European
Commission

European Economic Forecast

Winter 2013

EUROPEAN ECONOMY 1|2013

Economic and
Financial Affairs

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Winter 2013

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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
EL	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
CY	Cyprus
LV	Latvia
LT	Lithuania
LU	Luxemburg
HU	Hungary
MT	Malta
NL	The Netherlands
AT	Austria
PL	Poland
PT	Portugal
RO	Romania
SI	Slovenia
SK	Slovakia
FI	Finland
SE	Sweden
UK	United Kingdom
HR	Croatia
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
EFSF	European Financial Stabilisation Facility
EMU	Economic and Monetary Union
ESM	European Stability Mechanism
Fed	Federal Reserve, US
IMF	International Monetary Fund
NFI	Non-financial institutions
OBR	Office for Budget Responsibility, UK
OECD	Organisation for Economic Cooperation and Development
WTO	World Trade Organisation

Other abbreviations

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
LFS	Labour Force Survey
LTRO	Longer-Term Refinancing Operation
MRO	Main Refinancing Operations
OMT	Outright Monetary Transactions
SME	Small and medium-sized enterprises
QUEST	Quarterly Estimation and Simulation Tool, DG ECFIN's DSGE model
VERP	Voluntary Early Retirement Pension, Denmark

Graphs/Tables/Units

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

Currencies

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

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EDITORIAL

The EU economy is slowly coming out of contraction. In financial markets, risk premia have decreased, notably for sovereigns and banks in vulnerable countries. Market participants have regained confidence in the integrity of the euro area and in the determination of the EU and its Members States to bring public debt back on a sustainable path and to move forward with the necessary post-crisis adjustments, be they macroeconomic, structural or institutional.

The negative feedback loops between fragile public finances, vulnerable banks and a weak macroeconomy that had fuelled the sovereign-debt crisis in the first half of 2012 have been weakened. However, the improved financial market situation contrasts with the absence of credit growth and the weakness of the near-term outlook for economic activity – even though some signs of a turnaround are now discernible. This dichotomy is to a large extent explained by the broad adjustment process weighing on short-term growth. Balance-sheet adjustment among banks, households, non-financial corporations and sovereigns is accounting for a large part of the conspicuous frailty of credit and domestic demand. Also, the necessary shift of resources from sectors that had grown unsustainably in the pre-crisis years towards the production of tradable goods and services is holding back output in the short run. At the same time, uncertainty about the macro-financial situation is affecting spending decisions by firms and households and this has been a strong vector transmitting vulnerability from some Member States to the rest of the euro area and EU.

What next? The present forecast projects a return to moderate growth in the course of this year, as confidence gradually recovers and the global economy becomes more supportive again, while the abovementioned factors continue to weigh on domestic demand. This general improvement is marked by different developments across Member States, with economic growth in some already re-accelerating at present while in others GDP is only expected to bottom out in the second half of the year. Yet the contraction in economic activity in vulnerable Member States conceals an undercurrent of ongoing adjustment fostered by recent reforms with increasing competitiveness and the improvement in current accounts becoming structural. Progress in this respect is in turn expected to contribute to a strengthening of growth in 2014.

The labour market, however, is a serious concern. Employment is forecast to shrink further for some quarters, and unemployment remains unacceptably high in the EU as whole and even more so in the Member States facing the largest adjustment needs. This has grave social consequences and will, if unemployment becomes structurally entrenched, also weigh on growth perspectives going forward.

The relief in financial markets and the prospective recovery have to be used to press ahead relentlessly with the policy agenda to ensure the sustainability of public finances, overcome financial fragmentation, implement growth-supporting structural reforms, lift employment and strengthen the architecture of EMU. If we want the current thaw to lead to springtime for the EU economy, there must be no procrastination.

Marco Buti
Director General
Economic and Financial Affairs

OVERVIEW

EU economy bottoming out...

Since the summer of 2012, financial market conditions in the EU have improved substantially as perceived tail risks of EMU break-up receded, but this improvement has not yet fed through to the real economy. Economic activity has been disappointing in the second half of last year, and there are only now some signals from leading indicators that GDP in the EU is bottoming out. The weakness of domestic demand stemming from the adjustment of internal and external imbalances and notably from deleveraging is expected to fade only slowly. In 2013, external demand is thus set to be the main driver of the projected stabilisation and gradual acceleration of economic activity in the EU. Domestic investment and consumption are projected to recover only later in the year, but by 2014 domestic demand is expected to take over as the main driver of further strengthening GDP growth.

Table 1:

Overview - the winter 2013 forecast

	Real GDP				Inflation				Unemployment rate			
		Winter 2013 forecast				Winter 2013 forecast				Winter 2013 forecast		
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
Belgium	1.8	-0.2	0.2	1.5	3.5	2.6	1.6	1.5	7.2	7.3	7.7	7.7
Germany	3.0	0.7	0.5	2.0	2.5	2.1	1.8	1.7	5.9	5.5	5.7	5.6
Estonia	8.3	3.2	3.0	4.0	5.1	4.2	3.6	3.2	12.5	10.0	9.8	9.0
Ireland	1.4	0.7	1.1	2.2	1.2	1.9	1.3	1.3	14.7	14.8	14.6	14.1
Greece	-7.1	-6.4	-4.4	0.6	3.1	1.0	-0.8	-0.4	17.7	24.7	27.0	25.7
Spain	0.4	-1.4	-1.4	0.8	3.1	2.4	1.7	1.0	21.7	25.0	26.9	26.6
France	1.7	0.0	0.1	1.2	2.3	2.2	1.6	1.5	9.6	10.3	10.7	11.0
Italy	0.4	-2.2	-1.0	0.8	2.9	3.3	2.0	1.7	8.4	10.6	11.6	12.0
Cyprus	0.5	-2.3	-3.5	-1.3	3.5	3.1	1.5	1.4	7.9	12.1	13.7	14.2
Luxembourg	1.7	0.2	0.5	1.6	3.7	2.9	1.7	1.6	4.8	5.0	5.4	5.7
Malta	1.6	1.0	1.5	2.0	2.5	3.2	2.2	2.2	6.5	6.5	6.4	6.2
Netherlands	1.0	-0.9	-0.6	1.1	2.5	2.8	2.6	1.4	4.4	5.3	6.3	6.5
Austria	2.7	0.7	0.7	1.9	3.6	2.6	2.2	1.9	4.2	4.4	4.5	4.2
Portugal	-1.6	-3.2	-1.9	0.8	3.6	2.8	0.6	1.2	12.9	15.7	17.3	16.8
Slovenia	0.6	-2.0	-2.0	0.7	2.1	2.8	2.2	1.5	8.2	9.0	9.8	10.0
Slovakia	3.2	2.0	1.1	2.9	4.1	3.7	1.9	2.0	13.6	14.0	14.0	13.6
Finland	2.8	-0.1	0.3	1.2	3.3	3.2	2.5	2.2	7.8	7.7	8.0	7.9
Euro area	**1.4**	**-0.6**	**-0.3**	**1.4**	**2.7**	**2.5**	**1.8**	**1.5**	**10.2**	**11.4**	**12.2**	**12.1**
Bulgaria	1.7	0.8	1.4	2.0	3.4	2.4	2.6	2.7	11.3	12.2	12.2	11.9
Czech Republic	1.9	-1.1	0.0	1.9	2.1	3.5	2.1	1.6	6.7	7.0	7.6	7.3
Denmark	1.1	-0.4	1.1	1.7	2.7	2.4	1.5	1.5	7.6	7.7	8.0	7.9
Latvia	5.5	5.3	3.8	4.1	4.2	2.3	1.9	2.2	16.2	14.9	13.7	12.2
Lithuania	5.9	3.6	3.1	3.6	4.1	3.2	2.4	2.9	15.3	13.0	11.4	9.8
Hungary	1.6	-1.7	-0.1	1.3	3.9	5.7	3.6	3.3	10.9	10.8	11.1	11.1
Poland	4.3	2.0	1.2	2.2	3.9	3.7	1.8	2.3	9.6	10.2	10.8	10.9
Romania	2.2	0.2	1.6	2.5	5.8	3.4	4.6	3.3	7.4	7.0	6.9	6.8
Sweden	3.7	1.0	1.3	2.7	1.4	0.9	1.1	1.6	7.5	7.7	8.0	7.8
United Kingdom	0.9	0.0	0.9	1.9	4.5	2.8	2.6	2.3	8.0	7.9	8.0	7.8
EU	**1.5**	**-0.3**	**0.1**	**1.6**	**3.1**	**2.6**	**2.0**	**1.7**	**9.6**	**10.5**	**11.1**	**11.0**
Croatia	0.0	-1.9	-0.4	1.0	2.2	3.4	3.0	2.0	13.5	15.8	15.9	14.9
USA	1.8	2.2	1.9	2.6	3.2	2.1	1.8	2.2	8.9	8.1	7.6	7.0
Japan	-0.6	1.9	1.0	1.6	-0.3	-0.1	0.2	0.4	4.6	4.3	4.3	4.2
China	11.5	7.8	8.0	8.1	5.4	:	:	:	:	:	:	:
World	**4.2**	**3.1**	**3.2**	**3.9**	**:**	**:**	**:**	**:**	**:**	**:**	**:**	**:**

… and moving back to modest growth in the course of the year.

The weakness in economic activity towards the end of 2012 implies a low starting point for the current year. Combined with a more gradual return of growth than earlier expected, this leads to a projection of almost unchanged annual GDP in 2013 in the EU, while annual GDP in the euro area is expected to contract by ¼%. Quarterly GDP developments are somewhat more dynamic than the annual figures suggest, and GDP in the fourth quarter of this year is forecast to be 1% above the level reached in the last quarter of 2012 in the EU, and ¾% in the euro area. Nevertheless, the current weakness in economic activity is expected to have a negative impact on labour markets with unemployment rates increasing further this year to 11% in the EU and 12% in the euro area. HICP inflation is projected to decrease to 2.0% in the EU and 1.8% in the euro area in 2013.

Global conditions are becoming more supportive again …

There are some indications that the global economy is slowly moving out of the soft patch that marked 2012, when global GDP growth slowed down, partly reflecting spillovers from the sovereign-debt crisis in the euro area, but also drags originating in other regions. Growth in advanced economies is, however, expected to remain moderate. In the US, housing and labour markets have improved, but growth surprised on the downside in the fourth quarter of 2012 and the very near-term outlook remains clouded by uncertainty related to the fiscal stance. In Japan, the latest economic stimulus package is expected to offset the recent slowdown and sustain economic activity in 2013, while growth in emerging market economies appears to have bottomed out. The soft patch in global activity also affected world trade, which lost momentum over the first three quarters of last year before resuming more robust growth. For this year as a whole, global non-EU GDP growth is projected at 4% reflecting a gradual re-acceleration in the course of the year. On the back of the stronger momentum in global output growth, world trade outside the EU is expected to grow by 4½%. While commodity prices have been volatile in 2012, concerns about a renewed food-price crisis have not materialised. The oil price is assumed to average 114 USD/bbl (84 EUR/bbl) this year and to decrease moderately by 2014.

… while financial market stress has eased on the back policy, …

Important policy measures adopted since the summer of 2012 have curbed the soaring sovereign-debt crisis and weakened the vicious circles that had previously fuelled the rapid worsening of the crisis. Measures notably comprise structural and fiscal reforms at the Member State level, but also the creation of the ECB's OMT programme, the decision to set up a Single Supervisory Mechanism as a first step towards Banking Union, the adoption of the ESM, the strengthening of the institutional framework of EMU, the agreement on the second programme for Greece and structural reform at the Member-State level. In combination, these have led to a shift in markets' assessment of the viability of EMU and the fiscal sustainability of its members.

… and confidence is improving, …

Although financial markets still remain fragile, the return of calmer conditions should lay the basis for a gradual return of confidence among households and businesses and lead to a return of moderate growth of domestic demand. Indeed, confidence indicators for the EU have increased since October 2012, though they remain at low levels. Together with other leading indicators such as industrial production, this suggests that the economy is bottoming out.

... but domestic demand is set to return only gradually

The weakness of domestic demand reflects ongoing adjustments triggered by the financial crisis. Among its main components, gross fixed capital formation has contracted particularly strongly in 2012. At the current stage, consumption and investment are still being held back by a combination of cyclical weakness, pervasive uncertainty as well as the protracted adjustment of balance sheets and production factors that is typical for the aftermath of deep financial crises. Across most of the EU Member States, low capacity utilisation and low expected profits are weighing on business investment, while the weakness of real disposable income growth related to depressed labour markets, inflation persistence and recent tax increases are holding back consumption. Moreover, uncertainty tends to lead firms and households to delay spending decisions.

Factors relating to the necessary external rebalancing and balance-sheet consolidation are weighing on Member States to different degrees. Financing conditions remain difficult in Member States where banks are attempting to strengthen their balance sheets and/or have not yet regained access to market funding. As non-financial corporations and households are also deleveraging, weak bank lending reflects a combination of low credit demand and tight credit supply conditions. Fiscal consolidation is weighing on growth in the short-run, and so does the ongoing reallocation of resources. These factors are set to depress growth in the vulnerable Member States for the larger part of this year. Going forward, these drags are, however, expected to diminish gradually as uncertainty fades, confidence returns and adjustment starts bearing fruit, thereby opening the way for a gradual return of consumption and investment growth.

While growth divergences persist, adjustment is ongoing ...

But it is clear that the different factors affecting domestic demand will continue to cause substantial growth differentials across Member States. Among the largest Member States, in *Germany* re-accelerating global trade and a strengthening of domestic demand on the back of increasing confidence are set to yield a fairly robust rebound. Weak real disposable incomes and subdued investment are forecast to weigh on activity, leading to a more gradual expansion of GDP in *France*. The *Italian* economy is forecast to climb out of recession in mid-2013 as improving confidence and financing conditions are expected to allow a rebound in investment. In *Spain*, GDP is expected to bottom out towards the end of 2013 as the internal and external rebalancing proceeds. Domestic demand in *the Netherlands* remains constrained by the housing market adjustment, but gradual growth supported by net exports is forecast to return in the course of 2013. Among the Member States outside the euro area, activity in *the UK* is forecast to rebound as consumption continues to firm gradually and investment catches up. In *Poland*, the softness of domestic demand is projected to be temporary, with GDP growth set to progressively gather speed.

Meanwhile, the adjustment of internal and external imbalances is continuing. There is evidence that a shift in production factors from non-tradables to tradables sectors is contributing to the reduction of current-account deficits in vulnerable economies. At the same time, consumption is expected to hold up relatively well in countries with a current-account surplus, an indication of an increased reliance on domestic demand as growth driver.

... and fiscal adjustment progressing.

As many Member States implemented sizeable fiscal measures in 2012, headline deficits are expected to have fallen to 3¾% in the EU and 3½% the euro area. Another reduction to 3½% in the EU and 2¾% in the euro area is projected in 2013. The adjustment in the structural budget balance is projected to advance at a slightly slower pace this year. Despite the ongoing fiscal consolidation, debt-to-GDP ratios are still forecast to increase in 2013 due to the more negative contribution of real GDP growth and – in the case of the EU but not the euro area – to persistent primary deficits.

Labour markets hard-hit

While the sharp recession of 2009 was accompanied by exceptional employment resilience, the recent GDP contractions are expected to result in employment losses that are more in line with past experience in similar economic environments. This is explained on the one hand by continued labour shedding in sectors that had grown unsustainably in the pre-crisis years, on the other by the fact that the scope for the adjustment in working hours has largely been used up. However, the labour-market outlook differs a lot across Member States, and much of the projected increase in unemployment is projected to occur in just a few Member States. High and persistent unemployment in turn bears the risk of becoming structural as the skills of unemployed workers depreciate. This could affect the economies' growth potential going forward.

Inflation set to ease

In the light of high unemployment and large output gaps, domestic price pressures are expected to remain subdued. Core inflation has been falling very gradually in 2012 and is expected to hover at a rate around 1.8% in the EU and 1.7% in the euro area by the end of the forecast horizon. Given the technical assumption of slightly decreasing commodities prices and the lagged impact of the recent euro appreciation, imported price pressures are also projected to wane. As a result, consumer-price inflation in the EU is forecast to decrease gradually in the course of 2013 and to stabilise around 1.7% in the EU and 1.5% in the euro area next year.

Risks have become more balanced

The decrease in financial market stress indicates that risks to the integrity of EMU have substantially faded over the past quarters. Nonetheless, uncertainty is still high and downside risks remain. The effective implementation of the policies to reinforce EMU and foster the necessary adjustments are crucial to keep at bay the risk of another aggravation of the sovereign-debt crisis, which could lead to renewed financial-market turmoil and derail the prospective recovery. Other downside risks relate to an even faster growth of joblessness feeding back into domestic demand and endangering the implementation of reforms as well as the uncertain fiscal policy outlook combined with large medium-term budgetary challenges in the US and Japan.

Upside risks to GDP growth could materialise if the progress with crisis resolution and structural reforms in the euro area is faster and/or the return of confidence stronger than expected. On the external side, upside risks relate to a sustainable solution of the fiscal impasse in the US or a stronger rebound of growth in emerging markets on the back of macroeconomic policy easing or structural reforms. While downside risks to the growth forecast still prevail, the risk distribution has become more balanced since the autumn 2012 forecast. Risks to the inflation outlook appear balanced.

PART I

Economic developments at the aggregated level

THE EU ECONOMY: GRADUALLY OVERCOMING HEADWINDS

Financial market conditions improved significantly in recent months, but as parts of the EU economy remain in the grip of a balance-sheet recession with adverse financing conditions, private and public deleveraging needs and high unemployment, the transmission of the improvements to the real economy is set to be slow.

Real GDP in the EU shrunk by 0.5% in the final quarter of 2012, while the euro area moved deeper into recession and contracted by 0.6%. However, the latest readings of survey indicators suggest that both the EU economy and the euro area are bottoming out at the beginning of this year. Based on the assumption that the consistent implementation of policy decisions at the national and EU level will continue to reduce uncertainty and increase confidence, output is forecast to stabilise in the EU and the euro area in the first half of 2013. But a weaker-than-expected final quarter of 2012 is set to shift the inception of the recovery towards mid-2013.

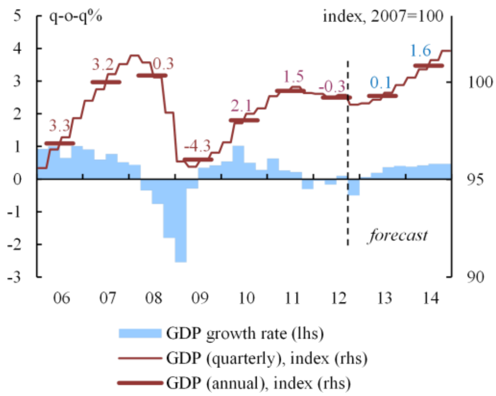
With the projected gradual reacceleration of global economic growth in the course of 2013 and the implied pick-up in external demand net exports are expected to be the dominant growth driver this year. In contrast, domestic demand is still held back by overall low sentiment and, in particular, by the adjustment process in vulnerable countries. But the predicted improvement in financing conditions across vulnerable Member States coupled with a general rise in confidence will allow domestic demand to recover gradually in the course of 2013 and to become the major contributor to GDP growth in 2014.

Amid large cross-country disparities, the EU and the euro-area economy are set to have contracted by 0.3% and 0.6% in 2012 respectively. Given the substantial structural challenges in some euro-area Member States the currency area is still likely to contract by ¼% this year, while GDP in the EU is forecast to remain broadly unchanged. In 2014, both areas are forecast to grow by around 1½%.

Inflation is predicted to abate gradually over the forecast horizon, as the impact of fiscal consolidation measures and commodity-price hikes are waning, and the weak labour market limits the scope for nominal wage increases and helps avoiding an inflationary impact of outstanding liquidity provisions. After averaging 2.6% and 2.5% in the EU and the euro area respectively in 2012, HICP inflation is expected to fall below 2% in both areas in the course of this year. In 2014, consumer prices are forecast to increase by 1.7% in the EU and 1.5% in the euro area.

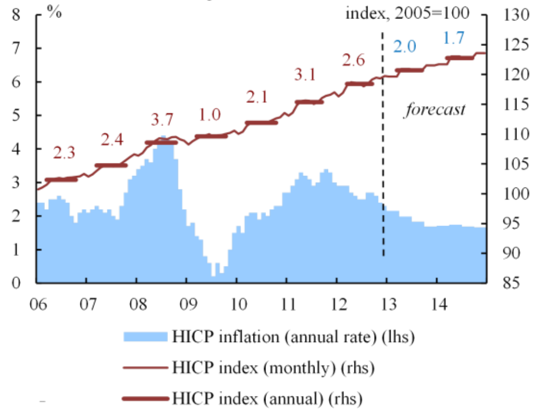
In response to the substantial reduction in tail risks and financial market stress risks to the growth outlook have become more balanced but continue to be tilted to the downside. In contrast, risks are balanced for the inflation outlook.

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



Figures above horizontal bars are annual growth rates.

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



1. THE DOUBLE DISPARITY OF THE EU ECONOMY

The weakening of global growth and the aggravation of the sovereign-debt crisis in the first half of last year, reflecting high deleveraging needs in the public and private sector, have shackled economic activity throughout 2012 and pushed the euro area back into a recession. At the beginning of 2013, the EU economy is characterised by a double disparity. Firstly, the improvement in financial market conditions contrasts visibly with the weakness of the real economy. Secondly, growth differentials across Member States remain very large.

Economic policy response has set in motion a substantial yet still fragile improvement in financial market conditions ...

Since the summer, financial market stress has eased substantially following decisive policy actions. Fiscal and structrual reforms at the Member State level acompanied by the entering into force of the European Stability Mechanism (ESM), the ECB announcement to introduce a new conditional asset purchase programme for undertaking outright monetary transactions in secondary markets for sovereign bonds (OMT), the adoption of a second programme for Greece and the European Council decision on the Single Supervisory Mechanism as a further step towards a banking union have contributed to easing sovereign funding stress, alleviating tensions in financial markets and tackling the negative feedback loops that had contributed to the exacerbation of the sovereign-debt crisis. As a consequence, both financial market and policy uncertainty [1] have declined markedly over the last months. However, uncertainty related to economic prospects remains at high levels and financing conditions for the private sector still vary widely across EU Member States. Finally, confidence in the non-financial sector has only very recently started improving and is still relatively low.

... but the real-side recovery is lagging ...

Despite the substantial easing of financial market tensions and the recent tentative rise in confidence the economic situation has further deteriorated towards the end of 2012 and the outlook for the near future remains subdued. With the large internal and external rebalancing needs that typically characterise the aftermath of deep debt crises and often entail balance-sheet recessions, a strong rebound of domestic demand was not to be expected. [2] In particular, the improvement of the financial market situation has not yet impacted on credit growth which is still marked by low demand and tight bank lending conditions to households and non-financial corporations. Moreover, uncertainty has had a strong and lasting impact on domestic demand, given that high levels of uncertainty are generally associated with households and corporations cutting back on spending, investment and employment. The combination of these drags is clearly reflected in the double-dip of domestic demand. [3]

... economic prospects for EU Member States remain diverse ...

The second disparity concerns the macroeconomic situation across EU Member States, which is likely to remain diverse according to different external and internal rebalancing needs, labour market situations, and export capacities in terms of regions and products. In particular, economic activity in Member States where domestic demand is less constrained by structural challenges or adverse financing conditions is expected to recover relatively fast, while growth in those Member States that are still mired in a balance-sheet recession is set to take longer to return. But disparities are also observable at the sector level within countries, and in particular in some vulnerable Member States, where a relatively good export performance is predicted to contrast sharply with subdued domestic demand.

... and policy commitments remain crucial.

The policy commitments made since early summer 2012 have paved the way for an enduring crisis resolution. Against this backdrop, the forecast is

(1) Baker, S. R., N. Bloom and S. J. Davis, "Measuring economic policy uncertainty", *Stanford University Working Paper*, January 2013.

(2) There is evidence that more credit-fuelled booms tend to entail deeper recessions and slower recoveries, see Jordà, O., M. Schularick and A. M. Taylor, "When credit bites back: Leverage, business cycles, and crises", *Federal Reserve Bank of San Francisco Working Paper*, No. 2011-27, October 2012.

(3) In particular, policy uncertainty is found to have a detrimental impact on GDP growth in the short-term, see Leduc, S. and Z. Liu, "Uncertainty shocks are aggregate demand shocks", *Federal Reserve Bank of San Francisco Working Paper*, No. 2012-10, January 2013 and Zakhartchouk, A., "Les chocs d'incertitude freinent l'activité", *Note de conjoncture*, INSEE, March 2012, pp. 33-42.

based on the assumption that adopted measures and further policy advances will continue to prevent a re-escalation of the sovereign-debt crisis and move gradually forward to an ultimate crisis solution. In practice, the EU-wide implementation of agreed policy measures is assumed to contain financial market stress effectively, ease lending conditions across peripheral Member States and boost private sector confidence. This assumption is subject to the remaining high uncertainty which is related to the still fragile EU financial sector, the need to reduce debt levels in the public and private sector in several Member States and the risk of negative spillovers from the euro-area periphery to other Member States and beyond.

2. THE EXTERNAL ENVIRONMENT

World GDP growth lost momentum over the first three quarters of 2012 and is expected to have remained muted at the end of last year, with indicators pointing to a trough in late 2012 for some major economies. The global slowdown affected advanced and emerging market economies (EMEs) alike. According to preliminary data for the third quarter of 2012, both advanced economies and EMEs grew at the weakest year-on-year growth rate since the beginning of 2010. But EMEs remain the main drivers of global economic activity, accounting for more than ¾ of world growth.

Outside the EU, growth in the US surprised on the low side in the last quarter of 2012 as real GDP shrunk by 0.1% (q-o-q, annualised) due to a sharp contraction in government defence spending and inventories. Economic expansion in EMEs remained low compared to the recent past, but surprised on the positive side in China. The rebound in GDP growth in the last quarter of 2012 at 7.9% y-o-y suggests that the economy has turned the corner. For the global economy a slow pick-up in activity is predicted for this year, taking place against headwinds stemming from fiscal consolidation in many countries and low confidence levels. Overall, global GDP (excluding the EU) is forecast to expand around 4% in 2012 and 2013 respectively. In 2014, a moderate acceleration to 4½% is expected.

World trade mirrors global growth patterns …

Amid high volatility the growth rate of goods trade in advanced economies continued to decrease over the year and turned negative in November 2012, whereas merchandise trade in EMEs rebounded since October 2012 and is almost back to pre-crisis levels. On balance, world trade started to rebound in September (see Graph I.3). However, this expansion is well below its long-term average of 6%. Against the background of a gradual acceleration in global activity in 2013, global trade is expected to pick up slowly. Projections for non-EU trade are for an increase of around 4½% in 2013 and around 6% in 2014.

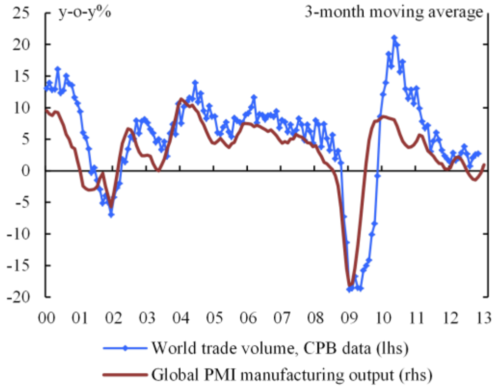
Table I.1:

International environment

(Annual percentage change)					Winter 2013 forecast			*Autumn 2012 forecast*	
	(a)	2009	2010	2011	2012	2013	2014	*2013*	*2014*
					Real GDP growth				
USA	19.2	-3.1	2.4	1.8	**2.2**	**1.9**	**2.6**	*2.3*	*2.6*
Japan	5.7	-5.5	4.7	-0.6	**1.9**	**1.0**	**1.6**	*0.8*	*1.9*
Asia (excl. Japan)	28.9	5.2	10.3	8.4	**6.0**	**6.5**	**6.8**	*6.3*	*6.7*
- China	14.6	7.1	13.2	11.5	**7.8**	**8.0**	**8.1**	*7.7*	*7.8*
- India	5.7	8.4	8.4	7.2	**4.8**	**5.8**	**6.6**	*5.8*	*6.6*
Latin America	8.9	-1.8	6.1	4.5	**2.7**	**3.7**	**4.2**	*3.7*	*4.4*
- Brazil	3.0	-0.3	7.5	2.7	**1.0**	**3.5**	**4.0**	*3.9*	*4.0*
MENA	5.2	2.1	4.9	5.1	**4.5**	**3.1**	**3.9**	*3.1*	*3.8*
CIS	4.2	-6.7	4.8	4.8	**3.5**	**3.9**	**4.2**	*4.0*	*4.3*
- Russia	2.9	-7.8	4.3	4.3	**3.4**	**3.7**	**3.9**	*3.9*	*4.0*
Sub-Saharan Africa	2.6	2.5	5.2	4.6	**5.0**	**5.3**	**5.5**	*5.0*	*5.5*
Candidate Countries	1.4	-4.9	7.5	7.4	**2.4**	**2.6**	**3.4**	*2.6*	*3.5*
World (incl. EU)	100.0	-0.6	5.5	4.2	**3.1**	**3.2**	**3.9**	*3.3*	*3.9*
					World merchandise trade volumes				
World import growth		-11.9	13.5	6.6	**2.5**	**3.4**	**5.8**	*4.3*	*5.9*
Extra EU export market growth		-11.0	13.7	7.9	**1.1**	**2.5**	**5.3**	*3.4*	*5.5*

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2011.

Graph I.3: **World trade and Global PMI manufacturing output**



Recent survey data point to some further improvement in growth perspectives for global manufacturing. The JP Morgan Global PMI Manufacturing Index (seasonally adjusted) edged up in January, confirming the switch into expansion at the end of last year, while the global composite indexes remained above the expansion threshold throughout the year 2012.

… and inflation pressures are contained.

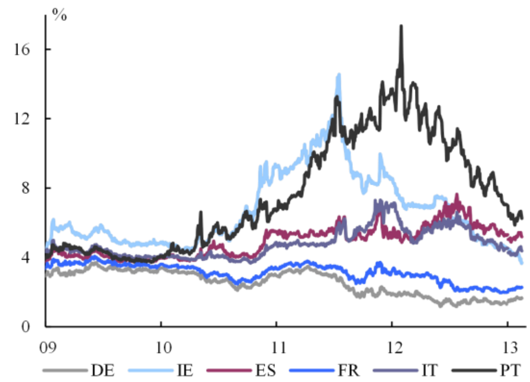
Despite some limited spikes in food prices, inflation remains subdued on account of slow growth, weak demand and still comparatively benign commodity markets. Reflecting the difficult global economic situation, inflation in most EMEs is also falling. Core inflation rates are low or converging to lower levels in most economies with the notable exception of some EMEs including Russia, South Africa and India. Monetary policy in many advanced economies remains exceptionally accommodative, and quantitative easing continues in the US and Japan. Commodity prices decreased towards the end of the year, after rebounding in mid-2012. Brent oil prices dropped from their peak of 125 USD/bbl in March to 109 USD/bbl in December. Fears of a new food crisis did not materialise, as prices of most cereals and soybeans stabilised towards the end of the year. Prices of non-food agricultural commodities, minerals and metals were falling steeply throughout most of 2012.

Our assumptions for oil prices continue to indicate a fall, but have been revised upwards with regard to last autumn to reflect the stronger upward trend since mid-January. On an annual basis, oil prices (Brent) averaged 111.8 USD/bbl in 2012 and are projected to rise to 113.7 USD/bbl in 2013 and then moderate to 106.4 USD/bbl in 2014, respectively. Assumptions for other commodity prices remain broadly unchanged from the autumn forecast, though metal prices are expected to recover in 2013.

3. FINANCIAL MARKETS IN EUROPE

Since the summer, tensions in financial markets have eased and market sentiment has improved on the back of decisive policy measures. In particular, sovereign-bond spreads have declined very significantly, while benchmark yields have edged upwards from previously very low levels (see Graph I.4). Despite a deteriorating macro-economic outlook and narrowing corporate profit margins, European stock markets have rallied, in particular the financial sector sub-segment. Spreads of non-financial corporate bonds have declined visibly, especially those for corporate bonds with the best credit ratings (See also box I.1).

Graph I.4: **Ten-year government-bond yields, selected euro-area Member States**



However, the financial market situation remains fragile, and low yields on safe assets suggest that a considerable degree of risk aversion persists.

A still fragmented European financial sector is weighing on credit growth …

Despite the accommodative monetary policy stance [4] large cross-country disparities in lending conditions indicate that monetary-policy transmission and financial intermediation is still severely distorted in some Member States. While

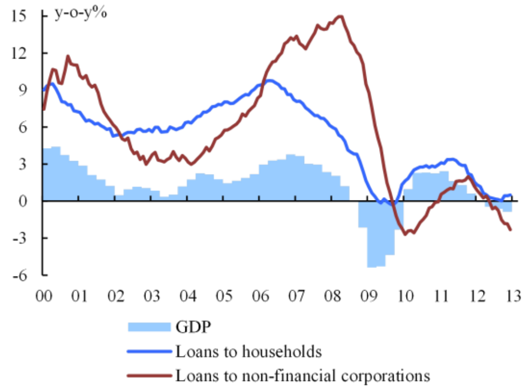
[4] The ECB has kept policy rates on hold since July, when it cut the rate on its main refinancing operations (MRO) to a record low of 0.75% and the deposit facility rate to zero. In early December, the ECB decided to continue conducting its main refinancing operations as fixed rate tender procedures with full allotment for as long as necessary, and at least until 9 July 2013.

the progress on recapitalising the banking system and recent policy interventions improved larger banks' liquidity situation and funding conditions, notably their access to wholesale and retail funding markets,[5] the recent improvement in funding conditions has not been uniform. Cross-border interbank flows are still largely constrained, and the euro money market remains fragmented owing to concerns about the intertwined sovereign and counterparty credit risks. Thus, small euro-area banks and particularly banks in vulnerable Member States still depend to a large extent on direct liquidity provision by the Eurosystem. As a result, bank lending rates vary widely across Member States.

… reflected by weak bank lending to the private sector …

Bank lending to the private sector in the euro area has shrunk further in December at an annual rate of 0.8% (see Graph I.5).

Graph I.5: **Bank lending to households and non-financial corporations, euro area**

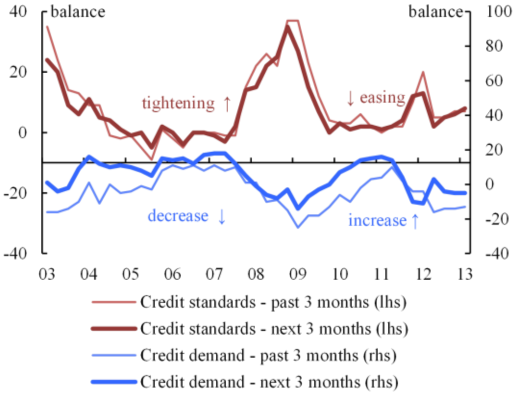


While lending to non-financial corporations declined, loans to households still expanded, albeit at a rather subdued annual rate of 0.7% (adjusted for sales and securitisations). Given the muted economic outlook and the deleveraging needs in a number of euro-area Member States, credit flows are likely to remain muted in the near future.

… amid tight lending conditions and subdued demand …

According to the January Bank Lending Survey (BLS) by the ECB, the net tightening of banks' credit standards in the fourth quarter of 2012 remained broadly unchanged for loans to non-financial corporations (see Graph I.6).

Graph I.6: **Net changes in credit standards and credit demand for loans to non-financial corporations, euro area**



However, credit standards for loans to households tightened due to a widening of margins on riskier loans. Surveyed banks also reported lower loan demand by households and a pronounced net decline in demand for loans to non-financial corporations, reflecting the weakness in business investment. Looking ahead, banks in the euro area expect a similar degree of net tightening and a less pronounced net decline in demand for corporate loans, but a stronger net decline for loans for house purchases. Banks expect funding conditions to keep improving in the first quarter of 2013.

… while overall financing costs are marked by declining but still large cross-country differences.

The Commission's composite financing costs indicator (CFCI), a broad measure of financing costs that also takes into account capital-market-based sources of financing (both debt and equity), suggests a reduction in the divergence of financing costs among euro-area Member States in the second half of 2012. This has been mainly driven by the falling costs of corporate bond financing. The CFCI at the euro-area level indicates an easing in the financing costs of NFCs since the summer of 2012, with the indicator hitting a record low in November. By contrast, although average money market interest rates in the euro area as a whole are close to historical lows, bank financing costs diverge significantly across Member States.

(5) According to the ECB, 305 counterparties decided to exercise an option to repay EUR 140.6 bn of funding received through the first 3-year LTROs in late 2011 and early 2012.

Box I.1: Abating event risks and improved sentiment in financial markets

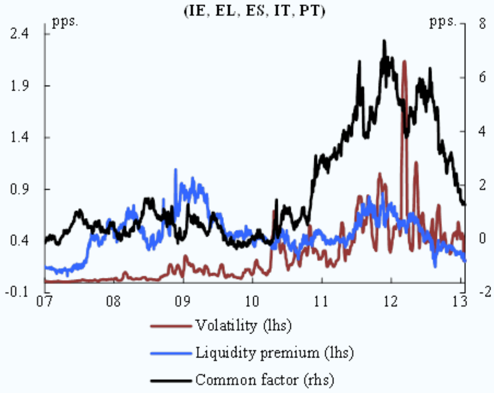
In the second half of 2012 and early 2013, most indicators of risk sentiment on EU financial markets have improved, as the negative feedback loops between sovereign and bank-funding stress amid a deteriorating macroeconomic situation were reversed. Although most indicators still suggest a fragile financial market situation, the risk that low-probability but high-impact events ("tail risks") with the potential to trigger a financial market collapse has substantially receded. This box attempts to shed light on the reasons behind dissipating sovereign, banking and cyclical risks.

Decreasing tail risks are clearly reflected in the decline in the yields of sovereign bonds of programme and vulnerable Member States, or their spreads against safe assets, i.e. the German Bund, and CDS spreads. The related decline in investors' risk aversion is mirrored by the favourable outcomes of recent sovereign-bond auctions. Some Member States were able to issue bonds with very long-term maturities, while Ireland and Portugal successfully prepared the grounds for a full return to market financing.

Furthermore, gaps narrowed between actual yields and estimated[1] fair yields based on fundamental macroeconomic determinants. These gaps were sometimes interpreted as indicators of redenomination risk, i.e. the risk of a Member State's exit from the euro area. Currency risk measured by the difference in the market price of euro- and US-dollar-denominated sovereign bonds or CDS also declined substantially. Graph 1 visualises how the various financial determinants of bond yields, e.g. the common factor and liquidity premium, reacted to abating event risks.

The turnaround in sovereign-bond yields was triggered by important policy decisions since last summer. These included the broader institutional and structural reforms at the Member-State level, the strengthening of the institutional framework of EMU, the creation of the ECB's OMT programme, the decision to set up a Single Supervisory Mechanism as a first step towards Banking Union, the adoption of the ESM, and the agreement on the second programme for Greece. Moreover, first signs are emerging that public debt will become more sustainable over the medium term and factor re-allocation between tradable and non-tradable sectors is turning more supportive to the correction of external imbalances.[2]

Graph I.1: Selected diagnostic tools for sovereign spreads (IE, EL, ES, IT, PT)



Tail risks have also abated due to improvements in the banking sector.[3] Banks' funding costs on wholesale markets decreased in the second half of 2012. It is noteworthy in this respect that banks' CDS prices declined despite further rating downgrades. Several EU banks returned to the debt market and also banks from vulnerable Member States have been able to issue substantial amounts of debt securities since autumn 2012. At the same time, the net outflow of retail deposits from banks in several vulnerable Member States was stopped and balance-of-payment data indicate a reversal towards private capital net inflows. Italian and Spanish Target 2 balances accordingly improved somewhat, suggesting a shift towards wholesale funding, particularly via repo markets, and away from ECB liquidity provision.

(1) Such a gap was identified for example by De Grauwe, P. and Y. Ji, "Mispricing of Sovereign Risk and Multiple Equilibria in the Eurozone", *Journal of Common Market Studies*, November 2012, Vol. 50, Issue 6, pp. 866-880.

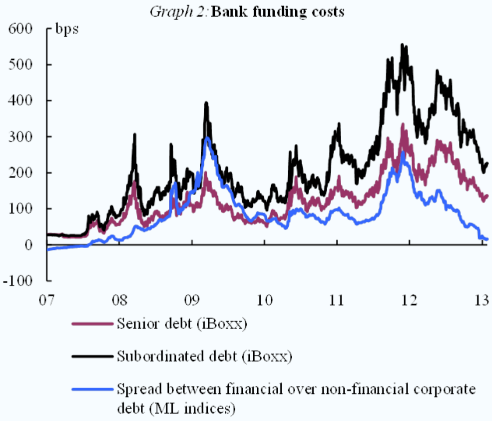
(2) Buti, M., and A. Turrini, Slow but Steady? Achievements and shortcomings of competitive disinflation within the euro area, *ECFIN Economic Brief* no.16, November 2012.

(3) For the transmission channels between sovereign and banking risk, see Chapter 2 in the Spring 2011 *European Economic Forecast*. Recent empirical research shows that adding banking sector variables to empirical models may improve the fit of interest rate estimates, i.e. reduce the gap between actual and estimated spreads. See Gerlach, S. et al. (2010), "Banking and sovereign risk in the euro area", *CEPR Discussion Paper*, No. 7833, May; IMF, "Why Are Euro Area Periphery Sovereign Spreads So High?", Box 2.2 in the IMF's *Global Financial Stability Report*, October 2012.

(Continued on the next page)

Box (continued)

Graph 2: **Bank funding costs**

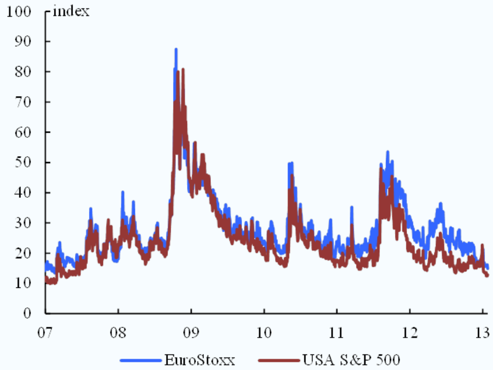


Meanwhile, stock-price volatility, corporate-bond spreads and CDS prices signal declining uncertainty in the non-financial corporate sector. The VIX, which measures the volatility implied in options on stock prices, and is a popular financial gauge of economic uncertainty, dropped to the lowest level since early 2007. Assuming that stock prices mirror expectations of future corporate earnings, recent developments suggest that expectations of an extreme change in corporate profitability has come down to pre-crisis levels.

It is noteworthy that the improvement in financial markets since last summer has only recently been reflected in economic survey data. In fact, financial sentiment improved against a backdrop of institutional and structural reform while expectations of low growth have remained entrenched. This suggests some potential for upside surprises in case economic activity develops better than forecast.

The relatively low level of interest rates on safe assets contributes to sustaining flows into more risky assets with implications for the direction of flows across Member States. Increased financial flows into the private sectors in vulnerable Member States could support the strengthening of economic activity and exert thereby an impact on the real sector of these economies.

Graph 3: **VIX (implied volatility of stock price index, derived from option prices)**



All in all, important progress in reducing tail risks has been achieved. Nevertheless, several fault lines are still present. The easing of financial market tensions has taken place against the background of very subdued and heterogeneous economic growth in the EU.[4] So far, the improved financial sentiment has not fed through to lending to the real economy. Any further disparity between the financial and the real side of the economy should thus be closely monitored as it might signal overly-optimistic expectations and mask still-looming fragilities. Should structural reform and/or fiscal consolidation in some Member States come to a standstill, the currently rather favourable risk reassessment could rapidly deteriorate.

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(4) See also BIS, *Quarterly Review*, December 2012.

Moreover, access to finance seems to be a limiting factor particularly for small and medium-sized enterprises (SME) as recent surveys suggest. [6] As a result, the funding capacity of the private sector is considerably impaired in vulnerable Member States, and this is weighing on investment growth and hampering the necessary reallocation of resources and thus the sectoral adjustment process.

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(6) See ECB, Survey on the access to finance of small and medium-sized enterprises in the euro area, November 2012.

4. THE EU ECONOMY

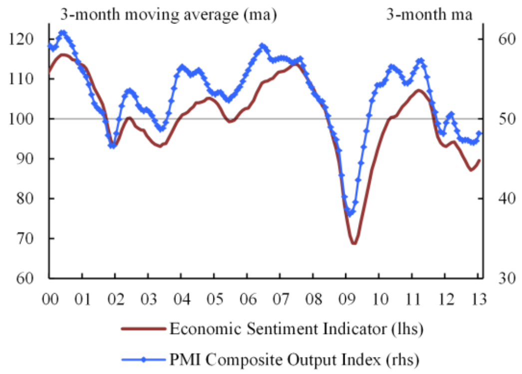
According to Eurostat's Flash estimate, the recession in the euro-area economy deepened in the fourth quarter of 2012, while the EU economy slipped again into contraction. Compared to the previous quarter, GDP shrunk by 0.5% and by 0.6% in the EU and the euro area respectively. In the third quarter, the EU escaped a technical recession of two consecutive quarters of declining output largely thanks to exceptional factors in the UK. [7]

A gradual stabilisation is expected for 2013 …

At the beginning of 2013, readings of sentiment indicators suggest that both the EU and euro-area economies are bottoming out in the first quarter. In January, the Economic Sentiment Indicator (ESI) and the PMI Composite Output Index increased for the third consecutive month in both the EU and the euro area. However, the ESI is still below its long-term average and the PMI remains in contraction territory (see Graph I.7).

Based on the expectation that uncertainty will be further dispelled and sentiment improve, output in the EU and the euro-area economy is expected to stabilise in the first half of this year and start expanding gradually in mid-2013. However, domestic demand continues to be held back by the impact of external and internal adjustment, notably deleveraging in the private and public sector.

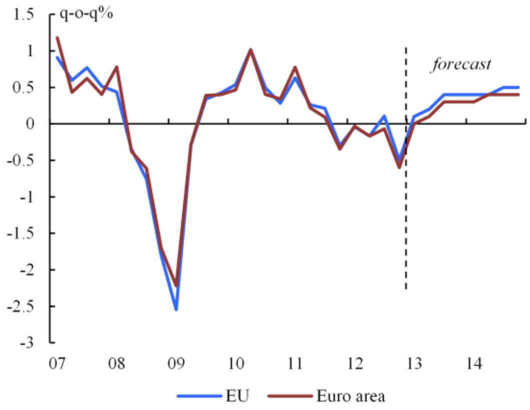
Graph I.7: **Economic Sentiment Indicator and PMI Composite Output Index, EU**



The underlying quarterly profile for 2013-14 is broadly in line with the autumn forecast and GDP developments are likely to be somewhat more dynamic than the annual figures suggest (see Graph I.8). For example, GDP in the fourth quarter of this year is forecast to exceed the level of the same period of last year by 1% in the EU, and by ¾% in the euro area.

[7] In the third quarter, growth in the UK was boosted by short-term factors, most notably the Olympic Games and the bounce-back from an extra bank holiday in the second quarter for the Queen's diamond jubilee.

Graph I.8: **Quarterly GDP growth, EU and euro area**



However, the worse-than-expected outcome in the final quarter of 2012, implying a more negative carry-over effect, combined with the fact that the real economy has not yet benefitted from the substantial improvements in financial markets means that real GDP in the euro area is set to decline slightly in 2013, whereas GDP in the EU is estimated to remain broadly stable. While the weakness of domestic demand is projected to extend well into 2013 in both areas and to support growth only from the latter half of 2013, net exports are likely to remain the main growth driver throughout this year.

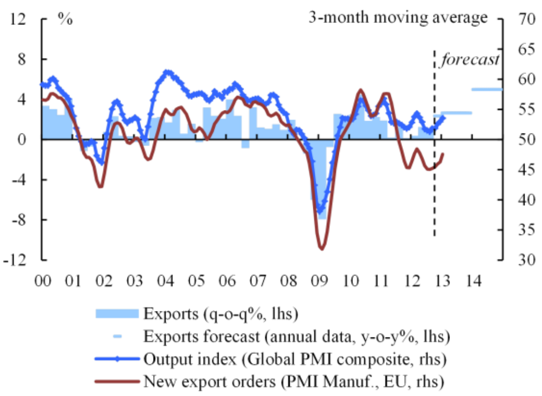
… followed by a modest expansion in 2014.

Looking ahead to 2014, some of the headwinds which are currently weighing on EU and euro-area growth are set to dissipate. Higher consumer confidence, rising real disposable incomes and slowly improving labour market conditions towards the end of the forecast horizon should help raising household consumption, while the projected normalisation of financing conditions for the private sector in vulnerable countries is likely to have a positive impact on investment demand. Moreover, the initial effects of structural reforms are expected to take hold in 2014. As a result, domestic demand should take over from net exports as the main engine of growth. Overall, real GDP is projected to grow by around 1½% in the EU and the euro area in 2014, broadly unchanged compared to the autumn forecast.

Net exports set to provide lifeline to growth in 2013…

Net exports have been stabilising GDP growth in 2012 and are expected to support the economy further in 2013. In January, the PMI component for new export orders in the EU manufacturing sector, albeit still below the expansion threshold, increased and reached a 18-month-high (see Graph I.9). Similarly, the Commission quarterly survey of the manufacturing industry indicates that managers were more optimistic on the expected export volumes for the first quarter of 2013.

Graph I.9: **Global demand, EU exports and new export orders**



Based on the achieved gains in competitiveness the predicted gradual improvement in global activity and trade should boost export growth in the course of 2013. For the year as a whole, exports of goods and services are set to grow by about 2½% in both the EU and the euro area. In 2014, export growth is forecast to accelerate to 5% in both areas, in line with global demand developments.

By contrast, imports are still constrained by cyclically-weak domestic demand in the EU and import growth is thus expected to remain muted in 2013. But consumption levels in some Member States are also likely to remain lower for structural reasons as private households are forced to gradually reduce their debt burden. After a decline in 2012, import volumes in 2013 are set to grow by 1½% in the EU and by 1¼% in the euro area, helped by the expected gradual strengthening in domestic demand in the second half of this year but also by the high import content of many export goods. In 2014, imports are expected to expand by around 4¾% in both areas. Compared to the autumn forecast, projections are revised downward in both forecast years in line with the more subdued outlook for domestic demand.

With export growth exceeding import growth, net external demand is expected to continue to contribute positively to GDP growth over the forecast horizon. However, the positive growth contribution is predicted to decline gradually in line with the projected recovery of imports.

…while structural factors are weighing on domestic demand.

Dissipating uncertainty and the expected cyclical upturn in the global economy is likely to bolster sentiment and provide support to the domestic economy. But the need for households, firms, banks and sovereigns in several Member States to strengthen their balance sheets and bring down debt to sustainable levels is likely to constrain the

Table I.2:

Composition of growth - EU

(Real annual percentage change)								Winter 2013 forecast		
	2011		2007	2008	2009	2010	2011	2012	2013	2014
	bn Euro curr. prices	% GDP	Real percentage change							
Private consumption	7339.2	58.0	2.2	0.3	-1.5	1.1	0.1	**-0.7**	**-0.2**	**1.1**
Public consumption	2743.5	21.7	1.8	2.3	2.2	0.7	-0.2	**0.2**	**-0.1**	**0.3**
Gross fixed capital formation	2346.7	18.5	6.3	-1.2	-13.0	0.2	1.4	**-2.9**	**-1.0**	**2.8**
Change in stocks as % of GDP	77.4	0.6	0.9	0.6	-0.4	0.4	0.7	**0.0**	**-0.1**	**0.0**
Exports of goods and services	5525.8	43.7	5.6	1.6	-11.7	10.7	6.4	**2.3**	**2.6**	**5.0**
Final demand	18032.7	142.5	4.0	0.6	-6.4	4.1	2.3	**-0.3**	**0.5**	**2.5**
Imports of goods and services	5380.4	42.5	5.9	1.1	-11.6	9.7	4.1	**-0.1**	**1.5**	**4.6**
GDP	12652.3	100.0	3.2	0.3	-4.3	2.1	1.5	**-0.3**	**0.1**	**1.6**
GNI	12660.8	100.1	3.0	0.1	-4.2	2.2	1.5	**-0.5**	**0.1**	**1.6**
p.m. GDP euro area	9421.2	74.5	3.0	0.4	-4.4	2.0	1.4	**-0.6**	**-0.3**	**1.4**
			Contribution to change in GDP							
Private consumption			1.3	0.2	-0.9	0.6	0.1	**-0.4**	**-0.1**	**0.7**
Public consumption			0.4	0.5	0.5	0.2	0.0	**0.0**	**0.0**	**0.1**
Investment			1.3	-0.2	-2.7	0.0	0.3	**-0.5**	**-0.2**	**0.5**
Inventories			0.4	-0.2	-1.1	0.8	0.3	**-0.5**	**-0.1**	**0.1**
Exports			2.2	0.6	-4.8	4.0	2.6	**1.0**	**1.2**	**2.3**
Final demand			5.5	0.8	-9.1	5.6	3.2	**-0.4**	**0.7**	**3.5**
Imports (minus)			-2.3	-0.4	4.8	-3.5	-1.6	**0.1**	**-0.6**	**-2.0**
Net exports			-0.1	0.2	-0.1	0.5	1.0	**1.1**	**0.5**	**0.3**

Table I.3:

Composition of growth - euro area

(Real annual percentage change)

	2011		2007	2008	2009	2010	2011	Winter 2013 forecast 2012	2013	2014
	bn Euro curr. prices	% GDP	Real percentage change							
Private consumption	5407.2	57.4	1.7	0.4	-1.0	0.9	0.1	-1.2	-0.7	0.9
Public consumption	2031.4	21.6	2.2	2.3	2.6	0.7	-0.1	-0.2	-0.2	0.5
Gross fixed capital formation	1805.0	19.2	5.2	-1.4	-12.7	-0.1	1.5	-4.1	-1.8	2.4
Change in stocks as % of GDP	41.6	0.4	0.8	0.7	-0.3	0.3	0.6	-0.1	-0.3	-0.2
Exports of goods and services	4150.1	44.1	6.6	1.1	-12.4	11.2	6.3	2.8	2.6	4.9
Final demand	13435.4	142.6	3.9	0.6	-6.3	4.1	2.3	-0.6	0.2	2.4
Imports of goods and services	4014.2	42.6	6.2	0.9	-11.1	9.6	4.2	-0.7	1.2	4.8
GDP	9421.2	100.0	3.0	0.4	-4.4	2.0	1.4	-0.6	-0.3	1.4
GNI	9421.6	100.0	2.6	-0.2	-4.0	2.2	1.3	-0.5	-0.3	1.3
p.m. GDP EU	12652.3	134.3	3.2	0.3	-4.3	2.1	1.5	-0.3	0.1	1.6
			Contribution to change in GDP							
Private consumption			0.9	0.2	-0.6	0.5	0.1	-0.7	-0.4	0.5
Public consumption			0.4	0.5	0.5	0.2	0.0	-0.1	-0.1	0.1
Investment			1.1	-0.3	-2.7	0.0	0.3	-0.8	-0.3	0.4
Inventories			0.3	-0.1	-1.0	0.6	0.2	-0.5	-0.1	0.1
Exports			2.7	0.5	-5.2	4.1	2.6	1.2	1.2	2.3
Final demand			5.5	0.8	-8.9	5.5	3.2	-0.9	0.3	3.4
Imports (minus)			-2.5	-0.4	4.6	-3.4	-1.7	0.3	-0.5	-2.1
Net exports			0.2	0.1	-0.7	0.7	0.9	1.5	0.7	0.2

dynamics of domestic demand over the forecast horizon. In particular, the substantial easing of financial market tensions over the last months has not yet translated into a significant improvement in bank lending conditions to households and non-financial corporations in vulnerable countries. These are major reasons why the recovery in the EU and the euro area is likely to be delayed until the second half of this year and why growth is expected to become more broadly-based only in 2014.

Fiscal consolidation is necessary and should lift economic prospects in the medium- and long-term, but is expected to weigh on growth prospects in the short-run. This is particularly true for those countries where households and firms are financially constrained and where the economy operates well below its potential. However, the impact of fiscal consolidation should be slightly lower this year than in 2012 given the progress made and conditional on the usual no-policy-change assumption that takes into account the information from 2013 budgets.

Business investment trimmed by adverse financing conditions and low sentiment …

The decline in private fixed investment that set in in 2011 has continued up to the third quarter of 2012. On the one hand, cyclical headwinds reflected by low overall demand associated with low capacity utilisation rates, but also meagre operating corporate profitability, were weighing on capital spending. On the other hand, crisis-related factors such as substantial financing constraints in some Member States and weak business sentiment induced by high uncertainty deterred companies from expanding business activity and point to further shrinking investment at the end of 2012. [8] Deleveraging needs among non-financial corporations with high corporate debt-to-GDP ratios remain substantial in several Member States. Apart from potential holding gains the shoring-up of corporate balance sheets mainly occurs through changes in net credit flows. This is reflected by the increasing net lending position of the corporate sector in some vulnerable countries (e.g. Spain, Greece and Portugal). Deleveraging through negative net credit flows is likely to have detrimental effects on corporate investment, as internal funds are mostly used for debt repayment and not for investment projects. [9]

Four years after the Great recession private investment is still below pre-crisis levels and the aforementioned headwinds will in large part also

(8) There is evidence that a financial crisis-induced fall in credit supply tend to amplify investment downturns, in particular in vulnerable countries, see Buca, A. and P. Vermeulen, "Corporate investment and bank-dependent borrowers during the recent financial crisis", Paper presented at the ECB workshop *Analysing the role of credit in the macroeconomy*, 24 May 2012.

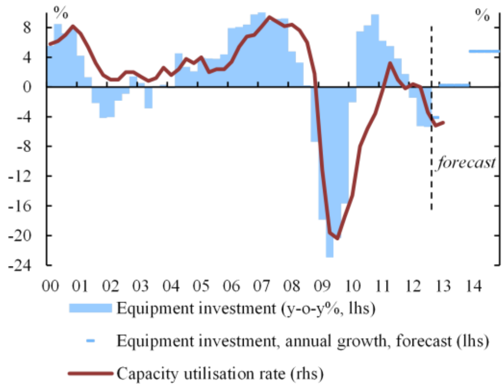
(9) Some other Member States that are also facing high corporate debt-to-GDP ratios are rather "growing out-of-debt" as nominal GDP growth is driving the ratios down (e.g. Belgium, Sweden or the United Kingdom).

remain in place in 2013.[10] Accordingly, near-term investment dynamics are likely to be subdued, as suggested by the latest Commission industrial investment survey.

… but equipment investment is expected to recover in 2013 …

Investment in equipment continued contracting in the third quarter of 2012 and the short-term outlook remains weak (see Graph I.10). Surveys point to a further fall in the final quarter of 2012 and the production of capital goods in the first two months of the fourth quarter was on average 4% lower than in the previous quarter. In January 2013, the European Commission's industrial confidence indicator was still well below its historical average, while the manufacturing PMI remained below the expansion threshold.

Graph I.10: **Equipment investment and capacity utilisation, EU**



While weak capital expenditure in vulnerable countries is mostly related to structural factors[11] and adverse financing conditions, investment dynamics in core countries appear to be restrained by the unusual high degree of uncertainty over the last quarters (see Box I.2).

As from the second half of 2013, investment in equipment is expected to pick up in the EU and the euro-area economy as increasing confidence and improved domestic and external demand prospects are likely to increase capital spending. Moreover, with diminishing uncertainty, the realisation of investment projects that had been postponed, is expected to benefit gross fixed capital formation.[12]

… while ongoing housing market adjustment is weighing on construction investment …

Investment in construction continued its decline in the third quarter of 2012. The ongoing adjustment in housing markets, as indicated by the new Eurostat house price indicator,[13] continues to impact on residential investment and leading indicators such as building permits do not suggest any stabilisation in the near future. In 2013, construction investment is expected to decline further in both the EU and the euro area. With the expected bottoming-out of the downward housing market adjustment in 2014, construction investment is predicted to pick up again in both areas. However, contractions will persist in countries facing the strongest housing market corrections, notably in Spain.

Overall, total investment is expected to recover as from the second half of 2013 in both the EU and euro area, led by non-construction investment. With significant destocking by the third quarter of 2012, the contribution of inventories to growth is expected to be close to zero in the next few quarters.[14] Cuts in government investment are likely to be substantial in 2013, but are predicted to be markedly more moderate in 2014 under the no-policy-change assumption. In 2013 as a whole, gross fixed capital formation is set to contract further by 1% in the EU and by 1¾% in the euro area. In 2014, total investment is expected to increase by 2¾% in the EU and by 2½% in the euro area.

(10) The investment-to-GDP ratio declined to 18% in the EU and the euro area in the third quarter of 2012, compared to a peak around 21% in the EU and 21.5% in the euro area at the beginning of 2007. However, the 2007 ratio might to some extent also been inflated by unsustainably high residential investment.

(11) The very weak investment environment in vulnerable countries could also be related to the relatively low market exit rates of non-viable firms. Even though corporate insolvencies have markedly increased in vulnerable countries in 2011, insolvency ratios are still particularly low in Greece, Spain, Italy and Portugal, see Creditreform, Insolvencies in Europe 2011/12, February 2012.

(12) This prediction is based on the assumption that with dissipating uncertainty the 'real option value of waiting' will decrease, see e.g. Bernanke, B., "Irreversibility, uncertainty, and cyclical investment", *Quarterly Journal of Economics*, Vol. 98, No. 1, 1983, pp. 85-106.

(13) Compared to the same period of the previous year, house prices in the euro area declined by 2.5% in the third quarter of 2012. In Spain, house prices plummeted by over 15% which suggest that the price correction in the Spanish housing market is still in full swing.

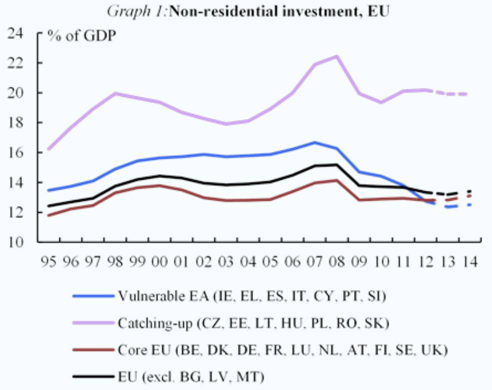
(14) This view is corroborated by the results of Commission surveys according to which inventories are considered to be below their long-term average and are expected to be decreasing.

Box I.2: Non-residential investment in the EU

In 2012, total investment in the EU remained significantly below its long-term average. While in the aftermath of the crisis, investment had recovered somewhat, it started decreasing again in the third quarter of 2011. The fall in total investment that set in in 2011 has continued up to the third quarter of 2012 and is forecast to last until mid-2013. Total investment now stands below the trough reached at the end of 2009. Part of this weakness can be attributed to a sharp fall in residential investment in several peripheral economies. However, the level of non-residential investment, which is mainly investment by non-financial corporations (NFC), also appears weak and the share of non-residential investment as a share of GDP stands at its lowest level since the mid-1990s. This box reviews the possible causes of this weakness.

One of the key features of developments in EU investment rates since the crisis has been the large degree of heterogeneity across Member States. To better understand this divergence, it is useful to decompose total non-residential investment into three country groups that show very distinct patterns. The correlation of investment ratios between these groups has turned from being highly positive during the 1995-2008 period, to being negative over 2009-14, indicating a substantial divergent trend since the onset of the crisis. Graph 1 shows that in "vulnerable euro-area" economies, investment rates are at an all-time low. In "catching-up" countries, investment ratios were deeply affected by the crisis in 2009-10 but have since recovered somewhat and remain high by historical standards. In "core EU" Member States, investment rates are only slightly below their long term average.

Graph I: **Non-residential investment, EU**



Source: Eurostat

Overall, the country-group breakdown suggests that much of the current weakness in non-residential investment in the EU can be attributed to "vulnerable euro-area economies". Understanding the reasons behind these sharp country divergences requires a closer look at investment's standard determinants, namely the expected level of output, financial factors, profitability and uncertainty. An additional possible source of divergence that merits closer inspection is the ongoing corporate deleveraging process which weighs heavily on corporate spending in some Member States. The analysis throughout this box will focus on vulnerable and core economies only, given that catching-up economies are affected by different investment dynamics and show an overall high investment rate.

Output expectations

Corporate investment is a strong cyclical component of demand, and therefore weakness in investment ratios is not surprising given the current depressed cyclical conditions.[1] With significant divergence in GDP growth and prospects across EU Member States, investment dynamics are expected to be very different across country groups.

Deleveraging processes, credit constraints and a high level of uncertainty in "vulnerable" economies are acting as a drag on future demand growth in these countries, as explained in the following sections. Moreover, a high degree of spare capacity in these economies will further weigh on investment. By contrast, relatively higher expected demand and higher capacity utilisation rates in "core" economies have led to more positive developments in investment rates.

This being said, the current level of non-residential investment for the EU as a whole is weaker than one would expect in view of the GDP outlook based on past correlations. Therefore, other determinants must have been at play.

Financial factors

Tighter credit conditions in "vulnerable" than in "core" economies can also partly explain the differences in non-residential investment dynamics across country groups.

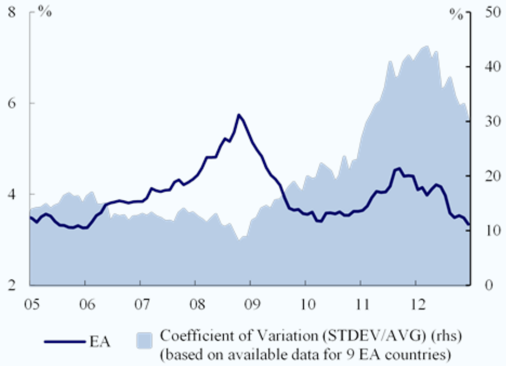
(1) Bernanke, B., Irreversibility, uncertainty, and cyclical investment, *Quarterly Journal of Economics*, MIT Press, 1983, vol. 98, no. 1, pp. 85-106.

(Continued on the next page)

Box (continued)

The Commission's composite financing costs indicator (CFCI), a broad measure of financing costs faced by non-financial corporations, shows that while financing costs have been close to historical lows in several "core" economies, they remain somewhat higher in real terms than in the pre-crisis period in some "vulnerable" euro-area countries, such as Portugal, Spain, and Italy. Divergences in financing costs started to increase in 2009, and after reaching record high-levels in early 2012, have started to decrease again (see "coefficient of variation" in Graph 2). The fall has been mainly driven by improved conditions on corporate-bond markets. It is however important to stress that differences in bank lending rates have so far shown no signs of receding. Besides, credit supply conditions remain tight in particular in vulnerable euro-area economies.[2] In this context, credit rationing or quantitative credit constraints in "vulnerable" economies could be an additional factor (besides higher financial costs) contributing to the observed divergences in investment dynamics among country groups.

Graph 2: **CFCIs for non-financial corporations**



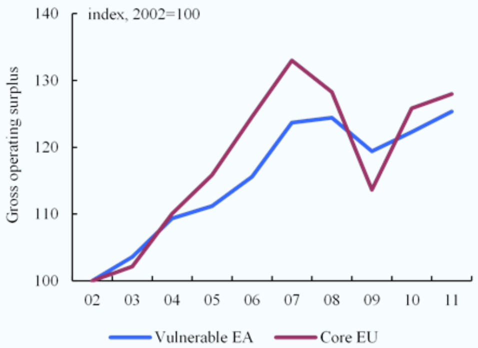
Source: ECB, Ecowin, Bloomberg, own calculations

Profitability

Measures of corporate profits tend to be closely correlated with investment growth. In large parts of the empirical literature on the determinants of investment, this correlation has been interpreted as an indication that, in a credit constrained environment, only companies that generate sufficient cash flow can self-finance investment.[3] Alternatively, profits may also act as a proxy for future investment opportunities. [4]

After falling between 2007 and 2009, profitability in the EU (as measured by the ratio of the gross operating surplus to GDP) has recovered somewhat but has remained below pre-crisis levels. This aggregate picture masks again large differences at the Member State level. In contrast with the two previous determinants, recent developments in profitability may have been a force of convergence rather than divergence in investment. While profitability remains lower than in the pre-crisis period in core economies, it has actually increased in some "vulnerable" Member States (notably in Spain) under the combined effects of productivity gains and wage moderation (Graph 3).

Graph 3: **Evolution of operating profitability for core EU and vulnerable countries EA**



Balance-sheet adjustment

Deleveraging forces are an important factor explaining the large divergences in Member States' investment rates since the crisis. Graph 4 shows a strong negative correlation between changes in investment since the onset of the crisis and the pre-crisis debt accumulation, suggesting that the build-up of deleveraging pressures has been an important factor behind investment weakness, especially in "vulnerable economies". [5]

(2) European Commission (DG ECFIN), "Indebtedness, deleveraging dynamics and macroeconomic adjustment" (forthcoming).

(3) Fazzari, S.M., Hubbard R.G., and B.C. Petersen (1988): "Financial constraints and corporate investment", *Brookings Paper on Economic Activity*, 1988, No. 1, pp. 141-195.

(4) Kaplan, S.N. and L. Zingales, Do investment-cash flow sensitivities provide useful measures of financing constraints?, *Quarterly Journal of Economics*, February 1997, Vol. 112, No. 1, pp. 169-215.

(5) The chart assumes that large increases in corporate debt between 2000 and 2009 are an indication of over-indebtedness. For an in-depth assessment of private sector deleveraging needs see European Commission, "Indebtedness, deleveraging dynamics and macroeconomic adjustment" (forthcoming).

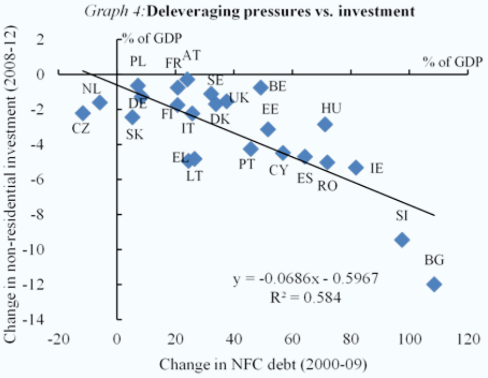
(Continued on the next page)

Box (continued)

Further corporate deleveraging is expected in the coming years. In view of their current level of indebtedness and their capacity to repay, euro-area non-financial corporations appear to be facing further deleveraging needs of about 12% of GDP. Corporations can reduce their debt stock in real terms by either increasing savings (e.g. reducing the income distributed to workers and capital holders), by decreasing investment, or both. Empirical studies suggest that both channels of adjustment are generally at play – and for extended periods – during deleveraging episodes.(6)

Simulations using the European Commission's QUEST model suggest that a 10% of GDP deleveraging in the euro area over 10 years, would reduce corporate investment by 0.6% in the first year and by a cumulative 1.6% after 5 years.

Graph 4: **Deleveraging pressures vs. investment**



Source: DG ECFIN, Eurostat.
Data for non-residential investment in Bulgaria referst to 2008-11.

The observed deleveraging process in the EU may in part be ascribed to the divergence in the access to finance already mentioned, with credit rationing in "vulnerable" economies forcing corporate balance-sheet adjustment in these countries. There are, however, reasons to believe that deleveraging forces may persist even if full access to credit is restored rapidly across the EU. Balance-sheet restructuring is not only driven by changes in capital costs but also by changes in other factors, including depressed asset prices (e.g. the impact of negative valuation effects on firms' debt), more prudent risk behaviour by non-financial corporations and reduced growth expectations. These elements are likely to weigh persistently on corporate balance sheets and thereby on investment in "vulnerable" economies, even once financial conditions have normalised.

Beyond direct effects arising from corporate deleveraging processes, there are also indirect effects arising from balance-sheet adjustment by households and budgetary consolidation efforts in "vulnerable" economies. These additional factors weigh further on demand prospects, being an additional drag for investment in these economies. In "vulnerable" economies, external demand could partly compensate for lower domestic demand attributable to deleveraging processes; however, external rebalancing is a lengthy process, implying that investment is likely to recover only very gradually in these countries the years to come.

Uncertainty

A last factor that has also probably contributed to holding back investment in the EU is an unusually high degree of uncertainty, both in vulnerable and core EU economies. In contrast with previous recoveries, policy uncertainty in the EU has remained exceptionally high and volatile since the onset of the financial crisis but has decreased from a record level reached in 2012.

The available empirical literature has identified a significant negative correlation between uncertainty and activity or investment.(7) Faced with high uncertainty, firms tend to delay their investment projects as they gather new information because investment is often costly to reverse.(8) This effect can be amplified by financial market imperfections as investment projects become more risky and creditors charge higher interest rates and limit lending.(9) Uncertainty may also increase managerial risk aversion. (10)

Although uncertainty is difficult to quantify, empirical research has offered several ways of constructing uncertainty measures, such as stock market volatility, dispersion in forecast errors, or the prevalence of terms such as "economic uncertainty" in the media. Currently, one of the most widely used measures of uncertainty is the

(6) Ruscher, E. and G. Wolff, Corporate balance sheet adjustment: stylized facts, causes, and consequences, DG ECFIN Economic Papers no. 449, February 2012.

(7) The direction of the causality remains, however, a matter of debate.

(8) Bernanke, B., 1983, ibid.

(9) Gilchrist, S., Sim, J. and E. Zakrajsek, Uncertainty, financial frictions, and investment dynamics, Working Paper, September 2010.

(10) Panousi, V. and D. Papanikolaou, Investment, idiosyncratic risk, and ownership, *Journal of Finance*, June 2012, Vol. 67, No. 3, pp. 1113-1148.

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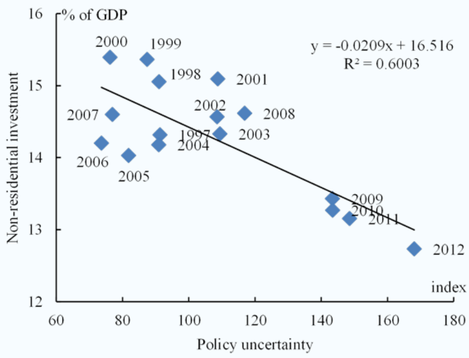
Box (continued)

index developed by Baker, Bloom and Davis (2012).[11] The authors estimate that an increase in policy uncertainty of the same magnitude than the one experienced between 2006 and 2011 results in a drop of private investment of 13%. These results are consistent with those of Kose and Terrone (2012),[12] who estimate that a one standard deviation increase in uncertainty results in a fall of investment growth by between 0.7 and 2.2 pps.

The index developed by Baker et al. suggests that policy uncertainty has been at record levels since the onset of the financial crisis in both the EU and individual Member States (data available for 10 countries, 5 "vulnerable" and 5 "core"). The peak was reached end-2011 but since mid-2012, the index has been falling at the EU level, reflecting determined policy actions. This uncertainty index appears to be negatively correlated with investment ratios in the EU (Graph 5).

Graph 5: **Uncertainty and non-residential investment, EU**



Source: Bloom and Davis, Eurostat.

It is therefore likely that EU investment has been dampened by high uncertainty in recent years. However, given the limited availability of the Bloom at al. index at the Member State level, it is difficult to say to what extent policy uncertainty has also contributed to the observed divergence in investment rates across Member States.

Conclusion

Non-residential investment is low by historical standards in the EU. Some of this weakness can be attributed to common factors such as low growth expectations and uncertainty, which apply across the EU, though their impact is likely to be largest in "vulnerable euro-area" economies. In the "vulnerable economies", the investment weakness is compounded by deleveraging and, tighter credit financing conditions.

A drag that appears to be specific to "core EU" economies is a reduced level of profitability. However, historically-low financing costs are providing some support to investment.

Looking ahead, the headwinds weighing on investment growth are expected to diminish gradually, thereby opening the way for a slow return of investment growth also in vulnerable countries.

(11) Baker, S.R., Bloom, N. and S. J. Davis, Measuring economic policy uncertainty, Stanford University Working Paper, January 2013.

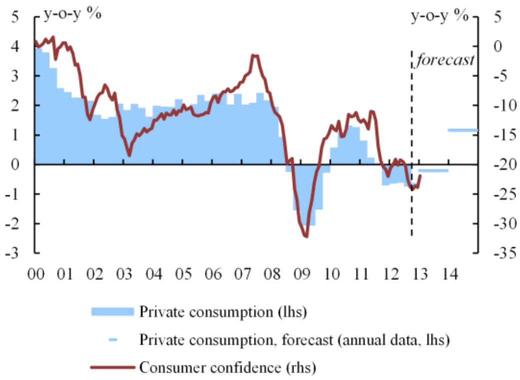
(12) Kose, M. A. and M. E. Terrones, "How does uncertainty affect economic performance?", *IMF World Economic Outlook*, October 2012, 49-53 (Box 1.3).

… and consumption is constrained by low income growth and deleveraging …

Private consumption has been declining for four consecutive quarters up to the third quarter of 2012 as muted nominal wage growth and persistent inflation squeezed households' real disposable incomes. Short-term indicators suggest weak prospects for private consumption also in the near future. In the fourth quarter of 2012, the volume of retail sales were down by 0.6% in the EU and by 0.8% in the euro area (see Graph I.11). Although consumer confidence has recently improved, its current level still remains below its long-term average, suggesting subdued consumer spending in the short term.

In 2012, household consumption is expected to have contracted by 0.7% in the EU and by 1.2% in the euro area. The scope for reducing the saving rate and thus consumption smoothing is limited by households' need to consolidate their balance sheets, in particular in countries that experienced a boom-and-bust cycle in the housing market. Uncertainty stemming from the sovereign-debt crisis and increasing unemployment fears are likely to have led households to increase their precautionary savings. [15]

Graph I.11: **Private consumption and consumer confidence, EU**



The expected deterioration of the labour market situation and muted wage growth as well as substantial household deleveraging and fiscal consolidation is set to continue to weigh on household consumption in 2013. In 2013 as a whole, private consumption is forecast to fall slightly in the EU and by ¾% in the euro area. This represents a downward revision compared to the autumn forecast, mainly due to the stronger-than-expected negative impact from the deterioration of the labour market. A more pronounced and longer-lasting contraction in private consumption over the forecast horizon is expected in vulnerable Member States where households face deleveraging needs and adverse credit conditions. By contrast, private consumption growth should be more robust in other Member States. As regards public consumption, it is projected to fall marginally in 2013 in both areas.

… and to increase timidly on the back of easing inflation.

Looking further ahead, the expected increase in nominal disposable incomes and the further moderation in HICP inflation will give some respite to consumers' real purchasing-power. Thus, private consumption expenditure is projected to pick-up by around 1% in 2014 in both the EU and the euro area. Public consumption growth is forecast to start growing again by ¼% in the EU and by ½% in the euro area based on the no-policy-change assumption.

[15] On the impact of uncertainty on consumer spending, see Knotek, E. S. and S. Khan, "How do households respond to uncertainty shocks", *Economic Review*, Federal Reserve Bank of Kansas City, Second Quarter 2011, pp. 63-92.

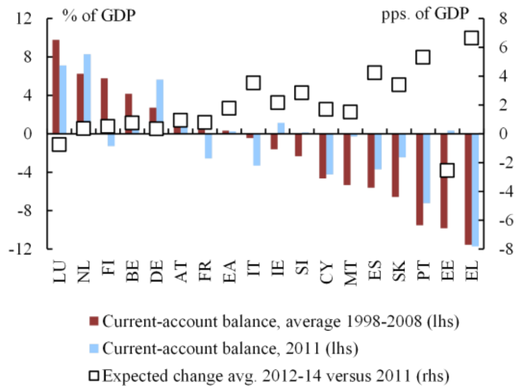
External rebalancing is progressing …

The ongoing external adjustment in several Member States amid a difficult economic and financial environment will shape the recovery across countries. Structural reforms and gains in competitiveness are underpinning the adjustment process in vulnerable Member States. Unit labour costs in several deficit countries have been declining, while higher wage growth starts to affect intra-area price competitiveness and supports domestic demand in surplus countries.

… and current-account balances are further improving.

As a result of the improved competiveness through internal devaluation, but also owing to structural shifts and cyclical weaknesses in domestic demand, current account balances of vulnerable Member States have further improved in 2012. [16] This development is set to continue over the forecast horizon. Considering the euro area and the EU as a whole, the current account (in adjusted terms) has shifted into a visible surplus in 2012 in both areas (see Graph I.12).

Graph I.12: **Current-account balances, euro-area and Member States**



On the back of a continuously improving merchandise trade balance the EU and euro-area current-account surpluses are predicted to expand further over the forecast horizon and to exceed 1% and 2% of GDP in 2014 respectively.

[16] See Dieppe, A. et al., "Competitiveness and external imbalances within the euro area", *ECB Occasional Paper*, No. 139, December 2012.

Table I.4:

Labour market outlook - euro area and EU

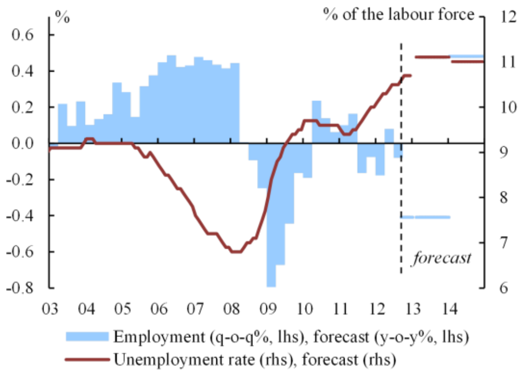
(Annual percentage change)	Euro area				Autumn 2012 forecast		EU				Autumn 2012 forecast	
	2011	2012	2013	2014	*2013*	*2014*	2011	2012	2013	2014	*2013*	*2014*
Population of working age (15-74)	0.1	0.2	0.1	0.1	*-0.2*	*-0.2*	0.1	0.2	0.1	0.1	*-0.1*	*-0.1*
Labour force	0.3	0.7	0.1	0.2	*0.2*	*0.2*	0.2	0.6	0.3	0.3	*0.3*	*0.3*
Employment	0.2	-0.9	-0.8	0.3	*-0.5*	*0.4*	0.2	-0.4	-0.4	0.5	*-0.2*	*0.6*
Employment (change in million)	0.4	-1.0	-1.0	0.4	*-0.7*	*0.6*	0.5	-0.6	-0.8	1.0	*-0.4*	*1.2*
Unemployment (levels in in millions)	16.0	18.1	19.3	19.3	*18.9*	*18.7*	23.1	25.2	26.7	26.5	*26.3*	*25.9*
Unemployment rate (% of labour force)	10.2	11.4	12.2	12.1	*11.8*	*11.7*	9.6	10.5	11.1	11.0	*10.9*	*10.7*
Labour productivity, whole economy	1.2	0.3	0.5	1.0	*0.6*	*1.0*	1.3	0.1	0.5	1.1	*0.7*	*1.1*
Employment rate (a)	58.6	58.1	57.6	57.7	*68.0*	*68.3*	58.6	58.3	58.0	58.2	*68.4*	*68.8*

(a) As a percentage of population of working age (15-74). Definition according to the Labour Force Survey.
Autumn forecasts based on population of working age (20-64)

The downturn has a tight grip on the labour market ...

The timid recovery in employment ground to a halt in mid-2011 and job losses prevailed in 2012. Labour market conditions in the EU have worsened continuously, reflecting the deterioration in the overall economic situation and the heightened uncertainty since end-2011. [17] Joblessness steadily increased, particularly among young and low-skilled workers, and in the final quarter of 2012, the unemployment rate hit new historical records in the euro area (11.7%) and the EU (10.7%). In line with weak economic activity, headcount employment is set to have declined by ½% in the EU and by 1% in the euro area in 2012 (see Graph I.13).

Graph I.13: **Employment growth and unemployment rate, EU**



Forecast figures are annual data.

(17) See European Commission (DG ECFIN), Labour market developments in Europe 2012, pp. 11-12. For an empirical analysis of the propagation channels of policy uncertainty to unemployment, see e.g. Abaidoo, R., "Policy uncertainty, macroeconomic dynamics, and US unemployment conditions", *Journal of Applied Business Research*, Vol. 28, No. 5, September/October 2012, pp. 777-790.

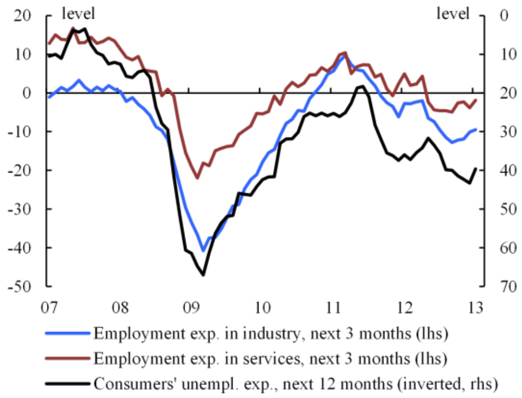
In contrast to the 2008-09 recession, the scope for adjusting working hours and the fiscal space for supportive policy measures, notably short-time working schemes, is very limited at the current juncture. This is also reflected by Okun's law estimates which indicate that unemployment is now markedly more sensitive to GDP fluctuations. It is noteworthy, however, that the net increase in the number of unemployed in the EU and the euro area has been mainly driven by rises in a few countries where employment contracted sharply in sectors that had been growing unsustainably fast during the boom and thus also structural shifts play a role. Unemployment divergences across Member States have thus reached an unprecedented magnitude.

... with a weak short-term outlook amid slowing productivity growth ...

