	**1.8**
Public Consumption		514.4	19.3	1.4	1.3	1.0	1.0	**0.7**	**1.6**	**1.2**
Gross fixed capital formation		470.6	17.6	0.4	5.7	6.9	-2.1	**-0.7**	**4.5**	**4.5**
of which: equipment		175.0	6.6	2.2	10.0	5.8	-4.0	**-2.4**	**4.2**	**6.6**
Exports (goods and services)		1381.0	51.8	6.2	15.2	8.0	3.2	**0.8**	**5.0**	**5.6**
Imports (goods and services)		1223.1	45.9	5.5	12.5	7.4	1.4	**0.9**	**5.4**	**6.5**
GNI (GDP deflator)		2730.1	102.4	1.3	3.7	3.4	0.8	**0.5**	**1.8**	**1.9**
Contribution to GDP growth:	Domestic demand			0.9	1.9	2.7	0.2	**0.5**	**1.9**	**2.0**
	Inventories			0.0	0.4	-0.1	-0.5	**-0.1**	**-0.2**	**0.0**
	Net exports			0.3	1.7	0.7	1.0	**0.0**	**0.1**	**0.0**
Employment				0.4	0.5	1.4	1.1	**0.6**	**0.6**	**0.3**
Unemployment rate (a)				9.0	7.1	5.9	5.5	**5.3**	**5.1**	**5.1**
Compensation of employees / head				1.3	2.4	3.0	2.6	**2.0**	**2.9**	**3.3**
Unit labour costs whole economy				0.5	-1.1	1.0	3.1	**2.1**	**1.6**	**1.6**
Real unit labour cost				-0.4	-2.1	-0.2	1.6	**-0.1**	**0.0**	**0.0**
Saving rate of households (b)				16.2	16.9	16.4	16.4	**16.2**	**16.2**	**16.1**
GDP deflator				0.9	1.0	1.2	1.5	**2.2**	**1.6**	**1.6**
Harmonised index of consumer prices				-	1.2	2.5	2.1	**1.6**	**1.1**	**1.4**
Terms of trade goods				0.2	-2.5	-2.7	-0.4	**1.9**	**0.8**	**0.0**
Trade balance (c)				5.0	6.3	5.9	6.7	**7.0**	**7.0**	**6.9**
Current-account balance (c)				2.0	6.4	6.3	7.0	**7.4**	**7.3**	**7.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.0	6.4	6.1	7.0	**7.4**	**7.3**	**7.0**
General government balance (c)				-2.7	-4.2	-0.8	0.1	**0.0**	**0.0**	**-0.1**
Cyclically-adjusted budget balance (c)				-2.6	-3.4	-1.2	0.1	**0.6**	**0.4**	**0.0**
Structural budget balance (c)				-	-2.2	-1.0	0.3	**0.6**	**0.5**	**0.0**
General government gross debt (c)				62.3	82.5	80.0	81.0	**78.4**	**76.0**	**73.6**

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

6. ESTONIA

Gradual recovery despite rising uncertainties

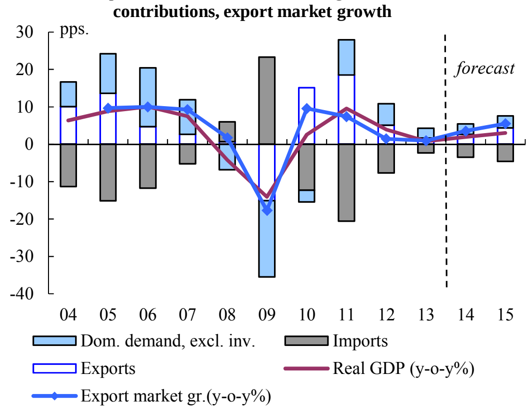
Real GDP growth slowed to 0.8% in 2013 but is expected to regain some momentum to reach 1.9% in 2014 and 3.0% in 2015, as external demand gradually recovers despite growing geopolitical uncertainties. Unemployment continues contracting.

Economic growth slowed down in 2013

Real GDP growth dropped to 0.8% in 2013 from 3.9% in 2012. Domestic demand slowed but remained the main growth driver, while net exports contributed negatively to growth. Private consumption was supported by strong real wage growth, rising employment and higher pensions. Despite uncertainties and the weak export performance, private investment remained strong due to large projects in the energy sector and sizeable purchases of transport equipment. Conversely, public investment dropped by more than 20% after the end of a number of environmental projects and the completion of most EU co-funded programmes. Estonia's net exports, especially of services, contributed negatively to growth, reflecting relatively weak demand in Estonia's main trading partners together with the diversion of oil-related transit trade to new Russian ports.

Downside risks to the forecast could stem from a further acceleration in wage growth affecting competitiveness and corporate investment, while the Ukrainian crisis could affect both trade flows with neighbouring Russia and inflows of direct investment.

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



External factors dampen outlook for 2014 and 2015

Although geopolitical uncertainties are growing, a gradual recovery in external demand is expected to fuel GDP growth of 1.9% and 3.0% in this year and next. Corporate investment is expected to suffer from remaining excess capacity and uncertainties related to the export outlook in 2014, but this should decline in 2015. Public investment is expected to fall further this year and pick up only in 2015, after a new season of EU development fund programmes begin.

Consumption growth is forecast to remain vigorous, supported by strong real income growth, helped by income tax cuts in 2015. Household borrowing is projected to increase only moderately despite very low interest rates, as banks will remain cautious about the private sector's relatively high level of indebtedness. Finally, the recovery in Estonia's exports to its main trading partners is expected to maintain the trade balance slightly positive, despite domestic demand gathering pace.

Wages increasing as labour market tightens …

Despite slowing output growth, employment expanded further in 2013, partly because of the lagged effect of more vigorous growth in 2012. At the same time, the unemployment rate fell to 8.6%, down from 10.0% a year earlier, although this was mainly due to a relatively large dip in population due to ageing. Employment is expected to grow further over the forecast horizon, but at a slower pace, and unemployment to continue contracting, as the labour market tightens. Labour force participation is high at close to 70% and is set to increase slightly over the forecast horizon, given the changing structure of the working age population. Nominal wage growth accelerated to 7.4% in 2013, with real wage growth reaching 4.2%. This strong increase is driven partly by persistent skill mismatches and rising vacancies, recent minimum wage increases, pay agreements for health workers and teachers as well as fast catching-up of wages in traded services. The purchasing power of the average wage is now back to levels from before the crisis, while vacancy rates have reverted to levels prevailing at the start of the past bubble (2006). In 2015, nominal wage growth is expected to stabilise at around 7% and real wage growth at around 4%, reflecting solid output growth, a further minimum wage increase by 10% and unemployment hovering around its natural rate.

… while inflation stabilises.

With the impact of earlier global commodity price increases fading out, HICP inflation receded to 3.2% in 2013. The assumed decline in global commodity prices is expected to ensure that inflation will continue its slow decline, falling below 2% in 2014. However, rising core inflation reflecting strong wage growth and a further excise tax increase on alcohol are set to push inflation back to around 3% in 2015.

Small fiscal deficit to continue

The general government deficit is forecast to widen to 0.5% of GDP in 2014 from 0.2% of GDP in 2013. On the one hand, the public wage bill is projected to increase by 5.1% and pensions by 5.8%, while the compensation mechanism for the second pillar pension contributions will negatively affect revenue. On the other hand, a sizeable revenue-enhancing package is expected to somewhat compensate for the expenditure increase. This includes further excise tax increases and a rescheduling of dividend distribution from state-owned companies. However, as a risk, implementation of VAT-enhancing measures that initially were planned to take effect mid-2014 could be postponed to 2015 and lead to a higher-than-currently-projected deficit for 2014.

Under the no-policy-change assumption, a slightly larger fiscal deficit of 0.6% of GDP is projected for 2015. The announced cut in the income tax rate by 1 pp. to 20%, scheduled for 1 January 2015, contributes to the projected deterioration in the government balance and to a decline in the tax burden. Over the course of the year, public investment is forecast to turn positive again as a new package of EU development funding starts being implemented.

In structural terms, the fiscal position is forecast to deteriorate by 0.1 pp. of GDP in 2014 and, on a no-policy-change basis, the structural deficit is expected to widen further by 0.2 pp. of GDP in 2015. The debt-to-GDP ratio is expected to remain below 10% in 2014-15.

Table II.6.1:

Main features of country forecast - ESTONIA

		2012			Annual percentage change					
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		17.4	100.0	4.3	2.6	9.6	3.9	**0.8**	**1.9**	**3.0**
Private Consumption		8.9	51.2	5.4	-2.6	3.8	4.9	**4.2**	**4.5**	**3.8**
Public Consumption		3.3	19.2	2.6	-0.8	1.3	3.8	**1.3**	**1.2**	**1.2**
Gross fixed capital formation		4.4	25.2	6.8	-7.3	37.6	10.9	**1.1**	**0.9**	**3.7**
of which: equipment		2.0	11.5	-	-16.2	123.5	11.6	**0.8**	**4.0**	**6.0**
Exports (goods and services)		15.8	90.6	6.2	23.7	23.4	5.6	**1.8**	**3.1**	**5.0**
Imports (goods and services)		15.7	90.3	7.0	21.1	28.4	8.8	**2.6**	**3.9**	**5.3**
GNI (GDP deflator)		16.6	95.2	4.1	0.0	9.9	4.5	**2.4**	**1.7**	**3.2**
Contribution to GDP growth:	Domestic demand			5.8	-3.1	9.4	5.8	**2.7**	**2.8**	**3.2**
	Inventories			0.0	3.2	2.7	-0.5	**-1.2**	**-0.1**	**0.0**
	Net exports			-1.4	2.8	-2.0	-2.6	**-0.7**	**-0.7**	**-0.2**
Employment				-1.2	-4.8	7.0	2.2	**1.1**	**0.2**	**0.3**
Unemployment rate (a)				9.4	16.7	12.3	10.0	**8.6**	**8.1**	**7.5**
Compensation of employees / head				17.0	2.3	0.5	6.0	**7.4**	**6.0**	**6.7**
Unit labour costs whole economy				10.8	-5.0	-1.8	4.2	**7.7**	**4.2**	**3.9**
Real unit labour cost				0.4	-5.3	-4.7	0.9	**2.6**	**1.4**	**0.4**
Saving rate of households (b)				1.7	10.1	11.1	4.5	**6.1**	**6.0**	**5.8**
GDP deflator				10.4	0.3	3.0	3.3	**5.0**	**2.8**	**3.5**
Harmonised index of consumer prices				-	2.7	5.1	4.2	**3.2**	**1.5**	**3.0**
Terms of trade goods				0.4	-1.6	-2.2	-1.9	**0.8**	**0.2**	**0.1**
Trade balance (c)				-15.5	-2.5	-4.4	-6.6	**-5.1**	**-5.3**	**-5.3**
Current-account balance (c)				-8.7	3.5	0.3	-2.8	**-1.8**	**-2.7**	**-2.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-7.9	7.0	4.4	0.7	**1.1**	**-0.3**	**-0.4**
General government balance (c)				0.5	0.2	1.1	-0.2	**-0.2**	**-0.5**	**-0.6**
Cyclically-adjusted budget balance (c)				-	2.3	1.0	-1.0	**-0.6**	**-0.7**	**-0.9**
Structural budget balance (c)				-	-0.8	-0.5	0.0	**-0.4**	**-0.5**	**-0.7**
General government gross debt (c)				-	6.7	6.1	9.8	**10.0**	**9.8**	**9.6**

(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

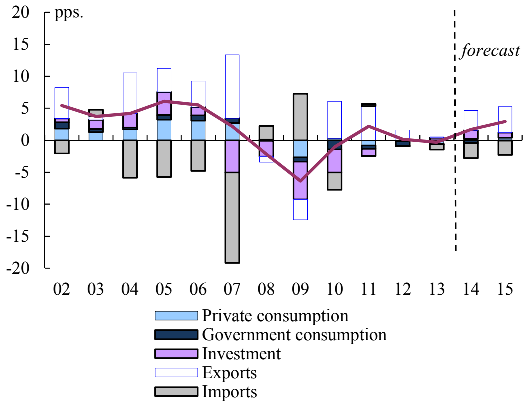
Financial stabilisation and labour market improvement sustain the recovery

The robust performance of the labour market remains the most visible sign of the Irish recovery, while the ongoing deleveraging in the private and the public sector continue to weigh on the speed of the recovery. Public finances benefit from the improved labour market outlook and a rigorous implementation of the 2014 budget would yield a modest primary surplus in structural terms. Based on current projections, Irish government debt peaked end 2013 at close to 124% of GDP.

Employment gains and confidence lead the recovery

Headline growth of -0.3% in 2013 was below expectations, in part due to a surge in imports and lower-than-expected private consumption in the final quarter of the year. The falling output of the pharmaceutical sector had a continuing negative effect on merchandise trade, while trade in services grew robustly. However, steady improvements across all key labour market indicators and a surge in machinery and equipment investment provide a better barometer of the domestic recovery than the highly volatile quarterly national accounts data. These indicators are also in line with survey data showing a return to confidence for both Irish businesses and consumers.

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



Unemployment was estimated at 11.8% in March 2014. This brings Irish unemployment on par with the euro-area average for the first time since October 2008. A particular feature of the improvement is the continued reduction in the number of long-term unemployed, which fell by 9.3% in the year to March 2013; and in the number of youth unemployed, which fell by 8.8% over the same period. This trend is forecast to continue with unemployment seen averaging 11.4% in 2014, and falling further to 10.7% in 2015.

Real GDP growth in 2014 is forecast at 1.7%, driven by the economic recovery in the UK, and the euro area. Further gains in employment, a modest reduction in the saving rate and rising output in the construction sector should support domestic demand, which is expected to make a positive contribution to growth for the first time since 2007. A reduction in the pace of the pharmaceutical sector's decline is also forecast for 2014, as the effects of key patent expiries begin to fade and output growth in the sector stabilises by 2015. GDP growth is forecast to rise further in 2015 to 2.9%, thanks to stronger domestic demand and better net trade as conditions improve in export markets.

Inflation is expected to remain muted as Ireland continues the process of internal devaluation.

External risks are rising, while credit supply and legacy debts remain an issue

Although key trading partners are expected to grow, an increasingly uncertain external environment poses downside risks to net exports, given Ireland's openness and dependence on international trade. Any possible rise in energy prices related to recent political tensions could also have a particularly high impact on Ireland, which covers around 85% of its energy needs with imports.

Impaired access to finance and the effects of legacy debts continue to pose risks for SMEs seeking to replenish capital stocks and seize new business opportunities. Impaired credit channels are also a risk to the construction sector, which, if not addressed, may lead to bottlenecks in the supply of new residential and commercial property. The successful resolution of non-performing loans is a precondition for the restoration of credit channels and for sustaining the economic recovery beyond the short term.

Public finances benefit from the economic recovery

In 2013, the government deficit declined by 1 pp. (from 8.2% of GDP in 2012) to 7.2% of GDP. The improvement mostly stems from higher tax revenues (in the order of 1.5 pps. of GDP) and a reduction in primary expenditure (of around 0.4 pp. of GDP), more than offsetting an increase in debt-servicing costs (of 0.9 pp. of GDP). In structural terms, the 2013 general government deficit is estimated to have improved by 1.6 pps. of GDP. [14]

The headline deficit is estimated to decline to 4.8% of GDP in 2014. The impact of a lower-than-expected nominal GDP level is offset by the positive effect of the improved labour market situation through direct tax revenues and lower unemployment benefits. As compared to 2013, the expected deficit improvement mostly comes from a lower public sector pay bill (0.8 pp. of GDP), in line with the public sector wage agreements, lower social spending due to declining expenditure on unemployment benefits (0.6pp. of GDP), one-off measures (0.5 pp. of GDP) [15] and other expenditure reductions. Revenues are expected to remain broadly unchanged as percent of GDP. In structural terms, the 2014 deficit is estimated at 4.4% of GDP, 2.1 pps. better than in 2013.

Under the usual no-policy-change assumption, the general government deficit is projected at 4.2% of GDP in 2015.

General government debt peaked at 123.7% of GDP at the end of 2013 and is projected to decline to around 121% in 2014 on account of an expected reduction in precautionary cash balances and narrowing of primary deficit to almost balanced position. An increase in primary surplus is the main driver of the projected debt reduction to 120% of GDP in 2015.

(14) In 2013, one-off guarantee payments related to the liquidation of IBRC increased expenditure by 0.7% of GDP, but one-off revenue from the sale of mobile telephone licenses (classified as negative expenditure) improved the fiscal deficit by 0.4% of GDP.

(15) The 2014 fiscal deficit is improved by discontinuation of negative one-off in 2013 (0.3% of GDP) and one-off revenue from the national lottery licence sales (0.2% of GDP). One-off financial sector measures for credit unions in 2014 and 2015 amount to 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**	**3.0**
Private Consumption		78.3	47.8	4.9	0.4	-1.4	-0.3	**-1.1**	**0.4**	**0.8**
Public Consumption		29.4	18.0	4.6	-4.9	-2.9	-3.2	**-0.6**	**-0.7**	**-0.1**
Gross fixed capital formation		17.5	10.7	5.4	-22.7	-9.1	-0.6	**3.6**	**12.0**	**6.5**
of which: equipment		6.8	4.2	6.6	-11.2	-1.6	2.3	**-8.5**	**12.0**	**5.1**
Exports (goods and services)		176.7	107.8	9.7	6.4	5.4	1.6	**0.2**	**2.8**	**3.7**
Imports (goods and services)		137.0	83.6	9.0	3.6	-0.4	0.0	**1.0**	**3.1**	**2.6**
GNI (GDP deflator)		133.9	81.7	5.1	-0.2	-1.4	0.8	**3.4**	**1.5**	**3.5**
Contribution to GDP growth:	Domestic demand			4.3	-4.4	-2.4	-0.8	**-0.3**	**1.4**	**1.2**
	Inventories			0.1	0.6	0.9	-0.5	**0.2**	**-0.1**	**0.0**
	Net exports			1.7	3.1	5.7	1.6	**-0.7**	**0.4**	**1.8**
Employment				3.1	-4.1	-1.8	-0.6	**2.4**	**2.4**	**2.3**
Unemployment rate (a)				7.2	13.9	14.7	14.7	**13.1**	**11.4**	**10.2**
Compensation of employees / head				4.7	-3.8	-0.1	0.8	**-1.7**	**0.4**	**0.5**
Unit labour costs whole economy				2.1	-6.7	-4.0	0.0	**1.0**	**1.1**	**-0.2**
Real unit labour cost				-0.4	-5.3	-4.6	-0.6	**0.6**	**-0.1**	**-1.1**
Saving rate of households (b)				-	13.2	11.2	10.2	**11.8**	**10.2**	**9.8**
GDP deflator				2.6	-1.5	0.7	0.7	**0.4**	**1.1**	**0.9**
Harmonised index of consumer prices				-	-1.6	1.2	1.9	**0.5**	**0.6**	**1.1**
Terms of trade goods				0.1	-3.6	-6.2	-0.7	**-0.2**	**0.2**	**0.3**
Trade balance (c)				19.9	22.6	22.6	22.2	**19.6**	**18.1**	**17.9**
Current-account balance (c)				-0.5	1.1	1.2	4.4	**6.6**	**7.4**	**8.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-0.1	0.7	1.1	3.2	**6.6**	**6.8**	**7.4**
General government balance (c)				-0.5	-30.6	-13.1	-8.2	**-7.2**	**-4.8**	**-4.2**
Cyclically-adjusted budget balance (c)				-0.8	-28.6	-12.5	-7.9	**-6.5**	**-4.3**	**-4.2**
Structural budget balance (c)				-	-9.3	-8.4	-7.9	**-6.2**	**-4.5**	**-4.2**
General government gross debt (c)				47.0	91.2	104.1	117.4	**123.7**	**121.0**	**120.4**

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

8. GREECE

Recovery signs strengthening

Data so far this year continue to strongly support expectations that Greece's economy will return to growth in 2014. Recent confidence indicators continue to support expectations that Greece will return to growth in 2014. Structural reforms undertaken in labour and product markets have underpinned an improvement in competitiveness that should strengthen exports and investment. The improvement of headline deficit is set to continue.

Improved confidence and recovery supported by fiscal achievements and structural reforms

The recession weakened markedly in 2013, decelerating from -6.0% y-o-y in the first quarter to -2.3% in the last quarter. For the year as a whole, GDP fell by 3.9%, compared to -7.0% in 2012 (revised March 2014 data).

Compared to the winter forecast, both confidence indicators and hard data improved further. The Economic Sentiment Indicator has continued to improve, especially for consumers and for construction, whilst the March Purchasing Managers Index posted its best quarterly average since the third quarter of 2008. Hard data for January and February 2014, confirm increasing industrial production and a stabilisation in retail sales, travel receipts and construction permits.

Economic recovery in the euro area this year should support a revival in goods exports, as well as stronger shipping and tourism revenues, while imports are expected to show a less pronounced fall than in 2013. Overall, the positive contribution of net exports would be similar to the one of 2013. However, this would more than compensate a much lower negative contribution of domestic demand, owing to recovering investment and a smaller contraction of consumption. As a result, real GDP is expected to grow in 2014 by 0.6%.

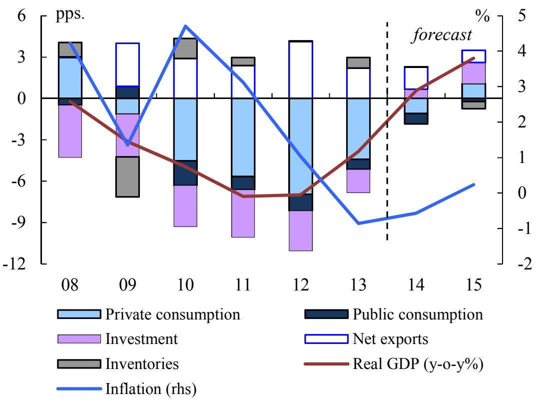
Real GDP growth is projected to rebound to 2.9%. in 2015, with a more balanced growth contribution from exports and domestic demand. Both investment and private consumption are expected to contribute significantly to growth.

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

Consumer prices fell moderately by 0.9% in 2013 and are expected to fall by 0.8% in 2014, reflecting improvements in price competitiveness that are the result of falling unit labour costs and product market reforms. As the economic recovery gains pace, prices should rise by 0.3% in 2015.

Greece's current-account deficit reached 2.4% of GDP for 2013 and is expected to narrow to 2.3% in 2014 and 2.2% in 2015. This is less strong than previously expected, due to weaker prospects for import substitution over the medium term. Non-tourism export growth is forecast to strengthen in 2014 and 2015.

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



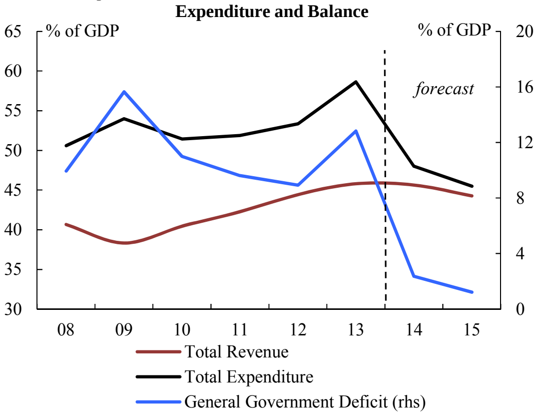
Forecast risks are balanced. Downside risks are related to the potential impact of the geopolitical developments in the neighbourhood. A faltering in the pace of structural reforms could also affect investor confidence. Nevertheless, exports could perform better than expected, given the early indications of a further good summer tourism season. A stronger than expected impact of the structural reforms undertaken is also an upside risk.

Budgetary situation is improving

In 2013, the ESA headline balance deteriorated by almost 4 pps. to 12.7% of GDP. This deterioration was mainly driven by the one-off costs of bank recapitalisation (10.8% of GDP). Under the primary balance definition of the Economic Adjustment Programme for Greece, which excludes extraordinary items such as these costs of banking recapitalisation and other items, Greece achieved a primary surplus of 0.8% of GDP, well ahead of the 2013 programme target of a balanced primary budget. The structural balance has reached 2.0% of GDP in 2013, 3 pps. higher than in 2012. In April, Greece returned to the international bond market after four years with a EUR 3 billion issue of five-year bonds that was heavily oversubscribed.

In 2014, the headline deficit is projected to fall to 1.6% of GDP. The government has undertaken steps to rationalise several expenditure programmes and strengthen social security as well as tax collection in order to secure achievement of the programme targets. At the same time, scope has been found in the 2014 budget to reduce the social security rate by 3.9%, whilst bolstering funds for social cohesion and eliminating various fiscal charges. Reviews of the VAT, social security and social welfare systems are expected in the second half of 2014. The government has committed to extend expiring measures to reach the 2015 programme target of a primary balance of 3.0% of GDP. This implies a headline deficit of 1.0%.

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



The government debt-to-GDP ratio is expected to peak in 2014 at 177.2%, as clearance of arrears is completed while nominal GDP growth stabilises, and is then expected to steadily decline in 2015 and beyond on the back of stronger fiscal balances and the economic recovery.

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	193.3	100.0	2.9	-4.9	-7.1	-7.0	**-3.9**	**0.6**	**2.9**
Private Consumption	142.4	73.6	3.1	-6.2	-7.7	-9.3	**-6.0**	**-1.8**	**1.6**
Public Consumption	33.8	17.5	3.1	-8.7	-5.2	-6.9	**-4.1**	**-1.8**	**-2.0**
Gross fixed capital formation	25.5	13.2	4.3	-15.0	-19.6	-19.2	**-12.8**	**5.3**	**11.7**
of which: equipment	10.5	5.4	8.6	-7.9	-18.1	-17.6	**-7.2**	**8.8**	**13.0**
Exports (goods and services)	52.7	27.3	4.5	5.2	0.3	-1.7	**1.8**	**4.1**	**5.2**
Imports (goods and services)	62.0	32.1	4.9	-6.2	-7.3	-13.8	**-5.3**	**-1.2**	**2.2**
GNI (GDP deflator)	194.9	100.8	2.8	-5.3	-7.2	-3.4	**-4.7**	**-0.3**	**2.1**
Contribution to GDP growth:	Domestic demand		3.5	-9.3	-10.1	-11.1	**-6.8**	**-0.9**	**2.3**
	Inventories		-0.2	1.5	0.7	0.0	**0.8**	**0.0**	**-0.3**
	Net exports		-0.5	2.9	2.4	4.1	**2.2**	**1.6**	**0.9**
Employment			1.2	-2.6	-5.6	-8.3	**-4.1**	**0.6**	**2.6**
Unemployment rate (a)			9.8	12.6	17.7	24.3	**27.3**	**26.0**	**24.0**
Compensation of employees / head			6.6	-2.6	-3.4	-3.7	**-6.6**	**-2.7**	**0.0**
Unit labour costs whole economy			4.8	-0.1	-1.8	-5.1	**-6.8**	**-2.7**	**-0.3**
Real unit labour cost			0.1	-1.3	-2.9	-4.8	**-4.9**	**-2.0**	**-0.7**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			4.7	1.1	1.0	-0.3	**-2.1**	**-0.7**	**0.4**
Harmonised index of consumer prices			-	4.7	3.1	1.0	**-0.9**	**-0.8**	**0.3**
Terms of trade goods			0.0	1.8	0.6	-0.8	**0.0**	**-0.2**	**0.2**
Trade balance (c)			-16.2	-14.3	-14.0	-11.2	**-10.2**	**-9.5**	**-8.9**
Current-account balance (c)			-9.1	-12.8	-11.7	-4.6	**-2.4**	**-2.3**	**-2.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-11.0	-9.8	-2.3	**1.3**	**-0.5**	**-0.4**
General government balance (c)			-6.7	-10.9	-9.6	-8.9	**-12.7**	**-1.6**	**-1.0**
Cyclically-adjusted budget balance (c)			-7.0	-8.6	-5.4	-3.1	**-6.7**	**2.8**	**0.9**
Structural budget balance (c)			-	-9.1	-6.0	-1.0	**2.0**	**1.0**	**-0.4**
General government gross debt (c)	103.8		148.3	170.3	157.2		**175.1**	**177.2**	**172.4**

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

9. SPAIN

Job creation returns as the recovery firms

The economic recovery is forecast to get firmer over 2014-15, backed by improved confidence and a further easing of financing conditions. After having turned positive at the end of last year, employment growth is expected to increase gradually, while unit labour costs continue to moderate. Unemployment is set to decline but will remain high. The budget deficit is set to narrow in 2014 but government debt is still expected to rise.

The mild economic recovery in Spain is expected to gain momentum amidst improved confidence and further relaxation of financial conditions, as declining risk premia and better financing conditions for the sovereign and for banks are gradually passed on to final borrowers. Yet, financing conditions remain onerous for smaller borrowers, such as SMEs. The adjustment of imbalances progresses, but high levels of debt are expected to continue to weigh on growth.

Towards more balanced growth

GDP expanded by 0.2% q-o-q in the last quarter of 2013. The rate of activity is expected to accelerate during 2014, leading to an average GDP growth rate of 1.1% for the year as a whole. The positive contribution to growth from the external sector is expected to narrow progressively over the forecast horizon, while domestic demand takes over as the main growth driver. As a result, and under the customary no-policy-change assumption, the projected GDP growth for 2015 is 2.1%.

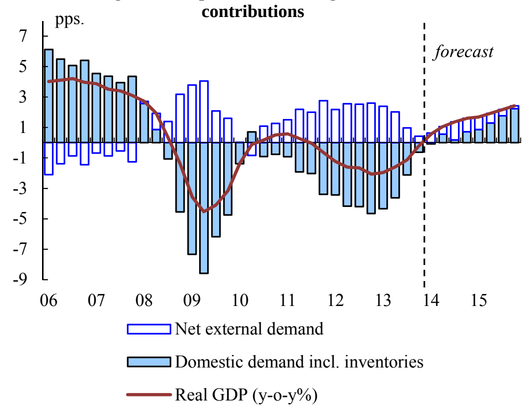
Private consumption is forecast to accelerate progressively, backed by positive employment growth and growing real gross disposable income, also supported by very low inflation. The household saving rate is projected to increase marginally as household continue to deleverage.

The improved economic prospects and the rebound in exports are expected to underpin investment in equipment. By contrast, the adjustment in construction is set to continue. In particular, residential investment is expected to keep contracting in 2014 as leading indicators remain weak.

Despite a deceleration in the second half of 2013, exports are set to remain robust, backed by ongoing improvements in price and non-price competitiveness and healthy growth of Spain's main export markets. At the same time, imports are forecast to accelerate in line with final demand and the high import content of equipment investment and exports. The current-account surplus is forecast to widen to 1.6% of GDP and net lending to around 2.2% of GDP in 2015.

Inflation is projected to remain very low at 0.1% and 0.8% on average for 2014 and 2015, respectively, due to sluggish demand and the fall in energy prices.

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



Employment set to expand

Having peaked at 27.2% in the first quarter of 2013, the unemployment rate retreated to 26% at the end of 2013, [16] mainly due to the decline in the labour force, whereas employment kept falling until the third quarter. However, the process of job destruction bottomed out in the last quarter of 2013 and employment is expected to grow faster in 2014, prompting a moderate fall in unemployment.

Although productivity is expected to decelerate in 2014, wage moderation should allow for some further decline in nominal unit labour costs and competitiveness gains over the whole forecast period.

(16) This figure is obtained with the previous methodology. According to the new methodology, the unemployment rate was 25.7% in the same period.

Downside risks to the growth forecast are mainly related to the external sector. Growth could be negatively affected if emerging market economies, particularly those in Latin America, were to slow down more than expected. A positive surprise could arise if financing conditions improved faster than expected, as this would boost domestic demand.

Output recovery to aid ongoing deficit reductions

Final data for 2013 showed that fiscal consolidation continued last year, but at a more moderate pace than in 2012. Net of bank recapitalisation costs (about 0.5% of GDP), the general government deficit reached 6.6% of GDP for the full year.

The impact of the 2014 budget measures and an improving macroeconomic outlook are expected to reduce the deficit to 5.6% of GDP in 2014, mostly thanks to lower expenditure. With the debt stock increasing, interest payments are expected to rise further, despite lower interest rates. Social transfers should decelerate in 2014, thanks to falling unemployment and the change in the pension indexation formula. Two recent developments are expected to have a deficit-increasing impact of about 0.1% of GDP in 2014. First, the decision by the European Court of Justice to consider illegal the special tax levied by the regions during ten years known as the "*céntimo sanitario*" could lead to successful legal claims for reimbursement. Second, the low flat social security payments on new permanent employment contracts, which came into effect in February 2014 and companies can access until the end of the year.

Assuming no change in policy, the headline deficit is expected to widen to 6.1% of GDP in 2015. This projection assumes that some tax measures announced by the authorities as temporary will expire by the end of 2014.

The structural deficit is estimated to be at 2.8% and 2.4% of GDP in 2013 and 2014, respectively before rising to 3.4% in 2015. Large public deficits and low nominal GDP growth are projected to push the general government gross debt above 100% of GDP in 2014 and close to 104% of GDP in 2015.

Table II.9.1:

Main features of country forecast - SPAIN

	2012			Annual percentage change					
	bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	1029.3	100.0	2.9	-0.2	0.1	-1.6	**-1.2**	**1.1**	**2.1**
Private Consumption	610.6	59.3	2.7	0.2	-1.2	-2.8	**-2.1**	**1.3**	**1.6**
Public Consumption	207.7	20.2	4.0	1.5	-0.5	-4.8	**-2.3**	**-0.8**	**-0.7**
Gross fixed capital formation	197.5	19.2	3.6	-5.5	-5.4	-7.0	**-5.1**	**-1.4**	**4.2**
of which: equipment	60.7	5.9	4.3	5.0	5.5	-3.9	**2.2**	**6.5**	**8.2**
Exports (goods and services)	336.0	32.6	5.8	11.7	7.6	2.1	**4.9**	**5.5**	**6.7**
Imports (goods and services)	328.3	31.9	6.7	9.3	-0.1	-5.7	**0.4**	**3.4**	**5.8**
GNI (GDP deflator)	1017.3	98.8	2.8	0.4	-0.7	-0.8	**-0.8**	**0.9**	**1.8**
Contribution to GDP growth:	Domestic demand		3.2	-0.9	-2.0	-4.1	**-2.6**	**0.4**	**1.5**
	Inventories		0.0	0.3	-0.1	0.0	**0.0**	**0.0**	**0.0**
	Net exports		-0.3	0.4	2.1	2.5	**1.5**	**0.8**	**0.5**
Employment			2.0	-2.3	-2.2	-4.8	**-3.4**	**0.4**	**1.2**
Unemployment rate (a)			13.7	20.1	21.7	25.0	**26.4**	**25.5**	**24.0**
Compensation of employees / f.t.e.			3.5	0.4	1.3	0.2	**0.7**	**0.2**	**0.3**
Unit labour costs whole economy			2.8	-1.7	-1.0	-3.0	**-1.6**	**-0.5**	**-0.5**
Real unit labour cost			-0.5	-1.8	-1.0	-3.0	**-2.2**	**-0.8**	**-1.3**
Saving rate of households (b)			-	13.9	12.7	10.4	**10.4**	**10.4**	**10.5**
GDP deflator			3.4	0.1	0.0	0.0	**0.6**	**0.3**	**0.7**
Harmonised index of consumer prices			3.0	2.0	3.1	2.4	**1.5**	**0.1**	**0.8**
Terms of trade goods			0.4	-2.3	-3.5	-2.3	**0.5**	**0.6**	**-0.1**
Trade balance (c)			-5.3	-4.6	-4.2	-2.5	**-1.2**	**-0.6**	**-0.6**
Current-account balance (c)			-4.3	-4.4	-4.0	-1.2	**0.8**	**1.4**	**1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.4	-3.8	-3.5	-0.6	**1.5**	**2.0**	**2.1**
General government balance (c)			-	-9.6	-9.6	-10.6	**-7.1**	**-5.6**	**-6.1**
Cyclically-adjusted budget balance (c)			-	-7.1	-6.8	-7.1	**-3.3**	**-2.4**	**-3.9**
Structural budget balance (c)			-	-7.1	-6.5	-4.1	**-2.8**	**-2.4**	**-3.4**
General government gross debt (c)			53.7	61.7	70.5	85.9	**93.9**	**100.2**	**103.8**

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

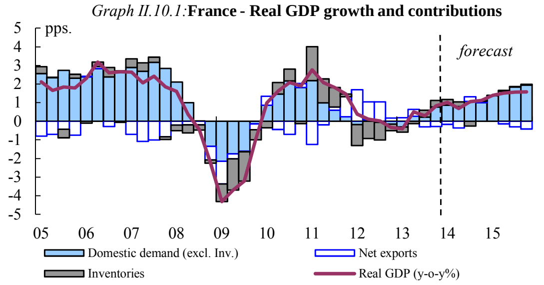
10. FRANCE
Recovery slowly takes shape mainly driven by domestic demand

France's economic growth is expected to gain momentum over the course of 2014 and 2015, primarily driven by domestic demand. The trade deficit is unlikely to improve despite rising external demand. The government balance is forecast to improve only slowly while public debt will continue to rise.

Snapping out of stagnation

After nearly two years of economic standstill, business and consumer surveys have started again to suggest expansion. GDP growth is set to gradually gain traction and reach 1.0% in 2014 and 1.5% in 2015. Domestic demand is expected to be the only contributor to growth, while net trade is likely to dampen it over the forecast horizon.

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



Growth driven by domestic demand

The gradual economic recovery is set to be mainly driven by private consumption, the traditional motor of the French economy. The turnaround in employment, relatively dynamic wages, low inflation and the cuts in taxes and social security contributions for low-wage workers recently decided as part of the Solidarity Pact are likely to support consumer spending. In addition, households are expected to dip somewhat into their savings in order to sustain their spending habits.

In a context of favourable lending conditions and low interest rates, improved entrepreneurs' expectations are assumed to lead corporations to resume significantly their equipment investment plans, after two years of decline. The tax credit for competiveness and employment (CICE) and the additional cuts in employer social security contributions planned under the Responsibility Pact are set to improve firms' profit margins and hence their investment capacity.

Net exports to remain a drag on growth

Exports are projected to accelerate from 2014, in line with the rebound in world demand, although firms are not set to fully benefit from these external opportunities. Indeed, recent competitiveness-enhancing reforms, insufficiently targeted towards the exporting sector, are assumed to only reduce the pace of losses in export market shares without reversing the trend. The deterioration in external deficits would nevertheless be relatively contained over the forecast horizon due to favourable terms of trade. With imports picking up on the back of the increase in domestic demand, net trade is forecast to further weigh on GDP growth.

Labour market turnaround, low inflation

In a context of subdued growth, only subsidised job schemes in the public sector are expected to stimulate total employment in 2014, as employers are likely to continue to give priority to increasing productivity over job creation. Looking ahead, the 2013 labour market reform and the labour cost reductions resulting from the CICE and the Responsibility Pact, mostly targeted towards low wages in 2015, are expected to have a stimulus effect on employment, resulting in a slight decrease in the unemployment rate.

In 2014, falling energy prices and still modest activity growth are expected to offset both the impact on prices of the VAT increases introduced in January 2014 and the fading effect of the arrival of a fourth mobile operator in 2012. In 2015, inflation is set to rise marginally on the back of a gradual closure of the output gap.

Balanced risks to the growth outlook

Labour cost reductions could lead to a job-richer and hence a stronger-than-expected recovery. On the other hand, they may benefit exporting firms less than expected, implying a more negative contribution from the external sector.

Government deficit to improve only slowly

The government deficit reached 4.3% of GDP last year. The difference with the 2014 winter forecast, which had projected a figure of 4.2% of GDP, came from revisions to 2012 data.

In 2014, the deficit is set to improve further thanks to the measures included in the budget but also the additional savings announced recently by the government. The latter consist of savings to offset the loss of tax receipts due to the suspension of a green tax on heavy goods vehicles, the cancellation of appropriations to be adopted as part of a supplementary budget, lower unemployment-related spending following a new agreement between the social partners on the unemployment benefit system, and the first effects of the EUR 50 billion savings plan announced by the government. In addition, the 2010 pension reform, which will gradually lead to an increase in the minimum retirement age from 60 to 62, will bring additional savings. Finally, with local elections held in March and based on what has been seen in previous election cycles, public investment is expected to fall. Overall, the deficit is forecast to reach 3.9% of GDP in 2014.

The government balance is expected to improve further next year on the back of a sizeable amount of savings, with the government planning to reduce public spending by EUR 50 billion over 2015-17 compared to the trend increase. Based on the information available at the cut-off date, this forecast incorporates EUR 17.5 billion out of the EUR 21 billion savings targeted for 2015. This implies that central government and healthcare expenditure norms will be strictly met, the savings target on social benefits broadly achieved and that the announced cut in grants to local governments will effectively translate into lower local spending. On the revenue side, the announced cuts in taxes and social security contributions, along with already legislated measures, are expected to reduce the tax burden by 0.4% of GDP. Overall, based on the information available, the deficit is projected to reach 3.4% of GDP in 2015 and risks are tilted to the downside, as illustrated by the fact that the government after the cut-off date partly changed the plans, for example to freeze pensions. Attaining a decisive reduction in the deficit depends on the government's ability to effectively reduce public spending.

On this basis, the structural balance is estimated to improve by 1¾% of GDP in 2013-15.

The ratio of government debt to GDP (93.5% in 2013) is expected to rise further 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**	**1.0**	**1.5**
Private Consumption		1172.3	57.7	1.9	1.6	0.6	-0.3	**0.3**	**0.6**	**1.2**
Public Consumption		502.7	24.7	1.3	1.8	0.4	1.4	**1.7**	**1.3**	**0.7**
Gross fixed capital formation		401.8	19.8	2.3	1.4	2.9	-1.2	**-2.3**	**1.3**	**4.5**
of which: equipment		105.4	5.2	3.0	11.2	8.2	-3.0	**-2.4**	**3.8**	**7.1**
Exports (goods and services)		557.6	27.4	3.8	9.5	5.4	2.4	**0.6**	**3.1**	**5.3**
Imports (goods and services)		602.6	29.7	4.7	8.9	5.1	-1.1	**0.5**	**3.1**	**5.8**
GNI (GDP deflator)		2067.2	101.7	1.8	1.9	2.1	-0.4	**0.3**	**0.9**	**1.5**
Contribution to GDP growth:	Domestic demand			1.8	1.6	1.0	-0.1	**0.1**	**0.9**	**1.7**
	Inventories			0.1	0.1	1.1	-0.9	**0.1**	**0.1**	**0.0**
	Net exports			-0.2	0.0	0.0	1.0	**0.0**	**-0.1**	**-0.2**
Employment				0.7	0.0	0.7	0.0	**-0.3**	**0.3**	**0.8**
Unemployment rate (a)				9.4	9.3	9.2	9.8	**10.3**	**10.4**	**10.2**
Compensation of employees / f.t.e.				2.5	2.5	2.5	2.2	**1.7**	**1.2**	**1.3**
Unit labour costs whole economy				1.5	0.7	1.2	2.1	**1.1**	**0.5**	**0.6**
Real unit labour cost				-0.1	-0.3	-0.1	0.6	**0.0**	**-0.7**	**-0.6**
Saving rate of households (b)				15.0	15.6	15.6	15.2	**15.3**	**15.0**	**14.9**
GDP deflator				1.6	1.0	1.3	1.5	**1.1**	**1.3**	**1.2**
Harmonised index of consumer prices				1.7	1.7	2.3	2.2	**1.0**	**1.0**	**1.1**
Terms of trade goods				0.0	-2.3	-2.6	-1.0	**0.8**	**0.1**	**0.1**
Trade balance (c)				-0.1	-2.6	-3.6	-3.1	**-2.8**	**-2.8**	**-3.0**
Current-account balance (c)				0.4	-1.9	-2.5	-2.1	**-1.9**	**-1.8**	**-2.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.4	-1.8	-2.5	-2.2	**-1.9**	**-1.9**	**-1.9**
General government balance (c)				-3.5	-7.0	-5.2	-4.9	**-4.3**	**-3.9**	**-3.4**
Cyclically-adjusted budget balance (c)				-3.9	-6.1	-4.7	-3.8	**-2.8**	**-2.4**	**-2.1**
Structural budget balance (c)				-	-5.9	-4.8	-3.8	**-3.0**	**-2.3**	**-2.0**
General government gross debt (c)				61.6	82.7	86.2	90.6	**93.5**	**95.6**	**96.6**

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

11. CROATIA

Downward drift continues with no firm growth model yet in place

The economic contraction is expected to continue in 2014 but to abate gradually before EU-financed investments help spur modest growth in 2015. As private sector deleveraging continues and the recovery in main trading partners remains modest risks to the growth forecast are tilted more to the downside. Inflation is forecast to be subdued against the backdrop of the weak demand. Fiscal consolidation is expected to shape up, despite economic headwinds.

2013 was the fifth year of recession

Real GDP fell by 1% in 2013, confirming the fifth year of recession in Croatia. Declining private consumption and gross fixed capital formation drove the contraction, while the lift from net exports came to an end in 2013 due to a particularly steep drop in goods exports. The continued recession was felt across the entire economy. Employment fell by 1% and unemployment rose from 15.9% to 17.2%. HICP inflation fell sharply from 4.2% in the first quarter to 0.6% in the fourth quarter, as a result of weak demand, the fading impact of earlier VAT hikes, stronger competition following Croatia's entry into the EU and lower imported inflation.

Modest recovery as of 2015

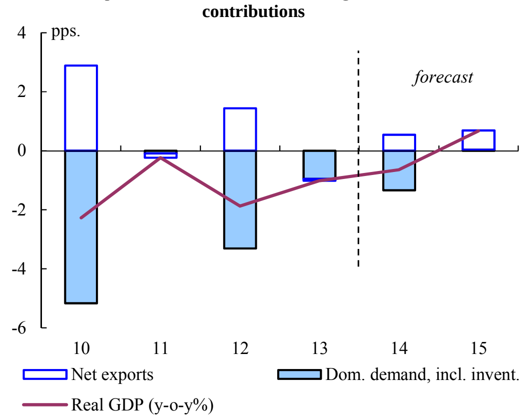
In 2014, real GDP is forecast to decline by 0.6%, taking into account current policies. This decline results from the expectation that domestic demand weakness will outweigh the positive growth impetus from exports. The expectation of a muted recovery in 2015 hinges on external demand.

Private consumption is forecast to decline by 1.3% in real terms in 2014 due to labour market conditions. In 2015, private consumption is expected to remain constant, due to continuous deleveraging pressures and the impact of fiscal consolidation.

Despite the strong increase in public investment, gross fixed capital formation is expected to remain constant in real terms in 2014. Increase in public investment reflects also the phasing in of EU funds, which is expected to intensify in 2015. On the other hand, private investment growth will remain negative due to the weak demand, ongoing restructuring related to pre-bankruptcy settlements and a still high level of uncertainty among economic agents.

The gradual strengthening of the external environment, including in the all-important European tourism market, is expected to boost services exports. Together with a mild recovery in goods exports, these trends should yield a modest external growth impulse in 2014. In 2015, net exports are expected to be the only driver of GDP growth, partly supported by the expected relaxation of current trade restrictions with former CEFTA partners.

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



HICP inflation is forecast to moderate further, falling from 2.3% in 2013 to 0.8% in 2014, owing to the similar factors as in 2013, including depressed demand and the weak economic outlook. Overall HICP inflation is expected to be slightly above 1% in 2015.

Risks to the forecast for real GDP growth are tilted to the downside, especially for 2015, as much of the expected growth in investment hinges on efficient absorption of EU funds, which may not be accompanied by broad-based private sector growth.

Fiscal consolidation to start in earnest in 2014

The general government deficit for 2013 reached 4.9% of GDP, after 5% of GDP in 2012. This marginal improvement reflects a slightly higher increase in revenue compared to expenditure.

This forecast incorporates the amended 2014 budget and the additional measures presented in April and incorporated in the Convergence programme, amounting to an overall package in the order of 2% of GDP in 2014 and 1% in 2015.

On the revenue side, the main measures in 2014 are the increase in health care contributions and energy excises, the introduction of telecommunication fees, a change in the lottery tax and the shift of pension contributions from the second to the first pillar. The ongoing efforts against tax fraud, the so-called 'fiscalisation', will continue to generate positive results. On the expenditure side, the most important measures are the reduction in subsidies, especially in the agriculture and transport sector and lower intermediate consumption. Government gross fixed capital formation is also expected to be lower than initially planned. These trends result in the deficit improving to 4.6% of GDP in 2014 and 3.1% of GDP in 2015, due to additional measures. As a result, the structural balance is expected to improve by close to ½ pp. in 2014 and by ¾ pp. in 2015. However negative fiscal risks are still present, among them possible slippages in the health sector and those related to successful implementation of the envisaged package.

Furthermore, the government has initiated a small scale reorganisation of the pension system resulting in a two-step transfer, in 2014 and 2015, of the accumulated second pillar assets for a limited number of beneficiaries and a shift of their future pension contributions towards the first pillar. While the shift of the pension contributions between pillars has a structural impact of above 0.1 pp. of GDP, the transfer of assets is a one-off measure, leading to an improvement of the headline deficit of 0.8 and 0.6 pp. in 2014 and 2015. Under ESA2010 accounting rules that will come into force this autumn, such transfers will no longer count as revenue-improving.

General government debt increased by 10 pps. of GDP in 2013, much higher than the deficit in the same year would imply. This mostly reflects the pre-financing operation, including large one at the end of the year. By end-2014, the general government debt ratio is expected to increase to 69% of GDP, reflecting the assumption of renewed pre-financing operations. The general government debt ratio is expected to be almost constant in 2015, as a result of better cyclical developments, and the planned consolidation measures.

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		328.6	100.0	-	-2.3	-0.2	-1.9	**-1.0**	**-0.6**	**0.7**
Private Consumption		198.5	60.4	-	-1.3	0.4	-3.0	**-1.0**	**-1.3**	**0.0**
Public Consumption		65.3	19.9	-	-2.1	-1.4	-0.8	**0.5**	**-2.9**	**-2.7**
Gross fixed capital formation		61.1	18.6	-	-15.0	-3.4	-4.7	**-1.0**	**0.0**	**3.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		143.5	43.7	-	4.8	1.7	0.9	**-1.8**	**2.6**	**3.7**
Imports (goods and services)		141.4	43.0	-	-2.8	2.1	-2.5	**-1.7**	**1.3**	**2.3**
GNI (GDP deflator)		316.5	96.3	-	-1.9	-0.2	-2.8	**0.1**	**-0.7**	**0.2**
Contribution to GDP growth:	Domestic demand			-	-5.2	-0.1	-3.3	**-1.0**	**-1.3**	**0.0**
	Inventories			-	0.0	0.0	0.0	**0.0**	**0.0**	**0.0**
	Net exports			-	2.9	-0.1	1.4	**-0.1**	**0.5**	**0.7**
Employment				-	-5.1	-2.3	-3.9	**-1.0**	**-2.5**	**-1.0**
Unemployment rate (a)				-	11.8	13.5	15.9	**17.2**	**18.0**	**18.0**
Compensation of employees / head				-	1.9	1.9	3.2	**1.9**	**2.5**	**2.0**
Unit labour costs whole economy				-	-1.1	-0.3	1.1	**1.9**	**0.6**	**0.3**
Real unit labour cost				-	-1.9	-2.0	-0.7	**1.0**	**-0.2**	**-0.8**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	0.8	1.8	1.9	**0.9**	**0.8**	**1.2**
Harmonised index of consumer prices				8.2	1.1	2.2	3.4	**2.3**	**0.8**	**1.2**
Terms of trade goods				-	0.9	4.3	-0.5	**-1.4**	**0.0**	**-0.5**
Trade balance (c)				-	-12.9	-13.9	-13.8	**-14.5**	**-14.4**	**-14.3**
Current-account balance (c)				-	-0.9	-0.7	-0.4	**0.5**	**1.5**	**1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-0.9	-0.7	-0.4	**0.5**	**1.5**	**1.6**
General government balance (c)				-	-6.4	-7.8	-5.0	**-4.9**	**-3.8**	**-3.1**
Cyclically-adjusted budget balance (c)				-	-5.4	-7.2	-4.1	**-3.7**	**-2.2**	**-1.6**
Structural budget balance (c)				-	-5.4	-7.2	-4.1	**-3.5**	**-3.1**	**-2.3**
General government gross debt (c)				-	45.0	52.0	55.9	**67.1**	**69.0**	**69.2**

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

12. ITALY

Exports and investment in equipment support a slow recovery

After a severe recession in 2012 and 2013, a slow recovery mainly driven by external demand is projected in 2014. With credit conditions set to ease over the forecast horizon, growth is expected to strengthen in 2015. Inflation is set to reach a historical low in 2014 amid weak labour cost pressures and declining energy prices. The government balances adjusted for the business cycle and one-offs are expected to broadly stabilise over 2013-15.

A slow recovery supported by exports

Real GDP contracted by 1.9% in 2013, albeit signs of output stabilisation emerged from the second half of the year. The uptick in the fourth quarter stemmed from the positive performance of exports and an increase in investment in equipment. This pattern is set to strengthen over the course of 2014 as external demand increases. In particular, firms' capacity utilisation is projected to increase as exports rise, encouraging new investment in equipment. At the same time, investment in construction is expected to contract further as protracted tight financing conditions delay recovery. Confidence – both for consumers and industry – has been improving since mid-2013. Households are set to raise their consumption while restoring savings, also thanks to the cut to the labour tax wedge.

Following the ongoing bank balance-sheet adjustments and the eventual pass-through of lower sovereign interest rates to the private sector, more favourable credit conditions are forecast to support the recovery and strengthen investment from the end of 2014. This is expected to pave the way for a firmer economic recovery in 2015, supported again by increasing exports but also domestic demand, including investment in construction. As the projected acceleration in domestic demand entails an uptake in imports, the resulting current-account surplus is projected to stabilise at around 1.5% of GDP in 2015.

Downside risks to Italy's economic outlook could stem from a further appreciation of the euro and geopolitical tensions, both of which would damage the expected export-driven recovery.

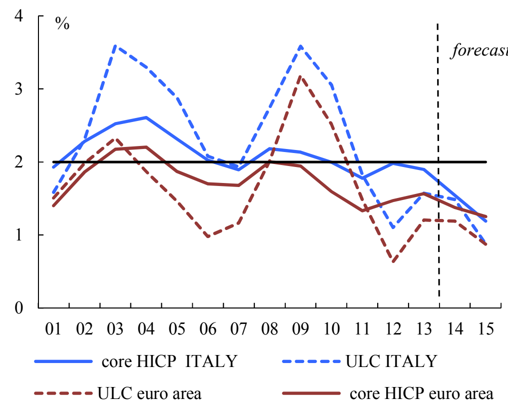
Weak labour market conditions

The large contraction in economic activity in 2013 continues to weigh on headcount employment, which is projected to further decline in 2014, before gradually resuming over the forecast horizon. The labour force is set to increase on the back of discouraged workers re-entering the labour market as the recovery sets in. Accordingly, the unemployment rate is projected to peak in 2014, at 12.8%, and then marginally decline in 2015. Over 2014-15, labour productivity growth is set to recover somewhat, while remaining below the euro-area average. This, combined with a projected moderate wage growth, entails decelerating unit labour costs over the forecast horizon, broadly in line with the rest of the euro area.

Inflation is set to reach historical lows

HICP inflation, which has been slowing down since the second half of 2012 owing to falling domestic demand and decelerating energy prices, is forecast to reach a historical low in 2014, at 0.7%, before resuming to 1.2% in 2015, on the back of increasing import prices. Weak labour cost pressures are expected to keep core HICP inflation just above 1% in both 2014 and 2015.

Graph II.12.1: **Italy and euro area- Unit Labour Cost and core inflation (3-year moving average)**



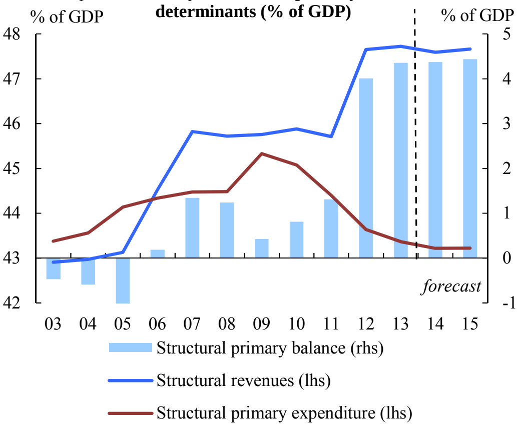
The government structural balances stabilise

In 2013, the general government deficit remained 3% of GDP. Declining sovereign-bond yields led to a decrease in interest expenditure, offsetting the decline in the primary surplus. Primary expenditure marginally increased by 0.3% y-o-y driven by higher current expenditure, while capital expenditure fell significantly despite the settlement of overdue trade debt. The latter had an impact on investment (and deficit) estimated at around 0.4% of GDP. Revenues diminished in line with nominal GDP, mainly due to a fall in VAT, personal income and property taxes.

In 2014, the headline deficit is projected to decline to 2.6% of GDP. Interest expenditure is expected to decrease further as a share of GDP and the primary surplus to increase to 2.6% of GDP. The moderate year-on-year increase in primary expenditure is mainly driven by social transfers, while the recently adopted savings are set to curb intermediate consumption. The tax burden is forecast to decrease by 0.2 pp. of GDP mainly due to the tax wedge cut adopted for 2014, which is partly offset by new one-off taxes to finance it. In 2015, the deficit is forecast to narrow further to 2.2% of GDP as the primary surplus reaches 2.9% of GDP, mainly owing to higher growth. In line with the customary no-policy-change assumption, the announced tax cut to low-income employees and spending review measures are not incorporated in the 2015 forecast as details have not been fully specified yet.

The structural balance is set to improve only marginally and, on a no-policy-change basis, to remain negative in 2015 (-0.7% of GDP). Over 2013-15, the structural primary balance is projected to stabilise at around 4.4% of GDP.

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



After incorporating additional 2.1% of GDP trade debt arrear settlements (after 1.4% in 2013), the general government debt-to-GDP ratio is expected to peak at around 135% in 2014. It is then projected to decline in 2015 mainly thanks to the higher primary surplus and nominal GDP growth as well as the use of the proceeds of privatisations scheduled in the second half of 2014.

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		1566.9	100.0	1.0	1.7	0.4	-2.4	**-1.9**	**0.6**	**1.2**
Private Consumption		954.7	60.9	1.2	1.5	-0.3	-4.0	**-2.6**	**0.4**	**0.8**
Public Consumption		313.3	20.0	1.0	-0.4	-1.3	-2.6	**-0.8**	**-0.7**	**0.9**
Gross fixed capital formation		281.5	18.0	1.4	0.6	-2.2	-8.0	**-4.7**	**1.6**	**4.0**
of which: equipment		114.1	7.3	2.1	8.1	-0.7	-11.0	**-2.5**	**5.9**	**5.7**
Exports (goods and services)		473.9	30.2	2.5	11.4	6.2	2.1	**0.1**	**3.3**	**4.3**
Imports (goods and services)		457.2	29.2	3.5	12.6	0.8	-7.0	**-2.8**	**2.7**	**4.8**
GNI (GDP deflator)		1559.1	99.5	1.1	1.7	0.3	-2.3	**-2.0**	**0.7**	**1.2**
Contribution to GDP growth:	Domestic demand			1.2	0.9	-0.9	-4.5	**-2.6**	**0.4**	**1.3**
	Inventories			0.0	1.1	-0.1	-0.6	**-0.1**	**0.0**	**-0.1**
	Net exports			-0.1	-0.4	1.4	2.7	**0.8**	**0.2**	**0.0**
Employment				0.4	-1.1	0.1	-1.1	**-1.9**	**0.1**	**0.4**
Unemployment rate (a)				9.1	8.4	8.4	10.7	**12.2**	**12.8**	**12.5**
Compensation of employees / f.t.e.				2.9	2.8	1.3	1.0	**1.4**	**1.1**	**1.3**
Unit labour costs whole economy				2.3	0.0	1.0	2.4	**1.4**	**0.7**	**0.6**
Real unit labour cost				-0.4	-0.4	-0.4	0.8	**-0.1**	**-0.2**	**-0.7**
Saving rate of households (b)				17.3	12.4	11.9	11.6	**12.9**	**13.8**	**13.8**
GDP deflator				2.8	0.4	1.4	1.6	**1.4**	**0.9**	**1.3**
Harmonised index of consumer prices				2.6	1.6	2.9	3.3	**1.3**	**0.7**	**1.2**
Terms of trade goods				-0.2	-3.9	-3.6	-1.0	**2.0**	**1.3**	**-0.1**
Trade balance (c)				1.4	-1.3	-1.1	1.1	**2.4**	**3.0**	**3.0**
Current-account balance (c)				0.1	-3.5	-3.1	-0.4	**0.9**	**1.5**	**1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				0.3	-3.5	-3.0	-0.2	**0.9**	**1.5**	**1.5**
General government balance (c)				-3.9	-4.5	-3.7	-3.0	**-3.0**	**-2.6**	**-2.2**
Cyclically-adjusted budget balance (c)				-4.4	-3.6	-3.0	-1.4	**-0.7**	**-0.7**	**-0.9**
Structural budget balance (c)				-	-3.8	-3.7	-1.5	**-0.9**	**-0.8**	**-0.7**
General government gross debt (c)				111.0	119.3	120.7	127.0	**132.6**	**135.2**	**133.9**

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

13. CYPRUS

Recession bottoms out gradually as economy rebalances

The unwinding of macroeconomic imbalances continued in 2013. The sharp decline in 2013 is expected to ease in 2014 supported by net exports and a weaker decline in domestic demand, on the back of improving business sentiment and consumer confidence. Growth is forecast to resume gradually in 2015, as the contraction in domestic demand comes to a halt. Following a better-than-expected performance last year, the fiscal adjustment progresses.

Note: This forecast was finalised in early February, after the third quarterly review of the economic adjustment programme, and will be revisited during the fourth review. The text reflects recent developments.

The recession was broad-based in 2013 …

The recession intensified in 2013, as real GDP declined 5.4 %. The decline was broadly based, with all domestic demand components contracting more than in the previous year. Nevertheless, the fall in private consumption proved milder than anticipated, as households smoothed out consumption by drawing on their savings to mitigate the adverse impact of the recession. The resilience of the tourism and professional business services sectors helped to mitigate the fall in economic activity and exports. Imports fell more than exports, leading to a positive contribution of net trade to growth. Unemployment further increased, albeit at a lower rate at the end of 2013, to 16.9 % in December 2013. Reflecting sizeable spare capacity, HICP inflation turned negative towards the end of 2013, bringing the yearly rate down to 0.4 %.

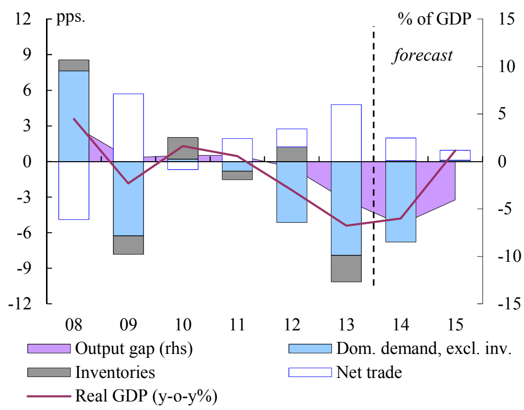
… but is likely to ease somewhat in 2014.

While short term indicators such as business sentiment and consumer confidence suggest that the recession will continue in 2014, the decline in activity is expected to ease. Tight credit conditions and declining disposable income on the back of further wage cuts will remain a drag on private demand, while the necessary fiscal consolidation measures will continue to weigh on public consumption. Net trade should contribute positively to growth, as imports shrink more than exports. The contraction of the economy is expected to push the unemployment rate up to 19 % in 2014. Data for the first months of the year suggest a bottoming out of HICP inflation. A combination of base effects from administrative reductions in energy prices last year and further VAT hikes should leave HICP inflation almost unchanged from 2013.

Growth is set to resume in 2015 …

In 2015, growth is forecast to resume gradually as private domestic demand strengthens. The restoration of a sound and well-capitalised banking sector and the gradual deleveraging of both households and corporates should clear the way for more balanced growth. Export of goods and services are forecast to expand, supported by structural reforms in the tourism sector and a further acceleration in the growth of foreign demand. Reflecting the pick-up in demand, imports are set to increase and the labour market is projected to improve slowly, with unemployment starting to ease and employment picking up. As a result, HICP inflation should start to accelerate gradually.

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



… but downside risks remain.

Risks are tilted to the downside. On the domestic front, a more protracted period of tight credit supply conditions and/or a slower reduction of household debt, which would draw out the deleveraging process, could postpone the economy's recovery. On the external side, Cyprus's sizeable trade links with Russia mean that its exports could suffer should negative spillovers emerge from the tensions between Russia and Ukraine. Risks to the HICP inflation forecast are also on the downside, reflecting possible larger pass-through to consumer prices from the ongoing price-competitiveness adjustment.

Fiscal adjustment progresses

The 2013 general government budget deficit reached 5.4 % of GDP, significantly better than projected at the onset of the economic adjustment programme. This largely reflects the tight budget control and strict execution of the significant consolidation efforts required under the programme.

The budget deficit in 2014 is projected to widen slightly, to 5.8 % of GDP, while the primary deficit is expected to remain flat. Falling corporate profits, combined with declining wages and employment are set to lower revenues from direct taxes, while the drop in private consumption should translate into lower revenues from indirect taxes, despite increases in the VAT rate and excise duties. On the expenditure side, continued efforts to reduce the public sector wage bill, intermediate consumption and other current expenditure are projected to outweigh the increase in social transfers driven by the further worsening labour market conditions.

In 2015, the improving macroeconomic situation and better labour market conditions are expected to support revenues from taxes and social contributions. Total expenditure, meanwhile, is projected to remain largely unchanged, as the impact of ageing on pension payments will be largely offset by a deceleration of the retirement wave in the public sector. Nonetheless, the deficit in 2015 is projected to increase to 6.1 % of GDP, as the 2014 projection includes an exceptional dividend from the Central Bank of Cyprus.

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

Table II.13.1:

Main features of country forecast - CYPRUS

	2012		Annual percentage change						
	mio EUR Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	17720.3	100.0	3.8	1.3	0.4	-2.4	**-5.4**	**-4.8**	**0.9**
Private Consumption	12183.5	68.8	-	1.5	1.3	-2.0	**-5.7**	**-6.3**	**0.7**
Public Consumption	3410.4	19.2	-	1.0	-0.2	-3.8	**-5.0**	**-1.5**	**-2.7**
Gross fixed capital formation	2468.8	13.9	-	-4.9	-8.7	-18.3	**-21.6**	**-18.1**	**1.3**
of which: equipment	796.0	4.5	-	-6.9	-10.5	-16.2	**-5.7**	**-14.0**	**3.0**
Exports (goods and services)	7710.2	43.5	-	3.8	4.4	-2.5	**-4.2**	**-2.7**	**1.8**
Imports (goods and services)	8276.3	46.7	-	4.8	-0.2	-5.4	**-14.1**	**-7.2**	**0.2**
GNI (GDP deflator)	17201.1	97.1	3.7	2.4	5.6	-6.9	**-4.6**	**-7.0**	**2.2**
Contribution to GDP growth:	Domestic demand		-	0.2	-0.8	-5.1	**-7.9**	**-6.8**	**0.1**
	Inventories		-	1.8	-0.7	1.2	**-2.2**	**0.0**	**0.0**
	Net exports		-	-0.7	1.9	1.5	**4.8**	**1.9**	**0.8**
Employment			-	-0.2	0.5	-4.2	**-5.2**	**-4.4**	**0.8**
Unemployment rate (a)			-	6.3	7.9	11.9	**15.9**	**19.2**	**18.4**
Compensation of employees / head			-	2.6	2.5	-0.9	**-6.0**	**-3.0**	**0.9**
Unit labour costs whole economy			-	1.1	2.5	-2.7	**-5.8**	**-2.6**	**0.8**
Real unit labour cost			-	-0.9	0.2	-4.2	**-4.3**	**-3.1**	**-0.8**
Saving rate of households (b)			-	19.2	15.2	12.8	**10.9**	**13.3**	**12.8**
GDP deflator			2.9	1.9	2.3	1.6	**-1.5**	**0.6**	**1.5**
Harmonised index of consumer prices			-	2.6	3.5	3.1	**0.4**	**0.4**	**1.4**
Terms of trade goods			-	-0.9	-1.8	-1.1	**-0.6**	**-0.4**	**-0.5**
Trade balance (c)			-	-26.8	-24.3	-21.8	**-18.0**	**-16.5**	**-16.3**
Current-account balance (c)			-	-9.2	-3.5	-7.0	**-1.4**	**0.0**	**0.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-9.0	-3.3	-6.9	**0.1**	**0.9**	**1.3**
General government balance (c)			-	-5.3	-6.3	-6.4	**-5.4**	**-5.8**	**-6.1**
Cyclically-adjusted budget balance (c)			-	-5.6	-6.6	-6.1	**-3.7**	**-2.9**	**-4.3**
Structural budget balance (c)			-	-5.6	-6.4	-6.5	**-3.5**	**-4.0**	**-4.3**
General government gross debt (c)			-	61.3	71.5	86.6	**111.7**	**122.2**	**126.4**

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

14. LATVIA

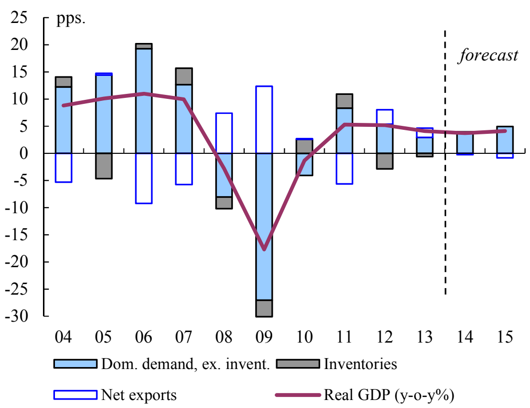
Strong performance amid rising external uncertainty

Latvia's economy continues to perform strongly, but the most recent indicators show that challenges are rising. Growth is expected to slow down further to 3.8% in 2014 before rebounding to 4.1% in 2015. The country is still projected to remain the fastest growing in the EU but the outlook for 2014 is now somewhat less optimistic than in the winter forecast. The nominal fiscal outlook is broadly stable as the budget deficit is forecast at around 1% of GDP.

Growth faces some headwinds

The latest high-frequency indicators suggest that real GDP growth is likely to slow somewhat in 2014. In particular, retail and industrial sales performed below expectations at the beginning of the year and business sentiment deteriorated in March due mainly to weaker confidence in the industrial sector. Growth is now projected to slow down from 4.1% in 2013 to 3.8% in 2014 before rebounding again to 4.1% in 2015. Risks, however, are tilted to the downside mainly due to the tensions between Russia and Ukraine, which could have repercussions to regional trade flows and investment sentiment.

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



Private consumption is forecast to be the main driver of growth in 2014 and 2015 helped by continuous wage and employment growth. Investments and exports are expected to rise at moderate rates in 2014 reflecting some setbacks in demand from major trading partners, particularly Russia. However, both investment and exports are set to gain speed in 2015 in line with the forecast increase in external demand.

