European
Commission

European Economic Forecast

Spring 2013

EUROPEAN ECONOMY 2|2013

Economic and
Financial Affairs

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Spring 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
EIB	European Investment Bank
EFSF	European Financial Stabilisation Facility
EMU	Economic and Monetary Union
ESM	European Stability Mechanism
FOMC	Federal Open Market Committee, US
Fed	Federal Reserve, US
IMF	International Monetary Fund
OBR	Office for Budget Responsibility, UK
OECD	Organisation for Economic Cooperation and Development
WTO	World Trade Organisation

Other abbreviations

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

Graphs/Tables/Units

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

Currencies

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

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EDITORIAL

Grappling with the aftermath of a profound financial and economic crisis, the EU economy is set to pick up speed only very slowly in the course of this year. Economic activity in the EU is forecast to stabilise in the first half of 2013. After having turned positive in the second half of this year, real GDP growth is projected to gain traction in 2014 as investment and consumption are set to take over as the main growth engine. But domestic demand is expected to remain constrained by a number of growth impediments commonly associated with balance-sheet recessions after deep financial crises.

These headwinds imply that the projected recovery of domestic demand over the forecast horizon will remain modest. Debt deleveraging by banks, non-financial corporations and households has made progress, but is likely to continue over the forecast horizon, while governments are proceeding on their way to consolidate public finances, though at a lower structural pace thanks to the large efforts in the past two years. Despite the accomodative stance of monetary policy and low average financing costs in the EU, the debt overhang from the crisis has reduced credit growth. Financial fragmentation has further led to binding credit-supply constraints in some Member States, which is detrimental in particular to the large number of small and medium-sized enterprises which depend on bank loans to finance investment and lack direct access to financial markets for investment funding. In the short run, private investment and consumption are also being held back by uncertainty about the economic outlook, while the weakness of the labour market will continue to weigh on domestic demand going forward.

Yet, the progress with policy reforms and economic adjustments which are set to turn the EU economy into a more robust and efficient economic area, is undeniable. A number of Member States that accumulated unsustainable current-account deficits before the onset of the crisis are expected to register current-account surpluses this year, driven on the one hand by lower domestic absorption and on the other by the adjustment of relative prices, costs and profit margins that favours an expansion of the tradable goods sector. Non-price competitiveness has also improved in some countries. Financial market stress has abated, vulnerable Member States are again attracting foreign capital, and bank funding has improved, even though lending conditions for the real economy continue to differ by wide margins across countries. The reduction in fiscal deficits is making headway in a differentiated way, emphasising the fiscal effort expressed in structural terms, taking into account near-term economic conditions and fiscal space. However, intolerably high unemployment in vulnerable Member States gives cause for a great concern as it endangers social cohesion.

High unemployment points to the need for continuing the course of structural reforms. Moreover, in a still fragile macro-financial context, it is essential to dispel doubts about the implementation of crisis-resolution measures and structural reforms, which could result in another flaring-up of the crisis. Therefore, it is of the utmost importance to press ahead with the implementation of the Banking Union in order to overcome financial fragmentation as part of completing the architecture of EMU, facilitate structural adjustment and unlock domestic demand. By moving forward with the necessary reforms, the EU and the Member States can create the conditions for the improved financial market situation to feed through to growth in the real economy and set in motion virtuous circles between growth, declining debt levels and more stable financial conditions.

Marco Buti
Director General
Economic and Financial Affairs

OVERVIEW

From stabilisation to modest expansion

After the recession that marked the year 2012, the EU economy is forecast to stabilise slowly in the course of the first half of 2013. A noticeable expansion in GDP is expected to set in only in the second half of the year, but growth should pick up at moderate speed in 2014. On the back of a global economic recovery, external demand is set to remain the predominant growth driver, while multiple headwinds continue to weigh on domestic demand. In particular, balance-sheet adjustments in the public and private sectors, difficult financing conditions in several Member States, the under-utilisation of resources related to deep adjustment processes and unusually high uncertainty will abate only very gradually over the forecast horizon. As a result, annual GDP in 2013 is projected to decrease marginally in the EU and contract by ½% in the euro area. For 2014, GDP growth is forecast at 1½% in the EU and 1¼% in the euro area, which is expected to be just strong enough to exceed the employment threshold and start reducing output gaps. This forecast remains predicated on the assumption that continued policy effort will prevent another aggravation of the sovereign-debt crisis.

Table 1:

Overview - the spring 2013 forecast

	Real GDP				Inflation				Unemployment rate			
		Spring 2013 forecast				Spring 2013 forecast				Spring 2013 forecast		
	2011	2012	2013	2014	2011	2012	2013	2014	2011	2012	2013	2014
Belgium	1.8	-0.2	0.0	1.2	3.4	2.6	1.3	1.6	7.2	7.6	8.0	8.0
Germany	3.0	0.7	0.4	1.8	2.5	2.1	1.8	1.6	5.9	5.5	5.4	5.3
Estonia	8.3	3.2	3.0	4.0	5.1	4.2	3.6	3.1	12.5	10.2	9.7	9.0
Ireland	1.4	0.9	1.1	2.2	1.2	1.9	1.3	1.3	14.7	14.7	14.2	13.7
Greece	-7.1	-6.4	-4.2	0.6	3.1	1.0	-0.8	-0.4	17.7	24.3	27.0	26.0
Spain	0.4	-1.4	-1.5	0.9	3.1	2.4	1.5	0.8	21.7	25.0	27.0	26.4
France	1.7	0.0	-0.1	1.1	2.3	2.2	1.2	1.7	9.6	10.2	10.6	10.9
Italy	0.4	-2.4	-1.3	0.7	2.9	3.3	1.6	1.5	8.4	10.7	11.8	12.2
Cyprus	0.5	-2.4	-8.7	-3.9	3.5	3.1	1.0	1.2	7.9	11.9	15.5	16.9
Luxembourg	1.7	0.3	0.8	1.6	3.7	2.9	1.9	1.7	4.8	5.1	5.5	5.8
Malta	1.7	0.8	1.4	1.8	2.5	3.2	1.9	1.9	6.5	6.4	6.3	6.1
Netherlands	1.0	-1.0	-0.8	0.9	2.5	2.8	2.8	1.5	4.4	5.3	6.9	7.2
Austria	2.7	0.8	0.6	1.8	3.6	2.6	2.0	1.8	4.2	4.3	4.7	4.7
Portugal	-1.6	-3.2	-2.3	0.6	3.6	2.8	0.7	1.0	12.9	15.9	18.3	18.6
Slovenia	0.6	-2.3	-2.0	-0.1	2.1	2.8	2.2	1.4	8.2	8.9	10.0	10.3
Slovakia	3.2	2.0	1.0	2.8	4.1	3.7	1.9	2.0	13.6	14.0	14.5	14.1
Finland	2.8	-0.2	0.3	1.0	3.3	3.2	2.4	2.2	7.8	7.7	8.1	8.0
Euro area	**1.4**	**-0.6**	**-0.4**	**1.2**	**2.7**	**2.5**	**1.6**	**1.5**	**10.2**	**11.4**	**12.2**	**12.1**
Bulgaria	1.8	0.8	0.9	1.7	3.4	2.4	2.0	2.6	11.3	12.3	12.5	12.4
Czech Republic	1.9	-1.3	-0.4	1.6	2.1	3.5	1.9	1.2	6.7	7.0	7.5	7.4
Denmark	1.1	-0.5	0.7	1.7	2.7	2.4	1.1	1.6	7.6	7.5	7.7	7.6
Latvia	5.5	5.6	3.8	4.1	4.2	2.3	1.4	2.1	16.2	14.9	13.7	12.2
Lithuania	5.9	3.6	3.1	3.6	4.1	3.2	2.1	2.7	15.3	13.3	11.8	10.5
Hungary	1.6	-1.7	0.2	1.4	3.9	5.7	2.6	3.1	10.9	10.9	11.4	11.5
Poland	4.5	1.9	1.1	2.2	3.9	3.7	1.4	2.0	9.7	10.1	10.9	11.4
Romania	2.2	0.7	1.6	2.2	5.8	3.4	4.3	3.1	7.4	7.0	6.9	6.8
Sweden	3.7	0.8	1.5	2.5	1.4	0.9	0.9	1.4	7.8	8.0	8.3	8.1
United Kingdom	1.0	0.3	0.6	1.7	4.5	2.8	2.8	2.5	8.0	7.9	8.0	7.9
EU	**1.6**	**-0.3**	**-0.1**	**1.4**	**3.1**	**2.6**	**1.8**	**1.7**	**9.7**	**10.5**	**11.1**	**11.1**
Croatia	0.0	-2.0	-1.0	0.2	2.2	3.4	3.1	2.0	13.5	15.9	19.1	20.1
USA	1.8	2.2	1.9	2.6	3.2	2.1	1.8	2.1	8.9	8.1	7.7	7.2
Japan	-0.6	2.0	1.4	1.6	-0.3	0.0	0.2	1.8	4.6	4.3	4.3	4.2
China	9.3	7.8	8.0	8.1	5.4	:	:	:	:	:	:	:
World	**4.2**	**3.0**	**3.1**	**3.8**	**:**	**:**	**:**	**:**	**:**	**:**	**:**	**:**

More support from the external environment …

Outside the EU, economic activity, which had weakened in the course of 2012, appears to have bottomed out. For 2013, global GDP growth is projected at 3%. Among the major advanced economies, the underlying dynamics of the US economy are expected to remain intact despite the fiscal tightening induced by the so-called sequester. In Japan, large-scale fiscal and monetary stimuli are projected to lift the economy out of recession. The group of emerging market economies is likely to continue on a robust growth path, but differences across regions have recently increased, with a robust economic expansion in Asia and more moderate growth notably in Latin America and Russia. World imports are expected to grow by 3¼% this year, visibly faster than the EU Member States' export markets. Also dampened by the past appreciation of the euro, EU exports are therefore forecast to increase by only 2%.

… but little feed-through of more favourable financial market developments.

Financial market conditions have remained overall favourable in the EU following the very significant improvements in the second half of 2012. However, market sentiment has become less upbeat in recent months as incoming macroeconomic indicators were weaker than expected and the improvement of confidence was interrupted. The easing in financial market conditions has not reached all countries, and it has not yet led to an improvement in the real economy. Reduced tensions in bank funding markets coexist with varying bank lending conditions across Member States caused by the ongoing weakness of the banking sector in several Member States, but also by the different prospects for the respective real economy. This results in still large differences in financing costs for the non-financial private sector that are also visible from e.g. DG ECFIN's composite financing cost indicator. Over the past months, credit to non-financial corporations continued to contract, while credit to households expanded only at a very low rate.

Domestic demand returns only very slowly.

The present forecast continues to rely on the assumption that a resurgence of the sovereign-debt crisis is avoided as continued progress is made on the path of needed structural reforms and policies to strengthen the framework of EMU. This is expected to slowly dissipate lingering policy and economic uncertainty and to eventually bring about a normalisation in financial conditions across countries as well as a gradual return of confidence which will in turn allow reviving domestic demand.

By the end of 2012, private consumption and investment had both fallen for five quarters in a row and are also likely to remain very weak in 2013. Deleveraging of banks, non-financial corporations and households has made some progress, but is expected to continue weighing on domestic demand over the forecast horizon. There are now some signs of financial fragmentation being gradually reduced, which should ease over time the difficult financing conditions in some Member States. Elevated uncertainty, which is affecting spending and investment decisions, is set to fade gradually. Against this backdrop, a gradual increase in domestic demand is expected in the second half of this year. The annual growth rates for private consumption and investment in the EU are however projected to remain negative, at -½% and -1¾% respectively, in view of the negative carry-over effect from 2012. The recovery of private consumption is predicted to be very slow. With the need for households in some Member States to deleverage further, there is little margin for reducing the saving rate in order to smooth out consumption. Additionally, weak labour markets and expectations of further rising unemployment continue to exert a substantial drag, which is only partly compensated by the positive impact of lower inflation on real disposable incomes. The expected recovery in gross fixed capital formation is projected to be driven mainly by a rebound in equipment investment on the back of export demand, low average financing costs, increasing profit margins and gradually improving sales expectations. While net exports are projected to remain the main driver of GDP growth in the EU this year, firming domestic demand is expected to take over this role in 2014.

Looking further ahead, economic activity in the EU appears to have been permanently affected by the crisis, due to slow post-crisis adjustment and a long-lasting deterioration in financing conditions. On a more positive note, potential growth, estimated at only ½% in the EU in 2013, is expected to recover gradually over time as structural unemployment is reduced and investment activity normalises. In other words, despite the level shift in EU GDP, its growth dynamics should not be affected in the long term.

Growth differentials expected to moderate …

While no Member State has been immune to the impact of the economic and financial crisis, differentials in GDP growth and labour market situations across countries remain large. The *German* economy is projected to recover gradually on the back of improving domestic demand helped by the robust labour market and more dynamic wage growth. GDP in *France* is forecast to stagnate this year amid modest net exports, while investment continues to contract and private consumption remains stable. Economic activity in *Italy* is set to decline again in 2013, as reduced disposable incomes, low confidence and difficult financing conditions continue to weigh on consumption and investment. In *Spain,* the correction of pre-crisis imbalances remains a strong drag on domestic demand, which is only partly compensated by the improving current account, and GDP is forecast to contract further this year. GDP in *the Netherlands* is expected to fall further in the near term as consumption remains constrained by low disposable income and negative wealth effects from the housing market, while exports perform well. Among the Member States outside the euro area, a moderate acceleration in GDP growth is expected in the *United Kingdom* on the back of gradually improving domestic demand. In *Poland*, GDP growth is forecast to slow down further this year, as private consumption remains sluggish, while export growth slows down and investment dips.

Yet, by the end of this year, most of the Member States that are currently in recession are expected to register positive quarterly GDP growth again, and the upswing is set to strengthen in 2014 across the EU. However, the large differences in unemployment that have built up will take a long time to be absorbed.

… as adjustment is making progress …

External and internal adjustment is making further progress. In 2013, the current account of several vulnerable Member States is expected to turn positive, helped by lower domestic absorption as well as competitiveness gains on the back of wage moderation and increased productivity. At a more disaggregated level, there is evidence that the decrease in unit labour costs in vulnerable countries has helped re-establish operating margins in the tradable sector, which should help underpin the necessary reallocation of resources towards the production of tradable goods. By contrast, in the non-tradable sector, falling labour costs have been more likely to lead to a reduction in (relative) prices. In surplus countries, more dynamic wage developments herald larger growth contributions from domestic demand going forward.

... but unemployment is set to worsen further in the near future.

Joblessness has increased steadily over the past two years, reaching 12% in the euro area and 11% in the EU with a very large degree of divergence across Member States. Survey data suggest a further deterioration of the labour-market situation in the near term, given the usually lagged response of employment to GDP. The reaction of employment to falling GDP has become closer over recent quarters than it was in 2008-10, as labour is reallocated across sectors of the economy, while there is little scope left for reducing hours worked. The rising numbers of long-term unemployed and the increasing labour-market mismatch bode ill for the employment prospects in the medium term. In 2013, employment is expected to decrease further by ½% in the EU and ¾% in the euro area. For 2014, modest employment gains around ½% in the EU and ¼% in the euro area are forecast.

Well-anchored inflation

The gradual decrease in consumer-price inflation has accelerated in recent months. HICP inflation fell to 2.0% in the EU and 1.9% in the euro area in the first quarter of 2013 mainly on the back of slower increases in energy and food prices. Core inflation (headline HICP excluding unprocessed food and energy) is projected to remain stable at around 1¾% in the EU and 1½% in the euro area over the forecast horizon, despite the fading impact of past increases in indirect taxes and administered prices as well as the waning pass-through of energy price hikes. Headline inflation is expected to average 1.8% in the EU and 1.6% in the euro area this year and to decline further to 1.7% and 1.5% respectively in 2014.

Slower speed of structural fiscal consolidation

Fiscal consolidation is set to continue over the forecast horizon. As many Member States are implementing sizeable fiscal measures, headline fiscal deficits are projected to fall to 3.4% in the EU and 2.9% in the euro area in 2013. The pace of consolidation in structural terms is expected to slow down compared to 2012. The structural deficit is expected to decrease from 2.8% in 2012 to 2.0% in 2013 in the EU, and from 2.1% to 1.4% in the euro area. Under the customary no-policy-change assumption, the pace of consolidation would slow down further in 2014. The focus of consolidation efforts is set to shift to some extent from revenue-based consolidation towards a reduction in expenditure over the forecast horizon. In light of the weak outlook for economic activity, the debt-to GDP ratio is expected to increase to 91% in the EU and 96% in the euro area by 2014.

Outlook still clouded by high uncertainty

On the back of important policy decisions since last summer, perceived redenomination risks have largely been dispelled. Yet, with uncertainty about economic perspectives remaining high and a fragile macro-financial situation, downside risks continue to largely prevail. In particular, the effective implementation of adjustment measures and policies to strengthen the EMU architecture remains crucial to prevent a return of stress in financial markets. Other downside risks to GDP relate to the assumptions underlying this forecast, in particular a slowdown in the necessary structural reform effort, the possibility of a further appreciation of the euro exchange rate that could hamper exports, or fiscal consolidation measures that are not embedded in this forecast due to the no-policy-change assumption. The very high levels of unemployment in some Member States could jeopardise social cohesion and weigh on confidence more strongly and durably. Outside the EU, the absence of a credible path to medium-term fiscal consolidation in the US and Japan could weigh on financial market sentiment.

On the upside, the overall benign financial market situation or faster-than-expected progress with adjustment and reforms could allow for an earlier return of confidence and strengthen the recovery of domestic demand. On the external side, global growth could prove more dynamic than expected due to a stronger impact of recent expansionary measures. Risks to the inflation outlook continue to be broadly balanced.

PART I

Economic developments at the aggregated level

THE EU ECONOMY: ADJUSTMENT CONTINUES

The EU and the euro-area economy have been undergoing a protracted downturn which started in the final quarter of 2011 and which is expected to have had a trough in early 2013. Following the easing of financial market tensions since mid-2012 economic sentiment started to improve in the final quarter of last year. But recent readings of survey indicators point to a rather gradual stabilisation of the EU economy in the first half of this year and a beginning of the recovery only in the second half of 2013.

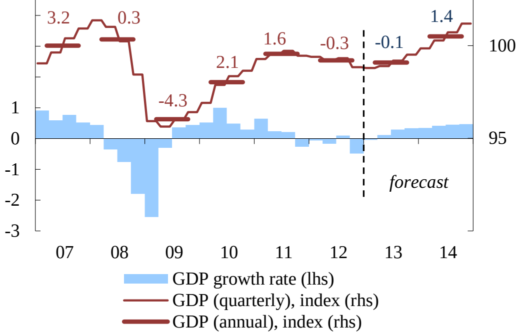
Based on the assumption that continued policy effort will sustain improvements in the economic adjustment capacity and in financial markets, the EU economy is expected to move slowly out of recession in the first half of 2013. Exports are likely to benefit from the projected gradual pick-up in external demand over the forecast horizon and might also have some positive effects on private investment. While improvements in financial markets are visible, they have not yet fed through to the real economy. This disrupted macro-financial linkage is associated with financial fragmentation in the EU due to various magnitudes of debt overhang in the private sector, including the banking sector, and different macro-economic conditions. As a consequence, lending to the private sector in vulnerable Member States appears to be particularly constrained. Therefore, the easing of credit conditions across Member States, helped by on average low interest rates and progressing bank recapitalisations, remains a crucial prerequisite for domestic demand to become a self-sustained contributor to GDP growth in the course of the next quarters.

The outlook for the remainder of the year is predicated on diminishing uncertainty associated with a further gradual improvement in business and consumer confidence, and projections point to a sluggish return to moderate economic growth amid declining inflation pressures. Given the need for balance-sheet adjustment in the public and private sector in several Member States, economic activity in the EU is expected to remain subdued throughout the forecast horizon and marked by persistent cross-country differences. On the back of a strong negative carry-over effect from 2012 and an expected weak first half of this year, real GDP in the EU is set to decrease marginally in 2013, while it is predicted to decline by ½% in the euro area. Looking ahead to 2014, real GDP is projected to expand by 1½% in the EU and 1¼% in the euro area.

Headline inflation is set to decline further over the forecast horizon. The impact of past increases in indirect taxes and commodity price hikes falls out of the annual comparison and weak economic activity as well as bleak labour market prospects are likely to hold inflationary pressures in check. In 2012, consumer prices in the EU and the euro area increased by 2.6% and 2.5% respectively and annual HICP inflation is predicted to fall below 2% in both areas this year. In 2014, consumer-price inflation is expected to average 1.7% in the EU and 1.5% in the euro area.

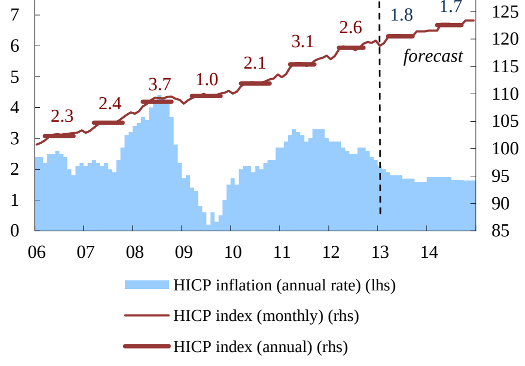
Perceived tail risks have decreased substantially since mid-2012, but risks to the growth outlook remain skewed to the downside amid heightened uncertainty given recent policy events as well as the dire labour market situation. The risks to the inflation outlook appear broadly balanced.

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



Figures above horizontal bars are annual growth rates.

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



1. REVISITING A PROTRACTED BALANCE-SHEET RECESSION

The first quarter of 2013 is likely to have marked the trough of a protracted balance-sheet recession [1] that started at the end of 2011 and is linked to the financial crisis and unsustainable debt levels. The euro area entered its fifth quarter of contraction, while the downturn in the EU was only shortly interrupted in the third quarter of last year. Balance-sheet recessions tend to be characterised by deeper downturns as well as shallower recoveries and are often associated with substantial and permanent output losses. These developments are also in line with empirical evidence that stress the asymmetric impact of the financial cycle on the real economy. [2] Moreover, as potential output growth was overestimated in the period prior to the financial crisis, the subsequent adjustment and deleveraging imply that long-term economic growth might not return to the pre-recession growth trajectory (see Box I.1). [3] Whereas cyclical headwinds are expected to dissipate over the forecast horizon, balance-sheet adjustments in the public and private sector are likely to weigh on the economic outlook.

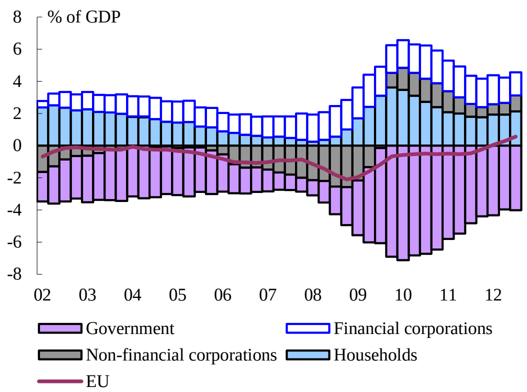
Financial markets appear more resilient ...

Since mid-2012, stress in financial markets has abated substantially due to fiscal and structural reforms at the Member State level. The entering into force of the European Stability Mechanism (ESM) and the ECB's announcement of outright monetary transactions (OMT) added up to financial stability, alongside with the decision by the European Council to create a Banking Union. This was complemented by the completion of the negotiations on a programme for Cyprus, and the agreement on lengthening loan maturities for Ireland and Portugal. But negative feedback loops between private-sector debt overhangs, bank funding problems and government financing constraints still exist and risk affecting economic prospects.

... but headwinds from deleveraging dynamics and balance-sheet adjustment prevail ...

The unsustainable accumulation of debt in the private and public sector, combined with uncertainty over the macroeconomic situation and asset quality as well as adverse credit conditions, has triggered substantial balance-sheet adjustments in several Member States which are set to be weighing on economic prospects over the forecast horizon. [4] Corporate debt levels have started to fall gradually since mid-2009, but weak economic activity and its negative impact on corporate profitability interrupted this decline in 2012. Overall, companies' deleveraging efforts are reflected in the net lending position of the EU non-financial corporate sector since the final quarter of 2009 (see Graph I.3). [5]

Graph I.3: **Financial surplus (+) or deficit (-) by sector, EU**



Moreover, the fall in loans to non-financial corporations in the euro area until February 2013 does not suggest an imminent reversal of this underlying trend. A large number of corporations in vulnerable Member States, notably Italy, Portugal and Spain, are still burdened by substantial debt overhangs. Coupled with lower profitability and higher funding costs induced by financial fragmentation, high corporate debt levels

(1) For a thorough discussion of balance-sheet recessions, see for example Koo, R. C., *The holy grail of macroeconomics*, Singapore 2008 and idem, The world in balance sheet recession: Causes, cure, and politics, *Real-world Economics Review*, No. 58, December 2011, pp. 19-37.

(2) Sharp financial contractions affect the real economy adversely, while financial expansions tend to provide only rather little support during recoveries, see Aizenman, J., B. Pinto and V. Sushko, Financial sector ups and downs and the real economy: Up by the stairs, down by the parachute, *BIS Working Papers*, No. 411, April 2013.

(3) See Borio, C., The financial cycle and macroeconomics: What have we learnt?, *BIS Working Papers*, No. 395, December 2012.

(4) See Cuerpo, C. et al., Indebtedness, deleveraging dynamics and macroeconomic adjustment, European Economy, *Economic Papers*, No. 477, April 2013.

(5) In the euro area, the non-financial corporate sector assumed a net lending position between Q4-2009 and Q2-2011and again in the third quarter of 2012.

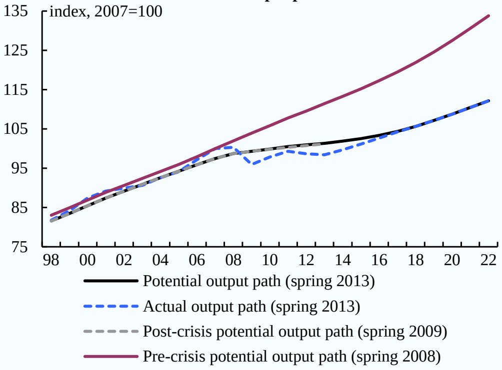
Box I.1: The impact of the crisis on potential output: Is the 2009 assessment still valid?

According to the initial assessment in spring 2009, [1] slow post-crisis adjustment and a long-lasting deterioration in financing conditions was expected to lead to a permanent level shift in euro-area GDP, while its growth dynamics would not be affected in the long term. The present box examines whether this initial prediction is still valid.

In spring 2009, DG ECFIN assessed the implications for potential output of the financial crisis and used the official production function (PF) methodology and the European Commission's QUEST model to explore three very different scenarios as to its likely evolution. One scenario explored the possibility that the potential growth rate would eventually return to its pre-crisis path, and consequently the only permanent effect from the crisis would be on the level of potential output (scenario 1). A more optimistic "full recovery" scenario was also considered possible if "lost" growth could be fully recouped in future years (scenario 2). Finally, a more pessimistic scenario was evaluated, namely permanent growth rate effects (scenario 3). In order to evaluate the likelihood of one of these three scenarios actually materialising, simulations were carried out with the QUEST model which concluded that scenario 1 (permanent level effects) constituted the most likely outcome of the crisis for the EU economy, with a long run, cumulated, loss in the level of potential output of around 5% of GDP.

Two key questions now arise in 2013, firstly, has the evolution of actual and potential output over the last four years fundamentally changed the 2009 assessment of the crisis and secondly what was the real-time performance of the PF method in the pre- and post-crisis periods? To help answer these questions, this box will look at the potential output projections produced by the PF method for a selection of the regular forecasts of the Commission. In this regard, Graph 1 shows the current assessment of the future path of potential output in the euro area (based on the spring 2013 forecast) and compares it with alternative pre-crisis (i.e. spring 2008 forecast) and post-crisis (spring 2009 forecast) potential output paths. This graph shows that the real-time performance of the PF method in the pre-crisis period was not very good since the method produced a pre-crisis trend path which pointed to the euro area having a roughly zero output gap whereas subsequent revisions now show a relatively large positive output gap in the years preceding the crisis. However, Graph 1 also shows that the real-time performance of the PF method in the post-crisis period has so far been very good, with the euro area continuing to track the post-crisis potential output path produced using the spring 2009 forecast.

Graph 1: **Euro area : Various potential and actual output paths**



If one compares the spring 2013 potential output levels relative to the pre-crisis trend path, one can see from Graph 1 that most of the effect of the crisis has been structural in nature (with table 1 showing that this structural decline was mainly driven by a much lower contribution from labour – i.e. increases in structural unemployment and slower growth in the population of working age – and from weaker investment trends). Consequently, the "full recovery" scenario is no longer credible. On the basis of the evidence to date, the most likely long-run outcome continues to be scenario 1, since although the GDP loss is increasing over time, which is consistent with scenario 3, the pre-crisis trend growth path was predicated on an unrealistic growth outlook for total factor productivity (TFP) and was also exaggerated by the pre-crisis boom conditions in some euro-area economies. Finally, whilst the method points to a relatively sluggish short- to medium-term trend growth path, it predicts a more optimistic longer-term outlook, underpinned by the Non-Accelerating Wage Rates of Unemployment (NAWRU) returning to their structural levels, investment (after the deleveraging phase) going back to rates driven by fundamentals and TFP gaining from restructuring efforts.

[1] See European Commission (DG ECFIN), Potential growth and output gap estimates (Box I.3.2), *European Economy (Economic Forecast Spring 2009)*, 2009, No. 3, pp. 31-32.

(Continued on the next page)

Box (continued)

Table 1:

Decomposition of euro area potential growth rates into the contributions from labour, capital and TFP (Spring 2013 Forecasting Exercise)

	2003-07	2009-13
Total Potential Growth	1.8 (1.3)[1]	0.5 (0.4)[1]
Contributions to Potential Growth		
Labour	0.4 (0.1)[1]	-0.3 (-0.4)[1]
Capital	0.8 (0.6)	0.3 (0.3)
TFP	0.6	0.5

[1] Figures adjusted for population of working age developments are shown in brackets.

What conclusions can be drawn from the operation of the Production Function (PF) method in the pre- and post-crisis periods?

Given that the method was clearly too optimistic regarding pre-crisis potential growth rate projections, an important question for policy makers at the present time is whether the PF method is likely to lead to the opposite problem in the "bust" phase of the cycle i.e. producing excessively pessimistic projections, especially when it is applied to economies which are undergoing substantial economic adjustment programmes. Whilst it is impossible to unequivocally answer this question given the uncertainties involved, it is clear that the success or failure of the method in evaluating potential output trends in the adjustment economies will to a large extent depend on its ability to accurately assess the future structural unemployment (NAWRU), investment and trend TFP paths for these countries.

Regarding unemployment trends, for those countries currently experiencing large increases in their NAWRUs, it needs to be emphasised that there is a significant difference between these, medium-run NAWRU increases and the long-run structural unemployment rates of these economies. (2) The NAWRU is affected by labour market adjustment frictions, such as real wage rigidities and sectoral and skill mismatches arising after large shocks, whereas the long-run (i.e. T+10) structural unemployment rate is driven by structural rigidities linked to the institutional features of labour markets, such as, for example, the generosity of unemployment benefit systems or the level of labour taxation. Currently, high NAWRUs in the adjustment economies reflect the combination of large negative shocks coupled with underlying price- and wage-adjustment rigidities, with these economies eventually returning to their longer-run, and much lower, structural unemployment rates.

Regarding investment, since the capital stock is an indicator of overall capacity in an economy and since net investment in any given year is only a tiny fraction of the overall capital stock figures, the PF method does not smooth this series. This approach is soundly based since the method's agreed definition for potential is the amount of output which could be produced if all factors of production were utilised at average or normal capacity rates. Using this definition of capital, the method does not correct for possible deviations of the capital stock from its long-run trend level due, for example, to an asset bubble. The method does however fully take into account the slowdown in post-boom potential capital growth because of low investment rates. In addition, the method has the property that the investment rate returns to average sample levels over the medium term (an important assumption for crisis economies) and consequently will pick up the normalisation of investment after the boom-bust cycle.

In overall terms, therefore, the big weakness of the method with respect to investment is in the boom, not the bust, phase of cycles. Since there is no breakdown of the investment-to-GDP ratio into a structural and cyclical component, there is always the risk that the method will over- or under-estimate potential, especially in extreme asset driven, rather than income driven, cycles. To help alleviate this risk, a type of structural model of investment has been introduced in the (T+10) methodology which establishes an explicit link between investment and its fundamental, long-run determinants, namely changes in trend labour supply and trend TFP. Whilst this more structural approach will help anchor long-run investment trends, there is still no mechanism in place for the short to medium term (i.e. up to T+5) which could help alleviate the type of problems provoked by the asset boom experienced in the pre-crisis period. In this context, new research has been carried out by the Bank for International Settlements (BIS) which aims to use information about the financial cycle (real interest rates, credit growth and property prices) to produce "finance-neutral" output gaps. (3) Whilst including the BIS approach directly in the

(2) See Orlandi, F., Structural unemployment and its determinants in the EU countries, *European Economy Economic Papers* (DG ECFIN), No. 455, May 2012.

(3) Borio, C., Disyatat, P. and M. Juselius, Rethinking potential output: embedding information about the financial cycle, *BIS Working Papers* No. 404, February 2013.

(Continued on the next page)

Box (continued)

PF method appears somewhat problematic, [4] it could serve as a useful complement to the current approach. [5] More specifically, financial market variables could be effectively used as a type of "early warning" signal of bubbles in capital formation (i.e. large cyclical deviations relative to the long-run trend level for the capital stock) or alternatively as a signalling mechanism for abnormally low levels of capital accumulation in the bust phase.

Finally, in terms of TFP, fundamental problems in the application of the Kalman Filter (KF) methodology to the extraction of trend TFP in the adjustment economies are not expected, with the method already picking up encouraging signs of TFP improvements in some of these countries. It is widely accepted that the KF method (since it exploits the link between the TFP cycle and the degree of capacity utilisation in the economy) produces a more realistic pattern for short- and medium-term trend TFP developments compared with the previously used Hodrick-Prescott (HP) filter approach. Consequently, it results in relatively stable trend TFP forecasts, with significantly smaller revisions to output gaps. [6]

To conclude, despite the problems with the method in the pre-crisis period (especially its inability to detect the investment bubbles which were driving positive output gaps in many countries), this review suggests that the real-time, post-crisis performance of the PF methodology was relatively good. In addition, the method's 2009 prediction of a subdued recovery process following the financial crisis was largely borne out by subsequent economic developments. In overall terms therefore, DG ECFIN's 2009 assessment of the impact of the crisis remains valid, with the empirical evidence over the last four years being consistent with the potential output growth path predicted by the official spring 2009 forecast. Based on developments over the last four years, one can conclude that the most likely long-run impact of the crisis will be to produce permanent losses in the level of the euro area's output of roughly 5%, with no long-run effect on potential growth rates.

(4) Including the BIS approach directly in the PF method does not seem sensible at the current juncture since, on the basis of the BIS results, the approach could lead to too many "false alarms" / "inconsistent signals" (e.g. at what point should policy makers get concerned about the growing share of credit as a percentage of GDP or of rising house prices) and, in addition, it produces implausibly small, and rapidly closing, output gaps in the post-crisis period. In terms of the selection of variables used by the BIS and their treatment as cyclical versus structural indicators, there is no distinction made in the BIS analysis between the impact these indicators are having on both the cycle and on potential – everything is attributed to the cycle. This is a questionable approach since the financial market variables used are affecting both the cycle and the trend. Finally, whilst in general not having revisions is a good thing, the observation of having only small revisions for finance-neutral output gap estimates may not necessarily suggest a good real-time performance since it could be indicative of having missed important signals.

(5) In combination with the other cyclical indicators used in the PF method, such as capacity utilisation and the change in the growth rate of nominal unit labour costs, the inclusion of financial market variables would boost the overall information set of policy makers on the cyclical drivers of growth.

(6) See Planas, C., Roeger, W. and A. Rossi, The information content of capacity utilization for detrending total factor productivity, *Journal of Economic Dynamics and Control*, March 2013, Vol. 37, No. 3, pp. 577-590.

are weighing on capital spending and growth, but continue to pose also a risk to banks' balance sheets. [6]

Alongside the deleveraging of the corporate sector, private households started to increase their net lending, which had sunk to historically-low levels prior to the global financial crisis. However, household debt in the euro area, largely in the form of mortgage loans, has hardly changed since 2010 and has thus remained at elevated levels. With the prevailing need for both the household and corporate sector to repair balance sheets on a large scale, while, at the same time, governments are reining in deficits and reducing unsustainable public debt levels, growth in domestic demand is expected to remain constrained in several Member

(6) IMF, *Global Financial Stability Report*, April 2013, pp. 12-16.

States. As a result of the expected further decline in borrowing of the total economy induced by necessary deleveraging net lending positions of the total EU and euro-area economy are forecast to widen over the forecast horizon. Given the substantial economy-wide need to reduce debt levels, balance-sheet adjustment is expected to weigh on domestic demand over the forecast horizon and the return to a self-sustained recovery is likely to be a time-consuming process. [7]

... while policy challenges remain substantial.

Despite the decisive political achievements in terms of crisis-management and institutional reforms of the economic governance in the euro-area, uncertainty remains elevated. However, financial markets appear to have become less sensitive to adverse policy news from vulnerable countries and the observed relative calmness during and after the programme negotiations in Cyprus may lend support to the hypothesis that the available policy instruments for crisis management have proved effective so far.

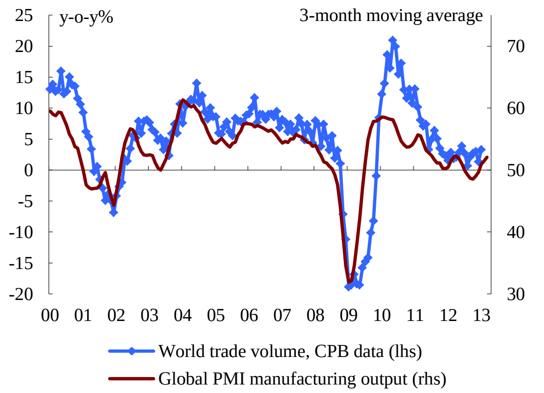
Therefore, this forecast maintains the assumption that continued policy reforms at the EU and Member-State level will be implemented timely and rigorously, thus sustaining financial market improvements and the economic adjustment in Member States.

2. THE EXTERNAL ENVIRONMENT

Having closed the year on a subdued tone world GDP growth in 2012 averaged 3.0%, down from 4.2% in 2011. However, recent survey data indicate a gradual improvement of the global economic outlook. The composite global PMI index signals an expansion in global output for the first quarter of the year, supported both by manufacturing and services (see Graph I.4). The underlying momentum in emerging market economies and several non-EU advanced economies, notably the US, has remained relatively strong (see Table I.1). Together with the expected positive effects of important policy actions taken by governments and central banks, these developments are likely to compensate for the negative carry-over from the last quarter of 2012. Therefore, the forecast for non-EU growth at 4% and 4½% for 2013 and 2014 respectively remains in line with the winter forecast.

Following a continued deceleration that set in early 2010, world merchandise trade appears to have bottomed out around the end of 2012 and is now slowly picking up momentum driven by external trade in emerging market economies, notably in Asia. However, these positive regional developments in merchandise trade are only to a limited extent reflected in global trade. According to CPB data, growth in global goods trade remained subdued in early 2013.

Graph I.4: **World trade and Global PMI manufacturing output**



Against the background of a gradual global recovery, the projections for non-EU trade remain unchanged compared to the winter forecast with expansion rates expected at 4½% and 6% for 2013 and 2014 respectively.

Global growth bolstered by robust expansion in emerging markets ...

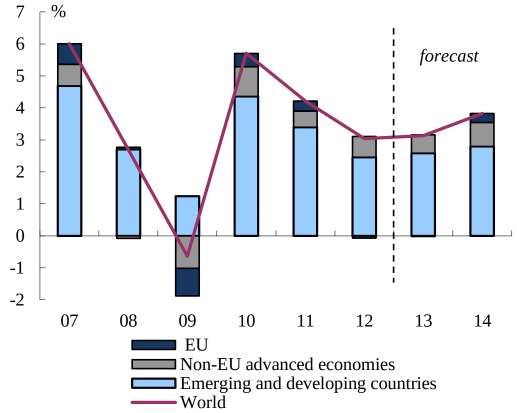
Emerging market economies continued to be the main drivers of world output growth (see Graph I.5). However, the country-specific growth performances have been rather diverse reflecting the differentiated impact of the global slowdown on individual economies as well as the stance of macroeconomic policies and country-specific structural weaknesses. In particular, emerging markets with rather close links to the EU economy slowed down significantly in 2012, notably CIS members including Russia. Economic activity has also been comparatively subdued in the western hemisphere, while output growth held up comparatively well in Asia and latest data suggest that Asian industrial production continued to expand at high rates at the beginning of the year. However, recent data releases underpin the view that China's economic recovery is rather modest compared to past performance. Output in emerging

[7] See ECB, *Monthly Bulletin*, July 2012, pp. 13-15.

market economies as a whole is forecast to increase by 5¼% in 2013 and by 5½% in 2014.

Among non-EU advanced countries, the US economy remained on a steady recovery path throughout most of 2012, supported by a gradually strengthening domestic economy with solid job creation and an improving housing market. Recovering from the triple disaster of 2011, real GDP in Japan expanded relatively strongly in early 2012, before economic activity slowed down sharply in the remainder of the year. But economic activity is expected to be stimulated by expansionary policy measures over the forecast horizon. Looking ahead, advanced economies outside the EU are expected to expand by 2% this year and by 2½% in 2014.

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



.... while global inflation is easing further despite accommodative monetary policies.

The recent fall in energy and commodity prices reflected less optimism for the global economic outlook, but is likely to help contain worldwide inflationary pressures. Global inflation is expected to remain close to 3% over the forecast horizon, with core inflation at low levels in most non-EU economies. However, most BRICS countries are still prone to relatively high inflation rates. While Russia, South Africa and India are still struggling to contain price pressures, asset-price inflation has appeared to be a potential risk in China over the medium term given latest data on credit growth. Regarding advanced economies, the extended period of sustained subpar global growth has prompted central banks to extend unconventional measures and the policy stance is set to become yet more accommodative after the Bank of Japan's decision to almost double the monetary base in the next two years. For the time being however, inflation expectations in advanced economies appear well anchored over the medium term, while input-price inflation eased to an eight-month low in March 2013, according to PMI data.

Given the most recent market data, commodity price assumptions are subject to small downward revisions compared to the winter forecast. The only exception are metal prices which are set to recover in 2013-14 on the back of increasing demand from emerging market economies. By contrast, oil futures prices declined in March/April

Table I.1:

International environment

(Annual percentage change)					Spring 2013 forecast			*Winter 2013 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**	*1.9*	*2.6*
Japan	5.7	-5.5	4.7	-0.6	**2.0**	**1.4**	**1.6**	*1.0*	*1.6*
Asia (excl. Japan)	28.9	7.7	9.2	8.1	**5.8**	**6.5**	**6.8**	*6.5*	*6.8*
- China	14.6	9.2	10.4	9.3	**7.8**	**8.0**	**8.1**	*8.0*	*8.1*
- India	5.7	8.4	9.5	6.8	**4.1**	**5.7**	**6.6**	*5.8*	*6.6*
Latin America	8.9	-1.8	6.1	4.5	**3.1**	**3.1**	**3.5**	*3.7*	*4.2*
- Brazil	3.0	-0.3	7.5	2.7	**0.9**	**3.0**	**3.6**	*3.5*	*4.0*
MENA	5.2	2.0	8.3	5.1	**4.4**	**3.0**	**3.9**	*3.1*	*3.9*
CIS	4.2	-6.7	4.8	4.8	**3.3**	**3.3**	**4.0**	*3.9*	*4.2*
- Russia	2.9	-7.8	4.3	4.3	**3.4**	**3.3**	**3.8**	*3.7*	*3.9*
Sub-Saharan Africa	2.6	2.7	5.1	4.6	**5.1**	**5.4**	**5.5**	*5.3*	*5.5*
Candidate Countries	1.4	-4.9	7.4	7.7	**1.7**	**2.9**	**3.7**	*2.7*	*3.5*
World (incl. EU)	100.0	-0.6	5.7	4.2	**3.0**	**3.1**	**3.8**	*3.2*	*3.9*
					World merchandise trade volumes				
World import growth		-12.5	14.5	6.6	**2.3**	**3.2**	**5.8**	*3.5*	*5.8*
Extra EU export market growth		-11.0	13.7	7.9	**0.8**	**2.0**	**5.3**	*2.6*	*5.4*

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

in light of renewed concerns about the global outlook. Based on a positive supply-demand balance, oil prices are assumed to average USD 104.9/bbl in 2013 and decline to USD 99.2/bbl in 2014. [8] Due to a sluggish demand and the relatively high levels of stocks at the end of 2012, food prices are expected to fall over the forecast horizon, while prices of non-food agricultural materials are assumed to increase only slightly in 2014.

3. FINANCIAL MARKETS IN EUROPE

Financial market conditions in the EU have remained relatively favourable despite adverse macro-economic developments and episodes of political uncertainty. The lasting impact of the ECB's OMTs and progress with respect to the creation of a banking union has markedly reduced perceived tail risks for the euro area. Moreover, the expectation and subsequently the implementation of additional quantitative easing measures by the Federal Reserve and the Bank of Japan stimulated international financial markets and led investors to acquire riskier asset in a search for yield.

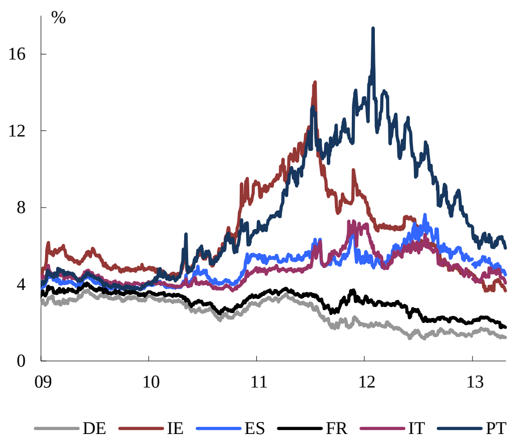
Financial markets appear less sensitive to adverse policy news …

Since the end of February, weaker-than-expected economic data and higher political and financial sector uncertainty in some Member States have weighed on market sentiment, although a resurgence of tensions comparable to those encountered in 2012 has not materialised. EU sovereign-yield spreads to the German Bund have remained broadly unchanged since the start of the year (see Graph I.6).

However, benchmark yields in the euro area, and also in the US and the UK, have declined, which is also likely to be the result of increased capital inflows from Japan. Equity markets in the EU have receded slightly and corporate bond spreads have widened moderately. Moreover, perceived risks to the banking sector have increased lately. In particular, the Cypriot adjustment programme including investor bail-ins fuelled uncertainty about the EU banking resolution regime. As a result, bank share valuations declined and CDS spreads of senior bank bonds widened significantly.

[8] In euro terms, this corresponds to an oil price of 80 EUR/bbl in 2013 and 75.8 EUR/bbl in 2014.

Graph I.6: **Ten-year government-bond yields, selected euro-area Member States**



… and bank funding stress is easing on the back of an accommodative monetary policy …

The monetary policy stance has remained accommodative throughout the EU. The Bank of England maintained its official Bank Rate at 0.5% and the size of its quantitative easing programme, [9] while the Riksbank left the repo rate unchanged at 1.0% and expects to keep it at this level until the second half of 2014. The ECB kept policy rates at record-low levels amid contained inflation pressures (the main refinancing rate stands at 0.75% and the deposit rate at zero). Euro-area money-market rates increased at the end of January on the back of higher-than-expected LTRO (Longer-term refinancing operation) [10] repayments signalling easing funding strains, but fell back until March as the pace of LTRO repayments slowed significantly. In the banking sector, the usage of central bank funding remains high and turnover on overnight money markets is subdued, in particular in longer maturities. [11] Nevertheless, a more broad-based improvement in bank funding conditions has become visible also in vulnerable Member States, reflected by the partial

[9] In April, the BoE Monetary Policy Committee voted to maintain the stock of asset purchases financed by the issuance of central bank reserves at £375 billion.

[10] For an empirical analysis of credit supply effects of LTROs, see Darracq-Paries, M. and R. De Santis, A non-standard monetary policy shock. The ECB's 3-year LTROs and the shift in credit supply, *ECB Working Paper*, No. 1508, January 2013.

[11] See e.g. van Rixtel, A. and G. Gasperini, Financial crisis and bank funding: Recent experience in the euro area, *BIS Working Papers*, No. 406, March 2013, and E. Zoli, Italian sovereign spreads: Their determinants and pass-through to bank funding costs and lending conditions, *IMF Working Paper*, WP/13/84, April 2013.

early repayment of the two 3-year LTROs and a further recovery of cross-border interbank lending. Banks' profitability and solvability remain closely linked to the economic outlook, although some improvement has been achieved, primarily by portfolio optimisation and the reduction of risk-weighted assets due to deleveraging and, to a lesser extent, raising capital through retained earnings. [12]

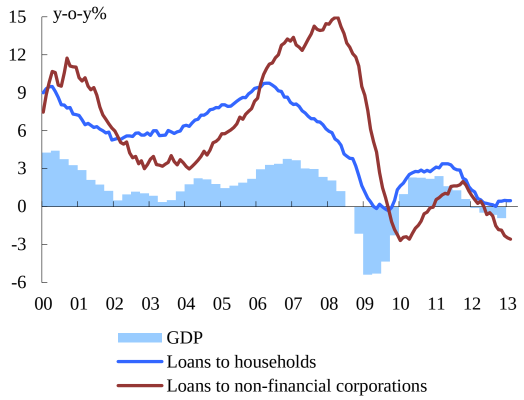
… but banks' improved financing conditions are not reflected in credit growth …

Data on credit flows and credit standards suggest that banks' improved funding conditions have so far not translated into increasing credit supply and an easing of lending conditions across countries. This is not least a reflection of the different macroeconomic conditions and the balance-sheet adjustment after the past high credit growth in several Member States which now also impacts on credit demand. The transmission of the ECB’s monetary policy to the real economy in some Member States continues to be hindered by banks' elevated risk aversion and deleveraging pressures. [13] The relatively high level of debt securities issuance by non-financial corporations (annual growth rate at 12.0% in February) points to a gradual shift from bank credit to market-based financing by corporations that have direct access to capital markets. Bank lending to the euro-area private sector shrank over the first months of this year (see Graph I.7). The latest ECB data for February point to an annual growth of credit of -0.4% y-o-y (data adjusted for sales and securitisation). Lending volumes to the non-financial corporate sector continued to be particularly weak (-1.4% y-o-y), while the annual growth of loans to households remained slightly positive (0.4% y-o-y) supported by the lending for house purchases.

(12) However, bank bond issuance has recently been affected by mounting investor concerns related to potential future bail-ins, whereas the internal funding potential of financial institutions remains subdued due to a combination of macro-economic headwinds and regulatory adjustments.

(13) See e.g. Aristei, D. and M. Gallo, Interest rate pass-through in the euro area during the financial crisis: A multivariate regime-switching approach, *Quaderni del dipartimento di economia, finanza e statistica*, No. 107, October 2012.

Graph I.7: **Bank lending to households and non-financial corporations, EA**

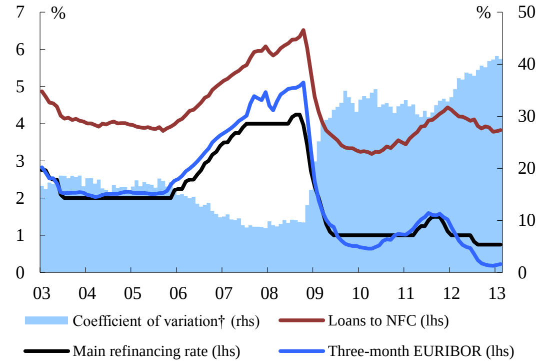


These developments are in line with recent bank lending surveys that point to balance-sheet constraints as well as borrowers' risks and macroeconomic uncertainty as major reasons for bank's net tightening of credit standards. But subdued credit flows are also likely the result of the ongoing deleveraging in the non-financial corporate sector and among private households. However, growth in lending to non-financial corporations continued to display wide heterogeneity across euro-area Member States with France and Germany maintaining credit growth rates slightly above zero, while for example Italy and particularly Spain were recording significant declines in lending.

… as credit markets remain fragmented.

The heterogeneity among euro-area countries' financial conditions is reflected by the cross-country variability of interest rates on loans to the private sector. Interest rates on loans to non-financial corporations were significantly higher in Spain, Italy, Greece and Portugal than in the euro area on average and the dispersion among interest rates across Member States has reached historical proportions at the current juncture (see Graph I.8). A similar pattern is reflected by DG ECFIN's composite financing cost index, a broader measure of non-financial corporations' financing costs. However, for the euro area as a whole, average interest rates continued to decline over the past few months driven by Germany and France.

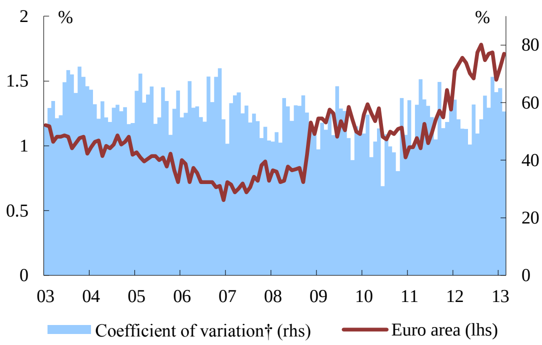
Graph I.8: **Short to medium-term interest rates*, euro area**



* loans for new business up to 1€ million and interest rate fixation period of up to 1 year
† for loans to non-financial corporations across euro area Member States

High bank lending rates are particularly detrimental to small and medium-sized enterprises (SMEs) which lack direct access to capital markets and depend largely on bank financing for investment funding. Alongside cross-country differences in lending conditions, funding costs appear to exacerbate with smaller firm size. In particular, the interest-rate spread between loans to small and large companies, here proxied by the spread between interest-rates on low-volume and high-volume loans, shows a visible upward trend since the end of 2011 (see Graph I.9). Even though borrowing for SMEs often tends to be more costly, inter alia due to higher risk premia, [14] lending rates for SMEs in vulnerable Member States have reached levels close to those in 2008.

Graph I.9: **New business interest rate spreads between smaller and larger MFI loans to NFCs*, euro area**



* interest rate fixation period of up to 1 year
† across euro area Member States excluding Malta

4. THE EU ECONOMY

The year 2012 ended on a negative note. In the EU, real GDP contracted by 0.5% q-o-q in the fourth quarter, while output in the euro area declined by 0.6%. Thus, economic activity has shrunk almost continuously in both areas since the fourth quarter of 2011, with the euro area recording five consecutive quarters of negative growth. For the year 2012 as a whole, economic activity decreased by 0.3% in the EU and by 0.6% in the euro area. The weak outcome in 2012 implies a negative carry-over which subtracts 0.4 pp. and 0.5 pp. from economic growth in the EU and in the euro area respectively in 2013.

A slow stabilisation in the course of the first half of 2013 ...

Based on the assumption that firm policy implementation sustains improvements in financial markets and a renewed intensification of the sovereign-debt crisis is avoided, economic activity in the EU and the euro area is expected to stabilise slowly in the first half of 2013. The outlook is predicated on the global recovery gaining traction and the gradual easing of financing conditions in vulnerable Member States. Supported by the accommodative monetary policy stance which allows for very benign financing conditions in the EU on average, substantial bank recapitalisation efforts in some countries are expected to counteract financial fragmentation.

Diminishing uncertainty associated with an improvement in business and consumer confidence is likely to unlock investment spending and allow real GDP to start expanding gradually later in 2013. However, policy uncertainties remain elevated and have the potential to partly undo the improvements in financial markets and confidence achieved since mid-2012. Thus, the economic outlook remains fragile and the prospective recovery depends to a large extent on the credibility and effective implementation of announced policy measures.

... with domestic headwinds persisting throughout 2013 ...

In March, the Economic Sentiment Indicator (ESI) and the PMI Composite Output Index decreased in both the EU and the euro area, putting on hold the improvement in confidence that had started in the final quarter of last year. However, both survey indicators suggest an easing in the pace of contraction in both areas in the first quarter of 2013 compared to late 2012 (see Graph I.10).

(14) In general, SMEs do not have a credit rating which makes banks' assessment of SMEs' creditworthiness more costly.

Box I.2: The accuracy of forecasts during the crisis years

Macroeconomic forecasts are widely used as a basis for economic policy analysis and decision-making. This calls for a regular assessment of the forecast accuracy. Accordingly, the Commission's forecasting performance was first examined by Keereman in 1999, with an update carried out by Melander et al. in 2007. [(1)] Both studies concluded that the Commission's forecasts "*dispose a reasonable track record*".

The macroeconomic environment has, however, changed considerably since the 2007 update. The euro-area and EU economies entered the Great Recession of 2008-09. Consequently, and notwithstanding the exceptional nature of the crisis, forecast errors are likely to have increased during that period. They also raise the question as to the impact of the business cycle on forecasting performance.

Against this background, a recent study investigated the Commission's forecasting performance. [(2)] This box summarises its results and updates it by extending the observation period to include 2012. It looks at how the forecast error for *real GDP growth* has evolved in recent years, in particular compared to previous recessions, and to the performance of other forecasters.

The focus is on the 15 Member States the EU had prior to the two latest rounds of enlargement and on the EU and euro-area aggregates. The study assesses the new Member States separately to take account of the small size of the forecast samples. [(3)]

(1) See Keereman, F., The track record of the Commission Forecasts, *European Economy Economic Papers* (DG ECFIN), No. 137, October 1999, and Melander, A., Sismanidis, S. and D. Grenouilleau, The track record of the Commission's forecasts – an update, *European Economy Economic Papers* (DG ECFIN), No. 291, October 2007.

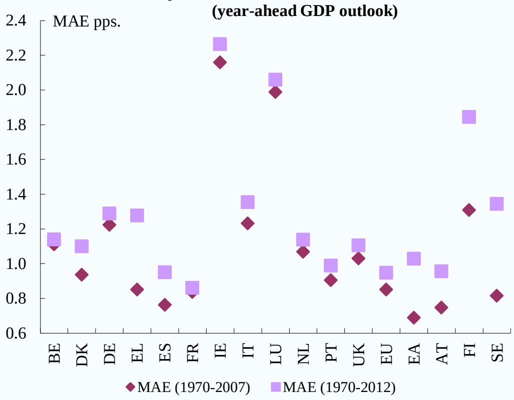
(2) See González Cabanillas, L. and A. Terzi, The accuracy of the European Commission's forecasts re-examined, *European Economy Economic Papers* (DG ECFIN), No. 476, December 2012.

(3) An analysis of forecast errors for the New Member States is carried out in chapter 6 of the study.

Results of accuracy tests

The results for current-year forecasts up to 2012 [(4)] show that the forecast error – as measured by the *mean absolute error* (MAE) – is 0.5 pp. for the EU and 0.4 pp. for the euro area. [(5)] This means that the Commission's forecast for EU real GDP growth has, on average, proven to be half a percentage point too high / low for the current year. Overall, the extension of the initial observation period (up to 2007) to 2012 has a relatively limited effect on the forecast error for the current year. [(6)] While the MAE remains unchanged for the EU, it has only increased slightly (+0.03 pp.) for the euro area. The forecast accuracy also remains largely unchanged for most Member States.

Graph 1: **MAE in EU, EA and Member States (year-ahead GDP outlook)**



In contrast, extending the observation period to 2012, leads to a significant deterioration in forecasting performance for the year-ahead outlook. As can be seen from Graph 1, the forecast errors for GDP exhibit a sharp increase, at both the aggregate (+0.10 pp. for the EU and +0.34 pp. for the euro area) and the Member-State level. The

(4) *Current-year* forecasts are the one in spring, whereas *year-ahead* forecasts come from the autumn forecasts. Current-year forecasts are assessed against the so-called 'first available estimates' presented in the spring forecast of the subsequent year. Year-ahead forecasts are assessed against the so-called 'first settled estimates' presented in the autumn forecast following the year to be forecast.

(5) The *mean absolute error* (MAE) is the absolute difference between the average forecast and the average outturn. Negative errors are treated as positive ones so that errors cannot cancel each other out. The MAE is thus a more accurate measure of the average forecast error than a simple mean error.

(6) For the realisations of 2012, the 'first available estimates' are used for the year-ahead forecast as the 'first settled estimates' are not yet available.

(Continued on the next page)

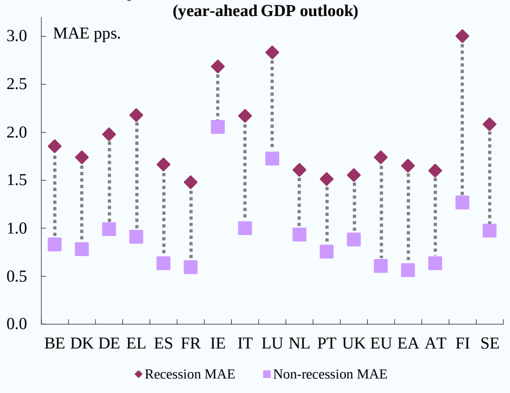
Box (continued)

deterioration mainly stems from the sizeable forecast errors in the recession year 2009, which reflects the unprecedented speed and depth of the crisis.

The impact of the business cycle on accuracy

Forecast accuracy can be shown to depend on the cyclical position with forecast errors being typically larger in and around economic recessions. [7] The *MAE* for the current-year outlook for the EU is almost twice as high when the economy is in recession than when it is not. The difference is larger for year-ahead forecasts, for instance the *MAE* for the EU is almost 3 times larger during recessions. The picture at Member State level is broadly similar (see Graph 2).

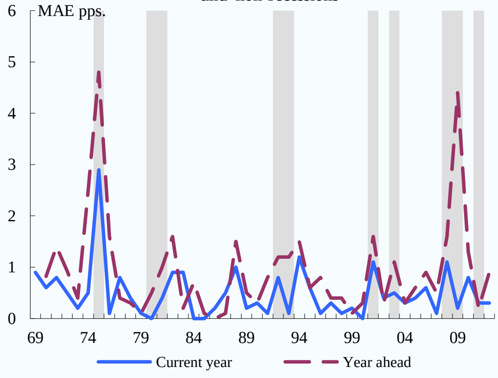
Graph 2: **MAE in recessions & non-recesssions (year-ahead GDP outlook)**



One reason for the poorer forecasting performance in recessions is the difficulty in predicting turning points. Another is that GDP forecasts tend to be overly optimistic in a recessionary environment.

Nonetheless, the Commission's forecasting performance during recessions has generally improved over time, at least for the current-year outlook for the EU (see Graph 3) and larger Member States. For the year-ahead forecasts, the errors for 2009 suggest the opposite. These errors for the EU and the larger Member States are broadly of the same order of magnitude as those of the 1975 recession, which in terms of output losses is the closest to the 2008-09 recession.

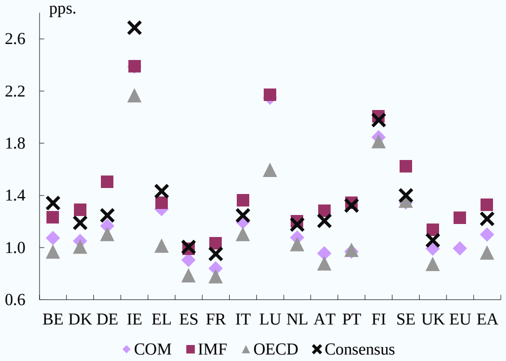
Graph 3: **EU GDP forecast errors in recessions (shaded) and non-recessions**



Comparison with other forecasters

In order to compare the track record of the Commission with that of the OECD, IMF, and Consensus, similar observation periods have been looked at (broadly since 1990). Commission year-ahead forecasts are found to score better than those released by Consensus and the IMF (Graph 4), which may partly reflect informational differences (the IMF issues its forecasts earlier). In contrast, the Commission's forecasts do not perform as well as those of the OECD, which could also be related to timing issues as the OECD releases its forecast on average one month later.

Graph 4: **Comparison of MAE with other forecasters (1990-2012) (year-ahead GDP outlook)**

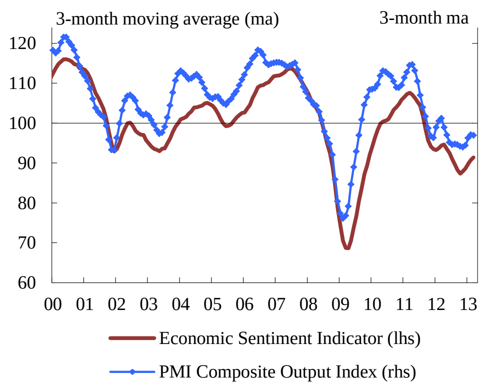


Limiting the observation sample to the period since the beginning of the crisis (2008) shows a deterioration in accuracy of all forecasters, with the Commission still scoring better than the IMF and Consensus but worse than the OECD. All in all, it appears that the Commission forecasts continue to dispose a reasonable track record.

(7) The term *recession* covers the years 1974-1975, 1980-1982, 1992-1993, 2001, 2003, 2008-2009 and 2011 to date. These broadly correspond to the periods of recession and slow growth identified by the Centre for Economic Policy Research (CEPR) for the euro area. For consistency, this definition is used as a proxy for recessionary periods in the UK, DK, SE and the EU.

Industrial production in the euro area and the EU was roughly stable in the first two months of the year, compared to the final quarter of 2012 when it decreased by around 2% in both areas. However, the most recent weakness is likely to have continued in April, as indicated by the Flash Eurozone PMI. The index was unchanged but it still signalled a fall in economic activity, notably in manufacturing. As a result, the stabilisation forecast for the first half of 2013 is expected to be rather gradual and more protracted than previously expected (see also Box I.2 on forecast accuracy).

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



On the back of a strong negative carry-over effect from 2012 and a weaker-than-expected first quarter of this year, real GDP in the EU is set to decrease marginally in 2013, while it is predicted to decline by ½% in the euro area. Rising unemployment, still tight credit conditions, ongoing deleveraging in the private and public sector as well as heightened uncertainty will continue to weigh on domestic demand, particularly in the first half of 2013. By contrast, exports are set to benefit from the expected strengthening in global demand and are predicted to remain the main growth driver throughout this year.

… but gradually dissipating and leading the way to subdued growth in 2014 …

Looking ahead to 2014, real GDP is projected to expand by a moderate 1½% in the EU and 1¼% the euro area, as some domestic headwinds are set to dissipate. Domestic demand should take over from net exports as the main contributor to GDP growth as investment is expected to benefit from restored business sentiment and the assumed easing in financing conditions in vulnerable Member States (see Graph I.11). Higher consumer confidence and rising purchasing power due to further abating inflation is likely to help raising household consumption. In 2014, consumer spending is expected to be additionally supported by the first signs of improving labour market conditions on the back of structural reforms that should also begin to impact on the EU economy. However, the need for balance-sheet adjustment in the public and private sector in several Member States will continue to weigh on economic activity over the forecast horizon (see also Table I.2 and I.3).

Table I.2:

Composition of growth - EU

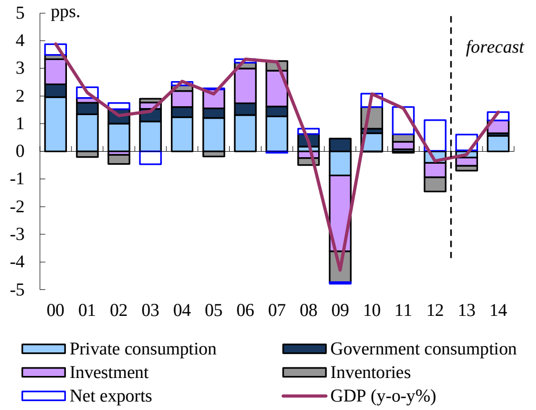
	2011							Spring 2013 forecast		
	bn Euro curr. prices	% GDP	2007	2008	2009	2010	2011	2012	2013	2014
			Real percentage change							
Private consumption	7335.6	58.0	2.2	0.3	-1.5	1.1	0.1	**-0.7**	**-0.4**	**1.0**
Public consumption	2742.2	21.7	1.8	2.3	2.2	0.7	-0.2	**0.1**	**0.2**	**0.4**
Gross fixed capital formation	2342.7	18.5	6.3	-1.1	-13.0	0.0	1.4	**-2.8**	**-1.7**	**2.6**
Change in stocks as % of GDP	72.4	0.6	0.9	0.7	-0.6	0.3	0.6	**0.0**	**0.0**	**-0.2**
Exports of goods and services	5524.4	43.7	5.6	1.6	-11.7	10.7	6.4	**2.3**	**2.0**	**4.9**
Final demand	18017.4	142.5	4.0	0.6	-6.4	4.1	2.3	**-0.3**	**0.2**	**2.3**
Imports of goods and services	5380.4	42.6	5.9	1.1	-11.6	9.7	4.1	**-0.3**	**0.8**	**4.5**
GDP	12642.4	100.0	3.2	0.3	-4.3	2.1	1.6	**-0.3**	**-0.1**	**1.4**
GNI	12656.9	100.0	3.0	0.2	-4.2	2.2	1.6	**-0.4**	**0.0**	**1.4**
p.m. GDP euro area	9420.0	74.5	3.0	0.4	-4.4	2.0	1.4	**-0.6**	**-0.4**	**1.2**
			Contribution to change in GDP							
Private consumption			1.3	0.2	-0.9	0.7	0.1	**-0.4**	**-0.2**	**0.6**
Public consumption			0.4	0.5	0.5	0.2	-0.1	**0.0**	**0.0**	**0.1**
Investment			1.3	-0.2	-2.7	0.0	0.3	**-0.5**	**-0.3**	**0.5**
Inventories			0.3	-0.2	-1.1	0.8	0.3	**-0.5**	**-0.2**	**0.0**
Exports			2.2	0.6	-4.8	3.9	2.6	**1.0**	**0.9**	**2.2**
Final demand			5.5	0.8	-9.1	5.6	3.2	**-0.5**	**0.3**	**3.3**
Imports (minus)			-2.3	-0.4	4.8	-3.5	-1.6	**0.1**	**-0.3**	**-1.9**
Net exports			-0.1	0.2	-0.1	0.5	1.0	**1.1**	**0.6**	**0.3**

Table I.3:

Composition of growth - euro area

	2011		2007	2008	2009	2010	2011	Spring 2013 forecast 2012	2013	2014
	bn Euro curr. prices	% GDP	Real percentage change							
Private consumption	5410.3	57.4	1.7	0.4	-1.0	1.0	0.1	**-1.3**	**-0.9**	**0.7**
Public consumption	2030.1	21.6	2.2	2.3	2.6	0.8	-0.2	**-0.4**	**0.0**	**0.5**
Gross fixed capital formation	1801.9	19.1	5.2	-1.4	-12.7	-0.4	1.5	**-4.1**	**-2.6**	**2.3**
Change in stocks as % of GDP	40.4	0.4	0.8	0.7	-0.5	0.3	0.4	**-0.2**	**-0.2**	**-0.4**
Exports of goods and services	4149.3	44.0	6.6	1.1	-12.4	11.2	6.3	**2.7**	**2.2**	**4.9**
Final demand	13432.0	142.6	3.9	0.5	-6.3	4.1	2.3	**-0.7**	**-0.1**	**2.3**
Imports of goods and services	4013.9	42.6	6.2	0.9	-11.1	9.6	4.2	**-0.9**	**0.5**	**4.7**
GDP	9420.0	100.0	3.0	0.4	-4.4	2.0	1.4	**-0.6**	**-0.4**	**1.2**
GNI	9426.5	100.0	2.6	-0.2	-4.0	2.2	1.4	**-0.4**	**-0.5**	**1.2**
p.m. GDP EU	12642.4	134.2	3.2	0.3	-4.3	2.1	1.6	**-0.3**	**-0.1**	**1.4**
			Contribution to change in GDP							
Private consumption			0.9	0.2	-0.6	0.6	0.1	**-0.7**	**-0.5**	**0.4**
Public consumption			0.4	0.5	0.5	0.2	0.0	**-0.1**	**0.0**	**0.1**
Investment			1.1	-0.3	-2.7	-0.1	0.3	**-0.8**	**-0.5**	**0.4**
Inventories			0.3	-0.1	-1.0	0.6	0.2	**-0.6**	**-0.2**	**0.0**
Exports			2.7	0.5	-5.2	4.1	2.6	**1.2**	**1.0**	**2.3**
Final demand			5.4	0.8	-8.9	5.5	3.1	**-1.0**	**-0.2**	**3.2**
Imports (minus)			-2.5	-0.4	4.6	-3.4	-1.7	**0.4**	**-0.2**	**-2.0**
Net exports			0.2	0.1	-0.7	0.7	0.9	**1.6**	**0.8**	**0.3**

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



... while growth differentials are likely to remain pronounced.

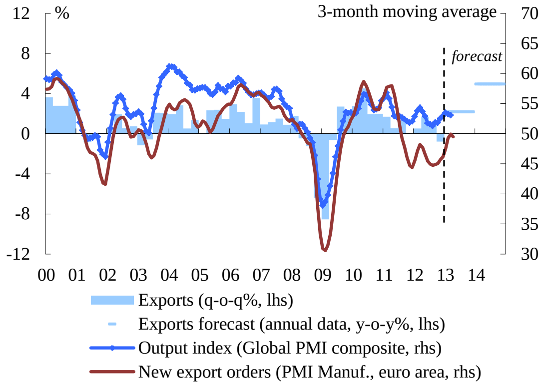
Not least due to persistent adjustment and deleveraging needs in vulnerable Member States differentials in GDP growth across countries are projected to remain pronounced over the forecast horizon. In particular, the large divergence in the labour market performance across countries that started to become visible after the recession of 2008-09 is also likely to determine future employment prospects and the strength and pace of the projected country-specific recovery. However, most of the Member States that are currently in recession are expected to return to positive quarterly GDP growth this year.

Net exports remain the main engine of growth in 2013.

Contrary to previous quarters, net exports did not cushion the contraction in economic activity at the end of 2012. Amid a weak global environment, exports declined by 0.9% q-o-q in the EU and by 0.8% q-o-q in the euro area, falling for the first time since mid-2009. Compared to the previous year, export growth at 2.3% and 2.7% more than halved in both the EU and euro area respectively in 2012.

New export orders point to a brightening short-term outlook for EU external trade. Therefore, export growth is expected to rebound moderately in the first quarter of 2013. With the expected gradual pick-up in global activity and foreign demand, export growth is expected to increase further in the second half of 2013. However, due to the weak performance in the last quarter of 2012 and early 2013, and also dampened by the past appreciation of the euro, export growth has been revised downward compared to the winter forecast. For 2013 as a whole, exports of goods and services are set to grow by 2% in the EU and 2¼% in the euro area. In line with global demand developments, export growth is set to accelerate to roughly 5% in both areas in 2014 (see Graph I.12).

Graph I.12: **Global demand, euro-area exports and new export orders**



On the import side, weak domestic demand continues to act as a drag on import growth. In the last quarter of 2012, imports contracted by 0.3% in the EU and by 0.9% in the euro area and the short-term prospects for EU imports are likely to be subdued. In 2013, import growth is expected to resume but to remain relatively muted, with import volumes expected to grow by ¾% in the EU and by about ½% in the euro area. As the recovery of domestic demand gains foothold in 2014, imports are forecast to accelerate correspondingly and expand by around 4½% in the EU and by 4¾% in the euro area.

Overall, net exports are expected to remain the predominant growth driver in 2013. Over the forecast horizon, their positive contribution to real GDP growth is likely to diminish in comparison with domestic demand.

Gross fixed capital formation set to rebound in second half of 2013 …

In the fourth quarter of 2012, mirroring broad-based contractions in the largest Member States, gross fixed capital formation in the EU and the euro area continued to decline. In 2012, total investment shrank by 2.8% in the EU and 4.1% in the euro area, as it was adversely affected by subdued final demand, ongoing balance-sheet adjustment, high uncertainty and constrained credit supply to non-financial corporations in some Member States.

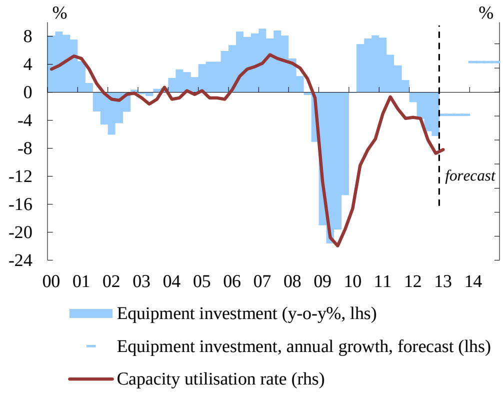
At the current juncture, the level of total private investment falls even short of the trough reached during 2008-09. At the end of 2012, the share of investment spending in GDP has declined to 17¾% in the EU, compared to an average ratio of 20¼% over the period 1999-2007. Given the adverse financing conditions faced by the non-financial corporate sector in several Member States and weak business sentiment, investment is likely to pick up only slowly in the course of 2013, as also suggested by the latest Commission industrial investment surveys.

… helped by a recovery in equipment investment …

The contraction in equipment investment accelerated in the fourth quarter of 2012 and short-term indicators suggest that non-construction investment will shrink further, although at a slower pace than observed at the end of 2012. Amid relatively low capacity utilisation rates industrial production of capital goods in the first two months of 2013 was on average ½% lower than the level in the final quarter of 2012 in both the EU and the euro area. This negative short-term outlook is corroborated by latest readings of the European Commission’s industrial confidence indicator and Markit's manufacturing PMI that remained well below its long-term average and the expansion threshold respectively. Moreover, bank lending to non-financial corporations decreased in the euro area at the end of 2012 and has further weakened in the first two months of 2013.

After a weak first half of 2013, equipment investment is forecast to rebound in the second half of the year. It should first benefit from increasing external demand and strengthening business confidence as uncertainty eases. In annual terms however, equipment investment is forecast to decline in the EU and the euro area in 2013 and to increase in both regions only in 2014 (see Graph I.13).

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



… whereas housing market adjustment is still weighing on capital spending.

As a result of the continued adjustment in some Member States' housing markets and the overall weak economic situation, investment in construction declined by 3.1% in the EU and by 4.1% in the euro area in 2012. Leading supply indicators, such as building permits, signal a further decline in construction activity in the short term. Production in construction weakened in the first two months of 2013 and the Commission's construction confidence indicator is still below its long-term average. Weak growth in disposable income, low consumer confidence and further adjustments in housing markets, as signalled by falling house prices in some countries, will continue weighing on residential investment in 2013, while the government component in construction investment is also likely to remain subdued. Overall, construction investment is forecast to shrink further in 2013 in both the EU and the euro area, before a moderate pick-up is expected in both areas in 2014.

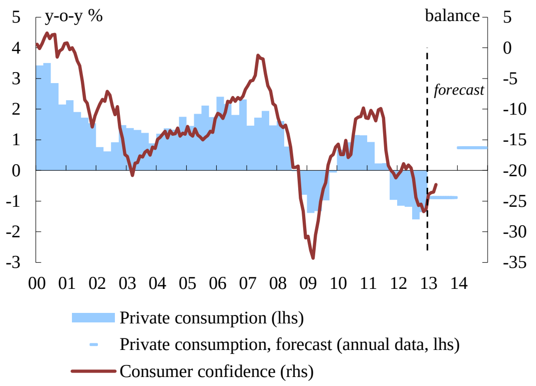
Overall, private investment is forecast to rebound in the second half of 2013 benefiting from higher export growth, low financing costs, increasing profit margins and gradually fading uncertainty about business prospects. Public investment is expected to remain subdued, albeit to a lessening degree under the no-policy-change assumption. By contrast, the scope for further destocking seems to be rather limited in the coming quarters. [15] In 2013 as a whole, gross fixed capital formation is set to contract by 1¾% in the EU and by about 2½% in the euro area. In 2014, total investment is expected to increase by 2½% in the EU and by 2¼% in the euro area.

Private consumption to remain lacklustre

Private consumption in both the EU and the euro area declined further in the last quarter of 2012, continuing the downward trend seen over the last year. This development reflected a sharp decrease in real disposable income, but also the overall low levels of consumer confidence. In 2012, household consumption contracted by 0.7% in the EU and by 1.3% in the euro area (see Graph I.14).

Regarding short-term dynamics, soft and hard data provide a mixed picture. Survey indicators suggest subdued prospects for private consumption in the near future. Although consumer confidence has recently improved, its current level still remains below its long-term average and confidence in the retail sector deteriorated in the first quarter of 2013, according to commission surveys and PMI data. However, the average level of EU retail sales in January/February stood 0.5% (0.3% in the euro area) above the level recorded in the fourth quarter of 2012.

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



With the household saving rate broadly at its long-term average but the need for households in some Member States to deleverage further, there is little scope for reducing savings significantly in order to smooth consumption. On the contrary, the weak prospects of the labour market and the still high uncertainty may rather lead to an increase in precautionary savings in the short term. Thus, private consumption is expected to decline further in the first half of 2013 and then stabilise during the second half of the year. In 2013 as a whole, private consumption is forecast to fall by ½% in the EU and by 1% in the euro area. As regards public consumption in 2013, it is projected to increase slightly in the EU but to remain unchanged in the euro area.

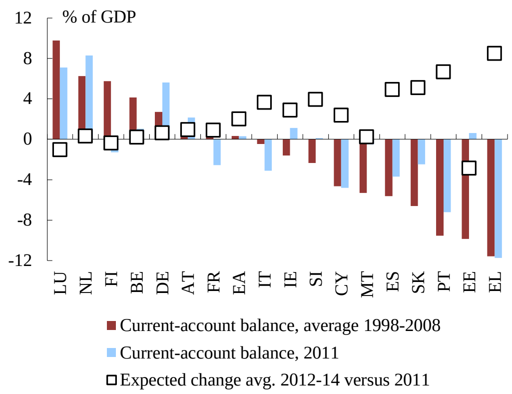
Looking further ahead to 2014, private consumption is expected to pick up by around 1% in the EU and by ¾% in the euro area as headwinds start easing and the return of confidence further materialises. In particular, the moderation in HICP inflation and the expected timid improvements in labour market conditions in the course of 2014 are likely to lift households' real disposable incomes. Public consumption is forecast to grow by ½% in both the euro area and the EU, albeit under the no-policy-change assumption.

(15) This view is corroborated by the results of Commission surveys according to which companies stocks are considered to be below their long-term average.

Current-account imbalances continue to narrow within the euro area …

In 2012, the current-account balance (in adjusted terms) turned visibly positive in both the EU and the euro area on the back of an improving merchandise trade balance. This improvement is reflected in a better export performance in most vulnerable Member States supported by gains in competitiveness due to lower unit labour costs (see Box I.3). This development is likely to continue in 2013, as non-EU external demand is predicted to accelerate gradually and achieved improvements in competitiveness are expected to be sustained (see Graph I.15).

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



In 2013 as a whole, current-account surpluses are forecast to expand to 1¼% of GDP in the EU and roughly 2% in the euro area and to stay broadly at these levels in 2014.

… as structural adjustment is supporting rebalancing.

The process of external and internal adjustment in vulnerable Member States is gradually progressing, as several deficit countries are shifting away from unsustainable domestic demand, notably from residential investment, and embark on a more export-based growth strategy. Owing to wage moderation and rising labour productivity, unit labour costs in programme countries and other vulnerable Member States are likely to decline further over the forecast horizon, reversing the past trend of eroding price competitiveness. As a consequence, the current account balance of some vulnerable countries is expected to turn positive in 2013, in particular those in Spain, Italy and Portugal, against the background of both a cyclically-driven decline in imports and a structurally more solid export performance.

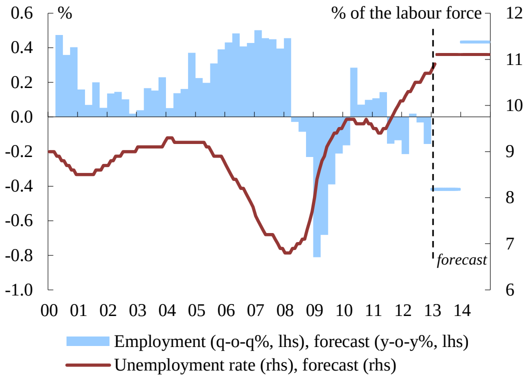
By contrast, robust wage growth in some Member States with persistent current-account surpluses is expected to support private consumption and is thus likely to contribute to some extent to overall rebalancing within the euro area.

No trend reversal in labour markets in 2013 …

The labour market conditions in the EU and the euro area have continued worsening since the end of 2012 on the back of weak economic activity and ongoing labour market adjustments in several euro-area Member States. Joblessness has steadily increased in the last two years, with the unemployment rate in February registering new all-time highs in both the euro area (12.0%) and the EU (10.9%). At the same time, the divergence in the labour market performance across Member States has reached an unprecedented magnitude.

The EU labour market is marked by significant labour shedding and insufficient job creation since the third quarter of 2011, when the recovery on the job market ground to a halt. In line with the sharp GDP contraction at the end of 2012, headcount employment dropped in the final quarter of 2012 (by 0.3% in the euro area and by 0.2% in the EU). For 2012 as a whole, total employment declined by 0.3% in the EU and by 0.9% in the euro area (see Graph I.16).

Graph I.16: **Employment growth and unemployment rate, EU**



Forecast figures are annual data.

Box I.3: Labour costs, margins and prices in rebalancing economies

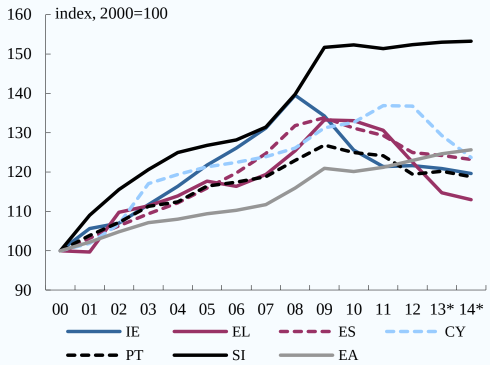
A number of euro-area economies, which accumulated competitiveness gaps for several years, are in a process of rebalancing. This concerns Ireland, Greece, Spain, Cyprus, Portugal, Slovenia, and, to some extent, Italy. Their losses in competitiveness have been well documented and can be illustrated by their large current-account deficits, fast increases in unit labour costs (ULC) in both the public and private sector and relatively high inflation rates until the crisis. However, there are many differences among the above mentioned countries. Notably, while the current-account deficits peaked at, or above, 10% of GDP in Spain, Cyprus and Portugal, and even reached 18% in Greece, the deficits were at around 6% in Ireland and Slovenia in 2007-08. By 2012, the deficits had declined to close to 5% of GDP in Greece and Cyprus, below 2% in Spain and Portugal and had turned into substantial surpluses in Ireland and Slovenia.

Since 2008, there has been a reduction (or a clear deceleration) in the ULC of these countries, in absolute terms or relative to their main trading partners. Key reasons were the cyclical increase in unemployment but also a number of labour market reforms. However, there has been the perception that the reduction in labour costs had only partially been reflected in prices. This box discusses the link between ULC, profit margins and prices in the context of rebalancing economies. It argues that, for tradable sectors, an incomplete pass-through from labour costs to prices is part of the rebalancing process. However, the partial absorption of the reduction in labour costs by the firms' unit operating surpluses in the non-tradable sectors suggests scope for increasing competition in those sectors.

Labour costs and prices before and after the crisis

Graph 1 shows the evolution of ULC in the whole economy for each of the vulnerable countries and the euro area as a whole since 2000. A first observation is that changes in ULC have been much different among these economies on account of different wage, employment and productivity developments. Focusing on the most recent years, Ireland has recorded a rather steep fall in ULC and this is still expected to continue through 2014, while the reduction in ULC started later and has been smaller in Greece, Spain and Portugal. There has only been a stabilisation of ULC in Cyprus and Slovenia. [(1)]

Graph 1: **Nominal unit labour costs (total economy)**



Source: AMECO. * Forecast

Regarding price developments, it is noteworthy that, *firstly*, the trend of higher inflation rates in the vulnerable countries as a whole compared with the euro-area average came to an end in 2009. However, it was only in a few occasions (Ireland in 2008-09, Portugal in 2009 and more recently in Greece) that a general reduction in the price level was observed (Graph 2). *Secondly*, before 2009 inflation differentials between vulnerable countries and the euro-area average mainly concerned services, which could be partially related to Balassa-Samuelson effects. These differences have disappeared (Graph 3). For goods, the differences in inflation rates between these countries and the euro-area aggregate have always been much smaller. Differences in inflation for goods and services have been explained by differences in productivity, but mainly by differences in competition faced by goods producers and service providers: most goods are tradable, while most services are not, or only to a limited extent, and margins in services are more likely to reflect monopolistic rents. *Thirdly*, looking at the most recent period, Graph 4 shows that a substantial part of price increases has been related to indirect tax hikes, as illustrated by the difference between the overall HICP and HICP at constant taxes. This needs to be considered when the link between labour costs and prices is analysed. However, overall, there has been some asymmetry between

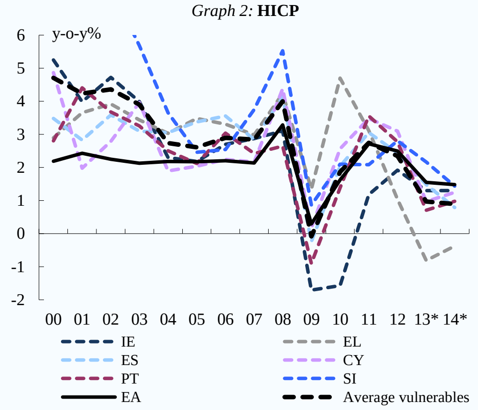
(1) For a detailed analysis of labour market developments, see European Commission, Labour market developments in Europe, 2012, *European Economy*, 5, September 2012.