Output growth is expected to feed through to the labour market only with a lag. The latest readings of Commission surveys suggest a further weakening of the labour market situation and additional job losses in the near future (see Graph I.14). In the EU, employment expectations remain below their long-term averages in construction and, albeit to a lesser extent, in industry and services. Firms' looming staff reductions are also mirrored by strong unemployment fears among consumers. Overall, employment in 2013 is projected to decrease by ½% in the EU and by ¾% in the euro area. The unemployment rate is set to climb higher in both areas and to remain at elevated levels over the forecast horizon.

Annual growth in labour productivity slowed down over the first half of 2012 and survey indicators point to continuing weaknesses in the near future. Overall, productivity started to deteriorate already in 2010 and weakening labour productivity growth suggests not only lower potential output and less downward pressure on consumer prices, but also only limited room for productivity-oriented wage increases. [18]

Graph I.14: **Employment expectations, DG ECFIN surveys, EU**



Since 2011, real wages have grown less than productivity in most high-unemployment countries faced with substantial internal and external adjustment. Looking ahead, wage moderation is set to continue in those countries, in line with recently adopted reforms in the wage-setting system, allowing for a gradual improvement in competitiveness. By contrast, a stronger rise in unit labour costs was observed in countries with relatively low unemployment in 2012.

... and risk of hysteresis bodes ill for the prospective recovery.

The duration of unemployment has been constantly rising in the EU since mid-2009 and in the third quarter of 2012, 45% of the unemployed were out of job for more than 12 months. [19] Long-term unemployment is associated with lower employability of job seekers and a lower sensitivity of the labour market to economic upturns. One indication of this so-called hysteresis effect is a worsening matching process in the labour market, i.e. more vacancies tend to coexist with a higher number of unemployed. According to Commission estimates, the non-accelerating wage rate of unemployment (NAWRU), a common gauge of structural unemployment, has increased substantially since 2008. Thus, in the absence of successful sectorial adjustment, rising unemployment duration together with the worsening labour-market mismatch, risks to induce a structurally higher unemployment rate in the future. [20]

But the outlook provides a gleam of hope towards 2014 ...

The modest recovery in economic activity will help stabilising the labour market situation towards the end of the forecast horizon. Reduced uncertainty and evidence of a firming recovery will give rise to weak employment growth in 2014 between ¼% and ½%. Given a projected constant rise in the labour force, the unemployment rate is likely to stabilise at elevated levels in 2014, at slightly above 12% in the euro area and at 11% in the EU.

... on the back of progressing restructuring in vulnerable countries.

The labour market adjustment differs widely across Member States and large growth differentials over the forecast horizon will entail a widening of those divergences across Member States in 2013, when the highest unemployment rates are expected in Spain and Greece (close to 27%), and the lowest in Austria, Luxembourg and Germany (between 4½% and 5¾%). Major improvements are only expected towards the end of the forecast horizon, as the necessary reallocation of resources from the non-tradable to the tradable sector in vulnerable Member States is assumed to take time. [21]

Looking ahead, employment expectations, albeit still negative, are relatively more focused on sectors like manufacturing which tend to have a high export share. At the same time, hiring intentions in core Member States are relatively more centred on sectors of the domestic economy, such as services and construction.

(18) Regarding vulnerable Member States, low productivity growth would imply that the necessary wage moderation and gains in competitiveness had to be achieved via lower nominal wages.

(19) In eight EU Member States long-term unemployment was above 50% in 2012.

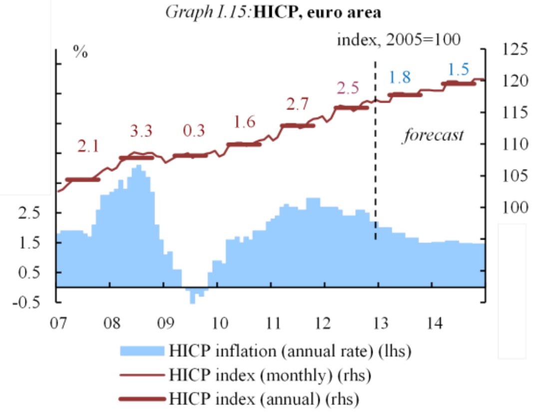
(20) See European Commission (DG ECFIN), Labour market developments in Europe 2012, pp. 24-25.

(21) However, the necessary reallocation of employment across sectors had begun in some Member States in 2010. Even though overall employment is still declining in vulnerable countries, labour shedding has been relatively more concentrated in the non-tradable sector (including construction).

Headline inflation is moderating…

Consumer-price inflation decreased in 2012 with respect to the previous year in both the EU and the euro area on the back of worsening economic conditions, averaging 2.6% and 2.5% respectively (see Graph I.15). But the easing of price pressures was limited by changes in taxation in a number of Member States, volatile oil prices (in particular in euro terms) and rising food commodity prices in the first half of 2012.

Graph I.15: **HICP, euro area**

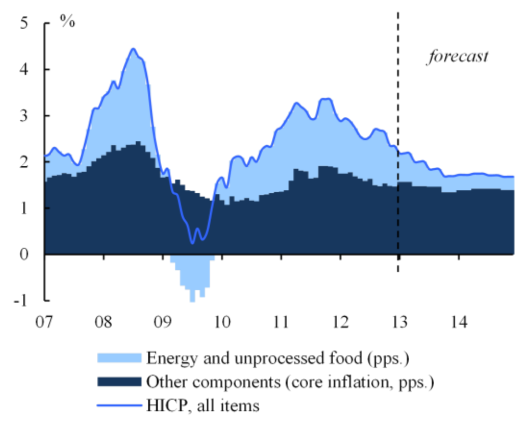


Figures above horizontal bars are annual inflation rates.

…but core inflation is set to remain persistent.

Despite downward pressures stemming from the amount of slack in the economy, core inflation (i.e. HICP inflation excluding energy and unprocessed food) has proved persistent. Though core inflation was somewhat pushed down in the EU, from 2.3% at the end of 2011 to 1.8% in December 2012 (and from 1.9% to 1.6% respectively in the euro area) it is projected to remain broadly stable over the forecast horizon (see Graph I.16).

Graph I.16: **Inflation breakdown, EU**



This reflects increases in indirect taxes and administrative prices in several Member States affecting both services and non-energy industrial goods, but also the pass-through from past exchange-rate depreciations and the previous hike in food commodity prices. With the predicted gradual reduction in the output gap over the forecast horizon, the dampening cyclical impact on price pressures is likely to fade. However, in line with the more recent historical evidence, the classic link between the output gap and inflation is expected to remain rather loose.

With relatively moderate wage pressures …

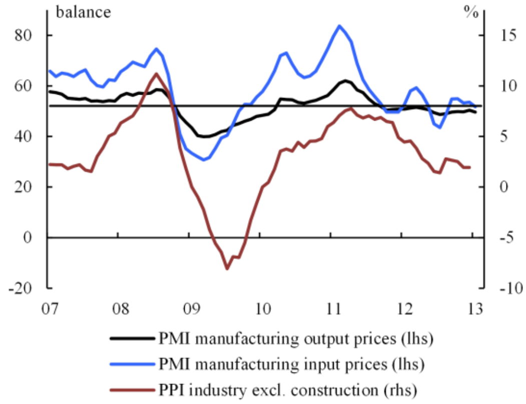
Amid large cross-country divergences, compensation per employee in the euro area rose at a relatively moderate pace on average (1.8% y-o-y in the third quarter of 2012 compared with 2.2% on average in 2011). But the growth in unit labour costs has accelerated in the course of 2012 and is also likely to continue in the coming quarters given the low productivity gains in a context of weak economic growth. Yet, as the growth in compensation per employee is lower than that of negotiated wages since the second quarter of 2012, some wage cost adjustment at the euro-area level appears to be driven by a negative wage drift. [22]

… producer price inflation easing …

Annual industrial producer price inflation (excluding construction) fell to around 2% in the EU and the euro area towards end-2012 on account of substantially lower energy price inflation. According to survey indicators of price developments (both PMI and ESI components), inflation pressures from the producer side seem to be restrained at the beginning of 2013, given the weakness in economic conditions and the assumptions for commodity-price developments (see Graph I.17).

(22) See ECB, *Monthly Bulletin*, January 2013, pp. 34-36.

Graph I.17: **Producer Price Inflation and survey inflation expectations, EU**



… and well-anchored inflation expectations …

In the course of 2012, consumers' inflation expectations have reflected inter alia the volatility in commodity markets, but have decreased somewhat to levels last observed before the summer of 2012. Furthermore, the ECB's survey of professional forecasters suggest stable long-run inflation expectations around 2.0% and market-based inflation expectations point to inflation rates significantly below (for inflation-linked bonds) or just around (for inflation swaps) 2%. Although the marked-based indicators should be interpreted with caution as long as financial market conditions have not fully normalised, they are indicative of inflation expectations being well-anchored at the current juncture.

… the outlook points to firmly decreasing inflation.

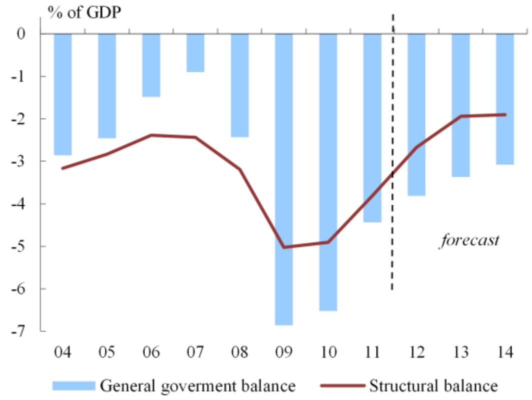
Looking ahead, underlying price pressures are likely to remain subdued given the modest growth outlook, in particular weak domestic demand in peripheral economies, and well-anchored inflation expectations. Average annual HICP inflation in 2013 is predicted to ease further on the back of base effects from past increases in commodity prices and indirect taxes in many Member States. Under the no-policy-change assumption (i.e. excluding fiscal measures that are not known or sufficiently specified at the cut-off date that might have an impact on headline inflation via e.g. tax rises), the average HICP inflation in 2014 in the EU and euro area is set to decrease further to 1.7% and 1.5% respectively.

Consolidation in public finances progressing …

Despite a more negative cyclical contribution from a weaker-than-expected growth outlook, the consolidation of public finances is set to continue over the forecast horizon. Compared with the autumn 2012 forecast, the pace of budgetary adjustment remains broadly unchanged in both the euro area and the EU (see Graph I.18). [23]

Due to the implementation of sizeable fiscal adjustment programmes in several Member States, the headline deficit in 2012 is expected to have fallen by close to ¾ pp. to 3.5% of GDP in the euro area and to 3.8% in the EU. Irrespective of the lower growth expectations, the general government deficit is projected to shrink in 2013 to 2.8% of GDP in the euro area and to 3.4% in the EU, mainly due to fiscal consolidation measures included in 2013 budgets.

Graph I.18: **Budgetary developments, EU**



With the projected recovery gaining momentum in 2014, headline deficits are expected to decrease further. However, owing to the customary no-policy-change assumption the predicted declines to 2.7% of GDP in the euro area and to 3.1% in the EU are rather marginal. Besides some minor exceptions, the projected fall in the aggregate general government deficit over the forecast horizon is also broad based at the Member-State level.

(23) With regard to EU budgetary surveillance, only Bulgaria, Germany, Estonia, Luxemburg, Malta, Finland and Sweden are currently not subject to the Excessive Deficit Procedure (EDP).

… with improvements in budget balances increasingly expenditure-based.

In both the EU and euro area, reductions in headline budget deficits in 2012 are driven by improvements on the revenue side. The main contributors to the rise in general government revenues are higher taxes on income and wealth and, to a lesser extent, increased indirect taxes in in a number of Member States. As a result, in both areas the revenue-to-GDP ratio is forecast to rise by around ¾ pp. in 2012 and increase further in 2013 when it is predicted to reach a temporary peak of 46.8% and 45.7% in the euro area and the EU respectively. While revenues are projected to decline at the end of the forecast horizon, reductions in government spending are likely to support the consolidation in both 2013 and 2014. Cuts in discretionary spending concentrate on wages and salaries, public investment and intermediate consumption, whereas expenditure on social transfers is forecast to increase slightly.

Budgetary positions in structural terms expected to improve …

The budgetary position is expected to improve, as measured by the change in the structural budget balance, i.e. the general government balance corrected for cyclical factors and one-offs and other temporary measures. As a percentage of GDP, the structural balance is set to improve in 2012 by 1½ pps. in the euro area and by ¾ pp. in the EU and in 2013 by ¾ pp. in both areas. In 2014, a slight deterioration in the euro area is forecast owing to the no-policy-change assumption.

Public debt in the euro area expected to stabilise in 2014.

Despite the projected improvements in the headline budget balance over the forecast horizon government debt ratios for the years 2012 and 2013 in the euro area and the EU are projected to be slightly higher than expected in the autumn (see Table I.5).

The 2012 upward revision is mainly linked to a more negative impact of the primary balance and the stock-flow adjustment, [24] while in 2013 the additional deterioration in public debt ratios is driven by the less positive contribution of the primary balance and the so-called snowball effect, in particular by the more negative cyclical contribution of the real GDP component. In 2014, a less positive contribution of the primary balance to the reduction of the debt ratios is only partially offset by a lower-than-expected impact of interest expenditure and the debt-to-GDP ratio is projected to increase further.

Overall, gross public debt in the euro area is expected to exceed 90% of GDP in 2012 and is projected to rise further in 2013 and, albeit only marginally, in 2014. In the EU as a whole, the debt-to-GDP ratio is forecast to increase, albeit at a decreasing rate, over the forecast horizon and to exceed 90% of GDP in 2014.

Table I.5:
Euro-area debt dynamics

	average 2004-08	2009	2010	2011	2012	2013	2014
Gross debt ratio[1] (% of GDP)	**69.1**	**80.0**	**85.6**	**88.1**	**93.1**	**95.1**	**95.2**
Change in the ratio	0.2	9.8	5.6	2.5	5.1	2.0	0.0
Contributions to the change in the ratio:							
1. Primary balance	**-1.1**	**3.5**	**3.4**	**1.1**	**0.4**	**-0.4**	**-0.5**
2. "Snow-ball" effect[2]	**0.3**	**5.3**	**0.6**	**0.8**	**2.5**	**1.9**	**0.4**
Of which:							
Interest expenditure	3.0	2.9	2.8	3.0	3.1	3.1	3.1
Growth effect	-1.4	3.2	-1.6	-1.2	0.5	0.2	-1.3
Inflation effect	-1.3	-0.7	-0.6	-1.0	-1.1	-1.4	-1.4
3. Stock-flow adjustment	**1.0**	**0.9**	**1.6**	**0.5**	**2.2**	**0.5**	**0.1**

[1] *End of period.*

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

5. RISKS

Decisive policy actions have managed to reduce tail risks and market confidence has improved. But even though the risk balance appears more favourable now, the risks to the growth outlook continue to be tilted to the downside with the most prominent risks related to policy slippage.

Despite diminished tail risks, a re-escalation of the sovereign-debt crisis in the euro area remains a downside risk, but can be contained further by staying the course on policy decisions and by the effective implementation of policies. In the context of a fragile European financial system and weak short-term growth prospects, renewed financial turmoil would largely affect (still low) confidence, financing conditions, and domestic demand. In particular, a resurgence of policy uncertainty from waning support for necessary fiscal consolidation and structural reforms could jeopardise internal

(24) The stock-flow adjustment includes elements that affect directly government debt without passing through the deficit as for instance differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

and external adjustment in vulnerable countries and the prospective EU-wide recovery.

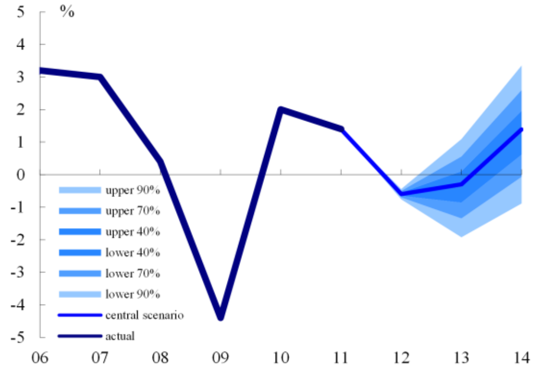
In light of an uncertain growth environment, and also related to the no-policy-change assumption, fiscal policy measures could go beyond those already included in the central scenario. Although the baseline forecast incorporates a stronger reaction of unemployment to the GDP contraction than in previous years, there is a risk that labour shedding could accelerate, with a negative impact on confidence and real incomes.

Significant downside risks also stem from the external environment. Political gridlock in the US is still threatening to result in much sharper fiscal retrenchment in the US by the beginning of March. Nevertheless, sustainable medium-term fiscal consolidation is necessary in the US but also in Japan. The impact of the recent euro appreciation on euro-area exports might be larger than usual in the context of firms' already compressed profit margins.

Additionally, a protracted slowdown in advanced economies and notably in the euro area would have immediate repercussions for emerging markets via the trade channel and vice versa. In particular, a renewed growth slowdown in BRICS countries might weigh on the outlook for other emerging markets and, eventually, on EU export prospects. Finally, an escalation of geopolitical tensions could result in surging oil prices.

Upside risks relate to confidence building up more strongly from progress on the policy side resulting e.g. in establishing a detailed framework for a banking union and closer fiscal cooperation which might further reduce policy uncertainty and benefit sentiment. Structural reforms in vulnerable countries could bear fruit earlier and the linked adjustment process could accordingly be progressing faster and more smoothly than expected, thus reducing the scale and length of adjustment recessions in several Member States. In the US, sustainable compromise on spending cuts could prove less harmful for growth than previously believed. In emerging market economies, the recovery from the soft patch in 2012, possibly supported by additional policy easing and some structural measures to rebalance growth, could be faster and stronger than expected. The relation of upside and downside risks for GDP growth are summarised by a fan chart (see Graph I.19). [25]

Graph I.19: **Euro area GDP forecasts - Uncertainty linked to the balance of risks**



Risks to the inflation outlook are seen as broadly balanced. A deeper and more protracted downturn in the EU and the euro area or the soft patch of the global economy extended over a longer period could impact on domestic and external demand. Thus, consumer price inflation could be contained further together with more flexible wages and product prices resulting from product and labour market reforms. These downside risks are counterbalanced by possibly further increases in indirect taxes (and administrative prices) and upward price pressures on commodity markets.

[25] The fan chart is constructed on the basis of the different probabilities associated with the different upside and downside risks over the forecast horizon.

Box I.3: **Some technical elements behind the forecast**

The cut-off date for taking new information into account in this European Economic Forecast was 15 February. The forecast incorporates validated public finance data as published in Eurostat's News Release 149/2012 of 22 October 2012.

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 30 January and 12 February) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption as regards exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.35 in 2013 and 2014. The average JPY/EUR rates are 124.75 in 2013 and 125.32 in 2014.

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 expected to be 0.4% on average in 2013 and 0.7% in 2014 in the euro area. Long-term euro-area interest rates are assumed to be 1.7% on average in 2013 and 2.0% in 2014.

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 113.7 USD/bbl in 2013 and 106.4 USD/bbl in 2014. This would correspond to an oil price of 84.2 EUR/bbl in 2013 and 78.8 EUR/bbl in 2014.

Budgetary data

Data up to 2011 are based on data notified by Member States to the European Commission on 1 October and validated by Eurostat on 22 October 2012.

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 2013, budgets adopted or presented to national parliaments and all other measures known in sufficient detail are taken into consideration. For 2014, the 'no-policy-change' assumption used in the forecasts implies the extrapolation of revenue and expenditure trends and the inclusion of measures that are known in sufficient detail.

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

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 2012-14 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 2011, this implies a debt-to-GDP ratio in the euro area which is 0.7 pp. (0.5 pp. in the EU) higher than the consolidated general government debt ratio published by Eurostat in its news release 149/2012 of 22 October 2012.

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

(Continued on the next page)

Box (continued)

General government debt projections for individual Member States in 2012-14 include the impact of guarantees to the EFSF,(2) bilateral loans to other Member States, and the participation in the capital of the ESM as planned on the cut-off date of the forecast (subject to approval).

Calendar effects on GDP growth and output gaps

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

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

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

PART II

Prospects by individual economy

Member States

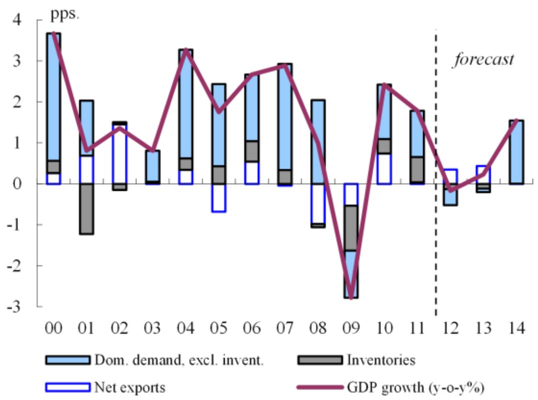
1. BELGIUM

Sluggish growth and ongoing fiscal consolidation

Timid export-led recovery in sight

After benefiting from a momentary revival in the first quarter of 2012, activity declined abruptly again in the second quarter before stabilising in the second half of the year. Factors such as the deceleration in global activity, tougher financial conditions, fiscal consolidation and persistent uncertainty are projected to contribute to the overall GDP contraction of 0.2% in 2012.

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



Activity is expected to start expanding again as of the second quarter of 2013. Annual GDP growth should then turn positive in 2013, though driven only by net exports. Specifically, due to the high degree of openness of the economy, Belgium is expected to take advantage to a certain extent of the recovery of world trade. In 2014, due to more dynamic private consumption, which will also push imports up, domestic demand is expected to become the sole contributor to growth with GDP expanding by 1.5%.

Specifically, private consumption is forecast to increase only modestly in 2013, given sluggish employment, associated weak disposable income growth and a projected decrease of the saving rate under a still uncertain economic environment. Besides, although Belgium benefits from lower spreads, reflecting a regain in confidence from financial markets, the fragile financial sector is tightening its credit conditions to the private sector, further deterring domestic demand. Confidence is expected to strengthen next year as the labour market stabilises and, concomitantly, disposable income increases.

Stepped-up uncertainty about economic prospects, tightened credit conditions and a capacity utilisation below its long-term average resulted in negative private investment in 2012. Investment is forecast to recover from the end of 2013 onwards, thanks to partially restored confidence in the business sector and improved demand expectations. Housing investment, affected by the decrease in disposable income, is not projected to turn positive until 2014. Public investment, strong in the run-up to the 2012 local elections is expected to drop by 6.7% in 2013 before turning positive again.

Against this background, domestic demand is not likely to contribute to growth this year but is expected to add 1.5 pps. in 2014. This will drive up imports, resulting in a zero contribution by net exports to GDP growth. This masks somehow Belgium's competitiveness problems, as exports will grow less than exports markets over the forecast horizon.

Risks are balanced. On the one hand, further budgetary consolidation measures and a further tightening of credit conditions may weigh more on domestic demand. On the other hand, a stronger than assumed global growth and a faster recovery of confidence could lead to increased dynamism during the recovery phase.

Delayed rise in unemployment, while inflationary pressure eases

Unemployment remained broadly stable during 2012 at 7.3%. Though the 2013-14 freeze in real wages announced in recent months should help to limit a further weakening of cost-competitiveness and hence non-cyclical job losses, the weak economic climate will drive up the ratio to 7.7% in 2013, consistent with the observed rise in the number of company closures. The unemployment rate is projected to remain stable in 2014.

On the back of falling energy prices, inflationary pressures are set to slow down from 2.6% in 2012 to 1.6% in 2013. The Belgian economy being highly energy intensive, this evolution reflects the assumed oil price decrease and government measures to enhance competition on the domestic gas and electricity markets. Nominal wage growth should see a comparable slowdown this year due to recent measures aiming at containing nominal wage dynamics.

Budget balance projected to wobble around the 3% of GDP threshold

The general government deficit is estimated to have reached 3.0% of GDP in 2012, excluding the potential deficit impact of the recapitalisation of Dexia. [26] After the cut-off date of the autumn forecast, the federal government had frozen around 0.1% of GDP of expenditure to address the budgetary impact of the economic slowdown, but this could not prevent Belgium from missing its own deficit target of 2.8% of GDP. Towards the year-end, revenues slowed down more than anticipated, while small spending overruns occurred in the social security.

Since the autumn forecast, the federal government agreed on a draft 2013 budget, which contains 0.8% of GDP of consolidation measures. However, the downward revision of growth and inflation since the autumn forecast drives up the 2013 deficit projections again, to 3% of GDP.

In 2014, the deficit is expected to rise to 3.2% of GDP, despite the better growth outlook. This is partially due to the large recourse to one-off measures, counting for about ½% of GDP in 2012 and ¼% of GDP in 2013. The structural budget balance is estimated to have improved by 0.7 pp. of GDP in 2012. In 2013 a further improvement in structural terms of 0.5 pp. is expected before a new deterioration in 2014, due to the rising trend of a number of expenditure categories, assuming no policy change.

The general government debt is estimated to have increased from 97.8% in 2011 to 99.8% of GDP in 2012. The impact of the recapitalisation of Dexia on the debt (0.8% of GDP) has been offset by the reimbursement of a loan by KBC. Under the current forecast, the debt ratio continues to rise in 2013 before stabilising at around 101% of GDP in 2014. Large contingent liabilities (around 15% of GDP) stemming from guarantees given to financial institutions represent an additional risk.

[26] A decision by Eurostat on the statistical treatment of the recapitalisation of Dexia by the Belgian State at the end of 2012 for an amount of EUR 2.9 billion (0.8% of GDP) is still pending.

Table II.1.1:

Main features of country forecast - BELGIUM

	2011			Annual percentage change						
	bn EUR Curr. prices		% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	369.8		100.0	2.1	-2.8	2.4	1.8	**-0.2**	**0.2**	**1.5**
Private consumption	194.7		52.6	1.6	0.6	2.7	0.2	**-0.6**	**0.1**	**1.8**
Public consumption	90.1		24.4	1.7	1.9	0.7	0.8	**0.1**	**0.1**	**0.4**
Gross fixed capital formation	76.4		20.7	2.5	-8.4	-1.4	4.1	**-0.3**	**-0.8**	**2.5**
of which : equipment	32.1		8.7	2.8	-11.1	-3.9	9.3	**0.4**	**-0.6**	**2.6**
Exports (goods and services)	311.9		84.3	4.5	-11.1	9.6	5.5	**0.8**	**1.4**	**3.3**
Imports (goods and services)	307.4		83.1	4.4	-10.6	8.9	5.6	**0.3**	**0.9**	**3.3**
GNI (GDP deflator)	373.9		101.1	2.1	-4.8	5.1	0.9	**-0.2**	**0.2**	**1.5**
Contribution to GDP growth :	Domestic demand			1.7	-1.1	1.3	1.1	**-0.4**	**-0.1**	**1.5**
	Inventories			0.1	-1.1	0.3	0.6	**-0.1**	**-0.1**	**0.0**
	Net exports			0.3	-0.5	0.7	0.0	**0.4**	**0.4**	**0.0**
Employment				0.9	-0.2	0.7	1.4	**0.2**	**0.0**	**0.9**
Unemployment rate (a)				8.3	7.9	8.3	7.2	**7.3**	**7.7**	**7.7**
Compensation of employees/head				3.0	1.2	1.4	3.1	**3.4**	**2.4**	**1.4**
Unit labour costs whole economy				1.8	3.9	-0.4	2.7	**3.8**	**2.1**	**0.8**
Real unit labour costs				-0.2	2.7	-2.3	0.6	**1.1**	**0.2**	**-1.0**
Saving rate of households (b)				17.7	18.3	15.4	14.4	**14.7**	**15.5**	**15.6**
GDP deflator				2.0	1.2	2.0	2.0	**2.7**	**2.0**	**1.8**
Harmonised index of consumer prices				2.1	0.0	2.3	3.5	**2.6**	**1.6**	**1.5**
Terms of trade of goods				-0.5	3.5	-2.1	-2.1	**0.3**	**0.4**	**0.0**
Merchandise trade balance (c)				2.8	-0.4	-0.7	-0.8	**-0.4**	**0.1**	**-0.1**
Current-account balance (c)				4.2	0.7	3.0	1.0	**1.5**	**2.0**	**1.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				4.1	0.3	2.9	0.9	**1.6**	**2.3**	**1.9**
General government balance (c)				-2.0	-5.5	-3.8	-3.7	**-3.0**	**-3.0**	**-3.2**
Cyclically-adjusted budget balance (c)				-2.2	-4.4	-3.2	-3.6	**-2.3**	**-2.0**	**-2.5**
Structural budget balance (c)				-	-3.8	-3.3	-3.4	**-2.7**	**-2.2**	**-2.5**
General government gross debt (c)				109.9	95.7	95.5	97.8	**99.8**	**100.8**	**101.1**

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

2. BULGARIA

Slow recovery ahead

Sluggish growth in 2012

Preliminary GDP data published for the first three quarters of 2012 indicates a deceleration of growth to below 1% in annual terms, down from 1.7% recorded in 2011. While the initial phase of the economic recovery over 2010-11 was driven by exports, whereas domestic demand contracted, this pattern appears to have changed in 2012. Domestic demand has taken over as the main growth driver, while net exports turned negative. A recovery in private consumption was the main driver of growth, along with a positive contribution from inventories. After three years of strong contraction, investment activity has also stabilised over 2012, supported mainly by public projects and some recovery in FDI, especially in the energy sector.

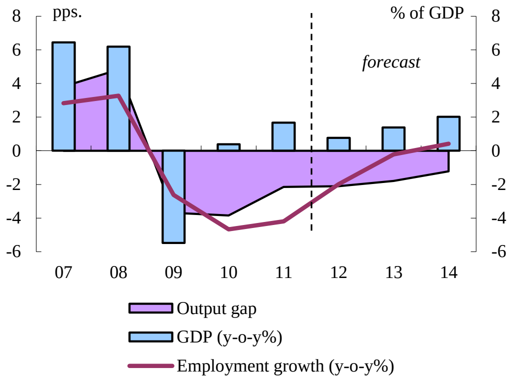
Domestic demand driving growth

GDP growth is projected to recover gradually to 1.4% in 2013 and further to 2% in 2014. The recent growth pattern is forecast to continue, with domestic demand leading the recovery. At the same time, net exports are expected to continue contributing negatively to growth in 2013 and, to a lesser extent, in 2014. While exports are forecast to benefit from the expected gradual recovery in the EU markets over 2013-2014, imports are set to grow even faster due to the revival of household consumption and investments. The current account is therefore forecast to slide into a deficit of 2% of GDP by 2014.

Domestic demand is expected to be supported by a stable overall domestic economic environment and relatively strong public finances upholding consumer confidence. Also, the financial sector is expected to contribute positively to growth. Recent monthly data from the banking sector suggest the continuation of a downward trend in both deposit and lending interest rates, which is expected to lead to a modest growth in credit and to support investment and consumption.

Household consumption is forecast to expand further in 2013-14, assuming a continuous increase in real incomes and a gradual recovery in household confidence. Investment would be initially driven by public sector projects funded by the EU. Private sector investment is seen to pick up gradually from the current relatively low post-crisis levels, in line with the economic recovery and easing financing conditions.

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



Risks related to this baseline scenario seem broadly balanced. The most significant downside risk is related to the current positive momentum in household consumption, which could reverse given that the Bulgarian labour market and household sentiment is still fragile, interlinked with euro-area turbulence. As an upside risk, exports could develop more favourably if the past trend of gains in global market shares resumes.

Structural mismatches in the labour market

Despite the modest GDP growth, the labour market has remained weak with employment down by over 4% in 2011 and by almost 2% in 2012. Unemployment has climbed to above 12% of the labour force in 2012. However, monthly and quarterly data indicates that these adverse employment and unemployment trends slowed towards the end of 2012.

Job cuts were related to a structural adjustment following the economic boom-bust cycle. Employment declined particularly among the low-skilled employees, in poorer regions and in the construction-related sectors. Skill and geographical mismatches as well as long-term unemployment have risen, which indicates that unemployment has become increasingly structural. This would slow a labour market rebound even when the economy picks up. The labour market is therefore forecast to turn to an only sluggish recovery over 2013-2014.

While employment trends have been weak, growth in wages and unit labour costs has been relatively strong and is expected to remain rapid. Wages are being pushed up by several factors, notably by wage convergence pressures from the lowest levels in the EU and by labour market mismatches.

Inflation to level off after a peak in Q3-2012

HICP inflation peaked in the third quarter of 2012 at 3% y-o-y, reflecting hikes in global energy, food and some administrative prices. Nevertheless, core inflation (excluding energy and unprocessed food prices) has remained more moderate at slightly above 1% y-o-y. Assuming a stabilisation of global energy and food prices going forward, headline HICP inflation is expected to level off at 2.6% in 2013 and 2.7% in 2014. Still, core inflation is projected to pick up given the rise in unit labour costs, the steady recovery in household demand and the ongoing convergence of domestic prices towards EU averages.

Fiscal position to stay strong

The general government fiscal deficit is forecast to have improved markedly from 2% of GDP in 2011 to 1% of GDP in 2012. The improvement was driven by exceptionally strong VAT revenues, which were boosted by strong domestic demand, imports and measures to improve tax compliance.

The fiscal deficit is set to weaken slightly to 1.3% in 2013, but to revert back to 1% of GDP in 2014. Although favourable revenue trends are expected to continue in 2013, expenditure is expected to increase even faster in that year. The most notable expenditure increases in the 2013 budget relate to raising pensions by 9.3% as of 1 April 2013, some increases in other social expenditure, wages of some specific professions and EU structural funds expenditure. Overall, the budget implies a slightly expansionary fiscal stance in 2013 and its reversal in 2014. The structural deficit is estimated to stay at around ½% of GDP over the forecast years. Given the scheduled repayment of one large government bond, general government gross debt is forecast to decline in 2013 from the previous year and settle at 17.3% of GDP in 2014.

Table II.2.1:

Main features of country forecast - BULGARIA

	2011			Annual percentage change					
bn BGN	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	75.3	100.0	2.5	-5.5	0.4	1.7	**0.8**	**1.4**	**2.0**
Private consumption	45.7	60.7	3.1	-7.6	0.1	-0.6	**3.6**	**3.2**	**3.5**
Public consumption	11.7	15.5	-1.9	-6.5	1.9	0.5	**0.1**	**1.1**	**0.6**
Gross fixed capital formation	15.7	20.9	-	-17.6	-18.3	-9.7	**1.7**	**3.4**	**4.1**
of which : equipment	-	-	-	-45.0	-18.5	-	**-**	**-**	**-**
Exports (goods and services)	50.1	66.5	-	-11.2	14.7	12.8	**-0.1**	**3.1**	**4.5**
Imports (goods and services)	49.6	65.8	-	-21.0	2.4	8.5	**4.4**	**5.2**	**5.8**
GNI (GDP deflator)	73.3	97.4	-	-3.1	0.6	1.0	**1.0**	**1.6**	**2.2**
Contribution to GDP growth : Domestic demand			-	-12.0	-4.9	-2.5	**2.6**	**2.9**	**3.2**
Inventories			-	-3.4	-0.4	1.8	**1.2**	**0.0**	**0.0**
Net exports			-	10.0	5.6	2.3	**-3.0**	**-1.5**	**-1.2**
Employment			-	-2.6	-4.7	-4.2	**-1.9**	**-0.2**	**0.6**
Unemployment rate (a)			-	6.8	10.3	11.3	**12.2**	**12.2**	**11.9**
Compensation of employees/head			-	9.4	11.2	7.3	**5.3**	**5.1**	**5.5**
Unit labour costs whole economy			-	12.7	5.6	1.1	**2.5**	**3.5**	**4.0**
Real unit labour costs			-	8.1	2.7	-3.7	**0.3**	**0.8**	**1.0**
Saving rate of households (b)			-	-3.0	-3.7	-	**-**	**-**	**-**
GDP deflator			40.8	4.3	2.8	5.0	**2.1**	**2.6**	**2.9**
Harmonised index of consumer prices			-	2.5	3.0	3.4	**2.4**	**2.6**	**2.7**
Terms of trade of goods			-	0.6	2.3	1.4	**-0.7**	**-0.6**	**-0.2**
Merchandise trade balance (c)			-10.0	-12.0	-7.7	-5.1	**-9.0**	**-10.9**	**-12.3**
Current-account balance (c)			-7.3	-9.0	-0.4	1.7	**-0.7**	**-1.6**	**-2.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-7.3	-7.6	0.3	2.9	**0.5**	**-0.2**	**-0.4**
General government balance (c)			-	-4.3	-3.1	-2.0	**-1.0**	**-1.3**	**-1.0**
Cyclically-adjusted budget balance (c)			-	-3.4	-2.1	-1.4	**-0.3**	**-0.5**	**-0.3**
Structural budget balance (c)			-	-3.4	-2.0	-1.4	**-0.3**	**-0.5**	**-0.3**
General government gross debt (c)			-	14.6	16.2	16.3	**18.9**	**17.1**	**17.3**

(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.

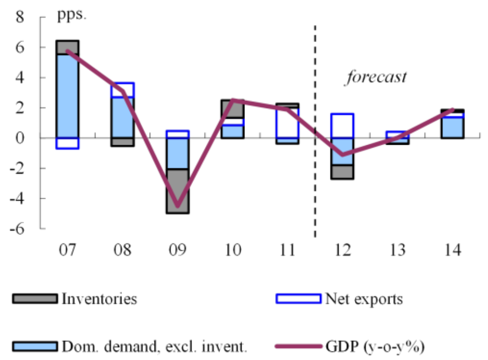
3. THE CZECH REPUBLIC

Anaemic consumption and a fragile labour market

Stagnation in 2013 followed by slow recovery

The Czech economy posted negative GDP growth in 2012, having continued to shrink for four consecutive quarters. The main driver of the decline was domestic demand, which was hit by several negative factors. Hikes in energy and food prices amidst ongoing fiscal consolidation and weak wage growth took the biggest toll on household consumption. The outlook for 2013 is one of stagnation as the domestic demand is projected to remain weak, while external demand is set to pick up and shore up output only in the second half of the year.

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



Lower job security weighs on spending

Throughout 2012, household consumption experienced losses as the saving rate rebounded to a level near 11%. This development is consistent with falling real disposable income and expectations of further fiscal tightening. It is, however, somewhat surprising, because it took place against a background of growing domestic employment and only a moderate rise in the unemployment rate. However, this labour market performance masks a persistent shift of labour from regular employment to self-employment as well as cuts in hours worked. Households are therefore under pressure not only from weak income growth but also from lower job security, with a clear impact on confidence. The saving rate is projected to rise further over the forecast horizon also on account of the introduction of a new funded pension pillar in 2013. Consumption is therefore expected to decrease again in 2013 and to only edge upwards again in 2014.

In view of the spare production capacities and falling new orders in industry, fixed capital formation is also expected to stagnate in 2013. Construction investment is, however, forecast to contract further, as short-term indicators on construction activity do not suggest a quick recovery and favourable financing conditions are mostly used to refinance existing mortgages. The expected recovery in both domestic and foreign demand should help lift investment in 2014.

Trade surplus continues to rise

Export growth eased in recent quarters. However, as demand from the non-European economies is still holding up, Czech exports should overcome the soft short-term spell relatively quickly and pick up again in 2014, in line with the expected recovery in international trade. Stagnant demand is projected to weigh on imports and to give rise to a record trade surplus of 4.1% of GDP in 2013. The lower net borrowing needs of the government and of households are expected to narrow the external financing gap to close to 1% of GDP.

Price and wage growth remains subdued

Consumer prices are projected to grow by 2.1% in 2013. The January 2013 increases of VAT rates and of other excise taxes are estimated to account for 1.1 pps. of this rise. By contrast, energy and food inflation are expected to ease off in the first half of 2013 and overall inflation should remain subdued over the forecast horizon in the absence of near-term demand pressures.

Nominal wage growth slowed in 2012, in view of the lower labour demand, and it is expected to remain moderate also in 2013. Despite that, competitiveness, measured by the unit labour costs, deteriorated in 2012 as employers have so far tended to hoard labour in the current slowdown. The growth in unit labour costs is projected to diminish by 2014.

Risks to this outlook are still tilted to the downside. Should the recovery be delayed and sentiments change, unemployment could rise by more than expected, further weakening real disposable income.

Persistent general government deficit

After the sizeable reduction achieved in 2011, the headline general government deficit is expected to increase to 5.2% of GDP in 2012. This reflects the combined impact of two one-off operations, as well as revenue shortfalls. The adoption of the long-pending law on financial compensations to churches led to a one-off increase in the deficit by 1.5 pps. of GDP in 2012.[27] Irregularities in the management of EU funds resulted in financial corrections, with a one-off deficit-increasing impact of 0.3 pp. of GDP. The data for 2012 suggest a continued reduction in public investment and intermediate consumption, but stronger growth of public sector wages.

The general government balance is projected to improve to -3.1% of GDP in 2013 on the back of new consolidation measures (1.4 pps. of GDP), spread equally on the revenue and expenditure side. The deficit-increasing impact of the launch of the fully-funded pension pillar in 2013 was revised down from 0.2 pp. of GDP to 0.1 pp. due to lower-than-expected participation in the new pillar at the beginning of the year. After posting a strong decline in previous years, public investment in value terms is projected to stagnate while government consumption slowly picks up. The structural deficit is projected to decline from 2.4% in 2012 to 2.2% of GDP in 2013.

In 2014, the general government balance is forecast to remain largely unchanged. Despite planned across-the-board cuts at the central level of 0.3% of GDP, public consumption and investment are expected to increase moderately. Revenues are expected to benefit from stronger activity and from further hikes in excise duties. Interest expenditure is projected to increase due to the rising debt-to-GDP ratio, which is forecast to be 49.5% of GDP in 2014. The structural deficit would reach 2.1% of GDP in 2014.

The fiscal forecast is subject to risks related to a higher-than-expected participation in the fully-funded pension pillar. Larger-than-planned deficits at the regional level and failure to fully implement planned expenditure cuts could also weigh on the budgetary outcome.

(27) The forecast assumes that the impact of financial compensations to churches will be recorded in 2012, not in any way prejudging the final Eurostat ruling on its recording.

Table II.3.1:

Main features of country forecast - THE CZECH REPUBLIC

		2011		Annual percentage change						
		bn CZK Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		3841.4	100.0	3.2	-4.5	2.5	1.9	**-1.1**	**0.0**	**1.9**
Private consumption		1950.2	50.8	3.4	0.2	1.0	0.7	**-3.0**	**-0.5**	**1.5**
Public consumption		792.9	20.6	1.2	4.0	0.5	-2.5	**-1.1**	**-0.8**	**0.1**
Gross fixed capital formation		917.3	23.9	5.6	-11.0	1.0	-0.7	**-0.2**	**0.2**	**2.5**
of which : equipment		394.8	10.3	7.5	-18.8	6.0	0.0	**4.4**	**2.0**	**3.5**
Exports (goods and services)		2786.8	72.5	10.2	-10.9	15.5	9.4	**4.3**	**2.4**	**5.6**
Imports (goods and services)		2632.3	68.5	11.8	-12.1	15.8	6.7	**2.3**	**2.1**	**5.6**
GNI (GDP deflator)		3572.2	93.0	-	-6.5	1.6	2.4	**-1.4**	**-0.1**	**1.9**
Contribution to GDP growth :	Domestic demand			3.5	-2.1	0.9	-0.4	**-1.8**	**-0.4**	**1.4**
	Inventories			0.1	-2.9	1.2	0.2	**-0.9**	**0.0**	**0.1**
	Net exports			-0.4	0.5	0.5	2.0	**1.6**	**0.4**	**0.4**
Employment				-	-1.8	-1.0	0.3	**0.2**	**-0.1**	**0.5**
Unemployment rate (a)				-	6.7	7.3	6.7	**7.0**	**7.6**	**7.3**
Compensation of employees/head				-	-0.6	3.6	2.7	**1.8**	**1.8**	**2.7**
Unit labour costs whole economy				-	2.2	0.0	1.1	**3.1**	**1.7**	**1.3**
Real unit labour costs				-	-0.1	1.4	1.9	**2.2**	**0.4**	**0.2**
Saving rate of households (b)				-	11.2	11.3	9.6	**10.9**	**11.1**	**11.3**
GDP deflator				6.0	2.3	-1.4	-0.8	**0.9**	**1.3**	**1.1**
Harmonised index of consumer prices				-	0.6	1.2	2.1	**3.5**	**2.1**	**1.6**
Terms of trade of goods				-	2.5	-2.3	-2.2	**-0.9**	**-0.1**	**-0.3**
Merchandise trade balance (c)				-2.6	2.3	1.4	2.3	**3.9**	**4.1**	**4.2**
Current-account balance (c)				-3.0	-3.3	-5.2	-3.9	**-2.9**	**-2.7**	**-2.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-3.0	-1.2	-3.1	-2.0	**-1.5**	**-1.0**	**-1.2**
General government balance (c)				-	-5.8	-4.8	-3.3	**-5.2**	**-3.1**	**-3.0**
Cyclically-adjusted budget balance (c)				-	-5.4	-4.7	-3.3	**-4.5**	**-1.9**	**-2.1**
Structural budget balance (c)				-	-5.8	-4.8	-3.1	**-2.4**	**-2.2**	**-2.1**
General government gross debt (c)				-	34.2	37.8	40.8	**45.5**	**48.0**	**49.5**

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

4. DENMARK

Gradually gaining traction

Economy lost momentum in 2012

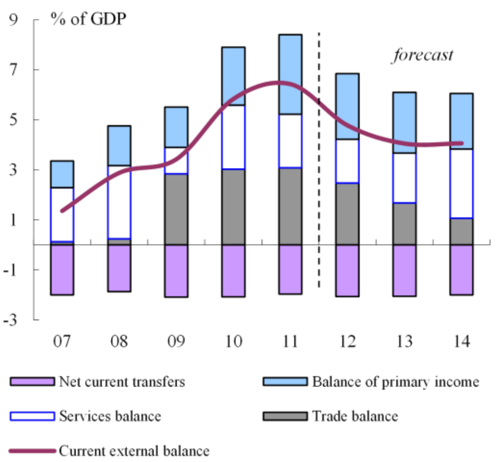
Real GDP is estimated to have declined by 0.4% in 2012, implying a significant downward correction by about 1 pp. compared with the autumn 2012 forecast. The main reason is a substantial statistical downward revision of growth in the first semester and an unanticipated drop in export activity in the second semester as a result of the rapid worsening of the external economic environment. For the year as a whole, exports of goods and services are estimated to have grown by 1.5%, in line with the pace of external demand. Private consumption expenditure was dragged down by subdued consumer confidence and the deleveraging pressure on highly indebted households. Against this background, government initiatives to boost household spending, such as the pay-out of voluntary early retirement pension (VERP) contributions, had only a limited impact on demand and increased household savings instead. Private consumption is thus estimated to have increased by only by 0.6% in 2012. Domestic demand was seemingly also dented by a negative inventory effect as companies started selling off stocks accumulated in 2010-11. The subdued economic activity took its toll on the labour market, with employment estimated to have fallen by 0.6% and the average annual unemployment rate peaking at 7.7%, which is high by historical standards.

Recovery in 2013 to be supported by policy measures

Economic growth is forecast to reach around 1% in 2013 and to pick up further to 1¾% in 2014. The economy is expected to gain momentum in 2013 on the back of economic policy measures and an expected recovery of external demand, before entering a more self-sustained growth path in 2014. In particular, machinery and equipment investment is projected to receive a temporary boost from the 'investment window' tax breaks introduced last year, but also from sustained low interest rates. In contrast, construction activity is set to remain weak, reflecting subdued house price developments. As a result, gross fixed capital formation is forecast to increase by 4½% in 2013, but slow down again in 2014.

Private consumption is forecast to accelerate in the course of 2013. Its dynamics will be determined by two countervailing forces: low interest rates and policy measures aimed at increasing disposable income should support private consumption while continued deleveraging needs and the past house price correction suggest strong savings incentives. These forces are expected to have a neutral net effect on the household saving rate and private consumption expenditure is projected to increase by around 1% this year with growth accelerating to some 2% in 2014. Net exports will continue to subtract from growth in 2013 but are expected to provide a positive contribution in 2014, as export growth is catching up with import growth on the back of strengthening external demand and improvements in price competitiveness.

Graph II.4.1: **Denmark - Current account decomposition**



Price competitiveness set to further improve

HICP inflation is set to ease this year following excise tax cuts. This together with a subdued recovery of the labour market is expected to keep wage growth contained. An expected average annual productivity growth of about 1¼% should limit unit-labour-costs increases over the forecast horizon and support the further improvement in external price competitiveness. This should contribute to stabilising the external balance of goods and services, which have come down somewhat from its peak in 2010. However, as a result of solid primary income surpluses thanks to a strong net foreign asset position, the current account is expected to maintain solid surpluses.

Risks to the macroeconomic outlook are tilted to the downside. Policies aimed at boosting household consumption have so far shown muted results and companies may not take advantage of the 'investment window' tax breaks if domestic demand remains sluggish and the recovery of the external demand turns out to be weaker than expected. On the positive side, through its tight inter-linkages with the euro area Denmark could benefit from improvements in sentiment in the economies of the single currency.

Fiscal policy resisting pressures

The general government deficit is estimated to have widened to 4% of GDP in 2012, due in particular to the higher-than-expected one-off pay-out of VERP contributions. Also unemployment benefits have turned higher than expected because of stronger rise in the number of jobless. At the same time, municipalities cut back public consumption by more than expected, as a result of the introduction of sanctions in case of breach of the agreed expenditure ceilings.

The general government deficit is expected to decrease again this year to 2.7% and increase moderately in 2014 to 2.8%. The slight worsening of the budgetary outlook compared with the autumn forecast is due to lower projected economic growth and its impact on tax revenues. This projection is subject to upside risks, in particular in 2013, related to revenues from the tax on capital pension schemes.

The structural balance is projected to deteriorate from a surplus of ¼% of GDP in 2012 to deficits of the same size in 2013 and of about ½% in 2014. However, the structural balance includes very volatile revenue items such as the receipts from North Sea oil and the pension yield tax. Net of these items, the structural balance is projected to gradually improve over the forecast horizon with an average annual fiscal effort of 0.5% of GDP from 2011 up until 2013.

Government debt is projected to rise at a relatively low level and stay below 50% of GDP over the entire forecast horizon.

Table II.4.1:

Main features of country forecast - DENMARK

	2011				Annual percentage change					
	bn DKK	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		1791.5	100.0	2.1	-5.7	1.6	1.1	-0.4	1.1	1.7
Private consumption		874.5	48.8	2.0	-3.6	1.7	-0.5	0.6	1.1	2.1
Public consumption		508.1	28.4	2.1	2.1	0.4	-1.5	0.2	1.2	1.3
Gross fixed capital formation		308.9	17.2	3.7	-15.9	-2.4	2.9	1.1	4.4	0.6
of which : equipment		108.2	6.0	4.0	-16.1	-0.9	-3.1	7.0	11.0	-1.8
Exports (goods and services)		956.8	53.4	4.8	-9.5	3.0	6.5	1.5	2.4	5.1
Imports (goods and services)		863.3	48.2	6.0	-12.3	3.2	5.6	3.0	3.7	5.1
GNI (GDP deflator)		1848.5	103.2	2.3	-5.7	2.3	1.2	-1.0	0.9	1.5
Contribution to GDP growth :	Domestic demand			2.3	-4.5	0.5	-0.2	0.5	1.7	1.5
	Inventories			0.1	-2.3	1.0	0.5	-0.3	0.0	0.0
	Net exports			-0.3	1.1	0.0	0.8	-0.7	-0.6	0.2
Employment				0.7	-2.4	-2.3	-0.4	-0.6	-0.1	0.1
Unemployment rate (a)				5.6	6.0	7.5	7.6	7.7	8.0	7.9
Compensation of employees/head				3.5	2.3	2.7	1.6	1.6	1.5	1.6
Unit labour costs whole economy				2.1	5.9	-1.2	0.1	1.3	0.3	0.1
Real unit labour costs				0.0	5.2	-5.1	-0.6	-0.2	-1.1	-1.6
Saving rate of households (b)				6.4	8.5	6.8	6.6	6.4	6.7	6.3
GDP deflator				2.1	0.7	4.1	0.6	1.5	1.4	1.7
Harmonised index of consumer prices				2.0	1.1	2.2	2.7	2.4	1.5	1.5
Terms of trade of goods				0.9	0.8	1.0	-1.7	-0.5	0.1	0.1
Merchandise trade balance (c)				3.3	2.8	3.0	3.1	2.5	1.7	1.1
Current-account balance (c)				2.1	3.4	5.9	5.6	4.8	4.1	4.1
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				2.2	3.4	5.9	5.9	3.5	3.9	4.2
General government balance (c)				0.8	-2.7	-2.5	-1.8	-4.0	-2.7	-2.8
Cyclically-adjusted budget balance (c)				0.3	0.2	-0.2	0.3	-1.3	0.0	-0.5
Structural budget balance (c)				-	0.2	-0.2	0.3	0.3	-0.3	-0.5
General government gross debt (c)				54.4	40.7	42.7	46.4	45.6	45.9	47.3

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

5. GERMANY

Gradual recovery following a temporary setback

Delayed expansion of economic activity

The economic slowdown intensified at the end of the last year. According to the official flash estimate, GDP contracted by 0.6% q-o-q (seasonally and working-day adjusted) in the fourth quarter of 2012 following a moderate expansion of 0.2% in the third quarter. In 2012 as a whole, real GDP increased by 0.7%, 0.1 pp. less than projected in the autumn forecast.

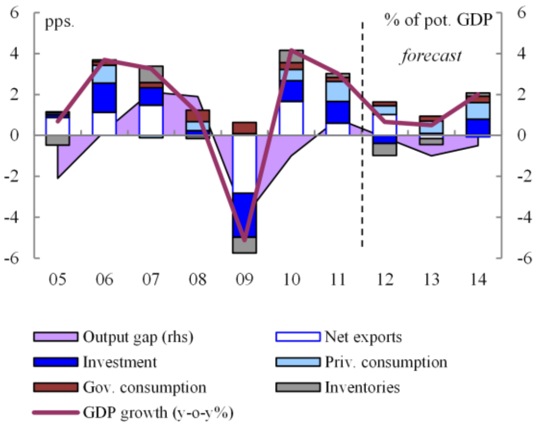
Economic activity appears to have troughed, although adverse effects from exceptional factors like weather conditions cannot be ruled out. The assessment by firms of the current business situation has remained virtually stable for three months and the simultaneous significant improvement of business expectations points towards a recovery in the near future. The return of confidence is supported by an increase in industrial orders from abroad in the final quarter of 2012, which is reflected in export expectations having returned to positive levels.

The sound fundamentals of the German economy, including in particular the robust labour market and strong competitiveness, together with an improving external environment, should enable economic activity to regain momentum in the course of this year. However, the carry-over effect of weaker-than-expected GDP growth in the second half of 2012 weighs on full-year growth in 2013, which is projected to be 0.5%, hence 0.3 pp. lower than predicted by the autumn forecast. GDP growth is forecast to pick up to 2.0% in 2014.

Reaccelerating trade and strengthening domestic demand

The brighter external outlook should stimulate domestic demand for investment goods. Although capacity utilisation in manufacturing has improved recently, the bias in investment motives towards replacement, rationalisation and product innovation should remain in place for the time being. In the medium term, high employment in combination with the structural rise in capital intensity should underpin capacity investments. Supported by favourable financing conditions, along with dissipating uncertainty and reaccelerating export growth, postponed investments are likely to be increasingly carried out in the course of this year. Import growth should outperform export growth in 2013 and 2014, with the net effect of a narrowing of the current-account surplus, due to the demand arising from the high import content of revived equipment investments and exports, solid private consumption and buoyant housing investment.

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



Employment is projected to expand a little over the forecast horizon, although its increase exceeded output gains in 2012. The unemployment rate is expected to rise slightly and temporarily due to growing labour supply. Hours worked per employee were reduced in 2012 in order to avoid layoffs of qualified staff during the recent economic slowdown. Together with a reduction in the pension contribution rate, this is expected to contain the increase in compensation per employee below the rise in agreed wages this year. Hours worked should gradually recover, resulting in an accelerated increase in compensation per employee in 2014. Rising incomes and low interest rates should underpin robust private consumption and the scope for the household saving rate to continue its downward trend.

While higher labour costs should gradually be passed on to consumers, the assumed decline in commodity prices tends to lower price pressures. The impact on consumer prices of the increase in the surcharge on electricity prices for feeding-in renewable energy is expected to be broadly offset by the abolition of the quarterly fee to be paid by patients for medical treatments. Overall, inflation is projected to decline further to 1.8% in 2013 and 1.7% in 2014.

Structural budget balance at the medium-term objective and a declining debt ratio

According to the first official estimate, the general government budget balance improved from a deficit of 0.8% of GDP in 2011 to a slight surplus of 0.1% of GDP in 2012. This improvement resulted in particular from still-buoyant tax revenues and moderate welfare spending thanks to marked employment growth and wage increases, although tax revenues decelerated significantly towards the end of the year. The phase-out of the remaining stimulus measures and lower interest payments should also have contributed to the improvement. Given the weaker growth outlook for this year, the deceleration of tax revenues can be expected to continue, in particular with respect to profit-related taxes. The reduction in the pension contribution rate by 0.7 pp., the abolition of the quarterly fee for medical treatments and the increase in the minimum income tax allowance will also lower revenues, while the agreed and upcoming wage settlements in the public sector are expected to increase expenditure. Overall, the general government budget is forecast to turn into a slight deficit of 0.2% of GDP in 2013 and to be balanced once again in 2014. With a structural budget surplus of about ½% of GDP in 2012, which is projected to broadly stabilise over the forecast horizon, Germany is expected to have met its medium-term budgetary objective.

Gross debt increased in 2012 mainly as a result of the euro-area stabilisation measures and another transfer of impaired assets in the context of the winding-up of the former *Landesbank* WestLB. The denominator effect of GDP growth is expected to lower the gross debt ratio in the following years.

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

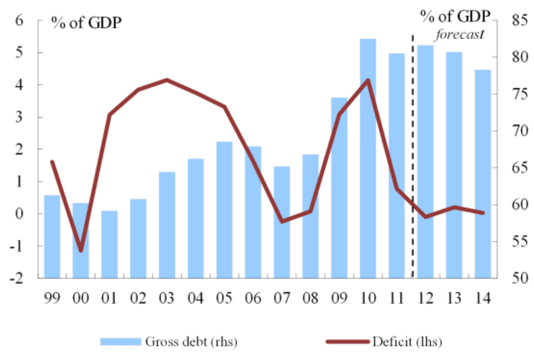


Table II.5.1:

Main features of country forecast - GERMANY

	2011			Annual percentage change					
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	2592.6	100.0	1.5	-5.1	4.2	3.0	**0.7**	**0.5**	**2.0**
Private consumption	1487.7	57.4	1.1	0.1	0.9	1.7	**0.8**	**1.0**	**1.4**
Public consumption	499.8	19.3	1.5	3.0	1.7	1.0	**1.0**	**1.2**	**1.6**
Gross fixed capital formation	469.9	18.1	1.1	-11.6	5.9	6.2	**-2.1**	**0.6**	**4.5**
of which : equipment	183.2	7.1	2.4	-22.5	10.3	7.0	**-4.4**	**-0.9**	**7.2**
Exports (goods and services)	1300.8	50.2	6.2	-12.8	13.7	7.8	**4.1**	**3.3**	**6.1**
Imports (goods and services)	1169.2	45.1	5.4	-8.0	11.1	7.4	**2.3**	**4.1**	**7.0**
GNI (GDP deflator)	2640.9	101.9	1.5	-3.9	3.7	2.9	**0.8**	**0.4**	**1.9**
Contribution to GDP growth :	Domestic demand		1.1	-1.5	1.9	2.2	**0.2**	**0.9**	**1.9**
	Inventories		-0.1	-0.8	0.6	0.2	**-0.6**	**-0.3**	**0.2**
	Net exports		0.5	-2.8	1.7	0.6	**1.0**	**-0.2**	**-0.1**
Employment			0.2	0.1	0.6	1.4	**1.1**	**0.1**	**0.3**
Unemployment rate (a)			8.9	7.8	7.1	5.9	**5.5**	**5.7**	**5.6**
Compensation of employees/head			2.0	0.2	2.4	3.0	**2.4**	**2.4**	**3.1**
Unit labour costs whole economy			0.8	5.6	-1.1	1.4	**2.8**	**2.0**	**1.4**
Real unit labour costs			-0.6	4.4	-2.0	0.6	**1.5**	**0.4**	**-0.1**
Saving rate of households (b)			16.3	17.0	16.9	16.5	**16.4**	**16.2**	**16.0**
GDP deflator			1.3	1.2	0.9	0.8	**1.3**	**1.5**	**1.5**
Harmonised index of consumer prices			-	0.2	1.2	2.5	**2.1**	**1.8**	**1.7**
Terms of trade of goods			0.2	6.0	-2.5	-2.7	**-0.4**	**0.1**	**-0.2**
Merchandise trade balance (c)			4.6	5.6	6.3	6.0	**6.7**	**6.6**	**6.4**
Current-account balance (c)			1.4	6.0	6.1	5.6	**6.3**	**6.0**	**5.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			1.4	6.0	6.1	5.6	**6.3**	**6.0**	**5.5**
General government balance (c)			-2.7	-3.1	-4.1	-0.8	**0.1**	**-0.2**	**0.0**
Cyclically-adjusted budget balance (c)			-2.9	-0.8	-3.6	-1.3	**0.1**	**0.4**	**0.3**
Structural budget balance (c)			-	-0.8	-2.4	-1.0	**0.4**	**0.4**	**0.3**
General government gross debt (c)			59.4	74.5	82.5	80.5	**81.6**	**80.7**	**78.3**

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

6. ESTONIA

Growing strongly, in tune with the other Baltic States

GDP growth is becoming more balanced…

Sound fiscal policy combined with remarkable adjustment capacity of the economy has supported Estonia’s resilience to the sovereign-debt crisis. Estonia’s 3.2% economic growth in 2012 was supported by robust domestic demand and moderate export growth. In 2013, the forecast GDP growth of 3% is expected to be more balanced and should continue to converge to its long-term average trend, reaching 4% in 2014. Risks to the forecast appear broadly balanced and mainly related to the external sector.

... as export growth regains momentum…

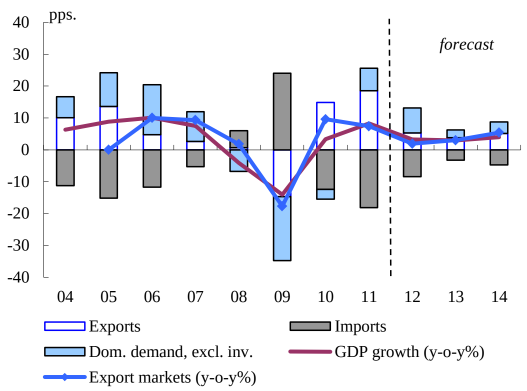
Export growth slowed down last year, while industrial production volumes stabilised. This largely reflects a lower growth in manufacturing, and lower demand, notably for oil-shale energy production. As employment continued to grow, this fed into a moderate increase in unit labour costs. Despite the ongoing economic slowdown of Estonia's main trading partners, the manufacturing and exports of electronic products regained momentum in the course of last year. As productivity growth reverted to positive values in manufacturing, it has broadly equalled wage growth for the country as a whole since spring 2012. In the foreseeable future, the relatively good economic performance of Russia, and Russia's accession to the WTO are expected to have a positive effect on Estonia’s foreign trade. Based on a progressive recovery of Estonia's main trading partners from mid-2013, export growth is expected to continue supporting GDP, with a strong trade surplus in services more than offsetting a reducing trade deficit in goods.

... and domestic demand moderates…

Domestic demand was robust in 2012, supported by a favourable labour market situation and strong fixed investment. Investment growth is forecast to slow down from 23.3% in 2012 to 2.6% this year. The major reason for this slowdown is the contraction in public investment as the majority of projects financed through the revenue from the sale of excess greenhouse gas emission certificates will end and that EU co-funded projects have been completed. In 2013, corporate investment is expected to offset the fall in public investment as export possibilities are set to expand. Backed by low interest rates and a recovering lending activity, private-sector deleveraging is coming to a halt. Nevertheless, the high loan stock will likely remain a drag on credit growth.

Consumption growth was firm throughout 2012, registering only a slight deceleration as retail trade growth slowed to 5-6% at year-end. Rapidly falling unemployment and increasing real wages, combined with a consumer confidence above long-term average, fed into still strong consumption growth which is nevertheless forecast to slow from 4.2% in 2012 to 3% in 2013 as labour income growth moderates. In addition, the planned increase in some benefits and pensions should support the ability of poorer households to cope with high inflation and to uphold consumption.

Graph II.6.1: **Estonia - GDP growth and contributions**



… in a still broadly balanced labour market …

The unemployment rate (age 15-74) continued to decline rapidly to 9.3% in the fourth quarter of 2012 as output growth rebounded. The labour force participation ratio remained historically high and is assumed to increase further due to the changing age structure. Employment growth has been sustained at 2.6% in 2012, but is temporarily decelerating due mainly to a seasonal effect. Nominal wage growth is expected to stabilise at around 5.4% in 2013 and 6.1% in 2014, with real wage growth increasingly positive at 1.8% in 2013 and 2.9% in 2014. Vacancy rates were again lower, calming fears that skill mismatches could soon push up wage growth even further and hamper competitiveness and recovery.

...with slowly declining inflation

As global commodity prices declined in the last quarter of the year, the 12-month-average HICP inflation receded to 4.2% at end-2012. It is expected to stabilise until late 2013. Inflation in 2013 will be affected by administrative changes that will mainly push prices up: most importantly, increases by 5-6% in alcohol and tobacco excises and the full opening of Estonia's electricity market, which will be accompanied by higher transfer fees. The introduction of free public transport in Tallinn will offset price increases to some extent. Overall, declining global commodity prices in 2013 and 2014 are assumed to ensure that inflation will continue its slow decline. Finally, as wage growth remained moderate in the second half of 2012 and core inflation remains tamed, there is no short-term risk of significant wage inflation. However, the unemployment rate has already dropped to the NAWRU so that this might become an issue in the coming quarters.

Public finances in order

A deficit of 0.5% of GDP is forecast for 2012. With strong tax-revenue collection and a small budget deficit in November, the fiscal outcome has been considerably better in 2012 than the targeted deficit of 2.6% of GDP planned in the Stability Programme update of spring 2012.

This year, one-off expenditure factors will scale down and the budget deficit is expected to improve to 0.4% of GDP. In 2014, the fiscal balance is projected to revert to a surplus of 0.2% of GDP. The unfreezing of the public wage bill with a planned wage increase of 4.4% for civil servants, along with a pension increase of 5% and a cut in the unemployment insurance premium by 1.2 pps. to 3% as fixed in the 2013 state budget, will add pressures to the budget balance. Local elections in October 2013 might also have an impact on public expenditure.

Net of cyclical and one-off effects, the general government structural balance is forecast to have reached a surplus of 0.1% of GDP in 2012 and is expected to fluctuate around balance thereafter. The general government debt will increase over the forecast horizon from 10.5% of GDP in 2012 to 11.3% in 2014, mostly owing to the EFSF and ESM contributions. In addition, a capital injection into the state-owned electricity company is also set to increase the public debt.

Table II.6.1:

Main features of country forecast - ESTONIA

	2011		Annual percentage change						
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	16.0	100.0	-	-14.1	3.3	8.3	**3.2**	**3.0**	**4.0**
Private consumption	8.2	51.1	-	-14.8	-2.4	3.5	**4.2**	**3.0**	**3.5**
Public consumption	3.1	19.5	-	-1.9	-0.8	1.4	**2.8**	**1.0**	**0.3**
Gross fixed capital formation	3.5	21.7	-	-38.3	-7.4	25.7	**23.3**	**2.6**	**6.9**
of which : equipment	1.6	10.2	-	-55.0	2.2	102.7	**13.1**	**9.5**	**11.5**
Exports (goods and services)	14.6	91.5	-	-20.6	22.9	23.4	**5.8**	**4.1**	**5.6**
Imports (goods and services)	14.0	87.6	-	-32.0	21.0	25.0	**9.6**	**3.5**	**5.2**
GNI (GDP deflator)	15.1	94.7	-	-12.4	0.8	8.7	**4.2**	**3.0**	**4.3**
Contribution to GDP growth : Domestic demand			-	-20.1	-3.0	7.0	**7.8**	**2.4**	**3.6**
Inventories			-	-2.1	4.1	2.1	**-1.5**	**0.0**	**0.0**
Net exports			-	9.4	2.5	0.4	**-3.1**	**0.5**	**0.4**
Employment			-1.3	-10.0	-4.8	7.0	**2.1**	**0.3**	**1.1**
Unemployment rate (a)			-	13.8	16.9	12.5	**10.0**	**9.8**	**9.0**
Compensation of employees/head			-	-3.2	1.8	-0.2	**5.4**	**5.4**	**6.1**
Unit labour costs whole economy			-	1.4	-6.2	-1.4	**4.2**	**2.7**	**3.1**
Real unit labour costs			-	2.8	-6.8	-4.2	**1.5**	**-0.3**	**0.0**
Saving rate of households (b)			-	11.4	6.7	5.6	**3.1**	**1.7**	**1.0**
GDP deflator			-	-1.4	0.7	2.9	**2.7**	**3.1**	**3.1**
Harmonised index of consumer prices			-	0.2	2.7	5.1	**4.2**	**3.6**	**3.2**
Terms of trade of goods			-	0.9	-1.6	-4.0	**-2.1**	**0.0**	**0.1**
Merchandise trade balance (c)			-	-4.4	-2.7	-3.8	**-6.6**	**-5.6**	**-4.6**
Current-account balance (c)			-	4.2	3.2	0.3	**-2.7**	**-2.3**	**-1.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	7.7	6.8	4.5	**1.1**	**0.6**	**0.6**
General government balance (c)			-	-2.0	0.2	1.1	**-0.5**	**-0.4**	**0.2**
Cyclically-adjusted budget balance (c)			-	0.8	1.9	1.0	**-0.9**	**-0.7**	**-0.2**
Structural budget balance (c)			-	-1.1	-1.1	-0.7	**0.1**	**-0.3**	**0.2**
General government gross debt (c)			-	7.2	6.7	6.1	**10.5**	**11.8**	**11.3**

(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

Easing financing conditions and a modest growth recovery

2012 growth stronger than expected

Stronger data than expected for the third quarter of 2012 and upward revisions to GDP in the first and second quarter brought real GDP growth to above 0.8% during the first three quarters of 2012 compared to the same period of the previous year. Growth was more broad-based than during the last few years, with not only net exports but also investment and private consumption showing positive growth rates in year-on-year terms (the latter category for the first time since 2010). Nominal GDP grew by 3.5% during the same period mainly on the back of strongly increasing trade prices. Several positive releases of high-frequency indicators such as tax collections, retail sales, unemployment, real estate prices and PMIs also appear to suggest a relatively resilient performance of the Irish economy throughout 2012.

Following these positive data developments, real GDP growth for 2012 has been revised up to 0.7% from 0.4% at the time of the autumn forecast. 2013 growth projections are left unchanged, as upside risks to domestic demand are expected to roughly offset increasing downside risks to trading partners' demand and export performance.

Positive signs from financial markets

Secondary market sovereign-bond yields have recently fallen down to their lowest level since April 2010, and especially so after the agreement on the promissory notes and the liquidation of the asset recovery bank IBRC in early February 2013. Ireland also issued a five-year syndicated bond at a yield of 3.3% in January 2013, while Treasury bill yields have fallen with each auction conducted, most recently to 0.2%. Lead by developments in sovereign yields, guaranteed bank-bond yields have also declined, and banks have recently issued non-guaranteed covered bonds on favourable terms. The sale of the government's holding of contingent convertible (CoCo) bonds in a domestic bank also further underscore the quickly improving market sentiment. Lower sovereign and bank funding costs have, however, not yet markedly translated into lower lending rates to households and corporates.

Domestic demand: the first signs of revival

While the positive investment data in the third quarter of 2012 was to a large extent driven by one-off events such as large purchases of transport equipment from aircraft leasing companies, there are signs that the investment cycle has bottomed out more generally. Going forward, the multinational (MNE) sector is expected to account for the bulk of investment, as credit constraints are still acute for domestic firms and fiscal consolidation continues apace. The pace of household deleveraging is expected to moderate slightly, improving prospects for private consumption over the projection period, although resolution of non-performing loans remains crucial to durably revive domestic demand. Faster progress in that area and positive confidence effects from resolution of macroeconomic and policy uncertainty are therefore important upside risks.

Mixed export performance

The relatively muted performance of goods exports throughout 2012 is expected to continue in the coming years due to the weakening trading partners' demand and expiring pharmaceutical patents, although high import content and low employment intensity in the pharmaceutical sector are reasons to believe that the eventual impact on GDP of the latter might be more muted. Supported by resilient services exports, the current-account surplus is expected to keep growing during the projection period, although worsening trading partners' demand would undermine this outlook.

Subdued labour market and inflation

Inflation abated at the end of 2012, bringing the annual average rate to 1.9%, and the unemployment rate eased to 14.6% in recent months from 15% a year earlier. Going forward, the absence of cost-push pressures both from abroad and the domestic economy is expected to result in relatively modest inflation. The weak demand in the employment-intensive economy coupled with some skills mismatches is expected to result in only slowly declining unemployment in the coming years.

Strong fiscal outturn improves prospects

The 2012 general government deficit is estimated at 7.7% of GDP – some ¾ pp. lower than projected in the autumn 2012 forecast. This is largely due to higher-than-planned one-off revenue from the sale of mobile spectrum licences, capital expenditure savings and stronger-than-expected tax revenue. Expenditure overruns in social and health services, linked to higher-than-expected unemployment and poor budget implementation, were partly offset by savings in other areas.

The fiscal deficit is projected at 7.3% of GDP in 2013 and 4.2% in 2014 – below the 2013 budget target in each year. [28] The better-than-expected tax revenue outturn in 2012, excluding one-off revenue surprises, improves fiscal balance by 0.1% of GDP over the forecast horizon. Liquidation of state-owned Irish Bank Resolution Corporation (IBRC) and related replacement of the promissory notes with long-term government bonds improves fiscal balance by 0.1% of GDP in 2013 and 0.7% in 2014. This operation reduces government interest costs and financing needs, as well as generates interest margin profit for the central bank. This forecast includes one-off payments to IBRC creditors of 0.6% of GDP in 2013, but excludes compensation for possible shortfall in IBRC asset sales by liquidator.

This forecast includes fiscal adjustment measures of 4.3% of GDP in 2013-14, of which about two-thirds is on the expenditure side and the rest on the revenue side. Among them 0.4% of GDP addresses the 2012 health spending overruns and brings expenditure in line with the ministerial ceilings. Expenditure is projected to be in line with the budget allocations and within the government expenditure ceilings for 2013-14.

The government debt-to-GDP ratio increased from 25% in 2007 to 106% in 2011, and will peak at around 122% in 2013 before declining. Moving from primary deficits into surplus in 2014 and the pick-up in economic growth will arrest debt dynamics. High precautionary cash balances stood at 11% of GDP at end-2012, but and are projected to decline to 7% by end-2014, thus contributing to gross debt reduction.

(28) The deficit forecast excludes potential one-off financial sector support measures. Resolution of certain credit unions may have a one-off deficit-increasing effect, but timing and amount in uncertain at this point.

Table II.7.1:

Main features of country forecast - IRELAND

	2011				Annual percentage change					
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		159.0	100.0	6.2	-5.5	-0.8	1.4	**0.7**	**1.1**	**2.2**
Private consumption		77.5	48.7	5.4	-5.7	0.5	-2.3	**-1.8**	**-0.5**	**1.2**
Public consumption		29.5	18.6	4.6	-3.7	-4.6	-4.3	**-3.6**	**-2.5**	**-2.8**
Gross fixed capital formation		16.1	10.1	6.7	-27.7	-22.7	-12.2	**-2.0**	**-1.5**	**3.0**
of which : equipment		5.9	3.7	7.6	-18.8	-10.6	-10.5	**2.8**	**4.8**	**5.0**
Exports (goods and services)		166.8	104.9	10.8	-3.8	6.2	5.1	**2.6**	**3.0**	**4.2**
Imports (goods and services)		131.9	82.9	10.1	-9.7	3.6	-0.3	**0.4**	**1.6**	**3.3**
GNI (GDP deflator)		128.3	80.7	5.8	-9.1	0.0	-2.4	**-2.0**	**0.3**	**2.0**
Contribution to GDP growth :	Domestic demand			4.8	-9.7	-4.3	-3.4	**-1.8**	**-0.9**	**0.4**
	Inventories			0.0	-0.6	0.6	0.4	**0.0**	**0.0**	**0.0**
	Net exports			1.7	4.1	2.9	5.4	**2.4**	**1.9**	**1.8**
Employment				3.5	-8.1	-4.2	-2.1	**-1.0**	**0.1**	**0.9**
Unemployment rate (a)				7.9	12.0	13.9	14.7	**14.8**	**14.6**	**14.1**
Compensation of employees/head				5.3	-0.9	-3.1	0.2	**0.7**	**0.3**	**0.2**
Unit labour costs whole economy				2.6	-3.7	-6.5	-3.2	**-1.0**	**-0.6**	**-1.0**
Real unit labour costs				-0.4	1.0	-4.3	-3.4	**-2.7**	**-1.8**	**-2.4**
Saving rate of households (b)				-	14.9	12.0	10.7	**12.7**	**10.9**	**10.2**
GDP deflator				3.0	-4.6	-2.2	0.2	**1.8**	**1.3**	**1.4**
Harmonised index of consumer prices				-	-1.7	-1.6	1.2	**1.9**	**1.3**	**1.3**
Terms of trade of goods				-0.2	6.3	-3.6	-5.1	**-0.3**	**-0.1**	**-0.1**
Merchandise trade balance (c)				19.3	20.1	22.8	23.0	**23.9**	**24.8**	**25.4**
Current-account balance (c)				-0.1	-2.3	1.1	1.1	**2.1**	**3.4**	**4.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.5	-3.1	0.7	1.0	**2.0**	**2.3**	**4.0**
General government balance (c)				0.1	-13.9	-30.9	-13.4	**-7.7**	**-7.3**	**-4.2**
Cyclically-adjusted budget balance (c)				-0.3	-11.9	-28.7	-12.0	**-7.0**	**-7.0**	**-4.6**
Structural budget balance (c)				-	-9.9	-9.2	-7.7	**-7.4**	**-6.6**	**-4.6**
General government gross debt (c)				51.2	64.9	92.2	106.4	**117.2**	**122.2**	**120.1**

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

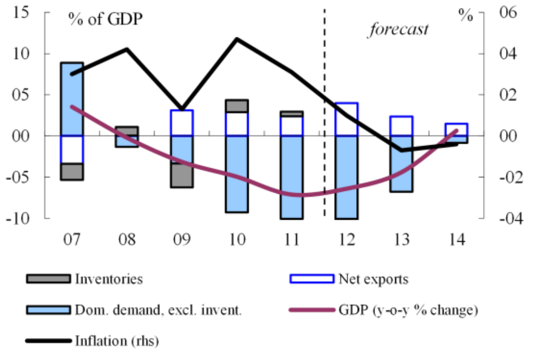
8. GREECE

Conditions set for emerging from turbulence

Confidence returning after deep crisis

Greece is emerging from a tumultuous 2012 with renewed commitment and action within a strengthened economic adjustment programme that enjoys strong backing from its international lenders. After the conclusion of a six-month review of the programme and the release of over EUR 50 bn in December 2012, there have been some tentative signs of improvement. Banks have seen a reversal of deposit outflows and Greek market interest rates have been reduced significantly.

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



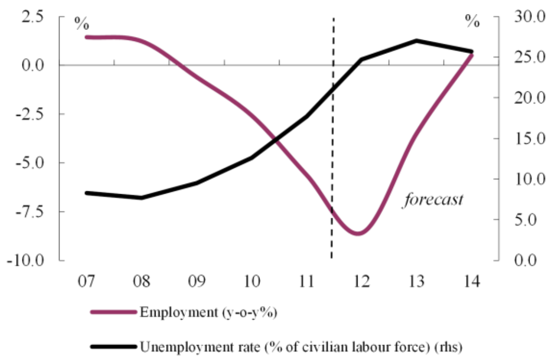
Demand contracts further in 2013

Nevertheless, carry-over from 2012 as well as the ongoing fiscal consolidation are projected to result in a further contraction of 4.4% of GDP in 2013. Investment is likely to continue underperforming in the short-run, as the majority of businesses still face liquidity constraints or wait to see more evidence of a pick-up of the economy. Though exports are projected to grow as the economy is improving its competitiveness, they are likely to remain subdued due to still weak external conditions. It is expected that these factors will continue to dominate for most of 2013, only partially compensated by the reversal of the liquidity squeeze, notably as the government plans to repay arrears for an amount of up to 4% of GDP. In line with this contraction in demand, the unemployment rate is now expected to peak at 27.0% in 2013.

The start of a recovery in 2014

The return to positive quarterly growth rates by end-2013 will be followed by positive full-year growth of 0.6% in 2014. This reflects ongoing positive supply-side developments. Reductions in unit labour costs (due to far-reaching labour market reforms) and product market liberalisation are expected to create new business opportunities and to encourage job creation once the economy picks up. In addition, the bank recapitalisation process and the overall stabilisation of the country are setting the preconditions for a return of capital to the country and renewed credit flows to the private sector. With a large part of the fiscal consolidation effort already legislated, consumers and investors appear to start regaining confidence which should strengthen domestic demand in 2014. Unemployment is nonetheless forecast to remain elevated at 25.7%.

Graph II.8.2: Greece - Employment and Unemployment



Continuing correction of the external imbalance, improving competitiveness…

Greater flexibility in wage bargaining arrangements drives the forecast for decreasing labour costs. Compensation per employee is projected to fall by 7.0% in 2013 and by 2.0% in 2014. Together with the effect of structural reforms in the product market, this is expected to translate into HICP deflation of 0.8% and 0.4% respectively in 2013 and 2014, leading to a significant inflation differential vis-à-vis the euro-area average. This improvement in competitiveness, combined with euro-area recovery, should lead to export growth. The current-account deficit is expected to decrease from 7.7% of GDP in 2012 to 4.3% in 2013 and 3.3% in 2014.

... and strong progress in balancing fiscal accounts

In 2013 the government aims at primary balance followed by a primary surplus in 2014. This is supported by a package of savings measures amounting to 7.2% of GDP over 2013-14 which was adopted in November. Given interest payment reductions of almost 1% due to the debt-reducing measures adopted by the Eurogroup in late 2012, the overall government deficit in 2013 is now expected to be 4.6% of GDP. The structural balance is estimated to reach a surplus of 1¾%. Gross public debt is estimated at 162% of GDP in 2012, 15% of GDP lower than in the autumn 2012 forecast, mainly thanks to the debt buyback operation carried out in December 2012. The debt ratio is projected to increase to 176% of GDP in 2013 as the economy contracts, after which it is expected to fall at an accelerated pace, supported by an improving budget balance and stronger nominal GDP growth.

Risks to the baseline outlook

On the upside, there is a distinct possibility for a stronger return of confidence and the start of the recovery earlier in 2013. This would in turn have positive spillovers on the fiscal balance. Additionally, the repayment of government arrears in 2013 and the reversal of the liquidity squeeze may have a stronger impact on private sector demand thereby offering a bigger offset to fiscal consolidation than projected. On the downside, any hesitation in programme implementation, in both the fiscal and the structural area, may deter investors and weigh on demand. Employment may respond more negatively than forecast to the depressed demand conditions expected in 2013. The one-off costs of measures related to the banking sector and tax refund arrears, whose recording is currently being assessed by statistical authorities, are expected to impact the deficit in 2012 and/or 2013, although at least part of this statistical recording would not affect programme targets.