Current-account deficit declines

The current-account deficit dropped to 0.8% of GDP in 2013 from 2.5% in 2012, according to preliminary data. Both exports and imports were affected negatively by the contraction in the metal industry but, on balance, net exports improved in 2013 indicating some shift in demand towards domestically produced goods. As investment is set to accelerate, imports are forecast to grow faster than exports in 2014 and 2015. Nevertheless, the current-account gap is likely to remain modest and significantly below the value of non-debt inflows in the capital and financial accounts.

Labour market tightens

Job creation is expected to slow down over the forecast horizon as employers become more cautious following the substantial increase in wages over the last two years. Employment growth is also restrained by the minimum wage hike at the beginning of 2014 and the recent deterioration in business sentiment. Nevertheless, unemployment is projected to fall into the single-digit range by 2015, as overall economic growth remains relatively strong and ongoing active labour market policies should have positive effects as well. Wage pressures are also starting to pose some risks to competitiveness. Although unit labour costs are moving broadly in line with the fluctuations in major trading partners, the recent volatility of the Russian rouble and consequently of the effective exchange rate for Latvia may put more pressure on exporters to contain labour costs through more conservative employment plans.

Inflation set to rise

The government decision to delay the deregulation of household electricity prices from April 2014 to January 2015 brought substantial adjustments to the inflation forecast. Consumer prices (HICP) are set to rise by 1.2% in 2014 and to accelerate substantially to 2.5% in 2015. Core inflation, in particular services prices, is expected to rise at a higher rate in 2014 due to the solid increase in household incomes. In 2015, headline and core inflation rates are set to converge, reflecting the large impact of electricity prices, which is estimated at about 0.5 pp. Preliminary estimates of the price effects of the euro changeover at the beginning of 2014 suggest that the pass-through of transition costs to inflation was within the expected range of 0.2-0.3 pp., in line with the experience in other countries.

Deficit to remain around 1% of GDP in 2014 and 2015

The general government deficit was 1.0% of GDP in 2013, compared to 1.3% in 2012, with the largest contribution to the deficit coming from local governments. The tax-to-GDP ratio declined somewhat compared to 2012, notably reflecting a higher share of social contributions diverted to the privately managed pension scheme. This was offset by a good performance of non-tax revenue, leaving the total revenue-to-GDP ratio unchanged. Following several years of decline or very low growth, government's consumption picked up in 2013, growing close to 4% in real terms. Overall expenditure growth, however, remained contained, so the ratio of government total expenditure to GDP actually declined in 2013.

The general government deficit is expected to hover around 1% of GDP in 2014 and 2015, while the corresponding structural balance is set to deteriorate by about half a percentage point in both years. This is a reflection of the impact of measures to lower labour taxes and to continue with the systemic pension reform, which are only partly offset by an increase in indirect taxes. These measures were partly implemented in 2014 and further tax cuts for 2015 and 2016 are fixed in legislation. Government expenditure is expected to continue growing as well in nominal terms, due in part to an increase in minimum wages and the resumption of pension indexation; pensions will be indexed to inflation and wage growth. Nevertheless, growth in total government spending is expected to remain below that of nominal GDP, resulting in decline of the ratio of government expenditure to GDP. The main risks to the deficit forecast come from macroeconomic developments.

The government debt is expected to increase in 2014, as authorities intend to borrow to pre-finance a large repayment to the EU due in 2015. Government debt should decline by the end of 2015 after this repayment is made.

Table II.14.1:

Main features of country forecast - LATVIA

		2012				Annual percentage change				
	mio EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		22082.6	100.0	4.1	-1.3	5.3	5.2	**4.1**	**3.8**	**4.1**
Private Consumption		13772.3	62.4	-	2.3	4.8	5.8	**5.4**	**4.8**	**5.1**
Public Consumption		3660.0	16.6	-	-7.9	1.1	-0.2	**3.6**	**2.0**	**2.0**
Gross fixed capital formation		5033.0	22.8	-	-18.1	27.9	8.7	**-4.3**	**3.2**	**6.8**
of which: equipment		1867.4	8.5	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		13600.4	61.6	-	12.5	12.4	9.4	**1.0**	**3.6**	**5.6**
Imports (goods and services)		14470.9	65.5	-	11.8	22.3	4.5	**-1.7**	**3.9**	**6.8**
GNI (GDP deflator)		22054.5	99.9	4.6	-6.5	4.0	4.3	**4.0**	**3.6**	**3.9**
Contribution to GDP growth:	Domestic demand			-	-4.0	8.3	5.4	**3.0**	**4.0**	**5.0**
	Inventories			-	2.6	2.6	-2.8	**-0.6**	**0.0**	**0.0**
	Net exports			-	0.1	-5.6	2.6	**1.7**	**-0.2**	**-0.8**
Employment				-1.8	-6.7	1.5	1.4	**2.3**	**1.6**	**1.7**
Unemployment rate (a)				13.2	19.5	16.2	15.0	**11.9**	**10.7**	**9.6**
Compensation of employees / head				15.3	-4.9	5.0	7.3	**5.4**	**4.1**	**4.6**
Unit labour costs whole economy				8.8	-10.1	1.2	3.5	**3.5**	**1.9**	**2.1**
Real unit labour cost				-0.4	-9.3	-4.6	0.1	**2.1**	**0.2**	**-0.6**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				9.3	-0.9	6.0	3.3	**1.4**	**1.7**	**2.7**
Harmonised index of consumer prices				-	-1.2	4.2	2.3	**0.0**	**1.2**	**2.5**
Terms of trade goods				-	1.1	5.8	-3.8	**1.1**	**0.0**	**0.0**
Trade balance (c)				-15.9	-7.0	-10.8	-10.4	**-9.0**	**-9.1**	**-9.7**
Current-account balance (c)				-7.9	2.9	-2.2	-2.5	**-0.8**	**-1.3**	**-2.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-6.6	4.9	0.0	0.5	**1.6**	**1.2**	**0.5**
General government balance (c)				-1.9	-8.2	-3.5	-1.3	**-1.0**	**-1.0**	**-1.1**
Cyclically-adjusted budget balance (c)				-	-4.6	-1.6	-0.7	**-1.0**	**-1.4**	**-1.9**
Structural budget balance (c)				-	-2.9	-1.4	-0.1	**-1.0**	**-1.4**	**-1.9**
General government gross debt (c)				-	44.5	42.0	40.8	**38.1**	**39.5**	**33.4**

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

15. LITHUANIA

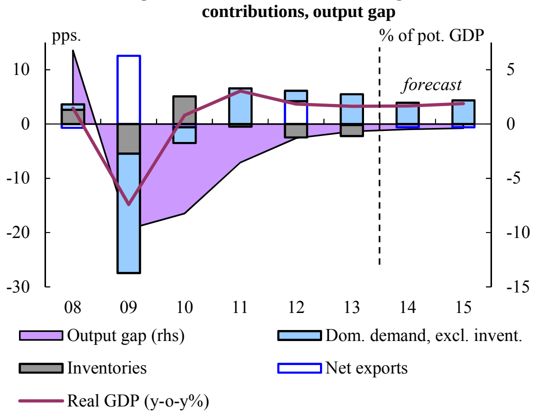
Domestic demand ensures steady growth

Growth remained strong in 2013 and is set to continue at a steady pace in 2014 and 2015 driven by strong domestic demand. Unemployment is forecast to decline, but remain high, while inflation is set to slow down further this year before picking up moderately in 2015.

Domestic demand gradually replaced net exports as the main growth engine in 2013

Robust GDP growth continued in 2013 and reached 3.3%. While in the first quarter net exports had been the main growth driver, domestic demand took over in the second quarter. Substantial wage increases, low inflation, falling unemployment and strong confidence indicators boosted consumption. Private investment soared on the back of high capacity utilisation rates and positive sentiment, although some of it was exceptional, connected to regulatory changes in the transport sector. Strong growth in public investment was supported by Lithuania's EU Presidency.

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



Robust growth in 2014-15, but downside risks have increased

Looking ahead, real GDP is forecast to grow by 3.3% in 2014 and 3.7% in 2015. The ongoing labour market recovery, accelerating wage growth and low inflation are expected to further boost household disposable income and private consumption. At the same time, investment is set to continue growing robustly as interest rates are low and companies have significant financial reserves. Moreover, EU co-financed projects will continue to support public investment over the forecast horizon.

Risks to the growth forecast are tilted to the downside. Particularly, a further slowdown in Russia and the wider CIS region might hamper trade and could affect sentiment with possible impacts on domestic demand. On the upside, stronger-than-expected credit growth could boost private consumption and investment.

Negative net exports seen dampening growth

Export growth is set to be subdued in 2014 before picking up as the external environment improves. Since the second half of 2013 exports have been dragged down by the fertilizer and refined petroleum product industries.

Import growth has been fairly stable and is expected to pick up as private consumption and investment grow robustly. Overall, the contribution of net exports to growth is expected to remain negative over the forecast horizon. After a surplus in 2013, the current account is expected to deteriorate moderately towards a small deficit in 2014 and 2015.

Inflation is set to remain low but pick up slightly towards the end of the forecast horizon

HICP Inflation slowed to 1.2% in 2013, due to exceptionally weak energy and food price developments. This trend is forecast to continue in early 2014, with a slight pick-up expected thereafter. Inflation in the service sector is likely to accelerate on the back of sustained wage growth, while energy and food inflation are set to remain below average levels. Overall, HICP is forecast to grow by 1.0% in 2014 and 1.8% in 2015.

Credit growth to return in the financial sector

Private sector deposits grew robustly in 2013, while credit remained flat despite a pick-up in mortgage lending. However, households and enterprises were able to finance a large amount of investments from their own resources. Latest surveys indicate that banks intend to ease lending standards and that credit demand is increasing.

Fiscal consolidation is advancing

In 2013, the government reduced the general deficit to 2.2% of GDP, below the initially planned level of 2.9%. Overall, tax revenues met expectations, as a strong collection of direct taxes compensated for a shortfall in indirect taxes. The central government spent less than budgeted, local governments recorded a lower-than-planned deficit and non-tax revenues turned out higher than expected.

The deficit is forecast to decrease to 2.1% of GDP in 2014. On the one hand, tax revenues are expected to be supported by the cyclical conditions, while expenditure growth is limited. On the other hand, an increase in non-taxable personal income threshold is set to be only partially compensated by an increase in excise taxes on alcohol and tobacco products in 2014. For 2015, under a no-policy-change assumption, the general government deficit is set to decrease to 1.6% of GDP mainly on the back of limited expenditure growth.

In its two judgements the constitutional court ruled that some cuts in pensions and public wages undertaken during the crisis were not in line with the constitution and repayments would be required. In 2014, the Lithuanian government intends to start compensating for the cut pensions and has prepared a draft law. If enacted, this would increase the 2014 deficit by 0.4 pp. of GDP to 2.5% of GDP. No decision has been taken on when and how to pay the remaining pension part as well as the compensation for cuts in public wages, thus risk remains for the 2015 deficit.

The structural deficit is estimated to have decreased from 2.9% of GDP in 2012 to 2.1% in 2013. It is set to continue decreasing further to 1.9% in 2014 before falling to 1.3% in 2015.

General government debt has decreased from 40.5% of GDP in 2012 to 39.4% in 2013. It is projected to increase to 41.8% in 2014 due to pre-financing of the 2015 bond redemption before falling back to 41.4% in 2015.

Table II.15.1:
Main features of country forecast - LITHUANIA

		2012		Annual percentage change						
	bn LTL	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		113.7	100.0	3.6	1.6	6.0	3.7	**3.3**	**3.3**	**3.7**
Private Consumption		72.0	63.3	-	-3.6	4.8	3.9	**4.8**	**3.9**	**4.3**
Public Consumption		20.0	17.6	-	-3.4	0.3	0.6	**1.8**	**1.6**	**1.7**
Gross fixed capital formation		18.9	16.6	-	1.9	20.7	-3.6	**12.8**	**6.5**	**6.9**
of which: equipment		6.1	5.4	-	22.2	38.1	-4.5	**21.8**	**9.0**	**9.8**
Exports (goods and services)		95.5	83.9	-	17.4	14.1	11.8	**9.5**	**6.3**	**6.6**
Imports (goods and services)		94.5	83.1	-	17.9	13.7	6.1	**9.8**	**7.1**	**7.4**
GNI (GDP deflator)		110.1	96.8	-	-2.2	4.2	4.2	**2.8**	**4.8**	**3.6**
Contribution to GDP growth:	Domestic demand			-	-2.9	6.5	1.9	**5.5**	**3.9**	**4.3**
	Inventories			-	5.1	-0.5	-2.5	**-2.0**	**0.0**	**0.0**
	Net exports			-	-0.6	0.0	4.2	**-0.2**	**-0.6**	**-0.6**
Employment				-0.8	-11.9	0.5	1.8	**1.3**	**1.4**	**1.3**
Unemployment rate (a)				10.2	17.8	15.4	13.4	**11.8**	**10.6**	**9.7**
Compensation of employees / head				16.3	7.2	6.3	3.8	**4.8**	**3.3**	**4.6**
Unit labour costs whole economy				11.4	-7.0	0.7	1.9	**2.8**	**1.4**	**2.0**
Real unit labour cost				1.6	-9.1	-4.4	-0.7	**1.1**	**-0.2**	**-0.2**
Saving rate of households (b)				-	8.2	4.2	0.9	**-**	**-**	**-**
GDP deflator				9.5	2.3	5.4	2.6	**1.7**	**1.6**	**2.3**
Harmonised index of consumer prices				-	1.2	4.1	3.2	**1.2**	**1.0**	**1.8**
Terms of trade goods				-	1.4	-0.6	-1.0	**0.0**	**0.0**	**0.0**
Trade balance (c)				-10.5	-4.8	-5.8	-2.8	**-3.0**	**-3.5**	**-4.2**
Current-account balance (c)				-	-0.4	-3.9	-1.1	**1.3**	**-0.8**	**-1.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	3.4	-0.6	1.9	**2.5**	**1.0**	**0.3**
General government balance (c)				-3.1	-7.2	-5.5	-3.2	**-2.2**	**-2.1**	**-1.6**
Cyclically-adjusted budget balance (c)				-	-4.7	-4.4	-2.9	**-1.9**	**-2.0**	**-1.5**
Structural budget balance (c)				-	-4.7	-4.4	-2.9	**-2.1**	**-1.9**	**-1.3**
General government gross debt (c)				-	37.8	38.3	40.5	**39.4**	**41.8**	**41.4**

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

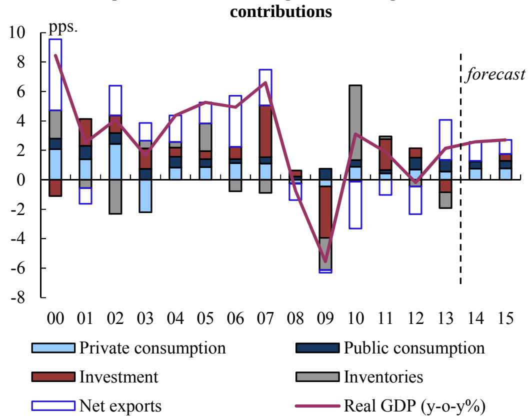
16. LUXEMBOURG
Sustained growth and good employment prospects ahead

Economic output is expected to continue growing significantly faster than the euro-area average. The financial sector will remain a positive contributor to growth. Job creation remains rather robust and inflation is expected to increase strongly in 2015. Windfall revenues from e-commerce related activities that compensated for expenditure slippages are set to gradually fade out from 2015 onwards, leading to a sharp deterioration of the public deficit.

Growth is picking up

Luxembourg's economy grew 2.1% in 2013, significantly faster than the euro-area average. In the last quarter of the year, output accelerated again, suggesting that the economy may have entered a period of relatively sustained expansion.

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



Economic activity is gradually recovering

Overall, output is expected to grow by respectively 2.6% and 2.7% in 2014 and 2015. The economic recovery is projected to be spread almost evenly across all sectors. Luxembourg's financial sector, appears to be adapting faster than initially expected to the new regulatory environment, although it is still unclear whether the sector's growth potential will remain as high as it has been in the past. Output figures for the construction sector and for the manufacturing sector are pointing to a recovery too. Improved business confidence provides further confirmation that economic expansion is gaining ground.

Despite the incipient recovery, investment is expected to still remain modest with firms prone to postpone or freeze plans, as capacity utilisation remains at historically low levels and demand from Luxembourg's main trading partners remains weak. Investment is expected to be led by specific sectors, in particular purchases from the aeronautic and satellite industry, for which a slow-down in their investment plans is embedded in the forecast.

Private consumption is projected to accelerate somewhat to respectively 2.4% and 2.5% in 2014 and 2015 respectively, broadly in line with good employment prospects, which should increase households' disposable income. Low interest rates are supporting household investment, which is expected to remain robust.

Exports are set to improve, based on better prospects for external demand. The contribution to growth from external trade should remain positive throughout the forecast horizon. However, this contribution to growth is projected decline over the forecast horizon, as imports rise on the back of buoyant domestic demand.

The financial sector's prospects are the main risk factor for growth

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

Lower inflation and solid job creation

Headline inflation fell in 2013 to average 1.7%. Increases in administered prices partially offset less dynamic oil prices. Inflation is then expected to further abate in 2014 to 1.4%, in line with weakening oil prices. In 2015, headline inflation is expected to jump to 2.4% owning to the government's decision to increase, from the beginning of the year, by 2 pps. all VAT rates with the exception of the super-reduced rate of 3%.

Job creation in 2013 weakened to 1.7%, due to job losses in the construction and the industrial sectors. Although the financial sector is expected to continue lay-offs in 2014, overall employment creation should improve along with the general economic outlook. Employment growth is projected to increase this year to 2.0%, and to accelerate slightly in 2015 to 2.1%, as the financial sector recovers. The unemployment rate is expected to have peaked at 5.8% in 2013 and is projected to fall slightly in 2014 to 5.7% and a further drop to 5.5% is forecast in 2015.

The government's budget to deteriorate in 2015 as consequence of the drop in VAT revenues

The general government recorded a small surplus of 0.1% of GDP in 2013, mostly due to windfall revenues from e-commerce VAT-related activities and, to a lesser extent, from the implementation of fiscal measures contained in the budget. In spite of the consolidation measures adopted by the government in the 2013 budget, public expenditure continues to post a dynamic growth.

In 2014, the government balance is expected to turn to a small deficit of 0.2% of GDP, given that a rise in public spending is expected to outweigh planned consolidation measures worth 0.5% of GDP, while no measures have been announced by the government on the revenue side.

The deficit is projected to increase substantially in 2015 to 1.4% of GDP, as VAT revenues from e-commerce start to fade away, owning to the change in the related legislation. The initial budgetary impact of the drop in VAT revenues is estimated at around 1½% of GDP. However, the drop in VAT revenues should be partially compensated by the above-mentioned increase of 2 pps. in VAT rates, worth 0.7% of GDP.

The structural fiscal balance, which in 2013 recorded a surplus of 1.4% of GDP, is expected to decline by more than 0.75 pp. in 2014, before eventually turning into a rather large deficit in 2015, following another drop of almost 2 pps.

The government debt-to-GDP ratio stood at 23.1% in 2013 and is expected to reach 25.5% 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	**2.1**	**2.6**	**2.7**
Private Consumption		13773.5	32.1	2.5	2.6	1.3	2.2	**1.7**	**2.4**	**2.5**
Public Consumption		7503.9	17.5	4.0	2.5	1.3	4.8	**4.5**	**2.7**	**2.9**
Gross fixed capital formation		8275.3	19.3	4.1	-0.7	12.1	3.5	**-4.4**	**0.3**	**2.7**
of which: equipment		3541.4	8.3	3.1	22.0	22.4	18.7	**-8.1**	**-2.5**	**3.5**
Exports (goods and services)		76087.8	177.3	6.4	7.2	5.4	-1.9	**2.6**	**3.3**	**4.7**
Imports (goods and services)		63589.4	148.2	6.6	11.4	7.4	-1.0	**1.2**	**3.2**	**5.1**
GNI (GDP deflator)		29243.0	68.1	1.4	8.0	1.5	-1.2	**2.5**	**3.1**	**2.5**
Contribution to GDP growth:	Domestic demand			2.6	1.2	2.8	2.2	**0.5**	**1.3**	**1.7**
	Inventories			-0.1	5.1	0.2	-0.4	**-1.1**	**0.0**	**0.0**
	Net exports			1.2	-3.2	-1.0	-1.9	**2.7**	**1.3**	**1.0**
Employment				3.5	1.8	3.0	2.5	**1.7**	**2.0**	**2.1**
Unemployment rate (a)				3.5	4.6	4.8	5.1	**5.8**	**5.7**	**5.5**
Compensation of employees / head				2.9	2.6	2.4	2.0	**3.1**	**2.0**	**2.7**
Unit labour costs whole economy				2.8	1.4	3.4	4.7	**2.7**	**1.4**	**2.1**
Real unit labour cost				0.2	-5.4	-0.7	1.6	**-1.0**	**-1.3**	**1.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.5	7.2	4.2	3.0	**3.7**	**2.8**	**0.8**
Harmonised index of consumer prices				-	2.8	3.7	2.9	**1.7**	**1.4**	**2.4**
Terms of trade goods				0.1	5.1	2.2	-0.6	**-0.5**	**1.1**	**0.2**
Trade balance (c)				-10.6	-10.2	-12.3	-14.2	**-12.9**	**-11.8**	**-12.1**
Current-account balance (c)				10.1	7.7	6.6	5.8	**5.2**	**6.4**	**5.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	7.3	6.3	5.3	**4.7**	**6.2**	**5.0**
General government balance (c)				2.4	-0.8	0.2	0.0	**0.1**	**-0.2**	**-1.4**
Cyclically-adjusted budget balance (c)				2.1	0.4	1.0	1.7	**1.4**	**0.6**	**-1.3**
Structural budget balance (c)				-	0.4	1.0	1.7	**1.4**	**0.6**	**-1.3**
General government gross debt (c)				7.6	19.5	18.7	21.7	**23.1**	**23.4**	**25.5**

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

17. HUNGARY
Ongoing recovery amid uncertainties

After increasing by 1.1% in 2013, Hungary's economy is expected to grow by around 2¼% and 2% in 2014 and 2015, driven mainly by domestic demand. Unemployment is projected to decline slightly, while inflation is expected to pick up gradually as the output gap closes. The government deficit remained broadly stable at 2.2% of GDP in 2013, but is forecast to rebound to close to 3% this year and next.

A more balanced recovery partially driven by one-off stimulus measures

Over the course of 2013, the recovery became more balanced as both domestic demand and net exports contributed to economic growth. At the same time, export performance also improved as new foreign investment in the automobile industry increased firms' operating capacity. Domestic demand was primarily fuelled by public investment which increased by 34% compared to 3.1% growth in the private sector, while private consumption remained contained, growing by a meagre 0.2%.

Looking ahead, GDP growth is projected to increase to 2¼% in 2014, before slowing down slightly to around 2% in 2015. In both years, domestic demand is set to be the main driver of growth. Overall, investment is forecast to pick up strongly to 7% in 2014 but to decelerate to around 4¼% in 2015, as the effect of increased EU fund absorption is expected to fade away by 2015 with the end of the 2007-13 programming period. At the same time, private consumption is forecast to grow around 1½% in both years, reflecting increasing real disposable income and improving employment prospects. Exports are projected to keep up with the increase in external demand. Credit growth is forecast to remain slightly negative among households and to turn somewhat positive in the corporate sector on account of the central bank's Funding for Growth Scheme.

Declining unemployment rate and a gradual pick-up in inflation

Despite a continuing improvement in the participation rate, unemployment dropped to 9.1% in the fourth quarter of last year as the employment rate kept on increasing.[17] The winter expansion of the Public Work Scheme, the rising number of frontier workers and the whitening of the economy all resulted in employment gains. As the economy recovers, employment in the domestic private sector (i.e. excluding frontier workers) is also expected to pick up. Nevertheless the unemployment rate is projected to decrease only slightly throughout the forecast horizon due to a steady increase in the participation rate.

Inflation reached a historically low rate of 0.4% in the first quarter of 2014, reflecting three successive waves of regulated cuts to energy and other utility prices, declining inflation expectations and global disinflationary factors. The influence of the above-mentioned factors will gradually diminish, while a weakened exchange rate will contribute to driving up prices, with inflation projected to reach 1% in 2014 as a whole. With the latter factor still at play, and as the output gap closes, inflation is forecast to further increase to around 3% in 2015.

Risks to the forecast are both external and domestic

The tightening in global monetary conditions may contribute to further weakening of the exchange rate and higher yields, which could weaken households' and corporates' balance sheets and imply lower domestic demand, but would strengthen net exports. Hungary could be particularly exposed to a potential deepening of the Ukrainian crisis, through both the real economy and financial channels. The main domestic risk is related to the possible adoption of a non-targeted new relief scheme for households with foreign currency mortgages, which could negatively affect the banking sector and investor sentiment.

Government deficit expected to rebound to close to 3% of GDP

In 2013, the government deficit reached 2.2% of GDP, i.e. a significant overachievement of the 2.7% of GDP deficit target. This came despite the fact that revenues turned out to be lower than planned even after the mid-year tax-increasing measures and substantially higher non-tax receipts.

(17) Based on the Labour Force Statistics.

Despite savings by local governments, expenditure slippages occurred, inter alia, reflecting the launch of a new compensation scheme for teachers and other extra wage-related payments as well as higher-than-budgeted outlays on goods and services. However, these negative developments, which together amounted to 0.9% of GDP, were more than offset by the cancellation of the extraordinary reserve of 1.4% of GDP.

The 2014 deficit is projected to increase to 2.9% of GDP, in line with the official target. This reflects the fact that primary expenditure is expected to expand by around 1% of GDP. The spending increases are partly compensated by additional non-tax revenues and the reduction of the net interest burden, while the tax-to-GDP ratio is projected to decrease slightly. The forecast assumes that the extraordinary reserve will not be spent (0.3% of GDP).

Based on the no-policy-change assumption, the 2015 deficit is expected to improve somewhat to 2.8% of GDP. The positive effects of the closing output gap, moderate wage growth and the declining public investment following the election year will be largely offset by deficit-increasing measures and a fall in one-off receipts from the sale of telecom frequency licenses.

Regarding risks, a possible change in the calculation of national co-payments for EU funds from public to total cost may result in significant one-off revenues. On the other hand, the high spending growth at line ministries observed in the first quarter of 2014 signals the risk of potential expenditure overruns. Further uncertainties stem from the revenue effects of the protracted introduction of online cash registers.

After a stabilisation of the structural deficit at ¾% of GDP in 2013, the structural balance is forecast to deteriorate considerably in 2014 to -2¼% of GDP and to stabilise at this level in 2015. The debt-to-GDP ratio decreased in 2013 by 0.6 pp. to 79.2%, largely on account of the end-year reduction in the state cash deposits. Thereafter, it is projected to increase again to 80.3% in 2014, due mainly to the revaluation of the foreign exchange component (ca. 40% of public debt), reflecting the recent depreciation of the exchange rate, before it decreases somewhat in 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	**1.1**	**2.3**	**2.1**
Private Consumption	15372.4	54.8	-	-3.0	0.4	-1.6	**0.2**	**1.4**	**1.6**
Public Consumption	5720.1	20.4	-0.1	-1.2	0.0	-1.2	**1.3**	**1.1**	**2.0**
Gross fixed capital formation	4880.8	17.4	3.7	-8.5	-5.9	-3.7	**5.9**	**7.0**	**4.3**
of which: equipment	2182.8	7.8	-	-3.1	6.0	3.8	**5.0**	**7.0**	**4.7**
Exports (goods and services)	26551.7	94.7	12.9	11.3	8.4	1.7	**5.3**	**5.7**	**6.1**
Imports (goods and services)	24490.8	87.3	10.7	10.9	6.4	-0.1	**5.3**	**6.2**	**6.5**
GNI (GDP deflator)	26541.5	94.6	2.0	0.7	1.0	-1.8	**1.2**	**2.1**	**2.1**
Contribution to GDP growth: Domestic demand			1.8	-3.7	-0.9	-1.8	**1.5**	**2.3**	**2.1**
Inventories			-0.1	3.8	0.4	-1.5	**-0.7**	**0.0**	**0.0**
Net exports			0.7	0.9	2.1	1.6	**0.4**	**0.1**	**0.1**
Employment			-	0.8	0.3	0.0	**0.4**	**0.7**	**0.6**
Unemployment rate (a)			-	11.2	10.9	10.9	**10.2**	**9.0**	**8.9**
Compensation of employees / head			-	-0.5	3.6	0.8	**4.7**	**3.6**	**3.4**
Unit labour costs whole economy			-	-0.7	2.3	2.5	**4.0**	**1.9**	**1.9**
Real unit labour cost			-	-3.0	-0.3	-0.6	**1.3**	**-0.3**	**-0.7**
Saving rate of households (b)			-	10.8	10.7	7.4	**8.4**	**7.9**	**7.7**
GDP deflator			10.4	2.4	2.6	3.2	**2.7**	**2.2**	**2.6**
Harmonised index of consumer prices			-	4.7	3.9	5.7	**1.7**	**1.0**	**2.8**
Terms of trade goods			-	-0.2	-1.7	-1.2	**0.6**	**0.3**	**0.3**
Trade balance (c)			-3.4	2.5	3.1	3.6	**4.1**	**4.1**	**4.0**
Current-account balance (c)			-6.2	0.4	0.6	1.1	**3.1**	**3.0**	**2.7**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.8	2.2	2.9	3.7	**6.6**	**6.1**	**5.7**
General government balance (c)			-	-4.3	4.3	-2.1	**-2.2**	**-2.9**	**-2.8**
Cyclically-adjusted budget balance (c)			-	-2.5	5.5	-0.1	**-0.6**	**-1.9**	**-2.3**
Structural budget balance (c)			-	-3.2	-4.0	-0.8	**-0.8**	**-2.2**	**-2.3**
General government gross debt (c)			-	82.2	82.1	79.8	**79.2**	**80.3**	**79.5**

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

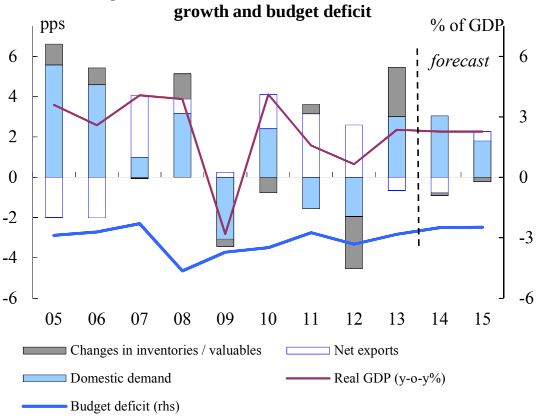
18. MALTA
Robust growth outlook

Malta's growth outlook is robust. Economic activity expansion is expected to be driven by domestic demand, in particular strong household consumption and a number of large-scale investment projects. Inflationary pressures are expected to gradually return, but overall HICP is forecast to be contained on the back of the reduction of utility tariffs. Fiscal consolidation is expected to continue at a modest pace.

Growth in 2013 higher than anticipated

Economic activity in Malta surprised positively in 2013 with a real GDP growth of 2.4%. Growth was reported to have been driven by significant accumulation of inventories and a pick-up in private consumption. These factors more than offset a weak export performance, owing to a sharp fall in exports of electronic goods. Overall, net exports gave a negative contribution to economic growth for the first time since 2006.

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

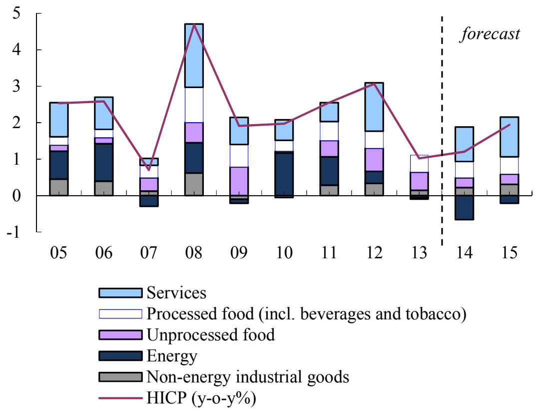


Domestic demand to support growth in 2014-15

Real GDP growth is forecast to moderate slightly but to remain robust over the forecast horizon, reaching 2.3% in 2014 and 2015, mainly thanks to domestic demand. In particular, large-scale projects in the energy sector (most notably a new power plant) are planned during the forecast horizon. Due to the import-intensity of investment, net exports are thus expected to have a further negative contribution to GDP growth in 2014. Household consumption is projected to contribute significantly to economic growth in both 2014 and 2015 as positive labour market conditions and a reduction in utility tariffs are expected to have a beneficial impact on disposable income.

Risks to this macroeconomic scenario are mainly related to the investment outlook. A number of additional investment projects are under discussion, whose realisation could provide a further boost to economic activity. At the same time, delays in the planned construction of the new power plant pose a downside risk to these growth projections.

Graph II.18.2: **Malta - Contributions to HICP**



Inflation outlook affected by lower utility tariffs

After reaching a six-year trough in 2013, HICP inflation is projected to gradually rebound over the forecast horizon, driven by services inflation and persistently strong dynamics in food prices. In particular, annual inflation in services is expected to recover from the deflation registered in 2013 to its long-term average of around 2% by the second half of 2014. Thereafter, it is projected to roughly stabilise in 2015, supported by the positive household consumption outlook. As a result, core HICP inflation is forecast to accelerate to around 1.7% in 2014-15, in line with its long-term average. Overall, inflationary pressures are, however, projected to be somewhat dampened by the reduction in utility tariffs for households as of April 2014, containing energy inflation. This outlook does not take into account the government's commitment to extend the reduction in utility tariffs to businesses in 2015, which could lower overall HICP inflation for that year.

Fiscal consolidation continues

The general government deficit narrowed to 2.8% of GDP in 2013 from 3.3% a year before, thanks to strong economic growth, a robust labour market as well as some discretionary measures. Substantial increases in income and indirect tax receipts boosted tax revenues growth above that of nominal GDP. Expenditure continued to grow at a fast pace, driven by the increase in public employment and social spending, as well as an additional capital transfer to Air Malta.

In 2014, the government deficit is expected to improve further to 2.5% of GDP. The implementation of the 2014 budget is expected to boost revenues through increases in indirect taxation (mainly excise duties), a new programme to grant Maltese citizenship to foreign individuals and families against the payment of a fee and investments in the country and the introduction of a new tax regime for rental income. On the expenditure side, the 2014 budget envisages to reintroduce restrictions on recruitment, while benefits of the ongoing comprehensive spending review are expected to materialise as of 2015. As a result, current expenditure is forecast to be more dynamic than current revenue whereas net capital expenditure is expected to decline also thanks to a lower capital transfer to Air Malta.

The structural deficit is projected to narrow only marginally in 2014, after improving by 1 pp. of GDP in 2013. In 2015, under the usual no-policy-change assumption, the deficit is forecast to remain unchanged and to increase marginally in structural terms.

The government debt-to-GDP ratio increased to 73.0% in 2013, also on account of a debt-increasing stock-flow adjustment. The debt ratio is projected to decrease by some 2 pps. over 2014-15, following the repayment of a loan from Air Malta and the partial clearance of some tax arrears from Enemalta (the public energy utility corporation).

Higher than budgeted disbursements related to the car VAT refund scheme could pose risks to public finance developments while the settlement of all the arrears by Enemalta would further decrease the debt.

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	6880.4	100.0	3.0	4.1	1.6	0.6	**2.4**	**2.3**	**2.3**
Private Consumption	4083.6	59.4	-	-1.1	3.3	-0.2	**1.8**	**2.2**	**2.3**
Public Consumption	1453.3	21.1	-	1.7	4.2	5.4	**-0.2**	**2.4**	**0.8**
Gross fixed capital formation	1036.0	15.1	-	22.2	-26.1	-2.0	**-3.8**	**10.5**	**3.0**
of which: equipment	386.7	5.6	-	46.7	-43.2	-13.9	**3.6**	**-**	**-**
Exports (goods and services)	7053.3	102.5	-	15.7	4.8	8.6	**-5.6**	**2.7**	**6.0**
Imports (goods and services)	6639.5	96.5	-	13.3	1.6	6.2	**-5.2**	**3.6**	**5.7**
GNI (GDP deflator)	6456.1	93.8	2.3	5.1	3.3	-0.5	**2.3**	**2.5**	**2.6**
Contribution to GDP growth:	Domestic demand		-	2.9	-1.7	0.7	**0.6**	**3.1**	**2.0**
	Inventories		-	-0.5	0.5	-2.5	**2.4**	**-0.2**	**-0.2**
	Net exports		-	1.7	2.8	2.4	**-0.7**	**-0.6**	**0.5**
Employment			0.9	2.1	2.5	2.4	**3.1**	**2.1**	**2.1**
Unemployment rate (a)			6.6	6.9	6.5	6.4	**6.5**	**6.5**	**6.5**
Compensation of employees / head			4.4	1.5	2.1	2.2	**0.6**	**1.9**	**2.1**
Unit labour costs whole economy			2.2	-0.4	3.1	4.0	**1.3**	**1.7**	**1.9**
Real unit labour cost			-0.2	-4.3	0.9	1.8	**-0.7**	**-0.2**	**-0.6**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	4.0	2.2	2.1	**2.0**	**2.0**	**2.5**
Harmonised index of consumer prices			-	2.0	2.5	3.2	**1.0**	**1.2**	**1.9**
Terms of trade goods			-	-1.0	1.2	0.6	**-1.7**	**0.0**	**0.2**
Trade balance (c)			-17.5	-18.1	-16.5	-13.9	**-13.5**	**-14.3**	**-14.5**
Current-account balance (c)			-	-5.3	-1.0	1.1	**0.6**	**0.3**	**1.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-3.6	0.0	2.8	**2.2**	**2.0**	**2.7**
General government balance (c)			-	-3.5	-2.7	-3.3	**-2.8**	**-2.5**	**-2.5**
Cyclically-adjusted budget balance (c)			-	-3.4	-2.8	-2.9	**-2.7**	**-2.6**	**-2.7**
Structural budget balance (c)			-	-4.4	-3.3	-3.9	**-2.9**	**-2.8**	**-2.9**
General government gross debt (c)			-	66.0	68.8	70.8	**73.0**	**72.5**	**71.1**

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

19. THE NETHERLANDS

Economy on the rise after prolonged recession

Economic growth turned positive in the second quarter of 2013 and is projected to gain momentum in 2014 and 2015. Driven mainly by investments in 2014, growth is expected become more broad-based in 2015 chiefly thanks to rising household consumption. The general government deficit is expected to fall well below 3% of GDP in 2015, in view of further expenditure savings and higher tax revenues as the economy rebounds.

2013: Contraction masks underlying economic improvements

In 2013, real GDP contracted by 0.8%. This outcome reflects weak economic activity at the start of the year, while growth turned positive in the second and third quarters and strengthened significantly in fourth quarter of the year, helped also by transitory factors. Whilst weak domestic demand continued to be a drag, corporate investment rebounded strongly towards year-end, in line with the improved business outlook, partly reflecting a hike in investment in vehicles reflecting the expiry of a fiscal facility. Private consumption also returned to positive territory. In combination with the general improvement in soft indicators since the second half of 2013, this points to a more broad based recovery.

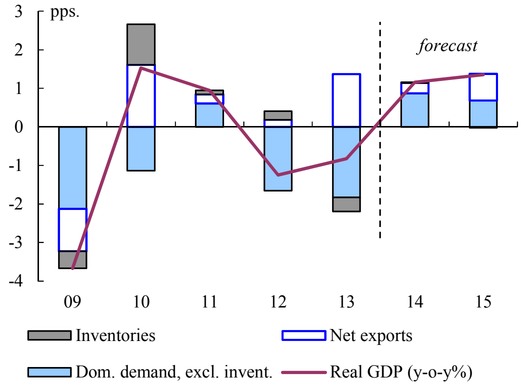
Improved domestic demand supports the outlook

Building on the positive developments since the second half of 2013, domestic demand is expected to overtake the external contribution as the main driver of growth in 2014, supported in particular by equipment investment.

Private consumption is forecast to shrink modestly in 2014, by 0.2% a much lower decline than in the past three years. Private consumption is projected to pick up over the course of the year, reflecting the positive effects of a gradually recovering housing market as well as the support for household disposable income provided by lower taxes on labour, and lower pension and health care premia. Following several years of negative developments, real disposable income is expected to modestly increase.

Dutch exports are expected to grow by 3.3% in 2014 compared to 1.3% in 2013, broadly in line with the recovery in trade partners. In 2015 net exports are set to provide a higher contribution to economic growth. Domestic demand is expected to become more balanced as private consumption is set to grow again.

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



Risks to the macroeconomic scenario stemming from domestic developments appear balanced. On the one hand, private consumption may be held back more than expected if gains in disposable income turn out lower, or would be used for further deleveraging. On the other hand, a faster stabilisation of the housing market could provide an additional boost by reducing deleveraging pressures.

Unemployment stabilises, inflation remains muted

Since mid-2013, the unemployment rate has been relatively stable mainly because of supply effects, with labour supply reacting to the rather gloomy near-term economic prospects. The unemployment rate averaged 6.7% in 2013 but rose further to 7.3% in February 2014. The employment outlook remains weak in the short term, as labour markets tend generally to respond slowly to changes in the business cycle. Together with negative employment developments in the public and health care sectors, this explains the projected further rise in the unemployment rate to 7.4% in 2014. Employment should start increasing again in 2015 leading to a slight fall in unemployment to 7.3%.

For most of 2013, HICP inflation stood close to 3%, notably due to higher energy prices and the increased VAT rate. In line with trends in import prices, moderate wage gains and the only gradual pickup in domestic demand over the forecast horizon, inflation is expected to ease to 0.7% in 2014 and to only modestly increase to 0.9% in 2015. In the short run, the rebound in domestic demand is unlikely to raise inflationary pressures, given sizeable slack.

Deficit to fall well below 3% of GDP

In 2013, the general government deficit reached 2.5% of GDP. The headline deficit was significantly influenced by the sale of mobile telephony licenses (around 0.6% of GDP). The nationalisation of SNS Reaal is assumed to have had no impact on the deficit outturn, yet a final decision on the classification by Eurostat is still pending. Based on currently available information, the impact may be an increase in the deficit of no more than 0.3% of GDP.

In 2014, the general government deficit is expected to rise slightly to 2.8% of GDP. Due to the positive one-off in 2013, this increase masks ongoing fiscal tightening. Cuts in the production of natural gas are to lead to some revenue losses. However, non-gas government revenues are expected to increase in line with the improving economy, and structural savings of around 0.1% of GDP should be realised in the health care domain. On the back of ongoing consolidation efforts and the expected improvement in economic activity, the headline deficit is forecast to substantially decline further to 1.8% of GDP in 2015. As domestic demand recovers, higher revenues from labour and indirect taxes are projected to boost revenue. Furthermore, significant savings from the planned decentralisation of social security and long-term care is expected to affect expenditure.

Following an improvement of 1.4% of GDP in 2013, the structural balance is expected to stabilise in 2014 and to improve by 0.5% of GDP in 2015. The gross government debt ratio is forecast to increase slightly to 73.8% of GDP in 2014, before declining again to 73.4% in 2015. Risks to the fiscal forecast appear broadly balanced and largely mirror macroeconomic uncertainties. Particular risks stem from the expected revenue from some of the fiscal measures in 2014 (notably the temporary tax reduction on accrued severance payments) and planned expenditure savings in 2015.

Table II.19.1:
Main features of country forecast - NETHERLANDS

		2012		Annual percentage change						
	bn EUR	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		599.3	100.0	2.4	1.5	0.9	-1.2	**-0.8**	**1.2**	**1.4**
Private Consumption		273.3	45.6	2.0	0.3	-1.1	-1.6	**-2.1**	**-0.2**	**0.9**
Public Consumption		170.6	28.5	2.8	0.5	0.2	-0.7	**-0.2**	**0.6**	**-0.6**
Gross fixed capital formation		102.0	17.0	2.5	-7.4	6.1	-4.0	**-4.8**	**4.9**	**2.9**
of which: equipment		35.8	6.0	3.8	-3.0	9.5	1.5	**-4.7**	**8.2**	**4.1**
Exports (goods and services)		527.6	88.0	5.4	11.6	4.1	3.2	**1.4**	**3.3**	**5.0**
Imports (goods and services)		477.2	79.6	5.6	10.3	4.2	3.3	**-0.2**	**3.4**	**4.8**
GNI (GDP deflator)		605.0	100.9	2.2	2.4	2.8	-0.6	**-2.2**	**1.2**	**1.3**
Contribution to GDP growth:	Domestic demand			2.2	-1.1	0.6	-1.7	**-1.8**	**0.9**	**0.7**
	Inventories			0.0	1.1	0.1	0.2	**-0.4**	**0.0**	**0.0**
	Net exports			0.2	1.6	0.2	0.2	**1.4**	**0.3**	**0.7**
Employment				1.0	-0.6	0.5	-0.3	**-1.2**	**-0.6**	**0.6**
Unemployment rate (a)				4.4	4.5	4.4	5.3	**6.7**	**7.4**	**7.3**
Compensation of employees / f.t.e.				3.3	1.5	1.6	1.9	**2.3**	**2.3**	**1.7**
Unit labour costs whole economy				2.0	-0.6	1.2	2.9	**2.0**	**0.5**	**1.0**
Real unit labour cost				-0.2	-1.4	0.0	1.5	**0.6**	**-0.6**	**-0.1**
Saving rate of households (b)				14.5	10.5	11.6	10.7	**11.5**	**13.2**	**14.9**
GDP deflator				2.2	0.8	1.1	1.3	**1.4**	**1.2**	**1.1**
Harmonised index of consumer prices				2.1	0.9	2.5	2.8	**2.6**	**0.7**	**0.9**
Terms of trade goods				0.5	-1.4	0.2	-0.4	**0.5**	**0.4**	**-0.2**
Trade balance (c)				6.3	7.1	7.5	7.7	**8.7**	**8.7**	**8.8**
Current-account balance (c)				5.9	5.0	7.4	7.7	**7.8**	**8.2**	**8.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.6	4.5	7.0	7.4	**7.6**	**7.5**	**8.2**
General government balance (c)				-1.6	-5.1	-4.3	-4.1	**-2.5**	**-2.8**	**-1.8**
Cyclically-adjusted budget balance (c)				-1.5	-4.3	-3.8	-2.7	**-0.6**	**-1.3**	**-0.8**
Structural budget balance (c)				-	-4.2	-3.8	-2.7	**-1.3**	**-1.3**	**-0.8**
General government gross debt (c)				59.0	63.4	65.7	71.3	**73.5**	**73.8**	**73.4**

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

20. AUSTRIA

A gradual recovery under way, supported by domestic demand

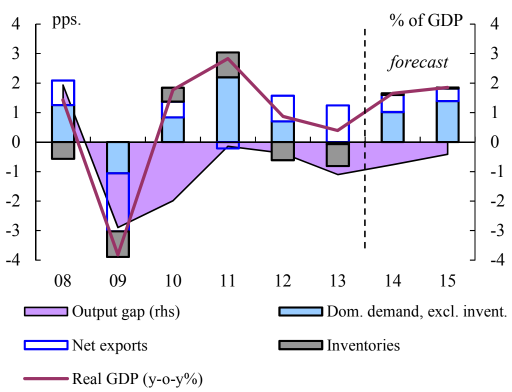
Signals of a recovery in economic activity are becoming more tangible. Low interest rates and solid corporate liquidity, improving external demand and a stable labour market are expected to support investment and consumption growth over the course of 2014 and 2015. Financial sector repair will cause significant deficit widening and an increase of government debt in 2014.

Clearer signs of recovery have emerged in 2014 ...

The Austrian economy is in a recovery phase since the second half of 2013. This has been largely driven by exports, while consumption and investment growth have remained subdued.

Overall business confidence has continued to increase in 2014. Data for industrial output and retail sales showed positive year-on-year growth in January and February. Still, consumer confidence remains subdued, while manufacturing order book-levels and capacity utilisation continue to indicate some degree of slack.

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



... firming the ground for rising optimism.

The projections for this year and next assume a further improvement of business sentiment and a return of consumer confidence. In 2014 and 2015, growth is projected to regain momentum reaching 1.8% in 2015, driven by strengthening domestic demand. Net exports are expected to contribute positively to growth on the back of stronger exports, but to a smaller extent than domestic demand due to a rebound in imports.

Low interest rates and solid corporate liquidity are expected to reassure companies planning needed replacements and extensions of capacity, and reverse the pattern of downward revisions of corporations' investment plans observed in 2012 and 2013, amid the uncertainty related to the slowdown in foreign demand and the stagnant domestic economy. Construction is expected to start responding to rising housing prices and demand. After a weak start in 2014, credit growth is expected to remain subdued in the coming quarters, both on account of weak loan demand and banks' efforts to strengthen capital buffers.

Exports are forecast to benefit from progressively improving external demand conditions over the forecast horizon supported by still strong cost competitiveness of manufacturing. All in all, the external balance is projected to stay positive and to contribute positively to growth.

Moderate wage increases and lower inflation

After slowing down in 2013, employment growth is expected to strengthen in 2014 and 2015, as employment expectations of businesses have improved. An increase in the labour force due to rising participation of older workers and immigration means that no sizeable decline in the unemployment rate can be expected in the coming years, limiting upwards pressure on wages.

Nominal wage growth barely exceeded inflation in the latest quarters. The wage settlements applicable for the coming quarters are more moderate than the year before. However, with lower inflation expected over the forecast horizon and employment strengthening, the resulting increase in households' disposable income is projected to support consumption growth.

Consumer price inflation decelerated to 1.4% in March 2014 due to lower fuel prices and price declines in clothing. Lower energy prices and moderate wage growth are expected to help keep inflation below 1.7% in 2014 and 2015. Price increases in service sectors, particularly hotels and restaurants, however, should keep inflation in Austria above the average level of the euro area.

Financial sector repair is expected to cause significant deficit widening in 2014

The general government deficit decreased to 1.5% of GDP in 2013 from 2.6% of GDP in 2012. Total revenue growth sustained its pace due in particular to social contributions and income taxes. One-off revenue from the tax agreement with Switzerland also contributed to the reduction in the deficit. On the expenditure side, lower support to the banking sector compared to 2012 and one-off revenues arising from the sale of mobile phone spectrum and recorded as a negative capital expenditure resulted in a lower expenditure ratio, contributing to decreasing the headline deficit.

The establishment of a public resolution agency for Hypo Alpe Adria, further capital injections required by the bank in 2014 and the vanishing effect of past one-offs will lead to a significant upturn in the headline deficit, even though additional discretionary tax revenue and further expenditure savings are expected to somewhat contain the increase. The headline deficit is expected to rise to 2.8% of GDP in 2014. The 2014 deficit projection is however characterised by downside risks related to the finalisation of the transfer of the impaired assets of Hypo Alpe Adria. In this respect, downward corrections to the value of these assets would result in higher government capital transfers to the bank, leading to an additional deficit increase in 2014. Additional risks relates to possible further support required by other financial institutions in 2014.

The headline deficit is expected to decline to 1.5% of GDP in 2015, reflecting the diminishing impact of one-off support to Hypo. Expenditure savings will also continue to contribute to fiscal consolidation in 2015. After declining to 1.1% of GDP in 2013, the structural deficit is projected to increase by 0.1% pp. in 2014, while in 2015 it is expected to decrease by 0.1% pp.

Financial sector repair will delay the reversal of the upward trend in general government debt to 2015. After a minor increase in 2013, government debt is expected to rise by roughly 6 pps. in 2014, slightly exceeding 80% of GDP. This is due to the inclusion in the public debt of the value of the assets transferred to the public resolution agency. The debt-to-GDP ratio is expected to decrease to 79% of GDP in 2015.

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	**-0.2**	**0.7**	**1.0**
Public Consumption	58.4	19.0	1.9	0.2	0.3	0.2	**0.1**	**0.9**	**0.8**
Gross fixed capital formation	65.8	21.4	1.1	-1.4	8.5	1.6	**-0.9**	**2.2**	**3.4**
of which: equipment	25.1	8.2	1.6	2.1	14.3	2.1	**-3.1**	**2.4**	**5.3**
Exports (goods and services)	175.6	57.2	5.3	9.4	6.6	1.2	**2.8**	**4.4**	**5.9**
Imports (goods and services)	165.7	54.0	4.4	9.1	7.6	-0.3	**0.6**	**3.7**	**5.7**
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	**-0.3**	**1.0**	**1.4**
	Inventories		0.1	0.5	0.8	-0.6	**-0.7**	**0.1**	**0.0**
	Net exports		0.5	0.5	-0.2	0.9	**1.2**	**0.6**	**0.4**
Employment			0.5	0.6	1.4	1.3	**0.7**	**0.8**	**0.9**
Unemployment rate (a)			4.3	4.4	4.2	4.3	**4.9**	**4.8**	**4.7**
Compensation of employees / f.t.e.			2.5	1.2	2.4	2.6	**2.1**	**2.0**	**2.0**
Unit labour costs whole economy			0.9	0.0	1.0	3.0	**2.4**	**1.1**	**1.1**
Real unit labour cost			-0.5	-1.4	-1.0	1.3	**0.8**	**-0.7**	**-0.6**
Saving rate of households (b)			-	14.0	12.0	12.6	**12.1**	**12.8**	**13.4**
GDP deflator			1.3	1.4	2.0	1.7	**1.6**	**1.9**	**1.7**
Harmonised index of consumer prices			1.7	1.7	3.6	2.6	**2.1**	**1.6**	**1.7**
Terms of trade goods			-0.1	-1.5	-3.0	-1.4	**0.6**	**0.5**	**0.0**
Trade balance (c)			-1.5	-1.0	-2.5	-2.3	**-1.0**	**-0.4**	**-0.5**
Current-account balance (c)			0.5	3.6	1.5	1.8	**2.7**	**3.4**	**3.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			0.4	3.7	1.4	1.6	**2.6**	**3.4**	**3.8**
General government balance (c)			-2.4	-4.5	-2.5	-2.6	**-1.5**	**-2.8**	**-1.5**
Cyclically-adjusted budget balance (c)			-2.4	-3.5	-2.4	-2.4	**-1.0**	**-2.4**	**-1.3**
Structural budget balance (c)			-	-3.2	-2.2	-1.6	**-1.1**	**-1.2**	**-1.1**
General government gross debt (c)			65.3	72.5	73.1	74.4	**74.5**	**80.3**	**79.2**

(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

Economic activity gradually gaining steam

The recovery that took hold in the second half of 2013 is expected to strengthen in 2014 as domestic demand overtakes trade as the main growth driver. Poland's labour market situation is expected to improve. Public finances are set to recover gradually.

Growth gaining momentum

In 2013 real GDP grew by 1.6% – well below current estimates of potential output growth of around 3¼% – as sluggish domestic demand in the first half of the year left its mark on economic activity. Growth rebounded towards the end of the year, led by robust export growth and signs of recovering domestic demand. In particular, private consumption picked up in the last quarter, on the back of growing employment and consumer confidence. Improving external demand also fuelled corporate investment, which partially offset a slowdown in investment spending by the government.

Domestic demand moves ahead

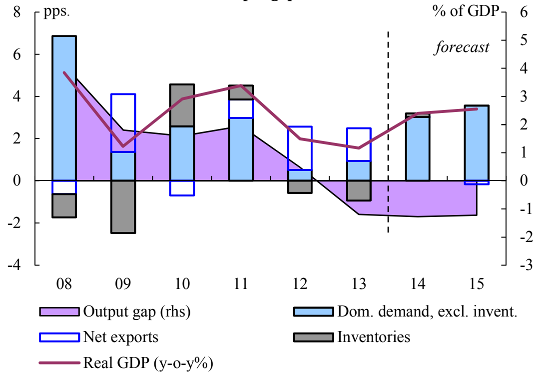
Despite the rise in recent geopolitical tensions, Polish exports are set to increase this year stimulating private investment and labour demand, which in turn should support the recovery of private consumption. The ongoing recovery of credit supply provides additional support to private investment activities. After two years of negative contribution, public investment is set to moderately add to growth in 2014, as new projects financed by EU funds are being rolled out. Real GDP growth is forecast to average 3.2% in 2014 and 3.4% in 2015.

The labour market is expected to benefit from the recovery. The unemployment rate is set to decline over the forecast horizon, from 10.4% in 2013 to 9.5% in 2015. This improvement is likely to support acceleration in nominal wage growth and, given low inflation, sustain real disposable incomes. However, higher wage growth is not expected to fully translate into additional private consumption, as consumers are likely to gradually increase savings to pre-crisis levels.

The annual contribution of net exports to real GDP growth is forecast to turn neutral this year and negative next year as domestic demand accelerates. Against this backdrop, the current-account deficit is forecast to increase to 2.3% of GDP in 2015, up from 1.6% in 2013.

The risks to the forecast are broadly balanced. On the upside, a stronger depreciation of the złoty would further boost exports and enhance import substitution. On the downside, new tensions in Ukraine could weigh on economic activity by hurting exports and business confidence and by increasing energy prices.

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



Supply side factors curb inflation

Falling energy prices, subdued food prices, and weak domestic demand drove average HICP inflation down to 0.8% in 2013. Inflation is set to pick up only moderately, to 1.1%, in 2014, as energy and import prices remain contained, while improving domestic demand and increasing employment are set to result in growing wage pressures and higher prices for services. A further pick up to 1.9% is forecast in 2015, fuelled by higher commodity prices and the sustained improvement in domestic demand.

Public finances set to improve gradually

In 2013, the budget deficit increased to 4.3% of GDP, up from 3.9% in 2012, largely due to lower-than-expected government revenues.

Over the forecast horizon, the profile of the general government budget balance will be affected by the December 2013 reversal of the systemic pension reform, in particular by the transfers of assets from the second pension pillar: a one-off transfer of assets worth around 9% of GDP in 2014 as well as annual transfers of assets of people retiring within 10 years, starting in 2014. Under the current accounting rules (ESA95), such asset transfers are treated as general government revenue. Under the new rules (ESA2010), which will come into force this autumn, such transfers will not count as revenue anymore.

While the government budget balance would likely post a surplus of 5.7% of GDP this year under the ESA95 rules, the corresponding balance excluding the asset transfers from the second pension pillar would amount to a deficit of 3.6% of GDP. Apart from the reversal of the pension reform, the main measures with a positive and permanent effect on the general government balance in 2014 include changes in VAT and excise duties, a partial public wage freeze and a gradual increase in the retirement age. Expenditure savings will be partially offset by the costs of a legislated extension of maternity leave and other increases in social spending.

Due to the one-off nature of the large improvement in 2014 and assuming no additional measures are taken, Poland's general government budget balance in 2015 is expected to show a 2.9% deficit under the ESA95 rules. Excluding the annual asset transfers linked to the reversal of the pension reform, however, the 2015 deficit will appear larger, at 3.1% of GDP.

The structural deficit is expected to gradually improve over the forecast horizon, from 3.8% of GDP in 2013 to 2.4% in 2015.

The general government debt-to-GDP ratio is forecast to fall from 57% in 2013 to 49.2% in 2014, mainly thanks to the big, one-off transfer of pension fund assets, before increasing again to 50% in 2015, due to the negative general government balance. The projected debt figures are, however, subject to considerable uncertainty because of the potential impact of exchange rate fluctuations on the value of Poland's sovereign debt.

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		1596.4	100.0	4.6	3.9	4.5	2.0	**1.6**	**3.2**	**3.4**
Private Consumption		980.4	61.4	4.3	3.1	2.6	1.3	**0.8**	**2.3**	**2.8**
Public Consumption		284.4	17.8	3.4	4.1	-1.7	0.2	**2.8**	**3.1**	**2.6**
Gross fixed capital formation		306.6	19.2	7.6	-0.4	8.5	-1.6	**-0.2**	**4.8**	**7.3**
of which: equipment		105.9	6.6	-	-3.3	11.6	-3.9	**5.0**	**7.2**	**9.1**
Exports (goods and services)		744.7	46.7	9.9	12.1	7.7	3.9	**4.6**	**4.4**	**6.0**
Imports (goods and services)		739.9	46.4	10.4	13.9	5.5	-0.7	**1.2**	**4.5**	**6.5**
GNI (GDP deflator)		1528.2	95.7	4.7	3.5	4.2	1.9	**1.1**	**3.2**	**3.4**
Contribution to GDP growth:	Domestic demand			4.8	2.6	3.0	0.5	**0.9**	**2.9**	**3.5**
	Inventories			0.0	2.0	0.7	-0.6	**-0.9**	**0.3**	**0.0**
	Net exports			-0.3	-0.7	0.9	2.1	**1.6**	**0.1**	**-0.1**
Employment				0.4	-2.7	0.6	0.1	**-0.1**	**0.5**	**0.6**
Unemployment rate (a)				14.0	9.7	9.7	10.1	**10.3**	**9.9**	**9.5**
Compensation of employees / head				11.8	8.2	5.1	3.5	**2.7**	**3.5**	**4.4**
Unit labour costs whole economy				7.2	1.4	1.1	1.5	**1.1**	**0.8**	**1.6**
Real unit labour cost				-1.3	0.0	-2.0	-0.9	**0.2**	**-0.2**	**0.1**
Saving rate of households (b)				-	8.2	2.1	4.8	**6.1**	**6.2**	**5.4**
GDP deflator				8.7	1.4	3.2	2.4	**0.9**	**1.0**	**1.5**
Harmonised index of consumer prices				-	2.7	3.9	3.7	**0.8**	**1.1**	**1.9**
Terms of trade goods				-0.3	-1.4	-1.9	-1.5	**1.1**	**0.0**	**-0.8**
Trade balance (c)				-3.4	-1.8	-2.1	-0.8	**1.2**	**1.1**	**0.7**
Current-account balance (c)				-3.0	-4.3	-4.5	-3.4	**-1.6**	**-1.7**	**-2.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-2.2	-2.7	-2.7	-1.6	**0.8**	**0.8**	**-0.1**
General government balance (c)				-3.8	-7.8	-5.1	-3.9	**-4.3**	**5.7**	**-2.9**
Cyclically-adjusted budget balance (c)				-	-8.4	-5.8	-4.0	**-3.8**	**6.2**	**-2.4**
Structural budget balance (c)				-	-8.4	-5.8	-4.1	**-3.8**	**-2.8**	**-2.4**
General government gross debt (c)				-	54.9	56.2	55.6	**57.0**	**49.2**	**50.0**

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

22. PORTUGAL

Higher growth ahead after deep structural adjustment

Portugal's economic recovery seems to be becoming progressively more balanced and domestic demand-driven. Further improvements in competitiveness through the implementation of structural reforms could help export growth and sustain the correction of external imbalances. However, the main downside risks remain linked to the ongoing deleveraging and fiscal consolidation processes.

Note: The fiscal projections included in this forecast reflect the commonly agreed scenario of the eleventh programme review updated for the official 2013 outturn. The projections are being revisited during the twelfth review.

Economy gaining further traction

Portugal's real GDP declined by 1.4% in 2013, 0.2 pp. less than the decline expected in the previous forecast. This resulted from a more dynamic final quarter as well as some minor upward revisions to GDP growth in previous quarters. The acceleration of economic activity in the last quarter of 2013 is expected to continue this year. In particular, fixed investment (+3.3%) and exports (+5.7%) are now forecast to expand more quickly than previously foreseen. The recent strength in consumer confidence and retail trade corroborate the recovery underway in consumption. As a result, real GDP is projected to grow by 1.2% in 2014 and further accelerate to 1.5% in 2015. Domestic demand and net exports are expected to make a broadly equal contribution to GDP growth.

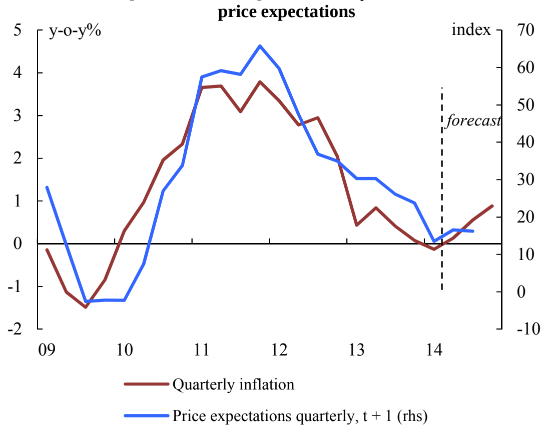
Labour market keeps improving

The labour market showed more signs of stabilisation in 2013, in line with the economy's better performance that year. Total employment declined by 2.8% in 2013, but this was due to huge drops at the beginning of the year. More recently, employment, particularly employment with permanent job contracts, has actually been increasing. This is set to continue, with total employment forecast to expand by 0.9% in 2014 and 0.8% in 2015. Assuming the size of the labour force remains broadly stable, this implies that the unemployment rate should decline to 15.4% in 2014 and to 14.8% in 2015.

Still weak inflationary pressures

At the beginning of 2014, HICP inflation continued to fall, reaching -0.4% in March. This decline was mostly due to falling prices for clothing and energy. In general, the ongoing competitive adjustment of prices and the persistence of slack in the economy are expected to weigh on prices throughout the forecast period. Notwithstanding the recent deceleration in prices, inflation expectations seem to be firmly anchored in positive territory, suggesting some acceleration in price rises towards the end of 2014. HICP inflation is projected at 0.4% this year and 1.1% in 2015, in line with a slight acceleration in wages.

Graph II.22.1: **Portugal - Quarterly inflation and price expectations**



Sustainable current account

Portugal's 0.4% of GDP current-account surplus in 2013 was the country's first in twenty years. Exports should continue to recover strongly as external demand rises and Portuguese exporters continue to make market share gains. This should ensure positive net exports and a current-account surplus over the forecast period.

Downside risks to the economic outlook remain

Risks to the macroeconomic outlook are tilted to the downside. The recovery of the credit market, high private sector indebtedness and ongoing fiscal consolidation could prove a bigger-than-expected drag on domestic demand. Financing conditions for sovereign debt are relatively favourable at the moment, but investor sentiment has in the past been volatile. In addition, Portugal's export performance is still heavily dependent on the economic environment in Europe.

Fiscal risks becoming more balanced

The general government deficit turned out at 4.9% of GDP in 2013 (including bank recapitalisation costs amounting to 0.4% of GDP). Budget execution was supported by robust tax-revenue collection and expenditure control, whereas non-fiscal revenue was weaker than expected.

The 2014 deficit target of 4% of GDP is within reach. The carry-over from the better-than-expected execution of the 2013 budget and the brighter macro-economic outlook for 2014 should improve the 2014 fiscal accounts by around 0.7% of GDP compared with earlier projections. Beyond this, the 2014 budget and other supporting legislation include discretionary measures worth 2.3% of GDP, mostly permanent and expenditure reducing, aimed mainly at the reduction of the public sector wage bill, reforms of the public pension systems and expenditure cuts across line ministries. The fiscal deficit target for 2015 of 2.5% of GDP is set to be achieved by replacing various transitory measures in the 2014 budget by durable measures in the area of public wages and pensions as well as further provisions amounting to about 1% of GDP. These projections are consistent with a cumulated improvement in the structural balance of 2.4% of GDP over 2013-15.

The debt-to-GDP ratio stood at 129.0% at the end of 2013 and is projected to start declining in the second half of this year on the back of the economic recovery as well as the use of accumulated cash reserves and other debt-reducing operations.

While risks to the achievement of the 2014 deficit target have become more balanced, negative risks are still important. Downside risks to the fiscal projection are mostly of legal nature as key elements of the 2014 Budget and Supplementary Budget have been submitted to the Constitutional Court for review. In addition, implementation risks remain elevated in light of the ambitious reform package. On the other hand, stronger growth could boost revenues more than expected.

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	**-1.4**	**1.2**	**1.5**
Private Consumption	108.5	65.7	2.1	2.5	-3.3	-5.3	**-1.7**	**0.7**	**0.8**
Public Consumption	30.1	18.2	2.6	0.1	-5.0	-4.7	**-1.8**	**-1.6**	**-1.5**
Gross fixed capital formation	26.5	16.0	1.6	-3.1	-10.5	-14.4	**-6.6**	**3.3**	**3.8**
of which: equipment	8.2	5.0	3.4	-2.7	-11.4	-10.1	**4.1**	**9.0**	**7.0**
Exports (goods and services)	63.9	38.7	4.8	10.2	6.9	3.2	**6.1**	**5.7**	**5.7**
Imports (goods and services)	64.9	39.3	4.9	8.0	-5.3	-6.6	**2.8**	**4.1**	**4.2**
GNI (GDP deflator)	160.6	97.2	1.6	2.6	-1.5	-2.3	**-0.7**	**0.7**	**1.1**
Contribution to GDP growth: Domestic demand			2.3	1.0	-5.3	-7.0	**-2.4**	**0.6**	**0.8**
Inventories			0.0	0.9	-0.2	0.0	**-0.2**	**-0.1**	**0.0**
Net exports			-0.5	0.0	4.2	3.8	**1.3**	**0.7**	**0.7**
Employment			0.5	-1.5	-1.5	-4.2	**-2.8**	**0.9**	**0.8**
Unemployment rate (a)			7.1	12.0	12.9	15.9	**16.5**	**15.4**	**14.8**
Compensation of employees / head			4.6	2.0	-0.6	-2.0	**3.5**	**-0.9**	**1.0**
Unit labour costs whole economy			3.2	-1.4	-0.9	-3.0	**2.0**	**-1.1**	**0.3**
Real unit labour cost			0.0	-2.1	-1.1	-2.7	**0.3**	**-1.8**	**-0.6**
Saving rate of households (b)			-	10.1	9.7	12.0	**12.6**	**11.6**	**12.0**
GDP deflator			3.3	0.6	0.3	-0.3	**1.7**	**0.7**	**0.9**
Harmonised index of consumer prices			2.8	1.4	3.6	2.8	**0.4**	**0.4**	**1.1**
Terms of trade goods			0.2	0.1	-1.0	0.2	**1.3**	**1.6**	**0.5**
Trade balance (c)			-10.2	-10.6	-7.7	-4.7	**-3.5**	**-2.7**	**-2.3**
Current-account balance (c)			-8.6	-10.4	-7.2	-2.2	**0.4**	**1.0**	**1.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-6.7	-9.0	-5.6	-0.1	**2.0**	**2.7**	**3.1**
General government balance (c)			-4.7	-9.8	-4.3	-6.4	**-4.9**	**-4.0**	**-2.5**
Cyclically-adjusted budget balance (c)			-4.9	-9.1	-3.1	-4.1	**-**	**-**	**-**
Structural budget balance (c)			-	-8.4	-6.1	-3.5	**-**	**-**	**-**
General government gross debt (c)			61.0	94.0	108.2	124.1	**129.0**	**126.7**	**124.8**

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

23. ROMANIA
Strengthening domestic demand contributes to robust growth

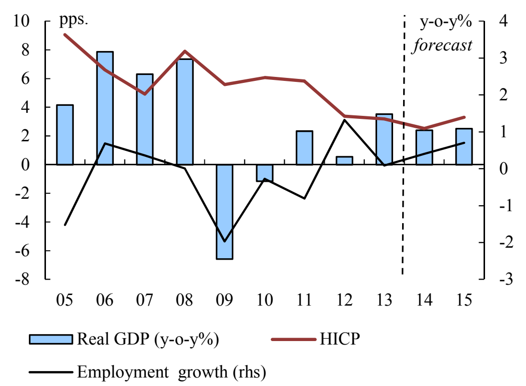
Growth is expected to gradually rebalance towards domestic demand over the forecast period, after very strong export growth in 2013. Real GDP growth is set to remain robust in 2014 and 2015. Annual average inflation is projected to moderate in 2014, reaching historical lows in the first half of 2014. The fiscal adjustment is forecast to continue, albeit at a slower pace.