(Continued on the next page)

Box (continued)

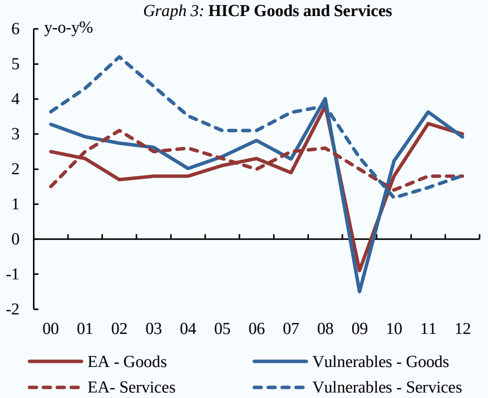
labour costs and prices, in the sense that the reduction in the former has only partially translated into lower consumer prices.

Graph 2: **HICP**



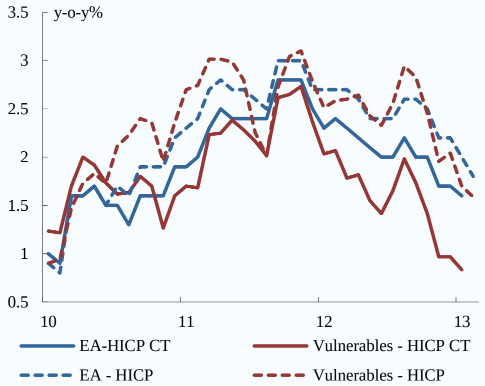
Source: AMECO. * Forecast

Graph 3: **HICP Goods and Services**



Source: Eurostat

Graph 4: **HICP and HICP-CT**



Source: Eurostat

Rebalancing and prices in tradables and non-tradables

A growth-friendly rebalancing consists in a shift of resources from non-tradable services to tradable industries, with an increase in exports and exporting capacity. Without an increase in the exporting capacity and investment in tradable sector, the correction in external imbalances would solely occur through a reduction in imports, resulting from a compression of domestic demand, associated with an increase in unemployment and a reduction in disposable income and standards of living. As resources are allocated by their respective remuneration, the rebalancing and the creation of investment opportunities in the tradable sector require an increase in the remuneration of capital (and labour) in these sectors relative to the non-tradable sector. For this to happen, part of the reduction in labour costs will be absorbed by the operating margins in tradables.

To isolate the impact of labour costs on prices it is preferable to focus on value-added deflators of each sector, rather than on final prices to remove the effect of indirect taxes and other costs. Graphs 5 and 6 plot ULC and deflators in the euro-area economies in tradables and non-tradables, during the period before and after the onset of the crisis. The two graphs illustrate how deflators for tradables have remained much more stable and less reactive to ULC, [2] as most firms in tradables are price-takers. Therefore, one part of the ULC cuts has been absorbed by changes in operating margins. In contrast, deflators for non-tradables have been much more responsive to developments in labour costs, not only in the vulnerable economies, but also in other economies.

The relatively small reduction in deflators in the tradable sector (or in export deflators) is consistent with the need for increasing the export market shares of the vulnerable countries given their relatively high export elasticities [3] and the pricing strategies of exporters. This is also in line with evidence in the literature that the pass-through from

(2) Ireland is a notable exception with a strong fall in the manufacturing deflators in the post crisis period: this is explained by its US-dollar denominated exports.

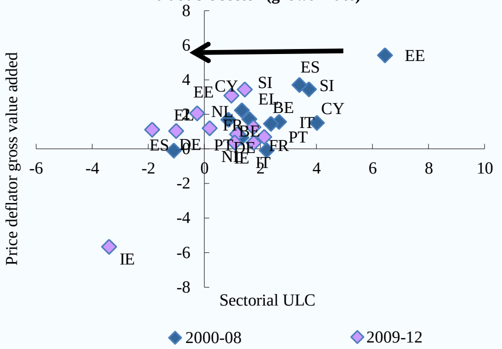
(3) Imbs, J. and I. Méjean, Trade elasticities: A final report for the European Commission, *European Economy Economic Papers* (DG ECFIN), No. 432, December 2010. On the pricing strategies of exporting companies (although based on French firms' evidence), see e.g. Berman, N., Martin, P. and T. Mayer, How do different exporters react to exchange rate changes?, *Quarterly Journal of Economics*, February 2012, Vol. 127, No. 2, pp. 437-492.

(Continued on the next page)

Box (continued)

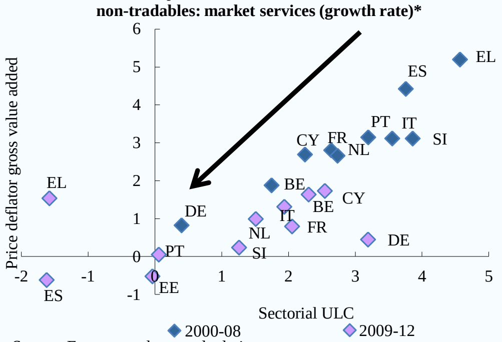
costs to prices is lower in the sectors with a more competitive environment. [4]

Graph 5: **GVA deflator and ULC, tradable sector (growth rate)**



Source: AMECO; Note: IE: 2008-10; FR, IT, PT: 2009-11.

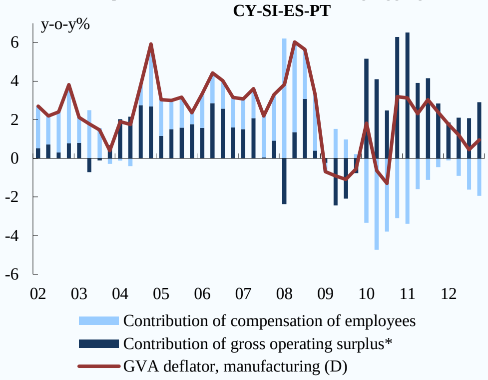
Graph 6: **GVA deflator and ULC, non-tradables: market services (growth rate)***



Source: Eurostat and own calculations
* includes construction, information and communication, financial and real estate activities, and other (F, J, K, L, M_N, R_U)
Note: EL, ES : 2002-08 ; ES, FR: 2009-11

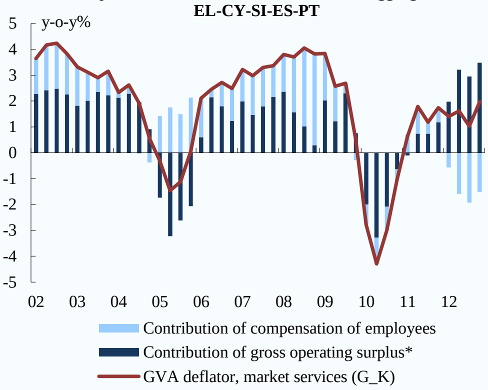
Graphs 7 and 8 show contributions of labour costs and operating margins to value-added deflators in Spain, Portugal, Cyprus, Greece and Slovenia in 2002-12. [5] The graphs distinguish manufacturing and market services (as example of tradables and non-tradables). Data for manufacturing indicate that the reduction in labour costs since 2010 has, as expected, been partially absorbed by an increase in operating margins. For services, there was a cyclical reduction or moderation in margins in 2009-11, but margins rebounded and more than absorbed the reduction in labour costs in the course of 2012. Although high financing costs in vulnerable countries may have contributed to the explanation of the persistently high margins, the high operating margins over the last quarters of available data clearly suggest a lack of domestic competition.

Graph 7: **GVA deflator, manufacturing, aggregate EL-CY-SI-ES-PT**



Source: Eurostat and own calculations. *Also includes residual taxes .

Graph 8: **GVA deflator, market services, aggregate EL-CY-SI-ES-PT**



Source: Eurostat and own calculations. *Also includes residual taxes.

Competition, structural reforms and rebalancing

Structural reforms, which aim to increase competition, facilitate the entry and exit of firms in specific sectors and increase productivity, have a role in the rebalancing process. Among tradables, improvements in the business environment (*e.g.* reduction in red tape) contribute to increase firms' margins, improve investment opportunities and help firms reallocating resources to export-oriented sectors. But the increase in competition in the non-tradables and the related reduction in margins and prices also matters for rebalancing. Many non-tradables (services, utilities, etc.) are inputs for tradables. Also, a reduction in rents in non-tradables contributes to moving resources to tradables. Moreover, the reduction in prices of non-tradables helps dampening the fall in households' real disposable income, alleviating the downward pressure on domestic demand.

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(4) Bertola, G. *et al*, Price, wage and employment response to shocks: evidence from the WDN survey, *Labour Economics*, October 2012, Vol. 19, No. 5, pp. 783-791.

(5) No data available for Ireland.

Table I.4:

Labour market outlook - euro area and EU

(Annual percentage change unless otherwise stated)	Euro area				Winter 2013 forecast		EU				Winter 2013 forecast	
	2011	2012	2013	2014	2013	2014	2011	2012	2013	2014	2013	2014
Population of working age (15-74)	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Labour force	0.3	0.6	0.1	0.2	0.1	0.2	0.2	0.7	0.2	0.3	0.3	0.3
Employment	0.2	-0.9	-0.7	0.3	-0.8	0.3	0.2	-0.3	-0.4	0.4	-0.4	0.5
Employment (change in million)	0.4	-1.0	-1.0	0.4	-1.0	0.4	0.4	-0.4	-0.9	0.9	-0.8	1.0
Unemployment (levels in in millions)	16.0	18.1	19.4	19.3	19.3	19.3	23.1	25.3	26.8	26.8	26.7	26.5
Unemployment rate (% of labour force)	10.2	11.4	12.2	12.1	12.2	12.1	9.7	10.5	11.1	11.1	11.1	11.0
Labour productivity, whole economy	1.2	0.3	0.3	0.9	0.5	1.0	1.3	0.0	0.3	1.0	0.5	1.1
Employment rate (a)	58.6	58.1	57.7	57.8	57.6	57.7	58.4	58.3	58.0	58.1	58.0	58.2

(a) As a percentage of population of working age (15-74). Definition according to the Labour Force Survey.

Employment losses in 2012 were concentrated in industry, construction and public administration, resulting from employment cuts in the public sector and reallocation of labour across sectors in some Member States. Given the still-low level of hours worked after the large drop during the 2008-09 recession, headcount employment has recently been affected much more strongly by the economic downturn.

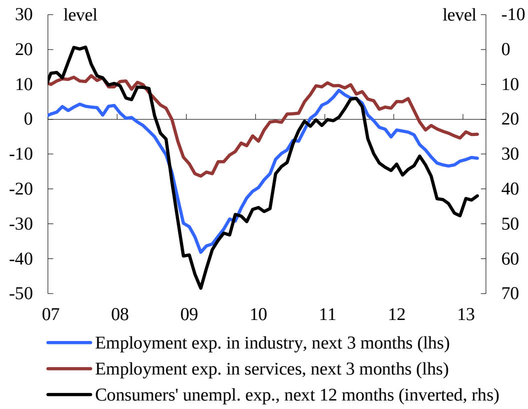
The labour supply in terms of total labour force grew strongly in 2012, by around 0.7% in the EU and 0.6% in the euro area, after 0.2% and 0.3% respectively in 2011. Rising activity rates partly reflect pre-crisis trends of increasing participation rates of female and older workers. But policies recently undertaken at the Member-State level, notably pension reforms, intensified this trend together with cyclical factors. In particular, second earners of given households seem to have been entering the labour market to counteract households' reduced income expectations.

… as employment is set to shrink in the short term …

Looking to the near future, the EU labour market is expected to weaken further, reflecting the usually delayed response to changes in economic activity. The latest readings of Commission surveys suggest a deterioration of the labour market conditions with additional job losses and rising unemployment in the short term (see Graph I.17).

In March 2013, employment expectations in the EU remained below their long-term averages in construction and, albeit to a lesser extent, in industry and services. Companies' intentions to reduce staff were also mirrored by strong unemployment fears among consumers, which remained far above their long-term average. However, temporary employment has started growing again since the second quarter of 2012, indicating companies' cautious hiring policy which reflects the widespread uncertainty on the strength of the prospective recovery. Overall, employment is projected to decrease by ½% in the EU and by ¾% in the euro area in 2013, while the unemployment rate is set to climb higher in the euro area and the EU and to remain at elevated levels over the forecast horizon (see Table I.4).

Graph I.17: **Employment expectations, DG ECFIN surveys, euro area**



… with unemployment becoming more firmly entrenched.

The magnitude and longer duration of unemployment has raised concerns that the cyclical increases in joblessness might eventually turn into structural unemployment. The share of the long-term unemployed, i.e. persons being out of work for more than 12 months, has been constantly rising in the EU since mid-2009 and climbed to 46% in the fourth quarter of 2012. In addition, unemployment among the young (15 to 24 years) who are not in education or training is high. In particular, the lack of on-the-job training and experience is likely to jeopardise the future employability of young workers which in turn might dampen a future labour market recovery, most notably in vulnerable Member States. According to Commission estimates, the non-accelerating wage rate of unemployment (NAWRU), a gauge of structural unemployment, has indeed increased substantially since 2008 and indicators of labour-market mismatch have worsened. But some caution is warranted as to the long-term trend of structural unemployment given that NAWRU estimates are influenced by a broad range of factors, for example labour market adjustment frictions and large negative shocks.

A silver lining on the forecast horizon in 2014 …

The modest recovery in economic activity predicted for 2014 is likely to help stabilising the labour market situation. Reduced uncertainty and a firming recovery are expected to give rise to modest employment growth in 2014 of around ½% in the EU and ¼% in the euro area. Given the projected growth 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 around 11% in the EU. Visible improvements in the EU and euro-area labour market are expected only 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 likely to take time and to be hampered by weak economic prospects as well as financing constraints on investment.

… but still clouded by large cross-country divergences.

The labour market performance differs widely across Member States and large growth differentials will entail a further widening of those divergences in 2013. Unemployment rates are expected to range between less than 5% in Austria and 27% in Spain and Greece.

The varying labour market situation across countries is also reflected in diverging wage developments. Since 2011, real wages increases have lagged behind productivity growth in most high-unemployment countries facing substantial internal and external adjustment needs. Looking ahead, wage moderation is set to continue in vulnerable Member States, supported by recently adopted reforms in the wage-setting system, allowing for a further gradual improvement in price competitiveness. By contrast, a marked rise in unit labour costs was observed in countries with relatively low unemployment in the post-crisis years up 2012 and real wages per head are set to grow faster than in the pre-crisis years of 2003-07, notably in Germany.

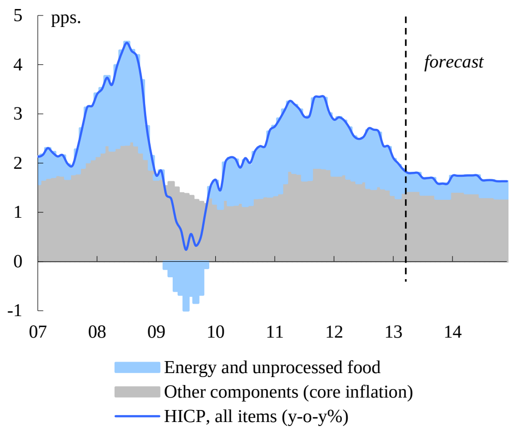
Inflation continues to decline at solid pace…

The decrease in consumer-price inflation that has started in the last quarter of 2012 continued in the beginning of 2013. However, the lower-than-expected contribution of energy prices has led to headline inflation falling below the 2% threshold already in the first quarter of 2013 in the euro area, marking an end to the period of nine quarters with inflation above the ECB's definition of price stability. Likewise, inflation in the EU eased in the first quarter of 2013, falling below 2% in March.

…while core inflation remains sticky despite weak domestic demand.

Irrespective of the fading impact of increases in indirect taxes and administrative prices in several Member States as well as the waning pass-through effects from past energy-price hikes and exchange-rate depreciations, core inflation (i.e. HICP inflation excluding energy and unprocessed food) has hardly moderated since September 2012 in both the euro area and the EU. Underlying inflation increased again in the euro area to 1.6% in March 2013 and to 1.7% in the EU. Despite the amount of slack in the economy, core inflation is projected to remain broadly stable over the forecast horizon at around 1½% in the euro area and 1¾% in the EU (see Graph I.18), reflecting the historical pattern.

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



Limited external price pressures, …

Owing to the appreciation of the euro that effectively offset increases in commodity prices, external price pressures eased in recent months. Given the still anaemic domestic demand in several Member States and exchange-rate and commodity-price assumptions, import prices are projected to ease sharply in 2013 as measured by the deflator of imports of goods. In 2014, with the expected gradual recovery in private investment and household consumption import-price inflation is forecast to accelerate marginally.

… a moderate wage push …

Wage pressures have been subdued throughout 2012. In the euro area, the hourly labour cost index fell from 2.2% in 2011 to 1.6% in 2012, while the growth in compensation per employee decreased from 2.2% to 1.8% respectively (though large cross-country divergences persist). However, as the growth of labour productivity was flat in 2012, the unit-labour-cost growth accelerated to 1.4%, up from 0.9% a year before. Despite the subdued economic outlook and unemployment reaching historically-high levels in the EU, wage pressures are not expected to fade significantly over the forecast horizon. This is in line with the rise in adjustment frictions and labour market mismatch as suggested by the increase in NAWRU estimates.

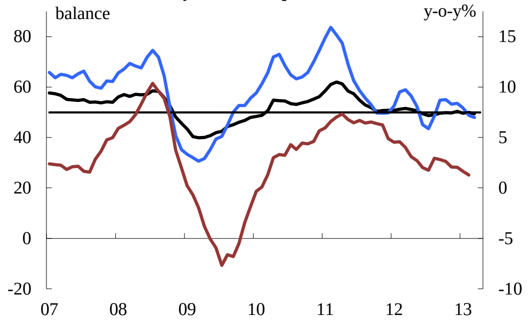
… and dwindling producer-price inflation …

Inflation pressures from the producer side seem to be contained at the beginning of 2013. In February, annual industrial producer price inflation (excluding construction) fell to around 1¼% in the EU and the euro area from close to 3% in 2012, driven mostly by substantially lower energy price inflation. The survey indicators of price developments (both PMI and ESI components) are also reflecting the weakness in economic conditions, contributing to the expected further easing in pipeline pressures (see Graph I.19).

… point to a benign inflation outlook.

The average annual HICP inflation in 2013 is expected to average 1.8% in the EU and 1.6% in the euro area. Price pressures are set to ease markedly, as past increases in oil prices and indirect taxes in many Member States to consumer prices are continuously falling out of the annual comparison. Moreover, the weak economic environment and ailing domestic demand is expected to limit producers' margin for any significant price increases in the course of the year.

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



Looking further ahead, the muted recovery projected to begin in the second half of 2013 is unlikely to raise significant inflationary pressures, given the amount of slack in the economy and well-anchored inflation expectations. 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), HICP inflation in 2014 in the EU and the euro area is set to decrease further to 1.7% and 1.5% respectively, giving some respite to consumers' real disposable incomes and thus contributing to prospects for a pick-up in private consumption expenditure.

A slower pace of fiscal consolidation amid a weak growth environment …

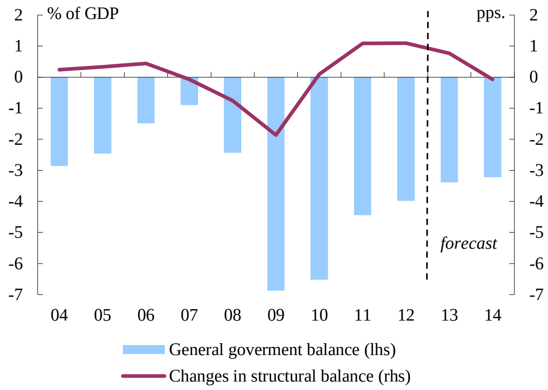
Despite the subdued macroeconomic outlook and the limited support from the cyclical component, the reduction in general government deficits is set to continue over the forecast horizon. Compared to the winter 2013 forecast, the overall picture of public finance conditions is expected to remain largely unchanged in both the euro area and the EU. [16]

The fiscal policy stance was broadly contractionary in 2012 due to extensive fiscal consolidation measures in several Member States (see also Box I.4). Thus, the deficit-to-GDP ratio for the euro area and the EU as a whole shrank by

(16) 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).

around ½ pp. to 3.7% of GDP and to 4.0% of GDP respectively. In 2013, further deficit reductions are expected to be dampened by the still negative cyclical contribution. On the basis of the fiscal consolidation efforts detailed in national budgets, the headline deficit in 2013 is set to further decrease to 2.9% of GDP in the euro area and to 3.4% of GDP in the EU (see Graph I.20).

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



Based on the usual no-policy-change assumption, the general government deficit is projected to decline slightly further in 2014 to 2.8% of GDP in the euro area and to 3.2% of GDP in the EU. With a few exceptions, the expected improvement over the forecast horizon is likely to be broad-based across Member States.

... with a gradual shift from revenue increases to spending cuts.

In both the EU and the euro area, the deficit reductions in 2012 were exclusively due to revenue-based consolidation. General government revenues increased as several Member States raised taxes on income and wealth and, to a lesser extent, indirect taxes. As a result, the revenue-to-GDP ratio increased in both areas in 2012 and is set to reach a peak over the forecast horizon in 2013 at 46.8% and 45.8% in the euro area and the EU respectively. Further ahead, revenues are expected to decrease slightly in 2014, as temporary tax increases are set to expire and limited tax cuts are planned in some Member States. With regard to government spending, the expenditure-to-GDP ratio is projected to start declining in 2013 and to decrease further towards the end of the forecast horizon, as the expected moderate pick-up in economic activity is likely to have a positive effect via automatic stabilisers. However, discretionary cuts in expenditure, mainly wages and salaries as well as public investment, are expected to be the main drivers of the reduction in the headline deficit.

Structural balances expected to improve in 2013 ...

The structural budget deficit, i.e. the general government deficit corrected for cyclical factors and one-offs and other temporary measures, declined significantly in 2012, by 1½% of GDP in the euro area and slightly over 1% of GDP in the EU. This development is projected to continue this year in both areas, albeit at a slower pace. Against the backdrop of fiscal consolidation measures included in the 2013 national budgets, the structural deficit is expected to shrink to 1½% of GDP in the euro area and to 2% in the EU, reflecting an improvement of around ¾ pp. in both areas. Under the usual no-policy-change assumption the structural deficit in both areas is forecast to deteriorate slightly in 2014.

...but adverse debt dynamics are driving debt ratios higher.

Given the adverse debt dynamics implied by an increase in interest expenditure against a slowing GDP growth, the projected reduction in general government deficits is unlikely to prevent debt-to-GDP ratios from increasing over the forecast horizon (see Table I.5). Compared to the winter 2013 forecast, however, public debt ratios have been revised slightly downwards for 2012 in the euro area and for 2012 and 2013 in the EU. (17)

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**	**88.0**	**92.7**	**95.5**	**96.0**
Change in the ratio	0.2	9.8	5.6	2.4	4.7	2.8	0.5
Contributions to the change in the ratio:							
1. Primary balance	**-1.1**	**3.5**	**3.4**	**1.1**	**0.6**	**-0.2**	**-0.3**
2. "Snow-ball" effect[2]	**0.3**	**5.3**	**0.6**	**0.8**	**2.5**	**2.1**	**0.5**
Of which:							
Interest expenditure	3.0	2.9	2.8	3.0	3.1	3.1	3.1
Growth effect	-1.4	3.2	-1.5	-1.2	0.5	0.4	-1.2
Inflation effect	-1.3	-0.7	-0.6	-1.1	-1.1	-1.4	-1.4
3. Stock-flow adjustment	**1.0**	**0.9**	**1.6**	**0.5**	**1.5**	**0.9**	**0.4**

[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.

(17) At the country level, debt-to-GDP ratios for Greece and Spain were revised downwards for 2012 which also shifted the debt ratio for the EU and the euro-area aggregate somewhat lower.

Box I.4: Combining top-down and bottom-up approaches to assessing the fiscal stance: the discretionary fiscal effort

Discussions over fiscal policy are framed by the way fiscal stance is assessed. The traditional indicator for evaluating the fiscal stance – the change in the structural (primary) balance – is calculated following a "top-down approach", which consists in removing from headline balances one-off and temporary measures, as well as the effect of the business cycle, based on standard methodologies. When computing structural primary balances, interest payments are also removed.

This "top-down" indicator, which is routinely calculated by the Commission and easily available, is well-established in EU surveillance and policy discussions. [1] The key advantage of this indicator is to convey the information on where the government balance would be should the economy be at its potential. Accordingly, the structural balance and its evolution provide crucial information for assessing the sustainability of the budgetary position and the current fiscal stance.

However, this indicator is subject to well-known limitations. In particular, structural balances rely on uncertain evaluations of the cyclical position. Equally important, its computation conventionally assumes a stable effect of output gaps on the fiscal accounts, relying on average fixed values of tax and spending semi-elasticities. In practice these semi-elasticities tend to fluctuate markedly in the short term. Structural (primary) balances may for these reasons deliver an inaccurate view of the true underlying direction of fiscal policy.

A complementary, "bottom-up" approach to assessing the fiscal stance is being used as an important check within EU surveillance procedures. It consists in adding-up the effects of all implemented tax and spending new measures. This approach has the advantage of being less exposed to errors in measuring potential output and fluctuations in fiscal elasticities. In addition, because of its action-based nature, a bottom-up indicator can be more telling for policy-makers and outsiders, as it reflects the sum of active policy decisions. [2]

At the same time, the bottom-up approach is also subject to limitations. First, it relies on estimates of the budgetary costs or savings from tax and spending measures which come with their own measurement uncertainties, particularly when the underlying data for evaluating measures is lacking or of poor quality. Second, the "baseline" on the expenditure side is a somewhat elusive concept. In particular, while on the revenue side an absence of measures can reasonably be equated with a neutral stance, this is generally not the case on the spending side. [3] Consequently, one has to be careful when drawing conclusions from a bottom-up approach on the spending side, since the underlying baselines may present significant methodological differences across countries.

Given this background, an intermediary approach that relies on a mixed method is useful for assessing the fiscal stance and conducting cross-country assessments. This is what lies behind the indicator presented in this box.

The proposed measure of the fiscal stance is in fact already present in EU surveillance. Specifically, the discretionary fiscal effort is gauged as the deviation from the expenditure benchmark, which serves as a reference, together with the change in the structural balance, for assessing progress towards the medium-term objective (MTO) in the preventive

(1) An up-to-date presentation of the EU framework for calculating structural balances can be found in Mourre, G., Isbasoiu, G.-M., Paternoster, D. and M. Salto, The cyclically-adjusted budget balance used in the EU fiscal framework: an update, *European Economy Economic Papers* (DG ECFIN), No. 478, March 2013.

(2) The spirit of bottom-up approaches is presented in Skaarup, M., A bottom-up approach to assess the budgetary impact of discretionary fiscal policies, *Finansministeriet Working Paper* (Danish Ministry of Finance), No. 15, 2005. Bottom-up approaches bear link with the recent literature on action-based measures of the fiscal stance, as kick-started in Romer, C. and D. Romer, The macroeconomic effects of tax changes: estimates based on a new measure of fiscal shocks, *NBER Working Paper*, No. 13264, July 2007 (*American Economic Review*, June 2010, Vol. 100, No. 3, pp. 763-801).

(3) Specifically, an absence of measure on the spending side need not imply a broadly constant expenditure ratio, even in the long-run. For example, expenditure on entitlements may follow higher trends than GDP because of the effects of ageing. In addition, for some expenditure categories, such as investment and the wage bill, what "no measure" means is not conceptually straightforward.

(Continued on the next page)

Box (continued)

arm of the Stability and Growth Pact. [4] In the calculations presented here, the effect of one-off measures is removed, as is the case when calculating structural balances.

This measure is a mixed method in the following sense:

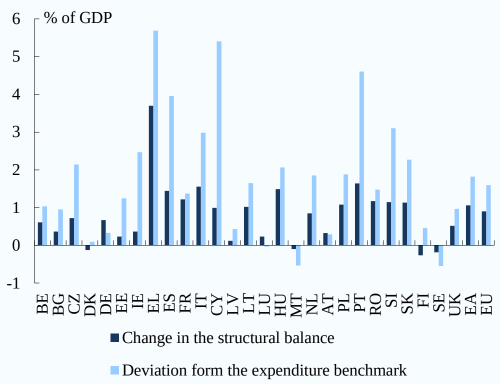
– On the revenue side, it relies on a truly bottom-up approach, as the effort is simply computed by adding-up the effects of new tax measures in the year of interest.

– On the expenditure side, however, an essentially top-down method is kept by measuring the effort as the gap between spending and potential growth. This is because of the methodological limitations noted above, but also for a more positive reason. Defined this way, this measure of the fiscal stance indicates whether policy is inducing growth above or below potential GDP. In particular, a neutral stance corresponds to a situation where the authorities do not aim at changing the medium-run values of the tax and expenditure to GDP ratios; that is, there is no attempt to stimulate demand above or below potential growth.

Note that, in line with the expenditure-benchmark definition, the proposed indicator relies on a more stable (medium-term) notion of potential growth as a reference for expenditure growth, among other adjustments made on the spending side compared with the structural balance approach. [5] These adjustments are meant to get closer to a time-invariant notion of the underlying fiscal effort. Specifically, for a given amount of expenditure measures, the evaluated fiscal stance will not too significantly be affected by temporary fluctuations in activity and potential growth.

As an indicator of the orientation of fiscal policy, the deviation from the expenditure benchmark brings a useful complementary perspective to the change in the structural balance. This may be especially the case in periods such as the current juncture, where several economies of the EU are undergoing large shocks and adjustments, such as rebalancing towards tradable sectors that translate into temporary tax-poor growth and downward changes in potential growth. Graph 1 presents the fiscal stance in 2012-13 according to both metrics.

Graph 1: **Change in the structural balance and discretionary fiscal effort (average over 2012-2013)**



In general, the two indicators can be expected to deliver consistent messages regarding the direction of the fiscal stance (there are three countries where both indicators differ in sign, but in these cases the indicators are of rather small magnitude). However, there are significant quantitative differences. The countries showing the highest values of the discretionary fiscal-effort measure compared to the change in the structural balance are Ireland, Greece, Spain, Cyprus, Portugal, Slovenia and, to a lesser extent, the Czech Republic and Italy. The discretionary fiscal effort is also higher than the change in the structural balance for the average of the EU or the euro area close to ¾% of GDP. By contrast, but in a less significant manner, the discretionary fiscal effort is currently suggestive of a looser policy than the change in the structural balance in Germany, Luxembourg, Malta and Sweden.

These results suggest that for a number of countries, but especially for those experiencing a marked fiscal tightening, the underlying degree of policy retrenchment needed to deliver a given improvement in the structural balance is currently higher than in normal circumstances. This also holds for the average of the EU or the euro area. Contributing factors include unusually revenue-poor activity and marked temporary slowdown in potential output in relation with the on-going rebalancing of these economies.

(4) A presentation of the expenditure benchmark can be found in The 2011 reform of the Stability and Growth Pact, *Report on public finances in EMU 2012*, European Economy, 4.

(5) The medium-term potential growth rate is calculated as the 10-year average (involving the last 5 years and the forecast and projections for the current and 4 next years) of the "annual potential growth" traditionally used in surveillance and underpinning the calculation of the cyclically-adjusted balance. The other adjustments are the following: interest payments, government expenditure programmes matched by EU funds and non-discretionary unemployment expenditure are removed from the expenditure aggregate; public investment is also removed and replaced by its four-year average in order to smooth the volatility observed in this variable.

Table I.6:

General government budgetary position - euro area and EU

(% of GDP)	Euro area				Winter 2013 forecast		EU				Winter 2013 forecast	
	2011	2012	2013	2014	*2013*	*2014*	2011	2012	2013	2014	*2013*	*2014*
Total receipts (1)	45.3	46.2	46.8	46.5	*46.8*	*46.5*	44.7	45.4	45.8	45.5	*45.7*	*45.4*
Total expenditure (2)	49.5	49.9	49.7	49.3	*49.5*	*49.2*	49.1	49.4	49.2	48.8	*49.0*	*48.5*
Actual balance (3) = (1)-(2)	-4.2	-3.7	-2.9	-2.8	*-2.8*	*-2.7*	-4.4	-4.0	-3.4	-3.2	*-3.4*	*-3.1*
Interest expenditure (4)	3.0	3.1	3.1	3.1	*3.1*	*3.1*	2.9	2.9	2.9	2.9	*3.0*	*3.0*
Primary balance (5) = (3)+(4)	-1.1	-0.6	0.2	0.3	*0.4*	*0.5*	-1.5	-1.0	-0.5	-0.3	*-0.4*	*-0.1*
Cyclically-adjusted budget balance	-3.5	-2.6	-1.4	-1.6	*-1.3*	*-1.6*	-3.8	-2.9	-1.9	-2.1	*-1.9*	*-2.0*
Cyclically-adjusted primary balance	-0.5	0.5	1.7	1.5	*1.9*	*1.5*	-0.8	0.1	1.0	0.8	*1.1*	*1.0*
Structural budget balance	-3.6	-2.1	-1.4	-1.5	*-1.3*	*-1.5*	-3.9	-2.8	-2.0	-2.1	*-1.9*	*-1.9*
Change in structural budget balance	0.9	1.4	0.8	-0.2	*0.8*	*-0.2*	1.1	1.1	0.8	-0.1	*0.7*	*0.0*
Gross debt	88.0	92.7	95.5	96.0	*95.1*	*95.2*	83.1	86.9	89.8	90.6	*89.9*	*90.3*

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

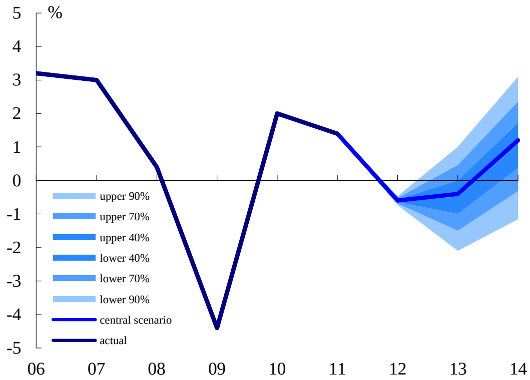
Overall, the debt-to-GDP ratio in the euro area exceeded 90% of GDP already in 2012 and is expected to increase further over the forecast horizon, albeit at a slowing rate, to around 96% in 2014. In the EU, gross public debt is projected to increase by less than 4 pps. over the forecast horizon and to exceed the threshold of 90% in 2014, when the increase of the debt ratio is also expected to have slowed down considerably (see Table I.6).

5. RISKS

Since mid-2012, perceived tail risks have substantially diminished and downside risks to the growth outlook have accordingly decreased. This is mainly due to decisive policy actions that effectively counteracted financial market stress and gradually lifted confidence of market participants. But even though the balance of risks appears to be less tilted to the downside at the current juncture since redenomination risks have subsided, uncertainty remains elevated and downside risks still loom large, as illustrated by the fan chart. (see Graph I.21). [18]

A renewed intensification of the sovereign-debt crisis in the euro area remains the predominant risk to the prospective recovery. The European banking sector is still crisis-prone and complacency about policy reforms could jeopardise the still fragile macro-financial stability and erode confidence. In particular, heightened policy uncertainty due to waning support for fiscal consolidation and structural reforms or delayed implementation of crisis-management institutions constitutes a major downside risk.

Graph I.21: **Euro area GDP forecasts - Uncertainty linked to the balance of risks**



Deteriorating fiscal positions in some Member States might require consolidation measures beyond those already embedded in the central scenario which is also to some part affected by the no-policy-change assumption. The baseline forecast also entails a stronger employment response to GDP contractions than in the previous recession, but there is still an additional risk that the extent of labour shedding in some Member States could turn into an accelerated downward spiral, with negative confidence and real income effects triggering further job losses.

Additional downside risks are linked to the external environment. The most detrimental effects of the fiscal cliff in the US have been avoided, but uncertainty continues to surround the negotiations on the debt ceiling and the impact of the automatic

(18) The relation of upside and downside risks for GDP growth are summarised by a fan chart which is constructed on the basis of the different probabilities associated with the different upside and downside risks over the forecast horizon.

and hardly targeted spending cuts in the sequestration on domestic demand might be stronger than expected. Furthermore, the path to a sustainable medium-term fiscal situation is still uncertain in the US, and even more so in Japan, where the problematic state of public finances has the potential to alarm financial markets. A further appreciation of the euro, not captured by the technical assumption of unchanged exchange rates over the forecast horizon, could weigh on EU external trade. Finally, an escalation of geopolitical tensions could result in oil-supply disruptions and surging commodity prices.

On the upside, the overall benign development in financial markets might support confidence more strongly than envisaged in the baseline and the reform of the institutional framework for the euro area might be implemented faster than expected, thus further reducing policy uncertainty and benefiting sentiment. Structural reforms in vulnerable Member States could result in early positive effects and accelerate the adjustment process in several Member States. On the external side, the global recovery could turn out somewhat more robust than expected in the central scenario, with stronger domestic demand in the US on the back of an improving housing market and in Japan helped by a larger-than-expected impact of the recently announced new round of fiscal measures and monetary easing. Likewise, the recovery in emerging market economies could prove somewhat more dynamic than previously expected due to a stronger impact of recent expansionary policy measures.

Risks to the inflation outlook are seen to be broadly balanced over the forecast horizon. Upside risks are stemming from stronger-than-expected increases in indirect taxes and administrative prices as well as higher oil prices. On the downside, weaker-than-expected economic activity in the EU and the global economy, possibly coupled with declining nominal rigidities induced by product and labour market reforms might reduce price pressures even further.

Box I.5: Some technical elements behind the forecast

The cut-off date for taking new information into account in this European Economic Forecast was 23 April. The forecast incorporates validated public finance data as published in Eurostat's News Release 64/2013 of 22 April 2013.

External assumptions

This forecast is based on a set of external assumptions, reflecting market expectations at the time of the forecast. To shield the assumptions from possible volatility during any given trading day, averages from a 10-day reference period (between 8 and 19 April) were used for exchange and interest rates, and for oil prices.

Exchange and interest rates

The technical assumption as regards exchange rates was standardised using fixed nominal exchange rates for all currencies. This technical assumption leads to an implied average USD/EUR rate of 1.31 both in 2013 and in 2014. The average JPY/EUR rates are 127.19 in 2013 and 129.04 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 assumed to be 0.2% on average in 2013 and 0.3% in 2014 in the euro area. Long-term euro-area interest rates are assumed to be 1.4% on average in 2013 and 1.6% 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 104.9 USD/bbl in 2013 and 99.2 USD/bbl in 2014. This would correspond to an oil price of 80 EUR/bbl in 2013 and 75.8 EUR/bbl in 2014.

Budgetary data

Data up to 2012 are based on data notified by Member States to the European Commission on 1 April and validated by Eurostat on 22 April 2013.

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 2013-14 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 2012, this implies a debt-to-GDP ratio in the euro area which is 2.0 pp. (1.5 pp. in the EU) higher than the consolidated general government debt ratio published by Eurostat in its news release 64/2013 of 22 April 2013.

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

(Continued on the next page)

Box (continued)

General government debt projections for individual Member States in 2013-14 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

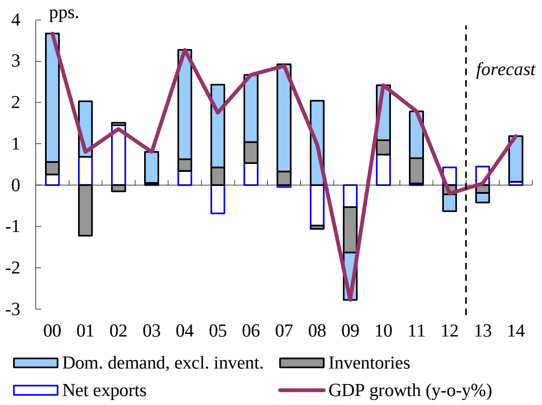
1. BELGIUM

Headline fiscal deficit remains high

External trade expected to prevent economy from contracting

The Belgian economy ended 2012 on a negative note, shrinking by 0.1% in the final quarter on the back of weaker than anticipated investments. Over the full year, GDP receded by 0.2% as domestic demand fell to the lowest level since 2009. While GDP in the first quarter of this year is expected to have stagnated, the broad-based reversal since March of modest previous gains in economic sentiment indicators implies that the recovery is likely to strengthen very gradually, towards the year-end. As a consequence, annual GDP growth is likely to remain flat this year and reach 1.2% next year.

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



In the final quarter of 2012 private consumption recorded the highest growth in two years. However, this did not prevent it from shrinking over the year as a whole, a noteworthy contrast with the recession of 2009 when private spending held up well. Private consumption is set to stagnate also this year amid deteriorating employment prospects and recent losses in real disposable income. Household spending is forecast to gain speed only as of next year, when it is set to become the main driver of GDP expansion.

Overall domestic demand is set to continue to contract this year with investment suffering from an economy-wide lack of confidence, a depressed construction sector, tightening credit conditions and an industry featuring ample spare capacity, reflected in negative equipment investment growth. The ongoing uncertainty about employee statute reforms – which may imply a change in dismissal parameters – adds an extra dose of risk aversion in the short term. Nevertheless, towards the end of 2013 also investment should start to reflect the gradual economic turnaround.

Net exports are expected to prevent overall GDP from contracting two years in a row. Given its openness, the Belgian economy is likely to benefit from the global upturn. Nevertheless, Belgian exports will still be outpaced by global exports, implying that the current loss in export market shares is set to continue. While export growth would accelerate next year, import growth can be expected to catch up on the back of a more robust domestic demand, thereby limiting further gains from net exports.

Given its small size and openness, economic developments across the euro area remain a major determinant for the Belgian economy. Nevertheless, risks to the economic outlook appear tilted to the upside as more solid than projected global growth or a faster revival of confidence – at home or in neighbouring trading partner countries – may inject more dynamism in the domestic economy.

Slowing inflation reflects energy price developments

In line with developments across the euro area, price pressures in Belgium have been decelerating in recent months. As a consequence, inflation is forecast to decline to levels considerably lower than those seen in recent years and stay much closer to the euro-area averages. The main driver is the negative contribution of energy prices, reflecting both international price developments and enhanced competition on the domestic retail market. However, also an economy operating considerably below potential limits price pressures.

Unemployment averaged 7.6% in 2012. The unemployment rate is predicted to hit 8.0% this year with job creation being insufficient to match the labour force growth. Unit labour costs are expected to rise by 2.4% in 2013, reflecting the pass-through of past inflation rates into wages due to the wage indexation scheme. Moderating inflationary pressures as well as the real wage freeze and higher productivity would cap the rise in unit labour costs at 0.5% in 2014.

Fiscal deficit is projected to wobble around 3% of GDP

The general government deficit reached 3.9% of GDP in 2012, including a negative impact of 0.8 pp. due to the recapitalisation of Dexia bank by the Belgian State. Current government expenditure – which does not include this one-off operation – rose by 3.9% in 2012 and reached the historically high level of 51.2% of GDP. Social transfers (4.8%) and interest expenditure (4.2%) recorded the highest growth. New measures included in the 2012 budget drove revenues up from 49.5% of GDP in 2011 to 50.8% in 2012.

In 2013, the deficit is projected to decrease to 2.9% of GDP, 0.1 pp. lower than expected in the winter forecast, following new government measures announced at the end of March and a further decline in interest rates. However, these factors are partly offset by the downward revision in growth.

At unchanged policy, the deficit is expected to rise again to 3.1% of GDP in 2014, despite the projected acceleration in growth. This is due to the autonomous rising trend in social transfers and the fact that the 2013 budget also included around 0.4% of GDP of one-off and temporary revenues, such as a fiscal amnesty, the sale of telecom licences and an exceptionally high dividend from the Belgian National Bank.

The structural budget balance is estimated to have improved by ½ pp. of GDP in 2012, despite sizeable government measures. In 2013 a further improvement in structural terms of ¾ pp. is expected, with lower interest expenditure contributing around ¼ pp. to the improvement.

The general government debt is estimated to have increased from 97.8% in 2011 to 99.6% 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 over the forecast horizon, to around 102% of GDP in 2014.

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**	**0.0**	**1.2**
Private consumption	194.7	52.6	1.6	0.6	2.7	0.2	**-0.6**	**0.0**	**1.1**
Public consumption	90.1	24.4	1.7	1.9	0.7	0.8	**0.1**	**0.3**	**0.7**
Gross fixed capital formation	76.4	20.7	2.5	-8.4	-1.4	4.1	**-0.6**	**-1.6**	**1.6**
of which : equipment	32.1	8.7	2.8	-11.1	-3.9	9.3	**0.4**	**-1.3**	**1.8**
Exports (goods and services)	311.9	84.3	4.5	-11.1	9.6	5.5	**0.4**	**0.8**	**3.3**
Imports (goods and services)	307.4	83.1	4.4	-10.6	8.9	5.6	**-0.1**	**0.2**	**3.3**
GNI (GDP deflator)	373.9	101.1	2.1	-4.8	5.1	0.9	**-0.4**	**0.0**	**1.2**
Contribution to GDP growth : Domestic demand			1.7	-1.1	1.3	1.1	**-0.4**	**-0.2**	**1.1**
Inventories			0.1	-1.1	0.3	0.6	**-0.2**	**-0.2**	**0.0**
Net exports			0.3	-0.5	0.7	0.0	**0.4**	**0.5**	**0.1**
Employment			0.9	-0.2	0.7	1.4	**0.2**	**0.1**	**0.6**
Unemployment rate (a)			8.3	7.9	8.3	7.2	**7.6**	**8.0**	**8.0**
Compensation of employees/head			3.0	1.2	1.4	3.1	**3.3**	**2.4**	**1.1**
Unit labour costs whole economy			1.8	3.9	-0.4	2.7	**3.7**	**2.4**	**0.5**
Real unit labour costs			-0.2	2.7	-2.3	0.6	**1.6**	**0.8**	**-1.2**
Saving rate of households (b)			17.7	18.3	15.4	14.4	**14.5**	**15.1**	**15.0**
GDP deflator			2.0	1.2	2.0	2.0	**2.1**	**1.6**	**1.7**
Harmonised index of consumer prices			2.1	0.0	2.3	3.4	**2.6**	**1.3**	**1.6**
Terms of trade of goods			-0.5	3.5	-2.1	-2.1	**-0.2**	**0.0**	**0.0**
Merchandise trade balance (c)			2.8	-0.4	-0.7	-0.8	**-0.6**	**-0.3**	**-0.4**
Current-account balance (c)			4.2	0.7	3.0	1.0	**0.9**	**1.4**	**1.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			4.1	0.3	2.9	0.9	**0.8**	**1.9**	**1.7**
General government balance (c)			-2.1	-5.6	-3.8	-3.7	**-3.9**	**-2.9**	**-3.1**
Cyclically-adjusted budget balance (c)			-2.3	-4.5	-3.3	-3.7	**-3.4**	**-1.9**	**-2.3**
Structural budget balance (c)			-	-3.9	-3.4	-3.5	**-3.0**	**-2.3**	**-2.3**
General government gross debt (c)			109.9	95.7	95.5	97.8	**99.6**	**101.4**	**102.1**

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

2. BULGARIA

Modest economic recovery but weak labour market

Domestic demand supported growth in 2012

GDP growth decelerated from 1.8% in 2011 to 0.8% in 2012, due to the euro-area financial turbulence and weaker export markets. While the contribution from net exports became negative in 2012, domestic demand supported growth. A recovery in private consumption was the main driver of growth, along with a substantial positive contribution from inventories. After three years of strong contraction, investment activity has also stabilised over 2012.

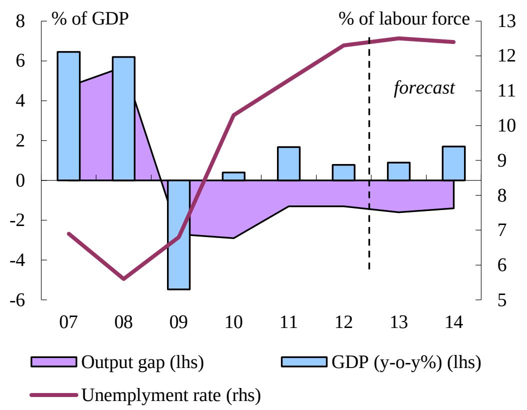
Growth to accelerate in late 2013

In the first months of 2013, the fragile external environment and the weak labour market are expected to have been a drag on the economic activity in Bulgaria. The social protests leading to the change of government in February-March (and early elections in May 2013) are set to have only a limited impact on economic growth, as indicated by unwavering business and consumer sentiment recorded during these months. GDP growth is projected to pick up towards the end of the year in line with the expected recovery in the EU. For the year as a whole, GDP growth is forecast to reach 0.9% in 2013 and to accelerate to 1.7% in 2014.

Domestic demand is expected to continue to drive the economic recovery, supported by the relatively strong financial sector and the small fiscal stimulus in 2013. Monthly data (latest from February 2013) from the banking sector indicates a continuation of the downward trend in both deposit and lending interest rates along with a modest growth in corporate credit, supporting domestic demand. Household consumption is forecast to expand in 2013 and to pick up further in 2014, assuming a gradual recovery in household confidence and of the labour market. In 2013, total investment is projected to be mainly driven by EU co-financed public sector projects. Private sector investment is set to also pick up gradually, in line with the economic recovery and easing financing conditions.

The first months of 2013 indicate strong growth in exports to non-EU countries, especially on account of energy and base metal products. Nevertheless, the contribution to growth from net exports is expected to remain negative over the forecast horizon as imports are also boosted by the recovery in household consumption and investment. The current-account deficit is therefore forecast to widen further to some 3½% of GDP by 2014.

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



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 are still fragile. As an upside risk, exports could develop more favourably if the past trend of gains in global market shares resumes after a dip in 2012.

Continued weakness of the labour market

While GDP has recovered somewhat over the past years, the labour market has remained remarkably weak. In 2012, employment fell by 4½%, continuing its rapid decline. In terms of sectors, this is due to the continuing restructuring and downsizing of industry and a marked decline in self-employed agricultural workers. Given the relatively weak economic recovery in 2013, employment is projected to fall by a further 2% in the current year, but stabilise in 2014.

Unemployment has increased less than the sharp decline in employment would suggest. This is explained by a contraction in the working-age population due to unfavourable demographic trends and emigration. In 2012, the unemployment rate increased to 12.3%, 1 pp. higher than in the previous year. Unemployment is expected to peak at 12.5% in 2013 and to edge down only slightly in 2014. In spite of the weak labour market, average wages have continued to increase, though more moderately than in the previous year. Wages are pushed up by several factors, notably by wage convergence towards the EU average and by labour market mismatches.

Inflation to decelerate in 2013

HICP inflation peaked in the third quarter of 2012 at 3% y-o-y, reflecting hikes in global energy and food prices. The first months of 2013 show a stabilisation of global energy and food prices as well as a reduction in some administered domestic energy prices. HICP inflation is therefore expected to moderate to 2% in 2013, but then to accelerate to 2.6% in 2014. Core inflation is projected to gradually pick up given the expected recovery in domestic demand and the ongoing convergence of prices towards EU averages.

Some expenditure increases in 2013

The general government deficit has improved markedly from 2% of GDP in 2011 to 0.8% of GDP in 2012. The improvement was driven by lower-than-planned expenditure, largely on account of investments. However, the unrealised investment expenditure will likely be carried over to the following years. Also, VAT revenues were exceptionally strong in 2012, boosted by strong domestic demand, imports and measures to improve tax compliance.

The headline deficit is set to weaken to 1.3% of GDP in 2013 on account of expenditure increases and stay unchanged in 2014. Notably, pensions have been increased by 9.3% on 1 April 2013. The 2013 state budget also provides for increases to some other social expenditure, wages of some specific professions and investments. Overall, the budget implies a slightly expansionary fiscal stance in 2013 and a neutral one in 2014. The structural deficit is estimated to weaken somewhat from ½% of GDP in 2012 to below 1% of GDP in 2013-14. Given the scheduled repayment of a large government bond, general government gross debt is forecast to decline slightly in 2013 from the previous year, but to rise to 20.3% 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	1.8	**0.8**	**0.9**	**1.7**
Private consumption	47.0	62.4	3.5	-7.6	0.1	1.5	**2.6**	**1.4**	**2.5**
Public consumption	11.8	15.7	-2.2	-6.5	1.9	1.6	**-1.4**	**3.3**	**3.3**
Gross fixed capital formation	16.2	21.5	-	-17.6	-18.3	-6.5	**0.8**	**3.0**	**3.1**
of which : equipment	-	-	-	-45.1	-11.2	-	**-**	**-**	**-**
Exports (goods and services)	50.1	66.5	-	-11.2	14.7	12.3	**-0.4**	**2.8**	**4.5**
Imports (goods and services)	50.1	66.5	-	-21.0	2.4	8.8	**3.7**	**4.3**	**5.8**
GNI (GDP deflator)	72.7	96.6	-	-3.1	0.6	0.4	**1.9**	**1.1**	**1.8**
Contribution to GDP growth : Domestic demand			-	-12.0	-4.9	-0.3	**1.6**	**2.1**	**2.8**
Inventories			-	-3.4	-0.4	0.3	**1.9**	**0.0**	**0.0**
Net exports			-	10.0	5.6	1.8	**-2.7**	**-1.2**	**-1.2**
Employment			-	-2.6	-4.7	-3.4	**-4.3**	**-2.1**	**0.2**
Unemployment rate (a)			-	6.8	10.3	11.3	**12.3**	**12.5**	**12.4**
Compensation of employees/head			-	9.4	11.2	8.6	**5.6**	**4.4**	**4.8**
Unit labour costs whole economy			-	12.7	5.6	3.0	**0.2**	**1.3**	**3.3**
Real unit labour costs			-	8.1	2.7	-1.8	**-2.0**	**-0.9**	**0.7**
Saving rate of households (b)			-	-3.0	-3.7	-	**-**	**-**	**-**
GDP deflator			40.8	4.3	2.8	4.9	**2.2**	**2.2**	**2.6**
Harmonised index of consumer prices			-	2.5	3.0	3.4	**2.4**	**2.0**	**2.6**
Terms of trade of goods			-	0.6	2.3	1.8	**-0.3**	**-0.6**	**-0.2**
Merchandise trade balance (c)			-9.6	-12.0	-7.7	-5.6	**-9.1**	**-10.7**	**-12.1**
Current-account balance (c)			-7.2	-9.0	-0.4	0.1	**-1.1**	**-2.6**	**-3.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-7.3	-7.6	0.3	1.3	**0.2**	**-1.1**	**-1.9**
General government balance (c)			-1.9	-4.3	-3.1	-2.0	**-0.8**	**-1.3**	**-1.3**
Cyclically-adjusted budget balance (c)			-	-3.5	-2.2	-1.6	**-0.4**	**-0.8**	**-0.9**
Structural budget balance (c)			-	-3.5	-2.1	-1.6	**-0.4**	**-0.8**	**-0.9**
General government gross debt (c)			-	14.6	16.2	16.3	**18.5**	**17.9**	**20.3**

(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.

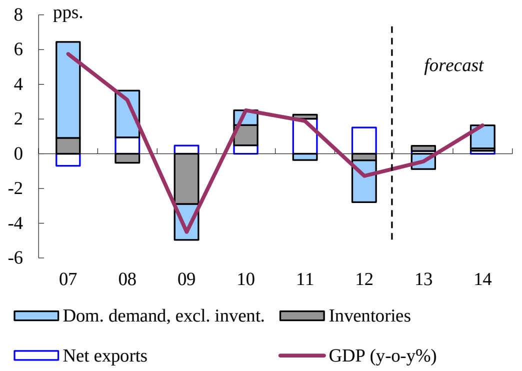
3. THE CZECH REPUBLIC

Running in neutral gear

Economic activity to bottom out in 2013

Real GDP growth continued to fall in the fourth quarter of 2012, although at a slower pace compared to the beginning of the year. Due to a strong downturn in consumer confidence, a drop in public investment and a weaker external environment, real GDP is estimated to have decreased by 1.3% in 2012. As these factors ease off in 2013, economic activity is forecast to bottom out in the middle of the year. The recovery is expected to consolidate in 2014, supported by growth of real household income. Domestic risks to the outlook are fairly balanced.

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



Falling real income of households...

Private consumption posted higher-than-expected growth of 0.9% in the fourth quarter of 2012. This improvement was, however, partly a result of a one-off increase in wages and advanced purchases in anticipation of the January 2013 hikes in labour taxes, health contributions and VAT (which also led to an increase in inventories). As only a limited part of the increase reflects an underlying improvement in household confidence, a partial reversal is expected in the first quarter of 2013. Thereafter, gains in private consumption expenditure are expected to remain subdued as real disposable income is projected to fall in 2013 and the high household saving rate is forecast to diminish only gradually. Private consumption growth is expected to pick up in 2014 on the back of a more positive labour market outlook.

... and a subdued outlook for the industrial sector are the main near-term drags on growth

While industrial production is showing signs of stabilisation compared to the end of 2012, falling domestic and foreign orders are keeping the negative sentiment in manufacturing firmly entrenched. At the turn of 2013, output was lower year-on-year notably in manufacturing of computer and electronic products and also in motor vehicles. However, the bank lending survey of the central bank suggests that financing conditions remain relatively favourable in early 2013. Access to credit is therefore not expected to weigh on growth. Overall, gross fixed capital formation is expected to start growing only in the second half of the year and to post a decrease of 3.2% in 2013 as a whole, reflecting a strong negative carry-over effect from 2012. In line with the projected improvement in consumption and exports, more robust growth in investment is forecast for 2014.

Net exports are expected to contribute positively to GDP growth over the forecast horizon although less strongly than in previous years, which is consistent with the slow recovery of the key European markets and somewhat stronger domestic demand. The current-account balance is expected to stabilise around -2.5%.

The labour market has so far shown substantial flexibility in accommodating lower labour demand. As employers were able to adjust hours worked, the unemployment rate rose only marginally from 7.0% in 2012 to 7.2% in February 2013. It is expected to average 7.5% in 2013 and to edge lower in 2014. Wage growth is expected to remain subdued in 2013.

Low inflation ahead

Inflation is expected to average just below 2% in 2013 and to decrease further in 2014. Changes in indirect taxes are estimated to add around 0.9 pp. to inflation in 2013 and only around 0.1 pp. in 2014. Cost pressures from import prices and domestic demand are expected to remain low, even though unit labour costs are still set to rise over the forecast horizon due to low productivity growth.

Persistent general government deficit

The budgetary outcome in 2012 was significantly more favourable than expected. The general government deficit reached 4.4% of GDP, compared to 5.2% in the 2013 winter forecast due to a continued substantial reduction in public investment and higher revenues, mainly due to a VAT hike. This outcome incorporates the impact of two one-off deficit-increasing operations: the adoption of the law on financial compensations to churches (1.5 pps. of GDP) and financial corrections resulting from irregularities in the management of EU funds (0.3 pp. of GDP), which mask a stronger nominal improvement.

In spite of the deteriorating macroeconomic situation, the general government deficit is projected to improve to 2.9% of GDP in 2013 on the back of consolidation measures (1.3 pps. of GDP), spread equally on the revenue and expenditure side. The main measures include across-the-board cuts in government consumption, lower indexation of pensions and an increase in both VAT rates and the personal income tax rate. A temporary gift tax on emission allowances (0.1 pp. of GDP) expires in 2013. After reaching a record low level, public investment is projected to increase alongside a slow pick up in government consumption. The structural deficit is projected to rise by 0.1 pp. to 1.6% of GDP in 2013.

In 2014, the general government deficit is forecast to increase slightly to 3.0% of GDP. Government consumption is projected to increase moderately despite further cuts in intermediate consumption (0.1 pp. of GDP). Public investment is set to continue to grow, while tax receipts should benefit from a recovering economy and from further hikes in excise duties (0.1 pp. of GDP). Interest expenditure is projected to continue to growth due to the rising debt-to-GDP ratio, which is forecast to be 50.0% in 2014. A temporary tax on photovoltaic power plants (0.2 pp. of GDP) is set to expire in 2014.The structural deficit is expected to 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 and to larger-than-planned deficits at regional level. On the upside, one-off revenues related to the planned auction of new telecom frequency bands could result in a better-than-expected budgetary outcome in 2013.

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	**-1.3**	**-0.4**	**1.6**
Private consumption	1950.2	50.8	3.4	0.2	1.0	0.7	**-3.5**	**-0.4**	**1.4**
Public consumption	792.9	20.6	1.2	4.0	0.5	-2.5	**-1.0**	**0.3**	**0.4**
Gross fixed capital formation	917.3	23.9	5.6	-11.0	1.0	-0.7	**-1.7**	**-3.2**	**2.3**
of which : equipment	394.8	10.3	7.5	-18.8	6.0	0.0	**2.4**	**-1.8**	**3.2**
Exports (goods and services)	2786.8	72.5	10.2	-10.9	15.5	9.4	**3.8**	**1.1**	**5.1**
Imports (goods and services)	2632.3	68.5	11.8	-12.1	15.8	6.7	**1.9**	**1.0**	**5.2**
GNI (GDP deflator)	3572.2	93.0	-	-6.5	1.6	2.4	**-1.3**	**-0.6**	**1.6**
Contribution to GDP growth :	Domestic demand		3.5	-2.1	0.9	-0.4	**-2.4**	**-0.9**	**1.3**
	Inventories		0.1	-2.9	1.2	0.2	**-0.4**	**0.3**	**0.1**
	Net exports		-0.4	0.5	0.5	2.0	**1.5**	**0.1**	**0.2**
Employment			-	-1.8	-1.0	0.3	**0.4**	**0.0**	**0.2**
Unemployment rate (a)			-	6.7	7.3	6.7	**7.0**	**7.5**	**7.4**
Compensation of employees/head			-	-0.6	3.6	2.7	**1.8**	**1.5**	**2.1**
Unit labour costs whole economy			-	2.2	0.0	1.1	**3.6**	**1.9**	**0.7**
Real unit labour costs			-	-0.1	1.4	1.9	**2.2**	**0.5**	**0.0**
Saving rate of households (b)			-	11.2	11.3	9.6	**12.9**	**12.8**	**12.8**
GDP deflator			6.0	2.3	-1.4	-0.8	**1.4**	**1.3**	**0.7**
Harmonised index of consumer prices			-	0.6	1.2	2.1	**3.5**	**1.9**	**1.2**
Terms of trade of goods			-	2.5	-2.3	-2.2	**-0.7**	**0.2**	**-0.1**
Merchandise trade balance (c)			-2.6	2.3	1.4	2.3	**3.9**	**4.1**	**4.1**
Current-account balance (c)			-3.0	-3.3	-5.2	-3.9	**-2.6**	**-2.4**	**-2.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-3.0	-1.2	-3.1	-2.0	**-1.4**	**-0.9**	**-1.4**
General government balance (c)			-	-5.8	-4.8	-3.3	**-4.4**	**-2.9**	**-3.0**
Cyclically-adjusted budget balance (c)			-	-5.0	-4.3	-3.0	**-3.5**	**-1.6**	**-2.1**
Structural budget balance (c)			-	-5.4	-4.5	-3.0	**-1.7**	**-1.6**	**-2.1**
General government gross debt (c)			-	34.2	37.8	40.8	**45.8**	**48.3**	**50.1**

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

4. DENMARK

Economy getting back on track

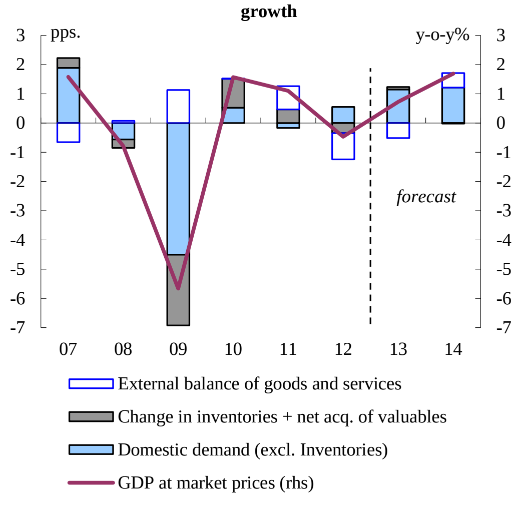
Economy gaining momentum in 2013

In 2012 the Danish economy experienced a contraction of 0.5% of GDP, despite positive developments in both domestic demand and exports. The increase in demand was, however, offset by increased imports and a reduction of inventories.

The growth outlook for 2013 remains positive, with an expected GDP growth rate of 0.7%. The annual growth rate is highly influenced by a negative carry-over effect from a slowdown at the end of 2012, which is also an important factor behind the downward adjustment compared to the 2013 winter forecast.

The pick-up in activity in 2013 is expected to be fuelled by domestic demand. Private consumption is projected to grow moderately, supported by the low interest rates and positive effects on disposable income from the recent tax reform. However, Danish households are still reluctant to spend, reflecting continued consolidation efforts in the aftermath of the financial crisis and the significant correction in the Danish housing market.

Graph II.4.1: **Denmark - Contributions to GDP growth**



The 'investment window' tax breaks – which will continue until the end of the year – provide incentives for businesses to move their investments forward to 2013. This is expected to lead to a temporary boost to investment.

The weak external demand is expected to impose a drag on GDP growth in 2013. This is primarily related to developments in Danish export markets, since the Danish cost-competiveness has improved over the last couple of years.

The weak cyclical development in the years following the financial crisis has taken its toll on the labour market. The unemployment rate has stayed stable at around 7.5% for the last three years, and is expected to stay broadly at the same level in the forecast period. This is a relatively high level by Danish standards, but lower than during previous periods of cyclical weakness owing to a continuous improvement of the labour market structures over the last two decades.

Employment has surprised on the positive side in 2012, but the drop in economic activity by the end of the year is expected to have delayed negative effects on employment in the first half of 2013. However, the gradual pick-up in economic growth in the course of this year is expected to be sufficient to ensure a gradual turnaround in the labour market in the second half of 2013.

Price competitiveness supporting exports

HICP inflation is expected to ease further in 2013 to 1.4% due to weak underlying price pressures and excise tax cuts. Wage growth has been moderate, reflecting the slack in the labour market. The continued weak recovery in the labour market from the second half of this year is expected to contain wage growth going forward.

External price competitiveness is projected to improve further in the forecast period due to moderate growth in unit labour costs compared to Denmark's neighbouring countries. This is expected to support the external balance of goods and services, which has diminished in the last couple of years.

The risks to the macroeconomic outlook appear to be broadly balanced. High saving rates in the private sector in Denmark, especially in the non-financial business sector, may support upside surprises in domestic demand growth, in the case of a more pronounced turnaround in confidence in the coming quarters. However, Denmark is a small open economy, and developments are highly dependent on developments in the rest of the EU.

Public finances are set to improve

The fiscal balance is expected to be -1.7% of GDP in 2013 and to deteriorate to -2.7% in 2014. The estimate has improved significantly compared to the winter forecast, due to an upward revision of the estimated revenues coming from the opportunity to move forward taxation of existing capital pension schemes at favourable conditions in 2013 as a part of the tax reform. In the Danish Government's "Growth Plan" from February 2013, the capital pension taxation measure has been proposed to be extended to 2014, which would then have a significant positive one-off effect on the fiscal balance also in 2014.

The "Growth Plan", which the Danish authorities claim is fiscally neutral, also contains a reduction of the business tax rate and lower growth in public consumption from 2014 to 2020. However, as the negotiations on this plan have not been concluded by the cut-off date of the forecast, the effects – which for 2014 are assessed to be positive, both on the headline fiscal balance and to a smaller degree on the real economy – have not been included in this forecast.

The structural balance is projected to deteriorate from 0.3% of GDP in 2012 to 0.0% of GDP in 2013 and -0.3% in 2014. Excluding volatile items, such as revenues from North Sea oil extraction and from the pension yield taxes, the structural balance is set to improve over the forecast horizon with an average annual fiscal effort of 0.5% of GDP from 2011 to 2013.

The general government gross debt is expected to remain at a relatively low level, close to 45% of GDP in 2013-14.

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	**-0.5**	**0.7**	**1.7**
Private consumption		874.5	48.8	2.0	-3.6	1.7	-0.5	**0.6**	**0.8**	**1.8**
Public consumption		508.1	28.4	2.1	2.1	0.4	-1.5	**0.2**	**1.1**	**0.7**
Gross fixed capital formation		308.9	17.2	3.7	-15.9	-2.4	2.9	**1.4**	**2.5**	**0.7**
of which : equipment		108.2	6.0	4.0	-16.1	-0.9	-3.1	**11.7**	**6.3**	**-2.0**
Exports (goods and services)		956.8	53.4	4.8	-9.5	3.0	6.5	**0.9**	**1.1**	**4.3**
Imports (goods and services)		863.3	48.2	6.0	-12.3	3.2	5.6	**2.5**	**2.2**	**3.7**
GNI (GDP deflator)		1834.8	102.4	2.3	-5.7	2.3	1.2	**0.1**	**0.7**	**1.6**
Contribution to GDP growth :	Domestic demand			2.3	-4.5	0.5	-0.2	**0.6**	**1.2**	**1.2**
	Inventories			0.1	-2.3	1.0	0.5	**-0.3**	**0.1**	**0.0**
	Net exports			-0.3	1.1	0.0	0.8	**-0.8**	**-0.5**	**0.5**
Employment				0.7	-2.4	-2.3	-0.4	**-0.5**	**-0.2**	**0.3**
Unemployment rate (a)				5.6	6.0	7.5	7.6	**7.5**	**7.7**	**7.6**
Compensation of employees/head				3.5	2.3	2.6	1.6	**1.2**	**1.4**	**2.1**
Unit labour costs whole economy				2.1	5.9	-1.2	0.1	**1.2**	**0.5**	**0.7**
Real unit labour costs				0.0	5.2	-5.2	-0.6	**-0.8**	**-0.9**	**-0.9**
Saving rate of households (b)				6.4	8.5	6.8	6.6	**5.0**	**3.1**	**5.2**
GDP deflator				2.1	0.7	4.1	0.6	**2.1**	**1.4**	**1.6**
Harmonised index of consumer prices				2.0	1.1	2.2	2.7	**2.4**	**1.1**	**1.6**
Terms of trade of goods				0.9	0.8	1.0	-1.7	**1.2**	**0.1**	**0.1**
Merchandise trade balance (c)				3.3	2.8	3.0	3.1	**1.4**	**0.9**	**0.7**
Current-account balance (c)				2.1	3.4	5.9	5.6	**5.2**	**4.5**	**5.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				2.2	3.4	5.9	5.9	**5.3**	**4.6**	**5.3**
General government balance (c)				0.6	-2.7	-2.5	-1.8	**-4.0**	**-1.7**	**-2.7**
Cyclically-adjusted budget balance (c)				0.2	0.2	-0.2	0.3	**-1.2**	**1.1**	**-0.3**
Structural budget balance (c)				-	0.2	-0.2	0.3	**0.3**	**0.0**	**-0.3**
General government gross debt (c)				54.4	40.7	42.7	46.4	**45.8**	**45.0**	**46.4**

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

5. GERMANY

Reacceleration of economic growth on the horizon

Economic activity expected to regain momentum

In 2012, real GDP increased by 0.7%. After a gradual weakening of economic activity in the second and third quarters, subdued consumption growth and restocking of inventories were not sufficient to offset the strong decline in exports and the continued deterioration in equipment investment. As a result, GDP dropped abruptly by 0.6% q-o-q (seasonally and working-day adjusted) in the final quarter.

Indicators suggest that the recent setback was temporary and that a stabilisation took place in the first quarter of this year. While the protracted winter weighed on construction activity and industrial production remained weak in the first two months of the year, services are likely to have stimulated GDP growth. Firms' business expectations point towards a recovery of economic activity, which might be bolstered by weather-related catching-up effects, but industry orders are not yet fully supporting such expectations.

The labour market has remained remarkably robust against the background of weakened economic activity. Together with firms' strong international competitiveness and the expected improving external environment, the preconditions are in place for economic activity to regain momentum in the course of this year. Overall, real GDP is projected to grow by 0.4% in 2013 and by 1.8% in 2014, which is 0.1 pp. and 0.2 pp. less, respectively, than predicted by the winter forecast.

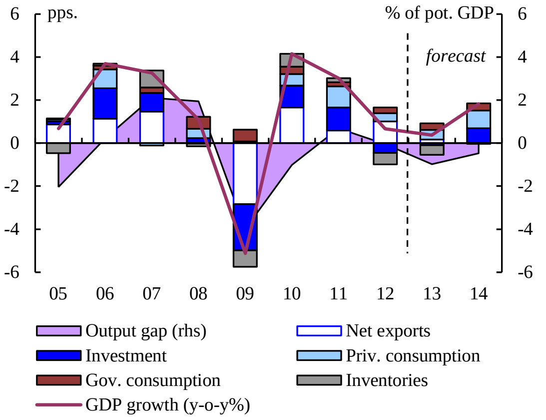
Investments likely to recover in the course of this year

Domestic orders of capital goods have passed their 2012 trough on the back of favourable financing conditions and a positive outlook for exports and private consumption. Moreover, domestic investment plans have stabilised recently, after having deteriorated more strongly than those for industry projects abroad. Hence, the period of declining equipment investment appears to be coming to an end. Nevertheless, the weak starting position is weighing on full-year growth and capacity investments are likely to gain in importance only in the medium term. Low interest rates, rising wages and robust labour market developments should continue to underpin housing investment and private consumption over the forecast horizon.

Contribution of net exports to GDP growth projected to decrease

Export expectations have brightened noticeably, although external orders for industrial goods have dropped back again. Import growth should increase more strongly than export growth once equipment investments pick up. Safe haven-effects might have contributed to the strong rise in the current-account surplus last year. In contrast, returning confidence in foreign financial assets, along with dissipating uncertainty, should contribute to reducing the surplus over the forecast horizon.

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



Robust labour demand keeps pushing the unemployment rate lower

Employment is forecast to expand further, but at a slower pace, given the scope for restoring hours worked per employee. The rise in labour demand is projected to exceed the increase in labour supply due to considerable net migration and the sustained upward trend in labour market participation. This is reflected in a slight but ongoing reduction in the unemployment rate this year and next. Stronger wage growth and no further changes in the pension contribution rate, following significant reductions in 2012 and 2013, are expected to lead to an acceleration of growth in compensation per employee in 2014.

Inflation on the wane

Inflation is forecast to remain moderate at 1.8% in 2013 and 1.6% in 2014. Headline inflation and core inflation are projected to develop in opposite directions, resulting in particular from the gradually rising scope for passing on higher labour costs to consumers on the one hand and lower price pressure from energy and food components on the other hand.

Broadly neutral fiscal stance and structural budget balance at the medium-term objective

The weaker economic activity at the end of last year has led to a deceleration in the growth rate of tax receipts, notably with respect to profit-related taxes. Moreover, revenue growth is projected to be slowed down by the reduction of the pension contribution rate, the increase in the minimum income tax allowance and the abolition of the quarterly fee for medical treatments. Additional expenditure in 2013 and 2014 is expected to result from recent wage agreements in the public sector at *Länder* level and a new childcare allowance for parents not making use of childcare facilities. Overall, after a small surplus in 2012, the general government budget is forecast to turn into a slight deficit of 0.2% of GDP in 2013 and to be balanced in 2014. The structural budget balance is projected to stabilise at a surplus of around ½% of GDP, implying that Germany should meet its medium-term budgetary objective of a structural deficit no higher than 0.5% of GDP over the forecast horizon.

Given the broadly balanced budget, the denominator effect of GDP growth is expected to lower the gross debt ratio from 81.9% of GDP in 2012 to 81.1% of GDP in 2013 and 78.6% of GDP in 2014. The on-going winding up of "bad banks" could further reduce the debt stock.

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

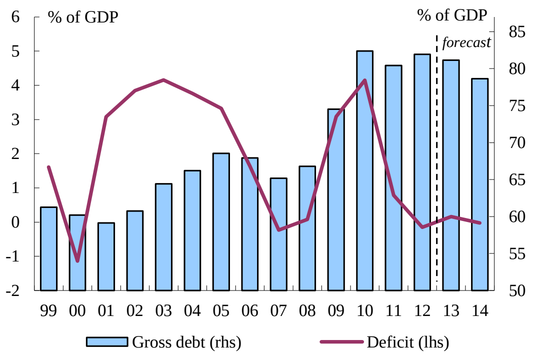


Table II.5.1:
Main features of country forecast - GERMANY

		2011 bn EUR Curr. prices	2011 % GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		2592.6	100.0	1.5	-5.1	4.2	3.0	**0.7**	**0.4**	**1.8**
Private consumption		1487.7	57.4	1.1	0.1	0.9	1.7	**0.6**	**0.8**	**1.4**
Public consumption		499.8	19.3	1.5	3.0	1.7	1.0	**1.4**	**1.6**	**1.6**
Gross fixed capital formation		469.9	18.1	1.1	-11.6	5.9	6.2	**-2.5**	**-0.6**	**3.9**
of which : equipment		183.2	7.1	2.4	-22.5	10.3	7.0	**-4.8**	**-3.5**	**5.4**
Exports (goods and services)		1300.8	50.2	6.2	-12.8	13.7	7.8	**3.7**	**2.2**	**6.2**
Imports (goods and services)		1169.2	45.1	5.4	-8.0	11.1	7.4	**1.8**	**2.1**	**7.0**
GNI (GDP deflator)		2640.9	101.9	1.5	-3.9	3.7	2.9	**0.7**	**0.3**	**1.7**
Contribution to GDP growth :	Domestic demand			1.1	-1.5	1.9	2.2	**0.2**	**0.7**	**1.8**
	Inventories			-0.1	-0.8	0.6	0.2	**-0.5**	**-0.4**	**0.0**
	Net exports			0.5	-2.8	1.7	0.6	**1.0**	**0.2**	**0.0**
Employment				0.2	0.1	0.6	1.4	**1.1**	**0.5**	**0.5**
Unemployment rate (a)				8.9	7.8	7.1	5.9	**5.5**	**5.4**	**5.3**
Compensation of employees/head				2.0	0.2	2.4	3.0	**2.5**	**2.4**	**3.1**
Unit labour costs whole economy				0.8	5.6	-1.1	1.4	**2.9**	**2.5**	**1.8**
Real unit labour costs				-0.6	4.4	-2.0	0.6	**1.6**	**1.0**	**0.1**
Saving rate of households (b)				16.3	17.0	16.9	16.5	**16.5**	**16.3**	**15.9**
GDP deflator				1.3	1.2	0.9	0.8	**1.3**	**1.5**	**1.7**
Harmonised index of consumer prices				-	0.2	1.2	2.5	**2.1**	**1.8**	**1.6**
Terms of trade of goods				0.2	6.0	-2.5	-2.7	**-0.5**	**0.1**	**0.0**
Merchandise trade balance (c)				4.6	5.6	6.3	6.0	**6.6**	**6.8**	**6.7**
Current-account balance (c)				1.4	6.0	6.1	5.6	**6.4**	**6.3**	**6.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				1.4	6.0	6.1	5.6	**6.3**	**6.3**	**6.0**
General government balance (c)				-2.7	-3.1	-4.1	-0.8	**0.2**	**-0.2**	**0.0**
Cyclically-adjusted budget balance (c)				-2.8	-0.8	-3.6	-1.2	**0.2**	**0.4**	**0.3**
Structural budget balance (c)				-	-0.8	-2.3	-0.9	**0.3**	**0.4**	**0.3**
General government gross debt (c)				59.4	74.5	82.4	80.4	**81.9**	**81.1**	**78.6**

Columns 92-08 to 2014: Annual percentage change.

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

6. ESTONIA

Balanced growth path ahead

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 real GDP growth of 3% is expected to be more balanced and continues converging 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…

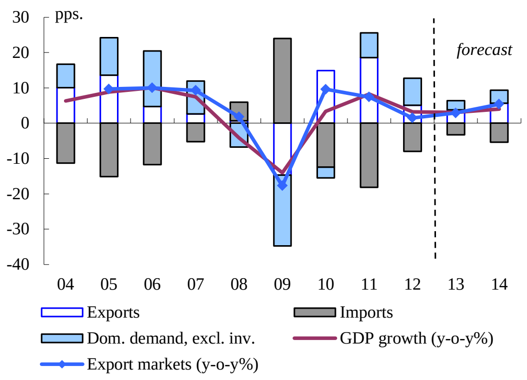
Industrial production volumes broadly stagnated last year. As, in the first quarter, employment continued to grow, this fed into a moderate increase in unit labour costs. However, in the course of the year, electronic production and exports regained momentum, while the manufacturing sector reduced its workforce. As a result, productivity growth reverted to positive values in manufacturing, limiting thereby the growth differential with wages in the economy as a whole. Expectations are that the relatively good economic performance of Russia and the resilience of the Nordic countries to the sovereign-debt crisis will 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 still largely offsetting a persistent 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 21% in 2012 to 3% this year. The major reasons for this slowdown are 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 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, supported by rapidly falling unemployment, increasing real wages and consumer confidence above the long-term average. Households' financial situation is improving as the real income is forecast to increase. Nevertheless, the growth in retail trade has decelerated somewhat during the first months of this year. All in all, private consumption growth is expected to decelerate from 4.4% in 2012 to 3.3% in 2013, and to accelerate only slightly to 3.5% in 2014.

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



… while labour market remains broadly balanced…

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 rate remained historically high and is projected to increase further due to the changing age structure. Employment growth has been sustained at 2.6% in 2012, but has decelerated in recent quarters due mainly to mixed economic developments in the euro area, but also to the annual winter effect. Nominal wage growth is expected to stabilise at around 5.7% in 2013 and 6.1% in 2014, with real wage growth increasingly positive at 2.1% in 2013 and 3.0% in 2014. Even though lower in the second half of 2012, vacancy rates may soon start increasing again, while skill mismatches may become more visible, reigniting fears of excessive wage increases, declining competitiveness and lower output growth.

…and inflation continues its slow decline

With the impact of earlier global commodity price increases progressively fading out, monthly HICP inflation further receded to 3.8% y-o-y in March 2013. Inflation is expected to decline further to 3.6% for 2013 as a whole, despite administrative changes on 1 January that are pushing prices up: most importantly, increases by 5-6% in alcohol and tobacco excises and the full opening of Estonia's electricity market, which has been accompanied by higher transfer fees. The introduction of free public transport for Tallinn residents is offsetting 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. Although core inflation is relatively low, it might soon start increasing as the unemployment rate has already passed below the natural rate of unemployment.

Public finances in order

With strong tax-revenue collection and smaller than expected expenditure, the general government deficit was reduced to 0.3% of GDP in 2012, considerably better than the deficit of 2.6% of GDP initially targeted.

In 2013, a combination of additional one-off factors and increasing expenditure pressures are likely to prevent a further improvement in the budget deficit, which is expected to remain at 0.3% of GDP. A one-off capital injection into the national airline company, currently in financial difficulties, is estimated to increase the state expenditure by 0.3% of GDP in 2013. The unfreezing of the public wage bill, a pension increase of 5% and a cut in the unemployment insurance premium will add further pressures to the budget balance this year. In 2014, as the effect of these one-off factors fades out, fiscal balance is projected to revert to a surplus of 0.2% of GDP.

Net of cyclical and one-off effects, the general government structural balance reached a surplus of 0.2% of GDP in 2012 and is forecast to fluctuate around balance thereafter. Contribution to the EFSF and the ESM is the main reason for the 4 pps. increase in the public debt to 10.1% of GDP in 2012. Public debt is forecast to increase marginally to 10.2% of GDP in 2013 before it starts decreasing in 2014.

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	**4.4**	**3.3**	**3.5**
Public consumption	3.1	19.5	-	-1.9	-0.8	1.4	**4.0**	**0.8**	**0.3**
Gross fixed capital formation	3.5	21.7	-	-38.3	-7.4	25.7	**21.0**	**3.0**	**7.3**
of which : equipment	1.6	10.2	-	-55.0	2.2	102.7	**14.9**	**9.5**	**11.7**
Exports (goods and services)	14.6	91.5	-	-20.6	22.9	23.4	**5.6**	**4.1**	**6.2**
Imports (goods and services)	14.0	87.6	-	-32.0	21.0	25.0	**9.1**	**3.6**	**5.9**
GNI (GDP deflator)	15.1	94.8	-	-12.4	0.8	8.7	**4.0**	**3.5**	**4.0**
Contribution to GDP growth : Domestic demand			-	-20.1	-3.0	7.0	**7.6**	**2.7**	**3.7**
Inventories			-	-2.1	4.1	2.1	**-0.3**	**-0.1**	**0.0**
Net exports			-	9.4	2.5	0.4	**-2.9**	**0.5**	**0.3**
Employment			-1.3	-10.0	-4.8	7.0	**2.2**	**0.3**	**1.0**
Unemployment rate (a)			-	13.8	16.9	12.5	**10.2**	**9.7**	**9.0**
Compensation of employees/head			-	-3.2	1.8	-0.2	**6.7**	**5.7**	**6.1**
Unit labour costs whole economy			-	1.4	-6.2	-1.4	**5.6**	**2.9**	**3.0**
Real unit labour costs			-	2.8	-6.8	-4.2	**2.3**	**-0.2**	**-0.3**
Saving rate of households (b)			-	11.4	6.7	5.6	**3.5**	**3.0**	**3.0**
GDP deflator			-	-1.4	0.7	2.9	**3.2**	**3.1**	**3.3**
Harmonised index of consumer prices			-	0.2	2.7	5.1	**4.2**	**3.6**	**3.1**
Terms of trade of goods			-	0.9	-1.6	-4.0	**-1.8**	**0.0**	**0.1**
Merchandise trade balance (c)			-	-4.4	-2.7	-3.8	**-6.8**	**-6.0**	**-5.1**
Current-account balance (c)			-	4.2	3.2	0.6	**-3.1**	**-2.2**	**-2.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	7.7	6.7	4.8	**0.3**	**0.4**	**0.4**
General government balance (c)			-	-2.0	0.2	1.2	**-0.3**	**-0.3**	**0.2**
Cyclically-adjusted budget balance (c)			-	0.8	2.0	1.0	**-0.7**	**-0.6**	**-0.2**
Structural budget balance (c)			-	-1.1	-1.1	-0.6	**0.2**	**-0.2**	**0.2**
General government gross debt (c)			-	7.2	6.7	6.2	**10.1**	**10.2**	**9.6**

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

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

7. IRELAND

Completing the two-thirds of its adjustment programme with encouraging economic performance

2012 GDP growth slightly above expectations

Real GDP grew by 0.9% in 2012, somewhat higher than the 2013 winter forecast of 0.7%. The positive performance resulted from expected developments in domestic demand. Private consumption fell by 0.9% in annual terms, almost a full percentage point less than expected, on the back of modest but positive annual growth in the second half of 2012. Gross fixed capital formation expanded by 1.1% after contracting by double-digit figures for four consecutive years. While it was mainly driven by investment in aircrafts, other investment categories also appeared to have bottomed out. Nominal GDP grew by 2.9% in 2012, supported by favourable terms of trade developments, while inflation pressures have continued to abate.

Industrial production grew steadily during the three months to February 2013 compared to a year earlier, driven by partial reversals of the weak performance of high-tech and chemical companies seen during the second half of 2012. At the same time, the most recent survey indicators such as manufacturing and services PMIs suggest that a more subdued performance can be expected going forward. Retail sales, services indices and housing market indicators have also been relatively weak with small but negative annual growth rates in the beginning of 2013. While unemployment fell to 14.0% in February according to the monthly Live Register, the trend continues to be driven more by a shrinking labour force than by major employment creation.

External performance strong in 2012

The current-account surplus surged to 4.9% of GDP in 2012, reflecting not only the contraction in domestic demand, but also the competitiveness gains achieved through increased productivity, inflation below the euro-area average, and cost-cutting measures including on wages. Persistent weakness in trading partner demand is nevertheless affecting demand for merchandise exports, which contracted on a quarterly basis in the last two quarters of 2012, also on account of the anticipated expiration of pharmaceutical patents. The rise in services exports, which have expanded by around 10% in annual terms every quarter since the second half of 2010, has however substituted for weak goods export developments.

Positive financial market sentiment

Strong investor interest has resulted in declining yields on Irish sovereign bonds, both in primary and secondary markets, as especially evident from the widely oversubscribed mid-March issuance of a new 10-year benchmark bond, the first since the start of the economic adjustment programme. Banks have continued to access market funding on attractive terms, which together with continued deposit inflows and progress with deleveraging, has led to the lowest level of Eurosystem funding since the beginning of the programme. Despite these improvements in banks' funding, extension of credit to the domestic economy remains weak, implying continuously weak demand for credit.

Growth outlook stable but more broad-based

The forecasts for real GDP growth in 2013-14 are left unchanged compared to the 2013 winter forecast, albeit with slightly different compositions. Given the more favourable outturns in 2012, the negative contribution of domestic demand in 2013 is expected to be smaller, with nearly flat growth in private consumption and positive investment growth. Downgrades of trading partner demand compared to the time of the winter forecast is projected to constitute a drag on goods exports in particular and result in a somewhat smaller external surplus throughout the forecast horizon. Unemployment is set to be lower than in earlier projections, but mainly on account of stronger-than-expected emigration flows. Risks around the baseline scenario are broadly balanced, with faster-than-expected financial sector repair posing an upside risk to private consumption through working off the debt overhang, while more-adverse-than-projected trading partner demand developments or spillovers from vulnerable euro-area countries could subtract from growth.