Table II.8.1:

Main features of country forecast - GREECE

	2011			Annual percentage change						
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		208.5	100.0	2.9	-3.1	-4.9	-7.1	**-6.4**	**-4.4**	**0.6**
Private consumption		155.6	74.6	3.1	-1.6	-6.2	-7.7	**-8.0**	**-7.7**	**-1.3**
Public consumption		36.2	17.4	2.6	4.9	-8.7	-5.2	**-6.7**	**-3.5**	**-3.8**
Gross fixed capital formation		31.6	15.1	4.3	-13.7	-15.0	-19.6	**-19.1**	**-4.9**	**5.7**
of which : equipment		12.8	6.1	9.8	-18.4	-8.2	-18.1	**-21.4**	**-9.0**	**6.0**
Exports (goods and services)		52.2	25.1	6.0	-19.4	5.2	0.3	**-2.0**	**2.7**	**4.7**
Imports (goods and services)		69.1	33.1	6.1	-20.2	-6.2	-7.3	**-14.4**	**-5.9**	**-0.8**
GNI (GDP deflator)		202.5	97.1	2.7	-2.3	-5.3	-7.2	**-5.7**	**-4.3**	**0.2**
Contribution to GDP growth : Domestic demand				3.5	-3.3	-9.3	-10.1	**-10.1**	**-6.8**	**-0.8**
Inventories				-0.1	-2.9	1.4	0.6	**-0.3**	**0.0**	**0.0**
Net exports				-0.6	3.1	2.9	2.4	**4.0**	**2.4**	**1.5**
Employment				1.3	-0.6	-2.6	-5.6	**-8.6**	**-3.5**	**0.5**
Unemployment rate (a)				9.7	9.5	12.6	17.7	**24.7**	**27.0**	**25.7**
Compensation of employees/head				7.3	3.5	-2.6	-3.4	**-6.0**	**-7.0**	**-2.0**
Unit labour costs whole economy				5.6	6.2	-0.1	-1.8	**-8.2**	**-6.1**	**-2.1**
Real unit labour costs				-0.4	3.8	-1.3	-2.9	**-7.5**	**-4.9**	**-1.8**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				6.0	2.3	1.1	1.0	**-0.7**	**-1.2**	**-0.4**
Harmonised index of consumer prices				-	1.3	4.7	3.1	**1.0**	**-0.8**	**-0.4**
Terms of trade of goods				0.0	-3.5	1.8	0.6	**-2.2**	**-0.7**	**0.4**
Merchandise trade balance (c)				-15.8	-16.1	-14.3	-14.0	**-10.9**	**-9.7**	**-8.8**
Current-account balance (c)				-7.8	-14.4	-12.8	-11.7	**-7.7**	**-4.3**	**-3.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-13.3	-11.0	-9.8	**-5.5**	**-2.0**	**-0.8**
General government balance (c)				-6.7	-15.6	-10.7	-9.4	**-6.6**	**-4.6**	**-3.5**
Cyclically-adjusted budget balance (c)				-7.0	-15.0	-8.4	-5.0	**-0.8**	**1.8**	**1.5**
Structural budget balance (c)				-	-14.8	-8.1	-4.7	**-0.5**	**1.8**	**1.5**
General government gross debt (c)				99.5	129.7	148.3	170.6	**161.6**	**175.6**	**175.2**

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

9. SPAIN

Net exports only source of growth over forecast horizon

External financing conditions improve but the real economy still remains subdued

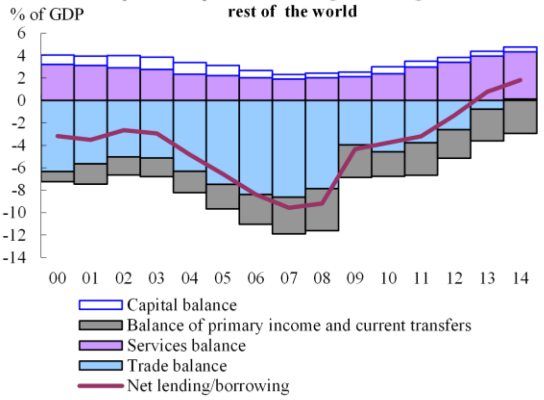
External financing pressures, which had weighed on the Spanish economy for most of the year, started to ease towards the end of 2012. The announcement of the Outright Monetary Transactions programme by the ECB and other decisions at euro-area level, in combination with progress on bank recapitalisation and restructuring under the banking sector programme and progress on key structural reforms, led to a reduction in the Spanish sovereign bond spreads and a higher inflow of private foreign capital. However this improvement in external financing conditions for the sovereign and for financial institutions has not yet fully reached the real economy. Therefore, the short-term outlook for internal credit conditions remains broadly similar to the autumn 2012 forecast.

The rebalancing of the Spanish economy continued in the second half of 2012, with the share of net exports in GDP rising at the expense of domestic demand. The protracted correction of the large external and internal imbalances accumulated in the boom period is holding back private consumption and investment. This continues to have a large negative effect on employment and, hence, unemployment is set to rise further. The necessary consolidation of public finances is also weighing on economic growth in the short term.

Real GDP is expected to contract by around 1½% in 2012 and 2013. After the intensification of the contraction in the fourth quarter of 2012, the fall in GDP is expected to moderate in the course of 2013, with GDP bottoming out towards the end of the year. Economic growth is expected to return to positive territory in 2014 under the usual no-policy-change assumption.

The rebalancing of the economy is expected to proceed over the forecast horizon. Private consumption is forecast to continue to contract on the back of rising unemployment and household deleveraging, although the contraction of households' gross disposable income is set to ease in 2013. However, the saving rate is likely to remain low, as consumers attempt to smooth their consumption level. Private investment is affected by the subdued economic outlook. Thus, despite the relative strength of exports, which are one of the most important drivers of investment in equipment, private investment should continue to contract. Notably, the adjustment of residential investment is maintained, with housing starts at historically low levels and continuing to fall.

Graph II.9.1: **Spain - Net lending/borrowing vis-à-vis rest of the world**



Sources: INE and Commission services.

On the positive side, exports are set to remain strong and to contribute positively to GDP growth. Despite a weakening outlook for the euro area, the main destination of Spanish exports, export sales have shown significant resilience. Improvements in price competitiveness and strong increases of exports towards emerging market economies support this positive outlook. Alongside the relatively good performance of exports, imports are contracting sharply due to weak domestic demand. As a result, Spain has reduced its overall external deficit and is set to record a current-account surplus from 2013 onwards.

Employment destruction accelerated in the last quarter of 2012, pushing the unemployment rate to a record high of 26%. In 2013, the effects of the latest labour market reform should start to have a more noticeable effect, allowing a more balanced adjustment between wages and employment, which could reduce the pace of job destruction. There are already signs that wages are becoming more sensitive to the economic situation, with a clear moderation of wage growth in 2012. This wage moderation is taking place alongside significant increases in apparent labour productivity. As a result, Spanish cost competitiveness is improving, which is a necessary factor for the continuing expansion of exports.

Fiscal consolidation hampered by weak revenue growth

Following the entry into force of additional consolidation measures (increase in VAT, elimination of the Christmas bonus in the public sector, corporate tax measures), budgetary consolidation advanced in the final months of 2012. Also at regional level, expenditure cuts in education are expected to have had their main impact in the last quarter. For the year as a whole, the deficit is therefore expected to narrow to about 7% of GDP, down from 8.9% in 2011, excluding in both years the effects of bank recapitalisations. The latter are currently estimated at around 3.2% of GDP in 2012, but final figures will only be available after the EDP notification in April.

The budgetary performance in 2012 was blighted by considerable shortfalls of both indirect and direct tax revenues. These shortfalls are linked with negative composition effects (due, *inter alia*, to shifts in private consumption patterns and the slump in housing transactions), an even sharper-than-expected fall in employment and labour income, and negative asset price developments. Additional revenue-raising measures introduced throughout the year helped to offset these shortfalls, so that final tax revenues are likely to have turned out broadly in line with initial plans.

In 2013, the general government deficit (excluding bank recapitalisations) is expected to narrow somewhat further, thanks to discretionary measures likely to more than offset the impact of the continued recession. The general government deficit is forecast to reach around 6¾% of GDP in 2013. Stronger VAT revenues due to the full effect of the rate hike and some increased cost control should outweigh an increase in expenditure on social transfers and interest. Despite the return to positive, albeit weak, growth in 2014, the general government deficit is expected to deteriorate to around 7¼% of GDP on a no-policy-change assumption, due to the possible expiry of some of the measures introduced in 2012.

Large public deficits, negative or low nominal GDP growth and the costs of bank recapitalisation are likely to result in a rise of the general government gross debt from around 88% of GDP in 2012 to above 100% of GDP in 2014.

Table II.9.1:

Main features of country forecast - SPAIN

	2011				Annual percentage change					
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		1063.4	100.0	3.0	-3.7	-0.3	0.4	**-1.4**	**-1.4**	**0.8**
Private consumption		620.0	58.3	2.8	-3.8	0.7	-1.0	**-1.9**	**-2.7**	**-0.2**
Public consumption		222.7	20.9	3.9	3.7	1.5	-0.5	**-4.1**	**-5.4**	**-1.1**
Gross fixed capital formation		224.0	21.1	3.7	-18.0	-6.2	-5.3	**-8.9**	**-6.6**	**-1.0**
of which : equipment		63.0	5.9	4.2	-24.5	3.0	2.4	**-6.0**	**-3.0**	**0.1**
Exports (goods and services)		321.8	30.3	7.1	-10.0	11.3	7.6	**3.1**	**4.2**	**5.7**
Imports (goods and services)		330.3	31.1	7.5	-17.2	9.2	-0.9	**-5.0**	**-3.8**	**2.0**
GNI (GDP deflator)		1041.9	98.0	2.8	-3.0	0.3	-0.3	**-1.2**	**-1.4**	**0.9**
Contribution to GDP growth :	Domestic demand			3.3	-6.6	-0.8	-1.8	**-3.8**	**-4.0**	**-0.5**
	Inventories			0.0	0.0	0.1	-0.1	**0.0**	**0.0**	**0.0**
	Net exports			-0.3	2.9	0.3	2.3	**2.5**	**2.6**	**1.3**
Employment				2.1	-6.5	-2.3	-1.7	**-4.4**	**-3.1**	**0.0**
Unemployment rate (a)				13.9	18.0	20.1	21.7	**25.0**	**26.9**	**26.6**
Compensation of employees/f.t.e.				4.2	4.4	0.0	0.7	**-0.1**	**1.4**	**0.1**
Unit labour costs whole economy				3.4	1.5	-2.0	-1.4	**-3.2**	**-0.3**	**-0.7**
Real unit labour costs				-0.5	1.4	-2.4	-2.4	**-3.1**	**-2.0**	**-1.9**
Saving rate of households (b)				-	17.8	13.1	11.0	**8.3**	**8.4**	**9.4**
GDP deflator				3.8	0.1	0.4	1.0	**0.0**	**1.7**	**1.3**
Harmonised index of consumer prices				-	-0.2	2.0	3.1	**2.4**	**1.7**	**1.0**
Terms of trade of goods				0.2	4.5	-2.2	-3.3	**-2.9**	**0.8**	**0.7**
Merchandise trade balance (c)				-5.2	-4.0	-4.6	-3.8	**-2.6**	**-0.4**	**0.7**
Current-account balance (c)				-4.0	-4.8	-4.4	-3.7	**-1.9**	**1.0**	**2.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-3.2	-4.3	-3.8	-3.2	**-1.5**	**1.4**	**2.9**
General government balance (c)				-2.3	-11.2	-9.7	-9.4	**-10.2**	**-6.7**	**-7.2**
Cyclically-adjusted budget balance (c)				-2.3	-9.2	-7.4	-7.5	**-8.0**	**-4.6**	**-6.1**
Structural budget balance (c)				-	-8.6	-7.4	-7.3	**-5.9**	**-4.7**	**-5.5**
General government gross debt (c)				53.4	53.9	61.5	69.3	**88.4**	**95.8**	**101.0**

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

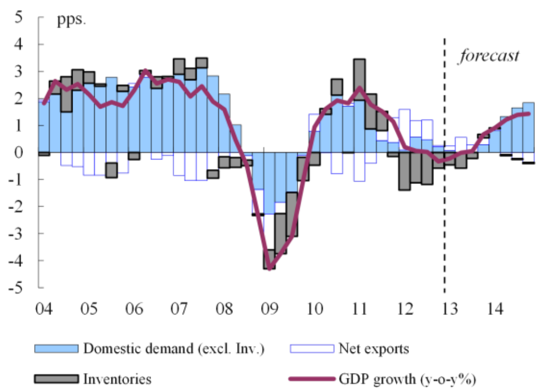
10. FRANCE

Postponed recovery weighs on public finance

Sluggish recovery ahead

The French economic activity has stagnated in 2012. In 2013, in view of a still decreasing household real disposable income linked in particular to rising unemployment and of the unfavourable entrepreneurs' confidence, GDP is projected to increase only by 0.1%. Still, economic activity is expected to pick up during the second half of the year based on the timid rebound of the external sector. This would trigger a modest revival of economic agents' confidence, which is set to translate into a more robust growth in 2014, reaching 1.2% for the year as a whole.

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



Private consumption to remain resilient

In 2013, as in 2012, private consumption is expected to remain resilient, thanks to a further decrease in the saving rate and in spite of decreasing disposable income in real terms in a context of rising unemployment. In 2014, the stabilisation in the labour market, together with lower fiscal consolidation in line with the usual no-policy-change assumption, will contribute to a recovery in real disposable income thus allowing a rebound in private consumption spending (1.2%).

No pick up in investment in the short term

Although credit conditions appear relatively favourable, the conditions for a rapid pick-up in investment are not likely to be met. The flat economic growth in 2012 and the enduring deterioration in the profit margins of non-financial companies, which reached a trough in 2011, are likely to have significantly dented entrepreneurs' expectations and therefore their appetite to invest in 2013. This, together with projected weak demand, is set to discourage firms from significantly restoring investment in 2013. In 2014, the gradual increase in aggregate demand and improved general confidence is expected to translate in a partial catch-up in investment.

External trade driven by a slowdown in imports

Although exports have been relatively dynamic in 2012, thanks in particular to buoyant aeronautic sales, developments in the medium term are expected to remain somewhat weaker than the world demand. Indeed, the persistent deterioration in external competitiveness is not likely to be reversed in the short term. Still, the projected deceleration of imports in 2013 is expected to lead to a positive contribution of net exports to GDP growth (0.3 pp.). In 2014, the economic recovery, which would cause imports to surge, and a still ailing export competitiveness, would bring trade contribution below zero (-0.2 pp.).

Persistent rise in unemployment and decreasing inflationary pressures

Employment started decreasing in 2012 while the unemployment rate rose rapidly to 10.5% in the fourth quarter, against 9.8% one year before. In the current context of stagnating economic activity and rigid nominal wages, employers are likely to focus more on restoring productivity, to the detriment of job creation. Despite the ongoing efforts to reform the labour market, unemployment is thus expected to continue rising to 10.7% and 11.0% in 2013 and 2014.

After a relatively high level of inflation in 2012 resulting from past rises in energy prices, inflation is set to decrease to 1.6% in 2013 and 1.5% in 2014, in a context of stabilised energy prices.

Some uncertainties remain

Risks on the forecast are broadly balanced. On the one hand, a quicker recovery might materialise due to regained confidence in the euro area. On the other hand, the rebound in both external and domestic demand may once again be delayed.

Additionally, persisting competitiveness losses might weigh more on growth than expected.

Fiscal accounts in a crucial juncture

In 2012, the general government deficit is expected to have reached 4.6% of GDP based on the latest data available, broadly in line with official plans (excluding the 0.1% negative impact of Dexia's recapitalisation for which a decision on the statistical treatment by Eurostat is still pending) and down from 5.2% in 2011. Indeed, the state budget execution showed only minor tax revenue shortfalls and spending was kept under control. In addition, available information suggests that healthcare expenditure was slightly below target.

In 2013, the headline deficit is set to further decrease on the back of the measures adopted notably as part of the budget (which aims at 3% of GDP). Additional revenues are set to yield an estimated 1.5% of GDP. While the Constitutional Court has abolished some tax measures included in the budget, this will only have a negligible impact on the deficit. Current expenditure rules (central government and healthcare) are renewed and this will contribute to maintaining spending restraint. On the other hand, GDP growth projected well below potential will negatively affect the headline deficit. Overall, this is expected to reach 3.7% of GDP, well above this year's official target. The difference mainly stems from divergent macroeconomic scenarios (official GDP growth forecast is at 0.8%) while the structural deficit is expected to be reduced by some 1¼% of GDP.

Under the customary no-policy-change assumption, the deficit is forecast to deteriorate marginally in 2014. The fresh corporate tax credit *compétitivité-emploi* is set to increase the deficit given that part of its financing is still to be specified in detail.

Overall, this implies a cumulated improvement in the structural balance of around 2½% of GDP in 2012-13, which remains broadly stable, at unchanged policies, in 2014. The debt ratio, which is forecast to have reached 90% of GDP already last year, will continue to rise in 2013-14 on the back of still relatively high general government deficits and subdued nominal GDP growth.

Table II.10.1:
Main features of country forecast - FRANCE

	2011				Annual percentage change					
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		1996.6	100.0	1.8	-3.1	1.7	1.7	**0.0**	**0.1**	**1.2**
Private consumption		1151.3	57.7	1.8	0.3	1.5	0.3	**0.0**	**0.2**	**1.2**
Public consumption		489.3	24.5	1.5	2.5	1.8	0.2	**1.4**	**1.3**	**1.3**
Gross fixed capital formation		401.2	20.1	2.3	-10.6	1.2	3.5	**0.0**	**-1.5**	**1.8**
of which : equipment		107.2	5.4	3.5	-18.1	11.2	7.3	**-3.1**	**-4.3**	**4.5**
Exports (goods and services)		538.2	27.0	4.7	-12.1	9.6	5.3	**2.3**	**2.0**	**4.7**
Imports (goods and services)		594.3	29.8	4.9	-9.6	8.9	4.9	**-0.3**	**0.9**	**5.0**
GNI (GDP deflator)		2034.2	101.9	2.0	-3.1	1.7	1.7	**0.0**	**0.2**	**1.3**
Contribution to GDP growth :	Domestic demand			1.8	-1.5	1.6	0.9	**0.3**	**0.1**	**1.4**
	Inventories			0.1	-1.2	0.1	0.8	**-1.1**	**-0.3**	**0.0**
	Net exports			0.0	-0.5	0.0	0.0	**0.7**	**0.3**	**-0.2**
Employment				0.7	-1.5	-0.3	0.5	**-0.1**	**0.0**	**0.5**
Unemployment rate (a)				9.6	9.5	9.7	9.6	**10.3**	**10.7**	**11.0**
Compensation of employees/f.t.e.				2.6	2.0	2.6	2.8	**2.1**	**1.6**	**1.7**
Unit labour costs whole economy				1.4	3.7	0.6	1.6	**2.0**	**1.5**	**1.0**
Real unit labour costs				-0.2	3.0	-0.4	0.3	**0.2**	**0.0**	**-0.7**
Saving rate of households (b)				14.9	16.1	15.6	15.7	**15.5**	**15.1**	**14.9**
GDP deflator				1.7	0.7	1.1	1.3	**1.7**	**1.4**	**1.7**
Harmonised index of consumer prices				1.8	0.1	1.7	2.3	**2.2**	**1.6**	**1.5**
Terms of trade of goods				-0.1	3.3	-2.2	-2.4	**-0.1**	**-0.5**	**-0.7**
Merchandise trade balance (c)				0.1	-2.2	-2.5	-3.5	**-3.0**	**-2.8**	**-3.1**
Current-account balance (c)				0.6	-1.8	-2.0	-2.6	**-1.9**	**-1.6**	**-1.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.5	-1.7	-1.9	-2.6	**-1.7**	**-1.3**	**-1.5**
General government balance (c)				-3.4	-7.5	-7.1	-5.2	**-4.6**	**-3.7**	**-3.9**
Cyclically-adjusted budget balance (c)				-3.8	-6.1	-6.0	-4.4	**-3.3**	**-1.9**	**-2.2**
Structural budget balance (c)				-	-6.1	-5.8	-4.5	**-3.3**	**-2.0**	**-2.2**
General government gross debt (c)				58.3	79.2	82.3	86.0	**90.3**	**93.4**	**95.0**

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

11. ITALY

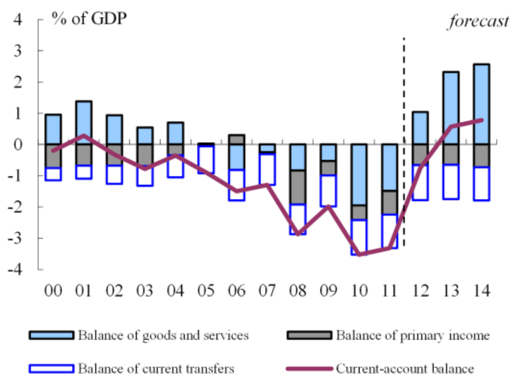
Economic recession bottoming out in mid-2013

The protracted recession to end in mid-2013

The recession extended throughout 2012, completing six consecutive quarters of contraction in economic activity. As a result, in 2012 as a whole, real GDP is estimated to have declined by 2.2%. Domestic demand fell significantly, as high uncertainty, tight financing conditions and the impact of fiscal consolidation hit consumption and investment. This led to a collapse in imports, while exports increased on the back of sustained demand from non-EU trade partners. Therefore, net exports stemmed the real GDP drop and the trade balance turned positive for the first time since 2004.

Indicators point to further contraction in economic activity in the first quarter of 2013, though at a slowing pace. Investment is set to decline - also due to still tight financing conditions for the private sector - while consumers continue to refrain from spending on the back of long declining real disposable income. By contrast, sustained demand from non-EU trade partners continues to support exports. Lower yields on government securities are expected to gradually translate into improving financing conditions and confidence. As a result, domestic demand, and in particular investment in equipment, is set to resume growth in the second half of 2013. However, the negative carry-over from 2012 implies that real GDP in 2013 as a whole is still projected to decline by 1%. Once again, net exports are set to provide a positive contribution to growth, as imports contract further.

Graph II.11.1: **Italy - Determinants of the current-account position**



In 2014, the projected normalisation in financing conditions and reduced uncertainty are set to sustain activity. As a result, private consumption is expected to increase slightly more than disposable income due to improving confidence, while investment in equipment picks up. As both imports and exports accelerate, net exports are no longer expected to contribute to growth. Real GDP is forecast to increase by 0.8%.

The trade balance continues improving over the forecast horizon and in 2013 the current account is set to turn into surplus for the first time since 2001.

Fewer hours worked cushion the fall in employment

In 2012, full-time equivalent employment is estimated to have fallen by 1.3% but, as hours worked per person fell significantly, the decline in headcount employment was more contained (-0.2%). Combined with increased participation among younger and older people, this entailed a rise in the unemployment rate by more than 2 pps. Contractual wages for the economy as a whole rose by 1.5%, as private sector wages increased by 2% while public sector wages remained frozen. Actual wage growth is estimated to have been more subdued, reflecting a negative wage drift. The annual increase in nominal unit labour costs is thus anticipated at around 2% despite the decline in labour productivity due to some labour hoarding. In 2013, on the back of the further contraction in economic activity, employment is projected to continue declining and the unemployment rate to rise by another percentage point. Adjustment in employment entails some labour productivity recovery, while wage growth remains subdued, resulting in a deceleration of nominal unit labour costs to around 1%. In 2014, the gradual recovery in economic activity is expected to lead to a small increase in employment and a further recovery in labour productivity.

In 2013, HICP inflation is expected to decline to 2.0%, from 3.3% in 2012, as energy prices decelerate and the impact on prices of the enacted increases in indirect taxation is lower than in 2012. Weak domestic demand and limited pressure from labour costs are set to curb inflation to 1.7% in 2014.

A structurally balanced budget in 2013

In 2012, the general government deficit is estimated at 2.9% of GDP, from 3.9% in 2011, thanks to a primary surplus increasing to 2.6% of GDP while interest expenditure surged by 0.6 pp. of GDP. Primary expenditure is estimated to have stabilised year-on-year, for the third year in a row. Social transfers increased slowly as the pension reforms are delaying access to retirement, while pensions above three times the minimum did not benefit from the indexation to inflation. The wage bill continued shrinking due to the wage freeze and employment downsizing. Revenues are estimated to have risen sharply despite the fall in nominal GDP, on the back of increased taxation on immovable property, transport fuel and financial wealth. By contrast, despite a higher standard rate, the VAT outturn declined as purchases of tax-rich durable goods dropped.

Thanks to the full implementation of the consolidation measures adopted in 2011-12, the deficit is projected to narrow further to 2.1% of GDP in 2013, with an increasing primary surplus and marginally lower interest expenditure. Primary expenditure is set to remain broadly stable again due to further restraints in the wage bill and moderate increases in social transfers, but also thanks to the impact of the spending review adopted in the summer of 2012. Revenues are set to increase slightly more than nominal GDP as the further 1 pp. increase in the standard VAT rate and the new tax on financial transactions are only partially offset by renewed tax incentives to productivity-related pay and increased allowances for dependent children. In 2014, the deficit is projected to stabilise at 2.1% of GDP. Primary expenditure is set to increase slightly year-on-year due to more dynamic social transfers as the non-indexation of higher pensions expires. Revenues are expected to rise less than nominal GDP, also on the back of further tax breaks for hiring new permanent employees.

In structural terms, a broadly balanced budgetary position is expected for 2013, thanks to a structural adjustment of 3½ pps. of GDP in 2012-13. The structural primary surplus is set to reach 5% of GDP in 2013 and recede marginally in 2014.

The gross debt is projected to peak at 128.1% of GDP in 2013, before falling in 2014 thanks to the sizeable primary surplus and the return of economic growth.

Table II.11.1:

Main features of country forecast - ITALY

	2011		Annual percentage change						
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	1579.7	100.0	1.3	-5.5	1.8	0.4	**-2.2**	**-1.0**	**0.8**
Private consumption	969.0	61.3	1.2	-1.6	1.2	0.1	**-4.2**	**-2.0**	**0.8**
Public consumption	323.4	20.5	0.9	0.8	-0.6	-0.8	**-1.1**	**-1.3**	**-0.7**
Gross fixed capital formation	308.9	19.6	1.2	-11.7	2.1	-1.8	**-8.8**	**-3.0**	**2.2**
of which : equipment	132.3	8.4	1.8	-16.8	12.0	-1.1	**-12.3**	**-2.4**	**5.7**
Exports (goods and services)	455.6	28.8	4.5	-17.5	11.4	6.0	**1.8**	**2.1**	**3.9**
Imports (goods and services)	479.0	30.3	3.9	-13.4	12.5	0.6	**-7.5**	**-1.0**	**4.3**
GNI (GDP deflator)	1567.6	99.2	1.3	-4.9	1.8	0.1	**-2.1**	**-1.0**	**0.7**
Contribution to GDP growth : Domestic demand			1.1	-3.2	1.0	-0.4	**-4.5**	**-2.0**	**0.8**
Inventories			0.1	-1.2	1.2	-0.5	**-0.4**	**0.0**	**0.1**
Net exports			0.2	-1.1	-0.3	1.4	**2.8**	**0.9**	**0.0**
Employment			0.3	-2.9	-0.9	0.1	**-1.3**	**-1.4**	**0.4**
Unemployment rate (a)			9.2	7.8	8.4	8.4	**10.6**	**11.6**	**12.0**
Compensation of employees/f.t.e.			3.3	1.7	2.3	1.2	**1.0**	**1.3**	**1.2**
Unit labour costs whole economy			2.3	4.6	-0.4	0.9	**1.9**	**1.0**	**0.8**
Real unit labour costs			-0.7	2.4	-0.8	-0.4	**0.6**	**-0.7**	**-0.9**
Saving rate of households (b)			18.3	14.2	12.7	12.0	**12.0**	**12.0**	**11.8**
GDP deflator			3.0	2.1	0.4	1.3	**1.2**	**1.7**	**1.7**
Harmonised index of consumer prices			3.0	0.8	1.6	2.9	**3.3**	**2.0**	**1.7**
Terms of trade of goods			-0.6	7.4	-3.9	-3.9	**-1.0**	**1.1**	**1.3**
Merchandise trade balance (c)			1.5	0.1	-1.3	-1.1	**1.2**	**2.4**	**2.7**
Current-account balance (c)			0.2	-2.0	-3.5	-3.3	**-0.7**	**0.6**	**0.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			0.3	-2.0	-3.6	-3.3	**-0.6**	**0.7**	**0.9**
General government balance (c)			-4.4	-5.4	-4.5	-3.9	**-2.9**	**-2.1**	**-2.1**
Cyclically-adjusted budget balance (c)			-4.9	-3.4	-3.4	-3.0	**-1.3**	**-0.1**	**-0.6**
Structural budget balance (c)			-	-4.1	-3.6	-3.7	**-1.4**	**-0.1**	**-0.5**
General government gross debt (c)			110.4	116.4	119.2	120.7	**127.1**	**128.1**	**127.1**

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

12. CYPRUS

Prolonged recession and deleveraging ahead

Strong contraction of the economy in 2012 …

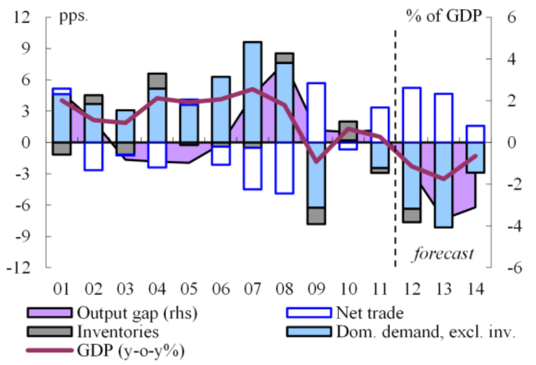
Economic activity in Cyprus significantly weakened with real GDP expected to have decreased by 2.3% in 2012, in line with the autumn forecast. The deterioration was driven by a marked contraction of domestic demand against the background of falling domestic consumption and private investment. The largest fall in economic activity took place in construction and in the broad industrial sector, while financial services also showed sign of weakening activity. The fiscal consolidation implemented at the end of 2011, the significant deterioration in the labour market, and the prolonged high economic uncertainty concerning Cyprus's request for financial assistance in June 2012 have all weighted on private consumption. The ongoing process of deleveraging also implied tightening credit conditions, which together with the high-level of corporate indebtedness and the weak business and consumer confidence (the lowest in the EU), hit investment activity strongly. At the same time, the contribution of net exports to GDP growth is expected to have been stronger than previously anticipated due to the stronger export performance of goods and services (tourism being the main driver). A significant decline in the volume of imports, mainly goods, resulted from the subdued domestic demand and lower import propensity. While the trade balance is expected to have improved, the current-account balance is projected to have worsened due to a deterioration of the income balance stemming from developments in the financial sector, particularly through its financial activities in Greece.

… sets to deteriorate further in 2013 and 2014

Projections of the economic outlook for 2013 and 2014 point to a prolonged recession, due to further declines in domestic demand and investment activity. The effects of much-needed fiscal consolidation measures (including measures affecting public sector wages, social outlays, increases in employee contributions, and indirect taxes), coupled with increasing unemployment, are likely to weigh strongly on household disposable income. On the back of banks deleveraging and the deceleration of credit growth, gross fixed capital formation is expected to decline further, with the growth rates of the construction activity remaining negative over the forecast horizon.

The external sector is set to provide a positive contribution to growth this year and next year. Prospects for the exports of goods and services remain favourable, particularly for tourism services (underlying the good prospects for high tourist arrivals particularly from Russia) and some business services (accounting, legal, and information society services). At the same time, import of goods and services should continue to fall against backdrop of weak domestic demand. Overall, the current-account balance is expected to improve gradually over the forecast horizon, driven by imports but yet conditional on the outlook of the income balance.

Graph II.12.1: **Cyprus - GDP growth and contributions**



Unemployment rates jump to historically high levels…

Labour market conditions are expected to have worsened in 2012 with the unemployment rate reaching a record 12.1% and to worsen further in subsequent years, reflecting the contraction of the economic activity. The subdued business activity, the hiring freeze in the public sector, and the developments in domestic demand have all weighted on employment in 2012 with job losses particular pronounced in the construction and agricultural sectors. Average wage growth in 2012 is expected to decline compared to the previous year and the unfavourable economic environment is set to affect wages in the economy as a whole, influenced also by the cuts in public sector wages and benefits.

.. while inflation declines.

HICP inflation declined in 2012 reflecting the decline in electricity and oil product prices. Subdued domestic demand and lower disposable income are projected to lower inflation further in 2013 and 2014 in spite of the higher indirect taxes (VAT and excise duties) adopted.

Excessive government deficit persists…

The government deficit improved slightly despite the sizeable consolidation implemented in 2012. Revenues stagnated due to less tax-rich growth, lower corporate profitability and deteriorating labour market conditions. Expenditure reduction was lower than expected, in particular due to the increased number of early retirements and growing unemployment albeit investments were being reduced. In both 2013 and 2014, the deficit and structural deficit is set to decrease gradually thanks to the adopted consolidation measures. The debt-to-GDP ratio reached 86.5% in 2012, due to the deficit, nominal GDP developments, and the participation in a bank recapitalisation..

… while downside risks exist.

Risks remain important and tilted to the downside. The conclusion of a macro-economic adjustment programme would be of paramount importance in stabilising the economy, but risks would remain on both the external environment and the domestic front. In spite of recent developments, the worsening of economic conditions in Greece remain a downside risk for Cyprus. On the domestic front, downside risks are associated with domestic credit conditions due to financial sector deleveraging, the worsening of labour market conditions, a stronger than expected fall in house prices, and a further loss of business and consumer confidence from prolonged economic uncertainty. Also, the restructuring of the Cypriot banking sector could have stronger effects on related professional business services. Upside risks for the economy may emerge in 2014 with higher investment activity in the energy sector.

Table II.12.1:

Main features of country forecast - CYPRUS

	2011			Annual percentage change					
	mio EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	17979.3	100.0	4.3	-1.9	1.3	0.5	-2.3	-3.5	-1.3
Private consumption	11959.2	66.5	-	-7.5	1.5	0.2	-3.0	-4.1	-1.0
Public consumption	3605.0	20.1	-	6.8	1.0	-0.2	-3.2	-9.3	-3.3
Gross fixed capital formation	2938.4	16.3	-	-9.7	-4.9	-13.1	-22.3	-23.7	-11.6
of which : equipment	828.2	4.6	-	-0.3	-5.9	-23.1	-26.3	-22.0	-14.0
Exports (goods and services)	7699.0	42.8	-	-10.7	3.8	3.3	3.1	1.6	1.9
Imports (goods and services)	8251.6	45.9	-	-18.6	4.8	-4.1	-8.8	-8.0	-0.5
GNI (GDP deflator)	17917.4	99.7	4.4	-4.9	2.4	3.6	-9.3	-4.0	-0.9
Contribution to GDP growth : Domestic demand			-	-6.3	0.2	-2.4	-6.3	-7.7	-2.5
Inventories			-	-1.6	1.8	-0.5	-1.3	0.0	0.0
Net exports			-	5.7	-0.7	3.4	5.3	4.2	1.1
Employment			-	-0.5	0.0	0.5	-3.6	-1.3	-0.5
Unemployment rate (a)			-	5.5	6.5	7.9	12.1	13.7	14.2
Compensation of employees/head			-	2.5	2.7	3.3	1.1	-4.4	-1.2
Unit labour costs whole economy			-	3.9	1.4	3.3	-0.3	-2.3	-0.4
Real unit labour costs			-	3.8	-0.5	0.5	-1.9	-3.7	-1.9
Saving rate of households (b)			-	11.1	13.6	8.8	9.5	8.5	8.5
GDP deflator			3.4	0.1	1.9	2.7	1.7	1.5	1.5
Harmonised index of consumer prices			-	0.2	2.6	3.5	3.1	1.5	1.4
Terms of trade of goods			-	2.7	-0.9	-0.6	-2.4	-0.1	0.1
Merchandise trade balance (c)			-	-25.5	-26.8	-24.2	-21.2	-18.9	-18.7
Current-account balance (c)			-	-10.7	-9.2	-4.2	-6.0	-1.7	0.1
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-10.6	-9.0	-4.0	-5.5	-1.2	0.5
General government balance (c)			-	-6.1	-5.3	-6.3	-5.5	-4.5	-3.8
Cyclically-adjusted budget balance (c)			-	-6.3	-5.5	-6.5	-5.0	-2.9	-2.5
Structural budget balance (c)			-	-6.3	-5.5	-6.2	-5.7	-3.9	-2.5
General government gross debt (c)			-	58.5	61.3	71.1	86.5	93.1	97.0

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

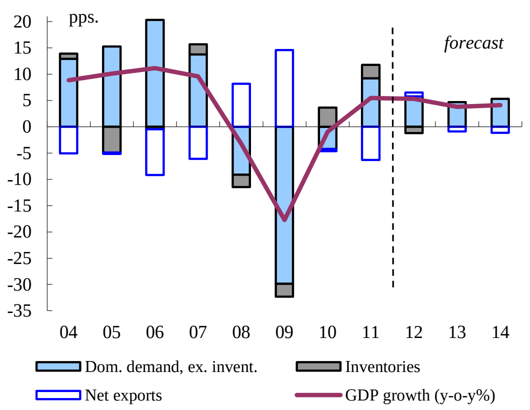
13. LATVIA

Strong growth amid low inflation and robust public finances

Growth beats expectations again

Latvia's economy continued growing at a strong pace in 2012 despite the weak external environment. According to the Eurostat flash estimate, GDP rose by seasonally adjusted 5.2% in 2012, marking only a minor slowdown from 5.5% in 2011. Growth was broadly balanced on the demand side while construction and manufacturing were major contributors on the supply side.

Graph II.13.1: **Latvia - GDP growth and contributions**



Although the economic sentiment indicator for Latvia remains favourable, GDP growth is still forecast to slow to 3.8% in 2013, taking into account the latest high-frequency indicators and diminishing positive effects from favourable weather and exceptionally good agricultural crops in 2012. Growth is, however, expected to improve again to 4.1% in 2014 on account of rising external demand. Both domestic demand and exports are seen as robust growth drivers in 2013-14. The country's economy is thus projected to remain one of the fastest growing in Europe and the risks to the forecast appear broadly balanced.

External balance is stabilising

After the extreme fluctuations in the external balance over the past boom-and-bust cycles, the latest estimates suggest that the current-account deficit is stabilising in a range of 2-4% of GDP over the forecast horizon. Exports grew much faster than imports in 2012 and the deficit in the trade in goods and services contracted, according to the provisional data published by the Bank of Latvia. The process was partly backed by agricultural exports benefiting from the exceptionally high grain crops. Many manufacturing branches, in particular metal processing, as well as port, transport and tourism services also contributed to the improvement in the foreign trade. The current-account deficit is forecast to widen only marginally in 2013-14, fuelled by import demand for investment goods and further expansion of the net outflow in the income account.

Inflation slows substantially

Consumer price inflation (HICP) slowed to 2.3% in 2012 from 4.2% in 2011 helped by the VAT cut from 22% to 21% as of July 2012, downward corrections in the prices of energy and agricultural commodities, and continuous decline in prices of non-energy industrial goods. Inflation is projected to remain low at 1.9% in 2013 and 2.2% in 2014 as import commodities and trade in merchandise goods keep playing a favourable role. Core inflation is set to move up closer to the headline index over the forecast horizon as rising wages and employment are likely to put some upward pressure on prices of services.

Labour market benefits from both supply and demand hikes

The labour market improved markedly in the second half of 2012 bringing the year-average unemployment rate down to 14.9% from 16.2% in 2011. Employment also improved at a strong rate of 2.8% and the labour force expanded by 1.3% in 2012 amid a large decline in emigration flows. According to the preliminary data of the Latvian statistical office, long-term net emigration contracted substantially in 2012 to a level that was even lower than in the period of 2000-07 when the economy was growing at record high rates. The latest economic sentiment surveys published by the European Commission show that employment is expected to rise further albeit at a slower rate than in 2012. Accordingly, unemployment is forecast to drop to 12.2% in 2014. Vacancy rates remain very low and labour supply is relatively strong which is likely to keep wage dynamics broadly in line with productivity gains. Nevertheless, some companies are already complaining about skill shortages in specific sectors, but at the aggregate level the problem still looks benign.

Budgetary target likely overachieved

In 2012, robust economic developments are expected to result in a better budgetary outcome – now estimated as a deficit of 1.5% of GDP – than was expected in the autumn forecast,[29] and also considerably below the earlier official deficit target of 1.9% of GDP. The large improvement in the deficit-to-GDP ratio in both the nominal and the structural term, compared to the 2011 outcome, is projected to be achieved despite the adoption of the expansionary supplementary budget and the 1 pp. VAT rate cut in mid-2012. The 0.9 pp. improvement in the structural balance reflects sizeable consolidation measures of the original 2012 budget and likely also the improving tax compliance, given considerable policy efforts in this area.

This better outcome leads to lower deficit projections, compared with the earlier forecast, also in 2013 and 2014, with a budgetary position now expected at respectively -1.1% and -0.9% of GDP. No major new fiscal policy decisions have been taken since the cut-off date of the autumn forecast; main policy changes that entered into force since January 2013 include a 1 pp. reduction in personal income tax rate, an increase in state contributions to the private funded pension pillar from 2% to 4% of gross wages and a limited increase in some social benefits. The personal income tax rate is set to be further lowered by 2 pps. from January 2014. At the same time, pension indexation remains suspended until late 2014 and several social benefits are capped. The structural balance is expected to worsen by ½ pp. in 2013 and to remain broadly stable in 2014.

The general government debt is projected to increase to above 44% of GDP in 2013, as the authorities accumulate assets for future repayments of debt, and to decline below 42% of GDP in 2014, as the repayments take effect. In late 2012 the authorities made an early repayment of their outstanding obligations towards the IMF under the 2009-11 financial assistance programme, replacing this part of official debt by market financing.

(29) This includes now also an estimated increase of the deficit by 0.5 pp. due to the sectoral reclassification of a financial defeasance unit, still subject to final decision on its statistical measurement.

Table II.13.1:
Main features of country forecast - LATVIA

		2011			Annual percentage change					
	mio LVL	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		14275.2	100.0	2.0	-17.7	-0.9	5.5	**5.3**	**3.8**	**4.1**
Private consumption		8874.7	62.2	-	-22.6	2.4	4.8	**4.7**	**3.8**	**4.1**
Public consumption		2470.3	17.3	-	-9.4	-7.9	1.1	**0.7**	**1.5**	**2.0**
Gross fixed capital formation		3044.5	21.3	-	-37.4	-18.1	27.9	**9.8**	**7.1**	**8.2**
of which : equipment		1201.2	8.4	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		8392.4	58.8	-	-14.1	11.6	12.7	**6.9**	**4.8**	**6.6**
Imports (goods and services)		9080.7	63.6	-	-33.3	11.4	22.7	**4.8**	**5.5**	**7.4**
GNI (GDP deflator)		14351.0	100.5	1.8	-10.6	-6.1	4.0	**4.6**	**3.5**	**4.1**
Contribution to GDP growth :	Domestic demand			-	-29.8	-4.2	9.2	**5.8**	**4.7**	**5.3**
	Inventories			-	-2.5	3.7	2.6	**-1.2**	**0.0**	**0.0**
	Net exports			-	14.6	-0.4	-6.3	**0.7**	**-0.9**	**-1.2**
Employment				-1.3	-13.2	-4.8	-8.1	**2.8**	**1.9**	**2.1**
Unemployment rate (a)				12.1	18.2	19.8	16.2	**14.9**	**13.7**	**12.2**
Compensation of employees/head				-	-12.7	-6.7	20.9	**3.3**	**2.7**	**3.4**
Unit labour costs whole economy				-	-7.9	-10.4	5.2	**0.8**	**0.8**	**1.4**
Real unit labour costs				-	-6.7	-9.2	-0.6	**-1.6**	**-1.0**	**-0.8**
Saving rate of households (b)				2.2	10.4	2.5	-1.6	**-1.2**	**-0.3**	**-0.7**
GDP deflator				28.6	-1.2	-1.3	5.9	**2.5**	**1.8**	**2.2**
Harmonised index of consumer prices				-	3.3	-1.2	4.2	**2.3**	**1.9**	**2.2**
Terms of trade of goods				-	-2.9	1.1	5.8	**-1.0**	**0.0**	**0.0**
Merchandise trade balance (c)				-14.7	-7.1	-7.0	-10.8	**-10.4**	**-11.0**	**-11.6**
Current-account balance (c)				-6.1	8.6	2.9	-2.4	**-2.5**	**-2.8**	**-3.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-3.9	11.1	4.9	-0.2	**0.5**	**0.1**	**-0.2**
General government balance (c)				-	-9.8	-8.1	-3.4	**-1.5**	**-1.1**	**-0.9**
Cyclically-adjusted budget balance (c)				-	-6.0	-4.6	-1.6	**-0.9**	**-1.0**	**-1.1**
Structural budget balance (c)				-	-5.7	-2.9	-1.4	**-0.5**	**-1.0**	**-1.1**
General government gross debt (c)				-	36.7	44.5	42.2	**41.9**	**44.4**	**41.5**

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

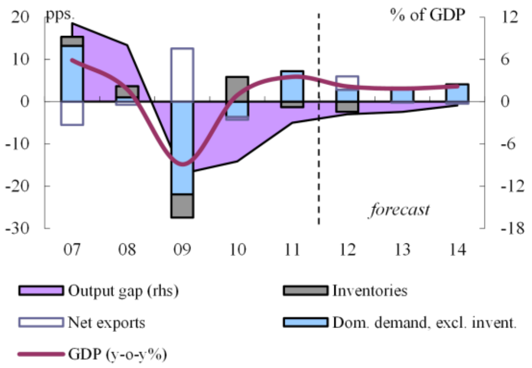
14. LITHUANIA

Steady growth ahead

Exceptionally high net-exports offset slowing domestic demand in 2012

In 2012 Lithuania had another year of robust economic growth. Real GDP expanded by estimated 3.6%, driven by private consumption and net exports. Private consumption was initially the main growth engine, but lost steam during the year. The euro-area turbulences over the summer resulted in low business confidence and ultimately in a contraction of investment in the third quarter. Yet, GDP growth accelerated in the second half of the year thanks to a considerable expansion in net exports. Export of goods and services is estimated to have grown in real terms in 2012 by 10.2% and import by 6.0%. This buoyant development was supported by strong growth in the other Baltic States, a partial refocus of trade flows towards the CIS, and a record harvest boosting exports of agricultural products. As a result, the trade and current-account balances improved.

Graph II.14.1: **Lithuania - GDP growth and contributions, output gap**



Investment set to resume in 2013

Looking ahead, growth is set to continue, but its composition is expected to change. Recent high-frequency indicators suggest an improvement in economic sentiment and sustained output growth. In particular, private investment is expected to pick up, as credit is in principle available, interest rates are at a historical low, and companies have significant reserves to finance potential investment. Additionally, capacity utilisation is above its long-term average, and a majority of businesses indicated plans to increase their investment in 2013. Public investment will also grow over the forecast horizon as it continues to be supported by EU co-financed projects. Private consumption growth, however, is expected to slow down and evolve more in line with the wage bill in 2013 and 2014.

Last year's export performance was to some extent exceptional and based on one-offs like the harvest. Thus, it is expected that gains in market shares and export growth will decelerate in 2013 before picking up once the external environment improves. Given the high import-intensity of exports, import growth is also forecast to decelerate in 2013, but less than proportionally due to rising imports of capital goods for investment. Against this background, net exports are anticipated to contribute negatively to growth over the forecast horizon and the current-account deficit to widen accordingly.

Consequently, Lithuania's real GDP is forecast to grow by 3.1% in 2013 and by 3.6% in 2014 with broadly balanced risks. On the downside, there is a risk that the pick-up in investment and therefore growth could be delayed. Upside risks are related to the export performance in case Lithuania was to keep gaining market shares as in 2012.

Inflation keeps moderating

Inflation (HICP) decreased to 3.2% in 2012 reflecting weaker growth in food and energy prices. Core inflation remained at 2.4% as the slower price growth of processed food was offset by a higher one in services and industrial goods. These trends are expected to prevail. While core inflation is projected to inch up in 2013 and 2014, the overall HICP is set to moderate further on the back of lower commodity prices. It is forecast to decrease to 2.4% in 2013 before picking up to 2.9% in 2014, when a reduced VAT rate applied to residential heating is about to expire.

Labour market set to improve at a slower pace

Employment continued to grow across all sectors in 2012 and the unemployment rate is estimated to have decreased to 13% (from 15.3% in 2011). However, businesses have remained cautious and tended to hire more part-time workers. Job creation is expected to continue albeit at a slower pace, in line with economic growth and a possible lack of skilled labour. The unemployment rate is projected to decrease to 11.4% in 2013 and 9.8% in 2014.

Real wage growth was positive in 2012 after three years of contraction. It is forecast to continue, supported by a 17.6% increase in minimum wage. This measure is targeted at replacing a significant part of informal wage payments, and should thus have only limited impact on the labour market. However, there is a downside risk, as unskilled employment could suffer and wage pressures could emerge across the economy. This could be further accentuated in 2014 as the unemployment rate is projected to fall below the estimated NAWRU. This would also increase domestic inflation pressures beyond the forecast horizon.

Fiscal improvements supported by GDP growth

In 2012, Lithuania's general government deficit is estimated to fall to 3.2% of GDP and is forecast to narrow further to 2.9% in 2013 and 2.4% in 2014 on the back of continued economic growth and a limited increase in expenditure. Total revenue and expenditure in 2012 were close to the budget plan. Tax revenues were supported by a steady collection of direct taxes, and notably higher-than-expected corporate income tax revenue, which more than compensated for slightly lower indirect tax revenues. Non-tax revenues included sizeable dividends from state-owned enterprises, but sales of carbon rights fell considerably short of plan. The deficit of the state social insurance fund SoDra was lower than planned due to improving performance of the labour market.

The 2013 budget restricts expenditure growth to secure further improvements in the fiscal deficit. The public sector wage freeze has been extended into 2013. However, the sizeable rise in minimum wages is set to increase the public sector wage bill, albeit expected to be offset by higher social contributions and personal income tax collection. On the revenue side, an increase in excise duties on gasoline and cigarettes is expected to compensate for reduced VAT rates on transport and media, but not sufficiently to cover an extension of reduced VAT rates for residential heating and medicines. SoDra is assumed to reduce its deficit as the labour market is set to improve. The structural deficit is estimated to decrease from 2.7% of GDP in 2012 to 2.2% in 2013 and 2014. General government debt is set to stabilise slightly around 40½% in 2013 and 2014, shrinking from an estimated 41.1% of GDP in 2012.

Table II.14.1:
Main features of country forecast - LITHUANIA

	2011				Annual percentage change					
	bn LTL	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		106.4	100.0	1.9	-14.8	1.5	5.9	**3.6**	**3.1**	**3.6**
Private consumption		67.4	63.4	-	-17.8	-4.7	6.4	**4.5**	**2.9**	**3.9**
Public consumption		20.2	18.9	-	-1.4	-3.4	0.5	**0.3**	**0.6**	**1.4**
Gross fixed capital formation		18.9	17.8	-	-39.5	1.9	18.3	**-0.4**	**5.9**	**7.6**
of which : equipment		6.1	5.7	-	-50.0	20.6	32.6	**-1.4**	**9.8**	**8.0**
Exports (goods and services)		82.5	77.6	-	-12.6	17.4	14.1	**10.2**	**5.4**	**6.8**
Imports (goods and services)		85.5	80.4	-	-28.1	18.0	13.7	**6.0**	**5.6**	**7.4**
GNI (GDP deflator)		102.9	96.7	-	-10.6	-2.2	4.0	**3.3**	**2.5**	**3.4**
Contribution to GDP growth :	Domestic demand			-	-22.0	-3.7	7.2	**2.8**	**3.0**	**4.1**
	Inventories			-	-5.4	5.8	-1.3	**-2.4**	**0.3**	**0.0**
	Net exports			-	12.6	-0.6	0.0	**3.1**	**-0.2**	**-0.5**
Employment				-0.7	-6.8	-5.1	2.0	**1.9**	**1.4**	**1.7**
Unemployment rate (a)				9.0	13.6	18.0	15.3	**13.0**	**11.4**	**9.8**
Compensation of employees/head				-	-9.9	-0.4	3.6	**3.7**	**4.3**	**3.5**
Unit labour costs whole economy				-	-1.5	-6.9	-0.1	**2.0**	**2.7**	**1.6**
Real unit labour costs				-	2.0	-8.8	-5.3	**0.0**	**-0.1**	**-1.4**
Saving rate of households (b)				-	5.4	9.2	1.2	**-**	**-**	**-**
GDP deflator				36.0	-3.4	2.0	5.4	**2.0**	**2.8**	**3.0**
Harmonised index of consumer prices				-	4.2	1.2	4.1	**3.2**	**2.4**	**2.9**
Terms of trade of goods				-	-5.9	1.4	-0.6	**-1.0**	**0.2**	**-0.1**
Merchandise trade balance (c)				-	-3.3	-4.9	-5.9	**-4.0**	**-4.1**	**-4.7**
Current-account balance (c)				-	2.1	-0.4	-3.7	**-0.9**	**-1.3**	**-1.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	6.4	3.5	-0.4	**2.4**	**2.1**	**1.4**
General government balance (c)				-	-9.4	-7.2	-5.5	**-3.2**	**-2.9**	**-2.4**
Cyclically-adjusted budget balance (c)				-	-6.3	-4.6	-4.6	**-2.6**	**-2.4**	**-2.2**
Structural budget balance (c)				-	-6.7	-4.6	-4.6	**-2.7**	**-2.2**	**-2.2**
General government gross debt (c)				-	29.3	37.9	38.5	**41.1**	**40.5**	**40.3**

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

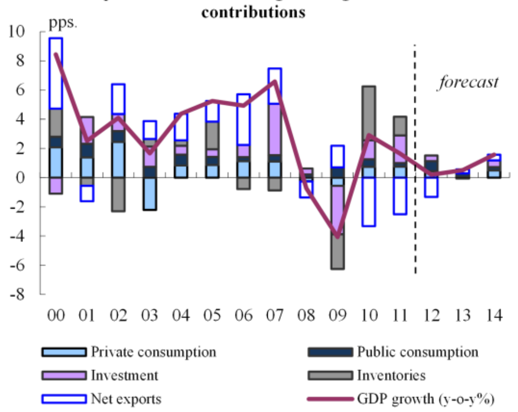
15. LUXEMBOURG

Less manufactures made in Luxembourg

In 2012 growth continued to be lacklustre showing a saw-tooth profile over the first three quarters when output increased by 0.1% and 0.5% q-o-q in the first two quarters to curb down by 0.3% in the third quarter. While growth is still more dynamic than in the rest of the euro area, these rates are lower than before the burst of the crisis.

Over 2012 the industrial, and in particular the steel sector has been hit severely by the slowdown of activity across the euro-area and have seen its share shrinking both in terms of gross value added and employment with plants being closed down. The financial services sector has continued to show a positive although weakening trend.

Graph II.15.1: **Luxembourg - GDP growth and contributions**



Available national soft and hard indicators depict a broadly sluggish outlook for the last quarter of the year in line with similar developments in the euro area. The overall confidence indicators in the industrial and the construction sectors have deteriorated recently and are now at, or very close to, a relative minimum. Growth expectations for 2012 were then lowered compared to our autumn forecast and output is set to have only slightly increased by 0.2%. In 2012 net export are likely to have been a drag for the economy shaving 1.3 pps. off growth. The government counter-cyclical stance is expected to have supported domestic growth. Both public consumption and investment would have expanded fast while the contribution to growth from the private sector would have remained subdued.

The weakness is expected to protract in the first half of 2013 and a return of activity to be triggered by a surge in external demand in the final part of the year. Support to growth from government activities is expected to lessen following the announced retrenchment in public consumption and investment. The expected impact exerted by the consolidation measures on households' disposable income coupled with the low consumer confidence level is expected to additionally impact consumption and investment, despite the relief provided from lower price evolution. Low level of capacity utilisation associated with a weak demand is assumed to put a question mark on firms' investment plans. Financial services are expected to continue to contribute positively to growth as the development in the fund and insurance industries will compensate for the slack in the traditional intermediation activity where, despite the criteria for lending being assessed as not particularly tight, demand for credit remains low. Overall growth in 2013 will result in a 0.5% increase on average.

In 2014, GDP is projected to grow by 1.6%, still far below its pre-crisis rates. The main contribution will come from domestic demand backed by higher level of confidence, while net exports are also expected to contribute positively.

The main downside risk for this growth scenario refers to the capacity of financial services to keep on creating wealth in the *Grand Duché*, as well as that of the country to keep the existing or even attract new industries.

Lower inflation to come

After peaking at 3.7% in 2011, HICP slowed down to 2.9% in 2012. It has been driven upwards by rising prices for oil and other raw materials. The dampening effect on inflation exerted by less dynamic oil prices in 2013 and 2014 will only be partially offset in 2013 by the planned rises in administered prices and the index is expected to abate to 1.7% and 1.6% in 2013 and 2014, respectively. Core inflation, which excludes the most volatile components, is expected to fall from 2.5% in 2011 to 2.3% in 2012 and to 2.1% in 2013 to slightly increase to 2.2% 2014.

A less dynamic labour market

Job creation in Luxembourg still remained robust in 2012 at 2.2%. However, this employment increase has not been sufficient to bring down the unemployment rate, which stabilised just at 5% due to buoyant increase in the participation rate. With economic growth only slightly positive over the forecast horizon the quest for productivity gains will imply some adjustment on employment. Job creation is then expected to decelerate to around 1.0% in 2013 as labour hoarding will finally be limited, moving the unemployment rate higher to 5.4% as the active population continue to record strong increases. In 2014 unemployment is projected to reach 5.7% as the increase in the labour population will not be offset by the mild recovery in the labour market. The agreement with the social partners to limit the automatic indexation to 2.5% up to 2014 will put a lid to wage growth over the forecast horizon and help moderate the increase in unit labour costs.

Public finances remain strong in spite of deterioration

The general government deficit is expected to deteriorate from 0.3% of GDP in 2011 to 1.5% in 2012, constituting a sizeable slippage compared to the original target of 0.7% of GDP set in the original budget. The deterioration can be mostly attributed to the central government, even if the surplus of the social security subsector is also supposed to have slightly declined. In spite of weaker than anticipated economic growth a surge in VAT revenues from e-commerce related activities has compensate for a shortfall in social contribution revenues. On the other hand, government consumption expenditure has continued to follow a dynamic rising trend.

In 2013 the general government deficit is projected to decline to 0.9% of GDP. The implementation of the consolidation package adopted by the government with the 2013 budget is expected to curb the evolution of expenditure and boost revenues. In 2014, under the usual no-policy-change assumption, the deficit-to-GDP ratio is expected to increase to 1.3% of GDP as the acceleration in revenues supported by higher growth will not offset the rising trend in government expenditure. As a result, the structural deficit, estimated at around ¾% of GDP in 2012, is projected to improve to a small surplus of 0.1% of GDP in 2013 and deteriorate in 2014 to a deficit of about ¾%, at unchanged policy.

Public debt is set to have increased to 20.5% of GDP in 2012 from 18.3% in 2011. In 2013 and 2014 the debt-to-GDP ratio is expected to reach 22.2% and 24.1%, respectively.

Table II.15.1:

Main features of country forecast - LUXEMBOURG

	2011		Annual percentage change						
	mio EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	42624.6	100.0	4.1	-4.1	2.9	1.7	**0.2**	**0.5**	**1.6**
Private consumption	13321.7	31.3	2.4	-1.7	2.2	2.4	**1.4**	**0.1**	**1.6**
Public consumption	7002.5	16.4	3.9	4.5	3.0	1.5	**4.1**	**1.4**	**1.3**
Gross fixed capital formation	8097.2	19.0	5.1	-15.5	6.8	10.2	**2.1**	**-0.3**	**2.5**
of which : equipment	2711.4	6.4	4.7	-34.4	28.5	24.6	**6.0**	**2.0**	**2.0**
Exports (goods and services)	75228.3	176.5	7.4	-10.9	7.7	5.5	**-3.1**	**1.6**	**3.1**
Imports (goods and services)	61920.4	145.3	7.3	-14.1	12.1	8.6	**-2.8**	**1.7**	**3.5**
GNI (GDP deflator)	30773.1	72.2	3.0	-19.9	6.6	7.4	**0.2**	**0.4**	**1.3**
Contribution to GDP growth : Domestic demand			2.8	-3.2	2.6	2.9	**1.5**	**0.2**	**1.2**
Inventories			-0.1	-2.4	3.7	1.3	**0.0**	**0.0**	**0.0**
Net exports			1.5	1.5	-3.3	-2.5	**-1.3**	**0.3**	**0.4**
Employment			3.5	1.1	1.8	2.9	**2.2**	**1.0**	**1.3**
Unemployment rate (a)			3.3	5.1	4.6	4.8	**5.0**	**5.4**	**5.7**
Compensation of employees/head			3.4	1.9	2.7	2.0	**2.2**	**2.2**	**2.9**
Unit labour costs whole economy			2.7	7.3	1.6	3.3	**4.2**	**2.7**	**2.7**
Real unit labour costs			-0.1	6.8	-5.6	-1.7	**0.7**	**0.1**	**0.9**
Saving rate of households (b)			-	13.5	-	-	**-**	**-**	**-**
GDP deflator			2.9	0.5	7.6	5.1	**3.5**	**2.7**	**1.8**
Harmonised index of consumer prices			-	0.0	2.8	3.7	**2.9**	**1.7**	**1.6**
Terms of trade of goods			0.0	1.0	5.9	3.7	**-1.1**	**0.9**	**0.1**
Merchandise trade balance (c)			-10.8	-9.0	-9.2	-11.3	**-13.2**	**-12.5**	**-13.1**
Current-account balance (c)			10.7	7.2	8.2	7.1	**6.3**	**6.7**	**6.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	6.4	7.6	6.8	**6.3**	**6.7**	**6.1**
General government balance (c)			2.4	-0.8	-0.8	-0.3	**-1.5**	**-0.9**	**-1.3**
Cyclically-adjusted budget balance (c)			-	1.1	0.0	0.2	**-0.7**	**0.1**	**-0.7**
Structural budget balance (c)			-	1.1	0.0	0.2	**-0.7**	**0.1**	**-0.7**
General government gross debt (c)			6.9	15.3	19.2	18.3	**20.5**	**22.2**	**24.1**

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

16. HUNGARY

Slow economic recovery weighs on public finances

Weak recovery after recession

In 2012, the Hungarian economy entered into recession with GDP contracting by 1.7%. After a short recovery in 2011, domestic demand has fallen over 3%. Investment continued to contract for the fourth consecutive year, against the background of tight lending conditions. Falling disposable income and high unemployment contributed to a renewed decline in consumption. This was partly on account of a sharp drop in stocks, due to unusually weak output in the agricultural sector as a consequence of a drought. Export growth cushioned the fall in GDP but its pace has declined sharply on account of a deteriorating external environment.

For 2013 stagnation is expected. Export markets are set to improve and the decline in domestic demand is assumed to slow down. In view of the unfavourable lending conditions, investment and household consumption expenditure are still expected to decline by around 1½% and ½% respectively although the latter is to benefit from a rise in real disposable income.

In 2014, growth is expected to accelerate and reach 1¼%. It is forecast to be explained by an increased contribution from net exports but also from some expansion in domestic demand. Household consumption is projected to turn into a slightly positive territory on account of a further increase in real disposable income. Private investment is set to remain negative in view of the continued fall in corporate lending; on the other hand, government investment may be boosted by a higher inflow of EU funds.

Risks associated to this forecast point to both directions. Tighter than assumed financial conditions could lead to weaker growth. On the other hand, recent official statements on fiscal loosening measures can result in some short term gains in consumption.

Labour market conditions remain contained

Despite an increase in employment, the unemployment rate stabilised at 10.9% in 2012. The participation rate improved as a result of several government measures (e.g. extension of the retirement age). From 2013 onwards, labour market conditions are likely to remain weak. While the participation rate is projected to grow further, only a small increase in employment is foreseen. Therefore, unemployment is expected to remain at two digit level. Firms are expected to adjust to weaker profitability conditions partly by reducing their employment but this will be counteracted by the increasing size of the public work scheme and the rise in SME employment.

A drop in inflation

A drop in inflation is forecast for 2013. In addition to the lower overall effect of indirect tax hikes compared to 2012, this drop is also due to the cut in regulated energy and other utility prices introduced in January 2013. These regulated price cuts might continue according to government communication, which holds downward risks to inflation. Effects of new sectoral taxes bear the possibility to cause spill-over price effects but to some extent this is offset by the disinflation effect of the still weak domestic demand.

2012 fiscal deficit below 3% of GDP…

In 2012 the fiscal deficit is forecast to be 2.4% of GDP, i.e. broadly in line with the autumn forecast and below the revised target of 2.7% of GDP, also thanks to one-off revenues of close to 1% of GDP. Although the tax revenues, notably the VAT, were lower than expected in the last quarter of 2012 by ¼% of GDP, it was mainly off-set by the activation of contingent expenditure cuts.

…but above in 2013 and 2014

In 2013 the deficit is foreseen to be 3.4% of GDP, i.e. above the revised target of 2.7% of GDP and also exceeding the deficit of 2.9% of GDP projected in the autumn forecast. The increasing deficit in 2013 compared to 2012 can mainly be attributed to the phasing out of temporary extraordinary taxes introduced in 2010 and other one-off revenues of altogether 1% of GDP, the revenue reducing stimulus measures of beyond ½% of GDP as well as the reduction of the personal income tax for higher earners of more than ¼% of GDP. Some other individually smaller elements (e.g. extended public work scheme, extraordinary support of the higher education sector, fiscal impact of the lower than budgeted inflation) will also increase the deficit altogether by around ¾% of GDP.

These deficit increasing developments are set to be partly off-set by saving measures announced in the context of the 2011 and 2012 Convergence Programmes, which will improve the deficit by somewhat more than ½% of GDP in 2013 compared to 2012, although the implementation of these saving measures largely lags behind compared to the original plans in selected areas. Moreover, corrective measures announced in autumn 2012, mainly higher taxes, can reduce the deficit by around 1¼% of GDP in 2013.

The 2014 deficit, based on the usual no-policy-change assumption, is projected to remain at 3.4% of GDP. The planned new wage compensation scheme in the public education sector, the foreseen need of capital transfer to the central bank and the increasing interest expenditure is expected to be offset by the economic recovery and further revenues related to the implementation of selected reform measures (e.g. distance based road toll).

The potential introduction of the new wage compensation scheme in the public sector already in September 2013 and the deductibility of the child allowances from the social security contribution, as recently suggested by official statements, would increase the deficit further. These risks could be offset by the implementation of the distance road system, the enhancement of the tax administration and the collection of the financial transaction duty fully in line with the (recently reinforced) plans.

Debt reduction loses its impetus

The improvement of the structural deficit by 2½% of GDP in 2012 compensates its cumulative deterioration of 2% of GDP in 2010 and 2011. However, the structural deficit is forecast to increase again in 2013 and 2014, by ¼% and ½% of GDP, respectively. Accordingly, the debt is forecast to only gradually decrease from 78.6% of GDP in 2012 to 77.7% in 2014.

Table II.16.1:

Main features of country forecast - HUNGARY

		2011			Annual percentage change					
	bn HUF	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		27886.4	100.0	2.5	-6.8	1.3	1.6	**-1.7**	**-0.1**	**1.3**
Private consumption		14780.1	53.0	-	-6.6	-3.0	0.5	**-1.9**	**-0.5**	**0.5**
Public consumption		5797.8	20.8	0.4	0.7	-0.7	-0.3	**-2.0**	**-0.1**	**0.9**
Gross fixed capital formation		4987.4	17.9	4.1	-11.1	-9.5	-3.6	**-5.1**	**-1.5**	**-0.4**
of which : equipment		2126.7	7.6	-	-17.3	-3.5	8.5	**-2.8**	**-0.4**	**0.1**
Exports (goods and services)		25470.0	91.3	12.2	-10.2	14.2	6.3	**2.2**	**3.1**	**5.6**
Imports (goods and services)		23601.1	84.6	12.3	-14.8	12.7	5.0	**0.4**	**3.0**	**5.2**
GNI (GDP deflator)		26505.6	95.0	-	-4.7	0.9	1.4	**-3.0**	**-0.3**	**1.0**
Contribution to GDP growth :	Domestic demand			2.3	-5.9	-3.8	-0.5	**-2.3**	**-0.6**	**0.4**
	Inventories			0.2	-4.6	3.3	0.6	**-1.0**	**0.2**	**0.0**
	Net exports			0.0	3.6	1.8	1.5	**1.7**	**0.3**	**0.9**
Employment				-	-2.5	0.7	0.4	**1.3**	**0.0**	**0.6**
Unemployment rate (a)				-	10.0	11.2	10.9	**10.8**	**11.1**	**11.1**
Compensation of employees/head				-	-1.7	-0.3	3.0	**3.9**	**0.9**	**4.9**
Unit labour costs whole economy				-	2.8	-0.9	1.8	**7.1**	**1.0**	**4.2**
Real unit labour costs				-	-0.7	-3.3	-1.3	**2.6**	**-2.8**	**0.4**
Saving rate of households (b)				-	10.2	10.8	10.4	**-**	**-**	**-**
GDP deflator				12.0	3.6	2.5	3.1	**4.4**	**4.0**	**3.8**
Harmonised index of consumer prices				-	4.0	4.7	3.9	**5.7**	**3.6**	**3.3**
Terms of trade of goods				-	1.1	-0.2	-1.7	**-0.6**	**1.0**	**-0.1**
Merchandise trade balance (c)				-4.1	2.5	3.2	3.3	**4.5**	**5.4**	**5.8**
Current-account balance (c)				-	-0.1	1.2	1.0	**2.3**	**3.3**	**3.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	1.1	3.0	3.4	**4.7**	**7.1**	**7.3**
General government balance (c)				-	-4.6	-4.4	4.3	**-2.4**	**-3.4**	**-3.4**
Cyclically-adjusted budget balance (c)				-	-2.3	-2.7	5.1	**-0.9**	**-2.0**	**-2.6**
Structural budget balance (c)				-	-2.2	-3.4	-4.3	**-1.7**	**-2.0**	**-2.6**
General government gross debt (c)				-	79.8	81.8	81.4	**78.6**	**78.7**	**77.7**

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

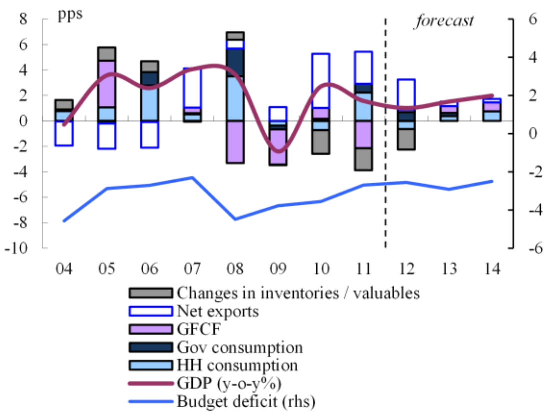
17. MALTA

Growth gradually gaining pace

After decelerating in 2012, economic growth resumes slowly …

Real GDP growth is expected to have slowed down further in 2012 as despite a relatively resilient labour market, consumer confidence was very low. This was reflected in subdued private consumption. Following a significant drop in 2011, fixed investment stabilised in 2012, against the background of improving profitability. Net exports continued to be the main driver of growth, reflecting the particularly resilient performance of the tourism sector and sustained growth in financial services.

Graph II.17.1: **Malta - Contributions to GDP growth**



Real GDP as a whole is expected to have increased by 1% in 2012 and, as domestic demand gradually strengthens, growth is projected to accelerate to 1.5% in 2013 and 2% in 2014. Indeed, domestic demand is seen to become the main driver of growth in 2013-14. Consumer confidence started improving in the final months of 2012 and this, added to increasing disposable income, is projected to support household consumption in 2013-14. Fixed investments are projected to improve further, but remain well below pre-crisis levels. In particular, construction investment is forecast to pick up slightly on the back of EU-funded projects as well as the electricity interconnector with Sicily, which is scheduled for completion by end-2013. By contrast, housing investment is expected to remain subdued, in line with the expected moderate outlook for the housing market. The upturn in domestic demand will stimulate imports, thereby reducing the trade balance. However, net exports are expected to continue to add positively to economic growth and the current-account balance is forecast to remain positive over the forecast horizon.

… supported by a resilient labour market

The labour market continues to prove resilient and job creation is projected to remain robust throughout the forecast horizon, significantly outperforming the euro-area average. Employment growth is expected to have reached 1.7% in 2012, largely on the back of the expanding services sector, while industrial employment continued shrinking. Going forward, as the economic outlook brightens, employment and average wage growth are forecast to strengthen and move towards their pre-crisis average. The unemployment rate is projected to remain among the lowest in the euro area and further narrow to 6.1% in 2014.

Risks to this scenario appear balanced. The currently uncertain political situation in Malta, ahead of the parliamentary elections in March, could have a further negative impact on consumer and business confidence and delay the recovery of domestic demand in 2013. On the upside, the rapidly developing financial sector could benefit from the assumed stabilisation in the euro-area financial markets and resuming confidence, thus supporting real GDP growth.

HICP inflation moderates but remains above euro-area average

Price growth in 2012 was higher than expected and HICP inflation averaged 3.1%, up from 2.5% in the previous year. The main reason, however, was higher prices for tourist services, which are mainly oriented towards foreigners and therefore have little impact on domestic consumption. Indeed, the domestic measure of inflation, the Retail Price Index, actually shows a slight deceleration compared to 2011. HICP inflation is forecast to slow down in 2013-14. Price growth is expected to moderate across all main categories in 2013 and in particular in services, also due to the relatively high base in 2012. As private consumption recovers, services inflation is expected to pick up in 2014, but its impact on overall HICP is forecast to be offset by slower growth in foods prices. Overall, total HICP is expected to be higher than the euro-area average over the forecast horizon.

Budget deficit projected to widen in 2013 in the absence of a budget

The headline general government deficit is projected to have improved in 2012. Current primary expenditure is expected to have accelerated, outpacing nominal GDP growth, mainly due to higher social transfers and subsidies to the national energy company (Enemalta). By contrast, compensation of employees in the public sector is set to have grown at a more moderate pace as a result of continued hiring restraints. In spite of dynamic investment and the planned equity injection into Air Malta, net capital expenditure as a share of GDP is projected to have declined, on account of negative capital asset sales. Current revenues are projected to have increased mainly on the back of measures targeted at increasing VAT revenue collection.

The draft 2013 budget was presented by the government at the end of November but failed to receive parliamentary endorsement. In the absence of consolidation measures, the deficit in 2013 is expected to widen. Current primary expenditure is forecast to drop by 0.3 pp. of GDP, reflecting a continuation of the tight recruitment policy in the public sector as well as subdued dynamics of social transfers from the impact of the 2006 pension reform. Net capital expenditure, comprising the planned additional equity injection into Air Malta of 0.6% of GDP, is expected to grow by 0.5 pp. of GDP. The increase in tax revenue related to the pick-up in economic activity only partly compensates for the disappearance of the one-off revenues expected in 2012. As a result, current revenues are projected to decline slightly. In 2014, the deficit is projected to narrow, on the back of domestic demand-driven growth but also due to a lower equity injection into Air Malta.

After having improved by more than 1 pp. of GDP in 2011, the structural deficit is expected to remain stable in 2012 and, on a no-policy-change assumption, is forecast to improve by ½ pp. of GDP in 2013 and by ¼ pp. of GDP in 2014. The debt-to-GDP ratio is projected to continue increasing over the forecast horizon, as the primary balance is not high enough to allow a reduction in the debt ratio. The main downside risk to this scenario is related to the financial situation of Enemalta, which could entail additional subsidies.

Table II.17.1:

Main features of country forecast - MALTA

		2011			Annual percentage change					
	mio EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		6544.4	100.0	3.5	-2.4	2.7	1.6	**1.0**	**1.5**	**2.0**
Private consumption		4031.7	61.6	-	-0.6	-1.1	3.5	**-1.0**	**0.6**	**1.2**
Public consumption		1346.8	20.6	-	-1.5	0.9	3.5	**3.5**	**1.2**	**1.3**
Gross fixed capital formation		986.3	15.1	-	-15.4	5.6	-13.6	**1.5**	**4.0**	**5.0**
of which : equipment		-	-	-	-21.0	32.5	-38.7	**-**	**-**	**-**
Exports (goods and services)		6634.9	101.4	-	-7.7	18.4	1.3	**6.2**	**4.0**	**4.8**
Imports (goods and services)		6294.7	96.2	-	-8.6	13.3	-1.2	**4.1**	**3.9**	**4.9**
GNI (GDP deflator)		6135.5	93.8	3.0	-5.9	2.5	2.4	**1.2**	**0.9**	**1.7**
Contribution to GDP growth :	Domestic demand			-	-3.4	0.3	0.8	**0.2**	**1.2**	**1.7**
	Inventories			-	0.0	-1.9	-1.7	**-1.6**	**0.0**	**0.0**
	Net exports			-	1.1	4.2	2.5	**2.4**	**0.4**	**0.3**
Employment				1.0	-0.2	1.7	2.6	**1.7**	**1.7**	**1.9**
Unemployment rate (a)				6.4	6.9	6.9	6.5	**6.5**	**6.4**	**6.2**
Compensation of employees/head				5.4	3.6	0.3	0.5	**1.9**	**2.2**	**2.3**
Unit labour costs whole economy				2.8	5.9	-0.6	1.6	**2.6**	**2.4**	**2.2**
Real unit labour costs				0.2	3.2	-3.5	-0.4	**-0.1**	**-0.3**	**-0.1**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				2.5	2.6	2.9	2.0	**2.7**	**2.6**	**2.4**
Harmonised index of consumer prices				-	1.8	2.0	2.5	**3.2**	**2.2**	**2.2**
Terms of trade of goods				-	-4.6	-6.2	4.5	**-1.5**	**0.3**	**-0.1**
Merchandise trade balance (c)				-18.0	-18.1	-17.7	-16.0	**-16.2**	**-16.4**	**-16.8**
Current-account balance (c)				-	-7.3	-4.9	-0.3	**1.5**	**1.2**	**0.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-5.6	-3.2	0.7	**2.4**	**2.1**	**1.8**
General government balance (c)				-	-3.8	-3.6	-2.7	**-2.6**	**-2.9**	**-2.5**
Cyclically-adjusted budget balance (c)				-	-3.2	-3.3	-2.5	**-2.2**	**-2.6**	**-2.3**
Structural budget balance (c)				-	-3.9	-4.4	-3.2	**-3.2**	**-2.9**	**-2.5**
General government gross debt (c)				-	66.3	67.4	70.4	**73.1**	**73.8**	**73.6**

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

18. THE NETHERLANDS

Housing market adjustments impose a drag on economic activity

Significant contraction in GDP in 2012

Since the second quarter of 2011, quarter-on-quarter economic growth in the Netherlands has been negative, apart from the first half of 2012, when it was marginally above zero.

Real GDP decreased by 1% in the third quarter of 2012, its strongest decline since 2009. Net exports, which had been supporting growth in the five previous quarters, turned strongly negative, while domestic demand continued to decline. Real GDP continued to decrease in the fourth quarter of 2012, with private consumption falling for the eight quarter in a row, to a level last reached in 2003.

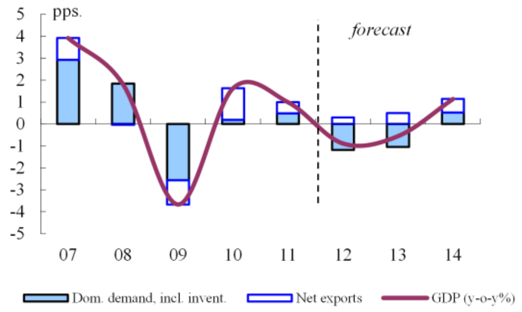
Despite a marked improvement in January, consumer confidence remains close to historical lows, with particularly weak readings for indicators of the financial situation and unemployment expectations. Given limited nominal increases in contractual wages, gains in gross disposable income for the working population are expected to remain very limited in the near future. In addition, the prolonged decline of house prices is expected to continue over the forecast horizon and the associated negative wealth and confidence effects are likely to constrain consumption expenditure.

The difficult situation in the housing market has translated into a lower number of transactions and a very sharp drop in the level of activity in the construction sector. The number of building permits has steadily fallen from a peak in 2006 and confidence in the construction sector reached historical lows in the last quarter of 2012. Investment in dwellings continued to decline.

Domestic demand set to remain weak,

Real GDP growth is forecast to remain negative in 2013 at -0.6%. This is almost solely the result of a negative carry-over from 2012, since quarterly growth is projected to return to modest positive territory in the course of 2013, on the back of supportive trade developments, which are set to recover from a soft ending last year. By contrast, domestic demand is expected to remain depressed well into 2013. The combination of employment losses, budget consolidation, continued weakness in the housing market, cuts in pension payments by some pension funds and a soft patch in external demand exerts a substantial drag on households and corporations.

Graph II.18.1: **Netherlands - GDP growth and contributions**



The decline in domestic demand should come to a halt in the second half of the year, with growth turning mildly positive in 2014. This is supported by tax relief for employees, which should translate into a positive impact on private consumption, and by a recovery in private investment, especially for export-oriented businesses. Downside risks mainly relate to unemployment and the strength of housing-related balance sheet adjustments.

Inflation easing over the forecast horizon

In 2012, HICP inflation stood close to 3%, having been boosted by increases in energy prices and policy measures, notably the increased VAT rate as of October 2012. Looking forward, the disinflationary effects of weak domestic demand and decreasing oil prices should be partly compensated in the near term by the lagged upward pressures from the increase in the standard VAT tax rate. As a result, inflation is likely to fall only modestly to 2.6% in 2013 and to ease further to 1.4% in 2014.

Unemployment on the rise

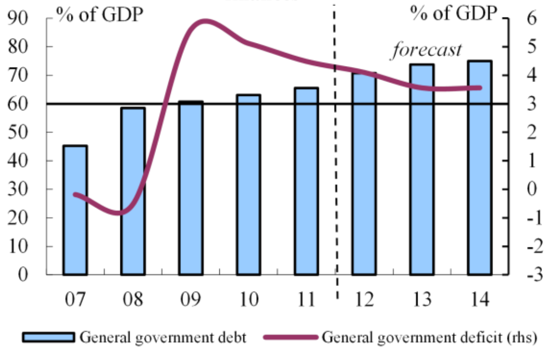
Towards the end of 2012, the trend increase in the unemployment rate was accentuated and the unemployment rate reached 5.8% in December. The main reasons behind this development are the weak economic environment and prospects, especially in housing-market-related sectors. Most companies were able to retain the vast majority of their labour forces in the wake of the crisis, due to existing buffers and the desire not to lose skilled workers in the event of a relatively swift recovery. However, with the prolonged weakness in activity, the buffers of firms are starting to get depleted as the private sector faces an increasing number of bankruptcies. Against this background, despite moderate wage growth and labour productivity increases, unemployment is expected to rise further to 6.3% in 2013 and 6.5% in 2014.

Slow improvement in the deficit

The general government deficit is expected to have improved from 4.5% of GDP in 2011 to 4.1% in 2012, in light of consolidation measures that mainly increased revenues (notably a 2 pps. increase in the standard VAT as of October 2012).

Against a background of weak economic activity, the deficit is expected to improve only gradually to 3.6% of GDP in 2013 despite substantial additional consolidation measures. The projections for 2013 take into account two one-off operations, which essentially cancel each other out. The proceeds of the sale of 4G mobile telephony licenses, worth around 0.6% of GDP, are likely to be offset by the deficit-increasing impact of the nationalisation of the bank-insurance company SNS Reaal.

Graph II.18.2: **The Netherlands - Public finances**



Under the assumption of no policy changes, the deficit should stabilise in 2014 as the excess of expenditure over ordinary revenue is offset by a special bank levy related to the nationalisation of SNS Reaal. The structural balance is expected to improve strongly by around 1 pp. in both 2012 and 2013, before deteriorating in 2014 by around 0.5 pp. of GDP. The debt ratio is expected to increase from 70.8% of GDP in 2012 to 73.8% in 2013 and 75.0% in 2014, mainly due to persistent deficits and the nationalisation of SNS Reaal, increasing public debt by 1.6% of GDP in 2013.

Table II.18.1:

Main features of country forecast - THE NETHERLANDS

	2011		Annual percentage change						
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	602.0	100.0	2.6	-3.7	1.6	1.0	**-0.9**	**-0.6**	**1.1**
Private consumption	271.1	45.0	2.1	-2.1	0.3	-1.0	**-1.5**	**-1.7**	**0.2**
Public consumption	168.2	27.9	2.6	5.0	0.7	0.1	**0.8**	**0.2**	**0.8**
Gross fixed capital formation	106.7	17.7	3.1	-12.0	-7.2	5.7	**-4.7**	**-2.6**	**1.6**
of which : equipment	34.3	5.7	4.5	-16.4	-4.6	9.2	**0.0**	**0.7**	**3.0**
Exports (goods and services)	499.6	83.0	6.0	-7.7	11.2	3.9	**3.1**	**1.7**	**3.9**
Imports (goods and services)	445.8	74.1	6.0	-7.1	10.2	3.6	**2.8**	**1.3**	**3.6**
GNI (GDP deflator)	607.2	100.9	2.5	-4.0	2.5	3.5	**-0.8**	**-0.3**	**1.2**
Contribution to GDP growth : Domestic demand			2.3	-2.1	-1.0	0.6	**-1.3**	**-1.2**	**0.6**
Inventories			0.0	-0.4	1.2	-0.1	**-0.1**	**0.1**	**-0.1**
Net exports			0.4	-1.1	1.4	0.5	**0.5**	**0.5**	**0.6**
Employment			1.2	-1.1	-0.6	0.5	**-0.7**	**-0.6**	**-0.1**
Unemployment rate (a)			4.6	3.7	4.5	4.4	**5.3**	**6.3**	**6.5**
Compensation of employees/f.t.e.			3.5	2.5	1.5	1.7	**1.0**	**1.6**	**2.2**
Unit labour costs whole economy			2.0	5.3	-0.8	1.3	**1.2**	**1.5**	**1.0**
Real unit labour costs			-0.4	5.2	-1.8	0.0	**0.4**	**-0.1**	**-0.5**
Saving rate of households (b)			15.3	12.3	10.5	11.6	**11.7**	**12.7**	**13.1**
GDP deflator			2.3	0.1	1.1	1.2	**1.0**	**1.6**	**1.5**
Harmonised index of consumer prices			2.2	1.0	0.9	2.5	**2.8**	**2.6**	**1.4**
Terms of trade of goods			0.4	0.1	-0.6	0.2	**-0.5**	**-0.2**	**0.0**
Merchandise trade balance (c)			6.0	6.3	7.5	8.1	**8.6**	**9.0**	**9.4**
Current-account balance (c)			5.7	3.2	5.1	8.3	**8.2**	**8.6**	**8.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			5.4	2.7	4.5	7.9	**7.9**	**7.7**	**8.6**
General government balance (c)			-1.3	-5.6	-5.1	-4.5	**-4.1**	**-3.6**	**-3.6**
Cyclically-adjusted budget balance (c)			-1.4	-4.1	-4.2	-3.6	**-2.5**	**-1.5**	**-1.9**
Structural budget balance (c)			-	-4.1	-4.0	-3.6	**-2.5**	**-1.6**	**-2.1**
General government gross debt (c)			61.1	60.8	63.1	65.5	**70.8**	**73.8**	**75.0**

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

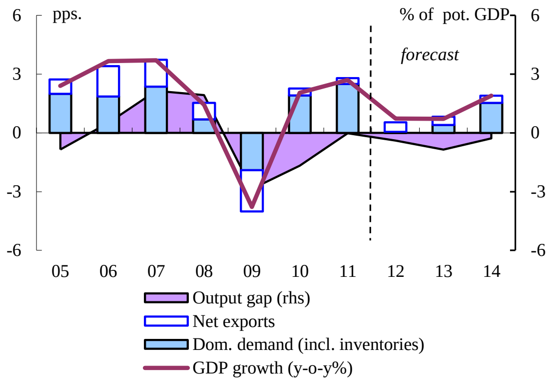
19. AUSTRIA

Embarking on a moderate upturn

Recession avoided?