Stable outlook for growth and exports

Romania's economy beat expectations by growing as much as 3.5% in 2013. Economic growth was driven by a robust industrial output and an abundant harvest feeding strong exports. Growth is set to slow, but to remain robust at 2.5% in 2014 and 2.6% in 2015. It is projected to remain above potential over the forecast horizon thanks to improved confidence and more supportive international conditions, thereby further reducing the still negative output gap. Structural reforms, such as the liberalisation of energy markets and the new labour code, are starting to bear fruit. Domestic demand is expected to gradually overtake net exports as the main driver of growth.

Investment is projected to regain momentum this year, supported by better absorption of EU funds as major infrastructure projects move ahead. Private consumption is expected to pick up moderately as consumer confidence improves and disposable income increases on account of higher real wages. At the same time, credit growth, which was in negative territory in 2013, is expected to remain constrained by the ongoing deleveraging of households and banks.

Graph II.23.1: **Romania- Real GDP growth, HICP inflation and employment growth**



In 2013, the balance of trade in goods and services improved strongly by 4.1% of GDP as export growth was strong and import growth remained subdued. The contribution of net exports to growth is forecast to fade out in 2014 and to turn negative in 2015. Exports are expected to keep growing on the back of an improvement in the external environment, particularly in the EU. However, imports are set to rise over the forecast horizon, alongside domestic demand, outpacing export growth in 2015. Nonetheless, exports are expected to keep growing on the back of an improvement in the external environment, particularly in the EU.

Inflation to bottom out in H1 2014

Inflation declined significantly in the second half of 2013. This was mainly because of a drop in food prices thanks to a good harvest, a cut in VAT on flour and bakery products, and because of a favourable base effect from high food prices in 2012. Annual average inflation is forecast to decelerate further to 2.5% in 2014 amid historical lows in the first half of the year, again thanks to falling food prices. It is set to return to the upper part of the central bank's target band (2.5%±1 pp.) in the second half of 2014 as the favourable base effect fades and the increase in the fuel excise rate introduced on 1 April kicks in. As domestic demand recovers, inflation is expected to pick up to an average of 3.3% in 2015. The rate of energy price inflation remains above headline inflation over 2014-15.

Broadly balanced macroeconomic risks

Downside risks to growth include the effects of faster deleveraging by households and by financial institutions, and a potentially negative base effect from 2013's record harvest and strong industrial performance. Upside risks would include higher investment induced by better-than-expected absorption of EU funds. Risks to the inflation outlook are balanced over the forecast horizon.

Despite robust growth, recovery of the labour market remains weak

In 2013, despite robust economic growth, the unemployment rate increased somewhat, to 7.3%, while total employment went down, largely on the back of a decreased number of self-employed. In both 2014 and 2015, policy measures, especially those targeted at youth unemployment, should start paying off. Thus, despite a continuous decline in the working age population, the labour force is expected to start growing again on the back of a slowly increasing employment and slightly decreasing unemployment rate. Compensation per employee is assumed to grow moderately in both forecast years, despite the significant increase in the minimum wage this year. Contrary to 2013, private sector wages are likely to grow faster than public sector wages by 2015.

Fiscal adjustment to slow

The general government deficit in Romania was reduced from 3% in 2012 to 2.3% of GDP in 2013. The consolidation was expenditure-driven, with total expenditures relative to GDP being down by 1.7 pps. and total revenues being lower by 1 pp. in 2013.

The budget deficit is forecast at 2.2% of GDP in 2014. On the expenditure side, the projection takes account of the indexation of pensions foreseen by law, a limited and targeted increase in public sector salaries, and more resources for co-financing EU funds. On the revenue side, the forecast takes into account the inflation indexation of excise duties, the excise-rate hike for energy products, the broadening of the basis for property tax, and the additional social security contributions thanks to a two-step rise in the minimum wage from 800 to 900 RON.

In 2015, based on the customary no-policy-change assumption, the deficit is projected to decrease further to 1.9% of GDP, as revenues improve moderately, in line with the gradual switch towards stronger domestic demand as the main driver of growth. The structural budget balance should improve mildly over the forecast horizon by about 0.1% of GDP. Government debt is expected to increase from 38.4% in 2013 to around 40% in 2014 and to stabilise at that level in 2015.

The main risks to the budgetary projections over the forecast horizon are tilted to the downside and mainly relate to expenditure control around elections and tax collection.

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

	2012		Annual percentage change						
bn RON	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	586.7	100.0	3.2	-1.1	2.3	0.6	**3.5**	**2.5**	**2.6**
Private Consumption	372.9	63.6	5.7	-0.3	1.4	1.5	**1.3**	**2.0**	**3.0**
Public Consumption	89.0	15.2	0.8	-4.7	-0.2	1.2	**-1.8**	**1.8**	**1.6**
Gross fixed capital formation	154.3	26.3	7.0	-1.8	7.7	3.8	**-3.3**	**2.7**	**4.3**
of which: equipment	59.8	10.2	7.8	-19.1	23.6	4.1	**-3.8**	**2.5**	**4.5**
Exports (goods and services)	238.5	40.6	10.2	13.2	11.6	-1.5	**13.5**	**6.5**	**5.6**
Imports (goods and services)	266.1	45.4	12.3	11.1	10.5	-0.2	**2.4**	**5.9**	**6.8**
GNI (GDP deflator)	576.2	98.2	3.2	-1.0	2.2	0.1	**2.8**	**2.5**	**2.7**
Contribution to GDP growth: Domestic demand			6.1	-1.5	2.7	2.1	**-0.3**	**2.2**	**3.1**
Inventories			-0.9	0.4	-0.2	-1.1	**-0.6**	**0.0**	**0.0**
Net exports			-1.9	0.0	-0.2	-0.5	**4.4**	**0.3**	**-0.5**
Employment			-2.1	-0.3	-0.8	1.3	**-0.3**	**0.4**	**0.7**
Unemployment rate (a)			6.4	7.3	7.4	7.0	**7.3**	**7.2**	**7.1**
Compensation of employees / head			43.3	-3.3	-4.1	4.2	**5.9**	**5.4**	**4.5**
Unit labour costs whole economy			35.9	-2.4	-7.0	5.0	**2.0**	**3.3**	**2.5**
Real unit labour cost			-0.3	-7.7	-10.6	0.3	**-1.4**	**0.5**	**-0.3**
Saving rate of households (b)			-	-3.8	-7.0	-8.5	**-9.8**	**-9.7**	**-11.3**
GDP deflator			36.3	5.7	4.0	4.7	**3.5**	**2.8**	**2.8**
Harmonised index of consumer prices			-	6.1	5.8	3.4	**3.2**	**2.5**	**3.3**
Terms of trade goods			2.1	1.0	2.0	3.1	**-1.1**	**-0.8**	**0.0**
Trade balance (c)			-7.5	-6.1	-5.6	-5.6	**-2.4**	**-2.5**	**-3.0**
Current-account balance (c)			-	-4.4	-4.5	-4.4	**-1.1**	**-1.2**	**-1.6**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.8	-4.2	-3.9	-3.0	**1.2**	**0.9**	**0.4**
General government balance (c)			-	-6.8	-5.5	-3.0	**-2.3**	**-2.2**	**-1.9**
Cyclically-adjusted budget balance (c)			-	-6.0	-5.0	-1.9	**-1.7**	**-1.8**	**-1.7**
Structural budget balance (c)			-	-6.1	-3.8	-2.5	**-1.7**	**-1.8**	**-1.7**
General government gross debt (c)			-	30.5	34.7	38.0	**38.4**	**39.9**	**40.1**

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

24. SLOVENIA

Broader-based recovery as labour market stabilises

Revised real GDP data indicate that Slovenia exited recession at the beginning of last year. A further improvement in economic activity is expected this year and the recovery appears broad based. The fiscal position remains fragile, also given the additional bank recapitalisation needs and the repeal of the real estate tax. Public debt is expected to continue increasing this year and next.

Slovenia exited recession in 2013

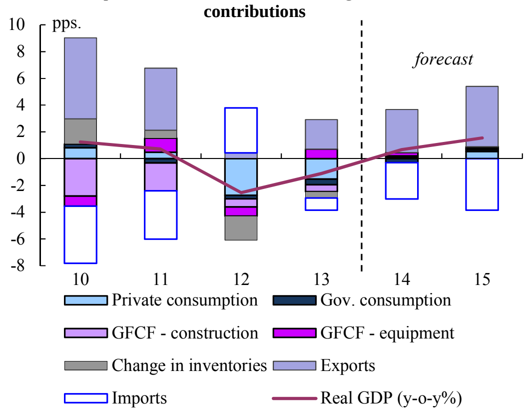
Slovenia's real GDP contracted by 1.1% in 2013 due to the negative carry-over from the previous year. Substantial revisions to national accounts data show that the economy grew quarter-on-quarter from the beginning of the year, with particularly strong growth in the fourth quarter. The recovery appears broad-based with improvements on both the external and domestic side. Net exports remained resilient throughout 2013 and investment was slightly positive largely due to EU-funded projects. A positive contribution from changes in inventories was also recorded. The decline in private consumption in 2013 was less pronounced than anticipated in the previous forecast, mainly due to the large increase recorded in the fourth quarter of the year. The measures introduced to tackle the grey economy, which are reported to have widened the VAT base, would explain the greater increases in real GDP than in value-added in the second half of 2013.

Recovery expected to take hold in 2014

In light of the positive momentum from 2013 and improving consumer and business confidence, real GDP is forecast to grow by 0.8% in 2014, accelerating to 1.4% in 2015. The key drivers of the projected recovery are continued investment by the government through EU-funded projects and net exports. The ongoing deleveraging process is expected to continue weighing on domestic demand, although with a less severe impact than previously anticipated. Private consumption growth is set to turn positive in the course of 2014 and increase further in 2015, while investment is projected to grow faster this year, on the back of the strong impulse inherited from the fourth quarter of 2013, and moderate in 2015.

Import growth is expected to align with exports', in part due to the recovery in domestic demand. As a result, a more gradual improvement in the external balance of goods and services is projected, also supported by still favourable terms of trade. Risks to the growth outlook are broadly balanced although recent political uncertainty could adversely affect the ongoing deleveraging and privatisation process, in turn weighing on the economic recovery.

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



Stabilising labour market and subdued inflation

Employment is expected to remain stable in 2014 before growing modestly again in 2015. The labour force outlook mirrors employment's with a small lag, with the unemployment rate peaking at around 10% in 2014. Private sector wages are expected to continue increasing very moderately this year and slightly accelerate in 2015, while public-sector wages, though still frozen in 2014, reflect the payment of promotions that had been previously suspended; in 2015, they are expected to increase by 1.5% on a no-policy-change basis. As a result, overall unit labour costs are projected to grow moderately this year and next.

Given the very low pressure from import prices and labour costs, HICP inflation is forecast to decline to historically low levels in 2014 and pick up slightly in 2015.

General government deficit set to decline

The general government deficit increased to 14.7% of GDP in 2013, from 4.0% in 2012, largely due to the recapitalisation of the banking sector, which cost 10.3% of GDP. Court rulings on public wages and the compensation of persons removed from the register of residents after independence added a further 0.9% of GDP to the deficit, while one-off revenues subtracted 0.5%.

The deficit is forecast to stand at 4.3% of GDP in 2014, including the planned 0.9% of GDP of support to the recapitalisation of Abanka and Banka Celje. The deadline for the recapitalisation of Gorenjska Banka was extended until end-2014 and the government committed to use state funds if private sources do not materialise, but this is not included in the forecast.

In 2014, indirect tax revenues are projected to reflect the full-year impact of last year's VAT rate increase, while direct taxes are set to increase in line with income developments. The new real estate tax, which was to take effect in 2014, has been repealed by the constitutional court and is no longer incorporated in the forecast, although some measures that partly address the shortfall have been introduced. The forecast also includes 0.3% of GDP of one-off proceeds from the upcoming auction of the 4G telecom spectrum licenses that is due to be completed in April 2014. Current primary expenditure is expected to decline in 2014 due to the continued containment of wages and subsidies, while interest expenditure continues rising rapidly, due to increasing debt levels. Finally, while public investment is projected to increase further this year, fuelled by EU funds, and decline slightly in 2015, capital transfers are set to fall considerably due to lower bank recapitalisation needs.

In 2015, the deficit is expected to decline to 3.1% of GDP, based on a no-policy-change assumption, helped by the improving economic outlook. No recapitalisation needs have been factored into the 2015 deficit forecast.

The structural balance is expected to improve by around ½ pp. of GDP in 2014 and remain broadly stable in 2015.

Public debt increased significantly to 71.7% in 2013, largely due to bank recapitalisations and the transfer of assets to the BAMC, and is expected to increase further to 81.3% in 2015, also reflecting the build-up of cash buffers to address future financing needs.

Table II.24.1:

Main features of country forecast - SLOVENIA

	2012			Annual percentage change						
bn EUR	Curr. prices	% GDP		94-09	2010	2011	2012	2013	2014	2015
GDP	35.3	100.0		3.5	1.3	0.7	-2.5	**-1.1**	**0.8**	**1.4**
Private Consumption	20.1	56.9		3.4	1.5	0.8	-4.8	**-2.7**	**0.2**	**1.1**
Public Consumption	7.3	20.8		3.2	1.3	-1.6	-1.3	**-2.0**	**0.1**	**0.3**
Gross fixed capital formation	6.3	17.8		6.0	-15.3	-5.5	-8.2	**0.2**	**2.7**	**1.4**
of which: equipment	2.7	7.6		7.6	-9.5	14.7	-8.5	**9.5**	**2.6**	**1.6**
Exports (goods and services)	26.9	76.1		6.2	10.2	7.0	0.6	**2.9**	**3.9**	**5.4**
Imports (goods and services)	25.2	71.3		6.6	7.4	5.6	-4.7	**1.3**	**3.9**	**5.3**
GNI (GDP deflator)	34.9	98.9		3.4	1.7	0.9	-2.6	**-0.6**	**0.4**	**1.2**
Contribution to GDP growth:	Domestic demand			3.8	-2.4	-0.9	-4.5	**-1.9**	**0.6**	**0.9**
	Inventories			0.0	1.9	0.6	-1.8	**-0.5**	**-0.2**	**0.0**
	Net exports			-0.2	1.8	1.0	3.8	**1.3**	**0.3**	**0.5**
Employment				-	-2.2	-1.6	-0.8	**-2.0**	**0.0**	**0.3**
Unemployment rate (a)				-	7.3	8.2	8.9	**10.1**	**10.1**	**9.8**
Compensation of employees / head				-	3.9	1.6	-1.0	**0.1**	**1.0**	**1.6**
Unit labour costs whole economy				-	0.4	-0.7	0.8	**-0.8**	**0.2**	**0.5**
Real unit labour cost				-	1.5	-1.9	0.5	**-1.8**	**-0.7**	**-0.8**
Saving rate of households (b)				-	12.9	12.1	11.9	**14.0**	**14.0**	**13.6**
GDP deflator				7.6	-1.1	1.2	0.2	**1.0**	**0.9**	**1.3**
Harmonised index of consumer prices				-	2.1	2.1	2.8	**1.9**	**0.7**	**1.2**
Terms of trade goods				0.4	-4.8	-1.6	-1.2	**0.7**	**1.1**	**0.0**
Trade balance (c)				-3.8	-2.4	-2.7	-0.4	**0.9**	**1.6**	**1.8**
Current-account balance (c)				-1.5	-0.2	0.2	3.1	**5.3**	**6.0**	**6.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.6	-0.1	0.0	2.9	**5.2**	**6.9**	**7.0**
General government balance (c)				-	-5.9	-6.4	-4.0	**-14.7**	**-4.3**	**-3.1**
Cyclically-adjusted budget balance (c)				-	-4.9	-6.0	-2.8	**-13.3**	**-3.2**	**-2.4**
Structural budget balance (c)				-	-4.9	-5.0	-2.7	**-2.9**	**-2.5**	**-2.4**
General government gross debt (c)				-	38.7	47.1	54.4	**71.7**	**80.4**	**81.3**

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

25. SLOVAKIA

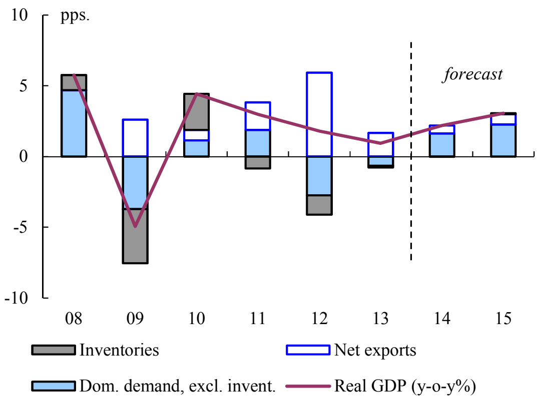
More balanced growth ahead

The Slovak economy slowed down in 2013 but growth is expected to gather pace, reaching 2.2% in 2014 and 3.1% in 2015. The composition of growth is to become more balanced as the main driving force shifts from net exports to domestic demand. Employment is expected to grow only modestly over the forecast horizon and inflation will remain low. The government deficit is projected to remain just below 3% of GDP.

Growth will gather pace in 2014 ...

After a slowdown in 2013, the Slovak economy is set to gain strength in 2014. Real GDP is projected to increase by 2.2% in 2014 and by 3.1% in 2015. Growth will become more balanced as domestic demand overtakes net exports as the main driver. While labour market conditions are expected to improve somewhat, the unemployment rate is projected to stay above 13% over the forecast horizon. Having decreased in the second half of 2013, inflation is expected to remain low.

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



... driven by a recovery in domestic demand.

Private consumption decreased by 0.1% in 2013, marking a fourth consecutive year of decline. However, signs of improvement are increasing: consumer confidence improved substantially during the second half of 2013 and has been above its long run average since September, reflecting a positive shift in households' outlook. Furthermore, retail sales have continued to increase and are now at levels not recorded since 2008. Taking into account the likely rise in real disposable income due to lower-than-expected inflation, private consumption is projected to rise gradually in 2014 and 2015.

While investment fell in 2013 as a whole, it grew by 5.2% in the fourth quarter compared to the previous quarter. This can be partly be accounted for by a one-off expansion of production capacity in the automotive industry, but investment growth was strong across most industries, pointing towards a broader recovery. Investment is projected to rise by 2.3% in 2014 and 3.5% in 2015, driven by continued growth in equipment investment and by a resumption in the construction of motorways.

Export volumes increased strongly in 2013 and are expected to expand further in 2014 and 2015, boosted by trends in the terms of trade and improving demand from Slovakia's trading partners. Given the high import intensity of Slovak exports, imports are projected to increase in line with exports.

The country-specific risks to the forecast appear balanced. Downside risks could come from possible delays in the implementation of large infrastructure projects. Residential construction poses upside risks as business confidence in the construction sector has improved markedly in the first months of 2014, mortgages have been growing at a robust rate, and residential property prices seem to have bottomed out in 2013.

Labour market situation slowly improving

Employment is projected to increase over the forecast horizon but only modestly so, due to its low responsiveness to economic growth. The unemployment rate is also expected to fall somewhat, but it will remain close to 13% given the structural nature of unemployment as shown by the high rate of long-term unemployment.

Inflation will remain low in 2014

Inflation continued its deceleration in the first quarter of 2014 as HICP decreased by 0.2% compared to a year earlier, mainly due to falling energy and industrial goods prices. Given the foreseen recovery in domestic demand, inflation is projected to pick up in the second half of 2014. HICP inflation is expected to reach 0.4% in 2014 and to increase to 1.6% in 2015.

Consolidation coming to a standstill

In 2013, the general government deficit declined markedly by almost 2 pps. reaching 2.8% of GDP. Revenue from corporate income taxes was lower than budgeted, but strong VAT collection and lower co-financing of EU-related projects more than compensated for this shortfall. The outcome was also slightly improved by the impact of the inclusion of the Slovak Railway Company in the general government sector.

In 2014, the fiscal balance is projected to slightly worsen to 2.9% of GDP. Although a previously presented postponement of dividends from 2013 was ultimately not enacted and revenue from the sale of telecom licences was lower than expected, robust collection of VAT is expected to provide an offset. A fine for a cartel in the construction sector will also improve revenue. Since in 2013 public debt exceeded one of the thresholds defined by the domestic debt brake, the government will cut state budget spending. Nevertheless, despite a slight decrease in general government employment, collective agreements are expected to push up the public wage bill. Compared to the central scenario of the Commission forecast, one-off proceeds from a levy on regulated industries related to a planned change to the organisational structure of a gas company where the state holds a majority stake may improve the deficit, while a negative risk would come from stronger-than-assumed public investment. In 2015, assuming that the VAT rate will not be reduced to 19% as originally planned but will remain at 20%, the cyclical uplift is expected to yield additional revenue which is projected to contribute to a modest decrease in the headline deficit to 2.8% of GDP.

In 2013, the improvement in the structural balance reached a high value of 2% of GDP. However, the structural balance is projected to worsen slightly by 0.2 pp. in 2014, partly due to additional one-off measures, before improving again in 2015. The general government debt is estimated to rise to some 56% of GDP in 2014 and increase further by 1.5 pps. in 2015. This outcome is conditional upon the realisation of privatisation plans in the telecom sector in 2015 and use of the 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**	**2.2**	**3.1**
Private Consumption	41.0	57.7	-	-0.7	-0.5	-0.2	**-0.1**	**1.3**	**2.3**
Public Consumption	12.5	17.6	2.5	1.0	-4.3	-1.1	**1.4**	**2.4**	**1.5**
Gross fixed capital formation	14.3	20.1	2.9	6.5	14.2	-10.5	**-4.3**	**2.3**	**3.5**
of which: equipment	6.8	9.6	-	10.5	39.8	-11.9	**-3.4**	**1.5**	**4.4**
Exports (goods and services)	68.7	96.6	8.0	16.0	12.2	9.9	**4.5**	**5.6**	**6.4**
Imports (goods and services)	65.0	91.4	6.9	14.9	9.7	3.3	**2.9**	**5.4**	**6.1**
GNI (GDP deflator)	69.4	97.6	4.5	2.6	3.4	1.6	**0.9**	**2.1**	**3.1**
Contribution to GDP growth: Domestic demand			3.8	1.1	1.9	-2.7	**-0.7**	**1.6**	**2.3**
Inventories			0.2	2.6	-0.8	-1.4	**-0.1**	**0.0**	**0.0**
Net exports			0.4	0.7	2.0	5.9	**1.7**	**0.6**	**0.7**
Employment			-	-1.5	1.8	0.1	**-0.8**	**0.5**	**0.6**
Unemployment rate (a)			-	14.5	13.7	14.0	**14.2**	**13.6**	**12.9**
Compensation of employees / head			-	5.1	2.0	2.8	**0.8**	**2.4**	**2.7**
Unit labour costs whole economy			-	-0.9	0.8	1.0	**-0.9**	**0.7**	**0.2**
Real unit labour cost			-	-1.4	-0.8	-0.2	**-1.4**	**0.2**	**-0.7**
Saving rate of households (b)			-	10.3	9.4	8.2	**7.3**	**7.3**	**7.3**
GDP deflator			5.2	0.5	1.6	1.3	**0.5**	**0.5**	**0.9**
Harmonised index of consumer prices			-	0.7	4.1	3.7	**1.5**	**0.4**	**1.6**
Terms of trade goods			-	-0.8	-1.5	-1.3	**-0.4**	**0.2**	**-0.5**
Trade balance (c)			-5.2	0.8	1.0	4.7	**6.0**	**6.4**	**6.5**
Current-account balance (c)			-5.4	-3.7	-2.6	1.6	**2.5**	**2.4**	**2.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-5.4	-2.1	-0.9	3.1	**3.9**	**3.4**	**3.3**
General government balance (c)			-5.5	-7.5	-4.8	-4.5	**-2.8**	**-2.9**	**-2.8**
Cyclically-adjusted budget balance (c)			-	-7.4	-4.4	-3.8	**-1.6**	**-1.7**	**-1.8**
Structural budget balance (c)			-	-7.2	-4.8	-3.9	**-2.0**	**-2.2**	**-1.8**
General government gross debt (c)			-	41.0	43.6	52.7	**55.4**	**56.3**	**57.8**

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

26. FINLAND

From recession to gradual recovery

The recession continued through 2013 as domestic demand decreased. Exports, however, have already benefitted from the recovery in the EU and are now leading a recovery that is expected to strengthen this year and next, even though weak domestic demand continues to weigh on economic activity. Recent fiscal consolidation measures reduce the general government deficit and should improve the structural balance in 2015.

Two year recession coming to an end

The economic recession that Finland entered into in 2012 continued last year. GDP fell by 1.4% as the situation on the labour market worsened, weighing on disposable income and private consumption. Investment also continued to decline and although exports rose and imports fell, positive net exports were not enough to offset the fall in domestic demand.

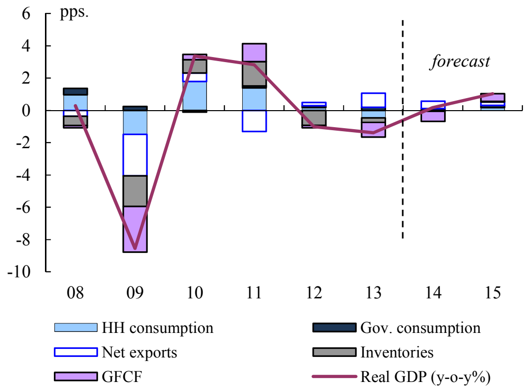
The forecast for 2014 and 2015 implies that the recession will end, but growth is expected to pick up only gradually. Recently, economic sentiment has improved and output is expected to bottom out during the first half of 2014. The manufacturing sector is undergoing a deep structural change, but the downsizing of the electronics industry is assumed to be largely completed. Manufacturing output is expected to grow in 2014 after contracting for two years with the chemistry and forestry industries projected to lead the recovery. Production in service industries remains subdued as domestic demand and industrial production are still sluggish.

Loss of export market shares to slow down

While Finland's exports are forecast to continue losing market shares, this trend is expected to slow down. The cyclical composition of Finnish exports means that they are well-placed to benefit from the economic recovery in the EU and the decline of electronics exports should come to a halt. In addition, the wage agreements for 2014 and 2015 portend a moderation in unit labour cost growth, which will help regain some cost competitiveness.

Import growth is forecast to remain low in 2014, reflecting the tepid growth of domestic demand. Consequently, net exports are expected to contribute positively in 2014. The contribution is likely to decrease slightly in 2015 as import growth accelerates. As the trade balance improves this year and next, the current-account deficit is expected to shrink to -0.2% of GDP in 2015.

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



Domestic demand to remain subdued

Despite a supportive financial environment, investments in new machinery and equipment are still restrained by low capacity utilisation and the weak housing market has made companies cautious about building new dwellings.

Private consumption is expected to be held back by a number of factors. The labour market has yet to show signs of improvement and the number of workers who have given up looking for jobs has increased. Employment is forecast to start increasing in the second half of 2014, only after the economic recovery has picked up. However, the improvement of the labour market is expected to be slow due to labour market mismatches. In addition, wage growth is set to remain moderate. Finally, the recently adopted fiscal consolidation package includes measures that can be expected to have a limiting effect on the growth of private disposable income.

Real disposable income, however, is set to receive some support from low inflation. Inflation started to slow down in 2013 along with the fall in energy prices but, due to increases in indirect taxes, is projected to remain above the euro-area average at 1.4% in 2014 and 2015.

Risks to the forecast are seen mainly on the downside. The recent slowdown in emerging market economies could limit the growth of Finnish exports. In particular, a further deterioration of the Russian economy and/or trade restrictions with Russia could have a significant negative impact on Finland.

Bold decisions on fiscal consolidation for 2015

Last year ended with both deficit and debt below previous estimates, at 2.1% and 57.0% of GDP respectively. Both central and local governments reduced their deficits as the tax burden increased to 45.7% of GDP.

In 2014, the deficit is forecast to increase slightly to 2.3% of GDP. Since the preparation of the central government budget, the economic outlook has deteriorated, but no new consolidation measures have been planned for 2014.

For 2015 and beyond the government has agreed on both structural reforms and additional fiscal consolidation. The consolidation effort in 2015 amounts to approximately 0.8% of GDP. The measures include mainly consumption and energy tax increases, but also increases in income and capital taxes for higher earners. On the expenditure side, measures include a temporary limit to pension increases for 2015 and the reduction of child allowances and certain unemployment benefits. These measures are expected to bring the deficit down to 1.3% in 2015.

In addition, the government has decided on a growth package that will mainly be financed from the sale of real and financial assets. The stimulus will consist of increased funding for enterprises, infrastructure and housing grants to special groups. Additional public investments of about 0.2% of GDP are envisaged both in 2014 and 2015.

In 2014, the structural deficit is forecast to reach -0.9% of GDP, worsening 0.3 pp. compared to 2013 but improving by 0.6 pp. in 2015 compared to 2014.

General government gross debt is expected to reach 59.9% of GDP in 2014 and 61.2% in 2015. The government has decided to use privatisation revenues to pay down debt in 2014 and 2015, limiting the debt level increase.

Table II.26.1:

Main features of country forecast - FINLAND

		2012		Annual percentage change						
		bn EUR Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		192.4	100.0	2.8	3.4	2.8	-1.0	-1.4	0.2	1.0
Private Consumption		108.5	56.4	2.9	3.3	2.5	0.3	-0.8	-0.1	0.3
Public Consumption		48.3	25.1	1.7	-0.4	0.5	0.5	0.8	0.4	0.5
Gross fixed capital formation		37.9	19.7	3.8	1.7	5.8	-0.8	-4.6	-3.3	2.6
of which: equipment		10.2	5.3	4.5	-12.2	10.5	14.0	-5.3	-6.3	3.0
Exports (goods and services)		78.1	40.6	6.0	7.9	2.8	-0.2	0.3	2.7	4.5
Imports (goods and services)		80.0	41.6	6.1	6.8	6.2	-0.7	-1.8	1.6	4.0
GNI (GDP deflator)		193.3	100.5	3.3	3.3	1.6	-0.8	-1.3	0.2	1.0
Contribution to GDP growth:	Domestic demand			2.6	2.0	2.6	0.1	-1.2	-0.6	0.8
	Inventories			0.1	0.8	1.5	-0.9	-0.3	0.0	0.0
	Net exports			0.5	0.5	-1.3	0.2	0.9	0.5	0.2
Employment				1.2	-0.1	1.5	0.1	-1.3	-0.2	0.3
Unemployment rate (a)				10.3	8.4	7.8	7.7	8.2	8.5	8.4
Compensation of employees / head				3.2	1.8	3.2	3.5	2.1	1.5	1.6
Unit labour costs whole economy				1.6	-1.6	1.9	4.6	2.2	1.1	0.9
Real unit labour cost				-0.1	-2.0	-0.8	1.6	0.2	-0.5	-0.5
Saving rate of households (b)				8.7	10.7	8.7	8.6	8.8	9.0	8.9
GDP deflator				1.7	0.3	2.7	2.9	2.0	1.6	1.4
Harmonised index of consumer prices				1.6	1.7	3.3	3.2	2.2	1.4	1.4
Terms of trade goods				-0.6	-2.6	-2.2	-1.7	0.0	0.2	-0.1
Trade balance (c)				7.4	1.4	-0.7	0.0	0.2	0.7	0.9
Current-account balance (c)				4.9	1.7	-1.5	-1.4	-0.8	-0.4	-0.2
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.0	1.8	-1.3	-1.3	-0.7	-0.3	-0.1
General government balance (c)				1.4	-2.5	-0.7	-1.8	-2.1	-2.3	-1.3
Cyclically-adjusted budget balance (c)				1.5	-1.2	-0.7	-1.1	-0.7	-0.9	-0.3
Structural budget balance (c)				-	-1.1	-0.6	-1.0	-0.6	-0.9	-0.3
General government gross debt (c)				45.6	48.7	49.2	53.6	57.0	59.9	61.2

(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

On the way to broad-based growth

Following stronger-than-expected economic growth of 1.5% in 2013, the Swedish economy is expected to gradually accelerate to 2.8% this year and 3.0% next year. Private consumption and rebounding investments, helped by fiscal stimulus and loose monetary conditions will be the main drivers of growth, while external trade is expected to start expanding again.

Solid growth ahead

Economic growth in 2013 was faster than expected, in particular in the last quarter (1.7% q-o-q, in seasonally adjusted terms). Although the more dynamic growth can partly be attributed to temporary factors (including high levels of inventory and government defence spending) in the last quarter, overall in 2013 economic growth showed signs of broadening, paving the way for more robust growth. Real GDP growth is forecast to gradually increase to 2.8% in 2014 and to 3.0% in 2015 after 1.5% in 2013. Economic sentiment indicators steadily improved over the course of 2013 and, so far in 2014, have in general remained above their historical levels, supporting the projection for more solid economic growth over the forecast horizon. Real GDP growth is also supported by the vigorously growing population and employment.

Consumption growth remains the key driver

Household consumption has been the main driver of growth and is forecast to remain high, encouraged by low interest rates, growing disposable incomes and improving labour market conditions. Government consumption is expected to grow at a slightly higher pace in the coming years than previously forecast due to higher social spending costs, mainly related to the high number of asylum seekers in Sweden, and population ageing.

Although the unemployment rate stagnated in the first months of 2014, it is expected to decrease significantly from the middle of the year on the back of robust economic growth. Despite an increasing population and labour force, Swedish unemployment is forecast to decrease to 7.6% in 2014 and to 7.2% in 2015. In the medium term, weak labour market integration of groups without adequate skills could hamper further declines in unemployment.

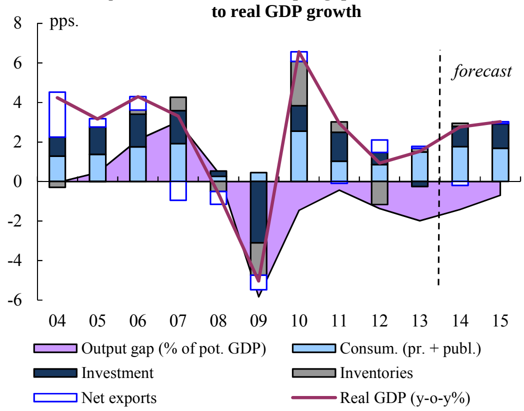
Rebounding investments

Construction investment has strongly rebounded since the middle of 2013; in particular new housing constructions in the Stockholm region grew at a remarkable pace. Housing investments will likely continue to grow dynamically over the forecast horizon on the back of strong demand, following years of moderate levels. As Sweden's economic growth accelerates and external markets gain strength, manufacturing investments will also start rising again. As a result, gross fixed capital formation is forecast to rebound sharply in 2014 growing by 5.5%, and continue to expand in 2015 at a pace of 6.5%, following from a contraction of 1.3% in 2013.

Trade growth resumes …

After declining in 2013, both exports and imports will resume in the coming years as economic growth and demand in Sweden's main European trading partners gain momentum. Swedish exports are projected to grow at a slightly slower pace than imports, resulting in a further gradual decline in the current-account surplus from its current high level.

Graph II.27.1: **Sweden - Output gap and contributions to real GDP growth**



… but risks are growing.

The main downside risk comes from the country's high and steadily rising private debt. An abrupt correction in house prices and/or rising interest rates could dampen household consumption and render the market financing of Swedish banks more difficult.

Low inflation period

From the low level of 0.4% in 2013, HICP inflation is set to only moderately increase in the coming years to 0.5% in 2014, and then to 1.5% in 2015. Wage developments are projected to remain at a moderate level as resource utilisation is low, while a strengthening krona would further dampen import prices. Improving economic activity and a strengthening labour market will slowly lift inflation figures during the forecast horizon. The Riksbank's inflation target of 2% has not been met for a prolonged period and monetary policy is challenged to find a balance between low inflationary pressures and dynamically rising household indebtedness. The lower-than-expected inflation will likely prolong the period of low repo rates and loose monetary conditions.

Expansionary government budget in 2014

The general government deficit is forecast to widen to 1.8% in 2014 from 1.1% in 2013. Weaker public finance figures in 2014 are due to the expansionary fiscal policy (the 2014 budget contains unfunded measures of SEK 21 billion mainly to boost consumption and investment), weaker corporate tax revenues and lower dividends from state-owned companies. Expenditures related to migration and old-age care increased more than expected. Healthier economic growth should be enough to reduce the budget deficit to 0.8% by 2015; plans for budget 2015 in the proposed budget spring bill do not imply changes in the deficit. Sweden is projected to reach a structural deficit of 0.9% in 2014, which will decline in 2015 also as a result of a shrinking output gap. General government debt is expected to peak in 2014 at 41.6% of GDP, and decrease from 2015 owing to lower deficit and accelerating economic growth.

Table II.27.1:

Main features of country forecast - SWEDEN

		2012			Annual percentage change					
	bn SEK	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		3549.7	100.0	2.5	6.6	2.9	0.9	**1.5**	**2.8**	**3.0**
Private Consumption		1718.2	48.4	2.3	4.0	1.7	1.6	**2.0**	**2.9**	**2.8**
Public Consumption		955.7	26.9	0.7	2.1	0.8	0.3	**2.0**	**1.2**	**1.1**
Gross fixed capital formation		674.2	19.0	3.8	7.2	8.2	3.3	**-1.3**	**5.5**	**6.5**
of which: equipment		268.4	7.6	6.2	11.9	13.2	5.2	**-2.5**	**3.9**	**8.1**
Exports (goods and services)		1722.4	48.5	5.8	11.4	6.1	0.7	**-0.9**	**3.7**	**5.4**
Imports (goods and services)		1516.4	42.7	5.1	12.0	7.1	-0.6	**-1.2**	**4.7**	**5.9**
GNI (GDP deflator)		3640.2	102.5	2.9	6.9	2.9	1.2	**1.7**	**2.4**	**2.9**
Contribution to GDP growth:	Domestic demand			2.0	3.8	2.5	1.5	**1.2**	**2.8**	**2.9**
	Inventories			0.0	2.2	0.5	-1.2	**0.2**	**0.2**	**0.0**
	Net exports			0.6	0.5	-0.1	0.6	**0.1**	**-0.2**	**0.1**
Employment				0.5	1.0	2.1	0.7	**1.0**	**1.2**	**1.1**
Unemployment rate (a)				7.5	8.6	7.8	8.0	**8.0**	**7.6**	**7.2**
Compensation of employees / head				3.7	3.1	0.9	3.1	**1.2**	**2.7**	**3.0**
Unit labour costs whole economy				1.7	-2.3	0.1	2.9	**0.7**	**1.2**	**1.1**
Real unit labour cost				-0.1	-3.1	-1.2	1.9	**-0.2**	**-0.1**	**-0.6**
Saving rate of households (b)				8.3	11.3	13.1	14.8	**14.8**	**15.1**	**14.7**
GDP deflator				1.8	0.8	1.3	1.0	**0.8**	**1.2**	**1.8**
Harmonised index of consumer prices				1.8	1.9	1.4	0.9	**0.4**	**0.5**	**1.5**
Terms of trade goods				-0.6	-1.1	-1.3	-0.5	**0.5**	**0.1**	**0.1**
Trade balance (c)				6.2	2.6	2.2	2.4	**2.2**	**1.9**	**1.8**
Current-account balance (c)				5.7	6.9	6.2	6.5	**6.6**	**6.1**	**6.0**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				5.4	6.8	6.1	6.3	**6.4**	**5.7**	**5.9**
General government balance (c)				-0.4	0.3	0.2	-0.6	**-1.1**	**-1.8**	**-0.8**
Cyclically-adjusted budget balance (c)				-0.1	1.2	0.4	0.3	**0.1**	**-0.9**	**-0.4**
Structural budget balance (c)				-	1.2	0.4	0.3	**0.1**	**-0.9**	**-0.4**
General government gross debt (c)				56.5	39.4	38.6	38.3	**40.6**	**41.6**	**40.4**

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

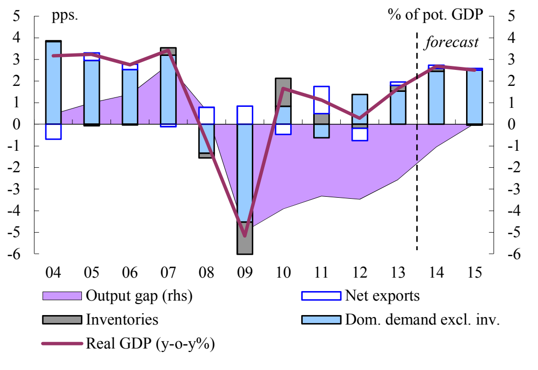
28. THE UNITED KINGDOM
Growth becoming firmly established and broadening

Growth picked up briskly in 2013 and is expected to become ingrained, rising to 2.7% in 2014 and 2.5% in 2015. The strong growth in private consumption witnessed last year is projected to continue and investment should increase while net exports remain subdued. Robust employment growth is expected to continue. Inflation is projected to remain close to, or at, its target of 2%. The budget deficit continues a steady, but slow, decline. However, the general government debt-to-GDP ratio continues to rise.

Brisk growth expected to continue

Growth picked up briskly in 2013 to reach 1.7%, rising significantly from 0.3% in 2012. In 2013, it was driven by buoyant domestic demand, which contributed 1.5 pps. to growth; a similar contribution to that of 2012. The contribution to growth from net exports improved to 0.2 pp. in 2013 from a detraction of 0.6 pp. in 2012. Private consumption growth of 2.2% was supported by rising employment, which itself reflected resilience in the labour market, and a decline in the household saving rate. The pace of house price growth picked up rapidly throughout 2013.

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



Growth is expected to become firmly established, at 2.7% and 2.5% in 2014 and 2015, respectively and its composition is projected to broaden. Private consumption is forecast to remain a key determinant of growth and an increase in investment spending is also projected. Net exports should contribute marginally to growth in 2014 and 2015.

Private consumption remains buoyant

Consistent with rising consumer confidence, private consumption is expected to continue increasing by slightly more than 2% in both 2014 and 2015. This is supported by rising disposable incomes and a further decline in the household saving rate to 5.0% by 2015. Continued growth in household disposable income is supported by a robust labour market in which employment is increasing and productivity and nominal wages are expanding modestly. However, reluctance by households to further reduce savings to maintain consumption growth is a downside risk to the forecast.

Gross investment to turn around

Investment has been weak since the economic crisis but, following a fall in 2013 of 0.6%, it is projected to increase by 6.6% and 7.1% in 2014 and 2015, respectively. Rising investment is underpinned by increases in firms' gross operating surplus, strong corporate balance sheets, low borrowing costs, easing credit availability and greater confidence about future demand. Moreover, survey measures of investment intentions show that businesses are poised to boost investment. The possibility that businesses decide against increasing investment, despite improving conditions, is a negative risk to the forecast.

Net exports remain subdued

Rebalancing is not expected to extend to the external sector. Although exports are projected to rise by 2.6% in 2014 and 3.2% in 2015, this will be accompanied by a concurrent increase in import growth of 2.0% and 2.8%. Rising export growth is expected to be driven by improving demand in export markets, including the euro area, and subdued growth in unit labour costs. By contrast, the rise in import growth reflects robust domestic demand.

Inflation falling but settling at target

Inflation fell steadily towards the end of 2013 to return to the Bank of England's target of 2% and fell further to 1.8% in the first quarter of 2014. Inflation is projected to remain around the target level. While the narrowing of the output gap may generate upward price pressure, subdued increases in energy prices, well-anchored expectations and the impact of the modest appreciation of sterling should ensure that inflation remains close to target.

Labour market resilience continues

Resilience in the labour market, which has been a marked feature of economic performance since the crisis, is forecast to continue. Healthy employment growth of 1.6% and 1.0% is projected in 2014 and 2015, respectively, while the unemployment rate, which stood at 7.1% in the final quarter of 2013, is projected to fall to 6.3% by 2015. Continued falls in unemployment are expected to be accompanied by modest nominal wage growth and a rise in labour productivity, as firms utilise existing labour more efficiently.

Deficit heading downwards

The 2014 Budget, announced in March, maintained the government's fiscal consolidation strategy. New taxation measures include a further increase in the Personal Income Tax allowance from April 2015 and an increase in the threshold at which the top rate of tax is paid, pension reforms and a doubling of the Annual Investment Allowance until December 2015. On the expenditure side, a permanent cap on welfare spending from 2015-16 was introduced. This will limit increases of this spending to the rate of inflation unless otherwise approved by parliament. An extension of the Help to Buy (equity loan) Scheme until 2020 was also published. Noteworthy in the budget is that some of the permanent tax reductions announced will be funded by advancing indirect revenues stemming from changes to the pension system and by advanced payments for tax avoidance schemes.

The government deficit is expected to continue falling over the forecast horizon to 5.0% of GDP in the financial year 2014-15 and 4.1% in 2015-16. The change in the structural balance over this period is -½% of GDP. The general government debt ratio is forecast to continue rising and reach 93.4% in 2015-16.

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	-6.0	**-5.0**	**-4.1**
Structural budget balance	-6.0	-5.6	-5.0	**-4.4**	**-3.9**
General government gross debt	85.0	88.6	89.6	**91.8**	**93.4**

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

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		1558.4	100.0	2.6	1.7	1.1	0.3	**1.7**	**2.7**	**2.5**
Private Consumption		1024.9	65.8	2.9	1.0	-0.4	1.4	**2.2**	**2.1**	**2.2**
Public Consumption		340.6	21.9	2.2	0.5	0.0	1.6	**0.7**	**0.5**	**0.2**
Gross fixed capital formation		225.3	14.5	2.7	2.8	-2.4	0.8	**-0.6**	**6.6**	**7.1**
of which: equipment		48.1	3.1	1.7	10.0	-21.8	12.9	**1.0**	**7.9**	**8.2**
Exports (goods and services)		495.3	31.8	4.4	6.7	4.5	1.7	**1.0**	**2.6**	**3.2**
Imports (goods and services)		528.7	33.9	4.9	7.9	0.3	3.4	**0.5**	**2.0**	**2.8**
GNI (GDP deflator)		1552.1	99.6	2.8	1.2	1.7	-1.4	**0.8**	**2.7**	**2.6**
Contribution to GDP growth:	Domestic demand			2.8	0.9	-0.6	1.4	**1.5**	**2.5**	**2.5**
	Inventories			0.0	1.3	0.5	-0.2	**0.3**	**0.1**	**0.0**
	Net exports			-0.2	-0.5	1.2	-0.6	**0.2**	**0.1**	**0.1**
Employment				0.8	0.2	0.5	1.2	**1.2**	**1.6**	**1.0**
Unemployment rate (a)				6.2	7.8	8.0	7.9	**7.5**	**6.6**	**6.3**
Compensation of employees / head				3.9	3.1	2.0	1.6	**2.1**	**2.1**	**2.8**
Unit labour costs whole economy				2.1	1.7	1.4	2.5	**1.6**	**1.0**	**1.3**
Real unit labour cost				0.0	-1.4	-0.9	1.4	**-0.2**	**-0.8**	**-0.9**
Saving rate of households (b)				5.4	7.3	6.7	7.3	**5.1**	**5.1**	**5.0**
GDP deflator				2.2	3.1	2.3	1.1	**1.8**	**1.8**	**2.2**
Harmonised index of consumer prices				1.9	3.3	4.5	2.8	**2.6**	**1.9**	**2.0**
Terms of trade goods				-0.2	0.8	-1.3	-0.4	**1.0**	**0.8**	**0.8**
Trade balance (c)				-3.9	-6.6	-6.5	-7.0	**-6.7**	**-6.3**	**-5.9**
Current-account balance (c)				-1.6	-2.7	-1.5	-3.8	**-4.4**	**-3.8**	**-3.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-1.4	-2.4	-1.2	-3.6	**-4.1**	**-3.5**	**-3.0**
General government balance (c)				-3.0	-10.0	-7.6	-6.1	**-5.8**	**-5.1**	**-4.1**
Cyclically-adjusted budget balance (c)				-3.2	-8.2	-6.0	-4.5	**-4.6**	**-4.6**	**-4.1**
Structural budget balance (c)				-	-8.1	-6.0	-6.2	**-4.8**	**-4.6**	**-4.1**
General government gross debt (c)				45.3	78.4	84.3	89.1	**90.6**	**91.8**	**92.7**

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

Candidate Countries

29. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

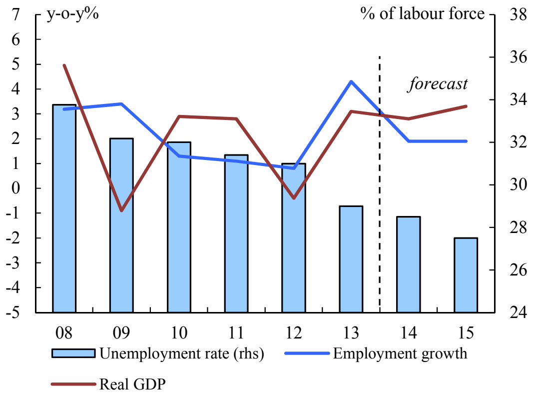
Recovery expected to stay on track at moderate growth rates

Carried by the external sector, the economic recovery that had started hesitantly in the second half of 2012, gained firm ground last year. Output expanded by 3.1% in real terms in 2013. Growth is projected to remain at around 3% this year, and accelerate somewhat next year, driven by domestic demand. Investment spending is expected to regain momentum, on account of public infrastructure and foreign direct investments, although not reaching its high growth rates of 2011 and 2012. Private consumption is also projected to contribute positively to growth, picking-up moderately, but steadily.

Net exports carried the recovery in 2013

Solid growth of export volumes, mainly on account of foreign facilities in the country, and declining imports provided the basis for the firming economic recovery in 2013. Real GDP expanded by 3.1%, notwithstanding an unexpectedly large decline in investment spending, by 11.5%. Household consumption, fuelled by rising pensions and other entitlement spending, grew by 4.2%, even though its growth decelerated somewhat in the second half of the year. On the production side, the biggest contribution to GDP growth came from the construction sector, which increased output by 33% y-o-y, after 4.8% in 2012, largely outperforming the manufacturing sector. However, manufacturing production strongly increased in the fourth quarter and continued to post sizeable gains also in the first two months of 2014.

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



Domestic demand will drive future growth

The profile of growth is expected to change again over the forecast horizon, with a renewed pick-up in investment, and household consumption taking the lead. Both, public and foreign direct investment is projected to increase, given the government's ambitious programme to attract foreign investors, which has led to a confirmed pipeline of new projects, complemented by a gradual strengthening in credit to the corporate sector. Household consumption growth, too, is likely to remain resilient, in line with projected increases in disposable income, based on expectations for a positive employment trend, higher social transfers, and roughly stable remittances. With new foreign investors planning to take up production, the related increase in imports is expected to lead to a renewed widening of the trade balance over the forecast horizon. Net exports would negatively impact on growth in both years.

Investment pick-up is likely to lead to further employment gains

Employment rose markedly in 2013, by 4.3% compared to the previous year, supported by a strong build-up in the public sector and significant gains in construction and manufacturing. Further employment gains are expected, mainly on account of the investment-led expansion, and increased spending on labour market measures. Provided that structural reforms to improve the business environment are carried out (such as a facilitation of licensing procedures), employment creation could be further incentivised. The unemployment rate remained high, even though on average it dropped by 2 pps. to 29% in 2013 compared to the previous year. On account of the ongoing recovery, further improvements are expected.

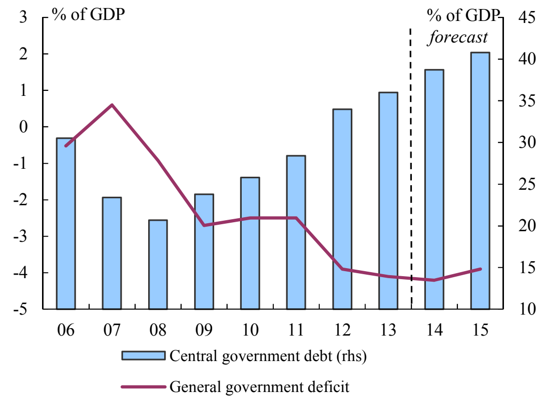
Trade balance and current account to deteriorate again in light of strong imports

The current-account deficit narrowed in 2013 by 1.1 pps. to 1.9%, on account of an improving merchandise trade balance, and in spite of a drop in current transfers, which traditionally finance the bulk of the trade deficit. In 2014, strong growth in import volumes is expected, as a result of the start of new public and foreign direct investment. With the beginning of production activity by new foreign entities, export growth would gradually accelerate over 2014-15. The merchandise trade balance would deteriorate over both years, although it would prove less of a drag on growth in 2015 than in 2014. Mainly on account of an expected further decline in private transfers, in combination with the widening commodity trade deficit, the current-account deficit is projected to almost double in 2014. Current-account financing will thus depend increasingly on FDI inflows and on government external borrowing. The latter is expected to increase given the sizeable financing needs of public infrastructure investments.

Fiscal consolidation strategy remains unclear

The general government budget deficit in 2013 amounted to 4.1% of GDP. This was slightly higher than the target, which had been revised in the autumn from 3.6% to 3.9%. In line with its medium-term fiscal strategy, the government is embarking on an expenditure-based fiscal consolidation as of 2014. The 2014 target for the general government deficit is set at 3.5%, and at 3.2% for 2015. Yet, the source of budgetary savings to support the consolidation is unclear. An ambitious public investment programme, rises in pensions and other transfer payments, as well as a further envisaged increase in public wages rather suggest continued pressures on total spending. The government remains committed to a low-tax environment and plans to lower the revenue ratio by a further 1.3 pps. to 31.3% of GDP between 2014 and 2016. Overall, the deficit may widen further in 2014 and only narrow thereafter, if spending is reigned in after the elections.

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



The expected financing needs are likely to lead to further increases in general government debt. After having jumped by 2.0 pps. y-o-y in 2013, the gross debt ratio could rise by another 4.8 pps. until 2015.

Table II.29.1:

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

		2012		Annual percentage change						
	bn MKD	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP		458.6	100.0	2.2	2.9	2.8	-0.4	**3.1**	**3.0**	**3.2**
Private Consumption		342.8	74.7	-	2.1	2.9	-3.0	**4.2**	**3.0**	**2.7**
Public Consumption		84.8	18.5	-	-2.0	0.6	-1.4	**-3.6**	**3.1**	**2.3**
Gross fixed capital formation		105.4	23.0	-	-2.7	12.4	20.0	**-11.5**	**10.6**	**9.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		245.9	53.6	-	23.6	10.5	0.0	**4.5**	**6.8**	**7.6**
Imports (goods and services)		349.8	76.3	-	9.5	10.4	4.2	**-2.1**	**7.4**	**6.8**
GNI (GDP deflator)		448.2	97.7	-	2.0	2.6	0.3	**2.2**	**2.8**	**3.0**
Contribution to GDP growth:	Domestic demand			-	0.7	4.6	1.6	**-0.1**	**4.8**	**4.1**
	Inventories			-	-0.6	0.0	1.1	**-0.7**	**0.0**	**0.0**
	Net exports			-	3.4	-1.9	-3.1	**4.0**	**-1.7**	**-0.9**
Employment				-	1.3	1.1	0.8	**4.3**	**1.9**	**1.9**
Unemployment rate (a)				-	32.0	31.4	31.0	**29.0**	**28.5**	**27.5**
Compensation of employees / head				-	6.0	-2.1	2.8	**2.4**	**4.3**	**3.2**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour cost				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				10.5	2.7	3.1	0.1	**0.3**	**0.3**	**0.3**
Consumer-price index				8.3	1.6	3.9	3.3	**2.8**	**2.5**	**2.3**
Terms of trade goods				-	-1.4	5.7	1.0	**0.5**	**0.3**	**0.2**
Trade balance (c)				-	-20.8	-22.5	-23.9	**-19.7**	**-20.3**	**-20.5**
Current-account balance (c)				-	-2.0	-2.5	-3.0	**-1.9**	**-3.7**	**-3.8**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-6.8	-3.1	-3.9	**-4.1**	**-4.2**	**-3.9**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	25.8	28.4	34.0	**36.0**	**38.7**	**40.8**

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

30. ICELAND

Recovering under external constraints

Growth in 2013 reached 3.3%, much stronger than expected, largely as a result of high tourism revenues. In 2014 and 2015, output growth is expected to remain close to 3%, supported by tourism and related construction, strengthened disposable income, and higher international demand. However, strong domestic demand could lead to widening external imbalances, creating pressure on the exchange rate and domestic price stability.

Growth in 2013 was boosted by tourism

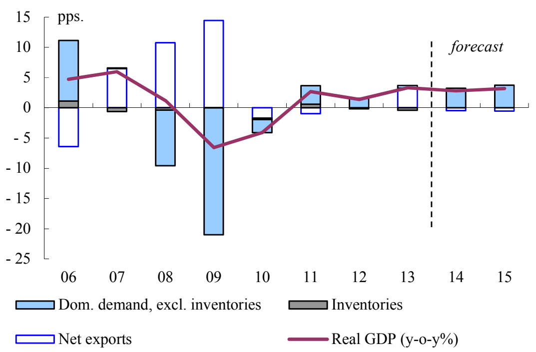
Overall economic activity rose by 3.3% in 2013, benefitting from record high tourism earnings, but also other service exports, such as engineering. These exports alone accounted for nearly one half of the economy's output growth. The contributions of private and public consumption to growth remained low, at about one half percentage point each. Gross investment was lower than a year before, which was partly due to high spending for ships and airplanes in 2012. The labour market situation continued to improve, with employment increasing by some 3.3%. However, the job creation took mainly place in low-skilled and low wage sectors, which probably reflects the expansion of tourism. Labour supply increased to a similar extent, which limited the impact on unemployment, dropping from 6% in 2012 to 5.4% in 2013. In March, the unemployment rate was at 6.1% compared to 6.9% the year before.

Inflation continued to decline, from 5.2% in 2012 to 3.9% in 2013, and to 2.5% on average during the first three months of 2014. Decelerating import prices, in particular for oil, were key factors for this decline, while price increased for housing and communication remained rather high. Recent wage agreements remained in line with the declining inflation, which could help to bring down traditionally high inflationary expectations. The general government deficit dropped from -3.8% of GDP in 2012 to -2.1% in 2013. However, mainly due to weaker-than-expected revenue growth, the initial target of a largely balanced general government account could not be reached.

In 2014-15, tourism and domestic demand are likely to drive growth

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

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



The labour market situation is expected to improve further

Labour market conditions are expected to improve over 2014-15, taking advantage of moderate wage developments and new employment opportunities in tourism and construction. This should help to lower unemployment towards 4½% by 2015. However, most new jobs are likely to be in lower wage segments. Addressing long-term unemployment will remain an important challenge.

In 2014, inflation is likely to decline further towards the Central Bank's target of 2.5%, benefitting from declining import prices and moderate wage agreements. However, in 2015, the expected increase in import prices but also stronger domestic demand could lead to a renewed upturn of inflation to above 3%.

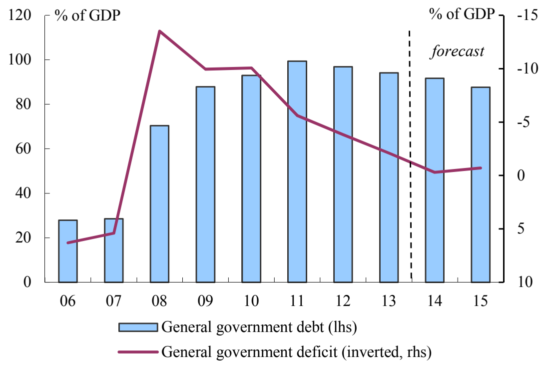
External accounts are likely to deteriorate

As a result of stronger domestic demand, the surplus in trade in goods will shrink, while the services balance is expected to continue benefitting further from expanding tourism. Overall, the current account is likely to deteriorate over forecast period. However, a higher-than-expected import growth as a result of government measures to boost disposable income, e.g. through the household debt relief programme, could lead to a much higher external imbalances. Furthermore, measures to prepare the lifting of capital controls could lead to substantial outflows of capital.

Reducing public debt remains a challenge

The forecast assumes that the government will respect its commitments towards continued fiscal consolidation, as described in the 2014 budget. The envisaged spending reductions should allow a lowering of the deficit to around -¼% of GDP in 2014. However, plans to lower direct taxes might result a slight deterioration in the fiscal balance, towards -¾% of GDP by 2015. Substantial primary surpluses (of more than 4% of GDP) will help to reduce the general government debt-to-GDP ratio towards 88% by 2015.

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



Uncertainties and risks stemming from the 2008 crisis are not overcome yet

Although the economy performed remarkably well during recent years, important uncertainties and risks stemming from the 2008 crisis are not yet overcome. Settling still existing claims towards banks in insolvency could lead to substantial current-account outflows. Lifting capital controls thus still remains a major challenge. Furthermore, higher imports as a result of the household debt relief programme could create additional pressure on external accounts, the exchange rate and domestic price stability.

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	1699.4	100.0	3.4	-4.1	2.7	1.5	**3.3**	**2.8**	**3.2**
Private Consumption	912.9	53.7	2.7	0.1	2.6	2.4	**1.2**	**4.3**	**4.0**
Public Consumption	430.4	25.3	3.1	-3.4	-0.3	-1.4	**1.3**	**0.8**	**0.5**
Gross fixed capital formation	247.8	14.6	1.6	-9.4	14.1	5.5	**-3.4**	**5.0**	**10.0**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1009.5	59.4	5.5	0.5	3.8	3.8	**5.3**	**5.0**	**5.5**
Imports (goods and services)	905.5	53.3	4.0	4.5	6.7	4.7	**-0.1**	**6.6**	**7.2**
GNI (GDP deflator)	1515.1	89.2	2.1	-1.8	6.8	5.4	**12.6**	**0.7**	**3.2**
Contribution to GDP growth: Domestic demand			3.1	-2.2	3.1	1.6	**0.5**	**3.2**	**3.7**
Inventories			-0.1	-0.2	0.6	-0.1	**-0.4**	**0.0**	**0.0**
Net exports			0.4	-1.7	-1.0	-0.1	**3.2**	**-0.4**	**-0.5**
Employment			1.3	-0.4	0.0	1.1	**3.3**	**2.1**	**2.0**
Unemployment rate (a)			3.4	7.6	7.1	6.1	**5.4**	**5.0**	**4.5**
Compensation of employees / head			-	7.2	8.2	5.6	**3.2**	**2.5**	**3.5**
Unit labour costs whole economy			-	11.4	5.4	5.3	**3.3**	**1.9**	**2.3**
Real unit labour cost			-	4.2	2.1	2.4	**1.5**	**1.6**	**0.3**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			4.8	6.9	3.3	2.9	**1.8**	**0.3**	**2.0**
Consumer-price index			-	5.4	4.0	5.2	**3.9**	**2.7**	**3.2**
Terms of trade goods			-1.1	8.5	-2.9	-5.6	**-4.6**	**-1.7**	**-1.5**
Trade balance (c)			-2.2	7.8	6.0	4.6	**3.9**	**2.3**	**1.1**
Current-account balance (c)			-8.4	-8.0	-6.3	-5.3	**3.9**	**0.2**	**-1.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-10.1	-5.6	-3.8	**-2.1**	**-0.3**	**-0.7**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	93.0	99.3	96.9	**94.2**	**91.7**	**87.7**

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

31. MONTENEGRO
Broad-based recovery

The strong growth acceleration recorded in the last quarter of 2013 confirmed a broad-based recovery, raising the average GDP growth for the whole year above expectations to 3.5%. A wave of major investments started to concretise, which will drive construction, employment and imports trends in the coming years. Public finances are confronted with the challenge of financing large capital investments within the fiscal rules narrow margins.

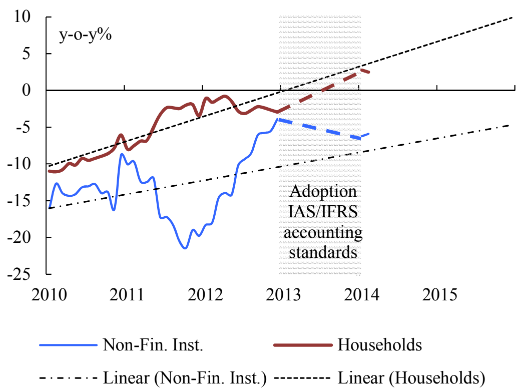
A stronger-than-expected rebound

In 2013, the economy expanded by 3.5%. The strong growth acceleration in the last quarter (by 4.7% y-o-y) confirmed a broader-based recovery than could be expected from the drivers of growth at the beginning of last year, and in particular, the surge in hydropower production. Thus, the expansion of the economy was reinforced by a resilient tourism sector as well as the revival of construction, reflecting stronger external demand and gross fixed capital formation, while private consumption and stocks still recorded some decline in real terms.

Persistent credit growth constraints

Despite improved access to local funding by domestic banks and some recovery of lending in 2013, credit activity remains constrained by tight credit conditions and risk premia stirred up by the high level of non-performing loans. By sectors, credit to households has remained on positive territory in 2014, providing a basis for a subdued recovery of private consumption. By contrast, credit to domestic companies continues declining, hindering investments other than projects financed through FDI inflows. Overall, the outlook seems set for a continuation of weak credit growth in the near future.

Graph II.31.1: **Montenegro - Bank lending**



A new investment cycle

The baseline scenario foresees the continuation of economic growth relying on the new cycle of foreign investments, to be reinforced in 2015 with the completion of the steel mill upgrade and the start of the new thermal power plant works. The situation of the aluminium factory KAP remains uncertain, but even in case of successful privatisation, its production is likely to remain reduced and constrained by high production costs.

The unemployment rate is expected to decline slightly, although less so in 2014 due to a probable downsizing of KAP, while employment growth would reflect – to some extent – the pace of investments. Weak labour market dynamics have resulted in a contraction of wages, declining by almost 4% in real annual terms in 2013. Wages are likely to record some moderate increase following the acceleration of labour demand, especially in tourism and construction sectors.

Low inflation scenario

In 2013, average inflation declined to 2.2% compared to 4.1% a year before. In the first quarter of 2014, much lower energy and food import prices, which have a predominant weight in the CPI index, have had a deflationary effect. The future improvement of domestic demand, despite still weak disposable income and banks' credit growth, together with an upward revision of electricity prices in August will raise inflation growth in the second half of this year. Further acceleration of private consumption in 2015 would add pressure on the consumer price index, which could register an average growth above 2.5%.

Despite some adjustment, external imbalances still remain large

In 2013, thanks to the decline in imports and the growth of exports, particularly from energy and tourism, the current-account deficit narrowed to 14.6% of GDP, down from 18.7% a year earlier.

Exports are set to decelerate in 2014, discounting the base-effect from electricity trade, while tourism revenues would continue their expansionary trend albeit external risks are emerging. At the same time, some delay in the construction of the highway and power plants might limit the impact from construction material imports in 2014, bringing some marginal improvement to the current-account deficit, which would be largely financed by net FDI inflows.

New risks

New geopolitical risks need to be considered in this forecast. The tensions over the situation in Ukraine may have a negative impact on real estate investment where Russians are key players. In addition, the number of Russians and Ukrainian tourists (accounting respectively for 25% and 5% of total visitors in 2013), might decline in 2014.

Tightening fiscal space

As a result of consolidation efforts, the 2013 budget performance improved compared to the year before, despite the unplanned payment of state guarantees amounting to around 3% of GDP. Several measures, both on the revenue and expenditure side, helped to bring the general government deficit in line with the target (2.7% of GDP) or less than half compared to the deficit recorded a year before, also avoiding a budget revision during the year.

In 2013, the growth of public debt decelerated thanks to the lower budget deficit. Yet, the debt-to-GDP ratio still increased by 4 pps. to 58%, due to stock-flow adjustments from the activation of state guarantees as well as some local government's debt occurrence. The adoption of the Fiscal Responsibility Law (i.e. fiscal rules) in April 2014 sets general government deficit and debt levels at 3% and 60% of GDP respectively. The new rules thus leave a very narrow margin to accommodate for new borrowing to start building the Bar-Boljare highway. Yet, due to delays in the implementation of this investment, a substantial reduction in borrowing needs is likely, compared to the original plans for this year (and possible for part of 2015 too) as advanced in Montenegro's Pre-Accession Economic Programme. As a result, public debt would grow in line with the nominal GDP rate for 2014, accelerating later in 2015, in proportion with the intensification of the works, to come close to the fiscal rule limit of 60% of GDP by the end of the year.

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	**3.5**	**2.9**	**3.6**
Private Consumption	2632.0	83.6	-	2.0	4.2	-3.2	**-0.7**	**1.0**	**1.5**
Public Consumption	679.1	21.6	-	-0.3	-1.6	3.1	**1.1**	**0.4**	**1.4**
Gross fixed capital formation	583.8	18.5	-	-18.5	-10.3	-3.3	**6.7**	**9.5**	**11.5**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1389.4	44.1	-	7.5	14.1	-1.2	**6.6**	**3.0**	**5.4**
Imports (goods and services)	2166.4	68.8	-	-3.1	3.1	0.9	**-0.4**	**2.7**	**4.5**
GNI (GDP deflator)	3203.1	101.7	-	5.9	3.8	-0.7	**3.9**	**5.4**	**4.8**
Contribution to GDP growth: Domestic demand			-	-3.4	0.9	-2.6	**0.9**	**2.7**	**3.8**
Inventories			-	1.4	-0.6	1.2	**-0.5**	**0.6**	**0.3**
Net exports			-	4.5	2.9	-1.1	**3.2**	**-0.4**	**-0.5**
Employment			-	-1.9	-6.4	2.8	**0.2**	**1.9**	**2.6**
Unemployment rate (a)			-	19.7	19.7	19.6	**19.5**	**19.1**	**18.2**
Compensation of employees / head			-	2.3	0.9	0.7	**0.7**	**1.0**	**2.2**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	19.6	17.2	21.0	**19.4**	**18.5**	**18.7**
GDP deflator			-	-0.8	-0.7	-1.0	**2.5**	**-1.2**	**0.8**
Consumer-price index			-	0.5	3.1	4.1	**2.2**	**1.8**	**2.7**
Terms of trade goods			-	-	-	-	**-**	**-**	**-**
Trade balance (c)			-	-40.8	-40.4	-44.1	**-39.9**	**-40.2**	**-40.5**
Current-account balance (c)			-	-22.9	-17.7	-18.6	**-14.6**	**-14.4**	**-14.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.9	-5.4	-5.6	**-2.6**	**-0.6**	**1.0**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	40.9	46.0	54.0	**58.0**	**58.5**	**59.4**

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

32. SERBIA

Consumption to remain a drag on growth

Due to weak consumption, growth is likely to remain subdued over the forecast horizon. Further gains in exports and a recovery of investments driven by the country's EU accession prospects, are expected to support a further rebalancing of the economy. Lacking further consolidation measures, government debt will surpass 70% of GDP already in 2014.

Growth in 2013: above expectations

The GDP growth of 2.5% in 2013 stood out above expectations. It was driven exclusively by exports, which grew by 16.6% y-o-y. Despite positive fourth quarter data, public and household consumption growth were negative for the year as a whole at 1.7% and 1.5%, respectively. Following strong growth in 2012, gross capital formation declined sharply by 7.7% as government investment spending was cut by a third, bank lending contracted and foreign direct investments remained far below their potential. On the supply side, growth was supported by a very strong performance of agriculture, rising by 20.2% y-o-y, while, in line with the fall in investments, construction dropped by 25.7%.