Tight 2013 fiscal position set to improve in 2014

The fiscal deficit stood at 7.6% of GDP in 2012 and is projected at 7.5% in 2013.[19] The significant fiscal adjustment effort of 2.5% of GDP budgeted in 2013 is projected to deliver only a

(19) The deficit forecast is net of one-off financial sector support measures, as such measures are excluded from the EDP deficit ceilings for Ireland.

muted improvement in the EDP deficit due to increasing debt-servicing costs and the effects of some one-off operations. A step increase in the interest expenditure by 1.3 pps. of GDP reflects the end of the grace period for interest payments on the promissory notes and continued accumulation of debt. The primary balance is expected to improve at a more moderate pace on the back of one-off revenues in 2012 from the sale of mobile phone licenses (0.4% of GDP), a drop in revenues from Eligible Liabilities Guarantee (ELG) after the discontinuation of the scheme in March 2013 (0.4%) and one-off ELG claim payments to the covered creditors of Irish Bank Resolution Corporation (IBRC) (0.6%).[20] The upward revision in the 2013 deficit by 0.2% of GDP as compared to the 2013 winter forecast reflects lower base-effect from the December 2012 tax revenue surprise and higher one-off costs linked to the IBRC liquidation than previously estimated. The fiscal performance in the first quarter of 2013was broadly in line with plans and the same is expected for the year as a whole. However, risks to the 2013 budget includes (i) possibly higher one-off cost of IBRC liquidation, (ii) the payment of Allied Irish Banks (AIB) dividends on preference shares held by the government via the issuance of ordinary shares may be reclassified as deficit-increasing transfers as was the case in 2012 (0.2% of GDP) and (iii) the planned wage bill savings of 0.2% of GDP still need to be effectively implemented after the rejection of the initial agreement by the public service unions. In 2014, the EDP deficit is projected to decline to 4.3% of GDP, driven by (i) the fiscal adjustment measures of 1.4% of GDP to be detailed in the 2014 budget in October and (ii) an ongoing expenditure freeze. Moreover, the full positive effect of the promissory note exchange will be realised once the IBRC-liquidation-related transaction costs are settled later in 2013. The government debt-to-GDP ratio increased from 106% in 2011 to 118% in 2012. The increase in debt is driven by a still high fiscal deficit, sizeable financial transfers and an accumulation of precautionary cash balances, which stood at around 12% of GDP at end-2012. The debt is projected to peak at 123% of GDP in 2013 and to decline thereafter as primary surpluses are achieved and economic growth picks up.

[20] Eurostat is examining the statistical treatment of the liquidation of IBRC and the restructuring of the promissory notes and their impact on the government deficit and debt.

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	**0.9**	**1.1**	**2.2**
Private consumption		77.5	48.7	5.3	-5.7	0.5	-2.3	**-0.9**	**-0.1**	**1.2**
Public consumption		29.2	18.4	4.6	-3.7	-4.6	-4.3	**-3.4**	**-2.5**	**-2.8**
Gross fixed capital formation		16.1	10.1	6.7	-27.7	-22.7	-12.2	**0.9**	**0.9**	**2.8**
of which : equipment		5.9	3.7	7.6	-18.8	-10.6	-10.5	**7.6**	**4.8**	**5.0**
Exports (goods and services)		166.8	104.9	10.8	-3.8	6.2	5.1	**2.9**	**2.7**	**3.7**
Imports (goods and services)		131.9	82.9	10.1	-9.7	3.6	-0.3	**0.3**	**1.8**	**2.7**
GNI (GDP deflator)		128.3	80.7	5.8	-9.1	0.0	-2.4	**2.9**	**-3.0**	**2.1**
Contribution to GDP growth :	Domestic demand			4.8	-9.7	-4.3	-3.4	**-1.0**	**-0.4**	**0.4**
	Inventories			0.0	-0.7	0.6	0.4	**-0.2**	**0.0**	**0.0**
	Net exports			1.7	4.1	2.9	5.4	**2.8**	**1.5**	**1.8**
Employment				3.6	-7.8	-4.1	-1.8	**-0.6**	**0.1**	**0.9**
Unemployment rate (a)				7.9	12.0	13.9	14.7	**14.7**	**14.2**	**13.7**
Compensation of employees/head				5.2	-1.3	-3.2	-0.2	**1.8**	**0.3**	**0.2**
Unit labour costs whole economy				2.6	-3.8	-6.4	-3.3	**0.2**	**-0.6**	**-1.0**
Real unit labour costs				-0.5	0.9	-4.3	-3.5	**-1.7**	**-1.8**	**-2.4**
Saving rate of households (b)				-	14.9	12.0	10.7	**16.6**	**10.2**	**9.7**
GDP deflator				3.0	-4.6	-2.2	0.2	**1.9**	**1.2**	**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	**-1.6**	**-0.1**	**-0.1**
Merchandise trade balance (c)				19.3	20.1	22.8	23.0	**22.2**	**22.9**	**23.4**
Current-account balance (c)				-0.1	-2.3	1.1	1.1	**5.0**	**3.1**	**4.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.5	-3.1	0.7	1.0	**3.7**	**1.8**	**3.5**
General government balance (c)				0.0	-13.9	-30.8	-13.4	**-7.6**	**-7.5**	**-4.3**
Cyclically-adjusted budget balance (c)				-0.4	-11.8	-28.6	-11.9	**-7.0**	**-7.3**	**-4.8**
Structural budget balance (c)				-	-9.8	-9.1	-7.7	**-7.4**	**-6.9**	**-4.8**
General government gross debt (c)				51.2	64.8	92.1	106.4	**117.6**	**123.3**	**119.5**

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

8. GREECE

Contraction combined with a rebound in confidence

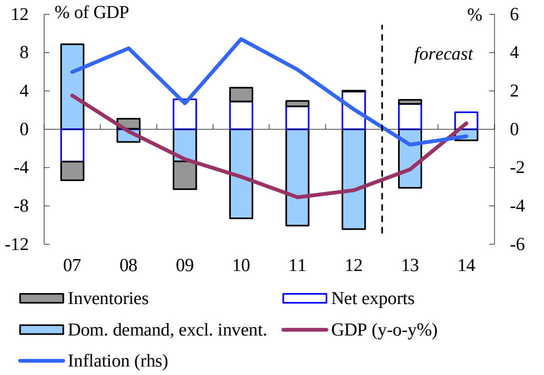
Is 2013 the last year of recession?

Greece entered the sixth consecutive year of recession in 2013, but a recovery is expected to start by the turn of the year, supported by improved confidence and the return of liquidity.

While hard data is still generally negative, softer survey indicators continue to improve since the re-launch of the adjustment programme last autumn. Confidence is supported by the achievement of fiscal targets despite the recession, by the high credibility of the recently-legislated reforms and measures supporting the fiscal adjustment, by strong improvements in cost competitiveness and by the return of deposits and liquidity to the banking system following significant EU/IMF disbursements and debt-reducing measures.

Nevertheless, in the short run, growth for 2013 is still projected to contract by 4.2%, due to a strongly negative carry-over. The high level of unemployment together with cuts in wages and social transfers will continue depressing private consumption. Investment is likely to continue underperforming in the short run, as the majority of businesses still face liquidity constraints.

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



The repayment of government arrears, planned to amount to 4% of GDP in 2013, and the faster absorption of the EU and EIB funds through major projects involving foreign lending consortia, could alleviate liquidity constraints. The bank recapitalisation process and the overall stabilisation of the economy are setting the preconditions for a return of capital to the country. Against this background, domestic demand is expected to start expanding again in 2014 with annual GDP growth of 0.6%.

The unemployment rate has increased sharply, reaching 24.3% in 2012 and is forecast to rise to 27.0% in 2013, as falling aggregate demand offsets sharp reductions in labour costs. Structural reforms in wage setting have already contributed to sharp reductions in unit labour costs and improving competitiveness. Thus unemployment is expected to decrease to 26.0% in 2014 as the economy picks up.

The current-account deficit is projected to further decrease in 2013. In 2012, this adjustment was driven largely by declining imports. A rebound in exports is expected in 2013. Pre-booking data already suggest an improvement in tourism receipts for summer 2013. In addition, the agreed government debt restructuring measures will improve the primary income balance through lowering interest payments.

Inflation continues the deceleration that started in 2010. Consumer prices are expected to fall moderately by 0.8% in 2013 and 0.4% in 2014, reflecting weak domestic demand, falling ULCs and the implementation of product market reforms.

The fiscal position continues to improve

While the headline general government deficit amounted to almost 10% of GDP in 2012, this reflected one-off costs of almost 4.0% of GDP associated with the resolution of three banks last year. Net of these one-off measures, despite continued headwind from the deep recession, Greece is estimated to have achieved a slightly better fiscal outcome than expected for 2012.

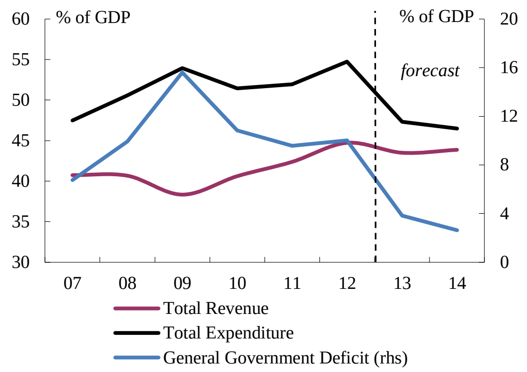
On the basis of measures taken in November 2012 in the context of the programme, Greece is expected to achieve primary balance in 2013, contingent on the effective implementation of the budget. However, the bank recapitalisation taking place in the first half of 2013 will have a very significant impact on the headline deficit compared to the figure currently forecast (this impact will instead change the current debt projections only marginally as the latter already include the funds borrowed to carry out the bank recapitalisation). The exact nature and size of such impact on the deficit depends on the ultimate form of the operations, which were not yet finalised at the cut-off date. The forecast does not take into account the equivalent of SMP profits transferred by euro-area Member States to Greece as the statistical treatment is under consideration. Interest payments are lower than expected in the winter forecast, due to lower short-term interest rates.

In 2014, the fiscal balance is expected to improve further due to the implementation of consolidation measures already legislated and the pick-up in economic activity.

In structural terms, the improvement is even more significant over the forecast period, leading to a projected structural balance of 2% of GDP in 2014, up from some-14¾% in 2009, reflecting a clear turnaround in the fiscal position compared to the beginning of the crisis.

The ratio of public debt to GDP is expected to rise in 2013. However, from 2014 and onwards, the debt ratio is projected to decline at an accelerating pace as the fiscal balance continues improving and economic growth resumes.

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



Risks to the baseline outlook

On the upside, a faster return in confidence or a stronger impact of liquidity infusions through arrears clearance could lead to an earlier recovery than predicted. On the downside, slippage with policy implementation could undermine confidence. Furthermore, interest projections reflect very low short-term interest rates, which could increase earlier than expected.

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**	**-4.2**	**0.6**
Private consumption	155.6	74.6	3.1	-1.6	-6.2	-7.7	**-9.1**	**-6.9**	**-1.6**
Public consumption	36.2	17.4	2.6	4.9	-8.7	-5.2	**-4.2**	**-4.0**	**-6.2**
Gross fixed capital formation	31.6	15.1	4.3	-13.7	-15.0	-19.6	**-19.2**	**-4.0**	**8.4**
of which : equipment	12.8	6.1	9.8	-18.4	-8.2	-18.1	**-17.3**	**-3.4**	**10.0**
Exports (goods and services)	52.2	25.1	6.0	-19.4	5.2	0.3	**-2.4**	**3.1**	**4.6**
Imports (goods and services)	69.1	33.1	6.1	-20.2	-6.2	-7.3	**-13.8**	**-6.5**	**-1.9**
GNI (GDP deflator)	202.5	97.1	2.7	-2.3	-5.3	-7.2	**-3.1**	**-5.3**	**-0.1**
Contribution to GDP growth : Domestic demand			3.5	-3.3	-9.3	-10.1	**-10.4**	**-6.1**	**-1.1**
Inventories			-0.1	-2.9	1.4	0.6	**0.1**	**0.4**	**0.0**
Net exports			-0.6	3.1	2.9	2.4	**4.0**	**2.7**	**1.8**
Employment			1.3	-0.6	-2.6	-5.6	**-8.3**	**-3.5**	**0.6**
Unemployment rate (a)			9.7	9.5	12.6	17.7	**24.3**	**27.0**	**26.0**
Compensation of employees/head			7.3	3.5	-2.6	-3.4	**-4.2**	**-7.0**	**-1.5**
Unit labour costs whole economy			5.6	6.2	-0.1	-1.8	**-6.2**	**-6.3**	**-1.5**
Real unit labour costs			-0.4	3.8	-1.3	-2.9	**-5.5**	**-5.3**	**-1.2**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			6.0	2.3	1.1	1.0	**-0.8**	**-1.1**	**-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	**-1.0**	**-0.1**	**-0.1**
Merchandise trade balance (c)			-15.8	-16.1	-14.3	-14.0	**-11.3**	**-9.6**	**-8.4**
Current-account balance (c)			-7.8	-14.4	-12.8	-11.7	**-5.3**	**-2.8**	**-1.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-13.3	-11.0	-9.8	**-2.9**	**-1.1**	**0.0**
General government balance (c)			-6.7	-15.6	-10.7	-9.5	**-10.0**	**-3.8**	**-2.6**
Cyclically-adjusted budget balance (c)			-7.0	-15.0	-8.4	-5.1	**-4.2**	**2.4**	**2.2**
Structural budget balance (c)			-	-14.8	-8.8	-5.4	**-1.0**	**2.0**	**2.0**
General government gross debt (c)			100.0	129.7	148.3	170.3	**156.9**	**175.2**	**175.0**

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

9. SPAIN

Adjustment to continue weighing on growth and employment

Correction of imbalances remains a drag on domestic demand

The rebalancing from domestic demand towards external demand intensified towards the end of 2012, partly due to transitory factors (indirect tax rate hikes and a temporary reduction of public wages). The rebalancing is expected to continue over the forecast horizon. Domestic demand is likely to remain weak, while cost competitiveness should improve gradually and exports maintain their momentum. As a result, in 2013 Spain is expected to post a current-account surplus for the first time since 1997.

Financial conditions are likely to remain a drag on economic growth in the near future. The necessary restructuring of the banking sector and the weak growth outlook are expected to imply continued tight credit conditions for other domestic sectors in the short term, thus constraining private consumption and investment decisions.

Real GDP is forecast to contract by 1.5% in 2013, slightly more than in 2012. This negative growth figure is influenced by a large carry-over effect from 2012 (close to 1 pp.). The quarterly profile is projected to be more benign, with GDP stabilising towards the end of 2013, as the contraction of domestic demand moderates. GDP is expected to expand by about 1% in 2014 under the no-policy-change assumption, i.e. not taking into account the effect of the fiscal consolidation needed to underpin the official target for 2014.

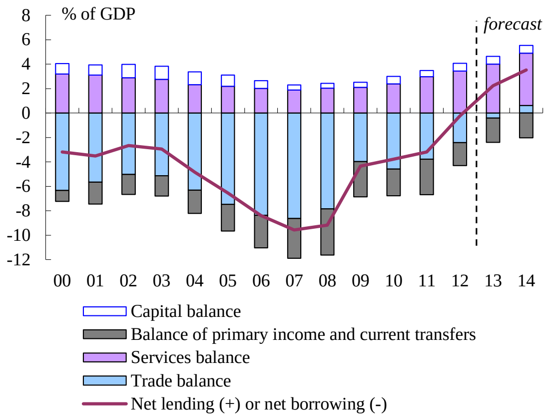
Net exports to remain the only source of growth

Domestic demand will still be weighed down by the unwinding of the imbalances accumulated during the expansion period and the frictions associated with this adjustment process. Thus, private consumption is expected to contract at a faster pace as a result of continued household deleveraging, high unemployment and falling real disposable income. These factors led the household saving rate to fall to historically low levels in 2012 (around 8% of gross disposable income), even as private consumption contracted significantly. Negative wage growth contributed to this development in 2012.

Private investment is expected to contract significantly in 2013 as a result of weak demand prospects, corporate balance-sheet adjustment and difficult access to credit, notably for SMEs. Despite having fallen in 2012 to just 5% of its 2006 level, the number of housing starts does not seem to have bottomed out yet and residential investment is set to contract further.

Thanks to improving cost competitiveness and increasing geographical diversification mainly towards emerging-market economies, exports have been growing faster than export markets, partially offsetting the weakness in the euro area. This trend is expected to continue over the forecast horizon. Together with the contraction of imports due to subdued domestic demand, it should lead to a further increase in the surplus in the balance for goods and services.

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



Wage moderation to support employment and dampen inflation

Unemployment rose to 26% of the workforce at the end of 2012, as the contraction in employment deepened. Wage moderation intensified in 2012, partly as a result of additional public sector wage cuts. The increased sensitivity of wages to labour market conditions, one of the key objectives of the 2012 reform of the labour market, should contribute to moderate the fall in employment. Nevertheless, the unemployment rate is forecast to continue to rise to 27% on average in 2013.

Strong labour productivity growth, together with continued wage moderation, should further reduce nominal unit labour costs in 2013. Inflation is set to fall significantly towards the end of 2013 once the effects of hikes in indirect taxes and administered prices fade out. Amid wage moderation and subdued domestic demand, inflation is projected to fall below 1% in 2014.

Recession and structural adjustments take their toll on government revenues

With the entry into force of the additional consolidation measures taken during the year (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 the area of education had their main impact in the last quarter. For the year as a whole, the deficit narrowed to 7.0% of GDP, down from 8.9% in 2011, net of bank recapitalisations in both years. The latter amounted to around 3.6% of GDP in 2012 according to the April 2013 EDP notification.

The budgetary performance in 2012 was blighted by considerable shortfalls of both indirect and direct tax revenues, linked to negative composition effects (due, *inter alia*, to shifts in private consumption patterns and the slump in housing transactions), falling employment and labour income, and negative asset price developments. Additional revenue-raising measures introduced throughout the year largely offset these shortfalls.

In 2013, the general government deficit (net of bank recapitalisations) is expected to narrow to 6.5% of GDP, thanks to discretionary measures of around 2.5% of GDP, which more than offset the negative budgetary impact of the continued recession and population ageing. Higher VAT revenues and expenditure savings should outweigh higher expenditure on social transfers and interest. Despite the return to positive, albeit weak, growth in 2014, the general government deficit is expected to widen to 7% of GDP, as some of the measures introduced in 2012 would expire (against an official target of 5.5% of GDP). In such a no-policy-change assumption, the structural deficit is estimated to be back at its 2012 level in 2014.

Large public deficits, low nominal GDP growth and bank recapitalisation costs are projected to raise the general government gross debt by more than 12 pps. to 96.8% of GDP between 2012 and 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**	**-1.5**	**0.9**
Private consumption	620.0	58.3	2.8	-3.8	0.7	-1.0	**-2.1**	**-3.1**	**-0.1**
Public consumption	222.7	20.9	3.9	3.7	1.5	-0.5	**-3.7**	**-3.7**	**-0.4**
Gross fixed capital formation	224.0	21.1	3.7	-18.0	-6.2	-5.3	**-9.1**	**-7.6**	**-1.1**
of which : equipment	63.0	5.9	4.2	-24.5	3.0	2.4	**-6.7**	**-5.8**	**0.1**
Exports (goods and services)	321.8	30.3	7.1	-10.0	11.3	7.6	**3.1**	**4.1**	**5.7**
Imports (goods and services)	330.3	31.1	7.5	-17.2	9.2	-0.9	**-5.0**	**-4.0**	**2.0**
GNI (GDP deflator)	1041.9	98.0	2.8	-3.0	0.3	-0.3	**-0.5**	**-1.6**	**0.9**
Contribution to GDP growth : Domestic demand			3.3	-6.6	-0.8	-1.8	**-3.9**	**-4.0**	**-0.4**
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**	**-3.4**	**0.0**
Unemployment rate (a)			13.9	18.0	20.1	21.7	**25.0**	**27.0**	**26.4**
Compensation of employees/f.t.e.			4.2	4.4	0.0	0.7	**-0.3**	**1.4**	**0.1**
Unit labour costs whole economy			3.4	1.5	-2.0	-1.4	**-3.4**	**-0.6**	**-0.8**
Real unit labour costs			-0.5	1.4	-2.4	-2.4	**-3.5**	**-2.2**	**-1.8**
Saving rate of households (b)			-	17.8	13.1	11.0	**8.2**	**8.0**	**8.9**
GDP deflator			3.8	0.1	0.4	1.0	**0.1**	**1.6**	**1.0**
Harmonised index of consumer prices			-	-0.2	2.0	3.1	**2.4**	**1.5**	**0.8**
Terms of trade of goods			0.2	4.5	-2.2	-3.3	**-2.2**	**0.1**	**0.3**
Merchandise trade balance (c)			-5.2	-4.0	-4.6	-3.8	**-2.4**	**-0.4**	**0.6**
Current-account balance (c)			-4.0	-4.8	-4.4	-3.7	**-0.9**	**1.6**	**2.9**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-3.2	-4.3	-3.8	-3.2	**-0.2**	**2.2**	**3.5**
General government balance (c)			-	-11.2	-9.7	-9.4	**-10.6**	**-6.5**	**-7.0**
Cyclically-adjusted budget balance (c)			-	-9.2	-7.4	-7.5	**-8.4**	**-4.3**	**-5.9**
Structural budget balance (c)			-	-8.5	-7.4	-7.2	**-5.5**	**-4.4**	**-5.5**
General government gross debt (c)			53.4	53.9	61.5	69.3	**84.2**	**91.3**	**96.8**

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

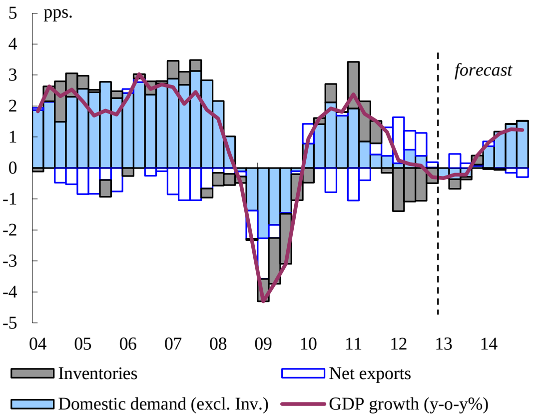
10. FRANCE

Weak growth, high headline deficits

Stagnation to continue this year

After a standstill in 2012, GDP is projected to slightly decrease by 0.1% in 2013. The weakness of households' real disposable income linked in particular to rising unemployment and tax increases would only be partially offset by decelerating prices, while persistent unfavourable entrepreneurs' confidence is expected to lead to a continued fall in investment. Economic activity is expected to pick up modestly from the second half of the year on the back of a marginal rebound of the external sector. This would trigger a certain revival of economic agents' confidence, which is set to translate into positive growth in 2014, reaching 1.1% for the year as a whole. This positive development next year is based on the no-policy change assumption, i.e. excluding the effect of the fiscal consolidation measures still needed to reach the budgetary targets.

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



Stable private consumption

In 2013, private consumption is expected to remain flat, as in 2012, as slightly decreasing real disposable income is likely to be partly cushioned by lower inflation. In addition, the new taxes introduced by the government in its 2013 budget have been targeted towards high-income households, who have a lower propensity to consume, in order to limit their impact on domestic demand. In 2014, the recovery in real disposable income is expected to allow private consumption spending to grow modestly.

Further decrease in investment

Flat economic growth in 2012, continued projected weak demand and the enduring deterioration in profit margins of non-financial companies are likely to dent entrepreneurs' expectations. Therefore, corporate investment is set to decrease further in 2013. Only in 2014, the gradual increase in aggregate demand and improved confidence are expected to translate into a turnaround in investment.

Sluggish imports to temporarily help the external balance

Although exports have been relatively dynamic in 2012, thanks in particular to buoyant aeronautic sales, developments over the forecast horizon are expected to remain somewhat weaker than world demand. Indeed, the persistent deterioration in external competitiveness is likely to go on in the short term. Still, sluggish imports in 2013 are expected to lead to a positive contribution of net exports to GDP growth. In 2014, accelerating world demand would be more than offset by the gradual domestic recovery, and the related rise in imports. As a result, net exports are set to contribute slightly negatively to growth.

Increasing unemployment, decreasing inflation

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 efforts to reform the labour market, unemployment is expected to continue rising to 10.6% and 10.9% in 2013 and 2014.

After a relatively high level inflation rate in 2012, HICP is set to decelerate to 1.2% in 2013 due to lower energy prices before accelerating again to 1.7% in 2014, against the background of VAT increases.

Some uncertainties remain

Risks to the forecast are broadly balanced. On the one hand, a stronger-than-expected recovery could result from a quicker effect of structural reforms on investment. On the other hand, a further deterioration of firms' competitiveness and a possible loss in confidence resulting from higher deficit outcomes might threaten a fragile recovery.

Structural adjustment only partly reflected in headline deficits

The general government deficit reached 4.8% of GDP last year, down from 5.3% in 2011 (revised from 5.2%), falling short of the 4.5% official target. The 2013 winter forecast had expected a figure of 4.6% of GDP. The difference mainly stems the cost of bailing out Dexia and the upward revision of the deficit for 2011.

The headline deficit is set to decrease further this year on the back of the measures adopted notably as part of the budget. The overall amount of revenue measures is estimated at 1.4% of GDP. Current expenditure rules (central government and healthcare) are renewed and this will contribute to maintaining spending restraint. A lower-than-previously-projected inflation and the partial suspension of indexation for second-pillar pensions in agreement with social partners should also help contain expenditure. However, GDP growth projected well below potential will negatively affect the headline deficit. Overall, it is expected to reach 3.9% of GDP, 0.2 pp. higher than predicted in the winter forecast, notably reflecting last year's final outcome and the downward revision of growth prospects.

Under the customary no-policy-change assumption, the deficit is forecast to slightly deteriorate in 2014. Indeed, part of the measures aimed at funding the recent corporate tax credit *compétitivité-emploi* are yet to be specified in sufficient detail and a number of one-off tax payments will expire at end-2013.

Overall, this implies a cumulated improvement in the structural balance of around 2½ pps. of GDP in the period 2012-13. At unchanged policies, the latter is expected to remain broadly stable in 2014.

The debt ratio, which slightly exceeded 90% of GDP last year, is expected to continue to rise over the forecast horizon 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**	**1.1**
Private consumption		1151.3	57.7	1.8	0.3	1.5	0.3	**-0.1**	**-0.1**	**0.9**
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**	**-2.1**	**1.7**
of which : equipment		107.2	5.4	3.5	-18.1	11.2	7.3	**-3.1**	**-4.3**	**4.2**
Exports (goods and services)		538.2	27.0	4.7	-12.1	9.6	5.3	**2.5**	**1.2**	**4.8**
Imports (goods and services)		594.3	29.8	4.9	-9.6	8.9	4.9	**-0.3**	**0.6**	**4.8**
GNI (GDP deflator)		2034.2	101.9	2.0	-3.1	1.7	1.7	**-0.1**	**0.0**	**1.2**
Contribution to GDP growth :	Domestic demand			1.8	-1.5	1.6	0.9	**0.3**	**-0.2**	**1.2**
	Inventories			0.1	-1.2	0.1	0.8	**-1.1**	**-0.1**	**0.0**
	Net exports			0.0	-0.5	0.0	0.0	**0.8**	**0.2**	**-0.1**
Employment				0.7	-1.5	-0.3	0.5	**-0.2**	**0.0**	**0.4**
Unemployment rate (a)				9.6	9.5	9.7	9.6	**10.2**	**10.6**	**10.9**
Compensation of employees/f.t.e.				2.6	2.0	2.6	2.8	**1.9**	**1.3**	**1.5**
Unit labour costs whole economy				1.4	3.7	0.6	1.6	**1.7**	**1.4**	**0.8**
Real unit labour costs				-0.2	3.0	-0.4	0.3	**0.1**	**0.0**	**-0.9**
Saving rate of households (b)				14.9	16.1	15.6	15.7	**15.5**	**15.4**	**15.4**
GDP deflator				1.7	0.7	1.1	1.3	**1.6**	**1.4**	**1.7**
Harmonised index of consumer prices				1.8	0.1	1.7	2.3	**2.2**	**1.2**	**1.7**
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**	**-3.1**	**-3.4**
Current-account balance (c)				0.6	-1.8	-2.0	-2.6	**-1.8**	**-1.6**	**-1.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.5	-1.7	-1.9	-2.6	**-1.7**	**-1.4**	**-1.5**
General government balance (c)				-3.5	-7.5	-7.1	-5.3	**-4.8**	**-3.9**	**-4.2**
Cyclically-adjusted budget balance (c)				-3.9	-6.1	-6.0	-4.5	**-3.5**	**-2.1**	**-2.5**
Structural budget balance (c)				-	-6.1	-5.8	-4.7	**-3.6**	**-2.2**	**-2.3**
General government gross debt (c)				58.3	79.2	82.4	85.8	**90.2**	**94.0**	**96.2**

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

11. ITALY

High uncertainty weighs on recovery prospects

Economic activity continues contracting

Economic activity has been declining since the second half of 2011 and real GDP dropped by 2.4% in 2012 as a whole. Private consumption recorded an unprecedented contraction, by more than 4%, as a consequence of the large decline in real disposable income. Government consumption also detracted from growth on the back of the sizeable fiscal consolidation. High uncertainty on demand prospects and tight financing conditions restrained private investment. The only demand component showing a positive sign was exports, thanks to extra-EU demand. This, together with the collapse in imports, stemmed the decline in GDP.

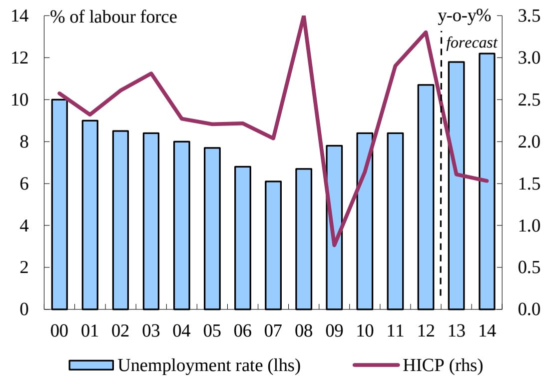
Real GDP is projected to contract by a further 1.3% in 2013, on the back of persistent uncertainty and continued difficult access to credit. There are no clear signs of a recovery in the short term as consumer and business confidence remain in negative territory, pointing to still contracting economic activity in the first half of the year. The settlement of government trade debt arrears is expected to support a mild recovery as from the third quarter of 2013. This is due to its immediate impact on public investment, while the improved liquidity conditions for firms will gradually deploy their benefit to the economy over the forecast horizon. In the absence of renewed tensions in financial markets and with improving confidence, private consumption and investment are set to stabilise in the second half of 2013. In 2014, the gradual improvement in financing conditions supports domestic demand, especially investment in equipment. On the external side, the projected acceleration in global trade spurs exports, especially towards non-EU trade partners. Imports, after contracting further in 2013, are expected to start growing again in 2014 as domestic demand resumes.

Overall, real GDP is anticipated to expand by 0.7% in 2014. Following its steady improvement since mid-2011, the external balance is expected to turn positive in 2013 driven by the trade balance, and then stabilise at around 1% of GDP in 2014.

Labour market adjusts and inflation declines

The unemployment rate reached 10.7% in 2012, from 8.4% in 2011, mainly due to an increasing number of people entering the labour force while headcount job losses were still limited. Labour shedding is expected to continue in 2013, while a stabilisation is projected in 2014. The unemployment rate is thus set to increase further, to 12.2%, by the end of the forecast horizon. The continued freeze of public wages combined with moderate wage growth in the private sector points to a deceleration in unit labour costs over 2013-14.

Graph II.11.1: **Italy - Unemployment and inflation**



After 3.3% in 2012, HICP inflation is rapidly decelerating. It is expected to average 1.6% in 2013 as a whole despite the planned 1 pp. increase in the VAT standard rate (to 22%) as from July. The dampening effects of weak demand, falling energy prices as well as limited labour cost pressures are expected to keep HICP inflation well below 2% also in 2014.

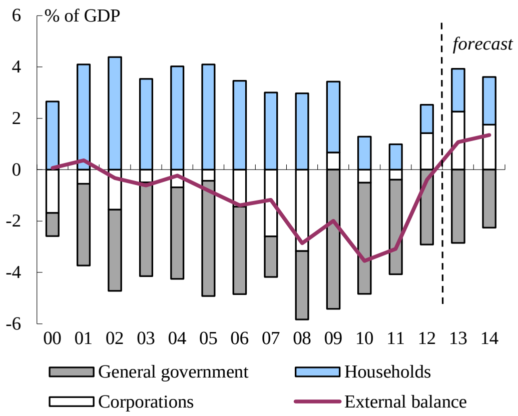
Payments of trade debt arrears affect the budgetary outcomes

In 2012, the general government deficit fell to 3.0% of GDP, from 3.8% in 2011. The primary surplus doubled to 2.5% of GDP, while interest expenditure increased by 0.5 pp., to 5.5% of GDP. Primary expenditure contracted in nominal terms year-on-year, for the third year in a row, thanks to the enacted savings measures. Compensation of public employees, intermediate consumption, investment and subsidies to firms fell markedly, while social transfers rose only moderately as the pension reforms are delaying access to retirement and pensions above three times the minimum do not benefit from the indexation to inflation in 2012-13. Revenues rose by 2.5% y-o-y despite the nominal GDP contraction. Higher taxation on immovable property, also levied on owner-occupied residences, and further increases in excise duties on fuel had a significant impact on revenues. By contrast, despite the 1 pp. increase in the standard rate as from September 2011, VAT revenues declined as consumption – especially of tax-rich durable goods – fell considerably.

In 2013 – based on a no-policy-change assumption – the deficit is projected to decline marginally, to 2.9% of GDP. This projection incorporates the government decision to settle public sector trade debt arrears, which implies additional investment expenditure amounting to around 0.5% of GDP only this year. Consolidation measures continue to have a positive impact on primary expenditure dynamics, as the wage bill and intermediate consumption are set to continue declining and the increase in social transfers is kept in check. Revenues are expected to rise faster than nominal GDP growth thanks to the planned increases in VAT and other indirect taxes, in particular stamp duties on financial wealth. In 2014, the economic recovery and the fading out of the impact of higher investment expenditure are projected to lead to a reduction in the deficit, to 2.5% of GDP, while the primary surplus is set to increase to 3.1% of GDP.

The structural balance is projected to continue improving in 2013, by around 1 pp. of GDP. Its small negative reading is due to the additional investment expenditure related to the settlement of trade debt arrears. The structural primary balance is expected to reach nearly 5% of GDP in 2013-14.

Graph II.11.2: **Italy - Sectoral balances**



The general government gross debt climbed to 127.0% of GDP in 2012 and is set to rise further to 132.2% by 2014. The settlement of trade debt arrears for current and investment expenditure adds around 2.5 pps. to the debt-to-GDP ratio over 2013-14.

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	1578.5	100.0	1.3	-5.5	1.7	0.4	**-2.4**	**-1.3**	**0.7**
Private consumption	972.0	61.6	1.2	-1.6	1.5	0.1	**-4.2**	**-2.0**	**0.4**
Public consumption	322.5	20.4	0.9	0.8	-0.4	-1.2	**-2.9**	**-1.5**	**-0.8**
Gross fixed capital formation	305.8	19.4	1.2	-11.7	0.6	-1.8	**-8.0**	**-3.5**	**2.5**
of which : equipment	128.2	8.1	1.8	-16.8	8.1	-1.1	**-11.0**	**-4.0**	**6.1**
Exports (goods and services)	454.8	28.8	4.5	-17.5	11.4	5.9	**2.3**	**1.6**	**3.8**
Imports (goods and services)	478.4	30.3	3.9	-13.4	12.6	0.5	**-7.7**	**-2.2**	**3.8**
GNI (GDP deflator)	1569.6	99.4	1.3	-4.9	1.7	0.3	**-2.5**	**-1.3**	**0.6**
Contribution to GDP growth : Domestic demand			1.1	-3.2	0.9	-0.5	**-4.7**	**-2.2**	**0.6**
Inventories			0.1	-1.2	1.1	-0.5	**-0.6**	**-0.3**	**0.0**
Net exports			0.2	-1.1	-0.4	1.4	**3.0**	**1.1**	**0.1**
Employment			0.3	-2.9	-1.1	0.1	**-1.1**	**-1.1**	**0.3**
Unemployment rate (a)			9.2	7.8	8.4	8.4	**10.7**	**11.8**	**12.2**
Compensation of employees/f.t.e.			3.3	1.7	2.8	1.3	**1.0**	**1.2**	**1.1**
Unit labour costs whole economy			2.3	4.6	0.0	1.0	**2.3**	**1.5**	**0.7**
Real unit labour costs			-0.7	2.4	-0.4	-0.3	**0.7**	**-0.1**	**-0.8**
Saving rate of households (b)			18.3	14.3	12.4	11.7	**11.4**	**11.7**	**12.0**
GDP deflator			3.0	2.1	0.4	1.3	**1.6**	**1.5**	**1.5**
Harmonised index of consumer prices			3.0	0.8	1.6	2.9	**3.3**	**1.6**	**1.5**
Terms of trade of goods			-0.6	7.4	-3.9	-4.0	**-1.1**	**1.1**	**0.6**
Merchandise trade balance (c)			1.5	0.1	-1.3	-1.1	**1.2**	**2.6**	**2.9**
Current-account balance (c)			0.2	-2.0	-3.5	-3.1	**-0.5**	**1.0**	**1.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			0.3	-2.0	-3.5	-3.1	**-0.4**	**1.1**	**1.3**
General government balance (c)			-4.6	-5.5	-4.5	-3.8	**-3.0**	**-2.9**	**-2.5**
Cyclically-adjusted budget balance (c)			-5.0	-3.5	-3.5	-2.9	**-1.3**	**-0.7**	**-0.7**
Structural budget balance (c)			-	-4.2	-3.7	-3.6	**-1.4**	**-0.5**	**-0.7**
General government gross debt (c)			110.4	116.4	119.3	120.8	**127.0**	**131.4**	**132.2**

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

12. CYPRUS

Recession deepens sharply as painful adjustments get underway

Economic activity contracted in 2012 ...

2012 was marked by declining economic activity, with real GDP falling by 2.4%. The contraction was driven by a marked decline in domestic consumption and investment activity, affected by the tightening credit conditions, fiscal consolidation, deteriorating labour market conditions, and very low consumer confidence. The external sector contributed positively due to good export performance and a strong contraction of import volumes. On 12 April 2013, the Eurogroup welcomed the staff-level agreement on macroeconomic adjustment programme for Cyprus, expecting formal approval by end of April 2013.

.. and will deteriorate sharply over 2013-14

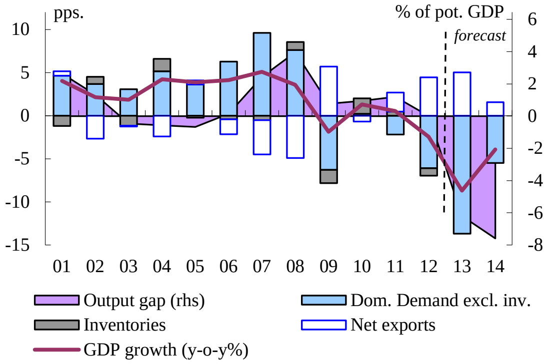
In 2013, real GDP is expected to decline sharply by 8.7%, affected in particular by the immediate restructuring of the banking sector, which affects net credit growth, fiscal consolidation, and the high degree of economic uncertainty which weighs on domestic demand and investment. In addition, the temporary imposition of capital controls and withdrawal restrictions are expected to hamper international capital flows and to reduce business volumes in both domestic and internationally-oriented companies. The bail-in of uninsured depositors implies a loss of wealth, which will also affect private consumption and investment.

The forecast points to the prolongation of recession into 2014. On the back of deleveraging by banks and the tight credit growth conditions, gross fixed capital formation is expected to decline further. Fiscal consolidation measures and rising unemployment are projected to weigh strongly on private consumption. The contraction in domestic demand is expected to be mirrored by shrinking imports over the forecast horizon. Little reprieve could be expected from exports (tourism being most promising) amid uncertain external conditions and a shrinking financial services sector. The current-account balance is set to improve considerably given also the divestments in the banking sector. Overall, the Cypriot economy is expected to contract by around 15% cumulatively in 2012-14.

Unemployment rates jump to unprecedented levels, while inflation declines

The profound contraction in economic activity is expected to weigh on employment. Reduced business activity, possible spillovers from the restructuring of the banking sector to professional business services and the hiring freeze in the public sector are expected to push the unemployment rate higher in 2013 and more so in 2014. Subdued domestic demand is projected to lead to lower inflation in 2013 and 2014, offsetting the imposed higher indirect taxes.

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



Significant downside risks exist

Risks remain tilted to the downside. Implementation of the agreed macroeconomic adjustment programme could have a stronger impact on the economy through domestic demand, exports, business and consumer confidence. Also, risks of household and corporate defaults propagating through the economy may lead to further losses in the banking sector and increased unemployment. Upside risks relate to potential investment activity in the energy sector.

Sizeable government deficit persists

The government deficit did not improve in 2012, despite the sizeable consolidation measures undertaken. While tax revenues decreased mainly due to lower corporate profits in 2011, non-tax revenues improved due to higher sales revenues. Social contributions decreased in line with the deterioration in labour market conditions. Overall, expenditure slightly increased. Interest payments increased due to borrowing difficulties leading to higher interest rates and to higher debt, while primary expenditure was reduced significantly. While wages and salaries were reduced, social benefits increased due to the wave of early retirements prior to the MoU agreement. The one-off payment to insurance companies related to the 2011 Vasilico explosion adversely affected other current expenditures. In contrast, investment expenditure decreased significantly keeping the overall level of expenditure unchanged from 2011.

In 2013 and 2014, revenue expectations are subject to uncertainty arising from developments in the financial sector. Revenues are expected to be held back by the slump in the economic activity. Despite the increase in direct taxation (measures on corporate, interest income, and property tax), the decline in economic activity is expected to lead to worse revenues in 2013 than in 2012 and to a faster worsening in 2014, as these taxes are collected in the following year. Indirect tax receipts are also expected to fall in both 2013 and 2014 in line with the reduction of domestic consumption and despite the increases on the VAT rates and on excise duties. Sales revenues are foreseen to decrease despite the increase of government fees, while the one-off signing fees from licencing of plots for the exploitation of natural gas will increase current revenues in 2013. On the expenditure side, compensation of public sector employees is expected to fall further due to wages cuts and the hiring moratorium. Intermediate consumption and social transfers are also projected to fall while the interest bill will be affected by the jump of the debt level. Public investments are expected to remain at low levels, while capital transfers and other current expenditure are set to decline, reversing the one-off expenditures in 2012. The structural balance is expected to improve by 1¼% of GDP in 2013 and to marginally improve in 2014.

Debt in 2012 reached 85.8% of GDP, rising noticeably from 2011, mainly due to the government participation in the recapitalisation of a commercial bank. During the forecast period, debt-to-GDP is expected to rise to unprecedented levels for Cyprus. Public debt developments are projected to be largely influenced by the general government deficit, the recapitalisation of some financial institutions, notably the cooperative credit institutions and the contraction of GDP.

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	**-2.4**	**-8.7**	**-3.9**
Private consumption		12013.7	66.8	-	-7.5	1.5	0.5	**-3.0**	**-12.3**	**-5.5**
Public consumption		3605.0	20.1	-	6.8	1.0	-0.2	**-1.7**	**-8.9**	**-3.6**
Gross fixed capital formation		2938.3	16.3	-	-9.7	-4.9	-13.1	**-23.0**	**-29.5**	**-12.0**
of which : equipment		829.3	4.6	-	-0.3	-5.9	-23.1	**-30.0**	**-26.0**	**-14.2**
Exports (goods and services)		7783.9	43.3	-	-10.7	3.8	4.4	**2.3**	**-5.0**	**-2.5**
Imports (goods and services)		8562.3	47.6	-	-18.6	4.8	-0.7	**-7.2**	**-16.0**	**-6.5**
GNI (GDP deflator)		18054.5	100.4	4.4	-4.9	2.4	4.3	**-6.6**	**-5.5**	**-4.4**
Contribution to GDP growth :	Domestic demand			-	-6.3	0.2	-2.2	**-6.1**	**-13.7**	**-5.5**
	Inventories			-	-1.6	1.8	0.5	**-0.9**	**0.0**	**0.0**
	Net exports			-	5.7	-0.7	2.2	**4.4**	**5.0**	**1.6**
Employment				-	-0.4	-0.2	0.5	**-4.1**	**-6.6**	**-3.1**
Unemployment rate (a)				-	5.4	6.3	7.9	**11.9**	**15.5**	**16.9**
Compensation of employees/head				-	2.5	2.6	3.3	**1.6**	**-7.5**	**-5.0**
Unit labour costs whole economy				-	4.1	1.1	3.2	**-0.1**	**-5.4**	**-4.2**
Real unit labour costs				-	4.0	-0.9	0.5	**-2.0**	**-5.9**	**-5.2**
Saving rate of households (b)				-	11.1	13.6	8.8	**4.4**	**9.9**	**11.4**
GDP deflator				3.4	0.1	1.9	2.7	**2.0**	**0.6**	**1.1**
Harmonised index of consumer prices				-	0.2	2.6	3.5	**3.1**	**1.0**	**1.2**
Terms of trade of goods				-	2.7	-0.9	-2.1	**-1.2**	**-1.6**	**-1.0**
Merchandise trade balance (c)				-	-25.5	-26.8	-24.2	**-21.6**	**-18.1**	**-16.8**
Current-account balance (c)				-	-10.7	-9.2	-4.8	**-4.8**	**-1.9**	**-0.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-10.6	-9.0	-4.6	**-4.8**	**-2.1**	**-0.7**
General government balance (c)				-	-6.1	-5.3	-6.3	**-6.3**	**-6.5**	**-8.4**
Cyclically-adjusted budget balance (c)				-	-6.5	-5.7	-6.8	**-6.3**	**-3.8**	**-5.1**
Structural budget balance (c)				-	-6.5	-5.7	-6.6	**-6.7**	**-5.4**	**-5.1**
General government gross debt (c)				-	58.5	61.3	71.1	**85.8**	**109.5**	**124.0**

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

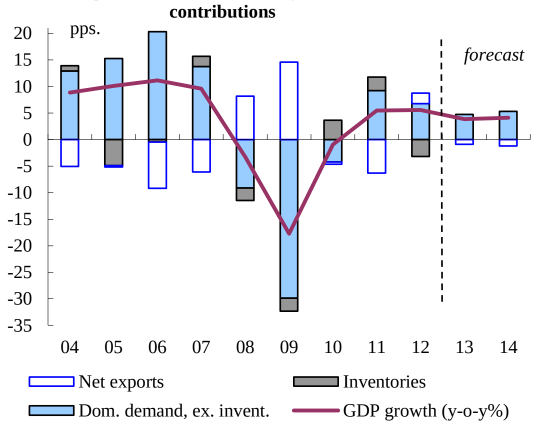
13. LATVIA

Staying upbeat against the headwinds

Growth to remain among the highest in Europe

Despite the volatile external environment, the Latvian economy retained a strong growth path. GDP rose by 5.6% in 2012 marking a slight acceleration from 5.5% in 2011. The most recent high-frequency indicators, in particular industrial and retail sales, confirm the previously expected slowdown in 2013 but nevertheless the country is still likely to remain among the fastest growing in Europe. The economy is forecast to grow by 3.8% in 2013 and 4.1% in 2014 amid broadly balanced risks. Domestic demand and exports are projected to expand at similar rates in 2013 while in 2014 exports are set to become again a primary growth driver helped by better external environment. The sound export performance is also expected to keep the current-account deficit below 3% of GDP over the forecast horizon.

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



The quick recovery of the economy in 2011-12 brought most of the business sectors above the pre-crisis peak in 2007, including manufacturing, mining and agriculture, while construction remains well below its peak. However, in 2012 alone, construction was again the fastest rising industry (14.6%), followed by accommodation and catering (10.8%), and manufacturing (9.3%). The economic sector of agriculture, fisheries and forestry also expanded strongly, by 6.9% in 2012, paced by an exceptionally good grain harvest. Both construction and agriculture benefited from very favourable weather conditions in 2012, which was not the case at the beginning of 2013. Therefore, part of the forecast slowdown in 2013 reflects possible negative base effects in the two sectors.

Inflation drops further

After a significant slowdown in consumer price inflation (HICP) to 2.3% in 2012 from 4.2% in 2011, the steep downward correction continued at the beginning of 2013. In the first quarter of 2013, the annual inflation rate decelerated to 0.4%. The main disinflationary effect came from the reduction in natural gas prices, linked to the nine-month average of crude oil, which also had an automatic impact on district heating fees. Prices were also contained by the reduction in the VAT standard rate by 1 pp. as of July 2012, new entrants on the retail market, significant cuts in telecom prices, and prudent fiscal spending. Inflation is expected to pick up again on the back of the forthcoming direct contracting of household electricity supplies and improving domestic demand which is likely to reactivate catching-up sentiments. Still, the upward pressure is likely to be offset by the ongoing energy efficiency investments in district heating utilities with projected downward effects on prices. In annual average terms, the consumer-price inflation is forecast at 1.4% in 2013 and 2.1% in 2014 amid broadly balanced risks.

Unemployment keeps falling

The number of registered job seekers dropped by nearly 20% y-o-y in the first quarter of 2013 confirming the positive trends in the labour market. While the labour force is currently on an upward trend and the share of non-registered job seekers may also rise, the unemployment rate is still forecast to drop further to 13.7% in 2013 and 12.2% in 2014 as compared to 14.9% in 2011. The latest economic sentiment surveys published by the European Commission draw a largely favourable picture of employment, though the pace of job creation is likely to slow somewhat in line with the GDP growth outlook for 2013. Therefore, employment growth is set to weaken from 2.6% in 2012 to 1.9% in 2013 and 2.2% in 2014. The vacancy rate remains quite low, at 0.4% in 2012, as labour supply continues to exceed demand.

Low deficit outlook for public finances

The general government deficit declined to 1.2% of GDP in 2012, compared with a deficit of 3.6% in the preceding year. This outcome reflects strong economic growth and the robust labour market recovery, which led to better tax revenue and lower unemployment costs. Tax revenue increased by around 10% in 2012 – above the nominal GDP growth – despite the mid-year VAT-rate cut by 1 pp., pointing also to improving tax efficiency. Moreover, the increase in total (harmonised) expenditure was considerably below GDP growth, even taking into account one-off costs due to the reclassification of a financial defeasance unit with a negative impact of 0.5% of GDP. The structural deficit, which excludes this one-off impact, declined to 0.3% of GDP in 2012.

In 2013, the government deficit is expected to remain broadly unchanged at 1.2% of GDP. This includes a negative impact of tax changes – a 1 pp. reduction in personal income tax rate from January 2013 and full-year impact of the 1 pp. reduction in the standard VAT rate in mid-2012 – and of higher state contributions to the privately managed funded pension pillar. This negative impact is offset by expectations of cyclical improvement in tax revenue, while expenditure increase in the 2013 budget is limited and targeted. The pressure to increase spending – especially in areas most affected in the years of fiscal consolidation – is, however, growing. Broadly the same pattern is expected in 2014, when further personal income tax rate reductions are compensated by maintaining limits on social benefits in line with legislation currently in force and by cyclical improvements, resulting in the deficit of 0.9% of GDP. Reflecting the impact of tax cuts and of changes in the distribution of social contributions, the structural deficit is expected to worsen by some 1 pp. of GDP in 2013 and remain broadly stable in 2014. One of the risks to the outlook in 2013-14 relates to a government guarantee given to an industrial company in difficulties, with negative impact on the deficit (and, indirectly, the debt) amounting potentially to ¼ pp. of GDP if called in full.

The general government debt declined to 40.7% of GDP in 2012 but is projected to increase again by some 2½ pps. in 2013, as the government accumulates assets for large debt repayments scheduled for 2014-15. The debt-to-GDP ratio is expected to decrease again starting from 2014, as these repayments take effect.

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	**5.6**	**3.8**	**4.1**
Private consumption	8874.7	62.2	-	-22.6	2.4	4.8	**5.4**	**3.9**	**4.1**
Public consumption	2470.3	17.3	-	-9.4	-7.9	1.1	**-0.2**	**1.5**	**2.0**
Gross fixed capital formation	3044.5	21.3	-	-37.4	-18.1	27.9	**12.3**	**6.9**	**8.1**
of which : equipment	1201.2	8.4	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	8392.4	58.8	-	-14.1	11.6	12.7	**7.1**	**4.6**	**6.2**
Imports (goods and services)	9080.7	63.6	-	-33.3	11.4	22.7	**3.1**	**5.5**	**7.2**
GNI (GDP deflator)	14351.0	100.5	1.8	-10.6	-6.1	4.0	**5.1**	**3.9**	**4.1**
Contribution to GDP growth : Domestic demand			-	-29.8	-4.2	9.2	**6.8**	**4.7**	**5.3**
Inventories			-	-2.5	3.7	2.6	**-3.2**	**0.0**	**0.0**
Net exports			-	14.6	-0.4	-6.3	**2.0**	**-0.9**	**-1.2**
Employment			-1.3	-13.2	-4.8	-8.1	**2.6**	**1.9**	**2.2**
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	17.2	**3.9**	**3.1**	**3.8**
Unit labour costs whole economy			-	-7.9	-10.4	2.1	**1.0**	**1.2**	**1.9**
Real unit labour costs			-	-6.7	-9.2	-3.6	**-2.0**	**-0.7**	**-0.3**
Saving rate of households (b)			2.2	10.4	2.5	-1.6	**-1.8**	**-0.1**	**-0.3**
GDP deflator			28.6	-1.2	-1.3	5.9	**3.0**	**1.9**	**2.2**
Harmonised index of consumer prices			-	3.3	-1.2	4.2	**2.3**	**1.4**	**2.1**
Terms of trade of goods			-	-2.9	1.1	5.8	**-3.5**	**0.0**	**0.0**
Merchandise trade balance (c)			-14.7	-7.1	-7.0	-10.8	**-9.8**	**-10.1**	**-10.6**
Current-account balance (c)			-6.1	8.6	2.9	-2.4	**-1.7**	**-2.1**	**-2.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-3.9	11.1	4.9	-0.2	**1.3**	**0.9**	**0.4**
General government balance (c)			-1.1	-9.8	-8.1	-3.6	**-1.2**	**-1.2**	**-0.9**
Cyclically-adjusted budget balance (c)			-	-5.9	-4.6	-1.8	**-0.8**	**-1.4**	**-1.5**
Structural budget balance (c)			-	-5.5	-2.9	-1.6	**-0.3**	**-1.4**	**-1.5**
General government gross debt (c)			-	36.9	44.4	41.9	**40.7**	**43.2**	**40.1**

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

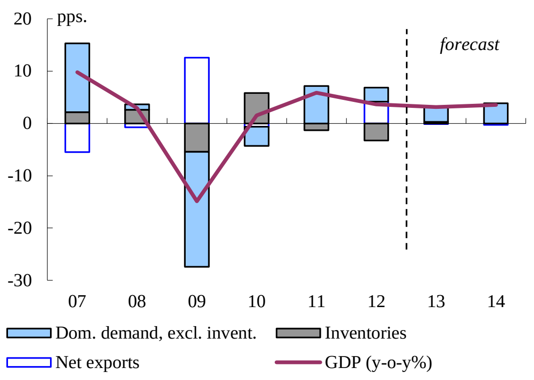
14. LITHUANIA

Return of confidence expected to nurture investment and growth

Previously strong domestic demand tailed off

Real GDP expanded by 3.6% in 2012, driven by net exports and private consumption. The latter was initially the main growth engine, but lost steam during the year. Gross fixed capital formation contracted as companies delayed investment and cut inventories due to uncertainty stemming from the external environment and the elections in autumn. Nevertheless, the slowing domestic demand was offset by exceptionally high net exports, supported by a record harvest. As a result, the trade and current-account balances improved significantly.

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



Conditions in the financial sector becoming conducive to growth

Domestic credit growth in 2012 was limited, with a high share attributed to credit to government and financial intermediaries. Credit growth to non-financial corporations was still negative at the beginning of 2012, but turned positive during the year and grew at progressively increasing rates, while households continued deleveraging. Domestic and external uncertainty limited demand for credit, while the supply side remained cautious and focused on major corporations with strong track record. The financial sector was tested once again in early 2013, when the largest remaining domestic bank *Ukio bankas* was declared insolvent and its operation licence was revoked. The supervisor handled the situation swiftly by a split into a "bad" and a "good" bank and avoided any negative repercussions for the financial sector and the economy.

Investment growth expected to resume in 2013

Looking ahead, investment is expected to pick up and domestic demand is once again set to take over as the main growth driver. Recent high-frequency indicators signal a sustained improvement in domestic economic sentiment. Credit is projected to grow by 4% in 2013, interest rates are at a historical low, and companies have significant reserves to finance potential investment. In addition, last year's export expansion pushed capacity utilisation above its long-term average and a majority of businesses indicated plans to increase their investment in 2013. Public investment will continue to be supported by EU co-financed projects, although absorption of EU funds is set to decrease. After a temporary slowdown, private consumption growth is set to accelerate in the second half of 2013 and beyond, supported by an increased wage bill.

Gains in market shares and export growth are projected to decelerate in 2013 since the effect of last year's bumper harvest is fading out. However, imports are expected to grow on the back of high import propensity of consumption as well as increasing demand for capital goods. Although net exports are still expected to contribute positively to growth in the first quarter of 2013 due to remaining harvest stocks, the contribution is projected to turn negative during the year and the current-account deficit to widen slightly. This trend is expected to continue in 2014.

Lithuania's real GDP is forecast to grow by 3.1% in 2013 and by 3.6% in 2014 with limited and balanced domestic risks. In particular, a delay in the expected tax system reform beyond 2014 could prolong current uncertainty and hold back investment decisions. External risks are tilted to the downside as a further slowdown in Russia could have a negative, yet limited, impact on trade.

Inflation keeps moderating

Inflation (HICP) decreased to 3.2% in 2012 reflecting weaker growth in food and energy prices. This trend is expected to prevail and HICP is set to moderate further. It is forecast to decrease to 2.1% in 2013 before picking up to 2.7% in 2014, when a reduced VAT rate applied to residential heating is about to expire.

Real wages set to resume growth amid dropping unemployment

Employment continued to grow in 2012 and the unemployment rate decreased to 13.3%. Job creation is expected to continue albeit at a slower pace, in line with economic growth and an increasing lack of skilled labour. The unemployment rate is projected to decrease to 11.8% in 2013 and 10.5% in 2014. Real wage growth is expected to turn positive in 2013 after four years of contraction. Main supporting factors are: lower inflation, the recent increase in the minimum wage, and wage-pressures from increasingly scarce high-skilled workers.

Fiscal deficit improved, but below government target

Lithuania's general government deficit narrowed to 3.2% of GDP in 2012 from 5.5% a year before, supported by solid economic growth and temporary expenditure cuts. Collection of indirect taxes underperformed slightly due to weaker-than-expected domestic consumption. State owned enterprises only paid half of the expected dividends to the budget. While personal income tax revenues were in line with 2012 plans and a strong performance of the corporate sector resulted in higher-than-expected corporate income tax revenues, local governments were not able to achieve their budget plans and had a higher deficit. Overall, the general government deficit was therefore slightly above the 3% target.

Last year's fiscal trends are projected to continue in 2013. The current budget restricts expenditure growth. The public sector wage freeze is extended into 2013, but the minimum wage increase will lead to a higher public sector wage bill. Stronger personal income tax collection and social contributions are projected to mostly offset this increase. Higher excise duties on gasoline and cigarettes are set to offset some smaller VAT exemptions, but not an extension of reduced VAT rates for residential heating and medicines. The social insurance fund SoDra is expected to reduce its deficit as the labour market improves.

The structural deficit is estimated to decrease from 3¼% of GDP in 2012 to 2¾% in 2013 and 2014. General government debt is set to decrease to 40.1% in 2013 and 39.4% 2014.

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	**4.7**	**2.9**	**3.8**
Public consumption	20.2	18.9	-	-1.4	-3.4	0.5	**0.7**	**1.4**	**1.6**
Gross fixed capital formation	18.9	17.8	-	-39.5	1.9	18.3	**-2.5**	**4.8**	**6.7**
of which : equipment	6.1	5.7	-	-50.0	20.6	32.6	**-3.8**	**9.7**	**9.8**
Exports (goods and services)	82.5	77.6	-	-12.6	17.4	14.1	**11.2**	**5.4**	**6.9**
Imports (goods and services)	85.5	80.4	-	-28.1	18.0	13.7	**5.6**	**5.6**	**7.3**
GNI (GDP deflator)	102.4	96.3	-	-10.6	-2.2	4.0	**3.0**	**2.4**	**3.3**
Contribution to GDP growth : Domestic demand			-	-22.0	-3.7	7.2	**2.7**	**2.9**	**3.9**
Inventories			-	-5.4	5.8	-1.3	**-3.2**	**0.3**	**0.0**
Net exports			-	12.6	-0.6	0.0	**4.2**	**-0.1**	**-0.3**
Employment			-0.7	-6.8	-5.1	2.0	**1.8**	**1.3**	**1.4**
Unemployment rate (a)			9.0	13.6	18.0	15.3	**13.3**	**11.8**	**10.5**
Compensation of employees/head			-	-9.9	-0.4	3.6	**2.4**	**4.1**	**3.8**
Unit labour costs whole economy			-	-1.5	-6.9	-0.1	**0.6**	**2.3**	**1.6**
Real unit labour costs			-	2.0	-8.8	-5.3	**-2.0**	**-0.2**	**-1.3**
Saving rate of households (b)			-	5.4	9.2	1.2	**-**	**-**	**-**
GDP deflator			36.0	-3.4	2.0	5.4	**2.7**	**2.4**	**3.0**
Harmonised index of consumer prices			-	4.2	1.2	4.1	**3.2**	**2.1**	**2.7**
Terms of trade of goods			-	-5.9	1.4	-0.6	**-1.0**	**0.2**	**0.0**
Merchandise trade balance (c)			-	-3.3	-4.9	-5.9	**-2.8**	**-2.9**	**-3.3**
Current-account balance (c)			-	2.1	-0.4	-3.7	**-0.5**	**-1.0**	**-1.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	6.4	3.5	-0.4	**1.8**	**1.3**	**0.7**
General government balance (c)			-	-9.4	-7.2	-5.5	**-3.2**	**-2.9**	**-2.4**
Cyclically-adjusted budget balance (c)			-	-6.2	-4.7	-4.9	**-3.1**	**-3.0**	**-2.8**
Structural budget balance (c)			-	-6.6	-4.7	-4.9	**-3.2**	**-2.8**	**-2.8**
General government gross debt (c)			-	29.3	37.9	38.5	**40.7**	**40.1**	**39.4**

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

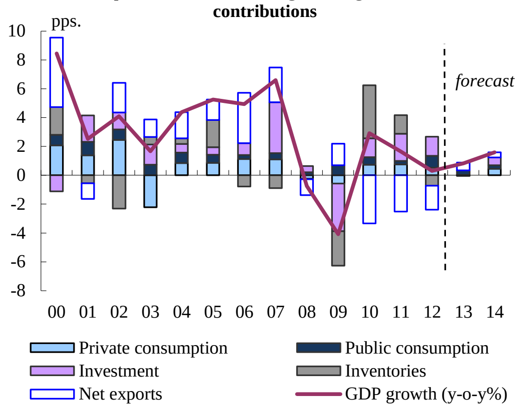
15. LUXEMBOURG
Financial sector contributing less to growth

Subdued growth prospects ahead

In the last quarter of 2012, real GDP growth rebounded to 1.6% q-o-q, after a fall of 0.5% in the third quarter. Several factors explain this expansion: the end of a car purchase incentive scheme gave private consumption a temporary boost, investment was spurred by a large satellite operator purchase, and favourable weather conditions propped up construction activity. However, excluding for these non-recurrent developments, economic activity in the last part of the year would have continued to be lacklustre. In 2012 as a whole, output grew by 0.3% after 1.7% in 2011.

In 2012 industrial production fell by 5% and remained at a level around 10% lower than its long-term average. The contraction was particularly strong in the steel sector, where plants were closed down and both employment and gross value added shrank. The output of the construction sector declined by 5% in 2012 continuing a negative trend initiated already in the middle of 2011. The financial services industry remained resilient although decelerating. A more detailed analysis of the sector shows that the impact of the overall economic slowdown has been concentrated in the intermediation activity, while activity of the investment funds and private banks remained dynamic. Finally, the contribution of net exports remained negative on the back of weak economic activity in the euro area.

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



Looking to 2013, real GDP growth is expected to increase by 0.8%. Various indicators point to a prolongation, well into the second half of 2013, of the current slack in economic activity. The overall confidence indicators in both the industrial and the construction sector, after a tentative rebound in the second half of 2012, have returned to a downward trend recently. Private consumption is projected to be subdued as households' disposable income is expected to be negatively affected by the consolidation measures included in the budget and the ongoing deterioration in the labour market is likely to dampen consumer spending. The relief provided by lower prices is unlikely to prevent a drop in real private consumption. A low level of capacity utilisation associated with weak demand prospects is assumed to hold back firms' investment plans.

On the supply side, the contribution from the financial sector is expected to remain subdued with the developments in the fund and insurance industries compensating for the slack in intermediation activity. Finally, support to growth from government activity is expected to diminish in line with the measures taken to rein in public consumption and investment. A return of activity is expected to materialise in the second half of the year, initially triggered by a surge in external demand.

In 2014, GDP is projected to grow by 1.6%. The main contribution will come from domestic demand backed by improving confidence. The contribution from exports is expected to remain positive but lessened by more dynamic import growth, once domestic demand gains momentum.

The main downside risk for this growth outlook refers to the capacity of the financial services to remain the growth driver in the Grand Duchy, as well as that of the country to keep the existing or even attract new industry.

Lower inflation to come

After peaking at 3.7% in 2011, HICP slowed down to 2.9% in 2012. The same forces that have driven it upwards, notably rising prices for oil and other raw materials, will now drag it down. The index is expected to abate to 1.9% and 1.7% in 2013 and 2014 respectively. The dampening effect on inflation exerted by lower oil prices in 2013 and 2014 will only be partially offset in 2013 by the planned rises in administered prices. Core inflation, which excludes the most volatile components, is expected to average 2.3% in 2013 and slightly increase to 2.4% in 2014.

A less dynamic labour market

Job creation still remained robust in 2012 at a rate of 2.3%. However, this employment increase masks a drop in the hours worked, on the back of an increased number of part-time jobs and less over-time hours. Job creation is expected to decelerate to around 1.6% in 2013 and 1.3% in 2014 as labour hoarding will finally be limited, moving the unemployment rate higher to 5.5% and 5.8% in 2013 and 2014 respectively, as the active population continues to record strong increases. The agreement with the social partners to limit the automatic indexation to 2.5% until 2014 will put a lid on wage growth over the forecast horizon and help moderate the increase in unit labour costs.

Public finances remain robust

The general government deficit deteriorated from 0.2% of GDP in 2011 to 0.8% in 2012, almost in line with the original target of 0.7% of GDP set in the budget. In spite of weaker than expected growth, a surge in VAT revenues from e-commerce related activities and buoyant fiscal revenues from the corporate sector compensated for a shortfall in social contribution revenues. At the same time, government consumption expenditure has continued to follow a dynamic rising trend.

In 2013 the government deficit is projected to decline to 0.2% of GDP. The implementation of the consolidation package adopted by the government with the 2013 budget is expected to partially correct the autonomous increase in expenditure and boost revenues. In 2014, under the usual no-policy-change assumption, the deficit is expected to increase to 0.4% of GDP. The acceleration in revenues supported by higher growth will not fully offset the rising trend in government expenditure. The structural balance, estimated at 0.1% of GDP in 2012, is projected to improve to around ¾% of GDP in 2013, and deteriorate in 2014 to about ¼%, at unchanged policy. Public debt is estimated at 25.2% in 2014.

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	**0.3**	**0.8**	**1.6**
Private consumption	13321.7	31.3	2.4	-1.7	2.2	2.4	**1.7**	**0.1**	**1.5**
Public consumption	7002.5	16.4	3.9	4.5	3.0	1.5	**5.0**	**1.8**	**1.3**
Gross fixed capital formation	8097.2	19.0	5.1	-15.5	6.8	10.2	**7.0**	**-0.2**	**2.7**
of which : equipment	2711.4	6.4	4.7	-34.4	28.5	24.6	**18.0**	**2.0**	**3.5**
Exports (goods and services)	75228.3	176.5	7.4	-10.9	7.7	5.5	**-3.1**	**1.0**	**4.1**
Imports (goods and services)	61920.4	145.3	7.3	-14.1	12.1	8.6	**-2.7**	**0.9**	**4.7**
GNI (GDP deflator)	30773.2	72.2	3.0	-19.9	6.6	7.4	**0.6**	**0.6**	**1.7**
Contribution to GDP growth :	Domestic demand		2.8	-3.2	2.6	2.9	**2.7**	**0.3**	**1.2**
	Inventories		-0.1	-2.4	3.7	1.3	**-0.7**	**0.0**	**0.0**
	Net exports		1.5	1.5	-3.3	-2.5	**-1.7**	**0.5**	**0.4**
Employment			3.5	1.1	1.8	2.9	**2.3**	**1.6**	**1.3**
Unemployment rate (a)			3.3	5.1	4.6	4.8	**5.1**	**5.5**	**5.8**
Compensation of employees/head			3.4	1.9	2.7	2.0	**1.2**	**2.2**	**3.0**
Unit labour costs whole economy			2.7	7.3	1.6	3.3	**3.2**	**3.1**	**2.7**
Real unit labour costs			-0.1	6.8	-5.6	-1.7	**-0.6**	**0.5**	**0.0**
Saving rate of households (b)			-	20.7	-	-	**-**	**-**	**-**
GDP deflator			2.9	0.5	7.6	5.1	**3.9**	**2.5**	**2.7**
Harmonised index of consumer prices			-	0.0	2.8	3.7	**2.9**	**1.9**	**1.7**
Terms of trade of goods			0.0	1.0	5.9	3.7	**-0.3**	**0.0**	**0.1**
Merchandise trade balance (c)			-10.8	-9.0	-9.2	-11.3	**-13.8**	**-13.2**	**-12.6**
Current-account balance (c)			10.7	7.2	8.2	7.1	**5.6**	**6.3**	**6.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			10.7	7.2	8.2	7.1	**5.6**	**6.3**	**6.4**
General government balance (c)			2.3	-0.8	-0.9	-0.2	**-0.8**	**-0.2**	**-0.4**
Cyclically-adjusted budget balance (c)			2.1	1.0	-0.1	0.3	**0.1**	**0.7**	**0.3**
Structural budget balance (c)			-	1.0	-0.1	0.3	**0.1**	**0.7**	**0.3**
General government gross debt (c)			6.9	15.3	19.2	18.3	**20.8**	**23.4**	**25.2**

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

16. HUNGARY

Improving external balances amidst a lacklustre economic performance

A weak recovery after recession

In 2012, the Hungarian economy entered a recession with GDP contracting by 1.7%. Domestic demand fell by 3.7%. Investment contracted for the fourth consecutive year, against the background of tight lending conditions, increased economic uncertainty and the deleveraging in the private sector. Falling disposable income and high unemployment contributed to a renewed decline in consumption. An unusually weak performance in the agricultural sector contributed to the downturn. The growth rate of exports declined sharply on account of a deteriorating external environment.

For 2013 a mild recovery is forecast. Export markets are set to grow and a stabilisation of domestic demand is expected on account of an increase in real disposable income, although the high unemployment rate and the ongoing deleveraging are likely to limit household spending. Private investment growth is projected to remain negative in view of the continued fall in lending and high surtaxes on some capital intensive sectors, while government investment would be boosted by a higher inflow of EU funds.

In 2014 growth is expected to reach 1.4% due to a positive contribution from both net exports and domestic demand. Household consumption is set to increase on account of a further increase in real disposable income and looser lending conditions. Investment growth is projected to turn positive on account of government-sponsored lending and the central bank's new Funding for Growth scheme. Looser-than-expected financial conditions or a possible stronger-than-expected rebound of agricultural production might improve the GDP outlook. By contrast, persistently weak economic confidence might imply even lower growth.

Employment adjusts sluggishly

Despite the recession, employment increased by more than 1.7%[21] in 2012. However, the unemployment rate stood around 11% due to a continuous increase in the participation rate as a result of several government measures (e.g. extension of the retirement age). Employment gains partly reflected an extension of the Public Work Scheme but also higher employment in small enterprises. However, employment of larger companies has been declining since early 2012 as increasing unit labour costs and weak demand have been forcing companies to adjust through layoffs to counterbalance the deterioration in profitability. Consequently, a decline in private sector employment is expected in early 2013, but overall employment is forecast to remain broadly stable. From 2014, employment is projected to start increasing again. However, as the participation rate is projected to grow further, a slight increase in unemployment is expected.

Sharp disinflation

A stronger-than-expected drop in inflation occurred in the first quarter of 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 as of January 2013. Core inflation was lower than projected in the 2013 winter forecast. Underlying inflation is expected to remain contained over the forecast horizon due to a highly negative output gap.

After a strong structural adjustment in 2012, fiscal deficit expected to rise again

In 2012, the general government deficit was 1.9% of GDP according to the 2013 EDP spring notification, also thanks to temporary surtaxes on corporates of ¾% of GDP. Close to half of the fiscal effort of 3¼% of GDP reflects tax increases, such as the VAT rate increase to 27%. Spending restraint and the implementation of structural reforms also resulted in savings, while public investment from national resources considerably decreased, notably in the local government sector.

In 2013, the deficit is expected to increase to 3% of GDP. This would mainly be due to the phasing-out of temporary revenues of ¾% of GDP, the revenue-reducing stimulus measures (i.e. introduction of a fully flat personal income tax system and targeted cuts of social security contributions combined with new small business

[21] This is employment based on the national concept as opposed to the domestic concept (see in Table II. 16. 1.).

taxes in the context of the Job Protection Plan (JPA)) amounting to ¾% of GDP and the higher interest expenditure of more than ¼% of GDP. Some other elements (e.g. extended public work scheme) are also expected to increase the deficit by around ¾% of GDP. Finally, net capital expenditure, notably public investments, are forecast to increase by ¾% of GDP.

These deficit-increasing developments are foreseen to be partly offset by new corrective measures, mainly higher taxes (e.g. financial transaction duty, higher tax on energy and utility providers), amounting to 1¾% of GDP. In addition, measures announced in the context of the 2011 and 2012 Convergence Programmes (e.g. the distance-based road toll, review of the pension system) and the partial elimination of the wage compensation scheme in the private sector are forecast to improve the deficit by ½% of GDP.

The 2014 deficit, based on the usual no-policy-change assumption, is projected to increase further to 3.3% of GDP. This reflects the planned increase of wages in the public education sector of more than ½% of GDP, the increasing fiscal impact of the JPA of ¼% of GDP and the net budgetary effect of close to ½% of GDP of growing public investment and consumption. These elements are forecast to be partly offset by measures as set in the 2013 Convergence Programme (e.g. nominal freeze of public wages, moderate increase of the social transfers), further revenues related to the implementation of selected reform measures (e.g. distance-based road toll, enhancement of the tax administration) as well as the positive impact of the economic recovery amounting to altogether 1% of GDP. In contrast to the winter forecast, no capital transfer to the central bank to offset its loss is accounted for also in the light of the recently announced Funding for Growth scheme of the central bank.

Debt reduction loses its impetus

The structural deficit is forecast to increase again in 2013 and 2014, by close to ½% and ¾% of GDP respectively. Accordingly, the general government gross debt is forecast to decrease only slightly from 79.2% of GDP in 2012 to 78.9% 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**	**0.2**	**1.4**
Private consumption	14780.1	53.0	-	-6.6	-3.0	0.5	**-1.4**	**0.2**	**1.0**
Public consumption	5797.8	20.8	0.4	0.7	-0.7	-0.3	**-2.3**	**-0.5**	**0.5**
Gross fixed capital formation	4987.4	17.9	4.1	-11.1	-9.5	-3.6	**-3.8**	**-1.5**	**0.8**
of which : equipment	2126.7	7.6	-	-17.3	-3.5	8.5	**-2.8**	**0.0**	**1.9**
Exports (goods and services)	25470.0	91.3	12.2	-10.2	14.2	6.3	**2.0**	**3.2**	**6.2**
Imports (goods and services)	23601.1	84.6	12.3	-14.8	12.7	5.0	**0.1**	**3.0**	**6.1**
GNI (GDP deflator)	26505.6	95.0	-	-4.7	0.9	1.4	**-3.3**	**0.3**	**1.3**
Contribution to GDP growth : Domestic demand			2.3	-5.9	-3.8	-0.5	**-1.9**	**-0.3**	**0.8**
Inventories			0.2	-4.6	3.3	0.6	**-1.6**	**0.1**	**0.0**
Net exports			0.0	3.6	1.8	1.5	**1.7**	**0.4**	**0.6**
Employment			-	-2.5	0.7	0.4	**0.1**	**0.0**	**0.4**
Unemployment rate (a)			-	10.0	11.2	10.9	**10.9**	**11.4**	**11.5**
Compensation of employees/head			-	-1.7	-0.3	3.0	**4.6**	**-0.4**	**5.4**
Unit labour costs whole economy			-	2.8	-0.9	1.8	**6.5**	**-0.6**	**4.3**
Real unit labour costs			-	-0.7	-3.3	-1.3	**3.2**	**-3.8**	**0.8**
Saving rate of households (b)			-	10.2	10.8	10.4	**-**	**-**	**-**
GDP deflator			12.0	3.6	2.5	3.1	**3.2**	**3.3**	**3.5**
Harmonised index of consumer prices			-	4.0	4.7	3.9	**5.7**	**2.6**	**3.1**
Terms of trade of goods			-	1.1	-0.2	-1.7	**-1.2**	**0.1**	**-0.2**
Merchandise trade balance (c)			-4.1	2.5	3.2	3.3	**4.0**	**4.4**	**4.5**
Current-account balance (c)			-	-0.1	1.2	1.0	**1.9**	**2.5**	**2.6**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	1.1	3.0	3.4	**4.5**	**5.6**	**6.1**
General government balance (c)			-	-4.6	-4.3	4.3	**-1.9**	**-3.0**	**-3.3**
Cyclically-adjusted budget balance (c)			-	-2.4	-2.6	5.3	**0.0**	**-1.1**	**-1.8**
Structural budget balance (c)			-	-2.3	-3.3	-4.1	**-0.7**	**-1.1**	**-1.8**
General government gross debt (c)			-	79.8	81.8	81.4	**79.2**	**79.7**	**78.9**

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

17. MALTA

Subdued investment holds back growth

Economic growth moderated further in 2012

Economic growth continued to decelerate in 2012 with real GDP growth slowing down to 0.8%, from 1.7% in 2011. Net exports were the main driver, benefiting from strong export performance by the tourist and financial services, as well as declining imports of machinery and transport equipment. Domestic demand remained weak as household consumption growth turned negative again and gross fixed capital formation contracted further. In particular, private construction investment continued declining, falling below its 2004 value in nominal terms. Thus, it was only the significant increase in government consumption expenditure that supported domestic demand.

Household consumption is expected to become the main driver of growth in 2013-14

As domestic demand picks up, it is expected to underpin a gradual acceleration in real GDP growth to 1.4% in 2013 and 1.8% in 2014.

Household consumption is forecast to become the main contributor to economic growth over the forecast horizon, on the back of stable labour market conditions and improving consumer confidence following the parliamentary elections in March. Growth in fixed investment is projected to turn slightly positive in 2013 on the back of EU-funded projects, albeit subject to implementation risks, and the construction of the electricity interconnector with Sicily. A mild acceleration in investment is forecast for 2014 as the approaching deadline for disbursements under the current programming period spurs the drawdown of EU funds. Still, overall fixed capital formation is expected to remain subdued, at around 15% of GDP over the forecast horizon, well below its pre-crisis peak of over 21%, and directed mainly towards replacing existing capacities rather than developing new ones. Government consumption is expected to continue to contribute positively to economic growth, albeit less so than in the pre-election year 2012, reflecting the need for fiscal consolidation. Despite expanding external demand, the pick-up in the import-intensive domestic demand over the forecast horizon will reflect in a declining contribution of net exports to economic growth.

Employment and wages continue to grow, while inflation moderates

Job creation is expected to remain strong in 2013-14, with a projected annual rate of increase of around 2%. Employment growth is expected to come mainly from the services sector, underpinned by increasing female labour market participation, while unemployment is projected to moderate gradually to 6.1% in 2014.

After increasing sharply in 2012, partly pushed by indexation to high inflation, wage growth is projected to moderate, but labour shortages in some high growth sectors will continue to put upward pressure on wages. Restrained average wage growth will result in moderating unit labour costs increases over the forecast horizon. Still, unit labour costs are forecast to grow faster than in the euro area due to stagnating productivity.

After surprising on the upside in 2012, HICP inflation is expected to decelerate significantly in 2013 in line with the projected trends in international commodity markets. Price pressures in all components of HICP inflation are expected to subside as the economy continues to operate below its potential. All-items HICP inflation is projected to remain below 2% also in 2014, assuming that utility tariffs remain unchanged. The government's electoral commitment to lower tariffs significantly in 2014 represents a downside risk to these projections.

Fiscal stance has lost momentum

The general government deficit increased by 0.5 pp. in 2012, reaching 3.3% of GDP. The increase was due to accelerating intermediate consumption, higher social transfers and the rise in compensation of employees in the public sector. The latter occurred on account of the renewal of collective agreements in a number of sectors, including health and education, while the government was committed to restraining hiring. In spite of dynamic public investment and higher subsidies to investment, including the equity injection into Air Malta, net capital expenditure as a share of GDP increased only marginally, as a result of higher capital transfers and negative capital asset sales. Total current revenues increased mainly on the back of dynamic taxes on income and wealth and social contributions, while subdued private consumption implied a moderate growth in indirect taxation revenue.

The approved 2013 budget appears to be expansionary. As a consequence, the deficit in 2013 is expected to widen to 3.7% of GDP. Total current primary expenditure is forecast to increase marginally by 0.1 pp. of GDP, as the increase in intermediate consumption is offset by less dynamic social transfers due to the impact of the 2006 pension reform. On the capital side, net expenditure, comprising the planned additional equity injection into Air Malta (0.6% of GDP), is expected to stabilise. The increase in tax revenue related to the pick-up in economic activity only partly compensates for the disappearance of the one-off revenues registered in 2012. In addition, income taxes are projected to decelerate on the back of measures to gradually reduce the overall income tax burden in 2013-15. As a result, current revenues are projected to decline marginally. In 2014, the deficit is projected to improve slightly, reaching 3.6% of GDP mainly due to improved labour market conditions.

The debt-to-GDP ratio is projected to continue increasing over the forecast horizon, as the primary deficit is expected to continue expanding. The main downside risk to this debt outlook is related to the financial situation of Enemalta, which could entail additional subsidies.

After increasing by ½ pp. of GDP in 2012, the structural deficit is expected to improve mildly by ¼ pp. of GDP in 2013, on account of one-off measures. Under the usual no-policy-change assumption, the structural deficit improves further, albeit only slightly, in 2014.

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

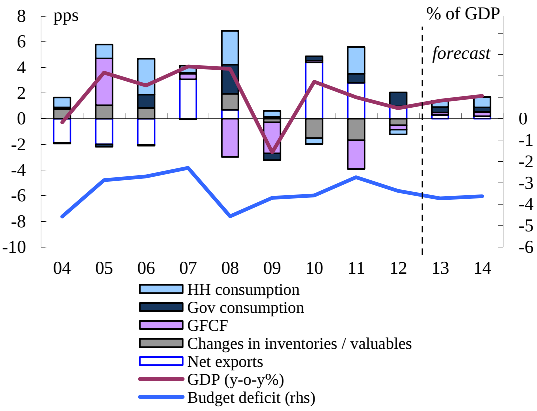


Table II.17.1:

Main features of country forecast - MALTA

	2011		92-08	Annual percentage change					
	mio EUR Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	6556.3	100.0	3.6	-2.6	2.9	1.7	**0.8**	**1.4**	**1.8**
Private consumption	4030.5	61.5	-	0.7	-0.7	3.3	**-0.6**	**0.9**	**1.3**
Public consumption	1349.5	20.6	-	-2.7	1.7	3.8	**5.5**	**1.9**	**2.1**
Gross fixed capital formation	958.1	14.6	-	-13.4	0.9	-14.1	**-2.5**	**1.5**	**2.5**
of which : equipment	336.4	5.1	-	-21.1	32.8	-41.0	**-7.3**	**-**	**-**
Exports (goods and services)	6560.4	100.1	-	-8.4	18.1	0.8	**5.2**	**2.2**	**4.6**
Imports (goods and services)	6230.5	95.0	-	-8.2	12.7	-2.0	**4.4**	**2.0**	**4.7**
GNI (GDP deflator)	6157.4	93.9	3.0	-6.6	3.6	2.2	**-0.2**	**1.6**	**1.9**
Contribution to GDP growth : Domestic demand			-	-2.5	0.0	0.6	**0.4**	**1.1**	**1.6**
Inventories			-	-0.3	-1.5	-1.7	**-0.5**	**0.0**	**0.0**
Net exports			-	0.1	4.4	2.8	**1.0**	**0.3**	**0.2**
Employment			1.0	-0.2	1.7	2.7	**2.1**	**1.8**	**2.1**
Unemployment rate (a)			6.4	6.9	6.9	6.5	**6.4**	**6.3**	**6.1**
Compensation of employees/head			4.9	4.0	1.0	0.5	**2.4**	**1.8**	**1.8**
Unit labour costs whole economy			2.3	6.6	-0.1	1.5	**3.7**	**2.2**	**2.1**
Real unit labour costs			-0.2	3.7	-2.9	-0.6	**1.4**	**0.0**	**-0.2**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			2.5	2.8	2.9	2.1	**2.2**	**2.2**	**2.3**
Harmonised index of consumer prices			-	1.8	2.0	2.5	**3.2**	**1.9**	**1.9**
Terms of trade of goods			-	-4.6	-6.4	4.9	**0.3**	**0.2**	**0.1**
Merchandise trade balance (c)			-18.0	-18.8	-18.3	-16.2	**-16.1**	**-15.7**	**-16.1**
Current-account balance (c)			-	-7.8	-4.6	-0.5	**-0.8**	**0.0**	**0.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-6.2	-2.9	0.5	**0.1**	**1.1**	**1.2**
General government balance (c)			-	-3.7	-3.6	-2.8	**-3.3**	**-3.7**	**-3.6**
Cyclically-adjusted budget balance (c)			-	-3.3	-3.5	-2.9	**-3.2**	**-3.5**	**-3.6**
Structural budget balance (c)			-	-3.9	-4.6	-3.6	**-4.1**	**-3.8**	**-3.7**
General government gross debt (c)			-	66.4	67.4	70.3	**72.1**	**73.9**	**74.9**

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

18. THE NETHERLANDS

A very fragile and gradual recovery

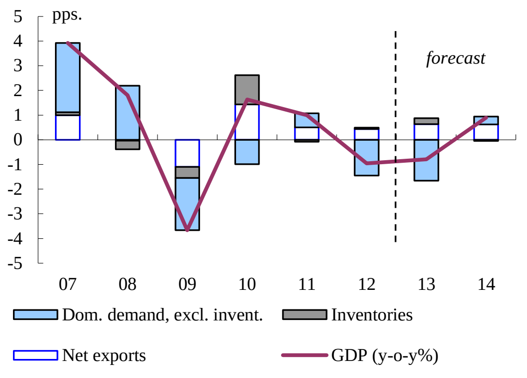
Significant contraction in GDP in 2012

After expanding in 2011, economic activity contracted by 1.0% in 2012. The quarter-on-quarter growth was slightly positive in the first half of the year, but plummeted thereafter. Domestic demand declined by 1.6% in 2012, to a large extent due to lacklustre private consumption reflecting weak disposable income, the impact of consolidation measures, as well as negative wealth effects from declining house prices and pension cuts. Moreover, continued uncertainty about economic prospects and subdued expectations weigh on household consumption. Economic growth was supported only from the external side, largely on the back of a trade surplus in goods.

Weak domestic demand continues weighing on economic recovery

Real GDP is forecast to continue to shrink in 2013, at -0.8%, although growth is expected to return gradually to slight positive territory from the second quarter of the year onwards. This is due in particular to strong exports of goods. Domestic demand is forecast to remain depressed into 2013, as budget consolidation and negative wealth effects, chiefly emanating from the housing market, continue to pose a drag on the Dutch economy. In 2014, domestic demand is expected to begin to pick up gradually, supporting a fragile recovery, with real GDP increasing by 0.9%.

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



With real disposable income staying subdued and consumer confidence continuing to hover around historical lows, private consumption expenditure growth is projected to remain negative in the near term, and to broadly stabilise in 2014.

The fall in gross fixed capital formation is set to be maintained in 2013, by -3.3%, following the more marked decline last year (-4.6%), and to only turn positive in 2014. Business investment is expected to remain weak during 2013 mainly as a result of weak business prospects, but in part also in response to tightened credit conditions by banks.

By contrast, net exports are expected to continue to provide support to economic growth over the forecast period, in spite of relatively subdued external demand from the EU, the main export market for the Netherlands.

Import growth is set to remain more sluggish, in line with weak internal demand. The projected sustained rise in the current-account surplus thus predominantly reflects depressed internal demand. In 2014, both exports and imports are forecast to gain momentum.

Risks to this macroeconomic scenario are predominantly on the downside. A steeper fall in house prices would weigh on private consumption and investment. Also, a faster rise in unemployment and possible additional consolidation measures may slow economic recovery compared to the baseline scenario. On the other hand, should house prices bottom out, this would underpin domestic demand.

Inflation set to ease

In 2012, HICP inflation stood at 2.8%, having been lifted by increases in energy prices and policy measures, notably the increased VAT rate as of October 2012. In the short run, the disinflationary effects of weak domestic demand and decreasing commodity prices should be partly compensated by the lagged upward pressures from the increase in the standard VAT tax rate. Thus, inflation is likely to stabilise at 2.8% in 2013 before easing further to 1.5% in 2014.

Unemployment on the rise

In the beginning of 2013, the upward trend in the unemployment rate was accentuated, reaching 6.2% in February. A key reason behind this development is a reversal of earlier labour hoarding, while employment in housing-market-related industries is suffering in particular from the ongoing housing slump. Many companies were able to retain a major share of their labour force in the immediate wake of the crisis. However, with the prolonged weakness in economic activity, buffers of firms are starting to become depleted as the private sector faces a continuous financial drag and an increasing number of bankruptcies. Against this background, unemployment is set to rise further to 6.9% in 2013 and 7.2% in 2014.

Deficit reduction coming to a standstill

In 2012, the general government deficit fell to 4.1% of GDP, from 4.5% of GDP in 2011. The deficit is expected to improve further to 3.6% of GDP in 2013, due to sizeable consolidation measures mainly on the revenue side. The 2013 deficit is also influenced by a number of one-offs that cancel each other out, such as measures related to the nationalisation of SNS Reaal and the sale of mobile telephony licenses.