After a moderate GDP increase in the first quarter, economic growth slowed down and even dipped below zero (-0.2%) in the fourth quarter of 2012. Net exports sustained a positive contribution. However consumption growth turned slightly negative in the second half despite ongoing increases in employment and positive real wage growth. Investment started to decline due to a drawdown of stocks.

Graph II.19.1: **Austria - GDP growth and contributions, output gaps**



With hiring in manufacturing drawing to a halt, employment growth has been decelerating, while the unemployment rate edged up to 4.4% in the third and fourth quarters. The recovery of business and consumer confidence stalled in the second quarter and subsequently sentiment slid to a new low in October. It has regained some ground since then, however with significant heterogeneity across sectors.

Moderate recovery in the course of 2013

These developments are likely to dampen the upturn in GDP growth which is expected to start to recover moderately in 2013. Low carry-over will weigh on overall growth for 2013 before it regains momentum in 2014 as confidence is rebuilt.

Employment growth is set to continue slowing down as labour cost pressures limit the scope for employment gains in 2013. Nevertheless, real wage growth is likely to stay positive, not least because of high wage settlements in 2012, and provide for moderate increases in consumption.

Manufacturers' backlogs weakened further in January 2013 and capacity utilisation has been gradually subsiding over 2011-12. Accordingly, investment is not likely to see a robust expansion before 2014. Still a gradual upturn in 2013 may be in order, to ensure the adequacy of the capital stock in anticipation of a pick-up in demand. The corporate sector has accumulated significant savings over the recent years and should not have financing difficulties, provided companies keep cost pressures at bay.

The exporting sectors are forecast to benefit from gradually improving external demand conditions in relevant markets over the forecast horizon. Industrial productivity has improved further in 2012, while unit labour costs have increased only moderately, hence cost competitiveness does not seem to have been impaired. All in all, the external balance is projected to stay positive and provide a positive contribution to growth.

The balance of risks seems neutral to slightly positive. While downside risks stemming from weaker foreign demand cannot be discounted, domestic demand may well present a positive surprise if the latest improvement in sentiment proves firm. Financing conditions are relatively favourable and could spur investment demand.

Following receding energy and food prices in early 2012, headline inflation declined to 2.3% in August but rebounded to 2.9% in October-December. The latter was due, inter alia, to labour cost pressures in certain services. Nevertheless, inflationary pressures are expected to dissipate in the course of 2013-2014 with inflation moving closer to 2%.

Fiscal consolidation to remain on track

The government deficit is expected to have risen in 2012 due to one-off factors including the cost of supporting the banking system (0.7% of GDP). However, the combined effect of discretionary measures approved in March 2012 and resilient revenue growth have helped contain the rise in the deficit.

In 2013 the projected deceleration in GDP growth is expected to have an adverse impact on public finances which will likely lead to a relatively small rise in the deficit.

The structural budget balance is projected to significantly improve in 2013 in light of a widening output gap, while the pace of structural deficit reduction is expected to slow down in 2014.

On the revenue side, high employment and the lagged effect of the substantial increase in wages in 2012 are likely to sustain the tax base for households' direct taxes and social security contributions. The larger estimated increase in corporations' operating surplus should also lead to a more robust surge in corporation tax revenues in 2013.

On the expenditure side, savings approved by the government last year, mainly in pensions and unemployment allowances, are expected to take effect in 2013. On the other hand, additional support to the banking system (0.3% of GDP), in particular to Hypo Alpe Adria should have an adverse effect on the deficit.

The expected acceleration of economic activity and further effects of the measures included in last year consolidation package are projected to further reduce government deficit in 2014.

After rising further in 2013, government debt is expected to reverse trend from 2014 onwards, as the deficit subsides and growth strengthens.

Graph II.19.2: **Austria - General government gross debt and deficit**

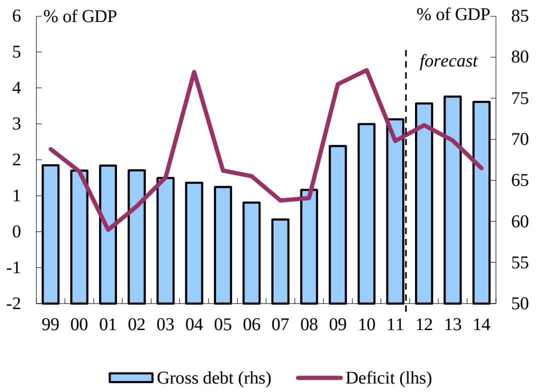


Table II.19.1:

Main features of country forecast - AUSTRIA

	2011			Annual percentage change					
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	300.7	100.0	2.4	-3.8	2.1	2.7	**0.7**	**0.7**	**1.9**
Private consumption	163.6	54.4	1.6	1.1	1.7	0.7	**0.4**	**0.5**	**1.2**
Public consumption	56.7	18.9	2.2	0.6	0.2	0.1	**-0.2**	**0.8**	**1.2**
Gross fixed capital formation	64.5	21.4	1.4	-7.8	0.8	7.3	**1.2**	**1.2**	**2.3**
of which : equipment	25.0	8.3	1.6	-10.6	6.0	12.1	**0.4**	**0.7**	**3.8**
Exports (goods and services)	172.3	57.3	6.0	-15.6	8.7	7.2	**1.8**	**3.1**	**5.7**
Imports (goods and services)	162.3	54.0	4.8	-13.3	8.8	7.2	**1.0**	**2.6**	**5.4**
GNI (GDP deflator)	297.0	98.8	2.4	-4.5	3.2	1.1	**0.9**	**0.7**	**1.9**
Contribution to GDP growth : Domestic demand			1.7	-1.0	1.1	1.9	**0.5**	**0.7**	**1.4**
Inventories			0.1	-0.9	0.6	0.6	**-0.4**	**-0.3**	**0.1**
Net exports			0.6	-2.1	0.4	0.3	**0.5**	**0.4**	**0.4**
Employment			0.6	-1.5	0.5	1.4	**1.3**	**0.6**	**0.9**
Unemployment rate (a)			4.2	4.8	4.4	4.2	**4.4**	**4.5**	**4.2**
Compensation of employees/f.t.e.			2.8	2.5	1.3	2.3	**2.9**	**2.1**	**1.9**
Unit labour costs whole economy			1.0	4.9	-0.2	1.0	**3.5**	**2.0**	**0.9**
Real unit labour costs			-0.6	3.4	-1.8	-1.2	**1.2**	**-0.2**	**-1.0**
Saving rate of households (b)			-	16.1	14.2	12.6	**12.4**	**12.5**	**12.6**
GDP deflator			1.5	1.5	1.6	2.2	**2.3**	**2.2**	**2.0**
Harmonised index of consumer prices			2.0	0.4	1.7	3.6	**2.6**	**2.2**	**1.9**
Terms of trade of goods			-0.2	2.8	-1.6	-2.9	**0.0**	**0.4**	**0.2**
Merchandise trade balance (c)			-1.9	-1.1	-1.1	-2.3	**-2.0**	**-1.6**	**-1.5**
Current-account balance (c)			0.1	2.7	3.5	1.1	**1.7**	**2.1**	**2.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			0.0	2.8	3.5	1.0	**1.5**	**2.0**	**2.4**
General government balance (c)			-2.4	-4.1	-4.5	-2.5	**-3.0**	**-2.5**	**-1.8**
Cyclically-adjusted budget balance (c)			-2.4	-2.7	-3.7	-2.5	**-2.8**	**-2.1**	**-1.6**
Structural budget balance (c)			-	-2.7	-3.3	-2.3	**-2.5**	**-1.9**	**-1.6**
General government gross debt (c)			64.3	69.2	72.0	72.4	**74.3**	**75.2**	**74.5**

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

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

20. POLAND

Flying on one engine

Economic activity hampered by weak domestic demand

After some deceleration of economic activity in the first half of 2012 (2.9%), real GDP growth continued sliding down in the second half of 2012, reaching 2% over the whole year. External trade was a strong support for economic activity as exports were relatively robust while import growth was limited due to sluggish domestic demand. Private consumption growth (0.5%) disappointed strongly as labour market prospects worsened, real wages declined and consumer sentiment deteriorated. Against this backdrop, investment growth was limited (0.6%) and also hampered by worsening financing conditions and a slowdown in public investments triggered by EU-funds cycle and fiscal consolidation.

Difficult 2013 and moderate recovery in 2014

Weak economic outlook of the main trading partners is expected to hamper domestic confidence and worsen the situation of exporters, resulting in constrained domestic demand growth in 2013. Some rebound in domestic demand is projected only towards the end of the year. Real GDP is forecast to increase by 1.2% in 2013 and 2.2% in 2014.

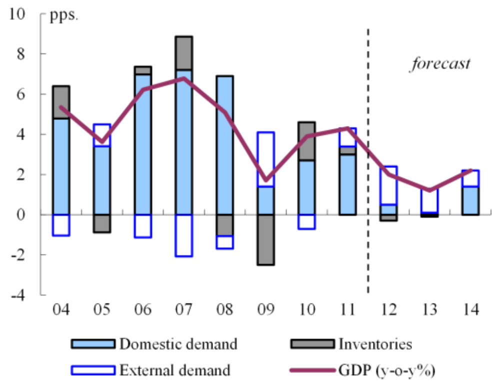
Public investment growth is projected to be strongly negative, as public spending is expected to be curbed further due to fiscal consolidation needs and lower EU-funds inflow. Private investment is forecast to moderate in 2013 as a result of uncertain demand prospects and weak global sentiment. However, the expected improvement in external demand at the end of 2013 is likely to revive confidence and improve prospects for exporters. This in turn is set to fuel private investment as companies have sufficient cash at their disposal and credit supply is set to accelerate.

The unemployment rate is forecast to increase from 10.2% in 2012 to 10.9% in 2014 due to the sluggish economic activity. It is likely to weaken disposable income, but rising real wages thanks to contained inflationary pressures are projected to offset somewhat this effect. Moreover, household savings are set to increase on the back of waning consumer confidence, constraining domestic demand as well. Only towards the end of the forecast horizon the improving labour market conditions, recovering confidence and cuts in VAT rates are likely to accelerate private consumption.

The contribution of external trade to growth is forecast to be positive, though declining, over the forecast horizon. Weak external outlook is set to hamper exports, yet limited domestic demand will result in an even stronger import compression in 2013. In 2014 rebounding external demand and improving cost competitiveness are likely to fuel exports. Since in parallel imports are expected to grow as well due to the accelerating domestic demand, the overall effect on real GDP growth is projected to moderate. Against this backdrop, the current-account deficit is set to continue improving from 3.6% of GDP in 2012 to 2.4% of GDP in 2014.

This forecast is subject to broadly balanced risks. On the upside, a stronger-than-expected depreciation would further boost exports and enhance import substitution. On the downside, more profound deterioration in confidence could hamper private investment and consumption.

Graph II.20.1: **Poland - GDP growth and contributions**



Inflation decelerates amid weak domestic demand

The zloty depreciation, high commodity prices and an increase in administered prices drove up HICP inflation to 3.7% in 2012. It is set to reverse to 1.8% in 2013, mainly on account of moderating commodity prices, weak domestic demand and declining gas prices. A moderate pick-up to 2.3%

is expected in 2014, reflecting base effects and some improvement in domestic demand.

Fiscal consolidation slows down

The general government deficit is projected to continue falling, albeit at a slow pace due to the deteriorating macroeconomic outlook. In 2012 the deficit is expected to decrease to slightly below 3.5% of GDP thanks to the previously enacted consolidation measures.

In 2013, the deficit is projected to fall slightly to 3.4% as further consolidation measures are set to be offset by slow economic growth. On the revenue side, the main deficit-reducing measures include CO2 emission rights auctions, a continued freeze in PIT thresholds and fines from the new speed-camera system. On the other hand, the share of pension contributions retained in the public pillar will start to fall (i.e. the share of the contributions transferred to the private pension funds will start increasing as their previous reduction will be partially reversed). The main structural measures decreasing expenditure are the freeze of wages of central government employees and the start of a gradual increase in retirement age. Moreover, the government is set to further lower public investment.

In 2014, the deficit is expected to further fall to 3.3%, thanks to a rebound in economic activity, which is projected to offset the developments on the revenue side. The revenue-to-GDP ratio is set to fall due to the combined effect of the end of the temporary increase in VAT rates, a reinstatement of VAT reimbursement for company cars and fuel and a further decrease in pension contributions retained in the public pillar. On the other hand, the gradual raise in the retirement age will have a consolidating effect on expenditure.

The structural deficit is set to fall from 5.2% in 2011 to 1.7% in 2014. General government debt-to-GDP ratio is forecast to increase from 56.4% in 2011 to 57.5% in 2014. The projected debt figures are, however, subject to considerable uncertainty due to high exchange-rate volatility affecting the debt valuation.

Table II.20.1:

Main features of country forecast - POLAND

	2011			Annual percentage change					
	bn PLN Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	1523.2	100.0	4.6	1.6	3.9	4.3	**2.0**	**1.2**	**2.2**
Private consumption	932.8	61.2	4.4	2.0	3.1	2.5	**0.5**	**0.7**	**1.5**
Public consumption	274.8	18.0	3.5	2.1	4.1	-1.7	**0.1**	**1.6**	**2.2**
Gross fixed capital formation	309.7	20.3	7.6	-1.2	-0.4	9.0	**0.6**	**-2.8**	**0.6**
of which : equipment	106.5	7.0	-	-10.8	-3.3	9.7	**3.8**	**1.7**	**7.0**
Exports (goods and services)	688.7	45.2	10.6	-6.8	12.1	7.7	**3.2**	**3.8**	**6.4**
Imports (goods and services)	706.3	46.4	11.5	-12.4	13.9	5.5	**-0.9**	**1.2**	**4.8**
GNI (GDP deflator)	1453.9	95.4	4.7	0.1	3.5	4.0	**2.1**	**1.1**	**2.1**
Contribution to GDP growth : Domestic demand			4.9	1.4	2.6	3.0	**0.5**	**0.1**	**1.4**
Inventories			0.1	-2.5	2.0	0.4	**-0.3**	**-0.1**	**0.0**
Net exports			-0.4	2.7	-0.7	0.9	**1.9**	**1.2**	**0.8**
Employment			-	0.4	0.5	1.0	**0.1**	**-0.1**	**0.2**
Unemployment rate (a)			14.3	8.1	9.6	9.6	**10.2**	**10.8**	**10.9**
Compensation of employees/head			15.7	3.5	4.7	4.0	**3.5**	**2.5**	**3.1**
Unit labour costs whole economy			-	2.2	1.3	0.7	**1.6**	**1.2**	**1.0**
Real unit labour costs			-	-1.4	-0.1	-2.3	**-0.7**	**-0.3**	**-0.8**
Saving rate of households (b)			-	9.0	8.2	2.1	**1.9**	**3.5**	**3.8**
GDP deflator			11.8	3.7	1.4	3.1	**2.3**	**1.5**	**1.9**
Harmonised index of consumer prices			-	4.0	2.7	3.9	**3.7**	**1.8**	**2.3**
Terms of trade of goods			0.2	4.4	-1.4	-1.9	**-2.1**	**-0.6**	**-0.6**
Merchandise trade balance (c)			-3.1	-1.0	-1.8	-2.1	**-1.5**	**-0.7**	**-0.3**
Current-account balance (c)			-2.4	-3.1	-4.3	-4.5	**-3.6**	**-2.7**	**-2.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-1.6	-1.9	-2.7	-2.7	**-1.2**	**-0.9**	**-0.9**
General government balance (c)			-	-7.4	-7.9	-5.0	**-3.5**	**-3.4**	**-3.3**
Cyclically-adjusted budget balance (c)			-	-7.9	-8.3	-5.2	**-2.9**	**-2.1**	**-1.7**
Structural budget balance (c)			-	-8.2	-8.3	-5.2	**-3.0**	**-2.2**	**-1.7**
General government gross debt (c)			-	50.9	54.8	56.4	**55.8**	**57.0**	**57.5**

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

21. PORTUGAL

Negative growth surprise could signal delayed recovery

Contraction in 2012 as domestic demand falls and export growth decelerates

After an unexpectedly large 1.8% quarter-on-quarter contraction in real GDP in the fourth quarter of 2012, the annual average growth rate turned out at -3.2% in 2012, 0.2 pp. worse than expected in the autumn 2012 forecast. The larger-than-expected decline in economic activity was driven by a marked contraction of domestic demand as well as a deceleration of exports towards the end of the year. Employment also fell significantly stronger than expected in the fourth quarter, bringing the annual average unemployment rate to 15.7%. Due to a marked easing of price pressures in the final quarter of last year, average HICP inflation in 2012 was 2.8%.

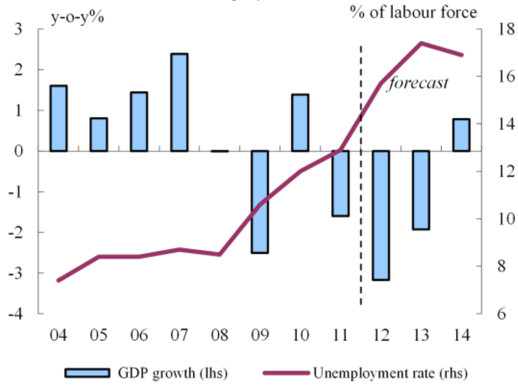
Mild recovery expected for the second half of 2013

Real GDP is forecast to fall by 1.9% this year, as opposed to the 1% fall projected in the autumn 2012 forecast. The close to 1 pp. downward revision is primarily driven by the ¾ pp. additional negative mechanical carry-over effect from the unexpectedly strong Q4-2012 slump in real GDP and the remainder is motivated by the less benign outlook for Portugal's export markets as well as the poor labour market developments.

Domestic demand is likely to continue contracting during the first half of 2013. A gradual recovery in economic activity should emerge in the second half of the year, supported by the recent bottoming out of business and consumer confidence along with the expected pick-up in export demand. The recovery is expected to gather pace in 2014 with real GDP predicted to grow by 0.8%, with broadly equal contributions from domestic and external demand.

Developments in domestic demand are set to continue weighing on employment in 2013 with the unemployment rate peaking towards the end of the year at just above 17½%. Some employment gains are expected in 2014, when the economy is set to gain traction. As a result of ample slack in the economy, price pressures should remain weak even when the economy is on a recovery path in 2014.

Graph II.21.1: **Portugal - GDP growth and unemployment**



In spite of the downward revision in export growth, the rebalancing of the economy should continue in the coming years. The external balance of goods and services is forecast to reach positive territory in 2013, one year later than expected in the autumn 2012 forecast due to a downward revision of 2011 data. The adjustment in the current account is slowed down by increasing primary income deficits linked to the still-very-high level of foreign indebtedness.

Risks to the macroeconomic outlook are clearly tilted to the downside as the deeper-than-expected worsening in the labour market situation may point to a persisting deterioration of the growth outlook. If this is confirmed by forthcoming data releases on the composition of the contraction in the last quarter of 2012, further downward revisions could be warranted. The projected recovery is also contingent on positive trade and financial market developments which remain fragile. In addition, in view of the largely revenue-based fiscal adjustment, macro-fiscal feedback loops might be more adverse to economic activity than projected. On the positive side, spillovers from a gradual and successful sovereign-bond market access could help boost business investment.

Unexpected macroeconomic developments weigh on fiscal consolidation

The general government deficit is expected to reach 5% of GDP in 2012. Available cash data showed a marked expenditure decline. This compensated for lower-than-expected revenues and social security contributions resulting from the continued rebalancing of the economy towards exports and the more intense labour shedding. There are, however, downside risks to the 2012 fiscal outcome related, in particular, to the statistical treatment of the sale of the airport concession and possible cash/accrual adjustments that could widen the deficit in national-accounts terms.

Following the downward revision of the macroeconomic outlook, the general government deficit is forecast at 4.9% of GDP in 2013. Weaker revenues resulting from more subdued consumption and labour market performance are behind this revision. The projection considers measures worth more than 3% of GDP, with a strong reliance on revenue measures, inter alia a profound reform of the personal income tax and increases in excise duties and property taxation. On the expenditure side, measures include substantial decreases in the wage bill, intermediate consumption and social transfers. Additional downward risks arise from a further deterioration of the macroeconomic outlook and the pending decision of the Constitutional Court regarding some high yielding budget measures. The budgetary forecast is based on the usual assumption of unchanged policies and does hence not take into account any contingency measures the government plans to adopt in view of the expected deviation from the budget target in 2013.

The deficit is expected to reach 2.9% of GDP in 2014. This projection crucially hinges on the projected economic recovery starting from mid-2013. It also includes expenditure-reducing measures worth at least 1¾% of GDP. With a view to identifying these measures, the authorities are conducting a comprehensive expenditure review to improve public services efficiency and to generate large permanent savings. The results will be presented during the 7th review of the Economic Adjustment Programme for Portugal and further specified in the 2013 Stability Programme.

In structural terms, the cumulative adjustment over the 2012-14 period is expected to be around 5% of GDP for the overall balance and 5¾% for the primary balance. The projected fiscal consolidation and the gradual pick-up in growth are expected to lead to a declining debt-to-GDP ratio over the medium term after peaking in 2014.

Table II.21.1:
Main features of country forecast - PORTUGAL

		2011			Annual percentage change					
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		171.0	100.0	2.1	-2.9	1.9	-1.6	**-3.2**	**-1.9**	**0.8**
Private consumption		113.8	66.5	2.4	-2.3	2.5	-3.8	**-5.8**	**-2.8**	**0.5**
Public consumption		34.3	20.0	2.3	4.7	0.1	-4.3	**-4.1**	**-3.3**	**-2.0**
Gross fixed capital formation		30.5	17.9	1.9	-8.6	-3.1	-10.7	**-14.9**	**-8.0**	**3.0**
of which : equipment		9.0	5.3	3.9	-13.0	-2.6	-11.3	**-9.5**	**-3.9**	**6.0**
Exports (goods and services)		61.2	35.8	5.7	-10.9	10.2	7.2	**3.4**	**1.4**	**4.6**
Imports (goods and services)		68.6	40.1	5.8	-10.0	8.0	-5.9	**-7.3**	**-3.1**	**3.8**
GNI (GDP deflator)		164.6	96.2	1.9	-3.4	2.6	-1.9	**-3.2**	**-2.3**	**0.7**
Contribution to GDP growth :	Domestic demand			2.5	-2.5	1.0	-5.6	**-7.4**	**-3.7**	**0.4**
	Inventories			0.2	-1.1	0.9	-0.7	**0.0**	**0.0**	**0.0**
	Net exports			-0.6	0.7	0.0	4.6	**4.2**	**1.8**	**0.4**
Employment				0.4	-2.6	-1.5	-1.5	**-4.3**	**-2.7**	**0.5**
Unemployment rate (a)				6.6	10.6	12.0	12.9	**15.7**	**17.3**	**16.8**
Compensation of employees/head				5.6	2.8	2.0	-0.3	**-2.7**	**1.6**	**0.5**
Unit labour costs whole economy				3.9	3.1	-1.5	-0.2	**-3.8**	**0.8**	**0.2**
Real unit labour costs				0.1	2.2	-2.1	-0.8	**-3.7**	**-0.2**	**-0.6**
Saving rate of households (b)				-	10.9	10.1	9.2	**10.5**	**10.6**	**10.7**
GDP deflator				3.9	0.9	0.6	0.5	**-0.1**	**1.0**	**0.8**
Harmonised index of consumer prices				3.5	-0.9	1.4	3.6	**2.8**	**0.6**	**1.2**
Terms of trade of goods				0.2	5.0	0.1	-2.0	**-0.1**	**0.3**	**0.0**
Merchandise trade balance (c)				-10.4	-10.0	-10.6	-7.8	**-4.4**	**-2.9**	**-2.6**
Current-account balance (c)				-8.2	-10.8	-10.4	-7.2	**-3.0**	**-1.4**	**-1.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-6.1	-9.6	-9.0	-5.6	**-1.2**	**0.5**	**0.8**
General government balance (c)				-4.2	-10.2	-9.8	-4.4	**-5.0**	**-4.9**	**-2.9**
Cyclically-adjusted budget balance (c)				-4.3	-8.9	-9.4	-3.5	**-3.4**	**-3.0**	**-1.5**
Structural budget balance (c)				-	-8.6	-8.7	-6.5	**-4.4**	**-3.1**	**-1.5**
General government gross debt (c)				58.7	83.2	93.5	108.0	**120.6**	**123.9**	**124.7**

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

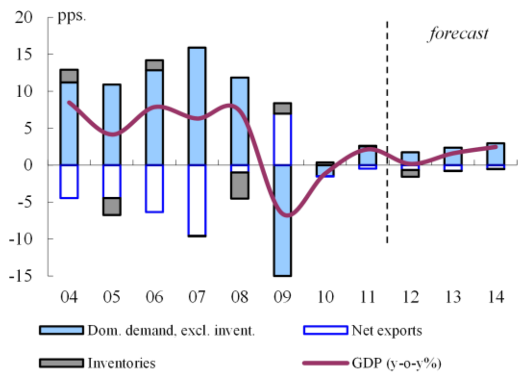
22. ROMANIA

Domestic demand drives modest recovery

Flat growth in 2012

GDP growth for 2012 has been revised further down compared to the 2012 autumn forecast and is now estimated at only 0.2% according to the flash GDP published by the National Institute of Statistics. After harsh winter conditions depressed growth in the first quarter, there was a short-lived recovery in the second quarter on the back of robust public and private investment and private consumption. However, growth again turned negative in the third quarter on account of the severe summer drought affecting agriculture, waning consumer confidence and renewed difficulties in absorbing EU funds. In addition, a higher surplus in the balance of transfers and incomes supported a significant improvement in the current-account deficit, to 3.8% of GDP.

Graph II.22.1: **Romania - GDP growth and contributions**



Gradual recovery in 2013 and 2014

In 2013 GDP growth should recover modestly to 1.6%. Domestic demand would be the main driver of growth, while net exports would contribute negatively due to a slower growth in export markets and stronger imports. Among demand components, investment will be the main contributor to growth, although it is projected to slow down in comparison to 2012 due to weaker-than-expected economic activity in the rest of the EU. Private consumption growth is expected to accelerate, although it could be held back by continuing needs for repairing households' balance sheets and by tight consumer lending standards. In 2013, unlike in 2010-12, government consumption is expected to deliver a marginally positive contribution to growth as a result of the public sector wage increases granted last year. GDP growth is expected to accelerate to 2.5% in 2014 with a similar composition as in 2013: domestic demand would continue to be the main driver, powered by investment, while net exports contribute negatively, albeit by less than in 2013. The current-account deficit is expected to remain around 4% of GDP over the forecast horizon.

Food and energy prices drive up inflation

Short-term price pressures have increased significantly since the summer with HICP inflation peaking at 5.4% in September due to rising food prices and pass-through effects associated with the leu's exchange rate depreciation. In line with the planned price deregulation of both energy retail and wholesale sectors, energy prices are expected to exert upward pressure on inflation over the forecast horizon. Food prices increases are forecast to remain important in the first half of 2013 in view of a negative base effect. Given the modest recovery of the economy, wage pressures are likely to remain subdued. Going forward, annual inflation is projected to average 4.6% in 2013 and 3.3% in 2014. Risks to the short-term inflation outlook are broadly balanced. The upside risks relate to a further weakening of the leu's exchange rate and higher unanticipated rises in commodity prices. Conversely, a slower-than-expected recovery in the economy would have disinflationary effects.

Labour market remains weak

Despite further cuts in public sector employment, overall employment somewhat recovered in 2012. However, overall job creation was limited as the improvement in regular employment was counterbalanced by a negative job trend among the self-employed. Due to the subdued economy, employment is expected to recover only little over the forecast horizon. On a positive note, despite the difficult economic climate unemployment was brought down from 7.4% of the labour force (age group 15-74) in 2011 to 7% in 2012, However, as active labour market measures are set to remain small and not well targeted, unemployment is not expected to go down significantly over the forecast horizon. Youth unemployment, currently at around 23%, is expected to be somewhat reduced but is to remain high. In 2013, as in 2012, public sector wage increases are expected to outstrip private sector wage growth due to the restoration of public wages following the 25% wage cut occurred in 2010. While, going forward, average private sector wage increases of employees are expected to be anchored around 5%, unit labour costs are expected to go down by 2014 due to increases in productivity.

Ongoing fiscal consolidation supported by revenue measures

Romania is expected to have reduced its government deficit to below 3% of GDP in 2012. The budgetary consequences from the financial corrections on EU funds that became necessary at the end of last year were compensated by windfall revenue from the sale of telecommunications licenses. Following the December general elections, the budget for 2013 should be adopted in February 2013. It targets a deficit of 2.4% of GDP and allows for a 4% increase in pensions, an allocation to implement the EU Late Payments Directive in the health sector, as well as a clear prioritisation of public investment projects. Revenue-enhancing measures include reductions in tax-deductible items, improving the taxation of agriculture, and making the turnover tax of 3% on small enterprises mandatory. Property tax and excises rates are set also to be increased in an effort to keep up with inflation, while a windfall tax will be introduced following the deregulation of gas prices. The minimum wage was increased from RON 700 by RON 50 as of 1 February and is projected to be increased by another RON 50 on 1 July (the increase in the minimum wage does not affect personnel expenditure in the public sector as the minimum wage here is already RON 811). Benefiting from the expected acceleration in economic activity and based on the customary no-policy-change assumption, the deficit is expected to decrease further to 2.2% of GDP in 2014. Public debt is expected to stabilise at around 38% of GDP in 2013-14.

Table II.22.1:

Main features of country forecast - ROMANIA

	2011			Annual percentage change					
	bn RON Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	556.7	100.0	2.9	-6.6	-1.1	2.2	**0.2**	**1.6**	**2.5**
Private consumption	352.7	63.4	5.6	-10.1	-0.3	1.1	**0.2**	**1.4**	**2.0**
Public consumption	83.8	15.0	0.9	3.1	-4.7	0.2	**-2.7**	**1.6**	**1.6**
Gross fixed capital formation	144.6	26.0	9.8	-28.1	-1.8	7.3	**7.7**	**4.5**	**5.4**
of which : equipment	53.7	9.6	10.5	-27.7	-19.1	7.0	**7.8**	**4.7**	**5.9**
Exports (goods and services)	222.9	40.0	10.9	-6.4	13.2	10.3	**-3.5**	**0.9**	**2.6**
Imports (goods and services)	252.6	45.4	13.4	-20.5	11.1	10.0	**-1.9**	**2.4**	**3.6**
GNI (GDP deflator)	549.4	98.7	2.8	-5.1	-1.0	2.1	**0.3**	**1.7**	**2.5**
Contribution to GDP growth : Domestic demand			6.8	-15.0	-1.5	2.6	**1.7**	**2.3**	**3.0**
Inventories			-1.6	1.4	0.4	0.1	**-0.9**	**0.0**	**0.0**
Net exports			-2.0	7.0	0.0	-0.5	**-0.5**	**-0.7**	**-0.6**
Employment			-2.3	-2.0	-0.3	-0.8	**0.4**	**0.5**	**0.7**
Unemployment rate (a)			-	6.9	7.3	7.4	**7.0**	**6.9**	**6.8**
Compensation of employees/head			59.7	-1.9	-3.3	15.5	**4.9**	**6.3**	**4.6**
Unit labour costs whole economy			51.6	2.9	-2.4	12.2	**5.2**	**5.2**	**2.8**
Real unit labour costs			-0.8	-1.2	-7.7	7.8	**0.3**	**0.3**	**-0.8**
Saving rate of households (b)			-	-1.3	-8.3	-15.2	**-**	**-**	**-**
GDP deflator			52.8	4.2	5.7	4.1	**4.9**	**4.8**	**3.6**
Harmonised index of consumer prices			-	5.6	6.1	5.8	**3.4**	**4.6**	**3.3**
Terms of trade of goods			1.6	1.2	1.0	2.6	**2.2**	**1.4**	**0.9**
Merchandise trade balance (c)			-7.7	-5.8	-6.1	-5.6	**-5.6**	**-5.6**	**-5.6**
Current-account balance (c)			-	-4.2	-4.4	-4.5	**-3.8**	**-4.0**	**-3.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-5.7	-3.6	-4.2	-3.9	**-2.4**	**-2.9**	**-2.9**
General government balance (c)			-	-9.0	-6.8	-5.7	**-2.9**	**-2.4**	**-2.2**
Cyclically-adjusted budget balance (c)			-	-9.1	-6.1	-5.1	**-1.7**	**-0.9**	**-0.6**
Structural budget balance (c)			-	-9.6	-6.1	-4.0	**-2.2**	**-0.9**	**-0.6**
General government gross debt (c)			-	23.6	30.5	34.7	**38.0**	**38.1**	**38.0**

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

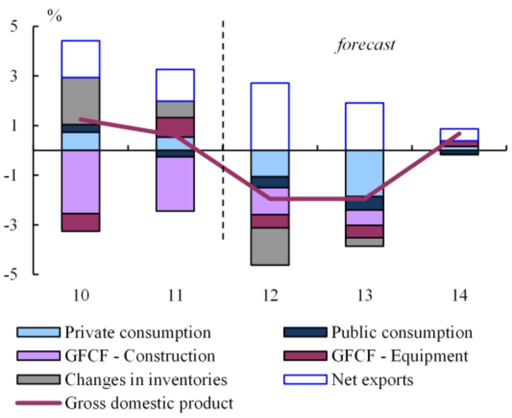
23. SLOVENIA

Double-dip and on-going adjustment delay consolidation

Double dip recession and further worsening of growth potential

Slovenia slipped back into double dip recession with two consecutive quarters of negative growth in mid-2012. Protracted balance sheet repair prolonged economic weakness, delaying fiscal adjustment and pushing the current account further into surplus. Continued weakening of investment, combined with negative trends in employment and domestic consumption, points to a further drop in real GDP in 2013. A sluggish recovery can be expected in 2014 but this will hinge on a swift resolution of the banking crisis and a successful restructuring of the over-indebted corporate sector.

Graph II.23.1: **Slovenia - Contributions to GDP growth**



Domestic demand is expected to remain weak in 2013, partly due to rising unemployment. Namely, private consumption started to decline in 2012, and is expected to diminish even further by more than 3% in 2013. The trend in gross fixed capital formation remains strongly negative, particularly in construction, although this is set to decrease at a less dramatic rate in 2013. Investment in equipment is expected to drop steadily in both 2012 and 2013, reflecting corporate sector weakness and subdued credit growth.

Short term data on export order books indicate a further drop in export volumes in the fourth quarter of 2012, with annual export growth slowing to only 1%. On the back of these year-end dynamics and the expected slow recovery of the global economy, export volumes are forecast to broadly stabilise in 2013. Meanwhile, imports are expected to fall again in 2013, due to declining domestic demand. In total, these trends are foreseen to result in a significant positive growth contribution of net external demand.

Delay in urgently required balance sheet repair and adverse labour market dynamics are amongst the main contributors to the deterioration of domestic demand. The consolidation in private and public expenditure combined with weakness in export performance produce an expected reduction in employment of 1½%, pushing the unemployment rate at around 9¾% in 2013. At the end of 2012 a law was adopted aimed at restoring financial stability and easing financing conditions. The law provided for the set-up of a Bank Asset Management Company to acquire non-performing assets and to recapitalise the banks. However, intensified political uncertainty in early-2013 is posing a challenge to the implementation.

Core inflation, excluding energy and unprocessed food, is foreseen to remain subdued at around 1½%. Wages are estimated to have dropped slightly in 2012 with no significant growth potential in 2013, given the envisaged cut in the public sector wage bill and increasing unemployment.

In 2014, some stabilisation of the economy is expected, although this process will be gradual and subject to risks in both directions depending on the speed of restructuring and developments in the banking sector. Domestic demand, including capital formation, is forecast to remain sluggish.

Significant consolidation in 2012, but weakening efforts thereafter

The public deficit is projected to decline from 6.4% of GDP in 2011 (including 1.4 pps. of capital support operations in loss-making state-owned enterprises) to 4.4% of GDP in 2012. Consolidation started in earnest in 2012, with a package of measures including a nominal wage cut in the public sector and reinforced restraint in social transfers. The deficit-increasing capital support operation to the largest bank amounted to some ¼% of GDP. The tax system has been made more growth-friendly with a gradual cut in the corporate income tax rate and more generous investment and R&D allowances, but this has tended to work against the consolidation effort.

The 2013 deficit projection at 5.1% of GDP incorporates the full-year impacts of the May 2012 savings package, the approved 2013 budget and the conversion of a hybrid debt-equity instrument of the largest bank into equity. This conversion increases the deficit by 0.9 pp. of GDP. The budget introduces a cut in the wage bill and integrates effects of the December 2012 pension reform. A marked recovery in capital expenditure is projected from increased absorption of EU funds in 2013. A variety of budgeted discretionary tax measures is net-revenue increasing.

The 2014 budget does not incorporate new discretionary measures, except for a reduction in the corporate income tax rate to 16%. Therefore, the 2014 deficit is projected at 4.7% of GDP under the no-policy-change assumption. Interest expenditure will continue to augment due to higher debt and average interest rates.

Due to the declining nominal fiscal deficit (excluding one-offs) and widened output gap, the structural balance is forecast to improve markedly in 2012 and moderately in 2013, followed by a deterioration in 2014. The debt ratio is projected to increase over the forecast horizon from 53¾% of GDP in 2012 to 63½% of GDP in 2014, mainly as a result of persisting primary deficits, rising interests and subdued GDP growth.

The main risk to the deficit is a weaker budget implementation. For 2014, this risk may be partially offset by the conditional increase in the standard VAT rate as stipulated in the Act on Balancing Public Finances. However, details on an implementation of this measure will be clarified in spring 2014 only.

In addition, further significant fiscal resources may be required to strengthen key banks. To this end, the December 2012 Banking Stability Act makes available up to EUR 4 bn (11% of GDP) of state guarantees for asset transfer to an Asset Management Company and up to EUR 1 bn (3% of GDP) of cash for recapitalisations.

Table II.23.1:

Main features of country forecast - SLOVENIA

	2011			Annual percentage change					
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	36.2	100.0	3.7	-7.8	1.2	0.6	**-2.0**	**-2.0**	**0.7**
Private consumption	20.9	57.8	3.7	0.1	1.3	0.9	**-1.8**	**-3.1**	**0.3**
Public consumption	7.5	20.8	3.1	2.5	1.5	-1.2	**-2.1**	**-2.7**	**-0.7**
Gross fixed capital formation	6.7	18.5	7.1	-23.2	-13.8	-8.1	**-9.0**	**-6.5**	**1.2**
of which : equipment	2.8	7.9	9.5	-28.9	-7.9	9.5	**-5.9**	**-5.7**	**2.6**
Exports (goods and services)	26.2	72.4	5.3	-16.7	10.1	7.0	**1.0**	**1.2**	**3.2**
Imports (goods and services)	25.8	71.2	6.9	-19.5	7.9	5.2	**-2.8**	**-1.4**	**2.7**
GNI (GDP deflator)	35.7	98.6	3.5	-7.2	1.6	0.8	**-2.0**	**-2.2**	**0.6**
Contribution to GDP growth : Domestic demand			4.3	-6.1	-2.1	-1.3	**-3.2**	**-3.5**	**0.2**
Inventories			0.4	-4.1	1.9	0.7	**-1.5**	**-0.3**	**0.0**
Net exports			-1.0	2.4	1.5	1.3	**2.7**	**1.9**	**0.5**
Employment			-	-1.8	-2.2	-1.6	**-1.3**	**-1.6**	**-0.9**
Unemployment rate (a)			-	5.9	7.3	8.2	**9.0**	**9.8**	**10.0**
Compensation of employees/head			-	1.8	3.9	1.6	**-0.4**	**0.1**	**1.0**
Unit labour costs whole economy			-	8.5	0.4	-0.6	**0.3**	**0.4**	**-0.6**
Real unit labour costs			-	4.7	1.5	-1.6	**-0.6**	**-0.9**	**-1.6**
Saving rate of households (b)			-	14.9	13.5	11.9	**9.5**	**9.5**	**9.1**
GDP deflator			16.4	3.6	-1.1	1.0	**0.9**	**1.3**	**1.0**
Harmonised index of consumer prices			-	0.9	2.1	2.1	**2.8**	**2.2**	**1.5**
Terms of trade of goods			0.6	4.1	-4.8	-1.8	**-1.2**	**0.1**	**-0.5**
Merchandise trade balance (c)			-3.1	-1.5	-2.9	-3.0	**-1.4**	**0.3**	**0.2**
Current-account balance (c)			-0.8	-0.4	-0.4	0.1	**1.9**	**3.8**	**3.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-1.0	-0.4	-0.3	-0.2	**2.0**	**4.6**	**3.8**
General government balance (c)			-	-6.0	-5.7	-6.4	**-4.4**	**-5.1**	**-4.7**
Cyclically-adjusted budget balance (c)			-	-4.1	-4.4	-5.5	**-3.1**	**-3.2**	**-3.1**
Structural budget balance (c)			-	-4.1	-4.4	-4.5	**-3.1**	**-2.3**	**-3.1**
General government gross debt (c)			-	35.0	38.6	46.9	**53.7**	**59.5**	**63.4**

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

24. SLOVAKIA

Growth temporarily weakens as external boost tails off

Growth set to slow markedly in 2013

Growth in the Slovak economy slowed down moderately in 2012, with GDP expected to have increased by 2%. This overall positive performance was nearly entirely driven by an expansion in the export-oriented automotive industry. The contribution of domestic demand to GDP growth was disappointing, reflecting the persistence of a high rate of unemployment in the labour market and a drop in private investment. With the effect of car exports fading out in 2013, GDP growth is set to decelerate to 1.1%. The forecast also reflects the adverse short-term impact of a sizeable consolidation on private consumption and public investment. In addition to fairly robust external demand in 2014, consumer confidence and domestic demand are expected to gradually strengthen over the forecast horizon, underpinning a pick-up in GDP growth to 2.9% in 2014.

Export growth to remain a key driver

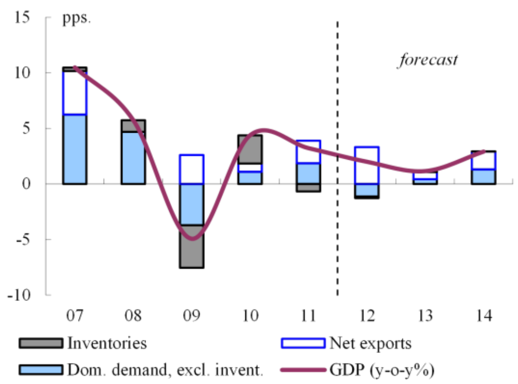
With past investment reaching the production phase, the manufacturing of transport equipment, largely consisting of cars for export, accounted for the whole 10% increase in industrial production in 2012. This, together with import growth dampened by sluggish domestic demand, led to the widening of the trade surplus to above 3% of GDP in 2012, thus bringing the current account into balance. With no further productive expansions of the car industry planned for 2013 and high frequency indicators pointing to reduced expectations on orders and a drop in industrial production, export growth is expected to decelerate sharply in the first half of 2013. Given that profitability in the tradable sector remains high, a moderate pick up is expected to take place from the second half of 2013 onwards.

Domestic demand to stay subdued amid a sluggish labour market

Investment plunged in 2012 reflecting a strong base effect associated with large-scale projects carried out in 2011 and business surveys pointing to demand concerns increasingly limiting production. This is in line with the bank lending survey reporting a decline in corporate demand for long-term loans despite rates being at historical lows. Investment in the non-tradable sector ground to a halt in 2012, with the construction production index having dropped by more than 10%.

This situation is expected to improve only gradually. Declining trends in confidence, the post-crisis tightening of lending standards and the expected impact of fiscal restraint on public investment are all likely to hold back fresh investment in construction. On the other hand, it is foreseen that the rather high profitability of Slovak corporates will support investment in equipment, which is expected to resume in 2014 in line with export demand.

Graph II.24.1: **Slovakia - GDP growth and contributions**



Private consumption declined further in 2012 and is not expected to recover until 2014. With a large and increasing pool of resources sitting idle and GDP growth remaining well below the rates associated with falling unemployment, real disposable income of households is expected to decline in 2013. The unemployment rate is set to hover around 13½% over the forecast horizon, remaining some 4 pps. above the pre-crisis level. The forecast is subject to downside risks as it assumes that employers will adjust mainly through reductions in hours worked in 2013. Households are nonetheless expected to prevent a further drop in consumption in 2013 by drawing on their savings.

In line with developments in the labour market, unit labour costs are expected to remain contained. Inflation is accordingly set to stabilise at close to 2% due to subdued domestic demand pressures and imported inflation and the fading out of base effects from previous price shocks.

Consolidation ahead

The deficit is estimated to reach 4.8% of GDP in 2012, only slightly lower than in 2011. In the course of the year, the revenue side was negatively impacted by substantial shortfalls in VAT, excise duties and income tax revenues, while overruns occurred on the wage bill, healthcare and subsidies. A sharp drop in public investment was the main factor contributing to the modest improvement in the general government budget. Other factors included slower growth of pension expenditure and postponement of investments to later years. Moreover, revenue measures adopted during the summer of 2012 helped to mitigate negative developments in public finances. The package included a reduction in the contribution rate for the fully funded pillar in favour of the public scheme, a broadening of the base of the bank levy introduced in January 2012 additional one-off special levies for banks and for companies operating in a regulated environment

Consolidation efforts will resume in 2013. The 2013-15 budget includes a second package of revenue measures and envisages further expenditure cuts. Extra revenue would come from an increase in the corporate income tax rate from 19% to 23%, the introduction of a new 25% tax bracket in the personal income tax system, an adjustment of the tax regime for self-employed and atypical work contracts (i.e. workers 'by agreement'), changes to the assessment bases for social contributions, and increases in administration fees. The expected savings on the expenditure side are mainly concentrated on the public wage bill, spending on goods and services, and investments. Local governments are expected to carry out the largest part of this adjustment but the forecast assumes these would not be achieved in full. The projected headline deficit for 2013 is 3.3% of GDP. Taking into account the effect of one-off measures, the structural balance is also expected to reach 3.3% of GDP. A slight deterioration in the headline deficit is projected for 2014 under unchanged policies. This reflects mainly the fact that some consolidation measures in 2013 are of one-off nature or are set to expire. The public debt ratio is projected to increase gradually over the forecast horizon and reach 57% of GDP in 2014.

Table II.24.1:

Main features of country forecast - SLOVAKIA

		2011			Annual percentage change					
	bn EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		69.1	100.0	-	-4.9	4.4	3.2	**2.0**	**1.1**	**2.9**
Private consumption		39.7	57.5	-	0.2	-0.7	-0.5	**-0.4**	**0.1**	**0.7**
Public consumption		12.4	18.0	-	6.1	1.0	-4.3	**-0.5**	**0.0**	**1.6**
Gross fixed capital formation		16.0	23.1	-	-19.7	6.5	14.2	**-3.5**	**1.6**	**3.1**
of which : equipment		8.1	11.8	-	-26.6	11.1	46.7	**-4.2**	**2.3**	**1.6**
Exports (goods and services)		62.0	89.7	-	-16.3	16.0	12.7	**8.4**	**3.0**	**6.2**
Imports (goods and services)		61.6	89.1	-	-18.9	14.9	10.1	**4.8**	**2.4**	**4.7**
GNI (GDP deflator)		67.6	97.8	-	-3.7	3.8	2.3	**2.1**	**0.9**	**3.0**
Contribution to GDP growth :	Domestic demand			-	-3.7	1.1	1.9	**-1.1**	**0.4**	**1.3**
	Inventories			-	-3.8	2.5	-0.7	**-0.1**	**0.0**	**0.0**
	Net exports			-	2.6	0.7	2.0	**3.3**	**0.6**	**1.6**
Employment				-	-2.0	-1.5	1.8	**0.1**	**0.0**	**0.5**
Unemployment rate (a)				-	12.1	14.5	13.6	**14.0**	**14.0**	**13.6**
Compensation of employees/head				-	2.5	5.1	1.1	**2.4**	**2.5**	**2.5**
Unit labour costs whole economy				-	5.7	-0.9	-0.4	**0.5**	**1.5**	**0.1**
Real unit labour costs				-	7.0	-1.4	-2.0	**-2.1**	**-0.9**	**-2.0**
Saving rate of households (b)				-	6.9	10.7	9.8	**9.8**	**8.5**	**9.2**
GDP deflator				-	-1.2	0.5	1.6	**2.6**	**2.4**	**2.2**
Harmonised index of consumer prices				-	0.9	0.7	4.1	**3.7**	**1.9**	**2.0**
Terms of trade of goods				-	-0.7	-0.8	-1.5	**-0.4**	**0.4**	**0.0**
Merchandise trade balance (c)				-	1.1	0.8	1.1	**3.3**	**4.2**	**5.7**
Current-account balance (c)				-	-2.5	-2.5	-2.5	**0.0**	**0.8**	**2.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-1.7	-0.9	-0.8	**1.5**	**2.1**	**3.2**
General government balance (c)				-	-8.0	-7.7	-4.9	**-4.8**	**-3.3**	**-3.4**
Cyclically-adjusted budget balance (c)				-	-7.3	-7.7	-5.1	**-4.8**	**-2.8**	**-2.8**
Structural budget balance (c)				-	-7.5	-7.5	-5.5	**-5.0**	**-3.3**	**-2.8**
General government gross debt (c)				-	35.6	41.0	43.3	**52.4**	**55.1**	**57.1**

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

25. FINLAND

Domestic demand remains main growth driver

Slow recovery in sight up to 2014

The Finnish economy contracted in 2012 by 0.1%. While private consumption remained strong, supported by a strong labour market, public consumption and exports were slightly negative. Gross fixed capital formation receded due to declines in construction and investment in equipment.

During 2013 and 2014 confidence is expected to gradually return, resulting in a strengthening recovery. Private consumption, negatively influenced in the first quarter of 2013 by the VAT increase, will return to slow growth on the back of stable disposable income. Due to the ongoing restructuring of export-oriented industries, export growth is expected to pick up only gradually as imports recover in the main EU trading partners. The decline in gross fixed capital formation in the second half of 2012 carries over to 2013, with growth returning in 2014. Subdued private consumption and low investment keep a lid on import growth in 2013.

Risks to the outlook are balanced. On the one hand, the ongoing restructuring in certain industries, notably the electronics sector, could depress the employment and export performance more than projected. On the other hand, a stronger-than-anticipated recovery of the EU and world economy might stimulate exports in 2014.

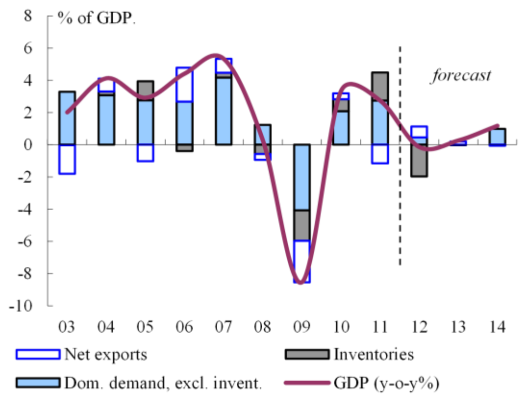
Private consumption drops in 2013

The private consumption outlook for 2013 is influenced by increases in VAT and income taxation. Consumption growth will be subdued as real disposable income will grow only slowly in 2013 before accelerating in 2014. Real disposable income growth is affected by the wage agreement for 2012 and 2013, setting moderate wage growth, combined with the fiscal drag as wage brackets are not adjusted for inflation. Household savings are expected to increase somewhat, back to the level of 2011.

Investments remain low in 2013

Gross fixed capital formation is expected to decline (-1.5%) in 2013, mainly due to receding investments in equipment, which can be explained by generally low expectations regarding growth perspectives in the near future. Construction is also forecast to decline. Only in 2014 are investments expected to pick up again, on the back of a recovery in the world economy. Financing conditions for investments remain adequate over the forecasting horizon, since Finnish banks benefit from good credit ratings and sound liquidity positions.

Graph II.25.1: **Finland - Contributions to GDP growth**



Goods trade balance set to shrink towards zero

The restructuring of two of the main export industries, electronics and forestry, points to low export growth in 2013. A slow pick-up on the back of the recovery in world trade is forecast for 2014. Imports are expected to remain subdued as private consumption and investments are expected to remain weak in 2013. The trade balance of goods is expected to shrink from its 2012 level of 0.9% of GDP. It will, however, remain in positive territory in 2013. The negative trade balance of services and net current transfers drag the current-account balance down to -1% in 2014.

Labour market remains relatively strong

The labour market remained strong in 2012, although the sluggish growth caused a slight increase in unemployment in the second half of the year. The use of temporary layoff support facilities has been reduced by employers and permanent payroll cuts are more common.

Over the forecast horizon, the effects of low economic growth will become more visible on the labour market and unemployment is forecast to increase to 8.0% in 2013. As unemployment reacted with a lag to the worsening economic situation, the expected improvements for 2014 would not have an immediate impact on unemployment either. Therefore the unemployment rate is forecast to decline only to 7.9% in 2014.

The current collective wage agreement lasts until the end of 2013. While unit labour cost growth reached 4% in 2012, it is expected to be more moderate in 2013 and 2014.

Prices stabilising in 2013-14

Despite the VAT increase of 1 pp. in 2013, inflation is set to recede to 2.5% in 2013 and 2.2% in 2014. The collective wage agreement for 2012 and 2013 has only a limited impact on inflation.

Lower growth prospects affect public finances

For 2013, Finland has undertaken significant adjustment measures to strengthen central government finances. Government revenues are set to increase in 2013 on account of the 1 pp. VAT increase and the effective increase in income tax as tax brackets will not be adjusted for inflation. Exceptionally low interest rates will continue to have a positive impact on public finances. Central government expenditure is not expected to grow in real terms in 2013 thanks to the system of expenditure ceilings.

Central and local government finances will remain in deficit over the forecast horizon and the surplus of social security funds is expected to decrease due to lower increases in income and lower returns on investments. The general government deficit is expected to be -1.7% of GDP in 2012. Thanks to the adjustment measures taken by the government, the deficit will decrease over the forecast horizon, but is still expected to reach 1.3% of GDP in 2014. The structural budget balance improves to -⅓% on 2013 but deteriorates slightly in 2014.

General government gross debt will continue to grow and is expected to reach 57.6% of GDP by 2014.

Table II.25.1:

Main features of country forecast - FINLAND

	2011			Annual percentage change					
	bn EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	189.5	100.0	2.9	-8.5	3.3	2.8	**-0.1**	**0.3**	**1.2**
Private consumption	105.0	55.4	2.5	-2.9	3.3	2.3	**1.7**	**0.1**	**1.0**
Public consumption	46.2	24.4	1.1	1.1	-0.3	0.4	**-0.4**	**0.7**	**0.6**
Gross fixed capital formation	37.2	19.6	2.5	-13.2	1.9	7.1	**-2.1**	**-1.5**	**1.5**
of which : equipment	9.5	5.0	2.7	-11.7	-11.8	18.9	**-2.4**	**-2.1**	**1.9**
Exports (goods and services)	77.3	40.8	8.7	-21.3	7.5	2.9	**-0.5**	**0.5**	**2.5**
Imports (goods and services)	78.6	41.5	7.0	-17.2	6.9	6.1	**-2.2**	**0.0**	**2.7**
GNI (GDP deflator)	190.3	100.4	3.2	-7.5	3.2	1.7	**-0.2**	**0.2**	**1.1**
Contribution to GDP growth : Domestic demand			2.0	-4.1	2.1	2.7	**0.5**	**0.0**	**1.0**
Inventories			0.2	-1.9	0.8	1.7	**-2.0**	**0.0**	**0.0**
Net exports			0.9	-2.6	0.4	-1.2	**0.7**	**0.2**	**-0.1**
Employment			0.5	-2.6	-0.1	1.1	**0.3**	**-0.3**	**0.2**
Unemployment rate (a)			10.8	8.2	8.4	7.8	**7.7**	**8.0**	**7.9**
Compensation of employees/head			3.1	2.3	1.8	3.4	**3.3**	**3.3**	**3.4**
Unit labour costs whole economy			0.6	9.0	-1.6	1.7	**3.7**	**2.7**	**2.4**
Real unit labour costs			-1.1	7.4	-2.0	-1.3	**1.0**	**0.8**	**0.5**
Saving rate of households (b)			9.3	11.7	10.6	8.7	**7.9**	**8.4**	**8.7**
GDP deflator			1.7	1.5	0.4	3.1	**2.7**	**1.9**	**1.8**
Harmonised index of consumer prices			1.8	1.6	1.7	3.3	**3.2**	**2.5**	**2.2**
Terms of trade of goods			-0.9	1.4	-2.4	-2.3	**0.0**	**-0.8**	**-0.8**
Merchandise trade balance (c)			7.5	1.8	1.4	-0.6	**0.9**	**0.5**	**0.1**
Current-account balance (c)			4.2	2.0	1.6	-1.3	**-0.7**	**-0.7**	**-1.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			4.2	2.1	1.7	-1.2	**-0.8**	**-0.6**	**-0.9**
General government balance (c)			0.7	-2.5	-2.5	-0.8	**-1.7**	**-1.5**	**-1.3**
Cyclically-adjusted budget balance (c)			0.8	0.6	-0.8	-0.2	**-0.7**	**-0.3**	**-0.4**
Structural budget balance (c)			-	0.6	-0.7	-0.1	**-0.7**	**-0.3**	**-0.4**
General government gross debt (c)			46.0	43.5	48.6	49.0	**53.4**	**56.4**	**57.6**

(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.

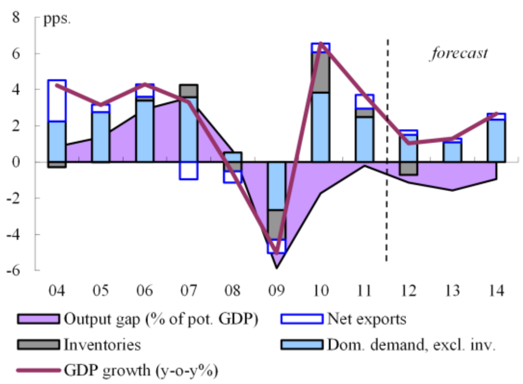
26. SWEDEN

From lacklustre growth towards a gradual recovery

Shifting to a lower gear in 2012

Following a brisk growth in 2010 and 2011, the Swedish economy decelerated abruptly in late 2011 in the wake of the euro-area sovereign-debt crisis and the global slowdown. Recession was avoided since growth returned at a strong rate in spring 2012, triggered by resilient household consumption, investment as well as net exports. In the first three quarters of 2012, GDP grew at an average rate of about 0.6% per quarter. However, the autumn of 2012 was marked with deteriorating economic sentiment across all categories. It became apparent that the shaky situation abroad eventually sapped prospects for Sweden, too. The economic sentiment index and the PMI fell to levels seen in mid-2009 for the last time. This, together with the weak underlying tendency in the GDP composition in the third quarter (weak exports and declining investment), suggests a contraction in the fourth quarter of 2012, which will set the scene for 2013.

Graph II.26.1: **Sweden - GDP growth and contributions**



Recovery expected in the second half of 2013 and solid dynamics in 2014

Growth is likely to bounce back to positive numbers in the first quarter of 2013. Export orders and industrial confidence are showing first signs of recovery and also employment plans by companies are turning more optimistic. However, growth is expected to remain subdued for the rest of 2013 as confidence among households and companies will rise only gradually and external demand resumes slowly. Investment and exports are likely to pick up earlier while private consumption will follow later in the year. Overall, real GDP is forecast to grow by 1.3% in 2013. It should regain more dynamism in 2014 when it is forecast to increase by 2.7%, driven mainly by private consumption.

Looking more closely at the GDP components, exports are suffering from the global slowdown and a continued gradual appreciation of the Swedish krona which accelerated in the summer of 2012. Export industries are struggling with low demand, mainly from the EU which accounts for more than 55% of Swedish exports. Exports are expected to pick up in the second half of 2013 when growth in Swedish export markets is projected to resume.

On the domestic side, investment is likely to lead the recovery in 2013. Whereas companies have been postponing their investment plans since spring 2012, they are likely to push them ahead once they see a credible revival in global growth. Low investment levels in previous years also argue for a likely strong pick-up in capital formation once uncertainty subsides. Financing conditions remain favourable, supported by three cuts in policy rates in 2012 and a wide access to foreign funding for Swedish banks. Household consumption in the first half of 2013 is set to be restrained by a deteriorating labour market and uncertainties about the external environment. Nevertheless, given high savings and decent real income growth supported by low inflation, there is a scope for more dynamic consumption in the period ahead, starting in the second half of 2013.

Weak labour market and below-target inflation

The labour market in 2012 was marked by strong growth in labour supply which was in the first three quarters absorbed by robust employment growth. However, with employment falling back in the autumn, the unemployment rate jumped to 8.1% in November and averaged 7.7% in 2012. Although the most recent hiring plans by companies indicate a halt to pessimism, the employment outlook remains bleak for the whole year of 2013. The unemployment rate is forecast to stay around 8% in 2013, before receding back to 7.8% in 2014.

Inflation has been hovering between 0.5 and 1% in 2012, being dampened by the strengthening currency and low capacity utilisation. These factors are assumed to remain in place and, together with the assumed decline in commodity prices, are likely to keep inflation below the 2% target until the end of the forecast period. Wage pressures are also expected to remain low, as the lacklustre profit situation in manufacturing and weaker labour market will prevent higher wage agreements in the upcoming bargaining round than those concluded in the 2011-12 round (2.4% increase over a year) and the wage drift is also expected to be contained. With real interest rates expected to stay close to zero throughout 2013, inflation is forecast to pick up as economic activity resumes in 2014.

Risks looming both on the inside and outside

The major short-term risk is a possible entrenchment of pessimism among households and companies. The strong krona is also taking a toll on the prospects for recovery. To preserve competitive prices and keep market shares, exporters are cutting their prices in the domestic currency which results in squeezed profit margins. Unless higher gains in productivity or lower pay increases are achieved, export prices will have to increase, causing a competitiveness challenge. The housing market and high private debt also remain a threat to economic stability, although imminent risks have subsided. While the bleak outlook and some regulatory measures under consideration could cool the housing market further, low interest rates are likely to foster its stability.

Public finances: becoming a deficit country

The general government balance is forecast to swing from a surplus of 0.3% of GDP in 2011 to a deficit of 0.2% of GDP in 2012, reflecting the economic slowdown. Given the expansionary budget and higher pension payments, it is likely to deteriorate further in 2013 to a deficit of 0.9% of GDP. The stimulus consisted mainly from the corporate rate cut, infrastructure investment and labour market measures. In 2014, the government finances are set to improve, recording a deficit of 0.2% of GDP thanks to higher growth. The worsening in the structural balance observed since 2009 is expected to continue until 2013 when the structural surplus is estimated to drop to 0.1% of GDP, before improving slightly to 0.3% in 2014. The decline in the public debt-to-GDP ratio is also likely to continue, albeit at a slower pace. Planned privatisation projects and renewed growth should drag public debt down to 35½% of GDP in 2014.

Table II.26.1:
Main features of country forecast - SWEDEN

	2011		Annual percentage change						
	bn SEK Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	3499.9	100.0	2.5	-5.0	6.6	3.7	**1.0**	**1.3**	**2.7**
Private consumption	1672.9	47.8	1.9	-0.3	4.0	2.1	**1.4**	**1.4**	**2.5**
Public consumption	923.7	26.4	0.7	2.2	2.1	1.1	**0.9**	**1.1**	**0.9**
Gross fixed capital formation	644.5	18.4	2.9	-15.5	7.2	6.4	**3.4**	**0.7**	**4.8**
of which : equipment	238.9	6.8	5.9	-22.7	11.9	3.5	**5.2**	**1.9**	**6.0**
Exports (goods and services)	1748.8	50.0	7.0	-13.8	11.4	7.1	**0.5**	**2.0**	**4.9**
Imports (goods and services)	1531.5	43.8	5.7	-14.3	12.0	6.3	**0.0**	**1.8**	**4.8**
GNI (GDP deflator)	3590.6	102.6	3.0	-6.5	6.9	4.1	**1.1**	**1.3**	**2.7**
Contribution to GDP growth : Domestic demand			1.6	-2.7	3.8	2.5	**1.5**	**1.1**	**2.3**
Inventories			0.1	-1.6	2.2	0.5	**-0.7**	**0.0**	**0.0**
Net exports			0.8	-0.7	0.5	0.8	**0.2**	**0.2**	**0.3**
Employment			0.1	-2.4	1.2	2.2	**0.6**	**0.2**	**0.7**
Unemployment rate (a)			7.4	8.3	8.4	7.5	**7.7**	**8.0**	**7.8**
Compensation of employees/head			3.9	1.6	2.8	0.8	**3.0**	**3.1**	**3.5**
Unit labour costs whole economy			1.4	4.4	-2.4	-0.6	**2.6**	**1.9**	**1.5**
Real unit labour costs			-0.3	2.3	-3.2	-1.7	**1.7**	**0.4**	**-0.7**
Saving rate of households (b)			8.3	13.8	11.3	13.0	**14.4**	**15.5**	**14.9**
GDP deflator			1.8	2.1	0.8	1.1	**0.9**	**1.5**	**2.3**
Harmonised index of consumer prices			1.9	1.9	1.9	1.4	**0.9**	**1.1**	**1.6**
Terms of trade of goods			-0.9	2.2	-1.1	-1.4	**-0.7**	**0.0**	**0.5**
Merchandise trade balance (c)			6.0	3.1	2.6	2.6	**2.5**	**2.6**	**2.8**
Current-account balance (c)			4.7	6.9	6.9	7.3	**7.2**	**7.3**	**7.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			4.5	6.7	6.8	7.2	**7.1**	**7.2**	**7.5**
General government balance (c)			-1.5	-0.7	0.3	0.3	**-0.2**	**-0.9**	**-0.2**
Cyclically-adjusted budget balance (c)			-1.0	2.7	1.3	0.4	**0.4**	**0.1**	**0.4**
Structural budget balance (c)			-	2.7	1.3	0.4	**0.4**	**0.1**	**0.3**
General government gross debt (c)			58.5	42.6	39.5	38.4	**37.7**	**37.3**	**35.5**

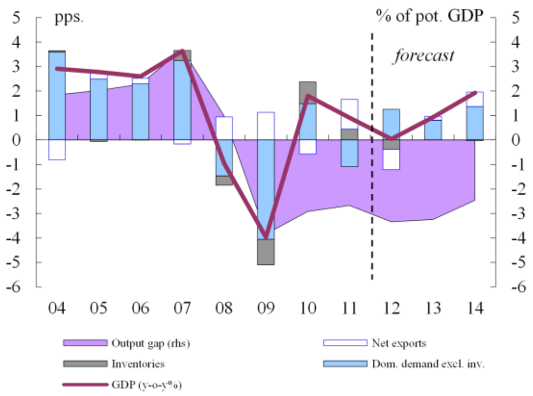
(a) Eurostat definition. (b) gross saving divided by gross disposable income. (c) as a percentage of GDP.

27. THE UNITED KINGDOM
Green shoots on the horizon

Flat growth but prospects improving

The final quarter of 2012 posted negative growth of -0.3% after it had rebounded by 0.9% in the third. Overall, GDP has fallen in three of the four quarters of 2012. The main cause of the final quarter decline was the extraction industry, as maintenance continued on the UK's biggest North Sea oil field. Services growth was flat with the construction sector growing marginally.

Graph II.27.1: **The United Kindom - Output gap and contributions to GDP growth**



Overall, growth for the year was flat but had been volatile with an extra bank holiday in the second quarter dragging down growth and the London Olympics in the third quarter propping it up. The outlook remains somewhat subdued with the first half of 2013 unlikely to see rapid growth in any of the GDP components. Growth is forecast at 0.9% in 2013 and 1.9% in 2014 due to gradually better investment and consumption as uncertainty continues to fall and wages start growing.

Weak but steady improvement in consumption

Quarterly consumption growth throughout 2012 has been continuously positive indicating that consumers may be over the worst of the crisis; employment continuing to be strong reinforces this belief. Positive contributions to growth from consumption are expected in 2013 and 2014 on a slow but progressively improving basis, as inflation falls more gradually than anticipated and nominal wage growth remains weak. The main risk to the forecast stems from a failure of consumption growth to take hold, thereby also heightening the uncertainty about investment expenditure.

Investment remaining constrained

In 2012, investment again acted as a drag on growth despite corporates being cash-rich and the credit-easing measures announced by the Bank of England and HM Treasury, namely the Funding for Lending Scheme (FLS). Weak consumer demand has dampened the appetite for investment. Another factor that may be curtailing investment is the fact that the price of capital is rising relative to the price of labour where continuously low wage growth props up the demand for labour. Notwithstanding this trend, the forecast for 2013 and 2014 is for investment to grow as the FLS reduces the cost of capital, uncertainty declines further and the fact that investment will eventually be necessary following negative growth in four of the last five years.

A small change in the wind for net exports?

Net exports contributed negatively to growth overall in 2012 but a marginal improvement is expected from 2013 onwards. Sterling continues to remain at a relatively low value, thus the time may have come where exporters now focus on gaining market shares as opposed to propping up margins. Tensions in the euro area, the UK's largest export destination, have also declined and exports to non-EU countries have increased. Net exports are forecast to contribute positively to growth by 0.2% in 2013 and 0.6% in 2014.

Unemployment defies expectations

Unemployment has fallen continuously since the last quarter of 2011 when it peaked at 8.4%. This is contrary to what would be expected given the fall in GDP growth. In the third quarter of 2012, unemployment stood at 7.8%, relating to strong labour growth in the business services and consumer sectors. The employment rate stood at 70.5% in the third quarter of 2012.[30]

Despite these positive results, it is unlikely that the unemployment rate can continue falling given the poor growth outlook. Labour hoarding, an increase in part-time work and self-employment account for only some of this phenomenon. Given that the rate of decline in unemployment is also falling, it may

(30) ESTAT definition (15 to 64 years)

have reached its trough. It is forecast to increase to 8.0% in 2013 before levelling off at 7.8% in 2014.

Inflation becoming sticky

Inflation had been falling almost continuously since its 5.2% peak in September 2011 but has now remained at 2.7% in each of the last three months of 2012 and the first month of 2013. Inflation had increased in October due to the increase in university tuition fees in England and utility prices kept it from falling in December. Inflation has now been above the Bank of England's target of 2% continuously for three years. However, inflation is still expected to fall, given weak demand but at a slower rate than previously forecast. It is estimated at 2.6% in 2013 and 2.3% in 2014.

No change from consolidation plans

While the UK government sticks to its fiscal consolidation strategy, borrowing in the financial year to-date is higher than in the previous year mainly due to weak corporate tax receipts, linked to the temporary closure of the biggest oil field.

The deficit is estimated at 5.9% in 2012-13, at 7.0% in 2013-14 and 5.8% in 2014-15.[31] The decline in the first year is due to a one-off transfer of the Royal Mail pension fund worth 1.8 pps. and the inclusion of an estimated GBP 3.5 billion from the sale of 4G licences in early 2013. On the current trajectory, the UK is unlikely to reach its EDP deadline in 2014-15. The structural balance is forecast at -6.2%, -5.5% and -4.6% over the same period, respectively. Gross debt continues to increase and is estimated to reach 95.5% in 2013-14 and 97.1% in 2014-15.

Table II.27.1:
General government projections on a financial-year basis

	Actual		Forecast		
	2010-11	2011-12	2012-13	2013-14	2014-15
General government balance	-9.6	-7.7	-5.9	-7.0	-5.8
Structural budget balance	-8.2	-6.4	-6.3	-5.6	-4.6
General government gross debt	79.8	86.1	90.8	95.5	97.1

(31) The estimates for deficit and debt do not take account of the proposed transfer of the Bank of England's Asset Purchase Facility as the statistical treatment has not been specified by Eurostat. The Office for Budget Responsibility (OBR) has estimated this as a 0.8 pp. reduction in the deficit in 2012-13 and 2013-14 and a 0.7 pp. reduction in 2014-15 in their *Economic and fiscal outlook* published in December 2012.

Table II.27.2:
Main features of country forecast - THE UNITED KINGDOM

		2011			Annual percentage change					
	bn GBP	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		1516.3	100.0	2.8	-4.0	1.8	0.9	**0.0**	**0.9**	**1.9**
Private consumption		974.2	64.3	2.9	-3.1	1.3	-1.0	**1.0**	**1.0**	**1.5**
Public consumption		335.1	22.1	1.8	0.8	0.4	-0.1	**2.8**	**-0.5**	**-1.3**
Gross fixed capital formation		213.3	14.1	3.6	-13.7	3.5	-2.9	**-0.1**	**1.9**	**4.8**
of which : equipment		65.2	4.3	3.3	-21.0	7.3	-0.5	**-4.3**	**11.5**	**4.9**
Exports (goods and services)		493.0	32.5	5.3	-8.2	6.4	4.6	**-0.3**	**2.5**	**4.9**
Imports (goods and services)		516.6	34.1	5.9	-11.0	8.0	0.5	**2.2**	**1.9**	**2.9**
GNI (GDP deflator)		1539.5	101.5	3.0	-4.8	1.4	1.6	**-1.5**	**1.5**	**2.1**
Contribution to GDP growth :	Domestic demand			2.9	-4.0	1.5	-1.1	**1.3**	**0.8**	**1.4**
	Inventories			0.1	-1.1	0.9	0.4	**-0.4**	**0.0**	**0.0**
	Net exports			-0.2	1.1	-0.6	1.2	**-0.8**	**0.2**	**0.6**
Employment				0.7	-1.6	0.2	0.5	**0.8**	**0.5**	**1.1**
Unemployment rate (a)				6.5	7.6	7.8	8.0	**7.9**	**8.0**	**7.8**
Compensation of employees/head				4.1	2.8	2.8	2.0	**2.8**	**2.7**	**2.9**
Unit labour costs whole economy				2.1	5.3	1.2	1.6	**3.7**	**2.2**	**2.0**
Real unit labour costs				-0.3	3.9	-1.6	-0.9	**1.7**	**0.4**	**-0.2**
Saving rate of households (b)				5.8	6.6	6.6	6.6	**7.1**	**7.1**	**7.0**
GDP deflator				2.4	1.3	2.8	2.5	**2.0**	**1.8**	**2.2**
Harmonised index of consumer prices				2.1	2.2	3.3	4.5	**2.8**	**2.6**	**2.3**
Terms of trade of goods				0.0	-0.6	0.8	-2.0	**-0.6**	**-0.6**	**0.0**
Merchandise trade balance (c)				-3.6	-5.9	-6.7	-6.6	**-6.9**	**-7.1**	**-6.8**
Current-account balance (c)				-1.6	-1.3	-2.5	-1.3	**-3.7**	**-3.1**	**-2.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-1.5	-1.0	-2.3	-1.1	**-3.5**	**-2.9**	**-1.8**
General government balance (c)				-3.0	-11.5	-10.2	-7.8	**-6.3**	**-7.4**	**-6.0**
Cyclically-adjusted budget balance (c)				-3.2	-9.6	-8.8	-6.5	**-4.7**	**-5.8**	**-4.9**
Structural budget balance (c)				-	-9.4	-8.7	-6.5	**-6.5**	**-6.0**	**-4.9**
General government gross debt (c)				44.0	67.8	79.4	85.2	**89.8**	**95.4**	**97.9**

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

Acceding Countries

28. CROATIA

Staying in the economic doldrums

Continued recession in 2012

Croatia's annual real GDP fell significantly in 2012. In the third quarter output was 1.9% lower year-on-year. Most of this was due to the contraction in the winter of 2011/12 since economic activity was essentially flat in the second and third quarter (in seasonally-adjusted quarter-on-quarter terms) much helped by a strong tourist season which compensated for the declining industrial production. The available data for the fourth quarter suggest a renewed contraction of economic activity. Most notable, the fall in consumer spending re-accelerated to a 6.1% y-o-y decline in real terms in December.

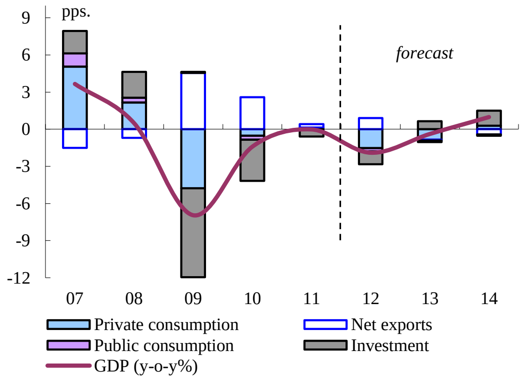
In line with output, the labour market deteriorated further in 2012. The registered unemployment rate was 2.4 pps. higher year-on-year in December. At the same time, consumer price inflation has risen markedly. The monthly year-on-year reading of the overall CPI increased from 1.2% in January to 4.7% in December. Most of the higher inflation rate was due to the VAT hike in March, increases in administered prices and rising energy and food prices generated by higher world prices and by the extreme summer drought in the region. Core inflation, as measured by the central bank, has increased more moderately to 2.3% in October.

Croatia's long-standing current-account deficit continued to narrow in 2012. The customary third-quarter surplus was bolstered by tourism-related services exports. Over the four quarters to end-September, the current-account deficit reached 0.6% of GDP.

Persistent obstacles to growth

The Croatian economy continues to face both cyclical and structural headwinds. Contracting economic activity in many EU Member States, not least among some of Croatia's most important trading partners, will continue to weigh on the domestic economy in 2013. Croatia's international competitiveness has been insufficient to prevent a declining trend in the country's export market share. Weak labour market conditions continue to exert downward pressure on incomes and spending. The high level of indebtedness of households and companies and their need to deleverage are curbing domestic demand. Credit conditions remain unfavourable. Consumer and business confidence are still subdued. There has also been little progress in lowering deep-seated structural obstacles to growth.

Graph II.28.1: **Croatia - GDP growth and contributions**



From contraction to sluggish upturn

Overall economic activity is expected to remain suppressed in the first half of 2013 given the international environment and the absence of domestic sources of growth. Gradually, some stimulus should materialise from government-promoted capital spending by state-owned enterprises, particularly in the energy and transport sectors. Private investments should be stimulated by Croatia's accession to the EU on 1 July. In the second half of the year, the more cyclical headwinds from the external side should lessen, allowing a modest acceleration in real exports. Export growth is, however, projected to be below the growth of export markets, implying a loss of market share. In 2014, rising exports, in combination with growing investments, will result in increasing employment and incomes and, ultimately, consumer spending. On the other hand, it is expected that general government will detract slightly from GDP growth. Imports should accelerate more strongly than exports, not least because investments have relatively high import content in Croatia. This implies that net exports will subtract from GDP growth already in 2013 after having provided an offset to faltering domestic demand throughout the recession. Overall, the upturn of economic activity is likely to be very subdued.

Modest growth in 2014

The forecast projects that real GDP has shrunk by 1.9% in 2012. In the current year, the upturn in investment and exports will still be insufficient to offset the drag from continued declines in consumer and government spending and rising imports. The net result is projected to be a GDP contraction of 0.4% in 2013. In the following year, the balance of the various contributions to GDP growth turns positive, resulting in annual GDP growth of 1.0%. The risks to this growth forecast are mainly on the downside and particularly related to the lowering of Croatia's sovereign-debt rating to the speculative grade by several rating agencies, the risk of credit restraint as a result of bank deleveraging, and the possibility of additional expenditure cuts in public budgets.

Reflecting the GDP growth path, employment will continue to fall in 2013 before starting to increase in the following year. Consumer price inflation is projected to remain relatively elevated at 3% in 2013 due to a high carry-over effect, further increases in administered prices, and some VAT adjustments in connection with EU accession. In 2014 the inflation rate is forecast to decline to around 2%. The current-account deficit should widen somewhat in the wake of rising investment activity and the return to consumption growth.

Fiscal deficit likely to remain high

Fiscal policy has, to some extent, contained the negative budgetary consequences of the recession in 2012. General government expenditure stabilised while revenues increased due to a VAT rate-hike, other tax measures, and improving tax compliance. Consequently, the fiscal deficit is projected to have shrunk to 4.6% of GDP. The 2013 state budget plans to increase expenditure by 3.5% y-o-y. On this basis and in view of the macroeconomic projections, the fiscal deficit of general government is projected to widen again to 5.0% of GDP in 2013. In the following year, the upturn of economic activity should help to narrow the fiscal deficit to 4.5% of GDP.

The re-attribution of the debt of state-owned shipyards to the government accounts raised general government debt extraordinarily in 2012. Given the persistent fiscal deficits, the debt ratio is projected to continue its steady increase and to reach 60% of GDP in 2014.

Table II.28.1:

Main features of country forecast - CROATIA

	2011			Annual percentage change					
bn HRK	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	334.0	100.0	-	-6.9	-1.4	0.0	**-1.9**	**-0.4**	**1.0**
Private consumption	197.5	59.1	-	-7.5	-0.9	0.2	**-2.5**	**-1.4**	**0.5**
Public consumption	66.4	19.9	-	0.4	-1.6	-0.3	**-1.3**	**-0.6**	**-0.5**
Gross fixed capital formation	62.7	18.8	-	-11.8	-11.3	-7.2	**-5.3**	**3.3**	**5.8**
of which : equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	139.5	41.8	-	-16.2	5.2	2.0	**0.2**	**1.4**	**3.0**
Imports (goods and services)	139.8	41.9	-	-21.4	-1.4	1.2	**-1.8**	**1.5**	**3.8**
GNI (GDP deflator)	322.1	96.5	-	-7.4	-1.7	-0.1	**-2.1**	**-0.4**	**0.9**
Contribution to GDP growth : Domestic demand			-	-7.6	-3.7	-1.4	**-2.9**	**-0.3**	**1.4**
Inventories			-	-3.3	-0.3	1.1	**0.1**	**0.0**	**0.0**
Net exports			-	3.9	2.4	0.3	**0.9**	**-0.1**	**-0.4**
Employment			-	-1.8	-5.1	-2.3	**-1.0**	**-0.8**	**0.6**
Unemployment rate (a)			-	9.1	11.8	13.5	**15.8**	**15.9**	**14.9**
Compensation of employees/head			-	1.0	4.5	3.0	**1.2**	**1.1**	**1.2**
Unit labour costs whole economy			-	6.6	0.6	0.6	**2.1**	**0.7**	**0.8**
Real unit labour costs			-	3.6	-0.3	-1.5	**-0.7**	**-2.0**	**-1.1**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	2.9	0.9	2.1	**2.9**	**2.7**	**1.9**
Harmonised index of consumer prices			-	2.2	1.1	2.2	**3.4**	**3.0**	**2.0**
Terms of trade of goods			-	-2.1	1.5	-0.5	**-0.2**	**0.0**	**0.1**
Merchandise trade balance (c)			-	-16.6	-13.3	-14.2	**-14.0**	**-14.1**	**-14.6**
Current-account balance (c)			-	-5.2	-1.1	-0.9	**-0.5**	**-0.6**	**-1.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-5.1	-1.1	-0.9	**-0.5**	**-0.6**	**-1.5**
General government balance (c)			-	-4.7	-5.2	-5.7	**-4.6**	**-5.0**	**-4.5**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	35.7	42.2	46.7	**53.6**	**57.4**	**60.2**

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

Candidate Countries

29. CANDIDATE COUNTRIES

Recovering after the double-dip?

Turkey

Real GDP growth slowed steadily from 11.9% in the year to the first quarter of 2011 to 2.6% in the nine months of 2012 (year-on-year). Short-term indicators suggest that, chiefly as a result of the monetary easing observed in the second half of 2012, domestic demand started accelerating in the final months of 2012. GDP growth is forecast to remain almost constant in 2013 rise slightly but gradually to respectively 3.0% in 2013 and 3.8% in 2014.

Private consumption growth has slowed sharply in 2012, owing to a strong base effect from the 2011 spending surge, slower employment growth, decelerating credit growth and the impact of a weaker lira on demand for imported consumer goods. Under the assumptions that the exchange rate of the lira stabilises, monetary policy is not tightened and consumer confidence continues rising, private consumption growth should pick up from - 0.6% in 2012 to 3.8% in 2013 and 4.8% in 2014. In tandem, public consumption growth is accelerating from 5.3% in 2012 to 6.5% in 2013 and 7.6% in 2014, an election year.

The government deficit is expected to rise as higher cyclical revenues cannot mitigate swelling spending pressures. Gross fixed investment growth turned negative in 2012 due to base effects and lower external and domestic demand growth, but it should pick up again in 2013-14 as business sentiment improves.