Judging from high-frequency indicators in the first months of 2014, the uptick in domestic consumption in the last quarter of the previous year may have been only temporary. Following a spike in the autumn, the growth of retail trade turnover decelerated to 0.2% y-o-y in February. Industrial production growth has also trended downwards, reaching 1.1% y-o-y in February. Manufacturing, growing by 1.9% in the first two months of the year, continued to be supported by a good performance of the automotive industry, albeit far below its growth in the previous year.

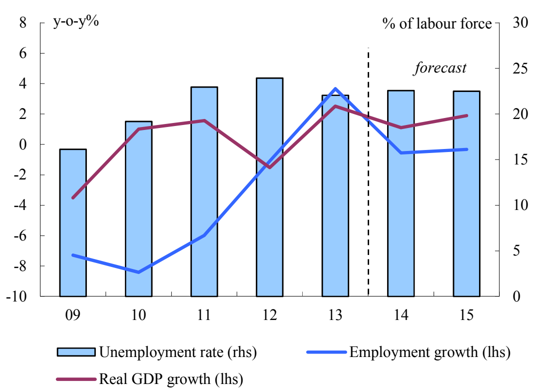
Weak consumption ahead

Most indicators point at a continuing rebalancing of the economy away from consumption. After a few months of growth in the autumn, real wages fell in the first two months of 2014 and are likely to remain supressed over the forecast horizon. Very high unemployment is expected to restrain wages and labour cost increases may be further limited in industries with state-owned enterprises under restructuring, which are likely to shed labour. A steady population decline and sluggish credit growth are also foreseen to dampen private consumption.

Higher expenditure on goods and services boosted public consumption in the last quarter of the year, despite fiscal consolidation efforts and a nominal decline in spending on wages and salaries. Although it may remain relatively strong in the first half of the year, due to base and one-off effects, public consumption growth is expected to turn negative in the second half of the year and remain so over the forecast horizon as wages and employment restrictions in the government sector take their toll.

Following a stellar performance in 2013, driven mainly by a single car assembly project, export growth is foreseen to remain robust, supported by improving external demand in Serbia's main trading partners. Investments are expected to receive a boost from the beginning of EU accession negotiations and increased capital expenditure by the government. However, risks to their growth profile are on the downside in view of increased geopolitical tensions, some delays in structural reforms, and the need of further strong fiscal consolidation efforts.

Graph II.32.1: **Serbia - Labour market**



Inflation is set to decline markedly, although the factors driving its volatility still need to be addressed in a sustainable manner. It is expected that weak demand, a relatively stable exchange rate, and increased food price stability, due to lower tariff protection, will dampen inflationary pressures over the forecast horizon.

Unemployment is likely to stabilise at the current very high levels, as any gains in private sector employment are likely to be largely offset by job losses due to public sector restructuring.

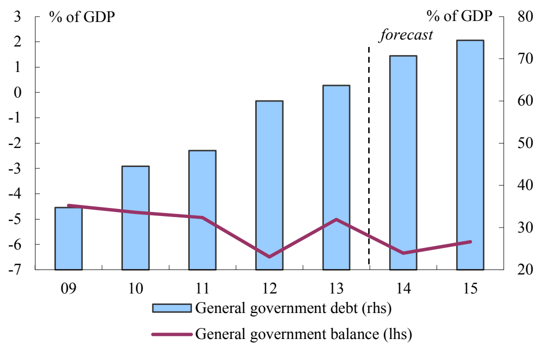
Despite solid exports growth, the space for improving the current-account deficit is expected to be exhausted by 2015, as domestic demand and imports start to slowly recover. However, the very weak demand prospects could lead to a faster-than-expected reduction in external imbalances over the forecast period.

Fiscal consolidation: still a key challenge

The 2013 budget deficit turned out below the revised budget target and much lower than expected in the autumn. Although revenues underperformed, significant across-the-board current- and investment-expenditure cuts have contained the overall deficit to 5.0% of GDP.

Despite a new round of consolidation measures in 2014, higher interest payments, investment expenditure, new subsidies, and social costs, mainly related to public enterprise restructurings, are expected to keep total spending and the budget deficit very high. The lower-than-planned inflation would also impact negatively government revenue and contribute to a rising fiscal pressure. The fiscal situation is likely to remain bleak in 2015 as well, as growing interest payments and a large share of non-discretionary expenditure limit expenditure flexibility.

Graph II.32.2: **Serbia - Public finances**



Lacking further consolidation measures, the deficit is expected at around 6% of GDP in both forecast years, keeping government debt on an upward trajectory. Under a no-policy-change assumption, already in 2014 is the government debt indeed likely to surpass 70% of GDP and related interest payments could top 3% of GDP.

Table II.32.1:

Main features of country forecast - SERBIA

	2012			Annual percentage change					
bn RSD	Curr. prices	% GDP	94-09	2010	2011	2012	2013	2014	2015
GDP	3348.7	100.0	-	1.0	1.6	-1.5	**2.5**	**1.1**	**1.9**
Private Consumption	2579.0	77.0	-	-0.9	-1.1	-1.8	**-1.5**	**-1.1**	**-0.5**
Public Consumption	666.0	19.9	-	0.4	1.0	1.7	**-1.7**	**-1.2**	**-0.8**
Gross fixed capital formation	717.2	21.4	-	-5.5	8.4	14.4	**-7.7**	**5.5**	**9.8**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1348.3	40.3	-	15.3	3.4	1.8	**16.6**	**5.3**	**4.9**
Imports (goods and services)	1950.1	58.2	-	3.1	7.0	1.9	**2.0**	**2.4**	**3.6**
GNI (GDP deflator)	3260.6	97.4	-	0.3	1.5	-1.9	**1.6**	**0.8**	**1.6**
Contribution to GDP growth: Domestic demand			-	-1.7	0.8	1.6	**-3.1**	**0.0**	**1.7**
Inventories			-	-0.3	3.3	-2.8	**0.1**	**0.0**	**0.0**
Net exports			-	3.0	-2.5	-0.3	**5.5**	**1.0**	**0.3**
Employment			-	-8.4	-6.0	-1.1	**3.7**	**-0.6**	**-0.3**
Unemployment rate (a)			-	19.2	23.0	23.9	**22.1**	**22.6**	**22.5**
Compensation of employees / head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour cost			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	4.9	9.6	6.0	**5.4**	**4.1**	**4.5**
Consumer-price index			-	6.1	11.1	7.3	**7.8**	**3.8**	**4.5**
Terms of trade goods			-	-1.8	4.6	1.7	**0.7**	**-0.3**	**0.0**
Trade balance (c)			-	-17.1	-16.9	-18.5	**-12.5**	**-11.9**	**-11.4**
Current-account balance (c)			-	-7.6	-8.8	-10.6	**-5.2**	**-4.6**	**-4.3**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.7	-4.9	-6.5	**-5.0**	**-6.3**	**-5.9**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	44.5	48.2	60.0	**63.7**	**70.7**	**74.4**

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

33. TURKEY

Growth drivers shift to the external sector

Economic activity was somewhat stronger than expected in 2013, but the growth outlook for the following two years has deteriorated since last autumn in view of market and policy developments. Monetary conditions have tightened and bank lending is decelerating. The lira's depreciation over the past year is stoking inflation and curbing consumers' purchasing power, but is also helping the economy to rebalance towards external demand.

Domestic-demand based growth in 2013

Following a pronounced slowdown in 2012, Turkey's economy re-accelerated in the first half of 2013. This was helped by monetary policy accommodation and a relatively large increase in public spending, particularly investment. In the second half of the year, growth slowed again as public spending was reined in. Quarter-on-quarter growth registered 0.8% in the third and 0.5% in the fourth quarter.

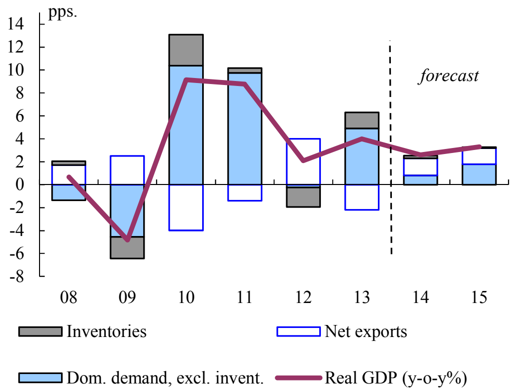
For 2013 as a whole, GDP growth amounted to 4.0%, up from 2.1% in 2012. Consumer spending – fuelled by sharply higher bank lending and substantial employment growth – made the largest contribution. Stock accumulation and public spending, particularly on fixed investments, also made sizeable contributions. Net exports of goods and services, on the other hand, subtracted from overall GDP growth due to a sharp turnaround in Turkey's trade in non-monetary gold. Net imports of gold worth 1.4% of GDP widened the current-account deficit to 7.6% of GDP in 2013.

Depreciation and tighter financial conditions

Turkey's financial markets and the lira were under strong downward pressure between May 2013 and the end of January 2014 in the context of the Federal Reserve's tapering of asset purchases, domestic political crises, and geopolitical tensions related to the Syrian civil war. The yield on the two-year benchmark government note rose by 600 basis points to close to 11% and the major index on the Istanbul stock exchange fell by 30%. The lira depreciated by 16.4% in real effective terms between April 2013 and January 2014.

In addition to heavy lira-supporting interventions in the foreign exchange market, the central bank reacted to the market turmoil by tightening monetary policy. Following initial moves last summer towards a less accommodative monetary policy stance, the central bank took more aggressive action on 28 January. The overnight lending rate was raised from 7.75% to 12% and the one-week repo rate was hiked from 4.5% to 10%. The central bank signalled then, and confirmed subsequently, that it would maintain a tight monetary policy stance until there was a significant improvement in the inflation outlook. Over the following three months, financial markets and the lira have first stabilised and then regained some ground.

Graph II.33.1: **Turkey- Real GDP growth and contributions**



Rebalancing towards external demand

Looking forward, final domestic demand will be significantly dampened by market and policy developments between May 2013 and January 2014. The pass-through of the lira depreciation to domestic prices will reduce both private and public consumption in real terms. Consumer spending will be hit by higher interest rates, some macro-prudential measures to lower household borrowing, and higher indirect taxes. Loan growth has already slowed down noticeably in March and April. Business investment will also be curbed by tighter financial conditions and by deteriorating balance sheets for companies with debt in foreign exchange.

On the external side, the lira's depreciation has improved the international price competitiveness of Turkish goods and services, thereby re-directing economic activity towards exports and import-substituting output. This, combined with the recovery in Turkey's export markets, will gradually offset the reduction in domestic demand growth and lead to some rebalancing of the economy.

Slower growth, higher inflation, but a smaller current-account deficit

In 2014, the economy is projected to continue the slowdown already noticeable in the second half of 2013. Annual GDP growth is projected at 2.6% with net exports starting to contribute positively. In 2015, growth is expected to increase to 3.3% as domestic demand recovers gradually. One downside risk to this forecast is the possibility of a renewed sell-off in Turkish financial assets in the context of normalising monetary conditions in advanced economies.

Annual inflation is expected to be pushed up to 8.6% in 2014, spurred mainly by the pass-through from the recent currency depreciation, but also by some adjustments of indirect taxes. When these effects peter out, below-potential output growth will help to lower inflation somewhat. Nevertheless, in view of the current inflation expectations, the inflation rate is projected to remain significantly above the central bank's 5% medium-term target throughout the forecast period.

Employment growth already slowed in the second half of 2013. Given the structural increase of the labour force, the unemployment rate is projected to rise to 10.5% in 2014 before levelling off. The lira depreciation and the rebalancing of the economy are projected to narrow the current-account deficit gradually to about 4% of GDP by 2015.

Public debt ratio raised by the depreciation

In 2013, the fiscal deficit of general government was held in check by surging revenues partly resulting from earlier changes to indirect taxation and the social security regime. The forecast projects the deficit to widen to almost 3% of GDP in 2014 due to much slower revenue growth. Some narrowing of the deficit is forecast for 2015 when economic activity and revenue growth pick up again. The lira depreciation in 2013 increased the book value of foreign currency debt and halted the previous downward trend in the public debt ratio. The deficit projection implies a stabilisation of the debt ratio around 36% of GDP in the forecast period.

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		1416.8	100.0	3.2	9.2	8.8	2.1	**4.0**	**2.6**	**3.3**
Private Consumption		994.4	70.2	3.5	6.7	7.7	-0.5	**4.6**	**0.2**	**1.2**
Public Consumption		210.3	14.8	4.1	2.0	4.7	6.1	**5.9**	**3.2**	**2.7**
Gross fixed capital formation		287.1	20.3	2.1	30.5	18.0	-2.7	**4.3**	**1.3**	**3.0**
of which: equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		372.6	26.3	7.8	3.4	6.5	18.3	**-0.3**	**7.4**	**9.0**
Imports (goods and services)		445.7	31.5	6.3	20.7	10.9	-0.5	**8.4**	**0.7**	**3.3**
GNI (GDP deflator)		1404.0	99.1	3.2	9.6	8.7	2.2	**3.8**	**2.5**	**3.2**
Contribution to GDP growth:	Domestic demand			3.5	10.4	9.8	-0.2	**4.9**	**0.8**	**1.8**
	Inventories			-0.2	2.7	0.4	-1.7	**1.4**	**0.2**	**0.1**
	Net exports			0.1	-4.0	-1.4	4.0	**-2.2**	**1.5**	**1.4**
Employment				0.9	6.2	6.7	3.0	**3.0**	**2.0**	**2.7**
Unemployment rate (a)				8.3	11.9	9.8	9.2	**9.8**	**10.5**	**10.4**
Compensation of employees / head				38.8	7.0	-2.1	11.8	**10.7**	**7.8**	**8.1**
Unit labour costs whole economy				35.7	4.1	-3.9	12.7	**9.6**	**7.2**	**7.5**
Real unit labour cost				-2.8	-1.5	-11.5	5.5	**3.4**	**-0.3**	**-0.4**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				39.9	5.7	8.6	6.9	**5.9**	**7.5**	**7.9**
Consumer-price index				-	8.6	6.5	8.9	**7.5**	**8.6**	**7.4**
Terms of trade goods				-0.9	-3.2	-2.9	-3.1	**3.1**	**0.3**	**1.8**
Trade balance (c)				-5.3	-7.8	-11.3	-8.1	**-9.4**	**-8.3**	**-6.3**
Current-account balance (c)				-2.1	-6.3	-9.5	-5.9	**-7.6**	**-6.0**	**-3.9**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				-	-6.3	-9.5	-5.9	**-7.6**	**-6.0**	**-3.9**
General government balance (c)				-	-2.9	-0.8	-1.1	**-1.6**	**-2.9**	**-2.5**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	43.1	39.9	36.2	**36.3**	**36.4**	**35.7**

(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

Broad-based recovery taking hold

Growth in the US is expected to rise from 1.9% in 2013 to 2.8% in 2014 and 3.2% in 2015, as a broad-based recovery is taking hold. Considerably lower fiscal drag and continued highly accommodative monetary policies will boost activity. Private consumption is expected to firm thanks to an improving labour market and lower deleveraging pressures, while both business and residential investment are set to accelerate on the back of attractive financing conditions and improving confidence.

Recovery firming amid a waning fiscal drag and continued support from monetary policy

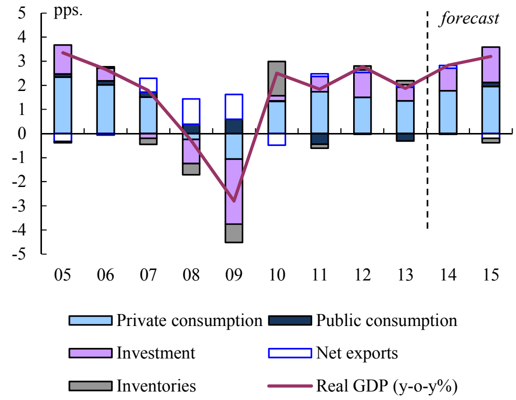
Following a slow-down at the turn of the year due to the coldest winter in 20 years, economic activity is rebounding gradually, with the latest leading indicators pointing to a strengthening momentum. The recovery is projected to gather pace over the forecast horizon, as substantially easing fiscal drag and continued support from monetary policy will create a more conducive environment for the expansion of the private sector. Household consumption is expected to firm, benefitting from rising net worth, boosted by property and equity prices and an improving labour market. Investment should accelerate in line with domestic and external demand, reinforcing virtuous circles between construction, household spending, business investment and employment.

Real GDP growth slowed to 0.7% q-o-q in the final quarter of 2013 and is expected to weaken further in the first quarter of 2014, largely due to weather effects. However, a steady acceleration of activity is projected going forward, implying real GDP growth of 2.8% in 2014 and 3.2% in 2015.

Uncertainty regarding monetary policy

Monetary policy is expected to remain supportive over the forecast horizon. The Federal Open Market Committee's (FOMC) asset purchase programme is due to be terminated by the end of the year. However, the FOMC anticipates that interest rates will remain near zero "for a considerable time after the asset purchase program ends". Nevertheless, market expectations of a first rate hike seem to have moved forward to around mid-2015, as unemployment has been falling faster than previously expected.

Graph II.34.1: **US - Real GDP growth and contributions**



Strengthening investment

Business investment is expected to pick up from the sub-par growth in 2013, as the fiscal policy drag recedes and the recovery broadens within a still conducive financing environment thanks to low real interest rates and high corporate profits. With encouraging recent data on new orders and business confidence, non-residential investment is set to pick up in 2014-15, bringing its share in GDP back to pre-crisis levels of around 13%.

Residential investment should benefit from considerable pent-up demand as household formation and home-ownership are due to rebound from their post-crisis lows. Yet, housing construction and sales have witnessed a soft patch since mid-2013, including the first contraction in the sector's contribution to GDP in three years. The weakness may reflect rising mortgage rates combined with the persistently tight lending standards and, more recently, severe weather and bottlenecks emerging in the construction sector (skilled labour force and supply of buildable land). Fast-rising home prices and healing household balance sheets should, however, create resilient demand for new construction. The momentum is therefore expected to strengthen gradually in the course of 2014.

Private consumption is expected to firm over the forecast horizon benefitting from improvements in the labour market, lower deleveraging pressures and rising net wealth on the back of buoyant equity and home prices. Following three years of nominal contraction, government spending (consumption + investment) should be flat in 2014 and then rise modestly in 2015 reflecting the easing fiscal drag.

Healing labour market

The labour market seems to have recovered from the weather-related weakness around the turn of the year, even though job creation in March did not yet show a strong rebound that might be expected following the weather-depressed readings in previous months. Labour force participation rate, which had been falling sharply in the wake of the crisis, rose to a six-month high in March. This is likely to signal a certain reversal in the trend, as a cyclical inflow into the labour force temporarily dominates the secular decline in participation due to demographic trends. Going forward, employment is expected to advance steadily in 2014 and 2015, while the unemployment rate is projected to fall to below 6% by 2015.

Wage and price pressures remain subdued

Despite the recovery in the labour market, the remaining slack in the economy coupled with some transitory factors keeps wages and prices subdued. Growth in average hourly earnings barely exceeds 2% y-o-y, while consumer-price inflation has been running well below the 2% target and declined recently to levels near four-year lows. Over the forecast horizon, consumer-price inflation is expected to rise moderately in line with a gradual closure of the output gap.

Headwinds from the fiscal policy are expected to wane over the forecast horizon, in line with clearer policy outlook (thanks to the recent budget and debt ceiling deals) and fiscal consolidation easing to 0.9% of GDP in 2014 and 0.7% in 2015.

Table II.34.1:

Main features of country forecast - USA

	2012			Annual percentage change					
bn USD	**Curr. prices**	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	16244.6	100.0	2.6	2.5	1.8	2.8	**1.9**	**2.8**	**3.2**
Private Consumption	11149.6	68.6	3.0	2.0	2.5	2.2	**2.0**	**2.6**	**2.9**
Public Consumption	2548.0	15.7	1.8	0.1	-2.7	-0.2	**-2.0**	**-0.2**	**1.1**
Gross fixed capital formation	3028.1	18.6	2.7	1.1	3.5	5.5	**2.9**	**4.9**	**7.5**
of which: equipment	1063.3	6.5	4.1	12.8	9.6	6.3	**1.9**	**6.1**	**7.3**
Exports (goods and services)	2195.9	13.5	4.7	11.5	7.1	3.5	**2.7**	**5.0**	**5.6**
Imports (goods and services)	2743.1	16.9	5.5	12.8	4.9	2.2	**1.4**	**3.5**	**6.0**
GNI (GDP deflator)	16497.5	101.6	2.8	2.9	2.2	2.7	**1.9**	**2.7**	**3.1**
Contribution to GDP growth:	Domestic demand		2.9	1.6	2.0	2.5	**1.6**	**2.7**	**3.6**
	Inventories		-0.1	1.4	-0.2	0.1	**0.1**	**0.0**	**-0.2**
	Net exports		-0.2	-0.5	0.1	0.1	**0.1**	**0.1**	**-0.2**
Employment			0.8	-0.6	0.6	1.8	**1.0**	**1.8**	**1.6**
Unemployment rate (a)			5.4	9.6	8.9	8.1	**7.4**	**6.4**	**5.9**
Compensation of employees / f.t.e.			3.6	2.8	3.1	2.1	**1.7**	**2.3**	**2.9**
Unit labour costs whole economy			1.8	-0.3	1.8	1.1	**0.8**	**1.3**	**1.2**
Real unit labour cost			-0.3	-1.5	-0.2	-0.6	**-0.7**	**-0.3**	**-0.6**
Saving rate of households (b)			10.3	11.3	11.1	10.9	**9.4**	**9.2**	**8.9**
GDP deflator			2.0	1.2	2.0	1.7	**1.5**	**1.6**	**1.8**
Consumer-price index			2.5	1.6	3.1	2.1	**1.5**	**1.7**	**1.9**
Terms of trade goods			-0.2	-1.6	-1.1	-0.1	**0.9**	**-0.2**	**-0.4**
Trade balance (c)			-4.1	-4.5	-4.9	-4.7	**-4.3**	**-4.1**	**-4.2**
Current-account balance (c)			-3.5	-3.0	-2.9	-2.7	**-2.3**	**-2.2**	**-2.4**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			-3.5	-3.0	-3.0	-2.7	**-2.3**	**-2.2**	**-2.4**
General government balance (c)			-3.8	-12.0	-10.6	-9.2	**-6.2**	**-5.4**	**-4.7**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			64.5	94.8	99.0	102.4	**104.5**	**105.9**	**105.4**

(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

Stable growth ahead amidst rising uncertainty

Continued monetary stimulus will underpin growth in 2014, while the impact from the consumption tax hike is partly compensated by fiscal stimulus. In 2015, growth is expected to slow down on the back of further consolidation and waning monetary stimulus.

Near-term growth underpinned by monetary stimulus

Monetary stimulus has been successful in overcoming deflation and spurring near-term growth. After slowing in the second half of 2013 on the back of negative net exports, real GDP growth is set to have been boosted by strong private consumption in the first quarter of 2014 in anticipation of April's consumption tax hike. The economy is expected to contract in the second quarter and return to positive growth in the remainder of the year as private consumption readjusts. Net exports are also set to gradually contribute to growth as global demand firms up, even though export volumes have proved less responsive than expected due to yen depreciation. A similar pattern of a front-loaded private demand and a subsequent contraction will materialise in 2015, when a second consumption tax hike is scheduled in the fourth quarter. For 2014 real GDP is projected to grow at a similar rate as in 2013 (1.5%), while in 2015 growth is projected to slow somewhat to around 1.3% on the back of continued fiscal consolidation and waning monetary stimulus.

A bumpy ride for private consumption

High-frequency indicators such as retail sales or the real private consumption index point to strong private consumption in the first months of the year. However, forward-looking survey indicators appear more subdued, with the February consumer confidence index falling to its lowest level since September 2011. This is likely to reflect the expected negative impact of the consumption tax hike and still relatively moderate real income growth. Consumer spending is expected to decline sharply by over 2% q-o-q in the second quarter of 2014 before gradually rebounding. A similar pattern is likely to occur in 2015 in the run up to the October consumption tax hike, with a sharp drop in the final quarter.

Moderate investment pick-up ahead

Investment conditions remain highly favourable as lending rates remain close to historic lows and profit margins have widened. Nevertheless the corporate sector has remained so far relatively cautious, as domestic non-residential (business) investment has failed to consistently pick up, and overseas investment seems to have been preferred. High-frequency indicators suggest however a moderate uptrend, which is expected to gradually strengthen, supported by improved prospects for corporate profits and the projected recovery in export volumes. After solid growth in 2013, prompted by front-loaded demand before this year's tax hike, housing investment is set to decline over the first half of the year, in line with lower housing starts. Public investment should still grow strongly in 2014 reflecting the fiscal stimulus, but will decline in 2015 as the stimulus effects wane.

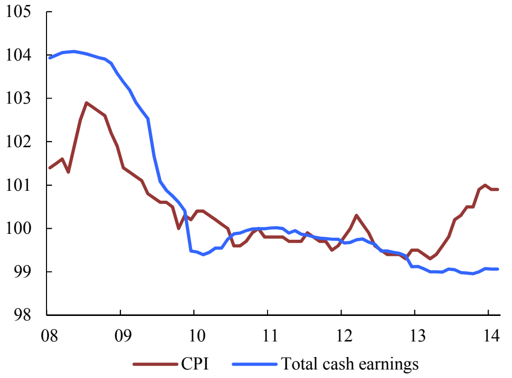
Net exports expected to gradually recover

Net exports dragged heavily on growth in the second half of 2013 as export volumes did not recover as expected, whilst resilient fossil fuel imports and front-loaded demand for imports ahead of April's tax hike weighed on the trade balance. Demand for imports should moderate over the forecast horizon under the effect of successive consumption tax hikes. Export volumes are expected to progressively recover as global demand firms up, partly responding to the weaker yen. Overall net exports should gradually contribute to growth and to a cyclical recovery in Japan's current-account balance.

Wages hardly keep up with inflation

Labour market conditions appear relatively tight as the unemployment rate has dropped well below 4%. No easing is expected as resilient private consumption, stronger corporate profitability, and gradually rising export volumes should continue to support labour demand. Declining average hours worked and still low labour force participation (in particular for women and older workers) remain however possible easing factors. Employment is projected to grow marginally, whilst the unemployment rate will remain below 4%.

Graph II.35.1: **Japan - CPI and total cash earnings (2010=100)**



Source: Statistics Bureau ; MHLW

Despite the tight labour market, nominal wages remain subdued given employers' reluctance to basic pay rises and constant creation of non-regular jobs. Pay rises agreed during *shuntō* negotiations (around 2% in 2014, including seniority pay hikes) cover only a limited part of the workforce and are not likely to spread to the overall economy. Total wage growth is expected at around 1% this year.

Monetary policy is expected to remain accommodative over the forecast horizon. Core CPI (excluding fresh food) inflation persists in positive territory (1.3% y-o-y in February, unchanged from January). The inflation rate will be temporarily pushed above 2% this year by the consumption tax hike. However base effects from pricier energy imports should gradually wane and demand-driven inflation will be constrained as long as wage pressures are not picking up.

Risks

Resilience of domestic growth drivers will be tested this year as sources of uncertainty have become more prominent. Continued negative real wage growth remains a downside risk for private consumption and for the effectiveness of reflationary efforts, especially in the aftermath of the consumption tax hike. Investment may be dampened by lack of progress on structural reform. Some uncertainty also persists over the path of fiscal consolidation and the implementation of measures scheduled for 2015.

Table II.35.1:

Main features of country forecast - JAPAN

	2012			Annual percentage change						
	bn JPY	**Curr. prices**	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP		473777.1	100.0	0.6	4.7	-0.5	1.4	**1.5**	**1.5**	**1.3**
Private Consumption		287696.8	60.7	0.9	2.8	0.3	2.0	**1.9**	**0.6**	**0.7**
Public Consumption		96940.4	20.5	2.2	1.9	1.2	1.7	**2.2**	**1.6**	**0.9**
Gross fixed capital formation		100067.7	21.1	-1.4	-0.2	1.4	3.4	**2.6**	**3.8**	**1.6**
of which: equipment		-	-	0.6	2.6	3.4	-	**-**	**-**	**-**
Exports (goods and services)		69774.8	14.7	3.5	24.4	-0.4	-0.1	**1.6**	**4.0**	**4.9**
Imports (goods and services)		79156.5	16.7	3.0	11.1	5.9	5.3	**3.4**	**4.3**	**2.8**
GNI (GDP deflator)		488821.9	103.2	0.7	4.6	0.0	1.5	**2.0**	**2.0**	**1.5**
Contribution to GDP growth:	Domestic demand			0.5	2.0	0.7	2.3	**2.2**	**1.5**	**1.0**
	Inventories			-0.1	0.9	-0.2	0.1	**-0.3**	**0.3**	**0.0**
	Net exports			0.2	1.7	-0.9	-0.9	**-0.3**	**-0.2**	**0.2**
Employment				-0.2	-0.4	-0.2	0.0	**0.4**	**0.5**	**0.3**
Unemployment rate (a)				4.3	5.1	4.6	4.3	**4.0**	**3.8**	**3.8**
Compensation of employees / head				-0.6	0.4	0.6	-0.1	**0.0**	**1.1**	**0.8**
Unit labour costs whole economy				-1.5	-4.5	0.8	-1.6	**-1.1**	**0.1**	**-0.1**
Real unit labour cost				-0.5	-2.4	2.7	-0.6	**-0.6**	**-1.6**	**-1.3**
Saving rate of households (b)				12.1	8.7	9.0	7.8	**6.7**	**5.3**	**4.5**
GDP deflator				-0.9	-2.2	-1.9	-0.9	**-0.6**	**1.7**	**1.2**
Consumer-price index				0.0	-0.7	-0.3	0.0	**0.4**	**2.5**	**1.6**
Terms of trade goods				-2.2	-7.0	-8.8	-1.9	**-1.8**	**-1.8**	**0.0**
Trade balance (c)				2.2	1.7	-0.3	-1.2	**-1.9**	**-2.3**	**-2.1**
Current-account balance (c)				2.9	3.7	2.0	1.0	**0.7**	**0.7**	**1.2**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)				2.8	3.6	2.0	1.0	**0.7**	**0.6**	**1.1**
General government balance (c)				-5.5	-8.3	-8.8	-8.7	**-9.0**	**-7.4**	**-6.2**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				149.7	216.0	229.8	237.3	**244.0**	**243.7**	**244.1**

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

36. CHINA

Growth continues to edge downwards

During the first quarter of 2014 China's growth rate dipped slightly to 7.4% and there were renewed signs of financial fragility. The forecast has been marked down to 7.2% for 2014 and 7.0% for 2015, reflecting recent data, while gradual rebalancing of the economy away from the heavy reliance on investment is also expected to entail lower, though more sustainable growth. Risks of a more abrupt slowdown remain.

Signs of a New Year slowdown …

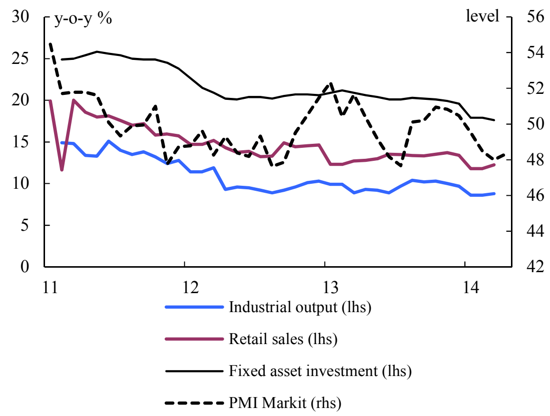
China has seen continued rapid growth in recent years, but driven by very high levels of investment and accompanied by fast credit expansion. A transition towards a more balanced growth model is needed to unwind domestic imbalances and allow for more sustainable (if lower) growth, in line with the reform priorities set out at the Third Party Plenum last year. However, achieving a smooth adjustment is a major challenge and may also entail lower growth rates in the near term.

Overall activity weakened during the first quarter of 2014, with most high frequency indicators showing a pronounced dip. Data for January and February are reported together and may be somewhat misleading due to the Chinese New Year, but there was weakness reported across all fronts. Retail sales, industrial value-added and fixed asset investment all fell to their lowest growth rates for several years, and improved only very marginally in March. Surveys also showed weakness, with the official PMI edging down to just above 50 in February and March, while the Markit PMI dipped sharply below 50 in both months. This softness was confirmed in the first quarter GDP figures released in mid-April which reported growth of 7.4%, down from 7.7% in the last quarter of 2013.

… and rising financial stress …

Rapid credit growth and a sharp rise in the share of new credit from non-traditional sources (*shadow banking)* have been adding to concerns over financial stability. Corporate leverage has grown to well over 100% of GDP, while off-balance sheet borrowing by local government is over 30% of GDP. Property-related investment is a particular focus of attention, as property prices have risen sharply in many cities in recent years, and real estate investment is over 10% of GDP. These factors have led to concerns over solvency risks surrounding parts of the financial system, particularly those linked to property investment. There is also considerable uncertainty over the extent of implicit guarantees from central and local government.

Graph II.36.1: **China - High-frequency indicators**



Reflecting growing financial sector tensions, interbank rates have spiked repeatedly since mid-2013. Moreover, there has been a number of high-profile (near-) defaults on corporate bond issues and 'trust' products (securitised loans) in the early months of 2014. In the context of market-oriented reform, the implicit increase in default risk could be seen as a positive step towards reducing moral hazard and reining in excessive credit creation, provided it does not trigger (or reflect) more systemic problems.

… but official growth targets remain unchanged.

The National People's Congress in March reaffirmed the governments overall growth target at 7.5% for 2014, with an inflation target of 3.5%.

Looking forward, the overall stance of monetary policy remains broadly accommodative with inter-bank rates having returned to around 3-4% in March 2014, though access to credit is typically segmented and uneven. The gradual rise in the exchange rate seen through late 2013 started to reverse in January 2014, and by late April the USD/RMB exchange rate had returned to the level seen in early 2013. The People's Bank of China also widened the daily trading band for the RMB in mid-March from 1% to 2% against the central parity rate. Growth of exports was solid in 2013 (8% increase in USD value terms) but has been largely matched by imports (up 7% in USD value terms) and the contribution of net exports to growth over the last three years has been negligible. The external sector will however benefit from some modest pick-up in global demand in 2014 and 2015 and also from the fall-back in the RMB exchange rate, should this be sustained.

Conditions remain broadly supportive of consumption growth. Inflation remains contained and real interest rates on saving deposits are positive, raising the income received on the large stock of household wealth held as bank deposits. However, a sustained rise in consumption as a share of GDP will require household income to grow markedly faster than GDP, or a fall in the saving rate, and will take time to materialise. In the short term, growth in consumption is therefore not expected to be sufficiently rapid to offset weakness in other demand components, notably investment. Fixed asset investment dipped notably in late 2013 after moving in a narrow range throughout 2013, reflecting recent weakness in the real estate sector. While China retains the capacity to respond to faltering demand through investment-based stimulus, this could further add to domestic imbalances, unless carefully targeted. A delicate balance is also required in the financial sector, where credit growth needs to be managed to reduce existing risks and gradually unwind any "legacy" problems relating to past borrowing, while maintaining adequate financial support for new productive investment and avoiding an excessive squeeze on liquidity.

The current forecast has been marked down slightly relative to the winter forecast, to 7.2% in 2014 and 7.0% in 2015. This downward adjustment partly reflects the recent weakness in high-frequency data. However, a gradual rebalancing of domestic demand away from investment and towards consumption is also likely to lead to lower (though more sustainable) growth. A more pronounced slowdown in the short run or "hard landing" remains the principal risk, driven for example by a sharper than expected fall in investment demand, possibly linked to a magnification of credit problems or a more abrupt adjustment in the real estate sector.

Table II.36.1:

Main features of country forecast - CHINA

		2012			Annual percentage change					
		bn CNY Curr. prices	% GDP	93-09	2010	2011	2012	2013	2014	2015
GDP		51932.2	100.0	10.3	10.4	9.3	7.7	**7.7**	**7.2**	**7.0**
Consumption		19042.4	55.0	-	-	-	-	-	-	-
Gross fixed capital formation		24175.7	45.7	-	-	-	-	-	-	-
of which : equipment		-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP		-	-	-	-	-	-	-	-	-
Exports (goods and services)		14192.4	26.8	16.3	27.8	8.9	5.2	**4.1**	**6.0**	**7.0**
Final demand		-	-	-	-	-	-	-	-	-
Imports (goods and services)		12729.2	24.1	15.3	20.1	10.1	6.2	**4.4**	**6.3**	**7.3**
GNI (GDP deflator)				-	-	-	-	-	-	-
Contribution to GDP growth :	Domestic demand			-	-	-	-	-	-	-
	Stockbuilding			-	-	-	-	-	-	-
	Foreign balance			-	-	-	-	-	-	-
Unemployment (a)				3.6	4.1	4.1	4.1	-	-	-
Compensation of employees/head				-	-	-	-	-	-	-
Unit labour costs				-	-	-	-	-	-	-
Real unit labour costs				-	-	-	-	-	-	-
Saving rate of households				-	-	-	-	-	-	-
GDP deflator				5.4	2.4	7.3	2.4	**3.0**	**3.0**	**3.0**
Private consumption deflator				-						
Index of consumer prices (c)				4.9	3.3	5.4	2.6	**2.6**	-	-
Merchandise trade balance (b)				3.0	4.3	3.5	3.8	**2.9**	**3.4**	**3.5**
Current-account balance (b)				3.5	4.0	1.9	2.3	**2.0**	**2.4**	**2.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)				-	-	-	-	-	-	-
General government balance (b)				-	-	-	-	-	-	-
General government gross debt (b)				-	-	-	-	-	-	-

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

37. EFTA

External demand not arriving by Swiss railway - it is late

External demand is arriving with a delay in the EFTA region. As a consequence, fourth quarter GDP growth disappointed in 2013. Official and private forecasts had foreseen external demand to increasingly contribute from the second half of 2013. This is now pushed forwards to 2014. Domestic demand will continue to be robust, albeit that those risks to consumer demand are larger in Norway than in Switzerland. A dichotomy between the supply and the demand side of the economies is appearing in both countries where consumers seem more responsive to loose financial conditions than the business sector.

Monetary conditions have been rather loose for a sustained period in the EFTA region as a consequence of high risk aversion by foreign investors. Monetary authorities in EFTA have been vigilant as to the impact of the capital inflows. The SNB even put in place a floor for the CHF/EUR exchange rate in 2011, also with an eye to developments in domestic price levels.

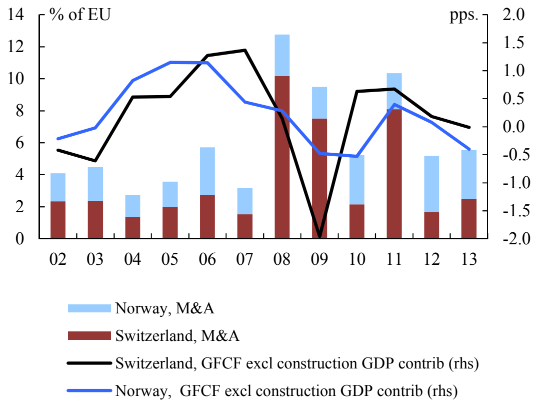
Still, if only gross fixed capital formation would have driven the recovery in Norway and Switzerland then GDP would have grown by less than 1% in both countries since 2008 – by 0.3% in Switzerland and 0.9% in Norway. Instead, GDP stood 5.9% higher in Switzerland in 2013 and 3.8% higher in Norway when compared with 2008. Excluding construction, gross fixed capital formation would even have subtracted 0.5% of GDP over the past five years in Switzerland and 0.9% of GDP in Norway.

The Swiss and Norwegian companies thus appear not to have used intensively the loose financial conditions to invest and upgrade their capital stock. This is all the more interesting because, as discussed in the winter 2014 forecasts, competitiveness is an issue not just because of the nominal appreciation of the exchange rate but also because of low labour productivity growth.

In addition, not only is the contribution of gross fixed capital investment rather limited, the value of mergers and acquisitions seem not so much affected by the financial conditions in comparison with a 'crisis-struck' Europe (see Graph II.37.1). Except for the financial crises years 2008 and 2009, when volumes dropped less in Switzerland and Norway than in the rest of Europe, there appears to be only a limited increase in the value of mergers and acquisitions in EFTA in comparison with the rest of Europe.

The supply side of the EFTA economy thus does not seem to follow the demand side. Even when faced with competitiveness issues, Swiss and Norwegian economies appear less responsive to the easy financial conditions than consumers and house owners. In a context of increasing asset prices, this constitutes a risk to both EFTA economies.

Graph II.37.1: **EFTA - Investment and M&A activity***



* The value of mergers and acquisitions by Swiss and Norwegian companies as a percentage of mergers and acquisitions by all European companies
Source: Bloomberg

This observation is also of importance for interpreting time series estimates of potential growth. For Norway, the estimate is highly dependent on the growth potential of the off-shore sector. For Switzerland, some forecasts appear to be based on nearly a doubling of potential growth compared to a decade ago. This seems on the high side given the remaining room for structural reforms, limits on migration and the reaction to easy financial conditions.

The economic outlook for Switzerland

The Swiss economy grew by a modest 0.2% q-o-q in the fourth quarter of last year The adverse development of the net trade balance – due to in particular strong import growth – was the main reason behind the fourth quarter result. Still, GDP grew by 2.0% over the whole year which is significantly higher than in the euro area. In 2014, growth is expected to quickly overcome the end-2013 dip. The Swiss economy is still in good shape, notwithstanding deteriorated competitiveness, low multi-factor productivity growth and monetary conditions that have been below the equilibrium level for several years.

The niche markets that partly sheltered Swiss exporters from the worst of the crises in the past years will also help the Swiss economy as external demand is increasing. Moreover, a normalisation in global financial conditions and thus a waning of the appreciative pressure on the Swiss franc would benefit those exporters that face a higher elasticity of external demand. Less upward pressure would not only provide additional support for the trade balance through exports but also through its impact on imports.

According to cyclical indicators the first quarter has been an improvement over the fourth quarter. Leading indicators for business and consumer sentiment registered improvements. In the first two months of this year, the level of consumer prices was 1.2% below the average of 2008. Lower prices added to the purchasing power of consumers. It is foreseen that prices will only increase gradually.

The economic outlook for Norway

Mainland GDP registered a healthy 0.6% quarter-on-quarter growth rate in the fourth quarter, bringing the full year's growth rate up to 2.0%. However, the external sector and, in particular, the off-shore economy disappointed with a drop in real value added of 2.7% in the fourth quarter. As a result, the whole economy registered a meagre 0.6% growth rate over 2013.

The expectation is for the off-shore to contribute to growth again in 2014. This will be the main driver behind the increased contribution from net trade to growth in 2014 and 2015. The cooling of the residential property market will weigh on private consumer demand and construction activity. Still, investment should profit from, in particular, demand from the off-shore sector.

The government sector is expected to contribute to growth both through consumption and through investments. Monetary policy will stay accommodative but the inflation rate will only rise moderately.

Table II.37.1:
Main features of country forecast - EFTA

		Norway					Switzerland				
(Annual percentage change)		**2011**	**2012**	**2013**	**2014**	**2015**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP		1.3	2.9	0.6	2.4	2.4	1.8	1.0	2.0	2.1	1.9
Private Consumption		2.6	3.0	2.6	1.2	1.3	1.1	2.4	2.2	2.0	1.6
Public Consumption		1.1	1.8	2.2	2.0	2.5	1.2	3.2	2.2	1.0	2.0
Gross fixed capital formation		7.7	8.3	5.9	3.4	2.4	4.5	-0.4	1.2	0.8	0.9
of which: equipment		7.5	2.4	9.5	3.0	3.0	7.6	1.7	3.5	1.2	1.0
Exports (good and services)		-0.7	1.1	-3.8	3.9	5.7	3.8	2.5	2.0	4.2	3.8
Imports (goods and services)		3.8	2.3	2.6	2.8	5.0	4.2	3.1	1.6	3.7	3.4
GNI (GDP deflator)		1.2	4.0	0.7	2.4	2.5	-3.6	3.3	4.0	2.5	2.4
Contribution to GDP growth:	Domestic demand	2.8	3.2	2.7	1.7	1.6	1.6	1.6	1.8	1.4	1.3
	Inventories	-0.1	-0.1	0.1	0.0	0.0	-0.1	-0.6	-0.2	0.0	0.0
	Net exports	-1.4	-0.2	-2.3	0.7	0.8	0.2	0.0	0.4	0.7	0.6
Employment		1.6	2.2	1.3	1.1	1.2	2.4	1.5	1.5	1.0	0.8
Unemployment rate (a)		3.2	3.1	3.1	3.3	3.5	3.8	3.9	4.1	4.0	3.9
Compensation of employee/head		4.9	4.1	4.3	4.1	5.2	1.5	1.0	0.2	2.9	2.1
Unit labour cost whole economy		5.2	3.4	5.0	2.9	3.9	2.2	1.5	-0.3	1.9	1.0
Real unit labour cost		-1.4	0.6	3.2	0.6	1.1	1.8	1.4	-2.3	-0.5	-1.1
Saving rate of households (b)		12.7	13.4	14.3	15.3	17.0	17.9	23.1	22.9	23.4	24.1
GDP deflator		6.7	2.8	1.8	2.2	2.8	0.4	0.1	2.1	2.4	2.1
Harmonized index of consumer prices		1.2	0.4	2.0	1.9	1.9	0.1	-0.7	0.1	0.5	1.1
Terms of trade goods		13.8	2.2	-1.5	-0.8	1.1	-2.0	-0.4	0.4	1.0	0.0
Trade balance (c)		13.9	13.8	11.4	11.8	12.6	2.5	2.6	2.8	3.5	3.7
Current account balance (c)		13.5	14.3	11.5	11.7	12.4	10.2	12.3	14.3	15.4	16.0
Net lending (+) or borrowing (-) vis-a-vis ROW		13.5	14.3	11.4	11.6	12.4	10.0	12.8	15.3	15.2	15.8
General government balance (c)		13.5	13.6	13.4	13.3	13.0	0.7	0.1	0.0	-0.1	-0.4
Cyclically adjusted budget balance (c)		-	-	-	-	-	-	-	-	-	-
Structural budget balance (c)		-	-	-	-	-	-	-	-	-	-
General government gross debt (c)		28.1	26.8	26.4	26.0	24.6	35.2	35.1	35.2	34.5	34.4

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

38. RUSSIAN FEDERATION

Subdued growth ahead amid geopolitical tensions

Real GDP growth in Russia has been on a downward trend for some time, reflecting both domestic and external structural weaknesses, such as the economy's over-reliance on commodity exports, low investment and lagging competitiveness. On top of this, rising geopolitical tensions over the situation in Ukraine weigh negatively on the growth outlook. GDP growth reached 1.3% in 2013 and is expected to slow to 1% in 2014 before gradually recovering to 2% in 2015. This already subdued outlook is clouded by very sizeable downside risks.

Weak performance in 2013

Real GDP grew by 1.3% in 2013. Economic growth was weighed down by slowing private consumption, which decelerated from close to 7% growth in 2012 to below 5% in 2013. However, the biggest negative surprise came from private investment, which contracted by 0.1% in 2013, compared to 6.3% growth in 2012, mainly as a result of the completion of large infrastructure projects carried out by state owned companies (facilities for the Winter Olympic Games in Sochi, the Nord Stream pipeline).

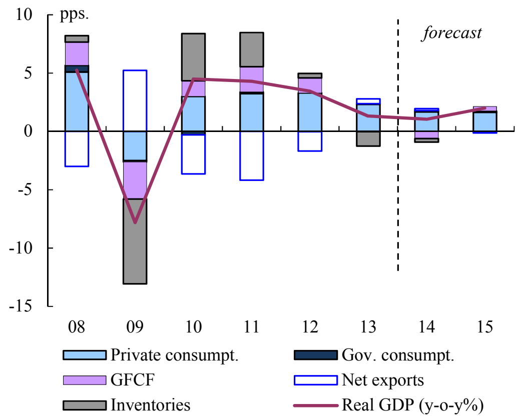
Even though economic growth accelerated in the second half of 2013, implying a positive carry-over, real GDP is expected to slow down further in 2014 as the geo-political tensions over Ukraine are taking their toll. A surge in capital outflows since the start of 2014, rouble depreciation and rising borrowing costs amid the economic uncertainty triggered by recent geopolitical tensions have already left their mark on activity in the first quarter and are set to drag down growth further going forward. Should geopolitical tensions dissipate by the end of the year, a gradual recovery of the Russian economy may be expected in 2015.

Subdued growth ahead

The prospect for 2014 is for a further slowdown of growth, reflecting current geo-political tensions over the situation in Ukraine, which have already led to the adoption of a limited set of sanctions by the EU and the US and disrupted trade and investment flows. Despite an improving global outlook, these tensions weigh on business confidence, as measured by the fall in the composite Russian PMI to well below 50 in March 2014 (the lowest level in five years), and have materialised in a surge of capital outflows in the first quarter of 2014.

Investment growth has been dragged down already in 2013. This was mainly driven by a fall in investments by state-owned enterprises (in connection with completion of large one-off investment projects), while private investment continued to grow. For 2014, a further slump in investment is expected, mirroring a deteriorating investment climate, rising uncertainty, major capital outflows and higher financing costs.

Graph II.38.1: **Russia - Real GDP growth and contributions**



Household consumption growth is expected to further slowdown in 2014-15 due to falling employment, an increasing burden from household debt servicing and elevated inflation levels, which put pressure on real disposable incomes. Government consumption growth should remain stable at rather low levels over the forecast horizon. Exports are expected to decelerate in 2014, but may pick up again in 2015 in line with the anticipated recovery in main export markets and provided that geopolitical tensions ease. The growth of imports is set to further weaken in 2014, also on the back of a weaker exchange rate, before picking up again in 2015. The current-account surplus is expected to continue on its downward trend in 2014 and 2015.

A moderate contraction in employment is expected due to both demographic developments (continuing decline in working age population) and the lagged effect of the current slowdown in economic activity. Unemployment is set to rise from 5.5% in 2013 to around 6½% in 2015.

High inflation and rouble depreciation triggering monetary tightening

A shift in the monetary policy framework to inflation targeting and a floating exchange rate has been initiated at the start of 2014, to be completed by 2015. This policy shift, together with geopolitical tensions at the start of 2014, led to substantial rouble depreciation (since the start of the year the rouble depreciated by almost 10% vis-à-vis the euro as of end of April). As a result, inflation picked-up from 6.1% in January to 6.9% in March 2014 and the Central Bank of Russia (CBR) responded by substantial monetary tightening and a large-scale foreign exchange intervention.

Inflation is set to subside gradually in 2014-15, supported by a freeze in tariffs for state-owned utilities. However, latest developments imply that inflation is likely to remain elevated at close to 6% in 2014 and around 5% in 2015.

Deteriorating fiscal outlook

After several years of posting surplus the general government balance is forecast to turn slightly negative in 2015 due to slowdown in revenue growth while the growth of expenditure remains buoyant. However, the debt-to-GDP ratio is set to remain very low at around 15% of GDP.

Focusing on the central (federal) government budget, the government aims at keeping the deficit at 0.5% of GDP in 2014 (unchanged from 2013), increasing it to 1% of GDP for 2015. The actual outcome of the budget balance depends heavily on the price of oil, which is assumed to remain at above USD 100/bbl., although gradually decreasing over the forecast horizon.

Risks to the outlook

Risks to this scenario are related to possible further escalation of geopolitical tensions over Ukraine and imposition of sanctions. Additional sanctions could have far-reaching effects on Russia, leading to a further deterioration of the economic outlook in 2014 and 2015.

Table II.38.1:

Main features of country forecast - RUSSIA

	2012			Annual percentage change					
	bn RUB Curr. prices	**% GDP**	**94-09**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
GDP	62599.1	100.0	-	4.5	4.3	3.4	**1.3**	**1.0**	**2.0**
Private Consumption	30806.7	49.2	-	5.5	6.3	6.7	**4.7**	**3.3**	**3.1**
Public Consumption	11664.8	18.6	-	-1.5	0.8	-0.2	**0.5**	**0.5**	**0.5**
Gross fixed capital formation	13164.2	21.0	-	6.4	10.4	6.3	**-0.1**	**-3.0**	**2.0**
of which: equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	18428.0	29.4	-	7.0	0.3	1.4	**4.2**	**3.2**	**4.3**
Imports (goods and services)	13860.1	22.1	-	25.8	20.3	9.5	**3.7**	**3.3**	**5.5**
GNI (GDP deflator)	60627.3	96.9	-	4.6	4.3	3.5	**0.7**	**1.8**	**2.2**
Contribution to GDP growth:	Domestic demand		-	4.0	5.6	4.6	**2.4**	**1.2**	**2.1**
	Inventories		-	4.0	2.9	0.4	**-1.2**	**-0.3**	**0.0**
	Net exports		-	-3.3	-4.2	-1.7	**0.4**	**0.2**	**-0.1**
Employment			-	0.7	1.3	1.1	**-0.2**	**-0.8**	**-0.8**
Unemployment rate (a)			-	7.5	6.6	5.5	**5.5**	**6.1**	**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	8.5	**5.9**	**4.5**	**5.5**
Consumer-price index			-	6.9	8.4	5.1	**6.8**	**5.9**	**5.0**
Terms of trade goods			-	21.2	22.0	3.9	**-5.8**	**-7.1**	**-1.4**
Trade balance (c)			-	10.0	10.5	9.7	**8.4**	**7.3**	**7.0**
Current-account balance (c)			-	4.7	5.2	3.8	**1.6**	**0.9**	**0.5**
Net lending (+) or borrowing (-) vis-a-vis ROW (c)			6.8	4.6	5.2	3.6	**1.6**	**0.9**	**0.5**
General government balance (c)			-	-1.2	4.2	2.8	**0.6**	**0.3**	**-0.3**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	11.0	11.7	12.5	**13.6**	**14.3**	**14.8**

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

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Directorate-General for Economic and Financial Affairs
Unit A4: Economic situation, forecasts, business and consumer surveys
European Commission
B-1049 Brussels
E-mail: ecfin-forecasts@ec.europa.eu

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European Economic Forecast – Spring 2014

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Table 1: Gross domestic product, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.6	2.0	1.1	2.3	1.8	-0.1	**0.2**	**1.4**	**1.6**	*0.2*	*1.4*	*1.7*
Germany	1.6	1.1	0.7	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**	*0.4*	*1.8*	*2.0*
Estonia	5.7	7.3	1.2	2.6	9.6	3.9	**0.8**	**1.9**	**3.0**	*0.7*	*2.3*	*3.6*
Ireland	10.1	5.8	1.5	-1.1	2.2	0.2	**-0.3**	**1.7**	**3.0**	*0.3*	*1.8*	*2.9*
Greece	3.0	4.5	1.5	-4.9	-7.1	-7.0	**-3.9**	**0.6**	**2.9**	*-3.7*	*0.6*	*2.9*
Spain	3.6	3.6	1.6	-0.2	0.1	-1.6	**-1.2**	**1.1**	**2.1**	*-1.2*	*1.0*	*1.7*
France	2.4	2.0	0.6	1.7	2.0	0.0	**0.2**	**1.0**	**1.5**	*0.3*	*1.0*	*1.7*
Italy	1.8	1.5	-0.4	1.7	0.4	-2.4	**-1.9**	**0.6**	**1.2**	*-1.9*	*0.6*	*1.2*
Cyprus	4.7	3.4	2.9	1.3	0.4	-2.4	**-5.4**	**-4.8**	**0.9**	*-6.0*	*-4.8*	*0.9*
Latvia	4.2	7.3	1.5	-1.3	5.3	5.2	**4.1**	**3.8**	**4.1**	*4.0*	*4.2*	*4.3*
Luxembourg	4.7	4.2	2.0	3.1	1.9	-0.2	**2.1**	**2.6**	**2.7**	*2.1*	*2.2*	*2.5*
Malta	4.5	1.8	2.2	4.1	1.6	0.6	**2.4**	**2.3**	**2.3**	*2.0*	*2.1*	*2.1*
Netherlands	3.9	1.7	1.5	1.5	0.9	-1.2	**-0.8**	**1.2**	**1.4**	*-0.8*	*1.0*	*1.3*
Austria	3.0	1.9	1.4	1.8	2.8	0.9	**0.4**	**1.6**	**1.8**	*0.3*	*1.5*	*1.8*
Portugal	3.9	1.4	0.3	1.9	-1.3	-3.2	**-1.4**	**1.2**	**1.5**	*-1.6*	*0.8*	*1.5*
Slovenia	4.3	3.7	2.3	1.3	0.7	-2.5	**-1.1**	**0.8**	**1.4**	*-1.6*	*-0.1*	*1.3*
Slovakia	4.3	3.8	5.1	4.4	3.0	1.8	**0.9**	**2.2**	**3.1**	*0.8*	*2.3*	*3.2*
Finland	4.5	3.1	0.8	3.4	2.8	-1.0	**-1.4**	**0.2**	**1.0**	*-1.5*	*0.2*	*1.3*
Euro area	2.4	1.9	0.7	1.9	1.6	-0.7	-0.4	1.2	1.7	*-0.4*	*1.2*	*1.8*
Bulgaria	-0.3	5.4	3.9	0.4	1.8	0.6	**0.9**	**1.7**	**2.0**	*0.6*	*1.7*	*2.0*
Czech Republic	2.2	3.6	3.5	2.5	1.8	-1.0	**-0.9**	**2.0**	**2.4**	*-1.2*	*1.8*	*2.2*
Denmark	2.8	1.5	0.1	1.4	1.1	-0.4	**0.4**	**1.5**	**1.9**	*0.3*	*1.7*	*1.8*
Croatia	:	4.4	1.8	-2.3	-0.2	-1.9	**-1.0**	**-0.6**	**0.7**	*-0.7*	*0.5*	*1.2*
Lithuania	4.6	6.9	2.3	1.6	6.0	3.7	**3.3**	**3.3**	**3.7**	*3.2*	*3.5*	*3.9*
Hungary	2.4	4.2	0.3	1.1	1.6	-1.7	**1.1**	**2.3**	**2.1**	*1.1*	*2.1*	*2.1*
Poland	6.0	3.2	4.7	3.9	4.5	2.0	**1.6**	**3.2**	**3.4**	*1.6*	*2.9*	*3.1*
Romania	0.5	5.4	3.7	-1.1	2.3	0.6	**3.5**	**2.5**	**2.6**	*3.5*	*2.3*	*2.5*
Sweden	3.4	2.9	1.0	6.6	2.9	0.9	**1.5**	**2.8**	**3.0**	*0.9*	*2.5*	*3.3*
United Kingdom	3.6	3.2	0.6	1.7	1.1	0.3	**1.7**	**2.7**	**2.5**	*1.9*	*2.5*	*2.4*
EU	:	2.2	0.9	2.0	1.6	-0.4	0.1	1.6	2.0	*0.1*	*1.5*	*2.0*
USA	4.1	2.7	0.9	2.5	1.8	2.8	**1.9**	**2.8**	**3.2**	*1.9*	*2.9*	*3.2*
Japan	0.8	1.4	-0.3	4.7	-0.5	1.4	**1.5**	**1.5**	**1.3**	*1.6*	*1.6*	*1.3*

Table 2: Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2013-15) 24.4.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	0.0	0.2	0.3	0.5	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.6
Germany	0.0	0.7	0.3	0.4	0.7	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Estonia	-0.2	-0.3	0.5	0.2	0.2	0.8	1.0	1.0	0.6	0.6	0.6	0.6
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-0.3	-0.1	0.1	0.2	0.4	0.4	0.4	0.4	0.5	0.6	0.6	0.6
France	0.0	0.6	-0.1	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.3	0.3
Italy	-0.6	-0.3	-0.1	0.1	0.2	0.3	0.3	0.4	0.3	0.2	0.2	0.2
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	1.7	0.1	1.2	0.8	0.8	1.0	1.1	1.1	1.1	1.1	1.0	1.2
Luxembourg	-0.8	1.9	0.6	0.7	0.6	0.5	0.5	0.6	0.7	0.7	0.7	0.8
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-0.3	0.1	0.3	0.9	-0.1	0.3	0.2	0.3	0.4	0.3	0.4	0.5
Austria	0.1	0.0	0.2	0.3	0.4	0.4	0.5	0.6	0.5	0.5	0.5	0.5
Portugal	-0.4	1.1	0.2	0.6	0.1	0.3	0.1	0.2	0.5	0.5	0.5	0.5
Slovenia	0.1	0.2	0.4	1.2	-0.4	-0.1	0.1	0.3	0.5	0.5	0.5	0.5
Slovakia	0.3	0.3	0.3	0.4	0.5	0.7	0.8	0.7	0.7	0.9	0.8	0.8
Finland	-0.2	0.0	0.0	-0.3	0.1	0.2	0.2	0.3	0.3	0.3	0.3	0.3
Euro area	-0.2	0.3	0.1	0.2	0.3	0.4	0.3	0.4	0.4	0.4	0.4	0.4
Bulgaria	0.3	0.2	0.5	0.3	0.5	0.4	0.3	0.4	0.4	0.4	0.5	0.6
Czech Republic	-1.3	0.3	0.3	1.8	-0.3	0.3	0.5	0.7	0.6	0.6	0.7	0.7
Denmark	-0.3	1.0	0.3	-0.6	0.9	0.4	0.4	0.4	0.4	0.4	0.5	0.6
Croatia	0.0	-0.3	-0.2	-0.4	:	:	:	:	:	:	:	:
Lithuania	1.0	0.8	0.4	1.2	0.7	0.8	0.9	1.0	0.9	0.9	1.0	1.0
Hungary	1.1	0.3	0.8	0.5	0.7	0.4	0.4	0.5	0.5	0.6	0.6	0.6
Poland	0.4	0.6	0.7	0.5	0.8	1.1	1.1	1.0	0.8	0.7	0.7	0.7
Romania	0.6	0.8	1.6	1.6	0.1	0.3	-0.3	0.5	0.8	0.9	1.0	0.8
Sweden	0.8	0.0	0.5	1.7	0.2	0.5	0.8	0.9	0.8	0.7	0.6	0.5
United Kingdom	0.4	0.8	0.8	0.7	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.8
EU	0.0	0.4	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5
USA	0.3	0.6	1.0	0.7	0.4	0.8	0.9	0.8	0.8	0.8	0.8	0.8
Japan	1.1	0.9	0.3	0.2	1.4	-1.0	0.4	0.5	0.6	0.1	0.7	-0.4

Table 3: Profile (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2013-15) 24.4.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	-0.5	0.1	0.4	1.0	1.4	1.5	1.6	1.4	1.5	1.6	1.8	2.0
Germany	-0.3	0.5	0.6	1.4	2.1	1.7	1.8	1.8	1.6	1.7	1.8	1.8
Estonia	1.4	1.2	0.6	0.1	0.6	1.6	2.2	3.1	3.4	3.3	2.9	2.5
Ireland	:	:	:	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-1.9	-1.6	-1.1	-0.2	0.6	1.1	1.4	1.6	1.7	1.9	2.2	2.4
France	-0.4	0.5	0.3	0.8	1.0	0.7	1.1	1.1	1.4	1.5	1.5	1.5
Italy	-2.4	-2.1	-1.9	-0.9	-0.1	0.5	0.9	1.3	1.3	1.2	1.1	0.8
Cyprus	:	:	:	:	:	:	:	:	:	:	:	:
Latvia	6.7	4.5	4.1	3.7	2.9	3.9	3.8	4.1	4.3	4.4	4.3	4.4
Luxembourg	0.8	2.4	3.0	2.4	3.8	2.4	2.2	2.1	2.3	2.5	2.8	3.0
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	-1.4	-1.9	-0.7	0.9	1.2	1.4	1.3	0.7	1.2	1.3	1.4	1.6
Austria	0.5	0.3	0.4	0.5	0.9	1.3	1.6	1.9	2.0	2.0	2.0	2.0
Portugal	-4.1	-2.0	-1.0	1.6	2.1	1.2	1.1	0.7	1.1	1.3	1.7	2.0
Slovenia	-3.1	-1.7	-0.8	1.9	1.5	1.1	0.8	-0.1	0.8	1.3	1.8	2.0
Slovakia	0.7	0.8	0.9	1.4	1.5	1.9	2.4	2.7	2.9	3.1	3.2	3.3
Finland	-2.8	-1.3	-0.9	-0.5	-0.2	0.0	0.2	0.7	0.9	1.0	1.1	1.1
Euro area	-1.1	-0.6	-0.3	0.5	1.1	1.2	1.4	1.4	1.5	1.6	1.7	1.7
Bulgaria	0.5	0.5	1.0	1.2	1.4	1.7	1.6	1.7	1.6	1.6	1.8	2.0
Czech Republic	-2.3	-1.6	-1.0	1.2	2.2	2.2	2.4	1.2	2.1	2.4	2.6	2.7
Denmark	-0.7	0.9	0.9	0.5	1.7	1.1	1.2	2.2	1.8	1.8	1.9	2.0
Croatia	-0.9	-0.7	-0.7	-0.9	:	:	:	:	:	:	:	:
Lithuania	4.0	4.0	2.3	3.3	3.0	3.1	3.6	3.4	3.6	3.8	3.9	3.9
Hungary	-0.1	0.6	1.7	2.7	2.4	2.5	2.2	2.1	1.9	2.1	2.2	2.3
Poland	0.7	1.3	1.8	2.2	2.7	3.2	3.7	4.2	4.1	3.7	3.2	2.9
Romania	2.3	1.6	4.1	4.6	4.1	3.6	1.7	0.6	1.3	1.9	3.3	3.6
Sweden	1.6	0.7	0.7	3.1	2.5	2.9	3.2	2.4	3.1	3.3	3.1	2.7
United Kingdom	0.5	1.7	1.8	2.7	3.0	2.8	2.5	2.4	2.3	2.4	2.5	2.8
EU	-0.7	-0.1	0.2	1.0	1.6	1.6	1.7	1.7	1.8	1.9	1.9	2.0
USA	1.3	1.6	2.0	2.6	2.7	2.9	2.8	2.9	3.3	3.2	3.1	3.1
Japan	-0.1	1.3	2.4	2.4	2.8	0.9	1.0	1.3	0.5	1.6	1.9	1.1

Table 4: Gross domestic product per capita (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.4	1.6	0.4	1.4	0.9	-0.8	**-0.3**	**0.9**	**1.0**	*-0.4*	*0.9*	*1.1*
Germany	1.4	1.0	0.8	4.2	3.3	0.5	**0.2**	**1.6**	**1.9**	*0.2*	*1.6*	*1.9*
Estonia	7.1	7.8	1.3	2.6	9.5	4.0	**0.8**	**2.3**	**3.4**	*1.1*	*2.7*	*4.0*
Ireland	9.0	4.1	-0.7	-1.5	1.8	-0.1	**-0.6**	**0.9**	**1.5**	*0.3*	*0.9*	*1.8*
Greece	2.3	4.2	1.3	-4.7	-6.9	-6.7	**-3.9**	**0.6**	**2.9**	*-3.7*	*0.6*	*2.9*
Spain	3.3	2.2	0.1	-0.5	-0.1	-1.7	**-1.0**	**1.4**	**2.3**	*-0.7*	*1.6*	*2.2*
France	2.0	1.3	0.0	1.2	1.5	-0.5	**-0.3**	**0.5**	**1.0**	*-0.3*	*0.5*	*1.2*
Italy	1.7	1.1	-1.1	1.2	0.1	-2.7	**-2.1**	**0.2**	**0.9**	*-2.3*	*0.2*	*0.9*
Cyprus	3.2	2.2	0.8	-1.3	-2.1	-3.9	**-5.8**	**-5.8**	**-0.1**	*-6.9*	*-5.7*	*-0.1*
Latvia	5.3	8.4	2.6	0.8	7.3	6.5	**5.1**	**4.6**	**4.9**	*5.1*	*5.2*	*5.1*
Luxembourg	3.4	2.9	0.3	1.2	-0.4	-2.4	**-0.4**	**0.8**	**0.9**	*0.4*	*0.6*	*1.0*
Malta	3.8	1.1	1.7	3.6	1.1	-0.2	**1.6**	**1.8**	**1.7**	*1.5*	*1.8*	*1.9*
Netherlands	3.3	1.1	1.2	1.0	0.5	-1.6	**-1.1**	**0.9**	**1.1**	*-0.9*	*0.8*	*1.0*
Austria	2.8	1.5	1.0	1.5	2.5	0.4	**-0.1**	**1.3**	**1.5**	*0.0*	*1.2*	*1.5*
Portugal	3.6	0.8	0.1	1.9	-1.1	-2.8	**-0.5**	**1.2**	**1.5**	*-0.8*	*0.9*	*1.6*
Slovenia	4.4	3.5	1.9	0.9	0.5	-2.7	**-1.2**	**0.6**	**1.2**	*-1.8*	*-0.3*	*1.2*
Slovakia	4.1	3.9	5.0	4.2	3.6	1.6	**0.8**	**1.9**	**2.7**	*0.7*	*1.9*	*2.8*
Finland	4.2	2.9	0.3	2.9	2.3	-1.5	**-1.8**	**-0.3**	**0.6**	*-1.9*	*-0.2*	*0.8*
Euro area	2.2	1.4	0.2	1.7	1.3	-0.9	-0.6	1.0	1.5	*-0.6*	*1.0*	*1.6*
Bulgaria	0.2	6.5	4.4	1.1	4.4	1.2	**1.4**	**2.4**	**2.7**	*1.3*	*2.4*	*2.7*
Czech Republic	2.3	3.7	3.0	2.2	2.0	-1.1	**-1.0**	**2.0**	**2.3**	*-1.2*	*1.7*	*2.0*
Denmark	2.3	1.2	-0.3	0.9	0.7	-0.7	**0.0**	**1.2**	**1.6**	*0.0*	*1.3*	*1.5*
Croatia	:	4.7	1.8	-2.0	1.5	-0.1	**-0.9**	**-0.5**	**0.9**	*-0.6*	*0.6*	*1.4*
Lithuania	5.4	7.9	3.6	3.7	8.5	5.1	**4.3**	**4.1**	**3.9**	*4.1*	*4.3*	*4.0*
Hungary	2.6	4.5	0.5	1.3	1.9	-1.2	**1.4**	**2.4**	**2.3**	*1.3*	*2.2*	*2.2*
Poland	5.9	3.3	4.7	2.9	4.5	2.0	**1.6**	**3.3**	**3.5**	*1.6*	*3.0*	*3.2*
Romania	0.7	6.3	4.8	-0.6	2.8	0.8	**3.8**	**2.7**	**2.9**	*3.7*	*2.5*	*2.7*
Sweden	3.2	2.6	0.3	5.7	2.2	0.2	**0.7**	**1.9**	**2.2**	*0.0*	*1.6*	*2.4*
United Kingdom	3.3	2.8	0.0	0.9	0.4	-1.2	**1.1**	**2.0**	**1.8**	*1.2*	*1.8*	*1.7*
EU	:	1.9	0.5	1.7	1.5	-0.7	-0.1	1.3	1.7	*-0.1*	*1.3*	*1.8*
USA	2.8	1.7	0.0	1.7	1.1	2.0	**1.2**	**2.1**	**2.5**	*1.2*	*2.2*	*2.5*
Japan	0.5	1.2	-0.3	4.2	-0.3	1.7	**1.7**	**1.6**	**1.4**	*1.7*	*1.7*	*1.4*