Under the customary no-policy-change assumption, government expenditure is forecast to continue to grow more slowly than current revenues in 2014. However, in view of the fairly modest recovery, the general government deficit is projected to stabilise at 3.6% of GDP. The current forecast does not incorporate the additional consolidation package for 2014 proposed by the government in March but withdrawn for further consideration in response to the agreement reached with social partners in April 2013.

In response to the ongoing consolidation, the structural balance is expected to improve in 2013 by around 0.6 pp. and to slightly worsen in 2014.

The gross government debt ratio increased to 71.2% in 2012 and is expected to increase further to 74.6% in 2013 and 75.8% in 2014. This is mainly due to the persistent deficits in combination with weak economic growth, the debt-increasing impact of financial support operations, and the recent nationalisation of SNS Reaal.

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	**-1.0**	**-0.8**	**0.9**
Private consumption		271.1	45.0	2.1	-2.1	0.3	-1.0	**-1.4**	**-2.4**	**-0.1**
Public consumption		168.2	27.9	2.6	5.0	0.7	0.1	**0.0**	**-0.1**	**0.4**
Gross fixed capital formation		106.7	17.7	3.1	-12.0	-7.2	5.7	**-4.6**	**-3.3**	**1.6**
of which : equipment		34.3	5.7	4.5	-16.4	-4.6	9.2	**0.3**	**0.7**	**3.0**
Exports (goods and services)		499.6	83.0	6.0	-7.7	11.2	3.9	**3.3**	**3.3**	**3.9**
Imports (goods and services)		445.8	74.1	6.0	-7.1	10.2	3.6	**3.1**	**2.9**	**3.6**
GNI (GDP deflator)		607.2	100.9	2.5	-4.0	2.5	3.5	**-0.8**	**-0.8**	**0.9**
Contribution to GDP growth :	Domestic demand			2.3	-2.1	-1.0	0.6	**-1.5**	**-1.7**	**0.3**
	Inventories			0.0	-0.4	1.2	-0.1	**0.1**	**0.2**	**0.0**
	Net exports			0.4	-1.1	1.4	0.5	**0.4**	**0.6**	**0.6**
Employment				1.2	-1.1	-0.6	0.5	**-0.9**	**-1.0**	**-0.1**
Unemployment rate (a)				4.6	3.7	4.5	4.4	**5.3**	**6.9**	**7.2**
Compensation of employees/f.t.e.				3.5	2.5	1.5	1.8	**1.3**	**1.8**	**2.1**
Unit labour costs whole economy				2.0	5.3	-0.8	1.3	**1.3**	**1.5**	**1.1**
Real unit labour costs				-0.4	5.2	-1.8	0.0	**0.6**	**0.1**	**-0.6**
Saving rate of households (b)				15.3	12.3	10.5	11.6	**10.5**	**11.8**	**12.2**
GDP deflator				2.3	0.1	1.1	1.2	**0.7**	**1.4**	**1.7**
Harmonised index of consumer prices				2.2	1.0	0.9	2.5	**2.8**	**2.8**	**1.5**
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	**8.4**	**8.9**	**9.3**
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	**8.0**	**7.7**	**8.7**
General government balance (c)				-1.3	-5.6	-5.1	-4.5	**-4.1**	**-3.6**	**-3.6**
Cyclically-adjusted budget balance (c)				-1.3	-4.1	-4.2	-3.7	**-2.6**	**-1.8**	**-2.0**
Structural budget balance (c)				-	-4.1	-4.0	-3.7	**-2.6**	**-2.0**	**-2.3**
General government gross debt (c)				61.1	60.8	63.1	65.5	**71.2**	**74.6**	**75.8**

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

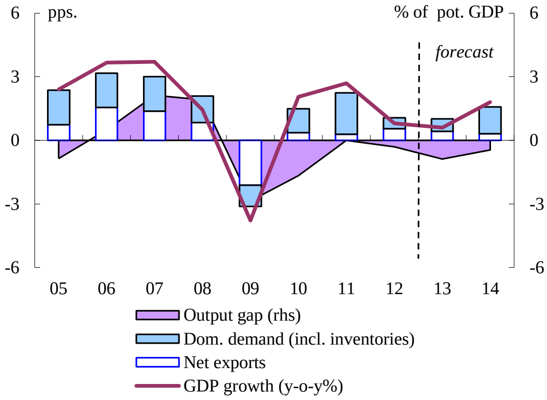
19. AUSTRIA

Recovery still rather hesitant

Economic activity flattening out over 2012

Last year saw a broad-based slowdown of aggregate demand with GDP growth turning slightly negative in the last quarter. Business and consumer confidence deteriorated considerably until October. While sentiment has gained some ground since then, there is significant heterogeneity across sectors and it remained generally subdued in March 2013.

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



Indicators of activity point to a lacklustre start of 2013. Capacity utilisation recovered from a slump in the previous quarter, but failed to display any marked improvement. Manufacturers' backlogs decreased further in January 2013 while orders, including those for exports, were rather disappointing in the first quarter. Retail sales remained flat in January-February 2013.

Waiting for a start signal

The weakened growth dynamics in late 2012 and early 2013 are weighing on the overall GDP growth prospects for 2013. Nevertheless, the economy is well prepared for a gradual upturn in the coming quarters and 2014.

Although seemingly reluctant to invest beyond ensuring the adequacy of the capital stock, the corporate sector has accumulated significant savings over the recent years and should not face financing difficulties. Favourable financing conditions should support investment demand in the coming months.

Employment growth remained robust in 2012. Although set to ease as increased unit labour costs limit the scope for employment gains, the change in employment is projected to remain positive in 2013 and possibly regain some strength in 2014. Unemployment is expected to be higher in 2013 and 2014, but mostly on account of the increase in the labour force. The real wage bill growth is likely to stay positive in 2013 and 2014 against the background of high wage settlements in 2012 and declining inflation. This should provide for gradually more sustained increases in consumption.

The exporting sectors are forecast to benefit from progressively improving external demand conditions in relevant markets over the forecast horizon. Exports of services experienced an increase in market shares in 2012. Industrial productivity improved further in 2012, while unit labour costs have increased only moderately, leaving cost competitiveness seemingly unimpaired. All in all, the external balance is projected to stay positive and to provide a positive contribution to growth in 2013-14.

The balance of risks to the growth outlook 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 confidence of firms and consumers recovers more swiftly than anticipated.

Headline inflation reached 2.9% in October-December 2012 due, inter alia, to labour cost pressures in certain services. Since then, it has eased to 2.4% in March 2013, mostly on account of food and fuel prices disinflation. Inflationary pressures are expected to dissipate further in the course of 2013-14 with inflation moving below 2%.

Consolidation continues apace

In 2012, the general government deficit remained stable at 2.5% of GDP. This better-than-expected outcome is mainly due to robust dynamics of households' income, which fuelled revenues from personal income tax and social contributions. One-off measures to support troubled banks amounting to 0.9% of GDP precluded a decline in the deficit.

The deficit is expected to decrease in 2013 due to the consolidation effort envisaged by the "stability package" adopted last year. On the expenditure side, the measures entailing significant savings in 2013-14, have been largely implemented. However, proactive measures, in particular expenditure on education, will offest these savings leading to a minor increase in discretionary spending in 2013. This year fiscal consolidation will be mainly on the revenue side, where additional revenues are expected from discretionary measures already approved. Nevertheless, the projected deceleration in GDP growth and the expected rebound in certain expenditure categories, whose growth was subdued last year, will limit the size of the adjustment. The budgeted support to troubled banks will also have an adverse impact on public finances in 2013.

The acceleration in economic activity in 2014 together with the continued savings in pensions and healthcare, are projected to result in a further decline in the deficit. However the risks of a delayed economic recovery and further government intervention in the banking sector could lead to an upward revision of this estimate.

After a significant improvement in 2012 which led to a structural balance of -1½% of GDP, the structural deficit is projected to rise marginally in 2013 and 2014 due to the combined effect of one-off measures on the revenue and expenditure side.

The increase of government debt in 2012 turned out lower than forecast, and is set to slow down further in 2013, while a decline in the debt ratio is projected for 2014.

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

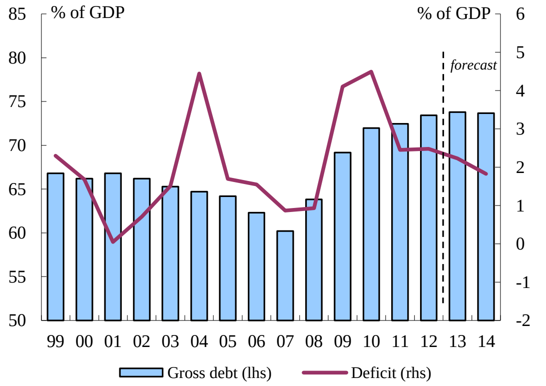


Table II.19.1:

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	**0.8**	**0.6**	**1.8**
Private consumption		163.6	54.4	1.6	1.1	1.7	0.7	**0.4**	**0.4**	**1.0**
Public consumption		56.6	18.8	2.2	0.6	0.2	0.1	**-0.2**	**0.8**	**1.0**
Gross fixed capital formation		64.5	21.4	1.4	-7.8	0.8	7.3	**1.3**	**1.1**	**2.5**
of which : equipment		25.0	8.3	1.6	-10.6	6.0	12.1	**0.3**	**0.4**	**3.7**
Exports (goods and services)		172.3	57.3	6.0	-15.6	8.7	7.2	**1.7**	**2.8**	**5.6**
Imports (goods and services)		162.3	54.0	4.8	-13.3	8.8	7.2	**0.8**	**2.2**	**5.4**
GNI (GDP deflator)		299.7	99.7	2.4	-4.5	2.8	2.6	**1.1**	**0.5**	**1.8**
Contribution to GDP growth :	Domestic demand			1.7	-1.0	1.1	1.9	**0.5**	**0.6**	**1.3**
	Inventories			0.1	-0.9	0.6	0.6	**-0.4**	**-0.4**	**0.2**
	Net exports			0.6	-2.1	0.4	0.3	**0.6**	**0.4**	**0.3**
Employment				0.6	-1.5	0.5	1.4	**1.1**	**0.7**	**1.0**
Unemployment rate (a)				4.2	4.8	4.4	4.2	**4.3**	**4.7**	**4.7**
Compensation of employees/f.t.e.				2.8	2.5	1.3	2.3	**3.0**	**2.1**	**1.9**
Unit labour costs whole economy				1.0	4.9	-0.2	1.0	**3.4**	**2.2**	**1.1**
Real unit labour costs				-0.6	3.4	-1.8	-1.2	**1.1**	**0.2**	**-0.6**
Saving rate of households (b)				-	16.1	14.2	12.6	**13.4**	**13.2**	**13.5**
GDP deflator				1.5	1.5	1.6	2.2	**2.2**	**2.0**	**1.7**
Harmonised index of consumer prices				2.0	0.4	1.7	3.6	**2.6**	**2.0**	**1.8**
Terms of trade of goods				-0.2	2.8	-1.6	-2.9	**0.0**	**-0.1**	**-0.3**
Merchandise trade balance (c)				-1.9	-1.1	-1.1	-2.3	**-1.9**	**-2.0**	**-2.2**
Current-account balance (c)				0.1	2.7	3.1	2.1	**3.0**	**3.1**	**3.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				0.0	2.8	3.1	2.0	**2.9**	**3.1**	**3.1**
General government balance (c)				-2.4	-4.1	-4.5	-2.5	**-2.5**	**-2.2**	**-1.8**
Cyclically-adjusted budget balance (c)				-2.5	-2.7	-3.7	-2.5	**-2.3**	**-1.8**	**-1.6**
Structural budget balance (c)				-	-2.7	-3.3	-2.2	**-1.5**	**-1.6**	**-1.7**
General government gross debt (c)				64.3	69.2	72.0	72.5	**73.4**	**73.8**	**73.7**

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

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

20. POLAND

Muted growth prospects amid prevailing uncertainty

Slowdown deepened throughout 2012

In 2012 real GDP grew by a mere 1.9% y-o-y, as sluggish domestic demand left its mark on economic activity. In particular, private consumption growth was lacklustre as employment creation stalled, real wages declined and consumer confidence tumbled. Fiscal consolidation curbed public consumption and investment. A bleak demand outlook and worsening financial conditions hampered private investment. External demand provided some respite for economic activity as exports expanded more strongly than imports, which were constrained by weak domestic demand.

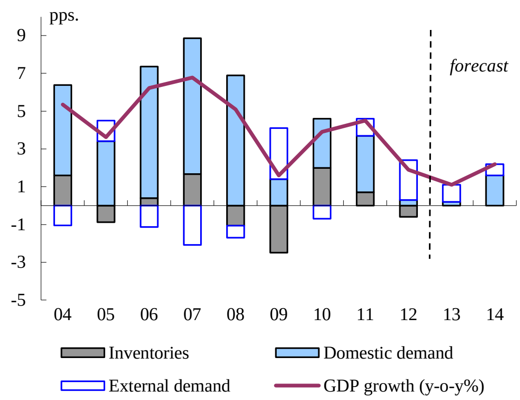
Economic activity stumbles over grim demand outlook and weak sentiment

Real GDP growth is projected to slow down further in the first half of 2013 to 0.7% (from 1.9% in 2012) as the weak economic outlook for main export markets translates into sluggish private investment activity and plunging consumer and business sentiment is constraining domestic demand. Some rebound, on the back of an improving global situation and lower cost of credit, is expected only towards the end of the year. All in all, real GDP is forecast to increase by 1.1% in 2013. Domestic demand is projected to remain weak in 2013, with underperforming consumption and investment, while external demand is likely to offset to some extent these developments. Economic activity is set to gradually gain steam in 2014, when the global economic outlook improves further, and real GDP growth is expected to reach 2.2% over the whole year.

Private consumption is forecast to grow moderately. Rising unemployment is likely to weaken disposable income, and waning consumer confidence is set to increase household savings. However, these negative effects are projected to be somewhat offset by higher real wages thanks to contained inflationary pressures and falling costs of debt servicing. Only towards the end of the forecast horizon is private consumption likely to accelerate thanks to improving labour market conditions and recovering confidence.

Private gross fixed capital formation is projected to grow, albeit at a sluggish pace, in 2013 as a dire global demand outlook, weak economic sentiment and deteriorating profitability are expected to constrain corporates' willingness to invest. Once economic conditions brighten and financial conditions continue to improve towards the end of the forecast horizon, companies are set to renew their machinery in preparation for an expected upturn in the cycle. Public investment is projected to continue falling. Fiscal consolidation is set to curb public spending further and in addition, fewer infrastructure projects co-financed from the previous EU multiannual financial framework are expected to be completed.

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



Foreign trade is expected to support growth in 2013, while in 2014 the positive net effect on growth is forecast to shrink, because imports are set to catch up on the back of higher private domestic demand. The current-account deficit is set to decrease from 3.3% in 2012 to 2.4% in 2014.

This growth outlook is subject to broadly balanced risks. On the upside, a weaker currency would further boost exports and enhance import substitution. On the downside, a further deterioration in consumer and business confidence might lead to an even more risk-averse behaviour of consumers and companies, delaying the pick-up in investment and consumption.

Inflation remains contained over the forecast horizon

HICP inflation reached 3.7% in 2012, as a result of depreciation of the zloty, high commodity prices and increases in administered prices. The inflation rate is expected to decrease sharply to 1.4% in

2013, in line with the declining commodity (notably gas) prices and weak domestic demand. A moderate pick-up to 2.0% is forecast for 2014, reflecting base effects and improving domestic demand.

Fiscal consolidation halts due to the slowdown

The general government deficit is projected to slightly increase over the forecast horizon, due to the weak economic outlook for 2013 and a reversal of some consolidation measures in 2014.

In 2012 the deficit reached 3.9% of GDP due to a higher-than-expected slump in indirect tax revenues, higher current expenditure and a fall in received capital transfers. These factors more than offset a sharp fall in public investment.

In 2013, the deficit is projected to stay at 3.9% (subject to the risk of a repeated slump in VAT revenues). The effect of taken measures is set to be offset by slow economic growth. On the revenue side, the main deficit-reducing measures include the full-year effect of the ones that came into force during 2012 (an increase in the disability contribution rate and the new mining tax) and a continued freeze in Personal Income Tax (PIT) thresholds. 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 intends to further lower public investment.

In 2014, the deficit is expected to increase to 4.1% of GDP under the no-policy-change assumption. Despite a rebound in economic activity, the revenues will be negatively affected by the expiry 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.

The structural deficit is set to fall from 3.8% in 2012 to 2.9% in 2014. General government debt-to-GDP ratio is forecast to increase from 55.6% in 2012 to 58.9% 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	1528.1	100.0	4.6	1.6	3.9	4.5	**1.9**	**1.1**	**2.2**
Private consumption	933.9	61.1	4.4	2.0	3.1	2.6	**0.8**	**0.8**	**1.5**
Public consumption	274.8	18.0	3.5	2.1	4.1	-1.7	**0.0**	**1.2**	**1.4**
Gross fixed capital formation	308.7	20.2	7.6	-1.2	-0.4	8.5	**-0.8**	**-2.6**	**2.2**
of which : equipment	107.5	7.0	-	-10.8	-3.3	10.8	**6.0**	**1.0**	**4.5**
Exports (goods and services)	688.7	45.1	10.6	-6.8	12.1	7.7	**2.8**	**2.6**	**5.5**
Imports (goods and services)	706.3	46.2	11.5	-12.4	13.9	5.5	**-1.8**	**0.6**	**4.3**
GNI (GDP deflator)	1464.7	95.9	4.7	0.1	3.5	4.2	**1.5**	**1.0**	**2.1**
Contribution to GDP growth : Domestic demand			4.9	1.4	2.6	3.0	**0.3**	**0.2**	**1.6**
Inventories			0.1	-2.5	2.0	0.7	**-0.6**	**0.0**	**0.0**
Net exports			-0.4	2.7	-0.7	0.9	**2.1**	**0.9**	**0.6**
Employment			-	0.4	0.5	1.0	**0.2**	**-0.4**	**-0.2**
Unemployment rate (a)			14.3	8.1	9.7	9.7	**10.1**	**10.9**	**11.4**
Compensation of employees/head			15.7	3.5	4.7	4.0	**3.1**	**2.6**	**3.3**
Unit labour costs whole economy			-	2.2	1.3	0.5	**1.4**	**1.0**	**0.9**
Real unit labour costs			-	-1.4	-0.1	-2.6	**-1.0**	**-0.3**	**-0.8**
Saving rate of households (b)			-	9.0	8.2	2.1	**1.5**	**3.0**	**3.1**
GDP deflator			11.8	3.7	1.4	3.2	**2.5**	**1.4**	**1.7**
Harmonised index of consumer prices			-	4.0	2.7	3.9	**3.7**	**1.4**	**2.0**
Terms of trade of goods			0.2	4.4	-1.4	-1.9	**-1.6**	**0.0**	**-0.6**
Merchandise trade balance (c)			-3.1	-1.0	-1.8	-2.1	**-0.8**	**-0.1**	**0.2**
Current-account balance (c)			-2.4	-3.1	-4.3	-4.5	**-3.3**	**-2.5**	**-2.4**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-1.6	-1.9	-2.7	-2.7	**-1.3**	**-0.8**	**-0.9**
General government balance (c)			-3.7	-7.4	-7.9	-5.0	**-3.9**	**-3.9**	**-4.1**
Cyclically-adjusted budget balance (c)			-	-7.9	-8.3	-5.4	**-3.7**	**-3.0**	**-2.9**
Structural budget balance (c)			-	-8.2	-8.3	-5.4	**-3.8**	**-3.3**	**-2.9**
General government gross debt (c)			-	50.9	54.8	56.2	**55.6**	**57.5**	**58.9**

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

21. PORTUGAL
Adjusting to economic and legal uncertainties

The following text and projections reflect the authorities' commitments for 2013–14 under the EU/IMF-supported programme and Commission estimates. In view of important policy decisions to be taken after publication, the projections will be reassessed at the next review of the Economic Adjustment Programme.

Stronger than expected contraction due to deteriorating outlook for export markets

After a 3.2% contraction last year, real GDP is forecast to fall by 2.3% this year. The large slump in GDP in the fourth quarter of 2012 appears to have been partly due to one-off factors likely to have been reversed in the first quarter of 2013. Nevertheless, a downward revision of annual growth for 2013 seems warranted as a result of a further deterioration of the growth outlook for Portugal's export markets and worsening labour market prospects.

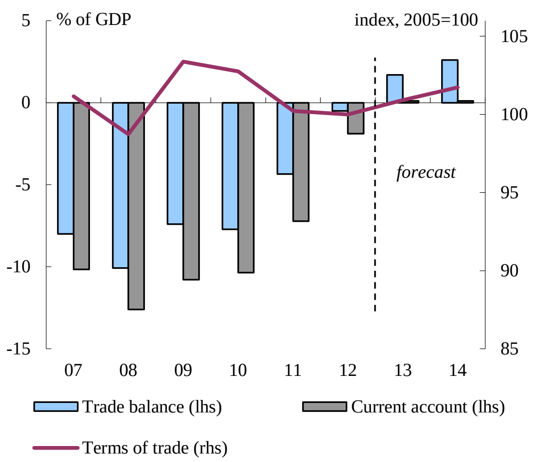
Stabilisation expected for the second half of 2013

In spite of headwinds coming both from domestic and external demand this year, economic activity is expected to gradually pick up towards the end of the year. Equipment investment and industrial production showed signs of bottoming out over the past months and are expected to rebound in the second half of this year. Confidence indicators, albeit at still relatively low levels in all sectors, have maintained an upward trend over the past five months. Export growth should be supported by the redirection of trade towards extra-EU markets.

The recovery should gather pace in 2014 with real GDP forecast to grow by 0.6%, driven by net exports and investment as well as a turnaround in private consumption. The unemployment rate is forecast to reach 18½% in 2014 as a consequence of the weaker growth outlook and expected further cuts in public sector employment.

The rebalancing towards a more export-oriented growth pattern continues at a good pace. The balance of trade in goods and services is set to reach positive territory in 2013 and to improve further in 2014. In 2013, the current account is projected to be balanced for the first time in more than 40 years. It is projected to remain close to balance in 2014 with the improvements in the trade balance partly being offset by rising interest payments on the still-high foreign-debt stock.

Graph II.21.1: **Portugal - External balances**



Subdued domestic demand and the weak labour market are expected to continue exerting downward pressure on wages and prices over the forecast period, which should support the ongoing rebalancing of the economy towards the tradable sector. HICP inflation has dropped to 0.4% in the first quarter of this year and is expected to average 0.7% in 2013 and accelerate to 1.0% in 2014.

Risks to the forecast are tilted to the downside. The macroeconomic outlook is subject to the implementation of the fiscal measures, worth 0.8% of GDP, to compensate for the budgetary impact of the Constitutional Court ruling, the details of which are not yet specified. Beyond this factor, the projected recovery is contingent on positive trade and financial market developments, which remain fragile. Continued tensions in the euro area have the potential to spill over to Portugal through the trade, financial markets or confidence channel. On the positive side, Portugal has gradually regained access to the sovereign-bond market at more favourable interest rates. If this trend continues, financing conditions could also improve for the private sector.

Fiscal consolidation progressing in a challenging environment

The general government deficit in 2012 reached 6.4% of GDP, above the 5% projected in the 2013 winter forecast, as some of the then identified risks have effectively materialised, notably the statistical treatment of the sale of the airport concession ANA as non-deficit reducing item. Other large one-off operations also added to the deficit, such as the capital injection into the state-owned bank CGD and the re-routing of the conversion of shareholder loans to a state-owned enterprise (Sagestamo). Fiscal consolidation was, nonetheless remarkable with a fiscal effort of about 2¼% of GDP, reaching a structural balance of some 4¼% of GDP. Interest costs also peaked in 2012 at around 4.4% of GDP, thus the structural primary balance is now moving into positive territory.

The fiscal balance is expected to be -5.5% of GDP in 2013 and -4% in 2014. Fiscal consolidation in 2013 is set to continue on the back of the measures adopted in the budget, which are strongly tilted to the revenue side through increases in personal income and property taxation, and the frontloading of some measures envisaged in the Public Expenditure Review. On 5 April, the Constitutional Court ruled against some of the budget measures worth about 0.8% of GDP. On 17 April, the Portuguese Council of Ministers decided to fill this gap with various measures, including the compression of line ministries' outlays and possibly further extension as well as frontloading of measures from the public expenditure review. The fiscal projections for 2014 are underpinned by permanent consolidation measures, worth at least 1¾% of GDP, which hinge on the spending reductions from the Public Expenditure Review.

Downside risks to the fiscal outlook could arise from an unexpected worsening of the macroeconomic environment. In addition, there is uncertainty regarding the design of measures of the public expenditure review related to their compliance with the latest Constitutional Court ruling.

The debt-to-GDP ratio shifted upwards to 123½% in 2012, partly due to the statistical treatment of the transfers of privatisation receipts from Parpública to the State. The public debt-to-GDP ratio is projected to reach some 124½% 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	171.1	100.0	2.1	-2.9	1.9	-1.6	**-3.2**	**-2.3**	**0.6**
Private consumption	113.8	66.5	2.4	-2.3	2.5	-3.8	**-5.6**	**-3.3**	**0.1**
Public consumption	34.3	20.0	2.3	4.7	0.1	-4.3	**-4.4**	**-4.2**	**-2.0**
Gross fixed capital formation	30.5	17.8	1.9	-8.6	-3.1	-10.7	**-14.5**	**-7.6**	**2.5**
of which : equipment	9.0	5.3	3.9	-13.0	-2.6	-11.3	**-10.1**	**-3.8**	**4.5**
Exports (goods and services)	61.2	35.8	5.7	-10.9	10.2	7.2	**3.3**	**0.9**	**4.4**
Imports (goods and services)	68.6	40.1	5.8	-10.0	8.0	-5.9	**-6.9**	**-3.9**	**3.1**
GNI (GDP deflator)	164.6	96.2	1.9	-3.4	2.6	-1.9	**-1.9**	**-2.8**	**-0.4**
Contribution to GDP growth : Domestic demand			2.5	-2.5	1.0	-5.6	**-7.2**	**-4.2**	**0.0**
Inventories			0.2	-1.1	0.9	-0.7	**0.2**	**0.0**	**0.0**
Net exports			-0.6	0.7	0.0	4.6	**4.0**	**1.9**	**0.6**
Employment			0.4	-2.6	-1.5	-1.5	**-4.2**	**-3.9**	**-0.5**
Unemployment rate (a)			6.6	10.6	12.0	12.9	**15.9**	**18.2**	**18.5**
Compensation of employees/head			5.6	2.8	2.0	-0.7	**-2.7**	**3.1**	**0.0**
Unit labour costs whole economy			3.9	3.1	-1.4	-0.7	**-3.8**	**1.5**	**-1.1**
Real unit labour costs			0.1	2.2	-2.1	-1.2	**-3.7**	**-0.4**	**-2.3**
Saving rate of households (b)			-	10.9	10.1	9.1	**11.6**	**12.3**	**12.4**
GDP deflator			3.9	0.9	0.6	0.5	**-0.1**	**1.8**	**1.3**
Harmonised index of consumer prices			3.5	-0.9	1.4	3.6	**2.8**	**0.7**	**1.0**
Terms of trade of goods			0.2	5.0	0.1	-2.0	**-0.2**	**1.1**	**0.9**
Merchandise trade balance (c)			-10.4	-10.0	-10.6	-7.8	**-4.6**	**-2.7**	**-2.2**
Current-account balance (c)			-8.2	-10.8	-10.4	-7.2	**-1.9**	**0.1**	**0.1**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-6.1	-9.6	-9.0	-5.6	**0.4**	**1.8**	**1.8**
General government balance (c)			-4.5	-10.2	-9.8	-4.4	**-6.4**	**-5.5**	**-4.0**
Cyclically-adjusted budget balance (c)			-4.6	-8.9	-9.5	-3.6	**-4.8**	**-3.4**	**-2.3**
Structural budget balance (c)			-	-8.7	-8.8	-6.6	**-4.2**	**-3.6**	**-2.0**
General government gross debt (c)			58.7	83.7	94.0	108.3	**123.6**	**123.0**	**124.3**

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

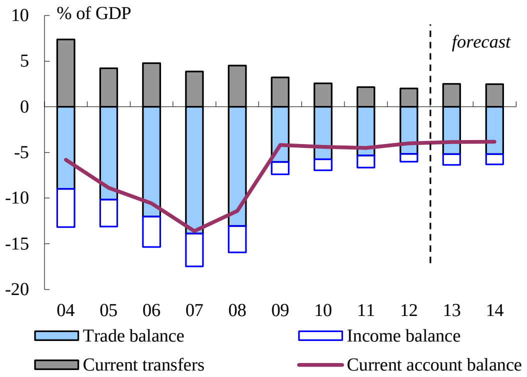
22. ROMANIA

Gradual recovery ahead

Gradual recovery mostly driven by domestic demand

The economy expanded by a mere 0.7% in 2012, having been dragged down by a severe summer drought affecting agricultural output and by a weak external environment. In 2012, the current-account deficit declined by 0.5 pp. to 4.0% of GDP due to smaller trade and income deficits.

Graph II.22.1: **Romania - Current account balance**



Economic activity is expected to recover modestly and reach 1.6% GDP growth in 2013. The driver of growth continues to be domestic demand with investment as a key contributor. The country's public investments should be supported by an improved absorption of EU funds. Government consumption is forecast to have a modest, but still positive, contribution to growth. Private consumption is also expected to make a positive contribution although it is likely to be constrained by households' continuing needs for repairing their balance sheets.

Real GDP growth is expected to accelerate to 2.2% in 2014 as structural reforms implemented in product and labour markets start paying off. Domestic demand is likely to be the main driver, powered by both investment and private consumption, while net exports are still expected to contribute negatively to GDP growth.

The current tight financing conditions coupled with the ongoing deleveraging by banks are expected to hinder the flow of credit to the economy and to hold back export growth. The external sector is projected to continue to contribute negatively to growth. The negative contribution from the external sector will result from the weak recovery in the country's main trading partners and stronger imports. After a substantial improvement in 2012, the current-account deficit is forecast to remain below 4% of GDP in 2013 and 2014.

Risks to growth appear balanced. Upside risks include more favourable agricultural developments and higher-than-expected absorption of EU funds. Downside risks stem from a stronger-than-expected deceleration of domestic credit.

Inflationary pressures expected to ease in the second part of 2013

Headline inflation averaged 3.4% in 2012. After slowing down in the last quarter of 2012, HICP peaked in January 2013 at 5.1% (y-o-y). In March 2013, monthly inflation came to a standstill mainly due to lower-than-expected food and energy price increases. Food price inflation is expected to decelerate significantly in the course of the year, especially in the second half of 2013, due to positive base effects. Energy prices are set to stay high due to the ongoing liberalisation of administered electricity and gas prices.

On the back of the economic recovery and continuous energy price liberalisation, average inflation is expected to reach 4.3% in 2013 while for 2014 an average inflation of 3.1% is forecast.

Labour market to continue to improve slightly in 2013

In 2012, employment increased by more than expected, growing by 1.9% in comparison to 2011. However, the improvement in regular employment was counterbalanced by a negative job trend among the self-employed. Employment is expected to recover somewhat further over the forecast horizon. Unemployment came down from 7.4% of the labour force (age group 15-74) in 2011 to 7% in 2012 and it is expected to stay below 7% in 2013 and 2014. Youth unemployment, currently at around 23%, is expected to fall somewhat but to remain high.

Budget deficit to stay below 3% over the forecast horizon, but risks remain

Romania reduced its government deficit to 2.9% of GDP in 2012. The budgetary consequences from the financial corrections on EU funds that became necessary at end-2012 were compensated by windfall revenue from the sale of telecommunication licenses.

The budget deficit for 2013 is forecast at 2.6% of GDP. Following elections in late 2012, the government passed the budget in February 2013 targeting a deficit of 2.4% of GDP. However, the gains from prioritisation of investment projects and the impact of the revenue measures' package are currently forecast to be more limited than previously assumed. The budget allows for a 4% increase in pensions, and an allocation to implement the EU Late Payments Directive in the health sector. 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 excise rates increased to keep up with inflation, while a tax is set to be introduced on windfall gains following the deregulation of gas prices. The minimum wage was increased from RON 700 by RON 50 as of 1 February and is set 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 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 2.4% of GDP in 2014. The structural deficit is forecast to improve over the forecast horizon from some-2¾% in 2012 to about -1½% in 2014. Public debt is expected to stabilise below 39% of GDP in 2013-14.

The main risks to the budget over the forecast horizon relate to: (i) further possible financial corrections linked to the absorption of EU funds or the financing from the national budget of priority projects; (ii) renewed accumulation of arrears in the second half of 2013 and possibly continuing in 2014, especially at local government level; and (iii) limited progress with restructuring state-owned enterprises that could result into renewed pressure on the budget.

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	3.0	-6.6	-1.1	2.2	**0.7**	**1.6**	**2.2**
Private consumption		352.7	63.4	5.6	-10.1	-0.3	1.1	**1.1**	**1.9**	**2.0**
Public consumption		83.8	15.0	0.9	3.1	-4.7	0.2	**1.7**	**1.8**	**1.9**
Gross fixed capital formation		144.6	26.0	9.8	-28.1	-1.8	7.3	**4.9**	**3.4**	**5.0**
of which : equipment		52.8	9.5	10.5	-27.7	-19.1	7.5	**5.7**	**3.7**	**5.3**
Exports (goods and services)		222.9	40.0	10.9	-6.4	13.2	10.3	**-3.0**	**2.5**	**4.0**
Imports (goods and services)		252.6	45.4	13.4	-20.5	11.1	10.0	**-0.9**	**4.0**	**5.0**
GNI (GDP deflator)		549.4	98.7	2.9	-5.1	-1.0	2.1	**1.2**	**1.3**	**2.2**
Contribution to GDP growth :	Domestic demand			6.8	-15.0	-1.5	2.6	**2.2**	**2.3**	**2.9**
	Inventories			-1.6	1.4	0.4	0.1	**-0.7**	**0.1**	**0.0**
	Net exports			-2.0	7.0	0.0	-0.5	**-0.8**	**-0.8**	**-0.7**
Employment				-2.3	-2.0	-0.3	-1.1	**1.9**	**0.5**	**0.8**
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	4.2	**5.2**	**5.9**	**5.5**
Unit labour costs whole economy				51.5	2.9	-2.4	0.9	**6.4**	**4.7**	**4.0**
Real unit labour costs				-0.8	-1.2	-7.7	-3.1	**1.5**	**0.2**	**0.4**
Saving rate of households (b)				-	-1.3	-8.3	-15.2	**-**	**-**	**-**
GDP deflator				52.7	4.2	5.7	4.1	**4.8**	**4.4**	**3.6**
Harmonised index of consumer prices				-	5.6	6.1	5.8	**3.4**	**4.3**	**3.1**
Terms of trade of goods				1.6	1.2	1.0	2.6	**3.2**	**1.4**	**1.2**
Merchandise trade balance (c)				-7.7	-5.8	-6.1	-5.6	**-5.6**	**-5.7**	**-5.7**
Current-account balance (c)				-	-4.2	-4.4	-4.5	**-4.0**	**-3.9**	**-3.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-5.7	-3.6	-4.2	-3.9	**-2.6**	**-2.9**	**-3.0**
General government balance (c)				-	-9.0	-6.8	-5.6	**-2.9**	**-2.6**	**-2.4**
Cyclically-adjusted budget balance (c)				-	-9.0	-6.2	-5.2	**-2.2**	**-1.7**	**-1.4**
Structural budget balance (c)				-	-9.5	-6.2	-4.0	**-2.7**	**-1.7**	**-1.4**
General government gross debt (c)				-	23.6	30.5	34.7	**37.8**	**38.6**	**38.5**

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

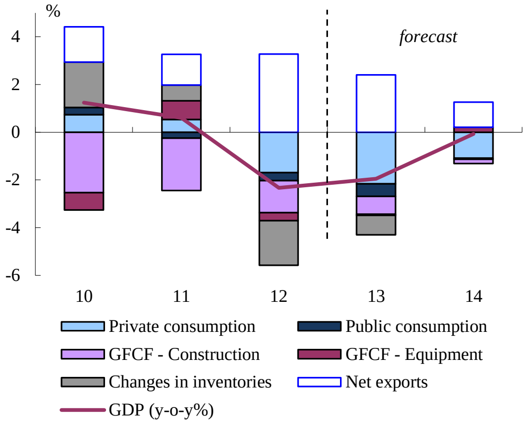
23. SLOVENIA

Slow deleveraging and delay in reforms prolong recession

Existing imbalances prolong recession

Real GDP contracted by 2.3% in 2012 and is expected to drop further by 2% this year and to stabilise in 2014 on the back of steadily declining domestic demand. The protracted weakness of the economy has subdued inflation, labour costs, credit growth and it has resulted in a current-account surplus. Existing imbalances continue to weigh on growth and fiscal adjustment.

Graph II.23.1: **Slovenia - GDP growth and contributions**



Private consumption is set to fall by 3¾% in 2013 and 2% in 2014, despite a slightly improved consumer confidence in early-2013. Rising unemployment is one of the main contributors to the continuous negative trend in consumption. In addition, an increasing share of new non-permanent jobs is reducing stability of income.

Gross fixed capital formation is also expected to remain subdued. Though still negative, the forecast for 2013 has been revised somewhat upwards to a drop of 5%, due to anticipated investment in machinery in 2013-14 for a recently constructed coal-power plant and increased absorption of EU funds in 2013. Nevertheless, fixed investment continues to decline, mirroring high deleveraging needs of the corporate sector and pressure on banks' balance sheets.

The release of positive trade data in March points at a gradual recovery of export in the first quarter of 2013 and a shift towards faster growing markets outside Europe. This is expected to drive exports up by 1¼% in 2013 and 3¼% in 2014. Meanwhile, imports are projected to fall again in 2013, due to declining domestic demand, but at a lower rate and to slowly recover in 2014, reflecting mainly the anticipated one-off investment in the coal-power plant.

Further downside risks to growth

Risks to growth are tilted to the downside. Further delays in resolving the banking crisis and restructuring the highly indebted corporate sector have already resulted in a downward revision of growth forecasts. Any additional postponement of required bold structural reforms would lead to a further deterioration of growth prospects.

Lagged labour market adjustment and inflation to remain moderate

The ongoing restructuring of the corporate sector as well as necessary public and private deleveraging indicate a further reduction in employment of 1½% in 2013 and ½% in 2014. The unemployment rate is set to increase to 10% in 2013 and 10¼% in 2014. Real wages have dropped slightly in 2012 as a result of weak growth outlook, budgeted cuts in public sector wages and adverse dynamics in the labour market.

Core inflation is expected to remain subdued at a level below 2%, although some upside risks on prices of public utility services exist after the government has lifted some price controls. If this effect proves to be significant, it may translate into higher inflation and further pressure on real disposable income.

Dynamic interests and pension expenditure as well as falling revenue hamper consolidation

The general government deficit declined significantly from 6.4% of GDP in 2011 to 4.0% of GDP in 2012. The government implemented a major current expenditure restraint through cuts in public sector wages and social transfers. However, most consolidation measures are valid only temporarily. In addition, public investment was reduced again, resulting in a drop of 35% since 2009. Finally, capital injections, including one-offs, to public corporations were lower than in 2011. On the revenue side, the government cut the corporate income tax rate and introduced more generous investment and R&D allowances.

The 2013 deficit is projected at 5.3% of GDP (without one-off conversions of CoCo bonds into equity of the two largest banks it would have been forecast at 4.1% of GDP). The forecast incorporates the full-year impact of the mid-2012 savings package and the 2013 budget. The worsening labour market is forecast to result in falling social contributions. By contrast, social transfers are projected to increase again because of the still high number of new pensioners at the end of 2012 and in early 2013.

The 2014 deficit is projected at 4.9% of GDP under the no-policy-change assumption. The 2014 budget does not incorporate new discretionary measures, except for a reduction in the corporate income tax rate to 16% and a broad stabilisation of the public sector wage bill. Tax revenues and social contributions are estimated to slightly decrease. On the expenditure side, social transfers, particularly pensions, and interest payments are set to remain high due to elevated debt levels.

The structural balance improved significantly in 2012 alongside implemented consolidation measures. For the same reasons it is projected to slightly improve also in 2013. However, the structural balance is forecast to deteriorate in 2014 mainly due to built-in expenditure increases. The debt ratio is projected to breach 60% of GDP in 2013 and increase above 66% of GDP in 2014 mainly due to primary deficits and stock-flow adjustments.

Excluding additional measures to strengthen banks, risks to fiscal projections seem balanced. Upside risks result from new savings measures in the announced 2013 supplementary budget, while downside risks stem from a weak budget implementation and the court judgement, still challenged by the government, stipulating the payment of the salary increase to public employees postponed in 2010. However, significant further fiscal resources are required to strengthen banks. To this end, the Banking Stability Act makes available up to EUR 4 bn (11% of GDP) of state guarantees for asset transfer to a Bank Asset Management Company and up to EUR 1 bn (3% of GDP) of cash for recapitalisations. These amounts are not included in the deficit and debt projections as actual implementation and amounts necessary remain uncertain.

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	**-2.3**	**-2.0**	**-0.1**
Private consumption	20.9	57.8	3.7	0.1	1.3	0.9	**-2.9**	**-3.7**	**-1.9**
Public consumption	7.5	20.8	3.1	2.5	1.5	-1.2	**-1.6**	**-2.5**	**-0.2**
Gross fixed capital formation	6.7	18.5	7.1	-23.2	-13.8	-8.1	**-9.3**	**-4.9**	**0.1**
of which : equipment	2.8	7.9	9.5	-28.9	-7.9	9.5	**-3.7**	**-0.5**	**2.3**
Exports (goods and services)	26.2	72.4	5.3	-16.7	10.1	7.0	**0.3**	**1.3**	**3.2**
Imports (goods and services)	25.8	71.2	6.9	-19.5	7.9	5.2	**-4.3**	**-2.1**	**2.0**
GNI (GDP deflator)	35.7	98.6	3.5	-7.2	1.6	0.8	**-2.2**	**-2.2**	**-0.4**
Contribution to GDP growth : Domestic demand			4.3	-6.1	-2.1	-1.3	**-3.7**	**-3.5**	**-1.1**
Inventories			0.4	-4.1	1.9	0.7	**-1.9**	**-0.8**	**0.0**
Net exports			-1.0	2.4	1.5	1.3	**3.3**	**2.4**	**1.1**
Employment			-	-1.8	-2.2	-1.6	**-1.3**	**-1.6**	**-0.6**
Unemployment rate (a)			-	5.9	7.3	8.2	**8.9**	**10.0**	**10.3**
Compensation of employees/head			-	1.8	3.9	1.6	**-0.4**	**0.1**	**0.7**
Unit labour costs whole economy			-	8.5	0.4	-0.6	**0.7**	**0.4**	**0.1**
Real unit labour costs			-	4.7	1.5	-1.6	**0.3**	**-1.0**	**-0.9**
Saving rate of households (b)			-	14.9	13.5	11.8	**10.7**	**12.4**	**13.6**
GDP deflator			16.4	3.6	-1.1	1.0	**0.4**	**1.4**	**1.0**
Harmonised index of consumer prices			-	0.9	2.1	2.1	**2.8**	**2.2**	**1.4**
Terms of trade of goods			0.6	4.1	-4.8	-1.8	**-1.2**	**0.0**	**-0.3**
Merchandise trade balance (c)			-3.1	-1.5	-2.9	-3.0	**-0.9**	**1.3**	**1.8**
Current-account balance (c)			-0.8	-0.4	-0.4	0.1	**2.7**	**4.8**	**4.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-1.0	-0.4	-0.3	-0.2	**2.5**	**4.8**	**5.2**
General government balance (c)			-	-6.2	-5.9	-6.4	**-4.0**	**-5.3**	**-4.9**
Cyclically-adjusted budget balance (c)			-	-4.4	-4.7	-5.7	**-2.7**	**-3.6**	**-3.3**
Structural budget balance (c)			-	-4.4	-4.7	-4.7	**-2.7**	**-2.4**	**-3.3**
General government gross debt (c)			-	35.0	38.6	46.9	**54.1**	**61.0**	**66.5**

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

24. SLOVAKIA

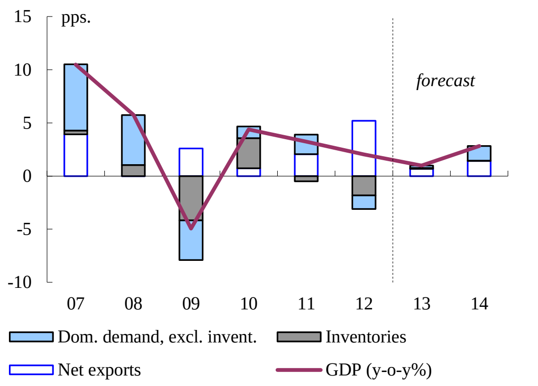
Temporary lull in growth

Deceleration in 2013, followed by a pick-up in 2014

Despite a marked deceleration in industrial production in the last quarter of 2012, real GDP grew by 2%, one of the highest growth rates in the EU. The positive growth performance in 2012 was driven by a record increase in the production and export of cars, due to the opening of new plants, while the rest of the economy stagnated. However, economic growth remained well below the level historically associated with improvements in the labour market and the unemployment rate increased to 14%.

With domestic demand constrained by persistent weaknesses in the labour market and external demand from Slovakia's trading partners set to decelerate markedly, the growth rate of real GDP is forecast to temporarily slow to 1% in 2013. The economy is expected to benefit from a recovery in the second half of 2013, primarily supported by a pick-up in private investment and external demand, the first signs of which appear in the most recent readings of monthly indicators of new orders. Real GDP growth is expected to rebound to 2.8% in 2014.

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



Exports remain the main driver of growth

Net exports are expected to continue to support growth over the forecast horizon, although only moderately in 2013, as the one-off impact of the increase in capacity in the automotive sector fades out while imports pick up only gradually. In 2014, the external pull is projected to strengthen as new investment in the automotive sector is expected to reach the production phase. At the current juncture the reliance of exports on a few cyclically-sensitive sectors represents a downside risk to the forecast.

Domestic demand supported mainly by investment amid a sluggish labour market

After the negative contribution to real GDP growth in 2012, domestic demand is expected to remain subdued in 2013 and to contribute significantly to growth only in 2014.

With unemployment on the rise and a sizeable consolidation effort taking place in 2013, private consumption growth is expected to resume only in 2014. On the other hand, having dropped markedly in 2012, investment is forecast to gradually return to its long-term level, starting with a modest increase already in 2013. Low projected interest rates along with an improvement in the economic outlook are expected to support a more decisive increase in private investment in 2014. This forecast additionally expects a significant acceleration in the drawdown of EU funds, as the financial programming period draws to an end. Nevertheless, in the light of past experience this remains subject to implementation risks.

Labour market conditions remain challenging over the forecast horizon. Modest employment growth is expected to resume only in 2014, whilst the unemployment rate is projected to stay above 14% over the forecast horizon.

Inflation developments tamed

Wage pressures are to remain contained in the next two years, consistent with developments in the labour market. HICP inflation is accordingly set to stabilise at close to 2% mirroring decelerating growth in energy and commodity prices and subdued domestic demand pressures.

Consolidation on track

In 2012, the general government deficit reached 4.3% of GDP, some 0.3 pp. lower than targeted and compared to 5.1% of GDP in 2011. The final outcome was positively influenced by the revenue measures adopted by the government in the course of the year as well as a lower-than-budgeted drawdown of EU funds, non-budgeted revenue and lower investment of local governments, and savings on social insurance expenditure. This more than offset substantial revenue shortfalls (especially VAT) and a higher-than-budgeted assumption of past hospital debts.

The multi-annual 2013-15 budget includes several measures that contribute to the continued deficit reduction in 2013. The consolidation package mainly consists of revenue measures. These include a hike in the corporate income tax rate from 19% to 23%, a new 25% tax bracket in the personal income tax system, adjustments in the taxation of self-employed and atypical work contracts, a broadening of the bases for social contributions, and increases in administration fees. Expenditure savings are envisaged in the wage bill of public employees, goods and services and general government investment. Substantial reductions in expenditure would come from local governments and budgetary entities not under the direct control of the central government. In the absence of implementation measures, it is assumed in the forecast that these savings will not be fully realised.

In March 2013, the government presented additional measures to counter a stronger-than-expected deterioration in projected revenue for 2013. This shortfall is to be addressed mainly by eliminating budgeted but not yet allocated expenditure, and through lower spending on health care and extra dividend income. The authorities also plan an auction of telecom licences and to sell the oil reserves.

The headline deficit in 2013 is projected to reach 3% of GDP with the structural balance estimated at 3% of GDP. In view of the expiration of some one-off and temporary revenue measures, under the no policy change assumption, the deficit is projected to increase slightly above 3% in 2014 despite a pick-up in economic activity. The structural balance would improve by some ½ pp. The debt-to-GDP ratio is projected to increase over the forecast horizon and to reach 56.7% 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**	**1.0**	**2.8**
Private consumption	39.7	57.5	-	0.2	-0.7	-0.5	**-0.6**	**0.0**	**0.9**
Public consumption	12.4	18.0	-	6.1	1.0	-4.3	**-0.6**	**-0.5**	**1.3**
Gross fixed capital formation	16.0	23.1	-	-19.7	6.5	14.2	**-3.7**	**1.4**	**3.0**
of which : equipment	8.1	11.8	-	-26.6	11.1	46.7	**-3.0**	**1.0**	**3.0**
Exports (goods and services)	62.0	89.7	-	-16.3	16.0	12.7	**8.6**	**3.0**	**6.2**
Imports (goods and services)	61.6	89.1	-	-18.9	14.9	10.1	**2.8**	**2.4**	**5.1**
GNI (GDP deflator)	67.6	97.8	-	-3.7	3.8	2.3	**2.1**	**0.8**	**2.8**
Contribution to GDP growth : Domestic demand			-	-4.1	1.4	2.0	**-1.5**	**0.2**	**1.4**
Inventories			-	-3.8	2.5	-0.7	**-1.6**	**0.1**	**0.0**
Net exports			-	2.6	0.7	2.0	**5.2**	**0.7**	**1.4**
Employment			-	-2.0	-1.5	1.8	**0.1**	**0.0**	**0.5**
Unemployment rate (a)			-	12.1	14.5	13.6	**14.0**	**14.5**	**14.1**
Compensation of employees/head			-	2.5	5.1	1.1	**2.0**	**1.7**	**3.0**
Unit labour costs whole economy			-	5.7	-0.9	-0.4	**0.1**	**0.7**	**0.7**
Real unit labour costs			-	7.0	-1.4	-2.0	**-1.3**	**-1.7**	**-1.3**
Saving rate of households (b)			-	6.9	10.7	9.8	**8.2**	**5.5**	**6.5**
GDP deflator			-	-1.2	0.5	1.6	**1.4**	**2.5**	**2.0**
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	**-0.9**	**0.8**	**0.0**
Merchandise trade balance (c)			-	1.1	0.8	1.1	**4.5**	**6.0**	**7.2**
Current-account balance (c)			-	-2.5	-2.5	-2.5	**2.0**	**2.5**	**3.3**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-1.7	-0.9	-0.8	**3.3**	**4.0**	**4.5**
General government balance (c)			-	-8.0	-7.7	-5.1	**-4.3**	**-3.0**	**-3.1**
Cyclically-adjusted budget balance (c)			-	-7.0	-7.3	-4.8	**-4.0**	**-2.1**	**-2.0**
Structural budget balance (c)			-	-7.2	-7.1	-5.2	**-4.1**	**-3.0**	**-2.4**
General government gross debt (c)			-	35.6	41.0	43.3	**52.1**	**54.6**	**56.7**

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

25. FINLAND

Modest growth in the absence of export boost

Upturn expected in 2014

The Finnish economy contracted by 0.2% in 2012, with private and government consumption as the only components supporting growth. Inventories were run down as production did not meet demand. The positive net exports contribution stems from a decline in imports which was faster than the contraction in exports. Gross fixed capital formation receded due to declines in both construction and investment in equipment.

In 2013 the economy is expected to return to growth, followed by a further gradual recovery in 2014. Private consumption is projected to drop in the first quarter of 2013 due to the planned VAT increase, but is set to return to slow growth afterwards on the back of stable disposable income despite slightly rising unemployment. Exports are forecast to rebound in the first quarter of 2013 and to recede to low growth afterwards. They are held back by the ongoing restructuring in export-oriented industries but encouraged by the upturn in imports in Finland's main EU trading partners. The decline in gross fixed capital formation in 2012 carries over to 2013, with growth returning in 2014.

Risks to the outlook are balanced. In the short run the ongoing restructuring in certain industries, notably in the electronics sector, could depress employment and the export performance more than projected. Going forward, a stronger-than-anticipated recovery of the European and world economy might push exports upwards.

Investment remains weak

Private consumption suffers from setbacks from the 1 pp. VAT increase at the beginning of 2013 and increases in income taxation in both 2013 and 2014. In addition, there is a purely statistical effect due to the replacement of the television service fee by a tax in 2013. While the fee was part of private consumption, the expenditure now covered by the tax is part of public consumption.

Moreover, the slow growth in real disposable income is set to continue in 2013, while its evolution in 2014 will depend on the outcome of the ongoing wage negotiations. Household savings are expected to increase to 8.4% of disposable income in 2014.

Growth in gross fixed capital formation is projected to remain close to zero in all four quarters of 2013. Investment in equipment is forecast to recede, while construction is likely to grow slowly. However, the heavy decline in gross fixed capital formation of 2012 carries over to 2013, leading to a decline of 1.5% for 2013. Only in 2014 is investment expected to pick up again, on the back of a recovery of the world economy and stable financing conditions.

Trade balance turns negative again

After the decline in 2012, growth in both exports and imports is expected to pick up in 2013 and to further accelerate in 2014. Volume growth rates for both components are similar, while import prices are expected to increase faster than export prices. As a result, the trade balance of goods is forecast to turn negative in 2013 and to decrease further in 2014. The negative trade balance of services and net current transfers are projected to drag the current-account balance downwards to a deficit of 1.8% of GDP in 2014.

Labour market set to stay resilient

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 remained limited by employers and permanent payroll cuts are more common.

The labour market is expected to continue on its strong path. Although employment declines slightly in 2013, the effect on the unemployment rate is partly offset by the reduction of the labour force due to retirements. Unemployment is projected to be around 8% over the forecast period.

The current collective wage agreement lasts until the end of 2013. While unit-labour-cost growth reached 3.6% in 2012, it is expected to be more moderate in 2013 and 2014 thanks to the improvement in productivity and higher growth.

Inflation stabilising in 2013-14

Despite the VAT increase of 1 pp. in 2013, inflation is set to recede to 2.4% in 2013 and 2.2% in 2014. The wage increase is more moderate in 2013 compared to 2012 and therefore has a smaller impact on inflation.

Government balances remain in deficit

For 2013, significant adjustment measures are being taken to strengthen central government finances. Exceptionally-low interest rates will continue to have a positive impact on public finances. In 2014, the corporate income tax rate is planned to be lowered, while taxes on dividends will be increased. It has been decided to raise taxes on alcohol, sweets, tobacco and energy. Central government expenditure is not expected to grow in real terms in 2013 and 2014 thanks to the system of expenditure ceilings.

Central and local government balances are projected to 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 amount to -1.8% of GDP in 2013. Thanks to the adjustment measures taken by the government, the deficit is set to decrease over the forecast period, but is still expected at 1.5% of GDP in 2014.

General government gross debt is projected to grow further due to the persistent deficit. Government debt is expected to reach 57.7% of GDP by 2014, close to the 60% ceiling. The structural budget balance is forecast to improve slightly compared to 2012 to a deficit of around ½% in 2013 and 2014.

Graph II.25.1: **Finland - Government deficit and debt**

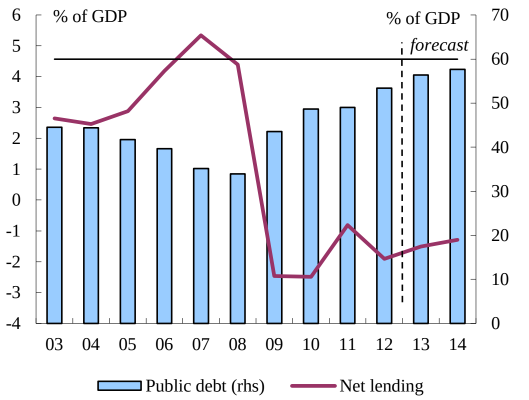


Table II.25.1:
Main features of country forecast - FINLAND

	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	**-0.2**	**0.3**	**1.0**
Private consumption	105.0	55.4	2.5	-2.9	3.3	2.3	**1.6**	**0.7**	**0.8**
Public consumption	46.2	24.4	1.1	1.1	-0.3	0.4	**0.8**	**0.8**	**0.5**
Gross fixed capital formation	37.2	19.6	2.5	-13.2	1.9	7.1	**-2.9**	**-1.5**	**1.8**
of which : equipment	9.5	5.0	2.7	-11.7	-11.8	18.9	**-0.5**	**-2.1**	**1.9**
Exports (goods and services)	77.3	40.8	8.7	-21.3	7.5	2.9	**-1.4**	**0.5**	**3.1**
Imports (goods and services)	78.6	41.5	7.0	-17.2	6.9	6.1	**-3.7**	**0.6**	**2.9**
GNI (GDP deflator)	190.4	100.5	3.2	-7.5	3.2	1.7	**-0.7**	**0.3**	**1.0**
Contribution to GDP growth : Domestic demand			2.0	-4.1	2.1	2.7	**0.5**	**0.3**	**0.9**
Inventories			0.2	-1.9	0.8	1.7	**-2.2**	**0.0**	**0.0**
Net exports			0.9	-2.6	0.4	-1.2	**1.0**	**0.0**	**0.1**
Employment			0.5	-2.6	-0.1	1.1	**0.3**	**-0.4**	**0.2**
Unemployment rate (a)			10.8	8.2	8.4	7.8	**7.7**	**8.1**	**8.0**
Compensation of employees/head			3.1	2.3	1.8	3.4	**3.0**	**3.3**	**3.4**
Unit labour costs whole economy			0.6	9.0	-1.6	1.8	**3.6**	**2.6**	**2.5**
Real unit labour costs			-1.1	7.4	-2.0	-1.3	**0.7**	**0.6**	**0.7**
Saving rate of households (b)			9.3	11.7	10.6	8.7	**7.5**	**7.8**	**8.4**
GDP deflator			1.7	1.5	0.4	3.1	**2.8**	**1.9**	**1.9**
Harmonised index of consumer prices			1.8	1.6	1.7	3.3	**3.2**	**2.4**	**2.2**
Terms of trade of goods			-0.9	1.4	-2.4	-2.3	**-3.0**	**-0.8**	**-0.8**
Merchandise trade balance (c)			7.5	1.8	1.4	-0.6	**0.1**	**-0.8**	**-1.0**
Current-account balance (c)			4.2	2.0	1.6	-1.3	**-1.6**	**-1.7**	**-1.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			4.2	2.1	1.7	-1.2	**-1.5**	**-1.4**	**-1.5**
General government balance (c)			0.6	-2.5	-2.5	-0.8	**-1.9**	**-1.8**	**-1.5**
Cyclically-adjusted budget balance (c)			0.8	0.5	-0.8	-0.2	**-0.8**	**-0.6**	**-0.5**
Structural budget balance (c)			-	0.6	-0.7	-0.1	**-0.7**	**-0.6**	**-0.5**
General government gross debt (c)			46.0	43.5	48.6	49.0	**53.0**	**56.2**	**57.7**

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

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

26. SWEDEN

Fragile recovery backed by robust household consumption

Signs of recovery after a weak end of 2012

Following solid growth in the first three quarters of 2012 (0.5% q-o-q on average), the Swedish economy ended the year in stagnation in the fourth quarter. Over the whole 2012, real GDP grew by a mere 0.8%. The outcome for the fourth quarter was, nevertheless, better than expected. Also, the composition of GDP growth in the fourth quarter gave rise to more optimism: household consumption accelerated and investment growth returned to positive territory, whereas exports and inventories decreased as expected.

Latest survey indicators also send positive signals for the near future. Economic sentiment has been recovering since November, although it still remains below its long-term average. Stock prices have reached the highest level since end 2007 in March 2013. House prices have been unchanged since June 2012, contributing to the stable outlook. New orders, both from the domestic and the export market, have shown an upturn in recent months and eventually started increasing also in year-on-year terms in February. However, industrial production still remained weak, below the 2012 level.

Moderate growth in 2013-14, driven by domestic demand

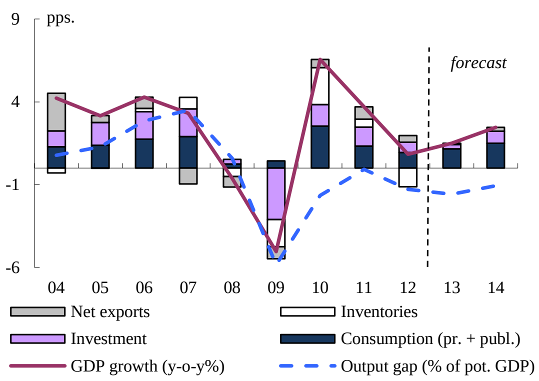
GDP growth is expected to pick up gradually over the forecast horizon, recording 1.5% in 2013 and 2.5% in 2014. Unlike previous recoveries, which were typically export-driven, the main push for growth is expected to come from domestic demand.

Exports recorded mediocre growth in 2012 and recent data indicate further deceleration at the beginning of 2013, especially in merchandise exports. This development reflects continued subdued demand from the EU countries as well as the stronger krona, which appreciated by some 5% in nominal effective terms from the early- 2012 and to early-2013. Yet, the export orders, as well as the recovery in the US and emerging economies suggest that exports should pick up again in the course of the year. Imports are likely to follow exports very closely, leaving the current-account surplus unchanged at around 7% of GDP.

Household consumption is likely to be the most important source of growth in 2013. Households are becoming more optimistic, encouraged by stable house prices, decreasing interest rates and the rise in the stock market. Household consumption grew dynamically already in late-2012 and monthly data for retail sales suggest further strengthening in early-2013. Real disposable incomes are growing at a solid pace, supported by sound wage growth (3% in 2012), low inflation and higher pension payments. Household savings are currently at a record high level (with the saving rate at 14.1% in 2012), reflecting demographic factors and persistent uncertainties about the euro-area outlook. This creates potential for higher consumption once uncertainty subsides and precautionary savings are reduced. In 2014, the improvement in the labour market should add another impetus for households to spend.

Capital formation is set to resume only gradually. Surveys on investment plans suggest that businesses, in particular in industry, have become more cautious and expect to trim capital spending in 2013. Residential investment is also likely to remain weak, although the decline should bottom out in the course of 2013. However, the currently low investment ratio and favourable financing conditions (repo rate at 1%) prepare the ground for a pronounced rebound in capital spending once the recovery becomes better anchored. Investment is thus forecast to accelerate from 1.4% to almost 4% respectively in 2013 and 2014.

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



The risk balance is slightly tilted to the downside. Renewed uncertainty about the euro-area recovery may give a pinch to the fragile upturn in confidence. Internal risks related to high private debt and a potential fall in house prices have subsided since last year. The strong exchange rate continues to be a risk to Swedish external competitiveness, although exporters have so far managed to defend their positions through squeezed profit margins.

Weak labour market and below-target inflation

With the economy growing below potential, the labour market is expected to remain weak in 2013. Most Swedish employers expect no change in employment in the coming months. As labour force is set to continue to rise, albeit at a slower pace, the unemployment rate is forecast to increase to 8.3% in 2013, before receding back to 8.1% in 2014 on account of higher growth.

Having fluctuated around 0.9% in 2012, HICP inflation dropped to 0.6% in the first quarter of 2013 on account of lower energy prices. With the assumed subdued outlook for oil and food prices, together with fading effects of the krona appreciation and low demand, inflation is likely to remain in check in 2013-14. Wage developments should contribute to the low-inflation environment given the recent agreement in the manufacturing industry to increase wages by 2.2-2.3% annually over the next three years. As demand and economic activity resume and the effects of the krona strengthening fade away, inflation is projected to pick up gradually from 0.9% in 2013 to 1.4% in 2014.

General government balance turning negative

Lacklustre growth pushed the general government balance from a surplus into a deficit of 0.5% in 2012. Expansionary policies focusing on corporate taxation, labour market measures and infrastructure investment and a continued rise in unemployment are expected to widen the deficit to 1.1% of GDP in 2013, but an improvement to a deficit of 0.4% is projected for 2014 on account of accelerating economic activity. The structural balance is estimated to turn slightly negative in 2013, before improving to ¼% of GDP in 2014. The decline in the public debt-to-GDP ratio will be reversed temporarily in 2013 due to additional borrowing of SEK 100 billion (2.8% of GDP) to strengthen the currency reserves of the Riksbank. In 2014, debt reduction is expected to resume again and gross government debt is set to fall back below 40% of GDP.

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	**0.8**	**1.5**	**2.5**
Private consumption		1672.9	47.8	1.9	-0.3	4.0	2.1	**1.5**	**1.8**	**2.6**
Public consumption		923.7	26.4	0.7	2.2	2.1	1.1	**0.8**	**1.1**	**0.9**
Gross fixed capital formation		644.5	18.4	2.9	-15.5	7.2	6.4	**3.4**	**1.4**	**3.9**
of which : equipment		238.9	6.8	5.9	-22.7	11.9	3.5	**4.8**	**3.0**	**5.0**
Exports (goods and services)		1748.8	50.0	7.0	-13.8	11.4	7.1	**0.7**	**1.3**	**4.6**
Imports (goods and services)		1531.5	43.8	5.7	-14.3	12.0	6.3	**-0.1**	**1.3**	**4.7**
GNI (GDP deflator)		3590.6	102.6	3.0	-6.5	6.9	4.1	**0.6**	**1.5**	**2.5**
Contribution to GDP growth :	Domestic demand			1.6	-2.7	3.8	2.5	**1.6**	**1.4**	**2.2**
	Inventories			0.1	-1.6	2.2	0.5	**-1.1**	**0.0**	**0.0**
	Net exports			0.8	-0.7	0.5	0.8	**0.4**	**0.1**	**0.2**
Employment				0.1	-2.4	1.0	2.3	**0.7**	**0.2**	**0.7**
Unemployment rate (a)				7.4	8.3	8.6	7.8	**8.0**	**8.3**	**8.1**
Compensation of employees/head				3.9	1.6	3.1	0.8	**2.8**	**3.1**	**3.5**
Unit labour costs whole economy				1.4	4.4	-2.3	-0.6	**2.6**	**1.7**	**1.7**
Real unit labour costs				-0.3	2.3	-3.1	-1.7	**1.9**	**0.3**	**-0.3**
Saving rate of households (b)				8.3	13.8	11.3	13.0	**14.1**	**14.9**	**14.5**
GDP deflator				1.8	2.1	0.8	1.1	**0.7**	**1.4**	**2.1**
Harmonised index of consumer prices				1.9	1.9	1.9	1.4	**0.9**	**0.9**	**1.4**
Terms of trade of goods				-0.9	2.2	-1.1	-1.4	**-0.6**	**0.0**	**0.5**
Merchandise trade balance (c)				6.0	3.1	2.6	2.6	**2.5**	**2.5**	**2.6**
Current-account balance (c)				4.7	6.9	6.9	7.3	**7.0**	**7.0**	**7.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				4.5	6.7	6.8	7.2	**6.9**	**6.9**	**7.1**
General government balance (c)				-	-0.7	0.3	0.2	**-0.5**	**-1.1**	**-0.4**
Cyclically-adjusted budget balance (c)				-	2.7	1.3	0.2	**0.2**	**-0.1**	**0.3**
Structural budget balance (c)				-	2.7	1.3	0.2	**0.2**	**-0.1**	**0.3**
General government gross debt (c)				58.5	42.6	39.4	38.4	**38.2**	**40.7**	**39.0**

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

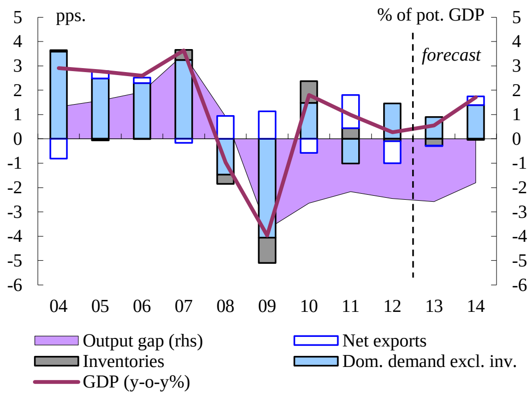
27. THE UNITED KINGDOM

Low growth prospects amid continuing consolidation needs

Growth improvements remain distant

Despite three quarters of negative and volatile growth in 2012, the economy grew by 0.3% over the year. Growth was entirely due to domestic demand, mainly household consumption. Net exports, meanwhile, had a strong negative influence on growth of 0.9 pp. with the contribution from inventories being marginally negative.

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



The outlook for 2013 is now somewhat more pessimistic than earlier in the year as higher-than-expected inflation weighs down on consumer spending and an upturn in investment and net exports appears less likely. GDP growth is forecast at 0.6% in 2013 and 1.7% in 2014 on a slowly but gradually improving basis for each of the expenditure components.

Hiccup in consumption growth

Consumer spending pushed the economy forward in 2012, by posting positive growth in each quarter and increasing by 1.2% over the year as a whole. This had been expected to continue over the forecast horizon, however, the uptick in inflation is likely to curtail this growth spurt by pushing further down on already weak real wage growth. As a result, households are expected to dip more into their savings. One major risk to the forecast is that the higher inflation, projected at 2.8% in 2013, reduces consumer confidence and households begin to reverse their current spending trend.

Investors remain wary

In spite of falls in the cost of capital, investment growth has yet to see a major improvement. The Funding for Lending Scheme (FLS), designed by the Bank of England and HM Treasury to improve credit conditions, has had the desired effect of reducing borrowing costs but the knock-on effect of a rise in net lending has yet to be observed. Investment growth was subdued but positive in 2012 and this trend is likely to continue in 2013 with annual investment growth forecast at 1.8%. A larger boost to investment is expected in 2014 as uncertainty declines further and borrowing costs remain low. However, there is a risk to the forecast stemming from potential heightened tensions in the euro area curtailing the investment appetite.

A continuingly weak external sector

In 2012, net exports made the strongest negative contribution to growth for a decade. Exports fell over the year, due to a large decline in services' exports, whereas imports continued increasing quite strongly despite the relatively low value of the pound sterling. Much of the weakness in exports is related to poor demand from the euro area which is the UK's biggest trading partner. As only a gradual and modest recovery is foreseen for the euro area and with lessening growth in the emerging markets, net exports are forecast not to contribute positively to growth in 2013 with only a small positive contribution of 0.4% forecast for 2014. Any upset in the euro area risks further worsening the trade forecast.

Employment continues to be strong

Given the poor growth experienced in the UK, high rates of unemployment would be expected. Surprisingly, however, unemployment [22] has fallen from 8.0% in 2011 to 7.9% in 2012. An increase in self-employment and part-time work accounts for some of the decrease but the longer this phenomenon continues, the less likely that labour hoarding is also a factor. Surveys suggest that people are working fewer hours than they would like. Consequently, when the economy improves, little change is forecast on the side of employment as current employees will be able to work longer hours without the hiring of new staff.

[22] Eurostat definition

That being said, only a small increase is expected in the unemployment rate in 2013 before it falls back in 2014 as more robust growth takes hold.

Inflation ticks upward

The expected decline in inflation suffered a blow as it reversed its earlier trend and increased at the end of 2012 after falling almost continuously since September 2011. Consumers had anticipated a welcome reprieve from negative real wage growth, but higher-than-expected energy costs and food prices are likely to result in continued negative real wage growth for most of 2013. Inflation is forecast at 2.8% in 2013 and 2.5% in 2014, thus not falling below the Bank of England's 2% target rate before the end of the forecast horizon.

Slow progress on the deficit

The government announced a fiscally-neutral budget for 2013. More capital investment was announced, financed through further cuts to current expenditure which take place beyond the forecast horizon. Other measures include an increase in the personal income tax allowance, a reduction in the corporation tax rate along with an offsetting rise in the bank levy, a reduction in employer national insurance contributions and a new housing finance scheme called "Help to Buy".

Borrowing was higher than expected over the year as tax receipts disappointed. Spending remained controlled on the Departmental Expenditure Limit (DEL) side, however, Annually Managed Expenditure (AME), which allows automatic stabilisers to operate, increased. On account of the somewhat offsetting lower growth projection and the inclusion of the transfer of the Asset Purchase Facility into government accounts, the deficit is projected at 6.9% in the financial year 2013-14, falling to 6.1% in 2014-15. The structural balance is forecast at -5.3% in 2014-15. The ratio of government debt to GDP continues to increase as a result of the higher deficit and lower growth with it reaching 98.7% 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	-7.8	-5.6	-6.9	-6.1
Structural budget balance	-8.3	-6.7	-6.4	-5.8	-5.3
General government gross debt	80.0	86.4	90.7	95.6	98.7

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

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	1515.8	100.0	2.8	-4.0	1.8	1.0	**0.3**	**0.6**	**1.7**
Private consumption	975.9	64.4	2.9	-3.1	1.3	-0.8	**1.2**	**0.8**	**1.3**
Public consumption	335.7	22.1	1.8	0.8	0.4	-0.3	**2.2**	**0.4**	**-0.5**
Gross fixed capital formation	213.2	14.1	3.6	-13.7	3.5	-2.9	**1.5**	**1.8**	**4.5**
of which : equipment	65.2	4.3	3.3	-21.0	7.3	-0.5	**-0.1**	**7.1**	**4.5**
Exports (goods and services)	492.5	32.5	5.3	-8.2	6.4	4.5	**-0.2**	**1.3**	**3.9**
Imports (goods and services)	516.6	34.1	5.9	-11.0	8.0	0.0	**2.7**	**1.3**	**2.6**
GNI (GDP deflator)	1539.7	101.6	3.0	-4.8	1.4	1.7	**-1.3**	**2.0**	**2.3**
Contribution to GDP growth : Domestic demand			2.9	-4.0	1.5	-1.0	**1.5**	**0.9**	**1.4**
Inventories			0.1	-1.1	0.9	0.4	**-0.1**	**-0.3**	**0.0**
Net exports			-0.2	1.1	-0.6	1.4	**-1.0**	**0.0**	**0.4**
Employment			0.7	-1.6	0.2	0.5	**1.2**	**0.5**	**1.1**
Unemployment rate (a)			6.5	7.6	7.8	8.0	**7.9**	**8.0**	**7.9**
Compensation of employees/head			4.1	2.8	2.8	1.8	**2.3**	**2.6**	**2.8**
Unit labour costs whole economy			2.1	5.3	1.2	1.4	**3.2**	**2.5**	**2.2**
Real unit labour costs			-0.3	3.9	-1.6	-1.0	**1.8**	**0.8**	**0.6**
Saving rate of households (b)			5.8	6.6	6.6	6.5	**7.1**	**7.0**	**6.9**
GDP deflator			2.4	1.3	2.8	2.3	**1.4**	**1.7**	**1.6**
Harmonised index of consumer prices			2.1	2.2	3.3	4.5	**2.8**	**2.8**	**2.5**
Terms of trade of goods			0.0	-0.6	0.8	-2.6	**0.0**	**-1.9**	**-2.1**
Merchandise trade balance (c)			-3.6	-5.9	-6.7	-6.6	**-6.9**	**-7.3**	**-7.7**
Current-account balance (c)			-1.6	-1.3	-2.5	-1.3	**-3.7**	**-2.7**	**-2.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-1.5	-1.0	-2.3	-1.1	**-3.5**	**-2.5**	**-1.8**
General government balance (c)			-3.0	-11.5	-10.2	-7.8	**-6.3**	**-6.8**	**-6.3**
Cyclically-adjusted budget balance (c)			-3.2	-9.7	-8.9	-6.8	**-5.2**	**-5.6**	**-5.4**
Structural budget balance (c)			-	-9.4	-8.9	-6.8	**-7.0**	**-5.7**	**-5.4**
General government gross debt (c)			44.0	67.8	79.4	85.5	**90.0**	**95.5**	**98.7**

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

Acceding Countries

28. CROATIA

Recovery slipping further away

Stuck in recession

After stagnating in 2011, real GDP fell by 2% in 2012. Since 2008, when the Croatian economy entered recession, economic activity has contracted by almost 12%. In 2012, domestic demand subtracted 2.9 pps. from growth, mirroring a contraction in all its components. Private consumption fell by almost 3% and investment decreased for the fourth year in a row, although the pace of contraction slowed to -4.6%.

By contrast, net exports contributed positively to growth in 2012. This, however, was largely due to the decline in imports of goods (reflecting depressed internal demand), coupled with growth in exports of services, in particular tourism. Overall, the current account moved from a deficit to near balance.

In line with economic activity, labour market conditions deteriorated further in 2012. Unemployment increased substantially by over 2 pps. to reach 15.9%. In line with sluggish productivity growth, unit labour costs increased. This together with changes in taxation pushed up consumer price inflation to 3.4%.

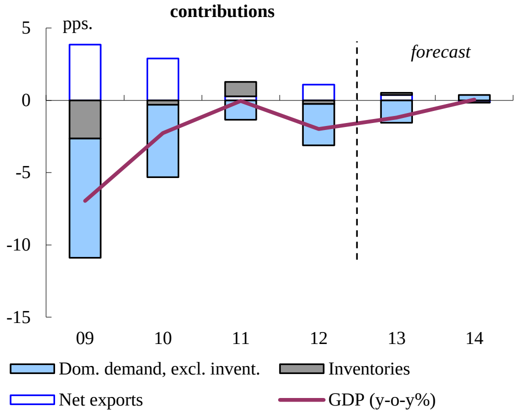
Near-term perspectives still clouded

Croatia will become the 28th Member State of the European Union on 1 July 2013. While EU entry may be expected to provide support for the economy, in the very short term the crosscurrents currently buffeting the economy will remain a major drag on growth.

Overall, real GDP is expected to decrease by 1% in 2013. Domestic demand should continue to exert a drag on growth, while net exports are projected to provide limited support to overall growth. In 2014, the Croatian economy is unlikely to recover strongly, as real GDP growth is set to be marginal, at 0.2%.

Several factors are weighing on domestic demand. These include the further increase in unemployment, a high level of household indebtedness and continuing deleveraging pressures, as well as nominal wage cuts in the public sector and inflation that is expected to remain around 3%, thus constraining real disposable household income. As a result, the rate of change of private consumption is forecast to remain negative in 2013. Despite abating inflationary pressures, private consumption is expected to weaken further in 2014.

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



Inflation is expected to be comparatively high in 2013, largely due to discretionary tax measures. The most important one pertains to the introduction of a low VAT-rate of 5% in January 2013 and to increases in some administered prices and excise duties. Inflation is projected to decelerate in 2014.

Private investment is expected to fall at a lower pace in 2013, and to return to positive territory in 2014. Supportive new legislation on corporate income tax and the law on strategic investment, which came into force recently, as well as EU accession, could have a beneficial impact on investment flows. However, ongoing bank deleveraging and weak domestic demand are weighing on private investment decisions this year. As a partial offset, some delayed large public investment projects could materialise in 2013 and 2014. However, these are subject to implementation risks.

On the external side, the Croatian economy is likely to be held back by the expected weak economic outlook in some of its main trading partners.

Overall employment is expected to continue to decrease in 2013 and 2014 as a consequence of weak economic activity. The unemployment rate is forecast to reach 19.1% in 2013, well above the level registered at the beginning of the crisis.

Risks are mainly tilted to the downside. Tight financial conditions may weigh more heavily than expected on investment. In addition, in the wake of EU accession, Croatian firms may feel heightened competitive pressures from firms elsewhere in the EU. Moreover Croatia will leave the CEFTA zone on EU accession and this may have an impact on trade flows with regional trading partners.

Fiscal deficit widening

General government data are under revision in light of the full change-over to ESA methodology. Several important adjustments to key fiscal ratios are to be expected. These revisions complicate comparisons with earlier reported key figures on public finance. In 2012, the general government deficit, as reported by the authorities in the 2013 Economic Programme adopted on 18 April, fell to 3.8% of GDP. Despite unfavourable economic conditions, fiscal policy has contained the budgetary deterioration. Total revenues increased, mainly as a result of tax measures, including a 2 pps. rise in the standard VAT rate, and improvements in tax compliance. It is expected that the deficit will deteriorate to 4.7% of GDP in 2013, mainly reflecting weak activity. This deterioration is projected to materialise in spite of the hike in the lower VAT rate as of January 2013, an expected wage cut in government wages, the increase in property income, and some other consolidation measures embodied in the budgetary revisions announced at the end of March. Under the customary no-policy-change assumption, the deficit is expected to widen further in 2014.

Given the deficit and the subdued economic outlook, the general government debt ratio is projected to continue the steady increase experienced since the beginning of the recession, exceeding 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		330.2	100.0	-	-6.9	-2.3	0.0	**-2.0**	**-1.0**	**0.2**
Private consumption		197.8	59.9	-	-7.5	-1.3	0.2	**-2.9**	**-2.0**	**-0.5**
Public consumption		65.3	19.8	-	0.4	-2.1	-0.6	**-0.8**	**-1.3**	**-0.7**
Gross fixed capital formation		63.3	19.2	-	-14.2	-15.0	-6.4	**-4.6**	**-0.5**	**4.0**
of which : equipment		-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		139.5	42.3	-	-16.2	4.8	2.0	**0.4**	**1.3**	**3.5**
Imports (goods and services)		139.8	42.3	-	-21.4	-2.8	1.3	**-2.1**	**0.4**	**3.7**
GNI (GDP deflator)		318.9	96.6	-	-7.4	-2.4	-0.1	**-2.0**	**-0.8**	**0.1**
Contribution to GDP growth :	Domestic demand			-	-8.2	-5.0	-1.3	**-2.9**	**-1.6**	**0.4**
	Inventories			-	-2.6	-0.3	1.0	**-0.3**	**0.1**	**0.0**
	Net exports			-	3.9	2.9	0.3	**1.1**	**0.4**	**-0.1**
Employment				-	-1.8	-5.1	-2.3	**-3.9**	**-4.2**	**-1.8**
Unemployment rate (a)				-	9.1	11.8	13.5	**15.9**	**19.1**	**20.1**
Compensation of employees/head				-	1.0	1.9	3.0	**3.2**	**4.2**	**3.0**
Unit labour costs whole economy				-	6.6	-1.1	0.7	**1.2**	**0.8**	**1.0**
Real unit labour costs				-	3.6	-1.9	-1.3	**-0.8**	**-1.1**	**-0.5**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	2.9	0.8	2.0	**2.0**	**2.0**	**1.5**
Harmonised index of consumer prices				-	2.2	1.1	2.2	**3.4**	**3.1**	**2.0**
Terms of trade of goods				-	-2.4	1.8	0.7	**0.0**	**0.1**	**0.1**
Merchandise trade balance (c)				-	-16.5	-13.3	-13.9	**-13.6**	**-14.3**	**-14.7**
Current-account balance (c)				-	-4.5	-1.5	-0.9	**-0.1**	**0.4**	**0.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-4.5	-1.5	-0.9	**-0.1**	**0.4**	**0.0**
General government balance (c)				-	-4.7	-5.2	-5.7	**-3.8**	**-4.7**	**-5.6**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	35.7	42.2	46.7	**53.7**	**57.9**	**62.5**

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

Candidate Countries

29. THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA

Moving out of the trough

Timid output increases in second half of 2012

The economic situation deteriorated markedly in 2012, as the weaknesses which characterised the first half of the year continued to weigh heavily on the economy also in the second half. A fledgling pick up of output growth in the third and fourth quarter could not compensate for the steep hits earlier in the year. As a result, GDP declined by 0.3% in 2012, after an expansion of 2.8% in 2011. Private consumption remained sluggish, decreasing by 1.2%. Investment growth proved resilient at 12.1%, and was boosted by an end-of-year boom in government capital spending.

Yet, the positive contribution of domestic demand to output growth was more than compensated by the drag from external demand. While goods exports recovered somewhat in the second half, in the full year they were below their level of 2011. Given a slight rise in imports, possibly driven by increased import demand of newly established foreign investment, trade deficit widened marginally in 2012. The services balance entered negative territory in the last months of the year, leading to a significant reduction in the annual surplus. Current transfers remained strong, at some 21% of GDP on average, even though declining towards the end of the year. Hence, the current-account deficit rose to 3.9% in 2012, compared to 2.7% a year earlier. The financing of the current account had relied heavily on strong FDI inflows in recent years, but these declined by about two thirds in 2012.

Inflation relented somewhat, to 3.3% from 3.9% in 2011, mainly on account of weaker price increases in food, and in housing and utilities costs. Relief also came from the communications sector, where prices fell by over 4%. Price pressures came mainly from import prices and regulated prices.

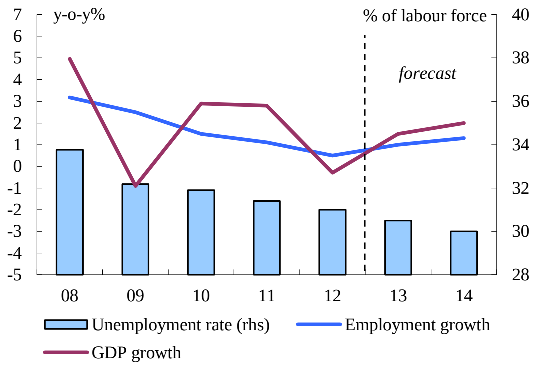
Labour market situation remains weak

There was a slight increase in employment in 2012, and the average unemployment rate for the year came down to 31%, from 31.4% in 2011. In light of the economic deterioration, this was probably in part a statistical effect, on account of an increase in the labour force due to new registration of previously informally employed workers. Yet, there was no improvement in the labour market situation for young people. 54% of the labour force between 15 and 24 years old were registered as unemployed.

Public finances take a hit

Public finances deteriorated further in 2012. The central government deficit amounted to 3.8%, from 2.5% in 2011, exceeding even the government's revised deficit target of 3.5%. In line with weaker economic growth, revenues remained significantly below expectations. Unpaid arrears for due VAT refunds and contract payments aggravated the situation further. The share of realised investment in GDP remained below 4%, while the share of social transfers and subsidies increased. The level of general government debt remains moderate, yet as a share in GDP it had risen by 4 pps. at end-2012 on the year. An increasing part of public debt is financed by foreign sources.

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



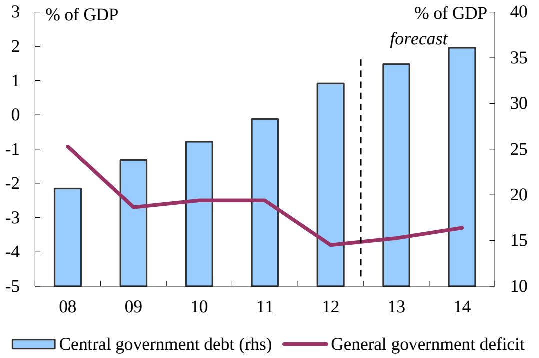
Modest domestically-driven recovery expected

Output is expected to pick up gradually this year and next, with growth accelerating from 1.5% in 2013 to 2% in 2014. The economic recovery is likely to be driven by domestic demand, while the external demand will continue to weigh on GDP growth, in particular in 2014. Growth impulses will come mainly from investment. Private consumption is expected to decline somewhat further this year, on the back of stagnant real disposable incomes and a weak labour market situation, and to pick up only in 2014, in line with increasing employment.

The drag from net trade will be somewhat less pronounced this year, as exports may grow more vigorously than imports, due to a slight pick up in external demand, and to the completion of some export-oriented FDI projects. Import demand is set to increase until 2014, on account of the recovery of domestic demand as well as of a pick up in import-intensive FDI. As a result, the trade deficit is likely to widen somewhat further in 2014. Current transfers are projected to remain resilient and to provide a stable source of financing for domestic demand. Overall, the current-account deficit will probably widen to about 5.2% in 2014, mainly on account of the worsening trade balance.

Inflation is expected to decelerate to 3.2% in 2013, following the expected slowdown in import price growth, and to slow down further, to 2.8% in 2014. Employment growth will accelerate marginally in 2013 and pick up further in 2014, in line with the acceleration in output growth, while the unemployment rate is projected to decline further and reach 30% in 2014. Wage growth is likely to remain subdued, given the need to remain competitive.

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



Moderate, but rapidly rising public debt levels

The forecast assumes that the authorities will meet the 2013 general government deficit target of 3.6%. General government revenues as a share of GDP are expected to remain stable at around 30%. The ratio of general government expenditure would decline to 33.6% in both years, down by 0.3 pp. on the year. Central government debt is projected to rise by some 4 pps. over the forecast horizon, mainly on account of a continued negative primary balance.