Net exports grew faster than expected in 2012, as evidenced by the weakness of import demand and the strength in export growth in the first three quarters of 2012. Recent high frequency indicators suggest that domestic demand is again increasingly driving growth. Hence, import growth (goods and services) is likely to outpace export growth in 2013 and 2014. Risks are skewed to the upside, with the possibility that over-exuberance in the financial markets may spill over into faster demand growth.

But this could be a concern for the long term, as with the authorities seemingly keen to pursue expansionary policies, inflation could accelerate again and the current-account deficit widen more sharply than expected. Weakening economic activity could increase the government's desire to maintain some flexibility in its management of the public accounts, in particular in 2013 and 2014, in order to support growth in output and jobs, in so far as it is able to do so without damaging investor confidence.

The deficit of the general government is expected to edge up from 1.9% of GDP in 2012 to 2.6% of GDP in 2013 and 3.1% of GDP in 2014. The government debt-to-GDP ratio is forecast to decline from 39.1% of GDP at end-2011 to just over 34.2% by 2014, reflecting moderate primary surpluses, a scheduled pick-up in privatisation and accelerating economic growth in 2014.

On the back of positive base effects and food prices developments in the final months of 2012, inflation slowed to 6.2% at the end of 2012.

Table II.29.1:
Main features - Turkey

		2011	2012	2013	2014
GDP Volume	%	8.5	2.5	3.0	3.8
Private consumption	%	7.8	-0.6	3.8	4.8
Public consumption	%	4.5	5.3	6.5	7.6
Investment	%	18.5	-7.9	3.0	5.2
Exports	%	6.4	13.6	10.1	6.6
Imports	%	11.3	-3.5	13.0	11.3
Employment	%	6.6	2.1	1.2	1.9
Unemployment rate	% LF	10.2	8.2	7.6	7.0
CPI (National index)	%	9.0	8.0	7.7	5.6
Trade balance	% GDP	-10.9	-7.8	-9.2	-10.4
Current-account balance	% GDP	-9.9	-5.9	-6.6	-7.5
Fiscal balance	% GDP	-2.0	-1.9	-2.6	-3.1
Public debt	% GDP	39.1	36.3	35.5	34.2

In part as a result of hikes in administrative prices and taxes, CPI inflation is expected to rise temporarily in 2013, before easing to 5.6% in 2014. Central Bank inflation targets have been kept at 5% ±2 pps. both for 2013 and 2014.

Driven by a credit-fuelled rise in import demand and higher oil prices, the current-account deficit reached 10% of GDP in 2011. As from 2013, imports will increasingly benefit from reinvigorating domestic demand. Nevertheless, the current-account deficit is expected to go up to 6.6% of GDP and 7.5% of GDP in 2013 and 2014 respectively. Tourism revenue and expenditure data are currently being revised upwards, which may prompt a downward revision of the current-account deficit.

Iceland

Latest data points to lower-than-expected dynamics in economic activity, probably resulting from persistently high inflation and the continued uncertain global outlook. Weakening domestic demand will lead to slightly lower growth in 2013, while the completion of engergy-related investment projects will support stronger growth in 2014. The positive labour market trend is likely to continue. Entrenched inflationary expectations risk to keep price increases rather high. Supported by solid GDP growth, fiscal adjustment is likely to continue, resulting in a slight fiscal surplus by 2014. This profile implies substantial primary surpluses, which will help reducing public debt.

Table II.29.2:
Main features - ICELAND

		2011	2012	2013	2014
GDP	%	2.6	2.3	2.0	2.7
Employment	%	0.0	0.9	0.8	1.0
Unemployment rate	% LF	7.1	6.1	5.7	5.2
CPI (Harmonised)	%	4.2	6.0	3.5	2.7
Current-account balance	% GDP	-7.0	-5.8	-4.8	-5.5
Fiscal balance	% GDP	-5.4	-1.7	-0.3	0.8
Public debt	% GDP	101.0	96.2	92.0	87.0

The former Yugoslav Republic of Macedonia

During 2012, economic deceleration was sharper than expected. In 2013, investment and exports are likely to be the main sources of growth, although the high import content of investment reduces the immediate impact on growth. The high share of structural unemployment will limit the response of unemployment to stronger growth. Inflationary pressures are expected to remain low. In September 2012, the government raised the deficit target for 2012 from 2½% of GDP to 3½%, mainly due to underperforming revenues. A similar deficit is expected in 2013, that will remain above 3% also in 2014, reflecting higher transfers and investment.

Table II.29.3:
Main features - The Former Yugoslav Republic of Macedonia

		2011	2012	2013	2014
GDP	%	2.8	0.0	1.5	2.5
Employment	%	1.1	0.5	1.0	1.5
Unemployment rate	% LF	31.4	31.2	30.7	30.0
CPI (National index)	%	3.9	3.3	3.0	2.5
Current-account balance	% GDP	-2.7	-3.4	-3.8	-4.7
Fiscal balance	% GDP	-2.5	-3.8	-3.5	-3.3
Public debt	% GDP	28.2	31.0	33.3	35.0

Montenegro

In 2012, the economy stagnated, postponing the onset of the recovery. Private consumption remained the main source of growth although offset by the negative contribution from net exports as a result of a sharp decline of industrial production. In 2013, tax increases will have a negative impact on domestic demand. Yet, the recovery of credit activity or the opening of some large investments before end-2013 represent upside risks. Inflation should moderate once the effect of several administrative price hikes in 2012 fades out, while labour market remains lethargic. Fiscal consolidation will support the stabilisation and later reduction in public debt.

Table II.29.4:
Main features - Montenegro

		2011	2012	2013	2014
GDP	%	3.2	0.2	2.2	3.0
Employment	%	-6.4	0.8	1.0	1.4
Unemployment rate	% LF	19.7	20.0	19.7	19.4
CPI (National index)	%	3.1	4.1	2.7	2.5
Current-account balance	% GDP	-19.6	-20.0	-20.6	-20.6
Fiscal balance	% GDP	-5.4	-4.0	-3.0	-2.0
Public debt	% GDP	45.9	52.0	53.4	53.0

Serbia

Serbia's economy remained in recession in the last quarter of 2012. A mild recovery is expected in 2013, underpinned by strong exports growth, while domestic demand is likely to be subdued due to fiscal consolidation efforts, structural bottlenecks and stagnant employment creation. The trade deficit is set to fall in 2013 but weaker net transfers and worsening income balance would keep the current-account deficit high. Inflation is expected to remain elevated in the short term, fuelled by corrections in administered prices and increased indirect taxation. The budget deficit is foreseen to fall significantly in 2013 but expenditure pressures are likely due to sluggish growth and a weak labour market.

Table II.29.5:
Main features - Serbia

		2011	2012	2013	2014
GDP	%	1.6	-1.7	1.7	2.0
Employment	%	-6.0	-1.0	0.1	1.2
Unemployment rate	% LF	23.0	24.0	23.9	23.1
CPI (National index)	%	11.1	7.3	10.2	5.4
Current-account balance	% GDP	-8.9	-10.2	-8.9	-9.6
Fiscal balance	% GDP	-5.0	-6.4	-4.1	-3.6
Public debt	% GDP	48.7	59.2	60.6	62.8

Other non-EU Countries

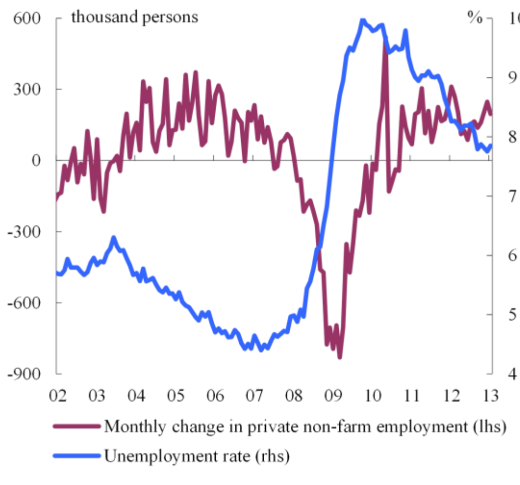
30. THE UNITED STATES OF AMERICA
Growth restrained by fiscal uncertainties

Subdued growth continues

The US is forecast to continue to grow at a sub-par pace over the forecast horizon amid fiscal tightening and looming policy uncertainties. Growth in 2013 is revised down to 1.9% (from 2.3% in the autumn) reflecting the expectation of a higher fiscal restraint and a lower-than-expected carry-over from 2012 due to the weak first estimate for the final quarter of 2012. The forecast for 2014 remains unchanged at 2.6%.

Real GDP unexpectedly shrank by 0.04% q-o-q in the fourth quarter of 2012, dragged down by a sharp cutback in government defence spending and a heavy inventory drawdown, which subtracted 0.3 pp. each from the quarterly growth rate. The first negative quarterly GDP headline reading since 2009 followed a solid 0.8% growth in the third quarter and is likely to be revised up in the second estimate as the December foreign trade data turned out were more growth supportive than assumed.

Graph II.30.1: **US - Monthly change in private employment and the unemployment rate**



Beyond highly volatile inventory and defence spending components that boosted growth in the third and depressed it in the fourth quarter, the broad economy measured by final sales remained on a weak but steady recovery path of 0.3-0.6% q-o-q throughout 2012. Private consumption was among the most stable components, expanding by 0.4% and 0.5% in the third and fourth quarter, respectively, on the back of improving housing market, solid job creation and ample stock market gains. Disposable income growth accelerated to 1.6% in the fourth quarter, likely due to some income and capital gains being brought forward in anticipation of 2013 tax increases. Despite fiscal cliff concerns, business investment rebounded by 2.0% in the fourth quarter after slipping 0.5% in the third, while residential investment continued to recover (3.6% after 3.2% in the previous quarter).

Job creation picked up sharply in the fourth quarter to 201,000 (vs. 168,000 in the third quarter, monthly average) and remained relatively strong in January. The unemployment rate fell slightly in the second half of 2012, from just above 8% to 7.9% in January 2013, along with the share of long-term unemployment which dropped to 38.1% in December, a three-year low. However, the activity rate remained near a three-decade low in January (63.6%), signalling a structural dimension to the current labour market weakness.

The recovery in the housing sector has been one of the strongest growth drivers in 2012. Residential investment has added to GDP growth for seven quarters now. At 0.3 pp., the contribution in 2012 is the biggest since 2005. Home prices (Case-Shiller 20-city Index, s.a.) have been rising for ten straight months to November 2012 – the longest such stretch since early 2006 – and are now 6% higher than the trough in February 2012. Both construction activity and home sales continue to rise robustly with the 3-month momentum of housing starts in December at its highest since mid-2008.

Monetary policy supports recovery

Monetary policy remained loose, with the Fed's December meeting bringing two important policy changes. Operation Twist – which expired as planned at the end of 2012 – was replaced by the commitment to purchase longer-term Treasury securities, initially at a pace of USD 45 billion per month. In line with its new communication strategy, the Fed announced its commitment to keep the federal funds' rate at an exceptionally low level (0-¼%), "at least as long as the unemployment rate remains above 6.5%, inflation between one and two years ahead is projected to be no more than 0.5 pp. above the Committee’s 2% longer-run goal, and longer-term inflation expectations continue to be well anchored."

Fiscal outlook remains highly uncertain

The outlook for 2013 and 2014 is clouded by the uncertainty regarding fiscal policies going forward. A last-minute agreement helped avert some of the tax rises and spending cuts from January 2, 2013.[32] However, uncertainty remains as the automatic spending cuts (the "sequester") have only been postponed until 1 March, and the government financing based on continuing resolution expires in late March. Moreover, the looming debt ceiling problem has been deferred rather than addressed by the bill passed in late January authorizing an increase in the debt limit by the amount of borrowing needed until 19 May. Upcoming negotiations can unsettle markets and take a toll on investor, business and consumer confidence – as they did in the summer of 2011.

The forecast for 2013 was revised down to 1.9% (from 2.3% in the autumn forecast) due to the higher-than-expected fiscal restraint and a lower-than-expected carry-over from 2012. A higher consolidation – assumed now at around 1.9% of GDP (vs. 1.2% in the autumn forecast) – results from the tax rises set out in the fiscal cliff deal combined with the likely impact of agreements on the sequester, government financing and the debt ceiling. While the baseline assumption is that the financing of the government will be secured, the related deals are likely to entail additional spending cuts that will affect defence, non-defence and entitlement programmes.

This upcoming fiscal tightening will restrain disposable incomes and thus keep growth of personal consumption expenditure (accounting for roughly 70% of GDP) subdued, at 1.5% in 2013, the weakest since 2009. On the other hand, both residential and business investment are expected to remain resilient and continue expanding, driven by the improving outlook, and rising property prices. Uncertainty regarding the fiscal outlook remains the biggest risk factor for the forecast. Should a damaging political stand-off over fiscal policies be repeated, this will inevitably weigh heavily on confidence, investment and consumption. Conversely, positive signals from negotiations will increase the chances of addressing adequately short-term fiscal concerns and make the US fiscal position less untenable – thus providing a strong boost to sentiment and growth going forward.

(32) Income taxes rose for households earning over USD 450,00, payroll taxes – for all employees, while emergency unemployment benefits were extended for one year.

Table II.30.1:

Main features of country forecast - THE UNITED STATES

	2011		Annual percentage change						
	bn USD Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	15044.1	100.0	3.0	-3.1	2.4	1.8	**2.2**	**1.9**	**2.6**
Private consumption	10729.0	71.3	3.3	-1.9	1.8	2.5	**1.9**	**1.5**	**2.2**
Public consumption	2688.2	17.9	1.6	4.4	0.9	-2.6	**-1.4**	**-1.1**	**-0.1**
Gross fixed capital formation	2158.3	14.3	4.3	-16.1	-0.5	4.0	**6.7**	**6.8**	**7.8**
of which : equipment	1142.3	7.6	6.3	-19.6	9.9	11.0	**6.5**	**7.0**	**8.5**
Exports (goods and services)	2094.2	13.9	5.7	-9.1	11.1	6.7	**3.3**	**2.6**	**6.0**
Imports (goods and services)	2662.2	17.7	7.1	-13.5	12.5	4.8	**2.5**	**2.0**	**6.1**
GNI (GDP deflator)	15296.0	101.7	3.1	-4.1	3.5	2.0	**2.0**	**1.8**	**2.5**
Contribution to GDP growth : Domestic demand			3.3	-3.5	1.4	1.9	**2.1**	**2.0**	**2.8**
Inventories			0.0	-0.8	1.5	-0.2	**0.1**	**-0.2**	**0.0**
Net exports			-0.3	1.2	-0.5	0.1	**0.0**	**0.0**	**-0.2**
Employment (*)			1.2	-5.0	-0.8	0.6	**1.9**	**1.4**	**1.9**
Unemployment rate (a)			5.4	9.3	9.6	8.9	**8.1**	**7.6**	**7.0**
Compensation of employees/f.t.e.			3.8	1.9	3.0	3.3	**1.2**	**0.9**	**1.9**
Unit labour costs whole economy			2.0	0.0	-0.3	2.0	**0.9**	**0.4**	**1.2**
Real unit labour costs			-0.2	-0.9	-1.6	-0.1	**-0.9**	**-1.1**	**-1.1**
Saving rate of households (b)			8.4	9.4	9.6	8.6	**8.2**	**7.7**	**8.2**
GDP deflator			2.2	0.9	1.3	2.1	**1.8**	**1.5**	**2.3**
General index of consumer prices			2.7	-0.4	1.6	3.2	**2.1**	**1.8**	**2.2**
Terms of trade of goods			-0.6	6.4	-1.6	-1.1	**-0.4**	**0.3**	**-0.7**
Merchandise trade balance (c)			-4.1	-3.8	-4.6	-5.0	**-4.8**	**-4.7**	**-4.9**
Current-account balance (c)			-3.3	-3.6	-3.3	-3.3	**-3.1**	**-3.0**	**-3.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-3.3	-3.6	-3.3	-3.3	**-3.1**	**-3.0**	**-3.3**
General government balance (c)			-2.8	-11.9	-11.3	-10.1	**-8.5**	**-6.6**	**-5.9**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			66.3	89.5	98.7	103.1	**107.6**	**111.0**	**111.9**

(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.

31. JAPAN

Near-term growth expected but long-term challenges remain

After a strong economic growth in the first quarter of 2012 (+1.5% q-o-q), economic activity started to contract and GDP fell by 0.1% (q-o-q) in the fourth quarter of 2012, the third consecutive decline. In 2012 as a whole, activity expanded by 1.9% due to the good performance of early 2012. Front-loading of fiscal expenditure will offset the recent slowdown and sustain growth in 2013 (revised up to 1.0% from 0.8% in the autumn forecast). Fiscal expansion will gradually decelerate in 2014, and private consumption will be dampened by the tax hike due in April 2014. Growth for 2014 is revised marginally down to 1.6% from 1.9%.

Recent signs of fatigue…

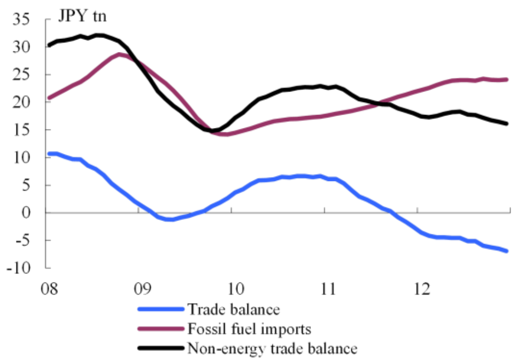
Private consumption, which accounts for more than 59% of Japanese GDP, was stagnant at 0.0% in the second quarter, declined by 0.5% q-o-q in the third quarter, and increased by 0.4% q-o-q in the fourth quarter. The unemployment rate declined from 4.5% in December 2011 to 4.2% in December 2012, but nominal wage growth has turned negative (-1.4% y-o-y in December) and is declining faster than the CPI. The employment rate has remained broadly stable (56.1% in December 2012 against 56.4% in December 2011), but the marginal replacement of regular employees (2.0% y-o-y in December) with part-time workers (0.1% y-o-y in December) further adds to downward pressures on income and private consumption. The seasonally-adjusted retail sales index grew by 0.8% m-o-m in October but remained stagnant over the last two months of 2012.

Private non-residential fixed investment remained weak in the last quarter of 2012 due to domestic political uncertainty and subdued external demand. After declining 0.2% q-o-q and 3.6% q-o-q in the second and third quarter respectively, it fell by 2.6% q-o-q in the fourth quarter as deteriorating business sentiment led to investment decisions being put on hold.

After a negative performance in the first quarter (-1.7% q-o-q), private residential fixed investment rebounded in the second (2.2% q-o-q) and third (1.6% q-o-q) quarter. This trend continued into the last quarter of 2012, with an increase of 3.5% q-o-q.

Net exports experienced a sharp decline in 2012 on the back of falling exports to the EU and China and sustained energy imports. Weak export demand tipped the trade balance with the EU into negative territory, whereas diplomatic tensions resulted in a further widening of the trade deficit with China. Fossil fuel imports, which accounted for 34% of the value of total imports at the end of 2012, increased faster after nuclear power plants were shut down in the aftermath of the Fukushima disaster, and remain a persistent downward pressure. As a result Japan's trade deficit widened by 160% to JPY 6.9 tn (EUR 60.3 bn) in 2012, whereas the non-energy trade balance remains positive but on a downward trend.

Graph II.31.1: **Japan - Trade balance, fossil fuel imports and non-energy trade balance (cumul. over 12-months)**



Government consumption and investment recorded a positive growth in each quarter in 2012, and successive budgetary measures suggest further expansion in 2013.

…expected to dissipate after stimulus kicks in

A front-loading of fiscal expenditure from a JPY 10.3 tn (EUR 88 bn) stimulus package adopted by the new government is expected to provide a near-term impulse to growth in 2013 mainly from public investment into large infrastructure works. Recent surveys suggest an improvement in business sentiment in both the manufacturing and non-manufacturing sector on the back of expectations for more favourable external conditions, government stimulus, and a rebound in private consumption and corporate investment. The recently approved budget for fiscal year 2013 will also provide further momentum for growth through additional infrastructure and reconstruction spending. Net exports are expected to gradually rebound, as the sharp depreciation of the yen, the easing of tensions with China and a slow pick-up in global demand will provide a more benign external environment.

Deflationary pressures persisted. The Consumer Price Index has been on a downward trend since June 2012 and ended the year with a 0.1% y-o-y decline.

Deflationary pressures should gradually ease over the forecast horizon as looser monetary policy by the Bank of Japan (which has now set a 2% inflation target), and the weaker yen will exert upward pressure, further reinforced by the consumption tax hike from 5% to 8% due in April 2014.

But long-term challenges loom on the horizon

Looking ahead, fiscal consolidation will remain a priority for the coming years if the government intends to achieve the current fiscal objective of a primary balance surplus by fiscal year 2020. Maintaining the consumption tax hikes from 5% to 8% and 10% foreseen for 2014 and 2015 will be a first essential step in this direction. If the higher inflation target was to be anchored into inflation expectations, rising yields on JGBs may put an additional strain on Japan's public finances in the absence of stronger and sustained growth.

Dependency on fossil fuel imports is not likely to dissipate in the near-term, as the focus of energy policy has shifted to a renewed interest in nuclear power generation, which may however take time to materialise into concrete policy actions that would alleviate the impact of the energy bill and offset somewhat the depreciation of the yen.

In the medium to long term the rapid population ageing will put a strain on growth and public finances. Therefore structural reforms to sustain labour supply and investment will be essential to raise potential growth.

Table II.31.1:

Main features of country forecast - JAPAN

	2011			Annual percentage change						
	bn JPY Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	470623.4	100.0	1.0	-5.5	4.7	-0.6	**1.9**	**1.0**	**1.6**
Private consumption	284784.3	60.5	1.1	-0.7	2.8	0.5	**2.4**	**0.4**	**0.5**
Public consumption	96203.3	20.4	2.3	2.3	1.9	1.5	**2.6**	**1.2**	**1.1**
Gross fixed capital formation	96872.2	20.6	-1.0	-10.6	-0.2	1.1	**3.6**	**0.1**	**2.1**
of which : equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	71288.4	15.1	5.3	-24.2	24.4	-0.4	**-0.2**	**4.8**	**6.8**
Imports (goods and services)	75571.8	16.1	3.7	-15.7	11.1	5.9	**5.3**	**1.6**	**5.0**
GNI (GDP deflator)	485307.9	103.1	1.1	-6.1	4.6	-0.2	**2.4**	**1.7**	**2.2**
Contribution to GDP growth :	Domestic demand		0.7	-2.4	2.0	0.8	**2.6**	**0.5**	**1.0**
	Inventories		0.0	-1.6	0.9	-0.5	**0.0**	**0.0**	**0.2**
	Net exports		0.3	-1.5	1.7	-0.9	**-0.8**	**0.5**	**0.4**
Employment			0.0	-1.6	-0.5	-0.2	**0.4**	**0.1**	**0.2**
Unemployment rate (a)			4.0	5.1	5.1	4.6	**4.3**	**4.3**	**4.2**
Compensation of employees/head			-0.1	-3.7	0.1	0.4	**0.8**	**0.9**	**0.9**
Unit labour costs whole economy			-1.2	0.3	-4.8	0.8	**-0.6**	**-0.1**	**-0.5**
Real unit labour costs			-0.5	0.8	-2.7	2.7	**0.2**	**1.0**	**-1.2**
Saving rate of households (b)			13.9	9.1	8.7	8.7	**8.5**	**9.2**	**8.4**
GDP deflator			-0.7	-0.5	-2.2	-1.9	**-1.1**	**-1.0**	**0.7**
General index of consumer prices			0.3	-1.4	-0.7	-0.3	**-0.1**	**0.2**	**0.4**
Terms of trade of goods			-2.6	16.1	-7.0	-8.8	**-2.0**	**-7.5**	**-2.5**
Merchandise trade balance (c)			2.4	0.9	1.7	-0.3	**-1.5**	**-2.2**	**-2.4**
Current-account balance (c)			2.9	2.9	3.7	2.0	**1.3**	**1.0**	**1.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			2.8	2.8	3.6	2.0	**1.2**	**1.0**	**1.4**
General government balance (c)			-4.7	-8.8	-8.3	-8.9	**-9.1**	**-9.1**	**-8.0**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			137.2	210.2	215.0	232.0	**237.5**	**246.2**	**247.7**

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

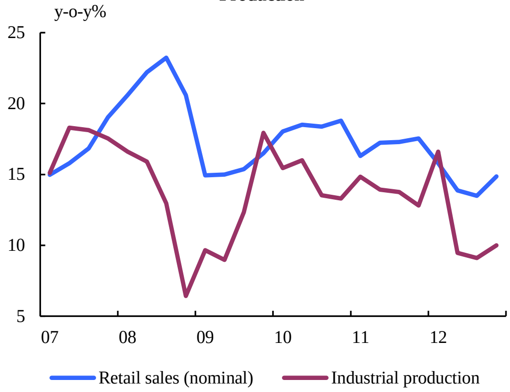
32. CHINA

Growth picks up and rebalancing makes some headway

Soft landing in sight

China's economy appears to have turned a corner in late 2012 and risks of a hard landing have receded. GDP growth in the last quarter of 2012 showed a modest bounce back to 7.9% (y-o-y), compared to 7.4% (y-o-y) in the previous quarter, bringing growth for the whole 2012 to 7.8%. This improvement reflected a sharp increase in net exports, resilient domestic consumption, and a stabilisation of investment demand due to an acceleration of public infrastructure spending. The outlook is for a modest increase in growth in 2013 and 2014.

Graph II.32.1: **China - Retail sales and Industrial Production**



A subdued external environment

The revived growth of exports in the last quarter of 2012 together with subdued import growth led China to report a current-account surplus of 2.8% of GDP in 2012, compared to 2.6% in 2011. China has compensated for the slowdown in exports to Europe, India and Taiwan via increases in exports to other Asian markets and Latin America.

The real effective exchange rate has remained roughly stable over the last twelve months following a modest appreciation in 2011, providing some support to export industries. Nevertheless, growth in China's principal export markets is expected to remain weak in 2013 and regional growth in Asia is expected to accelerate only modestly, suggesting that the external environment will remain a drag on growth.

An improved domestic outlook

Domestic consumption proved relatively resilient during the course of 2012. Retail sales picked up steadily in the second half of the year and the year-on-year growth rate rose from a low of 13.1% (in nominal terms) in July to 15.2% in December. Consumption is expected to remain a key driver of growth into 2013, underpinned by three factors. Firstly, average domestic wage growth is outstripping productivity growth. Secondly, real interest rates have remained positive as inflation remains relatively low, boosting household income from deposit holdings. Thirdly, recent expansion of the domestic social security safety net may have some impact on prudential savings.

Investment fell sharply in the first half of 2012, following a tightening of monetary policy in 2011 and implementation of sector-level measures directed at deflating a real-estate bubble. Policy interest rates were subsequently lowered in mid-2012 and approvals of public infrastructure spending were accelerated. Investment stabilised at a lower rate of growth in the second half of the year. The bringing forward of public infrastructure spending is likely to be a relatively temporary boost to investment. Aggregate investment is however expected to maintain a steady growth rate over the forecast horizon, underpinned by a relatively accommodative monetary policy.

The downward movement in policy interest rates in 2012 comprised only 50 basis points, but inter-bank rates have seen greater movement, dropping from around 5.5% at the turn of the year to under 4% in December 2012. Aggregate credit growth (total social financing) picked up gradually during the course of the year after slumping in late 2011 and early 2012. Inflation is expected to show a moderate increase over the forecast horizon, but there is as yet no sign of significant price pressures, so monetary policy is likely to remain supportive of growth in the short term.

Is the Chinese economy rebalancing?

Growth in consumption in 2012 outstripped growth in investment, reversing the pattern of the past decade. Moreover, disposable incomes are rising faster than GDP. These are signs the internal "rebalancing" of the Chinese economy is advancing. Investment remains the largest component of GDP however, and further rebalancing will be needed if China is to manage the transition towards a less capital and resource intensive form of development.

Risks to the outlook

China is exposed to downside risks from the global economic environment, but the most critical risk factors remain domestic. On the positive side, risks linked to a sharp slowdown in the housing market appear to have receded and real estate investment has stabilised. House price bubbles appear to have been quite localised and knock-on effects limited.

It has become clearer though that the process of rebalancing itself generates a set of interrelated risks. If China rebalances too slowly and continues to devote a very heavy proportion of GDP to investment then problems will continue to accumulate linked to "over-investment". These include rising bad debts, falling profitability, and an eventual abrupt correction. On the other hand, the process of rebalancing itself requires that household incomes grow faster than GDP, with a corresponding squeeze on corporate profits. With inflation also likely to remain moderate, slower growth of nominal GDP could translate into cash-flow problems for highly leveraged firms.

A key challenge therefore will be to manage the articulation between investment and consumption, to ensure that a gradual reduction in the weight of investment does not simply translate into lower overall growth and profitability but is offset by rising consumer expenditure. This will require additional policy measures to further stimulate consumption, modernise the distribution sector, and raise expectation of the long-term growth in disposable income. On the 6th of February the Chinese State Council issued a plan to tackle rising income inequality which sets a number of the long-term goals. If successfully implemented this plan could have an important impact on internal rebalancing.

The central risk factor over the forecast horizon therefore is whether the Chinese authorities are able to continue to effect a smooth rotation of demand while avoiding excessive stress in fragile sectors. This will be a key challenge for the new government that takes office in March, following on from the change in Communist Party leadership in November 2012.

Table II.32.1:

Main features of country forecast - CHINA

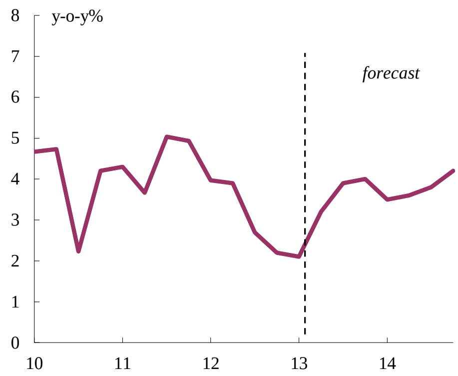
	2011			Annual percentage change					
	bn CNY Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	46599.9	100.0	10.3	9.2	10.4	9.3	**7.8**	**8.0**	**8.1**
Private consumption	16281.3	34.9	14.9	9.4	7.1	9.6	-	-	-
Public consumption	6192.8	13.3	16.2	8.1	9.8	10.4	-	-	-
Gross fixed capital formation	21519.7	46.2	18.6	23.5	11.6	10.4	-	-	-
of which : equipment	-	-	-	-	-	-	-	-	-
Change in stocks as % of GDP	-	-	-	-	-	-	-	-	-
Exports (goods and services)	13477.0	28.9	16.6	-4.2	20.3	8.1	**5.5**	**6.0**	**6.5**
Final demand	-	-	-	-	-	-	-	-	-
Imports (goods and services)	12226.5	26.2	17.6	4.5	20.7	9.4	**3.9**	**4.5**	**5.8**
GNI (GDP deflator)	-	-	-	-	-	-	-	-	-
Contribution to GDP growth : Domestic demand			-	-	-	-	-	-	-
Stockbuilding			-	-	-	-	-	-	-
Foreign balance			-	-	-	-	-	-	-
Employment			0.9	0.3	0.4	0.4	-	-	-
Unemployment (a)			3.4	4.3	4.1	4.1	-	-	-
Compensation of employees/head			-	-	-	-	-	-	-
Unit labour costs			-	-	-	-	-	-	-
Real unit labour costs			-	-	-	-	-	-	-
Saving rate of households			-	-	-	-	-	-	-
GDP deflator			5.6	1.1	4.6	5.9	**3.0**	**3.0**	**4.0**
Private consumption deflator			-	-	-	-		-	-
Index of consumer prices (c)			5.3	-0.7	3.3	5.4	-	-	-
Merchandise trade balance (b)			3.4	4.9	4.3	3.4	**4.0**	**4.3**	**4.5**
Current-account balance (b)			2.9	4.8	4.0	2.8	**3.5**	**3.9**	**4.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (b)			-	-	-	-	-	-	-
General government balance (b)			-1.3	-3.0	-1.6	-1.2	-	-	-
General government gross debt (b)			-	-	-	-	-	-	-

(a) urban unemployment, as % of labour force. (b) as a percentage of GDP. (c) national indicator.

33. RUSSIAN FEDERATION
Commodity-fuelled growth with modernisation pending

Russia recovered well from the global economic crisis on the back of sustained high commodity prices in international markets, posting real GDP growth of 4.3% in 2011. Since then, however, the pace of growth has weakened considerably, posting a rate of 3.4% in 2012, due in part to weaker global activity. As the authorities attempt to diversify away from heavy dependence on oil exports, Russia is still projected to grow close to its estimated potential at 3.7% in 2013 and 3.9% in 2014.

*Graph II.33.1:***Russia - GDP growth**



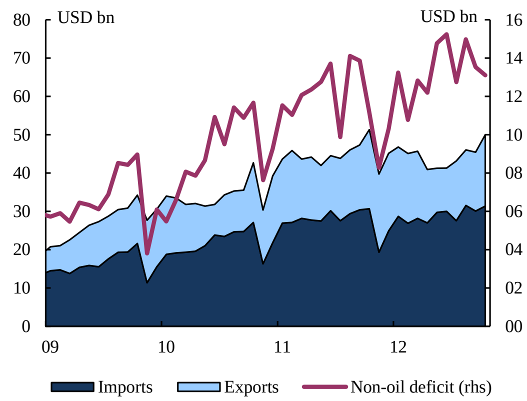
Steady decline in growth rates throughout 2012

During the course of 2012, annual GDP growth of 4.9% in the first quarter moderated to 4.0% in the second quarter and 2.9% in the third quarter. For the year 2012, growth is reported at 3.4%, implying a further significant slow-down in the fourth quarter. While household consumption remained the most important driver of growth at an annual growth rate of 6.6% in spite of weaker real wage growth, government consumption was flat and investment slowed considerably, to 6% from a previously very strong performance. In line with gross fixed capital formation, industrial production growth decelerated steadily in 2012, down to 2.4% in the fourth quarter. Despite this slowing, the unemployment rate decreased in the first half of the year, and has since stayed at low levels, standing at 5.3% in December.

Trade growth decelerated with unchanged composition

The growth of imports of goods and services exceeded by far that of exports (8.7% and 1.8%, respectively). As a result, the trade surplus is projected to decrease to 9.5% in 2012, from 10.7% of GDP in 2011 and net exports continue to contribute negatively to economic growth. Sustained high income outflows mean that the current-account surplus will be limited to 3.9% of GDP, down from 5.4% in the previous year. Exports of oil and gas account for some 70% of goods exports, and the non-oil trade deficit remains high at around 7.5% of GDP.

*Graph II.33.2:***Russia - trade**



After contracting in volumes and growing in values during most of 2011, export values of crude oil and oil products increased slightly in 2012 on roughly stable prices. Exports of natural gas contracted in the first half of 2012 in both values and volumes before recovering somewhat in the fourth quarter, resulting in a small annual contraction in 2012. This reflects lower demand from Russia's main trading partners due to persisting economic difficulties, but may also indicate the onset of structural demand shifts in the gas market due to the development of shale gas.

Inflation above target range

In 2012, headline inflation remained subdued in the first half of the year, but picked up in the second half of the year, to 6.6% y-o-y, partly on the back of a hike in food prices caused by the summer drought in Russia. It thus missed the Central Bank of Russia's inflation target range of 5-6%, despite some limited monetary tightening as the benchmark refinancing rate was raised by 25 bps to 8.25% in September.

On fiscal policy, in 2011 the Russian federal budget was in surplus for the first time since 2008. It remained in surplus throughout most of 2012 and is expected to close near balance, although the non-oil budget deficit widened considerably, to around 11% of GDP.

Looking ahead

In December 2012, the Finance Ministry's proposal for the new federal budget for the period 2013-15 was signed into law. Effective from January 2013, this budget incorporates a newly instated rule linking expenditure to long-term oil prices that should result in further fiscal consolidation and a progressive, albeit slow, reduction in non-oil deficits. The budget also aims at lowering the non-oil budget deficit gradually over the forecast horizon. While current policy priorities are largely maintained, the aim of containing federal deficits is predicated on significant tasks effectively being taken over by the regional administrative level.

Despite the recent slowdown and weak readings of leading indicators such as the PMI, the Russian economy is forecast to continue on a moderate growth path, at a rate of 3.7% in 2013 and 3.9% in 2014, close to growth potential as estimated by both Russian authorities and independent institutions. Present trends are largely set to continue, with household consumption growth moderating somewhat, and public consumption contributing only to a limited extent to economic growth. Export volumes are expected to increase at a faster pace in 2013 (4% y-o-y) and 2014 (5.3% y-o-y), reflecting improvements in the global economic outlook, while imports will grow below trend, partly as a result of a less accommodative fiscal stance. The negative contribution of net exports is thus set to lessen over the forecast horizon. Given the commodity price assumptions of this forecast, the crucial component of domestic demand growth over the next years is expected to be investment. The expected global recovery should underpin prices in the near term, but potential structural challenges to the continued reliance on oil and gas revenues have already resulted in the withdrawal of investment plans, and this effect is set to strengthen this year and next. A lack of concrete measures to improve the business environment, diversify and modernise the economy is therefore a downside risk to our growth forecast.

Table II.33.1:

Main features of country forecast - RUSSIA

	2011			Annual percentage change					
	bn RUB Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	54585.6	100.0	-	-7.8	4.3	4.3	**3.4**	**3.7**	**3.9**
Private consumption	27473.3	50.3	-	-5.1	5.1	6.7	**6.6**	**5.5**	**4.5**
Public consumption	9781.6	17.9	-	-0.6	-1.4	1.5	**0.0**	**1.2**	**1.8**
Gross fixed capital formation	11159.5	20.4	-	-14.7	6.4	8.4	**6.0**	**5.8**	**7.0**
of which : equipment	4178.9	7.7	-	-	-	-	**4.9**	**4.0**	**6.0**
Exports (goods and services)	16949.6	31.1	-	-4.7	7.0	0.4	**1.8**	**4.0**	**5.3**
Imports (goods and services)	12165.9	22.3	-	-30.4	25.8	20.3	**8.7**	**9.2**	**9.3**
GNI (GDP deflator)	52838.9	96.8	-	-8.1	4.3	4.4	**3.2**	**3.7**	**3.9**
Contribution to GDP growth : Domestic demand			-	-5.8	3.8	5.5	**4.6**	**4.3**	**4.1**
Inventories			-	-7.3	4.1	3.0	**0.2**	**0.3**	**0.3**
Net exports			-	5.2	-3.3	-4.3	**-1.4**	**-0.9**	**-0.5**
Employment			-	-1.8	0.6	1.0	**0.3**	**0.3**	**0.2**
Unemployment rate (a)			8.5	8.2	7.5	6.6	**6.4**	**6.2**	**6.1**
Compensation of employees/head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour costs			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	13.8	16.5	-5.6	**-**	**-**	**-**
GDP deflator			-	2.0	11.6	15.8	**9.9**	**7.3**	**7.0**
General index of consumer prices			-	11.7	6.9	8.4	**7.7**	**7.4**	**7.4**
Terms of trade of goods			-	-32.6	21.2	22.0	**2.1**	**4.0**	**3.0**
Merchandise trade balance (c)			-	9.1	10.2	10.7	**9.5**	**9.0**	**8.7**
Current-account balance (c)			-	4.0	4.8	5.4	**3.9**	**3.4**	**3.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			7.8	3.0	4.8	5.3	**3.3**	**2.9**	**2.6**
General government balance (c)			-	-4.0	-1.0	0.9	**0.0**	**-0.1**	**-0.1**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	11.3	11.8	10.8	**10.3**	**10.3**	**10.6**

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

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Statistical Annex

European Economic Forecast – Winter 2013

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TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	2.5	2.0	2.3	-2.8	2.4	1.8	**-0.2**	**0.2**	**1.5**	*-0.2*	*0.7*	*1.6*
Germany	1.7	1.2	2.0	-5.1	4.2	3.0	**0.7**	**0.5**	**2.0**	*0.8*	*0.8*	*2.0*
Estonia	5.4	6.0	5.6	-14.1	3.3	8.3	**3.2**	**3.0**	**4.0**	*2.5*	*3.1*	*4.0*
Ireland	9.0	7.3	3.8	-5.5	-0.8	1.4	**0.7**	**1.1**	**2.2**	*0.4*	*1.1*	*2.2*
Greece	2.7	4.3	3.1	-3.1	-4.9	-7.1	**-6.4**	**-4.4**	**0.6**	*-6.0*	*-4.2*	*0.6*
Spain	3.2	3.8	3.1	-3.7	-0.3	0.4	**-1.4**	**-1.4**	**0.8**	*-1.4*	*-1.4*	*0.8*
France	2.2	2.1	1.8	-3.1	1.7	1.7	**0.0**	**0.1**	**1.2**	*0.2*	*0.4*	*1.2*
Italy	1.9	1.5	1.1	-5.5	1.8	0.4	**-2.2**	**-1.0**	**0.8**	*-2.3*	*-0.5*	*0.8*
Cyprus	4.9	3.6	4.2	-1.9	1.3	0.5	**-2.3**	**-3.5**	**-1.3**	*-2.3*	*-1.7*	*-0.7*
Luxembourg	3.8	5.0	4.1	-4.1	2.9	1.7	**0.2**	**0.5**	**1.6**	*0.4*	*0.7*	*1.5*
Malta	4.8	2.7	2.7	-2.4	2.7	1.6	**1.0**	**1.5**	**2.0**	*1.0*	*1.6*	*2.1*
Netherlands	3.5	2.2	2.7	-3.7	1.6	1.0	**-0.9**	**-0.6**	**1.1**	*-0.3*	*0.3*	*1.4*
Austria	2.7	2.1	2.8	-3.8	2.1	2.7	**0.7**	**0.7**	**1.9**	*0.8*	*0.9*	*2.1*
Portugal	3.4	1.9	1.2	-2.9	1.9	-1.6	**-3.2**	**-1.9**	**0.8**	*-3.0*	*-1.0*	*0.8*
Slovenia	4.3	3.9	4.9	-7.8	1.2	0.6	**-2.0**	**-2.0**	**0.7**	*-2.3*	*-1.6*	*0.9*
Slovakia	5.6	2.8	7.2	-4.9	4.4	3.2	**2.0**	**1.1**	**2.9**	*2.6*	*2.0*	*3.0*
Finland	4.5	3.1	3.4	-8.5	3.3	2.8	**-0.1**	**0.3**	**1.2**	*0.1*	*0.8*	*1.3*
Euro area	2.3	2.0	2.1	-4.4	2.0	1.4	**-0.6**	**-0.3**	**1.4**	*-0.4*	*0.1*	*1.4*
Bulgaria	-0.4	4.4	6.5	-5.5	0.4	1.7	**0.8**	**1.4**	**2.0**	*0.8*	*1.4*	*2.0*
Czech Republic	2.5	3.0	5.5	-4.5	2.5	1.9	**-1.1**	**0.0**	**1.9**	*-1.3*	*0.8*	*2.0*
Denmark	3.4	1.5	1.8	-5.7	1.6	1.1	**-0.4**	**1.1**	**1.7**	*0.6*	*1.6*	*1.3*
Latvia	4.0	6.2	7.2	-17.7	-0.9	5.5	**5.3**	**3.8**	**4.1**	*4.3*	*3.6*	*3.9*
Lithuania	2.7	5.2	7.1	-14.8	1.5	5.9	**3.6**	**3.1**	**3.6**	*2.9*	*3.1*	*3.6*
Hungary	2.3	3.9	2.7	-6.8	1.3	1.6	**-1.7**	**-0.1**	**1.3**	*-1.2*	*0.3*	*1.3*
Poland	6.1	3.0	5.4	1.6	3.9	4.3	**2.0**	**1.2**	**2.2**	*2.4*	*1.8*	*2.6*
Romania	1.4	3.4	6.8	-6.6	-1.1	2.2	**0.2**	**1.6**	**2.5**	*0.8*	*2.2*	*2.7*
Sweden	3.3	3.0	2.9	-5.0	6.6	3.7	**1.0**	**1.3**	**2.7**	*1.1*	*1.9*	*2.5*
United Kingdom	3.4	3.3	2.2	-4.0	1.8	0.9	**0.0**	**0.9**	**1.9**	*-0.3*	*0.9*	*2.0*
EU	2.6	2.3	2.3	-4.3	2.1	1.5	**-0.3**	**0.1**	**1.6**	*-0.3*	*0.4*	*1.6*
Croatia	:	3.3	4.1	-6.9	-1.4	0.0	**-1.9**	**-0.4**	**1.0**	*-1.9*	*0.0*	*1.4*
USA	3.9	2.9	2.1	-3.1	2.4	1.8	**2.2**	**1.9**	**2.6**	*2.1*	*2.3*	*2.6*
Japan	1.0	0.9	1.3	-5.5	4.7	-0.6	**1.9**	**1.0**	**1.6**	*2.0*	*0.8*	*1.9*

TABLE 2 : Profiles (qoq) of quarterly GDP, volume (percentage change from previous quarter, 2012-14)

	2012/1	2012/2	2012/3	2012/4	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4
Belgium	0.2	-0.5	0.0	-0.1	0.0	0.1	0.3	0.5	0.4	0.4	0.4	0.4
Germany	0.5	0.3	0.2	-0.6	0.2	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Estonia	0.3	0.9	1.6	0.9	0.5	0.5	0.7	1.0	1.0	1.0	1.2	1.2
Ireland	-0.5	0.4	0.2	:	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-0.4	-0.4	-0.3	-0.7	-0.4	-0.2	-0.1	0.0	0.3	0.3	0.5	0.5
France	-0.1	-0.1	0.1	-0.3	0.0	0.1	0.2	0.3	0.2	0.4	0.4	0.4
Italy	-0.8	-0.7	-0.2	-0.9	-0.2	0.0	0.2	0.2	0.2	0.2	0.3	0.3
Cyprus	-0.6	-0.8	-0.7	-1.0	-2.2	-0.6	-0.5	-0.2	-0.5	-0.1	-0.2	-0.5
Luxembourg	0.1	0.5	-0.3	-0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.5
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	0.1	0.1	-0.9	-0.2	-0.2	0.1	0.2	0.3	0.3	0.3	0.3	0.4
Austria	0.4	0.1	0.1	-0.2	0.2	0.4	0.5	0.5	0.5	0.5	0.5	0.6
Portugal	-0.1	-1.0	-0.9	-1.8	-0.1	-0.2	0.4	0.5	0.1	0.1	0.2	0.2
Slovenia	0.0	-1.1	-0.6	-0.8	-0.5	-0.4	-0.3	0.1	0.3	0.4	0.4	0.4
Slovakia	0.3	0.4	0.3	0.2	0.1	0.2	0.4	0.6	0.8	0.8	0.9	1.0
Finland	0.6	-1.1	-0.1	-0.3	0.2	0.4	0.3	0.3	0.3	0.2	0.4	0.3
Euro area	0.0	-0.2	-0.1	-0.6	0.0	0.1	0.3	0.3	0.3	0.4	0.4	0.4
Bulgaria	0.0	0.3	0.1	0.4	0.2	0.4	0.5	0.6	0.4	0.5	0.6	0.6
Czech Republic	-0.6	-0.4	-0.3	-0.2	0.0	0.2	0.4	0.4	0.5	0.5	0.5	0.5
Denmark	0.1	-0.7	0.3	-0.1	0.6	0.9	0.9	0.7	0.1	0.5	0.6	0.6
Latvia	1.2	1.3	1.7	1.3	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.2
Lithuania	0.3	0.6	1.2	1.0	0.6	0.6	0.7	0.8	0.9	1.0	1.0	1.0
Hungary	-1.0	-0.5	-0.4	-0.9	0.1	0.3	0.3	0.3	0.2	0.2	0.3	0.3
Poland	0.5	0.2	0.4	0.0	0.2	0.4	0.5	0.6	0.5	0.5	0.6	0.5
Romania	-0.2	0.2	-0.4	0.2	0.1	0.2	0.7	0.6	0.3	0.6	1.0	0.6
Sweden	0.5	0.7	0.5	-0.7	0.5	0.6	0.7	0.7	0.6	0.6	0.7	0.7
United Kingdom	-0.2	-0.4	0.9	-0.3	0.2	0.3	0.5	0.5	0.5	0.5	0.5	0.6
EU	0.0	-0.2	0.1	-0.5	0.1	0.2	0.4	0.4	0.4	0.4	0.5	0.5
Croatia	-0.6	-0.6	-0.7	:	:	:	:	:	:	:	:	:
USA	0.5	0.3	0.8	0.0	0.6	0.4	0.7	0.7	0.5	0.7	0.7	0.8
Japan	1.5	-0.2	-1.0	-0.1	0.6	0.6	0.7	0.9	1.0	-0.4	-0.3	-0.4

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2012-14) 15.02.2013

	2012/1	2012/2	2012/3	2012/4	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4
Belgium	0.4	-0.3	-0.4	-0.4	-0.7	0.0	0.4	1.0	1.4	1.6	1.7	1.6
Germany	1.2	1.0	0.9	0.4	0.1	0.2	0.5	1.6	1.8	2.0	2.1	2.1
Estonia	3.6	2.5	3.2	3.4	3.8	3.4	2.5	2.5	3.1	3.7	4.4	4.6
Ireland	1.7	0.1	0.8	:	:	:	:	:	:	:	:	:
Greece	-6.7	-6.4	-6.7	-6.0	:	:	:	:	:	:	:	:
Spain	-0.7	-1.4	-1.6	-1.8	-1.8	-1.7	-1.4	-0.7	0.0	0.6	1.1	1.6
France	0.2	0.1	0.0	-0.3	-0.2	0.0	0.1	0.7	0.9	1.2	1.4	1.4
Italy	-1.3	-2.3	-2.4	-2.7	-2.0	-1.3	-1.0	0.2	0.6	0.9	1.0	1.1
Cyprus	-1.7	-2.4	-2.2	-3.0	-4.0	-3.7	-3.6	-2.8	-1.7	-1.2	-0.9	-1.2
Luxembourg	-0.3	0.9	-0.1	0.1	0.2	0.0	0.7	1.2	1.5	1.6	1.6	1.7
Malta	-0.7	1.2	2.0	:	:	:	:	:	:	:	:	:
Netherlands	-1.0	-0.4	-1.2	-0.9	-1.2	-1.3	-0.1	0.4	0.9	1.1	1.2	1.3
Austria	0.8	0.6	0.8	0.4	0.3	0.6	1.0	1.6	1.9	2.1	2.1	2.2
Portugal	-2.3	-3.1	-3.5	-3.8	-3.7	-2.9	-1.6	0.6	0.8	1.0	0.8	0.5
Slovenia	-0.8	-2.3	-2.9	-2.5	-2.9	-2.2	-1.9	-1.0	-0.2	0.5	1.2	1.5
Slovakia	2.7	2.3	2.0	1.2	1.0	0.8	0.9	1.4	2.1	2.7	3.2	3.6
Finland	1.5	-0.2	-1.2	-1.6	-1.3	0.3	0.7	1.4	1.4	1.2	1.3	1.2
Euro area	-0.1	-0.5	-0.6	-0.9	-0.9	-0.6	-0.2	0.7	1.1	1.4	1.5	1.6
Bulgaria	0.5	0.5	0.5	0.5	1.1	1.1	1.5	1.7	1.9	2.0	2.1	2.1
Czech Republic	-0.5	-1.0	-1.3	-1.7	-0.9	-0.3	0.4	1.1	1.6	1.9	2.0	2.0
Denmark	0.1	-1.2	-0.4	-0.4	0.1	1.7	2.3	3.1	2.6	2.2	1.9	1.8
Latvia	5.6	4.8	5.3	5.7	5.0	4.3	3.4	3.0	3.4	3.8	4.3	4.7
Lithuania	4.2	3.2	3.2	3.1	3.4	3.4	2.9	2.8	3.1	3.5	3.8	4.0
Hungary	-1.2	-1.3	-1.7	-2.8	-1.7	-0.8	-0.1	1.1	1.2	1.1	1.1	1.1
Poland	3.5	2.3	1.9	1.0	0.8	1.0	1.2	1.8	2.1	2.2	2.3	2.2
Romania	0.8	1.3	-0.3	0.1	0.0	0.1	1.2	1.6	1.8	2.2	2.5	2.5
Sweden	1.3	1.3	0.7	1.0	1.0	0.9	1.0	2.4	2.6	2.6	2.7	2.7
United Kingdom	0.2	-0.3	0.0	0.0	0.4	1.0	0.7	1.4	1.8	2.0	2.0	2.0
EU	0.1	-0.3	-0.4	-0.6	-0.5	-0.2	0.1	1.0	1.3	1.6	1.7	1.7
Croatia	-1.3	-2.2	-1.9	:	:	:	:	:	:	:	:	:
USA	2.4	2.1	2.6	1.5	1.6	1.7	1.7	2.4	2.4	2.7	2.7	2.7
Japan	3.3	4.0	0.5	0.1	-0.7	0.1	1.9	2.9	3.2	2.2	1.1	-0.2

TABLE 4 : Gross domestic product per capita (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	2.3	1.7	1.7	-3.5	1.5	0.9	**-0.9**	**-0.5**	**0.8**	*-1.0*	*0.0*	*0.8*
Germany	1.5	1.1	2.1	-4.8	4.3	3.0	**0.5**	**0.4**	**2.0**	*0.7*	*0.8*	*2.0*
Estonia	7.1	6.5	5.8	-14.0	3.4	8.3	**3.3**	**3.1**	**4.0**	*2.6*	*3.2*	*4.0*
Ireland	8.1	5.7	1.6	-6.0	-0.9	1.1	**0.3**	**0.3**	**1.3**	*0.1*	*0.4*	*1.3*
Greece	2.0	3.9	2.7	-3.5	-5.2	-7.0	**-6.5**	**-4.5**	**0.5**	*-6.1*	*-4.3*	*0.5*
Spain	2.9	2.7	1.4	-4.4	-0.6	0.3	**-1.5**	**-1.2**	**1.0**	*-1.3*	*-1.4*	*0.9*
France	1.8	1.4	1.1	-3.7	1.1	1.1	**-0.5**	**-0.4**	**0.7**	*-0.3*	*-0.1*	*0.7*
Italy	1.9	1.2	0.3	-6.1	1.3	0.0	**-2.5**	**-1.4**	**0.4**	*-2.7*	*-0.9*	*0.5*
Cyprus	3.3	2.4	2.3	-4.5	-1.3	-2.0	**-3.3**	**-4.4**	**-2.3**	*-3.3*	*-2.6*	*-1.5*
Luxembourg	2.5	3.7	2.4	-5.8	1.0	-0.7	**-1.6**	**-1.2**	**0.0**	*-1.4*	*-1.0*	*-0.1*
Malta	4.1	2.0	2.0	-2.8	2.2	0.9	**0.4**	**1.1**	**1.6**	*0.5*	*1.4*	*2.1*
Netherlands	3.0	1.5	2.4	-4.2	1.1	0.5	**-1.4**	**-1.0**	**0.7**	*-0.8*	*-0.2*	*1.0*
Austria	2.5	1.8	2.2	-4.1	1.8	2.3	**0.3**	**0.3**	**1.5**	*0.4*	*0.5*	*1.7*
Portugal	3.1	1.3	0.9	-3.0	1.9	-1.7	**-3.2**	**-2.0**	**0.7**	*-3.0*	*-1.0*	*0.8*
Slovenia	4.4	3.7	4.6	-8.7	0.9	0.4	**-2.1**	**-2.1**	**0.5**	*-2.4*	*-1.7*	*0.7*
Slovakia	5.3	2.9	7.1	-5.1	4.1	3.0	**1.7**	**0.8**	**2.6**	*2.3*	*1.6*	*2.7*
Finland	4.1	2.8	3.0	-9.0	2.9	2.3	**-0.6**	**-0.2**	**0.7**	*-0.4*	*0.4*	*0.8*
Euro area	2.1	1.6	1.5	-4.7	1.7	1.1	**-0.9**	**-0.5**	**1.1**	*-0.7*	*-0.2*	*1.2*
Bulgaria	0.2	5.6	6.9	-5.0	1.1	4.2	**1.4**	**2.0**	**2.6**	*1.3*	*2.0*	*2.6*
Czech Republic	2.6	3.2	5.0	-5.1	2.2	2.1	**-0.8**	**0.0**	**1.9**	*-0.9*	*0.8*	*2.0*
Denmark	2.9	1.2	1.4	-6.2	1.1	0.7	**-0.7**	**0.8**	**1.4**	*0.3*	*1.4*	*1.0*
Latvia	5.3	7.3	8.2	-16.4	1.2	7.5	**6.5**	**4.5**	**4.9**	*5.4*	*4.4*	*4.7*
Lithuania	3.4	5.8	7.7	-14.4	3.1	14.8	**4.6**	**4.0**	**4.5**	*3.8*	*3.6*	*4.1*
Hungary	2.5	4.2	2.9	-6.6	1.5	1.9	**-1.5**	**0.1**	**1.5**	*-0.9*	*0.6*	*1.6*
Poland	6.0	3.1	5.5	1.5	2.9	4.3	**2.0**	**1.2**	**2.3**	*2.4*	*1.9*	*2.7*
Romania	1.6	4.1	7.1	-6.4	-1.0	2.4	**0.4**	**1.8**	**2.7**	*1.0*	*2.4*	*2.9*
Sweden	3.0	2.8	2.3	-5.8	5.7	3.0	**0.3**	**0.6**	**2.1**	*0.4*	*1.2*	*1.9*
United Kingdom	3.1	2.9	1.6	-4.6	1.0	0.2	**-0.7**	**0.1**	**1.1**	*-0.8*	*0.3*	*1.5*
EU	2.4	2.1	1.8	-4.6	1.7	1.3	**-0.6**	**-0.2**	**1.3**	*-0.5*	*0.2*	*1.4*
Croatia	:	3.7	4.1	-6.8	-1.1	0.3	**-1.7**	**-0.2**	**1.2**	*-1.7*	*0.3*	*1.8*
USA	2.6	1.8	1.2	-4.0	1.5	1.1	**1.4**	**1.1**	**1.7**	*1.3*	*1.3*	*1.7*
Japan	0.7	0.7	1.3	-5.4	5.0	-1.1	**2.0**	**1.1**	**1.7**	*2.1*	*0.9*	*2.0*

TABLE 5 : Domestic demand, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	2.3	1.3	2.6	-2.3	1.7	1.8	-0.5	-0.2	1.6	-0.3	0.5	1.3
Germany	1.6	0.6	1.1	-2.5	2.6	2.6	-0.4	0.7	2.2	0.1	1.1	2.1
Estonia	7.6	7.3	6.2	-21.4	1.1	9.8	6.6	2.5	3.7	4.7	2.0	3.9
Ireland	7.9	6.1	4.1	-11.2	-4.4	-3.7	-2.3	-1.1	0.5	-2.8	-0.9	0.4
Greece	3.1	4.7	3.3	-5.5	-7.0	-8.7	-9.7	-6.6	-0.8	-9.2	-6.5	-0.8
Spain	3.2	4.5	3.7	-6.3	-0.6	-1.9	-3.8	-4.0	-0.5	-4.0	-3.8	-0.3
France	2.0	2.4	2.2	-2.6	1.6	1.7	-0.7	-0.2	1.4	-0.3	0.1	1.2
Italy	1.9	1.9	0.9	-4.4	2.1	-1.0	-4.9	-2.0	0.9	-4.7	-1.0	1.1
Cyprus	:	3.6	6.5	-7.0	1.9	-2.8	-7.4	-7.8	-2.6	-6.0	-4.4	-1.5
Luxembourg	4.0	4.0	3.4	-8.0	9.2	6.1	2.2	0.3	1.7	3.1	1.1	1.8
Malta	:	2.6	3.0	-3.4	-1.5	-1.0	-1.4	1.3	1.8	-1.7	1.4	1.9
Netherlands	3.9	2.0	2.2	-2.8	0.2	0.5	-1.5	-1.1	0.6	-1.4	-0.7	0.8
Austria	2.3	1.4	1.8	-2.0	1.8	2.6	0.1	0.4	1.6	0.5	0.4	1.8
Portugal	4.1	1.7	1.6	-3.3	1.8	-5.8	-7.0	-3.7	0.4	-6.8	-2.5	0.2
Slovenia	5.6	3.8	4.9	-10.0	-0.2	-0.7	-4.7	-4.0	0.2	-5.5	-2.5	0.4
Slovakia	6.2	1.2	6.6	-7.4	3.6	1.2	-1.3	0.5	1.4	-1.6	1.2	2.0
Finland	4.8	2.5	3.1	-6.2	2.9	4.4	-1.5	0.0	1.0	-1.2	0.9	1.4
Euro area	:	2.0	2.0	-3.8	1.3	0.5	-2.1	-0.9	1.2	-1.8	-0.5	1.2
Bulgaria	:	7.9	8.8	-12.8	-4.8	-0.6	3.8	2.9	3.1	2.6	2.8	3.1
Czech Republic	3.9	3.2	3.9	-5.1	2.1	-0.1	-2.8	-0.4	1.6	-3.4	0.3	1.3
Denmark	4.4	0.9	2.9	-7.0	1.6	0.3	0.3	1.8	1.6	0.9	2.8	1.5
Latvia	:	6.6	8.0	-27.4	-0.5	11.3	4.2	4.3	4.8	4.6	4.2	4.5
Lithuania	:	5.0	9.4	-24.5	2.1	5.8	0.4	3.3	4.1	2.3	3.1	4.3
Hungary	1.4	4.4	1.4	-10.5	-0.5	0.1	-3.6	-0.4	0.7	-2.6	-0.5	0.6
Poland	7.3	2.1	6.0	-1.1	4.6	3.4	0.1	0.0	1.5	1.0	0.9	2.1
Romania	2.4	4.4	10.8	-12.0	-1.1	2.5	0.7	2.2	2.9	0.9	2.8	3.2
Sweden	2.6	2.3	2.7	-4.6	6.5	3.2	0.9	1.2	2.5	1.0	1.7	2.4
United Kingdom	3.5	3.9	2.0	-5.0	2.3	-0.6	0.9	0.8	1.3	0.4	0.6	1.5
EU	:	2.4	2.2	-4.3	1.6	0.6	-1.4	-0.5	1.3	-1.3	-0.1	1.4
Croatia	:	3.8	4.7	-10.1	-3.8	-0.4	-2.7	-0.3	1.4	-2.5	0.2	1.8
USA	4.2	3.4	1.9	-4.1	2.8	1.7	2.1	1.7	2.8	2.0	2.1	3.0
Japan	1.0	0.7	0.6	-4.0	2.9	0.3	2.8	0.5	1.2	2.6	0.6	1.5

TABLE 6 : Final demand, volume (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	3.9	2.4	3.4	-6.3	5.1	3.5	0.1	0.5	2.4	-0.5	1.1	2.5
Germany	2.8	2.0	3.3	-6.0	6.2	4.4	1.2	1.6	3.6	1.4	2.2	3.7
Estonia	8.5	7.1	7.1	-21.1	10.0	16.0	6.2	3.3	4.6	4.5	3.4	5.3
Ireland	12.0	7.9	4.5	-7.2	1.3	1.2	0.6	1.3	2.7	0.4	1.5	2.7
Greece	3.8	4.7	3.8	-7.9	-5.2	-7.2	-8.3	-4.7	0.3	-7.4	-4.6	0.4
Spain	4.8	4.7	3.7	-7.0	1.6	0.1	-2.2	-2.0	1.1	-2.6	-1.8	1.2
France	3.0	2.7	2.4	-4.5	3.2	2.4	-0.1	0.3	2.1	0.3	0.5	1.9
Italy	2.7	1.9	1.6	-7.3	3.9	0.5	-3.4	-1.0	1.6	-3.4	-0.1	1.8
Cyprus	:	3.7	5.7	-8.1	2.4	-1.0	-4.3	-4.8	-1.1	-4.5	-2.8	-0.6
Luxembourg	5.9	6.5	6.7	-10.1	8.1	5.7	-1.6	1.2	2.7	-2.1	1.0	2.7
Malta	:	2.3	3.8	-5.4	7.7	0.2	2.5	2.7	3.4	2.1	2.9	3.6
Netherlands	5.2	3.2	3.8	-5.0	5.0	2.1	0.6	0.3	2.2	1.1	0.9	2.8
Austria	3.6	2.9	3.7	-7.2	4.2	4.3	0.7	1.4	3.1	0.9	1.7	3.3
Portugal	5.1	2.2	2.2	-5.1	3.6	-2.8	-4.4	-2.3	1.6	-4.0	-1.0	1.5
Slovenia	6.2	4.6	7.0	-12.7	3.6	2.4	-2.3	-1.7	1.5	-2.7	-0.1	2.7
Slovakia	:	4.4	8.5	-11.4	8.7	6.3	3.3	1.7	3.8	2.9	2.7	4.3
Finland	6.1	3.5	4.8	-11.8	4.4	4.0	-1.2	0.1	1.4	-1.6	0.8	1.4
Euro area	:	2.8	3.1	-6.3	4.1	2.3	-0.6	0.2	2.4	-0.5	0.7	2.5
Bulgaria	:	7.3	8.7	-12.3	1.1	4.2	2.2	3.0	3.6	2.3	3.0	3.6
Czech Republic	5.8	5.2	6.6	-7.4	7.2	3.8	0.3	0.9	3.4	-0.3	1.9	3.5
Denmark	4.6	2.4	3.6	-7.9	2.1	2.5	0.7	2.0	2.9	1.5	3.2	2.4
Latvia	:	6.0	8.4	-23.7	3.2	11.8	5.1	4.5	5.5	4.7	4.4	5.3
Lithuania	:	5.8	9.5	-20.4	7.4	9.1	4.7	4.2	5.3	3.4	4.1	5.5
Hungary	:	6.5	6.1	-10.4	6.1	3.1	-0.7	1.3	3.2	-0.3	2.0	3.6
Poland	8.5	3.4	7.2	-2.7	6.7	4.7	1.1	1.2	3.1	1.6	1.9	3.4
Romania	2.9	6.5	10.6	-10.8	2.1	4.5	-0.4	1.8	2.8	0.7	3.1	3.9
Sweden	4.4	3.1	4.1	-8.0	8.1	4.5	0.7	1.5	3.3	0.8	2.2	3.5
United Kingdom	4.5	3.9	2.6	-5.7	3.2	0.6	0.6	1.2	2.2	0.4	1.4	2.5
EU	:	3.0	3.3	-6.4	4.1	2.3	-0.3	0.5	2.5	-0.2	1.0	2.6
Croatia	:	4.6	4.6	-11.8	-1.5	0.3	-1.9	0.2	1.9	-2.1	0.6	2.2
USA	4.6	3.2	2.4	-4.6	3.7	2.2	2.3	1.8	3.1	2.3	2.6	3.4
Japan	1.3	1.1	1.6	-7.0	5.4	0.2	2.4	1.1	2.0	2.6	0.6	1.8

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1994-2014)

15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	2.1	1.5	1.6	0.6	2.7	0.2	**-0.6**	**0.1**	**1.8**	*-0.6*	*0.4*	*1.3*
Germany	1.3	1.1	0.5	0.1	0.9	1.7	**0.8**	**1.0**	**1.4**	*1.0*	*1.0*	*1.6*
Estonia	7.0	6.8	6.7	-14.8	-2.4	3.5	**4.2**	**3.0**	**3.5**	*3.2*	*3.3*	*3.5*
Ireland	6.1	6.3	4.7	-5.7	0.5	-2.3	**-1.8**	**-0.5**	**1.2**	*-2.1*	*-0.5*	*1.2*
Greece	2.7	3.5	4.1	-1.6	-6.2	-7.7	**-8.0**	**-7.7**	**-1.3**	*-7.7*	*-6.9*	*-1.6*
Spain	2.6	3.9	3.0	-3.8	0.7	-1.0	**-1.9**	**-2.7**	**-0.2**	*-1.9*	*-2.1*	*0.0*
France	1.8	2.6	1.8	0.3	1.5	0.3	**0.0**	**0.2**	**1.2**	*0.0*	*-0.1*	*1.1*
Italy	2.2	1.4	0.7	-1.6	1.2	0.1	**-4.2**	**-2.0**	**0.8**	*-3.4*	*-0.9*	*0.9*
Cyprus	:	3.5	6.5	-7.5	1.5	0.2	**-3.0**	**-4.1**	**-1.0**	*-3.4*	*-3.6*	*-0.9*
Luxembourg	3.7	2.4	2.1	-1.7	2.2	2.4	**1.4**	**0.1**	**1.6**	*1.8*	*0.5*	*1.6*
Malta	:	3.7	2.7	-0.6	-1.1	3.5	**-1.0**	**0.6**	**1.2**	*-0.8*	*0.8*	*1.4*
Netherlands	3.5	2.3	0.9	-2.1	0.3	-1.0	**-1.4**	**-1.7**	**0.2**	*-1.2*	*-0.8*	*0.4*
Austria	1.6	1.7	1.5	1.1	1.7	0.7	**0.4**	**0.5**	**1.2**	*0.2*	*0.5*	*1.1*
Portugal	2.9	2.3	2.0	-2.3	2.5	-3.8	**-5.8**	**-2.8**	**0.5**	*-5.9*	*-1.7*	*0.2*
Slovenia	4.4	3.2	3.3	0.1	1.3	0.9	**-1.8**	**-3.1**	**0.3**	*-3.0*	*-2.0*	*0.6*
Slovakia	:	3.1	6.0	0.2	-0.7	-0.5	**-0.4**	**0.1**	**0.7**	*-0.1*	*0.7*	*1.3*
Finland	3.7	3.0	3.2	-2.9	3.3	2.3	**1.7**	**0.1**	**1.0**	*1.1*	*0.4*	*1.5*
Euro area	:	2.0	1.5	-1.0	0.9	0.1	**-1.2**	**-0.7**	**0.9**	*-1.0*	*-0.4*	*1.0*
Bulgaria	-3.1	6.8	7.1	-7.6	0.1	-0.6	**3.6**	**3.2**	**3.5**	*3.0*	*3.1*	*3.5*
Czech Republic	3.3	2.9	3.6	0.2	1.0	0.7	**-3.0**	**-0.5**	**1.5**	*-3.3*	*0.4*	*1.4*
Denmark	3.1	0.5	2.9	-3.6	1.7	-0.5	**0.6**	**1.1**	**2.1**	*0.9*	*2.2*	*1.6*
Latvia	:	6.7	9.8	-22.6	2.4	4.8	**4.7**	**3.8**	**4.1**	*4.7*	*3.9*	*3.9*
Lithuania	:	6.7	9.5	-17.8	-4.7	6.4	**4.5**	**2.9**	**3.9**	*4.2*	*3.3*	*4.1*
Hungary	:	6.2	1.2	-6.6	-3.0	0.5	**-1.9**	**-0.5**	**0.5**	*-0.8*	*-0.8*	*0.4*
Poland	5.7	3.3	4.5	2.0	3.1	2.5	**0.5**	**0.7**	**1.5**	*1.6*	*1.5*	*2.1*
Romania	4.9	4.1	11.9	-10.1	-0.3	1.1	**0.2**	**1.4**	**2.0**	*0.8*	*1.9*	*2.4*
Sweden	2.2	3.0	2.4	-0.3	4.0	2.1	**1.4**	**1.4**	**2.5**	*1.5*	*1.6*	*2.5*
United Kingdom	3.4	4.3	1.7	-3.1	1.3	-1.0	**1.0**	**1.0**	**1.5**	*0.5*	*0.9*	*1.7*
EU	:	2.5	1.8	-1.5	1.1	0.1	**-0.7**	**-0.2**	**1.1**	*-0.6*	*0.0*	*1.2*
Croatia	:	3.1	3.8	-7.5	-0.9	0.2	**-2.5**	**-1.4**	**0.5**	*-1.7*	*-1.2*	*0.7*
USA	3.8	3.7	2.2	-1.9	1.8	2.5	**1.9**	**1.5**	**2.2**	*1.9*	*2.0*	*2.2*
Japan	1.3	1.0	0.8	-0.7	2.8	0.5	**2.3**	**0.4**	**0.5**	*2.3*	*0.4*	*1.1*

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	1.5	2.4	1.5	1.9	0.7	0.8	**0.1**	**0.1**	**0.4**	*0.4*	*0.9*	*1.4*
Germany	2.0	0.9	1.0	3.0	1.7	1.0	**1.0**	**1.2**	**1.6**	*1.2*	*1.3*	*1.6*
Estonia	2.9	2.0	4.1	-1.9	-0.8	1.4	**2.8**	**1.0**	**0.3**	*3.2*	*1.0*	*0.2*
Ireland	4.4	6.7	3.9	-3.7	-4.6	-4.3	**-3.6**	**-2.5**	**-2.8**	*-4.0*	*-1.7*	*-3.0*
Greece	2.0	4.7	2.4	4.9	-8.7	-5.2	**-6.7**	**-3.5**	**-3.8**	*-6.2*	*-7.2*	*-3.1*
Spain	2.0	4.5	5.5	3.7	1.5	-0.5	**-4.1**	**-5.4**	**-1.1**	*-4.9*	*-7.2*	*-1.4*
France	0.6	1.7	1.5	2.5	1.8	0.2	**1.4**	**1.3**	**1.3**	*1.3*	*1.1*	*1.3*
Italy	-0.7	2.5	1.3	0.8	-0.6	-0.8	**-1.1**	**-1.3**	**-0.7**	*-0.7*	*-0.3*	*-0.4*
Cyprus	:	5.2	2.3	6.8	1.0	-0.2	**-3.2**	**-9.3**	**-3.3**	*-1.7*	*-2.4*	*-1.5*
Luxembourg	3.4	5.6	2.7	4.5	3.0	1.5	**4.1**	**1.4**	**1.3**	*3.5*	*1.2*	*1.4*
Malta	:	2.5	3.5	-1.5	0.9	3.5	**3.5**	**1.2**	**1.3**	*2.2*	*1.2*	*1.0*
Netherlands	1.7	3.1	3.2	5.0	0.7	0.1	**0.7**	**0.2**	**0.8**	*-0.1*	*-0.5*	*0.5*
Austria	2.7	1.0	2.3	0.6	0.2	0.1	**-0.2**	**0.8**	**1.2**	*1.3*	*0.8*	*1.3*
Portugal	3.4	2.8	1.2	4.7	0.1	-4.3	**-4.1**	**-3.3**	**-2.0**	*-3.5*	*-3.2*	*-1.5*
Slovenia	3.1	3.1	3.5	2.5	1.5	-1.2	**-2.1**	**-2.7**	**-0.7**	*-2.8*	*-2.1*	*-0.4*
Slovakia	1.7	1.9	3.1	6.1	1.0	-4.3	**-0.5**	**0.0**	**1.6**	*-0.6*	*0.1*	*1.6*
Finland	2.3	1.5	1.4	1.1	-0.3	0.4	**-0.4**	**0.7**	**0.6**	*-0.2*	*0.5*	*0.8*
Euro area	:	2.1	2.0	2.6	0.7	-0.1	**-0.3**	**-0.2**	**0.5**	*-0.2*	*-0.4*	*0.6*
Bulgaria	-8.7	7.6	1.3	-6.5	1.9	0.5	**0.1**	**1.1**	**0.6**	*0.3*	*1.1*	*0.5*
Czech Republic	0.4	4.4	-0.1	4.0	0.5	-2.5	**-1.1**	**-0.8**	**0.1**	*-1.3*	*-0.5*	*0.2*
Denmark	2.5	1.9	1.8	2.1	0.4	-1.5	**0.2**	**1.2**	**1.3**	*0.2*	*1.4*	*0.8*
Latvia	:	0.7	3.1	-9.4	-7.9	1.1	**0.7**	**1.5**	**2.0**	*1.1*	*1.5*	*2.0*
Lithuania	:	0.5	2.3	-1.4	-3.4	0.5	**0.3**	**0.6**	**1.4**	*-1.5*	*0.5*	*2.3*
Hungary	-3.6	3.2	0.2	0.7	-0.7	-0.3	**-2.0**	**-0.1**	**0.9**	*-2.8*	*0.1*	*1.0*
Poland	2.6	2.7	5.1	2.1	4.1	-1.7	**0.1**	**1.6**	**2.2**	*-0.2*	*1.7*	*3.1*
Romania	-0.4	3.0	-0.5	3.1	-4.7	0.2	**-2.7**	**1.6**	**1.6**	*-2.3*	*2.1*	*1.9*
Sweden	0.4	0.9	0.6	2.2	2.1	1.1	**0.9**	**1.1**	**0.9**	*0.9*	*0.9*	*0.9*
United Kingdom	0.8	3.6	1.8	0.8	0.4	-0.1	**2.8**	**-0.5**	**-1.3**	*1.6*	*-2.0*	*-1.3*
EU	:	2.3	1.9	2.2	0.7	-0.2	**0.2**	**-0.1**	**0.3**	*0.0*	*-0.4*	*0.4*
Croatia	:	0.7	3.1	0.4	-1.6	-0.3	**-1.3**	**-0.6**	**-0.5**	*-2.0*	*-0.5*	*-0.5*
USA	0.7	3.2	1.5	4.4	0.9	-2.6	**-1.4**	**-1.1**	**-0.1**	*-1.6*	*-0.4*	*0.0*
Japan	2.6	3.4	0.7	2.3	1.9	1.5	**2.6**	**1.2**	**1.1**	*1.6*	*0.1*	*0.5*

TABLE 9 : Total investment, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	2.9	0.8	5.0	-8.4	-1.4	4.1	-0.3	-0.8	2.5	-0.1	0.5	1.6
Germany	1.7	-0.8	2.9	-11.6	5.9	6.2	-2.1	0.6	4.5	-1.2	1.9	4.1
Estonia	15.4	10.1	7.3	-38.3	-7.4	25.7	23.3	2.6	6.9	20.2	0.0	7.8
Ireland	14.5	5.6	4.0	-27.7	-22.7	-12.2	-2.0	-1.5	3.0	-4.0	-1.5	3.0
Greece	5.4	9.0	2.6	-13.7	-15.0	-19.6	-19.1	-4.9	5.7	-14.4	-3.3	5.7
Spain	5.7	6.2	3.7	-18.0	-6.2	-5.3	-8.9	-6.6	-1.0	-9.0	-5.6	-0.3
France	2.4	3.5	3.7	-10.6	1.2	3.5	0.0	-1.5	1.8	0.3	0.1	1.7
Italy	3.0	3.0	0.9	-11.7	2.1	-1.8	-8.8	-3.0	2.2	-8.1	-2.1	2.6
Cyprus	:	3.3	9.0	-9.7	-4.9	-13.1	-22.3	-23.7	-11.6	-22.0	-12.0	-5.3
Luxembourg	3.9	7.2	5.8	-15.5	6.8	10.2	2.1	-0.3	2.5	5.2	2.0	2.5
Malta	:	3.5	0.3	-15.4	5.6	-13.6	1.5	4.0	5.0	-0.5	4.5	5.5
Netherlands	6.3	0.6	3.9	-12.0	-7.2	5.7	-4.7	-2.6	1.6	-3.0	-1.0	2.6
Austria	2.7	1.2	1.2	-7.8	0.8	7.3	1.2	1.2	2.3	1.6	0.9	2.9
Portugal	7.1	0.0	0.1	-8.6	-3.1	-10.7	-14.9	-8.0	3.0	-14.1	-4.6	2.1
Slovenia	12.2	5.2	7.7	-23.2	-13.8	-8.1	-9.0	-6.5	1.2	-8.9	-3.8	0.6
Slovakia	9.7	-3.4	8.2	-19.7	6.5	14.2	-3.5	1.6	3.1	-6.2	2.5	4.2
Finland	8.9	2.3	4.0	-13.2	1.9	7.1	-2.1	-1.5	1.5	-0.8	-0.1	1.8
Euro area	:	2.1	2.9	-12.7	-0.1	1.5	-4.1	-1.8	2.4	-3.5	-0.6	2.5
Bulgaria	:	15.9	18.0	-17.6	-18.3	-9.7	1.7	3.4	4.1	0.2	3.4	4.1
Czech Republic	6.8	2.6	6.4	-11.0	1.0	-0.7	-0.2	0.2	2.5	-1.7	0.1	2.1
Denmark	8.9	1.2	3.7	-15.9	-2.4	2.9	1.1	4.4	0.6	1.6	6.2	2.5
Latvia	:	7.7	10.6	-37.4	-18.1	27.9	9.8	7.1	8.2	9.2	6.7	7.6
Lithuania	:	4.1	12.1	-39.5	1.9	18.3	-0.4	5.9	7.6	3.1	4.8	7.7
Hungary	6.3	4.8	3.1	-11.1	-9.5	-3.6	-5.1	-1.5	-0.4	-5.4	-0.4	0.9
Poland	16.2	-1.5	10.9	-1.2	-0.4	9.0	0.6	-2.8	0.6	1.7	-2.8	1.4
Romania	5.5	6.3	18.2	-28.1	-1.8	7.3	7.7	4.5	5.4	6.7	5.1	5.5
Sweden	6.2	3.0	6.6	-15.5	7.2	6.4	3.4	0.7	4.8	4.0	2.9	4.4
United Kingdom	6.6	2.6	3.4	-13.7	3.5	-2.9	-0.1	1.9	4.8	1.9	2.9	4.6
EU	:	2.2	3.5	-13.0	0.2	1.4	-2.9	-1.0	2.8	-2.2	0.1	2.8
Croatia	:	7.0	7.3	-11.8	-11.3	-7.2	-5.3	3.3	5.8	-5.7	5.3	7.0
USA	8.3	2.9	1.2	-16.1	-0.5	4.0	6.7	6.8	7.8	5.7	5.8	9.4
Japan	-0.7	-1.4	-0.2	-10.6	-0.2	1.1	4.1	0.1	2.1	3.2	1.6	1.9

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	1.9	-1.4	4.5	-7.6	-0.6	0.1	-1.1	-1.3	2.3	-0.8	0.7	0.9
Germany	0.0	-2.9	-0.7	-3.2	3.2	5.8	-1.1	1.2	2.6	-0.2	2.0	1.9
Estonia	:	8.3	10.2	-30.5	-9.9	-6.2	33.8	-3.1	2.6	29.0	-7.7	2.4
Ireland	14.5	6.8	3.6	-31.6	-30.1	-15.8	-6.1	-7.9	0.0	-9.8	-8.2	-0.1
Greece	3.0	5.8	-0.9	-12.8	-19.2	-21.0	-19.5	-2.7	5.5	-14.8	-2.9	5.4
Spain	3.2	7.1	3.0	-16.6	-9.8	-9.0	-11.6	-9.4	-1.8	-11.3	-7.3	-0.9
France	-0.3	3.2	3.3	-7.8	-3.4	1.9	1.1	-0.3	0.6	1.0	0.1	0.7
Italy	-0.4	4.1	0.4	-8.8	-4.8	-2.6	-6.6	-3.6	-0.5	-6.5	-3.7	-0.5
Cyprus	:	3.8	8.7	-14.1	-4.7	-7.7	-21.0	-24.6	-10.8	-20.3	-12.4	-6.0
Luxembourg	5.1	9.7	2.1	-4.5	-2.0	1.0	0.0	-1.9	3.0	1.4	2.2	3.0
Malta	:	:	-1.4	-13.3	-3.7	-1.3	:	:	:	:	:	:
Netherlands	2.6	0.6	2.9	-9.8	-10.3	4.0	-8.1	-5.0	0.8	-8.0	-2.7	2.0
Austria	1.3	-0.1	0.4	-7.1	-2.7	4.4	1.4	1.0	1.3	1.3	0.5	1.3
Portugal	6.6	-0.2	-2.7	-6.6	-4.2	-11.4	-18.5	-10.8	1.3	-17.1	-7.7	1.1
Slovenia	7.6	3.5	6.6	-20.8	-18.7	-20.1	-12.6	-8.0	-0.3	-14.2	-8.4	-1.1
Slovakia	:	-4.8	11.4	-10.3	-7.7	2.7	-2.5	0.6	4.8	-2.4	2.7	4.9
Finland	6.4	2.7	4.1	-15.0	8.1	4.0	-2.5	-1.4	1.2	-0.6	0.3	1.4
Euro area	:	1.7	1.6	-9.8	-4.3	-0.5	-3.9	-2.1	0.9	-3.5	-1.3	0.9
Bulgaria	:	:	25.2	1.0	-15.5	:	:	:	:	:	:	:
Czech Republic	-8.0	-0.4	2.9	-4.1	-1.5	-3.5	-3.6	-1.7	1.3	-6.3	-2.6	0.5
Denmark	6.5	0.2	2.2	-18.4	-5.8	6.8	-3.0	0.2	2.5	-1.5	3.8	2.5
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	2.1	11.9	-37.1	-7.4	13.9	-1.1	4.2	8.0	3.0	5.5	8.1
Hungary	:	3.1	1.6	-5.9	-13.5	-12.4	-6.4	-0.5	-0.2	-5.8	0.2	-0.4
Poland	:	-1.3	8.9	4.9	2.2	9.5	-1.2	-5.6	-3.7	-0.6	-6.1	-2.3
Romania	4.1	5.1	19.9	-28.7	11.3	5.0	7.7	4.4	5.1	6.8	4.8	5.0
Sweden	-2.1	3.2	4.8	-11.7	4.4	9.0	1.1	-1.1	4.0	2.6	1.2	3.7
United Kingdom	3.8	3.0	5.2	-10.8	0.9	-3.5	2.2	-3.1	4.6	7.4	2.6	3.8
EU	:	1.8	2.6	-9.9	-3.2	-0.2	-2.8	-2.2	1.4	-1.9	-0.7	1.3
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
USA	4.5	1.8	-1.9	-17.4	-8.0	-2.4	6.8	6.5	6.9	6.6	4.9	6.6
Japan	-2.9	-3.5	-3.9	-6.2	-3.1	-0.1	:	:	:	:	:	:

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	3.9	2.5	5.2	-11.1	-3.9	9.3	0.4	-0.6	2.6	0.6	0.4	2.0
Germany	4.1	1.6	6.9	-22.5	10.3	7.0	-4.4	-0.9	7.2	-3.0	1.6	7.2
Estonia	:	12.1	3.2	-55.0	2.2	102.7	13.1	9.5	11.5	11.4	9.0	13.2
Ireland	15.6	2.7	7.2	-18.8	-10.6	-10.5	2.8	4.8	5.0	2.8	4.8	5.0
Greece	10.3	14.0	7.9	-18.4	-8.2	-18.1	-21.4	-9.0	6.0	-14.0	-3.0	6.0
Spain	11.1	3.2	5.6	-24.5	3.0	2.4	-6.0	-3.0	0.1	-6.6	-3.5	0.8
France	6.4	3.8	3.5	-18.1	11.2	7.3	-3.1	-4.3	4.5	-2.2	0.1	4.2
Italy	6.8	2.0	1.7	-16.8	12.0	-1.1	-12.3	-2.4	5.7	-10.9	-0.6	6.3
Cyprus	:	2.4	9.4	-0.3	-5.9	-23.1	-26.3	-22.0	-14.0	-26.0	-11.0	-3.7
Luxembourg	1.1	1.9	14.3	-34.4	28.5	24.6	6.0	2.0	2.0	13.0	2.0	2.0
Malta	:	:	-1.2	-21.0	32.5	-38.7	:	:	:	:	:	:
Netherlands	9.3	1.3	5.4	-16.4	-4.6	9.2	0.1	0.7	3.0	3.5	0.9	3.4
Austria	3.9	1.7	1.9	-10.6	6.0	12.1	0.4	0.7	3.8	1.5	1.2	5.2
Portugal	9.1	-0.7	5.4	-13.0	-2.6	-11.3	-9.5	-3.9	6.0	-10.3	0.0	3.7
Slovenia	15.9	7.5	9.1	-28.9	-7.9	9.5	-5.9	-5.7	2.6	-3.8	0.2	2.0
Slovakia	:	-1.6	4.6	-26.6	11.1	46.7	-4.2	2.3	1.6	-11.0	2.0	3.6
Finland	12.6	0.0	4.2	-11.7	-11.8	18.9	-2.4	-2.1	1.9	-4.0	-1.8	2.5
Euro area	:	2.4	4.7	-19.2	6.7	4.7	-5.6	-1.9	4.8	-4.5	0.1	5.0
Bulgaria	:	:	12.8	-45.0	-18.5	:	:	:	:	:	:	:
Czech Republic	7.0	5.0	10.2	-18.8	6.0	0.0	4.4	2.0	3.5	2.4	2.6	3.5
Denmark	9.7	1.0	5.0	-16.1	-0.9	-3.1	7.0	11.0	-1.8	6.0	11.0	3.0
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	6.4	12.0	-50.0	20.6	32.6	-1.4	9.8	8.0	3.5	4.0	8.0
Hungary	:	5.6	4.9	-17.3	-3.5	8.5	-2.8	-0.4	0.1	-2.0	-1.3	0.2
Poland	:	-2.6	14.2	-10.8	-3.3	9.7	3.8	1.7	7.0	5.5	2.5	6.8
Romania	6.4	8.2	17.9	-27.7	-19.1	7.0	7.8	4.7	5.9	6.7	5.5	6.1
Sweden	14.1	3.2	8.7	-22.7	11.9	3.5	5.2	1.9	6.0	4.8	4.0	5.0
United Kingdom	10.3	1.5	0.6	-21.0	7.3	-0.5	-4.3	11.5	4.9	-8.2	3.1	6.5
EU	:	2.2	4.8	-19.4	5.9	4.2	-4.1	0.2	4.8	-3.6	1.0	5.1
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
USA	11.2	2.8	4.3	-19.6	9.9	11.0	6.5	7.0	8.5	5.0	6.4	11.4
Japan	1.6	0.4	3.6	-16.5	2.6	3.5	:	:	:	:	:	:

TABLE 12 : Public investment (as a percentage of GDP, 1994-2014)

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	1.8	1.8	1.6	1.7	1.6	1.7	1.8	1.7	1.7	1.9	1.7	1.7
Germany	2.1	1.8	1.5	1.7	1.7	1.6	1.5	1.5	1.5	1.5	1.5	1.5
Estonia	4.7	4.3	4.6	5.1	3.9	4.2	6.1	5.1	4.4	5.5	4.5	3.7
Ireland	2.4	3.7	4.2	3.8	3.5	2.5	2.0	1.6	1.5	2.0	1.6	1.5
Greece	2.9	3.4	3.4	3.1	2.3	1.6	1.9	1.9	1.8	1.9	2.0	1.8
Spain	:	3.4	3.7	4.5	4.0	2.9	1.8	1.4	1.3	1.8	1.5	1.5
France	3.1	3.0	3.2	3.4	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.0
Italy	2.2	2.3	2.3	2.5	2.1	2.0	1.8	1.6	1.6	1.8	1.6	1.6
Cyprus	:	3.0	3.3	4.2	3.8	3.5	2.5	2.0	1.8	2.8	2.6	2.6
Luxembourg	4.0	4.4	3.8	3.9	4.1	3.8	3.9	3.6	3.8	4.1	3.8	3.9
Malta	:	4.0	3.7	2.3	2.1	2.5	2.6	2.6	2.7	2.6	2.6	2.7
Netherlands	3.1	3.3	3.3	3.8	3.6	3.4	3.3	3.3	3.2	3.3	3.3	3.2
Austria	2.6	1.4	1.1	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Portugal	4.4	4.2	3.2	3.0	3.6	2.6	2.0	1.8	1.7	2.0	1.7	1.5
Slovenia	:	3.2	3.8	4.6	4.4	3.6	3.1	3.8	3.6	3.1	3.8	4.4
Slovakia	4.0	2.9	2.1	2.3	2.6	2.3	1.7	1.7	1.7	2.4	1.7	1.7
Finland	2.8	2.6	2.5	2.8	2.5	2.5	2.6	2.6	2.6	2.5	2.5	2.5
Euro area	:	2.5	2.5	2.8	2.6	2.3	2.1	2.0	2.0	2.1	2.0	2.0
Bulgaria	1.7	3.4	4.3	4.9	4.6	3.4	3.7	4.0	4.3	3.8	4.0	4.2
Czech Republic	:	3.9	4.3	5.1	4.3	3.6	3.5	3.4	3.4	3.5	3.4	3.4
Denmark	1.8	1.7	1.9	2.0	2.2	2.2	2.3	2.1	2.0	2.3	2.1	1.9
Latvia	2.0	1.5	4.3	4.3	3.7	4.2	4.2	4.1	3.8	4.1	4.0	3.8
Lithuania	2.7	2.6	4.3	3.9	4.6	4.4	4.5	4.5	4.6	4.7	4.8	5.0
Hungary	:	3.7	3.7	3.1	3.4	3.0	4.0	4.5	4.5	3.9	4.5	4.3
Poland	3.5	3.2	3.9	5.2	5.6	5.7	5.2	4.3	3.6	5.2	4.3	3.5
Romania	:	2.9	4.9	5.9	5.7	5.4	5.3	4.9	4.9	5.0	5.0	5.1
Sweden	3.5	3.0	3.1	3.5	3.5	3.4	3.4	3.5	3.5	3.5	3.5	3.5
United Kingdom	1.6	1.4	1.7	2.7	2.5	2.2	2.2	1.8	1.6	1.9	1.5	1.3
EU	:	2.4	2.5	2.9	2.7	2.5	2.3	2.2	2.1	2.3	2.2	2.1
Croatia	:	:	:	3.6	2.4	2.6	1.0	1.2	1.2	1.0	1.0	1.0
USA	2.3	2.5	2.4	2.6	2.5	2.3	2.1	2.1	2.1	2.0	1.9	1.9
Japan	5.9	5.0	3.4	3.4	3.3	3.1	3.6	4.0	4.2	3.4	3.6	3.6

TABLE 13 : Potential GDP, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	2.2	2.1	1.8	1.2	1.3	1.1	**0.8**	**0.8**	**1.0**	*0.9*	*0.9*	*1.0*
Germany	1.7	1.5	1.3	0.7	1.0	1.2	**1.6**	**1.4**	**1.4**	*1.4*	*1.5*	*1.6*
Estonia	:	5.1	5.5	-0.9	-0.5	1.2	**2.5**	**3.2**	**4.0**	*2.2*	*3.1*	*3.7*
Ireland	8.1	7.6	3.7	-1.1	-0.5	-0.2	**-0.7**	**0.1**	**1.0**	*-0.8*	*0.0*	*0.8*
Greece	2.4	4.6	2.7	-0.3	-1.4	-2.5	**-3.2**	**-3.0**	**-2.9**	*-2.8*	*-2.7*	*-2.7*
Spain	2.5	3.7	3.1	0.9	0.3	-0.3	**-0.9**	**-1.4**	**-1.4**	*-1.0*	*-1.3*	*-1.3*
France	1.8	1.9	1.7	1.0	1.0	1.1	**1.0**	**1.0**	**1.0**	*0.9*	*0.9*	*0.9*
Italy	1.4	1.5	0.8	-0.3	-0.1	0.2	**-0.8**	**-0.3**	**-0.1**	*-0.9*	*-0.3*	*0.0*
Cyprus	:	3.4	3.2	1.3	1.3	0.7	**-0.6**	**-1.2**	**-1.9**	*-0.7*	*-1.5*	*-1.2*
Luxembourg	3.8	5.0	3.7	0.9	0.6	1.1	**0.9**	**0.7**	**0.8**	*0.9*	*0.8*	*1.1*
Malta	:	2.7	2.1	1.6	2.0	1.5	**1.4**	**1.5**	**1.6**	*1.4*	*1.6*	*1.9*
Netherlands	3.3	2.7	1.7	1.1	0.7	0.8	**0.3**	**0.3**	**0.5**	*0.6*	*0.7*	*0.8*
Austria	2.5	2.4	2.1	1.0	0.8	1.0	**1.1**	**1.2**	**1.3**	*1.2*	*1.2*	*1.3*
Portugal	2.8	2.6	1.0	-0.1	0.0	-0.5	**-1.5**	**-1.2**	**-0.4**	*-1.3*	*-0.9*	*-0.2*
Slovenia	:	:	3.9	1.4	0.2	-0.5	**-0.8**	**-0.7**	**-0.1**	*-0.6*	*-0.5*	*-0.2*
Slovakia	:	3.3	5.8	3.0	2.1	2.6	**2.5**	**2.8**	**3.0**	*2.7*	*2.9*	*3.1*
Finland	2.7	3.7	2.4	0.5	0.6	0.8	**0.6**	**0.5**	**0.6**	*0.6*	*0.6*	*0.7*
Euro area	:	:	1.7	0.6	0.6	0.7	**0.4**	**0.4**	**0.6**	*0.4*	*0.5*	*0.6*
Bulgaria	:	3.4	5.6	2.9	0.6	0.4	**1.1**	**1.4**	**1.8**	*0.7*	*1.1*	*1.4*
Czech Republic	:	2.8	3.8	2.4	1.8	1.4	**0.9**	**1.1**	**1.2**	*1.3*	*1.4*	*1.4*
Denmark	2.2	1.8	1.4	0.6	0.7	0.8	**0.7**	**0.9**	**1.1**	*0.3*	*0.5*	*0.7*
Latvia	:	6.0	6.2	-1.2	-1.8	-0.6	**1.0**	**2.3**	**3.3**	*0.9*	*2.0*	*2.8*
Lithuania	:	:	5.9	2.5	-0.4	-0.1	**2.3**	**2.7**	**2.7**	*2.9*	*2.6*	*2.5*
Hungary	:	:	2.5	0.2	-0.3	-0.2	**-0.3**	**-0.2**	**0.0**	*0.0*	*0.2*	*0.3*
Poland	:	4.0	4.2	3.9	4.1	4.8	**3.9**	**3.3**	**3.0**	*3.8*	*3.3*	*3.0*
Romania	:	3.5	4.9	2.0	1.5	1.7	**2.2**	**2.4**	**2.7**	*2.1*	*2.3*	*2.6*
Sweden	2.4	2.9	2.6	1.5	2.0	2.1	**1.9**	**1.9**	**2.0**	*2.2*	*2.0*	*2.1*
United Kingdom	2.7	3.1	2.3	0.8	0.8	0.7	**0.7**	**0.8**	**1.1**	*0.7*	*0.9*	*1.1*
EU	:	:	2.0	0.8	0.8	0.8	**0.6**	**0.7**	**0.8**	*0.6*	*0.7*	*0.9*
Croatia	:	:	3.3	0.9	-0.3	-1.2	**-1.2**	**-0.7**	**-0.2**	*-0.3*	*-1.1*	*-1.3*
USA	3.7	2.9	2.0	0.7	1.1	1.4	**1.7**	**2.0**	**2.3**	*1.7*	*2.1*	*2.4*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

TABLE 14 : Output gap relative to potential GDP (deviation of actual output from potential output as % of potential GDP, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-0.6	0.6	1.4	-2.1	-1.0	-0.2	**-1.2**	**-1.8**	**-1.2**	*-1.3*	*-1.5*	*-0.9*
Germany	-0.2	0.4	0.1	-4.0	-1.0	0.8	**-0.1**	**-1.0**	**-0.5**	*-0.3*	*-0.9*	*-0.5*
Estonia	:	1.1	6.7	-9.5	-6.0	0.6	**1.3**	**1.1**	**1.1**	*1.0*	*1.0*	*1.3*
Ireland	0.3	2.8	1.1	-4.1	-4.4	-2.8	**-1.4**	**-0.5**	**0.7**	*-1.5*	*-0.5*	*0.8*
Greece	0.7	0.4	1.1	-1.3	-4.8	-9.4	**-12.4**	**-13.7**	**-10.5**	*-13.0*	*-14.4*	*-11.5*
Spain	-2.0	1.8	1.2	-4.1	-4.7	-4.0	**-4.5**	**-4.5**	**-2.4**	*-4.6*	*-4.8*	*-2.7*
France	-1.2	2.0	2.1	-2.7	-2.0	-1.4	**-2.4**	**-3.3**	**-3.1**	*-2.3*	*-2.9*	*-2.6*
Italy	0.1	1.3	1.7	-3.7	-1.9	-1.7	**-3.0**	**-3.7**	**-2.9**	*-3.2*	*-3.4*	*-2.5*
Cyprus	:	0.9	0.8	0.5	0.5	0.4	**-1.3**	**-3.6**	**-3.0**	*-2.0*	*-2.2*	*-1.7*
Luxembourg	-1.7	2.5	1.2	-3.9	-1.7	-1.2	**-1.9**	**-2.0**	**-1.3**	*-1.8*	*-1.9*	*-1.5*
Malta	:	0.4	0.5	-1.3	-0.6	-0.5	**-0.9**	**-0.9**	**-0.6**	*-0.1*	*-0.1*	*0.1*
Netherlands	-0.5	0.5	0.3	-2.6	-1.7	-1.5	**-2.8**	**-3.6**	**-3.0**	*-2.7*	*-3.1*	*-2.6*
Austria	-0.7	0.5	0.6	-2.9	-1.7	0.0	**-0.4**	**-0.9**	**-0.3**	*-0.5*	*-0.8*	*-0.1*
Portugal	-0.3	1.8	-0.4	-2.7	-0.9	-1.9	**-3.6**	**-4.3**	**-3.1**	*-4.3*	*-4.4*	*-3.4*
Slovenia	:	:	3.5	-4.0	-2.9	-1.8	**-2.9**	**-4.2**	**-3.4**	*-3.2*	*-4.2*	*-3.2*
Slovakia	:	-1.6	2.4	-2.2	0.0	0.5	**0.1**	**-1.6**	**-1.7**	*-0.1*	*-1.0*	*-1.1*
Finland	-1.2	1.0	2.2	-5.7	-3.2	-1.2	**-2.0**	**-2.2**	**-1.7**	*-2.0*	*-1.8*	*-1.2*
Euro area	:	:	1.1	-3.4	-2.0	-1.2	**-2.2**	**-2.9**	**-2.1**	*-2.3*	*-2.7*	*-1.9*
Bulgaria	:	-0.4	3.9	-3.0	-3.2	-2.0	**-2.2**	**-2.3**	**-2.1**	*-2.1*	*-1.8*	*-1.2*
Czech Republic	:	-2.4	3.7	-1.0	-0.3	0.1	**-1.8**	**-2.9**	**-2.2**	*-2.2*	*-2.7*	*-2.2*
Denmark	0.3	1.1	2.4	-4.7	-3.9	-3.5	**-4.6**	**-4.4**	**-3.9**	*-3.3*	*-2.3*	*-1.7*
Latvia	:	-0.7	7.6	-12.0	-11.3	-5.9	**-1.9**	**-0.4**	**0.4**	*-1.8*	*-0.2*	*0.9*
Lithuania	:	-3.5	7.7	-10.2	-8.5	-3.0	**-1.8**	**-1.5**	**-0.5**	*-2.0*	*-1.6*	*-0.5*
Hungary	:	0.7	2.7	-5.0	-3.5	-1.7	**-3.0**	**-2.9**	**-1.7**	*-3.2*	*-3.0*	*-2.1*
Poland	:	-0.1	1.4	1.2	1.0	0.5	**-1.3**	**-3.3**	**-4.0**	*-1.4*	*-2.7*	*-3.1*
Romania	:	-3.0	6.6	0.3	-2.3	-1.9	**-3.7**	**-4.5**	**-4.7**	*-3.1*	*-3.3*	*-3.2*
Sweden	-2.6	0.2	1.8	-5.9	-1.7	-0.2	**-1.1**	**-1.6**	**-0.9**	*-1.0*	*-1.1*	*-0.7*
United Kingdom	-0.1	1.1	2.2	-3.8	-2.9	-2.7	**-3.3**	**-3.2**	**-2.5**	*-3.4*	*-3.4*	*-2.5*
EU	:	:	1.4	-3.5	-2.2	-1.4	**-2.4**	**-2.9**	**-2.2**	*-2.5*	*-2.7*	*-2.0*
Croatia	:	:	3.6	-2.8	-3.8	-2.7	**-3.3**	**-3.0**	**-1.8**	*-5.8*	*-4.8*	*-2.1*
USA	-0.6	0.5	1.6	-3.3	-2.0	-1.6	**-1.2**	**-1.3**	**-1.0**	*-1.6*	*-1.4*	*-1.2*
Japan	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

[1] When comparing output gaps between the autumn 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, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	1.3	1.7	2.3	1.2	2.0	2.0	**2.7**	**2.0**	**1.8**	*2.2*	*2.1*	*1.8*
Germany	1.2	0.6	0.9	1.2	0.9	0.8	**1.3**	**1.5**	**1.5**	*1.2*	*1.4*	*1.6*
Estonia	21.4	5.3	7.2	-1.4	0.7	2.9	**2.7**	**3.1**	**3.1**	*3.2*	*3.1*	*3.2*
Ireland	2.9	4.7	1.1	-4.6	-2.2	0.2	**1.8**	**1.3**	**1.4**	*1.7*	*1.3*	*1.4*
Greece	8.0	3.4	3.2	2.3	1.1	1.0	**-0.7**	**-1.2**	**-0.4**	*-0.5*	*-1.2*	*-0.4*
Spain	3.4	3.8	3.6	0.1	0.4	1.0	**0.0**	**1.7**	**1.3**	*0.2*	*1.9*	*1.4*
France	1.2	1.6	2.2	0.7	1.1	1.3	**1.7**	**1.4**	**1.7**	*1.7*	*1.5*	*1.7*
Italy	3.7	2.6	2.2	2.1	0.4	1.3	**1.2**	**1.7**	**1.7**	*1.4*	*1.6*	*1.6*
Cyprus	2.5	3.1	3.7	0.1	1.9	2.7	**1.7**	**1.5**	**1.5**	*1.6*	*1.5*	*1.2*
Luxembourg	1.3	3.1	3.5	0.5	7.6	5.1	**3.5**	**2.7**	**1.8**	*1.9*	*3.3*	*2.2*
Malta	2.3	2.6	2.5	2.6	2.9	2.0	**2.7**	**2.6**	**2.4**	*2.8*	*2.5*	*2.4*
Netherlands	2.0	3.4	1.8	0.1	1.1	1.2	**0.7**	**1.6**	**1.5**	*1.5*	*1.4*	*1.3*
Austria	1.0	1.1	1.9	1.5	1.6	2.2	**2.3**	**2.2**	**2.0**	*2.0*	*1.6*	*2.2*
Portugal	4.5	3.4	2.4	0.9	0.6	0.5	**-0.1**	**1.0**	**0.8**	*0.3*	*1.5*	*1.2*
Slovenia	14.3	6.7	3.1	3.6	-1.1	1.0	**0.9**	**1.3**	**1.0**	*1.1*	*1.0*	*0.9*
Slovakia	7.7	6.2	3.0	-1.2	0.5	1.6	**2.6**	**2.4**	**2.2**	*2.8*	*1.8*	*2.1*
Finland	2.2	1.4	1.5	1.5	0.4	3.1	**2.7**	**1.9**	**1.8**	*2.7*	*1.9*	*1.8*
Euro area	2.1	1.9	2.0	0.9	0.8	1.2	**1.3**	**1.6**	**1.5**	*1.3*	*1.5*	*1.6*
Bulgaria	139.2	4.7	7.2	4.3	2.8	5.0	**2.1**	**2.6**	**2.9**	*1.0*	*2.3*	*2.5*
Czech Republic	9.8	2.4	1.9	2.3	-1.4	-0.8	**0.9**	**1.3**	**1.1**	*1.1*	*1.3*	*1.1*
Denmark	1.6	2.2	2.8	0.7	4.1	0.6	**1.5**	**1.4**	**1.7**	*1.3*	*1.6*	*1.5*
Latvia	15.2	3.0	12.3	-1.2	-1.3	5.9	**2.5**	**1.8**	**2.2**	*2.5*	*2.0*	*2.1*
Lithuania	26.4	-0.3	6.8	-3.4	2.0	5.4	**2.0**	**2.8**	**3.0**	*2.3*	*2.7*	*3.0*
Hungary	20.4	8.5	4.4	3.6	2.5	3.1	**4.4**	**4.0**	**3.8**	*4.5*	*4.3*	*3.9*
Poland	21.2	3.8	3.1	3.7	1.4	3.1	**2.3**	**1.5**	**1.9**	*2.2*	*2.1*	*1.3*
Romania	75.1	34.9	13.4	4.2	5.7	4.1	**4.9**	**4.8**	**3.6**	*4.4*	*4.4*	*3.5*
Sweden	1.8	1.6	1.8	2.1	0.8	1.1	**0.9**	**1.5**	**2.3**	*1.0*	*1.5*	*2.0*
United Kingdom	2.5	1.8	2.6	1.3	2.8	2.5	**2.0**	**1.8**	**2.2**	*2.7*	*2.2*	*2.3*
EU	3.1	2.1	2.3	1.2	1.2	1.5	**1.5**	**1.7**	**1.7**	*1.6*	*1.7*	*1.7*
Croatia	:	4.0	4.2	2.9	0.9	2.1	**2.9**	**2.7**	**1.9**	*2.1*	*2.8*	*2.0*
USA	1.8	1.9	2.9	0.9	1.3	2.1	**1.8**	**1.5**	**2.3**	*1.8*	*2.7*	*2.7*
Japan	-0.1	-1.4	-1.2	-0.5	-2.2	-1.9	**-0.8**	**-1.0**	**0.7**	*-1.6*	*-0.9*	*0.4*

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	1.4	1.7	2.8	-0.7	2.0	3.1	**2.6**	**1.6**	**1.6**	*2.6*	*1.8*	*1.4*
Germany	1.3	1.2	1.4	0.0	2.0	2.1	**1.6**	**1.6**	**1.8**	*1.5*	*1.7*	*1.8*
Estonia	20.1	3.8	5.6	-1.3	2.6	5.0	**4.1**	**3.5**	**3.1**	*4.1*	*3.9*	*3.2*
Ireland	2.9	4.3	2.1	-6.7	-2.1	1.5	**1.9**	**1.3**	**1.5**	*1.9*	*1.3*	*1.4*
Greece	7.6	3.7	3.4	0.7	4.0	3.4	**0.9**	**-0.7**	**-0.3**	*1.1*	*-0.8*	*-0.4*
Spain	3.5	3.1	3.5	-1.1	2.0	2.9	**2.4**	**1.7**	**1.0**	*2.3*	*2.0*	*1.3*
France	1.1	1.4	2.2	-0.6	1.1	2.1	**1.8**	**1.6**	**2.0**	*1.8*	*1.6*	*2.0*
Italy	3.8	2.7	2.6	-0.1	1.5	2.8	**2.6**	**2.0**	**1.7**	*2.6*	*2.0*	*1.7*
Cyprus	:	2.9	3.1	0.7	2.1	3.3	**2.8**	**1.6**	**1.7**	*2.9*	*2.0*	*1.9*
Luxembourg	1.8	2.2	2.7	0.9	1.7	2.6	**2.1**	**1.7**	**1.9**	*2.7*	*2.1*	*1.9*
Malta	:	1.4	2.4	2.7	3.2	0.9	**2.6**	**2.0**	**2.0**	*2.5*	*2.0*	*2.0*
Netherlands	2.2	3.1	1.6	-0.5	1.3	2.3	**2.4**	**2.6**	**2.0**	*2.7*	*2.6*	*2.0*
Austria	1.7	1.4	2.3	0.4	1.9	3.6	**2.9**	**2.1**	**1.8**	*2.4*	*1.8*	*1.9*
Portugal	4.0	3.0	2.8	-2.2	1.3	3.8	**2.2**	**0.6**	**1.3**	*2.3*	*0.9*	*1.3*
Slovenia	13.9	6.7	3.4	1.1	1.5	1.7	**2.8**	**2.2**	**1.5**	*2.8*	*2.2*	*1.6*
Slovakia	:	6.6	4.4	0.1	1.0	3.8	**3.5**	**1.9**	**1.9**	*3.5*	*1.9*	*1.9*
Finland	1.2	1.9	1.6	1.4	2.0	3.5	**3.1**	**1.9**	**1.8**	*3.1*	*1.9*	*1.8*
Euro area	:	2.0	2.2	-0.4	1.7	2.5	**2.1**	**1.7**	**1.7**	*2.1*	*1.7*	*1.7*
Bulgaria	140.6	3.4	5.7	1.5	2.4	3.8	**3.3**	**3.1**	**3.0**	*3.0*	*2.7*	*2.8*
Czech Republic	8.9	2.0	2.7	0.8	0.3	0.5	**1.5**	**1.5**	**1.2**	*3.3*	*1.1*	*1.1*
Denmark	1.9	2.0	1.7	1.5	2.5	2.5	**2.2**	**1.5**	**1.5**	*2.2*	*1.8*	*1.6*
Latvia	:	2.5	9.6	3.2	-1.8	5.0	**2.6**	**1.9**	**2.3**	*2.6*	*2.2*	*2.3*
Lithuania	:	-0.5	4.7	4.5	1.3	4.2	**3.0**	**2.4**	**2.8**	*3.4*	*3.1*	*3.0*
Hungary	:	7.9	5.0	3.9	3.9	4.5	**5.7**	**3.6**	**3.3**	*5.7*	*5.3*	*3.9*
Poland	21.4	4.7	2.6	2.5	2.5	4.8	**3.7**	**1.8**	**2.3**	*3.8*	*2.6*	*2.4*
Romania	74.9	30.2	7.8	3.7	7.7	4.3	**3.4**	**4.5**	**3.2**	*3.6*	*4.8*	*3.2*
Sweden	1.7	1.5	1.5	2.1	1.5	1.3	**1.0**	**1.3**	**1.8**	*1.0*	*1.3*	*1.8*
United Kingdom	2.6	1.0	2.6	1.4	3.7	4.5	**2.7**	**1.9**	**1.9**	*2.8*	*1.9*	*1.9*
EU	:	2.0	2.4	0.2	2.1	2.9	**2.3**	**1.8**	**1.8**	*2.3*	*1.8*	*1.8*
Croatia	:	3.7	3.5	3.2	1.1	2.4	**3.5**	**3.0**	**1.9**	*3.4*	*3.2*	*1.9*
USA	1.9	1.9	2.9	0.1	1.9	2.4	**1.7**	**1.3**	**1.9**	*1.8*	*2.7*	*2.9*
Japan	0.3	-1.0	-0.4	-2.5	-1.7	-0.8	**-0.6**	**0.4**	**2.0**	*-1.5*	*-1.0*	*0.0*

TABLE 17 : Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	1.6	1.9	2.6	0.0	2.3	3.5	**2.6**	**1.6**	**1.5**	*2.6*	*1.8*	*1.6*
Germany	:	1.3	2.1	0.2	1.2	2.5	**2.1**	**1.8**	**1.7**	*2.1*	*1.9*	*1.8*
Estonia	:	3.5	5.8	0.2	2.7	5.1	**4.2**	**3.6**	**3.2**	*4.3*	*4.1*	*3.3*
Ireland	:	4.1	2.6	-1.7	-1.6	1.2	**1.9**	**1.3**	**1.3**	*2.0*	*1.3*	*1.4*
Greece	:	3.2	3.4	1.3	4.7	3.1	**1.0**	**-0.8**	**-0.4**	*1.1*	*-0.8*	*-0.4*
Spain	3.3	3.0	3.4	-0.2	2.0	3.1	**2.4**	**1.7**	**1.0**	*2.5*	*2.1*	*1.3*
France	1.5	1.7	2.2	0.1	1.7	2.3	**2.2**	**1.6**	**1.5**	*2.3*	*1.7*	*1.7*
Italy	3.5	2.4	2.4	0.8	1.6	2.9	**3.3**	**2.0**	**1.7**	*3.3*	*2.0*	*1.7*
Cyprus	:	2.9	2.5	0.2	2.6	3.5	**3.1**	**1.5**	**1.4**	*3.2*	*1.5*	*1.3*
Luxembourg	:	2.4	3.3	0.0	2.8	3.7	**2.9**	**1.7**	**1.6**	*2.9*	*1.9*	*1.8*
Malta	:	2.5	2.6	1.8	2.0	2.5	**3.2**	**2.2**	**2.2**	*2.9*	*2.2*	*2.2*
Netherlands	1.7	3.1	1.7	1.0	0.9	2.5	**2.8**	**2.6**	**1.4**	*2.8*	*2.4*	*1.6*
Austria	1.6	1.6	2.2	0.4	1.7	3.6	**2.6**	**2.2**	**1.9**	*2.4*	*1.8*	*1.9*
Portugal	3.2	3.3	2.6	-0.9	1.4	3.6	**2.8**	**0.6**	**1.2**	*2.9*	*0.9*	*1.3*
Slovenia	:	7.3	3.6	0.9	2.1	2.1	**2.8**	**2.2**	**1.5**	*2.8*	*2.2*	*1.6*
Slovakia	:	8.3	4.1	0.9	0.7	4.1	**3.7**	**1.9**	**2.0**	*3.7*	*1.9*	*2.0*
Finland	1.1	2.0	1.5	1.6	1.7	3.3	**3.2**	**2.5**	**2.2**	*3.0*	*2.5*	*2.2*
Euro area	:	2.0	2.4	0.3	1.6	2.7	**2.5**	**1.8**	**1.5**	*2.5*	*1.8*	*1.6*
Bulgaria	:	5.6	7.8	2.5	3.0	3.4	**2.4**	**2.6**	**2.7**	*2.5*	*2.6*	*2.7*
Czech Republic	:	2.3	3.1	0.6	1.2	2.1	**3.5**	**2.1**	**1.6**	*3.6*	*1.1*	*1.1*
Denmark	1.8	2.3	1.9	1.1	2.2	2.7	**2.4**	**1.5**	**1.5**	*2.4*	*2.0*	*1.7*
Latvia	:	2.4	8.9	3.3	-1.2	4.2	**2.3**	**1.9**	**2.2**	*2.4*	*2.1*	*2.3*
Lithuania	:	0.7	4.8	4.2	1.2	4.1	**3.2**	**2.4**	**2.9**	*3.4*	*3.1*	*3.0*
Hungary	:	7.8	5.6	4.0	4.7	3.9	**5.7**	**3.6**	**3.3**	*5.6*	*5.3*	*3.9*
Poland	:	5.0	2.8	4.0	2.7	3.9	**3.7**	**1.8**	**2.3**	*3.8*	*2.6*	*2.4*
Romania	:	32.2	8.1	5.6	6.1	5.8	**3.4**	**4.6**	**3.3**	*3.5*	*4.9*	*3.3*
Sweden	1.9	1.8	1.7	1.9	1.9	1.4	**0.9**	**1.1**	**1.6**	*1.0*	*1.3*	*1.8*
United Kingdom	2.1	1.2	2.3	2.2	3.3	4.5	**2.8**	**2.6**	**2.3**	*2.7*	*2.1*	*1.9*
EU	:	2.9	2.6	1.0	2.1	3.1	**2.6**	**2.0**	**1.7**	*2.7*	*2.0*	*1.8*
Croatia	19.7	3.5	3.4	2.2	1.1	2.2	**3.4**	**3.0**	**2.0**	*3.4*	*3.2*	*2.1*
USA	2.4	2.5	3.2	-0.4	1.6	3.2	**2.1**	**1.8**	**2.2**	*2.1*	*2.0*	*2.1*
Japan	0.6	-0.6	0.3	-1.4	-0.7	-0.3	**-0.1**	**0.2**	**0.4**	*-0.2*	*-0.1*	*0.2*

TABLE 18 : Profiles of quarterly harmonised index of consumer prices (percentage change on corresponding quarter in previous year, 2012-14)

	2012/1	2012/2	2012/3	2012/4	2013/1	2013/2	2013/3	2013/4	2014/1	2014/2	2014/3	2014/4
Belgium	3.2	2.5	2.4	2.3	1.6	1.6	1.7	1.4	1.5	1.4	1.5	1.5
Germany	2.4	2.1	2.1	2.0	1.7	1.8	1.8	1.8	1.7	1.7	1.7	1.7
Estonia	4.6	4.3	4.1	3.9	4.4	3.8	3.1	3.1	2.6	3.0	3.5	3.7
Ireland	1.7	1.9	2.3	1.9	1.7	1.3	1.2	1.0	2.3	1.6	1.1	0.8
Greece	1.7	1.1	0.8	0.6	-0.1	-0.8	-1.0	-1.1	-0.4	-0.3	-0.3	-0.4
Spain	1.9	1.9	2.8	3.2	2.7	2.3	1.2	0.8	0.9	1.0	1.0	1.1
France	2.6	2.3	2.3	1.7	1.8	1.8	1.5	1.4	1.5	1.6	1.7	1.4
Italy	3.6	3.6	3.4	2.6	2.3	1.8	2.1	1.8	1.8	1.9	1.4	1.6
Cyprus	3.2	3.4	4.0	1.8	2.0	1.2	1.8	1.2	1.5	1.3	1.1	1.4
Luxembourg	3.1	2.7	2.9	2.8	2.0	1.7	1.6	1.6	1.8	1.6	1.5	1.5
Malta	2.3	4.0	3.4	3.2	2.6	2.0	2.3	2.0	1.8	2.0	2.4	2.4
Netherlands	2.9	2.6	2.6	3.3	2.9	2.7	2.6	2.2	1.6	1.3	1.2	1.3
Austria	2.7	2.3	2.4	2.9	2.6	2.3	2.1	1.9	1.9	1.9	1.9	1.9
Portugal	3.3	2.8	3.0	2.0	0.7	0.7	0.4	0.5	1.2	1.2	1.2	1.2
Slovenia	2.5	2.5	3.2	3.0	2.6	2.3	2.1	1.9	1.7	1.5	1.5	1.5
Slovakia	4.0	3.6	3.8	3.6	1.9	1.7	2.1	2.1	1.9	2.0	1.9	2.0
Finland	3.0	3.0	3.3	3.4	3.3	2.3	2.1	2.3	1.5	2.5	2.5	2.5
Euro area	2.7	2.5	2.5	2.3	2.0	1.8	1.7	1.5	1.5	1.6	1.5	1.5
Bulgaria	1.9	1.8	3.0	2.8	2.5	2.6	2.6	2.7	2.6	2.5	2.8	2.9
Czech Republic	4.0	3.8	3.4	2.9	2.6	2.1	1.9	1.9	1.3	1.5	1.7	1.8
Denmark	2.8	2.2	2.4	2.1	1.5	1.6	1.3	1.8	2.5	1.7	1.3	0.5
Latvia	3.3	2.4	1.9	1.6	1.1	1.8	2.2	2.2	2.2	2.2	2.3	2.3
Lithuania	3.6	2.8	3.2	3.0	2.5	2.3	2.1	2.7	3.4	2.8	2.7	2.4
Hungary	5.6	5.5	6.0	5.5	3.6	3.5	3.8	3.4	3.5	3.3	3.2	3.2
Poland	4.2	4.0	3.9	2.8	1.9	1.6	1.7	1.9	2.0	2.1	2.4	2.6
Romania	2.7	2.1	4.2	4.7	5.4	5.3	4.2	3.5	3.2	3.2	3.3	3.4
Sweden	0.9	0.9	0.9	1.0	0.8	1.0	1.2	1.4	1.5	1.6	1.7	1.8
United Kingdom	3.5	2.7	2.4	2.7	2.8	2.7	2.5	2.3	2.3	2.3	2.3	2.2
EU	2.9	2.6	2.6	2.4	2.2	2.0	1.8	1.7	1.7	1.7	1.7	1.7
Croatia	1.7	3.2	4.1	4.4	:	:	:	:	:	:	:	:
USA	2.8	1.9	1.7	1.9	1.6	1.9	1.8	1.9	2.1	2.1	2.2	2.3
Japan	0.3	0.2	-0.4	-0.1	0.3	0.2	-0.4	-0.4	0.3	0.2	0.1	0.1

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.1	0.7	2.9	-6.3	4.9	4.5	**3.1**	**1.4**	**1.6**	*2.1*	*1.9*	*1.7*
Germany	0.3	0.1	0.7	-2.4	2.5	3.1	**1.1**	**0.4**	**1.0**	*1.1*	*0.8*	*1.1*
Estonia	14.9	2.1	4.6	-2.7	4.9	3.9	**0.6**	**1.0**	**2.2**	*1.3*	*1.6*	*2.2*
Ireland	1.0	0.3	-1.6	1.2	1.1	0.1	**2.8**	**1.3**	**1.0**	*1.0*	*1.3*	*1.0*
Greece	5.5	3.2	3.6	-5.0	7.9	8.2	**3.7**	**-0.1**	**0.9**	*3.1*	*-0.1*	*1.0*
Spain	3.0	0.9	2.9	-5.1	2.6	5.1	**2.3**	**0.7**	**0.8**	*2.6*	*1.5*	*0.8*
France	0.4	-1.0	1.9	-4.8	2.3	3.7	**3.1**	**1.2**	**0.8**	*3.1*	*1.2*	*0.8*
Italy	2.7	1.6	2.1	-3.1	2.8	4.4	**1.7**	**1.0**	**1.8**	*2.1*	*2.0*	*1.9*
Cyprus	:	1.2	3.0	0.3	1.3	2.8	**0.9**	**2.2**	**1.5**	*2.0*	*2.0*	*1.0*
Luxembourg	0.6	-0.6	4.4	-1.9	4.0	0.2	**2.5**	**2.0**	**1.5**	*3.1*	*2.5*	*2.5*
Malta	:	2.5	0.6	-7.4	0.2	14.6	**-1.2**	**0.8**	**1.4**	*-0.7*	*1.1*	*1.8*
Netherlands	0.4	0.0	2.7	-8.4	6.7	5.1	**2.1**	**0.8**	**0.9**	*2.2*	*1.2*	*1.0*
Austria	0.7	0.2	1.9	-2.3	3.3	3.2	**1.2**	**0.8**	**1.4**	*1.5*	*1.6*	*1.7*
Portugal	1.9	0.5	2.3	-6.1	5.1	6.6	**1.4**	**0.0**	**0.5**	*1.6*	*1.4*	*1.5*
Slovenia	8.9	5.1	2.2	-2.1	2.2	4.5	**1.9**	**0.6**	**0.9**	*1.9*	*1.5*	*1.4*
Slovakia	:	4.5	1.4	-5.4	3.1	3.9	**3.6**	**1.5**	**1.6**	*3.6*	*1.5*	*1.6*
Finland	0.6	-2.1	0.3	-8.6	5.0	5.1	**1.5**	**2.1**	**2.1**	*1.5*	*2.1*	*2.1*
Euro area	:	0.2	1.6	-4.2	3.3	3.9	**1.9**	**0.8**	**1.1**	*1.9*	*1.3*	*1.2*
Bulgaria	:	:	8.9	-13.2	11.0	11.1	**3.7**	**2.4**	**3.2**	*3.2*	*3.1*	*3.4*
Czech Republic	4.3	-0.8	-1.3	-0.5	-1.3	0.9	**2.9**	**0.3**	**1.0**	*2.7*	*1.0*	*1.0*
Denmark	0.3	1.3	3.5	-6.1	5.5	5.1	**3.0**	**2.2**	**2.2**	*2.3*	*2.2*	*2.2*
Latvia	:	1.6	10.9	-9.4	8.7	12.2	**4.0**	**2.0**	**2.1**	*4.0*	*2.1*	*2.1*
Lithuania	:	0.1	8.4	-16.7	12.4	13.5	**3.7**	**2.0**	**2.2**	*4.0*	*1.7*	*2.0*
Hungary	:	2.1	0.0	2.1	1.7	3.4	**3.9**	**1.1**	**1.6**	*5.0*	*0.6*	*0.4*
Poland	14.7	3.8	1.8	13.5	0.4	7.4	**2.7**	**1.4**	**1.5**	*3.5*	*1.0*	*1.0*
Romania	64.4	31.6	7.8	3.4	7.2	9.7	**8.9**	**5.0**	**2.7**	*7.2*	*3.0*	*2.7*
Sweden	0.7	-0.6	2.1	1.2	-0.8	-1.7	**-1.0**	**1.0**	**2.0**	*-1.0*	*1.0*	*1.5*
United Kingdom	-1.3	-0.3	3.2	1.2	6.2	6.6	**-1.0**	**0.5**	**1.0**	*-0.1*	*1.0*	*0.7*
EU	:	:	1.8	-2.9	3.4	4.1	**1.8**	**0.9**	**1.2**	*1.8*	*1.3*	*1.2*
Croatia	:	5.1	4.1	-4.5	1.8	6.1	**2.6**	**1.4**	**1.7**	*1.8*	*1.3*	*1.5*
USA	-1.0	0.1	3.7	-6.8	5.1	7.6	**0.4**	**1.2**	**1.6**	*0.2*	*0.6*	*1.6*
Japan	0.1	-3.5	0.3	-10.9	-1.8	-2.1	**-1.5**	**-1.5**	**-1.5**	*-2.0*	*-1.0*	*-0.7*

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.7	1.4	3.9	-9.5	7.1	6.7	**2.8**	**1.0**	**1.7**	*2.6*	*1.8*	*1.6*
Germany	-0.2	0.0	1.7	-8.0	5.2	6.0	**1.6**	**0.3**	**1.2**	*1.8*	*1.2*	*1.3*
Estonia	17.1	0.5	3.4	-3.6	6.6	8.2	**2.8**	**1.0**	**2.1**	*2.5*	*1.8*	*2.1*
Ireland	0.8	-0.8	0.6	-4.7	4.9	5.5	**3.1**	**1.3**	**1.1**	*1.0*	*1.2*	*1.1*
Greece	4.7	3.3	3.7	-1.5	5.9	7.6	**6.0**	**0.7**	**0.5**	*4.1*	*0.6*	*1.2*
Spain	2.2	0.9	3.3	-9.2	4.9	8.8	**5.4**	**-0.1**	**0.1**	*5.5*	*1.7*	*1.0*
France	0.4	-0.8	2.4	-7.9	4.5	6.2	**3.2**	**1.7**	**1.5**	*3.3*	*1.7*	*1.5*
Italy	2.1	2.0	4.3	-9.7	7.1	8.6	**2.7**	**-0.1**	**0.5**	*3.7*	*1.0*	*0.4*
Cyprus	:	1.4	3.6	-2.3	2.2	3.4	**3.4**	**2.3**	**1.3**	*3.8*	*2.1*	*1.9*
Luxembourg	1.4	0.1	2.8	-2.9	-1.8	-3.4	**3.6**	**1.1**	**1.4**	*3.3*	*1.5*	*1.5*
Malta	:	1.6	4.8	-3.0	6.9	9.6	**0.3**	**0.5**	**1.5**	*0.5*	*1.0*	*1.7*
Netherlands	-0.4	-0.8	2.9	-8.5	7.3	4.9	**2.6**	**1.0**	**1.0**	*2.5*	*1.9*	*1.5*
Austria	1.0	-0.1	2.6	-5.0	5.0	6.2	**1.2**	**0.4**	**1.2**	*1.8*	*1.7*	*1.3*
Portugal	1.3	0.7	3.1	-10.6	5.0	8.8	**1.5**	**-0.3**	**0.5**	*1.9*	*0.8*	*1.1*
Slovenia	7.2	4.9	3.3	-5.9	7.3	6.4	**3.1**	**0.5**	**1.4**	*3.1*	*2.1*	*2.0*
Slovakia	:	4.4	2.4	-4.7	4.0	5.5	**4.0**	**1.1**	**1.6**	*4.0*	*1.7*	*1.6*
Finland	-1.1	-1.1	3.1	-9.9	7.6	7.5	**1.5**	**2.9**	**2.9**	*1.5*	*2.9*	*2.9*
Euro area	:	0.3	2.7	-8.1	5.7	6.6	**2.6**	**0.7**	**1.1**	*2.8*	*1.5*	*1.3*
Bulgaria	:	:	9.1	-13.7	8.5	9.5	**4.4**	**3.0**	**3.4**	*6.4*	*3.6*	*3.6*
Czech Republic	2.3	-0.5	-0.3	-2.9	1.0	3.2	**3.8**	**0.4**	**1.3**	*4.5*	*0.7*	*1.2*
Denmark	-0.3	0.1	2.7	-6.8	4.4	6.9	**3.5**	**2.1**	**2.1**	*3.6*	*2.1*	*2.1*
Latvia	:	3.1	9.1	-6.7	7.6	6.1	**5.0**	**2.0**	**2.1**	*4.3*	*2.1*	*2.1*
Lithuania	:	-2.0	6.1	-11.5	10.9	14.2	**4.8**	**1.8**	**2.3**	*4.5*	*2.2*	*2.2*
Hungary	:	3.1	1.1	1.1	1.9	5.1	**4.5**	**0.2**	**1.7**	*6.0*	*0.2*	*0.5*
Poland	16.1	5.6	0.9	8.7	1.8	9.5	**5.0**	**2.0**	**2.1**	*6.0*	*1.5*	*2.7*
Romania	65.1	30.0	1.9	2.2	6.1	6.9	**6.5**	**3.6**	**1.8**	*6.5*	*2.6*	*1.7*
Sweden	0.7	1.0	2.8	-1.0	0.3	-0.4	**-0.3**	**1.0**	**1.5**	*-0.3*	*1.0*	*1.5*
United Kingdom	-1.2	-0.5	3.8	1.8	5.3	8.7	**-0.4**	**1.1**	**1.1**	*-0.1*	*0.4*	*0.9*
EU	:	:	2.8	-5.9	5.2	6.6	**2.4**	**0.8**	**1.2**	*2.7*	*1.4*	*1.3*
Croatia	:	3.9	2.5	-2.4	0.4	6.6	**2.9**	**1.4**	**1.6**	*3.8*	*1.3*	*1.2*
USA	-1.9	0.6	6.1	-12.4	6.8	8.9	**0.7**	**0.8**	**2.2**	*0.7*	*0.5*	*2.2*
Japan	0.9	-1.8	8.1	-23.2	5.7	7.3	**0.5**	**6.5**	**1.0**	*2.0*	*-1.0*	*0.7*

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-0.6	-0.7	-0.9	3.5	-2.1	-2.1	**0.3**	**0.4**	**0.0**	*-0.5*	*0.1*	*0.0*
Germany	0.5	0.0	-1.0	6.0	-2.5	-2.7	**-0.4**	**0.1**	**-0.2**	*-0.7*	*-0.4*	*-0.1*
Estonia	-1.9	1.6	1.2	0.9	-1.6	-4.0	**-2.1**	**0.0**	**0.1**	*-1.2*	*-0.2*	*0.1*
Ireland	0.2	1.1	-2.2	6.3	-3.6	-5.1	**-0.3**	**-0.1**	**-0.1**	*0.0*	*0.0*	*-0.1*
Greece	0.8	-0.1	-0.1	-3.5	1.8	0.6	**-2.2**	**-0.7**	**0.4**	*-1.0*	*-0.7*	*-0.2*
Spain	0.8	0.0	-0.4	4.5	-2.2	-3.3	**-2.9**	**0.8**	**0.7**	*-2.7*	*-0.2*	*-0.2*
France	0.0	-0.2	-0.4	3.3	-2.2	-2.4	**-0.1**	**-0.5**	**-0.7**	*-0.1*	*-0.5*	*-0.7*
Italy	0.6	-0.4	-2.1	7.4	-3.9	-3.9	**-1.0**	**1.1**	**1.3**	*-1.5*	*1.0*	*1.5*
Cyprus	:	-0.2	-0.5	2.7	-0.9	-0.6	**-2.4**	**-0.1**	**0.1**	*-1.7*	*-0.1*	*-0.9*
Luxembourg	-0.8	-0.7	1.6	1.0	5.9	3.7	**-1.1**	**0.9**	**0.1**	*-0.2*	*1.0*	*1.0*
Malta	:	0.9	-4.1	-4.6	-6.2	4.5	**-1.5**	**0.3**	**-0.1**	*-1.2*	*0.1*	*0.1*
Netherlands	0.8	0.8	-0.1	0.1	-0.6	0.2	**-0.5**	**-0.2**	**0.0**	*-0.2*	*-0.7*	*-0.5*
Austria	-0.3	0.3	-0.7	2.8	-1.6	-2.9	**0.0**	**0.4**	**0.2**	*-0.3*	*-0.1*	*0.4*
Portugal	0.6	-0.1	-0.8	5.0	0.1	-2.0	**-0.1**	**0.3**	**0.0**	*-0.3*	*0.6*	*0.4*
Slovenia	1.5	0.2	-1.1	4.1	-4.8	-1.8	**-1.2**	**0.1**	**-0.5**	*-1.2*	*-0.6*	*-0.6*
Slovakia	:	0.1	-0.9	-0.7	-0.8	-1.5	**-0.4**	**0.4**	**0.0**	*-0.4*	*-0.2*	*0.0*
Finland	1.8	-1.0	-2.7	1.4	-2.4	-2.3	**0.0**	**-0.8**	**-0.8**	*0.0*	*-0.8*	*-0.8*
Euro area	:	-0.1	-1.1	4.3	-2.2	-2.4	**-0.6**	**0.2**	**0.1**	*-0.7*	*-0.1*	*0.0*
Bulgaria	:	:	-0.1	0.6	2.3	1.4	**-0.7**	**-0.6**	**-0.2**	*-3.0*	*-0.5*	*-0.2*
Czech Republic	2.0	-0.3	-1.0	2.5	-2.3	-2.2	**-0.9**	**-0.1**	**-0.3**	*-1.7*	*0.3*	*-0.2*
Denmark	0.6	1.2	0.8	0.8	1.0	-1.7	**-0.5**	**0.1**	**0.1**	*-1.3*	*0.1*	*0.1*
Latvia	:	-1.4	1.7	-2.9	1.1	5.8	**-1.0**	**0.0**	**0.0**	*-0.3*	*0.0*	*0.0*
Lithuania	:	2.2	2.2	-5.9	1.4	-0.6	**-1.0**	**0.2**	**-0.1**	*-0.5*	*-0.5*	*-0.2*
Hungary	:	-1.0	-1.1	1.1	-0.2	-1.7	**-0.6**	**1.0**	**-0.1**	*-1.0*	*0.4*	*-0.1*
Poland	-1.2	-1.8	1.0	4.4	-1.4	-1.9	**-2.1**	**-0.6**	**-0.6**	*-2.4*	*-0.5*	*-1.7*
Romania	-0.4	1.2	5.7	1.2	1.0	2.6	**2.2**	**1.4**	**0.9**	*0.7*	*0.4*	*1.0*
Sweden	-0.1	-1.6	-0.7	2.2	-1.1	-1.4	**-0.7**	**0.0**	**0.5**	*-0.7*	*0.0*	*0.0*
United Kingdom	-0.1	0.2	-0.6	-0.6	0.8	-2.0	**-0.6**	**-0.6**	**0.0**	*-0.1*	*0.6*	*-0.2*
EU	:	:	-0.8	3.7	-1.8	-2.3	**-0.7**	**0.3**	**0.0**	*-0.9*	*0.0*	*-0.1*
Croatia	:	1.2	1.6	-2.1	1.5	-0.5	**-0.2**	**0.0**	**0.1**	*-1.9*	*0.0*	*0.3*
USA	0.9	-0.5	-2.3	6.4	-1.6	-1.1	**-0.4**	**0.3**	**-0.7**	*-0.5*	*0.1*	*-0.7*
Japan	-0.7	-1.7	-7.2	16.1	-7.0	-8.8	**-2.0**	**-7.5**	**-2.5**	*-3.9*	*0.0*	*-1.4*

TABLE 22 : Total population (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.2	0.3	0.6	0.8	0.9	0.9	**0.7**	**0.7**	**0.8**	*0.8*	*0.8*	*0.8*
Germany	0.2	0.1	-0.1	-0.3	-0.1	0.0	**0.2**	**0.1**	**0.0**	*0.1*	*0.0*	*0.0*
Estonia	-1.6	-0.5	-0.2	0.0	0.0	0.0	**-0.1**	**-0.1**	**0.0**	*0.0*	*0.0*	*0.0*
Ireland	0.8	1.5	2.1	0.6	0.2	0.3	**0.4**	**0.8**	**0.9**	*0.4*	*0.7*	*0.9*
Greece	0.7	0.3	0.4	0.4	0.2	-0.1	**0.1**	**0.1**	**0.1**	*0.1*	*0.1*	*0.1*
Spain	0.2	1.1	1.7	0.7	0.3	0.1	**0.1**	**-0.2**	**-0.2**	*-0.1*	*-0.1*	*-0.1*
France	0.4	0.7	0.7	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Italy	0.0	0.2	0.8	0.6	0.5	0.4	**0.4**	**0.4**	**0.4**	*0.4*	*0.4*	*0.4*
Cyprus	1.6	1.1	1.8	2.7	2.6	2.6	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*0.8*
Luxembourg	1.3	1.2	1.6	1.8	1.9	2.3	**1.8**	**1.7**	**1.6**	*1.8*	*1.7*	*1.6*
Malta	0.7	0.7	0.7	0.4	0.5	0.7	**0.6**	**0.4**	**0.4**	*0.5*	*0.2*	*0.0*
Netherlands	0.5	0.7	0.3	0.5	0.5	0.5	**0.5**	**0.5**	**0.4**	*0.5*	*0.5*	*0.4*
Austria	0.2	0.4	0.5	0.3	0.3	0.4	**0.4**	**0.4**	**0.4**	*0.4*	*0.4*	*0.4*
Portugal	0.3	0.6	0.3	0.1	0.0	0.1	**0.0**	**0.1**	**0.0**	*0.0*	*0.1*	*0.0*
Slovenia	-0.1	0.1	0.3	1.0	0.4	0.2	**0.1**	**0.2**	**0.1**	*0.1*	*0.2*	*0.1*
Slovakia	0.2	0.0	0.1	0.2	0.2	0.2	**0.3**	**0.3**	**0.3**	*0.3*	*0.4*	*0.4*
Finland	0.3	0.2	0.4	0.5	0.5	0.4	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*	*0.5*
Euro area	0.2	0.5	0.6	0.4	0.3	0.3	**0.3**	**0.3**	**0.2**	*0.3*	*0.3*	*0.2*
Bulgaria	-0.5	-1.1	-0.5	-0.5	-0.7	-2.5	**-0.6**	**-0.6**	**-0.6**	*-0.6*	*-0.6*	*-0.6*
Czech Republic	-0.1	-0.2	0.4	0.6	0.2	-0.2	**-0.3**	**0.0**	**0.0**	*-0.3*	*0.0*	*0.0*
Denmark	0.4	0.3	0.4	0.5	0.4	0.4	**0.3**	**0.3**	**0.3**	*0.3*	*0.3*	*0.3*
Latvia	-1.2	-1.0	-1.0	-1.6	-2.1	-1.9	**-1.1**	**-0.7**	**-0.7**	*-1.0*	*-0.7*	*-0.7*
Lithuania	-0.7	-0.5	-0.6	-0.6	-1.6	-7.8	**-0.9**	**-0.9**	**-0.8**	*-0.8*	*-0.5*	*-0.5*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.2	-0.3	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
Poland	0.1	0.0	0.0	0.1	1.0	0.0	**0.0**	**0.0**	**-0.1**	*0.0*	*0.0*	*-0.1*
Romania	-0.2	-0.7	-0.2	-0.2	-0.2	-0.2	**-0.2**	**-0.2**	**-0.2**	*-0.2*	*-0.2*	*-0.2*
Sweden	0.3	0.2	0.6	0.9	0.8	0.7	**0.7**	**0.7**	**0.6**	*0.7*	*0.7*	*0.6*
United Kingdom	0.3	0.4	0.6	0.6	0.8	0.8	**0.7**	**0.8**	**0.8**	*0.5*	*0.7*	*0.5*
EU	0.2	0.3	0.4	0.3	0.3	0.2	**0.3**	**0.3**	**0.2**	*0.2*	*0.2*	*0.2*
Croatia	-0.3	-0.4	0.0	-0.1	-0.3	-0.3	**-0.2**	**-0.2**	**-0.3**	*-0.2*	*-0.3*	*-0.3*
USA	1.2	1.0	0.9	0.9	0.8	0.7	**0.7**	**0.8**	**0.9**	*0.7*	*0.9*	*0.9*
Japan	0.3	0.2	0.0	-0.1	-0.3	0.6	**-0.1**	**-0.1**	**-0.1**	*-0.1*	*-0.1*	*-0.1*

TABLE 23 : Total employment (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.8	0.9	1.4	-0.2	0.7	1.4	**0.2**	**0.0**	**0.9**	*0.1*	*0.3*	*0.5*
Germany	0.2	0.4	0.7	0.1	0.6	1.4	**1.1**	**0.1**	**0.3**	*1.1*	*0.2*	*0.4*
Estonia	-2.8	-0.5	1.6	-10.0	-4.8	7.0	**2.1**	**0.3**	**1.1**	*1.8*	*0.8*	*1.0*
Ireland	4.9	3.5	3.0	-8.1	-4.2	-2.1	**-1.0**	**0.1**	**0.9**	*-1.2*	*0.0*	*0.9*
Greece	1.0	0.9	2.0	-0.6	-2.6	-5.6	**-8.6**	**-3.5**	**0.5**	*-7.9*	*-2.1*	*1.4*
Spain	2.1	3.6	2.5	-6.5	-2.3	-1.7	**-4.4**	**-3.1**	**0.0**	*-4.5*	*-2.7*	*0.2*
France	0.5	1.5	0.7	-1.5	-0.3	0.5	**-0.1**	**0.0**	**0.5**	*-0.1*	*0.0*	*0.6*
Italy	0.1	1.2	0.5	-2.9	-0.9	0.1	**-1.3**	**-1.4**	**0.4**	*-1.3*	*-1.0*	*0.4*
Cyprus	:	2.3	2.9	-0.5	0.0	0.5	**-3.6**	**-1.3**	**-0.5**	*-4.0*	*-0.6*	*-0.3*
Luxembourg	3.1	4.2	3.6	1.1	1.8	2.9	**2.2**	**1.0**	**1.3**	*1.9*	*0.8*	*1.3*
Malta	1.0	0.2	1.6	-0.2	1.7	2.6	**1.7**	**1.7**	**1.9**	*0.9*	*1.3*	*1.6*
Netherlands	2.0	0.9	0.9	-1.1	-0.6	0.5	**-0.7**	**-0.6**	**-0.1**	*-0.2*	*-0.6*	*-0.1*
Austria	0.3	0.4	1.2	-1.5	0.5	1.4	**1.3**	**0.6**	**0.9**	*1.1*	*0.7*	*0.9*
Portugal	1.0	1.0	0.1	-2.6	-1.5	-1.5	**-4.3**	**-2.7**	**0.5**	*-4.0*	*-1.6*	*0.3*
Slovenia	:	1.0	1.5	-1.8	-2.2	-1.6	**-1.3**	**-1.6**	**-0.9**	*-1.6*	*-1.7*	*-0.6*
Slovakia	:	-0.6	1.7	-2.0	-1.5	1.8	**0.1**	**0.0**	**0.5**	*0.3*	*0.1*	*0.5*
Finland	1.4	1.4	1.7	-2.6	-0.1	1.1	**0.3**	**-0.3**	**0.2**	*0.3*	*-0.2*	*0.2*
Euro area	:	1.2	1.1	-2.1	-0.6	0.2	**-0.9**	**-0.8**	**0.3**	*-0.8*	*-0.5*	*0.4*
Bulgaria	:	-0.9	2.9	-2.6	-4.7	-4.2	**-1.9**	**-0.2**	**0.6**	*-2.0*	*-0.2*	*0.4*
Czech Republic	0.0	-0.7	1.5	-1.8	-1.0	0.3	**0.2**	**-0.1**	**0.5**	*-0.4*	*-0.2*	*0.0*
Denmark	1.2	0.2	1.4	-2.4	-2.3	-0.4	**-0.6**	**-0.1**	**0.1**	*-0.3*	*0.1*	*0.2*
Latvia	-3.8	0.2	2.4	-13.2	-4.8	-8.1	**2.8**	**1.9**	**2.1**	*1.8*	*1.3*	*2.1*
Lithuania	-1.4	-0.9	1.3	-6.8	-5.1	2.0	**1.9**	**1.4**	**1.7**	*1.7*	*1.0*	*1.4*
Hungary	:	0.7	-0.4	-2.5	0.7	0.4	**1.3**	**0.0**	**0.6**	*1.0*	*0.3*	*0.6*
Poland	0.6	-2.4	3.0	0.4	0.5	1.0	**0.1**	**-0.1**	**0.2**	*0.3*	*0.1*	*0.4*
Romania	-2.6	-3.4	-0.4	-2.0	-0.3	-0.8	**0.4**	**0.5**	**0.7**	*0.4*	*0.8*	*0.9*
Sweden	0.0	1.2	0.9	-2.4	1.2	2.2	**0.6**	**0.2**	**0.7**	*0.4*	*0.5*	*1.0*
United Kingdom	1.2	1.0	0.9	-1.6	0.2	0.5	**0.8**	**0.5**	**1.1**	*0.5*	*0.5*	*1.0*
EU	:	0.6	1.1	-1.9	-0.5	0.2	**-0.4**	**-0.4**	**0.5**	*-0.4*	*-0.2*	*0.6*
Croatia	:	0.6	2.1	-1.8	-5.1	-2.3	**-1.0**	**-0.8**	**0.6**	*-1.8*	*-0.5*	*0.6*
USA	2.2	0.6	0.9	-5.0	-0.8	0.6	**1.9**	**1.4**	**1.9**	*1.7*	*0.7*	*1.1*
Japan	0.0	-0.8	0.3	-1.6	-0.5	-0.2	**0.4**	**0.1**	**0.2**	*-0.2*	*0.1*	*0.1*

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 24 : Unemployment rate (number of unemployed as a percentage of total labour force, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	9.5	7.5	7.9	7.9	8.3	7.2	**7.3**	**7.7**	**7.7**	*7.5*	*7.7*	*7.8*
Germany	9.0	8.6	9.7	7.8	7.1	5.9	**5.5**	**5.7**	**5.6**	*5.5*	*5.6*	*5.5*
Estonia	9.2	11.6	6.7	13.8	16.9	12.5	**10.0**	**9.8**	**9.0**	*10.5*	*9.8*	*9.0*
Ireland	11.1	4.6	4.9	12.0	13.9	14.7	**14.8**	**14.6**	**14.1**	*14.8*	*14.7*	*14.2*
Greece	9.7	10.8	9.1	9.5	12.6	17.7	**24.7**	**27.0**	**25.7**	*23.6*	*24.0*	*22.2*
Spain	18.8	11.6	9.6	18.0	20.1	21.7	**25.0**	**26.9**	**26.6**	*25.1*	*26.6*	*26.1*
France	10.9	9.0	8.8	9.5	9.7	9.6	**10.3**	**10.7**	**11.0**	*10.2*	*10.7*	*10.7*
Italy	11.1	9.4	7.1	7.8	8.4	8.4	**10.6**	**11.6**	**12.0**	*10.6*	*11.5*	*11.8*
Cyprus	:	4.0	4.6	5.5	6.5	7.9	**12.1**	**13.7**	**14.2**	*12.1*	*13.1*	*13.9*
Luxembourg	2.9	2.6	4.7	5.1	4.6	4.8	**5.0**	**5.4**	**5.7**	*5.4*	*6.4*	*6.4*
Malta	5.7	7.3	6.8	6.9	6.9	6.5	**6.5**	**6.4**	**6.2**	*6.3*	*6.3*	*6.2*
Netherlands	5.9	3.3	4.3	3.7	4.5	4.4	**5.3**	**6.3**	**6.5**	*5.4*	*6.1*	*6.2*
Austria	4.2	3.9	4.6	4.8	4.4	4.2	**4.4**	**4.5**	**4.2**	*4.5*	*4.7*	*4.2*
Portugal	6.7	5.4	8.4	10.6	12.0	12.9	**15.7**	**17.3**	**16.8**	*15.5*	*16.4*	*15.9*
Slovenia	:	6.6	5.6	5.9	7.3	8.2	**9.0**	**9.8**	**10.0**	*8.5*	*9.3*	*9.6*
Slovakia	12.8	18.3	13.8	12.1	14.5	13.6	**14.0**	**14.0**	**13.6**	*13.5*	*13.5*	*13.1*
Finland	14.1	9.4	7.6	8.2	8.4	7.8	**7.7**	**8.0**	**7.9**	*7.9*	*8.1*	*8.0*
Euro area	:	8.8	8.4	9.6	10.1	10.2	**11.4**	**12.2**	**12.1**	*11.3*	*11.8*	*11.7*
Bulgaria	:	16.6	8.7	6.8	10.3	11.3	**12.2**	**12.2**	**11.9**	*12.7*	*12.7*	*12.5*
Czech Republic	4.5	8.1	6.6	6.7	7.3	6.7	**7.0**	**7.6**	**7.3**	*7.0*	*7.3*	*7.1*
Denmark	6.2	4.8	4.3	6.0	7.5	7.6	**7.7**	**8.0**	**7.9**	*7.7*	*7.7*	*7.6*
Latvia	17.1	12.9	8.5	18.2	19.8	16.2	**14.9**	**13.7**	**12.2**	*15.2*	*14.3*	*12.7*
Lithuania	7.7	14.9	6.7	13.6	18.0	15.3	**13.0**	**11.4**	**9.8**	*13.5*	*12.4*	*10.9*
Hungary	:	6.0	7.2	10.0	11.2	10.9	**10.8**	**11.1**	**11.1**	*10.8*	*10.8*	*10.6*
Poland	12.2	17.5	13.5	8.1	9.6	9.6	**10.2**	**10.8**	**10.9**	*10.1*	*10.5*	*10.3*
Romania	:	6.8	6.9	6.9	7.3	7.4	**7.0**	**6.9**	**6.8**	*7.4*	*7.3*	*7.3*
Sweden	9.2	6.1	6.9	8.3	8.4	7.5	**7.7**	**8.0**	**7.8**	*7.5*	*7.4*	*6.9*
United Kingdom	7.7	5.3	5.2	7.6	7.8	8.0	**7.9**	**8.0**	**7.8**	*7.9*	*8.0*	*7.8*
EU	:	8.9	8.2	9.0	9.7	9.6	**10.5**	**11.1**	**11.0**	*10.5*	*10.9*	*10.7*
Croatia	:	13.9	11.0	9.1	11.8	13.5	**15.8**	**15.9**	**14.9**	*14.2*	*13.9*	*12.9*
USA	5.3	5.0	5.1	9.3	9.6	8.9	**8.1**	**7.6**	**7.0**	*8.2*	*7.9*	*7.5*
Japan	3.4	5.0	4.2	5.1	5.1	4.6	**4.3**	**4.3**	**4.2**	*4.5*	*4.4*	*4.3*

[1] Series following Eurostat definition, based on the labour force survey.

TABLE 25 : Compensation of employees per head (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	2.3	3.0	2.8	1.2	1.4	3.1	**3.4**	**2.4**	**1.4**	*3.1*	*2.5*	*2.6*
Germany	1.8	1.4	0.8	0.2	2.4	3.0	**2.4**	**2.4**	**3.1**	*2.6*	*2.8*	*3.1*
Estonia	31.4	10.7	14.2	-3.2	1.8	-0.2	**5.4**	**5.4**	**6.1**	*5.0*	*5.4*	*5.8*
Ireland	3.6	6.5	5.3	-0.9	-3.1	0.2	**0.7**	**0.3**	**0.2**	*0.7*	*0.0*	*0.1*
Greece	10.3	6.8	3.5	3.5	-2.6	-3.4	**-6.0**	**-7.0**	**-2.0**	*-6.8*	*-6.8*	*-1.2*
Spain	3.1	3.0	4.4	4.4	0.0	0.7	**-0.1**	**1.4**	**0.1**	*0.4*	*1.4*	*0.4*
France	2.0	2.5	3.0	2.0	2.6	2.8	**2.1**	**1.6**	**1.7**	*2.0*	*1.8*	*1.7*
Italy	3.3	2.8	3.0	1.7	2.3	1.2	**1.0**	**1.3**	**1.2**	*1.1*	*1.3*	*1.2*
Cyprus	:	5.3	2.8	2.5	2.7	3.3	**1.1**	**-4.4**	**-1.2**	*-0.9*	*-0.3*	*0.5*
Luxembourg	2.1	3.4	3.5	1.9	2.7	2.0	**2.2**	**2.2**	**2.9**	*2.3*	*2.7*	*3.2*
Malta	6.3	5.6	3.2	3.6	0.3	0.5	**1.9**	**2.2**	**2.3**	*1.1*	*2.1*	*2.0*
Netherlands	2.6	4.8	2.9	2.5	1.5	1.7	**1.0**	**1.6**	**2.2**	*2.4*	*2.1*	*2.3*
Austria	2.6	2.2	2.6	2.5	1.3	2.3	**2.9**	**2.1**	**1.9**	*2.9*	*2.1*	*1.9*
Portugal	6.6	4.5	3.2	2.8	2.0	-0.3	**-2.7**	**1.6**	**0.5**	*-2.9*	*1.5*	*0.4*
Slovenia	:	9.3	6.5	1.8	3.9	1.6	**-0.4**	**0.1**	**1.0**	*0.5*	*0.4*	*1.5*
Slovakia	:	8.9	8.2	2.5	5.1	1.1	**2.4**	**2.5**	**2.5**	*1.3*	*2.1*	*2.5*
Finland	3.2	3.0	3.6	2.3	1.8	3.4	**3.3**	**3.3**	**3.4**	*3.3*	*3.3*	*3.4*
Euro area	:	2.6	2.5	1.8	1.9	2.2	**1.8**	**1.8**	**1.9**	*1.9*	*2.0*	*2.0*
Bulgaria	:	7.9	10.1	9.4	11.2	7.3	**5.3**	**5.1**	**5.5**	*5.2*	*4.8*	*5.5*
Czech Republic	13.9	7.6	5.7	-0.6	3.6	2.7	**1.8**	**1.8**	**2.7**	*2.8*	*2.0*	*2.6*
Denmark	3.3	3.8	3.5	2.3	2.7	1.6	**1.6**	**1.5**	**1.6**	*1.7*	*1.6*	*1.8*
Latvia	22.2	6.6	22.5	-12.7	-6.7	20.9	**3.3**	**2.7**	**3.4**	*3.1*	*2.6*	*3.4*
Lithuania	39.6	4.5	13.4	-9.9	-0.4	3.6	**3.7**	**4.3**	**3.5**	*3.5*	*2.6*	*3.4*
Hungary	:	12.0	7.1	-1.7	-0.3	3.0	**3.9**	**0.9**	**4.9**	*4.5*	*1.0*	*5.5*
Poland	27.0	7.6	3.8	3.5	4.7	4.0	**3.5**	**2.5**	**3.1**	*3.5*	*3.4*	*4.6*
Romania	83.2	42.6	21.6	-1.9	-3.3	15.5	**4.9**	**6.3**	**4.6**	*4.6*	*4.9*	*3.9*
Sweden	4.6	3.8	3.2	1.6	2.8	0.8	**3.0**	**3.1**	**3.5**	*2.9*	*3.0*	*3.4*
United Kingdom	3.8	4.7	3.8	2.8	2.8	2.0	**2.8**	**2.7**	**2.9**	*3.0*	*2.4*	*2.9*
EU	:	3.7	2.8	1.9	2.2	2.4	**1.9**	**2.0**	**2.2**	*2.1*	*2.1*	*2.3*
Croatia	:	6.4	5.1	1.0	4.5	3.0	**1.2**	**1.1**	**1.2**	*1.4*	*1.3*	*1.4*
USA	3.2	4.2	3.7	1.9	3.0	3.3	**1.2**	**0.9**	**1.9**	*1.9*	*3.8*	*3.7*
Japan	1.0	-1.1	-0.8	-3.7	0.1	0.4	**0.8**	**0.9**	**0.9**	*0.5*	*1.2*	*1.2*

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 26 : Real compensation of employees per head [1] (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.9	1.3	-0.1	1.9	-0.7	0.0	**0.8**	**0.7**	**-0.2**	*0.5*	*0.7*	*1.2*
Germany	0.4	0.3	-0.5	0.2	0.3	0.9	**0.8**	**0.8**	**1.3**	*1.0*	*1.1*	*1.3*
Estonia	9.5	6.6	8.1	-1.9	-0.8	-5.0	**1.3**	**1.9**	**2.9**	*0.9*	*1.4*	*2.5*
Ireland	0.7	2.1	3.2	6.3	-1.0	-1.3	**-1.2**	**-1.0**	**-1.2**	*-1.2*	*-1.3*	*-1.3*
Greece	2.5	3.0	0.1	2.8	-6.3	-6.5	**-6.9**	**-6.3**	**-1.7**	*-7.8*	*-6.0*	*-0.8*
Spain	-0.4	0.0	0.8	5.6	-1.9	-2.2	**-2.4**	**-0.3**	**-0.9**	*-1.8*	*-0.6*	*-0.9*
France	0.9	1.1	0.8	2.7	1.5	0.8	**0.2**	**0.0**	**-0.3**	*0.2*	*0.2*	*-0.3*
Italy	-0.5	0.1	0.5	1.8	0.7	-1.5	**-1.6**	**-0.6**	**-0.5**	*-1.4*	*-0.7*	*-0.5*
Cyprus	:	2.4	-0.4	1.8	0.6	0.0	**-1.7**	**-5.9**	**-2.9**	*-3.7*	*-2.3*	*-1.4*
Luxembourg	0.3	1.1	0.8	1.0	1.0	-0.6	**0.1**	**0.5**	**1.0**	*-0.4*	*0.6*	*1.3*
Malta	:	4.2	0.7	0.9	-2.8	-0.4	**-0.7**	**0.1**	**0.3**	*-1.3*	*0.0*	*0.0*
Netherlands	0.4	1.6	1.2	3.0	0.2	-0.5	**-1.4**	**-1.0**	**0.2**	*-0.3*	*-0.5*	*0.3*
Austria	0.9	0.9	0.3	2.1	-0.6	-1.3	**0.0**	**0.0**	**0.1**	*0.5*	*0.3*	*0.0*
Portugal	2.5	1.4	0.4	5.1	0.7	-3.9	**-4.8**	**1.0**	**-0.8**	*-5.1*	*0.6*	*-0.9*
Slovenia	:	2.4	3.0	0.8	2.4	-0.1	**-3.1**	**-2.1**	**-0.5**	*-2.2*	*-1.8*	*-0.1*
Slovakia	:	2.1	3.6	2.4	4.0	-2.7	**-1.0**	**0.6**	**0.6**	*-2.1*	*0.2*	*0.6*
Finland	2.0	1.0	2.0	0.9	-0.3	0.0	**0.2**	**1.3**	**1.6**	*0.2*	*1.3*	*1.6*
Euro area	:	0.6	0.3	2.3	0.2	-0.3	**-0.3**	**0.2**	**0.2**	*-0.1*	*0.3*	*0.3*
Bulgaria	:	4.4	4.2	7.8	8.5	3.4	**1.9**	**1.9**	**2.4**	*2.1*	*2.1*	*2.6*
Czech Republic	4.6	5.5	2.9	-1.4	3.3	2.2	**0.3**	**0.2**	**1.5**	*-0.5*	*0.9*	*1.5*
Denmark	1.4	1.8	1.8	0.8	0.1	-0.9	**-0.6**	**0.0**	**0.1**	*-0.5*	*-0.2*	*0.2*
Latvia	:	3.9	11.7	-15.5	-5.1	15.1	**0.6**	**0.8**	**1.1**	*0.5*	*0.4*	*1.0*
Lithuania	:	5.0	8.4	-13.8	-1.7	-0.6	**0.7**	**1.9**	**0.6**	*0.1*	*-0.5*	*0.4*
Hungary	:	3.7	2.1	-5.4	-4.0	-1.5	**-1.7**	**-2.6**	**1.6**	*-1.2*	*-4.1*	*1.6*
Poland	4.6	2.8	1.2	0.9	2.2	-0.8	**-0.2**	**0.7**	**0.8**	*-0.3*	*0.8*	*2.2*
Romania	4.7	9.5	12.8	-5.4	-10.2	10.7	**1.5**	**1.7**	**1.4**	*0.9*	*0.1*	*0.7*
Sweden	2.9	2.2	1.6	-0.5	1.3	-0.4	**2.0**	**1.7**	**1.7**	*1.9*	*1.7*	*1.6*
United Kingdom	1.1	3.6	1.2	1.4	-0.9	-2.4	**0.1**	**0.7**	**0.9**	*0.2*	*0.5*	*0.9*
EU	:	1.6	0.4	1.7	0.1	-0.5	**-0.3**	**0.2**	**0.4**	*-0.1*	*0.2*	*0.5*
Croatia	:	2.6	1.6	-2.2	3.4	0.6	**-2.2**	**-1.9**	**-0.7**	*-1.9*	*-1.9*	*-0.5*
USA	1.3	2.3	0.9	1.8	1.0	0.8	**-0.5**	**-0.4**	**0.0**	*0.1*	*1.1*	*0.8*
Japan	0.8	-0.1	-0.4	-1.3	1.8	1.2	**1.4**	**0.5**	**-1.1**	*2.1*	*2.2*	*1.2*

[1] Deflated by the price deflator of private consumption.