Table 5: Domestic demand, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	2.2	1.5	1.5	1.8	2.0	-0.6	-0.4	1.3	1.9	-0.5	1.1	2.0
Germany	1.6	0.1	0.6	2.4	2.8	-0.3	0.5	1.8	2.2	0.7	2.1	2.1
Estonia	6.2	9.7	-0.2	0.1	13.1	5.5	1.5	2.7	3.2	2.3	2.7	3.8
Ireland	8.3	5.2	1.0	-4.5	-1.8	-1.6	-0.1	1.7	1.5	0.1	1.4	1.4
Greece	3.7	4.4	1.7	-7.0	-8.7	-10.2	-5.8	-0.9	1.9	-5.9	-1.1	1.5
Spain	4.2	4.2	1.4	-0.6	-2.0	-4.1	-2.7	0.4	1.6	-2.8	0.2	1.0
France	2.2	2.2	1.1	1.7	2.0	-0.9	0.2	1.0	1.7	0.3	0.9	1.9
Italy	2.2	1.6	-0.3	2.1	-1.0	-5.0	-2.7	0.3	1.3	-2.7	0.4	1.3
Cyprus	4.4	4.5	3.6	1.9	-1.4	-3.8	-9.8	-6.8	0.1	-10.5	-6.8	0.0
Latvia	:	8.5	-0.6	-1.4	10.8	2.5	2.3	3.9	4.9	3.2	4.4	4.8
Luxembourg	5.1	3.1	1.1	9.1	4.2	2.5	-0.8	1.9	2.6	1.9	2.3	2.3
Malta	:	1.8	2.1	2.3	-1.5	-2.0	3.2	3.2	1.9	1.2	1.7	1.9
Netherlands	4.3	1.1	1.5	-0.1	0.8	-1.6	-2.4	1.0	0.7	-2.5	1.1	0.9
Austria	2.2	1.2	1.0	1.4	3.2	0.1	-1.1	1.1	1.5	-1.0	1.2	1.4
Portugal	4.9	1.1	0.3	1.8	-5.1	-6.7	-2.6	0.6	0.8	-2.8	-0.1	0.8
Slovenia	6.2	3.1	1.6	-0.5	-0.3	-6.4	-2.5	0.5	1.0	-3.9	-1.9	0.1
Slovakia	5.9	3.7	3.8	3.7	1.0	-4.1	-0.8	1.7	2.5	-0.8	1.8	2.7
Finland	4.3	2.9	1.1	2.9	4.2	-0.8	-1.4	-0.6	0.8	-1.9	-0.3	1.2
Euro area	:	1.7	0.8	1.2	0.8	-2.2	-1.0	1.0	1.7	-0.9	1.0	1.7
Bulgaria	1.3	7.6	4.2	-4.8	0.0	3.1	-1.1	2.2	1.9	-1.2	1.7	2.3
Czech Republic	2.5	3.5	2.3	1.9	-0.1	-2.8	-0.7	1.0	2.0	-1.1	0.6	1.7
Denmark	2.9	1.8	0.5	1.6	0.2	-0.1	0.6	1.3	1.7	1.0	1.5	1.6
Croatia	:	5.2	1.8	-5.0	-0.1	-3.3	-1.0	-1.3	0.0	-0.5	0.2	1.2
Lithuania	:	7.7	0.9	2.2	5.9	-0.5	3.5	4.0	4.3	3.3	3.9	4.3
Hungary	1.8	4.5	-1.8	0.2	-0.5	-3.5	0.8	2.5	2.2	0.7	2.4	2.2
Poland	7.5	2.3	4.5	4.6	3.6	-0.1	0.0	3.3	3.6	-0.2	2.6	3.2
Romania	1.9	7.5	5.6	-1.1	2.4	1.0	-0.8	2.2	3.1	-0.7	2.0	2.9
Sweden	2.6	2.0	1.3	6.5	3.2	0.3	1.5	3.1	3.1	0.9	2.8	3.2
United Kingdom	4.2	3.6	0.2	2.1	-0.1	1.2	1.8	2.5	2.4	2.0	2.4	2.3
EU	:	2.1	0.9	1.5	0.8	-1.5	-0.4	1.4	1.9	-0.3	1.4	1.9
USA	4.5	3.1	0.4	2.9	1.7	2.6	1.7	2.6	3.5	1.7	2.7	3.4
Japan	0.7	1.0	-0.5	2.9	0.4	2.3	1.8	1.4	0.9	1.8	1.7	1.0

Table 6: Final demand, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	3.6	2.7	1.3	4.5	4.0	0.5	0.6	2.1	3.2	0.6	2.2	3.3
Germany	2.8	1.9	1.4	6.3	4.5	0.9	0.6	2.9	3.4	0.7	3.1	3.8
Estonia	7.5	9.7	0.2	9.6	17.8	5.6	1.6	2.9	4.1	2.0	3.4	4.6
Ireland	9.7	5.0	0.9	-4.6	-1.4	-1.8	0.7	2.4	2.8	0.2	2.2	2.8
Greece	4.6	4.5	1.2	-5.2	-7.2	-8.6	-4.2	0.2	2.6	-4.2	0.1	2.4
Spain	5.3	4.3	1.3	1.8	0.0	-2.6	-0.8	1.7	3.0	-0.9	1.6	2.4
France	3.3	2.6	0.8	3.2	2.7	-0.2	0.3	1.5	2.5	0.4	1.7	2.7
Italy	2.5	1.9	-0.4	3.8	0.5	-3.5	-2.1	1.0	2.0	-2.1	1.1	2.2
Cyprus	5.2	4.1	2.7	2.4	0.2	-3.4	-8.2	-5.5	0.7	-8.8	-5.5	0.7
Latvia	:	8.3	0.9	2.8	11.3	4.9	1.8	3.8	5.1	2.3	4.4	5.2
Luxembourg	7.2	5.8	2.5	7.8	5.1	-0.7	1.6	2.9	4.1	2.2	3.2	4.2
Malta	:	1.5	2.2	8.5	1.6	3.4	-1.5	2.9	4.0	-1.0	2.9	4.0
Netherlands	5.7	2.7	2.0	4.9	2.3	0.7	-0.6	2.1	2.9	-0.7	2.0	3.0
Austria	3.6	3.0	1.2	4.1	4.5	0.5	0.4	2.4	3.2	0.2	2.6	3.2
Portugal	5.5	1.7	0.6	3.5	-2.4	-4.1	-0.2	2.0	2.3	-0.4	1.4	2.1
Slovenia	5.8	4.8	2.7	3.5	2.6	-3.4	-0.1	2.1	3.0	-0.9	0.7	2.2
Slovakia	6.8	5.7	4.6	8.8	6.0	2.5	1.8	3.7	4.5	1.4	3.3	4.5
Finland	5.9	3.7	1.3	4.3	3.8	-0.6	-0.9	0.4	1.9	-1.5	0.7	2.1
Euro area	:	2.6	1.0	3.9	2.4	-0.8	-0.2	2.0	2.8	-0.2	2.1	3.0
Bulgaria	:	6.4	4.0	1.1	4.4	1.7	2.8	3.3	3.8	2.5	3.3	4.0
Czech Republic	5.0	6.0	3.6	7.0	3.8	0.3	-0.3	2.9	4.0	-0.4	3.0	3.8
Denmark	3.7	2.6	1.2	2.0	2.6	0.1	0.8	1.9	2.5	1.0	2.1	2.5
Croatia	:	5.8	1.1	-2.4	0.4	-2.1	-1.2	-0.2	1.2	-0.7	0.8	1.8
Lithuania	:	9.1	2.6	7.5	9.2	4.8	6.2	5.1	5.4	4.7	5.1	5.5
Hungary	:	6.8	2.1	5.2	3.7	-0.9	3.1	4.1	4.2	2.9	3.9	4.2
Poland	8.2	4.3	5.0	6.7	4.8	1.1	1.5	3.6	4.4	1.4	3.4	4.2
Romania	2.5	9.2	5.5	2.1	4.7	0.3	3.2	3.5	3.9	3.3	3.1	3.9
Sweden	4.5	3.1	1.4	8.2	4.2	0.5	0.7	3.3	3.9	0.1	2.8	3.9
United Kingdom	4.6	3.8	0.6	3.1	0.9	1.3	1.6	2.5	2.6	1.7	2.5	2.6
EU	:	3.0	1.1	4.0	2.4	-0.3	0.2	2.2	2.9	0.2	2.2	3.0
USA	4.8	3.0	0.7	3.7	2.2	2.7	1.8	2.9	3.8	1.9	3.1	3.7
Japan	1.0	1.7	-0.5	5.4	0.3	2.0	1.8	1.8	1.5	1.8	1.9	1.5

Table 7: Private consumption expenditure, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.0	1.4	1.4	2.8	0.2	-0.3	**0.7**	**1.6**	**1.9**	*0.6*	*1.5*	*1.9*
Germany	1.5	0.7	0.5	1.0	2.3	0.8	**0.9**	**1.5**	**1.8**	*0.9*	*1.5*	*1.8*
Estonia	7.0	8.3	1.8	-2.6	3.8	4.9	**4.2**	**4.5**	**3.8**	*4.5*	*4.3*	*4.2*
Ireland	6.9	5.0	2.9	0.4	-1.4	-0.3	**-1.1**	**0.4**	**0.8**	*-0.6*	*0.8*	*1.0*
Greece	2.8	3.8	3.0	-6.2	-7.7	-9.3	**-6.0**	**-1.8**	**1.6**	*-7.2*	*-1.6*	*1.4*
Spain	3.4	3.6	1.4	0.2	-1.2	-2.8	**-2.1**	**1.3**	**1.6**	*-2.4*	*0.6*	*1.1*
France	2.1	2.2	1.5	1.6	0.6	-0.3	**0.3**	**0.6**	**1.2**	*0.4*	*0.6*	*1.6*
Italy	2.4	1.0	0.3	1.5	-0.3	-4.0	**-2.6**	**0.4**	**0.8**	*-2.5*	*0.1*	*0.9*
Cyprus	7.3	4.3	3.5	1.5	1.3	-2.0	**-5.7**	**-6.3**	**0.7**	*-7.5*	*-6.3*	*0.7*
Latvia	:	7.9	2.4	2.3	4.8	5.8	**5.4**	**4.8**	**5.1**	*5.5*	*4.9*	*5.1*
Luxembourg	3.6	2.2	1.3	2.6	1.3	2.2	**1.7**	**2.4**	**2.5**	*2.0*	*2.3*	*2.6*
Malta	:	2.7	2.3	-1.1	3.3	-0.2	**1.8**	**2.2**	**2.3**	*0.6*	*1.9*	*2.2*
Netherlands	4.2	1.4	0.3	0.3	-1.1	-1.6	**-2.1**	**-0.2**	**0.9**	*-2.1*	*-0.5*	*1.0*
Austria	1.6	1.7	1.3	2.0	0.8	0.5	**-0.2**	**0.7**	**1.0**	*-0.2*	*0.8*	*1.0*
Portugal	3.8	1.8	1.0	2.5	-3.3	-5.3	**-1.7**	**0.7**	**0.8**	*-1.8*	*0.1*	*0.8*
Slovenia	4.9	2.5	2.6	1.5	0.8	-4.8	**-2.7**	**0.2**	**1.1**	*-3.5*	*-2.0*	*-0.1*
Slovakia	5.2	3.9	5.0	-0.7	-0.5	-0.2	**-0.1**	**1.3**	**2.3**	*-0.1*	*1.2*	*2.3*
Finland	3.8	3.2	1.9	3.3	2.5	0.3	**-0.8**	**-0.1**	**0.3**	*-1.0*	*-0.2*	*1.4*
Euro area	:	1.7	1.0	1.0	0.3	-1.3	-0.7	0.8	1.3	*-0.7*	*0.7*	*1.4*
Bulgaria	0.3	6.6	3.8	0.1	1.5	3.7	**-2.3**	**1.3**	**1.7**	*-0.4*	*1.4*	*1.7*
Czech Republic	2.9	3.1	2.9	0.9	0.5	-2.1	**0.1**	**0.7**	**1.9**	*-0.4*	*0.4*	*2.0*
Denmark	1.7	1.5	1.3	1.3	-0.7	-0.1	**0.0**	**1.3**	**1.7**	*0.4*	*1.4*	*1.7*
Croatia	:	4.6	1.4	-1.3	0.4	-3.0	**-1.0**	**-1.3**	**0.0**	*-0.7*	*-0.5*	*0.5*
Lithuania	:	8.0	3.0	-3.6	4.8	3.9	**4.8**	**3.9**	**4.3**	*4.7*	*3.8*	*4.3*
Hungary	:	5.2	-0.5	-3.0	0.4	-1.6	**0.2**	**1.4**	**1.6**	*0.0*	*1.5*	*1.6*
Poland	6.1	3.1	3.9	3.1	2.6	1.3	**0.8**	**2.3**	**2.8**	*0.8*	*2.0*	*2.5*
Romania	3.5	8.1	6.4	-0.3	1.4	1.5	**1.3**	**2.0**	**3.0**	*0.9*	*1.5*	*2.5*
Sweden	2.6	2.7	1.8	4.0	1.7	1.6	**2.0**	**2.9**	**2.8**	*1.9*	*2.7*	*3.3*
United Kingdom	4.2	3.9	0.5	1.0	-0.4	1.4	**2.2**	**2.1**	**2.2**	*2.4*	*2.4*	*2.2*
EU	:	2.3	1.1	1.1	0.3	-0.7	0.0	1.2	1.6	*0.0*	*1.1*	*1.7*
USA	4.2	3.4	1.3	2.0	2.5	2.2	**2.0**	**2.6**	**2.9**	*2.0*	*2.7*	*3.0*
Japan	1.0	1.0	0.4	2.8	0.3	2.0	**1.9**	**0.6**	**0.7**	*2.0*	*0.5*	*0.6*

Table 8: Government consumption expenditure, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.7	2.1	1.7	0.6	0.7	1.4	**0.7**	**1.0**	**0.7**	*0.6*	*0.5*	*1.4*
Germany	1.6	0.6	1.8	1.3	1.0	1.0	**0.7**	**1.6**	**1.2**	*1.1*	*1.5*	*1.2*
Estonia	2.0	2.2	3.3	-0.8	1.3	3.8	**1.3**	**1.2**	**1.2**	*0.9*	*1.0*	*1.2*
Ireland	4.9	6.0	2.9	-4.9	-2.9	-3.2	**-0.6**	**-0.7**	**-0.1**	*-1.0*	*-2.8*	*-0.4*
Greece	2.6	4.9	2.7	-8.7	-5.2	-6.9	**-4.1**	**-1.8**	**-2.0**	*-6.1*	*-4.0*	*-1.2*
Spain	2.7	5.0	5.1	1.5	-0.5	-4.8	**-2.3**	**-0.8**	**-0.7**	*-1.1*	*-0.9*	*-0.2*
France	0.8	1.8	1.6	1.8	0.4	1.4	**1.7**	**1.3**	**0.7**	*1.7*	*1.2*	*1.4*
Italy	-0.1	2.7	0.9	-0.4	-1.3	-2.6	**-0.8**	**-0.7**	**0.9**	*-0.6*	*-0.6*	*0.4*
Cyprus	4.6	2.3	4.9	1.0	-0.2	-3.8	**-5.0**	**-1.5**	**-2.7**	*-6.0*	*-1.5*	*-2.7*
Latvia	:	1.2	0.7	-7.9	1.1	-0.2	**3.6**	**2.0**	**2.0**	*2.7*	*2.0*	*1.7*
Luxembourg	4.8	4.9	2.8	2.5	1.3	4.8	**4.5**	**2.7**	**2.9**	*1.7*	*1.9*	*2.5*
Malta	:	2.8	2.9	1.7	4.2	5.4	**-0.2**	**2.4**	**0.8**	*1.2*	*1.0*	*0.8*
Netherlands	1.9	2.5	4.2	0.5	0.2	-0.7	**-0.2**	**0.6**	**-0.6**	*-0.7*	*0.3*	*-0.9*
Austria	2.9	0.5	2.2	0.2	0.3	0.2	**0.1**	**0.9**	**0.8**	*0.1*	*0.8*	*0.8*
Portugal	3.7	2.5	1.7	0.1	-5.0	-4.7	**-1.8**	**-1.6**	**-1.5**	*-2.0*	*-2.5*	*-1.9*
Slovenia	3.4	3.1	3.3	1.3	-1.6	-1.3	**-2.0**	**0.1**	**0.3**	*-2.7*	*-1.6*	*0.3*
Slovakia	2.5	2.9	4.9	1.0	-4.3	-1.1	**1.4**	**2.4**	**1.5**	*1.3*	*5.6*	*3.4*
Finland	2.4	1.5	1.3	-0.4	0.5	0.5	**0.8**	**0.4**	**0.5**	*-0.8*	*-0.7*	*0.9*
Euro area	:	2.0	2.2	0.6	-0.1	-0.6	0.2	0.7	0.5	*0.3*	*0.5*	*0.7*
Bulgaria	-4.6	5.1	-0.7	1.9	1.6	-0.5	**2.5**	**1.5**	**2.3**	*3.1*	*2.2*	*2.3*
Czech Republic	0.5	2.8	1.3	0.2	-2.7	-1.9	**1.6**	**1.5**	**1.3**	*1.4*	*1.5*	*0.8*
Denmark	2.5	1.8	1.9	0.2	-1.4	0.4	**0.8**	**1.2**	**0.8**	*0.3*	*1.5*	*0.6*
Croatia	:	0.9	2.4	-2.1	-1.4	-0.8	**0.5**	**-2.9**	**-2.7**	*0.0*	*0.3*	*0.5*
Lithuania	:	2.2	1.2	-3.4	0.3	0.6	**1.8**	**1.6**	**1.7**	*1.5*	*1.6*	*1.7*
Hungary	-1.8	3.2	0.0	-1.2	0.0	-1.2	**1.3**	**1.1**	**2.0**	*1.1*	*1.5*	*2.0*
Poland	2.9	2.8	4.9	4.1	-1.7	0.2	**2.8**	**3.1**	**2.6**	*2.0*	*3.1*	*2.6*
Romania	0.7	-2.0	1.9	-4.7	-0.2	1.2	**-1.8**	**1.8**	**1.6**	*-1.5*	*1.8*	*1.5*
Sweden	0.9	0.4	1.1	2.1	0.8	0.3	**2.0**	**1.2**	**1.1**	*1.2*	*0.9*	*0.7*
United Kingdom	1.6	3.8	1.6	0.5	0.0	1.6	**0.7**	**0.5**	**0.2**	*0.5*	*0.5*	*0.4*
EU	:	2.3	2.0	0.6	-0.2	-0.2	0.4	0.7	0.6	*0.4*	*0.6*	*0.7*
USA	1.4	2.5	1.9	0.1	-2.7	-0.2	**-2.0**	**-0.2**	**1.1**	*-2.1*	*-0.2*	*1.1*
Japan	2.6	2.9	0.8	1.9	1.2	1.7	**2.2**	**1.6**	**0.9**	*2.1*	*1.5*	*0.9*

Table 9: Total investment, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	3.4	1.8	1.6	-1.1	4.1	-2.0	**-2.5**	**1.6**	**3.2**	*-2.5*	*1.7*	*3.2*
Germany	1.7	-1.7	0.4	5.7	6.9	-2.1	**-0.7**	**4.5**	**4.5**	*-0.8*	*4.1*	*4.4*
Estonia	9.6	15.2	-3.9	-7.3	37.6	10.9	**1.1**	**0.9**	**3.7**	*1.4*	*1.7*	*5.4*
Ireland	14.9	5.0	-4.0	-22.7	-9.1	-0.6	**3.6**	**12.0**	**6.5**	*3.8*	*10.5*	*5.4*
Greece	7.9	6.8	-0.5	-15.0	-19.6	-19.2	**-12.8**	**5.3**	**11.7**	*-8.7*	*5.3*	*11.3*
Spain	7.4	5.2	-1.3	-5.5	-5.4	-7.0	**-5.1**	**-1.4**	**4.2**	*-5.6*	*0.1*	*2.0*
France	3.7	2.5	0.7	1.4	2.9	-1.2	**-2.3**	**1.3**	**4.5**	*-1.9*	*0.9*	*3.3*
Italy	3.6	2.6	-2.0	0.6	-2.2	-8.0	**-4.7**	**1.6**	**4.0**	*-5.5*	*1.6*	*3.7*
Cyprus	1.1	5.7	4.5	-4.9	-8.7	-18.3	**-21.6**	**-18.1**	**1.3**	*-24.0*	*-18.1*	*1.3*
Latvia	:	14.0	-3.5	-18.1	27.9	8.7	**-4.3**	**3.2**	**6.8**	*-0.2*	*5.2*	*6.9*
Luxembourg	8.1	3.6	1.5	-0.7	12.1	3.5	**-4.4**	**0.3**	**2.7**	*2.1*	*2.9*	*1.8*
Malta	:	2.7	-2.3	22.2	-26.1	-2.0	**-3.8**	**10.5**	**3.0**	*-2.0*	*1.3*	*1.8*
Netherlands	7.7	-1.4	1.6	-7.4	6.1	-4.0	**-4.8**	**4.9**	**2.9**	*-4.9*	*5.7*	*3.1*
Austria	1.9	1.0	-0.6	-1.4	8.5	1.6	**-0.9**	**2.2**	**3.4**	*-0.7*	*2.4*	*3.2*
Portugal	8.2	-1.2	-1.7	-3.1	-10.5	-14.4	**-6.6**	**3.3**	**3.8**	*-8.0*	*1.2*	*3.7*
Slovenia	12.3	3.3	1.0	-15.3	-5.5	-8.2	**0.2**	**2.7**	**1.4**	*-3.9*	*-2.1*	*0.7*
Slovakia	6.6	0.8	2.6	6.5	14.2	-10.5	**-4.3**	**2.3**	**3.5**	*-6.7*	*0.2*	*3.3*
Finland	9.7	2.6	0.1	1.7	5.8	-0.8	**-4.6**	**-3.3**	**2.6**	*-4.4*	*-1.0*	*1.7*
Euro area	:	1.4	-0.3	-0.4	1.6	-4.0	-2.9	2.3	4.2	*-3.0*	*2.3*	*3.6*
Bulgaria	2.7	14.3	10.7	-18.3	-6.5	4.0	**-0.3**	**5.5**	**2.5**	*1.7*	*2.4*	*4.2*
Czech Republic	4.1	3.7	3.3	1.0	0.4	-4.5	**-3.5**	**2.3**	**2.6**	*-4.0*	*1.2*	*2.2*
Denmark	7.1	2.0	-0.6	-2.1	3.3	0.8	**0.6**	**2.4**	**3.0**	*1.7*	*2.7*	*3.1*
Croatia	:	9.0	3.1	-15.0	-3.4	-4.7	**-1.0**	**0.0**	**3.0**	*-0.3*	*2.0*	*4.0*
Lithuania	14.7	8.6	-1.5	1.9	20.7	-3.6	**12.8**	**6.5**	**6.9**	*7.2*	*6.5*	*6.9*
Hungary	5.3	4.8	-0.7	-8.5	-5.9	-3.7	**5.9**	**7.0**	**4.3**	*3.2*	*6.0*	*4.4*
Poland	15.6	-1.6	9.3	-0.4	8.5	-1.6	**-0.2**	**4.8**	**7.3**	*-0.4*	*4.1*	*6.1*
Romania	1.2	9.0	8.4	-1.8	7.7	3.8	**-3.3**	**2.7**	**4.3**	*-2.7*	*3.4*	*4.5*
Sweden	6.5	2.4	2.0	7.2	8.2	3.3	**-1.3**	**5.5**	**6.5**	*-1.0*	*4.7*	*6.8*
United Kingdom	7.0	2.3	-1.8	2.8	-2.4	0.8	**-0.6**	**6.6**	**7.1**	*-1.8*	*6.5*	*7.1*
EU	:	1.7	0.0	-0.2	1.6	-2.9	-2.3	3.1	4.7	*-2.5*	*3.0*	*4.2*
USA	7.5	2.7	-2.5	1.1	3.5	5.5	**2.9**	**4.9**	**7.5**	*3.3*	*5.2*	*7.8*
Japan	-0.5	-1.2	-2.5	-0.2	1.4	3.4	**2.6**	**3.8**	**1.6**	*2.7*	*5.2*	*2.5*

Table 10: Investment in construction, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.1	0.5	1.4	5.9	3.8	-2.4	**-2.9**	**0.6**	**2.1**	*-2.9*	*0.7*	*1.8*
Germany	-1.1	-3.9	-0.5	3.2	7.8	-1.4	**0.1**	**4.7**	**3.2**	*-0.3*	*3.6*	*2.8*
Estonia	:	14.2	-2.0	-3.0	3.9	10.5	**1.3**	**-1.6**	**1.9**	*-2.9*	*-2.2*	*2.9*
Ireland	14.3	6.6	-6.0	-29.6	-15.6	-4.1	**12.4**	**12.0**	**7.1**	*-1.4*	*8.9*	*2.5*
Greece	5.0	4.1	-3.0	-19.2	-21.0	-22.7	**-17.9**	**2.4**	**10.5**	*-13.5*	*2.4*	*9.9*
Spain	4.7	6.2	-1.7	-9.9	-10.8	-9.7	**-9.6**	**-6.9**	**1.2**	*-10.0*	*-4.1*	*-1.9*
France	0.9	2.7	0.9	-3.2	1.4	-0.8	**-2.6**	**-0.5**	**1.6**	*-2.5*	*-0.8*	*1.5*
Italy	1.1	4.0	-1.9	-4.5	-3.7	-6.1	**-6.7**	**-1.7**	**2.5**	*-6.8*	*-1.4*	*1.8*
Cyprus	:	5.5	3.4	-4.8	-7.9	-20.3	**-31.0**	**-13.8**	**1.5**	*-24.9*	*-13.8*	*1.4*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	5.6	5.7	1.9	-10.2	4.1	-6.3	**2.5**	**2.3**	**2.4**	*0.6*	*2.3*	*2.4*
Malta	:	:	-2.9	10.8	-20.3	2.1	**-8.5**	**:**	**:**	*:*	*:*	*:*
Netherlands	3.1	-0.9	1.2	-11.9	4.9	-7.6	**-5.7**	**2.3**	**2.2**	*-4.7*	*5.5*	*2.5*
Austria	0.1	0.2	-1.3	-3.9	2.5	2.5	**0.7**	**2.1**	**2.3**	*0.2*	*1.9*	*2.2*
Portugal	7.3	-1.5	-3.6	-4.2	-11.5	-18.1	**-14.3**	**0.4**	**1.4**	*-13.6*	*-2.2*	*0.9*
Slovenia	9.3	1.6	1.6	-20.5	-18.5	-6.5	**-5.8**	**2.7**	**1.2**	*-3.7*	*-3.4*	*0.2*
Slovakia	:	-1.7	5.3	-7.7	7.4	-8.5	**-6.1**	**4.1**	**3.4**	*-6.9*	*2.0*	*3.4*
Finland	8.3	2.9	-0.4	7.2	4.9	-5.2	**-5.4**	**-2.0**	**2.5**	*-3.6*	*-1.2*	*1.6*
Euro area	:	1.1	-0.8	-4.1	-0.4	-4.2	-3.8	0.6	2.4	*-3.9*	*0.6*	*1.8*
Bulgaria	:	12.2	17.7	-21.6	-22.2	-5.8	**-1.8**	**4.2**	**2.1**	*-1.0*	*2.4*	*3.4*
Czech Republic	:	2.2	1.9	-0.1	-5.0	-5.3	**-7.1**	**1.6**	**1.7**	*-7.5*	*0.3*	*1.7*
Denmark	5.6	1.6	-2.7	-7.1	9.5	-5.3	**-3.8**	**5.0**	**0.5**	*-1.6*	*4.5*	*1.1*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	5.0	0.9	-7.2	14.3	-4.1	**8.6**	**5.0**	**5.0**	*4.1*	*5.0*	*5.0*
Hungary	:	6.0	-1.7	-13.7	-13.3	-9.1	**4.3**	**7.9**	**4.2**	*4.3*	*5.6*	*4.2*
Poland	:	-1.6	8.8	2.2	7.8	-1.0	**-3.6**	**4.2**	**6.1**	*-2.7*	*3.9*	*5.4*
Romania	0.8	8.1	9.7	11.3	-4.3	3.5	**-3.1**	**2.9**	**4.2**	*-3.4*	*3.6*	*4.6*
Sweden	-0.1	4.0	1.1	4.5	3.5	0.7	**-0.5**	**7.2**	**4.7**	*0.7*	*4.0*	*5.5*
United Kingdom	5.4	1.2	-1.0	1.9	3.6	-3.9	**0.8**	**7.3**	**7.4**	*-2.8*	*6.5*	*7.1*
EU	4.7	1.3	-0.4	-3.1	0.3	-3.9	-3.0	1.9	3.3	*-3.5*	*1.7*	*2.8*
USA	4.4	2.2	-6.6	-7.4	-1.6	7.7	**3.7**	**4.1**	**7.6**	*3.8*	*4.6*	*7.7*
Japan	-3.4	-3.5	-4.5	-3.1	-0.1	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 11: Investment in equipment, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	6.4	2.2	1.4	-10.9	4.8	-3.2	**-1.7**	**3.1**	**4.9**	*-1.7*	*3.2*	*5.5*
Germany	6.0	0.7	0.7	10.0	5.8	-4.0	**-2.4**	**4.2**	**6.6**	*-2.2*	*4.8*	*7.1*
Estonia	:	16.2	-8.6	-16.2	123.5	11.6	**0.8**	**4.0**	**6.0**	*6.5*	*6.0*	*8.0*
Ireland	17.2	1.5	0.9	-11.2	-1.6	2.3	**-8.5**	**12.0**	**5.1**	*9.2*	*12.0*	*6.5*
Greece	14.7	10.6	2.7	-7.9	-18.1	-17.6	**-7.2**	**8.8**	**13.0**	*-3.0*	*8.8*	*13.0*
Spain	12.1	2.0	-1.1	5.0	5.5	-3.9	**2.2**	**6.5**	**8.2**	*1.2*	*5.8*	*6.7*
France	7.8	1.7	-0.8	11.2	8.2	-3.0	**-2.4**	**3.8**	**7.1**	*-2.0*	*3.2*	*5.1*
Italy	6.0	1.5	-2.5	8.1	-0.7	-11.0	**-2.5**	**5.9**	**5.7**	*-4.3*	*5.3*	*5.8*
Cyprus	6.1	5.2	6.4	-6.9	-10.5	-16.2	**-5.7**	**-14.0**	**3.0**	*-22.5*	*-14.0*	*3.0*
Latvia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Luxembourg	12.3	0.1	1.2	22.0	22.4	18.7	**-8.1**	**-2.5**	**3.5**	*4.0*	*3.8*	*1.2*
Malta	:	:	-4.7	46.7	-43.2	-13.9	**3.6**	**:**	**:**	*:*	*:*	*:*
Netherlands	11.5	-1.4	2.2	-3.0	9.5	1.5	**-4.7**	**8.2**	**4.1**	*-5.0*	*5.7*	*4.0*
Austria	3.4	1.1	0.0	2.1	14.3	2.1	**-3.1**	**2.4**	**5.3**	*-1.7*	*3.3*	*4.8*
Portugal	11.0	-1.1	1.7	-2.7	-11.4	-10.1	**4.1**	**9.0**	**7.0**	*1.6*	*6.0*	*7.7*
Slovenia	14.9	5.9	-0.5	-9.5	14.7	-8.5	**9.5**	**2.6**	**1.6**	*-4.1*	*-0.7*	*1.2*
Slovakia	5.7	2.7	0.2	10.5	39.8	-11.9	**-3.4**	**1.5**	**4.4**	*-6.0*	*-2.8*	*3.4*
Finland	11.5	1.1	1.0	-12.2	10.5	14.0	**-5.3**	**-6.3**	**3.0**	*-3.7*	*-0.6*	*1.9*
Euro area	:	1.3	-0.3	5.6	4.6	-4.7	-2.2	4.7	6.4	*-2.2*	*4.6*	*6.0*
Bulgaria	:	16.2	1.0	-11.2	24.5	1.0	**3.0**	**6.0**	**3.0**	*4.8*	*2.6*	*5.1*
Czech Republic	5.5	4.9	5.0	3.9	6.8	-5.6	**-1.3**	**2.9**	**3.4**	*-0.7*	*2.0*	*2.7*
Denmark	6.5	1.9	0.8	1.9	-3.8	8.4	**6.7**	**-0.1**	**5.5**	*4.9*	*1.3*	*4.9*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Lithuania	:	13.4	-8.1	22.2	38.1	-4.5	**21.8**	**9.0**	**9.8**	*13.5*	*9.0*	*9.7*
Hungary	:	3.4	-0.4	-3.1	6.0	3.8	**5.0**	**7.0**	**4.7**	*5.0*	*7.0*	*4.7*
Poland	:	-1.9	9.7	-3.3	11.6	-3.9	**5.0**	**7.2**	**9.1**	*3.4*	*4.5*	*7.2*
Romania	2.4	9.7	8.6	-19.1	23.6	4.1	**-3.8**	**2.5**	**4.5**	*-2.0*	*3.5*	*4.5*
Sweden	11.8	1.4	2.3	11.9	13.2	5.2	**-2.5**	**3.9**	**8.1**	*-2.6*	*5.3*	*7.9*
United Kingdom	8.1	0.9	-3.4	10.0	-21.8	12.9	**1.0**	**7.9**	**8.2**	*2.8*	*8.7*	*7.9*
EU	9.1	1.3	0.0	5.1	3.3	-2.8	-1.4	4.9	6.5	*-1.3*	*4.8*	*6.2*
USA	10.2	2.3	-1.0	12.8	9.6	6.3	**1.9**	**6.1**	**7.3**	*2.4*	*6.3*	*8.0*
Japan	2.4	1.0	-0.8	2.6	3.4	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 12: Public investment (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.8	1.7	1.6	1.6	1.7	1.8	**1.6**	**1.6**	**1.6**	*1.7*	*1.6*	*1.6*
Germany	2.0	1.7	1.5	1.7	1.7	1.5	**1.6**	**1.6**	**1.6**	*1.6*	*1.6*	*1.6*
Estonia	4.6	4.3	4.8	3.9	4.1	5.4	**4.3**	**4.0**	**3.9**	*4.4*	*4.0*	*4.0*
Ireland	2.6	3.8	4.2	3.4	2.4	1.9	**1.7**	**1.6**	**1.5**	*1.8*	*1.7*	*1.6*
Greece	3.0	3.6	3.3	2.3	1.7	1.8	**1.9**	**2.6**	**2.5**	*2.3*	*2.5*	*2.2*
Spain	3.3	3.4	4.0	4.0	3.0	1.7	**1.5**	**1.3**	**1.3**	*1.6*	*1.4*	*1.4*
France	3.0	3.0	3.3	3.1	3.1	3.2	**3.2**	**3.0**	**2.9**	*3.2*	*3.1*	*3.0*
Italy	2.2	2.3	2.4	2.2	2.0	1.9	**1.7**	**1.6**	**1.5**	*2.0*	*1.9*	*1.7*
Cyprus	3.1	3.3	3.3	3.8	3.6	2.5	**2.1**	**2.3**	**2.3**	*2.1*	*2.3*	*2.3*
Latvia	1.6	1.8	4.5	3.7	4.2	4.2	**3.9**	**3.7**	**3.4**	*4.3*	*4.0*	*3.6*
Luxembourg	4.1	4.4	3.7	4.1	3.8	3.5	**3.1**	**3.1**	**3.2**	*3.3*	*3.3*	*3.2*
Malta	3.7	3.9	3.4	2.1	2.5	3.0	**2.7**	**2.7**	**2.7**	*2.8*	*2.8*	*2.9*
Netherlands	3.1	3.3	3.4	3.6	3.3	3.3	**3.2**	**3.3**	**3.2**	*3.3*	*3.3*	*3.3*
Austria	2.3	1.3	1.1	1.1	1.0	1.0	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
Portugal	4.6	4.1	3.0	3.8	2.6	1.7	**1.4**	**1.8**	**1.7**	*1.9*	*1.8*	*1.7*
Slovenia	3.1	3.2	4.0	4.5	3.5	3.3	**3.7**	**4.2**	**3.9**	*3.4*	*3.5*	*3.5*
Slovakia	3.7	2.8	2.1	2.6	2.7	2.2	**2.1**	**1.9**	**1.8**	*1.2*	*1.3*	*1.3*
Finland	2.8	2.6	2.5	2.5	2.5	2.6	**2.8**	**2.9**	**2.8**	*2.6*	*2.6*	*2.6*
Euro area	2.5	2.5	2.6	2.6	2.4	2.1	**2.1**	**2.0**	**2.0**	*2.1*	*2.1*	*2.0*
Bulgaria	2.1	3.2	4.6	4.6	3.4	3.3	**4.1**	**4.4**	**4.4**	*3.7*	*3.9*	*3.8*
Czech Republic	4.1	4.1	4.5	4.2	3.6	3.2	**2.8**	**3.2**	**3.6**	*2.9*	*2.9*	*2.9*
Denmark	1.8	1.8	1.9	2.2	2.2	2.6	**2.3**	**2.3**	**2.1**	*2.4*	*2.5*	*2.2*
Croatia	:	:	:	2.4	2.3	2.0	**2.2**	**2.5**	**2.8**	*2.1*	*2.5*	*2.8*
Lithuania	2.6	2.8	4.3	4.6	4.4	3.7	**3.4**	**3.4**	**3.3**	*3.6*	*3.6*	*3.5*
Hungary	2.0	3.8	3.6	3.4	3.1	3.5	**3.9**	**4.4**	**3.8**	*4.1*	*4.9*	*4.4*
Poland	3.6	3.2	4.3	5.6	5.7	4.6	**3.9**	**3.8**	**3.9**	*3.9*	*4.0*	*3.9*
Romania	2.8	3.2	5.5	5.7	5.5	4.7	**4.5**	**4.3**	**4.4**	*4.5*	*4.4*	*4.4*
Sweden	3.3	2.9	3.2	3.5	3.4	3.5	**3.3**	**3.4**	**3.3**	*3.5*	*3.5*	*3.3*
United Kingdom	1.4	1.5	1.9	2.5	2.2	2.2	**2.0**	**2.0**	**2.0**	*2.0*	*2.0*	*2.0*
EU	:	:	:	2.7	2.5	2.3	**2.2**	**2.2**	**2.2**	*2.3*	*2.3*	*2.2*
USA	3.7	3.7	3.9	4.1	3.8	3.6	**3.6**	**3.6**	**3.5**	*2.7*	*2.7*	*2.6*
Japan	5.8	4.6	3.3	3.3	3.1	3.2	**3.5**	**3.7**	**3.3**	*3.5*	*3.8*	*3.8*

Table 13: Potential GDP, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.2	2.0	1.6	1.2	1.3	0.8	**0.7**	**0.8**	**1.0**	*0.6*	*0.7*	*1.1*
Germany	1.6	1.4	1.2	1.0	1.3	1.4	**1.4**	**1.5**	**1.5**	*1.5*	*1.5*	*1.6*
Estonia	:	5.6	4.0	-0.2	1.6	1.6	**2.1**	**2.5**	**2.8**	*2.8*	*3.3*	*3.5*
Ireland	8.9	6.4	2.2	-1.1	-0.8	-0.5	**0.5**	**1.3**	**2.0**	*0.4*	*0.9*	*1.7*
Greece	2.8	4.8	1.9	-1.8	-3.0	-3.2	**-3.5**	**-3.0**	**-2.8**	*-3.1*	*-2.8*	*-2.6*
Spain	2.7	3.4	2.8	1.2	0.7	-0.1	**-0.4**	**-0.3**	**-0.1**	*-1.3*	*-1.1*	*-1.1*
France	1.8	1.8	1.5	1.1	1.2	1.1	**1.0**	**1.0**	**1.1**	*1.0*	*1.0*	*1.0*
Italy	1.5	1.4	0.5	-0.1	0.2	-0.8	**-0.4**	**-0.2**	**0.1**	*-0.5*	*-0.2*	*0.0*
Cyprus	:	3.5	2.8	1.1	0.4	-1.2	**-2.0**	**-2.3**	**-1.8**	*-2.7*	*-2.9*	*-2.7*
Latvia	:	6.6	4.6	-2.0	-0.5	0.8	**1.9**	**2.3**	**2.9**	*2.0*	*2.6*	*3.2*
Luxembourg	4.3	4.8	3.0	0.3	1.2	1.7	**1.4**	**1.3**	**1.3**	*1.4*	*1.2*	*1.4*
Malta	:	2.3	2.2	2.4	1.4	1.7	**1.7**	**1.8**	**1.8**	*1.5*	*1.4*	*1.5*
Netherlands	3.3	2.4	1.6	0.4	0.5	0.2	**0.1**	**0.4**	**0.5**	*0.2*	*0.4*	*0.5*
Austria	2.5	2.3	1.8	0.8	0.9	1.1	**1.1**	**1.3**	**1.5**	*1.1*	*1.2*	*1.4*
Portugal	3.0	2.2	0.9	0.4	-0.1	-0.8	**-0.7**	**-0.5**	**-0.3**	*-0.7*	*-0.7*	*-0.3*
Slovenia	:	3.7	3.2	-0.2	-0.5	-0.7	**-0.6**	**0.0**	**0.5**	*-1.2*	*-0.5*	*0.1*
Slovakia	:	3.8	5.2	3.6	3.7	2.8	**2.3**	**2.4**	**2.5**	*2.2*	*2.1*	*2.3*
Finland	3.3	3.4	1.8	0.3	0.4	0.2	**0.0**	**0.0**	**0.4**	*-0.1*	*0.0*	*0.3*
Euro area	:	2.1	1.5	0.7	0.8	0.5	**0.5**	**0.6**	**0.8**	*0.4*	*0.5*	*0.7*
Bulgaria	:	:	5.0	0.3	0.3	0.6	**1.4**	**2.0**	**2.3**	*1.1*	*1.5*	*1.8*
Czech Republic	:	3.0	4.0	1.8	1.5	0.4	**0.5**	**1.1**	**1.3**	*0.4*	*0.7*	*1.0*
Denmark	2.3	1.6	1.3	0.6	0.7	0.7	**0.6**	**0.9**	**1.2**	*0.6*	*1.0*	*1.2*
Croatia	:	:	2.1	-0.9	-0.9	-1.3	**-0.3**	**0.3**	**0.6**	*-0.9*	*-0.3*	*0.6*
Lithuania	:	6.2	4.9	0.0	0.9	1.3	**2.6**	**3.1**	**3.7**	*2.5*	*3.0*	*3.4*
Hungary	:	3.5	2.0	0.1	0.1	0.0	**0.4**	**0.9**	**1.1**	*0.4*	*0.8*	*1.1*
Poland	:	4.1	3.7	4.1	4.2	3.5	**3.2**	**3.2**	**3.4**	*2.9*	*2.7*	*2.6*
Romania	:	:	4.5	1.4	1.8	2.0	**1.9**	**2.1**	**2.2**	*1.9*	*2.0*	*2.1*
Sweden	2.7	3.1	2.2	1.8	1.9	1.9	**2.2**	**2.2**	**2.3**	*1.8*	*2.0*	*2.2*
United Kingdom	3.4	3.2	1.8	0.6	0.5	0.4	**0.7**	**1.1**	**1.4**	*0.7*	*1.0*	*1.3*
EU	:	:	1.6	0.8	0.8	0.6	**0.7**	**0.9**	**1.0**	*0.6*	*0.8*	*0.9*
USA	3.7	2.8	1.8	1.1	1.4	1.7	**1.9**	**2.3**	**2.6**	*2.0*	*2.3*	*2.6*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

Table 14: Output gap relative to potential GDP [1] (deviation of actual output from potential output as % of potential GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.1	0.7	1.0	-0.8	-0.3	-1.3	**-1.7**	**-1.1**	**-0.5**	*-1.7*	*-1.1*	*-0.4*
Germany	-0.3	-0.1	-0.5	-1.4	0.6	-0.1	**-1.1**	**-0.7**	**-0.3**	*-1.1*	*-0.8*	*-0.4*
Estonia	-5.1	2.0	4.6	-7.0	0.3	2.6	**1.3**	**0.7**	**0.8**	*1.2*	*0.3*	*0.4*
Ireland	0.9	1.4	1.1	-4.1	-1.2	-0.6	**-1.4**	**-1.0**	**0.0**	*-1.2*	*-0.3*	*0.9*
Greece	1.2	0.4	1.0	-4.7	-8.7	-12.2	**-12.6**	**-9.3**	**-4.0**	*-12.4*	*-9.4*	*-4.2*
Spain	-1.4	2.2	0.9	-5.3	-5.9	-7.3	**-8.1**	**-6.7**	**-4.7**	*-5.1*	*-3.1*	*-0.4*
France	-1.0	2.1	1.5	-1.8	-0.9	-2.0	**-2.7**	**-2.8**	**-2.4**	*-2.9*	*-2.9*	*-2.2*
Italy	0.6	1.6	1.1	-1.7	-1.4	-3.0	**-4.3**	**-3.6**	**-2.5**	*-4.3*	*-3.6*	*-2.4*
Cyprus	:	0.5	1.7	0.6	0.6	-0.6	**-4.1**	**-6.6**	**-4.1**	*-3.5*	*-5.3*	*-1.9*
Latvia	:	0.2	3.8	-11.4	-6.3	-2.1	**0.0**	**1.4**	**2.6**	*0.1*	*1.7*	*2.8*
Luxembourg	-1.0	2.1	0.6	-2.4	-1.8	-3.6	**-2.8**	**-1.6**	**-0.3**	*-2.7*	*-1.8*	*-0.7*
Malta	-0.5	0.3	0.4	-0.1	0.1	-0.9	**-0.3**	**0.2**	**0.7**	*-0.4*	*0.2*	*0.9*
Netherlands	0.1	-0.4	0.0	-1.4	-1.0	-2.4	**-3.3**	**-2.6**	**-1.8**	*-3.3*	*-2.7*	*-1.9*
Austria	-0.3	0.0	0.2	-2.0	-0.1	-0.4	**-1.1**	**-0.8**	**-0.4**	*-1.0*	*-0.7*	*-0.3*
Portugal	1.2	1.7	-0.5	-1.6	-2.6	-5.0	**-5.6**	**-4.0**	**-2.3**	*-4.6*	*-3.3*	*-1.5*
Slovenia	:	0.6	2.2	-2.0	-0.8	-2.7	**-3.1**	**-2.4**	**-1.5**	*-3.1*	*-2.8*	*-1.6*
Slovakia	:	-2.2	3.6	-0.4	-1.1	-2.1	**-3.4**	**-3.6**	**-3.1**	*-3.7*	*-3.5*	*-2.7*
Finland	-0.7	0.2	1.1	-2.5	-0.1	-1.4	**-2.7**	**-2.6**	**-1.9**	*-2.8*	*-2.6*	*-1.6*
Euro area	:	1.0	0.6	-2.1	-1.3	-2.4	**-3.3**	**-2.7**	**-1.8**	*-3.0*	*-2.4*	*-1.3*
Bulgaria	:	:	2.8	-2.2	-0.7	-0.6	**-1.2**	**-1.4**	**-1.7**	*-1.9*	*-1.7*	*-1.5*
Czech Republic	:	0.1	3.3	-0.8	-0.5	-1.9	**-3.3**	**-2.4**	**-1.3**	*-3.3*	*-2.3*	*-1.2*
Denmark	0.9	1.1	1.3	-4.0	-3.6	-4.6	**-4.8**	**-4.3**	**-3.6**	*-4.9*	*-4.2*	*-3.6*
Croatia	:	:	3.4	-2.4	-1.7	-2.2	**-2.9**	**-3.8**	**-3.7**	*-2.2*	*-1.5*	*-0.9*
Lithuania	:	-0.6	3.4	-8.2	-3.5	-1.3	**-0.7**	**-0.5**	**-0.4**	*-0.5*	*0.1*	*0.5*
Hungary	:	1.6	2.0	-3.9	-2.5	-4.2	**-3.4**	**-2.1**	**-1.0**	*-3.2*	*-2.0*	*-1.1*
Poland	1.5	-2.7	1.4	1.5	1.9	0.4	**-1.2**	**-1.2**	**-1.2**	*-2.0*	*-1.9*	*-1.4*
Romania	:	:	4.8	-2.3	-1.8	-3.2	**-1.6**	**-1.2**	**-0.8**	*-1.4*	*-1.1*	*-0.8*
Sweden	-0.9	0.0	0.0	-1.5	-0.4	-1.4	**-2.0**	**-1.4**	**-0.7**	*-2.1*	*-1.6*	*-0.5*
United Kingdom	0.7	0.3	0.2	-3.9	-3.3	-3.5	**-2.6**	**-1.0**	**0.0**	*-2.4*	*-0.9*	*0.2*
EU	:	:	0.6	-2.4	-1.6	-2.5	**-3.1**	**-2.4**	**-1.5**	*-2.8*	*-2.1*	*-1.1*
USA	-0.2	0.3	0.5	-2.3	-1.9	-0.9	**-0.9**	**-0.4**	**0.2**	*-0.9*	*-0.4*	*0.3*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

[1] When comparing output gaps between the spring and the winter forecast it has to be taken into account that the overall revisions to the forecast may have led to changes in the estimates for potential output.

Table 15: Deflator of gross domestic product (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.9	2.0	2.1	2.1	2.0	1.9	**1.2**	**1.4**	**1.4**	*1.3*	*1.4*	*1.6*
Germany	0.7	0.8	0.9	1.0	1.2	1.5	**2.2**	**1.6**	**1.6**	*2.2*	*1.6*	*1.7*
Estonia	15.1	4.9	6.3	0.3	3.0	3.3	**5.0**	**2.8**	**3.5**	*5.0*	*3.0*	*3.5*
Ireland	3.3	4.6	0.1	-1.5	0.7	0.7	**0.4**	**1.1**	**0.9**	*0.6*	*0.7*	*1.1*
Greece	6.4	3.4	3.1	1.1	1.0	-0.3	**-2.1**	**-0.7**	**0.4**	*-2.6*	*-0.5*	*0.4*
Spain	3.2	4.0	2.8	0.1	0.0	0.0	**0.6**	**0.3**	**0.7**	*0.3*	*0.5*	*0.7*
France	1.0	1.9	2.0	1.0	1.3	1.5	**1.1**	**1.3**	**1.2**	*1.1*	*1.3*	*1.3*
Italy	3.3	2.7	2.1	0.4	1.4	1.6	**1.4**	**0.9**	**1.3**	*1.3*	*1.1*	*1.4*
Cyprus	2.0	3.3	3.1	1.9	2.3	1.6	**-1.5**	**0.6**	**1.5**	*-2.3*	*0.6*	*1.5*
Latvia	8.7	4.0	10.4	-0.9	6.0	3.3	**1.4**	**1.7**	**2.7**	*1.6*	*2.3*	*2.3*
Luxembourg	1.6	2.4	3.3	7.2	4.2	3.0	**3.7**	**2.8**	**0.8**	*3.9*	*2.8*	*2.7*
Malta	1.9	2.5	2.8	4.0	2.2	2.1	**2.0**	**2.0**	**2.5**	*2.2*	*1.7*	*2.4*
Netherlands	1.9	3.2	1.7	0.8	1.1	1.3	**1.4**	**1.2**	**1.1**	*1.7*	*0.8*	*2.2*
Austria	0.6	1.4	1.8	1.4	2.0	1.7	**1.6**	**1.9**	**1.7**	*1.5*	*1.9*	*1.7*
Portugal	3.8	3.2	2.1	0.6	0.3	-0.3	**1.7**	**0.7**	**0.9**	*1.7*	*0.9*	*1.0*
Slovenia	11.1	6.0	3.1	-1.1	1.2	0.2	**1.0**	**0.9**	**1.3**	*1.6*	*0.7*	*1.3*
Slovakia	6.5	5.9	1.6	0.5	1.6	1.3	**0.5**	**0.5**	**0.9**	*0.6*	*0.7*	*1.0*
Finland	2.1	1.3	1.7	0.3	2.7	2.9	**2.0**	**1.6**	**1.4**	*2.9*	*2.2*	*2.0*
Euro area	1.8	2.1	1.8	0.8	1.2	1.3	1.4	1.2	1.3	*1.4*	*1.2*	*1.4*
Bulgaria	116.0	4.8	7.2	2.8	4.9	3.1	**-0.8**	**0.9**	**1.6**	*2.2*	*0.9*	*2.0*
Czech Republic	7.8	2.7	1.5	-1.6	-0.9	1.6	**1.9**	**1.3**	**1.7**	*1.3*	*1.3*	*1.9*
Denmark	1.6	2.4	2.4	4.3	0.7	2.3	**1.4**	**1.4**	**1.5**	*2.4*	*1.3*	*1.5*
Croatia	:	4.0	4.0	0.8	1.8	1.9	**0.9**	**0.8**	**1.2**	*1.9*	*1.4*	*1.8*
Lithuania	14.5	0.5	5.5	2.3	5.4	2.6	**1.7**	**1.6**	**2.3**	*1.7*	*1.6*	*2.5*
Hungary	17.9	8.0	4.0	2.4	2.6	3.2	**2.7**	**2.2**	**2.6**	*2.2*	*2.1*	*2.3*
Poland	15.1	3.5	3.0	1.4	3.2	2.4	**0.9**	**1.0**	**1.5**	*0.5*	*1.4*	*1.8*
Romania	59.1	28.1	11.1	5.7	4.0	4.7	**3.5**	**2.8**	**2.8**	*3.6*	*2.9*	*2.7*
Sweden	1.5	1.5	2.2	0.8	1.3	1.0	**0.8**	**1.2**	**1.8**	*0.7*	*1.2*	*1.7*
United Kingdom	2.2	2.0	2.5	3.1	2.3	1.1	**1.8**	**1.8**	**2.2**	*1.7*	*1.9*	*2.1*
EU	:	2.3	2.1	1.2	1.4	1.4	1.5	1.3	1.5	*1.4*	*1.4*	*1.6*
USA	1.6	2.2	2.3	1.2	2.0	1.7	**1.5**	**1.6**	**1.8**	*1.5*	*1.5*	*1.8*
Japan	-0.4	-1.4	-1.0	-2.2	-1.9	-0.9	**-0.6**	**1.7**	**1.2**	*-0.6*	*1.7*	*1.2*

Table 16: Price deflator of private consumption (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.0	2.1	2.2	2.0	3.1	2.4	**1.1**	**0.7**	**1.2**	*1.2*	*0.8*	*1.5*
Germany	0.9	1.3	1.2	2.0	2.1	1.6	**1.6**	**1.2**	**1.4**	*1.6*	*1.5*	*1.6*
Estonia	13.7	3.6	4.9	2.4	4.9	3.6	**3.4**	**1.5**	**3.0**	*3.6*	*1.8*	*2.8*
Ireland	3.1	4.0	0.2	-2.1	1.7	0.5	**1.8**	**1.4**	**0.9**	*0.4*	*0.7*	*1.0*
Greece	5.9	3.8	2.9	4.0	3.4	0.9	**-1.5**	**-0.8**	**0.3**	*-1.3*	*-0.4*	*0.3*
Spain	3.0	3.4	2.5	1.9	2.5	2.5	**1.3**	**0.2**	**0.8**	*1.5*	*0.4*	*0.9*
France	0.7	1.9	1.6	1.1	2.1	1.8	**0.7**	**1.1**	**1.3**	*0.7*	*1.3*	*1.2*
Italy	3.2	2.8	2.0	1.5	2.8	2.7	**1.3**	**0.7**	**1.2**	*1.3*	*0.9*	*1.3*
Cyprus	1.3	2.7	2.9	2.1	3.3	2.6	**-0.3**	**0.6**	**1.5**	*0.2*	*0.6*	*1.5*
Latvia	:	3.5	8.8	-1.7	4.9	3.1	**0.5**	**1.2**	**2.5**	*0.0*	*1.8*	*2.0*
Luxembourg	1.8	2.2	2.4	1.4	2.6	1.6	**1.6**	**1.7**	**1.9**	*1.7*	*1.7*	*1.8*
Malta	:	1.5	2.5	2.9	0.9	2.0	**0.8**	**1.2**	**1.9**	*1.0*	*1.2*	*1.9*
Netherlands	2.1	2.9	1.3	1.5	2.4	2.2	**2.2**	**1.3**	**1.5**	*2.2*	*1.4*	*1.5*
Austria	1.3	1.7	2.0	1.8	3.6	2.6	**2.2**	**1.6**	**1.7**	*2.2*	*1.7*	*1.8*
Portugal	3.1	3.1	1.8	1.3	2.5	1.5	**0.3**	**0.4**	**1.1**	*0.5*	*1.0*	*1.2*
Slovenia	11.1	6.0	3.0	1.5	1.7	1.6	**0.9**	**0.3**	**1.2**	*1.1*	*0.5*	*1.3*
Slovakia	7.3	6.1	2.9	1.0	3.8	3.4	**1.3**	**0.4**	**1.5**	*1.5*	*0.8*	*1.5*
Finland	1.4	1.7	1.9	1.9	3.5	2.9	**1.7**	**1.4**	**1.3**	*1.9*	*1.8*	*1.8*
Euro area	:	2.2	1.8	1.6	2.4	2.1	1.3	0.9	1.3	*1.3*	*1.1*	*1.4*
Bulgaria	111.6	3.6	5.3	2.4	4.6	5.4	**-1.9**	**0.0**	**1.5**	*0.9*	*1.1*	*2.2*
Czech Republic	7.4	2.3	2.2	-0.2	0.5	2.7	**1.1**	**1.0**	**1.8**	*1.2*	*1.3*	*1.8*
Denmark	1.7	1.9	1.8	2.7	2.7	2.8	**1.0**	**1.7**	**1.7**	*0.8*	*1.7*	*1.9*
Croatia	:	3.3	3.7	1.5	2.4	3.5	**1.9**	**1.0**	**1.4**	*2.6*	*1.3*	*1.8*
Lithuania	:	-0.3	5.6	1.3	4.1	3.1	**1.1**	**1.0**	**1.8**	*1.2*	*1.1*	*1.9*
Hungary	:	7.2	4.6	3.9	4.2	6.1	**1.7**	**1.0**	**2.8**	*1.7*	*1.2*	*2.8*
Poland	15.2	4.0	2.5	2.5	4.9	3.7	**0.7**	**1.1**	**1.9**	*0.8*	*1.3*	*2.0*
Romania	57.9	23.8	6.0	7.7	4.3	3.9	**4.4**	**2.9**	**3.2**	*3.6*	*2.7*	*3.2*
Sweden	1.4	1.4	1.8	1.5	1.7	1.2	**0.6**	**0.6**	**1.6**	*0.6*	*1.1*	*1.8*
United Kingdom	2.1	1.1	2.6	4.0	3.9	1.8	**2.2**	**1.9**	**2.0**	*2.4*	*2.1*	*2.1*
EU	:	2.2	2.0	2.1	2.8	2.1	1.4	1.1	1.5	*1.4*	*1.3*	*1.6*
USA	1.6	2.0	2.2	1.7	2.4	1.8	**1.1**	**1.6**	**1.9**	*1.1*	*1.4*	*1.9*
Japan	0.0	-1.0	-0.8	-1.7	-0.8	-0.8	**-0.2**	**2.5**	**1.5**	*-0.2*	*2.5*	*1.5*

Table 17: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.3	2.0	2.2	2.3	3.4	2.6	**1.2**	**0.9**	**1.3**	*1.2*	*0.9*	*1.4*
Germany	:	1.5	1.8	1.2	2.5	2.1	**1.6**	**1.1**	**1.4**	*1.6*	*1.4*	*1.4*
Estonia	:	3.5	5.2	2.7	5.1	4.2	**3.2**	**1.5**	**3.0**	*3.2*	*1.8*	*2.8*
Ireland	2.2	4.1	1.8	-1.6	1.2	1.9	**0.5**	**0.6**	**1.1**	*0.5*	*0.8*	*1.1*
Greece	5.8	3.4	3.1	4.7	3.1	1.0	**-0.9**	**-0.8**	**0.3**	*-0.9*	*-0.6*	*0.2*
Spain	2.8	3.2	2.7	2.0	3.1	2.4	**1.5**	**0.1**	**0.8**	*1.5*	*0.3*	*0.9*
France	1.3	2.0	1.7	1.7	2.3	2.2	**1.0**	**1.0**	**1.1**	*1.0*	*1.2*	*1.2*
Italy	3.0	2.5	2.1	1.6	2.9	3.3	**1.3**	**0.7**	**1.2**	*1.3*	*0.9*	*1.3*
Cyprus	:	3.1	2.2	2.6	3.5	3.1	**0.4**	**0.4**	**1.4**	*0.4*	*0.4*	*1.4*
Latvia	:	3.2	8.4	-1.2	4.2	2.3	**0.0**	**1.2**	**2.5**	*0.0*	*1.9*	*2.1*
Luxembourg	:	2.8	2.7	2.8	3.7	2.9	**1.7**	**1.4**	**2.4**	*1.7*	*1.5*	*1.7*
Malta	:	2.6	2.5	2.0	2.5	3.2	**1.0**	**1.2**	**1.9**	*1.0*	*1.2*	*1.9*
Netherlands	1.7	3.0	1.6	0.9	2.5	2.8	**2.6**	**0.7**	**0.9**	*2.6*	*1.1*	*1.3*
Austria	1.2	1.8	1.9	1.7	3.6	2.6	**2.1**	**1.6**	**1.7**	*2.1*	*1.8*	*1.8*
Portugal	2.6	3.3	1.9	1.4	3.6	2.8	**0.4**	**0.4**	**1.1**	*0.4*	*0.8*	*1.2*
Slovenia	:	6.9	3.0	2.1	2.1	2.8	**1.9**	**0.7**	**1.2**	*1.9*	*0.8*	*1.3*
Slovakia	:	7.8	2.8	0.7	4.1	3.7	**1.5**	**0.4**	**1.6**	*1.5*	*0.7*	*1.6*
Finland	1.1	1.8	1.8	1.7	3.3	3.2	**2.2**	**1.4**	**1.4**	*2.2*	*1.7*	*1.6*
Euro area	:	2.2	2.0	1.6	2.7	2.5	**1.3**	**0.8**	**1.2**	*1.4*	*1.0*	*1.3*
Bulgaria	:	6.4	7.1	3.0	3.4	2.4	**0.4**	**-0.8**	**1.2**	*0.4*	*0.5*	*1.8*
Czech Republic	:	2.5	2.7	1.2	2.1	3.5	**1.4**	**0.8**	**1.8**	*1.4*	*1.0*	*1.8*
Denmark	1.9	2.1	2.0	2.2	2.7	2.4	**0.5**	**1.0**	**1.6**	*0.5*	*1.5*	*1.7*
Croatia	4.3	3.2	3.4	1.1	2.2	3.4	**2.3**	**0.8**	**1.2**	*2.3*	*1.3*	*1.5*
Lithuania	:	0.6	5.5	1.2	4.1	3.2	**1.2**	**1.0**	**1.8**	*1.2*	*1.1*	*1.9*
Hungary	:	7.1	5.1	4.7	3.9	5.7	**1.7**	**1.0**	**2.8**	*1.7*	*1.2*	*2.8*
Poland	:	4.3	2.8	2.7	3.9	3.7	**0.8**	**1.1**	**1.9**	*0.8*	*1.4*	*2.0*
Romania	:	26.0	6.8	6.1	5.8	3.4	**3.2**	**2.5**	**3.3**	*3.2*	*2.4*	*3.4*
Sweden	1.4	1.9	1.9	1.9	1.4	0.9	**0.4**	**0.5**	**1.5**	*0.4*	*0.9*	*1.8*
United Kingdom	2.0	1.2	2.5	3.3	4.5	2.8	**2.6**	**1.9**	**2.0**	*2.6*	*2.0*	*2.0*
EU	:	2.7	2.3	2.1	3.1	2.6	**1.5**	**1.0**	**1.5**	*1.5*	*1.2*	*1.5*
USA	:	2.5	2.6	1.6	3.1	2.1	**1.5**	**1.7**	**1.9**	*1.5*	*1.6*	*1.9*
Japan	0.4	-0.5	0.0	-0.7	-0.3	0.0	**0.4**	**2.5**	**1.6**	*0.4*	*2.5*	*1.2*

Table 18: Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 2013-15) 24.4.2014

	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4	2015/1	2015/2	2015/3	2015/4
Belgium	1.4	1.2	1.2	0.9	1.0	0.8	0.7	0.9	1.0	1.3	1.4	1.4
Germany	1.8	1.5	1.7	1.3	1.0	1.1	1.2	1.3	1.5	1.4	1.5	1.5
Estonia	3.8	3.7	3.4	2.1	1.1	1.1	1.2	2.5	3.3	3.1	2.9	2.8
Ireland	1.1	0.6	0.2	0.2	0.2	0.9	0.6	0.5	0.8	1.1	1.3	1.7
Greece	0.0	-0.4	-0.8	-2.2	-1.3	-0.7	-0.4	0.0	0.1	0.2	0.3	0.3
Spain	2.8	1.8	1.3	0.2	0.0	0.2	-0.2	0.2	-0.1	0.7	1.2	1.4
France	1.2	0.9	1.1	0.8	0.9	1.0	1.0	1.1	1.1	1.1	1.2	1.2
Italy	2.1	1.3	1.1	0.7	0.5	0.6	0.8	1.0	1.3	1.2	1.3	1.3
Cyprus	1.7	0.4	0.3	-0.8	-1.2	0.7	1.0	1.0	1.1	1.3	1.4	1.6
Latvia	0.4	-0.1	0.0	-0.2	0.4	1.3	1.5	1.6	2.4	2.5	2.5	2.5
Luxembourg	2.2	1.7	1.7	1.2	1.0	1.5	1.3	1.7	2.4	2.5	2.5	2.3
Malta	1.9	0.8	0.7	0.6	1.3	1.0	1.2	1.3	1.2	2.1	2.2	2.3
Netherlands	3.2	3.0	2.8	1.3	0.4	0.5	0.9	1.1	0.6	1.1	1.1	0.7
Austria	2.6	2.2	2.0	1.6	1.5	1.6	1.6	1.6	1.7	1.7	1.7	1.7
Portugal	0.4	0.8	0.4	0.1	-0.1	0.1	0.6	0.9	1.2	1.0	1.0	1.0
Slovenia	2.7	1.8	2.2	1.1	0.6	0.5	0.5	0.8	1.1	1.1	1.2	1.3
Slovakia	2.2	1.7	1.4	0.5	-0.1	0.3	0.6	1.0	1.5	1.6	1.6	1.8
Finland	2.5	2.4	2.1	1.8	1.6	1.4	1.6	1.0	1.2	1.4	1.3	1.8
Euro area	1.9	1.4	1.3	0.8	0.6	0.8	0.9	1.0	1.1	1.2	1.3	1.3
Bulgaria	2.1	1.1	-0.7	-1.0	-1.8	-1.4	-0.3	0.2	1.0	1.2	1.2	1.3
Czech Republic	1.7	1.5	1.2	1.1	0.3	0.5	1.0	1.3	1.8	1.7	1.8	1.8
Denmark	0.9	0.5	0.2	0.4	0.4	0.9	1.2	1.3	1.5	1.6	1.6	1.8
Croatia	4.2	2.4	2.2	0.6	0.1	0.8	1.1	1.2	1.4	1.1	1.2	1.2
Lithuania	2.2	1.4	0.5	0.5	0.3	0.6	1.3	1.8	2.1	1.9	1.7	1.5
Hungary	2.7	1.9	1.6	0.7	0.4	0.9	0.9	1.7	2.8	2.7	2.9	2.9
Poland	1.3	0.5	0.9	0.6	0.6	1.0	1.2	1.6	1.7	1.8	2.0	2.1
Romania	4.8	4.4	2.4	1.3	1.3	2.0	3.1	3.5	3.3	3.2	3.3	3.5
Sweden	0.6	0.3	0.7	0.3	0.0	0.5	0.6	0.8	1.1	1.4	1.6	1.8
United Kingdom	2.8	2.7	2.7	2.1	1.8	1.8	1.9	2.0	1.9	2.0	2.1	2.1
EU	2.0	1.6	1.5	1.0	0.8	1.0	1.1	1.2	1.3	1.4	1.5	1.5
USA	1.7	1.4	1.5	1.2	1.4	1.8	1.7	1.8	1.8	1.9	1.9	2.0
Japan	-0.6	-0.3	0.9	1.4	1.4	3.1	2.8	2.6	2.8	0.9	0.8	2.0

Table 19: Price deflator of exports of goods in national currency (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.1	0.9	1.3	4.9	4.4	1.6	**-0.8**	**0.1**	**1.0**	*-0.8*	*0.1*	*1.3*
Germany	0.0	0.2	0.2	2.4	3.2	1.2	**-0.6**	**-0.3**	**0.8**	*-0.6*	*-0.3*	*0.9*
Estonia	7.5	2.7	3.5	4.3	3.8	0.5	**-0.1**	**0.4**	**1.4**	*0.2*	*0.9*	*1.7*
Ireland	1.5	-0.7	-0.9	1.1	-0.9	4.7	**-0.8**	**0.5**	**1.1**	*0.1*	*0.5*	*1.1*
Greece	4.1	3.4	2.1	7.9	8.2	3.9	**-1.8**	**-0.5**	**0.1**	*-1.7*	*-0.4*	*0.1*
Spain	1.9	1.4	1.6	2.5	5.1	2.0	**-1.9**	**-0.8**	**0.8**	*-1.2*	*0.6*	*0.8*
France	0.1	-0.6	0.8	2.3	3.8	1.1	**-0.4**	**-0.1**	**0.6**	*-0.4*	*-0.4*	*1.1*
Italy	2.2	1.7	1.3	2.9	4.2	1.7	**-0.3**	**-0.2**	**0.9**	*-0.3*	*0.1*	*1.2*
Cyprus	:	1.1	2.8	1.3	1.2	1.0	**0.4**	**0.4**	**0.8**	*0.4*	*0.4*	*0.8*
Latvia	:	5.0	6.0	8.7	12.2	3.8	**1.6**	**0.5**	**1.3**	*1.2*	*1.1*	*1.4*
Luxembourg	-0.4	1.4	2.7	6.1	4.8	2.9	**-1.0**	**1.5**	**1.2**	*-1.8*	*1.5*	*1.1*
Malta	:	-0.2	1.3	3.1	9.2	-2.4	**-4.4**	**-0.3**	**1.3**	*2.0*	*-0.1*	*1.6*
Netherlands	-0.1	0.5	0.8	6.4	5.3	2.2	**-1.2**	**-0.9**	**0.5**	*-0.5*	*-0.9*	*2.0*
Austria	0.5	0.3	1.2	2.7	3.0	0.6	**-1.1**	**0.0**	**1.1**	*-1.1*	*0.0*	*1.1*
Portugal	1.0	0.8	0.7	5.1	6.8	1.6	**-1.0**	**-0.4**	**0.8**	*-0.3*	*1.0*	*1.0*
Slovenia	5.8	5.3	1.2	2.2	4.5	1.0	**-0.8**	**0.2**	**1.1**	*-0.3*	*0.6*	*1.4*
Slovakia	3.0	5.3	-0.2	3.1	3.9	0.9	**-2.1**	**-1.4**	**1.0**	*-2.0*	*-1.6*	*1.0*
Finland	-0.9	-1.1	-1.4	4.8	5.1	0.8	**-1.7**	**-2.7**	**1.0**	*-0.6*	*-0.1*	*1.0*
Euro area	:	0.5	0.7	3.3	3.9	1.5	-0.8	-0.4	0.8	*-0.6*	*-0.2*	*1.1*
Bulgaria	:	2.8	4.6	11.0	11.7	3.4	**-4.4**	**-1.9**	**1.5**	*-2.5*	*-0.2*	*1.4*
Czech Republic	3.7	-0.4	-1.9	-1.3	0.9	3.1	**1.3**	**3.5**	**1.1**	*1.2*	*3.2*	*1.5*
Denmark	0.3	1.4	2.1	5.5	5.1	3.1	**-0.5**	**0.2**	**0.9**	*0.5*	*0.1*	*1.2*
Croatia	:	4.4	2.4	2.4	11.0	2.5	**-1.7**	**0.5**	**1.0**	*0.9*	*1.5*	*2.0*
Lithuania	:	1.6	2.9	12.4	13.5	3.6	**-1.9**	**-2.5**	**1.8**	*-1.7*	*-0.4*	*1.8*
Hungary	:	0.9	0.7	1.7	3.4	3.0	**0.0**	**2.2**	**0.6**	*0.5*	*0.6*	*0.6*
Poland	9.7	4.5	2.6	0.4	7.4	4.2	**0.3**	**-1.0**	**1.0**	*-0.1*	*0.8*	*1.3*
Romania	53.9	22.3	5.8	7.2	8.7	9.3	**-3.2**	**-0.5**	**0.9**	*-2.6*	*0.9*	*1.2*
Sweden	-0.5	-0.3	2.5	-0.8	-1.6	-2.2	**-3.3**	**0.3**	**0.7**	*-3.7*	*0.5*	*0.6*
United Kingdom	-1.7	0.0	3.3	6.2	7.3	-1.1	**0.8**	**1.0**	**1.2**	*0.1*	*0.5*	*1.0*
EU	:	0.6	1.1	3.3	4.2	1.5	-0.7	-0.1	0.8	*-0.6*	*0.0*	*1.1*
USA	-1.5	1.2	1.6	5.0	7.6	0.4	**-0.3**	**-0.1**	**0.6**	*-0.3*	*-0.1*	*0.6*
Japan	-1.1	-1.9	-1.7	-1.8	-2.1	-2.1	**9.0**	**1.0**	**1.0**	*9.0*	*1.0*	*1.0*