Table II.29.1:

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

	2011				Annual percentage change				
	bn MKD	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		461.7	100.0	1.2	-0.9	2.9	2.8	**-0.3**	**1.5**	**2.0**
Private consumption		345.2	74.8	-	-4.7	1.3	3.9	**-1.2**	**-0.3**	**1.0**
Public consumption		81.4	17.6	-	0.5	-2.0	0.7	**1.2**	**0.3**	**0.5**
Gross fixed capital formation		94.5	20.5	-	-4.3	-2.7	12.3	**12.1**	**8.0**	**7.0**
of which : equipment		-	-	-	-17.1	-15.7	-	**-**	**-**	**-**
Exports (goods and services)		252.2	54.6	-	-15.8	23.6	11.2	**-0.4**	**4.0**	**6.5**
Imports (goods and services)		342.4	74.2	-	-14.3	9.5	13.2	**3.6**	**3.0**	**5.2**
GNI (GDP deflator)		447.1	96.8	-	-0.6	1.9	2.4	**-0.3**	**1.1**	**1.8**
Contribution to GDP growth :	Domestic demand			-	-4.6	0.0	5.4	**1.8**	**1.7**	**2.5**
	Inventories			-	0.8	-0.6	0.8	**0.8**	**-1.7**	**0.0**
	Net exports			-	2.9	3.4	-3.4	**-2.9**	**-0.2**	**-0.5**
Employment				-	2.5	1.5	1.1	**0.5**	**1.0**	**1.3**
Unemployment rate (a)				-	32.2	32.0	31.4	**31.0**	**30.5**	**30.0**
Compensation of employees/head				-	6.9	6.2	4.9	**0.9**	**4.2**	**3.8**
Unit labour costs whole economy				-	10.6	4.8	3.2	**1.6**	**3.7**	**3.1**
Real unit labour costs				-	9.9	2.0	-0.3	**1.1**	**0.4**	**0.4**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	0.7	2.7	3.5	**0.5**	**3.2**	**2.6**
Harmonised index of consumer prices				-	-0.8	1.6	3.9	**3.3**	**3.2**	**2.8**
Terms of trade of goods				-	-4.6	-1.4	3.9	**0.8**	**0.0**	**0.0**
Merchandise trade balance (c)				-	-23.3	-20.8	-22.4	**-23.7**	**-23.3**	**-23.2**
Current-account balance (c)				-	-6.8	-2.0	-3.0	**-3.9**	**-5.0**	**-5.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-6.5	-1.9	-2.7	**-3.7**	**-5.0**	**-5.2**
General government balance (c)				-	-2.7	-2.5	-2.5	**-3.8**	**-3.6**	**-3.3**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
Central government gross debt (c)				-	23.8	25.8	28.3	**32.2**	**34.3**	**36.1**

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

30. ICELAND

From post-crisis recovery towards self-sustained growth?

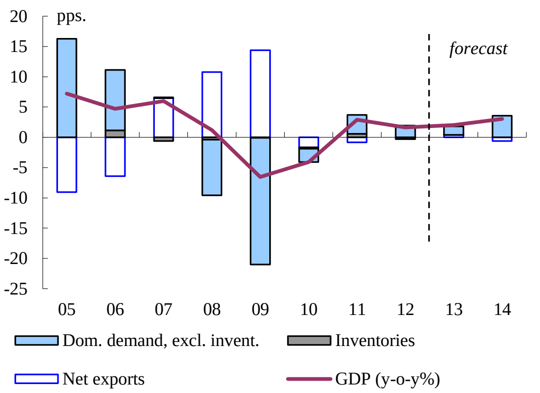
A decelerating post-crisis recovery...

Economic growth lost momentum during 2012, leading to a slowdown in GDP growth from 2.9% in 2011 to 1.6% in 2012. Private consumption and exports remained rather stable, growing by some 2.7% and 3.9%, respectively. Gross fixed capital formation decelerated from 14.3% in 2011 to 4.4%. However, imports remained also rather high, largely neutralising the positive export performance. High-frequency indicators present a mixed picture. Consumer confidence indicators are still stable on a rather low level, while tourism has performed exceptionally well during summer. But payment card turnover data suggest an ongoing moderation of private consumption.

...needs to be transformed into self-sustained growth

The economic outlook has remained largely unchanged since the winter forecast. Private consumption growth is set to decelerate slightly in 2013, reflecting lower wage growth and still substantial inflation, eroding real disposable income and consumer confidence. Furthermore, temporary income supporting measures, such as one-off debt relief, extraordinary mortgage interest allowances and withdrawals of savings from voluntary pension schemes, are likely to fade out. On the other hand, households are likely to receive compensation payments from the banking sector due the ex-post recalculation of credit arrangements. In 2014, continued employment growth and lower inflation should support a renewed strengthening of private consumption.

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



Public consumption is likely to remain limited, reflecting the need to focus on reducing the debt ratio. Investment spending has been stronger than expected in the first half of 2012, although this was largely due to unusually strong investments in ships and aircraft. In the second half of 2012, total investment growth moderated. The forecast expects that some long-planned investment projects in the energy-intense and maritime sectors will gain momentum in late 2013 and early 2014. Investment growth is thus foreseen to accelerate markedly in 2014, which however will lead to a stronger increase in imports. Total exports are projected to strengthen due to higher fishing quotas, an improved outlook for the aluminium sector and a flourishing tourism sector.

Risks and uncertainties remain elevated

Overall, the forecast projects domestic demand to remain the main driver of growth, while the contribution of net exports is set to remain limited. Average growth over the medium term is expected to remain at around 2.5-3.0%. Downside risks mainly result from remaining balance-sheet vulnerabilities in the corporate and in the household sector, as well as the challenging global outlook. Moreover, the Icelandic economy is currently shielded by extensive capital controls and their removal remains a huge challenge.

Labour market conditions are improving...

Labour market conditions improved during 2012, with employment growth of nearly 2% and a marked decline in unemployment, from 7.1% in 2011 to 6.1% in 2012. The expected continuation of the recovery is likely to translate in further employment gains and a continued decline in unemployment towards pre-crisis levels. Long-term unemployment will stay a crucial challenge.

...but inflationary pressures remain

In reaction to rising inflation in 2011 and early 2012, monetary policy has been gradually tightened and has remained tight since then. In the meantime, annual inflation has come down from the peak of 6.5% in April 2012, to slightly below 4% in early 2013. However, inflation pressures remain elevated due to robust domestic demand, higher capacity utilisation and the potential for rising wage pressures, in particular in the export sectors. Annual inflation is expected to remain considerably above the Central Bank's inflation target of 2.5% over the forecast horizon.

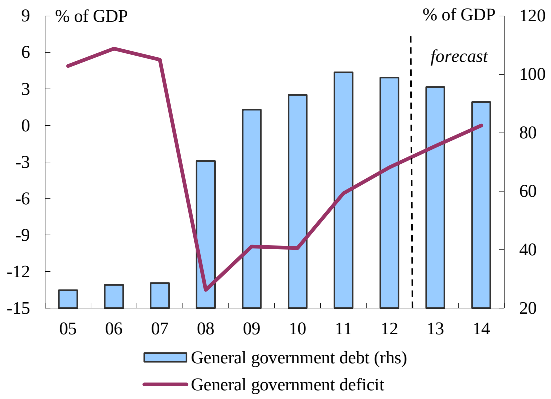
Trade surpluses are likely to decline

The surplus in trade in goods and services has recently narrowed, due to stronger merchandise imports. In view of expected stronger domestic demand, this trend is projected to continue, albeit at a slower pace, since exports are set to gain some strength as well. In particular, tourism seems to perform better than expected. The lower surpluses in the trade balance will translate to a similar deterioration in the current-account balance. A large part of the deficit accounts for net income from banks in winding up proceedings. Corrected for these, the "underlying" current account is likely to remain close to balance.

Reducing public debt remains a challenge

The general government deficit dropped from 5.6% of GDP in 2011 to 3.4% in 2012. However, it missed the initial target of 1.4% of GDP by some 2 pps., as some fiscal loosening materialised on the expenditure side while revenues remained closer to their targets, in particular due to stronger performance of corporate taxes.

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



The forecast expects a continuation of Iceland's fiscal consolidation, leading to a balanced budget by 2014. After reaching a peak of about 100% of GDP in 2011, the general government debt-to-GDP ratio started to decline in 2012. Thanks to substantial primary surpluses in 2013 and 2014, the debt ratio is likely to continue to decline.

Table II.30.1:
Main features of country forecast - ICELAND

	2011			Annual percentage change					
	bn ISK Curr. prices	**% GDP**	**92-08**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
GDP	1632.0	100.0	3.5	-6.6	-4.1	2.9	**1.6**	**1.8**	**3.0**
Private consumption	845.2	51.8	3.1	-14.9	0.0	2.6	**2.7**	**2.3**	**2.8**
Public consumption	413.9	25.4	3.1	-1.7	-3.4	-0.2	**-0.2**	**0.0**	**0.3**
Gross fixed capital formation	229.5	14.1	4.6	-51.4	-9.4	14.3	**4.4**	**1.0**	**14.0**
of which : equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	964.7	59.1	5.0	7.0	0.6	4.1	**3.9**	**2.5**	**3.0**
Imports (goods and services)	825.8	50.6	4.6	-24.0	4.5	6.8	**4.8**	**2.0**	**4.5**
GNI (GDP deflator)	1401.0	85.8	2.2	-4.1	-1.8	7.1	**5.8**	**2.3**	**3.5**
Contribution to GDP growth :	Domestic demand		3.7	-20.9	-2.2	3.1	**1.9**	**1.4**	**3.6**
	Inventories		0.0	-0.1	-0.7	1.6	**-0.5**	**0.0**	**0.0**
	Net exports		-0.1	14.4	-1.7	-0.8	**-0.1**	**0.4**	**-0.6**
Employment			1.6	-6.2	-0.4	0.0	**1.1**	**1.0**	**1.4**
Unemployment rate (a)			3.4	7.2	7.6	7.1	**6.0**	**5.2**	**4.7**
Compensation of employees/head			6.3	-3.9	6.2	9.0	**7.4**	**5.3**	**5.6**
Unit labour costs whole economy			4.3	-3.5	10.3	6.0	**6.8**	**4.5**	**3.9**
Real unit labour costs			0.0	-10.9	3.2	2.6	**3.7**	**1.1**	**1.1**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			4.4	8.3	6.9	3.3	**3.0**	**3.4**	**2.8**
General index of consumer prices			-	16.3	7.5	4.2	**6.0**	**4.0**	**3.2**
Terms of trade of goods			-0.6	-12.1	8.5	-2.9	**-5.8**	**0.0**	**0.0**
Merchandise trade balance (c)			-2.2	6.0	7.8	6.0	**4.4**	**4.2**	**3.8**
Current-account balance (c)			-7.3	-11.5	-8.0	-6.2	**-4.9**	**-4.2**	**-4.7**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-7.4	-11.6	-8.0	-6.2	**-4.9**	**-4.3**	**-4.7**
General government balance (c)			-	-9.9	-10.1	-5.6	**-3.4**	**-1.7**	**0.0**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	87.9	93.0	100.7	**99.0**	**95.7**	**90.5**

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

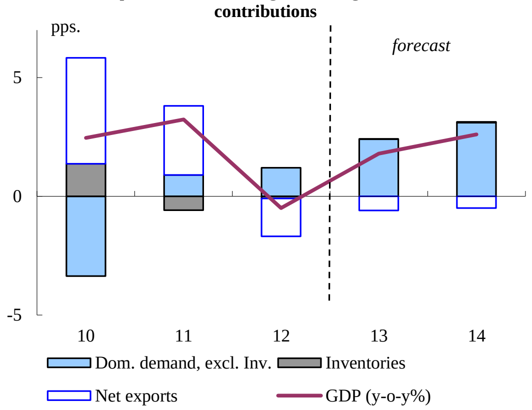
31. MONTENEGRO

Back to the starting block

Resetting the basis for growth

In 2012, the economy entered a mild recession with real GDP contracting by 0.5% compared to 3.2% growth a year earlier. According to preliminary data, growth was pulled downward by the poor performance of industry, construction as well as services (namely financial and transport, down by 7% and 3.6% y-o-y respectively). On the expenditure side, net exports had a positive impact as merchandise imports contracted marginally while strong revenue from tourism compensated for the poor performance of goods exports.

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



Looking forward to bank lending recovery and investments

Based on the lower than expected outcome in 2012 projections for GDP growth are slightly revised downward. Early indications point to a recovery of growth in 2013 constrained by low base effects in the first quarter. Conversely, credit activity seems to have stabilised in March and is expected to show some positive development in the following months. Tourism would, like in past years, continue supporting private domestic demand.

The launch at the end of 2013 of some large tourism and energy projects will convey a positive albeit very gradual effect on gross fixed capital formation in the following years. However, given the narrow base of the domestic economy, and the strong import content of investments, gross fixed capital formation growth would also increase imports of building material and construction related services.

The projected moderate recovery of the economy is expected to bring only marginal relief to labour market conditions. Further staff cuts at the aluminium factory (KAP) is likely to reduce in 2013 labour participation as most of the dismissed workers are expected to quit the labour market and go into early retirement. The unemployment rate is expected to remain overall high, at around 19%.

Consumer prices are set to continue the downward trend initiated at the end of 2012 due to weak credit and employment dynamics weighting on private consumption, but also fading base effects from previous year's hikes of administrative and electricity prices. Overall, the gradual recovery of domestic demand in 2013 is now expected to exert strong inflationary pressures and consumer price inflation is expected to remain at around 2%. Moreover, the assumed moderation of global energy and food prices should support price stability.

Estimations on exports performance rely on the assumption that KAP will not be closed given the large consensus among political parties in favour of its survival. In the meantime the production of aluminium has been cut by half, which eliminates the need to import electricity. Meanwhile, the production of steel could increase as the smelter's new installed capacities reach progressively full potential. However, only a marginal improvement in the trade balance can be expected due to the high import content of investments. By contrast, the balance of services could further improve in 2014 as new tourism and transport capacities are being set off.

Although the current-account deficit might marginally improve, it is set to still remain very high (close to 17% of GDP). Net exports are expected to contribute negatively to growth over the forecast horizon.

Overall, the economy is exposed to significant financing requirements to cover, not only the current-account gap, but also the amortisation of external debt. Additional risks still loom over the future of the aluminium factory's substantial debt guaranteed by the state, or the still very high level of non-performing loans on domestic banks credit portfolio.

A journey through consolidation

The worsening of the economic performance and the call of state guarantees led to wide overruns of fiscal targets. In 2012, the consolidated budget deficit narrowed to 4% of GDP, down from 5.4% a year before. Total revenues increased by nominal 1% y-o-y to EUR 1.3 billion. Taxes and income contributions increased marginally, although VAT proceeds remained below the plan but also lower than a year before. Consolidated expenditure contracted by 2% y-o-y to EUR 1.4 billion or 43% of GDP. Subsidies and capital expenditure also recorded annual contraction, while gross wages remained unchanged and social security transfers grew someway driven by the increasing number of military pension beneficiaries.

The government started adjusting its short-term fiscal policy to fiscal pressures early in 2013 through a set of austerity measures, including a freeze of pension indexation and a crisis-related temporary tax on wages. The expenditure-led fiscal consolidation is expected to continue in 2014, reducing the level of the general government consolidated spending to around 38% of GDP. However, despite fiscal adjustment efforts, the general government balance should still remain negative, with a deficit of some 2% of GDP by the end of 2014.

In 2012, the public debt increased to 51% of GDP up from 46% a year earlier. Yet, while domestic debt shrank during 2012, public external indebtedness climbed to 39% of GDP driven by loans to finance the central government budget. Moreover, state guarantees totalled additional 11.5 pps. to debt-to-GDP at the end of 2012.

Public debt is expected to rise over the forecast horizon. Meanwhile, the reliance of debt reduction on growth might still result in a higher increase of the debt ratio to GDP in case of economic deceleration.

Table II.31.1:

Main features of country forecast - MONTENEGRO

		2011			Annual percentage change					
	mio EUR	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		3234.1	100.0	-	-5.7	2.5	3.2	**-0.5**	**1.8**	**2.6**
Private consumption		2728.5	84.4	-	-	-	-	**2.4**	**2.4**	**2.6**
Public consumption		714.7	22.1	-	-	-	-	**-1.6**	**-0.6**	**0.4**
Gross fixed capital formation		596.5	18.4	-	-	-	-	**-2.3**	**2.7**	**4.7**
of which : equipment		229.5	7.1	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)		1299.3	40.2	-	-	-	-	**-1.6**	**2.3**	**2.7**
Imports (goods and services)		2140.1	66.2	-	-	-	-	**0.9**	**2.2**	**2.4**
GNI (GDP deflator)		3384.1	104.6	-	-	-	-	**0.3**	**1.7**	**2.4**
Contribution to GDP growth :	Domestic demand			-	-23.2	-3.4	0.9	**1.2**	**2.4**	**3.1**
	Inventories			-	-2.1	1.4	-0.6	**-0.1**	**0.0**	**0.0**
	Net exports			-	19.6	4.5	2.9	**-1.6**	**-0.6**	**-0.5**
Employment				-	-3.8	-2.0	-6.2	**2.8**	**0.9**	**1.3**
Unemployment rate (a)				-	19.1	19.7	19.7	**19.6**	**19.3**	**18.9**
Compensation of employees/head				-	-2.9	12.7	3.2	**-3.3**	**0.1**	**2.4**
Unit labour costs whole economy				-	-1.0	7.7	-6.2	**-0.1**	**-0.8**	**1.1**
Real unit labour costs				-	-3.3	6.0	-7.1	**-3.9**	**-3.3**	**-1.3**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				-	2.4	1.6	0.9	**4.0**	**2.5**	**2.4**
General index of consumer prices				-	-	-	-	**-**	**-**	**-**
Terms of trade of goods				-	-	-	-	**-**	**-**	**-**
Merchandise trade balance (c)				-	-46.2	-42.8	-42.3	**-44.5**	**-44.0**	**-43.5**
Current-account balance (c)				-	-29.6	-24.6	-19.6	**-17.6**	**-17.4**	**-16.8**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-29.5	-24.6	-19.7	**-**	**-**	**-**
General government balance (c)				-	-5.7	-4.9	-5.4	**-4.0**	**-3.2**	**-2.2**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	38.2	40.9	45.9	**51.1**	**52.7**	**54.0**

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

32. SERBIA

Exports to keep the economy afloat

Some signs of bottoming-out

Due to very weak domestic demand, economic activity deteriorated sharply in 2012. Private consumption, in particular, fell for a fourth year in a row. The decline broadened in the last quarter of the year to include investments and public consumption. However, following a steep fall in the first half of the year, net exports turned positive as imports growth decelerated strongly.

Since the opening of a big car assembly factory in the summer, exports of goods have accelerated substantially. They increased by more than 30% in euro terms in the first two months of 2013 and are set to be the engine of a mild recovery this year. Industrial production picked-up as well, albeit supported by strong base effects due to unfavourable weather conditions which affected production negatively in the first two months of the previous year.

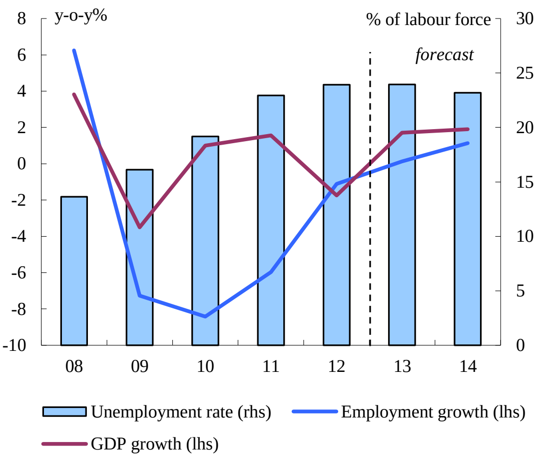
Uneven recovery ahead

The projected recovery is likely to be uneven, driven by exports and, in particular, by the automotive industry. A strong contribution is also expected from agriculture as it rebounds from the slump in 2012, when it was hit severely by a cold winter and a drought in the summer. Nevertheless, growth is likely to be restrained by weak domestic demand to around 2%, as private consumption is expected to start growing only in 2014. Fiscal consolidation is also likely to be a drag on growth, albeit to a lesser extent than foreseen in the autumn due to lower deficit adjustments. The forecast projects a slow acceleration of investments but downside risks to this profile have increased lately. Slower than expected recovery in the euro area and subdued bank lending may postpone or even reverse the envisaged pick-up in investments. After double-digit growth in 2013, exports are expected to remain robust also in 2014, despite a marked deceleration in their growth. However, driven by stronger demand, imports would slowly start catching-up, bringing net exports contribution to growth close to zero in the outer year.

Unemployment – a key concern

In line with the projected slow recovery, employment is expected to stabilise in the second half of 2013, and register some small gains only in 2014. This would barely make a dent on the extremely high unemployment, which is foreseen to remain elevated throughout the forecast period. Even this scenario may turn out to be rather benign, as the expected rebound in economic activity is likely to be narrow-based, in mostly capital-, not labour-intensive sectors, and the envisaged restructuring of highly inefficient socially-owned enterprises may lead to additional lay-offs.

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

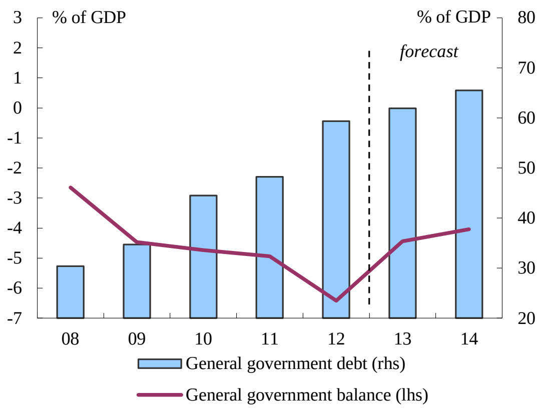


Following last-year's elections and strong fiscal consolidation measures in the autumn, the dinar appreciated against the euro and has remained stable since early 2013. This, along with restrictive fiscal stance, weak domestic demand and postponement of adjustment of electricity and medicines prices, is expected to bring faster than previously expected disinflation in 2013. However, inflation remains inherently volatile, influenced by weak competition in key sectors and irregular adjustments in administered prices.

Falling but still high external imbalances

Strong exports growth and a cyclical fall in imports are foreseen to bring a significant reduction in the trade and current-account deficits in 2013. Thereafter, external imbalances are expected to stabilise at a relatively high level. Foreign indebtedness is likely to increase as non-debt creating financing may not be sufficient to cover the deficits.

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



Budget uncertainty

The fiscal consolidation measures adopted in autumn are unlikely to bring the reduction of budget deficits envisaged by the authorities. In 2013, the deficit may exceed the target by around 1 pp. of GDP and reach 4.5%, while in 2014 the difference could be twice as high.

In the first quarter of 2013, the consolidated deficit was one third lower than a year ago, due to the strong expenditure restraint and despite underperforming revenues. However, the deficit turned higher than planned, at almost 29% of the annual target. Prospects for the rest of the year point to a likely significant revenue underperformance and an upward revision of expenditure target to take into account the underbudgeted social spending and new investment projects.

Under the no-policy-change assumption, fiscal adjustment is expected to be significantly lower in 2014 – less than 0.5% of GDP. In the absence of a credible medium-term consolidation strategy and without further measures, the current government target for a deficit of 1.9% of GDP would be clearly unattainable and government debt would continue rising.

Risks to the public finance forecast are mostly on the downside, as weak domestic demand and revenue-poor structure of growth, could exert further pressure on revenue performance. Delays in structural reforms could also build up pressures on the expenditure side of the budget, which could lead to higher expenditure demands, accumulation of implicit liabilities in the public sector and increase debt in the medium term.

Table II.32.1:

Main features of country forecast - SERBIA

	2011			Annual percentage change					
	bio RSD Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	3208.6	100.0	-	-3.5	1.0	1.6	**-1.7**	**1.7**	**1.9**
Private consumption	2469.4	77.0	-	-2.8	-0.9	-1.1	**-1.9**	**-1.7**	**0.9**
Public consumption	619.4	19.3	-	-1.9	0.4	1.0	**1.8**	**-2.9**	**-1.1**
Gross fixed capital formation	592.8	18.5	-	-22.1	-5.5	8.4	**-3.4**	**2.3**	**7.3**
of which : equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	1173.4	36.6	-	-8.0	15.3	3.4	**4.5**	**12.9**	**4.6**
Imports (goods and services)	1699.9	53.0	-	-19.1	3.1	7.0	**4.2**	**3.3**	**3.9**
GNI (GDP deflator)	3131.3	97.6	-	-2.4	0.3	1.6	**-2.0**	**1.5**	**1.6**
Contribution to GDP growth :	Domestic demand		-	-7.8	-1.7	0.8	**-1.8**	**-1.6**	**1.7**
	Inventories		-	-4.3	-0.3	3.3	**0.6**	**-0.1**	**0.3**
	Net exports		-	8.7	3.0	-2.5	**-0.6**	**3.4**	**-0.1**
Employment			-	-7.3	-8.4	-6.0	**-1.1**	**0.1**	**1.1**
Unemployment rate (a)			-	16.1	19.2	23.0	**23.9**	**24.0**	**23.2**
Compensation of employees/head			-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy			-	-	-	-	**-**	**-**	**-**
Real unit labour costs			-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	5.9	4.9	9.6	**7.4**	**7.9**	**5.4**
General index of consumer prices			-	8.1	6.1	11.1	**7.3**	**8.4**	**5.7**
Terms of trade of goods			-	2.5	-1.8	4.6	**1.4**	**0.9**	**-0.2**
Merchandise trade balance (c)			-	-17.7	-17.1	-16.9	**-18.3**	**-14.8**	**-14.9**
Current-account balance (c)			-	-7.2	-7.6	-8.8	**-10.6**	**-8.0**	**-8.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			-	-	-	-	**-**	**-**	**-**
General government balance (c)			-	-4.5	-4.7	-4.9	**-6.4**	**-4.5**	**-4.1**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	34.7	44.5	48.2	**59.3**	**62.1**	**65.5**

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

33. TURKEY

From soft landing to renewed upturn

Soft landing completed

Turkey's policy-induced slowdown from double-digit growth rates turned out to be somewhat sharper than anticipated by the authorities. Year-on-year growth rates declined from 12.4% in the first quarter of 2011 to 1.4% in the fourth quarter of 2012 when output growth came to a complete standstill in seasonally adjusted terms. Annual GDP growth dropped from 8.8% in 2011 to 2.2% in 2012.

The slowdown was combined with a rebalancing of growth from domestic demand to export-led growth. While consumer and capital spending contracted in 2012, export volumes accelerated to an annual growth rate of 17.2%. Most of this impressive rise in total exports was, however, accounted for by extraordinary exports of non-monetary gold related to international sanctions on Iran. Import volumes stagnated as a consequence of the retrenchment in domestic demand.

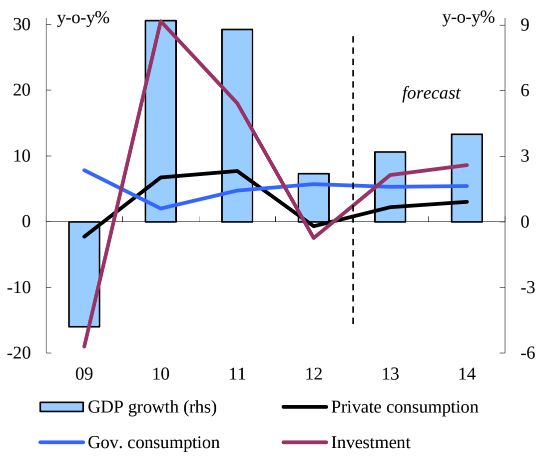
Signs of an impending upturn

Although the momentum of economic activity was very weak at the turn of the year, monthly data indicate that output has returned to a growth path in the first quarter of 2013. The figures for industrial production, manufacturing PMI and business sentiment clearly point towards expansion. Consumer confidence has also improved on average compared to the previous quarter, helped by a fall in bank lending rates and positive domestic political developments concerning Kurdish issues. The pace of import growth suggests a mild increase in domestic demand. Although gold exports have declined sharply compared to last year, non-gold exports have remained relatively strong as Turkish exporters continue to diversify from Europe to faster-growth regions, particularly in the Middle East and Africa.

Growth is set to strengthen moderately

Financial and monetary conditions are supportive of domestic demand as reflected in the data for loan growth. The central bank has lowered its policy rate (the one-week repo rate) from 5.75% in December 2012 to 5% in mid-April 2013 and has also continued to lower its overnight interest rates. This should help to support the ongoing recovery in capital spending resulting in growth rates of 7.1% in 2013 and 8.6% in 2014. It will also bolster consumer spending which should be underpinned by a continued, albeit slowing, upward trend in employment and the related disposable income growth. Private consumption is projected to increase by 2.2% in 2013 and 3.0% in 2014. Public consumption growth is expected to grow steadily at 5%. Unlike in 2012, exports are projected to increase only moderately stronger than export markets since the unsustainable gold exports are expected to recede sharply. Imports are expected to return to substantial growth rates in parallel with economic activity. As a consequence, net exports will return to subtracting from GDP growth and the previous year's rebalancing will be partly undone. Nevertheless, the revival of domestic demand will be sufficient to result in annual GDP growth of 3.2% in 2013 and 4.0% in 2014.

Graph II.33.1: **Turkey - GDP, consumption and investment growth**



Small changes in unemployment and inflation

Employment increased by 3.0% in 2012, i.e. faster than output. This relation is expected to reverse in the following two years when employment growth is projected to lag output growth. Relatively modest employment growth will not be sufficient to absorb all of the structural increase in the labour force stemming from demographic factors and a rising participation rate. Consequently, the unemployment rate is expected to rise by 0.5 pp. in 2013 and by a further 0.2 pp. in 2014.

Headline inflation has increased from 6.2% in December 2012 to 7.3% in March 2013. Most of the recent increase in headline inflation was driven by unprocessed food prices while core inflation remained relatively stable. In view of of a negative output gap, persisting until the end of the forecast horizon, and the assumption of a benign development in international commodity prices, the forecasts projects an annual inflation rate of 6.6% in 2013 and 5.6% in 2014, down from 9.0% last year.

Current-account deficit will widen again

Reflecting the stagnation of imports and the surge in exports, the current account improved significantly in 2012. The long-standing deficit narrowed by about 4 pps. of GDP to around 6%. However, the data for the first two months of 2013 suggest that the improvement in the current account has come to an end as imports have started to pick up in conjuntion with domestic demand while total exports suffer from sharply lower gold exports. The renewed widening of the current-account deficit will be contained by the assumed decline in oil and other commodity prices. A current-account deficit of 6.8% and 7.2% of GDP is projected in 2013 and 2014 respectively.

Fiscal policy to remain relatively stable

With growth slowing faster than expected in 2012, the fiscal deficit of general government is estimated to have widened marginally to 2.3% of GDP with debt declining by about 2 pps. of GDP. In 2013, the deficit is projected to narrow slightly since the government is expected to keep fiscal policy relatively tight out of concern about the current-account deficit, a wish to maintain a low level of public debt and a preference for private sector-led growth. In 2014, the deficit is forecast to widen to 2.4% of GDP in the context of the electoral cycle. These projected deficits would still allow the government debt as a share of GDP to recede to 36% at the end of the forecast period.

Table II.33.1:

Main features of country forecast - TURKEY

	2011			Annual percentage change						
	bn TRY	Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP		1297.7	100.0	4.2	-4.8	9.2	8.8	**2.2**	**3.2**	**4.0**
Private consumption		923.8	71.2	4.1	-2.3	6.7	7.7	**-0.7**	**2.2**	**3.0**
Public consumption		180.7	13.9	4.1	7.8	2.0	4.7	**5.7**	**5.3**	**5.4**
Gross fixed capital formation		283.2	21.8	5.1	-19.0	30.5	18.0	**-2.5**	**7.1**	**8.6**
of which : equipment		165.2	12.7	-	-22.2	40.5	23.1	**-4.5**	**9.1**	**10.6**
Exports (goods and services)		311.1	24.0	8.8	-5.0	3.4	7.9	**17.2**	**4.8**	**7.3**
Imports (goods and services)		423.7	32.6	9.5	-14.3	20.7	10.7	**0.0**	**5.8**	**8.0**
GNI (GDP deflator)		1284.9	99.0	4.2	-5.0	9.6	8.8	**2.4**	**2.7**	**3.9**
Contribution to GDP growth :	Domestic demand			4.5	-5.0	10.3	10.7	**-0.8**	**3.7**	**4.6**
	Inventories			0.1	-1.9	2.0	-0.3	**-1.1**	**-0.1**	**-0.1**
	Net exports			-0.3	2.5	-4.0	-1.0	**3.7**	**-0.4**	**-0.4**
Employment				0.6	0.4	6.2	6.7	**3.0**	**1.4**	**2.0**
Unemployment rate (a)				8.0	12.5	10.7	8.8	**8.1**	**8.6**	**8.8**
Compensation of employees/head				-	-	-	-	**-**	**-**	**-**
Unit labour costs whole economy				-	-	-	-	**-**	**-**	**-**
Real unit labour costs				-	-	-	-	**-**	**-**	**-**
Saving rate of households (b)				-	-	-	-	**-**	**-**	**-**
GDP deflator				45.1	5.3	5.7	8.6	**6.8**	**6.3**	**5.0**
Harmonised index of consumer prices				-	6.3	8.6	6.5	**9.0**	**6.6**	**5.6**
Terms of trade of goods				-0.5	2.5	-3.2	-4.5	**1.9**	**-0.9**	**0.0**
Merchandise trade balance (c)				-5.2	-3.8	-7.5	-11.3	**-8.8**	**-8.7**	**-8.7**
Current-account balance (c)				-2.1	-2.2	-6.4	-9.9	**-5.8**	**-6.8**	**-7.2**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-	-	-	-	**-**	**-**	**-**
General government balance (c)				-	-6.9	-2.6	-2.2	**-2.3**	**-2.1**	**-2.4**
Cyclically-adjusted budget balance (c)				-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)				-	-	-	-	**-**	**-**	**-**
General government gross debt (c)				-	46.1	42.4	39.8	**37.9**	**36.7**	**36.0**

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

Other non-EU Countries

34. THE UNITED STATES OF AMERICA
Fragile recovery clouded by policy uncertainty

Growth stuck in low gear

The US is forecast to continue to grow at a sub-par pace over the forecast horizon amid fiscal tightening and policy uncertainties. Growth forecasts have been kept at 1.9% in 2013 and 2.6% in 2014 – unchanged from the winter forecast.

According to the final estimate real GDP growth decelerated to 0.1% q-o-q in the fourth quarter of 2012 reflecting a retrenchment of highly volatile inventory and defence spending components. Growth in 2012 as a whole came in at 2.2%, and despite the fourth quarter pause for the headline GDP, the broad economy remained on a steady recovery path throughout 2012. Despite "fiscal cliff" concerns business investment rebounded by 3.3% in the fourth quarter after growing a mere 0.2% in the third, while residential investment continued its solid recovery (4.1%). Total private investment added 0.5 pp. to growth in the fourth quarter and 1.1 pps. in 2012 as a whole – exactly half of the registered 2.2% growth.

Economic indicators point to an up-tick in GDP growth in the first quarter of 2013 from the dismal fourth quarter. Private consumption held up relatively well in January and February despite the fiscal-cliff-deal-implied tax hikes that sharply eroded disposable incomes. Job creation picked up in the fourth quarter of 2012 (to 201,000 monthly average) and remained strong in the first two months of 2013 (208,000 on average).

Recovery in housing continues…

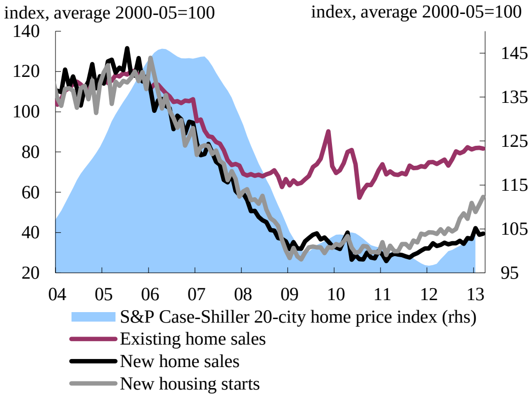
The housing sector remains buoyant. Home prices (Case-Shiller 20-city Index) have been rising for twelve straight months and accelerated to 8.1% y-o-y in January 2013, the fastest since mid-2006. Boosted by rising prices, construction activity and home sales continue to recover, with housing starts in March at their highest since mid-2008.

… but the short-term momentum weakened somewhat

However, the economy seems to have lost steam in March as sequester cuts took effect, clouding the outlook for the second quarter. Employment grew by a low 88,000, bringing the first quarter average down to 168,000, below the mean quarterly job growth in 2012. The unemployment rate fell to 7.6% in March (the lowest since December 2008) but most of the improvement came from the shrinking labour force as the activity rate of population (labour force / population) declined to a four-decade low of 63.3%.

Other short-term indicators confirm the slowdown. Real retail sales contracted by 0.2% m-o-m in March and consumer confidence indicators have generally deteriorated in March-April. Likewise, both ISM and PMI indices (manufacturing and non-manufacturing) took a deep plunge in March/April on lower new orders and output, suggesting weakening activity in the second quarter.

Graph II.34.1: **US - Home prices, home sales and new housing starts (s.a.)**



Monetary policy supports recovery

Monetary policy remains loose, supporting growth, despite the increasingly acknowledged risks to the continuation of current bond-buying at the rate of USD 85 bn per month. However, the below-expectations March employment report makes it unlikely that the current rate of bond-buying will be revised down in the near term given the FOMC members pursuit of "sustainable job growth" – reiterated in the latest statement and press conference (March 2013).

Major fiscal challenges ahead

While the US "fiscal cliff" has been avoided (January 2) and the government shut-down averted (March 21), US fiscal policy continues to generate significant uncertainty and remains the most important domestic risk.

In the short term there is the need to raise the debt ceiling whose suspension expires on May 19. Given that the Treasury will be able to pay its bills for about ten subsequent weeks, negotiations will most likely continue well into the summer, as they did two years ago during the previous debt limit crisis. Back then the debate proved highly disruptive, weighed heavily on consumer and business sentiment, and contributed to the downgrade of the US debt by one of the rating agencies. There is some hope that this time negotiations may be more orderly with both parties well aware of the political cost associated with the blame for the gridlock.

Moreover, the debate on the budget for the fiscal year 2014 is unfolding gradually and may soon merge with the debt ceiling negotiations. The House and the Senate each passed irreconcilable budget proposals in late March. President Obama's budget announced on 10 April seeks to draw Republicans into a fiscal compromise by reducing spending on some social programmes but also suggesting additional taxes – in line with policy priorities of his own party.

The GDP growth forecasts for 2013 and 2014 remain at 1.9% and 2.6%, respectively, unchanged from the winter forecast. Business and residential investment will be the strongest growth drivers in the forecast horizon, contributing more than half (2013) and half (2014) of the GDP growth. On the other hand, fiscal policy will remain a drag on growth as it is likely to be tightened significantly in 2013 – reflecting the combination of the tax hikes and sequestration cuts. The resulting fiscal consolidation is expected to reach 2% of GDP in 2013 – up from 1.2% in 2012 – and then ease to around 1% of GDP in 2014.

Policy uncertainty remains a major risk

Policy uncertainty remains the biggest domestic risk for the forecast. If the disruptive stand-off is repeated over the debt ceiling, this will weigh on confidence, consumption and investment and ultimately GDP growth in the forecast horizon. If, on the other hand, orderly negotiations improve prospects of addressing the medium and long-term fiscal challenges and putting the debt-to-GDP ratio on a downward trend, this is likely to boost sentiment and growth.

Table II.34.1:

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		14991.3	100.0	3.0	-3.1	2.4	1.8	**2.2**	**1.9**	**2.6**
Private consumption		10729.0	71.6	3.3	-1.9	1.8	2.5	**1.9**	**1.7**	**2.2**
Public consumption		2594.4	17.3	1.6	4.4	0.9	-2.6	**-1.4**	**-1.7**	**-0.6**
Gross fixed capital formation		2202.4	14.7	4.3	-16.1	-0.5	4.0	**6.9**	**6.9**	**7.8**
of which : equipment		881.6	5.9	6.3	-19.6	9.9	11.0	**6.5**	**6.8**	**8.5**
Exports (goods and services)		2094.2	14.0	5.7	-9.1	11.1	6.7	**3.5**	**3.5**	**5.8**
Imports (goods and services)		2662.3	17.8	7.1	-13.5	12.5	4.8	**2.4**	**2.7**	**6.2**
GNI (GDP deflator)		15211.3	101.5	3.1	-4.1	3.5	2.0	**2.1**	**2.0**	**2.6**
Contribution to GDP growth :	Domestic demand			3.3	-3.5	1.4	1.9	**2.1**	**2.0**	**2.7**
	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	**0.1**	**0.0**	**-0.2**
Employment (*)				1.2	-5.0	-0.8	0.6	**1.9**	**1.0**	**1.7**
Unemployment rate (a)				5.4	9.3	9.6	8.9	**8.1**	**7.7**	**7.2**
Compensation of employees/f.t.e.				3.8	1.9	3.0	3.3	**1.3**	**1.5**	**2.2**
Unit labour costs whole economy				2.0	0.0	-0.3	2.0	**0.9**	**0.6**	**1.2**
Real unit labour costs				-0.2	-0.9	-1.6	-0.1	**-0.8**	**-1.0**	**-0.9**
Saving rate of households (b)				8.4	9.4	9.6	8.6	**8.0**	**7.3**	**7.8**
GDP deflator				2.2	0.9	1.3	2.1	**1.8**	**1.6**	**2.2**
General index of consumer prices				2.7	-0.4	1.6	3.2	**2.1**	**1.8**	**2.1**
Terms of trade of goods				-0.6	6.4	-1.6	-1.1	**-0.3**	**0.5**	**-0.6**
Merchandise trade balance (c)				-4.1	-3.8	-4.6	-5.0	**-4.8**	**-4.6**	**-4.8**
Current-account balance (c)				-3.3	-3.6	-3.3	-3.3	**-3.0**	**-2.8**	**-3.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)				-3.3	-3.6	-3.3	-3.3	**-3.0**	**-2.8**	**-3.0**
General government balance (c)				-2.7	-11.9	-11.3	-10.1	**-8.9**	**-6.9**	**-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**	**110.6**	**111.3**

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

(*) Employment data from the BLS household survey.

35. JAPAN

Stronger near-term growth prospects

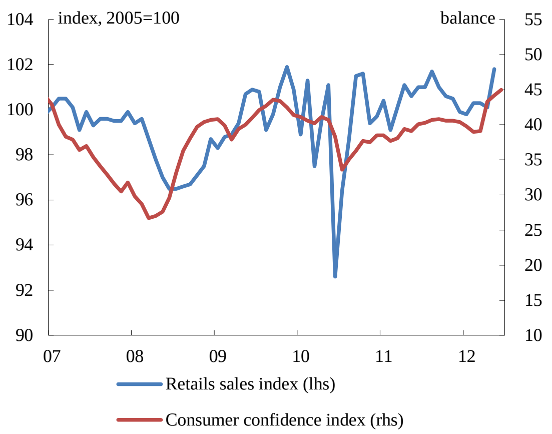
Growth outlook has improved…

In 2013 real GDP is forecast to grow by 1.4% (up from 1.0% in the winter forecast) as fiscal expansion, further easing in financing conditions and a projected improvement in export performance are expected to further support growth over the second half of the year. However the planned 2014 consumption tax hike could dampen growth from the second quarter of next year onwards. For this reason overall growth for 2014 is projected at 1.6%, unchanged with respect to the winter forecast.

Real GDP growth was flat in the last quarter of 2012, marking a stabilisation after two consecutive declines in the second and third quarters. Starting from a low 2011 base, Japan's economy grew by 2.0% in 2012, mainly sustained by robust private consumption (2.4%), government expenditure (2.7%) and public investment (12.5%), whereas net exports acted as a drag on growth with a negative contribution of 0.9 pp.

Resilience in private consumption is likely to continue over the course of this year notably on the back of improvements in consumer sentiment, wealth effects from rising stock market valuations (the Nikkei 225 index has climbed up by 55% over the past eight months and is now back to its June 2008 levels), and ultra-easy financing conditions. In addition, a front-loading of households' expenditure is expected in anticipation of the 2014 consumption tax hike.

Graph II.35.1: **Japan - Retails sales and consumer confidence**



Sources: Ministry of Economy, Trade and Industry; Cabinet Office

After remaining stagnant throughout 2012, the consumer confidence index has started increasing markedly from January, reaching its highest levels since 2007 and suggesting that positive consumer sentiment may start materialising into higher spending. The retail sales index also started to increase in February (1.7% m-o-m).

In 2012 gross fixed capital formation was mainly underpinned by strong public investment (12.5%) and residential investment growth (2.9%) on the back of strong reconstruction spending, whereas business investment remained more subdued (2.0%). Public investment is projected to continue on a growth trend supported by fiscal stimulus measures. As for business investment, February data for machinery orders (7.5% m-o-m), a leading indicator for capital expenditure, marked a rebound with respect to January, but do not point yet to a sustained improvement. Further easing in financing conditions and stronger export competitiveness are however expected to underpin business investment over the forecast horizon.

After being on a declining trend for eight months, industrial production rose in December 2012 and stablised in the first two months of 2013. Soft indicators for January and February point to a marginal improvement in business sentiment, which however are not reflected in hard data so far. However, with some delay better business expectations would materialise into a gradual pick-up of industrial production over the coming quarters, also on the back of stronger export growth driven by the steep depreciation of the yen.

External demand has not yet fully responded to the yen depreciation, and the pass-through from the weaker yen to energy prices has so far offset the positive impact of the export recovery on net trade. Real exports to the United States remained resilient throughout 2012 and appear to be growing, whereas real exports to China and the EU remain subdued but are expected to rebound. External demand should gradually pick up over the forecast horizon in line with the weak yen and growth in export markets, whereas dependency on fossil fuel imports will keep weighing on the trade balance over the coming years. All in all, net exports would contribute positively to economic growth in 2013, after being a drag in 2012.

The unemployment rate remained low in February (4.3%) and is expected to stay at such levels over the forecast horizon in line with tiny employment growth and a stable labour force. The participation rate is on a long-term downward path, and fell to its lowest ever recorded level of 58.5% in December. Nominal wage growth remains subdued (-0.7% y-o-y in February), whereas the number of part-time workers kept rising, marginally replacing regular workers (2.9% against -0.5% y-o-y in February).

...supported by bold monetary policy

Deflation remained entrenched in 2012 but showed some signs of easing, as the CPI index edged up from -0.3% y-o-y in 2011 to 0.0% y-o-y in 2012. However, recent seasonally-adjusted CPI readings do not point yet to a reversal in the deflationary trend (-0.6% y-o-y in February). The one-off effect of the consumption tax hike due in April 2014 and the pass-through from higher import prices will wane over time, and the extent to which the 2% inflation target is sustained will largely depend on whether the present negative nominal wage growth trend is reversed and higher inflation expectations become firmly entrenched.

Monetary policy will remain ultra-loose over the forecast horizon. The Bank of Japan delivered on its pledge to undertake "whatever is necessary" to exit from deflation, and committed to double the monetary base and expand its balance sheet by a projected 26% in 2013 and 35% in 2014, the largest scale of expansion among major central banks.

Risks and challenges ahead

The main risk is that Japan’s monetary policy is not adequately complemented by the necessary fiscal consolidation and structural economic reforms. Despite lower borrowing costs in the near term, there is no room for complacency given Japan's growing debt-to-GDP ratio, which calls for a strong and credible medium-term fiscal consolidation plan. Tepid or insufficient structural economic reforms would also dampen Japan’s growth prospects, and in turn negatively affect its debt sustainability.

Table II.35.1:

Main features of country forecast - JAPAN

	2011		Annual percentage change						
	bn JPY Curr. prices	% GDP	92-08	2009	2010	2011	2012	2013	2014
GDP	470623.2	100.0	1.0	-5.5	4.7	-0.6	**2.0**	**1.4**	**1.6**
Private consumption	284784.3	60.5	1.1	-0.7	2.8	0.5	**2.4**	**1.0**	**0.6**
Public consumption	96203.3	20.4	2.3	2.3	1.9	1.5	**2.7**	**1.2**	**1.1**
Gross fixed capital formation	96872.2	20.6	-1.0	-10.6	-0.2	1.1	**4.5**	**0.6**	**2.1**
of which : equipment	-	-	1.1	-16.5	2.6	3.5	**-**	**-**	**-**
Exports (goods and services)	71288.4	15.1	5.3	-24.2	24.4	-0.4	**-0.3**	**4.0**	**6.9**
Imports (goods and services)	75571.8	16.1	3.7	-15.7	11.1	5.9	**5.3**	**2.0**	**5.0**
GNI (GDP deflator)	485307.8	103.1	1.1	-6.1	4.6	-0.2	**2.0**	**2.0**	**2.3**
Contribution to GDP growth : Domestic demand			0.7	-2.4	2.0	0.8	**2.9**	**0.9**	**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	**-0.9**	**0.3**	**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	**0.0**	**0.2**	**1.0**
Unit labour costs whole economy			-1.2	0.3	-4.8	0.8	**-1.5**	**-1.1**	**-0.4**
Real unit labour costs			-0.5	0.8	-2.7	2.7	**-0.7**	**-0.7**	**-1.9**
Saving rate of households (b)			13.9	9.1	8.7	8.7	**7.8**	**7.4**	**6.4**
GDP deflator			-0.7	-0.5	-2.2	-1.9	**-0.9**	**-0.3**	**1.5**
General index of consumer prices			0.3	-1.4	-0.7	-0.3	**0.0**	**0.2**	**1.8**
Terms of trade of goods			-2.6	16.1	-7.0	-8.8	**-1.4**	**-3.0**	**-0.3**
Merchandise trade balance (c)			2.4	0.9	1.7	-0.3	**-1.4**	**-1.7**	**-1.6**
Current-account balance (c)			2.9	2.9	3.7	2.0	**1.1**	**1.8**	**2.5**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			2.8	2.8	3.6	2.0	**1.0**	**1.7**	**2.6**
General government balance (c)			-4.9	-8.8	-8.3	-8.9	**-9.9**	**-9.5**	**-7.6**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			137.2	210.2	215.0	232.0	**237.5**	**243.6**	**242.9**

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

36. CHINA

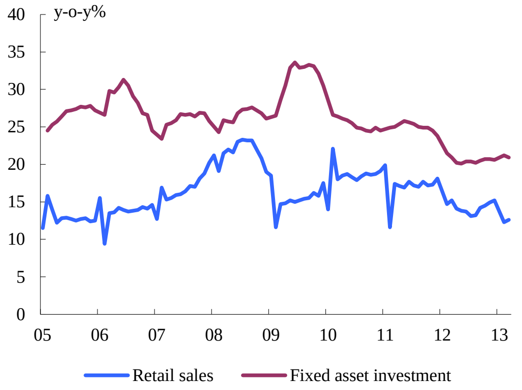
A recovery that has yet to take hold

A continued slow recovery

China's economy grew by 7.7% in the first quarter of 2013, compared to 7.9% in the last quarter of 2012, and 7.8% for 2012 as a whole. This confirms that while China appears to have avoided a hard landing, growth remains subdued compared to China's average growth rate during the last decade. High frequency indicators remain mixed, with positive manufacturing survey data slow to feed through into measures of real activity.

After falling sharply in early 2012, domestic consumption proved resilient during the rest of the year and early 2013. Retail sales picked up noticeably in the second half of 2012, before slipping back a little in the early months of 2013.

Graph II.36.1: **China - Retail sales and Fixed asset investment**



Fixed asset investment also slowed abruptly during the early months of 2012. The slowdown was most marked in real estate, with a fall from over 30% growth in nominal terms to around 20%, thanks in part to targetted policy measures to calm property markets. A subsequent increase in infrastructure approvals in mid 2012 helped stabilise growth of fixed asset investment at just over 20% towards the end of 2012 and into the first quarter of 2013.

Export growth was flat through the first three quarters of 2012, then picked up in the last quarter, while import growth remained slack. This allowed China to register a current-account surplus of 2.3% of GDP in 2012, as compared to 1.9% in 2011. Exports followed this pattern in the first quarter of 2013, with a growth of 18.4% (in value terms), compared to the same quarter of 2012, while imports grew by only 8.5%.

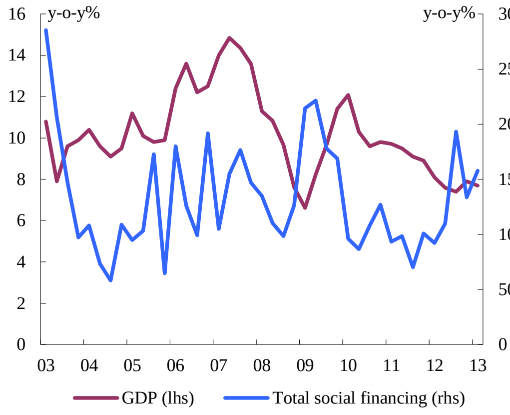
Overall, consumption (public and private) provided the largest positive contribution to growth in the first quarter of 2013 (4.3 pps.) while investment contributed 2.3 pps. and net exports contributed 1.1 pps. The consumption contribution has been stable for several quarters, while the improved contribution of net exports is in sharp contrast to 2012, during which net exports were a drag on growth.

A mixed outlook

Consumption is likely to remain the principal driver of growth in 2013, underpinned by three main factors. First, rapid growth in wages is likely to increase household incomes. Second, real interest rates remain positive, implying rising earnings on household deposits and an increase in financial wealth. Third, policy is likely to continue to be supportive for households' income with a continuation of measures to broaden the social security net, as well as to support spending directly via measures to boost "green" consumption. Fixed asset investment is expected to remain steady through 2013, though the pace may quicken if real estate investment continues to accelerate. While this would be positive in terms of the short-term outlook for demand, the share of real estate in total investment is already high, and further growth would raise concerns about longer term sustainability.

Monetary policy remains accommodative. Policy interest rates were lowered in the middle of 2012 and have since remained stable with the policy lending rate at 6% and the policy deposit rate at 3%. Interbank rates fell sharply during the first half of 2012 and have subsequently moved in a relatively narrow range between 3 and 4%. Inflation has also remained subdued. After falling sharply during 2012, it has remained around 2%, though recent months have seen some volatility in the headline rate. Growth in credit on the other hand has picked up sharply in the last two to three quarters, with very rapid growth in Total Social financing (an official measure of aggregate credit flow to the economy).

Graph II.36.2: **GDP and credit growth**



As regards the external sector, it is unlikely that the rapid growth rates of exports seen in early months of 2013 can be maintained, given the likely slow recovery in world trade, and the short-term prospects for the EU and the US, both major trading partners. In addition, the real effective exchange rate of the RMB has appreciated by around 5% over the last 6 months which will act as a modest drag on export growth. Balancing these various developments, the current projections remain unchanged from the winter forecast, at 8% growth in 2013 and 8.1% in 2014.

Risks to the outlook

China remains exposed to a possible worsening of the international environment, but the principal risk factors remain domestic. The risk of a sharp slump driven by falling investment demand has receded. However, China faces a considerable challenge to maintain robust domestic demand while at the same time rotating demand away from investment and towards consumption, as is needed if China's growth model is to be "rebalanced" and made sustainable in the medium term. The risk of an unbalanced adjustment remains real.

The presence of rapid credit growth and growing financial disintermediation in spite of sluggish activity also suggests that stresses exist in the financial sector. Inflation remains low at present, but may pick up quickly if excess productive capacity proves to be limited. A rapid rise in inflation would lower real interest rates, and encourage diversification into real assets, in particular property, thereby reigniting speculative bubbles. The scope for a more rapid recovery might therefore be constrained by the need to keep the domestic inflation rate at a level that is consistent with financial stability.

Table II.36.1:

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	**5.7**	**6.2**	**6.6**
Final demand	-	-	-	-	-	-	-	-	-
Imports (goods and services)	12226.5	26.2	17.6	4.5	20.7	9.4	**5.3**	**5.1**	**6.3**
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**	**3.1**	**4.1**
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**	**4.4**	**4.6**
Current-account balance (b)			2.9	4.8	4.0	1.9	**2.3**	**3.4**	**3.4**
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.

37. EFTA

Embedding resilience

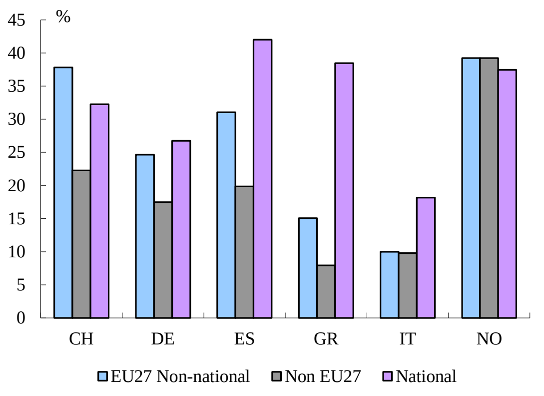
Historically low interest rates, robust developments in real disposable incomes due to low or negative inflation rates combined with strong labour markets and an overall limited deterioration in foreign demand for their export products, have supported growth in Norway and Switzerland.

Labour migration supportive of resilience now and in the future

Labour migration has given an additional impetus to domestic demand at a time when other European countries struggled to achieve positive growth. Historically, Switzerland and, to a lesser extent, Norway, have attracted temporary inflows in times of tightening labour markets. This has helped dampen the effect of the business cycle on national employment which can also be seen in their low Okun coefficient.

Between 2008 and 2011, the highly-educated foreign work force expanded by 18.6% in Switzerland and by 33.4% in Norway. Of these expansions, 96% and 56% respectively can be explained by migration from the EU. For comparison, in Germany only 35% of the increase (by 23.7% over the same period) in highly-educated labour migration can be traced back to other EU Member States. Switzerland and Norway are the only countries where total EU immigration raises the share of the highly-educated in the total workforce.

Graph II.37.1: **Share of highly educated in labour force by origin**



Reigniting engine of foreign demand for Switzerland

The Swiss economy has continued to show resilience supported mostly by domestic demand. Foreign demand is expected to increasingly support economic growth in Switzerland while domestic demand growth becomes less buoyant. The risk that domestic demand loses steam before foreign demand picks up seems limited, because the low interest rates that boosted domestic demand are coupled with external developments. As soon as the global economy gains momentum, foreign demand for the broader range of Swiss export products should pick up but demand for Swiss assets should diminish leading to a tightening of domestic financial conditions. Labour market developments have been so robust that it is unlikely that unemployment becomes a threat to private domestic demand.

A first risk to the outlook is that the property market has deviated too much from its fundamentals. Secondly, reversing the large expansion of liquidity may prove a challenge to monetary policy if the risk premium on other economies suddenly falls. In combination with the tight labour market and strong private consumption this might push up inflationary pressures. These risks seem limited although vigilance is warranted in policy making.

Gross fixed capital investment has been less responsive to the low interest rates than would normally be expected. On the other hand, inventories have positively contributed to economic growth in the past two years. This is expected to reverse as domestic investment is projected to contribute positively to economic growth while inventories are expected to be scaled down. Building activity is set to slow down, in particular due to the limitations on second homes.

Norway: The upturn moderates

The cyclical upturn starting in 2011 has continued in Norway throughout 2012. Domestic demand has been fuelling growth in the Norwegian economy, helped by favourable domestic conditions and a thriving oil sector. Robust wage and employment growth, along with very low inflation and interest rates, have boosted consumer purchasing power. Additionally, activity benefited from a strong rebound in the petroleum and transport sector by the end of 2012. As a result, 2012 annual real GDP grew by 3.2%, from 1.2% in the previous year, which represented the strongest expansion observed since 2004.

Moreover, high level of disposable income and expectations for continued strong labour market, along with high oil prices, are expected to ensure sustained consumption and investment growth in 2013, albeit slower than the previous, very high rates. Investment in mainland industries is also expected to increase, but at lower rates than in previous economic upturns due to the weak international momentum. The worsened perspectives for Norway's trading partners since the beginning of the year, together with continual losses of cost-competitiveness in Norwegian businesses, due to the previous krone appreciation, would lead to a weak development in traditional Norwegian exports. But this would be largely compensated by the still good prospects for the oil services sector. As a result, GDP is projected to decelerate in 2013 and slightly surpass trend growth (2.5%). Subsequently, the assumed higher interest rates are likely to curb consumption and investment impetus, which is expected to be partially offset by a recovery in the external sector, resulting in GDP growth return to trend by 2014. The krone appreciation and the resulting lower import prices have kept inflation low despite high global energy costs, strong economic growth and rapid wage growth. Slowly these effects are expected to wane and inflation to increase towards 2.5% in 2014.

These forecasts are subject predominantly to downside risks. One stems from the uncertain outlook for the global economy and the risk of a renewed recession in the euro area, including a deeper banking crisis with a resulting lack of liquidity and lower growth. Moreover, turmoil in the financial markets of other advanced economies could raise capital flows into Norway causing a further appreciation of the krone while pushing the domestic interest rate below equilibrium levels. This would enhance risks of asset bubbles which are especially worrisome for the property markets where prices are already relatively high, which is mirrored in high indebtedness of households.

Table II.37.1:
Main features of country forecast - EFTA

	Norway					Switzerland				
(Annual percentage change)	**2010**	**2011**	**2012**	**2013**	**2014**	**2010**	**2011**	**2012**	**2013**	**2014**
GDP	0.5	1.2	3.2	2.6	2.5	3.0	1.9	1.0	1.4	1.9
Private consumption	3.8	2.5	2.9	2.7	2.3	1.6	1.2	2.5	1.8	1.7
Public consumption	1.3	1.8	2.1	2.2	2.0	0.7	2.0	0.7	2.3	2.6
Gross fixed capital formation	-8.0	7.6	8.2	5.2	3.5	4.8	4.0	0.1	-0.4	0.7
of which : equipment	-6.3	-0.5	3.9	5.2	3.5	6.4	3.6	5.4	2.0	0.8
Exports (goods and services)	0.4	-1.8	2.2	1.7	4.5	7.8	3.8	1.1	2.7	3.8
Imports (goods and services)	9.0	3.8	3.3	2.5	5.0	7.4	4.2	2.3	2.9	3.6
GNI (GDP deflator)	1.1	0.6	4.6	2.5	2.6	6.7	-1.3	3.8	1.3	1.7
Contribution to GDP growth : Domestic demand	0.2	2.9	3.2	2.6	2.1	1.9	1.7	1.5	1.2	1.4
Inventories	2.6	0.1	-0.1	0.0	0.0	0.1	-0.1	-0.2	0.0	0.0
Net exports	-2.3	-1.8	0.0	0.0	0.4	1.0	0.3	-0.4	0.2	0.5
Employment	-0.5	1.4	2.2	0.8	1.1	0.7	2.5	1.4	1.0	1.8
Unemployment rate (a)	3.6	3.3	3.2	3.2	3.3	4.2	3.8	3.9	3.9	3.0
Compensation of employees/head	3.1	5.0	4.5	4.0	4.1	-0.8	1.3	1.2	2.0	1.1
Unit labour costs whole economy	2.1	5.1	3.5	2.2	2.7	-3.1	1.9	1.6	1.6	1.0
Real unit labour costs	-4.0	-1.6	0.7	-0.1	0.2	-3.6	1.6	1.6	-0.4	-1.9
Saving rate of households (b)	10.8	12.3	13.6	14.2	15.2	16.4	13.3	17.5	17.7	17.4
GDP deflator	6.3	6.8	2.8	2.2	2.5	0.5	0.2	0.1	2.0	3.0
Harmonised index of consumer prices	2.3	1.2	0.4	1.4	1.9	0.6	0.1	-0.7	0.0	1.1
Terms of trade of goods	10.1	13.2	1.9	0.0	0.3	-0.7	-2.0	0.3	-0.4	-0.4
Merchandise trade balance (c)	11.9	13.5	13.7	13.2	13.3	2.4	2.5	2.9	2.6	2.5
Current-account balance (c)	11.9	12.8	14.2	13.5	13.6	15.1	11.5	13.7	12.6	12.3
Net lending(+) or borrowing(-) vis-à-vis ROW (c)	11.9	12.7	14.1	13.5	13.6	14.3	10.8	13.8	12.3	11.9
General government balance (c)	11.1	13.4	13.9	13.2	12.8	0.3	0.5	0.4	0.1	-0.1
Cyclically-adjusted budget balance (c)	-	-	-	-	-	-	-	-	-	-
Structural budget balance (c)	-	-	-	-	-	-	-	-	-	-
General government gross debt (c)	43.0	28.7	29.6	26.7	25.6	-	-	-	-	-

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

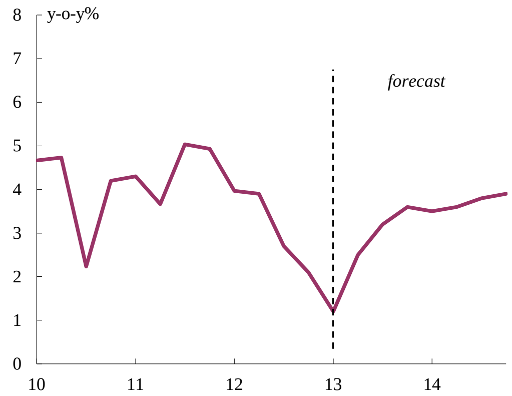
38. RUSSIAN FEDERATION

Structural reforms needed to ensure growth

Russia recovered quickly from the sharp drop in GDP it experienced in 2009. But, reflecting the global slowdown but also specific Russian structural weaknesses, the pace of growth has weakened steadily in recent time, with a rate of expansion of 3.4% in 2012, and only 2.1% y-o-y in the fourth quarter. Looking ahead, the key question among signs of weak growth in 2013 is whether Russia will be able to counteract this trend without the support of rising commodity prices.

Russia is now projected to grow 3.3% in 2013 and 3.8% in 2014, still fairly close to its estimated potential. However, weak data at the start of the year means that achieving these growth rates requires a strong pick-up in the course of 2013.

Graph II.38.1: **Russia - GDP growth**



Weakness spreading to the first quarter of 2013

During the course of 2012, annual GDP growth of 4.9% (all y-o-y) in the first quarter moderated to 4.0% in the second quarter, 2.9% in the third and 2.1% in the final quarter according to the national statistical office. Household consumption remained the most important driver of growth while investment slowed considerably and government consumption was flat. In line with gross fixed capital formation, industrial production growth also decelerated steadily in 2012. Monthly data for the first quarter of 2013 indicates that this trend continued in January and February before recovering somewhat in March. Retail sales displayed the same pattern, making a further slowdown in the first quarter of 2013 likely. The unemployment rate has nudged up to 5.7% in March, but still near historical lows. In line with this indication of a tight labour market, wage growth remained buoyant. On fiscal policy, the Russian federal budget recorded a small deficit of 0.1% of GDP in 2012, but the non-oil budget deficit widened considerably, to around 10.6% of GDP.

Elevated inflation inhibits policy

Inflation was subdued in the first half of 2012, but picked up in the second half of the year. Despite the benchmark refinancing rate being raised by 25 bps to 8.25% in September, the Central Bank of Russia's inflation target of 5-6% at the end of the year was missed. Inflation has since increased further, averaging 7.1% y-o-y in the first quarter of 2013, preventing a more accommodative monetary policy.

Trade followed the pattern familiar from previous years, with import growth far exceeding that of exports, reflecting both lower demand from Russia's main trading partners and the beginning of a demand shift in the gas market. The merchandise trade surplus decreased to 9.5% of GDP in 2012 and net exports continue to contribute negatively to economic growth.

Expectations as measured by the composite PMI have mirrored the recent decline in monthly data as well as the global outlook, but are still firmly in expansionary territory, at 51.7 in March.

Recovery in late 2013 but structural challenges remain ahead

The forecast growth rate of 3.3% in 2013 implies a relatively rapid pickup in growth this year, as the economy is likely to rebound from the recent weakness. Present underlying trends are largely set to continue across the forecast horizon, 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 somewhat faster pace in 2013 (3.2% y-o-y) and 2014 (5.2% y-o-y), in part reflecting improvements in the global economic outlook, while imports will grow below trend on the back of slower consumption growth. The negative contribution of net exports is thus projected to lessen over the forecast horizon. The decline in the benchmark oil price to USD 104.9/bbl in 2013 and to USD

99.2/bbl in 2014 is likely to have negative effects on investment in the energy sector.

Policy uncertainty to outlook

Despite relatively high oil prices, the slowing of economic expansion progressed faster than expected. This is reflected in downward revisions to GDP forecasts for 2013, as for instance by the Russian Ministry of Economic Development (from 3.6% to 2.4%). This has given rise to renewed discussion of policy measures, including a potential fiscal stimulus employing reserve funds. This may affect efforts in the 2013-15 budget – a.o. the newly instated fiscal rule linking expenditure to long-term oil prices introduced only in January 2013 – for further fiscal consolidation and the projected progressive reduction in non-oil deficits. Proposals comprise increased spending on education, healthcare, infrastructure projects and amplify public sector wages. The implementation of such selected measures in line with medium-term fiscal targets may contribute to addressing structural growth challenges. Improvements in the business environment and the modernisation of the economy are needed to underpin sustainable growth. Overall, the federal budget is expected to close with a slight deficit across the forecast horizon.

In monetary policy, the appointment of Elvira Nabiullina to take over as governor of the Central Bank of Russia in June 2013 raised expectations of a significant departure from the 11-year administration of the retiring Sergei Ignatyev. While any change is likely to be gradual, promoting economic growth may become a more explicit target next to price stability. As it is, inflation is projected to level off from its elevated rate over the forecast horizon.

The present forecast is for the Russian economy to continue on a moderate growth path, implying no disruption in the short term and some improvement of the external outlook along with a supportive domestic environment in the medium term. With important policy decisions taken at the end of 2012 and first months of 2013 affecting developments, risks for the forecasts appear balanced. Over the medium term, improvements in the business environment and the modernisation of the economy are needed to underpin sustainable growth.

Table II.38.1:

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**	**3.3**	**3.8**
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**	**4.5**	**6.5**
of which : equipment	-	-	-	-	-	-	**-**	**-**	**-**
Exports (goods and services)	16949.6	31.1	-	-4.7	7.0	0.4	**1.9**	**3.2**	**5.2**
Imports (goods and services)	12165.9	22.3	-	-30.4	25.8	20.3	**8.7**	**9.2**	**9.3**
GNI (GDP deflator)	52823.4	96.8	-	-8.1	4.3	4.4	**3.3**	**3.3**	**3.8**
Contribution to GDP growth : Domestic demand			-	-5.8	3.8	5.5	**4.6**	**4.0**	**4.0**
Inventories			-	-7.3	4.1	3.0	**0.2**	**0.4**	**0.3**
Net exports			-	5.2	-3.3	-4.3	**-1.4**	**-1.1**	**-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)			-	-	-	-	**-**	**-**	**-**
GDP deflator			-	2.0	11.6	15.8	**10.0**	**7.4**	**7.0**
General index of consumer prices			-	-	-	-	**-**	**-**	**-**
Terms of trade of goods			-	-32.6	21.2	22.0	**2.3**	**4.5**	**2.8**
Merchandise trade balance (c)			-	9.1	10.2	10.7	**9.5**	**8.9**	**8.6**
Current-account balance (c)			-	4.0	4.8	5.4	**3.9**	**3.4**	**3.0**
Net lending(+) or borrowing(-) vis-à-vis ROW (c)			7.8	3.0	4.8	5.3	**3.3**	**2.8**	**2.5**
General government balance (c)			-	-	-	-	**-**	**-**	**-**
Cyclically-adjusted budget balance (c)			-	-	-	-	**-**	**-**	**-**
Structural budget balance (c)			-	-	-	-	**-**	**-**	**-**
General government gross debt (c)			-	11.3	11.8	10.8	**10.3**	**10.3**	**10.7**

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

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TABLE 1 : Gross domestic product, volume (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	1.9	2.3	2.3	1.0	-2.8	2.4	1.8	-0.2	0.0	1.2	0.2	1.5
Germany	1.1	1.7	1.7	1.1	-5.1	4.2	3.0	0.7	0.4	1.8	0.5	2.0
Estonia	:	5.8	8.1	-4.2	-14.1	3.3	8.3	3.2	3.0	4.0	3.0	4.0
Ireland	7.8	8.3	5.0	-2.1	-5.5	-0.8	1.4	0.9	1.1	2.2	1.1	2.2
Greece	1.7	3.8	4.3	-0.2	-3.1	-4.9	-7.1	-6.4	-4.2	0.6	-4.4	0.6
Spain	2.1	4.1	3.5	0.9	-3.7	-0.3	0.4	-1.4	-1.5	0.9	-1.4	0.8
France	1.4	2.6	2.0	-0.1	-3.1	1.7	1.7	0.0	-0.1	1.1	0.1	1.2
Italy	1.4	1.8	1.3	-1.2	-5.5	1.7	0.4	-2.4	-1.3	0.7	-1.0	0.8
Cyprus	4.1	4.2	3.8	3.6	-1.9	1.3	0.5	-2.4	-8.7	-3.9	-3.5	-1.3
Luxembourg	3.4	6.0	4.5	-0.7	-4.1	2.9	1.7	0.3	0.8	1.6	0.5	1.6
Malta	5.1	3.2	2.1	3.9	-2.6	2.9	1.7	0.8	1.4	1.8	1.5	2.0
Netherlands	3.0	2.9	2.4	1.8	-3.7	1.6	1.0	-1.0	-0.8	0.9	-0.6	1.1
Austria	2.1	2.7	2.6	1.4	-3.8	2.1	2.7	0.8	0.6	1.8	0.7	1.9
Portugal	2.2	3.2	1.0	0.0	-2.9	1.9	-1.6	-3.2	-2.3	0.6	-1.9	0.8
Slovenia	4.2	4.0	4.8	3.4	-7.8	1.2	0.6	-2.3	-2.0	-0.1	-2.0	0.7
Slovakia	6.1	2.8	7.0	5.8	-4.9	4.4	3.2	2.0	1.0	2.8	1.1	2.9
Finland	3.3	3.7	3.8	0.3	-8.5	3.3	2.8	-0.2	0.3	1.0	0.3	1.2
Euro area	:	2.5	2.2	0.4	-4.4	2.0	1.4	-0.6	-0.4	1.2	-0.3	1.4
Bulgaria	-1.6	4.3	6.3	6.2	-5.5	0.4	1.8	0.8	0.9	1.7	1.4	2.0
Czech Republic	2.5	2.2	5.6	3.1	-4.5	2.5	1.9	-1.3	-0.4	1.6	0.0	1.9
Denmark	2.9	1.9	2.0	-0.8	-5.7	1.6	1.1	-0.5	0.7	1.7	1.1	1.7
Latvia	0.4	5.7	9.5	-3.3	-17.7	-0.9	5.5	5.6	3.8	4.1	3.8	4.1
Lithuania	-2.3	4.7	8.6	2.9	-14.8	1.5	5.9	3.6	3.1	3.6	3.1	3.6
Hungary	1.4	3.9	3.3	0.9	-6.8	1.3	1.6	-1.7	0.2	1.4	-0.1	1.3
Poland	5.9	3.3	5.2	5.1	1.6	3.9	4.5	1.9	1.1	2.2	1.2	2.2
Romania	2.1	2.1	6.4	7.3	-6.6	-1.1	2.2	0.7	1.6	2.2	1.6	2.5
Sweden	2.0	3.4	3.5	-0.6	-5.0	6.6	3.7	0.8	1.5	2.5	1.3	2.7
United Kingdom	3.1	3.2	3.1	-1.0	-4.0	1.8	1.0	0.3	0.6	1.7	0.9	1.9
EU	:	2.6	2.5	0.3	-4.3	2.1	1.6	-0.3	-0.1	1.4	0.1	1.6
Croatia	:	2.6	4.8	2.1	-6.9	-2.3	0.0	-2.0	-1.0	0.2	-0.4	1.0
USA	3.6	3.3	2.7	-0.4	-3.1	2.4	1.8	2.2	1.9	2.6	1.9	2.6
Japan	1.4	0.1	1.8	-1.0	-5.5	4.7	-0.6	2.0	1.4	1.6	1.0	1.6

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	0.0	0.1	0.3	0.4	0.4	0.4	0.4
Germany	0.5	0.3	0.2	-0.6	0.1	0.3	0.4	0.5	0.5	0.5	0.5	0.5
Estonia	0.3	0.4	1.8	0.9	0.5	0.5	0.7	0.8	1.1	1.1	1.2	1.2
Ireland	-0.3	0.7	-0.4	0.0	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-0.4	-0.4	-0.3	-0.8	-0.5	-0.2	-0.1	0.0	0.3	0.4	0.5	0.5
France	-0.1	-0.1	0.2	-0.3	-0.1	0.0	0.2	0.3	0.3	0.3	0.3	0.3
Italy	-0.9	-0.7	-0.2	-0.9	-0.3	-0.2	0.1	0.2	0.2	0.2	0.3	0.3
Cyprus	-0.7	-0.9	-0.6	-1.1	:	:	:	:	:	:	:	:
Luxembourg	0.0	0.5	-0.5	1.6	-0.3	0.1	0.1	0.2	0.4	0.5	0.6	0.8
Malta	0.0	1.4	0.9	:	:	:	:	:	:	:	:	:
Netherlands	0.1	0.2	-1.0	-0.4	-0.2	0.1	0.2	0.2	0.2	0.2	0.3	0.4
Austria	0.4	0.1	0.1	-0.1	0.1	0.3	0.4	0.4	0.5	0.5	0.5	0.5
Portugal	-0.1	-1.0	-0.9	-1.8	-0.1	-0.2	-0.1	0.1	0.2	0.3	0.3	0.3
Slovenia	-0.2	-1.1	-0.6	-1.0	-0.3	-0.3	-0.3	-0.4	-0.1	0.2	0.3	0.6
Slovakia	0.3	0.4	0.3	0.2	0.1	0.1	0.5	0.6	0.8	0.8	0.9	0.9
Finland	0.4	-1.3	0.1	-0.5	0.4	0.4	0.2	0.1	0.1	0.3	0.6	0.5
Euro area	-0.1	-0.2	-0.1	-0.6	-0.1	0.1	0.2	0.3	0.3	0.4	0.4	0.4
Bulgaria	0.0	0.4	0.1	0.0	0.2	0.3	0.5	0.4	0.5	0.4	0.5	0.4
Czech Republic	-0.5	-0.6	-0.4	-0.2	-0.1	0.1	0.3	0.4	0.4	0.4	0.5	0.5
Denmark	0.2	-0.9	0.8	-0.7	0.4	0.0	1.0	0.7	-0.8	1.1	0.9	0.7
Latvia	1.3	1.4	1.7	1.4	0.6	0.7	0.8	0.9	1.0	1.1	1.2	1.2
Lithuania	0.5	0.5	1.2	0.7	0.6	0.7	0.9	0.9	0.9	0.9	0.9	0.9
Hungary	-1.0	-0.6	-0.4	-0.9	0.4	0.5	0.4	0.4	0.3	0.3	0.4	0.4
Poland	0.3	0.1	0.3	0.1	0.1	0.2	0.4	0.5	0.5	0.7	0.9	1.0
Romania	-0.1	0.6	-0.2	0.4	0.5	0.2	0.6	0.3	0.4	0.5	0.8	0.5
Sweden	0.4	0.8	0.3	0.0	0.4	0.4	0.6	0.4	0.6	0.7	0.5	1.0
United Kingdom	-0.1	-0.4	0.9	-0.3	0.0	0.2	0.4	0.4	0.4	0.4	0.5	0.5
EU	-0.1	-0.2	0.1	-0.5	0.0	0.1	0.3	0.3	0.3	0.4	0.4	0.5
Croatia	-0.7	-0.7	-0.6	-0.7	:	:	:	:	:	:	:	:
USA	0.5	0.3	0.8	0.1	0.6	0.4	0.7	0.7	0.6	0.7	0.7	0.8
Japan	1.5	-0.2	-0.9	0.0	-0.1	1.1	1.4	1.6	0.8	-0.8	-0.9	-1.0

TABLE 3 : Profiles (yoy) of quarterly GDP, volume (percentage change from corresponding quarter in previous year, 2012-14) 23.04.2013

	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	-0.6	0.0	0.1	0.5	0.8	1.1	1.4	1.5
Germany	1.2	1.0	0.9	0.4	0.1	0.1	0.3	1.4	1.7	1.8	1.9	1.8
Estonia	3.6	2.5	3.3	3.5	3.7	3.8	2.6	2.5	3.1	3.7	4.3	4.8
Ireland	2.1	0.8	0.9	0.0	:	:	:	:	:	:	:	:
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	-0.7	-1.4	-1.6	-1.9	-2.0	-1.7	-1.5	-0.7	0.1	0.7	1.3	1.8
France	0.3	0.1	0.1	-0.3	-0.3	-0.2	-0.2	0.4	0.8	1.1	1.3	1.2
Italy	-1.6	-2.6	-2.6	-2.8	-2.1	-1.6	-1.3	-0.2	0.3	0.8	1.0	1.1
Cyprus	-1.6	-2.5	-2.3	-3.3	:	:	:	:	:	:	:	:
Luxembourg	-0.3	0.6	-0.5	1.6	1.3	0.8	1.4	0.0	0.7	1.2	1.8	2.4
Malta	-0.7	1.2	2.0	:	:	:	:	:	:	:	:	:
Netherlands	-0.9	-0.5	-1.3	-1.2	-1.4	-1.6	-0.4	0.3	0.7	0.9	0.9	1.1
Austria	0.9	0.7	0.8	0.5	0.2	0.5	0.8	1.3	1.6	1.8	1.8	2.0
Portugal	-2.3	-3.1	-3.5	-3.8	-3.7	-2.9	-2.1	-0.3	-0.1	0.4	0.8	1.0
Slovenia	-0.8	-2.3	-2.8	-2.8	-2.9	-2.1	-1.8	-1.3	-1.1	-0.7	0.0	1.0
Slovakia	2.7	2.3	1.9	1.2	1.0	0.7	0.8	1.3	2.0	2.7	3.1	3.5
Finland	1.5	-0.1	-0.8	-1.4	-1.4	0.3	0.4	1.0	0.8	0.7	1.1	1.6
Euro area	-0.1	-0.5	-0.7	-0.9	-1.0	-0.7	-0.4	0.5	0.9	1.2	1.4	1.5
Bulgaria	0.8	0.7	0.6	0.5	0.7	0.6	0.9	1.3	1.6	1.7	1.8	1.7
Czech Republic	-0.4	-1.1	-1.5	-1.7	-1.3	-0.7	0.0	0.6	1.2	1.5	1.8	2.0
Denmark	0.1	-1.3	0.0	-0.7	-0.7	0.3	0.5	2.1	0.9	2.1	1.9	1.9
Latvia	5.6	5.0	5.4	5.8	5.2	4.4	3.5	3.0	3.4	3.8	4.3	4.6
Lithuania	4.3	3.1	3.4	3.0	3.0	3.2	2.9	3.1	3.5	3.7	3.6	3.6
Hungary	-1.1	-1.5	-1.8	-2.8	-1.5	-0.3	0.5	1.8	1.6	1.4	1.4	1.4
Poland	3.4	2.2	1.7	0.7	0.6	0.7	0.8	1.2	1.6	2.0	2.6	3.0
Romania	0.9	1.8	0.1	0.7	1.3	0.9	1.7	1.6	1.5	1.8	2.0	2.2
Sweden	1.2	1.4	0.6	1.5	1.5	1.1	1.5	1.9	2.1	2.4	2.3	2.9
United Kingdom	0.5	0.0	0.4	0.2	0.2	0.8	0.3	1.0	1.5	1.7	1.8	1.9
EU	0.1	-0.3	-0.4	-0.6	-0.6	-0.3	-0.2	0.7	1.1	1.4	1.5	1.7
Croatia	-1.3	-2.1	-2.3	-2.6	:	:	:	:	:	:	:	:
USA	2.4	2.1	2.6	1.7	1.8	1.9	1.8	2.4	2.4	2.7	2.7	2.8
Japan	3.3	4.0	0.4	0.4	-1.2	0.1	2.4	4.1	5.0	3.0	0.7	-1.9

TABLE 4 : Gross domestic product per capita (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.7	2.0	1.7	0.2	-3.5	1.5	0.9	**-0.9**	**-0.7**	**0.5**	*-0.5*	*0.8*
Germany	0.8	1.6	1.7	1.3	-4.8	4.3	3.0	**0.5**	**0.2**	**1.7**	*0.4*	*2.0*
Estonia	:	6.5	8.4	-4.0	-14.0	3.4	8.3	**3.3**	**3.1**	**4.0**	*3.1*	*4.0*
Ireland	7.1	6.7	2.7	-4.2	-6.4	-1.2	1.0	**0.6**	**0.3**	**1.3**	*0.3*	*1.3*
Greece	0.9	3.4	3.9	-0.6	-3.5	-5.2	-7.0	**-6.3**	**-4.2**	**0.6**	*-4.5*	*0.5*
Spain	1.9	3.2	1.8	-0.7	-4.4	-0.6	0.3	**-1.5**	**-1.3**	**1.2**	*-1.2*	*1.0*
France	1.0	2.0	1.3	-0.6	-3.7	1.1	1.1	**-0.6**	**-0.6**	**0.6**	*-0.4*	*0.7*
Italy	1.4	1.7	0.5	-1.9	-6.1	1.2	0.0	**-2.6**	**-1.7**	**0.3**	*-1.4*	*0.4*
Cyprus	2.2	3.0	2.2	1.0	-4.5	-1.3	-2.0	**-4.9**	**-9.6**	**-4.9**	*-4.4*	*-2.3*
Luxembourg	2.0	4.7	3.0	-2.5	-5.8	1.0	-0.7	**-2.0**	**-0.9**	**0.0**	*-1.2*	*0.0*
Malta	4.2	2.5	1.5	3.1	-3.0	2.3	1.0	**0.9**	**1.5**	**1.8**	*1.1*	*1.6*
Netherlands	2.4	2.2	2.1	1.4	-4.2	1.1	0.5	**-1.3**	**-1.3**	**0.5**	*-1.0*	*0.7*
Austria	1.7	2.4	2.1	1.0	-4.1	1.8	2.3	**0.3**	**0.1**	**1.4**	*0.3*	*1.5*
Portugal	2.0	2.6	0.6	-0.1	-3.0	1.9	-1.7	**-2.7**	**-2.1**	**0.6**	*-2.0*	*0.7*
Slovenia	4.3	3.9	4.6	3.2	-8.7	0.9	0.4	**-2.5**	**-2.2**	**-0.3**	*-2.1*	*0.5*
Slovakia	5.8	2.8	7.0	5.6	-5.1	4.1	3.0	**2.7**	**0.7**	**2.5**	*0.8*	*2.6*
Finland	2.9	3.4	3.4	-0.2	-9.0	2.9	2.3	**-0.7**	**-0.2**	**0.5**	*-0.2*	*0.7*
Euro area	:	2.1	1.6	-0.2	-4.7	1.7	1.1	**-0.8**	**-0.7**	**1.0**	*-0.5*	*1.1*
Bulgaria	-1.1	5.4	6.9	6.7	-5.0	1.1	4.4	**1.4**	**1.9**	**2.7**	*2.0*	*2.6*
Czech Republic	2.6	2.4	5.3	2.0	-5.1	2.2	2.1	**-1.4**	**-0.5**	**1.6**	*0.0*	*1.9*
Denmark	2.4	1.5	1.7	-1.4	-6.2	1.1	0.7	**-0.8**	**0.5**	**1.4**	*0.8*	*1.4*
Latvia	1.9	6.8	10.5	-2.2	-16.4	1.2	7.5	**6.8**	**4.6**	**4.9**	*4.5*	*4.9*
Lithuania	-1.7	5.5	10.0	3.9	-14.0	3.6	8.1	**5.0**	**3.9**	**4.3**	*4.0*	*4.5*
Hungary	1.6	4.2	3.5	1.1	-6.6	1.5	1.9	**-1.4**	**0.3**	**1.5**	*0.1*	*1.5*
Poland	5.7	3.3	5.2	5.1	1.6	2.9	4.5	**1.9**	**1.1**	**2.3**	*1.2*	*2.3*
Romania	2.3	2.8	6.7	7.5	-6.4	-1.0	2.4	**0.9**	**1.8**	**2.4**	*1.8*	*2.7*
Sweden	1.6	3.2	3.0	-1.4	-5.8	5.7	2.9	**0.1**	**0.8**	**1.8**	*0.6*	*2.1*
United Kingdom	2.9	2.9	2.6	-1.6	-4.6	1.0	0.2	**-0.5**	**-0.2**	**0.9**	*0.1*	*1.1*
EU	:	2.4	2.1	-0.1	-4.6	1.7	1.3	**-0.6**	**-0.4**	**1.2**	*-0.2*	*1.3*
Croatia	:	3.0	4.8	2.2	-6.8	-2.0	0.3	**-1.8**	**-1.5**	**0.2**	*-0.2*	*1.2*
USA	2.3	2.2	1.8	-1.3	-4.0	1.5	1.1	**1.5**	**1.2**	**1.7**	*1.1*	*1.7*
Japan	1.2	-0.1	1.8	-1.0	-5.4	5.0	-1.1	**2.1**	**1.5**	**1.7**	*1.1*	*1.7*