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 27 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	1.8	1.1	0.9	-2.6	1.7	0.4	**-0.4**	**0.2**	**0.6**	*-0.3*	*0.4*	*1.1*
Germany	1.5	0.8	1.2	-5.2	3.6	1.6	**-0.4**	**0.4**	**1.7**	*-0.3*	*0.6*	*1.6*
Estonia	8.4	6.5	3.9	-4.5	8.5	1.2	**1.2**	**2.7**	**2.9**	*0.7*	*2.3*	*3.0*
Ireland	3.9	3.7	0.7	2.9	3.6	3.6	**1.7**	**1.0**	**1.3**	*1.7*	*1.0*	*1.2*
Greece	1.7	3.4	1.1	-2.5	-2.4	-1.6	**2.4**	**-0.9**	**0.1**	*2.0*	*-2.2*	*-0.8*
Spain	1.0	0.3	0.5	2.9	2.0	2.2	**3.2**	**1.7**	**0.8**	*3.2*	*1.3*	*0.6*
France	1.6	0.6	1.1	-1.6	1.9	1.2	**0.1**	**0.1**	**0.7**	*0.3*	*0.4*	*0.6*
Italy	1.8	0.3	0.5	-2.7	2.7	0.3	**-0.9**	**0.4**	**0.4**	*-1.0*	*0.5*	*0.4*
Cyprus	:	1.2	1.2	-1.3	1.3	0.0	**1.4**	**-2.2**	**-0.8**	*1.7*	*-1.0*	*-0.4*
Luxembourg	0.7	0.7	0.4	-5.1	1.1	-1.2	**-2.0**	**-0.5**	**0.3**	*-1.5*	*-0.1*	*0.2*
Malta	3.8	2.5	1.1	-2.2	0.9	-1.0	**-0.7**	**-0.2**	**0.0**	*0.1*	*0.3*	*0.5*
Netherlands	1.5	1.3	1.8	-2.6	2.2	0.5	**-0.2**	**0.0**	**1.2**	*-0.1*	*0.9*	*1.5*
Austria	2.4	1.7	1.5	-2.3	1.5	1.3	**-0.6**	**0.1**	**1.0**	*-0.3*	*0.2*	*1.2*
Portugal	2.3	0.9	1.1	-0.3	3.5	0.0	**1.1**	**0.8**	**0.3**	*1.1*	*0.6*	*0.5*
Slovenia	:	2.8	3.4	-6.1	3.5	2.2	**-0.6**	**-0.3**	**1.6**	*-0.7*	*0.1*	*1.5*
Slovakia	:	3.4	5.4	-3.0	6.0	1.4	**2.0**	**1.0**	**2.4**	*2.4*	*1.9*	*2.5*
Finland	3.0	1.7	1.7	-6.1	3.4	1.7	**-0.4**	**0.5**	**1.0**	*-0.2*	*1.0*	*1.0*
Euro area	:	0.8	1.0	-2.4	2.6	1.2	**0.3**	**0.5**	**1.0**	*0.3*	*0.6*	*1.0*
Bulgaria	:	5.3	3.5	-2.9	5.3	6.1	**2.8**	**1.6**	**1.4**	*2.8*	*1.6*	*1.6*
Czech Republic	2.5	3.7	3.9	-2.8	3.5	1.6	**-1.3**	**0.1**	**1.4**	*-0.9*	*1.0*	*2.0*
Denmark	2.1	1.3	0.4	-3.4	3.9	1.5	**0.2**	**1.3**	**1.6**	*0.9*	*1.5*	*1.1*
Latvia	8.1	6.0	4.6	-5.3	4.0	14.8	**2.4**	**1.9**	**2.0**	*2.5*	*2.3*	*1.8*
Lithuania	4.2	6.2	5.8	-8.6	7.0	3.8	**1.6**	**1.6**	**1.9**	*1.2*	*2.1*	*2.2*
Hungary	:	3.2	3.1	-4.4	0.6	1.2	**-3.0**	**-0.1**	**0.7**	*-2.1*	*0.0*	*0.8*
Poland	5.5	5.6	2.4	1.2	3.4	3.3	**1.9**	**1.3**	**2.0**	*2.1*	*1.7*	*2.2*
Romania	4.1	7.0	7.3	-4.7	-0.9	2.9	**-0.2**	**1.1**	**1.8**	*0.4*	*1.3*	*1.7*
Sweden	3.2	1.8	2.0	-2.7	5.3	1.4	**0.4**	**1.1**	**1.9**	*0.7*	*1.4*	*1.4*
United Kingdom	2.2	2.3	1.3	-2.4	1.6	0.4	**-0.8**	**0.4**	**0.8**	*-0.8*	*0.4*	*1.0*
EU	:	1.7	1.2	-2.4	2.6	1.3	**0.1**	**0.5**	**1.1**	*0.3*	*0.7*	*1.1*
Croatia	:	2.6	1.9	-5.2	3.9	2.4	**-0.9**	**0.4**	**0.4**	*-0.1*	*0.5*	*0.8*
USA	1.6	2.3	1.2	1.9	3.2	1.2	**0.3**	**0.5**	**0.7**	*0.4*	*1.5*	*1.5*
Japan	1.0	1.7	1.0	-4.0	5.1	-0.4	**1.5**	**0.9**	**1.4**	*2.2*	*0.7*	*1.8*

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 28 : Unit labour costs, whole economy [1] (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.5	1.9	1.8	3.9	-0.4	2.7	**3.8**	**2.1**	**0.8**	*3.4*	*2.1*	*1.5*
Germany	0.3	0.6	-0.4	5.6	-1.1	1.4	**2.8**	**2.0**	**1.4**	*2.8*	*2.1*	*1.5*
Estonia	21.3	3.9	10.0	1.4	-6.2	-1.4	**4.2**	**2.7**	**3.1**	*4.3*	*3.1*	*2.7*
Ireland	-0.2	2.7	4.6	-3.7	-6.5	-3.2	**-1.0**	**-0.6**	**-1.0**	*-0.9*	*-1.0*	*-1.1*
Greece	8.5	3.3	2.4	6.2	-0.1	-1.8	**-8.2**	**-6.1**	**-2.1**	*-8.6*	*-4.7*	*-0.5*
Spain	2.1	2.8	3.8	1.5	-2.0	-1.4	**-3.2**	**-0.3**	**-0.7**	*-2.7*	*0.1*	*-0.2*
France	0.3	1.9	1.9	3.7	0.6	1.6	**2.0**	**1.5**	**1.0**	*1.6*	*1.4*	*1.1*
Italy	1.5	2.5	2.5	4.6	-0.4	0.9	**1.9**	**1.0**	**0.8**	*2.2*	*0.8*	*0.8*
Cyprus	:	4.1	1.5	3.9	1.4	3.3	**-0.3**	**-2.3**	**-0.4**	*-2.6*	*0.8*	*0.9*
Luxembourg	1.4	2.6	3.1	7.3	1.6	3.3	**4.2**	**2.7**	**2.7**	*3.9*	*2.8*	*3.0*
Malta	2.4	3.1	2.0	5.9	-0.6	1.6	**2.6**	**2.4**	**2.2**	*1.0*	*1.8*	*1.5*
Netherlands	1.0	3.4	1.0	5.3	-0.8	1.3	**1.2**	**1.5**	**1.0**	*2.4*	*1.3*	*0.8*
Austria	0.2	0.5	1.1	4.9	-0.2	1.0	**3.5**	**2.0**	**0.9**	*3.2*	*1.9*	*0.8*
Portugal	4.1	3.5	2.0	3.1	-1.5	-0.2	**-3.8**	**0.8**	**0.2**	*-4.0*	*0.9*	*-0.1*
Slovenia	:	6.2	3.0	8.5	0.4	-0.6	**0.3**	**0.4**	**-0.6**	*1.2*	*0.2*	*0.1*
Slovakia	:	5.3	2.6	5.7	-0.9	-0.4	**0.5**	**1.5**	**0.1**	*-1.0*	*0.2*	*0.0*
Finland	0.2	1.3	1.9	9.0	-1.6	1.7	**3.7**	**2.7**	**2.4**	*3.5*	*2.2*	*2.3*
Euro area	:	1.9	1.6	4.3	-0.7	0.9	**1.3**	**1.2**	**0.8**	*1.4*	*1.2*	*0.9*
Bulgaria	:	2.5	6.4	12.7	5.6	1.1	**2.5**	**3.5**	**4.0**	*2.3*	*3.2*	*3.8*
Czech Republic	11.1	3.8	1.7	2.2	0.0	1.1	**3.1**	**1.7**	**1.3**	*3.7*	*0.9*	*0.6*
Denmark	1.2	2.5	3.1	5.9	-1.2	0.1	**1.3**	**0.3**	**0.1**	*0.9*	*0.1*	*0.6*
Latvia	13.0	0.6	17.1	-7.9	-10.4	5.2	**0.8**	**0.8**	**1.4**	*0.6*	*0.3*	*1.6*
Lithuania	34.1	-1.6	7.3	-1.5	-6.9	-0.1	**2.0**	**2.7**	**1.6**	*2.3*	*0.5*	*1.1*
Hungary	:	8.5	3.9	2.8	-0.9	1.8	**7.1**	**1.0**	**4.2**	*6.7*	*1.0*	*4.7*
Poland	20.5	1.9	1.4	2.2	1.3	0.7	**1.6**	**1.2**	**1.0**	*1.4*	*1.7*	*2.3*
Romania	76.0	33.2	13.3	2.9	-2.4	12.2	**5.2**	**5.2**	**2.8**	*4.1*	*3.5*	*2.2*
Sweden	1.3	1.9	1.2	4.4	-2.4	-0.6	**2.6**	**1.9**	**1.5**	*2.2*	*1.5*	*1.9*
United Kingdom	1.5	2.3	2.5	5.3	1.2	1.6	**3.7**	**2.2**	**2.0**	*3.8*	*2.0*	*1.8*
EU	:	2.1	1.9	4.4	-0.5	1.0	**1.8**	**1.4**	**1.0**	*1.9*	*1.4*	*1.2*
Croatia	:	3.7	3.1	6.6	0.6	0.6	**2.1**	**0.7**	**0.8**	*1.5*	*0.8*	*0.6*
USA	1.6	1.9	2.5	0.0	-0.3	2.0	**0.9**	**0.4**	**1.2**	*1.6*	*2.2*	*2.1*
Japan	0.0	-2.7	-1.7	0.3	-4.8	0.8	**-0.6**	**-0.1**	**-0.5**	*-1.6*	*0.4*	*-0.6*

[1] Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 29 : Real unit labour costs [1] (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-0.7	0.2	-0.4	2.7	-2.3	0.6	**1.1**	**0.2**	**-1.0**	*1.2*	*0.0*	*-0.3*
Germany	-0.9	0.0	-1.3	4.4	-2.0	0.6	**1.5**	**0.4**	**-0.1**	*1.6*	*0.8*	*-0.1*
Estonia	-0.1	-1.3	2.5	2.8	-6.8	-4.2	**1.5**	**-0.3**	**0.0**	*1.1*	*0.0*	*-0.4*
Ireland	-3.1	-1.9	3.4	1.0	-4.3	-3.4	**-2.7**	**-1.8**	**-2.4**	*-2.5*	*-2.3*	*-2.5*
Greece	0.4	-0.1	-0.8	3.8	-1.3	-2.9	**-7.5**	**-4.9**	**-1.8**	*-8.2*	*-3.6*	*-0.1*
Spain	-1.3	-0.9	0.2	1.4	-2.4	-2.4	**-3.1**	**-2.0**	**-1.9**	*-2.9*	*-1.7*	*-1.6*
France	-0.8	0.3	-0.3	3.0	-0.4	0.3	**0.2**	**0.0**	**-0.7**	*0.0*	*-0.1*	*-0.5*
Italy	-2.1	-0.1	0.3	2.4	-0.8	-0.4	**0.6**	**-0.7**	**-0.9**	*0.7*	*-0.8*	*-0.8*
Cyprus	:	0.9	-2.2	3.8	-0.5	0.5	**-1.9**	**-3.7**	**-1.9**	*-4.2*	*-0.7*	*-0.4*
Luxembourg	0.1	-0.4	-0.4	6.8	-5.6	-1.7	**0.7**	**0.1**	**0.9**	*1.9*	*-0.5*	*0.7*
Malta	0.2	0.5	-0.5	3.2	-3.5	-0.4	**-0.1**	**-0.3**	**-0.1**	*-1.8*	*-0.7*	*-0.9*
Netherlands	-0.9	0.0	-0.7	5.2	-1.8	0.0	**0.4**	**-0.1**	**-0.5**	*1.0*	*-0.2*	*-0.4*
Austria	-0.9	-0.5	-0.8	3.4	-1.8	-1.2	**1.2**	**-0.2**	**-1.0**	*1.1*	*0.3*	*-1.4*
Portugal	-0.3	0.2	-0.4	2.2	-2.1	-0.8	**-3.7**	**-0.2**	**-0.6**	*-4.3*	*-0.6*	*-1.3*
Slovenia	:	-0.4	-0.1	4.7	1.5	-1.6	**-0.6**	**-0.9**	**-1.6**	*0.1*	*-0.8*	*-0.9*
Slovakia	:	-0.9	-0.4	7.0	-1.4	-2.0	**-2.1**	**-0.9**	**-2.0**	*-3.7*	*-1.5*	*-2.1*
Finland	-2.0	-0.1	0.4	7.4	-2.0	-1.3	**1.0**	**0.8**	**0.5**	*0.8*	*0.3*	*0.5*
Euro area	:	-0.2	-0.5	3.3	-1.5	-0.3	**0.2**	**-0.3**	**-0.7**	*0.2*	*-0.1*	*-0.5*
Bulgaria	:	-2.1	-0.7	8.1	2.7	-3.7	**0.3**	**0.8**	**1.0**	*1.3*	*0.8*	*1.2*
Czech Republic	1.2	1.4	-0.2	-0.1	1.4	1.9	**2.2**	**0.4**	**0.2**	*2.6*	*-0.3*	*-0.5*
Denmark	-0.4	0.3	0.3	5.2	-5.1	-0.6	**-0.2**	**-1.1**	**-1.6**	*-0.4*	*-1.4*	*-0.9*
Latvia	-1.9	-2.3	4.3	-6.7	-9.2	-0.6	**-1.6**	**-1.0**	**-0.8**	*-1.8*	*-1.7*	*-0.5*
Lithuania	6.0	-1.3	0.5	2.0	-8.8	-5.3	**0.0**	**-0.1**	**-1.4**	*-0.1*	*-2.2*	*-1.8*
Hungary	:	0.0	-0.5	-0.7	-3.3	-1.3	**2.6**	**-2.8**	**0.4**	*2.2*	*-3.2*	*0.8*
Poland	-0.6	-1.8	-1.6	-1.4	-0.1	-2.3	**-0.7**	**-0.3**	**-0.8**	*-0.8*	*-0.5*	*1.0*
Romania	0.5	-1.3	0.0	-1.2	-7.7	7.8	**0.3**	**0.3**	**-0.8**	*-0.2*	*-0.8*	*-1.3*
Sweden	-0.5	0.3	-0.6	2.3	-3.2	-1.7	**1.7**	**0.4**	**-0.7**	*1.2*	*0.1*	*0.0*
United Kingdom	-0.9	0.5	-0.2	3.9	-1.6	-0.9	**1.7**	**0.4**	**-0.2**	*1.1*	*-0.2*	*-0.5*
EU	:	-0.2	-0.6	3.2	-1.6	-0.4	**0.4**	**-0.2**	**-0.6**	*0.3*	*-0.2*	*-0.5*
Croatia	:	-0.4	-1.0	3.6	-0.3	-1.5	**-0.7**	**-2.0**	**-1.1**	*-0.5*	*-2.0*	*-1.4*
USA	-0.2	0.0	-0.4	-0.9	-1.6	-0.1	**-0.9**	**-1.1**	**-1.1**	*-0.2*	*-0.4*	*-0.6*
Japan	0.2	-1.3	-0.6	0.8	-2.7	2.7	**0.2**	**1.0**	**-1.2**	*0.0*	*1.4*	*-1.1*

[1] Nominal unit labour costs divided by GDP price deflator.

Note : See note 6 on concepts and sources where countries using full time equivalents are listed.

TABLE 30 : Nominal bilateral exchange rates against Ecu/euro (1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	39.7308	:	:	:	:	:	:	:	:	:	:	:
Germany	1.92827	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.4229	15.6466	15.6466	15.6466	15.6466	:	:	:	:	:	:	:
Ireland	0.78727	:	:	:	:	:	:	:	:	:	:	:
Greece	306.68	:	:	:	:	:	:	:	:	:	:	:
Spain	163.225	:	:	:	:	:	:	:	:	:	:	:
France	6.56292	:	:	:	:	:	:	:	:	:	:	:
Italy	1975.00	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.58585	0.57761	0.58047	:	:	:	:	:	:	:	:	:
Luxembourg	39.7308	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4481	0.4136	0.4292	:	:	:	:	:	:	:	:	:
Netherlands	2.16548	:	:	:	:	:	:	:	:	:	:	:
Austria	13.5677	:	:	:	:	:	:	:	:	:	:	:
Portugal	197.876	:	:	:	:	:	:	:	:	:	:	:
Slovenia	170.14	215.68	:	:	:	:	:	:	:	:	:	:
Slovakia	38.712	42.839	36.181	:	:	:	:	:	:	:	:	:
Finland	5.91814	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	0.8496	1.9509	1.9553	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	*1.9558*	*1.9558*	*1.9558*
Czech Republic	35.057	33.840	28.545	26.435	25.284	24.590	**25.149**	**25.507**	**25.503**	*25.149*	*25.593*	*25.597*
Denmark	7.4427	7.4405	7.4515	7.4462	7.4473	7.4506	**7.4437**	**7.4606**	**7.4606**	*7.4437*	*7.4619*	*7.4619*
Latvia	0.6746	0.5933	0.6921	0.7057	0.7087	0.7063	**0.6973**	**0.6996**	**0.6998**	*0.6973*	*0.6973*	*0.6973*
Lithuania	4.8127	3.6907	3.4528	3.4528	3.4528	3.4528	**3.4528**	**3.4528**	**3.4528**	*3.4528*	*3.4528*	*3.4528*
Hungary	187.11	253.20	253.37	280.33	275.48	279.37	**289.25**	**293.08**	**293.01**	*289.25*	*293.68*	*293.72*
Poland	3.3853	4.0329	3.9483	4.3276	3.9947	4.1206	**4.1847**	**4.1750**	**4.1782**	*4.1847*	*4.1226*	*4.1229*
Romania	0.5330	2.6218	3.6431	4.2399	4.2122	4.2391	**4.4593**	**4.3893**	**4.3897**	*4.4593*	*4.3725*	*4.3717*
Sweden	8.9154	8.9586	9.3053	10.6191	9.5373	9.0298	**8.7041**	**8.5976**	**8.5956**	*8.7041*	*8.6237*	*8.6250*
United Kingdom	0.75745	0.64218	0.70496	0.89094	0.85784	0.86788	**0.81087**	**0.85638**	**0.85857**	*0.81087*	*0.82695*	*0.82718*
EU	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	6.9946	7.5375	7.3567	7.3400	7.2891	7.4390	**7.5217**	**7.5852**	**7.5863**	*7.5217*	*7.5687*	*7.5687*
USA	1.2045	0.9924	1.3170	1.3948	1.3257	1.3920	**1.2848**	**1.3490**	**1.3509**	*1.2848*	*1.3247*	*1.3249*
Japan	133.18	115.70	146.20	130.34	116.24	110.96	**102.49**	**124.75**	**125.32**	*102.49*	*117.52*	*117.56*

TABLE 31 : Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	0.8	0.5	0.9	1.0	-2.4	0.3	**-2.0**	**2.1**	**0.1**	*-2.0*	*0.0*	*0.0*
Germany	1.6	0.7	1.0	1.3	-3.6	0.1	**-2.3**	**2.7**	**0.1**	*-2.4*	*0.0*	*0.0*
Estonia	1.0	0.4	0.7	2.4	-3.0	-0.4	**-1.5**	**0.9**	**0.0**	*-1.5*	*-0.2*	*0.0*
Ireland	0.3	0.4	1.9	0.7	-3.5	0.8	**-3.6**	**3.2**	**0.1**	*-3.7*	*0.2*	*0.0*
Greece	0.6	1.5	0.8	1.9	-2.3	1.0	**-1.4**	**1.7**	**0.1**	*-1.4*	*0.1*	*0.0*
Spain	-1.0	0.7	0.9	1.3	-2.4	0.4	**-1.8**	**1.8**	**0.1**	*-1.8*	*0.0*	*0.0*
France	1.4	0.6	1.1	0.9	-3.1	0.2	**-2.4**	**2.6**	**0.1**	*-2.4*	*0.1*	*0.0*
Italy	1.0	1.0	1.0	1.0	-3.2	0.4	**-2.1**	**2.4**	**0.1**	*-2.2*	*0.1*	*0.0*
Cyprus	9.2	1.0	0.9	1.8	-2.5	0.2	**-2.0**	**2.2**	**0.1**	*-2.0*	*0.0*	*0.0*
Luxembourg	0.7	0.3	0.5	1.6	-2.0	0.0	**-1.5**	**1.4**	**0.1**	*-1.5*	*0.0*	*0.0*
Malta	1.3	0.5	1.5	-0.9	-3.6	0.3	**-2.1**	**2.3**	**0.1**	*-2.2*	*0.0*	*0.0*
Netherlands	0.6	0.5	0.8	1.5	-2.4	0.2	**-1.7**	**1.8**	**0.1**	*-1.8*	*0.0*	*0.0*
Austria	1.6	0.6	0.5	1.3	-2.5	-0.1	**-1.3**	**1.7**	**0.1**	*-1.3*	*0.0*	*0.0*
Portugal	-0.7	0.3	0.7	0.8	-1.8	0.3	**-1.5**	**1.4**	**0.0**	*-1.5*	*0.0*	*0.0*
Slovenia	-4.4	-3.8	-0.3	2.0	-1.8	0.3	**-0.7**	**1.1**	**0.0**	*-0.7*	*-0.1*	*0.0*
Slovakia	0.9	-0.7	5.9	6.8	-2.2	0.2	**-0.4**	**0.9**	**0.0**	*-0.5*	*-0.2*	*0.0*
Finland	3.3	0.7	1.0	1.6	-3.9	-0.1	**-2.7**	**2.6**	**0.1**	*-2.7*	*0.0*	*0.0*
Euro area	2.6	1.5	2.2	2.8	-6.7	0.5	**-4.4**	**5.2**	**0.2**	*-4.5*	*0.0*	*0.0*
Bulgaria	-53.6	3.8	0.6	2.6	-2.2	1.3	**-0.7**	**1.4**	**0.0**	*-0.7*	*0.2*	*0.0*
Czech Republic	1.3	3.2	5.2	-3.6	2.6	3.1	**-3.2**	**-0.3**	**0.1**	*-3.0*	*0.6*	*0.0*
Denmark	1.2	0.4	0.9	2.3	-4.0	-0.4	**-2.5**	**1.9**	**0.1**	*-2.6*	*-0.3*	*0.0*
Latvia	6.0	0.7	-1.5	2.0	-2.9	0.4	**0.1**	**0.8**	**0.0**	*0.1*	*0.0*	*0.0*
Lithuania	5.7	6.3	0.5	2.5	-2.5	0.4	**-1.4**	**1.3**	**0.0**	*-1.4*	*-0.2*	*0.0*
Hungary	-12.5	-0.4	0.4	-8.4	-0.3	-1.0	**-4.5**	**0.0**	**0.1**	*-4.4*	*2.6*	*0.0*
Poland	-10.1	-2.1	5.0	-17.7	6.2	-2.8	**-2.7**	**1.4**	**0.0**	*-2.6*	*2.2*	*0.0*
Romania	-35.4	-22.0	0.9	-11.5	-1.3	0.4	**-5.9**	**2.9**	**0.0**	*-6.2*	*-2.2*	*0.0*
Sweden	1.5	-0.1	0.1	-8.4	7.4	5.9	**1.1**	**3.5**	**0.1**	*1.1*	*0.8*	*0.0*
United Kingdom	4.4	-0.1	-1.6	-11.4	0.3	-0.9	**4.4**	**-3.0**	**-0.2**	*4.4*	*0.6*	*0.0*
EU	3.7	1.8	3.1	-5.4	-7.5	1.1	**-5.3**	**6.8**	**0.2**	*-5.4*	*0.7*	*0.0*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
USA	4.6	-0.1	-3.7	6.4	-3.1	-5.3	**4.0**	**0.4**	**0.0**	*3.8*	*-1.2*	*0.0*
Japan	-1.9	2.5	-0.5	16.1	6.1	5.9	**3.2**	**-15.4**	**-0.4**	*4.1*	*0.2*	*0.0*

[1] 36 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 industrialised countries (nat. curr.) (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	:	-0.3	0.2	-0.1	0.1	1.4	**1.9**	**0.7**	**-0.4**	*1.4*	*0.5*	*:*
Germany	:	-2.0	-2.5	2.1	-0.7	0.1	**1.1**	**0.6**	**0.2**	*1.0*	*0.6*	*:*
Estonia	:	1.8	7.0	-2.2	-4.6	-2.7	**1.8**	**0.9**	**1.6**	*1.9*	*1.4*	*:*
Ireland	:	0.7	2.7	-6.8	-6.1	-4.7	**-2.7**	**-1.9**	**-2.2**	*-2.8*	*-2.7*	*:*
Greece	:	-0.6	0.1	1.7	-0.1	-3.2	**-10.2**	**-7.6**	**-3.5**	*-10.6*	*-6.4*	*:*
Spain	:	0.2	1.9	-2.4	-1.7	-2.7	**-4.8**	**-1.8**	**-1.9**	*-4.3*	*-1.5*	*:*
France	:	-0.4	0.1	0.0	1.3	0.5	**0.3**	**0.1**	**-0.1**	*-0.1*	*-0.2*	*:*
Italy	:	-0.1	0.6	0.8	0.1	-0.3	**0.2**	**-0.4**	**-0.4**	*0.4*	*-0.8*	*:*
Cyprus	:	1.0	-0.6	-0.5	1.7	2.6	**-0.2**	**-2.2**	**-1.0**	*-2.5*	*0.4*	*:*
Luxembourg	:	0.6	1.4	3.0	2.0	2.0	**2.1**	**1.2**	**1.5**	*1.7*	*1.1*	*:*
Malta	:	1.3	0.5	2.5	-0.1	0.4	**0.9**	**1.1**	**1.1**	*-0.7*	*0.3*	*:*
Netherlands	:	1.4	-0.6	1.2	-0.2	0.0	**-0.9**	**0.0**	**-0.2**	*0.4*	*-0.4*	*:*
Austria	:	-1.7	-0.5	0.8	0.4	-0.3	**1.4**	**0.4**	**-0.3**	*1.0*	*0.3*	*:*
Portugal	:	1.4	-0.1	-0.3	-0.8	-1.0	**-4.7**	**-0.3**	**-0.6**	*-5.0*	*-0.5*	*:*
Slovenia	:	3.8	1.3	4.0	0.9	-1.8	**-2.0**	**-1.2**	**-1.9**	*-1.1*	*-1.4*	*:*
Slovakia	:	2.9	1.1	1.5	-0.5	-1.6	**-1.9**	**-0.2**	**-1.2**	*-3.4*	*-1.4*	*:*
Finland	:	-0.9	0.0	5.2	-0.9	0.5	**1.7**	**1.3**	**1.1**	*1.5*	*0.5*	*:*
Euro area	:	-1.4	-1.0	1.6	-0.6	-0.5	**-0.3**	**-0.1**	**-0.7**	*-0.3*	*-0.5*	*:*
Bulgaria	:	-2.8	4.0	7.8	6.0	-0.2	**0.7**	**2.1**	**2.7**	*0.5*	*1.7*	*:*
Czech Republic	:	1.6	0.3	-2.1	0.6	-0.2	**0.9**	**0.1**	**0.1**	*1.5*	*-0.7*	*:*
Denmark	:	0.6	1.3	1.9	-0.6	-1.3	**-0.7**	**-1.2**	**-1.3**	*-1.2*	*-1.6*	*:*
Latvia	:	-1.4	14.3	-11.1	-8.9	4.3	**-1.5**	**-0.9**	**0.0**	*-1.7*	*-1.3*	*:*
Lithuania	:	-4.0	4.2	-4.5	-5.6	-1.5	**-0.1**	**1.1**	**0.2**	*0.1*	*-1.1*	*:*
Hungary	:	6.1	2.2	-1.4	-0.3	0.3	**4.8**	**-0.7**	**2.9**	*4.4*	*-0.7*	*:*
Poland	:	-0.2	-0.3	-2.0	2.0	-0.5	**-0.7**	**-0.4**	**-0.2**	*-0.9*	*0.0*	*:*
Romania	:	28.6	11.2	-1.7	-2.2	11.3	**2.9**	**3.6**	**1.4**	*1.8*	*1.8*	*:*
Sweden	:	-0.3	-1.0	0.4	-2.0	-2.2	**0.5**	**0.4**	**0.2**	*0.1*	*-0.2*	*:*
United Kingdom	:	0.1	0.6	2.2	2.0	0.4	**2.2**	**1.0**	**0.9**	*2.2*	*0.4*	*:*
EU	:	-1.4	-0.3	2.2	-0.4	-0.3	**0.5**	**0.2**	**-0.5**	*0.5*	*-0.8*	*:*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
USA	:	-0.4	0.7	-3.8	0.3	0.4	**-0.8**	**-1.0**	**-0.1**	*-0.1*	*0.5*	*:*
Japan	:	-4.8	-3.9	-2.3	-4.9	-1.2	**-2.5**	**-1.4**	**-1.9**	*-3.8*	*-1.7*	*:*

[1] 36 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, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	:	0.2	1.1	0.9	-2.4	1.7	**-0.1**	**2.8**	**-0.4**	*-0.6*	*0.5*	*:*
Germany	:	-1.3	-1.5	3.5	-4.3	0.2	**-1.3**	**3.3**	**0.3**	*-1.4*	*0.6*	*:*
Estonia	:	2.2	7.8	0.1	-7.4	-3.1	**0.3**	**1.8**	**1.6**	*0.4*	*1.2*	*:*
Ireland	:	1.0	4.6	-6.2	-9.4	-4.0	**-6.3**	**1.3**	**-2.1**	*-6.4*	*-2.6*	*:*
Greece	:	0.9	0.8	3.6	-2.4	-2.2	**-11.5**	**-6.1**	**-3.5**	*-11.8*	*-6.3*	*:*
Spain	:	0.9	2.8	-1.2	-4.0	-2.3	**-6.5**	**0.1**	**-1.8**	*-6.1*	*-1.5*	*:*
France	:	0.2	1.1	0.9	-1.8	0.7	**-2.1**	**2.8**	**-0.1**	*-2.5*	*-0.2*	*:*
Italy	:	0.9	1.6	1.8	-3.1	0.0	**-2.0**	**2.0**	**-0.3**	*-1.7*	*-0.8*	*:*
Cyprus	:	2.1	0.3	1.3	-0.8	2.8	**-2.2**	**0.0**	**-1.0**	*-4.4*	*0.4*	*:*
Luxembourg	:	0.9	1.9	4.6	0.0	2.0	**0.6**	**2.6**	**1.5**	*0.2*	*1.1*	*:*
Malta	:	1.8	2.1	1.6	-3.7	0.7	**-1.2**	**3.5**	**1.2**	*-2.8*	*0.3*	*:*
Netherlands	:	1.9	0.2	2.8	-2.6	0.2	**-2.6**	**1.8**	**-0.2**	*-1.4*	*-0.4*	*:*
Austria	:	-1.1	0.0	2.1	-2.1	-0.4	**0.1**	**2.1**	**-0.3**	*-0.3*	*0.3*	*:*
Portugal	:	1.7	0.6	0.5	-2.6	-0.7	**-6.1**	**1.1**	**-0.6**	*-6.4*	*-0.5*	*:*
Slovenia	:	-0.2	1.0	6.1	-0.9	-1.5	**-2.7**	**-0.1**	**-1.8**	*-1.8*	*-1.5*	*:*
Slovakia	:	2.2	7.0	8.3	-2.7	-1.4	**-2.3**	**0.8**	**-1.2**	*-3.8*	*-1.6*	*:*
Finland	:	-0.3	1.0	6.8	-4.8	0.5	**-1.0**	**3.9**	**1.2**	*-1.3*	*0.5*	*:*
Euro area	:	0.1	1.1	4.5	-7.3	0.0	**-4.8**	**5.2**	**-0.6**	*-4.8*	*-0.5*	*:*
Bulgaria	:	0.9	4.6	10.6	3.7	1.1	**-0.1**	**3.5**	**2.7**	*-0.2*	*1.9*	*:*
Czech Republic	:	4.9	5.5	-5.6	3.2	2.9	**-2.3**	**-0.2**	**0.1**	*-1.6*	*-0.2*	*:*
Denmark	:	1.0	2.3	4.3	-4.6	-1.7	**-3.2**	**0.6**	**-1.2**	*-3.7*	*-1.9*	*:*
Latvia	:	-0.7	12.6	-9.4	-11.5	4.7	**-1.4**	**-0.1**	**0.0**	*-1.6*	*-1.4*	*:*
Lithuania	:	2.1	4.7	-2.1	-8.0	-1.1	**-1.5**	**2.4**	**0.2**	*-1.3*	*-1.3*	*:*
Hungary	:	5.7	2.6	-9.6	-0.6	-0.7	**0.1**	**-0.6**	**3.0**	*-0.2*	*1.8*	*:*
Poland	:	-2.4	4.7	-19.3	8.3	-3.3	**-3.4**	**1.0**	**-0.3**	*-3.5*	*2.2*	*:*
Romania	:	0.3	12.2	-13.0	-3.6	11.8	**-3.2**	**6.6**	**1.4**	*-4.4*	*-0.4*	*:*
Sweden	:	-0.4	-0.9	-8.0	5.2	3.7	**1.7**	**3.9**	**0.3**	*1.2*	*0.6*	*:*
United Kingdom	:	0.0	-1.0	-9.4	2.3	-0.6	**6.7**	**-2.0**	**0.8**	*6.7*	*1.0*	*:*
EU	:	0.3	2.9	-3.3	-7.8	0.8	**-4.8**	**7.0**	**-0.3**	*-5.0*	*-0.1*	*:*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*
USA	:	-0.5	-3.0	2.3	-2.8	-5.0	**3.2**	**-0.6**	**-0.1**	*3.7*	*-0.7*	*:*
Japan	:	-2.5	-4.3	13.4	0.9	4.6	**0.7**	**-16.6**	**-2.3**	*0.2*	*-1.5*	*:*

[1] 36 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, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	51.7	49.8	49.4	53.6	52.4	53.1	**53.8**	**53.9**	**54.0**	*54.1*	*54.2*	*54.3*
Germany	49.6	47.5	45.4	48.2	47.7	45.3	**45.1**	**45.6**	**45.3**	*45.2*	*45.5*	*45.3*
Estonia	39.8	36.3	35.0	45.5	40.7	38.3	**41.2**	**39.9**	**38.5**	*41.2*	*39.5*	*37.8*
Ireland	39.1	33.1	36.3	48.7	66.1	48.2	**42.3**	**41.8**	**39.1**	*42.6*	*41.5*	*39.1*
Greece	44.8	45.2	46.5	54.0	51.3	51.7	**50.5**	**48.0**	**46.9**	*50.7*	*49.6*	*48.1*
Spain	:	39.0	39.3	46.3	46.3	45.1	**46.4**	**43.0**	**42.3**	*44.3*	*42.7*	*42.3*
France	54.0	52.4	53.1	56.8	56.5	56.0	**56.4**	**57.0**	**57.0**	*56.3*	*56.7*	*56.7*
Italy	51.2	47.3	48.0	52.0	50.5	50.0	**51.0**	**50.4**	**49.7**	*51.0*	*50.5*	*50.0*
Cyprus	:	39.3	42.3	46.2	46.2	46.1	**45.9**	**44.9**	**44.4**	*46.9*	*47.1*	*47.4*
Luxembourg	40.3	39.7	39.6	44.6	42.8	42.0	**43.8**	**44.0**	**44.7**	*44.3*	*44.2*	*44.7*
Malta	:	41.9	43.0	42.4	42.0	42.0	**42.5**	**43.1**	**42.8**	*42.6*	*43.2*	*42.8*
Netherlands	49.7	45.8	45.6	51.4	51.3	49.9	**50.8**	**51.2**	**51.1**	*49.9*	*49.9*	*49.8*
Austria	55.0	51.6	50.1	52.6	52.6	50.6	**51.3**	**51.0**	**50.3**	*51.6*	*51.3*	*50.4*
Portugal	41.9	42.8	45.2	49.7	51.2	49.3	**45.6**	**47.3**	**45.8**	*46.7*	*47.5*	*45.3*
Slovenia	:	46.5	44.5	49.1	50.3	50.7	**48.8**	**50.7**	**49.5**	*48.8*	*49.7*	*49.2*
Slovakia	50.9	46.0	36.3	41.5	40.0	38.2	**36.8**	**36.9**	**36.3**	*37.6*	*36.7*	*36.1*
Finland	58.9	49.4	49.2	55.9	55.5	54.7	**55.9**	**55.9**	**55.7**	*55.3*	*54.9*	*55.1*
Euro area	:	47.4	46.9	51.2	51.0	49.5	**49.8**	**49.5**	**49.2**	*49.5*	*49.4*	*49.1*
Bulgaria	:	40.1	37.6	41.4	37.4	35.6	**36.3**	**37.0**	**37.1**	*36.4*	*37.0*	*37.0*
Czech Republic	:	44.7	42.1	44.7	43.8	43.0	**45.4**	**43.7**	**43.6**	*43.6*	*43.3*	*42.9*
Denmark	58.3	54.5	52.1	58.0	57.5	57.5	**59.7**	**57.9**	**57.1**	*59.6*	*57.0*	*56.0*
Latvia	37.7	37.0	37.0	43.8	43.4	38.4	**37.1**	**35.6**	**34.7**	*36.8*	*35.6*	*34.8*
Lithuania	:	36.6	34.4	43.7	40.8	37.4	**36.5**	**35.9**	**35.2**	*36.8*	*36.2*	*35.4*
Hungary	:	49.2	50.3	51.5	49.7	49.5	**48.7**	**49.5**	**50.2**	*48.9*	*49.0*	*49.6*
Poland	:	43.3	43.1	44.6	45.4	43.6	**42.8**	**42.5**	**41.9**	*42.8*	*42.2*	*41.8*
Romania	:	36.5	36.0	41.1	40.1	39.4	**37.0**	**37.1**	**37.0**	*36.1*	*36.0*	*35.7*
Sweden	63.4	55.7	52.6	54.7	52.0	51.1	**51.7**	**52.2**	**51.4**	*51.4*	*51.4*	*50.8*
United Kingdom	41.8	39.9	44.4	51.4	50.4	48.6	**48.4**	**47.8**	**46.3**	*48.4*	*47.2*	*45.7*
EU	:	46.3	46.5	51.1	50.6	49.1	**49.3**	**49.0**	**48.5**	*49.1*	*48.8*	*48.2*
Croatia	:	:	:	45.6	45.3	46.1	**40.3**	**40.5**	**40.2**	*40.4*	*40.0*	*39.6*
USA	36.2	35.0	36.9	42.8	42.7	41.7	**40.5**	**40.0**	**39.7**	*40.4*	*39.9*	*39.6*
Japan	36.7	38.1	36.3	41.9	40.7	42.0	**42.5**	**44.1**	**44.5**	*42.8*	*43.7*	*43.9*

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 35 : Total revenue, general government (as a percentage of GDP, 1994-2014) [1] 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	48.3	49.7	48.8	48.1	48.6	49.4	50.8	50.9	50.8	51.2	50.8	50.8
Germany	45.6	45.2	43.7	45.1	43.6	44.5	45.2	45.3	45.3	45.0	45.3	45.3
Estonia	41.3	36.0	36.0	43.5	40.8	39.4	40.8	39.6	38.7	40.1	39.0	38.1
Ireland	38.9	34.7	36.1	34.7	35.2	34.9	34.6	34.5	34.9	34.3	34.0	34.2
Greece	38.0	40.9	39.5	38.3	40.6	42.3	43.8	43.3	43.5	43.9	44.1	43.5
Spain	:	38.4	39.5	35.1	36.6	35.7	36.3	36.2	35.1	36.3	36.7	35.8
France	49.8	50.0	50.1	49.2	49.5	50.8	51.9	53.3	53.1	51.8	53.2	53.2
Italy	45.5	44.7	44.9	46.5	46.0	46.1	48.0	48.2	47.6	48.1	48.4	47.9
Cyprus	:	35.3	41.7	40.1	40.9	39.8	40.4	40.4	40.5	41.6	41.3	41.4
Luxembourg	42.9	43.3	41.0	43.9	42.0	41.6	42.3	43.2	43.4	42.4	42.5	42.9
Malta	:	35.2	39.6	38.6	38.4	39.3	39.9	40.1	40.3	40.0	40.2	40.2
Netherlands	47.4	45.1	45.4	45.8	46.1	45.4	46.8	47.6	47.5	46.2	47.1	46.6
Austria	51.2	50.3	48.2	48.5	48.1	48.0	48.4	48.4	48.5	48.5	48.6	48.5
Portugal	37.0	39.1	40.9	39.6	41.4	44.9	40.6	42.4	42.9	41.7	43.0	42.8
Slovenia	:	43.3	43.1	43.1	44.5	44.3	44.4	45.6	44.8	44.4	45.8	45.1
Slovakia	44.7	38.5	33.8	33.5	32.3	33.2	32.0	33.6	32.9	32.7	33.4	32.9
Finland	55.8	53.6	53.0	53.4	53.0	53.9	54.1	54.4	54.4	53.6	53.7	54.2
Euro area	:	45.5	45.0	44.9	44.8	45.4	46.3	46.8	46.5	46.2	46.8	46.6
Bulgaria	:	39.9	39.1	37.1	34.3	33.6	35.3	35.7	36.0	34.9	35.5	35.9
Czech Republic	:	39.5	39.8	38.9	39.0	39.8	40.2	40.7	40.6	40.1	39.8	39.7
Denmark	56.5	55.6	56.3	55.3	55.0	55.7	55.6	55.2	54.2	55.7	55.0	54.3
Latvia	37.4	34.5	35.7	34.0	35.3	35.0	35.6	34.6	33.8	35.1	34.0	33.4
Lithuania	:	34.1	33.0	34.3	33.6	31.9	33.3	33.0	32.8	33.7	33.4	33.1
Hungary	:	43.5	43.7	46.9	45.4	53.9	46.4	46.1	46.8	46.4	46.1	46.1
Poland	:	38.9	39.3	37.2	37.6	38.5	39.3	39.1	38.5	39.4	39.1	38.9
Romania	:	33.3	33.4	32.1	33.3	33.6	34.1	34.7	34.9	33.3	33.6	33.7
Sweden	59.3	56.4	54.8	54.0	52.3	51.4	51.5	51.4	51.2	51.4	51.1	51.2
United Kingdom	37.9	39.8	40.9	39.9	40.2	40.8	42.1	40.4	40.2	42.2	40.1	39.8
EU	:	44.7	44.5	44.2	44.1	44.7	45.5	45.7	45.4	45.5	45.5	45.3
Croatia	:	:	:	40.9	40.1	40.4	35.7	35.6	35.7	36.0	35.8	35.7
USA	34.3	33.6	33.1	31.0	31.4	31.6	31.9	33.4	33.8	32.0	32.6	33.4
Japan	31.0	30.8	33.1	33.1	32.4	33.0	33.3	35.1	36.4	34.5	35.8	36.2

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 36 : Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	-3.4	-0.1	-0.7	-5.5	-3.8	-3.7	-3.0	-3.0	-3.2	-3.0	-3.4	-3.5
Germany	-4.1	-2.3	-1.7	-3.1	-4.1	-0.8	0.1	-0.2	0.0	-0.2	-0.2	0.0
Estonia	1.3	-0.4	1.0	-2.0	0.2	1.1	-0.5	-0.4	0.2	-1.1	-0.5	0.3
Ireland	-0.2	1.6	-0.3	-13.9	-30.9	-13.4	-7.7	-7.3	-4.2	-8.4	-7.5	-5.0
Greece	-6.8	-4.3	-7.0	-15.6	-10.7	-9.4	-6.6	-4.6	-3.5	-6.8	-5.5	-4.6
Spain	:	-0.6	0.2	-11.2	-9.7	-9.4	-10.2	-6.7	-7.2	-8.0	-6.0	-6.4
France	-4.2	-2.5	-3.0	-7.5	-7.1	-5.2	-4.6	-3.7	-3.9	-4.5	-3.5	-3.5
Italy	-5.8	-2.5	-3.1	-5.4	-4.5	-3.9	-2.9	-2.1	-2.1	-2.9	-2.1	-2.1
Cyprus	:	-4.0	-0.7	-6.1	-5.3	-6.3	-5.5	-4.5	-3.8	-5.3	-5.7	-6.0
Luxembourg	2.6	3.6	1.4	-0.8	-0.8	-0.3	-1.5	-0.9	-1.3	-1.9	-1.7	-1.8
Malta	:	-6.7	-3.4	-3.8	-3.6	-2.7	-2.6	-2.9	-2.5	-2.6	-2.9	-2.6
Netherlands	-2.4	-0.6	-0.2	-5.6	-5.1	-4.5	-4.1	-3.6	-3.6	-3.7	-2.9	-3.2
Austria	-3.8	-1.2	-1.9	-4.1	-4.5	-2.5	-3.0	-2.5	-1.8	-3.2	-2.7	-1.9
Portugal	-5.0	-3.6	-4.4	-10.2	-9.8	-4.4	-5.0	-4.9	-2.9	-5.0	-4.5	-2.5
Slovenia	:	-3.2	-1.4	-6.0	-5.7	-6.4	-4.4	-5.1	-4.7	-4.4	-3.9	-4.1
Slovakia	-6.2	-7.4	-2.5	-8.0	-7.7	-4.9	-4.8	-3.3	-3.4	-4.9	-3.2	-3.1
Finland	-3.2	4.1	3.9	-2.5	-2.5	-0.8	-1.7	-1.5	-1.3	-1.8	-1.2	-1.0
Euro area	:	-1.9	-1.9	-6.3	-6.2	-4.2	-3.5	-2.8	-2.7	-3.3	-2.6	-2.5
Bulgaria	-4.5	-0.2	1.5	-4.3	-3.1	-2.0	-1.0	-1.3	-1.0	-1.5	-1.5	-1.1
Czech Republic	:	-5.2	-2.3	-5.8	-4.8	-3.3	-5.2	-3.1	-3.0	-3.5	-3.4	-3.2
Denmark	-1.8	1.1	4.1	-2.7	-2.5	-1.8	-4.0	-2.7	-2.8	-3.9	-2.0	-1.7
Latvia	-0.4	-2.5	-1.3	-9.8	-8.1	-3.4	-1.5	-1.1	-0.9	-1.7	-1.5	-1.4
Lithuania	-4.1	-2.5	-1.4	-9.4	-7.2	-5.5	-3.2	-2.9	-2.4	-3.2	-2.8	-2.3
Hungary	:	-5.8	-6.5	-4.6	-4.4	4.3	-2.4	-3.4	-3.4	-2.5	-2.9	-3.5
Poland	-2.5	-4.4	-3.7	-7.4	-7.9	-5.0	-3.5	-3.4	-3.3	-3.4	-3.1	-3.0
Romania	:	-3.2	-2.6	-9.0	-6.8	-5.7	-2.9	-2.4	-2.2	-2.8	-2.4	-2.0
Sweden	-4.1	0.8	2.2	-0.7	0.3	0.3	-0.2	-0.9	-0.2	0.0	-0.3	0.4
United Kingdom	-3.8	-0.1	-3.5	-11.5	-10.2	-7.8	-6.3	-7.4	-6.0	-6.2	-7.2	-5.9
EU	:	-1.5	-2.0	-6.9	-6.5	-4.4	-3.8	-3.4	-3.1	-3.6	-3.2	-2.9
Croatia	:	:	:	-4.7	-5.2	-5.7	-4.6	-5.0	-4.5	-4.4	-4.2	-3.9
USA	-1.9	-1.4	-3.8	-11.9	-11.3	-10.1	-8.5	-6.6	-5.9	-8.5	-7.3	-6.2
Japan	-5.7	-7.3	-3.2	-8.8	-8.3	-8.9	-9.1	-9.1	-8.0	-8.3	-7.9	-7.7

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 37 : Interest expenditure, general government (as a percentage of GDP, 1994-2014) [1] 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	8.3	6.2	4.1	3.6	3.4	3.3	**3.4**	**3.2**	**3.3**	*3.5*	*3.4*	*3.4*
Germany	3.4	3.1	2.8	2.7	2.5	2.6	**2.4**	**2.4**	**2.3**	*2.4*	*2.4*	*2.3*
Estonia	0.4	0.2	0.2	0.2	0.1	0.1	**0.2**	**0.2**	**0.2**	*0.1*	*0.2*	*0.2*
Ireland	4.6	1.7	1.1	2.0	3.2	3.3	**3.9**	**4.8**	**4.9**	*4.0*	*5.7*	*5.6*
Greece	10.3	6.3	4.7	5.2	5.8	7.1	**5.1**	**4.7**	**5.0**	*5.4*	*5.4*	*6.0*
Spain	:	3.0	1.7	1.8	1.9	2.5	**3.0**	**3.5**	**3.6**	*3.0*	*3.8*	*4.0*
France	3.4	2.9	2.7	2.4	2.4	2.6	**2.6**	**2.5**	**2.5**	*2.6*	*2.6*	*2.5*
Italy	10.3	5.9	4.8	4.7	4.6	5.0	**5.5**	**5.3**	**5.4**	*5.5*	*5.5*	*5.8*
Cyprus	:	3.3	3.2	2.6	2.2	2.4	**3.7**	**4.6**	**5.0**	*3.5*	*3.9*	*4.2*
Luxembourg	0.4	0.3	0.2	0.4	0.4	0.5	**0.5**	**0.6**	**0.7**	*0.5*	*0.6*	*0.7*
Malta	:	3.4	3.4	3.1	3.0	3.1	**3.2**	**3.2**	**3.2**	*3.2*	*3.3*	*3.2*
Netherlands	5.2	3.3	2.3	2.2	2.0	2.0	**2.0**	**2.0**	**2.0**	*2.0*	*2.0*	*2.0*
Austria	3.7	3.2	2.8	2.8	2.7	2.6	**2.6**	**2.7**	**2.7**	*2.6*	*2.7*	*2.7*
Portugal	4.7	2.8	2.8	2.8	2.9	4.0	**4.2**	**4.4**	**4.7**	*4.5*	*4.7*	*5.0*
Slovenia	:	2.2	1.4	1.3	1.6	1.9	**2.4**	**2.8**	**3.0**	*2.4*	*2.6*	*2.8*
Slovakia	2.6	3.5	1.6	1.4	1.3	1.6	**1.7**	**1.8**	**1.8**	*1.8*	*2.0*	*2.1*
Finland	4.0	2.5	1.5	1.1	1.1	1.1	**1.1**	**1.1**	**1.2**	*1.1*	*1.1*	*1.1*
Euro area	:	3.7	3.0	2.9	2.8	3.0	**3.1**	**3.1**	**3.1**	*3.1*	*3.2*	*3.3*
Bulgaria	12.4	3.3	1.4	0.8	0.6	0.6	**0.8**	**0.8**	**0.8**	*0.8*	*0.9*	*0.9*
Czech Republic	:	1.0	1.1	1.3	1.4	1.4	**1.5**	**1.5**	**1.7**	*1.5*	*1.5*	*1.6*
Denmark	5.5	3.3	1.8	1.8	1.7	1.8	**1.8**	**1.7**	**1.6**	*1.6*	*1.1*	*1.1*
Latvia	1.0	0.8	0.5	1.5	1.4	1.5	**1.6**	**1.5**	**1.6**	*1.6*	*1.7*	*2.0*
Lithuania	:	1.5	0.8	1.3	1.8	1.8	**2.0**	**2.1**	**2.0**	*2.0*	*2.1*	*2.0*
Hungary	:	5.1	4.2	4.7	4.1	4.1	**4.1**	**4.2**	**4.3**	*4.1*	*4.1*	*4.2*
Poland	5.0	3.0	2.5	2.6	2.7	2.7	**2.7**	**2.7**	**2.8**	*2.7*	*2.7*	*2.7*
Romania	:	3.3	1.0	1.5	1.5	1.6	**1.8**	**1.8**	**1.8**	*1.9*	*1.8*	*1.7*
Sweden	5.3	3.0	1.6	1.0	0.8	1.0	**1.0**	**1.0**	**1.0**	*1.0*	*1.0*	*1.0*
United Kingdom	3.5	2.4	2.1	2.0	3.0	3.3	**3.0**	**3.1**	**3.1**	*3.2*	*3.2*	*3.2*
EU	:	3.4	2.7	2.6	2.7	2.9	**3.0**	**3.0**	**3.0**	*3.0*	*3.1*	*3.1*
Croatia	:	:	:	1.7	2.0	2.2	**2.6**	**3.0**	**3.3**	*2.7*	*2.9*	*3.3*
USA	4.4	3.2	2.7	2.5	2.6	2.8	**2.8**	**2.8**	**2.9**	*2.9*	*3.1*	*3.3*
Japan	3.4	3.1	2.0	2.0	2.0	2.1	**2.1**	**2.2**	**2.2**	*2.1*	*2.1*	*2.1*

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 38 : Primary balance, general government (as a percentage of GDP, 1994-2014) [1] [2]

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	4.9	6.1	3.4	-1.9	-0.4	-0.4	**0.5**	**0.3**	**0.0**	*0.5*	*0.0*	*-0.1*
Germany	-0.7	0.8	1.1	-0.4	-1.6	1.8	**2.5**	**2.2**	**2.2**	*2.3*	*2.2*	*2.2*
Estonia	1.7	-0.2	1.2	-1.8	0.3	1.3	**-0.3**	**-0.2**	**0.4**	*-1.0*	*-0.3*	*0.5*
Ireland	4.4	3.4	0.9	-11.9	-27.7	-10.0	**-3.8**	**-2.4**	**0.7**	*-4.4*	*-1.9*	*0.7*
Greece	3.6	2.0	-2.3	-10.5	-4.9	-2.3	**-1.5**	**0.0**	**1.5**	*-1.4*	*0.0*	*1.5*
Spain	:	2.3	1.9	-9.4	-7.7	-7.0	**-7.2**	**-3.2**	**-3.6**	*-5.0*	*-2.2*	*-2.5*
France	-0.8	0.5	-0.3	-5.1	-4.7	-2.6	**-2.0**	**-1.2**	**-1.4**	*-1.9*	*-1.0*	*-1.0*
Italy	4.5	3.4	1.7	-0.8	0.1	1.0	**2.6**	**3.2**	**3.3**	*2.6*	*3.5*	*3.7*
Cyprus	:	-0.7	2.5	-3.6	-3.0	-3.9	**-1.9**	**0.2**	**1.2**	*-1.7*	*-1.8*	*-1.8*
Luxembourg	3.0	3.9	1.6	-0.4	-0.5	0.1	**-1.0**	**-0.3**	**-0.6**	*-1.4*	*-1.1*	*-1.0*
Malta	:	-3.3	0.0	-0.7	-0.6	0.4	**0.6**	**0.3**	**0.7**	*0.6*	*0.3*	*0.6*
Netherlands	2.8	2.7	2.1	-3.4	-3.1	-2.4	**-2.0**	**-1.6**	**-1.6**	*-1.7*	*-0.8*	*-1.2*
Austria	0.0	2.0	0.9	-1.3	-1.8	0.1	**-0.3**	**0.1**	**0.9**	*-0.5*	*0.0*	*0.8*
Portugal	-0.3	-0.8	-1.6	-7.3	-7.0	-0.4	**-0.8**	**-0.5**	**1.8**	*-0.5*	*0.2*	*2.5*
Slovenia	:	-0.9	0.0	-4.6	-4.1	-4.5	**-2.1**	**-2.4**	**-1.7**	*-2.0*	*-1.3*	*-1.4*
Slovakia	-3.6	-3.9	-0.9	-6.6	-6.3	-3.4	**-3.1**	**-1.5**	**-1.6**	*-3.1*	*-1.3*	*-1.1*
Finland	0.8	6.6	5.3	-1.3	-1.4	0.3	**-0.6**	**-0.4**	**-0.1**	*-0.7*	*-0.1*	*0.2*
Euro area	:	1.8	1.1	-3.5	-3.4	-1.1	**-0.4**	**0.4**	**0.5**	*-0.2*	*0.6*	*0.8*
Bulgaria	7.9	3.1	2.9	-3.6	-2.5	-1.4	**-0.2**	**-0.5**	**-0.2**	*-0.6*	*-0.6*	*-0.1*
Czech Republic	:	-4.2	-1.2	-4.5	-3.4	-1.9	**-3.7**	**-1.5**	**-1.3**	*-2.1*	*-1.9*	*-1.7*
Denmark	3.7	4.5	5.9	-0.9	-0.8	-0.1	**-2.3**	**-1.0**	**-1.2**	*-2.4*	*-0.9*	*-0.6*
Latvia	0.6	-1.7	-0.8	-8.3	-6.7	-2.0	**0.1**	**0.5**	**0.7**	*-0.2*	*0.2*	*0.7*
Lithuania	:	-1.1	-0.6	-8.2	-5.4	-3.7	**-1.1**	**-0.8**	**-0.4**	*-1.1*	*-0.7*	*-0.2*
Hungary	:	-0.7	-2.4	0.1	-0.3	8.5	**1.8**	**0.8**	**0.9**	*1.6*	*1.2*	*0.7*
Poland	2.5	-1.4	-1.2	-4.8	-5.2	-2.3	**-0.8**	**-0.6**	**-0.6**	*-0.7*	*-0.4*	*-0.2*
Romania	:	0.1	-1.6	-7.5	-5.3	-4.1	**-1.1**	**-0.6**	**-0.4**	*-1.0*	*-0.6*	*-0.3*
Sweden	1.2	3.7	3.8	0.2	1.1	1.4	**0.8**	**0.2**	**0.8**	*1.0*	*0.6*	*1.4*
United Kingdom	-0.4	2.3	-1.4	-9.5	-7.2	-4.6	**-3.3**	**-4.3**	**-2.9**	*-3.0*	*-3.9*	*-2.7*
EU	:	1.9	0.7	-4.2	-3.8	-1.5	**-0.8**	**-0.4**	**-0.1**	*-0.6*	*-0.2*	*0.2*
Croatia	:	:	:	-3.0	-3.1	-3.5	**-2.0**	**-1.9**	**-1.2**	*-1.8*	*-1.3*	*-0.6*
USA	2.5	1.8	-1.1	-9.4	-8.7	-7.3	**-5.8**	**-3.9**	**-3.0**	*-5.5*	*-4.2*	*-2.9*
Japan	-2.3	-4.2	-1.3	-6.8	-6.3	-6.8	**-7.0**	**-6.9**	**-5.8**	*-6.2*	*-5.8*	*-5.6*

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

[2] Net lending/borrowing excluding interest expenditure.

TABLE 39 : Cyclically-adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-3.1	-0.4	-1.4	-4.4	-3.2	-3.6	**-2.3**	**-2.0**	**-2.5**	*-2.3*	*-2.7*	*-3.1*
Germany	-4.0	-2.5	-1.8	-0.8	-3.6	-1.3	**0.1**	**0.4**	**0.3**	*0.0*	*0.3*	*0.3*
Estonia	:	-0.7	-1.0	0.8	1.9	1.0	**-0.9**	**-0.7**	**-0.2**	*-1.4*	*-0.8*	*-0.1*
Ireland	-0.3	0.6	-0.8	-11.9	-28.7	-12.0	**-7.0**	**-7.0**	**-4.6**	*-7.7*	*-7.3*	*-5.3*
Greece	-7.0	-4.4	-7.5	-15.0	-8.4	-5.0	**-0.8**	**1.8**	**1.5**	*-1.2*	*0.7*	*0.4*
Spain	:	-1.4	-0.4	-9.2	-7.4	-7.5	**-8.0**	**-4.6**	**-6.1**	*-6.0*	*-4.0*	*-5.3*
France	-3.6	-3.5	-4.1	-6.1	-6.0	-4.4	**-3.3**	**-1.9**	**-2.2**	*-3.3*	*-2.0*	*-2.2*
Italy	-5.8	-3.2	-4.1	-3.4	-3.4	-3.0	**-1.3**	**-0.1**	**-0.6**	*-1.3*	*-0.4*	*-0.9*
Cyprus	:	-4.3	-1.0	-6.3	-5.5	-6.5	**-5.0**	**-2.9**	**-2.5**	*-4.4*	*-4.8*	*-5.3*
Luxembourg	3.3	2.6	0.8	1.1	0.0	0.2	**-0.7**	**0.1**	**-0.7**	*-1.1*	*-0.9*	*-1.1*
Malta	:	-6.8	-3.6	-3.2	-3.3	-2.5	**-2.2**	**-2.6**	**-2.3**	*-2.5*	*-2.9*	*-2.6*
Netherlands	-2.1	-0.8	-0.3	-4.1	-4.2	-3.6	**-2.5**	**-1.5**	**-1.9**	*-2.2*	*-1.1*	*-1.8*
Austria	-3.5	-1.5	-2.2	-2.7	-3.7	-2.5	**-2.8**	**-2.1**	**-1.6**	*-2.9*	*-2.3*	*-1.8*
Portugal	-4.9	-4.3	-4.2	-8.9	-9.4	-3.5	**-3.4**	**-3.0**	**-1.5**	*-3.1*	*-2.5*	*-0.9*
Slovenia	:	:	-3.0	-4.1	-4.4	-5.5	**-3.1**	**-3.2**	**-3.1**	*-3.0*	*-2.0*	*-2.7*
Slovakia	:	-6.9	-3.2	-7.3	-7.7	-5.1	**-4.8**	**-2.8**	**-2.8**	*-4.9*	*-2.9*	*-2.8*
Finland	-2.4	3.7	2.7	0.6	-0.8	-0.2	**-0.7**	**-0.3**	**-0.4**	*-0.6*	*-0.1*	*-0.3*
Euro area	:	:	-2.5	-4.5	-5.1	-3.5	**-2.4**	**-1.3**	**-1.6**	*-2.2*	*-1.3*	*-1.6*
Bulgaria	:	:	0.3	-3.4	-2.1	-1.4	**-0.3**	**-0.5**	**-0.3**	*-0.8*	*-0.9*	*-0.6*
Czech Republic	:	-4.4	-3.7	-5.4	-4.7	-3.3	**-4.5**	**-1.9**	**-2.1**	*-2.7*	*-2.4*	*-2.4*
Denmark	-1.9	0.5	2.6	0.2	-0.2	0.3	**-1.3**	**0.0**	**-0.5**	*-1.8*	*-0.6*	*-0.6*
Latvia	:	-2.3	-3.6	-6.0	-4.6	-1.6	**-0.9**	**-1.0**	**-1.1**	*-1.2*	*-1.5*	*-1.7*
Lithuania	:	-1.5	-3.7	-6.3	-4.6	-4.6	**-2.6**	**-2.4**	**-2.2**	*-2.6*	*-2.3*	*-2.1*
Hungary	:	-6.1	-7.8	-2.3	-2.7	5.1	**-0.9**	**-2.0**	**-2.6**	*-1.1*	*-1.5*	*-2.6*
Poland	:	-4.2	-4.3	-7.9	-8.3	-5.2	**-2.9**	**-2.1**	**-1.7**	*-2.9*	*-2.0*	*-1.7*
Romania	:	-2.4	-4.8	-9.1	-6.1	-5.1	**-1.7**	**-0.9**	**-0.6**	*-1.9*	*-1.4*	*-1.0*
Sweden	-2.5	0.6	1.1	2.7	1.3	0.4	**0.4**	**0.1**	**0.4**	*0.6*	*0.3*	*0.8*
United Kingdom	-3.8	-0.6	-4.5	-9.6	-8.8	-6.5	**-4.7**	**-5.8**	**-4.9**	*-4.6*	*-5.6*	*-4.8*
EU	:	:	-2.8	-5.1	-5.4	-3.7	**-2.6**	**-1.9**	**-2.0**	*-2.5*	*-1.9*	*-2.0*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

TABLE 40 : Cyclically-adjusted primary balance, general government (as a percentage of GDP, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	5.2	5.8	2.7	-0.8	0.1	-0.3	**1.2**	**1.3**	**0.7**	*1.1*	*0.8*	*0.3*
Germany	-0.5	0.6	1.1	1.9	-1.1	1.3	**2.6**	**2.8**	**2.5**	*2.5*	*2.7*	*2.5*
Estonia	:	-0.5	-0.8	1.0	2.1	1.1	**-0.7**	**-0.5**	**0.1**	*-1.3*	*-0.6*	*0.1*
Ireland	4.3	2.3	0.3	-9.8	-25.5	-8.6	**-3.1**	**-2.2**	**0.4**	*-3.7*	*-1.6*	*0.3*
Greece	3.4	1.9	-2.9	-9.9	-2.6	2.1	**4.4**	**6.5**	**6.5**	*4.2*	*6.2*	*6.4*
Spain	:	1.6	1.3	-7.4	-5.5	-5.1	**-5.0**	**-1.1**	**-2.5**	*-3.0*	*-0.1*	*-1.3*
France	-0.2	-0.6	-1.4	-3.7	-3.6	-1.8	**-0.7**	**0.6**	**0.3**	*-0.7*	*0.5*	*0.4*
Italy	4.5	2.8	0.7	1.2	1.1	2.0	**4.3**	**5.2**	**4.8**	*4.2*	*5.1*	*5.0*
Cyprus	:	-1.0	2.2	-3.8	-3.3	-4.1	**-1.3**	**1.7**	**2.5**	*-0.9*	*-0.9*	*-1.1*
Luxembourg	3.7	2.9	1.1	1.4	0.3	0.7	**-0.1**	**0.7**	**0.1**	*-0.6*	*-0.2*	*-0.4*
Malta	:	-3.5	-0.2	-0.2	-0.4	0.6	**1.0**	**0.7**	**0.9**	*0.7*	*0.4*	*0.6*
Netherlands	3.1	2.5	2.0	-2.0	-2.1	-1.6	**-0.5**	**0.5**	**0.1**	*-0.2*	*0.9*	*0.2*
Austria	0.3	1.8	0.6	0.1	-1.0	0.1	**-0.1**	**0.5**	**1.0**	*-0.3*	*0.4*	*0.8*
Portugal	-0.2	-1.5	-1.4	-6.0	-6.5	0.5	**0.9**	**1.5**	**3.2**	*1.4*	*2.1*	*4.0*
Slovenia	:	:	-1.6	-2.8	-2.8	-3.6	**-0.7**	**-0.5**	**-0.1**	*-0.6*	*0.6*	*0.1*
Slovakia	:	-3.4	-1.6	-5.8	-6.3	-3.6	**-3.1**	**-1.0**	**-1.0**	*-3.1*	*-1.0*	*-0.8*
Finland	1.6	6.2	4.2	1.7	0.2	0.9	**0.4**	**0.8**	**0.8**	*0.5*	*0.9*	*0.9*
Euro area	:	:	0.5	-1.7	-2.3	-0.5	**0.8**	**1.9**	**1.5**	*0.9*	*1.9*	*1.7*
Bulgaria	:	:	1.6	-2.6	-1.5	-0.8	**0.5**	**0.3**	**0.5**	*0.1*	*0.0*	*0.3*
Czech Republic	:	-3.4	-2.6	-4.1	-3.3	-1.9	**-3.0**	**-0.4**	**-0.5**	*-1.3*	*-0.9*	*-0.9*
Denmark	3.5	3.8	4.4	1.9	1.5	2.1	**0.5**	**1.7**	**1.2**	*-0.3*	*0.6*	*0.5*
Latvia	:	-1.5	-3.1	-4.5	-3.2	-0.1	**0.7**	**0.6**	**0.6**	*0.4*	*0.3*	*0.4*
Lithuania	:	-0.1	-2.9	-5.0	-2.8	-2.8	**-0.6**	**-0.3**	**-0.2**	*-0.5*	*-0.2*	*-0.1*
Hungary	:	-1.0	-3.6	2.4	1.4	9.2	**3.2**	**2.2**	**1.7**	*3.0*	*2.5*	*1.6*
Poland	:	-1.2	-1.8	-5.2	-5.6	-2.6	**-0.2**	**0.7**	**1.0**	*-0.2*	*0.7*	*1.0*
Romania	:	0.9	-3.8	-7.6	-4.5	-3.5	**0.1**	**0.9**	**1.2**	*0.0*	*0.4*	*0.7*
Sweden	2.8	3.6	2.8	3.7	2.1	1.5	**1.4**	**1.1**	**1.4**	*1.6*	*1.3*	*1.8*
United Kingdom	-0.3	1.8	-2.4	-7.6	-5.8	-3.3	**-1.7**	**-2.7**	**-1.8**	*-1.4*	*-2.4*	*-1.5*
EU	:	:	0.0	-2.4	-2.7	-0.8	**0.4**	**1.1**	**1.0**	*0.5*	*1.1*	*1.1*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

TABLE 41 : Structural budget balance, general government (as a percentage of GDP, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	:	:	-1.4	-3.8	-3.3	-3.4	**-2.7**	**-2.2**	**-2.5**	*-2.7*	*-2.7*	*-3.1*
Germany	:	:	-1.7	-0.8	-2.4	-1.0	**0.4**	**0.4**	**0.3**	*0.2*	*0.3*	*0.3*
Estonia	:	:	-1.1	-1.1	-1.1	-0.7	**0.1**	**-0.3**	**0.2**	*-0.4*	*-0.4*	*0.2*
Ireland	:	:	-0.8	-9.9	-9.2	-7.7	**-7.4**	**-6.6**	**-4.6**	*-7.9*	*-7.5*	*-5.3*
Greece	:	:	-7.4	-14.8	-8.1	-4.7	**-0.5**	**1.8**	**1.5**	*-1.5*	*0.7*	*0.4*
Spain	:	:	-0.2	-8.6	-7.4	-7.3	**-5.9**	**-4.7**	**-5.5**	*-6.3*	*-4.0*	*-5.3*
France	:	:	-4.3	-6.1	-5.8	-4.5	**-3.3**	**-2.0**	**-2.2**	*-3.4*	*-2.0*	*-2.1*
Italy	:	:	-4.5	-4.1	-3.6	-3.7	**-1.4**	**-0.1**	**-0.5**	*-1.4*	*-0.4*	*-0.8*
Cyprus	:	:	-1.4	-6.3	-5.5	-6.2	**-5.7**	**-3.9**	**-2.5**	*-4.6*	*-4.8*	*-5.3*
Luxembourg	:	:	0.8	1.1	0.0	0.2	**-0.7**	**0.1**	**-0.7**	*-1.1*	*-0.9*	*-1.1*
Malta	:	:	-4.7	-3.9	-4.4	-3.2	**-3.2**	**-2.9**	**-2.5**	*-3.5*	*-3.2*	*-2.8*
Netherlands	:	:	-0.3	-4.1	-4.0	-3.6	**-2.5**	**-1.6**	**-2.1**	*-2.2*	*-1.1*	*-1.8*
Austria	:	:	-1.5	-2.7	-3.3	-2.3	**-2.5**	**-1.9**	**-1.6**	*-2.6*	*-2.1*	*-1.8*
Portugal	:	:	-4.8	-8.6	-8.7	-6.5	**-4.4**	**-3.1**	**-1.5**	*-4.1*	*-2.5*	*-0.9*
Slovenia	:	:	-3.0	-4.1	-4.4	-4.5	**-3.1**	**-2.3**	**-3.1**	*-2.8*	*-2.0*	*-2.7*
Slovakia	:	:	-3.1	-7.5	-7.5	-5.5	**-5.0**	**-3.3**	**-2.8**	*-5.1*	*-3.2*	*-2.8*
Finland	:	:	2.7	0.6	-0.7	-0.1	**-0.7**	**-0.3**	**-0.4**	*-0.6*	*-0.1*	*-0.3*
Euro area	:	:	-2.6	-4.5	-4.4	-3.6	**-2.1**	**-1.3**	**-1.5**	*-2.2*	*-1.3*	*-1.5*
Bulgaria	:	:	0.9	-3.4	-2.0	-1.4	**-0.3**	**-0.5**	**-0.3**	*-0.8*	*-0.9*	*-0.6*
Czech Republic	:	:	-3.4	-5.8	-4.8	-3.1	**-2.4**	**-2.2**	**-2.1**	*-2.5*	*-2.6*	*-2.4*
Denmark	:	:	2.6	0.2	-0.2	0.3	**0.3**	**-0.3**	**-0.5**	*-0.3*	*-0.8*	*-0.6*
Latvia	:	:	-3.6	-5.7	-2.9	-1.4	**-0.5**	**-1.0**	**-1.1**	*-1.2*	*-1.5*	*-1.7*
Lithuania	:	:	-3.6	-6.7	-4.6	-4.6	**-2.7**	**-2.2**	**-2.2**	*-2.7*	*-2.1*	*-2.1*
Hungary	:	:	-7.6	-2.2	-3.4	-4.3	**-1.7**	**-2.0**	**-2.6**	*-2.0*	*-1.5*	*-2.6*
Poland	:	:	-4.3	-8.2	-8.3	-5.2	**-3.0**	**-2.2**	**-1.7**	*-2.9*	*-2.2*	*-1.7*
Romania	:	:	-4.6	-9.6	-6.1	-4.0	**-2.2**	**-0.9**	**-0.6**	*-1.9*	*-1.4*	*-1.0*
Sweden	:	:	1.0	2.7	1.3	0.4	**0.4**	**0.1**	**0.3**	*0.6*	*0.3*	*0.7*
United Kingdom	:	:	-4.5	-9.4	-8.7	-6.5	**-6.5**	**-6.0**	**-4.9**	*-6.4*	*-5.6*	*-4.8*
EU	:	:	-2.8	-5.0	-4.9	-3.8	**-2.7**	**-1.9**	**-1.9**	*-2.7*	*-2.0*	*-2.0*
Croatia	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*	*:*

TABLE 42 : Gross debt, general government (as a percentage of GDP, 2006-2014)

							Winter 2013 forecast			*Autumn 2012 forecast*		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	88.0	84.0	89.2	95.7	95.5	97.8	**99.8**	**100.8**	**101.1**	*99.9*	*100.5*	*101.0*
Germany	68.0	65.2	66.8	74.5	82.5	80.5	**81.6**	**80.7**	**78.3**	*81.7*	*80.8*	*78.4*
Estonia	4.4	3.7	4.5	7.2	6.7	6.1	**10.5**	**11.8**	**11.3**	*10.5*	*11.9*	*11.2*
Ireland	24.6	25.0	44.5	64.9	92.2	106.4	**117.2**	**122.2**	**120.1**	*117.6*	*122.5*	*119.2*
Greece	107.5	107.2	112.9	129.7	148.3	170.6	**161.6**	**175.6**	**175.2**	*176.7*	*188.4*	*188.9*
Spain	39.7	36.3	40.2	53.9	61.5	69.3	**88.4**	**95.8**	**101.0**	*86.1*	*92.7*	*97.1*
France	64.0	64.2	68.2	79.2	82.3	86.0	**90.3**	**93.4**	**95.0**	*90.0*	*92.7*	*93.8*
Italy	106.3	103.3	106.1	116.4	119.2	120.7	**127.1**	**128.1**	**127.1**	*126.5*	*127.6*	*126.5*
Cyprus	64.7	58.8	48.9	58.5	61.3	71.1	**86.5**	**93.1**	**97.0**	*89.7*	*96.7*	*102.7*
Luxembourg	6.7	6.7	14.4	15.3	19.2	18.3	**20.5**	**22.2**	**24.1**	*21.3*	*23.6*	*26.9*
Malta	62.5	60.7	60.9	66.3	67.4	70.4	**73.1**	**73.8**	**73.6**	*72.3*	*73.0*	*72.7*
Netherlands	47.4	45.3	58.5	60.8	63.1	65.5	**70.8**	**73.8**	**75.0**	*68.8*	*69.3*	*70.3*
Austria	62.3	60.2	63.8	69.2	72.0	72.4	**74.3**	**75.2**	**74.5**	*74.6*	*75.9*	*75.1*
Portugal	69.4	68.4	71.7	83.2	93.5	108.0	**120.6**	**123.9**	**124.7**	*119.1*	*123.5*	*123.5*
Slovenia	26.4	23.1	22.0	35.0	38.6	46.9	**53.7**	**59.5**	**63.4**	*54.0*	*59.0*	*62.3*
Slovakia	30.5	29.6	27.9	35.6	41.0	43.3	**52.4**	**55.1**	**57.1**	*51.7*	*54.3*	*55.9*
Finland	39.6	35.2	33.9	43.5	48.6	49.0	**53.4**	**56.4**	**57.6**	*53.1*	*54.7*	*55.0*
Euro area	68.7	66.4	70.2	80.0	85.6	88.1	**93.1**	**95.1**	**95.2**	*92.9*	*94.5*	*94.3*
Bulgaria	21.6	17.2	13.7	14.6	16.2	16.3	**18.9**	**17.1**	**17.3**	*19.5*	*18.1*	*18.3*
Czech Republic	28.3	27.9	28.7	34.2	37.8	40.8	**45.5**	**48.0**	**49.5**	*45.1*	*46.9*	*48.1*
Denmark	32.1	27.1	33.4	40.7	42.7	46.4	**45.6**	**45.9**	**47.3**	*45.4*	*44.7*	*45.3*
Latvia	10.7	9.0	19.8	36.7	44.5	42.2	**41.9**	**44.4**	**41.5**	*41.9*	*44.3*	*44.9*
Lithuania	17.9	16.8	15.5	29.3	37.9	38.5	**41.1**	**40.5**	**40.3**	*41.6*	*40.8*	*40.5*
Hungary	65.9	67.0	73.0	79.8	81.8	81.4	**78.6**	**78.7**	**77.7**	*78.4*	*77.1*	*76.8*
Poland	47.7	45.0	47.1	50.9	54.8	56.4	**55.8**	**57.0**	**57.5**	*55.5*	*55.8*	*56.1*
Romania	12.4	12.8	13.4	23.6	30.5	34.7	**38.0**	**38.1**	**38.0**	*34.6*	*34.8*	*34.8*
Sweden	45.3	40.2	38.8	42.6	39.5	38.4	**37.7**	**37.3**	**35.5**	*37.4*	*36.2*	*34.1*
United Kingdom	43.3	44.2	52.3	67.8	79.4	85.2	**89.8**	**95.4**	**97.9**	*88.7*	*93.2*	*95.1*
EU	61.7	59.0	62.2	74.6	80.2	83.1	**87.2**	**89.9**	**90.3**	*86.8*	*88.5*	*88.6*
Croatia	34.9	32.5	28.8	35.7	42.2	46.7	**53.6**	**57.4**	**60.2**	*53.8*	*56.6*	*60.6*

TABLE 43 : Gross national saving (as a percentage of GDP, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	25.4	25.7	25.7	20.5	23.6	22.8	**22.9**	**23.1**	**23.1**	*22.4*	*22.6*	*22.9*
Germany	21.0	20.2	24.3	22.5	23.6	23.9	**23.5**	**22.9**	**22.9**	*23.2*	*22.5*	*22.4*
Estonia	20.7	22.1	22.5	22.0	23.3	25.8	**25.4**	**25.4**	**26.4**	*25.9*	*25.8*	*26.8*
Ireland	21.3	22.2	21.4	11.9	13.1	12.0	**12.5**	**13.8**	**15.0**	*12.7*	*13.8*	*15.1*
Greece	16.8	12.0	9.7	4.2	4.8	4.4	**5.5**	**8.8**	**10.5**	*5.7*	*7.9*	*9.8*
Spain	21.5	22.6	21.4	19.2	18.4	17.8	**17.9**	**19.4**	**20.6**	*17.4*	*18.2*	*19.0*
France	18.9	20.4	19.9	17.2	17.3	18.1	**17.8**	**17.5**	**17.5**	*18.0*	*18.2*	*18.3*
Italy	21.7	20.8	20.1	16.9	16.7	16.4	**17.0**	**17.9**	**18.5**	*16.4*	*17.0*	*17.5*
Cyprus	:	14.6	12.4	8.6	10.6	12.3	**5.9**	**7.3**	**7.8**	*7.3*	*8.4*	*8.2*
Luxembourg	32.9	32.9	31.2	23.7	27.6	28.2	**27.5**	**27.6**	**27.1**	*26.1*	*26.6*	*26.5*
Malta	:	16.4	13.7	10.1	11.5	12.3	**13.1**	**13.5**	**14.0**	*13.3*	*13.6*	*14.1*
Netherlands	26.7	26.7	27.4	21.6	23.1	26.4	**25.5**	**25.5**	**25.7**	*26.3*	*26.6*	*26.7*
Austria	22.6	24.0	26.1	23.6	25.1	24.6	**24.7**	**24.7**	**25.3**	*24.5*	*24.5*	*25.3*
Portugal	19.7	17.7	12.9	9.4	9.8	10.6	**12.7**	**13.2**	**14.0**	*12.8*	*13.4*	*13.9*
Slovenia	23.9	24.5	26.0	21.7	20.6	20.3	**19.1**	**19.6**	**19.2**	*19.4*	*19.5*	*19.1*
Slovakia	25.3	21.9	20.7	17.1	20.1	21.5	**22.6**	**23.5**	**24.9**	*23.3*	*23.8*	*25.0*
Finland	21.8	27.2	26.0	20.5	20.1	19.7	**18.4**	**18.3**	**18.3**	*19.0*	*19.1*	*18.9*
Euro area	:	21.3	22.0	18.9	19.5	19.9	**19.8**	**20.1**	**20.4**	*19.7*	*19.9*	*20.2*
Bulgaria	:	14.9	14.0	20.4	22.5	24.8	**23.3**	**22.8**	**22.7**	*22.4*	*22.2*	*22.1*
Czech Republic	27.2	24.3	24.7	20.6	19.7	20.7	**20.9**	**21.1**	**21.5**	*20.7*	*21.4*	*22.2*
Denmark	20.5	22.8	24.8	20.3	22.7	23.2	**22.2**	**22.0**	**21.7**	*23.2*	*22.9*	*22.7*
Latvia	18.9	18.2	18.6	29.1	22.8	23.0	**23.5**	**23.9**	**24.2**	*24.7*	*25.0*	*25.2*
Lithuania	:	13.4	15.5	13.5	17.4	16.8	**17.3**	**17.7**	**18.0**	*17.2*	*17.7*	*18.0*
Hungary	19.4	18.1	16.2	17.9	19.9	20.5	**20.0**	**20.6**	**20.5**	*19.7*	*20.3*	*20.1*
Poland	20.0	18.3	17.7	17.3	16.7	17.4	**17.6**	**17.6**	**17.6**	*17.4*	*17.2*	*16.6*
Romania	16.8	16.2	17.1	21.2	21.2	22.4	**24.2**	**24.8**	**25.6**	*25.4*	*25.8*	*26.1*
Sweden	20.5	23.1	26.6	23.4	25.6	26.9	**26.5**	**26.5**	**27.2**	*25.8*	*26.1*	*26.5*
United Kingdom	16.7	15.1	15.3	12.9	12.6	13.9	**11.1**	**11.8**	**13.2**	*11.2*	*13.0*	*14.4*
EU	:	20.2	20.9	18.2	18.7	19.3	**18.8**	**19.1**	**19.6**	*18.7*	*19.1*	*19.5*
Croatia	:	17.4	21.9	19.8	20.6	20.2	**20.2**	**20.7**	**20.9**	*19.3*	*20.1*	*20.5*
USA	16.8	16.0	14.4	10.5	11.6	11.6	**12.2**	**13.0**	**13.9**	*12.1*	*12.8*	*13.6*
Japan	30.1	26.4	26.6	22.6	23.5	22.0	**21.5**	**21.7**	**22.4**	*21.7*	*22.1*	*23.0*

TABLE 44 : Gross saving, private sector (as a percentage of GDP, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	26.3	23.9	24.1	23.5	25.5	24.4	**24.0**	**24.3**	**24.4**	*23.3*	*24.0*	*24.5*
Germany	20.8	20.1	23.6	22.9	24.3	22.4	**21.3**	**21.1**	**21.0**	*21.2*	*20.8*	*20.5*
Estonia	14.2	18.0	16.9	20.0	21.2	22.4	**20.7**	**21.2**	**22.3**	*21.9*	*22.0*	*23.0*
Ireland	19.4	16.9	17.8	19.5	20.5	18.7	**18.3**	**19.0**	**17.9**	*19.2*	*20.3*	*19.0*
Greece	20.7	12.4	13.8	16.0	13.7	12.8	**14.5**	**15.9**	**16.3**	*11.1*	*11.8*	*12.5*
Spain	:	19.2	16.6	24.5	23.0	23.0	**22.9**	**24.2**	**25.9**	*22.4*	*22.4*	*23.7*
France	19.1	19.3	19.3	20.6	20.7	19.7	**18.9**	**17.9**	**18.2**	*19.1*	*18.4*	*18.6*
Italy	24.4	20.3	19.5	18.9	18.2	17.8	**17.3**	**17.6**	**18.2**	*16.7*	*16.6*	*17.2*
Cyprus	:	15.1	9.6	9.3	10.7	14.1	**8.2**	**9.1**	**9.2**	*9.1*	*10.9*	*10.9*
Luxembourg	25.2	24.3	24.8	19.3	23.2	23.7	**24.0**	**23.6**	**23.4**	*22.7*	*23.3*	*23.1*
Malta	:	18.6	15.1	11.8	13.4	13.6	**14.9**	**15.2**	**15.2**	*15.1*	*15.3*	*15.4*
Netherlands	26.0	23.9	24.4	22.3	23.6	27.0	**25.8**	**25.4**	**25.7**	*26.3*	*25.8*	*26.4*
Austria	22.1	22.2	24.3	24.2	25.5	23.7	**23.6**	**23.7**	**23.7**	*23.7*	*23.6*	*23.9*
Portugal	20.8	18.0	14.8	16.4	16.7	15.4	**17.2**	**16.6**	**15.5**	*16.9*	*16.4*	*15.2*
Slovenia	:	23.2	22.8	22.2	21.3	21.2	**20.0**	**20.2**	**20.4**	*20.5*	*19.7*	*19.3*
Slovakia	23.8	22.4	20.1	20.8	24.7	23.7	**25.2**	**24.4**	**25.9**	*25.1*	*24.8*	*25.8*
Finland	21.0	20.4	19.8	20.3	20.4	18.3	**17.4**	**17.3**	**17.1**	*18.1*	*17.9*	*17.4*
Euro area	:	20.1	20.6	21.5	21.8	21.0	**20.4**	**20.4**	**20.7**	*20.3*	*20.0*	*20.3*
Bulgaria	:	11.3	8.1	20.8	22.2	24.4	**22.1**	**21.7**	**21.1**	*21.1*	*20.8*	*20.1*
Czech Republic	:	22.1	20.9	21.4	20.3	20.3	**20.4**	**20.2**	**20.4**	*20.5*	*21.1*	*21.7*
Denmark	20.2	20.1	19.2	21.0	22.9	22.7	**22.4**	**22.4**	**22.7**	*23.2*	*22.7*	*22.6*
Latvia	17.1	17.5	15.0	34.1	25.0	21.2	**20.3**	**20.9**	**21.3**	*21.9*	*22.4*	*22.7*
Lithuania	:	12.1	13.0	20.1	22.2	19.7	**17.8**	**17.7**	**17.4**	*17.5*	*17.3*	*16.9*
Hungary	:	17.8	18.2	19.5	22.3	22.9	**19.9**	**21.5**	**21.0**	*19.8*	*20.5*	*20.4*
Poland	19.7	18.8	17.2	19.0	19.5	17.9	**17.1**	**17.6**	**18.1**	*16.8*	*17.0*	*16.8*
Romania	:	15.3	13.9	24.2	22.1	20.9	**20.7**	**20.7**	**21.3**	*21.7*	*21.6*	*21.6*
Sweden	21.0	19.5	21.5	20.8	22.2	23.3	**23.3**	**23.9**	**24.0**	*22.4*	*23.1*	*22.7*
United Kingdom	18.3	13.8	16.2	19.6	19.2	18.9	**16.8**	**17.1**	**17.4**	*17.0*	*18.1*	*18.5*
EU	:	18.9	19.7	21.2	21.4	20.8	**19.9**	**20.0**	**20.3**	*19.8*	*19.8*	*20.0*
Croatia	:	:	:	19.5	21.5	21.3	**21.7**	**22.4**	**22.1**	*20.6*	*21.3*	*21.4*
USA	16.6	15.0	15.6	18.7	19.8	18.9	**18.8**	**17.8**	**17.9**	*18.3*	*17.9*	*17.7*
Japan	27.5	27.4	27.1	28.4	28.9	27.4	**26.7**	**26.2**	**25.6**	*27.3*	*27.3*	*28.1*

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 45 : Saving rate of households (1994-2014) [1] 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	18.9	17.3	15.8	18.3	15.4	14.4	14.7	15.5	15.6	14.8	14.9	14.5
Germany	16.3	15.5	16.6	17.0	16.9	16.5	16.4	16.2	16.0	16.5	16.3	16.0
Estonia	7.4	1.9	-3.2	11.4	6.7	5.6	3.1	1.7	1.0	4.4	2.8	1.6
Ireland	:	:	8.8	14.9	12.0	10.7	12.7	10.9	10.2	17.2	16.7	16.0
Greece	:	::	::	::	::	::	:	:	:	:	:	:
Spain	:	11.4	11.2	17.8	13.1	11.0	8.3	8.4	9.4	8.7	8.1	9.1
France	15.0	14.8	15.0	16.1	15.6	15.7	15.5	15.1	14.9	15.5	15.4	15.3
Italy	20.8	15.7	15.9	14.2	12.7	12.0	12.0	12.0	11.8	12.4	12.4	12.4
Cyprus	:	12.7	9.6	11.1	13.6	8.8	9.5	8.5	8.5	5.2	7.3	7.5
Luxembourg	:	:	:	13.5	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	18.0	13.6	12.5	12.3	10.5	11.6	11.7	12.7	13.1	12.5	12.8	13.4
Austria	:	13.6	15.3	16.1	14.2	12.6	12.4	12.5	12.6	12.6	12.5	12.7
Portugal	:	10.6	8.4	10.9	10.1	9.2	10.5	10.6	10.7	9.9	9.7	9.9
Slovenia	:	14.6	16.3	14.9	13.5	11.9	9.5	9.5	9.1	10.9	10.2	9.7
Slovakia	:	9.3	6.3	6.9	10.7	9.8	9.8	8.5	9.2	9.0	7.6	7.7
Finland	9.1	8.5	8.0	11.7	10.6	8.7	7.9	8.4	8.7	8.1	8.2	8.3
Euro area	:	:	14.4	15.5	14.1	13.5	13.3	13.3	13.3	13.6	13.5	13.6
Bulgaria	:	:	-19.3	-3.0	-3.7	:	:	:	:	:	:	:
Czech Republic	11.1	10.1	9.5	11.2	11.3	9.6	10.9	11.1	11.3	10.7	10.3	10.1
Denmark	6.2	7.2	5.0	8.5	6.8	6.6	6.4	6.7	6.3	7.5	6.7	6.9
Latvia	1.1	1.0	0.0	10.4	2.5	-1.6	-1.2	-0.3	-0.7	-0.5	0.2	0.1
Lithuania	:	4.2	-0.5	5.4	9.2	1.2	:	:	:	:	:	:
Hungary	:	10.9	10.0	10.2	10.8	10.4	:	:	:	:	:	:
Poland	:	12.0	6.9	9.0	8.2	2.1	1.9	3.5	3.8	1.4	1.8	2.2
Romania	:	-2.8	-9.0	-1.3	-8.3	-15.2	:	:	:	:	:	:
Sweden	7.2	7.6	8.9	13.8	11.3	13.0	14.4	15.5	14.9	14.0	14.7	14.4
United Kingdom	8.2	4.8	2.6	6.6	6.6	6.6	7.1	7.1	7.0	6.1	6.1	5.8
EU	:	:	11.9	13.9	12.6	12.0	11.8	11.9	11.9	11.9	11.9	11.8
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
USA	9.2	7.3	7.6	9.4	9.6	8.6	8.2	7.7	8.2	8.2	7.8	7.4
Japan	18.2	12.4	8.3	9.1	8.7	8.7	8.5	9.2	8.4	8.2	10.2	10.7

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 46 : Gross saving, general government (as a percentage of GDP, 1994-2014) [1]

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-0.8	1.9	1.6	-3.0	-1.9	-1.6	-1.0	-1.3	-1.3	-0.9	-1.5	-1.6
Germany	0.1	0.1	0.7	-0.4	-0.7	1.5	2.2	1.7	1.9	2.0	1.7	1.9
Estonia	6.5	4.1	5.6	2.0	2.1	3.4	4.7	4.2	4.1	4.0	3.8	3.8
Ireland	1.8	5.3	3.7	-7.7	-7.4	-6.6	-5.9	-5.3	-2.9	-6.5	-6.4	-3.9
Greece	-3.9	-0.5	-4.1	-11.8	-8.9	-8.4	-9.0	-7.1	-5.8	-5.4	-3.9	-2.7
Spain	:	3.4	4.8	-5.3	-4.6	-5.2	-5.0	-4.8	-5.4	-5.0	-4.2	-4.6
France	-0.2	1.1	0.6	-3.4	-3.4	-1.6	-1.1	-0.3	-0.7	-1.1	-0.2	-0.3
Italy	-2.7	0.5	0.6	-2.0	-1.5	-1.4	-0.3	0.2	0.3	-0.3	0.4	0.3
Cyprus	:	-0.5	2.9	-0.7	-0.1	-1.9	-2.3	-1.8	-1.4	-1.8	-2.5	-2.7
Luxembourg	7.7	8.6	6.5	4.4	4.4	4.5	3.5	4.0	3.7	3.4	3.3	3.3
Malta	:	-2.3	-1.4	-1.8	-1.9	-1.2	-1.8	-1.7	-1.3	-1.8	-1.7	-1.3
Netherlands	0.7	2.7	3.0	-0.7	-0.6	-0.7	-0.3	0.1	0.0	0.0	0.8	0.3
Austria	0.5	1.8	1.9	-0.6	-0.4	0.9	1.0	1.0	1.5	0.8	0.9	1.4
Portugal	-1.0	-0.3	-1.9	-6.9	-6.9	-4.8	-4.5	-3.4	-1.6	-4.1	-3.0	-1.3
Slovenia	:	1.3	3.2	-0.4	-0.7	-0.9	-0.9	-0.6	-1.2	-1.0	-0.2	-0.1
Slovakia	1.6	-0.5	0.5	-3.7	-4.6	-2.3	-2.7	-0.9	-1.0	-1.8	-1.0	-0.9
Finland	0.8	6.8	6.2	0.2	-0.3	1.4	1.1	1.0	1.2	0.9	1.2	1.5
Euro area	:	1.2	1.4	-2.6	-2.3	-1.2	-0.6	-0.3	-0.3	-0.6	-0.1	-0.1
Bulgaria	-2.6	3.6	5.9	-0.4	0.3	0.4	1.2	1.1	1.6	1.3	1.4	2.0
Czech Republic	:	2.2	3.7	-0.9	-0.6	0.3	0.5	0.8	1.1	0.2	0.2	0.5
Denmark	0.2	2.6	5.7	-0.6	-0.3	0.6	-0.1	-0.4	-1.0	0.0	0.2	0.0
Latvia	1.8	0.7	3.6	-5.0	-2.2	1.8	3.2	2.9	2.9	2.8	2.6	2.5
Lithuania	:	1.3	2.4	-6.6	-4.9	-2.9	-0.6	0.0	0.6	-0.4	0.4	1.1
Hungary	:	0.3	-2.0	-1.6	-2.5	-2.4	0.0	-0.9	-0.5	-0.1	-0.1	-0.3
Poland	0.3	-0.5	0.5	-1.8	-2.8	-0.5	0.5	-0.1	-0.5	0.6	0.2	-0.2
Romania	:	0.9	3.2	-3.0	-0.9	1.6	3.4	4.1	4.3	3.7	4.1	4.5
Sweden	-0.5	3.6	5.1	2.5	3.4	3.6	3.1	2.6	3.2	3.3	3.1	3.8
United Kingdom	-1.6	1.3	-0.9	-6.7	-6.7	-5.0	-5.7	-5.2	-4.2	-5.8	-5.1	-4.1
EU	:	1.3	1.2	-2.9	-2.7	-1.5	-1.1	-0.9	-0.7	-1.1	-0.7	-0.5
Croatia	:	:	:	0.3	-1.0	-1.1	-1.5	-1.7	-1.2	-1.3	-1.2	-0.9
USA	0.2	0.9	-1.2	-8.2	-8.2	-7.4	-6.6	-4.7	-4.0	-6.2	-5.1	-4.1
Japan	2.6	-1.0	-0.5	-5.8	-5.4	-5.4	-5.2	-4.5	-3.3	-5.6	-5.2	-5.0

[1] ESA 79 up to 1994, ESA 95 from 1995 onwards.