Table 20: Price deflator of imports of goods in national currency (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.5	1.6	1.2	7.1	6.7	1.4	**-0.5**	**-0.4**	**1.1**	*-0.5*	*-0.3*	*1.2*
Germany	-0.6	0.5	0.0	5.1	6.1	1.6	**-2.4**	**-1.1**	**0.9**	*-2.5*	*-0.7*	*0.9*
Estonia	9.5	0.6	2.2	6.0	6.1	2.5	**-0.9**	**0.2**	**1.3**	*-0.9*	*0.7*	*1.5*
Ireland	-0.1	-0.9	0.1	4.8	5.6	5.4	**-0.5**	**0.3**	**0.8**	*-0.1*	*0.3*	*1.2*
Greece	4.0	3.4	2.9	5.9	7.6	4.8	**-1.8**	**-0.3**	**-0.1**	*-1.9*	*-0.3*	*-0.1*
Spain	1.1	1.4	0.9	4.9	8.9	4.4	**-2.3**	**-1.4**	**0.9**	*-1.8*	*-0.7*	*0.9*
France	-0.1	-0.3	0.5	4.7	6.5	2.0	**-1.3**	**-0.2**	**0.5**	*-1.0*	*0.5*	*1.2*
Italy	1.3	2.4	1.8	7.0	8.1	2.7	**-2.3**	**-1.5**	**1.0**	*-1.9*	*-0.9*	*1.2*
Cyprus	:	1.6	2.4	2.2	3.0	2.1	**1.0**	**0.8**	**1.3**	*1.7*	*0.8*	*1.3*
Latvia	:	5.9	5.9	7.6	6.1	8.0	**0.5**	**0.5**	**1.3**	*0.9*	*1.1*	*1.4*
Luxembourg	1.0	1.4	1.2	1.0	2.5	3.5	**-0.5**	**0.4**	**1.0**	*-0.1*	*0.6*	*1.0*
Malta	:	0.8	4.8	4.2	8.0	-2.9	**-2.7**	**-0.3**	**1.1**	*1.5*	*-0.2*	*1.5*
Netherlands	-0.7	-0.2	0.9	8.0	5.1	2.7	**-1.7**	**-1.3**	**0.6**	*-1.5*	*-0.8*	*1.0*
Austria	0.9	0.1	1.5	4.3	6.2	2.1	**-1.7**	**-0.5**	**1.1**	*-1.6*	*-0.3*	*1.2*
Portugal	0.6	1.2	0.4	5.0	7.9	1.4	**-2.2**	**-2.0**	**0.2**	*-1.5*	*0.1*	*0.6*
Slovenia	4.7	5.5	1.3	7.3	6.1	2.2	**-1.6**	**-0.9**	**1.1**	*-0.2*	*-0.2*	*1.4*
Slovakia	4.1	4.9	0.9	4.0	5.5	2.2	**-1.7**	**-1.6**	**1.5**	*-1.4*	*-1.5*	*1.5*
Finland	-1.3	-0.3	0.5	7.6	7.5	2.6	**-1.7**	**-2.9**	**1.1**	*-1.8*	*-0.1*	*1.0*
Euro area	:	0.8	0.8	5.7	6.6	2.3	-1.9	-1.0	0.8	*-1.7*	*-0.5*	*1.0*
Bulgaria	:	2.6	4.7	8.5	9.7	3.5	**-4.5**	**-2.2**	**1.6**	*-3.8*	*0.2*	*1.6*
Czech Republic	3.0	-0.6	-1.2	1.0	3.1	3.7	**-0.3**	**3.2**	**1.0**	*0.6*	*3.0*	*1.0*
Denmark	-0.7	0.3	1.4	4.2	7.0	2.8	**-4.7**	**0.2**	**1.5**	*-2.5*	*0.2*	*1.8*
Croatia	:	2.5	1.9	1.5	6.3	3.0	**-0.3**	**0.5**	**1.5**	*0.2*	*0.5*	*1.5*
Lithuania	:	-1.5	3.7	10.9	14.2	4.6	**-1.9**	**-2.5**	**1.8**	*-2.1*	*-0.5*	*1.5*
Hungary	:	1.7	1.5	1.9	5.1	4.2	**-0.6**	**1.9**	**0.3**	*0.2*	*0.5*	*0.4*
Poland	12.2	5.2	1.6	1.8	9.5	5.8	**-0.8**	**-1.0**	**1.8**	*0.5*	*1.0*	*1.8*
Romania	52.3	20.5	0.7	6.1	6.5	6.0	**-2.1**	**0.2**	**0.9**	*-2.3*	*1.7*	*1.3*
Sweden	0.1	1.0	2.5	0.3	-0.3	-1.8	**-3.8**	**0.2**	**0.6**	*-3.1*	*1.2*	*1.0*
United Kingdom	-2.0	-0.4	4.3	5.4	8.7	-0.7	**-0.1**	**0.2**	**0.4**	*-0.3*	*0.1*	*0.3*
EU	:	0.9	1.3	5.2	6.7	2.1	-1.7	-0.7	0.8	*-1.4*	*-0.2*	*1.0*
USA	-2.0	1.7	2.4	6.7	8.8	0.6	**-1.2**	**0.1**	**0.9**	*-1.2*	*0.1*	*0.9*
Japan	0.1	0.5	1.9	5.7	7.3	-0.2	**11.0**	**2.8**	**1.0**	*11.0*	*2.8*	*1.0*

Table 21: Terms of trade of goods (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.7	-0.7	0.1	-2.1	-2.1	0.2	**-0.3**	**0.5**	**-0.2**	*-0.3*	*0.4*	*0.0*
Germany	0.6	-0.2	0.2	-2.5	-2.7	-0.4	**1.9**	**0.8**	**0.0**	*1.9*	*0.5*	*0.0*
Estonia	-1.9	2.1	1.3	-1.6	-2.2	-1.9	**0.8**	**0.2**	**0.1**	*1.1*	*0.2*	*0.2*
Ireland	1.6	0.2	-1.0	-3.6	-6.2	-0.7	**-0.2**	**0.2**	**0.3**	*0.2*	*0.2*	*-0.1*
Greece	0.1	0.0	-0.8	1.8	0.6	-0.8	**0.0**	**-0.2**	**0.2**	*0.2*	*-0.1*	*0.2*
Spain	0.8	0.0	0.7	-2.3	-3.5	-2.3	**0.5**	**0.6**	**-0.1**	*0.6*	*1.3*	*-0.1*
France	0.2	-0.3	0.3	-2.3	-2.6	-1.0	**0.8**	**0.1**	**0.1**	*0.6*	*-0.9*	*-0.1*
Italy	0.9	-0.7	-0.4	-3.9	-3.6	-1.0	**2.0**	**1.3**	**-0.1**	*1.6*	*1.0*	*0.0*
Cyprus	:	-0.5	0.4	-0.9	-1.8	-1.1	**-0.6**	**-0.4**	**-0.5**	*-1.3*	*-0.4*	*-0.5*
Latvia	:	-0.8	0.1	1.1	5.8	-3.8	**1.1**	**0.0**	**0.0**	*0.3*	*0.0*	*0.0*
Luxembourg	-1.4	0.0	1.5	5.1	2.2	-0.6	**-0.5**	**1.1**	**0.2**	*-1.7*	*0.9*	*0.1*
Malta	:	-1.0	-3.3	-1.0	1.2	0.6	**-1.7**	**0.0**	**0.2**	*0.5*	*0.1*	*0.1*
Netherlands	0.7	0.7	0.0	-1.4	0.2	-0.4	**0.5**	**0.4**	**-0.2**	*1.1*	*-0.1*	*1.0*
Austria	-0.4	0.2	-0.2	-1.5	-3.0	-1.4	**0.6**	**0.5**	**0.0**	*0.5*	*0.3*	*-0.1*
Portugal	0.4	-0.4	0.4	0.1	-1.0	0.2	**1.3**	**1.6**	**0.5**	*1.1*	*1.0*	*0.4*
Slovenia	1.1	-0.1	0.0	-4.8	-1.6	-1.2	**0.7**	**1.1**	**0.0**	*0.0*	*0.8*	*0.0*
Slovakia	-1.0	0.4	-1.1	-0.8	-1.5	-1.3	**-0.4**	**0.2**	**-0.5**	*-0.6*	*-0.1*	*-0.5*
Finland	0.4	-0.8	-1.9	-2.6	-2.2	-1.7	**0.0**	**0.2**	**-0.1**	*1.2*	*0.0*	*0.0*
Euro area	:	-0.3	0.0	-2.3	-2.5	-0.6	1.2	0.7	0.0	*1.2*	*0.3*	*0.1*
Bulgaria	:	0.2	-0.1	2.3	1.8	-0.1	**0.1**	**0.3**	**-0.1**	*1.4*	*-0.4*	*-0.2*
Czech Republic	0.8	0.2	-0.7	-2.3	-2.1	-0.6	**1.6**	**0.3**	**0.1**	*0.6*	*0.2*	*0.5*
Denmark	1.1	1.1	0.7	1.3	-1.8	0.3	**4.4**	**0.0**	**-0.6**	*3.1*	*-0.1*	*-0.6*
Croatia	:	1.8	0.5	0.9	4.3	-0.5	**-1.4**	**0.0**	**-0.5**	*0.7*	*1.0*	*0.5*
Lithuania	:	3.1	-0.8	1.4	-0.6	-1.0	**0.0**	**0.0**	**0.0**	*0.4*	*0.1*	*0.3*
Hungary	:	-0.8	-0.8	-0.2	-1.7	-1.2	**0.6**	**0.3**	**0.3**	*0.3*	*0.1*	*0.1*
Poland	-2.2	-0.6	1.0	-1.4	-1.9	-1.5	**1.1**	**0.0**	**-0.8**	*-0.6*	*-0.2*	*-0.5*
Romania	1.1	1.5	5.1	1.0	2.0	3.1	**-1.1**	**-0.8**	**0.0**	*-0.3*	*-0.7*	*-0.1*
Sweden	-0.6	-1.3	0.1	-1.1	-1.3	-0.5	**0.5**	**0.1**	**0.1**	*-0.6*	*-0.7*	*-0.4*
United Kingdom	0.3	0.5	-0.9	0.8	-1.3	-0.4	**1.0**	**0.8**	**0.8**	*0.4*	*0.4*	*0.7*
EU	:	-0.2	0.0	-1.8	-2.2	-0.7	1.3	0.5	0.1	*1.1*	*0.2*	*0.1*
USA	0.5	-0.4	-0.8	-1.6	-1.1	-0.1	**0.9**	**-0.2**	**-0.4**	*0.9*	*-0.1*	*-0.4*
Japan	-1.3	-2.4	-3.6	-7.0	-8.8	-1.9	**-1.8**	**-1.8**	**0.0**	*-1.8*	*-1.8*	*0.0*

Table 22: Total population (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.2	0.4	0.7	0.9	0.9	0.7	**0.6**	**0.5**	**0.5**	*0.6*	*0.5*	*0.6*
Germany	0.2	0.1	-0.2	-0.1	0.0	0.2	**0.2**	**0.3**	**0.1**	*0.2*	*0.2*	*0.1*
Estonia	-1.4	-0.4	-0.2	0.0	0.0	0.0	**0.0**	**-0.4**	**-0.4**	*-0.4*	*-0.4*	*-0.4*
Ireland	1.0	1.6	2.2	0.5	0.4	0.3	**0.3**	**0.8**	**1.5**	*0.0*	*0.9*	*1.0*
Greece	0.6	0.3	0.2	-0.3	-0.3	-0.3	**0.0**	**0.0**	**0.0**	*0.0*	*0.0*	*0.0*
Spain	0.3	1.3	1.5	0.3	0.1	0.1	**-0.2**	**-0.2**	**-0.2**	*-0.5*	*-0.5*	*-0.6*
France	0.4	0.7	0.6	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Italy	0.0	0.4	0.7	0.5	0.4	0.3	**0.2**	**0.4**	**0.3**	*0.4*	*0.4*	*0.3*
Cyprus	1.4	1.2	2.1	2.6	2.6	1.5	**0.4**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
Latvia	-1.1	-1.1	-1.1	-2.1	-1.8	-1.2	**-1.0**	**-0.8**	**-0.7**	*-1.0*	*-0.9*	*-0.8*
Luxembourg	1.3	1.2	1.7	1.9	2.3	2.3	**2.6**	**1.8**	**1.8**	*1.7*	*1.6*	*1.5*
Malta	0.7	0.7	0.6	0.5	0.4	0.8	**0.7**	**0.5**	**0.6**	*0.5*	*0.3*	*0.2*
Netherlands	0.6	0.6	0.3	0.5	0.5	0.4	**0.3**	**0.3**	**0.3**	*0.1*	*0.3*	*0.3*
Austria	0.1	0.4	0.4	0.2	0.3	0.5	**0.5**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Portugal	0.3	0.6	0.2	0.0	-0.1	-0.4	**-0.9**	**0.0**	**0.0**	*-0.7*	*-0.1*	*-0.1*
Slovenia	-0.1	0.1	0.4	0.4	0.2	0.2	**0.1**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
Slovakia	0.2	0.0	0.1	0.2	-0.6	0.2	**0.1**	**0.3**	**0.3**	*0.1*	*0.3*	*0.3*
Finland	0.3	0.2	0.4	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Euro area	0.2	0.5	0.5	0.3	0.2	0.2	**0.2**	**0.3**	**0.2**	*0.2*	*0.2*	*0.2*
Bulgaria	-0.6	-1.1	-0.5	-0.7	-2.5	-0.6	**-0.5**	**-0.7**	**-0.7**	*-0.7*	*-0.7*	*-0.7*
Czech Republic	-0.1	-0.1	0.6	0.2	-0.2	0.1	**0.0**	**0.1**	**0.2**	*0.0*	*0.0*	*0.1*
Denmark	0.4	0.3	0.4	0.4	0.4	0.4	**0.4**	**0.4**	**0.3**	*0.2*	*0.4*	*0.3*
Croatia	-0.6	-0.3	-0.1	-0.3	-1.7	-1.7	**-0.1**	**-0.2**	**-0.2**	*-0.1*	*-0.2*	*-0.2*
Lithuania	-0.7	-0.8	-1.3	-2.1	-2.2	-1.3	**-1.0**	**-0.7**	**-0.1**	*-0.8*	*-0.7*	*-0.1*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.3	-0.5	**-0.3**	**-0.1**	**-0.1**	*-0.2*	*-0.1*	*-0.1*
Poland	0.0	0.0	0.0	0.9	0.1	0.0	**-0.1**	**-0.1**	**-0.1**	*0.0*	*0.0*	*-0.1*
Romania	-0.2	-0.9	-1.0	-0.6	-0.5	-0.3	**-0.2**	**-0.2**	**-0.3**	*-0.3*	*-0.2*	*-0.2*
Sweden	0.2	0.3	0.7	0.9	0.8	0.7	**0.9**	**0.9**	**0.9**	*0.9*	*0.9*	*0.9*
United Kingdom	0.3	0.4	0.6	0.8	0.8	1.5	**0.6**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*
EU	0.2	0.3	0.4	0.3	0.2	0.3	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*	*0.2*
USA	1.2	1.0	0.9	0.8	0.7	0.7	**0.7**	**0.7**	**0.7**	*0.7*	*0.7*	*0.7*
Japan	0.3	0.2	0.0	0.4	-0.2	-0.2	**-0.2**	**-0.1**	**-0.1**	*-0.2*	*-0.1*	*-0.1*

Table 23: Total employment (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	1.1	0.8	1.2	0.7	1.4	0.2	-0.2	0.3	0.8	-0.3	0.3	0.8
Germany	0.6	0.2	0.7	0.5	1.4	1.1	0.6	0.6	0.3	0.6	0.5	0.6
Estonia	-3.0	0.4	-0.3	-4.8	7.0	2.2	1.1	0.2	0.3	1.4	0.2	0.3
Ireland	5.6	2.9	1.1	-4.1	-1.8	-0.6	2.4	2.4	2.3	2.2	1.5	1.4
Greece	0.7	1.3	1.4	-2.6	-5.6	-8.3	-4.1	0.6	2.6	-3.7	0.6	2.6
Spain	3.1	3.2	0.7	-2.3	-2.2	-4.8	-3.4	0.4	1.2	-3.3	0.1	1.1
France	0.9	1.1	0.4	0.0	0.7	0.0	-0.3	0.3	0.8	-0.4	0.3	0.5
Italy	0.4	1.2	-0.1	-1.1	0.1	-1.1	-1.9	0.1	0.4	-1.8	0.1	0.5
Cyprus	:	2.7	2.1	-0.2	0.5	-4.2	-5.2	-4.4	0.8	-5.7	-4.4	0.8
Latvia	-2.0	0.8	-2.0	-6.7	1.5	1.4	2.3	1.6	1.7	2.1	2.0	2.0
Luxembourg	3.5	3.7	3.4	1.8	3.0	2.5	1.7	2.0	2.1	1.7	1.7	1.9
Malta	1.1	0.2	1.5	2.1	2.5	2.4	3.1	2.1	2.1	2.4	2.2	2.0
Netherlands	2.5	0.2	0.9	-0.6	0.5	-0.3	-1.2	-0.6	0.6	-1.2	-0.4	0.6
Austria	0.5	0.4	0.7	0.6	1.4	1.3	0.7	0.8	0.9	0.6	0.7	0.8
Portugal	1.5	0.8	-0.4	-1.5	-1.5	-4.2	-2.8	0.9	0.8	-3.2	-0.4	0.4
Slovenia	:	0.8	1.0	-2.2	-1.6	-0.8	-2.0	0.0	0.3	-2.0	-1.1	-0.3
Slovakia	:	-0.1	1.4	-1.5	1.8	0.1	-0.8	0.5	0.6	-0.8	0.5	0.7
Finland	2.2	1.0	1.1	-0.1	1.5	0.1	-1.3	-0.2	0.3	-0.6	0.0	0.3
Euro area	:	1.0	0.5	-0.6	0.2	-0.8	-0.9	0.4	0.7	-0.9	0.3	0.7
Bulgaria	:	0.5	2.0	-3.9	-2.2	-2.5	-0.3	0.3	0.4	-0.2	0.2	0.4
Czech Republic	-0.7	-0.3	1.2	-1.0	0.0	0.4	0.9	0.2	0.4	1.0	0.2	0.6
Denmark	1.1	0.0	0.8	-2.5	-0.2	-0.3	0.4	0.5	0.5	0.1	0.5	0.5
Croatia	:	1.2	1.5	-5.1	-2.3	-3.9	-1.0	-2.5	-1.0	-2.5	-0.2	0.5
Lithuania	-0.7	-0.4	-0.1	-11.9	0.5	1.8	1.3	1.4	1.3	1.5	1.5	1.3
Hungary	:	0.0	-0.7	0.8	0.3	0.0	0.4	0.7	0.6	0.3	0.6	0.6
Poland	0.2	-1.4	2.8	-2.7	0.6	0.1	-0.1	0.5	0.6	-0.3	0.2	0.4
Romania	-3.4	-2.7	-0.5	-0.3	-0.8	1.3	-0.3	0.4	0.7	0.2	0.4	0.7
Sweden	0.7	0.7	0.5	1.0	2.1	0.7	1.0	1.2	1.1	0.9	0.9	1.0
United Kingdom	1.3	0.9	0.3	0.2	0.5	1.2	1.2	1.6	1.0	1.0	1.3	1.0
EU	:	0.6	0.6	-0.8	0.2	-0.3	-0.4	0.6	0.7	-0.4	0.5	0.7
USA	1.6	0.8	0.1	-0.6	0.6	1.8	1.0	1.8	1.6	1.0	1.5	1.6
Japan	-0.3	-0.4	-0.1	-0.4	-0.2	0.0	0.4	0.5	0.3	0.4	0.5	0.3

Table 24: Unemployment rate [1] (number of unemployed as a percentage of total labour force, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	9.2	7.5	7.8	8.3	7.2	7.6	8.4	8.5	8.2	8.4	8.5	8.2
Germany	9.0	9.0	9.1	7.1	5.9	5.5	5.3	5.1	5.1	5.3	5.2	5.1
Estonia	10.0	11.3	7.5	16.7	12.3	10.0	8.6	8.1	7.5	8.8	8.3	7.7
Ireland	9.4	4.3	6.4	13.9	14.7	14.7	13.1	11.4	10.2	13.1	11.9	11.2
Greece	10.3	10.5	8.9	12.6	17.7	24.3	27.3	26.0	24.0	27.3	26.0	24.0
Spain	17.2	11.2	11.1	20.1	21.7	25.0	26.4	25.5	24.0	26.4	25.7	24.6
France	10.7	8.6	8.5	9.3	9.2	9.8	10.3	10.4	10.2	10.8	11.0	11.0
Italy	11.2	8.8	7.0	8.4	8.4	10.7	12.2	12.8	12.5	12.2	12.6	12.4
Cyprus	3.2	4.2	4.6	6.3	7.9	11.9	15.9	19.2	18.4	16.0	19.2	18.4
Latvia	16.5	12.7	9.7	19.5	16.2	15.0	11.9	10.7	9.6	11.9	10.5	9.2
Luxembourg	2.7	3.1	4.7	4.6	4.8	5.1	5.8	5.7	5.5	5.9	6.0	5.9
Malta	5.9	7.3	6.6	6.9	6.5	6.4	6.5	6.5	6.5	6.5	6.4	6.4
Netherlands	5.4	3.6	4.0	4.5	4.4	5.3	6.7	7.4	7.3	6.7	7.4	7.2
Austria	4.2	4.1	4.6	4.4	4.2	4.3	4.9	4.8	4.7	4.9	4.8	4.7
Portugal	6.3	5.9	9.0	12.0	12.9	15.9	16.5	15.4	14.8	16.5	16.8	16.5
Slovenia	7.1	6.4	5.5	7.3	8.2	8.9	10.1	10.1	9.8	10.2	10.8	10.7
Slovakia	13.2	18.7	12.6	14.5	13.7	14.0	14.2	13.6	12.9	14.2	13.9	13.4
Finland	12.9	9.2	7.5	8.4	7.8	7.7	8.2	8.5	8.4	8.2	8.3	8.1
Euro area	:	8.7	8.4	10.1	10.1	11.3	12.0	11.8	11.4	12.1	12.0	11.7
Bulgaria	13.3	16.0	7.7	10.3	11.3	12.3	13.0	12.8	12.5	12.9	12.7	12.1
Czech Republic	5.6	8.1	6.3	7.3	6.7	7.0	7.0	6.7	6.6	7.0	6.8	6.6
Denmark	5.7	4.9	4.4	7.5	7.6	7.5	7.0	6.8	6.6	7.0	6.9	6.7
Croatia	:	14.9	10.3	11.8	13.5	15.9	17.2	18.0	18.0	17.6	17.6	17.2
Lithuania	9.8	14.4	7.6	17.8	15.4	13.4	11.8	10.6	9.7	11.8	10.4	9.6
Hungary	8.9	5.9	8.0	11.2	10.9	10.9	10.2	9.0	8.9	10.2	9.6	9.3
Poland	12.0	18.7	11.3	9.7	9.7	10.1	10.3	9.9	9.5	10.4	10.3	10.1
Romania	5.3	7.1	6.7	7.3	7.4	7.0	7.3	7.2	7.1	7.2	7.2	7.1
Sweden	8.6	6.3	7.1	8.6	7.8	8.0	8.0	7.6	7.2	8.0	7.7	7.3
United Kingdom	7.0	5.0	5.7	7.8	8.0	7.9	7.5	6.6	6.3	7.6	6.8	6.5
EU	:	9.0	8.1	9.6	9.6	10.4	10.8	10.5	10.1	10.9	10.7	10.4
USA	4.9	5.2	5.9	9.6	8.9	8.1	7.4	6.4	5.9	7.4	6.5	5.8
Japan	3.7	5.0	4.3	5.1	4.6	4.3	4.0	3.8	3.8	4.0	3.8	3.8

[1] Series following Eurostat definition, based on the Labour Force Survey.

Table 25: Compensation of employees per head (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	2.1	2.6	2.7	1.4	3.1	3.7	**2.0**	**0.6**	**2.2**	*2.3*	*0.6*	*1.9*
Germany	1.4	1.3	0.8	2.4	3.0	2.6	**2.0**	**2.9**	**3.3**	*2.0*	*2.8*	*3.1*
Estonia	22.1	11.4	10.9	2.3	0.5	6.0	**7.4**	**6.0**	**6.7**	*6.7*	*6.0*	*6.8*
Ireland	4.2	6.5	3.9	-3.8	-0.1	0.8	**-1.7**	**0.4**	**0.5**	*-0.3*	*-0.6*	*0.6*
Greece	9.4	6.3	3.4	-2.6	-3.4	-3.7	**-6.6**	**-2.7**	**0.0**	*-7.8*	*-1.5*	*0.0*
Spain	2.8	3.2	4.6	0.4	1.3	0.2	**0.7**	**0.2**	**0.3**	*0.5*	*0.6*	*0.6*
France	2.1	2.8	2.7	2.5	2.5	2.2	**1.7**	**1.2**	**1.3**	*1.6*	*1.3*	*1.6*
Italy	3.1	3.0	2.7	2.8	1.3	1.0	**1.4**	**1.1**	**1.3**	*1.3*	*1.1*	*1.5*
Cyprus	:	4.9	2.8	2.6	2.5	-0.9	**-6.0**	**-3.0**	**0.9**	*-5.0*	*-3.0*	*0.9*
Latvia	12.3	7.9	18.0	-4.9	5.0	7.3	**5.4**	**4.1**	**4.6**	*4.3*	*5.0*	*4.6*
Luxembourg	2.1	3.3	3.2	2.6	2.4	2.0	**3.1**	**2.0**	**2.7**	*1.5*	*3.1*	*2.5*
Malta	4.6	4.8	3.4	1.5	2.1	2.2	**0.6**	**1.9**	**2.1**	*1.4*	*1.5*	*1.7*
Netherlands	2.7	4.7	2.7	1.5	1.6	1.9	**2.3**	**2.3**	**1.7**	*0.2*	*1.9*	*1.3*
Austria	2.3	1.9	3.0	1.2	2.4	2.6	**2.1**	**2.0**	**2.0**	*2.3*	*2.0*	*2.0*
Portugal	6.5	4.0	3.2	2.0	-0.6	-2.0	**3.5**	**-0.9**	**1.0**	*2.7*	*-0.8*	*1.0*
Slovenia	:	9.1	5.3	3.9	1.6	-1.0	**0.1**	**1.0**	**1.6**	*1.0*	*-0.3*	*0.9*
Slovakia	:	8.7	7.0	5.1	2.0	2.8	**0.8**	**2.4**	**2.7**	*0.9*	*2.9*	*3.0*
Finland	3.0	3.3	3.4	1.8	3.2	3.5	**2.1**	**1.5**	**1.6**	*2.4*	*1.6*	*1.6*
Euro area	:	2.6	2.5	2.0	2.2	2.0	1.7	1.6	1.9	*1.5*	*1.6*	*1.9*
Bulgaria	:	7.9	10.6	9.9	6.8	7.8	**6.0**	**3.6**	**3.3**	*4.4*	*3.5*	*3.6*
Czech Republic	11.2	8.0	3.9	3.1	2.3	1.9	**-1.9**	**2.1**	**2.4**	*-1.0*	*2.0*	*2.2*
Denmark	3.8	3.7	3.5	3.5	1.3	1.4	**1.2**	**1.8**	**2.0**	*1.2*	*1.8*	*2.0*
Croatia	:	5.7	4.5	1.9	1.9	3.2	**1.9**	**2.5**	**2.0**	*2.2*	*1.0*	*1.8*
Lithuania	26.6	6.1	8.8	7.2	6.3	3.8	**4.8**	**3.3**	**4.6**	*4.4*	*3.8*	*4.6*
Hungary	:	12.8	4.7	-0.5	3.6	0.8	**4.7**	**3.6**	**3.4**	*2.4*	*3.5*	*3.2*
Poland	21.6	5.3	4.1	8.2	5.1	3.5	**2.7**	**3.5**	**4.4**	*2.8*	*3.3*	*3.9*
Romania	67.9	34.9	18.0	-3.3	-4.1	4.2	**5.9**	**5.4**	**4.5**	*5.8*	*5.6*	*4.5*
Sweden	3.7	4.3	2.7	3.1	0.9	3.1	**1.2**	**2.7**	**3.0**	*2.4*	*2.8*	*3.1*
United Kingdom	4.5	4.5	3.5	3.1	2.0	1.6	**2.1**	**2.1**	**2.8**	*1.9*	*2.1*	*2.8*
EU	:	3.4	2.7	2.6	2.1	1.9	1.7	1.8	2.2	*1.6*	*1.9*	*2.2*
USA	4.3	3.6	2.7	2.8	3.1	2.1	**1.7**	**2.3**	**2.9**	*1.7*	*2.4*	*3.2*
Japan	0.3	-1.2	-1.3	0.4	0.6	-0.1	**0.0**	**1.1**	**0.8**	*0.0*	*1.5*	*0.9*

Table 26: Real compensation of employees per head [1] (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.1	0.5	0.5	-0.6	0.0	1.2	**0.9**	**-0.2**	**1.0**	*1.1*	*-0.1*	*0.4*
Germany	0.5	0.0	-0.4	0.4	0.9	1.0	**0.3**	**1.7**	**1.8**	*0.4*	*1.3*	*1.4*
Estonia	7.4	7.5	5.8	-0.1	-4.2	2.2	**3.9**	**4.4**	**3.6**	*3.0*	*4.2*	*3.9*
Ireland	1.1	2.4	3.7	-1.7	-1.8	0.3	**-3.4**	**-0.9**	**-0.4**	*-0.7*	*-1.3*	*-0.4*
Greece	3.3	2.4	0.4	-6.3	-6.5	-4.6	**-5.2**	**-1.9**	**-0.3**	*-6.6*	*-1.1*	*-0.3*
Spain	-0.2	-0.1	2.0	-1.5	-1.1	-2.2	**-0.7**	**0.0**	**-0.5**	*-1.0*	*0.2*	*-0.3*
France	1.4	0.8	1.1	1.3	0.4	0.4	**1.0**	**0.2**	**0.0**	*0.9*	*0.0*	*0.3*
Italy	-0.1	0.2	0.7	1.3	-1.5	-1.6	**0.1**	**0.4**	**0.1**	*0.0*	*0.2*	*0.2*
Cyprus	:	2.2	-0.1	0.4	-0.8	-3.5	**-5.6**	**-3.6**	**-0.6**	*-5.1*	*-3.6*	*-0.6*
Latvia	:	4.2	8.4	-3.3	0.1	4.1	**4.9**	**2.8**	**2.1**	*4.3*	*3.2*	*2.6*
Luxembourg	0.4	1.0	0.8	1.3	-0.2	0.4	**1.6**	**0.3**	**0.7**	*-0.2*	*1.4*	*0.7*
Malta	:	3.2	0.8	-1.4	1.2	0.2	**-0.2**	**0.6**	**0.1**	*0.4*	*0.3*	*-0.2*
Netherlands	0.7	1.7	1.3	0.0	-0.8	-0.4	**0.1**	**1.0**	**0.2**	*-2.0*	*0.6*	*-0.2*
Austria	0.9	0.2	1.0	-0.6	-1.2	0.0	**0.0**	**0.4**	**0.3**	*0.2*	*0.3*	*0.2*
Portugal	3.3	0.9	1.4	0.7	-3.0	-3.4	**3.2**	**-1.2**	**-0.1**	*2.3*	*-1.7*	*-0.3*
Slovenia	:	2.9	2.3	2.4	0.0	-2.5	**-0.9**	**0.7**	**0.4**	*-0.1*	*-0.8*	*-0.4*
Slovakia	:	2.4	4.0	4.1	-1.8	-0.6	**-0.5**	**2.0**	**1.2**	*-0.6*	*2.1*	*1.5*
Finland	1.6	1.5	1.5	-0.1	-0.3	0.5	**0.5**	**0.1**	**0.3**	*0.5*	*-0.2*	*-0.2*
Euro area	:	0.4	0.7	0.3	-0.3	0.0	0.4	0.7	0.6	*0.3*	*0.5*	*0.5*
Bulgaria	:	4.1	5.0	7.3	2.1	2.2	**8.1**	**3.6**	**1.7**	*3.5*	*2.4*	*1.4*
Czech Republic	3.5	5.5	1.7	3.3	1.9	-0.8	**-3.0**	**1.1**	**0.6**	*-2.2*	*0.7*	*0.4*
Denmark	2.1	1.8	1.7	0.8	-1.4	-1.3	**0.2**	**0.1**	**0.3**	*0.4*	*0.1*	*0.1*
Croatia	:	2.3	0.7	0.3	-0.5	-0.2	**0.0**	**1.5**	**0.6**	*-0.4*	*-0.3*	*0.0*
Lithuania	:	6.5	3.0	5.9	2.1	0.6	**3.7**	**2.3**	**2.7**	*3.2*	*2.7*	*2.6*
Hungary	:	5.2	0.1	-4.2	-0.6	-4.9	**2.9**	**2.5**	**0.6**	*0.7*	*2.3*	*0.4*
Poland	5.6	1.2	1.6	5.6	0.2	-0.2	**2.1**	**2.4**	**2.5**	*1.9*	*1.9*	*1.9*
Romania	6.3	8.9	11.3	-10.2	-8.0	0.2	**1.5**	**2.4**	**1.2**	*2.0*	*2.8*	*1.2*
Sweden	2.2	2.9	0.9	1.6	-0.7	1.9	**0.5**	**2.1**	**1.4**	*1.8*	*1.6*	*1.3*
United Kingdom	2.4	3.3	1.0	-0.8	-1.9	-0.2	**-0.1**	**0.2**	**0.8**	*-0.5*	*0.0*	*0.7*
EU	:	1.2	0.7	0.5	-0.6	-0.2	0.3	0.7	0.7	*0.1*	*0.5*	*0.6*
USA	2.7	1.5	0.5	1.1	0.7	0.3	**0.5**	**0.7**	**1.0**	*0.5*	*0.9*	*1.2*
Japan	0.3	-0.3	-0.5	2.1	1.4	0.7	**0.2**	**-1.4**	**-0.7**	*0.2*	*-1.0*	*-0.6*

[1] Deflated by the price deflator of private consumption

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 27: Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	1.4	1.1	-0.1	1.6	0.4	-0.3	**0.5**	**1.1**	**0.8**	*0.5*	*1.1*	*0.9*
Germany	1.0	0.9	0.0	3.5	1.9	-0.4	**-0.1**	**1.3**	**1.6**	*-0.1*	*1.2*	*1.4*
Estonia	8.9	6.9	1.7	7.7	2.4	1.7	**-0.3**	**1.7**	**2.7**	*-0.7*	*2.1*	*3.3*
Ireland	4.3	2.8	0.5	3.1	4.0	0.8	**-2.6**	**-0.6**	**0.7**	*-1.9*	*0.2*	*1.4*
Greece	2.3	3.2	0.2	-2.4	-1.6	1.5	**0.2**	**0.0**	**0.3**	*0.0*	*0.0*	*0.3*
Spain	0.5	0.3	1.0	2.2	2.3	3.3	**2.3**	**0.7**	**0.8**	*2.1*	*1.0*	*0.6*
France	1.5	0.8	0.3	1.8	1.3	0.1	**0.6**	**0.7**	**0.7**	*0.6*	*0.6*	*1.2*
Italy	1.3	0.3	-0.3	2.8	0.3	-1.3	**0.0**	**0.4**	**0.8**	*0.0*	*0.4*	*0.7*
Cyprus	:	0.7	0.9	1.5	0.0	1.8	**-0.2**	**-0.4**	**0.1**	*-0.3*	*-0.4*	*0.1*
Latvia	6.4	6.4	3.8	5.7	3.7	3.7	**1.8**	**2.1**	**2.4**	*1.9*	*2.2*	*2.3*
Luxembourg	1.2	0.5	-1.3	1.3	-1.0	-2.6	**0.4**	**0.6**	**0.6**	*0.4*	*0.5*	*0.6*
Malta	3.4	1.7	0.7	2.0	-0.9	-1.7	**-0.7**	**0.1**	**0.2**	*-0.4*	*-0.1*	*0.1*
Netherlands	1.4	1.5	0.6	2.1	0.4	-1.0	**0.4**	**1.8**	**0.8**	*0.4*	*1.4*	*0.7*
Austria	2.4	1.5	0.7	1.1	1.4	-0.4	**-0.3**	**0.9**	**1.0**	*-0.3*	*0.8*	*1.1*
Portugal	2.3	0.7	0.7	3.5	0.3	1.0	**1.5**	**0.3**	**0.7**	*1.7*	*1.1*	*1.1*
Slovenia	:	2.9	1.3	3.5	2.4	-1.7	**0.9**	**0.8**	**1.1**	*0.4*	*1.0*	*1.7*
Slovakia	:	3.9	3.7	6.0	1.2	1.7	**1.7**	**1.7**	**2.5**	*1.6*	*1.8*	*2.5*
Finland	2.3	2.1	-0.3	3.4	1.3	-1.1	**-0.1**	**0.4**	**0.7**	*-0.9*	*0.2*	*1.0*
Euro area	:	0.9	0.2	2.6	1.4	0.2	0.5	0.9	1.0	*0.5*	*0.9*	*1.0*
Bulgaria	:	4.8	1.9	4.4	4.1	3.2	**1.1**	**1.4**	**1.6**	*0.8*	*1.6*	*1.6*
Czech Republic	3.0	3.9	2.3	3.5	1.9	-1.4	**-1.8**	**1.8**	**2.0**	*-2.1*	*1.5*	*1.6*
Denmark	1.7	1.5	-0.7	3.9	1.3	0.0	**0.0**	**1.1**	**1.3**	*0.2*	*1.1*	*1.3*
Croatia	:	3.1	0.3	3.0	2.2	2.1	**0.0**	**1.9**	**1.7**	*1.8*	*0.7*	*0.6*
Lithuania	5.3	7.4	2.4	15.3	5.5	1.9	**1.9**	**1.9**	**2.5**	*1.7*	*2.1*	*2.6*
Hungary	:	4.3	1.0	0.2	1.3	-1.7	**0.7**	**1.6**	**1.5**	*0.8*	*1.4*	*1.5*
Poland	5.8	4.7	1.8	6.7	3.9	1.9	**1.7**	**2.7**	**2.8**	*1.9*	*2.7*	*2.7*
Romania	4.1	8.4	4.2	-0.9	3.2	-0.8	**3.9**	**2.1**	**1.9**	*3.3*	*1.9*	*1.7*
Sweden	2.7	2.3	0.4	5.5	0.8	0.2	**0.5**	**1.6**	**1.9**	*0.0*	*1.5*	*2.2*
United Kingdom	2.3	2.2	0.3	1.5	0.6	-0.9	**0.5**	**1.1**	**1.5**	*0.8*	*1.2*	*1.4*
EU	:	1.7	0.3	2.8	1.4	0.0	0.5	1.0	1.2	*0.5*	*1.0*	*1.2*
USA	2.5	1.8	0.8	3.1	1.3	1.0	**0.8**	**1.0**	**1.6**	*0.9*	*1.4*	*1.6*
Japan	1.1	1.8	-0.2	5.1	-0.3	1.4	**1.1**	**1.0**	**1.0**	*1.2*	*1.1*	*1.0*

Table 28: Unit labour costs, whole economy [1] (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.7	1.5	2.8	-0.3	2.7	4.1	**1.5**	**-0.6**	**1.4**	*1.8*	*-0.5*	*1.0*
Germany	0.4	0.4	0.8	-1.1	1.0	3.1	**2.1**	**1.6**	**1.6**	*2.2*	*1.6*	*1.7*
Estonia	12.1	4.2	9.1	-5.0	-1.8	4.2	**7.7**	**4.2**	**3.9**	*7.5*	*3.9*	*3.4*
Ireland	-0.1	3.6	3.4	-6.7	-4.0	0.0	**1.0**	**1.1**	**-0.2**	*1.6*	*-0.8*	*-0.8*
Greece	7.0	3.0	3.2	-0.1	-1.8	-5.1	**-6.8**	**-2.7**	**-0.3**	*-7.8*	*-1.5*	*-0.3*
Spain	2.3	2.9	3.6	-1.7	-1.0	-3.0	**-1.6**	**-0.5**	**-0.5**	*-1.6*	*-0.4*	*0.0*
France	0.6	1.9	2.4	0.7	1.2	2.1	**1.1**	**0.5**	**0.6**	*1.0*	*0.7*	*0.4*
Italy	1.7	2.7	3.0	0.0	1.0	2.4	**1.4**	**0.7**	**0.6**	*1.3*	*0.7*	*0.8*
Cyprus	:	4.1	1.9	1.1	2.5	-2.7	**-5.8**	**-2.6**	**0.8**	*-4.7*	*-2.6*	*0.8*
Latvia	5.5	1.4	13.6	-10.1	1.2	3.5	**3.5**	**1.9**	**2.1**	*2.3*	*2.8*	*2.3*
Luxembourg	1.0	2.7	4.6	1.4	3.4	4.7	**2.7**	**1.4**	**2.1**	*1.1*	*2.6*	*2.0*
Malta	1.1	3.1	2.6	-0.4	3.1	4.0	**1.3**	**1.7**	**1.9**	*1.8*	*1.6*	*1.6*
Netherlands	1.4	3.1	2.0	-0.6	1.2	2.9	**2.0**	**0.5**	**1.0**	*-0.3*	*0.5*	*0.6*
Austria	-0.1	0.3	2.2	0.0	1.0	3.0	**2.4**	**1.1**	**1.1**	*2.6*	*1.2*	*1.0*
Portugal	4.1	3.3	2.4	-1.4	-0.9	-3.0	**2.0**	**-1.1**	**0.3**	*1.0*	*-1.9*	*-0.1*
Slovenia	:	6.0	4.0	0.4	-0.7	0.8	**-0.8**	**0.2**	**0.5**	*0.7*	*-1.3*	*-0.7*
Slovakia	:	4.6	3.2	-0.9	0.8	1.0	**-0.9**	**0.7**	**0.2**	*-0.8*	*1.2*	*0.5*
Finland	0.7	1.1	3.7	-1.6	1.9	4.6	**2.2**	**1.1**	**0.9**	*3.3*	*1.3*	*0.7*
Euro area	:	1.8	2.3	-0.6	0.7	1.8	1.1	0.7	0.8	*1.0*	*0.7*	*0.8*
Bulgaria	:	2.9	8.5	5.2	2.5	4.4	**4.8**	**2.2**	**1.6**	*3.6*	*1.9*	*1.9*
Czech Republic	8.0	3.9	1.6	-0.4	0.5	3.3	**-0.1**	**0.3**	**0.4**	*1.1*	*0.5*	*0.7*
Denmark	2.1	2.2	4.2	-0.5	0.0	1.5	**1.2**	**0.7**	**0.7**	*1.0*	*0.7*	*0.6*
Croatia	:	2.6	4.1	-1.1	-0.3	1.1	**1.9**	**0.6**	**0.3**	*0.4*	*0.3*	*1.1*
Lithuania	20.2	-1.2	6.3	-7.0	0.7	1.9	**2.8**	**1.4**	**2.0**	*2.6*	*1.7*	*1.9*
Hungary	:	8.2	3.6	-0.7	2.3	2.5	**4.0**	**1.9**	**1.9**	*1.6*	*2.0*	*1.7*
Poland	14.9	0.6	2.2	1.4	1.1	1.5	**1.1**	**0.8**	**1.6**	*0.9*	*0.6*	*1.2*
Romania	61.3	24.4	13.3	-2.4	-7.0	5.0	**2.0**	**3.3**	**2.5**	*2.4*	*3.6*	*2.7*
Sweden	0.9	2.0	2.3	-2.3	0.1	2.9	**0.7**	**1.2**	**1.1**	*2.4*	*1.2*	*0.9*
United Kingdom	2.2	2.2	3.2	1.7	1.4	2.5	**1.6**	**1.0**	**1.3**	*1.0*	*0.9*	*1.4*
EU	:	2.2	2.6	-0.3	0.7	2.0	1.2	0.8	0.9	*1.0*	*0.8*	*0.9*
USA	1.8	1.8	1.9	-0.3	1.8	1.1	**0.8**	**1.3**	**1.2**	*0.8*	*1.0*	*1.5*
Japan	-0.8	-3.0	-1.0	-4.5	0.8	-1.6	**-1.1**	**0.1**	**-0.1**	*-1.1*	*0.4*	*-0.2*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 29: Real unit labour costs [1] (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.3	-0.6	0.7	-2.3	0.7	2.1	**0.3**	**-2.0**	**0.1**	*0.5*	*-1.8*	*-0.6*
Germany	-0.4	-0.4	-0.1	-2.1	-0.2	1.6	**-0.1**	**0.0**	**0.0**	*-0.1*	*0.0*	*0.0*
Estonia	-2.6	-0.6	2.6	-5.3	-4.7	0.9	**2.6**	**1.4**	**0.4**	*2.4*	*0.9*	*0.0*
Ireland	-3.2	-0.9	3.3	-5.3	-4.6	-0.6	**0.6**	**-0.1**	**-1.1**	*1.0*	*-1.5*	*-1.9*
Greece	0.5	-0.3	0.1	-1.3	-2.9	-4.8	**-4.9**	**-2.0**	**-0.7**	*-5.3*	*-1.0*	*-0.7*
Spain	-0.9	-1.1	0.8	-1.8	-1.0	-3.0	**-2.2**	**-0.8**	**-1.3**	*-1.9*	*-0.9*	*-0.7*
France	-0.3	0.0	0.5	-0.3	-0.1	0.6	**0.0**	**-0.7**	**-0.6**	*-0.1*	*-0.6*	*-0.9*
Italy	-1.6	-0.1	0.9	-0.4	-0.4	0.8	**-0.1**	**-0.2**	**-0.7**	*0.0*	*-0.4*	*-0.6*
Cyprus	:	0.9	-1.1	-0.9	0.2	-4.2	**-4.3**	**-3.1**	**-0.8**	*-2.5*	*-3.2*	*-0.7*
Latvia	-3.0	-2.5	3.0	-9.3	-4.6	0.1	**2.1**	**0.2**	**-0.6**	*0.7*	*0.5*	*0.0*
Luxembourg	-0.7	0.4	1.3	-5.4	-0.7	1.6	**-1.0**	**-1.3**	**1.3**	*-2.6*	*-0.2*	*-0.7*
Malta	-0.8	0.6	-0.1	-4.3	0.9	1.8	**-0.7**	**-0.2**	**-0.6**	*-0.4*	*-0.1*	*-0.8*
Netherlands	-0.6	0.0	0.4	-1.4	0.0	1.5	**0.6**	**-0.6**	**-0.1**	*-2.0*	*-0.3*	*-1.6*
Austria	-0.7	-1.0	0.4	-1.4	-1.0	1.3	**0.8**	**-0.7**	**-0.6**	*1.1*	*-0.7*	*-0.7*
Portugal	0.3	0.0	0.3	-2.1	-1.1	-2.7	**0.3**	**-1.8**	**-0.6**	*-0.7*	*-2.8*	*-1.1*
Slovenia	:	0.0	0.9	1.5	-1.9	0.5	**-1.8**	**-0.7**	**-0.8**	*-0.9*	*-1.9*	*-2.0*
Slovakia	:	-1.2	1.6	-1.4	-0.8	-0.2	**-1.4**	**0.2**	**-0.7**	*-1.4*	*0.5*	*-0.5*
Finland	-1.4	-0.2	1.9	-2.0	-0.8	1.6	**0.2**	**-0.5**	**-0.5**	*0.4*	*-0.8*	*-1.3*
Euro area	:	-0.3	0.5	-1.4	-0.5	0.5	-0.2	-0.4	-0.4	*-0.3*	*-0.5*	*-0.6*
Bulgaria	:	-1.8	1.2	2.4	-2.2	1.3	**5.7**	**1.2**	**0.1**	*1.4*	*1.0*	*0.0*
Czech Republic	0.2	1.2	0.0	1.2	1.4	1.7	**-2.0**	**-1.1**	**-1.3**	*-0.2*	*-0.9*	*-1.2*
Denmark	0.5	-0.2	1.7	-4.5	-0.7	-0.8	**-0.2**	**-0.7**	**-0.8**	*-1.4*	*-0.6*	*-0.9*
Croatia	:	-1.4	0.1	-1.9	-2.0	-0.7	**1.0**	**-0.2**	**-0.8**	*-1.4*	*-1.1*	*-0.6*
Lithuania	4.9	-1.7	0.7	-9.1	-4.4	-0.7	**1.1**	**-0.2**	**-0.2**	*0.9*	*0.1*	*-0.6*
Hungary	:	0.2	-0.4	-3.0	-0.3	-0.6	**1.3**	**-0.3**	**-0.7**	*-0.5*	*-0.1*	*-0.6*
Poland	-0.2	-2.8	-0.7	0.0	-2.0	-0.9	**0.2**	**-0.2**	**0.1**	*0.4*	*-0.8*	*-0.6*
Romania	1.4	-2.9	2.0	-7.7	-10.6	0.3	**-1.4**	**0.5**	**-0.3**	*-1.2*	*0.7*	*-0.1*
Sweden	-0.6	0.5	0.1	-3.1	-1.2	1.9	**-0.2**	**-0.1**	**-0.6**	*1.7*	*0.1*	*-0.8*
United Kingdom	0.0	0.2	0.7	-1.4	-0.9	1.4	**-0.2**	**-0.8**	**-0.9**	*-0.6*	*-1.0*	*-0.7*
EU	:	-0.3	0.5	-1.5	-0.7	0.6	-0.2	-0.5	-0.5	*-0.4*	*-0.5*	*-0.6*
USA	0.2	-0.4	-0.4	-1.5	-0.2	-0.6	**-0.7**	**-0.3**	**-0.6**	*-0.7*	*-0.5*	*-0.3*
Japan	-0.4	-1.6	0.0	-2.4	2.7	-0.6	**-0.6**	**-1.6**	**-1.3**	*-0.6*	*-1.3*	*-1.4*

[1] Nominal unit labour costs divided by GDP price deflator.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 30: Nominal bilateral exchange rates against Ecu/euro (1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.9883	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Germany	0.9891	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Estonia	0.9889	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Ireland	0.9981	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Greece	0.9241	0.9976	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Spain	0.9895	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
France	0.9998	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Italy	1.0224	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Cyprus	0.9992	0.9879	0.9930	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Latvia	0.9489	0.8555	0.9963	1.0084	1.0049	0.9921	**0.9965**	**:**	**:**	*0.9981*	*:*	*:*
Luxembourg	0.9883	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Malta	1.0330	0.9644	1.0003	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Netherlands	0.9868	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Austria	0.9892	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Portugal	0.9902	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovenia	0.7412	0.9377	0.9999	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Slovakia	1.3249	1.3949	1.1352	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Finland	0.9871	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
Euro area	:	:	:	:	:	:	:	:	:	*:*	*:*	*:*
Bulgaria	1.2279	1.9504	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czech Republic	35.6033	32.8417	27.4541	25.2840	24.5898	25.1491	**25.9798**	**27.4402**	**27.4394**	*25.9798*	*27.5227*	*27.5261*
Denmark	7.4212	7.4414	7.4528	7.4473	7.4506	7.4437	**7.4579**	**7.4651**	**7.4659**	*7.4579*	*7.4610*	*7.4610*
Croatia	7.0843	7.5206	7.3254	7.2891	7.4390	7.5217	**7.5786**	**7.6354**	**7.6306**	*7.5786*	*7.6274*	*7.6274*
Lithuania	4.7191	3.5285	3.4528	3.4528	3.4528	3.4528	**3.4528**	**3.4528**	**3.4528**	*3.4528*	*3.4528*	*3.4528*
Hungary	212.6594	252.9736	259.1018	275.4805	279.3726	289.2494	**296.8724**	**306.9278**	**306.5974**	*296.8700*	*309.2900*	*309.9400*
Poland	3.6904	4.0928	3.9085	3.9947	4.1206	4.1847	**4.1975**	**4.1789**	**4.1772**	*4.1975*	*4.1679*	*4.1678*
Romania	0.8205	3.1051	3.6809	4.2122	4.2391	4.4593	**4.4190**	**4.4739**	**4.4648**	*4.4190*	*4.5154*	*4.5155*
Sweden	8.8443	9.0220	9.6042	9.5373	9.0298	8.7041	**8.6515**	**8.9816**	**9.0227**	*8.6515*	*8.8591*	*8.8590*
United Kingdom	0.7340	0.6462	0.7474	0.8578	0.8679	0.8109	**0.8493**	**0.8268**	**0.8264**	*0.8493*	*0.8299*	*0.8299*
EU	:	:	:	:	:	:	:	:	:	*:*	*:*	*:*
USA	1.1797	1.0280	1.3471	1.3257	1.3920	1.2848	**1.3281**	**1.3773**	**1.3797**	*1.3*	*1.4*	*1.4*
Japan	133.1808	118.3271	145.3816	116.2386	110.9586	102.4919	**129.6650**	**141.2268**	**141.3486**	*129.7*	*142.2*	*142.2*

Table 31: Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	0.0	0.9	0.9	-2.4	0.3	-2.0	**2.3**	**1.3**	**0.0**	*2.3*	*1.2*	*0.0*
Germany	0.8	1.2	0.9	-3.6	0.1	-2.3	**3.1**	**1.9**	**0.0**	*3.1*	*1.7*	*0.0*
Estonia	0.9	0.6	1.0	-3.0	-0.4	-1.5	**1.4**	**1.6**	**0.0**	*1.4*	*1.4*	*0.0*
Ireland	-0.2	1.3	1.5	-3.5	0.8	-3.6	**3.1**	**1.5**	**0.0**	*3.1*	*1.2*	*0.0*
Greece	1.4	1.3	0.9	-2.4	1.0	-1.4	**2.1**	**1.8**	**-0.1**	*2.1*	*1.8*	*0.0*
Spain	-0.2	1.1	0.9	-2.4	0.4	-1.8	**2.1**	**1.3**	**0.0**	*2.1*	*1.2*	*0.0*
France	0.7	1.1	1.0	-3.1	0.2	-2.4	**3.0**	**1.7**	**0.0**	*3.0*	*1.5*	*0.0*
Italy	1.1	1.4	0.9	-3.2	0.4	-2.1	**2.8**	**1.8**	**0.0**	*2.8*	*1.7*	*0.0*
Cyprus	7.5	1.4	1.1	-2.5	0.2	-2.0	**2.5**	**1.2**	**0.0**	*2.5*	*1.1*	*0.0*
Latvia	2.7	-0.8	-0.5	-2.9	0.4	0.1	**1.0**	**1.1**	**0.0**	*1.0*	*1.0*	*0.0*
Luxembourg	0.1	0.5	0.7	-2.0	0.0	-1.5	**1.6**	**0.7**	**0.0**	*1.6*	*0.7*	*0.0*
Malta	0.8	1.1	1.0	-3.6	0.3	-2.1	**2.6**	**1.1**	**0.0**	*2.6*	*1.0*	*0.0*
Netherlands	0.1	0.8	0.9	-2.4	0.2	-1.7	**2.0**	**1.1**	**0.0**	*2.0*	*1.0*	*0.0*
Austria	1.1	0.8	0.5	-2.5	-0.1	-1.3	**2.0**	**1.3**	**0.0**	*2.0*	*1.2*	*0.0*
Portugal	-0.2	0.6	0.7	-1.8	0.3	-1.5	**1.5**	**0.9**	**0.0**	*1.5*	*0.8*	*0.0*
Slovenia	-3.4	-3.4	0.3	-1.7	0.4	-0.6	**1.3**	**1.1**	**0.0**	*1.3*	*1.1*	*0.0*
Slovakia	-0.8	2.4	6.3	-2.2	0.2	-0.4	**1.3**	**1.1**	**0.0**	*1.3*	*1.1*	*0.0*
Finland	1.4	1.2	1.0	-3.9	-0.1	-2.7	**3.1**	**2.3**	**0.0**	*3.1*	*2.0*	*0.0*
Euro area	1.6	2.4	2.1	-6.7	0.5	-4.4	6.1	3.6	0.0	*6.1*	*3.3*	*0.0*
Bulgaria	-46.8	3.3	0.9	-2.2	1.3	-0.7	**2.1**	**2.1**	**-0.1**	*2.1*	*2.2*	*0.0*
Czech Republic	0.3	3.6	4.3	2.6	3.1	-3.2	**-1.9**	**-4.6**	**0.0**	*-1.9*	*-4.9*	*0.0*
Denmark	0.7	0.9	1.1	-4.0	-0.4	-2.5	**2.5**	**1.9**	**0.0**	*2.5*	*1.6*	*0.0*
Croatia	0.4	1.2	0.9	-1.2	-1.6	-2.2	**0.9**	**0.6**	**0.0**	*0.9*	*0.3*	*0.0*
Lithuania	5.0	5.6	0.7	-2.6	0.4	-1.4	**1.7**	**1.3**	**0.0**	*1.7*	*1.2*	*0.0*
Hungary	-11.5	0.9	-1.6	-0.2	-1.0	-4.5	**-0.9**	**-2.1**	**0.1**	*-0.9*	*-2.9*	*-0.2*
Poland	-7.6	-0.8	1.5	6.2	-2.8	-2.7	**1.3**	**1.6**	**0.0**	*1.3*	*1.2*	*0.0*
Romania	-32.3	-15.2	-0.2	-1.3	0.4	-5.9	**2.8**	**0.5**	**0.1**	*2.8*	*0.5*	*0.1*
Sweden	1.3	0.5	-2.1	7.4	5.9	1.1	**3.6**	**-1.9**	**-0.5**	*3.6*	*-0.1*	*0.0*
United Kingdom	4.1	0.7	-4.8	0.3	-0.9	4.4	**-1.8**	**5.0**	**0.0**	*-1.8*	*4.6*	*0.0*
EU	2.7	3.6	0.8	-7.5	1.0	-5.3	8.4	6.5	-0.1	*8.2*	*6.0*	*-0.1*
USA	4.5	-1.4	-1.2	-3.1	-5.3	4.0	**3.2**	**1.3**	**-0.2**	*3.2*	*2.5*	*0.0*
Japan	-0.4	-0.4	2.2	6.1	5.9	3.2	**-18.5**	**-5.6**	**-0.1**	*-18.5*	*-4.1*	*0.2*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Table 32: Relative unit labour costs, to rest of a group[1] of industrialized countries (nat. curr) (percentage change over preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	-0.4	0.5	0.0	1.7	1.9	**0.2**	**-1.6**	**0.3**	*0.6*	*-1.5*	*-0.1*
Germany	:	-1.8	-1.8	-0.8	0.0	1.1	**0.9**	**0.7**	**0.5**	*1.1*	*0.7*	*0.6*
Estonia	:	2.4	5.6	-3.5	-2.9	1.3	**5.8**	**2.9**	**2.5**	*5.3*	*2.5*	*2.1*
Ireland	:	1.8	1.1	-6.5	-5.2	-1.8	**-0.2**	**0.1**	**-1.3**	*0.6*	*-1.7*	*-2.0*
Greece	:	-0.2	0.2	-0.2	-2.5	-7.5	**-8.3**	**-3.9**	**-1.7**	*-9.1*	*-2.7*	*-1.8*
Spain	:	0.6	1.1	-1.6	-1.9	-4.9	**-3.1**	**-1.4**	**-1.7**	*-2.9*	*-1.2*	*-1.1*
France	:	-0.1	0.0	1.2	0.3	0.3	**-0.1**	**-0.5**	**-0.6**	*-0.1*	*-0.3*	*-0.8*
Italy	:	0.5	0.5	0.3	0.1	0.5	**0.1**	**-0.4**	**-0.7**	*0.1*	*-0.3*	*-0.4*
Cyprus	:	1.5	-0.9	1.2	2.2	-3.3	**-5.5**	**-2.9**	**-0.2**	*-4.1*	*-3.2*	*-0.1*
Latvia	:	-0.3	10.3	-8.7	0.4	0.9	**1.6**	**0.6**	**0.6**	*0.4*	*1.5*	*0.8*
Luxembourg	:	0.9	2.1	1.7	2.4	2.3	**1.3**	**0.4**	**0.9**	*-0.2*	*1.7*	*0.8*
Malta	:	1.6	0.6	-0.1	2.1	2.2	**0.3**	**0.9**	**0.8**	*1.0*	*0.8*	*0.5*
Netherlands	:	1.4	-0.3	-0.2	0.2	0.7	**0.6**	**-0.5**	**-0.3**	*-1.7*	*-0.5*	*-0.7*
Austria	:	-1.6	-0.1	0.6	0.1	0.7	**1.0**	**0.0**	**-0.2**	*1.2*	*0.1*	*-0.3*
Portugal	:	1.2	-0.2	-0.9	-1.5	-4.1	**1.2**	**-1.9**	**-0.5**	*0.4*	*-2.6*	*-1.0*
Slovenia	:	4.0	1.4	0.8	-1.5	-1.7	**-2.4**	**-0.9**	**-0.7**	*-0.8*	*-2.4*	*-2.0*
Slovakia	:	2.5	0.9	-0.6	0.0	-1.5	**-2.4**	**-0.4**	**-1.0**	*-2.2*	*0.1*	*-0.7*
Finland	:	-0.8	1.2	-1.1	0.9	2.4	**0.8**	**-0.1**	**-0.4**	*1.9*	*0.2*	*-0.6*
Euro area	:	-0.7	-0.6	-0.7	-0.1	0.2	0.1	-0.7	-0.6	*-0.1*	*-0.6*	*-0.6*
Bulgaria	:	-1.1	5.2	5.5	2.7	1.9	**3.4**	**0.8**	**0.1**	*2.3*	*0.5*	*0.3*
Czech Republic	:	2.2	-0.7	0.1	-0.4	0.9	**-1.6**	**-0.9**	**-0.9**	*-0.3*	*-0.6*	*-0.6*
Denmark	:	0.5	1.7	0.0	-1.2	-0.7	**-0.3**	**-0.5**	**-0.6**	*-0.5*	*-0.4*	*-0.6*
Croatia	:	0.2	1.5	-0.8	-1.1	-1.2	**0.4**	**-0.5**	**-0.9**	*-1.0*	*-0.7*	*-0.1*
Lithuania	:	-3.2	2.8	-5.8	-0.2	-0.7	**0.9**	**0.1**	**0.6**	*0.9*	*0.4*	*0.4*
Hungary	:	6.1	1.1	-0.2	1.8	0.1	**2.4**	**0.7**	**0.6**	*0.2*	*0.9*	*0.4*
Poland	:	-1.3	-0.2	2.0	0.3	-1.0	**-0.5**	**-0.4**	**0.3**	*-0.6*	*-0.6*	*-0.1*
Romania	:	20.8	10.3	-2.4	-7.6	2.1	**0.1**	**1.9**	**1.0**	*0.7*	*2.3*	*1.2*
Sweden	:	0.1	-0.5	-2.1	-1.2	0.7	**-1.0**	**-0.1**	**-0.3**	*0.9*	*0.1*	*-0.5*
United Kingdom	:	0.3	0.9	2.3	0.4	0.7	**0.4**	**-0.1**	**0.2**	*-0.1*	*0.0*	*0.3*
EU	:	-0.4	0.2	-0.4	-0.3	0.3	-0.1	-1.0	-0.8	*-0.3*	*-0.8*	*-0.9*
USA	:	-0.2	-0.5	0.1	0.2	-0.7	**-0.6**	**-0.2**	**-0.3**	*-0.6*	*-0.4*	*0.0*
Japan	:	-4.9	-3.4	-4.8	-0.7	-3.3	**-2.4**	**-1.2**	**-1.5**	*-2.4*	*-0.7*	*-1.6*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 33: Real effective exchange rate : ulc relative to rest of a group [1] of industrialised countries (USD) (% change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	0.5	1.3	-2.4	2.0	-0.1	**2.5**	**-0.3**	**0.3**	*2.9*	*-0.4*	*-0.1*
Germany	:	-0.6	-0.9	-4.4	0.1	-1.2	**4.0**	**2.6**	**0.5**	*4.2*	*2.4*	*0.6*
Estonia	:	3.1	6.6	-6.4	-3.3	-0.2	**7.3**	**4.5**	**2.5**	*6.8*	*3.9*	*2.1*
Ireland	:	3.2	2.6	-9.8	-4.5	-5.4	**3.0**	**1.6**	**-1.3**	*3.7*	*-0.5*	*-2.0*
Greece	:	1.1	1.0	-2.5	-1.4	-8.7	**-6.3**	**-2.2**	**-1.8**	*-7.2*	*-0.9*	*-1.8*
Spain	:	1.7	2.1	-3.9	-1.5	-6.6	**-1.0**	**-0.2**	**-1.7**	*-0.9*	*0.0*	*-1.1*
France	:	1.0	1.0	-1.9	0.5	-2.1	**2.9**	**1.2**	**-0.6**	*2.9*	*1.3*	*-0.8*
Italy	:	1.9	1.4	-2.9	0.5	-1.7	**3.0**	**1.4**	**-0.7**	*3.0*	*1.4*	*-0.4*
Cyprus	:	2.9	0.2	-1.3	2.4	-5.3	**-3.1**	**-1.8**	**-0.2**	*-1.7*	*-2.1*	*-0.1*
Latvia	:	-1.1	9.8	-11.4	0.8	1.0	**2.5**	**1.7**	**0.6**	*1.3*	*2.5*	*0.8*
Luxembourg	:	1.4	2.9	-0.3	2.4	0.8	**2.9**	**1.2**	**0.9**	*1.4*	*2.4*	*0.8*
Malta	:	2.7	1.6	-3.7	2.4	0.0	**3.0**	**2.0**	**0.8**	*3.6*	*1.8*	*0.5*
Netherlands	:	2.2	0.6	-2.6	0.4	-1.1	**2.6**	**0.6**	**-0.3**	*0.3*	*0.5*	*-0.7*
Austria	:	-0.8	0.5	-2.0	0.0	-0.6	**3.0**	**1.3**	**-0.2**	*3.3*	*1.3*	*-0.3*
Portugal	:	1.9	0.6	-2.7	-1.2	-5.6	**2.7**	**-0.9**	**-0.5**	*1.9*	*-1.7*	*-1.0*
Slovenia	:	0.4	1.7	-0.9	-1.1	-2.2	**-1.1**	**0.2**	**-0.7**	*0.5*	*-1.3*	*-2.0*
Slovakia	:	5.0	7.3	-2.8	0.2	-1.9	**-1.2**	**0.7**	**-1.0**	*-1.0*	*1.2*	*-0.7*
Finland	:	0.5	2.2	-5.0	0.8	-0.3	**3.9**	**2.2**	**-0.4**	*5.0*	*2.2*	*-0.7*
Euro area	:	1.7	1.5	-7.4	0.4	-4.2	6.1	3.0	-0.6	*5.9*	*2.7*	*-0.6*
Bulgaria	:	2.1	6.2	3.2	4.1	1.2	**5.5**	**3.0**	**0.0**	*4.4*	*2.8*	*0.3*
Czech Republic	:	5.9	3.6	2.7	2.6	-2.3	**-3.5**	**-5.4**	**-0.9**	*-2.2*	*-5.5*	*-0.6*
Denmark	:	1.4	2.9	-4.0	-1.6	-3.2	**2.2**	**1.4**	**-0.6**	*2.0*	*1.2*	*-0.7*
Croatia	:	1.4	2.5	-2.0	-2.6	-3.4	**1.4**	**0.1**	**-0.8**	*0.0*	*-0.4*	*-0.1*
Lithuania	:	2.2	3.5	-8.3	0.2	-2.1	**2.6**	**1.4**	**0.6**	*2.6*	*1.7*	*0.4*
Hungary	:	7.1	-0.6	-0.4	0.8	-4.4	**1.5**	**-1.4**	**0.7**	*-0.7*	*-2.1*	*0.1*
Poland	:	-2.1	1.2	8.3	-2.5	-3.7	**0.7**	**1.2**	**0.3**	*0.6*	*0.7*	*-0.1*
Romania	:	2.5	10.1	-3.7	-7.3	-3.9	**3.0**	**2.5**	**1.2**	*3.5*	*2.8*	*1.3*
Sweden	:	0.6	-2.6	5.1	4.6	1.8	**2.6**	**-1.9**	**-0.8**	*4.5*	*0.0*	*-0.5*
United Kingdom	:	1.0	-3.9	2.7	-0.5	5.2	**-1.4**	**4.9**	**0.2**	*-1.9*	*4.6*	*0.3*
EU	:	3.2	1.0	-7.8	0.7	-5.0	8.3	5.4	-0.9	*7.9*	*5.2*	*-0.9*
USA	:	-1.6	-1.7	-3.0	-5.2	3.3	**2.6**	**1.2**	**-0.5**	*2.6*	*2.1*	*0.0*
Japan	:	-5.3	-1.2	1.0	5.2	-0.2	**-20.4**	**-6.8**	**-1.6**	*-20.4*	*-4.8*	*-1.4*

[1] 37 countries: EU, TR, CH, NO, US, CA, JP, AU, MX and NZ.

Note: See note 6 on concepts and sources where countries using full time equivalents are listed.