TABLE 5 : Domestic demand, volume (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.6	1.6	2.3	2.0	-2.3	1.7	1.8	**-0.6**	**-0.4**	**1.1**	*-0.2*	*1.6*
Germany	0.9	1.0	1.0	1.2	-2.5	2.6	2.6	**-0.4**	**0.2**	**1.9**	*0.7*	*2.2*
Estonia	:	6.7	10.4	-9.4	-21.4	1.1	9.8	**7.6**	**2.6**	**3.7**	*2.5*	*3.7*
Ireland	6.4	6.9	5.8	-4.3	-11.4	-4.4	-3.7	**-1.5**	**-0.6**	**0.5**	*-1.1*	*0.5*
Greece	2.0	4.4	4.5	-0.2	-5.5	-7.0	-8.7	**-9.6**	**-5.6**	**-1.1**	*-6.6*	*-0.8*
Spain	1.3	5.0	4.6	-0.5	-6.3	-0.6	-1.9	**-3.9**	**-4.1**	**-0.4**	*-4.0*	*-0.5*
France	0.9	2.9	2.5	0.3	-2.6	1.6	1.7	**-0.8**	**-0.2**	**1.2**	*-0.2*	*1.4*
Italy	0.4	2.3	1.3	-1.2	-4.4	2.1	-1.0	**-5.3**	**-2.5**	**0.6**	*-2.0*	*0.9*
Cyprus	:	4.2	5.2	8.0	-7.0	1.9	-1.6	**-6.7**	**-13.8**	**-5.8**	*-7.8*	*-2.6*
Luxembourg	3.7	5.2	3.4	0.5	-8.0	9.2	6.1	**2.8**	**0.4**	**1.8**	*0.3*	*1.7*
Malta	:	1.1	3.8	3.1	-2.7	-1.5	-1.1	**-0.2**	**1.2**	**1.7**	*1.3*	*1.8*
Netherlands	2.7	2.9	1.9	2.0	-2.8	0.2	0.5	**-1.5**	**-1.6**	**0.3**	*-1.1*	*0.6*
Austria	1.8	1.4	2.1	0.7	-2.0	1.8	2.6	**0.1**	**0.2**	**1.5**	*0.4*	*1.6*
Portugal	2.4	3.6	1.0	0.8	-3.3	1.8	-5.8	**-6.8**	**-4.2**	**0.0**	*-3.7*	*0.4*
Slovenia	6.8	3.7	5.2	3.2	-10.0	-0.2	-0.7	**-5.7**	**-4.5**	**-1.2**	*-4.0*	*0.2*
Slovakia	6.6	2.3	5.3	5.7	-7.7	3.9	1.4	**-3.1**	**0.3**	**1.5**	*0.5*	*1.4*
Finland	2.5	2.9	3.7	0.7	-6.2	2.9	4.4	**-1.7**	**0.3**	**0.9**	*0.0*	*1.0*
Euro area	:	2.4	2.2	0.3	-3.8	1.3	0.5	**-2.2**	**-1.2**	**1.0**	*-0.9*	*1.2*
Bulgaria	:	8.7	9.3	6.5	-12.8	-4.8	0.0	**3.5**	**2.0**	**2.7**	*2.9*	*3.1*
Czech Republic	4.8	2.0	4.2	2.2	-5.1	2.1	-0.1	**-2.9**	**-0.6**	**1.6**	*-0.4*	*1.6*
Denmark	3.5	1.6	3.1	-0.9	-7.0	1.6	0.3	**0.3**	**1.3**	**1.3**	*1.8*	*1.6*
Latvia	:	6.8	12.4	-9.1	-27.4	-0.5	11.3	**3.3**	**4.4**	**4.9**	*4.3*	*4.8*
Lithuania	:	4.6	10.9	3.2	-24.5	2.1	5.8	**-0.5**	**3.3**	**3.9**	*3.3*	*4.1*
Hungary	1.6	4.7	2.4	0.7	-10.5	-0.5	0.1	**-3.7**	**-0.2**	**0.8**	*-0.4*	*0.7*
Poland	7.1	2.8	5.5	5.6	-1.1	4.6	3.6	**-0.2**	**0.2**	**1.6**	*0.0*	*1.5*
Romania	2.1	3.2	11.0	7.3	-12.0	-1.1	2.5	**1.4**	**2.3**	**2.7**	*2.2*	*2.9*
Sweden	0.6	2.8	3.1	0.0	-4.6	6.5	3.2	**0.5**	**1.5**	**2.4**	*1.2*	*2.5*
United Kingdom	2.9	4.2	3.1	-1.8	-5.0	2.3	-0.6	**1.4**	**0.6**	**1.3**	*0.8*	*1.3*
EU	:	2.8	2.6	0.2	-4.3	1.6	0.6	**-1.5**	**-0.7**	**1.2**	*-0.5*	*1.3*
Croatia	:	2.1	5.3	3.1	-10.1	-5.1	-0.3	**-3.1**	**-1.4**	**0.4**	*-0.3*	*1.4*
USA	3.8	3.9	2.8	-1.5	-4.1	2.8	1.7	**2.1**	**1.8**	**2.6**	*1.7*	*2.8*
Japan	1.5	0.0	1.1	-1.3	-4.0	2.9	0.3	**2.9**	**1.0**	**1.3**	*0.5*	*1.2*

TABLE 6 : Final demand, volume (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	3.1	3.0	3.2	2.1	-6.3	5.1	3.5	**-0.2**	**0.1**	**2.1**	*0.5*	*2.4*
Germany	1.7	2.5	3.1	1.7	-6.0	6.2	4.4	**1.0**	**0.9**	**3.4**	*1.6*	*3.6*
Estonia	:	7.2	10.3	-5.4	-21.1	10.0	16.0	**6.6**	**3.3**	**4.9**	*3.3*	*4.6*
Ireland	10.0	10.4	5.4	-2.4	-7.3	1.3	1.2	**1.0**	**1.4**	**2.4**	*1.3*	*2.7*
Greece	2.6	4.6	4.9	0.1	-7.9	-5.2	-7.2	**-8.2**	**-3.8**	**0.1**	*-4.7*	*0.3*
Spain	3.1	5.3	4.6	-0.6	-7.0	1.6	0.1	**-2.3**	**-2.1**	**1.2**	*-2.0*	*1.1*
France	1.8	3.5	2.5	0.1	-4.5	3.2	2.4	**-0.1**	**0.1**	**2.0**	*0.3*	*2.1*
Italy	1.6	2.4	2.0	-1.6	-7.3	3.9	0.4	**-3.6**	**-1.5**	**1.4**	*-1.0*	*1.6*
Cyprus	:	4.3	4.8	5.4	-8.1	2.4	0.1	**-4.0**	**-11.0**	**-4.7**	*-4.8*	*-1.1*
Luxembourg	5.0	7.4	7.0	3.3	-10.1	8.1	5.7	**-1.5**	**0.8**	**3.4**	*1.2*	*2.7*
Malta	:	2.6	3.7	2.6	-5.4	7.6	-0.2	**2.6**	**1.7**	**3.2**	*2.7*	*3.4*
Netherlands	4.3	4.2	3.5	2.0	-5.0	5.0	2.1	**0.7**	**0.8**	**2.1**	*0.3*	*2.2*
Austria	2.7	3.3	3.9	1.0	-7.2	4.2	4.3	**0.7**	**1.1**	**3.0**	*1.4*	*3.1*
Portugal	3.4	3.9	1.9	0.6	-5.1	3.6	-2.8	**-4.2**	**-2.8**	**1.3**	*-2.3*	*1.6*
Slovenia	6.7	4.8	7.2	3.5	-12.7	3.6	2.4	**-3.2**	**-2.0**	**0.8**	*-1.7*	*1.5*
Slovakia	:	5.0	8.7	4.5	-11.7	9.3	6.6	**2.7**	**1.7**	**3.9**	*1.7*	*3.8*
Finland	4.5	4.5	4.7	2.5	-11.8	4.4	4.0	**-1.7**	**0.4**	**1.5**	*0.1*	*1.4*
Euro area	:	3.4	3.2	0.5	-6.3	4.1	2.3	**-0.7**	**-0.1**	**2.3**	*0.2*	*2.4*
Bulgaria	:	7.1	9.6	5.3	-12.3	1.1	4.4	**2.0**	**2.3**	**3.4**	*3.0*	*3.6*
Czech Republic	6.6	4.6	7.0	2.9	-7.4	7.2	3.8	**0.0**	**0.2**	**3.2**	*0.9*	*3.4*
Denmark	3.7	3.2	3.5	0.6	-7.9	2.1	2.5	**0.5**	**1.2**	**2.4**	*2.0*	*2.9*
Latvia	:	6.1	11.8	-6.3	-23.7	3.2	11.8	**4.6**	**4.5**	**5.3**	*4.5*	*5.5*
Lithuania	:	5.3	10.3	5.9	-20.4	7.4	9.1	**4.5**	**4.2**	**5.3**	*4.2*	*5.3*
Hungary	:	7.4	6.8	2.9	-10.4	6.1	3.1	**-0.9**	**1.5**	**3.6**	*1.3*	*3.2*
Poland	8.0	3.9	7.1	6.0	-2.7	6.7	4.8	**0.7**	**1.0**	**2.8**	*1.2*	*3.1*
Romania	2.6	5.1	10.8	7.5	-10.8	2.1	4.5	**0.2**	**2.4**	**3.1**	*1.8*	*2.8*
Sweden	3.4	3.7	4.5	0.6	-8.0	8.1	4.5	**0.6**	**1.4**	**3.1**	*1.5*	*3.3*
United Kingdom	4.0	4.2	3.5	-1.2	-5.7	3.2	0.6	**1.0**	**0.8**	**1.9**	*1.2*	*2.2*
EU	:	3.6	3.6	0.6	-6.4	4.1	2.3	**-0.3**	**0.2**	**2.3**	*0.5*	*2.5*
Croatia	:	3.0	5.5	2.7	-11.8	-2.5	0.3	**-2.1**	**-0.6**	**1.3**	*0.2*	*1.9*
USA	4.2	3.7	3.2	-0.7	-4.6	3.7	2.2	**2.3**	**2.0**	**3.0**	*1.8*	*3.1*
Japan	1.8	0.2	2.1	-0.8	-7.0	5.4	0.2	**2.5**	**1.4**	**2.1**	*1.1*	*2.0*

TABLE 7 : Private consumption expenditure, volume (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.5	1.8	1.4	2.0	0.6	2.7	0.2	**-0.6**	**0.0**	**1.2**	*0.1*	*1.8*
Germany	1.2	1.3	0.4	0.8	0.1	0.9	1.7	**0.6**	**0.8**	**1.4**	*1.0*	*1.4*
Estonia	:	6.1	9.8	-5.2	-14.8	-2.4	3.5	**4.4**	**3.3**	**3.5**	*3.0*	*3.5*
Ireland	5.1	7.2	5.4	-0.4	-5.7	0.5	-2.3	**-0.9**	**-0.1**	**1.2**	*-0.5*	*1.2*
Greece	1.9	3.5	3.9	4.3	-1.6	-6.2	-7.7	**-9.1**	**-6.9**	**-1.6**	*-7.7*	*-1.3*
Spain	1.3	4.3	3.7	-0.6	-3.8	0.7	-1.0	**-2.1**	**-3.1**	**-0.1**	*-2.7*	*-0.2*
France	1.0	3.0	2.1	0.2	0.3	1.5	0.3	**-0.1**	**-0.1**	**0.9**	*0.2*	*1.2*
Italy	0.8	1.9	1.1	-0.8	-1.6	1.5	0.1	**-4.2**	**-2.0**	**0.4**	*-2.0*	*0.8*
Cyprus	:	4.2	5.4	7.8	-7.5	1.5	0.5	**-3.0**	**-12.3**	**-5.5**	*-4.1*	*-1.0*
Luxembourg	3.0	4.7	1.1	-0.8	-1.7	2.2	2.4	**1.7**	**0.1**	**1.5**	*0.1*	*1.6*
Malta	:	3.2	2.5	4.1	0.7	-0.7	3.3	**-0.6**	**0.9**	**1.3**	*0.6*	*1.2*
Netherlands	2.6	3.4	0.6	1.3	-2.1	0.3	-1.0	**-1.4**	**-2.4**	**-0.1**	*-1.7*	*0.2*
Austria	1.2	1.9	1.7	0.7	1.1	1.7	0.7	**0.4**	**0.4**	**1.0**	*0.5*	*1.2*
Portugal	2.0	3.4	1.7	1.3	-2.3	2.5	-3.8	**-5.6**	**-3.3**	**0.1**	*-2.8*	*0.5*
Slovenia	6.5	3.0	3.5	2.3	0.1	1.3	0.9	**-2.9**	**-3.7**	**-1.9**	*-3.1*	*0.3*
Slovakia	:	4.0	5.1	6.1	0.2	-0.7	-0.5	**-0.6**	**0.0**	**0.9**	*0.1*	*0.7*
Finland	2.1	3.0	3.8	1.9	-2.9	3.3	2.3	**1.6**	**0.7**	**0.8**	*0.1*	*1.0*
Euro area	:	2.4	1.6	0.4	-1.0	1.0	0.1	**-1.3**	**-0.9**	**0.7**	*-0.7*	*0.9*
Bulgaria	-2.7	6.2	7.8	3.4	-7.6	0.1	1.5	**2.6**	**1.4**	**2.5**	*3.2*	*3.5*
Czech Republic	3.8	1.6	4.0	2.8	0.2	1.0	0.7	**-3.5**	**-0.4**	**1.4**	*-0.5*	*1.5*
Denmark	2.5	0.7	3.2	-0.3	-3.6	1.7	-0.5	**0.6**	**0.8**	**1.8**	*1.1*	*2.1*
Latvia	:	5.5	12.6	-5.8	-22.6	2.4	4.8	**5.4**	**3.9**	**4.1**	*3.8*	*4.1*
Lithuania	:	5.4	11.1	3.7	-17.8	-4.7	6.4	**4.7**	**2.9**	**3.8**	*2.9*	*3.9*
Hungary	:	5.5	3.0	-0.7	-6.6	-3.0	0.5	**-1.4**	**0.2**	**1.0**	*-0.5*	*0.5*
Poland	5.8	3.9	3.7	5.7	2.0	3.1	2.6	**0.8**	**0.8**	**1.5**	*0.7*	*1.5*
Romania	3.9	3.6	11.7	9.0	-10.1	-0.3	1.1	**1.1**	**1.9**	**2.0**	*1.4*	*2.0*
Sweden	0.8	3.2	2.9	0.0	-0.3	4.0	2.1	**1.5**	**1.8**	**2.6**	*1.4*	*2.5*
United Kingdom	3.1	4.4	2.7	-1.6	-3.1	1.3	-0.8	**1.2**	**0.8**	**1.3**	*1.0*	*1.5*
EU	:	2.8	2.1	0.3	-1.5	1.1	0.1	**-0.7**	**-0.4**	**1.0**	*-0.2*	*1.1*
Croatia	:	2.2	4.3	1.4	-7.5	-1.3	0.2	**-2.9**	**-2.0**	**-0.5**	*-1.4*	*0.5*
USA	3.5	4.2	2.9	-0.6	-1.9	1.8	2.5	**1.9**	**1.7**	**2.2**	*1.5*	*2.2*
Japan	1.6	0.7	1.0	-0.9	-0.7	2.8	0.5	**2.4**	**1.0**	**0.6**	*0.4*	*0.5*

TABLE 8 : Government consumption expenditure, volume (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.1	2.4	1.3	2.7	1.9	0.7	0.8	**0.1**	**0.3**	**0.7**	*0.1*	*0.4*
Germany	1.6	1.2	0.5	3.2	3.0	1.7	1.0	**1.4**	**1.6**	**1.6**	*1.2*	*1.6*
Estonia	:	1.2	4.4	4.6	-1.9	-0.8	1.4	**4.0**	**0.8**	**0.3**	*1.0*	*0.3*
Ireland	3.3	7.2	4.3	1.3	-3.7	-4.6	-4.3	**-3.4**	**-2.5**	**-2.8**	*-2.5*	*-2.8*
Greece	2.2	5.2	2.8	-2.6	4.9	-8.7	-5.2	**-4.2**	**-4.0**	**-6.2**	*-3.5*	*-3.8*
Spain	1.9	4.3	5.3	5.9	3.7	1.5	-0.5	**-3.7**	**-3.7**	**-0.4**	*-5.4*	*-1.1*
France	1.4	1.2	1.6	1.3	2.5	1.8	0.2	**1.4**	**1.3**	**1.3**	*1.3*	*1.3*
Italy	-1.1	2.1	1.6	0.6	0.8	-0.4	-1.2	**-2.9**	**-1.5**	**-0.8**	*-1.3*	*-0.7*
Cyprus	:	4.7	2.3	6.1	6.8	1.0	-0.2	**-1.7**	**-8.9**	**-3.6**	*-9.3*	*-3.3*
Luxembourg	4.1	5.0	3.3	1.5	4.5	3.0	1.5	**5.0**	**1.8**	**1.3**	*1.4*	*1.3*
Malta	:	1.0	1.8	12.7	-2.7	1.7	3.8	**5.5**	**1.9**	**2.1**	*1.2*	*1.3*
Netherlands	1.7	3.0	3.2	2.8	5.0	0.7	0.1	**0.0**	**-0.1**	**0.4**	*0.2*	*0.8*
Austria	2.9	1.3	1.7	4.1	0.6	0.2	0.1	**-0.2**	**0.8**	**1.0**	*0.8*	*1.2*
Portugal	2.2	4.1	1.2	0.3	4.7	0.1	-4.3	**-4.4**	**-4.2**	**-2.0**	*-3.3*	*-2.0*
Slovenia	3.2	3.7	2.8	5.9	2.5	1.5	-1.2	**-1.6**	**-2.5**	**-0.2**	*-2.7*	*-0.7*
Slovakia	0.4	2.2	2.7	6.1	6.1	1.0	-4.3	**-0.6**	**-0.5**	**1.3**	*0.0*	*1.6*
Finland	1.0	1.5	1.4	1.9	1.1	-0.3	0.4	**0.8**	**0.8**	**0.5**	*0.7*	*0.6*
Euro area	:	2.0	1.8	2.3	2.6	0.8	-0.2	**-0.4**	**0.0**	**0.5**	*-0.2*	*0.5*
Bulgaria	-13.1	6.9	3.2	-1.0	-6.5	1.9	1.6	**-1.4**	**3.3**	**3.3**	*1.1*	*0.6*
Czech Republic	1.7	2.6	0.8	1.2	4.0	0.5	-2.5	**-1.0**	**0.3**	**0.4**	*-0.8*	*0.1*
Denmark	2.6	2.5	1.6	1.9	2.1	0.4	-1.5	**0.2**	**1.1**	**0.7**	*1.2*	*1.3*
Latvia	:	2.8	3.2	1.6	-9.4	-7.9	1.1	**-0.2**	**1.5**	**2.0**	*1.5*	*2.0*
Lithuania	:	0.9	2.8	0.4	-1.4	-3.4	0.5	**0.7**	**1.4**	**1.6**	*0.6*	*1.4*
Hungary	-1.7	2.1	1.0	1.1	0.7	-0.7	-0.3	**-2.3**	**-0.5**	**0.5**	*-0.1*	*0.9*
Poland	2.7	2.1	4.6	7.4	2.1	4.1	-1.7	**0.0**	**1.2**	**1.4**	*1.6*	*2.2*
Romania	1.7	-0.4	-0.1	7.2	3.1	-4.7	0.2	**1.7**	**1.8**	**1.9**	*1.6*	*1.6*
Sweden	-0.3	1.4	0.6	1.0	2.2	2.1	1.1	**0.8**	**1.1**	**0.9**	*1.1*	*0.9*
United Kingdom	0.4	3.1	2.3	1.6	0.8	0.4	-0.3	**2.2**	**0.4**	**-0.5**	*-0.5*	*-1.3*
EU	:	2.1	1.9	2.3	2.2	0.7	-0.2	**0.1**	**0.2**	**0.4**	*-0.1*	*0.3*
Croatia	:	1.0	3.5	-0.2	0.4	-2.1	-0.6	**-0.8**	**-1.3**	**-0.7**	*-0.6*	*-0.5*
USA	0.2	3.1	1.5	2.6	4.4	0.9	-2.6	**-1.4**	**-1.7**	**-0.6**	*-1.1*	*-0.1*
Japan	3.0	3.2	1.1	-0.1	2.3	1.9	1.5	**2.7**	**1.2**	**1.1**	*1.2*	*1.1*

TABLE 9 : Total investment, volume (percentage change on preceding year, 1993-2014) 23.04.2013

		5-year averages							Spring 2013 forecast		Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.7	1.5	4.6	2.0	-8.4	-1.4	4.1	**-0.6**	**-1.6**	**1.6**	*-0.8*	*2.5*
Germany	0.0	0.3	2.4	1.3	-11.6	5.9	6.2	**-2.5**	**-0.6**	**3.9**	*0.6*	*4.5*
Estonia	:	11.0	13.9	-13.3	-38.3	-7.4	25.7	**21.0**	**3.0**	**7.3**	*2.6*	*6.9*
Ireland	10.6	6.9	7.5	-10.0	-27.7	-22.7	-12.2	**0.9**	**0.9**	**2.8**	*-1.5*	*3.0*
Greece	2.3	8.8	8.2	-14.3	-13.7	-15.0	-19.6	**-19.2**	**-4.0**	**8.4**	*-4.9*	*5.7*
Spain	1.5	7.3	5.9	-4.7	-18.0	-6.2	-5.3	**-9.1**	**-7.6**	**-1.1**	*-6.6*	*-1.0*
France	-0.3	4.5	4.0	0.3	-10.6	1.2	3.5	**0.0**	**-2.1**	**1.7**	*-1.5*	*1.8*
Italy	-0.2	4.1	1.4	-3.7	-11.7	0.6	-1.8	**-8.0**	**-3.5**	**2.5**	*-3.0*	*2.2*
Cyprus	:	4.0	8.2	6.0	-9.7	-4.9	-13.1	**-23.0**	**-29.5**	**-12.0**	*-23.7*	*-11.6*
Luxembourg	6.6	7.1	6.6	2.0	-15.5	6.8	10.2	**7.0**	**-0.2**	**2.7**	*-0.3*	*2.5*
Malta	:	-2.8	9.7	-13.6	-13.4	0.9	-14.1	**-2.5**	**1.5**	**2.5**	*4.0*	*5.0*
Netherlands	4.6	2.2	2.7	4.5	-12.0	-7.2	5.7	**-4.6**	**-3.3**	**1.6**	*-2.6*	*1.6*
Austria	1.8	0.9	2.0	0.7	-7.8	0.8	7.3	**1.3**	**1.1**	**2.5**	*1.2*	*2.3*
Portugal	2.8	3.7	-1.3	-0.3	-8.6	-3.1	-10.7	**-14.5**	**-7.6**	**2.5**	*-8.0*	*3.0*
Slovenia	12.7	5.4	7.8	7.1	-23.2	-13.8	-8.1	**-9.3**	**-4.9**	**0.1**	*-6.5*	*1.2*
Slovakia	10.4	-1.2	7.4	1.0	-19.7	6.5	14.2	**-3.7**	**1.4**	**3.0**	*1.6*	*3.1*
Finland	3.6	3.9	4.8	-0.6	-13.2	1.9	7.1	**-2.9**	**-1.5**	**1.8**	*-1.5*	*1.5*
Euro area	:	3.1	3.4	-1.4	-12.7	-0.4	1.5	**-4.1**	**-2.6**	**2.3**	*-1.8*	*2.4*
Bulgaria	:	18.8	16.3	21.9	-17.6	-18.3	-6.5	**0.8**	**3.0**	**3.1**	*3.4*	*4.1*
Czech Republic	7.1	2.3	5.6	4.1	-11.0	1.0	-0.7	**-1.7**	**-3.2**	**2.3**	*0.2*	*2.5*
Denmark	6.4	2.8	4.5	-4.2	-15.9	-2.4	2.9	**1.4**	**2.5**	**0.7**	*4.4*	*0.6*
Latvia	:	15.8	16.6	-13.8	-37.4	-18.1	27.9	**12.3**	**6.9**	**8.1**	*7.1*	*8.2*
Lithuania	:	5.5	16.2	-5.2	-39.5	1.9	18.3	**-2.5**	**4.8**	**6.7**	*5.9*	*7.6*
Hungary	4.2	7.0	2.8	2.9	-11.1	-9.5	-3.6	**-3.8**	**-1.5**	**0.8**	*-1.5*	*-0.4*
Poland	13.8	1.1	8.9	9.6	-1.2	-0.4	8.5	**-0.8**	**-2.6**	**2.2**	*-2.8*	*0.6*
Romania	8.2	3.6	16.8	15.6	-28.1	-1.8	7.3	**4.9**	**3.4**	**5.0**	*4.5*	*5.4*
Sweden	1.1	4.4	6.7	1.4	-15.5	7.2	6.4	**3.4**	**1.4**	**3.9**	*0.7*	*4.8*
United Kingdom	3.9	5.0	4.6	-4.6	-13.7	3.5	-2.9	**1.5**	**1.8**	**4.5**	*1.9*	*4.8*
EU	:	3.4	4.0	-1.1	-13.0	0.0	1.4	**-2.8**	**-1.7**	**2.6**	*-1.0*	*2.8*
Croatia	:	2.9	10.4	8.7	-14.2	-15.0	-6.4	**-4.6**	**-0.5**	**4.0**	*3.3*	*5.8*
USA	7.7	4.2	3.1	-5.8	-16.1	-0.5	4.0	**6.9**	**6.9**	**7.8**	*6.8*	*7.8*
Japan	0.2	-2.8	0.6	-4.1	-10.6	-0.2	1.1	**4.5**	**0.6**	**2.1**	*0.1*	*2.1*

TABLE 10 : Investment in construction, volume (percentage change on preceding year, 1993-2014)

		5-year averages							Spring 2013 forecast		Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.6	-1.4	4.3	1.6	-7.6	-0.6	0.1	**-1.3**	**-2.2**	**1.5**	*-1.3*	*2.3*
Germany	0.6	-2.6	-1.0	-0.7	-3.2	3.2	5.8	**-1.5**	**1.0**	**2.9**	*1.2*	*2.6*
Estonia	:	8.7	14.3	-10.4	-30.5	-9.9	-6.2	**26.4**	**-2.7**	**2.8**	*-3.1*	*2.6*
Ireland	10.5	7.0	7.1	-9.2	-31.6	-30.1	-15.8	**-5.6**	**-2.7**	**0.0**	*-7.9*	*0.0*
Greece	0.0	4.8	6.8	-21.2	-12.8	-19.2	-21.0	**-22.7**	**-5.1**	**7.0**	*-2.7*	*5.5*
Spain	0.4	7.3	5.5	-5.8	-16.6	-9.8	-9.0	**-11.5**	**-9.0**	**-1.9**	*-9.4*	*-1.8*
France	-2.3	3.4	4.2	-1.9	-7.8	-3.4	1.9	**1.1**	**-1.1**	**0.6**	*-0.3*	*0.6*
Italy	-1.8	3.5	1.5	-2.8	-8.8	-4.5	-2.6	**-6.2**	**-3.4**	**-0.1**	*-3.6*	*-0.5*
Cyprus	:	1.8	10.1	3.1	-14.1	-4.7	-7.7	**-20.3**	**-30.9**	**-11.1**	*-24.6*	*-10.8*
Luxembourg	4.1	9.3	4.7	2.9	-4.5	-2.0	1.0	**1.3**	**-1.9**	**2.5**	*-1.9*	*3.0*
Malta	:	:	:	:	:	:	:	**-3.6**	**:**	**:**	*:*	*:*
Netherlands	1.3	2.2	1.6	2.6	-9.8	-10.3	4.0	**-7.8**	**-6.3**	**0.7**	*-5.0*	*0.8*
Austria	1.4	-1.0	1.3	0.9	-7.1	-2.7	4.4	**1.5**	**1.4**	**1.7**	*1.0*	*1.3*
Portugal	2.6	3.3	-3.5	-4.6	-6.6	-4.2	-11.4	**-18.1**	**-10.5**	**1.2**	*-10.8*	*1.3*
Slovenia	5.8	2.9	5.6	11.3	-20.8	-18.7	-20.1	**-15.6**	**-10.1**	**-2.6**	*-8.0*	*-0.3*
Slovakia	:	-1.7	9.1	3.9	-10.3	-7.7	2.7	**-3.8**	**1.9**	**2.9**	*0.6*	*4.8*
Finland	1.1	4.6	5.0	-1.4	-15.0	8.1	4.0	**-5.7**	**-1.4**	**1.6**	*-1.4*	*1.2*
Euro area	:	1.8	2.6	-2.9	-9.8	-4.2	-0.5	**-4.1**	**-2.4**	**1.0**	*-2.1*	*0.9*
Bulgaria	:	8.9	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Czech Republic	-7.1	-2.0	4.4	-1.9	-4.1	-1.5	-3.5	**-5.9**	**-4.7**	**1.3**	*-1.7*	*1.3*
Denmark	4.5	0.3	4.5	-8.1	-18.4	-5.8	6.8	**-6.0**	**-0.3**	**2.7**	*0.2*	*2.5*
Latvia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Lithuania	:	2.8	15.9	0.3	-37.1	-7.4	13.9	**-3.4**	**1.8**	**4.8**	*4.2*	*8.0*
Hungary	:	5.0	0.2	2.2	-5.9	-13.5	-12.4	**-4.3**	**-3.1**	**-1.2**	*-0.5*	*-0.2*
Poland	:	1.0	7.1	8.2	4.9	2.2	8.0	**-4.9**	**-6.8**	**0.6**	*-5.6*	*-3.7*
Romania	8.9	2.8	16.5	20.3	-28.7	11.3	7.2	**4.4**	**3.2**	**4.9**	*4.4*	*5.1*
Sweden	-7.0	4.3	5.0	-2.6	-11.7	4.4	9.0	**1.7**	**-0.8**	**2.1**	*-1.1*	*4.0*
United Kingdom	2.0	4.3	7.3	-5.0	-10.8	0.9	-3.5	**2.6**	**-0.3**	**4.4**	*-3.1*	*4.6*
EU	:	2.0	3.5	-2.7	-9.9	-3.2	-0.2	**-3.1**	**-2.2**	**1.6**	*-2.2*	*1.4*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
USA	4.0	2.2	0.5	-8.8	-17.4	-8.0	-2.4	**7.4**	**7.1**	**6.8**	*6.5*	*6.9*
Japan	-1.5	-4.2	-3.1	-7.0	-6.2	-3.1	-0.1	**:**	**:**	**:**	*:*	*:*

TABLE 11 : Investment in equipment, volume (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	1.6	3.9	4.3	2.0	-11.1	-3.9	9.3	0.4	-1.3	1.8	-0.6	2.6
Germany	-1.5	3.8	6.4	2.9	-22.5	10.3	7.0	-4.8	-3.5	5.4	-0.9	7.2
Estonia	:	13.5	13.3	-20.4	-55.0	2.2	102.7	14.9	9.5	11.7	9.5	11.5
Ireland	12.1	7.3	9.9	-12.2	-18.8	-10.6	-10.5	7.6	4.8	5.0	4.8	5.0
Greece	7.1	15.5	10.8	-4.8	-18.4	-8.2	-18.1	-17.3	-3.4	10.0	-9.0	6.0
Spain	3.0	5.9	7.0	-3.2	-24.5	3.0	2.4	-6.7	-5.8	0.1	-3.0	0.1
France	2.8	6.4	3.3	2.7	-18.1	11.2	7.3	-3.1	-4.3	4.2	-4.3	4.5
Italy	1.1	4.7	1.7	-5.2	-16.8	8.1	-1.1	-11.0	-4.0	6.1	-2.4	5.7
Cyprus	:	9.2	4.2	13.6	-0.3	-5.9	-23.1	-30.0	-26.0	-14.2	-22.0	-14.0
Luxembourg	9.6	3.1	10.0	10.3	-34.4	28.5	24.6	18.0	2.0	3.5	2.0	2.0
Malta	:	:	:	:	:	:	:	-7.3	:	:	:	:
Netherlands	7.7	2.1	4.8	7.0	-16.4	-4.6	9.2	0.3	0.7	3.0	0.7	3.0
Austria	1.7	1.4	3.1	-0.4	-10.6	6.0	12.1	0.3	0.4	3.7	0.7	3.8
Portugal	3.6	3.9	3.0	6.9	-13.0	-2.6	-11.3	-10.1	-3.8	4.5	-3.9	6.0
Slovenia	17.9	8.5	10.9	3.1	-28.9	-7.9	9.5	-3.7	-0.5	2.3	-5.7	2.6
Slovakia	:	0.5	4.3	1.2	-26.6	11.1	46.7	-3.0	1.0	3.0	2.3	1.6
Finland	7.3	1.6	3.9	1.5	-11.7	-11.8	18.9	-0.5	-2.1	1.9	-2.1	1.9
Euro area	:	4.6	4.7	0.1	-19.2	5.9	4.8	-5.2	-3.2	4.3	-1.9	4.8
Bulgaria	:	29.9	:	:	:	:	:	:	:	:	:	:
Czech Republic	5.3	6.5	7.0	10.5	-18.8	6.0	0.0	2.4	-1.8	3.2	2.0	3.5
Denmark	6.6	4.1	4.7	-2.7	-16.1	-0.9	-3.1	11.7	6.3	-2.0	11.0	-1.8
Latvia	:	:	:	:	:	:	:	:	:	:	:	:
Lithuania	:	8.8	17.9	-17.3	-50.0	20.6	32.6	-3.8	9.7	9.8	9.8	8.0
Hungary	:	8.1	6.3	1.6	-17.3	-3.5	8.5	-2.8	0.0	1.9	-0.4	0.1
Poland	:	0.9	11.1	13.0	-10.8	-3.3	10.8	6.0	1.0	4.5	1.7	7.0
Romania	9.5	4.2	19.1	10.9	-27.7	-19.1	7.5	5.7	3.7	5.3	4.7	5.9
Sweden	9.3	4.3	8.6	5.5	-22.7	11.9	3.5	4.8	3.0	5.0	1.9	6.0
United Kingdom	6.1	6.2	0.5	-5.0	-21.0	7.3	-0.5	-0.1	7.1	4.5	11.5	4.9
EU	:	4.8	4.6	0.3	-19.4	5.3	4.2	-3.4	-1.4	4.2	0.2	4.8
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
USA	11.0	4.9	5.8	-5.4	-19.6	9.9	11.0	6.5	6.8	8.5	7.0	8.5
Japan	2.3	-2.2	4.9	-2.1	-16.5	2.6	3.5	:	:	:	:	:

TABLE 12 : Public investment (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	1.9	1.8	1.6	1.6	1.7	1.7	1.8	1.7	1.6	1.6	1.7	1.7
Germany	2.2	1.9	1.5	1.6	1.7	1.7	1.6	1.5	1.5	1.5	1.5	1.5
Estonia	4.6	4.4	4.4	5.4	5.1	3.9	4.2	5.6	5.0	4.2	5.1	4.4
Ireland	2.3	3.5	3.8	5.3	3.8	3.5	2.5	2.0	1.7	1.6	1.6	1.5
Greece	2.8	3.4	3.3	3.7	3.1	2.3	1.7	1.8	1.9	2.0	1.9	1.8
Spain	:	3.3	3.7	4.0	4.5	4.0	2.9	1.7	1.4	1.3	1.4	1.3
France	3.2	2.9	3.2	3.2	3.4	3.1	3.1	3.1	3.2	3.1	3.1	3.1
Italy	2.2	2.2	2.4	2.2	2.5	2.1	2.0	1.9	2.1	1.6	1.6	1.6
Cyprus	:	2.9	3.3	3.1	4.2	3.8	3.5	2.7	2.0	1.8	2.0	1.8
Luxembourg	4.0	4.4	4.0	3.4	3.9	4.1	3.7	3.9	3.6	3.7	3.6	3.8
Malta	:	4.0	4.1	2.3	2.3	2.1	2.5	3.1	3.1	3.2	2.6	2.7
Netherlands	3.2	3.2	3.3	3.5	3.8	3.6	3.4	3.4	3.4	3.3	3.3	3.2
Austria	2.9	1.6	1.2	1.1	1.2	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Portugal	4.2	4.3	3.4	2.9	3.0	3.8	2.6	1.8	1.8	1.8	1.8	1.7
Slovenia	:	3.2	3.6	4.4	4.6	4.4	3.6	2.9	3.3	2.8	3.8	3.6
Slovakia	4.3	3.2	2.2	2.0	2.3	2.6	2.3	1.9	1.6	1.6	1.7	1.7
Finland	2.8	2.6	2.6	2.5	2.8	2.5	2.5	2.6	2.6	2.6	2.6	2.6
Euro area	:	2.5	2.5	2.6	2.8	2.6	2.3	2.1	2.1	2.0	2.0	2.0
Bulgaria	1.5	3.5	3.8	5.6	4.9	4.6	3.4	3.3	4.1	4.5	4.0	4.3
Czech Republic	:	3.4	4.8	4.6	5.1	4.3	3.6	3.1	3.3	3.5	3.4	3.4
Denmark	1.8	1.7	1.8	1.9	2.0	2.2	2.2	2.5	2.3	2.1	2.1	2.0
Latvia	2.1	1.3	3.8	4.9	4.3	3.7	4.3	3.9	3.8	3.6	4.1	3.8
Lithuania	2.8	2.5	3.9	4.9	3.9	4.6	4.4	3.9	3.7	3.6	4.5	4.6
Hungary	:	3.6	3.8	2.9	3.1	3.4	3.0	3.0	4.0	4.8	4.5	4.5
Poland	3.5	3.3	3.6	4.6	5.2	5.6	5.7	4.6	3.8	3.6	4.3	3.6
Romania	:	2.6	4.3	6.6	5.9	5.7	5.4	4.6	4.6	4.6	4.9	4.9
Sweden	3.6	3.0	3.0	3.3	3.5	3.5	3.4	3.5	3.5	3.5	3.5	3.5
United Kingdom	1.8	1.4	1.6	2.3	2.7	2.5	2.2	2.1	2.2	2.3	1.8	1.6
EU	:	2.3	2.4	2.7	2.9	2.7	2.5	2.3	2.3	2.2	2.2	2.1
Croatia	:	:	:	3.7	3.6	2.4	2.6	1.4	1.5	1.6	1.2	1.2
USA	2.3	2.5	2.4	2.6	2.6	2.5	2.3	2.1	2.1	2.0	2.1	2.1
Japan	6.0	5.2	3.6	3.0	3.4	3.3	3.1	3.7	3.9	4.0	4.0	4.2

TABLE 13 : Potential GDP, volume (percentage change on preceding year, 1993-2014)

23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	2.1	2.3	1.8	1.6	1.1	1.2	1.0	**0.9**	**0.9**	**0.9**	*0.8*	*1.0*
Germany	1.9	1.5	1.3	1.2	0.8	1.0	1.3	**1.4**	**1.3**	**1.3**	*1.4*	*1.4*
Estonia	:	4.6	6.3	2.6	-0.8	-0.4	1.3	**2.3**	**3.2**	**3.9**	*3.2*	*4.0*
Ireland	7.2	8.4	4.6	1.1	-1.0	-0.4	-0.1	**-0.8**	**0.0**	**1.1**	*0.1*	*1.0*
Greece	2.0	4.2	3.6	1.2	-0.4	-1.4	-2.5	**-3.3**	**-3.1**	**-2.8**	*-3.0*	*-2.9*
Spain	2.3	3.5	3.4	2.5	0.9	0.3	-0.2	**-0.9**	**-1.4**	**-1.5**	*-1.4*	*-1.4*
France	1.8	1.9	1.8	1.4	1.0	1.0	1.0	**1.0**	**0.9**	**1.0**	*1.0*	*1.0*
Italy	1.4	1.6	1.0	0.3	-0.3	-0.2	0.2	**-0.8**	**-0.4**	**-0.2**	*-0.3*	*-0.1*
Cyprus	:	3.4	3.6	2.1	1.3	1.1	0.3	**-1.3**	**-2.6**	**-2.5**	*-1.2*	*-1.9*
Luxembourg	3.8	5.0	4.2	2.3	0.9	0.6	1.1	**1.1**	**0.9**	**1.0**	*0.7*	*0.8*
Malta	:	3.2	1.9	2.2	1.7	1.9	1.3	**1.4**	**1.4**	**1.5**	*1.5*	*1.6*
Netherlands	3.2	3.1	1.8	1.8	1.0	0.6	0.7	**0.2**	**0.0**	**0.3**	*0.3*	*0.5*
Austria	2.4	2.5	2.2	1.6	0.9	0.8	1.0	**1.1**	**1.2**	**1.3**	*1.2*	*1.3*
Portugal	2.5	3.0	1.1	0.9	-0.2	0.0	-0.5	**-1.6**	**-1.2**	**-0.4**	*-1.2*	*-0.4*
Slovenia	:	3.8	3.8	3.6	1.2	0.0	-0.7	**-1.0**	**-1.0**	**-0.4**	*-0.7*	*-0.1*
Slovakia	:	3.0	5.9	5.8	3.2	2.4	2.8	**2.5**	**2.8**	**3.2**	*2.8*	*3.0*
Finland	2.0	3.8	2.7	1.7	0.5	0.6	0.8	**0.6**	**0.5**	**0.6**	*0.5*	*0.6*
Euro area	:	2.2	1.8	1.4	0.6	0.6	0.7	**0.3**	**0.4**	**0.5**	*0.4*	*0.6*
Bulgaria	:	2.2	5.5	5.4	2.7	0.6	0.2	**0.8**	**1.1**	**1.5**	*1.4*	*1.8*
Czech Republic	:	1.9	4.3	4.2	2.5	1.8	1.2	**0.4**	**0.6**	**0.7**	*1.1*	*1.2*
Denmark	2.1	2.1	1.3	1.3	0.6	0.6	0.7	**0.7**	**0.8**	**1.1**	*0.9*	*1.1*
Latvia	:	5.9	7.2	3.3	-1.7	-2.4	-0.9	**0.7**	**2.0**	**3.0**	*2.3*	*3.3*
Lithuania	:	:	6.1	5.8	1.7	-1.2	-0.8	**2.0**	**2.4**	**2.5**	*2.7*	*2.7*
Hungary	:	3.2	2.9	1.6	0.6	0.1	0.1	**0.1**	**0.2**	**0.5**	*-0.2*	*0.0*
Poland	:	4.6	3.9	4.7	3.8	3.9	4.5	**3.6**	**2.9**	**2.7**	*3.3*	*3.0*
Romania	:	:	4.8	5.5	0.9	0.8	1.4	**1.8**	**2.1**	**2.6**	*2.4*	*2.7*
Sweden	2.0	2.9	2.7	2.3	1.5	2.0	2.1	**2.1**	**1.8**	**1.9**	*1.9*	*2.0*
United Kingdom	2.4	3.3	2.5	1.5	0.7	0.7	0.5	**0.6**	**0.7**	**0.9**	*0.8*	*1.1*
EU	:	:	2.1	1.6	0.7	0.7	0.8	**0.5**	**0.5**	**0.7**	*0.7*	*0.8*
Croatia	:	:	3.6	2.0	0.1	-1.1	-1.5	**-1.4**	**-0.8**	**0.0**	*-0.7*	*-0.2*
USA	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Japan	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*

TABLE 14 : Output gap relative to potential GDP (deviation of actual output from potential output as % of potential GDP, 1993-2014) [1]

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-1.0	0.7	0.8	1.9	-2.0	-0.8	0.0	**-1.1**	**-1.9**	**-1.5**	*-1.8*	*-1.2*
Germany	-0.3	0.7	-0.5	1.9	-4.0	-1.0	0.7	**0.0**	**-1.0**	**-0.5**	*-1.0*	*-0.5*
Estonia	:	0.3	6.8	4.6	-9.4	-6.0	0.5	**1.4**	**1.2**	**1.3**	*1.1*	*1.1*
Ireland	-0.6	3.1	1.0	0.4	-4.1	-4.5	-2.9	**-1.3**	**-0.3**	**0.8**	*-0.5*	*0.7*
Greece	0.4	0.9	0.7	1.5	-1.3	-4.9	-9.4	**-12.2**	**-13.2**	**-10.2**	*-13.7*	*-10.5*
Spain	-2.8	1.6	1.3	0.5	-4.2	-4.7	-4.1	**-4.6**	**-4.6**	**-2.3**	*-4.5*	*-2.4*
France	-1.5	1.9	2.0	1.5	-2.7	-2.0	-1.4	**-2.4**	**-3.4**	**-3.3**	*-3.3*	*-3.1*
Italy	-0.3	1.4	1.5	1.7	-3.6	-1.8	-1.6	**-3.1**	**-4.0**	**-3.2**	*-3.7*	*-2.9*
Cyprus	:	1.0	0.2	4.0	0.8	0.9	1.2	**0.0**	**-6.2**	**-7.6**	*-3.6*	*-3.0*
Luxembourg	-1.7	2.5	0.9	1.1	-3.9	-1.7	-1.2	**-2.0**	**-2.0**	**-1.5**	*-2.0*	*-1.3*
Malta	:	0.3	-0.1	3.3	-1.1	-0.1	0.2	**-0.3**	**-0.4**	**-0.1**	*-0.9*	*-0.6*
Netherlands	-0.7	0.9	-0.8	2.1	-2.7	-1.7	-1.4	**-2.5**	**-3.3**	**-2.7**	*-3.6*	*-3.0*
Austria	-0.9	0.7	-0.1	1.9	-2.9	-1.7	0.0	**-0.3**	**-0.9**	**-0.5**	*-0.9*	*-0.3*
Portugal	-1.1	2.4	-0.5	0.1	-2.6	-0.8	-1.8	**-3.5**	**-4.5**	**-3.5**	*-4.3*	*-3.1*
Slovenia	:	0.6	2.3	5.5	-3.9	-2.7	-1.5	**-2.8**	**-3.7**	**-3.4**	*-4.2*	*-3.4*
Slovakia	:	-0.3	1.7	5.4	-3.0	-1.1	-0.6	**-1.1**	**-2.9**	**-3.2**	*-1.6*	*-1.7*
Finland	-2.9	1.6	1.3	3.7	-5.7	-3.2	-1.2	**-2.0**	**-2.2**	**-1.8**	*-2.2*	*-1.7*
Euro area	:	1.3	0.7	1.6	-3.4	-2.0	-1.3	**-2.2**	**-2.9**	**-2.2**	*-2.9*	*-2.1*
Bulgaria	:	-1.8	3.3	5.7	-2.7	-2.9	-1.3	**-1.3**	**-1.6**	**-1.4**	*-2.3*	*-2.1*
Czech Republic	:	-1.1	2.9	5.2	-2.0	-1.3	-0.6	**-2.3**	**-3.3**	**-2.4**	*-2.9*	*-2.2*
Denmark	-0.7	1.4	1.9	1.6	-4.7	-3.8	-3.5	**-4.5**	**-4.6**	**-4.0**	*-4.4*	*-3.9*
Latvia	:	0.0	5.9	4.4	-12.6	-11.4	-5.7	**-1.2**	**0.6**	**1.7**	*-0.4*	*0.4*
Lithuania	:	-3.3	5.6	6.8	-10.6	-8.2	-2.1	**-0.5**	**0.2**	**1.3**	*-1.5*	*-0.5*
Hungary	:	0.1	3.5	2.7	-4.8	-3.7	-2.2	**-3.9**	**-3.9**	**-3.1**	*-2.9*	*-1.7*
Poland	:	0.5	-0.5	3.3	1.1	1.1	1.1	**-0.7**	**-2.4**	**-2.8**	*-3.3*	*-4.0*
Romania	:	-3.6	3.9	8.1	0.1	-1.8	-1.1	**-2.1**	**-2.6**	**-3.0**	*-4.5*	*-4.7*
Sweden	-3.4	0.2	1.5	0.6	-5.8	-1.6	-0.1	**-1.3**	**-1.6**	**-1.1**	*-1.6*	*-0.9*
United Kingdom	-0.7	0.5	1.9	0.9	-3.7	-2.6	-2.2	**-2.5**	**-2.6**	**-1.8**	*-3.2*	*-2.5*
EU	:	1.0	1.0	1.6	-3.4	-2.1	-1.4	**-2.2**	**-2.8**	**-2.1**	*-2.9*	*-2.2*
Croatia	:	:	2.0	5.1	-2.3	-3.5	-2.1	**-2.7**	**-2.9**	**-2.6**	*-3.0*	*-1.8*
USA	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
Japan	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*

[1] When comparing output gaps between the winter and the spring 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, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.7	1.6	2.2	2.1	1.2	2.0	2.0	**2.1**	**1.6**	**1.7**	*2.0*	*1.8*
Germany	1.9	0.5	0.9	0.8	1.2	0.9	0.8	**1.3**	**1.5**	**1.7**	*1.5*	*1.5*
Estonia	:	5.6	7.0	5.4	-1.4	0.7	2.9	**3.2**	**3.1**	**3.3**	*3.1*	*3.1*
Ireland	2.7	5.2	2.5	-3.2	-4.6	-2.2	0.2	**1.9**	**1.2**	**1.4**	*1.3*	*1.4*
Greece	9.9	3.6	3.1	4.7	2.3	1.1	1.0	**-0.8**	**-1.1**	**-0.4**	*-1.2*	*-0.4*
Spain	3.8	3.4	4.0	2.4	0.1	0.4	1.0	**0.1**	**1.6**	**1.0**	*1.7*	*1.3*
France	1.3	1.4	2.1	2.5	0.7	1.1	1.3	**1.6**	**1.4**	**1.7**	*1.4*	*1.7*
Italy	3.9	2.5	2.3	2.5	2.1	0.4	1.3	**1.6**	**1.5**	**1.5**	*1.7*	*1.7*
Cyprus	2.9	2.8	3.8	4.6	0.1	1.9	2.7	**2.0**	**0.6**	**1.1**	*1.5*	*1.5*
Luxembourg	2.6	1.8	4.6	0.4	0.5	7.6	5.1	**3.9**	**2.5**	**2.7**	*2.7*	*1.8*
Malta	2.6	2.2	2.5	3.0	2.8	2.9	2.1	**2.2**	**2.2**	**2.3**	*2.6*	*2.4*
Netherlands	1.9	3.3	1.8	2.1	0.1	1.1	1.2	**0.7**	**1.4**	**1.7**	*1.6*	*1.5*
Austria	1.5	0.9	1.8	1.7	1.5	1.6	2.2	**2.2**	**2.0**	**1.7**	*2.2*	*2.0*
Portugal	4.8	3.5	2.7	1.6	0.9	0.6	0.5	**-0.1**	**1.8**	**1.3**	*1.0*	*0.8*
Slovenia	20.1	7.0	3.3	4.1	3.6	-1.1	1.0	**0.4**	**1.4**	**1.0**	*1.3*	*1.0*
Slovakia	9.8	6.1	3.5	2.9	-1.2	0.5	1.6	**1.4**	**2.5**	**2.0**	*2.4*	*2.2*
Finland	1.9	2.2	0.8	2.9	1.5	0.4	3.1	**2.8**	**1.9**	**1.9**	*1.9*	*1.8*
Euro area	:	1.8	2.0	1.9	0.9	0.8	1.2	**1.3**	**1.5**	**1.5**	*1.6*	*1.5*
Bulgaria	146.6	9.8	6.0	8.4	4.3	2.8	4.9	**2.2**	**2.2**	**2.6**	*2.6*	*2.9*
Czech Republic	12.0	4.1	1.7	1.9	2.3	-1.4	-0.8	**1.4**	**1.3**	**0.7**	*1.3*	*1.1*
Denmark	1.5	2.1	2.2	4.2	0.7	4.1	0.6	**2.1**	**1.4**	**1.6**	*1.4*	*1.7*
Latvia	25.9	3.4	10.4	13.0	-1.2	-1.3	5.9	**3.0**	**1.9**	**2.2**	*1.8*	*2.2*
Lithuania	66.3	0.5	4.6	9.6	-3.4	2.0	5.4	**2.7**	**2.4**	**3.0**	*2.8*	*3.0*
Hungary	22.0	10.2	4.4	5.3	3.6	2.5	3.1	**3.2**	**3.3**	**3.5**	*4.0*	*3.8*
Poland	25.2	6.0	2.5	3.1	3.7	1.4	3.2	**2.5**	**1.4**	**1.7**	*1.5*	*1.9*
Romania	104.7	40.0	14.9	15.3	4.2	5.7	4.1	**4.8**	**4.4**	**3.6**	*4.8*	*3.6*
Sweden	2.4	1.4	1.5	3.1	2.1	0.8	1.1	**0.7**	**1.4**	**2.1**	*1.5*	*2.3*
United Kingdom	2.7	1.7	2.5	3.0	1.3	2.8	2.3	**1.4**	**1.7**	**1.6**	*1.8*	*2.2*
EU	:	2.1	2.2	2.4	1.2	1.2	1.5	**1.4**	**1.6**	**1.6**	*1.7*	*1.7*
Croatia	:	4.8	3.9	5.7	2.9	0.8	2.0	**2.0**	**2.0**	**1.5**	*2.7*	*1.9*
USA	2.0	1.7	2.9	2.2	0.9	1.3	2.1	**1.8**	**1.6**	**2.2**	*1.5*	*2.3*
Japan	0.0	-1.1	-1.3	-1.3	-0.5	-2.2	-1.9	**-0.9**	**-0.3**	**1.5**	*-1.0*	*0.7*

TABLE 16 : Price deflator of private consumption (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.7	1.6	2.5	3.3	-0.7	2.0	3.1	**2.7**	**1.3**	**1.6**	*1.6*	*1.6*
Germany	2.0	0.9	1.4	1.6	0.0	2.0	2.1	**1.6**	**1.6**	**1.8**	*1.6*	*1.8*
Estonia	:	4.9	4.4	7.8	-1.3	2.6	5.0	**3.4**	**3.3**	**3.2**	*3.5*	*3.1*
Ireland	2.5	4.3	2.5	1.5	-6.7	-2.1	1.5	**1.5**	**1.3**	**1.5**	*1.3*	*1.5*
Greece	9.5	3.9	3.2	4.2	0.7	4.0	3.4	**0.9**	**-0.8**	**-0.4**	*-0.7*	*-0.3*
Spain	4.2	2.8	3.4	3.6	-1.1	2.0	2.9	**2.4**	**1.7**	**1.0**	*1.7*	*1.0*
France	1.3	1.1	2.0	2.9	-0.6	1.1	2.1	**1.8**	**1.6**	**2.0**	*1.6*	*2.0*
Italy	4.6	2.5	2.5	3.1	-0.1	1.5	2.9	**2.8**	**1.6**	**1.5**	*2.0*	*1.7*
Cyprus	:	2.5	3.0	4.4	0.7	2.1	3.4	**2.5**	**0.9**	**1.4**	*1.6*	*1.7*
Luxembourg	2.3	2.1	2.5	3.4	0.9	1.7	2.6	**2.2**	**1.7**	**1.7**	*1.7*	*1.9*
Malta	:	1.8	1.9	3.3	2.7	3.0	0.9	**1.8**	**1.8**	**1.9**	*2.0*	*2.0*
Netherlands	2.2	3.0	1.9	1.1	-0.5	1.3	2.3	**2.3**	**2.6**	**2.0**	*2.6*	*2.0*
Austria	2.2	1.1	2.1	2.3	0.4	1.9	3.6	**2.9**	**2.3**	**1.8**	*2.1*	*1.8*
Portugal	4.6	2.9	2.9	2.6	-2.2	1.3	3.8	**2.1**	**0.5**	**1.0**	*0.6*	*1.3*
Slovenia	18.6	7.1	3.4	5.5	1.1	1.5	1.7	**1.9**	**2.0**	**1.4**	*2.2*	*1.5*
Slovakia	:	6.5	4.8	4.5	0.1	1.0	3.8	**3.7**	**1.9**	**1.9**	*1.9*	*1.9*
Finland	1.6	2.5	0.9	3.5	1.4	2.0	3.5	**2.7**	**1.9**	**1.8**	*1.9*	*1.8*
Euro area	:	1.8	2.1	2.6	-0.4	1.7	2.5	**2.1**	**1.6**	**1.6**	*1.7*	*1.7*
Bulgaria	153.6	7.2	4.4	7.2	1.5	2.4	4.6	**3.5**	**2.5**	**2.7**	*3.1*	*3.0*
Czech Republic	10.5	3.7	1.7	4.8	0.8	0.3	0.5	**2.3**	**1.9**	**1.2**	*1.5*	*1.2*
Denmark	1.8	2.0	1.4	2.7	1.5	2.5	2.5	**2.4**	**1.5**	**1.5**	*1.5*	*1.5*
Latvia	:	2.6	7.3	16.2	3.2	-1.8	5.0	**3.0**	**1.9**	**2.3**	*1.9*	*2.3*
Lithuania	:	0.9	2.2	10.9	4.5	1.3	4.2	**3.3**	**2.0**	**2.7**	*2.4*	*2.8*
Hungary	:	9.8	4.7	5.3	3.9	3.9	4.5	**5.1**	**2.7**	**3.0**	*3.6*	*3.3*
Poland	25.7	6.7	1.8	4.3	2.5	2.5	4.9	**3.6**	**1.4**	**2.0**	*1.8*	*2.3*
Romania	106.5	36.3	8.9	10.0	3.7	7.7	4.3	**2.9**	**4.1**	**3.1**	*4.5*	*3.2*
Sweden	3.0	1.3	1.2	3.1	2.1	1.5	1.3	**1.2**	**1.2**	**1.6**	*1.3*	*1.8*
United Kingdom	3.0	1.0	2.3	3.4	1.4	3.7	4.5	**2.7**	**1.9**	**1.9**	*1.9*	*1.9*
EU	:	2.0	2.2	3.0	0.2	2.0	2.9	**2.3**	**1.7**	**1.7**	*1.8*	*1.8*
Croatia	:	4.5	2.8	5.6	3.2	1.6	2.6	**3.5**	**3.2**	**1.8**	*3.0*	*1.9*
USA	2.1	1.7	2.6	3.3	0.1	1.9	2.4	**1.8**	**1.4**	**1.9**	*1.3*	*1.9*
Japan	0.5	-0.8	-0.7	0.2	-2.5	-1.7	-0.8	**-0.6**	**0.5**	**2.2**	*0.4*	*2.0*

TABLE 17 : Harmonised index of consumer prices (national index if not available), (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.9	1.7	2.0	4.5	0.0	2.3	3.4	**2.6**	**1.3**	**1.6**	*1.6*	*1.5*
Germany	:	1.2	1.8	2.8	0.2	1.2	2.5	**2.1**	**1.8**	**1.6**	*1.8*	*1.7*
Estonia	:	5.0	3.9	10.6	0.2	2.7	5.1	**4.2**	**3.6**	**3.1**	*3.6*	*3.2*
Ireland	:	3.7	2.8	3.1	-1.7	-1.6	1.2	**1.9**	**1.3**	**1.3**	*1.3*	*1.3*
Greece	:	3.4	3.3	4.2	1.3	4.7	3.1	**1.0**	**-0.8**	**-0.4**	*-0.8*	*-0.4*
Spain	3.9	2.8	3.2	4.1	-0.2	2.0	3.1	**2.4**	**1.5**	**0.8**	*1.7*	*1.0*
France	1.8	1.4	2.0	3.2	0.1	1.7	2.3	**2.2**	**1.2**	**1.7**	*1.6*	*1.5*
Italy	4.0	2.2	2.3	3.5	0.8	1.6	2.9	**3.3**	**1.6**	**1.5**	*2.0*	*1.7*
Cyprus	:	2.6	2.5	4.4	0.2	2.6	3.5	**3.1**	**1.0**	**1.2**	*1.5*	*1.4*
Luxembourg	:	2.0	3.0	4.1	0.0	2.8	3.7	**2.9**	**1.9**	**1.7**	*1.7*	*1.6*
Malta	:	2.8	2.1	4.7	1.8	2.0	2.5	**3.2**	**1.9**	**1.9**	*2.2*	*2.2*
Netherlands	1.7	3.0	1.7	2.2	1.0	0.9	2.5	**2.8**	**2.8**	**1.5**	*2.6*	*1.4*
Austria	2.1	1.5	1.8	3.2	0.4	1.7	3.6	**2.6**	**2.0**	**1.8**	*2.2*	*1.9*
Portugal	3.9	3.1	2.7	2.7	-0.9	1.4	3.6	**2.8**	**0.7**	**1.0**	*0.6*	*1.2*
Slovenia	:	7.8	3.6	5.5	0.9	2.1	2.1	**2.8**	**2.2**	**1.4**	*2.2*	*1.5*
Slovakia	:	8.0	4.9	3.9	0.9	0.7	4.1	**3.7**	**1.9**	**2.0**	*1.9*	*2.0*
Finland	1.5	2.1	1.0	3.9	1.6	1.7	3.3	**3.2**	**2.4**	**2.2**	*2.5*	*2.2*
Euro area	:	1.9	2.2	3.3	0.3	1.6	2.7	**2.5**	**1.6**	**1.5**	*1.8*	*1.5*
Bulgaria	:	8.8	5.9	12.0	2.5	3.0	3.4	**2.4**	**2.0**	**2.6**	*2.6*	*2.7*
Czech Republic	:	4.2	1.8	6.3	0.6	1.2	2.1	**3.5**	**1.9**	**1.2**	*2.1*	*1.6*
Denmark	1.8	2.1	1.6	3.6	1.1	2.2	2.7	**2.4**	**1.1**	**1.6**	*1.5*	*1.5*
Latvia	:	2.7	6.5	15.3	3.3	-1.2	4.2	**2.3**	**1.4**	**2.1**	*1.9*	*2.2*
Lithuania	:	1.9	2.4	11.1	4.2	1.2	4.1	**3.2**	**2.1**	**2.7**	*2.4*	*2.9*
Hungary	:	9.7	5.4	6.0	4.0	4.7	3.9	**5.7**	**2.6**	**3.1**	*3.6*	*3.3*
Poland	:	7.2	2.1	4.2	4.0	2.7	3.9	**3.7**	**1.4**	**2.0**	*1.8*	*2.3*
Romania	:	41.0	9.5	7.9	5.6	6.1	5.8	**3.4**	**4.3**	**3.1**	*4.6*	*3.3*
Sweden	2.6	1.5	1.5	3.3	1.9	1.9	1.4	**0.9**	**0.9**	**1.4**	*1.1*	*1.6*
United Kingdom	2.3	1.2	1.9	3.6	2.2	3.3	4.5	**2.8**	**2.8**	**2.5**	*2.6*	*2.3*
EU	:	3.4	2.3	3.7	1.0	2.1	3.1	**2.6**	**1.8**	**1.7**	*2.0*	*1.7*
Croatia	:	4.0	2.7	5.8	2.2	1.1	2.2	**3.4**	**3.1**	**2.0**	*3.0*	*2.0*
USA	2.7	2.3	2.9	3.8	-0.4	1.6	3.2	**2.1**	**1.8**	**2.1**	*1.8*	*2.2*
Japan	0.8	-0.4	-0.1	1.4	-1.4	-0.7	-0.3	**0.0**	**0.2**	**1.8**	*0.2*	*0.4*

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	2.6	2.4	2.3	1.4	1.3	1.4	1.3	1.5	1.5	1.6	1.7
Germany	2.4	2.1	2.1	2.0	1.8	1.8	1.7	1.7	1.7	1.6	1.6	1.6
Estonia	4.6	4.3	4.1	3.9	3.8	3.8	3.3	3.3	3.3	3.0	3.1	3.2
Ireland	1.7	1.9	2.3	1.8	1.1	1.3	1.2	1.1	2.1	1.4	0.9	0.8
Greece	1.7	1.1	0.8	0.6	0.0	-0.7	-1.0	-1.1	-0.5	-0.3	-0.3	-0.4
Spain	1.9	1.9	2.8	3.2	2.8	2.0	0.9	0.4	0.3	0.8	1.0	1.1
France	2.6	2.3	2.3	1.7	1.2	1.1	1.3	1.2	2.2	1.9	1.5	1.3
Italy	3.6	3.6	3.4	2.6	2.1	1.4	1.6	1.4	1.4	1.8	1.4	1.5
Cyprus	3.2	3.4	4.0	1.8	1.7	0.5	0.8	1.0	1.3	1.1	1.1	1.4
Luxembourg	3.1	2.7	2.9	2.8	2.2	1.9	1.7	1.6	1.9	1.7	1.7	1.6
Malta	2.3	4.0	3.4	3.2	1.9	1.9	2.0	1.9	1.8	1.9	1.9	1.9
Netherlands	2.9	2.6	2.6	3.3	3.2	3.0	2.8	2.4	1.9	1.4	1.3	1.5
Austria	2.7	2.3	2.4	2.9	2.6	2.1	1.8	1.6	1.7	1.8	1.8	1.8
Portugal	3.3	2.8	3.0	2.0	0.4	0.9	0.7	0.8	1.2	1.0	0.9	0.9
Slovenia	2.5	2.5	3.2	3.0	2.7	2.3	2.1	1.8	1.6	1.4	1.3	1.4
Slovakia	4.0	3.6	3.8	3.6	2.2	1.5	1.9	2.0	1.8	2.0	2.0	2.0
Finland	3.0	3.0	3.3	3.4	2.5	2.3	2.2	2.7	3.3	1.7	1.7	2.1
Euro area	2.7	2.5	2.5	2.3	1.9	1.6	1.5	1.3	1.6	1.5	1.4	1.4
Bulgaria	1.9	1.8	3.0	2.8	2.1	1.9	2.1	1.9	2.6	2.6	2.5	2.7
Czech Republic	4.0	3.8	3.4	2.9	1.7	2.2	1.8	1.9	1.4	1.0	1.1	1.4
Denmark	2.8	2.2	2.4	2.1	0.9	1.4	0.8	1.5	1.8	1.5	1.7	1.5
Latvia	3.3	2.4	1.9	1.6	0.4	1.3	1.7	2.0	2.0	2.0	2.1	2.1
Lithuania	3.6	2.8	3.2	3.0	2.2	1.7	1.8	2.6	3.5	3.0	2.5	1.9
Hungary	5.6	5.5	6.0	5.5	2.7	2.6	2.7	2.3	3.2	3.1	3.1	3.1
Poland	4.2	4.0	3.9	2.8	1.3	1.3	1.4	1.5	1.7	1.8	2.1	2.4
Romania	2.7	2.1	4.2	4.7	4.8	4.9	4.1	3.5	2.9	3.0	3.3	3.4
Sweden	0.9	0.9	0.9	1.0	0.6	0.8	1.0	1.2	1.4	1.4	1.4	1.4
United Kingdom	3.5	2.7	2.4	2.7	2.8	2.9	2.7	2.6	2.4	2.6	2.5	2.3
EU	2.9	2.6	2.6	2.4	2.0	1.8	1.7	1.6	1.7	1.8	1.7	1.6
Croatia	1.7	3.2	4.1	4.4	:	:	:	:	:	:	:	:
USA	3.1	1.8	1.7	1.9	1.7	1.9	1.9	1.9	2.0	2.1	2.2	2.3
Japan	0.3	0.2	-0.4	-0.2	-0.5	-0.1	0.6	0.8	0.8	2.3	2.2	2.0

TABLE 19 : Price deflator of exports of goods in national currency (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-0.1	0.8	1.8	3.5	-6.3	4.9	4.5	**1.8**	**0.6**	**1.2**	*1.4*	*1.6*
Germany	0.4	0.1	0.3	0.9	-2.4	2.5	3.1	**1.2**	**0.1**	**1.0**	*0.4*	*1.0*
Estonia	:	2.4	3.6	5.4	-2.7	4.9	3.9	**0.5**	**1.1**	**1.9**	*1.0*	*2.2*
Ireland	1.9	2.7	-2.7	-3.3	1.2	1.1	0.1	**4.8**	**1.3**	**1.0**	*1.3*	*1.0*
Greece	6.5	3.8	2.4	5.4	-5.0	7.9	8.2	**3.8**	**-0.6**	**-0.4**	*-0.1*	*0.9*
Spain	3.9	1.2	2.2	1.9	-5.1	2.6	5.1	**2.1**	**0.4**	**0.8**	*0.7*	*0.8*
France	0.1	-0.9	0.7	3.4	-4.8	2.3	3.7	**3.1**	**1.2**	**0.8**	*1.2*	*0.8*
Italy	4.9	2.0	1.4	2.8	-3.1	2.9	4.4	**1.7**	**1.3**	**1.3**	*1.0*	*1.8*
Cyprus	:	2.3	1.9	1.7	0.3	1.3	1.2	**1.1**	**0.8**	**1.1**	*2.2*	*1.5*
Luxembourg	0.5	0.2	3.1	3.2	-1.9	4.0	0.2	**2.8**	**1.2**	**1.5**	*2.0*	*1.5*
Malta	:	2.8	0.9	-1.7	-7.4	0.2	14.8	**-1.2**	**-0.1**	**1.0**	*0.8*	*1.4*
Netherlands	0.2	-0.3	1.5	4.6	-8.4	6.7	5.1	**2.2**	**0.8**	**1.0**	*0.8*	*0.9*
Austria	0.6	0.4	1.3	2.0	-2.3	3.3	3.2	**1.1**	**0.2**	**0.9**	*0.8*	*1.4*
Portugal	2.2	1.1	1.3	2.2	-6.1	5.1	6.6	**1.4**	**0.6**	**1.4**	*0.0*	*0.5*
Slovenia	14.3	5.1	2.5	0.7	-2.1	2.2	4.5	**1.0**	**0.6**	**1.0**	*0.6*	*0.9*
Slovakia	:	3.2	1.5	0.9	-5.4	3.1	3.9	**1.1**	**1.7**	**1.6**	*1.5*	*1.6*
Finland	2.2	-2.0	0.2	-1.5	-8.6	5.0	5.1	**1.1**	**2.1**	**2.1**	*2.1*	*2.1*
Euro area	:	0.4	0.9	2.1	-4.2	3.3	3.9	**1.8**	**0.6**	**1.0**	*0.8*	*1.1*
Bulgaria	:	2.3	7.1	8.1	-13.2	11.0	11.7	**3.7**	**2.4**	**3.2**	*2.4*	*3.2*
Czech Republic	:	-0.3	-0.3	-4.8	-0.5	-1.3	0.9	**3.1**	**0.5**	**0.0**	*0.3*	*1.0*
Denmark	0.2	0.9	2.3	5.4	-6.1	5.5	5.1	**3.1**	**2.2**	**2.2**	*2.2*	*2.2*
Latvia	:	0.1	10.9	7.7	-9.4	8.7	12.2	**4.0**	**2.0**	**2.1**	*2.0*	*2.1*
Lithuania	:	-1.1	5.2	13.2	-16.7	12.4	13.5	**3.6**	**1.9**	**2.2**	*2.0*	*2.2*
Hungary	:	4.7	-0.2	0.6	2.1	1.7	3.4	**2.9**	**1.3**	**1.5**	*1.1*	*1.6*
Poland	17.4	4.9	3.4	-1.8	13.5	0.4	7.4	**4.1**	**0.8**	**1.5**	*1.4*	*1.5*
Romania	88.3	33.2	6.4	21.0	3.4	7.2	9.7	**9.3**	**3.4**	**3.1**	*5.0*	*2.7*
Sweden	2.6	-0.4	1.0	3.1	1.2	-0.8	-1.7	**-2.4**	**0.8**	**2.0**	*1.0*	*2.0*
United Kingdom	1.8	-1.8	1.0	12.7	1.2	6.2	6.6	**-1.2**	**-0.6**	**1.0**	*0.5*	*1.0*
EU	:	0.4	1.0	3.0	-2.9	3.4	4.1	**1.7**	**0.6**	**1.1**	*0.9*	*1.2*
Croatia	:	5.1	3.4	5.0	-4.7	2.1	6.5	**3.7**	**1.5**	**2.0**	*1.4*	*1.7*
USA	-0.5	-0.9	3.1	5.0	-6.8	5.1	7.6	**0.4**	**1.1**	**1.3**	*1.2*	*1.6*
Japan	-1.6	-2.6	0.3	-4.1	-10.9	-1.8	-2.1	**-2.1**	**12.0**	**0.2**	*-1.5*	*-1.5*

TABLE 20 : Price deflator of imports of goods in national currency (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	0.4	1.2	2.2	6.6	-9.5	7.1	6.7	**1.9**	**0.5**	**1.1**	*1.0*	*1.7*
Germany	0.0	0.0	0.6	2.7	-8.0	5.2	6.0	**1.6**	**0.0**	**1.1**	*0.3*	*1.2*
Estonia	:	1.3	1.8	5.8	-3.6	6.6	8.2	**2.4**	**1.1**	**1.8**	*1.0*	*2.1*
Ireland	2.3	0.6	-1.7	2.3	-4.7	4.9	5.5	**6.5**	**1.3**	**1.1**	*1.3*	*1.1*
Greece	5.4	3.9	2.7	5.9	-1.5	5.9	7.6	**4.8**	**-0.5**	**-0.3**	*0.7*	*0.5*
Spain	3.8	0.8	2.1	4.3	-9.2	4.9	8.8	**4.3**	**0.3**	**0.5**	*-0.1*	*0.1*
France	0.1	-1.0	1.1	4.1	-7.9	4.5	6.2	**3.3**	**1.7**	**1.5**	*1.7*	*1.5*
Italy	5.1	1.8	2.7	6.3	-9.7	7.0	8.7	**2.8**	**0.2**	**0.7**	*-0.1*	*0.5*
Cyprus	:	1.9	2.4	4.2	-2.3	2.2	3.4	**2.3**	**2.5**	**2.1**	*2.3*	*1.3*
Luxembourg	0.5	1.4	1.5	1.3	-2.9	-1.8	-3.4	**3.1**	**1.2**	**1.3**	*1.1*	*1.4*
Malta	:	2.5	3.2	7.1	-3.0	7.1	9.4	**-1.5**	**-0.3**	**0.9**	*0.5*	*1.5*
Netherlands	-0.5	-1.0	1.4	4.9	-8.5	7.3	4.9	**2.7**	**1.0**	**1.0**	*1.0*	*1.0*
Austria	1.0	0.1	1.6	4.0	-5.0	5.0	6.2	**1.1**	**0.3**	**1.2**	*0.4*	*1.2*
Portugal	1.7	0.8	1.5	5.5	-10.6	5.0	8.8	**1.7**	**-0.5**	**0.5**	*-0.3*	*0.5*
Slovenia	11.2	4.9	3.1	2.5	-5.9	7.3	6.4	**2.2**	**0.6**	**1.3**	*0.5*	*1.4*
Slovakia	:	3.6	2.2	2.8	-4.7	4.0	5.5	**2.0**	**0.9**	**1.6**	*1.1*	*1.6*
Finland	1.6	-1.8	2.9	0.6	-9.9	7.6	7.5	**4.3**	**2.9**	**2.9**	*2.9*	*2.9*
Euro area	:	0.3	1.4	4.2	-8.1	5.7	6.6	**2.6**	**0.6**	**1.1**	*0.7*	*1.1*
Bulgaria	:	2.4	6.2	10.8	-13.7	8.5	9.7	**4.0**	**3.0**	**3.4**	*3.0*	*3.4*
Czech Republic	:	-0.6	0.3	-3.0	-2.9	1.0	3.2	**3.8**	**0.3**	**0.1**	*0.4*	*1.3*
Denmark	-0.3	-0.2	1.4	5.1	-6.8	4.4	6.9	**1.9**	**2.1**	**2.1**	*2.1*	*2.1*
Latvia	:	1.3	8.5	9.7	-6.7	7.6	6.1	**7.7**	**2.0**	**2.1**	*2.0*	*2.1*
Lithuania	:	-2.5	3.8	9.3	-11.5	10.9	14.2	**4.6**	**1.7**	**2.2**	*1.8*	*2.3*
Hungary	:	5.3	0.8	1.7	1.1	1.9	5.1	**4.1**	**1.2**	**1.7**	*0.2*	*1.7*
Poland	17.9	5.7	2.6	0.3	8.7	1.8	9.5	**5.8**	**0.8**	**2.1**	*2.0*	*2.1*
Romania	92.7	29.4	1.6	17.2	2.2	6.1	6.9	**5.9**	**2.0**	**1.9**	*3.6*	*1.8*
Sweden	3.4	1.4	1.4	4.3	-1.0	0.3	-0.4	**-1.8**	**0.8**	**1.5**	*1.0*	*1.5*
United Kingdom	2.0	-2.0	1.1	13.6	1.8	5.3	9.4	**-1.2**	**1.3**	**3.2**	*1.1*	*1.1*
EU	:	0.3	1.4	5.2	-5.9	5.2	6.7	**2.2**	**0.8**	**1.4**	*0.8*	*1.2*
Croatia	:	4.0	1.6	4.1	-2.4	0.3	5.8	**3.6**	**1.4**	**1.9**	*1.4*	*1.6*
USA	-0.9	-1.2	4.4	11.6	-12.4	6.8	8.9	**0.7**	**0.6**	**1.9**	*0.8*	*2.2*
Japan	-0.3	-2.5	6.3	7.4	-23.2	5.7	7.3	**-0.6**	**15.5**	**0.5**	*6.5*	*1.0*

TABLE 21 : Terms of trade of goods (percentage change on preceding year, 1993-2014) 23.04.2013

		5-year averages							Spring 2013 forecast			*Winter 2013 forecast*
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-0.5	-0.3	-0.4	-2.9	3.5	-2.1	-2.1	**-0.2**	**0.0**	**0.0**	*0.4*	*0.0*
Germany	0.4	0.2	-0.3	-1.8	6.0	-2.5	-2.7	**-0.5**	**0.1**	**0.0**	*0.1*	*-0.2*
Estonia	:	1.1	1.8	-0.4	0.9	-1.6	-4.0	**-1.8**	**0.0**	**0.1**	*0.0*	*0.1*
Ireland	-0.3	2.1	-1.1	-5.5	6.3	-3.6	-5.1	**-1.6**	**-0.1**	**-0.1**	*-0.1*	*-0.1*
Greece	1.1	-0.1	-0.2	-0.5	-3.5	1.8	0.6	**-1.0**	**-0.1**	**-0.1**	*-0.7*	*0.4*
Spain	0.1	0.4	0.1	-2.3	4.5	-2.2	-3.3	**-2.2**	**0.1**	**0.3**	*0.8*	*0.7*
France	-0.1	0.1	-0.3	-0.7	3.3	-2.2	-2.4	**-0.1**	**-0.5**	**-0.7**	*-0.5*	*-0.7*
Italy	-0.2	0.2	-1.2	-3.4	7.4	-3.9	-4.0	**-1.1**	**1.1**	**0.6**	*1.1*	*1.3*
Cyprus	:	0.4	-0.5	-2.4	2.7	-0.9	-2.1	**-1.2**	**-1.6**	**-1.0**	*-0.1*	*0.1*
Luxembourg	0.0	-1.2	1.5	1.9	1.0	5.9	3.7	**-0.3**	**0.0**	**0.1**	*0.9*	*0.1*
Malta	:	0.2	-2.3	-8.2	-4.6	-6.4	4.9	**0.3**	**0.2**	**0.1**	*0.3*	*-0.1*
Netherlands	0.6	0.8	0.1	-0.3	0.1	-0.6	0.2	**-0.5**	**-0.2**	**0.0**	*-0.2*	*0.0*
Austria	-0.4	0.3	-0.3	-2.0	2.8	-1.6	-2.9	**0.0**	**-0.1**	**-0.3**	*0.4*	*0.2*
Portugal	0.5	0.3	-0.2	-3.1	5.0	0.1	-2.0	**-0.2**	**1.1**	**0.9**	*0.3*	*0.0*
Slovenia	2.8	0.2	-0.6	-1.8	4.1	-4.8	-1.8	**-1.2**	**0.0**	**-0.3**	*0.1*	*-0.5*
Slovakia	:	-0.4	-0.6	-1.9	-0.7	-0.8	-1.5	**-0.9**	**0.8**	**0.0**	*0.4*	*0.0*
Finland	0.6	-0.2	-2.6	-2.1	1.4	-2.4	-2.3	**-3.0**	**-0.8**	**-0.8**	*-0.8*	*-0.8*
Euro area	:	0.2	-0.6	-2.0	4.3	-2.2	-2.4	**-0.6**	**0.1**	**0.0**	*0.2*	*0.1*
Bulgaria	:	-0.2	0.9	-2.5	0.6	2.3	1.8	**-0.3**	**-0.6**	**-0.2**	*-0.6*	*-0.2*
Czech Republic	:	0.3	-0.6	-1.9	2.5	-2.3	-2.2	**-0.7**	**0.2**	**-0.1**	*-0.1*	*-0.3*
Denmark	0.4	1.1	0.8	0.3	0.8	1.0	-1.7	**1.2**	**0.1**	**0.1**	*0.1*	*0.1*
Latvia	:	-1.2	2.2	-1.8	-2.9	1.1	5.8	**-3.5**	**0.0**	**0.0**	*0.0*	*0.0*
Lithuania	:	1.5	1.3	3.6	-5.9	1.4	-0.6	**-1.0**	**0.2**	**0.0**	*0.2*	*-0.1*
Hungary	:	-0.6	-1.0	-1.1	1.1	-0.2	-1.7	**-1.2**	**0.1**	**-0.2**	*1.0*	*-0.1*
Poland	-0.5	-0.8	0.8	-2.1	4.4	-1.4	-1.9	**-1.6**	**0.0**	**-0.6**	*-0.6*	*-0.6*
Romania	-2.2	2.9	4.8	3.2	1.2	1.0	2.6	**3.2**	**1.4**	**1.2**	*1.4*	*0.9*
Sweden	-0.7	-1.7	-0.4	-1.2	2.2	-1.1	-1.4	**-0.6**	**0.0**	**0.5**	*0.0*	*0.5*
United Kingdom	-0.2	0.1	-0.1	-0.7	-0.6	0.8	-2.6	**0.0**	**-1.9**	**-2.1**	*-0.6*	*0.0*
EU	:	0.1	-0.3	-1.6	3.7	-1.8	-2.3	**-0.6**	**0.1**	**-0.3**	*0.3*	*0.0*
Croatia	:	1.1	1.7	0.9	-2.4	1.8	0.7	**0.0**	**0.1**	**0.1**	*0.0*	*0.1*
USA	0.4	0.3	-1.3	-5.9	6.4	-1.6	-1.1	**-0.3**	**0.5**	**-0.6**	*0.3*	*-0.7*
Japan	-1.3	0.0	-5.6	-10.7	16.1	-7.0	-8.8	**-1.4**	**-3.0**	**-0.3**	*-7.5*	*-2.5*

TABLE 22 : Total population (percentage change on preceding year, 1993-2014)

		5-year averages							Spring 2013 forecast			*Winter 2013 forecast*
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	0.3	0.3	0.6	0.8	0.8	0.9	0.9	**0.7**	**0.7**	**0.7**	*0.7*	*0.8*
Germany	0.4	0.1	-0.1	-0.2	-0.3	-0.1	0.0	**0.2**	**0.2**	**0.1**	*0.1*	*0.0*
Estonia	:	-0.6	-0.3	-0.1	0.0	0.0	0.0	**-0.1**	**-0.1**	**0.0**	*-0.1*	*0.0*
Ireland	0.6	1.4	2.3	2.2	1.0	0.5	0.4	**0.4**	**0.8**	**0.9**	*0.8*	*0.9*
Greece	0.8	0.4	0.4	0.4	0.4	0.2	-0.1	**-0.1**	**0.0**	**0.0**	*0.1*	*0.1*
Spain	0.2	0.9	1.7	1.6	0.7	0.3	0.1	**0.1**	**-0.2**	**-0.2**	*-0.2*	*-0.2*
France	0.4	0.6	0.7	0.6	0.5	0.5	0.5	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*
Italy	0.0	0.1	0.8	0.8	0.6	0.5	0.4	**0.2**	**0.4**	**0.4**	*0.4*	*0.4*
Cyprus	1.9	1.1	1.6	2.5	2.7	2.6	2.6	**2.7**	**1.0**	**1.0**	*1.0*	*1.0*
Luxembourg	1.4	1.2	1.5	1.8	1.8	1.9	2.3	**2.3**	**1.7**	**1.6**	*1.7*	*1.6*
Malta	0.8	0.7	0.7	0.8	0.4	0.5	0.7	**-0.1**	**-0.1**	**0.0**	*0.4*	*0.4*
Netherlands	0.6	0.7	0.3	0.4	0.5	0.5	0.5	**0.4**	**0.5**	**0.4**	*0.5*	*0.4*
Austria	0.3	0.3	0.5	0.4	0.3	0.3	0.4	**0.4**	**0.4**	**0.4**	*0.4*	*0.4*
Portugal	0.3	0.5	0.5	0.1	0.1	0.0	0.1	**-0.5**	**-0.3**	**0.0**	*0.1*	*0.0*
Slovenia	-0.1	0.1	0.2	0.2	1.0	0.4	0.2	**0.2**	**0.2**	**0.2**	*0.2*	*0.1*
Slovakia	0.3	0.0	0.1	0.2	0.2	0.2	0.2	**-0.6**	**0.3**	**0.3**	*0.3*	*0.3*
Finland	0.4	0.2	0.3	0.5	0.5	0.5	0.4	**0.5**	**0.5**	**0.5**	*0.5*	*0.5*
Euro area	:	0.4	0.6	0.5	0.4	0.3	0.3	**0.2**	**0.3**	**0.2**	*0.3*	*0.2*
Bulgaria	-0.5	-1.1	-0.5	-0.5	-0.5	-0.7	-2.5	**-0.6**	**-1.0**	**-1.0**	*-0.6*	*-0.6*
Czech Republic	0.0	-0.2	0.2	1.0	0.6	0.2	-0.2	**0.1**	**0.1**	**0.0**	*0.0*	*0.0*
Denmark	0.4	0.3	0.3	0.6	0.5	0.4	0.4	**0.4**	**0.3**	**0.3**	*0.3*	*0.3*
Latvia	-1.4	-1.0	-1.0	-1.1	-1.6	-2.1	-1.9	**-1.1**	**-0.7**	**-0.7**	*-0.7*	*-0.7*
Lithuania	-0.7	-0.8	-1.3	-1.0	-1.0	-2.0	-2.1	**-1.4**	**-0.8**	**-0.7**	*-0.9*	*-0.8*
Hungary	-0.2	-0.3	-0.2	-0.2	-0.2	-0.2	-0.3	**-0.3**	**-0.1**	**-0.1**	*-0.2*	*-0.2*
Poland	0.1	0.0	-0.1	0.0	0.1	0.9	0.1	**0.0**	**0.0**	**-0.1**	*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	0.4	0.2	0.5	0.8	0.9	0.9	0.8	**0.7**	**0.7**	**0.6**	*0.7*	*0.6*
United Kingdom	0.3	0.3	0.6	0.7	0.6	0.8	0.8	**0.8**	**0.8**	**0.8**	*0.8*	*0.8*
EU	:	0.2	0.4	0.5	0.3	0.3	0.2	**0.2**	**0.3**	**0.2**	*0.3*	*0.2*
Croatia	-0.2	-0.4	0.0	-0.1	-0.1	-0.3	-0.3	**-0.2**	**0.5**	**0.0**	*-0.2*	*-0.3*
USA	1.2	1.1	0.9	0.9	0.9	0.8	0.7	**0.7**	**0.8**	**0.9**	*0.8*	*0.9*
Japan	0.3	0.2	0.1	-0.1	-0.1	-0.3	0.6	**-0.1**	**-0.1**	**-0.1**	*-0.1*	*-0.1*

TABLE 23 : Total employment (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	0.3	1.3	1.0	1.8	-0.2	0.7	1.4	0.2	0.1	0.6	0.0	0.9
Germany	-0.2	0.8	0.3	1.2	0.1	0.6	1.4	1.1	0.5	0.5	0.1	0.3
Estonia	-4.0	-1.1	1.9	0.2	-10.0	-4.8	7.0	2.2	0.3	1.0	0.3	1.1
Ireland	3.6	4.8	3.8	-0.6	-7.8	-4.1	-1.8	-0.6	0.1	0.9	0.1	0.9
Greece	0.5	1.2	2.0	1.2	-0.6	-2.6	-5.6	-8.3	-3.5	0.6	-3.5	0.5
Spain	0.6	3.9	3.1	-0.2	-6.5	-2.3	-1.7	-4.4	-3.4	0.0	-3.1	0.0
France	-0.1	1.8	0.7	0.3	-1.5	-0.3	0.5	-0.2	0.0	0.4	0.0	0.5
Italy	-0.7	1.3	0.7	-0.4	-2.9	-1.1	0.1	-1.1	-1.1	0.3	-1.4	0.4
Cyprus	:	1.9	3.2	2.1	-0.4	-0.2	0.5	-4.1	-6.6	-3.1	-1.3	-0.5
Luxembourg	2.5	4.8	3.0	5.0	1.1	1.8	2.9	2.3	1.6	1.3	1.0	1.3
Malta	1.3	0.3	1.0	2.5	-0.2	1.7	2.7	2.1	1.8	2.1	1.7	1.9
Netherlands	1.4	1.7	0.3	1.5	-1.1	-0.6	0.5	-0.9	-1.0	-0.1	-0.6	-0.1
Austria	0.0	0.5	0.9	1.8	-1.5	0.5	1.4	1.1	0.7	1.0	0.6	0.9
Portugal	0.1	1.7	-0.1	0.5	-2.6	-1.5	-1.5	-4.2	-3.9	-0.5	-2.7	0.5
Slovenia	:	1.0	0.9	2.6	-1.8	-2.2	-1.6	-1.3	-1.6	-0.6	-1.6	-0.9
Slovakia	:	-0.9	1.3	3.2	-2.0	-1.5	1.8	0.1	0.0	0.5	0.0	0.5
Finland	-0.2	1.7	1.2	2.6	-2.6	-0.1	1.1	0.3	-0.4	0.2	-0.3	0.2
Euro area	:	1.6	1.0	0.7	-2.1	-0.6	0.2	-0.9	-0.7	0.3	-0.8	0.3
Bulgaria	:	-1.7	3.0	2.6	-2.6	-4.7	-3.4	-4.3	-2.1	0.2	-0.2	0.6
Czech Republic	:	-0.9	0.9	2.3	-1.8	-1.0	0.3	0.4	0.0	0.2	-0.1	0.5
Denmark	0.6	0.7	0.8	1.7	-2.4	-2.3	-0.4	-0.5	-0.2	0.3	-0.1	0.1
Latvia	-5.2	-0.3	2.6	0.9	-13.2	-4.8	-8.1	2.6	1.9	2.2	1.9	2.1
Lithuania	-2.1	-1.5	1.9	-0.7	-6.8	-5.1	2.0	1.8	1.3	1.4	1.4	1.7
Hungary	:	1.0	0.0	-1.8	-2.5	0.7	0.4	0.1	0.0	0.4	0.0	0.6
Poland	0.0	-1.9	1.9	3.9	0.4	0.5	1.0	0.2	-0.4	-0.2	-0.1	0.2
Romania	-2.9	-3.8	-0.4	0.0	-2.0	-0.3	-1.1	1.9	0.5	0.8	0.5	0.7
Sweden	-1.2	1.7	0.6	0.9	-2.4	1.0	2.3	0.7	0.2	0.7	0.2	0.7
United Kingdom	0.8	1.0	0.9	0.7	-1.6	0.2	0.5	1.2	0.5	1.1	0.5	1.1
EU	:	0.8	1.0	0.9	-1.9	-0.5	0.2	-0.3	-0.4	0.4	-0.4	0.5
Croatia	:	1.8	2.7	1.1	-1.8	-5.1	-2.3	-3.9	-4.2	-1.8	-0.8	0.6
USA	2.3	1.0	1.0	-0.7	-5.0	-0.8	0.6	1.9	1.0	1.7	1.4	1.9
Japan	0.3	-1.0	0.4	-0.5	-1.6	-0.5	-0.2	0.4	0.1	0.2	0.1	0.2