TABLE 47 : Exports of goods and services, volume (percentage change on preceding year, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	6.3	4.0	4.5	-11.1	9.6	5.5	**0.8**	**1.4**	**3.3**	*-0.7*	*1.9*	*3.9*
Germany	8.0	6.4	8.4	-12.8	13.7	7.8	**4.1**	**3.3**	**6.1**	*3.9*	*4.2*	*6.6*
Estonia	9.4	6.9	8.6	-20.6	22.9	23.4	**5.8**	**4.1**	**5.6**	*4.3*	*4.8*	*6.8*
Ireland	17.6	9.9	4.8	-3.8	6.2	5.1	**2.6**	**3.0**	**4.2**	*2.8*	*3.2*	*4.2*
Greece	7.7	4.9	6.4	-19.4	5.2	0.3	**-2.0**	**2.7**	**4.7**	*0.8*	*2.7*	*4.8*
Spain	11.8	5.5	3.8	-10.0	11.3	7.6	**3.1**	**4.2**	**5.7**	*2.1*	*4.2*	*5.7*
France	8.1	3.9	2.9	-12.1	9.6	5.3	**2.3**	**2.0**	**4.7**	*2.6*	*2.1*	*4.2*
Italy	6.2	1.7	4.2	-17.5	11.4	6.0	**1.8**	**2.1**	**3.9**	*1.1*	*3.0*	*4.1*
Cyprus	:	3.9	3.9	-10.7	3.8	3.3	**3.1**	**1.6**	**1.9**	*-0.9*	*0.8*	*1.3*
Luxembourg	7.4	7.9	8.3	-10.9	7.7	5.5	**-3.1**	**1.6**	**3.1**	*-4.2*	*0.9*	*3.1*
Malta	:	2.5	4.6	-7.7	18.4	1.3	**6.2**	**4.0**	**4.8**	*5.4*	*4.0*	*4.8*
Netherlands	8.0	5.2	5.9	-7.7	11.2	3.9	**3.1**	**1.7**	**3.9**	*3.8*	*2.5*	*4.7*
Austria	7.5	6.2	7.1	-15.6	8.7	7.2	**1.8**	**3.1**	**5.7**	*1.5*	*3.9*	*5.9*
Portugal	9.3	4.1	4.6	-10.9	10.2	7.2	**3.4**	**1.4**	**4.6**	*4.3*	*2.7*	*4.8*
Slovenia	6.9	6.1	10.6	-16.7	10.1	7.0	**1.0**	**1.2**	**3.2**	*1.2*	*3.0*	*5.4*
Slovakia	8.7	9.8	11.0	-16.3	16.0	12.7	**8.4**	**3.0**	**6.2**	*7.8*	*4.3*	*6.5*
Finland	10.2	6.1	8.2	-21.3	7.5	2.9	**-0.5**	**0.5**	**2.5**	*-2.7*	*0.7*	*1.5*
Euro area	:	5.1	5.9	-12.4	11.2	6.3	**2.8**	**2.6**	**4.9**	*2.5*	*3.2*	*5.2*
Bulgaria	:	5.8	8.7	-11.2	14.7	12.8	**-0.1**	**3.1**	**4.5**	*1.7*	*3.4*	*4.4*
Czech Republic	10.0	8.8	10.8	-10.9	15.5	9.4	**4.3**	**2.4**	**5.6**	*3.9*	*3.9*	*6.2*
Denmark	4.9	6.0	5.2	-9.5	3.0	6.5	**1.5**	**2.4**	**5.1**	*2.5*	*3.8*	*4.0*
Latvia	:	4.4	9.5	-14.1	11.6	12.7	**6.9**	**4.8**	**6.6**	*5.1*	*4.8*	*6.9*
Lithuania	:	7.4	9.5	-12.6	17.4	14.1	**10.2**	**5.4**	**6.8**	*5.0*	*5.3*	*6.9*
Hungary	21.4	9.6	13.1	-10.2	14.2	6.3	**2.2**	**3.1**	**5.6**	*2.0*	*4.5*	*6.5*
Poland	14.8	8.2	10.5	-6.8	12.1	7.7	**3.2**	**3.8**	**6.4**	*3.0*	*4.1*	*6.3*
Romania	10.1	14.7	9.6	-6.4	13.2	10.3	**-3.5**	**0.9**	**2.6**	*0.2*	*3.9*	*5.9*
Sweden	10.3	4.9	6.7	-13.8	11.4	7.1	**0.5**	**2.0**	**4.9**	*0.5*	*3.1*	*5.6*
United Kingdom	7.8	3.9	4.8	-8.2	6.4	4.6	**-0.3**	**2.5**	**4.9**	*0.2*	*3.9*	*5.7*
EU	:	5.1	6.1	-11.7	10.7	6.4	**2.3**	**2.6**	**5.0**	*2.2*	*3.4*	*5.3*
Croatia	:	6.7	4.1	-16.2	5.2	2.0	**0.2**	**1.4**	**3.0**	*-1.0*	*1.5*	*3.3*
USA	8.2	1.3	8.1	-9.1	11.1	6.7	**3.3**	**2.6**	**6.0**	*4.4*	*6.2*	*6.3*
Japan	4.4	4.7	8.0	-24.2	24.4	-0.4	**-0.3**	**4.8**	**6.8**	*2.5*	*0.7*	*3.9*

TABLE 48 : Imports of goods and services, volume (percentage change on preceding year, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	6.1	3.1	5.0	-10.6	8.9	5.6	**0.3**	**0.9**	**3.3**	*-0.9*	*1.6*	*3.6*
Germany	7.6	4.8	7.0	-8.0	11.1	7.4	**2.3**	**4.1**	**7.0**	*2.7*	*5.1*	*7.2*
Estonia	13.2	8.4	9.0	-32.0	21.0	25.0	**9.6**	**3.5**	**5.2**	*6.7*	*3.6*	*6.8*
Ireland	17.6	8.2	5.7	-9.7	3.6	-0.3	**0.4**	**1.6**	**3.3**	*0.3*	*2.0*	*3.2*
Greece	8.1	6.4	6.0	-20.2	-6.2	-7.3	**-14.4**	**-5.9**	**-0.8**	*-10.0*	*-6.0*	*-0.5*
Spain	11.9	7.7	5.9	-17.2	9.2	-0.9	**-5.0**	**-3.8**	**2.0**	*-6.3*	*-3.2*	*2.4*
France	7.5	5.1	4.6	-9.6	8.9	4.9	**-0.3**	**0.9**	**5.0**	*0.8*	*0.9*	*4.0*
Italy	7.0	3.7	3.6	-13.4	12.5	0.6	**-7.5**	**-1.0**	**4.3**	*-7.2*	*1.4*	*5.0*
Cyprus	:	4.0	8.5	-18.6	4.8	-4.1	**-8.8**	**-8.0**	**-0.5**	*-9.3*	*-5.5*	*-0.4*
Luxembourg	8.1	7.7	8.8	-14.1	12.1	8.6	**-2.8**	**1.7**	**3.5**	*-3.8*	*1.1*	*3.5*
Malta	:	2.4	4.9	-8.6	13.3	-1.2	**4.1**	**3.9**	**4.9**	*3.1*	*4.0*	*4.9*
Netherlands	9.1	5.1	5.6	-7.1	10.2	3.6	**2.8**	**1.3**	**3.6**	*2.9*	*1.7*	*4.5*
Austria	6.7	4.9	5.7	-13.3	8.8	7.2	**1.0**	**2.6**	**5.4**	*1.1*	*3.4*	*5.6*
Portugal	10.2	2.9	5.0	-10.0	8.0	-5.9	**-7.3**	**-3.1**	**3.8**	*-6.6*	*-1.1*	*3.3*
Slovenia	9.4	5.9	10.4	-19.5	7.9	5.2	**-2.8**	**-1.4**	**2.7**	*-3.2*	*2.0*	*5.0*
Slovakia	9.9	6.7	10.1	-18.9	14.9	10.1	**4.8**	**2.4**	**4.7**	*3.2*	*3.5*	*5.7*
Finland	9.8	5.6	8.2	-17.2	6.9	6.1	**-2.2**	**0.0**	**2.7**	*-1.7*	*0.3*	*1.8*
Euro area	:	5.0	5.7	-11.1	9.6	4.2	**-0.7**	**1.2**	**4.8**	*-0.5*	*2.1*	*5.0*
Bulgaria	:	11.6	12.2	-21.0	2.4	8.5	**4.4**	**5.2**	**5.8**	*4.6*	*5.3*	*5.7*
Czech Republic	12.6	9.0	8.4	-12.1	15.8	6.7	**2.3**	**2.1**	**5.6**	*1.1*	*3.4*	*5.6*
Denmark	8.2	4.7	7.9	-12.3	3.2	5.6	**3.0**	**3.7**	**5.1**	*3.3*	*6.1*	*4.7*
Latvia	:	5.8	10.6	-33.3	11.4	22.7	**4.8**	**5.5**	**7.4**	*5.3*	*5.5*	*7.3*
Lithuania	:	6.9	13.3	-28.1	18.0	13.7	**6.0**	**5.6**	**7.4**	*4.1*	*5.3*	*7.6*
Hungary	16.9	10.2	10.8	-14.8	12.7	5.0	**0.4**	**3.0**	**5.2**	*0.6*	*3.9*	*6.2*
Poland	20.6	4.5	11.8	-12.4	13.9	5.5	**-0.9**	**1.2**	**4.8**	*-0.2*	*2.1*	*5.2*
Romania	11.5	14.4	19.0	-20.5	11.1	10.0	**-1.9**	**2.4**	**3.6**	*0.5*	*5.2*	*6.6*
Sweden	9.4	3.4	7.0	-14.3	12.0	6.3	**0.0**	**1.8**	**4.8**	*0.2*	*2.7*	*6.0*
United Kingdom	8.1	5.9	4.0	-11.0	8.0	0.5	**2.2**	**1.9**	**2.9**	*2.6*	*2.8*	*3.8*
EU	:	5.3	6.0	-11.6	9.7	4.1	**-0.1**	**1.5**	**4.6**	*0.1*	*2.4*	*4.9*
Croatia	:	7.3	5.5	-21.4	-1.4	1.2	**-1.8**	**1.5**	**3.8**	*-2.5*	*2.0*	*4.0*
USA	10.7	5.8	4.5	-13.5	12.5	4.8	**2.5**	**2.0**	**6.1**	*3.8*	*5.3*	*7.6*
Japan	5.4	3.8	3.8	-15.7	11.1	5.9	**5.3**	**1.6**	**5.0**	*6.3*	*-0.4*	*1.0*

TABLE 49 : Merchandise trade balance (fob-fob, as a percentage of GDP, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	3.3	3.6	1.5	-0.4	-0.7	-0.8	**-0.4**	**0.1**	**-0.1**	*-1.1*	*-1.0*	*-1.2*
Germany	2.9	4.6	7.3	5.6	6.3	6.0	**6.7**	**6.6**	**6.4**	*6.3*	*5.7*	*5.6*
Estonia	-19.2	-14.3	-15.2	-4.4	-2.7	-3.8	**-6.6**	**-5.6**	**-4.6**	*-6.6*	*-5.7*	*-6.0*
Ireland	19.1	25.6	15.1	20.1	22.8	23.0	**23.9**	**24.8**	**25.4**	*23.8*	*24.7*	*25.3*
Greece	-11.9	-17.9	-18.7	-16.1	-14.3	-14.0	**-10.9**	**-9.7**	**-8.8**	*-12.7*	*-11.5*	*-10.8*
Spain	-2.9	-5.4	-7.7	-4.0	-4.6	-3.8	**-2.6**	**-0.4**	**0.7**	*-2.5*	*-0.8*	*0.0*
France	1.3	0.3	-1.6	-2.2	-2.5	-3.5	**-3.0**	**-2.8**	**-3.1**	*-3.3*	*-3.1*	*-3.4*
Italy	3.4	1.2	0.0	0.1	-1.3	-1.1	**1.2**	**2.4**	**2.7**	*0.8*	*1.6*	*1.8*
Cyprus	:	-25.8	-28.1	-25.5	-26.8	-24.2	**-21.2**	**-18.9**	**-18.7**	*-21.9*	*-20.6*	*-20.7*
Luxembourg	-10.4	-11.8	-10.0	-9.0	-9.2	-11.3	**-13.2**	**-12.5**	**-13.1**	*-13.6*	*-13.8*	*-14.3*
Malta	-20.6	-13.8	-17.8	-18.1	-17.7	-16.0	**-16.2**	**-16.4**	**-16.8**	*-15.2*	*-15.6*	*-15.9*
Netherlands	5.3	5.9	7.5	6.3	7.5	8.1	**8.6**	**9.0**	**9.4**	*8.8*	*9.1*	*9.0*
Austria	-3.4	-1.2	-0.1	-1.1	-1.1	-2.3	**-2.0**	**-1.6**	**-1.5**	*-2.1*	*-2.0*	*-1.8*
Portugal	-8.8	-10.7	-11.2	-10.0	-10.6	-7.8	**-4.4**	**-2.9**	**-2.6**	*-3.5*	*-2.3*	*-1.6*
Slovenia	-3.7	-3.6	-4.5	-1.5	-2.9	-3.0	**-1.4**	**0.3**	**0.2**	*-1.0*	*-0.8*	*-0.9*
Slovakia	-6.8	-6.6	-3.6	1.1	0.8	1.1	**3.3**	**4.2**	**5.7**	*4.8*	*5.4*	*6.1*
Finland	9.0	9.3	5.0	1.8	1.4	-0.6	**0.9**	**0.5**	**0.1**	*-0.5*	*-0.9*	*-1.3*
Euro area	:	1.5	0.9	0.6	0.6	0.5	**1.6**	**2.2**	**2.4**	*1.3*	*1.6*	*1.7*
Euro area, adjusted [1]	::	:	:	0.3	0.2	0.1	**1.2**	**1.8**	**2.0**	*0.9*	*1.2*	*1.3*
Bulgaria	0.3	-10.4	-21.5	-12.0	-7.7	-5.1	**-9.0**	**-10.9**	**-12.3**	*-9.1*	*-10.9*	*-12.3*
Czech Republic	-5.8	-2.8	1.1	2.3	1.4	2.3	**3.9**	**4.1**	**4.2**	*3.2*	*3.8*	*4.2*
Denmark	3.6	4.5	1.6	2.8	3.0	3.1	**2.5**	**1.7**	**1.1**	*2.1*	*1.4*	*0.9*
Latvia	-12.6	-15.5	-21.4	-7.1	-7.0	-10.8	**-10.4**	**-11.0**	**-11.6**	*-11.5*	*-12.1*	*-12.6*
Lithuania	-10.1	-10.0	-12.7	-3.3	-4.9	-5.9	**-4.0**	**-4.1**	**-4.7**	*-5.8*	*-6.3*	*-7.1*
Hungary	-4.6	-4.5	-2.3	2.5	3.2	3.3	**4.5**	**5.4**	**5.8**	*3.9*	*5.2*	*6.2*
Poland	-3.0	-4.8	-2.8	-1.0	-1.8	-2.1	**-1.5**	**-0.7**	**-0.3**	*-1.8*	*-1.2*	*-1.4*
Romania	-5.4	-5.8	-11.7	-5.8	-6.1	-5.6	**-5.6**	**-5.6**	**-5.6**	*-5.4*	*-5.8*	*-5.9*
Sweden	6.8	6.8	5.4	3.1	2.6	2.6	**2.5**	**2.6**	**2.8**	*2.4*	*2.6*	*2.6*
United Kingdom	-1.8	-3.8	-5.8	-5.9	-6.7	-6.6	**-6.9**	**-7.1**	**-6.8**	*-7.0*	*-6.9*	*-6.5*
EU	:	0.5	-0.4	-0.3	-0.5	-0.5	**0.2**	**0.7**	**0.8**	*-0.1*	*0.2*	*0.3*
EU, adjusted [1]	:	:	:	-0.7	-1.0	-1.1	**-0.3**	**0.2**	**0.3**	*-0.7*	*-0.4*	*-0.3*
Croatia	:	-18.3	-21.4	-16.6	-13.3	-14.2	**-14.0**	**-14.1**	**-14.6**	*-14.6*	*-14.8*	*-15.2*
USA	-2.5	-4.5	-6.1	-3.8	-4.6	-5.0	**-4.8**	**-4.7**	**-4.9**	*-4.9*	*-4.7*	*-5.1*
Japan	2.5	2.3	2.0	0.9	1.7	-0.3	**-1.4**	**-2.2**	**-2.4**	*-1.5*	*-1.4*	*-1.2*

[1] See note 7 on concepts and sources.

TABLE 50 : Current-account balance (as a percentage of GDP, 1994-2014)

	5-year averages						Winter 2013 forecast			*Autumn 2012 forecast*		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	4.7	5.0	3.2	0.7	3.0	1.0	**1.5**	**2.0**	**1.9**	*0.7*	*0.9*	*1.2*
Germany	-0.9	0.1	6.0	6.0	6.1	5.6	**6.3**	**6.0**	**5.6**	*5.7*	*5.0*	*4.7*
Estonia	-8.8	-7.4	-12.3	4.2	3.2	0.3	**-2.7**	**-2.3**	**-1.7**	*-0.9*	*0.1*	*0.4*
Ireland	2.4	-0.1	-3.6	-2.3	1.1	1.1	**2.1**	**3.4**	**4.3**	*2.3*	*3.4*	*4.4*
Greece	-1.3	-10.7	-14.1	-14.4	-12.8	-11.7	**-7.7**	**-4.3**	**-3.3**	*-8.3*	*-6.3*	*-5.2*
Spain	-0.6	-3.8	-8.4	-4.8	-4.4	-3.7	**-1.9**	**1.0**	**2.5**	*-2.4*	*-0.5*	*0.4*
France	1.4	1.3	-0.9	-1.8	-2.0	-2.6	**-1.9**	**-1.6**	**-1.8**	*-2.2*	*-1.8*	*-1.9*
Italy	2.2	0.0	-1.4	-2.0	-3.5	-3.3	**-0.7**	**0.6**	**0.8**	*-1.2*	*-0.4*	*-0.3*
Cyprus	:	-2.8	-8.6	-10.7	-9.2	-4.2	**-6.0**	**-1.7**	**0.1**	*-6.3*	*-3.5*	*-3.0*
Luxembourg	11.2	9.8	9.8	7.2	8.2	7.1	**6.3**	**6.7**	**6.1**	*4.4*	*4.9*	*4.7*
Malta	:	-3.9	-6.6	-7.3	-4.9	-0.3	**1.5**	**1.2**	**0.9**	*2.1*	*1.8*	*1.6*
Netherlands	4.9	5.6	7.6	3.2	5.1	8.3	**8.3**	**8.6**	**8.9**	*9.2*	*9.8*	*9.8*
Austria	-2.5	0.3	3.3	2.7	3.5	1.1	**1.7**	**2.1**	**2.4**	*1.1*	*1.2*	*1.6*
Portugal	-5.8	-9.1	-10.4	-10.8	-10.4	-7.2	**-3.0**	**-1.4**	**-1.2**	*-3.0*	*-1.8*	*-1.5*
Slovenia	0.3	-1.5	-3.5	-0.4	-0.4	0.1	**1.9**	**3.8**	**3.3**	*2.0*	*2.7*	*2.3*
Slovakia	-4.1	-5.5	-7.1	-2.5	-2.5	-2.5	**0.0**	**0.8**	**2.0**	*1.4*	*1.4*	*2.2*
Finland	3.7	7.3	4.3	2.0	1.6	-1.3	**-0.7**	**-0.7**	**-1.0**	*-1.6*	*-1.6*	*-2.0*
Euro area	:	0.2	0.4	0.1	0.3	0.2	**1.5**	**2.2**	**2.3**	*1.1*	*1.5*	*1.6*
Euro area, adjusted [1]	::	:	:	-0.1	0.0	0.1	**1.4**	**2.1**	**2.2**	*0.9*	*1.2*	*1.3*
Bulgaria	-0.2	-4.5	-16.8	-9.0	-0.4	1.7	**-0.7**	**-1.6**	**-2.0**	*-1.6*	*-2.1*	*-2.5*
Czech Republic	-3.5	-4.1	-3.4	-3.3	-5.2	-3.9	**-2.9**	**-2.7**	**-2.7**	*-2.9*	*-2.1*	*-1.3*
Denmark	0.8	2.5	2.9	3.4	5.9	5.6	**4.8**	**4.1**	**4.1**	*5.6*	*4.6*	*4.2*
Latvia	-3.0	-7.2	-16.7	8.6	2.9	-2.4	**-2.5**	**-2.8**	**-3.2**	*-2.9*	*-3.1*	*-3.5*
Lithuania	:	-6.7	-10.6	2.1	-0.4	-3.7	**-0.9**	**-1.3**	**-1.9**	*-2.9*	*-3.0*	*-3.6*
Hungary	-4.7	-7.2	-7.9	-0.1	1.2	1.0	**2.3**	**3.3**	**3.6**	*1.6*	*2.6*	*2.6*
Poland	-0.9	-3.3	-4.0	-3.1	-4.3	-4.5	**-3.6**	**-2.7**	**-2.4**	*-3.9*	*-3.3*	*-3.7*
Romania	:	-3.9	-10.1	-4.2	-4.4	-4.5	**-3.8**	**-4.0**	**-3.9**	*-4.1*	*-4.2*	*-4.4*
Sweden	3.7	5.2	7.8	6.9	6.9	7.3	**7.2**	**7.3**	**7.6**	*6.4*	*6.5*	*6.5*
United Kingdom	-0.4	-2.3	-2.1	-1.3	-2.5	-1.3	**-3.7**	**-3.1**	**-2.0**	*-3.8*	*-2.2*	*-1.1*
EU	:	-0.2	-0.2	-0.1	-0.1	0.1	**0.7**	**1.4**	**1.6**	*0.4*	*0.9*	*1.1*
EU, adjusted [1]	:	:	:	-0.7	-0.5	-0.2	**0.4**	**1.1**	**1.3**	*-0.2*	*0.4*	*0.6*
Croatia	:	-5.1	-6.5	-5.2	-1.1	-0.9	**-0.5**	**-0.6**	**-1.5**	*-1.2*	*-1.5*	*-2.2*
USA	-2.0	-3.4	-4.8	-3.6	-3.3	-3.3	**-3.1**	**-3.0**	**-3.3**	*-3.1*	*-2.9*	*-2.9*
Japan	2.3	2.6	3.9	2.9	3.7	2.0	**1.0**	**1.0**	**1.4**	*0.9*	*1.1*	*1.3*

[1] See note 7 on concepts and sources.

TABLE 51 : Net lending (+) or net borrowing (-) of the nation (as a percentage of GDP, 1994-2014) 15.02.2013

	5-year averages						Winter 2013 forecast			Autumn 2012 forecast		
	1994-98	1999-03	2004-08	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	4.6	4.9	3.0	0.3	2.9	0.9	1.6	2.3	1.9	0.8	1.0	1.3
Germany	-0.9	0.2	6.0	6.0	6.1	5.6	6.3	6.0	5.5	5.5	4.9	4.6
Estonia	-8.5	-7.0	-11.1	7.7	6.8	4.5	1.1	0.6	0.6	2.5	2.8	2.6
Ireland	3.4	0.5	-3.5	-3.1	0.7	1.0	2.1	3.3	4.3	2.1	3.3	4.3
Greece	:	-9.2	-12.4	-13.3	-11.0	-9.8	-5.5	-2.0	-0.8	-6.1	-3.9	-2.7
Spain	0.3	-2.8	-7.7	-4.3	-3.8	-3.2	-1.5	1.4	2.9	-1.9	0.0	0.9
France	1.4	1.2	-0.9	-1.7	-1.9	-2.6	-1.7	-1.3	-1.5	-1.9	-1.6	-1.6
Italy	2.4	0.2	-1.3	-2.0	-3.6	-3.3	-0.6	0.7	0.9	-1.2	-0.4	-0.3
Cyprus	:	-2.6	-8.2	-10.6	-9.0	-4.0	-5.5	-1.2	0.5	-5.5	-2.7	-2.4
Luxembourg	11.2	9.8	9.8	7.2	8.2	7.1	6.3	6.7	6.1	4.4	4.9	4.7
Malta	:	-3.6	-4.8	-5.6	-3.2	0.7	2.4	2.1	1.8	3.0	2.7	2.5
Netherlands	4.6	5.4	7.3	2.7	4.5	7.9	8.0	7.7	8.7	8.9	9.5	9.5
Austria	-2.6	0.1	3.2	2.8	3.5	1.0	1.5	2.0	2.4	0.2	0.7	1.2
Portugal	-3.3	-7.2	-9.0	-9.6	-9.0	-5.6	-1.2	0.5	0.8	-1.4	-0.1	0.3
Slovenia	0.3	-1.7	-3.7	-0.4	-0.3	-0.2	2.0	4.6	3.8	2.1	3.1	3.1
Slovakia	-4.2	-6.1	-6.8	-1.7	-0.9	-0.8	1.5	2.1	3.2	2.7	2.6	3.3
Finland	3.7	7.4	4.5	2.1	1.7	-1.2	-0.8	-0.6	-0.9	-1.7	-1.5	-1.9
Euro area	:	0.4	0.5	0.1	0.3	0.3	1.6	2.4	2.5	1.4	1.9	2.1
Euro area, adjusted [1]	:	:	:	-0.1	0.1	0.2	1.5	2.2	2.4	1.2	1.7	1.8
Bulgaria	-0.4	-4.4	-16.6	-7.6	0.3	2.9	0.5	-0.2	-0.4	-0.2	-0.6	-0.8
Czech Republic	-3.5	-3.8	-3.0	-1.2	-3.1	-2.0	-1.5	-1.0	-1.2	-1.2	-0.2	0.5
Denmark	0.8	2.6	3.0	3.4	5.9	5.9	3.5	3.9	4.2	5.4	4.4	4.3
Latvia	-1.1	-6.8	-15.3	11.1	4.9	-0.2	0.5	0.1	-0.2	-0.2	-0.1	-0.2
Lithuania	:	-6.5	-9.1	6.4	3.5	-0.4	2.4	2.1	1.4	0.5	0.1	-0.5
Hungary	-4.4	-7.1	-7.3	1.1	3.0	3.4	4.7	7.1	7.3	4.1	6.2	6.6
Poland	0.8	-3.3	-3.0	-1.9	-2.7	-2.7	-1.2	-0.9	-0.9	-2.0	-1.8	-2.4
Romania	-4.8	-3.6	-9.4	-3.6	-4.2	-3.9	-2.4	-2.9	-2.9	-4.0	-4.1	-4.3
Sweden	3.4	4.9	7.7	6.7	6.8	7.2	7.1	7.2	7.5	6.3	6.4	6.4
United Kingdom	-0.4	-2.2	-1.9	-1.0	-2.3	-1.1	-3.5	-2.9	-1.8	-3.6	-2.0	-0.9
EU	:	-0.1	0.0	0.1	0.1	0.3	0.9	1.6	1.9	0.7	1.4	1.6
EU, adjusted [1]	:	:	:	-0.5	-0.3	0.0	0.6	1.3	1.6	0.2	0.8	1.1
Croatia	:	-4.5	-6.5	-5.1	-1.1	-0.9	-0.5	-0.6	-1.5	-1.2	-1.5	-2.2
USA	-2.0	-3.4	-4.8	-3.6	-3.3	-3.3	-3.1	-3.1	-3.3	-3.1	-2.9	-3.0
Japan	2.2	2.5	3.8	2.8	3.6	2.0	0.9	1.0	1.4	0.8	1.0	1.2

[1] See note 7 on concepts and sources.

TABLE 52 : Current-account balance (in billions of euro, 2006-2014)

							Winter 2013 forecast			Autumn 2012 forecast		
	0	0	0	2009	2010	2011	2012	2013	2014	2012	2013	2014
Belgium	10.8	13.2	3.7	2.5	10.8	3.9	5.6	7.8	7.5	2.6	3.7	4.8
Germany	150.0	182.5	152.1	143.1	153.4	145.9	166.8	161.9	155.5	151.6	135.2	131.6
Estonia	-2.1	-2.5	-1.4	0.6	0.5	0.1	-0.5	-0.4	-0.3	-0.1	0.0	0.1
Ireland	-6.6	-10.4	-10.2	-3.8	1.8	1.8	3.4	5.7	7.4	3.7	5.7	7.5
Greece	-28.7	-39.3	-41.9	-33.2	-28.4	-24.5	-15.0	-8.0	-6.0	-16.2	-11.6	-9.6
Spain	-88.9	-105.2	-104.3	-49.9	-46.0	-39.4	-20.1	10.2	26.9	-25.3	-5.4	4.4
France	-14.8	-25.7	-36.6	-33.2	-37.8	-51.2	-38.4	-32.6	-39.2	-43.8	-37.8	-41.5
Italy	-22.3	-20.1	-45.2	-30.1	-54.7	-52.3	-11.6	9.0	12.5	-18.6	-6.0	-4.7
Cyprus	-1.1	-1.9	-2.1	-1.8	-1.6	-0.8	-1.1	-0.3	0.0	-1.1	-0.6	-0.5
Luxembourg	3.5	3.8	2.0	2.6	3.3	3.0	2.8	3.1	2.9	1.9	2.2	2.2
Malta	-0.5	-0.2	-0.3	-0.4	-0.3	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Netherlands	48.7	48.1	28.1	18.2	29.9	49.8	50.0	52.6	55.9	56.2	60.6	62.2
Austria	8.5	10.9	13.7	7.5	9.9	3.4	5.2	6.7	7.9	3.4	3.9	5.4
Portugal	-17.3	-17.2	-21.7	-18.2	-17.9	-12.4	-5.0	-2.3	-1.9	-5.0	-3.0	-2.5
Slovenia	-0.7	-1.6	-2.3	-0.2	-0.2	0.0	0.7	1.3	1.2	0.7	1.0	0.8
Slovakia	-3.7	-3.1	-4.0	-1.6	-1.7	-1.7	0.0	0.6	1.6	1.0	1.1	1.7
Finland	7.7	7.6	5.8	3.4	2.9	-2.4	-1.3	-1.3	-2.0	-3.0	-3.2	-4.1
Euro area	42.6	38.7	-64.5	5.6	23.7	23.2	141.5	213.9	229.7	108.1	145.8	157.9
Euro area, adjusted [1]	-12.6	7.4	-141.3	-13.3	3.1	12.5	130.7	203.2	218.9	81.7	119.4	131.5
Bulgaria	-4.7	-7.8	-8.2	-3.1	-0.1	0.7	-0.3	-0.7	-0.9	-0.6	-0.8	-1.1
Czech Republic	-3.1	-6.8	-4.5	-4.6	-7.8	-6.1	-4.5	-4.2	-4.2	-4.4	-3.2	-2.1
Denmark	6.5	3.1	6.8	7.6	13.9	13.6	11.6	10.1	10.5	13.8	11.6	10.9
Latvia	-3.6	-4.7	-3.0	1.6	0.5	-0.5	-0.5	-0.7	-0.8	-0.6	-0.7	-0.8
Lithuania	-2.5	-4.3	-4.2	0.5	-0.1	-1.1	-0.3	-0.4	-0.7	-0.9	-1.0	-1.3
Hungary	-6.8	-7.4	-7.3	-0.1	1.1	1.0	2.3	3.3	3.9	1.6	2.7	3.0
Poland	-8.3	-18.9	-20.5	-9.6	-15.2	-16.6	-13.5	-10.7	-9.9	-15.0	-13.4	-15.4
Romania	-10.4	-17.0	-16.0	-4.9	-5.5	-5.9	-5.1	-5.6	-5.8	-5.6	-6.0	-6.7
Sweden	25.1	29.0	29.4	20.1	24.2	28.4	29.5	31.2	33.9	26.3	28.0	29.1
United Kingdom	-57.4	-47.0	-18.1	-19.9	-43.5	-23.5	-70.8	-57.2	-39.1	-72.8	-44.5	-23.6
EU	-22.4	-43.0	-110.1	-6.9	-8.6	13.1	89.9	179.0	216.6	49.8	118.4	149.8
EU, adjusted [1]	-147.1	-130.8	-261.3	-79.5	-61.2	-27.0	49.9	138.9	176.5	-20.1	48.8	80.1
Croatia	-2.7	-3.2	-4.3	-2.3	-0.5	-0.4	-0.2	-0.3	-0.7	-0.5	-0.7	-1.0
USA	-442.9	-513.7	-460.0	-358.8	-356.3	-357.6	-378.1	-363.3	-413.2	-379.3	-365.1	-390.2
Japan	136.4	154.6	109.3	105.4	153.9	86.1	44.7	36.9	54.8	41.2	49.5	60.3

[1] See note 7 on concepts and sources.

TABLE 53 : Export markets (a) (percentage change on preceding year, 2006-2014) 15.02.2013

							Winter 2013 forecast			*Autumn 2012 forecast*		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	8.8	5.3	2.1	-10.6	10.3	5.0	**1.2**	**2.3**	**5.1**	*1.8*	*3.0*	*5.3*
Germany	8.7	6.8	2.2	-11.7	10.5	5.2	**1.3**	**2.3**	**4.9**	*1.9*	*3.1*	*5.2*
Estonia	10.0	9.3	1.8	-17.7	9.6	7.4	**1.9**	**3.0**	**5.4**	*2.4*	*3.6*	*5.6*
Ireland	8.3	4.1	1.2	-11.5	10.7	4.6	**1.4**	**2.1**	**4.9**	*1.9*	*3.3*	*5.3*
Greece	8.7	5.7	1.7	-12.4	10.4	4.9	**1.3**	**2.6**	**5.2**	*1.9*	*3.7*	*5.6*
Spain	8.3	5.0	1.9	-10.6	9.8	4.2	**0.6**	**2.2**	**5.1**	*1.3*	*3.1*	*5.3*
France	8.6	5.9	1.8	-11.1	10.3	4.9	**1.2**	**2.5**	**5.0**	*1.6*	*3.4*	*5.4*
Italy	9.2	6.6	2.7	-11.0	9.9	5.4	**1.7**	**2.7**	**5.3**	*2.4*	*3.5*	*5.5*
Cyprus	10.8	6.7	2.2	-13.6	8.1	7.4	**1.3**	**3.5**	**5.4**	*2.7*	*4.0*	*5.7*
Luxembourg	7.9	4.9	1.6	-11.2	10.1	4.2	**0.6**	**2.0**	**4.8**	*1.1*	*2.9*	*5.0*
Malta	8.6	5.2	1.8	-11.7	10.3	4.4	**0.9**	**2.5**	**5.0**	*1.7*	*3.4*	*5.2*
Netherlands	8.8	5.5	2.3	-11.2	10.4	5.2	**1.1**	**2.5**	**5.2**	*1.5*	*3.4*	*5.4*
Austria	10.0	6.8	2.8	-11.5	11.3	5.9	**1.4**	**2.9**	**5.6**	*1.8*	*3.9*	*6.0*
Portugal	8.7	5.5	0.9	-12.6	9.7	3.9	**0.0**	**1.3**	**4.5**	*0.3*	*2.2*	*4.9*
Slovenia	9.3	7.3	2.7	-13.1	9.8	5.5	**0.6**	**2.6**	**5.4**	*0.9*	*3.5*	*5.7*
Slovakia	10.8	8.3	3.2	-12.3	11.7	6.2	**1.1**	**2.5**	**5.5**	*1.3*	*3.5*	*5.8*
Finland	10.6	8.7	3.6	-12.2	11.9	7.7	**2.7**	**3.4**	**5.6**	*3.4*	*4.1*	*5.9*
Euro area (b)	8.8	6.1	2.2	-11.3	10.4	5.1	**1.3**	**2.4**	**5.1**	*1.8*	*3.3*	*5.4*
Bulgaria	9.4	8.5	2.4	-12.8	9.4	5.6	**0.2**	**2.3**	**5.1**	*0.9*	*3.1*	*5.6*
Czech Republic	10.8	7.0	3.2	-12.3	11.2	5.9	**1.7**	**2.8**	**5.5**	*2.0*	*3.7*	*5.9*
Denmark	8.8	6.4	2.4	-11.4	11.4	5.4	**1.7**	**2.7**	**5.1**	*2.4*	*3.5*	*5.4*
Latvia	11.8	8.9	3.8	-17.0	12.5	10.4	**4.1**	**3.9**	**5.8**	*3.9*	*4.3*	*6.2*
Lithuania	12.0	11.1	2.5	-16.6	11.2	9.8	**3.4**	**3.7**	**5.9**	*3.9*	*4.3*	*6.2*
Hungary	10.2	7.8	3.5	-12.5	11.0	6.1	**1.5**	**2.8**	**5.4**	*2.0*	*3.8*	*5.8*
Poland	10.5	8.0	3.5	-12.4	11.4	6.2	**1.8**	**2.9**	**5.5**	*2.1*	*3.8*	*5.9*
Romania	8.4	7.0	1.7	-12.4	10.2	5.4	**1.0**	**2.6**	**5.5**	*1.4*	*3.5*	*5.7*
Sweden	9.0	5.9	2.3	-11.9	9.7	5.0	**2.0**	**2.7**	**4.9**	*2.6*	*3.6*	*5.0*
United Kingdom	7.8	6.2	1.6	-11.1	10.5	5.0	**1.6**	**2.5**	**5.2**	*2.3*	*3.5*	*5.5*
EU (b)	8.8	6.2	2.2	-11.5	10.5	5.2	**1.4**	**2.5**	**5.1**	*1.9*	*3.4*	*5.4*
Croatia	8.8	6.9	1.5	-12.7	10.4	5.3	**-0.1**	**2.0**	**5.1**	*0.3*	*3.3*	*5.6*
USA	8.2	7.2	3.5	-11.2	13.1	6.6	**3.3**	**4.1**	**5.7**	*4.2*	*4.8*	*6.0*
Japan	8.8	7.7	3.7	-9.0	14.8	7.0	**3.4**	**4.2**	**5.9**	*4.8*	*5.1*	*6.3*

(a) Imports of goods and services to the various markets (incl. EU-markets) weighted according to their share in country's exports of goods and services.

(b) Intra- and extra-EU trade.

TABLE 54 : Export performance (a) (percentage change on preceding year, 2006-2014)

							Winter 2013 forecast			*Autumn 2012 forecast*		
	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Belgium	-3.4	-0.1	0.0	-0.6	-0.6	0.5	**-0.4**	**-0.9**	**-1.7**	*-2.5*	*-1.1*	*-1.3*
Germany	4.0	1.1	0.6	-1.3	2.9	2.5	**2.8**	**1.0**	**1.1**	*2.0*	*1.1*	*1.3*
Estonia	-3.0	-5.2	-0.8	-3.6	12.1	14.9	**3.8**	**1.1**	**0.2**	*1.9*	*1.2*	*1.1*
Ireland	-3.2	4.1	-2.3	8.7	-4.1	0.4	**1.2**	**0.9**	**-0.7**	*0.9*	*-0.1*	*-1.0*
Greece	-3.1	1.2	0.0	-8.0	-4.7	-4.4	**-3.3**	**0.1**	**-0.5**	*-1.1*	*-1.0*	*-0.8*
Spain	-1.5	1.6	-2.9	0.7	1.3	3.3	**2.5**	**2.0**	**0.6**	*0.8*	*1.1*	*0.4*
France	-3.5	-3.4	-2.1	-1.1	-0.6	0.3	**1.1**	**-0.5**	**-0.3**	*1.0*	*-1.3*	*-1.1*
Italy	-2.7	-0.3	-5.4	-7.3	1.4	0.6	**0.1**	**-0.6**	**-1.3**	*-1.3*	*-0.5*	*-1.3*
Cyprus	-6.6	-0.5	-2.7	3.4	-4.0	-3.8	**1.8**	**-1.8**	**-3.3**	*-3.5*	*-3.1*	*-4.2*
Luxembourg	4.7	4.0	2.8	0.3	-2.2	1.3	**-3.7**	**-0.4**	**-1.6**	*-5.2*	*-1.9*	*-1.8*
Malta	0.7	4.5	0.3	4.5	7.3	-2.9	**5.3**	**1.5**	**-0.2**	*3.6*	*0.6*	*-0.4*
Netherlands	-1.4	0.8	-0.3	3.9	0.7	-1.2	**1.7**	**-0.8**	**-1.2**	*2.3*	*-0.9*	*-0.7*
Austria	-2.1	1.9	-1.3	-4.6	-2.3	1.3	**0.4**	**0.2**	**0.1**	*-0.3*	*0.1*	*-0.1*
Portugal	2.7	1.9	-1.0	1.9	0.5	3.2	**3.4**	**0.1**	**0.1**	*4.0*	*0.5*	*-0.1*
Slovenia	3.0	6.0	1.3	-4.2	0.3	1.5	**0.4**	**-1.4**	**-2.1**	*0.3*	*-0.5*	*-0.3*
Slovakia	9.2	5.5	-0.1	-4.5	3.9	6.1	**7.2**	**0.5**	**0.7**	*6.4*	*0.8*	*0.7*
Finland	1.4	-0.5	2.1	-10.4	-3.9	-4.5	**-3.2**	**-2.8**	**-2.9**	*-5.9*	*-3.3*	*-4.2*
Euro area (b)	-0.2	0.5	-1.1	-1.3	0.7	1.2	**1.5**	**0.2**	**-0.2**	*0.7*	*-0.1*	*-0.2*
Bulgaria	37.7	-2.2	0.6	1.8	4.9	6.8	**-0.2**	**0.8**	**-0.6**	*0.8*	*0.3*	*-1.1*
Czech Republic	4.5	3.9	0.7	1.6	3.9	3.3	**2.6**	**-0.4**	**0.1**	*1.9*	*0.2*	*0.3*
Denmark	0.2	-3.4	0.9	2.2	-7.6	1.1	**-0.2**	**-0.2**	**0.1**	*0.1*	*0.3*	*-1.2*
Latvia	-4.7	1.0	-1.7	3.5	-0.8	2.1	**2.7**	**0.9**	**0.8**	*1.2*	*0.5*	*0.7*
Lithuania	0.0	-7.2	8.7	4.8	5.6	3.9	**6.7**	**1.5**	**0.8**	*1.0*	*1.0*	*0.6*
Hungary	7.7	6.6	2.1	2.6	2.9	0.2	**0.7**	**0.3**	**0.2**	*0.0*	*0.7*	*0.7*
Poland	3.7	1.0	3.4	6.4	0.6	1.4	**1.4**	**0.9**	**0.9**	*0.9*	*0.3*	*0.4*
Romania	1.9	0.8	6.5	6.8	2.7	4.7	**-4.5**	**-1.7**	**-2.7**	*-1.2*	*0.4*	*0.2*
Sweden	0.0	-0.2	-0.5	-2.2	1.5	2.0	**-1.5**	**-0.7**	**0.0**	*-2.0*	*-0.5*	*0.6*
United Kingdom	3.0	-7.1	-0.4	3.3	-3.7	-0.4	**-1.9**	**0.0**	**-0.3**	*-2.1*	*0.4*	*0.2*
EU (b)	0.6	-0.4	-0.6	-0.2	0.2	1.1	**0.9**	**0.1**	**-0.1**	*0.3*	*0.0*	*-0.1*
Croatia	-2.7	-3.0	0.2	-4.0	-4.8	-3.1	**0.3**	**-0.6**	**-2.0**	*-1.3*	*-1.7*	*-2.2*
USA	0.7	2.0	2.5	2.3	-1.7	0.1	**0.0**	**-1.4**	**0.3**	*0.2*	*1.3*	*0.3*
Japan	0.8	0.9	-2.2	-16.7	8.3	-6.9	**-3.5**	**0.6**	**0.8**	*-2.2*	*-4.2*	*-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, 2008-2014) 15.02.2013

						Winter 2013 forecast			*Autumn 2012 forecast*		
	(a)	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
EU	20.0	0.3	-4.3	2.1	1.5	-0.3	0.1	1.6	-0.3	0.4	1.6
Euro area	14.3	0.4	-4.4	2.0	1.4	-0.6	-0.3	1.4	-0.4	0.1	1.4
Belgium	0.6	1.0	-2.8	2.4	1.8	-0.2	0.2	1.5	-0.2	0.7	1.6
Bulgaria	0.1	6.2	-5.5	0.4	1.7	0.8	1.4	2.0	0.8	1.4	2.0
Czech Republic	0.2	3.1	-4.5	2.5	1.9	-1.1	0.0	1.9	-1.3	0.8	2.0
Denmark	0.4	-0.8	-5.7	1.6	1.1	-0.4	1.1	1.7	0.6	1.6	1.3
Germany	4.1	1.1	-5.1	4.2	3.0	0.7	0.5	2.0	0.8	0.8	2.0
Estonia	0.0	-4.2	-14.1	3.3	8.3	3.2	3.0	4.0	2.5	3.1	4.0
Ireland	0.3	-2.1	-5.5	-0.8	1.4	0.7	1.1	2.2	0.4	1.1	2.2
Greece	0.3	-0.2	-3.1	-4.9	-7.1	-6.4	-4.4	0.6	-6.0	-4.2	0.6
Spain	1.7	0.9	-3.7	-0.3	0.4	-1.4	-1.4	0.8	-1.4	-1.4	0.8
France	3.2	-0.1	-3.1	1.7	1.7	0.0	0.1	1.2	0.2	0.4	1.2
Italy	2.5	-1.2	-5.5	1.8	0.4	-2.2	-1.0	0.8	-2.3	-0.5	0.8
Cyprus	0.0	3.6	-1.9	1.3	0.5	-2.3	-3.5	-1.3	-2.3	-1.7	-0.7
Latvia	0.0	-3.3	-17.7	-0.9	5.5	5.3	3.8	4.1	4.3	3.6	3.9
Lithuania	0.0	2.9	-14.8	1.5	5.9	3.6	3.1	3.6	2.9	3.1	3.6
Luxembourg	0.1	-0.7	-4.1	2.9	1.7	0.2	0.5	1.6	0.4	0.7	1.5
Hungary	0.2	0.9	-6.8	1.3	1.6	-1.7	-0.1	1.3	-1.2	0.3	1.3
Malta	0.0	3.7	-2.4	2.7	1.6	1.0	1.5	2.0	1.0	1.6	2.1
Netherlands	1.0	1.8	-3.7	1.6	1.0	-0.9	-0.6	1.1	-0.3	0.3	1.4
Austria	0.5	1.4	-3.8	2.1	2.7	0.7	0.7	1.9	0.8	0.9	2.1
Poland	0.6	5.1	1.6	3.9	4.3	2.0	1.2	2.2	2.4	1.8	2.6
Portugal	0.3	0.0	-2.9	1.9	-1.6	-3.2	-1.9	0.8	-3.0	-1.0	0.8
Romania	0.2	7.3	-6.6	-1.1	2.2	0.2	1.6	2.5	0.8	2.2	2.7
Slovenia	0.1	3.4	-7.8	1.2	0.6	-2.0	-2.0	0.7	-2.3	-1.6	0.9
Slovakia	0.1	5.8	-4.9	4.4	3.2	2.0	1.1	2.9	2.6	2.0	3.0
Finland	0.3	0.3	-8.5	3.3	2.8	-0.1	0.3	1.2	0.1	0.8	1.3
Sweden	0.6	-0.6	-5.0	6.6	3.7	1.0	1.3	2.7	1.1	1.9	2.5
United Kingdom	2.8	-1.0	-4.0	1.8	0.9	0.0	0.9	1.9	-0.3	0.9	2.0
Acc/Candidate countries	1.4	1.0	-4.9	7.5	7.4	2.4	2.6	3.4	2.4	2.6	3.5
- Croatia	0.1	2.1	-6.9	-1.4	0.0	-1.9	-0.4	1.0	-1.9	0.0	1.4
- Turkey	1.2	0.7	-4.8	9.2	8.5	3.0	2.9	3.7	3.0	2.9	3.7
- The former Yugoslav Republic of Macedonia	0.0	5.0	-0.9	2.9	2.8	0.0	1.5	2.5	0.8	1.7	2.2
- Iceland	0.0	1.2	-6.6	-4.0	2.6	2.3	2.0	2.7	2.7	2.3	2.9
- Montenegro	0.0	6.9	-5.7	2.5	3.2	0.2	2.2	3.0	0.2	2.4	3.0
- Serbia	0.1	3.8	-3.5	1.0	1.6	-1.7	1.7	2.0	-1.6	1.5	2.0
Potential candidates	0.1	6.5	0.3	2.6	2.4	0.4	1.4	2.6	0.9	1.9	2.7
USA	19.2	-0.4	-3.1	2.4	1.8	2.2	1.9	2.6	2.1	2.3	2.6
Japan	5.7	-1.0	-5.5	4.7	-0.6	1.9	1.0	1.6	2.0	0.8	1.9
Canada	1.8	0.7	-2.8	3.2	2.4	2.0	2.0	2.1	2.0	2.1	2.2
Norway	0.3	0.1	-1.6	0.5	1.2	3.2	2.6	2.5	3.1	2.5	2.3
Switzerland	0.4	2.2	-1.9	3.0	1.9	1.0	1.4	1.9	1.0	1.4	1.9
Australia	1.2	1.4	2.3	2.1	2.1	3.2	3.0	2.9	3.2	2.9	2.9
New Zealand	0.2	-1.1	0.8	1.2	1.3	2.1	2.5	3.2	2.0	3.0	3.2
Advanced economies	50.3	0.0	-3.7	2.7	1.6	1.2	1.1	2.1	1.2	1.4	2.2
CIS	4.2	5.3	-6.7	4.8	4.8	3.5	3.9	4.2	3.8	4.0	4.3
- Russia	2.9	5.2	-7.8	4.3	4.3	3.4	3.7	3.9	3.7	3.9	4.0
- Other	1.3	5.5	-4.0	6.0	6.0	3.9	4.3	4.8	3.9	4.3	4.8
MENA	5.2	4.1	2.1	4.9	5.1	4.5	3.1	3.9	3.2	3.1	3.8
Asia	28.9	6.1	5.2	10.3	8.4	6.0	6.5	6.8	6.2	6.3	6.7
- China	14.6	9.6	9.2	10.4	9.3	7.8	8.0	8.1	7.7	7.7	7.8
- India	5.7	6.7	8.4	8.4	7.2	4.8	5.8	6.6	5.0	5.8	6.6
- Hong Kong	0.5	2.3	-2.6	7.0	5.0	1.9	4.7	4.8	4.8	4.1	4.0
- Korea	2.0	2.3	0.3	6.3	3.6	2.2	3.3	3.5	2.7	2.7	3.0
- Indonesia	1.5	6.0	4.6	6.1	6.5	6.0	6.3	6.4	6.0	6.2	6.4
Latin America	8.9	4.3	-1.8	6.1	4.5	2.7	3.7	4.2	2.9	3.7	4.4
- Brazil	3.0	5.2	-0.3	7.5	2.7	1.0	3.5	4.0	1.5	3.9	4.0
- Mexico	2.2	1.5	-6.4	5.3	4.0	3.8	3.5	3.5	3.7	3.5	3.8
Sub-Saharan Africa	2.6	5.4	2.5	5.2	4.6	5.0	5.3	5.5	5.0	5.0	5.5
Emerging and developing economies	49.7	5.4	2.5	8.3	6.9	5.0	5.4	5.7	5.0	5.3	5.7
World	100.0	2.7	-0.6	5.5	4.2	3.1	3.2	3.9	3.1	3.3	3.9
World excluding EU	80.0	3.3	0.3	6.3	4.9	3.9	4.0	4.5	3.9	4.0	4.5
World excluding euro area	85.7	3.1	0.0	6.1	4.7	3.7	3.8	4.4	3.7	3.9	4.3

(a) Relative weights in %, based on GDP (at constant prices and PPS) in 2011.

TABLE 56 : World exports of goods and services, volume (percentage change on preceding year, 2008-2014) 15.02.2013

						Winter 2013 forecast			Autumn 2012 forecast		
	(a)	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
EU (b)	35.5	1.6	-11.7	10.7	6.4	**2.3**	**2.6**	**5.0**	*2.2*	*3.4*	*5.3*
Euro area (b)	26.6	1.1	-12.4	11.2	6.3	**2.8**	**2.6**	**4.9**	*2.5*	*3.2*	*5.2*
Acc/Candidate countries	1.1	2.5	-6.2	4.0	6.0	**8.1**	**4.6**	**6.0**	*8.0*	*4.6*	*6.0*
- Croatia	0.1	1.7	-16.2	5.2	2.0	**0.2**	**1.4**	**3.0**	*-1.0*	*1.5*	*3.3*
- Turkey	0.8	2.7	-5.0	3.4	6.4	**9.7**	**5.0**	**6.5**	*9.7*	*5.0*	*6.5*
- The former Yugoslav Republic of Macedonia	0.0	-6.3	-15.8	23.6	11.2	**-0.7**	**5.5**	**7.5**	*1.5*	*5.1*	*8.0*
- Iceland	0.0	7.0	7.0	0.6	4.1	**3.1**	**3.8**	**4.7**	*4.2*	*3.9*	*3.9*
- Montenegro	0.0	:	:	:	:	**-0.4**	**2.9**	**3.1**	*-0.4*	*2.9*	*3.1*
- Serbia	0.1	:	:	:	:	**2.7**	**10.4**	**4.6**	*2.7*	*11.5*	*4.6*
USA	9.7	6.1	-9.1	11.1	6.7	**3.3**	**2.6**	**6.0**	*4.4*	*6.2*	*6.3*
Japan	4.1	1.4	-24.2	24.4	-0.4	**-0.2**	**4.8**	**6.8**	*2.5*	*0.7*	*3.9*
Canada	2.5	-4.7	-13.8	6.4	8.8	**2.6**	**2.5**	**5.9**	*3.9*	*5.4*	*6.0*
Norway	0.9	0.1	-4.2	0.4	-1.8	**2.2**	**1.9**	**2.9**	*3.6*	*2.5*	*2.4*
Switzerland	1.6	2.9	-7.7	7.8	3.8	**0.1**	**2.3**	**3.8**	*1.1*	*2.3*	*3.8*
Australia	1.4	5.4	-4.8	8.9	-0.1	**4.6**	**4.7**	**5.0**	*4.5*	*5.0*	*5.1*
New Zealand	0.2	-2.2	1.0	2.7	-0.5	**2.1**	**2.6**	**2.3**	*2.9*	*4.1*	*4.2*
Advanced economies	56.9	2.2	-11.7	11.1	5.7	**2.4**	**2.8**	**5.3**	*2.8*	*3.8*	*5.3*
CIS	4.0	10.2	-15.7	11.6	8.5	**3.4**	**5.6**	**5.4**	*4.7*	*5.9*	*5.3*
- Russia	2.7	0.6	-4.7	7.0	0.4	**1.8**	**3.9**	**5.3**	*3.7*	*4.4*	*5.2*
- Other	1.4	29.0	-36.9	20.5	24.4	**6.7**	**8.8**	**5.6**	*6.7*	*8.9*	*5.6*
MENA	6.0	6.8	-11.4	1.8	30.9	**4.5**	**4.1**	**4.8**	*4.5*	*4.2*	*4.9*
Asia	25.4	7.1	-4.0	14.1	8.6	**4.0**	**5.5**	**6.2**	*5.8*	*5.2*	*5.7*
- China	9.6	8.5	-4.2	20.3	8.1	**5.5**	**6.0**	**6.5**	*5.3*	*3.9*	*5.0*
- India	2.0	13.6	-13.4	19.2	9.1	**4.3**	**4.7**	**5.7**	*4.4*	*4.7*	*5.1*
- Hong Kong	2.5	2.9	-12.2	17.8	3.8	**-2.2**	**5.7**	**7.3**	*7.4*	*6.8*	*6.8*
- Korea	3.1	13.5	0.7	13.6	8.8	**4.7**	**5.0**	**6.0**	*6.0*	*5.0*	*6.0*
- Indonesia	1.0	12.4	-17.4	22.0	18.6	**6.5**	**6.7**	**7.0**	*6.5*	*6.7*	*7.0*
Latin America	5.6	-1.0	-9.0	13.4	7.3	**4.3**	**5.5**	**6.3**	*4.4*	*5.5*	*6.5*
- Brazil	1.4	3.1	-3.7	11.0	4.9	**2.0**	**4.8**	**6.2**	*2.9*	*5.3*	*6.4*
- Mexico	1.7	1.2	-10.3	24.3	11.9	**4.9**	**6.3**	**6.8**	*4.9*	*5.8*	*6.9*
Sub-Saharan Africa	2.1	15.9	-32.6	18.0	14.7	**5.3**	**6.2**	**6.8**	*7.0*	*5.6*	*6.6*
Emerging and developing economies	43.1	6.7	-8.1	12.3	11.8	**4.1**	**5.4**	**6.0**	*5.4*	*5.2*	*5.7*
World	100.0	4.1	-10.2	11.6	8.3	**3.2**	**3.9**	**5.6**	*4.0*	*4.4*	*5.5*
World excluding EU	64.5	5.5	-9.3	12.1	9.4	**3.6**	**4.6**	**5.9**	*4.9*	*4.9*	*5.6*
World excluding euro area	73.4	5.3	-9.3	11.8	9.1	**3.3**	**4.4**	**5.8**	*4.5*	*4.8*	*5.6*

(a) Relative weights in %, based on exports of goods and services (at current prices and current exchange rates) in 2011.

(b) Intra- and extra-EU trade.

TABLE 57 : Export shares in EU trade (goods only - 2011)

	EU	Euro area	Acc/Cand countries	USA	Japan	Other advanced economies	China	Rest Asia	CIS	MENA	Latin America	Sub Saharan Africa
EU	66.2	49.6	2.2	5.9	1.2	5.4	3.2	4.7	3.1	4.1	2.4	1.7
Euro area	65.7	49.2	2.2	5.8	1.2	5.4	3.5	4.7	2.8	4.3	2.6	1.7
Belgium	75.2	62.0	1.3	4.4	0.8	2.9	2.0	4.8	1.4	3.6	1.5	2.0
Bulgaria	64.7	47.8	14.9	1.5	0.2	1.4	1.6	2.5	6.3	4.8	0.6	1.4
Czech Republic	83.4	66.7	1.7	2.0	0.4	2.6	1.2	1.6	4.0	1.6	0.8	0.6
Denmark	67.8	39.3	1.3	6.0	2.0	8.8	2.6	4.0	2.3	2.5	2.0	0.7
Germany	60.9	40.8	2.2	6.3	1.4	7.0	5.8	5.5	3.7	3.2	2.8	1.2
Estonia	71.0	31.9	2.1	5.1	0.6	4.4	1.2	1.7	11.4	0.7	0.8	0.9
Ireland	57.2	38.4	0.6	23.9	2.3	6.8	2.1	2.9	0.8	1.5	1.2	0.6
Greece	57.5	40.1	13.7	4.4	0.4	2.1	1.3	4.9	3.2	10.2	1.1	1.2
Spain	67.6	55.5	2.4	3.9	1.1	4.1	2.2	2.7	1.7	7.1	5.7	1.6
France	60.9	48.5	1.8	6.0	1.7	5.2	3.4	6.1	2.0	7.4	2.6	3.0
Italy	55.9	42.7	3.6	6.5	1.5	7.3	3.1	5.4	3.6	7.9	3.8	1.5
Cyprus	66.3	47.4	0.3	0.8	1.4	1.7	0.8	14.4	2.7	10.2	0.2	1.2
Latvia	71.3	36.5	1.3	1.9	0.4	3.1	0.5	3.4	15.6	2.1	0.2	0.2
Lithuania	65.8	36.2	0.8	3.6	0.2	4.5	0.3	1.2	21.5	0.9	0.3	0.9
Luxembourg	82.7	68.8	1.6	2.4	0.3	4.0	1.2	1.5	2.1	2.2	0.9	1.1
Hungary	75.1	54.0	4.3	2.5	0.7	1.9	1.9	2.9	5.8	3.2	0.8	1.0
Malta	49.8	40.2	5.6	4.2	2.2	1.8	11.5	17.0	0.6	4.8	1.6	0.9
Netherlands	79.2	63.8	1.1	3.6	0.8	2.8	1.4	3.6	1.7	2.5	1.6	1.7
Austria	71.7	54.4	2.3	4.8	0.9	6.3	2.5	3.5	3.4	2.2	1.7	0.6
Poland	79.8	55.5	2.4	2.1	0.4	2.8	1.1	1.3	7.8	1.2	0.7	0.5
Portugal	73.2	63.7	1.0	4.0	0.7	2.1	1.5	1.2	0.7	3.4	3.7	8.5
Romania	70.1	52.3	8.5	2.1	0.6	1.7	1.2	2.1	6.4	5.8	0.8	0.8
Slovenia	72.8	56.2	11.4	1.6	0.2	1.9	0.6	1.5	5.8	3.1	0.7	0.3
Slovakia	86.8	48.5	2.3	1.3	0.2	1.7	2.5	0.6	3.5	0.5	0.5	0.1
Finland	56.3	31.9	1.8	5.3	1.9	7.3	5.2	5.8	9.4	3.0	2.7	1.3
Sweden	59.5	40.4	1.5	6.0	1.3	11.5	3.5	5.3	2.4	3.9	2.8	2.3
United Kingdom	58.1	51.3	1.6	11.2	1.5	6.6	2.8	7.5	1.6	4.3	2.0	2.8

TABLE 58 : World imports of goods and services, volume (percentage change on preceding year, 2008-2014) 15.02.2013

	(a)	2008	2009	2010	2011	Winter 2013 forecast 2012	2013	2014	*Autumn 2012 forecast 2012*	*2013*	*2014*
EU (b)	35.2	1.1	-11.6	9.7	4.1	**-0.1**	**1.5**	**4.6**	*0.1*	*2.4*	*4.9*
Euro area (b)	26.3	0.9	-11.1	9.6	4.2	**-0.7**	**1.2**	**4.8**	*-0.5*	*2.1*	*5.0*
Acc/Candidate countries	1.4	-3.6	-15.2	17.9	9.9	**4.0**	**3.3**	**7.6**	*4.0*	*3.4*	*7.7*
- Croatia	0.1	4.0	-21.4	-1.4	1.2	**-1.8**	**1.5**	**3.8**	*-2.5*	*2.0*	*4.0*
- Turkey	1.1	-4.1	-14.3	20.7	10.9	**4.7**	**3.5**	**8.1**	*4.7*	*3.5*	*8.1*
- The former Yugoslav Republic of Macedonia	0.0	0.8	-14.3	9.5	13.2	**2.1**	**4.9**	**6.6**	*2.3*	*5.5*	*7.9*
- Iceland	0.0	-18.4	-24.0	4.5	6.8	**2.9**	**3.7**	**5.3**	*5.7*	*5.2*	*5.7*
- Montenegro	0.0	:	:	:	:	**2.0**	**3.0**	**3.5**	*2.0*	*3.3*	*3.5*
- Serbia	0.1	:	:	:	:	**2.1**	**3.2**	**4.1**	*3.1*	*3.8*	*4.2*
USA	12.5	-2.7	-13.5	12.5	4.8	**2.5**	**2.0**	**6.1**	*3.8*	*5.3*	*7.6*
Japan	4.5	0.3	-15.7	11.1	5.9	**5.3**	**1.6**	**5.0**	*6.3*	*-0.4*	*1.0*
Canada	2.6	1.5	-13.4	13.1	9.5	**2.6**	**2.6**	**6.0**	*3.7*	*5.2*	*6.0*
Norway	0.7	3.9	-12.5	9.0	3.8	**3.3**	**3.0**	**2.7**	*4.9*	*3.2*	*2.6*
Switzerland	1.3	-0.3	-5.2	7.4	4.2	**2.0**	**2.0**	**3.6**	*3.2*	*2.0*	*3.6*
Australia	1.4	11.7	-10.8	7.1	6.3	**7.6**	**7.0**	**7.3**	*7.9*	*7.6*	*7.6*
New Zealand	-0.1	-19.6	-16.2	23.1	5.0	**1.7**	**1.7**	**4.7**	*4.3*	*5.1*	*4.8*
Advanced economies	59.5	0.4	-12.3	10.6	4.8	**1.3**	**1.8**	**5.1**	*1.9*	*3.1*	*5.3*
CIS	3.2	13.4	-27.9	19.5	17.8	**7.9**	**7.6**	**7.9**	*9.2*	*7.6*	*8.0*
- Russia	1.9	14.8	-30.4	25.8	20.3	**8.7**	**9.1**	**9.2**	*10.8*	*9.2*	*9.3*
- Other	1.2	11.2	-23.8	9.5	13.7	**6.5**	**5.1**	**5.9**	*6.5*	*5.1*	*5.9*
MENA	4.7	14.7	-1.3	0.2	20.5	**5.0**	**5.4**	**5.7**	*5.0*	*5.5*	*5.8*
Asia	24.9	9.6	-3.8	15.1	4.3	**3.9**	**5.0**	**5.9**	*5.6*	*5.2*	*5.9*
- China	8.9	4.0	4.5	20.7	9.4	**4.5**	**4.5**	**5.8**	*5.2*	*3.9*	*5.0*
- India	2.5	28.3	-1.3	16.0	-18.3	**5.0**	**5.2**	**5.6**	*5.0*	*5.2*	*5.7*
- Hong Kong	2.5	2.1	-10.4	17.0	3.8	**-0.9**	**6.1**	**7.7**	*7.6*	*7.7*	*7.7*
- Korea	2.9	5.2	-3.0	15.2	2.9	**3.9**	**4.0**	**5.2**	*4.3*	*4.1*	*5.6*
- Indonesia	0.9	20.4	-15.8	20.7	3.9	**5.9**	**6.0**	**6.1**	*5.9*	*6.0*	*6.1*
Latin America	5.6	6.4	-17.7	18.8	9.2	**3.9**	**6.4**	**6.6**	*5.4*	*7.4*	*8.5*
- Brazil	1.4	6.6	-13.0	26.9	-0.6	**0.3**	**6.9**	**6.9**	*5.4*	*8.2*	*9.4*
- Mexico	1.8	3.5	-16.9	23.3	10.2	**5.6**	**7.5**	**6.6**	*5.9*	*8.1*	*9.2*
Sub-Saharan Africa	2.1	10.8	-19.4	5.4	10.6	**2.7**	**3.6**	**5.2**	*4.9*	*5.0*	*5.0*
Emerging and developing economies	40.5	10.1	-8.1	13.7	8.3	**4.3**	**5.3**	**6.1**	*5.7*	*5.7*	*6.4*
World	100.0	4.4	-10.6	11.8	6.2	**2.5**	**3.3**	**5.5**	*3.4*	*4.1*	*5.7*
World excluding EU	64.8	6.1	-10.1	13.0	7.3	**4.0**	**4.2**	**6.0**	*5.3*	*5.1*	*6.2*
World excluding euro area	73.7	5.6	-10.5	12.7	6.9	**3.7**	**4.0**	**5.8**	*4.8*	*4.9*	*6.0*

(a) Relative weights in %, based on imports of goods and services (at current prices and current exchange rates) in 2011.
(b) Intra- and extra-EU trade.

TABLE 59 : Import shares in EU trade (goods only - 2011)

	EU	Euro area	Acc/Cand countries	USA	Japan	Other advanced economies	China	Rest Asia	CIS	MENA	Latin America	Sub Saharan Africa
EU	63.5	49.0	1.4	4.1	1.5	8.7	6.3	5.2	5.3	3.4	2.4	1.7
Euro area	63.3	48.7	1.4	4.1	1.5	4.6	6.2	5.2	5.0	4.0	2.7	1.9
Belgium	69.0	57.9	0.8	6.1	1.7	3.3	4.3	5.2	2.0	3.4	2.7	1.4
Bulgaria	61.4	44.0	7.0	0.9	0.3	1.4	3.2	2.0	20.1	2.0	1.6	0.2
Czech Republic	76.9	61.6	0.9	1.2	1.2	1.8	6.5	4.5	6.3	0.3	0.2	0.2
Denmark	72.6	47.2	1.1	2.5	0.5	7.4	6.6	4.0	2.0	0.9	2.0	0.4
Germany	65.7	46.2	1.5	3.8	1.9	6.4	6.8	5.3	4.0	1.4	1.9	1.3
Estonia	75.0	33.4	0.6	1.3	0.5	2.4	5.2	2.6	11.5	0.2	0.3	0.4
Ireland	71.2	26.3	0.5	12.1	1.3	4.7	3.5	3.6	0.2	0.5	1.3	0.9
Greece	55.1	43.9	3.6	1.7	0.6	2.3	6.1	5.9	10.1	12.6	1.5	0.6
Spain	58.5	48.7	1.3	3.1	0.9	2.6	5.8	4.6	3.0	9.7	6.0	4.4
France	69.5	58.2	1.1	3.6	1.1	4.3	4.5	4.2	3.6	4.7	1.4	2.0
Italy	56.9	46.1	2.2	3.0	1.0	4.2	7.0	5.0	7.3	7.7	3.0	2.4
Cyprus	61.8	48.3	0.4	0.9	1.5	1.4	6.7	8.7	7.6	10.1	0.6	0.2
Latvia	59.6	30.9	0.5	1.7	0.2	1.9	4.0	2.7	28.8	0.2	0.2	0.0
Lithuania	57.3	31.9	1.0	2.4	0.2	1.2	3.3	1.7	31.1	0.8	0.5	0.5
Luxembourg	81.9	77.7	1.1	5.2	0.7	1.7	6.0	1.0	0.1	0.1	2.2	0.0
Hungary	70.9	54.9	1.6	1.7	1.7	1.2	7.8	4.8	9.3	0.3	0.9	0.1
Malta	44.4	35.3	5.2	4.4	2.3	1.8	11.8	20.4	7.8	1.8	0.2	0.1
Netherlands	46.3	34.5	0.9	6.3	2.8	5.0	10.5	7.6	8.7	4.2	5.1	2.4
Austria	80.9	67.8	1.7	1.7	0.7	5.6	2.1	2.1	2.8	1.4	0.4	0.8
Poland	72.4	57.4	1.0	1.3	0.9	2.0	5.1	3.8	12.0	0.5	0.7	0.3
Portugal	72.9	65.6	0.5	1.6	0.6	2.2	3.0	2.9	2.8	3.7	4.3	5.5
Romania	73.5	51.4	4.4	1.2	0.6	1.3	4.7	2.8	9.2	0.9	1.2	0.3
Slovenia	70.8	59.1	9.1	1.9	0.3	1.2	4.7	6.5	1.3	1.7	2.0	0.4
Slovakia	76.3	40.1	1.0	0.5	0.7	0.8	3.7	6.0	10.7	0.3	0.1	0.0
Finland	60.7	36.8	0.5	3.0	0.9	5.1	6.0	4.4	16.4	0.2	2.0	0.8
Sweden	71.2	50.2	0.8	3.1	1.2	8.7	4.4	3.7	4.7	0.5	1.4	0.4
United Kingdom	53.6	45.5	1.4	7.5	2.2	10.9	7.8	7.3	1.9	3.0	2.4	2.1

TABLE 60 : World merchandise trade balances (fob-fob, in billions of US dollar, 2007-2014) 15.02.2013

						Winter 2013 forecast			*Autumn 2012 forecast*		
	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
EU	-121.9	-205.0	-46.7	-74.5	-90.2	**38.0**	**120.6**	**146.8**	*-8.8*	*33.1*	*52.7*
EU, adjusted [1]	-218.9	-325.1	-119.6	-165.3	-188.3	**-52.7**	**27.1**	**53.4**	*-107.6*	*-66.5*	*-46.9*
Euro area	99.9	29.0	76.1	74.8	66.0	**198.7**	**285.2**	**309.0**	*163.1*	*206.2*	*223.7*
Euro area, adjusted [1]	57.8	-32.1	42.7	24.1	12.8	**149.6**	**234.6**	**258.4**	*106.9*	*149.6*	*167.1*
Acc/Candidate countries	-63.3	-68.5	-35.2	-63.8	-103.1	**-94.7**	**-101.5**	**-112.4**	*-95.5*	*-101.7*	*-113.0*
USA	-838.7	-848.8	-522.8	-668.5	-754.7	**-753.6**	**-761.8**	**-826.2**	*-763.7*	*-777.1*	*-874.7*
Japan	104.7	39.0	43.2	91.0	-20.3	**-86.3**	**-119.4**	**-132.8**	*-88.0*	*-84.1*	*-75.7*
Norway	53.5	78.8	45.6	50.0	66.3	**68.9**	**71.5**	**75.4**	*65.5*	*69.3*	*72.8*
Switzerland	5.2	10.9	12.4	13.0	16.6	**22.8**	**23.7**	**23.8**	*22.4*	*23.3*	*23.3*
Advanced economies	-778.0	-891.4	-462.8	-582.8	-804.7	**-742.8**	**-711.6**	**-771.6**	*-865.7*	*-847.4*	*-940.7*
CIS	121.8	213.9	103.6	164.5	234.8	**226.3**	**255.9**	**268.6**	*221.5*	*248.3*	*261.8*
- Russia	130.9	177.8	110.7	151.9	198.6	**189.1**	**205.3**	**219.0**	*182.9*	*195.8*	*209.4*
MENA	290.3	394.5	157.8	264.3	350.0	**349.4**	**344.5**	**220.0**	*394.2*	*421.3*	*302.3*
Asia	385.7	303.6	285.9	259.3	239.0	**358.0**	**384.3**	**578.5**	*282.3*	*241.3*	*427.9*
- China	316.0	360.6	249.5	254.2	243.6	**324.8**	**396.5**	**459.5**	*253.6*	*283.9*	*319.9*
Latin America	67.9	41.6	51.6	47.3	82.5	**66.3**	**47.8**	**39.5**	*58.0*	*33.0*	*12.6*
Sub-Saharan Africa	49.9	67.1	22.2	53.1	64.9	**72.4**	**83.2**	**94.3**	*88.7*	*87.8*	*94.4*
Emerging and developing economies	915.6	1020.7	621.2	788.4	971.2	**1072.4**	**1115.6**	**1200.9**	*1044.7*	*1031.8*	*1098.9*
World	137.6	129.4	158.4	205.6	166.5	**329.6**	**404.0**	**429.3**	*179.0*	*184.4*	*158.3*

[1] See note 7 on concepts and sources.

TABLE 61 : World current-account balances (in billions of US dollar, 2007-2014)

						Winter 2013 forecast			*Autumn 2012 forecast*		
	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
EU	-58.9	-161.5	-9.7	-11.4	19.8	**115.0**	**237.1**	**287.0**	*64.2*	*154.2*	*194.9*
EU, adjusted [1]	-179.1	-383.2	-110.6	-81.1	-37.6	**62.0**	**182.5**	**232.3**	*-25.9*	*63.4*	*104.1*
Euro area	53.0	-94.6	7.8	31.5	33.0	**181.2**	**283.4**	**304.3**	*139.4*	*189.5*	*205.3*
Euro area, adjusted [1]	10.1	-207.2	-18.5	4.1	17.4	**166.7**	**268.5**	**289.4**	*105.4*	*155.3*	*171.0*
Acc/Candidate countries	-55.0	-65.4	-22.7	-52.3	-70.0	**-70.6**	**-66.9**	**-77.6**	*-72.1*	*-68.1*	*-78.9*
USA	-704.0	-676.5	-500.4	-472.4	-465.7	**-485.8**	**-490.1**	**-558.3**	*-487.4*	*-473.9*	*-506.4*
Japan	211.8	161.4	146.9	204.0	119.8	**75.8**	**51.9**	**77.4**	*53.2*	*64.3*	*78.4*
Norway	49.1	72.9	44.5	50.4	68.4	**67.4**	**70.0**	**74.3**	*69.9*	*74.4*	*78.3*
Switzerland	39.6	12.9	58.4	83.2	76.9	**70.7**	**74.9**	**75.9**	*70.7*	*74.6*	*75.6*
Advanced economies	-580.4	-711.8	-376.5	-298.6	-339.5	**-264.3**	**-168.1**	**-169.7**	*-392.0*	*-281.2*	*-283.9*
CIS	66.5	99.0	23.6	47.6	85.8	**116.0**	**134.9**	**136.1**	*109.1*	*127.7*	*128.7*
- Russia	78.0	102.0	48.5	70.9	100.9	**77.4**	**78.2**	**78.4**	*70.6*	*70.6*	*70.1*
MENA	255.6	336.8	81.6	182.1	323.0	**295.7**	**276.6**	**236.8**	*309.8*	*297.5*	*261.4*
Asia	521.5	493.9	402.0	358.7	307.7	**289.6**	**261.8**	**402.0**	*302.4*	*312.1*	*494.6*
- China	353.2	420.6	243.3	237.8	201.7	**285.5**	**352.9**	**411.3**	*215.3*	*242.6*	*276.3*
Latin America	12.5	-31.1	-21.9	-55.8	-73.9	**-58.6**	**-78.9**	**-91.0**	*-56.2*	*-85.7*	*-114.7*
Sub-Saharan Africa	-1.0	-5.9	-30.7	-7.6	-14.1	**-2.0**	**296.4**	**292.8**	*22.0*	*17.4*	*20.1*
Emerging and developing economies	855.2	892.8	454.5	524.9	628.6	**640.6**	**890.9**	**976.7**	*687.1*	*669.0*	*790.1*
World	274.8	181.0	78.0	226.3	289.0	**376.4**	**722.8**	**807.0**	*295.1*	*387.8*	*506.2*

[1] See note 7 on concepts and sources.

TABLE 62 : Primary commodity prices (in US dollar, percentage change on preceding year, 2007-2014)

SITC						Winter 2013 forecast			*Autumn 2012 forecast*		
Classification	2007	2008	2009	2010	2011	2012	2013	2014	*2012*	*2013*	*2014*
Food (0 + 1)	12.6	21.6	-11.1	10.9	17.4	**-3.1**	**-3.3**	**-4.2**	*-2.5*	*-1.1*	*-3.2*
Basic materials (2 + 4)	12.3	8.8	-23.6	39.9	19.2	**-14.8**	**-1.0**	**1.7**	*-13.9*	*0.8*	*0.4*
- of which :											
Agricultures non-food	11.3	7.7	-20.2	29.7	25.9	**-14.0**	**-7.3**	**-0.4**	*-12.0*	*-4.5*	*-1.1*
- of which :											
Wood and pulp	0.3	3.0	-10.3	6.2	9.0	**-5.7**	**0.4**	**0.2**	*-5.0*	*-0.1*	*-0.1*
Minerals and metals	12.9	9.5	-25.7	46.6	15.2	**-15.3**	**3.0**	**2.8**	*-15.1*	*4.3*	*1.3*
Fuel products (3)	8.5	38.1	-36.7	26.3	38.0	**1.3**	**1.0**	**-5.8**	*2.0*	*-3.0*	*-5.0*
- of which :											
Crude petroleum	9.4	36.2	-36.9	28.8	38.3	**0.8**	**1.7**	**-6.4**	*1.5*	*-3.1*	*-5.5*
Primary commodities											
- Total excluding fuels	12.4	14.1	-18.0	25.9	18.4	**-9.9**	**-2.0**	**-1.0**	*-9.1*	*0.0*	*-1.2*
- Total including fuels	9.2	33.9	-34.0	26.3	34.5	**-0.4**	**0.6**	**-5.2**	*0.3*	*-2.6*	*-4.4*
	Crude petroleum - price per barrel										
Brent (usd)	72.4	98.6	62.3	80.2	110.9	**111.8**	**113.7**	**106.4**	*102.9*	*109.1*	*103.1*
Brent (euro)	52.9	67.2	44.8	60.5	79.7	**87.0**	**84.2**	**78.8**	*77.7*	*83.9*	*79.3*

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. Interim forecasts, updating the outlook for the seven largest Member States, EU and the euro area, are presented in between the fully-fledged forecasts.

2. Data for 2012, 2013 and 2014 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 22-26, 28 and 32-33 are based on full-time-equivalents (FTEs), where available. Currently, Spain, France Italy, the Netherlands and Austria report FTE data. In the absence of FTE data, employment is based on numbers of persons. In the calculation of EU and euro-area aggregates, priority is given to FTE data, as this is regarded as more representative of diverse patterns of working time.

7. 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 2011.

8. With respect to the 12 RAMS (recently-acceded Member States), which are currently in a transition phase, the quality of statistical data may not always be directly comparable to most EU15 Member States.

9. Geographical zones are defined as follows :
   - Euro area :
     - EA17 (BE,DE,EE,IE,EL,ES,FR,IT,CY,LU,MT,NL,AT,PT,SI,SK,FI)
   - Acceding countries :
     - Croatia.
   - 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.