Table 34: Total expenditure, general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	51.2	49.6	50.3	52.5	53.4	55.0	**54.6**	**53.9**	**54.2**	*54.4*	*53.9*	*53.9*
Germany	49.7	47.2	45.6	47.9	45.2	44.7	**44.7**	**44.6**	**44.5**	*44.7*	*44.6*	*44.5*
Estonia	39.5	35.1	37.1	40.5	37.6	39.5	**38.3**	**38.5**	**38.2**	*38.7*	*38.3*	*37.7*
Ireland	37.2	33.0	39.2	65.5	47.2	42.7	**43.1**	**40.5**	**39.4**	*42.5*	*40.3*	*39.1*
Greece	45.1	45.9	48.2	51.3	51.8	53.3	**58.5**	**47.4**	**45.5**	*58.8*	*48.0*	*45.5*
Spain	42.1	38.8	40.7	46.3	45.7	47.8	**44.9**	**43.8**	**43.0**	*44.9*	*43.8*	*43.3*
France	53.7	52.6	53.8	56.5	55.9	56.7	**57.0**	**56.8**	**56.1**	*57.2*	*57.1*	*57.0*
Italy	50.2	47.2	48.9	50.6	49.8	50.7	**50.8**	**50.3**	**49.8**	*51.1*	*50.5*	*50.0*
Cyprus	35.7	40.4	43.1	46.2	46.3	45.8	**45.8**	**47.1**	**46.1**	*46.1*	*47.3*	*46.3*
Latvia	38.5	35.9	38.6	43.5	38.4	36.4	**36.1**	**35.3**	**34.3**	*36.2*	*35.7*	*35.1*
Luxembourg	40.3	40.3	40.1	43.5	42.6	43.9	**43.5**	**43.1**	**44.0**	*43.4*	*43.3*	*43.5*
Malta	40.9	42.3	42.9	41.2	41.3	43.1	**43.9**	**44.1**	**43.8**	*44.2*	*44.4*	*44.2*
Netherlands	49.2	45.8	46.6	51.4	49.9	50.5	**49.9**	**49.8**	**49.5**	*49.9*	*50.4*	*49.3*
Austria	54.4	51.6	49.8	52.8	50.8	51.6	**51.2**	**52.4**	**50.9**	*51.6*	*51.8*	*51.5*
Portugal	41.8	43.5	46.1	51.5	49.3	47.4	**48.6**	**47.1**	**45.6**	*49.1*	*46.8*	*45.3*
Slovenia	46.5	46.4	44.9	49.5	49.9	48.4	**59.4**	**49.5**	**47.4**	*59.9*	*49.3*	*48.0*
Slovakia	49.0	43.9	37.0	39.8	38.9	38.2	**38.7**	**38.0**	**37.5**	*36.9*	*37.7*	*37.3*
Finland	56.6	49.1	50.3	55.5	54.8	56.3	**58.1**	**58.6**	**58.3**	*57.6*	*57.8*	*57.9*
Euro area	49.8	47.2	47.6	51.0	49.5	49.9	**49.8**	**49.2**	**48.7**	*49.9*	*49.4*	*49.0*
Bulgaria	41.4	39.8	38.1	37.4	35.6	35.8	**38.7**	**39.4**	**39.5**	*38.0*	*38.6*	*38.7*
Czech Republic	44.5	44.9	42.4	43.8	43.2	44.5	**42.4**	**42.5**	**42.6**	*43.2*	*43.0*	*42.8*
Denmark	57.3	54.3	52.9	57.5	57.5	59.2	**57.0**	**56.8**	**55.8**	*56.9*	*56.3*	*55.4*
Croatia	:	:	:	46.9	48.1	45.7	**45.9**	**46.8**	**46.6**	*46.2*	*47.3*	*47.2*
Lithuania	40.6	36.1	37.3	42.2	38.7	36.0	**34.4**	**34.2**	**33.3**	*35.6*	*34.8*	*33.8*
Hungary	51.7	49.2	50.8	49.9	50.0	48.6	**49.8**	**50.2**	**49.3**	*50.1*	*51.3*	*50.0*
Poland	46.4	43.3	43.5	45.4	43.4	42.2	**41.9**	**41.3**	**41.2**	*41.8*	*41.3*	*41.0*
Romania	35.4	35.4	37.6	40.1	39.4	36.7	**35.0**	**34.8**	**34.7**	*36.2*	*36.1*	*36.0*
Sweden	61.1	54.9	52.7	52.0	51.3	51.8	**52.6**	**52.2**	**51.3**	*52.8*	*52.4*	*51.3*
United Kingdom	40.4	40.3	45.6	49.9	48.0	48.1	**47.1**	**45.6**	**44.3**	*47.1*	*46.0*	*44.7*
EU	:	:	:	50.6	49.0	49.4	**49.1**	**48.4**	**47.7**	*49.2*	*48.5*	*48.0*
USA	35.5	35.5	38.3	42.6	41.5	40.0	**38.8**	**38.3**	**38.3**	*38.8*	*38.4*	*38.4*
Japan	37.4	37.9	37.4	40.7	41.9	42.0	**42.5**	**42.3**	**41.7**	*42.4*	*42.3*	*41.9*

Table 35: Total revenue, general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	48.7	49.6	48.6	48.7	49.6	51.0	52.0	51.4	51.4	51.7	51.3	51.2
Germany	45.8	44.5	44.0	43.7	44.3	44.8	44.7	44.6	44.3	44.6	44.6	44.5
Estonia	39.2	35.8	37.4	40.7	38.7	39.2	38.1	38.0	37.5	38.3	37.9	37.3
Ireland	37.8	34.4	35.9	34.9	34.0	34.5	35.9	35.7	35.2	35.3	35.4	34.8
Greece	39.3	40.6	39.6	40.4	42.2	44.4	45.8	45.8	44.5	45.7	45.8	44.4
Spain	37.9	38.4	38.7	36.7	36.2	37.2	37.8	38.1	36.9	37.7	38.0	36.8
France	50.2	49.7	50.0	49.5	50.7	51.8	52.8	52.9	52.7	53.1	53.1	53.1
Italy	45.8	44.4	45.4	46.1	46.1	47.7	47.7	47.7	47.6	48.2	48.0	47.7
Cyprus	32.2	36.5	42.0	40.9	39.9	39.4	40.3	41.3	40.0	40.6	41.5	40.2
Latvia	37.6	33.9	35.5	35.3	34.9	35.1	35.1	34.3	33.2	34.9	34.7	34.1
Luxembourg	43.2	43.0	41.7	42.8	42.7	44.0	43.6	42.9	42.6	43.2	42.8	41.1
Malta	33.7	36.1	39.6	37.7	38.6	39.9	41.1	41.6	41.3	41.2	41.6	41.5
Netherlands	46.7	44.7	45.7	46.3	45.6	46.4	47.3	47.0	47.7	46.9	47.2	46.4
Austria	51.2	50.0	48.0	48.3	48.3	49.1	49.7	49.6	49.4	49.8	49.7	49.6
Portugal	37.6	39.7	40.5	41.6	45.0	40.9	43.7	43.1	43.2	43.2	42.8	42.7
Slovenia	43.1	43.4	42.7	43.6	43.5	44.4	44.7	45.2	44.4	45.0	45.3	44.7
Slovakia	42.6	37.5	33.5	32.3	34.1	33.7	35.9	35.0	34.7	34.4	34.5	34.0
Finland	55.1	53.4	53.2	53.0	54.1	54.5	56.0	56.3	57.0	55.2	55.3	55.6
Euro area	46.1	45.1	45.0	44.8	45.3	46.2	46.8	46.7	46.5	46.8	46.8	46.5
Bulgaria	38.0	40.0	38.4	34.3	33.6	35.0	37.2	37.5	37.7	36.1	36.7	37.0
Czech Republic	38.9	39.8	39.5	39.1	40.0	40.3	40.9	40.6	40.2	40.5	40.2	39.5
Denmark	56.5	55.5	56.0	55.0	55.7	55.5	56.2	55.6	53.2	56.6	55.1	52.7
Croatia	:	:	:	40.5	40.3	40.8	41.0	43.0	43.5	40.2	41.8	42.4
Lithuania	36.1	33.8	34.3	35.0	33.2	32.7	32.3	32.0	31.7	32.9	32.5	32.0
Hungary	45.2	43.2	44.6	45.6	54.3	46.6	47.6	47.3	46.5	47.7	48.2	47.1
Poland	42.3	38.3	39.3	37.5	38.4	38.3	37.5	47.0	38.3	37.4	46.2	38.0
Romania	31.9	32.8	33.4	33.3	33.9	33.7	32.7	32.6	32.8	33.6	33.9	34.2
Sweden	59.0	55.6	54.6	52.3	51.5	51.2	51.5	50.5	50.5	51.8	50.9	50.5
United Kingdom	38.1	39.3	40.6	39.8	40.3	42.0	41.3	40.5	40.2	40.9	40.7	40.5
EU	:	:	:	44.1	44.6	45.4	45.7	45.8	45.2	45.7	45.9	45.3
USA	33.6	32.2	32.2	30.6	30.9	30.8	32.6	33.0	33.6	32.5	33.0	33.5
Japan	31.3	30.9	33.6	32.4	33.1	33.3	33.5	34.9	35.5	33.4	34.8	35.7

Table 36: Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	-2.5	0.0	-1.7	-3.8	-3.8	-4.1	-2.6	-2.6	-2.8	-2.7	-2.6	-2.7
Germany	-3.9	-2.7	-1.6	-4.2	-0.8	0.1	0.0	0.0	-0.1	-0.1	0.0	0.0
Estonia	-0.2	0.7	0.3	0.2	1.1	-0.2	-0.2	-0.5	-0.6	-0.4	-0.4	-0.4
Ireland	0.6	1.4	-3.3	-30.6	-13.1	-8.2	-7.2	-4.8	-4.2	-7.2	-4.8	-4.3
Greece	-5.8	-5.3	-8.7	-10.9	-9.6	-8.9	-12.7	-1.6	-1.0	-13.1	-2.2	-1.0
Spain	-4.2	-0.4	-2.0	-9.6	-9.6	-10.6	-7.1	-5.6	-6.1	-7.2	-5.8	-6.5
France	-3.4	-2.8	-3.8	-7.0	-5.2	-4.9	-4.3	-3.9	-3.4	-4.2	-4.0	-3.9
Italy	-4.4	-2.8	-3.5	-4.5	-3.7	-3.0	-3.0	-2.6	-2.2	-3.0	-2.6	-2.2
Cyprus	-3.5	-3.9	-1.1	-5.3	-6.3	-6.4	-5.4	-5.8	-6.1	-5.5	-5.8	-6.1
Latvia	-0.9	-2.0	-3.0	-8.2	-3.5	-1.3	-1.0	-1.0	-1.1	-1.3	-1.0	-1.0
Luxembourg	2.8	2.7	1.5	-0.8	0.2	0.0	0.1	-0.2	-1.4	-0.2	-0.5	-2.4
Malta	-7.1	-6.3	-3.2	-3.5	-2.7	-3.3	-2.8	-2.5	-2.5	-3.0	-2.7	-2.7
Netherlands	-2.6	-1.0	-0.9	-5.1	-4.3	-4.1	-2.5	-2.8	-1.8	-3.1	-3.2	-2.9
Austria	-3.2	-1.7	-1.8	-4.5	-2.5	-2.6	-1.5	-2.8	-1.5	-1.7	-2.1	-1.8
Portugal	-4.2	-3.8	-5.6	-9.8	-4.3	-6.4	-4.9	-4.0	-2.5	-5.9	-4.0	-2.5
Slovenia	-3.4	-3.0	-2.2	-5.9	-6.4	-4.0	-14.7	-4.3	-3.1	-14.9	-3.9	-3.3
Slovakia	-6.5	-6.4	-3.6	-7.5	-4.8	-4.5	-2.8	-2.9	-2.8	-2.5	-3.3	-3.4
Finland	-1.5	4.3	2.9	-2.5	-0.7	-1.8	-2.1	-2.3	-1.3	-2.4	-2.5	-2.3
Euro area	-3.7	-2.2	-2.6	-6.2	-4.1	-3.7	-3.0	-2.5	-2.3	-3.1	-2.6	-2.5
Bulgaria	-3.4	0.2	0.3	-3.1	-2.0	-0.8	-1.5	-1.9	-1.8	-1.9	-1.9	-1.7
Czech Republic	-5.6	-5.1	-2.9	-4.7	-3.2	-4.2	-1.5	-1.9	-2.4	-2.7	-2.8	-3.3
Denmark	-0.9	1.3	3.2	-2.5	-1.9	-3.8	-0.8	-1.2	-2.7	-0.3	-1.3	-2.7
Croatia	:	:	:	-6.4	-7.8	-5.0	-4.9	-3.8	-3.1	-6.0	-5.4	-4.8
Lithuania	-4.5	-2.3	-2.9	-7.2	-5.5	-3.2	-2.2	-2.1	-1.6	-2.7	-2.3	-1.7
Hungary	-6.5	-6.0	-6.2	-4.3	4.3	-2.1	-2.2	-2.9	-2.8	-2.4	-3.0	-2.9
Poland	-4.1	-5.0	-4.1	-7.8	-5.1	-3.9	-4.3	5.7	-2.9	-4.4	5.0	-2.9
Romania	-3.5	-2.6	-4.2	-6.8	-5.5	-3.0	-2.3	-2.2	-1.9	-2.6	-2.2	-1.8
Sweden	-2.1	0.7	1.9	0.3	0.2	-0.6	-1.1	-1.8	-0.8	-1.1	-1.5	-0.8
United Kingdom	-2.3	-1.0	-5.1	-10.0	-7.6	-6.1	-5.8	-5.1	-4.1	-6.3	-5.2	-4.2
EU	:	:	:	-6.5	-4.4	-3.9	-3.3	-2.6	-2.5	-3.5	-2.7	-2.7
USA	-1.8	-3.3	-6.1	-12.0	-10.6	-9.2	-6.2	-5.4	-4.7	-6.2	-5.4	-4.8
Japan	-6.1	-7.0	-3.8	-8.3	-8.8	-8.7	-9.0	-7.4	-6.2	-9.0	-7.5	-6.2

Table 37: Interest expenditure, general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	7.8	5.7	3.9	3.4	3.3	3.4	**3.2**	**3.0**	**3.0**	*3.2*	*3.1*	*3.1*
Germany	3.4	3.0	2.8	2.5	2.5	2.4	**2.2**	**2.0**	**1.8**	*2.3*	*2.2*	*2.1*
Estonia	0.4	0.2	0.2	0.1	0.1	0.2	**0.1**	**0.1**	**0.1**	*0.2*	*0.1*	*0.1*
Ireland	3.9	1.5	1.3	3.1	3.3	3.7	**4.7**	**4.7**	**4.9**	*4.8*	*4.8*	*5.0*
Greece	9.4	5.9	4.7	5.8	7.1	5.0	**4.0**	**4.5**	**5.1**	*4.2*	*4.9*	*5.1*
Spain	4.5	2.7	1.7	1.9	2.5	3.1	**3.4**	**3.5**	**3.6**	*3.5*	*3.6*	*3.6*
France	3.3	2.9	2.6	2.4	2.6	2.6	**2.3**	**2.4**	**2.4**	*2.4*	*2.4*	*2.5*
Italy	9.3	5.6	4.8	4.6	5.0	5.5	**5.3**	**5.2**	**5.2**	*5.3*	*5.3*	*5.3*
Cyprus	2.6	3.4	3.0	2.2	2.4	3.2	**3.4**	**4.0**	**4.0**	*3.7*	*4.1*	*4.0*
Latvia	0.9	0.8	0.7	1.4	1.5	1.3	**1.7**	**1.6**	**1.3**	*1.4*	*1.4*	*1.3*
Luxembourg	0.4	0.3	0.3	0.4	0.5	0.5	**0.5**	**0.5**	**0.6**	*0.6*	*0.5*	*0.6*
Malta	2.7	3.4	3.3	2.9	3.0	3.1	**3.0**	**3.0**	**2.9**	*3.1*	*3.0*	*3.0*
Netherlands	5.0	2.9	2.2	2.1	2.1	1.9	**1.8**	**1.7**	**1.7**	*1.9*	*2.1*	*2.7*
Austria	3.7	3.1	2.7	2.7	2.6	2.6	**2.6**	**2.6**	**2.6**	*2.6*	*2.6*	*2.7*
Portugal	4.0	2.8	2.8	2.8	4.0	4.3	**4.3**	**4.3**	**4.4**	*4.3*	*4.4*	*4.4*
Slovenia	2.2	2.1	1.3	1.6	1.9	2.2	**2.6**	**3.0**	**2.9**	*2.7*	*3.0*	*3.2*
Slovakia	2.6	3.3	1.5	1.3	1.6	1.8	**2.0**	**1.9**	**1.9**	*1.6*	*1.5*	*1.5*
Finland	3.8	2.2	1.4	1.1	1.1	1.0	**1.0**	**1.0**	**1.0**	*1.1*	*1.1*	*1.1*
Euro area	4.9	3.5	2.9	2.8	3.1	3.1	**2.9**	**2.9**	**2.9**	*3.0*	*3.0*	*3.1*
Bulgaria	10.2	3.0	1.2	0.7	0.7	0.9	**0.8**	**0.8**	**0.8**	*1.0*	*1.1*	*1.1*
Czech Republic	1.1	1.0	1.1	1.4	1.4	1.5	**1.4**	**1.4**	**1.3**	*1.5*	*1.5*	*1.5*
Denmark	5.0	3.0	1.7	1.7	1.8	1.6	**1.5**	**1.4**	**1.3**	*1.4*	*1.3*	*1.3*
Croatia	:	:	:	2.2	2.6	3.0	**3.1**	**3.4**	**3.6**	*3.4*	*3.7*	*3.9*
Lithuania	0.9	1.3	0.8	1.8	1.8	1.8	**1.7**	**1.6**	**1.5**	*1.7*	*1.6*	*1.6*
Hungary	8.3	4.5	4.2	4.1	4.1	4.3	**4.2**	**3.8**	**3.8**	*4.2*	*3.9*	*3.9*
Poland	4.4	3.0	2.5	2.7	2.7	2.8	**2.6**	**2.1**	**2.2**	*2.7*	*2.2*	*2.2*
Romania	3.4	2.6	1.0	1.5	1.6	1.8	**1.8**	**1.8**	**1.8**	*1.8*	*1.7*	*1.7*
Sweden	4.9	2.5	1.5	0.8	1.0	0.7	**0.6**	**0.7**	**0.6**	*0.9*	*0.9*	*0.8*
United Kingdom	3.3	2.2	2.1	3.0	3.3	3.0	**3.0**	**2.9**	**2.9**	*3.0*	*2.9*	*2.8*
EU	:	:	:	2.7	2.9	2.9	**2.8**	**2.7**	**2.7**	*2.9*	*2.8*	*2.9*
USA	4.9	3.5	3.5	3.7	3.9	3.8	**3.7**	**3.8**	**4.0**	*3.7*	*3.8*	*4.0*
Japan	3.3	2.4	1.9	2.0	2.1	2.1	**2.1**	**2.1**	**2.0**	*2.1*	*2.1*	*2.0*

Table 38: Primary balance, general government [1] (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.4	5.7	2.1	-0.5	-0.5	-0.7	**0.6**	**0.5**	**0.2**	*0.5*	*0.5*	*0.4*
Germany	-0.5	0.3	1.2	-1.6	1.7	2.5	**2.2**	**2.0**	**1.7**	*2.2*	*2.1*	*2.1*
Estonia	0.2	0.9	0.5	0.3	1.2	-0.1	**0.0**	**-0.4**	**-0.5**	*-0.2*	*-0.2*	*-0.3*
Ireland	4.5	2.9	-2.0	-27.5	-9.9	-4.5	**-2.5**	**-0.1**	**0.6**	*-2.4*	*0.0*	*0.7*
Greece	3.6	0.6	-4.0	-5.1	-2.4	-3.9	**-8.7**	**2.8**	**4.1**	*-8.8*	*2.7*	*4.1*
Spain	0.3	2.2	-0.3	-7.7	-7.0	-7.6	**-3.7**	**-2.1**	**-2.6**	*-3.7*	*-2.2*	*-2.8*
France	-0.1	0.1	-1.1	-4.6	-2.5	-2.3	**-2.0**	**-1.5**	**-1.0**	*-1.8*	*-1.6*	*-1.4*
Italy	5.0	2.7	1.3	0.1	1.2	2.5	**2.2**	**2.6**	**2.9**	*2.3*	*2.7*	*3.1*
Cyprus	-0.9	-0.6	2.0	-3.0	-4.0	-3.2	**-2.0**	**-1.8**	**-2.1**	*-1.8*	*-1.8*	*-2.1*
Latvia	0.0	-1.1	-2.3	-6.8	-2.0	0.0	**0.7**	**0.6**	**0.2**	*0.1*	*0.4*	*0.3*
Luxembourg	3.2	3.0	1.8	-0.3	0.7	0.5	**0.6**	**0.3**	**-0.9**	*0.4*	*0.0*	*-1.7*
Malta	-4.4	-2.9	0.1	-0.6	0.3	-0.2	**0.2**	**0.4**	**0.4**	*0.1*	*0.3*	*0.2*
Netherlands	2.4	1.9	1.3	-3.1	-2.3	-2.2	**-0.7**	**-1.0**	**-0.2**	*-1.2*	*-1.1*	*-0.2*
Austria	0.4	1.5	0.9	-1.8	0.2	0.0	**1.0**	**-0.3**	**1.0**	*0.9*	*0.6*	*0.8*
Portugal	-0.1	-1.0	-2.8	-7.0	-0.3	-2.1	**-0.6**	**0.3**	**1.9**	*-1.5*	*0.3*	*1.9*
Slovenia	-1.2	-0.9	-0.9	-4.2	-4.5	-1.9	**-12.1**	**-1.3**	**-0.1**	*-12.2*	*-0.9*	*-0.1*
Slovakia	-3.8	-3.2	-2.1	-6.2	-3.2	-2.7	**-0.8**	**-1.1**	**-0.9**	*-0.9*	*-1.7*	*-1.8*
Finland	2.3	6.5	4.3	-1.4	0.4	-0.8	**-1.2**	**-1.3**	**-0.4**	*-1.3*	*-1.4*	*-1.2*
Euro area	:	1.3	0.3	-3.4	-1.1	-0.6	**-0.1**	**0.4**	**0.6**	*-0.1*	*0.5*	*0.6*
Bulgaria	6.8	3.1	1.4	-2.4	-1.2	0.1	**-0.7**	**-1.1**	**-1.0**	*-0.9*	*-0.9*	*-0.7*
Czech Republic	-4.5	-4.0	-1.8	-3.3	-1.8	-2.7	**-0.1**	**-0.5**	**-1.1**	*-1.2*	*-1.3*	*-1.8*
Denmark	4.2	4.3	4.8	-0.9	-0.1	-2.2	**0.7**	**0.2**	**-1.3**	*1.1*	*0.1*	*-1.4*
Croatia	:	:	:	-4.1	-5.2	-2.0	**-1.9**	**-0.4**	**0.4**	*-2.6*	*-1.7*	*-0.9*
Lithuania	-3.6	-0.9	-2.1	-5.4	-3.7	-1.4	**-0.5**	**-0.6**	**-0.1**	*-1.0*	*-0.7*	*-0.2*
Hungary	1.8	-1.4	-1.9	-0.2	8.5	2.2	**2.1**	**0.9**	**1.0**	*1.8*	*0.9*	*1.0*
Poland	0.3	-2.0	-1.6	-5.1	-2.4	-1.0	**-1.7**	**7.8**	**-0.7**	*-1.8*	*7.2*	*-0.7*
Romania	-0.2	0.0	-3.2	-5.3	-3.9	-1.2	**-0.5**	**-0.5**	**-0.2**	*-0.8*	*-0.4*	*-0.1*
Sweden	2.8	3.2	3.4	1.1	1.2	0.2	**-0.5**	**-1.1**	**-0.2**	*-0.2*	*-0.6*	*0.1*
United Kingdom	1.1	1.1	-3.0	-7.1	-4.4	-3.1	**-2.8**	**-2.2**	**-1.2**	*-3.3*	*-2.3*	*-1.4*
EU	:	1.3	-0.1	-3.8	-1.5	-1.0	**-0.5**	**0.2**	**0.2**	*-0.6*	*0.2*	*0.2*
USA	3.0	0.2	-2.6	-8.3	-6.7	-5.3	**-2.5**	**-1.5**	**-0.7**	*-2.5*	*-1.5*	*-0.9*
Japan	-2.8	-4.6	-1.9	-6.3	-6.7	-6.6	**-6.9**	**-5.4**	**-4.1**	*-6.9*	*-5.4*	*-4.2*

[1] Net lending/borrowing excluding interest expenditure.

Table 39: Cyclically-adjusted net lending (+) or net borrowing (-), general government[1] (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	-2.4	-0.4	-2.3	-3.4	-3.7	-3.3	-1.7	-2.0	-2.5	-1.7	-2.0	-2.5
Germany	-3.7	-2.7	-1.3	-3.4	-1.2	0.1	0.6	0.4	0.0	0.5	0.4	0.2
Estonia	1.3	0.1	-1.1	2.3	1.0	-1.0	-0.6	-0.7	-0.9	-0.8	-0.4	-0.5
Ireland	0.2	0.7	-3.8	-28.6	-12.5	-7.9	-6.5	-4.3	-4.2	-6.6	-4.7	-4.7
Greece	-6.3	-5.5	-9.1	-8.6	-5.4	-3.1	-6.7	2.8	0.9	-7.2	2.2	1.0
Spain	-3.5	-1.5	-2.4	-7.1	-6.8	-7.1	-3.3	-2.4	-3.9	-4.7	-4.3	-6.3
France	-2.9	-4.0	-4.6	-6.1	-4.7	-3.8	-2.8	-2.4	-2.1	-2.6	-2.5	-2.7
Italy	-4.7	-3.7	-4.1	-3.6	-3.0	-1.4	-0.7	-0.7	-0.9	-0.6	-0.6	-0.9
Cyprus	:	-4.2	-1.8	-5.6	-6.6	-6.1	-3.7	-2.9	-4.3	-4.0	-3.5	-5.2
Latvia	:	-2.0	-4.2	-4.6	-1.6	-0.7	-1.0	-1.4	-1.9	-1.3	-1.5	-1.8
Luxembourg	3.3	1.7	1.2	0.4	1.0	1.7	1.4	0.6	-1.3	1.0	0.3	-2.1
Malta	-6.9	-6.4	-3.4	-3.4	-2.8	-2.9	-2.7	-2.6	-2.7	-2.8	-2.8	-3.1
Netherlands	-2.6	-0.8	-0.9	-4.3	-3.8	-2.7	-0.6	-1.3	-0.8	-1.2	-1.7	-1.8
Austria	-3.1	-1.7	-1.9	-3.5	-2.4	-2.4	-1.0	-2.4	-1.3	-1.3	-1.7	-1.7
Portugal	-4.7	-4.6	-5.4	-9.1	-3.1	-4.1	:	:	:	-3.7	-2.5	-1.8
Slovenia	:	-3.3	-3.3	-4.9	-6.0	-2.8	-13.3	-3.2	-2.4	-13.5	-2.7	-2.5
Slovakia	:	-5.7	-4.8	-7.4	-4.4	-3.8	-1.6	-1.7	-1.8	-1.3	-2.1	-2.5
Finland	-1.1	4.2	2.3	-1.2	-0.7	-1.1	-0.7	-0.9	-0.3	-0.9	-1.2	-1.4
Euro area	:	-2.7	-2.9	-5.1	-3.5	-2.5	-1.4	-1.1	-1.3	-1.6	-1.3	-1.8
Bulgaria	:	:	-0.6	-2.4	-1.8	-0.6	-1.1	-1.5	-1.2	-1.3	-1.4	-1.2
Czech Republic	:	-5.1	-4.2	-4.4	-3.0	-3.5	-0.2	-0.9	-1.9	-1.4	-1.9	-2.9
Denmark	-1.4	0.6	2.3	-0.1	0.3	-1.0	2.1	1.4	-0.5	2.6	1.3	-0.5
Croatia	:	:	:	-5.4	-7.2	-4.1	-3.7	-2.2	-1.6	-5.2	-4.9	-4.4
Lithuania	:	-2.1	-4.0	-4.7	-4.4	-2.9	-1.9	-2.0	-1.5	-2.6	-2.3	-1.9
Hungary	:	-6.7	-7.1	-2.5	5.5	-0.1	-0.6	-1.9	-2.3	-0.9	-2.0	-2.4
Poland	-4.7	-3.9	-4.7	-8.4	-5.8	-4.0	-3.8	6.2	-2.4	-3.6	5.7	-2.4
Romania	:	:	-5.8	-6.0	-5.0	-1.9	-1.7	-1.8	-1.7	-2.1	-1.8	-1.6
Sweden	-1.5	0.7	1.9	1.2	0.4	0.3	0.1	-0.9	-0.4	0.1	-0.6	-0.4
United Kingdom	-2.6	-1.2	-5.2	-8.2	-6.0	-4.5	-4.6	-4.6	-4.1	-5.1	-4.8	-4.3
EU	:	:	:	-5.3	-3.7	-2.7	-1.8	-1.4	-1.8	-2.0	-1.6	-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, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.4	5.4	1.6	0.0	-0.4	0.1	1.5	1.1	0.5	1.4	1.1	0.6
Germany	-0.4	0.3	1.5	-0.9	1.4	2.5	2.8	2.4	1.8	2.8	2.6	2.3
Estonia	1.7	0.3	-0.9	2.4	1.2	-0.8	-0.4	-0.6	-0.7	-0.6	-0.3	-0.4
Ireland	4.1	2.2	-2.5	-25.4	-9.2	-4.2	-1.8	0.4	0.6	-1.9	0.2	0.3
Greece	3.1	0.4	-4.4	-2.9	1.7	1.9	-2.8	7.2	6.0	-2.9	7.1	6.1
Spain	1.0	1.2	-0.8	-5.1	-4.2	-4.1	0.2	1.1	-0.3	-1.3	-0.7	-2.6
France	0.5	-1.1	-1.9	-3.6	-2.0	-1.2	-0.5	0.0	0.3	-0.2	0.0	-0.1
Italy	4.6	1.9	0.7	1.0	2.0	4.1	4.6	4.6	4.3	4.7	4.7	4.4
Cyprus	:	-0.8	1.2	-3.3	-4.2	-3.0	-0.3	1.1	-0.3	-0.3	0.6	-1.3
Latvia	:	-1.2	-3.5	-3.2	-0.1	0.7	0.7	0.2	-0.6	0.1	-0.1	-0.5
Luxembourg	3.7	2.0	1.5	0.8	1.5	2.2	1.9	1.1	-0.7	1.6	0.8	-1.4
Malta	-4.2	-3.0	-0.1	-0.6	0.2	0.2	0.3	0.4	0.2	0.2	0.2	-0.1
Netherlands	2.3	2.1	1.3	-2.2	-1.7	-0.8	1.2	0.4	0.9	0.7	0.4	0.9
Austria	0.6	1.5	0.8	-0.9	0.2	0.2	1.6	0.1	1.2	1.4	0.9	1.0
Portugal	-0.7	-1.8	-2.6	-6.3	0.9	0.2	:	:	:	0.6	1.8	2.6
Slovenia	:	-1.2	-1.9	-3.3	-4.1	-0.6	-10.7	-0.2	0.6	-10.8	0.3	0.7
Slovakia	:	-2.4	-3.3	-6.1	-2.8	-2.0	0.3	0.1	0.1	0.3	-0.5	-0.9
Finland	2.6	6.4	3.7	-0.1	0.4	-0.1	0.3	0.1	0.6	0.2	0.0	-0.3
Euro area	:	0.8	0.0	-2.3	-0.4	0.6	1.6	1.8	1.6	1.4	1.7	1.3
Bulgaria	:	:	0.5	-1.7	-1.0	0.3	-0.3	-0.7	-0.4	-0.2	-0.3	-0.2
Czech Republic	:	-4.1	-3.1	-3.0	-1.6	-2.0	1.2	0.4	-0.6	0.1	-0.4	-1.4
Denmark	3.7	3.6	4.0	1.6	2.1	0.7	3.7	2.8	0.9	4.1	2.6	0.7
Croatia	:	:	:	-3.2	-4.5	-1.0	-0.7	1.1	2.0	-1.8	-1.2	-0.5
Lithuania	:	-0.7	-3.1	-2.9	-2.6	-1.0	-0.3	-0.4	0.1	-0.9	-0.7	-0.3
Hungary	:	-2.2	-2.9	1.7	9.7	4.2	3.7	1.8	1.5	3.3	1.9	1.5
Poland	-0.3	-0.9	-2.2	-5.8	-3.1	-1.2	-1.2	8.3	-0.2	-0.9	7.9	-0.2
Romania	:	:	-4.8	-4.5	-3.3	-0.2	0.0	-0.1	0.1	-0.4	0.0	0.2
Sweden	3.3	3.2	3.4	2.0	1.4	1.0	0.7	-0.3	0.3	1.0	0.3	0.4
United Kingdom	0.7	1.0	-3.1	-5.2	-2.8	-1.4	-1.6	-1.7	-1.3	-2.1	-1.9	-1.5
EU	:	0.9	-0.5	-2.6	-0.7	0.2	1.0	1.4	1.0	0.8	1.2	0.7

[1] Cyclically-adjusted variables for Croatia are based on provisional values for fiscal semi-elasticities and subject to further revisions

Table 41: Structural budget balance, general government[1] (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	:	:	-1.9	-3.4	-3.5	-3.0	**-2.3**	**-2.3**	**-2.5**	*-2.2*	*-2.0*	*-2.5*
Germany	:	:	-1.2	-2.2	-1.0	0.3	**0.6**	**0.5**	**0.0**	*0.6*	*0.5*	*0.2*
Estonia	:	:	-1.7	-0.8	-0.5	0.0	**-0.4**	**-0.5**	**-0.7**	*-0.5*	*-0.1*	*-0.4*
Ireland	:	:	-3.5	-9.3	-8.4	-7.9	**-6.2**	**-4.5**	**-4.2**	*-6.4*	*-4.9*	*-4.6*
Greece	:	:	-9.1	-9.1	-6.0	-1.0	**2.0**	**1.0**	**-0.4**	*1.7*	*0.7*	*-0.1*
Spain	:	:	-2.4	-7.1	-6.5	-4.1	**-2.8**	**-2.4**	**-3.4**	*-4.3*	*-4.2*	*-5.8*
France	:	:	-4.8	-5.9	-4.8	-3.8	**-3.0**	**-2.3**	**-2.0**	*-2.8*	*-2.3*	*-2.7*
Italy	:	:	-4.4	-3.8	-3.7	-1.5	**-0.9**	**-0.8**	**-0.7**	*-0.8*	*-0.6*	*-0.8*
Cyprus	:	:	-1.8	-5.6	-6.4	-6.5	**-3.5**	**-4.0**	**-4.3**	*-3.8*	*-4.5*	*-5.2*
Latvia	:	:	-4.0	-2.9	-1.4	-0.1	**-1.0**	**-1.4**	**-1.9**	*-1.3*	*-1.5*	*-1.8*
Luxembourg	:	:	1.2	0.4	1.0	1.7	**1.4**	**0.6**	**-1.3**	*1.0*	*0.3*	*-2.1*
Malta	:	:	-4.1	-4.4	-3.3	-3.9	**-2.9**	**-2.8**	**-2.9**	*-3.1*	*-2.9*	*-3.2*
Netherlands	:	:	-0.9	-4.2	-3.8	-2.7	**-1.3**	**-1.3**	**-0.8**	*-1.8*	*-1.8*	*-1.8*
Austria	:	:	-1.9	-3.2	-2.2	-1.6	**-1.1**	**-1.2**	**-1.1**	*-1.5*	*-1.4*	*-1.5*
Portugal	:	:	-5.3	-8.4	-6.1	-3.5	**:**	**:**	**:**	*-3.6*	*-2.6*	*-1.8*
Slovenia	:	:	-3.2	-4.9	-5.0	-2.7	**-2.9**	**-2.5**	**-2.4**	*-2.2*	*-2.0*	*-2.5*
Slovakia	:	:	-4.6	-7.2	-4.8	-3.9	**-2.0**	**-2.2**	**-1.8**	*-2.3*	*-2.5*	*-2.5*
Finland	:	:	2.3	-1.1	-0.6	-1.0	**-0.6**	**-0.9**	**-0.3**	*-0.9*	*-1.2*	*-1.4*
Euro area	:	:	-3.0	-4.4	-3.5	-2.1	**-1.3**	**-1.1**	**-1.2**	*-1.5*	*-1.3*	*-1.7*
Bulgaria	:	:	-0.6	-2.3	-1.8	-0.6	**-1.1**	**-1.5**	**-1.2**	*-1.3*	*-1.4*	*-1.2*
Czech Republic	:	:	-3.9	-4.6	-3.0	-1.6	**-0.1**	**-1.1**	**-1.9**	*-1.3*	*-2.2*	*-2.9*
Denmark	:	:	2.3	-0.1	0.3	0.6	**0.6**	**-0.2**	**-0.5**	*1.1*	*-0.3*	*-0.5*
Croatia	:	:	:	-5.4	-7.2	-4.1	**-3.5**	**-3.1**	**-2.3**	*-4.7*	*-5.7*	*-5.0*
Lithuania	:	:	-3.9	-4.7	-4.4	-2.9	**-2.1**	**-1.9**	**-1.3**	*-2.5*	*-2.2*	*-1.8*
Hungary	:	:	-6.8	-3.2	-4.0	-0.8	**-0.8**	**-2.2**	**-2.3**	*-1.1*	*-2.4*	*-2.3*
Poland	:	:	-4.8	-8.4	-5.8	-4.1	**-3.8**	**-2.8**	**-2.4**	*-3.6*	*-2.9*	*-2.4*
Romania	:	:	-5.7	-6.1	-3.8	-2.5	**-1.7**	**-1.8**	**-1.7**	*-2.1*	*-1.8*	*-1.6*
Sweden	:	:	1.9	1.2	0.4	0.3	**0.1**	**-0.9**	**-0.4**	*0.1*	*-0.6*	*-0.4*
United Kingdom	:	:	-5.0	-8.1	-6.0	-6.2	**-4.8**	**-4.6**	**-4.1**	*-5.3*	*-4.8*	*-4.3*
EU	:	:	-3.1	-4.8	-3.8	-2.6	**-1.8**	**-1.7**	**-1.7**	*-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 42: Gross debt, general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	122.1	102.0	89.8	96.6	99.2	101.1	**101.5**	**101.7**	**101.5**	*99.8*	*100.5*	*100.0*
Germany	59.1	62.1	68.6	82.5	80.0	81.0	**78.4**	**76.0**	**73.6**	*79.6*	*77.3*	*74.5*
Estonia	7.1	5.3	4.9	6.7	6.1	9.8	**10.0**	**9.8**	**9.6**	*10.0*	*10.1*	*9.8*
Ireland	63.2	32.7	37.1	91.2	104.1	117.4	**123.7**	**121.0**	**120.4**	*122.3*	*120.3*	*119.7*
Greece	97.2	102.0	113.5	148.3	170.3	157.2	**175.1**	**177.2**	**172.4**	*177.3*	*177.0*	*171.9*
Spain	64.7	52.5	42.7	61.7	70.5	86.0	**93.9**	**100.2**	**103.8**	*94.3*	*98.9*	*103.3*
France	58.3	60.4	68.5	82.7	86.2	90.6	**93.5**	**95.6**	**96.6**	*93.9*	*96.1*	*97.3*
Italy	117.2	106.0	107.6	119.3	120.7	127.0	**132.6**	**135.2**	**133.9**	*132.7*	*133.7*	*132.4*
Cyprus	56.2	65.3	60.1	61.3	71.5	86.6	**111.7**	**122.2**	**126.4**	*112.0*	*121.5*	*125.8*
Latvia	12.4	13.9	17.8	44.5	42.0	40.8	**38.1**	**39.5**	**33.4**	*38.4*	*38.7*	*32.7*
Luxembourg	7.2	6.3	9.9	19.5	18.7	21.7	**23.1**	**23.4**	**25.5**	*24.3*	*25.5*	*28.1*
Malta	45.3	61.3	63.7	66.0	68.8	70.8	**73.0**	**72.5**	**71.1**	*72.0*	*72.4*	*71.5*
Netherlands	69.0	51.9	52.7	63.4	65.7	71.3	**73.5**	**73.8**	**73.4**	*74.3*	*75.3*	*75.6*
Austria	66.3	65.8	63.9	72.5	73.1	74.4	**74.5**	**80.3**	**79.2**	*74.6*	*74.3*	*73.7*
Portugal	55.2	56.5	72.2	94.0	108.2	124.1	**129.0**	**126.7**	**124.8**	*129.4*	*126.6*	*125.8*
Slovenia	22.0	27.0	26.7	38.7	47.1	54.4	**71.7**	**80.4**	**81.3**	*71.9*	*75.4*	*78.0*
Slovakia	33.8	45.3	31.5	41.0	43.6	52.7	**55.4**	**56.3**	**57.8**	*54.3*	*57.8*	*58.4*
Finland	52.3	43.3	38.8	48.8	49.3	53.6	**57.0**	**59.9**	**61.2**	*57.2*	*60.4*	*62.0*
Euro area	72.7	68.9	71.1	85.7	88.1	92.7	**95.0**	**96.0**	**95.4**	*95.5*	*95.9*	*95.4*
Bulgaria	:	54.4	18.9	16.2	16.3	18.4	**18.9**	**23.1**	**22.7**	*19.4*	*22.7*	*24.1*
Czech Republic	13.8	25.3	29.6	38.4	41.4	46.2	**46.0**	**44.4**	**45.8**	*46.1*	*47.2*	*48.6*
Denmark	65.4	48.8	34.2	42.8	46.4	45.4	**44.5**	**43.5**	**44.9**	*42.4*	*41.6*	*43.1*
Croatia	:	:	:	45.0	52.0	55.9	**67.1**	**69.0**	**69.2**	*64.9*	*67.4*	*68.7*
Lithuania	16.0	21.8	19.6	37.8	38.3	40.5	**39.4**	**41.8**	**41.4**	*39.5*	*42.2*	*41.4*
Hungary	68.5	56.6	69.5	82.2	82.1	79.8	**79.2**	**80.3**	**79.5**	*77.8*	*79.1*	*78.9*
Poland	42.8	41.8	47.6	54.9	56.2	55.6	**57.0**	**49.2**	**50.0**	*57.8*	*50.3*	*51.0*
Romania	14.1	22.7	15.6	30.5	34.7	38.0	**38.4**	**39.9**	**40.1**	*38.3*	*39.3*	*39.2*
Sweden	70.3	52.6	43.4	39.4	38.6	38.3	**40.6**	**41.6**	**40.4**	*41.5*	*41.8*	*40.8*
United Kingdom	47.4	38.8	49.4	78.4	84.3	89.1	**90.6**	**91.8**	**92.7**	*91.4*	*93.4*	*94.5*
EU	:	:	:	80.1	83.0	86.8	**88.9**	**89.5**	**89.2**	*89.4*	*89.7*	*89.5*

Table 43: Gross national saving (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	25.5	25.5	24.7	23.3	22.5	20.8	**19.6**	**20.0**	**19.9**	*20.1*	*20.6*	*20.5*
Germany	20.9	20.6	24.3	23.7	24.5	24.3	**24.1**	**24.2**	**24.4**	*24.0*	*24.0*	*24.1*
Estonia	20.9	22.3	22.7	23.4	26.8	26.6	**25.8**	**24.7**	**24.6**	*25.8*	*25.3*	*25.7*
Ireland	22.4	22.3	19.6	13.9	13.2	14.5	**17.3**	**19.1**	**21.2**	*17.7*	*18.5*	*19.3*
Greece	15.9	11.5	8.2	4.8	4.4	9.1	**10.6**	**11.6**	**12.4**	*10.8*	*12.0*	*13.1*
Spain	22.0	22.6	20.7	18.4	17.3	18.5	**19.0**	**19.0**	**19.5**	*19.3*	*19.5*	*19.7*
France	19.6	20.0	19.4	17.4	18.3	17.7	**17.7**	**18.1**	**18.6**	*17.6*	*17.9*	*18.1*
Italy	21.9	20.7	19.4	16.5	16.7	17.6	**18.1**	**19.0**	**19.4**	*17.9*	*18.7*	*19.2*
Cyprus	18.3	14.2	11.3	10.6	13.1	8.2	**9.1**	**8.9**	**9.5**	*9.8*	*10.0*	*10.6*
Latvia	15.6	19.1	20.5	22.8	22.7	22.5	**22.0**	**21.3**	**20.7**	*22.5*	*22.0*	*21.7*
Luxembourg	32.1	33.1	29.3	27.5	27.8	27.1	**23.7**	**24.3**	**23.1**	*27.0*	*27.1*	*27.1*
Malta	20.0	15.0	13.4	15.3	15.2	14.6	**15.9**	**16.5**	**17.2**	*14.5*	*14.3*	*14.2*
Netherlands	26.9	26.8	26.2	22.8	25.5	25.2	**24.1**	**25.0**	**25.7**	*25.5*	*26.4*	*27.7*
Austria	22.8	24.4	25.8	24.7	24.8	24.5	**24.2**	**24.8**	**25.6**	*24.5*	*25.2*	*25.8*
Portugal	20.2	16.9	11.6	9.8	11.3	14.4	**15.7**	**16.8**	**17.7**	*15.7*	*16.4*	*17.3*
Slovenia	23.8	24.6	25.4	20.4	20.4	20.6	**22.4**	**23.3**	**23.5**	*21.4*	*23.0*	*24.0*
Slovakia	24.8	21.1	20.1	18.8	21.3	21.1	**20.8**	**20.7**	**21.1**	*20.4*	*19.9*	*20.5*
Finland	23.4	27.2	24.9	20.2	19.1	18.1	**17.0**	**17.1**	**17.8**	*18.3*	*19.0*	*19.0*
Euro area	21.5	21.3	21.4	19.5	20.0	20.2	**20.3**	**20.8**	**21.2**	*20.4*	*20.8*	*21.2*
Bulgaria	:	15.3	14.8	22.5	22.0	20.9	**22.8**	**22.8**	**22.2**	*23.9*	*23.4*	*22.7*
Czech Republic	26.7	23.9	24.2	19.8	21.0	20.7	**21.1**	**21.7**	**21.9**	*19.9*	*20.3*	*20.6*
Denmark	21.0	23.1	24.2	22.7	23.7	23.4	**24.7**	**24.2**	**24.3**	*24.6*	*24.3*	*24.3*
Croatia	14.8	20.0	21.9	20.1	19.8	18.7	**19.1**	**20.2**	**20.7**	*20.1*	*20.8*	*21.0*
Lithuania	12.8	14.3	15.2	16.9	17.4	17.2	**19.7**	**18.6**	**18.9**	*18.0*	*18.2*	*18.7*
Hungary	20.0	17.7	16.5	19.6	19.8	18.6	**20.7**	**21.1**	**21.4**	*20.1*	*20.5*	*21.0*
Poland	20.3	17.2	17.6	16.7	17.6	17.1	**17.1**	**17.6**	**17.8**	*17.5*	*18.0*	*18.2*
Romania	14.0	17.6	17.7	21.2	22.4	21.5	**21.9**	**22.0**	**21.9**	*22.7*	*23.2*	*23.1*
Sweden	21.3	23.3	26.5	25.6	26.1	25.3	**25.0**	**25.1**	**25.5**	*24.3*	*24.3*	*24.6*
United Kingdom	16.8	15.3	15.0	12.3	13.5	10.7	**9.5**	**10.6**	**11.7**	*10.6*	*11.4*	*12.0*
EU	:	20.2	20.5	18.7	19.3	19.0	**18.9**	**19.4**	**19.8**	*19.1*	*19.5*	*19.9*
USA	20.2	18.6	16.8	15.1	15.8	16.5	**18.0**	**17.6**	**18.0**	*16.2*	*16.9*	*17.2*
Japan	29.4	26.2	25.9	23.5	22.2	21.8	**21.7**	**22.2**	**22.7**	*21.7*	*22.4*	*23.0*

Table 44: Gross saving, private sector (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	25.5	23.8	24.0	25.2	24.0	22.1	**20.6**	**21.2**	**21.0**	*21.4*	*21.6*	*21.6*
Germany	20.7	21.0	23.5	24.4	22.9	22.1	**22.1**	**22.3**	**22.5**	*22.0*	*22.0*	*22.1*
Estonia	16.5	17.4	17.8	21.2	23.5	22.4	**22.5**	**21.9**	**22.0**	*22.5*	*22.2*	*22.7*
Ireland	19.3	17.4	18.4	21.4	19.9	20.5	**22.5**	**22.9**	**23.9**	*22.5*	*21.9*	*21.8*
Greece	18.4	12.7	14.1	13.9	13.2	14.0	**11.6**	**11.8**	**11.8**	*11.6*	*12.8*	*12.5*
Spain	21.9	18.9	17.9	23.0	22.6	23.0	**23.9**	**22.7**	**23.7**	*24.0*	*23.2*	*24.1*
France	19.2	19.3	19.5	20.8	19.8	18.9	**18.2**	**18.4**	**18.7**	*18.2*	*18.5*	*18.6*
Italy	23.1	20.6	19.1	17.9	17.9	17.7	**18.8**	**19.1**	**19.2**	*18.2*	*18.5*	*18.9*
Cyprus	18.2	14.5	8.5	10.7	14.9	10.8	**10.9**	**12.0**	**12.8**	*13.6*	*13.0*	*13.8*
Latvia	14.3	17.9	18.4	26.5	22.6	20.5	**20.3**	**19.9**	**19.5**	*20.7*	*20.4*	*20.2*
Luxembourg	24.2	25.3	22.9	22.9	22.8	22.4	**19.5**	**20.4**	**20.4**	*23.0*	*23.4*	*25.4*
Malta	23.8	17.2	14.6	17.1	16.5	16.5	**16.7**	**17.6**	**17.9**	*16.0*	*15.5*	*15.2*
Netherlands	25.4	24.4	23.6	23.4	26.0	25.4	**23.6**	**23.9**	**24.1**	*25.4*	*25.7*	*27.3*
Austria	22.1	22.5	24.5	25.1	23.8	23.1	**22.9**	**23.3**	**23.7**	*22.8*	*23.6*	*24.0*
Portugal	20.1	17.9	14.5	16.8	16.2	19.4	**19.2**	**19.8**	**19.1**	*20.0*	*19.5*	*18.9*
Slovenia	21.4	23.3	22.9	21.4	21.7	21.1	**23.2**	**23.4**	**23.4**	*22.5*	*23.4*	*24.4*
Slovakia	23.4	21.7	20.5	23.5	23.1	23.3	**21.6**	**21.8**	**21.8**	*21.7*	*21.9*	*22.2*
Finland	21.3	20.4	19.6	20.5	17.6	17.7	**16.8**	**17.0**	**16.8**	*18.5*	*19.2*	*19.0*
Euro area	21.3	20.4	20.6	21.8	21.2	20.7	**20.6**	**20.7**	**21.0**	*20.7*	*20.8*	*21.1*
Bulgaria	:	11.5	10.1	22.2	21.6	19.4	**22.1**	**22.2**	**21.5**	*23.4*	*22.8*	*21.9*
Czech Republic	22.4	21.5	21.4	20.3	20.5	19.6	**19.6**	**20.7**	**21.3**	*19.4*	*20.2*	*20.8*
Denmark	19.9	20.4	19.3	23.0	23.2	23.0	**23.2**	**23.2**	**25.1**	*22.3*	*23.1*	*24.9*
Croatia	:	:	:	21.0	22.0	20.7	**20.4**	**20.9**	**20.3**	*23.5*	*24.3*	*23.5*
Lithuania	10.9	12.7	14.5	21.8	20.3	18.8	**20.1**	**18.6**	**18.3**	*18.8*	*18.5*	*18.5*
Hungary	20.9	17.7	18.4	22.0	22.2	18.6	**21.2**	**21.8**	**22.0**	*20.2*	*20.7*	*21.4*
Poland	19.9	18.3	17.1	19.4	18.2	17.3	**18.4**	**18.2**	**18.0**	*18.6*	*18.5*	*18.1*
Romania	13.9	15.7	15.8	22.1	20.6	19.6	**19.4**	**19.5**	**19.1**	*20.1*	*20.4*	*20.0*
Sweden	20.2	19.9	21.5	22.2	22.6	22.8	**23.1**	**23.2**	**22.9**	*22.3*	*22.4*	*22.1*
United Kingdom	17.1	14.8	17.0	18.9	18.4	15.9	**13.1**	**13.5**	**13.5**	*14.5*	*14.3*	*13.8*
EU	:	:	:	21.3	20.8	19.9	**19.5**	**19.7**	**19.9**	*19.8*	*19.8*	*20.0*
USA	18.6	18.3	18.8	22.6	22.3	21.9	**20.6**	**19.5**	**19.3**	*19.8*	*19.6*	*19.5*
Japan	27.3	27.5	27.0	28.9	27.5	26.7	**26.4**	**25.2**	**24.8**	*26.5*	*25.3*	*24.6*

Table 45: Saving rate of households (1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	18.3	16.8	16.3	15.2	14.1	15.2	13.9	13.7	13.8	14.9	14.6	14.3
Germany	16.0	15.6	16.8	16.9	16.4	16.4	16.2	16.2	16.1	16.1	16.0	15.9
Estonia	3.7	0.2	0.1	10.1	11.1	4.5	6.1	6.0	5.8	5.2	5.3	5.3
Ireland	:	:	10.7	13.2	11.2	10.2	11.8	10.2	9.8	12.7	11.3	12.0
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	13.2	11.3	12.6	13.9	12.7	10.4	10.4	10.4	10.5	10.4	10.6	10.9
France	15.0	15.1	15.1	15.6	15.6	15.2	15.3	15.0	14.9	15.0	14.7	14.6
Italy	19.4	15.9	15.4	12.4	11.9	11.6	12.9	13.8	13.8	12.8	13.1	13.2
Cyprus	12.7	13.6	13.7	19.2	15.2	12.8	10.9	13.3	12.8	9.9	12.2	14.7
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	17.0	13.4	12.4	10.5	11.6	10.7	11.5	13.2	14.9	10.2	10.9	11.0
Austria	14.4	13.5	15.7	14.0	12.0	12.6	12.1	12.8	13.4	13.0	13.6	14.1
Portugal	11.2	10.4	8.6	10.1	9.7	12.0	12.6	11.6	12.0	12.4	11.8	11.4
Slovenia	13.1	15.2	15.5	12.9	12.1	11.9	14.0	14.0	13.6	13.5	14.8	15.4
Slovakia	12.1	8.2	6.5	10.3	9.4	8.2	7.3	7.3	7.3	7.9	7.7	7.7
Finland	9.2	8.5	8.4	10.7	8.7	8.6	8.8	9.0	8.9	10.5	11.1	10.2
Euro area	:	14.1	14.2	13.8	13.2	12.9	13.1	12.7	12.8	13.0	13.1	13.1
Bulgaria	:	:	:	:	:	:	:	:	:	:	:	:
Czech Republic	11.5	9.6	10.2	10.7	9.9	10.6	8.7	8.8	8.6	10.6	10.8	10.7
Denmark	5.8	7.9	5.4	7.7	7.7	6.6	7.0	6.0	6.8	2.0	3.6	5.0
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	2.8	3.6	0.4	8.2	4.2	0.9	:	:	:	:	:	:
Hungary	16.8	10.3	10.0	10.8	10.7	7.4	8.4	7.9	7.7	9.0	9.0	7.9
Poland	14.5	11.0	7.1	8.2	2.1	4.8	6.1	6.2	5.4	7.0	7.0	5.5
Romania	2.6	-3.1	-8.0	-3.8	-7.0	-8.5	-9.8	-9.7	-11.3	-5.9	-5.1	-6.3
Sweden	6.2	8.3	10.1	11.3	13.1	14.8	14.8	15.1	14.7	15.9	15.7	14.1
United Kingdom	7.4	4.6	3.5	7.3	6.7	7.3	5.1	5.1	5.0	6.4	6.1	5.7
EU	:	11.8	11.4	11.9	11.3	11.3	11.2	10.6	10.6	11.3	11.2	11.0
USA	10.7	9.9	10.0	11.3	11.1	10.9	9.4	9.2	8.9	9.4	9.2	9.1
Japan	16.0	10.7	8.3	8.7	9.0	7.8	6.7	5.3	4.5	6.7	5.8	5.1

Table 46: Gross saving, general government (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	0.0	1.7	0.7	-1.9	-1.5	-1.3	-1.0	-1.2	-1.2	-1.3	-1.0	-1.1
Germany	0.2	-0.4	0.8	-0.7	1.6	2.2	2.0	1.9	1.8	2.0	2.0	2.0
Estonia	4.5	4.9	5.0	2.2	3.3	4.2	3.3	2.8	2.7	3.3	3.1	2.9
Ireland	3.1	4.9	1.2	-7.5	-6.7	-6.0	-5.2	-3.8	-2.7	-4.9	-3.3	-2.5
Greece	-2.6	-1.2	-5.9	-9.1	-8.9	-4.9	-0.9	-0.2	0.7	-0.7	-0.8	0.6
Spain	0.2	3.7	2.8	-4.6	-5.4	-4.5	-4.9	-3.7	-4.2	-4.6	-3.7	-4.4
France	0.4	0.7	0.0	-3.3	-1.5	-1.1	-0.5	-0.3	-0.1	-0.5	-0.5	-0.5
Italy	-1.2	0.1	0.3	-1.4	-1.2	-0.2	-0.7	-0.1	0.3	-0.2	0.2	0.3
Cyprus	0.1	-0.4	2.9	-0.1	-1.9	-2.7	-1.8	-3.0	-3.3	-3.8	-3.0	-3.3
Latvia	1.3	1.3	2.1	-3.7	0.2	2.0	1.7	1.4	1.2	1.8	1.6	1.4
Luxembourg	7.9	7.8	6.5	4.6	5.0	4.6	4.2	3.9	2.7	4.0	3.7	1.8
Malta	-3.8	-2.2	-1.2	-1.8	-1.3	-1.9	-0.8	-1.1	-0.7	-1.5	-1.2	-1.0
Netherlands	1.4	2.3	2.6	-0.6	-0.5	-0.2	0.5	1.2	1.6	0.1	0.7	0.3
Austria	0.7	1.9	1.4	-0.4	1.0	1.4	1.3	1.5	1.8	1.7	1.6	1.8
Portugal	0.0	-1.0	-2.8	-7.0	-4.9	-5.0	-3.5	-3.0	-1.4	-4.3	-3.0	-1.6
Slovenia	2.4	1.3	2.5	-1.0	-1.3	-0.4	-0.8	-0.1	0.2	-1.1	-0.4	-0.4
Slovakia	1.4	-0.6	-0.3	-4.6	-1.8	-2.2	-0.8	-1.0	-0.7	-1.3	-1.9	-1.8
Finland	2.2	6.8	5.2	-0.3	1.5	0.4	0.2	0.1	1.0	-0.1	-0.2	0.0
Euro area	0.1	0.9	0.8	-2.3	-1.1	-0.4	-0.3	0.0	0.2	-0.2	0.0	0.0
Bulgaria	-1.1	3.8	4.7	0.3	0.4	1.5	0.7	0.6	0.8	0.6	0.7	0.8
Czech Republic	4.3	2.4	2.8	-0.5	0.5	1.1	1.5	1.0	0.7	0.5	0.1	-0.2
Denmark	1.1	2.7	4.9	-0.3	0.5	0.3	1.5	1.1	-0.7	2.3	1.3	-0.5
Croatia	:	:	:	-0.9	-2.1	-2.1	-1.2	-0.7	0.4	-3.4	-3.4	-2.5
Lithuania	1.9	1.6	0.7	-4.8	-2.9	-1.6	-0.4	0.0	0.6	-0.9	-0.4	0.2
Hungary	-0.9	0.0	-1.9	-2.4	-2.4	-0.1	-0.5	-0.6	-0.6	0.0	-0.2	-0.4
Poland	0.4	-1.1	0.5	-2.7	-0.6	-0.2	-1.2	-0.6	-0.2	-1.1	-0.5	0.1
Romania	0.1	1.9	1.9	-0.9	1.8	2.0	2.5	2.5	2.8	2.5	2.8	3.1
Sweden	1.1	3.5	5.0	3.4	3.5	2.6	1.9	1.9	2.6	2.0	1.9	2.5
United Kingdom	-0.3	0.5	-2.0	-6.6	-4.8	-5.2	-3.5	-2.9	-1.9	-3.8	-2.8	-1.8
EU	:	:	:	-2.7	-1.4	-1.0	-0.6	-0.3	0.0	-0.6	-0.3	-0.2
USA	1.5	0.3	-1.9	-7.5	-6.4	-5.4	-2.6	-1.9	-1.3	-3.6	-2.8	-2.3
Japan	2.1	-1.2	-1.2	-5.4	-5.3	-4.9	-4.7	-3.0	-2.1	-4.7	-2.9	-1.6

Table 47: Exports of goods and services, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.6	4.3	1.1	8.1	6.4	1.8	1.7	3.0	4.7	1.9	3.6	4.7
Germany	7.5	7.3	3.3	15.2	8.0	3.2	0.8	5.0	5.6	0.6	4.9	6.8
Estonia	8.8	9.7	0.7	23.7	23.4	5.6	1.8	3.1	5.0	1.7	4.1	5.6
Ireland	17.7	8.3	2.5	6.4	5.4	1.6	0.2	2.8	3.7	0.3	2.8	3.7
Greece	9.7	4.8	-1.3	5.2	0.3	-1.7	1.8	4.1	5.2	2.5	4.6	5.5
Spain	10.0	4.8	0.8	11.7	7.6	2.1	4.9	5.5	6.7	4.9	5.4	6.4
France	7.4	3.9	-0.6	9.5	5.4	2.4	0.6	3.1	5.3	0.6	4.4	5.6
Italy	4.0	3.1	-0.9	11.4	6.2	2.1	0.1	3.3	4.3	0.1	3.3	4.9
Cyprus	6.5	3.2	0.5	3.8	4.4	-2.5	-4.2	-2.7	1.8	-4.8	-2.7	1.9
Latvia	:	7.8	4.9	12.5	12.4	9.4	1.0	3.6	5.6	0.9	4.5	5.9
Luxembourg	8.6	7.3	3.2	7.2	5.4	-1.9	2.6	3.3	4.7	2.3	3.6	4.9
Malta	:	1.4	2.3	15.7	4.8	8.6	-5.6	2.7	6.0	-2.9	4.0	5.9
Netherlands	8.0	5.0	2.6	11.6	4.1	3.2	1.4	3.3	5.0	1.3	2.9	5.0
Austria	7.6	6.9	1.5	9.4	6.6	1.2	2.8	4.4	5.9	2.3	4.8	6.0
Portugal	8.0	4.2	1.4	10.2	6.9	3.2	6.1	5.7	5.7	5.8	5.0	5.3
Slovenia	4.7	8.3	4.3	10.2	7.0	0.6	2.9	3.9	5.4	2.9	3.8	4.5
Slovakia	8.2	8.8	5.6	16.0	12.2	9.9	4.5	5.6	6.4	3.5	4.8	6.2
Finland	9.7	5.5	1.6	7.9	2.8	-0.2	0.3	2.7	4.5	-0.4	3.4	4.4
Euro area	:	5.5	1.6	11.6	6.5	2.5	1.4	4.0	5.3	1.3	4.2	5.7
Bulgaria	:	3.9	3.8	14.7	12.3	-0.4	8.9	4.9	6.5	8.2	5.6	6.4
Czech Republic	10.4	10.4	5.5	15.4	9.5	4.5	0.2	5.0	6.2	0.4	5.7	6.1
Denmark	5.6	4.3	2.5	3.0	7.0	0.4	1.2	3.1	4.0	0.9	3.1	4.0
Croatia	:	7.7	-0.6	4.8	1.7	0.9	-1.8	2.6	3.7	-1.3	2.5	3.0
Lithuania	:	12.2	5.7	17.4	14.1	11.8	9.5	6.3	6.6	6.5	6.6	6.9
Hungary	20.9	10.4	7.6	11.3	8.4	1.7	5.3	5.7	6.1	5.1	5.3	6.1
Poland	11.5	11.6	6.1	12.1	7.7	3.9	4.6	4.4	6.0	4.7	5.2	6.3
Romania	8.8	15.0	5.4	13.2	11.6	-1.5	13.5	6.5	5.6	13.6	5.7	6.3
Sweden	9.1	5.6	1.5	11.4	6.1	0.7	-0.9	3.7	5.4	-1.5	2.8	5.4
United Kingdom	6.1	4.2	2.0	6.7	4.5	1.7	1.0	2.6	3.2	0.8	2.9	3.7
EU	:	5.6	2.0	11.0	6.5	2.4	1.6	4.0	5.1	1.4	4.1	5.5
USA	7.4	2.2	3.9	11.5	7.1	3.5	2.7	5.0	5.6	2.8	6.2	5.7
Japan	3.9	7.1	-0.5	24.4	-0.4	-0.1	1.6	4.0	4.9	1.6	3.4	4.0

Table 48: Imports of goods and services, volume (percentage change on preceding year, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			Winter 2014 forecast		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	2013	2014	2015
Belgium	5.2	3.8	1.7	7.5	6.8	1.3	0.9	2.7	5.1	1.2	3.2	5.2
Germany	7.6	4.8	3.6	12.5	7.4	1.4	0.9	5.4	6.5	1.3	5.9	7.6
Estonia	9.5	12.7	-1.6	21.1	28.4	8.8	2.6	3.9	5.3	3.0	4.6	5.8
Ireland	17.0	7.5	1.8	3.6	-0.4	0.0	1.0	3.1	2.6	0.1	2.8	2.6
Greece	10.8	4.6	0.2	-6.2	-7.3	-13.8	-5.3	-1.2	2.2	-6.8	-1.3	2.7
Spain	12.3	7.0	0.1	9.3	-0.1	-5.7	0.4	3.4	5.8	0.2	3.3	4.9
France	7.1	5.0	1.3	8.9	5.1	-1.1	0.5	3.1	5.8	0.7	4.0	5.8
Italy	6.3	3.7	-0.2	12.6	0.8	-7.0	-2.8	2.7	4.8	-2.9	3.0	5.5
Cyprus	6.0	5.4	2.1	4.8	-0.2	-5.4	-14.1	-7.2	0.2	-14.7	-7.2	0.2
Latvia	:	10.2	-0.5	11.8	22.3	4.5	-1.7	3.9	6.8	-0.3	4.8	6.7
Luxembourg	9.7	7.1	2.9	11.4	7.4	-1.0	1.2	3.2	5.1	2.3	3.9	5.3
Malta	:	1.4	2.2	13.3	1.6	6.2	-5.2	3.6	5.7	-3.9	3.7	5.9
Netherlands	9.1	4.4	2.9	10.3	4.2	3.3	-0.2	3.4	4.8	-0.5	3.2	5.0
Austria	5.6	5.9	0.7	9.1	7.6	-0.3	0.6	3.7	5.7	0.4	4.6	5.6
Portugal	9.8	2.6	1.3	8.0	-5.3	-6.6	2.8	4.1	4.2	2.6	3.0	3.8
Slovenia	8.3	7.0	3.2	7.4	5.6	-4.7	1.3	3.9	5.3	0.2	1.7	3.3
Slovakia	11.1	8.3	3.9	14.9	9.7	3.3	2.9	5.4	6.1	2.0	4.5	6.0
Finland	8.0	6.2	2.7	6.8	6.2	-0.7	-1.8	1.6	4.0	-1.5	2.0	4.4
Euro area	:	5.0	1.9	10.0	4.5	-0.9	0.2	3.8	5.5	0.2	4.1	5.9
Bulgaria	:	8.0	4.3	2.4	8.8	3.3	5.7	5.5	6.4	5.0	5.5	6.8
Czech Republic	10.6	10.1	3.6	15.4	7.0	2.3	0.6	4.0	6.0	0.7	4.6	5.8
Denmark	6.4	5.6	3.5	3.5	5.9	0.9	1.7	2.8	3.8	2.5	3.0	3.8
Croatia	:	8.9	-0.4	-2.8	2.1	-2.5	-1.7	1.3	2.3	-0.7	1.7	3.2
Lithuania	:	12.9	3.1	17.9	13.7	6.1	9.8	7.1	7.4	6.6	7.0	7.4
Hungary	17.6	10.6	4.5	10.9	6.4	-0.1	5.3	6.2	6.5	5.0	5.9	6.6
Poland	18.3	7.4	5.7	13.9	5.5	-0.7	1.2	4.5	6.5	0.8	4.6	6.6
Romania	11.6	19.3	9.2	11.1	10.5	-0.2	2.4	5.9	6.8	2.9	5.0	7.3
Sweden	7.8	3.7	2.4	12.0	7.1	-0.6	-1.2	4.7	5.9	-1.9	3.7	5.6
United Kingdom	8.4	5.8	0.3	7.9	0.3	3.4	0.5	2.0	2.8	1.2	2.6	3.3
EU	:	5.4	2.0	9.8	4.4	-0.2	0.4	3.7	5.2	0.5	4.0	5.6
USA	10.6	5.6	-0.6	12.8	4.9	2.2	1.4	3.5	6.0	1.4	4.7	6.3
Japan	4.4	4.7	-1.2	11.1	5.9	5.3	3.4	4.3	2.8	3.4	4.5	2.2