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, 1993-2014) [1]

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	9.4	7.8	8.2	7.0	7.9	8.3	7.2	7.6	8.0	8.0	7.7	7.7
Germany	8.6	8.5	10.1	7.5	7.8	7.1	5.9	5.5	5.4	5.3	5.7	5.6
Estonia	8.7	11.4	7.6	5.5	13.8	16.9	12.5	10.2	9.7	9.0	9.8	9.0
Ireland	12.8	5.1	4.5	6.4	12.0	13.9	14.7	14.7	14.2	13.7	14.6	14.1
Greece	9.2	11.1	9.5	7.7	9.5	12.6	17.7	24.3	27.0	26.0	27.0	25.7
Spain	19.7	12.5	9.7	11.3	18.0	20.1	21.7	25.0	27.0	26.4	26.9	26.6
France	10.9	9.3	9.0	7.8	9.5	9.7	9.6	10.2	10.6	10.9	10.7	11.0
Italy	10.8	9.9	7.4	6.7	7.8	8.4	8.4	10.7	11.8	12.2	11.6	12.0
Cyprus	:	3.8	4.5	3.7	5.4	6.3	7.9	11.9	15.5	16.9	13.7	14.2
Luxembourg	2.9	2.4	4.4	4.9	5.1	4.6	4.8	5.1	5.5	5.8	5.4	5.7
Malta	5.5	7.0	7.1	6.0	6.9	6.9	6.5	6.4	6.3	6.1	6.4	6.2
Netherlands	6.1	3.3	4.5	3.1	3.7	4.5	4.4	5.3	6.9	7.2	6.3	6.5
Austria	4.1	4.0	4.7	3.8	4.8	4.4	4.2	4.3	4.7	4.7	4.5	4.2
Portugal	6.7	5.1	8.1	8.5	10.6	12.0	12.9	15.9	18.2	18.5	17.3	16.8
Slovenia	:	6.8	6.1	4.4	5.9	7.3	8.2	8.9	10.0	10.3	9.8	10.0
Slovakia	:	17.3	15.4	9.6	12.1	14.5	13.6	14.0	14.5	14.1	14.0	13.6
Finland	15.1	9.9	8.2	6.4	8.2	8.4	7.8	7.7	8.1	8.0	8.0	7.9
Euro area	:	9.0	8.7	7.6	9.6	10.1	10.2	11.4	12.2	12.1	12.2	12.1
Bulgaria	:	16.5	10.4	5.6	6.8	10.3	11.3	12.3	12.5	12.4	12.2	11.9
Czech Republic	4.2	7.9	7.3	4.4	6.7	7.3	6.7	7.0	7.5	7.4	7.6	7.3
Denmark	7.1	4.7	4.7	3.4	6.0	7.5	7.6	7.5	7.7	7.6	8.0	7.9
Latvia	16.0	13.5	9.2	8.0	18.2	19.8	16.2	14.9	13.7	12.2	13.7	12.2
Lithuania	6.0	15.1	8.1	5.3	13.6	18.0	15.3	13.3	11.8	10.5	11.4	9.8
Hungary	:	6.6	6.8	7.8	10.0	11.2	10.9	10.9	11.4	11.5	11.1	11.1
Poland	12.9	15.6	16.1	7.1	8.1	9.7	9.7	10.1	10.9	11.4	10.8	10.9
Romania	:	6.5	7.1	5.8	6.9	7.3	7.4	7.0	6.9	6.8	6.9	6.8
Sweden	9.4	6.5	7.0	6.2	8.3	8.6	7.8	8.0	8.3	8.1	8.0	7.8
United Kingdom	8.5	5.5	5.0	5.6	7.6	7.8	8.0	7.9	8.0	7.9	8.0	7.8
EU	:	8.9	8.6	7.1	9.0	9.7	9.7	10.5	11.1	11.1	11.1	11.0
Croatia	:	13.1	12.2	8.4	9.1	11.8	13.5	15.9	19.1	20.1	15.9	14.9
USA	5.8	4.7	5.2	5.8	9.3	9.6	8.9	8.1	7.7	7.2	7.6	7.0
Japan	3.1	4.8	4.5	4.0	5.1	5.1	4.6	4.3	4.3	4.2	4.3	4.2

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

TABLE 25 : Compensation of employees per head (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	3.0	2.9	2.4	3.6	1.2	1.4	3.1	**3.3**	**2.4**	**1.1**	*2.4*	*1.4*
Germany	2.4	1.3	0.7	2.1	0.2	2.4	3.0	**2.5**	**2.4**	**3.1**	*2.4*	*3.1*
Estonia	:	11.1	14.6	9.7	-3.2	1.8	-0.2	**6.7**	**5.7**	**6.1**	*5.4*	*6.1*
Ireland	4.0	5.9	5.3	4.8	-1.3	-3.2	-0.2	**1.8**	**0.3**	**0.2**	*0.3*	*0.2*
Greece	11.2	6.6	4.0	3.6	3.5	-2.6	-3.4	**-4.2**	**-7.0**	**-1.5**	*-7.0*	*-2.0*
Spain	4.2	2.7	3.7	6.9	4.4	0.0	0.7	**-0.3**	**1.4**	**0.1**	*1.4*	*0.1*
France	2.2	2.3	3.0	2.8	2.0	2.6	2.8	**1.9**	**1.3**	**1.5**	*1.6*	*1.7*
Italy	4.5	1.7	3.0	3.8	1.7	2.8	1.3	**1.0**	**1.2**	**1.1**	*1.3*	*1.2*
Cyprus	:	4.4	3.6	3.2	2.5	2.6	3.3	**1.6**	**-7.5**	**-5.0**	*-4.4*	*-1.2*
Luxembourg	3.1	3.3	3.1	3.4	1.9	2.7	2.0	**1.2**	**2.2**	**3.0**	*2.2*	*2.9*
Malta	6.3	4.8	3.5	4.2	4.0	1.0	0.5	**2.4**	**1.8**	**1.8**	*2.2*	*2.3*
Netherlands	2.5	4.7	3.1	3.3	2.5	1.5	1.8	**1.3**	**1.8**	**2.1**	*1.6*	*2.2*
Austria	3.0	2.5	2.3	3.1	2.5	1.3	2.3	**3.0**	**2.1**	**1.9**	*2.1*	*1.9*
Portugal	6.9	4.9	3.3	3.0	2.8	2.0	-0.7	**-2.7**	**3.1**	**0.0**	*1.6*	*0.5*
Slovenia	:	9.4	6.6	7.2	1.8	3.9	1.6	**-0.4**	**0.1**	**0.7**	*0.1*	*1.0*
Slovakia	:	8.8	8.3	7.0	2.5	5.1	1.1	**2.0**	**1.7**	**3.0**	*2.5*	*2.5*
Finland	2.4	3.3	3.3	4.4	2.3	1.8	3.4	**3.0**	**3.3**	**3.4**	*3.3*	*3.4*
Euro area	:	2.3	2.4	3.4	1.8	2.0	2.2	**1.8**	**1.8**	**1.8**	*1.8*	*1.9*
Bulgaria	:	162.8	7.7	16.3	9.4	11.2	8.6	**5.6**	**4.4**	**4.8**	*5.1*	*5.5*
Czech Republic	:	7.8	6.4	4.2	-0.6	3.6	2.7	**1.8**	**1.5**	**2.1**	*1.8*	*2.7*
Denmark	2.9	3.9	3.6	3.5	2.3	2.6	1.6	**1.2**	**1.4**	**2.1**	*1.5*	*1.6*
Latvia	43.6	5.6	21.5	15.7	-12.7	-6.7	17.2	**3.9**	**3.1**	**3.8**	*2.7*	*3.4*
Lithuania	:	5.7	12.3	14.3	-9.9	-0.4	3.6	**2.4**	**4.1**	**3.8**	*4.3*	*3.5*
Hungary	:	12.9	7.7	7.2	-1.7	-0.3	3.0	**4.6**	**-0.4**	**5.4**	*0.9*	*4.9*
Poland	30.7	10.1	2.4	8.9	3.5	4.7	4.0	**3.1**	**2.6**	**3.3**	*2.5*	*3.1*
Romania	104.5	52.3	20.7	31.9	-1.9	-3.3	4.2	**5.2**	**5.9**	**5.5**	*6.3*	*4.6*
Sweden	5.0	3.6	3.5	1.5	1.6	3.1	0.8	**2.8**	**3.1**	**3.5**	*3.1*	*3.5*
United Kingdom	3.3	5.0	4.4	1.5	2.8	2.8	1.8	**2.3**	**2.6**	**2.8**	*2.7*	*2.9*
EU	:	3.7	2.8	3.3	1.9	2.3	2.2	**1.9**	**2.0**	**2.2**	*2.0*	*2.2*
Croatia	:	6.2	5.1	6.9	1.0	1.9	3.0	**3.2**	**4.2**	**3.0**	*1.1*	*1.2*
USA	2.7	4.3	4.1	3.3	1.9	3.0	3.3	**1.3**	**1.5**	**2.2**	*0.9*	*1.9*
Japan	1.2	-0.7	-1.3	0.3	-3.7	0.1	0.4	**0.0**	**0.2**	**1.0**	*0.9*	*0.9*

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, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.2	1.3	0.0	0.3	1.9	-0.7	0.0	**0.6**	**1.0**	**-0.5**	*0.7*	*-0.2*
Germany	0.4	0.4	-0.7	0.5	0.2	0.3	0.9	**0.8**	**0.8**	**1.3**	*0.8*	*1.3*
Estonia	:	5.9	9.8	1.7	-1.9	-0.8	-5.0	**3.1**	**2.3**	**2.8**	*1.9*	*2.9*
Ireland	1.4	1.5	2.7	3.2	5.8	-1.2	-1.7	**0.3**	**-1.0**	**-1.2**	*-1.0*	*-1.2*
Greece	1.6	2.6	0.8	-0.6	2.8	-6.3	-6.5	**-5.1**	**-6.2**	**-1.1**	*-6.3*	*-1.7*
Spain	0.0	-0.1	0.3	3.2	5.6	-1.9	-2.2	**-2.6**	**-0.3**	**-0.9**	*-0.3*	*-0.9*
France	0.8	1.3	0.9	-0.1	2.7	1.5	0.8	**0.1**	**-0.3**	**-0.5**	*0.0*	*-0.3*
Italy	-0.1	-0.7	0.5	0.7	1.8	1.3	-1.5	**-1.7**	**-0.4**	**-0.4**	*-0.6*	*-0.5*
Cyprus	:	1.8	0.6	-1.2	1.8	0.4	-0.1	**-0.9**	**-8.3**	**-6.4**	*-5.9*	*-2.9*
Luxembourg	0.8	1.2	0.6	0.0	1.0	1.0	-0.6	**-1.0**	**0.5**	**1.3**	*0.5*	*1.0*
Malta	:	2.9	1.6	0.9	1.3	-2.0	-0.4	**0.6**	**0.0**	**-0.1**	*0.1*	*0.3*
Netherlands	0.3	1.6	1.2	2.1	3.0	0.2	-0.5	**-1.0**	**-0.8**	**0.1**	*-1.0*	*0.2*
Austria	0.7	1.3	0.2	0.9	2.1	-0.6	-1.3	**0.1**	**-0.2**	**0.1**	*0.0*	*0.1*
Portugal	2.2	1.9	0.4	0.5	5.1	0.7	-4.3	**-4.7**	**2.6**	**-0.9**	*1.0*	*-0.8*
Slovenia	:	2.2	3.1	1.7	0.8	2.4	-0.1	**-2.3**	**-1.9**	**-0.7**	*-2.1*	*-0.5*
Slovakia	:	2.2	3.4	2.4	2.4	4.0	-2.7	**-1.6**	**-0.2**	**1.1**	*0.6*	*0.6*
Finland	0.9	0.8	2.4	0.9	0.9	-0.3	0.0	**0.4**	**1.3**	**1.6**	*1.3*	*1.6*
Euro area	:	0.5	0.2	0.8	2.3	0.3	-0.3	**-0.3**	**0.2**	**0.2**	*0.2*	*0.2*
Bulgaria	:	145.1	3.2	8.6	7.8	8.5	3.8	**2.0**	**1.8**	**2.1**	*1.9*	*2.4*
Czech Republic	:	3.9	4.6	-0.6	-1.4	3.3	2.2	**-0.4**	**-0.4**	**0.9**	*0.2*	*1.5*
Denmark	1.1	1.8	2.1	0.8	0.8	0.1	-0.9	**-1.2**	**-0.1**	**0.5**	*0.0*	*0.1*
Latvia	:	2.9	13.2	-0.4	-15.5	-5.1	11.7	**0.9**	**1.2**	**1.5**	*0.8*	*1.1*
Lithuania	:	4.8	9.9	3.1	-13.8	-1.7	-0.6	**-0.8**	**2.1**	**1.0**	*1.9*	*0.6*
Hungary	:	2.8	2.8	1.9	-5.4	-4.0	-1.5	**-0.5**	**-3.1**	**2.3**	*-2.6*	*1.6*
Poland	4.0	3.2	0.6	4.4	0.9	2.2	-0.8	**-0.5**	**1.2**	**1.3**	*0.7*	*0.8*
Romania	-1.0	11.7	10.9	19.9	-5.4	-10.2	-0.1	**2.2**	**1.7**	**2.3**	*1.7*	*1.4*
Sweden	2.0	2.3	2.3	-1.5	-0.5	1.6	-0.5	**1.6**	**1.9**	**1.8**	*1.7*	*1.7*
United Kingdom	0.3	3.9	2.1	-1.8	1.4	-0.9	-2.5	**-0.4**	**0.6**	**0.9**	*0.7*	*0.9*
EU	:	1.7	0.6	0.2	1.7	0.2	-0.7	**-0.4**	**0.3**	**0.4**	*0.2*	*0.4*
Croatia	:	1.6	2.2	1.2	-2.2	0.3	0.5	**-0.2**	**0.9**	**1.3**	*-1.9*	*-0.7*
USA	0.6	2.6	1.4	0.0	1.8	1.0	0.8	**-0.5**	**0.1**	**0.2**	*-0.4*	*0.0*
Japan	0.7	0.1	-0.6	0.1	-1.3	1.8	1.2	**0.6**	**-0.3**	**-1.1**	*0.5*	*-1.1*

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

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

TABLE 27 : Labour productivity (real GDP per occupied person) (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.6	1.0	1.2	-0.8	-2.6	1.7	0.4	**-0.4**	**-0.1**	**0.6**	*0.2*	*0.6*
Germany	1.4	0.8	1.4	-0.1	-5.2	3.6	1.6	**-0.4**	**-0.1**	**1.3**	*0.4*	*1.7*
Estonia	:	7.0	6.1	-4.3	-4.5	8.5	1.2	**1.0**	**2.7**	**3.0**	*2.7*	*2.9*
Ireland	4.1	3.3	1.1	-1.5	2.6	3.4	3.3	**1.5**	**1.0**	**1.3**	*1.0*	*1.3*
Greece	1.1	2.5	2.3	-1.4	-2.5	-2.4	-1.6	**2.1**	**-0.7**	**0.0**	*-0.9*	*0.1*
Spain	1.4	0.2	0.4	1.1	2.9	2.0	2.2	**3.2**	**2.0**	**0.9**	*1.7*	*0.8*
France	1.5	0.8	1.3	-0.4	-1.6	1.9	1.2	**0.1**	**-0.1**	**0.7**	*0.1*	*0.7*
Italy	2.1	0.5	0.6	-0.8	-2.7	2.8	0.2	**-1.3**	**-0.2**	**0.4**	*0.4*	*0.4*
Cyprus	:	2.3	0.6	1.4	-1.5	1.5	0.1	**1.7**	**-2.2**	**-0.8**	*-2.2*	*-0.8*
Luxembourg	0.8	1.2	1.5	-5.5	-5.1	1.1	-1.2	**-1.9**	**-0.8**	**0.3**	*-0.5*	*0.3*
Malta	3.7	3.0	1.1	1.4	-2.4	1.1	-1.0	**-1.2**	**-0.4**	**-0.3**	*-0.2*	*0.0*
Netherlands	1.6	1.2	2.0	0.3	-2.6	2.2	0.5	**-0.1**	**0.2**	**1.0**	*0.0*	*1.2*
Austria	2.0	2.2	1.7	-0.4	-2.3	1.5	1.3	**-0.3**	**-0.1**	**0.8**	*0.1*	*1.0*
Portugal	2.1	1.4	1.1	-0.5	-0.3	3.5	0.0	**1.1**	**1.6**	**1.1**	*0.8*	*0.3*
Slovenia	:	2.9	3.9	0.8	-6.1	3.5	2.2	**-1.1**	**-0.3**	**0.5**	*-0.3*	*1.6*
Slovakia	:	3.6	5.6	2.4	-3.0	6.0	1.4	**2.0**	**0.9**	**2.3**	*1.0*	*2.4*
Finland	3.5	1.9	2.6	-2.2	-6.1	3.4	1.7	**-0.5**	**0.7**	**0.8**	*0.5*	*1.0*
Euro area	:	0.9	1.2	-0.3	-2.4	2.6	1.2	**0.3**	**0.3**	**0.9**	*0.5*	*1.0*
Bulgaria	:	6.0	3.3	3.5	-2.9	5.3	5.4	**5.4**	**3.1**	**1.5**	*1.6*	*1.4*
Czech Republic	:	3.1	4.7	0.8	-2.8	3.5	1.6	**-1.7**	**-0.4**	**1.4**	*0.1*	*1.4*
Denmark	2.2	1.1	1.2	-2.4	-3.4	3.9	1.5	**0.0**	**0.9**	**1.4**	*1.3*	*1.6*
Latvia	5.9	6.0	6.6	-4.2	-5.3	4.0	14.8	**2.9**	**1.9**	**1.9**	*1.9*	*2.0*
Lithuania	-0.2	6.3	6.6	3.6	-8.6	7.0	3.8	**1.8**	**1.8**	**2.1**	*1.6*	*1.9*
Hungary	:	2.9	3.3	2.7	-4.4	0.6	1.2	**-1.8**	**0.2**	**1.0**	*-0.1*	*0.7*
Poland	5.9	5.3	3.2	1.2	1.2	3.4	3.5	**1.7**	**1.5**	**2.4**	*1.3*	*2.0*
Romania	5.2	6.1	6.9	7.3	-4.7	-0.9	3.3	**-1.2**	**1.1**	**1.4**	*1.1*	*1.8*
Sweden	3.3	1.7	2.9	-1.5	-2.7	5.5	1.4	**0.1**	**1.4**	**1.7**	*1.1*	*1.9*
United Kingdom	2.4	2.2	2.2	-1.7	-2.4	1.6	0.5	**-0.9**	**0.0**	**0.6**	*0.4*	*0.8*
EU	:	1.8	1.5	-0.6	-2.4	2.6	1.3	**0.0**	**0.3**	**1.0**	*0.5*	*1.1*
Croatia	:	0.8	2.0	1.0	-5.2	3.0	2.4	**2.0**	**3.3**	**2.1**	*0.4*	*0.4*
USA	1.3	2.3	1.7	0.4	1.9	3.2	1.2	**0.3**	**1.0**	**0.9**	*0.5*	*0.7*
Japan	1.1	1.2	1.4	-0.6	-4.0	5.1	-0.4	**1.6**	**1.3**	**1.4**	*0.9*	*1.4*

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, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	1.3	1.9	1.2	4.4	3.9	-0.4	2.7	**3.7**	**2.4**	**0.5**	*2.1*	*0.8*
Germany	1.0	0.5	-0.7	2.3	5.6	-1.1	1.4	**2.9**	**2.5**	**1.8**	*2.0*	*1.4*
Estonia	:	3.8	8.0	14.6	1.4	-6.2	-1.4	**5.6**	**2.9**	**3.0**	*2.7*	*3.1*
Ireland	-0.1	2.5	4.2	6.4	-3.8	-6.4	-3.3	**0.2**	**-0.6**	**-1.0**	*-0.6*	*-1.0*
Greece	10.0	3.9	1.7	5.1	6.2	-0.1	-1.8	**-6.2**	**-6.3**	**-1.5**	*-6.1*	*-2.1*
Spain	2.8	2.6	3.2	5.7	1.5	-2.0	-1.4	**-3.4**	**-0.6**	**-0.8**	*-0.3*	*-0.7*
France	0.7	1.5	1.6	3.2	3.7	0.6	1.6	**1.7**	**1.4**	**0.8**	*1.5*	*1.0*
Italy	2.3	1.2	2.4	4.7	4.6	0.0	1.0	**2.3**	**1.5**	**0.7**	*1.0*	*0.8*
Cyprus	:	2.1	3.0	1.8	4.1	1.1	3.2	**-0.1**	**-5.4**	**-4.2**	*-2.3*	*-0.4*
Luxembourg	2.3	2.2	1.5	9.4	7.3	1.6	3.3	**3.2**	**3.1**	**2.7**	*2.7*	*2.7*
Malta	2.5	1.8	2.3	2.8	6.6	-0.1	1.5	**3.7**	**2.2**	**2.1**	*2.4*	*2.2*
Netherlands	0.9	3.4	1.0	3.0	5.3	-0.8	1.3	**1.3**	**1.5**	**1.1**	*1.5*	*1.0*
Austria	0.9	0.3	0.6	3.5	4.9	-0.2	1.0	**3.4**	**2.2**	**1.1**	*2.0*	*0.9*
Portugal	4.7	3.4	2.1	3.5	3.1	-1.4	-0.7	**-3.8**	**1.5**	**-1.1**	*0.8*	*0.2*
Slovenia	:	6.3	2.6	6.4	8.5	0.4	-0.6	**0.7**	**0.4**	**0.1**	*0.4*	*-0.6*
Slovakia	:	5.0	2.5	4.4	5.7	-0.9	-0.4	**0.1**	**0.7**	**0.7**	*1.5*	*0.1*
Finland	-1.0	1.4	0.7	6.7	9.0	-1.6	1.8	**3.6**	**2.6**	**2.5**	*2.7*	*2.4*
Euro area	:	1.5	1.3	3.8	4.3	-0.7	0.9	**1.4**	**1.4**	**0.8**	*1.2*	*0.8*
Bulgaria	:	147.9	4.3	12.5	12.7	5.6	3.0	**0.2**	**1.3**	**3.3**	*3.5*	*4.0*
Czech Republic	:	4.6	1.7	3.4	2.2	0.0	1.1	**3.6**	**1.9**	**0.7**	*1.7*	*1.3*
Denmark	0.7	2.7	2.4	6.1	5.9	-1.2	0.1	**1.2**	**0.5**	**0.7**	*0.3*	*0.1*
Latvia	35.6	-0.4	13.9	20.7	-7.9	-10.4	2.1	**1.0**	**1.2**	**1.9**	*0.8*	*1.4*
Lithuania	:	-0.5	5.4	10.4	-1.5	-6.9	-0.1	**0.6**	**2.3**	**1.6**	*2.7*	*1.6*
Hungary	:	9.7	4.2	4.4	2.8	-0.9	1.8	**6.5**	**-0.6**	**4.3**	*1.0*	*4.2*
Poland	23.5	4.6	-0.7	7.5	2.2	1.3	0.5	**1.4**	**1.0**	**0.9**	*1.2*	*1.0*
Romania	94.5	43.5	13.0	22.9	2.9	-2.4	0.9	**6.4**	**4.7**	**4.0**	*5.2*	*2.8*
Sweden	1.7	1.9	0.6	3.1	4.4	-2.3	-0.6	**2.6**	**1.7**	**1.7**	*1.9*	*1.5*
United Kingdom	0.9	2.7	2.2	3.3	5.3	1.2	1.4	**3.2**	**2.5**	**2.2**	*2.2*	*2.0*
EU	:	3.1	1.5	4.1	4.4	-0.4	0.9	**1.8**	**1.6**	**1.1**	*1.4*	*1.0*
Croatia	:	5.4	3.0	5.8	6.6	-1.1	0.7	**1.2**	**0.8**	**1.0**	*0.7*	*0.8*
USA	1.4	2.0	2.3	2.9	0.0	-0.3	2.0	**0.9**	**0.6**	**1.2**	*0.4*	*1.2*
Japan	0.1	-1.8	-2.7	0.9	0.3	-4.8	0.8	**-1.5**	**-1.1**	**-0.4**	*-0.1*	*-0.5*

[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, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-0.4	0.2	-1.0	2.2	2.7	-2.3	0.6	**1.6**	**0.8**	**-1.2**	*0.2*	*-1.0*
Germany	-0.8	-0.1	-1.6	1.5	4.4	-2.0	0.6	**1.6**	**1.0**	**0.1**	*0.4*	*-0.1*
Estonia	:	-1.7	1.0	8.7	2.8	-6.8	-4.2	**2.3**	**-0.2**	**-0.3**	*-0.3*	*0.0*
Ireland	-2.7	-2.6	1.6	9.8	0.9	-4.3	-3.5	**-1.7**	**-1.8**	**-2.4**	*-1.8*	*-2.4*
Greece	0.1	0.3	-1.4	0.3	3.8	-1.3	-2.9	**-5.5**	**-5.3**	**-1.2**	*-4.9*	*-1.8*
Spain	-1.0	-0.8	-0.7	3.2	1.4	-2.4	-2.4	**-3.5**	**-2.2**	**-1.8**	*-2.0*	*-1.9*
France	-0.6	0.1	-0.4	0.7	3.0	-0.4	0.3	**0.1**	**0.0**	**-0.9**	*0.0*	*-0.7*
Italy	-1.6	-1.2	0.2	2.1	2.4	-0.4	-0.3	**0.7**	**-0.1**	**-0.8**	*-0.7*	*-0.9*
Cyprus	:	-0.7	-0.7	-2.7	4.0	-0.9	0.5	**-2.0**	**-5.9**	**-5.2**	*-3.7*	*-1.9*
Luxembourg	-0.3	0.4	-2.9	8.9	6.8	-5.6	-1.7	**-0.6**	**0.5**	**0.0**	*0.1*	*0.9*
Malta	-0.1	-0.4	-0.2	-0.2	3.7	-2.9	-0.6	**1.4**	**0.0**	**-0.2**	*-0.3*	*-0.1*
Netherlands	-1.0	0.1	-0.8	0.8	5.2	-1.8	0.0	**0.6**	**0.1**	**-0.6**	*-0.1*	*-0.5*
Austria	-0.6	-0.7	-1.1	1.8	3.4	-1.8	-1.2	**1.1**	**0.2**	**-0.6**	*-0.2*	*-1.0*
Portugal	-0.1	-0.1	-0.6	1.9	2.2	-2.1	-1.2	**-3.7**	**-0.4**	**-2.3**	*-0.2*	*-0.6*
Slovenia	:	-0.6	-0.7	2.1	4.7	1.5	-1.6	**0.3**	**-1.0**	**-0.9**	*-0.9*	*-1.6*
Slovakia	:	-1.1	-0.9	1.5	7.0	-1.4	-2.0	**-1.3**	**-1.7**	**-1.3**	*-0.9*	*-2.0*
Finland	-2.9	-0.8	-0.1	3.7	7.4	-2.0	-1.3	**0.7**	**0.6**	**0.7**	*0.8*	*0.5*
Euro area	:	-0.4	-0.8	1.8	3.3	-1.5	-0.3	**0.2**	**0.0**	**-0.6**	*-0.3*	*-0.7*
Bulgaria	:	125.8	-1.6	3.7	8.1	2.7	-1.8	**-2.0**	**-0.9**	**0.7**	*0.8*	*1.0*
Czech Republic	:	0.4	0.0	1.5	-0.1	1.4	1.9	**2.2**	**0.5**	**0.0**	*0.4*	*0.2*
Denmark	-0.8	0.6	0.1	1.8	5.2	-5.2	-0.6	**-0.8**	**-0.9**	**-0.9**	*-1.1*	*-1.6*
Latvia	7.8	-3.6	3.2	6.9	-6.7	-9.2	-3.6	**-2.0**	**-0.7**	**-0.3**	*-1.0*	*-0.8*
Lithuania	:	-1.0	0.7	0.7	2.0	-8.8	-5.3	**-2.0**	**-0.2**	**-1.3**	*-0.1*	*-1.4*
Hungary	:	-0.4	-0.2	-0.9	-0.7	-3.3	-1.3	**3.2**	**-3.8**	**0.8**	*-2.8*	*0.4*
Poland	-1.4	-1.3	-3.2	4.3	-1.4	-0.1	-2.6	**-1.0**	**-0.3**	**-0.8**	*-0.3*	*-0.8*
Romania	-5.0	2.5	-1.7	6.6	-1.2	-7.7	-3.1	**1.5**	**0.2**	**0.4**	*0.3*	*-0.8*
Sweden	-0.7	0.5	-0.9	-0.1	2.3	-3.1	-1.7	**1.9**	**0.3**	**-0.3**	*0.4*	*-0.7*
United Kingdom	-1.7	1.0	-0.3	0.2	3.9	-1.6	-1.0	**1.8**	**0.8**	**0.6**	*0.4*	*-0.2*
EU	:	-0.3	-0.9	1.4	3.2	-1.5	-0.6	**0.5**	**0.1**	**-0.4**	*-0.2*	*-0.6*
Croatia	:	0.5	-0.8	0.1	3.6	-1.9	-1.3	**-0.8**	**-1.1**	**-0.5**	*-2.0*	*-1.1*
USA	-0.6	0.3	-0.5	0.7	-0.9	-1.6	-0.1	**-0.8**	**-1.0**	**-0.9**	*-1.1*	*-1.1*
Japan	0.1	-0.8	-1.4	2.2	0.8	-2.7	2.7	**-0.7**	**-0.7**	**-1.9**	*1.0*	*-1.2*

[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 (1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	39.7025	:	:	:	:	:	:	:	:	:	:	:
Germany	1.92172	:	:	:	:	:	:	:	:	:	:	:
Estonia	15.3697	15.6669	15.6466	15.6466	15.6466	:	:	:	:	:	:	:
Ireland	0.79001	:	:	:	:	:	:	:	:	:	:	:
Greece	296.45	:	:	:	:	:	:	:	:	:	:	:
Spain	159.564	:	:	:	:	:	:	:	:	:	:	:
France	6.56941	:	:	:	:	:	:	:	:	:	:	:
Italy	1955.63	:	:	:	:	:	:	:	:	:	:	:
Cyprus	0.58657	0.57666	0.58023	:	:	:	:	:	:	:	:	:
Luxembourg	39.7025	:	:	:	:	:	:	:	:	:	:	:
Malta	0.4505	0.4153	0.4285	:	:	:	:	:	:	:	:	:
Netherlands	2.15659	:	:	:	:	:	:	:	:	:	:	:
Austria	13.5209	:	:	:	:	:	:	:	:	:	:	:
Portugal	195.069	:	:	:	:	:	:	:	:	:	:	:
Slovenia	158.16	206.09	:	:	:	:	:	:	:	:	:	:
Slovakia	38.019	42.448	38.230	:	:	:	:	:	:	:	:	:
Finland	6.06090	:	:	:	:	:	:	:	:	:	:	:
Euro area	:	:	:	:	:	:	:	:	:	:	:	:
Bulgaria	0.4623	1.9549	1.9539	1.9558	1.9558	1.9558	1.9558	**1.9558**	**1.9558**	**1.9558**	1.9558	1.9558
Czech Republic	34.681	34.681	29.925	24.946	26.435	25.284	24.590	**25.149**	**25.780**	**25.849**	25.507	25.503
Denmark	7.4616	7.4542	7.4464	7.4560	7.4462	7.4473	7.4506	**7.4437**	**7.4565**	**7.4557**	7.4606	7.4606
Latvia	0.7012	0.5972	0.6797	0.7027	0.7057	0.7087	0.7063	**0.6973**	**0.7004**	**0.7006**	0.6996	0.6998
Lithuania	4.9332	3.8971	3.4528	3.4528	3.4528	3.4528	3.4528	**3.4528**	**3.4528**	**3.4528**	3.4528	3.4528
Hungary	160.52	250.59	253.79	251.51	280.33	275.48	279.37	**289.25**	**296.63**	**296.57**	293.08	293.01
Poland	3.0264	3.9363	4.1258	3.5121	4.3276	3.9947	4.1206	**4.1847**	**4.1259**	**4.1150**	4.1750	4.1782
Romania	0.3511	2.0705	3.6576	3.6826	4.2399	4.2122	4.2391	**4.4593**	**4.3864**	**4.3857**	4.3893	4.3897
Sweden	8.9565	8.9170	9.2071	9.6152	10.6191	9.5373	9.0298	**8.7041**	**8.4195**	**8.3959**	8.5976	8.5956
United Kingdom	0.77816	0.63907	0.68410	0.79628	0.89094	0.85784	0.86788	**0.81087**	**0.85317**	**0.85395**	0.85638	0.85857
EU	:	:	:	:	:	:	:	:	:	:	:	:
Croatia	6.4069	7.4493	7.4257	7.2239	7.3400	7.2891	7.4390	**7.5217**	**7.6050**	**7.6118**	7.5852	7.5863
USA	1.2145	0.9903	1.2490	1.4708	1.3948	1.3257	1.3920	**1.2848**	**1.3108**	**1.3082**	1.3490	1.3509
Japan	129.93	118.79	141.91	152.45	130.34	116.24	110.96	**102.49**	**127.19**	**129.04**	124.75	125.32

TABLE 31 : Nominal effective exchange rates to rest of a group [1] of industrialised countries (percentage change on preceding year, 1993-2014) 23.04.2013

		5-year averages						Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	:	-0.1	1.4	1.9	1.0	-2.4	0.3	**-2.0**	**1.6**	**0.0**	*2.1*	*0.1*
Germany	:	0.0	1.8	1.8	1.3	-3.6	0.1	**-2.3**	**2.1**	**0.0**	*2.7*	*0.1*
Estonia	:	0.1	1.1	1.4	2.4	-3.0	-0.4	**-1.5**	**0.5**	**0.0**	*0.9*	*0.0*
Ireland	:	-1.9	2.5	4.0	0.7	-3.5	0.8	**-3.6**	**2.4**	**0.0**	*3.2*	*0.1*
Greece	:	-0.1	1.3	2.0	1.9	-2.3	1.0	**-1.4**	**1.2**	**0.0**	*1.7*	*0.1*
Spain	:	0.0	1.3	2.1	1.3	-2.4	0.4	**-1.8**	**1.4**	**0.0**	*1.8*	*0.1*
France	:	-0.1	1.7	2.1	0.9	-3.1	0.2	**-2.4**	**2.1**	**0.0**	*2.6*	*0.1*
Italy	:	0.2	1.8	1.9	1.0	-3.2	0.4	**-2.1**	**1.9**	**0.0**	*2.4*	*0.1*
Cyprus	:	0.9	1.2	2.8	1.8	-2.5	0.2	**-2.0**	**1.8**	**0.0**	*2.2*	*0.1*
Luxembourg	:	-0.1	0.8	1.6	1.6	-2.0	0.0	**-1.5**	**1.1**	**0.0**	*1.4*	*0.1*
Malta	:	0.3	1.7	2.3	-0.9	-3.6	0.3	**-2.1**	**2.0**	**0.0**	*2.3*	*0.1*
Netherlands	:	-0.1	1.1	2.0	1.5	-2.4	0.2	**-1.7**	**1.4**	**0.0**	*1.8*	*0.1*
Austria	:	0.2	1.1	0.9	1.3	-2.5	-0.1	**-1.3**	**1.3**	**0.0**	*1.7*	*0.1*
Portugal	:	-0.5	1.1	1.6	0.8	-1.8	0.3	**-1.5**	**1.0**	**0.0**	*1.4*	*0.0*
Slovenia	:	-3.9	-0.5	0.5	2.0	-1.8	0.3	**-0.7**	**0.8**	**0.0**	*1.1*	*0.0*
Slovakia	:	-2.1	5.3	8.5	6.8	-2.2	0.2	**-0.4**	**0.7**	**0.0**	*0.9*	*0.0*
Finland	:	-0.3	1.7	1.9	1.6	-3.9	-0.1	**-2.7**	**1.9**	**0.0**	*2.6*	*0.1*
Euro area	:	-0.1	3.6	4.2	2.8	-6.7	0.5	**-4.4**	**4.2**	**0.1**	*5.2*	*0.2*
Bulgaria	:	3.5	1.2	1.7	2.6	-2.2	1.3	**-0.7**	**1.0**	**0.0**	*1.4*	*0.0*
Czech Republic	:	3.5	2.7	12.2	-3.6	2.6	3.1	**-3.2**	**-1.6**	**-0.3**	*-0.3*	*0.1*
Denmark	:	-0.2	1.4	2.2	2.3	-4.0	-0.4	**-2.5**	**1.4**	**0.0**	*1.9*	*0.1*
Latvia	:	2.2	-2.9	0.9	2.0	-2.9	0.4	**0.1**	**0.3**	**0.0**	*0.8*	*0.0*
Lithuania	:	6.2	1.3	0.9	2.5	-2.5	0.4	**-1.4**	**0.9**	**0.0**	*1.3*	*0.0*
Hungary	:	-2.3	0.0	0.8	-8.4	-0.3	-1.0	**-4.5**	**-1.4**	**0.0**	*0.0*	*0.1*
Poland	:	-0.6	1.0	9.1	-17.7	6.2	-2.8	**-2.7**	**2.5**	**0.3**	*1.4*	*0.0*
Romania	:	-22.3	-0.3	-8.4	-11.5	-1.3	0.4	**-5.9**	**2.7**	**0.0**	*2.9*	*0.0*
Sweden	:	-1.4	1.6	-1.7	-8.4	7.4	5.9	**1.1**	**5.3**	**0.3**	*3.5*	*0.1*
United Kingdom	:	1.7	0.3	-12.9	-11.4	0.3	-0.9	**4.4**	**-3.2**	**-0.1**	*-3.0*	*-0.2*
EU	:	0.7	5.3	1.3	-5.4	-7.5	1.1	**-5.3**	**5.4**	**0.1**	*6.8*	*0.2*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
USA	:	3.1	-4.7	-4.3	6.4	-3.1	-5.3	**4.0**	**2.3**	**0.3**	*0.4*	*0.0*
Japan	:	1.5	-2.6	11.2	16.1	6.1	5.9	**3.2**	**-18.5**	**-1.6**	*-15.4*	*-0.4*

[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, 1993-2014)

		5-year averages						Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	:	-0.4	-0.1	0.7	-0.1	0.1	1.5	**1.7**	**0.9**	**-0.8**	*0.7*	*-0.4*
Germany	:	-2.5	-2.4	-1.9	2.1	-0.7	0.3	**1.1**	**1.2**	**0.6**	*0.6*	*0.2*
Estonia	:	1.2	6.0	8.4	-2.2	-4.6	-2.5	**3.2**	**1.1**	**1.3**	*0.9*	*1.6*
Ireland	:	0.3	2.6	2.8	-6.9	-6.1	-4.7	**-1.5**	**-2.0**	**-2.3**	*-1.9*	*-2.2*
Greece	:	-2.5	-0.3	0.2	1.7	-0.1	-2.9	**-8.5**	**-7.7**	**-2.8**	*-7.6*	*-3.5*
Spain	:	-0.1	1.7	1.9	-2.4	-1.7	-2.6	**-5.1**	**-2.2**	**-1.9**	*-1.7*	*-1.9*
France	:	-1.0	0.2	-0.6	0.0	1.3	0.6	**0.0**	**0.0**	**-0.4**	*0.2*	*-0.1*
Italy	:	-1.8	0.9	0.7	0.8	0.5	0.0	**0.5**	**0.0**	**-0.6**	*-0.4*	*-0.4*
Cyprus	:	-3.3	1.3	-2.5	-0.3	1.3	2.7	**-0.5**	**-5.3**	**-6.9**	*-2.2*	*-1.0*
Luxembourg	:	0.1	0.2	5.3	3.0	2.0	2.0	**1.0**	**1.3**	**1.4**	*1.2*	*1.5*
Malta	:	-0.2	1.2	-0.4	3.2	0.4	0.4	**1.9**	**0.9**	**1.1**	*1.1*	*1.1*
Netherlands	:	1.3	-0.2	-0.7	1.2	-0.2	0.1	**-0.8**	**-0.1**	**-0.2**	*0.0*	*-0.2*
Austria	:	-2.3	-0.6	-0.4	0.8	0.4	-0.2	**1.1**	**0.5**	**-0.3**	*0.5*	*-0.3*
Portugal	:	1.3	0.3	-0.5	-0.3	-0.8	-1.3	**-4.7**	**0.3**	**-1.9**	*-0.3*	*-0.6*
Slovenia	:	3.4	1.3	2.0	4.0	0.9	-1.7	**-1.8**	**-1.3**	**-1.2**	*-1.2*	*-1.9*
Slovakia	:	2.1	1.4	0.3	1.5	-0.5	-1.4	**-2.4**	**-1.0**	**-0.7**	*-0.1*	*-1.2*
Finland	:	-1.1	-0.7	2.6	5.2	-0.9	0.6	**1.5**	**1.1**	**1.2**	*1.3*	*1.1*
Euro area	:	-2.8	-0.8	-0.6	1.6	-0.6	-0.2	**-0.4**	**0.3**	**-0.7**	*-0.1*	*-0.7*
Bulgaria	:	133.5	2.1	7.0	7.8	6.0	2.5	**-2.2**	**-0.2**	**1.8**	*2.1*	*2.7*
Czech Republic	:	2.0	0.6	-0.5	-2.1	0.6	0.0	**1.3**	**0.1**	**-0.7**	*0.1*	*0.1*
Denmark	:	0.6	1.1	2.1	1.9	-0.6	-1.2	**-0.8**	**-1.1**	**-0.7**	*-1.2*	*-1.3*
Latvia	:	-2.8	12.0	14.6	-11.1	-8.9	1.2	**-1.4**	**-0.6**	**0.4**	*-0.9*	*0.0*
Lithuania	:	-3.6	3.1	4.3	-4.5	-5.6	-1.2	**-1.7**	**0.6**	**0.1**	*1.1*	*0.2*
Hungary	:	6.9	2.9	-0.1	-1.4	-0.4	0.7	**4.1**	**-2.4**	**2.9**	*-0.7*	*2.9*
Poland	:	2.0	-2.1	3.3	-2.0	1.9	-0.5	**-1.0**	**-0.7**	**-0.5**	*-0.4*	*-0.2*
Romania	:	37.1	11.1	17.9	-1.7	-2.3	0.1	**3.8**	**2.9**	**2.5**	*3.6*	*1.4*
Sweden	:	-0.7	-1.0	-1.3	0.4	-2.0	-2.1	**0.5**	**0.2**	**0.3**	*0.4*	*0.2*
United Kingdom	:	0.4	0.7	-0.5	2.2	1.9	0.2	**1.6**	**1.3**	**1.1**	*1.0*	*0.9*
EU	:	-2.3	-0.3	0.4	2.2	-0.3	-0.4	**0.1**	**0.5**	**-0.4**	*0.2*	*-0.5*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
USA	:	-0.6	0.9	-0.5	-3.8	0.3	0.3	**-0.7**	**-0.8**	**-0.2**	*-1.0*	*-0.1*
Japan	:	-4.1	-4.6	-2.4	-2.3	-4.9	-1.2	**-3.4**	**-2.5**	**-1.9**	*-1.4*	*-1.9*

[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, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	:	-0.5	1.3	2.6	0.9	-2.4	1.8	**-0.3**	**2.5**	**-0.8**	*2.8*	*-0.4*
Germany	:	-2.5	-0.6	-0.1	3.5	-4.3	0.3	**-1.3**	**3.3**	**0.7**	*3.3*	*0.3*
Estonia	:	1.4	7.1	10.0	0.1	-7.5	-2.9	**1.6**	**1.6**	**1.3**	*1.8*	*1.6*
Ireland	:	-1.5	5.2	6.9	-6.3	-9.4	-4.0	**-5.1**	**0.3**	**-2.3**	*1.3*	*-2.1*
Greece	:	-2.6	1.0	2.3	3.6	-2.5	-1.9	**-9.8**	**-6.6**	**-2.8**	*-6.0*	*-3.5*
Spain	:	-0.1	3.0	4.0	-1.1	-4.0	-2.2	**-6.8**	**-0.8**	**-1.9**	*0.1*	*-1.8*
France	:	-1.0	1.8	1.5	0.9	-1.8	0.8	**-2.4**	**2.1**	**-0.3**	*2.8*	*-0.1*
Italy	:	-1.6	2.7	2.5	1.8	-2.7	0.3	**-1.6**	**1.9**	**-0.5**	*2.0*	*-0.3*
Cyprus	:	-2.4	2.4	0.2	1.5	-1.2	2.9	**-2.5**	**-3.6**	**-6.8**	*0.0*	*-1.0*
Luxembourg	:	0.0	1.0	7.0	4.6	0.0	2.1	**-0.4**	**2.5**	**1.4**	*2.6*	*1.5*
Malta	:	0.1	2.9	1.8	2.3	-3.3	0.7	**-0.3**	**2.9**	**1.1**	*3.5*	*1.2*
Netherlands	:	1.2	0.9	1.2	2.7	-2.6	0.3	**-2.5**	**1.3**	**-0.2**	*1.8*	*-0.1*
Austria	:	-2.1	0.4	0.5	2.1	-2.1	-0.2	**-0.2**	**1.9**	**-0.3**	*2.1*	*-0.3*
Portugal	:	0.7	1.4	1.1	0.5	-2.5	-1.0	**-6.1**	**1.3**	**-1.9**	*1.1*	*-0.6*
Slovenia	:	-0.6	0.8	2.5	6.1	-1.0	-1.3	**-2.5**	**-0.5**	**-1.2**	*-0.1*	*-1.8*
Slovakia	:	-0.1	6.8	8.8	8.3	-2.7	-1.2	**-2.8**	**-0.3**	**-0.7**	*0.8*	*-1.2*
Finland	:	-1.5	1.0	4.5	6.8	-4.8	0.6	**-1.2**	**3.0**	**1.2**	*3.9*	*1.2*
Euro area	:	-2.9	2.7	3.5	4.5	-7.3	0.3	**-4.8**	**4.4**	**-0.6**	*5.2*	*-0.5*
Bulgaria	:	141.8	3.3	8.9	10.6	3.6	3.8	**-2.9**	**0.8**	**1.8**	*3.5*	*2.7*
Czech Republic	:	5.6	3.4	11.6	-5.6	3.2	3.1	**-1.9**	**-1.5**	**-0.9**	*-0.2*	*0.1*
Denmark	:	0.4	2.5	4.3	4.3	-4.6	-1.6	**-3.4**	**0.3**	**-0.7**	*0.6*	*-1.2*
Latvia	:	-0.7	8.8	15.6	-9.4	-11.5	1.7	**-1.3**	**-0.2**	**0.3**	*-0.1*	*0.0*
Lithuania	:	2.3	4.4	5.3	-2.1	-8.0	-0.9	**-3.0**	**1.5**	**0.1**	*2.4*	*0.2*
Hungary	:	4.4	2.9	0.8	-9.6	-0.6	-0.3	**-0.6**	**-3.8**	**2.9**	*-0.6*	*3.0*
Poland	:	1.4	-1.0	12.7	-19.3	8.3	-3.4	**-3.7**	**1.7**	**-0.2**	*1.0*	*-0.3*
Romania	:	6.5	10.8	8.0	-13.0	-3.6	0.5	**-2.3**	**5.7**	**2.5**	*6.6*	*1.4*
Sweden	:	-2.1	0.6	-3.0	-8.0	5.3	3.7	**1.7**	**5.5**	**0.6**	*3.9*	*0.3*
United Kingdom	:	2.0	1.0	-13.3	-9.4	2.3	-0.7	**6.1**	**-2.0**	**1.1**	*-2.0*	*0.8*
EU	:	-1.6	5.0	1.6	-3.3	-7.7	0.7	**-5.2**	**5.9**	**-0.3**	*7.0*	*-0.3*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*
USA	:	2.5	-3.8	-4.8	2.4	-2.9	-5.1	**3.3**	**1.4**	**0.1**	*-0.6*	*-0.1*
Japan	:	-2.7	-7.1	8.6	13.4	0.9	4.6	**-0.3**	**-20.5**	**-3.4**	*-16.6*	*-2.3*

[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, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	52.6	49.6	49.7	49.7	53.6	52.4	53.2	**54.7**	**54.1**	**54.2**	*53.9*	*54.0*
Germany	49.7	47.4	46.3	44.1	48.2	47.7	45.3	**45.0**	**45.4**	**45.1**	*45.6*	*45.3*
Estonia	39.1	37.2	34.0	39.7	45.5	40.7	38.3	**40.5**	**39.6**	**37.6**	*39.9*	*38.5*
Ireland	41.0	33.4	34.4	43.1	48.6	66.1	48.2	**42.2**	**42.3**	**39.4**	*41.8*	*39.1*
Greece	45.5	45.6	45.5	50.5	54.0	51.3	51.9	**54.7**	**47.3**	**46.5**	*48.0*	*46.9*
Spain	:	39.5	38.7	41.5	46.3	46.3	45.1	**47.0**	**43.3**	**42.9**	*43.0*	*42.3*
France	54.4	52.3	53.1	53.3	56.8	56.5	55.9	**56.6**	**57.2**	**57.1**	*57.0*	*57.0*
Italy	52.7	47.4	47.9	48.6	52.0	50.5	50.0	**50.7**	**51.1**	**50.2**	*50.4*	*49.7*
Cyprus	:	37.7	42.8	42.1	46.2	46.2	46.0	**46.3**	**47.1**	**47.5**	*44.9*	*44.4*
Luxembourg	40.0	39.5	40.2	39.1	44.6	42.9	41.8	**43.0**	**43.1**	**43.4**	*44.0*	*44.7*
Malta	:	41.1	43.5	43.2	42.4	42.0	42.1	**43.9**	**44.6**	**44.7**	*43.1*	*42.8*
Netherlands	51.6	45.7	45.7	46.2	51.4	51.3	49.9	**50.4**	**50.9**	**50.8**	*51.2*	*51.1*
Austria	55.5	52.1	50.4	49.3	52.6	52.6	50.5	**51.2**	**51.3**	**50.8**	*51.0*	*50.3*
Portugal	42.5	42.1	45.2	44.7	49.7	51.5	49.4	**47.4**	**48.6**	**46.6**	*47.3*	*45.8*
Slovenia	:	46.3	44.9	44.3	49.3	50.4	50.8	**49.0**	**50.3**	**49.1**	*50.7*	*49.5*
Slovakia	57.3	47.1	37.3	34.9	41.6	40.0	38.3	**37.4**	**36.9**	**36.3**	*36.9*	*36.3*
Finland	61.3	50.0	49.4	49.2	55.9	55.5	54.7	**55.6**	**56.3**	**56.7**	*55.9*	*55.7*
Euro area	:	47.5	47.1	47.1	51.2	51.0	49.5	**49.9**	**49.7**	**49.3**	*49.5*	*49.2*
Bulgaria	:	40.0	37.7	38.4	41.4	37.4	35.6	**35.7**	**37.5**	**38.2**	*37.0*	*37.1*
Czech Republic	:	43.3	43.9	41.2	44.7	43.8	43.0	**44.5**	**43.4**	**43.3**	*43.7*	*43.6*
Denmark	59.1	54.8	52.8	51.6	58.0	57.5	57.5	**59.5**	**57.8**	**56.8**	*57.9*	*57.1*
Latvia	36.8	37.9	36.2	39.1	43.8	43.4	38.4	**36.4**	**35.5**	**34.7**	*35.6*	*34.7*
Lithuania	:	38.0	33.5	37.2	44.9	42.4	38.8	**36.1**	**35.6**	**34.8**	*35.9*	*35.2*
Hungary	:	49.6	50.3	49.3	51.5	49.7	49.5	**48.4**	**49.6**	**50.3**	*49.5*	*50.2*
Poland	:	43.2	43.4	43.2	44.6	45.4	43.4	**42.3**	**41.6**	**41.0**	*42.5*	*41.9*
Romania	:	37.0	34.9	39.3	41.1	40.1	39.4	**36.4**	**36.6**	**36.8**	*37.1*	*37.0*
Sweden	65.9	56.4	53.3	51.7	54.7	52.0	51.0	**51.8**	**52.2**	**51.5**	*52.2*	*51.4*
United Kingdom	42.8	39.3	43.3	47.7	51.4	50.5	48.6	**48.5**	**48.5**	**47.8**	*47.8*	*46.3*
EU	:	46.3	46.5	47.1	51.1	50.6	49.1	**49.4**	**49.2**	**48.8**	*49.0*	*48.5*
Croatia	:	:	:	43.2	45.6	45.3	46.1	**40.6**	**41.5**	**41.8**	*40.5*	*40.2*
USA	36.9	34.7	36.3	39.1	42.8	42.7	41.7	**40.3**	**39.6**	**39.1**	*40.0*	*39.7*
Japan	35.1	38.9	36.5	36.9	41.9	40.7	42.0	**42.5**	**42.8**	**42.3**	*44.1*	*44.5*

TABLE 35 : Total revenue, general government (as a percentage of GDP, 1993-2014)

23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	47.9	49.4	49.2	48.7	48.1	48.7	49.5	**50.8**	**51.1**	**51.0**	*50.9*	*50.8*
Germany	45.5	45.4	43.7	44.0	45.1	43.6	44.5	**45.2**	**45.2**	**45.1**	*45.3*	*45.3*
Estonia	42.8	36.4	36.0	36.7	43.5	40.9	39.5	**40.2**	**39.3**	**37.8**	*39.6*	*38.7*
Ireland	39.8	35.4	35.7	35.7	34.7	35.2	34.9	**34.6**	**34.8**	**35.0**	*34.5*	*34.9*
Greece	37.1	41.6	39.4	40.7	38.3	40.6	42.4	**44.7**	**43.5**	**43.9**	*43.3*	*43.5*
Spain	:	38.4	39.7	37.0	35.1	36.6	35.7	**36.4**	**36.8**	**35.9**	*36.2*	*35.1*
France	49.5	50.1	50.0	49.9	49.2	49.5	50.6	**51.7**	**53.3**	**52.9**	*53.3*	*53.1*
Italy	45.5	45.1	44.6	45.9	46.5	46.1	46.2	**47.7**	**48.2**	**47.7**	*48.2*	*47.6*
Cyprus	:	34.2	40.6	43.1	40.1	40.9	39.7	**40.0**	**40.6**	**39.1**	*40.4*	*40.5*
Luxembourg	42.3	43.7	41.0	42.3	43.8	42.0	41.5	**42.1**	**42.9**	**42.9**	*43.2*	*43.4*
Malta	:	34.3	39.3	38.6	38.7	38.4	39.3	**40.5**	**40.9**	**41.1**	*40.1*	*40.3*
Netherlands	48.8	45.5	44.9	46.7	45.8	46.1	45.4	**46.4**	**47.3**	**47.2**	*47.6*	*47.5*
Austria	51.3	50.6	48.4	48.3	48.5	48.1	48.0	**48.7**	**49.0**	**49.0**	*48.4*	*48.5*
Portugal	36.8	38.4	40.8	41.1	39.6	41.6	45.0	**41.0**	**43.1**	**42.6**	*42.4*	*42.9*
Slovenia	:	43.2	43.3	42.4	43.1	44.5	44.4	**45.0**	**45.0**	**44.2**	*45.6*	*44.8*
Slovakia	46.0	39.2	34.7	32.8	33.5	32.3	33.3	**33.1**	**33.9**	**33.2**	*33.6*	*32.9*
Finland	56.2	53.9	52.9	53.6	53.4	53.0	53.9	**53.7**	**54.5**	**55.2**	*54.4*	*54.4*
Euro area	:	45.8	45.0	45.0	44.9	44.8	45.3	**46.2**	**46.8**	**46.5**	*46.8*	*46.5*
Bulgaria	:	40.1	38.8	40.1	37.1	34.3	33.6	**34.9**	**36.2**	**36.9**	*35.7*	*36.0*
Czech Republic	:	38.4	40.7	38.9	38.9	39.0	39.8	**40.1**	**40.5**	**40.3**	*40.7*	*40.6*
Denmark	56.5	55.8	56.3	54.8	55.3	55.0	55.7	**55.5**	**56.1**	**54.1**	*55.2*	*54.2*
Latvia	36.9	35.7	35.4	34.9	34.0	35.3	34.9	**35.2**	**34.3**	**33.8**	*34.6*	*33.8*
Lithuania	:	35.1	32.6	34.0	35.5	35.2	33.3	**32.9**	**32.6**	**32.4**	*33.0*	*32.8*
Hungary	:	43.7	43.1	45.5	46.9	45.4	53.8	**46.5**	**46.6**	**47.0**	*46.1*	*46.8*
Poland	:	39.3	39.1	39.5	37.2	37.6	38.4	**38.4**	**37.6**	**36.9**	*39.1*	*38.5*
Romania	:	33.4	33.1	33.6	32.1	33.3	33.8	**33.5**	**34.1**	**34.4**	*34.7*	*34.9*
Sweden	59.5	57.5	54.9	53.9	54.0	52.3	51.2	**51.3**	**51.2**	**51.2**	*51.4*	*51.2*
United Kingdom	37.4	39.9	40.2	42.6	39.9	40.3	40.8	**42.2**	**41.7**	**41.5**	*40.4*	*40.2*
EU	:	45.0	44.3	44.7	44.2	44.1	44.7	**45.4**	**45.8**	**45.5**	*45.7*	*45.4*
Croatia	:	:	:	41.2	40.9	40.1	40.4	**36.8**	**36.7**	**36.2**	*35.6*	*35.7*
USA	33.9	34.4	32.8	32.7	31.0	31.4	31.6	**31.4**	**32.7**	**33.1**	*33.4*	*33.8*
Japan	31.1	30.9	32.1	35.1	33.1	32.4	33.0	**32.6**	**33.3**	**34.7**	*35.1*	*36.4*

TABLE 36 : Net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-4.7	-0.3	-0.5	-1.0	-5.6	-3.8	-3.7	**-3.9**	**-2.9**	**-3.1**	*-3.0*	*-3.2*
Germany	-4.2	-1.9	-2.5	-0.1	-3.1	-4.1	-0.8	**0.2**	**-0.2**	**0.0**	*-0.2*	*0.0*
Estonia	3.4	-0.8	2.0	-2.9	-2.0	0.2	1.2	**-0.3**	**-0.3**	**0.2**	*-0.4*	*0.2*
Ireland	-1.2	2.0	1.3	-7.4	-13.9	-30.8	-13.4	**-7.6**	**-7.5**	**-4.3**	*-7.3*	*-4.2*
Greece	-8.4	-4.0	-6.2	-9.8	-15.6	-10.7	-9.5	**-10.0**	**-3.8**	**-2.6**	*-4.6*	*-3.5*
Spain	:	-1.2	1.0	-4.5	-11.2	-9.7	-9.4	**-10.6**	**-6.5**	**-7.0**	*-6.7*	*-7.2*
France	-4.9	-2.2	-3.1	-3.3	-7.5	-7.1	-5.3	**-4.8**	**-3.9**	**-4.2**	*-3.7*	*-3.9*
Italy	-7.2	-2.3	-3.3	-2.7	-5.5	-4.5	-3.8	**-3.0**	**-2.9**	**-2.5**	*-2.1*	*-2.1*
Cyprus	:	-3.5	-2.2	0.9	-6.1	-5.3	-6.3	**-6.3**	**-6.5**	**-8.4**	*-4.5*	*-3.8*
Luxembourg	2.2	4.2	0.9	3.2	-0.8	-0.9	-0.2	**-0.8**	**-0.2**	**-0.4**	*-0.9*	*-1.3*
Malta	:	-6.9	-4.3	-4.6	-3.7	-3.6	-2.8	**-3.3**	**-3.7**	**-3.6**	*-2.9*	*-2.5*
Netherlands	-2.8	-0.2	-0.9	0.5	-5.6	-5.1	-4.5	**-4.1**	**-3.6**	**-3.6**	*-3.6*	*-3.6*
Austria	-4.2	-1.4	-2.0	-0.9	-4.1	-4.5	-2.5	**-2.5**	**-2.2**	**-1.8**	*-2.5*	*-1.8*
Portugal	-5.7	-3.7	-4.4	-3.6	-10.2	-9.8	-4.4	**-6.4**	**-5.5**	**-4.0**	*-4.9*	*-2.9*
Slovenia	:	-3.1	-1.6	-1.9	-6.2	-5.9	-6.4	**-4.0**	**-5.3**	**-4.9**	*-5.1*	*-4.7*
Slovakia	-11.3	-8.0	-2.6	-2.1	-8.0	-7.7	-5.1	**-4.3**	**-3.0**	**-3.1**	*-3.3*	*-3.4*
Finland	-5.1	3.9	3.5	4.4	-2.5	-2.5	-0.8	**-1.9**	**-1.8**	**-1.5**	*-1.5*	*-1.3*
Euro area	:	-1.7	-2.1	-2.1	-6.4	-6.2	-4.2	**-3.7**	**-2.9**	**-2.8**	*-2.8*	*-2.7*
Bulgaria	-6.8	0.1	1.1	1.7	-4.3	-3.1	-2.0	**-0.8**	**-1.3**	**-1.3**	*-1.3*	*-1.0*
Czech Republic	:	-4.8	-3.2	-2.2	-5.8	-4.8	-3.3	**-4.4**	**-2.9**	**-3.0**	*-3.1*	*-3.0*
Denmark	-2.5	1.1	3.5	3.2	-2.7	-2.5	-1.8	**-4.0**	**-1.7**	**-2.7**	*-2.7*	*-2.8*
Latvia	0.1	-2.2	-0.8	-4.2	-9.8	-8.1	-3.6	**-1.2**	**-1.2**	**-0.9**	*-1.1*	*-0.9*
Lithuania	-3.6	-2.9	-1.0	-3.3	-9.4	-7.2	-5.5	**-3.2**	**-2.9**	**-2.4**	*-2.9*	*-2.4*
Hungary	:	-5.9	-7.2	-3.7	-4.6	-4.3	4.3	**-1.9**	**-3.0**	**-3.3**	*-3.4*	*-3.4*
Poland	-2.5	-4.0	-4.2	-3.7	-7.4	-7.9	-5.0	**-3.9**	**-3.9**	**-4.1**	*-3.4*	*-3.3*
Romania	:	-3.6	-1.8	-5.7	-9.0	-6.8	-5.6	**-2.9**	**-2.6**	**-2.4**	*-2.4*	*-2.2*
Sweden	-6.5	1.1	1.5	2.2	-0.7	0.3	0.2	**-0.5**	**-1.1**	**-0.4**	*-0.9*	*-0.2*
United Kingdom	-5.4	0.6	-3.2	-5.1	-11.5	-10.2	-7.8	**-6.3**	**-6.8**	**-6.3**	*-7.4*	*-6.0*
EU	:	-1.3	-2.2	-2.4	-6.9	-6.5	-4.4	**-4.0**	**-3.4**	**-3.2**	*-3.4*	*-3.1*
Croatia	:	:	:	-2.0	-4.7	-5.2	-5.7	**-3.8**	**-4.7**	**-5.6**	*-5.0*	*-4.5*
USA	-3.0	-0.3	-3.5	-6.4	-11.9	-11.3	-10.1	**-8.9**	**-6.9**	**-5.9**	*-6.6*	*-5.9*
Japan	-4.0	-8.0	-4.4	-1.9	-8.8	-8.3	-8.9	**-9.9**	**-9.5**	**-7.6**	*-9.1*	*-8.0*

TABLE 37 : Interest expenditure, general government (as a percentage of GDP, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	9.0	6.6	4.4	3.8	3.6	3.4	3.3	**3.4**	**3.2**	**3.2**	*3.2*	*3.3*
Germany	3.4	3.2	2.9	2.8	2.7	2.5	2.6	**2.5**	**2.4**	**2.3**	*2.4*	*2.3*
Estonia	0.3	0.3	0.2	0.2	0.2	0.1	0.1	**0.2**	**0.2**	**0.2**	*0.2*	*0.2*
Ireland	5.3	2.1	1.1	1.3	2.0	3.2	3.3	**3.7**	**5.0**	**5.0**	*4.8*	*4.9*
Greece	11.0	7.0	4.7	5.0	5.2	5.8	7.1	**5.0**	**3.8**	**4.4**	*4.7*	*5.0*
Spain	:	3.3	1.9	1.6	1.8	1.9	2.5	**3.0**	**3.3**	**3.5**	*3.5*	*3.6*
France	3.4	3.0	2.7	2.9	2.4	2.4	2.6	**2.5**	**2.5**	**2.5**	*2.5*	*2.5*
Italy	11.2	6.5	4.8	5.2	4.7	4.6	5.0	**5.5**	**5.3**	**5.5**	*5.3*	*5.4*
Cyprus	:	3.2	3.3	2.8	2.6	2.2	2.4	**3.2**	**4.1**	**4.1**	*4.6*	*5.0*
Luxembourg	0.4	0.3	0.2	0.3	0.4	0.4	0.5	**0.4**	**0.5**	**0.5**	*0.6*	*0.7*
Malta	:	3.4	3.4	3.1	3.1	2.9	3.1	**3.2**	**3.2**	**3.2**	*3.2*	*3.2*
Netherlands	5.5	3.7	2.3	2.2	2.2	2.0	2.0	**1.9**	**1.9**	**1.9**	*2.0*	*2.0*
Austria	3.8	3.4	2.8	2.6	2.8	2.7	2.6	**2.6**	**2.6**	**2.6**	*2.7*	*2.7*
Portugal	5.5	2.9	2.7	3.0	2.8	2.8	4.1	**4.4**	**4.4**	**4.3**	*4.4*	*4.7*
Slovenia	:	2.3	1.6	1.1	1.3	1.6	1.9	**2.1**	**2.3**	**2.8**	*2.8*	*3.0*
Slovakia	2.7	3.5	1.9	1.2	1.4	1.3	1.6	**1.9**	**1.9**	**1.9**	*1.8*	*1.8*
Finland	4.2	2.8	1.5	1.4	1.1	1.1	1.1	**1.0**	**1.0**	**1.0**	*1.1*	*1.2*
Euro area	:	3.9	3.0	3.0	2.9	2.8	3.0	**3.1**	**3.1**	**3.1**	*3.1*	*3.1*
Bulgaria	13.4	3.7	1.7	0.9	0.8	0.7	0.7	**0.9**	**0.9**	**0.9**	*0.8*	*0.8*
Czech Republic	:	1.0	1.1	1.1	1.3	1.4	1.4	**1.5**	**1.6**	**1.6**	*1.5*	*1.7*
Denmark	5.9	3.7	2.0	1.4	1.8	1.7	1.8	**1.6**	**1.6**	**1.6**	*1.7*	*1.6*
Latvia	0.8	0.8	0.6	0.6	1.5	1.4	1.5	**1.3**	**1.5**	**1.6**	*1.5*	*1.6*
Lithuania	:	1.4	0.9	0.7	1.3	1.8	1.8	**1.8**	**1.8**	**1.8**	*2.1*	*2.0*
Hungary	:	5.7	4.2	4.2	4.7	4.1	4.1	**4.2**	**4.2**	**4.0**	*4.2*	*4.3*
Poland	5.8	3.2	2.7	2.2	2.6	2.7	2.7	**2.8**	**2.7**	**2.5**	*2.7*	*2.8*
Romania	:	3.8	1.2	0.7	1.5	1.5	1.6	**1.8**	**1.8**	**1.8**	*1.8*	*1.8*
Sweden	5.5	3.5	1.7	1.7	1.0	0.8	1.0	**0.7**	**0.7**	**0.7**	*1.0*	*1.0*
United Kingdom	3.4	2.7	2.0	2.3	2.0	3.0	3.3	**3.0**	**2.9**	**2.9**	*3.1*	*3.1*
EU	:	3.7	2.8	2.8	2.6	2.7	2.9	**2.9**	**2.9**	**2.9**	*3.0*	*3.0*
Croatia	:	:	:	1.5	1.7	2.0	2.2	**2.7**	**3.2**	**3.5**	*3.0*	*3.3*
USA	4.5	3.5	2.7	2.7	2.5	2.6	2.8	**2.8**	**2.8**	**2.9**	*2.8*	*2.9*
Japan	3.4	3.3	2.1	2.0	2.0	2.0	2.1	**2.1**	**2.1**	**2.1**	*2.2*	*2.2*

TABLE 38 : Primary balance, general government (as a percentage of GDP, 1993-2014) [1]

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	4.3	6.3	3.9	2.8	-1.9	-0.4	-0.4	**-0.5**	**0.3**	**0.1**	*0.3*	*0.0*
Germany	-0.8	1.2	0.3	2.7	-0.4	-1.6	1.8	**2.6**	**2.3**	**2.3**	*2.2*	*2.2*
Estonia	3.7	-0.6	2.2	-2.7	-1.8	0.3	1.3	**-0.1**	**-0.1**	**0.4**	*-0.2*	*0.4*
Ireland	4.1	4.1	2.4	-6.0	-11.8	-27.7	-10.0	**-3.9**	**-2.4**	**0.6**	*-2.4*	*0.7*
Greece	2.6	3.0	-1.5	-4.8	-10.5	-4.9	-2.4	**-5.0**	**0.0**	**1.8**	*0.0*	*1.5*
Spain	:	2.1	2.9	-2.9	-9.4	-7.7	-7.0	**-7.7**	**-3.2**	**-3.6**	*-3.2*	*-3.6*
France	-1.5	0.8	-0.4	-0.4	-5.1	-4.7	-2.7	**-2.3**	**-1.4**	**-1.8**	*-1.2*	*-1.4*
Italy	4.0	4.2	1.5	2.5	-0.8	0.1	1.2	**2.5**	**2.4**	**3.1**	*3.2*	*3.3*
Cyprus	:	-0.3	1.2	3.8	-3.6	-3.0	-3.9	**-3.1**	**-2.4**	**-4.3**	*0.2*	*1.2*
Luxembourg	2.7	4.5	1.1	3.5	-0.5	-0.5	0.2	**-0.4**	**0.2**	**0.1**	*-0.3*	*-0.6*
Malta	:	-3.5	-0.9	-1.5	-0.6	-0.6	0.3	**-0.2**	**-0.5**	**-0.4**	*0.3*	*0.7*
Netherlands	2.7	3.5	1.5	2.7	-3.4	-3.1	-2.4	**-2.2**	**-1.7**	**-1.7**	*-1.6*	*-1.6*
Austria	-0.4	2.0	0.8	1.7	-1.3	-1.8	0.2	**0.1**	**0.4**	**0.8**	*0.1*	*0.9*
Portugal	-0.2	-0.8	-1.7	-0.6	-7.3	-7.0	-0.4	**-2.0**	**-1.1**	**0.3**	*-0.5*	*1.8*
Slovenia	:	-0.8	0.0	-0.8	-4.9	-4.3	-4.4	**-1.9**	**-2.9**	**-2.1**	*-2.4*	*-1.7*
Slovakia	-8.6	-4.4	-0.7	-0.8	-6.6	-6.3	-3.5	**-2.5**	**-1.1**	**-1.2**	*-1.5*	*-1.6*
Finland	-1.0	6.8	5.0	5.8	-1.3	-1.4	0.3	**-0.8**	**-0.8**	**-0.5**	*-0.4*	*-0.1*
Euro area	:	2.2	0.9	0.9	-3.5	-3.4	-1.1	**-0.6**	**0.2**	**0.3**	*0.4*	*0.5*
Bulgaria	6.6	3.8	2.8	2.6	-3.6	-2.4	-1.2	**0.1**	**-0.4**	**-0.4**	*-0.5*	*-0.2*
Czech Republic	:	-3.8	-2.1	-1.2	-4.5	-3.4	-1.9	**-2.9**	**-1.3**	**-1.4**	*-1.5*	*-1.3*
Denmark	3.4	4.8	5.5	4.7	-0.9	-0.8	-0.1	**-2.4**	**-0.1**	**-1.2**	*-1.0*	*-1.2*
Latvia	0.9	-1.4	-0.2	-3.6	-8.3	-6.7	-2.1	**0.1**	**0.3**	**0.6**	*0.5*	*0.7*
Lithuania	:	-1.5	-0.1	-2.6	-8.2	-5.4	-3.7	**-1.4**	**-1.1**	**-0.7**	*-0.8*	*-0.4*
Hungary	:	-0.2	-3.1	0.5	0.1	-0.2	8.4	**2.3**	**1.2**	**0.7**	*0.8*	*0.9*
Poland	3.3	-0.8	-1.5	-1.5	-4.8	-5.2	-2.3	**-1.1**	**-1.3**	**-1.5**	*-0.6*	*-0.6*
Romania	:	0.2	-0.6	-5.0	-7.5	-5.3	-3.9	**-1.1**	**-0.8**	**-0.6**	*-0.6*	*-0.4*
Sweden	-1.0	4.6	3.3	3.8	0.2	1.1	1.2	**0.2**	**-0.3**	**0.4**	*0.2*	*0.8*
United Kingdom	-2.0	3.2	-1.1	-2.8	-9.5	-7.2	-4.5	**-3.4**	**-3.9**	**-3.4**	*-4.3*	*-2.9*
EU	:	2.4	0.6	0.4	-4.2	-3.8	-1.5	**-1.0**	**-0.5**	**-0.3**	*-0.4*	*-0.1*
Croatia	:	:	:	-0.5	-3.0	-3.1	-3.5	**-1.1**	**-1.5**	**-2.1**	*-1.9*	*-1.2*
USA	1.6	3.1	-0.8	-3.7	-9.4	-8.7	-7.3	**-6.2**	**-4.2**	**-3.0**	*-3.9*	*-3.0*
Japan	-0.6	-4.7	-2.3	0.1	-6.8	-6.3	-6.8	**-7.8**	**-7.4**	**-5.5**	*-6.9*	*-5.8*

[1] Net lending/borrowing excluding interest expenditure.

TABLE 39 : Cyclically-adjusted net lending (+) or net borrowing (-), general government (as a percentage of GDP, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-4.2	-0.6	-0.9	-2.1	-4.5	-3.3	-3.7	**-3.4**	**-1.9**	**-2.3**	*-2.0*	*-2.5*
Germany	-4.1	-2.3	-2.2	-1.2	-0.8	-3.6	-1.2	**0.2**	**0.4**	**0.3**	*0.4*	*0.3*
Estonia	:	-0.9	-0.1	-4.3	0.8	2.0	1.0	**-0.7**	**-0.6**	**-0.2**	*-0.7*	*-0.2*
Ireland	-0.9	0.9	0.8	-7.6	-11.8	-28.6	-11.9	**-7.0**	**-7.3**	**-4.8**	*-7.0*	*-4.6*
Greece	-8.6	-4.3	-6.5	-10.5	-15.0	-8.4	-5.1	**-4.2**	**2.4**	**2.2**	*1.8*	*1.5*
Spain	:	-1.8	0.4	-4.7	-9.2	-7.4	-7.5	**-8.4**	**-4.3**	**-5.9**	*-4.6*	*-6.1*
France	-4.2	-3.1	-4.2	-4.1	-6.1	-6.0	-4.5	**-3.5**	**-2.1**	**-2.5**	*-1.9*	*-2.2*
Italy	-7.1	-3.0	-4.2	-3.6	-3.5	-3.5	-2.9	**-1.3**	**-0.7**	**-0.7**	*-0.1*	*-0.6*
Cyprus	:	-3.9	-2.2	-0.8	-6.5	-5.7	-6.8	**-6.3**	**-3.8**	**-5.1**	*-2.9*	*-2.5*
Luxembourg	2.9	3.1	0.5	2.7	1.0	-0.1	0.3	**0.1**	**0.7**	**0.3**	*0.1*	*-0.7*
Malta	:	-6.9	-4.3	-5.9	-3.3	-3.5	-2.9	**-3.2**	**-3.5**	**-3.6**	*-2.6*	*-2.3*
Netherlands	-2.4	-0.6	-0.4	-0.7	-4.1	-4.2	-3.7	**-2.6**	**-1.8**	**-2.0**	*-1.5*	*-1.9*
Austria	-3.8	-1.7	-2.0	-1.9	-2.7	-3.7	-2.5	**-2.3**	**-1.8**	**-1.6**	*-2.1*	*-1.6*
Portugal	-5.3	-4.6	-4.1	-3.7	-8.9	-9.5	-3.6	**-4.8**	**-3.4**	**-2.3**	*-3.0*	*-1.5*
Slovenia	:	-3.3	-2.6	-4.4	-4.4	-4.7	-5.7	**-2.7**	**-3.6**	**-3.3**	*-3.2*	*-3.1*
Slovakia	:	-7.9	-3.1	-3.9	-7.0	-7.3	-4.8	**-4.0**	**-2.1**	**-2.0**	*-2.8*	*-2.8*
Finland	-3.5	3.2	2.8	2.5	0.5	-0.8	-0.2	**-0.8**	**-0.6**	**-0.5**	*-0.3*	*-0.4*
Euro area	:	-2.3	-2.5	-3.0	-4.5	-5.1	-3.5	**-2.6**	**-1.4**	**-1.6**	*-1.3*	*-1.6*
Bulgaria	:	:	0.0	-0.2	-3.5	-2.2	-1.6	**-0.4**	**-0.8**	**-0.9**	*-0.5*	*-0.3*
Czech Republic	:	-4.5	-4.3	-4.3	-5.0	-4.3	-3.0	**-3.5**	**-1.6**	**-2.1**	*-1.9*	*-2.1*
Denmark	-2.1	0.3	2.3	2.3	0.2	-0.2	0.3	**-1.2**	**1.1**	**-0.3**	*0.0*	*-0.5*
Latvia	:	-2.2	-2.6	-5.6	-5.9	-4.6	-1.8	**-0.8**	**-1.4**	**-1.5**	*-1.0*	*-1.1*
Lithuania	:	-1.9	-2.7	-5.4	-6.2	-4.7	-4.9	**-3.1**	**-3.0**	**-2.8**	*-2.4*	*-2.2*
Hungary	:	-6.0	-8.9	-5.0	-2.4	-2.6	5.3	**0.0**	**-1.1**	**-1.8**	*-2.0*	*-2.6*
Poland	:	-4.1	-4.0	-5.0	-7.9	-8.3	-5.4	**-3.7**	**-3.0**	**-2.9**	*-2.1*	*-1.7*
Romania	:	-2.5	-3.1	-8.4	-9.0	-6.2	-5.2	**-2.2**	**-1.7**	**-1.4**	*-0.9*	*-0.6*
Sweden	-4.3	1.0	0.6	1.8	2.7	1.3	0.2	**0.2**	**-0.1**	**0.3**	*0.1*	*0.4*
United Kingdom	-5.1	0.3	-4.1	-5.5	-9.7	-8.9	-6.8	**-5.2**	**-5.6**	**-5.4**	*-5.8*	*-4.9*
EU	:	:	-2.7	-3.3	-5.1	-5.5	-3.8	**-2.9**	**-1.9**	**-2.1**	*-1.9*	*-2.0*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*

TABLE 40 : Cyclically-adjusted primary balance, general government (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	4.7	6.0	3.5	1.8	-0.8	0.0	-0.4	**0.1**	**1.3**	**0.9**	*1.3*	*0.7*
Germany	-0.7	0.8	0.7	1.6	1.8	-1.0	1.4	**2.6**	**2.8**	**2.6**	*2.8*	*2.5*
Estonia	:	-0.7	0.1	-4.1	1.0	2.1	1.2	**-0.5**	**-0.5**	**0.0**	*-0.5*	*0.1*
Ireland	4.4	3.0	1.9	-6.2	-9.8	-25.4	-8.5	**-3.2**	**-2.3**	**0.2**	*-2.2*	*0.4*
Greece	2.5	2.8	-1.9	-5.5	-9.8	-2.6	2.1	**0.8**	**6.3**	**6.6**	*6.5*	*6.5*
Spain	:	1.5	2.3	-3.1	-7.4	-5.5	-5.0	**-5.5**	**-1.0**	**-2.5**	*-1.1*	*-2.5*
France	-0.8	-0.1	-1.5	-1.2	-3.7	-3.6	-1.9	**-1.0**	**0.4**	**0.0**	*0.6*	*0.3*
Italy	4.1	3.5	0.7	1.5	1.1	1.1	2.0	**4.2**	**4.7**	**4.8**	*5.2*	*4.8*
Cyprus	:	-0.7	1.1	2.0	-3.9	-3.5	-4.4	**-3.2**	**0.3**	**-1.0**	*1.7*	*2.5*
Luxembourg	3.3	3.5	0.7	3.0	1.4	0.3	0.8	**0.5**	**1.2**	**0.8**	*0.7*	*0.1*
Malta	:	-3.6	-0.8	-2.8	-0.2	-0.6	0.2	**-0.1**	**-0.3**	**-0.4**	*0.7*	*0.9*
Netherlands	3.1	3.1	1.9	1.5	-1.9	-2.1	-1.7	**-0.7**	**0.1**	**-0.1**	*0.5*	*0.1*
Austria	0.0	1.6	0.8	0.7	0.1	-1.0	0.2	**0.3**	**0.8**	**1.0**	*0.5*	*1.0*
Portugal	0.1	-1.6	-1.4	-0.7	-6.1	-6.7	0.5	**-0.4**	**1.0**	**1.9**	*1.5*	*3.2*
Slovenia	:	-1.1	-1.1	-3.3	-3.1	-3.0	-3.8	**-0.6**	**-1.2**	**-0.5**	*-0.5*	*-0.1*
Slovakia	:	-4.3	-1.3	-2.6	-5.6	-6.0	-3.3	**-2.1**	**-0.2**	**-0.1**	*-1.0*	*-1.0*
Finland	0.7	6.0	4.4	3.9	1.7	0.2	0.9	**0.2**	**0.4**	**0.5**	*0.8*	*0.8*
Euro area	:	1.6	0.5	0.0	-1.7	-2.3	-0.5	**0.5**	**1.7**	**1.5**	*1.9*	*1.5*
Bulgaria	:	:	1.7	0.7	-2.7	-1.5	-0.8	**0.5**	**0.1**	**0.1**	*0.3*	*0.5*
Czech Republic	:	-3.5	-3.2	-3.2	-3.8	-2.9	-1.6	**-2.0**	**0.0**	**-0.4**	*-0.4*	*-0.5*
Denmark	3.8	4.0	4.3	3.7	2.0	1.5	2.0	**0.4**	**2.7**	**1.3**	*1.7*	*1.2*
Latvia	:	-1.4	-2.1	-5.0	-4.3	-3.2	-0.3	**0.5**	**0.1**	**0.1**	*0.6*	*0.6*
Lithuania	:	-0.5	-1.8	-4.7	-4.9	-2.9	-3.1	**-1.3**	**-1.2**	**-1.0**	*-0.3*	*-0.2*
Hungary	:	-0.2	-4.7	-0.8	2.3	1.5	9.4	**4.1**	**3.1**	**2.1**	*2.2*	*1.7*
Poland	:	-0.9	-1.3	-2.8	-5.2	-5.6	-2.7	**-0.8**	**-0.3**	**-0.4**	*0.7*	*1.0*
Romania	:	1.2	-1.9	-7.6	-7.5	-4.7	-3.6	**-0.4**	**0.1**	**0.4**	*0.9*	*1.2*
Sweden	1.2	4.6	2.3	3.5	3.7	2.1	1.3	**1.0**	**0.6**	**1.0**	*1.1*	*1.4*
United Kingdom	-1.7	3.0	-2.0	-3.2	-7.7	-5.9	-3.5	**-2.2**	**-2.7**	**-2.5**	*-2.7*	*-1.8*
EU	:	:	0.1	-0.5	-2.4	-2.7	-0.8	**0.1**	**1.0**	**0.8**	*1.1*	*1.0*
Croatia	:	:	:	:	:	:	:	**:**	**:**	**:**	*:*	*:*

TABLE 41 : Structural budget balance, general government (as a percentage of GDP, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	:	:	-1.2	-2.1	-3.9	-3.4	-3.5	-3.0	-2.3	-2.3	-2.2	-2.5
Germany	:	:	-2.3	-0.9	-0.8	-2.3	-0.9	0.3	0.4	0.3	0.4	0.3
Estonia	:	:	-0.2	-4.5	-1.1	-1.1	-0.6	0.2	-0.2	0.2	-0.3	0.2
Ireland	:	:	0.8	-7.6	-9.8	-9.1	-7.7	-7.4	-6.9	-4.8	-6.6	-4.6
Greece	:	:	-6.6	-9.6	-14.8	-8.8	-5.4	-1.0	2.0	2.0	1.8	1.5
Spain	:	:	0.6	-4.5	-8.5	-7.4	-7.2	-5.5	-4.4	-5.5	-4.7	-5.5
France	:	:	-4.4	-4.2	-6.1	-5.8	-4.7	-3.6	-2.2	-2.3	-2.0	-2.2
Italy	:	:	-4.8	-3.8	-4.2	-3.7	-3.6	-1.4	-0.5	-0.7	-0.1	-0.5
Cyprus	:	:	-3.0	-0.8	-6.5	-5.7	-6.6	-6.7	-5.4	-5.1	-3.9	-2.5
Luxembourg	:	:	0.5	2.7	1.0	-0.1	0.3	0.1	0.7	0.3	0.1	-0.7
Malta	:	:	-4.7	-6.2	-3.9	-4.6	-3.6	-4.1	-3.8	-3.7	-2.9	-2.5
Netherlands	:	:	-0.5	-0.7	-4.1	-4.0	-3.7	-2.6	-2.0	-2.3	-1.6	-2.1
Austria	:	:	-1.3	-1.9	-2.7	-3.3	-2.2	-1.5	-1.6	-1.7	-1.9	-1.6
Portugal	:	:	-5.0	-4.5	-8.7	-8.8	-6.6	-4.2	-3.6	-2.0	-3.1	-1.5
Slovenia	:	:	-2.6	-4.4	-4.4	-4.7	-4.7	-2.7	-2.4	-3.3	-2.3	-3.1
Slovakia	:	:	-2.9	-4.1	-7.2	-7.1	-5.2	-4.1	-3.0	-2.4	-3.3	-2.8
Finland	:	:	2.8	2.5	0.6	-0.7	-0.1	-0.7	-0.6	-0.5	-0.3	-0.4
Euro area	:	:	-2.7	-3.0	-4.5	-4.5	-3.6	-2.1	-1.4	-1.5	-1.3	-1.5
Bulgaria	:	:	0.1	-0.2	-3.5	-2.1	-1.6	-0.4	-0.8	-0.9	-0.5	-0.3
Czech Republic	:	:	-3.9	-4.3	-5.4	-4.5	-3.0	-1.7	-1.6	-2.1	-2.2	-2.1
Denmark	:	:	2.3	2.3	0.2	-0.2	0.3	0.3	0.0	-0.3	-0.3	-0.5
Latvia	:	:	-2.6	-5.6	-5.5	-2.9	-1.6	-0.3	-1.4	-1.5	-1.0	-1.1
Lithuania	:	:	-2.5	-5.3	-6.6	-4.7	-4.9	-3.2	-2.8	-2.8	-2.2	-2.2
Hungary	:	:	-8.7	-4.6	-2.3	-3.3	-4.1	-0.7	-1.1	-1.8	-2.0	-2.6
Poland	:	:	-4.1	-5.0	-8.2	-8.3	-5.4	-3.8	-3.3	-2.9	-2.2	-1.7
Romania	:	:	-3.0	-7.9	-9.5	-6.2	-4.0	-2.7	-1.7	-1.4	-0.9	-0.6
Sweden	:	:	0.5	1.5	2.7	1.3	0.2	0.2	-0.1	0.3	0.1	0.3
United Kingdom	:	:	-4.1	-5.0	-9.4	-8.9	-6.8	-7.0	-5.7	-5.4	-6.0	-4.9
EU	:	:	-2.8	-3.2	-5.0	-4.9	-3.9	-2.8	-2.0	-2.1	-1.9	-1.9
Croatia	:	:	:	:	:	:	:	:	:	:	:	:

TABLE 42 : Gross debt, general government (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	129.2	109.7	91.3	89.2	95.7	95.5	97.8	99.6	101.4	102.1	100.8	101.1
Germany	53.5	60.4	66.5	66.8	74.5	82.4	80.4	81.9	81.1	78.6	80.7	78.3
Estonia	:	5.6	4.7	4.5	7.2	6.7	6.2	10.1	10.2	9.6	11.8	11.3
Ireland	79.3	40.5	27.4	44.5	64.8	92.1	106.4	117.6	123.3	119.5	122.2	120.1
Greece	98.4	100.4	102.8	112.9	129.7	148.3	170.3	156.9	175.2	175.0	175.6	175.2
Spain	62.8	58.8	42.8	40.2	53.9	61.5	69.3	84.2	91.3	96.8	95.8	101.0
France	53.6	58.4	64.6	68.2	79.2	82.4	85.8	90.2	94.0	96.2	93.4	95.0
Italy	119.0	109.8	104.5	106.1	116.4	119.3	120.8	127.0	131.4	132.2	128.1	127.1
Cyprus	:	60.9	66.7	48.9	58.5	61.3	71.1	85.8	109.5	124.0	93.1	97.0
Luxembourg	6.7	6.5	6.4	14.4	15.3	19.2	18.3	20.8	23.4	25.2	22.2	24.1
Malta	:	55.5	65.4	60.9	66.4	67.4	70.3	72.1	73.9	74.9	73.8	73.6
Netherlands	74.5	56.4	49.8	58.5	60.8	63.1	65.5	71.2	74.6	75.8	73.8	75.0
Austria	65.1	66.1	63.3	63.8	69.2	72.0	72.5	73.4	73.8	73.7	75.2	74.5
Portugal	56.9	52.9	65.4	71.7	83.7	94.0	108.3	123.6	123.0	124.3	123.9	124.7
Slovenia	:	25.6	26.2	22.0	35.0	38.6	46.9	54.1	61.0	66.5	59.5	63.4
Slovakia	:	45.0	35.6	27.9	35.6	41.0	43.3	52.1	54.6	56.7	55.1	57.1
Finland	56.1	44.4	41.1	33.9	43.5	48.6	49.0	53.0	56.2	57.7	56.4	57.6
Euro area	:	70.0	68.9	70.2	80.0	85.6	88.0	92.7	95.5	96.0	95.1	95.2
Bulgaria	:	69.2	29.5	13.7	14.6	16.2	16.3	18.5	17.9	20.3	17.1	17.3
Czech Republic	:	19.8	28.4	28.7	34.2	37.8	40.8	45.8	48.3	50.1	48.0	49.5
Denmark	72.8	54.2	37.9	33.4	40.7	42.7	46.4	45.8	45.0	46.4	45.9	47.3
Latvia	:	12.4	12.4	19.8	36.9	44.4	41.9	40.7	43.2	40.1	44.4	41.5
Lithuania	:	21.6	18.7	15.5	29.3	37.9	38.5	40.7	40.1	39.4	40.5	40.3
Hungary	:	57.3	62.6	73.0	79.8	81.8	81.4	79.2	79.7	78.9	78.7	77.7
Poland	:	39.0	46.5	47.1	50.9	54.8	56.2	55.6	57.5	58.9	57.0	57.5
Romania	:	22.3	16.2	13.4	23.6	30.5	34.7	37.8	38.6	38.5	38.1	38.0
Sweden	71.9	59.1	47.6	38.8	42.6	39.4	38.4	38.2	40.7	39.0	37.3	35.5
United Kingdom	48.4	41.3	42.0	52.3	67.8	79.4	85.5	90.0	95.5	98.7	95.4	97.9
EU	:	63.1	61.6	62.2	74.6	80.2	83.1	86.9	89.8	90.6	89.9	90.3
Croatia	:	:	35.7	28.8	35.7	42.2	46.7	53.7	57.9	62.5	57.4	60.2

TABLE 43 : Gross national saving (as a percentage of GDP, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	25.2	25.9	25.6	25.1	20.5	23.6	22.8	**22.2**	**22.1**	**22.2**	*23.1*	*23.1*
Germany	21.0	20.5	23.2	25.4	22.5	23.6	23.9	**23.6**	**22.9**	**22.8**	*22.9*	*22.9*
Estonia	21.2	22.1	22.6	21.4	22.0	23.3	26.1	**25.0**	**25.4**	**26.0**	*25.4*	*26.4*
Ireland	19.9	22.5	22.9	15.5	11.9	13.1	12.0	**15.6**	**13.8**	**15.0**	*13.8*	*15.0*
Greece	17.5	12.7	11.0	6.0	4.2	4.8	4.4	**8.3**	**10.4**	**12.4**	*8.8*	*10.5*
Spain	21.1	22.4	22.2	19.5	19.2	18.4	17.8	**18.8**	**19.7**	**20.7**	*19.4*	*20.6*
France	18.3	20.7	19.7	20.1	17.2	17.3	18.1	**17.9**	**17.7**	**17.9**	*17.5*	*17.5*
Italy	21.4	21.1	20.4	18.8	16.9	16.5	16.4	**17.1**	**17.8**	**18.4**	*17.9*	*18.5*
Cyprus	:	16.5	13.2	11.1	8.6	10.6	12.6	**8.3**	**9.1**	**9.7**	*7.3*	*7.8*
Luxembourg	33.8	33.4	31.9	26.9	23.7	27.6	28.2	**27.1**	**27.8**	**28.1**	*27.6*	*27.1*
Malta	:	17.0	13.9	15.2	10.4	12.3	12.4	**11.6**	**12.1**	**12.7**	*13.5*	*14.0*
Netherlands	26.6	26.6	27.5	25.2	21.6	23.1	26.4	**25.5**	**25.6**	**25.8**	*25.5*	*25.7*
Austria	22.4	23.7	25.5	27.6	23.6	24.7	25.6	**25.9**	**25.6**	**26.1**	*24.7*	*25.3*
Portugal	19.4	18.5	14.1	10.6	9.4	9.8	10.6	**14.1**	**14.7**	**15.1**	*13.2*	*14.0*
Slovenia	23.3	24.5	25.7	25.7	21.7	20.6	20.3	**19.7**	**20.4**	**20.4**	*19.6*	*19.2*
Slovakia	24.6	23.0	20.0	21.4	17.1	20.1	21.5	**22.2**	**22.8**	**23.7**	*23.5*	*24.9*
Finland	19.8	27.2	25.8	25.4	20.5	20.1	19.7	**17.9**	**17.5**	**17.6**	*18.3*	*18.3*
Euro area	:	21.5	21.8	21.5	18.9	19.5	19.9	**20.1**	**20.2**	**20.5**	*20.1*	*20.4*
Bulgaria	:	14.7	14.3	14.4	20.4	22.5	22.0	**22.8**	**21.7**	**20.8**	*22.8*	*22.7*
Czech Republic	27.2	25.3	23.8	26.0	20.6	19.7	20.7	**21.3**	**20.7**	**20.8**	*21.1*	*21.5*
Denmark	20.2	22.3	24.4	25.2	20.3	22.7	23.2	**22.8**	**22.4**	**22.5**	*22.0*	*21.7*
Latvia	22.8	17.6	19.0	18.1	29.1	22.8	23.0	**24.2**	**24.5**	**24.9**	*23.9*	*24.2*
Lithuania	:	13.0	15.6	14.0	13.5	17.4	16.8	**16.6**	**16.8**	**17.0**	*17.7*	*18.0*
Hungary	17.5	19.3	15.9	16.6	17.9	19.9	20.5	**19.3**	**19.8**	**19.2**	*20.6*	*20.5*
Poland	18.5	19.1	17.5	18.3	17.3	16.7	17.6	**17.3**	**17.4**	**17.6**	*17.6*	*17.6*
Romania	20.0	15.0	16.5	19.8	21.2	21.2	22.4	**23.0**	**23.5**	**24.1**	*24.8*	*25.6*
Sweden	19.0	22.6	25.6	29.0	23.4	25.6	26.9	**25.6**	**25.6**	**26.1**	*26.5*	*27.2*
United Kingdom	16.0	15.7	15.1	16.1	12.9	12.6	13.7	**10.8**	**11.8**	**12.9**	*11.8*	*13.2*
EU	:	20.5	20.7	20.8	18.2	18.7	19.3	**18.9**	**19.2**	**19.6**	*19.1*	*19.6*
Croatia	:	17.6	21.9	22.2	20.5	19.5	19.4	**19.3**	**19.8**	**20.3**	*20.7*	*20.9*
USA	15.9	16.9	14.5	12.8	10.5	11.6	11.6	**12.3**	**13.2**	**14.2**	*13.0*	*13.9*
Japan	30.7	27.2	26.4	26.3	22.6	23.5	22.0	**21.6**	**22.5**	**23.5**	*21.7*	*22.4*

TABLE 44 : Gross saving, private sector (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			*Winter 2013 forecast*	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	27.3	23.8	24.1	24.2	23.6	25.5	24.3	**23.6**	**23.6**	**23.6**	*24.3*	*24.4*
Germany	20.8	20.0	23.2	23.0	22.9	24.3	22.4	**21.3**	**21.0**	**20.8**	*21.1*	*21.0*
Estonia	12.8	18.2	16.5	18.2	20.0	21.1	22.7	**20.7**	**21.3**	**22.3**	*21.2*	*22.3*
Ireland	19.1	17.1	18.2	16.9	19.5	20.5	18.7	**21.2**	**18.7**	**17.7**	*19.0*	*17.9*
Greece	22.7	12.9	14.1	12.6	16.0	13.7	13.1	**13.1**	**12.8**	**13.2**	*12.1*	*12.5*
Spain	:	19.5	16.8	18.8	24.5	23.0	23.0	**23.4**	**24.5**	**26.3**	*24.2*	*25.9*
France	19.1	19.2	19.3	19.4	20.6	20.7	19.7	**19.1**	**18.1**	**18.6**	*17.9*	*18.2*
Italy	25.5	20.4	20.2	18.0	18.9	18.0	17.7	**17.4**	**17.6**	**18.3**	*17.6*	*18.2*
Cyprus	:	16.7	11.8	6.3	9.3	10.7	14.5	**10.6**	**12.3**	**14.9**	*9.1*	*9.2*
Luxembourg	26.5	24.2	25.7	19.4	19.3	23.3	23.7	**23.1**	**23.5**	**23.8**	*23.6*	*23.4*
Malta	:	20.0	15.2	17.3	12.0	14.2	13.8	**13.4**	**14.3**	**14.7**	*15.2*	*15.2*
Netherlands	26.2	23.6	25.1	21.1	22.3	23.6	27.0	**25.7**	**25.3**	**25.7**	*25.4*	*25.7*
Austria	22.1	21.9	23.9	25.3	24.2	25.1	24.7	**24.4**	**24.2**	**24.6**	*23.7*	*23.7*
Portugal	21.3	18.3	16.1	11.9	16.4	16.8	15.4	**18.8**	**19.3**	**17.9**	*16.6*	*15.5*
Slovenia	:	23.1	23.0	22.1	22.2	21.3	21.1	**20.0**	**21.4**	**22.6**	*20.2*	*20.4*
Slovakia	23.8	23.4	19.6	20.4	20.9	24.7	23.9	**24.4**	**23.8**	**25.0**	*24.4*	*25.9*
Finland	20.7	20.6	20.0	18.6	20.3	20.4	18.3	**17.6**	**17.3**	**17.2**	*17.3*	*17.1*
Euro area	:	20.1	20.8	20.1	21.5	21.8	21.1	**20.6**	**20.4**	**20.8**	*20.3*	*20.7*
Bulgaria	:	10.6	9.1	8.1	20.8	22.2	21.6	**21.4**	**20.1**	**19.0**	*21.7*	*21.1*
Czech Republic	:	22.5	20.5	22.8	21.4	20.3	20.2	**20.5**	**20.1**	**20.1**	*20.2*	*20.4*
Denmark	20.6	19.6	19.5	19.8	21.0	22.9	22.7	**22.7**	**21.8**	**23.5**	*22.4*	*22.7*
Latvia	20.4	16.7	15.3	17.6	34.1	25.0	21.3	**22.4**	**22.3**	**22.6**	*20.9*	*21.3*
Lithuania	:	12.0	13.0	13.0	20.1	22.2	19.7	**18.0**	**17.7**	**17.4**	*17.7*	*17.4*
Hungary	:	18.6	18.3	16.8	19.5	22.2	22.9	**19.6**	**20.4**	**19.8**	*21.5*	*21.0*
Poland	18.4	19.1	17.5	16.9	19.0	19.5	18.1	**17.6**	**18.4**	**18.9**	*17.6*	*18.1*
Romania	:	14.8	12.9	18.6	24.2	22.1	20.7	**21.1**	**20.8**	**21.2**	*20.7*	*21.3*
Sweden	21.1	18.8	21.2	23.6	20.8	22.2	23.4	**23.0**	**23.5**	**23.3**	*23.9*	*24.0*
United Kingdom	18.8	13.9	15.9	17.8	19.6	19.2	18.7	**16.2**	**15.9**	**16.4**	*17.1*	*17.4*
EU	:	18.9	19.7	19.7	21.2	21.4	20.8	**20.0**	**19.8**	**20.2**	*19.9*	*20.3*
Croatia	:	:	:	19.0	20.2	20.4	20.5	**18.7**	**19.8**	**20.8**	*22.4*	*22.1*
USA	16.7	15.1	15.5	16.2	18.7	19.8	18.9	**18.8**	**17.8**	**17.9**	*17.8*	*17.9*
Japan	27.4	27.4	27.4	26.4	28.4	28.9	27.4	**27.3**	**27.6**	**26.5**	*26.2*	*25.6*

TABLE 45 : Saving rate of households (1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	19.7	17.4	15.8	16.6	18.3	15.4	14.4	14.5	15.1	15.0	15.5	15.6
Germany	16.6	15.5	16.3	17.4	17.0	16.9	16.5	16.5	16.3	15.9	16.2	16.0
Estonia	8.2	2.9	-3.7	1.9	11.4	6.7	5.6	3.5	3.0	3.0	1.7	1.0
Ireland	:	:	8.3	10.0	14.9	12.0	10.7	16.6	10.2	9.7	10.9	10.2
Greece	:	:	:	:	:	:	:	:	:	:	:	:
Spain	:	11.5	10.9	13.7	17.8	13.1	11.0	8.2	8.0	8.9	8.4	9.4
France	15.1	14.8	14.9	15.3	16.1	15.6	15.7	15.5	15.4	15.4	15.1	14.9
Italy	22.3	15.8	16.1	15.2	14.3	12.4	11.7	11.4	11.7	12.0	12.0	11.8
Cyprus	:	12.0	11.4	4.7	11.1	13.6	8.8	4.4	9.9	11.4	8.5	8.5
Luxembourg	:	:	:	:	:	:	:	:	:	:	:	:
Malta	:	:	:	:	:	:	:	:	:	:	:	:
Netherlands	18.3	14.3	12.7	12.2	12.3	10.5	11.6	10.5	11.8	12.2	12.7	13.1
Austria	:	13.5	14.7	16.3	16.1	14.2	12.6	13.4	13.2	13.5	12.5	12.6
Portugal	:	10.5	9.1	7.1	10.9	10.1	9.1	11.6	12.3	12.4	10.6	10.7
Slovenia	:	14.5	16.1	15.4	14.9	13.5	11.8	10.7	12.4	13.6	9.5	9.1
Slovakia	:	10.4	6.4	6.1	6.9	10.7	9.8	8.2	5.5	6.5	8.5	9.2
Finland	10.3	8.3	8.2	7.8	11.7	10.6	8.7	7.5	7.8	8.4	8.4	8.7
Euro area	:	:	14.3	14.7	15.5	14.0	13.5	13.2	13.1	13.3	13.3	13.3
Bulgaria	:	:	:	-20.9	-3.0	-3.7	:	:	:	:	:	:
Czech Republic	10.2	10.3	9.5	9.4	11.2	11.3	9.6	12.9	12.8	12.8	11.1	11.3
Denmark	6.8	6.5	5.9	5.1	8.5	6.8	6.6	5.0	3.1	5.2	6.7	6.3
Latvia	1.7	0.6	-0.4	4.9	10.4	2.5	-1.6	-1.8	-0.1	-0.3	-0.3	-0.7
Lithuania	:	5.1	0.2	-1.1	5.4	9.2	1.2	:	:	:	:	:
Hungary	:	12.6	9.9	8.0	10.2	10.8	10.4	8.7	8.3	8.4	:	:
Poland	:	12.8	8.5	2.4	9.0	8.2	2.1	1.5	3.0	3.1	3.5	3.8
Romania	:	-2.4	-10.8	-1.1	-1.3	-8.3	-15.2	:	:	:	:	:
Sweden	8.5	6.8	8.2	11.8	13.8	11.3	13.0	14.1	14.9	14.5	15.5	14.9
United Kingdom	8.9	5.2	3.1	2.2	6.6	6.6	6.5	7.1	7.0	6.9	7.1	7.0
EU	:	:	12.0	12.2	13.9	12.5	11.9	11.7	11.8	11.8	11.9	11.9
Croatia	:	:	:	:	:	:	:	:	:	:	:	:
USA	9.4	7.6	7.2	9.9	9.4	9.6	8.6	8.0	7.3	7.8	7.7	8.2
Japan	18.7	14.0	8.7	7.7	9.1	8.7	8.7	7.8	7.4	6.4	9.2	8.4

TABLE 46 : Gross saving, general government (as a percentage of GDP, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	-2.0	2.1	1.5	0.9	-3.0	-1.9	-1.5	-1.4	-1.5	-1.4	-1.3	-1.3
Germany	0.2	0.4	-0.1	2.4	-0.4	-0.7	1.5	2.3	1.9	2.0	1.7	1.9
Estonia	8.4	3.8	6.1	3.2	2.0	2.1	3.4	4.3	4.1	3.7	4.2	4.1
Ireland	0.8	5.4	4.7	-1.4	-7.7	-7.4	-6.7	-5.6	-4.9	-2.7	-5.3	-2.9
Greece	-5.2	-0.1	-3.2	-6.5	-11.8	-8.9	-8.7	-4.8	-2.4	-0.8	-3.3	-1.9
Spain	:	2.9	5.4	0.7	-5.3	-4.6	-5.2	-4.6	-4.7	-5.6	-4.8	-5.4
France	-0.7	1.5	0.3	0.6	-3.4	-3.4	-1.6	-1.2	-0.4	-0.7	-0.3	-0.7
Italy	-4.1	0.7	0.2	0.8	-2.0	-1.5	-1.4	-0.3	0.2	0.1	0.2	0.3
Cyprus	:	-0.1	1.4	4.9	-0.7	-0.1	-1.9	-2.4	-3.1	-5.2	-1.8	-1.4
Luxembourg	7.3	9.1	6.2	7.5	4.3	4.4	4.5	4.0	4.3	4.2	4.0	3.7
Malta	:	-3.0	-1.3	-2.1	-1.7	-1.9	-1.3	-1.8	-2.2	-2.1	-1.7	-1.3
Netherlands	0.4	3.0	2.3	4.1	-0.7	-0.6	-0.7	-0.2	0.3	0.1	0.1	0.0
Austria	0.3	1.8	1.6	2.3	-0.6	-0.4	0.9	1.5	1.4	1.5	1.0	1.5
Portugal	-1.9	0.2	-2.0	-1.3	-6.9	-7.0	-4.9	-4.7	-4.6	-2.8	-3.4	-1.6
Slovenia	:	1.4	2.8	3.6	-0.4	-0.7	-0.9	-0.3	-1.0	-2.2	-0.6	-1.2
Slovakia	0.8	-0.4	0.4	1.0	-3.8	-4.6	-2.4	-2.2	-1.1	-1.4	-0.9	-1.0
Finland	-0.9	6.7	5.8	6.7	0.2	-0.3	1.4	0.3	0.3	0.5	1.0	1.2
Euro area	:	1.4	1.1	1.4	-2.6	-2.3	-1.2	-0.5	-0.2	-0.3	-0.3	-0.2
Bulgaria	-4.9	4.1	5.2	6.3	-0.4	0.3	0.4	1.4	1.5	1.8	1.1	1.6
Czech Republic	:	2.8	3.3	3.2	-0.9	-0.6	0.5	0.8	0.7	0.7	0.8	1.1
Denmark	-0.5	2.7	4.9	5.5	-0.6	-0.3	0.6	0.0	0.6	-0.9	-0.4	-1.0
Latvia	2.4	0.9	3.7	0.5	-5.0	-2.2	1.7	1.8	2.2	2.3	2.9	2.9
Lithuania	:	1.0	2.6	1.0	-6.6	-4.9	-2.9	-1.4	-1.0	-0.4	0.0	0.6
Hungary	:	0.7	-2.4	-0.2	-1.6	-2.4	-2.4	-0.3	-0.6	-0.6	-0.9	-0.5
Poland	0.1	0.0	-0.1	1.3	-1.8	-2.8	-0.5	-0.3	-1.0	-1.3	-0.1	-0.5
Romania	:	0.2	3.6	1.2	-3.0	-0.9	1.8	1.9	2.7	2.9	4.1	4.3
Sweden	-2.1	3.9	4.4	5.4	2.5	3.4	3.5	2.6	2.0	2.7	2.6	3.2
United Kingdom	-2.8	1.8	-0.8	-1.7	-6.7	-6.6	-5.0	-5.5	-4.1	-3.5	-5.2	-4.2
EU	:	1.5	0.9	1.1	-2.9	-2.7	-1.5	-1.0	-0.7	-0.6	-0.8	-0.6
Croatia	:	:	:	3.2	0.3	-1.0	-1.1	0.6	0.0	-0.5	-1.7	-1.2
USA	-0.9	1.9	-1.0	-3.4	-8.2	-8.2	-7.4	-6.5	-4.6	-3.7	-4.7	-4.0
Japan	3.4	-0.2	-1.0	-0.1	-5.8	-5.4	-5.4	-5.7	-5.0	-3.1	-4.5	-3.3

TABLE 47 : Exports of goods and services, volume (percentage change on preceding year, 1993-2014) 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	5.3	4.9	4.2	2.1	-11.1	9.6	5.5	**0.4**	**0.8**	**3.3**	*1.4*	*3.3*
Germany	5.1	7.4	8.3	2.8	-12.8	13.7	7.8	**3.7**	**2.2**	**6.2**	*3.3*	*6.1*
Estonia	:	8.0	10.0	1.0	-20.6	22.9	23.4	**5.6**	**4.1**	**6.2**	*4.1*	*5.6*
Ireland	14.9	14.4	5.2	-1.1	-3.8	6.2	5.1	**2.9**	**2.7**	**3.7**	*3.0*	*4.2*
Greece	6.0	5.4	6.7	1.7	-19.4	5.2	0.3	**-2.4**	**3.1**	**4.6**	*2.7*	*4.7*
Spain	11.8	6.3	4.7	-1.0	-10.0	11.3	7.6	**3.1**	**4.1**	**5.7**	*4.2*	*5.7*
France	6.5	5.8	2.7	-0.3	-12.1	9.6	5.3	**2.5**	**1.2**	**4.8**	*2.0*	*4.7*
Italy	7.5	2.4	4.6	-2.8	-17.5	11.4	5.9	**2.3**	**1.6**	**3.8**	*2.1*	*3.9*
Cyprus	:	4.4	3.9	-0.5	-10.7	3.8	4.4	**2.3**	**-5.0**	**-2.5**	*1.6*	*1.9*
Luxembourg	6.1	8.8	8.8	4.4	-10.9	7.7	5.5	**-3.1**	**1.0**	**4.1**	*1.6*	*3.1*
Malta	:	4.7	3.6	2.1	-8.4	18.1	0.8	**5.2**	**2.2**	**4.6**	*4.0*	*4.8*
Netherlands	7.4	6.3	5.8	2.0	-7.7	11.2	3.9	**3.3**	**3.3**	**3.9**	*1.7*	*3.9*
Austria	5.3	7.6	7.1	1.4	-15.6	8.7	7.2	**1.7**	**2.8**	**5.6**	*3.1*	*5.7*
Portugal	7.9	5.1	5.3	-0.1	-10.9	10.2	7.2	**3.3**	**0.9**	**4.4**	*1.4*	*4.6*
Slovenia	5.4	7.0	10.4	4.0	-16.7	10.1	7.0	**0.3**	**1.3**	**3.2**	*1.2*	*3.2*
Slovakia	4.6	10.7	13.6	3.1	-16.3	16.0	12.7	**8.6**	**3.0**	**6.2**	*3.0*	*6.2*
Finland	11.6	8.4	6.6	5.8	-21.3	7.5	2.9	**-1.4**	**0.5**	**3.1**	*0.5*	*2.5*
Euro area	:	6.3	5.9	1.1	-12.4	11.2	6.3	**2.7**	**2.2**	**4.9**	*2.6*	*4.9*
Bulgaria	:	3.6	10.3	3.0	-11.2	14.7	12.3	**-0.4**	**2.8**	**4.5**	*3.1*	*4.5*
Czech Republic	10.8	9.6	11.5	4.0	-10.9	15.5	9.4	**3.8**	**1.1**	**5.1**	*2.4*	*5.6*
Denmark	4.3	7.1	4.3	3.3	-9.5	3.0	6.5	**0.9**	**1.1**	**4.3**	*2.4*	*5.1*
Latvia	:	4.3	10.2	2.0	-14.1	11.6	12.7	**7.1**	**4.6**	**6.2**	*4.8*	*6.6*
Lithuania	:	6.6	8.9	11.4	-12.6	17.4	14.1	**11.2**	**5.4**	**6.9**	*5.4*	*6.8*
Hungary	15.2	11.7	13.2	5.7	-10.2	14.2	6.3	**2.0**	**3.2**	**6.2**	*3.1*	*5.6*
Poland	12.5	8.2	11.9	7.1	-6.8	12.1	7.7	**2.8**	**2.6**	**5.5**	*3.8*	*6.4*
Romania	12.7	12.3	9.8	8.3	-6.4	13.2	10.3	**-3.0**	**2.5**	**4.0**	*0.9*	*2.6*
Sweden	10.2	5.9	7.2	1.7	-13.8	11.4	7.1	**0.7**	**1.3**	**4.6**	*2.0*	*4.9*
United Kingdom	8.0	4.0	5.1	1.2	-8.2	6.4	4.5	**-0.2**	**1.3**	**3.9**	*2.5*	*4.9*
EU	:	6.1	6.2	1.6	-11.7	10.7	6.4	**2.3**	**2.0**	**4.9**	*2.6*	*5.0*
Croatia	:	5.6	6.0	1.7	-16.2	4.8	2.0	**0.4**	**1.3**	**3.5**	*1.4*	*3.0*
USA	8.4	1.4	7.2	6.1	-9.1	11.1	6.7	**3.5**	**3.5**	**5.8**	*2.6*	*6.0*
Japan	5.0	2.3	9.6	1.4	-24.2	24.4	-0.4	**-0.3**	**4.0**	**6.9**	*4.8*	*6.8*

TABLE 48 : Imports of goods and services, volume (percentage change on preceding year, 1993-2014)

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	4.9	4.2	4.4	3.5	-10.6	8.9	5.6	**-0.1**	**0.2**	**3.3**	*0.9*	*3.3*
Germany	4.3	5.6	7.4	3.4	-8.0	11.1	7.4	**1.8**	**2.1**	**7.0**	*4.1*	*7.0*
Estonia	:	8.6	12.9	-7.0	-32.0	21.0	25.0	**9.1**	**3.6**	**5.9**	*3.5*	*5.2*
Ireland	13.7	13.9	6.1	-3.0	-9.7	3.6	-0.3	**0.3**	**1.8**	**2.7**	*1.6*	*3.3*
Greece	6.3	7.6	6.4	0.9	-20.2	-6.2	-7.3	**-13.8**	**-6.5**	**-1.9**	*-5.9*	*-0.8*
Spain	7.7	9.4	8.3	-5.2	-17.2	9.2	-0.9	**-5.0**	**-4.0**	**2.0**	*-3.8*	*2.0*
France	4.5	7.3	4.6	0.9	-9.6	8.9	4.9	**-0.3**	**0.6**	**4.8**	*0.9*	*5.0*
Italy	2.7	5.0	4.7	-3.0	-13.4	12.6	0.5	**-7.7**	**-2.2**	**3.8**	*-1.0*	*4.3*
Cyprus	:	4.5	6.7	8.5	-18.6	4.8	-0.7	**-7.2**	**-16.0**	**-6.5**	*-8.0*	*-0.5*
Luxembourg	6.8	8.7	9.0	6.1	-14.1	12.1	8.6	**-2.7**	**0.9**	**4.7**	*1.7*	*3.5*
Malta	:	2.2	5.5	1.3	-8.2	12.7	-2.0	**4.4**	**2.0**	**4.7**	*3.9*	*4.9*
Netherlands	7.3	6.5	5.5	2.3	-7.1	10.2	3.6	**3.1**	**2.9**	**3.6**	*1.3*	*3.6*
Austria	4.4	5.1	6.6	0.0	-13.3	8.8	7.2	**0.8**	**2.2**	**5.4**	*2.6*	*5.4*
Portugal	6.9	5.8	4.4	2.3	-10.0	8.0	-5.9	**-6.9**	**-3.9**	**3.1**	*-3.1*	*3.8*
Slovenia	10.9	6.5	11.0	3.7	-19.5	7.9	5.2	**-4.3**	**-2.1**	**2.0**	*-1.4*	*2.7*
Slovakia	6.0	8.9	11.0	3.1	-18.9	14.9	10.1	**2.8**	**2.4**	**5.1**	*2.4*	*4.7*
Finland	8.2	6.7	7.4	7.5	-17.2	6.9	6.1	**-3.7**	**0.6**	**2.9**	*0.0*	*2.7*
Euro area	:	6.5	6.2	0.9	-11.1	9.6	4.2	**-0.9**	**0.5**	**4.7**	*1.2*	*4.8*
Bulgaria	:	11.7	14.7	4.2	-21.0	2.4	8.8	**3.7**	**4.3**	**5.8**	*5.2*	*5.8*
Czech Republic	15.9	8.9	9.3	2.7	-12.1	15.8	6.7	**1.9**	**1.0**	**5.2**	*2.1*	*5.6*
Denmark	6.2	6.8	6.9	3.3	-12.3	3.2	5.6	**2.5**	**2.2**	**3.7**	*3.7*	*5.1*
Latvia	:	6.9	16.0	-10.8	-33.3	11.4	22.7	**3.1**	**5.5**	**7.2**	*5.5*	*7.4*
Lithuania	:	6.4	13.0	10.3	-28.1	18.0	13.7	**5.6**	**5.6**	**7.3**	*5.6*	*7.4*
Hungary	16.3	12.9	11.6	5.5	-14.8	12.7	5.0	**0.1**	**3.0**	**6.1**	*3.0*	*5.2*
Poland	19.5	6.1	12.1	8.0	-12.4	13.9	5.5	**-1.8**	**0.6**	**4.3**	*1.2*	*4.8*
Romania	10.0	13.5	20.8	7.9	-20.5	11.1	10.0	**-0.9**	**4.0**	**5.0**	*2.4*	*3.6*
Sweden	6.6	4.9	7.1	3.5	-14.3	12.0	6.3	**-0.1**	**1.3**	**4.7**	*1.8*	*4.8*
United Kingdom	6.8	7.4	4.9	-1.8	-11.0	8.0	0.0	**2.7**	**1.3**	**2.6**	*1.9*	*2.9*
EU	:	6.7	6.5	1.1	-11.6	9.7	4.1	**-0.3**	**0.8**	**4.5**	*1.5*	*4.6*
Croatia	:	3.6	7.1	4.0	-21.4	-2.8	1.3	**-2.1**	**0.4**	**3.7**	*1.5*	*3.8*
USA	10.1	7.2	6.0	-2.7	-13.5	12.5	4.8	**2.4**	**2.7**	**6.2**	*2.0*	*6.1*
Japan	6.6	1.6	4.6	0.3	-15.7	11.1	5.9	**5.3**	**2.0**	**5.0**	*1.6*	*5.0*

TABLE 49 : Merchandise trade balance (fob-fob, as a percentage of GDP, 1993-2014) [1] 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	3.3	3.3	2.7	-1.5	-0.4	-0.7	-0.8	-0.6	-0.3	-0.4	0.1	-0.1
Germany	2.6	4.1	7.0	7.3	5.6	6.3	6.0	6.6	6.8	6.7	6.6	6.4
Estonia	-16.9	-15.2	-15.9	-12.5	-4.4	-2.7	-3.8	-6.8	-6.0	-5.1	-5.6	-4.6
Ireland	17.9	25.3	17.1	13.3	20.1	22.8	23.0	22.2	22.9	23.4	24.8	25.4
Greece	-11.8	-16.8	-18.2	-20.9	-16.1	-14.3	-14.0	-11.3	-9.6	-8.4	-9.7	-8.8
Spain	-2.7	-5.1	-7.2	-7.8	-4.0	-4.6	-3.8	-2.4	-0.4	0.6	-0.4	0.7
France	1.1	0.6	-1.0	-2.7	-2.2	-2.5	-3.5	-3.0	-3.1	-3.4	-2.8	-3.1
Italy	3.4	1.7	0.2	-0.1	0.1	-1.3	-1.1	1.2	2.6	2.9	2.4	2.7
Cyprus	:	-25.6	-26.4	-32.4	-25.5	-26.8	-24.2	-21.6	-18.1	-16.8	-18.9	-18.7
Luxembourg	-10.0	-12.2	-9.8	-11.5	-9.0	-9.2	-11.3	-13.8	-13.2	-12.6	-12.5	-13.1
Malta	-22.1	-14.7	-16.1	-20.7	-18.8	-18.3	-16.2	-16.1	-15.7	-16.1	-16.4	-16.8
Netherlands	5.4	5.5	7.4	7.3	6.3	7.5	8.1	8.4	8.9	9.3	9.0	9.4
Austria	-3.8	-1.5	-0.2	-0.3	-1.1	-1.1	-2.3	-1.9	-2.0	-2.2	-1.6	-1.5
Portugal	-9.0	-11.0	-10.3	-12.9	-10.0	-10.6	-7.8	-4.6	-2.7	-2.2	-2.9	-2.6
Slovenia	-3.2	-3.9	-3.7	-6.5	-1.5	-2.9	-3.0	-0.9	1.3	1.8	0.3	0.2
Slovakia	-5.9	-8.4	-3.7	-1.6	1.1	0.8	1.1	4.5	6.0	7.2	4.2	5.7
Finland	8.5	9.7	5.8	3.7	1.8	1.4	-0.6	0.1	-0.8	-1.0	0.5	0.1
Euro area	:	1.5	1.2	0.2	0.6	0.6	0.5	1.6	2.2	2.4	2.2	2.4
Euro area, adjusted [2]	:	:	:	-0.2	0.3	0.2	0.1	1.1	1.7	1.9	1.8	2.0
Bulgaria	0.9	-8.2	-19.3	-24.3	-12.0	-7.7	-5.6	-9.1	-10.7	-12.1	-10.9	-12.3
Czech Republic	-5.6	-3.2	0.6	0.6	2.3	1.4	2.3	3.9	4.1	4.1	4.1	4.2
Denmark	4.0	4.0	2.5	0.2	2.8	3.0	3.1	1.4	0.9	0.7	1.7	1.1
Latvia	-9.2	-15.2	-21.4	-17.8	-7.1	-7.0	-10.8	-9.8	-10.1	-10.6	-11.0	-11.6
Lithuania	-8.6	-10.9	-12.0	-13.0	-3.3	-4.9	-5.9	-2.8	-2.9	-3.3	-4.1	-4.7
Hungary	-5.7	-4.6	-2.9	-1.2	2.5	3.2	3.3	4.0	4.4	4.5	5.4	5.8
Poland	-1.4	-5.9	-2.4	-4.9	-1.0	-1.8	-2.1	-0.8	-0.1	0.2	-0.7	-0.3
Romania	-5.4	-5.6	-10.5	-13.6	-5.8	-6.1	-5.6	-5.6	-5.7	-5.7	-5.6	-5.6
Sweden	6.2	6.9	6.0	3.7	3.1	2.6	2.6	2.5	2.5	2.6	2.6	2.8
United Kingdom	-1.7	-3.5	-5.4	-6.5	-5.9	-6.7	-6.6	-6.9	-7.3	-7.7	-7.1	-6.8
EU	:	0.6	-0.1	-1.1	-0.3	-0.5	-0.5	0.2	0.6	0.7	0.7	0.8
EU, adjusted [2]	:	:	:	-1.8	-0.7	-1.0	-1.1	-0.3	0.1	0.2	0.2	0.3
Croatia	:	-16.9	-21.4	-22.7	-16.5	-13.3	-13.9	-13.6	-14.3	-14.7	-14.1	-14.6
USA	-2.3	-4.1	-5.9	-6.0	-3.8	-4.6	-5.0	-4.8	-4.6	-4.8	-4.7	-4.9
Japan	2.5	2.4	2.3	0.8	0.9	1.7	-0.3	-1.4	-1.7	-1.6	-2.2	-2.4

[1] See note 7 on concepts and sources; [2] See note 8 on concepts and sources.

TABLE 50 : Current-account balance (as a percentage of GDP, 1993-2014) [1]

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	4.7	4.8	4.1	1.1	0.7	3.0	1.0	0.9	1.4	1.4	2.0	1.9
Germany	-0.9	-0.4	5.1	6.2	6.0	6.1	5.6	6.4	6.3	6.1	6.0	5.6
Estonia	-6.6	-7.1	-12.9	-8.5	4.2	3.2	0.6	-3.1	-2.2	-2.0	-2.3	-1.7
Ireland	3.0	-0.1	-2.3	-5.7	-2.3	1.1	1.1	5.0	3.1	4.0	3.4	4.3
Greece	-0.9	-8.9	-13.0	-18.0	-14.4	-12.8	-11.7	-5.3	-2.8	-1.7	-4.3	-3.3
Spain	-0.6	-3.2	-7.3	-9.6	-4.8	-4.4	-3.7	-0.9	1.6	2.9	1.0	2.5
France	1.1	1.7	-0.4	-1.9	-1.8	-2.0	-2.6	-1.8	-1.6	-1.7	-1.6	-1.8
Italy	2.0	0.5	-1.0	-2.9	-2.0	-3.5	-3.1	-0.5	1.0	1.1	0.6	0.8
Cyprus	:	-1.2	-6.6	-12.2	-10.7	-9.2	-4.8	-4.8	-1.9	-0.6	-1.7	0.1
Luxembourg	11.9	10.0	10.4	5.4	7.2	8.2	7.1	5.6	6.3	6.4	6.7	6.1
Malta	:	-4.5	-6.2	-4.9	-7.8	-4.6	-0.5	-0.8	0.0	0.0	1.2	0.9
Netherlands	5.3	4.9	7.9	4.7	3.2	5.1	8.3	8.2	8.6	8.9	8.6	8.9
Austria	-2.5	-0.3	2.7	4.8	2.7	3.1	2.1	3.0	3.1	3.2	2.1	2.4
Portugal	-5.4	-9.3	-9.2	-12.6	-10.8	-10.4	-7.2	-1.9	0.1	0.1	-1.4	-1.2
Slovenia	1.0	-1.5	-2.4	-6.1	-0.4	-0.4	0.1	2.7	4.8	4.7	3.8	3.3
Slovakia	-3.0	-6.2	-7.1	-6.3	-2.5	-2.5	-2.5	2.0	2.5	3.3	0.8	2.0
Finland	2.4	7.3	4.7	3.1	2.0	1.6	-1.3	-1.6	-1.7	-1.8	-0.7	-1.0
Euro area	:	0.3	0.6	-0.7	0.1	0.2	0.3	1.8	2.5	2.7	2.2	2.3
Euro area, adjusted [2]	:	:	:	-1.5	-0.1	0.0	0.1	1.2	1.9	2.0	2.1	2.2
Bulgaria	-1.9	-3.3	-13.3	-23.2	-9.0	-0.4	0.1	-1.1	-2.6	-3.6	-1.6	-2.0
Czech Republic	-2.8	-3.5	-3.8	-2.9	-3.3	-5.2	-3.9	-2.6	-2.4	-2.5	-2.7	-2.7
Denmark	1.5	1.6	3.0	2.9	3.4	5.9	5.6	5.2	4.5	5.0	4.1	4.1
Latvia	2.4	-7.5	-15.7	-13.1	8.6	2.9	-2.4	-1.7	-2.1	-2.6	-2.8	-3.2
Lithuania	:	-7.6	-9.3	-13.0	2.1	-0.4	-3.7	-0.5	-1.0	-1.5	-1.3	-1.9
Hungary	-5.0	-6.8	-8.2	-6.9	-0.1	1.2	1.0	1.9	2.5	2.6	3.3	3.6
Poland	-0.1	-3.8	-3.3	-5.6	-3.1	-4.3	-4.5	-3.3	-2.5	-2.4	-2.7	-2.4
Romania	:	-4.4	-8.8	-11.4	-4.2	-4.4	-4.5	-4.0	-3.9	-3.8	-4.0	-3.9
Sweden	2.6	4.7	7.4	8.8	6.9	6.9	7.3	7.0	7.0	7.2	7.3	7.6
United Kingdom	-0.6	-2.1	-2.2	-1.0	-1.3	-2.5	-1.3	-3.7	-2.7	-2.0	-3.1	-2.0
EU	:	-0.2	0.0	-0.9	-0.1	-0.1	0.1	0.9	1.6	1.9	1.4	1.6
EU, adjusted [2]	:	:	:	-2.1	-0.7	-0.5	-0.2	0.5	1.2	1.4	1.1	1.3
Croatia	:	-3.6	-5.9	-8.3	-4.5	-1.5	-0.9	-0.1	0.4	0.0	-0.6	-1.5
USA	-2.4	-2.7	-4.9	-4.8	-3.6	-3.3	-3.3	-3.0	-2.8	-3.0	-3.0	-3.3
Japan	2.3	2.6	3.9	3.3	2.9	3.7	2.0	1.1	1.8	2.5	1.0	1.4

[1] See note 7 on concepts and sources; [2] See note 8 on concepts and sources.

TABLE 51 : Net lending (+) or net borrowing (-) of the nation (as a percentage of GDP, 1993-2014) [1] 23.04.2013

	5-year averages							Spring 2013 forecast			Winter 2013 forecast	
	1993-97	1998-02	2003-07	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	4.6	4.7	4.0	0.6	0.3	2.9	0.9	0.8	1.9	1.7	2.3	1.9
Germany	-1.0	-0.3	5.1	6.1	6.0	6.1	5.6	6.3	6.3	6.0	6.0	5.5
Estonia	-7.1	-6.7	-11.8	-7.3	7.7	6.7	4.8	0.3	0.4	0.4	0.6	0.6
Ireland	4.1	0.7	-2.2	-5.7	-3.1	0.7	1.0	3.7	1.8	3.5	3.3	4.3
Greece	:	-7.3	-11.3	-16.3	-13.3	-11.0	-9.8	-2.9	-1.1	0.0	-2.0	-0.8
Spain	0.2	-2.2	-6.5	-9.2	-4.3	-3.8	-3.2	-0.2	2.2	3.5	1.4	2.9
France	1.1	1.7	-0.5	-1.9	-1.7	-1.9	-2.6	-1.7	-1.4	-1.5	-1.3	-1.5
Italy	2.2	0.7	-0.8	-2.9	-2.0	-3.5	-3.1	-0.4	1.1	1.3	0.7	0.9
Cyprus	:	-1.1	-6.2	-12.1	-10.6	-9.0	-4.6	-4.8	-2.1	-0.7	-1.2	0.5
Luxembourg	11.9	10.0	10.4	5.4	7.2	8.2	7.1	5.6	6.3	6.4	6.7	6.1
Malta	:	-4.1	-4.4	-4.5	-6.2	-2.9	0.5	0.1	1.1	1.2	2.1	1.8
Netherlands	4.9	4.7	7.6	4.4	2.7	4.5	7.9	8.0	7.7	8.7	7.7	8.7
Austria	-2.6	-0.5	2.6	4.9	2.8	3.1	2.0	2.9	3.1	3.1	2.0	2.4
Portugal	-2.7	-7.3	-7.6	-11.4	-9.6	-9.0	-5.6	0.4	1.8	1.8	0.5	0.8
Slovenia	0.9	-1.6	-2.8	-6.0	-0.4	-0.3	-0.2	2.5	4.8	5.2	4.6	3.8
Slovakia	-2.4	-6.6	-7.0	-5.4	-1.7	-0.9	-0.8	3.3	4.0	4.5	2.1	3.2
Finland	2.4	7.4	4.8	3.2	2.1	1.7	-1.2	-1.5	-1.4	-1.5	-0.6	-0.9
Euro area	:	0.4	0.7	-0.6	0.1	0.3	0.4	1.9	2.6	2.8	2.4	2.5
Euro area, adjusted [2]	::	:	:	-1.5	-0.1	0.1	0.2	1.3	2.0	2.2	2.2	2.4
Bulgaria	-2.3	-3.4	-13.1	-22.4	-7.6	0.3	1.3	0.2	-1.1	-1.9	-0.2	-0.4
Czech Republic	-3.4	-3.2	-3.6	-2.0	-1.2	-3.1	-2.0	-1.4	-0.9	-1.4	-1.0	-1.2
Denmark	1.5	1.8	3.1	2.9	3.4	5.9	5.9	5.3	4.6	5.3	3.9	4.2
Latvia	6.4	-7.2	-14.5	-11.6	11.1	4.9	-0.2	1.3	0.9	0.4	0.1	-0.2
Lithuania	:	-7.6	-8.2	-11.1	6.4	3.5	-0.4	1.8	1.3	0.7	2.1	1.4
Hungary	-4.2	-6.7	-7.7	-5.9	1.1	3.0	3.4	4.5	5.6	6.1	7.1	7.3
Poland	1.6	-3.7	-2.6	-4.1	-1.9	-2.7	-2.7	-1.3	-0.8	-0.9	-0.9	-0.9
Romania	-3.7	-4.2	-8.1	-11.0	-3.6	-4.2	-3.9	-2.6	-2.9	-3.0	-2.9	-2.9
Sweden	2.2	4.4	7.3	8.7	6.7	6.8	7.2	6.9	6.9	7.1	7.2	7.5
United Kingdom	-0.6	-2.0	-2.1	-0.8	-1.0	-2.3	-1.1	-3.5	-2.5	-1.8	-2.9	-1.8
EU	:	0.0	0.1	-0.7	0.1	0.1	0.4	1.2	1.9	2.1	1.6	1.9
EU, adjusted [2]	:	:	:	-2.0	-0.5	-0.3	0.0	0.7	1.4	1.7	1.3	1.6
Croatia	:	-3.6	-5.9	-8.3	-4.5	-1.5	-0.9	-0.1	0.4	0.0	-0.6	-1.5
USA	-2.4	-2.7	-4.9	-4.8	-3.6	-3.3	-3.3	-3.0	-2.8	-3.0	-3.0	-3.3
Japan	2.3	2.6	3.9	3.3	2.9	3.7	2.0	1.1	1.8	2.5	1.0	1.4

[1] See note 7 on concepts and sources; [2] See note 8 on concepts and sources.

TABLE 52 : Current-account balance (in billions of euro, 2005-14) [1]

								Spring 2013 forecast			Winter 2013 forecast	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
Belgium	9.7	10.8	13.2	3.7	2.5	10.8	3.9	3.6	5.4	5.5	7.8	7.5
Germany	113.4	150.0	182.5	152.1	143.1	153.4	145.9	168.9	170.8	168.9	161.9	155.5
Estonia	-1.1	-2.1	-2.5	-1.4	0.6	0.5	0.1	-0.5	-0.4	-0.4	-0.4	-0.3
Ireland	-4.9	-6.6	-10.4	-10.2	-3.8	1.8	1.8	8.1	5.2	6.9	5.7	7.4
Greece	-20.9	-28.7	-39.3	-41.9	-33.2	-28.4	-24.5	-10.3	-5.1	-3.1	-8.0	-6.0
Spain	-67.8	-88.9	-105.2	-104.3	-49.9	-46.0	-39.4	-8.9	16.9	31.0	10.2	26.9
France	-10.8	-14.8	-25.7	-36.6	-33.2	-37.8	-51.2	-36.1	-32.2	-35.3	-32.6	-39.2
Italy	-12.8	-22.3	-20.1	-44.9	-30.2	-54.5	-49.3	-8.2	15.0	18.0	9.0	12.5
Cyprus	-0.8	-1.1	-1.9	-2.1	-1.8	-1.6	-0.9	-0.9	-0.3	-0.1	-0.3	0.0
Luxembourg	3.5	3.5	3.8	2.0	2.6	3.3	3.0	2.5	2.9	3.1	3.1	2.9
Malta	-0.4	-0.5	-0.2	-0.3	-0.5	-0.3	0.0	-0.1	0.0	0.0	0.1	0.1
Netherlands	38.4	48.7	48.1	28.1	18.2	29.9	49.8	49.4	52.1	55.3	52.6	55.9
Austria	5.3	8.3	10.9	13.7	7.5	8.8	6.5	9.2	10.0	10.5	6.7	7.9
Portugal	-15.9	-17.3	-17.2	-21.7	-18.2	-17.9	-12.4	-3.1	0.2	0.2	-2.3	-1.9
Slovenia	-0.5	-0.7	-1.6	-2.3	-0.2	-0.2	0.0	0.9	1.7	1.7	1.3	1.2
Slovakia	-3.3	-3.7	-3.1	-4.0	-1.6	-1.7	-1.7	1.5	1.9	2.6	0.6	1.6
Finland	5.5	7.7	7.6	5.8	3.4	2.9	-2.4	-3.0	-3.3	-3.6	-1.3	-2.0
Euro area	36.4	42.4	38.7	-64.2	5.5	22.8	29.3	173.0	240.6	261.2	213.9	229.7
Euro area, adjusted [2]	10.8	-12.6	7.4	-141.3	-13.3	3.1	12.5	110.8	178.4	199.0	203.2	218.9
Bulgaria	-2.7	-4.7	-7.8	-8.2	-3.1	-0.1	0.0	-0.4	-1.1	-1.6	-0.7	-0.9
Czech Republic	-2.1	-3.1	-6.8	-4.5	-4.6	-7.8	-6.1	-4.0	-3.6	-3.8	-4.2	-4.2
Denmark	9.0	6.5	3.1	6.8	7.6	13.9	13.6	12.8	11.3	12.9	10.1	10.5
Latvia	-1.6	-3.6	-4.7	-3.0	1.6	0.5	-0.5	-0.4	-0.5	-0.6	-0.7	-0.8
Lithuania	-1.5	-2.5	-4.3	-4.2	0.5	-0.1	-1.1	-0.2	-0.4	-0.6	-0.4	-0.7
Hungary	-7.2	-6.8	-7.4	-7.3	-0.1	1.1	1.0	1.8	2.5	2.7	3.3	3.9
Poland	-3.1	-8.3	-18.9	-20.5	-9.6	-15.2	-16.7	-12.6	-10.0	-9.9	-10.7	-9.9
Romania	-7.1	-10.4	-17.0	-16.0	-4.9	-5.5	-5.9	-5.3	-5.6	-5.8	-5.6	-5.8
Sweden	21.1	25.1	29.0	29.4	20.1	24.2	28.4	28.8	30.5	32.9	31.2	33.9
United Kingdom	-37.9	-57.4	-47.0	-18.1	-19.9	-43.5	-23.3	-71.1	-49.6	-38.7	-57.2	-39.1
EU	3.3	-22.5	-43.0	-109.7	-7.1	-9.5	18.8	122.5	214.1	248.8	179.0	216.6
EU, adjusted [2]	-87.7	-147.1	-130.8	-261.3	-79.5	-61.2	-27.0	61.5	153.2	187.9	138.9	176.5
Croatia	-1.8	-2.5	-3.0	-3.9	-2.0	-0.7	-0.4	0.0	0.2	0.0	-0.3	-0.7
USA	-518.9	-442.9	-513.7	-460.0	-358.8	-356.3	-357.6	-368.4	-341.2	-385.7	-363.3	-413.2
Japan	133.7	136.4	154.6	109.3	105.4	153.9	86.1	49.0	66.4	98.0	36.9	54.8

[1] See note 7 on concepts and sources; [2] See note 8 on concepts and sources.

TABLE 53 : Export markets (a) (percentage change on preceding year, 2005-14) 23.04.2013

								Spring 2013 forecast			Winter 2013 forecast	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	6.1	8.8	5.3	2.1	-10.6	10.3	5.0	**1.1**	**2.0**	**5.1**	*2.3*	*5.1*
Germany	6.2	8.7	6.8	2.2	-11.7	10.5	5.2	**1.2**	**2.3**	**4.9**	*2.3*	*4.9*
Estonia	9.7	10.0	9.3	1.8	-17.7	9.6	7.4	**1.5**	**2.9**	**5.4**	*3.0*	*5.4*
Ireland	5.7	8.3	4.1	1.2	-11.5	10.7	4.6	**1.3**	**1.9**	**4.8**	*2.1*	*4.9*
Greece	6.5	8.7	5.7	1.7	-12.4	10.4	4.9	**1.1**	**2.0**	**4.9**	*2.6*	*5.2*
Spain	5.6	8.3	5.0	1.9	-10.6	9.8	4.2	**0.5**	**1.8**	**5.0**	*2.2*	*5.1*
France	6.0	8.6	5.9	1.8	-11.1	10.3	4.9	**1.0**	**2.1**	**5.1**	*2.5*	*5.0*
Italy	6.7	9.2	6.6	2.7	-11.0	9.9	5.4	**1.6**	**2.5**	**5.3**	*2.7*	*5.3*
Cyprus	8.3	10.8	6.7	2.2	-13.6	8.1	7.4	**1.3**	**3.1**	**5.3**	*3.5*	*5.4*
Luxembourg	5.3	7.9	4.9	1.6	-11.2	10.1	4.2	**0.5**	**1.5**	**4.7**	*2.0*	*4.8*
Malta	6.4	8.6	5.2	1.8	-11.7	10.3	4.4	**0.8**	**2.1**	**4.9**	*2.5*	*5.0*
Netherlands	5.8	8.8	5.5	2.3	-11.2	10.4	5.2	**0.9**	**1.7**	**5.1**	*2.5*	*5.2*
Austria	6.0	10.0	6.8	2.8	-11.5	11.3	5.9	**1.1**	**2.1**	**5.6**	*2.9*	*5.6*
Portugal	6.2	8.7	5.5	0.9	-12.6	9.7	3.9	**-0.3**	**0.9**	**4.5**	*1.3*	*4.5*
Slovenia	5.5	9.3	7.3	2.7	-13.1	9.8	5.5	**0.4**	**1.9**	**5.3**	*2.6*	*5.4*
Slovakia	5.9	10.8	8.3	3.2	-12.3	11.7	6.2	**0.9**	**1.8**	**5.4**	*2.5*	*5.5*
Finland	8.4	10.6	8.7	3.6	-12.2	11.9	7.7	**2.7**	**3.2**	**5.7**	*3.4*	*5.6*
Euro area (b)	6.1	8.8	6.1	2.2	-11.3	10.4	5.1	**1.1**	**2.1**	**5.1**	*2.4*	*5.1*
Bulgaria	6.6	9.4	8.5	2.4	-12.8	9.4	5.6	**0.0**	**2.0**	**5.1**	*2.3*	*5.1*
Czech Republic	6.5	10.8	7.0	3.2	-12.3	11.2	5.9	**1.3**	**2.1**	**5.5**	*2.8*	*5.5*
Denmark	7.0	8.8	6.4	2.4	-11.4	11.4	5.4	**1.5**	**2.3**	**5.2**	*2.7*	*5.1*
Latvia	9.1	11.8	8.9	3.8	-17.0	12.5	10.4	**4.0**	**3.6**	**6.0**	*3.9*	*5.8*
Lithuania	10.2	12.0	11.1	2.5	-16.6	11.2	9.8	**3.5**	**3.3**	**5.9**	*3.7*	*5.9*
Hungary	6.2	10.2	7.8	3.5	-12.5	11.0	6.1	**1.4**	**2.3**	**5.5**	*2.8*	*5.4*
Poland	7.3	10.5	8.0	3.5	-12.4	11.4	6.2	**1.7**	**2.2**	**5.5**	*2.9*	*5.5*
Romania	5.6	8.4	7.0	1.7	-12.4	10.2	5.4	**0.7**	**2.1**	**5.5**	*2.6*	*5.5*
Sweden	7.5	9.0	5.9	2.3	-11.9	9.7	5.0	**1.7**	**2.4**	**5.0**	*2.7*	*4.9*
United Kingdom	6.5	7.8	6.2	1.6	-11.1	10.5	5.0	**1.4**	**2.4**	**5.2**	*2.5*	*5.2*
EU (b)	6.3	8.8	6.2	2.2	-11.5	10.5	5.2	**1.2**	**2.1**	**5.1**	*2.5*	*5.1*
Croatia	4.9	8.8	6.9	1.5	-12.7	10.4	5.3	**-0.4**	**1.3**	**5.0**	*2.0*	*5.1*
USA	6.7	8.2	7.2	3.5	-11.2	13.1	6.6	**3.3**	**3.9**	**5.3**	*4.1*	*5.7*
Japan	7.2	8.8	7.7	3.7	-9.0	14.8	7.0	**3.4**	**4.3**	**6.0**	*4.2*	*5.9*

(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, 2005-14)

								Spring 2013 forecast			Winter 2013 forecast	
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
Belgium	-1.4	-3.4	-0.1	0.0	-0.6	-0.6	0.5	**-0.7**	**-1.2**	**-1.7**	*-0.9*	*-1.7*
Germany	1.4	4.0	1.1	0.6	-1.3	2.9	2.5	**2.5**	**-0.1**	**1.2**	*1.0*	*1.1*
Estonia	8.1	-3.0	-5.2	-0.8	-3.6	12.1	14.9	**4.0**	**1.2**	**0.8**	*1.1*	*0.2*
Ireland	-0.5	-3.2	4.1	-2.3	8.7	-4.1	0.4	**1.6**	**0.8**	**-1.1**	*0.9*	*-0.7*
Greece	-3.8	-3.1	1.2	0.0	-8.0	-4.7	-4.4	**-3.7**	**1.1**	**-0.3**	*0.1*	*-0.5*
Spain	-2.9	-1.5	1.6	-2.9	0.7	1.3	3.3	**2.6**	**2.3**	**0.7**	*2.0*	*0.6*
France	-2.7	-3.5	-3.4	-2.1	-1.1	-0.6	0.3	**1.5**	**-0.9**	**-0.3**	*-0.5*	*-0.3*
Italy	-5.3	-2.7	-0.3	-5.4	-7.3	1.3	0.5	**0.7**	**-0.9**	**-1.4**	*-0.6*	*-1.3*
Cyprus	-3.2	-6.6	-0.5	-2.7	3.4	-4.0	-2.8	**1.0**	**-7.8**	**-7.4**	*-1.8*	*-3.3*
Luxembourg	-0.8	4.7	4.0	2.8	0.3	-2.2	1.3	**-3.7**	**-0.5**	**-0.6**	*-0.4*	*-1.6*
Malta	-5.5	0.7	4.5	0.3	3.8	7.1	-3.5	**4.4**	**0.1**	**-0.3**	*1.5*	*-0.2*
Netherlands	0.2	-1.4	0.8	-0.3	3.9	0.7	-1.2	**2.4**	**1.6**	**-1.1**	*-0.8*	*-1.2*
Austria	1.3	-2.1	1.9	-1.3	-4.6	-2.3	1.3	**0.6**	**0.6**	**0.0**	*0.2*	*0.1*
Portugal	-4.0	2.7	1.9	-1.0	1.9	0.5	3.2	**3.5**	**0.0**	**-0.1**	*0.1*	*0.1*
Slovenia	4.8	3.0	6.0	1.3	-4.2	0.3	1.5	**-0.1**	**-0.6**	**-2.0**	*-1.4*	*-2.1*
Slovakia	3.8	9.2	5.5	-0.1	-4.5	3.9	6.1	**7.6**	**1.2**	**0.8**	*0.5*	*0.7*
Finland	-1.3	1.4	-0.5	2.1	-10.4	-3.9	-4.5	**-4.0**	**-2.6**	**-2.5**	*-2.8*	*-2.9*
Euro area (b)	-1.0	-0.2	0.5	-1.1	-1.3	0.7	1.2	**1.6**	**0.1**	**-0.2**	*0.2*	*-0.2*
Bulgaria	1.8	37.7	-2.2	0.6	1.8	4.9	6.3	**-0.3**	**0.7**	**-0.6**	*0.8*	*-0.6*
Czech Republic	4.8	4.5	3.9	0.7	1.6	3.9	3.3	**2.5**	**-1.0**	**-0.4**	*-0.4*	*0.1*
Denmark	1.0	0.2	-3.4	0.9	2.2	-7.6	1.1	**-0.5**	**-1.2**	**-0.8**	*-0.2*	*0.1*
Latvia	10.2	-4.7	1.0	-1.7	3.5	-0.8	2.1	**3.0**	**1.0**	**0.2**	*0.9*	*0.8*
Lithuania	6.8	0.0	-7.2	8.7	4.8	5.6	3.9	**7.4**	**2.0**	**0.9**	*1.5*	*0.8*
Hungary	4.8	7.7	6.6	2.1	2.6	2.9	0.2	**0.6**	**0.9**	**0.7**	*0.3*	*0.2*
Poland	0.6	3.7	1.0	3.4	6.4	0.6	1.4	**1.1**	**0.4**	**0.0**	*0.9*	*0.9*
Romania	1.9	1.9	0.8	6.5	6.8	2.7	4.7	**-3.7**	**0.4**	**-1.4**	*-1.7*	*-2.7*
Sweden	-0.8	0.0	-0.2	-0.5	-2.2	1.5	2.0	**-1.0**	**-1.1**	**-0.4**	*-0.7*	*0.0*
United Kingdom	1.3	3.0	-7.1	-0.4	3.3	-3.7	-0.4	**-1.6**	**-1.1**	**-1.2**	*0.0*	*-0.3*
EU (b)	-0.4	0.6	-0.4	-0.6	-0.2	0.2	1.1	**1.1**	**-0.1**	**-0.2**	*0.1*	*-0.1*
Croatia	-1.3	-2.7	-3.0	0.2	-4.0	-5.0	-3.1	**0.8**	**0.0**	**-1.4**	*-0.6*	*-2.0*
USA	0.0	0.7	2.0	2.5	2.3	-1.7	0.1	**0.2**	**-0.4**	**0.5**	*-1.4*	*0.3*
Japan	-0.2	0.8	0.9	-2.2	-16.7	8.3	-6.9	**-3.5**	**-0.3**	**0.8**	*0.6*	*0.8*

(a) Index for exports of goods and services divided by an index for growth of markets.

(b) Intra- and extra-EU trade.

TABLE 55 : World GDP, volume (percentage change on preceding year, 2008-14) 23.04.2013

							Spring 2013 forecast			Winter 2013 forecast	
	(a)	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
EU	20.0	3.2	0.3	-4.3	2.1	1.6	**-0.3**	**-0.1**	**1.4**	*0.1*	*1.6*
Euro area	14.3	3.0	0.4	-4.4	2.0	1.4	**-0.6**	**-0.4**	**1.2**	*-0.3*	*1.4*
Belgium	0.6	2.9	1.0	-2.8	2.4	1.8	**-0.2**	**0.0**	**1.2**	*0.2*	*1.5*
Bulgaria	0.1	6.4	6.2	-5.5	0.4	1.8	**0.8**	**0.9**	**1.7**	*1.4*	*2.0*
Czech Republic	0.2	5.7	3.1	-4.5	2.5	1.9	**-1.3**	**-0.4**	**1.6**	*0.0*	*1.9*
Denmark	0.4	1.6	-0.8	-5.7	1.6	1.1	**-0.5**	**0.7**	**1.7**	*1.1*	*1.7*
Germany	4.1	3.3	1.1	-5.1	4.2	3.0	**0.7**	**0.4**	**1.8**	*0.5*	*2.0*
Estonia	0.0	7.5	-4.2	-14.1	3.3	8.3	**3.2**	**3.0**	**4.0**	*3.0*	*4.0*
Ireland	0.3	5.4	-2.1	-5.5	-0.8	1.4	**0.9**	**1.1**	**2.2**	*1.1*	*2.2*
Greece	0.3	3.5	-0.2	-3.1	-4.9	-7.1	**-6.4**	**-4.2**	**0.6**	*-4.4*	*0.6*
Spain	1.7	3.5	0.9	-3.7	-0.3	0.4	**-1.4**	**-1.5**	**0.9**	*-1.4*	*0.8*
France	3.2	2.3	-0.1	-3.1	1.7	1.7	**-0.1**	**-0.1**	**1.1**	*0.1*	*1.2*
Italy	2.5	1.7	-1.2	-5.5	1.7	0.4	**-2.4**	**-1.3**	**0.7**	*-1.0*	*0.8*
Cyprus	0.0	5.1	3.6	-1.9	1.3	0.5	**-2.4**	**-8.7**	**-3.9**	*-3.5*	*-1.3*
Latvia	0.0	9.6	-3.3	-17.7	-0.9	5.5	**5.6**	**3.8**	**4.1**	*3.8*	*4.1*
Lithuania	0.0	9.8	2.9	-14.8	1.5	5.9	**3.6**	**3.1**	**3.6**	*3.1*	*3.6*
Luxembourg	0.1	6.6	-0.7	-4.1	2.9	1.7	**0.3**	**0.8**	**1.6**	*0.5*	*1.6*
Hungary	0.2	0.1	0.9	-6.8	1.3	1.6	**-1.7**	**0.2**	**1.4**	*-0.1*	*1.3*
Malta	0.0	4.1	3.9	-2.6	2.9	1.7	**0.8**	**1.4**	**1.8**	*1.5*	*2.0*
Netherlands	1.0	3.9	1.8	-3.7	1.6	1.0	**-1.0**	**-0.8**	**0.9**	*-0.6*	*1.1*
Austria	0.5	3.7	1.4	-3.8	2.1	2.7	**0.8**	**0.6**	**1.8**	*0.7*	*1.9*
Poland	0.6	6.8	5.1	1.6	3.9	4.5	**1.9**	**1.1**	**2.2**	*1.2*	*2.2*
Portugal	0.3	2.4	0.0	-2.9	1.9	-1.6	**-3.2**	**-2.3**	**0.6**	*-1.9*	*0.8*
Romania	0.2	6.3	7.3	-6.6	-1.1	2.2	**0.7**	**1.6**	**2.2**	*1.6*	*2.5*
Slovenia	0.1	7.0	3.4	-7.8	1.2	0.6	**-2.3**	**-2.0**	**-0.1**	*-2.0*	*0.7*
Slovakia	0.1	10.5	5.8	-4.9	4.4	3.2	**2.0**	**1.0**	**2.8**	*1.1*	*2.9*
Finland	0.3	5.3	0.3	-8.5	3.3	2.8	**-0.2**	**0.3**	**1.0**	*0.3*	*1.2*
Sweden	0.6	3.3	-0.6	-5.0	6.6	3.7	**0.8**	**1.5**	**2.5**	*1.3*	*2.7*
United Kingdom	2.8	3.6	-1.0	-4.0	1.8	1.0	**0.3**	**0.6**	**1.7**	*0.9*	*1.9*
Acc/Candidate countries	1.4	4.8	1.0	-4.9	7.4	7.7	**1.7**	**2.9**	**3.7**	*2.6*	*3.4*
- Croatia	0.1	5.1	2.1	-6.9	-2.3	0.0	**-2.0**	**-1.0**	**0.2**	*-0.4*	*1.0*
- Turkey	1.2	4.7	0.7	-4.8	9.2	8.8	**2.2**	**3.2**	**4.0**	*2.9*	*3.7*
- The former Yugoslav Republic of Macedonia	0.0	6.2	5.0	-0.9	2.9	2.8	**-0.3**	**1.5**	**2.0**	*1.5*	*2.5*
- Iceland	0.0	6.0	1.2	-6.6	-4.1	2.9	**1.6**	**1.8**	**3.0**	*2.0*	*2.7*
- Montenegro	0.0	10.7	6.9	-5.7	2.5	3.2	**-0.5**	**1.8**	**2.6**	*2.2*	*3.0*
- Serbia	0.1	5.4	3.8	-3.5	1.0	1.6	**-1.7**	**1.7**	**1.9**	*1.7*	*2.0*
Potential candidates	0.1	6.4	6.5	0.3	2.6	2.4	**0.4**	**1.4**	**2.6**	*1.4*	*2.6*
USA	19.2	1.9	-0.4	-3.1	2.4	1.8	**2.2**	**1.9**	**2.6**	*1.9*	*2.6*
Japan	5.7	2.2	-1.0	-5.5	4.7	-0.6	**2.0**	**1.4**	**1.6**	*1.0*	*1.6*
Canada	1.8	2.2	0.7	-2.8	3.2	2.4	**1.8**	**1.8**	**2.1**	*2.0*	*2.1*
Norway	0.3	2.7	0.1	-1.6	0.5	1.2	**3.2**	**2.6**	**2.5**	*2.6*	*2.5*
Switzerland	0.4	3.8	2.2	-1.9	3.0	1.9	**1.0**	**1.4**	**1.9**	*1.4*	*1.9*
Australia	1.2	3.8	1.4	2.3	2.1	2.1	**3.5**	**3.0**	**2.9**	*3.0*	*2.9*
New Zealand	0.2	2.9	-1.1	0.8	1.2	1.3	**3.6**	**3.2**	**2.9**	*2.5*	*3.2*
Advanced economies	50.3	2.6	0.0	-3.7	2.7	1.6	**1.2**	**1.1**	**2.1**	*1.1*	*2.1*
CIS	4.2	8.9	5.3	-6.7	4.8	4.8	**3.3**	**3.3**	**4.0**	*3.9*	*4.2*
- Russia	2.9	8.5	5.2	-7.8	4.3	4.3	**3.4**	**3.3**	**3.8**	*3.7*	*3.9*
- Other	1.3	9.8	5.5	-4.0	6.0	5.9	**3.1**	**3.3**	**4.4**	*4.3*	*4.8*
MENA	5.2	5.2	4.0	2.0	8.3	5.1	**4.5**	**3.0**	**3.9**	*3.1*	*3.9*
Asia	28.9	11.7	7.9	7.7	9.2	8.1	**5.8**	**6.5**	**6.8**	*6.5*	*6.8*
- China	14.6	14.2	9.6	9.2	10.4	9.3	**7.8**	**8.0**	**8.1**	*8.0*	*8.1*
- India	5.7	9.3	6.7	8.4	9.5	6.8	**4.1**	**5.7**	**6.6**	*5.8*	*6.6*
- Hong Kong	0.5	6.4	2.3	-2.6	7.0	5.0	**0.8**	**4.8**	**5.2**	*4.7*	*4.8*
- Korea	2.0	5.1	2.3	0.3	6.3	3.6	**2.0**	**3.1**	**3.7**	*3.3*	*3.5*
- Indonesia	1.5	6.3	6.0	4.6	6.1	6.5	**6.2**	**6.3**	**6.4**	*6.3*	*6.4*
Latin America	8.9	5.7	4.3	-1.8	6.1	4.5	**3.1**	**3.1**	**3.5**	*3.7*	*4.2*
- Brazil	3.0	6.1	5.2	-0.3	7.5	2.7	**0.9**	**3.0**	**3.6**	*3.5*	*4.0*
- Mexico	2.2	3.4	1.5	-6.4	5.3	3.9	**3.9**	**3.5**	**3.5**	*3.5*	*3.5*
Sub-Saharan Africa	2.6	7.5	5.4	2.7	5.1	4.6	**5.1**	**5.4**	**5.5**	*5.3*	*5.5*
Emerging and developing economies	49.7	9.4	5.4	2.5	8.8	6.8	**4.9**	**5.2**	**5.6**	*5.4*	*5.7*
World	100.0	6.0	2.7	-0.6	5.7	4.2	**3.0**	**3.1**	**3.8**	*3.2*	*3.9*
World excluding EU	80.0	6.7	3.3	0.3	6.6	4.9	**3.9**	**4.0**	**4.4**	*4.0*	*4.5*
World excluding euro area	85.7	6.5	3.1	0.0	6.4	4.7	**3.7**	**3.8**	**4.3**	*3.8*	*4.4*

(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, 2007-14) 23.04.2013

							Spring 2013 forecast			*Winter 2013 forecast*	
	(a)	2007	2008	2009	2010	2011	2012	2013	2014	*2013*	*2014*
EU (b)	35.6	5.6	1.6	-11.7	10.7	6.4	**2.3**	**2.0**	**4.9**	*2.6*	*5.0*
Euro area (b)	26.7	6.6	1.1	-12.4	11.2	6.3	**2.7**	**2.2**	**4.9**	*2.6*	*4.9*
Acc/Candidate countries	1.1	7.3	2.5	-6.2	4.0	7.1	**14.3**	**4.3**	**6.6**	*4.6*	*6.0*
- Croatia	0.1	3.7	1.7	-16.2	4.8	2.0	**0.4**	**1.3**	**3.5**	*1.4*	*3.0*
- Turkey	0.9	7.3	2.7	-5.0	3.4	7.9	**17.2**	**4.8**	**7.2**	*5.0*	*6.5*
- The former Yugoslav Republic of Macedonia	0.0	11.8	-6.3	-15.8	23.6	11.2	**-0.4**	**4.1**	**6.4**	*5.5*	*7.5*
- Iceland	0.0	17.7	7.0	7.0	0.6	4.1	**3.9**	**2.5**	**3.0**	*3.8*	*4.7*
- Montenegro	0.0	:	:	:	:	:	**-1.6**	**2.3**	**2.7**	*2.9*	*3.1*
- Serbia	0.1	:	:	:	:	:	**4.5**	**12.9**	**4.6**	*10.4*	*4.6*
USA	9.7	9.3	6.1	-9.1	11.1	6.7	**3.5**	**3.5**	**5.8**	*2.6*	*6.0*
Japan	4.1	8.7	1.4	-24.2	24.4	-0.4	**-0.2**	**4.0**	**6.9**	*4.8*	*6.8*
Canada	2.5	1.2	-4.7	-13.8	6.4	8.8	**2.2**	**2.1**	**2.3**	*2.5*	*5.9*
Norway	0.9	1.4	0.1	-4.2	0.4	-1.8	**2.2**	**1.6**	**4.5**	*1.9*	*2.9*
Switzerland	1.6	9.9	2.9	-7.7	7.8	3.8	**1.1**	**2.7**	**3.8**	*2.3*	*3.8*
Australia	1.4	3.0	5.4	-4.8	8.9	-0.1	**4.7**	**4.7**	**5.5**	*4.7*	*5.0*
New Zealand	0.2	5.9	-2.2	1.0	2.7	-0.5	**3.5**	**3.7**	**3.7**	*2.6*	*2.3*
Advanced economies	57.1	6.3	2.2	-11.7	11.1	5.7	**2.6**	**2.6**	**5.1**	*2.8*	*5.3*
CIS	4.0	5.0	10.2	-15.7	11.6	8.5	**3.0**	**3.5**	**5.3**	*5.6*	*5.4*
- Russia	2.7	6.3	0.6	-4.7	7.0	0.4	**1.9**	**3.2**	**5.2**	*3.9*	*5.3*
- Other	1.4	2.6	29.0	-36.9	20.5	24.4	**5.3**	**4.1**	**5.3**	*8.8*	*5.6*
MENA	6.0	10.8	6.8	-11.4	1.8	31.0	**4.5**	**4.0**	**4.8**	*4.1*	*4.8*
Asia	25.3	20.2	9.4	-6.2	18.8	8.3	**4.2**	**5.9**	**6.7**	*5.5*	*6.2*
- China	9.3	36.7	8.5	-4.2	20.3	8.1	**5.5**	**6.2**	**6.6**	*6.0*	*6.5*
- India	2.0	12.3	13.7	-7.8	14.8	10.6	**-0.3**	**8.5**	**10.2**	*4.7*	*5.7*
- Hong Kong	2.6	7.9	2.9	-12.2	17.8	3.8	**-2.3**	**5.7**	**7.3**	*5.7*	*7.3*
- Korea	3.1	12.1	13.5	0.7	13.6	8.8	**4.2**	**4.8**	**6.2**	*5.0*	*6.0*
- Indonesia	1.0	6.5	12.4	-17.4	22.0	18.6	**2.0**	**7.2**	**9.8**	*6.7*	*7.0*
Latin America	5.5	6.7	-1.0	-9.0	13.5	7.3	**4.6**	**5.4**	**6.2**	*5.5*	*6.3*
- Brazil	1.4	8.6	3.1	-3.7	11.0	4.9	**3.0**	**4.8**	**5.7**	*4.8*	*6.2*
- Mexico	1.7	5.6	1.2	-10.3	24.3	11.9	**4.9**	**5.8**	**6.8**	*6.3*	*6.8*
Sub-Saharan Africa	2.1	6.1	15.9	-32.6	18.0	14.7	**1.5**	**2.9**	**5.6**	*6.2*	*6.8*
Emerging and developing economies	42.9	11.5	6.5	-11.8	15.8	11.5	**3.6**	**5.2**	**6.2**	*5.4*	*6.0*
World	100.0	8.5	4.0	-11.7	13.1	8.2	**3.0**	**3.7**	**5.5**	*3.9*	*5.6*
World excluding EU	64.4	10.1	5.4	-11.8	14.4	9.2	**3.4**	**4.6**	**5.9**	*4.6*	*5.9*
World excluding euro area	73.3	9.3	5.1	-11.5	13.8	8.9	**3.1**	**4.3**	**5.8**	*4.4*	*5.8*

(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	79.3	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	0.8	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, 2007-14) 23.04.2013

							Spring 2013 forecast			Winter 2013 forecast	
	(a)	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
EU (b)	35.3	5.9	1.1	-11.6	9.7	4.1	**-0.3**	**0.8**	**4.5**	*1.5*	*4.6*
Euro area (b)	26.4	6.2	0.9	-11.1	9.7	4.2	**-0.9**	**0.5**	**4.7**	*1.2*	*4.8*
Acc/Candidate countries	1.5	10.1	-3.6	-15.2	10.3	9.8	**0.4**	**5.2**	**7.5**	*3.3*	*7.6*
- Croatia	0.1	6.1	4.0	-21.4	-2.8	1.3	**-2.1**	**0.4**	**3.7**	*1.5*	*3.8*
- Turkey	1.2	10.7	-4.1	-14.3	11.3	10.7	**0.5**	**5.8**	**8.0**	*3.5*	*8.1*
- The former Yugoslav Republic of Macedonia	0.0	16.1	0.8	-14.3	9.5	13.2	**3.7**	**3.0**	**5.3**	*4.9*	*6.6*
- Iceland	0.0	-1.5	-18.4	-24.0	4.5	6.8	**5.0**	**2.0**	**4.5**	*3.7*	*5.3*
- Montenegro	0.0	:	:	:	:	:	**0.9**	**2.2**	**2.4**	*3.0*	*3.5*
- Serbia	0.1	:	:	:	:	:	**4.2**	**3.3**	**3.9**	*3.2*	*4.1*
USA	12.6	2.4	-2.7	-13.5	12.5	4.8	**2.4**	**2.7**	**6.2**	*2.0*	*6.1*
Japan	4.5	2.3	0.3	-15.7	11.1	5.9	**5.3**	**2.0**	**5.0**	*1.6*	*5.0*
Canada	2.7	5.9	1.5	-13.4	13.1	9.5	**2.6**	**2.6**	**2.6**	*2.6*	*6.0*
Norway	0.7	10.0	3.9	-12.5	9.0	3.8	**3.3**	**2.5**	**5.0**	*3.0*	*2.7*
Switzerland	1.3	6.2	-0.3	-5.2	7.4	4.2	**2.3**	**2.9**	**3.6**	*2.0*	*3.6*
Australia	1.4	10.3	11.7	-10.8	7.1	6.3	**7.6**	**6.9**	**7.8**	*7.0*	*7.3*
New Zealand	0.2	8.2	-5.3	-13.2	8.8	4.7	**2.3**	**2.1**	**2.9**	*1.7*	*4.7*
Advanced economies	60.0	5.1	0.4	-12.4	10.6	4.8	**1.1**	**1.7**	**4.9**	*1.8*	*5.1*
CIS	3.2	20.5	13.4	-27.8	19.7	18.1	**9.4**	**7.1**	**8.5**	*7.6*	*7.9*
- Russia	2.0	26.2	14.8	-30.4	25.8	20.3	**8.7**	**9.1**	**9.2**	*9.1*	*9.2*
- Other	1.2	11.4	11.2	-23.7	9.9	14.6	**10.5**	**3.9**	**7.3**	*5.1*	*5.9*
MENA	4.8	14.3	14.7	-1.4	0.2	20.9	**5.0**	**5.4**	**5.7**	*5.4*	*5.7*
Asia	24.3	7.7	8.2	-0.7	18.6	3.4	**3.5**	**5.3**	**6.6**	*5.0*	*5.9*
- China	8.7	10.6	4.0	4.5	20.7	9.4	**3.9**	**5.1**	**6.4**	*4.5*	*5.8*
- India	2.6	12.7	28.3	-1.3	16.0	-18.3	**4.7**	**6.6**	**9.3**	*5.2*	*5.6*
- Hong Kong	2.4	8.2	2.2	-10.4	17.0	3.8	**-0.8**	**6.1**	**7.7**	*6.1*	*7.7*
- Korea	2.9	9.8	5.2	-3.0	15.2	2.9	**2.5**	**3.9**	**4.9**	*4.0*	*5.2*
- Indonesia	0.9	4.4	20.4	-15.8	20.7	3.9	**6.6**	**7.4**	**9.7**	*6.0*	*6.1*
Latin America	5.6	13.3	6.4	-17.7	18.8	9.2	**4.0**	**6.0**	**6.5**	*6.4*	*6.6*
- Brazil	1.4	14.9	6.6	-13.0	26.9	-0.6	**0.7**	**6.0**	**6.5**	*6.9*	*6.9*
- Mexico	1.8	7.3	3.5	-16.9	23.3	10.2	**5.6**	**6.7**	**6.6**	*7.5*	*6.6*
Sub-Saharan Africa	2.1	11.2	10.8	-19.4	5.4	10.6	**1.3**	**2.9**	**6.1**	*3.6*	*5.2*
Emerging and developing economies	40.0	11.1	9.1	-9.2	15.7	8.5	**4.4**	**5.4**	**6.6**	*5.3*	*6.1*
World	100.0	7.5	3.9	-11.1	12.6	6.3	**2.4**	**3.2**	**5.6**	*3.3*	*5.5*
World excluding EU	64.7	8.4	5.4	-10.8	14.3	7.5	**3.9**	**4.5**	**6.2**	*4.2*	*6.0*
World excluding euro area	73.6	8.1	4.9	-11.1	13.7	7.0	**3.6**	**4.1**	**5.9**	*4.0*	*5.8*

(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, 2007-14) 23.04.2013

							Spring 2013 forecast			Winter 2013 forecast	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
EU	-89.8	-121.9	-205.0	-46.7	-74.6	-90.4	**30.2**	**108.2**	**123.4**	*120.6*	*146.8*
EU, adjusted [1]	-208.0	-218.8	-325.1	-119.7	-164.8	-191.6	**-57.3**	**18.9**	**34.3**	*27.1*	*53.4*
Euro area	63.4	99.9	29.0	76.1	74.8	66.0	**190.6**	**276.6**	**305.2**	*285.2*	*309.0*
Euro area, adjusted [1]	10.2	57.8	-32.1	42.7	22.9	9.5	**129.3**	**214.1**	**242.9**	*234.6*	*258.4*
Acc/Candidate countries	-53.9	-63.3	-68.4	-35.1	-63.7	-103.8	**-84.6**	**-94.0**	**-102.5**	*-101.5*	*-112.4*
USA	-860.5	-838.7	-848.8	-522.8	-668.5	-754.7	**-748.2**	**-748.3**	**-812.4**	*-761.8*	*-826.2*
Japan	81.4	104.7	39.0	43.2	91.0	-20.3	**-81.0**	**-86.5**	**-79.1**	*-119.4*	*-132.8*
Norway	56.1	53.5	78.8	45.6	50.0	66.3	**68.8**	**70.8**	**74.5**	*71.5*	*75.4*
Switzerland	1.8	5.2	10.9	12.4	13.0	16.6	**18.2**	**17.3**	**17.1**	*23.7*	*23.8*
Advanced economies	-832.7	-836.2	-957.1	-510.8	-641.8	-867.4	**-799.8**	**-748.0**	**-799.7**	*-711.6*	*-771.6*
CIS	142.8	121.8	213.9	103.6	164.1	233.1	**209.3**	**220.5**	**224.4**	*255.9*	*268.6*
- Russia	139.6	130.9	177.8	110.7	151.9	198.6	**189.8**	**198.6**	**209.6**	*205.3*	*219.0*
MENA	292.8	290.4	394.4	157.8	264.2	348.3	**318.8**	**313.7**	**188.8**	*344.5*	*220.0*
Asia	368.1	479.5	403.3	372.4	353.5	331.9	**433.8**	**476.6**	**685.1**	*384.3*	*578.5*
- China	218.0	316.0	360.0	249.0	254.0	240.0	**329.0**	**404.0**	**468.0**	*396.5*	*459.5*
Latin America	97.0	67.9	41.6	51.6	47.3	69.8	**51.7**	**33.8**	**25.7**	*47.8*	*39.5*
Sub-Saharan Africa	46.3	49.9	67.1	22.2	53.1	64.9	**65.5**	**58.6**	**46.3**	*83.2*	*94.3*
Emerging and developing economies	946.9	1009.5	1120.3	707.6	882.2	1048.0	**1079.0**	**1103.2**	**1170.3**	*1115.6*	*1200.9*
World	114.3	173.4	163.2	196.8	240.4	180.6	**279.3**	**355.2**	**370.6**	*404.0*	*429.3*

[1] See note 8 on concepts and sources.

TABLE 61 : World current-account balances (in billions of US dollar, 2007-14)

							Spring 2013 forecast			Winter 2013 forecast	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
EU	-28.3	-58.9	-160.9	-9.8	-12.6	25.3	**156.0**	**280.7**	**325.5**	*237.1*	*287.0*
EU, adjusted [1]	-184.6	-178.7	-382.5	-108.9	-83.4	-48.9	**55.6**	**178.3**	**223.3**	*182.5*	*232.3*
Euro area	53.2	53.0	-94.1	7.6	30.2	41.2	**221.4**	**315.4**	**341.7**	*283.4*	*304.3*
Euro area, adjusted [1]	-15.8	10.1	-206.9	-18.8	4.6	20.7	**149.0**	**241.6**	**268.1**	*268.5*	*289.4*
Acc/Candidate countries	-43.4	-54.8	-65.0	-22.3	-52.5	-79.4	**-51.5**	**-64.5**	**-74.0**	*-66.9*	*-77.6*
USA	-556.1	-704.0	-676.5	-500.4	-472.4	-465.7	**-473.3**	**-447.2**	**-504.6**	*-490.1*	*-558.3*
Japan	171.2	211.8	161.4	146.9	204.0	119.8	**96.6**	**84.8**	**128.2**	*51.9*	*77.4*
Norway	55.8	49.1	72.9	44.5	50.2	62.7	**71.1**	**72.5**	**76.3**	*70.0*	*74.3*
Switzerland	56.9	39.6	12.9	58.4	83.2	73.6	**82.6**	**82.9**	**85.0**	*74.9*	*75.9*
Advanced economies	-375.3	-580.2	-710.9	-376.2	-300.3	-352.4	**-221.0**	**-108.6**	**-88.0**	*-168.1*	*-169.7*
CIS	94.3	66.5	99.0	23.6	47.1	84.1	**96.8**	**98.9**	**90.8**	*134.9*	*136.1*
- Russia	95.2	78.0	102.0	48.5	70.9	100.9	**78.4**	**75.5**	**74.2**	*78.2*	*78.4*
MENA	264.5	255.6	336.8	81.6	182.1	323.0	**276.0**	**256.0**	**215.2**	*276.6*	*236.8*
Asia	355.9	521.3	494.3	401.7	358.9	242.0	**277.1**	**305.3**	**447.3**	*261.8*	*402.0*
- China	232.0	353.0	421.0	243.0	238.0	136.0	**202.0**	**309.0**	**354.0**	*352.9*	*411.3*
Latin America	49.4	12.5	-31.1	-21.9	-55.8	-73.9	**-77.4**	**-100.0**	**-111.2**	*-78.9*	*-91.0*
Sub-Saharan Africa	20.3	-1.0	-5.9	-30.7	-7.6	-14.1	**-10.6**	**-23.9**	**-42.3**	*296.4*	*292.8*
Emerging and developing economies	784.5	855.0	893.2	454.3	524.7	561.2	**561.9**	**536.3**	**599.8**	*890.9*	*976.7*
World	409.2	274.8	182.3	78.1	224.4	208.8	**340.9**	**427.7**	**511.8**	*722.8*	*807.0*

[1] See note 8 on concepts and sources.

TABLE 62 : Primary commodity prices (in US dollar, percentage change on preceding year, 2007-14)

SITC							Spring 2013 forecast			Winter 2013 forecast	
Classification	2006	2007	2008	2009	2010	2011	2012	2013	2014	2013	2014
Food (0 + 1)	10.3	12.6	21.6	-11.1	10.9	17.4	**-3.1**	**-4.4**	**-2.5**	*-3.3*	*-4.2*
Basic materials (2 + 4)	32.5	12.3	8.8	-23.6	39.9	19.2	**-15.1**	**-1.0**	**1.9**	*-1.0*	*1.7*
- of which :											
Agricultures non-food	9.1	11.3	7.7	-20.2	29.7	25.9	**-14.0**	**-6.8**	**0.6**	*-7.3*	*-0.4*
- of which :											
Wood and pulp	8.5	0.3	3.0	-10.3	6.2	9.0	**-5.8**	**-2.3**	**1.2**	*0.4*	*0.2*
Minerals and metals	53.4	12.9	9.5	-25.7	46.6	15.3	**-15.9**	**2.8**	**2.6**	*3.0*	*2.8*
Fuel products (3)	19.6	8.5	38.1	-36.7	26.3	38.0	**1.3**	**-5.8**	**-5.1**	*1.0*	*-5.8*
- of which :											
Crude petroleum	20.3	9.4	36.2	-36.9	28.8	38.3	**0.8**	**-6.2**	**-5.4**	*1.7*	*-6.4*
Primary commodities											
- Total excluding fuels	22.3	12.4	14.2	-18.1	26.0	18.4	**-10.1**	**-2.5**	**-0.1**	*-2.0*	*-1.0*
- Total including fuels	20.0	9.2	33.9	-34.0	26.3	34.5	**-0.5**	**-5.3**	**-4.4**	*0.6*	*-5.2*
					Crude petroleum - price per barrel						
Brent (usd)	66.2	72.4	98.6	62.3	80.2	110.9	**111.8**	**104.9**	**99.2**	*113.7*	*106.4*
Brent (euro)	52.8	52.9	67.2	44.8	60.5	79.7	**87.0**	**80.0**	**75.8**	*85.8*	*80.3*

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.

2. Data for 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. Source: National Accounts (ESA95). Discrepancies with balance of payments statistics may arise due to methodological differences and revision schedules.

8. EU and euro-area data are aggregated using exchange rates. World GDP is aggregated using Purchasing Power Standards (PPS). In the tables on world trade and international payments, the aggregation is carried out on the basis of current exchange rates. Tables 49 - 52, 60 and 61 show also EU and euro-area "adjusted" balances. Theoretically, balances of EU and euro area vis-à-vis third countries should be identical to the sum of the balances of the individual countries in the EU or the euro area. However, intra-EU or intra-euro-area balances are non-zero because of reporting errors. The creation of the internal market in 1993 reduced border controls and formalities, and accordingly the scope and precision of intra-EU trade coverage. Typically, intra-EU imports are underestimated compared to intra-EU exports, leading to an overestimation of the surplus. For the past the "adjusted" balances are Eurostat estimates for EU and ECB estimates for the euro area. For the future, they are ECFIN's forecasts based on the extrapolation of the discrepancies observed in 2012.

9. Geographical zones are defined as follows :

Euro area :
EA17 (BE, DE, EE, IE, EL, ES, FR, IT, CY, LU, MT, NL, AT, PT, SI, SK and FI)
European Union
EU27 (EA17, BG, CZ, DK, LV ,LT, HU, PL, RO, SE and UK)
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.