Table 49: Merchandise trade balance[1] (fob-fob, as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	:	3.5	0.8	-0.8	-1.6	-1.5	**-1.4**	**-1.0**	**-1.6**	*-1.4*	*-1.1*	*-1.6*
Germany	:	5.4	7.0	6.3	5.9	6.7	**7.0**	**7.0**	**6.9**	*6.8*	*6.6*	*6.6*
Estonia	:	-14.7	-12.9	-2.5	-4.4	-6.6	**-5.1**	**-5.3**	**-5.3**	*-5.2*	*-5.1*	*-5.0*
Ireland	:	24.9	14.8	22.6	22.6	22.2	**19.6**	**18.1**	**17.9**	*20.4*	*18.9*	*18.5*
Greece	:	:	-18.3	-14.3	-14.0	-11.2	**-10.2**	**-9.5**	**-8.9**	*-9.9*	*-8.9*	*-8.4*
Spain	:	-5.7	-7.3	-4.6	-4.2	-2.5	**-1.2**	**-0.6**	**-0.6**	*-1.2*	*-0.4*	*-0.2*
France	:	0.0	-2.0	-2.6	-3.6	-3.1	**-2.8**	**-2.8**	**-3.0**	*-2.8*	*-2.9*	*-3.1*
Italy	:	1.0	-0.1	-1.3	-1.1	1.1	**2.4**	**3.0**	**3.0**	*2.3*	*2.8*	*2.8*
Cyprus	:	-26.3	-28.0	-26.8	-24.3	-21.8	**-18.0**	**-16.5**	**-16.3**	*-18.3*	*-16.9*	*-16.7*
Latvia	:	-16.8	-18.7	-7.0	-10.8	-10.4	**-9.0**	**-9.1**	**-9.7**	*-9.2*	*-9.3*	*-9.8*
Luxembourg	:	-11.1	-9.9	-10.2	-12.3	-14.2	**-12.9**	**-11.8**	**-12.1**	*-15.0*	*-15.3*	*-15.7*
Malta	:	-13.5	-18.6	-18.1	-16.5	-13.9	**-13.5**	**-14.3**	**-14.5**	*-12.3*	*-12.1*	*-12.5*
Netherlands	:	6.4	7.4	7.1	7.5	7.7	**8.7**	**8.7**	**8.8**	*9.3*	*9.1*	*9.8*
Austria	:	-0.8	-0.3	-1.0	-2.5	-2.3	**-1.0**	**-0.4**	**-0.5**	*-1.5*	*-1.4*	*-1.3*
Portugal	:	-10.5	-11.2	-10.6	-7.7	-4.7	**-3.5**	**-2.7**	**-2.3**	*-3.6*	*-2.8*	*-2.2*
Slovenia	:	-3.2	-4.0	-2.4	-2.7	-0.4	**0.9**	**1.6**	**1.8**	*1.0*	*2.7*	*3.6*
Slovakia	:	-6.2	-2.6	0.8	1.0	4.7	**6.0**	**6.4**	**6.5**	*5.4*	*5.2*	*5.1*
Finland	:	8.8	4.1	1.4	-0.7	0.0	**0.2**	**0.7**	**0.9**	*0.0*	*0.5*	*0.5*
Euro area	:	2.0	0.7	0.6	0.3	1.4	**2.1**	**2.4**	**2.3**	*2.1*	*2.2*	*2.2*
Euro area, adjusted[2]	:	2.0	0.7	0.6	0.4	1.4	**2.1**	**2.4**	**2.3**	*1.7*	*1.8*	*1.9*
Bulgaria	:	-11.9	-21.0	-7.7	-5.6	-8.7	**-5.9**	**-6.0**	**-6.2**	*-6.1*	*-6.5*	*-7.2*
Czech Republic	:	-2.3	1.5	1.5	2.4	3.8	**4.9**	**5.9**	**6.3**	*4.5*	*5.6*	*6.3*
Denmark	:	4.3	1.4	2.9	3.0	2.7	**2.7**	**2.6**	**2.3**	*3.2*	*3.0*	*2.7*
Croatia	:	-19.5	-20.6	-12.9	-13.9	-13.8	**-14.5**	**-14.4**	**-14.3**	*-14.7*	*-14.4*	*-14.6*
Lithuania	:	-9.5	-11.3	-4.8	-5.8	-2.8	**-3.0**	**-3.5**	**-4.2**	*-2.5*	*-2.8*	*-3.0*
Hungary	:	-4.4	-1.0	2.5	3.1	3.6	**4.1**	**4.1**	**4.0**	*4.0*	*3.7*	*3.5*
Poland	:	-3.9	-2.6	-1.8	-2.1	-0.8	**1.2**	**1.1**	**0.7**	*0.5*	*0.7*	*0.4*
Romania	:	-6.8	-11.1	-6.1	-5.6	-5.6	**-2.4**	**-2.5**	**-3.0**	*-2.4*	*-2.5*	*-2.9*
Sweden	:	6.8	4.7	2.6	2.2	2.4	**2.2**	**1.9**	**1.8**	*2.1*	*1.6*	*1.5*
United Kingdom	:	-4.2	-5.9	-6.6	-6.5	-7.0	**-6.7**	**-6.3**	**-5.9**	*-6.9*	*-6.7*	*-6.6*
EU	:	0.8	-0.6	-0.5	-0.7	0.0	**0.7**	**0.9**	**0.9**	*0.6*	*0.7*	*0.7*
EU, adjusted[2]	:	-0.5	-1.3	-1.1	-1.2	-0.5	**0.2**	**0.4**	**0.3**	*0.2*	*0.2*	*0.3*
USA	:	-4.6	-5.5	-4.5	-4.9	-4.7	**-4.3**	**-4.1**	**-4.2**	*-4.3*	*-4.1*	*-4.3*
Japan	2.5	2.3	1.6	1.7	-0.3	-1.2	**-1.9**	**-2.3**	**-2.1**	*-1.9*	*-2.4*	*-2.2*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 50: Current-account balance[1] (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	4.6	4.9	2.5	2.6	0.5	-0.2	**-0.3**	**0.3**	**-0.3**	*0.1*	*0.6*	*0.3*
Germany	-0.9	1.3	6.3	6.4	6.3	7.0	**7.4**	**7.3**	**7.0**	*7.0*	*6.7*	*6.4*
Estonia	-8.5	-8.7	-9.2	3.5	0.3	-2.8	**-1.8**	**-2.7**	**-2.8**	*-2.1*	*-2.4*	*-2.3*
Ireland	1.9	-0.1	-4.0	1.1	1.2	4.4	**6.6**	**7.4**	**8.9**	*7.0*	*6.8*	*7.2*
Greece	-2.6	-11.9	-14.9	-12.8	-11.7	-4.6	**-2.4**	**-2.3**	**-2.2**	*-2.3*	*-1.8*	*-1.6*
Spain	-0.8	-4.4	-8.2	-4.4	-4.0	-1.2	**0.8**	**1.4**	**1.5**	*1.1*	*1.6*	*1.8*
France	1.8	0.8	-1.3	-1.9	-2.5	-2.1	**-1.9**	**-1.8**	**-2.0**	*-1.9*	*-2.0*	*-2.2*
Italy	2.2	-0.3	-1.7	-3.5	-3.1	-0.4	**0.9**	**1.5**	**1.5**	*0.9*	*1.3*	*1.2*
Cyprus	-1.2	-3.8	-9.6	-9.2	-3.5	-7.0	**-1.4**	**0.0**	**0.4**	*-1.7*	*0.0*	*0.4*
Latvia	-5.8	-8.0	-12.4	2.9	-2.2	-2.5	**-0.8**	**-1.3**	**-2.0**	*-1.6*	*-1.9*	*-2.5*
Luxembourg	10.3	10.5	8.9	7.7	6.6	5.8	**5.2**	**6.4**	**5.0**	*6.4*	*6.7*	*7.0*
Malta	-7.3	-4.4	-7.2	-5.3	-1.0	1.1	**0.6**	**0.3**	**1.0**	*1.7*	*0.9*	*0.5*
Netherlands	4.7	6.5	6.6	5.0	7.4	7.7	**7.8**	**8.2**	**8.6**	*9.2*	*9.1*	*10.0*
Austria	-2.2	1.0	3.4	3.6	1.5	1.8	**2.7**	**3.4**	**3.8**	*2.9*	*3.4*	*3.8*
Portugal	-6.1	-9.0	-10.9	-10.4	-7.2	-2.2	**0.4**	**1.0**	**1.4**	*0.4*	*0.8*	*1.1*
Slovenia	-1.2	-1.2	-3.0	-0.2	0.2	3.1	**5.3**	**6.0**	**6.2**	*4.9*	*6.9*	*7.8*
Slovakia	-6.0	-6.1	-6.3	-3.7	-2.6	1.6	**2.5**	**2.4**	**2.4**	*2.0*	*1.9*	*2.3*
Finland	4.9	7.2	3.5	1.7	-1.5	-1.4	**-0.8**	**-0.4**	**-0.2**	*-0.2*	*0.5*	*0.4*
Euro area	0.7	0.4	0.1	0.3	0.4	1.8	**2.6**	**2.9**	**2.9**	*2.7*	*2.7*	*2.7*
Euro area, adjusted[2]	:	0.4	0.2	0.3	0.4	1.8	**2.6**	**2.9**	**2.9**	*2.2*	*2.3*	*2.3*
Bulgaria	-0.2	-5.0	-17.3	-0.4	0.1	-0.9	**1.9**	**1.0**	**0.2**	*2.0*	*1.3*	*0.0*
Czech Republic	-3.8	-4.5	-3.2	-5.0	-3.5	-2.6	**-1.2**	**-0.4**	**-0.2**	*-2.4*	*-1.5*	*-0.9*
Denmark	0.8	2.7	3.0	5.8	5.9	6.0	**7.3**	**6.9**	**6.8**	*7.0*	*6.8*	*6.6*
Croatia	-5.2	-3.8	-6.2	-0.9	-0.7	-0.4	**0.5**	**1.5**	**1.6**	*0.8*	*1.3*	*0.9*
Lithuania	-10.0	-6.0	-8.7	-0.4	-3.9	-1.1	**1.3**	**-0.8**	**-1.5**	*0.1*	*-0.5*	*-0.7*
Hungary	-4.8	-7.6	-6.0	0.4	0.6	1.1	**3.1**	**3.0**	**2.7**	*2.9*	*2.7*	*2.6*
Poland	-2.4	-3.4	-4.2	-4.3	-4.5	-3.4	**-1.6**	**-1.7**	**-2.3**	*-1.6*	*-1.4*	*-1.8*
Romania	-5.9	-4.3	-9.7	-4.4	-4.5	-4.4	**-1.1**	**-1.2**	**-1.6**	*-1.0*	*-1.2*	*-1.6*
Sweden	4.3	5.7	7.8	6.9	6.2	6.5	**6.6**	**6.1**	**6.0**	*6.2*	*5.6*	*5.5*
United Kingdom	-0.9	-2.2	-1.8	-2.7	-1.5	-3.8	**-4.4**	**-3.8**	**-3.3**	*-3.8*	*-3.3*	*-3.2*
EU	0.4	-0.1	-0.3	-0.1	0.2	0.9	**1.6**	**1.8**	**1.8**	*1.7*	*1.7*	*1.7*
EU, adjusted[2]	:	-0.7	-1.2	-0.5	-0.3	0.6	**1.2**	**1.5**	**1.5**	*1.3*	*1.4*	*1.4*
USA	-1.9	-4.3	-4.7	-3.0	-2.9	-2.7	**-2.3**	**-2.2**	**-2.4**	*-2.3*	*-2.1*	*-2.3*
Japan	2.3	2.9	3.7	3.7	2.0	1.0	**0.7**	**0.7**	**1.2**	*0.7*	*0.5*	*1.0*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 51: Net lending (+) or net borrowing (-) of the nation[1] (as a percentage of GDP, 1995-2015) 24.4.2014

	5-year averages						Spring 2014 forecast			*Winter 2014 forecast*		
	1995-99	2000-04	2005-09	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	4.5	4.8	2.2	2.5	0.3	-0.3	**-0.4**	**0.4**	**-0.3**	*0.3*	*0.7*	*0.4*
Germany	-0.9	1.4	6.2	6.4	6.1	7.0	**7.4**	**7.3**	**7.0**	*7.0*	*6.6*	*6.4*
Estonia	-7.9	-8.2	-7.5	7.0	4.4	0.7	**1.1**	**-0.3**	**-0.4**	*0.8*	*0.1*	*0.1*
Ireland	2.9	0.4	-4.1	0.7	1.1	3.2	**6.6**	**6.8**	**7.4**	*6.8*	*7.2*	*6.9*
Greece	-1.2	-10.3	-13.2	-11.0	-9.8	-2.3	**1.3**	**-0.5**	**-0.4**	*-0.3*	*-0.1*	*0.2*
Spain	0.2	-3.4	-7.6	-3.8	-3.5	-0.6	**1.5**	**2.0**	**2.1**	*1.9*	*2.2*	*2.3*
France	1.9	0.8	-1.3	-1.8	-2.5	-2.2	**-1.9**	**-1.9**	**-1.9**	*-1.9*	*-2.0*	*-2.1*
Italy	2.4	-0.1	-1.6	-3.5	-3.0	-0.2	**0.9**	**1.5**	**1.5**	*0.9*	*1.4*	*1.3*
Cyprus	-1.2	-3.4	-9.4	-9.0	-3.3	-6.9	**0.1**	**0.9**	**1.3**	*0.2*	*1.0*	*1.3*
Latvia	-5.7	-7.5	-10.7	4.9	0.0	0.5	**1.6**	**1.2**	**0.5**	*0.9*	*0.6*	*0.0*
Luxembourg	:	:	9.0	7.3	6.3	5.3	**4.7**	**6.2**	**5.0**	*6.0*	*6.6*	*7.1*
Malta	-6.6	-3.9	-5.3	-3.6	0.0	2.8	**2.2**	**2.0**	**2.7**	*3.9*	*3.2*	*2.9*
Netherlands	4.4	6.2	6.2	4.5	7.0	7.4	**7.6**	**7.5**	**8.2**	*8.9*	*8.2*	*9.9*
Austria	-2.3	0.9	3.3	3.7	1.4	1.6	**2.6**	**3.4**	**3.8**	*2.8*	*3.5*	*3.8*
Portugal	-3.7	-7.2	-9.6	-9.0	-5.6	-0.1	**2.0**	**2.7**	**3.1**	*2.3*	*2.7*	*3.0*
Slovenia	-1.2	-1.5	-3.2	-0.1	0.0	2.9	**5.2**	**6.9**	**7.0**	*4.9*	*7.5*	*8.6*
Slovakia	-6.2	-6.5	-5.8	-2.1	-0.9	3.1	**3.9**	**3.4**	**3.3**	*3.2*	*3.6*	*3.7*
Finland	5.0	7.3	3.6	1.8	-1.3	-1.3	**-0.7**	**-0.3**	**-0.1**	*-0.1*	*0.6*	*0.5*
Euro area	:	:	0.2	0.4	0.5	1.9	**2.8**	**3.0**	**3.0**	*2.8*	*2.9*	*2.9*
Euro area, adjusted[2]	:	:	0.3	0.4	0.5	1.9	**2.8**	**3.0**	**3.0**	*2.4*	*2.5*	*2.5*
Bulgaria	-0.7	-4.8	-16.9	0.3	1.3	0.4	**3.2**	**2.4**	**1.6**	*3.3*	*2.7*	*1.3*
Czech Republic	-3.8	-4.2	-2.5	-2.9	-1.6	-1.4	**1.1**	**2.4**	**3.1**	*-0.9*	*-0.1*	*0.6*
Denmark	0.9	2.7	3.0	5.9	6.3	6.0	**7.3**	**7.0**	**7.1**	*7.0*	*6.8*	*6.8*
Croatia	-5.2	-3.8	-6.2	-0.9	-0.7	-0.4	**0.5**	**1.5**	**1.6**	*0.8*	*1.3*	*0.9*
Lithuania	-10.1	-5.7	-6.5	3.4	-0.6	1.9	**2.5**	**1.0**	**0.3**	*3.0*	*2.3*	*2.0*
Hungary	-4.8	-7.4	-5.2	2.2	2.9	3.7	**6.6**	**6.1**	**5.7**	*6.1*	*5.6*	*5.3*
Poland	-2.3	-3.3	-3.4	-2.7	-2.7	-1.6	**0.8**	**0.8**	**-0.1**	*0.3*	*0.7*	*0.4*
Romania	-5.6	-3.8	-9.2	-4.2	-3.9	-3.0	**1.2**	**0.9**	**0.4**	*0.0*	*-0.3*	*-0.7*
Sweden	3.8	5.6	7.7	6.8	6.1	6.3	**6.4**	**5.7**	**5.9**	*6.2*	*5.5*	*5.3*
United Kingdom	-0.8	-2.0	-1.7	-2.4	-1.2	-3.6	**-4.1**	**-3.5**	**-3.0**	*-3.6*	*-3.1*	*-3.0*
EU	:	:	-0.2	0.2	0.4	1.1	**1.9**	**2.1**	**2.1**	*1.9*	*2.0*	*2.0*
EU, adjusted[2]	:	:	-1.0	-0.3	-0.1	0.8	**1.5**	**1.7**	**1.7**	*1.6*	*1.7*	*1.7*
USA	-1.9	-4.2	-4.7	-3.0	-3.0	-2.7	**-2.3**	**-2.2**	**-2.4**	*-2.3*	*-2.1*	*-2.3*
Japan	2.1	2.8	3.6	3.6	2.0	1.0	**0.7**	**0.6**	**1.1**	*0.6*	*0.5*	*1.0*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 52: Current-account balance[1] (in billions of euro, 2007-15) 24.4.2014

							Spring 2014 forecast			*Winter 2014 forecast*		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	13.2	3.7	2.4	9.3	1.7	-0.9	**-1.0**	**1.1**	**-1.1**	*0.2*	*2.5*	*1.2*
Germany	182.5	152.1	145.1	159.5	163.2	187.9	**202.4**	**208.0**	**206.6**	*192.1*	*188.3*	*188.5*
Estonia	:	:	:	:	0.0	-0.5	**-0.3**	**-0.5**	**-0.6**	*-0.4*	*-0.5*	*-0.5*
Ireland	-10.4	-10.2	-3.8	1.8	2.0	7.3	**10.9**	**12.4**	**15.5**	*11.6*	*11.5*	*12.6*
Greece	-39.3	-41.9	-33.2	-28.4	-24.5	-8.9	**-4.3**	**-4.1**	**-4.1**	*-4.2*	*-3.3*	*-3.0*
Spain	-105.2	-104.3	-50.0	-45.7	-41.6	-12.5	**8.2**	**14.3**	**15.7**	*11.3*	*16.6*	*19.1*
France	-25.7	-36.6	-33.2	-36.1	-49.1	-42.4	**-39.1**	**-38.4**	**-42.3**	*-39.9*	*-42.8*	*-47.2*
Italy	-20.1	-44.9	-30.2	-54.5	-48.3	-6.9	**13.8**	**24.3**	**24.1**	*13.6*	*20.0*	*19.7*
Cyprus	:	-2.1	-1.8	-1.6	-0.6	-1.2	**-0.2**	**0.0**	**0.1**	*-0.3*	*0.0*	*0.1*
Latvia	-4.7	-3.0	1.6	0.5	-0.4	-0.6	**-0.2**	**-0.3**	**-0.5**	*-0.4*	*-0.5*	*-0.7*
Luxembourg	3.8	2.0	2.6	3.0	2.8	2.5	**2.4**	**3.1**	**2.5**	*2.9*	*3.2*	*3.5*
Malta	:	-0.3	-0.5	-0.3	-0.1	0.1	**0.0**	**0.0**	**0.1**	*0.1*	*0.1*	*0.0*
Netherlands	48.1	28.1	18.2	29.6	44.3	45.9	**47.3**	**50.5**	**54.1**	*55.7*	*55.8*	*63.9*
Austria	10.9	13.7	7.4	10.3	4.6	5.5	**8.6**	**11.1**	**12.9**	*9.0*	*11.0*	*12.7*
Portugal	-17.2	-21.7	-18.2	-17.9	-12.3	-3.7	**0.6**	**1.7**	**2.4**	*0.7*	*1.4*	*1.9*
Slovenia	-1.6	-2.3	-0.1	-0.1	0.1	1.1	**1.9**	**2.2**	**2.3**	*1.7*	*2.4*	*2.8*
Slovakia	:	:	-1.6	-2.5	-1.8	1.2	**1.8**	**1.8**	**1.9**	*1.5*	*1.4*	*1.8*
Finland	7.6	5.8	3.4	3.0	-2.7	-2.7	**-1.6**	**-0.9**	**-0.4**	*-0.3*	*1.0*	*0.9*
Euro area	34.0	-67.2	8.7	30.3	37.2	171.1	**251.0**	**286.2**	**289.1**	*254.9*	*268.4*	*277.5*
Euro area, adjusted[2]	38.7	-64.2	7.1	29.8	37.7	171.6	**251.2**	**286.5**	**289.6**	*214.3*	*227.9*	*237.2*
Bulgaria	-7.8	-8.2	-3.1	-0.1	0.0	-0.4	**0.8**	**0.4**	**0.1**	*0.8*	*0.5*	*0.0*
Czech Republic	-6.8	-4.5	-4.6	-7.5	-5.4	-4.0	**-1.8**	**-0.6**	**-0.3**	*-3.5*	*-2.2*	*-1.4*
Denmark	3.1	6.8	7.6	13.8	14.3	14.7	**18.2**	**17.6**	**18.0**	*17.6*	*17.5*	*17.6*
Croatia	-3.0	-3.9	-2.0	-0.4	-0.3	-0.2	**0.2**	**0.7**	**0.7**	*0.3*	*0.6*	*0.4*
Lithuania	-4.3	-4.2	0.5	-0.1	-1.2	-0.4	**0.4**	**-0.3**	**-0.6**	*0.0*	*-0.2*	*-0.3*
Hungary	-7.4	-7.3	-0.1	0.3	0.6	1.1	**3.0**	**3.0**	**2.8**	*2.8*	*2.8*	*2.8*
Poland	-18.9	-20.5	-9.6	-15.2	-16.6	-12.8	**-6.3**	**-6.9**	**-9.7**	*-6.2*	*-5.7*	*-7.6*
Romania	-17.0	-16.0	-4.9	-5.5	-5.9	-5.9	**-1.5**	**-1.7**	**-2.4**	*-1.5*	*-1.7*	*-2.4*
Sweden	29.0	29.4	20.1	24.2	24.0	26.3	**27.8**	**25.7**	**26.3**	*26.0*	*23.8*	*24.3*
United Kingdom	-45.6	-17.3	-22.5	-46.6	-25.9	-73.6	**-83.7**	**-76.5**	**-70.0**	*-71.7*	*-68.0*	*-68.2*
EU	-44.6	-112.9	-10.1	-6.7	20.8	116.0	**208.0**	**247.5**	**254.1**	*219.7*	*235.7*	*242.7*
EU, adjusted[2]	-134.2	-276.9	-82.5	-66.8	-34.7	73.0	**156.5**	**195.9**	**202.5**	*173.6*	*189.6*	*196.6*
USA	-517.4	-461.3	-273.3	-342.8	-328.3	-341.7	**-295.2**	**-279.7**	**-321.7**	*-294.9*	*-269.4*	*-317.4*
Japan	154.6	109.3	105.4	153.9	86.1	47.1	**24.7**	**23.0**	**41.4**	*24.6*	*18.6*	*35.9*

[1] See note 7 on concepts and sources.

[2] See note 8 on concepts and sources.

Table 53: Export markets (a) (percentage change on preceding year, 2007-15) 24.4.2014

							Spring 2014 forecast			*Winter 2014 forecast*		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	5.3	2.1	-10.6	10.3	5.0	1.1	**1.2**	**3.9**	**5.5**	*1.3*	*4.4*	*5.8*
Germany	6.8	2.2	-11.7	10.5	5.2	1.2	**1.5**	**3.8**	**5.4**	*1.7*	*4.3*	*5.6*
Estonia	9.3	1.8	-17.7	9.6	7.4	1.5	**1.0**	**3.6**	**5.5**	*1.2*	*4.3*	*5.9*
Ireland	4.1	1.2	-11.5	10.7	4.6	1.3	**1.5**	**3.6**	**5.2**	*1.9*	*4.3*	*5.4*
Greece	5.7	1.7	-12.4	10.4	4.9	1.1	**1.7**	**3.4**	**5.3**	*2.1*	*4.1*	*5.7*
Spain	5.0	1.9	-10.6	9.8	4.2	0.5	**1.5**	**3.8**	**5.2**	*1.9*	*4.3*	*5.6*
France	5.9	1.8	-11.1	10.3	4.9	1.0	**1.7**	**4.1**	**5.4**	*1.9*	*4.5*	*5.7*
Italy	6.6	2.7	-11.0	9.9	5.4	1.6	**1.8**	**4.1**	**5.5**	*2.1*	*4.6*	*5.8*
Cyprus	6.7	2.2	-13.6	8.1	7.4	1.3	**2.2**	**3.7**	**6.2**	*3.5*	*5.7*	*7.2*
Latvia	8.9	3.8	-17.0	12.5	10.4	3.9	**2.7**	**4.0**	**5.6**	*2.7*	*4.9*	*6.1*
Luxembourg	4.9	1.6	-11.2	10.1	4.2	0.4	**1.1**	**3.1**	**4.9**	*1.6*	*4.0*	*5.1*
Malta	5.2	1.8	-11.7	10.3	4.4	0.8	**1.8**	**3.8**	**5.3**	*2.2*	*4.3*	*5.5*
Netherlands	5.5	2.3	-11.2	10.4	5.2	0.9	**1.3**	**4.0**	**5.5**	*1.5*	*4.5*	*5.9*
Austria	6.8	2.8	-11.5	11.3	5.9	1.1	**1.4**	**4.3**	**5.8**	*1.7*	*4.8*	*6.2*
Portugal	5.5	0.9	-12.6	9.7	3.9	-0.3	**1.6**	**3.9**	**5.5**	*1.8*	*4.3*	*5.5*
Slovenia	7.3	2.7	-13.1	9.8	5.5	0.4	**0.8**	**3.9**	**5.4**	*1.0*	*4.4*	*5.9*
Slovakia	8.3	3.2	-12.3	11.7	6.2	0.8	**1.2**	**4.3**	**5.8**	*1.3*	*4.8*	*6.2*
Finland	8.7	3.6	-12.2	11.9	7.7	2.7	**1.9**	**4.1**	**5.7**	*2.2*	*4.8*	*6.1*
Euro area (b)	6.1	2.2	-11.3	10.4	5.1	1.1	**1.5**	**3.9**	**5.4**	*1.7*	*4.4*	*5.7*
Bulgaria	8.5	2.4	-12.8	9.4	5.6	0.0	**1.4**	**3.4**	**5.4**	*1.6*	*4.0*	*5.8*
Czech Republic	7.0	3.2	-12.3	11.2	5.9	1.3	**1.3**	**4.4**	**5.8**	*1.5*	*4.9*	*6.3*
Denmark	6.4	2.4	-11.4	11.4	5.4	1.5	**1.5**	**4.1**	**5.5**	*1.7*	*4.4*	*5.8*
Croatia	6.9	1.5	-12.7	10.4	5.3	-0.4	**1.2**	**3.5**	**5.3**	*1.4*	*4.1*	*5.6*
Lithuania	11.1	2.5	-16.6	11.2	9.8	3.5	**0.9**	**3.3**	**5.6**	*1.6*	*4.7*	*6.0*
Hungary	7.8	3.5	-12.5	11.0	6.1	1.3	**1.3**	**4.3**	**5.7**	*1.4*	*4.7*	*6.1*
Poland	8.0	3.5	-12.4	11.4	6.2	1.7	**1.2**	**3.9**	**5.6**	*1.4*	*4.6*	*6.0*
Romania	7.0	1.7	-12.4	10.2	5.4	0.7	**1.5**	**3.8**	**5.5**	*1.5*	*4.4*	*5.9*
Sweden	5.9	2.3	-11.9	9.7	5.0	1.7	**1.7**	**3.6**	**5.2**	*2.0*	*4.1*	*5.5*
United Kingdom	6.2	1.6	-11.1	10.5	5.0	1.4	**1.7**	**4.0**	**5.4**	*1.9*	*4.5*	*5.6*
EU (b)	6.2	2.2	-11.5	10.5	5.2	1.2	**1.5**	**3.9**	**5.4**	*1.7*	*4.4*	*5.7*
USA	7.2	3.5	-11.2	13.1	6.6	3.3	**2.3**	**4.5**	**5.4**	*3.3*	*5.1*	*5.6*
Japan	7.7	3.7	-9.0	14.8	7.0	3.4	**2.9**	**5.1**	**6.3**	*3.3*	*5.5*	*6.5*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

Table 54: Export performance (a) (percentage change on preceding year, 2007-15) 24.4.2014

							Spring 2014 forecast			*Winter 2014 forecast*		
	2007	2008	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
Belgium	-0.1	-0.7	1.4	-2.0	1.3	0.7	**0.6**	**-0.9**	**-0.8**	*0.7*	*-0.8*	*-1.0*
Germany	1.1	0.6	-1.4	4.2	2.7	2.0	**-0.7**	**1.1**	**0.1**	*-1.0*	*0.6*	*1.2*
Estonia	-5.2	-0.8	-4.3	12.9	14.9	4.1	**0.8**	**-0.5**	**-0.5**	*0.5*	*-0.2*	*-0.3*
Ireland	4.1	-2.3	8.7	-3.9	0.7	0.2	**-1.3**	**-0.8**	**-1.4**	*-1.7*	*-1.4*	*-1.6*
Greece	1.3	0.0	-8.0	-4.7	-4.4	-2.8	**0.1**	**0.6**	**-0.1**	*0.3*	*0.5*	*-0.1*
Spain	1.6	-2.9	0.7	1.7	3.3	1.6	**3.3**	**1.7**	**1.4**	*2.9*	*1.1*	*0.8*
France	-3.4	-2.1	-1.1	-0.8	0.5	1.4	**-1.1**	**-1.0**	**0.0**	*-1.4*	*-0.1*	*0.0*
Italy	-0.3	-5.4	-7.3	1.3	0.8	0.6	**-1.7**	**-0.8**	**-1.1**	*-1.9*	*-1.2*	*-0.8*
Cyprus	-0.5	-2.7	3.4	-4.0	-2.8	-3.8	**-6.3**	**-6.2**	**-4.1**	*-8.1*	*-7.9*	*-4.9*
Latvia	2.5	-1.4	4.7	0.0	1.8	5.2	**-1.7**	**-0.4**	**0.0**	*-1.8*	*-0.4*	*-0.1*
Luxembourg	3.9	2.8	-1.9	-2.6	1.2	-2.4	**1.4**	**0.2**	**-0.2**	*0.7*	*-0.4*	*-0.2*
Malta	-1.4	0.3	3.7	4.9	0.4	7.8	**-7.3**	**-1.0**	**0.7**	*-5.0*	*-0.3*	*0.4*
Netherlands	0.8	-0.3	3.9	1.1	-1.1	2.3	**0.1**	**-0.7**	**-0.4**	*-0.2*	*-1.5*	*-0.8*
Austria	1.9	-1.3	-4.6	-1.7	0.7	0.1	**1.3**	**0.1**	**0.1**	*0.6*	*0.0*	*-0.2*
Portugal	1.9	-1.0	1.9	0.5	2.9	3.4	**4.5**	**1.7**	**0.2**	*4.0*	*0.8*	*-0.2*
Slovenia	6.0	1.3	-3.4	0.3	1.4	0.2	**2.0**	**0.0**	**0.0**	*1.9*	*-0.6*	*-1.3*
Slovakia	5.5	-0.1	-4.5	3.9	5.6	9.0	**3.2**	**1.3**	**0.6**	*2.1*	*0.0*	*0.0*
Finland	-0.5	2.1	-10.4	-3.6	-4.6	-2.8	**-1.5**	**-1.3**	**-1.1**	*-2.6*	*-1.4*	*-1.6*
Euro area (b)	0.5	-1.1	-1.2	1.1	1.3	1.4	**-0.1**	**0.1**	**-0.1**	*-0.5*	*-0.2*	*0.0*
Bulgaria	-2.2	0.6	1.8	4.9	6.3	-0.4	**7.4**	**1.4**	**1.1**	*6.5*	*1.5*	*0.6*
Czech Republic	3.9	0.7	1.6	3.8	3.4	3.1	**-1.1**	**0.6**	**0.4**	*-1.0*	*0.8*	*-0.2*
Denmark	-3.4	0.9	2.2	-7.5	1.5	-1.1	**-0.3**	**-1.0**	**-1.4**	*-0.7*	*-1.3*	*-1.6*
Croatia	-3.0	0.2	-4.0	-5.0	-3.4	1.3	**-2.9**	**-0.9**	**-1.6**	*-2.7*	*-1.5*	*-2.5*
Lithuania	-7.2	8.7	4.8	5.6	3.9	8.0	**8.5**	**2.9**	**1.0**	*4.8*	*1.8*	*0.8*
Hungary	6.6	2.1	2.6	0.3	2.2	0.3	**3.9**	**1.4**	**0.3**	*3.6*	*0.6*	*0.0*
Poland	1.0	3.4	6.4	0.6	1.4	2.2	**3.3**	**0.5**	**0.4**	*3.2*	*0.5*	*0.2*
Romania	0.8	6.5	6.8	2.7	5.9	-2.1	**11.9**	**2.6**	**0.2**	*11.8*	*1.2*	*0.4*
Sweden	-0.2	-0.5	-2.2	1.5	1.0	-1.0	**-2.6**	**0.1**	**0.3**	*-3.4*	*-1.3*	*0.0*
United Kingdom	-7.8	-0.5	2.7	-3.5	-0.5	0.3	**-0.6**	**-1.4**	**-2.1**	*-1.2*	*-1.6*	*-1.8*
EU (b)	-0.5	-0.7	-0.2	0.4	1.2	1.2	**0.1**	**0.0**	**-0.3**	*-0.3*	*-0.3*	*-0.2*
USA	1.6	2.2	2.4	-1.4	0.4	0.2	**0.4**	**0.5**	**0.2**	*-0.4*	*1.1*	*0.1*
Japan	0.9	-2.2	-16.7	8.3	-6.9	-3.4	**-1.2**	**-1.0**	**-1.3**	*-1.6*	*-2.0*	*-2.3*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

Table 55: World GDP, volume (percentage change on preceding year, 2009-15) 24.4.2014

						Spring 2014 forecast			Winter 2014 forecast		
	(a)	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
EU	19.2	-4.5	2.0	1.6	-0.4	**0.1**	**1.6**	**2.0**	*0.1*	*1.6*	*2.0*
Euro area	13.6	-4.5	1.9	1.6	-0.7	**-0.4**	**1.2**	**1.7**	*-0.4*	*1.2*	*1.8*
Belgium	0.5	-2.8	2.3	1.8	-0.1	**0.2**	**1.4**	**1.6**	*0.2*	*1.4*	*1.7*
Bulgaria	0.1	-5.5	0.4	1.8	0.6	**0.9**	**1.7**	**2.0**	*0.6*	*1.7*	*2.0*
Czech Republic	0.3	-4.5	2.5	1.8	-1.0	**-0.9**	**2.0**	**2.4**	*-1.2*	*1.8*	*2.2*
Denmark	0.3	-5.7	1.4	1.1	-0.4	**0.4**	**1.5**	**1.9**	*0.3*	*1.7*	*1.8*
Germany	3.8	-5.1	4.0	3.3	0.7	**0.4**	**1.8**	**2.0**	*0.4*	*1.8*	*2.0*
Estonia	0.0	-14.1	2.6	9.6	3.9	**0.8**	**1.9**	**3.0**	*0.7*	*2.3*	*3.6*
Ireland	0.2	-6.4	-1.1	2.2	0.2	**-0.3**	**1.7**	**3.0**	*0.3*	*1.8*	*2.9*
Greece	0.3	-3.1	-4.9	-7.1	-7.0	**-3.9**	**0.6**	**2.9**	*-3.7*	*0.6*	*2.9*
Spain	1.7	-3.8	-0.2	0.1	-1.6	**-1.2**	**1.1**	**2.1**	*-1.2*	*1.0*	*1.7*
France	2.7	-3.1	1.7	2.0	0.0	**0.2**	**1.0**	**1.5**	*0.3*	*1.0*	*1.7*
Croatia	0.1	-6.9	-2.3	-0.2	-1.9	**-1.0**	**-0.6**	**0.7**	*-0.7*	*0.5*	*1.2*
Italy	2.2	-5.5	1.7	0.4	-2.4	**-1.9**	**0.6**	**1.2**	*-1.9*	*0.6*	*1.2*
Cyprus	0.0	-1.9	1.3	0.4	-2.4	**-5.4**	**-4.8**	**0.9**	*-6.0*	*-4.8*	*0.9*
Latvia	0.0	-17.7	-1.3	5.3	5.2	**4.1**	**3.8**	**4.1**	*4.0*	*4.2*	*4.3*
Lithuania	0.1	-14.8	1.6	6.0	3.7	**3.3**	**3.3**	**3.7**	*3.2*	*3.5*	*3.9*
Luxembourg	0.1	-5.6	3.1	1.9	-0.2	**2.1**	**2.6**	**2.7**	*2.1*	*2.2*	*2.5*
Hungary	0.2	-6.8	1.1	1.6	-1.7	**1.1**	**2.3**	**2.1**	*1.1*	*2.1*	*2.1*
Malta	0.0	-2.8	4.1	1.6	0.6	**2.4**	**2.3**	**2.3**	*2.0*	*2.1*	*2.1*
Netherlands	0.8	-3.7	1.5	0.9	-1.2	**-0.8**	**1.2**	**1.4**	*-0.8*	*1.0*	*1.3*
Austria	0.4	-3.8	1.8	2.8	0.9	**0.4**	**1.6**	**1.8**	*0.3*	*1.5*	*1.8*
Poland	1.0	1.6	3.9	4.5	2.0	**1.6**	**3.2**	**3.4**	*1.6*	*2.9*	*3.1*
Portugal	0.3	-2.9	1.9	-1.3	-3.2	**-1.4**	**1.2**	**1.5**	*-1.6*	*0.8*	*1.5*
Romania	0.3	-6.6	-1.1	2.3	0.6	**3.5**	**2.5**	**2.6**	*3.5*	*2.3*	*2.5*
Slovenia	0.1	-7.9	1.3	0.7	-2.5	**-1.1**	**0.8**	**1.4**	*-1.6*	*-0.1*	*1.3*
Slovakia	0.2	-4.9	4.4	3.0	1.8	**0.9**	**2.2**	**3.1**	*0.8*	*2.3*	*3.2*
Finland	0.2	-8.5	3.4	2.8	-1.0	**-1.4**	**0.2**	**1.0**	*-1.5*	*0.2*	*1.3*
Sweden	0.5	-5.0	6.6	2.9	0.9	**1.5**	**2.8**	**3.0**	*0.9*	*2.5*	*3.3*
United Kingdom	2.8	-5.2	1.7	1.1	0.3	**1.7**	**2.7**	**2.5**	*1.9*	*2.5*	*2.4*
Candidate Countries	1.5	-4.7	8.2	8.1	1.8	**3.9**	**2.5**	**3.2**	*3.6*	*2.4*	*2.9*
- Turkey	1.3	-4.8	9.2	8.8	2.1	**4.0**	**2.6**	**3.3**	*3.8*	*2.5*	*3.0*
- The former Yugoslav Republic of Macedonia	0.0	-0.9	2.9	2.8	-0.4	**3.1**	**3.0**	**3.2**	*3.2*	*2.5*	*2.6*
- Iceland	0.0	-6.6	-4.1	2.7	1.5	**3.3**	**2.8**	**3.2**	*2.8*	*2.7*	*3.0*
- Montenegro	0.0	-5.7	2.5	3.2	-2.5	**3.5**	**2.9**	**3.6**	*2.4*	*2.7*	*3.0*
- Serbia	0.1	-3.5	1.0	1.6	-1.5	**2.5**	**1.1**	**1.9**	*2.1*	*1.3*	*2.2*
Potential Candidates	0.1	0.3	2.5	2.4	-0.2	**1.5**	**2.2**	**3.4**	*1.1*	*2.2*	*3.0*
USA	19.5	-2.8	2.5	1.8	2.8	**1.9**	**2.8**	**3.2**	*1.9*	*2.9*	*3.2*
Japan	5.5	-5.5	4.7	-0.5	1.4	**1.5**	**1.5**	**1.3**	*1.6*	*1.6*	*1.3*
Canada	1.8	-2.8	3.2	2.4	1.8	**2.0**	**2.3**	**2.5**	*1.7*	*2.2*	*2.3*
Norway	0.3	-1.6	0.5	1.3	2.9	**0.6**	**2.4**	**2.4**	*1.3*	*2.7*	*2.6*
Switzerland	0.4	-1.9	3.0	1.8	1.0	**2.0**	**2.1**	**1.9**	*1.8*	*2.1*	*2.2*
Australia	1.2	2.1	2.4	3.4	3.5	**2.4**	**2.8**	**3.0**	*2.5*	*2.8*	*3.0*
New Zealand	0.2	0.8	1.2	1.3	3.6	**2.7**	**3.1**	**2.8**	*2.8*	*3.1*	*2.8*
Advanced economies	49.6	-3.7	2.7	1.7	1.3	**1.2**	**2.2**	**2.5**	*1.2*	*2.2*	*2.5*
CIS	4.2	-6.7	4.9	4.8	3.4	**2.0**	**1.2**	**2.6**	*1.9*	*2.8*	*3.1*
- Russia	3.0	-7.8	4.5	4.3	3.4	**1.3**	**1.0**	**2.0**	*1.3*	*2.3*	*2.7*
- Other CIS	1.3	-4.0	5.9	6.0	3.2	**3.7**	**1.6**	**4.1**	*3.3*	*4.0*	*4.2*
MENA	5.3	1.5	3.4	1.8	3.6	**2.2**	**3.1**	**3.7**	*2.4*	*3.6*	*3.8*
Asia	29.5	5.4	9.7	7.4	6.1	**5.9**	**6.0**	**6.1**	*5.9*	*6.1*	*6.3*
- China	14.7	9.2	10.4	9.3	7.7	**7.7**	**7.2**	**7.0**	*7.7*	*7.4*	*7.4*
- India	5.7	5.0	11.2	7.7	4.8	**3.9**	**4.7**	**5.4**	*4.0*	*4.7*	*5.4*
- Hong Kong	0.4	-2.5	6.8	4.9	1.5	**3.0**	**3.3**	**3.4**	*3.0*	*3.3*	*3.4*
- Korea	1.9	0.3	6.3	3.7	2.0	**3.0**	**3.7**	**3.8**	*2.8*	*3.7*	*3.8*
- Indonesia	1.4	4.6	6.2	6.5	6.2	**5.8**	**5.8**	**6.0**	*5.8*	*6.0*	*6.3*
Latin America	8.7	-1.4	6.0	4.5	3.0	**2.6**	**2.9**	**3.4**	*2.6*	*3.1*	*3.4*
- Brazil	2.8	-0.3	7.5	2.7	1.0	**2.3**	**2.6**	**2.9**	*2.2*	*2.3*	*2.9*
- Mexico	2.2	-4.7	5.2	3.9	3.9	**1.1**	**2.9**	**3.8**	*1.3*	*3.2*	*3.7*
Sub-Saharan Africa	2.6	2.7	5.4	4.8	5.4	**5.0**	**5.3**	**5.5**	*5.0*	*5.3*	*5.5*
Emerging and developing economies	50.4	2.4	7.7	5.9	5.0	**4.6**	**4.7**	**5.1**	*4.6*	*5.0*	*5.3*
World	100.0	-0.9	5.1	3.8	3.2	**2.9**	**3.5**	**3.8**	*2.9*	*3.6*	*3.9*
World excluding EU	80.8	0.1	5.9	4.3	4.0	**3.6**	**3.9**	**4.2**	*3.6*	*4.1*	*4.4*
World excluding euro area	86.4	-0.3	5.6	4.1	3.8	**3.5**	**3.8**	**4.1**	*3.5*	*4.0*	*4.3*

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

Table 56: World exports of goods and services, volume (percentage change on preceding year, 2009-15) 24.4.2014

						Spring 2014 forecast			Winter 2014 forecast		
	(a)	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
EU (b)	35.0	-11.6	11.0	6.5	2.4	**1.6**	**4.0**	**5.1**	*1.4*	*4.1*	*5.5*
Euro area (b)	26.3	-12.3	11.6	6.5	2.5	**1.4**	**4.0**	**5.3**	*1.3*	*4.2*	*5.7*
Candidate Countries	1.1	-5.3	4.6	6.3	15.9	**1.2**	**7.1**	**8.5**	*1.9*	*7.0*	*8.5*
- Turkey	0.9	-5.1	3.4	6.5	18.3	**-0.3**	**7.4**	**9.0**	*0.7*	*7.4*	*9.0*
- The former Yugoslav Republic of Macedonia	0.0	-15.8	23.6	10.5	0.0	**4.5**	**6.8**	**7.6**	*3.7*	*6.4*	*6.6*
- Iceland	0.0	7.0	0.5	3.8	3.8	**5.3**	**5.0**	**5.5**	*4.1*	*4.0*	*4.2*
- Montenegro	0.0	-22.4	7.5	14.1	-1.2	**6.6**	**3.0**	**5.4**	*5.1*	*2.2*	*2.0*
- Serbia	0.1	-8.0	15.3	3.4	1.8	**16.6**	**5.3**	**4.9**	*15.9*	*4.9*	*5.7*
USA	10.2	-9.1	11.5	7.1	3.5	**2.7**	**5.0**	**5.6**	*2.8*	*6.2*	*5.7*
Japan	3.6	-24.2	24.4	-0.4	-0.1	**1.6**	**4.0**	**4.9**	*1.6*	*3.4*	*4.0*
Canada	2.5	-13.6	5.8	5.1	2.4	**2.1**	**4.0**	**5.4**	*2.5*	*5.4*	*5.0*
Norway	0.9	-4.2	0.4	-0.7	1.1	**-3.8**	**3.9**	**5.7**	*-1.7*	*3.9*	*5.7*
Switzerland	1.5	-7.7	7.7	3.8	2.5	**2.0**	**4.2**	**3.8**	*1.9*	*4.5*	*4.1*
Australia	1.5	2.1	5.7	-0.6	5.8	**6.8**	**6.2**	**5.7**	*4.7*	*5.7*	*5.8*
New Zealand	0.2	2.4	3.9	2.4	2.3	**0.9**	**3.5**	**3.0**	*1.7*	*3.1*	*3.5*
Advanced economies	56.5	-11.6	11.2	5.6	2.7	**1.8**	**4.3**	**5.2**	*1.8*	*4.6*	*5.5*
CIS	4.0	-13.8	10.6	8.0	0.4	**1.1**	**2.5**	**4.2**	*2.7*	*4.5*	*4.9*
- Russia	2.7	-4.7	7.0	0.3	1.4	**4.2**	**3.2**	**4.3**	*3.8*	*4.2*	*5.0*
- Other CIS	1.3	-31.7	17.6	23.7	-1.3	**-4.9**	**1.1**	**3.9**	*0.6*	*4.9*	*4.6*
MENA	5.4	-15.6	8.4	8.2	4.4	**3.9**	**5.0**	**5.3**	*4.5*	*5.0*	*5.3*
Asia	26.4	-8.1	20.3	7.4	3.5	**4.4**	**6.1**	**6.7**	*4.2*	*6.0*	*6.8*
- China	10.7	-10.3	27.8	8.9	5.2	**4.1**	**6.0**	**7.0**	*4.1*	*6.0*	*7.0*
- India	2.1	-6.9	12.7	12.8	8.1	**5.9**	**5.3**	**6.4**	*3.1*	*4.4*	*6.4*
- Hong Kong	2.6	-10.0	16.8	3.9	1.9	**6.3**	**7.9**	**8.1**	*6.3*	*7.9*	*8.1*
- Korea	3.1	-1.2	14.7	9.1	4.2	**4.1**	**5.5**	**5.8**	*4.3*	*5.8*	*5.9*
- Indonesia	0.9	7.8	8.7	5.8	-1.0	**5.3**	**7.8**	**9.2**	*5.0*	*7.8*	*9.2*
Latin America	5.6	-10.0	13.0	6.5	3.0	**1.9**	**5.0**	**5.9**	*4.0*	*5.6*	*6.3*
- Brazil	1.3	-3.6	11.3	4.9	3.4	**2.5**	**5.6**	**5.8**	*2.5*	*3.9*	*5.2*
- Mexico	1.8	-13.6	21.0	7.6	4.5	**3.0**	**6.9**	**7.9**	*3.1*	*6.1*	*7.4*
Sub-Saharan Africa	2.1	-32.4	17.6	13.9	-10.3	**2.8**	**5.6**	**5.4**	*2.8*	*5.6*	*5.3*
Emerging and developing economies	43.5	-11.2	16.9	7.7	2.6	**3.6**	**5.5**	**6.2**	*4.0*	*5.7*	*6.3*
World	100.0	-11.4	13.4	6.5	2.6	**2.6**	**4.8**	**5.6**	*2.7*	*5.1*	*5.8*
World excluding EU	65.0	-11.3	15.0	6.5	2.8	**3.2**	**5.2**	**5.9**	*3.4*	*5.6*	*6.0*
World excluding euro area	73.7	-11.1	14.2	6.5	2.7	**3.0**	**5.1**	**5.8**	*3.3*	*5.4*	*5.9*

(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) 24.4.2014

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	64.9	48.3	2.0	6.3	1.3	5.5	3.3	4.6	3.3	4.3	2.7	1.6
Euro area	64.5	47.7	1.9	6.3	1.4	5.4	3.6	4.6	3.0	4.6	2.9	1.7
Belgium	74.5	61.2	1.2	4.9	0.9	3.0	2.1	4.9	1.6	3.6	1.5	1.9
Bulgaria	62.1	46.4	14.9	1.9	0.3	1.8	3.1	2.0	6.4	5.5	0.7	1.3
Czech Republic	82.1	64.9	1.6	2.4	0.5	2.7	1.3	1.6	4.6	1.8	0.7	0.6
Denmark	65.4	37.1	1.2	6.8	2.2	8.9	2.8	4.5	2.5	2.7	2.3	0.7
Germany	59.3	39.0	2.0	7.2	1.5	7.1	6.0	5.1	3.9	3.5	3.1	1.2
Estonia	69.9	39.5	2.0	3.4	1.1	4.9	0.9	3.4	11.6	1.0	1.0	0.9
Ireland	57.8	38.3	0.7	20.8	2.7	7.7	2.2	2.8	1.0	1.8	1.6	0.9
Greece	50.0	34.0	17.3	3.6	0.3	1.8	1.5	4.4	3.2	15.9	0.9	1.2
Spain	65.4	53.2	2.3	4.1	1.2	4.2	2.0	2.8	1.9	7.8	6.5	1.8
France	59.2	46.9	1.7	6.6	2.0	5.1	3.8	6.7	2.4	6.9	3.0	2.7
Croatia	66.3	56.0	11.0	4.7	0.8	2.3	0.6	1.1	5.9	5.1	0.9	1.1
Italy	54.6	41.1	3.2	7.3	1.7	7.7	2.9	5.4	3.7	8.1	4.0	1.4
Cyprus	49.1	32.6	0.1	1.2	0.4	1.1	2.1	21.4	2.8	20.6	0.1	1.0
Latvia	67.2	34.0	1.5	1.5	0.6	3.6	0.5	2.6	16.3	5.3	0.7	0.2
Lithuania	65.5	46.5	0.9	3.1	0.4	3.2	0.3	0.9	21.9	2.2	0.4	1.1
Luxembourg	82.3	69.9	1.9	2.5	0.4	4.2	1.3	2.0	1.9	1.9	0.8	0.9
Hungary	78.1	55.8	3.0	2.7	0.7	1.9	1.8	1.8	5.4	2.5	1.1	1.0
Malta	43.4	34.2	3.8	3.9	1.7	1.8	10.7	18.0	1.4	12.6	1.3	1.3
Netherlands	78.8	62.7	1.0	3.7	0.7	2.9	1.5	3.4	1.7	2.7	1.9	1.6
Austria	71.4	54.4	1.6	5.1	1.0	6.5	2.5	3.1	3.7	2.2	2.2	0.7
Poland	78.3	54.1	2.1	2.1	0.4	3.0	1.1	1.5	8.6	1.4	1.0	0.6
Portugal	69.6	59.9	1.0	4.4	0.6	2.3	2.2	1.4	0.9	3.9	3.9	9.7
Romania	69.2	50.9	7.7	2.4	0.6	1.7	1.3	2.2	6.4	6.3	1.2	1.0
Slovenia	76.6	55.2	5.9	1.7	0.2	2.1	0.8	1.5	6.7	3.6	0.6	0.4
Slovakia	85.8	46.9	1.9	1.7	0.2	2.1	2.6	0.5	4.0	0.6	0.4	0.2
Finland	54.4	32.0	1.5	6.6	1.9	7.1	4.9	5.6	9.6	3.1	3.7	1.8
Sweden	60.4	40.3	1.4	5.8	1.4	12.2	3.6	4.6	2.3	3.6	2.9	1.8
United Kingdom	55.1	48.8	1.5	11.7	1.5	7.0	3.0	8.3	1.9	4.8	2.3	2.7

Table 58: World imports of goods and services, volume (percentage change on preceding year, 2009-15) 24.4.2014

						Spring 2014 forecast			*Winter 2014 forecast*		
	(a)	2009	2010	2011	2012	2013	2014	2015	*2013*	*2014*	*2015*
EU (b)	33.1	-11.4	9.8	4.3	-0.2	**0.4**	**3.7**	**5.2**	*0.5*	*4.0*	*5.6*
Euro area (b)	24.5	-10.8	10.0	4.5	-0.9	**0.2**	**3.8**	**5.5**	*0.2*	*4.1*	*5.9*
Candidate Countries	1.4	-15.4	17.7	10.3	0.0	**7.4**	**1.2**	**3.5**	*6.1*	*1.1*	*3.6*
- Turkey	1.2	-14.3	20.7	10.9	-0.5	**8.4**	**0.7**	**3.3**	*6.9*	*0.7*	*3.3*
- The former Yugoslav Republic of Macedonia	0.0	-14.3	9.5	10.4	4.2	**-2.1**	**7.4**	**6.8**	*-0.8*	*6.1*	*6.5*
- Iceland	0.0	-24.0	4.5	6.7	4.7	**-0.1**	**6.6**	**7.2**	*0.6*	*4.6*	*5.3*
- Montenegro	0.0	-30.2	-3.1	3.1	0.9	**-0.4**	**2.7**	**4.5**	*-1.7*	*2.0*	*3.0*
- Serbia	0.1	-19.1	3.1	7.0	1.9	**2.0**	**2.4**	**3.6**	*2.1*	*2.6*	*4.9*
USA	12.5	-13.7	12.8	4.9	2.2	**1.4**	**3.5**	**6.0**	*1.4*	*4.7*	*6.3*
Japan	4.2	-15.7	11.1	5.9	5.3	**3.4**	**4.3**	**2.8**	*3.4*	*4.5*	*2.2*
Canada	2.7	-12.8	10.1	5.6	2.1	**1.5**	**3.6**	**4.2**	*3.0*	*4.5*	*4.8*
Norway	0.6	-12.5	9.0	3.8	2.3	**2.6**	**2.8**	**5.0**	*2.6*	*3.0*	*5.3*
Switzerland	1.2	-5.2	8.4	4.2	3.1	**1.6**	**3.7**	**3.4**	*1.8*	*4.1*	*3.2*
Australia	1.5	-9.0	14.3	10.8	6.2	**-2.8**	**2.4**	**4.0**	*1.4*	*4.8*	*5.6*
New Zealand	0.2	-14.4	10.8	6.6	2.0	**6.2**	**5.5**	**4.0**	*4.9*	*5.4*	*4.0*
Advanced economies	57.5	-12.1	10.7	4.9	1.1	**1.1**	**3.6**	**5.1**	*1.3*	*4.1*	*5.4*
CIS	3.4	-27.7	18.9	18.3	5.6	**1.4**	**1.5**	**5.4**	*3.6*	*6.2*	*6.6*
- Russia	2.1	-30.4	25.8	20.3	9.5	**3.7**	**3.3**	**5.5**	*5.9*	*6.5*	*7.3*
- Other CIS	1.2	-23.8	9.2	15.3	-0.5	**-2.5**	**-1.5**	**5.2**	*-0.2*	*5.6*	*5.5*
MENA	5.0	-3.0	0.7	-0.2	2.4	**4.1**	**5.4**	**5.6**	*4.8*	*5.6*	*5.7*
Asia	26.0	-6.0	19.4	4.4	5.2	**4.0**	**6.0**	**7.0**	*3.8*	*6.0*	*7.0*
- China	9.9	4.2	20.1	10.1	6.2	**4.4**	**6.3**	**7.3**	*4.4*	*6.3*	*7.3*
- India	2.5	-0.6	15.4	-20.7	11.6	**1.0**	**2.9**	**6.4**	*-2.7*	*2.9*	*6.4*
- Hong Kong	2.8	-9.0	17.4	4.6	2.8	**6.4**	**7.8**	**7.9**	*6.4*	*7.8*	*7.9*
- Korea	2.9	-8.0	17.3	6.1	2.5	**1.7**	**4.8**	**5.7**	*3.5*	*5.0*	*5.7*
- Indonesia	1.0	-10.6	27.1	13.5	14.0	**1.2**	**5.7**	**7.4**	*2.0*	*5.7*	*7.4*
Latin America	5.8	-17.8	18.2	12.0	2.2	**3.6**	**5.8**	**6.7**	*5.3*	*6.6*	*7.1*
- Brazil	1.5	-13.5	27.8	7.4	-2.8	**7.2**	**7.0**	**7.4**	*5.7*	*6.9*	*7.4*
- Mexico	1.9	-17.6	18.3	7.3	4.9	**2.9**	**6.7**	**8.7**	*4.2*	*6.4*	*7.6*
Sub-Saharan Africa	2.3	-18.3	6.6	11.6	-3.2	**6.1**	**5.9**	**6.2**	*6.1*	*5.9*	*6.2*
Emerging and developing economies	42.5	-9.9	15.7	6.3	4.0	**3.8**	**5.5**	**6.6**	*4.3*	*6.0*	*6.8*
World	100.0	-11.3	12.6	5.4	2.3	**2.2**	**4.4**	**5.7**	*2.5*	*4.9*	*6.0*
World excluding EU	66.9	-11.3	14.3	6.1	3.6	**3.1**	**4.8**	**6.0**	*3.5*	*5.4*	*6.1*
World excluding euro area	75.5	-11.6	13.6	5.8	3.4	**2.9**	**4.6**	**5.8**	*3.3*	*5.2*	*6.0*

(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) 24.4.2014

	EU	Euro Area	Candidate Countries	USA	Japan	Other Advanced Economies	China	Rest of Asia	CIS	MENA	Latin America	Sub-Saharan Africa
EU	62.9	48.5	1.3	4.3	1.4	5.4	6.2	4.7	5.8	3.8	2.4	1.9
Euro area	62.7	48.1	1.2	4.3	1.4	4.7	6.1	4.7	5.7	4.5	2.7	2.0
Belgium	69.1	58.5	0.8	6.7	1.7	3.7	4.0	5.1	2.0	3.2	2.3	1.5
Bulgaria	60.5	43.5	6.8	0.7	0.2	1.5	3.2	1.6	22.0	1.4	2.0	0.2
Czech Republic	78.3	62.2	0.8	1.4	1.2	1.8	5.6	4.2	6.0	0.3	0.2	0.2
Denmark	72.0	47.5	1.3	2.5	0.4	8.0	6.8	3.7	1.6	1.4	1.9	0.5
Germany	66.4	46.8	1.4	4.0	1.8	6.9	6.5	4.5	4.0	1.5	1.8	1.2
Estonia	74.1	43.3	0.6	0.9	0.7	2.2	5.0	2.0	13.6	0.1	0.3	0.5
Ireland	70.2	25.9	0.5	12.2	1.3	4.3	3.5	3.4	0.3	1.9	1.9	0.5
Greece	48.1	37.9	3.0	1.2	0.3	2.2	5.3	6.4	13.7	17.7	1.5	0.5
Spain	56.3	47.0	1.3	2.9	0.8	2.7	5.7	4.2	3.4	10.4	7.7	4.7
France	69.4	58.3	1.0	4.3	1.0	4.4	4.5	4.0	3.0	5.0	1.4	2.1
Croatia	68.0	53.7	4.3	2.1	0.6	2.4	7.6	2.8	8.4	0.9	2.2	0.6
Italy	56.2	45.5	1.7	3.3	0.8	4.1	6.1	4.2	8.9	10.0	2.6	2.0
Cyprus	57.9	46.4	0.1	1.2	1.2	1.6	6.6	6.6	12.5	10.8	1.4	0.1
Latvia	58.0	29.8	0.5	1.4	0.2	1.3	3.9	2.0	32.2	0.2	0.3	0.0
Lithuania	60.4	40.1	0.9	1.7	0.1	1.4	4.0	1.5	28.8	0.4	0.4	0.4
Luxembourg	79.3	75.4	0.2	7.6	0.8	1.9	7.1	1.1	0.0	0.1	1.8	0.0
Hungary	73.0	56.8	1.1	1.5	1.3	1.2	7.0	4.0	9.5	0.3	1.0	0.1
Malta	45.2	37.2	4.6	2.2	2.5	1.8	10.9	20.3	10.4	1.4	0.4	0.2
Netherlands	44.7	32.8	0.8	6.2	2.5	5.0	10.5	7.1	10.8	4.4	4.8	3.1
Austria	80.2	66.7	1.1	2.0	0.6	5.3	2.2	2.1	4.0	1.5	0.2	0.8
Poland	70.9	56.7	1.0	1.5	0.7	1.9	5.8	3.5	13.2	0.5	0.8	0.3
Portugal	71.1	64.2	0.5	1.5	0.5	1.7	3.0	2.1	3.5	5.5	4.0	6.6
Romania	74.7	52.1	4.0	1.3	0.5	1.4	4.0	2.2	9.6	0.9	0.9	0.4
Slovenia	75.3	59.1	4.6	1.2	0.2	1.6	4.6	6.0	1.3	2.2	2.5	0.5
Slovakia	77.5	41.3	1.0	0.5	0.7	0.7	3.6	6.3	9.4	0.2	0.1	0.0
Finland	61.7	37.4	0.4	2.7	0.7	4.9	6.9	3.5	16.2	0.2	2.0	0.8
Sweden	70.1	48.9	0.8	3.3	1.1	9.1	4.6	3.3	5.0	0.4	1.2	1.1
United Kingdom	52.4	44.4	1.5	7.7	1.9	12.2	7.7	6.4	2.3	2.9	2.2	2.8

Table 60: World merchandise trade balances (fob-fob, in billions of US dollar, 2008-15) 24.4.2014

						Spring 2014 forecast			Winter 2014 forecast		
	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
EU	-217.1	-57.6	-89.1	-119.1	7.5	**124.6**	**168.6**	**166.8**	*112.7*	*126.4*	*132.6*
EU, adjusted[1]	-344.6	-133.7	-178.3	-210.6	-78.3	**27.6**	**67.9**	**66.0**	*29.5*	*41.5*	*47.8*
Euro area	27.6	74.0	67.5	45.1	173.5	**268.0**	**319.1**	**319.9**	*265.5*	*292.1*	*305.6*
Euro area, adjusted[1]	33.5	75.9	69.2	48.2	176.4	**270.8**	**322.2**	**323.4**	*215.8*	*242.3*	*256.4*
Candidate Countries	-69.4	-35.5	-65.7	-98.2	-74.0	**-85.7**	**-75.8**	**-66.9**	*-86.7*	*-77.2*	*-68.4*
USA	-848.6	-522.6	-672.9	-761.0	-758.5	**-726.9**	**-719.5**	**-779.6**	*-723.0*	*-716.6*	*-781.8*
Japan	38.9	43.2	91.0	-20.3	-72.9	**-94.6**	**-111.1**	**-101.6**	*-94.6*	*-112.7*	*-104.7*
Norway	78.9	45.7	50.0	68.1	69.2	**57.7**	**61.2**	**69.1**	*61.8*	*63.5*	*70.7*
Switzerland	11.0	12.5	12.7	16.3	16.5	**18.9**	**25.8**	**28.2**	*17.9*	*25.3*	*34.0*
Advanced economies	-973.9	-527.1	-670.1	-888.8	-836.4	**-711.0**	**-650.4**	**-676.7**	*-722.1*	*-692.0*	*-711.6*
CIS	195.1	109.7	164.6	232.6	230.0	**198.2**	**175.2**	**175.7**	*210.6*	*199.8*	*202.7*
- Russia	178.2	111.0	151.9	198.6	195.4	**177.1**	**146.2**	**149.8**	*180.8*	*168.0*	*173.2*
MENA	197.0	-26.1	105.3	213.1	197.5	**170.7**	**151.5**	**133.3**	*169.7*	*143.8*	*122.4*
Asia	217.9	233.7	174.5	78.3	57.0	**153.8**	**204.8**	**240.6**	*141.8*	*192.7*	*233.9*
- China	297.0	197.6	182.1	156.3	231.2	**301.1**	**359.7**	**419.8**	*301.3*	*351.8*	*414.8*
Latin America	41.2	50.5	48.2	86.9	64.6	**34.3**	**20.1**	**7.3**	*42.7*	*23.3*	*11.4*
Sub-Saharan Africa	66.5	22.2	57.6	73.0	44.4	**27.3**	**24.7**	**10.8**	*23.7*	*13.9*	*-3.4*
Emerging and developing economies	717.7	390.0	550.2	683.9	593.5	**584.4**	**576.4**	**567.7**	*588.5*	*573.5*	*567.0*
World	-256.2	-137.1	-119.9	-205.0	-242.9	**-126.6**	**-74.0**	**-109.0**	*-133.6*	*-118.5*	*-144.6*

[1] See note 8 on concepts and sources.

Table 61: World current-account balances (in billions of US dollar, 2008-15) 24.4.2014

						Spring 2014 forecast			Winter 2014 forecast		
	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
EU	-158.1	-14.8	-9.6	28.9	149.1	**276.3**	**340.9**	**350.5**	*291.8*	*319.9*	*329.4*
EU, adjusted[1]	-407.2	-115.1	-88.6	-48.3	93.8	**207.8**	**269.9**	**279.4**	*230.6*	*258.3*	*267.8*
Euro area	-90.8	11.3	39.5	51.8	219.8	**333.3**	**394.2**	**398.9**	*338.5*	*364.3*	*376.6*
Euro area, adjusted[1]	-94.4	9.9	39.5	52.4	220.5	**333.6**	**394.6**	**399.6**	*284.6*	*310.4*	*323.1*
Candidate Countries	-56.5	-18.8	-51.1	-78.9	-52.2	**-64.5**	**-51.4**	**-38.4**	*-66.7*	*-54.5*	*-42.0*
USA	-678.5	-381.2	-454.5	-457.0	-439.0	**-392.0**	**-385.3**	**-443.8**	*-391.7*	*-365.7*	*-430.8*
Japan	160.7	147.0	204.0	119.8	60.5	**32.7**	**31.7**	**57.1**	*32.7*	*25.2*	*48.7*
Norway	73.0	44.6	50.2	66.5	71.7	**58.1**	**60.6**	**68.2**	*60.9*	*61.4*	*68.1*
Switzerland	12.9	58.5	83.9	67.6	77.6	**94.9**	**111.8**	**121.7**	*84.8*	*100.7*	*117.5*
Advanced economies	-705.3	-256.9	-281.0	-348.2	-266.0	**-96.0**	**11.5**	**25.2**	*-100.6*	*-16.3*	*-5.3*
CIS	103.9	38.0	67.7	102.4	67.2	**51.1**	**47.1**	**37.0**	*70.8*	*53.4*	*34.0*
- Russia	102.3	48.7	71.0	99.6	77.4	**34.2**	**18.5**	**11.1**	*42.8*	*21.2*	*3.2*
MENA	138.6	-105.4	24.2	128.9	116.4	**115.4**	**101.3**	**86.2**	*114.1*	*93.9*	*75.9*
Asia	522.9	420.8	380.5	261.8	246.7	**352.5**	**386.8**	**411.1**	*340.7*	*373.6*	*404.0*
- China	420.6	243.3	237.8	136.1	193.1	**244.4**	**290.1**	**334.6**	*244.6*	*282.1*	*329.6*
Latin America	-35.1	-28.1	-58.7	-76.9	-99.8	**-110.7**	**-131.1**	**-148.0**	*-100.5*	*-124.5*	*-139.0*
Sub-Saharan Africa	-9.2	-33.4	-4.2	-8.8	-35.5	**-16.6**	**-34.7**	**-42.3**	*-24.6*	*-43.1*	*-42.3*
Emerging and developing economies	721.2	291.9	409.5	407.4	295.2	**391.7**	**369.3**	**344.1**	*400.6*	*353.4*	*332.6*
World	15.9	35.1	128.5	59.2	29.2	**295.7**	**380.8**	**369.3**	*300.0*	*337.1*	*327.3*

[1] See note 8 on concepts and sources.

Table 62: Primary commodity prices (in US dollar, percentage change on preceding year, 2008-2015) 24.4.2014

STIC Classification						Spring 2014 forecast			Winter 2014 forecast		
	2008	2009	2010	2011	2012	2013	2014	2015	2013	2014	2015
Food	21.6	-11.1	11.5	17.5	-2.7	**1.9**	**-1.1**	**-0.7**	*-0.3*	*-6.2*	*-0.7*
Basic materials	8.8	-23.6	39.8	19.1	-14.3	**-4.7**	**-2.9**	**2.3**	*-4.7*	*2.0*	*2.5*
- of which:											
Agricultures non-food	7.7	-20.2	29.5	25.9	-11.8	**-4.6**	**1.8**	**-0.3**	*-5.5*	*1.0*	*1.0*
- of which:											
Wood and pulp	3.0	-10.3	6.2	9.0	-5.8	**1.2**	**1.0**	**0.8**	*2.4*	*2.7*	*2.0*
Minerals and metals	9.5	-25.7	46.6	15.2	-15.8	**-4.8**	**-6.0**	**4.3**	*-4.2*	*2.6*	*3.5*
Fuel products	38.1	-36.7	26.3	38.0	1.3	**-2.9**	**-1.3**	**-3.9**	*-2.8*	*-2.5*	*-5.6*
- of which:											
Crude petroleum	36.2	-36.9	28.8	38.3	0.8	**-2.7**	**-1.1**	**-4.3**	*-2.7*	*-2.7*	*-5.8*
Primary Commodities											
- Total excluding fuels	14.1	-18.0	26.2	18.5	-9.4	**-1.7**	**-2.0**	**0.9**	*-2.7*	*-1.8*	*1.1*
- Total including fuels	33.9	-34.0	26.3	34.5	-0.4	**-2.7**	**-1.4**	**-3.2**	*-2.8*	*-2.4*	*-4.6*
					Crude petroleum - price per barrel						
Brent (usd)	98.6	62.3	80.2	110.9	111.8	**108.8**	**107.6**	**102.9**	*108.8*	*105.8*	*99.7*
Brent (euro)	67.0	44.7	60.5	79.7	87.0	**81.9**	**78.2**	**74.7**	*82.0*	*78.0*	*73.4*

Note on concepts and sources

1. The directorate general for economic and financial affairs (DG ECFIN) produces, under its own responsibility, short-term fully-fledged economic forecasts in Winter, Spring and Autumn. These forecasts cover the principal macroeconomic aggregates for the Member States, the candidate countries, the European Union as a whole, the euro area and the international environment.

2. Data for 2013, 2014 and 2015 are forecasts. The source for all tables is the European Commission, unless otherwise stated. Historical data for the Member States are based on the European System of Accounting (ESA 1995). Most Member States have now introduced chain-linking in their national accounts to measure the development of economic aggregates in volume terms.For the USA and Japan the definitions are as in the SNA.

3. Tables 5 and 6 on domestic demand and final demand respectively, present data including inventories.

4. In Tables 17 and 18, the data are based on the national index for USA and Japan, and for EU Member States and aggregates prior to 1996.

5. The potential output gap is calculated with reference to potential output as estimated via a production function, where the increase in the capital stock and the difference between actual unemployment and the NAWRU play a key role.

6. Employment data used in tables 23-29 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France, Italy, the Netherlands and Austria report FTE data. In theabsence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. Source: National Accounts (ESA95). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2012.

9. Geographical zones are defined as follows :

Euro area :
EA18 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LV, LU, MT, NL, AT, PT, SI, SK and FI)

European Union :
EU28 (EA18, BG, CZ, DK, HR, LT, HU, PL, RO, SE and UK).

Candidate countries :
Turkey, the former Yugoslav Republic of Macedonia, Iceland, Montenegro and Serbia.

Potential candidates :
Albania, Bosnia-Herzegovina and Kosovo.

Advanced economies :
EU, candidate countries, USA, Japan, Canada, Norway, Switzerland, Australia and New Zealand.

MENA (Middle East and Northern Africa) :
Algeria, Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Qatar, Saudi Arabia, Syria, Tunisia, and the United Arab Emirates.

Asia :
All countries in that region except Japan and the Asian MENA countries.

Latin America :
All countries in that region.

Sub-Saharan Africa :
All countries in that region except the African MENA countries.

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